BN Bank ASA

INTERIM REPORT 2ND QUARTER | 2013

BN Bank

Content

Financial Ratios

NOK MILLION	REFERENCE	GROUP 30.06.13	30.06.12	FULL-YEAR 2012
Summary of results				
Net income from interest and credit commissions		190	169	343
Total other operating income		144	74	291
Total income		**334**	**243**	**634**
Total other operating expense		**107**	**129**	**262**
Operating profit before impairment losses		**227**	**114**	**372**
Impairment losses on loans and advances		72	23	114
Profit before tax		**155**	**91**	**258**
Computed tax charge		44	25	72
Profit after tax		**111**	**66**	**186**
Profitability				
Return on equity	1	6.7 %	4.2 %	5.8 %
Net interest margin	2	0.94 %	0.83 %	0.84 %
Cost-income ratio	3	32.0 %	53.1 %	41.3 %
Balance sheet figures				
Gross lending		32 206	31 238	33 305
Customer deposits		16 360	15 763	16 910
Deposit-to-loan ratio	4	50.8 %	50.5 %	50.8 %
Increase/decrease in lending (gross) last 12 months		3.1 %	-4.6 %	-0.4 %
Increase in deposits last 12 months		3.8 %	1.0 %	6.0 %
Average total assets (ATA)	5	40 551	40 536	40 770
Total assets		40 810	38 618	41 732
Balance sheet figures incl. SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt				
Gross lending		49 746	47 125	49 464
Customer deposits		16 360	15 763	16 910
Increase in lending (gross) last 12 months		5.6 %	7.0 %	8.3 %
Increase in deposits last 12 months		3.8 %	1.0 %	6.0 %
Share of lending funded via deposits		32.9 %	33.4 %	34.2 %
Losses on loans and non-performing loans				
Loss ratio lending	6	0.12 %	0.14 %	0.35 %
Non-performing loans as % of gross lending	7	2.48 %	1.83 %	1.19 %
Other doubtful commitments as A18% of gross lending	7	1.27 %	1.17 %	1.57 %
Solvency				
Capital adequacy ratio		14.25 %	15.10 %	15.07 %
Tier 1 capital ratio		11.95 %	12.20 %	12.06 %
Core tier 1 capital ratio		10.16 %	10.34 %	10.30 %
Tier 1 capital		3 168	3 630	3 729
Capital base		4 444	4 507	4 661
Offices and staffing				
Number of offices		2	2	2
Number of full-time equivalents		116	107	114
Shares				
Earnings per share for the period (whole NOK)		7.86	4.94	14.32

Reference

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) Customer deposits as a percentage of lending to customers
5) Average total assets (ATA) are calculated as an average of quarterly total assets as of the last five quarters
6) Net loss as a percentage of average gross lending to date this year
7) The figures disclosed include the Guarantee Portfolio

Report of the Directors

Summary of results for the first half-year 2013

The comparative figures in parentheses are for the first half of 2012.

- Profit after tax of NOK 111 million (NOK 66 million)
- Profit after tax of core business totalling NOK 113 million (NOK 99 million)
- Cost-income ratio of 32.0 per cent (53.1 per cent)
- Return on equity after tax of 6.7 per cent (4.2 per cent)
- Return on equity after tax of core business at 6.7 per cent (6.3 per cent)
- Growth in lending in managed portfolio of NOK 2 621 million in the past 12 months (NOK 3 074 million)
- The margin on loans measured against 3 month NIBOR has increased by 50 basis points in 2013 to 2.33 per cent (1.83 per cent).
- The levy payable to the Norwegian Banks' Guarantee Fund totalled NOK 9 million for first-half 2013 (NOK 0 million)
- Impairment losses on loans and advances of NOK 72 million (NOK 23 million)
- Capital adequacy ratio of 14.3 per cent (15.1 per cent)
- Tier 1 capital ratio of 12.0 per cent (12.2 per cent)
- Core tier 1 capital ratio of 10.2 per cent (10.3 per cent)

Highlights of First-Half 2013

The comparative figures in parentheses are for the first half of 2012.

For the first half of 2013 the BN Bank Group posted a profit after tax of NOK 111 million (NOK 66 million). Increased margins and a decrease in operating expenditure contributed positively to the result, while impairment losses on loans and the levy paid to the Norwegian Banks' Guarantee Fund contributed negatively.

The Bank's core business (the result of the corporate and the retail banking activity) saw an increase in post-tax profit of NOK 14 million, up from NOK 99 million for first-half 2012 to NOK 113 million for the first six months of 2013.

Total income for first-half 2013 was NOK 334 million (NOK 243 million). An improvement in margins on loans is the main reason for the change compared with the first half of 2012.

Operating expense for first-half 2013 was NOK 107 million (NOK 129 million). The decrease in expenditure compared with first-half 2012 is attributable to a focus on cost-effective operations and cost leadership. The cost-income ratio for first-half 2013 was 32 per cent (53 per cent).

Net impairment losses on loans and guarantees totalled NOK 72 million (NOK 23 million), including NOK 1 million recognised as income in the Guarantee Portfolio.

Non-performing loans as at 30 June 2013 were 2.48 per cent of gross lending in the Group and the Guarantee Portfolio (1.83 per cent). The change is attributable to an increase in non-performing corporate loans.

Total lending has grown by NOK 2.6 billion, or 6 per cent, in the past 12 months. Business lending has seen an increase of NOK 2.5 billion, or 8 per cent growth, in the past 12 months. The volume of retail lending has increased by NOK 1.3 billion, or 10 per cent, in the same period. Loans to SpareBank 1 SMN were redeemed in their entirety in March 2013, which is equal to a reduction of NOK 1.2 billion in the past 12 months. During the first half of 2013, business lending and retail lending grew by a total of, respectively, NOK 431 million, or 1.3 per cent, and NOK 762 million, or 5.3 per cent.

Deposits have increased by NOK 0.6 billion in the past 12 months, equal to 3.8 per cent growth. The deposit-to-loan ratio was 50.8 per cent at the end of the first half of 2013, an increase of 0.3 percentage points on the past 12 months. During first-half 2013 deposits fell by NOK 550 million, or 3.3 per cent.

In the first half of 2013, BN Bank issued certificates and bonds in the Norwegian bonds market for a total of NOK 4.4 billion. In the past 12 months, loans transferred to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt have increased by NOK 1.1 billion and NOK 0.4 billion respectively. Altogether, the Bank has transferred 32 per cent of business loans and 44 per cent of residential mortgage loans to these two companies. The Bank has thus transferred 35 per cent of its total loan portfolio to the SpareBank 1 consortium's covered bonds companies.

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

FIGURES AS %	30.06.13	30.06.12
Capital adequacy ratio	14.3	15.1
Tier 1 capital ratio	12.0	12.2
Core tier 1 capital ratio	10.2	10.3

The Board of Directors has determined a capital plan for BN Bank with a target of a core tier 1 capital ratio of 10.5 per cent by the end of 2013 and 12.5 per cent by the end of 2015.

See Note 15 for further details concerning the capital adequacy ratio and solvency.

BN Bank had total assets of NOK 40.8 billion as at 30 June 2013 (NOK 38.6 billion). Including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, total assets were NOK 58.4 billion (NOK 54.5 billion) at the end of June.

BN Bank has previously sold its portfolio in Ålesund to SpareBank 1 SMN. BN Bank provides guarantees for 60 per cent of the credit risk for parts of this portfolio (known as the "Guarantee Portfolio"). As at 30 June 2013 the Guarantee Portfolio stood at NOK 565 million, of which BN Bank is guaranteeing NOK 343 million. This was 1.1 per cent of the Bank's gross lending at the end of first-half 2013. Write-downs in the portfolio totalled NOK 118 million as at 30 June 2013.

In March 2013, the Norwegian Supreme Court passed judgment in the so-called "Røeggen case". The Norwegian Financial Services Complaints Board has in that connection requested all the banks involved, including BN Bank, to reassess the complaints against them that have been brought before the Board, in the light of the Supreme Court judgment. BN Bank has found no grounds for changing its standpoint and still takes the view that the cases the Bank is involved in are not comparable with the "Røeggen case". As a result of this, no provision was made relating to structured savings products in the first half of 2013.

Accounting policies

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

The first-half 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.

Profit performance for Q2 2013

The comparative figures in parentheses are for Q1 2013.

For the second quarter of 2013, BN Bank reported a post-tax profit of NOK 81 million (NOK 30 million), producing a return on equity of 9.7 per cent (3.7 per cent). An improvement in margins on loans, a reduction in operating expenditure and lower impairment losses are the main reason for the change compared with first-quarter 2013.

Income

Total income for the second quarter of 2013 was NOK 185 million (NOK 150 million).

NOKm	Q2 2012	Q1 2013	CHANGE
Total income	185	150	35
Margins and volumes, lending and deposits			22
Increase in commission, covered bonds companies			11
Dividend, covered bonds companies			7
Charges/fees			-6
Other			1

Net interest income for the second quarter of 2013 totalled NOK 104 million (NOK 87 million). Other operating income for the second quarter totalled NOK 65 million (NOK 51 million), an increase largely attributable to BN Bank having improved its margins in both corporate and retail lending.

This affects both the net interest margin and other operating income through commission received from SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt. Altogether, commission received from SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt in the second quarter totalled NOK 62 million (NOK 48 million).

Operating expense

Second-quarter operating expense was NOK 52 million (NOK 56 million). The change is attributable to a focus on cost-effective operations and cost leadership, and is in line with the Bank's objective to become one of Norway's most cost-effective banks.

The cost-income ratio in the second quarter of 2013 was 28 per cent (37 per cent).

Impairment losses and non-performing loans

In the second quarter of 2013, NOK 20 million was recognised as expense on impairment losses on loans (NOK 52 million). Losses are chiefly related to corporate loans.

Impairment losses on loans in the second quarter of 2013 comprised NOK 21 million in corporate loans, NOK 0 million in retail loans and NOK 1 million recognised as income in the Guarantee Portfolio.

Individual and collective impairment losses on loans in second-quarter 2013 were as follows:

NOK MILLION	INDIVIDUAL	GROUP
Corporate	12	9
Retail	0	0
Guarantee Portfolio	5	-6

Non-performing and doubtful loans, less individual write-downs, totalled NOK 1 012 million (NOK 997 million) at the end of second-quarter 2013, which is 3.14 per cent (3.02 per cent) of gross lending in the Group and the Guarantee Portfolio. See Note 7 for more information.

Loan loss provisions in the core business as at 30 June 2013 totalled NOK 193 million. Of this figure, individual write-downs account for NOK 119 million and collective write-downs NOK 74 million.

Total loan loss provisions at the end of second-quarter 2013 were as follows:

	LOAN LOSS PROVISIONS (NOKm)	% OF GROSS LENDING GROUP
Corporate	180	0.76
Retail	13	0.15

In addition, provision of NOK 118 million has been made as a financial loss guarantee relating to the Guarantee Portfolio. This is 35 per cent of the guaranteed amount.

Total assets

BN Bank's total assets stood at NOK 40.8 billion at the end of the second quarter 2013, which is an increase of NOK 2.2 billion on the past 12 months.

Growth in lending and deposits

Gross managed lending[1] has risen by NOK 2.7 billion, or 6 per cent, in the past 12 months. Gross managed loans totalled NOK 49.8 billion at the end of second-quarter 2013.

NOKm	**30.06.13**	**30.06.12**
Gross lending	49.8	47.1
Change in past 12 months	2.7	3.0

Gross managed lending had the following segmental exposure as at 30 June 2013:

NOKm	**30.06.13**	**30.06.12**
Retail	15.2	13.9
Corporate	34.6	32.0
Loans to SpareBank 1 SMN	0.0	1.2

Corporate lending grew in the past 12 months by NOK 2.6 billion, or 8 per cent, while growth in retail lending in the past 12 months was NOK 1.3 billion, or 10 per cent.

At the end of second-quarter 2013 a loan portfolio of NOK 10.9 billion had been transferred to SpareBank 1 Næringskreditt and a loan portfolio of NOK 6.6 billion to SpareBank 1 Boligkreditt.

Customer deposits have increased by NOK 0.6 billion in the past 12 months. Total deposits stood at NOK 16.4 billion at the end of second-quarter 2013.

The deposit-to-loan ratio at the end of second-quarter 2013 was 50.8 per cent, which is a 0.3 percentage point increase in the past 12 months.

Margins

The comparative figures in parentheses are for the first half of 2012 and all figures are measured against an average of 3 month NIBOR in the same period.

BN Bank has improved its margins in both corporate and retail lending in the first half of 2013. The improvement is attributable to both a falling NIBOR level and changes in interest rates on loans.

The Bank's total margin on loans for first-half 2013 was 2.33 per cent (1.83 per cent). The margin for retail lending was 2.13 per cent (1.51 per cent), while the margin for corporate lending was 2.48 per cent (1.89 per cent).

The Bank's deposit margin for the first half of 2013 was minus 1.17 per cent (minus 0.57 per cent).

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

Funding and liquidity

The SpareBank 1 consortium's covered bonds companies are one of BN Bank's most important sources of finance. The Bank has transferred loans to these companies to the value of NOK 17.5 billion as at 30 June 2013.

To date in 2013, BN Bank has issued certificates and bonds in the Norwegian bond market for a total of NOK 4.4 billion.

The Bank's liquidity portfolio was NOK 6.5 billion at the end of second-quarter 2013.

BN Bank has a conservative liquidity strategy, and the Bank's target is to have at all times sufficient liquid funds to manage without accessing any new external funding for a period of 12 months. At the end of the second quarter this target had been met.

Subsidiaries

The BN Bank Group comprises the bank BN Bank ASA and the credit institutions Bolig- og Næringskreditt AS (BNkreditt) and BN Boligkreditt AS (BN Boligkreditt). The Group also includes the real estate company Collection Eiendom AS.

BNkreditt and BN Boligkreditt present separate financial statements in compliance with International Financial Reporting Standards (IFRS). Collection Eiendom presents its financial statements in compliance with NGAAP. See Note 1 for more information.

Bolig- og Næringskreditt AS (BNkreditt)

BNkreditt provides low-risk mortgage loans on commercial real estate. At the end of the second quarter of 2013 the company had a gross loan portfolio totalling NOK 18.0 billion, compared with NOK 18.5 billion as at 30 June 2012. A loan portfolio for NOK 10.9 billion had been transferred to SpareBank1 Næringskreditt as at 30 June 2013.

BNkreditt posted a profit after tax of NOK 38 million for the first half-year to 30 June 2013, compared with a post-tax profit of NOK 41 million for the same period of 2012. Profits were pulled down by impairment losses on loans, although increased margins on lending and increased commission on loans transferred to Sparebank I Næringskreditt helped boost earnings.

Impairment losses on loans totalled NOK 76 million for the first half of 2013, compared with NOK 6 million for first-half 2012. Collective write-downs were up by NOK 9 million for first-half 2013 and totalled NOK 45 million, which is 0.25 per cent of gross lending in the company as at 30 June 2013.

BNkreditt had NOK 3.4 billion in bond debt outstanding as at 30 June 2013, compared with NOK 4.1 billion as at 30 June 2012.

BN Bank has provided guarantees that BNkreditt will have a minimum capital adequacy ratio and junior financing of 20 per cent. BNkreditt's capital adequacy ratio as at 30 June 2013 was 16.0 per cent (18.3 per cent), while the tier 1 capital ratio and core tier 1 capital ratio were 13.6 per cent (15.5 and 14.l2 per cent). The amount BN Bank is ceding precedence for in relation to guarantees was NOK 751 million as at 30 June 2013.

BN Boligkreditt AS

BN Boligkreditt was BN Bank's credit institution for issuance of covered bonds. As at 31 December 2012 all borrowings and lending had been transferred to SpareBank 1 Boligkreditt and BN Boligkreditt is now being wound up.

The company posted a post-tax profit of NOK 3 million for the first half-year to 30 June 2013 (NOK 6 million).

Collection Eiendom AS

Collection Eiendom AS was established in 2010 for the purpose of owning and managing repossessed properties.

Collection Eiendom posted a zero result after tax for the first half of 2013, the same result as for first-half 2012.

Outlook

While the main elements of BN Bank's business strategy remain fixed, stricter regulatory requirements in relation to maintaining solvency will give rise to lower growth and there will be a need to boost earnings in the time ahead. The Bank increased interest rates for both business and retail customers in the second quarter of 2013, and the full effect of the change will be felt in the third quarter of 2013. Lower costs will also enable BN Bank to improve its profits. The cost base was reduced in the first half of 2013 and the Board of Directors expects the cost-cutting programme for operating expenditure to help bring down annual costs considerably in 2013.

BN Bank has adopted a long-term target to achieve a core tier 1 capital ratio of 12.5 per cent by the end of 2015. In order to satisfy future regulatory capital requirements, the Bank has initiated a number of different measures. The most important are the introduction of the Advanced Internal Ratings-based (IRB) approach, adjustment of lending volumes and margins, and retainment of profits.

The global economy, particularly in Western countries, is expected to improve in the second half of 2013 and into 2014. Growth in Norway looks to be lower than in 2012, but may be affected either way depending on the outcome otherwise in the world. Even if some Norwegian industries are seeing weaker demand from our most important trading partners, the level of activity still remains high in the Norwegian economy in general. Overall this means that the Bank's customers are still well able to service their loans and there is good demand for the Bank's products.

Trondheim, 6 August 2013
The Board of Directors of BN Bank ASA

Tore Medhus (Deputy Chair)
Stig Arne Engen
Finn Haugan (Chair)
Harald Gaupen
Helene Jebsen Anker

Kristin Undheim
Anita Finserås Bretun (Staff Representative)
Ella Skjørestad
Gunnar Hovland (Managing Director)

Income Statement

GROUP

NOK MILLION	NOTE	Q2 2013	Q2 2012	30.06.13	30.06.12	FULL-YEAR 2012
Interest and similar income		400	399	793	829	1 614
Interest expense and similar charges		296	314	603	660	1 271
Net income from interest and credit commissions		104	85	190	169	343
Change in value financial instruments at fair value, gains & losses	3,4	16	0	28	15	29
Other operating income	5	65	31	116	59	145
Amicable settlement	6	0	0	0	0	117
Total other operating income		81	31	144	74	291
Salaries and general administrative expenses		42	52	87	107	203
Ordinary depreciation, amortisation and write-downs		3	5	6	9	31
Other operating expense		7	5	14	13	28
Total other operating expense		52	62	107	129	262
Operating profit before impairment losses		133	54	227	114	372
Impairment losses on loans and advances	7	20	14	72	23	114
Profit before tax		113	40	155	91	258
Tax charge		32	11	44	25	72
Profit after tax		81	29	111	66	186
Total profit for the period						
Profit after tax		81	29	111	66	186
Statement of Other Comprehensive Income						
Items that will not be reclassified subsequently to profit or loss						
Actuarial gains (losses) on pension plans	1	0	0	0	0	22
Tax		0	0	0	0	-6
Other comprehensive income (net of tax)		0	0	0	0	16
Total comprehensive income for the period		81	29	111	66	202

Balance Sheet

		GROUP		
NOK MILLION	**NOTE**	**30.06.13**	**30.06.12**	**31.12.12**
Deferred tax assets		43	51	43
Intangible assets		7	21	10
Tangible fixed assets		15	22	18
Repossessed properties		16	31	29
Loans and advances	7, 8, 9, 10, 13, 15	32 013	31 088	33 193
Prepayments and accrued income		9	15	52
Financial derivatives	13,14	633	721	759
Short-term securities investments		6 545	5 960	6 135
Cash and balances due from credit institutions		1 529	702	1 495
Assets classified as held for sale	12	0	15	0
Total assets		40 810	38 626	41 734
Share capital		706	668	668
Share premium		416	266	266
Retained earnings	1	2 325	2 266	2 402
Total equity		3 447	3 200	3 336
Subordinated loan capital	11	1 465	1 461	1 613
Liabilities to credit institutions		715	824	519
Debt securities in issue	11	17 992	16 388	18 369
Accrued expense and deferred income		248	185	201
Other current liabilities		20	184	82
Tax payable		35	0	71
Financial derivatives	13,14	528	620	633
Customer deposits & accounts payable to cust.		16 360	15 764	16 910
Total liabilities		37 363	35 426	38 398
Total equity and liabilities		40 810	38 626	41 734

Trondheim, 6 August 2013

The Board of Directors of BN Bank ASA

Tore Medhus (Deputy Chair) | Stig Arne Engen | Finn Haugan (Chair) | Harald Gaupen | Helene Jebsen Anker

Kristin Undheim | Anita Finserås Bretun (Staff Representative) | Ella Skjørestad | Gunnar Hovland (Managing Director)

Statement of Changes in Equity

GROUP

NOK MILLION	SHARE CAPITAL	SHARE PREM. RESERVE	OTHER PAID-UP SHARE CAPITAL	OTHER RESERVES[1]	TOTAL EQUITY
Balance Sheet as at 1 January 2012	649	190	0	2 295	3 134
Dividend paid	0	0	0	-95	-95
Share capital increase	19	76	0	0	95
Result for the period	0	0	0	66	66
Balance Sheet as at 30 June 2012	**668**	**266**	**0**	**2 266**	**3 200**
Result for the period	0	0	0	120	120
Actuarial gains/(losses) pensions (net of tax)	0	0	0	16	16
Balance Sheet as at 31 December 2012	**668**	**266**	**0**	**2 402**	**3 336**
Dividend paid	0	0	0	-187	-187
Share capital increase	37	150	0	0	187
Result for the period	0	0	0	111	111
Balance Sheet as at 30 June 2013	**706**	**416**	**0**	**2 326**	**3 447**

[1] See Note 1 for more information concerning changes relating to pensions

Trondheim, 6 August 2013

The Board of Directors of BN Bank ASA

Statement of Cash Flows

GROUP

NOK MILLION	30.06.13	30.06.12	FULL-YEAR 2012
Cash flows from operating activities			
Interest/commission received and fees received from customers	817	1 172	1 850
Interest/commission paid and fees paid to customers	-105	-52	-455
Interest received on other investments	83	174	283
Interest paid on other loans	-386	-497	-804
Receipts/disbursements (-) on loans to customers	1 091	1 995	-561
Receipts/payments on customer deposits & accounts payable to customers	-722	-218	1 211
Receipts/payments (-) on liabilities to credit institutions	239	-520	-962
Receipts/payments (-) on securities in issue	-326	-1 624	338
Receipts on previously written-off debt	15	2	7
Other receipts/payments	-16	25	184
Payments to suppliers for goods and services	-42	-52	-110
Payments to employees, pensions and social security expenses	-53	-60	-105
Tax paid	-36	-2	-34
Net cash flow from operating activities	**559**	**343**	**842**
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	29	22	304
Receipts/payments (-) on short-term securities investments	-409	-436	-577
Proceeds from sale of operating assets etc.	13	0	0
Purchase of operating assets etc.	-2	-41	-44
Proceeds from sale of subsidiaries	0	0	0
Net cash flow from investing activities	**-369**	**-455**	**-317**
Cash flow from financing activities			
Receipts/payments (-) of subordinated loan capital	-156	0	156
Net cash flow from financing activities	**-156**	**0**	**156**
Net cash flow for the period	**34**	**-112**	**681**
Cash and balances due from credit institutions as at 1 January	1 495	814	814
Cash and balances due from credit institutions at the close of the period	**1 529**	**702**	**1 495**

Notes

NOTE 1. ACCOUNTING POLICIES

The Q2 interim consolidated financial statements for the period 1 April to 30 June 2013 have been prepared in compliance with IFRS, including IAS 34 Interim Financial Reporting. A description of the accounting policies on which the financial statements are based is provided in the Annual Report for 2012, with the following exceptions:

Pensions

With effect from 1 January 2013, BN Bank has applied IAS 19 Employee Benefits and has changed the basis for calculating pension liabilities and pension costs. BN Bank has previously used the "corridor" method to account for unamortised estimate variances. The corridor method is no longer permitted and according to the revised standard IAS 19R, all estimate variances shall be recognised in a Statement of Other Comprehensive Income (OCI). Estimate variances as at 1 January 2012 which totalled NOK 29.8 million have been reset. The pension liability increased correspondingly as of 1 January 2012, while the equity was reduced by NOK 21.5 million after tax.

Previously, the return on pension assets was calculated using the long-term expected rate of return on the pension assets. By applying IAS 19R, the net interest expense for the period is now calculated by applying the discount rate for the liability at the beginning of the period to the net liability. The net interest expense therefore consists of the interest on the liability and the return on the pension assets, both calculated using the discount rate. Changes in the net pension liability as a result of premium receipts and payments of pensions are taken account of. The difference between the actual return on the pension assets and the return recognised in profit and loss, is accounted for immediately in OCI. The pension cost in 2012 under the previous accounting policy was NOK 13.4 million.

The net effect of the change in principle of the treatment of unamortised estimate variances and the calculation of the net interest expense, brought about no change in the pension cost recognised in profit and loss in 2012, while estimate variances for 2012 of NOK 22.4 million were recognised in income under the Statement of Other Comprehensive Income in the fourth quarter of 2012. The pension liability as at 31 December 2012 increased to NOK 47.9 million. IAS 19R has been applied retrospectively, so that the comparable figures have been changed.

NOTE 2. INFORMATION ABOUT OPERATING SEGMENTS

Segment reporting is reviewed regularly with the management. The management have elected to divide up the reporting segments according to the underlying business areas (business segments).

NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 30.06.13
Net income from interest and credit commissions	**135**	**59**	**-4**	**190**
Change in value of financial instruments carried at fair value	18	10	0	28
Other operating income	83	32	1	116
Total other operating income	**101**	**42**	**1**	**144**
Salaries and general adminstrative expenses	-39	-48	0	-87
Ordinary depreciation, amortisation and write-downs	-3	-3	0	-6
Other operating expense	-6	-8	0	-14
Total other operating expense	**-48**	**-59**	**0**	**-107**
Operating profit/(loss) before impairment losses	**188**	**42**	**-3**	**227**
Impairment losses on loans and advances	**-72**	**-1**	**0**	**-73**
Operating profit/(loss) after impairment losses	**116**	**41**	**-3**	**154**
Computed tax charge	**-32**	**-12**	**1**	**-43**
Profit/(loss) after tax	**84**	**29**	**-2**	**111**

NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 30.06.13
Loans (gross) managed portfolio	34 528	15 218	0	49 746
Customer deposits & accounts payable to customers	1 241	15 119	0	16 360

NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 30.06.12
Net income from interest and credit commissions	122	66	-18	169
Change in value of financial instruments carried at fair value	10	5	0	15
Other operating income	49	9	1	59
Total other operating income	58	14	1	74
Salaries and general adminstrative expenses	-45	-62	0	-107
Ordinary depreciation, amortisation and write-downs	-4	-5	0	-9
Other operating expense	-6	-8	0	-13
Total other operating expense	-55	-74	0	-130
Operating profit/(loss) before impairment losses	125	5	-17	114
Impairment losses on loans and advances	-7	13	-29	-23
Operating profit/(loss) after impairment losses	119	18	-45	91
Computed tax charge	-34	-4	13	-25
Profit/(loss) after tax	85	14	-33	66

NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORTF. SMN	TOTAL 30.06.12
Loans (gross) managed portfolio	32 048	13 884	1 193	47 125
Customer deposits & accounts payable to customers	1 314	14 449	0	15 763

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

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

NOK MILLION	Q2 2013	Q2 2012	30.06.13	30.06.12	FULL-YEAR 2012
Change in value interest rate derivatives obliged to be carried at fair value through profit or loss [1,4]	5	-1	11	3	4
Change in value currency derivatives obliged to be carried at fair value through profit or loss [2]	-52	-17	-51	43	54
Change in value equity-linked options & equity options oblig. carried at fair value thro profit or loss [1]	0	0	0	0	5
Total change in value of financial instruments obliged to be carried at fair value	**-47**	**-18**	**-40**	**46**	**63**
Change in value of deposits selected for fair value carrying through profit or loss [4]	13	4	14	-1	-12
Change in value of borrowings selected for fair value carrying through profit or loss [4]	4	9	1	3	-42
Change in value of loans selected for fair value carrying through profit or loss [4]	-5	-2	2	3	38
Change in value of short-term financial investments selected for fair value carrying [3]	0	-4	9	13	45
Total change in value of financial instruments selected for fair value carrying	**12**	**7**	**26**	**18**	**29**
Change in value of interest rate derivatives, hedging [5]	-13	18	-17	25	64
Change in value of borrowings, hedged [5]	13	-18	17	-25	-64
Total change in value of financial instruments for hedging	**0**	**0**	**0**	**0**	**0**
Total change in value of financial instruments carried at fair value	**-35**	**-11**	**-14**	**64**	**92**
Realised exchange gains/(losses)(-) bonds and certificates carried at amortised cost [6]	-2	-6	-12	-9	-11
Realised exchange gains/(losses)(-) borrowings and loans carried at amortised cost [6]	53	0	-1	0	-1
Exchange gains/losses on borrowings and loans carried at amortised cost [2]	0	17	55	-40	-51
Total change in value of financial instruments carried at fair value, gains and losses	**16**	**0**	**28**	**15**	**29**

[1] In connection with the sale and/or issue of the structured products, BN Bank has hedged exposure in the form of equity options, equity-linked options and interest rate swap agreements. The earlier turbulence in the financial markets caused the loss of some contractual counterparties, and it was not possible at the time to replace these hedging transactions. BN Bank is therefore partially exposed to the market development of a limited number of products. Changes in exposure are recognised in profit and loss immediately, and there was no P&L effect in as at 30 June 2013 or in 2012. The effect for full-year 2012 was income recognition of NOK 5 million.

[2] Exchange gains/losses on borrowings and loans carried at amortised cost are chiefly attributable to exchange gain/loss effects which arise when borrowing and lending in foreign currencies are translated at the current exchange rate. Forward exchange contracts and combined interest rate and currency derivatives are carried at fair value with changes in value carried through profit or loss. The net foreign exchange effect for the Group was recognised income of NOK 4 million as at 30 June 2013, compared with recognised income of NOK 3 million for the same period of 2012. The effect for full-year 2012 was recognised income of NOK 3 million.

[3] Changes in the value of financial investments selected for fair value carrying gave rise to recognised income of NOK 9 million as at 30 June 2013, compared with recognised income of NOK 13 million for the same period of 2012. The effect for full-year 2012 was recognised income of NOK 45 million. Turbulence in the financial markets has caused big fluctuations in the value of these investments.

[4] The net effect of interest rate derivatives obliged to be carried at fair value and changes in the value of financial instruments selected for fair value carrying was recognised income of NOK 28 million as at 30 June 2013, compared with recognised income of NOK 8 million for the same period of 2012. The effect for full-year 2012 was recognised expense of NOK 12 million.

[5] BN Bank uses fair value hedges for new fixed-rate borrowings 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 fair value hedges, the hedge instrument is accounted for at fair value, and the hedge object is accounted for at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as at 30 June 2013 was positive by NOK 166 million, up from NOK 119 million for the same period of 2012. As at 31 December 2012 the value was positive by NOK 192 million.

[6] Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 13 million as at 30 June 2013, compared with recognised expense of NOK 9 million for the same period of 2012. The effect for full-year 2012 was recognised expense of NOK 12 million.

NOTE 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Methods of 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

Certificates are measured at quoted prices where such are available and the securities are liquid. In the case of other securities, 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 market players' assessments of the creditworthiness of the issuer.

Loans and advances

For loans measured at fair value, the valuation is performed using a valuation technique where expected future cash flows are discounted to present values. 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 and margins is determined on the basis of the original premium for credit risk and margin, but with subsequent adjustment of these premiums in correlation with changes in the market pricing of risk, the borrowers' credit ratings and margin changes in the market.

Borrowings selected for fair value carrying

Where borrowing/funding is measured at fair value, quoted borrowings will be measured at quoted prices where such are available and the securities are liquid. In the case of other securities, 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.

Hedged borrowing/funding

Borrowings included in fair value hedges are measured 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). We have discounted by the interest-rate swap curve with premium for the original credit spread on the borrowing to eliminate the effects of the credit risk. It is the interest rate risk that is hedged.

Deposits

For deposits measured at fair value, the valuation is performed using a valuation technique where expected future cash flows are discounted to present values. 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. The premium for margins is determined on the basis of the original margin, but with subsequent adjustment of margin in correlation with margin changes in the market.

Options

Equity options and equity-linked options are measured at fair value by obtaining market prices from the facilitators of the structured financial products.

Shares

The shares comprise mainly the investments in SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. There is an interplay between the transfer of loans to these companies, the provision of the necessary capital and the level of the commission that is received. The measurement of these shares at fair value is virtually equal to the amount of capital paid into these companies.

Division into measurement levels

Fnancial 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 of loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness.
- Level 3: Measurement based on factors not taken from observable markets nor which have observable assumptions as input to the valuation.

The Group's assets and liabilities measured at fair value as at 30 June 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	1 095	1 095
Interest rate derivatives [1]	0	617	0	617
Currency derivatives	0	16	0	16
Equity-linked options and equity options	0	1	0	1
Short-term securities investments	0	3 847	537	4 384
Total assets	**0**	**4 481**	**1 632**	**6 113**
Subordinated loan capital	0	-179	0	-179
Debt securities in issue	0	-4 048	0	-4 048
Interest rate derivatives [1]	0	-466	0	-466
Currency derivatives	0	-62	0	-62
Customer deposits & accounts payable to customers	0	-1 037	0	-1 037
Total liabilities	**0**	**-5 792**	**0**	**-5 792**

[1] The value of the hedge instruments earmarked for fair value hedging as at 30 June 2013 was positive by NOK 93 million.

The Group's assets and liabilities measured at fair value as at 30 June 2012

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	1 350	1 350
Interest rate derivatives [1]	0	676	0	676
Currency derivatives	0	39	0	39
Equity-linked options and equity options	0	6	0	6
Short-term securities investments	0	3 211	217	3 428
Total assets	**0**	**3 932**	**1 567**	**5 499**
Subordinated loan capital	0	-175	0	-175
Debt securities in issue	0	-3 993	0	-3 993
Interest rate derivatives [1]	0	-574	0	-574
Currency derivatives	0	-46	0	-46
Customer deposits & accounts payable to customers	0	-1 784	0	-1 784
Total liabilities	**0**	**-6 572**	**0**	**-6 572**

[1] The value of the hedge instruments earmarked for fair value hedging as at 30 June 2012 was positive by NOK 85 million.

The Group's assets and liabilities measured at fair value as at 31 December 2012

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	1 226	1 226
Interest rate derivatives [1]	0	706	0	706
Currency derivatives	0	52	0	52
Equity-linked options and equity options	0	1	0	1
Short-term securities investments	29	3 141	420	3 590
Total assets	**29**	**3 900**	**1 646**	**5 575**
Subordinated loan capital	0	-172	0	-172
Debt securities in issue	0	-4 409	0	-4 409
Interest rate derivatives [1]	0	-586	0	-586
Currency derivatives	0	-47	0	-47
Customer deposits & accounts payable to customers	0	-1 951	0	-1 951
Total liabilities	**0**	**-7 165**	**0**	**-7 165**

[1] The value of the hedge instruments earmarked for fair value hedging as at 31 December 2012 was positive by NOK 192 million.

The Group's financial instruments measured at fair value, Level 3, as at 30 June 2013

NOK MILLION	LOANS	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	1 226	420	1 646
Investments in the period/new agreements	1	117	118
Matured	-134	0	-134
Change in value of financial instruments carried at fair value, gains and losses	2	0	2
Closing balance	**1 095**	**537**	**1 632**
Of which result for the period relating to financial instruments still on the balance sheet	13	0	13

The Group's financial instruments measured at fair value, Level 3, as at 30 June 2012

NOK MILLION	LOANS	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	1 880	178	2 058
Investments in the period/new agreements	60	39	99
Matured	-593	0	-593
Change in value of financial instruments carried at fair value, gains and losses	3	0	3
Closing balance	**1 350**	**217**	**1 567**
Of which result for the period relating to financial instruments still on the balance sheet	20	0	20

The Group's financial instruments measured at fair value, Level 3, as at 31 December 2012

NOK MILLION	LOANS	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	1 880	178	2 058
Investments in the period/new agreements	54	242	296
Matured	-746	0	-746
Change in value of financial instruments carried at fair value, gains and losses	38	0	38
Closing balance	**1 226**	**420**	**1 646**
Of which result for the period relating to financial instruments still on the balance sheet	40	0	40

Sensitivity analysis, Level 3
In the case of loans carried at fair value, it is only margin changes that are a not-observable input at fair value calculation. Margin changes do not affect the calculation of fair value to any significant degree and for that reason are not quantified.

The Group's measurement and valuation techniques
The Group has a team in its Accounts & Treasury department that is responsible for measuring various assets and liabilities for accounting purposes. This team reports to the Chief Financial Officer. In addition, the factual results from the period's valuations are reported to the audit committee in connection with presentation of the accounts. The team also makes regular reports to the audit committee on the valuation principles and techniques it has applied.

The assumptions used for valuations within Level 3 are related to margin changes on loans.

NOTE 5. OTHER OPERATING INCOME

NOK MILLION	Q2 2013	Q2 2012	30.06.13	30.06.12	FULL-YEAR 2012
Guarantee commission	1	0	3	2	1
Net commission income/charges [1]	57	31	106	54	140
Other operating income	7	0	7	3	4
Total other operating income	**65**	**31**	**116**	**59**	**145**

[1] Commission income relating to the management of the portfolios in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt totalled NOK 107 million as at 30 June 2013 and NOK 47 million for the same period of 2012. NOK 127 million was recognised as income for full-year 2012.

NOTE 6. AMICABLE SETTLEMENT

Amicable settlement with Glitnir banki hf, Iceland

Glitnir banki hf, now Glitnir hf, sued BN Bank ASA in 2011 for what Glitnir claimed was an unlawful offset of about NOK 240 million relating to claims and counter-claims between the parties declared by BN Bank ASA in November 2009. Oslo District Court gave judgment in the case in January 2012, according to which BN Bank ASA was ordered to pay back Glitnir hf approximately NOK 213 million plus interest.

Following the court case there were negotiations between BN Bank ASA and the Winding Up Board for Glitnir hf. The parties came to an amicable settlement after which BN Bank ASA paid NOK 81.8 million to Glitnir hf and Glitnir hf accepted offset of the other disputed portion of about NOK 135.2 million.

BN Bank ASA has previously reported the greater portion of the claims against Glitnir which were used for offset as a loss and not as settled by means of off-set. The P&L effect of the amicable settlement before tax was therefore NOK 117 million recognised as income in 2012.

NOTE 7. IMPAIRMENT LOSSES AND WRITE-DOWNS ON LOANS CARRIED AT AMORTISED COST AND GUARANTEES

The various elements included in impairment losses & write-downs on loans are set out in Note 1, 2012 Annual Report. Loans past due more than 3 months are defined as loans not serviced under the loan agreement for 3 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 & 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	Q2 2013	Q2 2012	30.06.13	30.06.12	FULL-YEAR 2012
Write-offs in excess of prior-year write-downs	0	0	0	0	20
Write-downs for the period:					
Change in collective write-downs	8	0	9	-19	-20
Change in collective write-downs related to Guarantee Portfolio	-6	-1	-19	-1	40
Total change in collective write-downs	**2**	**-1**	**-10**	**-20**	**20**
Increase in loans with prior-year write-downs [1]	4	12	18	26	26
Provisions against loans without prior write-downs	24	5	79	19	68
Decrease in loans with prior-year write-downs	-3	-2	-3	-2	-18
Total change in individual write-downs	**25**	**15**	**94**	**43**	**76**
Gross impairment losses	27	14	84	23	116
Recoveries on previous write-offs	7	0	12	0	2
Impairment losses on loans and advances	**20**	**14**	**72**	**23**	**114**
Revenue recognition of interest on written-down loans	3	1	5	3	6

[1] Changes in value relating to repossessed properties totalled NOK 2 million as at 30 June 2013.

NOK MILLION	Q2 2013	Q2 2012	30.06.13	30.06.12	FULL-YEAR 2012
Individual write-downs to cover impairment losses at the start of the period	102	85	48	94	94
Write-offs covered by prior-year individual write-downs	-1	0	-2	-12	-40
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	0	1	0	4	12
Write-downs on loans without prior individual write-downs	21	0	76	0	0
Decrease in loans with prior-year individual write-downs	-3	-2	-3	-2	-18
Individual write-downs to cover impairment losses at the end of the period	**119**	**84**	**119**	**84**	**48**
Collective write-downs to cover impairment losses at the start of the period	66	66	65	85	85
Collective write-downs for the period to cover impairment losses	8	0	9	-19	-20
Collective write-downs to cover impairment losses at the end of the period	**74**	**66**	**74**	**66**	**65**

NOK MILLION	Q2 2013	Q2 2012	30.06.13	30.06.12	FULL-YEAR 2012
Loss provision financial guarantee related to Guarantee Portfolio at the start of the period [1]	85	46	72	28	28
Write-offs covered by prior-year individual write-downs	0	0	0	0	-27
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	2	5	15	9	3
Write-downs on loans without prior individual write-downs	3	5	3	19	68
Loss provision financial guarantee related to Guarantee Portfolio at the end of the period [1]	**90**	**56**	**90**	**56**	**72**
Collective write-downs related to Guarantee Portfolio at the start of the period	34	7	47	20	20
Collective write-downs for the period to cover losses in Guarantee Portfolio	-6	-1	-19	-14	27
Collective write-downs related to Guarantee Portfolio at the end of the period [1]	**28**	**6**	**28**	**6**	**47**
Total loss provisions related to Guarantee Portfolio	**118**	**62**	**118**	**62**	**119**

[1] BN Bank has previously entered into an agreement with SpareBank1 SMN for the latter to take over the Bank's Ålesund portfolio. The parties revised the agreement on 1 February 2012 according to which BN Bank sold NOK 2.3 billion of the portfolio valued at NOK 3.1 billion to SpareBank1 SMN. BN Bank now provides guarantees for 60% of the credit risk for this portfolio (referred to as the Guarantee Portfolio) of NOK 571 million. The Bank's maximum exposure is thus down to NOK 343 million, which at the end of Q2 2013 was 1.1% of the Bank's total lending. The total provision for losses in the Guarantee Portfolio was NOK 118 million at 30 June 2013. BN Bank will provide guarantees for losses in the Guarantee Portfolio for a period of 3-5 years from the inception of the original agreement. The loss provision is classified under Accrued expenses and deferred income.

Loans past due more than 3 months [1, 2]

NOK MILLION	30.06.13	30.06.12	31.12.12
Gross principal	813	583	404
Individual write-downs	75	53	3
Net principal	**738**	**530**	**401**

Other loans with individual write-downs [1]

NOK MILLION	30.06.13	30.06.12	31.12.12
Gross principal	408	367	524
Individual write-downs	134	87	117
Net principal	**274**	**280**	**407**

Loans past due more than 3 months by sector and as a percentage of loans [1, 2]

NOK MILLION	GROSS OUTSTANDING 30.06.13	%	GROSS OUTSTANDING 30.06.12	%	GROSS OUTSTANDING 31.12.12	%
Corporate loans	758	3.21	508	2.12	341	1.36
Retail loans	55	0.64	56	0.77	63	0.77
Guarantee Portfolio	0	0.00	19	2.52	0	0.00
Total	**813**	**2.48**	**583**	**1.83**	**404**	**1.19**

[1] With regard to disclosures in the notes concerning loans past due (non-performing loans), other loans with individual write-downs, and loans past due by sector and as a percentage of loans, the figures stated include the Guarantee Portfolio vis-à-vis SpareBank 1 SMN.

[2] Loans past due more than 3 months as a percentage of loans are calculated on the basis of loans in the remaining entity and the Guarantee Portfolio.

NOTE 8. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIO

NOK MILLION	**30.06.13**	**30.06.12**	**31.12.12**
Corporate and retail loans, Group	32 228	30 045	32 394
Vendor financing	-22	1 193	911
Gross lending	32 206	31 238	33 305
Loans transferred to SpareBank 1 Næringskreditt	10 908	9 256	9 919
Loans transferred to SpareBank 1 Boligkreditt	6 632	6 631	6 240
Total loans in managed portfolio	49 746	47 125	49 464
Divested portfolio	0	92	13

NOTE 9. 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 Aa3 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 has a 9.58% shareholding in the company at 30 June 2013. The purpose of the company is to secure for the consortium banks a source of stable, long-term financing of commercial real estate at competitive rates. SpareBank 1 Næringskreditt procures loans with mortgages on commercial properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to the company and, as part of the Bank's funding strategy, loans have been transferred from BNkreditt. Loans transferred to Sparebank 1 Næringskreditt AS are secured by mortgages on commercial properties for up to 60 per cent of the appraised value. Transferred loans are legally owned by Sparebank 1 Næringskreditt AS and, apart from the management right and the right to take over fully or partially written-down loans, BNkreditt has no right to the use of these loans. As at 30 June 2013, the book value of transferred loans was NOK 10.9 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 put up guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt's capital base. As at 30 June 2013, these guarantees totalled NOK 21 million.

The loans transferred to SpareBank 1 Næringskreditt AS are very well secured and there is only a very slight probability of loss. BNkreditt has a remaining involvement in the form of a possible settlement against the commission it receives. Should there arise accounting credit losses or a fall in margin relating to one or more transferred loans, SpareBank 1 Næringskreditt AS can reduce the commission BNkreditt receives with the loss. A reduction in commission for BNkreditt is limited to the total commission for the calendar year and if SpareBank 1 Næringskreditt AS subsequently has its loss covered, the commission will be paid back to BNkreditt. The maximum amount which BNkreditt can be required to pay back has been calculated, but is not material and is thus not recorded on the balance sheet. The fair value of the expected reduction in commission has been calculated and deemed immaterial. A possible settlement against the commission has therefore had no effect on the balance sheet or the result during the period.

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 30 June 2013 and for full-year 2012.

Guarantee provided by BN Bank to BNkreditt

In order to attend to the interests of existing bond holders in BNkreditt, in connection with the transfer of loans to Sparebank 1 Næringskreditt BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 30 June 2013, BNkreditt's capital adequacy ratio was 16.01 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 751 million as at 30 June 2013.

NOTE 10. TRANSFER OF LOANS 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. BN Bank had a 3.90% shareholding in the company as at 30 June 2013. 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 30 June 2013, the book value of transferred loans was NOK 6.6 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. BN Bank has a remaining involvement in the form of a possible settlement against the commission it receives. Should there arise accounting credit losses or a fall in margin relating to one or more transferred loans, SpareBank 1 Boligkreditt AS can reduce the commission BN Bank receives with the loss. A reduction in commission for BN Bank is limited to the total commission for the calendar year and if SpareBank 1 Boligkreditt AS subsequently has its loss covered, the commission will be paid back to BN Bank. The maximum amount which BN Bank can be required to pay back has been calculated, but is not material and is thus not recorded on the balance sheet. The fair value of the expected reduction in commission has been calculated and deemed immaterial. A possible settlement against the commission has therefore had no effect on the balance sheet or the result during the period.

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 30 June 2013 and for full-year 2012.

NOTE 11. BORROWING (FUNDING)

Fixed-rate borrowings that are part of index linking are carried in the consolidated balance sheet at amortised cost, while other fixed-rate borrowings are selected for fair value carrying. Floating-rate borrowings are carried at amortised cost.

Debt securities in issue

The BN Bank Group has issued bonds and certificates with a face value of NOK 4 390 million as at 30 June 2013, either as new issues or increases in existing tap issues.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (face value) as at 1 January 2013	3 234	14 827	18 061
New issues	0	1 635	1 635
Increase in existing issues	0	360	360
Purchase and maturity of existing issues	-392	-2 203	-2 595
Net debt (face value) as at 31 March 2013	2 842	14 619	17 461
New issues	1 650	0	1 650
Increase in existing issues	50	695	745
Purchase and maturity of existing issues	-1 612	-534	-2 146
Net debt (face value) as at 30 June 2013	2 930	14 780	17 710

Subordinated loan capital and perpetual subordinated capital securities

The BN Bank Group has issued no subordinated loans as at 30 June 2013.

NOK MILLION	PERPET. SUBORD. CAP. SEC.	SUBORD. LOAN CAPITAL	TOTAL
Net debt (face value) as at 1 January 2013	650	955	1 605
Purchase and maturity of existing issues	0	-156	-156
Net debt (face value) as at 31 March 2013	**650**	**799**	**1 449**
Net debt (face value) as at 30 June 2013	**650**	**799**	**1 449**

Liabilities to credit institutions

NOK MILLION	
New loans during the period - EURm	0
Redeemed loans during the period - EURm	0
Unused credit facilities - EURm	0

Recognised values

NOK MILLION	30.06.13	30.06.12	31.12.12
Certificates carried at amortised cost	0	518	0
Certificates selected for fair value carrying	2 960	2 644	3 285
Total recognised value of certificates	**2 960**	**3 162**	**3 285**
Bonds carried at amortised cost	9 776	8 766	10 028
Bonds carried at amortised cost (secured debt)	4 168	3 111	3 932
Bonds selected for fair value carrying	1 088	1 349	1 124
Total recognised value of bonds	**15 032**	**13 226**	**15 084**
Total recognised value of debt securities in issue	**17 992**	**16 388**	**18 369**

NOK MILLION	30.06.13	30.06.12	31.12.12
Perpetual subordinated capital securities carried at amortised cost	483	483	482
Perpetual subordinated capital securities selected for fair value carrying	179	175	172
Total recognised value of perpetual subordinated capital securities	**662**	**658**	**654**
Subordinated loans carried at amortised cost	803	803	959
Total recognised value of subordinated loans	**803**	**803**	**959**
Total recognised value of subordinated loans and perpetual subordinated capital securities	**1 465**	**1 461**	**1 613**

NOTE 12. DIVESTED OPERATION

Other assets and liabilities classified as held for sale

In connection with a loan defaulted on in 2010, BN Bank took over 100% of the shares in a company and then sold the company in the second quarter of 2012.

NOTE 13. FAIR VALUE OF FINANCIAL INSTRUMENTS COMPARED WITH RECOGNISED VALUE

	30.06.13		30.06.12		31.12.12	
NOK MILLION	**FAIR VALUE**	**RECOGNISED VALUE**	**FAIR VALUE**	**RECOGNISED VALUE**	**FAIR VALUE**	**RECOGNISED VALUE**
Loans and advances	32 013	32 013	31 088	31 088	33 193	33 193
Prepayments and accrued income	9	9	15	15	52	52
Interest rate derivatives	616	616	676	676	706	706
Currency derivatives	16	16	39	39	52	52
Equity-linked options and equity options	1	1	6	6	1	1
Short-term securities investments	6 549	6 545	6 350	6 351	6 144	6 135
Cash and balances due from credit institutions	1 529	1 529	721	721	1 495	1 495
Assets classified as held for sale	0	0	15	15	0	0
Subordinated loan capital	-1 489	-1 465	-1 450	-1 458	-1 605	-1 613
Liabilities to credit institutions	-715	-715	-824	-824	-519	-519
Debt securities in issue	-18 039	-17 992	-18 033	-18 143	-18 465	-18 369
Accrued expenses and deferred income	-283	-283	-156	-156	-119	-119
Other current liabilities	-20	-20	-184	-184	-1	-1
Interest rate derivatives	-466	-466	-574	-574	-586	-586
Currency derivatives	-62	-62	-46	-46	-47	-47
Customer deposits & accounts payable to customers	-16 360	-16 360	-15 763	-15 763	-16 910	-16 910
Total	3 299	3 366	1 880	1 763	3 391	3 470

In the case of short-term financial instruments, the recognised amount will normally always be a good approximation of fair value. Financial derivatives and short-term securities investments 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.

NOTE 14. RIGHT OF SET-OFF, FINANCIAL DERIVATIVES

As of 2013 the BN Bank Group will disclose which financial instruments it has entered into off-setting agreements concerning, in accordance with IFRS 7.13 A-F.

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

Financial assets 30.06.13

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	290	53	237
Counterparty 2	120	120	0
Counterparty 3	104	18	86
Counterparty 4	55	41	14
Counterparty 5	52	46	6
Counterparty 6	12	8	4
Total	633	286	347

Financial liabilities 30.06.13

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	53	53	0
Counterparty 2	362	120	242
Counterparty 3	18	18	0
Counterparty 4	41	41	0
Counterparty 5	46	46	0
Counterparty 6	8	8	0
Total	528	286	242

Financial assets 30.06.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	362	62	301
Counterparty 2	130	130	0
Counterparty 3	100	25	75
Counterparty 4	49	42	6
Counterparty 5	49	48	1
Counterparty 6	10	10	1
Counterparty 7	0	0	0
Counterparty 8	0	0	0
Total	700	316	384
No right of set-off	15		

Financial liabilities 30.06.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	62	62	0
Counterparty 2	413	130	283
Counterparty 3	25	25	0
Counterparty 4	42	42	0
Counterparty 5	48	48	0
Counterparty 6	10	10	0
Counterparty 7	6	0	6
Total	605	316	288
No right of set-off	15		

Financial assets 31.12.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	358	70	288
Counterparty 2	161	161	0
Counterparty 3	136	29	107
Counterparty 4	57	43	14
Counterparty 5	37	37	0
Counterparty 6	9	9	0
Total	758	349	409

Financial liabilities 31.12.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	69	69	0
Counterparty 2	418	162	256
Counterparty 3	29	29	0
Counterparty 4	43	43	0
Counterparty 5	62	37	25
Counterparty 6	11	9	2
Counterparty 7	1	0	1
Total	633	349	284

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

NOTE 15. CAPITAL ADEQUACY

Process for assessing the capital adequacy requirement

BN Bank has established a strategy and process for risk management and assessment of the capital adequacy requirement and how capital adequacy can be maintained. The collective term for this is ICAAP (Internal Capital Adequacy Assessment Process). Assessing the capital adequacy requirement includes assessing the size, composition and distribution of the capital base adapted to the level of risks that the Bank is or may be exposed to. The assessments are risk-based and forward-looking. Risk areas assessed in addition to the Pillar 1 risks are concentration risk in the credit portfolio, interest rate and foreign exchange risk in the bank portfolio, liquidity risk, market risk, owner's risk and reputation risk, compliance risk and strategic risk. ICAAP is not focused on a single method or a single figure, but presents a set of calculations including different time horizons, confidence levels and assumptions.

NOK MILLION	30.06.13	30.06.12	31.12.12
Share capital	706	668	668
Other reserves	2 685	2 520	2 673
Total equity	**3 391**	**3 188**	**3 341**
Net perpetual subordinated capital (perpetual subordinated capital securities borrowings) [1]	559	658	559
Deductions for:			
Equity and subordinated capital in other financial institutions	-173	-113	-121
Intangible assets	-7	-21	-10
Deferred tax assets	-43	-43	-40
Other deductions in tier 1 capital	0	-39	0
Tier 1 capital	**3 727**	**3 630**	**3 729**
Fixed-term subordinated loan capital	798	803	837
Perpetual subordinated capital securities, hybdrid capital in excess of 15%	93	113	95
Deductions for:			
Other deductions in tier 2 capital	-173	-39	0
Net tier 2 capital	**718**	**877**	**932**
Total capital base	**4 445**	**4 507**	**4 661**
Risk-weighted assets	31 199	29 820	30 923
Tier 1 capital ratio (%)	**11.95**	**12.17**	**12.06**
Tier 1 capital excluding hybrid capital and deductions (core tier 1 capital ratio) (%)	**10.16**	**10.34**	**10.25**
Capital adequacy ratio (%)	**14.25**	**15.11**	**15.07**

[1] For more details, see Note 11.

Specification of risk-weighted assets

	30.06.13		30.06.12		31.12.12	
NOK MILLION	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**
0 %	1 289	0	1 000	0	1 486	0
10 %	2 243	224	2 009	201	2 094	209
20 %	4 096	819	4 984	997	5 056	1 011
35 %	9 335	3 266	7 954	2 784	9 289	3 251
50 %	104	52	0	0	3	2
75 %	109	82	40	30	91	68
100 %	26 755	26 755	25 809	25 809	26 381	26 381
Total risk-weighted assets	**43 931**	**31 199**	**41 796**	**29 820**	**44 400**	**30 923**
Capital adequacy ratio (%)		**14.25**		**15.11**		**15.07**

NOTE 16. CONTINGENT LIABILITIES

Sale of structured products

BN Bank was sued in a group action over structured savings products in 2008. The Supreme Court ruled in February 2010 that group litigation is not appropriate for assessing this type of product. The group action against BN Bank has thus been brought to a conclusion.

Three of the Bank's customers then sued the Bank individually in the District Court, but the Court ruled against them on 8 July 2011. The ruling was appealed to the Borgarting Court of Appeal, but the case ended in an amicable settlement with the same result for the Bank as after the District Court's decision, whereby the Bank was obliged to pay its own costs.

BN Bank has also provided loans to finance Artemis structured products. BN Bank was sued by six customers, three of whom are limited companies. Two applicants have withdrawn their lawsuits, and the total loan financing on these products now amounts to NOK 80 million. The amounts in dispute are interest payments on the total loan amount.

In March 2013, the Supreme Court passed judgment in the so-called "Røeggen case". The Norwegian Financial Services Complaints Board has in that connection requested BN Bank and other banks to reassess the complaints against them that have been brought before the Board, in the light of the court judgment. BN Bank has found no grounds for changing its standpoint and still takes the view that the cases the Bank is involved in are not comparable with the "Røeggen case". As a result, no provision has been made relating to structured savings products to date in 2013.

NOTE 17. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

Apart from the matters mentioned in Note 16 above, 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 18. CONSOLIDATED INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

NOK MILLION	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Interest and similar income	400	393	391	394	399
Interest expense and similar charges	296	307	306	305	314
Net income from interest and credit commissions	**104**	**86**	**85**	**89**	**85**
Change in value of financial instruments at fair value, gains and losses	16	12	9	5	0
Other operating income	65	51	53	33	31
Amicable settlement	0	0	117	0	0
Total other operating income	**81**	**63**	**179**	**38**	**31**
Salaries and general adminstrative expenses	42	45	46	50	52
Depreciation, amortisation and write-downs	3	3	17	5	5
Other operating expense	7	7	8	7	5
Other gains and losses	0	0	0	0	0
Total other operating expense	**52**	**55**	**71**	**62**	**62**
Operating profit before impairment losses	**133**	**94**	**193**	**65**	**54**
Impairment losses on loans and advances	21	52	78	13	14
Profit before tax	**112**	**42**	**115**	**52**	**40**
Computed tax charge	31	12	33	14	11
Profit after tax	**81**	**30**	**82**	**38**	**29**

Income Statement

PARENT BANK

NOK MILLION	NOTE	Q2 2013	Q2 2012	30.06.13	30.06.12	FULL-YEAR 2012
Interest and similar income		308	305	623	628	1 249
Interest expense and similar charges		267	265	543	551	1 086
Net income from interest and credit commissions		**41**	**40**	**80**	**77**	**163**
Change in value of financial instruments at fair value, gains and losses	2	17	16	36	31	50
Other operating income	4	26	8	42	21	49
Amicable settlement	5	0	0	0	0	117
Total other operating income		**43**	**24**	**78**	**52**	**216**
Salaries and general administrative expenses		23	33	50	70	130
Ordinary depreciation, amortisation and write-downs		3	5	6	9	31
Other operating expense		5	0	9	3	7
Total other operating expense		**31**	**38**	**65**	**82**	**168**
Operating profit before impairment losses		**53**	**26**	**93**	**47**	**211**
Impairment losses on loans and advances	7	0	14	-4	20	116
Operating profit after impairment losses		**53**	**12**	**97**	**27**	**95**
Income from ownership interests in group companies	6	118	164	118	164	164
Profit before tax		**171**	**176**	**215**	**191**	**259**
Tax charge		15	48	27	52	72
Profit after tax		**156**	**128**	**188**	**139**	**187**
Total profit for the period						
Profit after tax		**156**	**128**	**188**	**139**	**187**
Statement of Other Comprehensive Income						
Items that will not be reclassified subsequently to profit or loss						
Actuarial gains (losses) on pension plans	1	0	0	0	0	14
Tax		0	0	0	0	-4
Other comprehensive income (net of tax)		**0**	**0**	**0**	**0**	**10**
Total comprehensive income for the period		**156**	**128**	**188**	**139**	**197**

Balance Sheet

PARENT BANK

NOK MILLIONER	NOTE	30.06.13	30.06.12	31.12.12
Intangible assets		7	21	10
Ownership interests in group companies		1 877	1 877	1 877
Subordinated loans		451	526	451
Tangible fixed assets		15	22	18
Loans and advances	7, 8, 9, 10, 13, 14	14 165	12 504	15 043
Prepayments and accrued income	8	8	18	53
Financial derivatives	13, 14	574	649	662
Short-term securities investments		6 021	5 437	5 612
Cash and balances due from credit institutions		13 396	12 486	12 860
Assets classified as held for sale	12	1	16	1
Total assets		**36 515**	**33 556**	**36 587**
Share capital		706	668	668
Share premium		416	266	266
Retained earnings		1 262	1 204	1 262
Total equity		**2 384**	**2 138**	**2 196**
Deferred tax		42	42	42
Subordinated loan capital	11	1 465	1 461	1 613
Liabilities to credit institutions		995	1 232	806
Debt securities in issue	11	14 546	12 006	14 123
Accrued expenses and deferred income	7	208	140	183
Other current liabilities		20	185	80
Tax payable		3	0	31
Financial derivatives	13, 14	488	589	603
Customer deposits & accounts payable to cust.		16 364	15 763	16 910
Total liabilities		**34 131**	**31 418**	**34 391**
Total equity and liabilities		**36 515**	**33 556**	**36 587**

Trondheim, 6 August 2013

The Board of Directors of BN Bank ASA

Tore Medhus (Deputy Chair) | Stig Arne Engen | Finn Haugan (Chair) | Harald Gaupen | Helene Jebsen Anker

Kristin Undheim | Anita Finserås Bretun (Staff Representative) | Ella Skjørestad | Gunnar Hovland (Managing Director)

Statement of Changes in Equity

PARENT BANK

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER PAID-UP SHARE CAPITAL	OTHER RESERVES[1, 2]	TOTAL EQUITY
Balance Sheet as at 1 January 2012	649	190	282	878	1 999
Dividend paid	0	0	0	-95	-95
Share capital increase	19	76	0	0	95
Result for the period	0	0	0	139	139
Balance Sheet as at 30 June 2012	**668**	**266**	**282**	**922**	**2 138**
Result for the period	0	0	0	48	48
Actuarial gains (losses) on pensions (net of tax)	0	0	0	10	10
Balance Sheet as at 31 December 2012	**668**	**266**	**282**	**980**	**2 196**
Dividend paid	0	0	0	-187	-187
Share capital increase	37	150	0	0	187
Result for the period	0	0	0	188	188
Balance Sheet as at 30 June 2013	**706**	**416**	**282**	**981**	**2 384**

[1] The reserve for unrealised gains is included in Other reserves. Provision of NOK 174 million had been made as at 31 December 2012.
[2] See Note 1 for more information concerning changes related to pensions.

Trondheim, 6 August 2013

The Board of Directors of BN Bank ASA

Cash Flow Statement

PARENT BANK

NOK MILLION	Q2 2013	Q2 2012	FULL-YEAR 2012
Cash flows from operating activities			
Interest/commission received and fees received from customers	371	632	805
Interest/commission paid and fees paid to customers	-110	-65	-475
Interest received on other investments	56	113	255
Interest paid on other loans	-266	-298	-551
Receipts/disbursements (-) on loans and advances to customers	817	1 741	-1 187
Receipts/payments on customer deposits & accounts payable to cust.	-718	-218	1 211
Receipts/payments (-) on liabilities to credit institutions	232	-799	-1 362
Receipts/payments(-) on securities in issue and securities buy-back	409	517	2 668
Receipts on previously written-off debt	8	2	3
Other receipts/payments	-71	133	229
Payments to suppliers for goods and services	-22	-27	-60
Payments to employees, pensions and social security expenses	-31	-40	-66
Tax paid	-34	-81	-34
Net cash flow from operating activities	**641**	**1 610**	**1 436**
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	139	-1 331	-731
Receipts/payments (-) on short-term securities investments	-409	-437	-578
Receipts/payments (-) on long-term securities investments	118	164	164
Proceeds from sale of operating assets etc.	0	-10	0
Purchase of operating assets etc.	-2	0	-15
Net cash flow from investing activities	**-432**	**-1 614**	**-1 160**
Cash flow from financing activities			
Receipts of subordinated loan capital	-156	0	156
Net cash flow from financing activities	**-156**	**0**	**156**
Netcash flow for the period	**53**	**-4**	**432**
Cash and balances due from central banks as at 1 January *	436	4	4
Cash and balances due from central banks at the close of the period	**489**	**0**	**436**

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

Notes

NOTE 1. ACCOUNTING POLICIES

The Q2 financial statements for the period 1 April to 30 June 2013 have been prepared in compliance with IFRS, including IAS 34 Interim Financial Reporting. A description of the accounting policies on which the financial statements are based is provided in the Annual Report for 2012, with the following exceptions:

Pensions

With effect from 1 January 2013, BN Bank has applied IAS 19 Employee Benefits and changed the basis for calculating pension liabilities and pension costs. BN Bank has previously used the "corridor" method to account for unamortised estimate variances. The corridor method is no longer permitted and according to the revised standard IAS 19R, all estimate variances shall be recognised in a Statement of Other Comprehensive Income (OCI). Estimate variances at 1 Jan. 2012 which totalled NOK 19.1 million have been reset. The pension liability increased correspondingly as of 1 Jan. 2012, while the equity was reduced by NOK 13.7 million after tax.

Previously, the return on pension assets was calculated using the long-term expected rate of return on the pension assets. By applying IAS 19R, the net interest expense for the period is now calculated by applying the discount rate for the liability at the beginning of the period to the net liability. The net interest expense therefore consists of the interest on the liability and the return on the pension assets, both calculated using the discount rate. Changes in the net pension liability as a result of premium receipts and payments of pensions are taken account of. The difference between the actual return on the pension assets and the return recognised in profit and loss, is accounted for immediately in OCI. The pension cost in 2012 under the previous accounting policy was NOK 8.6 million.

The net effect of the change in principle of the treatment of unamortised estimate variances and the calculation of the net interest expense, brought about no change in the pension cost recognised in profit and loss in 2012, while estimate variances for 2012 of NOK 14.3 million were recognised in income under the Statement of Other Comprehensive Income in the fourth quarter of 2012. The pension liability as at 31 December 2012 increased to NOK 30.7 million. IAS 19R has been applied retrospectively, so that the comparable figures have been changed.

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

NOK MILLION	Q2 2013	Q2 2012	30.06.13	30.06.12	31.12.12
Change in value interest rate derivatives obliged carried at fair value thro profit or loss [1,4]	5	7	11	18	18
Change in value currency derivatives obliged to be carried at fair value thro profit or loss [2]	-52	-16	-51	42	54
Change in value equity-linked options & equity options oblig. at fair value thro profit/loss [1]	0	0	0	0	5
Total change in value of financial instruments obliged to be carried at fair value	**-47**	**-9**	**-40**	**60**	**77**
Change in value of deposits selected for fair value carrying through profit or loss [4]	12	4	14	-1	-11
Change in value of borrowings selected for fair value carrying through profit or loss [4]	1	-6	3	-19	-37
Change in value of loans selected for fair value carrying through profit or loss [4]	33	9	62	-5	-9
Change in value of short-term financial investments selected for fair value carrying [3]	0	-4	9	13	45
Total change in value of financial instruments selected for fair value carrying	**46**	**3**	**88**	**-12**	**-12**
Change in value of interest rate derivatives, hedging [5]	-10	19	-19	27	53
Change in value of borrowings, hedged [5]	10	-19	19	-27	-53
Total change in value of financial instruments for hedging	**0**	**0**	**0**	**0**	**0**
Total change in value of financial instruments carried at fair value	**-1**	**-6**	**48**	**48**	**65**
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost [6]	-1	0	-8	-2	-3
Realised exchange gains/losses(-) borrowings and loans carried at amortised cost [6]	0	0	-1	0	-1
Exchange gains/losses on borrowings and loans carried at amortised cost [2]	19	22	-3	-15	-11
Total change in value of financial instruments carried at fair value, gains and losses	**17**	**16**	**36**	**31**	**50**

[1] In connection with the sale and/or issue of the structured products, BN Bank has hedged exposure in the form of equity options, equity-linked options and interest rate swap agreements. The earlier turbulence in the financial markets caused the loss of some contractual counterparties, and it was not possible at the time to replace these hedging transactions. BN Bank is therefore partially exposed to the market development of a limited number of products. Changes in exposure are recognised in profit and loss immediately, and there was no P&L effect as at 30 June 2013 or in 2012. The effect for full-year 2012 was income recognition of NOK 5 million.

[2] Exchange gains/losses on borrowings and loans carried at amortised cost are chiefly attributable to exchange gain/loss effects which arise when borrowing and lending in foreign currencies are translated at the current exchange rate. Forward exchange contracts and combined interest rate and currency derivatives are carried at fair value with changes in value carried through profit or loss. The net foreign exchange effect for the Group was recognised income of NOK 17 million as at 30 June 2013, compared with recognised expense of NOK 20 million for the same period of 2012. The effect for full-year 2012 was recognised income of NOK 3 million.

[3] Changes in the value of financial investments selected for fair value carrying gave rise to recognised income of NOK 9 million as at 30 June 2013, compared with recognised income of NOK 13 million for the same period of 2012. The effect for full-year 2012 was recognised income of NOK 45 million. Turbulence in the financial markets has caused big fluctuations in the value of these investments.

[4] The net effect of interest rate derivatives obliged to be carried at fair value and changes in the value of financial instruments selected for fair value carrying was recognised income of NOK 15 million as at 30 June 2013, compared with recognised income of NOK 40 million for the same period of 2012. The effect for full-year 2012 was recognised expense of NOK 1 million.

[5] BN Bank uses fair value hedges for new fixed-rate borrowings 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 fair value hedges, the hedge instrument is accounted for at fair value, and the hedge object is accounted for at fair value for the hedged risk. Changes in these values from the opening balance sheet are carried in profit or loss. The credit risk is not hedged and therefore does not affect the valuations. The value of the hedging instruments as at 30 June 2013 was positive by NOK 142 million, up from NOK 89 million for the same period of 2012. As at 31 December 2012 the value was positive by NOK 117 million.

[6] Realised exchange gains/losses bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 9 million as at 30 June 2013, compared with recognised expense of NOK 2 million for the same period or 2012. The effect for full-year 2012 was recognised expense of NOK 4 million.

NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Methods of 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

Certificates are measured at quoted prices where such are available and the securities are liquid. In the case of other securities, 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 market players' assessments of the creditworthiness of the issuer.

Loans and advances

For loans measured at fair value, the valuation is performed using a valuation technique where expected future cash flows are discounted to present values. 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 and margins is determined on the basis of the original premium for credit risk and margin, but with subsequent adjustment of these premiums in correlation with changes in the market pricing of risk, the borrowers' credit ratings and margin changes in the market.

Borrowings selected for fair value carrying

Where borrowing/funding is measured at fair value, quoted borrowings will be measured at quoted prices where such are available and the securities are liquid. In the case of other securities, 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.

Hedged borrowing/funding

Borrowings included in fair value hedges are measured 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). We have discounted by the interest-rate swap curve with premium for the original credit spread on the borrowing to eliminate the effects of the credit risk. It is the interest rate risk that is hedged.

Deposits

For deposits measured at fair value, the valuation is performed using a valuation technique where expected future cash flows are discounted to present values. 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. The premium for margins is determined on the basis of the original margin, but with subsequent adjustment of margin in correlation with margin changes in the market.

Options

Equity options and equity-linked options are measured at fair value by obtaining market prices from the facilitators of the structured financial products.

Shares

The shares comprise mainly the investments in SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. There is an interplay between the transfer of loans to these companies, the provision of the necessary capital and the level of the commission that is received. The measurement of these shares at fair value is virtually equal to the amount of capital paid into 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 of loans between especially creditworthy banks (interest-rate swap curve). The premium for credit risk is determined on the basis of other market players' ongoing assessments of the Bank's creditworthiness.
- Level 3: Measurement based on factors not taken from observable markets nor which have observable assumptions as input to the valuation.

The Parent Bank's assets and liabilities measured at fair value as at 30 June 2013

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	443	443
Interest rate derivatives [1]	0	557	0	557
Currency derivatives	0	16	0	16
Equity-linked options and equity options	0	1	0	1
Short-term securities investments	0	3 847	537	4 384
Total assets	0	4 421	980	5 401
Subordinated loan capital	0	-179	0	-179
Debt securities in issue	0	-3 033	0	-3 033
Interest rate derivatives [1]	0	-426	0	-426
Currency derivatives	0	-62	0	-62
Customer deposits & accounts payable to customers	0	-1 037	0	-1 037
Total liabilities	0	-4 737	0	-4 737

[1] The value of the hedge instruments earmarked for fair value hedging as at 30 June 2013 was positive by NOK 144 million.

The Parent Bank's assets and liabilities measured at fair value as at 30 June 2012

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	554	554
Interest rate derivatives [1]	0	604	0	604
Currency derivatives	0	39	0	39
Equity-linked options and equity options	0	6	0	6
Short-term securities investments	0	3 211	217	3 428
Total assets	0	3 860	771	4 631
Subordinated loan capital	0	-175	0	-175
Debt securities in issue	0	-2 659	0	-2 659
Interest rate derivatives [1]	0	-543	0	-543
Currency derivatives	0	-46	0	-46
Customer deposits & accounts payable to customers	0	-1 211	0	-1 211
Total liabilities	0	-4 634	0	-4 634

[1] The value of the hedge instruments earmarked for fair value hedging as at 30 June 2013 was positive by NOK 89 million.

The Parent Bank's assets and liabilities measured at fair value as at 31 December 2012

NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Loans and advances	0	0	521	521
Interest rate derivatives [1]	0	609	0	609
Currency derivatives	0	52	0	52
Equity-linked options and equity options	0	1	0	1
Short-term securities investments	29	3 141	420	3 590
Total assets	**29**	**3 803**	**941**	**4 773**
Subordinated loan capital	0	-172	0	-172
Debt securities in issue	0	-3 350	0	-3 350
Interest rate derivatives [1]	0	-556	0	-556
Currency derivatives	0	-47	0	-47
Customer deposits & accounts payable to customers	0	-1 951	0	-1 951
Total liabilities	**0**	**-6 076**	**0**	**-6 076**

[1] The value of the hedge instruments earmarked for fair value hedging as at 30 June 2013 was positive by NOK 117 million.

The Parent Bank's financial instruments measured at fair value, Level 3, as at 30 June 2013

NOK MILLION	LOANS	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	521	420	941
Investments in the period/new agreements	1	117	118
Sales in the period (at book value)	-83	0	-83
Change in value of financial instruments carried at fair value, gains and losses	4	0	4
Closing balance	**443**	**537**	**980**
Of which result for the period relating to financial instruments still on the balance sheet	2	0	2

The Parent Bank's financial instruments measured at fair value, Level 3, as at 30 June 2012

NOK MILLION	LOANS	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	717	178	895
Investments in the period/new agreements	3	39	71
Matured	-198	0	-198
Change in value of financial instruments carried at fair value, gains and losses	3	0	3
Closing balance	554	217	771
Of which result for the period relating to financial instruments still on the balance sheet	3	0	3

The Parent Bank's financial instruments measured at fair value, Level 3, as at 31 December 2012

NOK MILLION	LOANS	SHORT-TERM SECURITIES INVESTMENTS	TOTAL
Opening balance	717	178	895
Investments in the period/new agreements	28	242	270
Matured	-244	0	-244
Change in value of financial instruments carried at fair value, gains and losses	20	0	20
Closing balance	521	420	941
Of which result for the period relating to financial instruments still on the balance sheet	20	0	20

Sensitivity analysis, Level 3
In the case of loans carried at fair value, it is only margin changes that are a not-observable input at fair value calculation. Margin changes do not affect the calculation of fair value to any significant degree and for that reason are not quantified.

The Group's valuation and measurement techniques
The Group has a team in its Accounts & Treasury department that is responsible for measuring various assets and liabilities for accounting purposes. This team reports to the Chief Financial Officer. In addition, the factual results from the period's valuations are reported to the audit committee in connection with presentation of the accounts. The team also makes regular reports to the audit committee on the valuation principles and techniques it has applied.

The assumptions used for valuations within Level 3 are related to margin changes on loans.

NOTE 4. OTHER OPERATING INCOME

NOK MILLION	Q2 2013	Q2 2012	30.06.13	30.06.12	FULL-YEAR 2012
Guarantee commission	1	0	2	2	1
Net commission income/charges [1]	18	6	33	12	40
Operating income real estate	0	0	0	7	0
Other operating income	7	2	7	0	8
Total other operating income	26	8	42	21	49

[1] Commission income relating to the management of the portfolios in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt totalled NOK 33 million in the first half of 2013 and NOK 6 million in the same period of 2012. NOK 27 million was recognised as income for full-year 2012.

NOTE 5. AMICABLE SETTLEMENT

Amicable settlement with Glitnir banki hf, Iceland

Glitnir banki hf, now Glitnir hf, sued BN Bank ASA in 2011 for what Glitnir claimed was an unlawful offset of about NOK 240 million relating to claims and counter-claims between the parties declared by BN Bank ASA in November 2009. Oslo District Court gave judgment in the case in January 2012, according to which BN Bank ASA was ordered to pay back Glitnir hf approximately NOK 213 million plus interest.

Following the court case there were negotiations between BN Bank ASA and the Winding Up Board for Glitnir hf. The parties came to an amicable settlement, after which BN Bank ASA paid NOK 81.8 million to Glitnir hf and Glitnir hf accepted offset of the other disputed portion of about NOK 135.2 million.

BN Bank ASA has previously reported the greater portion of the claims against Glitnir which were used for offset as a loss and not as settled by means of offset. The P&L effect of the amicable settlement before tax was therefore NOK 117 million recognised as income in 2012.

NOTE 6. INCOME FROM OWNERSHIP INTERESTS IN GROUP COMPANIES

The 2013 Annual General Meetings of the subsidiaries Bolig- og Næringskreditt AS and BN Boligkreditt AS have resolved to distribute dividends of, respectively, NOK 110 million and NOK 7 million before tax. No tax has been computed on the dividends as they were distributed within the Group's tax payment arrangements.

NOTE 7. IMPAIRMENT LOSSES AND WRITE-DOWNS ON LOANS CARRIED AT AMORTISED COST AND GUARANTEES

The various elements included in impairment losses & write-downs on loans are set out in Note 1, 2012 Annual Report. Loans past due more than 3 months are defined as loans not serviced under the loan agreement for 3 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 & 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	Q2 2013	Q2 2012	30.06.13	30.06.12	FULL-YEAR 2012
Write-offs in excess of prior-year write-downs	0	0	0	0	13
Write-downs for the period:					
Changes in collective write-downs	0	4	0	-14	-8
Changes in collective write-downs related to Guarantee Portfolio	-6	0	-19	0	40
Changes in collective write-downs transferred to divested operation	0	-1	0	-1	0
Total changes in collective write-downs	**-6**	**3**	**-19**	**-15**	**32**
Increase in loans with prior-year write-downs	4	7	18	18	11
Provisions against loans without prior write-downs	6	5	6	19	68
Decrease in loans with prior-year write-downs	-3	-1	-3	-2	-6
Total changes in individual write-downs	**7**	**11**	**21**	**35**	**73**
Gross impairment losses	1	14	2	20	118
Recoveries on previous write-offs	1	0	6	0	2
Impairment losses on loans and advances	**0**	**14**	**-4**	**20**	**116**
Revenue recognition of interest on written-down loans	2	0	3	0	2

NOK MILLION	Q2 2013	Q2 2012	30.06.13	30.06.12	FULL-YEAR 2012
Individual write-downs to cover impairment losses at the start of the period	29	35	30	34	34
Write-offs covered by prior-year individual write-downs	-1	0	-2	0	-3
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	0	2	0	4	5
Write-downs on loans without prior individual write-downs	3	0	3	0	0
Decrease in loans with prior-year individual write-downs	-3	-1	-3	-2	-6
Individual write-downs to cover impairment losses at the end of the period28	**36**	**28**	**36**	**30**	
Collective write-downs to cover impairment losses at the start of the period	29	19	29	37	37
Collective write-downs for the period to cover impairment losses	0	4	0	-14	-8
Collective write-downs to cover impairment losses at the end of the period	**29**	**23**	**29**	**23**	**29**

NOK MILLION	Q2 2013	Q2 2012	30.06.13	30.06.12	FULL-YEAR 2012
Loss provision financial guarantee related to Guarantee Portfolio at start of the period	85	46	72	28	28
Write-offs covered by prior-year individual write-downs	0	0	0	0	-27
Write-downs for the period:					
Increase in loans with prior-year individual write-downs	2	5	15	9	3
Write-downs on loans uten tidligere individual write-downs	3	5	3	19	68
Loss provision financial guarantee related to Guarantee Portfolio at end of the period [1]	**90**	**56**	**90**	**56**	**72**
Collective write-downs related to Guarantee Portfolio at the start of the period	34	7	47	20	20
Collective write-downs for the period to cover losses in Guarantee Portfolio	-6	-1	-19	-14	27
Collective write-downs related to Guarantee Portfolio at the end of the period [1]	**28**	**6**	**28**	**6**	**47**
Total loss provisions related to Guarantee Portfolio [1]	**118**	**62**	**118**	**62**	**119**

[1] BN Bank has previously entered into an agreement with SpareBank1 SMN for the latter to take over the Bank's Ålesund portfolio. The parties revised the agreement on 1 February 2012 according to which BN Bank sold NOK 2.3 billion of the portfolio valued at NOK 3.1 billion to SpareBank1 SMN. BN Bank now provides guarantees for 60% of the credit risk for this portfolio (referred to as the Guarantee Portfolio) of NOK 571 million. The Bank's maximum exposure is thus down to NOK 343 million, which at the end of Q2 2013 was 1.1% of the Bank's total lending. The total provision for losses in the Guarantee Portfolio was NOK 118 million at 30 June 2013. BN Bank will provide guarantees for losses in the Guarantee Portfolio for a period of 3-5 years from the inception of the original agreement. The loss provision is classified under Accrued expenses and deferred income.

Loans past due more than 3 months [1, 2]

NOK MILLION	30.06.13	30.06.12	31.12.12
Gross principal	284	138	117
Individual write-downs	27	16	3
Net principal	**257**	**122**	**114**

Other loans with individual write-downs [1]

NOK MILLION	30.06.13	30.06.12	31.12.12
Gross principal	293	303	460
Individual write-downs	91	76	99
Net principal	**202**	**227**	**361**

Loans past due more than 3 months by sector and as a percentage of loans [1, 2]

NOK MILLION	GROSS OUTSTANDING 30.06.13	%	GROSS OUTSTANDING 30.06.12	%	GROSS OUTSTANDING 31.12.12	%
Corporate loans	229	4.05	63	1.16	54	0.78
Retail loans	55	0.64	56	0.80	63	0.77
Guarantee Portfolio	0	0.00	19	2.52	0	0.00
Total	**284**	**1.92**	**138**	**1.83**	**117**	**0.75**

[1] With regard to disclosures in the notes concerning loans past due (non-performing loans), other loans with individual write-downs, and loans past due by sector and as a percentage of loans, the figures stated include the Guarantee Portfolio vis-à-vis SpareBank 1 SMN.

[2] Loans past due more than 3 months and as a percentage of loans are calculated on the basis of loans in the remaining entity and the Guarantee Portfolio.

NOTE 8. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIO

NOK MILLION	30.06.13	30.06.12	31.12.12
Corporate and retail loans	14 244	11 278	14 191
Vendor financing	-22	1 193	911
Gross lending	14 222	12 471	15 102
Loans transferred to SpareBank 1 Boligkreditt	6 632	6 631	6 240
Total loans in managed portfolio	20 854	19 102	21 342
Divested portfolio	0	92	13

NOTE 9. 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 Aa3 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 has a 9.58% shareholding in the company at 30 June 2013. The purpose of the company is to secure for the consortium banks a source of stable, long-term financing of commercial real estate at competitive rates. SpareBank 1 Næringskreditt procures loans with mortgages on commercial properties and issues covered bonds within the regulations governing such bonds established in 2007. As part of the consortium, BN Bank may transfer loans to the company and, as part of the Bank's funding strategy, loans have been transferred from BNkreditt. Loans transferred to Sparebank 1 Næringskreditt AS are secured by mortgages on commercial properties for up to 60 per cent of the appraised value. Transferred loans are legally owned by Sparebank 1 Næringskreditt AS and, apart from the management right and the right to take over fully or partially written-down loans, BNkreditt has no right to the use of these loans. As at 30 June 2013, the book value of transferred loans was NOK 10.9 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 put up guarantees for the transferred loan commitments where they exceed 25 per cent of SpareBank 1 Næringskreditt's capital base. As at 30 June 2013, these guarantees totalled NOK 21 million.

The loans transferred to SpareBank 1 Næringskreditt AS are very well secured and there is only a very slight probability of loss. BNkreditt has a remaining involvement in the form of a possible settlement against the commission it receives. Should there arise accounting credit losses or a fall in margin relating to one or more transferred loans, SpareBank 1 Næringskreditt AS can reduce the commission BNkreditt receives with the loss. A reduction in commission for BNkreditt is limited to the total commission for the calendar year and if SpareBank 1 Næringskreditt AS subsequently has its loss covered, the commission will be paid back to BNkreditt. The maximum amount which BNkreditt can be required to pay back has been calculated, but is not material and is thus not recorded on the balance sheet. The fair value of the expected reduction in commission has been calculated and deemed immaterial. A possible settlement against the commission has therefore had no effect on the balance sheet or the result during the period.

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 30 June 2013 and for full-year 2012.

Guarantee provided by BN Bank to BNkreditt

In order to attend to the interests of existing bond holders, in connection with the transfer of loans to Sparebank 1 Næringskreditt, BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 30 June 2013, BNkreditt's capital adequacy ratio was 16.01 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 751 million as at 30 June 2013.

NOTE 10. TRANSFER OF LOANS 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. BN Bank had a 3.90% shareholding in the company as at 30 June 2013. 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 30 June 2013, the book value of transferred loans was NOK 6.6 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. BN Bank has a remaining involvement in the form of a possible settlement against the commission it receives. Should there arise accounting credit losses or a fall in margin relating to one or more transferred loans, SpareBank 1 Boligkreditt AS can reduce the commission BN Bank receives with the loss. A reduction in commission for BN Bank is limited to the total commission for the calendar year and if SpareBank 1 Boligkreditt AS subsequently has its loss covered, the commission will be paid back to BN Bank. The maximum amount which BN Bank can be required to pay back has been calculated, but is not material and is thus not recorded on the balance sheet. The fair value of the expected reduction in commission has been calculated and deemed immaterial. A possible settlement against the commission has therefore had no effect on the balance sheet or the result during the period.

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 30 June 2013 and for full-year 2012.

NOTE 11. BORROWING (FUNDING)

Fixed-rate borrowings that are part of index linking are carried in the balance sheet at amortised cost, while other fixed-rate borrowings are selected for fair value carrying. Floating-rate borrowings are carried at amortised cost.

Debt securities in issue

The Parent Bank has issued bonds and certificates with a face value of NOK 4 240 million as at 30 June 2013, either as new issues or increases in existing tap issues.

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (face value) as at 1 January 2013	3 084	10 860	13 944
New issues	0	1 635	1 635
Increase in existing issues	0	360	360
Purchase and maturity of existing issues	-392	-1 484	-1 876
Net debt (face value) as at 31 March 2013	**2 692**	**11 371**	**14 063**
New issues	1 500	0	1 500
Increase in existing issues	50	695	745
Purchase and maturity of existing issues	-1 462	-499	-1 961
Net debt (face value) as at 30 June 2013	**2 780**	**11 567**	**14 347**

Subordinated loan capital and perpetual subordinated capital securities

The Parent Bank has issued no subordinated loans as at 30 June 2013.

NOK MILLION	PER. SUBORD. CAP. SEC.	SUBORDINATED LOAN CAPITAL	TOTAL
Net debt (face value) as at 1 January 2013	650	955	1 605
Purchase and maturity of existing issues	0	-156	-156
Net debt (face value) as at 31 March 2013	**650**	**799**	**1 449**
Net debt (face value) as at 30 June 2013	**650**	**799**	**1 449**

Recognised values

NOK MILLION	30.06.13	30.06.12	31.12.12
Certificates carried at amortised cost	0	518	0
Certificates carried at fair value	2 809	2 444	3 131
Total recognised value of certificates	**2 809**	**2 962**	**3 131**
Bonds carried at amortised cost	8 295	7 018	8 192
Bonds carried at amortised cost (secured debt)	3 219	1 805	2 581
Bonds selected for fair value carrying	223	221	219
Total recognised value of bonds	**11 737**	**9 044**	**10 992**
Total recognised value of debt securities in issue	**14 546**	**12 006**	**14 123**

NOK MILLION	30.06.13	30.06.12	31.12.12
Perpetual subordinated capital securitiescarried at amortised cost	483	483	482
Perpetual subordinated capital securities carried at fair value	179	175	172
Total recognised value of perpetual subordinated capital securities	**662**	**658**	**654**
Subordinated loans carried at amortised cost	803	803	959
Total recognised value of subordinated loans	**803**	**803**	**959**
Total recognised value of subordinated loans and perpetual subordinated capital securities	**1 465**	**1 461**	**1 613**

NOTE 12. DIVESTED OPERATION

Other assets classified as held for sale

In connection with a loan defaulted on in 2010, BN Bank took over 100% of the shares in a company and then sold the company in the second quarter of 2012.

NOTE 13. FAIR VALUE OF FINANCIAL INSTRUMENTS COMPARED WITH RECOGNISED VALUE

	30.06.13		30.06.12		31.12.12	
NOK MILLION	**FAIR VALUE**	**RECOGNISED VALUE**	**FAIR VALUE**	**RECOGNISED VALUE**	**FAIR VALUE**	**RECOGNISED VALUE**
Subordinated loans	453	451	524	526	453	451
Loans and advances	14 165	14 165	12 504	12 504	15 043	15 043
Prepayments and accrued income	8	8	18	18	53	53
Interest rate derivatives	557	557	604	604	609	609
Currency derivatives	16	16	39	39	52	52
Equity-linked options og equity options	1	1	6	6	1	1
Short-term securities investments	6 025	6 021	5 436	5 437	5 620	5 612
Cash and balances due from credit institutions	13 396	13 396	12 486	12 486	12 860	12 860
Assets classified as held for sale	1	1	16	16	1	1
Subordinated loan capital	-1 489	-1 465	-1 453	-1 461	-1 605	-1 613
Liabilities to credit institutions	-995	-995	-1 232	-1 232	-806	-806
Debt securities in issue	-14 593	-14 546	-12 062	-12 006	-14 217	-14 123
Accrued expenses and deferred income	-208	-208	-122	-122	-119	-119
Other current liabilities	-20	-20	-185	-185	-1	-1
Interest rate derivatives	-426	-426	-543	-543	-556	-556
Currency derivatives	-62	-62	-46	-46	-47	-47
Customer deposits & accounts payable to customers	-16 364	-16 364	-15 763	-15 763	-16 910	-16 910
Total	465	530	227	278	431	507

In the case of short-term financial instruments, the recognised amount will normally always be a good approximation of fair value. Financial derivatives and short-term securities investments 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.

NOTE 14. RIGHT OF SET-OFF, FINANCIAL DERIVATIVES

As of 2013 the BN Bank Group will disclose which financial instruments it has entered into off-setting agreements concerning, in accordance with IFRS 7.13 A-F.

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

Financial assets 30.06.13

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	115	45	70
Counterparty 2	285	285	0
Counterparty 3	52	16	36
Counterparty 4	60	14	46
Counterparty 5	49	46	3
Counterparty 6	12	8	4
Total	573	414	159

Financial liabilities 30.06.13

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	45	45	0
Counterparty 2	359	285	74
Counterparty 3	16	16	0
Counterparty 4	14	14	0
Counterparty 5	46	46	0
Counterparty 6	8	8	0
Total	488	414	74

Financial assets 30.06.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	358	62	296
Counterparty 2	124	124	0
Counterparty 3	57	20	37
Counterparty 4	45	16	29
Counterparty 5	49	48	1
Counterparty 6	10	10	1
Counterparty 7	0	0	0
Counterparty 8	0	0	0
Total	643	279	364

Financial liabilities 30.06.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	62	62	0
Counterparty 2	412	124	288
Counterparty 3	20	20	0
Counterparty 4	16	16	0
Counterparty 5	48	48	0
Counterparty 6	10	10	0
Counterparty 7	6	0	6
Counterparty 8	0	0	0
Total	574	280	294
No right of set-off	15		

Financial assets 31.12.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	354	70	284
Counterparty 2	152	152	0
Counterparty 3	68	28	40
Counterparty 4	41	15	26
Counterparty 5	37	37	0
Counterparty 6	9	9	0
Total	661	311	350

Financial liabilities 31.12.12

COUNTERPARTY	AMOUNT IN BALANCE SHEET	AMOUNT SUBJECT TO SETTLEMENT ON NET BASIS [1]	AMOUNT AFTER POSSIBLE NET-OFFS
Counterparty 1	69	69	0
Counterparty 2	417	151	266
Counterparty 3	28	28	0
Counterparty 4	15	15	0
Counterparty 5	62	38	24
Counterparty 6	11	9	2
Counterparty 7	1	0	1
Total	603	310	293

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

NOTE 15. CAPITAL ADEQUACY

Process for assessing the capital adequacy requirement

BN Bank has established a strategy and process for risk management and assessment of the capital adequacy requirement and how capital adequacy can be maintained. The collective term for this is ICAAP (Internal Capital Adequacy Assessment Process). Assessing the capital adequacy requirement includes assessing the size, composition and distribution of the capital base adapted to the level of risks that the Bank is or may be exposed to. The assessments are risk-based and forward-looking. Risk areas assessed in addition to the Pillar 1 risks are concentration risk in the credit portfolio, interest rate and foreign exchange risk in the bank portfolio, liquidity risk, market risk, owner's risk and reputation risk, compliance risk and strategic risk. ICAAP is not focused on a single method or a single figure, but presents a set of calculations including different time horizons, confidence levels and assumptions.

NOK MILLION	30.06.13	30.06.12	31.12.12
Share capital	706	668	668
Other reserves	1 583	1 413	1 531
Total equity	**2 289**	**2 081**	**2 199**
Net perpetual subordinated capital (perpetual subordinated capital securities borrowings) [1]	372	658	365
Deductions for:			
Equity and subordinated capital in other financial institutions	0	-302	-121
Intangible assets	-7	-21	-10
Other deductions in tier 1 capital	-173	-39	0
Tier 1 capital	**2 481**	**2 377**	**2 433**
Fixed-term subordinated loan capital	798	803	958
Perpetual subordinated capital securities, hybdrid capital in excess of 15%	279	301	290
Deductions for:			
Fixed-term subordinated loan capital that cannot be included	0	-94	-214
Other deductions in tier 2 capital	-173	-39	-121
Net tier 2 capital	**904**	**971**	**913**
Total capital base	**3 385**	**3 348**	**3 346**
Risk-weighted assets	17 403	17 470	16 921
Tier 1 capital ratio (%)	14.26	13.61	14.38
Tier 1 capital excluding hybrid capital and deductions (core tier 1 capital) (%)	**12.12**	**12.29**	**12.22**
Capital adequacy ratio (%)	**19.45**	**19.16**	**19.77**

[1] For more details, see Note 11.

Specification of risk-weighted assets

	30.06.13		30.06.12		31.12.12	
NOK MILLION	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**	**RECOGNISED AMOUNT**	**WEIGHTED AMOUNT**
0 %	1 289	0	1 000	0	1 486	0
10 %	2 243	224	2 009	201	2 094	209
20 %	15 835	3 167	16 700	3 340	16 243	3 249
35 %	9 335	3 266	7 225	2 529	8 935	3 127
50 %	103	52	0	0	0	0
75 %	101	76	40	30	76	57
100 %	10 618	10 618	11 370	11 370	10 279	10 279
Total risk-weighted assets	**39 524**	**17 403**	**38 344**	**17 470**	**39 113**	**16 921**
Capital adequacy ratio (%)		**19.45**		**19.16**		**19.77**

NOTE 16. CONTINGENT LIABILITIES

Sale of structured products

BN Bank was sued in a group action over structured savings products in 2008. The Supreme Court ruled in February 2010 that group litigation is not appropriate for assessing this type of product. The group action against BN Bank has thus been brought to a conclusion.

Three of the Bank's customers then sued the Bank individually in the District Court, but the Court ruled against them on 8 July 2011. The ruling was appealed to the Borgarting Court of Appeal, but the case ended in an amicable settlement with the same result for the Bank as after the District Court's decision, whereby the Bank was obliged to pay its own costs.

BN Bank has also provided loans to finance Artemis structured products. BN Bank was sued by 6 customers, 3 of whom are limited companies. Two applicants have withdrawn their lawsuits, and the total loan financing on these products is now NOK 80 million. The amounts in dispute are interest payments on the total loan amount.

In March 2013, the Supreme Court passed judgment in the so-called "Røeggen case". The Norwegian Financial Services Complaints Board has in that connection requested BN Bank and other banks to reassess the complaints against them that have been brought before the Board, in the light of the court judgment. BN Bank has found no grounds for changing its standpoint and still takes the view that the cases the Bank is involved in are not comparable with the "Røeggen case". As a result, no provision has been made relating to structured savings products to date in 2013.

NOTE 17. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

Apart from the matters mentioned in Note 16 above, 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 18. INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

NOK MILLION	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Interest and similar income	308	315	307	314	305
Interest expense and similar charges	267	276	268	267	265
Net income from interest and credit commissions	**41**	**39**	**39**	**47**	**40**
Change in value of financial instruments carried at fair value, gains and losses	17	19	14	5	16
Other operating income	26	16	20	8	8
Amicable settlement	0	0	117	0	0
Total other operating income	**43**	**35**	**151**	**13**	**24**
Salaries and general administrative expenses	23	27	28	32	33
Depreciation, amortisation and write-downs	3	3	17	5	5
Other operating expense	5	4	3	1	0
Total other operating expense	**31**	**34**	**48**	**38**	**38**
Operating profit before impairment losses	**53**	**40**	**142**	**22**	**26**
Impairment losses on loans and advances	0	-4	74	21	14
Operating profit after impairment losses	**53**	**44**	**68**	**1**	**12**
Income from ownership interests in group companies	118	0	0	0	164
Profit before tax	**171**	**44**	**68**	**1**	**176**
Computed tax charge	15	12	20	0	48
Profit after tax	**156**	**32**	**48**	**1**	**128**

To the Board of Directors of BN Bank ASA

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying interim financial information of BN Bank ASA, which comprise the financial statements of the group and the financial statements of the parent company. The financial statements of the group and the financial statements of the parent company comprise balance sheet as of 30 June 2013 and the related statements of income, changes in equity and cash flows for the six-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, 6. August 2013
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

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

PricewaterhouseCoopers AS, Brattørkaia 17 B, NO-7492 Trondheim
T: 02316, www.pwc.no
Org.no.: 987 009 713 MVA, Medlem av Den norske Revisorforening

Statement of Compliance under the Securities Trading Act, section 5-6

We hereby confirm that the Company's financial statements and the Group's consolidated financial statements for the half-year from 1 January to 30 June 2013 have, to the best of our belief, been prepared in compliance with IAS 34 Interim Financial Reporting, and that the disclosures in the separate financial statements and consolidated financial statements give a true and fair picture of the Company's and the Group's assets, liabilities, financial position and results as a whole.

The Half-Year Report and the Report of the Directors provide, to the best of our belief, a true and fair overview of significant events during the reporting period and their effect on the interim financial statements, and an outline of the most significant risk and uncertainty factors facing the Company and the Group in the next financial period.

Trondheim, 6 August 2013

The Board of Directors of BN Bank ASA

Tore Medhus (Deputy Chair)

Stig Arne Engen

Finn Haugan (Chair)

Harald Gaupen

Helene Jebsen Anker

Kristin Undheim

Anita Finserås Bretun (Staff Representative)

Ella Skjørestad

Gunnar Hovland (Managing Director)

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