

## **BNB: BN Bank to be dedicated to the retail segment**

### **BN Bank ASA is to be refined as a bank for the retail client, and is winding down its lending activity to the corporate sector.**

The board of directors of BN Bank has resolved to refine the bank as a bank for the retail segment and is winding down its corporate business which consists of lending to commercial property.

The background to this decision is a desire to further develop the retail banking business by refining BN Bank as an offensive bank for customers who prefer a self-service concept and favourable borrowing rates over time.

BN Bank's corporate banking business has focused on financing well secured commercial property exposures, and the corporate market has traditionally been an important area for BN Bank. However, competitively distorting capital adequacy rules that are peculiar to Norway, and consequent very strong competition in this market, cause return on equity on this low risk segment to be relatively low. There is no prospect of changes to this specifically Norwegian capital adequacy regime. As a result profitability will remain too low.

“Financing of commercial property has generated good business for BN Bank for many years, but today's capital requirements, which are peculiar to Norway, mean that banks such as BN Bank have to back each krone they lend to low-risk commercial property with more capital than foreign banks. The high cost of capital has caused us to wind down our corporate banking business. Going forward we will refine our operation and channel all energy and energy into the retail business, where we aspire to substantial growth. I am impressed by the mortgage lending growth we have achieved”, says board chair at BN Bank, Finn Haugan.

The process of winding down the corporate banking business will take place in a controlled manner over time. The bank will not be granting new loans in this area ahead, but will attend to existing clients in accordance with agreements entered into. The bank will adjust its corporate lending rates to ensure that its margin reflects capital costs to a greater degree. The bank will also consider selling loans and loan portfolios in this segment.

The bank has in recent years built up a substantial retail banking operation with satisfactory profitability. The board of directors of BN Bank sees a major development potential in this area, and will channel all effort and energy into the retail business. The bank aspires to increased growth and a further increase in profitability.

The decision to wind down the bank's corporate banking business will over time strengthen the bank's financial position and liquidity situation. Its need for market funding will also be reduced.

BN Bank is a part of the SpareBank 1 Alliance. The present owners (SpareBank 1 SMN, SpareBank 1 SR-Bank, SpareBank 1 Nord-Norge and SamSpar) will maintain their owner interest in BN Bank. The owners will play their part in ensuring that the business change is carried through so as to secure the interests of creditors, customers and staff in the best possible manner.

BN Bank currently has about 800 corporate clients and NOK 32 billion in loans to commercial property under management distributed among the companies BN Bank ASA, Bolig- og Næringskreditt AS (BNkreditt) and the covered-bond-issuing company SpareBank 1 Næringskreditt ASA.

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