BN Bank ASA

INTERIM REPORT Q4 | 2015

Contents

Financial Ratios

		GROUP	
NOK MILLION	**REFERENCE**	**THE YEAR 2015**	**THE YEAR 2014**
Summary of results			
Net income from interest and credit commissions		369	432
Total other operating income		94	215
Total income		**463**	**647**
Total other operating expense		**273**	**224**
Operating profit/(loss) before impairment losses		**190**	**423**
Impairment losses on loans and advances		19	37
Profit before tax		**171**	**386**
Computed tax charge		43	102
Profit after tax		**128**	**284**
Profit from operations under disposal		-3	-3
Profit including discontinued operations		**125**	**281**
Profitability			
Return on equity	1	3,5 %	7,8 %
Net interest	2	1,06 %	1,18 %
Cost-income ratio	3	59,0 %	34,6 %
Cost-income ratio incl. equity surcharge and return on equity in SpareBank 1 Næringskreditt		47,0 %	28,2 %
Balance sheet figures			
Gross lending		24 975	27 407
Customer deposits		14 771	14 446
Deposit-to-loan ratio	4	59,1 %	52,7 %
Growth in lending (gross), last 12 months		-8,9 %	-6,5 %
Growth in deposits, last 12 months		2,2 %	-4,8 %
Average total assets (ATA)	5	34 958	36 644
Total assets		32 649	35 787
Balance sheet figures incl. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt			
Gross lending		46 533	49 466
Customer deposits		14 771	14 446
Growth in lending (gross), last 12 months		-5,9 %	-1,1 %
Growth in deposits, last 12 months		2,2 %	-4,8 %
Deposit-to-loan ratio, managed		31,7 %	29,3 %
Impairment losses and defaults, Group			
Loss ratio lending	6	0,07 %	0,13 %
Non-performing loans as % of gross lending		1,41 %	1,49 %
Other doubtful commitments as % of gross lending	7	0,85 %	0,89 %
Impairment losses and defaults, incl. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt			
Loss ratio lending	6	0,04 %	0,09 %
Non-performing loans as % of gross lending		0,76 %	0,82 %
Other doubtful commitments as % of gross lending	7	0,46 %	0,49 %
Solvency			
Capital adequacy ratio		22,67 %	19,7 %
Tier 1 capital ratio		18,96 %	16,4 %
Core tier 1 capital ratio		17,21 %	14,9 %
Tier 1 capital		3 442	3 527
Subordinated capital		4 116	4 224
Offices and staffing			
No. of offices		2	2
Number of full-time equivalents		117	112
Shares			
Earnings per share for the period (whole NOK)		8,85	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

Director's Report

Summary of Quarter 4 2015

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

- Net interest income amounted to NOK 100 million (NOK 97 million)
- Other operating income amounted to NOK 7 million, of which NOK 22 million comprised changes in the value of financial instruments (NOK -7 million)
- Profit after tax amounted to NOK 32 million (NOK -12 million)
- Profit after tax from core business totalled NOK 31 million (NOK -12 million)
- Other operating expenses amounted to NOK 59 million (NOK 97 million, of which the provision for restructuring measures amounted to NOK 38 million)
- Costs constituted 55 per cent of total income (108 per cent)
- Return on equity after tax amounted to 3.7 per cent (-1.4 per cent)
- Impairment losses on loans constituted an income of NOK 0.2 million (expense of NOK 10 million)

Summary as at 31 December 2015

In August, the Board of Directors of BN Bank decided to wind-up the corporate market business in BN Bank. Following the decision and through to the end of 2015, the managed corporate market portfolio was reduced by NOK 5.2 billion.

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

- Net interest income amounted to NOK 369 million (NOK 432 million)
- Other operating income amounted to NOK 94 million (NOK 215 million)
- Profit after tax amounted to NOK 125 million (NOK 281 million)
- Profit after tax from core business was NOK 131 million (NOK 282 million)
- Other operating expense amounted to NOK 273 million (NOK 224 million)
- Costs constituted 59 per cent of total income (35 per cent)
- Return on equity after tax amounted to 3.5 per cent (7.8 per cent)
- Return on equity after tax from core business was 3.7 per cent (7.9 per cent)
- The managed portfolio decreased by NOK 2,933 million during the past 12 months (a drop of NOK 667 million)
- The margin on loans measured against the 3-month NIBOR fell by 33 basis points during the past 12 months to 1.99 per cent (2.32 per cent)
- The deposit margin measured against the 3-month NIBOR rose by 36 basis points during the past 12 months to -0.49 per cent (-0.85 per cent)
- Impairment losses on loans constituted an expense of NOK 19 million (expense of NOK 37 million)
- Capital adequacy ratio of 22.7 per cent (19.7 per cent)
- Tier 1 capital adequacy ratio of 19.0 per cent (16.4 per cent)
- Core tier 1 capital ratio of 17.2 per cent (14.9 per cent)

Results for Quarter 4 2015

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

During the fourth quarter of 2015, profit after tax was NOK 32 million (NOK -12 million). This gave an annualised return on equity of 3.7 per cent (-1.4 per cent). Increased net interest income, changes in value and lower losses had a positive effect. In addition, lower costs made a positive contribution, primarily as a result of the setting aside of provisions for restructuring measures during the third quarter. Lower commission income had a negative effect on the result compared with the third quarter.

Total income was NOK 107 million during the fourth quarter of 2015 (NOK 90 million).

NOK MILLION	Q4. 15	Q3. 15	CHANGE
Total income	107	90	17
Margin and volume effects		1	
Commission income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt			5
Late payment interest and net interest fees			-2
Changes in value			16
Other changes			-3

During the fourth quarter, net interest income amounted to NOK 100 million (NOK 97 million). Lower lending volumes and margins had a negative effect, while higher deposit margins and net interest fees had a positive impact.

During the fourth quarter, other operating income excluding changes in value amounted to NOK 30 million (NOK 32 million). Commission income from SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt amounted to NOK 23 million (NOK 25 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 fourth quarter of 2015 was NOK 59 million (NOK 97 million). Operating expense for the third quarter included a provision of NOK 38 million linked to the Board of Directors' decision to discontinue the corporate market business. If one disregards the provision, operating expense is on a par with the previous quarter. Adjusted for revenue in SpareBank 1 Næringskreditt, costs amount to 42 per cent of income (80 per cent). BN Bank has a long-term aim to be one of Norway's most cost-effective banks in the retail market.

During the fourth quarter of 2015, losses amounted to NOK 0 million (a recognised expense of NOK 10 million). Individual and collective impairment losses on loans were distributed as follows:

MILL. KR	INDIVIDUAL	COLLECTIVE	TOTAL
Corporate Market	-5	5	0
Retail Market	0	0	0
Guarantee Portfolio	0	0	0
Total	**-5**	**5**	**0**

As at 31 December 2015

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

As at the fourth quarter of 2015, the BN Bank Group posted a profit after tax of NOK 125 million (NOK 281 million). This gives an annualised return on equity after tax of 3.5 per cent (7.8 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. Lower losses and higher other income had a positive effect.

The Bank's core business, the result of the corporate and retail banking activities, saw a decrease in post-tax profit of NOK 151 million, from NOK 282 million during the fourth quarter of 2014 to NOK 131 million in the same period in 2015.

Income

Total income was NOK 463 million (NOK 647 million). The Bank's net interest income amounted to NOK 369 million (NOK 432 million). The Bank's margin on lending in the managed portfolio measured against the 3-month NIBOR as of the fourth quarter of 2015 was 1.99 per cent (2.32 per cent). The Bank's deposit margin measured against the 3-month NIBOR as at 31 December 2015 was -0.49 per cent (-0.85 per cent).

Other operating income stood at NOK 94 million (NOK 215 million) as at 31 December 2015. The key reasons behind the decline are changes in the value of assets and liabilities carried at fair value, as well as reduced commission income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

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 31 December 2015, this equity surcharge came to NOK 87 million before tax.

Costs

Operating expenses amounted to NOK 273 million (NOK 224 million), of which the provision for restructuring measures in the third quarter amounted to NOK 38 million). Costs as at 31 December 2015 constituted 59 per cent of total income (35 per cent) Adjusted for earnings in SpareBank 1 Næringskreditt, the cost ratio is 47 per cent (28 per cent).

Losses on loans and non-performing loans

Net impairment losses on loans and guarantees totalled NOK 19 million (NOK 37 million).

Defaults in excess of 90 days amounted to 1.41 per cent of gross lending within the Group as at 31 December 2015 (1.49 per cent). With a deduction for individual write-downs, non-performing and doubtful loans amounted to NOK 354 million (NOK 428 million) at the end of the fourth quarter of 2015, equivalent to 1.42 per cent (1.57 per cent) of gross lending within the Group and the Guarantee Portfolio. See Note 6 for more information.

Impairment losses as at 31 December 2015 were distributed as follows:

NOK MILLION	INDIVIDUAL	COLLECTIVE	TOTAL
Corporate Market	5	9	14
Retail Market	0	-6	-6
Guarantee Portfolio	9	2	11
Total	**14**	**5**	**19**

Loan loss provisions within the core business amounted to NOK 214 million at the end of the fourth quarter of 2015 (NOK 223 million). Of this figure, individual write-downs account for NOK 157 million (NOK 169 million) and collective write-downs NOK 57 million (NOK 54 million). Total loan loss provisions as at the end of the fourth quarter of 2015 were distributed as follows:

	LOAN LOSS PROVISIONS (NOK MILLION)	% OF GROSS LENDING, GROUP
Corporate Market	205	1,30
Retail Market	9	0,10

BN Bank has previously entered into an agreement with SpareBank1 SMN for the latter to take over the Bank's Ålesund portfolio. As at 31 December 2015, BN Bank provided guarantees for NOK 135 million of the credit risk for the remaining portfolio (referred to as the Guarantee Portfolio) of NOK 215 million. The total provision for losses in the Guarantee Portfolio was NOK 66 million as at the end of the fourth quarter of 2015.

Balance sheet developments and capital

Gross managed lending has fell by NOK 2.9 billion, or 5.7 per cent, in the past 12 months. Gross managed loans totalled NOK 46.5 billion at the end of the fourth quarter of 2015 (NOK 49.4 billion).

BILLION NOK	31/12/15	31/12/14
Gross lending	46,5	49,4
Change last 12 months	-2,9	-0,6

Gross managed lending had the following segmental exposure:

NOK BILLION	31/12/15	31/12/14
Retail	20,1	17,4
Corporate Market	26,4	32,0

The lending volume in the corporate market fell by NOK 5.6 billion, or -17.5 per cent, in the past 12 months. The lending volume in the retail market rose by NOK 2.7 billion, or 15.5 per cent, during the same period. Of the growth in the retail market, NOK 0.5 billion stemmed from the transfer of loans secured through residential property from the corporate market portfolio.

The deposit volume rose by NOK 0.3 billion, or 2.3 per cent. Total deposits amounted to NOK 14.8 billion at the end of the fourth quarter (NOK 14.4 billion). The deposit-to-loan ratio was 60 per cent at the end of the fourth quarter, an increase of 10 percentage point during the past 12 months.

In 2015, the Bank has issued certificates and bonds totalling NOK 2.7 billion (NOK 5.1 billion) in the Norwegian bond market. BN Bank has a conservative liquidity strategy. BN Bank has established a goal of being able to manage without access to new external financing sources for a period of 12 months. At the end of the fourth quarter of 2015, the Bank met this goal. BN Bank's liquidity portfolio amounted to NOK 6.7 billion (NOK 6.3 billion) at the end of the fourth quarter of 2015. The liquidity portfolio consists of well secured securities.

At the end of the fourth quarter of 2015, loans worth NOK 11.5 billion (NOK 13.3 billion) had been transferred to SpareBank 1 Næringskreditt, while loans amounting to NOK 10.0 billion (NOK 8.8 billion) had been transferred to SpareBank 1 Boligkreditt. In total, the Bank has transferred 43 per cent (41 per cent) of loans for commercial property and 50 per cent (51 per cent) of residential mortgage loans to these two companies.

The Bank's total assets amounted to NOK 32.6 billion as at 31 December 2015 (NOK 35.8 billion). Including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, total assets amounted to NOK 54.2 billion (NOK 57.8 billion).

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

FIGURES AS %	31/12/15	31/12/14
Capital adequacy ratio	22,7	19,7
Tier 1 capital ratio	19,0	16,4
Core tier 1 capital ratio	17,2	14,9

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 capital plan which sets a target for BN Bank ASA's core tier 1 capital ratio to be at least 14.85 per cent. At the end of the fourth quarter, the Group's core tier 1 capital ratio exceeds the objective. See Note 13 for further details concerning capital adequacy ratio and solvency.

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

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 31 December 2015, the company had a gross lending portfolio of NOK 12.4 billion, compared with NOK 15.4 billion as at 31 December 2014. As at 31 December 2015, a loan portfolio of NOK 11.5 billion had been transferred to SpareBank 1 Næringskreditt.

Profit after tax amounted to NOK 96 million at the end of the fourth quarter of 2015, compared with a post-tax profit of NOK 140 million during the same period in 2014. The principal reason behind the reduction is lower net interest income and lower commission income.

Impairment losses on loans and advances totalled NOK -3 million as at the end of the fourth quarter of 2015, compared with NOK -5 million in the same period in 2014. Collective write-downs increased by NOK 12 million last year and amount to NOK 34 million, BNkreditt had NOK 2.3 billion in bond debt outstanding at the end of the fourth quarter of 2015, compared with NOK 3.3 billion at the end of the fourth 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 33.3 per percent, while the tier 1 capital ratio was 28.5 per cent at the end of the fourth quarter of 2015. The internal debt BN Bank is ceding precedence for amounted to NOK 0 million as at the fourth 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 fourth 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 ceased. The work to scale down and wind up the corporate market business will take place in a controlled manner over time, and in order to increase the return, the Bank will adjust the lending margins in the corporate market upwards over time.

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 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 capital plan which sets a target for BN Bank ASA's core tier 1 capital ratio to be at least 14.85 per cent. As at the end of the fourth quarter of 2015, the Bank's core tier 1 capital ratio was 17.2 per cent.

BN Bank is continuing its efforts to develop the retail market further by streamlining the Bank into a 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.

The Board of Directors expects the ripple effects of the fall in the price of oil to gradually spread in the Norwegian economy, leading to more redundancies and a reduction in investment. Non-performing loans in the retail market are at a stable and low level, but unemployment is rising in some regions, and it is likely that an increase in unemployment will impact on our portfolio. 99 per cent of the Bank's exposure within the retail market is secured through mortgages in active, functioning housing markets, as defined by Eiendomsverdi. The average loan-to-value ratio is just under 60 per cent. Just under 10 per cent of the portfolio has a loan-to-value ratio above 80 per cent. The average loan-to-value ratio in this part is 84 per cent. Rogaland is the region which is hardest hit by the drop in the price of oil, and has suffered a rise in unemployment and a fall in house prices. BN Bank's residential mortgage exposure in this county represents 6.4 per cent of the managed residential mortgage portfolio. The average loan-to-value ratio in this portfolio is on a par with the rest of the residential mortgage portfolio.

Non-performing loans in the corporate market are also at a stable and low level, but with declining volumes, the proportion of non-performing loans is expected to rise, regardless of the economic situation. BN Bank's exposure in the corporate market in Rogaland is just under 5 per cent. The highest loan-to-value ratio in this part of the portfolio is 80 per cent.

The Board of Directors believes that the fall in the price of oil could lead to an increase in the risk of bankruptcies. This could lead to a drop in commercial property prices as a result of lower rents and an increase in vacancies, which in turn could have a negative impact on the servicing capacity and the values of our corporate market customers. However, this downturn is expected to have a limited effect on losses, as the bank has a solid portfolio with an average loan-to-value ratio of 68 per cent.

Trondheim, 26 January 2016
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)

GROUP

Income Statement

GROUP

NOK MILLION	NOTE	Q4 2015	Q4 2014	YEAR 2015	YEAR 2014
Interest and similar income		256	332	1 101	1 408
Interest expense and similar charges		156	232	732	976
Net income from interest and credit commissions		**100**	**100**	**369**	**432**
Change in value of financial instruments carried at fair value, gains and losses	3, 4	-23	-8	-70	14
Other operating income	5	30	41	164	201
Total other operating income		**7**	**33**	**94**	**215**
Salaries and general administrative expenses	16	54	47	241	193
Ordinary depreciation, amortisation and write-downs		3	3	9	8
Other operating expenses		2	5	25	24
Other gains and losses		0	-1	-2	-1
Total other operating expense		**59**	**54**	**273**	**224**
Operating profit/(loss) before impairment losses		**48**	**79**	**190**	**423**
Impairment losses on loans and advances	6	0	14	19	37
Profit before tax		**48**	**65**	**171**	**386**
Tax charge		13	18	43	102
Profit after tax continuing operations		**35**	**47**	**128**	**284**
Profit from operations under disposal		-3	-3	-3	-3
Profit including discontinued operations		**32**	**44**	**125**	**281**
Statement of Other Comprehensive Income					
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains (losses) on pension plans		7	-1	7	-1
Unrealised change in value of assets available for sale		7	-1	7	-1
Tax		-2	0	-2	0
Other comprehensive income (net of tax)		**12**	**-2**	**12**	**-2**
Total comprehensive income		**44**	**42**	**137**	**279**

Balance Sheet

		GROUP	
NOK MILLION	**NOTE**	**31/12/15**	**31/12/14**
Deferred tax assets		0	9
Intangible assets		13	11
Tangible fixed assets		9	10
Repossessed properties		6	0
Loans and advances	4, 6, 7, 8, 9, 11, 13	24 681	27 154
Prepayments and accrued income	11	14	16
Financial derivatives	4, 11, 12	576	767
Short-term securities investments	4, 11	6 683	6 305
Cash and balances due from credit institutions	11	593	1 486
Assets classified as held for sale		74	29
Total assets		**32 649**	**35 787**
Share capital		706	706
Share premium		415	415
Other equity		2 393	2 520
Total equity		**3 514**	**3 641**
Deferred tax		6	0
Subordinated loan capital	4, 10, 11	1 202	1 205
Liabilities to credit institutions	11	5	2
Debt securities in issue	4, 10, 11	12 531	15 649
Accrued expense and deferred income	6, 11	151	112
Other current liabilities	11	6	10
Tax payable		59	130
Financial derivatives	4, 11, 12	404	596
Customer deposits & accounts payable to customers	4, 11	14 771	14 442
Total liabilities		**29 135**	**32 146**
Total liabilities and equity		**32 649**	**35 787**

Trondheim, 26 January 2016
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	281	281
Actuarial gains (losses) on pensions (net of tax)	0	0	-1	-1
Dividend paid	0	0	-240	-240
Balance Sheet as at 31/12/2014	**706**	**415**	**2 520**	**3 641**
Net income for the period	0	0	125	125
Actuarial gains (losses) on pensions (net of tax)	0	0	5	5
Unrealised change in value of asset available for sale	0	0	7	7
Dividend paid	0	0	-264	-264
Balance Sheet as at 31/12/2015	**706**	**415**	**2 393**	**3 514**

Cash Flow Analysis

	GROUP	
NOK MILLION	**YEAR 2015**	**YEAR 2014**
Cash flows from operating activities		
Interest/commission received and fees received from customers	1 136	1 445
Interest/commission paid and fees paid to customers	-279	-382
Interest received on other investments	180	172
Interest paid on other loans	-448	-652
Receipts/disbursements (-) on loans and advances to customers	2 335	1 834
Receipts/disbursements on customer deposits and accounts payable to cust.	302	-614
Receipts/disbursements (-) on liabilities to credit institutions	33	-117
Receipts/disbursements (-) on issuing of securities	-3 090	-926
Receipts on previously written-off debt	14	14
Other receipts/payments	45	-48
Payments to suppliers for goods and services	-135	-130
Payments to employees, pensions and social security expenses	-133	-95
Tax paid	-101	-37
Net cash flow from operating activities	-141	464
Cash flows from investing activities		
Receipts/payments (-) on receivables from credit institutions	-1	46
Receipts/payments (-) on current securities investments	-473	-114
Receipts/payments (-) on long-term securities investments	0	0
Proceeds from sale of operating assets, etc.	2	11
Purchases of operating assets, etc.	-16	-16
Proceeds from sale of subsidiaries	0	0
Net cash flow from investing activities	-488	-73
Cash flow from financing activities		
Receipts/payments (-) on subordinated loan capital	0	-250
Dividend paid	-264	-240
Net cash flow from financing activities	-264	-490
Net cash flow for the period	-893	-99
Cash and balances due from credit institutions as at 1 January	1 486	1 585
Cash and balances due from credit institutions as at the end of the period	593	1 486

Notes

NOTE 1. ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with IFRS, including IAS 34 on Interim Financial Reporting. A description of the accounting policies applied by the Group when preparing the interim financial statements is given in the annual report for 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. In 2015, BN Bank has continued the previous practice of accruing the fee on a monthly basis. In a circular letter dated 19 November 2015, the Financial Supervisory Authority of Norway pointed out that, under current regulations, the fee paid to the Norwegian Banks' Guarantee Fund must be expensed on 1 January in its entirety and not accrued through the year. Based on this circular letter, BN Bank will re-evaluate the accounting treatment of the guarantee fund fee in 2016.

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 31/12/15
Net income from interest and credit commissions	218	151	0	369
Change in value of financial instruments carried at fair value	-50	-20	0	-70
Other operating income	65	96	3	164
Total other operating income	15	76	3	94
Salaries and general administrative expenses	121	120	0	241
Ordinary depreciation, amortisation and write-downs	4	5	0	9
Other operating expenses	12	13	0	25
Other gains and losses	0	-2	0	-2
Total other operating expense	137	136	0	273
Operating profit/(loss) before impairment losses	96	91	3	190
Impairment losses on loans and advances	-14	6	-11	-19
Operating profit/(loss) after impairment losses	82	97	-8	171
Computed tax charge	-22	-23	2	-43
Profit after tax continuing operations	60	74	-6	128
Profit from operations under disposal	-3	0	0	-3
Profit including discontinued operations	57	74	-6	125

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 31/12/2015
Loans (gross) inc. loans in OMF companies	26 412	20 121	0	46 533
Customer deposits & accounts payable to customers	828	13 947	0	14 775

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 31/12/14
Net income from interest and credit commissions	**310**	**122**	**0**	**432**
Change in value of financial instruments carried at fair value	9	5	0	14
Other operating income	74	123	4	201
Total other operating income	**83**	**128**	**4**	**215**
Salaries and general administrative expenses	-82	-111	0	-193
Ordinary depreciation, amortisation and write-downs	-3	-5	0	-8
Other operating expenses	-12	-12	0	-24
Other gains and losses	1	0	0	1
Total other operating expense	**(96)**	**(128)**	**-**	**-224**
Operating profit/(loss) before impairment losses	**297**	**122**	**4**	**423**
Impairment losses on loans and advances	**-21**	**-10**	**-6**	**-37**
Operating profit/(loss) after impairment losses	**276**	**112**	**-2**	**386**
Computed tax charge	**-75**	**-28**	**1**	**-102**
Profit after tax	**201**	**84**	**-1**	**284**
Profit from operations under disposal	-3	0	0	-3
Profit including discontinued operations	**198**	**84**	**-1**	**281**

NOK MILLION	CM	RM	GUARANTEE PORTFOLIO SMN	TOTAL 31/12/14
Loans (gross) inc. loans in OMF companies	32 048	17 418	0	49 466
Customer deposits & accounts payable to customers	852	13 590	0	14 442

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

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

NOK MILLION	Q4 2015	Q4 2014	YEAR 2015	YEAR 2014
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss	2	-37	7	-64
Change in value of currency derivatives obliged to be carried at fair value through profit or loss [1]	17	-54	4	-27
Total change in value of financial instruments obliged to be carried at fair value	19	-91	11	-91
Change in value of deposits selected for fair value carrying through profit or loss	0	0	-1	0
Change in value of borrowings selected for fair value carrying through profit or loss	4	1	22	12
Change in value of loans selected for fair value carrying through profit or loss	-3	5	-21	6
Change in value of short-term financial investments selected for fair value carrying	-21	25	-70	77
Total change in value of financial instruments selected for fair value carrying	-20	31	-70	95
Change in value of interest rate derivatives, hedging [2]	-4	112	-7	179
Change in value of borrowings, hedged [2]	5	-111	6	-179
Total change in value of financial instruments for hedging	1	1	-1	0
Total change in value of financial instruments carried at fair value	0	-59	-60	4
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost [3]	-6	-3	-8	-20
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost [3]	0	0	-1	0
Realised gain/loss on shares [4]	-2	0	-2	-1
Exchange gains/losses on borrowings and loans carried at amortised cost [1]	-15	54	1	31
Total change in value of financial instruments carried at fair value, gains and losses	-23	-8	-70	14

[1] Exchange gains/losses on borrowings and loans carried at amortised cost are chiefly attributable to exchange gain/loss effects which arise when borrowing and lending in foreign currencies are translated at the current exchange rate. Forward exchange contracts and combined interest rate and currency derivatives are carried at fair value with changes in value carried through profit or loss. The net foreign exchange effect for the Group was a recognised expense of NOK 5 million in 2015. The annual effect for 2014 was a recognised income of NOK 4 million. Exposure to exchange rate fluctuations is low.

[2] 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 31 December 2015 was positive by NOK 300 million, compared with NOK 317 million as of the same date in 2014.

[3] Realised exchange gains/losses on bonds, certificates and borrowing carried at amortised cost gave rise to recognised income of NOK 9 million as of the end of the fourth quarter of 2015, compared with a recognised expense of NOK 20 million for the same period in 2014.

[4] During the fourth quarter of 2015, shares owned by the Bank were written down by a total of NOK 1.6 million. Correspondingly, a write-down of NOK 0.5 million was carried out during the second quarter of 2014.

NOTE 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Methods for determining fair value

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

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

Certificates and bonds issued by others
Certificates and bonds are measured at quoted prices where such are available and the securities are liquid. Other securities were valued using price estimates obtained from brokers.

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

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

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

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

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

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

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

The Group's assets and liabilities measured at fair value as at 31 December 2015

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	-	543	543
Interest rate derivatives [1]	0	577	0	577
Short-term securities investments	741	4 270	553	5 564
Total assets	**741**	**4 847**	**1 096**	**6 684**
Debt securities in issue	0	-553	0	-553
Interest rate derivatives [1]	0	-381	0	-381
Currency derivatives	0	-23	0	-23
Customer deposits & accounts payable to customers	0	-580	0	-580
Total liabilities	**0**	**-1 537**	**0**	**-1 537**

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 December 2015 was positive by NOK 300 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 [1]	0	750	0	750
Currency derivatives	0	17	0	17
Short-term securities investments	604	4 093	456	5 153
Total assets	**604**	**4 860**	**1 081**	**6 545**
Debt securities in issue	0	-1 357	0	-1 357
Interest rate derivatives [1]	0	-553	0	-553
Currency derivatives	0	-44	0	-44
Customer deposits & accounts payable to customers	0	-323	0	-323
Total liabilities	**0**	**-2 276**	**0**	**-2 276**

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 December 2014 was positive by NOK 317 million.

The Group's financial instruments measured at fair value, Level 3, as at 31 December 2015

NOK MILLION	LOANS AND ADVANCES	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	625	456	1 081
Investments in the period/new agreements	169	99	268
Matured	-228	0	-228
Changes in value of financial instruments carried at fair value, gains and losses	-23	-2	-25
Closing balance	**543**	**553**	**1 096**
Of which, result for the period relating to financial instruments still on the balance sheet	-16	-2	-18

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

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

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

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

NOTE 5. OTHER OPERATING INCOME

NOK MILLION	Q4 2015	Q4 2014	YEAR 2015	YEAR 2014
Guarantee commission	1	1	4	6
Commission income from SpareBank 1 Næringskreditt AS [1, 2]	6	15	48	69
Commission income from SpareBank 1 Boligkreditt AS [1]	17	24	74	103
Net other commission income/expense	5	1	26	11
Dividend from SpareBank 1 Boligkreditt	0	0	12	12
Total other operating income	**30**	**41**	**164**	**201**

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

[2] From 2014 onwards, these costs will also include a premium for the capital that the owners have invested in Sparebank 1 Næringskreditt for the loans transferred by BN Bank.

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

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

NOK MILLION	Q4 2015	Q4 2014	31/12/15	31/12/14
Write-offs in excess of prior-year write-downs	1	1	1	31
Write-offs on loans without prior write-downs	0	2	0	5
Write-downs for the period:				
Change in collective write-downs	5	2	4	-8
Change in collective write-downs related to Guarantee Portfolio	0	0	2	-24
Total change in collective write-downs	**5**	**2**	**6**	**-32**
Increase in loans with prior-year write-downs [1]	1	24	38	91
Provisions against loans without prior write-downs	0	0	0	3
Decrease in loans with prior-year write-downs	-7	-15	-22	-51
Total change in individual write-downs	**-6**	**9**	**16**	**43**
Gross impairment losses	0	14	23	47
Recoveries on previous write-offs	0	0	4	10
Impairment losses on loans and advances	**0**	**14**	**19**	**37**
Revenue recognition of interest on written-down loans	0	-1	-2	-12

NOK MILLION	Q4 2015	Q4 2014	31/12/15	31/12/14
Individual write-downs to cover impairment losses at start of period	174	162	169	154
Write-offs covered by prior-year individual write-downs	-11	-1	-16	-3
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	1	23	23	66
Write-downs on loans without prior individual write-downs	0	0	1	3
Decrease in loans with prior-year individual write-downs	-7	-15	-20	-51
Individual write-downs to cover impairment losses at end of period	**157**	**169**	**157**	**169**
Collective write-downs to cover impairment losses at start of period	52	52	54	62
Collective write-downs for the period to cover impairment losses	5	2	3	-8
Collective write-downs to cover impairment losses at end of period	**57**	**54**	**57**	**54**

NOK MILLION	Q4 2015	Q4 2014	31/12/15	31/12/14
Provision for losses on financial guarantees concerning the Guarantee Portfolio at start of period [1]	56	53	54	101
Write-offs covered by prior-year individual write-downs	0	0	-7	-61
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	0	1	13	14
Decrease in loans with prior-year individual write-downs	0	0	-4	0
Provision for losses on financial guarantees concerning the Guarantee Portfolio at end of period [1]	**56**	**54**	**56**	**54**
Collective write-downs linked to the Guarantee Portfolio at start of period	10	8	9	32
Collective write-downs for the period to cover losses in Guarantee Portfolio	0	1	1	-23
Collective write-downs linked to the Guarantee Portfolio at end of period [1]	**10**	**9**	**10**	**9**
Total loss provisions related to Guarantee Portfolio	**66**	**63**	**66**	**63**

[1] BN Bank has previously entered into an agreement with SpareBank 1 SMN for the latter to take over the Bank's Ålesund portfolio. BN Bank now provides guarantees for NOK 135 million of the credit risk for the remaining portfolio (called the "Guarantee Portfolio"). The total provision for losses in the Guarantee Portfolio was NOK 66 million as at the end of the fourth 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	31/12/15	31/12/14
Gross principal	353	407
Individual write-downs	146	143
Net principal	**207**	**264**

Other loans with individual write-downs [1]

NOK MILLION	31/12/15	31/12/14
Gross principal	213	244
Individual write-downs	66	80
Net principal	**147**	**164**

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

NOK MILLION	GROSS OUTSTANDING 31/12/15	%	GROSS OUTSTANDING 31/12/14	%
Corporate Market	299	2,03	341	1,82
Retail	54	0,53	66	0,77
Total	**353**	**1,41**	**407**	**1,49**

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

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

NOTE 7. SUMMARY OF GROSS MANAGED LENDING

NOK MILLION	31/12/15	31/12/14
Corporate and retail loans, Group	24 975	27 407
Gross lending	**24 975**	**27 407**
Loans transferred to SpareBank 1 Næringskreditt	11 515	13 250
Loans transferred to SpareBank 1 Boligkreditt	10 043	8 809
Total loans, managed portfolio	**46 533**	**49 466**

NOTE 8. TRANSFER OF LOANS TO SPAREBANK 1 NÆRINGSKREDITT

SpareBank 1 Næringskreditt AS was established in 2009 and is licensed by the Financial Supervisory Authority of Norway to operate as a credit institution. The company's bonds have an Aa1 rating from Moody's. The company is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Boligkreditt AS in Stavanger. BN Bank owns no shares in SpareBank 1 Næringskreditt as at 31 December 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 the end of December 2015, the book value of transferred loans was NOK 11.5 billion. BNkreditt is responsible for managing the transferred loans and BNkreditt receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

BN Bank has pledged guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt's capital base. As at 31 December 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 fourth quarter of 2015 and 2014.

Guarantee provided by BN Bank to BNkreditt

In order to protect the interests of existing bond holders in BNkreditt, in connection with the transfer of loans to Sparebank 1 Næringskreditt, BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 31 December 2015, BNkreditt's capital adequacy ratio was 33.3 per cent. The amount the Parent Bank is ceding precedence to stood at NOK 0 million as at 31 December 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 5.95% as at 31 December 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 the end of December 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 fourth 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 fourth quarter of 2015, either as new issues or the expansion of existing open loans.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (nominal) 01/01/15	550	14 690	15 240
Acquisition and maturity of existing	0	-781	-781
Net debt (nominal) 31/03/15	**550**	**13 909**	**14 459**
New issues	450	1 700	2 150
Acquisition and maturity of existing	-550	-1 390	-1 940
Net debt (nominal) 30/06/15	**450**	**14 219**	**14 669**
Acquisition and maturity of existing	0	-966	-966
Net debt (nominal) 30/09/15	**450**	**13 253**	**13 703**
Acquisition and maturity of existing	-250	-1 275	-1 525
Net debt (nominal) 31/12/15	**200**	**11 978**	**12 178**

Subordinated loan capital and perpetual subordinated capital securities

The Group did not issue subordinated capital securities or loans during the fourth 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) 01/01/15	400	800	1 200
New issues	0	500	500
Acquisition and maturity of existing	0	-134	-134
Net debt (nominal) 31/03/15	**400**	**1 166**	**1 566**
Acquisition and maturity of existing	0	-366	-366
Net debt (nominal) 30/06/15	**400**	**800**	**1 200**
Net debt (nominal) 30/09/15	**400**	**800**	**1 200**
Net debt (nominal) 31/12/15	**400**	**800**	**1 200**

Recognised values

NOK MILLION	31/12/15	31/12/14
Certificates selected for fair value carrying	202	556
Total recognised value of certificates	**202**	**556**
Bonds carried at amortised cost	7 178	9 541
Bonds carried at amortised cost (secured debt)	4 800	4 751
Bonds selected for fair value carrying	351	801
Total recognised value of bonds	**12 329**	**15 093**
Total recognised value of debt securities in issue	**12 531**	**15 649**

NOK MILLION	31/12/15	31/12/14
Perpetual subordinated capital securities carried at amortised cost	401	401
Total recognised value of capital securities	**401**	**401**
Subordinated loans carried at amortised cost	801	804
Total recognised value of subordinated loans	**801**	**804**
Total recognised value of subordinated loans and capital securities	**1 202**	**1 205**

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

	31/12/15		31/12/14	
NOK MILLION	**FAIR VALUE**	**RECOGNISED VALUE**	**FAIR VALUE**	**RECOGNISED VALUE**
Loans and advances	24 683	24 681	27 154	27 154
Prepayments and accrued income	13	14	16	16
Interest rate derivatives	576	576	750	750
Currency derivatives	0	0	17	17
Short-term securities investments	6 683	6 683	6 305	6 305
Cash and balances due from credit institutions	593	593	1 486	1 486
Assets classified as held for sale	74	74	29	29
Subordinated loan capital	-1 196	-1 202	-1 256	-1 205
Liabilities to credit institutions	-5	-5	-2	-2
Debt securities in issue	-12 549	-12 531	-15 823	-15 649
Accrued expense and deferred income	-66	-66	-63	-63
Other current liabilities	-6	-6	-10	-10
Interest rate derivatives	-381	-381	-552	-552
Currency derivatives	-23	-23	-44	-44
Customer deposits & accounts payable to customers	-14 771	-14 771	-14 442	-14 442
Total	3 625	3 637	3 567	3 792

In connection with the calculation of fair value of certificates and bonds at amortised cost, we have used estimates of market prices from brokers. Treasury bills are recognised at the most recent bid price. Financial derivatives are carried in their entirety at fair value, and consequently no difference will be presented in the balance sheet between fair value and recognised value.

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

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

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

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

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Short-term securities investments	0	1 111	0	1 111
Total assets	0	1 111	0	1 111
Subordinated loan capital	0	-1 196	0	-1 196
Debt securities in issue	0	-7 196	0	-7 196
Total liabilities	0	-8 392	0	-8 392

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

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

NOTE 12. RIGHT OF SET-OFF, FINANCIAL DERIVATIVES

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

Financial assets: 31/12/15

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	216	24	192
Counterparty 2	173	173	0
Counterparty 3	67	25	42
Counterparty 4	56	56	0
Counterparty 5	60	23	37
Counterparty 6	4	-	4
Total	**576**	**301**	**275**

Financial liabilities 31/12/15

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	24	24	0
Counterparty 2	270	173	97
Counterparty 3	25	25	0
Counterparty 4	62	56	6
Counterparty 5	23	23	0
Counterparty 6	0	0	0
Total	**404**	**301**	**103**

Financial assets: 31/12/14

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

Financial liabilities 31/12/14

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

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

NOTE 13. CAPITAL ADEQUACY RATIO

Process for assessing capital adequacy requirement

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

During the second quarter of 2014, the BN Bank obtained approval to use internal measurement methods (Internal Rating Based Approach - Advanced) for measuring credit risk for corporate engagement, 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.

NOK MILLION	31/12/15	31/12/14
Share capital	706	706
Premium fund	415	415
Appropriated dividend	170	264
Reserve for unrealised gains	360	364
Other equity	1 863	1 892
Total equity	**3 514**	**3 641**
Tier 1 capital		
Intangible assets	-13	-11
Deduction for appropriated dividend	170	-264
Direct investments in companies in the financial sector	-109	-36
Positive value of adjusted anticipated losses under the IRB approach	-82	-123
Unrealised gains on equity instruments	-7	0
Interim profit included in tier 1 capital	0	0
Value adjustments as a result of the requirements for prudent valuation	-9	-8
Total core tier 1 capital	**3 124**	**3 199**
Perpetual subordinated capital securities, hybrid capital [1]	400	399
Direct investments in companies in the financial sector	-82	-71
Total tier 1 capital	**3 442**	**3 527**
Tier 2 capital in addition to tier 1 capital		
Perpetual subordinated capital securities, hybrid capital in excess of 15% and 35%	0	0
Fixed-term subordinated capital	800	798
Direct investments in companies in the financial sector	-126	-101
Positive value of adjusted anticipated losses under the IRB approach	0	0
Tier 2 capital	**674**	**697**
Total subordinated capital	**4 116**	**4 224**
Minimum requirements concerning subordinated capital, Basel III [2]		
Loans with specialist enterprises	564	772
Loans with other enterprises	170	119
Equity positions	49	50
Total credit risk IRB	**990**	**941**
Operational risk	91	83
Loans calculated according to the standard method	312	674
Deduction in the capital requirement	0	0
Transitional arrangement (floor)	48	0
Creditworthiness of counterparty (CVA risk)	11	18
Minimum requirements, subordinated capital	**1 452**	**1 716**
Calculation basis	**18 155**	**21 460**
Buffer requirements		
Conservation buffer (2.5%)	454	536
System risk buffer (3.0%)	545	644
Total buffer requirements for core tier 1 capital	**999**	**1 180**
Available tier 1 capital (less 4.5%)	**2 307**	**2 234**
Capital adequacy ratio		
Core tier 1 capital ratio	17,21 %	14,91 %
Tier 1 capital ratio	18,96 %	16,43 %
Capital adequacy ratio	22,67 %	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 per cent
in 2015:..40 per cent
in 2016:..60 per cent
in 2017:..80 per cent

[1] For more details, see Note 10.
[2] From the second quarter of 2014, BN Bank has obtained approval to use internal measurement methods for credit risk linked to corporate 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	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Interest and similar income	256	275	279	291	332
Interest expense and similar charges	156	178	189	209	232
Net income from interest and credit commissions	**100**	**97**	**90**	**82**	**100**
Change in value of financial instruments carried at fair value, gains and losses	-23	-39	-5	-3	-8
Other operating income	30	32	44	58	41
Total other operating income	**7**	**-7**	**39**	**55**	**33**
Salaries and general administrative expenses	54	88	50	49	47
Depreciation, amortisation and write-downs	3	2	2	2	3
Other operating expenses	2	7	7	9	5
Other gains and losses	0	0	0	-2	-1
Total other operating expense	**59**	**97**	**59**	**58**	**54**
Impairment losses on loans and advances	0	10	2	7	14
Profit before tax	**48**	**-17**	**68**	**72**	**65**
Tax charge	14	-5	18	17	18
Profit after tax continuing operations	**34**	**-12**	**50**	**55**	**47**
Profit from activities "held for sale"	-2	0	0	0	-3
Profit including activities "held for sale"	**32**	**-12**	**50**	**55**	**44**

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 was set aside in the third quarter of 2015. In the income statement, this is classified under Salaries and general administrative expenses. The provision was reduced by NOK 0.8 million during the fourth quarter based on accrued expenses. NOK 0.9 million in additional provisions also accrued during the fourth quarter. The net provision as at 31 December 2015 is thus NOK 38.0 million.

PARENT BANK

Income Statement

PARENT BANK

NOK MILLION	NOTE	Q4 2015	Q4 2014	YEAR 2015	YEAR 2014
Interest and similar income		191	253	835	1 080
Interest expense and similar charges		136	202	646	853
Net income from interest and credit commissions		**55**	**51**	**189**	**227**
Change in value of financial instruments carried at fair value, gains and losses	2, 3	-22	-7	-64	20
Other operating income	4	23	27	115	132
Total other operating income		**1**	**20**	**51**	**152**
Salaries and general administrative expenses	16	36	29	165	119
Ordinary depreciation, amortisation and write-downs		3	3	9	8
Other operating expenses		0	4	18	17
Other gains and losses		0	0	-2	0
Total other operating expense		**39**	**36**	**190**	**144**
Operating profit/(loss) before impairment losses		**17**	**35**	**50**	**235**
Impairment losses on loans and advances	6	5	29	22	42
Operating profit/(loss) after impairment losses		**12**	**6**	**28**	**193**
Income from ownership interests in group companies	5	0	0	140	167
Profit before tax		**12**	**6**	**168**	**360**
Tax charge		-4	1	-3	96
Profit after tax		**16**	**5**	**171**	**264**
Statement of Other Comprehensive Income					
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains (losses) on pension plans		4	0	4	0
Unrealised change in value of assets available for sale		7	0	7	0
Tax		-1	0	-1	0
Other comprehensive income (net of tax)		**10**	**0**	**10**	**0**
Total comprehensive income		**26**	**5**	**181**	**264**

Balance Sheet

		PARENT BANK	
NOK MILLION	**NOTE**	**31/12/15**	**31/12/14**
Intangible assets		13	11
Ownership interests in group companies		1 600	1 600
Subordinated loans	11	452	453
Tangible fixed assets		9	10
Loans and advances	3, 6, 7, 8, 9, 11, 13	12 454	11 972
Prepayments and accrued income	11	13	14
Financial derivatives	3, 11, 12	536	694
Short-term securities investments	3, 11	6 683	6 305
Cash and balances due from credit institutions	11	7 483	10 232
Assets classified as held for sale		5	5
Total assets		**29 248**	**31 296**
Share capital		706	706
Share premium		415	415
Other equity		1 273	1 356
Total equity		**2 394**	**2 477**
Deferred tax		109	112
Subordinated loan capital	3, 10, 11	1 202	1 205
Liabilities to credit institutions	11	4	2
Debt securities in issue	3, 10, 11	10 213	12 349
Accrued expense and deferred income	6, 11	145	101
Other current liabilities	11	6	10
Tax payable		17	49
Financial derivatives	3, 11, 12	374	541
Customer deposits & accounts payable to customers	3, 11	14 784	14 450
Liabilities classified as held for sale	12	0	0
Total liabilities		**26 854**	**28 819**
Total liabilities and equity		**29 248**	**31 296**

Trondheim, 26 January 2016
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

PARENT BANK

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN EQUITY	OTHER EARNINGS[1]	TOTAL EQUITY
Balance Sheet as at 01/01/2014	706	415	282	1 050	2 453
Net income for the period	0	0	0	264	264
Dividend paid	0	0	0	-240	-240
Balance Sheet as at 31/12/2014	**706**	**415**	**282**	**1 074**	**2 477**
Net income for the period	0	0	0	171	171
Actuarial gains (losses) on pensions (net of tax)	0	0	0	3	3
Unrealised change in value of asset available for sale	0	0	0	7	7
Dividend paid	0	0	0	-264	-264
Balance Sheet as at 31/12/2015	**706**	**415**	**282**	**991**	**2 394**

[1] The reserve for unrealised gains is included in Other reserves. Provision of NOK 361 million had been made as at 31/12/2015.

Cash Flow Analysis

	PARENT BANK	
NOK MILLION	**31/12/15**	**31/12/14**
Cash flows from operating activities		
Interest/commission received and fees received from customers	417	593
Interest/commission paid and fees paid to customers	-279	-382
Interest received on other investments	167	192
Interest paid on other loans	-340	-503
Receipts/disbursements (-) on loans and advances to customers	-523	1 387
Receipts/disbursements on customer deposits and accounts payable to cust.	302	-609
Receipts/disbursements (-) on liabilities to credit institutions	33	-117
Receipts/disbursements (-) on securities in issue and securities buy-back	-2 132	-813
Receipts on previously written-off debt	14	7
Other receipts/payments	23	-79
Payments to suppliers for goods and services	-99	-91
Payments to employees, pensions and social security expenses	-88	-52
Tax paid	-33	-23
Net cash flow from operating activities	**-2 538**	**-490**
Cash flows from investing activities		
Receipts/payments (-) on receivables from credit institutions	3 194	1 051
Receipts/payments (-) on current securities investments	-473	-119
Receipts/payments (-) on long-term securities investments	140	167
Proceeds from sale of operating assets, etc.	0	0
Purchases of operating assets, etc.	2	-8
Proceeds from sale of subsidiaries	-10	0
Net cash flow from investing activities	**2 853**	**1 091**
Cash flow from financing activities		
Receipts/payments (-) on subordinated loan capital	0	-250
Dividend paid	-264	-240
Net cash flow from financing activities	**-264**	**-490**
Net cash flow for the period	**51**	**111**
Cash and receivables from central banks as at 1 January *	359	248
Cash and balances due from central banks as at the end of the period	**410**	**359**

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

Notes

NOTE 1. ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with IFRS, including IAS 34 on Interim Financial Reporting. A description of the accounting policies applied by the Group when preparing the interim financial statements is given in the annual report for 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. In 2015, BN Bank has continued the previous practice of accruing the fee on a monthly basis. In a circular letter dated 19 November 2015, the Financial Supervisory Authority of Norway pointed out that, under current regulations, the fee paid to the Norwegian Banks' Guarantee Fund must be expensed on 1 January in its entirety and not accrued through the year. Based on this circular letter, BN Bank will re-evaluate the accounting treatment of the guarantee fund fee in 2016.

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	Q4 2015	Q4 2014	31/12/15	31/12/14
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss	1	-36	4	-61
Change in value of currency derivatives obliged to be carried at fair value through profit or loss [1]	16	-53	4	-28
Total change in value of financial instruments obliged to be carried at fair value	**17**	**-89**	**8**	**-89**
Change in value of deposits selected for fair value carrying through profit or loss	1	0	-1	0
Change in value of borrowings selected for fair value carrying through profit or loss	0	1	1	7
Change in value of loans selected for fair value carrying through profit or loss	11	67	32	50
Change in value of short-term financial investments selected for fair value carrying [2]	-21	25	-70	77
Total change in value of financial instruments selected for fair value carrying	**-9**	**93**	**-38**	**134**
Change in value of interest rate derivatives, hedging [3]	-4	96	-11	165
Change in value of borrowings, hedged [3]	5	-95	11	-165
Total change in value of financial instruments for hedging	**1**	**1**	**0**	**0**
Total change in value of financial instruments carried at fair value	**9**	**5**	**-30**	**45**
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost [4]	-5	-3	-7	-20
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost [5]	0	1	-1	1
Realised gain/loss on shares [5]	-2	0	-2	-1
Exchange gains/losses on borrowings and loans carried at amortised cost [1]	-24	-10	-24	-5
Total change in value of financial instruments carried at fair value, gains and losses	**-22**	**-7**	**-64**	**20**

[1] Exchange gains/losses on borrowings and loans carried at amortised cost are chiefly attributable to exchange gain/loss effects which arise when borrowing and lending in foreign currencies are translated at the current exchange rate. Forward exchange contracts and combined interest rate and currency derivatives are carried at fair value with changes in value carried through profit or loss. Exposure to exchange rate fluctuations within the Group is low.

[2] Change in the value of financial investments selected for fair value carrying gave rise to a recognised expense of NOK 70 million as at 31 December 2015, compared with recognised income of NOK 77 million for the same period in 2014.

[3] BN Bank uses fair value hedges for new fixed-rate borrowing and related hedge instruments. The borrowings are hedged 1:1 through external contracts where the principal, interest stream, term and hedging transaction match. It is the interest rate risk that is hedged and the hedging transactions entered into are documented. With value hedging, the hedge instrument is accounted for at fair value, and the hedge object is accounted for at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as at 31 December 2015 was positive by NOK 275 million, compared with NOK 286 million during the same period in 2014. As at 31 December 2014, the values were positive in the amount of NOK 286 million.

[4] Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to a recognised expense of NOK 7 million as at 31 December 2015, compared with NOK 20 million for the same period in 2014.

[5] During the fourth quarter of 2015, shares owned by the Bank were written down by a total of NOK 1.6 million. Correspondingly, a write-down of NOK 0.5 million was carried out during the second quarter of 2014.

NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS
Methods for determining fair value

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

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

Certificates and bonds issued by others
Certificates and bonds are measured at quoted prices where such are available and the securities are liquid. Other securities were valued using price estimates obtained from brokers.

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

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

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

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

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

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

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

The Parent Bank's assets and liabilities measured at fair value as at 31 December 2015

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	410	410
Interest rate derivatives [1]	0	536	0	536
Short-term securities investments	741	4 270	553	5 564
Total assets	741	4 806	963	6 510
Debt securities in issue	0	-202	0	-202
Interest rate derivatives [1]	0	-351	0	-351
Currency derivatives	0	-23	0	-23
Customer deposits & accounts payable to customers	0	-580	0	-580
Total liabilities	0	-1 156	0	-1 156

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 December 2015 was positive by NOK 275 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 [1]	0	677	0	677
Currency derivatives	0	17	0	17
Short-term securities investments	604	4 093	456	5 152
Total assets	604	4 787	756	6 147
Debt securities in issue	0	-556	0	-556
Interest rate derivatives [1]	0	-497	0	-497
Currency derivatives	0	-44	0	-44
Customer deposits & accounts payable to customers	0	-323	0	-323
Total liabilities	0	-1 420	0	-1 420

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 December 2014 was positive by NOK 286 million.

The Parent Bank's financial instruments measured at fair value, Level 3, as at 31 December 2015

NOK MILLION	LOANS AND ADVANCE	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	300	456	756
Investments in the period/new agreements	169	99	268
Matured	-47	0	-47
Changes in value of financial instruments carried at fair value, gains and losses	-12	-2	-14
Closing balance	410	553	963
Of which, result for the period relating to financial instruments still on the balance sheet	-9	0	-9

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

NOK MILLION	LOANS AND ADVANCE	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	416	382	798
Investments in the period/new agreements	0	75	75
Matured	-118	0	-118
Changes in value of financial instruments carried at fair value, gains and losses	2	-1	1
Closing balance	300	456	756
Of which, result for the period relating to financial instruments still on the balance sheet	3	0	3

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

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

NOTE 4. OTHER OPERATING INCOME

NOK MILLION	Q4 2015	Q4 2014	YEAR 2015	31/12/14
Guarantee commission	1	1	4	6
Commission income from SpareBank 1 Boligkreditt AS [1]	16	24	73	103
Net other commission income/expense	5	2	26	11
Dividend from SpareBank 1 Boligkreditt[2]	0	0	11	12
Other operating income	1	0	1	0
Total other operating income	**23**	**27**	**115**	**132**

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

[2] 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	Q4 2015	Q4 2014	YEAR 2015	31/12/14
Write-offs in excess of prior-year write-downs	1	1	1	31
Write-offs on loans without prior write-downs	0	2	0	5
Write-downs for the period:				
Change in collective write-downs	4	3	-8	2
Change in collective write-downs related to Guarantee Portfolio	0	0	2	-24
Total change in collective write-downs	**4**	**3**	**-6**	**-22**
Increase in loans with prior-year write-downs [1]	1	23	37	48
Provisions against loans without prior write-downs	0	0	0	3
Decrease in loans with prior-year write-downs	-1	0	-6	-21
Total change in individual write-downs	**0**	**23**	**31**	**30**
Gross impairment losses	5	29	26	44
Recoveries on previous write-offs	0	0	4	2
Impairment losses on loans and advances	**5**	**29**	**22**	**42**
Revenue recognition of interest on written-down loans	0	-1	-1	-3

NOK MILLION	Q4 2015	Q4 2014	YEAR 2015	31/12/14
Individual write-downs to cover impairment losses at start of period	53	17	38	27
Write-offs covered by prior-year individual write-downs	-1	-1	-6	-3
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	1	22	23	32
Write-downs on loans without prior individual write-downs	0	0	1	3
Decrease in loans with prior-year individual write-downs	-1	0	-4	-21
Individual write-downs to cover impairment losses at end of period	**52**	**38**	**52**	**38**
Collective write-downs to cover impairment losses at start of period	19	28	31	29
Collective write-downs for the period to cover impairment losses	4	3	-8	2
Collective write-downs to cover impairment losses at end of period	**23**	**31**	**23**	**31**

NOK MILLION	Q4 2015	Q4 2014	YEAR 2015	31/12/14
Provision for losses on financial guarantees concerning the Guarantee Portfolio at start of period	56	53	54	101
Write-offs covered by prior-year individual write-downs	0	0	-7	-61
Write-downs for the period:				
Increase in loans with prior-year individual write-downs	0	1	13	14
Write-downs on loans without prior individual write-downs	0	0	0	0
Decrease in loans with prior-year individual write-downs	0	0	-4	0
Provision for losses on financial guarantees concerning the Guarantee Portfolio at end of period [1]	**56**	**54**	**56**	**54**
Collective write-downs linked to the Guarantee Portfolio at start of period	10	8	9	32
Collective write-downs for the period to cover losses in Guarantee Portfolio	0	1	1	-23
Collective write-downs linked to the Guarantee Portfolio at end of period [1]	**10**	**9**	**10**	**9**
Total loss provisions related to Guarantee Portfolio [1]	**66**	**63**	**66**	**63**

[1] BN Bank has previously entered into an agreement with SpareBank 1 SMN for the latter to take over the Bank's Ålesund portfolio. BN Bank now provides guarantees for NOK 135 million of the credit risk for the remaining portfolio (called the "Guarantee Portfolio"). The total provision for losses in the Guarantee Portfolio was NOK 66 million as at the end of the fourth 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 [1, 2]

NOK MILLION	31/12/15	31/12/14
Gross principal	207	227
Individual write-downs	41	27
Net principal	**166**	**200**

Other loans with individual write-downs [1]

NOK MILLION	31/12/15	31/12/14
Gross principal	213	229
Individual write-downs	66	65
Net principal	**147**	**164**

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

NOK MILLION	GROSS OUTSTANDING 31/12/15	%	GROSS OUTSTANDING 31/12/14	%
Corporate Market	153	6,70	161	4,62
Retail	54	0,53	66	0,77
Total	**207**	**1,65**	**227**	**1,89**

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

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

NOTE 7. SUMMARY OF GROSS MANAGED LENDING

NOK MILLION	31/12/15	31/12/14
Corporate and retail loans	12 529	12 039
Vendor financing	0	0
Gross lending	**12 529**	**12 039**
Loans transferred to SpareBank 1 Boligkreditt	12 529	12 039
Total loans, managed portfolio	**22 572**	**20 848**

NOTE 8. TRANSFER OF LOANS TO SPAREBANK 1 NÆRINGSKREDITT

SpareBank 1 Næringskreditt AS was established in 2009 and is licensed by the Financial Supervisory Authority of Norway to operate as a credit institution. The company's bonds have an Aa1 rating from Moody's. The company is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Boligkreditt AS in Stavanger. BN Bank owns no shares in SpareBank 1 Næringskreditt as at 31 December 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 the end of December 2015, the book value of transferred loans was NOK 11.5 billion. BNkreditt is responsible for managing the transferred loans and BNkreditt receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

BN Bank has pledged guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt's capital base. As at 31 December 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 fourth quarter of 2015 and 2014.

Guarantee provided by BN Bank to BNkreditt

In order to protect the interests of existing bond holders in BNkreditt, in connection with the transfer of loans to Sparebank 1 Næringskreditt, BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 31 December 2015, BNkreditt's capital adequacy ratio was 33.4 per cent. The amount the Parent Bank is ceding precedence to stood at NOK 0 million as at 31 December 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 5.95% as at 31 December 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 the end of December 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 fourth 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 fourth 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
Net debt (nominal) 31/03/2015	**550**	**11 129**	**11 679**
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		-548	-548
Net debt (nominal) 30/09/2015	**450**	**10 987**	**11 437**
Acquisition and maturity of existing	-250	-1 275	-1 525
Net debt (nominal) 31/12/2015	**200**	**9 712**	**9 912**

Subordinated loan capital and perpetual subordinated capital securities

The Parent Bank did not issue subordinated capital securities or loans during the fourth 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
Net debt (nominal) 31/03/2015	**400**	**1 166**	**1 566**
Acquisition and maturity of existing	0	-366	-366
Net debt (nominal) 30/06/2015	**400**	**800**	**1 200**
Net debt (nominal) 30/09/2015	**400**	**800**	**1 200**
Net debt (nominal) 31/12/2015	**400**	**800**	**1 200**

Recognised values

NOK MILLION	31/12/15	31/12/14
Certificates carried at fair value	202	556
Total recognised value of certificates	**202**	**556**
Bonds carried at amortised cost	5 872	7 618
Bonds carried at amortised cost (secured debt)	4 140	4 175
Total recognised value of bonds	**10 012**	**11 793**
Total recognised value of debt securities in issue	**10 214**	**12 349**
Perpetual subordinated capital securities carried at amortised cost	401	401
Total recognised value of capital securities	**401**	**401**
Subordinated loans carried at amortised cost	801	804
Total recognised value of subordinated loans	**801**	**804**
Total recognised value of subordinated loans and capital securities	**1 202**	**1 205**

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

	31/12/15		31/12/14	
NOK MILLION	**FAIR VALUE**	**RECOGNISED VALUE**	**FAIR VALUE**	**RECOGNISED VALUE**
Subordinated loans	455	452	455	453
Loans and advances	12 454	12 454	11 972	11 972
Prepayments and accrued income	14	14	14	14
Interest rate derivatives	536	536	677	677
Currency derivatives	0	0	17	17
Short-term securities investments	6 683	6 683	6 305	6 305
Cash and balances due from credit institutions	7 483	7 483	10 232	10 232
Assets classified as held for sale	5	5	5	5
Subordinated loan capital	-1 196	-1 202	-1 256	-1 205
Liabilities to credit institutions	-4	-4	-2	-2
Debt securities in issue	-10 227	-10 213	-12 501	-12 349
Accrued expense and deferred income	-66	-66	-63	-63
Other current liabilities	-6	-6	-10	-10
Interest rate derivatives	-351	-351	-498	-498
Currency derivatives	-23	-23	-44	-44
Customer deposits & accounts payable to customers	-14 784	-14 784	-14 450	-14 450
Total	**971**	**976**	**855**	**1 057**

In connection with the calculation of fair value of certificates and bonds at amortised cost, we have used estimates of market prices from brokers. Treasury bills are recognised at the most recent bid price. Financial derivatives are carried in their entirety at fair value, and consequently no difference will be presented in the balance sheet between fair value and recognised value.

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

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

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

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Subordinated loans	0	455	0	455
Short-term securities investments	0	1 111	0	1 111
Total assets	0	1 566	0	1 566
Subordinated loan capital	0	-1 196	0	-1 196
Debt securities in issue	0	-5 885	0	-5 885
Total liabilities	0	-7 081	0	-7 081

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

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

NOTE 12. RIGHT OF SET-OFF, FINANCIAL DERIVATIVES

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

Financial assets 31/12/15

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	213	24	189
Counterparty 2	173	173	0
Counterparty 3	58	12	46
Counterparty 4	41	41	0
Counterparty 5	47	23	24
Counterparty 6	4	0	4
Total	536	273	263

Financial liabilities 31/12/15

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS[1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	24	24	0
Counterparty 2	270	173	97
Counterparty 3	12	12	0
Counterparty 4	45	41	4
Counterparty 5	23	23	0
Counterparty 6	0	0	0
Total	374	273	101

Financial assets 31/12/14

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

Financial liabilities 31/12/14

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

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

NOTE 13. CAPITAL ADEQUACY RATIO

Process for assessing capital adequacy requirement

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

During the second quarter of 2014, the BN Bank obtained approval to use internal measurement methods (Internal Rating Based Approach - Advanced) for measuring credit risk for corporate engagement, 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.

NOK MILLION	31/12/15	31/12/14
Share capital	706	706
Premium fund	415	415
Appropriated dividend	170	264
Reserve for unrealised gains	360	364
Other equity	743	728
Total equity	**2 394**	**2 477**
Tier 1 capital		
Intangible assets	-13	-11
Deduction for appropriated dividend	-170	-264
Direct investments in companies in the financial sector	-146	-54
Positive value of adjusted anticipated losses under the IRB approach	-35	-17
Unrealised gains on equity instruments	-7	0
Interim profit included in tier 1 capital	0	0
Value adjustments as a result of the requirements for prudent valuation	-9	-8
Total core tier 1 capital	**2 014**	**2 123**
Perpetual subordinated capital securities, hybrid capital [1]	400	399
Direct investments in companies in the financial sector	-109	-107
Total tier 1 capital	**2 305**	**2 415**
Tier 2 capital in addition to tier 1 capital		
Perpetual subordinated capital securities, hybrid capital in excess of 15% and 35%	0	0
Fixed-term subordinated capital	800	798
Direct investments in companies in the financial sector	-170	-153
Positive value of adjusted anticipated losses under the IRB approach	0	0
Tier 2 capital	**660**	**645**
Total subordinated capital	**2 935**	**3 060**
Minimum requirements concerning subordinated capital, Basel III [2]		
Loans with specialist enterprises	146	193
Loans with other enterprises	71	42
Loans with mass market SMB	0	0
Loans with mass market mortgages in real property	207	0
Other mass market loans	0	0
Equity positions	35	35
Total credit risk IRB	**459**	**270**
Operational risk	46	37
Loans calculated according to the standard method	542	908
Deduction in the capital requirement	0	0
Transitional arrangement (floor)	0	0
Creditworthiness of counterparty (CVA risk)	10	18
Minimum requirements, subordinated capital	**1 057**	**1 233**
Calculation basis	**13 216**	**15 415**
Buffer requirements		
Conservation buffer (2.5%)	330	385
System risk buffer (3.0%)	396	462
Total buffer requirements for core tier 1 capital	**727**	**848**
Available tier 1 capital (less 4.5%)	**1 420**	**1 430**
Capital adequacy ratio		
Core tier 1 capital ratio	15,24 %	13,77 %
Tier 1 capital ratio	17,44 %	15,66 %
Capital adequacy ratio	22,21 %	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 per cent
in 2015:..40 per cent
in 2016:..60 per cent
in 2017:..80 per cent

[1] For more details, see Note 10.
[2] From the second quarter of 2014, BN Bank has obtained approval to use internal measurement methods for credit risk linked to corporate 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	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Interest and similar income	191	215	211	218	253
Interest expense and similar charges	136	158	169	183	202
Net income from interest and credit commissions	**55**	**57**	**42**	**35**	**51**
Change in value of financial instruments carried at fair value, gains and losses	-22	-37	-3	-2	-7
Other operating income	23	24	27	41	27
Total other operating income	**1**	**-13**	**24**	**39**	**20**
Salaries and general administrative expenses	36	68	31	30	29
Depreciation, amortisation and write-downs	3	2	2	2	3
Other operating expenses	0	6	5	7	4
Other gains and losses	0	0	0	-2	0
Total other operating expense	**39**	**76**	**38**	**37**	**36**
Operating profit/(loss) before impairment losses	**17**	**-32**	**28**	**37**	**35**
Impairment losses on loans and advances	5	16	1	0	29
Operating profit/(loss) after impairment losses	**12**	**-48**	**27**	**37**	**6**
Income from ownership interests in group companies	0	0	140	0	0
Profit before tax	**12**	**-48**	**167**	**37**	**6**
Computed tax charge	-4	-13	7	7	1
Profit after tax	**16**	**-35**	**160**	**30**	**5**

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 was set aside in the third quarter of 2015. In the income statement, this is classified under Salaries and general administrative expenses. The provision was reduced by NOK 0.8 million during the fourth quarter based on accrued expenses. NOK 0.9 million in additional provisions also accrued during the fourth quarter. The net provision as at 31 December 2015 is thus NOK 38.0 million.

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