

# Quarterly Report



## Financial statement Q2 2016

## Index

Key figures group.....	1
Key figures ECC.....	2
Quarterly report.....	3
Statement of income.....	13
Statement of financial position.....	14
Changes in equity.....	15
ECC ratio overall.....	15
Statement of cash flows.....	16
Result from the Group's quarterly accounts.....	17
Notes	
1 – Accounting policies.....	18
2 – Important accounting estimates and discretionary judgements.....	18
3 – Changes in group structure.....	18
4 – Business areas.....	19
5 – Capital adequacy.....	20
6 – Net bad and doubtful commitments.....	21
7 – Losses incorporated in the accounts.....	21
8 – Losses broken down by sector and industry.....	22
9 – Loans broken down by sector and industry.....	23
10 – SpareBank 1 Boligkreditt – liquidity facility.....	24
11 – Investment in bonds.....	24
12 – Financial derivatives.....	25
13 – Net accounting of financial derivatives and related set-off agreements.....	26
14 – Liquidity risk.....	26
15 – Pensions.....	27
16 – Classification of financial instruments stated at fair value.....	28
17 – Subsidiaries.....	29
18 – Other assets.....	29
19 – Other liabilities.....	29
20 – Deposits broken down by sector and industry.....	30
21 – Securities issued and subordinated loan capital.....	31
22 – Equity Certificates.....	32
23 – Events occurring after the end of the quarter.....	33
Statement from the Board of Directors and CEO.....	34

## Key figures Group

<i>Amounts in NOK million and in % of average assets</i>		30.06.16	%	30.06.15	%	31.12.15	%
<b>From the profit and loss account</b>							
Net interest income		787	1.77 %	737	1.77 %	1 512	1.80
Net fee-, commission and other operating income		462	1.04 %	478	1.15 %	933	1.11
Net income from financial investments		236	0.53 %	211	0.51 %	249	0.30
<b>Total income</b>		<b>1 485</b>	<b>3.35 %</b>	<b>1 426</b>	<b>3.42 %</b>	<b>2 694</b>	<b>3.21</b>
Total costs		629	1.42 %	674	1.62 %	1 461	1.74
Result before losses		856	1.93 %	752	1.80 %	1 233	1.47
Losses		88	0.20 %	68	0.16 %	200	0.24
Result before tax		768	1.73 %	684	1.64 %	1 033	1.23
Tax		140	0.32 %	134	0.32 %	163	0.19
Result non-current assets held for sale		0	0.00 %	0	0.00 %	5	0.01
Minority interests		0	0.00 %	- 3	-0.01 %	- 7	-0.01
Result after tax		628	1.42 %	553	1.33 %	872	1.04
<b>Profitability</b>							
Return on equity capital	1	12.4 %		11.7 %		9.1 %	
Interest margin	2	1.77 %		1.77 %		1.80 %	
Cost/income	3	42.4 %		47.3 %		54.2 %	
<b>Balance sheet figures and liquidity</b>							
Gross lending		67 861		63 073		64 053	
Gross lending and advances to customers incl SpareBank 1 Boligkreditt and Næringskreditt		92 249		87 076		88 403	
Growth in loans and advances to customers past 12 months		7.6 %		7.3 %		4.6 %	
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt past 12 months		5.9 %		5.6 %		4.0 %	
Share total lending transferred to Sp1 Boligkreditt of total retail loans		36.7 %		38.3 %		38.1 %	
Share total lending transferred to Sp1 Boligkreditt of total loans		26.4 %		27.1 %		27.5 %	
Deposits from customers		55 666		49 977		48 087	
Growth in deposits from customers past 12 months		10.8 %		6.2 %		5.1 %	
Deposits as a percentage of gross lending	4	82.0 %		79.7 %		75.1 %	
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt		60.3 %		57.7 %		54.4 %	
Average assets	5	88 710		83 432		84 039	
Total assets		92 038		84 981		85 403	
Leverage Ratio		6.1 %		6.0 %		6.1 %	
<b>Losses on loans and commitments in default</b>							
Losses on loans to customers as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt		0.19 %		0.15 %		0.22 %	
Commitments in default as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt		0.53 %		0.41 %		0.30 %	
Commitments at risk of loss as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt		0.10 %		0.39 %		0.27 %	
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt		0.48 %		0.53 %		0.39 %	
Loan loss provision ratio		24.07 %		33.14 %		32.82 %	
<b>Solidity</b>							
Total regulatory Capital %	6	17.1 %		16.1 %		17.2 %	
Tier I Capital %	7	15.0 %		14.1 %		15.1 %	
Common Equity Tier I - incl share of period result		14.2 %		13.4 %		13.9 %	
Tier I capital		9 360		7 741		8 439	
Equity and related capital resources		10 674		9 709		10 358	
Adjusted risk-weighted assets base		62 479		60 194		60 328	
Liquidity Coverage Ratio (LCR)		128		163		95	
<b>Branches and full-time employees</b>							
Branches		62		66		62	
Manyyears		755		901		830	

## Key figures ECC

	2009	2010	2011	2012	2013	2014	2015	2Q16 *
Quoted/market price as at 31.12 (adjusted) 1)	34.62	37.76	28.90	24.70	35.50	39.90	36.20	39.50
Number of Equity Certificates (EC) issued (mill) (2)	56.92	56.92	74.00	74.40	100.40	100.40	100.40	100.40
Quoted/market price EC issued (mill) (3)	1 970	2 149	2 139	1 837	3 564	4 006	3 634	3 966
Quoted/market price total equity (4)	5 704	6 223	5 083	4 418	7 530	8 464	7 840	8 554
Allocatde dividend per EC (5)	2.12	1.81	1.25	1.02	1.10	1.90	2.00	0.00
Paid-out dividend per EC	0.94	2.12	5.14	1.25	1.15	1.10	1.90	1.90
Direct return (6)	6.1 %	4.8 %	4.3 %	4.1 %	3.1 %	4.8 %	5.5 %	0.0 %
Return efficiency (7)	156.8 %	15.2 %	-9.8 %	-10.2 %	48.4 %	15.5 %	-4.5 %	3.8 %
Total equity capital Parent bank	4 247	4 547	5 264	5 589	7 200	7 735	8 198	8 755
Total equity capital Group, NOK mill	5 160	5 670	6 408	6 832	8 502	9 343	9 961	10 353
Equity capital per EC Parent bank (8)	31.09	34.59	29.93	31.24	33.94	36.46	37.86	40.43
Equity capital per EC Group (9)	31.31	34.41	36.43	38.19	40.08	44.05	46.00	47.81
Result per EC Parent bank (10)	5.41	4.93	2.28	2.91	3.91	3.50	3.44	4.03
Result per EC Group (11)	5.21	4.95	2.75	3.36	4.13	5.16	4.11	2.90
P/E (Price/Earnings per certificate Group)(12)	6.64	7.63	10.51	7.34	8.59	7.73	8.81	3.41
P/V (Price/Book Value per certificate Group)(13)	1.11	1.10	0.79	0.65	0.89	0.91	0.79	0.83
Pay-out ratio Group (14)	39.29 %	36.69 %	54.88 %	35.14 %	26.62 %	36.81 %	48.65 %	0.00 %
EC ratio overall as at 31.12 (15)	34.54 %	34.54 %	42.07 %	41.59 %	47.33 %	47.33 %	46.36 %	46.36 %
EC ratio overall as at 01.01 used for allocaton of result	34.54 %	34.54 %	38.74 %	42.07 %	42.91 %	47.33 %	47.33 %	46.36 %

### Comments/definitions:

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

## Interim report for Q2 2016 – Group

(Figures in brackets are for the same period in 2015)

### Highlights:

- Profit before tax: NOK 768 million (NOK 684 million).
- Profit after tax: NOK 628 million (NOK 553 million).
- Return on equity after tax: 12.4% (11.7%).
  - Earnings per equity certificate: NOK 2.90 (NOK 2.61).
- Continued good underlying banking operations.
- Net income from financial assets of NOK 236 million (NOK 211 million).
- Cost/income ratio 42.4% (47.3%), reduced costs compared with the first half of 2015.
- Loan losses: NOK 88 million (NOK 68 million).
- Lending growth in the last 12 months: 5.9% (5.6%), inclusive of intermediary loans.
  - Retail market: 7.6% (7.0%).
  - Corporate market: 1.8% (6.1%).
  - Annualised lending growth of 9.3% in the first half of the year seen in isolation: retail market 8.7%, corporate market 10.9% (primarily SME).
- Growth in deposits in last 12 months: 10.8% (6.2%).
  - Retail market: 6.5% (7.4%).
  - Corporate market: 1.8% (3.7%).
  - Public sector market: 47.2% (8.4%).
- Deposit coverage ratio: 82.0% (79.7%).
- Common equity tier 1 capital ratio, Group: 14.2% (13.4%).
- The work on cultivating our core business is almost complete. The Group's stake in, and commitments to, the investment fund Nord II IS were wound up in the second quarter of 2016.

### Macroeconomic trends

The global economy is experiencing moderate growth and Norges Bank expects Norway's trading partners to see growth of 2.1% in 2016, down from 2.3% in 2015. Further uncertainty has been introduced by the UK's no in the referendum on continued EU membership. The Norwegian economy is still characterised by low oil prices and lower investments in the petroleum sector. Growth in the Norwegian mainland economy is weak. Mainland Norway's GDP grew by 0.3% in the first quarter and Norges Bank expects growth to remain at about the same level going forward which indicates annual growth of around 1.2%. Monetary policy is expansive in order to support the restructuring in the Norwegian business sector. Norges Bank has warned that its key policy rate may be cut further during the year.

The northern Norwegian economy has so far shown few signs of weakening. However, the regional network's report to Norges Bank in June 2016 expects growth to tail off to some extent, although it is expected to remain stronger than in the country as a whole. In March, the network expected fairly marked growth in Region North. In the report from June this year, 'marked growth' has been amended to 'some growth' in the next 6 months. The unemployment rate for Northern Norway is stable and low, with 2.4% registered as completely without work as of May. The housing market is still performing well, but the rise in house prices has gradually flattened out. In the year-to-date, house prices have risen more weakly in Finnmark and Troms than in the rest of the country. Prices in Nordland have risen almost in line with the national average.

The north continues to grow because the weak Norwegian krone has strengthened export industries and because the region is less dependent on the oil sector. The value of seafood exports increased by 27% in the first half of 2016 compared with the corresponding period last year. The biggest increase comes from higher salmon prices, although the white fish industry, which is especially important for Northern Norway, is also experiencing significant growth. The impact of the weak Norwegian krone has also been positive for the energy-intensive industries. In the first 5 months of the year, tourism in the region has seen a 25% increase in foreign overnight stays compared with the corresponding period last year. Sales and orders on hand in building and construction have increased due to the high level of investment in housing and facilities.

Northern Norwegian household finances are solid. Lasting low unemployment and lower interest rates have resulted in good growth in personal savings. Growth in consumer spending was high. Turnover in the wholesale

and retail trade was 3.5% in the first 2 months of the year compared with the corresponding period in 2015. Companies in the wholesale and retail trade expect moderate growth in the next 6 months.

Although the macroeconomic outlook for Northern Norway still appears brighter than for the rest of the country, the Bank is conscious of the fact that growth in the region could slowdown in 2016. The greatest risk is associated with the Norwegian krone exchange rate. It is important for the northern Norwegian business sector that the Norwegian krone remains weaker.

Overall, the Bank believes the growth outlook for the northern Norwegian economy is moderate. The Business Barometer for Northern Norway forecasts economic growth of 2% in 2016.

### Financial performance

The financial statements as per the first half of 2016 show an operating profit before tax of NOK 768 million (NOK 684 million). Underlying banking operations before losses remain good, and have improved, with a profit of NOK 620 million, compared with NOK 541 million (before losses and restructuring costs) for the same period last year.

The Group's return on equity after tax at 30 June 2016 was 12.4% (11.7%). Its earnings per equity certificate were NOK 2.90 (NOK 2.61).

### Net interest income

Net interest income at 30 June 2016 was NOK 787 million (NOK 737 million).

Net interest income represented 1.77% (1.77%) of average total assets.

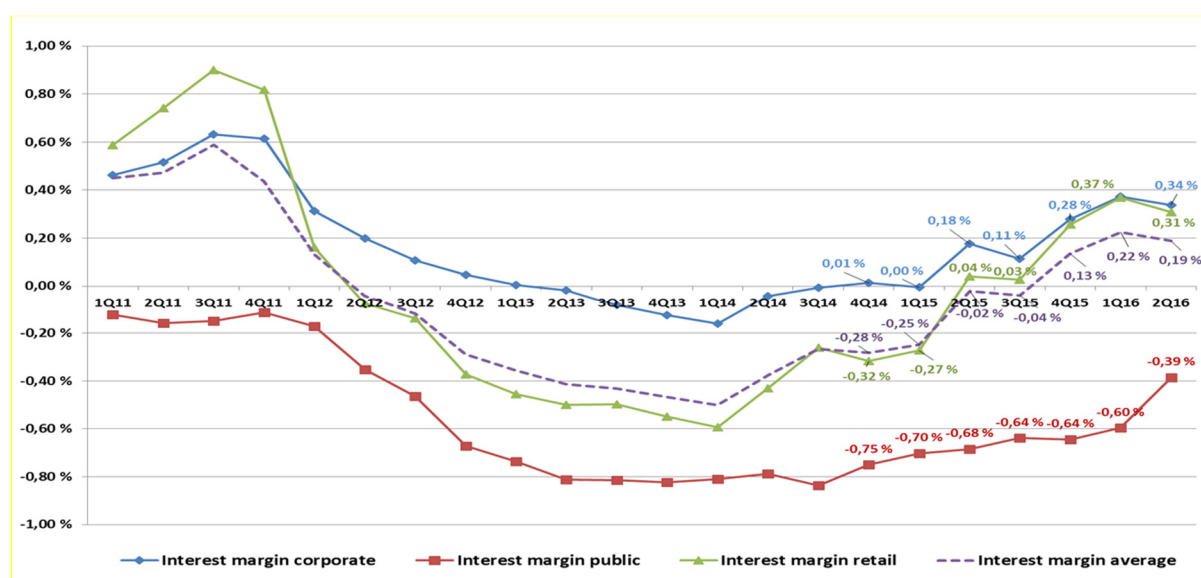
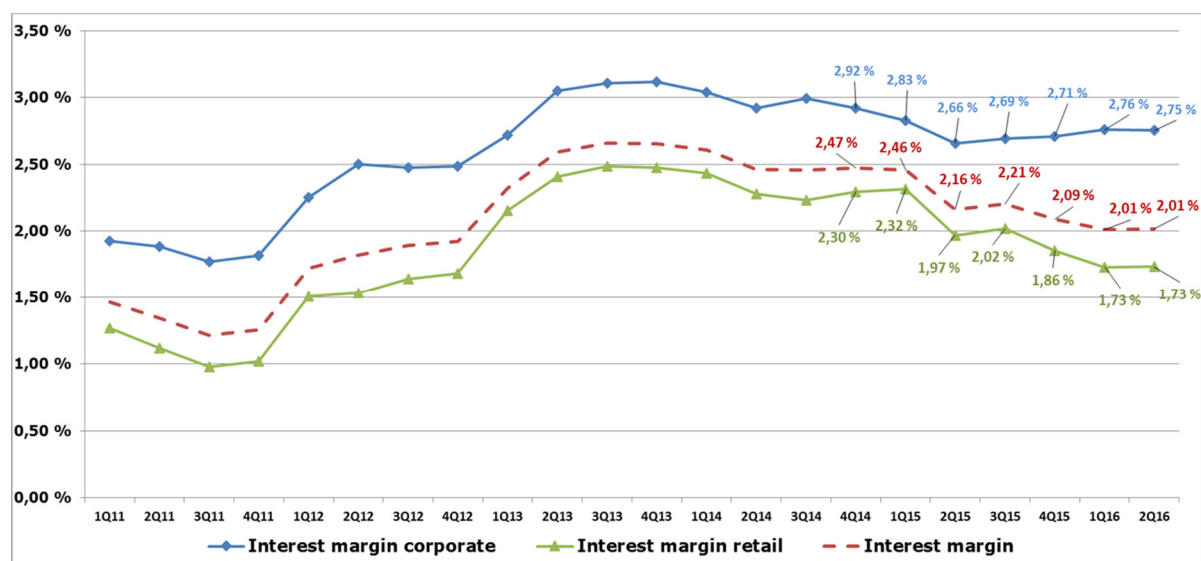
Income from the loan portfolio transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is recognised as commissions. Commissions totalled NOK 95 million at the end of the second quarter of 2016. The corresponding figure for the same period in 2015 was NOK 142 million. Net interest income inclusive of the above commissions shows a decrease of NOK 47 million compared with the second quarter of 2015.

At the end of the second quarter of 2016, home mortgages worth NOK 24 billion (NOK 24 billion) had been transferred to SpareBank 1 Boligkreditt. As of 30 June 2016, no loans have been transferred to SpareBank 1 Næringskreditt (NOK 0 million).

Compared with the first quarter of 2016, net interest income, including commissions from the transferred loan portfolios but excluding charges for the Guarantee Fund, developed as follows:

<i>Figures in NOK millions</i>	Q2 2016	change	Q1 2016
Net interest income incl. commissions from intermediary loans	448	+14	434
Lending and deposit volume		+9	
Lending and deposit margins		+2	
Other effects		+3	

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



On 17 March 2016, Norges Bank reduced the key policy rate by a further 0.25 percentage points to 0.50%. Based on this, and continued strong competition in the market, the Bank reduced its deposit and lending rates with effect from the end of May/beginning of June. The net effect on the result of this change in customer rates for loans and deposits has, in isolation, been calculated as being almost neutral. However, the net interest margin and net interest income in the retail market are also being affected by general price pressure, especially in the home mortgage market. Last year the Bank increased lending margins in the corporate market.

Compared with the first quarter, the Bank's average costs for borrowing in the capital markets decreased in the second quarter of 2016. This has contributed to higher net interest income. Assuming stable conditions in the capital markets, the Bank's average borrowing costs are expected to rise slightly in the third and fourth quarters.

The development of the Bank's overall margins going forward will primarily depend on the competitive situation. Continued strong competition and price pressure on loans are expected in the retail market.

**Net commissions and other operating income**

Net commissions and other operating income totalled NOK 462 million at the end of the second quarter of 2016 (NOK 478 million).

<i>Figures in NOK millions</i>	30.06.2016	Change	30.06.2015
Net commissions and other operating income	462	-16	478
Change in commissions from SpareBank 1 Boligkreditt.	95	-47	142
Change in other commissions and other operating income	367	31	336

In the second quarter of 2016, SpareBank 1 Nord-Norge sold a bank building in Tromsø and has in connection with this booked a profit of NOK 18 million under other operating income.

### **Income from financial investments**

Total net income from financial investments at the end of the second quarter of 2016 amounted to NOK 236 million (NOK 211 million).

This has developed as follows:

<i>Figures in NOK millions</i>	30.06.2016	Change	30.06.2015
Net income from financial investments	236	+25	211
Result from SpareBank 1 Gruppen	135	+8	127
Result from SpareBank 1 Boligkreditt	14	-28	42
Result from BN Bank	36	+11	25
Result from SpareBank 1 Næringskreditt	9	0	9
Result from SpareBank 1 Kredittkort	14	5	9
Result from SpareBank 1 Markets	0	-14	14
Result from SpareBank 1 Mobilbank	-12	-12	0
Share dividends	73	+66	7
Net change in value of equities	-55	-27	-28
Net change in value of bonds, currency and financial derivatives	24	17	7
Net change in value of loans at fair value, incl. hedging	-2	-1	-1

### ***Profit contributions from joint ventures***

#### *SpareBank 1 Gruppen*

SpareBank 1 Gruppen's profit after tax at the end of the second quarter of 2016 totalled NOK 694 million (NOK 653 million). The SpareBank 1 Nord-Norge Group's 19.5% share of the result, amounting to NOK 135 million (NOK 127 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.

In the opinion of the Board, the Group's book value for SpareBank 1 Gruppen contains significant excess value.

#### *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 14.45% stake in SpareBank 1 Boligkreditt and the share of its profit at the end of the second quarter of 2016 was NOK 14 million (NOK 42 million).

SpareBank 1 Nord-Norge's stake in SpareBank 1 Næringskreditt is 20.83%, and the share of its profit at the end of the second quarter of 2016 was NOK 9 million (NOK 9 million).

#### *BN Bank*

SpareBank 1 Nord-Norge had a 23.5% stake in BN Bank at 1 January 2016. The share of profit at the end of the second quarter of 2016 amounted to NOK 36 million (NOK 25 million). The phasing out of business in the corporate market in BN Bank is proceeding as planned.

### *Other companies*

In addition to the above companies, the 17.8% stake in SpareBank 1 Kredittkort and share of the profit for the second quarter of 2016 of NOK 14 million (NOK 9 million) have also been incorporated. A 19.7% share of the result from the company SpareBank 1 Mobilbank, NOK -12 million, has also been incorporated.

### **The Group's equities portfolio**

The Group's equities portfolio at 30 June 2016 amounted to NOK 301 million (NOK 466 million). Net losses/reductions in the value of the portfolio totalling NOK 55 million (NOK -28 million) were recognised as costs in the second quarter of 2016, NOK -15 million (NOK 12 million) of which were changes in value of the parent bank's portfolio. In line with the Group's strategy of concentrating on its core business, the investment in the investment company Nord II was wound up in the second quarter of 2016. Thus, a realised loss of NOK 40 million was recognised in the subsidiary SpareBank 1 Nord-Norge Portefølje in the quarter, NOK 19 million of which is linked to the actual transaction and the rest to the current deficit in the company. Prior to the transaction, the total exposure - which has now been wound up - was NOK 221 million and consisted of holdings of NOK 168 million on the balance sheet as well as an undrawn commitment of NOK 53 million.

On 2 November 2015, an agreement was announced between Visa Europe Ltd. (VE) and Visa Inc. in which the latter will purchase all of the shares in Visa Europe Ltd. Visa Norge FLI (VN) is, as a group member of Visa Europe, also a shareholder in VE. There are three parts to the transaction: a cash settlement, convertible preferred shares and a conditional cash payment that will be paid in 3-4 years. The actual sale of the shares took place in the second quarter of 2016. The settlement for this sale has been paid to VE, which has distributed it to its members based on a combination of charges paid in the last 2 years and the next 3 years' business agreements. The proceeds have in turn been further distributed by VN to the Norwegian members, based on the same criteria, including SpareBank 1 Nord-Norge. An estimate of the settlement for the sale was calculated on 31 December 2015. According to this, SpareBank 1 Nord-Norge's share would amount to NOK 80 million, which was recognised on the balance sheet on 31 December 2015, in the equities portfolio as shares available for sale, and also as an item in other comprehensive income and added to equity. Upon completion of the transaction the amount finally received was NOK 70 million. This was recognised through profit and loss as dividends, albeit without effect on equity. A new estimate was made on 30 June 2016 concerning the remainder of the settlement in the form of a future conditional payment (3 years), as well as the value of preferred shares in Visa Inc. Together this amounts to NOK 20 million and has also been recognised in other comprehensive income and added to equity. The total settlement will thus amount to NOK 90 million, NOK 70 million of which has been received as dividends.

In the fourth quarter of 2015, SpareBank 1 Nord-Norge and the other owner banks in the SpareBank 1 Alliance agreed to transfer their stakes in Bank 1 Oslo to Sparebanken Hedmark. The transaction was completed in the second quarter of 2016 and in connection with this a loss of NOK 4 million was recognised. The settlement also includes a 1.61% stake in Sparebanken Hedmark amounting to 1,713,942 equity certificates.

### **Certificates, bonds, currency and derivatives**

At 30 June 2016, the Group's holdings of certificates and bonds amounted to NOK 12,935 million (NOK 10,253 million).

The total net change in value in the first half of 2016 in this portfolio amounted to NOK 24 million (NOK 7 million).

### **Subsidiaries**

<i>(Figures in whole NOK thousands)</i>	Stake in %	Profit before tax	
		30.06.2016	30.06.2015
SpareBank 1 Finans Nord-Norge AS	100	39,369	60,428
SpareBank 1 Nord-Norge Portefølje AS	100	-41,910	-43,751
EiendomsMegler 1 Nord-Norge AS	100	16,502	18,404
SpareBank 1 Forvaltning AS	100	1,270	1,167
SpareBank 1 Regnskapshuset AS	100	9,834	7,143
Nord-Norge Eiendom IV AS	100	-1,174	-366
Alsgården AS	100	-771	426
Fredrik Langesgt 20 AS	100	503	488

At the end of the second quarter of 2016, the Group's subsidiaries had a combined profit before tax of NOK 24 million (NOK 35 million), which has been fully consolidated in the consolidated financial statements.

SpareBank 1 Finans Nord-Norge's profit before tax for the second quarter of 2016 was NOK 39 million (NOK 60 million). The company has a good earnings base and total earnings for the year-to-date amounted to NOK 137 million (NOK 133 million). Losses on leasing and loan commitments for the second quarter of 2016 amounted to NOK 34 million (NOK 4 million). The increase in losses was due to the recognition of a loss relating to a larger commitment - see also the later section on net losses and commitments in default. At the end of the quarter, the company managed leasing, consumer loan and vendor's security agreements with a total value of NOK 4,777 million (NOK 4,226 million), of which leasing agreements represented NOK 2,594 million (NOK 2,320 million).

SpareBank 1 Nord-Norge Portefølje has a portfolio of unlisted equities and investments in funds. The company's result before tax for the second quarter of 2016 was NOK -42 million (NOK -44 million). Following the sale of Nord II, the remaining book value of the company's holdings of equities and subordinated loans was NOK 46 million.

EiendomsMegler 1 Nord-Norge had a profit before tax at the end of the second quarter of 2016 of NOK 16 million (NOK 18 million). The number of units sold so far in 2016 is 1,554 (1,382), with total commissions income of NOK 62 million (NOK 58 million).

SpareBank 1 Nord-Norge Forvaltning's pre-tax profit for the second quarter of 2015 was NOK 1.3 million (NOK 1.2 million).

SpareBank 1 Regnskapshuset Nord-Norge AS's profit contribution before tax for the second quarter of 2016 was NOK 9.8 million (NOK 7.1 million).

### Operating costs

In response to increased digitisation and changes in customer behaviour, SpareBank 1 Nord-Norge has started to reorganise the business to improve profitability within the Group. Measures encompass increased earnings, reduced costs and a better return on capital. The Group has changed its target for average annual cost increases from a maximum of 1% to a maximum of 0%, exclusive of restructuring costs and any business expansions. Compared with 2015, negative cost growth is expected in 2016 and 2017.

Exclusive of the provisions for restructuring costs in the first half of 2015, costs at the end of the second quarter of 2016 were NOK 25 million lower than at the end of the second quarter of 2015 (-3.8%).

Ordinary operating costs at 30 June 2016 amounted to NOK 629 million (NOK 674 million). The changes in costs compared with those at 30 June 2015 were as follows:

<i>Figures in NOK millions</i>	30.06.2016	Change	30.06.2015
Operating costs	629	-45	674
Personnel costs	324	-47	371
Admin. costs	186	+6	180
Depreciation	30	+2	28
Other costs	89	-6	95

In relation to the average total assets, costs amounted to 1.42% at the end of the first half of 2016 (1.62%).

The Group's cost/income ratio was 42.4% for the first half of 2016 compared with 47.3% for the corresponding period last year.

The parent bank's costs amounted to NOK 494 million at 30 June 2016 (NOK 532 million).

The Group had 755 full-time equivalents at the end of the second quarter of 2016 (901), nine fewer than at the end of the fourth quarter of 2016. Of the reduction compared with 2015, 59 of these full-time equivalents were

employees of the Bank's former subsidiary bank in Russia. The number of full-time equivalents in the parent bank at the end of the second quarter of 2016 was 545 (634), five fewer than at the end of the first quarter of 2016.

#### **Net losses and commitments in default**

The Group's net losses for the first quarter of 2016 amounted to NOK 88 million (NOK 68 million). These were distributed as follows: NOK 13 million in the retail market and NOK 75 million in the corporate market, NOK 34 million of which came from the subsidiary SNN Finans.

Gross non-performing and doubtful commitments at 30 June 2016 totalled NOK 594 million (NOK 703 million), which represents 0.64% of gross lending inclusive of intermediary loans (0.81%).

The Group's total individual loss write-downs at 30 June 2016 were NOK 205 million (NOK 383 million), NOK 62 million (NOK 150 million) of which involved financial institutions. Provisions increased by NOK 29 million in the last quarter.

Group write-downs at 30 June 2016 amounted to NOK 289 million (NOK 235 million) and have increased by NOK 21 million compared with the previous quarter. Group write-downs totalled 0.43% of the Group's total gross lending at 30 June 2016 (0.37%), which represents 0.31% (0.27%) of gross lending including intermediary loans.

The exposure in Russia consists of loans to Tavrichesky Bank equivalent to around NOK 110 million. The claim recovery process has begun. The net exposure from this receivable in the consolidated financial statements after remaining provisions for losses amounted to NOK 47 million at 30 June 2016.

A larger commitment with a risk of loss was identified in the second quarter of 2016; provisions of NOK 39.2 million have been made for the loss. The provisions account for 21% of non-performing commitments and comprise provisions of NOK 29.7 for the loss in SpareBank 1 Finans and a guarantee issued for NOK 9.5 million in the parent bank.

In the opinion of the Board, the quality of the Bank's loan portfolio remains good and the Bank is doing high quality work in connection with commitments in default and doubtful commitments in the Group. There will still be a strong focus on this work going forward. The general level of losses is expected to remain moderate for the immediate future.

#### **IFRS 9 Financial instruments**

The IASB (International Accounting Standards Board) published the final version of IFRS 9 *Financial Instruments* in July 2014 (International Financial Reporting Standards). IFRS 9 will replace the existing IAS 39 *Financial Instruments: Recognition and Measurement* (International Accounting Standards). IFRS 9 entails changes in relation to the current standard with respect to the classification and measurement of financial instruments, writing down financial assets, and hedge accounting. The standard comes into force on 1 January 2018. Early implementation is permitted. The standard has not been approved by the EU yet. With the exception of hedge accounting, the standard must be applied retrospectively, although there is no obligation to provide comparable figures. In the case of hedge accounting, the standard must be applied prospectively, with a limited number of exceptions.

The Bank expects to apply the standard on the mandatory effective date, from and including the 2018 financial year. The Bank started work on a general assessment of the effects of the standard in 2015. This work is ongoing. The Bank does not expect the new standard to have significant effects on the balance sheet or equity, with the exception of the effects from applying the standard's rules for writing down loans. New principles for write-downs could result in higher loss provisions.

#### **Taxes**

The Group's tax cost at the end of the second quarter of 2016 was estimated at NOK 140 million (NOK 134 million).

In the parent bank's accounts, the basis for tax has been reduced by permanent differences coupled with effects of the exemption model.

#### **Total assets**

The Group's total assets amounted to NOK 92,038 million at 30 June 2016 (NOK 84,981 million). Total assets have increased by 8.3%, or NOK 7,057 million, in the last 12 months.

## Loans

As of 30 June 2016, loans totalling NOK 24 billion (NOK 24 billion) had been transferred to SpareBank 1 Boligkreditt. As of 30 June 2016, no loans (NOK 0 million) had been transferred to SpareBank 1 Næringskreditt. 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 92,249 million at 30 June 2016. Compared with 30 June 2015, this amounts to an increase of 5.9%. The growth was distributed as follows: 7.6% in the retail market and 1.8% in the corporate market and public sector. Annualised lending growth in the first half of the year seen in isolation amounted to 9.3%: 8.7% in the retail market and 10.9% in the corporate market. The growth in the corporate market was primarily in the SME (small and medium-sized enterprises) segment. Lower lending growth is expected going forward.

The percentage of lending to the retail market, inclusive of intermediary loans, accounts for 72% of the total lending as of 30 June 2016 (71%).

The Group's exposure in the oil and gas sector is low. Its total exposure at 30 June 2016 was NOK 2,035 million, or 2.2% of gross lending (inclusive of intermediary loans). In the Board's opinion, the risk in this part of the portfolio is clear and manageable. Around 38% of the portfolio consists of commitments to supply bases with extremely long contracts with solid actors. Supply shipowners with activities within platform supply vessels (PSVs) and anchor handlers (AHTSs) still face challenges. However, the Group's portfolio within this subsector has good contract coverage and cash flow. The Group's customers within this segment of the oil and gas sector can expect reductions in turnover and profit due to a significant reduction in investments in the sector.

The Bank's portfolio of fixed-rate loans in Norwegian krone amounted to NOK 7.4 billion at 30 June 2016 (NOK 7.6 billion at 31 December 2015). This portfolio is measured at fair value in the financial statements. Changes in interest rates and risk premiums can result in changes in the estimated fair value. Please also refer to the more detailed description in note 16 to the interim financial statements.

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.

## Liquidity

Deposits from customers represent the Bank's main source of funding. At the end of the second quarter of 2016, the deposit coverage ratio (excluding intermediary loans) was 82% (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 access to liquidity and the key figures for liquidity are satisfactory. The Bank's strategic aim is to keep liquidity risk at a low level. LCR at 30 June 2016 was calculated to be 128% (163%).

The Group's deposits from customers totalled NOK 55,666 million at 30 June 2016. The increase over the past 12 months was NOK 5,689 million, or 11.4%. The increase in deposits was 6.5% in the retail market and 1.8% in the corporate market. Deposits from the public sector grew by no less than 47.2%, primarily due to one new major customer in the sector.

SpareBank 1 Nord-Norge is establishing 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.

The long-term ratings at the rating agencies Moody's and Fitch are A1 and A, respectively.

## Financial strength and capital adequacy

At the end of the second quarter of 2016, the Group's common equity tier 1 capital ratio, inclusive of the share of the result, was 14.2% (13.4%). The Group's core capital ratio is 15.0% (14.1%) (inclusive of hybrid tier 1 capital) and the total capital adequacy ratio is 17.1% (16.1%).

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

The unweighted tier 1 capital ratio (leverage ratio) at 30 June 2016 was calculated at 6.1% (6.0%).

In June 2016, SpareBank 1 Nord-Norge received the Financial Supervisory Authority of Norway's preliminary assessment of the Group's capital requirements. This assessment concludes that the Pillar 2 requirement should be 1.5% of the risk-weighted balance. The Financial Supervisory Authority of Norway's assessments largely concur with the Bank's own capital assessments in this context. The final Pillar 2 requirement is expected to be set by the Financial Supervisory Authority of Norway in the autumn of 2016.

The Group's regulatory minimum requirement for common equity tier 1 capital ratio will, taking into account the expected Pillar 2 requirement, be 13.0% as of 30 June 2016.

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 long-term goal for common equity tier 1 capital ratio is 14.5%. The intention is to achieve this in 2016.

In the opinion of the Board, no equity issues will be required to achieve the Group's long-term target for financial strength.

### **New framework conditions**

#### Countercyclical 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 countercyclical capital buffer requirement for banks will be increased to 1.5% starting on 30 June 2016. This requirement was previously set at 1% from 30 June 2015. 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.

#### Unweighted capital ratio (Leverage ratio)

In a letter dated 31 March 2016, the Financial Supervisory Authority of Norway, at the request of the Ministry of Finance, drew up proposals for a consultation paper and regulatory rules for leverage ratios. The Financial Supervisory Authority of Norway concludes that the implementation plan in CRR/CRD IV should be followed and that leverage ratios should be followed up via the Pillar 2 assessments of the undertakings until 2018. In the consultation paper the Financial Supervisory Authority of Norway proposes a minimum requirement of 6% for banks and bank groups, as well as financial groups, with the exception of insurance dominated undertakings.

### **The Bank's equity certificate holders**

At 30 June 2016, the parent bank's equity certificate capital was NOK 1,807 million. The number of equity certificates at 30 June 2016 was 100,398,016 each with a nominal value of NOK 18, fully paid-up.

The equity certificate ratio at 1 January 2016 was 46.36%. The number of equity certificate holders at 30 June 2016 was 7,621 (7,653), 36% of which are from Northern Norway (34%). The northern Norwegian equity certificate holders' share of the total equity share capital was 19%. 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 39.50 at 30 June 2016 (NOK 41.30). Based on this price, the market value of the Bank's equity was NOK 8,554 million (NOK 8,761 million). The earnings per equity certificate (Group) amounted to NOK 2.90 (NOK 2.61). Price/Earnings was 6.81 (7.92) and Price/Book 0.83 (0.92) at 30 June 2016 (both figures for the Group).

The Bank believes it is important to have an owner-friendly dividend policy and is continuing to adapt to a 50% dividend payout ratio. The dividend payout ratio for the 2015 financial year for the Bank's equity certificate holders was 48.7%, following approval of a higher payout ratio for equity certificate holders than for the community-owned part of the capital. If the pricing of the Bank's equity certificates is still lower than the book value (P/B<1), the Board will also consider a higher dividend payout ratio for equity certificate than for the community-owned capital in the future as well.

### **Concluding remarks and future prospects**

The macroeconomic outlook for Northern Norway still looks brighter than for the country as a whole. However, the Bank is prepared for the fact that growth in the region could tail off in 2016. The greatest risk is linked to the

exchange rate for the Norwegian krone, where a continued weak krone is important for northern Norwegian export industries. Overall, the Bank believes the growth outlook for the northern Norwegian economy is moderate. The Business Barometer for Northern Norway forecasts economic growth of 2% in 2016.

The Group has implemented significant strategic measures in the last few years. These include:

- Significantly building up equity and financial strength: almost doubling the Group's equity in the last 6 years.
- The cultivation of core business is almost complete:
  - SNN Invest has been wound up
  - The Nord II investment fund was sold in the second quarter of 2016
  - The phasing out of corporate market business in BN Bank is ongoing
  - The venture in Russia has been sold
  - Selling the Bank's stake in Bank 1 Oslo – the transaction was completed in the second quarter of 2016
- The Bank's presence has been adjusted to customers' use of banking services. The Group's accessibility has been increased via the concentration on 16 financial centres while the number of branches has been reduced.
- Cost-reducing measures have been implemented, including adapted to customer behaviour through substantial voluntary downsizing

While the Group's results for 2015 were affected by restructuring costs and write-downs due to increased risk premiums in the securities market, the Group posted good earnings for the first half of 2016. This also applies to the Bank's core business. The outlook for the Group is deemed satisfactory.

Tromsø, 10 August 2016

**The Board of SpareBank 1 Nord-Norge**

Karl Eirik Schjøtt-Pedersen  
(Chairman of the Board)

Hans Tore Bjerkås  
(Deputy Chairman)

Ingvild Myhre

Kjersti Terese Stormo

Greger Mannsverk

Bengt Olsen

Sonja Djønne

Vivi Ann Pedersen  
(Employee-elected)

Jan-Frode Janson  
(CEO)

# Statement of income

**Parent Bank**
**Group**

(Amounts in NOK million)

31.12.15	2Q15	2Q16	30.06.15	30.06.16		30.06.16	30.06.15	2Q16	2Q15	31.12.15
2 520	637	583	1 299	1 161	Interest income	1 254	1 386	631	682	2 702
1 200	316	232	657	471	Interest costs	467	649	230	314	1 190
1 320	321	351	642	690	<b>Net interest income</b>	<b>787</b>	<b>737</b>	<b>401</b>	<b>368</b>	<b>1 512</b>
739	187	170	376	338	Fee- and commission income	430	460	226	233	908
72	17	20	34	38	Fee- and commission costs	41	35	22	18	75
15	4	22	7	26	Other operating income	73	53	45	24	100
682	174	172	349	326	<b>Net fee-, commission and other operating income</b>	<b>462</b>	<b>478</b>	<b>249</b>	<b>239</b>	<b>933</b>
8	7	73	7	73	Dividend	73	7	73	7	8
354	308	338	406	449	Income from investments	196	226	109	114	399
- 114	- 19	12	- 7	7	Net gain from investments in securities	- 33	- 22	- 26	- 28	- 158
248	296	423	406	529	<b>Net income from financial investments</b>	<b>236</b>	<b>211</b>	<b>156</b>	<b>93</b>	<b>249</b>
2 250	791	946	1 397	1 545	<b>Total income</b>	<b>1 485</b>	<b>1 426</b>	<b>806</b>	<b>700</b>	<b>2 694</b>
670	139	123	283	242	Personnel costs	324	371	161	182	850
331	81	84	160	167	Administration costs	186	180	93	90	368
48	11	13	23	25	Ordinary depreciation	30	28	16	14	56
129	33	31	66	60	Other operating costs	89	95	48	50	187
1 178	264	251	532	494	<b>Total costs</b>	<b>629</b>	<b>674</b>	<b>318</b>	<b>336</b>	<b>1 461</b>
1 072	527	695	865	1 051	<b>Result before losses</b>	<b>856</b>	<b>752</b>	<b>488</b>	<b>364</b>	<b>1 233</b>
216	34	32	67	54	Losses	88	68	64	36	200
856	493	663	798	997	<b>Result before tax</b>	<b>768</b>	<b>684</b>	<b>424</b>	<b>328</b>	<b>1 033</b>
126	55	64	109	124	Tax	140	134	71	68	163
0	0	0	0	0	Result non-current assets held for sale	0	0	0	0	5
					Minority interests	0	- 3	0	- 1	- 7
730	438	599	689	873	<b>Result after tax</b>	<b>628</b>	<b>553</b>	<b>353</b>	<b>261</b>	<b>872</b>
					<b>Result per Equity Certificate</b>					
3.44	2.06	2.77	3.25	4.03	Result per Equity Certificate	2.90	2.61	1.63	1.23	4.11
3.44	2.06	2.77	3.25	4.03	Diluted result per Equity Certificate	2.90	2.61	1.63	1.23	4.11

## Other comprehensive income

730	438	599	689	873	<b>Result after tax</b>	<b>628</b>	550	<b>353</b>	260	865
0	0	0	0	0	Recalculation differences	0	1	0	-4	0
0	0	0	0	0	Value adjustment of property, plant and equipment	0	-10	0	0	-10
8	3	2	5	4	Effective part of change in fair market value in cash flow hedging	4	5	2	3	8
0	0	0	0	0	Net change in fair market value of investment in joint ventures	-30	30	-23	30	34
80	0	0	0	0	Net change in fair market value of financial assets available for sale	-60	0	-60	0	80
0	0	0	0	0	Reclassification adjustments	0	0	0	0	30
61	0	0	0	0	Actuarial gains (losses) on benefit-based pension schemes	0	0	0	0	58
-18	-1	-1	-1	-1	Tax on other comprehensive income	-1	-1	-1	-1	-17
131	2	1	4	3	Other comprehensive income for the period	-87	25	-82	28	183
861	440	600	693	876	<b>Total comprehensive income for the period</b>	<b>541</b>	<b>575</b>	<b>271</b>	<b>288</b>	<b>1 048</b>
					Majority interest	0	0	0	-288	-7
					Minority interests	0	0	0	1	1 055
					<b>Total result per Equity Certificate</b>					
4.06	2.07	2.77	3.27	4.05	Total result per Equity Certificate	2.50	2.71	1.25	1.36	4.94
4.06	2.07	2.77	3.27	4.05	Diluted total result per Equity Certificate	2.50	2.71	1.25	1.36	4.94
					<b>Tax on other comprehensive income:</b>					
-2	-1	0	-1	0	Effective part of change in fair market value in cash flow hedging	0	-1	0	-1	-2
-16	0	0	0	0	Actuarial gains (losses) on benefit-based pension schemes	0	0	0	0	-15
-18	-1	-1	-1	-1	<b>Tax on other comprehensive income</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-17</b>

# Statement of financial position

**Parent Bank**
**Group**

(Amounts in NOK million)

31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
			<b>Assets</b>			
274	611	714	Cash and balances with central banks	714	662	274
5 683	7 418	6 843	Loans and advances to credit institutions	3 122	3 724	2 124
59 487	58 721	62 860	Net loans and advances to customers	67 429	62 972	63 637
388	289	277	Shares	301	466	569
11 178	10 253	12 935	Certificates and bonds	12 935	10 253	11 178
1 946	1 479	1 953	Financial derivatives	1 953	1 479	1 946
626	678	741	Investments in Group Companies	0	0	0
2 836	2 680	2 877	Investments in associated companies and joint ventures	4 401	4 091	4 424
443	455	367	Property, plant and equipment	485	567	553
0	0	0	Non current assets held for sale	28	35	28
0	0	0	Deduction for ntangible assets	51	51	51
522	633	578	Other assets	619	681	619
83 383	83 217	90 145	<b>Total assets</b>	<b>92 038</b>	84 981	85 403
			<b>Liabilities</b>			
1 829	1 301	495	Deposits from credit institutions	485	1 287	1 816
48 115	50 235	55 687	Deposits from customers	55 666	50 246	48 087
21 470	20 374	21 492	Debt securities in issue	21 492	20 373	21 470
1 525	986	1 365	Financial derivatives	1 364	986	1 525
750	760	855	Other liabilities	1 094	956	956
0	0	0	Non current assets held for sale	0	0	0
146	185	146	Deferred tax liabilities	234	262	238
1 350	1 350	1 350	Subordinated loan capital	1 350	1 350	1 350
75 185	75 191	81 390	<b>Total liabilities</b>	<b>81 685</b>	75 460	75 442
			<b>Equity</b>			
1 807	1 807	1 807	Equity Certificate capital	1 807	1 807	1 807
0	0	0	Own holding ECC	0	0	0
843	843	843	Equity Certificate premium reserve	843	843	843
1 179	831	983	Dividend Equalisation Fund	983	831	1 179
4 074	3 748	4 074	The Savings Bank's Fund	4 074	3 748	4 074
180	120	120	Donations	120	120	180
80	0	20	Fair value reserve	20	- 29	80
35	- 12	35	Other equity capital	1 878	1 630	1 798
0	689	873	Result after tax	628	553	0
			Minority interests	0	18	0
8 198	8 026	8 755	<b>Total equity</b>	<b>10 353</b>	9 521	9 961
83 383	83 217	90 145	<b>Total liabilities and equity</b>	<b>92 038</b>	84 981	85 403

## Changes in equity

(Amounts in NOK million)

	PCC capital	Own holding ECC	Premium Fund	Dividend Equalisation Fund	Saving Bank's Fund	Donations Fund	Fair value reserve	Other equity	Period result	Total Majority interests	Minority interests	Total equity
<b>Group</b>												
Equity at 01.01.15	1 807		843	776	3 565	163	- 2	1 327		8 479	23	8 502
<b>Total comprehensive income for the</b>												
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
<b>Total other comprehensive income</b>				2	1		- 28	- 70		- 95	- 7	- 102
<b>Total comprehensive income for the period</b>				354	180	212	- 28	283		1 001	- 8	993
<b>Transactions with owners</b>												
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
<b>Total transactions with owners</b>				- 110		- 43		1		- 152		- 152
<b>Equity at 31.12.2014</b>	<b>1 807</b>		<b>843</b>	<b>1 020</b>	<b>3 745</b>	<b>332</b>	<b>- 30</b>	<b>1 611</b>		<b>9 328</b>	<b>15</b>	<b>9 343</b>
Equity at 01.01.16	1 807		843	1 179	4 074	180	80	1 798		9 961		9 961
<b>Total comprehensive income for the</b>												
Period result									628	628		628
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				3	1					4		4
Net change in fair market value of financial assets available for sale							- 60			- 60		- 60
Reclassification adjustments												
Tax on other comprehensive income				- 1						- 1		- 1
<b>Total other comprehensive income</b>				0	1	0	- 60	- 30	0	- 87		- 87
<b>Total comprehensive income for the period</b>				2	1	0	- 60	- 30	628	541		541
<b>Transactions with owners</b>												
Dividend paid				- 201						- 201		- 201
Other transactions				3	- 1			110		112		112
Payments from Donations Fund						- 60				- 60		- 60
<b>Total transactions with owners</b>				- 198	- 1	- 60		110		- 149		- 149
<b>Equity at 30.06.16</b>	<b>1 807</b>		<b>843</b>	<b>983</b>	<b>4 074</b>	<b>120</b>	<b>20</b>	<b>1 878</b>	<b>628</b>	<b>10 353</b>		<b>10 353</b>

## ECC ratio overall

### Parent Bank

(Amounts in NOK million)

	(01.01.11)	(01.01.12)	(01.01.13)	(adjusted)			
	31.12.10	31.12.11	31.12.12	01.01.13	31.12.13	31.12.14	31.12.15
Equity Certificate capital	1 275	1 655	1 655	1 681	1 807	1 807	1 807
Equity Certificate premium reserve	184	245	245	344	843	843	843
Dividend Equalisation Fund	408	319	453	380	685	1 011	1 193
Set aside dividend	- 103	- 93	- 76	0	0	- 191	- 201
Share Fund Fair Value Options	- 3	- 14	- 33	- 33	0	0	38
<b>A. Equity attributable to Equity Certificate holders of the Bank</b>	<b>1 761</b>	<b>2 112</b>	<b>2 244</b>	<b>2 372</b>	<b>3 335</b>	<b>3 470</b>	<b>3 680</b>
The Savings Bank's Fund	2 811	2 902	3 107	3 081	3 593	3 954	4 096
Allocated dividends to ownerless capital	- 154	- 107	- 30	0	0	- 212	- 60
Donations	133	133	120	120	119	119	180
Share Fund Fair Value Options	- 5	- 20	- 45	- 45	0	0	42
<b>B. Total ownerless capital</b>	<b>2 785</b>	<b>2 908</b>	<b>3 152</b>	<b>3 156</b>	<b>3 712</b>	<b>3 861</b>	<b>4 258</b>
<b>Equity Certificate Ratio overall (A/(A+B))</b>	<b>38.74 %</b>	<b>42.07 %</b>	<b>41.59 %</b>	<b>42.91 %</b>	<b>47.33 %</b>	<b>47.33 %</b>	<b>46.36 %</b>

# Statement of cash flows

**Parent Bank**
**Group**
*(Amounts in NOK million)*

31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
856	798	<b>997</b>	Result before tax	<b>768</b>	684	1 033
48	23	<b>25</b>	+ Ordinary depreciation	<b>30</b>	28	56
2	0	<b>- 18</b>	+ Write-downs, gains/losses fixed assets	<b>- 18</b>	0	2
216	67	<b>54</b>	+ Losses on loans and guarantees	<b>88</b>	68	200
126	109	<b>124</b>	- Tax/Result investment held for sale	<b>140</b>	134	163
403	403	<b>261</b>	- Dividends/donations	<b>261</b>	403	403
593	376	<b>673</b>	Provided from the year's operations	<b>467</b>	243	725
167	- 403	<b>- 110</b>	Change in sundry liabilities: + increase/ - decrease	<b>- 2</b>	- 366	191
173	606	<b>- 63</b>	Change in various claims: - increase/ + decrease	<b>- 7</b>	576	178
-2 703	-1 865	<b>-3 427</b>	Change in gross lending to and claims on customers: - increase/ + decrease	<b>-3 880</b>	-2 063	-2 860
-1 605	- 581	<b>-1 646</b>	Change in short term-securities: - increase/ + decrease	<b>-1 489</b>	- 526	-1 554
2 379	4 376	<b>7 572</b>	Change in deposits from and debt owed to customers: + increase/ - decrease	<b>7 579</b>	4 360	2 351
- 935	-1 463	<b>-1 334</b>	Change in debt owed to credit institutions: + increase/ - decrease	<b>-1 331</b>	-1 471	- 942
-1 931	1 046	<b>1 665</b>	A. Net liquidity change from operations	<b>1 337</b>	753	-1 911
- 47	- 14	<b>- 23</b>	- Investment in fixed assets (incl merger effects)	<b>- 36</b>	- 17	- 52
20	0	<b>92</b>	+ Sale of fixed assets	<b>92</b>	16	37
- 154	- 50	<b>- 156</b>	Change in holdings of long-term securities: - increase/ + decrease	<b>23</b>	96	- 237
- 181	- 64	<b>- 87</b>	B. Liquidity change from investments	<b>79</b>	95	- 252
158	- 864	<b>22</b>	Change in borrowings through the issuance of securities: + increase/ - decrease	<b>22</b>	- 867	156
0	0	<b>0</b>	Change in Equity Certificate/subordinated loan capital: + increase/ - decrease	<b>0</b>	0	0
158	- 864	<b>22</b>	C. Liquidity change from financing	<b>22</b>	- 867	156
-1 954	118	<b>1 600</b>	A + B + C. Total change in liquidity	<b>1 438</b>	- 19	-2 007
7 911	7 911	<b>5 957</b>	+ Liquid funds at the start of the period	<b>2 398</b>	4 405	4 405
5 957	8 029	<b>7 557</b>	= <b>Liquid funds at the end of the period</b>	<b>3 836</b>	4 386	2 398

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)	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14
Interest income	631	623	644	672	682	704	755	773
Interest costs	230	237	254	287	314	335	377	395
<b>Net interest income</b>	<b>401</b>	<b>386</b>	<b>390</b>	<b>385</b>	<b>368</b>	<b>369</b>	<b>378</b>	<b>378</b>
Fee- and commission income	226	204	217	231	233	227	232	238
Fee- and commission costs	22	19	19	21	18	17	20	19
Other operating income	45	28	24	23	24	29	25	19
<b>Net fee-, commision and other operating income</b>	<b>249</b>	<b>213</b>	<b>222</b>	<b>233</b>	<b>239</b>	<b>239</b>	<b>237</b>	<b>238</b>
Dividend	73	0	0	1	7	0	0	0
Income from investments	109	87	98	75	114	112	121	142
Net gain from investments in securities	- 26	- 7	- 52	- 84	- 28	6	- 70	- 23
<b>Net income from financial investments</b>	<b>156</b>	<b>80</b>	<b>46</b>	<b>- 8</b>	<b>93</b>	<b>118</b>	<b>51</b>	<b>119</b>
<b>Total income</b>	<b>806</b>	<b>679</b>	<b>658</b>	<b>610</b>	<b>700</b>	<b>726</b>	<b>666</b>	<b>735</b>
Personnel costs	161	163	289	190	182	189	190	193
Administration costs	93	93	104	84	90	90	88	85
Ordinary depreciation	16	14	14	14	14	14	29	14
Other operating costs	48	41	44	48	50	45	47	33
<b>Total costs</b>	<b>318</b>	<b>311</b>	<b>451</b>	<b>336</b>	<b>336</b>	<b>338</b>	<b>354</b>	<b>325</b>
<b>Result before losses</b>	<b>488</b>	<b>368</b>	<b>207</b>	<b>274</b>	<b>364</b>	<b>388</b>	<b>312</b>	<b>410</b>
Losses	64	24	92	40	36	32	236	38
<b>Result before tax</b>	<b>424</b>	<b>344</b>	<b>115</b>	<b>234</b>	<b>328</b>	<b>356</b>	<b>76</b>	<b>372</b>
Tax	71	69	- 17	46	68	66	15	65
Minority interests	0	0	- 6	2	- 1	- 2	0	- 2
<b>Result after tax</b>	<b>353</b>	<b>275</b>	<b>133</b>	<b>186</b>	<b>261</b>	<b>292</b>	<b>34</b>	<b>309</b>
<b>Profitability</b>								
Return on equity capital	13.82 %	10.98 %	5.16 %	7.82 %	11.09 %	12.49 %	1.46 %	13.37 %
Interest margin	1.78 %	1.77 %	1.84 %	1.82 %	1.76 %	1.79 %	1.85 %	1.86 %
Cost/income	39.45 %	45.80 %	68.54 %	55.08 %	48.00 %	46.56 %	53.15 %	44.22 %
<b>Balance sheet figures</b>								
Loans and advances to customers	67 861	65 357	64 053	63 143	63 073	61 060	61 249	60 363
Growth in loans and advances to cust. incl. SpareBank 1 Boligkredditt past 12 months	5.9 %	5.2 %	4.0 %	4.7 %	5.6 %	4.8 %	5.5 %	6.1 %
Deposits from customers	55 666	50 523	48 087	47 660	49 977	46 211	45 761	45 386
Growth in deposits from customers past 12 months	10.8 %	9.0 %	5.1 %	4.6 %	6.2 %	5.8 %	1.8 %	3.3 %
Deposits as a percentage of gross lending	82.0 %	77.3 %	75.1 %	76.1 %	79.7 %	75.9 %	74.7 %	75.2 %
Deposits as a percentage of gross lending including SpareBank 1 Boligkredditt	60.3 %	56.2 %	54.4 %	54.7 %	57.7 %	54.3 %	53.8 %	54.1 %
Average assets	88 710	87 046	84 039	83 698	83 432	82 658	80 191	79 442
Total assets	92 038	88 688	85 403	84 495	84 981	82 128	83 188	80 621
<b>Losses on loans and commitments in default</b>								
and Næringskredditt	0.29 %	0.11 %	0.41 %	0.18 %	0.16 %	0.15 %	0.37 %	0.18 %
Næringskredditt	0.53 %	0.28 %	0.30 %	0.30 %	0.41 %	0.39 %	0.34 %	0.49 %
and Næringskredditt	0.10 %	0.20 %	0.27 %	0.42 %	0.39 %	0.25 %	0.27 %	0.30 %
Boligkredditt and Næringskredditt	0.48 %	0.36 %	0.39 %	0.44 %	0.53 %	0.41 %	0.41 %	0.50 %
<b>Solidity</b>								
Total regulatory Capital %	17.1 %	16.9 %	17.2 %	16.3 %	16.1 %	16.1 %	15.6 %	15.5 %
Tier I Capital %	15.0 %	14.9 %	15.1 %	14.2 %	14.1 %	14.0 %	13.6 %	13.2 %
Tier I capital	9 360	9 130	9 110	8 462	8 464	8 344	8 439	8 000
Equity and related capital resources	10 674	10 411	10 358	9 747	9 709	9 610	9 680	9 414
Adjusted risk-weighted assets base	62 479	61 425	60 328	59 708	60 194	59 722	61 936	60 783

# Notes

## Note 1 - Accounting policies

The Group's interim financial statements in 2016 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 2015. 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 2015.

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.

Following the introduction of the standard, there has been some debate about whether or not the annual levy for the Norwegian Banks Guarantee Fund for 2016 should have been charged as a cost in its entirety in the first quarter of 2016. The charge for the Norwegian Banks Guarantee Fund is normally based on the average guaranteed deposit and average basis for calculation for previous quarters. The extent to which a withdrawal from the scheme would entail a repayment of any overpaid charge has not been regulated. The practice has been a pro-rata charge upon enrolment. The practice and the principle of equal treatment indicate pro-rata upon disenrollment. The Ministry of Finance will determine this through individual decisions. This is of significance when recognising the charge in the accounts. The Financial Supervisory Authority of Norway has in its circular entitled "*Finanstilsynets kontroll med finansiell rapportering i 2015*" of 19 November 2015 concluded that the levy for the guarantee fund must be recognised as a cost, in its entirety, in the first quarter every year and it expects banks to change their practices from the first quarter of 2016.

The Ministry of Finance have asked the Financial Supervisory Authority of Norway to prepare a draft amendments to the regulations on measuring levies upon disenrollment from the guarantee scheme that could entitle banks to a refund of levies for that part of the relevant year in which the bank is not a member of the guarantee fund. Pending of new regulations, SpareBank 1 Nord-Norge has in the first quarter of 2016 continued its previous practice of recognising the levy on a monthly accrual basis. The cost for the whole of 2016 has been calculated at NOK 38 million compared with NOK 33.5 million for 2015. NOK 18.8 million was recognised as a cost in the second quarter of 2016, compared with NOK 16.2 million in the second quarter of 2015.

## 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 2nd quarter 2016.

**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)*

	Retail Banking	Corporate Banking	Leasing	Markets	Unallocated	<b>30.06.16</b> <b>Total</b>
Net interest income	383	235	99	0	70	<b>787</b>
Net fee- and commission income	192	17	0	0	180	<b>389</b>
Other operating income	125	30	0	25	129	<b>309</b>
Operating costs	440	64	26	11	88	<b>629</b>
Result before losses	260	218	73	14	291	<b>856</b>
Losses	16	35	34	0	3	<b>88</b>
Result before tax	244	183	39	14	288	<b>768</b>
Loans and advances to customers	42 095	20 983	4 783	0	0	<b>67 861</b>
Individual write-downs for impaired value on loans and advances to customers	- 21	- 75	- 47	0	0	<b>- 143</b>
Collective write-downs for impaired value on loans and advances to customers	- 47	- 228	- 14	0	0	<b>- 289</b>
Other assets	0	4 001	51	0	20 557	<b>24 609</b>
Total assets per business area	42 027	24 681	4 773	0	20 557	<b>92 038</b>
Deposits from customers	30 985	24 681	0	0	0	<b>55 666</b>
Other liabilities and equity capital	11 042	0	4 773	0	20 557	<b>36 372</b>
Total equity and liabilities per business area	42 027	24 681	4 773	0	20 557	<b>92 038</b>

**30.06.15**

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	38 124	21 084	4 232	0	0	63 440
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	21 955	22 009
Total assets per business area	38 030	20 733	4 263	0	21 955	84 981
Deposits from customers	29 101	17 782	3 363	0	0	50 246
Other liabilities and equity capital	8 929	2 951	900	0	21 955	34 735
Total equity and liabilities per business area	38 030	20 733	4 263	0	21 955	84 981

## 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 2016.

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.

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 0.5 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)

31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
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
1 179	831	983	Equalisation reserve	983	831	1 179
4 074	3 748	4 074	Savings bank's reserve	4 074	3 748	4 074
180	120	120	Endowment fund	120	120	180
80	0	20	Deduction Fund for unrealised gains available for sale	20	- 29	80
35	- 12	35	Other equity	1 878	1 630	1 798
0	689	873	Period result	628	553	0
0	0	0	Minority interests	0	18	0
8 198	8 026	8 755	Total equity	10 353	9 521	9 961
0	- 689	- 873	Period result	- 628	- 553	0
			<b>Additional Tier 1 Capital (AT 1 Capital)</b>			
- 260	0	0	Deduction for allocated dividends	0	0	- 260
0	0	0	Adjusted Tier 1 Capital from consolidated financial institutions	- 32	- 2	- 48
0	0	0	Deduction for ntangible assets	- 55	- 55	- 55
- 22	- 21	- 24	Adjustments to CET 1 due to prudential filters	- 39	- 29	- 23
- 82	- 50	- 83	Deduction defined benefit pension fund assets gross amounts	- 84	- 51	- 82
- 95	- 176	- 25	IRB shortfall of credit risk adjustments to expected losses	- 217	- 323	- 309
0	0	0	50% deduction for expected losses on IRB, net of writedowns	0	0	0
0	0	0	50 % deduction for subordinated capital in other financial institutions	0	0	0
0	0	0	50 % Total regulatory capital reserve	0	0	0
0	0	0	significant investment	- 739	- 725	- 817
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
- 81	- 147	- 107		0	0	0
7 658	6 943	7 643	<b>Common equity Tier 1 Capital (CET 1 Capital)</b>	8 559	7 783	8 367
500	500	500	Hybrid Tier 1 bonds	807	687	756
0	0	0	Own Hybrid Tier 1 bonds	- 6	- 6	- 13
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
8 158	7 443	8 143	<b>Additional Tier 1 Capital (AT 1 Capital)</b>	9 360	8 464	9 110
			<b>Tier 2 Capital (T2 Capital)</b>			
850	850	850	Nonperpetual subordinated capital	1 375	1 305	1 341
0	0	0	50% deduction for expected losses on IRB, net of writedowns	0	0	0
- 61	- 60	- 61	Deduction for subordinated capital in other financial institutions with a significant investment	- 61	- 60	- 93
0	0	0	50% deduction for subordinated capital in other financial institutions	0	0	0
0	0	0	50% Total regulatory capital reserve	0	0	0
789	790	789	<b>Tier 2 Capital (T2 Capital)</b>	1 314	1 245	1 248
8 947	8 233	8 932	<b>Equity and related capital resources</b>	10 674	9 709	10 358
			<b>Minimum requirements subordinated capital, Basel I I</b>			
717	743	745	Specialised lending exposure	846	920	850
125	94	116	Other corporations exposure	150	121	165
406	407	366	SME exposure	372	415	413
855	867	883	Property retail mortgage exposure	1 197	1 174	1 215
39	4	51	Other retail exposure	53	4	40
395	367	366	Equity investments	14	12	12
2 537	2 482	2 527	Total credit risk	2 634	2 646	2 694
716	782	781	Credit risk standardised approach	1 361	1 537	1 434
13	14	12	Debt risk	12	14	12
3	3	3	Equity risk	5	17	18
0	0	0	Currency risk	0	0	0
274	274	294	Operational risk	296	283	283
22	18	28	Credit Value Adjustment	59	46	60
0	0	0	Transitional arrangements	633	272	325
0	0	0	Deductions	0	0	0
3 565	3 573	3 645	<b>Minimum requirements subordinated capital</b>	4 998	4 816	4 827
			<b>Total regulatory Capital</b>			
20.08 %	18.43 %	19.61 %	Total regulatory Capital	17.08 %	16.13 %	17.17 %
18.31 %	16.66 %	17.87 %	Tier 1 Capital	14.98 %	14.06 %	15.10 %
1.77 %	1.77 %	1.73 %	Tier 2 Capital	2.10 %	2.07 %	2.07 %
17.19 %	16.55 %	17.73 %	Common Equity Tier I - incl share of period result	14.20 %	13.39 %	13.87 %
8.71 %	7.75 %	8.03 %	Leverage Ratio	6.09 %	5.90 %	5.99 %

**Note 6 - Net bad and doubtful commitments**

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
387	444	537	Non-performing commitments	499	358	270
334	434	95	+ Other doubtful commitments	95	345	245
721	878	632	+ Total commitments in default and doubtful commitments	594	703	515
203	197	244	- Individual write-downs in default	116	101	69
125	122	27	- Other doubtful individual write-downs	27	132	100
328	319	271	+ Total individual write-downs *	143	233	169
393	559	361	= Net commitments in default and doubtful commitments	451	470	346

**Note 7 - Losses incorporated in the accounts**

31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
55	46	- 57	+ Period's change in individual write-down for impaired value	- 25	62	- 3
51	- 1	41	+ Period's change in collective write-down for impaired value	40	- 3	54
88	23	16	+ Period's confirmed losses against which individual write-downs were previously made	18	10	92
54	5	59	+ Period's confirmed losses against which individual write-downs were previously not made	60	5	64
32	6	5	- Recoveries in respect of previously confirmed losses	5	6	7
216	67	54	= Total losses on loans	88	68	200
	120	3	+ Other losses	3	157	
216	187	57	= Total losses	91	225	200

**Note 8 - Losses broken down by sector and industry**

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
0	0	0	Mining and quarrying	0	0	0
31	11	- 8	Construction	- 7	11	32
0	0	0	Building of ships and boats	0	0	0
0	0	0	Electricity, gas, steam an air conditioning supply	0	0	0
- 11	- 1	8	Professional, scientific and technical activities	8	- 1	- 11
0	0	0	Financial and insurance activities	0	0	0
- 4	1	- 1	Fishing	- 1	1	- 4
0	0	- 2	Marine aquaculture	- 2	0	0
2	- 4	10	Other business support activities	40	- 4	2
0	0	0	Activities auxiliary to financial services and insurance activities	0	0	0
0	0	0	County municipalities and municipalities	0	0	0
23	0	17	Manufacturing	17	0	23
2	1	11	Information and communication	11	1	2
6	4	- 2	Crop and animal production	- 1	4	7
24	0	0	Foreign industrial	0	0	0
46	5	- 8	Real estate activities	- 8	5	46
2	0	- 1	Accomodation and food service activities	- 1	0	2
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
10	9	- 1	Other service industries	- 1	9	10
3	- 1	- 1	Transportation and storage	13	0	8
70	35	5	International shipping and pipeline transport	5	35	70
3	1	3	Development of building projects	3	1	2
0	0	0	Extraction of crude oil and natural gas	0	0	0
0	0	0	Unspecified	0	0	0
0	0	1	Water supply; sewerage, waste management and remediation activities	1	0	0
1	1	- 1	Wholesale and retail trade; repair of motor vehicles and motorcycles	- 1	1	1
12	11	6	Retail banking market - domestic	16	11	19
220	73	56	Losses on loans to customers	90	74	209
4	6	5	Recoveries from previously written off losses	5	6	9
216	67	51	<b>Net losses</b>	<b>85</b>	68	200
	120	3	Other losses	3	157	0
216	187	54	<b>Total losses</b>	<b>88</b>	225	200

**Note 9 - Loans broken down by sector and industry**

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
28	39	30	Mining and quarrying	58	75	61
689	730	540	Construction	969	1 109	1 086
15	1	22	Building of ships and boats	24	3	17
687	651	679	Electricity, gas, steam an air conditioning supply	683	656	691
703	586	875	Professional, scientific and technical activities	1 134	806	903
0	0	0	Financial and insurance activities	0	0	0
2 248	2 507	2 449	Fishing	2 477	2 530	2 278
389	348	346	Marine aquaculture	629	643	665
319	307	320	Other business support activities	733	673	710
923	744	1 268	Activities auxiliary to financial services and insurance activities	1 256	562	713
243	104	55	County municipalities and municipalities	68	118	257
1 810	1 804	1 929	Manufacturing	2 106	1 920	1 940
64	64	62	Information and communication	68	69	70
948	900	942	Crop and animal production	1 022	979	1 023
0	0	0	Foreign industrial	0	151	0
6 542	7 461	7 411	Real estate activities	7 163	7 330	6 415
488	427	533	Accommodation and food service activities	548	443	501
10	5	10	Forestry and logging	16	12	15
0	0	0	Central government and social security funds	0	0	0
0	0	0	Support activities for petroleum and natural gas extraction	14	17	15
755	723	706	Other service industries	784	802	837
3 164	3 200	3 152	Transportation and storage	3 887	3 837	3 847
285	278	271	International shipping and pipeline transport	271	282	287
943	997	609	Development of building projects	610	999	945
0	0	0	Extraction of crude oil and natural gas	0	0	0
0	0	0	Unspecified	0	0	0
197	196	192	Water supply; sewerage, waste management and remediation activities	281	276	271
770	788	749	Wholesale and retail trade; repair of motor vehicles and motorcycles	965	1 026	983
37 776	36 338	40 202	Retail banking market - domestic	42 041	37 962	39 470
53	57	54	Retail banking market - international	54	162	53
37 830	36 395	40 256	Total retail market	42 095	38 124	39 524
21 976	22 756	23 095	Total public market	25 698	25 199	24 272
243	104	55	Total government	68	118	257
0	0	0	Accrued interest	0	0	0
60 049	59 256	63 406	<b>Total gross lending to customers</b>	<b>67 861</b>	<b>63 440</b>	<b>64 053</b>
328	319	271	Individual write-downs for impaired value	143	233	169
234	216	275	Collective write-downs for impaired value	289	235	247
59 487	58 721	62 860	<b>Net loans to customers</b>	<b>67 429</b>	<b>62 972</b>	<b>63 637</b>

**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 have be reversed over the portfolio's remaining life, and included in the profit and loss account as interest income. For the period 01.01.16-30.06.16 such reversed writedowns has been included in tre profit and loss account with NOK 0.01 million. Total inclusion of income are NOK 78.8 million for the period 01.07.08-31.12.15. 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. It was necessary to apply a NOK 89 million write-down due to the permanent impairment of value in this portfolio as at 31.12.15. No further writedowns has been made in 2016.

As at 30.06.16 there are no securities left in this portfolio.

<i>(Amounts in NOK million)</i>	01.07.08	31.12.12	31.12.13	31.12.14	31.12.15	<b>30.06.16</b>
<b>Hold until maturity</b>						
Book value	3 109	355	111	108	87	<b>0</b>
Nominal value (nominal amount)	3 182	366	115	111	88	<b>0</b>
Theoretical market value	3 109	355	114	111	88	<b>0</b>
<b>Loans and claims</b>						
Book value	698	142	75	28	24	<b>0</b>
Nominal value (nominal amount)	737	156	90	29	24	<b>0</b>
Theoretical market value	698	134	74	26	23	<b>0</b>
<b>Total book value</b>	<b>3 807</b>	<b>497</b>	<b>186</b>	<b>136</b>	<b>111</b>	<b>0</b>

**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.

	30.06.16	30.06.15	31.12.15
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value	52	190	226
Total gain from hedging objects relating to the hedged risk	- 52	- 194	- 224
<b>Total fair value hedging transactions</b>	<b>0</b>	<b>- 4</b>	<b>2</b>

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	30.06.16 Fair value			30.06.15 Fair value			31.12.15 Fair value		
	Contract	Assets	Liabilities	Contract	Assets	Liabilities	Contract	Assets	Liabilities
<b>Foreign currency instruments</b>									
Foreign exchange financial derivatives (forwards)	1 372	20	12	1 573	22	21	1 610	47	42
Currency swaps	9 522	191	51	3 062	197	89	2 256	272	208
Currency options									
Total non-standardised contracts	10 894	211	63	4 635	219	110	3 866	319	250
Standardised foreign currency contracts (futures)									
Total foreign currency instruments	10 894	211	63	4 635	219	110	3 866	319	250
<b>Interest rate instruments</b>									
Interest rate swaps (including cross currency)	27 535	978	1 272	25 978	652	868	16 409	858	1 193
Short-term interest rate swaps (FRA)									
Other interest rate contracts	548	24	29	343	9	8	30	82	82
Total non-standardised contracts	28 083	1 002	1 301	26 321	661	876	16 439	940	1 275
Standardised interest rate contracts (futures)									
Total interest rate instruments	28 083	1 002	1 301	26 321	661	876	16 439	940	1 275
<b>Hedging of funding loans</b>									
<b>Foreign currency instruments</b>									
Foreign exchange financial derivatives (forwards)									
Currency swaps									
Total, non-standardised contracts									
Standardised foreign currency contracts (futures)									
Total foreign currency instruments									
<b>Interest rate instruments</b>									
Interest rate swaps (including cross currency)	12 482	740		10 284	599		28 701	687	
Short-term interest rate swaps (FRA)									
Other interest rate contracts									
Total, non-standardised contracts	12 482	740		10 284	599		28 701	687	
Standardised interest rate contracts (futures)									
Total interest rate instruments	12 482	740		10 284	599		28 701	687	
Total interest rate instruments	40 565	1 742	1 301	36 605	1 260	876	45 140	1 627	1 275
Total foreign currency instruments	10 894	211	63	4 635	219	110	3 866	319	250
<b>Total</b>	<b>51 459</b>	<b>1 953</b>	<b>1 364</b>	<b>41 240</b>	<b>1 479</b>	<b>986</b>	<b>49 006</b>	<b>1 946</b>	<b>1 525</b>

### 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 30.06.16 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	23 033	22 513	520	0	<b>520</b>
Financial derivatives - liabilities	15 390	14 756	634	0	<b>634</b>

### 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, except in the case of raising external financing, through the Bank's liquidity reserve/buffer.

The Bank proactively manages the Group's liquidity risk on a daily basis. 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 at least 12 months. The Bank must also comply with the regulatory minimum requirements for prudent liquidity management at all times.

The average remaining term to maturity for the Bank's debt securities in issue was 2.92 years as of 30 June 2016. The short-term liquidity risk measurement, liquidity coverage ratio (LCR), was 128 % as of the end of the quarter.

**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.

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	30.06.16	30.06.15	31.12.15
Discount rate	2.70 %	2.30 %	2.70 %
Expected return on pension assets	2.70 %	2.30 %	2.70 %
Future salary growth rate	2.25 %	2.50 %	2.25 %
Adjustment of NI basic amount (G)	2.25 %	2.50 %	2.25 %
Pension adjustment	0.00 %	0.00 %	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	0.00 %	2.00 %	0.00 %
Expected statutory early retirement pension (AFP) acceptance from age 62	90.00 %	60.00 %	90.00 %
Mortality, marriage probability, etc.	K2013BE IR2003	K2013BE IR2003	K2013BE IR2003

Group	30.06.16	30.06.15	31.12.15
<i>Amounts in NOK million</i>			
<b>Net pension liabilities in the balance sheet</b>	<b>30.06.16</b>	<b>30.06.15</b>	<b>31.12.15</b>
Present value of future pension liabilities	796	829	796
Estimated value of pension assets	935	880	935
<b>Net pension liabilities in fund-based plans</b>	<b>-139</b>	<b>-51</b>	<b>-139</b>
Unrecognised estimate deviations (possible actuarial gains and losses)	0	0	0
Employer's NI contributions	1	1	1
<b>Net pension liabilities/assets in the balance sheet</b>	<b>-138</b>	<b>-50</b>	<b>-138</b>
<b>Pension costs for the period</b>	<b>2Q16</b>	<b>2Q15</b>	<b>2015</b>
Accrued defined benefit-based pensions	5	5	15
Interest costs on pension liabilities	7	8	15
Expected return on pension assets	-7	-8	-20
Estimate deviations recognised in the period			
Effect of changed pension plan			
<b>Net defined benefit-based pension costs without employer's NI contributions</b>	<b>5</b>	<b>5</b>	<b>10</b>
Accrued employer's NI contributions	1	1	1
<b>Net defined benefit-based pension costs recognised through profit or loss</b>	<b>6</b>	<b>6</b>	<b>11</b>
Curtailment/settlement			
Other pension costs	8	11	18
<b>Total pension costs including employer's NI Insurance contribution</b>	<b>14</b>	<b>17</b>	<b>29</b>
<b>Movement in net pension liabilities from benefit-based plan recognised in balance</b>	<b>30.06.16</b>	<b>30.06.15</b>	<b>31.12.15</b>
Net pension liabilities in the balance sheet as of 01.01	-141	-50	-50
Correction against equity OB			-3
Correction against equity CB			-55
Net defined benefit-based pension costs recognised through profit or loss	3		11
Curtailment/settlement			
Paid directly from operations	-7	-4	-4
Receipts - pension premiums defined benefit-based plans	-28		-40
<b>Net pension liabilities/assets in the balance sheet</b>	<b>-173</b>	<b>-54</b>	<b>-141</b>
Other pension liabilities (early retirement pensions)	46	47	43
<b>Net total pension liabilities</b>	<b>-127</b>	<b>-7</b>	<b>-98</b>

**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
<b>Assets 30.06.16</b>				
Loans to and receivables from customers at fair value (fixed-rate loans)			7 405	<b>7 405</b>
Shares	101		171	<b>272</b>
Bonds	6 230	6 656		<b>12 886</b>
Financial derivatives		1 953		<b>1 953</b>
<b>Total assets</b>	<b>6 331</b>	<b>8 609</b>	<b>7 576</b>	<b>22 516</b>

**Liabilities as of 30.06.16**

Financial derivatives		1 364		<b>1 364</b>
<b>Total liabilities</b>		<b>1 364</b>		<b>1 364</b>

*Assets 30.06.15*

Loans to and receivables from customers at fair value (fixed-rate loans)			7 639	7 639
Shares	95		187	282
Bonds	3 171	6 959		10 130
Financial derivatives		1 401		1 401
<b>Total assets</b>	<b>3 266</b>	<b>8 360</b>	<b>7 826</b>	<b>19 452</b>

*Liabilities as of 30.06.15*

Financial derivatives		897		897
<b>Total liabilities</b>	<b>0</b>	<b>897</b>	<b>0</b>	<b>897</b>

**Changes in instruments at fair value, level 3:**

<i>(Amounts in NOK million)</i>	Fixed-rate loans	Shares	Bonds	Financial derivatives	Financial liabilities Financial derivatives
Carrying amount as of 30.06.15	7 639	187			0
Net gains on financial instruments	- 44				
Additions/acquisitions	1 432	106			
Disposals	-1 622	- 122			
Transferred from level 1 or level 2					
<b>Carrying amount as of 30.06.16</b>	<b>7 405</b>	<b>171</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Bank's portfolio of fixed-rate loans in NOK is measured at fair value in the financial statements. Fair value is measured by discounting the loans' cash flows by a discount factor based on a swap rate plus a margin requirement. The determination of the discounting factor is based on an assessment of market conditions, and factors which an external investor would have considered in relation to a possible investment in an equivalent portfolio. Furthermore, an assessment is being made with regard to a possible difference between the discounting factor and observable rates for equivalent loans in the market. Should this difference be material, the bank will make an evaluation of possible reasons for such difference and evaluate a possible change in the discounting rate.

**Note 17 - Subsidiaries**  
 (Amounts in NOK 1 000)

	Share of Eq.%	Profit from ordinary operations before tax			Equity		
		30.06.16	30.06.15	31.12.15	30.06.16	30.06.15	31.12.15
SpareBank 1 Finans Nord-Norge AS	100	39 369	60 428	124 287	691 538	589 945	642 813
SpareBank 1 Nord-Norge Portefølje AS	100	-41 910	-43 751	-75 415	-36 315	69 780	38 409
Eiendomsdrift AS	0	0	0	0	0	0	0
EiendomsMegler 1 Nord-Norge AS	100	16 502	18 249	27 183	38 776	39 259	39 135
SpareBank 1 Nord-Norge Forvaltning ASA	100	1 270	1 167	2 386	8 288	8 182	9 074
SpareBank 1 Regnskapshuset Nord-Norge AS	100	9 834	7 143	5 773	20 666	14 051	13 021
North-West 1 Alliance Bank	0	0	-9 093	-3 049	20 783	51 089	0
EiendomsMegler 1 Lofoten AS (owned by EM1 60%)	0	0	155	0	0	1 280	0
Nord-Norge Eiendom IV AS	100	-1 174	-366	-1 293	9 272	-13 290	-13 969
Alsgården AS	100	-771	426	-587	0	10 036	9 377
Fredrik Langesg 20 AS	100	503	488	1 830	8 090	6 657	7 217
<b>Total</b>		<b>23 623</b>	<b>34 846</b>	<b>81 115</b>	<b>761 098</b>	<b>776 990</b>	<b>745 077</b>

**Note 18 - Other assets**

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
20	21	20	Reposessed assets	20	21	20
- 132	- 34	- 349	Accrued income	- 315	- 76	- 82
239	183	367	Prepayments	271	175	227
263	329	181	Other assets	276	425	319
522	633	578	<b>Total other assets</b>	<b>619</b>	<b>681</b>	<b>619</b>

**Note 19 - Other liabilities**

31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
87	- 143	- 147	Costs incurred	35	10	253
0	0	0	Provisioning against incurred liabilities and costs	13	11	14
463	434	572	Other liabilities	616	466	489
750	760	855	<b>Total other liabilities</b>	<b>1 094</b>	<b>956</b>	<b>956</b>

**Note 20 - Deposits broken down by sector and industry**

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
58	57	74	Mining and quarrying	74	57	58
1 132	883	1 012	Construction	1 012	883	1 132
4	13	17	Building of ships and boats	17	13	4
489	920	404	Electricity, gas, steam an air conditioning supply	404	920	489
1 083	1 231	1 229	Professional, scientific and technical activities	1 221	1 217	1 074
0	0	0	Financial and insurance activities	0	0	0
695	761	983	Fishing	983	761	695
43	32	90	Marine aquaculture	90	32	43
528	471	523	Other business support activities	523	471	528
378	329	393	Activities auxiliary to financial services and insurance activities	393	321	369
5 767	6 651	9 932	County municipalities and municipalities	9 932	6 650	5 767
618	452	491	Manufacturing	491	452	618
295	233	272	Information and communication	272	233	295
393	434	464	Crop and animal production	464	435	393
11	4	10	Foreign industrial	10	27	11
2 097	2 371	2 482	Real estate activities	2 469	2 358	2 087
293	251	300	Accomodation and food service activities	300	251	293
17	13	16	Forestry and logging	16	13	17
319	318	322	Central government and social security funds	322	318	319
0	5	0	Support activities for petroleum and natural gas extraction	2 850	5	0
2 639	2 775	2 850	Other service industries	0	2 775	2 639
874	964	1 143	Transportation and storage	1 143	965	874
5	5	2	International shipping and pipeline transport	1	5	5
212	149	236	Development of building projects	236	149	212
0	464	0	Extraction of crude oil and natural gas	0	464	0
0	0	0	Unspecified	0	0	0
147	150	150	Water supply; sewerage, waste management and remediation activities	150	149	147
1 330	1 220	1 308	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 308	1 220	1 330
28 297	28 692	30 581	Retail banking market - domestic	30 582	28 692	28 297
391	387	403	Retail banking market - international	403	409	391
28 688	29 079	30 984	Total retail market	30 985	29 101	28 688
13 341	14 187	14 449	Total public market	14 427	14 177	13 313
6 086	6 969	10 254	Total government	10 254	6 968	6 086
48 115	50 235	55 687	<b>Total deposits</b>	<b>55 666</b>	<b>50 246</b>	<b>48 087</b>

**Note 21 - Securities issued and subordinated loan capital ex. accrued interests.**
**Parent Bank and Group**
*(Amounts in NOK million)*
**Securities issued**

	31.12.15	30.06.15	30.06.16
Certificates and other short-term borrowings			
Bond debt	21 470	20 373	21 492
<b>Total debt securities in issue</b>	21 470	20 373	21 492

	Statement of financial position 31.12.15	Issued 30.06.16	Matured/ redeemed 30.06.16	Exchange rate movements 30.06.16	Other adjustments 30.06.16	Statement of financial position 30.06.16
Changes in securities issued						
Certificates and other short-term borrowings						
Bond debt	21 470	2 519	-2 393	- 285	181	21 492
<b>Total debt securities issued</b>	21 470	2 519	-2 393	- 285	181	21 492

**Subordinated loan capital and hybrid Tier 1 instruments**

	31.12.15	30.06.15	30.06.16
<b>Hybrid Tier 1 instruments</b>			
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
<b>Subordinated loan capital</b>			
Subordinated loan capital with definite maturities	850	850	850
Total subordinated loan capital	850	850	850
<b>Total subordinated loan capital and hybrid Tier 1 instruments</b>	1 350	1 350	1 350

	Statement of financial position 31.12.15	Issued 30.06.16	Matured/ redeemed 30.06.16	Exchange rate movements 30.06.16	Other adjustments 30.06.16	Statement of financial position 30.06.16
Changes in subordinated loan capital and hybrid Tier 1 instruments						
Subordinated loan capital with definite maturities	850					850
Hybrid Tier 1 instruments	500					500
<b>Total subordinated loan capital and hybrid Tier 1 instruments</b>	1 350					1 350

## Note 22 - Equity Certificates (ECs)

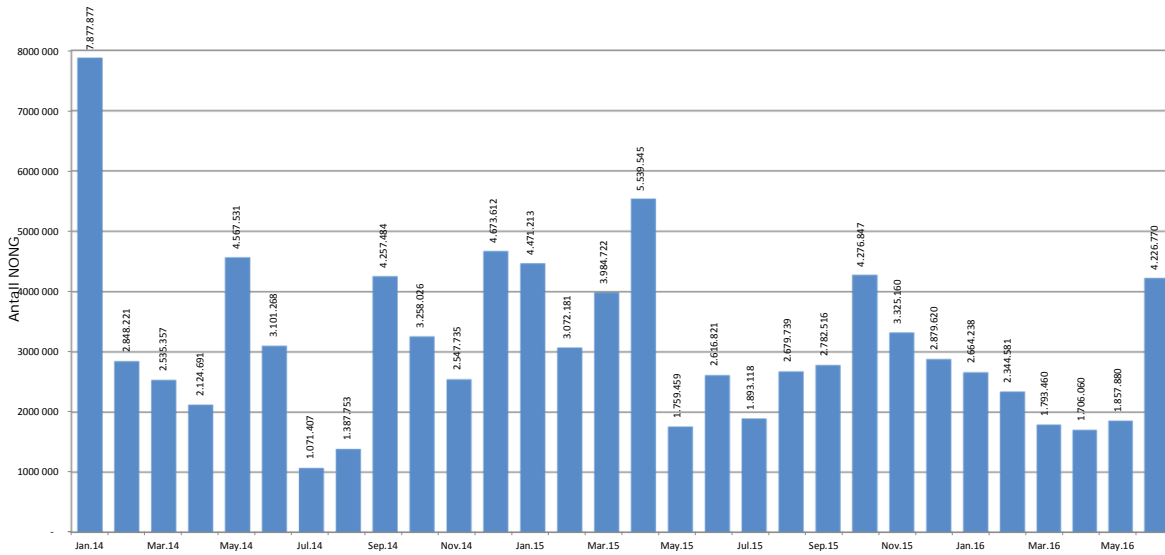
The 20 largest EC holders as at 30.06.16

EC Holders	Number of ECs	Share of EC Capital
PARETO AKSJE NORGE	3 648 290	3.63%
VERDIPAPIRFONDET DNB NORGE (IV)	3 301 779	3.29%
THE NORTHERN TRUST	3 036 406	3.02%
MP PENSJON PK	2 720 503	2.71%
FLPS - PRINC ALL SEC STOCK SUB	2 125 000	2.12%
MERRILL LYNCH PROF. CLEARING CORP	1 914 360	1.91%
POPE ASSET MANAGEMENT	1 691 266	1.68%
METEVA AS	1 614 670	1.61%
STATE STREET BANK AND TRUST CO.	1 567 624	1.56%
FORSVARETS PERSONELLSERVICE	1 561 630	1.56%
SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORC	1 411 606	1.41%
DNB LIVSFORSIKRING ASA	1 218 181	1.21%
PERESTROIKA AS	1 198 837	1.19%
EIKA UTBYTTE	1 032 004	1.03%
THE BANK OF NEW YORK MELLON	1 014 229	1.01%
BERGEN KOMMUNALE PENSJONSKASSE	1 000 000	1.00%
PARETO AS	970 659	0.97%
SANLAM UNIVERSAL FUNDS PLC	872 877	0.87%
STATE STREET BANK AND TRUST	747 617	0.74%
NORDENFJELSKE BYKREDITTS STIFTELSE	651 954	0.65%
<b>TOTAL</b>	<b>33 299 492</b>	<b>33.17%</b>

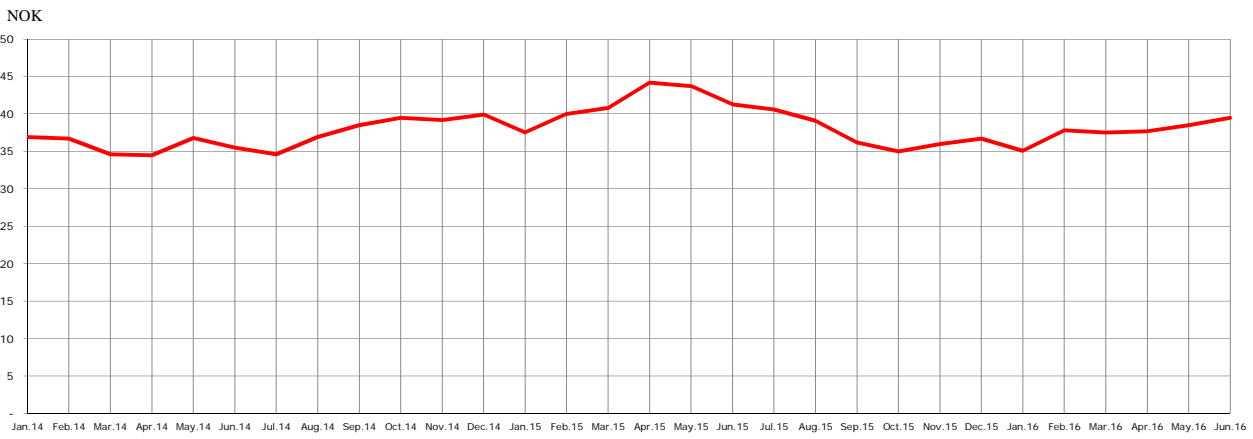
### Dividend policy

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, and the Board's final consideration of the financial statements.

## The SpareBank 1 Nord-Norge Group – a 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 Jun 2016.

We confirm to the best of our knowledge that the semi-annual financial statements for the period from 1 January to 30 Jun 2016 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, 10.08.16

### The Board of Directors of SpareBank 1 Nord-Norge

Karl Eirik Schjøtt-Pedersen  
(Chairman)

Hans Tore Bjerås  
(Deputy Chairman)

Ingvild Myhre

Kjersti Terese Stormo

Greger Mannsverk

Bengt Olsen

Sonja Djønne

Vivi Ann Pedersen

Jan-Frode Janson  
(Chief Executive Officer)