BN Bank ASA

INTERIM REPORT 1st QUARTER | 2012

BN Bank

Content

Summary of results Q1 2012

- Profit after tax of NOK 37 million (NOK 17 million Q1 2011)
- Return on equity after tax of 4.8 per cent (1.4 per cent Q1 2011)
- Impairment losses on loans and advances of NOK 9 million which is equivalent to a loss ratio lending of 0.11 per cent (0.44 per cent Q1 2011)
- Tier capital ratio of 11.5 per cent (10.9 per cent Q1 2011)
- 10 per cent growth in lending in the corporate market and 2 per cent growth in lending in the retail market in the last 12 months

Financial Ratios

NOK MILLION	NOTE	31.03.12	% OF ATA	31.03.11	% OF ATA	ÅRET 2011	% OF ATA
Summary of results							
Net income from interest and credit commissions		84	0.82 %	91	0.86 %	385	0.94 %
Total other operating income		43	0.42 %	20	0.19 %	103	0.25 %
Total income		127	1.24 %	111	1.05 %	488	1.19 %
Total other operating expense		67	0.65 %	62	0.59 %	234	0.57 %
Operating profit/(loss) before impairment losses		60	0.58 %	49	0.46 %	254	0.62 %
Impairment losses on loans and advances		9	0.09 %	35	0.33 %	62	0.15 %
Profit/(loss) before tax		51	0.50 %	14	0.13 %	192	0.47 %
Computed tax charge		14	0.14 %	4	0.04 %	44	0.11 %
Profit/(loss) for the period, remaining entity		37	0.36 %	10	0.09 %	148	0.36 %
Profitability							
Return on equity	1	4.8 %		1.4 %		5.0 %	
Net interest margin	2	0.82 %		0.86 %		0.94 %	
Cost-income ratio	3	52.8 %		55.9 %		48.0 %	
Balance sheet figures							
Gross lending		34 010		33 577		33 439	
Customer deposits		16 154		15 531		15 959	
Deposit-to-loan ratio	4	47.5 %		46.3 %		47.7 %	
Increase/decrease in lending (gross) last 12 months		1.3 %		5.9 %		2.6 %	
Increase/decrease in deposits last 12 months		4.0 %		-3.8 %		-2.7 %	
Average total assets (ATA)	5	41 100		42 329		40 905	
Total assets		42 289		41 437		40 722	
Balance sheet figures remaining entity including SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt							
Gross lending		45 880		43 577		45 663	
Customer deposits		16 154		15 531		15 959	
Increase/decrease in lending (gross) last 12 months		5.3 %		11.2 %		8.0 %	
Increase/decrease in deposits last 12 months		4.0 %		-3.8 %		-2.7 %	
Share of lending financed via deposits		35.2 %		35.6 %		34.9 %	
Losses on loans and non-performing loans							
Loss ratio lending	6	0.11 %		0.44 %		0.19 %	
Non-performing loans as a percentage of gross lending	7	1.55 %		0.49 %		0.59 %	
Other doubtful commitments as a percentage of gross lending	7	0.68 %		3.52 %		2.02 %	
Solvency							
Capital adequacy ratio		14.2 %		13.8 %		13.7 %	
Tier 1 capital ratio		11.5 %		10.9 %		11.0 %	
Tier 1 capital		3 615		3 453		3 644	
Capital base		4 492		4 392		4 543	
Offices and staffing							
Number of offices		2		2		2	
Number of full-time equivalents		108		106		108	
Shares							
Earnings per share for period (whole NOK) before discont. operations		2.85		0.81		11.39	
Earnings per share for period (whole NOK) inc. discont. operations		2.85		1.37		11.86	

Note

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 and as at 1 January and 31 December
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 three months to 31 March 2012

All figures for the three months to 31 March 2012 are compared with the equivalent figures for the three months to 31 March 2011:

- Growth in lending of NOK 2 303 million in the past 12 months.
- Profit of NOK 37 million (NOK 17 million).
- Return on equity of 4.8 per cent (1.4 per cent).
- Impairment losses on loans and advances of NOK 9 million (NOK 35 million)
- Tier 1 capital ratio of 11.5 per cent (10.9 per cent)
- Core tier 1 capital of 9.7 per cent (9.2 per cent)

Highlights of Q1 2012

For the first quarter of 2012 the BN Bank Group posted a profit after tax of NOK 37 million, compared with a post-tax profit of NOK 17 million for the same period of 2011. The increase in profit is mainly attributable to an increase in positive changes in the value of financial instruments and a reduction in impairment losses on loans.

In the following the first-quarter figures are compared with the figures for fourth-quarter 2011.

Total income for the first quarter of 2012 was NOK 127 million (NOK 132 million). There was a decrease in net interest margin and income from fees, although this was partially compensated for by positive changes in value.

Operating expense for the first quarter 2012 was NOK 67 million (NOK 71 million).

Net impairment losses on loans and guarantees totalled NOK 9 million in first-quarter 2012 (NOK 18 million), including a decrease in collective write-downs of NOK 19 million (increase of NOK 4 million).

Non-performing loans at the end of the first quarter 2012 were 1.55 per cent of gross lending[1] (0.49 per cent).

On a 12-month basis growth in lending was 5.3 per cent and growth in deposits 4 per cent at the end of first-quarter 2012.

In the first quarter of 2012, BN Bank issued ordinary senior bonds for a total of NOK 2.3 billion in the Norwegian bonds market. The Bank also transferred NOK 8.1 billion and NOK 3.8 billion to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt respectively.

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

FIGURES AS %	Q1 2012	Q4 2011
Capital adequacy ratio	14.2	13.7
Tier 1 capital ratio	11.5	11.0
Core tier 1 capital ratio	9.7	9.5

BN Bank's total assets were NOK 42.3 billion as at 31 March 2012.

[1] Gross lending comprises lending in the Group and BN Bank's Ålesund loan portfolio.

On 26 January 2012, Oslo District Court gave judgment in the case in which the Icelandic bank Glitnir banki hf, has sued BN Bank ASA for what Glitnir claims was an unlawful offset of about NOK 240 million. According to the judgment, BN Bank ASA was ordered to pay Glitnir NOK 213 million plus interest. The Court found that about NOK 27 million was lawfully offset. In BN Bank's view, the Court has made an error on a key point relating to the largest single item that the offset was made against, but BN Bank has otherwise won on the other, important points. BN Bank has accordingly appealed the judgment to the Borgarting Court of Appeal. As BN Bank has previously reported the offset amount as lost, the judgment has only a limited negative accounting effect for the Bank.

BN Bank has previously entered into an agreement with SpareBank1 SMN to take over the Bank's Ålesund portfolio. The parties revised the agreement on 1 February 2012, according to which SpareBank1 SMN took over NOK 2.3 billion of the portfolio valued at NOK 3.1 billion. BN Bank now provides guarantees for 60 per cent of the credit risk for this portfolio (referred to as the Guarantee Portfolio) of NOK 738 million. This has reduced BN Bank's maximum exposure to NOK 443 million, which was 1.3 per cent of the Bank's total lending at the end of the first quarter of 2012.

Economic developments

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

Profit performance for Q1 2012

For the first quarter of 2012, profit after tax was NOK 37 million, compared with NOK 26 million for the fourth quarter of 2011. This produced a return on equity of 4.8 per cent. The increase in profit is attributable to an increase in positive changes in the value of financial instruments and reduced impairment losses on loans.

Income

Total income for the first quarter of 2012 was NOK 127 million, compared with NOK 132 million for fourth-quarter 2011.

NOKm	Q1 2012	Q4 2011	CHANGE
Total income	127	132	-5
Margins and volumes on lending/deposits			4
Fees, early redemption charges, commission			-19
One-off accounting effects			-8
Return on unrestricted funds (equity)			-4
Value changes, financial instruments			26
Other			-4

The most important reason for the change in total income is lower income from fees, a decrease in commission income from the Guarantee Portfolio, and a one-off accounting effect in fourth-quarter 2011. This was partially compensated for by an increase in positive changes in the value of financial instruments.

In first-quarter 2012, value changes had a positive effect on operating income by NOK 15 million. This is a positive change of NOK 26 million compared with fourth-quarter 2011. See Note 2 for more information about these value changes.

Operating expense

First-quarter operating expense was NOK 67 million, compared with NOK 71 million for fourth-quarter 2011.

NOKm	Q1 2012	Q4 2011	CHANGE
Operating expense	67	71	-4
Wages and other personnel expenses			7
Marketing			-2
Consultancy assistance			-10
Other			1

The decrease in other operating expense is largely owing to a reduction in the use of consultancy services.

Operating expense as a percentage of average total assets in first-quarter 2012 was 0.65 per cent, compared with 0.69 per cent in fourth-quarter 2011. The Group's cost-income ratio was 53 per cent (54 per cent).

Impairment losses and non-performing loans

Impairment losses on loans for the first quarter of 2012 totalled NOK 9 million.

Impairment losses on loans in first-quarter 2012 comprised income recognition of NOK 12 million in retail loans and NOK 0 million in corporate loans, and expense recognition of NOK 20 million in the Guarantee Portfolio[2].

Collective write-downs were down by NOK 19 million in the first quarter, owing to the lapse of the loss guarantee on loans transferred to SpareBank 1 Næringskreditt AS. In addition, in the first quarter BN Bank reduced collective write-downs within its retail portfolio following calibration of the Bank's internal risk models.

Individual and collective impairment losses in first-quarter 2012 were as follows:

NOKm	INDIVIDUAL	COLLECTIVE
Corporate	8	-8
Retail	0	-12
Guarantee Portfolio	19	1

Non-performing and doubtful loans, less individual write-downs, totalled NOK 640 million (NOK 766 million) at the end of first-quarter 2012, which is 1.84 per cent (2.11 per cent) of gross lending. This includes non-performing and doubtful loans in the Guarantee Portfolio. See Note 6 for more information.

Loan loss provisions at the end of the first quarter of 2012 totalled NOK 151 million, of which individual write-downs accounted for NOK 85 million and collective write-downs NOK 66 million. Total loan loss provisions at the end of the first quarter were as follows:

	LOAN LOSS PROVISIONS (NOKm)	% OF GROSS LENDING GROUP
Corporate	134	0.54
Retail	16	0.17
Divested portfolio	1	0

In addition, provision of NOK 53 million has been made for a financial loss guarantee relating to the Guarantee Portfolio.

[2] BN Bank has provided guarantees for losses in this portfolio.

Total assets

BN Bank's total assets were NOK 42.3 billion at the end of the first quarter 2012, compared with NOK 41.4 billion at the end of the first quarter of 2011. The change is mostly attributable to growth in lending and an increase in short-term securities investments.

Growth in lending and deposits

Gross lending[3] has increased by NOK 2.3 billion, or 5.3 per cent, in the past 12 months. Gross lending totalled NOK 45.9 billion at the end of the first quarter of 2012.

NOKbn	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Gross lending	45.9	45.7	44.6	44.1
Change in the quarter	0.2	1.1	0.5	0.5

Gross lending had the following segmental exposure as at 31 March 2012:

NOKbn	Q1 2012	Q1 2011
Retail	13.4	13.1
Corporate	31.4	28.5
Loans transferred to SpareBank 1 SMN	1.1	2.0

Growth in corporate lending in the past 12 months was NOK 2.8 billion, or 10 per cent, whereas growth in retail lending in the past 12 months was NOK 318 million, or 2 per cent.

Gross lending in the BN Bank Group[4] as at 31 March 2012 had the following sectoral exposure:

FIGURES IN %	Q1 2012	Q1 2011
Real estate operations	54	48
Retail market	31	34
Financial industry	7	6
Other	8	12

At the end of first-quarter 2012 a loan portfolio of NOK 8.1 billion had been transferred to SpareBank 1 Næringskreditt and a loan portfolio of NOK 3.8 billion to SpareBank 1 Boligkreditt.

Customer deposits have increased by NOK 0.6 billion in the past 12 months. Total deposits stood at NOK 16.2 billion at the end of the first quarter of 2012.

The deposit-to-loan ratio at the end of the first quarter of 2012 was 47.5 per cent, which is 1.2 percentage points higher than as at 31 March 2011.

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

[4] Gross lending for the Group is the sum total of corporate and retail lending in BN Bank and loans transferred to SpareBank 1 SMN.

Funding and liquidity

In the first quarter, BN Bank has issued certificates and bonds for a total of NOK 2.3 billion.

The Bank's liquidity portfolio was NOK 6.4 billion at the end of first-quarter 2012.

BN Bank's Board of Directors have resolved that the Bank shall at all times have sufficient liquid funds to manage without accessing any new external funding for a period of 12 months. At the end of the first quarter of 2012, this target had been met by a good margin.

The first-quarter interim financial statements give a true and fair view of the BN Bank Group's assets and liabilities, financial position and performance. The interim financial statements are based on the assumption that the entity is a going concern.

Subsidiaries

The BN Bank Group comprises the bank BN Bank 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 Reporting Standards (IFRS). Collection Eiendom presents its financial statements in compliance with NGAAP. See Note 1 for more information.

Bolig- og Næringskreditt AS

BNkreditt provides low-risk mortgage loans on commercial real estate. At the end of the first quarter of 2012 the company had a loan portfolio totalling NOK 18.2 billion, compared with NOK 15.7 billion as at 31 March 2011. NOK 8.1 billion in loans had been transferred to SpareBank1 Næringskreditt as at 31 March 2012.

BNkreditt posted a profit after tax of NOK 19 million for first-quarter 2012, compared with a post-tax profit of NOK 30 million for fourth-quarter 2011. The decrease in profit is attributable to lower net interest margin as a result of higher funding costs and also to a decrease in changes in the value of financial instruments.

Impairment losses on loans and advances totalled NOK 6 million for the first quarter of 2012, compared with NOK 9 million for the previous quarter. Individual write-downs were NOK 50 million as at 31 March 2012, while collective write-downs totalled NOK 44 million at the end of first- quarter 2012, which is 0.24 per cent of lending.

BNkreditt had NOK 4.7 billion in bond debt outstanding as at 31 March 2012, compared with NOK 4.5 billion as at 31 December 2011.

BN Bank has provided guarantees that BNkreditt will have a minimum capital adequacy ratio or junior financing of 20 per cent. BNkreditt's capital adequacy ratio and tier 1 capital ratio were, respectively, 16.6 per cent and 14.2 per cent as at 31 March 2012.

BN Boligkreditt AS

BN Boligkreditt is BN Bank's credit institution for issuance of covered bonds. At the end of the first quarter of 2012 the company had a residential mortgage portfolio totalling NOK 1.9 billion, which is NOK 0.9 billion less than as at 31 March 2011.

The company posted a profit after tax of NOK 7 million for first-quarter 2012, which is on a par with profit for fourth-quarter 2011. A decrease in changes in the value of financial instruments was compensated for by income recognition on collective write-downs.

The company's capital adequacy ratio was 14.2 per cent while the tier 1 capital ratio was 11.5 per cent as at 31 March 2011.

BN Bank has entered into an agreement with SpareBank 1 Boligkreditt AS whereby BN Bank will primarily use this company for future financing of residential mortgage loans.

Collection Eiendom AS

Collection Eiendom AS was established in 2010 for the purpose of owning and managing real estate.

Collection Eiendom posted a zero result after tax as at 31 March 2012.

Outlook for BN Bank

BN Bank ASA is well capitalised and the Bank's funding is sound. The Board of Directors are focusing on healthy growth in the Bank's core areas in accordance with the adopted business strategy.

Low costs will be essential for enabling the Bank to realise its strategy, and for that reason the Bank will work hard to reduce the overall cost picture in 2012 compared with 2011.

The Board are satisfied with the results for the first quarter of 2012 and expect to see continuing positive development for the rest of 2012.

Trondheim, 24 April 2012

Finn Haugan
(Chair)

Tore Medhus
(Deputy Chair)

Stig Arne Engen

Harald Gaupen

Helene Jebsen Anker

Kristin Undheim

Anita Finserås Bretun
(Employee Representative)

Ella Skjørestad

Gunnar Hovland
(Managing Director)

Consolidated Income Statement - Group

				GROUP
NOK MILLION	NOTE	Q1 2012	Q1 2011	FULL -YEAR 2011
Interest and similar income		430	387	1 639
Interest expense and similar charges		346	296	1 254
Net income from interest and credit commissions		84	91	385
Change in value of financial instruments at fair value, gains & losses	2	15	-6	-20
Other operating income	3	28	26	123
Total other operating income		43	20	103
Salaries and general administrative expenses		55	51	222
Depreciation, amortisation and write-downs		4	4	16
Other operating expense		8	7	33
Other gains and losses	4	0	0	-37
Total other operating expense		67	62	234
Operating profit/(loss) before impairment losses		60	49	254
Impairment losses on loans and advances	6	9	35	62
Operating profit/(loss) after impairment losses		51	14	192
Profit/(loss) before tax		51	14	192
Computed tax charge		14	4	44
Profit/(loss) for the period, remaining entity		37	10	148
Result of operations under divestment	8	0	7	6
Profit/(loss) for the period including discontinued operations		37	17	154
Other Comprehensive Income under IAS 1				
Change in value of financial assets available for sale		0	0	0
Total P&L items recognised in equity		0	0	0
Total profit/(loss) for the period		37	17	154

Consolidated Balance Sheet - Group

NOK MILLION	NOTE	31.03.12	31.03.11	GROUP FULL-YEAR 2011
Deferred tax assets		43	54	43
Intangible assets		19	21	20
Own funds lending		0	15	0
Tangible fixed assets	11	22	91	23
Repossessed properties		38	15	0
Loans and advances	5, 6, 12, 13	33 859	33 394	33 260
Prepayments and accrued income		315	112	70
Financial derivatives		906	541	865
Short-term securities investments		6 351	5 782	5 506
Cash and balances due from credit institutions		721	826	814
Assets classified as held for sale	8	15	586	121
Total assets		42 289	41 437	40 722
Share capital		649	619	649
Retained earnings		2 543	2 400	2 506
Total equity		3 192	3 019	3 155
Subordinated loan capital	7	1 458	1 457	1 451
Liabilities to credit institutions		1 370	3 003	1 178
Debt securities in issue	7	18 143	17 248	17 950
Accrued expenses and deferred income	6	134	126	131
Other current liabilities		986	8	11
Tax payable		35	2	37
Financial derivatives		817	510	839
Customer deposits & accounts payable to customers		16 154	15 531	15 959
Liabilities classified as held for sale	8	0	533	11
Total liabilities		39 097	38 418	37 567
Total equity and liabilities		42 289	41 437	40 722

Trondheim, 24 April 2012
The Board of Directors

Statement of Changes in Equity - Group

GROUP

NOK MILLION	SHARE CAPITAL	OTHER PAID-UP SHARE CAPITAL	OTHER RESERVES	TOTAL EQUITY
Balance Sheet as at 1 January 2011	619	0	2 383	3 002
Result for the period	0	0	17	17
Balance Sheet as at 31 March 2011	**619**	**0**	**2 400**	**3 019**
Dividend paid	0	0	-152	-152
Share capital increase	30	0	122	152
Result for the period	0	0	153	153
Balance Sheet as at 31 December 2011	**649**	**0**	**2 506**	**3 155**
Result for the period	0	0	37	37
Balance Sheet as at 31 March 2012	**649**	**0**	**2 543**	**3 192**

Trondheim, 24 April 2012
The Board of Directors

Statement of Cash Flows - Group

NOK MILLION	31.03.12	31.03.11	GROUP FULL-YEAR 2011
Cash flows from operating activities			
Interest/commission received and fees received from customers	915	471	2 353
Interest/commission paid and fees paid to customers	-26	-24	-433
Interest received on other investments	11	22	300
Interest paid on other loans	-113	-120	-882
Receipts/disbursements (-) on loans to customers	-827	-650	-1 948
Receipts/payments on customer deposits & accounts payable to customers	63	-1 164	-1 465
Receipts/payments (-) on liabilities to credit institutions	222	1 031	-232
Receipts/payments (-) on securities in issue	569	623	1 395
Receipts on written-off debt	2	2	44
Other receipts/payments	-69	2	114
Payments to suppliers for goods and services	-25	-33	-152
Payments to employees, pensions and social security expenses	-32	-27	-102
Tax paid	-2	0	-2
Net cash flow from operating activities	688	133	-1 010
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	72	-92	666
Receipts/payments (-) on short-term securities investments	-812	14	285
Receipts/payments (-) on long-term securities investments	0	0	0
Proceeds from sale of operating assets etc.	0	0	25
Purchase of operating assets etc.	-41	-13	-65
Proceeds from sale of subsidiaries	0	0	129
Net cash flow from investing activities	-781	-91	1 040
Cash flow from financing activities			
Receipts/payments (-) of subordinated loan capital	0	-228	-228
Net cash flow from financing activities	0	-228	-228
Net cash flow for the period	-93	-186	-198
Cash and balances due from central banks as at 1 January	814	1 012	1 012
Cash and balances due from central banks as at 31 December	721	826	814

Notes - Group

NOTE 1. ACCOUNTING POLICIES

The first-quarter interim consolidated financial statements for the three months to 31 March 2012 have been prepared in compliance with IFRS, including IAS 34 Interim Financial Reporting. A description of the accounting policies on which the interim consolidated financial statements are based is provided in the Annual Report for 2011.

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

			GROUP
NOK MILLION	31.03.12	31.03.11	FULL -YEAR 2011
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss [1, 3, 4]	5	-5	-5
Change in value of currency derivatives obliged to be carried at fair value through profit or loss [2]	59	97	-117
Change in value equity-linked options & equity options oblig. carried at fair value through profit or loss [1]	0	-3	19
Total change in value of financial instruments obliged to be carried at fair value	64	89	-103
Change in value of deposits selected for fair value carrying through profit or loss [4]	-5	-2	-6
Change in value of borrowings selected for fair value carrying through profit or loss [4]	-5	31	-5
Change in value of loans selected for fair value carrying through profit or loss [4]	4	-21	-12
Change in value of short-term financial investments selected for fair value carrying [3]	17	-1	-1
Total change in value of financial instruments selected for fair value carrying	11	7	-24
Change in value of interest rate derivatives, hedging [5]	7	-33	69
Change in value of borrowings, hedged [5]	-7	33	-70
Total change in value of financial instruments for hedging	0	0	-1
Total change in value of financial instruments carried at fair value	75	96	-128
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost	-3	-3	-10
Exchange gains/losses on borrowings and loans carried at amortised cost [2]	-57	-99	118
Total change in value of financial instruments carried at fair value, gains and losses	15	-6	-20

[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 as at 31 March 2012 there was no profit-and-loss effect, compared with recognised expense of NOK 4 million for the same period of 2011. NOK 8 million was recognised as expense for full-year 2011.

[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 2 million for the period to 31 March 2012, compared with recognised expense of NOK 2 million for the period to 31 March 2011. The equivalent figure for full-year 2011 was NOK 1 million recognised as income. Exposure to exchange rate fluctuations is low.

[3] Changes in the value of financial investments selected for fair value carrying gave rise to recognised income of NOK 17 million for the period to 31 March 2012, compared with recognised expense of NOK 1 million for the same period of 2011. NOK 1 million was recognised as expense for full-year 2011. 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 expense of NOK 1 million for the period to 31 March 2012, compared with recognised income of NOK 4 million for the same period of 2011. NOK 1 million was recognised as expense for full-year 2011.

[5] From 2010, BN Bank has used 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 31 March 2012 was positive by NOK 86 million.

[6] Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 3 million for the period to 31 March 2012 compared with recognised expense of NOK 3 million for the same period of 2011. NOK 10 million was recognised as expense for full-year 2011.

NOTE 3. OTHER OPERATING INCOME

			GROUP
NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Guarantee commission	2	5	22
Net commission income/charges [1]	23	21	99
Other operating income	3	0	2
Total other operating income	**28**	**26**	**123**

[1] Commission income relating to the management of the portfolios in SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt totalled NOK 18 million as at 31 March 2012 and NOK 19 million for the same period of 2011. NOK 72 million was recognised as income for full-year 2011.

NOTE 4. OTHER EXPENSE, GAINS AND LOSSES

The building Munkegata 21 was sold and taken over by the new owner on 15 September 2011. An accounting profit of NOKm 37 was reported in Q3 2011.

Statement of cash flows (NOKm)

	GROUP
NOK MILLION	
Book value of the building at date of sale	91
Debt and other items	-95
Net equity	**-4**
Sale profit to the company	37
Intercompany debt settled	96
Total added upon sale subsidiary	**129**

NOTE 5. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIOS

			GROUP
NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Loans Corporate Market and Retail Market, Group	32 867	31 602	32 225
Seller's credit	1 142	1 975	1 214
Loans in remaining entity (continuing operations)	**34 009**	**33 577**	**33 439**
Loans transferred to SpareBank 1 Næringskreditt	8 099	7 727	8 263
Loans transferred to SpareBank 1 Boligkreditt	3 772	2 273	3 961
Total loans in managed portfolios	**45 880**	**43 577**	**45 663**
Divested portfolio	92	262	101

NOTE 6. 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, 2011 Annual Report. Loans past due more than 3 months are defined as loans not serviced under the loan agreement for 3 months or more. As a first mortgage lender the Group can access revenue either through the courts or by some voluntary solution. Impairment losses & write-downs described here apply to loans carried at amortised cost.

			GROUP
NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Write-offs in excess of prior-year write-downs	0	0	23
Write-offs on loans without prior write-downs	0	0	8
Write-offs transferred to divested portfolio	0	0	0
Write-downs for the period:			
Change in collective write-downs	-19	4	2
Change in collective write-downs related to Ålesund portfolio	1	0	1
Change in collective write-downs transferred to divested portfolio	0	4	0
Total change in collective write-downs	**-18**	**8**	**3**
Increase in loans with prior-year write-downs	18	34	28
Provisions against loans without prior write-downs	11	3	24
Decrease in loans with prior-year write-downs	-2	-9	-9
Change in individual write-downs transferred to divested portfolio	0	0	0
Total change in individual write-downs	**27**	**28**	**43**
Gross impairment losses	9	36	77
Recoveries on previous write-offs [1]	0	-1	-15
Impairment losses	**9**	**35**	**62**
Revenue recognition of interest on written-down loans	2	5	10

[1] NOK 9 million relates to the reported profit on the sale of a previously repossessed property in Tromsø in the second quarter of 2011.

			GROUP
NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Individual write-downs to cover impairment losses at start of the period	94	78	78
Write-offs covered by prior-year individual write-downs	-12	-9	-23
Write-downs for the period:			
Increase in loans with prior-year individual write-downs	4	18	14
Write-downs on loans without prior individual write-downs	0	4	15
Decrease in loans with prior-year individual write-downs	-1	-15	-6
Transferred assets classified as held for sale	0	16	16
Individual write-downs to cover impairment losses at end of the period	**85**	**92**	**94**
Collective write-downs to cover impairment losses at start of the period	85	83	83
Collective write-downs for the period to cover impairment losses	-19	4	2
Transferred assets classified as held for sale	0	4	0
Collective write-downs to cover impairment losses at end of the period	**66**	**91**	**85**

GROUP			
NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Loss provision financial guarantee relating to Ålesund portfolio at start of the period [1]	28	26	26
Write-offs covered by prior-year individual write-downs	-1	0	-7
Write-downs for the period:			
Increase in loans with prior-year individual write-downs	8	12	4
Write-downs on loans without prior individual write-downs	11	3	9
Decrease in loans with prior-year individual write-downs	0	0	-4
Loss provision financial guarantee re. Ålesund portfolio at end of the period [1]	**46**	**41**	**28**
Collective write-downs related to Ålesund portfolio at start of the period	20	0	19
Collective write-downs for the period to cover losses in Ålesund portfolio	-13	0	1
Collective write-downs related to Ålesund portfolio at end of the period [1]	**7**	**0**	**20**
Individual write-downs relating to Ålesund portfolio classified as held for sale	0	2	2
Collective write-downs related to Ålesund portfolio classified as held for sale	0	15	0
Total loss provisions relating to Ålesund portfolio	**53**	**58**	**50**

[1] BN Bank has previously entered into an agreement with SpareBank1 SMN to take over the Ålesund portfolio. The parties revised the agreement on 1 February 2012 according to which SpareBank1 SMN took over NOK 2.3 billion of the portfolio valued at NOK 3.1 billion. BN Bank now provides guarantees for 60% of the credit risk for this portfolio (referred to as the Guarantee Portfolio). The Bank's maximum exposure has thus been reduced to NOK 443 million, which at the end of the first quarter of 2012 was 1.3% of the Bank's total lending. The total provision for losses in the Guarantee Portfolio was NOK 53 million at 31 March 2012. 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]

GROUP			
NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Gross principal	539	181	213
Individual write-downs	53	7	40
Net principal	**486**	**174**	**173**

Other loans with individual write-downs [1]

GROUP			
NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Gross principal	232	1 190	678
Individual write-downs	78	87	85
Net principal	**154**	**1 103**	**593**

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

GROUP

NOK MILLION	GROSS OUTSTANDING 31.03.12	%	GROSS OUTSTANDING 31.03.11	%	GROSS OUTSTANDING 2011	%
Corporate market	455	1.86	68	0.30	126	0.55
Retail market	64	0.67	78	0.72	66	0.71
Divested loan portfolio	20	2.64	35	1.02	21	0.74
Total	539	1.55	181	0.49	213	0.59

[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 BN Bank's operations in Ålesund, which are otherwise treated as divested operations, and the Guarantee Portfolio vis-a-vis SpareBank 1 SMN.

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

NOTE 7. BORROWING (FUNDING)

Debt securities in issue

The BN Bank Group had issued bonds and certificates with a face value of NOK 2 305 million as at 31 March 2012, either as new issues or increases in existing tap issues.

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

GROUP

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (at face value) 1 January 2012	2 646	15 051	17 697
New issues	0	1 515	1 515
Increase in existing issues	60	730	790
Purchase and maturity of existing issues	-665	-1 491	-2 156
Net debt (at face value) as at 31 March 2012	2 041	15 805	17 846

Subordinated loans capital and perpetual subordinated loan capital securities

The BN Bank Group had issued no perpetual subordinated loan capital securities or subordinated loans as at 31 March 2012.

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

GROUP

NOK MILLION	PERPET. SUBORD. LOAN CAP. SEC.	SUBORDINATED LOAN CAPITAL	TOTAL
Net debt (at face value) as at 1 January 2012	650	800	1 450
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
Net debt (at face value) as at 31 March 2012	650	800	1 450

Recognised values

NOK MILLION	31.03.12	31.03.11	GROUP FULL-YEAR 2011
Certificates carried at amortised cost	1 261	0	1 250
Certificates selected for fair value carrying	821	2 363	1 420
Total recognised value of certificates	**2 082**	**2 363**	**2 670**
Bonds carried at amortised cost	10 347	8 313	10 010
Bonds carried at amortised cost (secured debt)	2 520	1 842	2 074
Bonds selected for fair value carrying	3 194	4 730	3 196
Total recognised value of bonds	**16 061**	**14 885**	**15 280**
Total recognised value of debt securities in issue	**18 143**	**17 248**	**17 950**

NOK MILLION	31.03.12	31.03.11	GROUP FULL-YEAR 2011
Perpetual subordinated loan capital securities carried at amortised cost	482	485	482
Perpetual subordinated loan capital securities selected for fair value carrying	172	172	169
Total recognised value of perpetual subordinated loan capital securities	**654**	**657**	**651**
Subordinated loans carried at amortised cost	804	800	800
Subordinated loans selected for fair value carrying	0	0	0
Total recognised value of subordinated loans	**804**	**800**	**800**
Total recognised value of subordinated loans and perpetual subordinated loan capital securities	**1 458**	**1 457**	**1 451**

NOTE 8. RESULTS OF DIVESTED OPERATIONS

The banking operation in Ålesund, which chiefly comprises business lending, became organisationally subordinate to SpareBank 1 SMN from Q4 2009. The split-off from BN Bank began in Q4 2009 and is expected to be completed by Q2 2012. As at 31 March 2012 there remains NOK 92 million in loans to be moved to SpareBank 1 SMN. From Q3 2009 inclusive, the Ålesund operation has been reported as a discontinued operation under IFRS 5.

Specification of results of divested operation

NOK MILLION	31.03.12	31.03.11	GROUP FULL-YEAR 2011
Net income from interest and credit commissions	0	2	4
Total other operating income	0	1	1
Total other operating expense	0	-3	-3
Total impairment losses on loans and advances	0	-4	-1
Pre-tax profit/(loss)	**0**	**10**	**9**
Computed tax charge	0	3	3
Profit/(loss) from discontinued operation after tax	**0**	**7**	**6**

Statement of cash flows relating to divested operation

NOK MILLION	31.03.12	31.03.11	GROUP FULL-YEAR 2011
Cash flow from operating activities	0	6	8
Cash flow from investing activities	0	0	0
Cash flow from financing activities	0	0	0
Net cash flow for the period	**0**	**6**	**8**

Specification of results of remaining entity

NOK MILLION	31.03.12	31.03.11	GROUP FULL-YEAR 2011
Net income from interest and credit commissions	84	91	385
Total other operating income	43	20	103
Total other operating expense	67	62	234
Operating profit/(loss) before impairment losses on loans	**60**	**49**	**254**
Impairment losses on loans and advances	9	35	62
Pre-tax profit/(loss) from remaining entity	**51**	**14**	**192**
Computed tax charge	14	4	44
Profit/(loss) after tax from remaining entity	**37**	**10**	**148**

Specification of results of divested operation and the Guarantee Portfolio

NOK MILLION	31.03.12	31.03.11	GROUP FULL-YEAR 2011
Net income from interest and credit commissions	-10	0	2
Total other operating income	2	5	21
Total other operating expense	0	-3	-3
Total impairment losses on loans and advances	20	4	26
Pre-tax profit/(loss)	**-28**	**4**	**0**
Computed tax charge	-8	1	0
Profit/(loss) from divested operation and Guarantee Portfolio	**-20**	**3**	**0**

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. BN Bank intends to sell the company on.

NOTE 9. 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. 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.

GROUP

NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Share capital	649	619	649
Other reserves	2 524	2 391	2 506
EPerpetual subordinated loan capital (perpetual subordinated loan capital borrowings) [1]	656	655	647
Less:			
Perpetual subordinated loan capital (perpetual subord. loan capital borrowings) that cannot be included [1]	-113	-137	-95
Intangible assets	-19	-21	-20
Deferred tax assets	-43	-54	-43
Other deductions in tier 1 capital	-39	0	0
Tier 1 capital2	3 615	3 453	3 644
Fixed-term subordinated loan capital	916	939	899
Less:			
Fixed-term subordinated loan capital that cannot be included	0	0	0
Other deductions in tier 2 capital	-39	0	0
Net tier 2 capital	877	939	899
Total capital base	4 492	4 392	4 543
Risk-weighted assets	31 549	31 812	33 171
Tier 1 capital ratio (%)	11,5	10,9	11,0
Capital adequacy ratio (%)	14.2	13.8	13.7

[1] For more details, see Note 7.

Specification of risk-weighted assets

GROUP

NOK MILLION	31.03.2012		31.03.2011		FULL-YEAR 2011	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	1 005	0	1 647	0	1 004	0
10 %	1 734	173	1 439	144	1 503	150
20 %	5 048	1 010	6 166	1 233	4 725	945
35 %	9 955	3 484	10 190	3 567	9 560	3 346
50 %	848	424	611	306	420	210
75 %	356	267	1 046	785	345	259
100 %	26 191	26 191	25 778	25 778	28 261	28 261
Investments included in the trading portfolio	0	0	0	0	0	0
Negotiable debt instruments included in the trading portfolio	0	0	0	0	0	0
Total risk-weighted assets	45 137	31 549	46 877	31 812	45 818	33 171
Capital adequacy ratio (%)		14.2		13.8		13.7

NOTE 10. 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 customers then sued the Bank individually in the Oslo District Court, but the Court found in favour of BN Bank on 8 July 2011. The judgment was appealed to Borgarting Court of Appeal. The appeal will be heard in March 2013. The total loan commitment as at 31 March 2012 was NOK 4 million.

BN Bank has also provided loans to finance Artemis structured products. BN Bank is now being sued by six customers, three of whom are limited companies, with the total loan financing on these products amounting to NOK 106 million. The amounts in dispute are interest payments.

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 turbulence in the financial markets in 2008 caused the loss of some contractual counterparties, and it has not been possible to replace all these hedging transactions. The liquidator of one of the contractual counterparties filed a counter-claim in 2011, which BN Bank disputes. The outcome is unclear, and litigation is underway. The total claim amounts to NOK 12 million.

Bankruptcy dividend/offset against Glitnir banki hf, Iceland

On 26 January 2012 Oslo District Court gave judgment in the case in which Glitnir banki hf. had sued BN Bank ASA for what Glitnir claims was an unlawful offset of about NOK 240 million. According to the judgment BN Bank ASA was ordered to pay Glitnir NOK 213 million plus interest. The Court found that about NOK 27 million was lawfully offset. In BN Bank's view the Court has made an error on a key point relating to the largest single item that the offset was made against, but BN Bank has otherwise won on the other, important points. BN Bank has accordingly appealed the judgment to the Borgarting Court of Appeal. As the Bank has previously reported the offset amount as lost, the judgment has only a limited negative accounting effect.

NOTE 11. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

Apart from the matters mentioned in Note 10 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 12. TRANSFER TO SPAREBANK 1 NÆRINGSKREDITT

SpareBank 1 Næringskreditt AS was established in 2009 and granted a licence 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. The same banks own SpareBank 1 Næringskreditt as own BN Bank. 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. As at 31 March 2012, the book value of transferred loans was NOK 8.1 billion. BN Bank 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.

In order to attend to the interests of existing bond holders, in connection with the transfer BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 31 March 2012, BNkreditt's capital adequacy ratio was 16.6 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 645 million as at 31 March 2012.

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 31 March 2012, these guarantees totalled NOK 311 million.

NOTE 13. TRANSFER TO SPAREBANK 1 BOLIGKREDITT

SpareBank 1 Boligkreditt is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Næringskreditt AS in Stavanger. The purpose of the company is to secure for the banks within the consortium a source of stable, long-term financing of residential mortgage loans at competitive rates. The company's bonds have 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 the company and, as part of the Bank's funding strategy, loans were transferred from BN Boligkreditt in 2010 and 2011. At the end of March 2012, the book value of transferred loans was NOK 3.8 billion. BN Bank is responsible for managing the transferred loans and receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

NOTE 14. DISCLOSURES CONCERNING OPERATING SEGMENTS, REMAINING ENTITY

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

GROUP

NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORT. SMN [1]	TOTAL 31.03.12
Net income from interest and credit commissions	63	32	-10	84
Change in value of financial instruments carried at fair value	9	5	0	15
Other operating income	23	3	2	28
Total other operating income	32	8	2	43
Salaries and general administrative expenses	-23	-33	0	-56
Ordinary depreciation, amortisation and write-downs	-2	-3	0	-4
Other operating expense	-3	-4	0	-8
Other expense, gains and losses	0	0	0	0
Total other operating expense	-28	-40	0	-68
Operating profit/(loss) before impairment losses	67	0	-8	59
Impairment losses on loans and advances	0	12	-20	-9
Operating profit/(loss) after impairment losses	67	12	-28	51
Computed tax charge	-19	-3	8	-14
Profit/(loss) for remaining entity after tax	48	9	-20	37

GROUP

NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORT. SMN	TOTAL 31.03.12
Lending (gross) including loans in covered bonds companies	31 370	13 368	1 142	45 880
Customer deposits and accounts payable to customers	1 693	14 461		16 154

				GROUP
NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORT. SMN [1]	TOTAL 31.03.11
Net income from interest and credit commissions	65	28	-2	91
Change in value of financial instruments carried at fair value	-4	-2	0	-6
Other operating income	21	1	4	26
Total other operating income	17	-1	4	20
Salaries and general administrative expenses	-22	-30	0	-52
Ordinary depreciation, amortisation and write-downs	-2	-2	0	-4
Other operating expense	-3	-3	0	-6
Other expense, gains and losses	0	0	0	0
Total other operating expense	-27	-35	0	-62
Operating profit/(loss) before impairment losses	55	-8	2	49
Impairment losses on loans and advances	-23	-4	-8	-35
Operating profit/(loss) after impairment losses	32	-12	-6	14
Computed tax charge	-9	3	2	-4
Profit/(loss) for remaining entity after tax	23	-9	-4	10

				GROUP
NOK MILLION	CORPORATE	RETAIL	GUARANTEE PORT. SMN	TOTAL 31.03.11
Lending (gross) including loans in covered bonds companies	28 551	13 050	1 975	43 577
Customer deposits and accounts payable to customers	1 206	14 325	0	15 531

[1] The Guarantee Portfolio SMN consists of the sum total of the Guarantee Portfolio and seller's credit.

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

NOTE 15. CONSOLIDATED INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

GROUP

NOK MILLION	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Interest and similar income	430	439	415	398	387
Interest expense and similar charges	346	333	322	303	296
Net income from interest and credit commissions	**84**	**106**	**93**	**95**	**91**
Change in value of financial instr. carried at fair value, gains and losses	15	-11	-13	10	-6
Other operating income	28	37	31	29	26
Total other operating income	**43**	**26**	**18**	**39**	**20**
Salaries and general administrative expenses	55	61	53	57	51
Depreciation, amortisation and write-downs	4	4	4	4	4
Other operating expense	8	7	7	12	7
Other expense, gains and losses	0	-1	-36	0	0
Total other operating expense	**67**	**71**	**28**	**73**	**62**
Operating profit/(loss) before impairment losses	**60**	**61**	**83**	**61**	**49**
Impairment losses on loans and advances	9	18	16	-7	35
Pre-tax profit/(loss)	**51**	**43**	**67**	**68**	**14**
Computed tax charge	14	11	12	17	4
Profit/(loss) remaining entity	**37**	**32**	**55**	**51**	**10**
Profit/(loss) from operation under divestment after tax	0	-6	0	5	7
Profit/(loss) including divested operation	**37**	**26**	**55**	**56**	**17**

Income Statement - Parent Bank

				PARENT BANK
NOK MILLION	NOTE	Q1 2012	Q1 2011	FULL-YEAR 2011
Interest and similar income		323	263	1 168
Interest expense and similar charges		286	232	1 013
Net income from interest and credit commissions		37	31	155
Change in value of financial instruments at fair value, gains & losses	2	15	0	-20
Other operating income	3	13	9	52
Total other operating income		28	9	32
Salaries and general administrative expenses		37	34	150
Depreciation, amortisation and write-downs		4	4	15
Other operating expense		3	1	5
Total other operating expense		44	39	170
Operating profit/(loss) before impairment losses		21	1	17
Impairment losses on loans and advances	6	6	2	19
Operating profit/(loss) after impairment losses		15	-1	-2
Income from ownership interests in group companies	4	0	0	131
Profit/(loss) before tax		15	-1	129
Computed tax charge		4	0	40
Profit/(loss) for the period, remaining entity		11	-1	89
Result of operations under divestment	8	0	8	6
Profit/(loss) for the period, inc. discontinued operations		11	7	95
Other Comprehensive Income under IAS 1				
Change in value of financial assets available for sale		0	0	0
Total P&L items recognised in equity		0	0	0
Total profit/(loss) for the period		11	7	95

Balance Sheet - Parent Bank

				PARENT BANK
NOK MILLION	NOTE	Q1 2012	Q1 2011	FULL-YEAR 2011
Deferred tax assets		0	6	0
Intangible assets		19	21	20
Ownership interests in group companies		1 877	1 877	1 877
Own funds lending		527	542	527
Tangible fixed assets		22	22	23
Loans and advances	5, 6, 12, 13	14 502	15 313	14 396
Prepayments and accrued income		156	168	70
Financial derivatives		745	380	699
Short-term securities investments		5 827	5 265	4 984
Cash and balances due from credit institutions		11 284	7 893	10 886
Assets classified as held for sale	8	16	587	122
Total assets		34 975	32 074	33 604
Share capital		649	619	649
Retained earnings		1 374	1 305	1 363
Total equity		2 023	1 924	2 012
Deferred tax		1	0	1
Subordinated loan capital	7	1 458	1 457	1 451
Liabilities to credit institutions		2 123	3 441	1 864
Debt securities in issue	7	11 828	8 649	11 354
Accrued expenses and deferred income	6	107	107	114
Other current liabilities		486	7	12
Tax payable		36	0	36
Financial derivatives		759	424	790
Customer deposits & accounts payable to cust.		16 154	15 532	15 959
Liabilities classified as held for sale	8	0	533	11
Total liabilities		32 952	30 150	31 592
Total equity and liabilities		34 975	32 074	33 604

Trondheim, 24 April 2012
The Board of Directors

Statement of Changes in Equity - Parent Bank

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER PAID-UP SHARE CAPITAL	OTHER RESERVES[1]	TOTAL EQUITY
					PARENT BANK
Balance Sheet as at 1 January 2011	619	68	282	948	1 917
Result for the period	0	0	0	7	7
Balance Sheet as at 31 March 2011	**619**	**68**	**282**	**955**	**1 924**
Dividend paid	0	0	0	-152	-152
Share capital increase	30	122	0	0	152
Result for the period	0	0	0	95	95
Balance Sheet as at 31 December 2011	**649**	**190**	**282**	**891**	**2 012**
Result for the period	0	0	0	11	11
Balance Sheet as at 31 March 2012	**649**	**190**	**282**	**902**	**2 023**

[1] The reserve for unrealised gains is included in Other reserves. Provision of NOK 193 million had been made as at 31 December 2011.

Trondheim, 24 April 2012
The Board of Directors

Statement of Cash Flows - Parent Bank

NOK MILLION	PARENT BANK 31.03.12	31.03.11	FULL-YEAR 2011
Cash flows from operating activities			
Interest/commission received and fees received from customers	603	283	1 114
Interest/commission paid and fees paid to customers	-32	-28	-450
Interest received on other investments	10	24	320
Interest paid on other loans	-65	-79	-587
Receipts/disbursements (-) on loans and advances to customers	-282	-280	-488
Receipts/payments on customer deposits & accounts payable to customers	63	-1 164	-1 465
Receipts/payments (-) on liabilities to credit institutions	288	994	-21
Receipts/payments (-) on securities in issue and securities buy-back	798	903	3 628
Receipts on written-off debt	2	2	35
Other receipts/payments	-48	-5	178
Payments to suppliers for goods and services	-13	-18	-100
Payments to employees, pensions and social security expenses	-22	-19	-65
Tax paid	0	0	0
Net cash flow from operating activities	1 302	613	2 099
Cash flows from investing activities			
Receipts/payments (-) on receivables from credit institutions	-485	-487	-2 374
Receipts/payments (-) on short-term securities investments	-813	14	289
Receipts/payments (-) on long-term securities investments	0	0	99
Proceeds from sale of operating assets etc.	0	0	0
Purchase of operating assets etc.	-3	-9	-20
Proceeds from sale of subsidiaries	0	0	33
Net cash flow from investing activities	-1 301	-482	-1 973
Cash flow from financing activities			
Receipts of subordinated loan capital	0	-228	-228
Net cash flow from financing activities	0	-228	-228
Net cash flow for the period	1	-97	-102
Cash and balances due from central banks as at 1 January *	4	106	106
Cash and balances due from central banks as at 31 December	5	9	4

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

Notes - Parent Bank

NOTE 1. ACCOUNTING POLICIES

See the description for the Group's interim consolidated financial statements. The same accounting policies apply for the Parent Bank.

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

PARENT BANK

NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Change in value of interest rate derivatives obliged to be carried at fair value through profit or loss [1, 3, 4]	11	25	17
Change in value of currency derivatives obliged to be carried at fair value through profit or loss [2]	59	97	-117
Change in value equity-linked options & equity options obliged to be carried at fair value thro profit or loss [1]	0	-3	19
Total change in value of financial instruments obliged to be carried at fair value	**70**	**119**	**-81**
Change in value of deposits selected for fair value carrying through profit or loss [4]	-5	-2	-6
Change in value of borrowings selected for fair value carrying through profit or loss [4]	-13	-4	-61
Change in value of loans selected for fair value carrying through profit or loss [4]	-15	-2	13
Change in value of short-term financial investments selected for fair value carrying [3]	17	-1	-1
Total change in value of financial instruments selected for fair value carrying	**-16**	**-9**	**-55**
Change in value of interest rate derivatives, hedging [5]	8	-20	53
Change in value of borrowings, hedged [5]	-8	20	-54
Total change in value of financial instruments for hedging	**0**	**0**	**-1**
Total change in value of financial instruments carried at fair value	**54**	**110**	**-137**
Realised exchange gains/losses(-) bonds and certificates carried at amortised cost [6]	-2	-3	-6
Exchange gains/losses on borrowings and loans carried at amortised cost [2]	-37	-107	123
Total change in value of financial instruments carried at fair value, gains and losses	**15**	**0**	**-20**

[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 as at 31 March 2012 there was no P&L effect compared with recognised expense of NOK 4 million for the same period of 2011. NOK 8 million was recognised as expense for full-year 2011.

[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 2 million for the period to 31 March 2012, compared with recognised expense of NOK 2 million for the period to 31 March 2012. The equivalent figure for full-year 2011 was NOK 1 million recognised as income. Exposure to exchange rate fluctuations is low.

[3] Changes in the value of financial investments selected for fair value carrying gave rise to recognised income of NOK 17 million for the period to 31 March 2012, compared with recognised expense of NOK 1 million for the same period of 2011. NOK 1 million was recognised as expense for full-year 2011. 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 expense of NOK 2 million for the period to 31 March 2012, compared with recognised income of NOK 10 million for the same period of 2011. NOK 5 million was recognised as expense for full-year 2011.

[5] From 2010, BN Bank has used 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 31 March 2012 was positive by NOK 64 million.

[6] Realised exchange gains/losses on bonds, certificates and borrowings carried at amortised cost gave rise to recognised expense of NOK 2 million for the period to 31 March 2012 compared with recognised expense of NOK 3 million for the same period of 2011. NOK 6 million was recognised as expense for full-year 2011.

NOTE 3. OTHER OPERATING INCOME

			PARENT BANK
NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Guarantee commission	3	5	22
Net commission income/charges [1]	5	3	23
Other operating income	5	1	7
Total other operating income	**13**	**9**	**52**

[1] Commission income relating to the management of the portfolios in SpareBank 1 Boligkreditt totalled NOK 1 million as at 31 March 2012, while there was no P&L effect for the same period of 2011.

NOTE 4. INCOME FROM OWNERSHIP INTERESTS IN GROUP COMPANIES

The Annual General Meetings of the subsidiaries BNkreditt AS and BN Boligkreditt AS have resolved to render group contribution of, respectively, NOK 128 million and NOK 37 million before tax to cover prior-year losses.

NOTE 5. OVERVIEW OF GROSS LENDING IN MANAGED PORTFOLIOS

			PARENT BANK
NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Loans Corporate Market and Retail Market	12 763	13 412	13 253
Seller's credit	1 142	1 975	1 214
Loans in remaining entity	**13 905**	**15 387**	**14 467**
Loans transferred to SpareBank1 Boligkreditt	3 772	2 273	3 961
Total loans inc. loans transferred to SpareBank 1 Boligkreditt	**17 677**	**17 660**	**18 428**
Divested portfolio	92	262	101

NOTE 6. IMPAIRMENT LOSSES AND WRITE-DOWNS ON LOANS CARRIED AT AMORTISED COST AND GUARANTEES

The various elements included in impairment losses and write-downs on loans are set out in Note 1 to the Annual Report for 2011. Loans past due more than 3 months are defined as loans not serviced under the loan agreement for 3 months or more. As a first mortgage lender, BN Bank can however gain access to revenue, either through the courts or by some voluntary solution. Impairment losses and write-downs on loans described in this note apply to loans carried at amortised cost.

	PARENT BANK		
NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Write-offs in excess of prior-year write-downs	0	0	19
Write-offs on loans without prior write-downs	0	0	0
Write-offs transferred to divested operation	0	0	0
Write-downs for the period:			
Change in collective write-downs	-18	-6	-1
Change in collective write-downs related to Ålesund portfolio	1	0	1
Change in collective write-downs transferred to divested operation	0	4	0
Total change in collective write-downs	-17	-2	0
Increase in loans with prior-year write-downs	14	15	7
Provisions against loans without prior write-downs	11	3	9
Decrease in loans with prior-year write-downs	-2	-13	-10
Change in individual write-downs transferred to divested operation	0	0	0
Total change in individual write-downs	23	5	6
Gross impairment losses	6	3	25
Recoveries on previous write-offs	0	-1	6
Impairment losses on loans and advances	6	2	19
Revenue recognition on written-down loans	0	1	2

	PARENT BANK		
NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Individual write-downs to cover impairment losses at start of the period	34	43	43
Write-offs covered by prior-year individual write-downs	0	-9	-19
Write-downs for the period:			
Increase in loans with prior-year individual write-downs	2	3	3
Write-downs on loans without prior-year individual write-downs	0	0	0
Decrease in loans with prior-year individual write-downs	-1	-15	-9
Transferred assets classified as held for sale	0	16	16
Individual write-downs to cover impairment losses at end of the period	35	38	34
Collective write-downs to cover impairment losses at start of the period	37	38	38
Collective write-downs for the period to cover impairment losses	-18	-6	-1
Transferred assets classified as held for sale	0	4	0
Collective write-downs to cover impairment losses at end of the period	19	36	37

NOK MILLION	31.03.12	31.03.11	PARENT BANK FULL-YEAR 2011
Loss provision financial guarantee relating to Ålesund portfolio at start of the period [1]	28	26	26
Write-offs covered by prior-year individual write-downs	-1	0	-7
Write-downs for the period:			
Increase in loans with prior-year individual write-downs	8	12	4
Write-downs on loans without prior-year individual write-downs	11	3	9
Decrease in loans with prior-year individual write-downs	0	0	-4
Loss provision financial guarantee relating to Ålesund portfolio at end of the period [1]	**46**	**41**	**28**
Collective write-downs relating to Ålesund portfolio at start of the period	20	0	19
Collective write-downs for the period to cover losses in Ålesund portfolio	-13	0	1
Collective write-downs relating to Ålesund portfolio at end of the period [1]	**7**	**0**	**20**
Individual write-down relating to Ålesund portfolio classified as held for sale	0	2	2
Collective write-downs related to Ålesund portfolio classified as held for sale	0	15	0
Total loss provisions relating to Ålesund portfolio	**53**	**58**	**50**

[1] BN Bank has previously entered into an agreement with SpareBank1 SMN to take over the Ålesund portfolio. The parties revised the agreement on 1 February 2012 according to which SpareBank1 SMN took over NOK 2.3 billion of the portfolio valued at NOK 3.1 billion. BN Bank now provides guarantees for 60% of the credit risk for this portfolio (referred to as the Guarantee Portfolio). The Bank's maximum exposure has thus been reduced to NOK 443 million, which at the end of the first quarter of 2012 was 1.3% of the Bank's total lending. The total provision for losses in the Guarantee Portfolio was NOK 53 million at the end of March 2012. 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 Acrued expenses and deferred income.

Loans past due more than 3 months [1]

NOK MILLION	31.03.12	31.03.11	PARENT BANK FULL-YEAR 2011
Gross principal	117	68	73
Individual write-downs	15	7	14
Net principal	**102**	**61**	**59**

Other loans with individual write-downs [1]

NOK MILLION	31.03.12	31.03.11	PARENT BANK FULL-YEAR 2011
Gross principal	264	296	282
Individual write-downs	66	34	51
Net principal	**198**	**262**	**231**

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

PARENT BANK

NOK MILLION	GROSS OUTSTANDING 31.03.12	%	GROSS OUTSTANDING 31.03.11	%	GROSS OUTSTANDING 2011	%
Corporate Market	48	0.77	0	0.00	0	0.00
Retail Market	49	0.64	66	0.83	51	0.70
Divested loan portfolio	20	2.64	2	0.06	21	0.74
Total	117	0.80	68	0.36	72	0.82

[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 BN Bank's operations in Ålesund, which are otherwise treated as divested operations, and the Guarantee Portfolio vis-a-vis SpareBank 1 SMN.

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

NOTE 7. BORROWING (FUNDING)

Debt securities in issue

The Parent Bank had issued bonds and certificates with a face value of NOK 1 740 million as at 31 March 2012, either as new issues or increases in existing tap issues.

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

PARENT BANK

NOK MILLION	CERTIFICATES	BONDS	TOTAL
Net debt (face value) as at 1 January 2012	2 646	8 615	11 261
New issues	0	1 515	1 515
Increase in existing issues	60	165	225
Purchase and maturity of existing issues	-665	-651	-1 316
Net debt (face value) as at 31 March 2012	2 041	9 644	11 685

Subordinated loan capital and perpetual subordinated loan capital securities

The Parent Bank had issued no perpetual subordinated loan capital securities or subordinated loans as at 31 March 2012.

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

PARENT BANK

NOK MILLION	PERPET. SUBORD. LOAN CAP. SEC	SUBORD. LOAN CAPITAL	TOTAL
Net debt (face value) as at 1 January 2011	650	800	1 450
New issues	0	0	0
Increase in existing issues	0	0	0
Purchase and maturity of existing issues	0	0	0
Net debt (face value) as at 31 March 2011	650	800	1 450

Recognised values

NOK MILLION	31.03.12	31.03.11	PARENT BANK FULL-YEAR 2011
Certificates carried at amortised cost	1 261	0	1 250
Certificates carried at fair value	821	1 792	1 420
Total recognised value of certificates	2 082	1 792	2 670
Bonds carried at amortised cost	7 717	4 845	7 073
Bonds carried at amortised cost (secured debt)	1 717	1 124	1 300
Bonds selected for fair value carrying	312	888	311
Total recognised value of bonds	9 746	6 857	8 684
Total recognised value of debt securities in issue	11 828	8 649	11 354
Perpetual subordinated loan capital securities carried at amortised cost	482	485	482
Perpetual subordinated loan capital securities carried at fair value	172	172	169
Total recognised value of perpetual subordinated loan capital securities	654	657	651
Subordinated loans carried at amortised cost	804	800	800
Subordinated loans selected for fair value carrying	0	0	0
Total recognised value of subordinated loans	804	800	800
Total recognised value of subordinated loans and perpetual subordinated loan capital securities	1 458	1 457	1 451

NOTE 8. RESULTS OF DIVESTED OPERATION

The banking operation in Ålesund, which chiefly comprises business lending, became organisationally subordinate to SpareBank 1 SMN from Q4 2009. The split-off from BN Bank began in Q4 2009 and is expected to be completed by Q2 2012. As at 31 March 2012 there remains NOK 92 million in loans to be moved to SpareBank 1 SMN. From Q3 2009 inclusive, the Ålesund operation has been reported as a discontinued operation under IFRS 5.

Specification of results of divested operation

NOK MILLION	31.03.12	31.03.11	PARENT BANK FULL-YEAR 2011
Net income from interest and credit commissions	0	2	4
Total other operating income	0	1	1
Total other operating expense	0	-3	-3
Impairment losses on loans and advances	0	-4	-1
Pre-tax profit/(loss)	0	10	9
Computed tax charge	0	3	3
Profit/(loss) from discontinued operation after tax	0	7	6

Specification of results of remaining entity

			PARENT BANK
NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Net income from interest and credit commissions	37	31	155
Total other operating income	28	9	32
Total other operating expense	44	39	170
Operating profit/(loss) before impairment losses	**21**	**1**	**17**
Impairment losses	6	2	19
Pre-tax profit/(loss) fra remaining entity	**15**	**-1**	**-2**
Income from ownership interests in group companies	0	0	131
Pre-tax profit/(loss)	**15**	**-1**	**129**
Computed tax charge	**4**	**0**	**40**
Profit/(loss) after tax from remaining entity	**11**	**-1**	**89**

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. BN Bank intends to sell the company on.

NOTE 9. 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. 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.

PARENT BANK

NOK MILLION	31.03.12	31.03.11	FULL-YEAR 2011
Share capital	649	619	649
Other reserves	1 369	1 301	1 363
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings) [1]	655	654	647
Less:			
Perpetual subordinated loan capital (perpetual subordinated loan capital borrowings) that cannot be included [1]	-310	-321	-296
Intangible assets	-19	-21	-20
Deferred tax assets	0	-6	0
Other deductions in tier 1 capital	-39	0	0
Tier 1 capital [2]	2 305	2 226	2 343
Fixed-term subordinated loan capital	1 113	1 123	1 100
Less:			
Fixed-term subordinated loan capital that cannot be included	-134	-176	-104
Other deductions in tier 2 capital	-39	0	0
Net tier 2 capital	940	947	996
Total capital base	3 245	3 173	3 339
Risk-weighted assets	15 938	18 097	19 131
Tie 1 capital ratio (%)	14,5	12,3	12,2
Capital adequacy ratio (%)	20,4	17,5	17,5

[1] For more details, see Note 7.

Specification of risk-weighted assets

PARENT BANK

NOK MILLION	31.03.2012		31.03.2011		FULL-YEAR 2011	
RISK-WEIGHTING	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT	RECOGNISED AMOUNT	WEIGHTED AMOUNT
0 %	1 005	0	1 646	0	1 004	0
10 %	1 734	173	1 439	144	1 503	150
20 %	16 433	3 287	13 452	2 690	14 915	2 983
35 %	7 511	2 629	7 481	2 618	6 986	2 445
50 %	845	423	611	306	419	210
75 %	356	267	1 046	785	345	259
100 %	9 160	9 160	11 554	11 554	13 084	13 084
Investments included in the trading portfolio	0	0	0	0	0	0
Negotiable debt instruments included in the trading portfolio	0	0	0	0	0	0
Total risk-weighted assets	37 044	15 938	37 229	18 097	38 257	19 131
Capital adequacy ratio (%)		20.4		17.5		17.5

NOTE 10. 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 customers then sued the Bank individually in the Oslo District Court, but the Court found in favour of BN Bank on 8 July 2011. The judgment was appealed to Borgarting Court of Appeal. The appeal will be heard in March 2013. The total loan commitment as at 31 March 2012 was NOK 4 million.

BN Bank has also provided loans to finance Artemis structured products. BN Bank is now being sued by six customers, three of whom are limited companies, with the total loan financing on these products amounting to NOK 106 million. The amounts in dispute are interest payments.

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 turbulence in the financial markets in 2008 caused the loss of some contractual counterparties, and it has not been possible to replace all these hedging transactions. The liquidator of one of the contractual counterparties filed a counter-claim in 2011, which BN Bank disputes. The outcome is unclear, and litigation is underway. The total claim amounts to NOK 12 million.

Bankruptcy dividend/offset against Glitnir banki hf, Iceland

On 26 January 2012 Oslo District Court gave judgment in the case in which Glitnir banki hf. had sued BN Bank ASA for what Glitnir claims was an unlawful offset of about NOK 240 million. According to the judgment BN Bank ASA was ordered to pay Glitnir NOK 213 million plus interest. The Court found that about NOK 27 million was lawfully offset. In BN Bank's view the Court has made an error on a key point relating to the largest single item that the offset was made against, but BN Bank has otherwise won on the other, important points. BN Bank has accordingly appealed the judgment to the Borgarting Court of Appeal. As the Bank has previously reported the offset amount as lost, the judgment has only a limited negative accounting effect.

NOTE 11. CONTINGENT OUTCOMES, EVENTS AFTER THE REPORTING PERIOD

Apart from the matters mentioned in Note 10 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.

NOTE 12. TRANSFER TO SPAREBANK 1 NÆRINGSKREDITT

SpareBank 1 Næringskreditt AS was established in 2009 and granted a licence 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. The same banks own SpareBank 1 Næringskreditt as own BN Bank. 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. As at 31 March 2012, the book value of transferred loans was NOK 8.1 billion. BN Bank 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.

In order to attend to the interests of existing bond holders, in connection with the transfer BN Bank guaranteed that BNkreditt will have a capital adequacy ratio of at least 20 per cent at all times. Should the capital adequacy ratio fall below 20 per cent, the Parent Bank will cede precedence with respect to its accounts receivable with BNkreditt and/or provide a guarantee. As at 31 March 2012, BNkreditt's capital adequacy ratio was 16.6 per cent. The amount the Parent Bank is ceding precedence for stood at NOK 645 million as at 31 March 2012.

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 31 March 2012, these guarantees totalled NOK 311 million.

NOTE 13. TRANSFER TO SPAREBANK 1 BOLIGKREDITT

SpareBank 1 Boligkreditt is owned by the savings banks that form the SpareBank 1 consortium and is co-located with SpareBank 1 Næringskreditt AS in Stavanger. The purpose of the company is to secure for the banks within the consortium a source of stable, long-term financing of residential mortgage loans at competitive rates. The company's bonds have 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 the company and, as part of the Bank's funding strategy, loans were transferred from BN Boligkreditt in 2010 and 2011. At the end of March 2012, the book value of transferred loans was NOK 3.8 billion. BN Bank is responsible for managing the transferred loans and receives a commission based on the net return on the loans transferred by the Bank and the costs to the company.

NOTE 15. CONSOLIDATED INCOME STATEMENTS FOR THE LAST FIVE QUARTERS

PARENT BANK

NOK MILLION	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Interest and similar income	323	324	306	275	263
Interest expense and similar charges	286	278	264	239	232
Net income from interest and credit commissions	**37**	**46**	**42**	**36**	**31**
Change in value of financial instruments at fair value, gains and losses	15	-18	-13	11	0
Other operating income	13	20	13	10	9
Total other operating income	**28**	**2**	**0**	**21**	**9**
Salaries and general administrative expenses	37	42	36	38	34
Depreciation, amortisation and write-downs	4	4	3	4	4
Other operating expense	3	1	3	0	1
Total other operating expense	**44**	**47**	**42**	**42**	**39**
Operating profit/(loss) before impairment losses	**21**	**1**	**0**	**15**	**1**
Impairment losses on loans and advances	6	10	5	2	2
Operating profit/(loss) after impairment losses	**15**	**-9**	**-5**	**13**	**-1**
Income from ownership interests in group companies	0	0	32	99	0
Pre-tax profit/(loss)	**15**	**-9**	**27**	**112**	**-1**
Computed tax charge	4	-3	0	43	0
Profit/(loss), remaining entity	**11**	**-6**	**27**	**69**	**-1**
Profit/(loss) from operation under divestment	0	-6	0	4	8
Profit/(loss) including divested operation	**11**	**-12**	**27**	**73**	**7**

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

Scope of Review

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

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

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

Conclusion

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

Trondheim, 24. April 2012
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

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

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

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

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

Trondheim, 24 April 2012
The Board of Directors of BN Bank ASA

Finn Haugan
(Chair)

Tore Medhus
(Deputy Chair)

Stig Arne Engen

Harald Gaupen

Helene Jebsen Anker

Kristin Undheim

Anita Finserås Bretun
(Employee Representative)

Ella Skjørestad

Gunnar Hovland
(Managing Director)

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