

Quarterly Report

Financial Statement Q1 2014



Photo: Zbigniew Wantuch

Interim report for the first quarter of 2014 – Group

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

Highlights:

- Pre-tax profit: NOK 473 million (NOK 235 million)
- Profit after tax: NOK 401 million (NOK 196 million)
- Return on equity after tax: 18.6% (11.3%)
 - Earnings per equity certificate: NOK 1.89 (NOK 1.23)
- Net income from financial assets of NOK 243 million (NOK 91 million)
- Cost/income ratio 38.8% (51.7%)
- Loan losses NOK 25 million (NOK 40 million)
- Lending growth in the last 12 months 7.3% (8.5%), including intermediary loans
 - Retail market 8.0% (9.8%)
 - Corporate market 5.8% (5.8%).
- Growth in deposits in the last 12 months 0.9% (9.0%)
 - Retail market 5.5% (8.0%)
 - Corporate market 6.3% (5.2%).
 - Public sector market -21.1% (18.7%)
- Deposit coverage ratio: 75.7% (80.9%)
- Group's common equity tier 1 capital ratio 12.41% (10.07%)
- Very good liquidity

Macroeconomic trends

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

The weaker growth that now characterises the Norwegian economy has had limited effects on the Northern Norwegian economy. The labour market is tight with an unemployment rate of just 2.7% as of March 2014. The housing market remains strong with increased house building, low turnover times and price rises in the largest cities. Besides this, the Northern Norwegian economy is less dependent on oil than the rest of the country. The brighter international outlook, together with a somewhat weaker NOK, will result in better conditions for seafood, tourism and the minerals sector. The level of investments in the region is also expected to remain high. The Bank's forecast for 2014 indicates regional economic growth (GDP) of 4% in Northern Norway, compared with 2% for the country as a whole.

The export industry in Northern Norway has experienced a pronounced growth last quarter. The expectations going forward are more moderate and will depend on the currency development (NOK), and the international economic development. Seafood is the region's strongest industry. Northern Norway is now responsible for almost 40% of the country's salmon farming production. Record prices made 2013 a very good year. The start of 2014 has been promising for the salmon industry with prices between NOK 44 and NOK 50 per kg in the first quarter. Catches have been high in the cod segment, but prices low. The traditional fishing industry must rationalise production so it can compete profitably. Tourism has enjoyed a good start to the year with 20% growth in the winter traffic. This industry faces substantial challenges with low profitability and a fall in traditional coach tourism in the summer. Maritime services are growing because more oil and gas fields are coming into production and new areas are being opened up for exploration activities. The building and construction sector's order backlog is shorter, but activity remains high because of increased house building and several major construction projects. The minerals industry has made promising finds, but is awaiting public permits that will allow it to extract the deposits.

Northern Norwegian household finances are solid. Lasting low unemployment, growth in real wages and low interest rates have resulted in good growth in personal savings. The growth in private consumption slowed in 2013 and the growth in real wages will slow in 2014. This may have a negative effect on the wholesale and retail trade.

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

Earnings performance

The financial statements as of the first quarter of 2014 show an operating profit before tax of NOK 473 million (NOK 235 million). Underlying banking operations before losses remain good with a profit of NOK 255 million, compared with NOK 184 million for the same period last year.

The Group's return on equity after tax as of 31 March 2014 was 18.6% (11.3%). Its earnings per equity certificate were NOK 1.89 (NOK 1.23).

Net interest income

Net interest income as of 31 March 2014 amounted to NOK 328 million. This is NOK 48 million higher than for the same period in 2013.

Net interest income represented 1.69% of average total assets, which is 0.19 percentage points higher than last year and on a par with the level as of 31 December 2013.

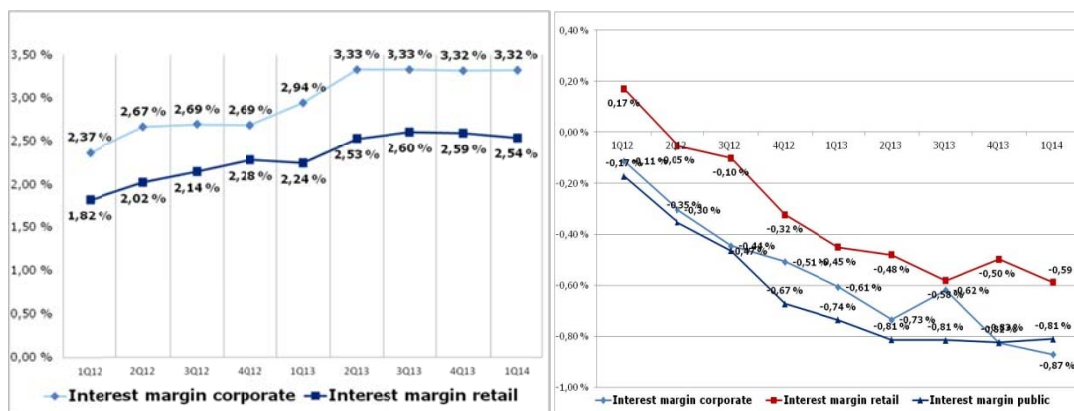
Income from the loan portfolios transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is recognised as commissions. Commissions totalled NOK 95 million at the end of the first quarter of 2014. The corresponding figure for the same period in 2013 was NOK 67 million. Net interest income including the above commissions shows an increase of NOK 76 million compared with the first quarter of 2013.

At the end of the first quarter of 2014, home mortgages worth NOK 23.6 billion had been transferred to SpareBank 1 Boligkreditt (NOK 22.5 billion). As of 31 March 2014, NOK 303 million in loans have been transferred to SpareBank 1 Næringskreditt.

Compared with the fourth quarter of 2013, net interest income, including commissions from the transferred loan portfolios but excluding charges to the Guarantee Fund, developed as follows:

Amounts in NOK million	Q1 2014	change	Q4 2013
Net interest income incl. commissions from SB1 Boligkreditt	423	-23	446
Lending and deposit volume		+2	
Lending and deposit margins		-18	
Effect of 2 fewer days		-9	
Other effects		+2	

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



The reduction in net interest income from the fourth quarter to the first quarter is in part due to movements within the total deposits in the retail market to higher interest earning types of accounts, and in part due to reduced lending margins.

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

The future development of the margin will depend on the competitive situation and how funding costs develop. The first quarter of 2014 showed signs of increased pressure on lending margins within the retail market and low risk corporate commitments. After a number of Banks announced adjustments to their interest terms at the end of March and beginning of April, SpareBank 1 Nord-Norge announced, on 9 April, that it would be adjusting its terms for deposits and loans. With the exception of new loans, the changes will come into effect in the middle of June. The calculated interest income-related effect of the announced changes is, seen in isolation, expected to be neutral. Further adjustments to the terms for deposits subject to special conditions are being considered. The maturing of the Bank's funding from the government's swap scheme in the first and second quarter will, seen in isolation, result in somewhat higher average funding costs in the second quarter.

The combined effect of the above is expected to result in somewhat lower net interest income in the second quarter. Assuming other factors remain constant, net interest income is expected to rise again somewhat in the subsequent quarters.

The Bank's assessment of stricter regulatory requirements for liquidity and equity order to attend a further focus on deposit and lending margins.

Net commissions and other operating income

Net commissions and other operating income at the end of the first quarter of 2014 amounted to NOK 243 million, an increase of NOK 45 million compared with the same quarter last year.

<i>Amounts in NOK million</i>	Q1 2014	Change	Q1 2013
Net commissions and other operating income	243	+45	198
Increased commissions from SpareBank 1 Boligkreditt		+28	
Increased commissions EiendomsMegler 1 Nord-Norge		+2	
Increased income from accountancy firm SNN Økonomihus		+8	
Increase in other commissions and other operating income		+7	

Income from financial investments

Total net income from financial investments as of the first quarter of 2014 amounted to NOK 215 million (NOK 91 million). This has developed as follows:

<i>Amounts in NOK million</i>	Q1 2014	change	Q1 2013
Net income from financial investments	243	+152	91
Result from SpareBank 1 Gruppen	49	-12	61
Result from SpareBank 1 Boligkreditt	5	-4	9
Result from BN Bank	18	+0	18
Result from SpareBank 1 Næringskreditt	6	+5	1
Result from SpareBank 1 Kredittkort	-3	-3	0
Result from SpareBank 1 Markets	-4	-4	0
Share dividends	11	+10	1
Net change in share value	144	+139	5
Net change in bond value	21	+33	-12
Net change in value of currency and financial derivatives	-4	-12	8

Profit contribution from joint ventures

SpareBank 1 Gruppen

SpareBank 1 Gruppen's profit after tax as of the first quarter of 2014 totalled NOK 249 million (NOK 315 million). The SpareBank 1 Nord-Norge Group's 19.5% share of the result, amounting to NOK 49 million (NOK 61 million), has been incorporated into the financial statements. SpareBank 1 Livsforsikring and SpareBank 1 Skadeforsikring made the greatest contributions to SpareBank 1 Gruppen's profit. The decrease must be seen in the context of the weaker result in SpareBank 1 Skadeforsikring compared with the same period last year.

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

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

The Bank owns a 13.15% stake in SpareBank 1 Boligkreditt and the share of its profit as of the first quarter of 2014 was NOK 5 million (NOK 9 million).

The SpareBank 1 banks established SpareBank 1 Næringskreditt in 2009 based on the same model and with the same management as SpareBank 1 Boligkreditt. SpareBank 1 Nord-Norge owns a 20.68% stake in the company and the share of its profit as of the first quarter of 2014 was NOK 6 million (NOK 1 million).

BN Bank

SpareBank 1 Nord-Norge had a 23.5% stake in BN Bank as per 1 January 2014. The share of profit as of the first quarter of 2014 amounted to NOK 18 million (NOK 11 million).

Other companies

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

The profit shares for the first quarter of NOK -4 million from the 19.83% stake in SpareBank 1 Kredittkort and NOK -3 million from the 23.89% stake in SpareBank 1 Markets have also been incorporated.

The Group's equities portfolio

The Group's equities portfolio as of 31 March 2014 amounted to NOK 856 million. A net NOK 144 million gain/increase in the value of this portfolio was recognised as income in the first quarter of 2014. The Bank's equities portfolio increased by NOK 124 million, while its subsidiary SpareBank 1 Nord-Norge Portefølje saw a net positive change in value of NOK 17 million. The latter was primarily due to the increase in value of the equity fund Nord II.

Together with the other owners, SpareBank 1 Nord-Norge signed a contract at the end of the first quarter for the sale of its stake in Nets. The Bank owned 3,647,975 shares, which represented a 1.9% stake. As of 31 December 2013, the book value of SpareBank 1 Nord-Norge's stake in Nets was stated as NOK 239 million. An unrealised gain of NOK 137 million was recognised as income in the first quarter of 2014 in connection with the sale. The sale requires the approval of the regulatory authorities. An NOK 11 million cash dividend received from the same stake has also been recognised as income.

Certificates and bonds

As of 31 March 2014, the Group's holdings of certificates and bonds amounted to NOK 11,183 million, compared with NOK 12,194 million at the same time last year. The holdings of interest-bearing securities still include just under NOK 500 million in covered bonds issued under the government's swap scheme. This falls due in June 2014.

The total net change in value in the first quarter of 2014 in this portfolio amounted to NOK 21 million.

Currency and derivatives

The net change in value for currency and financial derivatives as of the first quarter of 2014 amounted to NOK -4 million. This amount consists of parts of the income from SNN Markets, as well as changes in the value of the Bank's own positions in currency and financial derivatives.

Subsidiaries

(Amounts in whole NOK 1000)	Stake in %	Pre-tax profit	
		31 March 2014	31 March 2014
SpareBank 1 Finans Nord-Norge AS	100	28,930	20,694
SpareBank 1 Nord-Norge Portefølje AS	100	15,718	-9,627
EiendomsMegler 1 Nord-Norge AS	100	1,124	3,738
EiendomsMegler 1 Lofoten AS	60	-330	-54
SpareBank 1 Forvaltning AS	100	621	249
SpareBank 1 Regnskapshuset AS	100	2,793	4,163
North-West 1 Alliance Bank	75	1,388	-741
Nord-Norge Eiendom IV AS	100	0	0
Alsgården AS	100	0	0
Fredrik Langesgt 20 AS	100	296	0

The Group's subsidiaries had a combined pre-tax profit as of the first quarter of 2013 of NOK 50 million (NOK 18 million), which has been fully consolidated in the consolidated financial statements.

SpareBank 1 Finans Nord-Norge's pre-tax profit as of the first quarter of 2014 was NOK 29 million (NOK 21 million). The company has a good earnings base and total earnings in the year to date amount to NOK 61 million (NOK 56 million). Losses on leasing and loan commitments as of the first quarter of 2014 amounted to NOK 1 million (NOK 1 million). At the end of the quarter, the company managed leasing, consumer loan and vendor's security agreements to a total value of NOK 3,628 million, of which leasing agreements represented NOK 1,905 million.

North West 1-Alliance Bank in St. Petersburg, Russia (75% stake) had a result before tax for the first quarter of 2014 of NOK 1.3 million (NOK -0.7 million).

SpareBank 1 Nord-Norge Portefølje has a portfolio of unlisted equities and investments in funds. The company's result before tax as of the first quarter of 2014 was NOK 16 million (NOK 10 million). The increase in value in the company's equities portfolio has been commented on above in the section "The Group's equities portfolio".

EiendomsMegler 1 Nord-Norge had a pre-tax profit as of the first quarter of 2014 of NOK 1.1 million (NOK 3.7 million). The number of units sold to date in 2014 is 433 (410), representing a total sales value of NOK 947,296,918 million, an increase of 7.55% compared with the same period in 2013. EiendomsMegler 1 Nord-Norge owned 60% of the company EiendomsMegler 1 Lofoten AS as of 31 March 2014. The share of the profit during the ownership period of NOK -0.3 million (NOK -0.05 million) has been incorporated.

SpareBank 1 Nord-Norge Forvaltning's pre-tax profit as of the first quarter of 2014 was NOK 0.6 million (NOK 0.2 million).

SpareBank 1 Regnskapshuset Nord-Norge AS operates accountancy firms in Northern Norway. The company's profit contribution before tax was NOK 2.8 million as of the first quarter of 2014 (NOK 4.2 million).

Operating costs

Ordinary operating costs at the end of the first quarter of 2014 totalled NOK 316 million. Compared with the same period in 2013, this represents an increase of NOK 22 million.

The changes in costs were as follows:

<i>Amounts in NOK million</i>	Q1 2014	Change	Q1 2013
Operating costs	316	+22	294
Personnel costs	162	+11	151
Admin. costs	89	+5	84
Depreciation	14	+0	14
Other costs	51	+6	45

In relation to the average total assets, the costs amounted to 1.63% at the end of the first quarter of 2014, an increase of 0.06 percentage points compared with the same period in 2013.

The Group's cost/income ratio was 38.8% at the end of the first quarter of 2014, compared with 47.2% as of the fourth quarter of 2013 and 51.7% as of the first quarter of 2013.

The higher costs compared with the same period in 2013 were mainly attributable to higher staff costs, including general pay increases and higher payroll costs for new employees compared with the average for all employees. At the end of the first quarter of 2014, the number of full time equivalents was 50 higher than at the same time last year: there were 65 more in subsidiaries and 15 fewer in the parent bank.

Operating costs for the first quarter of 2014 were NOK 11 million lower than for the fourth quarter of 2013.

The parent bank's costs amounted to NOK 254 million as of the first quarter of 2014, an increase of NOK 247 million compared with the same period last year.

The Group had 923 full time equivalents at the end of the first quarter of 2014, 642 of whom were accounted for by the parent bank. The corresponding figures for last year were 873 and 656 respectively. The increase in the number of employees mainly relates to the Group's subsidiary in Russia (9 full time equivalents) and the acquisition of two accounting firms with a combined total of 50 full-time equivalents.

The parent bank's goal is to hold average annual cost increases to a maximum of 2 % for the period. A cost-reduction programme was started in the parent bank in 2013. This includes rationalisation measures in both staffing and other cost areas. The programme will continue in 2014.

The government has proposed changes to the arrangement involving differentiated employers' National Insurance contribution with effect from 1 July this year. The proposal entails several industries, including finance and insurance, being excluded from the arrangement involving differentiated employers' National Insurance contribution. If the proposal is adopted, this will result in increased annual personnel costs with a result effect after tax of around NOK 29 million based on today's level of costs. The Group is working on measures to compensate for the expected cost increase.

Net losses and non-performance

The Group's net loan losses as of the first quarter of 2014 amounted to NOK 25 million (NOK 40 million): NOK 23 million from the corporate market and NOK 2 million from the retail market.

Net non-performing and doubtful commitments totalled NOK 584 million (NOK 671 million) as of 31 March 2014, which represents 0.71 % of gross lending, including intermediary loans. This is 0.04 percentage points lower than as of 31 March 2013.

The Group's total individual loss provisions as of 31 March 2014 were NOK 235 million (NOK 320 million). The provisions have been reduced with NOK 9 million in the last quarter.

Group write-downs as of 31 March 2014 amounted to NOK 201 million (NOK 200 million) and have decreased by NOK 8 million compared with the previous quarter. Group write-downs totalled 0.01% of the Group's combined gross lending as of 31 March 2014 (0.26 % of gross lending including intermediary loans).

The Group's risk classification system shows that the total credit risk in the loan portfolio improved during 2013. No new commitments exposed to a significant risk of losses were uncovered in the first quarter of 2014. In the opinion of the Main Board of Directors, the quality of the Bank's loan portfolio remains good, and the Bank is doing high quality work in connection with Group's non-performing and doubtful commitments. There will still be a strong focus on this work in the coming months. The general level of losses is expected to be moderate in the near future.

Tax

The Group's tax cost was estimated at NOK 72 million at the end of the first quarter of 2014. In the parent bank's accounts, the taxable profit has been reduced by permanent differences coupled with the effects of the exemption model.

Total assets

The Group's total assets amounted to NOK 77,610 million as of 31 March 2014. Total assets have increased by NOK 3,126 million, or 4.2%, in the last 12 months.

Lending

As of 31 March 2014, loans totalling NOK 23.6 billion (NOK 22.5 billion) had been transferred to SpareBank 1 Boligkreditt and loans totalling NOK 303 million to SpareBank 1 Næringskreditt. These loans do not appear as lending on the Bank's balance sheet. Comments regarding increases in lending include loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

The Group's gross lending to customers including intermediary loans totalled NOK 81,511 as of 31 March 2014. This represents an increase of 7.3% compared with 31 March 2013. Retail loans grew by 8.0%, while corporate and public sector loans grew by 5.8%. Gross lending grew by 1.0% in the last quarter, which represents annualised 12-month growth of 4.0%. The proportion of total lending represented by retail market loans was lower than at the end of the fourth quarter of 2013 and was 57.5% as of 31 March 2014.

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

Saving and investment

The Group's deposits from customers totalled NOK 43,635 million as of 31 March 2014. The increase over the past 12 months was NOK 403 million, or 0.9%. Retail deposits grew by 5.5%, corporate deposits grew by 6.3% and public sector deposits fell by 21.1%.

Liquidity

Deposits from customers are the Bank's main source of funding. At the end of the first quarter of 2014, the deposit coverage ratio (excluding intermediary loans) was 76 % (81 %), which is 5 percentage points lower than at the same time last year. The Bank's remaining funding, apart from equity and subordinated capital and deposits from customers, is mainly from long-term funding from the capital markets. The Bank's liquidity situation and access to liquidity is very good. The Bank's strategic aim is to maintain liquidity risk at a low level.

Financial strength and capital adequacy

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

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

The European Parliament passed CRD IV, a new directive and a regulation (CRR) on 16 April 2013. The new regulations came into effect on 1 January 2014. CRD IV will apply in Norway because of the EEA Agreement. The Ministry of Finance has proposed that the capital and buffer requirements should apply for

Norwegian institutions from as early as 1 July 2013, though with a phasing in period up to 2016. This means most Norwegian banks will be expected to satisfy a tier 1 capital requirement of 13% by 1 July 2016.

The Ministry of Finance has decided to continue the transitional rules ('the floor') for calculating the risk-weighted balance sheet (RWA). The requirements for the calculation models the banks use to calculate capital requirements for home mortgages have been tightened. The Ministry of Finance raised the lower limit for commitment-weighted average LGD ("Loss Given Default"), the LGD 'floor' for home mortgages, from 10% to 20% with effect from 1 January 2014 for all home mortgages with security in Norway. The change in the LGD 'floor' represents a considerable increase in the capital requirement for mortgages and expected loss on IRB portfolios for the Group. The increase in capital requirement for mortgages has reduced the effects of the transitional floor for the Group. Furthermore, the FSAN has suggested additional tightening of the regulations for mortgages through tightened requirements regarding estimated Probability of Default (PD). SpareBank 1 Nord-Norge has in cooperation with the other IRB-banks and Finance Norway given responses to the FSAN with views on risk and weaknesses related to the proposed methodology and assumptions for the regulation of PD-levels

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

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

- equity issues conducted in autumn 2013
- various measures for increasing earnings
- reduced dividend pay-out ratio
- application for A-IRB approval
- reduced lending growth, especially in the corporate market
- measures to increase capital utilisation
- utilisation of capital allocated to the Sparebankstiftelsen SpareBank 1 Nord-Norge foundation

The conducted equity issues provide the Group with the required and desired opportunity to participate in the region's growth in the years ahead. Based on this, further equity issues are not considered adequate or necessary in the lead up to 2016.

SpareBank 1 Nord-Norge's goal is to maintain unquestionable financial strength and satisfy the defined minimum equity requirements at all times. The Group's tier 1 capital ratio target is 14.5% or higher in 2016.

As of 31 March 2014, the ratio was 14.28 % (12.52 %). The Group's core tier 1 capital ratio was 12.41% (10.72 %). The Group's tier 1 capital ratio amounted to 13.55% (11.88%) of the basis for calculation. The total capital adequacy ratio was 13.62 % (12.47 %). With full IRB effect (without a 'floor'), the tier 1 capital ratio and core tier 1 capital ratio would be 13.62 % and 12.47 % respectively. Including the 65 % proportion of the interim result, the core tier 1 capital ratio is 12.86%. The increase in the capital ratio in the last quarter was moderate due to the amended national regulations mentioned above, higher weighting for home mortgages, and increased minimum requirements for expected loss on IRB-portfolios. Please also refer to the notes to the interim financial statements.

The Bank's financial strength is deemed to be good compared with current regulations.

The Bank's equity certificate holders

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

The equity certificate ratio as of 1 January 2014 was 47.33%. The number of equity certificate holders was 7,730 as of 31 March 2014, a reduction of 185 over the last 12 months. The percentage of equity certificate holders from Northern Norway was 21%. A summary of the Bank's 20 largest equity certificate holders is provided in the notes to the interim financial statements.

The market price for the Bank's equity certificates was NOK 34.60 as of 31 March 2014. Based on this price, the market value of the Bank's equity was NOK 7,339 million. The earnings per equity certificate (Group) were NOK 1.89. Price/Earnings was 4.6 and Price/Book 0.84 as of 31 March 2014 (both figures for the Group).

Concluding remarks and outlook

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

The Bank has initiated several measures to further improve profitability. These will be continued and will produce effects in 2014 and 2015.

Tromsø, 5 May 2014

The Main Board of Directors of SpareBank 1 Nord-Norge

Kjell Olav Pettersen
(Chairman of the Board)

Pål Andreas Pedersen
(Deputy Chairman)

Sonja Djønne

Hans Tore Bjerås

Greger Mannsverk

Ingvild Myhre

Anita Persen

Vivi-Ann Pedersen
(employee-elected)

Jan-Frode Janson
(CEO)

Key figures group

<i>Amounts in NOK million and in % of average assets</i>		31.03.14	%	31.03.13	%	31.12.13	%
From the profit and loss account							
Net interest income		328	1.69 %	280	1.50 %	1 285	1.69 %
Net fee-, commission and other operating income		243	1.25 %	198	1.06 %	931	1.23 %
Net income from financial investments		243	1.25 %	91	0.49 %	346	0.46 %
Total income		814	4.20 %	569	3.04 %	2 562	3.37 %
Total costs		316	1.63 %	294	1.57 %	1 209	1.59 %
Result before losses		498	2.57 %	275	1.47 %	1 353	1.78 %
Losses		25	0.13 %	40	0.21 %	172	0.23 %
Result before tax		473	2.44 %	235	1.25 %	1 181	1.55 %
Tax		72	0.37 %	39	0.21 %	214	0.28 %
Minority interests		0	0.00 %	0	0.00 %	1	0.00 %
Result after tax		401	2.07 %	196	1.05 %	966	1.27 %
Profitability							
Return on equity capital	1	18.6 %		11.3 %		13.0 %	
Interest margin	2	1.69 %		1.50 %		1.69 %	
Cost/income	3	38.8 %		51.7 %		47.2 %	
Balance sheet figures *)							
Gross lending		57 638		53 441		57 282	
Gross lending and advances to customers incl SpareBank 1 Boligkreditt and Næringskreditt		81 511		75 956		80 581	
Growth in loans and advances to customers past 12 months		7.9 %		4.9 %		5.0 %	
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt and Næringskreditt past 12 months		7.3 %		8.5 %		6.1 %	
Share total lending transferred to Sp1 Boligkreditt of total retail loans		41.4 %		42.7 %		40.8 %	
Share total lending transferred to Sp1 Boligkreditt of total loans		28.9 %		29.6 %		28.5 %	
Deposits from customers		43 635		43 232		44 940	
Growth in deposits from customers past 12 months		0.9 %		9.0 %		3.1 %	
Deposits as a percentage of gross lending	4	75.7 %		80.9 %		78.5 %	
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt and Næringskreditt		53.5 %		56.9 %		55.8 %	
Average assets	5	77 581		74 907		75 952	
Total assets		77 642		74 484		77 520	
Losses on loans and commitments in default *)							
Losses on loans to customers as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.12 %		0.21 %		0.84 %	
Commitments in default as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.57 %		0.78 %		0.60 %	
Commitments at risk of loss as a percentage of gross loans incl.SpareBank 1 Boligkreditt and Næringskreditt		0.42 %		0.51 %		0.46 %	
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt		0.71 %		0.87 %		0.75 %	
Loan loss provision ratio		28.69 %		32.29 %		28.41 %	
Solidity							
Total regulatory Capital %	6	14.28 %		12.63 %		13.91 %	
Tier I Capital %	7	13.55 %		11.88 %		13.42 %	
Tier I capital		7 741		6 586		7 783	
Equity and related capital resources		8 158		7 005		8 069	
Adjusted risk-weighted assets base		57 135		55 453		57 989	
Branches and full-time employees							
Branches		74		74		74	
Manyear		923		873		922	
Equity Certificates **)							
		31.03.14	31.12.12	31.12.11	31.12.10	31.12.09	31.12.08
Equity Certificate ratio overall	8	47.33 %	42.07 %	38.74 %	34.54 %	34.54 %	34.54 %
Quoted/market price NONG as at		34.60	27.75	32.30	45.00	41.25	16.50
Quotation value	9	7 339	4 418	5 083	5 548	5 704	2 281
Equity capital / Total capital		9.76 %	7.63 %	7.46 %	6.74 %	6.72 %	5.66 %
Equity capital / Total capital (group)		11.25 %	9.13 %	8.95 %	8.24 %	8.03 %	6.81 %
Result per Equity Certificate	10	1.74	3.27	2.55	4.32	5.19	1.55
Result per Equity Certificate (Group)	10	1.89	3.78	3.07	5.90	6.20	2.52
Cash dividend per Equity Certificate to be paid	11		1.15	1.40	2.16	2.53	1.13
P/E (Price/Earnings)	12	2.1	8.5	12.7	10.4	7.9	10.7
P/E (Price/Earnings) - Group	12	4.6	7.3	10.5	7.6	6.6	6.6
P/V (Price/Book Value)	13	0.97	0.78	0.96	1.45	1.32	0.61
P/V (Price/Book Value) - Group	13	0.84	0.64	0.80	1.09	1.09	0.50

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

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

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

Statement of income

Parent Bank

Group

(Amounts in NOK million)

31.12.13	1Q13	1Q14	31.03.13	31.03.14		31.03.14	31.03.13	1Q14	1Q13	31.12.13
2 825	656	706	656	706	Interest income	749	694	749	694	2 990
1 712	415	426	415	426	Interest costs	421	414	421	414	1 705
1 113	241	280	241	280	Net interest income	328	280	328	280	1 285
771	165	202	165	202	Fee- and commission income	230	191	230	191	892
71	10	16	10	16	Fee- and commission costs	16	10	16	10	75
35	3	4	3	4	Other operating income	29	17	29	17	114
735	158	190	158	190	Net fee-, commission and other operating income	243	198	243	198	931
23	1	11	1	11	Dividend	11	1	11	1	27
239	49	85	49	85	Income from investments	71	89	71	89	303
121	8	141	8	141	Net gain from investments in securities	161	1	161	1	16
383	58	237	58	237	Net income from financial investments	243	91	243	91	346
2 231	457	707	457	707	Total income	814	569	814	569	2 562
481	119	121	119	121	Personnel costs	162	151	162	151	638
306	77	79	77	79	Administration costs	89	84	89	84	337
50	13	12	13	12	Ordinary depreciation	14	14	14	14	56
141	38	42	38	42	Other operating costs	51	45	51	45	178
978	247	254	247	254	Total costs	316	294	316	294	1 209
1 253	210	453	210	453	Result before losses	498	275	498	275	1 353
146	32	20	32	20	Losses	25	40	25	40	172
1 107	178	433	178	433	Result before tax	473	235	473	235	1 181
192	32	63	32	63	Tax	72	39	72	39	214
915	146	370	146	370	Result after tax	401	196	401	196	967
					Majority interest	401	196	401	196	966
					Minority interests	0	0	0	0	1
					Result per Equity Certificate					
4.36	0.92	1.74	0.92	1.74	Result per Equity Certificate	1.89	1.23	1.89	1.23	4.60
4.36	0.92	1.74	0.92	1.74	Diluted result per Equity Certificate	1.89	1.23	1.89	1.23	4.60

Other comprehensive income

915	146	370	146	370	Result after tax	401	196	401	196	967
0	0	0	0	0	Recalculation differences	-11	2	-11	2	1
6	1	2	1	2	Effective part of change in fair market value in cash flow hedging	2	1	2	1	6
-1	0	0	0	0	Actuarial gains (losses) on benefit-based pension schemes	0	0	0	0	0
-2	0	-1	0	-1	Tax on other comprehensive income	-1	0	-1	0	-2
3	1	1	1	1	Other comprehensive income for the period	-10	3	-10	3	5
918	147	371	147	371	Total comprehensive income for the period	391	199	391	199	972
					Majority interest	394	199	394	199	972
					Minority interests	-3	0	-3	0	0
					Totalresult per Equity Certificate					
4.38	0.92	1.75	0.92	1.75	Total result per Equity Certificate	1.84	1.25	1.84	1.25	4.63
4.38	0.92	1.75	0.92	1.75	Diluted total result per Equity Certificate	1.84	1.25	1.84	1.25	4.63
					Tax on other comprehensive income:					
0	0	0	0	0	Actuarial gains (losses) on benefit-based pension schemes	0	0	0	0	0
-2	0	-1	0	-1	Tax on other comprehensive income	-1	0	-1	0	-2

Statement of financial position

Parent Bank

Group

(Amounts in NOK million)

31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
Assets						
612	720	179	Cash and balances with central banks	251	733	655
4 470	4 424	4 514	Loans and advances to credit institutions	1 306	1 471	1 392
53 202	49 459	53 455	Net loans and advances to customers	57 202	52 921	56 829
556	393	680	Shares	856	540	712
11 207	12 192	11 183	Certificates and bonds	11 183	12 194	11 207
1 308	1 258	1 250	Financial derivatives	1 245	1 252	1 303
553	430	584	Investments in Group Companies	0	0	0
2 436	2 463	2 469	Investments in associated companies and joint ventures	3 670	3 660	3 564
489	500	482	Property, plant and equipment	624	510	595
0	0	0	Intangible assets	80	78	81
1 108	1 111	1 216	Other assets	1 225	1 125	1 182
75 941	72 950	76 012	Total assets	77 642	74 484	77 520
Liabilities						
4 292	3 586	3 271	Deposits from credit institutions	3 260	3 581	4 284
44 889	43 209	43 571	Deposits from customers	43 635	43 232	44 940
16 336	16 401	18 007	Debt securities in issue	18 007	16 401	16 336
722	724	678	Financial derivatives	678	724	722
880	1 150	1 432	Other liabilities	1 636	1 339	1 058
172	173	187	Deferred tax liabilities	239	203	228
1 450	1 998	1 450	Subordinated loan capital	1 450	1 998	1 450
68 741	67 241	68 596	Total liabilities	68 905	67 478	69 018
Equity						
1 807	1 655	1 807	Equity Certificate capital	1 807	1 655	1 807
843	245	843	Equity Certificate premium reserve	843	245	843
776	381	667	Dividend Equalisation Fund	667	381	776
3 565	3 083	3 565	The Savings Bank's Fund	3 565	3 083	3 565
163	150	118	Donations	118	150	163
0	0	0	Fund for unrealised gains	- 10	- 1	- 2
46	49	46	Other equity capital	1 326	1 275	1 327
0	146	370	Result after tax	401	196	0
			Minority interests	20	22	23
7 200	5 709	7 416	Total equity	8 737	7 006	8 502
75 941	72 950	76 012	Total liabilities and equity	77 642	74 484	77 520

Changes in equity

(Amounts in NOK million)

Group	PCC capital	Premium Fund	Dividend		Donations Fund	Fair value reserve	Other equity	Period result	Total Majority interests	Minority interests	Total equity
			Equalisation Fund	Saving Bank's Fund							
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
Other comprehensive income:											
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			2	2		1			5		5
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								401	401		401
Other comprehensive income:											
Recalculation differences						- 8			- 8	- 3	- 11
Effective part of change in fair market value in cash flow hedging			1	1					2		2
Actuarial gains (losses) on benefit-based pension schemes											
Tax on other comprehensive income				- 1					- 1		- 1
Total other comprehensive income	0	0	1	0	0	- 8	0	0	- 7	- 3	- 10
Total comprehensive income for the period			1			- 8		401	394	- 3	391
Transactions with owners											
Equity issue											
Set aside for dividend payments											
Reversal of dividend payments											
Changes in minority interests											
Dividend paid			- 110						- 110		- 110
Other transactions							- 1		- 1		- 1
Payments from Donations Fund					- 45				- 45		- 45
Total transactions with owners			- 110		- 45		- 1		- 156		- 156
Equity at 31.03.14	1 807	843	667	3 565	118	- 10	1 326	401	8 717	20	8 737

ECC ratio overall

Parent Bank

(Amounts in NOK million)

	31.12.08	31.12.09	(01.01.11) 31.12.10	(01.01.12) 31.12.11	(01.01.13) 31.12.12	(adjusted) 01.01.13	31.12.13
Equity Certificate capital	896	896	1 275	1 655	1 655	1 681	1 807
Equity Certificate premium reserve	123	123	184	245	245	344	843
Dividend Equalisation Fund	277	471	408	319	453	380	685
Set aside dividend	- 54	- 121	- 103	- 93	- 76	0	0
Share Fund Fair Value Options	- 5	- 30	- 3	- 14	- 33	- 33	0
A. Equity attributable to Equity Certificate holders of the Bank	1 237	1 339	1 761	2 112	2 244	2 372	3 335
The Savings Bank's Fund	2 221	2 623	2 811	2 902	3 107	3 081	3 593
Allocated dividends to ownerless capital	0	- 161	- 154	- 107	- 30	0	0
Donations	133	133	133	133	120	120	119
Share Fund Fair Value Options	- 10	- 57	- 5	- 20	- 45	- 45	0
B. Total ownerless capital	2 344	2 538	2 785	2 908	3 152	3 156	3 712
Equity Certificate Ratio overall (A/(A+B))	34.54 %	34.54 %	38.74 %	42.07 %	41.59 %	42.91 %	47.33 %

Statement of cash flows

Parent Bank

Group

(Amounts in NOK million)

31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
1 107	178	433	Result before tax	473	235	1 181
50	13	12	+ Ordinary depreciation	14	14	56
- 3	0	0	+ Write-downs, gains/losses fixed assets	0	0	- 3
146	32	20	+ Losses on loans and guarantees	25	40	172
192	32	63	- Tax	72	39	214
106	76	156	- Dividends/donations	156	76	106
1 002	115	246	Provided from the year's operations	284	174	1 086
54	391	525	Change in sundry liabilities: + increase/ - decrease	535	403	82
- 394	- 413	- 50	Change in various claims: - increase/ + decrease	16	- 412	- 455
-2 678	1 179	- 273	Change in gross lending to and claims on customers: - increase/ + decrease	- 398	1 089	-2 951
1 061	239	- 100	Change in short term-securities: - increase/ + decrease	- 120	263	1 078
1 339	2 027	-1 318	Change in deposits from and debt owed to customers: + increase/ - decrease	-1 305	2 012	1 352
- 2	-3 076	-1 021	Change in debt owed to credit institutions: + increase/ - decrease	-1 024	-3 082	- 11
382	462	-1 991	A. Net liquidity change from operations	-2 012	447	181
- 35	- 9	- 5	- Investment in fixed assets (incl merger effects)	- 43	- 9	- 136
3	0	0	+ Sale of fixed assets	0	0	3
- 180	- 84	- 64	Change in holdings of long-term securities: - increase/ + decrease	- 106	- 146	- 50
- 212	- 93	- 69	B. Liquidity change from investments	- 149	- 155	- 183
- 198	- 133	1 671	Change in borrowings through the issuance of securities: + increase/ - decrease	1 671	- 133	- 198
105	- 97	0	Change in Equity Certificate/subordinated loan capital: + increase/ - decrease	0	- 97	105
- 93	- 230	1 671	C. Liquidity change from financing	1 671	- 230	- 93
77	139	- 389	A + B + C. Total change in liquidity	- 490	62	- 95
5 005	5 005	5 082	+ Liquid funds at the start of the period	2 047	2 142	2 142
5 082	5 144	4 693	= Liquid funds at the end of the period	1 557	2 204	2 047

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

Result from the Group's quarterly accounts

(Amounts in NOK million)

	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12
Interest income	749	839	740	717	694	706	707	708
Interest costs	421	484	399	408	414	399	414	423
Net interest income	328	355	341	309	280	307	293	285
Fee- and commission income	230	233	238	230	191	197	179	169
Fee- and commission costs	16	23	19	23	10	15	19	19
Other operating income	29	52	14	31	17	20	12	6
Net fee-, commission and other operating income	243	262	233	238	198	202	172	156
Dividend	11	0	4	22	1	- 1	1	15
Income from investments	71	78	109	27	89	14	76	39
Net gain from investments in securities	161	7	- 7	15	1	17	2	- 52
Net income from financial investments	243	85	106	64	91	30	79	2
Total income	814	702	680	611	569	539	544	443
Personnel costs	162	174	151	162	151	153	147	148
Administration costs	89	87	83	83	84	83	69	83
Ordinary depreciation	14	16	13	13	14	16	13	12
Other operating costs	51	50	39	44	45	43	37	34
Total costs	316	327	286	302	294	295	266	277
Result before losses	498	375	394	309	275	244	278	166
Losses	25	50	35	47	40	32	115	6
Result before tax	473	325	359	262	235	212	163	160
Tax	72	50	69	56	39	54	25	55
Minority interests	0	1	0	0	0	0	- 1	1
Result after tax	401	274	290	206	196	158	139	104

Profitability								
Return on equity capital	18.61 %	13.72 %	15.83 %	11.62 %	11.29 %	9.35 %	8.40 %	6.40 %
Interest margin	1.69 %	1.85 %	1.79 %	1.63 %	1.50 %	1.64 %	1.58 %	1.58 %
Cost/income	38.82 %	46.58 %	42.06 %	49.43 %	51.67 %	54.73 %	48.90 %	62.53 %
Balance sheet figures								
Loans and advances to customers	57 638	57 282	56 605	54 561	53 441	54 551	53 493	52 792
Growth in loans and advances to cust. incl. SpareBank 1 Boligkreditt and Næringskreditt past 12 months	7.3 %	6.1 %	5.9 %	6.8 %	8.5 %	11.6 %	11.9 %	11.5 %
Deposits from customers	43 635	44 940	43 938	46 006	43 232	43 588	43 266	43 745
Growth in deposits from customers past 12 months	0.9 %	3.1 %	1.6 %	5.2 %	9.0 %	-1.3 %	-2.5 %	6.0 %
Deposits as a percentage of gross lending	75.7 %	78.5 %	77.6 %	84.3 %	80.9 %	75.6 %	76.5 %	82.9 %
Deposits as a percentage of gross lending including SpareBank 1 Boligkreditt and Næringskreditt	53.5 %	55.8 %	55.6 %	59.5 %	56.9 %	54.3 %	54.8 %	60.5 %
Average assets	77 581	75 952	75 561	75 524	74 907	72 921	72 336	71 696
Total assets	77 642	77 520	75 670	76 759	74 484	75 329	74 251	74 029
Losses on loans and commitments in default								
Losses on loans to customers as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.12 %	0.84 %	0.61 %	0.44 %	0.21 %	1.02 %	0.87 %	0.26 %
Commitments in default as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.57 %	0.60 %	0.70 %	0.76 %	0.78 %	0.52 %	0.65 %	0.71 %
Commitments at risk of loss as a percentage of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.42 %	0.46 %	0.36 %	0.35 %	0.51 %	0.77 %	0.66 %	0.24 %
Net comm. in default and at risk of loss as a per. of gross loans incl. SpareBank 1 Boligkreditt and Næringskreditt	0.71 %	0.75 %	0.72 %	0.78 %	0.87 %	0.89 %	0.93 %	0.70 %
Solidity								
Total regulatory Capital %	14.28 %	13.91 %	11.72 %	12.36 %	12.63 %	13.19 %	10.65 %	11.59 %
Tier I Capital %	13.55 %	13.42 %	11.14 %	11.35 %	11.88 %	12.11 %	10.14 %	10.88 %
Tier I capital	7 741	7 783	6 431	6 478	6 586	6 672	5 767	6 081
Equity and related capital resources	8 158	8 069	6 765	7 052	7 005	7 270	6 056	6 474
Adjusted risk-weighted assets base	57 135	57 989	57 704	57 053	55 450	55 098	56 849	55 882

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

SpareBank 1 Nord-Norge Invest AS has changed its name to SpareBank 1 Nord-Norge Portefølje AS.

As at 31.03.14 a new group company Fredrik Langes gate 20 AS are 100 % consolidated.

Acquisition of business

In the first quarter 2014, SpareBank 1 Nord-Norge has sold the shares in SpareBank 1 Kundesenter AS and SpareBank 1 Verdipapirservice AS to Alliansesamarbeidet SpareBank 1 DA.

Note 4 - Business Areas

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

Group
(Amounts in NOK million)

						31.03.14
	Retail Banking	Corporate Banking	Leasing	Markets	Unallocated	Total
Net interest income	152	126	41	3	6	328
Net fee- and commission income	101	84	0	5	24	214
Other operating income	0	0	0	7	265	272
Operating costs	138	114	10	8	46	316
Result before losses	115	96	31	7	249	498
Losses	1	20	1	0	3	25
Result before tax	114	76	30	7	246	473
Loans and advances to customers	33 368	20 642	3 628	0	0	57 638
Individual write-downs for impaired value on loans and advances to customers	- 32	- 181	- 8	0	- 14	- 235
Collective write-downs for impaired value on loans and advances to customers	- 41	- 139	- 9	0	- 12	- 201
Other assets	0	0	0	0	20 440	20 440
Total assets per business area	33 295	20 322	3 611	0	20 414	77 642
Deposits from customers	24 972	18 663	0	0	0	43 635
Other liabilities and equity capital	8 323	1 659	3 611	0	20 414	34 007
Total equity and liabilities per business area	33 295	20 322	3 611	0	20 414	77 642
						31.03.13
Net interest income	120	118	33	4	5	280
Net fee- and commission income	49	49	0	8	75	181
Other operating income	0	0	0	0	108	108
Operating costs	123	121	15	7	28	294
Result before losses	46	46	18	5	160	275
Losses	3	29	3	0	5	40
Result before tax	43	17	15	5	155	235
Loans and advances to customers	30 213	19 728	3 500	0	0	53 441
Individual write-downs for impaired value on loans and advances to customers	- 26	- 274	- 15	0	- 5	- 320
Collective write-downs for impaired value on loans and advances to customers	- 36	- 146	- 7	0	- 11	- 200
Other assets	0	258	0	0	21 305	21 563
Total assets per business area	30 151	19 566	3 478	0	21 289	74 484
Deposits from customers	23 666	19 566	0	0	0	43 232
Other liabilities and equity capital	6 485	0	3 478	0	21 289	31 252
Total equity and liabilities per business area	30 151	19 566	3 478	0	21 289	74 484

Note 5 - Capital Adequacy

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

Parent Bank

Group

(Amounts in NOK million)

31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
1 807	1 655	1 807	Equity certificates	1 807	1 655	1 807
0	0	0	- Own equity certificates	0	0	0
843	245	843	Premium reserve	843	245	843
776	381	667	Equalisation reserve	667	381	776
3 565	3 083	3 565	Savings bank's reserve	3 565	3 083	3 565
163	150	118	Endowment fund	118	150	163
46	49	46	Other equity	1 326	1 275	1 327
0	0	0	Deduction Fund for unrealised gains	- 10	- 1	- 2
0	0	0	Minority interests	20	22	23
0	146	370	Period result	401	196	0
7 200	5 709	7 416	Total equity	8 737	7 006	8 502
			Minority interests	0	- 22	0
0	- 146	- 370	Period result	- 401	- 196	0
			Tier 1 Capital			
0	0	0	Adjusted Tier 1 Capital from consolidated financial institutions	- 161	- 68	- 163
- 131	- 97	- 132	Intangible assets	- 220	- 211	- 250
0	0	0	Fund for unrealised gains	64	41	69
- 154	- 30	0	Deduction for allocated dividends	0	- 30	- 154
- 472	- 540	- 468	50 % deduction for subordinated capital in other financial institutions	- 177	- 95	- 174
- 102	- 84	- 134	50 % deduction for expected losses on IRB, net of writedowns	- 124	- 85	- 94
0	0	0	50 % Total regulatory capital reserve	- 630	- 759	- 606
500	850	500	Hybrid Tier 1 bonds	653	1 005	653
6 841	5 662	6 812	Total Tier 1 Capital	7 741	6 586	7 783
			Tier 2 Capital			
950	1 147	950	Nonperpetual subordinated capital	1 348	1 358	1 160
- 472	- 540	- 468	50% deduction for subordinated capital in other financial institutions	- 177	- 95	- 174
- 102	- 84	- 134	50% deduction for expected losses on IRB, net of writedowns	- 124	- 85	- 94
0	0	0	50% Total regulatory capital reserve	- 630	- 759	- 606
376	523	348	Total Tier 2 Capital	417	419	286
7 217	6 185	7 160	Equity and related capital resources	8 158	7 005	8 069
			Minimum requirements subordinated capital, Basel I I			
939	864	952	Specialised lending exposure	952	864	939
631	649	623	Other corporations exposure	624	649	632
20	16	37	SME exposure	44	20	23
298	273	599	Property retail mortgage exposure	937	460	497
47	28	33	Other retail exposure	37	30	51
409	329	452	Equity investments	0	0	0
2 344	2 159	2 696	Total credit risk IRB	2 594	2 023	2 142
576	984	650	Credit risk standardised approach	1 727	1 999	1 635
21	14	27	Debt risk	23	14	21
13	12	12	Equity risk	41	35	41
22	35	49	Currency risk	49	35	22
223	223	250	Operational risk	246	239	237
0	0	0	Transitional arrangements	24	235	669
- 76	- 87	- 75	Deductions	- 133	- 144	- 128
3 123	3 340	3 609	Minimum requirements subordinated capital	4 571	4 436	4 639
18.49 %	14.81 %	15.87 %	Total regulatory Capital	14.28 %	12.63 %	13.91 %
17.52 %	13.56 %	15.10 %	Tier 1 Capital	13.55 %	11.88 %	13.42 %
0.96 %	1.25 %	0.77 %	Tier 2 Capital	0.73 %	0.76 %	0.49 %
16.24 %	11.75 %	14.53 %	Common Equity Tier I IRB- incl share og period result	12.93 %	10.87 %	14.37 %

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

Parent Bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
444	550	435	Non-performing commitments	474	598	486
373	393	345	+ Other doubtful commitments	345	393	373
817	943	780	+ Total commitments in default and doubtful commitments	819	991	859
171	184	173	- Individual write-downs in default	195	204	194
50	116	40	- Other doubtful individual write-downs	40	116	50
221	300	213	+ Total individual write-downs *	235	320	244
596	643	567	= Net commitments in default and doubtful commitments	584	671	615

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

Note 7 - Losses incorporated in the accounts

31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
38	13	- 8	+ Period's change in individual write-down for impaired value	- 5	17	40
- 4	0	- 5	+ Period's change in collective write-down for impaired value	- 4	2	12
109	21	33	+ Period's confirmed losses against which individual write-downs were previously made	35	23	117
11	0	1	+ Period's confirmed losses against which individual write-downs were previously not made	1	0	11
8	2	1	- Recoveries in respect of previously confirmed losses	2	2	8
146	32	20	= Total losses on loans	25	40	172

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

Parent Bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
0	0	0	Mining and quarrying	0	0	0
3	3	- 1	Construction	- 1	3	3
0	0	0	Building of ships and boats	0	0	0
2	0	- 4	Electricity, gas, steam an air conditioning supply	- 4	0	2
10	0	8	Professional, scientific and technical activities	8	0	10
0	0	0	Financial and insurance activities	0	0	0
1	0	1	Fishing	1	0	1
1	0	1	Marine aquaculture	1	0	1
0	0	1	Other business support activities	2	2	7
0	0	0	Activities auxiliary to financial services and insurance activities	0	0	0
0	0	0	County municipalities and municipalities	0	0	0
57	0	- 2	Manufacturing	- 1	2	62
- 1	0	0	Information and communication	0	0	0
- 1	0	0	Crop and animal production	0	0	- 1
15	17	0	Foreign industrial	0	17	15
7	0	36	Real estate activities	37	0	7
1	0	1	Accommodation and food service activities	1	0	1
0	0	0	Forestry and logging	0	0	0
0	0	0	Central government and social security funds	0	0	0
0	0	0	Support activities for petroleum and natural gas extraction	0	0	0
- 1	- 1	0	Other service industries	1	1	- 1
11	10	1	Transportation and storage	1	10	12
12	0	0	International shipping and pipeline transport	0	0	12
14	0	- 25	Development of building projects	- 25	0	14
- 8	0	0	Extraction of crude oil and natural gas	0	0	- 8
0	0	0	Unspecified	0	1	0
0	0	0	Water supply; sewerage, waste management and remediation activities	0	0	0
9	2	0	Wholesale and retail trade; repair of motor vehicles and motorcycles	0	2	10
22	3	2	Retail banking market - domestic	4	4	33
154	34	21	Losses on loans to customers	27	42	180
8	2	1	Recoveries from previously written off losses	2	2	8
146	32	20	Net losses	25	40	172

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

Parent Bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
47	55	47	Mining and quarrying	75	82	76
477	772	518	Construction	839	1 089	790
6	9	7	Building of ships and boats	9	12	8
864	1 412	742	Electricity, gas, steam an air conditioning supply	746	1 417	868
467	653	568	Professional, scientific and technical activities	678	689	531
0	0	0	Financial and insurance activities	0	0	0
1 623	1 055	1 816	Fishing	1 831	1 064	1 635
447	115	347	Marine aquaculture	509	227	601
402	376	327	Other business support activities	659	599	601
1 156	892	1 052	Activities auxiliary to financial services and insurance activities	820	737	1 002
200	165	241	County municipalities and municipalities	262	188	222
1 537	1 602	1 556	Manufacturing	1 657	1 736	1 642
148	140	110	Information and communication	116	144	155
876	851	854	Crop and animal production	939	941	963
0	38	0	Foreign industrial	104	266	157
7 116	6 939	7 281	Real estate activities	7 320	6 994	7 089
347	348	342	Accommodation and food service activities	356	362	360
4	4	4	Forestry and logging	9	9	9
0	0	0	Central government and social security funds	0	1	1
0	0	0	Support activities for petroleum and natural gas extraction	20	0	20
659	649	671	Other service industries	747	733	738
3 028	2 198	3 084	Transportation and storage	3 647	2 767	3 583
660	665	633	International shipping and pipeline transport	632	665	660
773	667	873	Development of building projects	874	668	774
0	0	0	Extraction of crude oil and natural gas	0	7	0
0	0	0	Unspecified	0	0	0
208	215	209	Water supply; sewerage, waste management and remediation activities	284	293	279
846	1 238	850	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 137	1 538	1 144
31 678	28 838	31 673	Retail banking market - domestic	33 030	30 032	33 037
43	45	43	Retail banking market - international	338	181	337
31 721	28 883	31 716	Total retail market	33 368	30 213	33 374
21 691	20 893	21 891	Total public market	24 008	23 039	23 685
200	165	241	Total government	262	189	223
53 612	49 941	53 848	Total gross lending to customers	57 638	53 441	57 282
221	300	213	Individual write-downs for impaired value	235	320	244
189	182	180	Collective write-downs for impaired value	201	200	209
53 202	49 459	53 455	Net loans to customers	57 202	52 921	56 829

Note 10 - SpareBank 1 Boligkreditt

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

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

Note 11 - Investment in bonds

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

In the categories 'Hold until maturity' and 'Loans and claims' the securities are assessed at amortized cost. After the reclassification, the writedowns made earlier will be reversed over the portfolio's remaining life, which on average is 2.8 year as at 31.03.14, and included in the profit and loss account as interest income. For the period 01.01.14-31.03.14 such reversed writedowns has been included in the profit and loss account with NOK 0.15 million. Total inclusion of income are NOK 77.7 million for the period 01.07.08-31.12.13. If this reclassification had not been made, the Group would have charged NOK 212 million to the profit and loss account in the third and fourth quarter of 2008 due to increased credit spreads. This would have been an unrealised gain NOK 4.1 million as at 31.03.14. It was necessary to apply a NOK 88 million write-down due to the permanent impairment of value in this portfolio as at 31.12.13. No further writedowns has been made in 2014.

<i>(Amounts in NOK million)</i>	01.07.08	31.12.10	31.12.11	31.12.12	31.12.13	31.03.14
Hold until maturity						
Book value	3 109	1 624	858	355	111	110
Nominal value (nominal amount)	3 182	1 644	869	366	115	114
Theoretical market value	3 109	1 615	842	355	114	113
Loans and claims						
Book value	698	464	262	142	75	69
Nominal value (nominal amount)	737	489	279	156	90	82
Theoretical market value	698	443	250	134	74	66
Total book value	3 807	2 088	1 120	497	186	179

Note 12 - Financial derivatives

Parent Bank and Group

(Amounts in NOK million)

Interest rate swaps:

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

Foreign exchange derivatives:

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

Currency swaps:

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

Interest rate- and currency swap agreements:

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

Options:

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

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

	31.03.14	31.03.13	31.12.13
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value hedging	- 50	2	- 27
Total gain from hedging objects relating to the hedged risk	50	2	29
Total fair value hedging transactions	0	4	2

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

(Amounts in NOK million)

Fair value through statement of comprehensive income	31.03.14 Fair value			31.03.13 Fair value			31.12.13 Fair value		
	Contract	Assets	Liabilities	Contract	Assets	Liabilities	Contract	Assets	Liabilities
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)	1 713	16	21	2 392	43	13	2 303	38	31
Currency swaps	8 901	220	50	6 120	154	86	9 756	285	96
Currency options									
Total non-standardised contracts	10 614	236	71	8 512	197	99	12 059	323	127
Standardised foreign currency contracts (futures)									
Total foreign currency instruments	10 614	236	71	8 512	197	99	12 059	323	127
Interest rate instruments									
Interest rate swaps (including cross currency)	25 859	434	606		454	613	25 356	418	595
Short-, term interest rate swaps (FRA)				24 247					
Other interest rate contracts	21		1	1 303	5	5	9	1	
Total non-standardised contracts	25 880	434	607	25 550	459	618	25 365	419	595
Standardised interest rate contracts (futures)									
Total interest rate instruments	25 880	434	607	25 550	459	618	25 365	419	595
Hedging of funding loans									
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)									
Currency swaps									
Total, non-standardised contracts									
Standardised foreign currency contracts (futures)									
Total foreign currency instruments									
Interest rate instruments									
Interest rate swaps (including cross currency)	10 869	575		8 503	596	7	9 832	561	
Short-term interest rate swaps (FRA)									
Other interest rate contracts									
Total, non-standardised contracts	10 869	575		8 503	596	7	9 832	561	
Standardised interest rate contracts (futures)									
Total interest rate instruments	10 869	575		8 503	596	7	9 832	561	
Total interest rate instruments	36 749	1 009	607	34 053	1 055	625	35 197	980	595
Total foreign currency instruments	10 614	236	71	8 512	197	99	12 059	323	127
Total	47 363	1 245	678	42 565	1 252	724	47 256	1 303	722

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

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

At 31.03.14 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	12 335	11 921	414	0	414
Financial derivatives - liabilities	19 141	18 780	361	0	361

Note 14 - Liquidity risk

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

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

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

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

Note 15 Pensions

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

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

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

Group

Amounts in NOK million

	31.03.14	31.03.13	31.12.13
Net pension liabilities in the balance sheet			
Present value of future pension liabilities	671	660	671
Estimated value of pension assets	808	750	808
Net pension liabilities in fund-based plans	-137	-90	-137
Unrecognised estimate deviations (possible actuarial gains and losses)	0	0	0
Employer's NI contributions	1	1	1
Net pension liabilities/assets in the balance sheet	-136	-89	-136
Pension costs for the period	1.kv.14	1.kv.13	2013
Accrued defined benefit-based pensions	4	4	14
Interest costs on pension liabilities	5	6	25
Expected return on pension assets	-7	-7	-29
Estimate deviations recognised in the period			
Effect of changed pension plan			
Net defined benefit-based pension costs without employer's NI contributions	2	3	10
Accrued employer's NI contributions	1	1	2
Net defined benefit-based pension costs recognised through profit or loss	3	4	12
Curtailment/settlement			
Other pension costs	4	5	18
Total pension costs including employer's NI Insurance contribution	7	9	30
Movement in net pension liabilities from benefit-based plan recognised in balance sheet	31.03.14	31.03.13	31.12.13
Net pension liabilities in the balance sheet as of 01.01	-136	-89	-89
Correction against equity OB			
Correction against equity CB			-23
Net defined benefit-based pension costs recognised through profit or loss	2	4	12
Curtailment/settlement			
Paid directly from operations	-4	-1	-6
Receipts - pension premiums defined benefit-based plans	-2	-11	-30
Net pension liabilities/assets in the balance sheet	-140	-97	-136
Other pension liabilities (early retirement pensions)	52	42	50
Net total pension liabilities	-88	-55	-86

Note 16 Classification of financial instruments stated at fair value

Financial instruments at fair value are classified at different levels:

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

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

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

Group

<i>(Amounts in NOK million)</i>	Level 1	Level 2	Level 3	Total
Assets 31.03.14				
Loans to and receivables from customers at fair value (fixed-rate loans)			7 350	7 350
Shares	80	372	124	576
Bonds	2 071	7 432		9 503
Financial derivatives		1 245		1 245
Total assets	2 151	9 049	7 474	18 674

Liabilities as of 31.03.14				
Financial derivatives		678		678
Total liabilities		678		678

<i>Assets 31.03.13</i>				
Loans to and receivables from customers at fair value (fixed-rate loans)			7 848	7 848
Shares	75		210	285
Bonds	1 495	7 821	30	9 346
Financial derivatives		1 252		1 252
Total assets	1 570	9 073	8 088	18 731

<i>Liabilities as of 31.03.13</i>				
Financial derivatives		724		724
Total liabilities	0	724	0	724

<i>(Amounts in NOK million)</i>	Financial assets				Financial liabilities Financial derivatives
	Fixed-rate loans	Shares	Bonds	Financial derivatives	
Carrying amount as of 31.03.13	7 848	210	30	0	0
Net gains on financial instruments	- 82	112			
Additions/acquisitions	814				
Disposals	-1 230		- 30		
Transferred from level 1 or level 2		- 198			
Carrying amount as of 31.03.14	7 350	124	0	0	0

Note 17 - Subsidiaries
(Amounts in NOK 1 000)

	Share of Eq.%	Profit from ordinary operations before tax			Equity		
		31.03.14	31.03.13	31.12.13	31.03.14	31.03.13	31.12.13
SpareBank 1 Finans Nord-Norge AS	100	28 930	20 694	98 739	531 514	337 381	509 071
SpareBank 1 Nord-Norge Portefølje AS	100	15 903	-9 627	-29 776	33 278	8 301	17 226
Eiendomsdrift AS	0	0	0	0	0	0	0
EiendomsMegler 1 Nord-Norge AS	100	1 124	3 738	15 356	27 473	27 380	37 521
SpareBank 1 Nord-Norge Forvaltning ASA	100	621	249	2 395	6 135	5 860	7 405
SpareBank 1 Regnskapshuset Nord-Norge AS	100	2 793	4 163	-1 414	13 842	17 365	12 115
North-West 1 Alliance Bank	75	1 041	- 741	1 586	59 463	63 617	65 805
EiendomsMegler 1 Lofoten AS (owned by EM1 60%)	60	- 198	- 54	- 52	770	741	917
Nord-Norge Eiendom IV AS	100	- 413	0	0	31 159	0	0
Alsgården AS	100	478	0	- 3	13 005	0	0
Fr. Langes gate 20 AS	100	296	0	0	5 031	0	0
Total		50 575	18 422	86 832	721 670	460 645	650 060

Note 18 - Other assets
(Amounts in NOK million)

Parent Bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
18	13	18	Reposessed assets	18	13	18
333	466	456	Accrued income	493	514	363
197	227	357	Prepayments	286	184	208
560	405	385	Other assets	428	414	593
1 108	1 111	1 216	Total other assets	1 225	1 125	1 182

Note 19 - Other liabilities

31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
425	719	839	Costs incurred	970	866	569
0	0	0	Provisioning against incurred liabilities and costs	20	15	3
455	431	593	Other liabilities	646	458	486
880	1 150	1 432	Total other liabilities	1 636	1 339	1 058

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

Parent Bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
39	31	31	Mining and quarrying	31	31	39
1 164	800	1 063	Construction	1 063	800	1 164
2	2	3	Building of ships and boats	3	2	1
754	787	839	Electricity, gas, steam an air conditioning supply	839	787	754
1 182	1 092	1 206	Professional, scientific and technical activities	1 201	1 093	1 182
0	0	0	Financial and insurance activities	0	0	0
735	849	776	Fishing	776	849	735
18	21	71	Marine aquaculture	71	21	18
353	327	428	Other business support activities	428	327	353
407	391	344	Activities auxiliary to financial services and insurance activities	344	392	400
5 169	7 780	5 410	County municipalities and municipalities	5 410	7 779	5 169
397	380	344	Manufacturing	344	380	397
281	272	280	Information and communication	280	272	281
360	388	408	Crop and animal production	408	388	360
13	27	27	Foreign industrial	67	42	48
1 592	1 371	1 427	Real estate activities	1 414	1 371	1 584
237	223	219	Accommodation and food service activities	219	223	237
13	11	12	Forestry and logging	12	11	13
2 409	0	727	Central government and social security funds	727	0	2 409
0	0	0	Support activities for petroleum and natural gas extraction	0	0	0
2 205	2 247	2 342	Other service industries	2 341	2 247	2 205
757	490	741	Transportation and storage	741	490	757
35	25	22	International shipping and pipeline transport	22	25	35
167	165	205	Development of building projects	205	165	167
450	600	452	Extraction of crude oil and natural gas	452	600	450
0	0	0	Unspecified	0	0	0
197	154	160	Water supply; sewerage, waste management and remediation activities	160	154	197
1 237	1 117	1 105	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 105	1 117	1 237
24 383	23 353	24 582	Retail banking market - domestic	24 582	23 353	24 383
333	306	347	Retail banking market - international	390	313	365
24 716	23 659	24 929	Total retail market	24 972	23 666	24 748
12 595	11 770	12 505	Total public market	12 526	11 787	12 614
7 578	7 780	6 137	Total government	6 137	7 779	7 578
44 889	43 209	43 571	Total deposits	43 635	43 232	44 940

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

	31.12.13	31.03.13	31.03.14
Certificates and other short-term borrowings			
Bond debt	16 336	16 401	18 007
Total debt securities in issue	16 336	16 401	18 007

	Statement of financial position 31.12.13	Issued 31.03.14	Matured/ redeemed 31.03.14	Exchange rate movements 31.03.14	Other adjustments 31.03.14	Statement of financial position 31.03.14
Changes in securities issued						
Certificates and other short-term borrowings						
Bond debt	16 336	1 870	- 152	- 42	- 5	18 007
Total debt securities issued	16 336	1 870	- 152	- 42	- 5	18 007

Subordinated loan capital and hybrid Tier 1 instruments

	31.12.13	31.03.13	31.03.14
Hybrid Tier 1 instruments			
2033 6 mnd Nibor + 2,30 (USD 60 mill.) (Call opsj 2013)		370	
2099 3 mnd Nibor + 4,75 (Call opsjon 2017)	500	500	500
Hybrid Tier 1 instruments - foreign currency		- 34	
Total hybrid Tier 1 instruments	500	836	500
Subordinated loan capital			
Subordinated loan capital with definite maturities	950	1 259	950
Total subordinated loan capital	950	1 259	950
Total subordinated loan capital and hybrid Tier 1 instruments	1 450	2 095	1 450

	Statement of financial position 31.12.13	Issued 31.03.14	Matured/ redeemed 31.03.14	Exchange rate movements 31.03.14	Other adjustments 31.03.14	Statement of financial position 31.03.14
Changes in subordinated loan capital and hybrid Tier 1 instruments						
Subordinated loan capital with definite maturities	950					950
Hybrid Tier 1 instruments	500					500
Total subordinated loan capital and hybrid Tier 1 instruments	1 450					1 450

Note 22 - Equity Certificates (ECs)

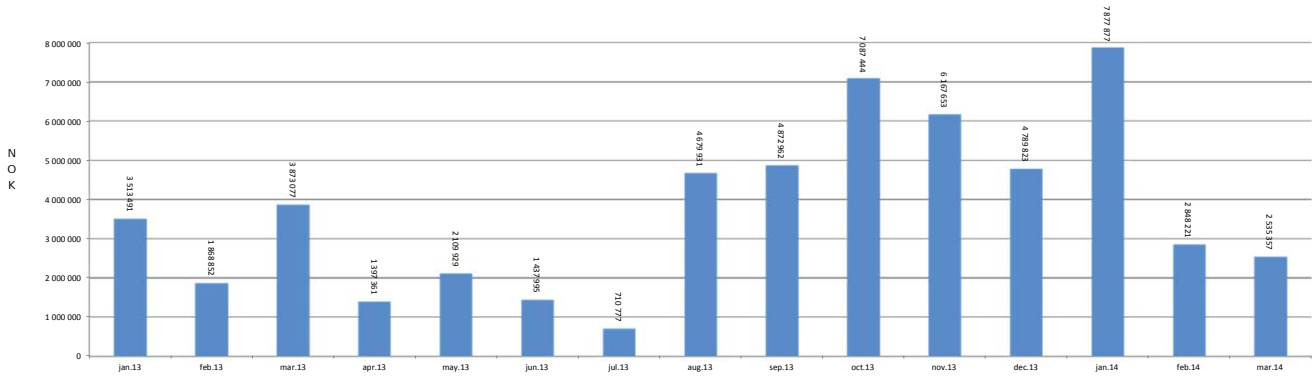
The 20 largest EC holders as at 31.03.14

EC Holders	Number of ECs	Share of EC Capital
Pareto Aksje Norge	5.151.251	5,13%
MP Pensjon PK	2.720.503	2,71%
Citibank, N.A.	2.435.302	2,43%
Pareto Aktiv	2.172.269	2,16%
Flps - Princ All Sec Stock Sub	1.975.358	1,97%
Verdipapirfondet DnB Norge (IV)	1.749.951	1,74%
Morgan Stanley & Co Llc	1.705.523	1,70%
Frank Mohn A/S	1.614.670	1,61%
J.P. Morgan Chase Bank N.A. London	1.480.451	1,47%
Sparebankstiftelsen Sparebank 1 Nord-Norge	1.411.606	1,41%
Forsvarets Personellservice	1.218.130	1,21%
Arctic Funds Plc	1.124.907	1,12%
Sparebankstiftelsen Helgeland	1.030.000	1,03%
VPF Pareto Verdi	980.832	0,98%
Tonsenhagen Forretningssentrum 2 AS	873.623	0,87%
Larre Eiendom 2 AS	873.623	0,87%
Sparebankstiftelsen DnB	840.306	0,84%
AS Atlantis Vest	806.114	0,80%
Renterisiko AS	750.265	0,75%
Fondsfinans Spar	750.000	0,75%
TOTAL	31 664 684	31,54%

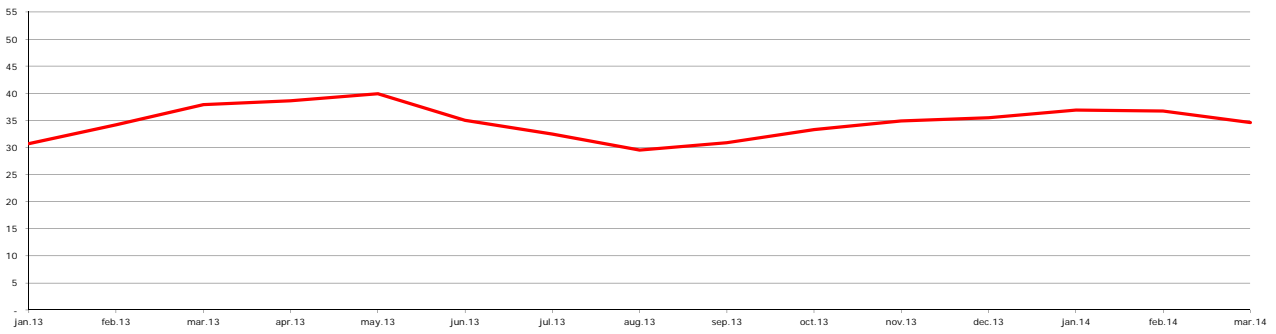
Dividend policy

Bankens utbyttepolitikk sier at hensyntatt bankens soliditet, tar banken sikte på at opp til 50 % av årets overskudd kan benyttes til utbyttmidler (kontantutbytte og gaver til allmennyttige formål). Økte regulatoriske krav til bankers egenkapital medfører at det må påregnes en utbyttegrad lavere enn 50 % i årene fremover.

Trading statistics



Price trend NONG



Note 23 - Events occurring after the end of the quarter

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