

Quarterly Report



Financial Statement Q4 2014

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Key figures group

Amounts in NOK million and in % of average assets		31.12.14	%	31.12.13	%	31.12.12	%
From the profit and loss account							
Net interest income		1 426	1.78 %	1 285	1.69 %	1 166	1.60 %
Net fee-, commission and other operating income		966	1.20 %	931	1.23 %	656	0.90 %
Net income from financial investments		602	0.75 %	346	0.46 %	260	0.36 %
Total income		2 994	3.73 %	2 562	3.37 %	2 082	2.86 %
Total costs		1 328	1.66 %	1 209	1.59 %	1 120	1.54 %
Result before losses		1 666	2.08 %	1 353	1.78 %	962	1.32 %
Losses		321	0.40 %	172	0.23 %	195	0.27 %
Result before tax		1 345	1.68 %	1 181	1.55 %	767	1.05 %
Tax		223	0.28 %	214	0.28 %	172	0.24 %
Result non-current assets held for sale		27	0.03 %	0	0.00 %	0	0.00 %
Minority interests		- 1	0.00 %	1	0.00 %	0	0.00 %
Result after tax		1 096	1.37 %	966	1.27 %	595	0.82 %
Profitability							
Return on equity capital	1	12.2 %		13.0 %		9.0 %	
Interest margin	2	1.78 %		1.69 %		1.60 %	
Cost/income	3	44.4 %		47.2 %		53.8 %	
Balance sheet figures *)							
Gross lending		61 249		57 282		54 551	
Gross lending and advances to customers incl SpareBank 1 Boligkreditt and Næringskreditt		84 980		80 581		75 914	
Growth in loans and advances to customers past 12 months		6.9 %		5.0 %		5.6 %	
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt and Næringskreditt past 12 months		5.5 %		6.1 %		11.6 %	
Share total lending transferred to Sp1 Boligkreditt of total retail loans		39.7 %		40.8 %		41.1 %	
Share total lending transferred to Sp1 Boligkreditt of total loans		27.9 %		28.5 %		28.1 %	
Deposits from customers		45 761		44 940		43 588	
Growth in deposits from customers past 12 months		1.8 %		3.1 %		-1.3 %	
Deposits as a percentage of gross lending	4	74.7 %		78.5 %		75.6 %	
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt and Næringskreditt		53.8 %		55.8 %		54.3 %	
Average assets	5	80 191		75 952		72 921	
Total assets		83 188		77 520		75 329	
Losses on loans and commitments in default *)							
Losses on loans to customers as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.19 %		0.21 %		1.02 %	
Commitments in default as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.53 %		0.60 %		0.52 %	
Commitments at risk of loss as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.10 %		0.46 %		0.77 %	
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt		0.44 %		0.75 %		0.89 %	
Loan loss provision ratio		31.26 %		28.41 %		30.64 %	
Solidity							
Total regulatory Capital %	6	15.7 %		13.9 %		13.2 %	
Tier I Capital %	7	13.7 %		13.4 %		12.1 %	
Common Equity Tier I - incl share of period result		12.6 %		12.3 %		10.3 %	
Tier I capital		8 462		6 431		7 783	
Equity and related capital resources		9 775		8 069		7 270	
Adjusted risk-weighted assets base		61 897		57 989		55 098	
Branches and full-time employees							
Branches		66		74		74	
Manyear		927		922		881	
Equity Certificates **)							
		31.12.14	31.12.13	31.12.12	31.12.11	31.12.10	31.12.09
Equity Certificate ratio overall	8	47.33 %	47.86 %	42.07 %	38.74 %	34.54 %	34.54 %
Quoted/market price NONG as at		39.90	35.50	27.75	32.30	45.00	41.25
Quotation value	9	8 464	7 447	4 418	5 083	5 548	5 704
Equity capital / Total capital		9.52 %	9.48 %	7.63 %	7.46 %	6.74 %	6.72 %
Equity capital / Total capital (group)		11.23 %	10.97 %	9.13 %	8.95 %	8.24 %	8.03 %
Result per Equity Certificate	10	3.50	4.36	3.27	2.55	4.32	5.19
Result per Equity Certificate (Group)	10	5.17	4.60	378.07	3.07	5.90	6.20
Cash dividend per Equity Certificate to be paid	11	1.90	1.10	1.15	1.40	2.16	2.53
P/E (Price/Earnings)	12	6.4	8.1	8.5	12.7	10.4	7.9
P/E (Price/Earnings) - Group	12	7.7	7.7	7.3	10.5	7.6	6.6
P/V (Price/Book Value)	13	1.00	1.04	0.78	0.96	1.45	1.32
P/V (Price/Book Value) - Group	13	0.91	0.88	0.64	0.80	1.09	1.09

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

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

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

Interim report for Q4 2014 – Group

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

Highlights:

- Profit before tax: NOK 1,345 million (NOK 1,181 million).
- Profit after tax: NOK 1,096 million (NOK 967 million).
- Return on equity after tax: 12.2% (13.0%).
 - Earnings per equity certificate (Group): NOK 5.17 (NOK 4.60).
 - Return on equity after tax, excluding write-downs Russia: 14.8%.
- Very good and further improved underlying banking operations for the year with profit before losses of NOK 1,064 million (NOK 1,007 million).
- Net income from financial assets: NOK 602 million (NOK 346 million).
- Cost/income ratio: 44.4% (47.2%).
- Loan losses customer loans: NOK 164 million (NOK 172 million). In addition loan losses on venture in Russia has been recognised
- Loss of NOK 300 million recognised in connection with the Group's venture in Russia, NOK 157 million of which due to loan losses.
- Lending growth in the last 12 months: 5.5% (6.1%), including intermediary loans.
 - Retail market: 6.1% (8.4%).
 - Corporate market: 3.9% (1.6%).
- Growth in deposits in the last 12 months: 6.8 % (3.1%) exclusive of holdings of Treasury bills under the government swap scheme
 - Retail market: 9.1% (6.1%).
 - Corporate market: 6.1% (5.0%).
 - Public sector market: -1.9% (-8.1%).
- Deposit coverage ratio: 74.7% (78.5%).
- Very good liquidity.
- Core equity tier 1 capital ratio, Group: 12.613.0% (12.3%).
- Proposed dividend provision: NOK 1.90 per equity certificate (NOK 1.10).

Macroeconomic trends

Northern Norway has enjoyed a period of strong growth since 2010 that has affected all sectors of society. The business sector is undergoing a process of renewal driven by strong export industries. Population, employment and real earnings growth have resulted in increased demand for local business. So has growth in public sector consumption and investments.

The Norwegian economy's weaker growth has so far not had an effect on the economy of Northern Norway. 2014 was a record year in a number of areas. The labour market is tight with an unemployment rate of just 2.5% as at December 2014. The housing market is seeing strong price rises, while the number of recently completed homes has increased significantly. Better export markets have, combined with the weaker NOK, resulted in record high exports of seafood and strong growth in tourism. Profitability has also improved in these industries due to low interest rates and low energy prices. The Northern Norwegian economy is also less dependent on the activity in the petroleum sector than the rest of the country. The level of investment in the region is high and is expected to remain high. The Bank's estimates indicate that the growth in regional value creation (GDP) for 2014 will exceed the forecast of 3%.

Seafood is the region's most important industry with respect to value creation. Salmon achieved good prices throughout the whole of 2014. The export value of seafood from the region rose to almost NOK 20 billion, despite the disappearance of the Russian market due to the ban on imports introduced in August. The fisheries sector has largely succeeded in finding alternative markets for its products. Catch quotas in the cod sector were high, while better market prices in 2014 helped to increase export value by more than 20%. Tourism enjoyed 10% growth in overnight stays in Northern Norway in 2014, with the number of foreign overnight stays reaching 1 million. Maritime services are growing because more oil and gas fields are coming online and the level of exploration activity is significant. Activity in the building and construction sector is high because of increased house building and major construction projects.

Northern Norwegian household finances are solid. Lasting low unemployment, growth in real wages and low interest rates has resulted in good growth in personal savings. Growth in private consumption increased during 2014 and the turnover in the retail trade is estimated at 3% in 2014.

Although Northern Norway's macroeconomic prospects remain good, there is greater uncertainty at the start of 2015. The new factor in the economic picture is the dramatic fall in oil prices. The Norwegian economy will slow due to cuts in investments and the level of operations in the oil sector. The forecast for Norwegian GDP growth has been reduced down towards 1% and unemployment is expected to climb towards 4%. Previous experience suggests that in such situations households will save more and spend less, which will reinforce the slowdown.

Even though the Northern Norwegian economy is less dependent on the oil and gas sector, the greater uncertainty is expected to impact Northern Norwegian business as well through dampened domestic demand. On the other hand, a weaker NOK exchange rate due to the fall in oil prices will make export companies more competitive. There is uncertainty about how strong this effect will be because the growth in important markets such as the eurozone and the Nordic countries remains low. There is also uncertainty about how long the effect will last because the ECB's new quantitative easing from March 2015 is expected to weaken the EUR again. Analyses conducted in connection with the Bank's Business Barometer continue to forecast a higher pace of growth for the Northern Norwegian economy than for the country as a whole. This includes growth in value creation and exports. The outlook for the Northern Norwegian economy is therefore still regarded as relatively good.

Earnings performance

The financial statements as of the fourth quarter of 2014 show an operating profit before tax of NOK 1,345 million (NOK 1,181 million). Underlying banking operations before losses have further improved in the last year and show a profit of NOK 1,064 million, compared with NOK 1,007 million for the same period the year before. Underlying banking operations are still viewed as very good.

As a consequence of the crisis in the Russian economy, loss provisions of around NOK 300 million were made in the 4. quarter accounts to cover the Group's exposure in Russia. Including this provision, the Group's return on equity after tax as at 31 December 2014 was 12.2% (13.0%). Its earnings per equity certificate were NOK 5.17 (NOK 4.60).

Net interest income

Net interest income as at 31 December 2014 amounted to NOK 1,426 million. This is NOK 141 million higher than in 2013. The accounts were charged NOK 36 million (NOK 35 million) for the Norwegian Banks Guarantee Fund. This was classified as an interest cost from 2013.

Net interest income represented 1.78% (1.69%) of average total assets, which is 0.09 percentage points higher than the year before.

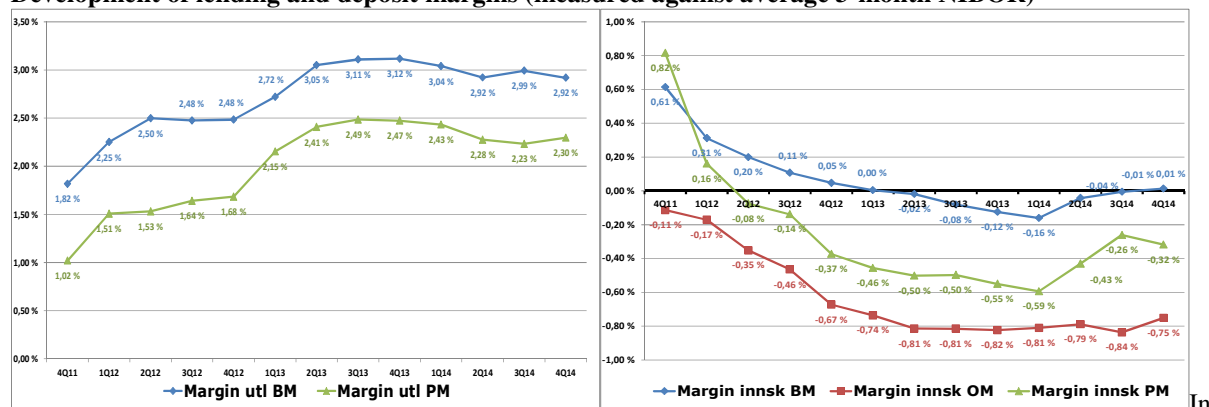
Income from the loans portfolio transferred to SpareBank 1 Boligkreditt (SP1BK) and SpareBank 1 Næringskreditt (SP1NK) is booked as commissions. These commissions totalled NOK 344 million at the end of the fourth quarter of 2014. The corresponding figure for the same period in 2013 was NOK 332 million. Net interest income including the above-mentioned commissions for the fourth quarter in isolation shows an increase of NOK 152 million compared with the third quarter of 2014.

At the end of the fourth quarter of 2014, home mortgages worth NOK 24 billion (NOK 23 billion) had been transferred to SpareBank 1 Boligkreditt. As at 31 December 2014, no loans amounting had been transferred to SpareBank 1 Næringskreditt (NOK 0.3 billion).

Compared with the third quarter of 2014, net interest income, including commissions from the transferred loan portfolio, has developed as shown below:

Figures in NOK million	Q4 2014	Change	Q3 2014
Net interest income, incl. commissions from SB1BK and SP1NK	460	+4	456
Lending and deposit volume		-3	
Margin effects		+12	
Other effects		-5	

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



In October, after evaluating the competition situation, the Bank announced further adjustments to interest rates for deposits and loans that will come into effect in the middle of December. The net effect of these changes is expected to be almost neutral. Further reductions to deposit and loan rates were also announced at the start of January. These will be effective from the start of March 2015. Even though the effects of these lower rates were also calculated as almost neutral, it appears that increased competition will result in the rate changes, in isolation, having a certain negative effect on net interest income. The Bank is working on compensatory measures for this.

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

Net commissions and other operating income

Net commissions and other operating income amounted to NOK 966 million for 2014, an increase of NOK 35 million compared the year before.

<i>Figures in NOK million</i>	as at Q4 2014	Change	as at Q4 2013
Net commissions and other operating income	966	+44	922
Increased commissions from SP1BK and SP1NK		+12	
Increased commissions from EiendomsMegler 1 Nord-Norge		+12	
Increased income from SB1 Regnskapshuset Nord-Norge		+3	
Increased commissions from sale insurance		+12	
Increased other commissions and other operating income		+5	

Income from financial investments

Total net income from financial investments amounted to NOK 602 million for 2014 (NOK 346 million). This has developed as follows:

<i>Figures in NOK million</i>	Q4 2014	Change	Q4 2013
Net income from financial investments	+602	+256	346
Result from SpareBank 1 Gruppen	360	+150	210
Result from SpareBank 1 Boligkreditt	31	+2	29
Result from BN Bank	66	0	66
Result from SpareBank 1 Næringskreditt	24	+19	5
Result from SpareBank 1 Kredittkort	2	+7	-5
Result from SpareBank 1 Verdipapirservice	0	+2	-2
Result from SpareBank 1 Markets	-30	-29	-1
Share dividends	16	-11	27
Net change in value of equities ex in Russia	191	+134	57
Net change in value of equities in Russia	-93	-93	0
Net change in bond value	42	+72	-30
Net change in value of currency and financial derivatives	-7	+3	-10

Profit contribution from joint ventures

SpareBank 1 Gruppen

SpareBank 1 Gruppen's profit after tax as per the fourth quarter of 2014 totalled NOK 1,849 million (NOK 1,118 million). The SpareBank 1 Nord-Norge Group's share of the result, amounting to NOK 360 million (NOK 210 million), has been incorporated into the financial statements. SpareBank 1 Livsforsikring and SpareBank 1 Skadeforsikring made the greatest contributions to SpareBank 1 Gruppen's profit.

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

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

The Bank owned a 14.71% stake in SpareBank 1 Boligkreditt as at 31 December 2014 and the share of its profit as of the fourth quarter of 2014 was NOK 31 million (NOK 29 million).

SpareBank 1 Nord-Norge's stake in the SpareBank 1 Næringskreditt is 20.83%, and the share of its profit as of the fourth quarter of 2014 was NOK 24 million (NOK 5 million).

BN Bank

SpareBank 1 Nord-Norge had a 23.5% stake in BN Bank as at 31 December 2014. The share of profit as of the fourth quarter of 2014 amounts to NOK 66 million (NOK 66 million) including the effect of amortisation from the date of purchase.

Other companies

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

The share of the result in SpareBank 1 Kredittkort at the end of the fourth quarter of 2014 amounting to NOK 2 million (stake 19.83%), and the share of the result in SpareBank 1 Markets amounting to NOK -30 million (stake 27.03%) have also been recognised.

The Group's equities portfolio

The Group's equities portfolio as at 31 December 2014 amounted to NOK 473 million (NOK 712 million). A net NOK 98 million gain/increase in the value of the Group's portfolio was recognised as income in 2014. The Bank's equities portfolio increased by NOK 71 million, while its subsidiary SpareBank 1 Portefølje saw a net positive change in value of NOK 27 million. The latter was primarily due to the increase in unrealised value of the equity fund Nord II (PE fund).

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

The owners of SpareBank 1 Markets are planning to restructure the company by integrating SpareBank 1 SMN's market activities into SpareBank 1 Markets. Following this, and a new offering in the company, SpareBank 1 SMN will have a 73.3% stake, while SpareBank 1 Nord-Norge's stake will be 9.9%. SpareBank 1 Markets AS has implemented comprehensive improvement measures that have halved annual costs since 2012/2013, including winding up guaranteed bonus schemes. Adapting the business model has also resulted in lower market risk. The plan is to continue the commercial cooperation between SpareBank 1 Markets and the owner banks. In the opinion of the owners, this will provide a good basis for profitable operations. The plan involves implementing the above transactions in the first quarter of 2015, assuming they are approved by the authorities.

Certificates, bonds, currency and derivatives

As at 31 December 2014, the Group's holdings of certificates and bonds amounted to NOK 9,720 million, compared with NOK 11,207 million at the same time the year before.

The combined net income from financial investments for the fourth quarter of 2014 totalled NOK 42 million. This amount also consists of parts of the income from the Group's markets department, SNN Markets, as well as changes in the value of the Bank's own positions in currency and financial derivatives.

Subsidiaries and second tier subsidiaries

<i>(Figures in whole NOK 1000)</i>	Stake in %	Pre-tax profit	
		31 Dec 2014	31 Dec 2013
SpareBank 1 Finans Nord-Norge AS	100	116,438	98,739
SpareBank 1 Nord-Norge Portefølje AS	100	19,906	-29,776
EiendomsMegler 1 Nord-Norge AS	100	15,208	15,356
EiendomsMegler 1 Lofoten AS	60	344	-52
SpareBank 1 Forvaltning AS	100	2,509	2,395
SpareBank 1 Regnskapshuset AS	100	3,839	2,909
North-West 1 Alliance Bank	75	-3,245	1,586
Nord-Norge Eiendom IV AS	100	1,230	0
Alsgården AS	100	-335	-3

The Group's subsidiaries have a combined result before tax as of the fourth quarter of 2014 of NOK 157 million (NOK 91 million), which has been fully consolidated in the consolidated financial statements.

SpareBank 1 Finans Nord-Norge's pre-tax profit as of the fourth quarter of 2014 was NOK 116 million (NOK 99 million). The company has a good earnings base and total earnings for the year-to-date amount to NOK 263 million (NOK 246 million). Losses on leasing and loan commitments at the end of the fourth quarter of 2014 amounted to NOK 6 million (NOK 11 million). At the end of the quarter, the company managed leasing, consumer loan and vendor's security agreements with a total value of NOK 3,982 million (NOK 3,442 million).

North West 1-Alliance Bank in St. Petersburg, Russia (75% stake) had a result before tax for the fourth quarter of 2014 of NOK -4 million (NOK 1.6 million). Please also see the section below on the Group's venture in Russia.

SpareBank 1 Nord Norge Portefølje AS has a portfolio of unlisted equities and investments in funds. The company's consolidated financial statements show a result before tax at the end of the fourth quarter of 2014 of NOK 20 million (NOK -30 million). The changes in value of the company's equities portfolio are commented on above in the section "The Group's equities portfolio".

EiendomsMegler 1 Nord-Norge AS had a profit before tax as of the fourth quarter of 2014 of NOK 15.1 million (NOK 15.3 million). 2,170 units were sold in 2014 (1,756). The total commission income from sold units in 2014 was NOK 87 million, an increase of 14% compared with 2013. The result for 2014 has been affected by the establishment of a new branch office in Tromsø.

SpareBank 1 Nord-Norge Forvaltning, which manages a portfolio of NOK 236 million, had a profit before tax of NOK 2 million as of the fourth quarter of 2014 (NOK 2 million).

SpareBank 1 Regnskapshuset Nord-Norge operates accounting firms in Northern Norway. The consolidated profit for the company (excluding goodwill depreciation) in 2014 was NOK 4 million (NOK 3 million).

Operating costs

Ordinary operating costs as of the fourth quarter of 2014 amounted to NOK 1,328 million (NOK 1,209 million), an increase of NOK 119 million.

The changes in costs were as follows:

<i>Figures in NOK million</i>	Q4 2014	Change	Q4 2013
Operating costs	1,328	+119	1,209
Personnel costs	702	+62	640
Admin. costs	348	+11	337
Depreciation and write-downs	101	+48	53
Other costs	180	+1	179

Costs amounted to 1.66% of average total assets as of the fourth quarter of 2014 (1.59%), an increase of 0.07 percentage points compared with 2013. The Group's cost/income ratio was 44.4% as of the fourth quarter of 2014, compared with 41.8% as of the third quarter of 2014 and 47.2% as of the fourth quarter of 2013.

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

The government adopted changes to the arrangement involving differentiated employers' National Insurance contributions with effect from 1 July 2014. This means that this arrangement will end for a number of industries, including the financial and insurance industries. Compared with 2013, employers' National Insurance contributions for 2014 increased by NOK 23 million before tax.

A provision totalling NOK 20 million has been made in the income statement for 2014 for future restructuring costs.

Higher employers' National Insurance contributions, higher provisions for bonuses and future restructuring costs, as well as write-downs on acquired assets have thus resulted in a somewhat higher increase in costs for 2014 than normal.

The Group's goal is to hold future average annual cost increases to a maximum of 1%, excluding restructuring costs and implemented business expansions (subsidiaries). A programme of cost reduction measures was started in 2013. This includes rationalisation measures within both staffing and other cost areas. The profitability improvement measures are currently being reinforced and cover the entire Group.

The Group had 927 full time equivalents at year-end 2014, 639 of whom were accounted for by the parent bank. The corresponding figures for the year before were 922 and 647, respectively. The increase in employees in the Group is primarily due to the Group's subsidiaries. At yearend there were 8 full time equivalents fewer in the parent bank than at year-end 2013.

Net losses and non-performance - customer commitments

The Group's net losses on loans to customers as of the fourth quarter of 2014 amounted to NOK 164 million (NOK 172 million): NOK 132 million from the corporate market and NOK 32 million from the retail market.

Losses on customer commitments in the fourth quarter 2014 include write-downs in Russia within the corporate and retail sector of NOK 20 mill and NOK 15 mill, respectively. Losses in the corporate market are considered slightly higher than the economic situation suggests they should be. In addition to losses on loans to customers, losses on the Group's other commitments in Russia of NOK 157 million have been recognised (financial institutions), see special section below. Thus, total loan losses in the accounts for 2014 amounts NOK 321 mill.

Net non-performing and doubtful commitments as at 31 December 2014 totalled NOK 376 million (NOK 615 million), which represents 0.4% of gross lending, including intermediary loans. This is 0.4 percentage points lower than as at 31 December 2013.

The Group's total individual loss write-downs on loans to customers as at 31 December 2014 were NOK 171 million (NOK 244 million). The provision was reduced by a NOK 72 million in the last quarter.

Group write-downs as at 31 December 2014 amounted to NOK 236 million (NOK 209 million) and increased by NOK 13 million compared with the previous quarter. Compared with year-end 2013, the increase in group provisions was NOK 27 million. Group write-downs totalled 0.4% of the Group's combined gross lending as at 31 December 2014 (0.3% 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 Board, the work on non-performing and doubtful commitments in the Group is good. There will still be a strong focus on this work going forward. The general level of losses is expected to be moderate in the near future.

The Group's venture in Russia - loss provisions

SpareBank 1 Nord-Norge is involved in banking operating in Russia through Tavrishesky Bank (TB) and North-West 1 Alliance Bank (NW1).

As a consequence of the crisis in the Russian economy, many customers at the end of 2014/start of 2015 wanted to move their bank deposits out of the country, or to banks they perceived as being guaranteed by the state. This resulted in many Russian banks, including TB, ending up in a difficult liquidity situation.

As a result of the above, loss provisions of NOK 299 million were made in the 2014 accounts to cover the Group's exposure in Russia. Provisions for loan losses accounted for NOK 192 million of this amount (see previous paragraph). The remaining loss provision in the Group accounts was made under write-downs and depreciation (NOK 14 mill) and under changes in the value of financial assets (NOK 93 mill). The total exposure before the aforementioned provisions was NOK 615 million. Of this, equity exposure amounts to NOK 165 million: around NOK 93 million in TB (stake of around 10%) and NOK 72 million in NW1 (75% stake).

NW1 is primarily funded by SNN and has not experienced the same liquidity challenges that many other Russian banks have. NW1 has a total balance sheet equivalent to around NOK 400 million. The bank's customer loans are considered diversified with 60% to smaller Russian corporate customers and 40% to the retail market.

Under new management, and as a part of a new strategy, SNN decided as early as 2013 to downscale activities in Russia. Since then work has been carried out on exit solutions, but because of the steadily deteriorating Russian economy this has not been possible. SNN has reduced its exposure in Russia by more than NOK 200 million since 2013. This work will continue, and SNN's management team is paying close attention to developments in Russia.

Other losses

As explained in the special section above, because of the difficult economic situation in Russia, provisions have been made for possible losses in the Group's loan exposure in Russia. NOK 192 million of this has been recognised as loss write-downs on loans to financial institutions.

In the fourth quarter, the Group has also decided to recognise a taken over commitment pursuant to IFRS 5 - Non-current assets held for sale and discontinued operations. The taken over assets and liabilities appear on the balance sheet as at 31 December 2014 on separate lines. The income statement shows the result for all of 2014 on a separate result line - "Result non-current assets held for sale and discontinued operation, after tax". The result for this commitment was negative in 2014 with a loss of NOK 27 million.

Tax

The Group's tax cost was estimated at NOK 223 million at the end of the fourth quarter of 2014. 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 83,188 million as at 31 December 2014. Total assets have increased by NOK 5,668 million, or 7.3%, in the last 12 months.

Lending

As at 31 December 2014, lending totalling NOK 24 billion (NOK 23 billion) had been transferred to SpareBank 1 Boligkreditt. 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 85 million as at 31 December 2014. Compared with 31 December 2013, this amounts to an increase of 5.5% (6.3%). Retail loans grew by 6.2% (8.4%), while corporate and public sector loans grew by 3.8% (1.6%).

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

Savings and investments

The Group's deposits from customers totalled NOK 45,761 million as at 31 December 2014. The increase over the past 12 months was NOK 821 million, or 1.8%. Retail deposits showed growth of 9.1% (6.1%) and corporate deposits 6.1% (5.0%) while public sector deposits decreased by -29.1% (-8.1%).

Growth in deposits in the last 12 months exclusive of holdings of Treasury bills under the government swap scheme are 6.8% (3.1%), of which retail market 9.1% (6.1%), corporate market 6.1% (5.0%), and public sector market -1.9% (-8.1%).

Liquidity and rating

Deposits from customers are the Bank's main source of funding. At the end of the fourth quarter of 2014, the deposit coverage ratio (excluding intermediary loans) was 74.7% (78.5%). The Bank's remaining funding, apart from equity and subordinated capital and deposits from customers, is mainly long-term funding from the capital markets.

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

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

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

Financial strength and capital adequacy

The Group's core tier 1 capital ratio at the end of the fourth quarter of 2014 was 12.6%, an increase from 12.3% at the same time the year before. The tier 1 capital ratio has in the same period increased from 13.4% to 13.7% and the total capital adequacy ratio from 13.9% to 15.7%.

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

On 1 July 2014, the Financial Supervisory Authority of Norway announced a further tightening of the risk models for home mortgages for banks that used the so-called IRB method for determining capital requirements. The instructions largely mirror what was proposed during the consultation period. The tightening of the models for probability of default in combination with a minimum level of losses in the event of default (loss given default floor) will increase the average risk weighting for SpareBank 1 Nord-Norge's home mortgages portfolio from 22% to 26%. The Financial Supervisory Authority of Norway is demanding that the changes be reflected in the capital adequacy report by no later than the first quarter of 2015.

SpareBank 1 Nord-Norge submitted an application for A-IRB approval to the Financial Supervisory Authority of Norway in mid-June 2013. SpareBank 1 Nord-Norge expects the Financial Supervisory Authority of Norway to inform the Bank of its decision concerning its application in the first quarter of 2015. The net effect on the capital adequacy ratio of such an approval will be limited by the transitional scheme ('the floor').

On 12 May, the Ministry of Finance adopted the "Regulations relating to the identification of systemically important financial institutions". It was clear from these that the largest regional banks, including SpareBank 1 Nord-Norge, would not be defined as systemically important financial institutions (SIFI). The central authorities have pointed out that it is important that regional savings banks, because of their importance for the regions, adapt their level of capital regardless of the ministry's SIFI decisions.

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

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

The Bank's equity certificate holders

As at 31 December 2014, the parent bank's equity certificate capital was NOK 1,807 million. The number of equity certificates as at 31 December 2014 was 100,398,016 each with a nominal value of NOK 18, fully paid-up.

The equity certificate ratio as at 1 January 2014 was 47.33%. The number of equity certificate holders as at 31 December 2014 was 7,839 (7,839), the same number as in 2013. The proportion of Northern Norwegian equity certificate holders is 20%. A summary of the Bank's 20 largest equity certificate holders is provided in the notes to the interim report.

The market price for the Bank's equity certificates was NOK 39.90 as at 31 December 2014 (NOK 35.50). Based on this price, the market value of the Bank's equity was NOK 8,464 million. The earnings per equity certificate (Group) amounted to NOK 5.17 (NOK 4.60). Price/Earnings was NOK 7.7 (NOK 7.7) and Price/Book 0.91 (0.88) as at 31 December 2014 (both figures for the Group).

Proposed profit allocation

The Bank's dividend policy indicates a pay-out ratio of up to 50% of the Group's profit for the year. In connection with adjusting to the new capital requirements, the Board has previously communicated a reduced pay-out ratio in the lead up to 2016. In the Board's opinion, the Bank's financial strength suggests that the pay-out ratio can be normalised faster than this. Given this, a higher pay-out ratio has been proposed for the 2014 financial year than for the year before.

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 at 1 January 2014 was 47.33%.

The Board is proposing to the bank's Supervisory Board a cash dividend of NOK 1.90 (NOK 1.10) per equity certificate, for a total of NOK 190.8 million (NOK 110.4 million), and an allocation of NOK 161.0 million (NOK 282.3 million) to the dividend equalisation fund. In addition, a combined transfer of NOK 212.3 million (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 743.3 million
Allocated to cash dividend	NOK 190.8 million
<u>Allocated to dividend equalisation fund</u>	<u>NOK 161.0 million</u>
Total to the equity certificate holders	NOK 351.8 million
Allocated to donations	NOK 45.0 million
Allocated to donations to Sparebankstiftelsen SNN	NOK 167.3 million
<u>Allocated to the Savings Banks Fund.</u>	<u>NOK 179.2 million</u>
<u>Total to the Bank's community owned capital</u>	<u>NOK 391.5 million</u>
Total allocated	NOK 743.3 million

Dividends will be distributed to those registered as equity certificate holders as of 24 March 2015. The Bank's equity certificates will be traded ex dividend as of 25 March 2015.

The proposed allocation of profits represents a pay-out ratio of the Group's profit of 36.8 % to both owner groups. For 2013 the pay-out ratio from the parent bank results to the Bank's equity certificate holders and to the community owned capital was 28.1 % and 8.2 % respectively. Thus 63.2 % (83.2%) of the Group's profit will be retained by the Group. The above further means that the equity certificate holders' share of the equity (ownership fraction) does not change and is calculated at 47.33% at 1 January 2015.

Concluding remarks and future prospects

The Group's earnings are still good, including in the Bank's core activities.

The Norwegian economy's weaker growth has so far not had an effect on the economy of Northern Norway, and in many areas 2014 was a record year. Northern Norway's macroeconomic prospects remain good, but there is greater uncertainty at the start of 2015. Economic forecasts for growth in the Norwegian economy have been reduced, including because of the significant fall in oil prices. The forecast growth in the Northern Norwegian economy is nonetheless higher than for the country as a whole. This is due to continued good prospects for Northern Norwegian export industries, and the fact that the proportion of petroleum activities in the region is relatively small at the moment. The demand for loans is expected to remain relatively high in the immediate future, but because of the stricter regulatory requirements concerning banks' tier 1 capital, lending growth in the corporate market will nonetheless be kept at a moderate level. It is the Bank's ambition to maintain a strong position in the public sector.

A number of measures have been initiated to ensure future profitability in line with the Group's profitability targets. This will continue and be reinforced, and are expected to produce effects from 2015.

Tromsø, Norway, 4 February 2015

The Board of SpareBank 1 Nord-Norge

Kjell Olav Pettersen (Chairman of the Board)	Pål Andreas Pedersen (Deputy Chairman)	Sonja Djønnne
Hans Tore Bjerås	Greger Mannsverk	Ingvild Myhre
Anita Persen	Vivi-Ann Pedersen (Employee-elected)	Jan-Frode Janson (CEO)

Statement of income

Parent Bank

Group

(Amounts in NOK million)

31.12.12	4Q13	4Q14	31.12.13	31.12.14		31.12.14	31.12.13	4Q14	4Q13	31.12.12
2 722	795	713	2 825	2 820	Interest income	2 998	2 990	755	839	2 845
1 688	486	378	1 712	1 578	Interest costs	1 572	1 705	377	484	1 679
1 034	309	335	1 113	1 242	Net interest income	1 426	1 285	378	355	1 166
590	201	194	771	801	Fee- and commission income	940	892	232	233	686
72	20	19	71	72	Fee- and commission costs	74	75	20	23	74
22	24	8	35	21	Other operating income	100	114	25	52	44
540	205	183	735	750	Net fee-, commission and other operating income	966	931	237	262	656
16	0	0	23	16	Dividend	16	27	0	0	17
81	0	- 110	239	134	Income from investments	453	303	121	78	210
175	9	- 77	121	105	Net gain from investments in securities	133	16	- 70	7	33
272	9	- 187	383	255	Net income from financial investments	602	346	51	85	260
1 846	523	331	2 231	2 247	Total income	2 994	2 562	666	702	2 082
471	127	144	481	538	Personnel costs	704	638	190	174	581
291	81	79	306	311	Administration costs	349	337	88	87	319
51	12	13	50	50	Ordinary depreciation	97	56	29	16	54
141	37	37	141	140	Other operating costs	178	178	47	50	166
954	257	273	978	1 039	Total costs	1 328	1 209	354	327	1 120
892	266	58	1 253	1 208	Result before losses	1 666	1 353	312	375	962
224	41	197	146	290	Losses	321	172	236	50	195
668	225	- 139	1 107	918	Result before tax	1 345	1 181	76	325	767
153	52	- 4	192	175	Tax	223	214	15	50	172
0	0	0	0	0	Result non-current assets held for sale	27	0	27	0	0
515	173	- 135	915	743	Result after tax	1 095	967	34	275	595
					Majority interest	1 096	966	34	274	595
					Minority interests	- 1	1	0	1	0
					Result per Equity Certificate					
3.27	0.82	-0.64	4.36	3.50	Result per Equity Certificate	5.17	4.60	0.16	1.31	3.78
3.27	0.82	-0.64	4.36	3.50	Diluted result per Equity Certificate	5.17	4.60	0.16	1.31	3.78

Other comprehensive income

515	173	-135	915	743	Result after tax	1 095	967	34	275	595
0	0	0	0	0	Recalculation differences	-35	1	-24	1	1
-1	1	0	6	4	Effective part of change in fair market value in cash flow hedging	4	6	0	1	-1
0	0	0	0	0	Net change in fair market value of investment in joint ventures	-8	0	-8	0	0
153	-1	2	-1	-80	Actuarial gains (losses) on benefit-based pension schemes	-85	0	-3	0	158
-43	-1	-1	-2	21	Tax on other comprehensive income	22	-2	0	-1	-44
109	-1	1	3	-55	Other comprehensive income for the period	-102	5	-35	1	114
624	172	-134	918	688	Total comprehensive income for the period	993	972	-1	276	709
					Majority interest	1 001	972	7	276	709
					Minority interests	-8	0	-8	0	0
					Total result per Equity Certificate					
3.96	0.82	-0.63	4.38	3.24	Total result per Equity Certificate	4.68	4.63	-0.01	1.32	4.51
3.96	0.82	-0.63	4.38	3.24	Diluted total result per Equity Certificate	4.68	4.63	-0.01	1.32	4.51
					Tax on other comprehensive income:					
0	0	-1	-2	-1	Effective part of change in fair market value in cash flow hedging	-1	-2	-1	-1	0
-43	0	0	0	22	Actuarial gains (losses) on benefit-based pension schemes	23	0	1	0	-44
-43	0	-1	-2	21	Tax on other comprehensive income	22	-2	0	-1	-44

Statement of financial position

Parent Bank

Group

(Amounts in NOK million)

31.12.12	31.12.13	31.12.14		31.12.14	31.12.13	31.12.12
			Assets			
244	612	631	Cash and balances with central banks	685	655	271
4 761	4 470	7 280	Loans and advances to credit institutions	3 720	1 392	1 871
50 670	53 202	56 868	Net loans and advances to customers	60 842	56 829	54 050
382	556	241	Shares	473	712	553
12 442	11 207	9 720	Certificates and bonds	9 720	11 207	12 444
1 240	1 308	2 121	Financial derivatives	2 121	1 303	1 234
402	553	558	Investments in Group Companies	0	0	0
2 407	2 436	2 750	Investments in associated companies and joint ventures	4 187	3 564	3 514
504	489	464	Property, plant and equipment	594	595	515
0	0	0	Non current assets held for sale	35	0	0
0	0	0	Intangible assets capital concern	61	81	53
782	1 108	652	Other assets	750	1 182	824
73 834	75 941	81 285	Total assets	83 188	77 520	75 329
			Liabilities			
4 294	4 292	2 764	Deposits from credit institutions	2 758	4 284	4 295
43 550	44 889	45 734	Deposits from customers	45 761	44 940	43 588
16 534	16 336	21 114	Debt securities in issue	21 116	16 336	16 534
713	722	1 493	Financial derivatives	1 493	722	713
839	880	910	Other liabilities	1 114	1 058	1 021
0	0	0	Non current assets held for sale	0	0	0
173	172	185	Deferred tax liabilities	253	228	202
2 095	1 450	1 350	Subordinated loan capital	1 350	1 450	2 095
68 198	68 741	73 550	Total liabilities	73 845	69 018	68 448
			Equity			
1 655	1 807	1 807	Equity Certificate capital	1 807	1 807	1 655
245	843	843	Equity Certificate premium reserve	843	843	245
456	776	1 020	Dividend Equalisation Fund	1 020	776	456
3 083	3 565	3 745	The Savings Bank's Fund	3 745	3 565	3 083
150	163	332	Donations	332	163	150
0	0	0	Fair value reserve	- 30	- 2	- 3
47	46	- 12	Other equity capital	1 611	1 327	1 273
0	0	0	Result after tax	0	0	0
			Minority interests	15	23	22
5 636	7 200	7 735	Total equity	9 343	8 502	6 881
73 834	75 941	81 285	Total liabilities and equity	83 188	77 520	75 329

Changes in equity

(Amounts in NOK million)

Group	PCC capital	Premium Fund	Dividend Equalisation Fund	Savings Bank's Fund	Donations Fund	Fair value reserve	Other equity	Period result	Total Majority interests	Minority interests	Total equity
Equity at 01.01.13	1 655	245	456	3 083	150	- 3	1 273		6 859	22	6 881
Total comprehensive income for the period											
Period result			394	478	43		51		966	1	967
<i>Other comprehensive income:</i>											
Recalculation differences						1			1		1
Effective part of change in fair market value in cash flow hedging			2	2					4		4
Tax on other comprehensive income											
Total other comprehensive income			2	2		1			5		5
Total comprehensive income for the period			396	480	43	1	51		971	1	972
Transactions with owners											
Equity issue	152	598							750		750
Set aside for dividend payments			- 110						- 110		- 110
Reversal of dividend payments			110						110		110
Dividend paid			- 76						- 76		- 76
Other transactions				2			3		5		5
Payments from Donations Fund					- 30				- 30		- 30
Total transactions with owners	152	598	- 76	2	- 30		3		649		649
Equity at 31.12.2013	1 807	843	776	3 565	163	- 2	1 327		8 479	23	8 502
Equity at 01.01.14	1 807	843	776	3 565	163	- 2	1 327		8 479	23	8 502
Total comprehensive income for the period											
Period result			352	179	212		353		1 096	- 1	1 095
<i>Other comprehensive income:</i>											
Recalculation differences						- 28			- 28	- 7	- 35
Net change in fair market value of investment in joint ventures							- 8		- 8		- 8
Effective part of change in fair market value in cash flow hedging			2	2					4		4
Actuarial gains (losses) on benefit-based pension schemes							- 85		- 85		- 85
Tax on other comprehensive income				- 1			23		22		22
Total other comprehensive income	0	0	2	1	0	- 28	- 70	0	- 95	- 7	- 102
Total comprehensive income for the period			354	180	212	- 28	283		1 001	- 8	993
Transactions with owners											
Equity issue											
Set aside for dividend payments			- 191						- 191		- 191
Reversal of dividend payments			191						191		191
Changes in minority interests											
Dividend paid			- 110						- 110		- 110
Other transactions							1		1		1
Payments from Donations Fund					- 43				- 43		- 43
Total transactions with owners			- 110		- 43		1		- 152		- 152
Equity at 31.12.14	1 807	843	1 020	3 745	332	- 30	1 611		9 328	15	9 343

ECC ratio overall

Parent Bank

(Amounts in NOK million)

	31.12.09	(01.01.11) 31.12.10	(01.01.12) 31.12.11	(01.01.13) 31.12.12	(adjusted) 01.01.13	31.12.13	31.12.14
Equity Certificate capital	896	1 275	1 655	1 655	1 681	1 807	1 807
Equity Certificate premium reserve	123	184	245	245	344	843	843
Dividend Equalisation Fund	471	408	319	453	380	685	1 011
Set aside dividend	- 121	- 103	- 93	- 76	0	0	- 191
Share Fund Fair Value Options	- 30	- 3	- 14	- 33	- 33	0	0
A. Equity attributable to Equity Certificate holders o	1 339	1 761	2 112	2 244	2 372	3 335	3 470
The Savings Bank's Fund	2 623	2 811	2 902	3 107	3 081	3 593	3 954
Allocated dividends to ownerless capital	- 161	- 154	- 107	- 30	0	0	- 212
Donations	133	133	133	120	120	119	119
Share Fund Fair Value Options	- 57	- 5	- 20	- 45	- 45	0	0
B. Total ownerless capital	2 538	2 785	2 908	3 152	3 156	3 712	3 861
Equity Certificate Ratio overall (A/(A+B))	34,54 %	38,74 %	42,07 %	41,59 %	42,91 %	47,33 %	47,33 %

Statement of cash flows

Parent Bank

Group

(Amounts in NOK million)

31.12.12	31.12.13	31.12.14		31.12.14	31.12.13	31.12.12
668	1 107	918	Result before tax	1 345	1 181	767
51	50	50	+ Ordinary depreciation	97	56	54
- 4	- 3	- 2	+ Write-downs, gains/losses fixed assets	- 2	- 3	- 4
224	146	290	+ Losses on loans and guarantees	321	172	195
153	192	175	- Tax/Result investment held for sale	250	214	172
189	106	156	- Dividends/donations	156	106	189
597	1 002	925	Provided from the year's operations	1 355	1 086	651
184	54	762	Change in sundry liabilities: + increase/ - decrease	754	82	213
- 393	- 394	- 357	Change in various claims: - increase/ + decrease	- 366	- 455	- 448
-2 549	-2 678	-3 956	Change in gross lending to and claims on customers: - increase/ + decrease	-4 334	-2 951	-3 035
-1 238	1 061	1 802	Change in short term-securities: - increase/ + decrease	1 726	1 078	-1 156
- 566	1 339	845	Change in deposits from and debt owed to customers: + increase/ - decrease	821	1 352	- 545
212	- 2	-1 528	Change in debt owed to credit institutions: + increase/ - decrease	-1 526	- 11	217
-3 753	382	-1 507	A. Net liquidity change from operations	-1 570	181	-4 103
- 53	- 35	- 25	- Investment in fixed assets (incl merger effects)	- 131	- 136	- 61
4	3	2	+ Sale of fixed assets	2	3	4
- 470	- 180	- 319	Change in holdings of long-term securities: - increase/ + decrease	- 623	- 50	- 495
- 519	- 212	- 342	B. Liquidity change from investments	- 752	- 183	- 552
3 192	- 198	4 778	Change in borrowings through the issuance of securities: + increase/ - decrease	4 780	- 198	3 192
739	105	- 100	Change in Equity Certificate/subordinated loan capital: + increase/ - decrease	- 100	105	739
3 931	- 93	4 678	C. Liquidity change from financing	4 680	- 93	3 931
- 341	77	2 829	A + B + C. Total change in liquidity	2 358	- 95	- 724
5 346	5 005	5 082	+ Liquid funds at the start of the period	2 047	2 142	2 866
5 005	5 082	7 911	= Liquid funds at the end of the period	4 405	2 047	2 142

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)	4Q14	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12	1Q12
Interest income	755	773	721	749	839	740	717	694	706	707	708	724
Interest costs	377	395	379	421	484	399	408	414	399	414	423	443
Net interest income	378	378	342	328	355	341	309	280	307	293	285	281
Fee- and commission income	232	238	240	230	233	238	230	191	197	179	169	141
Fee- and commission costs	20	19	19	16	23	19	23	10	15	19	19	21
Other operating income	25	19	27	29	52	14	31	17	20	12	6	6
Net fee-, commission and other operating income	237	238	248	243	262	233	238	198	202	172	156	126
Dividend	0	0	5	11	0	4	22	1	- 1	1	15	2
Income from investments	121	142	119	71	78	109	27	89	14	76	39	81
Net gain from investments in securities	- 70	- 23	65	161	7	- 7	15	1	17	2	- 52	66
Net income from financial investments	51	119	189	243	85	106	64	91	30	79	2	149
Total income	666	735	779	814	702	680	611	569	539	544	443	556
Personnel costs	190	193	159	162	174	151	162	151	153	147	148	133
Administration costs	88	85	87	89	87	83	83	84	83	69	83	84
Ordinary depreciation	29	14	40	14	16	13	13	14	16	13	12	13
Other operating costs	47	33	47	51	50	39	44	45	43	37	34	52
Total costs	354	325	333	316	327	286	302	294	295	266	277	282
Result before losses	312	410	446	498	375	394	309	275	244	278	166	274
Losses	236	38	22	25	50	35	47	40	32	115	6	42
Result before tax	76	372	424	473	325	359	262	235	212	163	160	232
Tax	15	65	71	72	50	69	56	39	54	25	55	38
Result non-current assets held for sale	27	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	- 2	1	0	1	0	0	0	0	- 1	1	0
Result after tax	34	309	352	401	274	290	206	196	158	139	104	194
Profitability												
Return on equity capital	1.46 %	13.45 %	15.84 %	18.61 %	13.72 %	15.83 %	11.62 %	11.29 %	9.35 %	8.40 %	6.40 %	12.07 %
Interest margin	1.85 %	1.86 %	1.71 %	1.69 %	1.85 %	1.79 %	1.63 %	1.50 %	1.64 %	1.58 %	1.58 %	1.59 %
Cost/income	53.15 %	44.22 %	42.75 %	38.82 %	46.58 %	42.06 %	49.43 %	51.67 %	54.73 %	48.90 %	62.53 %	50.72 %
Balance sheet figures												
Loans and advances to customers	61 249	60 363	58 791	57 638	57 282	56 605	54 561	53 441	54 551	53 493	52 792	50 941
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt and Næringskreditt past 12 months	5.5 %	6.1 %	6.7 %	7.3 %	6.1 %	5.9 %	6.8 %	8.5 %	11.6 %	11.9 %	11.5 %	10.1 %
Deposits from customers	45 761	45 386	46 949	43 635	44 940	43 938	46 006	43 232	43 588	43 266	43 745	39 675
Growth in deposits from customers past 12 months	1.8 %	3.3 %	2.0 %	0.9 %	3.1 %	1.6 %	5.2 %	9.0 %	-1.3 %	-2.5 %	6.0 %	0.7 %
Deposits as a percentage of gross lending	74.7 %	75.2 %	79.9 %	75.7 %	78.5 %	77.6 %	84.3 %	80.9 %	75.6 %	76.5 %	82.9 %	77.9 %
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt and Næringskreditt	53.8 %	54.1 %	56.9 %	53.5 %	55.8 %	55.6 %	59.5 %	56.9 %	54.3 %	54.8 %	60.5 %	56.7 %
Average assets	80 191	79 442	79 048	77 581	75 952	75 561	75 524	74 907	72 921	72 336	71 696	70 526
Total assets	83 188	80 621	81 983	77 642	77 520	75 670	76 759	74 484	75 329	74 251	74 029	69 997
Losses on loans and commitments in default												
Losses on loans to customers as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.37 %	0.18 %	0.11 %	0.12 %	0.25 %	0.17 %	0.24 %	0.21 %	1.02 %	0.87 %	0.26 %	0.24 %
Commitments in default as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.53 %	0.49 %	0.55 %	0.57 %	0.60 %	0.70 %	0.76 %	0.78 %	0.52 %	0.65 %	0.71 %	0.62 %
Commitments at risk of loss as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.10 %	0.30 %	0.32 %	0.42 %	0.46 %	0.36 %	0.35 %	0.51 %	0.77 %	0.66 %	0.24 %	0.38 %
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.44 %	0.50 %	0.61 %	0.71 %	0.75 %	0.72 %	0.78 %	0.87 %	0.89 %	0.93 %	0.70 %	0.68 %
Solidity												
Total regulatory Capital %	15.8 %	15.5 %	14.2 %	14.3 %	13.9 %	11.7 %	12.4 %	12.6 %	13.2 %	10.7 %	11.6 %	12.5 %
Tier I Capital %	13.7 %	13.2 %	13.3 %	13.5 %	13.4 %	11.1 %	11.4 %	11.9 %	12.1 %	10.1 %	10.9 %	11.7 %
Tier I capital	8 461	8 000	7 828	7 741	7 783	6 431	6 478	6 586	6 672	5 767	6 081	6 099
Equity and related capital resources	9 774	9 414	8 382	8 158	8 069	6 765	7 052	7 005	7 270	6 056	6 474	6 541
Adjusted risk-weighted assets base	61 897	60 783	58 830	57 135	57 989	57 704	57 053	55 450	55 098	56 849	55 882	52 253

Notes

Note 1 - Accounting policies

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

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

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

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

The interim financial statements have not been audited.

Note 2 - Important accounting estimates and discretionary judgements

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

Note 3 - Changes in group structure

There has been no changes in group structure in 4th quarter 2014.

SNN Portefølje AS owns 100% of the shares in Bodø-Gruppen AS as a result of defaulted commitments. The investment is measured to fair value after IFRS 5 and presented as available for sale in the groups accounts as of 1 January 2014.

Changes in value during the year are presented on a separate line in the income statement and the tax effect is taken into account.

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)

						31.12.14
	Retail Banking	Corporate Banking	Leasing	Markets	Unallocated	Total
Net interest income	933	287	166	22	18	1 426
Net fee- and commission income	548	168	0	20	130	866
Other operating income	0	0	0	29	673	702
Operating costs	781	240	44	36	227	1 328
Result before losses	700	215	122	35	594	1 666
Losses	25	98	6	0	192	321
Result before tax	675	117	116	35	402	1 345
Loans and advances to customers	36 095	21 169	3 985	0	0	61 249
Individual write-downs for impaired value on loans and advances to customers	- 24	- 249	- 11	0	113	- 171
Collective write-downs for impaired value on loans and advances to customers	- 37	- 178	- 10	0	- 11	- 236
Other assets	0	0	0	0	22 346	22 346
Total assets per business area	36 034	20 742	3 964	0	22 448	83 188
Deposits from customers	27 007	18 754	0	0	0	45 761
Other liabilities and equity capital	9 027	1 988	3 964	0	22 448	37 427
Total equity and liabilities per business area	36 034	20 742	3 964	0	22 448	83 188

31.12.13

Net interest income	881	214	150	18	22	1 285
Net fee- and commission income	582	141	0	53	41	817
Other operating income	0	0	0	0	460	460
Operating costs	774	188	41	30	176	1 209
Result before losses	689	167	109	41	347	1 353
Losses	15	90	10	0	57	172
Result before tax	674	77	99	41	290	1 181
Loans and advances to customers	33 284	20 239	3 759	0	0	57 282
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	- 40	- 148	- 21	0	0	- 209
Other assets	0	298	0	0	20 123	20 421
Total assets per business area	33 212	20 200	3 715	0	20 123	77 250
Deposits from customers	24 740	20 200	0	0	0	44 940
Other liabilities and equity capital	8 472	0	3 715	0	20 123	32 310
Total equity and liabilities per business area	33 212	20 200	3 715	0	20 123	77 250

Note 5 - Capital Adequacy

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

Parent Bank

Group

(Amounts in NOK million)

31.12.12	31.12.13	31.12.14		31.12.14	31.12.13	31.12.12
1 655	1 807	1 807	Equity certificates	1 807	1 807	1 655
0	0	0	- Own equity certificates	0	0	0
245	843	843	Premium reserve	843	843	245
456	776	1 020	Equalisation reserve	1 020	776	456
3 083	3 565	3 745	Savings bank's reserve	3 745	3 565	3 083
150	163	332	Endowment fund	332	163	150
0	0	0	Deduction Fund for unrealised gains available for sale	- 30	- 2	- 3
47	46	- 12	Other equity	1 611	1 327	1 273
0	0	0	Period result	0	0	0
0	0	0	Minority interests	15	23	22
5 636	7 200	7 735	Total equity	9 343	8 502	6 881
			Minority interests	0	- 23	0
0	0	0	Period result	0	0	0
			Tier 1 Capital			
- 30	- 131	- 69	Intangible assets capital concern	- 82	- 250	- 94
0	0	0	Unrealised gains on shares available for sale	- 50	69	41
- 106	- 154	- 404	Deduction for allocated dividends	- 522	- 154	- 106
0	0	0	Adjusted Tier 1 Capital from consolidated financial institutions	90	- 163	- 59
- 542	- 472	0	50 % deduction for subordinated capital in other financial institutions	0	- 174	- 106
0	0	0	50 % Total regulatory capital reserve	0	- 606	- 706
0	0	0	CET1 instruments of financial sector entities where the institution has significant investment	- 619	0	0
0	0	0	CET1 instruments of financial sector entities where the institution does not have significant investment	0	0	0
- 95	- 102	0	50 % deduction for expected losses on IRB, net of writedowns	0	- 94	- 97
		- 25	IRB excess of provisions over expected losses eligible	- 385	0	0
0	6 341	7 237	Core Tier 1 Capital	7 775	7 130	0
836	500	500	Hybrid Tier 1 bonds	687	653	989
5 652	6 841	7 737	Tier 1 Capital	8 462	7 783	6 672
			Tier 2 Capital			
1 259	950	850	Nonperpetual subordinated capital	1 356	1 160	1 507
- 542	- 472	0	50% deduction for subordinated capital in other financial institutions	0	- 174	- 106
0	0	0	50% Total regulatory capital reserve	0	- 606	- 706
		- 43	CET1 instruments of financial sector entities where the institution has significant investment	- 43		
- 95	- 102	0	50% deduction for expected losses on IRB, net of writedowns	0	- 94	- 97
622	376	807	Tier 2 Capital	1 313	286	598
6 274	7 217	8 544	Equity and related capital resources	9 775	8 069	7 270
			Minimum requirements subordinated capital, Basel I I			
921	939	1 101	Specialised lending exposure	1 283	939	921
646	631	135	Other corporations exposure	163	632	646
18	20	420	SME exposure	469	23	21
277	298	674	Property retail mortgage exposure	976	497	456
32	47	30	Other retail exposure	28	51	34
318	409	364	Equity investments	12	0	0
2 212	2 344	2 724	Total credit risk IRB	2 931	2 142	2 077
890	576	722	Credit risk standardised approach	1 668	1 635	1 867
12	21	19	Debt risk	19	21	11
11	13	9	Equity risk	40	41	38
32	22	11	Currency risk	11	22	32
226	223	250	Operational risk	254	237	265
0	0	0	Transitional arrangements	0	669	256
		75	Other risk weighted exposure amount	0		
- 88	- 76	0	Deductions	23	- 128	- 139
3 295	3 123	3 754	Minimum requirements subordinated capital	4 946	4 639	4 408
			Total regulatory Capital			
15.2 %	18.5 %	17.9 %	Total regulatory Capital	15.7 %	13.9 %	13.2 %
13.7 %	17.5 %	16.2 %	Tier 1 Capital	13.7 %	13.4 %	12.1 %
1.5 %	1.0 %	1.7 %	Tier 2 Capital	2.0 %	0.5 %	1.1 %
11.7 %	16.2 %	15.2 %	Common Equity Tier I - incl share of period result	12.6 %	12.3 %	10.3 %

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

Parent Bank				Group		
31.12.12	31.12.13	31.12.14		31.12.14	31.12.13	31.12.12
357	444	403	Non-performing commitments	457	486	397
586	373	356	+ Other doubtful commitments	90	373	592
943	817	759	+ Total commitments in default and doubtful commitments	547	859	989
104	171	198	- Individual write-downs in default	218	194	120
183	50	75	- Other doubtful individual write-downs	- 47	50	183
287	221	273	+ Total individual write-downs *	171	244	303
656	596	486	= Net commitments in default and doubtful commitments	376	615	686

*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

31.12.12	31.12.13	31.12.14		31.12.14	31.12.13	31.12.12
94	38	52	+ Period's change in individual write-down for impaired value	30	40	97
- 40	- 4	28	+ Period's change in collective write-down for impaired value	30	12	- 40
141	109	92	+ Period's confirmed losses against which individual write-downs were previously made	109	117	144
40	11	5	+ Period's confirmed losses against which individual write-downs were previously not made	5	11	5
11	8	7	- Recoveries in respect of previously confirmed losses	10	8	11
224	146	170	= Total losses on loans	164	172	195
0	0	120	+ Other losses	157	0	0
224	146	290	= Total losses	321	172	195

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

Parent Bank				Group		
31.12.12	31.12.13	31.12.14		31.12.14	31.12.13	31.12.12
1	0	0	Mining and quarrying	0	0	- 1
3	3	1	Construction	2	3	4
1	0	0	Building of ships and boats	2	0	1
0	2	0	Electricity, gas, steam an air conditioning supply	0	2	1
4	10	13	Professional, scientific and technical activities	13	10	4
35	0	0	Financial and insurance activities	0	0	- 1
- 1	1	0	Fishing	0	1	0
1	1	2	Marine aquaculture	2	1	1
- 3	0	4	Other business support activities	4	7	- 1
0	0	0	Activities auxiliary to financial services and insurance activities	0	0	0
0	0	0	County municipalities and municipalities	0	0	0
4	57	3	Manufacturing	3	62	3
2	- 1	0	Information and communication	0	0	2
4	- 1	6	Crop and animal production	5	- 1	4
0	15	0	Foreign industrial	27	15	0
96	7	58	Real estate activities	9	7	96
0	1	0	Accommodation and food service activities	0	1	0
0	0	0	Forestry and logging	0	0	0
0	0	0	Central government and social security funds	0	0	0
0	0	0	Support activities for petroleum and natural gas extraction	0	0	0
- 1	- 1	11	Other service industries	11	- 1	1
- 2	11	8	Transportation and storage	8	12	- 1
10	12	36	International shipping and pipeline transport	37	12	10
49	14	- 20	Development of building projects	- 20	14	49
- 3	- 8	0	Extraction of crude oil and natural gas	0	- 8	- 3
0	0	30	Unspecified	31	0	0
40	0	0	Water supply; sewerage, waste management and remediation activities	0	0	39
- 2	9	0	Wholesale and retail trade; repair of motor vehicles and motorcycles	0	10	- 1
- 3	22	25	Retail banking market - domestic	40	33	- 1
235	154	177	Losses on loans to customers	174	180	206
11	8	7	Recoveries from previously written off losses	10	8	11
224	146	170	Net losses	164	172	195
0	0	120	Other losses	157	0	0
224	146	290	Total losses	321	172	195

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

Parent Bank				Group		
31.12.12	31.12.13	31.12.14		31.12.14	31.12.13	31.12.12
54	47	36	Mining and quarrying	72	76	81
724	477	606	Construction	972	790	1 037
10	6	115	Building of ships and boats	117	8	12
1 429	864	695	Electricity, gas, steam and air conditioning supply	698	868	1 434
678	467	635	Professional, scientific and technical activities	840	531	705
0	0	0	Financial and insurance activities	0	0	0
1 609	1 623	2 405	Fishing	2 421	1 635	1 619
144	447	343	Marine aquaculture	611	601	257
356	402	253	Other business support activities	603	601	577
978	1 156	733	Activities auxiliary to financial services and insurance activities	525	1 002	807
176	200	343	County municipalities and municipalities	359	222	199
1 532	1 537	1 541	Manufacturing	1 664	1 642	1 677
145	148	67	Information and communication	72	155	150
876	876	924	Crop and animal production	1 011	963	971
37	0	0	Foreign industrial	172	157	286
7 026	7 116	7 760	Real estate activities	7 614	7 089	7 081
345	347	396	Accommodation and food service activities	411	360	359
6	4	5	Forestry and logging	10	9	11
0	0	0	Central government and social security funds	0	1	1
0	0	0	Support activities for petroleum and natural gas extraction	18	20	0
682	659	701	Other service industries	701	738	766
2 119	3 028	2 827	Transportation and storage	3 427	3 583	2 689
671	660	758	International shipping and pipeline transport	758	660	671
703	773	793	Development of building projects	794	774	704
0	0	0	Extraction of crude oil and natural gas	0	0	0
0	0	0	Unspecified	0	0	0
210	208	200	Water supply; sewerage, waste management and remediation activities	270	279	290
1 239	846	807	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 014	1 144	1 527
29 344	31 678	34 363	Retail banking market - domestic	35 830	33 037	30 506
46	43	50	Retail banking market - international	265	337	134
29 390	31 721	34 413	Total retail market	36 095	33 374	30 640
21 573	21 691	22 600	Total public market	24 795	23 685	23 711
176	200	343	Total government	359	223	200
51 139	53 612	57 356	Total gross lending to customers	61 249	57 282	54 551
287	221	273	Individual write-downs for impaired value	171	244	303
182	189	215	Collective write-downs for impaired value	236	209	198
50 670	53 202	56 868	Net loans to customers	60 842	56 829	54 050

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 1.97 year as at 30.09.14, and included in the profit and loss account as interest income. For the period 01.01.14-31.12.14 such reversed writedowns has been included in the profit and loss account with NOK 0.9 million. Total inclusion of income are NOK 77.7 million for the period 01.07.08-31.12.13. If this reclassification had not been made, the Group would have charged NOK 212 million to the profit and loss account in the third and fourth quarter of 2008 due to increased credit spreads. This would have been an unrealised gain NOK 5.2 million as at 31.12.14. It was necessary to apply a NOK 88 million write-down due to the permanent impairment of value in this portfolio as at 31.12.13. No further writedowns has been made in 2014, but in 2014 a NOK 5.8 million exchange gain are included to the profit and loss account.

<i>(Amounts in NOK million)</i>	01.07.08	31.12.10	31.12.11	31.12.12	31.12.13	31.12.14
Hold until maturity						
Book value	3 109	1 624	858	355	111	108
Nominal value (nominal amount)	3 182	1 644	869	366	115	111
Theoretical market value	3 109	1 615	842	355	114	111
Loans and claims						
Book value	698	464	262	142	75	28
Nominal value (nominal amount)	737	489	279	156	90	29
Theoretical market value	698	443	250	134	74	26
Total book value	3 807	2 088	1 120	497	186	136

Note 12 - Financial derivatives

Parent Bank and Group

(Amounts in NOK million)

Interest rate swaps:

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

Foreign exchange derivatives:

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

Currency swaps:

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

Interest rate- and currency swap agreements:

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

Options:

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

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

	31.12.14	31.12.13	31.12.12
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value hedging	226	- 27	266
Total gain from hedging objects relating to the hedged risk	- 224	29	- 267
Total fair value hedging transactions	2	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	31.12.14			31.12.13			31.12.12		
	Contract	Assets	Liabilities	Contract	Assets	Liabilities	Contract	Assets	Liabilities
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)	4 198	113	87	2 303	38	31	1 678	39	6
Currency swaps	7 252	413	238	9 756	285	96	4 996	146	67
Currency options									
Total non-standardised contracts	11 450	526	325	12 059	323	127	6 674	185	73
Standardised foreign currency contracts (futures)									
Total foreign currency instruments	11 450	526	325	12 059	323	127	6 674	185	73
Interest rate instruments									
Interest rate swaps (including cross currency)	24 971	792	1 155	25 356	418	595	23 275	448	618
Short-term interest rate swaps (FRA)									
Other interest rate contracts	333	14	13	9	1		1 811	8	7
Total non-standardised contracts	25 304	806	1 168	25 365	419	595	25 086	456	625
Standardised interest rate contracts (futures)									
Total interest rate instruments	25 304	806	1 168	25 365	419	595	25 086	456	625
Hedging of funding loans									
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)									
Currency swaps									
Total, non-standardised contracts									
Standardised foreign currency contracts (futures)									
Total foreign currency instruments									
Interest rate instruments									
Interest rate swaps (including cross currency)	10 752	789		9 832	561		8 318	593	15
Short-term interest rate swaps (FRA)									
Other interest rate contracts									
Total, non-standardised contracts	10 752	789		9 832	561		8 318	593	15
Standardised interest rate contracts (futures)									
Total interest rate instruments	10 752	789		9 832	561		8 318	593	15
Total interest rate instruments	36 056	1 595	1 168	35 197	980	595	33 404	1 049	640
Total foreign currency instruments	11 450	526	325	12 059	323	127	6 674	185	73
Total	47 506	2 121	1 493	47 256	1 303	722	40 078	1 234	713

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 31.12.14 the net figures were:

Category/counterpart	Gross amount	Offset amount	Net amount	Net amount to be posted at bankruptcy or default	Net credit exposure
<i>(Amounts in NOK million)</i>	A	B	C=A+B	D	E=C-D
Financial derivatives - assets	16 612	16 129	483	0	483
Financial derivatives - liabilities	16 441	15 650	791	0	791

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 31.12.14 2,96 years .

Note 15 Pensions

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

From 1 January 2013 IAS 10 "Employee Benefits" was revised with respect to the basis for calculating pension liabilities and pension costs.

The Group has previously used the corridor method for recognising unamortised estimate deviations.

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

The period's net interest cost is now calculated by applying the discount rate for the liabilities at the beginning of the period to the net liabilities.

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

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

Assumptions	4Q14	4Q13	3Q14
Discount rate	2,30 %	4,00 %	3,90 %
Expected return on pension assets	2,30 %	4,00 %	3,90 %
Future salary growth rate	2,50 %	2,00 %	2,50 %
Adjustment of NI basic amount (G)	2,50 %	3,50 %	3,25 %
Pension adjustment	0,00 %	0,60 %	0,20 %
Employer's NI liability	14,10 %	6,00 %	6,00 %
Employer's NI cost	14,10 %	6,00 %	6,00 %
Voluntary leaving over 50 years old	0,00 %	0,00 %	0,00 %
Voluntary leaving up to 50 years old	2,00 %	2,00 %	2,00 %
Expected statutory early retirement pen	60,00 %	60,00 %	60,00 %
Mortality, marriage probability, etc.	K2013BE IR2003	K2013BE IR2003	K2005 IR2003

Group

Amounts in NOK million

	31.12.14	31.12.13	31.12.12
Net pension liabilities in the balance sheet			
Present value of future pension liabilities	829	671	660
Estimated value of pension assets	880	808	750
Net pension liabilities in fund-based plans	-51	-137	-90
Unrecognised estimate deviations (possible actuarial gains and losses)	0	0	0
Employer's NI contributions	1	1	1
Net pension liabilities/assets in the balance sheet	- 50	- 136	- 89
Pension costs for the period	2014	2013	2012
Accrued defined benefit-based pensions	14	14	21
Interest costs on pension liabilities	26	25	20
Expected return on pension assets	-30	-29	-19
Estimate deviations recognised in the period			
Effect of changed pension plan			
Net defined benefit-based pension costs without employer's NI contributions	10	10	22
Accrued employer's NI contributions	1	2	1
Net defined benefit-based pension costs recognised through profit or loss	11	12	23
Curtailement/settlement			
Other pension costs	30	19	17
Total pension costs including employer's NI Insurance contribution	41	30	40
Movement in net pension liabilities from benefit-based plan recognised in balance sheet	31.12.14	31.12.13	31.12.12
Net pension liabilities in the balance sheet as of 01.01	-136	-89	-7
Correction against equity OB	-22		90
Correction against equity CB	119	-23	-157
Net defined benefit-based pension costs recognised through profit or loss	11	12	23
Curtailement/settlement			
Paid directly from operations	-2	-6	-7
Receipts - pension premiums defined benefit-based plans	-20	-30	-31
Net pension liabilities/assets in the balance sheet	-50	-136	-89
Other pension liabilities (early retirement pensions)	43	50	41
Net total pension liabilities	-7	-86	-48

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 31.12.14				
Loans to and receivables from customers at fair value (fixed-rate loans)			6 304	6 304
Shares	93		140	233
Bonds	3 556	6 027		9 583
Financial derivatives		2 121		2 121
Total assets	3 649	8 148	6 444	18 241

Liabilities as of 31.12.14

Financial derivatives		1 493		1 493
Total liabilities		1 493		1 493

Assets 31.12.13

Loans to and receivables from customers at fair value (fixed-rate loans)			7 608	7 608
Shares	78		344	422
Bonds	4 342	4 057		8 399
Financial derivatives		1 161		1 161
Total assets	4 420	5 218	7 952	17 590

Liabilities as of 31.12.13

Financial derivatives		663		663
Total liabilities	0	663	0	663

Changes in instruments at fair value, level 3:

<i>(Amounts in NOK million)</i>	Fixed-rate loans	Shares	Bonds	Financial derivatives	Financial liabilities Financial derivatives
Carrying amount as of 31.12.13	7 608	344			0
Net gains on financial instruments	- 75	123			
Additions/acquisitions	561	7			
Disposals	-1 790	- 241			
Transferred from level 1 or level 2					
Carrying amount as of 31.12.14	6 304	233	0	0	0

Note 17 - Subsidiaries
(Amounts in NOK 1 000)

	Share of Eq.%	Profit from ordinary operations before tax			Equity		
		31.12.14	31.12.13	31.12.12	31.12.14	31.12.13	31.12.12
SpareBank 1 Finans Nord-Norge AS	100	116 438	98 739	75 575	521 604	509 071	374 038
SpareBank 1 Nord-Norge Portefølje AS	100	19 906	-29 776	-147 523	104 208	17 226	17 378
Eiendomsdrift AS	0	0	0	0	0	0	0
EiendomsMegler 1 Nord-Norge AS	100	15 208	15 356	7 291	36 761	37 521	29 236
SpareBank 1 Nord-Norge Forvaltning ASA	100	2 509	2 395	1 259	7 073	7 405	6 589
SpareBank 1 Regnskapshuset Nord-Norge AS	100	3 839	-1 414	-1 163	14 630	12 115	6 401
North-West 1 Alliance Bank	75	-3 245	1 586	647	56 690	65 805	62 774
EiendomsMegler 1 Lofoten AS (owned by EM1 60%)	60	344	- 52	- 285	1 167	917	1 109
Nord-Norge Eiendom IV AS	100	1 230	0	0	-2 022	0	0
Alsgården AS	100	- 335	- 3	0	8 827	0	0
Fr. Langes gate 20 AS	100	1 406	0	0	5 921	0	0
Total		157 300	86 832	-64 199	754 859	650 060	497 525

Note 18 - Other assets
(Amounts in NOK million)

Parent Bank				Group		
31.12.12	31.12.13	31.12.14		31.12.14	31.12.13	31.12.12
7	18	21	Reposessed assets	21	18	7
323	333	368	Accrued income	405	363	357
159	197	138	Prepayments	144	208	167
293	560	125	Other assets	180	593	293
782	1 108	652	Total other assets	750	1 182	824

Note 19 - Other liabilities

31.12.12	31.12.13	31.12.14		31.12.14	31.12.13	31.12.12
426	425	510	Costs incurred	658	569	557
0	0	0	Provisioning against incurred liabilities and costs	13	3	4
413	455	400	Other liabilities	443	486	460
839	880	910	Total other liabilities	1 114	1 058	1 021

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

Parent Bank				Group		
31.12.12	31.12.13	31.12.14		31.12.14	31.12.13	31.12.12
33	39	32	Mining and quarrying	32	39	33
948	1 164	1 162	Construction	1 162	1 164	948
1	2	4	Building of ships and boats	4	1	2
853	754	823	Electricity, gas, steam an air conditioning supply	823	754	853
1 155	1 182	1 133	Professional, scientific and technical activities	1 130	1 182	1 155
0	0	0	Financial and insurance activities	0	0	0
731	735	746	Fishing	746	735	731
45	18	45	Marine aquaculture	45	18	45
325	353	420	Other business support activities	420	353	325
397	407	382	Activities auxiliary to financial services and insurance activities	372	400	412
5 873	5 169	5 058	County municipalities and municipalities	5 058	5 169	5 871
447	397	446	Manufacturing	446	397	447
229	281	244	Information and communication	244	281	229
353	360	368	Crop and animal production	368	360	353
27	13	6	Foreign industrial	26	48	50
1 360	1 592	1 847	Real estate activities	1 841	1 584	1 360
235	237	240	Accommodation and food service activities	240	237	235
11	13	14	Forestry and logging	14	13	11
2 378	2 409	314	Central government and social security funds	314	2 409	2 378
0	0	0	Support activities for petroleum and natural gas extraction	0	0	1
2 228	2 205	2 376	Other service industries	2 376	2 205	2 228
522	757	863	Transportation and storage	863	757	522
15	35	6	International shipping and pipeline transport	6	35	15
173	167	226	Development of building projects	226	167	173
450	450	459	Extraction of crude oil and natural gas	459	450	450
0	0	0	Unspecified	0	0	0
211	197	160	Water supply; sewerage, waste management and remediation activities	160	197	211
1 235	1 237	1 379	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 379	1 237	1 235
23 014	24 383	26 621	Retail banking market - domestic	26 621	24 383	23 014
301	333	360	Retail banking market - international	386	365	301
23 315	24 716	26 981	Total retail market	27 007	24 748	23 315
11 984	12 595	13 381	Total public market	13 382	12 614	12 024
8 251	7 578	5 372	Total government	5 372	7 578	8 249
43 550	44 889	45 734	Total deposits	45 761	44 940	43 588

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

	31.12.12	31.12.13	31.12.14
Certificates and other short-term borrowings			
Bond debt	16 534	16 336	21 116
Total debt securities in issue	16 534	16 336	21 116

	Statement of financial position 31.12.13	Issued 31.12.14	Matured/ redeemed 31.12.14	Exchange rate movements 31.12.14	Other adjustments 31.12.14	Statement of financial position 31.12.14
Changes in securities issued						
Certificates and other short-term borrowings						
Bond debt	16 336	7 039	-2 740	231	250	21 116
Total debt securities issued	16 336	7 039	-2 740	231	250	21 116

Subordinated loan capital and hybrid Tier 1 instruments

	31.12.12	31.12.13	31.12.14
Hybrid Tier 1 instruments			
2033 6 mnd Nibor + 2,30 (USD 60 mill.) (Call opsj 2013)			
2099 3 mnd Nibor + 4,75 (Call opsjon 2017)	500	500	500
Hybrid Tier 1 instruments - foreign currency			
Total hybrid Tier 1 instruments	500	500	500
Subordinated loan capital			
Subordinated loan capital with definite maturities	950	1 148	850
Total subordinated loan capital	950	1 148	850
Total subordinated loan capital and hybrid Tier 1 instruments	1 450	1 648	1 350

	Statement of financial position 31.12.13	Issued 31.12.14	Matured/ redeemed 31.12.14	Exchange rate movements 31.12.14	Other adjustments 31.12.14	Statement of financial position 31.12.14
Changes in subordinated loan capital and hybrid Tier 1 instruments						
Subordinated loan capital with definite maturities	950	350	- 450			850
Hybrid Tier 1 instruments	500					500
Total subordinated loan capital and hybrid Tier 1 instruments	1 450	350	- 450			1 350

Note 22 - Equity Certificates (ECs)

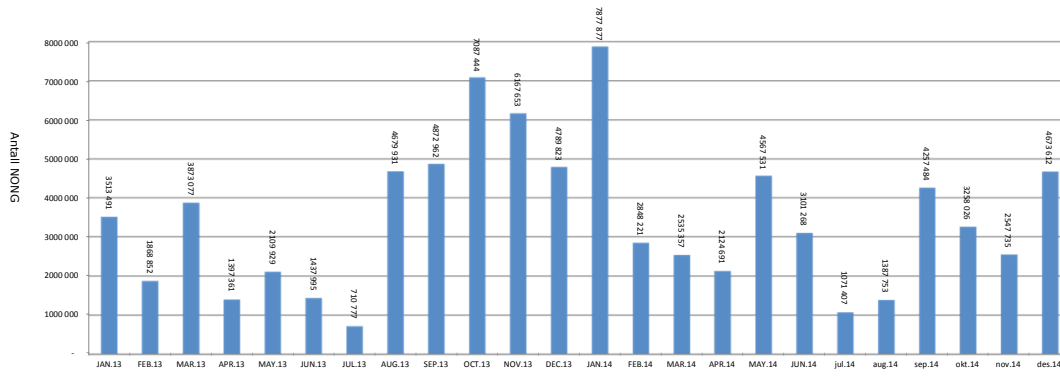
The 20 largest EC holders as at 31.12.14

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	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 AS	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%

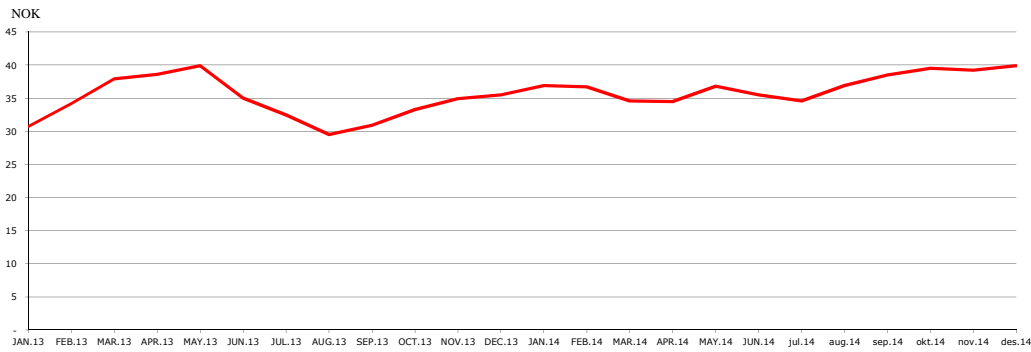
Dividend policy

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 191 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.

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

The Board of Directors and Chief Executive Officer have today discussed and approved the accounts and the abridged consolidated 2014 report and accounts for SpareBank 1 Nord-Norge as at 31 December 2014, including abridged consolidated comparative figures as at 31 December 2013 and for the year of 2013.

According to our full and firm conviction, 2014 report and accounts have been prepared in compliance with the requirements contained in IAS approved by the EU, and in compliance with Norwegian supplementary requirements forming part of the Securities Trading Act.

According to our full and firm conviction, the 2014 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 2014 and 31 December 2013. Furthermore, according to our full and firm conviction, the 2014 year report and accounts provide a true and correct

- overview of important events during the accounting period in question and their impact on the 2014 year report and accounts
- description of the most central risk- and uncertainty factors facing the operations during the next accounting period
- a description of close individuals' significant transactions

Tromsø, 4 February 2015

The main Board of Directors of SpareBank 1 Nord-Norge

Kjell Olav Pettersen

Paal A. Pedersen

Sonja Djonne

Hans Tore Bjerckås

Anita Persen

Greger Mannsverk

Ingvild Myhre

Vivi Ann Pedersen

Jan-Frode Janson
(Chief Executive Officer)