

Quarterly Report



Financial statement Q4 2016

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Key figures Group

<i>Amounts in NOK million and in % of average assets</i>		31.12.16	%	31.12.15	%	31.12.14	%
From the profit and loss account							
Net interest income		1 644	1.84 %	1 512	1.80 %	1 426	1.78 %
Net fee-, commission and other operating income		924	1.04 %	933	1.11 %	966	1.20 %
Net income from financial investments		509	0.57 %	249	0.30 %	602	0.75 %
Total income		3 077	3.45 %	2 694	3.21 %	2 994	3.73 %
Total costs		1 320	1.48 %	1 461	1.74 %	1 328	1.66 %
Result before losses		1 757	1.97 %	1 233	1.47 %	1 666	2.08 %
Losses		213	0.24 %	200	0.24 %	321	0.40 %
Result before tax		1 544	1.73 %	1 033	1.23 %	1 345	1.68 %
Tax		291	0.33 %	163	0.19 %	223	0.28 %
Result non-current assets held for sale		0	0.00 %	5	0.01 %	27	0.03 %
Minority interests		0	0.00 %	- 7	-0.01 %	- 1	0.00 %
Result after tax		1 253	1.41 %	872	1.04 %	1 096	1.37 %
Profitability							
Return on equity capital	1	12.0 %		9.1 %		12.2 %	
Interest margin	2	1.84 %		1.80 %		1.78 %	
Cost/income	3	42.9 %		54.2 %		44.4 %	
Balance sheet figures and liquidity							
Gross lending		70 763		64 053		61 249	
Gross lending and advances to customers incl. commission loans		96 287		88 403		84 980	
Growth in loans and advances to customers past 12 months		10.5 %		4.6 %		6.9 %	
Growth in loans and advances to cust. incl. commission loans past 12 months		8.9 %		4.0 %		5.5 %	
Share total lending transferred to Sp1 Boligkreditt of total retail loans		36.6 %		38.1 %		39.7 %	
Share total lending transferred to Sp1 Boligkreditt of total loans		26.5 %		27.5 %		27.9 %	
Deposits from customers		53 870		48 087		45 761	
Growth in deposits from customers past 12 months		12.0 %		5.1 %		1.8 %	
Deposits as a percentage of gross lending	4	76.1 %		75.1 %		74.7 %	
Deposits as a percentage of gross lending including commission loans		55.9 %		54.4 %		53.8 %	
Average assets	5	89 168		84 039		80 191	
Total assets		90 501		85 403		83 188	
Leverage Ratio incl share of period result		7.0 %		6.2 %		5.9 %	
Losses on loans and commitments in default							
Losses on loans to customers as a percentage of gross loans incl. commission loans		0.20 %		0.22 %		0.19 %	
Commitments in default as a percentage of gross loans incl. commission loans		0.31 %		0.30 %		0.34 %	
Commitments at risk of loss as a percentage of gross loans incl. commission loans		0.22 %		0.27 %		0.27 %	
Net comm. in default and at risk of loss as a per. of gross loans incl. commission loans		0.37 %		0.39 %		0.41 %	
Loan loss provision ratio		30.08 %		32.82 %		32.82 %	
Solidity							
Total regulatory Capital %	6	18.4 %		17.2 %		15.6 %	
Tier I Capital %	7	16.3 %		15.1 %		13.6 %	
Common Equity Tier I - incl share of period result		15.0 %		13.9 %		12.5 %	
Tier I capital		9 951		7 741		8 439	
Equity and related capital resources		11 229		10 358		9 680	
Adjusted risk-weighted assets base		61 120		60 328		61 936	
Liquidity Coverage Ratio (LCR)		121		95			
Branches and full-time employees							
Branches		38		62		66	
Manyyears		774		830		927	

Key figures ECC

	2009	2010	2011	2012	2013	2014	2015	4Q16 *
Quoted/market price as at 31.12 (adjusted) 1)	34.62	37.76	28.90	24.70	35.50	39.90	36.20	52.25
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	5 246
Quoted/market price total equity (4)	5 704	6 223	5 083	4 418	7 530	8 464	7 840	11 315
Allocatde dividend per EC (5)	2.12	1.81	1.25	1.02	1.10	1.90	2.00	3.45
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 %	6.6 %
Return efficiency (7)	156.8 %	15.2 %	-9.8 %	-10.2 %	48.4 %	15.5 %	-4.5 %	35.7 %
Total equity capital Parent bank	4 247	4 547	5 264	5 589	7 200	7 735	8 198	9 336
Total equity capital Group, NOK mill	5 160	5 670	6 408	6 832	8 502	9 343	9 961	11 011
Equity capital per EC Parent bank (8)	31.09	34.59	29.93	31.24	33.94	36.46	37.86	43.11
Equity capital per EC Group (9)	31.31	34.41	36.43	38.19	40.08	44.05	46.00	50.84
Result per EC Parent bank (10)	5.41	4.93	2.28	2.91	3.91	3.50	3.44	6.72
Result per EC Group (11)	5.21	4.95	2.75	3.36	4.13	5.16	4.11	5.83
P/E (Price/Earnings per certificate Group)(12)	6.64	7.63	10.51	7.34	8.59	7.73	8.81	8.96
P/V (Price/Book Value per certificate Group)(13)	1.11	1.10	0.79	0.65	0.89	0.91	0.79	1.03
Pay-out ratio Group (14)	39.29 %	36.69 %	54.88 %	35.14 %	26.62 %	36.81 %	48.65 %	59.16 %
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 ajusted for equity issues, fund issues, dividend issues and splits

2)Number of Equity Certificates (EC) issued (mill)

All key figures are adjusted with the same factor as the quoted/market price

3) Quoted/market price EC issued (mill)

Number of certificates issued as of 31.12. adjusted as 1)

4) Quoted/market price total equity

Market price * number of ECs

5) Allocated dividend per EC

Market price * number of ECs/ EC ratio overall

6) Direct return

Allocated dividend adjusted as 1)

7) Return efficiency

Allocated dividend/Market price EC as at 31.12

8) Equity capital per EC Parent bank

(Market price EC 31.12 - market price 1.1 previous year + paid dividend)/Market price EC 1.1

9) Equity capital per EC Group

Book equity Parent bank*EC ratio overall/Number of EC 31.12

10) Result per EC Parent bank

Book equity Group*EC ratio overall/Number of EC 31.12

11) Result per EC Group

Anualised result after tax Parent bank*EC ratio overall 1.1/Number of EC 31.12

12) P/E (Price/Earnings per certificate Group)

Anualised result after tax Consern*EC ratio overall 1.1/Number of EC 31.12

13) P/V (Price/Book Value per certificate Group)

Marked price 31.12/Result per EC Group

14) Pay-out ratio per EC Group

Marked price 31.12/Book value per EC Group

15) EC ratio overall as at 31.12

Dividend per EC/Result per EC Group

16)EC ratio overall as at 01.01

EC-owners share of equity capital (Parent bank), calculated at year end

EC-owners share of equity capital (Parent bank), used for allocation of result of the year

Interim report for Q4 2016 – Group

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

Highlights:

- Profit before tax: NOK 1,544 million (NOK 1,033 million).
- Profit after tax: NOK 1,253 million (NOK 872 million).
- Return on equity after tax: 12.0 % (9.1 %).
 - Earnings per equity certificate (Group): NOK 5.82 (NOK 4.11).
- Very good underlying banking operations for the year with profit before losses of NOK 1,274 million (NOK 1,119 million), adjusted for restructuring costs.
- Net income from financial assets: NOK 509 million (NOK 249 million).
- Loan losses: NOK 213 million (NOK 200 million).
- Lending growth in the last 12 months: 8.9 % (4.0 %), inclusive of intermediary loans.
 - Retail market: 9.0 % (6.5 %).
 - Corporate market: 8.6 % (-2.9 %).
- Growth in deposits in the last 12 months: 12.0 % (5.1 %).
 - Retail market: 6.8 % (6.2 %).
 - Corporate market: 8.8 % (-0.5 %).
 - Public sector market: 43.5 % (13.3 %).
- Deposit coverage ratio: 76.1 % (75.1 %).
- Common equity tier 1 capital ratio, Group: 15.0 % (13.9 %).
- Proposed dividend provision: NOK 3.45 per equity certificate (NOK 2.00).

Macroeconomic trends

The international news is still coloured by last year's two major events: the British no to the EU and the American election of Trump as president. In the wake of these events, other important elections are coming in Europe where the outcome of these elections may contribute to uncertainty about the global economy. In spite of the somewhat gloomy backdrop, the global economy is speeding up. Global GDP appears to have grown by around 3.1 % in 2016 and this is expected to be a bit higher in 2017. Commodity prices are on their way up and rising oil prices will have a positive impact for Norway. Unemployment is falling in a number of trendsetting countries, and this indicates that inflation is on its way up. The risk of deflation has subsided, which would normally result in less stimulus from central banks. The era of interest rate cuts appears to be over and many analysts expect rates to rise slightly going forward. The increasing speed of the global economy could however be set back by a dawning trade war and protectionism. There is also concern about the growth in Chinese debt and a potentially serious setback in the Chinese economy.

The Norwegian economy is improving, but the progress is slow. Mainland Norway's GDP is by many analysts expected to grow by just under 2 % in 2017, compared with the corresponding figure for 2016 of around 1 % growth. This growth will primarily be driven by private consumption and high levels of investment in housing and the public sector. Unemployment is expected to remain at the current level. The Norwegian krone weakened markedly between 2013 and 2016, which has contributed to a rise in inflation. Inflation is expected to fall in 2017 as the Norwegian krone gradually strengthens. The improvement in the Norwegian economy indicates that Norges Bank will not stimulate the economy further through more rate cuts in 2017.

House prices and household debt continued to rise in 2016. In December 2016, house prices were 12.8 % higher than at the same time the year before. Market players are expecting house prices to continue rising, but not by as much as in 2016. Private debt is very high, both from a historic perspective and in comparison with other countries. The authorities have been concerned about the development of house prices for a long time, especially since this is contributing to the growth in household debt. In order to curb this growth, the Ministry of Finance decided to tighten the requirements in the residential mortgage lending regulations effective from 1 January 2017. The changes include a maximum lending limit equivalent to five times gross income, and more restrictive rules for Oslo. SpareBank 1 Nord-Norge shares the authorities' concern about the growth in debt and aims to practise a prudent lending policy in its day-to-day credit work, which does not contribute to a further rise in prices.

The northern Norwegian economy remains good and is enjoying significantly higher growth than the rest of the country. While estimates for the fourth quarter figures show GDP growth for Mainland Norway of 0.7 % in 2016, the corresponding figure for Northern Norway is around 4 %. The north's strong growth is largely due to the robust growth in the seafood and tourism industries and increasing exports from the processing industry. The region's positive development is expected to continue in 2017. Private consumption is now growing faster in Northern Norway than in the rest of the country and unemployment is very low. Many places and industries in the region are experiencing a lack of qualified labour.

Northern Norway has been significantly less affected by the downturn in the oil sector than the rest of the country, while a weak Norwegian krone has strengthened export industries in the region. The value of seafood exports from the three northernmost counties rose by no less than 22 % from the record year of 2015 to 2016. The impacts of the weak Norwegian krone and low energy prices have also been positive for the energy-intensive industries in Nordland. Tourism in the region had seen around 9 % more overnight stays per November 2016 than at the corresponding point in 2015. The number of foreign overnight stays in the same period rose by 18 % and more of the traffic is winter tourism. For example, Troms saw 33 % more foreign overnight stays in November 2016 than in November 2015. The growth in building and construction has slowed somewhat, but remains just above 4 %.

The macroeconomic conditions are therefore in place for 2017 to provide growth opportunities for Northern Norway and for SpareBank 1 Nord-Norge. At the same time, there are uncertainty factors in relation to both the international macro picture and how the Norwegian krone exchange rate will develop in the future. However, Northern Norway's macroeconomic prospects still appear somewhat better than those for the country as a whole. Developments in the international economy could have a negative impact on industry in the region. A shift towards greater protectionism and less global trade will not be positive for the northern Norwegian economy. A stronger Norwegian krone will also be negative for the region, both for the export industry and tourism.

In spite of considerable uncertainty internationally, the Bank believes that the growth outlook for the northern Norwegian economy remains to be relatively good. The Business Barometer for Northern Norway forecasts economic growth of 3 % in 2017.

Financial performance

The financial statements for 2016 show an operating profit before tax of NOK 1,544 million (NOK 1,033 million). The result for 2016 is considered to be very good. Underlying banking operations before losses remain very good and show a profit of NOK 1,274 million, compared with NOK 1,119 million for the same period last year, exclusive of restructuring costs (restructuring costs in 2016: NOK 26 million; restructuring costs in 2015: NOK 135 million).

The Group's return on equity after tax as at 31 December 2016 was 12.0 % (9.1 %). Earnings per equity certificate were NOK 5.82 (NOK 4.11).

Net interest income

Net interest income as at 31 December 2016 was NOK 1,644 million (NOK 1,512 million).

Net interest income represented 1.84 % (1.80 %) of average total assets.

Income from the loan portfolio transferred to SpareBank 1 Boligkreditt (SB1BK) and SpareBank 1 Næringskreditt (SB1NK) is booked as commissions. As at 31 December 2016, these commissions amounted to NOK 177 million (NOK 260 million). Net interest income, inclusive of the aforementioned commissions, increased by NOK 47 million compared with the year before.

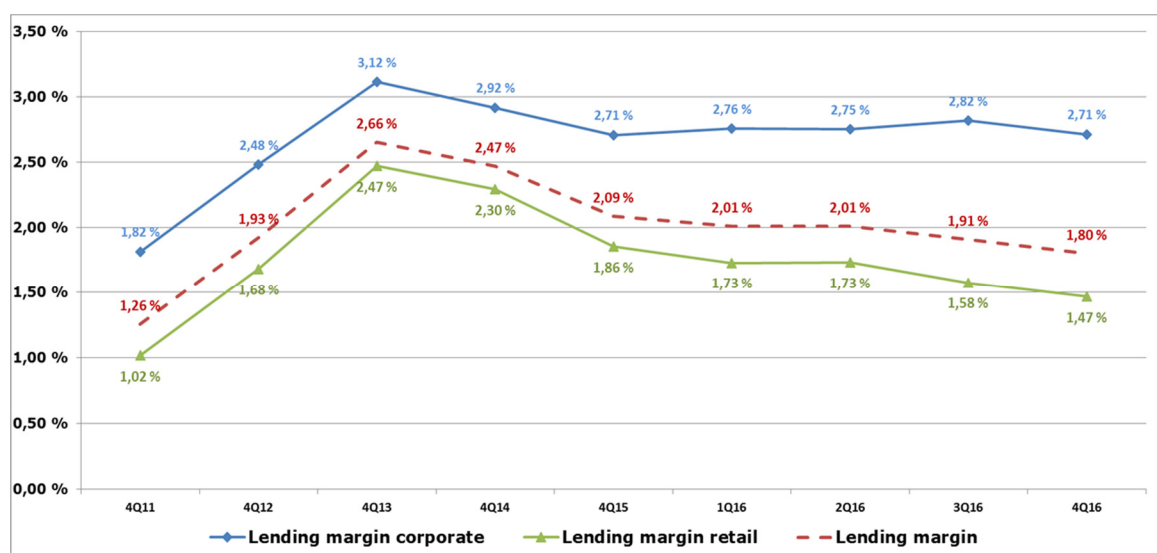
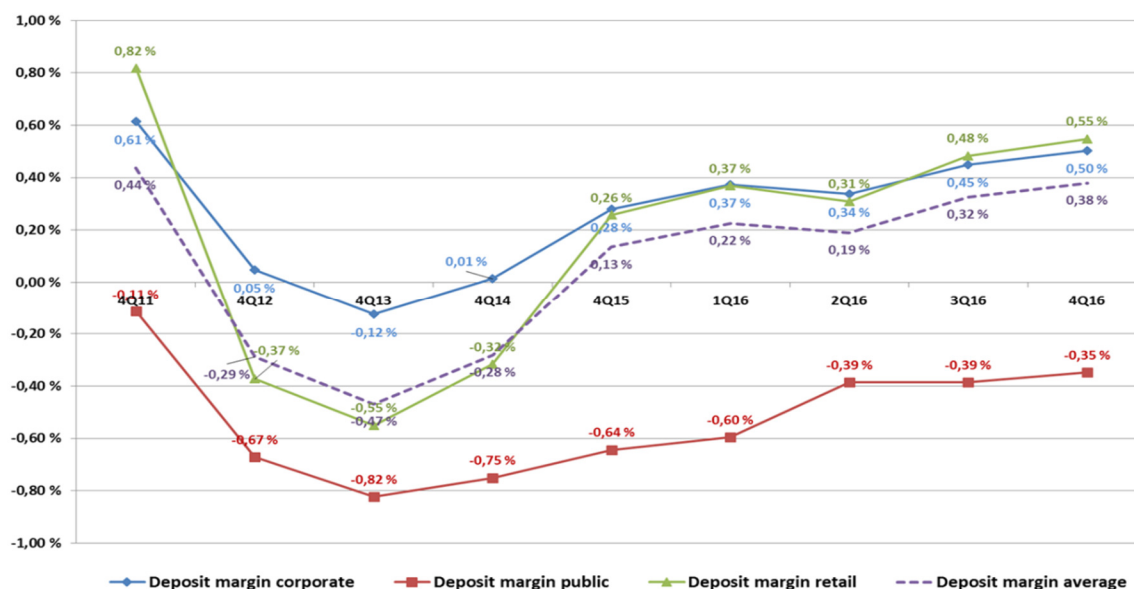
At year-end 2016, home mortgages worth NOK 26 billion (NOK 24 billion) had been transferred to SB1BK. As at 31 December 2016, no loans had been transferred to SB1NK (NOK 0 billion).

Compared with the third quarter of 2016, net interest income, inclusive of commissions from the transferred loan portfolios, but exclusive of charges for the Guarantee Fund, developed as follows in the fourth quarter of 2016:

<i>Figures in NOK millions</i>	Q4 2016	Change	Q3 2016
Net interest income, incl. commissions from SB1BK and SB1NK	474	+8	465
Volume effects		+9	
Margin effects		-13	
Other		+12	

The decrease in the margin is due to increased borrowing costs and lower interest rates for lending.

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



The Bank has announced a rise in rates for existing lending effective from 16 January 2017.

As expected, Norges Bank left the key policy rate unchanged at its monetary policy meeting on 15 December 2016, and signalled that the key policy rate will most probably remain at the current level going forward. Compared with the third quarter, the Bank's average costs for borrowing in the capital markets increased slightly in the fourth quarter of 2016. The competition for loan customers remains strong with pressure on interest terms.

Assuming stable conditions in the capital market, the Bank's average borrowing costs are expected to decrease during 2017. The development in net interest income will also depend on the competition situation and volume growth.

Net commissions and other operating income

Net commissions and other operating income totalled NOK 924 million at the end of the fourth quarter of 2016 (NOK 933 million).

Figures in NOK millions	2016	Change	2015
Net commissions and other operating income	924	-9	933
Commissions from SB1BK and SB1Finans		-85	262

	177		
Commissions from EiendomsMegler 1 Nord-Norge	133	+14	119
Income from SB1 Regnskapshuset Nord-Norge	101	+14	87
Other commissions and other operating income	513	+48	465

The reduction in commissions from SB1BK was due to tighter margins for home mortgages in 2016 than in 2015. Exclusive of these commissions, the financial statements show an increase in net commissions and other operating income of NOK 73 million, NOK 26 million of which was in the Parent Bank. NOK 18 million of the increase in the Parent Bank was gains from the sale of a bank property in the second quarter of 2016. NOK 14 million of the increase in commissions in the Bank's subsidiaries was from increased income in SB1 Regnskapshuset Nord-Norge. In the fourth quarter, Regnskapshuset completed the acquisition of new business in which the NOK 9 million income was consolidated with effect from 1 July 2016.

Income from financial investments

Total net income from financial investments amounted to NOK 509 million for 2016 (NOK 249 million).

This has developed as follows:

<i>Figures in NOK millions</i>	2016	Change	2015
<u>Net income from financial investments</u>	<u>509</u>	<u>260</u>	<u>249</u>
Result from SpareBank 1 Gruppen	307	56	251
Result from SpareBank 1 Boligkreditt	-16	-82	66
Result from BN Bank	61	32	29
Result from SpareBank 1 Næringskreditt	16	-3	19
Result from SpareBank 1 Kredittkort	23	3	20
Result from SpareBank 1 Markets		-14	14
Result from SpareBank 1 Mobilbetaling	-26	-26	
Result from SpareBank 1 Banksamarbeidet	1		
Share dividends	74	66	8
Net change in value of equities	-21	29	-50
Net change in value of bonds, currency and derivatives	96	203	-107
Net change in value of loans at fair value, incl. hedging	-6	-5	-1

An extraordinary dividend amounting to NOK 224 million from SpareBank 1 Gruppen was recognised as income in the Parent Bank's accounts in the fourth quarter. These have not been recognised as income in the consolidated financial statements, where only the Bank's share of the profit for 2016 has been recognised.

Profit contributions from joint ventures

SpareBank 1 Gruppen

SpareBank 1 Gruppen's profit after tax for 2016 totalled NOK 1,575 million (NOK 1,287 million). The SpareBank 1 Nord-Norge Group's share of the profit, amounting to NOK 307 million (NOK 251 million), has been incorporated into the financial statements. The Bank's owns a 19.5 % stake. 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 was set up by the banks in the SpareBank 1 Alliance to benefit from capital market funding through the use of covered bonds. The banks transfer mortgages with very good security to this company. This reduces borrowing costs and increases the competitiveness of the SpareBank 1 banks.

The Bank owned a 14.61 % stake in SpareBank 1 Boligkreditt as at 31 December 2016 (14.45 %) and the share of its profit in 2016 was NOK -16 million (NOK 66 million).

SpareBank 1 Nord-Norge owns a 16.64 % stake (20.83 %) in SpareBank 1 Næringskreditt and the share of its profit for 2016 was NOK 16 million (NOK 19 million).

BN Bank

SpareBank 1 Nord-Norge owned a 23.5 % stake in BN Bank as at 31 December 2016. The share of the profit for 2016 amounted to NOK 61 million (NOK 29 million). The phasing out of business in the corporate market in BN Bank prior to 31 December 2016 has proceeded as planned.

Other companies

In addition to the above companies, a share of the profit from SpareBank 1 Kredittkort amounting to NOK 23 million for 2016, which corresponds to the Bank's 17.80 % stake, has been included (NOK 20 million). The 19.7 % share of the result from SpareBank 1 Mobilbetaling, NOK -26 million for 2016 has also been included.

The Group's equities portfolio

The Group's equities portfolio as at 31 December 2016 amounted to NOK 306 million (NOK 569 million). Net losses/reductions in the value of the portfolio totalling NOK 21 million (NOK 50 million) were recognised in 2016, NOK +24 million (NOK +5 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 2 November 2015, an agreement was announced between Visa Europe Ltd. (VE) and Visa Inc. in which the latter will purchase all of the shares in Visa Europe Ltd. Visa Norge FLI (VN) is, as a group member of Visa Europe, also a shareholder in VE. There are three parts to the transaction: a cash settlement, convertible preferred shares and a conditional cash payment that will be paid in 3-4 years. The 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 as at 30 June 2016 concerning the remainder of the settlement in the form of a future conditional payment (3 years), as well as the value of preferred shares in Visa Inc. Together, this amounts to NOK 20 million which was recognised as other comprehensive income (OCI) and transferred to equity as at 31 December 2016.

Certificates, bonds, currency and derivatives

As at 31 December 2016, the Group's holdings of certificates and bonds amounted to NOK 10,164 million, compared with NOK 11,178 million at the same time the year before.

The total net change in value in 2016 in this portfolio amounted to NOK 96 million.

Subsidiaries and second tier subsidiaries

<i>(Figures in whole NOK thousands)</i>	Stake in %	Profit before tax	
		31.12.2016	31.12.2015
SpareBank 1 Finans Nord-Norge AS	100	86,012	125,057
SpareBank 1 Nord-Norge Portefølje AS	100	-49,629	-75,415
EiendomsMegler 1 Nord-Norge AS	100	27,260	27,183
SpareBank 1 Forvaltning AS	100	2,640	2,386
SpareBank 1 Regnskapshuset AS	100	13,125	5,773
Nord-Norge Eiendom IV AS	100	-1,314	-1,293
Alsgården AS	100	-2,058	-587
Fredrik Langesg 20 AS	100	539	1,830

The Group's subsidiaries had a combined profit before tax for 2016 of NOK 77 million (NOK 82 million), which has been fully consolidated in the consolidated financial statements.

SpareBank 1 Finans Nord-Norge AS's profit before tax for 2016 was NOK 86 million (NOK 125 million). The company has a good earnings base and total earnings for the year-to-date amount to NOK 281 million (NOK 272 million). Losses on leasing and loan commitments amounted to NOK 55 million in 2016 (NOK 11 million). At the end of the quarter, the company managed leasing, consumer loan and vendor's security agreements with a total value of NOK 4,933 million (NOK 4,401 million).

SpareBank 1 Nord Norge Portefølje AS has a portfolio of unlisted equities and investments in funds. The company's result before tax amounted to NOK -50 million in 2016 (NOK -75 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 44 million.

EiendomsMegler 1 Nord-Norge AS achieved a profit before tax for 2016 of NOK 27 million (NOK 27 million). The number of units sold in 2016 was 3,063 (2,775), with total commissions income of NOK 176 million (NOK 159 million).

SpareBank 1 Nord-Norge Forvaltning, which manages a portfolio of NOK 2.6 billion, had a profit before tax of NOK 3 million in 2016 (NOK 2 million).

SpareBank 1 Regnskapshuset Nord-Norge operates accounting firms in Northern Norway. The company's profit before tax in 2016 was NOK 13 million (NOK 6 million). In the second half of 2016 the company acquired new business in Nordland that was consolidated with effect from 1 July 2016.

Operating costs

In response to increased digitisation and changes in customer behaviour, SpareBank 1 Nord-Norge has started to reorganise the business to improve profitability within the Group. Measures encompass increased earnings, reduced costs and a better return on capital. The work has resulted in significant result improving effects in 2015 and 2016. The Group's goal is to hold average annual cost increases to a maximum of 0 %, excluding restructuring costs and possible business expansions. Expectations of negative cost growth in 2016 and 2017 compared with 2015 have previously been communicated. An assessment indicates a total annual increase in costs for the Group due to the new financial tax of somewhere in the region of NOK 30 million. It amounts to NOK 9 million for 2016, comprised of NOK 6 million in increased personnel costs and NOK 3 million in deferred tax cost.

Ordinary operating costs for 2016 amounted to NOK 1,320 million (NOK 1,461 million). The changes in costs compared with last year were as follows:

<i>Figures in NOK millions</i>	2016	Change	2015
Operating costs	1,320	-141	1,461
Personnel costs	689	-161	850
Admin. Costs	377	9	368
Depreciation and write-downs	60	4	56
Other costs	194	7	187

Exclusive of the provisions for restructuring costs, the Group's costs for 2016 were NOK 32 million lower than in 2015, in spite of the new financial tax of NOK 6 million. This does not take into account increased costs in subsidiaries due to business expansions.

The Group's costs for the fourth quarter seen in isolation increased by NOK 59 million from NOK 316 million to NOK 375 million. The increase in costs in the fourth quarter included the following:

	NOK million
Restructuring costs pensions	17
Restructuring costs closed branches	9
Financial tax	6
Capital tax (charged in the fourth quarter, for the full year 2016)	9
Increased costs subsidiaries	6
Total:	47

In the fourth quarter, NOK 17 million was recognised as restructuring costs in connection with the winding up of the scheme for early retirement at age 62 for most of the members of the group management team. NOK 8 million associated with future costs for closed branches was also recognised in the fourth quarter.

Costs in the Bank's subsidiaries increased in the fourth quarter following the consolidation of accounting firm acquisitions. Otherwise the costs increase in the fourth quarter was due to miscellaneous costs that were charged in the fourth quarter but which were for the full year 2016.

In relation to the average total assets, costs amounted to 1.48 % as at 31 December 2016 (1.74 %).

The Group's cost/income ratio was 42.9 % as at 31 December 2016, compared with 54.2 % as at 31 December 2015.

The Parent Bank's costs amounted to NOK 1,026 million for 2016 (NOK 1,178 million). Exclusive of the provisions for restructuring costs in 2015, this is NOK 43 million lower than for last year.

The Group had 774 full-time equivalents at year-end 2016 (830), 56 fewer than as at 31 December 2015. The number of full-time equivalents in the Parent Bank at year-end 2016 was 540 (618), 78 fewer than at year-end 2015, while the number of full-time equivalents in the subsidiaries increased by 22.

Net losses and non-performance - customer commitments

The Group's net losses on loans to customers for 2016 amounted to NOK 213 million (NOK 200 million): NOK 19 million (NOK 10 million) from the retail market and NOK 194 million (NOK 190 million) from the corporate market. Of the net losses, NOK 55 million were linked to the subsidiary SpareBank 1 Finans Nord-Norge. The level of losses in 2016 is considered moderate.

Gross non-performing and doubtful commitments as at 31 December 2016 totalled NOK 358 million (NOK 346 million), which represents 0.37 % of gross lending inclusive of intermediary loans (0.39 %).

The Group's total individual loss write-downs on loans to customers as at 31 December 2016 were NOK 216 million (NOK 231 million), NOK 62 million of which involved financial institutions. The provision was reduced by a NOK 5 million in the last quarter.

Group write-downs as at 31 December 2016 amounted to NOK 373 million (NOK 247 million) and have increased by NOK 49 million compared with the previous quarter. Group write-downs totalled 0.5 % of the Group's total gross lending as at 31 December 2016 (0.4 %), which represents 0.4 % (0.3 %) of gross lending including intermediary loans. The increase in collective write-downs for 2016 is linked to the industry, oil-related industry, and fishing and hunting segments. The increase within the industry and oil-related industry segments is based on underlying risk, while the increase within fishing and hunting is based on greater exposure.

The exposure in Russia consists of loans to Tavrichesky 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 as at 31 December 2016.

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 continue to 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

IASB (International Accounting Standards Board) has decided that a new IFRS 9 *Financial Instruments* (International Financial reporting Standards) should 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 will come into force on 1 January 2018. 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 Group expects to apply the standard on the mandatory effective date, from and including the 2018 financial year. The Group has started preparing for implementation and an impact assessment of this. During 2016, work was done on models and clarifications relating to valuations, classification, etc. Work on the models and assessing the financial consequences will continue throughout 2017. The Group does not expect significant effects on the balance sheet or equity due to the new standard.

Tax

The Group's tax cost for 2016 is estimated to be NOK 291 million. In the Parent Bank's accounts, the basis for tax has been reduced by permanent differences coupled with the effects of the exemption model.

Total assets

The Group's total assets amounted to NOK 90,501 million as at 31 December 2016 (NOK 85,403 million). Total assets have increased by 6.0 % (2.7 %), or NOK 5,098 million, in the last 12 months.

Loans

As at 31 December 2016, lending totalling NOK 26 billion (NOK 24 billion) had been transferred to SpareBank 1 Boligkreditt. As at the end of the year, no loans had been transferred to SpareBank 1 Næringskreditt (NOK 0 million). These loans do not appear as lending on the Bank's balance sheet. Comments that deal with the growth in lending include these intermediary loans.

The Group's gross lending to customers, inclusive of intermediary loans, amounted to NOK 96,287 million as at 31 December 2016 (NOK 88,403 million). This represents an increase of 8.9 % compared with as at 31 December 2015 (4.0 %). Retail loans grew by 9.0 % (6.5 %), while corporate and public sector loans grew by 8.6 % (-2.9 %).

The relatively strong lending growth in the corporate market, especially with respect to the SME market, was in part due to the strategic prioritisation of this segment and in part due to positive market opportunities in connection with competitors' branch closures. The latter has also had a positive effect on lending growth in the retail market. The lending growth in 2016 is considered to be good. The overall effect of the above has contributed to growth in net interest income.

The percentage of lending to the retail market, inclusive of intermediary loans, accounts for 72 % of the total lending as at 31 December 2016 (72 %).

The Group's exposure in the oil and gas sector is low. Its total exposure as at 31 December 2016 was NOK 1,790 million, or 1.86 % 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 43 % of the portfolio consists of commitments to supply bases with very 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 7.5 billion as at 31 December 2016 (NOK 7.6 billion as at 31 December 2015). This portfolio is measured at fair value in the financial statements. Changes in interest rates and risk premiums can result in changes in the estimated fair value.

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 fourth quarter of 2016, the deposit coverage ratio (exclusive of intermediary loans) was 76 % (75 %). 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. The LCR (liquidity coverage ratio) as at 31 December 2016 has been calculated to 121 % (95 %).

The Group's deposits from customers totalled NOK 53,870 million as at 31 December 2015. The increase over the past 12 months was NOK 5,783 million, or 12.0 % (5.1 %). Retail deposits showed growth of 6.8 % (6.2 %), corporate deposits 8.8 % (-0.5 %), and public sector deposits 43.5 % (13.3 %).

SpareBank 1 Nord-Norge has a licence to establish a 100 % owned home mortgage company, SNN Boligkreditt. This company will be able to act as a supplement to SpareBank 1 Boligkreditt, which will remain the Alliance banks' main tool for raising loans through covered bonds.

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

Financial strength and capital adequacy

The Group's common equity tier 1 capital ratio as at 31 December 2016 was 15.0 % (13.9 %). The tier 1 capital ratio was 16.3 % (15.1 %) and the total capital adequacy ratio was 18.4 % (17.2 %).

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

The Group's common equity tier 1 capital ratio decreased from 15.1 % to 15.0 % in the last quarter. The tier 1 capital (numerator in the capital adequacy ratio) decreased due to the proposed 60 % rate of dividend for the Group's profit compared with the assumed 50 % in the calculation at the end of the third quarter. In addition to this, the deduction in tier 1 capital as at 31 December 2016 increased due to dividend provisions from consolidated associated companies being higher than the accounting profit shares included in the consolidated financial statements. The effect of the received extraordinary dividend from SpareBank 1 Gruppen (SB1G) through a reduced deduction in the Group's tier 1 capital was largely neutralised during the quarter. This due to the increase in equity in SB1G, as well as changes in the methods used to calculate the Group's unaudited quarterly capital adequacy calculations.

In November 2016, SpareBank 1 Nord-Norge received the Financial Supervisory Authority of Norway's decision concerning the Group's capital requirements. This decision concludes that the Pillar 2 requirement should be 1.5 % of the risk-weighted balance sheet. The Group's regulatory minimum requirement for common equity tier 1 capital ratio is therefore 13.0 % as of 31 December 2016.

The current requirement for the countercyclical capital buffer is 1.5 %. On 15 December 2016, the Ministry of Finance decided that this should be increased by 0.5 percentage points to 2.0 % effective from 31 December 2017. The purpose of the countercyclical capital buffer is to make the banks more robust and more capable of withstanding loan losses, and to ensure more stable credit practices in an economic downturn.

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 %, which was achieved as of 30 September 2016.

Leverage ratio - new framework conditions

On 20 December 2016, the Ministry of Finance set new requirements for the leverage ratio effective from 1 January 2017. New requirements have been included in the regulations concerning capital requirements that specify that an institution must have a leverage ratio equal to at least 3 % of the institution's exposure at any given time. All banks must also have a tier 1 capital buffer amounting to 2 % of the institution's exposure. Systemically important banks must have a tier 1 capital buffer amounting to at least 3%.

The unweighted tier 1 capital ratio (leverage ratio) as at 31 December 2016 was calculated at 7.0 % (6.1 %).

The Bank's equity certificate holders

As at 31 December 2016, the Parent Bank's equity certificate capital was NOK 1,807 million. The number of equity certificates as at 31 December 2016 was 100,398,016, each with a nominal value of NOK 18, fully paid-up.

The ownership fraction as at 1 January 2016 was 46.36 %. The number of holders of equity certificates as at 31 December 2016 was 7,465 (7,641). The proportion of northern Norwegian equity certificate holders was 18 % (19 %). A summary of the Bank's 20 largest equity certificate holders is provided in the notes to the interim report.

The market price for the Bank's equity certificates was NOK 52.25 as at 31 December 2016 (NOK 36.20). Based on this price, the market value of the Bank's equity was NOK 9,336 million (NOK 8,198 million). The earnings per equity certificate (Group) amounted to NOK 5.82 (NOK 4.11). As at 31 December 2016, Price/Earnings was NOK 9.0 (NOK 8.9) and Price/Book 1.0 (0.8) (both figures for the Group).

Proposed profit allocation

The Parent Bank's profit after tax is distributed between the equity certificate holders and the Bank's community-owned capital in accordance with the relative distribution of equity capital between the owner groups in the Parent Bank as at 1 January 2016.

The Bank's dividend policy states that the Bank aims to provide a competitive direct return for the Bank's owners. The earlier limit of a payout ratio of a maximum of 50 % of the Group's profit for the year has been cancelled. The Board is proposing to the Bank's Supervisory Board a cash dividend of NOK 3.45 (NOK 2.00) per equity certificate, for a total of NOK 346.4 million (NOK 200.8 million), and an allocation of NOK 328.6 million (NOK 135.1 million) to the dividend equalisation fund. In addition, a combined transfer of NOK 400.8 million (NOK 60 million) to publicly beneficial causes is proposed. The proposed allocation of the profit entails an equal payout ratio for the Bank's equity certificate holders and community-owned capital. The payout ratio amounts to 59.6 % of the Group's profit and 51.3 % of the Parent Bank's profit. The payout ratio is considered extraordinary high and is due to the Group's capital targets having been exceeded and the extraordinary dividend received from SpareBank 1 Gruppen in the fourth quarter of 2016. Going forward, the Bank will continue to give weight to providing a competitive direct return for the Bank's owners. Nonetheless, the future payout ratio will have to take into account the Group's capital adequacy and future growth. For 2017, the targeted payout ratio is minimum 50 %.

This results in the following proposal for allocation of the profit for the year:

Parent Bank's profit for the year after tax	NOK 1,456.1 million
Allocated to cash dividend	NOK 346.4 million
<u>Allocated to dividend equalisation fund</u>	<u>NOK 328.6 million</u>
Total to the equity certificate holders	NOK 675.0 million
Allocated to donations	NOK 400.8 million
<u>Allocated to the Savings Banks Fund</u>	<u>NOK 380.3 million</u>
<u>Total to the Bank's community-owned capital</u>	<u>NOK 781.1 million</u>
Total allocated	NOK 1,456.1 million

Dividends will be distributed to those registered as equity certificate holders as at 28 March 2017. The Bank's equity certificates will be traded ex dividend as of 29 March 2017. The equity certificate holders' proportion of the equity (ownership fraction) has not changed and was as of 1 January 2017 calculated as being 46.36 %.

Concluding remarks and future prospects

Northern Norway's macroeconomic prospects still appear somewhat better than those for the country as a whole. Nonetheless, there are uncertainty factors in relation to both the international macro picture and the development of the Norwegian krone exchange rate. A shift towards greater protectionism and less global trade will not be positive for the northern Norwegian economy.

Overall, the Bank believes the growth outlook for the northern Norwegian economy to be relatively good. The Business Barometer for Northern Norway forecasts economic growth of 3 % in 2017.

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 has proceeded as planned
 - The venture in Russia has been sold
 - The 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 in relation to greater capital efficiency

The restructuring work in the Group will continue in 2017. Under the heading "One Group – one customer experience", a project has been started that aims to provide customers with a comprehensive offer of all of the Group's products and services. The goal is for customers to form even stronger ties with SpareBank 1 Nord-Norge due to good customer satisfaction. This requires efficient interaction solutions as well as the streamlining and redesign of processes. Furthermore, it requires investments in infrastructure and solutions, and the cultivation of a culture in which customer needs determine sales, and where the distinctive character of SpareBank 1 Nord-Norge is reinforced. The goal is for SpareBank 1 Nord-Norge's customers to notice an even stronger and more comprehensive customer focus from the entire Group during 2017. This should also be visible in the accounts through securing future profitability of the Group.

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 2016. This also applies to the Bank's core business. The outlook for the Group is deemed to be good.

Tromsø, 14 February 2017

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)

31.12.14	4Q15	4Q16	31.12.15	31.12.16		31.12.16	31.12.15	4Q16	4Q15	31.12.14
2 820	594	601	2 520	2 359	Interest income	2 548	2 702	653	644	2 998
1 578	254	215	1 200	907	Interest costs	904	1 190	219	254	1 572
1 242	340	386	1 320	1 452	Net interest income	1 644	1 512	434	390	1 426
801	175	168	739	682	Fee- and commission income	871	908	213	217	940
72	17	20	72	78	Fee- and commission costs	85	75	22	19	74
21	5	13	15	42	Other operating income	138	100	43	24	100
750	163	161	682	646	Net fee-, commission and other operating income	924	933	234	222	966
16	0	1	8	74	Dividend	74	8	1	0	16
134	- 52	225	354	612	Income from investments	366	399	76	98	453
105	- 26	44	- 114	114	Net gain from investments in securities	69	- 158	39	- 52	133
255	- 78	270	248	800	Net income from financial investments	509	249	116	46	602
2 247	425	817	2 250	2 898	Total income	3 077	2 694	784	658	2 994
538	243	140	670	503	Personnel costs	689	850	195	289	704
311	94	96	331	339	Administration costs	377	368	100	104	349
50	12	13	48	50	Ordinary depreciation	60	56	15	14	97
140	30	43	129	134	Other operating costs	194	187	65	44	178
1 039	379	292	1 178	1 026	Total costs	1 320	1 461	375	451	1 328
1 208	46	525	1 072	1 872	Result before losses	1 757	1 233	409	207	1 666
290	112	45	216	158	Losses	213	200	64	92	321
918	- 66	480	856	1 714	Result before tax	1 544	1 033	345	115	1 345
175	- 16	70	126	258	Tax	291	163	77	- 17	223
0	0	0	0	0	Result non-current assets held for sale	0	5	0	5	27
					Minority interests	0	- 7	0	- 6	- 1
743	- 50	410	730	1 456	Result after tax	1 253	872	268	133	1 096
					Result per Equity Certificate					
3.50	-0.24	1.89	3.44	6.72	Result per Equity Certificate	5.79	4.11	1.24	0.63	5.17
3.50	-0.24	1.89	3.44	6.72	Diluted result per Equity Certificate	5.79	4.11	1.24	0.63	5.17

Other comprehensive income

743	-50	410	730	1 456	Result after tax	1 253	865	268	127	1 095
0	0	0	0	0	Recalculation differences	0	0	0	0	-35
0	0	0	0	0	Value adjustment of property, plant and equipment	0	-10	0	0	0
4	2	4	8	10	Effective part of change in fair market value in cash flow hedging	10	8	4	2	4
0	0	0	0	0	Net change in fair market value of investment in joint ventures	0	34	28	-1	-8
0	80	-60	80	-60	Net change in fair market value of financial assets available for sale	-60	80	0	80	0
0	0	0	0	0	Reclassification adjustments	0	30	0	30	0
-80	61	-5	61	-5	Actuarial gains (losses) on benefit-based pension schemes	-1	58	-1	58	-85
21	-16	1	-18	-1	Tax on other comprehensive income	-2	-17	0	-15	22
-55	127	-60	131	-56	Other comprehensive income for the period	-53	183	31	154	-102
688	77	350	861	1 400	Total comprehensive income for the period	1 200	1 048	299	281	993
					Majority interest	0	-7	-901	-774	1 001
					Minority interests	0	1 055	0	1 055	-8
					Total result per Equity Certificate					
3.24	0.36	1.62	4.06	6.47	Total result per Equity Certificate	5.54	4.94	1.38	1.32	4.68
3.24	0.36	1.62	4.06	6.47	Diluted total result per Equity Certificate	5.54	4.94	1.38	1.32	4.68
					Tax on other comprehensive income:					
-1	0	-2	-2	-2	Effective part of change in fair market value in cash flow hedging	-2	-2	-2	0	-1
22	-16	1	-16	1	Actuarial gains (losses) on benefit-based pension schemes	0	-15	0	-15	23
21	-16	1	-18	-1	Tax on other comprehensive income	-2	-17	0	-15	22

Statement of financial position

Parent Bank

Group

(Amounts in NOK million)

31.12.14	31.12.15	31.12.16		31.12.16	31.12.15	31.12.14
Assets						
631	274	775	Cash and balances with central banks	775	274	685
7 280	5 683	5 871	Loans and advances to credit institutions	1 946	2 124	3 720
57 000	59 487	65 670	Net loans and advances to customers	70 236	63 637	60 977
241	388	291	Shares	306	569	473
9 720	11 178	10 164	Certificates and bonds	10 164	11 178	9 720
2 121	1 946	1 390	Financial derivatives	1 390	1 946	2 121
558	626	728	Investments in Group Companies	0	0	0
2 750	2 836	2 849	Investments in associated companies and joint ventures	4 370	4 424	4 187
464	443	361	Property, plant and equipment	501	553	594
0	0	0	Non current assets held for sale	30	28	35
0	0	0	Deduction for ntangible assets	63	51	61
520	522	425	Other assets	720	619	615
81 285	83 383	88 524	Total assets	90 501	85 403	83 188
Liabilities						
2 764	1 829	833	Deposits from credit institutions	818	1 816	2 758
45 736	48 115	53 924	Deposits from customers	53 870	48 087	45 763
21 312	21 470	21 165	Debt securities in issue	21 165	21 470	21 314
1 493	1 525	985	Financial derivatives	985	1 525	1 493
710	750	846	Other liabilities	1 128	956	914
0	0	0	Non current assets held for sale	0	0	0
185	146	83	Deferred tax liabilities	174	238	253
1 350	1 350	1 350	Subordinated loan capital	1 350	1 350	1 350
73 550	75 185	79 186	Total liabilities	79 490	75 442	73 845
Equity						
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
1 020	1 179	1 657	Dividend Equalisation Fund	1 657	1 179	1 020
3 745	4 074	4 459	The Savings Bank's Fund	4 459	4 074	3 745
332	180	521	Donations	521	180	332
0	80	20	Fair value reserve	20	80	- 30
- 12	35	31	Other equity capital	1 704	1 798	1 611
0	0	0	Result after tax	0	0	0
			Minority interests	0	0	15
7 735	8 198	9 338	Total equity	11 011	9 961	9 343
81 285	83 383	88 524	Total liabilities and equity	90 501	85 403	83 188

Changes in equity

(Amounts in NOK million)

Group	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
Equity at 01.01.15	1 807		843	1 020	3 745	332	- 30	1 611		9 328	15	9 343
Total comprehensive income for the Period result				346	324	60		141		871	- 7	864
<i>Other comprehensive income:</i>												
Value adjustment of property, plant and equipment								- 10		- 10		- 10
Net change in fair market value of investment in joint ventures								34		34		34
Effective part of change in fair market value in cash flow hedging				4	4					8		8
Net change in fair market value of cash flow hedging which has been transferred to the profit and loss account												
Net change in fair market value of financial assets available for sale							80			80		80
Reclassification adjustments							30			30		30
Actuarial gains (losses) on benefit-based pension schemes								58		58		58
Tax on other comprehensive income				- 1	- 1			- 15		- 17		- 17
Total other comprehensive income				3	3		110	67		183		183
Total comprehensive income for the period				349	327	60	110	208		1 054	- 7	1 047
Transactions with owners												
Equity issue												
Set aside for dividend payments				- 201						- 201		- 201
Reversal of dividend payments				201						201		201
Dividend paid				- 191						- 191		- 191
Other transactions				1	2			- 10		- 7		- 7
Changes in minority interests								- 11		- 11	- 8	- 19
Payments from Donations Fund						- 212				- 212		- 212
Total transactions with owners				- 190	2	- 212		- 21		- 421	- 8	- 429
Equity at 31.12.2014	1 807		843	1 179	4 074	180	80	1 798		9 961		9 961
Equity at 01.01.16	1 807		843	1 179	4 074	180	80	1 798		9 961		9 961
Total comprehensive income for the Period result				675	380	401		- 203		1 253		1 253
Net change in fair market value of investment in joint ventures												
Effective part of change in fair market value in cash flow hedging				4	6					10		10
Net change in fair market value of financial assets available for sale							- 60			- 60		- 60
Reclassification adjustments												
Tax on other comprehensive income					- 1					- 1		- 1
Total other comprehensive income	0		0	4	5	0	- 60	0	0	- 51		- 51
Total comprehensive income for the period				679	385	401	- 60	- 203		1 202		1 202
Transactions with owners												
Dividend paid				- 201						- 201		- 201
Other transactions								109		109		109
Payments from Donations Fund						- 60				- 60		- 60
Total transactions with owners				- 201		- 60		109		- 152		- 152
Equity at 31.12.16	1 807		843	1 657	4 459	521	20	1 704		11 011		11 011

ECC ratio overall

Parent Bank

(Amounts in NOK million)

	(01.01.12)	(01.01.13)	(adjusted)				
	31.12.11	31.12.12	01.01.13	31.12.13	31.12.14	31.12.15	31.12.16
Equity Certificate capital	1 655	1 655	1 681	1 807	1 807	1 807	1 807
Equity Certificate premium reserve	245	245	344	843	843	843	843
Dividend Equalisation Fund	319	453	380	685	1 011	1 193	1 669
Set aside dividend	- 93	- 76	0	0	- 191	- 201	- 346
Share Fund Fair Value Options	- 14	- 33	- 33	0	0	38	9
A. Equity attributable to Equity Certificate holders of the Bank	2 112	2 244	2 372	3 335	3 470	3 680	3 982
The Savings Bank's Fund	2 902	3 107	3 081	3 593	3 954	4 096	4 476
Allocated dividends to ownerless capital	- 107	- 30	0	0	- 212	- 60	- 403
Donations	133	120	120	119	119	180	523
Share Fund Fair Value Options	- 20	- 45	- 45	0	0	42	11
B. Total ownerless capital	2 908	3 152	3 156	3 712	3 861	4 258	4 607
Equity Certificate Ratio overall (A/(A+B))	42.07 %	41.59 %	42.91 %	47.33 %	47.33 %	46.36 %	46.36 %

Statement of cash flows

Parent Bank
Group
(Amounts in NOK million)

31.12.14	31.12.15	31.12.16		31.12.16	31.12.15	31.12.14
918	856	1 714	Result before tax	1 544	1 033	1 345
50	48	50	+ Ordinary depreciation	60	56	97
- 2	2	- 20	+ Write-downs, gains/losses fixed assets	- 20	2	- 2
290	216	158	+ Losses on loans and guarantees	213	200	321
175	126	258	- Tax/Result investment held for sale	291	163	250
156	403	261	- Dividends/donations	261	403	156
925	593	1 383	Provided from the year's operations	1 245	725	1 355
762	167	- 563	Change in sundry liabilities: + increase/ - decrease	- 374	191	754
- 357	173	653	Change in various claims: - increase/ + decrease	440	178	- 366
-3 956	-2 703	-6 341	Change in gross lending to and claims on customers: - increase/ + decrease	-6 837	-2 860	-4 334
1 802	-1 605	1 111	Change in short term-securities: - increase/ + decrease	1 277	-1 554	1 726
845	2 379	5 779	Change in deposits from and debt owed to customers: + increase/ - decrease	5 778	2 351	821
-1 528	- 935	- 965	Change in debt owed to credit institutions: + increase/ - decrease	- 967	- 942	-1 526
-1 507	-1 931	1 057	A. Net liquidity change from operations	562	-1 911	-1 570
- 25	- 47	- 40	- Investment in fixed assets (incl merger effects)	- 80	- 52	- 131
2	20	92	+ Sale of fixed assets	92	37	2
- 319	- 154	- 115	Change in holdings of long-term securities: - increase/ + decrease	54	- 237	- 623
- 342	- 181	- 63	B. Liquidity change from investments	66	- 252	- 752
4 778	158	- 305	Change in borrowings through the issuance of securities: + increase/ - decrease	- 305	156	4 780
- 100	0	0	Change in Equity Certificate/subordinated loan capital: + increase/ - decrease	0	0	- 100
4 678	158	- 305	C. Liquidity change from financing	- 305	156	4 680
2 829	-1 954	689	A + B + C. Total change in liquidity	323	-2 007	2 358
5 082	7 911	5 957	+ Liquid funds at the start of the period	2 398	4 405	2 047
7 911	5 957	6 646	= Liquid funds at the end of the period	2 721	2 398	4 405

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

Result from the Group's quarterly accounts

(Amounts in NOK million)	4Q16	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15
Interest income	653	641	631	623	644	672	682	704
Interest costs	219	218	230	237	254	287	314	335
Net interest income	434	423	401	386	390	385	368	369
Fee- and commission income	213	228	226	204	217	231	233	227
Fee- and commission costs	22	22	22	19	19	21	18	17
Other operating income	43	22	45	28	24	23	24	29
Net fee-, commission and other operating income	234	228	249	213	222	233	239	239
Dividend	1	0	73	0	0	1	7	0
Income from investments	76	94	109	87	98	75	114	112
Net gain from investments in securities	39	63	- 26	- 7	- 52	- 84	- 28	6
Net income from financial investments	116	157	156	80	46	- 8	93	118
Total income	784	808	806	679	658	610	700	726
Personnel costs	195	170	161	163	289	190	182	189
Administration costs	100	86	95	95	104	84	90	90
Ordinary depreciation	15	15	16	14	14	14	14	14
Other operating costs	65	45	46	39	44	48	50	45
Total costs	375	316	318	311	451	336	336	338
Result before losses	409	492	488	368	207	274	364	388
Losses	64	61	64	24	92	40	36	32
Net gain from sale of financial fixed assets	0	0	0	0	0	0	0	0
Result before tax	345	431	424	344	115	234	328	356
Tax	77	74	71	69	- 17	46	68	66
Result non-current assets held for sale	0	0	0	0	5	0	0	0
Minority interests	0	0	0	0	- 6	2	- 1	- 2
Result after tax	268	357	353	275	133	186	261	292

Profitability								
Return on equity capital	9.87 %	13.56 %	13.82 %	10.98 %	5.16 %	7.82 %	11.09 %	12.49 %
Interest margin	1.93 %	1.87 %	1.78 %	1.77 %	1.84 %	1.82 %	1.76 %	1.79 %
Cost/income	47.83 %	39.11 %	39.45 %	45.80 %	68.54 %	55.08 %	48.00 %	46.56 %
Balance sheet figures								
Loans and advances to customers	70 763	68 905	67 861	65 357	64 053	63 143	63 073	61 060
Growth in loans and advances to cust. incl. commission loans past 12 months	8.9 %	6.7 %	5.9 %	5.2 %	4.0 %	4.7 %	5.6 %	4.8 %
Deposits from customers	53 870	53 637	55 666	50 523	48 087	47 660	49 977	46 211
Growth in deposits from customers past 12 months	12.0 %	11.7 %	10.8 %	9.0 %	5.1 %	4.6 %	6.2 %	5.8 %
Deposits as a percentage of gross lending	76.1 %	77.8 %	82.0 %	77.3 %	75.1 %	76.1 %	79.7 %	75.9 %
Deposits as a percentage of gross lending including commission loans	55.9 %	57.2 %	60.3 %	56.2 %	54.4 %	54.7 %	57.7 %	54.3 %
Average assets	89 168	88 835	88 710	87 046	84 039	83 698	83 432	82 658
Total assets	90 501	89 210	92 038	88 688	85 403	84 495	84 981	82 128
Losses on loans and commitments in default								
Losses on loans to customers as a percentage of gross loans incl. commission loans	0.18 %	0.27 %	0.27 %	0.11 %	0.41 %	0.18 %	0.16 %	0.15 %
Commitments in default as a percentage of gross loans incl. commission loans	0.31 %	0.44 %	0.53 %	0.28 %	0.30 %	0.30 %	0.41 %	0.39 %
Commitments at risk of loss as a percentage of gross loans incl. commission loans	0.22 %	0.23 %	0.10 %	0.20 %	0.27 %	0.42 %	0.39 %	0.25 %
Net comm. in default and at risk of loss as a per. of gross loans incl. commission loans	0.37 %	0.50 %	0.48 %	0.36 %	0.39 %	0.44 %	0.53 %	0.41 %
Solidity								
Total regulatory Capital %	18.4 %	17.7 %	17.1 %	16.9 %	17.2 %	16.3 %	16.1 %	16.1 %
Tier I Capital %	16.3 %	15.6 %	15.0 %	14.9 %	15.1 %	14.2 %	14.1 %	14.0 %
Tier I capital	10 267	10 361	9 360	9 130	9 110	8 462	8 464	8 344
Equity and related capital resources	11 229	10 783	10 674	10 411	10 358	9 747	9 709	9 610
Adjusted risk-weighted assets base	61 120	60 798	62 479	61 425	60 328	59 708	60 194	59 722

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.

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 4th 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

<i>(Amounts in NOK million)</i>						31.12.16
	Retail Banking	Corporate Banking	Leasing	Markets	Unallocated	Total
Net interest income	779	493	195	2	175	1 644
Net fee- and commission income	366	21	0	0	382	769
Other operating income	273	75	0	52	264	664
Operating costs	888	118	54	20	240	1 320
Result before losses	530	471	141	34	581	1 757
Losses	19	139	55	0	0	213
Result before tax	511	332	86	34	581	1 544
Loans and advances to customers	44 123	21 865	4 775	0	0	70 763
Individual write-downs for impaired value on loans and advances to customers	- 12	- 96	- 46	0	0	- 154
Collective write-downs for impaired value on loans and advances to customers	- 49	- 308	- 16	0	0	- 373
Other assets	0	1 758	220	0	18 287	20 265
Total assets per business area	44 062	23 219	4 933	0	18 287	90 501
Deposits from customers	30 651	23 219	0	0	0	53 870
Other liabilities and equity capital	13 411	0	4 933	0	18 287	36 631
Total equity and liabilities per business area	44 062	23 219	4 933	0	18 287	90 501
	0					31.12.15
Net interest income	713	456	188	6	149	1 512
Net fee- and commission income	442	7	0	0	384	833
Other operating income	247	89	0	51	- 38	349
Operating costs	1 014	154	86	29	178	1 461
Result before losses	388	398	102	28	317	1 233
Losses	10	131	11	2	46	200
Result before tax	378	267	91	26	271	1 033
Loans and advances to customers	39 495	20 128	4 430	0	0	64 053
Individual write-downs for impaired value on loans and advances to customers	- 25	- 129	- 15	0	0	- 169
Collective write-downs for impaired value on loans and advances to customers	- 40	- 194	- 13	0	0	- 247
Other assets	0	0	39	0	21 727	21 766
Total assets per business area	39 430	19 805	4 441	0	21 727	85 403
Deposits from customers	28 686	15 929	3 472	0	0	48 087
Other liabilities and equity capital	10 742	3 878	969	0	21 727	37 316
Total equity and liabilities per business area	39 428	19 807	4 441	0	21 727	85 403

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)

31.12.14	31.12.15	31.12.16		31.12.16	31.12.15	31.12.14
1 807	1 807	1 807	Equity certificates	1 807	1 807	1 807
0	0	0	- Own equity certificates	0	0	0
843	843	843	Premium reserve	843	843	843
1 020	1 179	1 657	Equalisation reserve	1 657	1 179	1 020
3 745	4 074	4 459	Savings bank's reserve	4 459	4 074	3 745
332	180	521	Endowment fund	521	180	332
0	80	20	Deduction Fund for unrealised gains available for sale	20	80	- 30
- 12	35	31	Other equity	1 704	1 798	1 611
0	0	0	Period result	0	0	0
0	0	0	Minority interests	0	0	15
7 735	8 198	9 338	Total equity	11 011	9 961	9 343
0	0	0	Period result	0	0	0
			Additional Tier 1 Capital (AT 1 Capital)			
- 405	- 260	- 750	Deduction for allocated dividends	- 750	- 260	- 522
0	0	0	Adjusted Tier 1 Capital from consolidated financial institutions	- 116	- 48	75
0	0	0	Deduction for ntangible assets	- 67	- 55	- 82
- 20	- 22	- 21	Adjustments to CET 1 due to prudential filters	- 33	- 23	- 30
- 50	- 82	- 95	Deduction defined benefit pension fund assets gross amounts	- 99	- 82	- 50
- 150	- 95	0	IRB shortfall of credit risk adjustments to expected losses	- 64	- 309	- 385
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	- 727	- 817	- 591
0	0	0	have significant investment	0	0	0
0	0	0	Deduction for subordinated capital in other financial institutions with a significant investment	0	0	0
0	- 81	- 26	Deduction for CET 1 instruments of financial sector institutions with a significant investment over 10 % threshold limit	0	0	0
7 110	7 658	8 446	Common equity Tier 1 Capital (CET 1 Capital)	9 155	8 367	7 758
500	500	500	Hybrid Tier 1 bonds	800	756	687
0	0	0	Own Hybrid Tier 1 bonds	- 4	- 13	- 6
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
7 610	8 158	8 946	Additional Tier 1 Capital (AT 1 Capital)	9 951	9 110	8 439
			Tier 2 Capital (T2 Capital)			
850	850	850	Nonperpetual subordinated capital	1 361	1 341	1 284
0	0	1	50% deduction for expected losses on IRB, net of writedowns	0	0	0
- 43	- 61	- 61	Deduction for subordinated capital in other financial institutions with a significant investment	- 83	- 93	- 43
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
807	789	790	Tier 2 Capital (T2 Capital)	1 278	1 248	1 241
8 417	8 947	9 736	Equity and related capital resources	11 229	10 358	9 680
			Minimum requirements subordinated capital, Basel I I			
1 101	717	778	Specialised lending exposure	878	850	1 283
135	125	96	Other corporations exposure	123	165	163
420	406	359	SME exposure	367	413	469
674	855	898	Property retail mortgage exposure	1 254	1 215	976
30	39	69	Other retail exposure	71	40	28
364	395	368	Equity investments	12	12	12
2 724	2 537	2 568	Total credit risk	2 705	2 694	2 931
722	716	621	Credit risk standardised approach	1 165	1 434	1 644
19	13	12	Debt risk	12	12	19
9	3	6	Equity risk	6	18	40
11	0	0	Currency risk	0	0	11
250	274	294	Operational risk	296	283	254
19	22	24	Credit Value Adjustment	47	60	55
0	0	0	Transitional arrangements	659	325	0
0	0	0	Deductions	0	0	0
3 754	3 565	3 525	Minimum requirements subordinated capital	4 890	4 827	4 954
46 925	44 557	44 063	RWA (Risk weighted assets)	61 120	60 328	61 936
			Total regulatory Capital			
17.94 %	20.08 %	22.10 %	Total regulatory Capital	18.37 %	17.17 %	15.63 %
16.22 %	18.31 %	20.30 %	Tier 1 Capital	16.28 %	15.10 %	13.63 %
1.72 %	1.77 %	1.79 %	Tier 2 Capital	2.09 %	2.07 %	2.00 %
16.18 %	17.19 %	19.17 %	Common Equity Tier 1 - incl share of period result	14.98 %	13.87 %	12.53 %
8.23 %	8.71 %	9.99 %	Leverage Ratio incl share of period result	6.98 %	6.22 %	5.92 %

Note 6 - Net bad and doubtful commitments

(Amounts in NOK million)

Parent Bank				Group		
31.12.14	31.12.15	31.12.16		31.12.16	31.12.15	31.12.14
403	387	267	Non-performing commitments	301	270	290
356	334	280	+ Other doubtful commitments	211	245	231
759	721	547	+ Total commitments in default and doubtful commitments	512	515	521
198	203	78	- Individual write-downs on non performing commitments	93	69	96
75	125	61	- Other doubtful individual write-downs	61	100	75
273	328	139	+ Total individual write-downs *	154	169	171
486	393	408	= Net commitments in default and doubtful commitments	358	346	350

Note 7 - Losses incorporated in the accounts

31.12.14	31.12.15	31.12.16		31.12.16	31.12.15	31.12.14
52	55	- 188	+ Period's change in individual write-down for impaired value	- 15	- 3	30
28	51	122	+ Period's change in collective write-down for impaired value	125	54	30
92	88	221	+ Period's confirmed losses against which individual write-downs were previously made	82	92	109
5	54	9	+ Period's confirmed losses against which individual write-downs were previously not made	11	64	5
7	32	9	- Recoveries in respect of previously confirmed losses	11	7	10
170	216	155	= Total losses on loans	192	200	164
	120	3	+ Other losses	21	157	
170	336	158	= Total losses	213	357	164

Note 8 - Losses broken down by sector and industry

(Amounts in NOK million)

Parent Bank				Group		
31.12.14	31.12.15	31.12.16		31.12.16	31.12.15	31.12.14
0	0	0	Mining and quarrying	0	0	0
1	31	- 6	Construction	- 6	32	2
0	0	0	Building of ships and boats	0	0	2
0	0	0	Electricity, gas, steam an air conditioning supply	0	0	0
13	- 11	- 5	Professional, scientific and technical activities	- 5	- 11	13
0	0	0	Financial and insurance activities	0	0	0
0	- 4	29	Fishing	29	- 4	0
2	0	- 2	Marine aquaculture	- 2	0	2
4	2	2	Other business support activities	34	2	4
0	0	0	Activities auxiliary to financial services and insurance activities	0	0	0
0	0	0	County municipalities and municipalities	0	0	0
3	23	86	Manufacturing	86	23	3
0	2	8	Information and communication	8	2	0
6	6	7	Crop and animal production	6	7	5
0	24	0	Foreign industrial	0	0	27
58	46	- 6	Real estate activities	- 6	46	9
0	2	0	Accomodation and food service activities	0	2	0
0	0	0	Forestry and logging	0	0	0
0	0	0	Central government and social security funds	0	0	0
0	0	0	Support activities for petroleum and natural gas extraction	0	0	0
11	10	2	Other service industries	2	10	11
8	3	8	Transportation and storage	8	8	8
36	70	17	International shipping and pipeline transport	17	70	37
- 20	3	5	Development of building projects	5	2	- 20
0	0	0	Extraction of crude oil and natural gas	0	0	0
30	0	0	Unspecified	0	0	31
0	0	0	Water supply; sewerage, waste management and remediation activities	0	0	0
0	1	- 1	Wholesale and retail trade; repair of motor vehicles and motorcycles	- 1	1	0
25	12	20	Retail banking market - domestic	28	19	40
177	220	164	Losses on loans to customers	203	209	174
7	4	9	Recoveries from previously written off losses	11	9	10
170	216	155	Net losses	192	200	164
	120	3	Other losses	21	157	0
170	336	158	Total losses	213	357	164

Note 9 - Loans broken down by sector and industry

(Amounts in NOK million)

Parent Bank				Group		
31.12.14	31.12.15	31.12.16		31.12.16	31.12.15	31.12.14
36	28	9	Mining and quarrying	45	61	72
606	689	562	Construction	994	1 086	972
115	15	21	Building of ships and boats	23	17	117
695	687	760	Electricity, gas, steam an air conditioning supply	765	691	698
635	703	694	Professional, scientific and technical activities	944	903	840
0	0	0	Financial and insurance activities	0	0	0
2 405	2 248	3 351	Fishing	3 379	2 278	2 421
343	389	364	Marine aquaculture	657	665	611
253	319	347	Other business support activities	619	710	603
733	923	1 014	Activities auxiliary to financial services and insurance activities	1 017	713	525
343	243	123	County municipalities and municipalities	135	257	359
1 541	1 810	1 734	Manufacturing	1 944	1 940	1 664
67	64	60	Information and communication	66	70	72
924	948	999	Crop and animal production	1 081	1 023	1 011
0	0	0	Foreign industrial	0	0	172
7 760	6 542	7 513	Real estate activities	7 559	6 415	7 614
396	488	532	Accommodation and food service activities	550	501	411
5	10	8	Forestry and logging	13	15	10
0	0	0	Central government and social security funds	0	0	0
0	0	0	Support activities for petroleum and natural gas extraction	0	15	18
701	755	758	Other service industries	840	837	701
2 827	3 164	3 173	Transportation and storage	3 858	3 847	3 427
758	285	260	International shipping and pipeline transport	260	287	758
793	943	636	Development of building projects	637	945	794
0	0	0	Extraction of crude oil and natural gas	0	0	0
0	0	0	Unspecified	0	0	0
200	197	182	Water supply; sewerage, waste management and remediation activities	264	271	270
807	770	736	Wholesale and retail trade; repair of motor vehicles and motorcycles	990	983	1 014
34 363	37 776	42 284	Retail banking market - domestic	44 077	39 470	35 830
50	53	46	Retail banking market - international	46	53	265
34 413	37 830	42 330	Total retail market	44 123	39 524	36 095
22 600	21 976	23 713	Total public market	26 505	24 272	24 795
343	243	123	Total government	135	257	359
132	0	0	Accrued interest	0	0	135
57 488	60 049	66 166	Total gross lending to customers	70 763	64 053	61 384
273	328	139	Individual write-downs for impaired value	154	169	171
215	234	357	Collective write-downs for impaired value	373	247	236
57 000	59 487	65 670	Net loans to customers	70 236	63 637	60 977

Note 10 - SpareBank 1 Boligkreditt

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

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

Note 11 - Investment in bonds

As a result of extraordinary market conditions, parts of the Bank's ordinary securities portfolio became illiquid in 2008. Following the changes in international accounting standards in October 2008, the SNN Group decided to reclassify parts of the Bank's bond portfolio as at 01.07.08 from the category 'Market value with inclusion of value changes over the profit and loss account' to the categories 'Hold until maturity' and 'Loans and claims' as the securities in question no longer was expected to be sold before maturity. In the category 'Hold until maturity' the Bank includes quoted securities, whereas unquoted securities has been put into the category of 'Loans and claims.'

In the categories 'Hold until maturity' and 'Loans and claims' the securities are assessed at amortized cost. After the reclassification, the writedowns made earlier 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	31.12.16
Hold until maturity						
Book value	3 109	355	111	108	87	0
Nominal value (nominal amount)	3 182	366	115	111	88	0
Theoretical market value	3 109	355	114	111	88	0
Loans and claims						
Book value	698	142	75	28	24	0
Nominal value (nominal amount)	737	156	90	29	24	0
Theoretical market value	698	134	74	26	23	0
Total book value	3 807	497	186	136	111	0

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.

	31.12.16	31.12.15	31.12.14
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value	195	226	226
Total gain from hedging objects relating to the hedged risk	- 191	- 224	- 224
Total fair value hedging transactions	4	2	2

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

(Amounts in NOK million)

Fair value through statement of comprehensive income	31.12.16 Fair value			31.12.15 Fair value			31.12.14 Fair value		
	Contract	Assets	Liabilities	Contract	Assets	Liabilities	Contract	Assets	Liabilities
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)	2 143	14	9	1 610	47	42	4 198	113	87
Currency swaps	13 467	193	47	2 256	272	208	7 252	413	238
Currency options									
Total non-standardised contracts	15 610	207	56	3 866	319	250	11 450	526	325
Standardised foreign currency contracts (futures)									
Total foreign currency instruments	15 610	207	56	3 866	319	250	11 450	526	325
Interest rate instruments									
Interest rate swaps (including cross currency)	26 701	685	913	16 409	858	1 193	24 971	793	1 155
Short-term interest rate swaps (FRA)									
Other interest rate contracts	480	15	16	30	82	82	333	12	13
Total non-standardised contracts	27 181	700	929	16 439	940	1 275	25 304	805	1 168
Standardised interest rate contracts (futures)									
Total interest rate instruments	27 181	700	929	16 439	940	1 275	25 304	805	1 168
Hedging of funding loans									
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)									
Currency swaps									
Total, non-standardised contracts									
Standardised foreign currency contracts (futures)									
Total foreign currency instruments									
Interest rate instruments									
Interest rate swaps (including cross currency)	11 963	483		28 701	687		10 752	790	
Short-term interest rate swaps (FRA)									
Other interest rate contracts									
Total, non-standardised contracts	11 963	483		28 701	687		10 752	790	
Standardised interest rate contracts (futures)									
Total interest rate instruments	11 963	483		28 701	687		10 752	790	
Total interest rate instruments	39 144	1 183	929	45 140	1 627	1 275	36 056	1 595	1 168
Total foreign currency instruments	15 610	207	56	3 866	319	250	11 450	526	325
Total	54 754	1 390	985	49 006	1 946	1 525	47 506	2 121	1 493

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

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

At 31.12.16 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	19 162	18 773	389	0	389
Financial derivatives - liabilities	18 865	18 453	412	0	412

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 2.81 years as of 31 December 2016. The short-term liquidity risk measurement, liquidity coverage ratio (LCR), was 113 % 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	31.12.16	31.12.15	31.12.14
Discount rate	2.60 %	2.30 %	2.30 %
Expected return on pension assets	2.60 %	2.30 %	2.30 %
Future salary growth rate	1.50 %	2.50 %	2.50 %
Adjustment of NI basic amount (G)	2.25 %	2.50 %	2.50 %
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 %
Finansskatt	5.00 %		
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	50.00 %	60.00 %	60.00 %
Mortality, marriage probability, etc.	K2013BE IR2003	K2013BE IR2003	K2013BE IR2003

Group
 Amounts in NOK million

Net pension liabilities in the balance sheet	31.12.16	31.12.15	31.12.14
Present value of future pension liabilities	747	796	796
Estimated value of pension assets	910	935	935
Net pension liabilities in fund-based plans	-163	-139	-139
Unrecognised estimate deviations (possible actuarial gains and losses)	0	0	0
Employer's NI contributions	0	1	1
Net pension liabilities/assets in the balance sheet	- 163	- 138	- 138
Pension costs for the period	2016	2015	2014
Accrued defined benefit-based pensions	10	15	15
Interest costs on pension liabilities	21	15	15
Expected return on pension assets	-25	-20	-20
Estimate deviations recognised in the period			
Effect of changed pension plan			
Net defined benefit-based pension costs without employer's NI contributions	6	10	10
Accrued employer's NI contributions	4	1	1
Net defined benefit-based pension costs recognised through profit or loss	10	11	11
Curtailement/settlement	-1		
Other pension costs	40	18	18
Total pension costs including employer's NI Insurance contribution	49	29	29
Movement in net pension liabilities from benefit-based plan recognised in balance sheet	31.12.16	31.12.15	31.12.14
Net pension liabilities in the balance sheet as of 01.01	-141	-50	-50
Correction against equity OB	12	-3	-3
Correction against equity CB	-10	-55	-55
Net defined benefit-based pension costs recognised through profit or loss	10	11	11
Curtailement/settlement	1		
Paid directly from operations	-5	-4	-4
Receipts - pension premiums defined benefit-based plans	-30	-40	-40
Net pension liabilities/assets in the balance sheet	-163	-141	-141
Other pension liabilities (early retirement pensions)	32	43	43
Net total pension liabilities	-131	-98	-98

Note 16 Classification of financial instruments stated at fair value

Financial instruments at fair value are classified at different levels:

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

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

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

Group

<i>(Amounts in NOK million)</i>	Level 1	Level 2	Level 3	Total
Assets 31.12.16				
Loans to and receivables from customers at fair value (fixed-rate loans)			7 489	7 489
Shares	105		171	276
Bonds	7 048	3 070		10 118
Financial derivatives		1 390		1 390
Total assets	7 153	4 460	7 660	19 273

Liabilities as of 31.12.16

Financial derivatives		982		982
Total liabilities		982		982

Assets 31.12.15

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
Total assets	4 186	9 070	8 102	21 358

Liabilities as of 31.12.15

Financial derivatives		1 406		1 406
Total liabilities	0	1 406	0	1 406

Changes in instruments at fair value, level 3:

<i>(Amounts in NOK million)</i>	Financial assets				Financial liabilities Financial derivatives
	Fixed-rate loans	Shares	Bonds	Financial derivatives	
Carrying amount as of 31.12.15	7 918	184			0
Net gains on financial instruments	- 120				
Additions/acquisitions	1 521	157			
Disposals	-1 830	- 170			
Transferred from level 1 or level 2					
Carrying amount as of 31.12.16	7 489	171	0	0	0

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		
		31.12.16	31.12.15	31.12.14	31.12.16	31.12.15	31.12.14
SpareBank 1 Finans Nord-Norge AS	100	86 012	124 287	116 438	729 113	642 813	521 604
SpareBank 1 Nord-Norge Portefølje AS	100	-49 629	-75 415	19 906	14 359	38 409	104 208
Eiendomsdrift AS	0	0	0	0	0	0	0
EiendomsMegler 1 Nord-Norge AS	100	27 260	27 183	15 208	47 769	39 135	36 761
SpareBank 1 Nord-Norge Forvaltning ASA	100	2 640	2 386	2 509	9 314	9 074	7 073
SpareBank 1 Regnskapshuset Nord-Norge AS	100	13 125	5 773	3 839	23 217	13 021	14 630
North-West 1 Alliance Bank	0	0	-3 049	-3 245	0	0	42 518
EiendomsMegler 1 Lofoten AS (owned by EM1 60%)	0	0	0	344	0	0	1 167
Nord-Norge Eiendom IV AS	100	-1 314	-1 293	1 230	4 562	-13 969	-2 022
Alsgården AS	100	-2 058	- 587	- 335	8 151	9 377	8 827
Fredrik Langesg 20 AS	100	539	1 830	1 406	8 118	7 217	5 921
Total		76 575	81 115	157 300	844 603	745 077	740 687

Note 18 - Other assets
 (Amounts in NOK million)

Parent Bank				Group		
31.12.14	31.12.15	31.12.16		31.12.16	31.12.15	31.12.14
21	20	20	Reposessed assets	153	20	21
236	0	12	Accrued income	103	53	270
138	239	260	Prepayments	267	227	144
125	263	133	Other assets	197	319	180
520	522	425	Total other assets	720	619	615

Note 19 - Other liabilities

31.12.14	31.12.15	31.12.16		31.12.16	31.12.15	31.12.14
310	287	267	Costs incurred	468	453	458
0	0	0	Provisioning against incurred liabilities and costs	25	14	13
400	463	579	Other liabilities	635	489	443
710	750	846	Total other liabilities	1 128	956	914

Note 20 - Deposits broken down by sector and industry

(Amounts in NOK million)

Parent Bank				Group		
31.12.14	31.12.15	31.12.16		31.12.16	31.12.15	31.12.14
32	58	72	Mining and quarrying	72	58	32
1 162	1 132	1 181	Construction	1 181	1 132	1 162
4	4	6	Building of ships and boats	6	4	4
823	489	249	Electricity, gas, steam an air conditioning supply	249	489	823
1 133	1 083	1 202	Professional, scientific and technical activities	1 202	1 074	1 130
0	0	0	Financial and insurance activities	0	0	0
746	695	1 035	Fishing	1 035	695	746
45	43	174	Marine aquaculture	174	43	45
420	528	420	Other business support activities	395	528	420
382	378	402	Activities auxiliary to financial services and insurance activities	402	369	372
5 058	5 767	8 410	County municipalities and municipalities	8 410	5 767	5 058
446	618	617	Manufacturing	617	618	446
244	295	313	Information and communication	313	295	244
368	393	397	Crop and animal production	397	393	368
6	11	5	Foreign industrial	5	11	26
1 847	2 097	2 303	Real estate activities	2 303	2 087	1 841
240	293	301	Accomodation and food service activities	301	293	240
14	17	19	Forestry and logging	19	17	14
314	319	325	Central government and social security funds	325	319	314
0	0	0	Support activities for petroleum and natural gas extraction	0	0	0
2 376	2 639	2 864	Other service industries	2 835	2 639	2 376
863	874	966	Transportation and storage	966	874	863
6	5	2	International shipping and pipeline transport	2	5	6
226	212	317	Development of building projects	317	212	226
459	0	0	Extraction of crude oil and natural gas	0	0	459
0	0	0	Unspecified	0	0	0
160	147	164	Water supply; sewerage, waste management and remediation activities	164	147	160
1 379	1 330	1 532	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 532	1 330	1 379
26 621	28 297	30 272	Retail banking market - domestic	30 272	28 297	26 621
360	391	380	Retail banking market - international	380	391	386
26 981	28 688	30 651	Total retail market	30 651	28 688	27 007
13 381	13 341	14 538	Total public market	14 484	13 313	13 382
5 372	6 086	8 735	Total government	8 735	6 086	5 372
45 736	48 115	53 924	Total deposits	53 870	48 087	45 763

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

	31.12.14	31.12.15	31.12.16
Certificates and other short-term borrowings			
Bond debt	21 314	21 470	21 165
Total debt securities in issue	21 314	21 470	21 165

	Statement of financial position 31.12.15	Issued 31.12.16	Matured/ redeemed 31.12.16	Exchange rate movements 31.12.16	Other adjustments 31.12.16	Statement of financial position 31.12.16
Changes in securities issued						
Certificates and other short-term borrowings						
Bond debt	21 470	5 146	-4 907	- 241	- 303	21 165
Total debt securities issued	21 470	5 146	-4 907	- 241	- 303	21 165

Subordinated loan capital and hybrid Tier 1 instruments

	31.12.14	31.12.15	31.12.16
Hybrid Tier 1 instruments			
2033 6 mnd Nibor + 2,30 (USD 60 mill.) (Call opsj 2013)			
2099 3 mnd Nibor + 4,75 (Call opsjon 2017)	500	500	500
Hybrid Tier 1 instruments - foreign currency			
Total hybrid Tier 1 instruments	500	500	500
Subordinated loan capital			
Subordinated loan capital with definite maturities	850	850	850
Total subordinated loan capital	850	850	850
Total subordinated loan capital and hybrid Tier 1 instruments	1 350	1 350	1 350

	Statement of financial position 31.12.15	Issued 31.12.16	Matured/ redeemed 31.12.16	Exchange rate movements 31.12.16	Other adjustments 31.12.16	Statement of financial position 31.12.16
Changes in subordinated loan capital and hybrid Tier 1 instruments						
Subordinated loan capital with definite maturities	850					850
Hybrid Tier 1 instruments	500					500
Total subordinated loan capital and hybrid Tier 1 instruments	1 350					1 350

Note 22 - Equity Certificates (ECs)

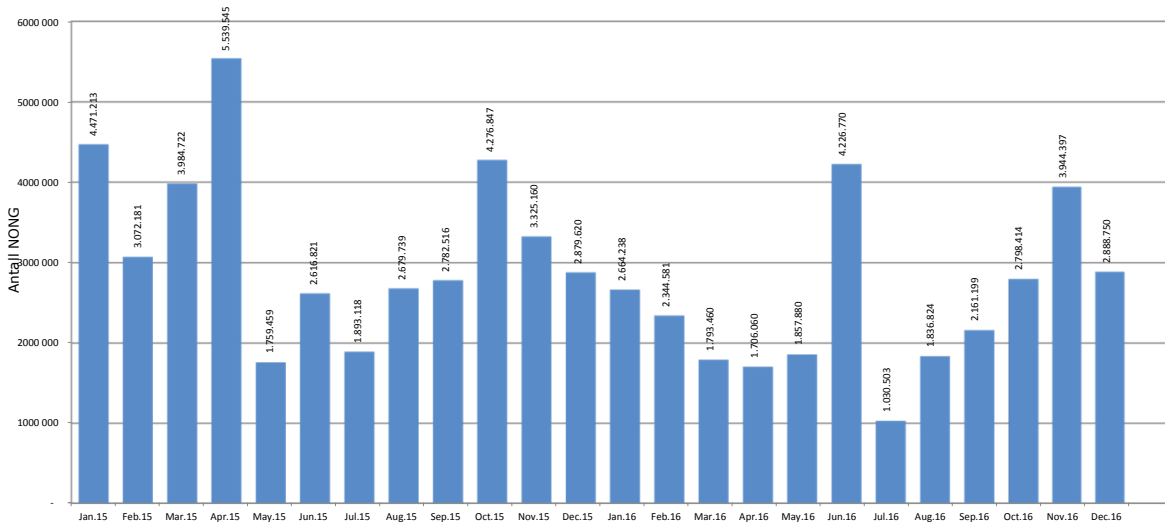
The 20 largest EC holders as at 31.12.16

EC Holders	Number of ECs	Share of EC Capital
PARETO AKSJE NORGE	3 448 699	3.44%
THE NORTHERN TRUST COMP	3 151 670	3.14%
MP PENSJON PK	2 720 503	2.71%
FLPS - PRINC ALL SEC STOCK SUB	2 494 000	2.48%
VERDIPAPIRFONDET DNB NORGE (IV)	2 194 357	2.19%
MERRILL LYNCH PROFESSIONAL	1 914 360	1.91%
METEVA AS	1 614 670	1.61%
FORSVARETS PERSONELLSERVICE	1 561 630	1.56%
POPE ASSET MANAGEMENT	1 445 501	1.44%
MORGAN STANLEY AND CO INTL PLC BNY	1 442 490	1.44%
SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGI	1 411 606	1.41%
STATE STREET BANK AND TRUST COMP	1 358 380	1.35%
DNB LIVSFORSIKRING ASA	1 026 778	1.02%
EIKA UTBYTTE C/O EIKA KAPITALFORVALTNING AS	1 009 801	1.01%
PERESTROIKA AS	984 609	0.98%
PARETO AS	970 659	0.97%
JPMORGAN CHASE BANK	827 968	0.82%
BERGEN KOMMUNALE PENSJONSKASSE	817 000	0.81%
STATE STREET BANK AND TRUST COMP	816 511	0.81%
STATE STREET BANK AND TRUST COMP	704 668	0.70%
TOTAL	31 915 860	31.79%

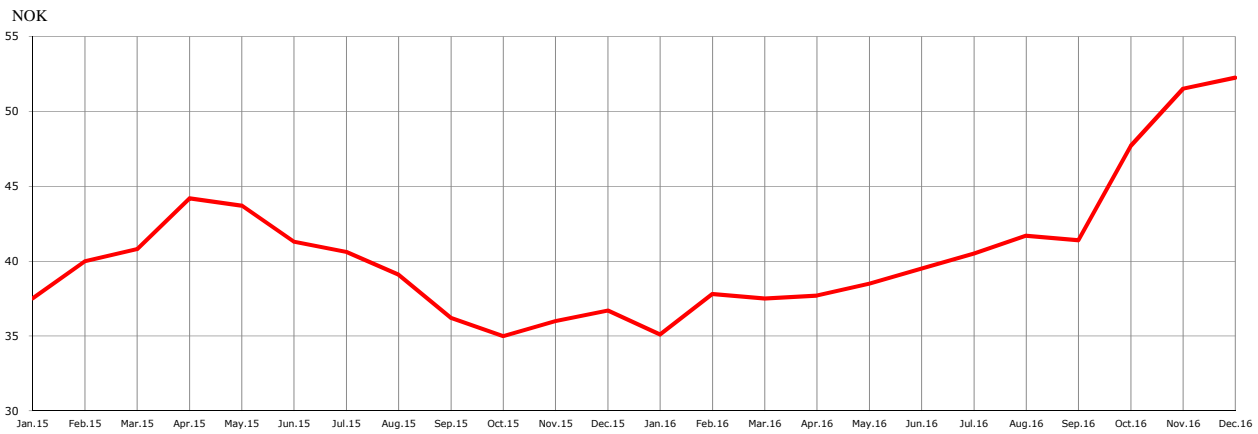
Dividend policy

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

Trading statistics



Price trend NONG



Note 23 - Events occurring after the end of the quarter

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

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

Today the Board of Directors and the Chief Executive Officer have considered and adopted the semi-annual report and the consolidated semi-annual financial statements of SpareBank 1 Nord-Norge for the period from 1 January to 31 December 2016.

We confirm to the best of our knowledge that the semi-annual financial statements for the period from 1 January to 31 December 2016 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the group taken as a whole. We also confirm that the semi-annual report gives a true and fair view of important events during the accounting period and their influence on the semi-annual financial statements, the most important elements of risk and uncertainty that the group faces in the next accounting period, and a description of related parties' material transactions.

Tromsø, 14.02.17

The Board of Directors of SpareBank 1 Nord-Norge

Karl Eirik Schjøtt-Pedersen
(Chairman)

Hans Tore Bjerås
(Deputy Chairman)

Ingvild Myhre

Kjersti Terese Stormo

Greger Mannsverk

Bengt Olsen

Sonja Djønne

Vivi Ann Pedersen

Jan-Frode Janson
(Chief Executive Officer)