

Quarterly Report

Financial Statement Q3 2014



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Key figures group

<i>Amounts in NOK million and in % of average assets</i>		30.09.14	%	30.09.13	%	31.12.13	%
From the profit and loss account							
Net interest income		1 048	1.76 %	930	1.64 %	1 285	1.69 %
Net fee-, commission and other operating income		729	1.22 %	669	1.18 %	931	1.23 %
Net income from financial investments		551	0.92 %	261	0.46 %	346	0.46 %
Total income		2 328	3.91 %	1 860	3.28 %	2 562	3.37 %
Total costs		974	1.63 %	882	1.56 %	1 209	1.59 %
Result before losses		1 354	2.27 %	978	1.73 %	1 353	1.78 %
Losses		85	0.14 %	122	0.22 %	172	0.23 %
Result before tax		1 269	2.13 %	856	1.51 %	1 181	1.55 %
Tax		208	0.35 %	164	0.29 %	214	0.28 %
Minority interests		- 1	0.00 %	0	0.00 %	1	0.00 %
Result after tax		1 062	1.78 %	692	1.22 %	966	1.27 %
Profitability							
Return on equity capital	1	15.9 %		12.9 %		13.0 %	
Interest margin	2	1.76 %		1.64 %		1.69 %	
Cost/income	3	41.8 %		47.4 %		47.2 %	
Balance sheet figures *)							
Gross lending		60 363		56 605		57 282	
Gross lending and advances to customers incl SpareBank 1 Boligkreditt and Næringskreditt		83 954		79 083		80 581	
Growth in loans and advances to customers past 12 months		6.6 %		5.8 %		5.0 %	
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt and Næringskreditt past 12 months		6.2 %		5.9 %		6.1 %	
Share total lending transferred to Sp1 Boligkreditt of total retail loans		39.9 %		40.1 %		40.8 %	
Share total lending transferred to Sp1 Boligkreditt of total loans		28.1 %		28.0 %		28.5 %	
Deposits from customers		45 386		43 938		44 940	
Growth in deposits from customers past 12 months		3.3 %		1.6 %		3.1 %	
Deposits as a percentage of gross lending	4	75.2 %		77.6 %		78.5 %	
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt and Næringskreditt		54.1 %		55.6 %		55.8 %	
Average assets	5	79 442		75 561		75 952	
Total assets		80 621		75 670		77 520	
Losses on loans and commitments in default *)							
Losses on loans to customers as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.13 %		0.20 %		0.21 %	
Commitments in default as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.49 %		0.70 %		0.60 %	
Commitments at risk of loss as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.30 %		0.36 %		0.46 %	
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt		0.50 %		0.72 %		0.75 %	
Loan loss provision ratio		36.21 %		31.49 %		28.41 %	
Solidity							
Total regulatory Capital %	6	15.76 %		11.72 %		13.91 %	
Tier I Capital %	7	13.47 %		11.14 %		13.42 %	
Common Equity Tier I - incl share of period result		13.24 %		10.79 %		12.30 %	
Tier I capital		8 196		6 431		7 783	
Equity and related capital resources		9 588		6 765		8 069	
Adjusted risk-weighted assets base		60 826		57 704		57 989	
Branches and full-time employees							
Branches		67		74		74	
Manyear		923		883		922	
Equity Certificates **)							
		30.09.14	31.12.12	31.12.11	31.12.10	31.12.09	31.12.08
Equity Certificate ratio overall	8	47.33 %	42.07 %	38.74 %	34.54 %	34.54 %	34.54 %
Quoted/market price NONG as at		38.50	27.75	32.30	45.00	41.25	16.50
Quotation value	9	8 167	4 418	5 083	5 548	5 704	2 281
Equity capital / Total capital		9.98 %	7.63 %	7.46 %	6.74 %	6.72 %	5.66 %
Equity capital / Total capital (group)		11.58 %	9.13 %	8.95 %	8.24 %	8.03 %	6.81 %
Result per Equity Certificate	10	4.14	3.27	2.55	4.32	5.19	1.55
Result per Equity Certificate (Group)	10	5.01	3.78	3.07	5.90	6.20	2.52
Cash dividend per Equity Certificate to be paid	11		1.15	1.40	2.16	2.53	1.13
P/E (Price/Earnings)	12	7.0	8.5	12.7	10.4	7.9	10.7
P/E (Price/Earnings) - Group	12	5.8	7.3	10.5	7.6	6.6	6.6
P/V (Price/Book Value)	13	1.00	0.78	0.96	1.45	1.32	0.61
P/V (Price/Book Value) - Group	13	0.87	0.64	0.80	1.09	1.09	0.50

*) 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 divided by Equity Certificates holders' share of the equity capital as at 31.12.
- ((EC-capital + Premium Fund + Dividend Equalisation Fund) + ((other equity capital + Result for the period) * Equity Certificates holders' share of the equity capital as at 01.01.)), 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
- 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 equity capital per Equity Certificates

Interim report Q3 2014 – Group

(Unaudited - Figures in brackets are for the same period in 2013)

Highlights:

- Profit before tax: NOK 1,269 million (NOK 856 million)
- Profit after tax: NOK 1,061 million (NOK 692 million)
- Return on equity after tax (annualised) of 15.9% (12.9%)
 - Earnings per equity certificate: NOK 5.01 (NOK 4.35) (Group, year-to-date)
- Net income from financial investments of NOK 551 million (NOK 261 million)
- Cost ratio 41.8% (47.4%)
- Loan losses NOK 85 million (NOK 122 million)
- Lending growth in the last 12 months 6.2% (5.9%), including intermediary loans
 - Retail market 6.9% (8.4%)
 - Corporate market 4.5% (0.6%)
- Growth in deposits in the last 12 months 3.3% (1.6%)
 - Retail market 8.1% (6.1%)
 - Corporate market 9.0% (0.9%)
 - Public sector market -21.5% (-10.0%)
- Deposit coverage ratio: 75.2% (77.6%)
- Common equity tier 1 capital ratio Group (transition scheme), including 50 % of profit for the year 13.24 % (10.79 %)
- In the Board's opinion, the Bank's financial strength suggests a faster normalisation of the dividend payout ratio. Assuming no unforeseen events, the plan therefore is to increase the payout ratio of the Group's profit for 2014 and 2015.
- Very good liquidity

Macroeconomic trends

Northern Norway has been enjoying a period of strong growth since 2010. This growth has been based on a broad range of sources. The region's access to natural resources has been very important and has created a basis for increased exports. Population, employment and real earnings growth have resulted in increased demand from local business. So has growth in public sector consumption and investments.

The weaker growth in the Norwegian economy has not had as much impact in Northern Norway as it has had in the country as a whole. The labour market is tight with an unemployment rate of just 2.6% as at September 2014. The housing market in Northern Norway remains very active with a high level of house building, short turnover times and strong price rises in the largest cities. Besides this, the Northern Norwegian economy is less dependent on oil than the rest of the country. Improved export markets have, together with a somewhat weaker NOK, resulted in better conditions for seafood, tourism and the export industry. The level of investment in the region is also expected to remain high. The Bank's forecast for 2014 indicates regional economic growth (GDP) of 3% in Northern Norway, compared with 2% for the rest of the country as a whole.

Exports have grown markedly in the first three quarters of the year. Seafood exports increased by 16% compared with 2013, for both salmon and cod. Northern Norway is responsible for 40% of Norwegian salmon exports and the value of these exports exceeded NOK 12 billion at the end of the third quarter. This growth has slowed somewhat due to lower prices after Russia banned imports of seafood in August. 2014 was a record year for tourism, for both the winter and summer seasons. Traffic from abroad has increased by more than 10% and is expected to represent 1 million overnight stays in 2014. Traffic from Norwegian travellers has increased by 8%.

Maritime services are growing because more oil and gas fields are coming into production and new areas are being opened up for exploration activities. The growth in building and construction has been marked during 2014. The industry is expecting a high level of activity going forward due to increased house building and major civil engineering projects.

Northern Norwegian household finances are solid. Lasting low unemployment, growth in real wages and low interest rates have resulted in good growth in personal savings. Growth in private consumption slowed somewhat in 2013, but retail sales are growing more strongly in 2014.

Even though the macroeconomic trend for Northern Norway is very good, the level of uncertainty has increased in the last quarter. This is due to weak economic growth in Europe, economic sanctions following Russia's

intervention in Ukraine, as well as weaker oil and commodity prices. This is now starting to impact Northern Norwegian export companies. Overall, the region's business sector expects fairly moderate growth in output, weak profit growth, and weak employment growth in the next 6 months.

The Northern Norwegian economy will thus be affected by international uncertainty, as well as the Norwegian stagnation associated with the drop in the price of oil. Nonetheless, the region is less vulnerable to this uncertainty because of the lower proportion of oil/gas related industry, high investments in infrastructure, good growth in important export industries, and a larger proportion of public sector compared with the rest of the country.

Earnings performance

The financial statements at the end of the third quarter of 2014 show an operating profit before tax of NOK 1,269 million (NOK 856 million). Underlying banking operations before losses remain good with a profit of NOK 803 million, compared with NOK 717 million for the same period last year. The Group's return on equity after tax as at 30 September 2014 was 15.9% (12.9%). Its earnings per equity certificate were NOK 5.01 (NOK 4.35).

Net interest income

Net interest income as at 30 September 2014 amounted to NOK 1,048 million. This is NOK 118 million higher than for the same period in 2013.

Net interest income represented 1.76% of average total assets, which is 0.12 percentage points higher than last year and 0.07 percentage points higher than as at 31 December 2013.

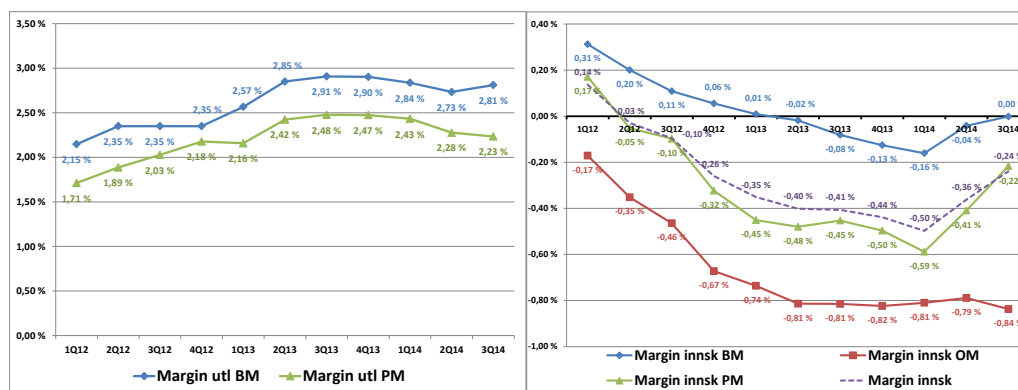
Income from the loan portfolio sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is recognised as commissions. These commissions totalled NOK 259 million at the end of the third quarter of 2014. The corresponding figure for the same period in 2013 was NOK 241 million. Net interest income including the above commissions shows an increase of NOK 136 million compared with the third quarter of 2013.

At the end of the third quarter of 2014, home mortgages worth NOK 24 billion (NOK 22 billion) has been sold to SpareBank 1 Boligkreditt. As at 30 September 2014, NOK 8 million (NOK 300 mill) in loans has been sold to SpareBank 1 Næringskreditt.

The Bank adjusted its terms and conditions for loans and deposits with effect from the middle of June. The overall net effect of these changes on net interest income (including commissions from the transferred loan portfolio) has been positive from the second to the third quarter. In addition to this, a combination of increased volumes, more interest days and a greater contribution from the remaining part of balance sheet items increased net interest income in the third quarter. This is distributed as follows:

<i>Amounts in NOK million</i>	Q3 2014	Change	Q2 2014
Net interest income incl. commissions from intermediary loans	456	+25	431
Lending and deposit volume		+9	
Lending and deposit margins		+6	
Effect of no. of interest days		+4	
Other effects		+6	

Development of lending and deposit margins (measured against average 3-month NIBOR)



In October, after evaluating the competitive environment, the Bank announced further adjustments to interest rates for deposits and loans that will come into effect from the middle of December. The net effect of these changes is expected to be close to neutral.

The Bank believes that, seen in isolation, the introduction of higher capital and liquidity requirements continues to indicate a need for further focus on lending and deposit margins.

Net commissions and other operating income

Net commissions and other operating income at the end of the third quarter of 2014 amounted to NOK 729 million, an increase of NOK 60 million compared with the same time last year.

Income from financial investments

Total net income from financial investments, including trading in currencies and financial derivatives on behalf of customers, at the end of the third quarter of 2014 amounted to NOK 551 million (NOK 261 million). This has developed as follows:

Amounts in NOK million	30.09.14	Change	30.09.13
Net income from financial investments	551	+290	261
Result from SpareBank 1 Gruppen	262	+110	152
Result from SpareBank 1 Boligkreditt	18	+0	18
Result from BN Bank	56	+2	54
Result from SpareBank 1 Næringskreditt	18	+14	4
Result from SpareBank 1 Kredittkort	-1	+1	-2
Result from SpareBank 1 Markets	-21	-24	2
Share dividends	16	-11	27
Net change in value of equities	167	+133	34
Net change in value of bonds, currency and financial derivatives	36	+65	-28

Profit contribution from joint ventures

SpareBank 1 Gruppen

SpareBank 1 Gruppen's profit after tax at the end of the third quarter of 2014 totalled NOK 1,343 million (NOK 820 million). The SpareBank 1 Nord-Norge Group's 19.5% share of the result, amounting to NOK 262 million (NOK 152 million), has been incorporated into the financial statements. SpareBank 1 Livsforsikring (life insurance) and SpareBank 1 Skadeforsikring (non-life insurance) made the greatest contributions to SpareBank 1 Gruppen's profit.

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

SpareBank 1 Boligkreditt was set up by the banks in the SpareBank 1 Alliance to benefit from capital market funding through the use of covered bonds. The banks sell mortgages with very good security to this company. This reduces funding costs and increases the competitiveness of the SpareBank 1 banks.

The Bank currently owns a 14.80% stake in SpareBank 1 Boligkreditt and the share of its profit as at the third quarter of 2014 was NOK 18 million (NOK 18 million).

The SpareBank 1 banks established SpareBank 1 Næringskreditt in 2009 based on the same model and with the same management as SpareBank 1 Boligkreditt. SpareBank 1 Nord-Norge owns a 20.68% stake in the company and the share of its profit at the end of the third quarter of 2014 was NOK 18 million (NOK 4 million).

BN Bank

SpareBank 1 Nord-Norge owns a 23.5% stake in BN Bank. The share of profit at the end of the third quarter of 2014 amounted to NOK 56 million (NOK 54 million).

Other companies

The alliance companies SpareBank 1 Verdipapirservice and SpareBank 1 Kundesenter were established in the second quarter of 2012. SpareBank 1 Nord-Norge owned stakes of 24.9% and 14.91% respectively in these two companies. On 1 January 2014, these companies were sold to Alliansesamarbeidet SpareBank 1 DA.

The share of the result in SpareBank 1 Kredittkort at the end of the third quarter amounting to NOK -1 million (stake 19.83%), and the share of the result in SpareBank 1 Markets amounting to NOK -21 million (stake 27.03%) have also been recognised.

The Group's equities portfolio

The Group's equities portfolio as at 30 September 2014 amounted to NOK 507 million. A net NOK 167 million gain in the value of the Group's portfolio was recognised as income in the third quarter of 2014. The Bank's equities portfolio increased by NOK 147 million, while its subsidiary SpareBank 1 Nord-Norge Portefølje has seen a net positive change in value of NOK 17 million in the year-to-date. The latter is primarily due to the increase in value of the equity fund Nord II (PE fund).

Together with the other owners, SpareBank 1 Nord-Norge signed a contract at the end of the first quarter of 2014 for the sale of its stake in the company Nets. The Bank owned 3,647,975 shares, which represented a 1.9% stake. An unrealised gain of NOK 137 million was recognised as income in the first quarter of 2014 together with a received cash dividend from the same stake of NOK 11 million. The sale of the stake was approved by the supervisory authorities and settlement for the transaction was received in July 2014.

The owners of SpareBank 1 Markets are planning to restructure the company by integrating SpareBank 1 SMN's market activities into SpareBank 1 Markets. Following this, and a new offering in the company, SpareBank 1 SMN will have a 73.3% stake, while SpareBank 1 Nord-Norge's stake will be 9.9%. SpareBank 1 Markets AS has implemented comprehensive improvement measures that have halved annual costs since 2012/2013, including winding up guaranteed bonus schemes. Adapting the business model has also resulted in lower market risk. The plan is to continue the commercial cooperation between SpareBank 1 Markets and the owner banks. In the opinion of the owners, this will provide a good basis for profitable operations. The plan involves implementing the above transactions in the fourth quarter of 2014, assuming they are approved by the authorities.

Certificates, bonds, currency and derivatives

As at 30 September 2014, the Group's holdings of certificates and bonds amounted to NOK 9,474 million, compared with NOK 10,909 million at the same time last year.

The total net change in value of this portfolio at end of the third quarter of 2014 amounted to NOK 36 million. This amount also consists of parts of the income from the Group's markets department, SNN Markets, as well as changes in the value of the Bank's own positions in currency and financial derivatives.

Subsidiaries

<i>(Amounts in whole NOK 1000s)</i>	Stake in %	Profit before tax (Bank's share)	
		30 September 2014	30 September 2013
SpareBank 1 Finans Nord-Norge AS	100	86,853	72,051
SpareBank 1 Nord-Norge Portefølje AS	100	13,872	-25,337
EiendomsMegler 1 Nord-Norge AS	100	14,054	15,435
EiendomsMegler 1 Lofoten AS	60	274	112
SpareBank 1 Forvaltning AS	100	1,809	1,546
SpareBank 1 Regnskapshuset AS	100	5,914	5,733
North-West 1 Alliance Bank	75	-2,910	164
Nord-Norge Eiendom IV AS	100	890	0
Alsgården AS	100	1,047	0
Fredrik Langes Gt 20 AS	100	862	0

At the end of the third quarter of 2014, the Group's subsidiaries have a combined profit before tax of NOK 123 million (NOK 70 million), which has been fully consolidated in the consolidated financial statements.

SpareBank 1 Finans Nord-Norge AS's profit before tax at the end of the third quarter of 2014 was NOK 87 million (NOK 72 million). The company has a good earnings base and total earnings for the year-to-date amount to NOK 125 million (NOK 108 million). Losses on leasing and loan commitments at the end of the third quarter of 2014 amounted to NOK 4 million (NOK 5 million). At the end of the quarter, the company managed leasing, consumer loan and vendor's security agreements to a total value of NOK 3,846 million, of which leasing agreements represented NOK 2,077 million.

SpareBank 1 Nord Norge Portefølje AS has a portfolio of unlisted equities and investments in funds. The company's consolidated financial statements show a result before tax at the end of the third quarter of 2014 of NOK 14 million (NOK -25 million). The changes in value of the company's equities portfolio are commented on above in the section "The Group's equities portfolio".

EiendomsMegler 1 Nord-Norge AS has a profit before tax at the end of the third quarter of 2014 of NOK 14 million (NOK 15.4 million). 1,615 units have been sold so far in 2014 (1,376). The total value of sales so far this year is NOK 65 million, an increase of 10% compared with the same period in 2013. The result for the year-to-date has been affected by the establishment of a new branch office in Tromsø.

Operating costs

Ordinary operating costs as of the third quarter of 2014 totalled NOK 974 million. Compared with the same period in 2013, this amountd to an increase of NOK 92 million.

The changes in costs were distributed as follows:

<i>Amounts in NOK million</i>	Q3 2014	Change	Q3 2013
Operating costs	974	+92	882
Personnel costs	514	+50	464
Admin. costs	261	+11	250
Depreciation and write-downs	68	+28	40
Other costs	131	+3	128

In relation to the average total assets, costs amounted to 1.63% as at the end of the third quarter of 2014, an increase of 0.07 percentage points compared with the same period in 2013.

The Group's cost/income ratio was 41.8% at the end of the third quarter of 2014, compared with 47.2% at the end of the fourth quarter of 2013 and 47.4% at the end of the third quarter of 2013.

NOK 25 million of the increase in depreciation and write-downs was due to a write-down in the value of one commercial building in a taken over company (formerly a lending commitment, now an underlying group company).

The Group had 923 full time equivalents at the end of the third quarter of 2014, 642 of whom were accounted for by the parent bank. The corresponding figures for last year were 920 and 653 respectively. The increase in employees in the Group is primarily due to the Group's subsidiaries. There were 11 full time equivalents fewer in the parent bank than at the same time in 2013.

The government has adopted changes to the arrangement involving differentiated employers' National Insurance contributions with effect from 1 July this year. This means that this arrangement will end for a number of industries, including the financial and insurance industries. The change will result in increased annual personnel costs with a result effect after tax of around NOK 23 million based on today's level of costs.

The Group's goal is to hold average annual cost increases to a maximum of 2%, not including implemented business expansions (subsidiaries). At the end of the third quarter, the growth in costs is somewhat higher than the target due to the increase in employers' National Insurance contributions, higher bonus provisions and accrual effects compared with the same time last year (including higher provisions for restructuring costs).

A programme of cost reduction measures was started in 2013. This includes rationalisation measures within both staffing and other cost areas. The profitability improvement measures are currently being reinforced and cover the entire Group. As part of this we will have to consider making the secondary target of 2% maximum annual cost growth more stringent.

Net losses and non-performance

The Group's net loan losses as at the third quarter of 2014 amounted to NOK 85 million (NOK 122 million). NOK 66 million from the corporate market and NOK 19 million from the retail market.

Net non-performing and doubtful commitments as at 30 September 2014 totalled NOK 428 million (NOK 581 million), which represents 0.51% of gross lending, including intermediary loans. This is 0.22 percentage points lower than as at 30 September 2013.

The Group's total individual loss write-downs as at 30 September 2014 were NOK 243 million (NOK 267 million). The allocation was increased by NOK 26 million in the last quarter.

Group loss write-downs as at 30 September 2014 amounted to NOK 223 million (NOK 202 million) and have increased by NOK 14 million since the start of the year. Group loss write-downs totalled 0.37% of the Group's combined gross lending as at 30 September 2014 (0.27% of gross lending, including intermediary loans).

In the opinion of the Board of Directors, the quality of the Bank's loan portfolio remains good. There will continue to be a heavy focus on the work on non-performing and doubtful commitments. No new commitments with a significant risk of loss were discovered in the third quarter of 2014 and the general level of losses in the immediate future is expected to be moderate.

Tax

The Group's tax cost was estimated at NOK 208 million at the end of the third quarter of 2014. In the parent bank's accounts, the tax base has been reduced by permanent differences coupled with the effects of the exemption model.

Total assets

The Group's total assets amounted to NOK 80,621 million as at 30 September 2014. Total assets have increased by NOK 4,951 million, or 6.5%, in the last 12 months.

Lending

As at 30 September 2014, loans totalling NOK 24 billion (NOK 22 billion) has been transferred to SpareBank 1 Boligkreditt and loans totalling NOK 8 million to SpareBank 1 Næringskreditt. These loans do not appear as lending on the Bank's balance sheet.

The Group's gross lending to customers including intermediary loans totalled NOK 83,954 as at 30 September 2014. Compared with 30 September 2013, this amounts to an increase of 6.2%. Retail loans grew by 6.9%, while corporate and public sector loans grew by 4.5%. Gross lending grew by 1.8% in the last quarter, which represents annualised 12-month growth of 7.3%. The percentage of lending to the retail market constitutes 70.3% of the total lending as at 30 September 2014.

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.

Savings and investments

The Group's deposits from customers totalled NOK 45,386 million as at 30 September 2014. The increase over the past 12 months was NOK 1,448 million, or 3.3%. Retail deposits grew by 8.1%, corporate deposits grew by 9.0%, while deposits from the public sector fell by 21.5%.

Russia

SpareBank 1 Nord-Norge's banking operations in Russia, through North-West 1 Alliance Bank (NW1AB), are 75% owned by SpareBank 1 Nord-Norge and 25% owned by the bank's Russian partner Bank Tavrichesky in St. Petersburg (BT). The Board of directors in SpareBank 1 Nord-Norge has decided to evaluate its strategy for operating in Russia and that its exposure in Russia will be reduced.

The Group's exposure in Russia consists of equity, direct loans, and indirect exposure through Norwegian customers. The exposure as at 30 September 2014 was as follows:

Equity exposure in Russia consists of the Bank's stakes in NW1AB and BT. As at 30 September 2014, the countervalue of this exposure amounts to around NOK 165 million in the consolidated financial statements.

The parent bank's total loan exposure in Russia amounts to the countervalue of around NOK 440 million as at 30 September 2014. The loan portfolio has so far not entailed any special challenges with respect to the level of losses. Further loan growth has been stopped.

As far as the Group's indirect exposure in Russia through loans to customers in Norway is concerned, this is commented as follows: The companies that may experience negative consequences due to the Russian import ban will primarily be associated with the maritime sector, and especially the pelagic sector. The Bank's exposure within the maritime sector is limited and only a small proportion of this is pelagic related. The Bank carefully monitors market developments in this area, especially for mackerel and Norwegian spring spawning herring. Besides this, it has not been deemed necessary to introduce any extraordinary measures aimed at risk reduction.

Liquidity and rating

Deposits from customers are the Bank's main source of funding. At the end of the third quarter of 2014, the deposit coverage ratio (excluding intermediary loans) was 75.2% (77.6%). The Bank's remaining funding, apart from equity and subordinated capital and deposits from customers, is mainly long-term funding from the capital markets.

The Board of Directors in SpareBank 1 Nord-Norge has decided to forward a licence application for the establishment of a 100 % owned covered bond mortgage company. This company will represent a supplement to SpareBank 1 Boligkreditt, which will continue to be the main vehicle for the the alliance banks' funding in the covered bond market. The Bank may sell additional loans to the new covered bond company due to different qualifying criteria, including fixed rate mortgages. Additionally, the establishment of a 100 % owned covered bond mortgage company will eliminate problems related to regulatory restrictions with regard to maximum liabilities size between SpareBank 1 Nord-Norge and SpareBank 1 Boligkreditt.

In May 2014, the rating agency Moody's assigned the Bank a negative outlook from the current long-term rating of A2 Stable. The change covered 84 European banks, including a number of Norwegian banks, and was based on a general assessment of the likelihood of losses with respect to the banks' senior unsecured debt. Moody's assessment is linked to new regulatory rules for managing write-downs and/or converting creditors' unsecured debt to financial institutions ("bail-in").

However, SpareBank 1 Nord-Norge continues to maintain a solid position in the Norwegian capital market with a good rating, also in relation to comparable financial institutions. The Bank's liquidity situation and access to liquidity is very good. The Bank's strategic aim is to maintain liquidity risk at a low level.

Financial strength and capital adequacy

The Group's common equity tier 1 capital ratio at the end of the third quarter of 2014 was 12,37 %, an increase from 10,01 % at the same time last year. The tier 1 capital ratio has in the same period increased from 11,14 % to 13,47 % and the total capital adequacy ratio from 11,72 % to 15,76 %. All capital adequacy figures are based on the transition rule (Basel I floor). Including 50 % percentage of the interim result, the common equity tier 1 capital ratio is, based on the transition rule, 13,24 % at the end of the third quarter of 2014.

The Group uses proportional consolidation for its capital adequacy reporting for the stakes in SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt, BN Bank and SpareBank 1 Markets.

On 1 July 2014, the Financial Supervisory Authority of Norway (FSAN) announced a further tightening of the risk models for home mortgages for banks that used the so-called IRB method for determining capital requirements. The instructions largely mirror what was proposed during the consultation period. The tightening of the models for probability of default in combination with a minimum level of losses in the event of default (loss given default floor) will increase the average risk weighting for SpareBank 1 Nord-Norge's home mortgages portfolio from 22% to 26%. The FSAN is demanding that the changes be reflected in the capital adequacy report by no later than for the first quarter of 2015. The above will, for the time being, have little effect on total capital adequacy in the Norwegian banking sector since most Norwegian IRB banks are still bound by the transitional rule (Basel I floor).

SpareBank 1 Nord-Norge submitted an application for A-IRB approval to the Financial Supervisory Authority of Norway in mid-June 2013. SpareBank 1 Nord-Norge expects the Financial Supervisory Authority of Norway to inform the Bank of its decision concerning its application in the fourth quarter of 2014. The net effect on the capital adequacy ratio of such an approval will be limited by the transitional scheme ('the floor').

On 12 May, the Ministry of Finance adopted the "Regulations relating to the identification of systemically important financial institutions". It was clear from these that the largest regional banks, including SpareBank 1 Nord-Norge, would not be defined as systemically important financial institutions (SIFI). The central authorities have pointed out that it is important that regional savings banks, because of their importance for the regions, adapt their level of capital regardless of the ministry's SIFI decisions. SpareBank 1 Nord-Norge's goal is to maintain unquestionable financial strength and satisfy the defined minimum equity requirements at all times. The Group's common equity tier 1 capital ratio target is 14.5% or higher in 2016. The Board will consider the Group's capital targets and timetable for achieving these as part of the ICAAP review and capital plan in the fourth quarter of 2014.

The Bank's dividend policy indicates a payout ratio of up to 50% of the profit for the year. In connection with adjusting to the new capital requirements, the Board has communicated, and so far implemented, a reduced payout ratio in the lead up to 2016. In the Board's opinion, the Bank's financial strength suggests that the payout ratio can be normalised faster than this. Assuming that no unforeseen events occur, the plan therefore is to increase the payout ratio of the Group's profit for the year in 2014 and 2015.

The Bank's financial strength is considered good in relation to the current regulatory requirements.

The Bank's equity certificate holders

As at 30 September 2014, the parent bank's equity certificate capital was NOK 1,807 million. The number of equity certificates as at 30 September 2014 was 100,398,016 each with a nominal value of NOK 18, fully paid-up.

The equity certificate ratio as at 1 January 2014 was 47.33%. The number of equity certificate holders was 7,439 as at 30 September 2014, a reduction of 234 over the last 12 months. The proportion of Northern Norwegian equity certificate holders is 20%. A summary of the Bank's 20 largest equity certificate holders is provided in the notes to the interim report.

The market price for the Bank's equity certificates was NOK 38.50 as at 30 September 2014. Based on this price, the market value of the Bank's equity was NOK 8,167 million. The earnings per equity certificate (Group)

amounted to NOK 5.01. Price/Earnings was NOK 5.8 and Price/Book 0.87 as at 30 September 2014 (both figures for the Group).

Concluding remarks and future prospects

The Group's earnings are still good, including earnings from the Bank's core activities.

The macroeconomic trend for Northern Norway is very good. However, the level of uncertainty did rise in the last quarter due to weak economic growth in Europe, economic sanctions following Russia's intervention in Ukraine, and weaker oil and commodity prices. However, despite this, the macroeconomic outlook for the region is considered to be good and the region's business sector remains optimistic. The demand for loans is expected to remain relatively high in the immediate future, but because of the stricter regulatory requirements concerning banks' tier 1 capital, lending growth in the corporate market will nonetheless be kept at a moderate level. It is the Bank's ambition to maintain a strong position in the public sector.

A number of measures have been initiated to ensure future profitability in line with the Group's profitability targets. This will continue and be reinforced, and are expected to produce effects from 2015.

Tromsø, Norway, 28 October 2014

The Board of Directors of SpareBank 1 Nord-Norge

Kjell Olav Pettersen
(Chairman of the Board)

Pål Andreas Pedersen
(Deputy Chairman)

Sonja Djønne

Hans Tore Bjerkås

Greger Mannsverk

Ingvild Myhre

Anita Persen

Vivi-Ann Pedersen
(Employee-elected)

Jan-Frode Janson
(CEO)

Statement of income

Parent Bank

Group

(Amounts in NOK million)

31.12.13	3Q13	3Q14	30.09.13	30.09.14		30.09.14	30.09.13	3Q14	3Q13	31.12.13
2 825	696	726	2 030	2 107	Interest income	2 243	2 151	773	740	2 990
1 712	401	392	1 226	1 200	Interest costs	1 195	1 221	395	399	1 705
1 113	295	334	804	907	Net interest income	1 048	930	378	341	1 285
771	210	202	570	607	Fee- and commission income	708	659	238	238	892
71	18	19	51	53	Fee- and commission costs	54	52	19	19	75
35	4	4	11	13	Other operating income	75	62	19	14	114
735	196	187	530	567	Net fee-, commission and other operating income	729	669	238	233	931
23	0	0	23	16	Dividend	16	27	0	4	27
239	0	0	239	244	Income from investments	332	225	142	109	303
121	- 2	- 7	112	182	Net gain from investments in securities	203	9	- 23	- 7	16
383	- 2	- 7	374	442	Net income from financial investments	551	261	119	106	346
2 231	489	514	1 708	1 916	Total income	2 328	1 860	735	680	2 562
481	116	149	354	394	Personnel costs	514	464	193	151	638
306	73	77	225	232	Administration costs	261	250	85	83	337
50	13	12	38	37	Ordinary depreciation	68	40	14	13	56
141	33	26	104	103	Other operating costs	131	128	33	39	178
978	235	264	721	766	Total costs	974	882	325	286	1 209
1 253	254	250	987	1 150	Result before losses	1 354	978	410	394	1 353
146	29	35	105	93	Losses	85	122	38	35	172
1 107	225	215	882	1 057	Result before tax	1 269	856	372	359	1 181
192	62	57	140	179	Tax	208	164	65	69	214
915	163	158	742	878	Result after tax	1 061	692	307	290	967
					Majority interest	1 062	692	309	290	966
					Minority interests	- 1	0	- 2	0	1
					Result per Equity Certificate					
4.36	1.06	0.74	4.81	4.14	Result per Equity Certificate	5.01	4.35	1.46	1.82	4.60
4.36	1.06	0.74	4.81	4.14	Diluted result per Equity Certificate	5.01	4.35	1.46	1.82	4.60

Other comprehensive income

915	163	158	742	878	Result after tax	1 061	692	307	290	967
0	0	0	0	0	Recalculation differences	-11	0	-8	0	1
6	2	2	5	4	Effective part of change in fair market value in cash flow hedging	4	5	2	2	6
-1	0	0	0	-82	Actuarial gains (losses) on benefit-based pension schemes	-82	0	0	0	0
-2	0	0	-1	22	Tax on other comprehensive income	22	-1	0	0	-2
3	2	2	4	-56	Other comprehensive income for the period	-67	4	-6	2	5
918	165	160	746	822	Total comprehensive income for the period	994	696	301	292	972
					Majority interest	994	696	302	292	972
					Minority interests	0	0	-1	0	0
					Totalresult per Equity Certificate					
4.38	1.07	0.75	4.83	3.88	Total result per Equity Certificate	4.69	4.37	1.42	1.83	4.63
4.38	1.07	0.75	4.83	3.88	Diluted total result per Equity Certificate	4.69	4.37	1.42	1.83	4.63
					Tax on other comprehensive income:					
0	0	0	0	22	Actuarial gains (losses) on benefit-based pension schemes	22	0	0	0	0
-2	1	0	-1	22	Tax on other comprehensive income	22	-1	0	0	-2

Statement of financial position

Parent Bank

Group

(Amounts in NOK million)

31.12.13	30.09.13	30.09.14		30.09.14	30.09.13	31.12.13
Assets						
612	188	725	Cash and balances with central banks	757	210	655
4 470	4 681	6 305	Loans and advances to credit institutions	2 894	1 572	1 392
53 202	52 433	55 953	Net loans and advances to customers	59 897	56 136	56 829
556	534	319	Shares	507	663	712
11 207	10 905	9 474	Certificates and bonds	9 474	10 909	11 207
1 308	1 165	1 401	Financial derivatives	1 401	1 161	1 303
553	553	618	Investments in Group Companies	0	0	0
2 436	2 360	2 721	Investments in associated companies and joint ventures	4 045	3 410	3 564
489	487	465	Property, plant and equipment	600	497	595
0	0	0	Intangible assets capital concern	79	78	81
1 108	943	863	Other assets	967	1 034	1 182
75 941	74 249	78 844	Total assets	80 621	75 670	77 520
Liabilities						
4 292	5 022	3 164	Deposits from credit institutions	3 154	5 006	4 284
44 889	43 900	45 327	Deposits from customers	45 386	43 938	44 940
16 336	15 386	18 423	Debt securities in issue	18 423	15 386	16 336
722	663	895	Financial derivatives	895	663	722
880	1 376	1 553	Other liabilities	1 764	1 546	1 058
172	173	165	Deferred tax liabilities	213	208	228
1 450	1 450	1 450	Subordinated loan capital	1 450	1 450	1 450
68 741	67 970	70 977	Total liabilities	71 285	68 197	69 018
Equity						
1 807	1 655	1 807	Equity Certificate capital	1 807	1 655	1 807
843	245	843	Equity Certificate premium reserve	843	245	843
776	382	668	Dividend Equalisation Fund	668	382	776
3 565	3 086	3 566	The Savings Bank's Fund	3 566	3 086	3 565
163	120	118	Donations	118	120	163
0	0	0	Unrealised gains on shares available for sale	- 14	- 3	- 2
46	49	- 13	Other equity capital	1 267	1 274	1 327
0	742	878	Result after tax	1 062	692	0
			Minority interests	19	22	23
7 200	6 279	7 867	Total equity	9 336	7 473	8 502
75 941	74 249	78 844	Total liabilities and equity	80 621	75 670	77 520

Changes in equity

(Amounts in NOK million)

Group	PCC capital	Premium Fund	Dividend		Saving Bank's Fund	Donations Fund	Fair value reserve	Other equity	Period result	Total Majority interests	Minority interests	Total equity
			Equalisation Fund	Fund								
Equity at 01.01.13	1 655	245	456		3 083	150	- 3	1 273		6 859	22	6 881
Total comprehensive income for the period			394		478	43		51		966	1	967
<i>Other comprehensive income:</i>												
Recalculation differences							1			1		1
Effective part of change in fair market value in cash flow hedging			2		2					4		4
Tax on other comprehensive income												
Total other comprehensive income			2		2		1			5		5
Total comprehensive income for the period			396		480	43	1	51		971	1	972
Transactions with owners												
Equity issue	152	598								750		750
Set aside for dividend payments			- 110							- 110		- 110
Reversal of dividend payments			110							110		110
Dividend paid			- 76							- 76		- 76
Other transactions					2			3		5		5
Payments from Donations Fund						- 30				- 30		- 30
Total transactions with owners	152	598	- 76		2	- 30		3		649		649
Equity at 31.12.2013	1 807	843	776		3 565	163	- 2	1 327		8 479	23	8 502
Equity at 01.01.14	1 807	843	776		3 565	163	- 2	1 327		8 479	23	8 502
Total comprehensive income for the period									1 062	1 062	- 1	1 061
<i>Other comprehensive income:</i>												
Recalculation differences							- 12			- 12	- 3	- 15
Effective part of change in fair market value in cash flow hedging			3		1					4		4
Actuarial gains (losses) on benefit-based pension schemes								- 82		- 82		- 82
Tax on other comprehensive income								22		22		22
Total other comprehensive income	0	0	3		1	0	- 12	- 60	0	- 68	- 3	- 71
Total comprehensive income for the period			3		1		- 12	- 60	1 062	994	- 4	990
Transactions with owners												
Equity issue												
Set aside for dividend payments												
Reversal of dividend payments												
Changes in minority interests												
Dividend paid			- 110							- 110		- 110
Other transactions			- 1							- 1		- 1
Payments from Donations Fund						- 45				- 45		- 45
Total transactions with owners			- 111			- 45				- 156		- 156
Equity at 30.09.14	1 807	843	668		3 566	118	- 14	1 267	1 062	9 317	19	9 336

ECC ratio overall

Parent Bank

(Amounts in NOK million)

	31.12.08	31.12.09	(01.01.11) 31.12.10	(01.01.12) 31.12.11	(01.01.13) 31.12.12	(adjusted) 01.01.13	31.12.13
Equity Certificate capital	896	896	1 275	1 655	1 655	1 681	1 807
Equity Certificate premium reserve	123	123	184	245	245	344	843
Dividend Equalisation Fund	277	471	408	319	453	380	685
Set aside dividend	- 54	- 121	- 103	- 93	- 76	0	0
Share Fund Fair Value Options	- 5	- 30	- 3	- 14	- 33	- 33	0
A. Equity attributable to Equity Certificate holders of the Bank	1 237	1 339	1 761	2 112	2 244	2 372	3 335
The Savings Bank's Fund	2 221	2 623	2 811	2 902	3 107	3 081	3 593
Allocated dividends to ownerless capital	0	- 161	- 154	- 107	- 30	0	0
Donations	133	133	133	133	120	120	119
Share Fund Fair Value Options	- 10	- 57	- 5	- 20	- 45	- 45	0
B. Total ownerless capital	2 344	2 538	2 785	2 908	3 152	3 156	3 712
Equity Certificate Ratio overall (A/(A+B))	34.54 %	34.54 %	38.74 %	42.07 %	41.59 %	42.91 %	47.33 %

Statement of cash flows

Parent Bank

Group

(Amounts in NOK million)

31.12.13	30.09.13	30.09.14		30.09.14	30.09.13	31.12.13
1 107	882	1 057	Result before tax	1 269	856	1 181
50	38	37	+ Ordinary depreciation	68	40	56
- 3	0	0	+ Write-downs, gains/losses fixed assets	0	0	- 3
146	105	93	+ Losses on loans and guarantees	85	122	172
192	140	179	- Tax	208	164	214
106	106	156	- Dividends/donations	156	106	106
1 002	779	852	Provided from the year's operations	1 058	748	1 086
54	494	784	Change in sundry liabilities: + increase/ - decrease	793	487	82
- 394	- 86	152	Change in various claims: - increase/ + decrease	119	- 162	- 455
-2 678	-1 868	-2 844	Change in gross lending to and claims on customers: - increase/ + decrease	-3 153	-2 208	-2 951
1 061	1 385	1 970	Change in short term-securities: - increase/ + decrease	1 938	1 425	1 078
1 339	2 718	438	Change in deposits from and debt owed to customers: + increase/ - decrease	446	2 718	1 352
- 2	-1 640	-1 128	Change in debt owed to credit institutions: + increase/ - decrease	-1 130	-1 657	- 11
382	1 782	224	A. Net liquidity change from operations	71	1 351	181
- 35	- 21	- 13	- Investment in fixed assets (incl merger effects)	- 73	- 22	- 136
3	0	0	+ Sale of fixed assets	0	0	3
- 180	- 104	- 350	Change in holdings of long-term securities: - increase/ + decrease	- 481	104	- 50
- 212	- 125	- 363	B. Liquidity change from investments	- 554	82	- 183
- 198	-1 148	2 087	Change in borrowings through the issuance of securities: + increase/ - decrease	2 087	-1 148	- 198
105	- 645	0	Change in Equity Certificate/subordinated loan capital: + increase/ - decrease	0	- 645	105
- 93	-1 793	2 087	C. Liquidity change from financing	2 087	-1 793	- 93
77	- 136	1 948	A + B + C. Total change in liquidity	1 604	- 360	- 95
5 005	5 005	5 082	+ Liquid funds at the start of the period	2 047	2 142	2 142
5 082	4 869	7 030	= Liquid funds at the end of the period	3 651	1 782	2 047

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

Result from the Group's quarterly accounts

(Amounts in NOK million)

	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12
Interest income	773	721	749	839	740	717	694	706
Interest costs	395	379	421	484	399	408	414	399
Net interest income	378	342	328	355	341	309	280	307
Fee- and commission income	238	240	230	233	238	230	191	197
Fee- and commission costs	19	19	16	23	19	23	10	15
Other operating income	19	27	29	52	14	31	17	20
Net fee-, commission and other operating income	238	248	243	262	233	238	198	202
Dividend	0	5	11	0	4	22	1	- 1
Income from investments	142	119	71	78	109	27	89	14
Net gain from investments in securities	- 23	65	161	7	- 7	15	1	17
Net income from financial investments	119	189	243	85	106	64	91	30
Total income	735	779	814	702	680	611	569	539
Personnel costs	193	159	162	174	151	162	151	153
Administration costs	85	87	89	87	83	83	84	83
Ordinary depreciation	14	40	14	16	13	13	14	16
Other operating costs	33	47	51	50	39	44	45	43
Total costs	325	333	316	327	286	302	294	295
Result before losses	410	446	498	375	394	309	275	244
Losses	38	22	25	50	35	47	40	32
Result before tax	372	424	473	325	359	262	235	212
Tax	65	71	72	50	69	56	39	54
Minority interests	- 2	1	0	1	0	0	0	0
Result after tax	309	352	401	274	290	206	196	158

Profitability								
Return on equity capital	13.45 %	15.84 %	18.61 %	13.72 %	15.83 %	11.62 %	11.29 %	9.35 %
Interest margin	1.86 %	1.71 %	1.69 %	1.85 %	1.79 %	1.63 %	1.50 %	1.64 %
Cost/income	44.22 %	42.75 %	38.82 %	46.58 %	42.06 %	49.43 %	51.67 %	54.73 %
Balance sheet figures								
Loans and advances to customers	60 363	58 791	57 638	57 282	56 605	54 561	53 441	54 551
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt and Næringskreditt past 12 months	6.2 %	6.7 %	7.3 %	6.1 %	5.9 %	6.8 %	8.5 %	11.6 %
Deposits from customers	45 386	46 949	43 635	44 940	43 938	46 006	43 232	43 588
Growth in deposits from customers past 12 months	3.3 %	2.0 %	0.9 %	3.1 %	1.6 %	5.2 %	9.0 %	-1.3 %
Deposits as a percentage of gross lending	75.2 %	79.9 %	75.7 %	78.5 %	77.6 %	84.3 %	80.9 %	75.6 %
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt and Næringskreditt	54.1 %	56.9 %	53.5 %	55.8 %	55.6 %	59.5 %	56.9 %	54.3 %
Average assets	79 442	79 048	77 581	75 952	75 561	75 524	74 907	72 921
Total assets	80 621	81 983	77 642	77 520	75 670	76 759	74 484	75 329
Losses on loans and commitments in default								
Losses on loans to customers as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.18 %	0.11 %	0.12 %	0.25 %	0.17 %	0.24 %	0.21 %	1.02 %
Commitments in default as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.49 %	0.55 %	0.57 %	0.60 %	0.70 %	0.76 %	0.78 %	0.52 %
Commitments at risk of loss as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.30 %	0.32 %	0.42 %	0.46 %	0.36 %	0.35 %	0.51 %	0.77 %
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.50 %	0.61 %	0.71 %	0.75 %	0.72 %	0.78 %	0.87 %	0.89 %
Solidity								
Total regulatory Capital %	15.87 %	14.25 %	14.28 %	13.91 %	11.72 %	12.36 %	12.63 %	13.19 %
Tier I Capital %	13.47 %	13.31 %	13.55 %	13.42 %	11.14 %	11.35 %	11.88 %	12.11 %
Tier I capital	8 195	7 828	7 741	7 783	6 431	6 478	6 586	6 672
Equity and related capital resources	9 587	8 382	8 158	8 069	6 765	7 052	7 005	7 270
Adjusted risk-weighted assets base	60 826	58 830	57 135	57 989	57 704	57 053	55 450	55 098

Notes

Note 1 - Accounting policies

The Group's interim financial statements in 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by EU, including IAS 34 relating to interim reporting.

The Group's accounting policies and calculation methods remain essentially unchanged from the accounting year 2013.

The interim financial statements do not cover all the information required in complete financial statements and should be read in conjunction with the annual financial statements for 2013.

In accordance with the regulations laid down by the Ministry of Finance of 16 October 2008, permission was given to reclassify securities in the trading portfolio from the category "at fair value through profit or loss" to categories "held to maturity" and "loans and receivables". The Group decided to reclassify large parts of the interest-bearing portfolio "held for sale" on 1 July 2008. Future measurements in these categories will be calculated at amortised cost, which means that earlier write-downs and interest will be amortised and recognised as interest income over the remaining term to maturity. Please see the separate note.

The interim financial statements have not been audited.

Note 2 - Important accounting estimates and discretionary judgements

In preparing the consolidated financial statements the management makes estimates, discretionary judgements and assumptions that influence the application of the accounting policies. These could thus affect the stated amounts for assets, liabilities, income and costs. Note 3 to last year's annual financial statements provides a fuller explanation of the items subject to important estimates and judgements.

Note 3 - Changes in group structure

There has been no changes in group structure in 2nd quarter 2014.

Note 4 - Business Areas

The 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, leasing and Markets. 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 mainly in a limited geographical area and reporting along the lines of geographic segments provides little additional information.

Group
(Amounts in NOK million)

						30.09.14
	Retail Banking	Corporate Banking	Leasing	Markets	Unallocated	Total
Net interest income	677	214	121	16	20	1 048
Net fee- and commission income	414	131	0	14	95	654
Other operating income	0	0	0	21	605	626
Operating costs	572	181	31	28	162	974
Result before losses	519	164	90	23	558	1 354
Losses	11	82	4	0	- 12	85
Result before tax	508	82	86	23	570	1 269
Loans and advances to customers	35 478	21 020	3 865	0	0	60 363
Individual write-downs for impaired value on loans and advances to customers	- 26	- 211	- 9	0	3	- 243
Collective write-downs for impaired value on loans and advances to customers	- 38	- 162	- 10	0	- 13	- 223
Other assets	0	0	0	0	20 724	20 724
Total assets per business area	35 414	20 647	3 846	0	20 714	80 621
Deposits from customers	26 255	19 131	0	0	0	45 386
Other liabilities and equity capital	9 159	1 516	3 846	0	20 714	35 235
Total equity and liabilities per business area	35 414	20 647	3 846	0	20 714	80 621
						30.09.13
Net interest income	641	150	106	13	20	930
Net fee- and commission income	423	99	0	32	115	669
Other operating income	0	0	0	0	261	261
Operating costs	575	135	29	21	122	882
Result before losses	489	114	77	24	274	978
Losses	13	92	5	0	12	122
Result before tax	476	22	72	24	262	856
Loans and advances to customers	33 086	19 772	3 747	0	0	56 605
Individual write-downs for impaired value on loans and advances to customers	- 32	- 209	- 26	0	0	- 267
Collective write-downs for impaired value on loans and advances to customers	- 36	- 148	- 18	0	0	- 202
Other assets	0	229	0	0	19 305	19 534
Total assets per business area	33 018	19 644	3 703	0	19 305	75 670
Deposits from customers	24 294	19 644	0	0	0	43 938
Other liabilities and equity capital	8 724	0	3 703	0	19 305	31 732
Total equity and liabilities per business area	33 018	19 644	3 703	0	19 305	75 670

Note 5 - 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. The calculation basis in 2014 therefore amounts to 80 per cent of the calculated basis according to the Basel I rules and regulations.

Parent Bank

Group

(Amounts in NOK million)

31.12.13	30.09.13	30.09.14		30.09.14	30.09.13	31.12.13
1 807	1 655	1 807	Equity certificates	1 807	1 655	1 807
0	0	0	- Own equity certificates	0	0	0
843	245	843	Premium reserve	843	245	843
776	382	668	Equalisation reserve	668	382	776
3 565	3 086	3 566	Savings bank's reserve	3 566	3 086	3 565
163	120	118	Endowment fund	118	120	163
0	0	0	Deduction Fund for unrealised gains available for sale	- 14	- 3	- 2
46	49	- 13	Other equity	1 267	1 274	1 327
0	742	878	Period result	1 062	692	0
0	0	0	Minority interests	19	22	23
7 200	6 279	7 867	Total equity	9 336	7 473	8 502
			Minority interests	0	- 22	0
0	- 742	- 878	Period result	-1 062	- 692	0
			Tier 1 Capital			
- 131	- 97	- 60	Intangible assets capital concern	- 147	- 197	- 250
0	0	0	Unrealised gains on shares available for sale	- 43	41	69
- 154	0	0	Deduction for allocated dividends	0	0	- 154
0	0	0	Adjusted Tier 1 Capital from consolidated financial institutions	115	- 3	- 163
- 472	- 478	0	50 % deduction for subordinated capital in other financial institutions	0	- 172	- 174
0	0	0	50 % Total regulatory capital reserve	0	- 576	- 606
0	0	- 42	Fradrag for vesentlige eierandeler i selskaper innen finansiell sektor	- 386	0	0
0	0	0	Fradrag for ikke-vesentlige eierandeler i selskaper innen finansiell sektor	- 40	0	0
- 102	- 85	0	50 % deduction for expected losses on IRB, net of writedowns	0	- 74	- 94
		- 185	Justert forventet tap etter IRB-metoden	- 248	0	0
6 341	4 877	6 684	Core Tier 1 Capital	7 525	5 778	7 130
500	500	500	Hybrid Tier 1 bonds	671	653	653
6 841	5 377	7 184	Tier 1 Capital	8 196	6 431	7 783
			Tier 2 Capital			
950	950	950	Nonperpetual subordinated capital	1 458	1 156	1 160
- 472	- 478	0	50% deduction for subordinated capital in other financial institutions	0	- 172	- 174
0	0	0	50% Total regulatory capital reserve	0	- 576	- 606
		- 43	Fradrag for vesentlige eierandeler i selskaper innen finansiell sektor	- 66		
- 102	- 85	0	50% deduction for expected losses on IRB, net of writedowns	0	- 74	- 94
376	387	907	Tier 2 Capital	1 392	334	286
7 217	5 764	8 091	Equity and related capital resources	9 588	6 765	8 069
			Minimum requirements subordinated capital, Basel I I			
939	912	1 080	Specialised lending exposure	1 258	912	939
631	647	143	Other corporations exposure	176	647	632
20	21	457	SME exposure	464	25	23
298	282	617	Property retail mortgage exposure	955	470	497
47	45	31	Other retail exposure	32	48	51
409	392	458	Equity investments	87	0	0
2 344	2 299	2 786	Total credit risk IRB	2 972	2 102	2 142
576	597	516	Credit risk standardised approach	1 344	1 601	1 635
21	19	21	Debt risk	21	22	21
13	12	13	Equity risk	43	35	41
22	39	18	Currency risk	18	39	22
223	223	250	Operational risk	254	235	237
0	3	0	Transitional arrangements	105	706	669
		75	Øvrig beregningsgrunnlag	109		
- 76	- 77	0	Fradragposter	0	- 124	- 128
3 123	3 115	3 679	Minimum requirements subordinated capital	4 866	4 616	4 639
			Kapitaldekning			
18.49 %	14.80 %	17.59 %	Total regulatory Capital	15.76 %	11.72 %	13.91 %
17.52 %	13.81 %	15.62 %	Tier 1 Capital	13.47 %	11.14 %	13.42 %
0.96 %	1.00 %	1.97 %	Tier 2 Capital	2.29 %	0.58 %	0.49 %
16.24 %	13.76 %	15.49 %	Common Equity Tier I - incl share of period result	13.24 %	10.79 %	12.30 %

Note 6 -Net bad and doubtful commitments
(Amounts in NOK million)

Parent Bank				Group		
31.12.13	30.09.13	30.09.14		30.09.14	30.09.13	31.12.13
444	505	383	Non-performing commitments	418	563	486
373	285	342	+ Other doubtful commitments	253	285	373
817	790	725	+ Total commitments in default and doubtful commitments	671	848	859
171	193	191	- Individual write-downs in default	209	219	194
50	48	46	- Other doubtful individual write-downs	34	48	50
221	241	237	+ Total individual write-downs *	243	267	244
596	549	488	= Net commitments in default and doubtful commitments	428	581	615

*Individual write-downs for impaired value on guarantees are not included here, but as liabilities under 'Other liabilities'.

Note 7 - Losses incorporated in the accounts

31.12.13	30.09.13	30.09.14		30.09.14	30.09.13	31.12.13
38	- 58	22	+ Period's change in individual write-down for impaired value	8	- 49	40
- 4	4	13	+ Period's change in collective write-down for impaired value	16	7	12
109	161	56	+ Period's confirmed losses against which individual write-downs were previously made	59	165	117
11	3	7	+ Period's confirmed losses against which individual write-downs were previously not made	9	4	11
8	5	5	- Recoveries in respect of previously confirmed losses	7	5	8
146	105	93	= Total losses on loans	85	122	172

Note 8 - Losses broken down by sector and industry
(Amounts in NOK million)

Parent Bank				Group		
31.12.13	30.09.13	30.09.14		30.09.14	30.09.13	31.12.13
0	- 1	0	Mining and quarrying	0	- 1	0
3	5	2	Construction	4	5	3
0	- 1	1	Building of ships and boats	4	- 1	0
2	4	0	Electricity, gas, steam an air conditioning supply	0	4	2
10	7	11	Professional, scientific and technical activities	11	7	10
0	0	0	Financial and insurance activities	0	0	0
1	3	1	Fishing	1	3	1
1	0	1	Marine aquaculture	2	0	1
0	0	1	Other business support activities	1	5	7
0	0	0	Activities auxiliary to financial services and insurance activities	0	0	0
0	0	0	County municipalities and municipalities	0	0	0
57	31	4	Manufacturing	4	33	62
- 1	0	0	Information and communication	0	0	0
- 1	2	0	Crop and animal production	0	2	- 1
15	16	0	Foreign industrial	0	16	15
7	- 2	55	Real estate activities	32	- 2	7
1	0	2	Accommodation and food service activities	2	0	1
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
- 1	- 1	2	Other service industries	4	- 1	- 1
11	8	2	Transportation and storage	5	9	12
12	11	0	International shipping and pipeline transport	0	11	12
14	10	- 22	Development of building projects	- 22	10	14
- 8	- 8	0	Extraction of crude oil and natural gas	0	- 8	- 8
0	0	20	Unspecified	20	0	0
0	0	- 3	Water supply; sewerage, waste management and remediation activities	- 3	0	0
9	8	2	Wholesale and retail trade; repair of motor vehicles and motorcycles	4	8	10
22	18	19	Retail banking market - domestic	23	27	33
154	110	98	Losses on loans to customers	92	127	180
8	5	5	Recoveries from previously written off losses	7	5	8
146	105	93	Net losses	85	122	172

Note 9 - Loans broken down by sector and industry
(Amounts in NOK million)

Parent Bank				Group		
31.12.13	30.09.13	30.09.14		30.09.14	30.09.13	31.12.13
47	53	41	Mining and quarrying	68	82	76
477	511	537	Construction	882	827	790
6	4	71	Building of ships and boats	73	6	8
864	1 319	798	Electricity, gas, steam an air conditioning supply	801	1 323	868
467	652	515	Professional, scientific and technical activities	687	711	531
0	0	0	Financial and insurance activities	0	0	0
1 623	1 155	2 205	Fishing	2 220	1 168	1 635
447	137	344	Marine aquaculture	563	279	601
402	396	254	Other business support activities	577	612	601
1 156	963	919	Activities auxiliary to financial services and insurance activities	651	799	1 002
200	150	177	County municipalities and municipalities	194	173	222
1 537	1 637	1 559	Manufacturing	1 658	1 757	1 642
148	139	58	Information and communication	63	146	155
876	867	879	Crop and animal production	968	958	963
0	0	0	Foreign industrial	107	162	157
7 116	7 027	7 556	Real estate activities	7 591	7 090	7 089
347	351	376	Accommodation and food service activities	390	363	360
4	4	5	Forestry and logging	10	9	9
0	0	0	Central government and social security funds	0	1	1
0	0	0	Support activities for petroleum and natural gas extraction	19	21	20
659	662	715	Other service industries	794	742	738
3 028	2 951	2 924	Transportation and storage	3 537	3 502	3 583
660	667	773	International shipping and pipeline transport	773	667	660
773	687	921	Development of building projects	922	689	774
0	0	0	Extraction of crude oil and natural gas	0	0	0
0	0	0	Unspecified	0	0	0
208	211	204	Water supply; sewerage, waste management and remediation activities	274	286	279
846	858	811	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 063	1 146	1 144
31 678	31 414	33 703	Retail banking market - domestic	35 153	32 739	33 037
43	43	45	Retail banking market - international	325	347	337
31 721	31 457	33 748	Total retail market	35 478	33 086	33 374
21 691	21 251	22 465	Total public market	24 691	23 345	23 685
200	150	177	Total government	194	174	223
53 612	52 858	56 390	Total gross lending to customers	60 363	56 605	57 282
221	241	237	Individual write-downs for impaired value	243	267	244
189	184	200	Collective write-downs for impaired value	223	202	209
53 202	52 433	55 953	Net loans to customers	59 897	56 136	56 829

Note 10 - 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 net 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 bank has concluded agreements concerning the sale of loans with good security and collateral in real estate to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. For more information about the accounting treatment of the agreements see note 2 and note 13 to the annual financial statements.

Note 11 - 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 01.07.08 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 2.3 year as at 30.09.14, and included in the profit and loss account as interest income. For the period 01.01.14-30.09.14 such reversed writedowns has been included in the profit and loss account with NOK 0.35 million. Total inclusion of income are NOK 77.7 million for the period 01.07.08-31.12.13. 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 gain NOK 3.9 million as at 30.09.14. It was necessary to apply a NOK 88 million write-down due to the permanent impairment of value in this portfolio as at 31.12.13. No further writedowns has been made in 2014.

<i>(Amounts in NOK million)</i>	01.07.08	31.12.10	31.12.11	31.12.12	31.12.13	30.09.14
Hold until maturity						
Book value	3 109	1 624	858	355	111	105
Nominal value (nominal amount)	3 182	1 644	869	366	115	108
Theoretical market value	3 109	1 615	842	355	114	106
Loans and claims						
Book value	698	464	262	142	75	30
Nominal value (nominal amount)	737	489	279	156	90	30
Theoretical market value	698	443	250	134	74	28
Total book value	3 807	2 088	1 120	497	186	135

Note 12 - 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.

	30.09.14	30.09.13	31.12.13
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value	51	114	- 27
Total gain from hedging objects relating to the hedged risk	- 49	- 113	29
Total fair value hedging transactions	2	1	2

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	30.09.14 Fair value			30.09.13 Fair value			31.12.13 Fair value		
	Contract	Assets	Liabilities	Contract	Assets	Liabilities	Contract	Assets	Liabilities
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)	2 280	13	27	3 375	40	34	2 303	38	31
Currency swaps	9 868	254	77	10 328	260	118	9 756	285	96
Currency options									
Total non-standardised contracts	12 148	267	104	13 703	300	152	12 059	323	127
Standardised foreign currency contracts (futures)									
Total foreign currency instruments	12 148	267	104	13 703	300	152	12 059	323	127
Interest rate instruments									
Interest rate swaps (including cross currency)	25 245	515	787	25 534	380	509	25 356	418	595
Short-term interest rate swaps (FRA)									
Other interest rate contracts	431	4	4	37	2	2	9	1	
Total non-standardised contracts	25 676	513	791	25 571	382	511	25 365	419	595
Standardised interest rate contracts (futures)									
Total interest rate instruments	25 676	513	791	25 571	382	511	25 365	419	595
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)	9 658	615		8 322	479		9 832	561	
Short-term interest rate swaps (FRA)									
Other interest rate contracts									
Total, non-standardised contracts	9 658	615		8 322	479		9 832	561	
Standardised interest rate contracts (futures)									
Total interest rate instruments	9 658	615		8 322	479		9 832	561	
Total interest rate instruments	35 334	1 128	791	33 893	861	511	35 197	980	595
Total foreign currency instruments	12 148	267	104	13 703	300	152	12 059	323	127
Total	47 482	1 401	895	47 596	1 161	663	47 256	1 303	722

Note 13 - Net accounting of financial derivatives and related set-off agreements.

Financial derivatives are presented as gross on the balance sheet. As a result of ISDA agreements that have been entered into with contracting parties with regard to financial derivatives transactions, set-off rights are obtained if the contracting party defaults on the cash flow.

At 30.09.14 the net figures were:

Category/counterpart	Gross amount	Offset amount	Net amount	Net amount to be posted at bankruptcy or default	Net credit exposure
<i>(Amounts in NOK million)</i>	A	B	C=A+B	D	E=C-D
Financial derivatives - assets	17 056	16 709	347	0	347
Financial derivatives - liabilities	16 334	15 878	456	0	456

Note 14 - Liquidity risk

Liquidity risk is the risk that the bank will be unable to meet its payment obligations, and/or the risk of not being able to fund a desired growth in assets. SpareBank 1 Nord-Norge prepares an annual liquidity strategy that encompasses, for example, the bank's liquidity risk.

The Group's liquidity risk is revealed through the bank's liquidity reserve/buffer.

The principal objective for SpareBank 1 Nord-Norge is to maintain the bank's ability to survive in a normal situation without any external funding for a period of 12 months. In addition, the bank should be able to survive for a minimum of 90 days in a "major stress" situation, where no funding is available from the capital markets. The bank's day-to-day management is guided by the above goal.

The average remaining maturity of the bank's borrowings in senior unsecured bond issues and covered bonds was at 30.06.14 2,78 years .

Note 15 Pensions

The SpareBank 1 Nord-Norge Group has two types of pension agreements for its employees: defined benefit-based and defined contribution-based plans. The plans are described in more detail in the note 25 to the annual financial statements.

From 1 January 2013 IAS 10 "Employee Benefits" was revised with respect to the basis for calculating pension liabilities and pension costs. The Group has previously used the corridor method for recognising unamortised estimate deviations.

The corridor method is no longer permitted and all estimate deviations must be recorded in the statement covering other operating income and costs under comprehensive income items, so-called OCI (Other Comprehensive Income). The corridor, which amounted to NOK 89 million for groups, was zeroed as of 1 January 2012.

The period's net interest cost is now calculated by applying the discount rate for the liabilities at the beginning of the period to the net liabilities. Therefore, net interest costs consist of the interest on liabilities and the return on assets, both calculated using the discount rate. Changes in net pension liabilities due to premium payments and pension payments are taken into account. The difference between the actual return on pension assets and the recorded return is recognised immediately against OCI.

The following assumptions were made for defined benefit-based plans:

Assumptions	3Q14	3Q13	2Q14
Discount rate	3.25 %	3.90 %	3.25 %
Expected return on pension assets	3.25 %	3.90 %	3.25 %
Future salary growth rate	3.50 %	2.50 %	3.50 %
Adjustment of NI basic amount (G)	3.50 %	3.25 %	3.50 %
Pension adjustment	0.60 %	0.20 %	0.60 %
Employer's NI liability	14.10 %	6.00 %	14.10 %
Employer's NI cost	14.10 %	6.00 %	14.10 %
Voluntary leaving over 50 years old	0.00 %	0.00 %	0.00 %
Voluntary leaving up to 50 years old	2.00 %	2.00 %	2.00 %
Expected statutory early retirement per	60.00 %	60.00 %	60.00 %
Mortality, marriage probability, etc.	K2013BE IR2003	K2005 IR2003	K2013BE IR2003

Group

Amounts in NOK million

	30.09.14	30.09.13	31.12.13
Net pension liabilities in the balance sheet			
Present value of future pension liabilities	788	660	671
Estimated value of pension assets	851	750	808
Net pension liabilities in fund-based plans	-63	-90	-137
Unrecognised estimate deviations (possible actuarial gains and losses)	0	0	0
Employer's NI contributions	1	1	1
Net pension liabilities/assets in the balance sheet	- 62	- 89	- 136
Pension costs for the period	2.kv.14	2.kv.13	2013
Accrued defined benefit-based pensions	6	12	14
Interest costs on pension liabilities	13	18	25
Expected return on pension assets	-16	-21	-29
Estimate deviations recognised in the period			
Effect of changed pension plan			
Net defined benefit-based pension costs without employer's NI contributions	3	9	10
Accrued employer's NI contributions	1	2	2
Net defined benefit-based pension costs recognised through profit or loss	4	11	12
Curtailement/settlement			
Other pension costs	20	15	18
Total pension costs including employer's NI Insurance contribution	24	26	30
Movement in net pension liabilities from benefit-based plan recognised in balance sheet	30.09.14	30.09.13	31.12.13
Net pension liabilities in the balance sheet as of 01.01	-136	-89	-89
Correction against equity OB	-22		
Correction against equity CB	114		-23
Net defined benefit-based pension costs recognised through profit or loss	4	4	12
Curtailement/settlement			
Paid directly from operations	-2	-1	-6
Receipts - pension premiums defined benefit-based plans	-20	-11	-30
Net pension liabilities/assets in the balance sheet	-62	-97	-136
Other pension liabilities (early retirement pensions)	50	46	50
Net total pension liabilities	-12	-51	-86

Note 16 Classification of financial instruments stated at fair value

Financial instruments at fair value are classified at different levels:

Level 1 covers financial instruments that are valued using listed prices in active markets for identical assets and liabilities. This level includes listed equities, units, commercial paper and bonds that are traded in active markets.

Level 2 covers instruments that are valued using information that is not listed prices, but where prices are directly or indirectly observable for assets and liabilities, and which also include listed prices in inactive markets. This level includes instruments for which Reuters or Bloomberg publish prices.

Level 3 covers instruments that are valued in manner other than on the basis of observable market data. This includes instruments in which credit margins constitute a material part of the basis for adjusting market value.

Group

<i>(Amounts in NOK million)</i>	Level 1	Level 2	Level 3	Total
Assets 30.09.14				
Loans to and receivables from customers at fair value (fixed-rate loans)			6 645	6 645
Shares	82		137	219
Bonds	2 815	6 524		9 339
Financial derivatives		1 401		1 401
Total assets	2 897	7 925	6 782	17 604

Liabilities as of 30.09.14				
Financial derivatives		895		895
Total liabilities		895		895

<i>Assets 30.09.13</i>				
Loans to and receivables from customers at fair value (fixed-rate loans)			7 608	7 608
Shares	78		344	422
Bonds	4 342	4 057		8 399
Financial derivatives		1 161		1 161
Total assets	4 420	5 218	7 952	17 590

<i>Liabilities as of 30.09.13</i>				
Financial derivatives		663		663
Total liabilities	0	663	0	663

<i>(Amounts in NOK million)</i>	Financial assets				Financial liabilities Financial derivatives
	Fixed-rate loans	Shares	Bonds	Financial derivatives	
Carrying amount as of 30.09.13	7 608	344			0
Net gains on financial instruments	- 34	23			
Additions/acquisitions	461	2			
Disposals	-1 390	- 232			
Transferred from level 1 or level 2					
Carrying amount as of 30.09.14	6 645	137	0	0	0

Note 17 - Subsidiaries
(Amounts in NOK 1 000)

	Share of Eq.%	Profit from ordinary operations before tax			Equity		
		30.09.14	30.09.13	31.12.13	30.09.14	30.09.13	31.12.13
SpareBank 1 Finans Nord-Norge AS	100	86 853	72 051	98 739	501 382	489 357	509 071
SpareBank 1 Nord-Norge Portefølje AS	100	13 872	-25 337	-29 776	46 200	13 519	17 226
Eiendomsdrift AS	0	0	0	0	0	0	0
EiendomsMegler 1 Nord-Norge AS	100	14 054	15 435	15 356	36 912	35 801	37 521
SpareBank 1 Nord-Norge Forvaltning ASA	100	1 809	1 546	2 395	6 563	6 794	7 405
SpareBank 1 Regnskapshuset Nord-Norge AS	100	5 914	5 733	-1 414	16 090	17 311	12 115
North-West 1 Alliance Bank	75	-2 910	164	1 586	54 488	64 026	65 805
EiendomsMegler 1 Lofoten AS (owned by EM1 60%)	60	164	112	- 52	1 036	811	917
Nord-Norge Eiendom IV AS	100	890	0	0	-2 269	0	0
Alsgården AS	100	1 087	0	- 3	9 864	0	0
Fr. Langes gate 20 AS	100	862	0	0	5 523	0	0
Total		122 595	69 704	86 832	675 788	627 619	650 060

Note 18 - Other assets
(Amounts in NOK million)

Parent Bank				Group		
31.12.13	30.09.13	30.09.14		30.09.14	30.09.13	31.12.13
18	10	20	Reposessed assets	20	10	18
333	277	337	Accrued income	373	316	363
197	172	126	Prepayments	141	183	208
560	484	380	Other assets	433	525	593
1 108	943	863	Total other assets	967	1 034	1 182

Note 19 - Other liabilities

31.12.13	30.09.13	30.09.14		30.09.14	30.09.13	31.12.13
425	909	1 001	Costs incurred	1 144	1 056	569
0	0	0	Provisioning against incurred liabilities and costs	12	12	3
455	467	552	Other liabilities	608	478	486
880	1 376	1 553	Total other liabilities	1 764	1 546	1 058

Note 20 - Deposits broken down by sector and industry
(Amounts in NOK million)

Parent Bank				Group		
31.12.13	30.09.13	30.09.14		30.09.14	30.09.13	31.12.13
39	33	34	Mining and quarrying	34	33	39
1 164	1 032	1 150	Construction	1 150	1 032	1 164
2	2	6	Building of ships and boats	6	2	1
754	740	898	Electricity, gas, steam an air conditioning supply	898	740	754
1 182	1 095	1 238	Professional, scientific and technical activities	1 236	1 095	1 182
0	0	0	Financial and insurance activities	0	0	0
735	599	617	Fishing	617	599	735
18	15	20	Marine aquaculture	20	15	18
353	346	368	Other business support activities	368	346	353
407	422	351	Activities auxiliary to financial services and insurance activities	342	420	400
5 169	5 364	5 547	County municipalities and municipalities	5 547	5 364	5 169
397	379	399	Manufacturing	399	379	397
281	241	219	Information and communication	219	241	281
360	371	378	Crop and animal production	378	371	360
13	27	5	Foreign industrial	55	42	48
1 592	1 562	1 927	Real estate activities	1 921	1 562	1 584
237	261	265	Accommodation and food service activities	265	261	237
13	12	13	Forestry and logging	13	12	13
2 409	2 102	313	Central government and social security funds	313	2 102	2 409
0	0	0	Support activities for petroleum and natural gas extraction	0	0	0
2 205	2 224	2 459	Other service industries	2 459	2 224	2 205
757	753	852	Transportation and storage	852	753	757
35	46	12	International shipping and pipeline transport	12	46	35
167	187	197	Development of building projects	197	187	167
450	450	456	Extraction of crude oil and natural gas	456	450	450
0	0	0	Unspecified	0	0	0
197	198	144	Water supply; sewerage, waste management and remediation activities	144	198	197
1 237	1 170	1 230	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 230	1 170	1 237
24 383	23 938	25 878	Retail banking market - domestic	25 878	23 938	24 383
333	331	351	Retail banking market - international	377	356	365
24 716	24 269	26 229	Total retail market	26 255	24 294	24 748
12 595	12 165	13 238	Total public market	13 271	12 178	12 614
7 578	7 466	5 860	Total government	5 860	7 466	7 578
44 889	43 900	45 327	Total deposits	45 386	43 938	44 940

Note 21 - Securities issued and subordinated loan capital
Parent Bank and Group
(Amounts in NOK million)
Securities issued

	31.12.13	30.09.13	30.09.14
Certificates and other short-term borrowings			
Bond debt	16 336	15 386	18 480
Total debt securities in issue	16 336	15 386	18 480

	Statement of financial position 31.12.13	Issued 30.09.14	Matured/ redeemed 30.09.14	Exchange rate movements 30.09.14	Other adjustments 30.09.14	Statement of financial position 30.09.14
Changes in securities issued						
Certificates and other short-term borrowings						
Bond debt	16 336	4 120	-1 990	14		18 480
Total debt securities issued	16 336	4 120	-1 990	14		18 480

Subordinated loan capital and hybrid Tier 1 instruments

	31.12.13	30.09.13	30.09.14
Hybrid Tier 1 instruments			
2033 6 mnd Nibor + 2,30 (USD 60 mill.) (Call opsj 2013)			
2099 3 mnd Nibor + 4,75 (Call opsjon 2017)	500	500	500
Hybrid Tier 1 instruments - foreign currency			
Total hybrid Tier 1 instruments	500	500	500
Subordinated loan capital			
Subordinated loan capital with definite maturities	950	1 148	950
Total subordinated loan capital	950	1 148	950
Total subordinated loan capital and hybrid Tier 1 instruments	1 450	1 648	1 450

	Statement of financial position 31.12.13	Issued 30.09.14	Matured/ redeemed 30.09.14	Exchange rate movements 30.09.14	Other adjustments 30.09.14	Statement of financial position 30.09.14
Changes in subordinated loan capital and hybrid Tier 1 instruments						
Subordinated loan capital with definite maturities	950	350	- 350			950
Hybrid Tier 1 instruments	500					500
Total subordinated loan capital and hybrid Tier 1 instruments	1 450	350	- 350			1 450

Note 22 - Equity Certificates (ECs)

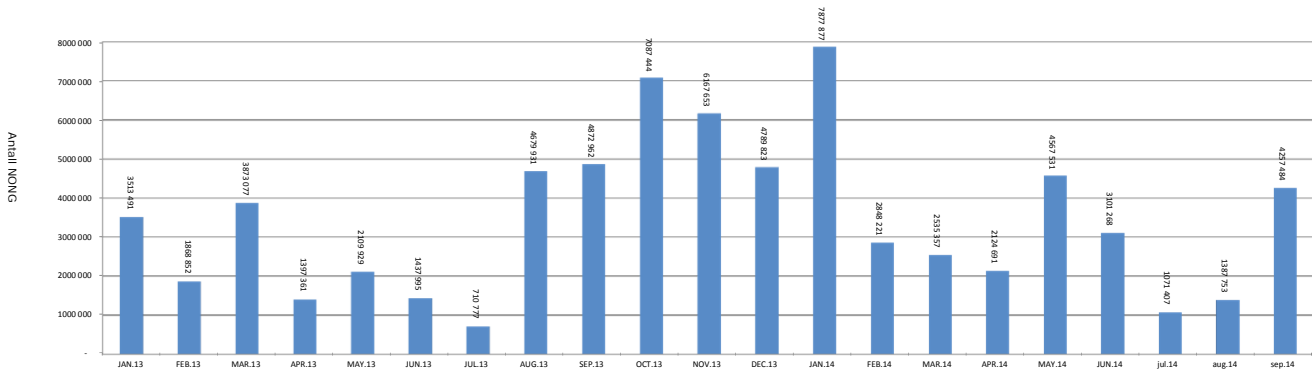
The 20 largest EC holders as at 30.09.14

EC Holders	Number of ECs	Share of EC Capital
Pareto Aksje Norge	5 252 872	5.23%
Mp Pensjon PK	2 720 503	2.71%
Citibank, N.A. - S/A National Financial Services	2 282 732	2.27%
FLPS - Princ All Sec Stock Sub	2 223 100	2.21%
Pareto Aktiv	2 101 969	2.09%
Verdipapirfondet Dnb Norge (IV)	1 718 637	1.71%
Wimoh Invest AS	1 614 670	1.61%
Arctic Funds Plc - Bny Mellon Sa/Nv	1 588 323	1.58%
State Street Bank And Trust Co.	1 525 214	1.52%
Sparebankstiftelsen Sparebank 1 Nord-Norge	1 411 606	1.41%
Morgan Stanley & Co Llc	1 410 231	1.40%
Forsvarets Personellservice	1 175 630	1.17%
Sanlam Universal Funds Plc/Sanlam	1 165 130	1.16%
Pareto Verdi	1 065 032	1.06%
Tonsenhagen Forretningsentrum 2 AS	1 036 733	1.03%
Sparebankstiftelsen Helgeland	1 030 000	1.03%
Larre Eiendom 2 AS	873 623	0.87%
Sparebankstiftelsen DnB	840 306	0.84%
Consept Eiendom As	738 306	0.74%
Renterisiko AS	725 934	0.72%
TOTAL	32 500 551	32.37%

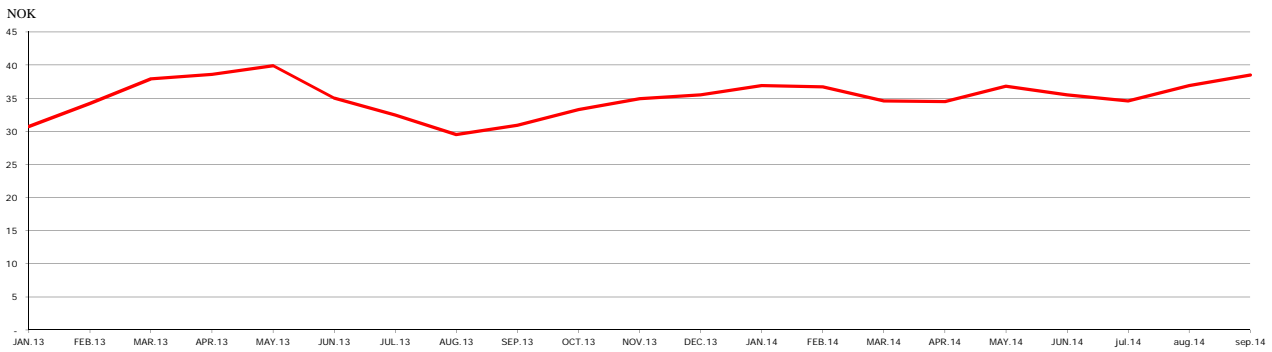
Dividend policy

In consideration of the Bank's solidity, the Bank anticipates that up to 50% of the profit for the year can be distributed as a dividend (cash dividends and donations to charitable causes). In years to come dividend most likely will be lower due to increased regulatory requirements.

Trading statistics



Price trend NONG



Note 23 - Events occurring after the end of the quarter

No information has come to light about important events that have occurred between the balance sheet date, 31 march 2014, and the Board's final consideration of the financial statements on 5 may 2013.