BN Bank ASA

INTERIM REPORT
3RD QUARTER | 2014

BN Bank

Content

Financial Ratios

		GROUP		
NOK MILLION	**REFERENCE**	**30.09.14**	**30.09.13**	**THE YEAR2013**
Summary of results				
Net income from interest and credit commissions		332	300	410
Total other operating income		181	210	283
Total income		**513**	**510**	**693**
Total other operating expense		**169**	**161**	**215**
Operating profit/(loss) before impairment losses		**344**	**349**	**478**
Impairment losses on loans and advances		23	65	129
Profit before tax		**321**	**284**	**349**
Computed tax charge		85	80	97
Profit after tax		**236**	**204**	**252**
Profitability				
Return on equity	1	8.8 %	8.0 %	7.3 %
Net interest	2	1.20 %	0.99 %	1.00 %
Expense ratio	3	32.9 %	31.6 %	31.0 %
Cost-income ratio incl. equity surcharge and return on equity in SpareBank 1 Næringskreditt		27.1 %	30.7 %	30.0 %
Balance sheet figures				
Gross loans		28 260	30 998	29 309
Customer deposits		14 115	16 166	15 169
Deposit-to-loan ratio	4	49.9 %	52.2 %	51.8 %
Growth in lending (gross), last 12 months		-8.8 %	-2.8 %	-12.0 %
Growth in deposits, last 12 months		-12.7 %	-1.2 %	-10.3 %
Average total assets	5	36 643	40 519	39 463
Total assets		36 751	39 763	37 505
Balance sheet figures inc. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt				
Gross lending		50 347	49 410	50 025
Customer deposits		14 115	16 166	15 169
Growth in lending (gross), last 12 months		1.9 %	3.1 %	1.1 %
Growth in deposits, last 12 months		-12.7 %	-1.2 %	-10.3 %
Deposit-to-loan ratio, managed		28.0 %	32.7 %	30.3 %
Impairment losses and defaults, Group				
Loss ratio lending	6	0.11 %	0.27 %	0.41 %
Non-performing loans as % of gross lending		1.42 %	1.88 %	1.91 %
Other doubtful commitments as % of gross lending	7	1.14 %	1.88 %	2.25 %
Impairment losses and defaults, inc. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt				
Loss ratio lending	6	0.06 %	0.18 %	0.35 %
Non-performing loans as % of gross lending		0.79 %	1.20 %	1.14 %
Other doubtful commitments as % of gross lending	7	0.64 %	1.18 %	1.32 %
Solvency				
Capital adequacy ratio		19.69 %	14.54 %	15.44 %
Tier 1 capital ratio		16.53 %	12.25 %	13.02 %
Core tier 1 capital ratio		15.04 %	10.41 %	11.07 %
Tier 1 capital		3 676	3 783	3 705
Subordinated capital		4 378	4 491	4 393
Offices and staffing				
No. of offices		2	2	2
Number of full-time equivalents		114	110	111
Shares				
Earnings per share for the period (whole NOK)		16.72	8.01	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 3 2014

The comparative figures in parentheses are for the second quarter of 2014.

- Net interest income amounted to NOK 99 million (NOK 126 million)
- Other operating income amounted to NOK 49 million (NOK 75 million)
- Profit after tax of NOK 69 million (NOK 93 million)
- Profit after tax from core business totalling NOK 69 million (NOK 94 million)
- Other operating expense amounted to NOK 56 million (NOK 56 million)
- Costs constituted 38 per cent of total income (28 per cent)
- Return on equity after tax of 7.7 per cent (10.3 per cent)
- Impairment losses on loans constituted an income of NOK 4 million (expense of NOK 21 million)

Summary as at 30 September 2014

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

- Net interest income amounted to NOK 332 million (NOK 300 million)
- Other operating income amounted to NOK 181 million (NOK 210 million)
- Profit after tax amounted to NOK 236 million (NOK 204 million)
- Profit after tax from core business totalling NOK 236 million (NOK 206 million)
- Other operating expense amounted to NOK 169 million (NOK 161 million)
- Costs constituted 33 per cent of total income (32 per cent)
- Return on equity after tax of 8.8 per cent (8.0 per cent)
- Return on equity after tax from core business at 8.8 per cent (8.0 per cent)
- Growth in lending in the managed portfolio of NOK 937 million during the past 12 months (NOK 2,621 million)
- The margin on loans measured against the 3-month NIBOR fell by 2 basis points during the past 12 months to 2.36 per cent (2.38 per cent)
- The deposit margin measured against the 3-month NIBOR rose by 31 basis points during the past 12 months to -0.88 per cent (-1.19 per cent)
- Impairment losses on loans constituted an expense of NOK 23 million (NOK 65 million)
- Capital adequacy ratio of 19.7 per cent (14.5 per cent)
- Tier 1 capital adequacy ratio of 16.5 per cent (12.3 per cent)
- Core tier 1 capital ratio of 15.0 per cent (10.4 per cent)

Results for Quarter 3 2014

The comparative figures in parentheses are for the second quarter of 2014.

During the third quarter of 2014, profit after tax was NOK 69 million (NOK 93 million). This gave an annualised return on equity of 7.7 per cent (10.3 per cent). The key factors behind this change are lower lending margins and fee revenues along with the fact that the second quarter included the recognition as income of a significant interest sum not previously recognised. Higher deposit margins and lower losses have made a positive contribution compared with the second quarter.

Total income was NOK 148 million during the third quarter of 2014 (NOK 201 million).

NOK MILLION	Q3 2014	Q2 2014	CHANGE
Total income	148	201	-53
Late payment interest and net interest fees			-24
Dividend from OMF companies			-12
Commission income from OMF companies			-7
Changes in value			-9
Other changes			-1

During the third quarter, net interest income amounted to NOK 99 million (NOK 126 million). This change is particularly linked to the inclusion in the second quarter of earlier, unrecognised late payment interest and to the fact that fees on net interest income were lower than in the second quarter.

During the third quarter, other operating income excluding changes in value amounted to NOK 47 million (NOK 63 million). The main reason for the change is lower commission income from SpareBank 1 Næringkreditt and SpareBank 1 Boligkreditt, along with the fact that the second quarter included dividends from SpareBank 1 Boligkreditt. Commission income from SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt amounted to NOK 41 million (NOK 48 million). The commission is calculated as the interest on loans less costs incurred by SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt. The costs includes a premium for the capital that the shareholders have invested in SpareBank 1 Næringskreditt for loans that BN Bank has transferred to this company.

Operating expense for the third quarter of 2014 was NOK 56 million (NOK 56 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 38 per cent of total income during the third quarter of 2014 (28 per cent). Adjusted for the equity surcharge in SpareBank 1 Næringskreditt, costs amount to 31 per cent of income.

During the third quarter of 2014, NOK 4 million was recognised as income in respect of impairment losses on loans and advances (recognised expense of NOK 21 million). Individual and collective impairment losses on loans were distributed as follows:

NOK MILLION	INDIVIDUAL	COLLECTIVE	TOTAL
Corporate Market	1	-8	-7
Retail Market	1	0	1
Guarantee Portfolio	2	0	2
Total	4	-8	-4

As at 30 September 2014

The comparative figures in parentheses apply as at 30 September 2013.

As at 30 September 2014 the BN Bank Group posted a profit after tax of NOK 236 million (NOK 204 million). This gives an annualised return on equity after tax of 8.8 per cent (8.0 per cent). Higher net interest income and reduced losses had a positive impact, while somewhat higher costs, lower commission income and changes in the value of financial instruments had a negative impact.

The Bank's core business (the result of the corporate and retail banking activities) saw an increase in post-tax profit of NOK 30 million, up from NOK 206 million as at 30 September 2013 to NOK 236 million in the same period in 2014.

Income

Total income was NOK 513 million (NOK 510 million). The Bank's total margin on loans measured against the 3-month NIBOR as at 30 September 2014 was 2.36 per cent (2.38 per cent).

The Bank's deposit margin measured against the 3-month NIBOR as at 30 September 2014 was -0.88 per cent (-1.19 per cent).

Other operating income stood at NOK 181 million (NOK 210 million) as at 30 September 2014. Reduced commission income from SpareBank 1 Næringskreditt and lower changes in value had a negative impact, while higher commission income and a larger dividend from SpareBank 1 Boligkreditt had a positive effect.

Costs

Operating expense amounted to NOK 169 million (NOK 161 million). Costs as at 30 September 2014 constituted 33 per cent of total income (32 per cent) Adjusted for the equity surcharge and return in SpareBank 1 Næringskreditt, the cost ratio is 27 per cent (32 per cent).

Losses on loans and non-performing loans

Net impairment losses on loans and guarantees totalled NOK 23 million (NOK 65 million).

Defaults in excess of 90 days amounted to 1.42 per cent of gross lending within the Group as at 30 September 2014 (1.88 per cent). With a deduction for individual write-downs, non-performing and doubtful loans amounted to NOK 506 million (NOK 972 million) at the end of the third quarter of 2014, equivalent to 1.80 per cent (3.14 per cent) of gross lending within the Group and the Guarantee Portfolio. See Note 6 for more information.

Impairment losses as at 30 September 2014 were distributed as follows:

NOK MILLION	INDIVIDUAL	COLLECTIVE	TOTAL
Corporate Market	22	-12	10
Retail Market	6	2	8
Guarantee Portfolio	28	-23	5
Total	56	-33	23

Loan loss provisions within the core business amounted to NOK 212 million at the end of the third quarter of 2014. Of this figure, individual write-downs account for NOK 160 million and collective write-downs NOK 52 million. Total loan loss provisions as at the end of the third quarter of 2014 were distributed as follows:

	LOAN LOSS PROVISIONS (NOK MILLION)	% OF GROSS LENDING, GROUP
Corporate Market	194	0.96
Retail Market	18	0.22

BN Bank has previously sold its portfolio in Ålesund to SpareBank 1 SMN. BN Bank provides guarantees for part of the credit risk for the remaining portfolio (called the "Guarantee Portfolio"). Including the loss that has already been determined, the Bank's maximum loss associated with the guarantee is NOK 174 million. This figure is equivalent to 0.6 per cent of the Bank's gross lending as at the end of the third quarter of 2014. The total provision for losses in the Guarantee Portfolio was NOK 61 million as at the end of September 2014.

Balance sheet developments and capital

Gross managed lending[1] has risen by NOK 0.9 billion, or 2 per cent, in the past 12 months. Gross managed loans totalled NOK 50.3 billion at the end of the third quarter 2014.

NOK BILLION	30.09.14	30.09.13
Gross lending	50.3	49.4
Change last 12 months	0.9	1.5

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

Gross managed lending had the following segmental exposure:

NOK BILLION	30.09.14	30.09.13
Retail Market	17.0	15.4
Corporate Market	33.3	34.0

Corporate Market has reduced lending by NOK 0.7 billion, or 2 per cent, during the past 12 months. The lending volume in the retail market rose by NOK 1.6 billion, or 10 per cent, during the same period.

Deposits fell by NOK 2.1 billion, or 13 per cent. Total deposits amounted to NOK 14.1 billion at the end of the third quarter. The deposit-to-loan ratio was 49.9 per cent at the end of the third quarter, a reduction of 2.3 percentage points during the past 12 months.

To date in 2014, the Bank has issued certificates and bonds totalling NOK 4.4 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 third quarter of 2014, the Bank met this goal. BN Bank's liquidity portfolio amounted to NOK 7.5 billion at the end of the third quarter 2014.

At the end of the first quarter of 2014, loans worth NOK 13.2 billion had been transferred to SpareBank 1 Næringskreditt, while loans amounting to NOK 8.9 billion had been transferred to SpareBank 1 Boligkreditt.

In total, the Bank has transferred 40 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 1.7 billion and NOK 2.0 billion to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt respectively.

The Bank's total assets amounted to NOK 36.8 billion as at 30 September 2014 (NOK 39.8 billion). Including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, total assets amounted to NOK 58.9 billion (NOK 56.6 billion).

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

FIGURES AS %	30.09.14	30.09.13
Capital adequacy ratio	19.7	14.5
Tier 1 capital ratio	16.5	12.3
Core tier 1 capital ratio	15.0	10.4

The Board of Directors has adopted a provisional 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 13 for further details concerning capital adequacy ratio and solvency

Accounting policies

BN Bank presents its consolidated interim financial statements in compliance with 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 30 September 2014, the company had a gross lending portfolio of NOK 16.3 billion, compared with NOK 16.8 billion as at 30 September 2013. As at 30 September 2014, a loan portfolio of NOK 13.2 billion had been transferred to SpareBank 1 Næringskreditt.

Profit after tax amounted to NOK 97 million as at 30 September 2014, compared with a post-tax profit of NOK 89 million during the same period in 2013. Reduced losses made a positive contribution, while lower commission income from SpareBank 1 Næringskreditt had a negative impact.

Impairment losses on loans and advances totalled NOK 10 million as at the end of the third quarter of 2014, compared with NOK 85 million in the same period in 2013. Collective write-downs fell by NOK 9 million during the first three quarters of 2014 and amount to NOK 24 million. BNkreditt had NOK 3.7 billion in bond debt outstanding at the end of the third quarter of 2014, compared with NOK 3.5 billion at the end of the third 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 23.4 per percent, while the tier 1 capital ratio was 20.0 per cent at the end of the third quarter of 2014. The amount BN Bank is ceding precedence for in relation to guarantees was NOK 0 million as at the third quarter of 2014.

Collection Eiendom AS

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

The company posted a zero result after tax at the end of the third quarter of 2014 (NOK 0 million).

Outlook

The changes in margins seen in the first half of the year were reinforced in the third quarter. Lending margins have continued to fall, while deposit margins have continued to increase. In the third quarter the banks have cut mortgage interest rates and deposit interest rates, and competition for mortgage customers has been stepped up even further. There is also pressure on margins within commercial property financing. The price of new borrowings has continued to fall in the third quarter. Lower borrowing prices will impact on the Bank's financial statements as the Bank refinances its borrowing, but will not significantly affect the Bank's financial figures in the short term. The underlying trend in costs is in line with the Board of Directors' plans.

Housing prices in the most important areas for BN Bank rose during the third quarter of 2014. 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. Average household debt is nevertheless still 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 significantly in any one direction in the foreseeable future, although a weaker trend in the Norwegian economy may dampen demand for commercial properties.

The last few weeks have been characterised by some turbulence in financial- and commodity markets, and oilprices have been reduced substantially. So far, this has not had any impact in BN Banks markets.

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. During 2014, BN Bank increased the term of the Bank's market financing and combined with a greater proportion of the Bank's total lending being financing through covered bonds, the Board of Directors believes that the Bank is well-equipped to face any negative events in the financial markets.

During the second quarter of 2014, BN Bank was given permission to use the advanced IRB method for corporate engagements on the balance sheets of BN Bank ASA and Bolig- og Næringskreditt AS. This permission results in a marked reduction in the risk weighted assets, and the core tier 1 capital adequacy ratio within the Group is 15.0 per cent as at the end of the third quarter. The Bank's target for core tier 1 capital adequacy ratio of 13 per cent as at the end of the second quarter of 2016 is therefore met.

Trondheim, 21 October 2014
The Board of Directors in BN Bank ASA

Tore Medhus (Deputy Chair) | Rolf Eigil Bygdnes | Finn Haugan (Chair) | Odd Einar Folland | Helene Jebsen Anker

Tina Steinsvik Sundt | Jannike Lund (Employee representative) | Ella Skjørestad | Gunnar Hovland (Managing Director)

Income Statement

GROUP

NOK MILLION	NOTE	Q3 2014	Q3 2013	30.09.14	30.09.13	THE YEAR 2013
Interest and similar income		346	395	1 076	1 189	1 567
Interest expense and similar charges		247	286	744	889	1 157
Net income from interest and credit commissions		**99**	**109**	**332**	**300**	**410**
Change in value of financial instruments carried at fair value, gains and losses	3, 4	2	6	22	34	41
Other operating income	5	47	60	159	176	242
Total other operating income		**49**	**66**	**181**	**210**	**283**
Salaries and general administrative expenses		49	43	145	131	176
Ordinary depreciation, amortisation and write-downs		1	3	5	9	12
Other operating expenses		6	7	19	21	27
Total other operating expense		**56**	**53**	**169**	**161**	**215**
Operating profit/(loss) before impairment losses		**92**	**122**	**344**	**349**	**478**
Impairment losses on loans and advances	**6**	**-4**	**-7**	**23**	**65**	**129**
Profit before tax		96	129	321	284	349
Tax charge		27	36	85	80	97
Profit after tax		**69**	**93**	**236**	**204**	**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	0	0	18
Tax		0	0	0	0	-5
Other comprehensive income (net of tax)		**0**	**0**	**0**	**0**	**13**
Total comprehensive income		**69**	**93**	**236**	**204**	**265**

Balance Sheet

		GROUP		
NOK MILLION	**NOTE**	**30.09.14**	**30.09.13**	**31.12.13**
Deferred tax assets		0	43	0
Intangible assets		10	6	7
Subordinated loans	11	0	1	1
Tangible fixed assets		11	14	13
Repossessed properties		7	8	3
Loans and advances	4, 6, 7, 8, 9, 11, 13	28 048	30 836	29 094
Prepayments and accrued income	11	19	192	58
Financial derivatives	4, 11, 12	659	616	622
Current securities investments	4, 11	6 950	7 354	6 122
Cash and balances due from credit institutions	11	1 047	693	1 585
Total assets		**36 751**	**39 763**	**37 505**
Share capital		706	706	706
Share premium		415	415	415
Other equity		2 476	2 419	2 480
Total equity		**3 597**	**3 540**	**3 601**
Deferred tax		19	0	19
Subordinated loan capital	4, 10, 11	1 397	1 456	1 459
Liabilities to credit institutions	11	22	502	13
Debt securities in issue	4, 10, 11	16 891	17 157	16 517
Accrued expenses and deferred income	6, 11	208	284	187
Other current liabilities	11	23	92	16
Tax payable		6	36	37
Financial derivatives	4, 11, 12	473	530	487
Customer deposits & accounts payable to customers	4, 11	14 115	16 166	15 169
Total liabilities		**33 154**	**36 223**	**33 904**
Total liabilities and equity		**36 751**	**39 763**	**37 505**

Trondheim, 21 October 2014

The Board of Directors in BN Bank ASA

Tore Medhus (Deputy Chair) | Rolf Eigil Bygdnes | Finn Haugan (Chair) | Odd Einar Folland | Helene Jebsen Anker

Tina Steinsvik Sundt | Jannike Lund (Employee representative) | Ella Skjørestad | Gunnar Hovland (Managing Director)

Change in Equity

GROUP

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM	RETAINED EQUITY	TOTAL EQUITY
Balance Sheet as at 1 January 2013	668	266	2 402	3 336
Net income for the period	0	0	204	204
Share capital increase	38	149	0	187
Dividend paid	0	0	-187	-187
Balance Sheet as at 30.09.2013	706	415	2 419	3 540
Net income for the period	0	0	48	48
Actuarial gains (losses) on pensions (net of tax)	0	0	13	13
Balance Sheet as at 31.12.2013	706	415	2 480	3 601
Net income for the period	0	0	236	236
Dividend paid	0	0	-240	-240
Balance Sheet as at 30.09.2014	706	415	2 476	3 597

Cash Flow Analysis

	GROUP		
NOK MILLION	**30.09.14**	**30.09.13**	**THE YEAR 2013**
Cash flows from operating activities			
Interest/commission received and fees received from customers	1 488	1 268	1 537
Interest/commission paid and fees paid to customers	-77	-157	-502
Interest received on other investments	110	92	184
Interest paid on other loans	-467	-517	-698
Receipts/disbursements (-) on loans and advances to customers	575	2 180	3 982
Receipts/disbursements on customer deposits and accounts payable to cust.	-1 159	-850	-1 561
Receipts/disbursements (-) on liabilities to credit institutions	-92	-105	-640
Receipts/disbursements (-) on issuing of securities	359	-1 231	-1 785
Receipts on previously written-off debt	43	15	17
Other receipts/disbursements	-64	10	-73
Payments to suppliers for goods and services	-84	-69	-92
Payments to employees, pensions and national insurance expenses	-88	-79	-115
Tax paid	-37	-36	-71
Net cash flow from operating activities	507	521	183
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	42	28	30
Receipts/payments (-) on current securities investments	-779	-1213	13
Receipts/payments (-) on long-term securities investments	0	0	0
Proceeds from sale of operating assets, etc.	3	21	25
Purchases of operating assets, etc.	-13	-3	-5
Net cash flow from investing activities	-747	-1 167	63
Cash flow from financing activities			
Receipts/payments (-) on subordinated loan capital	-58	-156	-156
Dividend paid	-240	0	0
Net cash flow from financing activities	-298	-156	-156
Net cash flow for the period	-538	-802	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	1 047	693	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 30.09.14
Net income from interest and credit commissions	**241**	**91**	**0**	**332**
Change in value of financial instruments carried at fair value	15	7	0	22
Other operating income	59	97	3	159
Total other operating income	**74**	**104**	**3**	**181**
Salaries and general administrative expenses	-63	-82	0	-145
Ordinary depreciation, amortisation and write-downs	-1	-4	0	-5
Other operating expenses	-9	-10	0	-19
Total other operating expense	**-73**	**-96**	**0**	**-169**
Operating profit/(loss) before impairment losses	**242**	**98**	**3**	**344**
Impairment losses on loans and advances	**-11**	**-8**	**-4**	**-23**
Operating profit/(loss) after impairment losses	**230**	**92**	**-1**	**321**
Computed tax charge	**-63**	**-22**	**0**	**-85**
Profit after tax	**167**	**69**	**0**	**236**

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 30.09.14
Loans, managed portfolio (gross)	33 350	16 997	0	50 347
Customer deposits & accounts payable to customers	743	13 372	0	14 115

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 30.09.13
Net income from interest and credit commissions	212	92	-4	300
Change in value of financial instruments carried at fair value	22	12	0	34
Other operating income	122	53	1	176
Total other operating income	144	65	1	210
Salaries and general administrative expenses	-58	-73	0	-131
Ordinary depreciation, amortisation and write-downs	-5	-4	0	-9
Other operating expenses	-9	-12	0	-21
Total other operating expense	-72	-89	0	-161
Operating profit/(loss) before impairment losses	284	68	-3	349
Impairment losses on loans and advances	-64	-1	0	-65
Operating profit/(loss) after impairment losses	220	67	-3	284
Computed tax charge	-62	-19	1	-80
Profit after tax	158	48	-2	204

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 30.09.13
Loans (gross) inc. loans in OMF companies	34 024	15 386	0	49 410
Customer deposits & accounts payable to customers	1 152	15 014	0	16 166

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	Q3 2014	Q3 2013	30.09.14	30.09.13	THE YEAR 2013
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss [3]	-11	6	-26	18	16
Change in value of currency derivatives obliged to be carried at fair value through profit or loss [1]	60	-11	26	-63	-4
Total change in value of financial instruments obliged to be carried at fair value	**49**	**-5**	**0**	**-45**	**12**
Change in value of deposits selected for fair value carrying through profit or loss [3]	0	4	0	18	21
Change in value of borrowings selected for fair value carrying through profit or loss [3]	6	8	11	9	9
Change in value of loans selected for fair value carrying through profit or loss [3]	-1	-6	2	-4	-3
Change in value of short-term financial investments selected for fair value carrying [2]	14	-2	51	7	11
Total change in value of financial instruments selected for fair value carrying	**19**	**4**	**64**	**30**	**38**
Change in value of interest rate derivatives, hedging [4]	17	-30	68	-47	-26
Change in value of borrowings, hedged [4]	-17	30	-68	47	26
Total change in value of financial instruments for hedging	**0**	**0**	**0**	**0**	**0**
Total change in value of financial instruments carried at fair value	**68**	**-1**	**64**	**-15**	**50**
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost [5]	-7	-4	-18	-17	-16
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost [5]	0	0	0	-1	-1
Realised gain/loss on shares [6]	0	0	-1	0	0
Exchange gains/losses on borrowings and loans carried at amortised cost [1]	-59	11	-23	67	8
Total change in value of financial instruments carried at fair value, gains and losses	**2**	**6**	**22**	**34**	**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 3 million as of the end of the third quarter of 2014, compared with NOK 0 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 51 million as of the end of the third quarter of 2014, compared with recognised income of NOK 7 million for the same period in 2013. The annual effect was a recognised income of NOK 11 million in 2013.

[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 expence of NOK 13 million at the end of the third quarter of 2014, compared with NOK 7 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 30 September 2014 was positive by NOK 220 million, compared with NOK 156 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 18 million as of the end of the third quarter of 2014, compared with a recognised expense of NOK 18 million for the same period in 2013. The annual effect for 2013 was a recognised expense of NOK 17 million.

[6] During the second quarter of 2014, shares owned by the Bank were written down by a total of NOK 0.5 million.

NOTE 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Methods for 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 issued by others

Certificates and bonds are measured at quoted prices where such are available and the securities are liquid. Other securities were valued using price estimates obtained from brokers. The values in the comparative figures for 2013 are partly based on a model which involves the discounting of expected future cash flows. The discount rate is determined using the NIBOR/Swap curve plus an appropriate credit margin. The credit margin is again based on estimates from brokers.

Loans and advances

For loans measured at fair value, the valuation is performed using a model where expected future cash flows are discounted to present values. The discount rate is determined using the NIBOR/Swap curve plus an appropriate credit margin which reflects the price of our own borrowing, and an additional premium equal to the original margin premium on the loan.

Borrowings selected for fair value carrying

Where borrowing/funding is measured at fair value, quoted borrowings will be measured at market prices where such are available and the securities are liquid. For other securities, the valuation was performed using price estimates obtained from brokers or using a model which involves the discounting of expected future cash flows. The discount rate is determined using the NIBOR/Swap curve plus an appropriate credit margin. The credit margin is based on estimates from brokers.

Hedged borrowing/funding

Borrowings included in value hedges are measured using a model which involves the discounting of expected future cash flows. The discount rate is determined using the NIBOR/Swap curve plus the original credit margin.

Deposits

For deposits measured at fair value, the valuation is performed using a model where expected future cash flows are discounted to present values. The discount rate is determined using the NIBOR/Swap curve plus an appropriate credit margin.

Shares

The shares primarily consist of the Bank's stake in SpareBank 1 Boligkreditt AS. The valuation of these shares 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 30 September 2014

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	634	634
Interest rate derivatives [1]	0	628	0	628
Currency derivatives	0	32	0	32
Short-term securities investments	0	5 337	460	5 797
Total assets	0	5 997	1 093	7 090
Debt securities in issue	0	-1 832	0	-1 832
Interest rate derivatives [1]	0	-467	0	-467
Currency derivatives	0	-6	0	-6
Customer deposits & accounts payable to customers	0	-224	0	-224
Total liabilities	0	-2 529	0	-2 529

[1] The value of the hedge instruments earmarked for fair value hedging as at 30 September 2014 was positive by NOK 220 million.

The Group's assets and liabilities measured at fair value as at 30 September 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	915	915
Interest rate derivatives [1]	0	607	0	607
Currency derivatives	0	9	0	9
Short-term securities investments	0	4 655	537	5 192
Total assets	0	5 271	1 452	6 723
Subordinated loan capital	0	-170	0	-170
Debt securities in issue	0	-3 146	0	-3 146
Interest rate derivatives [1]	0	-464	0	-464
Currency derivatives	0	-66	0	-66
Customer deposits & accounts payable to customers	0	-599	0	-599
Total liabilities	0	-4 445	0	-4 445

[1] The value of the hedge instruments earmarked for fair value hedging as at 30 September 2013 was positive by NOK 156 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 156 million.

The Group's financial instruments measured at fair value, Level 3, as at 30 September 2014

NOK MILLION	LOANS AND ADVANCES	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	895	382	1 277
Investments in the period/new agreements	0	79	79
Matured	-263	0	-263
Changes in value of financial instruments carried at fair value, gains and losses	2	-1	1
Closing balance	**634**	**460**	**1 093**
Of which, result for the period relating to financial instruments still on the balance sheet	5	0	5

The Group's financial instruments measured at fair value, Level 3, as at 30 September 2013

NOK MILLION	LOANS AND ADVANCES	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	1 226	420	1 646
Investments in the period/new agreements	1	117	119
Matured	-309	0	-309
Changes in value of financial instruments carried at fair value, gains and losses	-4	0	-4
Closing balance	**915**	**537**	**1 452**
Of which, result for the period relating to financial instruments still on the balance sheet	1	0	1

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	Q3 2014	Q3 2013	30.09.14	30.09.13	31.12.13
Guarantee commission	1	1	5	2	4
Commission income from SpareBank 1 Næringskreditt AS [1, 2]	17	38	55	112	153
Commission income from SpareBank 1 Boligkreditt AS [1]	24	23	79	56	82
Net other commission income/expense	5	-2	9	-2	-5
Other operating income	0	0	12	8	8
Total other operating income	**47**	**60**	**159**	**176**	**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 by more than three months are defined as loans not serviced under the loan agreement for three 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	Q3 2014	Q3 2013	30.09.14	30.09.13	31.12.13
Write-offs in excess of prior-year write-downs	7	0	30	0	1
Write-offs on loans without prior write-downs	0	1	3	1	12
Write-downs for the period:					
Change in collective write-downs	-8	-1	-10	8	-3
Change in collective write-downs related to Guarantee Portfolio	0	-6	-24	-25	-15
Total change in collective write-downs	**-8**	**-7**	**-34**	**-17**	**-18**
Increase in loans with prior-year write-downs [1]	7	3	67	21	27
Provisions against loans without prior write-downs	1	14	3	93	141
Decrease in loans with prior-year write-downs	-11	-18	-36	-21	-21
Total change in individual write-downs	**-3**	**-1**	**34**	**93**	**147**
Gross impairment losses	-4	-7	33	77	142
Recoveries on previous write-offs	0	0	10	12	13
Impairment losses on loans and advances	**-4**	**-7**	**23**	**65**	**129**
Revenue recognition of interest on written-down loans	-3	1	-11	6	5

NOK MILLION	Q3 2014	Q3 2013	30.09.14	30.09.13	31.12.13
Individual write-downs to cover impairment losses at start of period	171	119	154	48	48
Write-offs covered by prior-year individual write-downs	-1	0	-2	-2	-7
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	2	0	43	0	0
Write-downs on loans without prior individual write-downs	1	9	3	85	133
Decrease in loans with prior-year individual write-downs	-11	-17	-36	-20	-20
Individual write-downs to cover impairment losses at end of period	**162**	**111**	**162**	**111**	**154**
Collective write-downs to cover impairment losses at start of period	60	74	62	65	65
Collective write-downs for the period to cover impairment losses	-8	-1	-10	8	-3
Collective write-downs to cover impairment losses at end of period	**52**	**73**	**52**	**73**	**62**

NOK MILLION	Q3 2014	Q3 2013	30.09.14	30.09.13	31.12.13
Provision for losses on financial guarantees concerning the Guarantee Portfolio at start of period [1]	73	90	101	72	72
Write-offs covered by prior-year individual write-downs	-22	0	-61	0	0
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	2	3	13	18	24
Write-downs on loans without prior individual write-downs	0	4	0	7	6
Decrease in loans with prior-year individual write-downs	0	-1	0	-1	-1
Provision for losses on financial guarantees concerning the Guarantee Portfolio at end of period [1]	**53**	**96**	**53**	**96**	**101**
Collective write-downs linked to the Guarantee Portfolio at start of period	8	28	32	47	47
Collective write-downs for the period to cover losses in Guarantee Portfolio	0	-6	-24	-25	-15
Collective write-downs linked to the Guarantee Portfolio at end of period [1]	**8**	**22**	**8**	**22**	**32**
Total loss provisions related to Guarantee Portfolio	**61**	**118**	**61**	**118**	**133**

[1] 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. Including the loss that has already been determined, the Bank's maximum risk of further losses is thus down to NOK 122 million, which at the end of the third quarter of 2014 represented 0.4% of the Group's total lending. The total provision for losses in the Guarantee Portfolio was NOK 61 million as at the end of September 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	30.09.14	30.09.13	31.12.13
Gross principal	400	595	569
Individual write-downs	110	52	75
Net principal	**290**	**543**	**494**

Other loans with individual write-downs [1]

NOK MILLION	30.09.14	30.09.13	31.12.13
Gross principal	321	584	658
Individual write-downs	105	155	180
Net principal	**216**	**429**	**478**

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

NOK MILLION	GROSS OUTSTANDING 30.09.14	%	GROSS OUTSTANDING 30.09.13	%	GROSS OUTSTANDING 31.12.13	%
Corporate Market	332	1.65	544	2.41	504	2.33
Retail Market	68	0.84	51	0.51	65	0.85
Total	**400**	**1.42**	**595**	**1.88**	**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 LOANS

NOK MILLION	30.09.14	30.09.13	31.12.13
Corporate and retail loans, Group	28 259	31 020	29 309
Vendor financing	-24	-22	0
Gross lending	**28 236**	**30 998**	**29 309**
Loans transferred to SpareBank 1 Næringskreditt	13 174	11 445	12 393
Loans transferred to SpareBank 1 Boligkreditt	8 937	6 967	8 323
Total loans, managed portfolio	**50 347**	**49 410**	**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 as at 30 September 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 September 2014 the book value of transferred loans was NOK 13.2 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. The costs include a premium for the cost of equity in the company.

BN Bank has pledged guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt AS' capital base. As at 30 September 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 third 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 30 September 2014, BNkreditt's capital adequacy ratio was 23.36 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 0 million as at 30 September 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 5.55% as at 30 September 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 the end of September 2014 the book value of transferred loans was NOK 8.9 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 third quarter of 2014 and 2013.

NOTE 10. BORROWING

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 4,425 million as at 30 September 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
Acquisition and maturity of existing	-422	-1 225	-1 647
Net debt (nominal) 31.03.2014	**1 078**	**15 168**	**16 246**
New issues	300	400	700
Expansion of existing	250	150	400
Acquisition and maturity of existing	-778	-341	-1 119
Net debt (nominal) 30.06.2014	**850**	**15 377**	**16 227**
New issues	0	975	975
Expansion of existing	0	700	700
Acquisition and maturity of existing	-55	-1 301	-1 356
Net debt (nominal) 30.09.2014	**795**	**15 751**	**16 546**

Subordinated loan capital and perpetual subordinated capital securities

The Group has issued subordinated capital securities with a nominal value of NK 400 million as at 30 September 2014, either as new issues or the expansion of existing open loans.

NOK MILLION	PERPET. SUBORD. CAPITAL SECURITIES	SUBORDINATED LOAN CAPITAL	TOTAL
Net debt (nominal) 1 January 2014	650	800	1 450
New issues	400	0	400
Acquisition and maturity of existing	-202	0	-202
Net debt (nominal) 31.03.2014	**848**	**800**	**1 648**
Acquisition and maturity of existing	-1	0	-1
Net debt (nominal) 30.06.2014	**847**	**800**	**1 647**
Acquisition and maturity of existing	-255	0	-255
Net debt (nominal) 30.09.2014	**592**	**800**	**1 392**

Recognised values

NOK MILLION	30.09.14	30.09.13	31.12.13
Certificates selected for fair value carrying	808	2 108	1 519
Total recognised value of certificates	**808**	**2 108**	**1 519**
Bonds carried at amortised cost	10 355	9 785	9 739
Bonds carried at amortised cost (secured debt)	4 705	4 227	4 244
Bonds selected for fair value carrying	1 024	1 037	1 015
Total recognised value of bonds	**16 083**	**15 049**	**14 998**
Total recognised value of debt securities in issue	**16 891**	**17 157**	**16 517**

NOK MILLION	30.09.14	30.09.13	31.12.13
Perpetual subordinated capital securities carried at amortised cost	593	483	483
Perpetual subordinated capital securities selected for fair value carrying	0	170	172
Total recognised value of capital securities	**593**	**653**	**655**
Subordinated loans carried at amortised cost	804	803	804
Total recognised value of subordinated loans	**804**	**803**	**804**
Total recognised value of subordinated loans and capital securities	**1 397**	**1 456**	**1 459**

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

	30.09.14		30.09.13		31.12.13	
NOK MILLION	**FAIR VALUE**	**RECOGNISED VALUE**	**FAIR VALUE**	**RECOGNISED VALUE**	**FAIR VALUE**	**RECOGNISED VALUE**
Subordinated loans	0	0	1	1	1	1
Loans and advances	28 061	28 048	30 836	30 836	29 094	29 094
Prepayments and accrued income	19	19	192	192	58	58
Interest rate derivatives	628	628	607	607	606	606
Currency derivatives	32	32	9	9	16	16
Equity-linked options and equity options	0	0	0	0	0	0
Short-term securities investments	6 950	6 950	7 358	7 354	6 124	6 122
Cash and balances due from credit institutions	1 047	1 047	693	693	1 585	1 585
Subordinated loan capital	-1 461	-1 397	-1 478	-1 456	-1 471	-1 459
Liabilities to credit institutions	-22	-22	-502	-502	-13	-13
Debt securities in issue	-17 255	-16 891	-17 271	-17 157	-16 774	-16 517
Accrued expense and deferred income	-61	-61	-118	-118	-133	-133
Other current liabilities	0	0	-58	-58	-10	-10
Interest rate derivatives	-467	-467	-464	-464	-472	-472
Currency derivatives	-6	-6	-66	-66	-15	-15
Customer deposits & accounts payable to customers	-14 115	-14 115	-16 166	-16 166	-15 169	-15 169
Total	3 347	3 764	3 573	3 705	3 427	3 694

In connection with the calculation of fair value of certificates and bonds at amortised cost, we have used estimates of market prices from brokers. Treasury bills are recognised at the most recent bid price. Financial derivatives 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 the comparative figures from 2013, the fair value of bonds and certificates at amortised cost has partly been calculated using a model where the cash flow of the security is discounted by the NIBOR/Swap interest rate plus a credit margin. The credit margin is again based on estimates from brokers.

Subdivision of fair value measurement for financial instruments carried at amortised cost

Financial instruments measured at fair value (including borrowings for hedge accounting) 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 30 September 2014

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Short-term securities investments	0	1 153	0	1 153
Total assets	0	1 153	0	1 153
Subordinated loan capital	0	-1 461	0	-1 461
Debt securities in issue	0	-15 424	0	-15 424
Total liabilities	0	-16 885	0	-16 885

The Group's assets and liabilities measured at amortised cost as at 30 September 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Short-term securities investments	748	1 415	0	2 163
Total assets	748	1 415	0	2 163
Subordinated loan capital	0	-1 308	0	-1 308
Debt securities in issue	0	-14 126	0	-14 126
Total liabilities	0	-15 434	0	-15 434

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
Subordinated loan capital	0	-1 298	0	-1 298
Debt securities in issue	0	-14 239	0	-14 239
Total liabilities	0	-15 537	0	-15 537

NOTE 12. RIGHT OF OFF-SET, FINANCIAL DERIVATIVES

With effect from 2013 the BN Bank Group must provide information on the financial instruments for 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			30.09.14
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	272	42	230
Counterparty 2	159	159	0
Counterparty 3	97	25	72
Counterparty 4	69	63	7
Counterparty 5	50	31	19
Counterparty 6	13	6	7
Total	660	326	335

Financial liabilities			30.09.14
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	42	42	0
Counterparty 2	307	159	148
Counterparty 3	25	25	0
Counterparty 4	63	63	0
Counterparty 5	31	31	0
Counterparty 6	6	6	0
Total	473	326	148

Financial assets			30.09.13
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	284	47	237
Counterparty 2	106	106	0
Counterparty 3	107	18	89
Counterparty 4	60	43	17
Counterparty 5	44	37	7
Counterparty 6	15	9	6
Total	616	260	356

Financial liabilities			30.09.13
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	47	47	0
Counterparty 2	376	106	270
Counterparty 3	18	18	0
Counterparty 4	43	43	0
Counterparty 5	37	37	0
Counterparty 6	9	9	0
Total	530	260	270

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	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
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

New capital adequacy rules were introduced in Norway with effect from 1 July 2014 (Basel III – the new EU directive on capital adequacy).

During the second quarter of 2014, the BN Bank obtained approval to use internal measurement methods (Internal Rating Based Approach - Advanced) for measuring credit risk for corporate engagement. The use of IRB imposes comprehensive requirements on the Bank's organisation, competence, risk models and risk management systems. Approval of the Retail Market is under consideration, but has been put on hold due to new requirements concerning residential mortgage loans which were presented by the Financial Supervisory Authority of Norway on 1 July 2014.

Subordinated capital securities with moderate redemption incentives have been recognised as an element of the tier 1 capital up to a maximum of 15% of the total tier 1 capital. Subordinated capital securities with no fixed term and no redemption incentives may be included as an element in the tier 1 capital up to a maximum of 35% of the total tier 1 capital. All our subordinated capital securities satisfied the criteria for making up 35% of the total tier 1 capital.

NOK MILLION	30.09.14	30.09.13	31.12.13
Share capital	706	706	706
Premium fund	415	415	415
Appropriated dividend	0	0	240
Reserve for unrealised gains	296	174	296
Other equity	1 945	2 041	1 945
Total equity	3 362	3 336	3 601
Tier 1 capital			
Deferred tax, goodwill and other intangible assets	-10	-48	-7
Deduction for appropriated dividend	0	0	-240
Direct, indirect and synthetic investments in companies in the financial sector	-34	-173	-205
Positive value of adjusted anticipated losses under the IRB approach	-47	0	0
Interim profit included in tier 1 capital	83	102	0
Value adjustments as a result of the requirements for prudent valuation	-9	0	0
Total core tier 1 capital	3 345	3 217	3 149
Perpetual subordinated capital securities, hybrid capital [1]	399	566	556
Direct, indirect and synthetic investments in companies in the financial sector	-68	0	0
Total net other tier 1 capital	3 676	3 783	3 705
Tier 2 capital in addition to tier 1 capital			
Perpetual subordinated capital securities, hybrid capital in excess of 15 % and 35 %	0	84	95
Fixed-term subordinated capital	798	798	798
Direct, indirect and synthetic investments in companies in the financial sector	-96	-173	-205
Total tier 2 capital	702	709	688
Net subordinated capital	4 378	4 492	4 393
Minimum requirements concerning subordinated capital, Basel III [2]			
Loans with specialist enterprises	758		
Loans with other enterprises	139		
Equity positions	52		
Total credit risk IRB	949		
Operational risk	83	74	74
Loans calculated according to the standard method	598	2 432	2 243
Deduction in the capital requirement	0	-35	-40
Transitional arrangement	133	0	0
Creditworthiness of counterparty (CVA risk)	16	0	0
Minimum requirements, subordinated capital	1 779	2 471	2 277
Calculation basis	22 235	30 885	28 458
Buffer requirements			
Conservation buffer (2.5 %)	556		
System risk buffer (3.0 %)	667		
Total buffer requirements for core tier 1 capital	1 223		
Available tier 1 capital (less 4.5 %)	2 344		
Capital adequacy ratio			
Core tier 1 capital ratio	15.04 %	10.42 %	11.07 %
Tier 1 capital ratio	16.53 %	12.25 %	13.02 %
Capital adequacy ratio	19.69 %	14.54 %	15.44 %

In accordance with the Regulations on measurement of the own funds of financial institutions, clearing houses and investment firms, the deduction for non-essential investments in the financial sector should be phased in using the following percentage ratios:

in 2014 .... 20 %
in 2015 .... 40 %
in 2016 .... 60 %
in 2017 .... 80 %

[1] For more details, see Note 10.

[2] From the second quarter of 2014, BN Bank has obtained approval to use internal measurement methods for credit risk linked to corporate engagements. Historical minimum requirements for subordinated capital are reported according to the standard method.

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 related to structured products in 2014.

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 FIVE MOST RECENT QUARTERS

NOK MILLION	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Interest and similar income	346	373	357	378	395
Interest expense and similar charges	247	247	250	268	286
Net income from interest and credit commissions	**99**	**126**	**107**	**110**	**109**
Change in value of financial instruments carried at fair value, gains and losses	2	12	8	7	6
Other operating income	47	63	49	66	60
Total other operating income	**49**	**75**	**57**	**73**	**66**
Salaries and general administrative expenses	49	47	50	45	43
Depreciation, amortisation and write-downs	1	2	2	3	3
Other operating expenses	6	7	6	6	7
Total other operating expense	**56**	**56**	**58**	**54**	**53**
Impairment losses on loans and advances	-4	21	5	64	-7
Profit before tax	**96**	**124**	**101**	**65**	**129**
Computed tax charge	27	31	27	17	36
Profit after tax	**69**	**93**	**74**	**48**	**93**

Income Statement

PARENT BANK

NOK MILLION	NOTE	Q3 2014	Q3 2013	30.09.14	30.09.13	THE YEAR 2013
Interest and similar income		264	304	827	927	1 222
Interest expense and similar charges		215	257	651	800	1 039
Net income from interest and credit commissions		**49**	**47**	**176**	**127**	**183**
Change in value of financial instruments carried at fair value, gains and losses	2, 3	4	4	27	40	54
Other operating income	4	30	22	105	64	89
Total other operating income		**34**	**26**	**132**	**104**	**143**
Salaries and general administrative expenses		30	25	90	75	102
Ordinary depreciation, amortisation and write-downs		1	3	5	9	12
Other operating expenses		4	5	13	14	18
Total other operating expense		**35**	**33**	**108**	**98**	**132**
Operating profit/(loss) before impairment losses		**48**	**40**	**200**	**133**	**194**
Impairment losses on loans and advances	6	2	-16	13	-20	20
Operating profit/(loss) after impairment losses		**46**	**56**	**187**	**153**	**174**
Income from ownership interests in group companies	5	0	0	167	118	118
Profit before tax		**46**	**56**	**354**	**271**	**292**
Tax charge		13	16	95	43	43
Profit after tax		**33**	**40**	**259**	**228**	**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	0	0	12
Tax		0	0	0	0	-3
Other comprehensive income (net of tax)		**0**	**0**	**0**	**0**	**9**
Total comprehensive income		**33**	**40**	**259**	**228**	**258**

Balanse

		PARENT BANK		
NOK MILLION	**NOTE**	**30.09.14**	**30.09.13**	**31.12.13**
Intangible assets		10	6	7
Ownership interests in group companies		1 600	1 877	1 600
Subordinated loans	11	451	451	452
Tangible fixed assets		11	14	13
Loans and advances	3, 6, 7, 8, 9, 11, 13	11 926	14 060	13 430
Prepayments and accrued income	11	19	193	56
Financial derivatives	3, 11, 12	605	553	543
Short-term securities investments	3, 11	6 950	7 355	6 122
Cash and balances due from credit institutions	11	10 404	10 889	10 656
Assets classified as held for sale		0	0	0
Total assets		**31 976**	**35 398**	**32 879**
Share capital		706	706	706
Share premium		415	266	415
Other equity		1 351	1 452	1 332
Total equity		**2 472**	**2 424**	**2 453**
Deferred tax		111	42	64
Subordinated loan capital	3, 10, 11	1 397	1 456	1 459
Liabilities to credit institutions	11	21	787	13
Debt securities in issue	3, 10, 11	13 226	13 709	13 060
Accrued expense and deferred income	6, 11	164	225	176
Other current liabilities	11	23	92	16
Tax payable		3	3	23
Financial derivatives	3, 11, 12	440	490	442
Customer deposits & accounts payable to customers	3, 13	14 119	16 170	15 173
Total liabilities		**29 504**	**32 974**	**30 426**
Total liabilities and equity		**31 976**	**35 398**	**32 879**

Trondheim, 21 October 2014

The Board of Directors in BN Bank ASA

Tore Medhus (Deputy Chair) | Rolf Eigil Bygdnes | Finn Haugan (Chair) | Odd Einar Folland | Helene Jebsen Anker

Tina Steinsvik Sundt | Jannike Lund (Employee representative) | Ella Skjørestad | Gunnar Hovland (Managing Director)

Change in Equity

PARENT BANK

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN EQUITY	OTHER EARNINGS[1]	TOTAL EQUITY
Balance Sheet as at 1 January 2013	668	266	282	980	2 196
Net income for the period	0	0	0	228	228
Dividend paid	0	0	0	-187	-187
Capital increase	38	149	0	0	187
Balance Sheet as at 30.09.2013	**706**	**415**	**282**	**1 021**	**2 424**
Net income for the period	0	0	0	21	21
Actuarial gains (losses) on pensions (net of tax)	0	0	0	8	8
Balance Sheet as at 31.12.13	**706**	**415**	**282**	**1 050**	**2 453**
Net income for the period	0	0	0	259	259
Dividend paid	0	0	0	-240	-240
Balance Sheet as at 30.09.2014	**706**	**415**	**282**	**1 069**	**2 472**

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

Cash Flow Analysis

	PARENT BANK		
NOK MILLION	**30.09.14**	**30.09.13**	**31.12.13**
Cash flows from operating activities			
Interest/commission received and fees received from customers	492	583	599
Interest/commission paid and fees paid to customers	-77	-164	-511
Interest received on other investments	110	83	200
Interest paid on other loans	-362	-390	-550
Receipts/disbursements (-) on loans and advances to customers	1 434	836	669
Receipts/disbursements on customer deposits and accounts payable to cust.	-1 159	-846	-1 557
Receipts/disbursements (-) on liabilities to credit institutions	-92	-107	-927
Receipts/disbursements (-) on securities in issue and securities buy-back	139	-487	-1 042
Receipts on previously written-off debt	6	8	8
Other receipts/disbursements	-37	-77	-187
Payments to suppliers for goods and services	-57	-40	-53
Payments to employees, pensions and national insurance expenses	-56	-46	-66
Tax paid	-23	-34	-31
Net cash flow from operating activities	**318**	**-681**	**-3 448**
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	919	2 037	3 536
Receipts/payments (-) on current securities investments	-779	-1 737	-510
Receipts/payments (-) on long-term securities investments	167	118	395
Purchases of operating assets, etc.	-6	-3	-5
Net cash flow from investing activities	**301**	**415**	**3 416**
Cash flow from financing activities			
Receipts/payments (-) on subordinated loan capital	-58	-156	-156
Dividend paid	-240	0	0
Net cash flow from financing activities	**-298**	**-156**	**-156**
Net cash flow for the period	**321**	**-422**	**-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	**569**	**14**	**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	Q3 2014	Q3 2013	30.09.14	30.09.13	31.12.13
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss [3]	-11	7	-26	18	17
Change in value of currency derivatives obliged to be carried at fair value through profit or loss [1]	60	-12	26	-63	-4
Total change in value of financial instruments obliged to be carried at fair value	**49**	**-5**	**0**	**-45**	**13**
Change in value of deposits selected for fair value carrying through profit or loss [3]	0	4	0	18	21
Change in value of borrowings selected for fair value carrying through profit or loss [3]	2	3	7	6	9
Change in value of loans selected for fair value carrying through profit or loss [3]	-15	29	-17	91	113
Change in value of short-term financial investments selected for fair value carrying [2]	14	-2	51	7	11
Total change in value of financial instruments selected for fair value carrying	**1**	**34**	**41**	**122**	**154**
Change in value of interest rate derivatives, hedging [4]	19	-25	69	-44	-25
Change in value of borrowings, hedged [4]	-19	25	-69	44	25
Total change in value of financial instruments for hedging	**0**	**0**	**0**	**0**	**0**
Total change in value of financial instruments carried at fair value	**50**	**29**	**41**	**77**	**167**
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost [5]	-7	-4	-17	-12	-12
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost [5]	0	0	0	-1	-1
Realised gain/loss on shares [6]	-1	0	-1	0	5
Exchange gains/losses on borrowings and loans carried at amortised cost [1]	-38	-21	4	-24	-105
Total change in value of financial instruments carried at fair value, gains and losses	**4**	**4**	**27**	**40**	**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 4 million as of the end of the third quarter of 2014, compared with NOK 0 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 51 million as at 30 September 2014, compared with recognised income of NOK 4 million for the same period in 2013. The annual effect was a recognised income of NOK 11 million in 2013.

[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 expense of NOK 51 million at the end of the third quarter of 2014, compared with NOK 39 million for the same period in 2013. The annual effect for 2013 was a recognised income 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 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 30 September 2014 was positive by NOK 190 million, compared with NOK 126 million during the same period last year. As at 31 December 2013, the values were positive in the amount of NOK 130 million in 2013.

[5] Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to a recognised expense of NOK 17 million as at 30 September 2014, compared with NOK 13 million for the same period in 2013. The annual effect for 2013 was a recognised expense of NOK 13 million in 2013.

[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. During the second quarter of 2014, shares owned by the Bank were written down by a total of NOK 0.5 million.

NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Methods for 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 issued by others

Certificates and bonds are measured at quoted prices where such are available and the securities are liquid. Other securities were valued using price estimates obtained from brokers. The values in the comparative figures for 2013 are partly based on a model which involves the discounting of expected future cash flows. The discount rate is determined using the NIBOR/Swap curve plus an appropriate credit margin. The credit margin is again based on estimates from brokers.

Loans and advances

For loans measured at fair value, the valuation is performed using a model where expected future cash flows are discounted to present values. The discount rate is determined using the NIBOR/Swap curve plus an appropriate credit margin which reflects the price of our own borrowing, and an additional premium equal to the original margin premium on the loan.

Borrowings selected for fair value carrying

Where borrowing/funding is measured at fair value, quoted borrowings will be measured at market prices where such are available and the securities are liquid. For other securities, the valuation was performed using price estimates obtained from brokers or using a model which involves the discounting of expected future cash flows. The discount rate is determined using the NIBOR/Swap curve plus an appropriate credit margin. The credit margin is based on estimates from brokers.

Hedged borrowing/funding

Borrowings included in value hedges are measured using a model which involves the discounting of expected future cash flows. The discount rate is determined using the NIBOR/Swap curve plus the original credit margin.

Deposits

For deposits measured at fair value, the valuation is performed using a model where expected future cash flows are discounted to present values. The discount rate is determined using the NIBOR/Swap curve plus an appropriate credit margin.

Shares

The shares primarily consist of the Bank's stake in SpareBank 1 Boligkreditt AS. The valuation of these shares 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 30 September 2014

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	304	304
Interest rate derivatives [1]	0	573	0	573
Currency derivatives	0	32	0	32
Short-term securities investments	0	5 337	460	5 797
Total assets	0	5 942	764	6 707
Debt securities in issue	0	-1 022	0	-1 022
Interest rate derivatives [1]	0	-434	0	-434
Currency derivatives	0	-6	0	-6
Customer deposits & accounts payable to customers	0	-224	0	-224
Total liabilities	0	-1 685	0	-1 685

[1] The value of the hedge instruments earmarked for fair value hedging as at 30 September 2014 was positive by NOK 190 million.

The Parent Bank's assets and liabilities measured at fair value as at 30 September 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	426	426
Interest rate derivatives [1]	0	544	0	544
Currency derivatives	0	9	0	9
Short-term securities investments	0	4 655	537	5 192
Total assets	0	5 208	963	6 171
Subordinated loan capital	0	-170	0	-170
Debt securities in issue	0	-2 182	0	-2 182
Interest rate derivatives [1]	0	-424	0	-424
Currency derivatives	0	-66	0	-66
Customer deposits & accounts payable to customers	0	-599	0	-599
Total liabilities	0	-3 441	0	-3 441

[1] The value of the hedge instruments earmarked for fair value hedging as at 30 September 2013 was positive by NOK 126 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 30 September 2014

NOK MILLION	LOANS AND ADVANCES	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	416	382	798
Investments in the period/new agreements	0	79	79
Matured	-111	0	-111
Changes in value of financial instruments carried at fair value, gains and losses	-1	-1	-2
Closing balance	**304**	**460**	**764**
Of which, result for the period relating to financial instruments still on the balance sheet	2	0	2

The Parent Bank's financial instruments measured at fair value, Level 3, as at 30 September 2013

NOK MILLION	LOANS AND ADVANCES	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	521	420	941
Investments in the period/new agreements	2	117	119
Sales in the period (at book value)	-99	0	-99
Changes in value of financial instruments carried at fair value, gains and losses	2	0	2
Closing balance	**426**	**537**	**963**
Of which, result for the period relating to financial instruments still on the balance sheet	3	0	3

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 MILLION	Q3 2014	Q3 2013	30.09.14	30.09.13	31.12.13
Guarantee commission	1	1	5	3	4
Commission income from SpareBank 1 Boligkreditt AS [1]	24	23	79	56	82
Net other commission income/expense	5	-2	9	-2	-5
Other operating income	0	0	12	7	8
Total other operating income	30	22	105	64	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 by more than three months are defined as loans not serviced under the loan agreement for three 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	Q3 2014	Q3 2013	30.09.14	30.09.13	31.12.13
Write-offs in excess of prior-year write-downs	7	0	30	0	0
Write-offs on loans without prior write-downs	0	1	3	1	12
Write-downs for the period:					
Change in collective write-downs	-2	-5	-1	-5	0
Change in collective write-downs related to Guarantee Portfolio	0	-6	-24	-25	-15
Total change in collective write-downs	-2	-11	-25	-30	-15
Increase in loans with prior-year write-downs [1]	5	3	25	21	27
Provisions against loans without prior write-downs	1	5	3	11	19
Decrease in loans with prior-year write-downs	-9	-14	-21	-17	-17
Total change in individual write-downs	-3	-6	7	15	29
Gross impairment losses	2	-16	15	-14	26
Recoveries on previous write-offs	0	0	2	6	6
Impairment losses on loans and advances	2	-16	13	-20	20
Revenue recognition of interest on written-down loans	-1	-2	-2	1	1

NOK MILLION	Q3 2014	Q3 2013	30.09.14	30.09.13	31.12.13
Individual write-downs to cover impairment losses at start of period	24	28	27	30	30
Write-offs covered by prior-year individual write-downs	-1	0	-2	-2	-2
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	2	0	10	0	0
Write-downs on loans without prior individual write-downs	1	3	3	6	15
Decrease in loans with prior-year individual write-downs	-9	-13	-21	-16	-16
Individual write-downs to cover impairment losses at end of period	17	18	17	18	27
Collective write-downs to cover impairment losses at start of period	30	29	29	29	29
Collective write-downs for the period to cover impairment losses	-2	-5	-1	-5	0
Collective write-downs to cover impairment losses at end of period	28	24	28	24	29

NOK MILLION	Q3 2014	Q3 2013	30.09.14	30.09.13	31.12.13
Provision for losses on financial guarantees concerning the Guarantee Portfolio at start of period	73	90	101	72	72
Write-offs covered by prior-year individual write-downs	-22	0	-61	0	0
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	2	3	13	18	24
Write-downs on loans without prior individual write-downs	0	4	0	7	6
Decrease in loans with prior-year individual write-downs	0	-1	0	-1	-1
Provision for losses on financial guarantees concerning the Guarantee Portfolio at end of period [1]	53	96	53	96	101
Collective write-downs linked to the Guarantee Portfolio at start of period	8	28	32	47	47
Collective write-downs for the period to cover losses in Guarantee Portfolio	0	-6	-24	-25	-15
Collective write-downs linked to the Guarantee Portfolio at end of period [1]	8	22	8	22	32
Total loss provisions related to Guarantee Portfolio [1]	61	118	61	118	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. Including the loss that has already been determined, the Bank's maximum risk of further losses is thus down to NOK 122 million, which at the end of the third quarter of 2014 represented 0.4% of the Group's total lending. The total provision for losses in the Guarantee Portfolio was NOK 61 million as at the end of September 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	30.09.14	30.09.13	31.12.13
Gross principal	220	133	146
Individual write-downs	5	6	7
Net principal	215	127	139

Other loans with individual write-downs [1]

NOK MILLION	30.09.14	30.09.13	31.12.13
Gross principal	226	438	460
Individual write-downs	65	108	99
Net principal	161	330	361

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

NOK MILLION	GROSS OUTSTANDING 30.09.14	%	GROSS OUTSTANDING 30.09.13	%	GROSS OUTSTANDING 31.12.13	%
Corporate Market	152	3,89	82	1,46	81	1,39
Retail Market	68	0,84	51	0,61	65	0,85
Total	**220**	**1,84**	**133**	**0,91**	**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.

[1] 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

MILLIONER KRONER	30.09.14	30.09.13	31.12.13
Corporate and retail loans	11 969	14 080	13 489
Vendor financing	-24	-22	0
Gross lending	**11 946**	**14 058**	**13 489**
Loans transferred to SpareBank 1 Boligkreditt	8 937	6 967	8 323
Total loans, managed portfolio	**20 883**	**21 025**	**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 SpareBank 1 Næringskreditt as at 30 September 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 September 2014 the book value of transferred loans was NOK 13.2 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. The costs include a premium for the cost of equity in the company.

BN Bank has pledged guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt AS' capital base. As at 30 September 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 third 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 30 September 2014, BNkreditt's capital adequacy ratio was 23.36 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 0 million as at 30 September 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 5.55% as at 30 September 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 September 2014 the book value of transferred loans was NOK 8.9 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 third quarter of 2014 and 2013.

NOTE 10. BORROWING

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 NOK 3,675 million as at 30 September 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
Acquisition and maturity of existing	-422	-1 201	-1 623
Net debt (nominal) 31.03.2014	**928**	**11 989**	**12 917**
New issues	300	0	300
Expansion of existing	250	150	400
Acquisition and maturity of existing	-628	-209	-837
Net debt (nominal) 30.06.2014	**850**	**11 930**	**12 780**
New issues	0	975	975
Expansion of existing	0	350	350
Acquisition and maturity of existing	-55	-1 073	-1 128
Net debt (nominal) 30.09.2014	**795**	**12 182**	**12 977**

Subordinated loan capital and perpetual subordinated capital securities

The Parent Bank has issued subordinated capital securities with a nominal value of NOK 400 million as at 30 September 2014, either as new issues or the expansion of existing open loans.

NOK MILLION	PERPET. SUBORD. CAPITAL SECURITIES	SUBORDINATED LOAN CAPITAL	TOTAL
Net debt (nominal) 1 January 2014	650	800	1 450
New issues	400	0	400
Acquisition and maturity of existing	-202	0	-202
Net debt (nominal) 31.03.2014	**848**	**800**	**1 648**
Acquisition and maturity of existing	-1	0	-1
Net debt (nominal) 30.06.2014	**847**	**800**	**1 647**
Acquisition and maturity of existing	-255	0	-255
Net debt (nominal) 30.09.2014	**592**	**800**	**1 392**

Recognised values

NOK MILLION	30.09.14	30.09.13	31.12.13
Certificates carried at fair value	808	1 957	1 367
Total recognised value of certificates	**808**	**1 957**	**1 367**
Bonds carried at amortised cost	8 432	8 257	8 208
Bonds carried at amortised cost (secured debt)	3 773	3 271	3 275
Bonds selected for fair value carrying	213	224	210
Total recognised value of bonds	**12 419**	**11 752**	**11 693**
Total recognised value of debt securities in issue	**13 227**	**13 709**	**13 060**
Perpetual subordinated capital securities carried at amortised cost	593	483	483
Perpetual subordinated capital securities carried at fair value	0	170	172
Total recognised value of capital securities	**593**	**653**	**655**
Subordinated loans carried at amortised cost	804	803	804
Total recognised value of subordinated loans	**804**	**803**	**804**
Total recognised value of subordinated loans and capital securities	**1 397**	**1 456**	**1 459**

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

	30.09.14		30.09.13		31.12.13	
NOK MILLION	**REAL VALUE**	**RECOGNISED VALUE**	**REAL VALUE**	**RECOGNISED VALUE**	**REAL VALUE**	**RECOGNISED VALUE**
Subordinated loans	-451	451	452	451	453	452
Loans and advances	11 926	11 926	14 060	14 060	13 430	13 430
Prepayments and accrued income	22	22	193	193	56	56
Interest rate derivatives	573	573	544	544	527	527
Currency derivatives	32	32	9	9	16	16
Short-term securities investments	6 950	6 950	7 359	7 355	6 124	6 122
Cash and balances due from credit institutions	10 404	10 404	10 889	10 889	10 656	10 656
Assets classified as held for sale	0	0	0	0	0	0
Subordinated loan capital	-1 461	-1 397	-1 478	-1 456	-1 471	-1 459
Liabilities to credit institutions	-21	-21	-787	-787	-13	-13
Debt securities in issue	-13 538	-13 227	-13 796	-13 709	-13 269	-13 060
Accrued expense and deferred income	-61	-61	-118	-118	-133	-133
Other current liabilities	0	0	-58	-58	-10	-10
Interest rate derivatives	-434	-434	-424	-424	-427	-427
Currency derivatives	-6	-6	-66	-66	-15	-15
Customer deposits & accounts payable to customers	-14 119	-14 119	-16 170	-16 170	-15 173	-15 173
Total	**-184**	**1 093**	**609**	**713**	**751**	**969**

VIn connection with the calculation of fair value of certificates and bonds at amortised cost, we have used estimates of market prices from brokers. Treasury bills are recognised at the most recent bid price. Financial derivatives 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 the comparative figures from 2013, the fair value of bonds and certificates at amortised cost has partly been calculated using a model where the cash flow of the security is discounted by the NIBOR/Swap interest rate plus a credit margin. The credit margin is again based on estimates from brokers.

Subdivision of fair value measurement for financial instruments carried at amortised cost

Financial instruments measured at fair value (including borrowings for hedge accounting) 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 30 September 2014

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Subordinated loans	0	-451	0	-451
Short-term securities investments	299	1 153	0	1 452
Total assets	299	702	0	1 002
Subordinated loan capital	0	-1 461	0	-1 461
Debt securities in issue	0	-12 516	0	-12 516
Total liabilities	0	-13 978	0	-13 978

The Parent Bank's assets and liabilities measured at amortised cost as at 30 September 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Subordinated loans	0	453	0	453
Short-term securities investments	748	1 415	0	2 163
Total assets	748	1 868	0	2 616
Subordinated loan capital	0	-1 308	0	-1 308
Debt securities in issue	0	-11 613	0	-11 613
Total liabilities	0	-12 921	0	-12 921

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
Short-term 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	-11 692	0	-11 692
Total liabilities	0	-12 990	0	-12 990

NOTE 12. RIGHT OF OFF-SET, FINANCIAL DERIVATIVES

With effect from 2013 the BN Bank Group must provide information on the financial instruments for 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			30.09.14
COUNTERPARY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	265	36	230
Counterparty 2	155	155	0
Counterparty 3	50	25	25
Counterparty 4	64	38	26
Counterparty 5	57	31	25
Counterparty 6	13	6	7
Total	605	292	313

Financial liabilities			30.09.14
COUNTERPARY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	36	36	0
Counterparty 2	303	155	147
Counterparty 3	25	25	0
Counterparty 4	38	38	0
Counterparty 5	31	31	0
Counterparty 6	6	6	0
Total	439	292	147

Financial assets			30.09.13
COUNTERPARY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	277	37	240
Counterparty 2	102	102	0
Counterparty 3	65	18	47
Counterparty 4	51	16	35
Counterparty 5	44	36	8
Counterparty 6	14	9	5
Total	553	218	335

Financial liabilities			30.09.13
COUNTERPARY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	37	37	0
Counterparty 2	374	102	272
Counterparty 3	18	18	0
Counterparty 4	16	16	0
Counterparty 5	36	36	0
Counterparty 6	9	9	0
Total	490	218	272

Financial assets			31.12.13
COUNTERPARY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[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
COUNTERPARY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[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

New capital adequacy rules were introduced in Norway with effect from 1 July 2014 (Basel III – the new EU directive on capital adequacy).

During the second quarter of 2014, the BN Bank obtained approval to use internal measurement methods (Internal Rating Based Approach - Advanced) for measuring credit risk for corporate engagement. The use of IRB imposes comprehensive requirements on the Bank's organisation, competence, risk models and risk management systems. Approval of the Retail Market is under consideration, but has been put on hold due to new requirements concerning residential mortgage loans which were presented by the Financial Supervisory Authority of Norway on 1 July 2014.
Subordinated capital securities with moderate redemption incentives have been recognised as an element of the tier 1 capital up to a maximum of 15% of the total tier 1 capital. Subordinated capital securities with no fixed term and no redemption incentives may be included as an element in the tier 1 capital up to a maximum of 35% of the total tier 1 capital. All our subordinated capital securities satisfied the criteria for making up 35% of the total tier 1 capital.

NOK MILLION	**30.09.14**	**30.09.13**	**31.12.13**
Share capital	706	706	706
Premium fund	415	415	415
Appropriated dividend	0	0	240
Reserve for unrealised gains	295	174	295
Other equity	797	901	797
Total equity	**2 213**	**2 196**	**2 453**
Tier 1 capital			
Deferred tax, goodwill and other intangible assets	-10	-6	-7
Deduction for appropriated dividend	0	0	-240
Direct, indirect and synthetic investments in companies in the financial sector	-53	-173	-205
Positive value of adjusted anticipated losses under the IRB approach	-40	0	0
Interim profit included in tier 1 capital	113	114	0
Value adjustments as a result of the requirements for prudent valuation	-8	0	0
Total core tier 1 capital	**2 215**	**2 131**	**2 001**
Perpetual subordinated capital securities, hybrid capital [1]	398	376	353
Direct, indirect and synthetic investments in companies in the financial sector	-106	0	0
Total net other tier 1 capital	**2 507**	**2 507**	**2 354**
Tier 2 capital in addition to tier 1 capital			
Perpetual subordinated capital securities, hybrid capital in excess of 15 % and 35 %	0	275	298
Perpetual subordinated capital	0	0	0
Fixed-term subordinated capital	798	798	798
Direct, indirect and synthetic investments in companies in the financial sector	-150	-173	-205
Total tier 2 capital	**648**	**900**	**891**
Net subordinated capital	**3 155**	**3 407**	**3 245**
Minimum requirements concerning subordinated capital, Basel III [2]			
Loans with specialist enterprises	180		
Loans with other enterprises	51		
Equity positions	35		
Total credit risk IRB	**266**		
Operational risk	37	33	33
Loans calculated according to the standard method	827	1 418	1 280
Deduction in the capital requirement	0	-31	-37
Transitional arrangement	0	0	0
Creditworthiness of counterparty (CVA risk)	16	0	0
Minimum requirements, subordinated capital	**1 146**	**1 420**	**1 276**
Calculation basis	**14 333**	**17 759**	**15 954**
Buffer requirements			
Conservation buffer (2.5 %)	358		
System risk buffer (3.0 %)	430		
Total buffer requirements for core tier 1 capital	**788**		
Available tier 1 capital (less 4.5 %)	**1 570**		
Capital adequacy ratio			
Core tier 1 capital ratio	15.45 %	12.00 %	12.54 %
Tier 1 capital ratio	17.49 %	14.12 %	14.75 %
Capital adequacy ratio	22.01 %	19.18 %	20.34 %

In accordance with the Regulations on measurement of the own funds of financial institutions, clearing houses and investment firms, the deduction for non-essential investments in the financial sector should be phased in using the following percentage ratios:

in 2014 .... 20 %
in 2015 .... 40 %
in 2016 .... 60 %
in 2017 .... 80 %

[1] For more details, see Note 10.

[2] From the second quarter of 2014, BN Bank has obtained approval to use internal measurement methods for credit risk linked to corporate engagements. Historical minimum requirements for subordinated capital are reported according to the standard method.

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. 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 related to structured products in 2014.

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 FIVE MOST RECENT QUARTERS

NOK MILLION	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Interest and similar income	264	289	274	295	304
Interest expense and similar charges	215	216	220	239	257
Net income from interest and credit commissions	**49**	**73**	**54**	**56**	**47**
Change in value of financial instruments carried at fair value, gains and losses	4	13	10	14	4
Other operating income	30	42	33	25	22
Total other operating income	**34**	**55**	**43**	**39**	**26**
Salaries and general administrative expenses	30	29	31	27	25
Depreciation, amortisation and write-downs	1	2	2	3	3
Other operating expenses	4	4	5	4	5
Total other operating expense	**35**	**35**	**38**	**34**	**33**
Operating profit/(loss) before impairment losses	**48**	**93**	**59**	**61**	**40**
Impairment losses on loans and advances	2	11	0	40	-16
Operating profit/(loss) after impairment losses	46	82	59	21	56
Income from ownership interests in group companies	0	167	0	0	0
Profit before tax	**46**	**249**	**59**	**21**	**56**
Computed tax charge	13	66	16	0	16
Profit after tax	**33**	**183**	**43**	**21**	**40**

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