

BN Bank ASA  
INTERIM REPORT Q3 | 2015



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## Financial Ratios

NOK MILLION	REFERENCE	GROUP		
		30.09.15	30.09.14	THE YEAR 2014
<b>Summary of results</b>				
Net income from interest and credit commissions		269	332	432
<b>Total other operating income</b>		<b>87</b>	<b>181</b>	<b>215</b>
<b>Total income</b>		<b>356</b>	<b>513</b>	<b>647</b>
<b>Total other operating expense</b>		<b>214</b>	<b>169</b>	<b>224</b>
Operating profit/(loss) before impairment losses		142	344	423
Impairment losses on loans and advances		19	23	37
<b>Profit before tax</b>		<b>123</b>	<b>321</b>	<b>386</b>
Computed tax charge		30	85	102
<b>Profit after tax</b>		<b>93</b>	<b>236</b>	<b>284</b>
Profit from operations under disposal		0	0	-3
<b>Profit including discontinued operations</b>		<b>93</b>	<b>236</b>	<b>281</b>
<b>Profitability</b>				
Return on equity	1	3.5 %	8.8 %	7.8 %
Net interest	2	1.01 %	1.20 %	1.18 %
Cost-income ratio	3	60.1 %	32.9 %	34.6 %
Cost-income ratio incl. equity surcharge and return on equity in SpareBank 1 Næringskreditt		51.1 %	27.1 %	28.2 %
<b>Balance sheet figures</b>				
Gross lending		27 840	28 260	27 407
Customer deposits		15 075	14 115	14 446
Deposit-to-loan ratio	4	54.1 %	49.9 %	52.7 %
Growth in lending (gross), last 12 months		-1.5 %	-8.8 %	-6.5 %
Growth in deposits, last 12 months		6.8 %	-12.7 %	-4.8 %
Average total assets (ATA)	5	35 535	36 858	36 644
Total assets		34 722	36 751	35 787
<b>Balance sheet figures incl. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt</b>				
Gross lending		50 415	50 347	49 466
Customer deposits		15 075	14 115	14 446
Growth in lending (gross), last 12 months		0.1 %	1.9 %	-1.1 %
Growth in deposits, last 12 months		6.8 %	-12.7 %	-4.8 %
Deposit-to-loan ratio, managed		29.9 %	28.0 %	29.3 %
<b>Impairment losses and defaults, Group</b>				
Loss ratio lending	6	0.09 %	0.11 %	0.13 %
Non-performing loans as % of gross lending		1.36 %	1.42 %	1.49 %
Other doubtful commitments as % of gross lending	7	0.78 %	1.14 %	0.89 %
<b>Impairment losses and defaults, incl. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt</b>				
Loss ratio lending	6	0.05 %	0.06 %	0.09 %
Non-performing loans as % of gross lending		0.75 %	0.79 %	0.82 %
Other doubtful commitments as % of gross lending	7	0.44 %	0.64 %	0.49 %
<b>Solvency</b>				
Capital adequacy ratio		20.61 %	19.69 %	19.7 %
Tier 1 capital ratio		17.17 %	16.53 %	16.4 %
Core tier 1 capital ratio		15.50 %	15.04 %	14.9 %
Tier 1 capital		3 507	3 676	3 527
Subordinated capital		4 210	4 378	4 224
<b>Offices and staffing</b>				
No. of offices		2	2	2
Number of full-time equivalents		111	114	112
<b>Shares</b>				
Earnings per share for the period (whole NOK)		6.59	16.72	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 3 2015

The comparative figures in parentheses are for the second quarter of 2015.

- Net interest income amounted to NOK 97 million (NOK 90 million)
- Other operating income amounted to NOK -7 million, of which NOK -39 million comprised unrealised changes in the value of financial instruments (NOK 39 million)
- Profit after tax amounted to NOK -12 million (NOK 50 million)
- Profit after tax from core business was NOK -12 million (NOK 50 million)
- Other operating expenses amounted to NOK 97 million, of which provisions for restructuring measures amounted to NOK 38 million (NOK 59 million)
- Costs constituted 108 per cent of total income (46 per cent)
- Return on equity after tax amounted to -1.4 per cent (5.6 per cent)
- Impairment losses on loans constituted an expense of NOK 10 million (NOK 2 million)

### Summary as at 30 September 2015

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

- Net interest income amounted to NOK 269 million (NOK 332 million)
- Other operating income amounted to NOK 87 million (NOK 181 million)
- Profit after tax amounted to NOK 93 million (NOK 236 million)
- Profit after tax from core business was NOK 93 million (NOK 236 million)
- Other operating expense amounted to NOK 214 million (NOK 169 million)
- Costs constituted 60 per cent of total income (33 per cent)
- Return on equity after tax amounted to 3.5 per cent (8.8 per cent)
- Return on equity after tax from core business was 3.5 per cent (8.8 per cent)
- The managed portfolio increased by NOK 68 million during the past 12 months (growth of NOK 937 million)
- The margin on loans measured against the 3-month NIBOR fell by 33 basis points during the past 12 months to 2.03 per cent (2.36 per cent)
- The deposit margin measured against the 3-month NIBOR rose by 29 basis points during the past 12 months to -0.59 per cent (-0.88 per cent)
- Impairment losses on loans constituted an expense of NOK 19 million (NOK 23 million)
- Capital adequacy ratio of 20.6 per cent (19.7 per cent)
- Tier 1 capital adequacy ratio of 17.2 per cent (16.5 per cent)
- Core tier 1 capital ratio of 15.5 per cent (15.0 per cent)

### Results for Quarter 3 2015

The comparative figures in parentheses are for the second quarter of 2015.

During the third quarter of 2015, profit after tax was NOK -12 million (NOK 50 million). This gave an annualised return on equity of -1.4 per cent (5.6 per cent). Higher net interest income had a positive impact, while unrealised negative changes in the value of financial instructions increased expenses as a result of provisions for restructuring measures and increased losses had a negative impact.

Total income was NOK 90 million during the third quarter of 2015 (NOK 129 million).

NOK MILLION	Q3 2015	Q2 2015	CHANGE
<b>Total income</b>	<b>90</b>	<b>129</b>	<b>-39</b>
Margin and volume effects			
deposits and loans			1
Commission income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt			-11
Late payment interest and net interest fees			-2
Changes in value			-33
Other changes			6

During the third quarter, net interest income amounted to NOK 97 million (NOK 90 million). Lower lending margins had a negative effect, while higher deposit margins and a higher lending volume had a positive impact.

During the third quarter, other operating income excluding changes in value amounted to NOK 32 million (NOK 44 million). Commission income from SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt amounted to NOK 25 million (NOK 36 million). The commission is calculated as the interest on loans less costs incurred by SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt. In SpareBank 1 Næringskreditt, the costs also include a premium for the capital that the owners have invested on behalf of BN Bank ASA.

Operating expense for the third quarter of 2015 was NOK 97 million (NOK 59 million). Operating expense increased as a result of a provision of NOK 38 million linked to the Board of Directors' decision to discontinue the corporate market business. The provision meant that other operating expense amounted to 108 per cent of total income during the third quarter of 2015 (46 per cent). Other expenses are on a level with the previous quarter. Adjusted for revenue in SpareBank 1 Næringskreditt, costs amount to 85 per cent of income (38 per cent). BN Bank aims to be one of Norway's most cost-effective banks.

During the third quarter of 2015, NOK 10 million was expensed in respect of impairment losses on loans and advances (NOK 2 million). Individual and collective impairment losses on loans were distributed as follows:

NOK MILLION	INDIVIDUAL	COLLECTIVE	TOTAL
Corporate Market	11	7	18
Retail Market	0	-9	-9
Guarantee Portfolio	1	0	1
<b>Total</b>	<b>12</b>	<b>-2</b>	<b>10</b>

### As at 30 September 2015

The comparative figures in parentheses apply as at 30 September 2014.

As at the third quarter of 2015, the BN Bank Group posted a profit after tax of NOK 93 million (NOK 236 million). This gives an annualised return on equity after tax of 3.5 per cent (8.8 per cent). Lower net interest income, reduced commission income, negative unrealised changes in the value of financial instruments and increased expenses had a negative impact on the result.

The Bank's core business, the result of the corporate and retail banking activities, saw a decrease in post-tax profit of NOK 143 million, from NOK 236 million during the third quarter of 2014 to NOK 93 million in the same period in 2015.

### Income

Total income was NOK 356 million (NOK 513 million). The Bank's margin on lending in the managed portfolio measured against the 3-month NIBOR as of the third quarter of 2015 was 2.03 per cent (2.36 per cent).

The Bank's deposit margin measured against the 3-month NIBOR as at 30 September 2015 was -0.59 per cent (-0.88 per cent).

Other operating income stood at NOK 87 million (NOK 181 million) as at 30 September 2015. The key reasons behind the downturn are reduced commission income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt and changes in the value of assets and liabilities which are valued at fair value.

The Bank receives commission on loans that are transferred to SpareBank1 Boligkreditt AS and SpareBank1 Næringskreditt AS, which is calculated as the lending interest rate on the loans less costs incurred by the companies. From 2014 onwards, these costs also include a premium for the capital that the owners have invested in SpareBank1 Næringskreditt for the loans transferred by BN Bank. As at 30 September 2015, this equity surcharge came to NOK 63 million before tax.

### Costs

Operating expenses amounted to NOK 214 million (NOK 169 million). Costs as at 30 September 2015 constituted 60 per cent of total income (33 per cent) Adjusted for earnings in SpareBank 1 Næringskreditt, the cost ratio is 51 per cent (27 per cent).

### Losses on loans and non-performing loans

Net impairment losses on loans and guarantees totalled NOK 19 million (NOK 23 million).

Defaults in excess of 90 days amounted to 1.36 per cent of gross lending within the Group as at 30 September 2015 (1.42 per cent). With a deduction for individual write-downs, non-performing and doubtful loans amounted to NOK 369 million (NOK 506 million) at the end of the third quarter of 2015, equivalent to 1.3 per cent (1.8 per cent) of gross lending within the Group and the Guarantee Portfolio. See Note 6 for more information.

Impairment losses as at 30 September 2015 were distributed as follows:

NOK MILLION	INDIVIDUAL	COLLECTIVE	TOTAL
Corporate Market	10	4	14
Retail Market	0	-6	-6
Guarantee Portfolio	9	2	11
<b>Total</b>	<b>19</b>	<b>0</b>	<b>19</b>

Loan loss provisions within the core business amounted to NOK 227 million at the end of the third quarter of 2015 (NOK 214 million). Of this figure, individual write-downs account for NOK 175 million (NOK 162 million) and collective write-downs NOK 52 million (NOK 52 million). Total loan loss provisions as at the end of the third quarter of 2015 were distributed as follows:

	LOAN LOSS PROVISIONS (NOK MILLION)	% OF GROSS LENDING GROUP
Corporate Market	217	1.20
Retail Market	10	0.10

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 67 million as at the end of the third quarter of 2015.

### Balance sheet developments and capital

Gross managed lending<sup>1</sup> has increased by NOK 0.1 billion, or 0.1 per cent, in the past 12 months. Gross managed loans totalled NOK 50.4 billion at the end of the third quarter of 2015 (NOK 50.3 billion).

NOK BILLION	30.09.15	30.09.14
Gross lending	50.4	50.3
Change last 12 months	0.1	0.9

Gross managed lending had the following segmental exposure:

NOK BILLION	30.09.15	30.09.14
Retail Market	19.3	17.0
Corporate Market	31.1	33.3

The lending volume in the corporate market fell by NOK 2.2 billion, or -6.6 per cent, in the past 12 months. The lending volume in the retail market rose by NOK 2.3 billion, or 13.5 per cent, during the same period.

The deposit volume rose by NOK 1.0 billion, or 6.8 per cent. Total deposits amounted to NOK 15.1 billion at the end of the third quarter (NOK 14.1 billion). The deposit-to-loan ratio was 54 per cent at the end of the third quarter, an increase of 4 percentage point during the past 12 months.

To date in 2015, the Bank has issued certificates and bonds totalling NOK 2.2 billion (NOK 4.4 billion) in the Norwegian bond market. BN Bank has a conservative liquidity strategy. BN Bank has established a goal of being able to manage without access to new external financing sources for a period of 12 months. At the end of the third quarter of 2015, the Bank met this goal. BN Bank's liquidity portfolio amounted to NOK 6.2 billion (NOK 7.1 billion) at the end of the third quarter of 2015. The liquidity portfolio consists of well secured securities. The unrealised fall in value during the period is not an indication of a change in credit risk within the portfolio.

At the end of the first quarter of 2015, loans worth NOK 12.6 billion (NOK 13.2 billion) had been transferred to SpareBank 3 Næringskreditt, while loans amounting to NOK 10.0 billion (NOK 8.9 billion) had been transferred to SpareBank 1 Boligkreditt. In total, the Bank has transferred 40 per cent (40 per cent) of loans for commercial property and 52 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 -0.6 billion (NOK 1.7 billion) and NOK 1.1 billion (NOK 2.0 billion) to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt respectively.

The Bank's total assets amounted to NOK 34.7 billion as at 30 September 2015 (NOK 36.8 billion). Including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, total assets amounted to NOK 58.1 billion (NOK 58.9 billion).

<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.

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

FIGURES AS %	30.09.15	30.09.14
Capital adequacy ratio	20.6	19.7
Tier 1 capital ratio	17.2	16.5
Core tier 1 capital ratio	15.5	15.0

Starting in the second quarter of 2014, the Bank began reporting in accordance with the advanced IRB method for corporate engagement, and in June 2015 the Bank was also given permission to use the IRB method for the residential mortgage portfolio.

The Board of Directors has adopted a provisional capital plan for BN Bank ASA as of the end of 2017 to 1 percentage point above the applicable regulatory minimum requirement plus regulatory buffers, subject to a minimum of 13 per cent. At the end of the first quarter, the Group's core tier 3 capital ratio exceeds the objective. 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 has a portfolio of low-risk mortgage loans on commercial real property. As at 30 September 2015, the company had a gross lending portfolio of NOK 15.7 billion, compared with NOK 16.3 billion as at 30 September 2014. As at 30 September 2015, a loan portfolio of NOK 12.6 billion had been transferred to SpareBank 1 Næringskreditt.

Profit after tax amounted to NOK 78 million at the end of the third quarter of 2015, compared with a post-tax profit of NOK 97 million during the same period in 2014. The principal reason behind the reduction is lower net interest income and lower commission income. Lower losses on loans and advances had a positive effect on the result.

Impairment losses on loans and advances totalled NOK 2 million as at the end of the third quarter of 2015, compared with NOK 10 million in the same period in 2014. Collective write-downs rose by NOK 11 million during the first three quarters of the year and amount to NOK 34 million. BNkreditt had NOK 2.3 billion in bond debt outstanding at the end of the third quarter of 2015, compared with NOK 3.7 billion at the end of the third 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 25.4 per cent, while the tier 3 capital ratio was 21.6 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 third 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 third quarter of 2015 (NOK 0 million).

### Outlook

The Board of Directors of BN Bank ASA has decided to streamline the Bank as a retail market bank and wind-up the corporate market business which consists of loans for commercial property. Behind the decision lies Norwegian capital adequacy rules which mean that the return on equity in this segment will be too low. As a result of the decision, all new sales within the corporate market have ceased, and the Bank will adjust the lending margins within the segment over time. The work to scale down and wind-up the corporate market business will take place in a controlled manner over time.

At the same time, efforts continue to be made to develop the retail market further by streamlining BN Bank into an aggressive retail market bank for customers who prefer a self-service concept and favourable interest rates over time. The Bank will continue its aggressive market work and consider expanding its product range within the segment.

During the third quarter of 2015, the Bank set aside a provision of NOK 38 million for restructuring measures as a result of the decision to wind-up the corporate market portfolio. Adjusted for the provision, the Bank's operating expenses are on a par with the previous quarter and the underlying trend in costs is in line with the Board of Directors' plans.

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. A further reduction in lending in the corporate market portfolio will reduce the Bank's need for market financing in the future. The current owners will help to ensure that the winding-up of the corporate market business is carried out in a way which safeguards the interests of creditors in the best possible way.

Starting in the second quarter of 2014, the Bank has been given permission to use the advanced IRB method for corporate engagement, and in June 2015 the Bank was also given permission to use the IRB method for the residential mortgage portfolio. 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 percentage point above the applicable regulatory minimum requirement plus regulatory buffers, subject to a minimum of 13 per cent. As at the end of the third quarter of 2015, the Bank's core tier 1 capital ratio was 15.5 per cent.

Trondheim, 26 October 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				
		Q3 2015	Q3 2014	30.09.2015	30.09.2014	YEAR 2014
Interest and similar income		275	346	845	1 076	1 408
Interest expense and similar charges		178	247	576	744	976
<b>Net income from interest and credit commissions</b>		<b>97</b>	<b>99</b>	<b>269</b>	<b>332</b>	<b>432</b>
Change in value of financial instruments carried at fair value, gains and losses	3, 4	-39	2	-47	22	14
Other operating income	5	32	47	134	159	201
<b>Total other operating income</b>		<b>-7</b>	<b>49</b>	<b>87</b>	<b>181</b>	<b>215</b>
Salaries and general administrative expenses	16	88	49	187	145	193
Ordinary depreciation, amortisation and write-downs		2	1	6	5	8
Other operating expenses		7	6	23	19	24
Other gains and losses		0	0	-2	0	-1
<b>Total other operating expense</b>		<b>97</b>	<b>56</b>	<b>214</b>	<b>169</b>	<b>224</b>
<b>Operating profit/(loss) before impairment losses</b>		<b>-7</b>	<b>92</b>	<b>142</b>	<b>344</b>	<b>423</b>
Impairment losses on loans and advances	6	10	-4	19	23	37
<b>Profit before tax</b>		<b>-17</b>	<b>96</b>	<b>123</b>	<b>321</b>	<b>386</b>
Tax charge		-5	27	30	85	102
<b>Profit after tax continuing operations</b>		<b>-12</b>	<b>69</b>	<b>93</b>	<b>236</b>	<b>284</b>
Profit from operations under disposal		0	0	0	0	-3
<b>Profit including discontinued operations</b>		<b>-12</b>	<b>69</b>	<b>93</b>	<b>236</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	0	0	-1
Tax		0	0	0	0	0
<b>Other comprehensive income (net of tax)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>
<b>Total comprehensive income</b>		<b>-12</b>	<b>69</b>	<b>93</b>	<b>236</b>	<b>280</b>



## Balance Sheet

NOK MILLION	NOTE	GROUP		
		30.09.15	30.09.14	31.12.14
Deferred tax assets		9	0	9
Intangible assets		15	10	11
Subordinated loans	11	0	0	0
Tangible fixed assets		9	11	10
Repossessed properties		6	7	0
Loans and advances	4, 6, 7, 8, 9, 11, 13	27 581	28 048	27 154
Prepayments and accrued income	11	6	19	16
Financial derivatives	4, 11, 12	628	659	767
Short-term securities investments	4, 11	6 169	6 950	6 305
Cash and balances due from credit institutions	11	270	1 047	1 486
Assets classified as held for sale		29	0	29
<b>Total assets</b>		<b>34 722</b>	<b>36 751</b>	<b>35 787</b>
Share capital		706	706	706
Share premium		415	415	415
Other equity		2 349	2 476	2 520
<b>Total equity</b>		<b>3 470</b>	<b>3 597</b>	<b>3 641</b>
Deferred tax		0	19	0
Subordinated loan capital	4, 10, 11	1 201	1 397	1 205
Gjeld til kredittinstitusjoner	11	159	22	2
Liabilities to credit institutions	4, 10, 11	14 080	16 891	15 649
Debt securities in issue	6, 11	181	208	112
Accrued expense and deferred income	11	15	23	10
Other current liabilities		94	6	130
Tax payable	4, 11, 12	447	473	596
Financial derivatives	4, 11	15 075	14 115	14 442
Customer deposits & accounts payable to customers		0	0	0
<b>Total liabilities</b>		<b>31 252</b>	<b>33 154</b>	<b>32 146</b>
<b>Total liabilities and equity</b>		<b>34 722</b>	<b>36 751</b>	<b>35 787</b>

Trondheim, 26 October 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	236	236
Dividend paid	0	0	-240	-240
<b>Balance Sheet as at 30.09.2014</b>	<b>706</b>	<b>415</b>	<b>2 476</b>	<b>3 597</b>
Net income for the period	0	0	45	45
Actuarial gains (losses) on pensions (net of tax)	0	0	-1	-1
<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	93	93
Dividend paid	0	0	-264	-264
<b>Balance Sheet as at 30.09.2015</b>	<b>706</b>	<b>415</b>	<b>2 349</b>	<b>3 470</b>

## Cash Flow Analysis

	GROUP		
NOK MILLION	30.09.15	30.09.14	THE YEAR 2014
<b>Cash flows from operating activities</b>			
Interest/commission received and fees received from customers	875	1 488	1 445
Interest/commission paid and fees paid to customers	-63	-77	-382
Interest received on other investments	134	110	172
Interest paid on other loans	-351	-467	-652
Receipts/disbursements (-) on loans and advances to customers	-501	575	1 834
Receipts/disbursements on customer deposits and accounts payable to cust.	465	-1 159	-614
Receipts/disbursements (-) on liabilities to credit institutions	161	-92	-117
Receipts/disbursements (-) on issuing of securities	-1 547	359	-926
Receipts on previously written-off debt	13	43	14
Other receipts/payments	73	-64	-48
Payments to suppliers for goods and services	-102	-84	-130
Payments to employees, pensions and social security expenses	-114	-88	-95
Tax paid	-36	-37	-37
<b>Net cash flow from operating activities</b>	<b>-993</b>	<b>507</b>	<b>464</b>
<b>Cash flows from investing activities</b>			
Receipts/payments (-) on receivables from credit institutions	4	42	46
Receipts/payments (-) on current securities investments	50	-779	-114
Proceeds from sale of operating assets, etc.	3	3	11
Proceeds from sale of operating assets, etc.	-16	-13	-16
<b>Net cash flow from investing activities</b>	<b>41</b>	<b>-747</b>	<b>-73</b>
<b>Cash flow from financing activities</b>			
Receipts/payments (-) on subordinated loan capital	0	-58	-250
Dividend paid	-264	-240	-240
<b>Net cash flow from financing activities</b>	<b>-264</b>	<b>-298</b>	<b>-490</b>
<b>Net cash flow for the period</b>	<b>-1 216</b>	<b>-538</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>270</b>	<b>1 047</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

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 upon registration has been levied. 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. BN Bank has continued the previous practice of accruing the fee on a monthly basis.

BN Bank implemented IFRIC 21 with effect from 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	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 30.09.15
<b>Net income from interest and credit commissions</b>	<b>161</b>	<b>108</b>	<b>0</b>	<b>269</b>
Change in value of financial instruments carried at fair value	-30	-17	0	-47
Other operating income	54	78	2	134
<b>Total other operating income</b>	<b>24</b>	<b>61</b>	<b>2</b>	<b>87</b>
Salaries and general administrative expenses	99	88	0	187
Ordinary depreciation, amortisation and write-downs	3	4	0	6
Other operating expenses	10	13	0	23
Other gains and losses	0	-2	0	-2
<b>Total other operating expense</b>	<b>112</b>	<b>102</b>	<b>0</b>	<b>214</b>
<b>Operating profit/(loss) before impairment losses</b>	<b>73</b>	<b>67</b>	<b>2</b>	<b>142</b>
<b>Impairment losses on loans and advances</b>	<b>-14</b>	<b>6</b>	<b>-11</b>	<b>-19</b>
<b>Operating profit/(loss) after impairment losses</b>	<b>59</b>	<b>73</b>	<b>-9</b>	<b>123</b>
<b>Computed tax charge</b>	<b>-15</b>	<b>-17</b>	<b>2</b>	<b>-30</b>
<b>Profit after tax continuing operations</b>	<b>44</b>	<b>56</b>	<b>-7</b>	<b>93</b>
<b>Profit from operations under disposal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Profit including discontinued operations</b>	<b>44</b>	<b>56</b>	<b>-7</b>	<b>93</b>

  

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 30.09.15
Loans (gross) inc. loans in OMF companies	31 117	19 298	0	50 415
Customer deposits & accounts payable to customers	1 012	14 063	0	15 075

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 30.09.14
Net income from interest and credit commissions	241	91	0	332
Change in value of financial instruments carried at fair value	15	7	0	22
Change in value of financial instruments carried at fair value	59	97	3	159
<b>Total other operating income</b>	<b>74</b>	<b>104</b>	<b>3</b>	<b>181</b>
Salaries and general administrative expenses	63	82	0	145
Ordinary depreciation, amortisation and write-downs	1	4	0	5
Other operating expenses	9	10	0	19
Other gains and losses	0	0	0	0
<b>Total other operating expense</b>	<b>73</b>	<b>96</b>	<b>0</b>	<b>169</b>
<b>Operating profit/(loss) before impairment losses</b>	<b>242</b>	<b>98</b>	<b>3</b>	<b>344</b>
<b>Impairment losses on loans and advances</b>	<b>-11</b>	<b>-8</b>	<b>-4</b>	<b>-23</b>
<b>Operating profit/(loss) after impairment losses</b>	<b>230</b>	<b>92</b>	<b>-1</b>	<b>321</b>
<b>Computed tax charge</b>	<b>-63</b>	<b>-22</b>	<b>0</b>	<b>-85</b>
<b>Profit after tax</b>	<b>167</b>	<b>69</b>	<b>0</b>	<b>236</b>

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 30.09.14
Loans (gross) inc. loans in OMF companies	33 350	16 997	0	50 347
Customer deposits & accounts payable to customers	743	13 372	0	14 115

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	Q3 2015	Q3 2014	30.09.15	30.09.14	THE YEAR 2014
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss	-14	-11	5	-26	-64
Change in value of currency derivatives obliged to be carried at fair value through profit or loss <sup>1</sup>	-19	60	-13	26	-27
<b>Total change in value of financial instruments obliged to be carried at fair value</b>	<b>-33</b>	<b>49</b>	<b>-8</b>	<b>0</b>	<b>-91</b>
Change in value of deposits selected for fair value carrying through profit or loss	0	0	-1	0	0
Change in value of borrowings selected for fair value carrying through profit or loss	4	6	18	11	12
Change in value of loans selected for fair value carrying through profit or loss	-4	-1	-18	2	6
Change in value of short-term financial investments selected for fair value carrying	-23	14	-49	51	77
<b>Total change in value of financial instruments selected for fair value carrying</b>	<b>-23</b>	<b>19</b>	<b>-50</b>	<b>64</b>	<b>95</b>
Change in value of interest rate derivatives, hedging <sup>2</sup>	81	17	-3	68	179
Change in value of borrowings, hedged <sup>2</sup>	-82	-17	2	-68	-179
<b>Total change in value of financial instruments for hedging</b>	<b>-1</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>0</b>
<b>Total change in value of financial instruments for hedging</b>	<b>-57</b>	<b>68</b>	<b>-59</b>	<b>64</b>	<b>4</b>
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost <sup>3</sup>	-2	-7	-3	-18	-20
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost <sup>3</sup>	0	0	-1	0	0
Realised gain/loss on shares <sup>4</sup>	0	0	0	-1	-1
Exchange gains/losses on borrowings and loans carried at amortised cost <sup>1</sup>	20	-59	16	-23	31
<b>Total change in value of financial instruments carried at fair value, gains and losses</b>	<b>-39</b>	<b>2</b>	<b>-47</b>	<b>22</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 expense of NOK 1 million for the third quarter of 2015, compared with an income of NOK 3 million during the same period in 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 third quarter of 2015 was positive by NOK 283 million, compared with NOK 220 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 4 million as of the end of the third quarter of 2015, compared with a recognised expense of NOK 18 million for the same period in 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 is performed using price estimates obtained from brokers or using a model which involves the discounting of expected future cash flows. The discount rate is determined using the NIBOR/Swap curve plus an appropriate credit margin. The credit margin is based on estimates from brokers.

#### Hedged borrowing/funding

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

#### Deposits

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

#### Shares

The shares primarily consist of the Bank's stake in SpareBank 1 Boligkreditt AS. The valuation of these shares is approximately equal to the capital that has been invested in these companies.

#### Division into measurement levels

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

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



## The Group's assets and liabilities measured at fair value as at 30 September 2015

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	549	549
Interest rate derivatives <sup>1</sup>	0	628	0	628
Short-term securities investments	674	3 908	475	5 057
<b>Total assets</b>	<b>674</b>	<b>4 537</b>	<b>1 024</b>	<b>6 235</b>
Debt securities in issue	0	-823	0	-823
Interest rate derivatives <sup>1</sup>	0	-407	0	-407
Currency derivatives	0	-40	0	-40
Customer deposits & accounts payable to customers	0	-563	0	-563
<b>Total liabilities</b>	<b>0</b>	<b>-1 833</b>	<b>0</b>	<b>-1 833</b>

<sup>1</sup> The value of the hedge instruments earmarked for fair value hedging as at 30 September 2015 was positive by NOK 302 million.

## The Group's assets and liabilities measured at fair value as at 30 September 2014

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

<sup>1</sup> The value of the hedge instruments earmarked for fair value hedging as at 30 September 2014 was positive by NOK 220 million.

## The Group's assets and liabilities measured at fair value as at 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	604	4 093	456	5 153
<b>Total assets</b>	<b>604</b>	<b>4 860</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 30 September 2015

NOK MILLION	LOAN AND ADVANCES	SHORT TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	625	456	1 081
Investments in the period/new agreements	152	19	171
Matured	-210	0	-210
Changes in value of financial instruments carried at fair value, gains and losses	-18	0	-18
<b>Closing balance</b>	<b>549</b>	<b>475</b>	<b>1 024</b>
Of which, result for the period relating to financial instruments still on the balance sheet	-13	0	-13

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

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

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

NOK MILLION	LOAN AND ADVANCES	SHORT TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	895	382	1 277
Investments in the period/new agreements	0	75	75
Matured	-276	0	-276
Changes in value of financial instruments carried at fair value, gains and losses	6	-1	5
<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	Q3 2015	Q3 2014	30.09.15	30.09.14	31.12.14
Guarantee commission	1	1	3	5	6
Commission income from SpareBank 1 Næringskreditt AS <sup>1,2</sup>	8	17	42	55	69
Commission income from SpareBank 1 Boligkreditt AS <sup>1</sup>	17	24	57	79	103
Net other commission income/expense	6	5	21	9	11
Dividend from SpareBank 1 Boligkreditt	0	0	11	12	12
<b>Total other operating income</b>	<b>32</b>	<b>47</b>	<b>134</b>	<b>159</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.

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

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

NOK MILLION	Q3 2015	Q3 2014	30.09.15	30.09.14	31.12.14
Write-offs in excess of prior-year write-downs	0	7	0	30	31
Write-offs on loans without prior write-downs	0	0	0	3	5
<i>Write-downs for the period:</i>					
Change in collective write-downs	-2	-8	-1	-10	-8
Change in collective write-downs related to Guarantee Portfolio	0	0	2	-24	-24
<b>Total change in collective write-downs</b>	<b>-2</b>	<b>-8</b>	<b>1</b>	<b>-34</b>	<b>-32</b>
Increase in loans with prior-year write-downs <sup>1</sup>	23	7	37	67	91
Provisions against loans without prior write-downs	0	1	0	3	3
Decrease in loans with prior-year write-downs	-9	-11	-15	-36	-51
<b>Total change in individual write-downs</b>	<b>14</b>	<b>-3</b>	<b>22</b>	<b>34</b>	<b>43</b>
Gross impairment losses	12	-4	23	33	47
Recoveries on previous write-offs	2	0	4	10	10
<b>Impairment losses on loans and advances</b>	<b>10</b>	<b>-4</b>	<b>19</b>	<b>23</b>	<b>37</b>
Revenue recognition of interest on written-down loans	-1	-3	-2	-11	12

NOK MILLION	Q3 2015	Q3 2014	30.09.15	30.09.14	31.12.14
Individual write-downs to cover impairment losses at start of period	162	171	169	154	154
Write-offs covered by prior-year individual write-downs	0	-1	-5	-2	-3
<i>Write-downs for the period:</i>					
Increase in loans with prior-year individual write-downs	21	2	22	43	66
Write-downs on loans without prior individual write-downs	0	1	1	3	3
Decrease in loans with prior-year individual write-downs	-9	-11	-12	-36	-51
<b>Individual write-downs to cover impairment losses at end of period</b>	<b>174</b>	<b>162</b>	<b>174</b>	<b>162</b>	<b>169</b>
Collective write-downs to cover impairment losses at start of period	54	60	54	62	62
Collective write-downs for the period to cover impairment losses	-2	-8	-2	-10	-8
<b>Collective write-downs to cover impairment losses at end of period</b>	<b>52</b>	<b>52</b>	<b>52</b>	<b>52</b>	<b>54</b>

NOK MILLION	Q3 2015	Q3 2014	30.09.15	30.09.14	31.12.14
Provision for losses on financial guarantees concerning the Guarantee Portfolio at start of period <sup>1</sup>	62	73	54	101	101
Write-offs covered by prior-year individual write-downs	-8	-22	-8	-61	-61
<i>Write-downs for the period:</i>					
Increase in loans with prior-year individual write-downs	2	2	13	13	14
Decrease in loans with prior-year individual write-downs	0	0	-4	0	0
<b>Provision for losses on financial guarantees concerning the Guarantee Portfolio at end of period <sup>1</sup></b>	<b>56</b>	<b>53</b>	<b>56</b>	<b>53</b>	<b>54</b>
Collective write-downs linked to the Guarantee Portfolio at start of period	11	8	9	32	32
Collective write-downs for the period to cover losses in Guarantee Portfolio	-1	0	1	-24	-23
Collective write-downs linked to the Guarantee Portfolio at end of period <sup>1</sup>	10	8	10	8	9
<b>Total loss provisions related to Guarantee Portfolio</b>	<b>66</b>	<b>61</b>	<b>66</b>	<b>61</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 66 million as at the end of the third 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 30.06.2016. The loss provision is classified under Accrued expenses and deferred income.

### Loans past due more than 3 months

NOK MILLION	30.09.15	30.09.14	31.12.14
Gross principal	379	400	407
Individual write-downs	148	110	143
<b>Net principal</b>	<b>231</b>	<b>290</b>	<b>264</b>

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

NOK MILLION	30.09.15	30.09.14	31.12.14
Gross principal	220	321	244
Individual write-downs	82	105	80
<b>Net principal</b>	<b>138</b>	<b>216</b>	<b>164</b>

Loans past due by more than 3 months by sector and as a percentage of loans<sup>2</sup>

NOK MILLION	GROSS OUTSTANDING 30.09.15		GROSS OUTSTANDING 30.09.14		GROSS OUTSTANDING 31.12.14	
		%		%		%
Corporate Market	351	1.89	332	1.65	341	1.82
Retail Market	28	0.30	68	0.84	66	0.77
<b>Total</b>	<b>379</b>	<b>1.36</b>	<b>400</b>	<b>1.42</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	30.09.15	30.09.14	31.12.14
Corporate and retail loans, Group	27 840	28 260	27 407
Vendor financing	0	-24	0
<b>Gross lending</b>	<b>27 840</b>	<b>28 236</b>	<b>27 407</b>
Loans transferred to SpareBank 1 Næringskreditt	12 567	13 174	13 250
Loans transferred to SpareBank 1 Boligkreditt	10 008	8 937	8 809
<b>Total loans, managed portfolio</b>	<b>50 415</b>	<b>50 347</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 30 September 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 September 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 30 September 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 third 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 30 September 2015, BNkreditt's capital adequacy ratio was 25.4 per cent. The amount the Parent Bank is ceding precedence to stood at NOK 0 million as at 30 September 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 30 September 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 September 2015 the book value of transferred loans was NOK 10.0 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 third 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 third 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>
New issues	450	1 700	2 150
Acquisition and maturity of existing	-550	-1 390	-1 940
<b>Net debt (nominal) 30.06.2015</b>	<b>450</b>	<b>14 219</b>	<b>14 669</b>
Acquisition and maturity of existing	0	-966	-966
<b>Net debt (nominal) 30.09.2015</b>	<b>450</b>	<b>13 253</b>	<b>13 703</b>

### Subordinated loan capital and perpetual subordinated capital securities

The Group did not issue subordinated capital securities or loans during the third quarter of 2015, either as new issues or the expansion of existing open loans.

NOK MILLION	SUBORDINATED CAPITAL SECURITIES	RESPONSIBLE 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>
Acquisition and maturity of existing	0	-366	-366
<b>Net debt (nominal) 30.06.2015</b>	<b>400</b>	<b>800</b>	<b>1 200</b>
<b>Net debt (nominal) 30.09.2015</b>	<b>400</b>	<b>800</b>	<b>1 200</b>

### Recognised values

NOK MILLION	30.09.15	30.09.14	31.12.14
Certificates carried at amortised cost	0	0	0
Certificates selected for fair value carrying	453	808	556
<b>Total recognised value of certificates</b>	<b>453</b>	<b>808</b>	<b>556</b>
Bonds carried at amortised cost	8 123	10 355	9 541
Bonds carried at amortised cost (secured debt)	5 134	4 705	4 751
Bonds selected for fair value carrying	370	1 024	801
<b>Total recognised value of bonds</b>	<b>13 627</b>	<b>16 083</b>	<b>15 093</b>
<b>Total recognised value of debt securities in issue</b>	<b>14 080</b>	<b>16 891</b>	<b>15 649</b>

NOK MILLION	30.09.15	30.09.14	31.12.14
Perpetual subordinated capital securities carried at amortised cost	401	593	401
<b>Total recognised value of capital securities</b>	<b>401</b>	<b>593</b>	<b>401</b>
Subordinated loans carried at amortised cost	800	804	804
<b>Total recognised value of subordinated loans</b>	<b>800</b>	<b>804</b>	<b>804</b>
<b>Total recognised value of subordinated loans and capital securities</b>	<b>1 201</b>	<b>1 397</b>	<b>1 205</b>

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

NOK MILLION	30.09.15		30.09.14		31.12.14	
	FAIR VALUE	RECOGNISED VALUE	FAIR VALUE	RECOGNISED VALUE	FAIR VALUE	RECOGNISED VALUE
Loans and advances	27 585	27 581	28 061	28 048	27 154	27 154
Prepayments and accrued income	14	14	19	19	16	16
Interest rate derivatives	628	628	628	628	750	750
Currency derivatives	0	0	32	32	17	17
Short-term securities investments	6 169	6 169	6 950	6 950	6 305	6 305
Cash and balances due from credit institutions	270	270	1 047	1 047	1 486	1 486
Assets classified as held for sale	29	29	0	0	29	29
Subordinated loan capital	-1 205	-1 201	-1 461	-1 397	-1 256	-1 205
Liabilities to credit institutions	-159	-159	-22	-22	-2	-2
Debt securities in issue	-14 202	-14 080	-17 255	-16 891	-15 823	-15 649
Accrued expense and deferred income	-67	-67	-61	-61	-63	-63
Other current liabilities	-15	-15	0	0	-10	-10
Interest rate derivatives	-407	-407	-467	-467	-552	-552
Currency derivatives	-40	-40	-6	-6	-44	-44
Customer deposits & accounts payable to customers	-15 075	-15 075	-14 115	-14 115	-14 442	-14 442
<b>Total</b>	<b>3 527</b>	<b>3 649</b>	<b>3 348</b>	<b>3 764</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 30 September 2015

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Short-term securities investments	0	1 111	0	1 111
<b>Total assets</b>	<b>0</b>	<b>1 111</b>	<b>0</b>	<b>1 111</b>
Subordinated loan capital	0	-1 205	0	-1 205
Debt securities in issue	0	-8 245	0	-8 245
<b>Total liabilities</b>	<b>0</b>	<b>-9 450</b>	<b>0</b>	<b>-9 450</b>

## The Group's assets and liabilities measured at amortised cost as at 30 September 2014

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Short-term securities investments	0	1 153	0	1 153
<b>Total assets</b>	<b>0</b>	<b>1 153</b>	<b>0</b>	<b>1 153</b>
Subordinated loan capital	0	-1 461	0	-1 461
Debt securities in issue	0	-15 424	0	-15 242
<b>Total liabilities</b>	<b>0</b>	<b>-16 885</b>	<b>0</b>	<b>-16 885</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				30.09.15
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	AMOUNT AFTER POSSIBLE NET-OFFS	
Counterparty 1	234	27	207	
Counterparty 2	166	166	0	
Counterparty 3	86	32	54	
Counterparty 4	73	56	17	
Counterparty 5	65	23	42	
Counterparty 6	4	2	2	
<b>Total</b>	<b>628</b>	<b>306</b>	<b>322</b>	

Financial liabilities				30.09.15
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	AMOUNT AFTER POSSIBLE NET-OFFS	
Counterparty 1	27	27	0	
Counterparty 2	307	166	141	
Counterparty 3	32	32	0	
Counterparty 4	56	56	0	
Counterparty 5	23	23	0	
Counterparty 6	2	2	0	
<b>Total</b>	<b>447</b>	<b>306</b>	<b>141</b>	

Financial assets				30.09.14
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	AMOUNT AFTER POSSIBLE NET-OFFS	
Counterparty 1	272	42	230	
Counterparty 2	159	159	0	
Counterparty 3	97	25	72	
Counterparty 4	69	63	7	
Counterparty 5	50	31	19	
Counterparty 6	13	6	7	
<b>Total</b>	<b>660</b>	<b>326</b>	<b>335</b>	

Financial liabilities			30.09.14
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	42	42	0
Counterparty 2	307	159	148
Counterparty 3	25	25	0
Counterparty 4	63	63	0
Counterparty 5	31	31	0
Counterparty 6	6	6	0
<b>Total</b>	<b>473</b>	<b>326</b>	<b>148</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, and correspondingly received approval for residential mortgage loans during the second quarter 2015. The use of IRB imposes comprehensive requirements on the Bank's organisation, competence, risk models and risk management systems.

<b>NOK MILLION</b>	<b>30.09.15</b>	<b>30.09.14</b>	<b>31.12.14</b>
Share capital	706	706	706
Premium fund	415	415	415
Appropriated dividend	0	0	264
Reserve for unrealised gains	364	296	364
Other equity	1892	1945	1 892
<b>Total equity</b>	<b>3 377</b>	<b>3 362</b>	<b>3 641</b>
<b>Tier 1 capital</b>			
Deferred tax assets and intangible assets	-15	-10	-11
Deduction for appropriated dividend	0	0	-264
Direct investments in companies in the financial sector	-79	-34	-36
Positive value of adjusted anticipated losses under the IRB approach	-107	-47	-123
Interim profit included in tier 1 capital (50%)	0	83	0
Value adjustments as a result of the requirements for prudent valuation	-9	-9	-8
<b>Total core tier 1 capital</b>	<b>3 167</b>	<b>3 345</b>	<b>3 199</b>
Perpetual subordinated capital securities, hybrid capital <sup>1</sup>	400	399	399
Direct investments in companies in the financial sector	-60	-68	-71
<b>Total tier 1 capital</b>	<b>3 507</b>	<b>3 676</b>	<b>3 527</b>
<b>Tier 2 capital in addition to tier 1 capital</b>			
Fixed-term subordinated capital	800	798	798
Direct investments in companies in the financial sector	-97	-96	-101
<b>Tier 2 capital</b>	<b>703</b>	<b>702</b>	<b>697</b>
<b>Total subordinated capital</b>	<b>4 210</b>	<b>4 378</b>	<b>4 224</b>
<b>Minimum requirements concerning subordinated capital, Basel III <sup>2</sup></b>			
Loans with specialist enterprises	606	758	772
Loans with other enterprises	234	139	119
Loans with mass market mortgages in real property	201	0	0
Equity positions	51	52	50
<b>Total credit risk IRB</b>	<b>1 092</b>	<b>949</b>	<b>941</b>
Operational risk	91	83	83
Loans calculated according to the standard method	334	598	674
Transitional arrangement (floor)	104	133	0
Creditworthiness of counterparty (CVA risk)	13	16	18
<b>Minimum requirements, subordinated capital</b>	<b>1 634</b>	<b>1 779</b>	<b>1 716</b>
<b>Calculation basis</b>	<b>20 430</b>	<b>22 235</b>	<b>21 460</b>
<b>Buffer requirements</b>			
Conservation buffer (2.5%)	511	556	536
System risk buffer (3.0%)	613	667	644
<b>Total buffer requirements for core tier 1 capital</b>	<b>1 124</b>	<b>1 223</b>	<b>1 180</b>
<b>Available tier 1 capital (less 4.5%)</b>	<b>2 247</b>	<b>2 344</b>	<b>2 234</b>
<b>Capital adequacy ratio</b>			
Core tier 1 capital ratio	15.50 %	15.04 %	14.91 %
Tier 1 capital ratio	17.17 %	16.53 %	16.43 %
Capital adequacy ratio	20.61 %	19.69 %	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:

in 2014:.....	20 %
in 2015:.....	40 %
in 2016:.....	60 %
in 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, and correspondingly received approval for the retail market from the second quarter 2015 onwards. Historical minimum requirements for subordinated capital are reported according to the standard method.

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

On 3 July, BN Bank received a summons linked to a commitment which is subject to write-down. The summons demands compensation for losses which the customer claims to have incurred as a result of the bank's actions. The summons does not result in any need for changes to the loss assessment linked to the commitment.

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	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Interest and similar income	275	279	291	332	346
Interest expense and similar charges	178	189	209	232	247
<b>Net income from interest and credit commissions</b>	<b>97</b>	<b>90</b>	<b>82</b>	<b>100</b>	<b>99</b>
Change in value of financial instruments carried at fair value, gains and losses	-39	-5	-3	-8	2
Other operating income	32	44	58	41	47
<b>Total other operating income</b>	<b>-7</b>	<b>39</b>	<b>55</b>	<b>33</b>	<b>49</b>
Salaries and general administrative expenses	88	50	49	47	49
Depreciation, amortisation and write-downs	2	2	2	3	1
Other operating expenses	7	7	9	5	6
Other gains and losses	0	0	-2	-1	0
<b>Total other operating expense</b>	<b>97</b>	<b>59</b>	<b>58</b>	<b>54</b>	<b>56</b>
<b>Operating profit/(loss) before impairment losses</b>	<b>-7</b>	<b>70</b>	<b>79</b>	<b>79</b>	<b>92</b>
Impairment losses on loans and advances	10	2	7	14	-4
<b>Profit before tax</b>	<b>-17</b>	<b>68</b>	<b>72</b>	<b>65</b>	<b>96</b>
Tax charge	-5	18	17	18	27
<b>Profit after tax continuing operations</b>	<b>-12</b>	<b>50</b>	<b>55</b>	<b>47</b>	<b>69</b>
Profit from activities "held for sale"	0	0	0	-3	0
<b>Profit including activities "held for sale"</b>	<b>-12</b>	<b>50</b>	<b>55</b>	<b>44</b>	<b>69</b>

#### NOTE 16. PROVISION FOR RESTRUCTURING

In connection with the Bank's winding-up of the corporate market business, accounting provisions have been set aside to cover future expenses in the winding-up process. A total of NOK 37.9 million has been set aside in the third quarter of 2015. In the income statement, this is classified under Salaries and general administrative expenses.

## Income Statement

						PARENT BANK
NOK MILLION	NOTE	Q3 2015	Q3 2014	30.09.15	30.09.14	THE YEAR 2014
Interest and similar income		215	264	644	827	1 080
Interest expense and similar charges		158	215	510	651	853
<b>Net income from interest and credit commissions</b>		<b>57</b>	<b>49</b>	<b>134</b>	<b>176</b>	<b>227</b>
Change in value of financial instruments carried at fair value, gains and losses	2, 3	-37	4	-42	27	20
Other operating income	4	24	30	92	105	132
<b>Total other operating income</b>		<b>-13</b>	<b>34</b>	<b>50</b>	<b>132</b>	<b>152</b>
Salaries and general administrative expenses	16	68	30	129	90	119
Ordinary depreciation, amortisation and write-downs		2	1	6	5	8
Other operating expenses		6	4	18	13	17
Other gains and losses		0	0	-2	0	0
<b>Total other operating expense</b>		<b>76</b>	<b>35</b>	<b>151</b>	<b>108</b>	<b>144</b>
<b>Operating profit/(loss) before impairment losses</b>		<b>-32</b>	<b>48</b>	<b>33</b>	<b>200</b>	<b>235</b>
Impairment losses on loans and advances	6	16	2	17	13	42
<b>Operating profit/(loss) after impairment losses</b>		<b>-48</b>	<b>46</b>	<b>16</b>	<b>187</b>	<b>193</b>
Income from ownership interests in group companies	5	0	0	140	167	167
<b>Profit before tax</b>		<b>-48</b>	<b>46</b>	<b>156</b>	<b>354</b>	<b>360</b>
Tax charge		-13	13	1	95	96
<b>Profit after tax</b>		<b>-35</b>	<b>33</b>	<b>155</b>	<b>259</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	0	0
Tax		0	0	0	0	0
<b>Other comprehensive income (net of tax)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>		<b>-35</b>	<b>33</b>	<b>155</b>	<b>259</b>	<b>264</b>

## Balance Sheet

		PARENT BANK		
NOK MILLION	NOTE	30.09.15	30.09.14	31.12.14
Intangible assets		15	10	11
Ownership interests in group companies		1 600	1 600	1 600
Subordinated loans	11	451	451	453
Tangible fixed assets		9	11	10
Loans and advances	3, 6, 7, 8, 9, 11, 13	12 111	11 926	11 972
Prepayments and accrued income	11 6	19	14	
Financial derivatives	3, 11, 12	593	605	694
Short-term securities investments	3, 11	6 168	6 950	6 305
Cash and balances due from credit institutions	11	10 317	10 404	10 232
Assets classified as held for sale		5	0	5
<b>Total assets</b>		<b>31 275</b>	<b>31 976</b>	<b>31 296</b>
Share capital		706	706	706
Share premium		415	415	415
Other equity		1 247	1 351	1 356
<b>Total equity</b>		<b>2 368</b>	<b>2 472</b>	<b>2 477</b>
Deferred tax		112	111	112
Subordinated loan capital	3, 10, 11	1 201	1 397	1 205
Liabilities to credit institutions	11	159	21	2
Debt securities in issue	3, 10, 11	11 749	13 226	12 349
Accrued expense and deferred income	6, 11	142	164	101
Other current liabilities	11	15	23	10
Tax payable		27	3	49
Financial derivatives	3, 11, 12	419	440	541
Customer deposits & accounts payable to customers	3, 11	15 083	14 119	14 450
<b>Liabilities classified as held for sale</b>		<b>28 907</b>	<b>29 504</b>	<b>28 819</b>
<b>Total liabilities</b>		<b>31 275</b>	<b>31 976</b>	<b>31 296</b>

Trondheim, 26 October 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	259	259
Dividend paid	0	0	0	-240	-240
<b>Balance Sheet as at 30.09.2014</b>	<b>706</b>	<b>415</b>	<b>282</b>	<b>1 069</b>	<b>2 472</b>
Net income for the period	0	0	0	5	5
<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	155	155
Dividend paid	0	0	0	-264	-264
<b>Balance Sheet as at 30.09.2015</b>	<b>706</b>	<b>415</b>	<b>282</b>	<b>965</b>	<b>2 368</b>

<sup>1</sup> The reserve for unrealised gains is included in Other reserves. Provision of NOK 364 million had been made as at 30.09.2015.



## Cash Flow Analysis

	PARENT BANK		
NOK MILLION	30.09.15	30.09.14	THE YEAR 2014
<b>Cash flows from operating activities</b>			
Interest/commission received and fees received from customers	331	492	593
Interest/commission paid and fees paid to customers	-63	-77	-382
Interest received on other investments	111	110	192
Interest paid on other loans	-266	-362	-503
Receipts/disbursements (-) on loans and advances to customers	-176	1 434	1 387
Receipts/disbursements on customer deposits and accounts payable to cust.	465	-1 159	-609
Receipts/disbursements (-) on liabilities to credit institutions	162	-92	-117
Receipts/disbursements (-) on securities in issue and securities buy-back	-589	139	-813
Receipts on previously written-off debt	13	6	7
Other receipts/payments	58	-37	-79
Payments to suppliers for goods and services	-76	-57	-91
Payments to employees, pensions and social security expenses	-81	-56	-52
Tax paid	-23	-23	-23
<b>Net cash flow from operating activities</b>	<b>-134</b>	<b>318</b>	<b>-490</b>
<b>Net cash flow from investing activities</b>			
Receipts/payments (-) on receivables from credit institutions	-125	919	1 051
Receipts/payments (-) on current securities investments	50	-779	-119
Receipts/payments (-) on long-term securities investments	140	167	167
Proceeds from sale of operating assets, etc.	3	0	0
Purchases of operating assets, etc.	-9	-6	-8
<b>Net cash flow from investing activities</b>	<b>59</b>	<b>301</b>	<b>1 091</b>
<b>Cash flow from financing activities</b>			
Receipts/payments (-) on subordinated loan capital	0	-58	-250
Dividend paid	-264	-240	-240
<b>Dividend paid</b>	<b>-264</b>	<b>-298</b>	<b>-490</b>
<b>Net cash flow for the period</b>	<b>-339</b>	<b>321</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>20</b>	<b>569</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

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 upon registration has been levied. 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. BN Bank has continued the previous practice of accruing the fee on a monthly basis.

BN Bank implemented IFRIC 21 with effect from 1 January 2015.

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

NOK MILLION	Q3 2015	Q3 2014	30.09.15	30.09.14	31.12.14
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss	-15	-11	4	-26	-61
Change in value of currency derivatives obliged to be carried at fair value through profit or loss <sup>1</sup>	-19	60	-13	26	-28
<b>Total change in value of financial instruments obliged to be carried at fair value</b>	<b>-34</b>	<b>49</b>	<b>-9</b>	<b>0</b>	<b>-89</b>
Change in value of deposits selected for fair value carrying through profit or loss	0	0	-1	0	0
Change in value of borrowings selected for fair value carrying through profit or loss	0	2	1	7	7
Change in value of loans selected for fair value carrying through profit or loss	19	-15	21	-17	50
Change in value of short-term financial investments selected for fair value carrying <sup>2</sup>	-23	14	-50	51	77
<b>Total change in value of financial instruments selected for fair value carrying</b>	<b>-4</b>	<b>1</b>	<b>-29</b>	<b>41</b>	<b>134</b>
Change in value of interest rate derivatives, hedging <sup>3</sup>	69	19	-7	69	165
Change in value of borrowings, hedged <sup>3</sup>	-69	-19	6	-69	-165
Total change in value of financial instruments for hedging	0	0	-1	0	0
<b>Total change in value of financial instruments carried at fair value</b>	<b>-38</b>	<b>50</b>	<b>-39</b>	<b>41</b>	<b>45</b>
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost <sup>4</sup>	0	-7	-1	-17	-20
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost <sup>5</sup>	0	0	-1	0	1
Realised gain/loss on shares <sup>5</sup>	0	-1	0	-1	-1
Exchange gains/losses on borrowings and loans carried at amortised cost <sup>1</sup>	1	-38	-1	4	-5
<b>Total change in value of financial instruments carried at fair value, gains and losses</b>	<b>-37</b>	<b>4</b>	<b>-42</b>	<b>27</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 50 million as at 30 September 2015, compared with recognised income of NOK 51 million for the same period in 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 at 30 September 2015 was positive by NOK 283 million, compared with NOK 190 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 borrowings carried at amortised cost gave rise to a recognised expense of NOK 1 million as at 30 September 2015, compared with NOK 17 million for the same period in 2014. The annual effect for 2014 was a recognised expense of NOK 20 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 30 September 2015

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	412	412
Interest rate derivatives <sup>1</sup>	0	593	0	593
Short-term securities investments	674	3 908	475	5 057
<b>Total assets</b>	<b>674</b>	<b>4 501</b>	<b>887</b>	<b>6 062</b>
Debt securities in issue	0	-453	0	-453
Interest rate derivatives <sup>1</sup>	0	-380	0	-380
Currency derivatives	0	-40	0	-40
Customer deposits & accounts payable to customers	0	-563	0	-563
<b>Total liabilities</b>	<b>0</b>	<b>-1 435</b>	<b>0</b>	<b>-1 435</b>

<sup>1</sup> The value of the hedge instruments earmarked for fair value hedging as at 30 September 2015 was positive by NOK 283 million.

## The Parent Bank's assets and liabilities measured at fair value as at 30 September 2014

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

<sup>1</sup> The value of the hedge instruments earmarked for fair value hedging as at 30 September 2014 was positive by NOK 190 million.

## The Parent Bank's assets and liabilities measured at fair value as at 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	604	4 093	456	5 152
<b>Total assets</b>	<b>604</b>	<b>4 787</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 30 September 2015

NOK MILLION	LOAN AND ADVANCES	SHORT TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	300	456	756
Investments in the period/new agreements	152	19	171
Matured	-33	0	-33
Changes in value of financial instruments carried at fair value, gains and losses	-7	0	-7
<b>Closing balance</b>	<b>412</b>	<b>475</b>	<b>887</b>
Of which, result for the period relating to financial instruments still on the balance sheet	-7	0	-7

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

NOK MILLION	LOAN AND ADVANCES	SHORT TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	416	382	798
Investments in the period/new agreements	0	79	79
Matured	-111	0	-111
Changes in value of financial instruments carried at fair value, gains and losses	-1	-1	-2
<b>Closing balance</b>	<b>304</b>	<b>460</b>	<b>764</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 December 2014

NOK MILLION	LOAN AND ADVANCES	SHORT TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	416	382	798
Investments in the period/new agreements	0	75	75
Matured	-118	0	-118
Changes in value of financial instruments carried at fair value, gains and losses	2	-1	1
<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**

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 4. OTHER OPERATING INCOME

NOK MILLION	Q3 2015	Q3 2014	30.09.15	30.09.14	31.12.14
Guarantee commission	1	1	3	5	6
Commission income from SpareBank 1 Boligkreditt AS <sup>1</sup>	16	24	57	79	103
Net other commission income/expense	7	5	21	9	11
Dividend from SpareBank 1 Boligkreditt <sup>2</sup>	0	0	11	12	12
<b>Total other operating income</b>	<b>24</b>	<b>30</b>	<b>92</b>	<b>105</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 during 2015. This was adopted and recognised as income during the first quarter of 2015. In 2014, this amounted to NOK 12 million and was adopted and recognised as income during the second quarter.

## NOTE 5. INCOME FROM OWNERSHIP INTERESTS IN GROUP COMPANIES

For 2014, an ordinary general meeting of the subsidiary Bolig- og Næringskreditt AS decided to pay a dividend of NOK 140 million before tax. This was recognised as income during the second quarter of 2015.

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

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

NOK MILLION	Q3 2015	Q3 2014	30.09.15	30.09.14	31.12.14
Write-offs in excess of prior-year write-downs	0	7	0	30	31
Write-offs on loans without prior write-downs	0	0	0	3	5
<i>Write-downs for the period:</i>					
Change in collective write-downs	-3	-2	-12	-1	2
Change in collective write-downs related to Guarantee Portfolio	0	0	2	-24	-24
<b>Total change in collective write-downs</b>	<b>-3</b>	<b>-2</b>	<b>-10</b>	<b>-25</b>	<b>-22</b>
Increase in loans with prior-year write-downs <sup>1</sup>	22	5	36	25	48
Provisions against loans without prior write-downs	0	1	0	3	3
Decrease in loans with prior-year write-downs	-1	-9	-5	-21	-21
<b>Total change in individual write-downs</b>	<b>21</b>	<b>-3</b>	<b>31</b>	<b>7</b>	<b>30</b>
Gross impairment losses	18	2	21	15	44
Recoveries on previous write-offs	2	0	4	2	2
<b>Impairment losses on loans and advances</b>	<b>16</b>	<b>2</b>	<b>17</b>	<b>13</b>	<b>42</b>
Revenue recognition of interest on written-down loans	0	-1	-1	-2	-3

NOK MILLION	Q3 2015	Q3 2014	30.09.15	30.09.14	31.12.14
Individual write-downs to cover impairment losses at start of period	34	24	38	27	27
Write-offs covered by prior-year individual write-downs	0	-1	-5	-2	-3
<i>Write-downs for the period:</i>					
Increase in loans with prior-year individual write-downs	20	2	22	10	32
Write-downs on loans without prior individual write-downs	0	1	1	3	3
Decrease in loans with prior-year individual write-downs	-1	-9	-2	-21	-21
<b>Individual write-downs to cover impairment losses at end of period</b>	<b>53</b>	<b>17</b>	<b>53</b>	<b>17</b>	<b>38</b>
Collective write-downs to cover impairment losses at start of period	22	30	31	29	29
Collective write-downs for the period to cover impairment losses	-3	-2	-12	-1	2
<b>Collective write-downs to cover impairment losses at end of period</b>	<b>19</b>	<b>28</b>	<b>19</b>	<b>28</b>	<b>31</b>

NOK MILLION	Q3 2015	Q3 2014	30.09.15	30.09.14	31.12.14
Provision for losses on financial guarantees concerning the Guarantee Portfolio at start of period	62	73	54	101	101
Write-offs covered by prior-year individual write-downs	-8	-22	-8	-61	-61
<i>Write-downs for the period:</i>					
Increase in loans with prior-year individual write-downs	2	2	13	13	14
Decrease in loans with prior-year individual write-downs	0	0	-4	0	0
Provision for losses on financial guarantees concerning the Guarantee Portfolio at end of period <sup>1</sup>	56	53	56	53	54
Collective write-downs linked to the Guarantee Portfolio at start of period	11	8	9	32	32
Collective write-downs for the period to cover losses in Guarantee Portfolio	-1	0	1	-24	-23
Collective write-downs linked to the Guarantee Portfolio at end of period <sup>1</sup>	10	8	10	8	9
<b>Total loss provisions related to Guarantee Portfolio<sup>1</sup></b>	<b>66</b>	<b>61</b>	<b>66</b>	<b>61</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 66 million as at the end of the third 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 30.06.2016. The loss provision is classified under Accrued expenses and deferred income.

### Loans past due more than 3 months<sup>1,2</sup>

NOK MILLION	30.09.15	30.09.14	31.12.14
Gross principal	233	220	227
Individual write-downs	42	5	27
<b>Net principal</b>	<b>191</b>	<b>215</b>	<b>200</b>

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

NOK MILLION	30.09.15	30.09.14	31.12.14
Gross principal	205	226	229
Individual write-downs	67	65	65
<b>Net principal</b>	<b>138</b>	<b>161</b>	<b>164</b>



Loans past due by more than 3 months by sector and as a percentage of loans<sup>1,2</sup>

NOK MILLION	GROSS OUTSTANDING 30.09.15		GROSS OUTSTANDING 30.09.14		GROSS OUTSTANDING 31.12.14	
		%		%		%
Corporate Market	205	7.09	152	3.89	161	4.62
Retail Market	28	0.30	68	0.84	66	0.77
<b>Total</b>	<b>233</b>	<b>1.91</b>	<b>220</b>	<b>1.84</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	30.09.15	30.09.14	31.12.14
Corporate and retail loans	12 183	11 970	12 039
Vendor financing	0	-24	0
<b>Gross lending</b>	<b>12 183</b>	<b>11 946</b>	<b>12 039</b>
Loans transferred to SpareBank 1 Boligkreditt	10 008	8 937	8 809
<b>Total loans, managed portfolio</b>	<b>22 191</b>	<b>20 883</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 30 September 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. As at 30 September 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 30 September 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 third 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 30 September 2015, BNkreditt's capital adequacy ratio was 25.4 per cent. The amount the Parent Bank is ceding precedence to stood at NOK 0 million as at 30 September 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 30 September 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 September 2015 the book value of transferred loans was NOK 10.0 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 third 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 did not issue bonds or certificates during the third 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	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>
New issues	450	1 000	1 450
Acquisition and maturity of existing	-550	-594	-1 144
Net debt (nominal) 30.06.2015	450	11 535	11 985
Acquisition and maturity of existing	0	-548	-548
<b>Net debt (nominal) 30.09.2015</b>	<b>450</b>	<b>10 987</b>	<b>11 437</b>

### Subordinated loan capital and perpetual subordinated capital securities

The Parent Bank not issue subordinated capital securities or loans during the third quarter of 2015, either as new issues or the expansion of existing open loans.

NOK MILLION	SUBORDINATED CAPITAL SECURITIES	RESPONSIBLE 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>
Acquisition and maturity of existing	0	-366	-366
<b>Net debt (nominal) 30.06.2015</b>	<b>400</b>	<b>800</b>	<b>1 200</b>
<b>Net debt (nominal) 30.09.2014</b>	<b>400</b>	<b>800</b>	<b>1 200</b>

### Recognised values

NOK MILLION	30.09.15	30.09.14	31.12.14
Certificates carried at fair value	453	808	556
<b>Total recognised value of certificates</b>	<b>453</b>	<b>808</b>	<b>556</b>
Bonds carried at amortised cost	6 817	8 432	7 618
Bonds carried at amortised cost (secured debt)	4 479	3 773	4 175
Bonds selected for fair value carrying	0	213	0
<b>Total recognised value of bonds</b>	<b>11 296</b>	<b>12 419</b>	<b>11 793</b>
<b>Total recognised value of debt securities in issue</b>	<b>11 749</b>	<b>13 227</b>	<b>12 349</b>
Perpetual subordinated capital securities carried at amortised cost	401	593	401
Total recognised value of capital securities	401	593	401
Subordinated loans carried at amortised cost	800	804	804
Total recognised value of subordinated loans	800	804	804
<b>Total recognised value of subordinated loans and capital securities</b>	<b>1 201</b>	<b>1 397</b>	<b>1 205</b>

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

NOK MILLION	30.09.15		30.09.14		31.12.14	
	FAIR VALUE	RECOGNISED VALUE	FAIR VALUE	RECOGNISED VALUE	FAIR VALUE	RECOGNISED VALUE
Subordinated loans	451	451	451	451	455	453
Loans and advances	12 111	12 111	11 926	11 926	11 972	11 972
Prepayments and accrued income	14	14	22	22	14	14
Interest rate derivatives	593	593	573	573	677	677
Currency derivatives	0	0	32	32	17	17
Short-term securities investments	6 168	6 168	6 950	6 950	6 305	6 305
Cash and balances due from credit institutions	10 317	10 317	10 404	10 404	10 232	10 232
Assets classified as held for sale	5	5	0	0	5	5
Subordinated loan capital	-1 205	-1 201	-1 461	-1 397	-1 256	-1 205
Liabilities to credit institutions	-159	-159	-21	-21	-2	-2
Debt securities in issue	-11 865	-11 749	-13 538	-13 227	-12 501	-12 349
Accrued expense and deferred income	-67	-67	-61	-61	-63	-63
Other current liabilities	-15	-15	0	0	-10	-10
Interest rate derivatives	-380	-380	-434	-434	-498	-498
Currency derivatives	-40	-40	-6	-6	-44	-44
Customer deposits & accounts payable to customers	-15 083	-15 083	-14 119	-14 119	-14 450	-14 450
<b>Total</b>	<b>845</b>	<b>965</b>	<b>717</b>	<b>1 093</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 30 September 2015

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Subordinated loans	0	452	0	452
Short-term securities investments	0	1 111	0	1 111
<b>Total assets</b>	<b>0</b>	<b>1 563</b>	<b>0</b>	<b>1 563</b>
Subordinated loan capital	0	-1 205	0	-1 205
Debt securities in issue	0	-6 933	0	-6 933
<b>Total liabilities</b>	<b>0</b>	<b>-8 138</b>	<b>0</b>	<b>-8 138</b>

## The Parent Bank's assets and liabilities measured at amortised cost as at 30 September 2014

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Subordinated loans	0	451	0	-451
Short-term securities investments	299	1 153	0	1 452
<b>Total assets</b>	<b>299</b>	<b>1 604</b>	<b>0</b>	<b>1 002</b>
Subordinated loan capital	0	-1 461	0	-1 461
Debt securities in issue	0	-12 516	0	-12 516
<b>Total liabilities</b>	<b>0</b>	<b>-13 978</b>	<b>0</b>	<b>-13 978</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			30.09.15
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	229	27	202
Counterparty 2	166	166	0
Counterparty 3	79	21	58
Counterparty 4	60	39	21
Counterparty 5	55	23	32
Counterparty 6	4	2	2
<b>Total</b>	<b>593</b>	<b>278</b>	<b>315</b>

Financial liabilities			30.09.15
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	27	27	0
Counterparty 2	307	166	141
Counterparty 3	21	21	0
Counterparty 4	39	39	0
Counterparty 5	23	23	0
Counterparty 6	2	2	0
<b>Total</b>	<b>419</b>	<b>278</b>	<b>141</b>

Financial assets			30.09.14
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	265	36	230
Counterparty 2	155	155	0
Counterparty 3	50	25	25
Counterparty 4	64	38	26
Counterparty 5	57	31	25
Counterparty 6	13	6	7
<b>Total</b>	<b>605</b>	<b>292</b>	<b>313</b>

Financial liabilities			30.09.14
COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS <sup>1</sup>	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	36	36	0
Counterparty 2	303	155	147
Counterparty 3	25	25	0
Counterparty 4	38	38	0
Counterparty 5	31	31	0
Counterparty 6	6	6	0
<b>Total</b>	<b>439</b>	<b>292</b>	<b>147</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
Motpart 1	32	32	0
Motpart 2	385	181	204
Motpart 3	17	17	0
Motpart 4	62	46	16
Motpart 5	40	40	0
Motpart 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, and correspondingly received approval for residential mortgage loans during the second quarter 2015. The use of IRB imposes comprehensive requirements on the Bank's organisation, competence, risk models and risk management systems.

<b>NOK MILLION</b>	<b>30.09.15</b>	<b>30.09.14</b>	<b>31.12.14</b>
Share capital	706	706	706
Premium fund	415	415	415
Appropriated dividend	0	0	264
Reserve for unrealised gains	363	295	364
Other equity	728	797	728
<b>Total equity</b>	<b>2 212</b>	<b>2 213</b>	<b>2 477</b>
<b>Tier 1 capital</b>			
Deferred tax assets and intangible assets	-14	-10	-11
Deduction for appropriated dividend	0	0	-264
Direct investments in companies in the financial sector	-112	-53	-54
Positive value of adjusted anticipated losses under the IRB approach	-39	-40	-17
Interim profit included in tier 1 capital (50%)	140	113	0
Value adjustments as a result of the requirements for prudent valuation	-8	-8	-8
<b>Total core tier 1 capital</b>	<b>2 179</b>	<b>2 215</b>	<b>2 123</b>
Perpetual subordinated capital securities, hybrid capital <sup>1</sup>	400	398	399
Direct investments in companies in the financial sector	-84	-106	-107
<b>Total tier 1 capital</b>	<b>2 495</b>	<b>2 507</b>	<b>2 415</b>
<b>Tier 2 capital in addition to tier 1 capital</b>			
Fixed-term subordinated capital	800	798	798
Direct investments in companies in the financial sector	-137	-150	-153
<b>Tier 2 capital</b>	<b>663</b>	<b>648</b>	<b>645</b>
<b>Total subordinated capital</b>	<b>3 158</b>	<b>3 155</b>	<b>3 060</b>
<b>Minimum requirements concerning subordinated capital, Basel III <sup>2</sup></b>			
Loans with specialist enterprises	128	180	193
Loans with other enterprises	90	51	42
Loans with mass market mortgages in real property	201	0	0
Equity positions	38	35	35
<b>Total credit risk IRB</b>	<b>457</b>	<b>266</b>	<b>270</b>
Operational risk	46	37	37
Loans calculated according to the standard method	598	827	908
Creditworthiness of counterparty (CVA risk)	13	16	18
<b>Minimum requirements, subordinated capital</b>	<b>1 114</b>	<b>1 146</b>	<b>1 233</b>
<b>Calculation basis</b>	<b>13 920</b>	<b>14 333</b>	<b>15 415</b>
<b>Buffer requirements</b>			
Conservation buffer (2.5%)	348	358	385
System risk buffer (3.0%)	418	430	462
Total buffer requirements for core tier 1 capital	766	788	848
<b>Available tier 1 capital (less 4.5%)</b>	<b>1 552</b>	<b>1 570</b>	<b>1 430</b>
<b>Capital adequacy ratio</b>			
Core tier 1 capital ratio	15,65 %	15,45 %	13,77 %
Tier 1 capital ratio	17,92 %	17,49 %	15,66 %
Capital adequacy ratio	22,69 %	22,01 %	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:

in 2014:.....	20 %
in 2015:.....	40 %
in 2016:.....	60 %
in 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, and correspondingly received approval for the retail market from the second quarter 2015 onwards. Historical minimum requirements for subordinated capital are reported according to the standard method.

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

On 3 July, BN Bank received a summons linked to a commitment which is subject to write-down. The summons demands compensation for losses which the customer claims to have incurred as a result of the bank's actions. The summons does not result in any need for changes to the loss assessment linked to the commitment.

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	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Interest and similar income	215	211	218	253	264
Interest expense and similar charges	158	169	183	202	215
<b>Net income from interest and credit commissions</b>	<b>57</b>	<b>42</b>	<b>35</b>	<b>51</b>	<b>49</b>
Change in value of financial instruments carried at fair value, gains and losses	-37	-3	-2	-7	4
Other operating income	24	27	41	27	30
<b>Total other operating income</b>	<b>-13</b>	<b>24</b>	<b>39</b>	<b>20</b>	<b>34</b>
Salaries and general administrative expenses	68	31	30	29	30
Depreciation, amortisation and write-downs	2	2	2	3	1
Other operating expenses	6	5	7	4	4
Other gains and losses	0	0	-2	0	0
<b>Total other operating expense</b>	<b>76</b>	<b>38</b>	<b>37</b>	<b>36</b>	<b>35</b>
<b>Operating profit/(loss) before impairment losses</b>	<b>-32</b>	<b>28</b>	<b>37</b>	<b>35</b>	<b>48</b>
Impairment losses on loans and advances	16	1	0	29	2
<b>Operating profit/(loss) after impairment losses</b>	<b>-48</b>	<b>27</b>	<b>37</b>	<b>6</b>	<b>46</b>
Income from ownership interests in group companies	0	140	0	0	0
<b>Profit before tax</b>	<b>-48</b>	<b>167</b>	<b>37</b>	<b>6</b>	<b>46</b>
Computed tax charge	-13	7	7	1	13
<b>Profit after tax</b>	<b>-35</b>	<b>160</b>	<b>30</b>	<b>5</b>	<b>33</b>

#### NOTE 16. PROVISION FOR RESTRUCTURING

In connection with the Bank's winding-up of the corporate market business, accounting provisions have been set aside to cover future expenses in the winding-up process. A total of NOK 37.9 million has been set aside in the third quarter of 2015. In the income statement, this is classified under Salaries and general administrative expenses.



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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 30 September 2015 and the related statements of income, changes in equity and cash flows for the nine-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, 26. October 2015

KPMG AS

Sverre Einersen

*State Authorised Public Accountant*

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

#### Offices in:

Oslo	Haugesund	Stavanger
Alta	Knarvik	Stord
Arendal	Kristiansand	Strøme
Bergen	Larvik	Tromsø
Bode	Mo i Rana	Trondheim
Elverum	Molde	Tynset
Finnsnes	Narvik	Tønsberg
Grimstad	Sandefjord	Ålesund
Hamar	Sandnessjøen	

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Statssutroliserte revisorer - medlemmer av Den norske Revisorforening



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