

Quarterly Report

Financial Statement Q4 2013



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Key figures group

Amounts in NOK million and in % of average assets		31.12.13	%	31.12.12	%	31.12.11	%
From the profit and loss account							
Net interest income		1 290	1.70 %	1 166	1.60 %	1 129	1.61 %
Net fee-, commission and other operating income		922	1.21 %	656	0.90 %	506	0.72 %
Net income from financial investments		346	0.46 %	260	0.36 %	184	0.26 %
Total income		2 558	3.37 %	2 082	2.86 %	1 819	2.59 %
Total costs		1 207	1.59 %	1 120	1.54 %	1 036	1.47 %
Result before losses		1 351	1.78 %	962	1.32 %	783	1.11 %
Losses		172	0.23 %	195	0.27 %	101	0.14 %
Result before tax		1 179	1.55 %	767	1.05 %	682	0.97 %
Tax		215	0.28 %	172	0.24 %	157	0.22 %
Minority interests		1	0.00 %	0	0.00 %	0	0.00 %
Result after tax		963	1.27 %	595	0.82 %	525	0.75 %
Profitability							
Return on equity capital	1	13.0 %		9.0 %		8.5 %	
Interest margin	2	1.70 %		1.60 %		1.61 %	
Cost/income	3	47.2 %		53.8 %		57.0 %	
Balance sheet figures *)							
Gross lending		57 371		54 551		51 642	
Gross lending and advances to customers incl SpareBank 1 Boligkreditt and Næringskreditt		80 670		75 914		68 034	
Growth in loans and advances to customers past 12 months		5.2 %		5.6 %		5.3 %	
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt and Næringskreditt past 12 months		6.3 %		11.6 %		7.4 %	
Share total lending transferred to Sp1 Boligkreditt of total retail loans		40.8 %		41.1 %		35.0 %	
Share total lending transferred to Sp1 Boligkreditt of total loans		28.5 %		28.1 %		24.1 %	
Deposits from customers		44 948		43 588		41 765	
Growth in deposits from customers past 12 months		3.1 %		-1.3 %		6.0 %	
Deposits as a percentage of gross lending	4	78.3 %		75.6 %		80.9 %	
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt and Næringskreditt		55.7 %		54.3 %		61.4 %	
Average assets	5	75 951		72 921		70 291	
Total assets		77 513		75 329		71 032	
Losses on loans and commitments in default *)							
Losses on loans to customers as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.21 %		0.26 %		0.15 %	
Commitments in default as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.60 %		0.52 %		0.69 %	
Commitments at risk of loss as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.46 %		0.78 %		0.50 %	
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt		0.75 %		0.90 %		0.88 %	
Loan loss provision ratio		28.41 %		30.64 %		25.71 %	
Solidity							
Total regulatory Capital %	6	13.91 %		13.19 %		12.50 %	
Tier I Capital %	7	13.42 %		12.11 %		11.61 %	
Tier I capital		7 780		6 672		6 002	
Equity and related capital resources		8 066		7 270		6 465	
Adjusted risk-weighted assets base		57 983		55 098		51 704	
Branches and full-time employees							
Branches		74		74		75	
Manyear		922		881		794	
Equity Certificates **)							
		31.12.13	31.12.12	31.12.11	31.12.10	31.12.09	31.12.08
Equity Certificate ratio overall	8	42.91 %	42.07 %	38.74 %	34.54 %	34.54 %	34.54 %
Quoted/market price NONG as at		35.50	27.75	32.30	45.00	41.25	16.50
Quotation value	9	7 447	4 418	5 083	5 548	5 704	2 281
Equity capital / Total capital		9.48 %	7.63 %	7.46 %	6.74 %	6.72 %	5.66 %
Equity capital / Total capital (group)		10.96 %	9.13 %	8.95 %	8.24 %	8.03 %	6.81 %
Result per Equity Certificate	10	3.91	3.27	2.55	4.32	5.19	1.55
Result per Equity Certificate (Group)	10	4.12	3.78	3.07	5.90	6.20	2.52
Cash dividend per Equity Certificate to be paid	11	1.10	1.15	1.40	2.16	2.53	1.13
P/E (Price/Earnings)	12	9.1	8.5	12.7	10.4	7.9	10.7
P/E (Price/Earnings) - Group	12	8.6	7.3	10.5	7.6	6.6	6.6
P/V (Price/Book Value)	13	1.04	0.78	0.96	1.45	1.32	0.61
P/V (Price/Book Value) - Group	13	0.89	0.64	0.80	1.09	1.09	0.50

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

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

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

Interim report for Q4 2013 – Group

(Figures in brackets are for the same period in 2012)

Highlights:

- Pre-tax profit of NOK 1,179 million (NOK 767 million)
- Profit after tax of NOK 963 million (NOK 525 million)
- Return on equity after tax of 13.0% (9.0%) Return on equity last quarter: 13.6%
 - Earnings per equity certificate (Group) of NOK 4.12 (NOK 3.78)
- Very good and further improved underlying banking operations for the year with profit before losses of NOK 1,005 million (NOK 702 million).
- Net income from financial assets of NOK 346 million (NOK 260 million)
- Cost/income ratio of 47.2% (53.8%)
- Loan losses of NOK 172 million (NOK 195 million)
- 12 month lending growth was 6.3% (11.6%), including intermediary loans
 - Retail market: 8.4% (11.0%)
 - Corporate market: 1.6% (12.9%)
- 12 month deposit growth was 3.1% (-1.3%)
 - Retail market: 6.1% (8.8%)
 - Corporate market: 5.0% (3.4%)
 - Public sector market: 8.1% (-32.5%)
- Deposit coverage ratio: 78.3% (75.6%)
- Very good liquidity
- Good financial strength: Group's core tier 1 capital ratio 12.3% (10.31%)
- In order to satisfy future capital requirements and simultaneously participate in the region's profitable growth, a successful NOK 750 million rights issue and a NOK 22.6 million private placement for employees have been carried out. The issues were recognised in the accounts at the beginning of the fourth quarter 2013.

Macroeconomic trends

Northern Norway has been enjoying a period of strong growth since 2010. This growth has been based on a broad range of sources. The region's access to natural resources has become more important internationally and has created a basis for increased exports. Population, employment and real earnings growth have resulted in increasing demand from local businesses. So has growth in public sector consumption and investments. The slower pace of growth that now characterises the Norwegian economy is expected to have less impact in the north. This is due to the economy in Northern Norway being less dependent on oil than in the rest of the country, plus the expectation that the housing market in the largest cities in Northern Norway will remain up in 2014. The brighter international outlook, together with a somewhat weaker NOK, will result in better conditions for seafood, tourism and the minerals sector. The level of investment in the region is also expected to remain high. The bank forecasts that output will grow between 3-4% in Northern Norway in 2014, compared to 2% for the country as a whole.

Seafood is the region's strongest industry. Northern Norway's salmon farming accounts for almost 40% of the country's total output. Record prices made 2013 a very good year. 2014 also looks promising for the salmon industry, even if prices fall slightly. Catches have been high in the cod segment, but prices low. The traditional fishing industry must rationalise production so it can compete profitably. Tourism is undergoing a change in which organised activities throughout the year are replacing the traditional summer coach tourism. The maritime services industry is growing because more oil and gas fields are coming into production and new areas are being opened up for exploration activities. Activity in the building and construction sector is high because of increased house building and several major construction projects. The minerals industry has made promising finds, but is awaiting public permits that will allow it to extract the deposits.

Northern Norwegian household finances are solid. Lasting low unemployment, growth in real wages and low interest rates have resulted in good growth in personal consumption as well as personal savings. The growth in real wages is expected to decrease in 2014. Together with increased pension savings, this could result in weaker growth in consumption and have a negative effect for the retail sector.

Although the macroeconomic outlook for Northern Norway is good, it should still be noted that there is continuing uncertainty about the future economic development. This is due to the weak trend of falling growth in the Norwegian economy, and continued uncertainty about the international economic situation.

Financial performance

The financial statements as of the fourth quarter 2013 show operating profit before tax of NOK 1,179 million (NOK 767 million). Underlying banking operations before losses have further improved this year and show a profit of NOK 1,005 million, compared with NOK 702 million for the same period last year. Underlying banking operations are viewed as very good.

The Group's return on equity after tax as of 31 December 2013 was 13.0% (9.0%). Earnings per equity certificate were NOK 4.12 (NOK 3.78). The Group's return on equity for the fourth quarter in isolation was 13.6%.

Net interest income

Net interest income as of 31 December 2013 amounted to NOK 1,290 million. This is NOK 124 million higher than for the same period in 2012. The accounts were charged NOK 35 million for the Norwegian Banks Guarantee Fund. This was classified as interest cost in the fourth quarter 2013. This charge was waived for the banks in 2012.

Net interest income represented 1.70% of average total assets, which is 0.10 percentage points higher than last year.

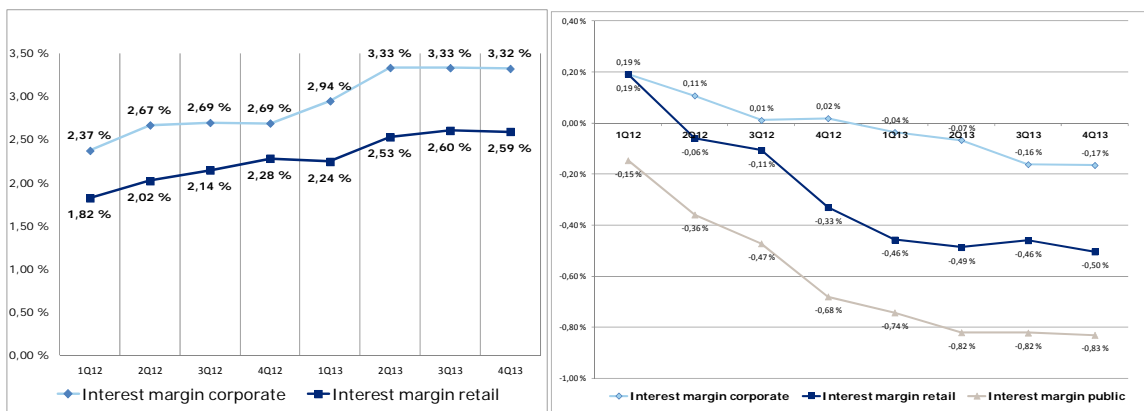
Income from the loan portfolio transferred to SpareBank 1 Boligkreditt (SP1BK) and SpareBank 1 Næringskreditt (SP1NK) is booked as commission income. These commissions totalled NOK 332 million at the end of the fourth quarter 2013. The corresponding figure for the same period in 2012 was NOK 175 million. Net interest income including the above-mentioned commission income for the fourth quarter in isolation shows an increase of NOK 20 million compared with the third quarter 2013.

At the end of the fourth quarter 2013, home mortgages worth NOK 23 billion (NOK 21 billion) had been transferred to SpareBank 1 Boligkreditt. As per 31 December 2013, loans amounting to NOK 0.3 billion had been transferred to SpareBank 1 Næringskreditt.

Compared with the third quarter 2013, net interest income including commissions from the transferred loan portfolio, have developed as shown below:

<i>Amounts in NOK million</i>	Q4 2013	Change	Q3 2013
Net interest income, incl. commissions from SB1BK and SP1NK	451	+20	431
Lending and deposit volume		+8	
Margin effects		+9	
Other effects		+3	

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



Stricter regulatory requirements for liquidity and equity have resulted in higher capital costs and higher earnings requirements for banks. Some of this must be recouped by increasing prices for the bank's products, primarily loans. Based on this, the bank implemented various pricing measures within both the retail and the corporate markets. Together with lower funding costs due to reduced money market rates, this has resulted in a significant increase in the Group's net interest margin and net interest income throughout 2012 and in 2013.

The future development of lending margins will depend on the competition situation and how funding costs develop. The competition within the retail market and corporate lending with low risk currently seem to be increasing. The introduction of increased capital requirements indicate in isolation further expanded margins in both the corporate and retail markets.

Net commissions and other operating income

Net commissions and other operating income at the end of the fourth quarter 2013 amounted to NOK 922 million, an increase of NOK 266 million compared with the same quarter last year.

<i>Amounts in NOK million</i>	Q4 2013	Change	Q4 2012
Net commissions and other operating income	922	+ 266	656
Increased commissions from SP1BK and SP1NK		+157	
Increased commissions from EiendomsMegler 1 Nord-Norge		+ 0	
Increased income from SB1 Regnskapshuset Nord-Norge		+ 19	
Increased other commissions and other operating income		+ 90	

Income from financial investments

Total net income from financial investments as of the fourth quarter 2013 amounts to NOK 346 million (NOK 260 million). This has developed as follows:

<i>Amounts in NOK million</i>	Q4 2013	Change	Q4 2012
Net income from financial investments	+346	+162	260
Result from SpareBank 1 Gruppen	210	+114	96
Result from SpareBank 1 Boligkreditt	29	-4	33
Result from Bank 1 Oslo Akershus	0	-25	25
Result from BN Bank	66	+14	52
Result from SpareBank 1 Næringskreditt	5	+1	4
Result from SpareBank 1 Kredittkort	-5	-5	0
Result from SpareBank 1 Verdipapirservice	-2	-2	0
Result from SpareBank 1 Markets	-1	-1	0
Share dividends	27	+10	17
Net value change, shares	57	+161	-104
Net valute change bonds	-30	-101	71
Net value change currency and financial derivatives	-10	-76	66

Profit contribution from joint ventures

SpareBank 1 Gruppen

SpareBank 1 Gruppen's profit after tax as of the fourth quarter 2013 totalled NOK 1,118 million (NOK 443 million). The SpareBank 1 Nord-Norge Group's share of the result, amounting to NOK 210 million (NOK 96 million), has been incorporated into the financial statements. SpareBank 1 Livsforsikring and SpareBank 1 Skadeforsikring made the greatest contributions to SpareBank 1 Gruppen's profit. SpareBank 1 Gruppen sold its stake in SpareBank 1 Markets AS in the third quarter.

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

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

The bank owns a 13.15% stake in SpareBank 1 Boligkreditt as of 31 December 2013 and the share of its profit as of the fourth quarter 2013 was NOK 29 million (NOK 33 million).

The SpareBank 1 banks established SpareBank 1 Næringskreditt in 2009 based on the same model and with the same management as SpareBank 1 Boligkreditt. SpareBank 1 Nord-Norge owns a 20.92% stake in the company and the share of its profit as of the fourth quarter 2013 was NOK 5 million (NOK 4 million).

Bank 1 Oslo Akershus

On 31 December 2012, SpareBank 1 Nord-Norge owned a 19.5% stake in Bank 1 Oslo Akershus. In January 2013, the bank signed an agreement to reduce its stake in Bank 1 Oslo Akershus to 4.8%. This agreement was signed together with SpareBank 1 SR-Bank and SpareBank 1 SMN, with Sparebanken Hedmark as the buyer. The transaction's sale price matched the book value of Bank 1 Oslo Akershus AS as of 30 September 2012. The agreement has been approved by both the Financial Supervisory Authority of Norway and the Ministry of Finance. The transaction was formally executed in the second quarter 2013. Share of the profit had not been incorporated as of the fourth quarter 2013 (NOK 25 million).

BN Bank

SpareBank 1 Nord-Norge owned a 23.5% stake in BN Bank as of 31 December 2013. The share of profit as of the fourth quarter 2013 amounts to NOK 67 million (NOK 52 million) including the effect of amortisation from the date of purchase.

In 2013, BN Bank implemented various measures to improve profitability that have significantly expanded lending margins and reduced costs. The profit after tax has increased from NOK 188 million to NOK 252 million. Loan losses are higher than the expected long-term level due to specific factors in a few commitments in the corporate market portfolio, and losses in BN Bank's former portfolio in Ålesund (guarantee portfolio). Work continues on further measures with a view to improving profitability without significant growth in the risk-weighted balance assets.

SpareBank 1 Markets

SpareBank 1 Markets, whose main shareholder used to be SpareBank 1 Gruppen AS, was, as of 31 December 2013, directly owned by SpareBank 1 SMN (23.89%), SpareBank 1 Nord Norge (23.89%), SpareBanken Hedmark (14.33%), Samspar (23.89%), the Norwegian Federation of Trade Unions (12%) and employees (2%).

In connection with the change in ownership structure, in the second quarter 2013 SpareBank 1 Gruppen AS carried out a NOK 132 million write-down of its stake in SpareBank 1 Markets. SpareBank 1 Nord-Norge's share of this write-down was NOK 26 million. SpareBank 1 Markets' results in the last quarter of 2013 showed a deficit of NOK 11.5 million, and SpareBank 1 Nord-Norge's share of this amounted to NOK 2.8 million.

The share of profit as of the fourth quarter 2013 amounted to NOK -1 million.

Other companies

The alliance companies SpareBank 1 Verdipapirservice and SpareBank 1 Kundesenter were established at the end of the second quarter 2012. SpareBank 1 Nord-Norge owns stakes of 24.9% and 14.91%, respectively, in these two companies. Shares of the results from these totalling NOK -2 million had been incorporated as of the fourth quarter 2013. The 19.83% stake in SpareBank 1 Kredittkort and share of the result as of the fourth quarter amounting to NOK -5 million has also been incorporated.

The Group's equities portfolio

The Group's equities portfolio as of 31 December 2013 amounted to NOK 712 million (NOK 533 million). In 2013, NOK 27 million in dividends from share investments, and NOK 57 million in net capital gains were recognised for the portfolio. The net capital gains include capital losses of NOK 23 million from the subsidiary, SpareBank 1 Invest AS.

In the parent bank's financial statements, dividends amount to NOK 25 million and net capital gains amount to NOK 164 million. Gains and increases in value of NOK 99 million from the sale of the stake in Bank 1 Oslo are recognised as income. NOK 18 million of these gains are eliminated in the consolidated financial statements.

Certificates and bonds

As of 31 December 2013, the Group's holdings of certificates and bonds amounted to NOK 11,207 million, compared with NOK 12,444 million at the same time last year. The holdings of interest-bearing securities include covered bonds issued under the government's swap scheme.

On 1 July 2008, the bank reclassified large parts of its interest-bearing securities in the trading portfolio from the category "at fair value through profit or loss" to categories that are assessed at amortised cost. The effects of this reclassification are explained in a note to the interim financial statements. The reclassified portfolio is continuously assessed with regard to the need for permanent impairment in value. As per 31 December 2012, such write-downs totalling NOK 80 million had been made. A further write-down of NOK 7.6 million was made in the first quarter 2013. No further write-downs of this part of the portfolio were made in 2013.

The total net change in value in 2013 in the total portfolio of certificates and bonds amounted to NOK -30 million.

Currency and derivatives

The net change in value for currency and financial derivatives as of the fourth quarter amounted to NOK -11 million. This item includes part of the income from the bank's Markets department, as well as changes in the value of the bank's own positions in currency and financial derivatives.

Subsidiaries and second tier subsidiaries – consolidated results

(Amounts in whole NOK 1000)	Stake in %	Pre-tax profit	
		31.12.2013	31.12.2013
SpareBank 1 Finans Nord-Norge AS	100	98,739	75,575
SpareBank 1 Nord-Norge Invest AS	100	-29,776	-147,523
EiendomsMegler 1 Nord-Norge AS	100	15,356	7,291
EiendomsMegler 1 Lofoten AS	60	- 52	-285
SpareBank 1 Forvaltning AS	100	2,395	1,259
SpareBank 1 Regnskapshuset AS	100	2,909	-498
North-West 1 Alliance Bank	75	1,586	647
Nord-Norge Eiendom IV AS	100	0	
Alsgården AS	100	-3	

The Group's subsidiaries have a combined result before tax as of the fourth quarter 2013 of NOK 91 million (NOK -63 million), which has been fully consolidated in the consolidated financial statements.

SpareBank 1 Finans Nord-Norge's profit before tax as of the fourth quarter 2013 was NOK 99 million (NOK 76 million). The company has a good earnings base and total earnings in the year to date amount to NOK 246 million (NOK 212 million). Losses on leasing and loan commitments as of the fourth quarter 2013 amounted to NOK 11 million (NOK 4 million). As at the end of the quarter, the company managed leasing, consumer loan and vendor's security agreements with a total value of NOK 3,442 million (NOK 3,240 million).

North West 1-Alliance Bank in St. Petersburg, Russia (75% stake) had a result before tax for the fourth quarter 2013 of NOK 1.6 million (NOK 0.6 million). The Main Board of Directors has decided that SpareBank 1 Nord-Norge's exposure in Russia should not increase, and that the strategy for presence and exposure in Russia should be further considered.

SpareBank 1 Nord-Norge Invest AS (SpareBank 1 Nord-Norge Portefølje AS from 1 January 2014) has a portfolio of unlisted equities and investments in funds. The company's result before tax as of the fourth quarter 2013 was NOK -30 million (NOK -148 million). The write-down in the company's equities portfolio has been commented on above in the section "The Group's equities portfolio". The company's former activities are being restructured/wound up. It has been decided to continue the company as a legal entity for legal and practical reasons. The company's stipulated purpose has changed in line with its changed activities. SpareBank 1 Nord-Norge Invest AS owns 100% of the company Nord-Norge Eiendom IV, which in turn owns 100% of the company Alsgården AS. Both companies are consolidated into the consolidated financial statements as of 31 December 2013.

EiendomsMegler 1 Nord-Norge AS had a profit before tax as of the fourth quarter 2013 of NOK 15 million (NOK 7 million). The number of units sold as of 31 December 2013 was 1,756 (1,555), representing a total sales value of NOK 3.87 billion, an increase of 21% compared with the same period in 2012. EiendomsMegler 1 Nord-Norge AS owned 60% of EiendomsMegler 1 Lofoten AS as of 31 December 2013. The contribution to the result during the ownership period of NOK -0.09 million has been incorporated.

SpareBank 1 Nord-Norge Forvaltning, which manages a portfolio of NOK 1.8 billion, had a profit before tax of NOK 2 million as of the fourth quarter 2013 (NOK 1.3 million).

SpareBank 1 Regnskapshuset Nord-Norge operates accounting firms in Northern Norway. Consolidated result for the company (excluding depreciation of goodwill) is NOK 2.9 mill (NOK -0.5 mill)..

Operating costs

Ordinary operating costs at the end of the fourth quarter 2013 totalled NOK 1,207 million. Compared with the same period in 2012, this represents an increase of NOK 87 million.

The changes in costs were as follows:

<i>Amounts in NOK million</i>	Q4 2013	Change	Q4 2012
Operating costs	1,207	+87	1,120
Personnel costs	638	+57	581
Admin. costs	337	+18	319
Depreciation	53	-1	54
Other costs	179	+13	166

Costs amounted to 1.59% of average total assets as of the fourth quarter 2013, an increase of 0.05 percentage points compared with 2012. The Group's cost/income ratio was 47.2% as of the fourth quarter 2013, compared with 47.4% as of the third quarter 2013 and 53.8% as of the fourth quarter 2012.

The higher costs compared with 2012 were attributable to higher personnel costs, including general pay rises and higher payroll costs for new employees compared with the average for all employees. At the end of the fourth quarter 2013, the number of full time equivalents in the Group was 38 higher than at the same time last year: there were 63 more in subsidiaries and 25 fewer in the parent bank. The increase in the number of employees in the subsidiaries mainly relates to the Group's subsidiary in Russia (7 full time equivalents) and the acquisition of accountancy firms (49 full time equivalents). The parent bank's costs as of the fourth quarter 2013 amounted to NOK 975 million (NOK 954 million). The increase was primarily related to development and IT costs, as well as increased brand activities and new services. NOK 8.5 million was set aside for profit sharing for employees in the fourth quarter 2013.

The Group had 922 full time equivalents at the end of the fourth quarter 2013, 647 of whom were accounted for by the parent bank. The corresponding figures for last year were 881 and 672 respectively.

The parent bank's goal is to hold average annual cost increases to a maximum of 2% for the period 2013-2016. Cost-reduction programmes were started in the parent bank in 2012 and in 2013, and these will continue in 2014. They includes rationalisation measures within both staffing and other cost areas. The parent bank's increase in costs for 2013 amounts to 1.7%, excluding the amount set aside for profit sharing for employees.

Net losses and non-performance

The Group's net loan losses as of the fourth quarter 2013 amounted to NOK 172 million (NOK 195 million): NOK 146 million from the corporate market and NOK 26 million from the retail market. The loan losses within the corporate sector is considered to be somewhat high in view of the current macroeconomic situation.

Net non-performing and doubtful commitments totalled NOK 615 million (NOK 686 million) as of 31 December 2013, which represents 0.76% of gross lending, including intermediary loans. This is 0.14 percentage points lower than as of 31 December 2012.

The Group's total individual loss write-downs as of 31 December 2013 were NOK 244 million (NOK 303 million). The provision was reduced by a NOK 23 million in the last quarter.

Group write-downs as of 31 December 2013 amounted to NOK 210 million (NOK 198 million) and have increased by NOK 8 million compared with the previous quarter. Group write-downs totalled 0.37% of the Group's combined gross lending as of 31 December 2013 (0.26% of gross lending including intermediary loans).

The Group's risk classification system indicates that the overall credit risk in the loan portfolio remains good. In the opinion of the Main Board of Directors, the quality of the bank's loan portfolio is good and the bank is doing high quality work on Group commitments in default and doubtful commitments. There will still be a strong focus on this work in the coming months. The general level of losses is expected to be moderate in the near future.

Tax

The Group's tax cost was estimated at NOK 215 million at the end of the fourth quarter 2013. In the parent bank's accounts, the tax base has been reduced by permanent differences coupled with the effects of the exemption model.

Total assets

The Group's total assets amounted to NOK 77,513 million as of 31 December 2013. Total assets have increased by NOK 2,184 million, or 2.9%, in the last 12 months.

Lending

As of 31 December 2013, loans totalling NOK 23 billion (NOK 21 billion) had been transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not appear as lending on the bank's balance sheet. Comments that deal with the growth in lending include these intermediary loans.

The Group's gross lending to customers including intermediary loans totalled NOK 80,670 as of 31 December 2013. This represents an increase of 6.3% compared with 31 December 2012. Retail loans showed growth of 8.4%, while corporate and public sector loans showed growth of 1.6%.

As far as new loans are concerned, particular attention is paid to ability to pay and satisfactory collateral. The aim of this is to maintain credit risk at an acceptable level.

The bank's portfolio of fixed-rate loans amounted to NOK 7.6 billion as of 31 December 2013. The average term to maturity in this portfolio of loans is around 3.5 years. These loans are stated in the Group's balance sheet at market value (fair value). A new assessment and adjustment of the valuation method for this loan portfolio was carried out as of 31 December 2013. This has resulted in a new estimate of the value of the portfolio. The new assessment did not result in a significant change in fair value, but the net value of the fixed-rate portfolio has been written down by NOK 15 mill in the fourth quarter

Saving and investments

The Group's deposits from customers totalled NOK 44,948 million as of 31 December 2013. The increase over the past 12 months was NOK 1,360 million, or 3.1%. Retail deposits showed growth of 6.1% and corporate deposits 5.0%, while public sector deposits decreased by 8.1%. At the end of the fourth quarter 2013, the deposit coverage ratio (excluding intermediary loans) was 78.3%, which is 2.7 percentage points higher than last year.

Liquidity

Deposits from customers are the bank's main source of funding. The bank's remaining funding, apart from equity and subordinated capital and deposits from customers, is mainly from long-term funding from the capital markets. The bank's liquidity situation and access to liquidity is very good. The bank's strategic aim is to maintain liquidity risk at a low level.

Financial strength and capital adequacy – implemented equity issues

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

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

As a result of the transitional rules in the new regulations, the IRB banks were to benefit in full from the reduced regulatory capital adequacy requirements starting in 2010. This has been postponed until 2015, and the transitional rules therefore also applied in 2013.

The European Parliament passed CRD IV on 16 April 2013, and the final CRD IV text was approved by the Council of Europe on 20 June 2013. CRD IV will be effective from 1 January 2014 and consists of one directive and one regulation and replaces the current capital adequacy directives. CRD IV will apply in Norway because of the EEA Agreement. On 10 June 2013, the Norwegian Ministry of Finance approved that the capital and buffer requirements shall apply to Norwegian institutions starting on 1 July 2013, though with a phasing in period up to 2016. This means most Norwegian banks will be expected to satisfy a core Tier 1 equity requirement of at least 13 % by 1 July 2016.

The Ministry of Finance recently presented changed capital requirements for IRB banks. It has also been stated that the transitional rules ('the floor') for calculating the risk-weighted assets (RWA) will continue. Stricter requirements for the calculation models the banks use to calculate capital requirements for home mortgages have

also been proposed. These include adjusting the minimum requirement for the calculated loss given default (LGD) for home mortgages from 10% to 20%. This corresponds to a minimum risk-weighting for home mortgages of around 20%. The authorities are also indicating that they intend to introduce stricter requirements for the bank's calculation models for establishing the probability of default (PD) for home mortgages. The bank's preliminary calculations indicate that the proposals presented will not entail changes in the Group's capital adequacy. This is due to the continuation of the transitional rules for calculating risk-weighted assets, and, at the same time, the effect of the transitional rules ('the floor') exceeding the negative effect of the changed LGD floor.

SpareBank 1 Nord-Norge submitted an application for A-IRB approval to the Financial Supervisory Authority of Norway in mid-June 2013. This application is expected to be processed by the Financial Supervisory Authority of Norway in 12 months. Permission for the use of A-IRB in the calculation of capital requirements for lending to the corporate market is important in the context of the bank's ongoing adaptation to new capital requirements for Norwegian financial institutions.

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

- various measures to increase earnings, including higher margins on loans
- reduced dividend pay-out ratio
- reduced lending growth, especially in the corporate market
- application for A-IRB approval
- measures to increase capital utilisation
- selling down the bank's stake in SpareBank 1 Oslo Akershus (completed)
- utilisation of capital allocated to the Sparebankstiftelsen SpareBank 1 Nord-Norge foundation

In the bank's opinion, it would be possible to achieve the new capital requirements with the measures mentioned above. However, this would require heavily restricting the Group's lending growth - especially within the corporate market. Continuing to significantly restrict lending growth would impact short-term and long-term earning opportunities and the Group's long-term market position. In addition, profitable participation in the growth in Northern Norway is an important part of the bank's socio-economic role as the region's own bank. Based on this, on 9 September 2013 the bank's Supervisory Board decided to strengthen the bank's equity through a rights issue of up to NOK 750 million. A successful rights issue for the same amount was thus carried out at the end of September. At the same time, a private placement for the Group's employees was carried out on the basis of previous authorisations granted by the Supervisory Board. The latter raised gross proceeds of NOK 22.2 million. The due date for payments for the new equity was 8 October 2013 and the new capital was recognised in the fourth quarter 2013.

As of 31 December 2013, the Group's tier 1 capital ratio amounted to 13.42% (12.11%) of the calculation basis. The total capital adequacy ratio was 13.91% (13.19%). The Group's core tier 1 capital ratio without profit shares as of the fourth quarter 2013 was 12.29% (10.31%). With full IRB effect (without a 'floor') the core tier 1 capital ratio, including the share of profit for the year, would be 14.36% (10.95%). Please also see the notes to the interim financial statements.

The bank's financial strength as of 31 December 2013 is considered good in relation to the current regulatory minimum requirements.

The bank's equity certificate holders

As of 31 December 2013, the parent bank's equity certificate capital was NOK 1,807 million. The number of equity certificates as of 31 December 2013 was 100,398,016 each with a nominal value of NOK 18, fully paid-up.

The adjusted post issue ownership fraction as of 1 January 2013 is 42.91%. This figure includes 2/12 of the issue proceeds. As of 1 January 2014, the ownership fraction is calculated to be 47.86%. The number of equity certificate holders was 7,839 as of 31 December 2013, a reduction of 176 over the last 12 months. The proportion of equity certificate holders from Northern Norway was 31%. A summary of the bank's 20 largest equity certificate holders is provided in the notes to the interim report.

The book value per equity certificate as of 31 December 2013 was NOK 34.23 and earnings per equity certificate were NOK 4.12. As of 31 December 2013, the price was NOK 35.50. Price/Earnings and Price/book as of 31 December 2013 were 8.6 and 0.9, respectively.

Proposed profit allocation

The bank's dividend policy states that the bank aims to ensure that up to 50% of the profit for the year can be used as dividend funds (cash dividends and donations to publicly beneficial causes) if the bank's financial strength so permits. Stricter regulatory requirements for banks' equity will mean that a dividend rate of less than 50% must be expected in years to come.

The parent bank's profit after tax is distributed between the equity certificate holders and the bank's community-owned capital in accordance with the relative distribution of equity capital between the owner groups in the parent bank. As mentioned above, the ownership fraction as of 1 January 2013 was 42.91%.

The Main Board of Directors is proposing to the bank's Supervisory Board a cash dividend of NOK 1.10 per equity certificate, for a total of NOK 110.4 million, and an allocation of NOK 282.3 million to the dividend equalisation fund. In addition, a combined transfer of NOK 43.1 million to publicly beneficial causes is proposed.

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

Parent bank's profit for the year after tax	NOK 915.1 million
Allocated to cash dividend	NOK 110.4 million
Allocated to dividend equalisation fund	NOK 282.3 million
Total to the equity certificate holders (42.91%)	NOK 392.7 million
Allocated to donations	NOK 43.1 million
Allocated to the Savings Banks Fund.	NOK 479.3 million
Total to the bank's community-owned capital (57.09%)	NOK 522.4 million
Total allocated	NOK 915.1 million

Dividends will be distributed to those registered as equity certificate holders as of 25 March 2014. The bank's equity certificates will be traded ex dividend as of 26 March 2014.

The proposed allocation of profits represents dividend payout ratio of the Group's profit of 28.1% to the bank's equity certificate holders and 8.2% to community-owned capital. This means that 83.2% of the Group's profit will be retained by the Group. The above also means that the equity certificate holders share of the equity (ownership fraction) changes. The new ownership fraction was calculated at 47.86% as of 1 January 2014.

Concluding remarks and outlook

The bank's core operations report very good and further improved earnings. The prospects for the northern Norwegian economy remains good and the region's business sector remains optimistic. Nonetheless, it should be mentioned that due to the prospect of somewhat slower growth in the Norwegian economy, and continued uncertainty about the international economic situation, there is also some uncertainty about how the region's economy will develop.

As mentioned in the introduction, the good macro economic development is reflected in the bank's financial statements through good lending and deposit growth in the retail market. As a consequence of stricter regulatory requirements for the equity level of banks, the bank has shown increased restraint with regard to corporate lending growth. Combined with lower demand for corporate lending, this resulted in reduced lending growth in the corporate market compared with 2012.

The bank's deposit coverage ratio is expected to remain good. It is the bank's ambition to maintain a strong position in the public sector. Deposit and loan margins are expected to be affected by competition. The competitive level within lending seem currently to be somewhat increasing.

The bank has initiated several measures to further improve profitability, return on equity and capital adequacy. These measures will be continued.

Tromsø, Norway, 4 February 2014

The Main Board of Directors of SpareBank 1 Nord-Norge

Kjell Olav Pettersen
(Chairman of the Board)

Pål Andreas Pedersen
(Deputy Chairman)

Sonja Djønne

Hans Tore Bjerkås

Greger Mannsverk

Ann-Christine Nybacka

Anita Persen

Vivi-Ann Pedersen
(employee elected)

Jan-Frode Janson
(CEO)

Statement of income

Parent Bank

Group

(Amounts in NOK million)

31.12.11	4Q12	4Q13	31.12.12	31.12.13		31.12.13	31.12.12	4Q13	4Q12	31.12.11
2 713	665	795	2 722	2 825	Interest income	2 995	2 845	844	706	2 823
1 700	401	486	1 688	1 712	Interest costs	1 705	1 679	484	399	1 694
1 013	264	309	1 034	1 113	Net interest income	1 290	1 166	360	307	1 129
483	173	201	590	771	Fee- and commission income	892	686	233	197	567
78	15	20	72	71	Fee- and commission costs	75	74	23	15	80
22	12	24	22	35	Other operating income	105	44	43	20	19
427	170	205	540	735	Net fee-, commision and other operating income	922	656	253	202	506
11	0	0	16	23	Dividend	27	17	0	- 1	14
98	- 19	0	81	239	Income from investments	303	210	78	14	195
33	36	9	175	121	Net gain from investments in securities	16	33	7	17	- 25
142	17	9	272	383	Net income from financial investments	346	260	85	30	184
1 582	451	523	1 846	2 231	Total income	2 558	2 082	698	539	1 819
436	116	127	471	481	Personnel costs	638	581	174	153	514
287	76	81	291	306	Administration costs	337	319	87	83	313
43	16	12	51	50	Ordinary depreciation	53	54	13	16	47
142	36	37	141	141	Other operating costs	179	166	51	43	162
908	244	257	954	978	Total costs	1 207	1 120	325	295	1 036
674	207	266	892	1 253	Result before losses	1 351	962	373	244	783
97	29	41	224	146	Losses	172	195	50	32	101
577	178	225	668	1 107	Result before tax	1 179	767	323	212	682
141	46	52	153	192	Tax	215	172	51	54	157
436	132	173	515	915	Result after tax	964	595	272	158	525
					Majority interest	963	595	271	158	525
					Minority interests	1	0	1	0	0
					Result per Equity Certificate					
2.55	0.84	0.74	3.27	3.91	Result per Equity Certificate	4.12	3.78	1.16	1.00	0.03
2.55	0.84	0.74	3.27	3.91	Diluted result per Equity Certificate	4.12	3.78	1.16	1.00	0.03

Other comprehensive income

436	132	173	515	915	Result after tax	964	595	272	158	525
0	0	0	0	0	Recalculation differences	1	1	1	0	-2
-4	1	1	-1	6	Effective part of change in fair market value in cash flow hedging	6	-1	1	1	-4
0	0	-1	153	-1	Actuarial gains (losses) on benefit-based pension schemes	0	158	0	158	0
-1	0	-1	-43	-2	Tax on other comprehensive income	-2	-44	-1	-44	1
-5	1	-1	109	3	Other comprehensive income for the period	5	114	1	116	-5
431	133	172	624	918	Total comprehensive income for the period	969	709	273	274	520
					Majority interest	969	709	273	274	520
					Minority interests	0	0	0	0	0
					Total result per Equity Certificate					
2.52	0.85	0.74	3.27	3.92	Total result per Equity Certificate	4.14	3.78	1.17	1.00	0.03
2.52	0.85	0.74	3.27	3.92	Diluted total result per Equity Certificate	4.14	3.78	1.17	1.00	0.03
					Tax on other comprehensive income:					
0	0	0	-43	0	Actuarial gains (losses) on benefit-based pension schemes	0	-44	0	-44	0
-1	0	0	-43	-2	Tax on other comprehensive income	-2	-44	-1	-44	1

Statement of financial position

Parent Bank

Group

(Amounts in NOK million)

31.12.11	31.12.12	31.12.13		31.12.13	31.12.12	31.12.11
Assets						
1 869	244	612	Cash and balances with central banks	655	271	1 896
3 477	4 761	4 470	Loans and advances to credit institutions	1 392	1 871	970
48 345	50 670	53 202	Net loans and advances to customers	56 918	54 050	51 210
357	382	556	Shares	712	553	607
11 229	12 442	11 207	Certificates and bonds	11 207	12 444	11 234
850	1 240	1 308	Financial derivatives	1 303	1 234	850
356	402	553	Investments in Group Companies	0	0	0
1 983	2 407	2 436	Investments in associated companies and joint ventures	3 564	3 514	3 019
502	504	489	Property, plant and equipment	500	515	508
0	0	0	Intangible assets	81	53	26
705	782	1 108	Other assets	1 181	824	712
69 673	73 834	75 941	Total assets	77 513	75 329	71 032
Liabilities						
6 450	4 294	4 292	Deposits from credit institutions	4 284	4 295	6 446
41 748	43 550	44 889	Deposits from customers	44 948	43 588	41 765
13 342	16 534	16 336	Debt securities in issue	16 336	16 534	13 342
517	713	722	Financial derivatives	721	713	519
1 005	839	880	Other liabilities	1 076	1 021	1 166
54	173	172	Deferred tax liabilities	200	202	82
1 356	2 095	1 450	Subordinated loan capital	1 450	2 095	1 356
64 472	68 198	68 741	Total liabilities	69 015	68 448	64 676
Equity						
1 655	1 655	1 807	Equity Certificate capital	1 807	1 655	1 655
245	245	843	Equity Certificate premium reserve	843	245	245
333	456	776	Dividend Equalisation Fund	776	456	333
2 898	3 083	3 565	The Savings Bank's Fund	3 565	3 083	2 898
133	150	163	Donations	163	150	133
0	0	0	Fund for unrealised gains	- 2	- 3	- 4
- 63	47	46	Other equity capital	1 323	1 273	1 083
0	0	0	Result after tax	0	0	0
			Minority interests	23	22	13
5 201	5 636	7 200	Total equity	8 498	6 881	6 356
69 673	73 834	75 941	Total liabilities and equity	77 513	75 329	71 032

Changes in equity

(Amounts in NOK million)

Group	PCC capital	Premium Fund	Dividend		Saving Bank's Fund	Donations Fund	Fair value reserve	Other equity	Period result	Total Majority interests	Minority interests	Total equity
			Equalisation Fund	Fund								
Equity at 01.01.12	1 655	245	333		2 898	133	- 4	1 083		6 343	13	6 356
Total comprehensive income for the period				216	268	30	1	80		595		595
<i>Other comprehensive income:</i>												
Recalculation differences								1		1		1
Actuarial gains (losses) on benefit-based pension schemes								158		158		158
Tax on other comprehensive income								- 44		- 44		- 44
Total other comprehensive income					- 1			115		114		114
Total comprehensive income for the period			216		267	30	1	195		709		709
Transactions with owners												
Set aside for dividend payments			- 76							- 76		- 76
Reversal of dividend payments			76							76		76
Dividend paid			- 93		- 83					- 176		- 176
Other transactions					1			- 5		- 4	9	5
Payments from Donations Fund						- 13				- 13		- 13
Total transactions with owners			- 93		- 82	- 13		- 5		- 193	9	- 184
Equity at 31.12.2012	1 655	245	456		3 083	150	- 3	1 273		6 859	22	6 881
Equity at 01.01.13	1 655	245	456		3 083	150	- 3	1 273		6 859	22	6 881
Total comprehensive income for the period												
Period result				394	479	43		47		963	1	964
<i>Other comprehensive income:</i>												
Recalculation differences								1		1		1
Effective part of change in fair market value in cash flow hedging			2		4					6		6
Actuarial gains (losses) on benefit-based pension schemes										- 2		- 2
Tax on other comprehensive income					- 2							
Total other comprehensive income	0	0	2		- 2	0	1	0	0	5		5
Total comprehensive income for the period			396		481	43	1	47		968	1	969
Transactions with owners												
Equity issue	152	598								750		
Set aside for dividend payments			- 110							- 110		- 110
Reversal of dividend payments			110							110		110
Changes in minority interests												
Dividend paid			- 76							- 76		- 76
Other transactions					1			3		4		4
Payments from Donations Fund						- 30				- 30		- 30
Total transactions with owners	152	598	- 76		1	- 30		3		648		- 102
Equity at 31.12.13	1 807	843	776		3 565	163	- 2	1 323		8 475	23	8 498

ECC ratio overall

Parent Bank

(Amounts in NOK million)

	31.12.08	31.12.09	(01.01.11) 31.12.10	(01.01.12) 31.12.11	(01.01.13) (adjusted) 31.12.12	(01.01.13) 01.01.13	31.12.13
Equity Certificate capital	896	896	1 275	1 655	1 655	1 681	1 807
Equity Certificate premium reserve	123	123	184	245	245	344	843
Dividend Equalisation Fund	277	471	408	319	453	380	795
Set aside dividend	- 54	- 121	- 103	- 93	- 76	0	0
Share Fund Fair Value Options	- 5	- 30	- 3	- 14	- 33	- 33	0
A. Equity attributable to Equity Certificate holders of the Bank	1 237	1 339	1 761	2 112	2 244	2 372	3 445
The Savings Bank's Fund	2 221	2 623	2 811	2 902	3 107	3 081	3 593
Allocated dividends to ownerless capital	0	- 161	- 154	- 107	- 30	0	0
Donations	133	133	133	133	120	120	162
Share Fund Fair Value Options	- 10	- 57	- 5	- 20	- 45	- 45	0
B. Total ownerless capital	2 344	2 538	2 785	2 908	3 152	3 156	3 755
Equity Certificate Ratio overall (A/(A+B))	34.54 %	34.54 %	38.74 %	42.07 %	41.59 %	42.91 %	47.86 %

Statement of cash flows

Parent Bank

Group

(Amounts in NOK million)

31.12.11	31.12.12	31.12.13		31.12.13	31.12.12	31.12.11
577	668	1 107	Result before tax	1 179	767	682
43	51	50	+ Ordinary depreciation	53	54	47
- 8	- 4	- 3	+ Write-downs, gains/losses fixed assets	- 3	- 4	- 8
97	224	146	+ Losses on loans and guarantees	172	195	102
141	153	192	- Tax	215	172	158
257	189	106	- Dividends/donations	106	189	257
311	597	1 002	Provided from the year's operations	1 080	651	408
- 140	184	54	Change in sundry liabilities: + increase/ - decrease	70	213	- 162
- 219	- 393	- 394	Change in various claims: - increase/ + decrease	- 454	- 448	- 183
-2 164	-2 549	-2 678	Change in gross lending to and claims on customers: - increase/ + decrease	-3 040	-3 035	-2 737
343	-1 238	1 061	Change in short term-securities: - increase/ + decrease	1 078	-1 156	336
2 396	- 566	1 339	Change in deposits from and debt owed to customers: + increase/ - decrease	1 360	- 545	2 376
349	212	- 2	Change in debt owed to credit institutions: + increase/ - decrease	- 11	217	323
876	-3 753	382	A. Net liquidity change from operations	83	-4 103	361
- 91	- 53	- 35	- Investment in fixed assets (incl merger effects)	- 38	- 61	- 95
8	4	3	+ Sale of fixed assets	3	4	8
- 161	- 470	- 180	Change in holdings of long-term securities: - increase/ + decrease	- 50	- 495	- 158
- 244	- 519	- 212	B. Liquidity change from investments	- 85	- 552	- 245
-1 135	3 192	- 198	Change in borrowings through the issuance of securities: + increase/ - decrease	- 198	3 192	-1 135
591	739	105	Change in Equity Certificate/subordinated loan capital: + increase/ - decrease	105	739	591
- 544	3 931	- 93	C. Liquidity change from financing	- 93	3 931	- 544
88	- 341	77	A + B + C. Total change in liquidity	- 95	- 724	- 428
5 258	5 346	5 005	+ Liquid funds at the start of the period	2 142	2 866	3 294
5 346	5 005	5 082	= Liquid funds at the end of the period	2 047	2 142	2 866

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)

	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12	1Q12	4Q11
Interest income	844	740	717	694	706	707	708	724	749
Interest costs	484	399	408	414	399	414	423	443	467
Net interest income	360	341	309	280	307	293	285	281	282
Fee- and commission income	233	238	230	191	197	179	169	141	143
Fee- and commission costs	23	19	23	10	15	19	19	21	24
Other operating income	43	14	31	17	20	12	6	6	6
Net fee-, commission and other operating income	253	233	238	198	202	172	156	126	125
Dividend	0	4	22	1	- 1	1	15	2	- 3
Income from investments	78	109	27	89	14	76	39	81	63
Net gain from investments in securities	7	- 7	15	1	17	2	- 52	66	- 222
Net income from financial investments	85	106	64	91	30	79	2	149	- 162
Total income	698	680	611	569	539	544	443	556	245
Personnel costs	174	151	162	151	153	147	148	133	141
Administration costs	87	83	83	84	83	69	83	84	85
Ordinary depreciation	13	13	13	14	16	13	12	13	13
Other operating costs	51	39	44	45	43	37	34	52	38
Total costs	325	286	302	294	295	266	277	282	277
Result before losses	373	394	309	275	244	278	166	274	- 32
Losses	50	35	47	40	32	115	6	42	53
Result before tax	323	359	262	235	212	163	160	232	- 85
Tax	51	69	56	39	54	25	55	38	23
Minority interests	1	0	0	0	0	- 1	1	0	0
Result after tax	271	290	206	196	158	139	104	194	- 108

Profitability									
Return on equity capital	13.57 %	15.83 %	11.62 %	11.29 %	9.35 %	8.40 %	6.40 %	12.07 %	-6.63 %
Interest margin	1.88 %	1.79 %	1.63 %	1.50 %	1.64 %	1.58 %	1.58 %	1.59 %	1.57 %
Cost/income	46.56 %	42.06 %	49.43 %	51.67 %	54.73 %	48.90 %	62.53 %	50.72 %	113.06 %
Balance sheet figures									
Loans and advances to customers	57 371	56 605	54 561	53 441	54 551	53 493	52 792	50 941	51 642
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt and Næringskreditt past 12 months	6.3 %	5.9 %	6.8 %	8.5 %	11.6 %	11.9 %	11.5 %	10.1 %	7.4 %
Deposits from customers	44 948	43 938	46 006	43 232	43 588	43 266	43 745	39 675	41 765
Growth in deposits from customers past 12 months	3.1 %	1.6 %	5.2 %	9.0 %	-1.3 %	-2.5 %	6.0 %	0.7 %	6.0 %
Deposits as a percentage of gross lending	78.3 %	77.6 %	84.3 %	80.9 %	75.6 %	76.5 %	82.9 %	77.9 %	80.9 %
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt and Næringskreditt	55.7 %	55.6 %	59.5 %	56.9 %	54.3 %	54.8 %	60.5 %	56.7 %	61.4 %
Average assets	75 951	75 561	75 524	74 907	72 921	72 336	71 696	70 526	70 291
Total assets	77 513	75 670	76 759	74 484	75 329	74 251	74 029	69 997	71 032
Losses on loans and commitments in default									
Losses on loans to customers as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.25 %	0.18 %	0.25 %	0.21 %	0.17 %	0.63 %	0.03 %	0.24 %	0.31 %
Commitments in default as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.60 %	0.71 %	0.77 %	0.79 %	0.52 %	0.65 %	0.72 %	0.62 %	0.69 %
Commitments at risk of loss as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.46 %	0.36 %	0.36 %	0.52 %	0.78 %	0.67 %	0.24 %	0.38 %	0.50 %
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.75 %	0.00 %	0.00 %	0.00 %	0.90 %	0.92 %	0.71 %	0.69 %	0.88 %
Solidity									
Total regulatory Capital %	13.91 %	11.72 %	12.36 %	12.63 %	13.19 %	10.65 %	11.59 %	12.52 %	12.50 %
Tier I Capital %	13.42 %	11.14 %	11.35 %	11.88 %	12.11 %	10.14 %	10.88 %	11.67 %	11.61 %
Tier I capital	7 780	6 431	6 478	6 586	6 672	5 767	6 081	6 099	6 002
Equity and related capital resources	8 066	6 765	7 052	7 005	7 270	6 056	6 474	6 541	6 465
Adjusted risk-weighted assets base	57 983	57 704	57 053	55 450	55 098	56 849	55 882	52 253	51 704

Notes

Note 1 - Accounting policies

The Group's interim financial statements for the fourth quarter 2013 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 2012.

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 2012.

A revised IAS 19 Employee Benefits applies from 1 January 2013 and means that the previously used corridor solution for estimate deviations of net future pension liabilities may no longer be used. Since the start of the year, estimate deviations have been booked against equity. Please see note 15 on pensions and the table of changes in equity.

The key figures for 2012 have not been restated because of the adjustment in relation to the annual financial statements as presented for 2012.

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

The interim financial statements have not been audited.

Note 2 - Important accounting estimates and discretionary judgements

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

Note 3 - Changes in group structure

SNN Økonomihus AS has changed its name to SpareBank 1 Regnskapshuset Nord-Norge AS.

In 2013 the company acquired the following accounting firms, which are merged with SpareBank 1 Regnskapshuset Nord-Norge AS in fourth quarter:

- Økonomen Rana AS (100%)
- Økonomen Møsjoen AS (100%)
- Dueff AS (100%)
- Helgeland Økonomi AS (100%)

Folk i husan AS has changed its name to EiendomsMegler 1 Lofoten AS.

Nord-Norge Eiendom IV AS and Alsgården AS are 100 % consolidated into SpareBank 1 Nord-Norge Invest AS as at 31.12.13.

Acquisition of business

In the third quarter, SpareBank 1 Nord-Norge acquired 23.89% of the shares in SpareBank 1 Markets AS. The bank previously indirectly owned 19.23% of SpareBank 1 Markets through its ownership in SpareBank 1 Gruppen. A final acquisition analysis has been conducted in accordance with IFRS 3 in which the acquisition cost, NOK 35.3 million, was allocated to the fair value of assets and liabilities. The previous stake has been continued to continuity. The difference between the identifiable net assets and the acquisition cost of the increased stake, NOK 1.5 million, was recognised as income in the third quarter in accordance with IAS 28.

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)*

						31.12.13
	Retail Banking	Corporate Banking	Leasing	Markets	Unallocated	Total
Net interest income	881	214	150	18	27	1 290
Net fee- and commission income	582	141	0	53	146	922
Other operating income	0	0	0	0	346	346
Operating costs	774	188	41	30	174	1 207
Result before losses	689	167	109	41	345	1 351
Losses	15	90	10	0	57	172
Result before tax	674	77	99	41	288	1 179
Loans and advances to customers	33 374	20 239	3 759	0	0	57 372
Individual write-downs for impaired value on loans and advances to customers	- 32	- 189	- 23	0	0	- 244
Collective write-downs for impaired value on loans and advances to customers	- 41	- 148	- 21	0	0	- 210
Other assets	0	298	0	0	20 297	20 595
Total assets per business area	33 301	20 200	3 715	0	20 297	77 513
Deposits from customers	24 748	20 200	0	0	0	44 948
Other liabilities and equity capital	8 552	0	3 715	0	20 298	32 565
Total equity and liabilities per business area	33 300	20 200	3 715	0	20 298	77 513
31.12.12						
Net interest income	834	186	115	14	17	1 166
Net fee- and commission income	418	93	0	22	123	656
Other operating income	0	0	0	44	216	260
Operating costs	769	171	37	30	113	1 120
Result before losses	483	108	78	50	243	962
Losses	13	178	4	0	0	195
Result before tax	470	- 70	74	50	243	767
Loans and advances to customers	30 640	20 499	3 412	0	0	54 551
Individual write-downs for impaired value on loans and advances to customers	- 29	- 258	- 12	0	- 4	- 303
Collective write-downs for impaired value on loans and advances to customers	- 36	- 146	- 7	0	- 9	- 198
Other assets	0	0	0	0	21 279	21 279
Total assets per business area	30 575	20 095	3 393	0	21 266	75 329
Deposits from customers	25 683	17 905	0	0	0	43 588
Other liabilities and equity capital	0	0	3 393	0	28 348	31 741
Total equity and liabilities per business area	25 683	17 905	3 393	0	28 348	75 329

Note 5 - Capital Adequacy

New capital adequacy rules and regulations (Basel II – EU's new directives for capital adequacy) were implemented in Norway with effect from 1 January 2007. SpareBank 1 Nord-Norge has received permission from The Financial Supervisory Authority of Norway (FSAN) to apply internal calculation methods (Internal Rating-Based Approach) for credit risk from 1 January 2007. With effect from 2007, therefore, the statutory minimum capital adequacy requirement for credit risk will be based on the Bank's internal assessment of risk. This will make the statutory minimum capital adequacy requirement more risk-sensitive, which means that the capital requirement will to a larger extent correspond to the risk contained in the underlying portfolios in question. The use of internal calculation methods will involve comprehensive demands on the Bank's organisation, competence, risk models and risk management systems. As a result of transitional rules relating to the new directive mentioned above, IRB-banks would not experience the full impact of the reduced regulatory capital requirements until 2010. Until 2010, banks had to report on a parallel basis, both according to the old capital adequacy calculations and Basel II. During the period 2007-2010, an annual adjustment of the risk-adjusted calculation basis in relation to the old method (so-called correction of 'floor') was permitted. A resolution has now been reached to postpone this issue. The calculation basis in 2013 therefore amounts to 80 per cent of the calculated basis according to the Basel I rules and regulations.

Parent Bank

Group

(Amounts in NOK million)

31.12.11	31.12.12	31.12.13		31.12.13	31.12.12	31.12.11
1 655	1 655	1 807	Equity certificates	1 807	1 655	1 655
0	0	0	- Own equity certificates	0	0	0
245	245	843	Premium reserve	843	245	245
333	456	776	Equalisation reserve	776	456	333
2 898	3 083	3 565	Savings bank's reserve	3 565	3 083	2 898
133	150	163	Endowment fund	163	150	133
- 110	110	46	Other equity	1 323	1 273	1 034
0	0	0	Deduction Fund for unrealised gains	- 2	- 3	- 4
0	0	0	Minority interests	23	22	13
0	0	0	Period result	0	0	0
5 154	5 699	7 200	Total equity	8 498	6 881	6 307
0	0	0	Minority interests	-23	- 22	- 13
0	0	0	Period result	0	0	0
			Tier 1 Capital			
0	0	0	Adjusted Tier 1 Capital from consolidated financial institutions	- 162	- 59	- 17
- 8	30	- 132	Intangible assets	- 250	- 94	- 48
0	0	0	Fund for unrealised gains	69	41	66
- 175	- 106	- 154	Deduction for allocated dividends	- 154	- 106	- 175
- 428	- 542	- 472	50 % deduction for subordinated capital in other financial institutions	- 174	- 106	- 27
- 77	- 95	- 102	50 % deduction for expected losses on IRB, net of writedowns	- 94	- 97	- 71
0	0	0	50 % Total regulatory capital reserve	- 606	- 706	- 646
360	836	500	Hybrid Tier 1 bonds	653	989	512
4 936	5 652	6 840	Total Tier 1 Capital	7 780	6 672	6 002
			Tier 2 Capital			
996	1 259	950	Nonperpetual subordinated capital	1 160	1 507	1 207
- 428	- 542	- 472	50% deduction for subordinated capital in other financial institutions	- 174	- 106	- 27
- 77	- 95	- 102	50% deduction for expected losses on IRB, net of writedowns	- 94	- 97	- 71
0	0	0	50% Total regulatory capital reserve	- 606	- 706	- 646
491	622	376	Total Tier 2 Capital	286	598	463
5 427	6 274	7 216	Equity and related capital resources	8 066	7 270	6 465
			Minimum requirements subordinated capital, Basel I I			
834	921	939	Specialised lending exposure	939	921	834
580	646	631	Other corporations exposure	632	646	580
16	18	20	SME exposure	23	21	17
284	277	298	Property retail mortgage exposure	497	456	425
38	32	47	Other retail exposure	51	34	39
250	318	409	Equity investments	0	0	0
2 002	2 212	2 344	Total credit risk IRB	2 142	2 077	1 895
651	890	576	Credit risk standardised approach	1 635	1 867	1 678
9	12	21	Debt risk	21	11	9
9	11	13	Equity risk	40	38	51
29	32	22	Currency risk	22	32	29
258	226	223	Operational risk	237	265	273
0	0	0	Transitional arrangements	669	256	328
- 85	- 88	-76	Deductions	- 129	- 139	- 127
2 873	3 295	3 123	Minimum requirements subordinated capital	4 637	4 408	4 136
15.11 %	15.23 %	18.48 %	Total regulatory Capital	13.91 %	13.19 %	12.50 %
13.75 %	13.72 %	17.52 %	Tier 1 Capital	13.42 %	12.11 %	11.61 %
1.37 %	1.51 %	0.96 %	Tier 2 Capital	0.49 %	1.08 %	0.89 %
12.74 %	11.69 %	16.24 %	Common Equity Tier I IRB- incl share og period result	14.36 %	10.95 %	10.62 %

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

Parent Bank				Group		
31.12.11	31.12.12	31.12.13		31.12.13	31.12.12	31.12.11
452	357	444	Non-performing commitments	486	397	471
322	586	373	+ Other doubtful commitments	373	592	338
774	943	817	+ Total commitments in default and doubtful commitments	859	989	809
88	104	171	- Individual write-downs in default	194	120	96
105	183	50	- Other doubtful individual write-downs	50	183	112
193	287	221	+ Total individual write-downs *	244	303	208
581	656	596	= Net commitments in default and doubtful commitments	615	686	601

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

Note 7 - Losses incorporated in the accounts

31.12.11	31.12.12	31.12.13		31.12.13	31.12.12	31.12.11
- 64	94	38	+ Period's change in individual write-down for impaired value	40	97	- 68
24	- 40	- 4	+ Period's change in collective write-down for impaired value	12	- 40	26
144	141	109	+ Period's confirmed losses against which individual write-downs were previously made	117	144	151
1	40	11	+ Period's confirmed losses against which individual write-downs were previously not made	11	5	1
8	11	8	- Recoveries in respect of previously confirmed losses	8	11	9
97	224	146	= Total losses on loans	172	195	101

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

Parent Bank				Group		
31.12.11	31.12.12	31.12.13		31.12.13	31.12.12	31.12.11
0	1	0	Mining and quarrying	0	- 1	0
4	3	3	Construction	3	4	6
0	1	0	Building of ships and boats	0	1	0
0	0	2	Electricity, gas, steam an air conditioning supply	2	1	0
0	4	10	Professional, scientific and technical activities	10	4	0
0	35	0	Financial and insurance activities	0	- 1	0
0	- 1	1	Fishing	1	0	0
0	1	1	Marine aquaculture	1	1	0
0	- 3	0	Other business support activities	7	- 1	0
- 1	0	0	Activities auxiliary to financial services and insurance activities	0	0	- 1
0	0	0	County municipalities and municipalities	0	0	0
1	4	57	Manufacturing	62	3	1
0	2	- 1	Information and communication	0	2	0
9	4	- 1	Crop and animal production	- 1	4	9
0	0	15	Foreign industrial	15	0	0
21	96	7	Real estate activities	7	96	21
5	0	1	Accommodation and food service activities	1	0	5
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
12	- 1	- 1	Other service industries	- 1	1	12
- 1	- 2	11	Transportation and storage	12	- 1	- 1
10	10	12	International shipping and pipeline transport	12	10	10
0	49	14	Development of building projects	14	49	0
0	- 3	- 8	Extraction of crude oil and natural gas	- 8	- 3	0
0	0	0	Unspecified	0	0	0
0	40	0	Water supply; sewerage, waste management and remediation activities	0	39	0
2	- 2	9	Wholesale and retail trade; repair of motor vehicles and motorcycles	10	- 1	2
22	- 3	22	Retail banking market - domestic	33	- 1	23
105	235	154	Losses on loans to customers	180	206	109
8	11	8	Recoveries from previously written off losses	8	11	8
97	224	146	Net losses	172	195	101

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

Parent Bank				Group		
31.12.11	31.12.12	31.12.13		31.12.13	31.12.12	31.12.11
57	54	47	Mining and quarrying	76	81	71
632	724	477	Construction	790	1 037	916
25	10	6	Building of ships and boats	8	12	28
970	1 429	864	Electricity, gas, steam an air conditioning supply	868	1 434	977
774	678	467	Professional, scientific and technical activities	531	705	792
0	0	0	Financial and insurance activities	0	0	0
1 345	1 609	1 623	Fishing	1 635	1 619	1 359
170	144	447	Marine aquaculture	601	257	268
366	356	402	Other business support activities	602	577	578
348	978	1 156	Activities auxiliary to financial services and insurance activities	1 002	807	361
128	176	200	County municipalities and municipalities	221	199	148
974	1 532	1 537	Manufacturing	1 642	1 677	1 126
154	145	148	Information and communication	155	150	162
855	876	876	Crop and animal production	963	971	949
0	37	0	Foreign industrial	157	286	38
7 147	7 026	7 116	Real estate activities	7 178	7 081	7 188
388	345	347	Accommodation and food service activities	360	359	405
9	6	4	Forestry and logging	9	11	12
0	0	0	Central government and social security funds	1	1	1
1	0	0	Support activities for petroleum and natural gas extraction	21	0	1
637	682	659	Other service industries	738	766	722
1 325	2 119	3 028	Transportation and storage	3 583	2 689	1 797
738	671	660	International shipping and pipeline transport	660	671	738
648	703	773	Development of building projects	774	704	648
75	0	0	Extraction of crude oil and natural gas	0	0	75
0	0	0	Unspecified	0	0	0
122	210	208	Water supply; sewerage, waste management and remediation activities	279	290	171
1 409	1 239	846	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 144	1 527	1 644
29 410	29 344	31 678	Retail banking market - domestic	33 037	30 506	30 422
42	46	43	Retail banking market - international	337	134	42
29 452	29 390	31 721	Total retail market	33 374	30 640	30 464
19 169	21 573	21 691	Total public market	23 776	23 711	21 029
128	176	200	Total government	222	200	148
48 749	51 139	53 612	Total gross lending to customers	57 372	54 551	51 641
191	287	221	Individual write-downs for impaired value	244	303	208
213	182	189	Collective write-downs for impaired value	210	198	226
48 345	50 670	53 202	Net loans to customers	56 918	54 050	51 207

Note 10 - SpareBank 1 Boligkreditt

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

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

Note 11 - Investment in bonds

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

In the categories 'Hold until maturity' and 'Loans and claims' the securities are assessed at amortized cost. After the reclassification, the writedowns made earlier will be reversed over the portfolio's remaining life, which on average is 2.3 year as at 31.12.13, and included in the profit and loss account as interest income. For the period 01.01.13-31.12.13 such reversed writedowns has been included in the profit and loss account with NOK 1.2 million. Total inclusion of income are NOK 76,5 million for the period 01.07.08-31.12.12. If this reclassification had not been made, the Group would have charged NOK 212 million to the profit and loss account in the third and fourth quarter of 2008 due to increased credit spreads. This would have been an unrealised gain NOK 4.6 million as at 31.12.13. It was necessary to apply a NOK 80 million write-down due to the permanent impairment of value in this portfolio as at 31.12.12. Further writedowns has been made in 2013 with NOK 8 million.

<i>(Amounts in NOK million)</i>	01.07.08	31.12.09	31.12.10	31.12.11	31.12.12	31.12.13
Hold until maturity						
Book value	3 109	2 650	1 624	858	355	111
Nominal value (nominal amount)	3 182	2 689	1 644	869	366	115
Theoretical market value	3 109	2 623	1 615	842	355	114
Loans and claims						
Book value	698	629	464	262	142	75
Nominal value (nominal amount)	737	656	489	279	156	90
Theoretical market value	698	599	443	250	134	74
Total book value	3 807	3 279	2 088	1 120	497	186

Note 12 - Financial derivatives

Parent Bank and Group

(Amounts in NOK million)

Interest rate swaps:

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

Foreign exchange derivatives:

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

Currency swaps:

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

Interest rate- and currency swap agreements:

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

Options:

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

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

	31.12.13	31.12.12	31.12.11
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value	- 27	266	- 61
Total gain from hedging objects relating to the hedged risk	29	- 267	61
Total fair value hedging transactions	2	- 1	

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

(Amounts in NOK million)

Fair value through statement of comprehensive income	31.12.13 Fair value			31.12.12 Fair value			31.12.11 Fair value		
	Contract	Assets	Liabilities	Contract	Assets	Liabilities	Contract	Assets	Liabilities
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)	2 303	38	31	1 678	39	6	2 936	43	25
Currency swaps	9 756	285	96	4 996	146	67	5 708	178	74
Currency options									
Total non-standardised contracts	12 059	323	127	6 674	185	73	8 644	221	99
Standardised foreign currency contracts (futures)									
Total foreign currency instruments	12 059	323	127	6 674	185	73	8 644	221	99
Interest rate instruments									
Interest rate swaps (including cross currency)	25 356	418	594	23 275	448	618	19 363	282	389
Short-term interest rate swaps (FRA)									
Other interest rate contracts	9	1		1 811	8	7	4 211	3	4
Total non-standardised contracts	25 365	419	594	25 086	456	625	23 574	285	393
Standardised interest rate contracts (futures)									
Total interest rate instruments	25 365	419	594	25 086	456	625	23 574	285	393
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)	9 832	561		8 318	593	15	9 125	344	27
Short-term interest rate swaps (FRA)									
Other interest rate contracts									
Total, non-standardised contracts	9 832	561		8 318	593	15	9 125	344	27
Standardised interest rate contracts (futures)									
Total interest rate instruments	9 832	561		8 318	593	15	9 125	344	27
Total interest rate instruments	35 197	980	594	33 404	1 049	640	32 699	629	420
Total foreign currency instruments	12 059	323	127	6 674	185	73	8 644	221	99
Total	47 256	1 303	721	40 078	1 234	713	41 343	850	519

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

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

At 31.12.13 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	12 335	11 921	414	0	414
Financial derivatives - liabilities	19 141	18 780	361	0	361

Note 14 - Liquidity risk

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

The Group's liquidity risk is revealed through the bank's liquidity reserve/buffer.

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

The average remaining maturity of the bank's borrowings in senior unsecured bond issues and covered bonds was at 31.12.13 2,73 years .

Note 15 Pensions

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

From 1 January 2013 IAS 10 "Employee Benefits" was revised with respect to the basis for calculating pension liabilities and pension costs. IAS 19 shall be applied retrospectively and comparative figures must be restated if necessary.

The Group has previously used the corridor method for recognising unamortised estimate deviations. The corridor method is no longer permitted and all estimate deviations must be recorded in the statement covering other operating income and costs under comprehensive income items, so-called OCI (Other Comprehensive Income). The corridor, which amounted to NOK 89 million for groups, was zeroed as of 1 January 2012. Pension liabilities increased correspondingly as of 1 January 2012, while equity was reduced by NOK 64 million after tax. The change was made with retroactive effect so that figures in 2013 would be comparable.

Previously the return on pension assets was calculated using a long-term expected return on pension assets. Due to the application of the revised IAS 19, 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 Group's pension costs for defined benefit-based plans in 2012 according to the previous policy amounted to NOK 17 million. Due to the revised policy for the treatment of unamortised estimate deviations and the calculation of the net interest costs, the recognised pension costs increased to NOK 24 million. The change is not regarded as material and the pension costs recognised in 2012 were not changed.

As is evident from note 25 to the annual financial statements, the Group's basis for the discount rate used in pension calculations changed at year-end 2012 to the covered bonds rate. The Group's net pension assets as of 31 December 2012 increased to NOK 89 million. Changes in estimate deviations throughout 2012 are now set up under comprehensive income items and recognised against equity in the fourth quarter 2012.

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

Assumptions	4Q13	4Q12
Discount rate	4.00 %	3.90 %
Expected return on pension assets	4.00 %	3.90 %
Future salary growth rate	2.00 %	2.50 %
Adjustment of NI basic amount (G)	3.50 %	3.25 %
Pension adjustment	0.60 %	0.20 %
Employer's NI liability	6.00 %	6.00 %
Employer's NI cost	6.00 %	6.00 %
Voluntary leaving over 50 years old	0.00 %	0.00 %
Voluntary leaving up to 50 years old	2.00 %	2.00 %
Expected statutory early retirement pension (AFP) acceptance from age 62	60.00 %	60.00 %
Mortality, marriage probability, etc.	K2013BE IR2003	K2005 IR2003

Group	(recalculated)		
Amounts in NOK million	31.12.13	31.12.12	31.12.12
Net pension liabilities in the balance sheet			
Present value of future pension liabilities	671	660	660
Estimated value of pension assets	808	750	758
Net pension liabilities in fund-based plans	-137	-90	-98
Unrecognised estimate deviations (possible actuarial gains and losses)	0	0	-69
Employer's NI contributions	1	1	1
Net pension liabilities/assets in the balance sheet	- 136	- 89	- 28
Pension costs for the period	2013	2012	2012
Accrued defined benefit-based pensions	14	21	21
Interest costs on pension liabilities	25	20	20
Expected return on pension assets	-29	-19	-36
Estimate deviations recognised in the period			11
Effect of changed pension plan			
Net defined benefit-based pension costs without employer's NI contributions	10	22	16
Accrued employer's NI contributions	2	1	1
Net defined benefit-based pension costs recognised through profit or loss	12	23	17
Curtailment/settlement			
Other pension costs	18	17	17
Total pension costs including employer's NI Insurance contribution	30	40	34
Movement in net pension liabilities from benefit-based plan recognised in balance sheet	31.12.13	31.12.12	31.12.12
Net pension liabilities in the balance sheet as of 01.01	-89	-7	-7
Correction against equity OB		90	
Correction against equity CB	-23	-157	
Net defined benefit-based pension costs recognised through profit or loss	12	23	17
Curtailment/settlement			
Paid directly from operations	-6	-7	-7
Receipts - pension premiums defined benefit-based plans	-30	-31	-31
Net pension liabilities/assets in the balance sheet	-136	-89	-28
Other pension liabilities (early retirement pensions)	50	41	41
Net total pension liabilities	-86	-48	13

Note 16 Classification of financial instruments stated at fair value

Financial instruments at fair value are classified at different levels:

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

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

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

Group

<i>(Amounts in NOK million)</i>	Level 1	Level 2	Level 3	Total
Assets 31.12.13				
Loans to and receivables from customers at fair value (fixed-rate loans)			7 555	7 555
Shares	84		516	600
Bonds	2 503	6 289		8 792
Financial derivatives		1 303		1 303
Total assets	2 587	7 592	8 071	18 250

Liabilities as of 31.12.13				
Financial derivatives		722		722
Total liabilities		722		722

<i>Assets 31.12.12</i>				
Loans to and receivables from customers at fair value (fixed-rate loans)		7 042		7 042
Shares	69	208	276	553
Bonds	5 229	4 216	2 999	12 444
Financial derivatives		1 234		1 234
Total assets	5 298	12 700	3 275	21 273

<i>Liabilities as of 31.12.12</i>				
Financial derivatives		713		713
Total liabilities	0	713	0	713

Changes in instruments at fair value, level 3:

<i>(Amounts in NOK million)</i>	Financial assets				Financial liabilities Financial derivatives
	Fixed-rate loans	Shares	Bonds	Financial derivatives	
Carrying amount as of 31.12.12	0	276	2 999		0
Net gains on financial instruments	- 56	66			
Additions/acquisitions	1 280	174			
Disposals	- 711		-2 999		
Transferred from level 1 or level 2	7 042				
Carrying amount as of 31.12.13	7 555	516	0	0	0

Note 17 - Subsidiaries

(Amounts in NOK 1 000)

	Share of Eq.%	Profit from ordinary operations before tax			Equity		
		31.12.13	31.12.12	31.12.11	31.12.13	31.12.12	31.12.11
SpareBank 1 Finans Nord-Norge AS	100	98 739	75 575	69 370	509 071	374 038	301 762
SpareBank 1 Nord-Norge Invest AS	100	-29 776	-147 523	-68 718	17 226	17 378	78 977
Eiendomsdrift AS	0	0	0	0	0	0	0
EiendomsMegler 1 Nord-Norge AS	100	15 356	7 291	4 089	37 521	29 236	23 962
SpareBank 1 Nord-Norge Forvaltning ASA	100	2 395	1 259	1 091	7 405	6 589	3 051
SpareBank 1 Regnskapshuset Nord-Norge AS ¹⁾	100	-1 414	-1 163	60	12 115	6 401	100
North-West 1 Alliance Bank	75	1 586	647	82	65 805	62 774	35 280
EiendomsMegler 1 Lofoten AS (owned by EM1 60%)	60	- 52	- 285	0	917	1 109	0
Nord-Norge Eiendom IV AS	100	0	0	0	0	0	0
Alsgården AS	100	- 3	0	0	0	0	0
Total		86 832	-64 199	5 974	650 060	497 525	443 132

¹⁾Consolidated result SpareBank 1 Regnskapshuset Nord-Norge AS (excl goodwill depreciation) is NOK 2.909.000**Note 18 - Other assets**

(Amounts in NOK million)

Parent Bank				Group		
31.12.11	31.12.12	31.12.13		31.12.13	31.12.12	31.12.11
0	7	18	Reposessed assets	18	7	0
342	323	333	Accrued income	363	357	362
107	159	197	Prepayments	207	167	75
256	293	560	Other assets	593	293	275
705	782	1 108	Total other assets	1 181	824	712

Note 19 - Other liabilities

31.12.11	31.12.12	31.12.13		31.12.13	31.12.12	31.12.11
403	426	425	Costs incurred	569	557	523
81	0	0	Provisioning against incurred liabilities and costs	1	4	85
521	413	455	Other liabilities	506	460	558
1 005	839	880	Total other liabilities	1 076	1 021	1 166

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

Parent Bank				Group		
31.12.11	31.12.12	31.12.13		31.12.13	31.12.12	31.12.11
48	33	39	Mining and quarrying	39	33	48
866	948	1 164	Construction	1 164	948	866
4	1	2	Building of ships and boats	1	2	4
652	853	754	Electricity, gas, steam an air conditioning supply	754	853	652
1 302	1 155	1 182	Professional, scientific and technical activities	1 182	1 155	1 302
413	0	0	Financial and insurance activities	0	0	0
630	731	735	Fishing	735	731	630
22	45	18	Marine aquaculture	18	45	22
347	325	353	Other business support activities	353	325	347
0	397	407	Activities auxiliary to financial services and insurance activities	400	412	430
7 476	5 873	5 169	County municipalities and municipalities	5 170	5 871	7 476
478	447	397	Manufacturing	397	447	478
295	229	281	Information and communication	281	229	295
354	353	360	Crop and animal production	360	353	354
0	27	13	Foreign industrial	47	50	0
1 312	1 360	1 592	Real estate activities	1 592	1 360	1 312
199	235	237	Accomodation and food service activities	237	235	199
12	11	13	Forestry and logging	13	11	12
1 234	2 378	2 409	Central government and social security funds	2 409	2 378	1 234
1	0	0	Support activities for petroleum and natural gas extraction	0	1	1
1 998	2 228	2 205	Other service industries	2 205	2 228	1 998
663	522	757	Transportation and storage	757	522	663
18	15	35	International shipping and pipeline transport	35	15	18
189	173	167	Development of building projects	167	173	189
195	450	450	Extraction of crude oil and natural gas	450	450	195
0	0	0	Unspecified	0	0	0
162	211	197	Water supply; sewerage, waste management and remediation activities	197	211	162
1 449	1 235	1 237	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 237	1 235	1 448
21 172	23 014	24 383	Retail banking market - domestic	24 383	23 014	21 173
257	301	333	Retail banking market - international	365	301	257
21 429	23 315	24 716	Total retail market	24 748	23 315	21 430
11 609	11 984	12 595	Total public market	12 621	12 024	11 625
8 710	8 251	7 578	Total government	7 579	8 249	8 710
41 748	43 550	44 889	Total deposits	44 948	43 588	41 765

Note 21 - Securities issued and subordinated loan capital

Parent Bank and Group

(Amounts in NOK million)

Securities issued

	31.12.11	31.12.12	31.12.13
Certificates and other short-term borrowings			
Bond debt	13 342	16 534	16 336
Total debt securities in issue	13 342	16 534	16 336

	Statement of financial position 31.12.12	Issued 31.12.13	Matured/ redeemed 31.12.13	Exchange rate movements 31.12.13	Other adjustments 31.12.13	Statement of financial position 31.12.13
Changes in securities issued						
Certificates and other short-term borrowings						
Bond debt	16 534	4 308	-4 755	293	- 44	16 336
Total debt securities issued	16 534	4 308	-4 755	293	- 44	16 336

Subordinated loan capital and hybrid Tier 1 instruments

	31.12.11	31.12.12	31.12.13
Hybrid Tier 1 instruments			
2033 6 mnd Nibor + 2,30 (USD 60 mill.) (Call opsj 2013)	370	370	
2099 3 mnd Nibor + 4,75 (Call opsjon 2017)		500	500
Hybrid Tier 1 instruments - foreign currency	- 10	- 34	
Total hybrid Tier 1 instruments	360	836	500
Subordinated loan capital			
Subordinated loan capital with definite maturities	996	1 259	950
Total subordinated loan capital	996	1 259	950
Total subordinated loan capital and hybrid Tier 1 instruments	1 356	2 095	1 450

	Statement of financial position 31.12.12	Issued 31.12.13	Matured/ redeemed 31.12.13	Exchange rate movements 31.12.13	Other adjustments 31.12.13	Statement of financial position 31.12.13
Changes in subordinated loan capital and hybrid Tier 1 instruments						
Subordinated loan capital with definite maturities	1 259		- 309			950
Hybrid Tier 1 instruments	836		- 370	34		500
Total subordinated loan capital and hybrid Tier 1 instruments	2 095		- 679	34		1 450

Note 22 - Equity Certificates (ECs)

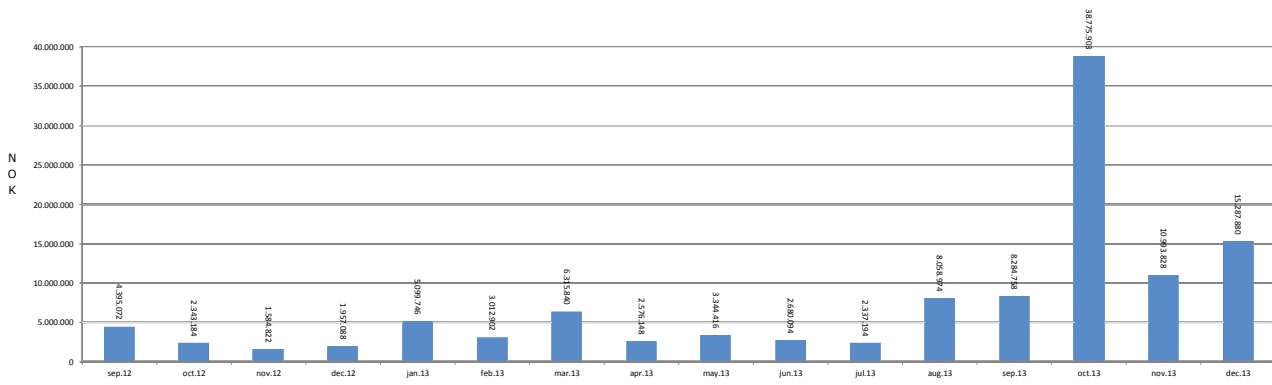
The 20 largest EC holders as at 31.12.13

EC Holders	Number of ECs	Share of EC Capital
Pareto Aksje Norge	5 253 551	5.23%
MP Pensjon PK	2 720 503	2.71%
Citibank N.A.	2 385 597	2.38%
Pareto Aktiv	2 209 269	2.20%
Frank Mohn A/S	2 204 670	2.20%
Flps - Princ All Sec Stock Sub	1 795 800	1.79%
Sparebankstiftelsen Sparebank 1 Nord-Norge	1 411 606	1.41%
Forsvarets Personellservice	1 233 930	1.23%
Arctic Funds PLC	1 184 907	1.18%
Verdipapirfondet DnB Norge (IV)	1 066 353	1.06%
Pareto Verdi VPF	1 056 986	1.05%
J.P. Morgan Chase Bank N.A. London	918 400	0.91%
Morgan Stanley & Co LLC	912 064	0.91%
Larre Eiendom 2 AS	873 623	0.87%
Tonsenhagen Forretningsentrum 2 A	873 623	0.87%
Sparebankstiftelsen DnB NOR	840 306	0.84%
AS Atlantis Vest	806 114	0.80%
Renterisiko AS	770 265	0.77%
Consept Eiendom AS	739 796	0.74%
Morgan Stanley & Co LLC	662 873	0.66%
TOTAL	29 920 236	29.80%

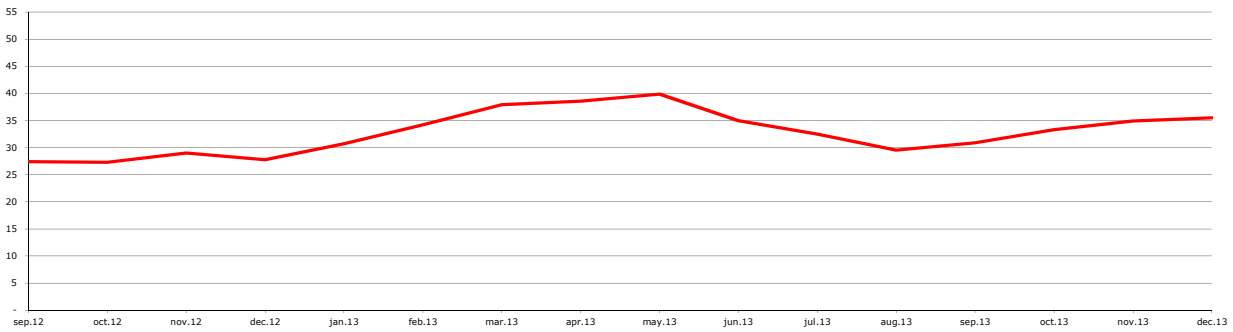
Dividend policy

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

Trading statistics



Price trend NONG



Note 23 - Events occurring after the end of the quarter

The distribution of a cash dividend of NOK 110,4 million from the profit of the year to the equity capital certificate holders in SpareBank 1 Nord-Norge (parent bank) has been proposed. This proposal has not been adopted as at the date of the balance sheet, and it has therefore not been recognised as a liability on the date of the balance sheet, but it is still included in the equalisation reserve.

In 2013 an agreement was entered into to sell off the bank's ownership interest in the alliance companies SpareBank 1 Verdipapirservise AS and SpareBank 1 Kundesenter AS from 01.01.14 to Alliansesamarbeidet SpareBank 1 DA. The sales price for the transaction correspond to the book value as at 31.12.13.

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

The Board of Directors and Chief Executive Officer have today discussed and approved the annual report and accounts and the abridged, consolidated annual report and accounts for SpareBank 1 Nord-Norge as at 31 December 2013 and for year 2013 including abridged, consolidated comparative figures as at 31 December 2012 and for the year 2012.

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

According to our full and firm conviction, the 2013 annual report and accounts have been prepared in compliance with currently valid accounting standards, and the information provided in the report and accounts gives a true and correct picture of the Group's assets, liabilities and financial position and result as a whole as at 31 December 2013 and 31 December 2012. Furthermore, according to our full and firm conviction, the annual report and accounts provide a true and correct

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

Tromsø, 4 February 2014

The main Board of Directors of SpareBank 1 Nord-Norge

Kjell Olav Pettersen

Pål A. Pedersen

Sonja Djønne

Hans Tore Bjerkås

Anita Persen

Greger Mannsverk

Ann-Christine Nybacka

Vivi Ann Pedersen

Jan-Frode Janson
(Chief Executive Officer)