

BN Boligkreditt AS
INTERIM REPORT
1st QUARTER | **2012**

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Summary of results Q1 2012

- Profit after tax of NOK 7 million (NOK 6 million Q1 2011)
- Return on equity after tax of 9.3 per cent (8.2 per cent Q1 2011)
- Impairment losses on loans and advances is recognized as income of NOK 4 million
- Tier capital ratio of 29.9 per cent (23.3 per cent Q1 2011)

Financial Ratios

NOK MILLION	NOTE	31.03.12	% OF ATA	31.03.11	% OF ATA	ÅRET 2011	% OF ATA
Summary of results							
Net income from interest and credit commissions		9	1.22 %	12	1.08 %	44	5.90 %
Total other operating income		-1	-0.14 %	-1	-0.09 %	-2	-0.27 %
Total income		8	1.08 %	11	0.99 %	42	5.63 %
Total other operating expense		2	0.28 %	2	0.18 %	6	0.80 %
Operating profit/(loss) before impairment losses		6	0.80 %	9	0.81 %	36	4.83 %
Impairment losses on loans and advances		-4	-0.54 %	0	0.00 %	0	0.00 %
Profit/(loss) before tax		10	1.34 %	9	0.81 %	36	4.83 %
Computed tax charge		3	0.41 %	3	0.27 %	10	1.34 %
Profit/(loss) for the period		7	0.94 %	6	0.54 %	26	3.49 %
Profitability							
Return on equity	1	9.3 %		8.2 %		35.7 %	
Net interest margin	2	1.22 %		1.08 %		5.90 %	
Cost-income ratio	3	26.0 %		18.2 %		14.3 %	
Balance sheet figures							
Gross lending		1 938		2 830		2 008	
Increase/decrease in lending (gross) last 12 months		-31.5 %		-54.6 %		-28.0 %	
Average total assets (ATA)	4	2 954		4 460		2 982	
Total assets		3 171		3 321		2 727	
Losses on loans and non-performing loans							
Loss ratio lending	5	-0.03 %		0.00 %		0.00 %	
Non-performing loans as a percentage of gross lending		0.77 %		0.42 %		0.75 %	
Other doubtful commitments as a percentage of gross lending		0.00 %		0.00 %		0.00 %	
Solvency							
Capital adequacy ratio		37.3 %		29.6 %		39.4 %	
Tier 1 capital ratio		29.9 %		23.3 %		31.5 %	
Tier 1 capital		306		285		303	
Capital base		382		361		379	
Shares							
Earnings per share for the period (whole NOK)		15.38		13.33		57.78	

Notes

1) Profit after tax as a percentage of average equity

2) Total net interest margin to date this year in relation to average total assets (ATA)

3) Total operating expense as a percentage of total operating income

4) Average total assets (ATA) are calculated as an average of quarterly total assets and as at 1 January and 31 December

5) Net loss as a percentage of average gross lending to date this year

Report of the Directors

Summary of results for the three months to 31 March 2012

BN Boligkreditt AS (BN Boligkreditt) posted a profit after tax of NOK 7 million for the three months to 31 March 2012, compared with NOK 6 million for the three months to 31 March 2011.

BN Boligkreditt's funding situation is good, and the Company remains well capitalised.

As at 31 March 2012, the figure for non-performing loans as a percentage of gross lending was 0.77 per cent, which is 0.02 percentage points higher than at the start of the year.

Operations, objectives and strategy

BN Boligkreditt is licensed by the Financial Supervisory Authority of Norway to operate as a mortgage credit institution. BN Boligkreditt is BN Bank's credit institution for the issuance of covered bonds.

The Company's strategy is to issue covered bonds on the basis of BN Bank's well-secured residential mortgage loans and to provide the BN Bank Group with access to this financing instrument. The objective is to facilitate effective and more diversified funding of the Group's businesses.

BN Boligkreditt does not provide loans itself, but procures residential mortgage loans from BN Bank. The Company procures loans that qualify for issuing covered bonds. The maximum loan disbursed at the date of acquisition is 75 per cent loan-to-value ratio. The loan portfolio consists of residential mortgage loans and variable-rate credit lines secured on dwellings.

BN Boligkreditt was established in 2007 and acquired its first loan portfolio in January 2008.

In May 2012, NOK 1.1 billion of the Company's total debt securities of NOK 1.6 billion will mature. This will be handled by transferring loans to SpareBank 1 Boligkreditt AS.

BN Boligkreditt's head office is in Trondheim. The Company's borrowers are geographically spread, but concentrated in the largest Norwegian towns and cities.

Economic developments

BN Boligkreditt presents its financial statements in compliance with International Financial Reporting Standards (IFRS).

Profit performance for Q1 2012

BN Boligkreditt recorded a profit after tax of NOK 7 million for the first quarter of 2012, the same figure as for the fourth quarter of 2011. A decrease in impairment losses on loans was outweighed by a decrease in changes in the value of financial instruments.

Net interest income for the first quarter of 2012 was NOK 9 million, compared with NOK 10 million for fourth-quarter 2011.

Operating expense totalled NOK 2 million for first-quarter 2012, which is NOK 1 million up on fourth-quarter 2011. The Company purchases all its operation management services from BN Bank.

Non-performing loans were 0.77 per cent of gross lending as at 31 March 2012, which is an increase of 0.02 percentage points from the fourth quarter of 2011.

NOK 4 million was recognised as income under impairment losses on loans for first-quarter 2012. This is owing to the adoption of the Sparebank 1 Consortium's calculation model for retail lending. Collective write-downs amounted to NOK 2 million as at 31 March 2012, which is 0.10 per cent of gross lending. Given the low risk attached to the Company's mortgage loan operations, the current loan loss provisions are considered adequate.

Balance Sheet

The loan portfolio stood at NOK 1.9 billion as at 31 March 2012, which is a decrease of NOK 0.9 billion over the last 12 months.

Debt securities in issue as at 31 March 2012 totalled NOK 1.6 billion, which is NOK 1.0 billion down on the past 12 months.

Solvency

BN Boligkreditt's capital base at the end of the period was NOK 382 million, giving a capital adequacy ratio of 37.3 per cent. Tier 1 capital was NOK 306 million, giving a tier 1 capital ratio of 29.9 per cent as at 31 March 2012. Risk-weighted assets were NOK 1 025 million at the same date. The Board of Directors deems the relationship between BN Boligkreditt AS' capital adequacy and relevant risks to be satisfactory.

Outlook

The work will continue to determine whether further developing and coordinating the operations of BN Boligkreditt and Sparebank 1 Boligkreditt can help strengthen the funding of BN Bank's operations.

Trondheim, 23 April 2012

Svend Lund
(Chair)

Kjell Fordal
(Deputy Chair)

Arve Austestad

Kjersti Hovdal

Hege Kristine Kvitsand

Trond Søråas
(Managing Director)

Income Statement

NOK MILLION	NOTE	1. KV. 2012	1. KV. 2011	FULL-YEAR 2011
Interest and similar income		25	26	101
Interest expense and similar charges		16	14	57
Net income from interest and credit commissions		9	12	44
Change in value financial instruments at fair value, gains & losses	2	-1	-1	-2
Total other operating income		-1	-1	-2
Salaries and general administrative expenses		2	2	6
Total other operating expense		2	2	6
Operating profit/(loss) before impairment losses		6	9	36
Impairment losses on loans and advances	4	-4	0	0
Profit/(loss) before tax		10	9	36
Computed tax charge		3	3	10
Profit/(loss) for the period		7	6	26

Balance Sheet

NOK MILLION	NOTE	1. KV. 2012	1. KV. 2011	FULL-YEAR 2011
Loans and advances	4, 8	1 936	2 824	2 002
Prepayments and accrued income		436	0	0
Financial derivatives		49	54	40
Cash and balances due from credit institutions		750	443	685
Total assets		3 171	3 321	2 727
Share capital		101	101	101
Other reserves	3	209	187	202
Total equity		310	288	303
Deferred tax		9	1	9
Subordinated loan capital		76	76	76
Liabilities to credit institutions		644	330	211
Debt securities in issue	5	1 629	2 621	2 127
Accrued expenses and deferred income		3	3	1
Tax payable		-2	2	0
Other current liabilities		502	0	0
Total liabilities		2 861	3 033	2 424
Total equity and liabilities		3 171	3 321	2 727

The Board of Directors
Trondheim, 23 April 2012

Statement of Changes in Equity

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM RESERVES	OTHER RESERVES	TOTAL EQUITY
Balance Sheet as at 1 January 2011	101	174	7	282
Result for the period	0	0	6	6
Balance Sheet as at 31 March 2011	101	174	13	288
Group contribution paid to Parent Bank	0	0	-6	-6
Result for the period	0	0	27	27
Balance Sheet as at 31 Dec. 2011	101	174	28	303
Result for the period	0	0	7	7
Balance Sheet as at 31 March 12	101	174	35	310

The Board of Directors
Trondheim, 23 April 2012

Statement of Cash Flows

NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Cash flows from operating activities			
Interest/commission received and fees received from customers	19	22	85
Interest received on other investments	-7	-7	18
Interest paid on other loans	-7	-2	-63
Receipts/disbursements (-) on loans and advances to customers	70	-41	780
Receipts/payments (-) on liabilities to credit institutions	435	0	-122
Receipts/payments (-) on securities in issue	-439	0	-476
Other receipts/payments	-2	-3	0
Payments to suppliers for goods and services	-2	-2	-6
Tax paid	-2	0	-2
Net cash flow from operating activities	65	-33	214
Cash flows from investing activities			
Net cash flow from investing activities	0	0	0
Cash flows from financing activities			
Dividend/group contribution paid	0	0	-5
Net cash flow from financing activities	0	0	-5
Net cash flow for the period	65	-33	209
Cash and balances due from central banks as at 1 January	685	476	476
Cash and balances due from central banks as at 31 December	750	443	685

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NOTE 1. ACCOUNTING POLICIES

The interim financial statements for the three months 31 March 2012 have been prepared in compliance with IFRS, including IAS 34 Interim Financial Reporting. A description of the accounting policies applied in the financial statements is provided in the 2011 Annual Report.

NOTE 2. CHANGE IN VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss	-3	-9	-11
Change in value of borrowings selected for fair value carrying through profit or loss	3	8	13
Total change in value of financial instruments carried at fair value	0	-1	2
Realised exchange gains/losses (-) bonds and certificates carried at amortised cost	-1	0	-4
Total change in value of financial instruments	-1	-1	-2

NOTE 3. CHANGES IN EQUITY

The Annual General Meeting has resolved to render group contribution to the Parent Bank of NOK 37 million before tax.

NOTE 4. IMPAIRMENT LOSSES AND WRITE-DOWNS ON LOANS CARRIED AT AMORTISED COST

The various elements included in impairment losses and write-downs on loans are set out in Note 1 to the Annual Report for 2011. Loans past due more than 3 months are defined as loans not serviced under the loan agreement for 3 months or more. As a first mortgage lender, the Company can however gain access to revenue.

NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Write-offs in excess of prior-year write-downs	0	0	0
Write-offs on loans without prior write-downs	0	0	0
Write-downs for the period:			
Change in collective write-downs	-4	0	0
Total change in collective write-downs	-4	0	0
Increase in loans with prior-year write-downs	0	0	0
Provisions against loans without prior write-downs	0	0	0
Decrease in loans with prior-year write-downs	0	0	0
Total change in individual write-downs	0	0	0
Gross impairment losses	-4	0	0
Recoveries on previous write-offs	0	0	0
Impairment losses on loans and advances	-4	0	0
Revenue recognition of interest on written-down loans	0	0	0

NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Individual write-downs to cover impairment losses at start of the period	0	0	0
Write-offs covered by prior-year individual write-downs	0	0	0
Write-downs for the period:			
Increase in loans with prior-year individual write-downs	0	0	0
Write-downs on loans without prior individual write-downs	0	0	0
Decrease in loans with prior-year individual write-downs	0	0	0
Individual write-downs to cover impairment losses at end of the period	0	0	0
Collective write-downs to cover impairment losses at start of the period	6	6	6
Collective write-downs for the period to cover impairment losses	-4	0	0
Collective write-downs to cover impairment losses at end of the period	2	6	6

Loans past due more than 3 months

NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Gross principal	15	12	14
Individual write-downs	0	0	0
Net principal	15	12	14

Other loans with individual write-downs

NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Gross principal	0	0	0
Individual write-downs	0	0	0
Net principal	0	0	0

Loans past due more than 3 months by sector and as a percentage of loans

NOK MILLION	GROSS OUTSTANDING 31.03.12	%	GROSS OUTSTANDING 31.03.11	%	GROSS OUTSTANDING 2011	%
Retail market	15	0,77	12	0,42	15	0,75

NOTE 5. BORROWING (FUNDING)

Debt securities in issue

The Company had issued no bonds or certificates as at 31 March 2012.

Fixed-rate borrowings are carried in the balance sheet at fair value, while variable-rate borrowings are carried at amortised cost.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (face value) as at 1 January 2012	0	2 076	2 076
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	-505	-505
Net debt (face value) as at 31 March 2012	0	1 571	1 571

Recognised values

NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Bonds carried at amortised cost	812	1 757	1 318
Bonds selected for fair value carrying	817	864	809
Total recognised value of bonds	1 629	2 621	2 127
Total recognised value of debt securities in issue	1 629	2 621	2 127

NOTE 6. CAPITAL ADEQUACY

Process for assessing the capital adequacy requirement

The capital adequacy requirements for BN Boligkreditt are part of the overall assessments made by BN Bank's Board of Directors for the entire Group.

NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Share capital	101	275	101
Other reserves	205	10	202
Less:			
Deferred tax assets	0	0	0
Tier 1 capital	306	285	303
Fixed-term subordinated loan capital	76	76	76
Less:			
Fixed-term subordinated loan capital that cannot be included	0	0	0
Net tier 2 capital	76	76	76
Total capital base	382	361	379
Risk-weighted assets	1 025	1 218	962
Tier 1 capital ratio (%)	29.9	23.3	31.5
Capital adequacy ratio (%)	37.3	29.6	39.4

Specification of risk-weighted assets

NOK MILLION	31.03.2012		31.03.2011		FULL-YEAR 2011	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	0	0	0	0	0	0
10 %	0	0	0	0	0	0
20 %	1 237	247	514	103	722	144
35 %	1 992	697	2 875	1 006	2 060	721
50 %	0	0	0	0	0	0
75 %	0	0	0	0	0	0
100 %	80	80	109	109	97	97
Investments included in the trading portfolio	0	0	0	0	0	0
Negotiable debt instr. included in the trading portfolio	0	0	0	0	0	0
Total risk-weighted assets	3 309	1 025	3 498	1 218	2 879	962
Capital adequacy ratio (%)		37.3		29.6		39.4

NOTE 7. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

There are no assets or liabilities to which contingent outcomes are attached and where those outcomes could have a significant impact on the Company's financial position and results. There were no significant events after the reporting period.

NOTE 8. TRANSFER TO SPAREBANK 1 BOLIGKREDITT

SpareBank 1 Boligkreditt is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Næringskreditt AS in Stavanger. 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 a rating 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 the company and, as part of the Bank's funding strategy, loans were transferred from BN Boligkreditt in 2010 and 2011. At 31 March 2012, the book value of transferred loans was NOK 3.8 billion. BN Bank is responsible for managing the transferred loans and receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

NOTE 9. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

NOK MILLION	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Interest and similar income	25	25	24	26	26
Interest expense and similar charges	16	15	13	15	14
Net income from interest and credit commissions	9	10	11	11	12
Change in value of financial instruments at fair value, gains & losses	-1	2	0	-3	-1
Total other operating income	-1	2	0	-3	-1
Salaries and general administrative expense	2	1	1	2	2
Total other operating expense	2	1	1	2	2
Operating profit/(loss) before impairment losses	6	11	10	6	9
Impairment losses on loans and advances	-4	1	-1	0	0
Profit/(loss) before tax	10	10	11	6	9
Computed tax charge	3	3	3	1	3
Profit/(loss) for the period	7	7	8	5	6



To the Board of Directors of BN Boligkreditt AS

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying balance sheet of BN Boligkreditt AS as of 31. March 2012 and the related statements of income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

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

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

Conclusion

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

Trondheim, 24 April 2012
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

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

Statement in accordance with the Norwegian Securities Trading Act, section 5-6

We certify that, to the best of our knowledge and belief, the Company's first-quarter interim financial statements for the period 1 January to 31 March 2012 have been prepared in compliance with IAS 34 Interim Financial Reporting, and that the disclosures in the interim financial statements give a true and fair view of the Company's assets, liabilities, financial position and performance as a whole.

To the best of our knowledge and belief, the first-quarter financial statements give a true and fair view of important events during the accounting period and their effect on the interim accounts, and a description of the most significant risks and uncertainty factors facing the Company in the next accounting period.

Trondheim, 23 April 2012
The Board of Directors of BN Boligkreditt AS

Svend Lund
(Chair)

Kjell Fordal
(Deputy Chair)

Arve Austestad

Kjersti Hovdal

Hege Kristine Kvitsand

Trond Søråas
(Managing Director)

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