BN Bank ASA

INTERIM REPORT 4TH QUARTER | 2014

Content

Financial Ratios

		GROUP	
NOK MILLION	**REFERENCE**	**THE YEAR 2014**	**THE YEAR 2013**
Summary of results			
Net income from interest and credit commissions		432	410
Total other operating income		215	283
Total income		**647**	**693**
Total other operating expense		**224**	**215**
Operating profit/(loss) before impairment losses		**423**	**478**
Impairment losses on loans and advances		37	129
Profit before tax		**386**	**349**
Computed tax charge		102	97
Profit after tax		**284**	**252**
Profit from operations under disposal		-3	0
Profit including discontinued operations		**281**	**252**
Profitability			
Return on equity	1	7.8 %	7.3 %
Net interest	2	1.18 %	1.00 %
Cost-income ratio	3	34.6 %	31.0 %
Cost-income ratio incl. equity surcharge and return on equity in SpareBank 1 Næringskreditt		28.2 %	30.0 %
Balance sheet figures			
Gross lending		27 299	29 309
Customer deposits		14 446	15 169
Deposit-to-loan ratio	4	52.9 %	51.8 %
Growth in lending (gross) last 12 months		-6.9 %	-12.0 %
Increase in deposits last 12 months		-4.8 %	-10.3 %
Average total assets (ATA)	5	36 644	39 463
Total assets		35 787	37 505
Balance sheet figures inc. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt			
Gross lending		49 358	50 025
Customer deposits		14 446	15 169
Growth in lending (gross) last 12 months		-1.3 %	1.1 %
Increase in deposits last 12 months		-4.8 %	-10.3 %
Deposit-to-loan ratio, managed		29.3 %	30.3 %
Impairment losses and defaults, Group			
Loss ratio lending	6	0.13 %	0.41 %
Non-performing loans as % of gross lending		1.49 %	1.91 %
Other doubtful commitments as % of gross lending	7	0.89 %	2.25 %
Impairment losses and defaults, inc. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt			
Loss ratio lending	6	0.09 %	0.26 %
Non-performing loans as % of gross lending		0.82 %	1.14 %
Other doubtful commitments as % of gross lending	7	0.49 %	1.32 %
Solvency			
Capital adequacy ratio		19.68 %	15.44 %
Tier 1 capital ratio		16.43 %	13.02 %
Core tier 1 capital ratio		14.91 %	11.07 %
Tier 1 capital		3 527	3 705
Capital base		4 224	4 393
Offices and staffing			
Number of offices		2	2
Number of full-time equivalents		112	111
Shares			
Earnings per share for the period (whole NOK)		19.91	17.85

Reference

1) Profit after tax as a percentage of average equity
2) Total net interest margin to date this year relative to average total assets
3) Total operating expense as a percentage of total operating income
4) Customer deposits as a percentage of lending to customers
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 4 2014

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

- Net interest income amounted to NOK 100 million (NOK 99 million)
- Other operating income amounted to NOK 33 million (NOK 49 million)
- Profit after tax of NOK 44 million (NOK 69 million)
- Profit after tax from core business totalling NOK 45 million (NOK 69 million)
- Other operating expense amounted to NOK 54 million (NOK 56 million)
- Costs constituted 41 per cent of total income (38 per cent)
- Return on equity after tax of 4.9 per cent (7.7 per cent)
- Impairment losses on loans constituted an expense of NOK 14 million (income of NOK 4 million)

Summary as at 31 December 2014

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

- Net interest income amounted to NOK 432 million (NOK 410 million)
- Other operating income amounted to NOK 215 million (NOK 283 million)
- Profit after tax amounted to NOK 281 million (NOK 252 million)
- Profit after tax from core business totalling NOK 282 million (NOK 269 million)
- Other operating expense amounted to NOK 224 million (NOK 215 million)
- Costs constituted 35 per cent of total income (31 per cent)
- Return on equity after tax of 7.8 per cent (7.3 per cent)
- Return on equity after tax from core business at 7.9 per cent (7.9 per cent)
- The managed portfolio decreased by NOK 667 million during the past 12 months (growth of NOK 561 million)
- The margin on loans measured against the 3-month NIBOR fell by 7 basis points during the past 12 months to 2.32 per cent (2.39 per cent)
- The deposit margin measured against the 3-month NIBOR rose by 33 basis points during the past 12 months to -0.85 per cent (-1.18 per cent)
- Impairment losses on loans constituted an expense of NOK 37 million (NOK 129 million)
- Capital adequacy ratio of 19.7 per cent (15.4 per cent)
- Tier 1 capital adequacy ratio of 16.4 per cent (13.0 per cent)
- Core tier 1 capital ratio of 14.9 per cent (11.1 per cent)

Results for Quarter 4 2014

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

During the fourth quarter of 2014, profit after tax was NOK 44 million (NOK 69 million). This gave an annualised return on equity of 4.9 per cent (7.7 per cent). The key factors behind this change are lower lending margins, negative changes in value and higher losses in the fourth quarter.

Total income was NOK 133 million during the fourth quarter of 2014 (NOK 148 million).

NOK MILLION	Q4 2014	Q3 2014	CHANGE
Total income	**133**	**148**	**-15**
Changes in value			-11
Margin and volume effects deposits and loans			-9
Late payment interest and net interest fees			3
Other changes			2

During the fourth quarter, net interest income amounted to NOK 100 million (NOK 99 million). Margin and volume fall on loans had a negative effect while fees and late payment interest had a positive effect.

During the fourth quarter, other operating income excluding changes in value amounted to NOK 41 million (NOK 47 million). Commission income from SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt amounted to NOK 39 million (NOK 41 million). The commission is calculated as the interest on loans less costs incurred by SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt. The costs included a premium for the capital that the shareholders have invested in SpareBank 1 Næringskreditt for loans that BN Bank has transferred to this company. The change is also linked to reduced fees and other commission income.

Operating expense for the fourth quarter of 2014 was NOK 54 million (NOK 56 million). Operating expense has remained low as a result of a focus on efficiency and costs. Other operating expense amounted to 41 per cent of total income during the fourth quarter of 2014 (38 per cent). Adjusted for the equity surcharge in SpareBank 1 Næringskreditt, costs amount to 32 per cent of income. BN Bank aims to be one of Norway's most cost-effective banks.

During the fourth quarter of 2014, NOK 14 million was recognised as expence in respect of impairment losses on loans and advances (recognised income of NOK 4 million). Individual and collective impairment losses on loans were distributed as follows:

NOK MILLION	INDIVIDUAL	COLLECTIVE	TOTAL
Corporate Market	9	1	10
Retail Market	2	1	3
Guarantee Portfolio	1	0	1
Total	12	2	14

As at 31 December 2014

The comparative figures in parentheses apply as at 31 December 2013.
As at 31 December 2014 the BN Bank Group posted a profit after tax of NOK 281 million (NOK 252 million). This gives an annualised return on equity after tax of 7.8 per cent (7.3 per cent). Higher net interest income and reduced losses had a positive impact, while lower commission income, somewhat higher costs 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 13 million, up from NOK 269 million as at 31 December 2013 to NOK 282 million in the same period in 2014.

Income

Total income was NOK 647 million (NOK 693 million). The Bank's total margin in the managed portfolio measured against the 3-month NIBOR in 2014 was 2.32 per cent (2.39 per cent).

The Bank's deposit margin measured against the 3-month NIBOR in 2014 was -0.85 per cent (-1.18 per cent).

Other operating income stood at NOK 215 million (NOK 283 million) as at 31 December 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.

The Bank receives commission on loans that are transferred to Sparebank1 Næringskreditt AS, which is calculated as the lending interest rate on the loans less costs incurred by Sparebank1 Næringskreditt AS. From 2014 onwards, these costs also include a premium for the capital that the owners have invested in Sparebank 1 Næringskreditt for the loans transferred by BN Bank. The cost of equity is equal to a calculated required rate of return of 8 per cent after tax. This entails a decrease in the commission that the Bank receives from Sparebank1 Næringskreditt AS. In 2014 this equity surcharge constituted NOK 111 million before tax.

Costs

Operating expense amounted to NOK 224 million (NOK 215 million). Costs as at 31 December 2014 constituted 35 per cent of total income (31 per cent). Adjusted for the equity surcharge and return in SpareBank 1 Næringskreditt, the cost ratio is 28 per cent (30 per cent).

Losses on loans and non-performing loans

Net impairment losses on loans and guarantees totalled NOK 37 million (NOK 129 million).

Defaults in excess of 90 days amounted to 1.49 per cent of gross lending within the Group as at 31 December 2014 (1.91 per cent). With a deduction for individual write-downs, non-performing and doubtful loans amounted to NOK 428 million (NOK 972 million) at the end of the fourth quarter of 2014, equivalent to 1.57 per cent (3.32 per cent) of gross lending within the Group and the Guarantee Portfolio. See Note 6 for more information.

Impairment losses as at 31 December 2014 were distributed as follows:

NOK MILLION	INDIVIDUAL	COLLECTIVE	TOTAL
Corporate Market	31	-10	21
Retail Market	8	2	10
Guarantee Portfolio	29	-23	6
Total	68	-31	37

Loan loss provisions within the core business amounted to NOK 223 million at the end of the fourth quarter of 2014. Of this figure, individual write-downs account for NOK 169 million and collective write-downs NOK 54 million. Total loan loss provisions as at the end of the fourth quarter of 2014 were distributed as follows:

	LOAN LOSS PROVISIONS (MILL. KR)	% OF GROSS LENDING, GROUP
Corporate Market	202	1.07
Retail Market	21	0.25

BN Bank has previously entered into an agreement with SpareBank1 SMN for the latter to take over the Bank's Ålesund portfolio. BN Bank now provides guarantees for NOK 135 million of the credit risk for the remaining portfolio (referred to as the Guarantee Portfolio) of NOK 221 million. The total provision for losses in the Guarantee Portfolio was NOK 63 million as at the end of 2014.

Balance sheet developments and capital

Gross managed lending[1] has fell by NOK 0.6 billion, or 1.3 per cent, in the past 12 months. Gross managed loans totalled NOK 49.4 billion at the end of the fourth quarter 2014.

NOK BILLION	31.12.14	31.12.13
Gross lending	49.4	50.0
Change last 12 months	-0.6	0.6

[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	31.12.14	31.12.13
Retail Market	17.4	16.0
Corporate Market	32.0	34.0

Corporate Market has reduced lending by NOK 2.0 billion, or -5.9 per cent, during the past 12 months.

The lending volume in the retail market rose by NOK 1.4 billion, or 8.5 per cent, during the same period.

Deposits fell by NOK 0.7 billion, or 4.6 per cent. Total deposits amounted to NOK 14.4 billion at the end of the fourth quarter. The deposit-to-loan ratio was 53 per cent at the end of the fourth quarter, an increase of 1 percentage point during the past 12 months.

To date in 2014, the Bank has issued certificates and bonds totalling NOK 5.1 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 fourth quarter of 2014, the Bank met this goal. BN Bank's liquidity portfolio amounted to NOK 6.3 billion at the end of the fourth quarter 2014.

At the end of the first quarter of 2014, loans worth NOK 13.3 billion had been transferred to SpareBank 4 Næringskreditt, while loans amounting to NOK 8.8 billion had been transferred to SpareBank 1 Boligkreditt.

In total, the Bank has transferred 41 per cent of loans for commercial property and 51 per cent of residential mortgage loans to these two companies. During the past 12 months, the Bank has transferred net amounts of NOK 0.9 billion and NOK 0.5 billion to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt respectively.

The Bank's total assets amounted to NOK 35.8 billion as at 31 December 2014 (NOK 37.5 billion).

Including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, total assets amounted to NOK 57.8 billion (NOK 58.2 billion).

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

FIGURES AS %	31.12.14	31.12.13
Capital adequacy ratio	19.7	15.4
Tier 1 capital ratio	16.4	13.0
Core tier 1 capital ratio	14.9	11.1

The Board of Directors has adopted a provisional capital plan for BN Bank ASA as of the end of 2017 to 1 percent above the applicable regulatory minimum requirement plus regulatory buffers, however, minimum 13 percent. See Note 13 for further details concerning capital adequacy ratio and solvency. In the proposal for a new Act on Financial Undertakings and Financial Groups, changes have been proposed for the regulations for dealing with jointly controlled entities. If these proposals are adopted, this will reduce the capital adequacy ratio somewhat.

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, the credit institution Bolig- og Næringskreditt AS (BNkreditt) and property company Collection Eiendom AS.

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

Bolig- og Næringskreditt AS (BNkreditt)

BNkreditt provides low-risk mortgage loans on commercial property. As at 31 December 2014, the company had a gross lending portfolio of NOK 15.4 billion, compared with NOK 15.8 billion as at 31 December 2013. As at 31 December 2014, a loan portfolio of NOK 13.3 billion had been transferred to SpareBank 1 Næringskreditt.

Profit after tax amounted to NOK 140 million as at 31 December 2014, compared with a post-tax profit of NOK 120 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 -5 million as at the end of the fourth quarter of 2014, compared with NOK 109 million in the same period in 2013. Collective write-downs fell by NOK 10 million during 2014 and amount to NOK 22 million. BNkreditt had NOK 3.3 billion in bond debt outstanding at the end of the fourth quarter of 2014, compared with NOK 3.5 billion at the end of the fourth 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 27.5 per percent, while the tier 1 capital ratio was 23.5 per cent at the year-end 4. quarter of 2014. The amount BN Bank is ceding precedence for in relation to guarantees was NOK 0 million as at the fourth 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 fourth quarter of 2014 (NOK 0 million).

Outlook

The changes in margins were reinforced in the fourth quarter. Margins on loans have continued to fall and competition for mortgage customers has been stepped up even further. At the same time deposit margins have continued to increase. There is also pressure on margins within commercial property financing. The marginal price of new borrowings is lower than the average ongoing cost of borrowing. If this persists, it will impact in the longer perspective on the Bank's financial statements as the Bank refinances its borrowing. The underlying trend in costs is in line with the Board of Directors' plans.

The economic growth in Norway will decrease in 2015 as a consequence of the fall in the price of oil and in oil investments. House price statistics, however, show that house prices within BN Bank's most important market areas have also risen during the fourth quarter of 2014. The retail market is still characterised by low unemployment and very low interest rates and non-performing loans in the residential mortgage portfolio are at a low level. Diminishing growth resulting from reduced activity in the oil sector has increased uncertainty surrounding future market development for commercial property, although BN Bank has relatively little exposure within the geographic areas presumed to be most affected.

In 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 calculation basis, and the core tier 1 capital adequacy ratio within the Group as at the end of the fourth quarter by far exceeds the objectives. Despite reduced capital requirements, the competitive picture is characterised by foreign banks facing even lower capital requirements than BN Bank. This is particularly pronounced within the corporate market.

Trondheim, 28 January 2015

The Board of the 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	Q4 2014	Q4 2013	YEAR 2014	YEAR 2013
Interest and similar income		332	378	1 408	1 567
Interest expense and similar charges		232	268	976	1 157
Net interest and credit commission income		100	110	432	410
Change in value of financial instruments carried at fair value, gains and losses	3, 4	-8	7	14	41
Other operating income	5	41	66	201	242
Total other operating income		33	73	215	283
Salaries and general administrative expenses		47	45	193	176
Ordinary depreciation, amortisation and write-downs		3	3	8	12
Other operating expenses		5	6	24	27
Other gains and losses		-1	0	-1	0
Total other operating expense		54	54	224	215
Operating profit/(loss) before impairment losses		79	129	423	478
Impairment losses on loans and advances	6	14	64	37	129
Profit before tax		65	65	386	349
Tax charge		18	17	102	97
Profit after tax continuing operations		47	48	284	252
Profit from operations under disposal		-3	0	-3	0
Profit including terminated activity		44	48	281	252
Statement of Other Comprehensive Income					
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains (losses) on pension plans		-1	18	-1	18
Tax		0	-5	0	-5
Other comprehensive income (net of tax)		-1	13	-1	13
Total comprehensive income		43	61	280	265

Balance Sheet

		GROUP	
NOK MILLION	**NOTE**	**31.12.14**	**31.12.13**
Deferred tax assets		9	0
Intangible assets		11	7
Subordinated loans	11	0	1
Tangible fixed assets		10	13
Repossessed properties		0	3
Loans and advances	4, 6, 7, 8, 9, 11, 13	27 154	29 094
Prepayments and accrued income	11	16	58
Financial derivatives	4, 11, 12	767	622
Short-term securities investments	4, 11	6 305	6 122
Cash and balances due from credit institutions	11	1 486	1 585
Assets classified as held for sale		29	0
Total assets		35 787	37 505
Share capital		706	706
Share premium		415	415
Other equity		2 520	2 480
Total equity		3 641	3 601
Deferred tax		0	19
Subordinated loan capital	4, 10, 11	1 205	1 459
Liabilities to credit institutions	11	2	13
Debts established upon issuing of securities	4, 10, 11	15 649	16 517
Accrued expense and deferred income	6, 11	112	187
Other current liabilities	11	10	16
Tax payable		130	37
Financial derivatives	4, 11, 12	596	487
Customer deposits & accounts payable to customers	4, 11	14 442	15 169
Total liabilities		32 146	33 904
Total equity and liabilities		35 787	37 505

Financial Ratios, Group

The Board of Directors of BN Bank ASA

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

Tina Steinsvik Sundt | Jannike Lund (Ansatterepresentant) | Ella Skjørestad | Gunnar Hovland (Administrerende direktør)

Change in Equity

GROUP

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM	RETAINED RESERVES	TOTAL EQUITY
Balance Sheet as at 01/01/2013	668	266	2 402	3 336
Net income for the period	0	0	252	252
Share capital increase	38	149	0	187
Dividend paid	0	0	-187	-187
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	281	281
Actuarial gains (losses) on pensions (net of tax)		0	0	-1-1
Dividend paid	0	0	-240	-240
Balance Sheet as at 31/12/2014	**706**	**415**	**2 520**	**3 641**

Cash Flow Analysis

	GROUP	
NOK MILLION	**THE YEAR 2014**	**THE YEAR 2013**
Cash flows from operating activities		
Interest/commission received and fees received from customers	2 321	1 537
Interest/commission paid and fees paid to customers	-382	-502
Interest received on other investments	172	184
Interest paid on other loans	-652	-698
Receipts/disbursements (-) on loans and advances to customers	958	3 982
Receipts/disbursements on customer deposits and accounts payable to cust.	-614	-1 561
Receipts/disbursements (-) on liabilities to credit institutions	-117	-640
Receipts/disbursements (-) on issuing of securities	-926	-1 785
Receipts on previously written-off debt	14	17
Other receipts/payments	-48	-73
Payments to suppliers for goods and services	-130	-92
Payments to employees, pensions and social security expenses	-95	-115
Tax paid	-37	-71
Net cash flow from operating activities	464	183
Cash flows from investing activities		
Receipts/payments (-) on receivables from credit institutions	45	30
Receipts/payments (-) on current securities investments	-114	13
Receipts/payments (-) on long-term securities investments	0	0
Proceeds from sale of operating assets etc.	11	25
Purchase of operating assets etc.	-16	-5
Net cash flow from investing activities	-74	63
Cash flow from financing activities		
Receipts/payments (-) on subordinated loan capital	-250	-156
Dividend paid	-240	0
Net cash flow from financing activities	-490	-156
Net cash flow for the period	-100	90
Cash and balances due from credit institutions as at 1 January	1 585	1 495
Cash and balances due from credit institutions as at the end of the period	1 486	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 divide up the reporting segments according to the underlying business areas.

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 31.12.14
Net income from interest and credit commissions	**310**	**122**	**0**	**432**
Change in value of financial instruments carried at fair value	9	5	0	14
Other operating income	74	123	4	201
Total other operating income	**83**	**128**	**4**	**215**
Salaries and general administrative expenses	-82	-111	0	-193
Ordinary depreciation, amortisation and write-downs	-3	-5	0	-8
Other operating expenses	-12	-12	0	-24
Other gains and losses	1	0	0	1
Total other operating expense	**-96**	**-128**	**0**	**-224**
Operating profit/(loss) before impairment losses	**297**	**122**	**4**	**423**
Impairment losses on loans and advances	-21	-10	-6	-37
Operating profit/(loss) after impairment losses	**276**	**112**	**-2**	**386**
Computed tax charge	-75	-28	1	-102
Profit after tax continuing operations	**201**	**84**	**-1**	**284**
Profit from operations under disposal	-3	0	0	-3
Profit including terminated activity	**198**	**84**	**-1**	**281**

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 31.12.14
Loans, managed portfolio (gross)	31 994	17 364	0	49 358
Customer deposits & accounts payable to customers	852	13 590	0	14 442

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 31.12.13
Net income from interest and credit commissions	291	123	-4	410
Change in value of financial instruments carried at fair value	27	14	0	41
Other operating income	164	76	2	242
Total other operating income	**191**	**90**	**2**	**283**
Salaries and general administrative expenses	-79	-98	0	-177
Ordinary depreciation, amortisation and write-downs	-6	-6	0	-12
Other operating expenses	-11	-15	0	-26
Total other operating expense	**-96**	**-119**	**0**	**-215**
Operating profit/(loss) before impairment losses	**386**	**94**	**-2**	**478**
Impairment losses on loans and advances	-106	-1	-22	-129
Operating profit/(loss) after impairment losses	**280**	**93**	**-24**	**349**
Computed tax charge	-78	-26	7	-97
Profit after tax	**202**	**67**	**-17**	**252**

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 31.12.13
Loans (gross) inc. loans in OMF companies	34 014	16 011	0	50 025
Customer deposits & accounts payable to customers	1 115	14 054	0	15 169

The Group operates in a geographically limited area and reporting on geographical segments provides little additional information.

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

NOK MILLION	Q4 2014	Q4 2013	THE YEAR 2014	THE YEAR 2013
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss [3]	-37	-1	-64	16
Change in value of currency derivatives obliged to be carried at fair value through profit or loss [1]	-54	58	-27	-4
Total change in value of financial instruments obliged to be carried at fair value	**-91**	**57**	**-91**	**12**
Change in value of deposits selected for fair value carrying through profit or loss [3]	0	3	0	21
Change in value of borrowings selected for fair value carrying through profit or loss [3]	1	0	12	9
Change in value of loans selected for fair value carrying through profit or loss [3]	5	0	6	-3
Change in value of short-term financial investments selected for fair value carrying [2]	25	4	77	11
Total change in value of financial instruments selected for fair value carrying	**31**	**7**	**95**	**38**
Change in value of interest rate derivatives, hedging [4]	112	21	179	-26
Change in value of borrowings, hedged [4]	-111	-20	-179	26
Total change in value of financial instruments for hedging	**1**	**1**	**0**	**0**
Total change in value of financial instruments carried at fair value	**-59**	**65**	**4**	**50**
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost [5]	-3	0	-20	-16
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost [5]	0	0	0	-1
Realised gain/loss on shares [6]	0	0	-1	0
Exchange gains/losses on borrowings and loans carried at amortised cost [1]	54	-58	31	8
Total change in value of financial instruments carried at fair value, gains and losses	**-8**	**7**	**14**	**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 4 million in 2014. The annual effect for 2013 was a recognised income of NOK 4 million. Exposure to exchange rate fluctuations is low.

[2] Changes in the value of financial investments selected for fair value carrying gave rise to recognised income of NOK 77 million for full-year 2014, compared with recognised income of NOK 11 million for full-year 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 income of NOK 46 million as at the end of 2014. 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 recognised at fair value, and the hedge object is recognised at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedge instruments as at 31 December 2014 was positive by NOK 317 million. 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 borrowings carried at amortised cost gave rise to a recognised expense of NOK 20 million as of the end of the fourth quarter of 2014. 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 31 December 2014

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	625	625
Interest rate derivatives [1]	0	750	0	750
Currency derivatives	0	17	0	17
Short-term securities investments	604	4 093	456	5 152
Total assets	**604**	**4 860**	**1 081**	**6 545**
Debts established upon issuing of securities	0	-1 357	0	-1 357
Interest rate derivatives [1]	0	-553	0	-553
Currency derivatives	0	-44	0	-44
Customer deposits & accounts payable to customers	0	-323	0	-323
Total liabilities	**0**	**-2 276**	**0**	**-2 276**

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 December 2014 was positive by NOK 317 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
Debts established upon issuing of securities	0	-2 534	0	-2 534
Interest rate derivatives [1]	0	-472	0	-472
Currency derivatives	0	-15	0	-15
Customer deposits & accounts payable to customers	0	-382	0	-382
Total liabilities	**0**	**-3 575**	**0**	**-3 575**

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

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

NOK MILLION	LOAN AND ADVANCES	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	895	382	1 277
Investments in the period/new agreements	0	75	75
Matured	-276	0	-276
Changes in value of financial instruments carried at fair value, gains and losses	6	-1	5
Closing balance	**625**	**456**	**1 081**
Of which result for the period relating to financial instruments still on the balance sheet	10	0	10

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

NOK MILLION	LOAN 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	Q4 2014	Q4 2013	THE YEAR 2014	THE YEAR 2013
Guarantee commission	1	1	6	4
Commission income from SpareBank 1 Næringskreditt AS [1,2]	15	41	69	153
Commission income from SpareBank 1 Boligkreditt AS [1]	24	26	103	82
Net other commission income/expense	1	-2	11	-5
Other operating income	0	0	12	8
Total other operating income	**41**	**66**	**201**	**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	Q4 2014	Q4 2013	THE YEAR 2014	THE YEAR 2013
Write-offs in excess of prior-year write-downs	1	1	31	1
Write-offs on loans without prior write-downs	2	11	5	12
Write-downs for the period:				
Change in collective write-downs	2	-11	-8	-3
Change in collective write-downs related to Guarantee Portfolio	0	10	-24	-15
Total change in collective write-downs	**2**	**-1**	**-32**	**-18**
Increase in loans with prior-year write-downs [1]	24	6	91	27
Provisions against loans without prior write-downs	0	48	3	141
Decrease in loans with prior-year write-downs	-15	0	-51	-21
Total change in individual write-downs	**9**	**54**	**43**	**147**
Gross impairment losses	14	65	47	142
Recoveries on previous write-offs	0	1	10	13
Impairment losses on loans and advances	**14**	**64**	**37**	**129**
Revenue recognition of interest on written-down loans	-1	-1	-12	5

NOK MILLION	Q4 2014	Q4 2013	THE YEAR 2014	THE YEAR 2013
Individual write-downs to cover impairment losses at start of period	162	111	154	48
Write-offs covered by prior-year individual write-downs	-1	-5	-3	-7
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	23	0	66	0
Write-downs on loans without prior individual write-downs	0	48	3	133
Decrease in loans with prior-year individual write-downs	-15	0	-51	-20
Individual write-downs to cover impairment losses at end of period	**169**	**154**	**169**	**154**
Collective write-downs to cover impairment losses at start of period	52	73	62	65
Collective write-downs for the period to cover impairment losses	2	-11	-8	-3
Collective write-downs to cover impairment losses at end of period	**54**	**62**	**54**	**62**

NOK MILLION	Q4 2014	Q4 2013	THE YEAR 2014	THE YEAR 2013
Provision for losses on financial guarantees concerning the Guarantee Portfolio at start of period [1]	53	96	101	72
Write-offs covered by prior-year individual write-downs	0	0	-61	0
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	1	6	14	24
Write-downs on loans without prior individual write-downs	0	-1	0	6
Decrease in loans with prior-year individual write-downs	0	0	0	-1
Provision for losses on financial guarantees concerning the Guarantee Portfolio at end of period [1]	**54**	**101**	**54**	**101**
Collective write-downs linked to the Guarantee Portfolio at start of period	8	22	32	47
Collective write-downs for the period to cover losses in Guarantee Portfolio	1	10	-23	-15
Collective write-downs linked to the Guarantee Portfolio at end of period [1]	**9**	**32**	**9**	**32**
Total loss provisions related to Guarantee Portfolio	**63**	**133**	**63**	**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. BN Bank now provides guarantees for NOK 135 million of the credit risk for the remaining portfolio (referred to as the Guarantee Portfolio) of NOK 221 million. The total provision for losses in the Guarantee Portfolio was NOK 63 million as at the end of 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, but the agreement period has been extended to 30.06.2015. The loss provision is classified under Accrued expenses and deferred income.

Loans past due more than 3 months

NOK MILLION	31.12.14	31.12.13
Gross principal	407	569
Individual write-downs	143	75
Net principal	**264**	**494**

Other loans with individual write-downs [1]

NOK MILLION	31.12.14	31.12.13
Gross principal	244	658
Individual write-downs	80	180
Net principal	**164**	**478**

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

NOK MILLION	GROSS OUTSTANDING 31.12.14	%	GROSS OUTSTANDING 31.12.13	%
Corporate loans	341	1.82	504	2.33
Retail	66	0.77	65	0.85
Total	407	1.49	569	1.91

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

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

NOTE 7. SUMMARY OF GROSS MANAGED LENDING

NOK MILLION	31.12.14	31.12.13
Corporate and retail loans, Group	27 299	29 309
Gross lending	27 299	29 309
Loans transferred to SpareBank 1 Næringskreditt	13 250	12 393
Loans transferred to SpareBank 1 Boligkreditt	8 809	8 323
Total loans, managed portfolio	49 358	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 31 December 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 the end of December 2014 the book value of transferred loans was NOK 13.3 billion. BNkreditt is responsible for managing the transferred loans and BNkreditt receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

BN Bank has pledged guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt AS' capital base. As at 31 December 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. 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 fourth quarter of 2014 and 2013.

Guarantee provided by BN Bank to BNkreditt

In order to attend to the interests of existing bond holders in BNkreditt, in connection with the transfer of loans to Sparebank 1 Næringskreditt BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 31 December 2014, BNkreditt's capital adequacy ratio was 23.52 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 0 million as at 31 December 2014.

NOTE 9. TRANSFER OF LOANS TO SPAREBANK 1 BOLIGKREDITT

SpareBank 1 Boligkreditt AS 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 5.49% as at 31 December 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 December 2014, the book value of transferred loans was NOK 8.8 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. 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.

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 31 December 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	-1301	-1 356
Net debt (nominal) 30/09/2014	**795**	**15 751**	**16 546**
New issues	250	400	650
Acquisition and maturity of existing	-495	-1461	-1 956
Net debt (nominal) 31/12/2014	**550**	**14 690**	**15 240**

Subordinated loan capital and perpetual subordinated capital securities

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

NOK MILLION	SUBORDINATED CAPITAL SECURITIES	RESPONSIBLE 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**
Acquisition and maturity of existing	-192	0	-192
Net debt (nominal) 31/1292014	**400**	**800**	**1 200**

Recognised values

NOK MILLION	31.12.14	31.12.13
Certificates selected for fair value carrying	556	1 519
Total recognised value of certificates	**556**	**1 519**
Bonds carried at amortised cost	9 541	9 739
Bonds carried at amortised cost (secured debt)	4 751	4 244
Bonds selected for fair value carrying	801	1 015
Total recognised value of bonds	**15 093**	**14 998**
Total recognised value of debt securities in issue	**15 649**	**16 517**

NOK MILLION	31.12.14	31.12.13
Perpetual subordinated capital securities carried at amortised cost	401	483
Perpetual subordinated capital securities selected for fair value carrying	0	172
Total recognised value of capital securities	**401**	**655**
Subordinated loans carried at amortised cost	804	804
Total recognised value of subordinated loans	**804**	**804**
Total recognised value of subordinated loans and capital securities	**1 205**	**1 459**

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

	31.12.14		31.12.13	
NOK MILLION	**FAIR VALUE**	**RECOGNISED VALUE**	**FAIR VALUE**	**RECOGNISED VALUE**
Subordinated loans	0	0	1	1
Loans and advances	27 154	27 154	29 094	29 094
Prepayments and accrued income	16	16	58	58
Interest rate derivatives	750	750	606	606
Currency derivatives	17	17	16	16
Short-term securities investments	6 305	6 305	6 124	6 122
Cash and balances due from credit institutions	1 486	1 486	1 585	1 585
Assets classified as held for sale	29	29	0	0
Subordinated loan capital	-1 256	-1 205	-1 471	-1 459
Liabilities to credit institutions	-2	-2	-13	-13
Debts established upon issuing of securities	-15 823	-15 649	-16 671	-16 517
Accrued expense and deferred income	-63	-63	-133	-133
Other current liabilities	-10	-10	-10	-10
Interest rate derivatives	-552	-552	-472	-472
Currency derivatives	-44	-44	-15	-15
Customer deposits & accounts payable to customers	-14 442	-14 442	-15 169	-15 169
Total	**3 567**	**3 792**	**3 530**	**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 at the end of the reporting period are subdivided into the following levels of fair value measurement:
- Level 1: Quoted price in an active market for an identical asset or liability
- Level 2: Measurement is performed using a valuation technique and discounting of expected future cash flows. The risk-free interest rate is read from the market through the interest rate on loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness.
- Level 3: Measurement based on factors not taken from observable markets nor which have observable assumptions as input to the valuation.

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

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Short-term securities investments	0	1 150	0	1 150
Total assets	**0**	**1 150**	**0**	**1 150**
Subordinated loan capital	0	-1 256	0	-1 256
Debt securities in issue	0	-9 715	0	-9 715
Total liabilities	**0**	**-10 970**	**0**	**-10 970**

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	-9 893	0	-9 893
Total liabilities	**0**	**-11 191**	**0**	**-11 191**

NOTE 12. RIGHT OF OFF-SET, FINANCIAL DERIVATIVES

With effect from 2013 the BN Bank Group must 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 set-off in the event of default. The Group has also entered into additional collateral-posting agreements (CSAs) with some of the counterparties.

Financial assets 31.12.14

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	309	40	269
Counterparty 2	186	186	0
Counterparty 3	141	32	109
Counterparty 4	67	67	0
Counterparty 5	56	40	16
Counterparty 6	8	5	3
Total	767	370	397

Financial liabilities 31.12.14

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	40	40	0
Counterparty 2	389	186	203
Counterparty 3	32	32	0
Counterparty 4	90	67	23
Counterparty 5	40	40	0
Counterparty 6	5	5	0
Total	596	370	226

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 the 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	31.12.14	31.12.13
Share capital	706	706
Premium fund	415	415
Appropriated dividend	264	240
Reserve for unrealised gains	364	296
Other equity	1892	1 944
Total equity	**3 641**	**3 601**
Tier 1 capital		
Deferred tax, goodwill and other intangible assets	-11	-7
Deduction for appropriated dividend	-264	-240
Direct, indirect and synthetic investments in companies in the financial sector	-36	-205
Positive value of adjusted anticipated losses under the IRB approach	-123	0
Value adjustments as a result of the requirements for prudent valuation	-8	0
Total core tier 1 capital	**3 199**	**3 149**
Perpetual subordinated capital securities, hybrid capital [1]	399	556
Direct, indirect and synthetic investments in companies in the financial sector	-71	0
Total net tier 1 capital	**3 527**	**3 705**
Tier 2 capital in addition to tier 1 capital		
Perpetual subordinated capital securities, hybrid capital in excess of 15% and 35%	0	95
Fixed-term subordinated capital	798	798
Direct, indirect and synthetic investments in companies in the financial sector	-101	-205
Total tier 2 capital	**697**	**688**
Net subordinated capital	**4 224**	**4 393**
Minimum requirements concerning subordinated capital, Basel III [2]		
Loans with specialist enterprises	772	0
Loans with other enterprises	119	0
Equity positions	50	0
Total credit risk IRB	**941**	**0**
Operational risk	83	74
Loans calculated according to the standard method	674	2 243
Deduction in the capital requirement	0	-40
Deduction in the capital requirement	18	0
Minimum requirements, subordinated capital	**1 716**	**2 277**
Calculation basis	**21 460**	**28 458**
Buffer requirements		
Conservation buffer (2.5%)	536	0
System risk buffer (3.0%)	644	0
Total buffer requirements for core tier 1 capital	1 180	0
Available tier 1 capital (less 4.5%)	**2 234**	**0**
Capital adequacy ratio		
Core tier 1 capital ratio	14.91 %	11.07 %
Tier 1 capital ratio	16.43 %	13.02 %
Capital adequacy ratio	19.68 %	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:

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

[1] For more details, see Note 10.

[1] 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 judgement 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 judgement. 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	Q42014	Q32014	Q2 2014	Q12014	Q4 2013
Interest and similar income	332	346	373	357	378
Interest expense and similar charges	232	247	247	250	268
Net interest and credit commission income	**100**	**99**	**126**	**107**	**110**
Change in value of financial instruments carried at fair value, gains and losses	-8	2	12	8	7
Other operating income	41	47	63	49	66
Total other operating income	**33**	**49**	**75**	**57**	**73**
Salaries and general administrative expenses	47	49	47	50	45
Depreciation, amortisation and write-downs	3	1	2	2	3
Other operating expenses	5	6	7	6	6
Other gains and losses	-1	0	0	0	0
Total other operating expense	**54**	**56**	**56**	**58**	**54**
Operating profit/(loss) before impairment losses	**79**	**92**	**145**	**106**	**129**
Profit before tax	14	-4	21	5	64
Profit before tax	**65**	**96**	**124**	**101**	**65**
Tax charge	18	27	31	27	17
Profit after tax continuing operations	**47**	**69**	**93**	**74**	**48**
Profit from operations under disposal	**-3**	**0**	**0**	**0**	**0**
Profit including terminated activity	**44**	**69**	**93**	**74**	**48**

Income Statement

PARENT BANK

NOK MILLION	NOTE	Q4 2014	Q4 2013	YEAR 2014	YEAR 2013
Interest and similar income		253	295	1 080	1 222
Interest expense and similar charges		202	239	853	1 039
Net interest and credit commission income		**51**	**56**	**227**	**183**
Change in value of financial instruments carried at fair value, gains and losses	2, 3	-7	14	20	54
Other operating income	4	27	25	132	89
Total other operating income		**20**	**39**	**152**	**143**
Salaries and general administrative expenses		29	27	119	102
Ordinary depreciation, amortisation and write-downs		3	3	8	12
Other operating expenses		4	4	17	18
Total other operating expense		**36**	**34**	**144**	**132**
Operating profit/(loss) before impairment losses		**35**	**61**	**235**	**194**
Impairment losses on loans and advances	6	29	40	42	20
Operating profit/(loss) after impairment losses		**6**	**21**	**193**	**174**
Income from ownership interests in group companies	5	0	0	167	118
Profit before tax		**6**	**21**	**360**	**292**
Tax charge		1	0	96	43
Profit after tax		**5**	**21**	**264**	**249**
Statement of other comprehensive income					
Statement of other comprehensive income					
Actuarial gains (losses) on pension plans		0	11	0	12
Tax		0	-3	0	-3
Other comprehensive income (net of tax)		**0**	**8**	**0**	**9**
Total comprehensive income		**5**	**29**	**264**	**258**

Balance Sheet

		PARENT BANK	
NOK MILLION	**NOTE**	**31.12.14**	**31.12.13**
Intangible assets		11	7
Ownership interests in group companies		1 600	1 600
Subordinated loans	11	453	452
Tangible fixed assets		10	13
Loans and advances	3, 6, 7, 8, 9, 11, 13	11 972	13 430
Prepayments and accrued income	11	14	56
Financial derivatives	3, 11, 12	694	543
Short-term securities investments	3, 11	6 305	6 122
Cash and balances due from credit institutions	11	10 232	10 656
Assets classified as held for sale		5	0
Total assets		**31 296**	**32 879**
Share capital		706	706
Share premium		415	415
Other equity		1 356	1 332
Total equity		**2 477**	**2 453**
Deferred tax		112	64
Subordinated loan capital	3, 10, 11	1 205	1 459
Liabilities to credit institutions	11	2	13
Debts established upon issuing of securities	3, 10, 11	12 349	13 060
Accrued expense and deferred income	6, 11 101	176	
Other current liabilities	11	10	16
Tax payable		49	23
Financial derivatives	3, 11, 12	541	442
Customer deposits & accounts payable to customers	3, 13	14 450	15 173
Total liabilities		**28 819**	**30 426**
Total equity and liabilities		**31 296**	**32 879**

Trondheim, 28 January 2015
The Board of Directors of BN Bank ASA

Change in Equity

PARENT BANK

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN RESERVES	OTHER EARNINGS[1]	TOTOAL EQUITY
Balance Sheet as at 01/01/2013	668	266	282	980	2 196
Net income for the period	0	0	0	249	249
Actuarial gains (losses) on pensions (net of tax)	0	0	0	8	8
Dividend paid	0	0	0	-187	-187
Capital increase	38	149	0	0	187
Balance Sheet as at 31/12/2013	**706**	**415**	**282**	**1 050**	**2 453**
Net income for the period	0	0	0	264	264
Dividend paid	0	0	0	-240	-240
Balance Sheet as at 31/12/2014	**706**	**415**	**282**	**1 074**	**2 477**

[1] The reserve for unrealised gains is included under Other reserves. Provision of NOK 364 million had been made as at 31/12/2014.

Cash Flow Analysis

	PARENT BANK	
NOK MILLION	**31.12.14**	**31.12.13**
Cash flows from operating activities		
Interest/commission received and fees received from customers	781	599
Interest/commission paid and fees paid to customers	-382	-511
Interest received on other investments	192	200
Interest paid on other loans	-503	-550
Receipts/disbursements (-) on loans and advances to customers	1 199	669
Receipts/disbursements on customer deposits and accounts payable to customers	-609	-1 557
Receipts/disbursements (-) on liabilities to credit institutions	-117	-927
Receipts/disbursements (-) on securities in issue and securities buy-back	-813	-1 042
Receipts on previously written-off debt	7	8
Other receipts/payments	-79	-187
Payments to suppliers for goods and services	-91	-53
Payments to employees, pensions and social security expenses	-52	-66
Tax paid	-23	-31
Net cash flow from operating activities	-490	-3 448
Cash flows from investing activities		
Receipts/payments (-) on receivables from credit institutions	1 051	3 536
Receipts/payments (-) on current securities investments	-119	-510
Receipts/payments (-) on long-term securities investments	167	395
Proceeds from sale of operating assets etc.	0	0
Purchase of operating assets etc.	-8	-5
Proceeds from sale of subsidiaries	0	0
Net cash flow from investing activities	1 091	3 416
Cash flow from financing activities		
Receipts of subordinated loan capital	-250	-156
Dividend paid	-240	0
Net cash flow from financing activities	-490	-156
Net cash flow for the period	111	-188
Cash and receivables from central banks as at 1 January *	248	436
Cash and balances due from central banks as at the end of the period	359	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	Q4 2014	Q4 2013	THE YEAR 2014	THE YEAR 2013
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss [3]	-36	-1	-61	17
Change in value of currency derivatives obliged to be carried at fair value through profit or loss [1]	-53	59	-28	-4
Total change in value of financial instruments obliged to be carried at fair value	**-89**	**58**	**-89**	**13**
Change in value of deposits selected for fair value carrying through profit or loss [3]	0	3	0	21
Change in value of borrowings selected for fair value carrying through profit or loss [3]	1	2	7	9
Change in value of loans selected for fair value carrying through profit or loss [3]	67	23	50	113
Change in value of short-term financial investments selected for fair value carrying [2]	25	4	77	11
Total change in value of financial instruments selected for fair value carrying	**93**	**32**	**134**	**154**
Change in value of interest rate derivatives, hedging [4]	96	18	165	-25
Change in value of borrowings, hedged [4]	-95	-17	-165	25
Total change in value of financial instruments for hedging	**1**	**1**	**0**	**0**
Total change in value of financial instruments carried at fair value	**5**	**91**	**45**	**167**
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost [5]	-3	0	-20	-12
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost [5]	1	0	1	-1
Realised gain/loss on shares [6]	0	5	-1	5
Exchange gains/losses on borrowings and loans carried at amortised cost [1]	-10	-82	-5	-105
Total change in value of financial instruments carried at fair value, gains and losses	**-7**	**14**	**20**	**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 fourth quarter of 2014. 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 77 million in 2014. The annual effect for 2013 was a recognised income of NOK 11 million

[3] The net effect of interest rate derivatives obliged to be carried at fair value and changes in the value of financial instruments selected for fair value carrying was recognised income of NOK 5 million as of the end of 2014. The annual effect for 2013 was a recognised expense of NOK 47 million.

[4] BN Bank uses fair value hedges for new fixed-rate borrowing and related hedge instruments. The borrowings are hedged 1:1 through external contracts where the principal, interest stream, term and hedging transaction match. It is the interest rate risk that is hedged and the hedging transactions entered into are documented. With value hedging, the hedge instrument is recognised at fair value, and the hedge object is recognised at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedge instruments as of the end of 2014 was positive by NOK 286 million. As at 31 December 2013, the values were positive in the amount of NOK 130 million.

[5] Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to a recognised expense of NOK 19 million as of 31 December 2014. The annual effect for 2013 was a recognised expense of NOK 13 million.

[6] The subsidiary BN Boligkreditt AS was liquidated in the fourth quarter of 2013, with a realised capital gain in 2013 of NOK 5 million. 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 31 December 2014

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	300	300
Interest rate derivatives [1]	0	677	0	677
Currency derivatives	0	17	0	17
Short-term securities investments	0	4 697	456	5 152
Total assets	0	5 391	756	6 147
Debts established upon issuing of securities	0	-556	0	-556
Interest rate derivatives [1]	0	-497	0	-497
Currency derivatives	0	-44	0	-44
Customer deposits & accounts payable to customers	0	-323	0	-323
Total liabilities	0	-1 420	0	-1 420

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 December 2014 was positive by NOK 286 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
Debts established upon issuing of securities	0	-1 577	0	-1 577
Interest rate derivatives [1]	0	-427	0	-427
Currency derivatives	0	-15	0	-15
Customer deposits & accounts payable to customers	0	-382	0	-382
Total liabilities	0	-2 573	0	-2 573

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

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

NOK MILLION	LOAN AND ADVANCES	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	416	382	798
Investments in the period/new agreements	0	75	75
Matured	-118	0	-118
Changes in value of financial instruments carried at fair value, gains and losses	2	-1	1
Closing balance	**300**	**456**	**756**
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	LOAN 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	Q4 2014	Q4 2013	THE YEAR 2014	THE YEAR 2013
Guarantee commission	1	2	6	4
Commission income from SpareBank 1 Boligkreditt AS [1]	24	26	103	82
Net other commission income/expense	2	-3	11	-5
Other operating income	0	0	12	8
Total other operating income	**27**	**25**	**132**	**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	Q4 2014	Q4 2013	31.12.14	31.12.13
Write-offs in excess of prior-year write-downs	1	0	31	0
Write-offs on loans without prior write-downs	2	11	5	12
Write-downs for the period:				
Change in collective write-downs	3	5	2	0
Change in collective write-downs related to Guarantee Portfolio	0	10	-24	-15
Total change in collective write-downs	**3**	**15**	**-22**	**-15**
Increase in loans with prior-year write-downs [1]	23	6	48	27
Provisions against loans without prior write-downs	0	8	3	19
Decrease in loans with prior-year write-downs	0	0	-21	-17
Total change in individual write-downs	**23**	**14**	**30**	**29**
Gross impairment losses	29	40	44	26
Recoveries on previous write-offs	0	0	2	6
Impairment losses on loans and advances	**29**	**40**	**42**	**20**
Revenue recognition of interest on written-down loans	-1	0	-3	1

NOK MILLION	Q4 2014	Q4 2013	31.12.14	31.12.13
Individual write-downs to cover impairment losses at start of period	17	18	27	30
Write-offs covered by prior-year individual write-downs	-1	0	-3	-2
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	22	0	32	0
Write-downs on loans without prior individual write-downs	0	9	3	15
Decrease in loans with prior-year individual write-downs	0	0	-21	-16
Individual write-downs to cover impairment losses at end of period	**38**	**27**	**38**	**27**
Collective write-downs to cover impairment losses at start of period	28	24	29	29
Collective write-downs for the period to cover impairment losses	3	5	2	0
Collective write-downs to cover impairment losses at end of period	**31**	**29**	**31**	**29**

NOK MILLION	Q4 2014	Q4 2013	31.12.14	31.12.13
Provision for losses on financial guarantees concerning the Guarantee Portfolio at start of period	53	96	101	72
Write-offs covered by prior-year individual write-downs	0	0	-61	0
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	1	6	14	24
Write-downs on loans without prior individual write-downs	0	-1	0	6
Decrease in loans with prior-year individual write-downs	0	0	0	-1
Provision for losses on financial guarantees concerning the Guarantee Portfolio at end of period [1]	**54**	**101**	**54**	**101**
Collective write-downs linked to the Guarantee Portfolio at start of period	8	22	32	47
Collective write-downs for the period to cover losses in Guarantee Portfolio	1	10	-23	-15
Collective write-downs linked to the Guarantee Portfolio at end of period [1]	**9**	**32**	**9**	**32**
Total loss provisions related to Guarantee Portfolio [1]	**63**	**133**	**63**	**133**

[1] BN Bank has previously entered into an agreement with SpareBank1 SMN for the latter to take over the Bank's Ålesund portfolio. BN Bank now provides guarantees for NOK 135 million of the credit risk for the remaining portfolio (referred to as the Guarantee Portfolio) of NOK 221 million. The total provision for losses in the Guarantee Portfolio was NOK 63 million as at the end of 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, but the agreement period has been extended to 30.06.2015. The loss provision is classified under Accrued expenses and deferred income.

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

NOK MILLION	31.12.14	31.12.13
Gross principal	227	146
Individual write-downs	27	7
Net principal	**200**	**139**

Other loans with individual write-downs 1 [1]

NOK MILLION	31.12.14	31.12.13
Gross principal	229	465
Individual write-downs	65	122
Net principal	**164**	**343**

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

NOK MILLION	GROSS OUTSTANDING 31.12.14	%	GROSS OUTSTANDING 31.12.13	%
Corporate loans	161	4.62	81	1.39
Retail	66	0.77	65	0.85
Total	**227**	**1.89**	**146**	**0.93**

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

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

NOTE 7. SUMMARY OF GROSS MANAGED LENDING

NOK MILLION	31.12.14	31.12.13
Corporate and retail loans	12 039	13 489
Gross lending	**12 039**	**13 489**
Loans transferred to SpareBank 1 Boligkreditt	8 809	8 323
Total loans, managed portfolio	**20 848**	**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 31 December 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 Nærings-kreditt 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 the end of December 2014 the book value of transferred loans was NOK 13.3 billion. BNkreditt is responsible for managing the transferred loans and BNkreditt receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

BN Bank has pledged guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt's capital base. As at 31 December 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. 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 fourth quarter of 2014 and 2013.

Guarantee provided by BN Bank to BNkreditt

In order to attend to the interests of existing bond holders in BNkreditt, in connection with the transfer of loans to Sparebank 1 Næringskreditt BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 31 December 2014, BNkreditt's capital adequacy ratio was 23.52 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 0 million as at 31 December 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 5.49% as at 31 December 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 December 2014 the book value of transferred loans was NOK 8.8 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. 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 fourth 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 4,325 million as at 31/12/2014, 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**
New issues	250	400	650
Acquisition and maturity of existing	-495	-1 109	-1 604
Net debt (nominal) 31/12/2014	**550**	**11 473**	**12 023**

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 31 December 2014, either as new issues or the expansion of existing open loans.

NOK MILLION	SUBORDINATED CAPITAL SECURITIES	RESPONSIBLE 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**
Acquisition and maturity of existing	-192	0	-192
Net debt (nominal) 31/12/2014	**400**	**800**	**1 200**

Recognised values

NOK MILLION	31.12.14	31.12.13
Certificates carried at fair value	556	1 367
Total recognised value of certificates	**556**	**1 367**
Bonds carried at amortised cost	7 618	8 208
Bonds carried at amortised cost (secured debt)	4 175	3 275
Bonds selected for fair value carrying	0	210
Total recognised value of bonds	**11 793**	**11 693**
Total recognised value of debt securities in issue	**12 349**	**13 060**
Perpetual subordinated capital securities carried at amortised cost	401	483
Perpetual subordinated capital securities carried at fair value	0	172
Total recognised value of capital securities	**401**	**655**
Subordinated loans carried at amortised cost	804	804
Total recognised value of subordinated loans	**804**	**804**
Total recognised value of subordinated loans and capital securities	**1 205**	**1 459**

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

	31.12.14		31.12.13	
NOK MILLION	**FAIR VALUE**	**RECOGNISED VALUE**	**FAIR VALUE**	**RECOGNISED VALUE**
Subordinated loans	455	453	453	452
Loans and advances	11 972	11 972	13 430	13 430
Prepayments and accrued income	14	14	56	56
Interest rate derivatives	677	677	527	527
Currency derivatives	17	17	16	16
Short-term securities investments	6 305	6 305	6 124	6 122
Cash and balances due from credit institutions	10 232	10 232	10 656	10 656
Assets classified as held for sale	5	5	0	0
Subordinated loan capital	-1 256	-1 205	-1 471	-1 459
Liabilities to credit institutions	-2	-2	-13	-13
Debts established upon issuing of securities	-12 501	-12 349	-13 196	-13 060
Accrued expense and deferred income	-63	-63	-133	-133
Other current liabilities	-10	-10	-10	-10
Interest rate derivatives	-498	-498	-427	-427
Currency derivatives	-44	-44	-15	-15
Customer deposits & accounts payable to customers	-14 450	-14 450	-15 173	-15 173
Total	**855**	**1 057**	**824**	**969**

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 at the end of the reporting period are subdivided into the following levels of fair value measurement:

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

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

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Subordinated loans	0	455	0	455
Short-term securities investments	0	1 150	0	1 150
Total assets	**0**	**1 605**	**0**	**1 605**
Subordinated loan capital	0	-1 256	0	-1 256
Debt securities in issue	0	-7 770	0	-7 770
Total liabilities	**0**	**-9 025**	**0**	**-9 025**

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	-8 344	0	-8 344
Total liabilities	**0**	**-9 642**	**0**	**-9 642**

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 set-off in the event of default. The Group has also entered into additional collateral-posting agreements (CSAs) with some of the counterparties.

Financial assets 31.12.14

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	305	32	273
Counterparty 2	181	181	0
Counterparty 3	98	17	81
Counterparty 4	46	46	0
Counterparty 5	56	40	16
Counterparty 6	8	5	3
Total	694	321	373

Financial liabilities 31.12.14

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	32	32	0
Counterparty 2	385	181	204
Counterparty 3	17	17	0
Counterparty 4	62	46	16
Counterparty 5	40	40	0
Counterparty 6	5	5	0
Total	541	321	220

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	298	31	267
Counterparty 2	105	105	0
Counterparty 3	60	17	43
Counterparty 4	32	8	24
Counterparty 5	40	40	0
Counterparty 6	8	8	0
Total	543	209	334

Financial liabilities 31.12.13

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET 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 the 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	31.12.14	31.12.13
Share capital	706	706
Premium fund	415	415
Appropriated dividend	264	240
Reserve for unrealised gains	364	295
Other equity	728	797
Total equity	**2 477**	**2 453**
Tier 1 capital		
Deferred tax, goodwill and other intangible assets	-11	-7
Deduction for appropriated dividend	-264	-240
Direct, indirect and synthetic investments in companies in the financial sector	-54	-205
Positive value of adjusted anticipated losses under the IRB approach	-17	0
Value adjustments as a result of the requirements for prudent valuation	-8	0
Total core tier 1 capital	**2 123**	**2 001**
Perpetual subordinated capital securities, hybrid capital [1]	399	353
Direct, indirect and synthetic investments in companies in the financial sector	-107	0
Total net tier 1 capital	**2 415**	**2 354**
Tier 2 capital in addition to tier 1 capital		
Perpetual subordinated capital securities, hybrid capital in excess of 15% and 35%	0	298
Fixed-term subordinated capital	798	798
Direct, indirect and synthetic investments in companies in the financial sector	-153	-205
Total tier 2 capital	**645**	**891**
Net subordinated capital	**3 060**	**3 245**
Minimum requirements concerning subordinated capital, Basel III [2]		
Loans with specialist enterprises	193	0
Loans with other enterprises	42	0
Equity positions	35	0
Total credit risk IRB	**270**	**0**
Operational risk	37	33
Loans calculated according to the standard method	908	1 280
Deduction in the capital requirement	0	-37
Creditworthiness of counterparty (CVA risk)	18	0
Minimum requirements, subordinated capital	**1 233**	**1 276**
Calculation basis	**15 415**	**15 954**
Buffer requirements		
Conservation buffer (2.5%)	385	0
System risk buffer (3.0%)	462	0
Total buffer requirements for core tier 1 capital	**848**	**0**
Available tier 1 capital (less 4.5%)	**1 430**	**0**
Capital adequacy ratio		
Core tier 1 capital ratio	13.77 %	12.54 %
Tier 1 capital ratio	15.66 %	14.75 %
Capital adequacy ratio	19.85 %	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:

2014... 20 %
2015... 40 %
2016... 60 %
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 judgement 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 judgement. 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	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Interest and similar income	253	264	289	274	295
Interest expense and similar charges	202	215	216	220	239
Net interest and credit commission income	51	49	73	54	56
Change in value of financial instruments carried at fair value, gains and losses	-7	4	13	10	14
Other operating income	27	30	42	33	25
Total other operating income	20	34	55	43	39
Salaries and general administrative expenses	29	30	29	31	27
Depreciation, amortisation and write-downs	3	1	2	2	3
Other operating expenses	4	4	4	5	4
Total other operating expense	36	35	35	38	34
Operating profit/(loss) before impairment losses	35	48	93	59	61
Impairment losses on loans and advances	29	2	11	0	40
Operating profit/(loss) after impairment losses	6	46	82	59	21
Income from ownership interests in group companies	0	0	167	0	0
Profit before tax	6	46	249	59	21
Computed tax charge	1	13	66	16	0
Profit after tax	5	33	183	43	21

BN Bank

www.bnbank.no