BN Bank ASA

INTERIM REPORT Q1 | 2014

Content

Financial Ratios

NOK MILLION	REFERENCE	GROUP 31.03.14	31.03.13	THE YEAR 2013
Summary of results				
Net income from interest and credit commissions		107	87	410
Total other operating income		57	63	283
Total income		**164**	**150**	**693**
Total other operating expense		**58**	**56**	**215**
Operating profit/(loss) before impairment losses		**106**	**94**	**478**
Impairment losses on loans and advances		5	52	129
Profit before tax		**101**	**42**	**349**
Computed tax charge		27	12	97
Profit after tax		**74**	**30**	**252**
Profitability				
Return on equity	1	8.2 %	3.7 %	7.3 %
Net interest	2	1.13 %	0.85 %	1.00 %
Expense ratio	3	35.4 %	37.3 %	31.0 %
Expense ratio incl. equity surcharge in SpareBank 1 Næringskreditt		30.4 %	37.3 %	31.0 %
Balance sheet figures				
Gross loans and advances		28 383	33 008	29 309
Customer deposits		14 120	17 041	15 169
Deposit-to-loan ratio	4	49.7 %	51.6 %	51.8 %
Growth in lending (gross), last 12 months		-14.0 %	-2.9 %	-12.0 %
Growth in deposits, last 12 months		-17.1 %	5.5 %	-10.3 %
Average total assets	5	37 958	40 847	39 463
Total assets		36 758	41 066	37 505
Balance sheet figures inc. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt				
Gross loans and advances		49 913	49 109	50 025
Customer deposits		14 120	17 041	15 169
Growth in lending (gross), last 12 months		1.6 %	7.0 %	1.1 %
Growth in deposits, last 12 months		-17.1 %	5.5 %	-10.3 %
Proportion of loans financed via deposits		28.3 %	34.7 %	30.3 %
Impairment losses and defaults Group				
Loss ratio lending	6	0.07 %	0.64 %	0.41 %
Non-performing loans as % of gross lending		1.30 %	1.21 %	1.91 %
Other doubtful commitments as % of gross lending	7	2.30 %	2.36 %	2.25 %
Impairment losses and defaults, inc. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt				
Loss ratio lending	6	0.04 %	0.42 %	1.04 %
Non-performing loans as % of gross lending		0.74 %	0.82 %	1.14 %
Other doubtful commitments as % of gross lending	7	1.31 %	1.59 %	1.32 %
Solvency				
Capital adequacy ratio		15.66 %	14.57 %	15.44 %
Tier 1 capital ratio		13.63 %	12.04 %	13.02 %
Core tier 1 capital ratio		11.31 %	10.25 %	11.07 %
Tier 1 capital		3 808	3 742	3 705
Total capital		4 375	4 525	4 393
Offices and staffing				
Numbers of offices		2	2	2
Number of full-time equivalents		113	114	111
Shares				
Earnings per share for the period (whole NOK)		5.54	2.24	17.85

Reference

1) Profit after tax as a percentage of average equity
2) Total net income year to date relative to average total assets
3) Total operating expense as a percentage of total operating income
4) Customer deposits as a percentage of customer loans
5) Average total assets is calculated as the average quarterly total assets as of the last five quarters
6) Net losses as a percentage of average gross lending, year to date
7) The figures include the Guarantee Portfolio

Report from the Board of Directors

Summary of Quarter 1 2014

The comparative figures in parentheses are for the fourth quarter of 2013.

- Net interest income amounted to NOK 107 million (NOK 110 million)
- Other operating income amounted to NOK 57 million (NOK 73 million)
- Profit after tax of NOK 74 million (NOK 48 million)
- Profit after tax from core business totalling NOK 72 million (NOK 63 million)
- Other operating expense amounted to NOK 58 million (NOK 55 million)
- Costs constituted 35 per cent of total income (30 per cent)
- Return on equity after tax of 8.2 per cent (5.3 per cent)
- Impairment losses on loans constituted an expense of NOK 5 million (expense of NOK 64 million)

Summary as at 31 March 2014

The comparative figures in parentheses concern the corresponding period last year.

- Net interest income amounted to NOK 107 million (NOK 87 million)
- Other operating income amounted to NOK 57 million (NOK 63 million)
- Profit after tax amounted to NOK 74 million (NOK 30 million)
- Profit after tax from core business totalling NOK 72 million (NOK 33 million)
- Other operating expense amounted to NOK 58 million (NOK 56 million)
- Costs constituted 35 per cent of total income (37 per cent)
- Return on equity after tax of 8.2 per cent (3.7 per cent)
- Return on equity after tax from core business at 8.1 per cent (3.9 per cent)
- Growth in lending in the managed portfolio of NOK 804 million during the past 12 months (NOK 3,229 million)
- The margin on loans measured against the 3-month NIBOR rose by 22 basis points during the past 12 months to 2.43 per cent (2.21 per cent)
- The deposit margin measured against the 3-month NIBOR rose by 13 basis points during the past 12 months to -1.01 per cent (-1.14 per cent)
- Impairment losses on loans and advances of NOK 5 million (NOK 52 million)
- Capital adequacy ratio of 15.74 per cent (14.6 per cent)
- Tier 1 capital adequacy ratio of 13.60 per cent (12.0 per cent)
- Core tier 1 capital adequacy ratio of 11.31 per cent (10.3 per cent)

Results for Quarter 1 2014

The comparative figures in parentheses are for the fourth quarter of 2013.

During the first quarter of 2014, profit after tax was NOK 74 million (NOK 48 million). This gave an annualised return on equity of 8.2 per cent (5.3 per cent). The key factors behind this change are lower impairment losses and advances, which had a positive effect, and lower commission income from SpareBank 1 Næringskreditt, which had a negative effect.

Total income was NOK 164 million during the first quarter of 2014 (NOK 183 million).

NOK MILLION	Q1 2014	Q4 2013	CHANGE
Total income	164	183	-19
Commission income from SpareBank 1 Næringskreditt			-24
Margin and volume of lending, deposits and other securities			3
Commission to loan brokers			2
Changes in value			1
Other			-1

During the first quarter, net interest income amounted to NOK 107 million (NOK 110 million). Lower lending volumes had a negative impact, while higher deposit margins had a positive effect compared with the fourth quarter of 2013.

During the first quarter, other operating income excluding changes in value amounted to NOK 49 million (NOK 67 million). Of this amount, NOK 17 million relates to commission income from SpareBank 1 Næringskreditt. The corresponding commission income from SpareBank 1 Næringskreditt during the fourth quarter of 2013 was NOK 41 million. The commission is calculated as the interest on loans less costs incurred by SpareBank 1 Næringskreditt AS. The primary reason for the reduction in commission income is the fact that, from 2014 onwards, costs include a premium for the capital that the owners have invested in SpareBank 1 Næringskreditt for the loans that BN Bank has transferred. This premium is intended to ensure a return on capital after tax in SpareBank 1 Næringskreditt corresponding to 8 per cent.

Operating expense for the first quarter of 2014 was NOK 58 million (NOK 55 million). Operating expense has remained low as a result of a focus on efficiency and costs. BN Bank aims to be one of Norway's most cost-effective banks. Other operating expense amounted to 35 per cent of total income during the first quarter of 2014 (30 per cent). The increase in the expense ratio primarily stems from lower commission income from SpareBank 1 Næringskreditt. Adjusted for the equity premium in SpareBank 1 Næringskreditt, the expense ratio is 30 per cent.

During the first quarter of 2014, NOK 5 million was expensed in respect of impairment losses on loans and advances. Individual and collective impairment losses on loans were distributed as follows:

NOK MILLION	INDIVIDUAL	COLLECTIVE
Corporate Market	-1	2
Retail Market	3	2
Guarantee Portfolio	2	-3

The Guarantee Portfolio amounts to NOK 118 million as at 31 March 2014. The corresponding exposure as at 31 December 2013 was NOK 117 million.

As at 31 March 2014

The comparative figures in parentheses apply as at 31 March 2013.

As at the first quarter of 2014, the BN Bank Group posted a profit after tax of NOK 74 million (NOK 30 million). This gives an annualised return on equity after tax of 8.2 per cent (3.6 per cent). Increased margins and reduced losses had a positive effect, while lower commission income had a negative effect.

The Bank's core business (the result of the corporate and retail banking operations) saw an increase in post-tax profit of NOK 39 million, up from NOK 33 million in the first quarter of 2013 to NOK 72 million in the first quarter of 2014.

Income

Total income was NOK 164 million (NOK 150 million). BN Bank has improved its margins in both corporate and retail lending in during the past year. These improvements are attributable both to falling borrowing interest rates and to changes in lending interest rates. The Bank's total margin on loans measured against the 3-month NIBOR during the first quarter of 2014 was 2.43 per cent (2.21 per cent). The margin for retail lending during the first quarter of 2014 was 2.38 per cent (1.95 per cent), while the margin for corporate lending was 2.52 per cent (2.35 per cent).

The Bank's deposit margin measured against the 3-month NIBOR during the first quarter of 2014 was -1.01 per cent (-1.14 per cent).

Other operating income for the first quarter of 2014 was NOK 57 million (NOK 63 million). Reduced commission income from SpareBank 1 Næringskreditt and lower changes in value had a negative impact, while higher commission income from SpareBank 1 Boligkreditt had a positive effect.

Costs

Operating expense amounted to NOK 58 million (NOK 56 million). Costs during the first quarter of 2014 constituted 35 per cent of total income (37 per cent). Adjusted for the equity surcharge in SpareBank 1 Næringskreditt, the cost ratio is 30 per cent.

Impairment losses and defaults

Net impairment losses on loans and guarantees totalled NOK 5 million (NOK 52 million).

Defaults in excess of 90 days amounted to 1.30 per cent of gross lending within the Group as at 31 March 2014 (1.21 per cent). With a deduction for individual write-downs, non-performing and doubtful loans amounted to NOK 769 million (NOK 997 million) at the end of the first quarter of 2014, equivalent to 2.71 per cent (3.02 per cent) of gross lending within the Group and the Guarantee Portfolio. See Note 7 for more information.

Impairment losses during the first quarter of 2014 were distributed as follows:

NOK MILLION	INDIVIDUAL	COLLECTIVE
Corporate Market	-1	2
Retail Market	3	2
Guarantee Portfolio	2	-3

Loan loss provisions within the core business amounted to NOK 217 million at the end of the first quarter of 2014. Of this figure, individual write-downs account for NOK 151 million and collective write-downs NOK 66 million. Total loan loss provisions as at the end of the first quarter of 2014 were distributed as follows:

	LOAN LOSS PROVISIONS (NOK MILL)	% OF GROSS LENDING. GROUP
Corporate Market	201	0.98
Retail Market	16	0.20

BN Bank has previously sold its portfolio in Ålesund to SpareBank 1 SMN. BN Bank provides a guarantee for 60 per cent of the credit risk for a portion of this portfolio (called the "Guarantee Portfolio"). As at 31 March 2014, the Guarantee Portfolio stood at NOK 417 million, of which BN Bank is providing a guarantee for NOK 250 million. This figure is equivalent to 0.9 per cent of the Bank's gross lending at the end of the first quarter. In addition to the provisions shown in the table above, NOK 132 million has been set aside as a financial loan loss guarantee linked to the Guarantee Portfolio. This is 53 per cent of the guaranteed amount.

Balance sheet developments and capital

Gross managed lending[1] has risen by NOK 0.8 billion, or 2 per cent, in the past 12 months. Gross managed loans totalled NOK 49.9 billion at the end of the first quarter 2014.

NOK BILLION	31.03.14	31.03.13
Gross lending	49.9	49.1
change last 12 months	0.8	3.2

Gross managed lending had the following segmental exposure:

NOK BILLION	31.03.14	31.03.13
Retail Market	16.5	14.8
Corporate Market	33.4	34.3

Corporate Market has reduced lending by NOK 0.9 billion, or 3 per cent, during the past 12 months. The lending volume in the retail market rose by NOK 1.7 billion, or 11 per cent, during the same period.

Deposits fell by NOK 2.9 billion, or 17 per cent. Total deposits amounted to NOK 14.1 billion at the end of the first quarter. The deposit-to-loan ratio was 50 per cent at the end of the first quarter, a reduction of 1.8 percentage points during the past 12 months.

[1] Gross managed lending is the sum total of corporate and retail lending in BN Bank, SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt.

To date in 2014, the Bank has issued certificates and bonds totalling NOK 1.7 billion in the Norwegian bond market. BN Bank has a conservative liquidity strategy. BN Bank has established a goal of being able to manage without access to new external financing sources for a period of 12 months. At the end of the first quarter of 2014, the Bank met this goal. BN Bank's liquidity portfolio amounted to NOK 7.1 billion at the end of the first quarter 2014.

At the end of the first quarter of 2014, loans worth NOK 12.8 billion had been transferred to SpareBank 1 Næringskreditt, while loans amounting to NOK 8.7 billion had been transferred to SpareBank 1 Boligkreditt. In total, the Bank has transferred 38 per cent of loans for commercial property and 53 per cent of residential mortgage loans to these two companies. During the past 12 months, the Bank has transferred net amounts of NOK 2.8 billion and NOK 2.6 billion to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt respectively.

The Bank's total assets amounted to NOK 36.8 billion as at 31 March 2014 (NOK 41.1 billion). Including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, total assets amounted to NOK 58.3 billion (NOK 57.2 billion).

BN Bank's capital adequacy ratio, tier 1 capital ratio and core tier 1 capital ratio were as follows:

FIGURES AS %	31.03.14	31.03.13
Capital adequacy ratio	15.7	14.6
Tier 1 capital ratio	13.6	12.0
Core tier 1 capital ratio	11.3	10.3

The Board of Directors has adopted a capital plan for BN Bank aimed at attaining a core tier 1 capital ratio of 13 per cent by the end of the second quarter of 2016. See Note 15 for further details concerning capital adequacy ratio and solvency.

Accounting policies

BN Bank presents its consolidated interim financial statements in compliance of International Financial Reporting Standards (IFRS). See Note 1 for more information.

The interim financial statements give a true and fair view of the BN Bank Group's assets and liabilities, financial position and performance. The interim financial statements are based on the assumption that the entity is a going concern.

Subsidiaries

The BN Bank Group comprises BN Bank ASA and the credit institution Bolig- og Næringskreditt AS (BNkreditt). The Group also includes the property company Collection Eiendom AS.

BNkreditt presents separate financial statements in compliance with International Financial Reporting Standards (IFRS). Collection Eiendom presents its financial statements in compliance with NGAAP. See Note 1 for more information.

Bolig- og Næringskreditt AS (BNkreditt)

BNkreditt provides low-risk mortgage loans on commercial property. As at 31 March 2014, the company had a gross lending portfolio of NOK 15.4 billion, compared with NOK 18.9 billion as at 31 March 2013. As at 31 March 2014, a loan portfolio of NOK 12.8 billion had been transferred to SpareBank 1 Næringskreditt.

Profit after tax amounted to NOK 32 million during the first quarter of 2014, compared with a post-tax profit of NOK 4 million during the first quarter of 2013. Higher margins and lower losses on loans made a positive contribution, while reduced lending volumes and lower commission income on loans transferred to SpareBank 1 Næringskreditt made a negative contribution.

Impairment losses on loans and advances totalled NOK 5 million during the first quarter of 2014, compared with NOK 56 million during the first quarter of 2013. Collective write-downs rose by NOK 3 million during the first quarter of 2014 and amount to NOK 36 million.

BNkreditt had NOK 3.4 billion in bond debt outstanding at the end of the first quarter of 2014, compared with NOK 3.5 billion at the end of the first quarter of 2013.

BN Bank has provided guarantees that BNkreditt will have a minimum capital adequacy ratio and junior financing from the Bank of 20 per cent. The capital adequacy ratio was 19,59 per cent, while the tier 1 capital ratio was 16,81 per cent at the end of the first quarter of 2014. The amount BN Bank is ceding precedence for in relation to guarantees was NOK 66 million as at the first quarter of 2014.

Collection Eiendom AS

Collection Eiendom was established in 2010 for the purpose of owning and managing repossessed properties.

Collection Eiendom posted a zero result after tax for the first quarter of 2014 (NOK 0 million).

Outlook

The capital adequacy regulations are being revised and, although the details have yet to be confirmed, the key aspects of the new regulations are now known. BN Bank aims to attain a core tier 1 capital ratio of 13 per cent by the end of the second quarter of 2016. The Bank has implemented various initiatives in order to achieve this goal, including the development of the Bank's policies, routines and culture in order to satisfy the requirements of the advanced IRB method. Other initiatives are significant cost-cutting measures, adjustment of lending volumes and margins, and the retention of profits.

Margins on loans have been high historically and deposits margins have been correspondingly low in recent quarters. This has been a consequence of the banks' need to build up equity in order to comply with the new capital adequacy requirements. Many banks, including BN Bank, have recently announced reductions in interest rates on loans and deposits within the retail market. Lower income resulting from reduced margins on loans will largely be offset by lower costs relating to deposits and the interest rate changes that have been announced will not result in significant reductions in income overall. The underlying trend in costs is in line with the expectations of the Board, and the Board also expects costs to remain low in the future.

Prices rose in the residential market during the first quarter. The retail market is still characterised by low unemployment and low interest rates. This means that households are well able to service their debts, and non-performing loans in the residential mortgage portfolio are at a low level. Nevertheless, average household debt remains high, making some households vulnerable to interest rate rises and reductions in earnings. Given the situation in the market, it will be important to continue to maintain the Bank's conservative credit policy to ensure that the credit risk associated with the retail portfolio remains low. Within commercial property, there is no sign of the market moving dramatically in any one direction in the foreseeable future, although a weaker trend in the Norwegian economy may dampen demand for commercial properties.

Bonds issued by SpareBank1 Næringskreditt and SpareBank 1 Boligkreditt are an important aspect of the funding structure for the Bank's aggregate loan portfolio. At the same time, there are limits as to how large a share of the portfolio can be funded through covered bonds, and the Bank will continue to remain dependent on unsecured market funding. In recent quarters, BN Bank has increased the term of the Bank's market financing and, combined with a greater proportion of the Bank's total lending being financed through covered bonds, the Board believes that the Bank is well-equipped to face any adverse events in the financial markets.

In a letter from the Financial Supervisory Authority of Norway dated 15 April 2014, BN Bank was granted permission to apply the advanced IRB approach for corporate loans. This permission applies to corporate commitments on the balance sheets of BN Bank ASA and Bolig- og Næringskreditt AS. A number of conditions are linked to this permission, including conditions which limit the impact on the calculation of risk-weighted assets. However, the permission will result in a marked reduction. The new calculation of risk-weighted assets will be reported for the first time as at the end of the second quarter of 2014. BN Bank has also submitted an application to use the IRB approach for the residential mortgage loan portfolio. Processing of this application will be completed once new residential mortgage loan models have been adopted.

Trondheim, 28 April 2014
the Board of Directors in BN Bank ASA

Tore Medhus (Deputy Chair)
Rolf Eigil Bygdes
Finn Haugan (Chair)
Harald Gaupen
Helene Jebsen Anker

Tina Steinsvik Sundt
Jannike Lund (Deputy member, employee representative)
Ella Skjørestad
Gunnar Hovland (Managing Director)

Income Statement

		GROUP		
NOK MILLION	**NOTE**	**Q1 2014**	**Q1 2013**	**THE YEAR 2013**
Interest and similar income		357	394	1 567
Interest expense and similar charges		250	307	1 157
Net income from interest and credit commissions		107	87	410
Change in value of financial instruments carried at fair value, gains and losses	3,4	8	12	41
Other operating income	5	49	51	242
Total other operating income		57	63	283
Salaries and general administrative expenses		50	46	176
Ordinary depreciation, amortisation and write-downs		2	3	12
Other operating expense		6	7	27
Total other operating expense		58	56	215
Operating profit/(loss) before impairment losses		106	94	478
Impairment losses on loans and advances	6	5	52	129
Profit before tax		101	42	349
Tax charge		27	12	97
Profit after tax		74	30	252
Statement of other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains (losses) on pension plans		0	0	18
Tax		0	0	-5
Other comprehensive income (net of tax)		0	0	13
Total comprehensive income for the period		74	30	265

Balance Sheet

		GROUP		
NOK MILLION	**NOTE**	**31.03.14**	**31.03.13**	**31.12.13**
Deferred tax assets		0	43	0
Intangible assets		8	7	7
Subordinated loans	11	1	0	1
Tangible fixed assets		13	17	13
Repossessed properties		7	22	3
Loans and advances	4, 6, 7, 8, 9, 11, 13	28 166	32 862	29 094
Prepayments and accrued income	11	106	64	58
Financial derivatives	4, 11, 12	607	731	622
Short term securities investments	4, 11	7 080	6 115	6 122
Cash and receivables with credit institutions	11	770	1 205	1 585
Total assets		**36 758**	**41 066**	**37 505**
Share capital		706	668	706
Share premium		415	266	415
Retained earnings		2 554	2 432	2 480
Total equity		**3 675**	**3 366**	**3 601**
Deferred tax		19	0	19
Subordinated loan capital	4, 10, 11	1 659	1 462	1 459
Liabilities to credit institutions	11	20	519	13
Debt securities in issue	4, 10, 11	16 524	17 788	16 517
Accrued expenses and deferred income	6, 11	214	210	187
Other current liabilities	11	40	14	16
Tax payable		19	53	37
Financial derivatives	4, 11, 12	468	613	487
Customer deposits and accounts payable to cust.	4, 11	14 120	17 041	15 169
Total liabilities		**33 083**	**37 700**	**33 904**
Total liabilities and equity		**36 758**	**41 066**	**37 505**

Trondheim, 28 April 2014

the Board of Directors in BN Bank ASA

Tore Medhus
(Deputy Chair)

Rolf Eigil Bygdes

Finn Haugan
(Chair)

Harald Gaupen

Helene Jebsen Anker

Tina Steinsvik Sundt

Jannike Lund
(Deputy member, employee representative)

Ella Skjørestad

Gunnar Hovland
(Managing Director)

Change in Equity

GROUP

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY	TOTAL EQUITY
Balance Sheet as at 1 January 2013	668	266	2 402	3 336
Net income for the period	0	0	30	30
Balance Sheet as at 31 March 2013	**668**	**266**	**2 432**	**3 366**
Net income for the period	0	0	222	222
Actuarial gains (losses) on pensions (net of tax)	0	0	13	13
Dividend paid	0	0	-187	-187
Capital increase	38	149	0	187
Balance Sheet as at 31 December 2013	**706**	**415**	**2 480**	**3 601**
Net income for the period	0	0	74	74
Balance Sheet as at 31 March 2014	**706**	**415**	**2 554**	**3 675**

Statement of Cash Flow

	GROUP		
NOK MILLION	**31.03.14**	**31.03.13**	**THE YEAR 2013**
Cash flows from operating activities			
Interest/commission received and fees received from customers	433	339	1 537
Interest/commission paid and fees paid to customers	-31	-51	-502
Interest received on other investments	68	44	184
Interest paid on other loans	-176	-154	-698
Receipts/disbursements (-) on loans and advances to customers	846	291	3 982
Receipts/disbursements on customer deposits and accounts payable to cust.	-1 064	-131	-1 561
Receipts/disbursements (-) on liabilities to credit institutions	-45	187	-640
Receipts/disbursements (-) on issuing of securities	-18	-578	-1 785
Receipts on previously written-off debt	3	7	17
Other receipts/disbursements	-3	-87	-73
Payments to suppliers for goods and services	-27	-20	-92
Payments to employees, pensions and national insurance expenses	-32	-24	-115
Tax paid	-19	-18	-71
Net cash flow from operating activities	-65	-195	183
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	2	28	30
Receipts/payments (-) on current securities investments	-944	26	13
Proceeds from sale of operating assets, etc.	3	7	25
Purchases of operating assets, etc.	-9	0	-5
Net cash flow from investing activities	-948	61	63
Cash flow from financing activities			
Receipts/payments (-) on subordinated loan capital	198	-156	-156
Net cash flow from financing activities	198	-156	-156
Net cash flow for the period	-815	-290	90
Cash and balances due from credit institutions as at 1 January	1 585	1 495	1 495
Cash and balances due from credit institutions as at the end of the period	770	1 205	1 585

Notes

NOTE 1. ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with IFRS, including IAS 34 on Interim Financial Reporting. A description of the accounting policies applied by the Group when preparing the interim financial statements is given in the annual report for 2013 with the following exceptions: .

IFRS 10 "Consolidated Financial Statements" is based on the current principles of using control as the single basis for determining whether a company should be consolidated in the financial statements of the parent company. The standard provides comprehensive guidance for assessing whether control is present in those cases where this is difficult to determine. As at the end of 2013, the Group has no assets in companies that must revise their accounting policies as a result of the standard. To date in 2014, there have also been no investments in companies which are subject to actual control and which should therefore be consolidated.

IFRS 12 "Disclosures of Interest in Other Entities" contains notes concerning investments in other entities. The standard sets out requirements for notes concerning investments in subsidiaries, associated companies, special purpose entities (SPEs) and other unconsolidated companies. The aim is to provide information on characteristics and risks linked to the Group's investments in such companies and the effects that this has on the Group's balance sheet, income statement and cash flows. The Group has concluded that the standard will not have a material impact on the information disclosed in the financial statements.

NOTE 2. INFORMATION ON OPERATING SEGMENTS

The segment report is regularly reviewed with the management. The management have chosen to subdivide the reporting segments according to the underlying business areas.

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 31.03.14
Net income from interest and credit commissions	**78**	**29**	**0**	**107**
Change in value of financial instruments carried at fair value	5	3	0	8
Other operating income	18	29	2	49
Total other operating income	**23**	**32**	**2**	**57**
Salaries and general administrative expenses	-22	-28	0	-50
Ordinary depreciation, amortisation and write-downs	-1	-1	0	-2
Other operating expense	-3	-3	0	-6
Total other operating expense	**-26**	**-32**	**0**	**-58**
Operating profit/(loss) before impairment losses	**75**	**29**	**2**	**106**
Impairment losses on loans and advances	**-1**	**-5**	**1**	**-5**
Operating profit/(loss) after impairment losses	**74**	**24**	**3**	**101**
Computed tax charge	**-19**	**-7**	**-1**	**-27**
Profit after tax	**55**	**17**	**2**	**74**

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 31.03.14
Loans, managed portfolio (gross)	33 447	16 466	0	49 913
Customer deposits and accounts payable to cust.	898	13 222	0	14 120

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 31.03.13
Net income from interest and credit commissions	**63**	**28**	**-4**	**87**
Change in value of financial instruments carried at fair value	8	4	0	12
Other operating income	39	12	0	51
Total other operating income	**47**	**16**	**0**	**63**
Salaries and general administrative expenses	-20	-26	0	-46
Ordinary depreciation, amortisation and write-downs	-2	-2	0	-4
Other operating expense	-2	-4	0	-6
Total other operating expense	**-24**	**-32**	**0**	**-56**
Operating profit/(loss) before impairment losses	**86**	**12**	**-4**	**94**
Impairment losses on loans and advances	**-51**	**-1**	**0**	**-52**
Operating profit/(loss) after impairment losses	**35**	**11**	**-4**	**42**
Computed tax charge	**-10**	**-3**	**1**	**-12**
Profit after tax	**25**	**8**	**-3**	**30**

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 31.03.13
Loans (gross) inc. loans in OMF companies	34 264	14 845	0	49 109
Customer deposits and accounts payable to cust.	1 371	15 670	0	17 041

The Group operates in a geographically limited area and reporting based on geographic segments would provide little additional information.

NOTE 3. CHANGE IN VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE, GAINS AND LOSSES

NOK MILLION	Q1 2014	Q1 2013	31.12.13
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss [3]	-3	6	16
Change in value of currency derivatives obliged to be carried at fair value through profit or loss [1]	20	1	-4
Total change in value of financial instruments obliged to be carried at fair value	**17**	**7**	**12**
Change in value of deposits selected for fair value carrying through profit or loss [3]	0	1	21
Change in value of borrowings selected for fair value carrying through profit or loss [3]	3	-3	9
Change in value of loans selected for fair value carrying through profit or loss [3]	1	7	-3
Change in value of short-term financial investments selected for fair value carrying [2]	17	9	11
Total change in value of financial instruments selected for fair value carrying	**21**	**14**	**38**
Change in value of interest rate derivatives, hedging [4]	7	-4	-26
Change in value of borrowings, hedged [4]	-7	4	26
Total change in value of financial instruments for hedging	**0**	**0**	**0**
Total change in value of financial instruments carried at fair value	**38**	**21**	**50**
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost [5]	-11	-11	-16
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost [5]	0	-1	-1
Exchange gains/losses on borrowings and loans carried at amortised cost [1]	-19	3	8
Total change in value of financial instruments carried at fair value, gains and losses	**8**	**12**	**41**

[1] Exchange gains/losses on borrowings and loans carried at amortised cost are chiefly attributable to exchange gain/loss effects which arise when borrowing and lending in foreign currencies are translated at the current exchange rate. Forward exchange contracts and combined interest rate and currency derivatives are carried at fair value with changes in value carried through profit or loss. The net foreign exchange effect for the Group was recognised income of NOK 1 million for the first quarter of 2014, compared with NOK 4 million during the same period in 2013. The annual effect for 2013 was recognised income of NOK 4 million. Exposure to exchange rate fluctuations is low.

[2] Changes in the value of financial investments selected for fair value carrying gave rise to a recognised income of NOK 17 million for the first quarter of 2014, compared with recognised income of NOK 9 million for the same period in 2013. The annual effect was recognised income of NOK 11 million in 2013. Turbulence in the financial markets has caused substantial fluctuations in the value of these investments.

[3] The net effect of interest rate derivatives obliged to be carried at fair value and changes in the value of financial instruments selected for fair value carrying was recognised income of NOK 1 million for the first quarter of 2014, compared with NOK 11 million during the same period in 2013. The annual effect was recognised income of NOK 43 million in 2013.

[4] BN Bank uses fair value hedges for new fixed-rate borrowing and related hedge instruments. The borrowings are hedged 1:1 through external contracts where the principal, interest stream, term and hedging transaction match. It is the interest rate risk that is hedged and the hedging transactions entered into are documented. With value hedging, the hedge instrument is accounted for at fair value, and the hedge object is accounted for at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as at 31 March 2014 was positive by NOK 155 million, compared with NOK 171 million during the same period last year. As at 31 December 2013, the values were positive in the amount of NOK 174 million.

[5] Realised exchange gains/losses on bonds, certificates and borrowing carried at amortised cost gave rise to recognised expense of NOK 11 million for the first quarter of 2014, compared with a recognised expense of NOK 12 million for the same period in 2013. The annual effect for 2013 was a recognised expense of NOK 17 million.

NOTE 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

Interest swap agreements, currency swap agreements and forward exchange contracts

The measurement of interest swap agreements at fair value is performed using a valuation technique where future cash flows are discounted to present values. The calculation of expected cash flows and the discounting of these cash flows is performed using observed market interest rates for the various currencies (interest-rate swap curve) and observed exchange rates (from which forward exchange rates are derived).

Interest swap agreements with credit spread

The measurement of interest swap agreements with credit spread at fair value is performed using a valuation technique where future cash flows are discounted to present values. The calculation of expected cash flows and the discounting of these cash flows is performed using observed market interest rates for the various currencies (interest-rate swap curve) with premium for the original credit spread on the interest swap agreement.

Certificates and bonds

Certificates are measured at quoted prices where such are available and the securities are liquid. In the case of other securities, measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of market players' assessments of the creditworthiness of the issuer.

Loans

For loans measured at fair value, the valuation is performed using a valuation technique where expected future cash flows are discounted to present values. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk and margins is determined on the basis of the original premium for credit risk and margin, but with subsequent adjustment of these premiums in correlation with changes in the market pricing of risk, the borrowers' credit ratings and margin changes in the market.

Borrowings selected for fair value carrying

Where borrowing/funding is measured at fair value, quoted borrowings will be measured at quoted prices where such are available and the securities are liquid. In the case of other securities, measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness.

Hedged borrowing/funding

Borrowings included in value hedges are measured using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). We have discounted by the interest-rate swap curve with premium for the original credit spread on the borrowing to eliminate the effects of the credit risk. It is the interest rate risk that is hedged.

Deposits

For deposits measured at fair value, the valuation is performed using a valuation technique where expected future cash flows are discounted to present values. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness. The premium for margins is determined on the basis of the original margin, but with subsequent adjustment of margin in correlation with margin changes in the market.

Shares

The shares primarily consist of the investments in SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. There is an interaction between the transfer of loans to these companies, the provision of the necessary capital and the level of the commission that is received. The valuation of these shares at fair value is approximately equal to the capital that has been invested in these companies.

Division into measurement levels

Financial instruments measured at fair value at the end of the reporting period are divided into the following levels of fair value measurement:

- Level 1: Quoted price in an active market for an identical asset or liability
- Level 2: Measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness.
- Level 3: Measurement based on factors not taken from observable markets nor which have observable assumptions as input to the valuation.

The Group's assets and liabilities measured at fair value as at 31 March 2014

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	829	829
Interest rate derivatives [1]	0	580	0	580
Currency derivatives	0	27	0	27
Short term securities investments	0	4 275	397	4 672
Total assets	0	4 882	1 226	6 108
Subordinated loan capital	0	-174	0	-174
Debt securities in issue	0	-2 122	0	-2 122
Interest rate derivatives [1]	0	-463	0	-463
Currency derivatives	0	-5	0	-5
Customer deposits & accounts payable to customers	0	-166	0	-166
Total liabilities	0	-2 930	0	-2 930

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 March 2014 was positive by NOK 155 million.

The Group's assets and liabilities measured at fair value as at 31 March 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	1 181	1 181
Interest rate derivatives [1]	0	694	0	694
Currency derivatives	0	36	0	36
Equity-linked options and equity options	0	1	0	1
Short term securities investments	0	3 840	420	4 260
Total assets	0	4 571	1 601	6 172
Subordinated loan capital	0	-176	0	-176
Debt securities in issue	0	-4 028	0	-4 028
Interest rate derivatives [1]	0	-582	0	-582
Currency derivatives	0	-31	0	-31
Customer deposits & accounts payable to customers	0	-1 716	0	-1 716
Total liabilities	0	-6 533	0	-6 533

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 March 2013 was positive by NOK 171 million.

The Group's assets and liabilities measured at fair value as at 31 December 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	895	895
Interest rate derivatives [1]	0	606	0	606
Currency derivatives	0	16	0	16
Short term securities investments	748	3 242	382	4 372
Total assets	748	3 864	1 277	5 889
Subordinated loan capital	0	-172	0	-172
Debt securities in issue	0	-2 534	0	-2 534
Interest rate derivatives [1]	0	-472	0	-472
Currency derivatives	0	-15	0	-15
Customer deposits & accounts payable to customers	0	-382	0	-382
Total liabilities	0	-3 575	0	-3 575

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 December 2013 was positive by NOK 174 million.

The Group's financial instruments measured at fair value, Level 3, as at 31 March 2014

NOK MILLION	LOANS AND ADVANCES	SHORT TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	895	382	1 277
Investments in the period/new agreements	0	15	15
Sales in the period (at book value)	0	0	0
Matured	-67	0	-67
Changes in value of financial instruments carried at fair value, gains and losses	1	0	1
Closing balance	**829**	**397**	**1 226**
Of which, result for the period relating to financial instruments still on the balance sheet	2	0	2

The Group's financial instruments measured at fair value, Level 3, as at 31 March 2013

NOK MILLION	LOANS AND ADVANCES	SHORT TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	1 226	420	1 646
Investments in the period/new agreements	0	0	0
Sales in the period (at book value)	0	0	0
Matured	-52	0	-52
Changes in value of financial instruments carried at fair value, gains and losses	7	0	7
Closing balance	**1 181**	**420**	**1 601**
Of which, result for the period relating to financial instruments still on the balance sheet	7	0	7

The Group's financial instruments measured at fair value, Level 3, as at 31 December 2013

NOK MILLION	LOANS AND ADVANCES	SHORT TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	1 226	420	1 646
Investments in the period/new agreements	2	87	89
Sales in the period (at book value)	0	-125	-125
Matured	-330	0	-330
Changes in value of financial instruments carried at fair value, gains and losses	-3	0	-3
Closing balance	**895**	**382**	**1 277**
Of which, result for the period relating to financial instruments still on the balance sheet	2	0	2

Sensitivity analysis, Level 3
For loans carried at fair value, only changes in margin are a non-observable input to the fair value calculation. Changes in margin do not significantly affect the calculation of fair value and have not been quantified for this reason.

The Group's valuation methodology
Within the finance department, the Group has a team which is responsible for valuing assets and liabilities for accounting purposes. The team reports to the Chief Finance Officer. In addition, the actual reports from the period's valuations are submitted to the Audit Committee in connection with the submission of the financial statements. The principles used for the valuation are also regularly reported to the Audit Committee.

Assumptions used for valuation within Level 3 are linked to changes in the margin on loans.

NOTE 5. OTHER OPERATING INCOME

NOK MILLION	Q1 2014	Q1 2013	31.12.13
Guarantee commission	2	1	4
Commission income from SpareBank 1 Næringskreditt AS [1, 2]	17	35	153
Commission income from SpareBank 1 Boligkreditt AS [1]	29	13	82
Net other commission income/expense	1	1	-5
Other operating income	0	1	8
Total other operating income	49	51	242

[1] For loans that have been transferred to SpareBank 1 Næringskreditt AS and SpareBank 1 Boligkreditt AS, BN Bank receives commission which is calculated as the interest on the loans less expenses incurred by SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt.

[2] From 2014 onwards, these costs will also include a premium for the capital that the owners have invested in Sparebank 1 Næringskreditt for the loans transferred by BN Bank. This premium is intended to ensure a return on capital after tax in SpareBank 1 Næringskreditt corresponding to 8 per cent. This involves a reduction in the commission received by BN Bank from SpareBank 1 Næringskreditt compared with last year.

NOTE 6. IMPAIRMENT LOSSES AND WRITE-DOWNS ON LOANS AND GUARANTEES

The various elements included in impairment losses and write-downs on loans are set out in Note 1 to the annual Report. Loans past due more than 3 months are defined as loans not serviced under the loan agreement for 3 months or more. However, as a first mortgage lender, the Group can gain access to revenue, either through the courts or by some voluntary solution. Impairment losses and write-downs described here apply to loans carried at amortised cost and changes in value and gains/losses on the sale of repossessed properties in the current period.

NOK MILLION	Q1 2014	Q1 2013	31.12.13
Write-offs in excess of prior-year write-downs	0	0	1
Write-offs on loans without prior write-downs	2	0	12
Write-downs for the period:			
Change in collective write-downs	4	1	-3
Change in collective write-downs related to Guarantee Portfolio	-3	-13	-15
Total change in collective write-downs	1	-12	-18
Increase on loans with prior-year write-downs [1]	9	14	27
Provisions against loans without prior write-downs	1	55	141
Decrease on loans with prior-year write-downs	-5	0	-21
Total change in individual write-downs	5	69	147
Gross impairment losses	8	57	142
Recoveries on previous write-offs	3	5	13
Impairment losses on loans and advances	5	52	129
Revenue recognition of interest on written-down loans	-5	2	5

NOK MILLION	Q1 2014	Q1 2013	31.12.13
Individual write-downs to cover impairment losses at start of period	154	48	48
Write-offs covered by prior-year individual write-downs	-1	-1	-7
Write-downs for the period:			
Increase on loans with prior-year individual write-downs	2	0	0
Write-downs on loans without prior individual write-downs	1	55	133
Decrease on loans with prior-year individual write-downs	-5	0	-20
Individual write-downs to cover impairment losses at end of period	**151**	**102**	**154**
Collective write-downs to cover impairment losses at start of period	62	65	65
Collective write-downs for the period to cover impairment losses	4	1	-3
Collective write-downs to cover impairment losses at end of period	**66**	**66**	**62**

NOK MILLION	Q1 2014	Q1 2013	31.12.13
Provision for losses on financial guarantees concerning the Guarantee Portfolio at start of period [1]	101	72	72
Write-offs covered by prior-year individual write-downs	0	0	0
Write-downs for the period:			
Increase on loans with prior-year individual write-downs	2	13	24
Write-downs on loans without prior individual write-downs	0	0	6
Decrease on loans with prior-year individual write-downs	0	0	-1
Provision for losses on financial guarantees concerning the Guarantee Portfolio at end of period [1]	**103**	**85**	**101**
Collective write-downs linked to the Guarantee Portfolio at start of period	32	47	47
Collective write-downs for the period to cover losses in Guarantee Portfolio	-3	-13	-15
Collective write-downs linked to the Guarantee Portfolio at end of period [1]	**29**	**34**	**32**
Total loss provisions related to Guarantee Portfolio	**132**	**119**	**133**

[1] B1 BN Bank has previously entered into an agreement with SpareBank 1 SMN for the latter to take over the Bank's Ålesund portfolio. The parties revised the agreement on 1 February 2012 according to which BN Bank sold NOK 2.3 billion of the portfolio valued at NOK 3.1 billion to SpareBank 1 SMN. BN Bank now provides guarantees for 60% of the credit risk for this portfolio (referred to as the Guarantee Portfolio) of NOK 417 million. The Bank's maximum exposure is thus down to NOK 250 million, which at the end of the first quarter of 2014 represented 0.9% of the Group's total lending. The total provision for losses in the Guarantee Portfolio was NOK 132 million as at 31 March 2014. BN Bank will provide guarantees for losses in the Guarantee Portfolio for a period of three to five years from the inception of the original agreement. The loss provision is classified under Accrued expenses and deferred income.

Loans past due more than 3 months

NOK MILLION	31.03.14	31.03.13	31.12.13
Gross principal	369	405	569
Individual write-downs	74	2	75
Net principal	**295**	**403**	**494**

Other loans with individual write-downs [1]

NOK MILLION	31.03.14	31.03.13	31.12.13
Gross principal	654	779	658
Individual write-downs	180	185	180
Net principal	**474**	**594**	**478**

Loans past due by more than three months by sector and as a percentage of loans [2]

NOK MILLION	GROSS OUTSTANDING 31.03.14	%	GROSS OUTSTANDING 31.03.13	%	GROSS OUTSTANDING 31.12.13	%
Corporate Market	304	1.47	354	1.46	504	2.33
Retail Market	65	0.84	51	0.59	65	0.85
Total	**369**	**1.30**	**405**	**1.21**	**569**	**1.91**

[1] As regards notes concerning other loans with individual write-down, the figures that are disclosed include the Guarantee Portfolio with respect to SpareBank 1 SMN.
[2] Non-performing loans as a percentage of loans is calculated on the basis of gross lending within the Group.

NOTE 7. SUMMARY OF GROSS MANAGED LENDING

NOK MILLION	31.03.14	31.03.13	31.12.13
Corporate and retail loans, Group	28 383	33 030	29 309
Vendor financing	0	-22	0
Gross loans	28 383	33 008	29 309
Loans transferred to SpareBank 1 Næringskreditt	12 809	9 953	12 393
Loans transferred to SpareBank 1 Boligkreditt	8 721	6 148	8 323
Total loans in managed portfolio	49 913	49 109	50 025

NOTE 8. TRANSFER OF LOANS TO SPAREBANK 1 NÆRINGSKREDITT

SpareBank 1 Næringskreditt AS was established in 2009 and is licensed by the Financial Supervisory Authority of Norway to operate as a credit institution. The company's bonds have an Aa1 rating from Moody's. The company is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Boligkreditt AS in Stavanger. BN Bank owns no shares in SpareBank 1 Næringskreditt at 31 March 2014. The purpose of the company is to secure for the consortium banks a source of stable, long-term financing of commercial real estate at competitive rates. SpareBank 1 Næringskreditt procures loans with mortgages on commercial properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to the company and, as part of the Bank's funding strategy, loans have been transferred from BNkreditt. Loans transferred to Sparebank 1 Næringskreditt AS are secured by mortgages on commercial properties for up to 60 per cent of the appraised value. Transferred loans are legally owned by Sparebank 1 Næringskreditt AS and, apart from the management right and the right to take over fully or partially written-down loans, BNkreditt has no right to the use of these loans. At 31 March 2014, the book value of transferred loans was NOK 12.8 billion. BNkreditt is responsible for managing the transferred loans and BNkreditt receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

BN Bank has put up guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt's capital base. As at 31 March 2014, the aforementioned guarantees amount to NOK 0 million.

The loans transferred to SpareBank 1 Næringskreditt AS are very well secured and there is only a very slight probability of loss. BNkreditt has a remaining involvement in the form of a possible settlement against the commission it receives. Should there arise accounting credit losses or a fall in margin relating to one or more transferred loans, SpareBank 1 Næringskreditt AS can reduce the commission BNkreditt receives with the loss. A reduction in commission for BNkreditt is limited to the total commission for the calendar year and if SpareBank 1 Næringskreditt AS subsequently has its loss covered, the commission will be paid back to BNkreditt. The maximum amount which BNkreditt can be required to pay back has been calculated, but is not material and is thus not recorded on the balance sheet. The fair value of the expected reduction in commission has been calculated and deemed immaterial. A possible settlement against the commission has therefore had no effect on the balance sheet or the result during the period.

The consideration received for loans transferred from BNkreditt to SpareBank 1 Næringskreditt AS is equal to the nominal value of transferred loans and is measured as virtually concurrent with the fair value of the loans as at the end of the first quarter of 2014 and 2013.

Guarantee provided by BN Bank to BNkreditt
In order to attend to the interests of existing bond holders in BNkreditt, in connection with the transfer of loans to Sparebank 1 Næringskreditt BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 31 March 2014, BNkreditt's capital adequacy ratio was 19.59 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 66 million as at 31 March 2014.

NOTE 9. TRANSFER OF LOANS TO SPAREBANK 1 BOLIGKREDITT

SpareBank 1 Boligkreditt is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Næringskreditt AS in Stavanger. BN Bank has a stake of 4.78% as at 31 March 2014. The purpose of the company is to secure for the banks within the consortium a source of stable, long-term financing of residential mortgage loans at competitive rates. The company's bonds have ratings of Aaa and AAA from Moody's and Fitch respectively. SpareBank 1 Boligkreditt procures loans with mortgages on residential properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to SpareBank 1 Boligkreditt and, as part of the Bank's funding strategy, loans have been transferred to the company. Loans transferred to SpareBank 1 Boligkreditt AS are secured by mortgages on residential properties for up to 75 per cent of the appraised value. Transferred loans are legally owned by SpareBank 1 Boligkreditt AS and, apart from the management right and the right to take over fully or partially written-down loans, BN Bank has no right to the use of these loans. At 31 March 2014, the book value of transferred loans was NOK 8.7 billion. BN Bank is responsible for managing the transferred loans and receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

BN Bank has, in conjunction with the other owners of SpareBank 1 Boligkreditt AS, entered into agreements to establish a liquidity facility for SpareBank 1 Boligkreditt AS. This means that the owner banks have undertaken to purchase covered bonds in the case that SpareBank 1 Boligkreditt AS is unable to refinance its business in the market. The purchase is limited to the total value of the maturities in the company at any time in the next twelve months. Previous purchases under this agreement are deducted from future purchase obligations. Each owner is principally liable for his share of the refinancing need, alternatively for the double of what the primary liability may be in accordance with the same agreement. The bonds can be deposited in Norges Bank and thus give rise to no material increase in risk for BN Bank. According to its own internal policy, SpareBank 1 Boligkreditt AS maintains its liquidity for the next 12 months' maturities. This is deducted when the banks' liability is measured. It is therefore only in the event that SpareBank 1 Boligkreditt AS no longer has sufficient liquidity for the next 12 months' maturities that BN Bank will report any commitment here with regard to capital adequacy or major commitments.

BN Bank has also entered into a shareholder agreement with the shareholders of SpareBank 1 Boligkreditt AS. Among other things, this means that BN Bank will contribute to SpareBank 1 Boligkreditt AS having a tier 1 capital ratio of at least 9.0 per cent, and if required inject tier 1 capital if it falls to a lower level. SpareBank 1 Boligkreditt AS has internal guidelines stipulating a tier 1 capital ratio of at least 10.0 per cent. On the basis of a concrete assessment, BN Bank has chosen not to hold capital for this obligation because the risk of BN Bank being compelled to contribute is considered very slight. Reference is also made in that connection to the fact that there are a number of alternative courses of action which may be relevant should such a situation arise.

The loans transferred to SpareBank 1 Boligkreditt AS are very well secured and there is only a very slight probability of loss. BN Bank has a remaining involvement in the form of a possible settlement against the commission it receives. Should there arise accounting credit losses or a fall in margin relating to one or more transferred loans, SpareBank 1 Boligkreditt AS can reduce the commission BN Bank receives with the loss. A reduction in commission for BN Bank is limited to the total commission for the calendar year and if SpareBank 1 Boligkreditt AS subsequently has its loss covered, the commission will be paid back to BN Bank. The maximum amount which BN Bank can be required to pay back has been calculated, but is not material and is thus not recorded on the balance sheet. The fair value of the expected reduction in commission has been calculated and deemed immaterial. A possible settlement against the commission has therefore had no effect on the balance sheet or the result during the period.

The consideration received for loans transferred from BN Bank to SpareBank 1 Boligkreditt AS is equal to the nominal value of transferred loans and is measured as virtually concurrent with the fair value of the loans as at the end of the first quarter of 2014 and 2013.

NOTE 10. BORROWING (FUNDING)

The balance sheet includes borrowing at a fixed interest rate included in hedging carried at amortised cost, while other borrowing at a fixed interest rate is selected for carrying at fair value. Borrowing at a variable interest rate is carried at amortised cost.

Debt securities in issue

The Group has issued bonds and certificates with a nominal value of NOK 1,650 million as at 31 March 2014, either as new issues or the expansion of existing open loans.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (nominal) 1 January 2014	1 500	14 743	16 243
New issues	0	1 300	1 300
Expansion of existing	0	350	350
Purchase and maturity of existing	-422	-1 225	-1 647
Net debt (nominal) 31 March 2014	1 078	15 168	16 246

Subordinated loan capital and hybrid capital

The Group has issued subordinated capital securities with a nominal value of NK 400 million as at 31 March 2014, either as new issues or the expansion of existing open loans.

NOK MILLION	HYBRID CAPITAL	SUBORDINATED LOAN CAPITAL	TOTAL
Net debt (nominal) 1 January 2014	650	800	1 450
New issues	400	0	400
Expansion of existing	0	0	0
Purchase and maturity of existing	-202	0	-202
Net debt (nominal) 31 March 2014	848	800	1 648

Recognised values

NOK MILLION	31.03.14	31.03.13	31.12.13
Certificates selected for fair value carrying	1 096	2 903	1 519
Total recognised value of certificates	1 096	2 903	1 519
Bonds carried at amortised cost	9 820	9 588	9 739
Bonds carried at amortised cost (secured debt)	4 582	4 172	4 244
Bonds selected for fair value carrying	1 026	1 125	1 015
Total recognised value of bonds	15 428	14 885	14 998
Total recognised value of debt securities in issue	16 524	17 788	16 517

NOK MILLION	31.03.14	31.03.13	31.12.13
Hybrid capital carried at amortised cost	682	483	483
Hybrid capital selected for fair value carrying	174	176	172
Total recognised value of capital securities	**856**	**659**	**655**
Subordinated loans carried at amortised cost	803	803	804
Total recognised value of subordinated loans	**803**	**803**	**804**
Total recognised value of subordinated loans and hybrid capital securities	**1 659**	**1 462**	**1 459**

NOTE 11. FAIR VALUE OF FINANCIAL INSTRUMENTS COMPARED WITH RECOGNISED VALUE

	31.03.14		31.03.13		31.12.13	
NOK MILLION	**FAIR VALUE**	**RECOGNISED VALUE**	**FAIR VALUE**	**RECOGNISED VALUE**	**FAIR VALUE**	**RECOGNISED VALUE**
Subordinated loans	1	1	0	0	1	1
Loans and advances	28 166	28 166	32 862	32 862	29 094	29 094
Prepayments and accrued income	106	106	62	62	58	58
Interest rate derivatives	580	580	694	694	606	606
Currency derivatives	27	27	36	36	16	16
Equity-linked options and equity options	0	0	1	1	0	0
Short term securities investments	7 081	7 080	6 117	6 115	6 124	6 122
Cash and receivables with credit institutions	770	770	1 205	1 205	1 585	1 585
Subordinated loan capital	-1 739	-1 659	-1 476	-1 462	-1 471	-1 459
Liabilities to credit institutions	-20	-20	-519	-519	-13	-13
Debt securities in issue	-16 732	-16 524	-17 866	-17 788	-16 671	-16 517
Accrued expenses and deferred income	-132	-132	-119	-119	-133	-133
Other current liabilities	-11	-11	-8	-8	-10	-10
Interest rate derivatives	-463	-463	-582	-582	-472	-472
Currency derivatives	-5	-5	-31	-31	-15	-15
Customer deposits & accounts payable to customers	-14 120	-14 120	-17 041	-17 041	-15 169	-15 169
Total	**3 509**	**3 796**	**3 335**	**3 425**	**3 530**	**3 694**

FIn the case of short-term financial instruments, the recognised amount will normally always be a good approximation of fair value. Financial derivatives and short-term securities investments are carried in their entirety at fair value, and consequently no difference will be presented in the balance sheet between fair value and recognised value.

When determining the fair value of certificates and bonds at amortised cost, we have used market prices from brokers. Treasury bills are recognised at the most recent bid price. The prices of senior bank bonds and subordinated bank are calculated on the basis of the NIBOR rates at the short end and swap rates for loans with a maturity of more than one year. A risk premium is determined from broker reports as at the end of each quarter.

Subdivision of fair value measurement for financial instruments carried at amortised cost
Financial instruments measured at fair value at the end of the reporting period are subdivided into the following levels of fair value measurement:

- Level 1: Quoted price in an active market for an identical asset or liability
- Level 2: Measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness.
- Level 3: Measurement based on factors not taken from observable markets nor which have observable assumptions as input to the valuation.

The Group's assets and liabilities measured at amortised cost as at 31 March 2014

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Short term securities investments	499	1 910	0	2 409
Total assets	**499**	**1 910**	**0**	**2 409**
Subordinated loan capital	0	-1 565	0	-1 565
Debt securities in issue	0	-10 028	0	-10 028
Total liabilities	**0**	**-11 593**	**0**	**-11 593**

The Group's assets and liabilities measured at amortised cost as at 31 March 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Short term securities investments	747	1 110	0	1 857
Total assets	**747**	**1 110**	**0**	**1 857**
Subordinated loan capital	0	-1 300	0	-1 300
Debt securities in issue	0	-9 664	0	-9 664
Total liabilities	**0**	**-10 964**	**0**	**-10 964**

The Group's assets and liabilities measured at amortised cost as at 31 December 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Short term securities investments	497	1 252	0	1 749
Total assets	**497**	**1 252**	**0**	**1 749**
Total assets	0	-1 298	0	-1 298
Debt securities in issue	0	-9 893	0	-9 893
Total liabilities	**0**	**-11 191**	**0**	**-11 191**

NOTE 12. RIGHT OF OFF-SET, FINANCIAL DERIVATIVES

With effect from 2013, the BN Bank Group must disclose information on the financial instruments concerning which it has entered into off-set agreements in accordance with IFRS 7.13 A-F. The company has no items which are recognised net in the balance sheet in accordance with IFRS 7.13.C a-c.

The Group enters into standardised and chiefly bilateral ISDA contracts for derivatives transactions with financial institutions, which give the parties the right of off-set in the event of default. The Group has also entered into additional collateral-posting agreements (CSAs) with some of the counterparties.

Financial assets 31.03.14

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	278	38	240
Counterparty 2	146	146	0
Counterparty 3	76	11	65
Counterparty 4	60	36	24
Counterparty 5	37	37	0
Counterparty 6	10	10	0
Total	607	278	329

Financial liabilities 31.03.14

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	38	38	0
Counterparty 2	332	146	186
Counterparty 3	11	11	0
Counterparty 4	36	36	0
Counterparty 5	41	37	4
Counterparty 6	10	10	0
Total	468	278	190

Financial assets 31.03.13

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	326	73	253
Counterparty 2	158	158	0
Counterparty 3	120	29	91
Counterparty 4	69	50	19
Counterparty 5	46	46	0
Counterparty 6	12	12	0
Total	731	368	363

Financial liabilities			31.03.13
COUNTERPARTY	**BELØP I BALANSEN**	**BELØPET SOM ER GJENSTAND FOR NETTOOPPGJØR[1]**	**BELØP ETTER MULIG NETTOOPPGJØR**
Counterparty 1	73	73	0
Counterparty 2	389	158	231
Counterparty 3	29	29	0
Counterparty 4	49	49	0
Counterparty 5	61	46	15
Counterparty 6	12	12	0
Total	613	367	246

Financial assets			31.12.13
COUNTERPARTY	**AMOUNT IN BALANCE SHEET**	**AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]**	**AMOUNT AFTER POSSIBLE NET-OFFS**
Counterparty 1	301	42	259
Counterparty 2	111	111	0
Counterparty 3	114	17	97
Counterparty 4	48	38	10
Counterparty 5	40	40	0
Counterparty 6	8	8	0
Total	622	256	366

Financial liabilities			31.12.13
COUNTERPARTY	**BELØP I BALANSEN**	**BELØPET SOM ER GJENSTAND FOR NETTOOPPGJØR[1]**	**BELØP ETTER MULIG NETTOOPPGJØR**
Counterparty 1	42	42	0
Counterparty 2	341	111	230
Counterparty 3	17	17	0
Counterparty 4	38	38	0
Counterparty 5	41	40	1
Counterparty 6	8	8	0
Total	487	256	231

[1] The amount subject to settlement on a net basis that is not presented net in the balance sheet.

NOTE 13. CAPITAL ADEQUACY RATIO

Process for assessing capital adequacy requirement

BN Bank has established a strategy and process for risk management and assessment of the capital adequacy requirement and how capital adequacy can be maintained. The collective term for this is ICAAP (Internal Capital Adequacy Assessment Process). Assessing the capital adequacy requirement involves assessing the size, composition and distribution of the capital base adapted to the level of risks that the Bank is or may be exposed to. The assessments are risk-based and forward-looking. Risk areas assessed in addition to the Pillar 1 risks are concentration risk in the credit portfolio, interest rate and foreign exchange risk in the bank portfolio, liquidity risk, market risk, owner's risk and reputation risk, compliance risk and strategic risk. ICAAP is not focused on a single method or a single figure, but presents a set of calculations including different time horizons, confidence levels and assumptions.

NOK MILLION	31.03.14	31.03.13	31.12.13
Share capital	706	668	706
Other equity	2 932	2 682	2 895
Total equity	**3 638**	**3 350**	**3 601**
Net perpetual subordinated capital (perpetual subordinated capital securities borrowings) [1]	649	557	556
Deductions for:			
Equity and subordinated capital in other financial institutions	-231	-121	-205
Intangible assets	-8	-7	-7
Deferred tax assets	0	-43	0
Other deductions in tier 1 capital	-240	0	-240
Tier 1 capital	**3 808**	**3 736**	**3 705**
Tier 1 capital excluding hybrid capital and deductions (core tier 1 capital)	**3 159**	**3 179**	**3 149**
Fixed-term subordinated loan capital	798	803	798
Perpetual subordinated capital securities, hybrid capital in excess of 15% and 35%	0	102	95
Deductions for:			
Fixed-term subordinated loan capital that cannot be included	0	0	0
Other deductions in tier 2 capital	-231	-121	-205
Net tier 2 capital	**567**	**784**	**688**
Total subordinated capital	**4 375**	**4 520**	**4 393**
Risk-weighted assets	27 930	31 069	28 458
Tier 1 capital ratio (%)	13.63	12.02	13.02
Tier 1 capital excluding hybrid capital and deductions (core tier 1 capital ratio) (%)	**11.31**	**10.25**	**11.07**
Capital adequacy ratio (%)	**15.66**	**14.55**	**15.44**

[1] For more details, see Note 10.

Specification of risk-weighted assets

NOK MILLION	31.03.14		31.03.13		31.12.13	
RISK-WEIGHT	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	741	0	1 000	0	798	0
10 %	2 676	268	2 271	227	2 261	226
20 %	3 672	734	3 851	770	4 176	835
35 %	8 275	2 896	9 862	3 451	8 181	2 864
50 %	100	50	10	5	100	50
75 %	82	62	71	53	75	56
100 %	23 920	23 920	26 563	26 563	24 427	24 427
Investments included in the trading portfolio	0	0	0	0	0	0
Tradeable debt instruments incl. in the trading portfolio	0	0	0	0	0	0
Total risk-weighted assets	39 466	27 930	43 628	31 069	40 018	28 458
Capital adequacy ratio		15.66		14.55		15.44

NOTE 14. CONTINGENT LIABILITIES

Sale of structured products

BN Bank was sued in a group action over structured savings products in 2008. The Supreme Court ruled in February 2010 that group litigation is not appropriate for assessing this type of product.

Three of the Bank's customers then sued the Bank individually in the District Court, but the Court ruled against them on 8 July 2011. Three of the Bank's customers then sued the Bank individually in the District Court, but the Court ruled against them on 8 July 2011. The ruling was appealed to the Borgarting Court of Appeal, but the case was settled in court with the same result for the Bank as after the District Court's decision, whereby the Bank was obliged to pay its own costs.

BN Bank has also provided loans to finance Artemis structured products. BN Bank was sued by six customers, but the lawsuits were settled in court without the Bank having paid any compensation to the applicants.

In March 2013, the Norwegian Supreme Court passed judgment in the so-called "Røeggen case". The Norwegian Financial Services Complaints Board has in that connection requested all the banks involved, including BN Bank, to re-assess the complaints against them that have been brought before the Complaints Board, in the light of the judgment. BN Bank has found no grounds to change its standpoint and still takes the view that the cases the Bank is involved in are not comparable with the "Røeggen case". Statements from the Financial Appeal Board during the first quarter of 2014 have supported the Bank's view. All complaints concerning the products have been considered by the board and none of the complaints were upheld. This applies to complaints where the Bank has been a lender and where the Bank has been a lender and an issuer. As a result, the Bank has made no provision relating to structured products in 2013.

NOTE 15. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

Apart from the matters mentioned in Note 14 above, there are no assets or liabilities to which contingent outcomes are attached and where those outcomes could have a significant impact on the Group's financial position and results.

There have been no significant events after the reporting period.

NOTE 16. INCOME STATEMENT FOR THE LAST FIVE QUARTERS

NOK MILLION	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Interest and similar income	357	378	395	400	394
Interest expense and similar charges	250	268	286	296	307
Net income from interest and credit commissions	**107**	**110**	**109**	**104**	**87**
Change in value of financial instruments carried at fair value, gains and losses	8	7	6	16	12
Other operating income	49	66	60	65	51
Total other operating income	**57**	**73**	**66**	**81**	**63**
Salaries and general administrative expenses	50	45	43	42	46
Depreciation, amortisation and write-downs	2	3	3	3	3
Other operating expense	6	6	7	7	7
Total other operating expense	**58**	**54**	**53**	**52**	**56**
Operating profit/(loss) before impairment losses	**106**	**129**	**122**	**133**	**94**
Impairment losses on loans and advances	5	64	-7	20	52
Profit before tax	**101**	**65**	**129**	**113**	**42**
Computed tax charge	27	17	36	32	12
Profit after tax	**74**	**48**	**93**	**81**	**30**

Income Statement

PARENT-BANK

NOK MILLION	NOTE	Q1 2014	Q1 2013	THE YEAR 2013
Interest and similar income		274	315	1 222
Interest expense and similar charges		220	276	1 039
Net income from interest and credit commissions		**54**	**39**	**183**
Change in value of financial instruments carried at fair value, gains and losses	2, 3	10	19	54
Other operating income	4	33	16	89
Total other operating income		**43**	**35**	**143**
Salaries and general administrative expenses		31	27	102
Ordinary depreciation, amortisation and write-downs		2	3	12
Other operating expense		5	4	18
Total other operating expense		**38**	**34**	**132**
Operating profit before impairment losses		**59**	**40**	**194**
Impairment losses on loans and advances	6	0	-4	20
Operating profit after impairment losses		**59**	**44**	**174**
Income from ownership interests in group companies	5	0	0	118
Profit before tax		**59**	**44**	**292**
Tax charge		16	12	43
Profit after tax		**43**	**32**	**249**
Statement of other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains (losses) on pension plans		0	0	12
Tax		0	0	-3
Other comprehensive income (net of tax)		**0**	**0**	**9**
Total comprehensive income for the period		**43**	**32**	**258**

Balance Sheet

PARENT-BANK

NOK MILLION	NOTE	31.03.14	31.03.13	31.12.13
Intangible assets		8	7	7
Ownership interests in group companies		1 600	1 877	1 600
Subordinated loans	11	452	451	452
Tangible fixed assets		13	17	13
Loans and advances	3, 6, 7, 8, 9, 11, 13	12 976	14 030	13 430
Prepayments and accrued income	11	108	64	56
Financial derivatives	3, 11, 12	552	654	543
Short term securities investments	3, 11	7 080	5 592	6 122
Cash and balances due from credit institutions	11	9 345	13 949	10 656
Assets classified as held for sale		0	1	0
Total assets		32 134	36 642	32 879
Share capital		706	668	706
Share premium		415	266	415
Retained earnings		1 375	1 294	1 332
Total equity		2 496	2 228	2 453
Deferred tax		64	42	64
Subordinated loan capital	3, 10, 11	1 659	1 462	1 459
Liabilities to credit institutions	11	20	807	13
Debt securities in issue	3, 10, 11	13 092	14 274	13 060
Accrued expenses and deferred income	6, 11	191	192	176
Other current liabilities	11	40	12	16
Tax payable		12	14	23
Financial derivatives	3, 11, 12	436	570	442
Customer deposits and accounts payable to cust.	3, 13	14 124	17 041	15 173
Total liabilities		29 638	34 414	30 426
Total liabilities		32 134	36 642	32 879

Trondheim, 28 April 2014
the Board of Directors in BN Bank ASA

Tore Medhus (Deputy Chair) | Rolf Eigil Bygdes | Finn Haugan (Chair) | Harald Gaupen | Helene Jebsen Anker

Tina Steinsvik Sundt | Jannike Lund (Deputy member, employee representative) | Ella Skjørestad | Gunnar Hovland (Managing Director)

Change in Equity

PARENT-BANK

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN EQUITY	OTHER EQUITY[1]	TOTAL EQUITY
Balance Sheet as at 1 January 2013	668	266	282	980	2 196
Net income for the period	0	0	0	32	32
Balance Sheet as at 31 March 2013	**668**	**266**	**282**	**1 012**	**2 228**
Net income for the period	0	0	0	217	217
Actuarial gains (losses) on pensions (net of tax)	0	0	0	8	8
Dividend paid	0	0	0	-187	-187
Share capital increase	38	149	0	0	187
Balance Sheet as at 31 December 2013	**706**	**415**	**282**	**1 050**	**2 453**
Net income for the period	0	0	0	43	43
Balance Sheet as at 31 March 2014	**706**	**415**	**282**	**1 093**	**2 496**

[1] The reserve for unrealised gains is included under Other reserves. Provision of NOK 295 million had been made as at 31 December 2013.

Statement og Cash Flow

	PARENT-BANK		
NOK MILLION	**31.03.14**	**31.03.13**	**THE YEAR 2013**
Cash flows from operating activities			
Interest/commission received and fees received from customers	148	123	599
Interest/commission paid and fees paid to customers	-31	-53	-511
Interest received on other investments	52	22	200
Interest paid on other loans	-135	-92	-550
Receipts/disbursements (-) on loans and advances to customers	457	96	669
Receipts/disbursements on customer deposits and accounts payable to cust.	-1 064	-131	-1 557
Receipts/disbursements (-) on liabilities to credit institutions	-45	187	-927
Receipts/disbursements (-) on securities in issue and securities buy-back	4	123	-1 042
Receipts on previously written-off debt	3	6	8
Other receipts/disbursements	13	-110	-187
Payments to suppliers for goods and services	-18	-9	-53
Payments to employees, pensions and national insurance expenses	-21	-14	-66
Tax paid	-12	-17	-31
Net cash flow from operating activities	-649	131	-3 448
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	1 341	-237	3 536
Receipts/payments (-) on current securities investments	-944	26	-510
Receipts/payments (-) on long-term securities investments	0	0	395
Purchases of operating assets, etc.	-2	0	-5
Net cash flow from investing activities	395	-211	3 416
Cash flow from financing activities			
Receipts of subordinated loan capital	198	-156	-156
Net cash flow from financing activities	198	-156	-156
Net cash flow for the period	-56	-236	-188
Cash and receivables from central banks as at 1 January *	248	436	436
Cash and balances due from central banks as at the end of the period	192	200	248

* In the case of the Parent Bank, cash and balances due consist of deposits in Norges Bank.

Notes

NOTE 1. ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with IFRS, including IAS 34 on Interim Financial Reporting. A description of the accounting policies applied by the Group when preparing the interim financial statements is given in the annual report for 2013 with the following exceptions: .

IFRS 10 "Consolidated Financial Statements" is based on the current principles of using control as the single basis for determining whether a company should be consolidated in the financial statements of the parent company. The standard provides comprehensive guidance for assessing whether control is present in those cases where this is difficult to determine. As at the end of 2013, the Group has no assets in companies that must revise their accounting policies as a result of the standard. To date in 2014, there have also been no investments in companies which are subject to actual control and which should therefore be consolidated.

IFRS 12 "Disclosures of Interest in Other Entities" contains notes concerning investments in other entities. The standard sets out requirements for notes concerning investments in subsidiaries, associated companies, special purpose entities (SPEs) and other unconsolidated companies. The aim is to provide information on characteristics and risks linked to the Group's investments in such companies and the effects that this has on the Group's balance sheet, income statement and cash flows. The Group has concluded that the standard will not have a material impact on the information disclosed in the financial statements.

NOTE 2. CHANGE IN VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE, GAINS AND LOSSES

NOK MILLION	Q1 2014	Q1 2013	31.12.13
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss [3]	-2	7	17
Change in value of currency derivatives obliged to be carried at fair value through profit or loss [1]	20	1	-4
Total change in value of financial instruments obliged to be carried at fair value	**18**	**8**	**13**
Change in value of deposits selected for fair value carrying through profit or loss [3]	0	1	21
Change in value of borrowings selected for fair value carrying through profit or loss [3]	2	2	9
Change in value of loans selected for fair value carrying through profit or loss [3]	-13	28	113
Change in value of short-term financial investments selected for fair value carrying [2]	17	9	11
Total change in value of financial instruments selected for fair value carrying	**6**	**40**	**154**
Change in value of interest rate derivatives, hedging [4]	8	-9	-25
Change in value of borrowings, hedged [4]	-8	9	25
Total change in value of financial instruments for hedging	**0**	**0**	**0**
Total change in value of financial instruments carried at fair value	**24**	**48**	**167**
Realised exchange gains/losses(-) on bonds and certificates carried at amortised cost [5]	-11	-7	-12
Realised exchange gains/losses(-) on borrowings and loans carried at amortised cost [5]	-3	-1	-1
Realised gain/loss on shares [6]	0	0	5
Exchange gains/losses on borrowings and loans carried at amortised cost [1]	0	-21	-105
Total change in value of financial instruments carried at fair value, gains and losses	**10**	**19**	**54**

[1] Exchange gains/losses on borrowings and loans carried at amortised cost are chiefly attributable to exchange gain/loss effects which arise when borrowing and lending in foreign currencies are translated at the current exchange rate. Forward exchange contracts and combined interest rate and currency derivatives are carried at fair value with changes in value carried through profit or loss. The net foreign exchange effect for the Group was recognised income of NOK 1 million for the first quarter of 2014, compared with NOK 4 million during the same period in 2013. The annual effect for 2013 was a recognised income of NOK 4 million. Exposure to exchange rate fluctuations is low.

[2] Change in the value of financial investments selected for fair value carrying gave rise to a recognised income of NOK 17 million for the first quarter of 2014, compared with recognised income of NOK 9 million for the same period in 2013. The annual effect was a recognised income of NOK 11 million in 2013. Turbulence in the financial markets has caused substantial fluctuations in the value of these investments.

[3] The net effect of interest rate derivatives obliged to be carried at fair value and changes in the value of financial instruments selected for fair value carrying was a recognised income of NOK 6 million for the first quarter of 2014, compared with NOK 14 million for the same period in 2013. The annual effect for 2013 was a recognised expense of NOK 47 million.

[4] BN Bank uses fair value hedges for new fixed-rate borrowing and related hedge instruments. The borrowings are hedged 1:1 through external contracts where the principal, interest stream, term and hedging transaction match. It is the interest rate risk that is hedged and the hedging transactions entered into are documented. With value hedging, the hedge instrument is recognised at fair value, and the hedge object is recognised at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as at 31 March 2014 was positive by NOK 123 million, compared with NOK 132 million during the same period last year. As at 31 December 2013, the values were positive in the amount of NOK 130 million.

[5] Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to a recognised expense of NOK 14 million for the first quarter of 2014, compared with NOK 8 million for the same period in 2013. The annual effect for 2013 was a recognised expense of NOK 13 million.

[6] The subsidiary BN Boligkreditt AS was liquidated in the fourth quarter of 2013, with a realised capital gain in 2013 of NOK 5 million.

NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Methods of determining fair value

Interest swap agreements, currency swap agreements and forward exchange contracts

The measurement of interest swap agreements at fair value is performed using a valuation technique where future cash flows are discounted to present values. The calculation of expected cash flows and the discounting of these cash flows is performed using observed market interest rates for the various currencies (interest-rate swap curve) and observed exchange rates (from which forward exchange rates are derived).

Interest swap agreements with credit spread

The measurement of interest swap agreements with credit spread at fair value is performed using a valuation technique where future cash flows are discounted to present values. The calculation of expected cash flows and the discounting of these cash flows is performed using observed market interest rates for the various currencies (interest-rate swap curve) with premium for the original credit spread on the interest swap agreement.

Certificates and bonds

Certificates are measured at quoted prices where such are available and the securities are liquid. In the case of other securities, measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of market players' assessments of the creditworthiness of the issuer.

Loans

For loans measured at fair value, the valuation is performed using a valuation technique where expected future cash flows are discounted to present values. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk and margins is determined on the basis of the original premium for credit risk and margin, but with subsequent adjustment of these premiums in correlation with changes in the market pricing of risk, the borrowers' credit ratings and margin changes in the market.

Borrowings selected for fair value carrying

Where borrowing/funding is measured at fair value, quoted borrowings will be measured at quoted prices where such are available and the securities are liquid. In the case of other securities, measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness.

Hedged borrowing/funding

Borrowings included in value hedges are measured using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). We have discounted by the interest-rate swap curve with premium for the original credit spread on the borrowing to eliminate the effects of the credit risk. It is the interest rate risk that is hedged.

Deposits

For deposits measured at fair value, the valuation is performed using a valuation technique where expected future cash flows are discounted to present values. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness. The premium for margins is determined on the basis of the original margin, but with subsequent adjustment of margin in correlation with margin changes in the market.

Options

Equity options and equity-linked options are measured at fair value by obtaining market prices from the facilitators of the stuctured financial products.

Shares

The shares primarily consist of the investments in SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. There is an interaction between the transfer of loans to these companies, the provision of the necessary capital and the level of the commission that is received. The valuation of these shares at fair value is approximately equal to the capital that has been invested in these companies.

Division into measurement levels

Financial instruments measured at fair value at the end of the reporting period are divided into the following levels of fair value measurement:

- Level 1: Quoted price in an active market for an identical asset or liability
- Level 2: Measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness.
- Level 3: Measurement based on factors not taken from observable markets nor which have observable assumptions as input to the valuation.

The Parent Bank's assets and liabilities measured at fair value as at 31 March 2014

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	359	359
Interest rate derivatives [1]	0	525	0	525
Currency derivatives	0	27	0	27
Short term securities investments	0	4 275	397	4 672
Total assets	0	4 827	756	5 583
Subordinated loan capital	0	-174	0	-174
Debt securities in issue	0	-1 155	0	-1 155
Interest rate derivatives [1]	0	-431	0	-431
Currency derivatives	0	-5	0	-5
Customer deposits & accounts payable to customers	0	-166	0	-166
Total liabilities	0	-1 931	0	-1 931

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 March 2014 was positive by NOK 123 million.

The Parent Bank's assets and liabilities measured at fair value as at 31 March 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	499	499
Interest rate derivatives [1]	0	616	0	616
Currency derivatives	0	36	0	36
Equity-linked options and equity options	0	1	0	1
Short term securities investments	0	3 840	420	4 260
Total assets	0	4 493	919	5 412
Subordinated loan capital	0	-176	0	-176
Debt securities in issue	0	-2 971	0	-2 971
Interest rate derivatives [1]	0	-539	0	-539
Currency derivatives	0	-31	0	-31
Customer deposits & accounts payable to customers	0	-1 716	0	-1 716
Total liabilities	0	-5 433	0	-5 433

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 March 2013 was positive by NOK 132 million.

The Parent Bank's assets and liabilities measured at fair value as at 31 December 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	416	416
Interest rate derivatives [1]	0	527	0	527
Currency derivatives	0	16	0	16
Short term securities investments	748	3 242	382	4 372
Total assets	748	3 785	798	5 331
Subordinated loan capital	0	-172	0	-172
Debt securities in issue	0	-1 577	0	-1 577
Interest rate derivatives [1]	0	-427	0	-427
Currency derivatives	0	-15	0	-15
Customer deposits & accounts payable to customers	0	-382	0	-382
Total liabilities	0	-2 573	0	-2 573

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 December 2013 was positive by NOK 130 million.

The Parent Bank's financial instruments measured at fair value, Level 3, as at 31 March 2014

NOK MILLION	LOANS AND ADVANCES	SHORT TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	416	382	798
Investments in the period/new agreements	0	15	15
Sales in the period (at book value)	0	0	0
Matured	-57	0	-57
Changes in value of financial instruments carried at fair value, gains and losses	0	0	0
Closing balance	**359**	**397**	**756**
Of which, result for the period relating to financial instruments still on the balance sheet	1	0	1

The Parent Bank's financial instruments measured at fair value, Level 3, as at 31 March 2013

NOK MILLION	LOANS AND ADVANCES	SHORT TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	521	420	941
Investments in the period/new agreements	0	0	0
Sales in the period (at book value)	-26	0	-26
Changes in value of financial instruments carried at fair value, gains and losses	4	0	4
Closing balance	**499**	**420**	**919**
Of which, result for the period relating to financial instruments still on the balance sheet	4	0	4

The Parent Bank's financial instruments measured at fair value, Level 3, as at 31 December 2013

NOK MILLION	LOANS AND ADVANCES	SHORT TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	521	420	941
Investments in the period/new agreements	2	87	89
Sales in the period (at book value)	0	-125	-125
Matured	-111	0	-111
Changes in value of financial instruments carried at fair value, gains and losses	4	0	4
Closing balance	**416**	**382**	**798**
Of which, result for the period relating to financial instruments still on the balance sheet	5	0	5

Sensitivity analysis, Level 3
In the case of loans carried at fair value, only changes in margin constitute a non-observable input to the fair value calculation. Changes in margin do not significantly affect the calculation of fair value and have not been quantified for this reason.

The Group's valuation methodology
Within the finance department, the Group has a team which is responsible for valuing assets and liabilities for accounting purposes. The team reports to the Chief Finance Officer. In addition, the actual reports from the period's valuations are submitted to the Audit Committee in connection with the submission of the financial statements. The principles used for the valuation are also regularly reported to the Audit Committee.

Assumptions used for valuation within Level 3 are linked to changes in the margin on loans.

NOTE 4. OTHER OPERATING INCOME

NOK MILLIONER	Q1 2014	Q1 2013	31.12.13
Guarantee commission	2	1	4
Commission income from SpareBank 1 Boligkreditt AS [1]	29	13	82
Net other commission income/expense	2	1	-5
Other operating income	0	1	8
Total other operating income	**33**	**16**	**89**

[1] The Bank receives commission on loans that are transferred to Sparebank1 Boligkreditt AS, which is calculated as the lending rate on the loans less costs in Sparebank1 Boligkreditt AS.

NOTE 5. INCOME FROM OWNERSHIP INTERESTS IN GROUP COMPANIES

For 2013, an ordinary general meeting of the subsidiary Bolig- og Næringskreditt AS decided to pay a group contribution of NOK 167 million before tax.

NOTE 6. IMPAIRMENT LOSSES AND WRITE-DOWNS ON LOANS AND GUARANTEES

The various elements included in impairment losses and write-downs on loans are set out in Note 1 to the annual Report. Loans past due more than 3 months are defined as loans not serviced under the loan agreement for 3 months or more. However, as a first mortgage lender, the Group can gain access to revenue, either through the courts or by some voluntary solution. Impairment losses and write-downs described here apply to loans carried at amortised cost and changes in value and gains/losses on the sale of repossessed properties in the current period.

NOK MILLIONER	Q1 2014	Q1 2013	31.12.13
Write-offs on loans without prior write-downs	2	0	2
Write-downs for the period:			
Change in collective write-downs	1	0	0
Change in collective write-downs related to Guarantee Portfolio	-3	-13	-15
Total change in collective write-downs	**-2**	**-13**	**-15**
Increase on loans with prior-year write-downs [1]	3	14	27
Provisions against loans without prior write-downs	1	0	19
Decrease on loans with prior-year write-downs	-2	0	-17
Total change in individual write-downs	**2**	**14**	**29**
Gross impairment losses	2	1	26
Recoveries on previous write-offs	2	5	6
Impairment losses on loans and advances	**0**	**-4**	**20**
Revenue recognition of interest on written-down loans	-1	1	1

NOK MILLIONER	Q1 2014	Q1 2013	31.12.13
Individual write-downs to cover impairment losses at start of period	27	30	30
Write-offs covered by prior-year individual write-downs	**-1**	**-2**	**-2**
Write-downs for the period:			
Increase on loans with prior-year individual write-downs	0	0	0
Write-downs on loans without prior individual write-downs	1	15	15
Decrease on loans with prior-year individual write-downs	-2	-16	-16
Individual write-downs to cover impairment losses at end of period	**25**	**27**	**27**
Collective write-downs to cover impairment losses at start of period	29	29	29
Collective write-downs for the period to cover impairment losses	1	0	0
Collective write-downs to cover impairment losses at end of period	**30**	**29**	**29**

NOK MILLIONER	Q1 2014	Q1 2013	31.12.13
Provision for losses on financial guarantees concerning the Guarantee Portfolio at start of period	101	72	72
Write-offs covered by prior-year individual write-downs	**0**	**0**	**0**
Write-downs for the period:			
Increase on loans with prior-year individual write-downs	2	13	24
Write-downs on loans without prior individual write-downs	0	0	6
Decrease on loans with prior-year individual write-downs	0	0	-1
Provision for losses on financial guarantees concerning the Guarantee Portfolio at end of period [1]	**103**	**85**	**101**
Collective write-downs linked to the Guarantee Portfolio at start of period	32	47	47
Collective write-downs for the period to cover losses in Guarantee Portfolio	-3	-13	-15
Collective write-downs linked to the Guarantee Portfolio at end of period [1]	**29**	**34**	**32**
Total loss provisions related to Guarantee Portfolio [1]	**132**	**119**	**133**

[1] BN Bank has previously entered into an agreement with SpareBank1 SMN for the latter to take over the Bank's Ålesund portfolio. The parties revised the agreement on 1 February 2012 according to which BN Bank sold NOK 2.3 billion of the portfolio valued at NOK 3.1 billion to SpareBank1 SMN. BN Bank now provides guarantees for 60% of the credit risk for this portfolio (referred to as the Guarantee Portfolio) of NOK 417 million. The Bank's maximum exposure is thus down to NOK 250 million, which at the end of the first quarter of 2014 represented 0.9% of the Group's total lending. The total provision for losses in the Guarantee Portfolio was NOK 132 million as at 31 March 2014. BN Bank will provide guarantees for losses in the Guarantee Portfolio for a period of three to five years from the inception of the original agreement. The loss provision is classified under Accrued expenses and deferred income.

Loans past due more than 3 months[1, 2]

NOK MILLION	31.03.14	31.03.13	31.12.13
Gross principal	106	146	146
Individual write-downs	6	7	7
Net principal	**100**	**139**	**139**

Other loans with individual write-downs [1]

NOK MILLION	31.03.14	31.03.13	31.12.13
Gross principal	462	465	460
Individual write-downs	122	122	99
Net principal	**340**	**343**	**361**

Loans past due by more than three months by sector and as a percentage of loans [1, 2]

NOK MILLION	GROSS OUTSTANDING 31.03.14	%	GROSS OUTSTANDING 31.03.13	%	GROSS OUTSTANDING 31.12.13	%
Corporate Market	41	0.78	56	1.04	81	1.39
Retail Market	65	0.84	51	0.59	65	0.85
Guarantee Portfolio	0	0.00	0	0.00	0	0.00
Total	**106**	**0.81**	**107**	**0.77**	**146**	**0.93**

[1] As regards notes concerning other loans with individual write-down, the figures that are disclosed include the Guarantee Portfolio with respect to SpareBank 1 SMN.

[2] Non-performing loans as a percentage of loans is calculated on the basis of gross loans within the Parent Bank.

NOTE 7. SUMMARY OF GROSS MANAGED LOANS

NOK MILLION	31.03.14	31.03.13	31.12.13
Corporate and retail loans	13 031	14 109	13 489
Vendor financing	0	-22	0
Gross loans	**13 031**	**14 087**	**13 489**
Loans transferred to SpareBank 1 Boligkreditt	8 721	6 148	8 323
Total loans in managed portfolio	**21 752**	**20 235**	**21 812**

NOTE 8. TRANSFER OF LOANS TO SPAREBANK 1 NÆRINGSKREDITT

SpareBank 1 Næringskreditt AS was established in 2009 and is licensed by the Financial Supervisory Authority of Norway to operate as a credit institution. The company's bonds have an Aa1 rating from Moody's. The company is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Boligkreditt AS in Stavanger. BN Bank owns no shares in the company at 31 March 2014. The purpose of the company is to secure for the consortium banks a source of stable, long-term financing of commercial real estate at competitive rates. SpareBank 1 Næringskreditt procures loans with mortgages on commercial properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to the company and, as part of the Bank's funding strategy, loans have been transferred from BNkreditt. Loans transferred to Sparebank 1 Næringskreditt AS are secured by mortgages on commercial properties for up to 60 per cent of the appraised value. Transferred loans are legally owned by Sparebank 1 Næringskreditt AS and, apart from the management right and the right to take over fully or partially written-down loans, BNkreditt has no right to the use of these loans. At 31 March 2014, the book value of transferred loans was NOK 12.8 billion. BNkreditt is responsible for managing the transferred loans and BNkreditt receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

BN Bank has pledged guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt's capital base. As at 31 March 2014, the aforementioned guarantees amount to NOK 0 million.

The loans transferred to SpareBank 1 Næringskreditt AS are very well secured and there is only a very slight probability of loss. BNkreditt has a remaining involvement in the form of a possible settlement against the commission it receives. Should there arise accounting credit losses or a fall in margin relating to one or more transferred loans, SpareBank 1 Næringskreditt AS can reduce the commission BNkreditt receives with the loss. A reduction in commission for BNkreditt is limited to the total commission for the calendar year and if SpareBank 1 Næringskreditt AS subsequently has its loss covered, the commission will be paid back to BNkreditt. The maximum amount which BNkreditt can be required to pay back has been calculated, but is not material and is thus not recorded on the balance sheet. The fair value of the expected reduction in commission has been calculated and deemed immaterial. A possible settlement against the commission has therefore had no effect on the balance sheet or the result during the period.

The consideration received for loans transferred from BNkreditt to SpareBank 1 Næringskreditt AS is equal to the nominal value of transferred loans and is measured as virtually concurrent with the fair value of the loans as at the end of the first quarter of 2104 and 2013.

Guarantee provided by BN Bank to BNkreditt

In order to attend to the interests of existing bond holders in BNkreditt, in connection with the transfer of loans to Sparebank 1 Næringskreditt BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 31 March 2014, BNkreditt's capital adequacy ratio was 19.59 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 66 million as at 31 March 2014.

NOTE 9. TRANSFER OF LOANS TO SPAREBANK 1 BOLIGKREDITT

SpareBank 1 Boligkreditt is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Næringskreditt AS in Stavanger. BN Bank has a stake of 4.78% as at 31 March 2014. The purpose of the company is to secure for the banks within the consortium a source of stable, long-term financing of residential mortgage loans at competitive rates. The company's bonds have ratings of Aaa and AAA from Moody's and Fitch respectively. SpareBank 1 Boligkreditt procures loans with mortgages on residential properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to SpareBank 1 Boligkreditt and, as part of the Bank's funding strategy, loans have been transferred to the company. Loans transferred to SpareBank 1 Boligkreditt AS are secured by mortgages on residential properties for up to 75 per cent of the appraised value. Transferred loans are legally owned by SpareBank 1 Boligkreditt AS and, apart from the management right and the right to take over fully or partially written-down loans, BN Bank has no right to the use of these loans. At 31 March 2014, the book value of transferred loans was NOK 8.7 billion. BN Bank is responsible for managing the transferred loans and receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

BN Bank has, in conjunction with the other owners of SpareBank 1 Boligkreditt AS, entered into agreements to establish a liquidity facility for SpareBank 1 Boligkreditt AS. This means that the owner banks have undertaken to purchase covered bonds in the case that SpareBank 1 Boligkreditt AS is unable to refinance its business in the market. The purchase is limited to the total value of the maturities in the company at any time in the next twelve months. Previous purchases under this agreement are deducted from future purchase obligations. Each owner is principally liable for his share of the refinancing need, alternatively for the double of what the primary liability may be in accordance with the same agreement. The bonds can be deposited in Norges Bank and thus give rise to no material increase in risk for BN Bank. According to its own internal policy, SpareBank 1 Boligkreditt AS maintains its liquidity for the next 12 months' maturities. This is deducted when the banks' liability is measured. It is therefore only in the event that SpareBank 1 Boligkreditt AS no longer has sufficient liquidity for the next 12 months' maturities that BN Bank will report any commitment here with regard to capital adequacy or major commitments.

BN Bank has also entered into a shareholder agreement with the shareholders of SpareBank 1 Boligkreditt AS. Among other things, this means that BN Bank will contribute to SpareBank 1 Boligkreditt AS having a tier 1 capital ratio of at least 9.0 per cent, and if required inject tier 1 capital if it falls to a lower level. SpareBank 1 Boligkreditt AS has internal guidelines stipulating a tier 1 capital ratio of at least 10.0 per cent. On the basis of a concrete assessment, BN Bank has chosen not to hold capital for this obligation because the risk of BN Bank being compelled to contribute is considered very slight. Reference is also made in that connection to the fact that there are a number of alternative courses of action which may be relevant should such a situation arise.

The loans transferred to SpareBank 1 Boligkreditt AS are very well secured and there is only a very slight probability of loss. BN Bank has a remaining involvement in the form of a possible settlement against the commission it receives. Should there arise accounting credit losses or a fall in margin relating to one or more transferred loans, SpareBank 1 Boligkreditt AS can reduce the commission BN Bank receives with the loss. A reduction in commission for BN Bank is limited to the total commission for the calendar year and if SpareBank 1 Boligkreditt AS subsequently has its loss covered, the commission will be paid back to BN Bank. The maximum amount which BN Bank can be required to pay back has been calculated, but is not material and is thus not recorded on the balance sheet. The fair value of the expected reduction in commission has been calculated and deemed immaterial. A possible settlement against the commission has therefore had no effect on the balance sheet or the result during the period.

The consideration received for loans transferred from BN Bank to SpareBank 1 Boligkreditt AS is equal to the nominal value of transferred loans and is measured as virtually concurrent with the fair value of the loans as at the end of the first quarter of 2014 and 2013.

NOTE 10. BORROWING (FUNDING)

The balance sheet includes borrowing at a fixed interest rate included in hedging carried at amortised cost, while other borrowing at a fixed interest rate is selected for carrying at fair value. Borrowing at a variable interest rate is carried at amortised cost.

Debt securities in issue

The Parent Bank has issued bonds and certificates with a nominal value of NK 1,650 million as at 31 March 2014, either as new issues or the expansion of existing open loans.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (nominal) 1 January 2014	1 350	11 540	12 890
New issues	0	1 300	1 300
Expansion of existing	0	350	350
Purchase and maturity of existing	-422	-1 201	-1 623
Net debt (nominal) 31 March 2014	**928**	**11 989**	**12 917**

Subordinated loan capital and hybrid capital

The Parent Bank has issued subordinated capital securities with a nominal value of NK 400 million as at 31 March 2014, either as new issues or the expansion of existing open loans.

NOK MILLION	HYBRID CAPITAL	SUBORDINATED LOAN CAPITAL	TOTAL
Net debt (nominal) 1 January 2014	650	800	1 450
New issues	400	0	400
Expansion of existing	0	0	0
Purchase and maturity of existing	-202	0	-202
Net debt (nominal) 31 March 2014	**848**	**800**	**1 648**

Recognised values

NOK MILLION	31.03.14	31.03.13	31.12.13
Certificates carried at fair value	944	2 749	1 367
Total recognised value of certificates	**944**	**2 749**	**1 367**
Bonds carried at amortised cost	8 289	8 097	8 208
Bonds carried at amortised cost (secured debt)	3 648	3 207	3 275
Bonds selected for fair value carrying	211	221	210
Total recognised value of bonds	**12 148**	**11 525**	**11 693**
Total recognised value of debt securities in issue	**13 092**	**14 274**	**13 060**

NOK MILLION	31.03.14	31.03.13	31.12.13
Hybrid capital carried at amortised cost	682	483	483
Hybrid capital carried at fair value	174	176	172
Total recognised value of capital securities	**856**	**659**	**655**
Subordinated loans carried at amortised cost	803	803	804
Total recognised value of subordinated loans	**803**	**803**	**804**
Total recognised value of subordinated loans and hybrid capital	**1 659**	**1 462**	**1 459**

NOTE 11. FAIR VALUE OF FINANCIAL INSTRUMENTS COMPARED WITH RECOGNISED VALUE

	31.03.14		31.03.13		31.12.13	
NOK MILLION	**FAIR VALUE**	**RECOGNISED VALUE**	**FAIR VALUE**	**RECOGNISED VALUE**	**FAIR VALUE**	**RECOGNISED VALUE**
Subordinated loans	453	452	452	451	453	452
Loans and advances	12 976	12 976	14 030	14 030	13 430	13 430
Prepayments and accrued income	106	106	61	61	56	56
Interest rate derivatives	525	525	616	616	527	527
Currency derivatives	27	27	36	36	16	16
Equity-linked options and equity options	0	0	1	1	0	0
Short term securities investments	7 081	7 080	5 592	5 592	6 124	6 122
Cash and receivables with credit institutions	9 345	9 345	13 949	13 949	10 656	10 656
Assets classified as held for sale	0	0	1	1	0	0
Subordinated loan capital	-1 739	-1 659	-1 476	-1 462	-1 471	-1 459
Liabilities to credit institutions	-20	-20	-807	-807	-13	-13
Debts established upon issuing of securities	-13 275	-13 092	-14 345	-14 274	-13 196	-13 060
Accrued expenses and deferred income	-132	-132	-119	-119	-133	-133
Other current liabilities	-40	-40	-8	-8	-10	-10
Interest rate derivatives	-431	-431	-539	-539	-427	-427
Currency derivatives	-5	-5	-31	-31	-15	-15
Customer deposits & accounts payable to customers	-14 124	-14 124	-17 041	-17 041	-15 173	-15 173
Total	**747**	**1 008**	**372**	**456**	**824**	**969**

In the case of short-term financial instruments, the recognised amount will normally always be a good approximation of fair value. Financial derivatives and short-term securities investments are carried in their entirety at fair value, and consequently no difference will be presented in the balance sheet between fair value and recognised value.

In connection with the valuation of fair value of certificates and bonds at amortised cost, we have used market prices from brokers. Treasury bills are recognised at the most recent bid price. The prices of senior bank bonds and subordinated bank are calculated on the basis of the NIBOR rates at the short end and swap rates for loans with a maturity of more than one year. A risk premium is determined from broker reports as at the end of each quarter.

Subdivision of fair value measurement for financial instruments carried at amortised cost
Financial instruments measured at fair value at the end of the reporting period are subdivided into the following levels of fair value measurement:

- Level 1: Quoted price in an active market for an identical asset or liability
- Level 2: Measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness.
- Level 3: Measurement based on factors not taken from observable markets nor which have observable assumptions as input to the valuation.

The Parent Bank's assets and liabilities measured at amortised cost as at 31 March 2014

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Subordinated loans	0	453	0	453
Current securities investments	499	1 910	0	2 409
Total assets	499	2 363	0	2 862
Subordinated loan capital	0	-1 565	0	-1 565
Debt securities in issue	0	-8 472	0	-8 472
Total liabilities	0	-10 037	0	-10 037

The Parent Bank's assets and liabilities measured at amortised cost as at 31 March 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Subordinated loans	0	452	0	452
Current securities investments	747	585	0	1 332
Total assets	747	1 037	0	1 784
Subordinated loan capital	0	-1 300	0	-1 300
Debt securities in issue	0	-8 167	0	-8 167
Total liabilities	0	-9 467	0	-9 467

The Parent Bank's assets and liabilities measured at amortised cost as at 31 December 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Subordinated loans	0	453	0	453
Current securities investments	497	1 252	0	1 749
Total assets	497	1 705	0	2 202
Subordinated loan capital	0	-1 298	0	-1 298
Debt securities in issue	0	-8 344	0	-8 344
Debt securities in issue	0	-9 642	0	-9 642

NOTE 12. RIGHT OF OFF-SET, FINANCIAL DERIVATIVES

With effect from 2013, the BN Bank Group must disclose information on the financial instruments concerning which it has entered into off-set agreements in accordance with IFRS 7.13 A-F. The company has no items which are recognised net in the balance sheet in accordance with IFRS 7.13.C a-c.

The Group enters into standardised and chiefly bilateral ISDA contracts for derivatives transactions with financial institutions, which give the parties the right of off-set in the event of default. The Group has also entered into additional collateral-posting agreements (CSAs) with some of the counterparties.

Financial assets			31.03.14
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS1[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	274	34	240
Counterparty 2	140	140	0
Counterparty 3	50	11	39
Counterparty 4	41	10	31
Counterparty 5	37	37	0
Counterparty 6	10	10	0
Total	552	242	310

Financial liabilities			31.03.14
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS1[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	34	34	0
Counterparty 2	330	140	190
Counterparty 3	11	11	0
Counterparty 4	10	10	0
Counterparty 5	41	37	4
Counterparty 6	10	10	0
Total	436	242	194

Financial assets			31.03.13
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS1[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	322	65	257
Counterparty 2	151	151	0
Counterparty 3	76	27	49
Counterparty 4	47	17	30
Counterparty 5	46	46	0
Counterparty 6	12	12	0
Total	654	318	336

Financial liabilities			31.03.13
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS1[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	66	66	0
Counterparty 2	387	152	235
Counterparty 3	27	27	0
Counterparty 4	17	17	0
Counterparty 5	61	46	15
Counterparty 6	12	12	0
Counterparty 7	0	0	0
Total	570	320	250

Financial assets			31.12.13
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS1[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	298	31	267
Counterparty 2	105	105	0
Counterparty 3	60	17	43
Counterparty 4	32	8	24
Counterparty 5	40	40	0
Counterparty 6	8	8	0
Total	543	209	334

Financial liabilities			31.12.13
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS1[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	31	31	0
Counterparty 2	337	105	232
Counterparty 3	17	17	0
Counterparty 4	8	8	0
Counterparty 5	41	40	1
Counterparty 6	8	8	0
Total	442	209	233

[1] The amount subject to settlement on a net basis that is not presented net in the balance sheet

NOTE 13. CAPITAL ADEQUACY RATIO

Process for assessing capital adequacy requirement

BN Bank has established a strategy and process for risk management and assessment of the capital adequacy requirement and how capital adequacy can be maintained. The collective term for this is ICAAP (Internal Capital Adequacy Assessment Process). Assessing the capital adequacy requirement involves assessing the size, composition and distribution of the capital base adapted to the level of risks that the Bank is or may be exposed to. The assessments are risk-based and forward-looking. Risk areas assessed in addition to the Pillar 1 risks are concentration risk in the credit portfolio, interest rate and foreign exchange risk in the bank portfolio, liquidity risk, market risk, owner's risk and reputation risk, compliance risk and strategic risk. ICAAP is not focused on a single method or a single figure, but presents a set of calculations including different time horizons, confidence levels and assumptions.

NOK MILLION	**31.03.14**	**31.03.13**	**31.12.13**
Share capital	706	668	706
Other equity	1 768	1 543	1 747
Total equity	**2 474**	**2 211**	**2 453**
Net perpetual subordinated capital (perpetual subordinated capital securities borrowings) [1]	649	368	353
Deductions for:			
Equity and subordinated capital in other financial institutions	-231	0	-205
Intangible assets	-8	-7	-7
Deferred tax assets	0	0	0
Other deductions in tier 1 capital	-240	-121	-240
Tier 1 capital	**2 644**	**2 451**	**2 354**
Tier 1 capital excluding hybrid capital and deductions (core tier 1 capital)	**1 995**	**2 083**	**2 001**
Fixed-term subordinated loan capital [1]	798	803	798
Perpetual subordinated capital securities. hybrid capital in excess of 15% and 35%	0	291	298
Deductions for:			
Fixed-term subordinated loan capital that cannot be included	0	0	0
Other deductions in tier 2 capital	-231	-121	-205
Net tier 2 capital	**567**	**973**	**891**
Total subordinated capital	**3 211**	**3 424**	**3 245**
Risk-weighted assets	15 603	16 897	15 953
Tier 1 capital ratio (%)	16.94	14.50	14.75
Tier 1 capital excluding hybrid capital and deductions (core tier 1 capital ratio) (%)	**12.79**	**12.35**	**12.54**
Capital adequacy ratio (%)	**20.58**	**20.26**	**20.34**

[1] For more details, see Note 10.

Specification of risk-weighted assets

NOK MILLION	31.03.14		31.03.13		31.12.13	
RISK-WEIGHT	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**
0 %	741	0	1 000	0	798	0
10 %	2 675	268	2 271	227	2 261	226
20 %	12 200	2 440	16 453	3 291	13 177	2 635
35 %	8 275	2 896	9 365	3 278	8 024	2 808
50 %	100	50	9	5	100	50
75 %	81	61	68	51	74	56
100 %	9 888	9 888	10 046	10 046	10 178	10 178
Investments included in the trading portfolio	0	0	0	0	0	0
Tradeable debt instrum. incl. in the trading portfolio	0	0	0	0	0	0
Total risk-weighted assets	33 960	15 603	39 212	16 897	34 612	15 953
Total risk-weighted assets		20.58		20.26		20.34

NOTE 14. CONTINGENT LIABILITIES

Sale of structured products

BN Bank was sued in a group action over structured savings products in 2008. The Supreme Court ruled in February 2010 that group litigation is not appropriate for assessing this type of product.

Three of the Bank's customers then sued the Bank individually in the District Court, but the Court ruled against them on 8 July 2011. Three of the Bank's customers then sued the Bank individually in the District Court, but the Court ruled against them on 8 July 2011. The ruling was appealed to the Borgarting Court of Appeal, but the case was settled in court with the same result for the Bank as after the District Court's decision, whereby the Bank was obliged to pay its own costs.

BN Bank has also provided loans to finance Artemis structured products. BN Bank was sued by six customers, but the lawsuits were settled in court without the Bank having paid any compensation to the applicants.

In March 2013, the Norwegian Supreme Court passed judgment in the so-called "Røeggen case". The Norwegian Financial Services Complaints Board has in that connection requested all the banks involved, including BN Bank, to re-assess the complaints against them that have been brought before the Complaints Board, in the light of the judgment. BN Bank has found no grounds to change its standpoint and still takes the view that the cases the Bank is involved in are not comparable with the "Røeggen case". Statements from the Financial Appeal Board during the first quarter of 2014 have supported the Bank's view. All complaints concerning the products have been considered by the board and none of the complaints were upheld. This applies to complaints where the Bank has been a lender and where the Bank has been a lender and an issuer. As a result, the Bank has made no provision relating to structured products in 2013.

NOTE 15. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

Apart from the matters mentioned in Note 14 above, there are no assets or liabilities to which contingent outcomes are attached and where those outcomes could have a significant impact on the Group's financial position and results.

There have been no significant events after the reporting period.

NOTE 16. INCOME STATEMENT THE LAST FIVE QUARTERS

NOK MILLION	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Interest and similar income	274	295	304	308	315
Interest expense and similar charges	220	239	257	267	27
Net income from interest and credit commissions	**54**	**56**	**47**	**41**	**39**
Change in value of financial instruments carried at fair value, gains and losses	10	14	4	17	19
Other operating income	33	25	22	26	16
Total other operating income	**43**	**39**	**26**	**43**	**35**
Salaries and general administrative expenses	31	27	25	23	27
Depreciation, amortisation and write-downs	2	3	3	3	3
Other operating expense	5	4	5	5	4
Total other operating expense	**38**	**34**	**33**	**31**	**34**
Operating profit/(loss) before impairment losses	**59**	**61**	**40**	**53**	**40**
Impairment losses on loans and advances	0	40	-16	0	-4
Operating profit/(loss) after impairment losses	**59**	**21**	**56**	**53**	**44**
Income from ownership interests in group companies	0	0	0	118	0
Profit before tax	**59**	**21**	**56**	**171**	**44**
Computed tax charge	16	0	16	15	12
Profit after tax	**43**	**21**	**40**	**156**	**32**

To the Board of Directors of BN Bank ASA

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying interim financial information of BN Bank ASA, which comprise the financial statements of the group and the financial statements of the parent company. The financial statements of the group and the financial statements of the parent company comprise balance sheet as of 31 March 2014 and the related statements of income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with standards on auditing adopted by Den Norske Revisorforening, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Trondheim, 28. April 2014
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

PricewaterhouseCoopers AS, Brattørkaia 17 B, NO-7492 Trondheim
T: 02316, www.pwc.no
Org.no.: 987 009 713 MVA, Medlem av Den norske Revisorforening

www.bnbank.no