

Quarterly Report



Financial statement Q2 2015

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Key figures group

<i>Amounts in NOK million and in % of average assets</i>		30.06.15	%	30.06.14	%	31.12.14	%
From the profit and loss account							
Net interest income		737	1.77 %	670	1.70 %	1 426	1.78 %
Net fee-, commission and other operating income		478	1.15 %	491	1.24 %	966	1.20 %
Net income from financial investments		211	0.51 %	432	1.09 %	602	0.75 %
Total income		1 426	3.42 %	1 593	4.03 %	2 994	3.73 %
Total costs		674	1.62 %	649	1.64 %	1 328	1.66 %
Result before losses		752	1.80 %	944	2.39 %	1 666	2.08 %
Losses		68	0.16 %	47	0.12 %	321	0.40 %
Result before tax		684	1.64 %	897	2.27 %	1 345	1.68 %
Tax		134	0.32 %	143	0.36 %	223	0.28 %
Result non-current assets held for sale		0	0.00 %	0	0.00 %	27	0.03 %
Minority interests		- 3	-0.01 %	1	0.00 %	- 1	0.00 %
Result after tax		553	1.33 %	753	1.91 %	1 096	1.37 %
Profitability							
Return on equity capital	1	11.7 %		17.2 %		12.2 %	
Interest margin	2	1.77 %		1.70 %		1.78 %	
Cost/income	3	47.3 %		40.7 %		44.4 %	
Balance sheet figures and liquidity *)							
Gross lending		63 073		58 791		61 249	
Gross lending and advances to customers incl SpareBank 1 Boligkreditt and Næringskreditt		86 709		82 452		84 980	
Growth in loans and advances to customers past 12 months		7.3 %		7.8 %		6.9 %	
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt and Næringskreditt past 12 months		5.2 %		6.7 %		5.5 %	
Share total lending transferred to Sp1 Boligkreditt of total retail loans		38.4 %		40.4 %		39.7 %	
Share total lending transferred to Sp1 Boligkreditt of total loans		27.3 %		28.3 %		27.9 %	
Deposits from customers		49 977		46 949		45 761	
Growth in deposits from customers past 12 months		6.4 %		2.0 %		1.8 %	
Deposits as a percentage of gross lending	4	79.2 %		79.9 %		74.7 %	
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt and Næringskreditt		57.6 %		56.9 %		53.8 %	
Average assets	5	83 432		79 048		80 191	
Total assets		84 981		81 983		83 188	
Leverage Ratio		6.0 %				5.9 %	
Losses on loans and commitments in default *)							
Losses on loans to customers as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.15 %		0.11 %		0.19 %	
Commitments in default as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.41 %		0.55 %		0.34 %	
Commitments at risk of loss as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.39 %		0.32 %		0.27 %	
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt		0.54 %		0.61 %		0.41 %	
Loan loss provision ratio		33.14 %		29.89 %		32.82 %	
Solidity							
Total regulatory Capital %	6	16.1 %		14.2 %		15.6 %	
Tier I Capital %	7	14.1 %		13.3 %		13.6 %	
Common Equity Tier I - incl share of period result		13.4 %		13.0 %		12.5 %	
Tier I capital		8 464		7 741		8 439	
Equity and related capital resources		9 709		8 382		9 680	
Adjusted risk-weighted assets base		60 194		58 830		61 936	
Liquidity Coverage Ratio (LCR)		163 %					
Branches and full-time employees							
Branches		66		67		66	
Manyear		901		919		927	

Key figures ECC

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2Q15 *
Quoted/market price as at 31.12 (adjusted) 1)	47.05	39.97	13.85	34.62	37.76	28.90	24.70	35.50	39.90	41.30
Number of Equity Certificates (EC) issued (mill) (2)	50.31	53.43	56.92	56.92	56.92	74.00	74.40	100.40	100.40	100.40
Quoted/market price EC issued (mill) (3)	2 367	2 135	788	1 970	2 149	2 139	1 837	3 564	4 006	4 146
Quoted/market price total equity (4)	7 283	6 494	2 282	5 704	6 223	5 083	4 418	7 530	8 464	8 761
Allocatde dividend per EC (5)	3.15	2.99	0.94	2.12	1.81	1.25	1.02	1.10	1.90	
Paid-out dividend per EC	3.15	3.15	2.99	0.94	2.12	5.14	1.25	1.15	1.10	1.90
Direct return (6)	6.7 %	7.5 %	6.8 %	6.1 %	4.8 %	4.3 %	4.1 %	3.1 %	4.8 %	
Return efficiency (7)	1.6 %	-8.4 %	-57.9 %	156.8 %	15.2 %	-9.8 %	-10.2 %	48.4 %	15.5 %	8.3 %
Total equity capital Parent bank	3 185	3 566	3 656	4 247	4 547	5 264	5 589	7 200	7 735	8 026
Total equity capital Group, NOK mill	3 524	4 104	4 458	5 160	5 670	6 408	6 832	8 502	9 343	9 521
Equity capital per EC Parent bank (8)	27.13	29.43	27.87	31.09	34.59	29.93	31.24	33.94	36.46	37.84
Equity capital per EC Group (9)	22.76	25.26	27.05	31.31	34.41	36.43	38.19	40.08	44.05	44.88
Result per EC Parent bank (10)	5.15	4.39	2.08	5.41	4.93	2.28	2.91	3.91	3.50	6.50
Result per EC Group (11)	5.43	4.50	2.09	5.21	4.95	2.75	3.36	4.13	5.16	5.19
P/E (Price/Earnings per certificate Group)(12)	8.67	8.88	6.62	6.64	7.63	10.51	7.34	8.59	7.73	7.96
P/V (Price/Book Value per certificate Group)(13)	2.07	1.58	0.51	1.11	1.10	0.79	0.65	0.89	0.9	0.9
Pay-out ratio Group (14)	61.1 %	68.1 %	45.4 %	39.3 %	36.7 %	54.9 %	35.1 %	26.6 %	36.8 %	0.0 %
EC ratio overall as at 31.12 (15)	32.5 %	32.9 %	34.5 %	34.5 %	34.5 %	42.1 %	41.6 %	47.3 %	47.3 %	47.3 %
EC ratio overall as at 01.01 used for allocaton of result	35.6 %	34.2 %	34.2 %	34.5 %	34.5 %	38.7 %	42.1 %	42.9 %	47.3 %	47.3 %

* Calculation as of end of quarter

Comments/definitions:

1) Quoted/market price	Quoted/market price adjusted for equity issues, fund issues, dividend issues and splits
2) Number of Equity Certificates (EC) issued (mill)	All key figures are adjusted with the same factor as the quoted/market price
3) Quoted/market price EC issued (mill)	Number of certificates issued as of 31.12. adjusted as 1)
4) Quoted/market price total equity	Market price * number of ECs
5) Allocated dividend per EC	Market price * number of ECs/ EC ratio overall
6) Direct return	Allocated dividend adjusted as 1)
7) Return efficiency	Allocated dividend/Market price EC as at 31.12
8) Equity capital per EC Parent bank	(Market price EC 31.12 - market price 1.1 previous year + paid dividend)/Market price EC 1.1
9) Equity capital per EC Group	Book equity Parent bank*EC ratio overall/Number of EC 31.12
10) Result per EC Parent bank	Book equity Group*EC ratio overall/Number of EC 31.12
11) Result per EC Group	Annualised result after tax Parent bank*EC ratio overall 1.1/Number of EC 31.12
12) P/E (Price/Earnings per certificate Group)	Annualised result after tax Consern*EC ratio overall 1.1/Number of EC 31.12
13) P/V (Price/Book Value per certificate Group)	Marked price 31.12/Result per EC Group
14) Pay-out ratio per EC Group	Marked price 31.12/Book value per EC Group
15) EC ratio overall as at 31.12	Dividend per EC/Result per EC Group
16) EC ratio overall as at 01.01	EC-owners share of equity capital (Parent bank), calculated at year end
	EC-owners share of equity capital (Parent bank), used for allocation of result of the year

Interim report for Q2 2015 – Group

(Figures in brackets are for the same period in 2014)

Highlights:

- Profit before tax: NOK 684 million (NOK 897 million).
- Profit after tax: NOK 550 million (NOK 754 million).
- Return on equity after tax: 11.7 % (17.2 %).
 - Earnings per equity certificate: NOK 2.61 (NOK 3.55).
- Continued good underlying banking operations.
- Net income from financial assets: NOK 211 million (NOK 432 million).
- Cost/income ratio: 47.3 % (40.7 %).
- Loan losses: NOK 68 million (NOK 47 million).
- Lending growth in the last 12 months: 5.2 % (6.7 %), including intermediary loans.
 - Retail market 6.5 % (7.0 %).
 - Corporate market 2.1 % (6.1 %).
- Growth in deposits in the last 12 months: 6.4 % (2.0 %).
 - Retail market 7.4 % (8.0 %).
 - Corporate market: 3.7 % (9.0 %).
 - Public sector market: 8.4 % (-23.9 %).
- Deposit coverage ratio: 79.2 % (79.9 %).
- Common equity tier 1 capital ratio, Group: 13.4 % (13.0 %).
- Very good liquidity.
- Continuing focus on underlying banking operations. The Group's total exposure in Russia are reduced. Further it has been decided to phase out BN Bank's corporate market business.

Macroeconomic trends

The Norwegian economy has slowed down in 2015 as a result of low oil prices and resulting lower investments in oil. Growth in GDP may fall to 1 %, and unemployment may rise to 4 %. On 18 June, Norges Bank reduced its benchmark rate of interest by 0.25 percentage points because growth in the Norwegian economy was weaker than expected and the economic outlook is rather uncertain. Based on the assessment of the outlook by Norges Bank, the benchmark rate could be further reduced in the autumn of 2015.

So far, the Norwegian economy is showing only limited signs of weakness. The Business Barometer for Northern Norway estimates growth in the region's economy at 3 % in 2015. The Regional Network North report to Norges Bank in June 2015 shows that growth in the North is stronger than in the rest of the country, but that the next six months will be more moderate than previously assumed. Unemployment remains at a low level, with 2.6 % completely unemployed in June. The housing market continues to move ahead, with rising prices and short turnover times in the major towns. However, the number of new builds is 25 % lower for the year to date compared to the same period in 2014.

Northern Norway is not much affected by the slowdown in the Norwegian economy because the region is less dependent on the oil and gas sector. The commissioning of Goliat in the late summer of 2015, and the expansion of Aasta Hansteen and Polarled will make a positive contribution to the economy of the region in the coming years. The weakness of the Norwegian krone has also strengthened export industries. For seafood exports, the first half of 2015 was the best ever. The tourism industry reports 7 % more overnight stays as of May 2015. A third growth factor is high capital investment in the region.

Northern Norwegian household finances are solid. Lasting low unemployment, growth in real wages and lower interest rates have resulted in good growth in personal savings. Growth in private consumption has picked up and turnover in the retail trade increased by 3 % in 2014. Businesses in the retail sector expect slightly weaker growth in the remainder of 2015.

The macro-economic outlook for Northern Norway still looks positive, and better than for the country as a whole. However, the Bank is prepared for the slowdown in the Norwegian economy to have a greater impact on Northern Norway as households become more cautious and domestic demand slows. Developments in the international economy may also have a noticeable impact on the regional economy, particularly falling prices in China and increasing uncertainty in the eurozone.

Overall, the Bank considers the outlook for the economy in Northern Norway to be good. The current forecast projects growth of 3 % in 2015. A new forecast will be published in the Business Barometer for Northern Norway in November 2015.

Financial performance

The financial statements as per the second quarter of 2015 show an operating profit before tax of NOK 684 million (NOK 897 million). Underlying banking operations before losses remain very good with a profit of NOK 541 million, compared with NOK 512 million for the same period last year. Profits in the second quarter of 2014 were affected by the recognition of gains of NOK 148 million from the agreed sale of Nets.

The group's return on equity after tax as of 30.06.15 was 11.7 % (17.2 %). Its earnings per equity certificate were NOK 2.61 (NOK 3.55).

Net interest income

Net interest income as at the second quarter of 2015 amounted to NOK 737 million (NOK 670 million).

As a percentage of average total assets, the net interest income was 1.77 % (1.70 %).

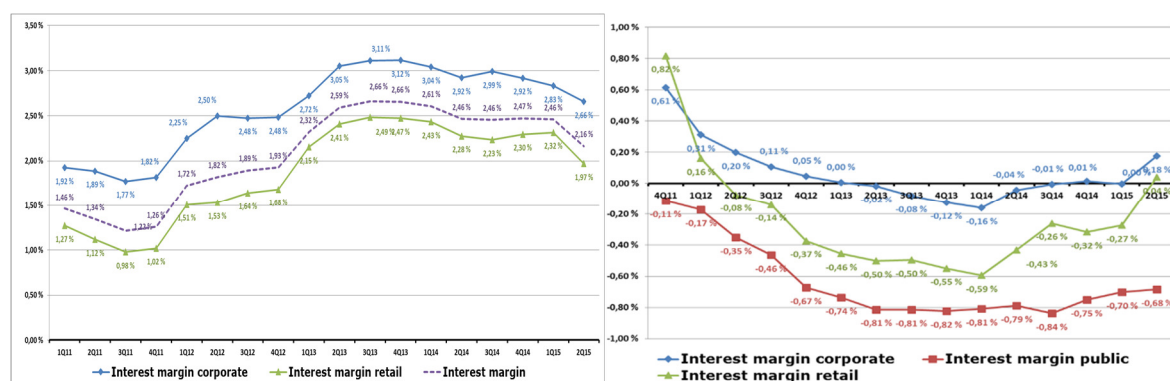
Income from the loan portfolio transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is recognised as commissions. Commissions totalled NOK 142 million as at the second quarter of 2015. The corresponding figure for the same period in 2014 was NOK 183 million. Net interest income including the above commissions shows an increase of NOK 26 million compared with the second quarter of 2014.

As at 30.06.15, home mortgages worth NOK 23.6 billion (NOK 23.4 billion) had been transferred to SpareBank 1 Boligkreditt. As at 30.06.15, no loans had been transferred to SpareBank 1 Næringskreditt (NOK 300 million).

Compared with the first quarter of 2015, net interest income, including commissions from the transferred loan portfolios but excluding charges for the Guarantee Fund, developed as follows:

Amounts in NOK million	Q2 2015	Change	Q1 2015
Net interest income incl. commissions from intermediary loans	433	-13	446
Lending and deposit volume		+5	
Lending and deposit margins		-21	
Effect of 2 fewer days		+3	

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



In 2012 and 2013, Norwegian banks went through a period of significantly increased interest margins and net interest income. This trend turned around in 2014, and net interest margins weakened somewhat in the course of the year – partly due to several decreases in interest rates. Increased competition led the banks to reduce their deposit and lending rates further from the beginning of March 2015. For SpareBank 1 Nord-Norge, this last interest rate change taken in isolation had a slightly negative effect on net interest income.

Norges Bank's benchmark rate was reduced from 1.25 % to 1.00 %. This was in line with market expectations and resulted in lower money market rates. The low interest rates in the money markets are expected to persist, which will in turn result in lower borrowing costs for the banks. Based on this, and on continued strong competition in the market, the Bank decided to reduce its deposit and lending rates from 19/06/2015 on new commitments. For the existing portfolio, the interest rate change will take effect from mid-August.

Compared to the first quarter of 2015, the Bank's average funding costs from the capital markets fell slightly in the second quarter. In the second half, average funding costs are expected to fall further on the back of the reduced NIBOR. The development of the Bank's overall margins will depend primarily on the competitive situation.

The Bank believes that, seen in isolation, the introduction of higher capital requirements indicates a need for a greater focus on lending and deposit margins.

Net commissions and other income

Net commissions and other income as of Q2 2015 were NOK 478 million (NOK 491 million).

<i>Figures in NOK million</i>	30.06.15	change	30.06.14
Net commissions and other operating income	478	-13	491
Commissions from SpareBank 1 Boligkreditt.	142	-40	182
Commissions from EiendomsMegler 1 Nord-Norge	63	+18	45
Income from accountancy firm SNN Regnskapshuset	22	+4	18
Other commissions and other income	251	+5	246

Income from financial investments

Total net income from financial investments as of Q2 2015 amounts to NOK 211 million (NOK 432 million).

This has developed as follows:

<i>Figures in NOK million</i>	30.06.15	change	30.06.14
Net income from financial investments	211	-221	432
Result from SpareBank 1 Gruppen	127	-26	153
Result from SpareBank 1 Boligkreditt	42	+33	9
Result from BN Bank	25	-14	39
Result from SpareBank 1 Næringskreditt	9	-3	12
Result from SpareBank 1 Kredittkort	9	+15	-6
Result from SpareBank 1 Markets	14	+31	-17
Share dividends	7	-9	16
Net change in value of equities	-28	-216	188
Net change in value of bonds incl. hedging	-25	-72	47
Net change in value of currency and financial derivatives	32	+14	18
Net change in value of loans at fair value incl. hedging	-1	+26	-27

As mentioned above, the net change in the value of shares in the second quarter of 2014 was affected by the recognition of gains of NOK 148 million from the agreed sale of Nets.

Profit contribution from joint ventures

SpareBank 1 Gruppen

SpareBank 1 Gruppen's profit after tax as of the second quarter of 2015 totalled NOK 653 million (NOK 785 million). The SpareBank 1 Nord-Norge Group's 19.5% share of the result, amounting to NOK 127 million (NOK 153 million), has been incorporated into the financial statements. SpareBank 1 Livsforsikring and SpareBank 1 Skadeforsikring made the greatest contributions to SpareBank 1 Gruppen's profit.

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt were set up by the banks in the SpareBank 1 Alliance to benefit from capital market funding through the use of covered bonds. The banks transfer mortgages with very good security to these companies. This reduces borrowing costs and increases the competitiveness of the SpareBank 1 banks.

The Bank currently owns a 14.71 % stake in SpareBank 1 Boligkreditt and the share of its profit as at the second quarter of 2015 was NOK 42 million (NOK 9 million). Profits to date in 2015 are affected by the recognition of changes in value from basis swaps in the first quarter from the sharp fall in EUR basis swap spreads (the Bank's share: NOK 42 million). These are temporary accounting effects which will even out over time.

SpareBank 1 Nord-Norge's stake in SpareBank 1 Næringskreditt is 20.83 %, and the share of its profit as of the second quarter of 2015 was NOK 9 million (NOK 12 million).

BN Bank

SpareBank 1 Nord-Norge had a 23.5 % stake in BN Bank as at 30.06.15. The share of profit as at the second quarter of 2015 amounted to NOK 25 million (NOK 39 million).

On 10 August, the Board of Directors of BN Bank decided to streamline the bank as a retail market bank and phase out the corporate market business, which consists of loans to commercial property.

This decision was based on a desire to continue to develop the retail market and streamline BN Bank to become a pro-active bank for retail customers who prefer an attractive concept and favourable rates of interest over a period of time. The corporate market in BN Bank specialises in the financing of commercial property and the corporate market has historically been an important area for BN Bank. However, special Norwegian capital adequacy rules result in a relatively low return, nor are there any prospects that the special Norwegian capital adequacy rules will be amended, so the profitability is not likely to improve to a sufficient extent.

BN Bank will still be part of the SpareBank 1 Alliance. SpareBank 1 Nord-Norge will continue its ownership of BN Bank and will help ensure that the change in its business is implemented in a way that safeguards the creditors' interests, customers and employees in the best possible manner.

The work on winding down and phasing out the corporate market business will be carried out in a controlled manner over a period of time. Seen in isolation, this is expected to contribute to a reduced consolidated risk-weighted balance sheet in SpareBank 1 Nord-Norge - and hence an increased capital adequacy ratio.

The downsizing of the corporate loan portfolio includes lending secured for commercial properties, which have been sold and transferred to SpareBank 1 Næringskreditt. SpareBank 1 Nord-Norge currently owns 20.8 per cent of the shares in SpareBank 1 Næringskreditt. Provided an immediate downscaling of the corporate market portfolio in BN Bank and SpareBank 1 Næringskreditt AS, the increase in SpareBank 1 Nord-Norge's CET-1 ratio as at 30.6.2015 is estimated to approximately 1.3 percentage points. Provided an immediate downscaling of the corporate market portfolio in BN Bank and SpareBank 1 Næringskreditt AS at booked value, the increase in SpareBank 1 Nord-Norge's CET-1 ratio as at 30.6.2015 is estimated to approximately 1.4 percentage points.

Other companies

The 17.80 % stake in SpareBank 1 Kredittkort and share of the result as of the second quarter amounting to NOK 9 million (NOK -6 million) has also been incorporated. A 27.03 % share of the profits from SpareBank 1 Markets, NOK 14 million (NOK -17 million) has also been included so far this year. In the second quarter of 2015, the formal restructuring of SpareBank 1 Markets was completed with the integration of the market activities of Sparebank 1 SMN into SpareBank 1 Markets. As a result, SpareBank 1 Nord-Norge's stake in SpareBank 1 Markets was reduced to 9.9 %. In the Bank's balance sheet as at 30.06.15, the stake was reclassified from investment in an associated company and joint venture to shares measured at fair value.

The group's equities portfolio

The Group's equities portfolio as at 30.06.15 amounted to NOK 466 million (NOK 901 million). As of the second quarter of 2015, the Bank recognised a net loss/devaluation on this portfolio of NOK -28 million (NOK 188 million as at 30.06.14, of which NOK 137 million related to the sale of the stake in Nets AS). The portfolio in the subsidiary SpareBank 1 Nord-Norge Portefølje for the Nord II equity fund saw a negative change in value of NOK 40 million. This was mainly due to unrealised revaluations of investments in companies with exposures in the oil and gas sector.

Commercial paper and bonds

As at 30.06.15, the Group's holdings of certificates and bonds amounted to NOK 10,253 million (NOK 11,350 million).

The total net change in value of this portfolio as per the second quarter of 2015 amounted to NOK -25 million (NOK 47 million).

The Norwegian securities market, particularly for covered bonds, affected risk margins in the first quarter of 2015. Increased risk premiums produced an unrealised accounting loss on the Bank's interest-bearing portfolio.

Currency and derivatives

The net change in value from currency and financial derivatives as at the second quarter of 2015 amounted to NOK 32 million (NOK -9 million). This amount consists of parts of the income from 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	
		30.06.15	30.06.14
SpareBank 1 Finans Nord-Norge AS	100	60,428	58,645
SpareBank 1 Nord-Norge Portefølje AS	100	-43,751	33,155
EiendomsMegler 1 Nord-Norge AS	100	18,249	9,087
EiendomsMegler 1 Lofoten AS	60	155	-41
SpareBank 1 Nord-Norge Forvaltning ASA	100	1,167	1,243
SpareBank 1 Regnskapshuset Nord-Norge AS	100	7,143	6,579
North-West 1 Alliance Bank	75	-9,093	-2,668
Nord-Norge Eiendom IV AS	100	-366	574
Alsgården AS	100	426	901
Fredrik Langesg 20 AS	100	488	539

The Group's subsidiaries have a combined result before tax as of the second quarter of 2015 of NOK 35 million (NOK 108 million), which has been fully consolidated in the consolidated financial statements.

SpareBank 1 Finans Nord-Norge AS's pre-tax profit as of the second quarter of 2015 was NOK 60 million (NOK 59 million). The company has a good earnings base and total earnings for the year-to-date amount to NOK 133 million (NOK 126 million). Losses on leasing and loan commitments at the end of the second quarter of 2015 amounted to NOK 4 million (NOK 3 million). At the end of the quarter, the company managed leasing, consumer loan and vendor's security agreements to a total value of NOK 4,226 million (NOK 3,729 million), of which leasing agreements represented NOK 2,320 million (NOK 1,998 million).

North West 1-Alliance Bank in St. Petersburg, Russia (75% stake) had a pre-tax profit for the second quarter of 2015 of NOK -9 million (NOK -3.6 million).

SpareBank 1 Nord-Norge Portefølje AS has a portfolio of unlisted equities and investments in funds. The company's pre-tax profit as of the second quarter of 2015 was NOK -44 million (NOK 33 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 had a pre-tax profit as of the second quarter of 2015 of NOK 18 million (NOK 9 million). The number of units sold to date in 2015 is 1,330 (971), representing a total market value of NOK 75 million, an increase of 36 % compared with the same period in 2014. EiendomsMegler 1 Nord-Norge owned 60 % of the company EiendomsMegler 1 Lofoten AS as of 30.06.15.

SpareBank 1 Nord-Norge Forvaltning AS's pre-tax profit as of the second quarter of 2015 was NOK 1.2 million (NOK 1.2 million).

SpareBank 1 Regnskapshuset Nord-Norge AS's profit contribution before tax as of the second quarter of 2015 was NOK 7.1 million (NOK 6.6 million). The Group's balance sheet as at 30.06.15 also includes NOK 10 million posted to equity as a result of adjusted accounts for 2014 arising from goodwill impairment.

Operating costs

Ordinary operating costs at the end of the second quarter of 2015 totalled NOK 674 million. Compared with the same period in 2014, this represents an increase of NOK 25 million.

The changes in costs were distributed as follows:

<i>Amounts in NOK million</i>	Q2 2015	change	Q2 2014
Operating costs	674	+25	649
Personnel costs	371	+50	321
Admin. costs	180	+4	176
Depreciation	28	-26	54
Other costs	95	-3	98

In relation to the average total assets, costs amounted to 1.62 % at the end of the second quarter of 2015, a decrease of 0.02 percentage points compared with the same period in 2014.

The Group's cost ratio was 47.3 % as of the second quarter of 2015, compared with 46.6 % as of the first quarter of 2015 and 40.7 % as of the second quarter of 2014.

The higher costs compared with the same period in 2014 were mainly attributable to higher staff costs, including general pay increases, increased employer contribution rates in Northern Norway and increased provisions for restructuring costs (see below).

Operating costs for the second quarter of 2015 were NOK 2 million lower than for the first quarter of 2015.

The Group's goal is to hold average annual cost increases to a maximum of 1 %, excluding restructuring costs and possible business expansions. A profitability project is now in progress which is proposing a number of cost reduction measures, including efficiency improvements in both personnel and other costs.

A provision totalling NOK 20 million was made in the income statement for the second half of 2014 for future restructuring costs. Further provisions of NOK 20 million were made in the second quarter of 2015.

The parent bank's costs amounted to NOK 532 million as of the second quarter of 2015, an increase of NOK 30 million compared with the same period last year.

At the end of the second quarter 2015, the number of full time equivalents in the Group was 18 fewer than at the same time last year: there were 13 fewer in subsidiaries and 5 fewer in the parent bank. The Group had 901 full time equivalents at the end of the second quarter of 2015, 634 of whom were accounted for by the parent bank.

Net losses and non-performance

The Group's net loan losses as of the second quarter of 2015 amounted to NOK 68 million (NOK 47 million): NOK 60 million from the corporate market and NOK 8 million from the retail market.

Net non-performing and doubtful commitments as at 30.06.15 totalled NOK 470 million (NOK 509 million), which represents 0.5 % of gross lending including intermediary loans. This is 0.07 percentage points lower than as at 30.06.14.

The Group's total individual loss write-downs as at 30.06.15 were NOK 383 million (NOK 217 million), including NOK 150 million with credit institutions. The allocations were increased by NOK 32 million net in the last quarter.

Group write downs as at 30.06.15 were NOK 235 million (NOK 224 million) and have been reduced by NOK 2 million compared with the previous quarter. Group write-downs totalled 0.37 % (0.38 %) of the Group's combined gross lending as at 30.06.15 (0.27 % of gross lending including intermediary loans).

No new commitments exposed to a significant risk of losses were uncovered in the second quarter of 2015. In the opinion of the Main Board of Directors, the quality of the bank's loan portfolio remains good, and the Bank is doing high quality work in connection with Group's non-performing and doubtful commitments. There will continue to be a strong focus on this work in the coming months. The general level of losses is expected to be moderate in the near future.

The Group's venture in Russia - loss provisions

SpareBank 1 Nord-Norge is involved in banking operations in Russia through Tavrishesky Bank (TB) and North-West 1 Alliance Bank (NW1). Work is in hand to wind up the Group's commitments in Russia.

At the end of the year, the Group's total exposure in Russia amounted to NOK 615 million, including equity exposure of NOK 183 million, made up of NOK 93 million in TB (9.3 % stake) and NOK 90 million in NW1 (75 % stake). Loss provisions of NOK 300 million were made in the 2014 accounts to cover the Group's exposure in Russia.

As of 30 June 2015, the Group's total exposure in Russia amounted to NOK 488 million. This reduced exposure relative to the previous year-end is attributed to repayments of the commitment. The net exposure after remaining provisions for losses amounts to NOK 206 million. No further loss provisions for this exposure have been made in 2015.

Tax

The Group's tax costs were estimated at NOK 134 million as of the second quarter of 2015. In the parent bank's accounts, the taxable profit has been reduced by permanent differences coupled with the effects of the exemption model.

Total assets

The Group's total assets amounted to NOK 84,981 million as at 30.06.15. Total assets have increased by 3.7 %, or NOK 2,998 million, in the last 12 months.

Lending

As of 30.06.15, loans totalling NOK 24 billion (NOK 23 billion) had been transferred to SpareBank 1 Boligkreditt. As at 30.06.15, no loans had been transferred to SpareBank 1 Næringskreditt (NOK 300 million). These loans do not appear as lending on the Bank's balance sheet. Comments regarding increases in lending include loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

The Group's gross lending to customers including intermediary loans totalled NOK 86,709 million as at 30.06.15. Compared with 30.06.14, this amounts to an increase of 5.2 %. Retail loans grew by 6.5 % (7.0 %), while corporate and public sector loans grew by 2.1 % (6.1 %). The percentage of lending to the retail market constitutes 71 % (70 %) of the total lending as at 30.06.15.

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.

The balance sheet for 30.06.15 presents net lending to customers including accrued interest.

Liquidity

Deposits from customers are the bank's main source of funding. At the end of the second quarter of 2015, the deposit coverage ratio (excluding intermediary loans) was 79 % (80 %). 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 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. The LCR (liquidity coverage ratio) at 30.06.15 is estimated at 163 %.

The Group's deposits from customers, excl. accrued interest, totalled NOK 50,246 million as at 30.06.15. The increase over the past 12 months was NOK 2,925 million, or 6.4 %. The increase in deposits was 7.4 % (8 %) in

the retail market, 3.7 % (9 %) in the corporate market, and 8.4 % (24 %) in the public sector. The calculations do not take account of Treasury bills.

The balance sheet for 30.06.15 presents deposits from customers including accrued interest.

The Board of SpareBank 1 Nord-Norge has decided to apply for a licence for a wholly owned home mortgage company. This company will be a supplement to SpareBank 1 Boligkreditt, which will remain the Alliance banks' main tool for raising loans through covered bonds. The Bank will be able to sell loans to the new home mortgage company that meet the criteria for sales of loans to SpareBank 1 Boligkreditt, including fixed-rate loans. The establishment of a wholly owned home mortgage company will also eliminate problems associated with the regulations that apply to large commitments and regulate the maximum outstanding account between SpareBank 1 Nord-Norge and SpareBank 1 Boligkreditt.

In May 2014, the Moody's rating agency improved the rating for SpareBank 1 Nord-Norge from A2 to A1.

The Bank's liquidity situation and access to liquidity is very good.

Financial strength and capital adequacy

The Group's common equity tier 1 capital ratio at the end of the second quarter of 2015 was 12.9 % (12.2 %). The tier 2 capital ratio is 14.1 % (13.3 %) and the total capital adequacy ratio is 16.1 % (14.2 %). Including profit shares, the tier 1 capital ratio is 13.4 % as of 30.06.15 (13.0 %).

The unweighted tier 1 capital ratio (leverage ratio) as at 30.06.15 is estimated at 6.0 %.

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

SpareBank 1 Nord-Norge's goal is to maintain unquestionable financial strength and satisfy the statutory minimum equity requirements for capital adequacy. The Group's goal is to have an internal capital buffer of at least 1 percentage point above the statutory minimum requirement. The Group's long-term goal for common equity tier 1 capital ratio is currently 14.5 %.

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

The Bank's equity certificate holders

As at 30.06.15, the parent bank's equity certificate capital was NOK 1,807 million. The number of equity certificates as at 30.06.15 was 100,398,016 each with a nominal value of NOK 18, fully paid-up.

The equity certificate ratio as at 01.01.15 was 47.33 %. The number of holders of equity certificates at 30.06.15 was 7,653 (7,542).

The percentage of equity certificate holders from Northern Norway was 34 % (21 %). 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 41.30 as at 30.06.15 (NOK 35.50). Based on this price, the market value of the Bank's equity was NOK 8,761 million (NOK 7,530 million). The earnings per equity certificate (Group) amounted to NOK 2.61 (NOK 3.55).

The ambition of a faster adjustment to a normalised dividend yield of up to 50% continues. Any further increase in the dividend yield and the bank's dividend policy above a 50% target dividend payout ratio will depend on the future lending growth and growth in the risk-weighted balance sheet.

New framework conditions

Counter-cyclical capital buffer will be increased in 2016

In keeping with advice from Norges Bank, the Ministry of Finance has decided that the level of the counter-cyclical capital buffer requirement for the banks shall be increased to 1.5% starting on 30.06.16. The counter-cyclical capital buffer requirement was previously set at 1% starting on 30.06. of this year. The Ministry has particularly emphasised the debt burden in the household sector and the fact that greater capital strength will make Norwegian banks more robust against future loan losses.

Regulation by law of requirements for home mortgages

As part of its strategy for the housing market, the government adopted regulations concerning requirements for new home mortgage loans. For home mortgages exceeding 70% of the dwelling's value, requirements are specified in the regulations, some of which came into force on 01.07.15, concerning yearly principal payments of at least 2.5% of the approved loan or of whatever the principal payment would have been on a self-amortizing loan with a 30-year repayment time if that is lower. The general rule in previous guidelines that home mortgages should not exceed 85% of the dwelling's value has been continued. The capital adequacy requirement can be met with additional collateral in the form of a mortgage on other real property or surety and/or a guarantee. Lines of credit shall still not exceed 70% of the dwelling's value. In the assessment of future capacity to service loans, the customers must be able to tolerate a five percentage point increase in interest rates as before.

In addition, a certain amount of flexibility (the so-called "speed limit") will be introduced on the granting of credit in the sense that up to ten per cent of the value of the approved loan per quarter can depart from one or more of the regulatory requirements related to the capacity to service the loan, the Loan-to-Value ratio and the principal payment. In order to maintain competition in the market, loans that are transferred from one bank to another (refinancing) shall not be included in the 10% quota. The regulations will also apply to foreign financial institutions that conduct business in Norway. There will thus be clear requirements for reporting, supervision and compliance that affect all banks equally and give equal rules to a greater extent.

The authorities shall regularly evaluate the requirements in view of the developments in the housing market, the households' accumulation of debt and any impacts on the competition among the banks. The regulations shall be in force until year-end 2016 unless the evaluation shows that there is still a need for them thereafter.

New liquidity requirements starting in 2016

The Financial Supervisory Authority of Norway recommends that new liquidity requirements issued through the CRD IV regulations (which include the Liquidity Coverage Ratio, LCR) shall be met at a level of 60% starting on 01.10.15 and that this should be gradually scaled up to 100% by 2018. This is in keeping with the EU's schedule for phasing in the new liquidity requirements. The Financial Supervisory Authority of Norway further proposes a special Norwegian rule that Norwegian banks with assets exceeding NOK 20 billion must have an LCR of at least 100% starting on 01.01.16.

As per 30.06.15, SpareBank 1 Nord-Norge meets the LCR requirements (cf. the section above concerning liquidity as well).

The CRD IV regulations also include a long-term liquidity requirement, the Net Stable Funding Ratio, NSFR. The Financial Supervisory Authority of Norway recommends waiting for the introduction of NSFR until this has been completely formulated by the EU, starting no later than in 2017.

Concluding remarks and future prospects

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

While the Norwegian economy is slowing down as a result of low oil prices and resulting low oil investments, the economy of Northern Norway has so far shown fewer signs of weakening. A major reason why the macro-economy of Northern Norway has better growth prospects than the country as a whole is that the regional economy is less dependent on the oil and gas sector. The weaker Norwegian krone is also boosting export industries. For seafood exports, the first half of 2015 was the best ever, and the tourism industry reports an increase in the number of overnight stays. There is also high capital investment in the region.

Although the macro-economic outlook for Northern Norway still looks better than for the country as a whole, the Bank is nevertheless prepared for the slowdown in the Norwegian economy to have a greater impact on Northern Norway. This is because households are becoming more cautious, because of a decline in domestic demand, and because developments in the international economy could also affect the region's industry.

Overall, the Board considers the outlook for the economy of Northern Norway to be good. 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 in 2015 and in 2016.

Tromsø, Norway, 11 August 2015

The Board of SpareBank 1 Nord-Norge

Kjell Olav Pettersen
(Chairman of the Board)

Pål Andreas Pedersen
(Deputy Chairman)

Sonja Djønne

Hans Tore Bjerås

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)

31.12.14	2Q14	2Q15	30.06.14	30.06.15		30.06.15	30.06.14	2Q15	2Q14	31.12.14
2 820	675	637	1 381	1 299	Interest income	1 386	1 470	682	721	2 998
1 578	382	316	808	657	Interest costs	649	800	314	379	1 572
1 242	293	321	573	642	Net interest income	737	670	368	342	1 426
801	203	187	405	376	Fee- and commission income	460	470	233	240	940
72	18	17	34	34	Fee- and commission costs	35	35	18	19	74
21	5	4	9	7	Other operating income	53	56	24	27	100
750	190	174	380	349	Net fee-, commission and other operating income	478	491	239	248	966
16	5	7	16	7	Dividend	7	16	7	5	16
134	159	308	244	406	Income from investments	226	190	114	119	453
105	47	- 19	188	- 7	Net gain from investments in securities	- 22	226	- 28	65	133
255	211	296	448	406	Net income from financial investments	211	432	93	189	602
2 247	694	791	1 401	1 397	Total income	1 426	1 593	700	779	2 994
538	124	139	245	283	Personnel costs	371	321	182	159	704
311	76	81	155	160	Administration costs	180	176	90	87	349
50	13	11	25	23	Ordinary depreciation	28	54	14	40	97
140	35	33	77	66	Other operating costs	95	98	50	47	178
1 039	248	264	502	532	Total costs	674	649	336	333	1 328
1 208	446	527	899	865	Result before losses	752	944	364	446	1 666
290	38	34	58	67	Losses	68	47	36	22	321
918	408	493	841	798	Result before tax	684	897	328	424	1 345
175	59	55	122	109	Tax	134	143	68	71	223
0	0	0	0	0	Result non-current assets held for sale	0	0	0	0	27
743	349	438	719	689	Result after tax	550	754	260	353	1 095
					Majority interest	553	753	261	352	1 096
					Minority interests	- 3	1	- 1	1	- 1
					Result per Equity Certificate					
3.50	1.65	2.06	3.39	3.25	Result per Equity Certificate	2.61	3.55	1.23	1.66	5.17
3.50	1.65	2.06	3.39	3.25	Diluted result per Equity Certificate	2.61	3.55	1.23	1.66	5.17

Other comprehensive income

743	349	438	719	689	Result after tax	550	754	260	353	1 095
0	0	0	0	0	Recalculation differences	1	-3	-4	8	-35
0	0	0	0	0	Value adjustment of property, plant and equipment	-10	0	0	0	0
4	0	3	2	5	Effective part of change in fair market value in cash flow hedging	5	2	3	0	4
0	0	0	0	0	Net change in fair market value of investment in joint ventures	30	0	30	0	-8
-80	-82	0	-82	0	Actuarial gains (losses) on benefit-based pension schemes	0	-82	0	-82	-85
21	23	-1	22	-1	Tax on other comprehensive income	-1	22	-1	23	22
-55	-59	2	-58	4	Other comprehensive income for the period	25	-61	28	-51	-102
688	291	440	662	693	Total comprehensive income for the period	575	693	288	302	993
					Majority interest	0	692	-288	298	1 001
					Minority interests	0	1	1	4	-8
					Total result per Equity Certificate					
3.24	1.37	2.07	3.12	3.27	Total result per Equity Certificate	2.71	3.27	1.36	1.42	4.68
3.24	1.37	2.07	3.12	3.27	Diluted total result per Equity Certificate	2.71	3.27	1.36	1.42	4.68
					Tax on other comprehensive income:					
-1	1	-1	0	-1	Effective part of change in fair market value in cash flow hedging	-1	0	-1	1	-1
22	22	0	22	0	Actuarial gains (losses) on benefit-based pension schemes	0	22	0	22	23
21	23	-1	22	-1	Tax on other comprehensive income	-1	22	-1	23	22

Statement of financial position

Parent Bank

Group

(Amounts in NOK million)

31.12.14	30.06.14	30.06.15		30.06.15	30.06.14	31.12.14
Assets						
631	405	611	Cash and balances with central banks	662	460	685
7 280	7 154	7 418	Loans and advances to credit institutions	3 724	3 779	3 720
57 000	54 579	58 721	Net loans and advances to customers	62 972	58 486	60 977
241	705	289	Shares	466	901	473
9 720	11 350	10 253	Certificates and bonds	10 253	11 350	9 720
2 121	1 419	1 479	Financial derivatives	1 479	1 413	2 121
558	618	678	Investments in Group Companies	0	0	0
2 750	2 680	2 680	Investments in associated companies and joint ventures	4 091	3 862	4 187
464	468	455	Property, plant and equipment	567	582	594
0	0	0	Non current assets held for sale	35	0	35
0	0	0	Deduction for ntangible assets	51	81	61
520	955	633	Other assets	681	1 069	615
81 285	80 333	83 217	Total assets	84 981	81 983	83 188
Liabilities						
2 764	3 268	1 301	Deposits from credit institutions	1 287	3 262	2 758
45 736	47 263	50 235	Deposits from customers	50 246	47 321	45 763
21 312	18 704	20 374	Debt securities in issue	20 373	18 704	21 314
1 493	884	986	Financial derivatives	986	884	1 493
710	727	760	Other liabilities	956	945	914
0	0	0	Non current assets held for sale	0	0	0
185	165	185	Deferred tax liabilities	262	214	253
1 350	1 615	1 350	Subordinated loan capital	1 350	1 615	1 350
73 550	72 626	75 191	Total liabilities	75 460	72 945	73 845
Equity						
1 807	1 807	1 807	Equity Certificate capital	1 807	1 807	1 807
843	843	843	Equity Certificate premium reserve	843	843	843
1 020	667	831	Dividend Equalisation Fund	831	667	1 020
3 745	3 565	3 748	The Savings Bank's Fund	3 748	3 565	3 745
332	118	120	Donations	120	118	332
0	0	0	Fair value reserve	- 29	- 4	- 30
- 12	- 13	- 12	Other equity capital	1 630	1 267	1 611
0	720	689	Result after tax	553	754	0
			Minority interests	18	21	15
7 735	7 707	8 026	Total equity	9 521	9 038	9 343
81 285	80 333	83 217	Total liabilities and equity	84 981	81 983	83 188

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									
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												
Period result			352		179	212		353		1 096	- 1	1 095
<i>Other comprehensive income:</i>												
Recalculation differences							- 28			- 28	- 7	- 35
Net change in fair market value of investment in joint ventures								- 8		- 8		- 8
Effective part of change in fair market value in cash flow hedging			2		2					4		4
Actuarial gains (losses) on benefit-based pension schemes								- 85		- 85		- 85
Tax on other comprehensive income					- 1			23		22		22
Total other comprehensive income			2		1		- 28	- 70		- 95	- 7	- 102
Total comprehensive income for the period			354		180	212	- 28	283		1 001	- 8	993
Transactions with owners												
Equity issue												
Set aside for dividend payments			- 191							- 191		- 191
Reversal of dividend payments			191							191		191
Dividend paid			- 110							- 110		- 110
Other transactions								1		1		1
Payments from Donations Fund						- 43				- 43		- 43
Total transactions with owners			- 110			- 43		1		- 152		- 152
Equity at 31.12.2014	1 807	843	1 020		3 745	332	- 30	1 611		9 328	15	9 343
Equity at 01.01.15	1 807	843	1 020		3 745	332	- 30	1 611		9 328	15	9 343
Total comprehensive income for the period												
Period result									553	553	- 3	550
<i>Other comprehensive income:</i>												
Recalculation differences							1			1		1
Value adjustment of property, plant and equipment								- 10		- 10		- 10
Net change in fair market value of investment in joint ventures								30		30		30
Effective part of change in fair market value in cash flow hedging			2		3					5		5
Actuarial gains (losses) on benefit-based pension schemes												
Tax on other comprehensive income					- 1					- 1		- 1
Total other comprehensive income	0	0	2		2	0	1	20	0	25		25
Total comprehensive income for the period			2		2	0	1	20	553	578	- 3	575
Transactions with owners												
Equity issue												
Set aside for dividend payments												
Reversal of dividend payments												
Changes in minority interests												
Dividend paid			- 191							- 191		- 191
Other transactions					1			- 1			6	6
Payments from Donations Fund						- 212				- 212		- 212
Total transactions with owners			- 191		1	- 212		- 1		- 403	6	- 397
Equity at 30.06.15	1 807	843	831		3 748	120	- 29	1 630	553	9 503	18	9 521

ECC ratio overall

Parent Bank

(Amounts in NOK million)

	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	31.12.14
Equity Certificate capital	896	1 275	1 655	1 655	1 681	1 807	1 807
Equity Certificate premium reserve	123	184	245	245	344	843	843
Dividend Equalisation Fund	471	408	319	453	380	685	1 011
Set aside dividend	- 121	- 103	- 93	- 76	0	0	- 191
Share Fund Fair Value Options	- 30	- 3	- 14	- 33	- 33	0	0
A. Equity attributable to Equity Certificate holders of the Bank	1 339	1 761	2 112	2 244	2 372	3 335	3 470
The Savings Bank's Fund	2 623	2 811	2 902	3 107	3 081	3 593	3 954
Allocated dividends to ownerless capital	- 161	- 154	- 107	- 30	0	0	- 212
Donations	133	133	133	120	120	119	119
Share Fund Fair Value Options	- 57	- 5	- 20	- 45	- 45	0	0
B. Total ownerless capital	2 538	2 785	2 908	3 152	3 156	3 712	3 861
Equity Certificate Ratio overall (A/(A+B))	34.54 %	38.74 %	42.07 %	41.59 %	42.91 %	47.33 %	47.33 %

Statement of cash flows

Parent Bank

Group

(Amounts in NOK million)

31.12.14	30.06.14	30.06.15		30.06.15	30.06.14	31.12.14
918	842	798	Result before tax	684	897	1 345
50	25	23	+ Ordinary depreciation	28	54	97
- 2	0	0	+ Write-downs, gains/losses fixed assets	0	0	- 2
290	58	67	+ Losses on loans and guarantees	68	47	321
175	122	109	- Tax/Result investment held for sale	134	143	250
156	156	403	- Dividends/donations	403	156	156
925	647	376	Provided from the year's operations	243	699	1 355
762	540	- 403	Change in sundry liabilities: + increase/ - decrease	- 366	568	754
- 357	- 92	606	Change in various claims: - increase/ + decrease	576	- 133	- 366
-3 956	-1 301	- 1 865	Change in gross lending to and claims on customers: - increase/ + decrease	- 2 063	-1 568	-4 334
1 802	- 292	- 581	Change in short term-securities: - increase/ + decrease	- 526	- 332	1 726
845	2 002	4 376	Change in deposits from and debt owed to customers: + increase/ - decrease	4 360	2 009	821
-1 528	-1 024	- 1 463	Change in debt owed to credit institutions: + increase/ - decrease	- 1 471	-1 022	-1 526
-1 507	480	1 046	A. Net liquidity change from operations	753	221	-1 570
- 25	- 4	- 14	- Investment in fixed assets (incl merger effects)	- 17	- 41	- 131
2	0	0	+ Sale of fixed assets	16	0	2
- 319	- 309	- 50	Change in holdings of long-term securities: - increase/ + decrease	96	- 298	- 623
- 342	- 313	- 64	B. Liquidity change from investments	95	- 339	- 752
4 778	2 145	- 864	Change in borrowings through the issuance of securities: + increase/ - decrease	- 867	2 145	4 780
- 100	165	0	Change in Equity Certificate/subordinated loan capital: + increase/ - decrease	0	165	- 100
4 678	2 310	- 864	C. Liquidity change from financing	- 867	2 310	4 680
2 829	2 477	118	A + B + C. Total change in liquidity	- 19	2 192	2 358
5 082	5 082	7 911	+ Liquid funds at the start of the period	4 405	2 047	2 047
7 911	7 559	8 029	= Liquid funds at the end of the period	4 386	4 239	4 405

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)	2Q15	1Q15	4Q14	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12
Interest income	682	704	755	773	721	749	839	740	717	694	706	707
Interest costs	314	335	377	395	379	421	484	399	408	414	399	414
Net interest income	368	369	378	378	342	328	355	341	309	280	307	293
Fee- and commission income	233	227	232	238	240	230	233	238	230	191	197	179
Fee- and commission costs	18	17	20	19	19	16	23	19	23	10	15	19
Other operating income	24	29	25	19	27	29	52	14	31	17	20	12
Net fee-, commission and other operating income	239	239	237	238	248	243	262	233	238	198	202	172
Dividend	7	0	0	0	5	11	0	4	22	1	-1	1
Income from investments	114	112	121	142	119	71	78	109	27	89	14	76
Net gain from investments in securities	-28	6	-70	-23	65	161	7	-7	15	1	17	2
Net income from financial investments	93	118	51	119	189	243	85	106	64	91	30	79
Total income	700	726	666	735	779	814	702	680	611	569	539	544
Personnel costs	182	189	190	193	159	162	174	151	162	151	153	147
Administration costs	90	90	88	85	87	89	87	83	83	84	83	69
Ordinary depreciation	14	14	29	14	40	14	16	13	13	14	16	13
Other operating costs	50	45	47	33	47	51	50	39	44	45	43	37
Total costs	336	338	354	325	333	316	327	286	302	294	295	266
Result before losses	364	388	312	410	446	498	375	394	309	275	244	278
Losses	36	32	236	38	22	25	50	35	47	40	32	115
Result before tax	328	356	76	372	424	473	325	359	262	235	212	163
Tax	68	66	15	65	71	72	50	69	56	39	54	25
Result non-current assets held for sale	0	0	27	0	0	0	0	0	0	0	0	0
Minority interests	-1	-2	0	-2	1	0	1	0	0	0	0	-1
Result after tax	261	292	34	309	352	401	274	290	206	196	158	139
Profitability												
Return on equity capital	11.09 %	12.49 %	1.46 %	13.37 %	15.89 %	18.61 %	13.77 %	15.83 %	11.62 %	11.29 %	9.35 %	8.40 %
Interest margin	1.76 %	1.79 %	1.85 %	1.86 %	1.71 %	1.69 %	1.85 %	1.79 %	1.63 %	1.50 %	1.64 %	1.58 %
Cost/income	48.00 %	46.56 %	53.15 %	44.22 %	42.75 %	38.82 %	46.58 %	42.06 %	49.43 %	51.67 %	54.73 %	48.90 %
Balance sheet figures												
Loans and advances to customers	63 073	61 060	61 249	60 363	58 791	57 638	57 282	56 605	54 561	53 441	54 551	53 493
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt and Næringskreditt past 12 months	5.2 %	4.4 %	5.5 %	6.1 %	6.7 %	7.3 %	6.1 %	5.9 %	6.8 %	8.5 %	11.6 %	11.9 %
Deposits from customers	49 977	46 211	45 761	45 386	46 949	43 635	44 940	43 938	46 006	43 232	43 588	43 266
Growth in deposits from customers past 12 months	6.4 %	5.9 %	1.8 %	3.3 %	2.0 %	0.9 %	3.1 %	1.6 %	5.2 %	9.0 %	-1.3 %	-2.5 %
Deposits as a percentage of gross lending	79.2 %	75.7 %	74.7 %	75.2 %	79.9 %	75.7 %	78.5 %	77.6 %	84.3 %	80.9 %	75.6 %	76.5 %
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt and Næringskreditt	57.6 %	54.3 %	53.8 %	54.1 %	56.9 %	53.5 %	55.8 %	55.6 %	59.5 %	56.9 %	54.3 %	54.8 %
Average assets	83 432	82 658	80 191	79 442	79 048	77 581	75 952	75 561	75 524	74 907	72 921	72 336
Total assets	84 981	82 128	83 188	80 621	81 983	77 642	77 520	75 670	76 759	74 484	75 329	74 251
Losses on loans and commitments in default												
Losses on loans to customers as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.16 %	0.15 %	0.37 %	0.18 %	0.11 %	0.12 %	0.25 %	0.17 %	0.24 %	0.21 %	1.02 %	0.87 %
Commitments in default as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.41 %	0.39 %	0.34 %	0.49 %	0.55 %	0.36 %	0.60 %	0.70 %	0.76 %	0.78 %	0.52 %	0.65 %
Commitments at risk of loss as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.39 %	0.25 %	0.27 %	0.30 %	0.32 %	0.31 %	0.46 %	0.36 %	0.35 %	0.51 %	0.77 %	0.66 %
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.54 %	0.42 %	0.41 %	0.50 %	0.61 %	0.54 %	0.75 %	0.72 %	0.78 %	0.87 %	0.89 %	0.93 %
Solidity												
Total regulatory Capital %	16.1 %	16.1 %	15.6 %	15.5 %	14.2 %	14.3 %	13.9 %	11.7 %	12.4 %	12.6 %	13.2 %	10.7 %
Tier I Capital %	14.1 %	14.0 %	13.6 %	13.2 %	13.3 %	13.7 %	13.4 %	11.1 %	11.4 %	11.9 %	12.1 %	10.1 %
Tier I capital	8 968	8 344	8 439	8 000	7 828	7 741	7 783	6 431	6 478	6 586	6 672	5 767
Equity and related capital resources	8 968	9 610	9 680	9 414	8 382	8 158	8 069	6 765	7 052	7 005	7 270	6 056
Adjusted risk-weighted assets base	60 194	59 722	61 936	60 783	58 830	57 135	57 989	57 704	57 053	55 450	55 098	56 849

Notes

Note 1 - Accounting policies

The Group's interim financial statements in 2015 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 2014.

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 2014.

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.

There is an ongoing technical discussion regarding interpretation of IFRIC 21, according accrual of the guarantee fund fee. The dissension is related to whether this fee should be accrued during the year or taken to account in total in the beginning of the financial year.

Most banks, including SpareBank 1 Nord-Norge, choose to continue the established practice and trade knowledge, which means currently accrual accounting of the fee over the financial year.

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 2015.

SNN Portefølje AS owns 100% of the shares in Bodo-Gruppen AS as a result of defaulted commitments. The investment is measured to fair value after IFRS 5 and presented as available for sale in the groups accounts as of 1 January 2014.

Changes in value during the year are presented on a separate line in the income statement and the tax effect is taken into account.

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)

						30.06.15
	Retail Banking	Corporate Banking	Leasing	Markets	Unallocated	Total
Net interest income	340	227	90	3	77	737
Net fee- and commission income	228	3	0	0	194	425
Other operating income	122	45	0	39	58	264
Operating costs	452	70	26	15	111	674
Result before losses	238	205	64	27	218	752
Losses	6	62	4	1	- 5	68
Result before tax	232	143	60	26	223	684
Loans and advances to customers	36 124	23 043	4 232	0	0	63 399
Individual write-downs for impaired value on loans and advances to customers	- 49	- 172	- 12	0	0	- 233
Collective write-downs for impaired value on loans and advances to customers	- 45	- 179	- 11	0	0	- 235
Other assets	0	0	54	0	21 996	22 050
Total assets per business area	36 030	22 692	4 263	0	21 996	84 981
Deposits from customers	27 033	19 727	3 363	0	0	50 123
Other liabilities and equity capital	9 029	2 879	900	0	22 050	34 858
Total equity and liabilities per business area	36 062	22 606	4 263	0	22 050	84 981
						30.06.14
Net interest income	403	168	81	2	16	670
Net fee- and commission income	261	109	0	2	62	434
Other operating income	0	0	0	10	478	488
Operating costs	353	147	20	4	124	648
Result before losses	311	130	61	10	432	944
Losses	1	20	3	0	23	47
Result before tax	310	110	58	10	409	897
Loans and advances to customers	34 441	20 615	3 735	0	0	58 791
Individual write-downs for impaired value on loans and advances to customers	- 35	- 174	- 8	0	0	- 217
Collective write-downs for impaired value on loans and advances to customers	- 45	- 169	- 10	0	0	- 224
Other assets	0	0	0	0	23 633	23 633
Total assets per business area	34 361	20 272	3 717	0	23 633	81 983
Deposits from customers	26 955	19 994	0	0	0	46 949
Other liabilities and equity capital	7 419	292	3 718	0	23 605	35 034
Total equity and liabilities per business area	34 374	20 286	3 718	0	23 605	81 983

Note 5 - Capital Adequacy

In 2014, the Ministry of Finance stipulated amendments to the capital requirements regulations. The amendments are adjustments implemented to comply with the EU's new capital adequacy regulations for banks and securities undertakings (CRD IV/CRR) and entail the minimum requirement for common equity Tier 1 capital ratio gradually increasing in the run up to 1 July

From 2015, the Financial Supervisory Authority of Norway has given SpareBank 1 Nord-Norge permission to use Advanced IRB to calculate regulatory capital requirements for credit risk for the corporate market. This permission means that SpareBank 1 Nord-Norge can use internal models for calculating the necessary requirements for compulsory savings. This in turn means that the regulatory capital requirements will better suit the actual credit risk the Bank is bearing in its overall loan portfolio.

The adjustment of risk-adjusted calculation basis in relation to the old calculation (Basel I) continue to 2017. The calculation basis from 2009 therefore amounts to 80 per cent of the calculated basis according to the Basel I rules and regulations.

SpareBank 1 Nord-Norge's goal is to maintain unquestionable financial strength and satisfy the statutory minimum equity requirements for capital adequacy. The Group's goal is to have an internal capital buffer of at least 1 percentage point above the statutory minimum requirement. The Group's long-term goal for Core Tier 1 capital ratio is currently 14.5%.

(Amounts in NOK million)

31.12.14	30.06.14	30.06.15		30.06.15	30.06.14	31.12.14
1 807	1 807	1 807	Equity certificates	1 807	1 807	1 807
0	0	0	- Own equity certificates	0	0	0
843	843	843	Premium reserve	843	843	843
1 020	667	831	Equalisation reserve	831	667	1 020
3 745	3 565	3 748	Savings bank's reserve	3 748	3 565	3 745
332	118	120	Endowment fund	120	118	332
0	0	0	Deduction Fund for unrealised gains available for sale	- 29	- 4	- 30
- 12	- 13	- 12	Other equity	1 630	1 267	1 611
0	720	689	Period result	553	754	0
0	0	0	Minority interests	18	21	15
7 735	7 707	8 026	Total equity	9 521	9 038	9 343
0	- 719	- 689	Period result	- 553	- 754	0
			Additional Tier 1 Capital (AT 1 Capital)			
- 405	0	0	Deduction for allocated dividends	0	0	- 522
0	0	0	Adjusted Tier 1 Capital from consolidated financial institutions	- 2	- 2	75
0	0	0	Deduction for ntangible assets	- 55	- 84	- 82
- 20	0	- 21	Adjustments to CET 1 due to prudential filters	- 29	0	- 30
- 50	- 60	- 50	Deduction defined benefit pension fund assets gross amounts	- 51	- 65	- 50
- 150	0	- 176	IRB shortfall of credit risk adjustments to expected losses	- 323	0	- 385
0	- 117	0	50% deduction for expected losses on IRB, net of writedowns	0	- 148	0
0	- 477	0	50 % deduction for subordinated capital in other financial institutions	0	- 194	0
0	0	0	50 % Total regulatory capital reserve	0	- 644	0
0	0	0	significant investment	- 725	0	- 591
0	0	0	have significant investment	0	0	0
0	0	0	Deduction for subordinated capital in other financial institutions with a significant investment	0	0	0
0	0	0	Deduction for CET 1 instruments of financial sector institutions with a significant investment over 10 % treshold limit	0	0	0
7 110	6 334	6 943	Common equity Tier 1 Capital (CET 1 Capital)	7 783	7 147	7 758
500	500	500	Hybrid Tier 1 bonds	687	681	687
0	0	0	Own Hybrid Tier 1 bonds	- 6	0	- 6
0	0	0	Deduction for CET1 instruments of financial sector entities where the institution does not have significant investment, but over treshold limit	0	0	0
7 610	6 834	7 443	Additional Tier 1 Capital (AT 1 Capital)	8 464	7 828	8 439
			Tier 2 Capital (T2 Capital)			
850	1 115	850	Nonperpetual subordinated capital	1 305	1 540	1 284
0	- 117	0	50% deduction for expected losses on IRB, net of writedowns	0	- 148	0
- 43	0	- 60	Deduction for subordinated capital in other financial institutions with a significant investment	- 60	0	- 43
0	- 477	0	50% deduction for subordinated capital in other financial institutions	0	- 194	0
0	0	0	50% Total regulatory capital reserve	0	- 644	0
807	521	790	Tier 2 Capital (T2 Capital)	1 245	554	1 241
8 417	7 355	8 233	Equity and related capital resources	9 709	8 382	9 680
			Minimum requirements subordinated capital, Basel I I			
1 101	962	862	Specialised lending exposure	920	1 167	1 283
135	657	94	Other corporations exposure	121	713	163
420	36	407	SME exposure	415	43	469
674	606	862	Property retail mortgage exposure	1 174	946	976
30	33	4	Other retail exposure	4	34	28
364	379	367	Equity investments	12	19	12
2 724	2 673	2 482	Total credit risk	2 646	2 922	2 931
722	669	782	Credit risk standardised approach	1 537	1 372	1 644
19	36	14	Debt risk	14	35	19
9	12	3	Equity risk	17	46	40
11	50	0	Currency risk	0	50	11
250	250	274	Operational risk	283	254	254
19	0	18	Credit Value Adjustment	46	0	55
0	0	0	Transitional arrangements	272	165	0
0	- 76	0	Deductions	0	- 138	0
3 754	3 614	3 573	Minimum requirements subordinated capital	4 816	4 706	4 954
			Total regulatory Capital			
17.9 %	16.3 %	18.4 %	Total regulatory Capital	16.1 %	14.2 %	15.6 %
16.2 %	15.1 %	16.7 %	Tier 1 Capital	14.1 %	13.3 %	13.6 %
1.7 %	1.2 %	1.8 %	Tier 2 Capital	2.1 %	0.9 %	2.0 %
16.2 %	15.1 %	16.5 %	Common Equity Tier I - incl share of period result	13.4 %	13.0 %	12.5 %
8.2 %		7.8 %	Leverage Ratio	5.9 %		5.9 %

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

Parent Bank				Group		
31.12.14	30.06.14	30.06.15		30.06.15	30.06.14	31.12.14
403	419	444	Non-performing commitments	358	457	290
356	358	434	+ Other doubtful commitments	345	269	231
759	777	878	+ Total commitments in default and doubtful commitments	703	726	521
198	160	197	- Individual write-downs in default	101	176	96
75	56	122	- Other doubtful individual write-downs	132	41	75
273	216	319	+ Total individual write-downs *	233	217	171
486	561	559	= Net commitments in default and doubtful commitments	470	509	350

*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

31.12.14	30.06.14	30.06.15		30.06.15	30.06.14	31.12.14
52	- 5	46	+ Period's change in individual write-down for impaired value	62	- 26	30
28	11	- 1	+ Period's change in collective write-down for impaired value	- 3	15	30
92	46	23	+ Period's confirmed losses against which individual write-downs were previously made	10	60	109
5	8	5	+ Period's confirmed losses against which individual write-downs were previously not made	5	2	5
7	2	6	- Recoveries in respect of previously confirmed losses	6	4	10
170	58	67	= Total losses on loans	68	47	164
120			+ Other losses			157
290	58	67	= Total losses	68	47	321

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

Parent Bank				Group		
31.12.14	30.06.14	30.06.15		30.06.15	30.06.14	31.12.14
0	0	0	Mining and quarrying	0	0	0
1	- 1	11	Construction	11	- 1	2
0	0	0	Building of ships and boats	0	0	2
0	- 1	0	Electricity, gas, steam an air conditioning supply	0	- 1	0
13	10	- 1	Professional, scientific and technical activities	- 1	10	13
0	0	0	Financial and insurance activities	0	0	0
0	4	1	Fishing	1	4	0
2	2	0	Marine aquaculture	0	2	2
4	1	- 4	Other business support activities	- 4	1	4
0	0	0	Activities auxiliary to financial services and insurance activities	0	0	0
0	0	0	County municipalities and municipalities	0	0	0
3	0	0	Manufacturing	0	0	3
0	0	1	Information and communication	1	0	0
6	1	4	Crop and animal production	4	1	5
0	0	0	Foreign industrial	0	5	27
58	39	5	Real estate activities	5	13	9
0	2	0	Accommodation and food service activities	0	2	0
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
11	- 1	9	Other service industries	9	- 1	11
8	1	- 1	Transportation and storage	0	2	8
36	0	35	International shipping and pipeline transport	35	0	37
- 20	- 22	1	Development of building projects	1	- 22	- 20
0	0	0	Extraction of crude oil and natural gas	0	0	0
30	20	0	Unspecified	0	20	31
0	- 4	0	Water supply; sewerage, waste management and remediation activities	0	- 4	0
0	1	1	Wholesale and retail trade; repair of motor vehicles and motorcycles	1	2	0
25	8	6	Retail banking market - domestic	11	18	40
177	60	73	Losses on loans to customers	74	51	174
7	2	6	Recoveries from previously written off losses	6	4	10
170	58	67	Net losses	68	47	164
120	0	0	Other losses	0	0	157
290	58	67	Total losses	68	47	321

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

Parent Bank				Group		
31.12.14	30.06.14	30.06.15		30.06.15	30.06.14	31.12.14
36	45	39	Mining and quarrying	75	74	72
606	543	727	Construction	1 103	878	972
115	1	1	Building of ships and boats	3	2	117
695	784	648	Electricity, gas, steam an air conditioning supply	652	787	698
635	533	583	Professional, scientific and technical activities	801	660	840
0	0	0	Financial and insurance activities	0	0	0
2 405	2 057	2 495	Fishing	2 515	2 072	2 421
343	347	346	Marine aquaculture	639	533	611
253	288	306	Other business support activities	669	618	603
733	916	740	Activities auxiliary to financial services and insurance activities	559	687	525
343	74	104	County municipalities and municipalities	117	93	359
1 541	1 545	1 795	Manufacturing	1 909	1 654	1 664
67	68	64	Information and communication	69	73	72
924	852	896	Crop and animal production	973	939	1 011
0	0	0	Foreign industrial	150	104	172
7 760	7 362	7 425	Real estate activities	7 288	7 397	7 614
396	375	425	Accommodation and food service activities	440	390	411
5	5	5	Forestry and logging	12	10	10
0	0	0	Central government and social security funds	0	0	0
0	0	0	Support activities for petroleum and natural gas extraction	17	19	18
701	713	720	Other service industries	797	789	701
2 827	3 163	3 185	Transportation and storage	3 815	3 760	3 427
758	624	277	International shipping and pipeline transport	280	624	758
793	831	992	Development of building projects	993	832	794
0	0	0	Extraction of crude oil and natural gas	0	0	0
0	0	0	Unspecified	0	0	0
200	206	195	Water supply; sewerage, waste management and remediation activities	274	278	270
807	827	784	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 020	1 077	1 014
34 363	32 657	36 165	Retail banking market - domestic	37 742	34 062	35 830
50	45	57	Retail banking market - international	161	379	265
34 413	32 702	36 222	Total retail market	37 903	34 441	36 095
22 600	22 085	22 648	Total public market	25 053	24 257	24 795
343	74	104	Total government	117	93	359
57 356	54 861	58 974	Total gross lending to customers	63 073	58 791	61 249
273	216	319	Individual write-downs for impaired value	233	217	171
215	200	216	Collective write-downs for impaired value	235	224	236
56 868	54 445	58 439	Net loans to customers	62 605	58 350	60 842
132	134	282	Accrued interests	367	136	135
57 000	54 579	58 721	Net loans to customers	62 972	58 486	60 977

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, 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 1.5 year as at 30.06.15, and included in the profit and loss account as interest income. For the period 01.01.15-30.06.15 such reversed writedowns has been included in the profit and loss account with NOK 0.2 million. Total inclusion of income are NOK 78.6 million for the period 01.07.08-31.12.14. 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 4.9 million as at 30.06.15. It was necessary to apply a NOK 88 million write-down due to the permanent impairment of value in this portfolio as at 31.12.14. Further NOK 0.1 million writedowns has been made in 2015, and a NOK 0.9 million exchange gain are included to the profit and loss account.

<i>(Amounts in NOK million)</i>	01.07.08	31.12.11	31.12.12	31.12.13	31.12.14	30.06.15
Hold until maturity						
Book value	3 109	858	355	111	108	99
Nominal value (nominal amount)	3 182	869	366	115	111	100
Theoretical market value	3 109	842	355	114	111	100
Loans and claims						
Book value	698	262	142	75	28	24
Nominal value (nominal amount)	737	279	156	90	29	24
Theoretical market value	698	250	134	74	26	22
Total book value	3 807	1 120	497	186	136	123

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.

	30.06.15	30.06.14	31.12.14
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value	190	63	226
Total gain from hedging objects relating to the hedged risk	- 194	- 66	- 224
Total fair value hedging transactions	- 4	- 3	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	30.06.15 Fair value			30.06.14 Fair value			31.12.14 Fair value		
	Contract	Assets	Liabilities	Contract	Assets	Liabilities	Contract	Assets	Liabilities
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)	1 573	22	21	2 304	31	20	4 198	113	87
Currency swaps	3 062	197	89	9 412	251	74	7 252	413	238
Currency options									
Total non-standardised contracts	4 635	219	110	11 716	282	94	11 450	526	325
Standardised foreign currency contracts (futures)									
Total foreign currency instruments	4 635	219	110	11 716	282	94	11 450	526	325
Interest rate instruments									
Interest rate swaps (including cross currency)	25 978	651	868	25 955	496	786	24 971	793	1 155
Short-term interest rate swaps (FRA)									
Other interest rate contracts	343	9	8	442	3	3	333	12	13
Total non-standardised contracts	26 321	660	876	26 397	499	789	25 304	805	1 168
Standardised interest rate contracts (futures)									
Total interest rate instruments	26 321	660	876	26 397	499	789	25 304	805	1 168
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)	10 284	598		10 508	638	1	10 752	790	
Short-term interest rate swaps (FRA)									
Other interest rate contracts									
Total, non-standardised contracts	10 284	598		10 508	638	1	10 752	790	
Standardised interest rate contracts (futures)									
Total interest rate instruments	10 284	598		10 508	638	1	10 752	790	
Total interest rate instruments	36 605	1 258	876	36 905	1 137	790	36 056	1 595	1 168
Total foreign currency instruments	4 635	219	110	11 716	282	94	11 450	526	325
Total	41 240	1 479	986	48 621	1 419	884	47 506	2 121	1 493

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 30.06.15 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	18 022	17 633	389	0	389
Financial derivatives - liabilities	13 973	13 434	539	0	539

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 30.06.15 2,87 years .

The short-term liquidity risk measure, Liquidity Coverage Ratio (LCR) remained stable over 100 % during the quarter. At the end of the first quarter LCR was 163 % in Norwegian kroner (NOK).

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	2.KV.15	2.KV.14	31.12.14
Discount rate	2.30 %	3.25 %	2.30 %
Expected return on pension assets	2.30 %	3.25 %	2.30 %
Future salary growth rate	2.50 %	3.50 %	2.50 %
Adjustment of NI basic amount (G)	2.50 %	3.50 %	2.50 %
Pension adjustment	0.00 %	0.60 %	0.00 %
Employer's NI liability	14.10 %	14.10 %	14.10 %
Employer's NI cost	14.10 %	14.10 %	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 pension (AFP) acceptance from age 62	60.00 %	60.00 %	60.00 %
Mortality, marriage probability, etc.	K2013BE IR2003	K2013BE IR2003	K2013BE IR2003

Group

Amounts in NOK million

	30.06.15	30.06.14	31.12.14
Net pension liabilities in the balance sheet			
Present value of future pension liabilities	829	788	829
Estimated value of pension assets	880	851	880
Net pension liabilities in fund-based plans	-51	-63	-51
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	-50	-62	-50
Pension costs for the period	2.KV.15	2.KV.14	2014
Accrued defined benefit-based pensions	5	6	14
Interest costs on pension liabilities	8	13	26
Expected return on pension assets	-8	-16	-30
Estimate deviations recognised in the period			
Effect of changed pension plan			
Net defined benefit-based pension costs without employer's NI contributions	5	3	10
Accrued employer's NI contributions	1	1	1
Net defined benefit-based pension costs recognised through profit or loss	6	4	11
Curtailment/settlement			
Other pension costs	11	13	26
Total pension costs including employer's NI Insurance contribution	17	17	37
Movement in net pension liabilities from benefit-based plan recognised in balance sheet	30.06.15	30.06.14	31.12.14
Net pension liabilities in the balance sheet as of 01.01	-50	-136	-136
Correction against equity OB		-22	-22
Correction against equity CB		114	119
Net defined benefit-based pension costs recognised through profit or loss		4	11
Curtailment/settlement			
Paid directly from operations	-4	-2	-2
Receipts - pension premiums defined benefit-based plans		-20	-20
Net pension liabilities/assets in the balance sheet	-54	-62	-50
Other pension liabilities (early retirement pensions)	47	48	56
Net total pension liabilities	-7	-14	6

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 30.06.15				
Loans to and receivables from customers at fair value (fixed-rate loans)			7 638	7 638
Shares	95		187	282
Bonds	3 171	6 959		10 130
Financial derivatives		1 479		1 479
Total assets	3 266	8 438	7 825	19 529

Liabilities as of 30.06.15				
Financial derivatives		986		986
Total liabilities		986		986

<i>Assets 30.06.14</i>				
Loans to and receivables from customers at fair value (fixed-rate loans)			6 986	6 986
Shares	81	378	135	594
Bonds	3 248	6 967		10 215
Financial derivatives		1 419		1 419
Total assets	3 329	8 764	7 121	19 214

<i>Liabilities as of 30.06.14</i>				
Financial derivatives		884		884
Total liabilities	0	884	0	884

<i>(Amounts in NOK million)</i>	Financial assets				Financial liabilities Financial derivatives
	Fixed-rate loans	Shares	Bonds	Financial derivatives	
Carrying amount as of 30.06.14	6 986	135			0
Net gains on financial instruments	- 16	12			
Additions/acquisitions	2 941	41			
Disposals	-2 273	- 1			
Transferred from level 1 or level 2					
Carrying amount as of 30.06.15	7 638	187	0	0	0

Note 17 - Subsidiaries
(Amounts in NOK 1 000)

	Share of Eq.%	Profit from ordinary operations before tax			Equity		
		30.06.15	30.06.14	31.12.14	30.06.15	30.06.14	31.12.14
SpareBank 1 Finans Nord-Norge AS	100	60 428	58 645	116 438	589 945	480 793	521 604
SpareBank 1 Nord-Norge Portefølje AS	100	-43 751	33 155	19 906	69 780	65 122	104 208
Eiendomsdrift AS	0	0	0	0	0	0	0
EiendomsMegler 1 Nord-Norge AS	100	18 249	9 087	15 208	39 259	33 287	36 761
SpareBank 1 Nord-Norge Forvaltning ASA	100	1 167	1 243	2 509	8 182	6 590	7 073
SpareBank 1 Regnskapshuset Nord-Norge AS	100	7 143	6 579	3 839	24 051	16 570	14 630
North-West 1 Alliance Bank	75	-9 093	-2 668	-3 245	51 089	60 846	42 518
EiendomsMegler 1 Lofoten AS (owned by EM1 60%)	60	155	- 41	344	1 280	885	1 167
Nord-Norge Eiendom IV AS	100	- 366	574	1 230	-13 290	-2 500	-2 022
Alsgården AS	100	426	901	- 335	10 036	9 601	8 827
Fredrik Langesg 20 AS	100	488	539	1 406	6 657	5 285	5 921
Total		34 846	108 014	157 300	786 990	676 479	740 687

Note 18 - Other assets
(Amounts in NOK million)

Parent Bank				Group		
31.12.14	30.06.14	30.06.15		30.06.15	30.06.14	31.12.14
21	20	21	Reposessed assets	21	20	21
104	134	- 259	Accrued income	- 307	168	135
138	216	183	Prepayments	175	221	144
125	451	329	Other assets	425	524	180
520	955	633	Total other assets	681	1 069	615

Note 19 - Other liabilities

31.12.14	30.06.14	30.06.15		30.06.15	30.06.14	31.12.14
110	- 27	- 104	Costs incurred	528	704	458
0	0	0	Provisioning against incurred liabilities and costs	11	12	13
400	285	434	Other liabilities	- 13	- 240	243
710	727	760	Total other liabilities	956	945	914

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

Parent Bank				Group		
31.12.14	30.06.14	30.06.15		30.06.15	30.06.14	31.12.14
32	29	57	Mining and quarrying	57	29	32
1 162	1 096	878	Construction	878	1 096	1 162
4	8	13	Building of ships and boats	13	8	4
823	865	915	Electricity, gas, steam an air conditioning supply	915	865	823
1 133	1 262	1 224	Professional, scientific and technical activities	1 211	1 260	1 130
0	0	0	Financial and insurance activities	0	0	0
746	717	757	Fishing	757	717	746
45	38	32	Marine aquaculture	32	38	45
420	389	468	Other business support activities	468	389	420
382	392	327	Activities auxiliary to financial services and insurance activities	319	381	372
5 058	6 499	6 616	County municipalities and municipalities	6 615	6 499	5 058
446	406	450	Manufacturing	450	406	446
244	242	232	Information and communication	232	242	244
368	417	432	Crop and animal production	433	417	368
6	26	4	Foreign industrial	27	77	26
1 847	1 764	2 358	Real estate activities	2 345	1 758	1 841
240	244	250	Accommodation and food service activities	250	244	240
14	13	13	Forestry and logging	13	13	14
314	311	316	Central government and social security funds	316	311	314
0	0	5	Support activities for petroleum and natural gas extraction	5	0	0
2 376	2 441	2 760	Other service industries	2 760	2 441	2 376
863	805	959	Transportation and storage	960	805	863
6	21	5	International shipping and pipeline transport	5	21	6
226	204	148	Development of building projects	148	204	226
459	454	462	Extraction of crude oil and natural gas	462	454	459
0	0	0	Unspecified	0	0	0
160	165	149	Water supply; sewerage, waste management and remediation activities	148	165	160
1 379	1 154	1 213	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 213	1 154	1 379
26 621	26 573	28 538	Retail banking market - domestic	28 538	26 573	26 621
360	356	385	Retail banking market - international	407	382	386
26 981	26 929	28 923	Total retail market	28 945	26 955	27 007
13 381	13 152	14 111	Total public market	14 101	13 184	13 382
5 372	6 810	6 932	Total government	6 931	6 810	5 372
45 734	46 891	49 966	Total deposits	49 977	46 949	45 761
2	372	269	Accrued interests	269	372	2
45 736	47 263	50 235	Total deposits	50 246	47 321	45 763

Note 21 - Securities issued and subordinated loan capital ex. accrued interests.

Parent Bank and Group

(Amounts in NOK million)

Securities issued

	31.12.14	30.06.14	30.06.15
Certificates and other short-term borrowings			
Bond debt	21 314	18 704	20 373
Total debt securities in issue	21 314	18 704	20 373

	Statement of financial position 31.12.14	Issued 30.06.15	Matured/ redeemed 30.06.15	Exchange rate movements 30.06.15	Other adjustments 30.06.15	Statement of financial position 30.06.15
Changes in securities issued						
Certificates and other short-term borrowings						
Bond debt	21 314	982	-1 786	43	- 180	20 373
Total debt securities issued	21 314	982	-1 786	43	- 180	20 373

Subordinated loan capital and hybrid Tier 1 instruments

	31.12.14	30.06.14	30.06.15
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	850	850	850
Total subordinated loan capital	850	850	850
Total subordinated loan capital and hybrid Tier 1 instruments	1 350	1 350	1 350

	Statement of financial position 31.12.14	Issued 30.06.15	Matured/ redeemed 30.06.15	Exchange rate movements 30.06.15	Other adjustments 30.06.15	Statement of financial position 30.06.15
Changes in subordinated loan capital and hybrid Tier 1 instruments						
Subordinated loan capital with definite maturities	850					850
Hybrid Tier 1 instruments	500					500
Total subordinated loan capital and hybrid Tier 1 instruments	1 350					1 350

Note 22 - Equity Certificates (ECs)

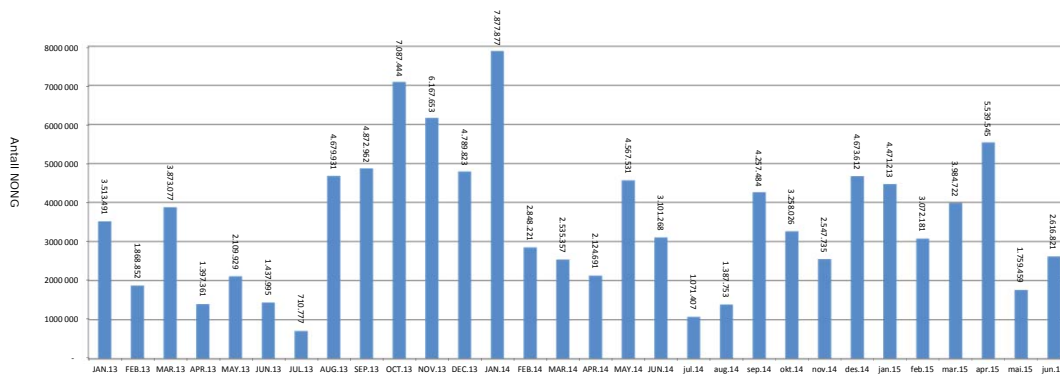
The 20 largest EC holders as at 30.06.15

EC Holders	Number of ECs	Share of EC Capital
VERDIPAPIRFONDET DNB NORGE (IV)	3 810 075	3.79%
PARETO AKSJE NORGE	2 705 281	2.69%
MP PENSJON PK	2 690 503	2.68%
FLPS - PRINC ALL SEC STOCK SUB	2 232 800	2.22%
PARETO AKTIV 2	1 929 920	1.92%
STATE STREET BANK AND TRUST CO.	1 825 268	1.82%
PARETO AKTIV	1 809 457	1.80%
WIMOH INVEST AS	1 614 670	1.61%
SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGI	1 411 606	1.41%
PROTECTOR FORSIKRING ASA	1 353 600	1.35%
FORSVARETS PERSONELLSERVICE	1 291 630	1.29%
PARETO AS	1 270 659	1.27%
DNB LIVSFORSIKRING ASA	1 171 069	1.17%
VERDIPAPIRFONDET EIKA UTBYTTE	950 721	0.95%
BERGEN KOMMUNALE PENSJONSKASSE	950 000	0.95%
SANLAM UNIVERSAL FUNDS PLC/SANLAM	926 236	0.92%
PARETO VERDI	899 023	0.90%
MERRILL LYNCH PROF. CLEARING CORP	898 438	0.89%
LARRE EIENDOM 2 AS	873 623	0.87%
BNP PARIBAS SEC SERVICES PARIS	834 383	0.83%
TOTAL	31 448 962	31.32%

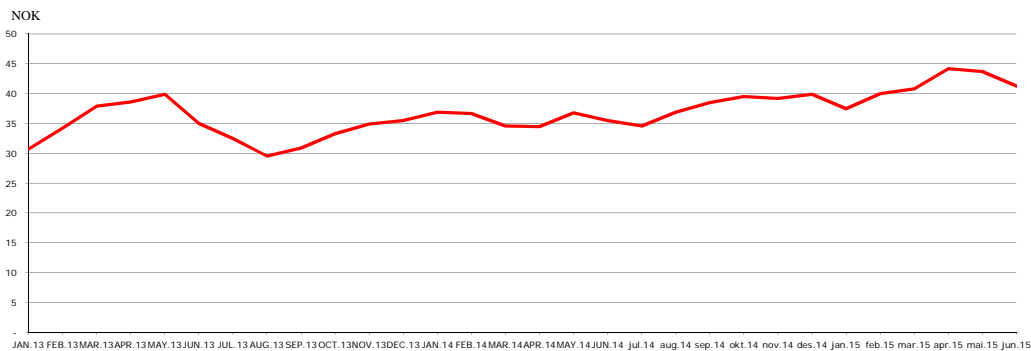
Dividend policy

The Bank's dividend policy states that the Bank aims to distribute up to 50% of the profit for the year as a dividend (cash dividends and donations for socially beneficial purposes), the Bank's financial strength permitting. After a period with a lower dividend yield, the bank has called for a faster adjustment to a normalised dividend yield. Any further increase in the dividend yield and the bank's dividend policy above a 50% dividend will depend on the future lending growth and growth in the risk-weighted balance sheet.

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 2015, and the Board's final consideration of the financial statements on 28 april 2015.

Statement from the Board of Directors and Chief Executive Officer

Today the Board of Directors and the Chief Executive Officer have considered and adopted the semi-annual report and the consolidated semi-annual financial statements of SpareBank 1 Nord-Norge for the period from 1 January to 30 June 2015.

We confirm to the best of our knowledge that the semi-annual financial statements for the period from 1 January to 30 June 2015 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the group taken as a whole. We also confirm that the semi-annual report gives a true and fair view of important events during the accounting period and their influence on the semi-annual financial statements, the most important elements of risk and uncertainty that the group faces in the next accounting period, and a description of related parties' material transactions

Tromsø, Norway, 11 August 2015

The main Board of Directors of SpareBank 1 Nord-Norge

Karl Eirik Schjøtt-Pedersen

Paal A. Pedersen

Sonja Djonne

Hans Tore Bjerkås

Anita Persen

Greger Mannsverk

Ingvild Myhre

Vivi Ann Pedersen

Jan-Frode Janson
(Chief Executive Officer)