

BN Bank ASA  
INTERIM REPORT Q1 | 2015



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## Financial Ratios

NOK MILLION	REFERENCE	GROUP		
		31.03.15	31.03.14	THE YEAR 2014
<b>Summary of results</b>				
Net income from interest and credit commissions		82	107	432
Total other operating income		55	57	215
<b>Total income</b>		<b>137</b>	<b>164</b>	<b>647</b>
<b>Total other operating expense</b>		<b>58</b>	<b>58</b>	<b>224</b>
<b>Operating profit/(loss) before impairment losses</b>		<b>79</b>	<b>106</b>	<b>423</b>
Impairment losses on loans and advances		7	5	37
<b>Profit before tax</b>		<b>72</b>	<b>101</b>	<b>386</b>
Computed tax charge		17	27	102
<b>Profit after tax</b>		<b>55</b>	<b>74</b>	<b>284</b>
Profit from operations under disposal		0	0	-3
<b>Profit including discontinued operations</b>		<b>55</b>	<b>74</b>	<b>281</b>
<b>Profitability</b>				
Return on equity	1	6.0 %	8.2 %	7.8 %
Net interest	2	0.91 %	1.13 %	1.18 %
Cost-income ratio	3	42.3 %	35.4 %	34.6 %
Cost-income ratio incl. equity surcharge and return on equity in SpareBank 1 Næringskreditt		35.2 %	30.4 %	28.2 %
<b>Balance sheet figures</b>				
Gross lending		27 818	28 383	27 407
Customer deposits		14 744	14 120	14 446
Deposit-to-loan ratio	4	53.0 %	49.7 %	52.7 %
Growth in lending (gross), last 12 months		-2.0 %	-14.0 %	-6.5 %
Growth in deposits, last 12 months		4.4 %	-17.1 %	-4.8 %
Average total assets (ATA)	5	35 955	37 958	36 644
Total assets		36 122	36 758	35 787
<b>Balance sheet figures incl. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt</b>				
Gross lending		49 308	49 913	49 466
Customer deposits		14 744	14 120	14 446
Growth in lending (gross), last 12 months		-1.2 %	1.6 %	-1.1 %
Growth in deposits, last 12 months		4.4 %	-17.1 %	-4.8 %
Deposit-to-loan ratio, managed		29.9 %	28.3 %	29.3 %
<b>Impairment losses and defaults, Group</b>				
Loss ratio lending	6	0.10 %	0.07 %	0.13 %
Non-performing loans as % of gross lending		1.23 %	1.30 %	1.49 %
Other doubtful commitments as % of gross lending	7	0.87 %	2.30 %	0.89 %
<b>Impairment losses and defaults, incl. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt</b>				
Loss ratio lending	6	0.06 %	0.04 %	0.09 %
Non-performing loans as % of gross lending		0.70 %	0.74 %	0.82 %
Other doubtful commitments as % of gross lending	7	0.49 %	1.31 %	0.49 %
<b>Solvency</b>				
Capital adequacy ratio		18.60 %	15.7 %	19.7 %
Tier 1 capital ratio		15.45 %	13.6 %	16.4 %
Core tier 1 capital ratio		13.93 %	11.3 %	14.9 %
Tier 1 capital		3 505	3 808	3 527
Subordinated capital		4 220	4 375	4 224
<b>Offices and staffing</b>				
No. of offices		2	2	2
Number of full-time equivalents		113	113	112
<b>Shares</b>				
Earnings per share for the period (whole NOK)		3.90	5.54	19.91

### Reference

- 1) Profit after tax as a percentage of average equity
- 2) Total net income year to date relative to average total assets
- 3) Total operating expense as a percentage of total operating income
- 4) Customer deposits as a percentage of customer loans

- 5) Average total assets is calculated as the average quarterly total assets during the current year
- 6) Net loss as a percentage of average gross lending to date this year
- 7) The figures disclosed include the Guarantee Portfolio

## Report from the Board of Directors

### Summary of Quarter 1 2015

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

- Net interest income amounted to NOK 82 million (NOK 100 million)
- Other operating income amounted to NOK 55 million (NOK 33 million)
- Profit after tax amounted to NOK 55 million (NOK 44 million)
- Profit after tax from core business was NOK 62 million (NOK 45 million)
- Other operating expense amounted to NOK 58 million (NOK 54 million)
- Costs constituted 42 per cent of total income (41 per cent)
- Return on equity after tax amounted to 6.0 per cent (4.9 per cent)
- Impairment losses on loans constituted an expense of NOK 7 million (NOK 14 million)

### Summary as at 31 March 2015

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

- Net interest income amounted to NOK 82 million (NOK 107 million)
- Other operating income amounted to NOK 55 million (NOK 57 million)
- Profit after tax amounted to NOK 55 million (NOK 74 million)
- Profit after tax from core business was NOK 62 million (NOK 72 million)
- Other operating expense amounted to NOK 58 million (NOK 58 million)
- Costs constituted 42 per cent of total income (35 per cent)
- Return on equity after tax amounted to 6.0 per cent (8.2 per cent)
- Return on equity after tax from core business was 6.8 per cent (8.1 per cent)
- The managed portfolio decreased by NOK 605 million during the past 12 months (growth of NOK 804 million)
- The margin on loans measured against the 3-month NIBOR fell by 27 basis points during the past 12 months to 2.16 per cent (2.43 per cent)
- The deposit margin measured against the 3-month NIBOR rose by 19 basis points during the past 12 months to -0.82 per cent (-1.01 per cent)
- Impairment losses on loans constituted an expense of NOK 7 million (NOK 5 million)
- Capital adequacy ratio of 18.6 per cent (15.7 per cent)
- Tier 1 capital adequacy ratio of 15.5 per cent (13.6 per cent)
- Core tier 1 capital ratio of 13.9 per cent (11.3 per cent)

### Results for Quarter 1 2015

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

During the first quarter of 2015, profit after tax was NOK 55 million (NOK 44 million). This gave an annualised return on equity of 6.0 per cent (4.9 per cent). The key factors behind the increase are lower losses, higher deposit margins, higher commission income from SpareBank 1 Næringskreditt and the dividend from SpareBank 1 Boligkreditt. Lower lending margins had a negative effect on the result.

Total income was NOK 137 million during the first quarter of 2015 (NOK 133 million).

NOK MILLION	Q1 2015	Q4 2014	CHANGE
<b>Total income</b>	<b>137</b>	<b>133</b>	<b>4</b>
Margin and volume effects deposits and loans			-13
Late payment interest and net interest fees			-5
Dividend from SpareBank 1 Boligkreditt			11
Changes in value			5
Other changes			6

During the first quarter, net interest income amounted to NOK 82 million (NOK 100 million). Margin and volume fall on loans had a negative effect, while increased deposit margins had a positive effect.

During the first quarter, other operating income excluding changes in value amounted to NOK 58 million (NOK 41 million). Commission income from SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt amounted to NOK 39 million (NOK 39 million). The commission is calculated as the interest on loans less costs incurred by SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt. These costs include a premium for the capital that the owners have invested in SpareBank 1 Næringskreditt.

Operating expense for the first quarter of 2015 was NOK 58 million (NOK 54 million). Operating expense has remained low as a result of a focus on efficiency and costs. Other operating expense amounted to 42 per cent of total income during the first quarter of 2015 (41 per cent). Adjusted for revenue in SpareBank 1 Næringskreditt, costs amount to 35 per cent of income. BN Bank aims to be one of Norway's most cost-effective banks.

During the first quarter of 2015, NOK 7 million was expensed in respect of impairment losses on loans and advances (NOK 14 million). Individual and collective impairment losses on loans were distributed as follows:

NOK MILLION	INDIVIDUAL	COLLECTIVE	TOTAL
Corporate Market	-1	-2	-3
Retail Market	-1	1	0
Guarantee Portfolio	9	1	10
<b>Total</b>	<b>7</b>	<b>0</b>	<b>7</b>

### As at 31 March 2015

The comparative figures in parentheses apply as at 31 March 2014.

As at the first quarter of 2015, the BN Bank Group posted a profit after tax of NOK 55 million (NOK 74 million). This gives an annualised return on equity after tax of 6.0 per cent (8.2 per cent). The key reasons behind the change are lower net interest income and changes in the value of financial instruments.

The Bank's core business, the result of the corporate and retail banking activities, saw a decrease in post-tax profit of NOK 10 million, from NOK 72 million during the first quarter of 2014 to NOK 62 million in the same period in 2015.

### Income

Total income was NOK 137 million (NOK 164 million). The Bank's margin on lending in the managed portfolio measured against the 3-month NIBOR in 2015 was 2.16 per cent (2.43 per cent).

The Bank's deposit margin measured against the 3-month NIBOR during the first quarter of 2015 was 0.82 per cent (-1.01 per cent).

Other operating expense for the first quarter of 2015 was NOK 55 million (NOK 57 million). Reduced commission income from SpareBank 1 Boligkreditt and lower changes in value had a negative impact, while the dividend from SpareBank 1 Boligkreditt had a positive effect.

The Bank receives commission on loans transferred to Sparebank 1 Næringskreditt AS, which is calculated as the lending interest rate on the loans less costs incurred by Sparebank 1 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. During the first quarter of 2015, this equity surcharge came to NOK 20 million before tax (NOK 28 million).

### Costs

Operating expenses amounted to NOK 58 million (NOK 58 million). Costs during the first quarter of 2015 constituted 42 per cent of total income (35 per cent). Adjusted for earnings in SpareBank 1 Næringskreditt, the cost ratio is 35 per cent (30 per cent).

### Losses on loans and non-performing loans

Net impairment losses on loans and guarantees totalled NOK 7 million (NOK 5 million).

Defaults in excess of 90 days amounted to 1.23 per cent of gross lending within the Group as at 31 March 2015 (1.30 per cent). With a deduction for individual write-downs, non-performing and doubtful loans amounted to NOK 355 million (NOK 769 million) at the end of the first quarter of 2015, equivalent to 1.28 per cent (2.71 per cent) of gross lending within the Group and the Guarantee Portfolio. See Note 6 for more information.

Impairment losses during the first quarter of 2015 were distributed as follows:

NOK MILLION	INDIVIDUAL	COLLECTIVE	TOTAL
Corporate Market	-1	-2	-3
Retail Market	-1	1	0
Guarantee Portfolio	9	1	10
<b>Total</b>	<b>7</b>	<b>0</b>	<b>7</b>

Loan loss provisions within the core business amounted to NOK 219 million at the end of the first quarter of 2015 (NOK 217 million). Of this figure, individual write-downs account for NOK 166 million (NOK 151 million) and collective write-downs NOK 53 million (NOK 66 million). Total loan loss provisions as at the end of the first quarter of 2015 were distributed as follows:

	LOAN LOSS PROVISIONS (NOK MILLION)	% OF GROSS LENDING, GROUP
Corporate Market	202	1.07
Retail Market	17	0.20

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 227 million. The total provision for losses in the Guarantee Portfolio was NOK 73 million as at the end of the first quarter of 2015.

### Balance sheet developments and capital

Gross managed lending<sup>1</sup> has fell by NOK 0.6 billion, or 1.2 per cent, in the past 12 months. Gross managed loans totalled NOK 49.3 billion at the end of the first quarter of 2015 (NOK 49.9 billion).

NOK BILLION	31.03.15	31.03.14
Gross lending	49,3	49,9
Change last 12 months	-0,6	0,8

<sup>1</sup> 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	31.03.15	31.03.14
Retail Market	17.9	16.5
Corporate Market	31.4	33.4

Corporate Market has reduced lending by NOK 2.0 billion, or -6 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 rose by NOK 0.6 billion, or 4.4 per cent. Total deposits amounted to NOK 14.7 billion at the end of the first quarter (NOK 14.1 billion). The deposit-to-loan ratio was 53 per cent at the end of the first quarter, an increase of 3 percentage point during the past 12 months.

To date in 2015, the Bank has issued certificates and bonds totalling NOK 5.1 billion (NOK 1.7 billion) in the Norwegian bond market. BN Bank has a conservative liquidity strategy. BN Bank has established a goal of being able to manage without access to new external financing sources for a period of 12 months. At the end of the first quarter of 2015, the Bank met this goal. BN Bank's liquidity portfolio amounted to NOK 7.4 billion (NOK 7.1 billion) at the end of the first quarter 2015.

At the end of the first quarter of 2015, loans worth NOK 12.6 billion (NOK 12.8 billion) had been transferred to SpareBank 1 Næringskreditt, while loans amounting to NOK 8.9 billion (NOK 8.7 billion) had been transferred to SpareBank 1 Boligkreditt. In total, the Bank has transferred 40 per cent (38 per cent) of loans for commercial property and 50 per cent (53 per cent) of residential mortgage loans to these two companies. During the past 12 months, the Bank has transferred net amounts of NOK -0.2 billion (NOK 2.8 billion) and NOK 0.2 billion (NOK 2.6 billion) to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt respectively.

The Bank's total assets amounted to NOK 36.1 billion as at 31 March 2015 (NOK 36.8 billion). Including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, total assets amounted to NOK 57.6 billion (NOK 58.3 billion).

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

FIGURES AS %	31.03.15	31.03.14
Capital adequacy ratio	18.6	15.7
Tier 1 capital ratio	15.5	13.6
Core tier 1 capital ratio	13.9	11.3

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.

## Accounting policies

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

In the Board's opinion, 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 real property. As at 31 March 2015, the company had a gross lending portfolio of NOK 15.2 billion, compared with NOK 15.4 billion as at 31 March 2014. As at 31 March 2015, a loan portfolio of NOK 12.6 billion had been transferred to SpareBank 1 Næringskreditt.

Profit after tax amounted to NOK 25 million during the first quarter of 2015, compared with a post-tax profit of NOK 32 million during the same period in 2014. The principal reason behind the change is lower net interest income.

Impairment losses on loans and advances totalled NOK 7 million during the first quarter of 2015, compared with NOK 5 million in the same period in 2014. Collective write-downs increased by NOK 7 million during the first quarter of 2015 and amount to NOK 30 million, BNkreditt had NOK 2.9 billion in bond debt outstanding at the end of the first quarter of 2015, compared with NOK 3.4 billion at the end of the first quarter of 2014.

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 26.6 per percent, while the tier 1 capital ratio was 22.8 per cent at the end of the first quarter of 2015. The amount BN Bank is ceding precedence for in relation to guarantees was NOK 0 million as at the first quarter of 2015.

## 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 first quarter of 2015 (NOK 0 million).

## Outlook

The trend in margins continued during the first quarter. Margins on loans have continued to fall and competition for mortgage customers has been increasing. At the same time deposit margins have continued to increase. There is also continuing pressure on margins within commercial property financing. The marginal price of new borrowing is lower than the average ongoing cost of borrowing and will impact in the longer perspective on the Bank's financial statements as the Bank refinances its borrowing.

The Bank's operating expenses have risen somewhat since the fourth quarter, but the underlying trend in costs is in line with the Board of Directors' plans. The aim of being Norway's most cost-effective bank remains unchanged.

The economic growth in Norway is expected to decline in 2015 as a consequence of the fall in the price of oil and in oil investments. The financial and monetary policy has limited the economic downturn, and there is evidence to suggest that Norges Bank will reduce the key rate further towards the summer. House prices rose by an average of 1.7 per cent during the first quarter and, although employment has fallen somewhat, the retail market is still characterised by low unemployment. Non-performing loans in the residential mortgage portfolio remains at a low level. A demand surplus driven by favourable access to financing, attractiveness relative to other investments and interest from foreigners have also resulted in an upturn in prices within commercial property.

The Bank's liquidity and solvency situation is good and the Board believes that the Bank is well-equipped to meet a variety of market scenarios. The Board of Directors has adopted a target for BN Bank ASA of a core tier 1 capital ratio at the end of 2017 of 1 percent above the applicable regulatory minimum requirement plus regulatory buffers, subject to a minimum of 13 percent. At the end of the first quarter, the Group's core tier 1 capital ratio exceeds the objective.

Trondheim, 5 May 2015

The Board of Directors of BN Bank ASA

Tore Medhus  
(Deputy Chair)

Rolf Eigil Bygdnes

Finn Haugan  
(Chair)

Per Halvorsen

Helene Jebsen Anker

Tina Steinsvik Sund

Jannike Lund  
(Employee representative)

Ella Skjørestad

Gunnar Hovland  
(Managing Director)

## Income Statement

NOK MILLION	NOTE	GROUP		
		Q1 2015	Q1 2014	THE YEAR 2014
Interest and similar income		291	357	1 408
Interest expense and similar charges		209	250	976
<b>Net income from interest and credit commissions</b>		<b>82</b>	<b>107</b>	<b>432</b>
Change in value of financial instruments carried at fair value, gains and losses	3, 4	-3	8	14
Other operating income	5	58	49	201
<b>Total other operating income</b>		<b>55</b>	<b>57</b>	<b>215</b>
Salaries and general administrative expenses		49	50	193
Ordinary depreciation, amortisation and write-downs		2	2	8
Other operating expenses		9	6	24
Other gains and losses		-2	0	-1
<b>Total other operating expense</b>		<b>58</b>	<b>58</b>	<b>224</b>
<b>Operating profit/(loss) before impairment losses</b>		<b>79</b>	<b>106</b>	<b>423</b>
Impairment losses on loans and advances	6	7	5	37
<b>Profit before tax</b>		<b>72</b>	<b>101</b>	<b>386</b>
Tax charge		17	27	102
Profit after tax continuing operations		55	74	284
Profit from operations under disposal		0	0	-3
<b>Profit including discontinued operations</b>		<b>55</b>	<b>74</b>	<b>281</b>
<b>Statement of Other Comprehensive Income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Actuarial gains (losses) on pension plans		0	0	-1
Tax		0	0	0
<b>Other comprehensive income (net of tax)</b>		<b>0</b>	<b>0</b>	<b>-1</b>
<b>Total comprehensive income</b>		<b>55</b>	<b>74</b>	<b>280</b>



## Balance Sheet

NOK MILLION	NOTE	GROUP		
		31.03.15	31.03.14	31.12.14
Deferred tax assets		9	0	9
Intangible assets		9	8	11
Subordinated loans	11	0	1	0
Tangible fixed assets		10	13	10
Repossessed properties		6	7	0
Loans and advances	4, 6, 7, 8, 9, 11, 13	27 569	28 166	27 154
Prepayments and accrued income	11	103	106	16
Financial derivatives	4, 11, 12	683	607	767
Short-term securities investments	4, 11	7 412	7 080	6 305
Cash and balances due from credit institutions	11	292	770	1 486
Assets classified as held for sale		29	0	29
<b>Total assets</b>		<b>36 122</b>	<b>36 758</b>	<b>35 787</b>
Share capital		706	706	706
Share premium		415	415	415
Other equity		2 575	2 554	2 520
<b>Total equity</b>		<b>3 696</b>	<b>3 675</b>	<b>3 641</b>
Deferred tax		0	19	0
Subordinated loan capital	4, 10, 11	1 570	1 659	1 205
Liabilities to credit institutions	11	521	20	2
Debt securities in issue	4, 10, 11	14 820	16 524	15 649
Accrued expense and deferred income	6, 11	136	214	112
Other current liabilities	11	35	40	10
Tax payable		94	19	130
Financial derivatives	4, 11, 12	506	468	596
Customer deposits & accounts payable to customers	4, 11	14 744	14 120	14 442
<b>Total liabilities</b>		<b>32 426</b>	<b>33 083</b>	<b>32 146</b>
<b>Total liabilities and equity</b>		<b>36 122</b>	<b>36 758</b>	<b>35 787</b>

Trondheim, 5 May 2015

The Board of Directors of BN Bank ASA

Tore Medhus  
(Deputy Chair)

Rolf Eigil Bygdnes

Finn Haugan  
(Chair)

Per Halvorsen

Helene Jebsen Anker

Tina Steinsvik Sund

Jannike Lund  
(Employee representative)

Ella Skjørestad

Gunnar Hovland  
(Managing Director)

## Change in Equity

	GROUP			
NOK MILLION	SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY	TOTAL EQUITY
Balance Sheet as at 01.01.2014	706	415	2 480	3 601
Net income for the period	0	0	74	74
<b>Balance Sheet as at 31.03.2014</b>	<b>706</b>	<b>415</b>	<b>2 554</b>	<b>3 675</b>
Net income for the period	0	0	207	207
Actuarial gains (losses) on pensions (net of tax)	0	0	-1	-1
Dividend paid	0	0	-240	-240
<b>Balance Sheet as at 31.12.2014</b>	<b>706</b>	<b>415</b>	<b>2 520</b>	<b>3 641</b>
Net income for the period	0	0	55	55
<b>Balance Sheet as at 31.03.2015</b>	<b>706</b>	<b>415</b>	<b>2 575</b>	<b>3 696</b>

## Cash Flow Analysis

	GROUP		
NOK MILLION	31.03.15	31.03.14	THE YEAR 2014
<b>Cash flows from operating activities</b>			
Interest/commission received and fees received from customers	301	433	1 445
Interest/commission paid and fees paid to customers	-21	-31	-382
Interest received on other investments	80	68	172
Interest paid on other loans	-144	-176	-652
Receipts/disbursements (-) on loans and advances to customers	-450	846	1 834
Receipts/disbursements on customer deposits and accounts payable to cust.	242	-1 064	-614
Receipts/disbursements (-) on liabilities to credit institutions	517	-45	-117
Receipts/disbursements (-) on issuing of securities	-865	-18	-926
Receipts on previously written-off debt	3	3	14
Other receipts/payments	-17	-3	-48
Payments to suppliers for goods and services	-13	-27	-130
Payments to employees, pensions and social security expenses	-30	-32	-95
Tax paid	-36	-19	-37
<b>Net cash flow from operating activities</b>	<b>-433</b>	<b>-65</b>	<b>464</b>
<b>Cash flows from investing activities</b>			
Receipts/payments (-) on receivables from credit institutions	1	2	46
Receipts/payments (-) on current securities investments	-1123	-944	-114
Proceeds from sale of operating assets, etc.	3	3	11
Purchases of operating assets, etc.	-7	-9	-16
<b>Net cash flow from investing activities</b>	<b>-1 126</b>	<b>-948</b>	<b>-73</b>
<b>Cash flow from financing activities</b>			
Receipts/payments (-) on subordinated loan capital	365	198	-250
Dividend paid	0	0	-240
<b>Net cash flow from financing activities</b>	<b>365</b>	<b>198</b>	<b>-490</b>
<b>Net cash flow for the period</b>	<b>-1 194</b>	<b>-815</b>	<b>-99</b>
Cash and balances due from credit institutions as at 1 January	1 486	1 585	1 585
<b>Cash and balances due from credit institutions as at the end of the period</b>	<b>292</b>	<b>770</b>	<b>1 486</b>

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## 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 2014.

### IFRIC 21 Levies

The fee paid to the Norwegian Banks' Guarantee Fund is normally levied on the basis of the average guaranteed deposit and the average calculation basis for previous quarters. No provisions have been established concerning whether withdrawal from the scheme will result in the repayment of overpaid fees. In practice, a pro rata charge has been levied upon registration. Given this practice and the need to ensure equal treatment, a pro rata charge upon withdrawal would also appear appropriate. The Ministry of Finance will decide on this through an individual decision. This is of significance as regards when the fee should be recognised in the financial statements. During the first quarter, BN Bank has continued the previous practice of accruing the fee on a monthly basis.

BN Bank implemented IFRIC 21 as at 1 January 2015.

## NOTE 2. INFORMATION ABOUT OPERATING SEGMENTS

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

NOK MILLION	CORPORATE MARKET	RETAIL MARKET	GUARANTEE PORTFOLIO SMN	TOTAL 31.03.15
Net income from interest and credit commissions	47	35	0	82
Change in value of financial instruments carried at fair value	-3	-2	0	-5
Other operating income	23	36	1	60
<b>Total other operating income</b>	<b>20</b>	<b>34</b>	<b>1</b>	<b>55</b>
Salaries and general administrative expenses	-20	-29		-49
Ordinary depreciation, amortisation and write-downs	-1	-1	0	-2
Other operating expenses	-4	-5	0	-9
Other gains and losses	0	2	0	2
<b>Total other operating expense</b>	<b>-25</b>	<b>-33</b>	<b>0</b>	<b>-58</b>
<b>Operating profit/(loss) before impairment losses</b>	<b>42</b>	<b>36</b>	<b>1</b>	<b>79</b>
<b>Impairment losses on loans and advances</b>	<b>3</b>	<b>0</b>	<b>-10</b>	<b>-7</b>
<b>Operating profit/(loss) after impairment losses</b>	<b>45</b>	<b>36</b>	<b>-9</b>	<b>72</b>
<b>Computed tax charge</b>	<b>-12</b>	<b>-7</b>	<b>2</b>	<b>-17</b>
<b>Profit after tax continuing operations</b>	<b>33</b>	<b>29</b>	<b>-7</b>	<b>55</b>
Profit from operations under disposal	0	0	0	0
<b>Profit including discontinued operations</b>	<b>33</b>	<b>29</b>	<b>-7</b>	<b>55</b>

  

NOK MILLION	CORPORATE MARKET	RETAIL MARKET	GUARANTEE PORTFOLIO SMN	TOTAL 31.03.15
Loans (gross) inc. loans in OMF companies	31 392	17 916	0	49 308
Customer deposits & accounts payable to customers	947	13 797	0	14 744

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

NOK MILLION	CORPORATE MARKET	RETAIL MARKET	GUARANTEE PORTFOLIO SMN	TOTAL 31.03.14
Loans (gross) inc. loans in OMF companies	33 447	16 466	0	49 913
Customer deposits & accounts payable to customers	898	13 222	0	14 120

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	Q1 2015	Q1 2014	31.12.14
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss	2	-3	-64
Change in value of currency derivatives obliged to be carried at fair value through profit or loss <sup>1</sup>	41	20	-27
<b>Total change in value of financial instruments obliged to be carried at fair value</b>	<b>43</b>	<b>17</b>	<b>-91</b>
Change in value of borrowings selected for fair value carrying through profit or loss	7	3	12
Change in value of loans selected for fair value carrying through profit or loss	-4	1	6
Change in value of short-term financial investments selected for fair value carrying	-9	17	77
<b>Total change in value of financial instruments selected for fair value carrying</b>	<b>-6</b>	<b>21</b>	<b>95</b>
Change in value of interest rate derivatives, hedging <sup>2</sup>	-17	7	179
Change in value of borrowings, hedged <sup>2</sup>	18	-7	-179
<b>Total change in value of financial instruments for hedging</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Total change in value of financial instruments carried at fair value</b>	<b>38</b>	<b>38</b>	<b>4</b>
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost <sup>3</sup>	0	-11	-20
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost <sup>3</sup>	-1	0	0
Realised gain/loss on shares <sup>4</sup>	0	0	-1
Exchange gains/losses on borrowings and loans carried at amortised cost <sup>1</sup>	-40	-19	31
<b>Total change in value of financial instruments carried at fair value, gains and losses</b>	<b>-3</b>	<b>8</b>	<b>14</b>

<sup>1</sup> Exchange gains/losses on borrowings and loans carried at amortised cost are chiefly attributable to exchange gain/loss effects which arise when borrowing and lending in foreign currencies are translated at the current exchange rate. Forward exchange contracts and combined interest rate and currency derivatives are carried at fair value with changes in value carried through profit or loss. The net foreign exchange effect for the Group was recognised income of NOK 1 million for the first quarter of 2015 and the first quarter of 2014. The annual effect for 2014 was a recognised income of NOK 4 million. Exposure to exchange rate fluctuations is low.

<sup>2</sup> BN Bank uses fair value hedges for new fixed-rate borrowing and related hedge instruments. The borrowings are hedged 1:1 through external contracts where the principal, interest stream, term and hedging transaction match. It is the interest rate risk that is hedged and the hedging transactions entered into are documented. With value hedging, the hedge instrument is accounted for at fair value, and the hedge object is accounted for at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as of the first quarter of 2015 was positive by NOK 266 million, compared with NOK 155 million as of the same date in 2014. As at 31 December 2014, the values were positive in the amount of NOK 317 million.

<sup>3</sup> Realised exchange gains/losses on bonds, certificates and borrowing carried at amortised cost gave rise to recognised expense of NOK 1 million as of the end of the first quarter of 2015, compared with a recognised expense of NOK 11 million in the first quarter of 2014. The annual effect for 2014 was a recognised expense of NOK 20 million.

<sup>4</sup> 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.

#### 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 March 2015

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	658	658
Interest rate derivatives <sup>1</sup>	0	665	0	665
Currency derivatives	0	18	0	18
Short-term securities investments	706	5 153	459	6 318
<b>Total assets</b>	<b>706</b>	<b>5 836</b>	<b>1 117</b>	<b>7 659</b>
Debt securities in issue	0	-1 362	0	-1 362
Interest rate derivatives <sup>1</sup>	0	-503	0	-503
Currency derivatives	0	-3	0	-3
Customer deposits & accounts payable to customers	0	-463	0	-463
<b>Total liabilities</b>	<b>0</b>	<b>-2 331</b>	<b>0</b>	<b>-2 331</b>

<sup>1</sup>The value of the hedge instruments earmarked for fair value hedging as at 31 March 2015 was positive by NOK 266 million.

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

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

<sup>1</sup>The value of the hedge instruments earmarked for fair value hedging as at 31 March 2014 was positive by NOK 155 million.

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

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	625	625
Interest rate derivatives <sup>1</sup>	0	750	0	750
Currency derivatives	0	17	0	17
Short-term securities investments	0	4 697	456	5 153
<b>Total assets</b>	<b>0</b>	<b>5 464</b>	<b>1 081</b>	<b>6 545</b>
Debt securities in issue	0	-1 357	0	-1 357
Interest rate derivatives <sup>1</sup>	0	-553	0	-553
Currency derivatives	0	-44	0	-44
Customer deposits & accounts payable to customers	0	-323	0	-323
<b>Total liabilities</b>	<b>0</b>	<b>-2 276</b>	<b>0</b>	<b>-2 276</b>

<sup>1</sup>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 financial instruments measured at fair value, Level 3, as at 31 March 2015

NOK MILLION	LOANS AND ADVANCES	SHORT TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	625	456	1 081
Investments in the period/new agreements	69	3	72
Matured	-32	0	-32
Changes in value of financial instruments carried at fair value, gains and losses	-4	0	-4
<b>Closing balance</b>	<b>658</b>	<b>459</b>	<b>1 117</b>
Of which, result for the period relating to financial instruments still on the balance sheet	-4	0	-4

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

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

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

NOK MILLION	LOANS 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
<b>Closing balance</b>	<b>625</b>	<b>456</b>	<b>1 081</b>
Of which, result for the period relating to financial instruments still on the balance sheet	10	0	10

## Sensitivity analysis, Level 3

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

## The Group's valuation methodology

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

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

## NOTE 5. OTHER OPERATING INCOME

NOK MILLION	Q1 2015	Q1 2014	31.12.14
Guarantee commission	1	2	6
Commission income from SpareBank 1 Næringskreditt AS <sup>1,2</sup>	17	17	69
Commission income from SpareBank 1 Boligkreditt AS <sup>1</sup>	22	29	103
Net other commission income/expense	7	1	11
Dividend from SpareBank 1 Boligkreditt <sup>3</sup>	11	0	12
<b>Total other operating income</b>	<b>58</b>	<b>49</b>	<b>201</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Dividend from Sparebank 1 Boligkreditt AS amounts to NOK 11 million during the first quarter of 2015. In 2014, a similar dividend was adopted and recognised as income during the second quarter.

**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	Q1 2015	Q1 2014	31.12.14
Write-offs in excess of prior-year write-downs	2	0	31
Write-offs on loans without prior write-downs	0	2	5
<b>Write-downs for the period:</b>			
Change in collective write-downs	-1	4	-8
Change in collective write-downs related to Guarantee Portfolio	1	-3	-24
<b>Total change in collective write-downs</b>	<b>0</b>	<b>1</b>	<b>-32</b>
Increase in loans with prior-year write-downs <sup>1</sup>	9	9	91
Provisions against loans without prior write-downs	0	1	3
Decrease in loans with prior-year write-downs	-3	-5	-51
<b>Total change in individual write-downs</b>	<b>6</b>	<b>5</b>	<b>43</b>
Gross impairment losses	8	8	47
Recoveries on previous write-offs	2	3	10
<b>Impairment losses on loans and advances</b>	<b>7</b>	<b>5</b>	<b>37</b>
Revenue recognition of interest on written-down loans	-2	-5	12

NOK MILLION	Q1 2015	Q1 2014	31.12.14
Individual write-downs to cover impairment losses at start of period	169	154	154
Write-offs covered by prior-year individual write-downs	0	-1	-3
<b>Write-downs for the period:</b>			
Increase in loans with prior-year individual write-downs	0	2	66
Write-downs on loans without prior individual write-downs	0	1	3
Decrease in loans with prior-year individual write-downs	-3	-5	-51
<b>Individual write-downs to cover impairment losses at end of period</b>	<b>166</b>	<b>151</b>	<b>169</b>
Collective write-downs to cover impairment losses at start of period	54	62	62
Collective write-downs for the period to cover impairment losses	-1	4	-8
<b>Collective write-downs to cover impairment losses at end of period</b>	<b>53</b>	<b>66</b>	<b>54</b>

NOK MILLION	Q1 2015	Q1 2014	31.12.14
Provision for losses on financial guarantees concerning the Guarantee Portfolio at start of period <sup>1</sup>	54	101	101
Write-offs covered by prior-year individual write-downs	0	0	-61
<b>Write-downs for the period:</b>			
Increase in loans with prior-year individual write-downs	9	2	14
<b>Provision for losses on financial guarantees concerning the Guarantee Portfolio at end of period <sup>1</sup></b>	<b>63</b>	<b>103</b>	<b>54</b>
Collective write-downs linked to the Guarantee Portfolio at start of period	9	32	32
Collective write-downs for the period to cover losses in Guarantee Portfolio	1	-3	-23
<b>Collective write-downs linked to the Guarantee Portfolio at end of period <sup>1</sup></b>	<b>10</b>	<b>29</b>	<b>9</b>
<b>Total loss provisions related to Guarantee Portfolio</b>	<b>73</b>	<b>132</b>	<b>63</b>

<sup>1</sup> 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 (called the "Guarantee Portfolio"). The total provision for losses in the Guarantee Portfolio was NOK 73 million as at the end of the first quarter. 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	Q1 2015	Q1 2014	31.12.14
Gross principal	343	369	407
Individual write-downs	140	74	143
<b>Net principal</b>	<b>203</b>	<b>295</b>	<b>264</b>

#### Other loans with individual write-downs <sup>1</sup>

NOK MILLION	Q1 2015	Q1 2014	31.12.14
Gross principal	241	654	244
Individual write-downs	89	180	80
<b>Net principal</b>	<b>152</b>	<b>474</b>	<b>164</b>

Lån misligholdt mer enn 3 måneder fordelt på sektor og i % av utlån<sup>2</sup>

NOK MILLION	GROSS OUTSTANDING 31.03.15		GROSS OUTSTANDING 31.03.14		GROSS OUTSTANDING 31.12.12	
		%		%		%
Corporate Market	310	1.65	304	1.47	341	1.82
Retail Market	33	0.37	65	0.84	66	0.77
Guarantee Portfolio	0	0.00	0	0.00	0	0.00
<b>Total</b>	<b>343</b>	<b>1.23</b>	<b>369</b>	<b>1.30</b>	<b>407</b>	<b>1.49</b>

<sup>1</sup> 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.

<sup>2</sup> Non-performing loans as a percentage of loans is calculated on the basis of gross lending within the Group.

## NOTE 7. SUMMARY OF GROSS MANAGED LENDING

NOK MILLION	31.03.15	31.03.14	31.12.14
Corporate and retail loans, Group	27 818	28 383	27 407
<b>Gross lending</b>	<b>27 818</b>	<b>28 383</b>	<b>27 407</b>
Loans transferred to SpareBank 1 Næringskreditt	12 606	12 809	13 250
Loans transferred to SpareBank 1 Boligkreditt	8 884	8 721	8 809
<b>Total loans, managed portfolio</b>	<b>49 308</b>	<b>49 913</b>	<b>49 466</b>

## 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 March 2015. The purpose of the company is to secure for the consortium banks a source of stable, long-term financing of commercial real estate at competitive rates. SpareBank 1 Næringskreditt procures loans with mortgages on commercial properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to the company and, as part of the Bank's funding strategy, loans have been transferred from BNkreditt. Loans transferred to Sparebank 1 Næringskreditt AS are secured by mortgages on commercial properties for up to 60 per cent of the appraised value. Transferred loans are legally owned by Sparebank 1 Næringskreditt AS and, apart from the management right and the right to take over fully or partially written-down loans, BNkreditt has no right to the use of these loans. At 31 March 2015, the book value of transferred loans was NOK 12.6 billion. BNkreditt is responsible for managing the transferred loans and BNkreditt receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

BN Bank has pledged guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt's capital base. As at 31 March 2015, 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.

The consideration received for loans transferred from BNkreditt to SpareBank 1 Næringskreditt AS is equal to the nominal value of transferred loans and is measured as virtually concurrent with the fair value of the loans as at the end of the first quarter of 2015 and 2014.

**Guarantee provided by BN Bank to BNkreditt**

In order to protect the interests of existing bond holders in BNkreditt, in connection with the transfer of loans to Sparebank 1 Næringskreditt, BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 31 March 2015, BNkreditt's capital adequacy ratio was 22.75 per cent. The amount the Parent Bank is ceding precedence to stood at NOK 0 million as at 31 March 2015.

## 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 March 2015. The purpose of the company is to secure for the banks within the consortium a source of stable, long-term financing of residential mortgage loans at competitive rates. The company's bonds have ratings of Aaa and AAA from Moody's and Fitch respectively. SpareBank 1 Boligkreditt procures loans with mortgages on residential properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to SpareBank 1 Boligkreditt and, as part of the Bank's funding strategy, loans have been transferred to the company. Loans transferred to SpareBank 1 Boligkreditt AS are secured by mortgages on residential properties for up to 75 per cent of the appraised value. Transferred loans are legally owned by SpareBank 1 Boligkreditt AS and, apart from the management right and the right to take over fully or partially written-down loans, BN Bank has no right to the use of these loans. At 31 March 2015, the book value of transferred loans was NOK 8.9 billion. BN Bank is responsible for managing the transferred loans and receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

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

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

The loans transferred to SpareBank 1 Boligkreditt AS are very well secured and there is only a very slight probability of loss.

The consideration received for loans transferred from BN Bank to SpareBank 1 Boligkreditt AS is equal to the nominal value of transferred loans and is measured as virtually concurrent with the fair value of the loans as at the end of the first quarter of 2015 and 2014.

**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 did not issue bonds or certificates during the first quarter of 2015, either as new issues or the expansion of existing open loans.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (nominal) 01.01.2015	550	14 690	15 240
Acquisition and maturity of existing	0	-781	-781
<b>Net debt (nominal) 31.03.2015</b>	<b>550</b>	<b>13 909</b>	<b>14 459</b>

**Subordinated loan capital and hybrid capital**

The Group issued subordinated capital securities with a nominal value of NOK 500 million during the first quarter of 2015, either as new issues or the expansion of existing open loans.

NOK MILLION	HYBRID CAPITAL	SUBORDINATED LOAN CAPITAL	TOTAL
Net debt (nominal) 01.01.2015	400	800	1 200
New issues	0	500	500
Acquisition and maturity of existing	0	-134	-134
<b>Net debt (nominal) 31.03.2015</b>	<b>400</b>	<b>1 166</b>	<b>1 566</b>



## Recognised values

<b>NOK MILLION</b>	<b>31.03.15</b>	<b>31.03.14</b>	<b>31.12.14</b>
Certificates selected for fair value carrying	558	1 096	556
<b>Total recognised value of certificates</b>	<b>558</b>	<b>1 096</b>	<b>556</b>
Bonds carried at amortised cost	9 107	9 820	9 541
Bonds carried at amortised cost (secured debt)	4 351	4 582	4 751
Bonds selected for fair value carrying	804	1 026	801
<b>Total recognised value of bonds</b>	<b>14 262</b>	<b>15 428</b>	<b>15 093</b>
<b>Total recognised value of debt securities in issue</b>	<b>14 820</b>	<b>16 524</b>	<b>15 649</b>

<b>NOK MILLION</b>	<b>31.03.15</b>	<b>31.03.14</b>	<b>31.12.14</b>
Perpetual subordinated capital securities carried at amortised cost	401	682	401
Perpetual subordinated capital securities selected for fair value carrying	0	174	0
<b>Total recognised value of capital securities</b>	<b>401</b>	<b>856</b>	<b>401</b>
Subordinated loans carried at amortised cost	1 169	803	804
<b>Total recognised value of subordinated loans</b>	<b>1 169</b>	<b>803</b>	<b>804</b>
<b>Total recognised value of subordinated loans and capital securities</b>	<b>1 570</b>	<b>1 659</b>	<b>1 205</b>

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

NOK MILLION	31.03.15		31.03.14		31.12.14	
	FAIR VALUE	RECOGNISED VALUE	FAIR VALUE	RECOGNISED VALUE	FAIR VALUE	RECOGNISED VALUE
Subordinated loans	0	0	1	1	0	0
Loans and advances	27 569	27 569	28 166	28 166	27 154	27 154
Prepayments and accrued income	35	35	106	106	16	16
Interest rate derivatives	665	665	580	580	750	750
Currency derivatives	17	17	27	27	17	17
Short-term securities investments	7 412	7 412	7 081	7 080	6 305	6 305
Cash and balances due from credit institutions	292	292	770	770	1 486	1 486
Assets classified as held for sale	29	29	0	0	29	29
Subordinated loan capital	-1 588	-1 570	-1 739	-1 659	-1 256	-1 205
Liabilities to credit institutions	-521	-521	-20	-20	-2	-2
Debt securities in issue	-14 976	-14 820	-16 732	-16 524	-15 823	-15 649
Accrued expense and deferred income	-73	-73	-132	-132	-63	-63
Other current liabilities	-35	-35	-11	-11	-10	-10
Interest rate derivatives	-503	-503	-463	-463	-552	-552
Currency derivatives	-3	-3	-5	-5	-44	-44
Customer deposits & accounts payable to customers	-14 744	-14 744	-14 120	-14 120	-14 442	-14 442
<b>Total</b>	<b>3 579</b>	<b>3 753</b>	<b>3 509</b>	<b>3 796</b>	<b>3 567</b>	<b>3 792</b>

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.

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

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

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

**The Group's assets and liabilities measured at amortised cost as at 31 March 2015**

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Short-term securities investments	0	1 091	0	1 091
<b>Total assets</b>	<b>0</b>	<b>1 091</b>	<b>0</b>	<b>1 091</b>
Subordinated loan capital	0	-1 588	0	-1 588
Debt securities in issue	0	-9 263	0	-9 263
<b>Total liabilities</b>	<b>0</b>	<b>-10 850</b>	<b>0</b>	<b>-10 850</b>

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

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

## 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
<b>Total assets</b>	<b>0</b>	<b>1 150</b>	<b>0</b>	<b>1 150</b>
Subordinated loan capital	0	-1 256	0	-1 256
Debt securities in issue	0	-9 715	0	-9 715
<b>Total liabilities</b>	<b>0</b>	<b>-10 970</b>	<b>0</b>	<b>-10 970</b>

## NOTE 12. RIGHT OF SET-OFF, FINANCIAL DERIVATIVES

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

Financial assets				31.03.15
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	AMOUNT AFTER POSSIBLE NET-OFFS	
Counterparty 1	269	31	238	
Counterparty 2	192	192	0	
Counterparty 3	97	36	61	
Counterparty 4	73	73	0	
Counterparty 5	42	38	4	
Counterparty 6	10	6	4	
<b>Total</b>	<b>683</b>	<b>376</b>	<b>307</b>	

Financial liabilities				31.03.15
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	AMOUNT AFTER POSSIBLE NET-OFFS	
Counterparty 1	32	32	0	
Counterparty 2	317	191	126	
Counterparty 3	35	35	0	
Counterparty 4	77	73	4	
Counterparty 5	39	39	0	
Counterparty 6	6	6	0	
<b>Total</b>	<b>506</b>	<b>376</b>	<b>130</b>	

GROUP: [Income Statement](#) | [Balance Sheet](#) | [Changes in Equity](#) | [Cash Flow](#) | [Notes](#)

Financial assets				31.03.14
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	AMOUNT AFTER POSSIBLE NET-OFFS	
Counterparty 1	278	38	240	
Counterparty 2	146	146	0	
Counterparty 3	76	11	65	
Counterparty 4	60	36	24	
Counterparty 5	37	37	0	
Counterparty 6	10	10	0	
<b>Total</b>	<b>607</b>	<b>278</b>	<b>329</b>	

Financial liabilities				31.03.14
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	AMOUNT AFTER POSSIBLE NET-OFFS	
Counterparty 1	38	38	0	
Counterparty 2	332	146	186	
Counterparty 3	11	11	0	
Counterparty 4	36	36	0	
Counterparty 5	41	37	4	
Counterparty 6	10	10	0	
<b>Total</b>	<b>468</b>	<b>278</b>	<b>190</b>	

Financial assets				31.12.14
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	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	
<b>Total</b>	<b>767</b>	<b>370</b>	<b>397</b>	

Financial liabilities				31.12.14
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	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	
<b>Total</b>	<b>596</b>	<b>370</b>	<b>226</b>	

<sup>1</sup> The amount subject to settlement on a net basis that is not presented net in the balance sheet

**NOTE 13. CAPITAL ADEQUACY RATIO****Process for assessing capital adequacy requirement**

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

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

<b>NOK MILLION</b>	<b>31.03.15</b>	<b>31.03.14</b>	<b>31.12.14</b>
Share capital	706	706	706
Premium fund	415	415	415
Appropriated dividend	264	240	264
Reserve for unrealised gains	364	295	364
Other equity	1892	1945	1 892
<b>Total equity</b>	<b>3 641</b>	<b>3 601</b>	<b>3 641</b>
<b>Tier 1 capital</b>			
Deferred tax assets and intangible assets	-9	-8	-11
Deduction for appropriated dividend	-264	-240	-264
Direct investments in companies in the financial sector	-71	-231	-36
Positive value of adjusted anticipated losses under the IRB approach	-127	0	-123
Interim profit included in tier 1 capital	0	37	0
Value adjustments as a result of the requirements for prudent valuation	-10	0	-8
<b>Total core tier 1 capital</b>	<b>3 160</b>	<b>3 159</b>	<b>3 199</b>
Perpetual subordinated capital securities, hybrid capital <sup>1</sup>	399	649	399
Direct investments in companies in the financial sector	-54	0	-71
<b>Total tier 1 capital</b>	<b>3 505</b>	<b>3 808</b>	<b>3 527</b>
<b>Tier 2 capital in addition to tier 1 capital</b>			
Fixed-term subordinated capital	799	798	798
Direct investments in companies in the financial sector	-84	-231	-101
<b>Tier 2 capital</b>	<b>715</b>	<b>567</b>	<b>697</b>
<b>Total subordinated capital</b>	<b>4 220</b>	<b>4 375</b>	<b>4 224</b>
<b>Minimum requirements concerning subordinated capital, Basel III <sup>2</sup></b>			
Loans with specialist enterprises	753	0	772
Loans with other enterprises	150	0	119
Equity positions	50	0	50
<b>Total credit risk IRB</b>	<b>953</b>	<b>0</b>	<b>941</b>
Operational risk	91	83	83
Loans calculated according to the standard method	755	2 196	674
Deduction in the capital requirement	0	-45	0
Creditworthiness of counterparty (CVA risk)	15	0	18
<b>Minimum requirements, subordinated capital</b>	<b>1 814</b>	<b>2 234</b>	<b>1 716</b>
<b>Calculation basis</b>	<b>22 683</b>	<b>27 930</b>	<b>21 460</b>
<b>Buffer requirements</b>			
Conservation buffer (2.5%)	567	0	536
System risk buffer (3.0%)	680	0	644
<b>Total buffer requirements for core tier 1 capital</b>	<b>1 247</b>	<b>0</b>	<b>1 180</b>
<b>Available tier 1 capital (less 4.5%)</b>	<b>2 139</b>	<b>0</b>	<b>2 234</b>
<b>Capital adequacy ratio</b>			
Core tier 1 capital ratio	13.93 %	11.31 %	14.91 %
Tier 1 capital ratio	15.45 %	13.63 %	16.43 %
Capital adequacy ratio	18.60 %	15.66 %	19.68 %

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 %

<sup>1</sup> For more details, see Note 10.

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

## NOTE 14. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

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 were no significant events after the reporting period.

## NOTE 15. INCOME STATEMENT FOR FIVE MOST RECENT QUARTERS

NOK MILLION	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Interest and similar income	291	332	346	373	357
Interest expense and similar charges	209	232	247	247	250
<b>Net income from interest and credit commissions</b>	<b>82</b>	<b>100</b>	<b>99</b>	<b>126</b>	<b>107</b>
Change in value of financial instruments carried at fair value, gains and losses	-3	-8	2	12	8
Other operating income	58	41	47	63	49
<b>Total other operating income</b>	<b>55</b>	<b>33</b>	<b>49</b>	<b>75</b>	<b>57</b>
Salaries and general administrative expenses	49	47	49	47	50
Depreciation, amortisation and write-downs	2	3	1	2	2
Other operating expenses	9	5	6	7	6
Other gains and losses	-2	-1	0	0	0
<b>Total other operating expense</b>	<b>58</b>	<b>54</b>	<b>56</b>	<b>56</b>	<b>58</b>
<b>Operating profit/(loss) before impairment loss</b>	<b>79</b>	<b>79</b>	<b>92</b>	<b>145</b>	<b>106</b>
Impairment losses on loans and advances	7	14	-4	21	5
<b>Profit before tax</b>	<b>72</b>	<b>65</b>	<b>96</b>	<b>124</b>	<b>101</b>
Tax charge	17	18	27	31	27
Profit after tax continuing operations	55	47	69	93	74
Profit from activities "held for sale"	0	-3	0	0	0
<b>Profit including activities "held for sale"</b>	<b>55</b>	<b>44</b>	<b>69</b>	<b>93</b>	<b>74</b>

## Income Statement

NOK MILLION	NOTE	PARENT-BANK		
		Q1 2015	Q1 2014	THE YEAR 2014
Interest and similar income		218	274	1 080
Interest expense and similar charges		183	220	853
<b>Net income from interest and credit commissions</b>		<b>35</b>	<b>54</b>	<b>227</b>
Change in value of financial instruments carried at fair value, gains and losses	2, 3	-2	10	20
Other operating income	4	41	33	132
<b>Total other operating income</b>		<b>39</b>	<b>43</b>	<b>152</b>
Salaries and general administrative expenses		30	31	119
Ordinary depreciation, amortisation and write-downs		2	2	8
Other operating expenses		7	5	17
Other gains and losses		-2	0	0
<b>Total other operating expense</b>		<b>37</b>	<b>38</b>	<b>144</b>
<b>Operating profit/(loss) before impairment losses</b>		<b>37</b>	<b>59</b>	<b>235</b>
Impairment losses on loans and advances	6	0	0	42
<b>Operating profit/(loss) after impairment losses</b>		<b>37</b>	<b>59</b>	<b>193</b>
Income from ownership interests in group companies	5	0	0	167
<b>Profit before tax</b>		<b>37</b>	<b>59</b>	<b>360</b>
Tax charge		7	16	96
<b>Profit after tax</b>		<b>30</b>	<b>43</b>	<b>264</b>
<b>Statement of Other Comprehensive Income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Actuarial gains (losses) on pension plans		0	0	0
Tax		0	0	0
<b>Other comprehensive income (net of tax)</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>		<b>30</b>	<b>43</b>	<b>264</b>

## Balance Sheet

NOK MILLION	NOTE	PARENT-BANK		
		31.03.15	31.03.14	31.12.14
Intangible assets		9	8	11
Ownership interests in group companies		1 600	1 600	1 600
Subordinated loans	11	452	452	453
Tangible fixed assets		10	13	10
Loans and advances	3, 6, 7, 8, 9, 11, 13	12 610	12 976	11 972
Prepayments and accrued income	11	102	108	14
Financial derivatives	3, 11, 12	637	552	694
Short-term securities investments	3, 11	7 412	7 080	6 305
Cash and balances due from credit institutions	11	9 229	9 345	10 232
Assets classified as held for sale		5	0	5
<b>Total assets</b>		<b>32 066</b>	<b>32 134</b>	<b>31 296</b>
Share capital		706	706	706
Share premium		415	415	415
Other equity		1 386	1 375	1 356
<b>Total equity</b>		<b>2 507</b>	<b>2 496</b>	<b>2 477</b>
Deferred tax		112	64	112
Subordinated loan capital	3, 10, 11	1 570	1 659	1 205
Liabilities to credit institutions	11	527	20	2
Debt securities in issue	3, 10, 11	11 964	13 092	12 349
Accrued expense and deferred income	6, 11	115	191	101
Other current liabilities	11	28	40	10
Tax payable		27	12	49
Financial derivatives	3, 11, 12	464	436	541
Customer deposits & accounts payable to customers	3, 13	14 752	14 124	14 450
<b>Total liabilities</b>		<b>29 559</b>	<b>29 638</b>	<b>28 819</b>
<b>Total liabilities and equity</b>		<b>32 066</b>	<b>32 134</b>	<b>31 296</b>

Trondheim, 5 May 2015

The Board of Directors in BN Bank ASA

Tore Medhus  
(Deputy Chair)

Rolf Eigil Bygdes

Finn Haugan  
(Chair)

Odd Einar Folland

Helene Jebsen Anker

Tina Steinsvik Sundt

Jannike Lund  
(Employee representative)

Ella Skjørestad

Gunnar Hovland  
(Managing Director)



## Change in Equity

PARENT-BANK

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN EQUITY	OTHER EQUITY <sup>1</sup>	TOTAL EQUITY
Balance Sheet as at 01.01.2014	706	415	282	1 050	2 453
Net income for the period	0	0	0	43	43
<b>Balance Sheet as at 31.03.2014</b>	<b>706</b>	<b>415</b>	<b>282</b>	<b>1 093</b>	<b>2 496</b>
Net income for the period	0	0	0	221	221
Dividend paid	0	0	0	-240	-240
<b>Balance Sheet as at 31.12.2014</b>	<b>706</b>	<b>415</b>	<b>282</b>	<b>1 074</b>	<b>2 477</b>
Net income for the period	0	0	0	30	30
<b>Balance Sheet as at 31.03.2015</b>	<b>706</b>	<b>415</b>	<b>282</b>	<b>1 104</b>	<b>2 507</b>

<sup>1</sup> The reserve for unrealised gains is included in Other reserves. Provision of NOK 364 million had been made as at 31/03/2015.

## Cash Flow Analysis

PARENT-BANK

NOK MILLION	31.03.15	31.03.14	THE YEAR 2014
<b>Cash flows from operating activities</b>			
Interest/commission received and fees received from customers	112	148	593
Interest/commission paid and fees paid to customers	-21	-31	-382
Interest received on other investments	63	52	192
Interest paid on other loans	-121	-135	-503
Receipts/disbursements (-) on loans and advances to customers	-649	457	1 387
Receipts/disbursements on customer deposits and accounts payable to cust.	242	-1 064	-609
Receipts/disbursements (-) on liabilities to credit institutions	523	-45	-117
Receipts/disbursements (-) on securities in issue and securities buy-back	-417	4	-813
Receipts on previously written-off debt	3	3	7
Other receipts/payments	-11	13	-79
Payments to suppliers for goods and services	-13	-18	-91
Payments to employees, pensions and social security expenses	-19	-21	-52
Tax paid	-23	-12	-23
<b>Net cash flow from operating activities</b>	<b>-331</b>	<b>-649</b>	<b>-490</b>
<b>Cash flows from investing activities</b>			
Receipts/payments (-) on receivables from credit institutions	808	1 341	1 051
Receipts/payments (-) on current securities investments	-1 123	-944	-119
Receipts/payments (-) on long-term securities investments	0	0	167
Proceeds from sale of operating assets, etc.	3	0	0
Purchases of operating assets, etc.	-1	-2	-8
<b>Net cash flow from investing activities</b>	<b>-313</b>	<b>395</b>	<b>1 091</b>
<b>Cash flow from financing activities</b>			
Receipts/payments (-) on subordinated loan capital	365	198	-250
Dividend paid	0	0	-240
<b>Net cash flow from financing activities</b>	<b>365</b>	<b>198</b>	<b>-490</b>
<b>Net cash flow for the period</b>	<b>-279</b>	<b>-56</b>	<b>111</b>
Cash and receivables from central banks as at 1 January *	359	248	248
<b>Cash and balances due from central banks as at the end of the period</b>	<b>80</b>	<b>192</b>	<b>359</b>

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

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## 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 2014.

### IFRIC 21 Levies

The fee paid to the Norwegian Banks' Guarantee Fund is normally levied on the basis of the average guaranteed deposit and the average calculation basis for previous quarters. No provisions have been established concerning whether withdrawal from the scheme will result in the repayment of overpaid fees. In practice, a pro rata charge has been levied upon registration. Given this practice and the need to ensure equal treatment, a pro rata charge upon withdrawal would also appear appropriate. The Ministry of Finance will decide on this through an individual decision. This is of significance as regards when the fee should be recognised in the financial statements. During the first quarter, BN Bank has continued the previous practice of accruing the fee on a monthly basis.

BN Bank implemented IFRIC 21 as at 1 January 2015.

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

NOK MILLION	Q1 2015	Q1 2014	31.12.14
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss	2	-2	-61
Change in value of currency derivatives obliged to be carried at fair value through profit or loss <sup>1</sup>	41	20	-28
<b>Total change in value of financial instruments obliged to be carried at fair value</b>	<b>43</b>	<b>18</b>	<b>-89</b>
Change in value of borrowings selected for fair value carrying through profit or loss	0	2	7
Change in value of loans selected for fair value carrying through profit or loss	-2	-13	50
Change in value of short-term financial investments selected for fair value carrying <sup>2</sup>	-9	17	77
<b>Total change in value of financial instruments selected for fair value carrying</b>	<b>-11</b>	<b>6</b>	<b>134</b>
Change in value of interest rate derivatives, hedging <sup>3</sup>	-14	8	165
Change in value of borrowings, hedged <sup>3</sup>	16	-8	-165
<b>Total change in value of financial instruments for hedging</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>Total change in value of financial instruments carried at fair value</b>	<b>34</b>	<b>24</b>	<b>45</b>
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost <sup>4</sup>	0	-11	-20
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost <sup>5</sup>	-1	0	1
Realised gain/loss on shares <sup>5</sup>	0	0	-1
Exchange gains/losses on borrowings and loans carried at amortised cost <sup>1</sup>	-35	-3	-5
<b>Total change in value of financial instruments carried at fair value, gains and losses</b>	<b>-2</b>	<b>10</b>	<b>20</b>

<sup>1</sup> 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. Exposure to exchange rate fluctuations is low.

<sup>2</sup> Change in the value of financial investments selected for fair value carrying gave rise to a recognised expense of NOK 9 million for the first quarter of 2015, compared with a recognised income of NOK 17 million for the first quarter of 2014. The annual effect in 2014 was a recognised income of NOK 77 million.

<sup>3</sup> BN Bank uses fair value hedges for new fixed-rate borrowing and related hedge instruments. The borrowings are hedged 1:1 through external contracts where the principal, interest stream, term and hedging transaction match. It is the interest rate risk that is hedged and the hedging transactions entered into are documented. With value hedging, the hedge instrument is accounted for at fair value, and the hedge object is accounted for at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as of the first quarter of 2015 was positive by NOK 250 million, compared with NOK 123 million during the same period in 2014. As at 31 December 2014, the values were positive in the amount of NOK 286 million.

<sup>4</sup> Realised exchange gains/losses on bonds, certificates and borrowing carried at amortised cost gave rise to recognised expense of NOK 1 million as of the first quarter of 2015, compared with a recognised expense of NOK 14 million as of the first quarter of 2014. The annual effect for 2014 was a recognised expense of NOK 19 million.

<sup>5</sup> 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.

#### 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 March 2015

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	344	344
Interest rate derivatives <sup>1</sup>	0	620	0	620
Currency derivatives	0	17	0	17
Short-term securities investments	706	5 153	459	6 318
<b>Total assets</b>	<b>706</b>	<b>5 790</b>	<b>803</b>	<b>7 299</b>
Debt securities in issue	0	-558	0	-558
Interest rate derivatives <sup>1</sup>	0	-461	0	-461
Currency derivatives	0	-3	0	-3
Customer deposits & accounts payable to customers	0	-463	0	-463
<b>Total liabilities</b>	<b>0</b>	<b>-1 485</b>	<b>0</b>	<b>-1 485</b>

<sup>1</sup> The value of the hedge instruments earmarked for fair value hedging as at 31 March 2015 was positive by NOK 250 million.

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

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

<sup>1</sup> The value of the hedge instruments earmarked for fair value hedging as at 31 March 2014 was positive by NOK 123 million.

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

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	300	300
Interest rate derivatives <sup>1</sup>	0	677	0	677
Currency derivatives	0	17	0	17
Short-term securities investments	0	4 697	456	5 152
<b>Total assets</b>	<b>0</b>	<b>5 391</b>	<b>756</b>	<b>6 147</b>
Debt securities in issue	0	-556	0	-556
Interest rate derivatives <sup>1</sup>	0	-497	0	-497
Currency derivatives	0	-44	0	-44
Customer deposits & accounts payable to customers	0	-323	0	-323
<b>Total liabilities</b>	<b>0</b>	<b>-1 420</b>	<b>0</b>	<b>-1 420</b>

<sup>1</sup> 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 financial instruments measured at fair value, Level 3, as at 31 March 2015

NOK MILLION	LOANS AND ADVANCES	SHORT TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	300	456	756
Investments in the period/new agreements	69	3	72
Matured	-23	0	-23
Changes in value of financial instruments carried at fair value, gains and losses	-2	0	-2
<b>Closing balance</b>	<b>344</b>	<b>459</b>	<b>803</b>
Of which, result for the period relating to financial instruments still on the balance sheet	-2	0	-2

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

NOK MILLION	LOANS AND ADVANCES	SHORT TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	416	382	798
Investments in the period/new agreements	0	15	15
Matured	-57	0	-57
<b>Closing balance</b>	<b>359</b>	<b>397</b>	<b>756</b>
Of which, result for the period relating to financial instruments still on the balance sheet	1	0	1

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

NOK MILLION	LOANS 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
<b>Closing balance</b>	<b>300</b>	<b>456</b>	<b>756</b>
Of which, result for the period relating to financial instruments still on the balance sheet	3	0	3



**Sensitivity analysis, Level 3**

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

**The Group's valuation methodology**

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

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

**NOTE 4. OTHER OPERATING INCOME**

NOK MILLIONER	Q1 2015	Q1 2014	31.12.14
Guarantee commission	1	2	6
Commission income from SpareBank 1 Boligkreditt AS <sup>1</sup>	22	29	103
Net other commission income/expense	7	2	11
Operating income real property	0	0	0
Dividend from SpareBank 1 Boligkreditt <sup>2</sup>	11	0	12
<b>Total other operating income</b>	<b>41</b>	<b>33</b>	<b>132</b>

<sup>1</sup> 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.

<sup>2</sup> Dividend from Sparebank 1 Boligkreditt AS amounts to NOK 11 million. In 2014, this was adopted and recognised as income during the second quarter.

**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 MILLIONER	Q1 2015	Q1 2014	31.12.14
Write-offs in excess of prior-year write-downs	2	0	31
Write-offs on loans without prior write-downs	0	2	5
<b>Write-downs for the period:</b>			
Change in collective write-downs	-8	1	2
Change in collective write-downs related to Guarantee Portfolio	1	-3	-24
<b>Total change in collective write-downs</b>	<b>-7</b>	<b>-2</b>	<b>-22</b>
Increase in loans with prior-year write-downs <sup>1</sup>	9	3	48
Provisions against loans without prior write-downs	0	1	3
Decrease in loans with prior-year write-downs	-2	-2	-21
<b>Total change in individual write-downs</b>	<b>7</b>	<b>2</b>	<b>30</b>
Gross impairment losses	2	2	44
Recoveries on previous write-offs	2	2	2
<b>Impairment losses on loans and advances</b>	<b>0</b>	<b>0</b>	<b>42</b>
Revenue recognition of interest on written-down loans	-2	-1	-3

NOK MILLIONER	Q1 2015	Q1 2014	31.12.14
Individual write-downs to cover impairment losses at start of period	38	27	27
Write-offs covered by prior-year individual write-downs	0	-1	-3
<b>Write-downs for the period:</b>			
Increase in loans with prior-year individual write-downs	0	0	32
Write-downs on loans without prior individual write-downs	0	1	3
Decrease in loans with prior-year individual write-downs	-2	-2	-21
<b>Individual write-downs to cover impairment losses at end of period</b>	<b>35</b>	<b>25</b>	<b>38</b>
Collective write-downs to cover impairment losses at start of period	31	29	29
Collective write-downs for the period to cover impairment losses	-8	1	2
<b>Collective write-downs to cover impairment losses at end of period</b>	<b>23</b>	<b>30</b>	<b>31</b>

NOK MILLIONER	Q1 2015	Q1 2014	31.12.14
Provision for losses on financial guarantees concerning the Guarantee Portfolio at start of period	54	101	101
Write-offs covered by prior-year individual write-downs	0	0	-61
<b>Write-downs for the period:</b>			
Increase in loans with prior-year individual write-downs	9	2	14
Provision for losses on financial guarantees concerning the Guarantee Portfolio at end of period <sup>1</sup>	63	103	54
<b>Collective write-downs linked to the Guarantee Portfolio at start of period</b>	<b>9</b>	<b>32</b>	<b>32</b>
Collective write-downs for the period to cover losses in Guarantee Portfolio	1	-3	-23
Collective write-downs linked to the Guarantee Portfolio at end of period <sup>1</sup>	10	29	9
<b>Total loss provisions related to Guarantee Portfolio <sup>1</sup></b>	<b>73</b>	<b>132</b>	<b>63</b>

<sup>1</sup> B1 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 (called the "Guarantee Portfolio"). The total provision for losses in the Guarantee Portfolio was NOK 73 million as at the end of the first quarter. 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 <sup>1,2</sup>

NOK MILLION	31.03.2015	31.03.2014	31.12.2014
Gross principal	197	106	227
Individual write-downs	24	6	27
<b>Net principal</b>	<b>173</b>	<b>100</b>	<b>200</b>

Other loans with individual write-downs <sup>1</sup>

NOK MILLION	31.03.2015	31.03.2014	31.12.2014
Gross principal	226	462	229
Individual write-downs	74	122	65
<b>Net principal</b>	<b>152</b>	<b>340</b>	<b>164</b>

Loans past due by more than three months by sector and as a percentage of loans <sup>1,2</sup>

NOK MILLION	GROSS OUTSTANDING 31.03.15		GROSS OUTSTANDING 31.03.14		GROSS OUTSTANDING 31.12.14	
		%		%		%
Corporate Market	164	4.51	41	0.78	161	4.62
Retail Market	33	0.37	65	0.84	66	0.77
Guarantee Portfolio	0	0.00	0	0.00	0	0.00
<b>Total</b>	<b>197</b>	<b>1.56</b>	<b>106</b>	<b>0.81</b>	<b>227</b>	<b>1.89</b>

<sup>1</sup> 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.

<sup>2</sup> 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	31.03.2015	31.03.2014	31.12.2014
Corporate and retail loans	12 667	13 031	12 039
<b>Gross lending</b>	<b>12 667</b>	<b>13 031</b>	<b>12 039</b>
Loans transferred to SpareBank 1 Boligkreditt	8 884	8 721	8 809
<b>Total loans, managed portfolio</b>	<b>21 551</b>	<b>21 752</b>	<b>20 848</b>

## 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 March 2015. The purpose of the company is to secure for the consortium banks a source of stable, long-term financing of commercial real estate at competitive rates. SpareBank 1 Næringskreditt procures loans with mortgages on commercial properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to the company and, as part of the Bank's funding strategy, loans have been transferred from BNkreditt. Loans transferred to Sparebank 1 Næringskreditt AS are secured by mortgages on commercial properties for up to 60 per cent of the appraised value. Transferred loans are legally owned by Sparebank 1 Næringskreditt AS and, apart from the management right and the right to take over fully or partially written-down loans, BNkreditt has no right to the use of these loans. At 31 March 2015, the book value of transferred loans was NOK 12.6 billion. BNkreditt is responsible for managing the transferred loans and BNkreditt receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

BN Bank has pledged guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt's capital base. As at 31 March 2015, 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.

The consideration received for loans transferred from BNkreditt to SpareBank 1 Næringskreditt AS is equal to the nominal value of transferred loans and is measured as virtually concurrent with the fair value of the loans as at the end of the first quarter of 2015 and 2014.

### Guarantee provided by BN Bank to BNkreditt

In order to protect the interests of existing bond holders in BNkreditt, in connection with the transfer of loans to Sparebank 1 Næringskreditt, BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 31 March 2015, BNkreditt's capital adequacy ratio was 22.75 per cent. The amount the Parent Bank is ceding precedence to stood at NOK 0 million as at 31 March 2015.

## 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 March 2015. The purpose of the company is to secure for the banks within the consortium a source of stable, long-term financing of residential mortgage loans at competitive rates. The company's bonds have ratings of Aaa and AAA from Moody's and Fitch respectively. SpareBank 1 Boligkreditt procures loans with mortgages on residential properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to SpareBank 1 Boligkreditt and, as part of the Bank's funding strategy, loans have been transferred to the company. Loans transferred to SpareBank 1 Boligkreditt AS are secured by mortgages on residential properties for up to 75 per cent of the appraised value. Transferred loans are legally owned by SpareBank 1 Boligkreditt AS and, apart from the management right and the right to take over fully or partially written-down loans, BN Bank has no right to the use of these loans. At 31 March 2015, the book value of transferred loans was NOK 8.9 billion. BN Bank is responsible for managing the transferred loans and receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

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

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

The loans transferred to SpareBank 1 Boligkreditt AS are very well secured and there is only a very slight probability of loss.

The consideration received for loans transferred from BN Bank to SpareBank 1 Boligkreditt AS is equal to the nominal value of transferred loans and is measured as virtually concurrent with the fair value of the loans as at the end of the first quarter of 2015 and 2014.

**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 had not issued any bonds or certificates as at 31 March 2015, either as new issues or the expansion of existing open loans.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (nominal) 01.01.2015	550	11 473	12 023
Acquisition and maturity of existing	0	-344	-344
<b>Net debt (nominal) 31.03.2015</b>	<b>550</b>	<b>11 129</b>	<b>11 679</b>

**Subordinated loan capital and perpetual subordinated capital securities**

The Parent Bank has issued subordinated loan capital with a nominal value of NOK 500 million as at 31 March 2015, either as new issues or the expansion of existing open loans.

NOK MILLION	HYBRID CAPITAL	SUBORDINATED LOAN CAPITAL	TOTAL
Net debt (nominal) 1 January 2014	400	800	1 200
New issues	0	500	500
Expansion of existing	0	0	0
Acquisition and maturity of existing	0	-134	-134
<b>Net debt (nominal) 31.03.2014</b>	<b>400</b>	<b>1 166</b>	<b>1 566</b>

## Recognised values

NOK MILLION	31.03.15	31.03.14	31.12.14
Certificates carried at fair value	558	944	556
<b>Total recognised value of certificates</b>	<b>558</b>	<b>944</b>	<b>556</b>
Bonds carried at amortised cost	7 305	8 289	7 618
Bonds carried at amortised cost (secured debt)	4 101	3 648	4 175
Bonds selected for fair value carrying	0	211	0
<b>Total recognised value of bonds</b>	<b>11 406</b>	<b>12 148</b>	<b>11 793</b>
<b>Total recognised value of debt securities in issue</b>	<b>11 964</b>	<b>13 092</b>	<b>12 349</b>
Perpetual subordinated capital securities carried at amortised cost	401	682	401
Perpetual subordinated capital securities carried at fair value	0	174	0
<b>Total recognised value of capital securities</b>	<b>401</b>	<b>856</b>	<b>401</b>
Subordinated loans carried at amortised cost	1 169	803	804
<b>Total recognised value of subordinated loans</b>	<b>1 169</b>	<b>803</b>	<b>804</b>
<b>Total recognised value of subordinated loans and capital securities</b>	<b>1 570</b>	<b>1 659</b>	<b>1 205</b>

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

NOK MILLION	31.03.15		31.03.14		31.12.14	
	FAIR VALUE	RECOGNISED VALUE	FAIR VALUE	RECOGNISED VALUE	FAIR VALUE	RECOGNISED VALUE
Subordinated loans	452	452	453	452	455	453
Loans and advances	12 610	12 610	12 976	12 976	11 972	11 972
Prepayments and accrued income	35	35	106	106	14	14
Interest rate derivatives	620	620	525	525	677	677
Currency derivatives	17	17	27	27	17	17
Short-term securities investments	7 412	7 412	7 081	7 080	6 305	6 305
Cash and balances due from credit institutions	9 229	9 229	9 345	9 345	10 232	10 232
Assets classified as held for sale	5	5	0	0	5	5
Subordinated loan capital	-1 588	-1 570	-1 739	-1 659	-1 256	-1 205
Liabilities to credit institutions	-527	-527	-20	-20	-2	-2
Debt securities in issue	-12 102	-11 964	-13 275	-13 092	-12 501	-12 349
Accrued expense and deferred income	-73	-73	-132	-132	-63	-63
Other current liabilities	-28	-28	-40	-40	-10	-10
Interest rate derivatives	-461	-461	-431	-431	-498	-498
Currency derivatives	-3	-3	-5	-5	-44	-44
Customer deposits & accounts payable to customers	-14 752	-14 752	-14 124	-14 124	-14 450	-14 450
<b>Total</b>	<b>4 022</b>	<b>1 003</b>	<b>747</b>	<b>1 008</b>	<b>855</b>	<b>1 057</b>

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.

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

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

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

## The Parent Bank's assets and liabilities measured at amortised cost as at 31 March 2015

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Subordinated loans	0	452	0	452
Short-term securities investments	0	1 091	0	1 091
<b>Total assets</b>	<b>0</b>	<b>1 542</b>	<b>0</b>	<b>1 542</b>
Subordinated loan capital	0	-1 588	0	-1 588
Debt securities in issue	0	-7 443	0	-7 443
<b>Total liabilities</b>	<b>0</b>	<b>-9 030</b>	<b>0</b>	<b>-9 030</b>

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

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

## 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
<b>Total assets</b>	<b>0</b>	<b>1 605</b>	<b>0</b>	<b>1 605</b>
Subordinated loan capital	0	-1 256	0	-1 256
Debt securities in issue	0	-7 770	0	-7 770
<b>Total liabilities</b>	<b>0</b>	<b>-9 025</b>	<b>0</b>	<b>-9 025</b>



## NOTE 12. RIGHT OF SET-OFF, FINANCIAL DERIVATIVES

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

Financial assets			31.03.15
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	190	32	158
Counterparty 2	265	265	0
Counterparty 3	42	17	25
Counterparty 4	82	54	29
Counterparty 5	49	39	10
Counterparty 6	9	6	4
<b>Total</b>	<b>637</b>	<b>412</b>	<b>226</b>

Financial liabilities			31.03.15
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	32	32	0
Counterparty 2	317	265	52
Counterparty 3	17	17	0
Counterparty 4	54	54	0
Counterparty 5	39	39	0
Counterparty 6	6	6	0
<b>Total</b>	<b>464</b>	<b>412</b>	<b>52</b>

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

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

Financial assets			31.12.14
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	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
<b>Total</b>	<b>694</b>	<b>321</b>	<b>373</b>

Financial liabilities			31.12.14
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	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
<b>Total</b>	<b>541</b>	<b>321</b>	<b>220</b>

<sup>1</sup>The amount subject to settlement on a net basis that is not presented net in the balance sheet

**NOTE 13. CAPITAL ADEQUACY RATIO****Process for assessing capital adequacy requirement**

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

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

NOK MILLION	31.03.15	31.03.14	31.12.14
Share capital	705	705	706
Premium fund	415	415	415
Appropriated dividend	264	240	264
Reserve for unrealised gains	364	296	364
Other equity	728	797	728
<b>Total equity</b>	<b>2 476</b>	<b>2 453</b>	<b>2 477</b>
<b>Tier 1 capital</b>			
Deferred tax assets and intangible assets	-9	-8	-11
Deduction for appropriated dividend	-264	-240	-264
Direct investments in companies in the financial sector	-108	-231	-54
Positive value of adjusted anticipated losses under the IRB approach	-26	0	-17
Interim profit included in tier 1 capital	0	21	0
Value adjustments as a result of the requirements for prudent valuation	-9	0	-8
<b>Total core tier 1 capital</b>	<b>2 060</b>	<b>1 995</b>	<b>2 123</b>
Perpetual subordinated capital securities, hybrid capital <sup>1</sup>	399	649	399
Direct investments in companies in the financial sector	-81	0	-107
<b>Total tier 1 capital</b>	<b>2 378</b>	<b>2 644</b>	<b>2 415</b>
<b>Tier 2 capital in addition to tier 1 capital</b>			
Fixed-term subordinated capital	798	798	798
Direct investments in companies in the financial sector	-126	-231	-153
<b>Tier 2 capital</b>	<b>672</b>	<b>567</b>	<b>645</b>
<b>Total subordinated capital</b>	<b>3 050</b>	<b>3 211</b>	<b>3 060</b>
<b>Minimum requirements concerning subordinated capital, Basel III <sup>2</sup></b>			
Loans with specialist enterprises	201	0	193
Loans with other enterprises	50	0	42
Equity positions	35	0	35
<b>Total credit risk IRB</b>	<b>286</b>	<b>0</b>	<b>270</b>
Operational risk	46	37	37
Loans calculated according to the standard method	948	1 253	908
Deduction in the capital requirement	0	-42	0
Creditworthiness of counterparty (CVA risk)	15	0	18
<b>Minimum requirements, subordinated capital</b>	<b>1 295</b>	<b>1 248</b>	<b>1 233</b>
<b>Calculation basis</b>	<b>16 188</b>	<b>15 602</b>	<b>15 415</b>
<b>Buffer requirements</b>			
Conservation buffer (2.5%)	405	0	385
System risk buffer (3.0%)	486	0	462
<b>Total buffer requirements for core tier 1 capital</b>	<b>890</b>	<b>0</b>	<b>848</b>
<b>Available tier 1 capital (less 4.5%)</b>	<b>1 332</b>	<b>0</b>	<b>1 430</b>
<b>Capital adequacy ratio</b>			
Core tier 1 capital ratio	12.73 %	12.79 %	13.77 %
Tier 1 capital ratio	14.69 %	16.94 %	15.66 %
Capital adequacy ratio	17.85 %	20.58 %	19.85 %

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 %

<sup>1</sup> For more details, see Note 10.

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

#### NOTE 14. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

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 were no significant events after the reporting period.

#### NOTE 15. INCOME STATEMENT FOR THE FIVE MOST RECENT QUARTERS

NOK MILLION	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Interest and similar income	218	253	264	289	274
Interest expense and similar charges	183	202	215	216	220
<b>Net income from interest and credit commissions</b>	<b>35</b>	<b>51</b>	<b>49</b>	<b>73</b>	<b>54</b>
Change in value of financial instruments carried at fair value, gains and losses <sup>2</sup>		-7	4	13	10
Other operating income	41	27	30	42	33
<b>Total other operating income</b>	<b>39</b>	<b>20</b>	<b>34</b>	<b>55</b>	<b>43</b>
Salaries and general administrative expenses	30	29	30	29	31
Depreciation, amortisation and write-downs	2	3	1	2	2
Other operating expenses	7	4	4	4	5
Other gains and losses	-2	0	0	0	0
<b>Total other operating expense</b>	<b>37</b>	<b>36</b>	<b>35</b>	<b>35</b>	<b>38</b>
<b>Operating profit/(loss) before impairment losses</b>	<b>37</b>	<b>35</b>	<b>48</b>	<b>93</b>	<b>59</b>
Impairment losses on loans and advances	0	29	2	11	0
<b>Operating profit/(loss) after impairment losses</b>	<b>37</b>	<b>6</b>	<b>46</b>	<b>82</b>	<b>59</b>
Income from ownership interests in group companies	0	0	0	167	0
<b>Profit before tax</b>	<b>37</b>	<b>6</b>	<b>46</b>	<b>249</b>	<b>59</b>
Computed tax charge	7	1	13	66	16
<b>Profit after tax</b>	<b>30</b>	<b>5</b>	<b>33</b>	<b>183</b>	<b>43</b>



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To the Board of Directors of BN Bank ASA

## Report on Review of Interim Financial Information

### Introduction

We have reviewed the accompanying interim financial information of BN Bank ASA, which comprise the financial statements of the group and the financial statements of the parent company. The financial statements of the group and the financial statements of the parent company comprise balance sheet as of 31 March 2015 and the related statements of income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

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

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

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

### Conclusion

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

Trondheim, 5. May 2015

KPMG AS

Sverre Eienersen

State Authorised Public Accountant

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

#### Offices in

Cebu	Houston	Stavanger
Oslo	Kiev	Stock
Arendal	Kristiansund	Stromme
Bergen	Larvik	Tromsø
Bodo	Maastricht	Trondheim
Evansville	Moscow	Turkey
Forosnes	Norvik	Turkey
Gronvik	Sandness	Åsland
Holm	Sandness	

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