

# Quarterly Report



## Financial statement Q3 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

## Key figures Group

<i>Amounts in NOK million and in % of average assets</i>		<b>30.09.16</b>	<b>%</b>	30.09.15	<b>%</b>	31.12.15	<b>%</b>
<b>From the profit and loss account</b>							
Net interest income		<b>1 210</b>	<b>1.82 %</b>	1 122	1.79 %	1 512	1.80 %
Net fee-, commission and other operating income		<b>690</b>	<b>1.04 %</b>	711	1.13 %	933	1.11 %
Net income from financial investments		<b>393</b>	<b>0.59 %</b>	203	0.32 %	249	0.30 %
Total income		<b>2 293</b>	<b>3.44 %</b>	2 036	3.24 %	2 694	3.21 %
Total costs		<b>945</b>	<b>1.42 %</b>	1 010	1.61 %	1 461	1.74 %
Result before losses		<b>1 348</b>	<b>2.02 %</b>	1 026	1.63 %	1 233	1.47 %
Losses		<b>149</b>	<b>0.22 %</b>	108	0.17 %	200	0.24 %
Result before tax		<b>1 199</b>	<b>1.80 %</b>	918	1.46 %	1 033	1.23 %
Tax		<b>214</b>	<b>0.32 %</b>	180	0.29 %	163	0.19 %
Result non-current assets held for sale		<b>0</b>	<b>0.00 %</b>	0	0.00 %	5	0.01 %
Minority interests		<b>0</b>	<b>0.00 %</b>	- 1	0.00 %	- 7	-0.01 %
Result after tax		<b>985</b>	<b>1.48 %</b>	739	1.18 %	872	1.04 %
<b>Profitability</b>							
Return on equity capital	1	<b>12.8 %</b>		10.4 %		9.1 %	
Interest margin	2	<b>1.82 %</b>		1.79 %		1.80 %	
Cost/income	3	<b>41.2 %</b>		49.6 %		54.2 %	
<b>Balance sheet figures and liquidity</b>							
Gross lending		<b>68 905</b>		63 143		64 053	
Gross lending and advances to customers incl. commission loans		<b>93 817</b>		87 891		88 403	
Growth in loans and advances to customers past 12 months		<b>9.1 %</b>		4.6 %		4.6 %	
Growth in loans and advances to cust. incl. commission loans past 12 months		<b>6.7 %</b>		4.7 %		4.0 %	
Share total lending transferred to Sp1 Boligkreditt of total retail loans		<b>36.6 %</b>		39.0 %		38.1 %	
Share total lending transferred to Sp1 Boligkreditt of total loans		<b>26.6 %</b>		27.9 %		27.5 %	
Deposits from customers		<b>53 637</b>		47 660		48 087	
Growth in deposits from customers past 12 months		<b>11.7 %</b>		4.6 %		5.1 %	
Deposits as a percentage of gross lending	4	<b>77.8 %</b>		76.1 %		75.1 %	
Deposits as a percentage of gross lending including commission loans		<b>57.2 %</b>		54.7 %		54.4 %	
Average assets	5	<b>88 835</b>		83 698		84 039	
Total assets		<b>89 210</b>		84 495		85 403	
Leverage Ratio incl share of period result		<b>6.6 %</b>		6.1 %		6.2 %	
<b>Losses on loans and commitments in default</b>							
Losses on loans to customers as a percentage of gross loans incl. commission loans		<b>0.21 %</b>		0.16 %		0.22 %	
Commitments in default as a percentage of gross loans incl. commission loans		<b>0.44 %</b>		0.30 %		0.30 %	
Commitments at risk of loss as a percentage of gross loans incl. commission loans		<b>0.23 %</b>		0.42 %		0.27 %	
Net comm. in default and at risk of loss as a per. of gross loans incl. commission loans		<b>0.50 %</b>		0.44 %		0.39 %	
Loan loss provision ratio		<b>24.96 %</b>		39.97 %		32.82 %	
<b>Solidity</b>							
Total regulatory Capital %	6	<b>17.7 %</b>		16.3 %		17.2 %	
Tier I Capital %	7	<b>15.6 %</b>		14.2 %		15.1 %	
Common Equity Tier I - incl share of period result		<b>15.1 %</b>		13.5 %		13.9 %	
Tier I capital		<b>9 501</b>		7 741		8 439	
Equity and related capital resources		<b>10 783</b>		9 747		10 358	
Adjusted risk-weighted assets base		<b>60 798</b>		59 708		60 328	
Liquidity Coverage Ratio (LCR)		<b>96</b>		163		95	
<b>Branches and full-time employees</b>							
Branches		<b>42</b>		66		62	
Manyyears		<b>752</b>		891		830	

## Key figures ECC

	2009	2010	2011	2012	2013	2014	2015	3Q16 *
Quoted/market price as at 31.12 (adjusted) 1)	34.62	37.76	28.90	24.70	35.50	39.90	36.20	41.40
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	4 156
Quoted/market price total equity (4)	5 704	6 223	5 083	4 418	7 530	8 464	7 840	8 966
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 %	8.5 %
Total equity capital Parent bank	4 247	4 547	5 264	5 589	7 200	7 735	8 198	8 930
Total equity capital Group, NOK mill	5 160	5 670	6 408	6 832	8 502	9 343	9 961	10 711
Equity capital per EC Parent bank (8)	31.09	34.59	29.93	31.24	33.94	36.46	37.86	41.24
Equity capital per EC Group (9)	31.31	34.41	36.43	38.19	40.08	44.05	46.00	49.46
Result per EC Parent bank (10)	5.41	4.93	2.28	2.91	3.91	3.50	3.44	4.83
Result per EC Group (11)	5.21	4.95	2.75	3.36	4.13	5.16	4.11	4.55
P/E (Price/Earnings per certificate Group)(12)	6.64	7.63	10.51	7.34	8.59	7.73	8.81	9.10
P/V (Price/Book Value per certificate Group)(13)	1.11	1.10	0.79	0.65	0.89	0.91	0.79	0.84
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 (16)	34.54 %	34.54 %	38.74 %	42.07 %	42.91 %	47.33 %	47.33 %	46.36 %

### Comments/definitions:

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

## Interim report Q3 2016 – Group

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

### Highlights:

- Profit before tax: NOK 1,199 million (NOK 918 million).
- Profit after tax: NOK 985 million (NOK 739 million)
- Return on equity after tax: 12.8 % (10.4 %).
  - Earnings per equity certificate: NOK 4.55 (NOK 3.48).
- Continued good underlying banking operations.
- Net income from financial assets of NOK 393 million (NOK 203 million).
- Cost/income ratio 41.2 % (49.6%), reduced costs compared with the previous quarter.
- Loan losses: NOK 149 million (NOK 148 million).
- Lending growth last 12 months: 6.7 % (4.7 %), inclusive of intermediary loans.
  - Retail market: 8.3 % (6.5 %).
  - Corporate market: 2.8 % (0.4 %).
  - Annualised lending growth of 6.8% in the third quarter seen in isolation: Retail market 10.0 %, corporate market 6.2 %
- Growth in deposits last 12 months: 11.7 % (4.6 %).
  - Retail market: 6.5 % (8.4%).
  - Corporate market: 6.2 % (2.7 %).
  - Public sector market: 48.7 % (1.4%).
- Deposit coverage ratio: 77.8 % (76.1 %).
- Common equity tier 1 capital ratio, Group: 15.1 % (13.5 %). The Group's target core tier 1 capital ratio of 14.5% has thus been achieved.

### Macroeconomic trends (not updated)

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. The Norwegian economy is still characterised by low oil prices and low investments in the petroleum sector. Growth in the Norwegian mainland economy is weak, but on the increase. Figures have recently been published that indicate that unemployment has bottomed out, and that there is now growing optimism that the economy is on the up again. The GDP for mainland Norway rose by 0.3 % during the first quarter, and 0.4 % in the second quarter. Norges Bank expects growth going forward to remain at approximately the same levels as during the second quarter, which indicates annual growth of around 1.5 %. Both monetary and fiscal policy are expansive in order to support the restructuring in the Norwegian business sector.

The Northern Norwegian economy remains in good shape. The unemployment rate is stable and low, with 2.4% registered as completely without work as of September. 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 Northern Norway than in the rest of the country. At the end of September, house prices had risen by 5.0 % in Tromsø and 6.8 % in Bodø, while the country as a whole had seen a rise of 9.1 %.

The fact that growth in the Northern Norwegian economy has remained good is due to two things in particular: firstly that the weak krone has contributed to strengthening export industries in Northern Norway; and secondly that the region is less dependent on the oil sector. The value of seafood exports increased by 25% at August 2016 compared with the corresponding period last year. The biggest increase is due to higher salmon prices, although the white fish industry, which is especially important for Northern Norway, is also experiencing significant growth. Tourism in the region has undergone very positive development as measured by the number of days spent here by foreign visitors, with growth over the 12 months to the end of August at 12.3 %. Growth in the building and construction sector has slowed somewhat, but remains at high levels.

Northern Norwegian household finances are solid. Persistently low unemployment rates and low interest rates have contributed to good growth in private savings, while growth in consumer spending has also been good. Sales in the retail sector in the region rose by 3.5 % during the first four months of the year, a rate of growth higher than that of the country as a whole.

However, Northern Norway's macroeconomic prospects remain better than those for the country as a whole. The greatest risk is associated with the Norwegian krone exchange rate. The krone has somewhat strengthened recently, and further strengthening of the krone will in isolation affect the region's export industries negatively. On the other

hand, there are generally good prices for fish on the global market. It also appears that the downturn in the Norwegian economy has stalled, and potential higher growth in future will also provide positive impulses for Northern Norway.

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, whereas the corresponding indication from Norges Bank for the country as a whole is 1.5 %.

### Financial performance

The financial statements as of the third quarter 2016 show a pre-tax operating profit of NOK 1,199 million (NOK 918 million). Underlying banking operations before losses remain good, and have improved, with a profit of NOK 955 million, compared with NOK 853 million (before losses and restructuring costs) for the same period last year.

The Group's return on equity after tax at 30/09/16 was 12.8 % (10.4 %). Its earnings per equity certificate were NOK 4.55 (NOK 3.48).

### Net interest income

Net interest income at 30/09/16 was NOK 1,210 million (NOK 1,122 million).

Net interest income represented 1.82 % (1.79 %) of average total assets.

Income from the loan portfolio transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is recognised as commissions. These commissions totalled NOK 137 million at the end of the third quarter of 2016. The corresponding figure for the same period in 2015 was NOK 203 million. Net interest income including the above commissions shows an increase of NOK 22 million compared with the third quarter of 2015.

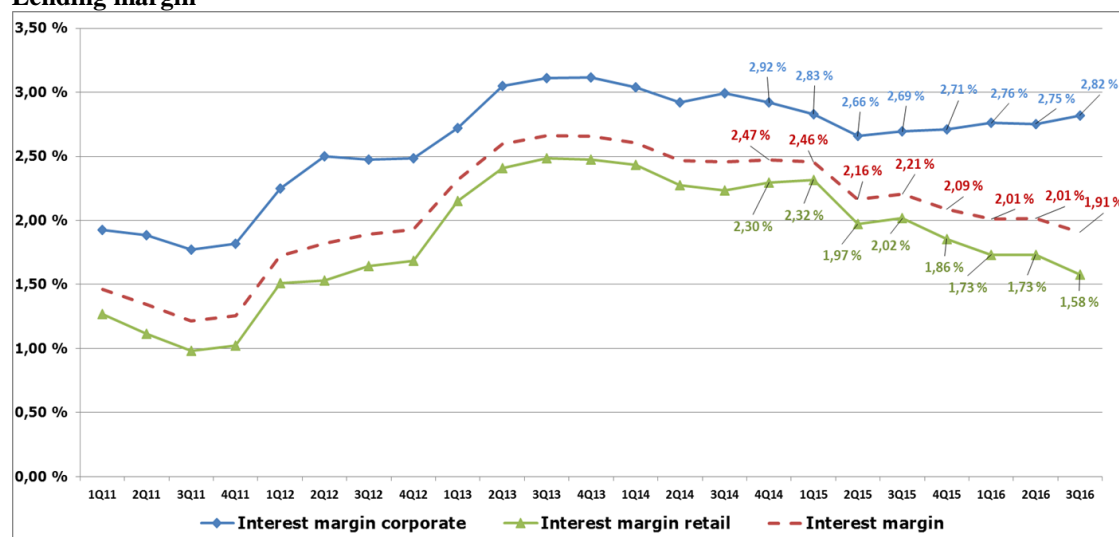
At the end of the third quarter of 2016, home mortgages worth NOK 25 billion (NOK 24 billion) had been transferred to SpareBank 1 Boligkreditt. At 30/09/16, no loans have been transferred to SpareBank 1 Næringskreditt (NOK 0 million).

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

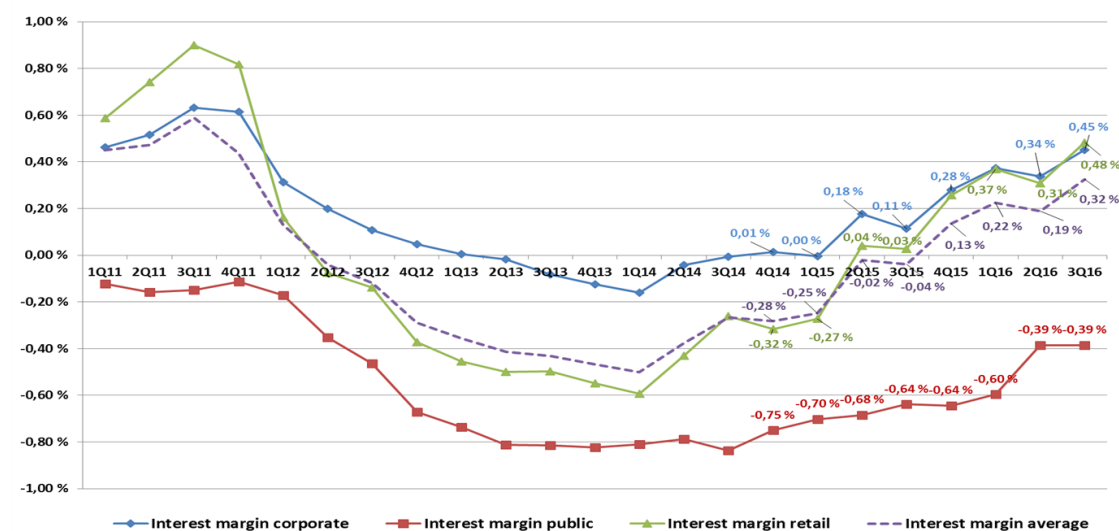
<i>Figures in NOK million</i>	Q3 2016	Change	Q2 2016
Net interest income incl. commissions from intermediary loans	+ 465	+ +17	+ 448
Lending and deposit volume		+ 11	
Lending and deposit margins		+ -5	
Other effects		+ +11	

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

### Lending margin



### Deposit margin



As expected, Norges Bank left the key policy rate unchanged at its monetary policy meeting on 22/09/16, and signalled that the key policy rate will most probably remain at the current level going forward. Compared with the second quarter, the Bank's average costs for borrowing in the capital markets decreased in the third quarter of 2016. Assuming stable conditions in the capital market, the Bank's average borrowing costs are expected to somewhat increase during the fourth quarter.

### Net commissions and other operating income

Net commissions and other operating income totalled NOK 690 million as of the third quarter of 2016 (NOK 711 million).

<i>Figures in NOK million</i>	30/09/16	Change	30/09/15
Net commissions and other operating income	+ 690	+ -21	+ 711
	+		+
Change in commissions from SpareBank 1 Boligkreditt.	137	-47 203	
	+		
Change in other commissions and other operating income	553	+ 31	+ 508

In the second quarter of 2016, SpareBank 1 Nord-Norge sold a bank building in Tromsø and has in connection with this recorded 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 third quarter of 2016 amounted to NOK 393 million (NOK 203 million).

This has developed as follows:

<i>Figures in NOK millions</i>	30/09/16	Change	30/09/15
Net income from financial investments	+ 393	+190	+ 203
Result from SpareBank 1 Gruppen	+ 215	+32	+ 183
Result from SpareBank 1 Boligkreditt	+ 4	-50	+54
Result from BN Bank	+ 56	+34	+ 22
Result from SpareBank 1 Næringskreditt	+ 12	-2	+ 14
Result from SpareBank 1 Kredittkort	+ 20	+5	+ 15
Result from SpareBank 1 Markets		-14	+ 14
Result from SpareBank 1 Mobilbank	-17	-17	
Share dividends	+73	+65	+ 8
Net change in value of equities	-35	-1	-34
Net change in value of bonds, currency and financial derivatives	+ 70	+143	-73
Net change in value of loans at fair value, incl. hedging	-5	-5	

### Profit contributions from joint ventures

#### *SpareBank 1 Gruppen*

SpareBank 1 Gruppen's profit after tax as of the third quarter 2016 totalled NOK 1,099 million (NOK 939 million). The SpareBank 1 Nord-Norge Group's 19.5% share of the result, amounting to NOK 215 million (NOK 183 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 as of the third quarter of 2016 was NOK 4 million (NOK 54 million).

SpareBank 1 Nord-Norge currently owns a 18.70 % stake in SpareBank 1 Næringskreditt and the share of its profit as of the third quarter of 2016 was NOK 12 million (NOK 14 million).

#### *BN Bank*

SpareBank 1 Nord-Norge had a 23.5% stake in BN Bank at 30/09/16. The share of the profit at the end of the third quarter of 2016 amounted to NOK 56 million (NOK 22 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 third quarter of 2016 of NOK 20 million (NOK 15 million) have also been incorporated. A 19.7% share of the result from the company SpareBank 1 Mobilbank, NOK -17 million, has also been incorporated.

*The Group's equities portfolio*

The Group's equities portfolio at 30/09/16 amounted to NOK 298 million (NOK 478 million). Net losses/reductions in the value of the portfolio totalling NOK -35 million (NOK -34 million) were recognised as costs in the third quarter of 2016, NOK +5 million (NOK +10 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, and a realised loss of NOK 40 million was recorded in the subsidiary SpareBank 1 Nord-Norge Portefølje.

On 02/11/15, 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 sale of shares took place during the second quarter of 2016 and the settlement for this sale, NOK 70 million, was recorded as a dividend. A new estimate was made on 30/06/16 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 amounted to NOK 20 million and was recognised in other comprehensive income and added to equity.

*Certificates, bonds, currency and derivatives*

At 30/09/16, the Group's holdings of certificates and bonds amounted to NOK 10,734 million (NOK 11,262 million).

The total net change in value in the third quarter of 2016 in this portfolio amounted to NOK 70 million (NOK -73 million).

**Subsidiaries**

<i>(Figures in whole NOK thousands)</i>	Stake in %	Profit before tax	
		30/09/16	30/09/15
SpareBank 1 Finans Nord-Norge AS	100	+ 70,757	+ 91,053
SpareBank 1 Nord-Norge Portefølje AS	100	-44,013	-48,401
EiendomsMegler 1 Nord-Norge AS	100	+ 25,301	+ 24,308
SpareBank 1 Forvaltning AS	100	+ 1,732	+ 1,703
SpareBank1 Regnskapshuset AS	100	+ 11,361	+ 6,865
Nord-Norge Eiendom IV AS	100	-1,018	-966
Alsgården AS	100	-1,486	+ 859
Fredrik Langesgt 20 AS	100	+ 543	+ 1,830

At the end of the third quarter of 2016, the Group's subsidiaries had a combined profit before tax of NOK 63 million (NOK 74 million), which has been fully consolidated in the consolidated financial statements.

SpareBank 1 Finans Nord-Norge pre-tax profit for at 30/09/16 was NOK 70 million (NOK 91 million). The company has a good earnings base and total earnings for the year-to-date amounted to NOK 144 million (NOK 137 million). Losses on leasing and loan commitments at 30/09/16 amounted to NOK 36 million (NOK 7 million). The increase in losses was due to the recognition of a loss relating to a larger commitment during the second quarter of 2016 - 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 4,889 million (NOK 4,276 million), of which leasing agreements represented NOK 2,600 million (NOK 2,268 million).

SpareBank 1 Nord-Norge Portefølje has a portfolio of unlisted equities and investments in funds. The company's result before tax at 30/09/16 amounted to NOK -44 million (NOK -48 million). Following the sale of Nord II

during the second quarter of 2016, the remaining book value of the company's holdings of equities and subordinated loans is NOK 41 million.

EiendomsMegler 1 Nord-Norge had a profit before tax at 30/09/16 of NOK 25 million (NOK 25 million). The number of units sold so far in 2016 is 2,396 (2,111), with total commissions income of NOK 99 million (NOK 89 million).

SpareBank 1 Nord-Norge Forvaltning's profit before tax at 30/09/16 was NOK 1.7 million (NOK 1.7 million).

SpareBank 1 Regnskapshuset Nord-Norge's profit contribution before tax at 30/09/16 was NOK 11.3 million (NOK 6.8 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 increased capital efficiency. These measures have given considerable profitability effects. The Group's goal is to hold average annual cost increases to a maximum of 0 %, excluding restructuring costs and possible business expansions. Compared with 2015, negative cost growth is expected in 2016 and 2017. However, cost increases as a result of the proposed financial tax have not been taken into account. The introduction and potential alignment of the proposed financial tax has not yet been finalised. A preliminary assessment connected to a preliminary central government budget indicates that there will be a total annual increase in costs for the Group of around NOK 30 million.

Exclusive of the provisions for restructuring costs in 2015, costs at the end of the third quarter of 2016 were NOK 35 million lower than at the end of the third quarter of 2015 (-3.5 %).

Ordinary operating costs at 30/09/16 amounted to NOK 945 million (NOK 1,010 million). The changes in costs compared with those at 30/09/2015 were as follows:

<i>Figures in NOK millions</i>	30/09/16	Change	30/09/15
Operating costs	+ 945	-65	+ 1,010
Payroll costs	+ 494	-74	+ 568
Admin. costs	+ 270	+6	+ 264
Depreciation	+ 45	+3	+ 42
Other costs	+ 136	+ 0	+ 136

In relation to the average total assets, the costs amounted to 1.42 % as of the third quarter of 2016 (1.61 %).

The Group's cost/income ratio was 41.2 % for the third quarter of 2016 compared with 49.6 % for the corresponding period last year.

The parent bank's costs amounted to NOK 734 million at 30/09/16 (NOK 799 million). Exclusive of the provisions for restructuring costs in 2015, this is NOK 35 million lower than at the corresponding time last year (-4.5 %).

The Group had 752 full-time equivalents at the end of the third quarter of 2016 (891), three fewer than at the end of the second 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 third quarter of 2016 was 538 (624), seven fewer than at the end of the second quarter of 2016.

### Net losses and commitments in default

The Group's net loan losses as the end of the third quarter of 2016 amounted to NOK 149 million (NOK 108 million). These were distributed as follows: NOK 17 million in the retail market and NOK 132 million in the corporate market, NOK 36 million of which came from the subsidiary SNN Finans. The level of loan losses so far this year is considered to be moderate. A further increase in group write-downs is included in the loan losses this year.

Gross non-performing and doubtful commitments at 30/09/16 totalled NOK 637 million (NOK 648 million), which represents 0.68 % of gross lending inclusive of intermediary loans (0.81%).

The Group's total individual loss write-downs at 30/09/16 were NOK 221 million (NOK 343 million), NOK 62 million (NOK 84 million) of which involved financial institutions. Provisions increased by NOK 16 million in the last quarter.

Group write-downs at 30/09/16 amounted to NOK 324 million (NOK 235 million) and have increased by NOK 35 million compared with the previous quarter. Group write-downs totalled 0.47 % of the Group's total gross lending at 30/09/16 (0.37%), which represents 0.34 % (0.26 %) of gross lending including intermediary loans.

The exposure in Russia consists of loans to Tavrishesky Bank equivalent to around NOK 106 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 44 million at 30/09/16.

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 01/01/18. 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 third quarter of 2016 was estimated at NOK 214 million (NOK 180 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 89,210 million at 30/09/16 (NOK 84,495 million). Total assets have increased by 5.6 %, or NOK 4,715 million, in the last 12 months.

### **Loans**

At 30/09/16, loans totalling NOK 25 billion (NOK 24 billion) had been transferred to SpareBank 1 Boligkreditt. At 30/09/16, 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 93,792 million at 30/09/16. Compared with 30/09/2015, this amounts to an increase of 6.7 %. The growth was distributed as follows: 8.3 % in the retail market and 2.8 % in the corporate market and public sector.

The percentage of lending to the retail market, inclusive of intermediary loans, accounts for 73 % of the total lending at 30/09/16 (72 %).

The Group's exposure in the oil and gas sector is low. Its total exposure at 30/09/16 was NOK 1,980 million, or 2.1 % 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 7.2 billion at 30/09/16 (NOK 7.6 billion at 31/12/15). 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 third quarter of 2016, the deposit coverage ratio (excluding intermediary loans) was 77.8 % (76.1 %). 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 30/09/16 was calculated to be 96 % (127 %).

The Group's deposits from customers totalled NOK 53,637 million at 30/09/16. The increase over the past 12 months was NOK 5,600 million, or 11.7 % (5.0 %). The increase in deposits was 6.5 % in the retail market and 6.2 % in the corporate market. Deposits from the public sector grew by no less than 48.7 %, 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 funding 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 third quarter of 2016, the Group's common equity tier 1 capital ratio, inclusive of the share of the result, was 15.1 % (13.5 %). The Group's tier 1 capital ratio was 15.6 % (14.2 %) and the total capital adequacy ratio is 17.7 % (16.3 %).

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

The tier 1 leverage ratio at 30/09/16 inclusive of the share of the result was calculated to be 6.6% (6.1 %).

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, and 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 % at 30/09/16.

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% and has been reached at 30/09/16.

**New framework conditions** Unweighted capital ratio (Leverage ratio)

In a letter dated 31/03/16, 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 30/09/16, the parent bank's equity certificate capital was NOK 1,807 million. The number of equity certificates at 30/09/16 was 100,398,016 each with a nominal value of NOK 18, fully paid-up.

The equity certificate ratio at 01/01/16 was 46.36%. The number of equity certificate holders at 30/09/16 was 7,589 (7,676), 34 % of which are from Northern Norway. The northern Norwegian equity certificate holders' share of the total equity share capital was 19% (18 %). A summary of the Bank's 20 largest equity certificate holders is provided in the notes to the interim report.

The market price for the Bank's equity certificates was NOK 41.40 at 30/09/16 (NOK 36.20). Based on this price, the market value of the Bank's equity was NOK 8,966 million (NOK 7,679 million). The earnings per equity certificate (Group) amounted to NOK 4.55 (NOK 3.48). Price/Earnings was 9.10 (7.92) and Price/Book 0.84 (0.92) at 30/09/16 (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% rate of dividend. The rate of dividend for the 2015 financial year for the Bank's equity certificate holders was 48.7%, following approval of a higher rate of dividend for equity certificate holders than for the community-owned part of the capital.

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

The Northern Norwegian economy remains in good condition and the Bank considers the growth outlook to be moderate. There are risks associated with the exchange rate, where a continuing weak krone has been of significance to Northern Norwegian export industries. 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 Group's targeted financial strength has been achieved.
- The cultivation of core business is almost complete:
  - SNN Invest has been wound up
  - The Nord II investment fund has been sold
  - The phasing out of corporate market business in BN Bank is proceeding as planned
  - The venture in Russia has been sold
  - Bank's share in Bank 1 Oslo sold
- Significant work connected to the improvement of the Group's profitability has been carried out, including:
  - Adaptation of the Bank's presence based on customer use of bank 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, including adaptations to customer behaviour through substantial voluntary downsizing
  - Measures aimed at increased capital efficiency

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 three quarters of the year. This also applies to the Bank's core business. The outlook for the Group is deemed satisfactory.

Tromsø, 27 October 2016

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

Karl Eirik Schjøtt-Pedersen  
(Chairman of the Board)

Hans Tore Bjerås  
(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	3Q15	3Q16	30.09.15	30.09.16		30.09.16	30.09.15	3Q16	3Q15	31.12.15
2 520	627	597	1 926	1 758	Interest income	1 895	2 058	641	672	2 702
1 200	289	221	946	692	Interest costs	685	936	218	287	1 190
1 320	338	376	980	1 066	<b>Net interest income</b>	1 210	1 122	423	385	1 512
739	188	176	564	514	Fee- and commission income	658	691	228	231	908
72	21	20	55	58	Fee- and commission costs	63	56	22	21	75
15	3	3	10	29	Other operating income	95	76	22	23	100
682	170	159	519	485	<b>Net fee-, commission and other operating income</b>	690	711	228	233	933
8	1	0	8	73	Dividend	73	8	0	1	8
354	0	- 62	406	387	Income from investments	290	301	94	75	399
- 114	- 81	63	- 88	70	Net gain from investments in securities	30	- 106	63	- 84	- 158
248	- 80	1	326	530	<b>Net income from financial investments</b>	393	203	157	- 8	249
2 250	428	536	1 825	2 081	<b>Total income</b>	2 293	2 036	808	610	2 694
670	144	121	427	363	Personnel costs	494	561	170	190	850
331	77	76	237	243	Administration costs	270	264	84	84	368
48	13	12	36	37	Ordinary depreciation	45	42	15	14	56
129	33	31	99	91	Other operating costs	136	143	47	48	187
1 178	267	240	799	734	<b>Total costs</b>	945	1 010	316	336	1 461
1 072	161	296	1 026	1 347	<b>Result before losses</b>	1 348	1 026	492	274	1 233
216	37	59	104	113	Losses	149	108	61	40	200
856	124	237	922	1 234	<b>Result before tax</b>	1 199	918	431	234	1 033
126	33	64	142	188	Tax	214	180	74	46	163
0	0	0	0	0	Result non-current assets held for sale	0	0	0	0	5
					Minority interests	0	- 1	0	2	- 7
730	91	173	780	1 046	<b>Result after tax</b>	985	739	357	186	872
					<b>Result per Equity Certificate</b>					
3.44	0.43	0.80	3.68	4.83	Result per Equity Certificate	4.55	3.48	1.65	0.88	4.11
3.44	0.43	0.80	3.68	4.83	Diluted result per Equity Certificate	4.55	3.48	1.65	0.88	4.11

## Other comprehensive income

730	91	173	780	1 046	<b>Result after tax</b>	985	738	357	188	865
0	0	0	0	0	Recalculation differences	0	0	0	- 1	0
0	0	0	0	0	Value adjustment of property, plant and equipment	0	- 10	0	0	- 10
8	1	2	6	6	Effective part of change in fair market value in cash flow hedging	6	6	2	1	8
0	0	0	0	0	Net change in fair market value of investment in joint ventures	- 28	35	2	5	34
80	0	0	0	0	Net change in fair market value of financial assets available for sale	- 60	0	0	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	- 2	- 2	Tax on other comprehensive income	- 2	- 2	- 1	- 1	- 17
131	0	1	4	4	Other comprehensive income for the period	- 84	29	3	4	183
861	91	174	784	1 050	<b>Total comprehensive income for the period</b>	901	767	360	192	1 048
					Majority interest	901	767	901	767	- 7
					Minority interests	0	0	0	0	1 055
					<b>Total result per Equity Certificate</b>					
4.06	0.43	0.80	3.70	4.85	Total result per Equity Certificate	4.16	3.62	1.66	0.91	4.94
4.06	0.43	0.80	3.70	4.85	Diluted total result per Equity Certificate	4.16	3.62	1.66	0.91	4.94
					<b>Tax on other comprehensive income:</b>					
- 2	- 1	0	- 2	0	Effective part of change in fair market value in cash flow hedging	0	- 2	0	- 1	- 2
- 16	0	0	0	0	Actuarial gains (losses) on benefit-based pension schemes	0	0	0	0	- 15
- 18	- 1	- 1	- 2	- 2	<b>Tax on other comprehensive income</b>	- 2	- 2	- 1	- 1	- 17

# Statement of financial position

## Parent Bank

## Group

(Amounts in NOK million)

31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
			<b>Assets</b>			
274	485	520	Cash and balances with central banks	520	530	274
5 683	5 620	5 779	Loans and advances to credit institutions	1 878	1 950	2 124
59 487	58 687	63 737	Net loans and advances to customers	68 422	62 879	63 637
388	286	278	Shares	298	478	569
11 178	11 262	10 734	Certificates and bonds	10 734	11 262	11 178
1 946	1 900	1 544	Financial derivatives	1 544	1 900	1 946
626	678	705	Investments in Group Companies	0	0	0
2 836	2 742	2 826	Investments in associated companies and joint ventures	4 469	4 233	4 424
443	439	360	Property, plant and equipment	488	551	553
0	0	0	Non current assets held for sale	28	35	28
0	0	0	Deduction for ntangible assets	56	51	51
522	511	637	Other assets	773	626	619
83 383	82 610	87 120	<b>Total assets</b>	<b>89 210</b>	<b>84 495</b>	<b>85 403</b>
			<b>Liabilities</b>			
1 829	1 259	1 209	Deposits from credit institutions	1 198	1 247	1 816
48 115	48 039	53 665	Deposits from customers	53 637	48 037	48 087
21 470	21 531	19 487	Debt securities in issue	19 487	21 531	21 470
1 525	1 402	1 219	Financial derivatives	1 219	1 402	1 525
750	726	1 114	Other liabilities	1 373	953	956
0	0	0	Non current assets held for sale	0	0	0
146	185	146	Deferred tax liabilities	235	261	238
1 350	1 350	1 350	Subordinated loan capital	1 350	1 350	1 350
75 185	74 492	78 190	<b>Total liabilities</b>	<b>78 499</b>	<b>74 781</b>	<b>75 442</b>
			<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	832	984	Dividend Equalisation Fund	984	832	1 179
4 074	3 748	4 075	The Savings Bank's Fund	4 075	3 748	4 074
180	120	120	Donations	120	120	180
80	0	20	Fair value reserve	20	- 30	80
35	- 12	35	Other equity capital	1 877	1 631	1 798
0	780	1 046	Result after tax	985	739	0
			Minority interests	0	24	0
8 198	8 118	8 930	<b>Total equity</b>	<b>10 711</b>	<b>9 714</b>	<b>9 961</b>
83 383	82 610	87 120	<b>Total liabilities and equity</b>	<b>89 210</b>	<b>84 495</b>	<b>85 403</b>

## 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									985	985		985
Net change in fair market value of investment in joint ventures								- 28		- 28		- 28
Effective part of change in fair market value in cash flow hedging				4	2					6		6
Net change in fair market value of financial assets available for sale							- 60			- 60		- 60
Reclassification adjustments												
Tax on other comprehensive income				- 2						- 2		- 2
<b>Total other comprehensive income</b>				0	2	2	0	- 60	- 28	0		- 84
<b>Total comprehensive income for the period</b>				0	2	2	- 60	- 28	985	901		901
<b>Transactions with owners</b>												
Dividend paid				- 201						- 201		- 201
Other transactions				4	- 1			107		110		110
Payments from Donations Fund						- 60				- 60		- 60
<b>Total transactions with owners</b>				- 197	- 1	- 60		107		- 151		- 151
<b>Equity at 30.09.16</b>	<b>1 807</b>		<b>843</b>	<b>984</b>	<b>4 075</b>	<b>120</b>	<b>20</b>	<b>1 877</b>	<b>985</b>	<b>10 711</b>		<b>10 711</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	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
856	922	<b>1 234</b>	Result before tax	<b>1 199</b>	918	1 033
48	36	<b>37</b>	+ Ordinary depreciation	<b>45</b>	42	56
2	2	<b>- 18</b>	+ Write-downs, gains/losses fixed assets	<b>- 18</b>	2	2
216	104	<b>113</b>	+ Losses on loans and guarantees	<b>149</b>	108	200
126	142	<b>188</b>	- Tax/Result investment held for sale	<b>214</b>	180	163
403	403	<b>261</b>	- Dividends/donations	<b>261</b>	403	403
593	519	<b>917</b>	Provided from the year's operations	<b>900</b>	487	725
167	- 69	<b>5</b>	Change in sundry liabilities: + increase/ - decrease	<b>129</b>	- 43	191
173	230	<b>287</b>	Change in various claims: - increase/ + decrease	<b>248</b>	220	178
-2 703	-1 791	<b>-4 363</b>	Change in gross lending to and claims on customers: - increase/ + decrease	<b>-4 934</b>	-2 010	-2 860
-1 605	-1 587	<b>554</b>	Change in short term-securities: - increase/ + decrease	<b>715</b>	-1 547	-1 554
2 379	2 303	<b>5 550</b>	Change in deposits from and debt owed to customers: + increase/ - decrease	<b>5 550</b>	2 274	2 351
- 935	-1 505	<b>- 620</b>	Change in debt owed to credit institutions: + increase/ - decrease	<b>- 618</b>	-1 511	- 942
-1 931	-1 900	<b>2 330</b>	A. Net liquidity change from operations	<b>1 990</b>	-2 130	-1 911
- 47	- 11	<b>- 28</b>	- Investment in fixed assets (incl merger effects)	<b>- 54</b>	- 15	- 52
20	- 2	<b>92</b>	+ Sale of fixed assets	<b>92</b>	14	37
- 154	- 112	<b>- 69</b>	Change in holdings of long-term securities: - increase/ + decrease	<b>- 45</b>	- 11	- 237
- 181	- 125	<b>- 5</b>	B. Liquidity change from investments	<b>- 7</b>	- 12	- 252
158	219	<b>-1 983</b>	Change in borrowings through the issuance of securities: + increase/ - decrease	<b>-1 983</b>	217	156
0	0	<b>0</b>	Change in Equity Certificate/subordinated loan capital: + increase/ - decrease	<b>0</b>	0	0
158	219	<b>-1 983</b>	C. Liquidity change from financing	<b>-1 983</b>	217	156
-1 954	-1 806	<b>342</b>	A + B + C. Total change in liquidity	<b>0</b>	-1 925	-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	6 105	<b>6 299</b>	<b>= Liquid funds at the end of the period</b>	<b>2 398</b>	2 480	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)	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14
Interest income	641	631	623	644	672	682	704	755
Interest costs	218	230	237	254	287	314	335	377
<b>Net interest income</b>	<b>423</b>	401	386	390	385	368	369	378
Fee- and commission income	228	226	204	217	231	233	227	232
Fee- and commission costs	22	22	19	19	21	18	17	20
Other operating income	22	45	28	24	23	24	29	25
<b>Net fee-, commission and other operating income</b>	<b>228</b>	249	213	222	233	239	239	237
Dividend	0	73	0	0	1	7	0	0
Income from investments	94	109	87	98	75	114	112	121
Net gain from investments in securities	63	- 26	- 7	- 52	- 84	- 28	6	- 70
<b>Net income from financial investments</b>	<b>157</b>	156	80	46	- 8	93	118	51
<b>Total income</b>	<b>808</b>	806	679	658	610	700	726	666
Personnel costs	170	161	163	289	190	182	189	190
Administration costs	84	93	93	104	84	90	90	88
Ordinary depreciation	15	16	14	14	14	14	14	29
Other operating costs	47	48	41	44	48	50	45	47
<b>Total costs</b>	<b>316</b>	318	311	451	336	336	338	354
<b>Result before losses</b>	<b>492</b>	488	368	207	274	364	388	312
Losses	61	64	24	92	40	36	32	236
Net gain from sale of financial fixed assets	0	0	0	0	0	0	0	0
<b>Result before tax</b>	<b>431</b>	424	344	115	234	328	356	76
Tax	74	71	69	- 17	46	68	66	15
Result non-current assets held for sale	0	0	0	5	0	0	0	27
Minority interests	0	0	0	- 6	2	- 1	- 2	0
<b>Result after tax</b>	<b>357</b>	353	275	133	186	261	292	34

<b>Profitability</b>								
Return on equity capital	13.56 %	13.82 %	10.98 %	5.16 %	7.82 %	11.09 %	12.49 %	1.46 %
Interest margin	1.87 %	1.78 %	1.77 %	1.84 %	1.82 %	1.76 %	1.79 %	1.85 %
Cost/income	39.11 %	39.45 %	45.80 %	68.54 %	55.08 %	48.00 %	46.56 %	53.15 %
<b>Balance sheet figures</b>								
Loans and advances to customers	68 905	67 861	65 357	64 053	63 143	63 073	61 060	61 249
Growth in loans and advances to cust. incl. commission loans past 12 months	6.7 %	5.9 %	5.2 %	4.0 %	4.7 %	5.6 %	4.8 %	5.5 %
Deposits from customers	53 637	55 666	50 523	48 087	47 660	49 977	46 211	45 761
Growth in deposits from customers past 12 months	11.7 %	10.8 %	9.0 %	5.1 %	4.6 %	6.2 %	5.8 %	1.8 %
Deposits as a percentage of gross lending	77.8 %	82.0 %	77.3 %	75.1 %	76.1 %	79.7 %	75.9 %	74.7 %
Deposits as a percentage of gross lending including commission loans	57.2 %	60.3 %	56.2 %	54.4 %	54.7 %	57.7 %	54.3 %	53.8 %
Average assets	88 835	88 710	87 046	84 039	83 698	83 432	82 658	80 191
Total assets	89 210	92 038	88 688	85 403	84 495	84 981	82 128	83 188
<b>Losses on loans and commitments in default</b>								
Losses on loans to customers as a percentage of gross loans incl. commission loans	0.27 %	0.27 %	0.11 %	0.41 %	0.18 %	0.16 %	0.15 %	0.37 %
Commitments in default as a percentage of gross loans incl. commission loans	0.44 %	0.53 %	0.28 %	0.30 %	0.30 %	0.41 %	0.39 %	0.34 %
Commitments at risk of loss as a percentage of gross loans incl. commission loans	0.23 %	0.10 %	0.20 %	0.27 %	0.42 %	0.39 %	0.25 %	0.27 %
Net comm. in default and at risk of loss as a per. of gross loans incl. commission loans	0.50 %	0.48 %	0.36 %	0.39 %	0.44 %	0.53 %	0.41 %	0.41 %
<b>Solidity</b>								
Total regulatory Capital %	17.7 %	17.1 %	16.9 %	17.2 %	16.3 %	16.1 %	16.1 %	15.6 %
Tier I Capital %	15.6 %	15.0 %	14.9 %	15.1 %	14.2 %	14.1 %	14.0 %	13.6 %
Tier I capital	10 361	9 360	9 130	9 110	8 462	8 464	8 344	8 439
Equity and related capital resources	10 783	10 674	10 411	10 358	9 747	9 709	9 610	9 680
Adjusted risk-weighted assets base	60 798	62 479	61 425	60 328	59 708	60 194	59 722	61 936

# 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 9.3 million was recognised as a cost in the third quarter of 2016, compared with NOK 9.2 million in the third 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 3rd 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	30.09.16 Total
Net interest income	585	362	147	0	116	1 210
Net fee- and commission income	282	16	0	0	297	595
Other operating income	195	48	0	16	229	488
Operating costs	654	86	40	4	161	945
Result before losses	408	340	107	12	481	1 348
Losses	8	105	36	0	0	149
Result before tax	400	235	71	12	481	1 199
Loans and advances to customers	43 232	20 779	4 894	0	0	68 905
Individual write-downs for impaired value on loans and advances to customers	- 12	- 100	- 47	0	0	- 159
Collective write-downs for impaired value on loans and advances to customers	- 47	- 263	- 14	0	0	- 324
Other assets	0	2 901	45	0	17 842	20 788
Total assets per business area	43 173	23 317	4 878	0	17 842	89 210
Deposits from customers	30 320	23 317	0	0	0	53 637
Other liabilities and equity capital	12 853	0	4 878	0	17 842	35 573
Total equity and liabilities per business area	43 173	23 317	4 878	0	17 842	89 210
						0 30.09.15
Net interest income	522	340	137	5	118	1 122
Net fee- and commission income	354	17	0	0	264	635
Other operating income	184	61	0	50	- 16	279
Operating costs	685	115	36	23	151	1 010
Result before losses	375	303	101	32	215	1 026
Losses	7	97	10	1	- 7	108
Result before tax	368	206	91	31	222	918
Loans and advances to customers	38 383	20 703	4 283	0	0	63 369
Individual write-downs for impaired value on loans and advances to customers	- 26	- 219	- 14	0	0	- 259
Collective write-downs for impaired value on loans and advances to customers	- 39	- 169	- 11	0	- 16	- 235
Other assets	0	0	42	0	21 578	21 620
Total assets per business area	38 319	20 315	4 300	0	21 562	84 495
Deposits from customers	28 461	16 214	3 362	0	0	48 037
Other liabilities and equity capital	9 857	4 101	938	0	21 562	36 458
Total equity and liabilities per business area	38 318	20 315	4 300	0	21 562	84 495

## 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	30.09.15	30.09.16		30.09.16	30.09.15	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	832	984	Equalisation reserve	984	832	1 179
4 074	3 748	4 075	Savings bank's reserve	4 075	3 748	4 074
180	120	120	Endowment fund	120	120	180
80	0	20	Deduction Fund for unrealised gains available for sale	20	- 30	80
35	- 12	35	Other equity	1 877	1 631	1 798
0	780	1 046	Period result	985	739	0
0	0	0	Minority interests	0	24	0
8 198	8 118	8 930	Total equity	10 711	9 714	9 961
0	- 780	-1 046	Period result	- 985	- 738	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	5	- 3	- 48
0	0	0	Deduction for ntangible assets	- 60	- 55	- 55
- 22	- 23	- 21	Adjustments to CET 1 due to prudential filters	- 35	- 35	- 23
- 82	- 50	- 82	Deduction defined benefit pension fund assets gross amounts	- 84	- 50	- 82
- 95	- 163	0	IRB shortfall of credit risk adjustments to expected losses	- 118	- 317	- 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	- 731	- 806	- 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
- 81	- 164	- 102	Deduction for CET 1 instruments of financial sector institutions with a significant investment over 10 % threshold limit	0	0	0
7 658	6 938	7 679	<b>Common equity Tier 1 Capital (CET 1 Capital)</b>	8 703	7 710	8 367
500	500	500	Hybrid Tier 1 bonds	803	758	756
0	0	0	Own Hybrid Tier 1 bonds	- 5	- 6	- 13
0	0	0	Deduction for CET1 instruments of financial sector entities where the institution does not have significant investment, but over threshold limit	0	0	0
8 158	7 438	8 179	<b>Additional Tier 1 Capital (AT 1 Capital)</b>	9 501	8 462	9 110
			<b>Tier 2 Capital (T2 Capital)</b>			
850	850	850	Nonperpetual subordinated capital	1 366	1 345	1 341
0	0	14	50% deduction for expected losses on IRB, net of writedowns	0	0	0
- 61	- 60	- 60	Deduction for subordinated capital in other financial institutions with a significant investment	- 84	- 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	804	<b>Tier 2 Capital (T2 Capital)</b>	1 282	1 285	1 248
8 947	8 228	8 983	<b>Equity and related capital resources</b>	10 783	9 747	10 358
			<b>Minimum requirements subordinated capital, Basel I I</b>			
717	699	757	Specialised lending exposure	757	841	850
125	111	100	Other corporations exposure	100	166	165
406	444	341	SME exposure	348	487	413
855	897	894	Property retail mortgage exposure	1 180	1 172	1 215
39	4	35	Other retail exposure	37	4	40
395	377	362	Equity investments	14	12	12
2 537	2 531	2 489	Total credit risk	2 436	2 683	2 694
716	714	674	Credit risk standardised approach	1 270	1 506	1 434
13	16	13	Debt risk	13	16	12
3	3	3	Equity risk	3	18	18
0	0	0	Currency risk	0	0	0
274	274	294	Operational risk	296	283	283
22	18	24	Credit Value Adjustment	50	45	60
0	0	0	Transitional arrangements	799	225	325
0	0	0	Deductions	0	0	0
3 565	3 556	3 497	<b>Minimum requirements subordinated capital</b>	4 867	4 777	4 827
44 557	44 452	43 697	RWA (Risk weighted assets)	60 798	59 708	60 328
			<b>Total regulatory Capital</b>			
20.08 %	18.51 %	20.56 %	Total regulatory Capital	17.74 %	16.32 %	17.17 %
18.31 %	16.73 %	18.72 %	Tier 1 Capital	15.63 %	14.17 %	15.10 %
1.77 %	1.78 %	1.84 %	Tier 2 Capital	2.11 %	2.15 %	2.07 %
17.19 %	16.75 %	18.77 %	Common Equity Tier 1 - incl share of period result	15.12 %	13.53 %	13.87 %
8.71 %	8.37 %	9.12 %	Leverage Ratio incl share of period result	6.60 %	6.07 %	6.22 %

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

Parent Bank				Group		
31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
387	382	356	Non-performing commitments	415	271	270
334	466	291	+ Other doubtful commitments	222	377	245
721	848	647	+ Total commitments in default and doubtful commitments	637	648	515
203	202	186	- Individual write-downs on non performing commitments	84	94	69
125	151	75	- Other doubtful individual write-downs	75	165	100
328	353	261	+ Total individual write-downs *	159	259	169
393	495	386	= Net commitments in default and doubtful commitments	478	389	346

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

31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
55	80	- 67	+ Period's change in individual write-down for impaired value	- 35	88	- 3
51	- 1	74	+ Period's change in collective write-down for impaired value	75	- 3	54
88	26	90	+ Period's confirmed losses against which individual write-downs were previously made	61	26	92
54	6	23	+ Period's confirmed losses against which individual write-downs were previously not made	55	6	64
32	7	7	- Recoveries in respect of previously confirmed losses	7	9	7
216	104	113	= Total losses on loans	149	108	200
	120		+ Other losses		157	
216	224	113	= Total losses	149	265	200

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

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
0	0	0	Mining and quarrying	0	0	0
31	12	- 6	Construction	- 6	15	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	14	Professional, scientific and technical activities	14	- 1	- 11
0	0	0	Financial and insurance activities	0	0	0
- 4	1	8	Fishing	8	2	- 4
0	0	- 2	Marine aquaculture	- 2	0	0
2	- 4	11	Other business support activities	41	- 3	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	3	56	Manufacturing	56	6	23
2	1	10	Information and communication	10	1	2
6	4	0	Crop and animal production	- 1	5	7
24	0	0	Foreign industrial	0	0	0
46	9	- 6	Real estate activities	- 6	18	46
2	2	0	Accomodation and food service activities	0	2	2
0	0	0	Forestry and logging	0	4	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	0	Other service industries	0	9	10
3	- 1	- 1	Transportation and storage	8	1	8
70	57	7	International shipping and pipeline transport	7	57	70
3	3	3	Development of building projects	3	3	2
0	0	0	Extraction of crude oil and natural gas	0	0	0
0	0	0	Unspecified	0	0	0
0	0	0	Water supply; sewerage, waste management and remediation activities	0	0	0
1	2	0	Wholesale and retail trade; repair of motor vehicles and motorcycles	0	2	1
12	14	6	Retail banking market - domestic	22	13	19
220	111	116	Losses on loans to customers	153	134	209
4	7	6	Recoveries from previously written off losses	7	26	9
216	104	110	<b>Net losses</b>	146	108	200
	120	3	Other losses	3	157	0
216	224	113	<b>Total losses</b>	149	265	200

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

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
28	38	23	Mining and quarrying	47	73	61
689	752	516	Construction	942	1 131	1 086
15	1	21	Building of ships and boats	23	3	17
687	648	729	Electricity, gas, steam an air conditioning supply	733	651	691
703	717	685	Professional, scientific and technical activities	930	937	903
0	0	0	Financial and insurance activities	0	0	0
2 248	2 375	2 666	Fishing	2 692	2 395	2 278
389	380	326	Marine aquaculture	630	649	665
319	319	324	Other business support activities	726	735	710
923	769	882	Activities auxiliary to financial services and insurance activities	594	569	713
243	303	223	County municipalities and municipalities	235	318	257
1 810	1 823	1 894	Manufacturing	2 093	1 942	1 940
64	61	65	Information and communication	71	67	70
948	932	981	Crop and animal production	1 058	1 012	1 023
0	0	0	Foreign industrial	0	131	0
6 542	6 964	7 331	Real estate activities	7 390	6 832	6 415
488	476	528	Accommodation and food service activities	545	490	501
10	4	10	Forestry and logging	15	11	15
0	0	0	Central government and social security funds	0	0	0
0	0	0	Support activities for petroleum and natural gas extraction	13	16	15
755	745	716	Other service industries	792	821	837
3 164	3 177	3 144	Transportation and storage	3 860	3 794	3 847
285	287	257	International shipping and pipeline transport	257	289	287
943	880	772	Development of building projects	774	881	945
0	0	0	Extraction of crude oil and natural gas	0	0	0
0	0	0	Unspecified	0	0	0
197	200	183	Water supply; sewerage, waste management and remediation activities	267	278	271
770	771	734	Wholesale and retail trade; repair of motor vehicles and motorcycles	986	959	983
37 776	36 577	41 248	Retail banking market - domestic	43 182	38 233	39 470
53	53	50	Retail banking market - international	50	155	53
37 830	36 630	41 298	Total retail market	43 232	38 387	39 524
21 976	22 319	22 787	Total public market	25 438	24 668	24 272
243	303	223	Total government	235	318	257
0	0	0	Accrued interest	0	0	0
60 049	59 252	64 308	<b>Total gross lending to customers</b>	<b>68 905</b>	<b>63 373</b>	<b>64 053</b>
328	353	261	Individual write-downs for impaired value	159	259	169
234	216	310	Collective write-downs for impaired value	324	235	247
59 487	58 683	63 737	<b>Net loans to customers</b>	<b>68 422</b>	<b>62 879</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.

	30.09.16	30.09.15	31.12.15
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value		69	226
Total gain from hedging objects relating to the hedged risk		- 60	- 224
<b>Total fair value hedging transactions</b>	<b>0</b>	<b>9</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	30.09.16 Fair value			30.09.15 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)	2 226	33	26	2 406	63	48	1 610	47	42
Currency swaps	13 469	221	175	3 671	242	136	2 256	272	208
Currency options									
Total non-standardised contracts	15 695	254	201	6 077	305	184	3 866	319	250
Standardised foreign currency contracts (futures)									
<b>Total foreign currency instruments</b>	<b>15 695</b>	<b>254</b>	<b>201</b>	<b>6 077</b>	<b>305</b>	<b>184</b>	<b>3 866</b>	<b>319</b>	<b>250</b>
<b>Interest rate instruments</b>									
Interest rate swaps (including cross currency)	27 168	715	986	27 454	857	1 186	16 409	858	1 193
Short-term interest rate swaps (FRA)									
Other interest rate contracts	501	27	32	336	33	32	30	82	82
Total non-standardised contracts	27 669	742	1 018	27 790	890	1 218	16 439	940	1 275
Standardised interest rate contracts (futures)									
<b>Total interest rate instruments</b>	<b>27 669</b>	<b>742</b>	<b>1 018</b>	<b>27 790</b>	<b>890</b>	<b>1 218</b>	<b>16 439</b>	<b>940</b>	<b>1 275</b>
<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)									
<b>Total foreign currency instruments</b>									
<b>Interest rate instruments</b>									
Interest rate swaps (including cross currency)	10 749	548		10 284	705		28 701	687	
Short-term interest rate swaps (FRA)									
Other interest rate contracts									
Total, non-standardised contracts	10 749	548		10 284	705		28 701	687	
Standardised interest rate contracts (futures)									
<b>Total interest rate instruments</b>	<b>10 749</b>	<b>548</b>		<b>10 284</b>	<b>705</b>		<b>28 701</b>	<b>687</b>	
<b>Total interest rate instruments</b>	<b>38 418</b>	<b>1 290</b>	<b>1 018</b>	<b>38 074</b>	<b>1 595</b>	<b>1 218</b>	<b>45 140</b>	<b>1 627</b>	<b>1 275</b>
<b>Total foreign currency instruments</b>	<b>15 695</b>	<b>254</b>	<b>201</b>	<b>6 077</b>	<b>305</b>	<b>184</b>	<b>3 866</b>	<b>319</b>	<b>250</b>
<b>Total</b>	<b>54 113</b>	<b>1 544</b>	<b>1 219</b>	<b>44 151</b>	<b>1 900</b>	<b>1 402</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 30.09.16 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	20 215	19 878	337	0	<b>337</b>
Financial derivatives - liabilities	16 450	15 877	573	0	<b>573</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. SpareBank 1 Nord-Norge 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 2.84 years as of 30 September 2016. The short-term liquidity risk measurement, liquidity coverage ratio (LCR), was 96 % 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	30.09.16	30.09.15	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  
 Amounts in NOK million

	30.09.16	30.09.15	31.12.15
<b>Net pension liabilities in the balance sheet</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>3Q16</b>	<b>3Q15</b>	<b>2015</b>
Accrued defined benefit-based pensions	8	5	15
Interest costs on pension liabilities	10	8	15
Expected return on pension assets	-10	-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>8</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>9</b>	<b>6</b>	<b>11</b>
Curtailment/settlement			
Other pension costs	14	20	18
<b>Total pension costs including employer's NI Insurance contribution</b>	<b>23</b>	<b>26</b>	<b>29</b>
<b>Movement in net pension liabilities from benefit-based plan recognised in balance</b>	<b>30.09.16</b>	<b>30.09.15</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	9		11
Curtailment/settlement			
Paid directly from operations	-9	-4	-4
Receipts - pension premiums defined benefit-based plans	-30		-40
<b>Net pension liabilities/assets in the balance sheet</b>	<b>-171</b>	<b>-54</b>	<b>-141</b>
Other pension liabilities (early retirement pensions)	43	48	43
<b>Net total pension liabilities</b>	<b>-128</b>	<b>-6</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 30.09.16</b>				
Loans to and receivables from customers at fair value (fixed-rate loans)			7 206	<b>7 206</b>
Shares	102		19	<b>121</b>
Bonds	6 586	4 096		<b>10 682</b>
Financial derivatives		1 604		<b>1 604</b>
<b>Total assets</b>	<b>6 688</b>	<b>5 700</b>	<b>7 225</b>	<b>19 613</b>

**Liabilities as of 30.09.16**

Financial derivatives		1 285		<b>1 285</b>
<b>Total liabilities</b>		<b>1 285</b>		<b>1 285</b>

*Assets 30.09.15*

Loans to and receivables from customers at fair value (fixed-rate loans)			7 918	7 918
Shares	94		184	278
Bonds	4 092	7 170		11 262
Financial derivatives		1 900		1 900
<b>Total assets</b>	<b>4 186</b>	<b>9 070</b>	<b>8 102</b>	<b>21 358</b>

*Liabilities as of 30.09.15*

Financial derivatives		1 406		1 406
<b>Total liabilities</b>	<b>0</b>	<b>1 406</b>	<b>0</b>	<b>1 406</b>

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

<i>(Amounts in NOK million)</i>	Financial assets				Financial liabilities
	Fixed-rate loans	Shares	Bonds	Financial derivatives	Financial derivatives
Carrying amount as of 30.09.15	7 918	184			0
Net gains on financial instruments	- 109				
Additions/acquisitions	1 021	107			
Disposals	-1 624	- 170			
Transferred from level 1 or level 2					
<b>Carrying amount as of 30.09.16</b>	<b>7 206</b>	<b>121</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		
		30.09.16	30.09.15	31.12.15	30.09.16	30.09.15	31.12.15
SpareBank 1 Finans Nord-Norge AS	100	70 757	91 053	124 287	715 079	607 329	642 813
SpareBank 1 Nord-Norge Portefølje AS	100	-44 013	-48 401	-75 415	-4 456	65 541	38 409
Eiendomsdrift AS	0	0	0	0	0	0	0
EiendomsMegler 1 Nord-Norge AS	100	25 301	23 874	27 183	45 375	43 364	39 135
SpareBank 1 Nord-Norge Forvaltning ASA	100	1 732	1 703	2 386	8 633	8 573	9 074
SpareBank 1 Regnskapshuset Nord-Norge AS	100	11 361	6 862	5 773	21 810	13 846	13 021
North-West 1 Alliance Bank	0	0	-3 049	-3 049	0	67 692	0
EiendomsMegler 1 Lofoten AS (owned by EM1 60%)	0	0	434	0	0	1 483	0
Nord-Norge Eiendom IV AS	100	-1 018	- 966	-1 293	-14 612	-13 727	-13 969
Alsgården AS	100	-1 486	859	- 587	8 543	10 350	9 377
Fredrik Langesg 20 AS	100	543	1 830	1 830	8 121	7 217	7 217
<b>Total</b>		<b>63 177</b>	<b>74 199</b>	<b>81 115</b>	<b>788 493</b>	<b>811 668</b>	<b>745 077</b>

**Note 18 - Other assets**  
 (Amounts in NOK million)

Parent Bank				Group		
31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
20	21	20	Reposessed assets	20	21	20
0	88	8	Accrued income	52	130	53
239	152	463	Prepayments	471	146	227
263	250	146	Other assets	230	329	319
522	511	637	<b>Total other assets</b>	<b>773</b>	626	619

**Note 19 - Other liabilities**

31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
287	301	576	Costs incurred	769	460	453
0	0	0	Provisioning against incurred liabilities and costs	13	15	14
463	425	538	Other liabilities	591	478	489
750	726	1 114	<b>Total other liabilities</b>	<b>1 373</b>	953	956

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

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
58	66	89	Mining and quarrying	89	66	58
1 132	934	999	Construction	999	934	1 132
4	4	6	Building of ships and boats	6	4	4
489	1 105	400	Electricity, gas, steam an air conditioning supply	400	1 105	489
1 083	1 151	1 180	Professional, scientific and technical activities	1 180	1 138	1 074
0	0	0	Financial and insurance activities	0	0	0
695	645	886	Fishing	886	645	695
43	18	44	Marine aquaculture	44	18	43
528	367	452	Other business support activities	452	367	528
378	350	378	Activities auxiliary to financial services and insurance activities	378	329	369
5 767	5 624	8 514	County municipalities and municipalities	8 515	5 624	5 767
618	540	540	Manufacturing	540	540	618
295	260	293	Information and communication	293	260	295
393	395	423	Crop and animal production	423	395	393
11	7	6	Foreign industrial	6	30	11
2 097	2 076	2 670	Real estate activities	2 642	2 064	2 087
293	303	350	Accomodation and food service activities	350	303	293
17	14	16	Forestry and logging	16	14	17
319	320	324	Central government and social security funds	324	320	319
0	0	0	Support activities for petroleum and natural gas extraction	0	0	0
2 639	2 653	2 869	Other service industries	2 869	2 652	2 639
874	1 019	1 050	Transportation and storage	1 050	1 019	874
5	5	2	International shipping and pipeline transport	1	5	5
212	205	301	Development of building projects	301	205	212
0	0	0	Extraction of crude oil and natural gas	0	0	0
0	0	0	Unspecified	0	0	0
147	132	132	Water supply; sewerage, waste management and remediation activities	132	132	147
1 330	1 407	1 421	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 421	1 407	1 330
28 297	28 043	29 935	Retail banking market - domestic	29 935	28 043	28 297
391	396	385	Retail banking market - international	385	418	391
28 688	28 439	30 320	Total retail market	30 320	28 461	28 688
13 341	13 656	14 507	Total public market	14 478	13 632	13 313
6 086	5 944	8 838	Total government	8 839	5 944	6 086
48 115	48 039	53 665	<b>Total deposits</b>	<b>53 637</b>	<b>48 037</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	30.09.15	30.09.16
Certificates and other short-term borrowings			
Bond debt	21 470	21 531	19 487
<b>Total debt securities in issue</b>	21 470	21 531	19 487

	Statement of financial position 31.12.15	Issued 30.09.16	Matured/ redeemed 30.09.16	Exchange rate movements 30.09.16	Other adjustments 30.09.16	Statement of financial position 30.09.16
Changes in securities issued						
Certificates and other short-term borrowings						
Bond debt	21 470	2 949	-4 460	- 240	- 232	19 487
<b>Total debt securities issued</b>	21 470	2 949	-4 460	- 240	- 232	19 487

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

	31.12.15	30.09.15	30.09.16
<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 30.09.16	Matured/ redeemed 30.09.16	Exchange rate movements 30.09.16	Other adjustments 30.09.16	Statement of financial position 30.09.16
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)**

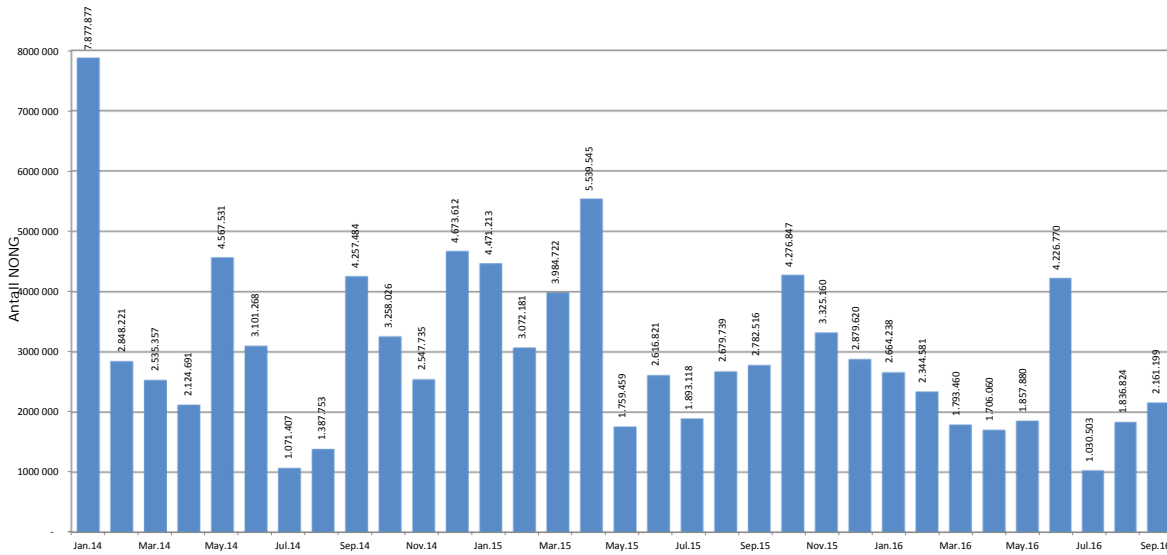
The 20 largest EC holders as at 30.09.16

EC Holders	Number of ECs	Share of EC Capital
PARETO AKSJE NORGE	3 550 401	3.54%
THE NORTHERN TRUST CO.	3 252 918	3.24%
MP PENSJON PK	2 720 503	2.71%
VERDIPAPIRFONDET DNB NORGE (IV)	2 610 722	2.60%
FLPS - PRINC ALL SEC STOCK SUB	2 500 000	2.49%
MERRILL LYNCH PROF. CLEARING CORP	1 914 360	1.91%
METEVA AS	1 614 670	1.61%
FORSVARETS PERSONELLSERVICE	1 561 630	1.56%
POPE ASSET MANAGEMENT	1 473 655	1.47%
SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGE	1 411 606	1.41%
STATE STREET BANK AND TRUST CO CLIENT OMNIBUS F	1 301 580	1.30%
PERESTROIKA AS	1 198 837	1.19%
EIKA UTBYTTE	1 049 745	1.05%
DNB LIVSFORSIKRING ASA	1 045 473	1.04%
BERGEN KOMMUNALE PENSJONSKASSE	1 000 000	1.00%
PARETO AS	970 659	0.97%
STATE STREET BANK AND TRUST WEST	754 558	0.75%
SANLAM UNIVERSAL FUNDS PLC	704 643	0.70%
THE BANK OF NEW YORK MELLON	672 323	0.67%
STATE STREET BANK AND TRUST CO CLIENT OMNIBUS D	627 081	0.62%
<b>TOTAL</b>	<b>31 935 364</b>	<b>31.81%</b>

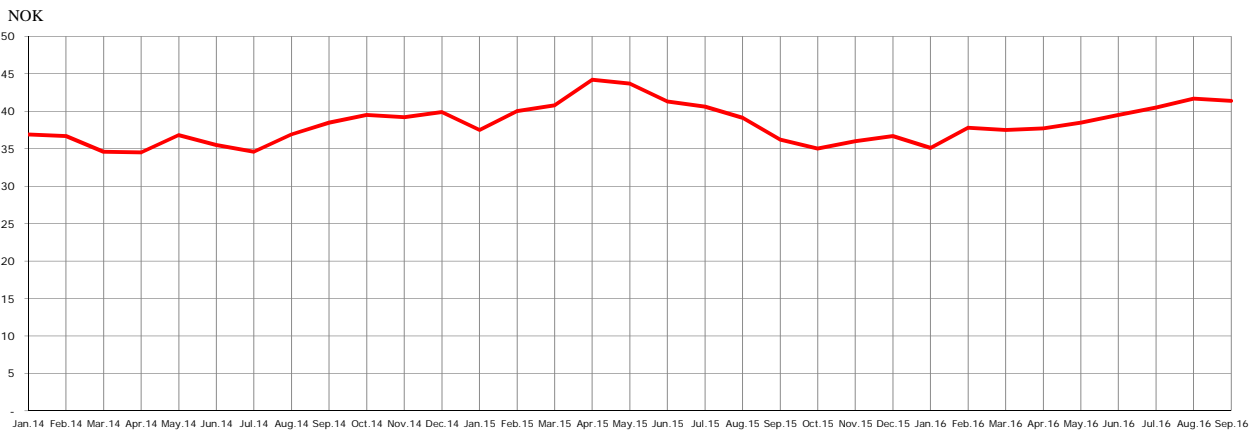
**Dividend policy**

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.