

SpareBank 1 Nord-Norge

Report 1st half of 2011 – the Group

Good results for the 2nd quarter and 1st half of 2011

Highlights (figures in brackets refer to the same period in 2010):

- Operating profit before tax for the 2nd quarter of 2011 totalled NOK 573 million (NOK 500 million).
- Return on equity after tax was 16.3% (15.7%).
 - Earnings per equity certificate (Group) of NOK 2.85 (NOK 2.94).
- Good underlying banking operations; profit from core operations after losses of NOK 273 million (NOK 260 million, adjusted for one-time effects related to contractual early retirement scheme).
- Combined profit before tax for the Group's subsidiaries totalled NOK 211 million (NOK 42 million).
- Net gain on financial investments totalled NOK 300 million (NOK 180 million).
 - Profit contribution from SpareBank 1 Gruppen AS amounted to NOK 48 million (NOK 52 million).
 - Profit contribution from other joint ventures in the SpareBank 1 Alliance (Bank 1 Oslo, BN Bank, SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt) totalled NOK 54 million (NOK 48 million).
 - Net recognised gain from the Bank's share portfolio totalled NOK 172 million (NOK 75 million). NOK 189 million of this is attributed to the recognition of income from changes in the value of the share portfolio of SpareBank 1 Nord-Norge Invest AS in the 1st quarter related to Front Exploration AS (FrontX).
 - Net recognised gain on the interest-bearing portfolio (including related financial derivatives transactions) totalled NOK 6 million (loss of NOK 12 million).
 - Net recognised gain from currency and other financial derivatives totalled NOK 20 million (gain of NOK 17 million).
- Costs are under control – cost-to-income ratio was 45.9% (45.0%).
- Low loan losses: Net losses totalled NOK 25 million (NOK 43 million).
- Total lending growth over the past 12 months (including loans transferred to SpareBank 1 Boligkreditt): 6.3% (6.2%).
 - Retail market 5.5% (8.6%).
 - Corporate market 8.2% (1.3%).
- The accounts show lending growth of 6.4% (-4.2%) over the past 12 months.
- Growth in deposits over the past 12 months: 9.1% (4.8%).
 - Retail market 5.6% (5.2%).
 - Corporate market 11.0% (-2.4%).
 - Public sector market 15.7% (13.9%).
- Deposit-to-loan ratio: 80.3% (78.3%).
- The Bank is financially strong with a core capital adequacy (Group) of 11.3% (9.9%) and total capital adequacy of 12.3% (11.2%).
- Liquidity remains satisfactory.
- The Bank's equity was strengthened by NOK 583 million in the 2nd quarter through new equity issues. In addition, a bonus issue and split of the Bank's equity certificates was carried out in the 1st quarter of 2011.

Introductory comments

The quarterly accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), including IAS 34 relating to interim reporting.

IFRS involves the use of different principles for the incorporation of subsidiaries and joint venture companies between the parent bank and group accounts. In the consolidated accounts, the equity method is applied, in accordance with which the profit/loss of joint venture companies is incorporated into the Group's profit and loss account based on ownership interest, and is taken into consideration in the book value of the ownership interests on the balance sheet. The proportionate share of the subsidiaries' profit/loss is consolidated into the accounts. In accordance with IFRS, only the cost method of accounting shall be used in company accounts. This means that the book value of subsidiaries and joint venture businesses in the Parent Bank's accounts is the historic cost. In the Parent Bank's profit and loss account, only the

annual dividends received from these businesses are shown.

In accordance with the rules and regulations from the Ministry of Finance dated 16 October 2008, permission was given to reclassify securities in the trading portfolio from the category "At fair market value with value changes through profit and loss" to categories that are assessed at amortised cost. The Group decided to make such a reclassification of large parts of the interest-bearing portfolio held for sale as at 1 July 2008. Future assessments in these categories shall be calculated at amortised cost using the effective interest method of accounting, which means that earlier value write-downs and interest are amortised and incorporated as interest income over the remaining life of the securities in question. The Bank's remaining portfolio of commercial paper and bonds is classified as "At fair value through profit and loss". To the extent that there is an active

market for the securities involved, observable market prices are applied in order to assess fair value.

Earnings performance

Operating profit before tax at the end of the 2nd quarter of 2011 amounted to NOK 573 million. Profit for the corresponding period in 2010 was NOK 500 million. The Group's core operations (operations excluding net income from financial investments) remain strong, and show a profit after losses of NOK 273 million, NOK 47 million lower than at the end of the 2nd quarter of 2010. Non-recurring income of NOK 60 million was recognised in the 1st quarter of 2010 as a result of the transition to the new early retirement pension scheme in the private sector.

The Group's return on equity after tax as at 30 June 2011 was 16.3% (15.7%). The earnings per equity certificate were NOK 2.85 (NOK 2.94). For the Parent Bank, the earnings per equity certificate were NOK 2.45 (NOK 2.70). Previous comparative figures have been restated in order to take into account the effect of the equity transactions carried out in the 1st half of 2011 (bonus issue, split and new certificate issues).

The tax charge has been estimated at NOK 86 million (NOK 94 million).

Compared with the 2nd quarter of 2010, the improvement in the profit before tax of NOK 73 million is attributed to the following:

• Reduction in net interest income	NOK -2 million
• Reduction in net commission income	NOK -11 million
• Increase in income from financial investments	NOK 120 million
• Increase in other revenue	NOK 11 million
• Increase in costs	- NOK 63 million
• Reduction in net losses	NOK 18 million

For the second quarter in isolation, the operating profit before tax totalled NOK 192 million, as opposed to NOK 381 million for the first quarter of 2011.

Return on equity for the 2nd quarter in isolation was 10.1% (15.5%).

Share of profit of SpareBank 1 Group and other joint ventures

SpareBank 1 Group's preliminary profit after tax at the end of the 2nd quarter of 2011 totalled NOK 249 million. The SpareBank 1 Nord-Norge Group's share of the profits, amounting to NOK 48 million, has been incorporated in the accounts.

As at the end of the 2nd quarter of 2011, the consolidated accounts included a share of the profit of Bank 1 Oslo totalling NOK 10 million, share of the profit of SpareBank 1 Boligkreditt totalling NOK 8 million, share of the profit of SpareBank 1 Næringskreditt totalling NOK 2 million and share of the profit of BN Bank totalling NOK 17 million. In addition, income of NOK 17 million from the amortisation of goodwill in connection with the acquisition of BN Bank has been recognised.

Subsidiaries

The Group's subsidiaries reported a combined profit before tax of NOK 211 million at the end of the 2nd quarter of 2011. The profit of SpareBank 1 Nord-Norge Invest accounted for NOK 175 million of this amount and the profit of SpareBank 1 Finans Nord-Norge AS represented NOK 35 million of this amount.

SpareBank 1 Nord-Norge Invest recognised income from changes in the value of the shareholdings in Front Exploration AS (FrontX) in the amount of NOK 189 million in the 1st quarter of 2011. Income was recognised due to the completion of a private offering in FrontX in which DONG Energy AS became a new owner of the company. The valuation of the shareholdings in FrontX was based on the pricing of the same company in the private offering.

Interest margin

The Group's net interest income at the end of the 2nd quarter of 2011 amounted to NOK 551 million. This is NOK 2 million lower than at the end of the 2nd quarter of 2010. In relation to the average total assets, the net interest income at the end of the 2nd quarter of 2011 was 1.59%, which is 0.12 percentage points lower than previous year.

For the 2nd quarter in isolation, net interest income was NOK 276 million, NOK 1 million higher than in the 1st quarter.

Net interest income is affected by the transfer of loans to SpareBank 1 Boligkreditt. Income from the transferred portfolio is recognised as commission income. For the first half year this amounts to NOK 44 million. The corresponding figure for the 1st half of 2010 was NOK 51 million.

The bank has maintained its focus on the lending margin. We expect strong competition and low interest rates to keep the Bank's interest margin under pressure.

Net income from banking services and other income

Net commission income was NOK 241 million at the end of the 2nd quarter of 2011, which is NOK 11 million less than the corresponding period last year. Compared with the 2nd quarter of 2010 in isolation, net commission income is NOK 10 million lower in the 2nd quarter of 2011.

Other operating income was NOK 13 million at the end of the 2nd quarter of 2011, which is NOK 11 million higher than the corresponding period last year.

Net commission and other income for the 2nd quarter in isolation totalled NOK 134 million, compared with NOK 120 million for the previous quarter and NOK 133 million for the 2nd quarter in 2010.

Income from financial investments

Net income from financial investments at the end of the 2nd quarter of 2011 totalled NOK 300 million. This income can be broken down as follows:

Profit from SpareBank 1 Group	NOK 48 million
Profit from SpareBank 1 Boligkreditt	NOK 8 million
Profit from Bank 1 Oslo	NOK 10 million

Profit from BN Bank	NOK 17 million
Amortised net lesser value recognised as income	NOK 17 million
BN Bank	
Profit from SpareBank 1	
Næringskreditt	NOK 2 million
Share dividends	NOK 10 million
Net gains on shares	NOK 162 million
Net gains on bonds (including associated derivatives)	NOK 6 million
Net gain on currency and financial derivatives	NOK 20 million

Compared with the end of the 2nd quarter of 2010, net income from financial investments was NOK 120 million higher.

For the 2nd quarter in isolation, net income from financial investments totalled NOK 58 million.

As at 31 March 2011 an unrealised gain of NOK 189 million was recognised in the subsidiary SpareBank 1 Nord-Norge Invest AS related to the company Front Exploration AS (FrontX).

On 1 July 2008, the Bank completed a reclassification of large parts of the interest-bearing securities in the trading portfolio, from the category "At fair value through profit and loss" to categories that are assessed at amortised cost. This involved NOK 3,807 million of the book portfolio of NOK 4,981 million as at 30 June 2008. If such a reclassification had not taken place, additional unrealised losses of NOK 212 million would have been recognised for this portfolio from 1 July to 31 December 2008 as a result of higher credit spreads. Without the reclassification, this unrealised loss would have become an unrealised loss of NOK 1 million as at 30 June 2011. As a result of scheduled amortisation, the value of the reclassified portfolio fell from NOK 3,807 to NOK 1,431 million over the period from 30 June 2008 to 30 June 2011. Previous write-downs of NOK 112 million on this part of the portfolio as at 30 June 2008, are being recognised as income (amortised) now over the remaining term to maturity for each individual security. In 2008, 2009 and 2010, NOK 18 million, NOK 26 million and NOK 19 million were recognised, respectively, as income in this connection. At the end of the 2nd quarter of 2011, a total of NOK 5 million was recognised as income. As at 30 June 2011, the average term to maturity for the reclassified part of the portfolio was 1.7 years.

The reclassified portfolio has been assessed with regard to the need for a permanent write-down in value. As at 31 December 2008 such a write-down had been made on two of the Bank's investments in the amount of NOK 46 million. Additional write-downs were made on one of the securities in 2009 in the amount of NOK 17 million. No further write-downs have been made in 2010 or as at the end of the 2nd quarter of 2011. Reference is made otherwise to the relevant note in the quarterly accounts.

Operating costs

Ordinary operating costs at the end of the 2nd quarter of 2011 totalled NOK 507 million. This represents an increase of NOK 63 million, compared with the 2nd quarter of 2010.

The increase in operating expenses in the 2nd quarter of 2011 compared with the corresponding period last year is attributed to a reduction in the pension expenses in the 2nd quarter of 2010 as the result of a one-time recognition of NOK 60 million in income. This is attributed to the transition to a new early retirement pension scheme in the private sector. The running pension costs related to the early retirement pension scheme will increase in the future as a result of this.

In relation to the average total assets, the costs amounted to 1.46% at the end of the 2nd quarter of 2011, an increase of 0.09 percentage points compared with the same period in 2010.

The Group has a cost-to-income ratio of 45.9% at the end of the 2nd quarter of 2011, compared with 45.0% at the end of the 2nd quarter of 2010.

At the end of the 2nd quarter of 2011, the Bank employed 786 full-time equivalents, 665 of which were employed by the Parent Bank. The corresponding figures for the 2nd quarter last year were 766 and 674, respectively. The increase in the number of full-time equivalents in the Group includes 43 employees in North West 1 Alliance Bank in Russia. This bank opened formally in September 2010.

We are continuing to implement cost-reduction measures. This includes possible rationalisation measures within the areas of distribution and overall staffing levels.

Net losses and commitments in default

The Group's net losses on loans as at the 2nd quarter of 2011 totalled NOK 25 million. The net losses are divided between NOK 18 million from the corporate market and NOK 7 million from the retail market.

For the 2nd quarter in isolation, losses of NOK 15 million were recognised.

Net commitments in default and doubtful commitments totalled NOK 649 million as at 30 June 2011, which represents 1.0% of gross lending, including intermediary loans. This represents an increase of NOK 47 million over the same period in 2010.

The Group's aggregate individual loss write-downs were NOK 261 million as at 30 June 2011, a reduction of NOK 10 million compared with the end of the previous quarter.

Group write-downs increased by NOK 6 million to NOK 201 million in the 2nd quarter of 2011. Group write-downs represented 0.3% of the Group's combined gross lending, including intermediary loans as at 30 June 2011.

In the opinion of the Main Board of Directors, the quality of the Bank's loan portfolio is good, and the Group continues to deal effectively with non performing loans and doubtful commitments. The Main Board of Directors believes that the loss level will remain low in the near future.

Taxes

At the end of the 2nd quarter of 2011, the Group's tax expense was estimated at NOK 86 million. In the Parent Bank's accounts, the taxable profit has been reduced by permanent differences coupled with the effects of the exemption model. According to IFRS, wealth tax is not a tax expense, and NOK 9 million has therefore been charged to the profit and loss account as other operating costs.

Total assets

The Group's total assets were NOK 71,033 million as at 30 June 2011. This represents an increase of NOK 5,174 million, or 8%, over the past 12 months.

Lending

The Group's gross lending to customers totalled NOK 51,442 million as at 30 June 2011. Compared with 30 June 2010, this represents an increase of 6.4%. Intermediary mortgage lending amounting to NOK 13,434 million has been transferred to SpareBank 1 Boligkreditt AS as at 30 June 2011. Lending growth including these loans amounted to 6.3%. Retail banking loans showed growth of 5.5%, while corporate and public sector loans showed growth of 8.2%. Including intermediary loans, the Bank's share of lending to the retail market was at the same level as at the end of the 2nd quarter of 2010 and represented 69% of the total lending as at 30 June 2011.

The financial crisis, and the resulting slowdown in economic growth, reduced lending growth, particularly to the corporate market. In 2010 and to date in 2011 the Bank has, however, observed greater optimism among business and industry in the region. This has resulted in increased lending growth in the corporate market. The Main Board of Directors sustains its ambitions for lending growth and increased market shares. In the case of new loans, particular emphasis is placed on customers' ability to service and repay their outstanding loans, and on a satisfactory level of collateral and other security to ensure that the credit risk is maintained at an acceptable level.

Lending growth in the second quarter in isolation was 2.1% and can be broken down as follows:

Retail market	1.4%
Corporate and public sector market	3.9%

Savings and investments

The Group's deposits from customers totalled NOK 41,284 million as at 30 June 2011. The increase over the past 12 months was NOK 3,433 million or 9.1%. Deposits increased 5.6% in the retail market, 15.7% in the public sector market and 11.0% in the corporate market.

Liquidity

Deposits from customers represent the bank's main source of funding. At the end of the 2nd quarter of 2011, the deposit coverage ratio was 80.3%, which is 2.0 percentage points higher than at the same time last year. The Bank's remaining funding, apart from equity capital and deposits from customers, is mainly from long-term funding from the capital markets. The Bank's access to liquidity is still satisfactory. The Bank's strategic aim is to maintain its overall liquidity risk at a low level.

Portfolio of certificates and bonds

The Group's portfolio of money market certificates and bonds totalled NOK 12,214 million as at 30 June 2011. The corresponding figure as at 30 June 2010 was NOK 10,926 million. The portfolio includes papers using the authorities' swap scheme for covered bonds.

Equity and capital adequacy

SpareBank 1 Nord-Norge was granted a permit by the Financial Supervisory Authority to use internal measuring methods (Internal Rating Based Approach) for credit risk as of 1 January 2007. The statutory minimum capital adequacy requirement for credit risk has therefore been based on the Bank's internal risk assessment as of 2007. The rules and regulations render the statutory minimum requirement for capital adequacy more risk-sensitive, so that the capital requirement to a larger extent corresponds to the risk in the underlying portfolios. The use of internal measurement measures places great demands on the Bank's organisation, competence, risk models and risk management systems.

As a result of the transitional rules in the new regulations, the IRB banks were to benefit in full from the reduced regulatory capital adequacy requirements as of 2010. This was postponed, and the transitional rules also apply in 2011.

The Group has been granted a permit by the Financial Supervisory Authority of Norway to use proportional consolidation for its capital adequacy reporting for SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

The Bank's Supervisory Board adopted a bonus issue and split of the Bank's equity certificates on 29 March 2011. The Supervisory Board also adopted to strengthen the Bank's equity through several equity certificate issues.

The bonus issue and split were carried out in the 1st quarter of 2011. In the 2nd quarter of 2011 successful issues of equity certificates totalling NOK 601.4 million was completed. The equity certificate issues during the 2nd quarter of 2011 were made as follows (gross proceeds):

• Rights issue	NOK 451.4 million
• Private placement	
Institutional investors	NOK 100.0 million
Employees	NOK 16.3 million
Savings Bank Foundation	
SpareBank 1 Nord-Norge	NOK 33.7 million

The net proceeds from the new equity certificate issues totalled NOK 583 million. The reason for the rights issue and private placement is the new international capital adequacy rules, which significantly change the calculation of, and minimum requirements for, the financial strength of banks. SpareBank 1 Nord-Norge would like to ensure at an early stage that the Group's capital adequacy is in accordance with the new regulations. Furthermore, the Bank would like to confirm its position of being undisputedly solid.

As at 30 June 2011, the Group's core capital adequacy was 11.30% (9.86%) of the risk-weighted assets. The total capital adequacy ratio was 12.26% (11.21%). If the full impact of the IRB approach is included (without any "floor correction"), the core capital adequacy ratio would be 11.78%.

The net core capital has increased by NOK 498 million compared with the core capital as at 1 January 2011:

- New equity certificate issues NOK 583 million
- Dividends paid to community NOK -154 million
- Increase share of core capital in consolidated companies NOK 80 million
- Increase in deductibles NOK -15 million
- Increased value of Hybrid Tier 1 bond NOK 4 million
- Total change NOK 498 million

As at 30 June 2011, the Parent Bank's capital adequacy ratio was 13.93% (12.64%), of which the core capital accounted for 12.55% (11.04%).

The Bank's financial position is deemed satisfactory.

The Bank's equity certificate holders

After completion of the bonus issue and equity certificate issues, the Parent Bank's equity certificate capital totals NOK 1,655 million. The number of equity certificates totals 66,208,987, each with a nominal value of NOK 25 and fully paid-up as at 30 June 2011.

Six-twelfths of the new proceeds will be included in the equity certificate holders' share of the Parent Bank's equity (EC fraction) for 2011. The EC fraction as at 1 January

2011 is estimated at 38.74%, and it is estimated at 42.43% as at 1 January 2012.

The number of equity certificate holders was 8,209 as at 30 June 2011, which is a reduction of 189 over the past 12 months. The number of equity certificate holders from northern Norway was 2,456. A summary of the bank's 20 largest equity certificate holders is provided in the notes to the accounts.

Concluding remarks and outlook

The profit for the 2nd quarter of 2011 is deemed to be good. The Bank's core operations remain strong.

There is optimism among business and industry in the region, which has resulted in a greater demand for loans. With the exception of the export industry in North Norway, it is expected that the region will be impacted relatively little by a further decline in the international economy. Increased economic uncertainty may, however, result in reduced consumption and the postponement of investments in North Norway as well. We expect increasing competition to keep the Bank's interest margin under pressure.

The bank attaches importance to balance sheet growth, in terms of deposits and loans alike. Importance is also attached to increasing other income through sales of products and services. All lending growth shall involve good quality.

The bank will continue to focus sharply on cost-reducing measures. This includes possible rationalisation measures within the areas of distribution and overall staffing levels.

Tromsø, 9 August 2011

The Main Board of Directors of SpareBank 1 Nord-Norge

Key figures group

Amounts in NOK million and in % of average assets	30.06.11	%	30.06.10	%	31.12.10	
From the profit and loss account						
Net interest income	551	1.59 %	553	1.71 %	1 129	
Net fee-, commission and other operating income	254	0.73 %	254	0.78 %	513	
Net income from financial investments	300	0.87 %	180	0.56 %	404	
Total income	1 105	3.19 %	987	3.05 %	2 046	
Total costs	507	1.46 %	444	1.37 %	957	
Result before losses	598	1.72 %	543	1.68 %	1 089	
Losses	25	0.07 %	43	0.13 %	87	
Result before tax	573	1.65 %	500	1.54 %	1 002	
Tax	86	0.25 %	94	0.29 %	186	
Minority interests	0	0.00 %	0	0.00 %	0	
Result for the period	487	1.40 %	406	1.25 %	816	
Profitability						
Return on equity capital	1	16.3 %	15.7 %		15.3 %	
Interest margin	2	1.59 %	1.71 %		1.70 %	
Cost/income	3	45.9 %	45.0 %		46.8 %	
Balance sheet figures						
Loans and advances to customers		51 442	48 329		49 046	
Loans and advances to customers including agency loans		64 876	61 022		63 334	
Growth in loans and advances to customers past 12 months		6.4 %	-4.2 %		1.8 %	
Growth in loans and advances to cust. incl. agency loans past 12 months		6.3 %	6.2 %		7.2 %	
Deposits from customers		41 284	37 851		39 389	
Growth in deposits from customers past 12 months		9.1 %	4.8 %		12.9 %	
Deposits as a percentage of gross lending	4	80.3 %	78.3 %		80.3 %	
Deposits as a percentage of gross lending including agency loans		63.6 %	62.0 %		62.2 %	
Average assets	5	69 338	64 728		66 245	
Total assets		71 033	65 859		68 780	
Losses on loans and commitments in default *)						
Losses on loans to customers as a percentage of gross loans incl. agency loans		0.08 %	0.14 %		0.14 %	
Commitments in default as a percentage of gross loans incl. agency loans		0.39 %	0.51 %		0.35 %	
Commitments at risk of loss as a percentage of gross loans incl. agency loans		1.01 %	0.85 %		1.03 %	
Net comm. in default and at risk of loss as a per. of gross loans incl. agency loans		1.00 %	0.99 %		0.94 %	
Solidity						
Capital adequacy ratio	6	12.26 %	11.21 %		11.95 %	
Core capital adequacy ratio	7	11.30 %	9.86 %		10.90 %	
Core capital		5 832	4 682		5 334	
Equity and related capital resources		6 331	5 322		5 849	
Adjusted risk-weighted assets base		51 628	47 463		48 966	
Branches and full-time employees						
Branches		75	75		75	
Manyear		786	766		788	
Equity Certificates **)						
	30.06.11	31.12.10	31.12.09	31.12.08	31.12.07	
Equity Certificate ratio overall	8	38.74 %	34.54 %	34.54 %	34.54 %	34.22 %
Quoted/market price NONG as at		38.40	45.00	41.25	16.50	47.63
Quotation value	9	2 542	2 149	1 970	788	2 135
Equity capital per Equity Certificate - Group (NOK)	10	40.59	41.27	37.77	32.89	33.75
Result per Equity Certificate (Group)	11	2.85	5.90	6.20	2.52	5.37
Cash dividend per Equity Certificate to be paid	12		2.16	2.53	1.13	3.56
P/E (Price/Earnings) - Group	13	6.7	7.6	6.6	6.6	8.9
P/V (Price/Book Value) - Group	14	0.9	1.1	1.1	0.5	1.4

*) Agency loans includes loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS

**) All key figures are recalculated due to new total of EC's

- Profit for the period as a percentage of average total equity, calculated as average amount of quarterly equity and per 01.01. and 31.12.
- Total interest margin as a percentage of average total assets
- Total costs as a percentage of total net income
- Deposits from customers as a percentage of gross lending
- Average assets are calculated as average assets each quarter and at 01.01. and 31.12.
- Net subordinated capital as a percentage of calculated risk-weighted balance
- Core capital as a percentage of calculated risk-weighted balance
- EC holders share of equity capital as at 01.01.
- Quoted price on Oslo Stock Exchange multiplied by numbers of EC's outstanding
- EC-capital + Premium Fund + Dividend Equalisation Fund + Equity Certificates holders' share of the equity capital as at 01.01. * (other equity capital + Result for the period, divided by number of EC's outstanding
- Profit for the period (group) multiplied by Equity Certificates holders' share of the equity capital as at 01.01., in relation to total number of EC's
- Cash dividend per EC for the accounting year. Resolution made by Main Board of Directors
- Market price on Oslo Stock Exchange at end of period, divided by result for the period per EC
- Market price on Oslo Stock Exchange at end of period, divided by book value of equity capital per EC

Statement of comprehensive income

Parent Bank

Group

(Amounts in NOK million)

31.12.10	2Q10	2Q11	30.06.10	30.06.11		30.06.11	30.06.10	2Q11	2Q10	31.12.10
2 455	596	649	1 157	1 280	Interest income	1 335	1 197	676	616	2 549
1 424	335	401	645	784	Interest costs	784	644	400	335	1 420
1 031	261	248	512	496	Net interest income	551	553	276	281	1 129
501	125	119	247	241	Fee- and commission income	278	294	140	152	590
84	20	18	42	37	Fee- and commission costs	37	42	18	20	85
12	1	14	1	16	Other operating income	13	2	12	1	8
429	106	115	206	220	Net fee-, commission and other operating income	254	254	134	133	513
33	32	9	32	10	Dividend	10	42	9	33	43
100	24	142	100	233	Income from investments	102	100	53	59	251
100	17	- 3	43	7	Net gain from investments in securities	188	38	- 4	12	110
233	73	148	175	250	Net income from financial investments	300	180	58	104	404
1 693	440	511	893	966	Total income	1 105	987	468	518	2 046
407	112	107	160	208	Personnel costs	242	194	123	133	477
259	66	80	129	142	Administration costs	153	142	85	73	281
43	7	11	14	21	Ordinary depreciation	23	22	12	10	45
137	42	33	92	77	Other operating costs	89	86	41	40	154
846	227	231	395	448	Total costs	507	444	261	256	957
847	213	280	498	518	Result before losses	598	543	207	262	1 089
79	21	11	39	21	Losses	25	43	15	22	87
768	192	269	459	497	Result before tax	573	500	192	240	1 002
171	35	35	86	78	Tax	86	94	38	38	186
597	157	234	373	419	Result for the period	487	406	154	202	816
					Majority interest	487	406	154	202	816
					Minority interests	0	0	0	0	0
					Result per Equity Certificate					
4.32	1.14	1.37	2.70	2.45	Result per Equity Certificate	2.85	2.94	0.90	1.46	5.90
4.32	1.14	1.37	2.70	2.45	Diluted result per Equity Certificate	2.85	2.94	0.90	1.46	5.90

Comprehensive income

597	157	234	373	419	Result for the period	487	406	154	202	816
0	0	0	0	0	Recalculation differences	0	0	0	0	-2
-3	0	-3	0	3	Effective part of change in fair market value in cash flow hedging	3	-17	-3	0	-3
0	0	0	0	0	Net change in fair market value of investment in joint ventures	0	0	0	0	18
0	0	0	0	0	Net change in fair market value of financial assets available for sale	0	0	0	0	0
1	0	1	0	-1	Tax on other comprehensive income	-1	5	1	0	1
-2	0	-2	0	2	Other comprehensive income for the period	2	-12	-2	0	14
595	157	232	373	421	Total comprehensive income for the period	489	394	152	202	830
					Majority interest	0	394	0	202	830
					Minority interests	0	0	0	0	0
					Total result per Equity Certificate					
4.30	1.14	1.36	2.70	2.46	Total result per Equity Certificate	2.86	2.85	0.89	1.46	6.00
4.30	1.14	1.36	2.70	2.46	Diluted total result per Equity Certificate	2.86	2.85	0.89	1.46	6.00
					Tax on other comprehensive income:					
1	0	-1	0	-1	Effective part of change in fair market value in cash flow hedging	-1	5	1	0	1
0	0	0	0	0	Net change in fair market value of financial assets available for sale	0	0	0	0	0
1	0	-1	0	-1	Tax on other comprehensive income	-1	5	1	0	1

Statement of financial position

Parent Bank

Group

(Amounts in NOK million)

31.12.10	30.06.10	30.06.11		30.06.11	30.06.10	31.12.10
Assets						
2 471	675	250	Cash and balances with central banks	274	675	2 501
2 787	2 854	3 822	Loans and advances to credit institutions	1 508	1 025	793
46 726	46 417	48 724	Loans and advances to customers	51 442	48 329	49 046
256	213	244	- Individual write-downs for impaired value	259	226	271
192	227	184	- Collective write-downs for impaired value	201	238	200
46 278	45 977	48 296	Net loans and advances to customers	50 982	47 865	48 575
388	358	377	Shares	781	556	611
11 541	10 925	12 207	Certificates and bonds	12 214	10 926	11 567
692	781	581	Financial derivatives	581	781	692
358	351	476	Investments in Group Companies	0	0	0
1 820	1 741	2 043	Investments in associated companies and joint ventures	3 044	2 631	2 861
454	103	479	Property, plant and equipment	484	459	460
0	10	0	Intangible assets	22	3	22
652	907	1 102	Other assets	1 143	938	698
67 441	64 682	69 633	Total assets	71 033	65 859	68 780
Liabilities						
6 101	5 420	5 644	Deposits from credit institutions	5 694	5 420	6 123
39 352	37 852	41 258	Deposits from customers	41 284	37 851	39 389
14 477	13 651	13 975	Debt securities in issue	13 975	13 651	14 477
483	543	315	Financial derivatives	315	543	483
1 084	1 493	1 791	Other liabilities	1 882	1 708	1 224
50	0	38	Deferred tax liabilities	62	0	67
1 347	1 384	1 319	Subordinated loan capital	1 330	1 384	1 347
62 894	60 343	64 340	Total liabilities	64 542	60 557	63 110
Equity						
896	896	1 655	Equity Certificate capital	1 655	896	896
123	123	245	Equity Certificate premium reserve	245	123	123
566	351	165	Dividend Equalisation Fund	165	351	566
2 829	2 463	2 676	The Savings Bank's Fund	2 676	2 463	2 829
133	133	133	Donations	133	133	133
0	0	0	Fund for unrealised gains	- 2	0	- 2
0	0	0	Other equity capital	1 120	930	1 121
0	373	419	Result for the period	487	406	0
			Minority interests	12	0	4
4 547	4 339	5 293	Total equity	6 491	5 302	5 670
67 441	64 682	69 633	Total liabilities and equity	71 033	65 859	68 780

Result from the Group's quarterly accounts

(Amounts in NOK million)

	2Q11	1Q11	4Q10	3Q10	2Q10	1Q10	4Q09	3Q09	2Q09
Interest income	676	659	683	669	616	581	584	618	694
Interest costs	400	384	398	378	335	309	286	324	415
Net interest income	276	275	285	291	281	272	298	294	279
Fee- and commission income	140	138	147	149	152	142	145	143	126
Fee- and commission costs	18	19	22	21	20	22	24	21	23
Other operating income	12	1	3	3	1	1	3	- 1	0
Net fee-, commission and other operating income	134	120	128	131	133	121	124	121	103
Dividend	9	1	0	1	33	9	17	1	5
Income from investments	53	49	87	64	59	41	109	97	68
Net gain from investments in securities	- 4	192	61	11	12	26	103	65	- 10
Net income from financial investments	58	242	148	76	104	76	229	163	63
Total income	468	637	561	498	518	469	651	578	445
Personnel costs	123	119	152	131	133	61	151	124	117
Administration costs	85	68	77	62	73	69	84	59	66
Ordinary depreciation	12	11	12	11	10	12	12	12	12
Other operating costs	41	48	35	33	40	46	29	32	31
Total costs	261	246	276	237	256	188	276	227	226
Result before losses	207	391	285	261	262	281	375	351	219
Losses	15	10	43	1	22	21	44	39	49
Result before tax	192	381	242	260	240	260	331	312	170
Tax	38	48	37	55	38	56	20	50	36
Minority interests	0	0	0	0	0	0	1	0	0
Result for the period	154	333	205	205	202	204	310	262	134
Profitability									
Return on equity capital	10.06 %	23.31 %	14.67 %	15.17 %	15.53 %	15.90 %	24.74 %	22.14 %	11.73 %
Interest margin	1.59 %	1.61 %	1.66 %	1.74 %	1.73 %	1.70 %	1.85 %	1.77 %	1.70 %
Cost/income	55.77 %	38.62 %	49.20 %	47.59 %	49.42 %	40.09 %	42.40 %	39.27 %	50.79 %
Balance sheet figures									
Loans and advances to customers	51 442	49 638	49 046	50 489	48 329	48 429	48 180	49 413	50 473
Growth in loans and advances to cust. incl. agency loans past 12 months	6.3 %	6.1 %	7.2 %	7.3 %	6.2 %	5.2 %	4.0 %	5.6 %	5.1 %
Deposits from customers	41 284	39 402	39 389	37 303	37 851	35 497	34 877	34 256	36 129
Growth in deposits from customers past 12 months	9.1 %	11.0 %	12.9 %	8.9 %	4.8 %	4.2 %	0.9 %	6.6 %	6.9 %
Deposits as a percentage of gross lending	80.3 %	79.4 %	80.3 %	73.9 %	78.3 %	73.3 %	72.4 %	69.3 %	71.6 %
Deposits as a percentage of gross lending including agency loans	63.6 %	62.0 %	62.2 %	59.5 %	62.0 %	59.3 %	59.1 %	58.6 %	62.9 %
Average assets	69 338	68 491	66 245	65 611	64 728	64 163	65 169	65 402	65 678
Total assets	71 033	68 202	68 780	68 261	65 859	64 086	64 239	64 574	67 961
Losses on loans and commitments in default									
Losses on loans to customers as a percentage of gross loans incl. agency loans	0.09 %	0.06 %	0.27 %	0.01 %	0.15 %	0.14 %	0.30 %	0.27 %	0.34 %
Commitments in default as a percentage of gross loans incl. agency loans	0.39 %	0.39 %	0.35 %	0.34 %	0.51 %	0.56 %	0.65 %	0.67 %	0.82 %
Commitments at risk of loss as a percentage of gross loans incl. agency loans	1.01 %	1.03 %	1.03 %	0.93 %	0.85 %	0.71 %	0.71 %	0.70 %	0.67 %
Net comm. in default and at risk of loss as a per. of gross loans incl. agency loans	1.00 %	1.00 %	0.94 %	0.88 %	0.99 %	0.91 %	0.97 %	1.02 %	1.18 %
Solidity									
Capital adequacy ratio	12.26 %	11.70 %	11.95 %	11.00 %	11.21 %	11.79 %	12.76 %	11.13 %	11.26 %
Core capital adequacy ratio	11.30 %	10.70 %	10.90 %	9.78 %	9.86 %	10.38 %	10.71 %	9.31 %	10.01 %
Core capital	5 832	5 259	5 334	4 595	4 682	4 687	4 846	4 133	4 035
Equity and related capital resources	6 331	5 749	5 849	5 167	5 322	5 323	5 776	4 941	4 540
Adjusted risk-weighted assets base	51 628	49 142	48 966	46 963	47 463	45 163	45 250	44 409	40 310

Quarterly Report - Changes in equity

(Amounts in NOK million)

Group	PCC capital	Premium Fund	Dividend		Donations Fund	Fair value reserve	Other equity	Period result	Total Majority interests	Minority interests	Total equity
			Equalisation Fund	Saving Bank's Fund							
Equity at 01.01.10	896	123	471	2 624	133		910	5 157	3	5 160	
Total comprehensive income for the											
Period result			206	349	41		220	816		816	
<i>Other comprehensive income:</i>											
Net change in fair market value of investment in joint ventures							18	18		18	
Effective part of change in fair market value in cash flow hedging			- 1	- 2				- 3		- 3	
Net change in financial assets available for sale, transferred to the statement											
Total other comprehensive income			- 1	- 1			18	14		14	
Total comprehensive income for the period			205	348	41		238	830		830	
Transactions with owners											
Equity issue											
Set aside for dividend payments			- 103	- 154				- 257		- 257	
Reversal of dividend payments			103	154				257		257	
Dividend paid			- 121	- 161				- 282		- 282	
Payments from Donations Fund								- 41		- 41	
Total transactions with owners			- 110	- 143	- 41		- 27	- 321	1	- 320	
Equity at 31.12.10	896	123	566	2 829	133	- 2	1 121	5 666	4	5 670	
Equity at 01.01.11	896	123	566	2 829	133	- 2	1 121	5 666	4	5 670	
Total comprehensive income for the											
Period result								487	487	487	
<i>Other comprehensive income:</i>											
Recalculation differences											
Net change in fair market value of investment in joint ventures											
Effective part of change in fair market value in cash flow hedging			1	2				3		3	
Tax on other comprehensive income								- 1		- 1	
Total other comprehensive income			1	1				2		2	
Total comprehensive income for the period			1	1				487	489	489	
Transactions with owners											
Equity issue	298										
Equity issue	461	122	- 298					583		583	
Set aside for dividend payments											
Reversal of dividend payments											
Changes in minority interests									8	8	
Dividend paid			- 103	- 154				- 257		- 257	
Other transactions			- 1				- 1	- 2		- 2	
Payments from Donations Fund											
Total transactions with owners	759	122	- 402	- 154			- 1	324	8	332	
Equity at 30.06.11	1 655	245	165	2 676	133	- 2	1 120	487	12	6 491	

ECC ratio overall

Parent Bank

(Amounts in NOK million)

	31.12.08	31.12.09	Original calculation 31.12.10 (01.01.11)	Revised calculation 31.12.10 (01.01.11)	Estimated calculation 31.12.11 (01.01.12)
Equity Certificate capital	896	896	896	1 126	1 358
Equity Certificate premium reserve	123	123	123	185	246
Dividend Equalisation Fund	277	471	566	566	566
Set aside dividend	- 54	- 121	- 103	- 103	- 103
Share Fund Fair Value Options	- 5	- 30	- 3	- 3	- 3
A. Equity attributable to Equity Certificate h	1 237	1 339	1 479	1 771	2 064
The Savings Bank's Fund	2 221	2 623	2 829	2 829	2 828
Allocated dividends to ownerless capital	0	- 161	- 154	- 154	- 154
Donations	133	133	133	133	133
Share Fund Fair Value Options	- 10	- 57	- 5	- 5	- 5
B. Total ownerless capital	2 344	2 538	2 803	2 803	2 802
Equity Certificate Ratio overall (A/(A+B))	34.54 %	34.54 %	34.54 %	38.74 %	42.43 %

Following the equity issues in June 2011, the Equity Capital fraction has been recalculated.

Statement of cash flows

Parent Bank

Group

(Amounts in NOK million)

31.12.10	30.06.10	30.06.11		30.06.11	30.06.10	31.12.10
768	459	497	Result before tax	573	500	1 002
43	14	21	+ Ordinary depreciation	23	22	45
0	0	0	+ Write-downs, gains/losses fixed assets	0	0	0
79	39	21	+ Losses on loans and guarantees	25	43	87
171	86	78	- Tax	86	94	186
0	0	0	- Group contributions	0	0	0
281	281	257	- Dividends/donations	257	281	281
438	145	204	Provided from the year's operations	278	190	667
190	624	515	Change in sundry liabilities: + increase/ - decrease	480	704	185
- 218	- 571	- 331	Change in various claims: - increase/ + decrease	- 326	- 582	- 272
- 369	- 28	-2 039	Change in gross lending to and claims on customers: - increase/ + decrease	-2 432	- 194	- 948
-2 628	-1 982	- 663	Change in short term-securities: - increase/ + decrease	- 825	-2 029	-2 725
4 460	2 960	1 906	Change in deposits from and debt owed to customers: + increase/ - decrease	1 895	2 974	4 512
- 768	-1 449	- 457	Change in debt owed to credit institutions: + increase/ - decrease	- 429	-1 448	- 745
1 105	- 301	- 865	A. Net liquidity change from operations	-1 359	- 385	674
- 387	- 7	- 46	- Investment in fixed assets (incl merger effects)	- 47	- 12	- 36
0	0	0	+ Sale of fixed assets	0	0	0
- 344	- 258	- 341	Change in holdings of long-term securities: - increase/ + decrease	- 183	- 235	- 465
- 731	- 265	- 387	B. Liquidity change from investments	- 230	- 247	- 501
315	- 511	- 502	Change in borrowings through the issuance of securities: + increase/ - decrease	- 502	- 511	315
- 261	- 224	568	Change in Equity Certificate/subordinated loan capital: + increase/ - decrease	579	- 224	- 261
54	- 735	66	C. Liquidity change from financing	77	- 735	54
428	-1 301	-1 186	A + B + C. Total change in liquidity	-1 512	-1 367	227
4 830	4 830	5 258	+ Liquid funds at the start of the period	3 294	3 067	3 067
5 258	3 529	4 072	= Liquid funds at the end of the period	1 782	1 700	3 294

Liquid funds are defined as cash-in-hand, claims on central banks, plus loans to and claims on credit institutions.

Notes

Note 1 - Accounting Principles

The Group's quarterly accounts have been prepared in accordance with stock exchange rules and regulations and International Financial Reporting Standards (IFRS), including IAS 34 relating to interim reporting. The quarterly accounts do not comprise all information which is required in complete annual accounts and should be read in conjunction with the 2008 Annual Accounts. IAS 1 – presentation of the financial accounts – has been amended in 2009, involving several changes in the presentation of the profit and loss account – now "Statement of comprehensive income" as well as the statement of changes in equity capital. Items which are recognised directly in equity capital shall now also be presented in the Statement of comprehensive income as extended profit and loss account items. In the equity capital statement transactions between the owners and other transactions are kept separate.

In accordance with the rules and regulations dated 16 October 2008 issued by the Ministry of Finance, it is now permitted to reclassify securities in a trading portfolio from the category 'Market value with any value changes shown through the profit and loss account' to the category 'Hold until maturity' and 'Loans and claims'. The SNN Group decided to apply such reclassification to large parts of its interest-bearing portfolio with effect from 01.07.08. Future assessments within these categories shall be calculated at amortized cost, which means that earlier write-downs of values and interest are to be amortized and included in the profit and loss account as interest income over the remaining life of the items in question.

Reference is made to note 12.

The remaining portfolio of certificates and bonds is assessed at market value through the profit and loss account.

Note 2 - Capital Adequacy

New capital adequacy rules and regulations (Basel II – EU's new directives for capital adequacy) were implemented in Norway with effect from 1 January 2007. SpareBank 1 Nord-Norge has received permission from The Financial Supervisory Authority of Norway (FSAN) to apply internal calculation methods (Internal Rating-Based Approach) for credit risk from 1 January 2007. With effect from 2007, therefore, the statutory minimum capital adequacy requirement for credit risk will be based on the Bank's internal assessment of risk. This will make the statutory minimum capital adequacy requirement more risk-sensitive, which means that the capital requirement will to a larger extent correspond to the risk contained in the underlying portfolios in question. The use of internal calculation methods will involve comprehensive demands on the Bank's organisation, competence, risk models and risk management systems. As a result of transitional rules relating to the new directive mentioned above, IRB-banks would not experience the full impact of the reduced regulatory capital requirements until 2010. Until 2010, banks had to report on a parallel basis, both according to the old capital adequacy calculations and Basel II. During the period 2007-2010, an annual adjustment of the risk-adjusted calculation basis in relation to the old method (so-called correction of 'floor') was permitted. A resolution has now been reached to postpone this issue, and the transition rules for 2009 will continue to apply in 2010 and in 2011.

The calculation basis in 2011 therefore amounts to 80 per cent of the calculated basis according to the Basel I rules and regulations.

(Amounts in NOK million)

31.12.10	30.06.10	30.06.11		30.06.11	30.06.10	31.12.10
Note 2 - Capital Adequacy						
896	896	1 655	Equity certificates	1 655	896	896
0	0	0	- Own equity certificates	0	0	0
123	123	245	Premium reserve	245	123	123
566	351	165	Equalisation reserve	165	351	566
2 829	2 463	2 676	Savings bank's reserve	2 676	2 463	2 829
133	133	133	Endowment fund	133	133	133
0	0	0	Other equity	1 120	930	1 121
0	0	0	Deduction Fund for unrealised gains	- 2	0	- 2
0	0	0	Minority interests	12	0	4
0	373	419	Period result	487	406	0
4 547	4 339	5 293	Total equity	6 491	5 302	5 670
0	0	0	Minority interests	-12	0	- 4
0	- 373	- 419	Period result	- 487	- 406	0
Core capital						
0	0	0	Adjusted subordinated capital from consolidated financial institutions	62	- 10	- 18
0	- 10	0	Intangible assets	- 28	- 29	- 20
0	0	0	Fund for unrealised gains	46	37	46
- 103	0	0	Deduction for allocated dividends	0	0	- 103
- 353	- 730	- 399	50 % deduction for subordinated capital in other financial institutions	0	0	0
- 93	- 85	- 76	50 % deduction for expected losses on IRB, net of writedowns	- 67	- 78	- 86
0	0	0	50 % capital adequacy reserve	- 650	- 583	- 624
353	388	323	Hybrid Tier 1 bonds	477	449	473
4 351	3 529	4 722	Total core capital	5 832	4 682	5 334
Supplementary capital						
995	995	995	Nonperpetual subordinated capital	1 216	1 301	1 225
- 353	- 730	- 399	50% deduction for subordinated capital in other financial institutions	0	0	0
- 93	- 85	- 76	50% deduction for expected losses on IRB, net of writedowns	- 67	- 78	- 86
0	0	0	50% capital adequacy reserve	- 650	- 583	- 624
549	180	520	Total supplementary capital	499	640	515
4 900	3 709	5 242	Equity and related capital resources	6 331	5 322	5 849
Minimum requirements subordinated capital, Basel I I						
801	511	764	Specialised lending exposure	764	511	801
591	866	575	Other corporations exposure	582	869	596
15	17	15	SME exposure	17	19	17
281	280	288	Property retail mortgage exposure	416	380	393
32	35	34	Other retail exposure	36	35	33
234	497	252	Equity investments	0	0	0
1 954	2 206	1 928	Total credit risk IRB	1 815	1 814	1 840
607	504	736	Credit risk standardised approach	1 786	1 456	1 492
130	127	118	Debt risk	106	128	126
19	17	17	Equity risk	65	40	46
17	0	29	Currency risk	29	0	17
242	242	258	Operational risk	273	284	284
0	0	0	Transitional arrangements	171	182	226
- 71	- 130	-76	Deductions	- 115	- 108	- 114
2 898	2 966	3 010	Minimum requirements subordinated capital	4 130	3 796	3 917
13.53 %	12.64 %	13.93 %	Capital adequacy ratio	12.26 %	11.21 %	11.95 %
12.01 %	11.04 %	12.55 %	Core capital ratio	11.30 %	9.86 %	10.90 %
1.52 %	1.60 %	1.38 %	Supplementary capital ratio	0.97 %	1.35 %	1.05 %

Parent Bank
(Amounts in NOK million)

 31.12.10 30.06.10 **30.06.11**
Group
30.06.11 30.06.10 31.12.10

Note 3 - Net bad and doubtful commitments

202	279	232	Non-performing commitments	254	313	219
634	486	595	+ Non-performing commitments, impaired	656	520	651
258	218	246	- Individual write-down for impaired value	261	231	273
578	547	581	= Net bad and doubtful commitments	649	602	597
31 %	28 %	30 %	Loan loss provision ratio	29 %	28 %	31 %

Note 4 - Losses incorporated in the accounts

38	- 2	- 12	+ Period's change in individual write-down for impaired value	- 11	- 1	38
- 37	- 2	- 3	+ Period's change in collective write-down for impaired value	- 2	- 2	- 39
84	46	39	+ Period's confirmed losses against which individual write-downs were previously made	42	48	88
1	0	0	+ Period's confirmed losses against which individual write-downs were previously not made	1	1	7
7	3	3	- Recoveries in respect of previously confirmed losses	5	3	7
79	39	21	= Total losses on loans	25	43	87

Note 5 - Individual- and collective write-downs for impaired value

<i>Individual write-downs for impaired value:</i>						
220	220	258	Individual write-downs for impaired value on loans and guarantees as at 01.01.	273	232	232
84	45	39	- Confirmed losses during the period on loans and guarantees, against which individual write-downs for impaired value has prev. been made	42	48	88
69	36	15	- Reversal of previous years' individual write-downs for impaired value	15	36	52
14	4	6	+ Increase in write-downs for impaired value for commitments against which individual write-downs for impaired value were previously made	6	7	21
177	75	36	+ Write-downs for impaired value for commitments against which no individual write-downs for impaired value was previously raised	39	76	160
258	218	246	= Individual write-downs for impaired value on loans and guarantees *	261	231	273
<i>Collective write-downs for impaired value:</i>						
227	227	192	Collective write-downs for impaired value against losses on loans and guarantees as at 01.01.	200	238	238
- 35	0	- 8	+ Period's collective write-downs for impaired value against losses on loans and guarantees	1	0	- 38
192	227	184	= Collective write-downs for impaired value against losses on loans, and guarantees	201	238	200

*Individual write-downs for impaired value on guarantees, NOK 2 million, are included in the Balance Sheet as liabilities under 'Other liabilities'.

31.12.10	30.06.10	30.06.11		30.06.11	30.06.10	31.12.10
Note 6 - Loans broken down by sector and industry						
66	67	64	Mining and quarrying	78	79	78
491	524	574	Construction	844	697	759
23	22	26	Building of ships and boats	30	22	26
1 216	988	816	Electricity, gas, steam an air conditioning supply	822	1 026	1 223
660	642	763	Professional, scientific and technical activities	780	642	676
89	20	0	Financial and insurance activities	0	25	45
1 015	1 359	1 407	Fishing	1 418	1 367	1 024
222	162	237	Marine aquaculture	356	223	302
276	233	387	Other business support activities	591	385	412
196	98	277	Activities auxiliary to financial services and insurance activities	277	98	40
135	153	144	County municipalities and municipalities	164	181	156
1 195	1 158	937	Manufacturing	1 073	1 267	1 316
207	227	155	Information and communication	163	227	216
772	726	773	Crop and animal production	859	803	857
43	47	0	Foreign industrial	0	47	43
6 489	6 346	6 833	Real estate activities	6 855	6 238	6 512
378	368	385	Accommodation and food service activities	404	383	395
5	7	7	Forestry and logging	11	7	8
0	0	0	Central government and social security funds	1	0	1
1	0	1	Support activities for petroleum and natural gas extraction	1	0	1
730	801	650	Other service industries	732	801	814
1 005	993	1 216	Transportation and storage	1 680	1 299	1 407
667	646	570	International shipping and pipeline transport	570	646	668
593	575	653	Development of building projects	652	575	594
42	143	42	Extraction of crude oil and natural gas	42	143	42
1	0	0	Unspecified	0	0	1
99	119	108	Water supply; sewerage, waste management and remediation activities	145	119	138
1 329	1 239	1 452	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 676	1 394	1 413
28 736	28 708	30 207	Retail banking market - domestic	31 178	29 589	29 834
45	46	40	Retail banking market - international	40	46	46
28 781	28 754	30 247	Total retail market	31 218	29 635	29 880
17 809	17 510	18 333	Total public market	20 059	18 513	19 010
135	153	144	Total government	165	181	157
46 726	46 417	48 724	Total loans	51 442	48 329	49 046

Parent Bank
(Amounts in NOK million)
Group

31.12.10	30.06.10	30.06.11		30.06.11	30.06.10	31.12.10
0	0	0	Mining and quarrying	0	0	1
0	2	5	Construction	6	3	1
0	0	0	Building of ships and boats	0	0	0
0	0	0	Electricity, gas, steam an air conditioning supply	0	0	0
0	0	0	Professional, scientific and technical activities	0	0	0
0	0	0	Financial and insurance activities	0	0	0
3	1	0	Fishing	1	1	3
- 6	0	0	Marine aquaculture	0	0	- 6
- 3	0	0	Other business support activities	0	0	- 3
4	0	0	Activities auxiliary to financial services and insurance activities	0	0	4
0	0	0	County municipalities and municipalities	0	0	0
20	4	- 3	Manufacturing	- 3	4	21
0	0	0	Information and communication	0	0	0
5	1	5	Crop and animal production	5	1	5
0	0	0	Foreign industrial	0	0	0
51	13	8	Real estate activities	9	13	51
6	1	3	Accomodation and food service activities	3	1	6
0	0	0	Forestry and logging	0	0	0
0	0	0	Central government and social security funds	0	0	0
0	0	0	Support activities for petroleum and natural gas extraction	0	0	0
17	11	0	Other service industries	0	11	17
0	0	- 1	Transportation and storage	- 1	2	5
0	0	0	International shipping and pipeline transport	0	0	0
0	0	0	Development of building projects	0	0	0
0	0	0	Extraction of crude oil and natural gas	0	0	0
0	0	0	Unspecified	0	0	0
1	0	0	Water supply; sewerage, waste management and remediation activities	0	0	1
3	1	1	Wholesale and retail trade; repair of motor vehicles and motorcycles	1	2	3
20	8	14	Retail banking market - domestic	16	8	23
- 35	0	- 4	Collective write-downs public market	- 3	0	- 36
0	0	- 4	Collective write-downs retail market	- 4	0	- 2
86	42	24	Losses on loans to customers	30	46	94
7	3	3	Recoveries from previously written off losses	5	3	7
79	39	21	Net losses	25	43	87

Parent Bank
(Amounts in NOK million)
Group

31.12.10	30.06.10	30.06.11		30.06.11	30.06.10	31.12.10
Note 8 - Deposits broken down by sector and industry						
24	21	119	Mining and quarrying	119	21	24
762	630	619	Construction	619	630	762
4	2	4	Building of ships and boats	4	2	4
817	752	686	Electricity, gas, steam an air conditioning supply	686	752	817
1 332	1 243	1 379	Professional, scientific and technical activities	1 379	1 243	1 332
1 065	272	254	Financial and insurance activities	254	271	1 102
516	574	545	Fishing	545	574	516
34	25	20	Marine aquaculture	20	25	34
271	259	320	Other business support activities	320	259	271
0	0	0	Activities auxiliary to financial services and insurance activities	0	0	0
6 948	6 611	8 099	County municipalities and municipalities	8 099	6 611	6 948
431	368	493	Manufacturing	493	368	431
221	212	213	Information and communication	213	212	221
320	334	400	Crop and animal production	400	334	320
0	0	0	Foreign industrial	0	0	0
1 670	1 175	1 536	Real estate activities	1 536	1 175	1 670
17	140	184	Accomodation and food service activities	184	140	17
18	19	11	Forestry and logging	11	19	18
580	1 128	856	Central government and social security funds	856	1 128	580
0	0	1	Support activities for petroleum and natural gas extraction	1	0	0
1 973	1 809	2 005	Other service industries	2 005	1 809	1 973
525	423	496	Transportation and storage	496	423	525
34	21	18	International shipping and pipeline transport	18	21	34
180	118	182	Development of building projects	182	118	180
2	1	0	Extraction of crude oil and natural gas	0	1	2
0	0	0	Unspecified	0	0	0
135	133	159	Water supply; sewerage, waste management and remediation activities	159	133	135
1 338	1 218	1 171	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 171	1 218	1 338
19 875	20 107	21 222	Retail banking market - domestic	21 222	20 107	19 875
260	257	266	Retail banking market - international	292	257	260
20 135	20 364	21 488	Total retail market	21 514	20 364	20 135
11 689	9 749	10 815	Total public market	10 815	9 748	11 726
7 528	7 739	8 955	Total government	8 955	7 739	7 528
39 352	37 852	41 258	Total deposits	41 284	37 851	39 389

Note 9 - Subsidiaries

(Amounts in NOK 1 000)	Share of Eq.%	Profit from ordinary operations after tax			Equity		
		30.06.11	30.06.10	31.12.10	30.06.11	30.06.10	31.12.10
SpareBank 1 Finans Nord-Norge AS	100	25 154	25 213	48 037	262 039	247 099	269 923
SpareBank 1 Nord-Norge Invest AS	100	175 168	1 132	13 036	317 712	99 709	111 613
Eiendomsdrift AS	100	0	1 229	0	0	45 984	0
EiendomsMegler 1 Nord-Norge AS	100	1 153	2 913	3 806	22 171	20 247	21 141
SpareBank 1 Nord-Norge Forvaltning ASA	100	742	2 475	3 024	3 011	12 637	2 268
North-West 1 Alliance Bank	75	- 865	0	-1 143	37 118	0	14 178

Parent Bank
Group
Note 10 - Other assets

(Amounts in NOK million)

31.12.10	30.06.10	30.06.11		30.06.11	30.06.10	31.12.10
4	6	3	Repossessed assets	3	7	0
282	210	327	Accrued income	337	221	291
19	315	43	Prepayments	41	322	18
347	376	729	Other assets	762	388	389
652	907	1 102	Total other assets	1 143	938	698

Note 11 - Other liabilities

489	706	782	Costs incurred	899	876	597
23	5	2	Provisioning against incurred liabilities and costs	3	29	25
572	782	1 007	Other liabilities	980	803	602
1 084	1 493	1 791	Total other liabilities	1 882	1 708	1 224

Note 12 - Investment in bonds

As a result of extraordinary market conditions, parts of the Bank's ordinary securities portfolio became illiquid in 2008.

Following the changes in international accounting standards in October 2008 (see note 1), the SNN Group decided to reclassify parts of the Bank's bond portfolio as at 01.07.09 from the category 'Market value with inclusion of value changes over the profit and loss account' to the categories 'Hold until maturity' and 'Loans and claims' as the securities in question no longer was expected to be sold before maturity. In the category 'Hold until maturity' the Bank includes quoted securities, whereas unquoted securities has been put into the category of 'Loans and claims.'

In the categories 'Hold until maturity' and 'Loans and claims' the securities are assessed at amortized cost. After the reclassification, the writedowns made earlier will be reversed over the portfolio's remaining life, which on average is 1.7 year as at 30.06.11, and included in the profit and loss account as interest income. For the period 01.01.11-30.06.11 such reversed writedowns has been included in the profit and loss account with NOK 5 million. Total inclusion of income are NOK 19 million in 2010, NOK 26 million in 2009 and NOK 18 million for the period 01.07.-31.12.08. If this reclassification had not been made, the Group would have charged NOK 212 million to the profit and loss account in the third and fourth quarter of 2008 due to increased credit spreads. This would have been an unrealised loss NOK 1 million as at 30.06.11. It was necessary to apply a NOK 46 million write-down due to the permanent impairment of value in this portfolio as at 31.12.08 and a further NOK 17 million write-down has been made on this part of the portfolio as at 31.12.09. No further write-down has been made. The portfolio had an NOK 478 million unrealised loss on foreign exchange as at 31.12.08, NOK 3 million as at 31.12.09 and NOK 57 million as at 31.12.10. As at 30.06.11 the unrealised loss is NOK 2 million.

(Amounts in NOK million)

	01.07.08	31.12.08	31.12.09	31.12.10	30.06.11
Hold until maturity					
Book value	3 109	3 498	2 650	1 624	1 106
Nominal value (nominal amount)	3 182	3 588	2 689	1 644	1 121
Theoretical market value	3 109	3 358	2 623	1 615	1 097
Loans and claims					
Book value	698	739	629	464	324
Nominal value (nominal amount)	737	809	656	489	333
Theoretical market value	698	675	599	443	301
Total book value	3 807	4 237	3 279	2 088	1 431

Note 13 - Securities issued and subordinated loan capital
Parent Bank and Group
(Amounts in NOK million)
Securities issued

	31.12.10	30.06.10	30.06.11
Certificates and other short-term borrowings			
Bond debt	14 477	13 651	13 975
Total debt securities in issue	14 477	13 651	13 975

	Statement of financial position 31.12.10	Issued 30.06.11	Matured/ redeemed 30.06.11	Exchange rate movements 30.06.11	Other adjustments 30.06.11	Statement of financial position 30.06.11
Changes in securities issued:						
Certificates and other short-term borrowings						
Bond debt	14 477	1 872	-2 305	- 28	- 41	13 975
Total debt securities issued	14 477	1 872	-2 305	- 28	- 41	13 975

Subordinated loan capital and perpetual subordinated loan capital securities

	31.12.10	30.06.10	30.06.11
Perpetual subordinated loan capital securities			
2033 6 months Libor + margin (US\$ 60 mill.)(call opt. 2013)	370	370	370
Perpetual subordinated loan capital securities - currency	- 18	19	- 47
Total perpetual subordinated loan capital securities	352	389	323

Subordinated loan capital

Subordinated loan capital with definite maturities	995	995	1 007
Total subordinated loan capital	995	995	1 007

Total subordinated loan capital and perpetual	1 347	1 384	1 330
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	Statement of financial position 31.12.10	Issued 30.06.11	Matured/ redeemed 30.06.11	Exchange rate movements 30.06.11	Other adjustments 30.06.11	Statement of financial position 30.06.11
Changes in subordinated loan capital and perpetual subordinated loan capital securities:						
Subordinated loan capital with definite maturities	995	11		1		1 007
Perpetual subordinated loan capital securities	352			- 29		323
subordinated loan capital securities	1 347	11		- 28		1 330

Note 14 - Financial derivatives

Parent Bank and Group

(Amounts in NOK million)

Interest rate swaps:

Commitments to exchange one set of cash flow for another over an agreed period.

Foreign exchange derivatives:

Agreements to buy or sell a fixed amount of currency at an agreed future date at a rate of exchange which has been agreed in advance

Currency swaps:

Agreements relating to the swapping of currency- and interest rate terms and conditions, periods and amounts having been agreed in advance.

Interest rate- and currency swap agreements:

Agreements involving the swapping of currency- and interest rate terms and conditions, periods and amounts having been agreed in advance.

Options:

Agreements where the seller gives the buyer a right, but not an obligation to either sell or buy a financial instrument or currency at an agreed date or before, and at an agreed amount.

SpareBank 1 Nord-Norge enters into hedging contracts with respected Norwegian and foreign banks in order to reduce its own risk. Financial derivatives transactions are related to ordinary banking operations and are done in order to reduce the risk relating to the Bank's funding loans from the financial markets, and in order to cover and reduce risk relating to customer-related activities. Only hedging transactions relating to the Bank's funding loan operations are defined as 'fair value hedging' in accordance with IFRS standard IAS 39. Other hedging transactions are defined as ordinary accounts-related hedging. The Bank does not use cash flow hedging.

	30.06.11	30.06.10	31.12.10
Fair value hedging transactions			
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value	64	59	1
Total gain from hedging objects relating to the hedged risk	- 60	- 63	- 4
Total fair value hedging transactions	4	- 4	- 3

The Bank's main Board of Directors has determined limits for maximum risk for the Bank's interest rate positions. Routines have been established to ensure that positions are maintained within these limits.

(Amounts in NOK million)

Fair value through statement of comprehensive income	30.06.11			30.06.10			31.12.10		
	Contract	Assets	Liabilities	Contract	Assets	Liabilities	Contract	Assets	Liabilities
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)	3 104	44	33	2 506	52	45	2 816	69	57
Currency swaps	6 248	193	95	5 809	177	90	5 011	172	109
Currency options									
Total non-standardised contracts	9 352	237	128	8 315	229	135	7 827	241	166
Standardised foreign currency contracts (futures)									
Total foreign currency instruments	9 352	237	128	8 315	229	135	7 827	241	166
Interest rate instruments									
Interest rate swaps (including cross currency)	15 922	139	173	15 177	214	214	15 370	161	285
Short-term interest rate swaps (FRA)									
Other interest rate contracts	199	1	2	712	2	1	242	1	2
Total non-standardised contracts	16 121	140	175	15 889	216	215	15 612	162	287
Standardised interest rate contracts (futures)									
Total interest rate instruments	16 121	140	175	15 889	216	215	15 612	162	287
Hedging of funding loans									
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)									
Currency swaps									
Total, non-standardised contracts									
Standardised foreign currency contracts (futures)									
Total foreign currency instruments									
Interest rate instruments									
Interest rate swaps (including cross currency)	7 890	204	12	7 449	335	35	8 108	289	30
Short-term interest rate swaps (FRA)									
Other interest rate contracts									
Total, non-standardised contracts	7 890	204	12	7 449	335	35	8 108	289	30
Standardised interest rate contracts (futures)									
Total interest rate instruments	7 890	204	12	7 449	335	35	8 108	289	30
Total interest rate instruments	24 011	344	187	23 338	552	408	23 720	451	317
Total foreign currency instruments	9 352	237	128	8 315	229	135	7 827	241	166
Total	33 363	581	315	31 653	781	543	31 547	692	483

Note 15 - Business Areas

Management has made an assessment of which business areas are deemed reportable with respect to form of distribution, products and customers. The primary format of reporting takes as a starting point risk and yield profiles of various assets and reporting is divided into private customers (Retail Banking Market), Corporate / Public Market and leasing. Apart from what is included in this list, the Group does not have any companies or segments which are of significant importance. The Bank operates in a limited geographical area and reporting along the lines of geographic segments provides little additional information.

					30.06.11
	Retail Banking	Corporate Banking	Leasing	Unallocat ed	Total
<i>(Amounts in NOK million)</i>					
Net interest income	266	230	50	5	551
Net fee- and commission income	118	102	- 1	35	254
Other operating income	0	0	0	300	300
Operating costs	241	207	14	45	507
Result before losses	143	125	35	295	598
Losses	10	11	1	3	25
Result before tax	133	114	34	292	573
Loans and advances to customers	30 247	18 477	2 693	25	51 442
Individual write-downs for impaired value on loans and advances to customers	- 32	- 214	- 11	- 2	- 259
Collective write-downs for impaired value on loans and advances to customers	- 54	- 130	- 8	- 9	- 201
Other assets	0	0	23	20 028	20 051
Total assets per business area	30 161	18 133	2 697	20 042	71 033
Deposits from customers	21 488	19 770	0	26	41 284
Other liabilities and equity capital	0	0	2 697	27 052	29 749
Total equity and liabilities per business area	21 488	19 770	2 697	27 078	71 033
					30.06.10
Net interest income	278	234	51	- 10	553
Net fee- and commission income	111	94	- 1	50	254
Other operating income	0	0	0	180	180
Operating costs	214	180	11	39	444
Result before losses	175	148	39	181	543
Losses	7	31	4	1	43
Result before tax	168	117	35	180	500
Loans and advances to customers	28 754	17 663	2 295	- 383	48 329
Individual write-downs for impaired value on loans and advances to customers	- 34	- 179	- 13	0	- 226
Collective write-downs for impaired value on loans and advances to customers	- 59	- 168	- 11	0	- 238
Other assets	0	0	16	17 978	17 994
Total assets per business area	28 661	17 316	2 287	17 595	65 859
Deposits from customers	20 364	17 486	0	1	37 851
Other liabilities and equity capital	0	0	2 287	25 721	28 008
Total equity and liabilities per business area	20 364	17 486	2 287	25 722	65 859

Note 16 - Equity Certificates (ECs)

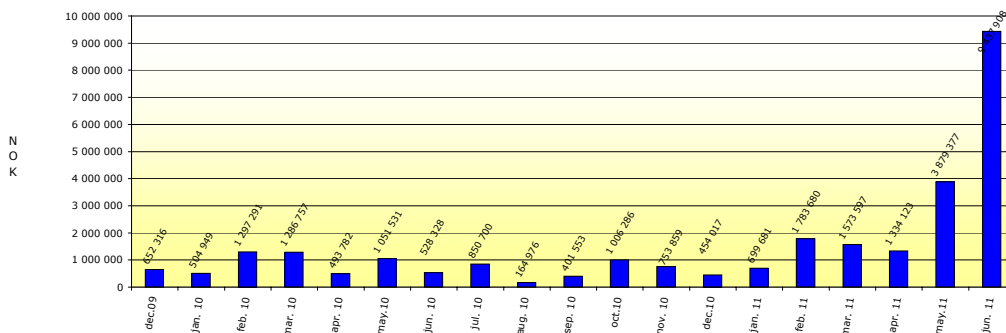
The 20 largest EC holders as at 30.06.11

EC Holders	Number of ECs	Share of EC Capital
Pareto Aksjer Norge	3 278 879	4.95%
MP Pensjon	1 622 879	2.45%
Pareto Aktiv	1 498 112	2.26%
Protector Eiendom AS	1 482 414	2.24%
Frank Mohn AS	1 355 745	2.05%
Morgan Stanley & Co. Inc- New York	1 315 774	1.99%
Tonsenhagen Forretningssentrum AS	1 134 493	1.71%
SPBstiftelsen Sparebank 1 Nord-Norge	916 561	1.38%
Framo Development AS	848 925	1.28%
Pareto VPF	790 111	1.19%
Goldman Sachs & Co.- Equity	784 184	1.18%
Sparebanken Rogalands Pensjonskasse	782 386	1.18%
Citibank N.A.	753 151	1.14%
Forsvarets Personellservice	619 754	0.94%
Sparebankstiftelsen DNBOR	545 614	0.82%
Nordisk Finans Invest A/S	525 695	0.79%
Nordea Bank Norge - markets	512 845	0.77%
Trond Mohn	509 354	0.77%
Karl Ditlefsen, Tromsø	459 243	0.69%
Fred Olsen & Co's pensjonskasse	422 193	0.64%
TOTAL	20 158 312	30.45%

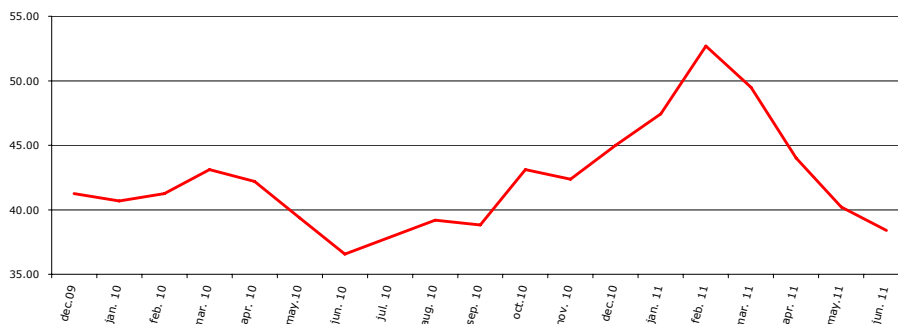
Through its policy regarding owners of its capital and its dividend policy, the bank intends to ensure that its equity certificates are regarded as attractive and liquid financial instruments. The bank's objective is to manage the group's resources in such a way that, compared to comparable investments and taking into account the bank's risk profile, a good, long-term and competitive return on the bank's equity is achieved. For the owners of the bank's equity certificates, the return will be in the form of cash dividends and changes in the market price of the certificates.

SpareBank 1 Nord-Norge's equity comprises two principal groups: the equity capital owned by the owners of the bank's equity certificates, and the equity capital that is socially owned. The bank's aim is to ensure that, over time, it will be a savings bank with a considerable element of socially-owned capital. Furthermore, the bank's goal is to treat the owner groups equitably, in accordance with the intentions in the current legislation. This implies that the bank will seek to avoid undesirable equity dilution effects that result from inequitable treatment of the two groups of owners. The profit for the individual year is to be split proportionately between the owner groups in relation to their relative share of the bank's equity. Dividends will, as far as possible, be set so that each of the groups has at its disposal equally large relative shares of the profit as a dividend. Dividends will comprise cash payments to equity certificate holders and funds allocated to reserves for donations and endowments etc. The bank's aim is to distribute a total of up to 50 per cent of the profit for the year in the form of dividends.

Trading statistics



Price trend NONG



Note 17 - SpareBank 1 Boligkreditt

In the third quarter 2010, SpareBank 1 Nord-Norge agreed, together with the other shareholders of SpareBank 1 Boligkreditt, to provide a liquidity facility to SpareBank 1 Boligkreditt. This involves the banks committing themselves to buying residential mortgage bonds with a maximum total value of SpareBank 1 Boligkreditt's debt maturing over the next twelve months. The agreement means that each shareholder has principal responsibility for his share of the requirement, and secondary responsibility for double the value of his principal responsibility. The bonds can be deposited with Norges Bank, which means that they do not significantly increase the Bank's risk exposure.

The SpareBank 1 Nord-Norge Group – a Statement from the Board of Directors and Chief Executive Officer

The Board of Directors and Chief Executive Officer have today discussed and approved the half-year report and accounts and the abridged, consolidated half-year report and accounts for SpareBank 1 Nord-Norge including abridged, consolidated comparative figures as at 30 June 2010 and for the year of 2010.

According to our full and firm conviction, the half-year report and accounts have been prepared in compliance with the requirements contained in IAS approved by the EU, and in compliance with Norwegian supplementary requirements forming part of the Securities Trading Act.

According to our full and firm conviction, the 2011 half-year report and accounts have been prepared in compliance with currently valid accounting standards, and the information provided in the report and accounts gives a true and correct picture of the Group's assets, liabilities and financial position and result as a whole as at 30 June 2011 and 30 June 2010. Furthermore, according to our full and firm conviction, the half-year report and accounts provide a true and correct

- overview of important events during the accounting period in question and their impact on the half-year report and accounts
- description of the most central risk- and uncertainty factors facing the operations during the next accounting period
- a description of close individuals' significant transactions

Tromsø, 9 August 2010

The main Board of Directors of SpareBank 1 Nord-Norge

Kjell Olav Pettersen

Erik Sture Larre jr.

Roar Dons

Elisabeth Johansen

Anita Persen

Paal A. Pedersen

Ann-Christine Nybacka

Vivi Ann Pedersen

Hans Olav Karde
(Chief Executive Officer)

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SpareBank 1 Nord-Norge Main Board of Directors:

Kjell Olav Pettersen, Tromsø (Chairman)
Erik Sture Larre jr., Oslo (Deputy Chairman)
Roar Dons, Tromsø
Elisabeth Johansen, Stamsund
Ann-Christine Nybacka, Brønnøysund
Pål Andreas Pedersen, Bodø
Anita Persen, Alta
Vivi Ann Pedersen, Tromsø (elected from the employees)
Gunnar Kristiansen, Sortland (elected from the employees, deputy)

Members of the Group Management Committee:

Hans Olav Karde (Chief Executive Officer)
Oddmund Åsen (Deputy Chief Executive Officer)
Liv Bortne Ulriksen (Senior Group General Manager Retail and Corporate Banking Market)
Rolf Eigil Bygdnes (Senior Group General Manager CFO)
Elisabeth Utheim (Senior Group General Manager Support Functions)
Geir Andreassen (Senior Group General Manager Risk Management)
Stig Arne Engen (Director, Communication)

Investor Relations

Rolf Eigil Bygdnes (Senior Group General Manager CFO)
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Interim reports and accounts 2011:

1st quarter 28 April 2011
2nd quarter 10 August 2011
3rd quarter 26 October 2011
4th quarter medio February 2012

