

Quarterly Report



Financial statement Q1 2016

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Key figures Group

<i>Amounts in NOK million and in % of average assets</i>		31.03.16	%	31.03.15	%	31.12.15	%
From the profit and loss account							
Net interest income		386	1.77 %	369	1.79 %	1 512	1.80
Net fee-, commission and other operating income		213	0.98 %	239	1.16 %	933	1.11
Net income from financial investments		80	0.37 %	118	0.57 %	249	0.30
Total income		679	3.12 %	726	3.51 %	2 694	3.21
Total costs		311	1.43 %	338	1.64 %	1 461	1.74
Result before losses		368	1.69 %	388	1.88 %	1 233	1.47
Losses		24	0.11 %	32	0.15 %	200	0.24
Result before tax		344	1.58 %	356	1.72 %	1 033	1.23
Tax		69	0.32 %	66	0.32 %	163	0.19
Result non-current assets held for sale		0	0.00 %	0	0.00 %	5	0.01
Minority interests		0	0.00 %	- 2	-0.01 %	- 7	-0.01
Result after tax		275	1.26 %	292	1.41 %	872	1.04
Profitability							
Return on equity capital	1	11.0 %		12.5 %		9.1 %	
Interest margin	2	1.77 %		1.79 %		1.80 %	
Cost/income	3	45.8 %		46.6 %		54.2 %	
Balance sheet figures and liquidity							
Gross lending		65 357		61 060		64 053	
Gross lending and advances to customers incl SpareBank 1 Boligkreditt and Næringskreditt		89 868		85 411		88 403	
Growth in loans and advances to customers past 12 months		7.0 %		5.9 %		4.6 %	
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt past 12 months		5.2 %		4.8 %		4.0 %	
Share total lending transferred to Sp1 Boligkreditt of total retail loans		37.8 %		39.9 %		38.1 %	
Share total lending transferred to Sp1 Boligkreditt of total loans		27.3 %		28.2 %		27.5 %	
Deposits from customers		50 523		46 211		48 087	
Growth in deposits from customers past 12 months		9.0 %		5.8 %		5.1 %	
Deposits as a percentage of gross lending	4	77.3 %		75.9 %		75.1 %	
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt		56.2 %		54.3 %		54.4 %	
Average assets	5	87 046		82 658		84 039	
Total assets		88 688		82 128		85 403	
Leverage Ratio		6.0 %		6.0 %		6.1 %	
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 %		0.15 %		0.22 %	
Commitments in default as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt		0.28 %		0.39 %		0.30 %	
Commitments at risk of loss as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt		0.20 %		0.25 %		0.27 %	
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt		0.36 %		0.41 %		0.39 %	
Loan loss provision ratio		25.91 %		35.14 %		32.82 %	
Solidity							
Total regulatory Capital %	6	16.9 %		16.1 %		17.2 %	
Tier I Capital %	7	14.9 %		14.0 %		15.1 %	
Common Equity Tier I - incl share of period result		13.8 %		13.1 %		13.9 %	
Tier I capital		9 130		7 741		8 439	
Equity and related capital resources		10 411		9 610		10 358	
Adjusted risk-weighted assets base		61 425		59 722		60 328	
Liquidity Coverage Ratio (LCR)		120		163		95	
Branches and full-time employees							
Branches		62		66		62	
Manyyears		764		918		830	

Key figures ECC

	2009	2010	2011	2012	2013	2014	2015	1Q16 *
Quoted/market price as at 31.12 (adjusted) 1)	34.62	37.76	28.90	24.70	35.50	39.90	36.20	37.50
Number of Equity Certificates (EC) issued (mill) (2)	56.92	56.92	74.00	74.40	100.40	100.40	100.40	100.40
Quoted/market price EC issued (mill) (3)	1 970	2 149	2 139	1 837	3 564	4 006	3 634	3 765
Quoted/market price total equity (4)	5 704	6 223	5 083	4 418	7 530	8 464	7 840	8 121
Allocatde dividend per EC (5)	2.12	1.81	1.25	1.02	1.10	1.90	2.00	0.00
Paid-out dividend per EC	0.94	2.12	5.14	1.25	1.15	1.10	1.90	1.90
Direct return (6)	6.1 %	4.8 %	4.3 %	4.1 %	3.1 %	4.8 %	5.5 %	0.0 %
Return efficiency (7)	156.8 %	15.2 %	-9.8 %	-10.2 %	48.4 %	15.5 %	-4.5 %	-1.3 %
Total equity capital Parent bank	4 247	4 547	5 264	5 589	7 200	7 735	8 198	8 210
Total equity capital Group, NOK mill	5 160	5 670	6 408	6 832	8 502	9 343	9 961	10 078
Equity capital per EC Parent bank (8)	31.09	34.59	29.93	31.24	33.94	36.46	37.86	37.91
Equity capital per EC Group (9)	31.31	34.41	36.43	38.19	40.08	44.05	46.00	46.54
Result per EC Parent bank (10)	5.41	4.93	2.28	2.91	3.91	3.50	3.44	1.27
Result per EC Group (11)	5.21	4.95	2.75	3.36	4.13	5.16	4.11	1.27
P/E (Price/Earnings per certificate Group)(12)	6.64	7.63	10.51	7.34	8.59	7.73	8.81	7.38
P/V (Price/Book Value per certificate Group)(13)	1.11	1.10	0.79	0.65	0.89	0.91	0.79	0.81
Pay-out ratio Group (14)	39.29 %	36.69 %	54.88 %	35.14 %	26.62 %	36.81 %	48.65 %	0.00 %
EC ratio overall as at 31.12 (15)	34.54 %	34.54 %	42.07 %	41.59 %	47.33 %	47.33 %	46.36 %	46.36 %
EC ratio overall as at 01.01 used for allocaton of result	34.54 %	34.54 %	38.74 %	42.07 %	42.91 %	47.33 %	47.33 %	46.36 %

Comments/definitions:

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

Interim report for the first quarter of 2016 – Group

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

Highlights:

- Profit before tax: NOK 344 million (NOK 356 million)
- Profit after tax: NOK 275 million (NOK 290 million)
- Return on equity after tax: 11.0% (12.5%).
 - Earnings per equity certificate: NOK 1.27 (NOK 1.38).
- Continued good underlying banking operations.
- Net income from financial assets of NOK 80 million (NOK 118 million)
- Cost/income ratio: 45.8% (46.6%). Reduced costs compared with the first and fourth quarters of 2015 (adjusted for restructuring costs in 2015). Further effects from costs measures are anticipated.
- Profitability improving measures are being implemented.
- Loan losses: NOK 24 million (NOK 32 million).
- Lending growth in the last 12 months: 5.2% (4.4%), inclusive of intermediary loans.
 - Retail market: 7.6% (5.5%).
 - Corporate market: -0.6% (1.9%).
 - Annualised lending growth of 6.8% in the first quarter seen in isolation: retail market 6.0%, corporate market 9.6% (primarily SME).
- Growth in deposits in last 12 months: 9.0% (5.9%).
 - Retail market: 6.0% (8.2%).
 - Corporate market: -1.5% (5.9%).
 - Public sector market: 49.9% (-4.3%).
- Deposit coverage ratio: 77.3% (75.7%).
- Common equity tier 1 capital ratio, Group: 13.8% (13.1%).
- Satisfactory access to liquidity despite a tighter funding market.

Macroeconomic trends

The Norwegian economy is expected to slow down in 2015 due to low oil prices and the consequent lower level of oil investments. The estimates for Mainland Norway's GDP growth are around 0.5% for 2016. In March 2016, Norges Bank lowered the base rate to 0.50% because the outlook for the Norwegian economy had weakened. Monetary policy is expansive in order to support the restructuring in the Norwegian business sector. Norges Bank announced that the base rate could be lowered further during the year and would not rule out a negative base rate.

The northern Norwegian economy is still showing few signs of weakening. According to the regional network's report to Norges Bank from March 2016, growth in Northern Norway is expected to remain stronger than in the rest of the country. The network expects fairly strong growth (3%) in production in Region North in the next 6 months compared with no growth for the country as a whole. The unemployment rate is stable and low; as of March, 2.6% were registered as totally unemployed in the region. The housing market is still performing well, but the rise in house prices has gradually flattened out. The number of new house starts in Northern Norway in 2015 was the highest recorded.

The north continues to grow because the weak Norwegian kroner has strengthened export industries and because the region is less dependent on the oil sector. The value of seafood exports increased by 25% in the first quarter of 2016 compared with the corresponding period last year. The impact of the weak Norwegian kroner has also been positive for the energy-intensive industries. Tourism in the region saw a more than 30% increase in foreign overnight guests in the winter season. Sales and orders on hand in building and construction have increased due to the high level of investment in housing and facilities.

Deliveries to the oil sector by northern Norwegian companies reached NOK 5.6 billion in 2014. The level of deliveries was somewhat lower in 2015. With the commissioning of Goliat and then Aasta Hansteen and Polarled, demand in the oil sector is expected to increase in the coming years.

Northern Norwegian household finances are solid. Lasting low unemployment and lower interest rates have resulted in good growth in personal savings. The growth in consumer spending was also high. Turnover in the wholesale and retail trade increased by 3% in 2015. Companies in the wholesale and retail trade expect moderate growth in the next 6 months.

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

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

Financial performance

The financial statements for the first quarter of 2016 show an operating profit before tax of NOK 344 million (NOK 356 million). Underlying banking operations before losses remain good with a profit of NOK 288 million, compared with NOK 270 million for the same period last year.

The Group's return on equity after tax as of 31 March 2016 was 11.0% (12.5%). Its earnings per equity certificate were NOK 1.27 (NOK 1.38).

Net interest income

Net interest income as of 31 March 2016 was NOK 386 million (NOK 369 million).

Net interest income represented 1.77% (1.79%) of average total assets.

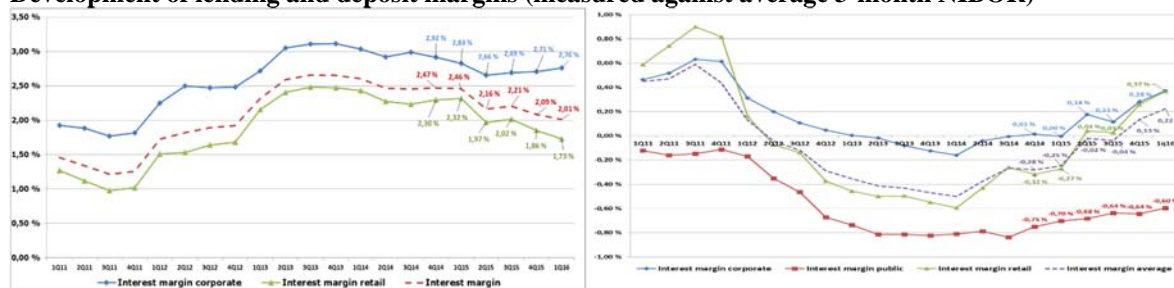
Income from the loan portfolio transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is recognised as commissions. Commissions totalled NOK 48 million at the end of the first quarter of 2016. The corresponding figure for the same period in 2015 was NOK 77 million. Net interest income including the above commissions shows a decrease of NOK 13 million compared with the first quarter of 2015.

At the end of the first quarter of 2016, home mortgages worth NOK 24 billion (NOK 24 billion) had been transferred to SpareBank 1 Boligkreditt. As of 31 March 2016, no loans have been transferred to SpareBank 1 Næringskreditt (NOK 0 million).

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

<i>Figures in NOK millions</i>	Q1 2016	change	Q4 2015
Net interest income incl. commissions from intermediary loans	434	-13	447
Lending and deposit volume		+2	
Lending and deposit margins		-1	
Effect of 2 fewer days		-4	
Other effects		-10	

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



The Bank lowered its deposit and lending rates a number of times in 2015 because of the competition situation in the market, reductions in the base rate and reductions in money market rates. On 17 March 2016, Norges Bank reduced the base rate by a further 0.25 percentage points to 0.50%. Based on this, and continued strong competition in the market, the Bank decided to reduce its deposit and lending rates with effect from the end of May/beginning

of June. The net effect on the result of this change in customer rates for loans and deposits has, in isolation, been calculated as being almost neutral. However, the net interest margin and net interest income in the retail market are also being affected by general price pressure, especially in the home mortgage market. The Bank increased lending margins in the corporate market in the first quarter of 2016.

The low interest rates in the money markets are expected to persist, which in the short term will in turn result in lower borrowing costs for the banks.

Compared with the fourth quarter of 2015, the Bank's average borrowing costs in the capital market in the first quarter were relatively stable. Assuming stable conditions in the capital market, the Bank's average borrowing costs are expected to fall slightly in 2016 and 2017.

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

IFRIC interpretation 21 – recognising a liability for a levy

SpareBank 1 Nord-Norge implemented the interpretation rules concerning levies in IFRIC 21 (International Financial Reporting Interpretations) with effect from 1 January 2015. The interpretation covers the recognition of liabilities linked to levy payments. As described in note 1 Accounting Policies in the interim financial statements, there has been some debate following the introduction of the standard about whether the levy for the Norwegian Banks Guarantee Fund should be recognised in its entirety in the first quarter of 2016, or whether it should be recognised on the basis of accrual over the financial year. Pending final clarification of this, SpareBank 1 Nord-Norge has in the first quarter of 2016 continued its previous practice of recognising the levy on a monthly accrual basis. NOK 9.5 million was recognised as a cost in the first quarter of 2016 (NOK 8.1 million).

Net commissions and other operating income

Net commissions and other operating income totalled NOK 213 million as of the first quarter of 2016 (NOK 239 million).

<i>Figures in NOK millions</i>	Q1 2016	Change	Q1 2015
Net commissions and other operating income	213	-26	239
Change in commissions from SpareBank 1 Boligkreditt.	48	-29	77
Change in other commissions and other operating income	165	+3	162

Income from financial investments

Total net income from financial investments as of the first quarter of 2016 amounted to NOK 80 million (NOK 118 million).

This has developed as follows:

<i>Figures in NOK millions</i>	Q1 2016	Change	Q1 2015
Net income from financial investments	80	-38	118
Result from SpareBank 1 Gruppen	55	-4	59
Result from SpareBank 1 Boligkreditt	15	-19	34
Result from BN Bank	14	-1	13
Result from SpareBank 1 Næringskreditt	5	0	5
Result from SpareBank 1 Kredittkort	6	2	4
Result from SpareBank 1 Markets		3	-3
Result from SpareBank 1 Mobilbank	-8	-8	0
Share dividends	0	0	0
Net change in value of equities	-14	-19	5
Net change in value of bonds, currency and financial derivatives	6	3	3
Net change in value of loans at fair value, incl. hedging	1	3	-2

The net change in value of the bond portfolio was significantly affected in the second half of 2015 by a negative change in the value of bonds classified, and valued from an accounting perspective, at fair value (market value). This was due to the sharp widening of the risk premium (credit spreads) in the market. The quality of the underlying portfolio suggests that the Bank can be fairly certain that the write-downs in the bond portfolio will not be realised. As of the first quarter of 2016, there was no net change in value.

Profit contributions from joint ventures

SpareBank 1 Gruppen

SpareBank 1 Gruppen's profit after tax as of the first quarter of 2016 totalled NOK 284 million (NOK 303 million). The SpareBank 1 Nord-Norge Group's 19.5% share of the result, amounting to NOK 55 million (NOK 59 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. The profit before tax in the life insurance company improved due to an improvement in both the risk and administration result, as well as better financial returns in the company portfolio. The result in the P&C insurance company was weaker than in the first quarter of 2015 due to lower net financial income, despite the improvement in the insurance result due to lower compensation payouts for natural disasters. In addition to this, one-off profit effects was recognised in the financial statements for the first quarter of 2015. A weaker net profit after tax for SpareBank 1 Gruppen overall compared with last year was due to the aforementioned result from the P&C insurance company, and higher tax costs.

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

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

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

The Bank currently owns a 14.45% stake in SpareBank 1 Boligkreditt and the share of its profit as of the first quarter of 2016 was NOK 15 million (NOK 34 million).

SpareBank 1 Nord-Norge's stake in SpareBank 1 Næringskreditt is 20.83%, and the share of its profit as of the first quarter of 2016 was NOK 5 million (NOK 5 million).

BN Bank

SpareBank 1 Nord-Norge had a 23.5% stake in BN Bank as of 1 January 2016. The share of profit as of the first quarter of 2016 amounted to NOK 14 million (NOK 13 million).

Other companies

In addition to the above companies, the 17.8% stake in SpareBank 1 Kredittkort and share of the profit for the first quarter of 2016 of NOK 6 million (NOK 4 million) have also been incorporated. A 19.7% share of the result from the company SpareBank 1 Mobilbank, NOK -8.5 million, has also been incorporated. In 2015, a 27.0% share of the result from SpareBank 1 Markets, NOK -4 million, was incorporated in the result. As of 30 September 2015, this holding was reclassified from 'investments in associated companies and joint ventures' to 'shares stated at fair value' following after the restructuring of SpareBank 1 Markets. SpareBank 1 Nord-Norge's stake in SpareBank 1 Markets was 9.99% as of 31 March 2016.

In the fourth quarter of 2015, SpareBank 1 Nord-Norge and the other owner banks in the SpareBank 1 Alliance agreed to transfer their stakes in Bank 1 Oslo to Sparebanken Hedmark. The transaction is expected to be completed in the second quarter of 2016.

The Group's equities portfolio

The Group's equities portfolio as of 31 March 2016 amounted to NOK 564 million (NOK 457 million). Net losses/decreases in value of NOK -14 million were recognised as costs in this portfolio in the first quarter of 2016 (NOK +5 million). This came from a negative change in value in the Bank's portfolio amounting to NOK -12 million (NOK +10 million), while the subsidiary SpareBank 1 Nord-Norge Portefølje experienced a negative change in value amounting to (NOK -2 million) (NOK -5 million) in the Nord II equity fund.

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. The transaction will, if it is completed, significantly increase the book value of VN's equity. The sale of the shares will, if the agreement's conditions for completion are met, actually not take place before the third quarter of 2016. The settlement for the sale will be made to VE, which will distribute it to its members based on a combination of charges paid in the last 2 years and the next 3 years' business agreements. The proceeds will in turn be further distributed by VN to the Norwegian members, based on the same criteria, including SpareBank 1 Nord-Norge. Since the agreement has not been completed, no precise figure has been put on what the final amount will be. Nonetheless, an estimate of the settlement as of 31 December 2015 arrived at a figure of NOK 80 million for SpareBank 1 Nord-Norge's share of the sale. As of 31 December 2015, this has been recognised in the equities portfolio on the balance sheet as shares available for sale, as well as recognised in the result as an item in other comprehensive income (OCI) and added to equity. Upon completion of the transaction, the final amount received will be recognised as income, although without effect on the equity for the NOK 80 million that was recognised in 2015. No changes had been made to this estimate as per 31 March 2016.

Certificates, bonds, currency and derivatives

As of 31 March 2016, the Group's holdings of certificates and bonds amounted to NOK 13,108 million (NOK 11,097 million). The portfolio of certificates and bonds has increased by NOK 1.9 billion in the first quarter of 2016 due to temporarily high liquidity holdings. Please also see the comments under the section financial strength and capital adequacy.

The total net change in value in the first quarter of 2016 in this portfolio amounted to NOK 0 million (NOK -24 million).

Subsidiaries

<i>(Amounts in whole NOK 1,000s)</i>		Profit before tax	
	Stake in %	31 March 2016	31 March 2015
SpareBank 1 Finans Nord-Norge AS	100	33,386	29,506
SpareBank 1 Nord-Norge Portefølje AS	100	-3,322	-5,914
EiendomsMegler 1 Nord-Norge AS	100	1,685	4,917
SpareBank 1 Forvaltning AS	100	601	682
SpareBank 1 Regnskapshuset AS	100	3,622	3,359
Nord-Norge Eiendom IV AS	100	-324	-222
Alsgården AS	100	-922	141
Fredrik Langesgt 20 AS	100	284	488

The Group's subsidiaries had a combined profit before tax as of the first quarter of 2016 of NOK 35 million (NOK 25 million), which has been fully consolidated in the consolidated financial statements.

SpareBank 1 Finans Nord-Norge's profit before tax as of the first quarter of 2016 was NOK 33 million (NOK 29 million). The company has a good earnings base and total earnings for the year-to-date amounted to NOK 68 million (NOK 66 million). Losses on leasing and loan commitments as of the end of the first quarter of 2016 amounted to NOK 2 million (NOK 2 million). As of the end of the quarter, the company managed leasing, consumer loan and vendor's security agreements with a total value of NOK 4,542 million (NOK 4,021 million), of which leasing agreements represented NOK 2,439 million (NOK 2,206 million).

SpareBank 1 Nord-Norge Portefølje has a portfolio of unlisted equities and investments in funds. The company's result before tax as of the first quarter of 2016 was NOK -3 million (NOK -6 million). The changes in value of the company's equities portfolio are commented on above in the section "The Group's equities portfolio".

EiendomsMegler 1 Nord-Norge had a profit before tax as of the first quarter of 2016 of NOK 1.7 million (NOK 4.9 million). The number of units sold so far in 2016 is 608 (587), with a total sales value of NOK 31 million (NOK 31 million). In the fourth quarter of 2015, the company EiendomsMegler 1 Lofoten AS was merged with retrospective effect from 1 January 2015.

SpareBank 1 Nord-Norge Forvaltning's profit before tax as of the first quarter of 2016 was NOK 0.6 million (NOK 0.6 million).

SpareBank 1 Regnskapshuset Nord-Norge AS's profit contribution before tax as of the first quarter of 2016 was NOK 3.6 million (NOK 3.4 million).

Operating costs

In response to increased digitalisation 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 changes result in over-staffing. Staff were offered voluntary severance packages in the fourth quarter of 2015 and about 150 employees said yes to the offer. Around 80 of these left the Bank on 31 December 2015. Compared with the number of full-time equivalents at the start of 2015, a net percentage-wise reduction in the number of full-time equivalents in the parent bank of up to 15 per cent is expected by year-end 2016.

A total of NOK 150 was set aside for future restructuring costs as of 31 December 2015. No further provisions have been made for this purpose in 2016.

The Group has changed its target for average annual cost increases from a maximum of 1 per cent to a maximum of 0 per cent, exclusive of restructuring costs and any business expansions.

Exclusive of the provisions for restructuring costs in the fourth quarter of 2015, costs in the first quarter of 2016 were NOK 20 million lower than in the final quarter of 2015.

Ordinary operating costs as of the first quarter of 2016 amounted to NOK 311 million (NOK 338 million). The changes in costs compared with the first quarter of 2015 were as follows:

<i>Figures in NOK millions</i>	Q1 2016	Change	Q1 2015
Operating costs	311	-27	338
Payroll costs	163	-26	189
Admin. Costs	93	+3	90
Depreciation	14	0	14
Other costs	41	-4	45

Further effects are expected from the cost measures and, compared with 2015; negative cost growth is expected in 2016 and 2017.

In relation to the average total assets, the costs amounted to 1.43% as of the first quarter of 2016 (1.64%).

The Group's cost/income ratio was 45.8% as of the first quarter of 2016, compared with 54.2% as of the fourth quarter of 2015 and 46.6% as of the first quarter of 2015.

The parent bank's costs amounted to NOK 243 million as of the first quarter of 2016 (NOK 268 million).

The Group had 764 full-time equivalents the end of the first quarter of 2016 (918). Of the reduction compared with 2015, 69 of these full-time equivalents were employees of the Bank's former subsidiary bank in Russia. The parent bank had 550 full-time equivalents the end of the first quarter of 2016 (636).

Net losses and commitments in default

The Group's net losses as of the first quarter of 2016 amounted to NOK 24 million (NOK 32 million): NOK 2 million from the retail market, NOK 1 million from the subsidiary SNN Finans, and NOK 21 million in group write-downs.

Net non-performing and doubtful commitments as of 31 March 2016 totalled NOK 326 million (NOK 358 million), which represents 0.3% of gross lending inclusive of intermediary loans (0.4%).

The Group's total individual loss write-downs as of 31 March 2016 were NOK 190 million (NOK 338 million), NOK 62 million (NOK 144 million) of which involved financial institutions. The provisions were reduced by a net NOK 55 million in the last quarter.

Group write-downs as per 31 March 2016 amounted to NOK 268 million (NOK 233 million) and have increased by NOK 21 million compared with the previous quarter. Group write-downs totalled 0.41% of the Group's total gross lending as of 31 March 2016 (0.38%), which represents 0.29% (0.27%) of gross lending including intermediary loans.

The exposure in Russia consists of loans to Tavrichesky Bank equivalent to around NOK 110 million. The process of recovering this claim has begun. The net exposure from this receivable in the consolidated financial statements after remaining provisions for losses amounted to NOK 48 million as of 31 March 2016.

No new commitments exposed to a significant risk of losses were uncovered in the first quarter of 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 still be a strong focus on this work going forward. The general level of losses is expected to be moderate to low for the immediate future.

IFRS 9 *Financial instruments*

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

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

Taxes

The Group's tax cost was estimated at NOK 69 million as of the first quarter of 2016 (NOK 66 million). In the parent bank's accounts, the basis for tax has been reduced by permanent differences coupled with effects of the exemption model.

Total assets

The Group's total assets amounted to NOK 88,688 million as of 31 March 2016 (NOK 82,128 million). Total assets have increased by 7.9%, or NOK 6,560 million, in the last 12 months.

Loans

As of 31 March 2016, loans totalling NOK 24 billion (NOK 24 billion) had been transferred to SpareBank 1 Boligkreditt. As of 31 March 2016, no loans (NOK 0 million) had been transferred to SpareBank 1 Næringskreditt. These loans do not appear as lending on the Bank's balance sheet. Comments regarding increases in lending include loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

The Group's gross lending to customers inclusive of intermediary loans totalled NOK 89,868 million as of 31 March 2016. Compared with 31 March 2015, this represents an increase of 5.2%. Retail loans grew by 7.6%, while corporate and public sector loans decreased by -0.6%. The growth in lending in the first quarter seen in isolation amounted to 1.7%: 1.5% in the retail market and 2.4% in the corporate market. On an annualised basis this represents lending growth in the first quarter of 6.0% and 9.6%, respectively. The growth in the corporate market was primarily in the SME (small and medium-sized enterprises) segment.

The percentage of lending to the retail market, inclusive of intermediary loans, accounts for 72% of the total lending as of 31 March 2016 (71%).

The Group's exposure in the oil and gas sector is low. Its total exposure as of 31 March 2016 was NOK 2,081 million, or 2.3% of gross lending (inclusive of intermediary loans). The Group's portfolio linked to oil-related activities decreased by NOK 115 million in the last quarter. In the Board's opinion, the risk in this part of the

portfolio is clear and manageable. Around 36% of the portfolio consists of commitments to supply bases with very long contracts with solid counterparts. 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 kroner amounted to NOK 7.5 billion as of 31 March 2016 (NOK 7.6 billion as of 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. Greater volatility must therefore be expected in the profit and loss statement due to the measurement of this part of the portfolio of loans. A net NOK 1 million in value changes were recognised in this portfolio in the first quarter of 2016. Please also refer to the more detailed description in note 16 to the interim financial statements.

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

Liquidity

Liquidity coverage ratio (LCR) is a very important key figure within the area of liquidity. LCR is formulated using the Basel III regulations and was implemented in Norwegian law through a new Regulation dated 25 November 2015. The LCR requirement means that an undertaking must at all times have liquidity reserves of at least 100%; in other words, that the holding of liquid assets must be at least equal to the net liquidity outflow in a given stress period of 30 calendar days. The undertakings can phase in the liquidity reserve requirement, with 70% from and including 31 December 2015, 80% from and including 31 December 2016, and 100% from and including 31 December 2017.

Deposits from customers are the Bank's main source of funding. At the end of the first quarter of 2016, the deposit coverage ratio (excluding intermediary loans) was 77% (76%). The Bank's remaining funding, apart from equity and subordinated capital and deposits from customers, is mainly long-term funding from the capital markets. The Bank's access to liquidity and the key figures for liquidity are satisfactory. The Bank's strategic aim is to keep liquidity risk at a low level. LCR as of 31 March 2016 was calculated to be 120% (163%).

The Group's deposits from customers, exclusive of accrued interest, totalled NOK 50,523 million as of 31 March 2016. The increase over the past 12 months was NOK 4,166 million, or 9.0%. The increase in deposits was 6.0% in the retail market and -1.5% in the corporate market. Deposits from the public sector grew by no less than 49.9%, primarily due to one new major customer in the sector. The calculations do not take account of the holding of Treasury bills.

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

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

Financial strength and capital adequacy

As of the end of the first quarter of 2016, the Group's tier 1 capital ratio was 14.9% (14.0%) and its total capital adequacy ratio was 16.7% (16.1%). The common equity tier 1 capital ratio, inclusive of the share of profit, was 13.8% (13.1%).

As mentioned above, the portfolio of certificates and bonds increased in the first quarter of 2016 due to temporarily high liquidity holdings. The effect of this is 0.12 percentage point weaker capital adequacy ratio as of 31 March 2016 because of the increased calculation basis. The relevant investments mature in the second half of 2016 and the negative effect on the capital adequacy ratio will thus be reversed.

The tier 1 leverage ratio as of 31 March 2016 was calculated to be 6.0% (6.0%).

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

SpareBank 1 Nord-Norge's goal is to maintain unquestionable financial strength and satisfy the statutory minimum equity requirements for capital adequacy. The Board has approved a target for the internal capital buffer of at least 0.5 percentage points above the statutory minimum requirement. The intention is to achieve the Group's long-term target of 14.5% in 2016.

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

As of 31 March 2016, SpareBank 1 Nord-Norge had a common equity tier 1 capital ratio that is significantly higher than the minimum statutory requirement and the Group is deemed to be well capitalised to meet the stricter requirements for the countercyclical buffer and new Pillar 2 regulations in 2016. Please refer to the more detailed comments under new framework conditions.

New framework conditions

Countercyclical capital buffer will be increased in 2016

In keeping with advice from Norges Bank, the Ministry of Finance has decided that the level of the countercyclical capital buffer requirement for banks will be increased to 1.5% starting on 30 June 2016. This requirement was previously set at 1% from 30 June 2015. The Ministry has particularly emphasised the debt burden in the household sector and the fact that greater capital strength will make Norwegian banks more robust against future loan losses.

The Financial Supervisory Authority of Norway's practices for assessing risk and capital requirements (Pillar 2)

The Financial Supervisory Authority of Norway's methods for assessing undertakings' overall risk level and associated capital requirements are described in the circular dated 14 August 2015. The Financial Supervisory Authority of Norway's methods are based on, among other things, guidelines from the European Banking Authority (EBA).

The requirements for undertakings' risk and capital assessments and the surveillance authority's assessment of the undertakings' overall risk level and associated capital requirements stand. Basel III and CRD IV (Capital Requirements Directive) afford Pillar 2 as much importance as before. The circular sheds light on some areas that are new or that will become more important in the assessment of risks and capital requirements in undertakings. In addition to covering the minimum requirement and various types of buffers in Pillar 1, undertakings must in their capital adjustment take account of risks that are not covered by Pillar 1.

The Financial Supervisory Authority of Norway will differentiate between the following two main elements in their risk and capital assessments when setting the additional capital requirement for Pillar 2:

- The capital requirement for inherent risks based on a risk level viewed from a 12-month perspective. This requirement will be assessed independent of the buffer requirements in Pillar 1. The Financial Supervisory Authority of Norway will expect undertakings to maintain this additional capital at all times.
- The capital requirement from a forward-looking perspective in a stress situation involving a serious financial setback where the capital preservation buffer in Pillar 1 is inadequate.

The two parts of the additional capital requirement in Pillar 2 must both be covered by common equity tier 1 capital. The capital used to cover the minimum requirement and the overall buffer requirement in Pillar 1 (including the effect of the applicable floor rules) cannot be used to cover the additional capital requirement in Pillar 2.

In a letter to the Financial Supervisory Authority of Norway dated 15 January 2016, the Ministry of Finance asked it to continue working on making the calculation models and methods used in Pillar 2 more predictable and transparent. In a letter dated 15 February 2016, the Financial Supervisory Authority of Norway responded to the Ministry of Finance and supported the ministry's assessment of the need for transparency and predictability in the Pillar 2 process. The Financial Supervisory Authority of Norway has issued updated methods to support its assessments of capital for both credit risk and market risk, but also comments that the Pillar 2 assessment must be based on a comprehensive assessment in which some risks must be assessed on the basis of judgement.

During 2016, the Financial Supervisory Authority of Norway will stipulate individual requirements for Pillar 2 supplements for Norwegian banks. As yet, no confirmed Pillar 2 supplement has been communicated to SpareBank 1 Nord-Norge.

Unweighted capital ratio (Leverage ratio)

In a letter dated 31 March 2016, the Financial Supervisory Authority of Norway, at the request of the Ministry of Finance, drew up proposals for a consultation paper and regulatory rules for leverage ratios. The Financial Supervisory Authority of Norway concludes that the implementation plan in CRR/CRD IV should be followed and that leverage ratios should be followed up via the Pillar 2 assessments of the undertakings until 2018.

The Financial Supervisory Authority of Norway believes it is very important for Norwegian financial undertakings to have a good leverage ratio because it is important to illustrate the banks' financial strength and improve the basis for comparison between undertakings. The Financial Supervisory Authority of Norway's recommendation is that the minimum leverage ratio requirement be set at a level that is not too far below the level in Norwegian financial groups and banks at the end of 2015. At the same time, the requirement should not be set higher than at a level which means that it is still the risk weighted capital requirements that are actually binding in relation to the highest consolidation level for the vast majority of undertakings. Based on this, the Financial Supervisory Authority of Norway proposes in the consultation paper a minimum requirement of 6% for banks and bank groups, as well as financial groups, with the exception of insurance dominated undertakings.

The Bank's equity certificate holders

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

The equity certificate ratio as of 1 January 2016 was 46.36%. The number of holders of equity certificates as of 31 March 2016 was 7,701 (7,745).

The percentage of equity certificate holders from Northern Norway was 34% (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 37.50 as of 31 March 2016 (NOK 40.80). Based on this price, the market value of the Bank's equity was NOK 8,121 million (NOK 8,655 million). The earnings per equity certificate (Group) amounted to NOK 1.27 (NOK 1.38). Price/Earnings was 7.38 (7.4) and Price/Book 0.81 (0.94) as at 31 March 2016 (both figures for the Group).

The Bank believes it is important to have an owner-friendly dividend policy, and the adjustment to 50 % payout ratio continues. The payout ratio for the 2015 financial year for the Bank's equity certificate holders was 48.7%, following approval of a higher payout ratio for the equity certificate holders than for the community-owned part of the capital. If the pricing of the Bank's equity certificates is still lower than the book value, the Board will also consider a higher rate of dividend for equity certificate holders in the future as well. A further increase of the targeted payout ratio will be considered taking into account expected lending growth and the Group's financial strength.

Concluding remarks and future prospects

While the Norwegian economy slowed down significantly in 2015 as a result of low oil prices and the resulting lower investments in oil, the economy of Northern Norway continues to show few signs of weakening. According to the regional network's report to Norges Bank from March 2016, growth in Northern Norway is expected to remain stronger than in the rest of the country. The north continues to grow because the weak Norwegian kroner has strengthened export industries and because the region is less dependent on the oil sector.

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

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

While the Group's results for 2015 were affected by restructuring costs and write-downs due to increased risk premiums in the securities market, the Group posted good earnings for the first quarter of 2016. This also applies

to the Bank's core business. The measures aimed at increasing profitability are expected to produce further effects during 2016.

Tromsø, Norway, 28 April 2016

The Board of SpareBank 1 Nord-Norge

Karl Eirik Schjøtt-Pedersen
(Chairman of the Board)

Hans Tore Bjerkås
(Deputy Chairman)

Ingvild Myhre

Kjersti Terese Stormo

Greger Mannsverk

Bengt Olsen

Sonja Djønne

Vivi Ann Pedersen
(Employee-elected)

Jan-Frode Janson
(CEO)

Statement of income

Parent Bank

Group

(Amounts in NOK million)

31.12.15	1Q15	1Q16	31.03.15	31.03.16		31.03.16	31.03.15	1Q16	1Q15	31.12.15
2 520	662	578	662	578	Interest income	623	704	623	704	2 702
1 200	341	239	341	239	Interest costs	237	335	237	335	1 190
1 320	321	339	321	339	Net interest income	386	369	386	369	1 512
739	189	168	189	168	Fee- and commission income	204	227	204	227	908
72	17	18	17	18	Fee- and commission costs	19	17	19	17	75
15	3	4	3	4	Other operating income	28	29	28	29	100
682	175	154	175	154	Net fee-, commission and other operating income	213	239	213	239	933
8	0	0	0	0	Dividend	0	0	0	0	8
354	98	111	98	111	Income from investments	87	112	87	112	399
- 114	12	- 5	12	- 5	Net gain from investments in securities	- 7	6	- 7	6	- 158
248	110	106	110	106	Net income from financial investments	80	118	80	118	249
2 250	606	599	606	599	Total income	679	726	679	726	2 694
670	144	119	144	119	Personnel costs	163	189	163	189	850
331	79	83	79	83	Administration costs	93	90	93	90	368
48	12	12	12	12	Ordinary depreciation	14	14	14	14	56
129	33	29	33	29	Other operating costs	41	45	41	45	187
1 178	268	243	268	243	Total costs	311	338	311	338	1 461
1 072	338	356	338	356	Result before losses	368	388	368	388	1 233
216	33	22	33	22	Losses	24	32	24	32	200
856	305	334	305	334	Result before tax	344	356	344	356	1 033
126	54	60	54	60	Tax	69	66	69	66	163
0	0	0	0	0	Result non-current assets held for sale	0	0	0	0	5
					Minority interests	0	- 2	0	- 2	- 7
730	251	274	251	274	Result after tax	275	292	275	292	872
					Result per Equity Certificate					
3.44	1.18	1.27	1.18	1.27	Result per Equity Certificate	1.27	1.38	1.27	1.38	4.11
3.44	1.18	1.27	1.18	1.27	Diluted result per Equity Certificate	1.27	1.38	1.27	1.38	4.11

Other comprehensive income

730	251	274	251	274	Result after tax	275	290	275	290	865
0	0	0	0	0	Recalculation differences	0	5	0	5	0
0	0	0	0	0	Value adjustment of property, plant and equipment	0	-10	0	-10	-10
8	2	2	2	2	Effective part of change in fair market value in cash flow hedging	2	2	2	2	8
0	0	0	0	0	Net change in fair market value of investment in joint ventures	-7	0	-7	0	34
80	0	0	0	0	Net change in fair market value of financial assets available for sale	0	0	0	0	80
0	0	0	0	0	Reclassification adjustments	0	0	0	0	30
61	0	0	0	0	Actuarial gains (losses) on benefit-based pension schemes	0	0	0	0	58
-18	0	0	0	0	Tax on other comprehensive income	0	0	0	0	-17
131	2	2	2	2	Other comprehensive income for the period	-5	-3	-5	-3	183
861	253	276	253	276	Total comprehensive income for the period	270	287	270	287	1 048
					Majority interest	0	288	0	288	-7
					Minority interests	0	-1	0	-1	1 055
					Total result per Equity Certificate					
4.06	1.19	1.27	1.19	1.27	Total result per Equity Certificate	1.25	1.35	1.25	1.35	4.94
4.06	1.19	1.27	1.19	1.27	Diluted total result per Equity Certificate	1.25	1.35	1.25	1.35	4.94
					Tax on other comprehensive income:					
-2	0	0	0	0	Effective part of change in fair market value in cash flow hedging	0	0	0	0	-2
-16	0	0	0	0	Actuarial gains (losses) on benefit-based pension schemes	0	0	0	0	-15
-18	0	0	0	0	Tax on other comprehensive income	0	0	0	0	-17

Statement of financial position

Parent Bank

Group

(Amounts in NOK million)

31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
			Assets			
274	308	475	Cash and balances with central banks	475	354	274
5 683	5 449	5 445	Loans and advances to credit institutions	1 795	1 889	2 124
59 487	56 971	60 719	Net loans and advances to customers	64 975	60 931	63 637
388	247	377	Shares	564	457	569
11 178	11 097	13 108	Certificates and bonds	13 108	11 097	11 178
1 946	1 754	1 914	Financial derivatives	1 914	1 754	1 946
626	559	626	Investments in Group Companies	0	0	0
2 836	2 747	2 836	Investments in associated companies and joint ventures	4 613	4 296	4 424
443	460	443	Property, plant and equipment	555	572	553
0	0	0	Non current assets held for sale	28	35	28
0	0	0	Deduction for ntangible assets	51	51	51
522	617	597	Other assets	610	692	619
83 383	80 209	86 540	Total assets	88 688	82 128	85 403
			Liabilities			
1 829	1 911	942	Deposits from credit institutions	927	1 897	1 816
48 115	46 339	50 545	Deposits from customers	50 523	46 357	48 087
21 470	20 488	22 899	Debt securities in issue	22 899	20 488	21 470
1 525	1 289	1 476	Financial derivatives	1 476	1 289	1 525
750	1 062	972	Other liabilities	1 205	1 264	956
0	0	0	Non current assets held for sale	0	0	0
146	185	146	Deferred tax liabilities	230	256	238
1 350	1 350	1 350	Subordinated loan capital	1 350	1 350	1 350
75 185	72 624	78 330	Total liabilities	78 610	72 901	75 442
			Equity			
1 807	1 807	1 807	Equity Certificate capital	1 807	1 807	1 807
0	0	- 4	Own holding ECC	- 4	0	0
843	843	843	Equity Certificate premium reserve	843	843	843
1 179	830	979	Dividend Equalisation Fund	979	830	1 179
4 074	3 746	4 076	The Savings Bank's Fund	4 076	3 746	4 074
180	120	120	Donations	120	120	180
80	0	80	Fair value reserve	80	- 26	80
35	- 12	35	Other equity capital	1 902	1 601	1 798
0	251	274	Result after tax	275	292	0
			Minority interests	0	14	0
8 198	7 585	8 210	Total equity	10 078	9 227	9 961
83 383	80 209	86 540	Total liabilities and equity	88 688	82 128	85 403

Changes in equity

(Amounts in NOK million)

	PCC capital	Own holding ECC	Premium Fund	Dividend Equalisation Fund	Saving Bank's Fund	Donations Fund	Fair value reserve	Other equity	Period result	Total Majority interests	Minority interests	Total equity
Group												
Equity at 01.01.15	1 807		843	776	3 565	163	- 2	1 327		8 479	23	8 502
Total comprehensive income for the												
Period result				352	179	212		353		1 096	- 1	1 095
Other comprehensive income:												
Recalculation differences							- 28			- 28	- 7	- 35
Net change in fair market value of investment in joint ventures								- 8		- 8		- 8
Effective part of change in fair market value in cash flow hedging				2	2					4		4
Actuarial gains (losses) on benefit-based pension schemes								- 85		- 85		- 85
Tax on other comprehensive income					- 1			23		22		22
Total other comprehensive income				2	1		- 28	- 70		- 95	- 7	- 102
Total comprehensive income for the period				354	180	212	- 28	283		1 001	- 8	993
Transactions with owners												
Equity issue												
Set aside for dividend payments				- 191						- 191		- 191
Reversal of dividend payments				191						191		191
Dividend paid				- 110						- 110		- 110
Other transactions								1		1		1
Payments from Donations Fund						- 43				- 43		- 43
Total transactions with owners				- 110		- 43		1		- 152		- 152
Equity at 31.12.2014	1 807		843	1 020	3 745	332	- 30	1 611		9 328	15	9 343
Equity at 01.01.16	1 807		843	1 179	4 074	180	80	1 798		9 961		9 961
Total comprehensive income for the												
Period result									275	275		275
Net change in fair market value of investment in joint ventures								- 7		- 7		- 7
Effective part of change in fair market value in cash flow hedging				1	1					2		2
Total other comprehensive income	0		0	1	1	0	0	-7	0	- 5		- 5
Total comprehensive income for the period				1	1			- 7	275	270		270
Transactions with owners												
Dividend paid				- 201						- 201		- 201
Other transactions		- 4			1			111		108		108
Payments from Donations Fund						- 60				- 60		- 60
Total transactions with owners		- 4		- 201	1	- 60		111		- 153		- 153
Equity at 31.03.16	1 807	- 4	843	979	4 076	120	80	1 902	275	10 078		10 078

ECC ratio overall

Parent Bank

(Amounts in NOK million)

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

Statement of cash flows

Parent Bank

Group

(Amounts in NOK million)

31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
856	305	334	Result before tax	344	356	1 033
48	12	12	+ Ordinary depreciation	14	14	56
2	0	0	+ Write-downs, gains/losses fixed assets	0	0	2
216	33	19	+ Losses on loans and guarantees	21	32	200
126	54	60	- Tax/Result investment held for sale	69	66	163
403	403	261	- Dividends/donations	261	403	403
593	- 107	44	Provided from the year's operations	49	- 67	725
167	380	172	Change in sundry liabilities: + increase/ - decrease	300	376	191
173	43	- 43	Change in various claims: - increase/ + decrease	41	137	178
-2 703	223	-1 251	Change in gross lending to and claims on customers: - increase/ + decrease	-1 360	177	-2 860
-1 605	-1 383	-1 919	Change in short term-securities: - increase/ + decrease	-1 925	-1 361	-1 554
2 379	459	2 430	Change in deposits from and debt owed to customers: + increase/ - decrease	2 436	450	2 351
- 935	- 853	- 887	Change in debt owed to credit institutions: + increase/ - decrease	- 889	- 861	- 942
-1 931	-1 238	-1 454	A. Net liquidity change from operations	-1 348	-1 149	-1 911
- 47	- 8	- 12	- Investment in fixed assets (incl merger effects)	- 16	- 8	- 52
20	0	0	+ Sale of fixed assets	0	16	37
- 154	2	0	Change in holdings of long-term securities: - increase/ + decrease	- 189	- 109	- 237
- 181	- 6	- 12	B. Liquidity change from investments	- 205	- 101	- 252
158	- 910	1 429	Change in borrowings through the issuance of securities: + increase/ - decrease	1 429	- 912	156
0	0	0	Change in Equity Certificate/subordinated loan capital: + increase/ - decrease	- 4	0	0
158	- 910	1 429	C. Liquidity change from financing	1 425	- 912	156
-1 954	-2 154	- 37	A + B + C. Total change in liquidity	- 128	-2 162	-2 007
7 911	7 911	5 957	+ Liquid funds at the start of the period	2 398	4 405	4 405
5 957	5 757	5 920	= Liquid funds at the end of the period	2 270	2 243	2 398

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

Result from the Group's quarterly accounts

(Amounts in NOK million)

	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14	2Q14
Interest income	623	644	672	682	704	755	773	721
Interest costs	237	254	287	314	335	377	395	379
Net interest income	386	390	385	368	369	378	378	342
Fee- and commission income	204	217	231	233	227	232	238	240
Fee- and commission costs	19	19	21	18	17	20	19	19
Other operating income	28	24	23	24	29	25	19	27
Net fee-, commision and other operating income	213	222	233	239	239	237	238	248
Dividend	0	0	1	7	0	0	0	5
Income from investments	87	98	75	114	112	121	142	119
Net gain from investments in securities	- 7	- 52	- 84	- 28	6	- 70	- 23	65
Net income from financial investments	80	46	- 8	93	118	51	119	189
Total income	679	658	610	700	726	666	735	779
Personnel costs	163	289	190	182	189	190	193	159
Administration costs	93	104	84	90	90	88	85	87
Ordinary depreciation	14	14	14	14	14	29	14	40
Other operating costs	41	44	48	50	45	47	33	47
Total costs	311	451	336	336	338	354	325	333
Result before losses	368	207	274	364	388	312	410	446
Losses	24	92	40	36	32	236	38	22
Result before tax	344	115	234	328	356	76	372	424
Tax	69	- 17	46	68	66	15	65	71
Result non-current assets held for sale	0	5	0	0	0	27	0	0
Minority interests	0	- 6	2	- 1	- 2	0	- 2	1
Result after tax	275	133	186	261	292	34	309	352

Profitability								
Return on equity capital	10.98 %	5.16 %	7.82 %	11.09 %	12.49 %	1.46 %	13.37 %	15.89 %
Interest margin	1.77 %	1.84 %	1.82 %	1.76 %	1.79 %	1.85 %	1.86 %	1.71 %
Cost/income	45.80 %	68.54 %	55.08 %	48.00 %	46.56 %	53.15 %	44.22 %	42.75 %
Balance sheet figures								
Loans and advances to customers	65 357	64 053	63 143	63 073	61 060	61 249	60 363	58 791
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt past 12 months	5.2 %	4.0 %	4.7 %	5.6 %	4.8 %	5.5 %	6.1 %	6.7 %
Deposits from customers	50 523	48 087	47 660	49 977	46 211	45 761	45 386	46 949
Growth in deposits from customers past 12 months	9.0 %	5.1 %	4.6 %	6.2 %	5.8 %	1.8 %	3.3 %	2.0 %
Deposits as a percentage of gross lending	77.3 %	75.1 %	76.1 %	79.7 %	75.9 %	74.7 %	75.2 %	79.9 %
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt	56.2 %	54.4 %	54.7 %	57.7 %	54.3 %	53.8 %	54.1 %	56.9 %
Average assets	87 046	84 039	83 698	83 432	82 658	80 191	79 442	79 048
Total assets	88 688	85 403	84 495	84 981	82 128	83 188	80 621	81 983
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 %	0.41 %	0.18 %	0.16 %	0.15 %	0.37 %	0.18 %	0.11 %
Commitments in default as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt	0.28 %	0.30 %	0.30 %	0.41 %	0.39 %	0.34 %	0.49 %	0.55 %
Commitments at risk of loss as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt	0.20 %	0.27 %	0.42 %	0.39 %	0.25 %	0.27 %	0.30 %	0.32 %
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.36 %	0.39 %	0.44 %	0.53 %	0.41 %	0.41 %	0.50 %	0.61 %
Solidity								
Total regulatory Capital %	16.9 %	17.2 %	16.3 %	16.1 %	16.1 %	15.6 %	15.5 %	14.2 %
Tier I Capital %	14.9 %	15.1 %	14.2 %	14.1 %	14.0 %	13.6 %	13.2 %	13.3 %
Tier I capital	9 803	9 961	9 526	9 261	8 344	8 439	8 000	7 828
Equity and related capital resources	9 803	9 961	9 526	9 261	9 610	9 680	9 414	8 382
Adjusted risk-weighted assets base	61 425	60 328	59 708	60 194	59 722	61 936	60 783	58 830

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.

In a letter dated 8 April 2016 to the Financial Supervisory Authority of Norway, the Ministry of Finance asked the authority to prepare a consultation paper and 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. The Ministry of Finance asks that the consultation paper look at the consequences amending the regulations could have for the Norwegian Banks Guarantee Fund and other affected parties, including for the members' accrual accounting of the levy. The deadline for responding is 1 June 2016.

Pending the Financial Supervisory Authority of Norway's report and response to the Ministry of Finance, SpareBank 1 Nord-Norge has in the first quarter of 2016 continued its previous practice of recognising the levy on a monthly accrual basis. The cost for the whole of 2016 has been calculated at NOK 38 million compared with NOK 33.5 million for 2015. NOK 9.5 million was recognised as a cost in the first quarter of 2016, compared with NOK 8.1 million in the first quarter of 2015.

Note 2 - Important accounting estimates and discretionary judgements

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

Note 3 - Changes in group structure

There has been no changes in group structure 1st quarter 2016.

Note 4 - Business Areas

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

Group*(Amounts in NOK million)*

						31.03.16
	Retail Banking	Corporate Banking	Leasing	Markets	Unallocated	Total
Net interest income	193	113	48	0	32	386
Net fee- and commission income	91	5	0	0	89	185
Other operating income	61	16	0	13	18	108
Operating costs	201	27	13	4	66	311
Result before losses	144	107	35	9	73	368
Losses	2	17	2	0	3	24
Result before tax	142	90	33	9	70	344
Loans and advances to customers	40 340	20 468	4 549	0	0	65 357
Individual write-downs for impaired value on loans and advances to customers	- 25	- 74	- 15	0	0	- 114
Collective write-downs for impaired value on loans and advances to customers	- 40	- 214	- 14	0	0	- 268
Other assets	0	1 605	59	0	22 049	23 713
Total assets per business area	40 275	21 785	4 579	0	22 049	88 688
Deposits from customers	28 738	21 785	0	0	0	50 523
Other liabilities and equity capital	11 537	0	4 579	0	22 049	38 165
Total equity and liabilities per business area	40 275	21 785	4 579	0	22 049	88 688
31.03.15						
Net interest income	192	127	44	2	4	369
Net fee- and commission income	102	72	0	18	18	210
Other operating income	0	0	0	0	147	147
Operating costs	162	104	14	9	49	338
Result before losses	132	95	30	11	120	388
Losses	2	30	0	0	0	32
Result before tax	130	65	30	11	120	356
Loans and advances to customers	36 190	20 772	4 029	0	367	61 358
Individual write-downs for impaired value on loans and advances to customers	- 24	- 261	- 12	0	103	- 194
Collective write-downs for impaired value on loans and advances to customers	- 38	- 176	- 11	0	- 8	- 233
Other assets	0	0	43	0	21 154	21 197
Total assets per business area	36 128	20 335	4 049	0	21 616	82 128
Deposits from customers	27 110	19 247	0	0	0	46 357
Other liabilities and equity capital	9 029	4 719	4 049	0	17 974	35 771
Total equity and liabilities per business area	36 139	23 966	4 049	0	17 974	82 128

Note 5 - Capital Adequacy

In 2014, the Ministry of Finance stipulated amendments to the capital requirements regulations. The amendments are adjustments implemented to comply with the EU's new capital adequacy regulations for banks and securities undertakings (CRD IV/CRR) and entail the minimum requirement for common equity Tier 1 capital ratio gradually increasing in the run up to 1 July 2016.

From 2015, the Financial Supervisory Authority of Norway has given SpareBank 1 Nord-Norge permission to use Advanced IRB to calculate regulatory capital requirements for credit risk for the corporate market. This permission means that SpareBank 1 Nord-Norge can use internal models for calculating the necessary requirements for compulsory savings.

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

SpareBank 1 Nord-Norge's goal is to maintain unquestionable financial strength and satisfy the statutory minimum equity requirements for capital adequacy. The Group's goal is to have an internal capital buffer of at least 0.5 percentage point above the statutory minimum requirement. The Group's long-term goal for Core Tier 1 capital ratio is currently 14.5%.

(Amounts in NOK million)

31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
1 807	1 807	1 807	Equity certificates	1 807	1 807	1 807
0	0	- 4	- Own equity certificates	- 4	0	0
843	843	843	Premium reserve	843	843	843
1 179	830	979	Equalisation reserve	979	830	1 179
4 074	3 746	4 076	Savings bank's reserve	4 076	3 746	4 074
180	120	120	Endowment fund	120	120	180
80	0	80	Deduction Fund for unrealised gains available for sale	80	- 26	80
35	- 12	35	Other equity	1 902	1 601	1 798
0	251	274	Period result	275	292	0
0	0	0	Minority interests	0	14	0
8 198	7 585	8 210	Total equity	10 078	9 227	9 961
0	- 251	- 274	Period result	- 275	- 290	0
			Additional Tier 1 Capital (AT 1 Capital)			
- 260	0	0	Deduction for allocated dividends	0	0	- 260
0	0	0	Adjusted Tier 1 Capital from consolidated financial institutions	- 72	- 27	- 48
0	0	0	Deduction for ntangible assets	- 55	- 86	- 55
- 22	- 20	- 24	Adjustments to CET 1 due to prudential filters	- 24	- 31	- 23
- 82	- 50	- 82	Deduction defined benefit pension fund assets gross amounts	- 80	- 50	- 82
- 95	- 167	- 96	IRB shortfall of credit risk adjustments to expected losses	- 248	- 372	- 309
0	0	0	50% deduction for expected losses on IRB, net of writedowns	0	0	0
0	0	0	50 % deduction for subordinated capital in other financial institutions	0	0	0
0	0	0	50 % Total regulatory capital reserve	0	0	0
0	0	0	significant investment	- 956	- 708	- 817
0	0	0	have significant investment	0	0	0
0	0	0	Deduction for subordinated capital in other financial institutions with a significant investment	0	0	0
- 81	- 5	- 123	Deduction for CET 1 Instruments of financial sector institutions with a significant investment over 10 % treshold limit	0	0	0
7 658	7 092	7 611	Common equity Tier 1 Capital (CET 1 Capital)	8 368	7 663	8 367
500	500	500	Hybrid Tier 1 bonds	768	687	756
0	0	0	Own Hybrid Tier 1 bonds	- 6	- 6	- 13
0	0	0	Deduction for CET1 instruments of financial sector entities where the institution does not have significant investment, but over treshold limit	0	0	0
8 158	7 592	8 111	Additional Tier 1 Capital (AT 1 Capital)	9 130	8 344	9 110
			Tier 2 Capital (T2 Capital)			
850	850	850	Nonperpetual subordinated capital	1 365	1 309	1 341
0	0	0	50% deduction for expected losses on IRB, net of writedowns	0	0	0
- 61	- 43	- 61	Deduction for subordinated capital in other financial institutions with a significant investment	- 84	- 43	- 93
0	0	0	50% deduction for subordinated capital in other financial institutions	0	0	0
0	0	0	50% Total regulatory capital reserve	0	0	0
789	807	789	Tier 2 Capital (T2 Capital)	1 281	1 266	1 248
8 947	8 399	8 900	Equity and related capital resources	10 411	9 610	10 358
			Minimum requirements subordinated capital, Basel I I			
717	863	744	Specialised lending exposure	865	1 040	850
125	89	126	Other corporations exposure	160	125	165
406	381	401	SME exposure	408	386	413
855	861	876	Property retail mortgage exposure	1 152	1 132	1 215
39	44	49	Other retail exposure	50	44	40
395	365	390	Equity investments	12	12	12
2 537	2 603	2 586	Total credit risk	2 647	2 739	2 694
716	754	798	Credit risk standardised approach	1 437	1 618	1 434
13	19	12	Debt risk	12	19	12
3	3	3	Equity risk	18	22	18
0	6	0	Currency risk	0	6	0
274	273	294	Operational risk	296	283	283
22	19	23	Credit Value Adjustment	56	59	60
0	0	0	Transitional arrangements	450	32	325
0	0	0	Deductions	0	0	0
3 565	3 677	3 716	Minimum requirements subordinated capital	4 916	4 778	4 827
			Total regulatory Capital			
20.08 %	18.27 %	19.16 %	Total regulatory Capital	16.95 %	16.09 %	17.17 %
18.31 %	16.52 %	17.46 %	Tier 1 Capital	14.86 %	13.97 %	15.10 %
1.77 %	1.76 %	1.70 %	Tier 2 Capital	2.09 %	2.12 %	2.07 %
17.19 %	15.78 %	16.68 %	Common Equity Tier I - incl share of period result	13.85 %	13.07 %	13.87 %
8.71 %	8.49 %	8.27 %	Leverage Ratio	5.97 %	6.00 %	5.99 %

Note 6 -Net bad and doubtful commitments

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
387	449	383	Non-performing commitments	256	336	270
334	305	273	+ Other doubtful commitments	184	216	245
721	754	656	+ Total commitments in default and doubtful commitments	440	552	515
203	200	194	- Individual write-downs in default	60	98	69
125	85	79	- Other doubtful individual write-downs	54	96	100
328	285	273	+ Total individual write-downs *	114	194	169
393	469	383	= Net commitments in default and doubtful commitments	326	358	346

Note 7 - Losses incorporated in the accounts

31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
55	12	- 55	+ Period's change in individual write-down for impaired value	- 55	23	- 3
51	- 1	20	+ Period's change in collective write-down for impaired value	21	- 3	54
88	20	13	+ Period's confirmed losses against which individual write-downs were previously made	13	10	92
54	4	44	+ Period's confirmed losses against which individual write-downs were previously not made	45	4	64
32	2	3	- Recoveries in respect of previously confirmed losses	3	2	7
216	33	19	= Total losses on loans	21	32	200
	120	3	+ Other losses	3	157	
216	153	22	= Total losses	24	189	200

Note 8 - Losses broken down by sector and industry

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
0	0	0	Mining and quarrying	0	0	0
31	2	2	Construction	3	2	32
0	0	0	Building of ships and boats	0	0	0
0	0	0	Electricity, gas, steam and air conditioning supply	0	0	0
- 11	- 2	7	Professional, scientific and technical activities	8	- 2	- 11
0	0	0	Financial and insurance activities	0	0	0
- 4	1	- 1	Fishing	- 1	1	- 4
0	2	- 2	Marine aquaculture	- 2	2	0
2	- 2	1	Other business support activities	1	- 2	2
0	0	0	Activities auxiliary to financial services and insurance activities	0	0	0
0	0	0	County municipalities and municipalities	0	0	0
23	- 1	17	Manufacturing	16	- 1	23
2	1	9	Information and communication	9	1	2
6	5	- 3	Crop and animal production	- 3	6	7
24	0	0	Foreign industrial	0	0	0
46	7	- 1	Real estate activities	- 1	4	46
2	0	- 1	Accommodation and food service activities	- 1	0	2
0	0	0	Forestry and logging	0	0	0
0	0	0	Central government and social security funds	0	0	0
0	0	0	Support activities for petroleum and natural gas extraction	0	0	0
10	8	- 1	Other service industries	- 1	8	10
3	- 1	- 1	Transportation and storage	0	0	8
70	6	- 10	International shipping and pipeline transport	- 10	6	70
3	2	3	Development of building projects	4	2	2
0	0	0	Extraction of crude oil and natural gas	0	0	0
0	0	0	Unspecified	0	0	0
0	2	0	Water supply; sewerage, waste management and remediation activities	0	2	0
1	0	- 2	Wholesale and retail trade; repair of motor vehicles and motorcycles	- 2	0	1
12	7	6	Retail banking market - domestic	5	7	19
220	35	22	Losses on loans to customers	24	34	209
4	2	3	Recoveries from previously written off losses	3	2	9
216	33	19	Net losses	21	32	200
	120	3	Other losses	3	157	0
216	153	22	Total losses	24	189	200

Note 9 - Loans broken down by sector and industry

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
28	36	29	Mining and quarrying	59	70	61
689	677	663	Construction	1 068	1 060	1 086
15	1	18	Building of ships and boats	20	2	17
687	706	713	Electricity, gas, steam and air conditioning supply	716	708	691
703	601	785	Professional, scientific and technical activities	1 018	796	903
0	0	0	Financial and insurance activities	0	2	0
2 248	2 458	2 500	Fishing	2 528	2 471	2 278
389	341	350	Marine aquaculture	630	634	665
319	288	320	Other business support activities	733	631	710
923	722	1 036	Activities auxiliary to financial services and insurance activities	782	510	713
243	304	161	County municipalities and municipalities	174	320	257
1 810	1 737	1 870	Manufacturing	2 042	1 852	1 940
64	60	63	Information and communication	70	64	70
948	895	943	Crop and animal production	1 023	974	1 023
0	0	0	Foreign industrial	0	233	0
6 542	7 761	6 993	Real estate activities	6 871	7 603	6 415
488	402	497	Accommodation and food service activities	512	416	501
10	5	10	Forestry and logging	16	10	15
0	0	0	Central government and social security funds	0	0	0
0	0	0	Support activities for petroleum and natural gas extraction	15	17	15
755	711	781	Other service industries	861	788	837
3 164	2 504	3 117	Transportation and storage	3 779	3 087	3 847
285	756	276	International shipping and pipeline transport	278	755	287
943	890	591	Development of building projects	594	890	945
0	0	0	Extraction of crude oil and natural gas	0	0	0
0	0	0	Unspecified	0	0	0
197	202	193	Water supply; sewerage, waste management and remediation activities	273	272	271
770	785	740	Wholesale and retail trade; repair of motor vehicles and motorcycles	955	1 002	983
37 776	34 581	38 544	Retail banking market - domestic	40 287	36 037	39 470
53	47	53	Retail banking market - international	53	153	53
37 830	34 628	38 597	Total retail market	40 340	36 190	39 524
21 976	22 538	22 488	Total public market	24 843	24 849	24 272
243	304	161	Total government	174	320	257
0	0	0	Accrued interest	0	0	0
60 049	57 470	61 246	Total gross lending to customers	65 357	61 358	64 053
328	285	273	Individual write-downs for impaired value	114	194	169
234	214	255	Collective write-downs for impaired value	268	233	247
59 487	56 971	60 719	Net loans to customers	64 975	60 931	63 637

Note 10 - SpareBank 1 Boligkreditt

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

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

Note 11 - Investment in bonds

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

In the categories 'Hold until maturity' and 'Loans and claims' the securities are assessed at amortized cost. After the reclassification, the writedowns made earlier will be reversed over the portfolio's remaining life, which on average is 2.2 year as at 31.03.16, and included in the profit and loss account as interest income. For the period 01.01.16-31.03.16 such reversed writedowns has been included in the 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. This would have been an unrealised gain NOK 0.9 million as at 31.03.16. 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.

A NOK 1.2 million exchange loss are included to the profit and loss account.

<i>(Amounts in NOK million)</i>	01.07.08	31.12.12	31.12.13	31.12.14	31.12.15	31.03.16
Hold until maturity						
Book value	3 109	355	111	108	87	18
Nominal value (nominal amount)	3 182	366	115	111	88	20
Theoretical market value	3 109	355	114	111	88	20
Loans and claims						
Book value	698	142	75	28	24	18
Nominal value (nominal amount)	737	156	90	29	24	18
Theoretical market value	698	134	74	26	23	17
Total book value	3 807	497	186	136	111	36

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.

	31.03.16	31.03.15	31.12.15
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value	133	69	226
Total gain from hedging objects relating to the hedged risk	- 129	- 60	- 224
Total fair value hedging transactions	4	9	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	31.03.16 Fair value			31.03.15 Fair value			31.12.15 Fair value		
	Contract	Assets	Liabilities	Contract	Assets	Liabilities	Contract	Assets	Liabilities
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)	1 130	27	15	2 964	42	48	1 610	47	42
Currency swaps	4 477	169	38	4 242	233	141	2 256	272	208
Currency options									
Total non-standardised contracts	5 607	196	53	7 206	275	189	3 866	319	250
Standardised foreign currency contracts (futures)									
Total foreign currency instruments	5 607	196	53	7 206	275	189	3 866	319	250
Interest rate instruments									
Interest rate swaps (including cross currency)	28 094	856	1 347	24 586	723	1 077	16 409	858	1 193
Short-term interest rate swaps (FRA)									
Other interest rate contracts	29	74	74	793	16	23	30	82	82
Total non-standardised contracts	28 123	930	1 421	25 379	739	1 100	16 439	940	1 275
Standardised interest rate contracts (futures)									
Total interest rate instruments	28 123	930	1 421	25 379	739	1 100	16 439	940	1 275
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)	12 532	786	2	10 564	740		28 701	687	
Short-term interest rate swaps (FRA)									
Other interest rate contracts									
Total, non-standardised contracts	12 532	786	2	10 564	740		28 701	687	
Standardised interest rate contracts (futures)									
Total interest rate instruments	12 532	786	2	10 564	740		28 701	687	
Total interest rate instruments	40 655	1 716	1 423	35 943	1 479	1 100	45 140	1 627	1 275
Total foreign currency instruments	5 607	196	53	7 206	275	189	3 866	319	250
Total	46 262	1 914	1 476	43 149	1 754	1 289	49 006	1 946	1 525

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 31.03.16 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	17 960	17 518	442	0	442
Financial derivatives - liabilities	15 180	14 516	664	0	664

Note 14 - Liquidity risk

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

The Group's liquidity risk is revealed, except in the case of raising external financing, through the Bank's liquidity reserve/buffer.

The Bank proactively manages the Group's liquidity risk on a daily basis. The principal objective for SpareBank 1 Nord-Norge is to maintain the bank's ability to survive in a normal situation without any external funding for a period of at least 12 months. The Bank must also comply with the regulatory minimum requirements for prudent liquidity management at all times.

The average remaining term to maturity for the Bank's borrowing in senior unsecured bond loans and subordinated loans (call) was 3.45 years as of 31 March 2016.

The short-term liquidity risk measurement, liquidity coverage ratio (LCR), was 120% 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	31.03.16	31.03.15	31.12.15
Discount rate	2.70 %	2.30 %	2.70 %
Expected return on pension assets	2.70 %	2.30 %	2.70 %
Future salary growth rate	2.25 %	2.50 %	2.25 %
Adjustment of NI basic amount (G)	2.25 %	2.50 %	2.25 %
Pension adjustment	0.00 %	0.00 %	0.00 %
Employer's NI liability	14.10 %	14.10 %	14.10 %
Employer's NI cost	14.10 %	14.10 %	14.10 %
Voluntary leaving over 50 years old	0.00 %	0.00 %	0.00 %
Voluntary leaving up to 50 years old	0.00 %	2.00 %	0.00 %
Expected statutory early retirement pension (AFP) acceptance from age 62	90.00 %	60.00 %	90.00 %
Mortality, marriage probability, etc.	K2013BE IR2003	K2013BE IR2003	K2013BE IR2003

Group
Amounts in NOK million

Net pension liabilities in the balance sheet	31.03.16	31.03.15	31.12.15
Present value of future pension liabilities	796	829	796
Estimated value of pension assets	935	880	935
Net pension liabilities in fund-based plans	-139	-51	-139
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	- 138	- 50	- 138
Pension costs for the period	1Q16	1Q15	2015
Accrued defined benefit-based pensions	4	4	15
Interest costs on pension liabilities	4	7	15
Expected return on pension assets	-5	-7	-20
Estimate deviations recognised in the period			
Effect of changed pension plan			
Net defined benefit-based pension costs without employer's NI contributions	3	4	10
Accrued employer's NI contributions	0	1	1
Net defined benefit-based pension costs recognised through profit or loss	3	5	11
Curtailment/settlement			
Other pension costs	3	3	18
Total pension costs including employer's NI Insurance contribution	6	8	29
Movement in net pension liabilities from benefit-based plan recognised in balance	31.03.16	31.03.15	31.12.15
Net pension liabilities in the balance sheet as of 01.01	-141	-50	-50
Correction against equity OB			-3
Correction against equity CB			-55
Net defined benefit-based pension costs recognised through profit or loss	3		11
Curtailment/settlement			
Paid directly from operations	-1	-3	-4
Receipts - pension premiums defined benefit-based plans	-8		-40
Net pension liabilities/assets in the balance sheet	-147	-53	-141
Other pension liabilities (early retirement pensions)	44	45	43
Net total pension liabilities	-103	-8	-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 31.03.16				
Loans to and receivables from customers at fair value (fixed-rate loans)			7 525	7 525
Shares	100		375	475
Bonds	4 074	8 971		13 045
Financial derivatives		1 900		1 900
Total assets	4 174	10 871	7 900	22 945

Liabilities as of 31.03.16				
Financial derivatives		1 406		1 406
Total liabilities		1 406		1 406

<i>Assets 31.03.15</i>				
Loans to and receivables from customers at fair value (fixed-rate loans)			6 495	6 495
Shares	96		354	450
Bonds	3 947	7 019		10 966
Financial derivatives		1 754		1 754
Total assets	4 043	8 773	6 849	19 665

<i>Liabilities as of 31.03.15</i>				
Financial derivatives		1 289		1 289
Total liabilities	0	1 289	0	1 289

Changes in instruments at fair value, level 3:		Financial assets				Financial liabilities
<i>(Amounts in NOK million)</i>	Fixed-rate loans	Shares	Bonds	Financial derivatives		Financial derivatives
Carrying amount as of 31.03.15	6 495	354				0
Net gains on financial instruments	- 50	- 68				
Additions/acquisitions	2 854	116				
Disposals	-1 774	- 27				
Transferred from level 1 or level 2						
Carrying amount as of 31.03.16	7 525	375	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		
		31.03.16	31.03.15	31.12.15	31.03.16	31.03.15	31.12.15
SpareBank 1 Finans Nord-Norge AS	100	33 386	29 506	124 287	572 049	457 375	642 813
SpareBank 1 Nord-Norge Portefølje AS	100	-3 322	-5 914	-75 415	35 533	98 412	38 409
Eiendomsdrift AS	0	0	0	0	0	0	0
EiendomsMegler 1 Nord-Norge AS	100	1 685	4 864	27 183	27 692	29 488	39 135
SpareBank 1 Nord-Norge Forvaltning ASA	100	601	682	2 386	7 786	7 830	9 074
SpareBank 1 Regnskapshuset Nord-Norge AS	100	3 622	3 359	5 773	16 006	11 289	13 021
North-West 1 Alliance Bank	0	0	-7 668	-3 049	0	38 984	0
EiendomsMegler 1 Lofoten AS (owned by EM1 60%)	0	0	53	0	0	1 205	0
Nord-Norge Eiendom IV AS	100	- 324	- 222	-1 293	-14 238	-13 244	-13 969
Alsgården AS	100	- 922	141	- 587	8 941	9 826	9 377
Fredrik Langesg 20 AS	100	284	488	1 830	8 779	6 657	7 217
Total		35 010	25 289	81 115	662 548	647 822	745 077

Note 18 - Other assets

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
20	21	20	Reposessed assets	20	21	20
- 132	- 52	- 349	Accrued income	- 303	55	- 82
239	240	373	Prepayments	263	143	227
263	274	194	Other assets	263	337	319
522	617	597	Total other assets	610	692	619

Note 19 - Other liabilities

31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
87	- 181	- 203	Costs incurred	- 18	- 35	253
0	0	0	Provisioning against incurred liabilities and costs	18	19	14
463	774	745	Other liabilities	775	811	489
750	1 062	972	Total other liabilities	1 205	1 264	956

Note 20 - Deposits broken down by sector and industry

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
58	26	57	Mining and quarrying	57	26	58
1 132	945	1 076	Construction	1 076	945	1 132
4	3	6	Building of ships and boats	6	3	4
489	1 072	463	Electricity, gas, steam and air conditioning supply	463	1 072	489
1 083	1 155	1 161	Professional, scientific and technical activities	1 153	1 153	1 074
0	0	0	Financial and insurance activities	0	0	0
695	831	987	Fishing	987	831	695
43	50	51	Marine aquaculture	51	50	43
528	450	555	Other business support activities	555	450	528
378	335	393	Activities auxiliary to financial services and insurance activities	394	325	369
5 767	5 179	7 917	County municipalities and municipalities	7 917	5 179	5 767
618	415	486	Manufacturing	486	415	618
295	283	300	Information and communication	300	283	295
393	400	438	Crop and animal production	438	400	393
11	6	8	Foreign industrial	8	28	11
2 097	1 869	2 009	Real estate activities	1 995	1 863	2 087
293	230	282	Accommodation and food service activities	282	230	293
17	12	16	Forestry and logging	16	12	17
319	315	321	Central government and social security funds	321	315	319
0	0	0	Support activities for petroleum and natural gas extraction	0	0	0
2 639	2 780	2 766	Other service industries	2 766	2 780	2 639
874	874	845	Transportation and storage	845	874	874
5	15	1	International shipping and pipeline transport	1	15	5
212	148	252	Development of building projects	252	148	212
0	462	0	Extraction of crude oil and natural gas	0	462	0
0	0	0	Unspecified	0	0	0
147	126	133	Water supply; sewerage, waste management and remediation activities	133	126	147
1 330	1 260	1 283	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 283	1 260	1 330
28 297	26 726	28 354	Retail banking market - domestic	28 353	26 718	28 297
391	370	385	Retail banking market - international	385	392	391
28 688	27 096	28 739	Total retail market	28 738	27 110	28 688
13 341	13 748	13 568	Total public market	13 547	13 752	13 313
6 086	5 494	8 238	Total government	8 238	5 494	6 086
0	0	0	Accrued interest	0	0	0
48 115	46 339	50 545	Total deposits	50 523	46 357	48 087

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

Parent Bank and Group

(Amounts in NOK million)

Securities issued

	31.12.15	31.03.15	31.03.16
Certificates and other short-term borrowings			
Bond debt	21 470	20 488	22 899
Total debt securities in issue	21 470	20 488	22 899

	Statement of financial position 31.12.15	Issued 31.03.16	Matured/ redeemed 31.03.16	Exchange rate movements 31.03.16	Other adjustments 31.03.16	Statement of financial position 31.03.16
Changes in securities issued						
Certificates and other short-term borrowings						
Bond debt	21 470	1 624	- 265	113	- 43	22 899
Total debt securities issued	21 470	1 624	- 265	113	- 43	22 899

Subordinated loan capital and hybrid Tier 1 instruments

	31.12.15	31.03.15	31.03.16
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	950	850
Total subordinated loan capital	850	950	850
Total subordinated loan capital and hybrid Tier 1 instruments	1 350	1 450	1 350

	Statement of financial position 31.12.15	Issued 31.03.16	Matured/ redeemed 31.03.16	Exchange rate movements 31.03.16	Other adjustments 31.03.16	Statement of financial position 31.03.16
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

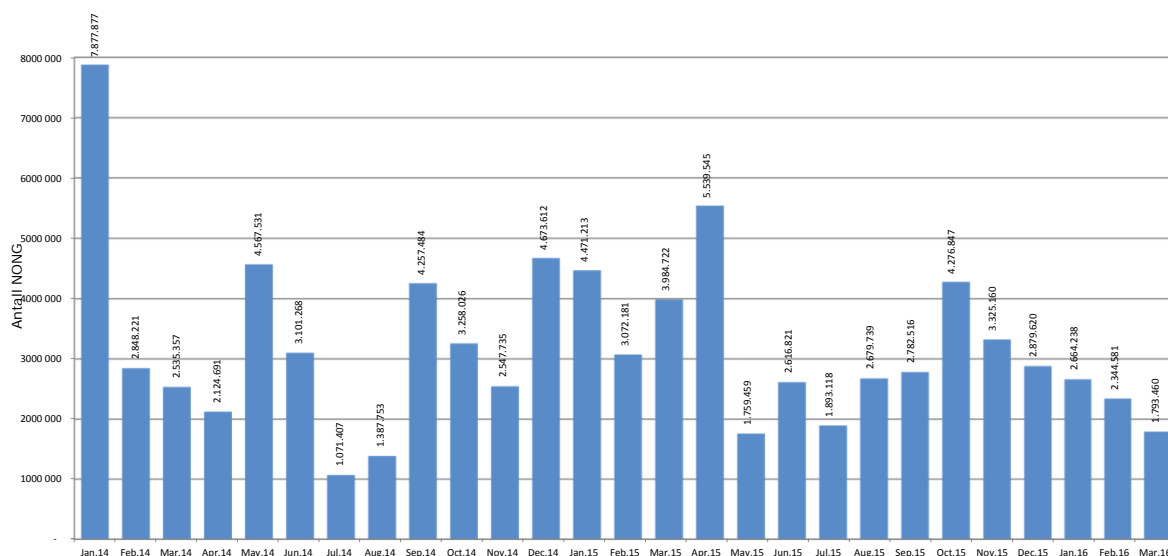
31.03.16

EC Holders	Number of ECs	Share of EC Capital
PARETO AKSJE NORGE	3 842 327	3.83%
VERDIPAPIRFONDET DNB NORGE (IV)	3 288 114	3.28%
THE NORTHERN TRUST CO.	2 810 663	2.80%
MP PENSJON PK	2 720 503	2.71%
FLPS - PRINC ALL SEC STOCK SUB	2 122 700	2.11%
STATE STREET BANK AND TRUST CO.	2 040 140	2.03%
MERRILL LYNCH	1 914 360	1.91%
POPE ASSET MANAGEMENT	1 653 665	1.65%
WIMOH INVEST AS	1 614 670	1.61%
FORSVARETS PERSONELLSERVICE	1 561 630	1.56%
SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGI	1 411 606	1.41%
DNB LIVSFORSIKRING ASA	1 148 585	1.14%
SANLAM UNIVERSAL FUNDS PLC	1 101 225	1.10%
EIKA UTBYTTE	1 097 942	1.09%
BERGEN KOMMUNALE PENSJONSKASSE	1 000 000	1.00%
STATE STREET BANK AND TRUST CO A/C WEST	794 968	0.79%
PARETO AS	770 659	0.77%
LARRE EIENDOM 2 AS	768 569	0.77%
NORDENFJELSKE BYKREDITTS STIFTELSE	651 954	0.65%
VERDIPAPIRFONDET SR-UTBYTTE	601 449	0.60%
TOTAL	32 915 729	32.79%

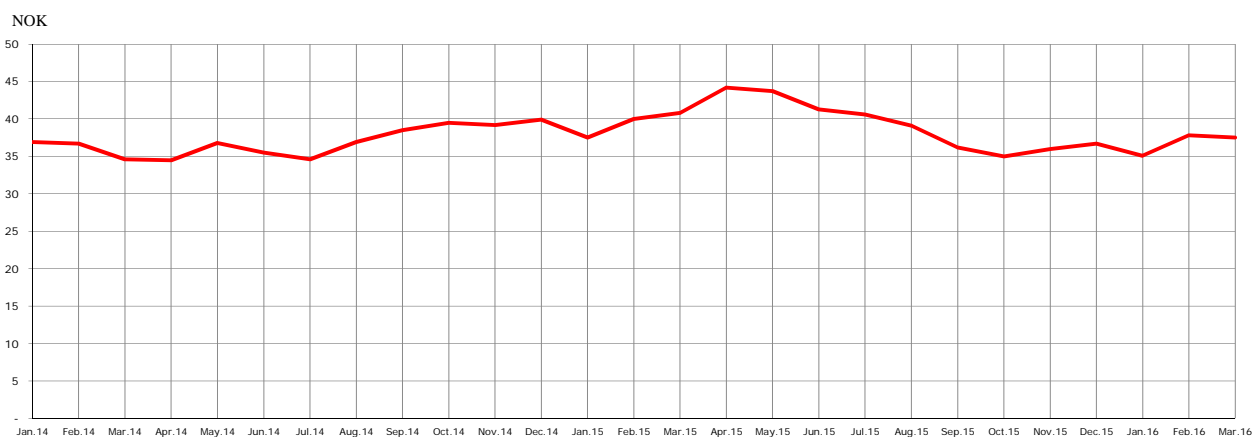
Dividend policy

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.