

Quarterly Report

Financial Statement Q2 2014



Photo: Ørjan Bertelsen

SpareBank
NORD-NORGE



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Key figures group

<i>Amounts in NOK million and in % of average assets</i>		30.06.14	%	30.06.13	%	31.12.13	%
From the profit and loss account							
Net interest income		670	1.70 %	589	1.56 %	1 285	1.69 %
Net fee-, commission and other operating income		491	1.24 %	436	1.15 %	931	1.23 %
Net income from financial investments		432	1.09 %	155	0.41 %	346	0.46 %
Total income		1 593	4.03 %	1 180	3.12 %	2 562	3.37 %
Total costs		649	1.64 %	596	1.58 %	1 209	1.59 %
Result before losses		944	2.39 %	584	1.55 %	1 353	1.78 %
Losses		47	0.12 %	87	0.23 %	172	0.23 %
Result before tax		897	2.27 %	497	1.32 %	1 181	1.55 %
Tax		143	0.36 %	95	0.25 %	214	0.28 %
Minority interests		1	0.00 %	0	0.00 %	1	0.00 %
Result after tax		753	1.91 %	402	1.06 %	966	1.27 %
Profitability							
Return on equity capital	1	17.2 %		11.4 %		13.0 %	
Interest margin	2	1.70 %		1.56 %		1.69 %	
Cost/income	3	40.7 %		50.5 %		47.2 %	
Balance sheet figures *)							
Gross lending		58 791		54 561		57 282	
Gross lending and advances to customers incl SpareBank 1 Boligkreditt and Næringskreditt		82 452		77 282		80 581	
Growth in loans and advances to customers past 12 months		7.8 %		3.4 %		5.0 %	
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt and Næringskreditt past 12 months		6.7 %		6.8 %		6.1 %	
Share total lending transferred to Sp1 Boligkreditt of total retail loans		40.4 %		41.5 %		40.8 %	
Share total lending transferred to Sp1 Boligkreditt of total loans		28.3 %		29.0 %		28.5 %	
Deposits from customers		46 949		46 006		44 940	
Growth in deposits from customers past 12 months		2.0 %		5.2 %		3.1 %	
Deposits as a percentage of gross lending	4	79.9 %		84.3 %		78.5 %	
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt and Næringskreditt		56.9 %		59.5 %		55.8 %	
Average assets	5	79 048		75 524		75 952	
Total assets		81 983		76 759		77 520	
Losses on loans and commitments in default *)							
Losses on loans to customers as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.11 %		0.22 %		0.21 %	
Commitments in default as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.55 %		0.76 %		0.60 %	
Commitments at risk of loss as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.32 %		0.35 %		0.46 %	
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt		0.61 %		0.78 %		0.75 %	
Loan loss provision ratio		29.89 %		30.51 %		28.41 %	
Solidity							
Total regulatory Capital %	6	14.25 %		12.36 %		13.91 %	
Tier I Capital %	7	13.31 %		11.35 %		13.42 %	
Common Equity Tier I (trans. rules)- incl share of period result		12.98 %		10.60 %		12.30 %	
Tier I capital		7 828		6 478		7 783	
Equity and related capital resources		8 382		7 052		8 069	
Adjusted risk-weighted assets base		58 830		57 053		57 989	
Branches and full-time employees							
Branches		67		74		74	
Manyear		919		911		922	
Equity Certificates **)							
		30.06.14	31.12.12	31.12.11	31.12.10	31.12.09	31.12.08
Equity Certificate ratio overall	8	47.33 %	42.07 %	38.74 %	34.54 %	34.54 %	34.54 %
Quoted/market price NONG as at		35.50	27.75	32.30	45.00	41.25	16.50
Quotation value	9	7 530	4 418	5 083	5 548	5 704	2 281
Equity capital / Total capital		9.59 %	7.63 %	7.46 %	6.74 %	6.72 %	5.66 %
Equity capital / Total capital (group)		11.02 %	9.13 %	8.95 %	8.24 %	8.03 %	6.81 %
Result per Equity Certificate	10	3.40	3.27	2.55	4.32	5.19	1.55
Result per Equity Certificate (Group)	10	3.55	3.78	3.07	5.90	6.20	2.52
Cash dividend per Equity Certificate to be paid	11		1.15	1.40	2.16	2.53	1.13
P/E (Price/Earnings)	12	20.7	8.5	12.7	10.4	7.9	10.7
P/E (Price/Earnings) - Group	12	5.0	7.3	10.5	7.6	6.6	6.6
P/V (Price/Book Value)	13	1.00	0.78	0.96	1.45	1.32	0.61
P/V (Price/Book Value) - Group	13	0.83	0.64	0.80	1.09	1.09	0.50

*) Agency loans includes loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS

**) All key figures are recalculated due to new total of EC's

- Profit for the period as a percentage of average total equity, calculated as average amount of quarterly equity and per 01.01. and 31.12.
- Total interest margin as a percentage of average total assets
- Total costs as a percentage of total net income
- Deposits from customers as a percentage of gross lending
- Average assets are calculated as average assets each quarter and at 01.01. and 31.12.
- Net subordinated capital as a percentage of calculated risk-weighted balance
- Core capital as a percentage of calculated risk-weighted balance
- EC holders share of equity capital as at 01.01.
- Quoted price on Oslo Stock Exchange multiplied by numbers of EC's outstanding divided by Equity Certificates holders' share of the equity capital as at 31.12.
- ((EC-capital + Premium Fund + Dividend Equalisation Fund) + ((other equity capital + Result for the period) * Equity Certificates holders' share of the equity capital as at 01.01.)), divided by number of EC's outstanding
- Profit for the period (group) multiplied by Equity Certificates holders' share of the equity capital as at 01.01., in relation to
- Cash dividend per EC for the accounting year. Resolution made by Main Board of Directors
- Market price on Oslo Stock Exchange at end of period, divided by result for the period per EC
- Market price on Oslo Stock Exchange at end of period, divided by equity capital per Equity Certificates

Interim report for Q2 2014 – Group

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

Highlights:

- Profit before tax: NOK 897 million (NOK 497 million)
- Profit after tax: NOK 754 million (NOK 402 million)
- Return on equity after tax: 17.2% (11.4%)
 - Earnings per equity certificate: NOK 3.55 (NOK 2.53)
- Net income from financial investments of NOK 432 million (NOK 155 million)
- Cost/income ratio 40.7% (50.5%)
- Loan losses NOK 47 million (NOK 87 million)
- Lending growth in the last 12 months 6.7% (6.8%), including intermediary loans
 - Retail market 7.0% (9.0%)
 - Corporate market 6.1% (2.1%)
- Growth in deposits in last 12 months was 2.0% (5.2%)
 - Retail market 8.0% (7.1%)
 - Corporate market 9.0% (5.6%)
 - Public sector market -23.9% (-0.3%)
- Deposit coverage ratio: 79.9% (84.3%)
- Common equity tier 1 capital ratio Group (transitional scheme), including 65% of profit for the year 13.0% (10.6%)
- Very good liquidity

Macroeconomic trends

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

The weaker growth that characterises the Norwegian economy has had less effect on the economy of Northern Norway. The labour market is tight with an unemployment rate of just 2.7% as at June 2013. The housing market in Northern Norway is very active with increased house building, low turnover times and price rises in the largest cities. Besides this the Northern Norwegian economy is less dependent on oil than the rest of the country. Improved export markets have, together with a somewhat weaker NOK, resulted in better conditions for seafood, tourism and the export industry. The level of investment in the region is also expected to remain high. The Bank's forecast for 2014 indicates regional economic growth (GDP) of 3% in Northern Norway, compared with 2% for the country as a whole.

Exports have grown markedly in the first half of 2013. Seafood exports have grown by 24% for salmon and 20% for cod compared with 2013. Northern Norway represent 40% of Norwegian salmon exports, and the value of these exports exceeded NOK 8 billion in the first half of the year. The cod segment was helped by a very good winter fishing season and good demand from traditional markets. Tourism enjoyed a good start to the year with 20% growth in winter traffic from abroad and continued growth in the second quarter. Traffic from Norwegian tourists is up by 4% so far in 2014. Maritime services are growing because more oil and gas fields are coming into production and new areas are being opened up for exploration activities. The growth in building and construction has been marked during 2014. The industry is expecting a high level of activity going forward due to increased house building and major civil engineering projects. Overall the industry is expecting a sharp growth in output and profitability, but moderate growth in employment.

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

Although the macroeconomic outlook for Northern Norway is good, it should be noted that there is continuing uncertainty about international economic developments and the weaker growth in the Norwegian economy.

Financial performance

The financial statements as at the second quarter of 2014 show an operating profit before tax of NOK 897 million (NOK 497 million). Underlying banking operations before losses remain good with a profit of NOK 512 million, compared with NOK 429 million for the same period last year.

The Group's return on equity after tax as at 30 June 2014 was 17.2% (11.4%). Its earnings per equity certificate were NOK 3.55 (NOK 2.53).

Net interest income

Net interest income as at 30 June 2014 amounted to NOK 670 million. This is NOK 81 million higher than for the same period in 2013.

Net interest income represented 1.70% of average total assets, which is 0.14 percentage points higher than last year and on a par with the level as at 31 December 2013.

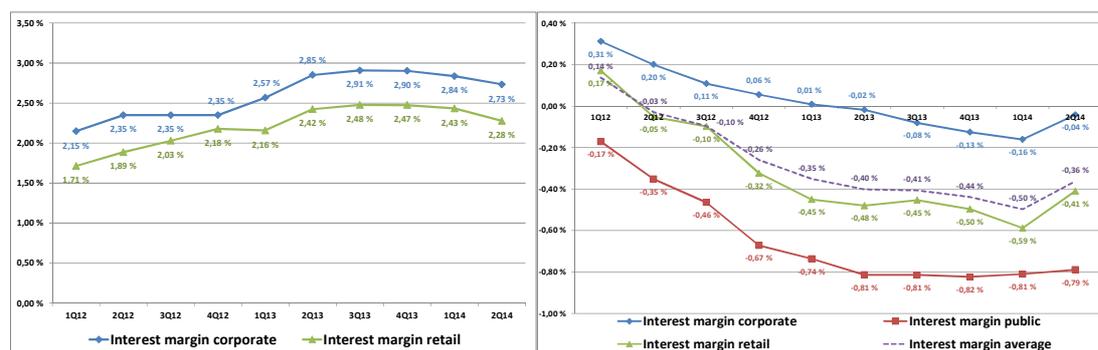
Income from the loan portfolios transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is recognised as commissions. Commissions totalled NOK 184 million as at the second quarter of 2014. The corresponding figure for the same period in 2013 was NOK 151 million. Net interest income including the above commissions shows an increase of NOK 114 million compared with the second quarter of 2013.

At the end of the second quarter of 2014, home mortgages worth NOK 23.4 billion had been transferred to SpareBank 1 Boligkreditt (NOK 22.4 billion). As at 30 June 2014, NOK 300 million in loans had been transferred to SpareBank 1 Næringskreditt.

Compared with the first quarter of 2014, net interest income, including commissions from the transferred loan portfolios but excluding charges for the Guarantee Fund, developed as follows:

<i>Amounts in NOK million</i>	Q2 2014	change	Q1 2014
Net interest income incl. commissions from intermediary loans	431	+8	423
Lending and deposit volume		+4	
Lending and deposit margins		-9	
Effect of 1 more interest day		+4	
Other effects		+9	

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



Measured against the Bank's funding costs, the quarter's net interest contribution from lending and deposits remains largely unchanged from the first quarter. Higher average funding costs due to the expiry of the authorities' swap scheme were compensated for by the effect of higher volumes and more interest days in the second quarter. A higher contribution from other balance sheet items contributed to net interest income rising slightly overall in the second quarter.

Stricter regulatory requirements for liquidity and equity have resulted in higher capital costs and higher earnings requirements for banks. Some of this must be recouped by higher prices for the banks' products, primarily loans.

Based on this, the Bank implemented various pricing measures within both the retail and the corporate markets. Together with lower funding costs due to reduced money market rates, this resulted in a significant increase in the Group's net interest margin and net interest income throughout 2012 and 2013.

The future development of margins will depend on the competitive situation and how funding costs develop. The first quarter of 2014 saw signs of increased pressure on lending margins within the retail market and low risk corporate commitments. After assessing the competition situation, SpareBank 1 Nord-Norge announced on 9 April that it would be adjusting its terms for lending and deposits. With the exception of new loans, the changes came into effect in the middle of June. The calculated income-related effect of the announced changes is, seen in isolation, expected to be neutral.

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

Net commissions and other operating income

Net commissions and other operating income at the end of the second quarter of 2014 amounted to NOK 491 million, an increase of NOK 55 million compared with the same time last year, NOK 31 million from commission loans.

Income from financial investments

Total net income from financial investments, including trading in currencies and financial derivatives on behalf of customers, as at the second quarter of 2014 amounted to NOK 432 million (NOK 155 million). This has developed as follows:

<i>Amounts in NOK million</i>	30 June 2014	Change	30 June 2013
Net income from financial investments	432	+277	155
Result from SpareBank 1 Gruppen	153	+77	76
Result from SpareBank 1 Boligkreditt	9		9
Result from BN Bank	39	+9	30
Result from SpareBank 1 Næringskreditt	12	+11	1
Result from SpareBank 1 Kredittkort	-6	-6	0
Result from SpareBank 1 Markets	-17	-17	0
Share dividends	16	-7	23
Net change in share value	188	+159	29
Net change in bond value	47	+63	-16
Net change in value of currency and financial derivatives	-9	-12	3

Profit contribution from joint ventures

SpareBank 1 Gruppen

SpareBank 1 Gruppen's profit after tax as per the second quarter of 2014 totalled NOK 785 million (NOK 402 million). The SpareBank 1 Nord-Norge Group's 19.5% share of the result, amounting to NOK 153 million (NOK 76 million), has been incorporated into the financial statements. SpareBank 1 Livsforsikring and SpareBank 1 Skadeforsikring made the greatest contributions to SpareBank 1 Gruppen's profit.

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

SpareBank 1 Boligkreditt 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 funding costs and increases the competitiveness of the SpareBank 1 banks.

The Bank currently owns a 14.80% stake in SpareBank 1 Boligkreditt and the share of its profit as at the second quarter of 2014 was NOK 9 million (NOK 9 million).

The SpareBank 1 banks established SpareBank 1 Næringskreditt in 2009 based on the same model and with the same management as SpareBank 1 Boligkreditt. SpareBank 1 Nord-Norge currently owns a 20.68% stake in the company and the share of its profit as at the second quarter of 2014 was NOK 12 million (NOK 1 million).

BN Bank

SpareBank 1 Nord-Norge owns a 23.5% stake in BN Bank. The share of profit as at the second quarter of 2014 amounted to NOK 39 million (NOK 30 million).

Other companies

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

The profit shares for the second quarter of NOK -6 million from the 19.83% stake in SpareBank 1 Kredittkort and NOK -17 million from the 27.03% stake in SpareBank 1 Markets have also been incorporated.

The Group's equities portfolio

The Group's equities portfolio as at 30 June 2014 amounted to NOK 901 million. A net NOK 188 million gain/increase in the value of this Group portfolio was recognised as income in the second quarter of 2014. The Bank's equities portfolio increased by NOK 152 million, while its subsidiary SpareBank 1 Nord-Norge Portefølje saw a net positive change in value of NOK 36 million. The latter was primarily due to the increase in unrealised value of the equity fund Nord II (Private Equity fund).

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

The owners of SpareBank 1 Markets is planning to restructure the company by integrating the Markets operations of SpareBank 1 SMN into SpareBank 1 Markets. Following this and an equity issue, SpareBank 1 SMN will have an ownership share of 73.3% in SpareBank 1 Markets, whereas SpareBank 1 Nord-Norge's ownership share will be 10.0%. A comprehensive restructuring of SpareBank 1 Markets has taken place, including abolishment of guaranteed bonuses. This has resulted in a reduction of yearly costs of 50%. Adaptations to the business model of the company have further reduced market risk. The current co-operation with the owner banks is planned to continue. The owners believe that the above will form a good foundation for a profitable markets operation. The transactions are to be completed within 4th quarter of 2014, subject to regulatory approval and final Board approvals.

Certificates and bonds

As at 30 June 2014, the Group's holdings of certificates and bonds amounted to NOK 11,350 million, compared with NOK 13,142 million at the same time last year.

The total net change in value of this portfolio as at the second quarter of 2014 amounted to NOK 47 million.

Currency and derivatives

The net change in value from currency and financial derivatives as at the second quarter of 2014 amounted to NOK -9 million. This amount consists of parts of the income from the Group's markets department, SNN Markets, as well as changes in the value of the Bank's own positions in currency and financial derivatives.

Subsidiaries

<i>(Amounts in whole NOK 1000)</i>	Stake in %	Profit before tax (Bank's share)	
		30 June 2014	30 June 2013
SpareBank 1 Finans Nord-Norge AS	100	58,645	44,986
SpareBank 1 Nord-Norge Portefølje AS	100	33,155	-21,653
EiendomsMegler 1 Nord-Norge AS	100	9,087	13,254
EiendomsMegler 1 Lofoten AS	60	-41	134
SpareBank 1 Forvaltning AS	100	1,243	860
SpareBank1 Regnskapshuset AS	100	6,579	6,685
North-West 1 Alliance Bank	75	-2,668	383
Nord-Norge Eiendom IV AS	100	574	0
Alsgården AS	100	901	0
Fredrik Langes Gt 20 AS	100	539	0

As at the second quarter of 2014, the Group's subsidiaries had a combined profit before tax of NOK 108 million (NOK 45 million), which has been fully consolidated in the consolidated financial statements.

SpareBank 1 Finans Nord-Norge AS's profit before tax as at the second quarter of 2014 was NOK 59 million (NOK 45 million). The company has a good earnings base and total earnings for the year-to-date amount to NOK 126 million (NOK 115 million). Losses on leasing and loan commitments as at the second quarter of 2014 amounted to NOK 4 million (NOK 4 million). At the end of the quarter, the company managed leasing, consumer loan and vendor's security agreements amounting to a total value of NOK 3,729 million, of which leasing agreements represented NOK 1,998 million.

North West 1-Alliance Bank in St. Petersburg, Russia had a result before tax as at the second quarter of 2014 of NOK -3.6 million (NOK 0.5 million).

SpareBank 1 Nord Norge Portefølje AS has a portfolio of unlisted equities and investments in funds. The company's result before tax as at the second quarter of 2014 was NOK 33 million (NOK -22 million). The increase in value in the company's equities portfolio has been commented on above in the section "The Group's equities portfolio".

EiendomsMegler 1 Nord-Norge AS had a profit before tax as at the second quarter of 2014 of NOK 9.1 million (NOK 13.3 million). The number of units sold to date in 2014 is 971 (930), representing a total sales value of NOK 2.21 billion, an increase of 9% compared with the same period in 2013. As at 30 June 2014, EiendomsMegler 1 Nord-Norge owns a 60% stake in the company EiendomsMegler 1 Lofoten AS. The result for the year-to-date has been affected by the opening of a new sales office in Tromsø.

SpareBank 1 Nord-Norge Forvaltning's profit before tax as at the second quarter of 2014 was NOK 1.2 million (NOK 0.9 million).

SpareBank 1 Regnskapshuset Nord-Norge AS's profit contribution before tax as at the second quarter of 2014 was NOK 6.6 million (NOK 6.7 million).

Operating costs

Ordinary operating costs at the end of the second quarter of 2014 totalled NOK 649 million. Compared with the same period in 2013, this represents an increase of NOK 53 million.

The changes in costs were distributed as follows:

<i>Amounts in NOK million</i>	Q2 2014	Change	Q2 2013
Operating costs	649	+53	596
Personnel costs	321	+8	313
Admin. Costs	176	+9	167
Depreciation and write-downs	54	+27	27
Other costs	98	+9	89

In relation to the average total assets, costs amounted to 1.64% at the end of the second quarter of 2014, an increase of 0.06 percentage points compared with the same period in 2013.

The Group's cost ratio was 40.7% at the end of the second quarter of 2014, compared with 47.2% as at the fourth quarter of 2013 and 50.5% as at the second quarter of 2013.

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

The Group's goal is to hold average annual cost increases to a maximum of 2%, not including implemented business expansions (subsidiaries). As at 30 June 2014, the parent bank's costs exceeded this target by NOK 6 million, primarily due to accrual effects. The corresponding figure for the Group at the end of the second quarter was NOK 41 million. Besides the previously mentioned NOK 25 million write-down, this was mainly due to higher costs in some subsidiaries.

Excluding the above-mentioned write-down of the building, operating costs for the second quarter of 2014 were NOK 8 million lower than for the first quarter of 2014.

The Group had 919 full time equivalents at the end of the second quarter of 2014, 639 of whom were accounted for by the parent bank. The corresponding figures for last year were 911 and 649, respectively. The increase in the number of employees in the Group mainly relates to the Group's subsidiary in Russia (10 full time equivalents) and the acquisition of two accounting firms with a combined total of 4 full time equivalents. There were 10 full time equivalents fewer in the parent bank than at the same time in 2013.

Several reduction measures were started in 2013. These include rationalisation measures within both staffing and other cost areas. The rationalisation measures continue in 2014 and cover the entire Group.

The government has adopted changes to the arrangement involving differentiated employers' National Insurance contributions with effect from 1 July this year. This entails several industries, including finance and insurance, being excluded from the arrangement involving differentiated employers' National Insurance contributions. The change will result in increased annual personnel costs with a result effect after tax of around NOK 23 million based on today's level of costs. The Group is working on measures to compensate for the expected increase in costs. In the short-term, the Group's costs are expected to exceed the target for growth in costs of up to 2%.

Net losses and non-performance

The Group's net loan losses as at the second quarter of 2014 amounted to NOK 47 million (NOK 87 million), NOK 28 million from the corporate market and NOK 19 million from the retail market.

Net non-performing and doubtful commitments as at 30 June 2014 totalled NOK 509 million (NOK 608 million), which represents 0.6% of gross lending, including intermediary loans. This is 0.2 percentage points lower than as at 30 June 2013.

The Group's total individual loss write-downs as at 30 June 2014 were NOK 217 million (NOK 267 million). The provision was reduced by a NOK 18 million in the last quarter.

Group write-downs as at 30 June 2014 amounted to NOK 224 million (NOK 201 million) and have increased by NOK 15 million since the start of the year. Group write-downs totalled 0.38% of the Group's combined gross lending as at 30 June 2014 (0.27% of gross lending, including intermediary loans).

In the opinion of the Main Board of Directors, the quality of the Bank's loan portfolio remains good, and the Bank is doing high quality work in connection with Group's non-performing and doubtful commitments. There

will continue to be a strong focus on this work in the time to come. No new commitments with a significant risk of loss were discovered in the second quarter of 2014 and the general level of losses in the near future is expected to be moderate.

Tax

The Group's tax cost was estimated at NOK 143 million as at the second quarter of 2014. In the parent bank's accounts, the taxable profit has been reduced by permanent differences coupled with the effects of the exemption model.

Total assets

The Group's total assets amounted to NOK 81,983 million as at 30 June 2014. Total assets have increased by NOK 5,224 million, or 6.8%, in the last 12 months.

Lending

As at 30 June 2014, loans totalling NOK 23.4 billion (NOK 22.7 billion) had been transferred to SpareBank 1 Boligkreditt and loans totalling NOK 300 million to SpareBank 1 Næringskreditt. These loans do not appear as lending on the Bank's balance sheet. Comments regarding increases in lending include loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

The Group's gross lending to customers including intermediary loans totalled NOK 82,452 as at 30 June 2014. This represents an increase of 6.7% compared with 30 June 2013. Retail loans grew by 7.0%, while corporate and public sector loans grew by 6.1%. Gross lending grew by 1.2% in the last quarter, which represents an annualised 12-month growth of 4.6%. The percentage of lending to the retail market constitutes 70.1% of the total lending as at 30 June 2014.

In the case of new loans, particular emphasis is placed on customers' ability to service and repay their outstanding loans, and on a satisfactory level of collateral and other security to ensure that the credit risk is maintained at an acceptable level.

Savings and investments

The Group's deposits from customers totalled NOK 46,949 million as at 30 June 2014. The increase over the past 12 months was NOK 943 million, or 2%. Retail deposits grew by 8%, corporate deposits grew by 9% and public sector deposits fell by 24%.

Liquidity and rating

Deposits from customers are the Bank's main source of funding. At the end of the second quarter of 2014, the deposit coverage ratio (excluding intermediary loans) was 79.9% (84.3%). The Bank's remaining funding, apart from equity and subordinated capital and deposits from customers, is mainly long-term funding from the capital markets.

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

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

Financial strength and capital adequacy

SpareBank 1 Nord-Norge uses an Internal Rating Based Approach for credit risk. The statutory minimum capital adequacy requirement for credit risk is based on the Bank's internal risk assessment and approved regulatory risk models. The regulations make the statutory minimum requirement for capital adequacy more risk-sensitive, so that the capital requirement corresponds, to a larger extent, to the risk in the underlying portfolios. The use of internal measuring methods places great demands on the Bank's organisation, competence, risk models and risk management systems.

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

The European Parliament adopted a new directive (CRD IV) and a new regulation (CRR) on 16 April 2013. The new regulations came into effect on 1 January 2014 in Norway via the EEA Agreement. The Ministry of Finance has decided that the capital and buffer requirements should apply for Norwegian institutions from as early as 1 July 2013, though with a phasing in period up to 2016. This means most Norwegian banks will be expected to satisfy a tier 1 capital requirement of 13% by 1 July 2016.

On 12 May 2014, the Ministry of Finance adopted the "Regulations relating to the identification of systemically important financial institutions". It was clear from these that the largest regional banks, including SpareBank 1 Nord-Norge, would not be defined as systemically important financial institutions (SIFI). The Financial Supervisory Authority of Norway has subsequently commented that they will follow up the regional banks' capital adjustments under Pillar II and that in connection with this they expect the banks to follow up on their ambitions to significantly increase core capital adequacy regardless of the Ministry's decisions concerning SIFI.

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

SpareBank 1 Nord-Norge submitted an application for A-IRB approval to the Financial Supervisory Authority of Norway in mid-June 2013. The Financial Supervisory Authority of Norway has said that they aim finish processing the application from SpareBank 1 Nord-Norge, and those of other banks that have applied, during the third quarter of 2014. Permission to use A-IRB to calculate capital requirements for corporate market lending is important in the context of the Bank's ongoing adaptation to the new capital requirements for Norwegian financial institutions.

BN Bank - which is consolidated proportionally in capital adequacy reports - received permission in the second quarter of 2014 from the Financial Supervisory Authority of Norway to use IRB models in its capital adequacy reporting.

The new regulatory requirements for banks' capital adequacy entail a considerable improvement in banks' financial strength. SpareBank 1 Nord-Norge has already implemented - and will continue to implement - a number of measures to improve the bank's capital adequacy, including:

- various measures for increasing earnings
- reduced dividend pay-out ratio
- application for A-IRB approval
- reduced lending growth, especially in the corporate market
- measures to increase capital utilisation
- utilisation of capital allocated to the Sparebankstiftelsen SpareBank 1 Nord-Norge foundation

The Bank also conducted an equity issue in autumn 2013. This provided the Group with the necessary and desired opportunity to participate in the region's growth in the years ahead. Further issues are not considered appropriate or necessary in the lead up to 2016.

SpareBank 1 Nord-Norge's goal is to maintain unquestionable financial strength and satisfy the defined minimum equity requirements at all times. The Group's common equity tier 1 capital ratio target is 14.5% or higher in 2016. The Board will consider the Group's capital targets and timetable for achieving these as part of the ICAAP (Internal Capital Adequacy Assessment Process) review and capital plan in the fourth quarter of 2014.

As at 30 June 2014, the Group's core tier 1 capital ratio amounted to 13.3% (11.4%) of the basis for calculation. The total capital adequacy ratio was 14.3% (12.4%). The Group's common equity tier 1 capital ratio was 12.2% (10.2%). With full IRB effect (without a 'floor') the tier 1 capital ratio and common equity tier 1 capital ratio

would be 13.8% and 12.6% respectively. Including 65% of the interim result, the common equity tier 1 capital ratio (transitional rules) is 13.0% (10.6%). Please also refer to the notes to the interim financial statements.

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

The Bank's equity certificate holders

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

The equity certificate ratio as at 1 January 2014 was 47.33%. The number of equity certificate holders was 7,542 as at 30 June 2014, a reduction of 220 over the last 12 months. The proportion of Northern Norwegian equity certificate holders is 20.6%. 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 35.50 as at 30 June 2014. Based on this price, the market value of the Bank's equity was NOK 7,530 million. The earnings per equity certificate (Group) amounted to NOK 3.55. Price/Earnings was NOK 5 and Price/Book 0.83 as at 30 June 2014 (both figures for the Group).

Concluding remarks and future prospects

The Group's earnings are good, including earnings from the Bank's core activities. There is a certain level of macroeconomic uncertainty in Northern Norway due to the trend of slightly falling growth in the Norwegian economy, and continued economic uncertainty internationally. However, despite this, the macroeconomic outlook for the region is considered good and the region's business sector remains optimistic. Following a substantial increase in demand for loans throughout most of 2012, demand decreased in 2013. Demand for loans is expected to increase during 2014, but because of the stricter regulatory requirements concerning banks' tier 1 capital, lending growth in the corporate market will nonetheless be kept at a moderate level. It is the Bank's ambition to maintain a strong position in the public sector.

A number of measures have been initiated to ensure future profitability in line with the Group's profitability targets. These will be continued and will produce effects in 2014 and 2015.

Tromsø, Norway, 12 August 2014

The Main Board of Directors of SpareBank 1 Nord-Norge

Kjell Olav Pettersen
(Chairman of the Board)

Pål Andreas Pedersen
(Deputy Chairman)

Sonja Djønne

Hans Tore Bjerkås

Greger Mannsverk

Ingvild Myhre

Anita Persen

Vivi-Ann Pedersen
(Employee-elected)

Jan-Frode Janson
(CEO)

Statement of income

Parent Bank

Group

(Amounts in NOK million)

31.12.13	2Q13	2Q14	30.06.13	30.06.14		30.06.14	30.06.13	2Q14	2Q13	31.12.13
2 825	678	675	1 334	1 381	Interest income	1 470	1 411	721	717	2 990
1 712	410	382	825	808	Interest costs	800	822	379	408	1 705
1 113	268	293	509	573	Net interest income	670	589	342	309	1 285
771	195	203	360	405	Fee- and commission income	470	421	240	230	892
71	23	18	33	34	Fee- and commission costs	35	33	19	23	75
35	4	5	7	9	Other operating income	56	48	27	31	114
735	176	190	334	380	Net fee-, commission and other operating income	491	436	248	238	931
23	22	5	23	16	Dividend	16	23	5	22	27
239	190	159	239	244	Income from investments	190	116	119	27	303
121	106	48	114	189	Net gain from investments in securities	226	16	65	15	16
383	318	212	376	449	Net income from financial investments	432	155	189	64	346
2 231	762	695	1 219	1 402	Total income	1 593	1 180	779	611	2 562
481	119	124	238	245	Personnel costs	321	313	159	162	638
306	75	76	152	155	Administration costs	176	167	87	83	337
50	12	13	25	25	Ordinary depreciation	54	27	40	13	56
141	33	35	71	77	Other operating costs	98	89	47	44	178
978	239	248	486	502	Total costs	649	596	333	302	1 209
1 253	523	447	733	900	Result before losses	944	584	446	309	1 353
146	44	38	76	58	Losses	47	87	22	47	172
1 107	479	409	657	842	Result before tax	897	497	424	262	1 181
192	46	59	78	122	Tax	143	95	71	56	214
915	433	350	579	720	Result after tax	754	402	353	206	967
					Majority interest	753	402	352	206	966
					Minority interests	1	0	1	0	1
					Result per Equity Certificate					
4.36	2.81	1.65	3.75	3.40	Result per Equity Certificate	3.55	2.61	1.66	1.34	4.60
4.36	2.81	1.65	3.75	3.40	Diluted result per Equity Certificate	3.55	2.61	1.66	1.34	4.60

Other comprehensive income

915	433	350	579	720	Result after tax	754	402	353	206	967
0	0	0	0	0	Recalculation differences	-3	0	8	-2	1
6	2	0	3	2	Effective part of change in fair market value in cash flow hedging	2	3	0	2	6
-1	0	-82	0	-82	Actuarial gains (losses) on benefit-based pension schemes	-82	0	-82	0	0
-2	-1	23	-1	22	Tax on other comprehensive income	22	-1	23	-1	-2
3	1	-59	2	-58	Other comprehensive income for the period	-61	2	-51	-1	5
918	434	292	581	663	Total comprehensive income for the period	693	404	302	205	972
					Majority interest	692	404	298	205	972
					Minority interests	1	0	4	0	0
					Totalresult per Equity Certificate					
4.38	2.81	1.37	3.77	3.12	Total result per Equity Certificate	3.27	2.62	1.42	1.33	4.63
4.38	2.81	1.37	3.77	3.12	Diluted total result per Equity Certificate	3.27	2.62	1.42	1.33	4.63
					Tax on other comprehensive income:					
0	0	22	0	22	Actuarial gains (losses) on benefit-based pension schemes	22	0	22	0	0
-2	1	23	-1	22	Tax on other comprehensive income	22	-1	23	-1	-2

Statement of financial position

Parent Bank

Group

(Amounts in NOK million)

31.12.13	30.06.13	30.06.14		30.06.14	30.06.13	31.12.13
Assets						
612	743	405	Cash and balances with central banks	460	773	655
4 470	5 103	7 154	Loans and advances to credit institutions	3 779	1 930	1 392
53 202	50 500	54 445	Net loans and advances to customers	58 350	54 093	56 829
556	521	705	Shares	901	664	712
11 207	13 139	11 350	Certificates and bonds	11 350	13 142	11 207
1 308	1 171	1 419	Financial derivatives	1 413	1 166	1 303
553	438	618	Investments in Group Companies	0	0	0
2 436	2 325	2 680	Investments in associated companies and joint ventures	3 862	3 266	3 564
489	495	468	Property, plant and equipment	582	506	595
0	0	0	Intangible assets	81	77	81
1 108	1 049	1 089	Other assets	1 205	1 142	1 182
75 941	75 484	80 333	Total assets	81 983	76 759	77 520
Liabilities						
4 292	3 934	3 268	Deposits from credit institutions	3 262	3 932	4 284
44 889	45 966	46 891	Deposits from customers	46 949	46 006	44 940
16 336	15 497	18 481	Debt securities in issue	18 481	15 497	16 336
722	689	884	Financial derivatives	884	689	722
880	1 463	1 322	Other liabilities	1 540	1 596	1 058
172	173	165	Deferred tax liabilities	214	210	228
1 450	1 648	1 615	Subordinated loan capital	1 615	1 648	1 450
68 741	69 370	72 626	Total liabilities	72 945	69 578	69 018
Equity						
1 807	1 655	1 807	Equity Certificate capital	1 807	1 655	1 807
843	245	843	Equity Certificate premium reserve	843	245	843
776	381	667	Dividend Equalisation Fund	667	381	776
3 565	3 085	3 565	The Savings Bank's Fund	3 565	3 085	3 565
163	120	118	Donations	118	120	163
0	0	0	Fund for unrealised gains	- 4	- 3	- 2
46	49	- 13	Other equity capital	1 267	1 274	1 327
0	579	720	Result after tax	754	402	0
			Minority interests	21	22	23
7 200	6 114	7 707	Total equity	9 038	7 181	8 502
75 941	75 484	80 333	Total liabilities and equity	81 983	76 759	77 520

Changes in equity

(Amounts in NOK million)

Group	PCC capital	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 01.01.13	1 655	245	456	3 083	150	- 3	1 273		6 859	22	6 881
Total comprehensive income for the period			394	478	43		51		966	1	967
<i>Other comprehensive income:</i>						1			1		1
Recalculation differences											
Effective part of change in fair market value in cash flow hedging			2	2					4		4
Tax on other comprehensive income											
Total other comprehensive income			2	2		1			5		5
Total comprehensive income for the period			396	480	43	1	51		971	1	972
Transactions with owners											
Equity issue	152	598							750		750
Set aside for dividend payments			- 110						- 110		- 110
Reversal of dividend payments			110						110		110
Dividend paid			- 76						- 76		- 76
Other transactions				2			3		5		5
Payments from Donations Fund					- 30				- 30		- 30
Total transactions with owners	152	598	- 76	2	- 30		3		649		649
Equity at 31.12.2013	1 807	843	776	3 565	163	- 2	1 327		8 479	23	8 502
Equity at 01.01.14	1 807	843	776	3 565	163	- 2	1 327		8 479	23	8 502
Total comprehensive income for the period								754	754	- 1	753
<i>Other comprehensive income:</i>						- 2			- 2		- 2
Recalculation differences											
Effective part of change in fair market value in cash flow hedging			1	1					2		2
Actuarial gains (losses) on benefit-based pension schemes							- 82		- 82		- 82
Tax on other comprehensive income							22		22		22
Total other comprehensive income	0	0	1	1	0	- 2	- 60	0	- 60		- 60
Total comprehensive income for the period			1	1		- 2	- 60	754	694	- 1	693
Transactions with owners											
Equity issue											
Set aside for dividend payments											
Reversal of dividend payments											
Changes in minority interests											
Dividend paid			- 110						- 110		- 110
Other transactions				- 1					- 1	- 1	- 2
Payments from Donations Fund					- 45				- 45		- 45
Total transactions with owners			- 110	- 1	- 45				- 156	- 1	- 157
Equity at 30.06.14	1 807	843	667	3 565	118	- 4	1 267	754	9 017	21	9 038

ECC ratio overall

Parent Bank

(Amounts in NOK million)

	31.12.08	31.12.09	(01.01.11) 31.12.10	(01.01.12) 31.12.11	(01.01.13) 31.12.12	(adjusted) 01.01.13	31.12.13
Equity Certificate capital	896	896	1 275	1 655	1 655	1 681	1 807
Equity Certificate premium reserve	123	123	184	245	245	344	843
Dividend Equalisation Fund	277	471	408	319	453	380	685
Set aside dividend	- 54	- 121	- 103	- 93	- 76	0	0
Share Fund Fair Value Options	- 5	- 30	- 3	- 14	- 33	- 33	0
A. Equity attributable to Equity Certificate h	1 237	1 339	1 761	2 112	2 244	2 372	3 335
The Savings Bank's Fund	2 221	2 623	2 811	2 902	3 107	3 081	3 593
Allocated dividends to ownerless capital	0	- 161	- 154	- 107	- 30	0	0
Donations	133	133	133	133	120	120	119
Share Fund Fair Value Options	- 10	- 57	- 5	- 20	- 45	- 45	0
B. Total ownerless capital	2 344	2 538	2 785	2 908	3 152	3 156	3 712
Equity Certificate Ratio overall (A/(A+B))	34,54 %	34,54 %	38,74 %	42,07 %	41,59 %	42,91 %	47,33 %

Statement of cash flows

Parent Bank

Group

(Amounts in NOK million)

31.12.13	30.06.13	30.06.14		30.06.14	30.06.13	31.12.13
1 107	657	842	Result before tax	897	497	1 181
50	25	25	+ Ordinary depreciation	54	27	56
- 3	0	0	+ Write-downs, gains/losses fixed assets	0	0	- 3
146	76	58	+ Losses on loans and guarantees	47	87	172
192	78	122	- Tax	143	95	214
106	106	156	- Dividends/donations	156	106	106
1 002	574	647	Provided from the year's operations	699	410	1 086
54	605	540	Change in sundry liabilities: + increase/ - decrease	568	563	82
- 394	- 198	- 92	Change in various claims: - increase/ + decrease	- 133	- 274	- 455
-2 678	94	-1 301	Change in gross lending to and claims on customers: - increase/ + decrease	-1 568	- 130	-2 951
1 061	- 836	- 292	Change in short term-securities: - increase/ + decrease	- 332	- 809	1 078
1 339	4 784	2 002	Change in deposits from and debt owed to customers: + increase/ - decrease	2 009	4 786	1 352
- 2	-2 728	-1 024	Change in debt owed to credit institutions: + increase/ - decrease	-1 022	-2 731	- 11
382	2 295	480	A. Net liquidity change from operations	221	1 815	181
- 35	- 16	- 4	- Investment in fixed assets (incl merger effects)	- 41	- 18	- 136
3	0	0	+ Sale of fixed assets	0	0	3
- 180	46	- 309	Change in holdings of long-term securities: - increase/ + decrease	- 298	248	- 50
- 212	30	- 313	B. Liquidity change from investments	- 339	230	- 183
- 198	-1 037	2 145	Change in borrowings through the issuance of securities: + increase/ - decrease	2 145	-1 037	- 198
105	- 447	165	Change in Equity Certificate/subordinated loan capital: + increase/ - decrease	165	- 447	105
- 93	-1 484	2 310	C. Liquidity change from financing	2 310	-1 484	- 93
77	841	2 477	A + B + C. Total change in liquidity	2 192	561	- 95
5 005	5 005	5 082	+ Liquid funds at the start of the period	2 047	2 142	2 142
5 082	5 846	7 559	= Liquid funds at the end of the period	4 239	2 703	2 047

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

Result from the Group's quarterly accounts

(Amounts in NOK million)	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12
Interest income	721	749	839	740	717	694	706	707
Interest costs	379	421	484	399	408	414	399	414
Net interest income	342	328	355	341	309	280	307	293
Fee- and commission income	240	230	233	238	230	191	197	179
Fee- and commission costs	19	16	23	19	23	10	15	19
Other operating income	27	29	52	14	31	17	20	12
Net fee-, commission and other operating income	248	243	262	233	238	198	202	172
Dividend	5	11	0	4	22	1	- 1	1
Income from investments	119	71	78	109	27	89	14	76
Net gain from investments in securities	65	161	7	- 7	15	1	17	2
Net income from financial investments	189	243	85	106	64	91	30	79
Total income	779	814	702	680	611	569	539	544
Personnel costs	159	162	174	151	162	151	153	147
Administration costs	87	89	87	83	83	84	83	69
Ordinary depreciation	40	14	16	13	13	14	16	13
Other operating costs	47	51	50	39	44	45	43	37
Total costs	333	316	327	286	302	294	295	266
Result before losses	446	498	375	394	309	275	244	278
Losses	22	25	50	35	47	40	32	115
Result before tax	424	473	325	359	262	235	212	163
Tax	71	72	50	69	56	39	54	25
Minority interests	1	0	1	0	0	0	0	- 1
Result after tax	352	401	274	290	206	196	158	139

Profitability								
Return on equity capital	15.84 %	18.61 %	13.72 %	15.83 %	11.62 %	11.29 %	9.35 %	8.40 %
Interest margin	1.71 %	1.69 %	1.85 %	1.79 %	1.63 %	1.50 %	1.64 %	1.58 %
Cost/income	42.75 %	38.82 %	46.58 %	42.06 %	49.43 %	51.67 %	54.73 %	48.90 %
Balance sheet figures								
Loans and advances to customers	58 791	57 638	57 282	56 605	54 561	53 441	54 551	53 493
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt and Næringskreditt past 12 months	6.7 %	7.3 %	6.1 %	5.9 %	6.8 %	8.5 %	11.6 %	11.9 %
Deposits from customers	46 949	43 635	44 940	43 938	46 006	43 232	43 588	43 266
Growth in deposits from customers past 12 months	2.0 %	0.9 %	3.1 %	1.6 %	5.2 %	9.0 %	-1.3 %	-2.5 %
Deposits as a percentage of gross lending	79.9 %	75.7 %	78.5 %	77.6 %	84.3 %	80.9 %	75.6 %	76.5 %
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt and Næringskreditt	56.9 %	53.5 %	55.8 %	55.6 %	59.5 %	56.9 %	54.3 %	54.8 %
Average assets	79 048	77 581	75 952	75 561	75 524	74 907	72 921	72 336
Total assets	81 983	77 642	77 520	75 670	76 759	74 484	75 329	74 251
Losses on loans and commitments in default								
Losses on loans to customers as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.11 %	0.12 %	0.25 %	0.17 %	0.24 %	0.21 %	1.02 %	0.87 %
Commitments in default as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.55 %	0.57 %	0.60 %	0.70 %	0.76 %	0.78 %	0.52 %	0.65 %
Commitments at risk of loss as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.32 %	0.42 %	0.46 %	0.36 %	0.35 %	0.51 %	0.77 %	0.66 %
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.61 %	0.71 %	0.75 %	0.72 %	0.78 %	0.87 %	0.89 %	0.93 %
Solidity								
Total regulatory Capital %	14.25 %	14.28 %	13.91 %	11.72 %	12.36 %	12.63 %	13.19 %	10.65 %
Tier I Capital %	13.31 %	13.55 %	13.42 %	11.14 %	11.35 %	11.88 %	12.11 %	10.14 %
Tier I capital	7 828	7 741	7 783	6 431	6 478	6 586	6 672	5 767
Equity and related capital resources	8 382	8 158	8 069	6 765	7 052	7 005	7 270	6 056
Adjusted risk-weighted assets base	58 830	57 135	57 989	57 704	57 053	55 450	55 098	56 849

Notes

Note 1 - Accounting policies

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

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

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

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

The interim financial statements have not been audited.

Note 2 - Important accounting estimates and discretionary judgements

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

Note 3 - Changes in group structure

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

Note 4 - Business Areas

The management has made an assessment of which business areas are deemed reportable with respect to form of distribution, products and customers. The primary format of reporting takes as a starting point risk and yield profiles of various assets and reporting is divided into private customers (Retail Banking Market), Corporate / Public Market, leasing and Markets. Apart from what is included in this list, the Group does not have any companies or segments which are of significant importance. The Bank operates mainly in a limited geographical area and reporting along the lines of geographic segments provides little additional information.

Group
(Amounts in NOK million)

						30.06.14
	Retail Banking	Corporate Banking	Leasing	Markets	Unallocated	Total
Net interest income	403	168	81	2	16	670
Net fee- and commission income	261	109	0	2	63	435
Other operating income	0	0	0	10	478	488
Operating costs	353	147	20	4	125	649
Result before losses	311	130	61	10	432	944
Losses	1	20	3	0	23	47
Result before tax	310	110	58	10	409	897
Loans and advances to customers	34 441	20 615	3 735	0	0	58 791
Individual write-downs for impaired value on loans and advances to customers	- 26	- 190	- 8	0	7	- 217
Collective write-downs for impaired value on loans and advances to customers	- 41	- 139	- 9	0	- 35	- 224
Other assets	0	0	0	0	23 633	23 633
Total assets per business area	34 374	20 286	3 718	0	23 605	81 983
Deposits from customers	26 955	19 994	0	0	0	46 949
Other liabilities and equity capital	7 419	292	3 718	0	23 605	35 034
Total equity and liabilities per business area	34 374	20 286	3 718	0	23 605	81 983
						30.06.13
Net interest income	410	89	68	8	14	589
Net fee- and commission income	264	57	0	18	49	388
Other operating income	0	0	0	0	203	203
Operating costs	393	85	19	14	85	596
Result before losses	281	61	49	12	181	584
Losses	6	70	4	0	7	87
Result before tax	275	- 9	45	12	174	497
Loans and advances to customers	30 210	21 006	3 345	0	0	54 561
Individual write-downs for impaired value on loans and advances to customers	- 30	- 216	- 15	0	- 6	- 267
Collective write-downs for impaired value on loans and advances to customers	- 36	- 146	- 7	0	- 12	- 201
Other assets	0	396	0	0	22 270	22 666
Total assets per business area	30 144	21 040	3 323	0	22 252	76 759
Deposits from customers	24 966	21 040	0	0	0	46 006
Other liabilities and equity capital	5 178	0	3 323	0	22 252	30 753
Total equity and liabilities per business area	30 144	21 040	3 323	0	22 252	76 759

Note 5 - Capital Adequacy

New capital adequacy rules and regulations (Basel II – EU's new directives for capital adequacy) were implemented in Norway with effect from 1 January 2007. SpareBank 1 Nord-Norge has received permission from The Financial Supervisory Authority of Norway (FSAN) to apply internal calculation methods (Internal Rating-Based Approach) for credit risk from 1 January 2007. With effect from 2007, therefore, the statutory minimum capital adequacy requirement for credit risk will be based on the Bank's internal assessment of risk. This will make the statutory minimum capital adequacy requirement more risk-sensitive, which means that the capital requirement will to a larger extent correspond to the risk contained in the underlying portfolios in question. The use of internal calculation methods will involve comprehensive demands on the Bank's organisation, competence, risk models and risk management systems. As a result of transitional rules relating to the new directive mentioned above, IRB-banks would not experience the full impact of the reduced regulatory capital requirements until 2010. Until 2010, banks had to report on a parallel basis, both according to the old capital adequacy calculations and Basel II. During the period 2007-2010, an annual adjustment of the risk-adjusted calculation basis in relation to the old method (so-called correction of 'floor') was permitted. A resolution has now been reached to postpone this issue. The calculation basis in 2014 therefore amounts to 80 per cent of the calculated basis according to the Basel I rules and regulations.

Parent Bank

Group

(Amounts in NOK million)

31.12.13	30.06.13	30.06.14		30.06.14	30.06.13	31.12.13
1 807	1 655	1 807	Equity certificates	1 807	1 655	1 807
0	0	0	- Own equity certificates	0	0	0
843	245	843	Premium reserve	843	245	843
776	381	667	Equalisation reserve	667	381	776
3 565	3 085	3 565	Savings bank's reserve	3 565	3 085	3 565
163	120	118	Endowment fund	118	120	163
46	49	- 13	Other equity	1 267	1 274	1 327
0	0	0	Deduction Fund for unrealised gains	- 4	- 3	- 2
0	0	0	Minority interests	21	22	23
0	579	720	Period result	754	402	0
7 200	6 114	7 707	Total equity	9 038	7 181	8 502
			Minority interests	0	- 22	0
0	- 579	- 720	Period result	- 754	- 402	0
			Tier 1 Capital			
0	0	0	Adjusted Tier 1 Capital from consolidated financial institutions	- 49	- 2	- 163
- 131	- 97	- 60	Intangible assets	- 149	- 188	- 250
0	0	0	Fund for unrealised gains	47	41	69
- 154	0	0	Deduction for allocated dividends	0	0	- 154
- 472	- 477	- 477	50 % deduction for subordinated capital in other financial institutions	- 194	- 172	- 174
- 102	- 82	- 117	50 % deduction for expected losses on IRB, net of writedowns	- 148	- 76	- 94
0	0	0	50 % Total regulatory capital reserve	- 644	- 535	- 606
500	500	500	Hybrid Tier 1 bonds	681	653	653
6 841	5 379	6 833	Total Tier 1 Capital	7 828	6 478	7 783
			Tier 2 Capital			
950	1 147	1 115	Nonperpetual subordinated capital	1 540	1 357	1 160
- 472	- 477	- 477	50% deduction for subordinated capital in other financial institutions	- 194	- 172	- 174
- 102	- 82	- 117	50% deduction for expected losses on IRB, net of writedowns	- 148	- 76	- 94
0	0	0	50% Total regulatory capital reserve	- 644	- 535	- 606
376	588	521	Total Tier 2 Capital	554	574	286
7 217	5 967	7 354	Equity and related capital resources	8 382	7 052	8 069
			Minimum requirements subordinated capital, Basel I I			
939	834	962	Specialised lending exposure	1 167	834	939
631	619	657	Other corporations exposure	713	620	632
20	18	36	SME exposure	43	21	23
298	287	606	Property retail mortgage exposure	946	481	497
47	47	33	Other retail exposure	34	51	51
409	384	379	Equity investments	19	0	0
2 344	2 189	2 673	Total credit risk IRB	2 922	2 007	2 142
576	649	669	Credit risk standardised approach	1 372	1 678	1 635
21	16	36	Debt risk	35	16	21
13	12	12	Equity risk	46	35	41
22	37	50	Currency risk	50	38	22
223	223	250	Operational risk	254	239	237
0	51	0	Transitional arrangements	165	667	669
- 76	- 77	- 76	Deductions	- 138	- 117	- 128
3 123	3 100	3 614	Minimum requirements subordinated capital	4 706	4 563	4 639
18.49 %	15.40 %	16.28 %	Total regulatory Capital	14.25 %	12.36 %	13.91 %
17.52 %	13.88 %	15.13 %	Tier 1 Capital	13.31 %	11.35 %	13.42 %
0.96 %	1.51 %	1.15 %	Tier 2 Capital	0.94 %	1.01 %	0.49 %
16.24 %	13.79 %	15.06 %	Common Equity Tier I (trans. rules)- incl share of period result	12.98 %	10.60 %	12.30 %

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

Parent Bank				Group		
31.12.13	30.06.13	30.06.14		30.06.14	30.06.13	31.12.13
444	547	419	Non-performing commitments	457	598	486
373	277	358	+ Other doubtful commitments	269	277	373
817	824	777	+ Total commitments in default and doubtful commitments	726	875	859
171	204	160	- Individual write-downs in default	176	225	194
50	42	56	- Other doubtful individual write-downs	41	42	50
221	246	216	+ Total individual write-downs *	217	267	244
596	578	561	= Net commitments in default and doubtful commitments	509	608	615

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

Note 7 - Losses incorporated in the accounts

31.12.13	30.06.13	30.06.14		30.06.14	30.06.13	31.12.13
38	- 50	- 5	+ Period's change in individual write-down for impaired value	- 26	- 45	40
- 4	1	11	+ Period's change in collective write-down for impaired value	15	4	12
109	128	46	+ Period's confirmed losses against which individual write-downs were previously made	60	131	117
11	0	8	+ Period's confirmed losses against which individual write-downs were previously not made	2	0	11
8	3	2	- Recoveries in respect of previously confirmed losses	4	3	8
146	76	58	= Total losses on loans	47	87	172

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

Parent Bank				Group		
31.12.13	30.06.13	30.06.14		30.06.14	30.06.13	31.12.13
0	- 1	0	Mining and quarrying	0	- 1	0
3	- 6	- 1	Construction	- 1	- 6	3
0	- 1	0	Building of ships and boats	0	- 1	0
2	3	- 1	Electricity, gas, steam an air conditioning supply	- 1	3	2
10	- 4	10	Professional, scientific and technical activities	10	- 4	10
0	0	0	Financial and insurance activities	0	0	0
1	1	4	Fishing	4	1	1
1	0	2	Marine aquaculture	2	0	1
0	0	1	Other business support activities	1	4	7
0	0	0	Activities auxiliary to financial services and insurance activities	0	0	0
0	0	0	County municipalities and municipalities	0	0	0
57	30	0	Manufacturing	0	32	62
- 1	0	0	Information and communication	0	0	0
- 1	1	1	Crop and animal production	1	1	- 1
15	16	0	Foreign industrial	5	16	15
7	8	39	Real estate activities	13	8	7
1	1	2	Accommodation and food service activities	2	1	1
0	0	0	Forestry and logging	0	0	0
0	0	0	Central government and social security funds	0	0	0
0	0	0	Support activities for petroleum and natural gas extraction	0	0	0
- 1	- 1	- 1	Other service industries	- 1	0	- 1
11	22	1	Transportation and storage	2	21	12
12	0	0	International shipping and pipeline transport	0	0	12
14	0	- 22	Development of building projects	- 22	0	14
- 8	- 8	0	Extraction of crude oil and natural gas	0	- 8	- 8
0	0	20	Unspecified	20	0	0
0	0	- 4	Water supply; sewerage, waste management and remediation activities	- 4	0	0
9	9	1	Wholesale and retail trade; repair of motor vehicles and motorcycles	2	9	10
22	9	8	Retail banking market - domestic	18	14	33
154	79	60	Losses on loans to customers	51	90	180
8	3	2	Recoveries from previously written off losses	4	3	8
146	76	58	Net losses	47	87	172

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

Parent Bank				Group		
31.12.13	30.06.13	30.06.14		30.06.14	30.06.13	31.12.13
47	53	45	Mining and quarrying	74	82	76
477	539	543	Construction	878	849	790
6	6	1	Building of ships and boats	2	8	8
864	1 340	784	Electricity, gas, steam an air conditioning supply	787	1 345	868
467	647	533	Professional, scientific and technical activities	660	697	531
0	0	0	Financial and insurance activities	0	0	0
1 623	1 004	2 057	Fishing	2 072	1 013	1 635
447	120	347	Marine aquaculture	533	250	601
402	375	288	Other business support activities	618	598	601
1 156	1 007	916	Activities auxiliary to financial services and insurance activities	687	839	1 002
200	140	74	County municipalities and municipalities	93	163	222
1 537	1 652	1 545	Manufacturing	1 654	1 779	1 642
148	141	68	Information and communication	73	145	155
876	829	852	Crop and animal production	939	920	963
0	0	0	Foreign industrial	104	289	157
7 116	6 997	7 362	Real estate activities	7 397	7 052	7 089
347	365	375	Accommodation and food service activities	390	378	360
4	4	5	Forestry and logging	10	9	9
0	0	0	Central government and social security funds	0	1	1
0	0	0	Support activities for petroleum and natural gas extraction	19	18	20
659	667	713	Other service industries	789	748	738
3 028	2 408	3 163	Transportation and storage	3 760	2 963	3 583
660	647	624	International shipping and pipeline transport	624	647	660
773	633	831	Development of building projects	832	635	774
0	0	0	Extraction of crude oil and natural gas	0	0	0
0	0	0	Unspecified	0	0	0
208	213	206	Water supply; sewerage, waste management and remediation activities	278	288	279
846	931	827	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 077	1 224	1 144
31 678	30 167	32 657	Retail banking market - domestic	34 062	31 442	33 037
43	43	45	Retail banking market - international	379	179	337
31 721	30 210	32 702	Total retail market	34 441	31 621	33 374
21 691	20 578	22 085	Total public market	24 257	22 776	23 685
200	140	74	Total government	93	164	223
53 612	50 928	54 861	Total gross lending to customers	58 791	54 561	57 282
221	246	216	Individual write-downs for impaired value	217	267	244
189	182	200	Collective write-downs for impaired value	224	201	209
53 202	50 500	54 445	Net loans to customers	58 350	54 093	56 829

Note 10 - SpareBank 1 Boligkreditt

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

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

Note 11 - Investment in bonds

As a result of extraordinary market conditions, parts of the Bank's ordinary securities portfolio became illiquid in 2008. Following the changes in international accounting standards in October 2008 (see note 1), the SNN Group decided to reclassify parts of the Bank's bond portfolio as at 01.07.08 from the category 'Market value with inclusion of value changes over the profit and loss account' to the categories 'Hold until maturity' and 'Loans and claims' as the securities in question no longer was expected to be sold before maturity. In the category 'Hold until maturity' the Bank includes quoted securities, whereas unquoted securities has been put into the category of 'Loans and claims.'

In the categories 'Hold until maturity' and 'Loans and claims' the securities are assessed at amortized cost. After the reclassification, the writedowns made earlier will be reversed over the portfolio's remaining life, which on average is 2.6 year as at 30.06.14, and included in the profit and loss account as interest income. For the period 01.01.14-30.06.14 such reversed writedowns has been included in the profit and loss account with NOK 0.22 million. Total inclusion of income are NOK 77.7 million for the period 01.07.08-31.12.13. If this reclassification had not been made, the Group would have charged NOK 212 million to the profit and loss account in the third and fourth quarter of 2008 due to increased credit spreads. This would have been an unrealised gain NOK 4.5 million as at 30.06.14. It was necessary to apply a NOK 88 million write-down due to the permanent impairment of value in this portfolio as at 31.12.13. No further writedowns has been made in 2014.

<i>(Amounts in NOK million)</i>	01.07.08	31.12.10	31.12.11	31.12.12	31.12.13	30.06.14
Hold until maturity						
Book value	3 109	1 624	858	355	111	105
Nominal value (nominal amount)	3 182	1 644	869	366	115	108
Theoretical market value	3 109	1 615	842	355	114	108
Loans and claims						
Book value	698	464	262	142	75	31
Nominal value (nominal amount)	737	489	279	156	90	31
Theoretical market value	698	443	250	134	74	29
Total book value	3 807	2 088	1 120	497	186	136

Note 12 - Financial derivatives

Parent Bank and Group

(Amounts in NOK million)

Interest rate swaps:

Commitments to exchange one set of cash flow for another over an agreed period.

Foreign exchange derivatives:

Agreements to buy or sell a fixed amount of currency at an agreed future date at a rate of exchange which has been agreed in advance

Currency swaps:

Agreements relating to the swapping of currency- and interest rate terms and conditions, periods and amounts having been agreed in advance.

Interest rate- and currency swap agreements:

Agreements involving the swapping of currency- and interest rate terms and conditions, periods and amounts having been agreed in advance.

Options:

Agreements where the seller gives the buyer a right, but not an obligation to either sell or buy a financial instrument or currency at an agreed date or before, and at an agreed amount.

SpareBank 1 Nord-Norge enters into hedging contracts with respected Norwegian and foreign banks in order to reduce its own risk. Financial derivatives transactions are related to ordinary banking operations and are done in order to reduce the risk relating to the Bank's funding loans from the financial markets, and in order to cover and reduce risk relating to customer-related activities. Only hedging transactions relating to the Bank's funding loan operations are defined as 'fair value hedging' in accordance with IFRS standard IAS 39. Other hedging transactions are defined as ordinary accounts-related hedging. The Bank does not use cash flow hedging.

	30.06.14	30.06.13	31.12.13
Fair value hedging transactions			
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value	63	64	- 27
Total gain from hedging objects relating to the hedged risk	- 66	- 64	29
Total fair value hedging transactions	- 3		2

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

(Amounts in NOK million)

Fair value through statement of comprehensive income	30.06.14 Fair value			30.06.13 Fair value			31.12.13 Fair value		
	Contract	Assets	Liabilities	Contract	Assets	Liabilities	Contract	Assets	Liabilities
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)	2 304	31	20	3 029	58	30	2 303	38	31
Currency swaps	9 412	251	74	6 420	184	88	9 756	285	96
Currency options									
Total non-standardised contracts	11 716	282	94	9 449	242	118	12 059	323	127
Standardised foreign currency contracts (futures)									
Total foreign currency instruments	11 716	282	94	9 449	242	118	12 059	323	127
Interest rate instruments									
Interest rate swaps (including cross currency)	25 955	490	786	25 287	393	564	25 356	418	595
Short-term interest rate swaps (FRA)									
Other interest rate contracts	442	3	3	665	2	2	9	1	
Total non-standardised contracts	26 397	493	789	25 952	395	566	25 365	419	595
Standardised interest rate contracts (futures)									
Total interest rate instruments	26 397	493	789	25 952	395	566	25 365	419	595
Hedging of funding loans									
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)									
Currency swaps									
Total, non-standardised contracts									
Standardised foreign currency contracts (futures)									
Total foreign currency instruments									
Interest rate instruments									
Interest rate swaps (including cross currency)	10 508	638	1	8 155	529	5	9 832	561	
Short-term interest rate swaps (FRA)									
Other interest rate contracts									
Total, non-standardised contracts	10 508	638	1	8 155	529	5	9 832	561	
Standardised interest rate contracts (futures)									
Total interest rate instruments	10 508	638	1	8 155	529	5	9 832	561	
Total interest rate instruments	36 905	1 131	790	34 107	924	571	35 197	980	595
Total foreign currency instruments	11 716	282	94	9 449	242	118	12 059	323	127
Total	48 621	1 413	884	43 556	1 166	689	47 256	1 303	722

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

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

At 30.06.14 the net figures were:

Category/counterpart	Gross amount	Offset amount	Net amount	Net amount to be posted at bankruptcy or default	Net credit exposure
<i>(Amounts in NOK million)</i>	A	B	C=A+B	D	E=C-D
Financial derivatives - assets	13 532	13 170	362	0	362
Financial derivatives - liabilities	21 028	20 552	476	0	476

Note 14 - Liquidity risk

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

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

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

Note 15 Pensions

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

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

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

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

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

Assumptions	2Q14	2Q13	1Q14
Discount rate	3,25 %	3,90 %	4,00 %
Expected return on pension assets	3,25 %	3,90 %	4,00 %
Future salary growth rate	3,50 %	2,50 %	2,00 %
Adjustment of NI basic amount (G)	3,50 %	3,25 %	3,50 %
Pension adjustment	0,60 %	0,20 %	0,60 %
Employer's NI liability	14,10 %	6,00 %	6,00 %
Employer's NI cost	14,10 %	6,00 %	6,00 %
Voluntary leaving over 50 years old	0,00 %	0,00 %	0,00 %
Voluntary leaving up to 50 years old	2,00 %	2,00 %	2,00 %
Expected statutory early retirement per	60,00 %	60,00 %	60,00 %
Mortality, marriage probability, etc.	K2013BE IR2003	K2005 IR2003	K2013BE IR2003

Group

Amounts in NOK million

	30.06.14	30.06.13	31.12.13
Net pension liabilities in the balance sheet			
Present value of future pension liabilities	788	660	671
Estimated value of pension assets	851	750	808
Net pension liabilities in fund-based plans	-63	-90	-137
Unrecognised estimate deviations (possible actuarial gains and losses)	0	0	0
Employer's NI contributions	1	1	1
Net pension liabilities/assets in the balance sheet	- 62	- 89	- 136
Pension costs for the period	2.kv.14	2.kv.13	2013
Accrued defined benefit-based pensions	6	8	14
Interest costs on pension liabilities	13	12	25
Expected return on pension assets	-16	-14	-29
Estimate deviations recognised in the period			
Effect of changed pension plan			
Net defined benefit-based pension costs without employer's NI contributions	3	6	10
Accrued employer's NI contributions	1	1	2
Net defined benefit-based pension costs recognised through profit or loss	4	7	12
Curtailment/settlement			
Other pension costs	13	10	18
Total pension costs including employer's NI Insurance contribution	17	17	30
Movement in net pension liabilities from benefit-based plan recognised in balance sheet	30.06.14	30.06.13	31.12.13
Net pension liabilities in the balance sheet as of 01.01	-136	-89	-89
Correction against equity OB	-22		
Correction against equity CB	114		-23
Net defined benefit-based pension costs recognised through profit or loss	4	4	12
Curtailment/settlement			
Paid directly from operations	-2	-1	-6
Receipts - pension premiums defined benefit-based plans	-20	-11	-30
Net pension liabilities/assets in the balance sheet	-62	-97	-136
Other pension liabilities (early retirement pensions)	48	44	50
Net total pension liabilities	-14	-53	-86

Note 16 Classification of financial instruments stated at fair value

Financial instruments at fair value are classified at different levels:

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

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

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

Group

<i>(Amounts in NOK million)</i>	Level 1	Level 2	Level 3	Total
Assets 30.06.14				
Loans to and receivables from customers at fair value (fixed-rate loans)			6 981	6 981
Shares	81	378	135	594
Bonds	3 248	6 967		10 215
Financial derivatives		1 413		1 413
Total assets	3 329	8 758	7 116	19 203

Liabilities as of 30.06.14

Financial derivatives		884		884
Total liabilities		884		884

Assets 30.06.13

Loans to and receivables from customers at fair value (fixed-rate loans)			7 772	7 772
Shares	77		339	416
Bonds	4 891	5 710	30	10 631
Financial derivatives		1 170		1 170
Total assets	4 968	6 880	8 141	19 989

Liabilities as of 30.06.13

Financial derivatives		689		689
Total liabilities	0	689	0	689

Changes in instruments at fair value, level 3:

<i>(Amounts in NOK million)</i>	Fixed-rate loans	Shares	Bonds	Financial derivatives	Financial liabilities Financial derivatives
Carrying amount as of 30.06.13	7 772	339	30	0	0
Net gains on financial instruments	- 21	21			
Additions/acquisitions	586	2			
Disposals	-1 356		- 30		
Transferred from level 1 or level 2		- 227			
Carrying amount as of 30.06.14	6 981	135	0	0	0

Note 17 - Subsidiaries
(Amounts in NOK 1 000)

	Share of Eq.%	Profit from ordinary operations before tax			Equity		
		30.06.14	30.06.13	31.12.13	30.06.14	30.06.13	31.12.13
SpareBank 1 Finans Nord-Norge AS	100	58 645	44 986	98 739	480 793	354 871	509 071
SpareBank 1 Nord-Norge Portefølje AS	100	33 155	-21 653	-29 776	65 122	16 506	17 226
Eiendomsdrift AS	0	0	0	0	0	0	0
EiendomsMegler 1 Nord-Norge AS	100	9 087	13 254	15 356	33 287	34 231	37 521
SpareBank 1 Nord-Norge Forvaltning ASA	100	1 243	860	2 395	6 590	6 300	7 405
SpareBank 1 Regnskapshuset Nord-Norge AS	100	6 579	6 685	-1 414	16 570	17 672	12 115
North-West 1 Alliance Bank	75	-2 668	383	1 586	60 846	63 658	65 805
EiendomsMegler 1 Lofoten AS (owned by EM1 60%)	60	- 41	134	- 52	885	1 051	917
Nord-Norge Eiendom IV AS	100	574	0	0	-2 500	0	0
Alsgården AS	100	901	0	- 3	9 601	0	0
Fr. Langes gate 20 AS	100	539	0	0	5 285	0	0
Total		108 014	44 650	86 832	676 479	494 289	650 060

Note 18 - Other assets
(Amounts in NOK million)

Parent Bank				Group		
31.12.13	30.06.13	30.06.14		30.06.14	30.06.13	31.12.13
18	8	20	Repossessed assets	20	8	18
333	409	402	Accrued income	440	451	363
197	170	216	Prepayments	221	180	208
560	462	451	Other assets	524	503	593
1 108	1 049	1 089	Total other assets	1 205	1 142	1 182

Note 19 - Other liabilities

31.12.13	30.06.13	30.06.14		30.06.14	30.06.13	31.12.13
425	840	1 037	Costs incurred	1 173	963	569
0	0	0	Provisioning against incurred liabilities and costs	12	11	3
455	623	285	Other liabilities	355	622	486
880	1 463	1 322	Total other liabilities	1 540	1 596	1 058

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

Parent Bank				Group		
31.12.13	30.06.13	30.06.14		30.06.14	30.06.13	31.12.13
39	31	29	Mining and quarrying	29	31	39
1 164	805	1 096	Construction	1 096	805	1 164
2	3	8	Building of ships and boats	8	3	1
754	781	865	Electricity, gas, steam an air conditioning supply	865	781	754
1 182	1 057	1 262	Professional, scientific and technical activities	1 260	1 057	1 182
0	0	0	Financial and insurance activities	0	0	0
735	707	717	Fishing	717	707	735
18	21	38	Marine aquaculture	38	21	18
353	412	389	Other business support activities	389	412	353
407	353	392	Activities auxiliary to financial services and insurance activities	381	364	400
5 169	6 843	6 499	County municipalities and municipalities	6 499	6 843	5 169
397	439	406	Manufacturing	406	439	397
281	271	242	Information and communication	242	271	281
360	402	417	Crop and animal production	417	402	360
13	27	26	Foreign industrial	77	47	48
1 592	1 550	1 764	Real estate activities	1 758	1 550	1 584
237	243	244	Accommodation and food service activities	244	243	237
13	11	13	Forestry and logging	13	11	13
2 409	2 102	311	Central government and social security funds	311	2 102	2 409
0	0	0	Support activities for petroleum and natural gas extraction	0	0	0
2 205	2 289	2 441	Other service industries	2 441	2 289	2 205
757	744	805	Transportation and storage	805	744	757
35	18	21	International shipping and pipeline transport	21	18	35
167	165	204	Development of building projects	204	165	167
450	450	454	Extraction of crude oil and natural gas	454	450	450
0	0	0	Unspecified	0	0	0
197	177	165	Water supply; sewerage, waste management and remediation activities	165	177	197
1 237	1 108	1 154	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 154	1 108	1 237
24 383	24 630	26 573	Retail banking market - domestic	26 573	24 630	24 383
333	327	356	Retail banking market - international	382	336	365
24 716	24 957	26 929	Total retail market	26 955	24 966	24 748
12 595	12 064	13 152	Total public market	13 184	12 095	12 614
7 578	8 945	6 810	Total government	6 810	8 945	7 578
44 889	45 966	46 891	Total deposits	46 949	46 006	44 940

Note 21 - Securities issued and subordinated loan capital

Parent Bank and Group

(Amounts in NOK million)

Securities issued

	31.12.13	30.06.13	30.06.14
Certificates and other short-term borrowings			
Bond debt	16 336	15 497	18 481
Total debt securities in issue	16 336	15 497	18 481

	Statement of financial position 31.12.13	Issued 30.06.14	Matured/ redeemed 30.06.14	Exchange rate movements 30.06.14	Other adjustments 30.06.14	Statement of financial position 30.06.14
Changes in securities issued						
Certificates and other short-term borrowings						
Bond debt	16 336	2 670	- 547	39	- 17	18 481
Total debt securities issued	16 336	2 670	- 547	39	- 17	18 481

Subordinated loan capital and hybrid Tier 1 instruments

	31.12.13	30.06.13	30.06.14
Hybrid Tier 1 instruments			
2033 6 mnd Nibor + 2,30 (USD 60 mill.) (Call opsj 2013)			
2099 3 mnd Nibor + 4,75 (Call opsjon 2017)	500	500	500
Hybrid Tier 1 instruments - foreign currency			
Total hybrid Tier 1 instruments	500	500	500
Subordinated loan capital			
Subordinated loan capital with definite maturities	950	1 148	1 115
Total subordinated loan capital	950	1 148	1 115
Total subordinated loan capital and hybrid Tier 1 instruments	1 450	1 648	1 615

	Statement of financial position 31.12.13	Issued 30.06.14	Matured/ redeemed 30.06.14	Exchange rate movements 30.06.14	Other adjustments 30.06.14	Statement of financial position 30.06.14
Changes in subordinated loan capital and hybrid Tier 1 instruments						
Subordinated loan capital with definite maturities	950	350	- 185			1 115
Hybrid Tier 1 instruments	500					500
Total subordinated loan capital and hybrid Tier 1 instruments	1 450	350	- 185			1 615

Note 22 - Equity Certificates (ECs)

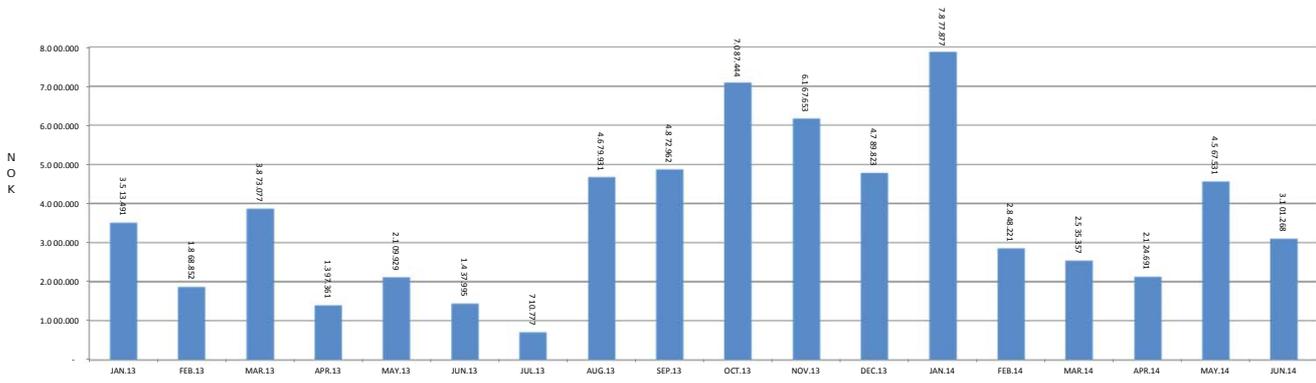
The 20 largest EC holders as at 30.06.14

EC Holders	Number of ECs	Share of EC Capital
Pareto Aksje Norge	5 230 172	5.21%
Mp Pensjon Pk	2 720 503	2.71%
Citibank, N.A.	2 400 518	2.39%
Flps - Princ All Sec Stock Sub	2 142 947	2.13%
Pareto Aktiv	2 131 069	2.12%
State Street Bank And Trust Co.	1 808 092	1.80%
Verdipapirfondet Dnb Norge (IV)	1 739 238	1.73%
Morgan Stanley & Co Llc	1 641 909	1.64%
Wimoh Invest As	1 614 670	1.61%
J.P. Morgan Chase Bank N.A. London	1 528 821	1.52%
Sparebankstiftelsen Sparebank 1 Nord-Norge	1 411 606	1.41%
Forsvarets Personellservice	1 189 030	1.18%
Arctic Funds Plc	1 124 907	1.12%
Tonsenhagen Forretningssentrum 2 AS	1 111 269	1.11%
Sparebankstiftelsen Helgeland	1 030 000	1.03%
Vpf Pareto Verdi	1 013 932	1.01%
Larre Eiendom 2 AS	873 623	0.87%
Sparebankstiftelsen Dnb	840 306	0.84%
As Atlantis Vest	806 114	0.80%
Consept Eiendom AS	738 306	0.74%
TOTAL	33 097 032	32.97%

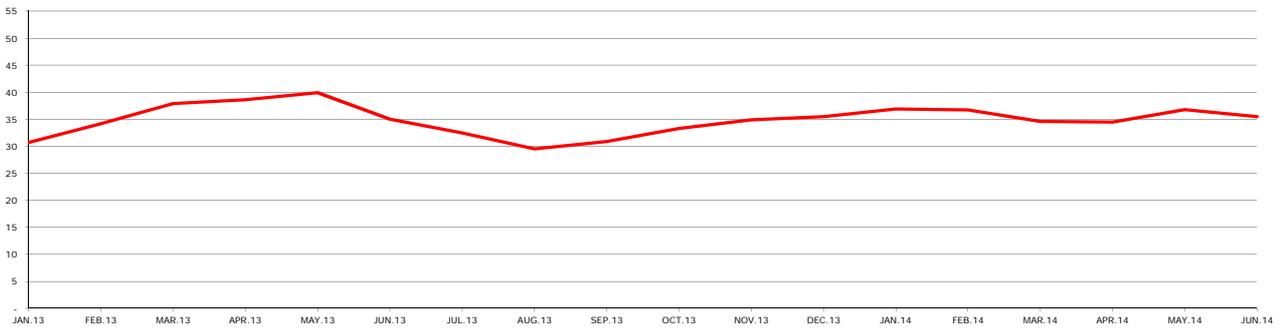
Dividend policy

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

Trading statistics



Price trend NONG



Note 23 - Events occurring after the end of the quarter

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

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

The Board of Directors and Chief Executive Officer have today discussed and approved the accounts and the abridged consolidated half-year report and accounts for SpareBank 1 Nord-Norge as at 30 June 2014, including abridged consolidated comparative figures as at 30 June 2013 and for the year of 2013.

According to our full and firm conviction, the half-year report and accounts have been prepared in compliance with the requirements contained in IAS approved by the EU, and in compliance with Norwegian supplementary requirements forming part of the Securities Trading Act.

According to our full and firm conviction, the 2014 half-year report and accounts have been prepared in compliance with currently valid accounting standards, and the information provided in the report and accounts gives a true and correct picture of the Group's assets, liabilities and financial position and result as a whole as at 30 June 2014 and 30 June 2013. Furthermore, according to our full and firm conviction, the half-year report and accounts provide a true and correct

- overview of important events during the accounting period in question and their impact on the half-year report and accounts
- description of the most central risk- and uncertainty factors facing the operations during the next accounting period
- a description of close individuals' significant transactions

Tromsø, 12 August 2014

The main Board of Directors of SpareBank 1 Nord-Norge

Kjell Olav Pettersen

Paal A. Pedersen

Sonja Djonne

Hans Tore Bjerkås

Anita Persen

Greger Mannsverk

Ingvild Myhre

Vivi Ann Pedersen

Jan-Frode Janson
(Chief Executive Officer)