

# Annual Report 2005

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## Key figures

Amounts in NOK million

31.12.03	31.12.04	31.12.05		31.12.05	31.12.04	31.12.03
<b>PARENT BANK</b>				<b>GROUP</b>		
			<b>From the profit and loss account</b>	<b>(IFRS)</b>	<b>(IFRS)</b>	<b>(NGAAP)</b>
1 030	1 089	<b>1 058</b>	Net interest- and credit commission income	<b>1 075</b>	1 103	1 038
317	374	<b>509</b>	Total income	<b>591</b>	439	367
1 347	1 463	<b>1 567</b>	Total net income	<b>1 666</b>	1 542	1 405
767	755	<b>808</b>	Total costs	<b>872</b>	796	814
580	708	<b>759</b>	<b>Result before losses and write-downs</b>	<b>794</b>	746	591
314	165	<b>63</b>	Losses on loans, guarantees etc.	<b>65</b>	170	318
0	-1	<b>0</b>	Gains/ losses on sale of fixed financial assets	<b>0</b>	-1	0
266	544	<b>696</b>	<b>Result before tax</b>	<b>729</b>	577	273
56	164	<b>159</b>	Tax payable on ordinary result	<b>172</b>	174	62
210	380	<b>537</b>	<b>Result from ordinary operations after tax</b>	<b>557</b>	403	211
			Minority interests	<b>3</b>	2	1
210	380	<b>537</b>	<b>Profit for the year</b>	<b>554</b>	401	210
			<b>From the balance sheet</b>			
40 899	42 251	<b>48 060</b>	Total assets	<b>48 630</b>	42 260	40 892
2 435	2 768	<b>4 074</b>	Certificates, bonds and other interest-bearing securities	<b>4 061</b>	2 768	2 435
36 573	37 570	<b>41 065</b>	Gross loans to customers	<b>41 638</b>	37 931	36 869
813	630	<b>478</b>	Loan write-down for impaired value	<b>481</b>	641	825
21 727	23 072	<b>25 466</b>	Deposits from customers	<b>25 350</b>	22 999	21 666
			<b>Ratios</b>			
56.94%	52.90%	<b>51.56%</b>	Costs as a percentage of total net income 5) 6)	<b>52.34%</b>	51.62%	57.94%
58.95%	52.76%	<b>62.01%</b>	Costs as a percentage of total net income (exclusive net gains) 5) 6)	<b>54.88%</b>	52.58%	59.90%
1.95%	1.79%	<b>1.82%</b>	Costs as a percentage of average assets 5) 6)	<b>1.94%</b>	1.90%	2.07%
0.68%	1.29%	<b>1.57%</b>	Result before tax as a percentage of average assets 5) 6)	<b>1.62%</b>	1.37%	0.69%
3.03%	2.62%	<b>2.30%</b>	Gross commitments in default as a percentage of gross lending 5) 6)	<b>2.31%</b>	2.65%	3.11%
1.68%	1.79%	<b>1.67%</b>	Net commitments in default as a percentage of gross lending 5) 6)	<b>1.68%</b>	1.80%	1.75%
2.22%	1.68%	<b>1.16%</b>	Loan write-down as a percentage of gross lending	<b>1.17%</b>	1.70%	2.24%
0.86%	0.44%	<b>0.15%</b>	Net loan losses as a percentage of gross lending	<b>0.16%</b>	0.45%	0.86%
59.41%	61.41%	<b>62.01%</b>	Deposits as a percentage of gross lending	<b>60.88%</b>	60.63%	58.76%
14.01	24.04	<b>11.64</b>	Profit per PCC (NOK) 1) 5)			
14.01	24.04	<b>13.24</b>	Profit per PCC (NOK) 2) 5)			
149.01	153.10	<b>60.07</b>	Equity capital per PCC (NOK) 3)			
14.00	19.00	<b>10.00</b>	Dividend set a side			
47.75	39.11	<b>9.54</b>	Dividend Equalisation Fund per PCC 5)			
52.16%	57.61%	<b>43.41%</b>	Pre-tax return per PCC 4)			
12.24%	11.78%	<b>11.12%</b>	Capital adequacy	<b>11.19%</b>	10.85%	11.82%
9.04%	14.55%	<b>19.81%</b>	Return on equity capital after tax	<b>20.49%</b>	16.84%	9.04%

1) After-tax profit multiplied by the PCC holders' share of the equity capital as at 1.1, divided by the number of PCCs outstanding.

2) After-tax profit multiplied by the PCC holders' share of the equity capital as at 1.1, divided by the number of PCCs outstanding.

3) PCC capital + Premium Fund + Dividend Equalisation Fund, divided by the number of PCCs outstanding.

4) The rate of return consists of any change in the Bank's PCC-price during the year, plus dividend set aside as at 31.12, in relation to the PCC-price at the end of the year. It has been assumed that the investment has been made at the beginning of the year in question.

5) Key financial figures for the Parent Bank in 2004 have been changed/restated due to new accounting rules.

6) In addition, key financial figures for the Group have been changed due to other IFRS effects.

## History

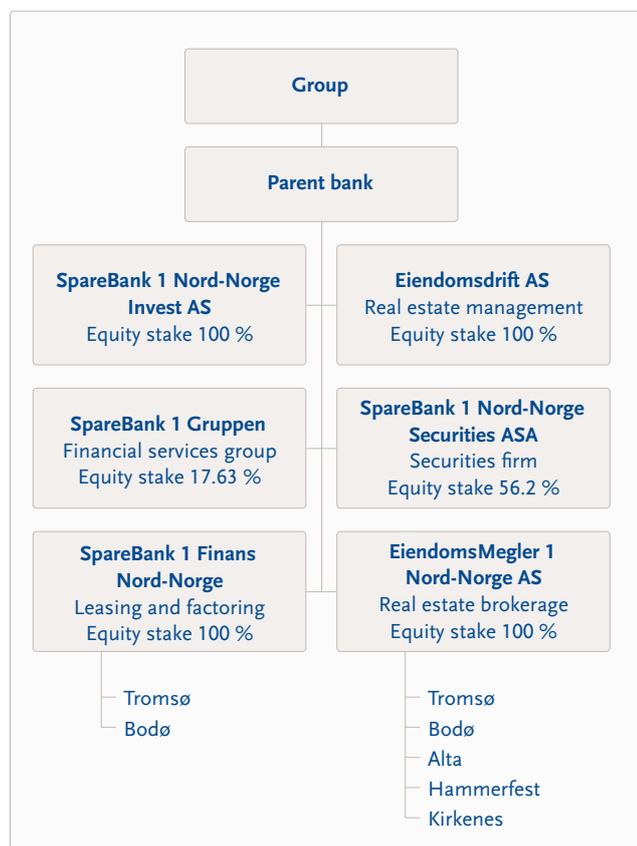
SpareBank 1 Nord-Norge's history goes back to 1836, when Tromsø Sparebank was established. Today's financial services group has been built on the basis of four merged banks:

- Sparebanken Nord and Tromsø Sparebank merged on 1 July 1989.
- Nordkapp Sparebank was added to the Group on 1 July 1991.
- Sparebanken Nordland joined the Group on 1 January 1992.

Through these mergers, SpareBank 1 Nord-Norge has become a group consisting of some 40 savings banks located in Nordland, Troms and Finnmark. SpareBank 1 Nord-Norge is a leading provider of financial products and services within the retail banking- and corporate banking markets throughout the region. The Bank has a total customer base of some 250,000 retail banking customers and approximately 41,000 corporate clients, including public sector companies, clubs and

associations, and of some 95 000 insurance clients. The Bank has 90 branches in Finnmark, Troms, Nordland and on Svalbard. Our co-operation with the SpareBank 1-alliance and our equity stake in SpareBank 1 Gruppen AS will help secure and safeguard SpareBank 1 Nord-Norge's independence and regional roots through high levels of competitiveness, profitability and capital adequacy.

Through its co-operation with the SpareBank 1-alliance and its own subsidiaries, the Bank has gained access to various forms of expert knowledge and professional skills as well as special products and services which are in demand in the market. As a supplement to the Parent Bank's range of products and services, its subsidiaries help the Bank to fulfill its ambition of being a full-service provider of financial products and services in North Norway. Reference is made to a separate description of the Bank's subsidiaries elsewhere in this Annual Report.





A large part of the Bank's profit is channelled back into the local communities through its Donations Fund and through various sponsorship agreements. This is done in the form of contributions to more than 300 big and small projects, donations which help build, support and further develop the region in which we live.

## A year of good progress

### Main features (Figures in brackets refer to 2004)

- NOK 729 million pre-tax operating result (NOK 577 million)
- 20.5 per cent (16.9 per cent) after-tax return on equity capital
- NOK 11.64 profit/earnings per PCC (Primary Capital Certificate, parent bank)
- Continued, good improvement in SpareBank 1 Gruppen AS's result, the Bank's share thereof (IFRS) being NOK 120 million (NOK 40 million)
- Overall cost ratio: 52.3 per cent (51.6 per cent)
- Low loan losses, at NOK 65 million (NOK 169 million)
- Lending growth: 9.8 per cent (2.9 per cent).
  - Retail banking, 13.9 per cent
  - Corporate banking, 2.6 per cent
- Deposits growth: 10.2 per cent (6.2 per cent).
- Deposit coverage ratio: 60.9 per cent (60.6 per cent)
- Proposed cash dividend for 2005: NOK 10.00 per PCC
- NOK 75 million has been set aside for the Donations Fund
- NOK 36 million has been set aside for profit sharing for the Bank's staff.

### Introductory comments

The Bank has prepared Group accounts in accordance with International Financial Reporting Standards (IFRS). The Parent Bank's accounts have been prepared according to Norwegian accounting standards, including the accounting standard IAS 19, and in compliance with the new rules and regulations (NGAAP 6A) relating to lending issued by the Financial Supervisory Authority of Norway (hereafter referred to as FSAN in this report). A new adjusted Group balance sheet according to IFRS as at 1.1.04 and 31.12.04 has been prepared. Furthermore, comparative profit of loss accounts for the Group for the 2004 accounting year according to IFRS have been prepared. In particular, it should be pointed out that implementation of NGAAP 6A (IAS 19) for pensions means that the previously prepared accounts for 2004 has to be adjusted. Comparative accounting- and key figures for 2004 in the annual report have therefore been amended in relation to the previously published accounts.

Nevertheless, the profit and loss account for 2004 has not been adjusted for items covered by IAS 39 Financial Instruments. This is in accordance with the rules and regulations relating to the implementation of IAS 39.

In addition, reference is made to a separate section below, and to information contained in Notes to the Accounts dealing with the impact of the transition to IFRS/IAS.

### Overall results

The SpareBank 1 Nord-Norge Group's 2005 operating result, after credit losses, but before tax, totalled NOK 729 million. This is NOK 152 million better than in 2004.

Tax has been estimated at NOK 172 million. The result after tax and minority interests finished up at NOK 554 million.

The main Board of Directors proposes payment of a NOK 10.00 dividend per PCC for 2005 (parent bank).

The strong improvement in the Bank's result is primarily ascribable to increased revenue generation, reduced credit losses, good cost control and the Bank's share of SpareBank 1 Gruppen AS's increased profit.

In 2005, the most important strategic targets for the Group, set by the main Board of Directors, relating to core capital coverage, return on equity capital and overall effectiveness were all met.

### Areas of operations and overall corporate aim

SpareBank 1 Nord-Norge aims to be a comprehensive provider of financial products and services in North-Norway. In addition to loans, deposits and payments transmission services, this also comprises most other savings products, as well as life- and non-life insurance products. Services and products are made available either by the Bank and its subsidiaries, or through SpareBank 1 Gruppen AS's product companies.

The Bank has implemented a multi-channel distribution strategy, making its products and services available through its 90 branches, one customer service centre accessible by telephone on all weekdays, and the Bank's Internet-based bank.

Reference is also made to a description of the Bank's various areas of operations in a separate section of the 2005 Annual Report.

### SpareBank 1 for North-Norway

Annual customer satisfaction- and market position surveys show that, in general, customers are satisfied with the Bank. A broad range of products and services, proximity and closeness to the customers, as well as proactive and competent staff, represent the Bank's most important competitive edges.

SpareBank 1 Nord-Norge Group's strategic aim is to continue to work as an active and long-term partner as far as the further development of North-Norway is concerned:

- The Bank's primary task will be to offer complete financial solutions to local people, businesses, public sector entities, clubs and associations. The Bank's services will be characterised by closeness and proximity to its customers, solutions which have been adapted to users' needs, local knowledge and corporate professionalism.
- The Bank will also take an active part in the development of local communities through its commitment and the sharing of knowledge.
- Through its direct and indirect involvement in equity capital markets, the Bank will try to ensure that the region benefits from local ownership as well as an environment of high skills and innovation.
- The Bank wants to help develop active networks for the sharing of knowledge, both nationally and internationally.
- The Bank will support local commerce and industry through partnership solutions and development contracts.

In 2005, the Bank made various contributions from its Donations Fund, supporting a number of good causes, and will actively use the Fund in order to support causes within the areas of know-

ledge and culture in North-Norway also in the future. Reference is made to a separate chapter in the annual report dealing with the Bank's role in the community.

### Financial products and services

SpareBank 1 Nord-Norge aims to increase revenue generation from risk-free areas, by offering its customers a broad range of products and services within the savings-, placement- and insurance markets.

Commission income from the abovementioned product areas has increased significantly in recent years, from NOK 68 million in 2000 to NOK 101 million in 2005.

SpareBank 1 Nord-Norge is an important player in the savings- and placement market within the region. Deposits from customers increased by NOK 2,351 million in 2005, whereas the sale of other savings- and placement products totalled NOK 444 million.

The Bank will continue to make every effort to boost income from risk-free product areas and has in particular boosted the level of resources employed within the pensions area.

### Interest- and credit commission income

Total net interest- and credit commission income decreased by NOK 28 million during the last 12 months. This is ascribable to a shrinkage in the overall interest margin, but the impact of this has partly been compensated for by higher lending volumes. In relation to average assets, net interest and credit commission income amounted to 2.39 per cent (2.63 per cent). The Bank attaches great importance to the correct pricing of credit commitments in relation to risk. However, increasing competition for low risk customers, coupled with a continued low level of domestic interest rates, is expected to keep up the downward pressure on the Bank's average interest margin in 2006 too.

### Other (non-interest) income

Other income amounted to NOK 591 million in 2005, up by NOK 152 million compared with 2004. This improvement is primarily attributable to a NOK 34 million increase in commissions from banking services, coupled with the fact that the Bank's share of SpareBank 1 Gruppen AS's result was NOK 53 million up on 2004 and that income from foreign exchange and securities was up by NOK 49 million.

Group holdings of certificates and bonds totalled NOK 4,061 million at the end of 2005. Interest rate exposure relating to interest-bearing securities is managed within the limits fixed by the Bank's main Board of Directors. These limits also apply to interest rate exposure in respect of the portfolio of financial derivatives and other short-term financial transactions. The Bank's activity as far as off-balance sheet financial instruments are concerned is limited and mainly involves actual hedging transactions. In this connection, reference is also made to the separate section below dealing with financial risk.

### Operating costs

Aggregate Group operating costs totalled NOK 872 million in 2005, up by NOK 76 million on 2004.

In relation to average assets, operating costs amounted to 1.94 per cent, up from 1.89 per cent a year earlier. The increase in operating costs is due to higher personnel costs, the latter a result of increased resource usage within the following areas: The establishment of a customer centre, intensified marketing efforts within the corporate market (smaller businesses), coupled with increased promotional activities within pension sales.

In addition, the level of employers' social security contributions in North-Norway increased further with effect from 1 January 2005.

Furthermore, NOK 36 million was set aside for profit sharing payments to the Bank's staff.

The Bank's overall manning level increased by 20 man-years in 2005.

### Loan losses and commitments in default

From the second half of 2003, the competitive situation for North-Norwegian commerce and industry was to a large extent strengthened as a result of a low level of domestic interest rates and a weaker Norwegian krone. This has brought about a significantly better situation within most business sectors and also for private households. For the Bank, this has resulted in substantially lower credit losses and fewer bad and doubtful commitments.

In 2005, NOK 65 million was charged to the profit and loss account in respect of loan losses, equivalent to 0.16 per cent of gross lending. The corresponding figures for 2004 were NOK 170 million and 0.45 per cent respectively. Corporate- and retail banking commitments accounted for NOK 50 million (NOK 162 million) and NOK 15 million (NOK 8 million) respectively of aggregate loan losses.

The assessment of credit losses as at 31.12.05 for the Parent Bank and Group has been made in accordance with the new rules and regulations relating to lending introduced by FSAN, which largely correspond to IAS 39. This includes the assessment of individual and collective write-down of impaired value on loans. Non-specific loss provisions are no longer allowed. The difference between an adjusted assessment of the Bank's losses in accordance with the new lending rules and regulations/IFRS and the Bank's total loss provisions as at 1.1.05, reduced by the tax impact involved, has been adjusted against the Bank's equity capital. Reference is also made to Notes to the Accounts, where loan losses are dealt with in a separate section.

At the end of 2005, net bad and doubtful commitments totalled NOK 698 million, representing 1.68 per cent of gross lending. Comparative figures 12 months earlier were NOK 682 million and 1.80 per cent (restated figures) respectively. The reason for the difference between the latter figures as at 31.12.04 and previously reported figures is the amended definition of commitments in default in accordance with the new rules and regulations relating to credit losses.

Total individual write-down for impaired value amount to NOK 264 million, representing 27 per cent of commitments in default and bad and doubtful commitments. Collective write-down for impaired value amount to NOK 217 million.

**Allocation of profit for the year**

The main Board of Directors proposes that the profit for the year is allocated as follows (amounts in NOK million):

Parent Bank's profit for the year after tax 537

**Allocations:**

Set aside for payment of cash dividend 158

Set aside for the Dividend Equalisation Fund 26

Donations Fund 75

Savings Bank's Fund 213

Fund for Evaluation Differences 65

**Total allocations 537**

**Balance sheet**

Group assets rose by NOK 6,370 million, standing at NOK 48,630 million at the end of 2005. This represented a 15.1 per cent increase during the last 12 months.

Gross loans expanded by 9.8 per cent, from NOK 37,931 million at the end of 2004 to NOK 41,638 at the close of 2005. Retail banking loans grew by 13.9 per cent, corporate- and public sector borrowings by 2.9 per cent. Retail banking customers accounted for 65 per cent of the Bank's total lending, the corporate banking- and public sectors for 35 per cent. The expansion of retail banking borrowings is in line with the growth of general credit demand. The weak growth in corporate lending has come about for two reasons: the main Board of Directors' wishes to reduce the Bank's risk exposure relating to large single customer commitments, coupled with the generally low demand for credit within this market.

In its lending activities, the Bank attaches particular importance to borrowers' ability to service their outstanding commitments, and also to satisfactory security coverage, in order to maintain overall credit risk at an acceptable level.

Deposits from customers rose by NOK 2,351 million or 10.2 per cent to NOK 25,350 million during the last 12 months. Retail banking deposits were up by 6.0 per cent, the corporate and public sectors by 15.8 per cent.

The relative composition of gross lending to, and deposits from customers, resulted in a 60.9 per cent ratio for internally generated funding at the end of 2005, up from 60.6 per cent a year earlier.

**Risk and change in overall risk profile – lending**

The Bank uses a risk classification system based on a rating model as the basis for the assessment of expected probability of the level of commitments in default and credit losses. The classification matrix comprises 77 different risk classes with regard to the probability of default, and security coverage.

Total commitments broken down by different risk groups show the following development: (Amounts in NOK million)

	31.12.05	31.12.04
Low risk	38 245 (82.8%)	32 078 (76.4%)
Medium risk	4 460 ( 9.7%)	5 829 (13.9%)
High risk	3 455 ( 7.5%)	4 084 ( 9.7%)
Total	46 160	41 991

Through its credit strategy and its rules and regulations relating to the granting of loans etc. the Bank attaches great importance to applying a restrictive approach with regard to the granting of new high risk commitments. This, coupled with good lending growth in the retail banking market and a positive development within central commercial and industrial sectors during 2005, has helped bring about an overall risk profile containing a lower portion of high risk commitments.

In 2005, total losses on loans and guarantees amounted to NOK 65 million. Expected losses for the same period were NOK 190 million. The difference between expected and actual losses during the period is partly due to changes in risk profile and strong economic developments in 2005.

The credit risk is expected to remain at a low level also in 2006; expected losses for the next 12 months have been estimated at NOK 136 million.

**SpareBank 1 Gruppen AS – The SpareBank 1-alliance**

SpareBank 1 Nord-Norge is a member of the SpareBank 1-alliance – a broadly-based joint venture of 19 independent SpareBank 1 banks with aggregate assets of nearly NOK 270 billion. The cooperation within the alliance is coordinated through the jointly-owned financial services group, SpareBank 1 Gruppen AS.

The SpareBank 1 Gruppen AS is owned by SpareBank 1 SR-Bank, SpareBank 1 Midt-Norge, SpareBank 1 Nord-Norge and Samarbeidende Sparebanker AS, each of these banks having a shareholding of 17.63 per cent, FöreningsSparbanken AB/Swedbank (19.5 per cent) and LO (The Norwegian Federation of Trade Unions) (10 per cent).

SpareBank 1 Gruppen AS is Norway's 42nd largest company and owns Bank 1 Oslo AS, SpareBank 1 Livsforsikring AS, SpareBank 1 Fondsforsikring AS, SpareBank 1 Skadeforsikring AS and ODIN Forvaltning AS – as well as 24.5 per cent of First Securities ASA and 19.9 per cent of SpareBank 1 Bilplan AS.

Furthermore, SpareBank 1 Gruppen AS has the administrative responsibility for cooperation within the SpareBank 1-alliance, where IT operations and development, brand names and products, the development of professional competence, joint processes, the application of best practice, and the purchase function are all key factors. Amongst other things, the alliance has established three competence centres, involving payment transmission services (in Trondheim), credit (in Stavanger) and training (in Tromsø).

SpareBank 1 Gruppen AS's result in 2005 shows that the strategic turnaround operation which has been implemented has resulted in all targets within all areas of operations being met, and that the shareholders' ambition of a satisfactory return on equity capital has been achieved. All areas within SpareBank 1 Gruppen AS posted improved results in 2005. In total, SpareBank 1 Gruppen AS's IFRS-related result before tax amounted to NOK 755 million in 2005, up by NOK 427 million on 2004.

SpareBank 1 Gruppen's product companies provide good and competitive products to the banks within the areas of savings, pensions and insurance. In 2005, there has been very good

development within all product areas. SpareBank 1 Skadeforsikring has started an insurance company in Sweden together with Trygg-Hansa; the new company will be distributing non-life insurance products through FoereningsSparbanken/Swedbank.

Furthermore, SpareBank 1 Livsforsikring has provided products tailor-made for the new law relating to obligatory occupational pension and these have been well received in the market. In 2005, ODIN Forvaltning has again achieved an investment return above the index for all of its various funds. In 2005, Bank 1 Oslo established 4 new branches and will be opening several new offices in Oslo, Akershus and Hedmark.

The SpareBank 1-alliance's strategy for the period up to 2007 is based on expectations of an even fiercer competitive situation within the financial market, both nationally and in regionally. Such a development requires stronger cooperation in order to produce further competitive edges with regard to lower costs, enhanced professional competence and higher quality as far as customer service is concerned. In this respect, the level of ambition for cooperation within the alliance is higher than it has ever been before.

### Good operational management (corporate governance)

Good operational management at SpareBank 1 Nord-Norge is defined as the aims and overall principles according to which the Bank is managed and controlled in order to safeguard the interests of the Bank's PCC-holders, depositors and any other groups involved in this connection. The SpareBank 1 Nord-Norge Group's principles for good operational management shall ensure that the Bank's assets and liabilities are managed in an appropriate manner, providing additional assurance that all agreed aims, targets and strategies are realised and achieved. This is described in more detail in a separate section of the Annual Report.

### Risk management – capital adequacy

SpareBank 1 Nord-Norge's main Board of Directors has the overall responsibility for setting limits for and monitoring the Group's risk exposure. The various risks pertaining to the Bank are measured and reported in accordance with the joint principles and policy agreed by the main Board of Directors.

The overall aim is that the Group's aggregate risk level should be moderate, reassuringly conservative and well within the limits fixed in relation to the Bank's equity and related capital, plus other provisions. Through good risk management, the Group shall achieve stable and predictable levels of revenue generation and results.

A competitive return on equity capital is the most important performance target. This is achieved partly through paying more attention to the risk-adjusted return on assets; risk pricing is accordingly a key factor in order to achieve the Bank's aim of a satisfactory return on equity capital.

### Strategic risk

At all times, the main Board of Directors focuses on the Bank's strategy, attaching a great deal of importance to current and continuing management and follow-up of risk as an effective way in which to meet the Bank's various strategic targets. In addition,

it is considered very important to monitor and be aware of all changes occurring, both internally, within the markets, and as far as the Bank's overall framework conditions are concerned. SpareBank 1 Nord-Norge improved its risk profile in 2005. The Bank's aim is to apply a very comprehensive risk follow-up procedure at all times, thereby making sure that no single event should be able to damage the Bank's financial position.

The use of Balanced Scorecard has proved to be very useful relating to the follow-up of the Bank's operations. Continuing monitoring of – and focus on – those indicators which are critical in order to meet the overall targets in question provides the main Board of Directors with good management information.

### Financial risk

#### Funding risk

In a simplified way, funding risk may be defined as the risk of the Bank not managing to meet its various financial obligations at maturity.

The main Board of Directors pays a great deal of attention to predictability and stability, annually reviewing the Bank's funding strategy, where management of the Bank's financial structure is a key factor. The funding strategy reflects the Bank's conservative risk profile and it is important that incidental events do not have a serious impact on the Bank's overall ability to meet its payment obligations.

Deposits from customers represent the Bank's most important source of funding and, at the end of 2005, represented, together with long-term funding loans and equity capital, 97 per cent of the Bank's illiquid assets, unchanged from a year earlier. This ratio illustrates the extent to which the Bank's illiquid assets are covered by long-term funding; it is called the Funding Indicator by Norges Bank (Bank of Norway). The Bank's overall funding risk is reduced through the diversification of funding loans through different markets, sources, instruments and maturities.

The Bank's credit rating from the two international rating agencies, Moody's and Fitch Ratings, is considered important as far as access to international funding sources is concerned. The Bank's 2005 rating from Fitch Ratings remained unchanged, where as SpareBank 1 Nord-Norge received a favourable assessment from Moody's, which raised the prospects of the Bank's current rating of A3/P-2/C from stable to positive. The rating agency's statement was based on the following factors: the Bank's diversification of revenue generation, cost effectiveness and overall risk profile.

At the end of 2005, the ratio between deposits from customers and lending was 60.9 per cent, as against 60.4 and 58.8 per cent respectively one and two years earlier.

### Market risk

Market risk is defined as the risk of losses occurring due to unfavourable changes in market prices, in this connection relating to the Group's positions and transactions within the interest rate-, foreign exchange- and share markets. The Bank has no exposure in the foreign exchange markets except that which relates to trading on behalf of customers. The main Board of Directors has decided to keep the Bank's overall interest rate risk at a low level.

### Credit risk

Credit risk is defined as the risk of loss if customers or counterparts are unable or unwilling to meet their financial obligations to the Bank. The Bank's strategy for credit risk is based on the Bank's main strategy, comprising guidelines relating to risk profile, the distribution of risk between the retail banking and corporate banking sectors, concentration risk, as well as separate rules for specific types of commitments or commercial and industrial sectors.

The main Board of Directors continually follow up the risk contained in the Bank's lending portfolio, always trying to identify certain development features as early as possible in order to be able to make any necessary adjustments to the Bank's credit policy.

The credit strategy attaches a great deal of importance to the establishment of targets and limits for ongoing management of credit risk.

The Bank's lending rules and regulations as well as delegated lending authority/powers of attorney are related to the probability of default, and security coverage, and apply within credit strategy and overall credit policy guidelines, to be evaluated by the main Board of Directors on an annual basis.

Since 2004, the Bank's risk classification system has used a rating model as the basis for assessment of the probability of default and credit losses. The classification matrix comprises 77 different risk classes with regard to the probability of default, and with regard to security coverage.

In order to manage and monitor the Bank's lending portfolio in accordance with the Bank's credit strategy, credit policy and its rules and regulations relating to the granting of credit, new credit systems have been developed, which will also form part of the adjustment to the Basel II requirements.

### Operational risk

Operational risk is defined as the risk of direct or indirect losses, or the loss of the Bank's reputation in the market, brought about by:

- Insufficient professional competence
- Human errors
- Failure involving routines, internal systems and processes
- Crime, fraud and misconduct
- External events

The satisfactory handling of operational risk must be based on good internal control and quality management. In 2005, the Bank prioritised work relating to the development of processes and systems for current and ongoing identification, analysis and quantification of risk and will continue with the implementation and further development of this system in 2006.

The Bank's internal control is defined as line responsibility according to which an "own evaluation" is made and reported to the main Board of Directors. Such reports comprise all risk elements attributable to external and internal circumstances.

### Measures aimed at improving results and reducing risk

The main Board of Directors attaches a great deal of importance

to measures aimed at ensuring good and stable results for the Group as a whole. In 2005, together with the Bank's management, the main Board of Directors has been focusing on the following key areas which in the short and long run will ensure that the below mentioned overall targets are met:

- Further development of cooperation with the SpareBank 1-alliance
- Building and enhancing professional competence, coupled with recruitment of additional staff, in order to further develop the corporate banking sector, including the strengthening of credit support and the analysis function, to improve the quality of all credit work and risk management
- The development of a system for overall risk management as part of the adjustment to Basel II, including increased focus on capacity and competence relating to credit, foreign exchange/finance and operational risk
- The Bank's funding strategy in order to further reduce the vulnerability to market swings
- Development of other (non-interest) income, especially within the areas of saving and insurance
- Measures aimed at improving overall effectiveness – both in terms of increased business volumes and better cost control

### Basel II

SpareBank 1 Nord-Norge intends to manage credit risk, operational risk and market risk in accordance with the best practice followed by banks. Good communications with the market and supervisory authorities form an important part of this.

In 2005, SpareBank 1 Nord-Norge has further developed the process of adapting to the new framework for risk management and new capital adequacy requirements in accordance with international rules and regulations. During the autumn of 2005, the Bank applied to FSAN for permission to use, with effect from 1.1.07, internal rating models when calculating capital adequacy requirements. In its application, the Bank's main Board of Directors emphasised the requirement for overall risk management, changes in the Bank's competitive situation and the opportunity to make better use of the Bank's financial capital.

### Equity and related capital – capital adequacy

Figures for the Group are IFRS-related. For 2004, comparable figures have not been restated, i.e. 2004 figures are in accordance with NGAAP.

In 2005, the Bank's risk-weighted assets increased by NOK 2,570 million or 9.5 per cent, totalling NOK 31 807 million at the end of the year.

Transitional effects as a result of the implementation of new accounting rules and regulations (including IFRS), together with the new lending rules and regulations for the Parent Bank, have been adjusted against the Parent Bank's and Group's equity capital. Reference is made to a separate section below dealing with IFRS and the new accounting standards, and to Notes to the Accounts.

At the end of 2005, Group's core capital totalled NOK 3,179 million, after deductions of items not to be included when calculating the level of core capital, translating into a core capital ratio

of 9.99 per cent, up from 9.74 per cent a year earlier. The Parent Bank's core capital ratio was 9.6 per cent at the end of the year currently under review.

The reduced core capital ratio is attributable to the addition of the profit for the year, coupled with a big increase in the risk-weighted asset calculation basis.

Aggregate equity and related capital at the end of 2005 amounted to NOK 3,558 million, deductions having been made for equity capital participations in other financial institutions. This produced a capital adequacy ratio of 11.19 per cent (11.12 per cent for Parent Bank), as opposed to 11.37 per cent (11.78 per cent for Parent Bank) at the end of 2004. The lower capital adequacy ratio is due to the repayment of a subordinated loan, coupled with an increased capital coverage reserve as a result of the Bank's increased shareholding in SpareBank 1 Gruppen AS.

### Transition to new accounting standards, including IFRS

The transition to IFRS for the Group, coupled with the implementation of the accounting standard NGAAP 6A (IAS 19) regarding pensions and the new lending rules and regulations for the Parent Bank, will involve both positive and negative accounting effects. According to the transition rules and regulations, effects occurring at the time of transition are dealt with as a direct adjustment to the equity capital. According to the main rule, the time of transition is 1.1.04, but an exception has been made for IAS 39, for which the transition is to be made as at 1.1.05. In the case of the SpareBank 1 Nord-Norge Group, IAS 39 involves accounting items relating to the assessment of loans, securities and other financial instruments.

Amongst other things, this means that some of the changes which have been dealt with as a direct adjustment to the Bank's equity capital in the Group accounts as a result of IFRS have now also been adjusted against the Parent Bank's equity capital. These accounting entries will, amongst other things, have an impact on the changes in the Bank's Dividend Equalisation Fund.

### Basel II – new capital adequacy rules

As a result of new capital adequacy rules – Basel II – it will be possible to calculate minimum requirements with regard to equity and related capital according to internal measuring methods in each company in question. The rules and regulations are expected to come into force from 1 January 2007. The new requirements make the statutory minimum requirement more risk-sensitive in as much as the capital requirement will to a larger extent correspond to the risk contained in the underlying portfolios in question. SpareBank 1 Nord-Norge has applied to FSAN for permission to use internal measuring methods (Internal Ratings-Based Approach – IRB) for credit risk. Reference is also made to a separate chapter in this annual report dealing with risk management.

## Personnel

### Equality between the sexes – equal opportunities

#### Actual position, with reference to the Equal Opportunities Act, paragraph 1 a

As at 1 January 2006, the SpareBank 1 Nord-Norge Group employed 839 staff (726 on a full-time-, and 113 on a part-time

basis). There were 461 women and 378 men. This was equivalent to 778 man-years, the Parent Bank and its subsidiaries accounting for 714 and 64 man-years respectively.

SpareBank 1 Nord-Norge employs 104 managers – 32 women and 72 men. The average basic salary per man-year was NOK 354,000 at the end of 2005, NOK 394,000 for men and NOK 318,000 for women.

### Activities relating to equality between the sexes and equal opportunities

The Group has a very clearly defined approach to the challenge relating to equality between the sexes and equal opportunities. According to the Bank, a working environment consisting of staff of both sexes will provide the Bank with added value, both in relation to the achievement of good results and job satisfaction. A better distribution throughout the Group as far as the two sexes are concerned, with special emphasis on managerial positions, is therefore an obvious target.

Furthermore, it is felt that targeted development of professional competence, coupled with a stronger focus on the development of talent, will in due course bring about a better balance between female and male staff.

### Skills and professional competence

Improvement of levels of skills and professional competence has been a prioritised area in 2005 too. Attention has mainly been given to the certification of staff's achievement of certain quality standards within the Bank's various business areas, the use of further training facilities, as well as training within sales and sales management. The target previously set, that all staff working in a customer-related context have to be appropriately qualified at an in-depth level within all the Bank's five product areas, has largely been reached.

In 2005, a new training model for retail banking was established, and all staff involved are progressing well. This kind of training currently applies to the financial services industry throughout Norway. In addition to product and professional competence, the training model is strongly focused on training within the areas of sales and advisory services. This will help to further strengthen the Bank's position as Close and Competent. In 2005, SpareBank 1 Nord-Norge's Balsfjord branch made a special contribution, and continues to contribute actively, as the pilot bank for electronically based training (e-training) within the SpareBank 1-alliance.

As part of this overall enhancement of professional competence, by the end of 2005, all staff have made a commitment to complete their e-training, and to pass a test for Basic Competence in relation to the Bank's four business areas, and also to study and pass an exam following the course, 'Ethics and laws relating to financial advisory services'.

### Health, safety and environment (HSE)

#### HSE-training

A training programme has been completed for safety representatives and managers within HSE-related work. The training covers the main activities within the area of working environment, with

special attention to systematic HSE-related work, absenteeism through illness and rehabilitation.

### Absenteeism through illness

For the SpareBank 1 Nord-Norge Group, absenteeism through illness in 2005 amounted to 6.40 per cent in all, down from 7.06 per cent in 2004. Self-certified sick leave was 0.71 per cent, whereas absenteeism documented by doctor's certificate was 5.69 per cent. Aggregate absenteeism through illness was reduced by 9.35 per cent in comparison with 2004.

If a conservative estimate of NOK 2,000 per day of absenteeism is used as a calculation basis, absenteeism cost the Bank about NOK 24 million in all in 2005.

### Care in the Workplace (CW)

A cooperation agreement about more care in the workplace was entered into between the Bank and the local social security employment centre (SSEC) during the autumn of 2004; the agreement came into force on 1 December 2004.

After cooperation between the Bank and representatives from its employees, the following targets have been agreed on within this area:

#### Target I:

Absenteeism through illness shall be reduced to 5 per cent by 31.12.05.

#### Target II:

We shall look after staff who have or incur reduced ability to function in the workplace, by making every effort as far as it is possible to make the necessary adaptations enabling the staff in question to continue to work at the Bank.

#### Target III:

Our personnel policy shall appreciate older employees as well as their knowledge and experience. We shall ensure that the right conditions exist to make it possible and financially attractive for our employees to have a longer working life at the Bank.

New routines and procedures for follow-up of staff who are on sick leave have been worked out and managers have completed training relating to CW and the follow-up of employees who are away from the Bank due to illness.

SpareBank 1 Nord-Norge is committed to working with SSEC and this means that the Bank is subject to particularly close follow-up from selected contact persons. These representatives closely monitor all absenteeism through illness, initiate meetings, offer assistance in certain cases, and contribute with information and training.

The CW-agreement has significantly added to the focus applied to all work relating to absenteeism through illness. Through the abovementioned CW-agreement, the Bank is provided with assistance from SSEC and with the means to facilitate the work to reduce absenteeism through illness. Evaluation of the agreement shows that the Bank has not made sufficient use of the opportunities provided. On the other hand, many employees absent from the Bank due to illness are followed up on in a good way. From

now on, the Bank will make every effort to make the maximum use of the opportunities which exist by using the CW-agreement effectively.

### AKAN (The Working Life Committee against Alcoholism and Addiction to Narcotics)

In 2005, the Bank established a new AKAN-agreement and a policy relating to the use of intoxicating substances. AKAN-contacts have been appointed within all regions.

### Occupational injuries

In 2005, the Bank has informed the social security office of three cases of occupational injuries. Pollution of the external environment as a result of the Bank's business activities is minimal.

### Subsidiaries

#### SpareBank 1 Finans Nord-Norge AS

The company complements the Group's range of financial products by offering leasing, as well as administrative- and financial factoring. In addition, it does vehicle financing. The company has 23 staff. Its core market area is North-Norway. The company's factoring services are also made available through the SpareBank 1-alliance member banks.

The 2005 after-tax result amounted to NOK 13 million. NOK 10 million has been set aside for dividends. The equity capital totals NOK 87 million.

#### EiendomsMegler 1 Nord-Norge AS

The company is a real estate brokerage business, dealing with the sale of all types of property, such as detached houses, flats and apartments (including those organised through housing co-operatives), holiday homes, new buildings, building development projects, as well as commercial- and industrial property. The company has offices in Tromsø, Alta, Bodø and Hammerfest and employs 23 people. In addition, the company has a franchise operation at Svolvær.

The company is linked to the EiendomsMegler 1 nationwide chain. The 2005 after-tax result amounted to NOK 4 million. The equity capital totals NOK 7 million.

#### SpareBank 1 Nord-Norge Securities ASA

56.2 per cent of the company's shares is owned by the Parent Bank, 25 per cent by First Securities and 18.8 per cent by its staff. In addition to stock exchange business, the company is active within the areas of asset management, evaluations and other corporate services. The company has 13 employees. In 2005, the Bank's share of the company's after-tax profit amounted to NOK 4 million. NOK 7 million has been set aside for dividends (100 per cent). The equity capital totals NOK 11 million.

#### Eiendomsdrift AS

The company manages, operates and rents out property. The property management part of its business mainly relates to buildings and properties forming part of SpareBank 1 Nord-Norge's distribution network; this means that the entire property portfolio is located in North-Norway. The company's strategy involves the sale of parts of its property portfolio in order to achieve an optimal cost structure adapted to the Bank's requirements. In 2005, buildings involving 6,690 square meter floor space were

sold. At the end of the year, the company employed 5 people. In 2005, the company made a NOK 11 million after-tax profit. Up to the end of the year currently under review, the company owned 100 per cent of the shares in Nord-Norsk Transportinvest AS. Eiendomsdrift AS's profit for the year has been reduced by about NOK 4 million as a result of Nord-Norsk Transportinvest AS's loss. The equity capital is NOK 57 million.

### AS Fiskerikreditt

The Bank's main Board of Directors has decided to convert AS Fiskerikreditt into an investment company. The company made a NOK 0.2 million profit in 2005. The equity capital totals NOK 30 million. The investment company, SpareBank 1 Nord-Norge Invest AS, will be established during the course of the first 6 months of 2006.

### The Bank's PCCs and PCC-holders

At the end of 2005, SpareBank 1 Nord-Norge's PCC-capital totalled NOK 791.6 million, consisting of 15,832,844 certificates, each with a nominal value of NOK 50.

In accordance with currently valid dividend policy, PCC-holders are allocated a share of the Parent Bank's profit for the year which is commensurate with their share of the Bank's equity capital as at 1 January 2005. This share amounts to 39.0 per cent. The dividend payment for 2005 has been fixed at NOK 10.00 per PCC. After allocation from the 2005 profit for the year, the Dividend Equalisation Fund amounted to NOK 151.2 million as at 31.12.05.

In 2005, accordance with a resolution passed by the Bank's Board of Trustees, the Bank completed a bonus/capitalisation issue and a split of the Bank's PCCs. The new issue involved a NOK 131,940,400 increase in the Bank's PCC-capital, from NOK 659,701,800 to NOK 791,642,200, by transferring the amount of the increase to the Dividend Equalisation Fund. The issue was completed through the issuance of 1,319,404 new PCCs (bonus certificates) priced at par. Five old certificates provided the right to receive one new certificate.

At the end of the year currently under review, the total number of PCC-holders was 8,031, as opposed to 5,670 a year earlier. Foreigners' equity stake in the Bank amounted to 16.4 per cent, unchanged from 2004. Certificate holders with addresses in North-Norway numbered 2,505 (2004: 1,890), representing 21.3 per cent (unchanged) of the Bank's total PCC-capital.

One of the Bank's stated aims is that as many of its employees as possible should have an equity stake in the Bank. During the last 5 years, therefore, private placements and sale of PCCs have been arranged for the benefit of the Bank's staff.

In 2005 too, the turnover in the Bank's PCCs was up on the previous years.

### The main board of directors and group management

There has been one change involving the Bank's main Board of Directors. Harald Overvaag has stepped down and Kjell Olav Pettersen has been appointed the new Chairman of the main Board of Directors. 4 of the 9 main Board members are women.

The Bank's Chief Executive Officer's pension agreement with the Bank entitles him – from the age of 62 years – to a pension equivalent to 70 per cent of annual leaving salary. Information about salaries, other remuneration and staff loans for the Bank's Chief Executive Officer and elected representatives may be found in Notes to the Account, Notes 7 and 14.

### Prospects for 2006

In 2005, the Norwegian economy was characterised by generally good framework conditions, both for private households and businesses. A low level of domestic interest rates, coupled with low price inflation and strong growth both of financial and real assets, meant that most people enjoyed a good financial situation. There is reason to believe that this situation will also represent a main feature of 2006, even if the growth in real and financial assets may turn out to be somewhat lower and domestic interest rates somewhat higher. This would suggest that private households will remain attractive customers within the financial market, a situation which will again mean continued, strong competition and downward pressure on the prices of banking products.

In the corporate sector, businesses working within the national and local markets will benefit from the natural, favourable impact of private households' good financial position. This is therefore expected to bring about increasing demand for financial services during 2006. In the case of export-related businesses, reduced growth is expected in the most important markets. For the export industries, however, the foreign exchange situation remains of crucial importance as far as revenue generation is concerned. The tourism industry looks set for continued growth. This will have a favourable financial impact on the regional economy due to the strong ripple effects from tourism.

Both nationally and internationally a great deal of interest has focused on the areas in the north of Norway, where there appears to be development opportunities within energy, the marine sector and tourism. In addition, there has been a significant discovery of oil off the Norwegian coast in the north.

In summary, the region is currently characterised by optimism and both the overall framework conditions and prospects for 2006 appear to be good. In 2005, competition within the financial services industry became fiercer, both as far as prices, products and cost-effective distribution are concerned. This trend is expected to continue in 2006.

It is expected that the general level of risk in the market will remain low in 2006 too. However, the structural changes within certain commercial and industrial sectors will continue, especially in the fisheries area, where the Government has announced a change in today's fisheries policy. Accordingly, the credit risk within this sector may remain at a moderate to high level even though the industry as such currently benefits from favourable conditions.

SpareBank 1 Nord-Norge's most important competitive advantages are a good distribution network, competent staff, as well as proximity and closeness to its market and customers. These competitive advantages were strengthened during 2005. Through targeted development and further enhancement of staff's skills and competence, both as far as product knowledge, formal

competence and communications skills are concerned, a further strengthening of the Bank's competitive powers represents a target in 2006.

Through SpareBank 1 Nord-Norge's co-operation arrangement with the SpareBank 1-alliance, internal working processes are being improved all the time, as is the range of products and services made available to customers. These advantages from its co-operation with the SpareBank 1-alliance will help ensure that the Bank will be at the forefront of developments in the market.

### Concluding remarks

The annual financial statement has been prepared on the assumption of a going concern, based on the Bank's long-term strategic plan and prognoses for the Bank's results for the next few years. The Bank is in a financially strong position.

In 2005, the Bank made further efforts to boost the sale of financial products and services. This particularly involves different savings- and insurance products, as well as occupational pension services.

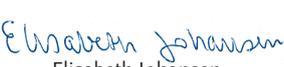
### Vote of thanks

All staff have made a very good, concerted effort contributing to the changed composition of the Bank's improved revenues. The main Board of Directors would like to thank all employees for their contribution to the further development and progress of the Bank.

The main Board of Directors would also wish to express its appreciation to all customers and other good contacts for their co-operation during 2005.

Tromsø, 31 December 2005  
28 February 2006

The main board of directors of SpareBank 1 Nord-Norge

 Kjell Olav Pettersen (Chairman)	 Tom Veierød (Deputy Chairman)	 Elisabeth Johansen
 Erik Sture Larre jr.	 Trine Nøvik	 Åse Annie Opsjøn
 Rolf Pedersen	 Vivi Ann Pedersen	 Hans Olav Karde (Chief Executive Officer)



1st row from the left: Erik Sture Larre jr., Trine Nøvik, Hans Olav Karde (Chief Executive Officer), Kjell Olav Pettersen (Chairman) and Elisabeth Johansen.  
2nd row from the left: Oddmund Åsen (Deputy Chief Executive Officer), Tom Veierød (Deputy Chairman), Vivi Ann Pedersen (Employees' representative), Åse Annie Opsjøn, Gunnar Kristiansen (Deputy for employees' representative) and Rolf Pedersen.



SpareBank 1 Nord-Norge actively supports the region's commerce and industry and awarded Næringsfondet's (business development fund) second prize to News ON Request AS at Rognan, a company which has seen the potential in sharing knowledge in a new way.

## Annual report NGAAP Parent bank - Profit and loss account

Amounts in NOK million

	Notes	2005	2004	2003
Interest- and similar income	2	1 751	1 741	2 448
Interest- and similar costs	2	693	652	1 418
<b>Net interest- and credit commission income</b>		<b>1 058</b>	<b>1 089</b>	<b>1 030</b>
Dividends and other income from securities with variable yield	3	38	23	15
Income from shareholdings in associated companies	3	69	22	-7
Commission income and revenues from banking services	4	367	351	329
Commission costs and expenditure generated from banking services		62	71	75
Net change in value and gains/losses from securities and foreign exchange classified as current assets	5	81	32	46
Other operating income	6	16	17	9
<b>Total other income</b>		<b>509</b>	<b>374</b>	<b>317</b>
<b>Total net income</b>		<b>1 567</b>	<b>1 463</b>	<b>1 347</b>
Wages, salaries and general administration costs	7	642	575	596
Depreciation etc. of fixed and intangible assets	8	35	36	45
Other operating costs	9	131	144	126
<b>Total costs</b>		<b>808</b>	<b>755</b>	<b>767</b>
<b>Result before losses and tax</b>		<b>759</b>	<b>708</b>	<b>580</b>
Losses on loans, guarantees etc.	10	63	165	314
Write-downs/reversed write-downs and gains/losses on securities classified as fixed assets		0	-1	0
<b>Net losses and write-downs</b>		<b>63</b>	<b>164</b>	<b>314</b>
<b>Result before tax</b>		<b>696</b>	<b>544</b>	<b>266</b>
Tax payable on ordinary result	11	159	164	56
<b>Result from ordinary operations after tax</b>		<b>537</b>	<b>380</b>	<b>210</b>
<b>Profit for the year</b>		<b>537</b>	<b>380</b>	<b>210</b>
Allocation of profit for the year:				
Return on Primary Capital Certificates		158	125	92
Donations		75	25	15
Transferred to the Fund for Evaluation Differences		65		
Transferred to the Savings Bank's Fund		213	196	103
Transferred to the Dividend Equalisation Fund		26	34	0
<b>Total allocations</b>		<b>537</b>	<b>380</b>	<b>210</b>

## Annual report NGAAP Parent bank - Balance sheet

Amounts in NOK million

	Notes	31.12.05	31.12.04	31.12.03
<b>Assets</b>				
Cash-in-hand and claims on central banks		935	294	548
Loans to and claims on credit institutions	12	824	802	709
Loans to and claims on customers	13, 14	41 065	37 570	36 573
- individual write-down for impaired value		259	310	495
- collective write-down for impaired value		214	318	318
Net loans to and claims on customers		40 592	36 942	35 760
Repossessed assets	15	6	6	7
Certificates, bonds and other interest-bearing securities with fixed yield	16	4 074	2 768	2 435
Shares and other securities with variable yield	17	410	341	369
Equity stakes in associated companies and joint ventures	18	480	316	258
Equity stakes in Group companies	19	178	168	152
Deferred tax benefit	20	90	84	9
Fixed assets	21	98	113	131
Other assets	22	60	93	50
Prepayments and accrued income	23	313	324	471
<b>Total assets</b>		<b>48 060</b>	<b>42 251</b>	<b>40 899</b>

### Liabilities and equity capital

Liabilities to credit institutions	24	1 803	2 823	3 394
Deposits from and liabilities to customers	25	25 466	23 072	21 727
Borrowings raised through the issuance of securities	26	15 652	11 738	11 171
Other liabilities	27	471	419	314
Incurred costs and prepaid income	28	406	422	435
Provisioning against incurred liabilities and costs	29	189	211	0
Subordinated loan capital	30	1 337	1 194	1 503
<b>Total liabilities</b>		<b>45 324</b>	<b>39 879</b>	<b>38 544</b>
PCC capital	31	792	660	660
Premium Fund	31	8	8	8
Total paid in equity capital		800	668	668
Fund for evaluation differences	31	65	0	0
The Savings Bank's Fund	31	1 618	1 411	1 357
Dividend Equalisation Fund	31	151	258	315
Other equity capital	31	102	35	15
Total retained earnings		1 936	1 704	1 687
<b>Total equity capital</b>		<b>2 736</b>	<b>2 372</b>	<b>2 355</b>
<b>Total liabilities and equity capital</b>		<b>48 060</b>	<b>42 251</b>	<b>40 899</b>

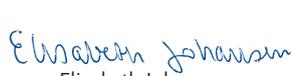
### Transactions of an off-balance sheet nature

Contingent liabilities

32, 33, 34

  
Kjell Olav Pettersen  
(Chairman)

  
Tom Veierød  
(Deputy Chairman)

  
Elisabeth Johansen

  
Erik Sture Larre jr.

  
Trine Nøvik

  
Ase Annie Opsjøn

  
Rolf Pedersen

  
Vivi Ann Pedersen

  
Hans Olav Karde  
(Chief executive officer)

## Annual report NGAAP Parent bank - Cash flow analysis

Amounts in NOK million

	31.12.05	31.12.04	31.12.03
<b>Resultat from ordinary operations</b>	<b>696</b>	544	266
+ Ordinary depreciation	35	36	45
+ Write-downs, gains/losses fixed assets	0	-1	0
+ Losses on loans, guarantees etc.	63	165	314
- Taxation costs	159	164	56
- Dividend paid on PCCs	158	125	92
<b>Provided from the year's operations</b>	<b>477</b>	455	477
Change in sundry liabilities: + increase/- decrease	17	30	-8
Change in various claims: - increase/+ decrease	31	60	65
Change in gross lending to and claims on customers: - increase/+ decrease	-3 713	-1 347	-3 399
Change in short term-securities: - increase/+ decrease	-1 375	-305	-23
Change in deposits from and debt owed to customers: + increase/- decrease	2 394	1 345	1 478
Change in debt owed to credit institutions: + increase/- decrease	-1 020	-571	-1 084
<b>A. Net liquidity change from operations</b>	<b>-3 189</b>	-333	-2 494
- Investment in fixed assets	-21	-18	-41
+ Sale of fixed assets	0	0	0
Change in holdings of long-term securities: - increase/+ decrease	-184	-68	3
<b>B. Liquidity change in respect of investments</b>	<b>-205</b>	-86	-38
Change in borrowings through the issuance of securities: + increase/- decrease	3 914	567	1 873
Change in subordinated loan capital: + increase/- decrease	143	-309	632
<b>C. Liquidity change from financing</b>	<b>4 057</b>	258	2 505
<b>A + B + C. Total change in liquidity</b>	<b>663</b>	-161	-27
+ Liquid funds at the start of the period	1 096	1 257	1 284
<b>= Liquid funds at the end of the period</b>	<b>1 759</b>	1 096	1 257

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



In order to realise the potential offered by North-Norway, we need our young people to come up with great thoughts: In 2002, together with other Nordic glass blower artists, Silja Skoglund established, Glasshytta Blåst in Tromsø.

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## NOTE 1 ACCOUNTING PRINCIPLES

### General Background

The annual financial statements for 2005 have been prepared in accordance with the Accounting Act of 1998, Norwegian Accounting Standards (NGAAP), applicable and currently valid rules and regulations, and good accounting practice. Information contained in Notes to the Accounts applies to the Group unless stated otherwise in the particular note in question. All amounts in the profit and loss account, balance sheet and notes are in NOK million unless a different basis has been specified.

### Group accounts

#### Subsidiaries

Subsidiaries are defined as companies in which the Bank – on its own or together with subsidiaries, owns more than 50 per cent of the voting shares or has a controlling influence, and where the ownership/equity holding is regarded as permanent. Subsidiaries are incorporated in the Company's accounts in accordance with the equity method of accounting. In the case of newly acquired companies, such subsidiaries are consolidated into the Group's accounts from such a time as the Bank achieves a controlling influence. Any subsidiaries which are sold are included until the time of divestment.

All identifiable assets and liabilities are incorporated in the balance sheet on the basis of their value at the time of acquisition. Goodwill acquired through the purchase of subsidiaries is depreciated over a 5-year period.

In the Company's accounts, equity stakes are shown in the balance sheet under the item, 'Equity stakes in Group companies'; the share of the result is included in the profit and loss account under the item, 'Dividends and other income received from securities with variable yield'.

All significant intra-group items in the Group profit and loss account and balance sheet have been netted out against each other.

Minority interests' shares of equity capital and result are shown as separate items in the balance sheet and profit and loss account.

#### Associated companies

Associated companies are defined as companies where the Bank's or its subsidiaries' equity holdings are between 20 and 50 per cent, and where the influence of the Bank or one of its subsidiaries is significant, and the equity stake is deemed to be of a permanent nature. Relevant figures in respect of participations in associated companies are incorporated according to the equity method of accounting, both in Parent Bank- and Group accounts.

Shares of the result for the year are incorporated in the profit and loss account and shown as separate items under 'Dividends and other income received from securities with variable yield'. In the balance sheet, such participations are shown as separate items under 'Equity stakes in associated companies and joint ventures'.

#### Joint ventures

A joint venture enterprise comprises financial and economic activities regulated by an agreement entered into by the Bank and one

or several other partners, who together exercise joint control of the business. No partner has a controlling influence.

In the Parent Bank- and Group accounts, the joint venture of SpareBank 1 Gruppen AS is incorporated according to the equity method of accounting. The reason for this is that SpareBank 1 Gruppen AS's operations are substantially different from the Bank's other business activities; if the gross method of calculation were to be used, relevant accounting information would have been difficult to access. In the profit and loss account, the share of the overall result is shown under the item, 'Income from shareholdings in associated companies', whereas equity participations are included in the balance sheet under the heading, 'Equity stakes in joint ventures'.

### Accrual accounting

#### Interest, commissions, fees and share dividends

Interest and commissions are included in the profit and loss account as they are accrued as income or incurred as costs. Establishment fees, which are debited to the customer's account at the time of the new loan being raised, were previously booked as income in their entirety at the time of the borrowing. With effect from 1.1.05, this has been changed in accordance with the new lending rules and regulations from the Financial Supervisory Authority of Norway (hereafter referred to as FSAN). Establishment fees are now subject to accrual accounting during the life of the loan.

Share dividends from companies not evaluated according to the equity method of accounting, are booked as income during the year in which they are received.

#### Income and costs

Prepaid income and incurred costs of significant magnitude are subject to accrual accounting and booked as liabilities. Accrued income and prepaid costs involving substantial amounts are included as income and shown as assets.

#### Pension costs and pension liabilities

The pension scheme was previously treated in the accounts according to 'Norwegian Accounting Standard for Pension Costs'. In 2005, 'Norwegian Accounting Standard 6A' has been applied. However, permission has been granted for banks to apply international standards for the computation and inclusion in the accounts of pensions (IAS 19) and the Bank has chosen to follow this principle. All figures have been restated with effect from 1.1.04. Implementation effects have been shown in relation to the equity capital. Reference is made to further information contained in Notes to the Accounts. In accordance with the standard, the pension scheme is treated as a benefit plan. The pension cost for the year is calculated as the sum of the present value of the pension accruals for the year, the interest cost of incurred pension liabilities and the expected return on the pension resources. Pension costs are shown under 'Wages, salaries and general administration costs'.

Any insufficient cover in relation to the pension liabilities is shown in the accounts under 'Provisions for incurred costs and liabilities', whereas any over-funding is registered under the accounting item 'Prepaid, not yet incurred costs, and accrued, not yet received

income'. Insufficient cover/over-funding appears as differences between the present value of incurred pension liabilities, including future wage growth, and the value of the pension resources. Pension liabilities comprise both guaranteed and un-guaranteed schemes.

At the closing of accounts, estimated values are applied when assessing the pension resources and when calculating incurred liabilities. These estimates are adjusted each year in accordance with the statement provided by SpareBank 1 Pensjonstjenester AS, setting out the estimated value of the pension resources and the actuarial calculations of the size of the liabilities. The impact of changes in estimates and any discrepancy between estimated and actual return is included in the profit and loss account over the average, remaining accrual period only if the accumulated effect exceeds 10 per cent of the higher of the pension resources and pension liabilities ('corridor' solution).

### Extraordinary items

Substantial items which are unusual in the context of the Bank's ordinary banking activities, and which surface on an irregular basis, are classified as extraordinary items.

### Tax

Deferred tax is calculated against the background of temporary differences between values in accounting- and tax-related context at the end of the accounting year. A nominal rate of tax is applied when making these calculations. Temporary differences which have a tax-increasing- or tax-decreasing impact, are assessed against each other within the same period of time. Certain items are nevertheless assessed separately, including goodwill in connection with company acquisitions, and pension liabilities. Deferred tax benefit arises if the temporary differences available provide the basis for tax deductions in the future. The taxation charge for the year consists of changes in deferred tax and deferred tax benefit, coupled with tax payable on income during the year in question, adjusted for under- or over-provisioning during the previous year.

### Securities

The Bank's aggregate securities portfolio is made up as follows:

- trading portfolio
- remaining holdings of ordinary securities
- portfolio comprising securities held on a long-term basis

#### Trading portfolio

Bonds and certificates are assessed as separate portfolios, at market value on the accounting day in question. Shares contained in the trading portfolio are assessed on an overall basis, at market value. The same assessment method is applied to options and the purchase of shares.

#### Portfolio of remaining ordinary securities

Shares, bonds and certificates are assessed as separate portfolios, at the lower of aggregate market value and average acquisition cost.

#### Portfolio comprising securities held on a long-term basis

Shares classified in this way are intended to be held on a permanent basis. Long-term holdings of shares are valued at acquisition cost. If a share's market value is lower than its book value, and if the fall in value is deemed not to be of a temporary nature, in that case such long-term holdings of shares are written down to their actual values.

### Lending, commitments in default and losses on loans and guarantees

Norway, in its entirety, is defined as one geographical risk area. With effect from 1.1.05, loans are assessed at amortised cost in compliance with FSAN's new lending rules and regulations dated 21.12.04 and IAS 39.

Amortised cost is defined as acquisition cost minus any repayments relating to the principal amount, plus or minus cumulative amortisation as a result of application of the effective interest method, minus any amounts involving fall in value or bad and doubtful loans. The effective rate of interest is defined as the rate of interest which would discount exactly the estimated future cash payments received or made over the expected life of the financial instrument in question.

Default is defined as commitments in default where either individual accounts/credits or the entire commitment are not serviced in accordance with the loan agreement, and where over 90 days have elapsed since agreed default, or when, on a continuous basis, an overdraft has lasted for 90 days, and where the total arrears involved exceed NOK 1,000. Deferment of payment of a temporary nature is not regarded as default. A commitment is deemed to be bad and doubtful when objective proof exists showing that one or more events of loss have occurred and that this is having an impact on the expected future cash flow which can be estimated in a reliable manner.

#### Confirmed losses

Confirmed losses are included in the accounts in the case of losses on commitments where bankruptcy has occurred and collateral security has been realised, where an official agreement with the creditors has been entered into, where a legal levy against the borrower's assets has not been successful, where a legally binding judgment has been made, or where the Bank has waived, wholly or partly, its rights relating to the commitment in question. In the balance sheet, confirmed losses on loans are recorded as a reduction in the total amount of the loan portfolio.

#### Individual write-down for impaired value

Bad and doubtful loans are assessed on an ongoing basis with regard to the need for individual write-down for impaired value. The assessment takes into consideration the customer's financial situation, the value of the security, and any measures which have been implemented in relation to the customer. The collateral security is assessed on the basis of its expected realisation value. Individual write-down for impaired value related to loans are registered as a reduction of gross loans. Individual write-down for impaired value of guarantees are recorded separately under 'Provisions for incurred costs and liabilities'.

#### Collective write-down for impaired value

In the case of that part of the portfolio which does not include individual write-down for impaired value, and where, on the accounting day in question, there is definitely bad and doubtful exposure, which is not related to individual commitments, in that case collective write-down for impaired value are made. When assessing objective proof for groups of loans, events which have brought about impaired credit quality are taken into consideration, coupled with judgment based on experience relating to the situation within the business sector in question. Collective write-down for impaired value are shown in the accounts as a reduction of gross loans.

### Reposessed assets

Assets which have been reposessed in connection with legal recovery of claims under outstanding commitments, and which the Bank intends to sell on quickly, are included in the balance sheet as current assets. Such assets are assessed at their estimated realisation value at the time of repossession. Write-down as a result of any fall in value, or loss from the sale involved, is included in the accounts as losses on loans, whereas any gain from such a sale is shown under 'Recoveries in respect of previously confirmed losses'. If the Bank were to find it more appropriate to keep the reposessed assets for its own use, or to manage them for the purpose of development over time, in that case such assets would be classified and assessed as fixed assets in the balance sheet.

### Fixed assets

Real estate and other fixed assets are shown in the balance sheet at acquisition cost, after deducting accumulated ordinary depreciation and any write-downs. The cost of any improvements is added to the fixed assets' acquisition cost and is to be depreciated at the same rate as that which applies to the fixed assets in question. Maintenance costs are charged to the profit and loss account direct during the year in which they are incurred. Depreciable fixed assets are depreciated on a straight line basis, spread over the estimated economic life involved. The depreciation rates used are as follows:

• Buildings	1-5 %
• Furnishing, fixtures and fittings	10 %
• Machinery, electronic data processing- and transport equipment	20 %
• Electronic data processing – software programmes	20-33 %
• Dwelling units, building plots and sites, and works of art	0 %

Write-downs are applied when the difference between registered- and market value is substantial and not of a temporary nature, but such write-downs are reversed in the accounts whenever the basis for write-down of assets no longer applies.

### Other liabilities

#### Bonds issued by SpareBank 1 Nord-Norge

Bond debt is shown in the balance sheet at nominal value. Any premium or discount is incorporated in the balance sheet, booked as income or costs respectively on a straight line basis, as an adjustment to current interest costs until the maturity of the bond loan in question. Repurchase of issued bonds, where the purpose thereof is to subsequently sell these bonds in the market, is regarded as continuity as far as the underlying borrowing relationship is concerned. Any gains and losses arising from such repurchase arrangements and on-selling of the Bank's own bonds are spread over the remaining life of the bonds in question.

### Assets and liabilities in foreign currencies

The Bank's assets and liabilities in foreign currencies are valued at middle market prices at the Oslo Stock Exchange on the accounting day in question. Income and costs in the Bank's accounts are converted into Norwegian kroner at the exchange rates ruling at the time when such income and costs were accrued and incurred.

### Financial instruments of an off-balance sheet category

Financial instruments off the balance sheet mainly comprise foreign currency- and interest rate instruments. These are agreements entered into with banks or customers about the fixing of future foreign exchange rates and/or interest rate terms and conditions. Such instruments are used in order to take care of the Group's foreign exchange- and interest rate risk, and in order to take positions taking advantage of expectations with regard to the way in which interest rates, prices and foreign exchange rates will develop. At the time of the agreement, the instruments involved are classified as hedging- or trading transactions, depending upon the purpose of the transactions.

Hedging transactions are defined as agreements whose purpose is to reduce/neutralise the Bank's risk relating to the swings in interest rates or foreign exchange rates. In order to be able to classify an agreement as a hedging agreement, a large degree of negative covariance between the hedging agreement and the hedged item must exist. Income and costs in connection with such hedging agreements are included in the accounts in accordance with the items hedged.

Trading transactions comprise own-account trading in order to make a profit through taking advantage of price differences and price changes. Trading transactions are assessed according to market value. Any change in market value is included on a net basis in the profit and loss account, as a net gain or loss.

### Business area

SpareBank 1 Nord-Norge's operations and activities are regarded as a total and cohesive business area.

### International financial reporting standards (IFRS)

As a quoted company, the Group will prepare and report Group accounts in accordance with IFRS with effect from 2005.

Reference is made to separate IFRS Group accounts with Notes to the Accounts.

**NOTE 2 NET INTEREST- AND CREDIT COMMISSION INCOME**

Amounts in NOK million	2005	2004
Interest and similar income from loans to and claims on credit institutions	39	27
Interest and similar income from loans to and claims on customers	1 644	1 653
Interest and similar income from certificates, bonds and other interestbearing securities	68	61
<b>Total interest and similar income</b>	<b>1 751</b>	<b>1 741</b>
Interest and similar costs in respect at liabilities to credit institutions	42	56
Interest and similar costs relating to deposits from and liabilities to customers	318	286
Interest and similar costs relating to the issuance of securities	279	264
Interest and similar costs relating to subordinated loan capital	54	46
Other interest and similar costs 1)	0	0
<b>Total interest and similar costs</b>	<b>693</b>	<b>652</b>
<b>Net interest and credit commission income</b>	<b>1 058</b>	<b>1 089</b>

1) By law, Norwegian savings banks must be members of the Banks' Guarantee Fund. The purpose of the Fund is to support member banks' operations and to make sure that they meet their obligations. In 2005, the bank has paid NOK 0 mill to the Fund.

**NOTE 3 DIVIDENDS RECEIVED AND OTHER INCOME FROM SECURITIES WITH VARIABLE YIELD**

Amounts in NOK million	2005	2004
Income from shares, unit trusts and other securities with variable yield	5	5
Income from shareholdings in associated companies	69	22
Income from shareholdings in Group companies	33	18
<b>Total dividends and other income from securities with variable yield</b>	<b>107</b>	<b>45</b>

**NOTE 4 COMMISSIONS AND INCOME FROM BANKING SERVICES**

Amounts in NOK million	2005	2004
Guarantee commissions	14	15
<b>Other fees and commission income</b>		
Loan/credit brokerage	25	22
Securities trading, administration and trust department services	27	32
Payment transmission services	217	199
Insurance services	74	72
Miscellaneous	10	11
<b>Total other fee- and commission income</b>	<b>353</b>	<b>336</b>
<b>Total commissions and income from banking services</b>	<b>367</b>	<b>351</b>

## NOTE 5 NET VALUE CHANGES, GAINS/LOSSES ON CERTIFICATES, BONDS AND OTHER CHANGES - GAINS/LOSSES FROM FOREIGN EXCHANGE AND SECURITIES CLASSIFIED AS CURRENT ASSETS

Amounts in NOK million	2005	2004
Net value changes and gains/losses on certificates, bonds and other interest-bearing securities	11	9
Net value changes and gains/losses on shares and other securities with variable yield	35	-6
Net value changes and gains/losses on foreign exchange and financial derivatives	35	29
<b>Total value changes and gains/losses on foreign exchange and securities classified as current assets</b>	<b>81</b>	<b>32</b>

## NOTE 6 OTHER OPERATING INCOME

Amounts in NOK million	2005	2004
Operating income from real estate	2	2
Other operating income	14	15
<b>Total other operating income</b>	<b>16</b>	<b>17</b>

## NOTE 7 WAGES, SALARIES AND GENERAL ADMINISTRATION COSTS

Amounts in NOK million	2005	2004
Wages and salaries	327	287
Pensions	48	33
Social costs	37	27
Administration costs	230	228
<b>Total wages, salaries and general administration costs</b>	<b>642</b>	<b>575</b>

Amounts in NOK 1 000	2005	2004
Fee paid to directors of the main Board	1 215	1 115
Fee paid to the Control Committee	240	220
Fee paid to Board of Trustees	369	375
Salary and other emoluments for the Managing Director: 1)	1 807	1 607
- Ordinary remuneration	1 657	1 464
- Other benefits subject to income tax	150	143
Average number of staff during the accounting year	770	767

1) The Chief Executive Officer has a pension agreement which commences at the age of 62 this gives him the right to a pension disbursement equal to 70 per cent of his annual leaving salary. If he should so wish, the CEO can resign at the age of 60. The Bank's subsidy of borrowing rate paid by staff are not accounted as a separate cost, and is included as an interest income. The borrowing rate paid by staff is 80 per cent of customers standard interest rate for house mortgage loans.

## NOTE 8 DEPRECIATION ETC. OF FIXED- AND INTANGIBLE ASSETS

Amounts in NOK million	2005	2004
Ordinary depreciation	35	36
Write-downs	0	0
<b>Total depreciation etc. of fixed- and intangible assets</b>	<b>35</b>	<b>36</b>

**NOTE 9 OTHER OPERATING COSTS**

Amounts in NOK million	2005	2004
Operating costs buildings	5	6
<b>Other operating costs:</b>		
External auditor 1)	2	1
Rent paid - premises and bank buildings	54	54
Operating costs - premises	14	15
Other operating costs 2)	56	68
<b>Total other operating costs</b>	<b>126</b>	<b>138</b>
<b>Total operating costs</b>	<b>131</b>	<b>144</b>

Amounts in NOK 1 000

**1) Fees:**

Auditing fees	1 148	1 007
Audit-related consultant services	471	311
Advisory services fees	268	
<b>Total fees external auditor</b>	<b>1 887</b>	<b>1 318</b>

Amounts in NOK million

**2) Other operating costs:**

Cash handling costs/services	9	7
Fees/dues	9	9
Fees paid to internal auditor (Ernst & Young)	3	
Collection costs	3	3
Non-life assurance	3	5
Maintenance of machinery/fixtures/transportation equipment	4	4
Other operating costs	25	40
<b>Total other operating costs</b>	<b>56</b>	<b>68</b>

**NOTE 10 LOSSES ON LOANS AND GUARANTEES**

Amounts in NOK million	2005	2004
Losses on loans	59	163
Losses on guarantees etc.	4	2
<b>Total losses on loans, guarantees etc.</b>	<b>63</b>	<b>165</b>

**Losses incorporated in the accounts**

	2005	2004
Period's change in individual write-down for impaired value	-108	-183
Period's change in collective write-down for impaired value	-25	0
Period's confirmed losses against which individual write-downs were previously made	175	324
Confirmed losses on commitments against which individual write-downs has not previously been raised	43	58
Recoveries in respect of previously confirmed losses	-22	-34
<b>Total losses on loans, guarantees etc.</b>	<b>63</b>	<b>165</b>

## Losses broken down by commercial, industrial and other sectors

Sectors	2005		2004	
	Share losses	Losses	Share losses	Losses
Agriculture, forestry, fisheries, hunting and fish farming	19 %	16	12 %	24
Industry and mining	26 %	22	46 %	92
Building and construction; power- and water supply	0 %	0	4 %	7
Wholesale- and retail trade; hotel- and restaurant industry	31 %	26	9 %	17
International shipping and pipeline transport	0 %	0	0 %	0
Transport- and communication	-1 %	-1	7 %	14
Financing, property management and business services	28 %	24	5 %	10
Other services	1 %	1	3 %	5
Retail banking market	26 %	22	15 %	30
Collective write-down - corporate banking sector	-39 %	-33		
Collective write-downs - retail banking sector	9 %	8		
Collective write-downs (losses on repossessed assets)	0 %	0		
<b>Losses on loans to customers</b>	<b>100 %</b>	<b>85</b>	<b>100 %</b>	<b>199</b>
Recoveries in respect of previous confirmed losses		22		34
<b>Net losses on loans to customers</b>		<b>63</b>		<b>165</b>

## NOTE 11 TAX PAYABLE ON ORDINARY RESULT

## The tax payable is calculated as follows:

Amounts in NOK million	2005	2004
Ordinary result before taxation charge	696	544
Permanent differences	-162	-49
Change in provisional differences	8	22
Change in pension cost due to change on principle	0	-19
Basis for tax payable	542	498
Tax payable on the result for the year (28 %)	152	139
Wealth tax payable	8	7
<b>Total tax payable</b>	<b>160</b>	<b>146</b>
Of which is carried forward to extraordinary result	0	0

**The tax charge for the year is computed as follows:**

	2005	2004
Total tax payable	160	146
Gross change in deferred tax	-6	10
Change in deferred tax due to change on principle	0	5
Under-/over-provision for tax last year	5	3
<b>Total taxation charge for the year</b>	<b>159</b>	<b>164</b>

**The basis for deferred tax benefit/deferred tax is arrived at as follows:**

	31.12.05	31.12.04
<b>Differences to be netted out</b>		
Current assets 1)	0	-1
Fixed assets	-53	-53
Other provisional differences	-84	-31
Pension liabilities	-183	89
Change on principle recorded directly to equity	0	-299
Basis for calculating deferred tax benefit	-320	-295
<b>Total deferred tax benefit</b>	<b>-90</b>	<b>-84</b>

1) Due to changes in the taxation rules in 2004, deferred tax benefits relating to shares previously incorporated in the accounts have been charged to the Profit and Loss Account in 2004.

**NOTE 12 LOANS TO AND CLAIMS ON CREDIT INSTITUTIONS**

Amounts in NOK million	31.12.05	31.12.04
Loans to/claims on credit institutions - no agreed maturity or notice of withdrawal	29	68
Loans to/claims on credit institutions - with agreed maturity or notice of withdrawal	795	734
<b>Total loans to/claims on credit institutions</b>	<b>824</b>	<b>802</b>

**NOTE 13 LOANS TO AND CLAIMS ON CUSTOMERS**

Amounts in NOK million	31.12.05	31.12.04
Loans - factoring		
Leasing agreements		
Overdraft- and working capital facilities	2 567	2 197
Building loans	1 268	833
Repayment loans	37 230	34 540
<b>Other loans</b>		
Total loans before individual and collective write-down for impaired value	41 065	37 570
- Individual write-down for impaired value	259	310
- Collective write-down for impaired value	214	318
<b>Total net loans and claims on customers (amortised cost)</b>	<b>40 592</b>	<b>36 942</b>
Total net loans to and claims on customers (fair value)	40 698	36 942

## Lending broken down by markets

	31.12.05		31.12.04	
	Lending	Share	Lending	Share
Retail banking market	26 835	65.3 %	23 669	63.0 %
Corporate banking market	14 045	34.2 %	13 757	36.6 %
Public sector market	185	0.5 %	144	0.4 %
<b>Total gross lending broken down by markets</b>	<b>41 065</b>	<b>100.0 %</b>	<b>37 570</b>	<b>100.0 %</b>

## Lending broken down by different categories of risk

	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04	Expected annual average net loss
	Total commitments		Gross lending		Individual write-down for impaired value		
Low risk	37 712	31 603	33 668	28 961			4
Medium risk	4 460	6 085	4 157	5 036			21
High risk	2 730	3 176	2 537	2 810			111
Bad/doubtful	724	766	703	763	259	312	
	<b>45 626</b>	<b>41 900</b>	<b>41 065</b>	<b>37 570</b>	<b>259</b>	<b>312</b>	<b>136</b>

The Bank uses a classification system for monitoring credit risk in the portfolio.

The Bank has changed its definition of commitments in default. This means that this year's figures are not comparable with those from the year before. Default is now defined as overdrafts/arrears in excess of 90 days, or when there is objective proof of events which would suggest that the customer is in default.

A default probability percentage is calculated for each customer, based on empirical accounting data and annotations made during the life of the customer relationship in question, with a similar system for retail banking customers, based on tax assessment figures and annotations as mentioned above. The Bank today uses 9 classes for 'healthy/recovered' commitments and 2 classes for commitments in default, based on a default probability percentage for each customer.

The entire portfolio is assessed on a monthly basis, using automatic data collection, based on objective information.

A customer's total commitment is defined as the sum of loan balances, guarantee limits, credit limit and accrued interest. Individual write-down for impaired value are done for retail banking- and corporate commitments which in accordance with FSAN's rules and regulations have been identified as bad and doubtful.

Shifts between different risk groups in 2005 show a higher proportion of low and medium risk according to the new classification system which was implemented during the year.

Risk pricing of corporate commitments reflects risk class and security coverage. In the case of pricing of risk relating to retail banking commitments, the ability to service outstanding commitments in accordance with standard rates and security coverage is taken into consideration.

The definition of high risk loans as well as bad and doubtful loans has been significantly changed, such loans now being assessed according to their default probability. The proportion of high risk loans was 7.2 per cent in 2005. Bad and doubtful loans accounted for 2.8 per cent of the lending portfolio.

Expected credit loss is calculated over a period of one year as a combination of default probability, the collateral or other security available and the size of the commitment in question. Expected credit loss is one of the parameters factored into the Bank's pricing model when calculating the rate of interest to be paid by the customer.

## Lending broken down by geographical sectors

	31.12.05		31.12.04	
	Share	Gross lending	Share	Gross lending
North-Norway including Spitzbergen	91 %	37 410	92 %	34 451
Other counties	9 %	3 569	8 %	3 081
International	0 %	86	0 %	38
<b>Total gross lending by geographical sectors</b>	<b>100 %</b>	<b>41 065</b>	<b>100 %</b>	<b>37 570</b>

### Lending broken down by commercial, industrial and other sectors

	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04
	Total commitments		Gross lending		Total, in default/ bad and doubtful		Individual write-down for impaired value	
Central government administration, social security administration	0	1	0	1				
Counties and municipalities	455	341	185	143				
Agriculture, forestry, fisheries, hunting and fish farming	2 616	2 422	2 427	2 265	390	335	94	23
Production of crude oil and natural gas	12	8	12	8				
Industry and mining	1 554	2 218	1 084	1 542	45	195	28	117
Building and construction, power and water supply	1 626	1 587	1 012	896	13	27	6	17
Wholesale and retail trade; hotel and restaurant industry	1 956	1 937	1 515	1 527	65	52	33	30
International shipping and pipeline transport	0	4	0	4				0
Transport and service industries	1 402	1 684	1 173	1 517	4	22	3	15
Financing, property management and business services	6 975	5 887	4 929	5 241	194	118	38	44
Other services	677	690	613	632	19	11	4	5
Insurance, fund management and financial services	1 063	909	1 280	132				
Foreign sector retail	93	78	85	78				
Retail banking market	27 197	23 864	26 750	23 584	216	225	53	61
<b>Total gross loans and guarantees</b>	<b>45 626</b>	<b>41 630</b>	<b>41 065</b>	<b>37 570</b>	<b>946</b>	<b>985</b>	<b>259</b>	<b>312</b>

### Commitments in default - bad and doubtful commitments

	31.12.05	31.12.04	31.12.03	31.12.02	31.12.01
Commitments in default, not bad and doubtful	243	222	704	518	471
Bad and doubtful commitments	703	763	404	543	173
Total commitments in default	946	985	1 108	1 061	644
- Individual write-down for impaired value	259	312	495	351	241
= Net bad and doubtful commitments	687	673	613	710	403

Changed accounting principle. Comparable figures only for 31.12.04 and 31.12.05.

### Individual and collective write-down for impaired value

	31.12.05	31.12.04
<b>Individual write-down for impaired value</b>		
Individual write-down for impaired value against losses on loans, guarantees etc. as at 1.1. 1)	312	495
+ Effect of implementing IFRS/new lending rules and regulation	71	
- Confirmed losses during the period on loans, guarantees etc. against which individual write-down for impaired value has previously been raised	175	324
- Reversal of previous years' write-down for impaired value	63	41
+ Increase in write-down for commitments against which individual write-down for impaired value were previously made	4	13
+ Write-down for impaired value for commitments against which no individual write-down for impaired value was previously raised	115	169
= <b>Individual write-down for impaired value against losses on loans, guarantees etc. as at 31.12.</b>	<b>264</b>	<b>312</b>

### Collective write-down for impaired value

Collective write-down for impaired value against losses on loans, guarantees etc. as at 1.1.	318	
+ Effect of implementing IFRS/new lending rules and regulation	-79	318
+ Period's collective write-down for impaired value against losses on loans, guarantees etc.	-25	0
= <b>Collective write-down for impaired value against losses on loans, guarantees etc. as at 31.12.</b>	<b>214</b>	<b>318</b>

1) Individual write-down for impaired value for guarantees, NOK 5 million, are included in the Balance Sheet as liabilities as at 31.12.05, under 'Provisions against liabilities. Corresponding figures in 2004 is NOK 3 million.

**Accrued interest, not yet booked as income:**

	31.12.05	31.12.04
Accrued interest - not yet booked as income - on loans as at 1.1.	40	53
- Previous periods' loan interest booked as income during the period	13	20
- Accrued interest - not yet booked as income - on loans no longer in balance sheet	26	46
+ Period's accrued - not yet booked as income - interest on loans which have been identified as bad and doubtful	32	53
<b>Accrued - not yet booked as income - interest on loans in balance sheet at 31.12.</b>	<b>33</b>	<b>40</b>

**Subordinated loan capital provided for customers**

Amounts in NOK 1,000	31.12.05	31.12.04
<b>Loans to customers</b>		
SpareBank 1 Gruppen AS	42 600	42 600
Group companies	20 000	20 000
Other companies	10 512	10 800
<b>Total subordinated loan capital provided for customers</b>	<b>73 112</b>	<b>73 400</b>

**NOTE 14 LOANS TO TOP MANAGEMENT AND ELECTED REPRESENTATIVES**

Amounts in NOK 1,000	31.12.05
<b>Top management 1)</b>	
Hans Olav Karde, CEO	1 448
Oddmund Aasen, Deputy CEO	1 743
Elisabeth Utheim, Senior Group General Manager	2 182
Stig Arne Engen, Senior Group General Manager	4 134
Olav Karlsen, Senior Group General Manager	1 452
Rolf Eigil Bygdnes, Senior Group General Manager	2 596
Geir Andreassen, Risk Manager	918
Kjell Kolbeinsen, Information Director	1 125
	<b>15 598</b>
<b>Members of the main board of directors 2)</b>	
Vivi-Ann Pedersen, member, employees representative	642
Åse Annie Opsjøn, member	615
	<b>1 257</b>
<b>Member of control committee and board of trustees 2)</b>	<b>13 106</b>
<b>Total - top management and elected representatives</b>	<b>29 961</b>

1) Terms and conditions, collateral and other security as for other staff.

2) Terms and conditions, collateral and other security as for ordinary customers, with the exception of employees' elected representatives for whom terms and conditions, collateral and other security are the same as for other staff.

**NOTE 15 REPOSSESSED ASSETS**

Amounts in NOK 1,000

	31.12.05	31.12.04
Commercial buildings	4 808	5 518
Dwelling units	591	556
Tangible moveable property	219	309
<b>Total repossessed assets</b>	<b>5 618</b>	<b>6 383</b>

**NOTE 16 CERTIFICATES, BONDS AND OTHER INTEREST-BEARING SECURITIES WITH FIXED YIELD**

Amounts in NOK million

	31.12.05	31.12.04
Certificates, bonds and other interest-bearing securities issued by public sector borrowers	589	0
Certificates, bonds and other interest-bearing securities issued by other borrowers	3 486	2 768
<b>Total certificates, bonds and other interest-bearing securities with fixed yield</b>	<b>4 074</b>	<b>2 768</b>

**Certificates and bonds which form part of the trading portfolio**

Amounts in NOK 1,000

Debtor-category	Acquisition cost	Market value	Book value	Quoted part of book value	Average yield 1)
Certificates:					
Government- and Government guaranteed	588 155	588 863	588 863	588 863	0.00 %
Savings- and credit institutions NOK	225 000	225 000	225 000		2.40 %
Bonds:					
Insurance- and credit institutions NOK	139 961	140 289	140 289	140 289	2.77 %
Savings- and commercial banks NOK	1 030 866	1 032 366	1 032 366	216 587	2.78 %
Financial institutions USD	303 102	303 394	303 394	249 296	4.57 %
Financial institutions EUR	1 342 961	1 344 604	1 344 604	1 344 604	2.53 %
State-owned corporations NOK	141 503	142 298	142 298	142 298	2.65 %
Industrial enterprises NOK	295 932	297 662	297 662	297 662	3.79 %
<b>Total</b>	<b>4 067 479</b>	<b>4 074 476 2)</b>	<b>4 074 476</b>	<b>2 979 599</b>	

1) Average yield is calculated as weighted average of securities included in each debtor category.

2) Part of market value is hedged by currency- and interest rate agreements.

**NOTE 17 SHARES AND OTHER SECURITIES WITH VARIABLE YIELD**

Amounts in NOK million	<b>31.12.05</b>	<b>31.12.04</b>
Shares, units and PCCs	<b>410</b>	341
Parts in general- and limited Partnerships	<b>0</b>	0
<b>Total shares, units and other securities</b>	<b>410</b>	341

**Breakdown of shares, units and other securities with variable yield**

Classified as	Acquisition cost	Book value	Market value	Share bookvalue of quoted securities
Shares, units and PCCs which form part of the trading portfolio	345	353	353	353
Shares, units and PCCs classified as current assets which do not form part of the trading portfolio	61	46	46	0
Shares, units classified as fixed assets	11	11	11	0
<b>Total shares, units and other securities with variable yield</b>	<b>417</b>	<b>410</b>	<b>410</b>	<b>353</b>

**Portfolio changes - shares and units classified as fixed assets**

Portfolio as at 1.1.05	6
Additions	5
Disposals	
Reclassifications (gross)	
Premium/discount during the year - accrual accounting applied	
Write-downs during the accounting year	
<b>Portfolio as at 31.12.05</b>	<b>11</b>

## PCCs shares and units/parts

Amounts in NOK 1,000

Company names	Our equity stake NOK	Our equity per cent	Number of shares/units	Market value	Book value
<b>PCCs - trading portfolio:</b>					
Helgeland Sparebank	39 049	9.98 %	201 503	45 338	45 338
SpareBank 1 Midt-Norge	7 999	0.33 %	165 280	12 933	12 933
SpareBank 1 SR-bank	1 121	0.06 %	13 450	3 094	3 094
Sparebanken Møre	1 093	0.10 %	5 700	1 858	1 858
Sandnes Sparebank	971	0.10 %	5 120	1 198	1 198
Vestfold Sparebank	508	0.20 %	2 500	525	525
Sparebanken Øst	194	0.05 %	1 000	275	275
<b>Shares - trading portfolio:</b>					
Troms Fylkes Dampskibsselskap ASA 1)	162 659	19.50 %	1 529 866	115 505	115 505
Ofoten og Vesteraalens Dampskibsselskap ASA	68 015	10.86 %	1 267 472	82 386	82 386
FöreningsSparbanken AB (publ)/Swedbank (Sweden)	19 905	0.04 %	187 500	34 444	34 444

1) SNN has issued a call option to a foreign counterpart for 600,000 TFDS shares, strike price NOK 115, time to maturity in 2007.

## Units in share-investment funds:

ODIN Europa			190 995	18 513	18 513
Storebrand			3 587	5 586	5 586
NASDAQ-10			19 950	5 434	5 434
ODIN Norge			2 105	4 099	4 099
Storebrand			2 526	3 627	3 627
ODIN Robur			8 157	2 242	2 242
ODIN Norden			1 776	2 214	2 214
XACT SXB			5 000	1 264	1 264
Shares - not specified - in trading portfolio				12 997	12 997
<b>Total PCCs, shares and units - trading portfolio</b>				<b>353 532</b>	<b>353 532</b>

## Shares - other ordinary shares:

Hammerfest Næringsinvest AS	9 000	20.0 %	10 000	9 000	9 000
Marin Vekst ASA	8 000	6.0 %	80 000	8 000	8 000
Såkkorninvest Nord AS	6 380	17.5 %	16 250	6 380	6 380
Alta Kraftlag AL		1.3 %	69	3 500	3 500
Helgeland Vekst	3 000	6.3 %	30 000	3 000	3 000
Finnmark Miljøvarme	3 000	33.3 %	3 000	3 000	3 000
Norinnova AS (Forskningsparken)	2 993	3.9 %	614	2 993	2 993
Energivekst AS	2 707	0.7 %	24 314	2 786	2 786
Lytx Biopharma AS	1 150	4.4 %	79	1 150	1 150
Other ordinary shares not specified				5 781	5 781
<b>Total shares and units - other ordinary shares</b>				<b>45 590</b>	<b>45 590</b>

## Shares and units - classified as fixed assets:

Bankenes Betalings Sentral AS	5 464	3.31 %	218 556		5 464
AS Sparebankmateriell	231	7.33 %	2 307		225
Teller AS	5 120	6.28 %	502		5 120
S.W.I.F.T. S.C.			11		79
<b>Total shares - classified as fixed assets</b>					<b>10 888</b>

**Total shares, units/parts and PCCs****410 010**

**NOTE 18 EQUITY PARTICIPATIONS IN ASSOCIATED COMPANIES AND JOINT VENTURES**

Amounts in NOK million	<b>31.12.05</b>	<b>31.12.04</b>
Equity participations in associated companies	<b>480</b>	316
<b>Total equity participations in other associated companies</b>	<b>480</b>	316

**Shares and equity participations included in accounts according to the equity method of accounting**

Amounts in NOK 1,000							
	<b>Our share</b>	<b>Acquisition cost</b>	<b>Book value of equity cap. at acquisition</b>	<b>Book value as at 1.1.05</b>	<b>Res. booked as income</b>	<b>Other changes</b>	<b>Book value as at 31.12.05</b>
<b>Associated companies:</b>							
ANS Bygginvestorer II, Havøysund	29.71 %	2 639	2 639	644		122	766
ANS Bygginvestorer III, Tana - has been wound up	28.43 %	1 280	1 280	963		-963	0
<b>Joint ventures:</b>							
SpareBank 1 Gruppen AS	17.63 %	476 797	326 249	305 112	95 000	41 892	442 004
SpareBank 1 Boligkreditt AS	19.08 %	19 076	19 076		-75		19 001
SpareBank 1 Utvikling DA	19.78 %	7 000		9 593	-26 373	34 780	18 000
Total associated companies and joint ventures:		506 792	349 244	316 312	68 552	75 831	479 771
<b>Total equity participations in associated companies and joint ventures:</b>							<b>479 771</b>

Shares and equity participations in associated companies and joint ventures are not quoted on the stock exchange.

**Intra-group balances relating to the bank and the abovementioned companies**

Amounts in NOK 1,000	<b>31.12.05</b>	<b>31.12.04</b>
<b>Assets</b>		
Subordinated loans	<b>42 600</b>	42 600
Repayment loans	<b>26 253</b>	45 500
<b>Total assets</b>	<b>68 853</b>	88 100
<b>Liabilities</b>		
Deposits from and liabilities to customers	<b>19 488</b>	169
<b>Total liabilities</b>	<b>19 488</b>	169

**SpareBank 1 Gruppen**

SpareBank 1 Gruppen AS is owned by SpareBank 1 Nord-Norge, SpareBank 1 Midt-Norge, SpareBank 1 SR-Bank, and Samarbeidende Sparebanker AS, each having a 17.63 per cent shareholding, FöreningsSparbanken AB (public)/Swedbank, whose equity stake is 19.5 per cent and by the Norwegian Federation of Trade Unions (LO), whose shareholding is 10 per cent. Equity stakes in SpareBank 1 Gruppen AS are to be regarded as participation in a joint venture and are accordingly included in member banks' accounts according to the equity method of accounting.

<b>Company name</b>	<b>Company's share capital NOK million</b>	<b>Equity stake</b>	<b>Share of voting-rights</b>
SpareBank 1 Gruppen AS	1 562.4	17.63 %	17.63 %

The joint venture operations consist of the parent company, SpareBank 1 Gruppen AS, SpareBank 1 Livsforsikring AS, SpareBank 1 Skadeforsikring AS, SpareBank 1 Fondsforsikring AS, Bank 1 Oslo AS, ODIN Forvaltning AS, SpareBank 1 Medlemskort AS, SpareBank 1 Utvikling DA (20 per cent), First Securities ASA (24.5 per cent). The subsidiaries conduct business within the areas of banking, insurance, brokerage and fund management. All transactions entered into between the Bank and SpareBank 1 Gruppen's subsidiaries are done on commercial terms. Internal payments between the Bank and SpareBank 1 Gruppen AS which are not related to sale and portfolio advisory services are based on the full cost principle.

SpareBank 1 Nord-Norge has made two subordinated loans to SpareBank 1 Gruppen AS amounting to NOK 42.6 million. The loans, amounted to NOK 16.6 million and NOK 26 million, matures in 2006 and in 2010, and the rate of interest payable has been fixed at 6-months NIBOR plus a margin of 2.25 percentage per annum. In 2005 SpareBank 1 Nord-Norge granted a drawing rights facility of NOK 87.5 million to SpareBank 1 Gruppen AS.

As at 31.12.05, NOK 26.2 million had been drawn down. The facility is part of a syndicated loan arranged by Swedbank, Oslo.

Amounts in NOK million	2005		2004	
Result	100 %	17.63 %	100 %	15.46 %
Result after tax	683.1		285.0	
Depreciation of goodwill and excess value	-136.9		-132.0	
Other eliminations	-7.8		-4.0	
Minority share			-0.1	
<b>Profit for the year</b>	<b>538.4</b>	<b>95.0</b>	<b>148.9</b>	<b>22.4</b>

## NOTE 19 EQUITY STAKES IN GROUP COMPANIES

	31.12.05	31.12.04
Equity stakes in credit institutions	108	111
Equity stakes in other Group companies	70	57
<b>Total equity stakes in Group companies</b>	<b>178</b>	<b>168</b>

### Shares and equity stakes inclusive in accounts according to equity method of accounting

Company names	Shares of and voting-capital	Acquisition-cost	Book value of equity capital	Goodwill	Book value as at 1.1.05	Result booked as income	Other changes	Book value as at 31.12.05
Amount in NOK 1,000								
SpareBank 1 Nord-Norge								
Finans AS, Tromsø	100.00 %	14 000	14 000		81 421	13 473	-17 483	77 411
A/S Fiskerikreditt, Tromsø	100.00 %	24 315	20 117	4 198	30 020	239		30 259
Eiendomsdrift AS, Tromsø 1)	100.00 %	20 000	20 000		44 677	10 937	1 825	57 439
EiendomsMegler 1 Nord-Norge AS, Tromsø	100.00 %	18 000	2 062	4 938	5 181	3 882	-2 168	6 895
SpareBank 1 Nord-Norge Securities ASA, Tromsø	56.20 %	5 717	5 717		6 515	4 293	-4 787	6 021
Mynten AS, Tromsø - has been wound up	100.00 %	50	50		151		-151	0
Ans Bygginvestorer I, Meistervik	52.36 %	1 850	1 850		67			67
<b>Total</b>		<b>83 932</b>	<b>63 796</b>	<b>9 136</b>	<b>168 032</b>	<b>32 824</b>	<b>-22 764</b>	<b>178 092</b>

1) Nord-Norsk Transportinvest AS is 100 per cent owned by Eiendomsdrift AS. Net loss NOK 3,650 is recorded as a reduction in result booked as income for Eiendomsdrift AS.

Shares in subsidiaries are not quoted on the stock exchange.

### Intra-group items between the bank and subsidiaries

Amounts in NOK 1,000	31.12.05	31.12.04
<b>Assets:</b>		
Loans to and claims on credit institutions - without agreed maturity or notice of withdrawal		
Loans to and claims on credit institutions - with agreed maturity or notice of withdrawal	779 778	649 082
Credit	1 937	3 509
Repayment loans	399 265	417 258
Other assets		
<b>Total assets</b>	<b>1 180 980</b>	<b>1 069 849</b>
<b>Liabilities:</b>		
Loans and deposits from credit institutions - no agreed maturity or notice of withdrawal	28 981	28 123
Loans and deposits from customers - with agreed maturity or notice of withdrawal	155 593	66 465
Other liabilities	2 000	2 000
<b>Total liabilities</b>	<b>186 574</b>	<b>96 588</b>

### NOTE 20 INTANGIBLE ASSETS

Amounts in NOK million	31.12.05	31.12.04
Deferred tax benefit	90	84
<b>Total</b>	<b>90</b>	<b>84</b>

### NOTE 21 FIXED ASSETS

Amounts in NOK million	31.12.05	31.12.04
Machinery, furniture etc. and transport equipment	93	108
Buildings and other real estate	5	5
<b>Total fixed assets</b>	<b>98</b>	<b>113</b>

	Total	Machinery trans. eq.	Bank build. property
Acquisition cost per 1.1.05	504	497	7
Additions	21	21	0
Disposals	10	10	0
Acquisition cost per 31.12.05	515	508	7
Total ordinary depreciation	417	415	2
Total write-downs	0	0	0
Book value per 31.12.05	98	93	5
Year's ordinary depreciation	35	35	0

**NOTE 22 OTHER ASSETS**

Amounts in NOK million	31.12.05	31.12.04
Unit in parking ground	4	4
Other debtors	31	64
Other assets	25	25
<b>Total other assets</b>	<b>60</b>	<b>93</b>

**NOTE 23 PREPAID COSTS, NOT YET INCURRED AND ACCRUED INCOME, NOT YET RECEIVED**

Amounts in NOK million	31.12.05	31.12.04
Accrued income, not yet received	285	315
Prepaid costs, not yet incurred		
Over-funding of pension liabilities	0	0
Other prepaid costs, not yet incurred	28	9
<b>Total prepaid costs, not yet incurred and accrued income, not yet received</b>	<b>313</b>	<b>324</b>

**NOTE 24 LIABILITIES TO CREDIT INSTITUTIONS**

Amounts in NOK million		31.12.05	31.12.04
	Yield 1)		
Loans and deposits from credit institutions with no agreed maturity or notice of withdrawal	1.37 %	69	64
Loans and deposits from credit institutions with agreed maturity or notice of withdrawal	2.33 %	1 734	2 759
<b>Total liabilities to credit institutions</b>	<b>2.27 %</b>	<b>1 803</b>	<b>2 823</b>

1) Yield is calculated as total annual interest cost in relation to average volume.

Broken down by the most important currencies:

USD	203	60
EURO	543	1 706
JPY	0	0
NOK	768	310
GBP	0	0
Sundry	289	747
	<b>1 803</b>	<b>2 823</b>

**Assets pledged as collateral security**

Collateral	Book value of collateral	Guarantees
Certificates and bonds 1)	3 586	3 577
Shares and other securities with variable yield	0	0
<b>Total collateralised assets</b>	<b>3 586</b>	<b>3 577</b>

1) Collateralised security for 'D-loans' from Norges Bank.

**NOTE 25 DEPOSITS FROM AND LIABILITIES TO CUSTOMERS**

Amounts in NOK million		31.12.05	31.12.04
	Yield 1)		
Deposits from and liabilities to customers - no agreed maturity	1.19 %	22 288	19 655
Deposits from and liabilities to customers - agreed maturity	1.65 %	3 178	3 417
<b>Total deposits from and liabilities to customers</b>	<b>1.25 %</b>	<b>25 466</b>	<b>23 072</b>

1) Yield is calculated as annual interest costs in relation to average volume. There are no substantial deposits in foreign currencies.

**Deposits broken down by different market segments**

Amounts in NOK million	31.12.05		31.12.04	
	Share	Deposits	Share	Deposits
Retail banking market	55 %	14 040	57 %	13 215
Corporate banking market	31 %	7 973	31 %	7 229
Public sector banking market	14 %	3 453	12 %	2 628
<b>Total deposits broken down by markets</b>	<b>100 %</b>	<b>25 466</b>	<b>100 %</b>	<b>23 072</b>

**Deposits broken down by commercial, industrial and other markets**

Amounts in NOK million	31.12.05		31.12.04	
	Share	Deposits	Share	Deposits
Central government and social security administration	2.4 %	599	2.7 %	612
County municipalities and other municipalities	11.2 %	2 854	8.7 %	2 017
Agriculture, forestry, fishing, hunting, fish farming	3.0 %	765	2.7 %	633
Production of crude oil and natural gas	0.0 %	1	0.0 %	1
Industry and mining	1.6 %	405	1.9 %	448
Building, construction, power- and water supply	3.7 %	949	4.1 %	949
Retail and wholesale trade; hotels and restaurants	4.6 %	1 177	4.3 %	991
International shipping and pipeline transport	0.0 %	4	0.0 %	8
Transport and other service industries	3.0 %	770	2.9 %	665
Financing, property management and business services	6.9 %	1 768	6.3 %	1 455
Other services	6.0 %	1 529	6.3 %	1 462
Retail banking market	54.4 %	13 860	56.5 %	13 028
International	0.7 %	183	0.8 %	188
Insurance, security funds and other financial institutions	2.4 %	602	2.7 %	615
<b>Total deposits from customers</b>				
<b>broken down by commercial, industrial and other markets</b>	<b>100.0 %</b>	<b>25 466</b>	<b>100.0 %</b>	<b>23 072</b>

**Deposits broken down by different geographical areas**

Amounts in NOK million	31.12.05		31.12.04	
	Share	Deposits	Share	Deposits
North-Norway including Spitzbergen	94 %	23 877	93 %	21 545
Other counties	5 %	1 406	6 %	1 334
International	1 %	183	1 %	193
<b>Total deposits by geographical areas</b>	<b>100 %</b>	<b>25 466</b>	<b>100 %</b>	<b>23 072</b>

**NOTE 26 BORROWINGS BY THE ISSUANCE OF SECURITIES**

Amounts in NOK million	31.12.05		31.12.04
Certificates and other short-term borrowings 2)	2 975	Yield 1) 2.14 %	1 357
- Own non-amortised certificates			
+ Bond debt 3)	13 600	2.29 %	10 804
- Own non-amortised bonds	923	1.24 %	424
<b>Total borrowings by issuance of securities</b>	<b>15 652</b>	<b>2.33 %</b>	<b>11 738</b>

1) Yield is calculated as total annual interest costs in relation to average volume.

2) Certificate debt – in NOK only

3) Bond debt in amount to NOK 8,477

**NOTE 27 OTHER LIABILITIES**

Amounts in NOK million	31.12.05	31.12.04
Bank drafts and advised giro payments	87	90
Tax deductions	17	15
Set aside for dividend payments	158	125
Tax incurred	160	146
Other creditors	49	43
<b>Total other liabilities</b>	<b>471</b>	<b>419</b>

**NOTE 28 INCURRED COSTS AND PREPAID INCOME**

Amounts in NOK million	31.12.05	31.12.04
Incurred interest costs	287	333
Incurred costs/bonus payments	82	54
Prepaid interest income	0	1
Prepaid other income	5	29
Miscellaneous	32	5
<b>Incurred costs and prepaid income</b>	<b>406</b>	<b>422</b>

**NOTE 29 PROVISIONING AGAINST INCURRED LIABILITIES AND COSTS**

Amounts in NOK million	31.12.05	31.12.04
Pension liabilities	183	209
Deferred taxes	0	0
Write-down of guarantee liabilities	6	2
<b>Total provisioning against incurred liabilities and costs</b>	<b>189</b>	<b>211</b>

### Pension liabilities

SpareBank 1 Nord-Norge has group pension schemes for its staff. These schemes are administered through a separate pension fund, SpareBank 1 Nord-Norges Pensjonskasse, which manages the pension resources within the rules and regulations to pension funds.

The main terms and conditions in this connection involve 30 year's pensionable accruals and a pension at normal retirement age of some 70 per cent leaving salary. The pensionable age is 67 years. All pension benefits are coordinated with the benefits expected to be received from the National Insurance Fund. As at 31.12.05, 1,079 employees were members of the Bank's pension scheme. In addition to the Bank's pension liabilities, which are taken care of through the pension fund, the Bank has arranged separate insurance through other insurance company for certain members of staff - when 70 per cent of ordinary salary exceeds a predetermined figure fixed by the government.

When assessing the value of the pension resources, and when calculating the accrued liabilities, estimated values are applied. These estimates are adjusted each year in accordance with statements confirming the pension resources' transferable value and according to actuarial computations in respect of the total amount of liabilities involved. The value of the pension fund's liabilities, the pension insurance arranged through other insurance company, and the uncovered commitments, have been included in the calculations set out below.

During the autumn of 2005, listed companies which report Group accounts according to IFRS were given permission also to apply international standard (IAS 19) when calculating and including pensions in the Parent Bank's company accounts. The change involves restatement of accounting figures as at 1.1.04 which have been adjusted against the equity capital. In addition, this means a changed result for 2004 due to changed pension cost. This impact has also been adjusted against the equity capital.

### Calculations have been based on the following factors:

	31.12.05	31.12.04	31.12.04	31.12.03
	IAS	IAS	NGAAP	NGAAP
Rate of discounting	4.50 %	5.20 %	5.70 %	6.00 %
Future wage- and salary development	3.00 %	3.30 %	3.30 %	3.00 %
Adjustment of basic amount	2.75 %	3.00 %	3.00 %	2.50 %
Expected rate of return on available resources	5.50 %	6.20 %	6.70 %	7.00 %
Increase in current pensions	2.75 %	3.00 %	3.00 %	2.50 %
Employers' social security contributions	14.10 %	14.10 %	14.10 %	5.10 %
Employer's social security contributions relating to pension costs	9.50 %	7.30 %	7.30 %	5.10 %
Turnover for all ages	2.00 %	2.00 %	2.00 %	2.00 %
Staff's average, estimated propensity to opt for SRPS at the age of 62	30.00 %	30.00 %	30.00 %	30.00 %

### Pension costs for the year are arrived at as follows:

	31.12.05	31.12.04
Present value of pensionable accruals for the period	27	26
Interest cost of pension liabilities incurred	36	36
Expected rate of return on pension resources	-33	-32
Amortisation for the year	0	0
Net pension costs for the year	30	30
Employers' social security contributions - subject to accrual accounting	2	1
Actuarially computed pension cost	32	31
Other pension costs	16	2
<b>Net pension costs, including employers' social security contributions</b>	<b>48</b>	<b>33</b>

### Pension liabilities and pension resources included in balance sheet:

	31.12.05	31.12.04
Present value of future pension liabilities	772	661
Estimated value of pension resources	545	487
Financial impact of estimated discrepancies not included in profit and loss account	115	44
Net liabilities (+)/resources (-)	112	130
Employers' social security contributions - subject to accrual accounting	10	12
<b>Total liabilities in balance sheet (+)/resources (-)</b>	<b>122</b>	<b>142</b>

<b>Pension liabilities and resources in uncovered schemes included in balance sheet:</b>	<b>31.12.05</b>	<b>31.12.04</b>
Present value of future pension liabilities	41	46
Estimated value of pension resources	0	0
Financial impact of estimated discrepancies not included in profit and loss account	15	15
Net liabilities (+)/resources (-)	56	61
Employers' social security contributions - subject to accrual accounting	5	6
<b>Total liabilities in balance sheet (+)/resources (-)</b>	<b>61</b>	<b>67</b>

### NOTE 30 OTHER SUBORDINATED LOAN CAPITAL

Amounts in NOK million	<b>Interest rate</b>	<b>31.12.05</b>	<b>31.12.04</b>
<b>Maturity structure</b>			
Maturity 2013 - option to repay in 2008 (NOK)	3 months floating	300	300
Maturity 2013 - option to repay in 2008 (NOK)	3 months floating	232	232
Maturity 2010 - option to repay in 2005 (NOK)	3 months floating	0	200
Maturity 2010 - option to repay in 2005 (NOK)	3 months floating	0	100
Maturity 2015 - option to repay in 2010 (EUR), subordinated loan	3 months floating	400	
Capital bond, option to repay in 2013 (USD) <sup>1)</sup>	6 months floating	405	362
<b>Total subordinated loan capital</b>		<b>1 337</b>	<b>1 194</b>

1) Subordinated loan EUR 50 million and capital bond USD 60 million are shown in the accounts at the middle foreign exchange rate as at 31.12.05. Foreign currency risk of EUR loan is hedged. All subordinated loan capital is included in the Bank's equity and related capital.

### NOTE 31 EQUITY CAPITAL

Amounts in NOK million	<b>31.12.05</b>	<b>31.12.04</b>
<b>Paid-in equity capital</b>		
Share capital		
- PCC-capital	792	660
- Premium Fund	8	8
<b>Total paid-in capital</b>	<b>800</b>	<b>668</b>
<b>Retained equity capital</b>		
Fund for Evaluation Differences	65	0
Savings Bank's Fund	1 618	1 411
Dividend Equalisation Fund	151	258
Donations	102	35
<b>Total retained equity capital</b>	<b>1 936</b>	<b>1 704</b>
<b>Total equity capital</b>	<b>2 736</b>	<b>2 372</b>

#### PCC-capital

The Bank's PCC-capital amounts to NOK 791,642,300 made up of 15,832,846 certificates, each of a nominal value of NOK 50. As at 31.12.05, the Bank had 8,031 PCC-holders (5,670 as at 31.12.04).

**The 20 largest PCC-holders:**

<b>Name:</b>	<b>Number of PCC's</b>	<b>Share</b>
Swedbank S/A Prop Treasury	1 541 640	9.74 %
Frank Mohn AS	418 800	2.65 %
MP Pensjon	298 560	1.89 %
Tonsenhagen Forretningscenter AS	244 200	1.54 %
Mellon Bank	212 640	1.34 %
Framo Development AS	200 000	1.26 %
Terra Utbytte VPF	173 360	1.09 %
Ringerikes Sparebank	124 080	0.78 %
Trond Mohn	120 000	0.76 %
SpareBank 1 SR-bank	116 285	0.73 %
Troms Kraft AS	114 700	0.72 %
Karl Ditlefsen	113 880	0.72 %
Fred Olsen & Co's Pensjonskasse	102 000	0.64 %
Trondheim kommune	101 500	0.64 %
Bergen Kommunale Pensjonskasse	100 000	0.63 %
National Financial Services LLC	98 004	0.62 %
Forvarets Personell Service	86 880	0.55 %
Haugaland Kraft AS	84 592	0.53 %
SpareBank 1 Livsforsikring AS	81 285	0.51 %
Goldman Sachs International Equity	80 313	0.51 %
<b>20 largest PCC-holders</b>	<b>4 412 719</b>	<b>27.87 %</b>
<b>Other PCC-holders</b>	<b>11 420 127</b>	<b>72.13 %</b>
<b>PCCs issued</b>	<b>15 832 846</b>	<b>100.00 %</b>

**PCCs held by SpareBank 1 Nord-Norge' elected representatives as at 31.12.05:**

Name:	Number of PCCs held
<b>Main board members/deputy members:</b>	
Erik Sture Larre jr.	244 200
Rolf Pedersen	3 651
Vivi-Ann Pedersen	647
Åse Annie Opsjøn	531
Trine Nøvik	531
Kjell Olav Pettersen	211
<b>Board of trustee members/deputy members:</b>	
Trond Mohn	738 800
Erik Sture Larre	244 200
Alf E Erevik	124 080
Ole Ovesen	119 360
Bjarne Rasch-Tellefsen	51 200
Widar Slemdal Andersen	33 120
Herman Mehren	22 820
Bodil Steen	19 680
Marie Fangel	19 160
Bente Evensen	14 468
Villy K Johansen	1 511
Ove Hagen	1 377
Brith Sand	1 377
Randi Hanssen	849
Tor Læg Reid	700
Odd Iversen	670
Inger Løkken	513
Svein Brustad	240
Liv Knaplund	211
Hans Olav Gjøvik	82
Linda Bornø	73
Jan Hugo Sørensen	24
<b>Top management:</b>	
Hans Olav Karde, CEO	4 601
Oddmund Aasen, Deputy CEO	2 475
Geir Andreassen, Risk Manager	2 457
Kjell Kolbeinsen, Information Director	1 991
Olav Karlsen, Senior Group General Manager	1 819
Rolf Eigil Bygdnes, Senior Group General Manager	1 031
Stig Arne Engen, Senior Group General Manager	95

The above figures show the number of PCCs held in SpareBank 1 Nord-Norge as at 31.12.05. PCCs owned by close family members or by companies of which the abovementioned persons are general partners or directors have also been included.

## Changes in equity capital

Amounts in NOK million

	31.12.03	31.12.04	Changes during 2004	31.12.04	Changes during 2005	31.12.05
<b>Paid-in equity capital:</b>						
Company capital:						
PCC-capital	660	660		660	132	792
Premium Fund	8	8		8		8
<b>Total paid-in capital</b>	<b>668</b>	<b>668</b>		<b>668</b>	<b>132</b>	<b>800</b>
<b>Retained earnings/equity capital:</b>						
Fund for Evaluation Differences	0	0		0		65
- transferred from Fund for Evaluation Differences					65	
- transferred to Fund for Evaluation Differences						
Savings Bank's Fund	1 357	1 542		1 411		1 618
- transferred from Savings Bank's Fund			-140		-6 A)	
- transferred to Savings Bank's Fund			9		213	
Dividend Equalisation Fund	315	342		258		151
- transferred from Dividend Equalisation Fund			-89		-133 B)	
- transferred to Dividend Equalisation Fund			5		26	
Other equity capital - Donations	15	35		35		102
- transferred from Other equity capital					-8	
- transferred to Other equity capital					75	
<b>Total retained earnings/equity capital</b>	<b>1 687</b>	<b>1 919</b>	<b>-215</b>	<b>1 704</b>	<b>232</b>	<b>1 936</b>
<b>Total equity capital and changes</b>	<b>2 355</b>	<b>2 587</b>	<b>-215</b>	<b>2 372</b>	<b>364</b>	<b>2 736</b>

Implementation of IAS 19 relating to pensions with effect from 1.1.04 involves the following corrections in the accounts submitted for 2004:

Actuarially computed discrepancy in estimates as at 1.1.04, not included in the profit and loss account, amounts to:		-319	
Of which deferred tax benefit amounts to		90	
Net equity capital adjustment		-229	
Allocated according to the PCC-fraction as at 1.1.05	Savings Bank's Fund		-140
	Dividend Equalisation Fund		-89

Discrepancy in estimates set at nil, results in lower pension cost for 2004 than the amount previously calculated, resulting in an adjustment of the annual result for 2004.

Reduced pension cost		19	
Of which increased tax cost accounted for		5	
Increased annual profit for 2004		14	
Allocated according to the PCC-fraction as at 1.1.05	Savings Bank's Fund		9
	Dividend Equalisation Fund		5

Implementation of FSAN's lending rules and regulations with effect from 1.1.2005 involves the following adjustments against the equity capital:

Increase of previous specific loss provisions		-70	
Reduction in previous non-specific loss provisions		117	
Amortisation of establishment fees		-51	
Of which deferred tax benefit amounts to		1	
Net adjustments against equity capital		-3	
Allocated according to the PCC-fraction as at 1.1.05	Savings Bank's Fund		-2 A)
	Dividend Equalisation Fund		-1 B)
Other adjustments to the equity capital:			
Bonus issue	Dividend Equalisation Fund		-132 B)
Adjustments relating to subsidiaries and other adjustments against equity capital	Savings Bank's Fund		-4 A)
	Dividend Equalisation Fund		0 B)

**Equity and related capital - capital adequacy ratio**

Amount in NOK million	31.12.05	31.12.04
PCC-capital	792	660
Premium Fund	8	8
Fund for Evaluation Differences	65	0
Savings Bank's Fund	1 618	1 542
Dividend Equalisation Fund	151	342
Donations	102	35
<b>Total equity capital</b>	<b>2 736</b>	<b>2 587</b>
- over-funding of pension fund	0	91
- intangible assets	90	0
+ perpetual non-call	405	363
- Fund for Evaluation Differences	65	0
<b>Total core capital</b>	<b>2 986</b>	<b>2 859</b>
<b>Supplement capital in addition to core capital:</b>		
Subordinated loan capital	931	831
- reductions during the last 5 years	0	0
+ perpetual non-call	0	0
- equity and subordinated capital participations in other financial institutions	456	310
- capital adequacy reserve	0	0
<b>Net equity and related capital</b>	<b>3 461</b>	<b>3 380</b>
Total risk-weighted asset base:	31 118	28 694
Assets which are not part of trading portfolio	29 827	28 847
Off-balance sheet items which are not part of trading portfolio	836	476
Total calculation basis for foreign exchange risk and items which form part of trading portfolio	1 511	421
Capital adequacy ratio	11.12 %	11.78 %
- core capital ratio	9.60 %	9.96 %
- supplementary capital ratio	1.53 %	1.82 %

**NOTE 32 REMAINING LIFE OF ASSET- AND LIABILITIES ITEMS****Remaining life of asset- and liabilities items, broken down by different periods**

	Currency	Up to 1 month	From 1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 year	Without rem. life	Total
State and state-guaranteed certificates	NOK		199	390				589
	for.currency							-
Other negotiable certificates	NOK	225						225
	for.currency							-
Bearer bonds	NOK	50		66	1 153	343		1 612
	for.currency				1 148	500		1 648
Loans to and claims on credit institutions	NOK	740				84		824
	for.currency							-
Loans to and claims on customers	NOK	2 813	591	3 492	8 858	24 080		39 834
	for.currency			184	897	150		1 231
Other assets without remaining life	NOK/for.currency						2 097	2 097
<b>Total asset items</b>		<b>3 603</b>	<b>591</b>	<b>3 742</b>	<b>12 056</b>	<b>25 157</b>	<b>2 097</b>	<b>48 060</b>
Liabilities to credit institutions	NOK	637						637
	for.currency	417	399					816
Deposits from and liabilities to customers	NOK	24 971		273	34			25 278
	for.currency	188						188
Other negotiable certificates	NOK			1 875	1 100			2 975
	for.currency							-
Bearer bonds	NOK			825	7 655		-5	8 475
	for.currency			599	3 603			4 202
Other loans credit institutions	NOK	350						350
	for.currency							-
Subordinated loan capital	NOK				531			531
	for.currency				806			806
Other portfolio	NOK/for.currency						3 802	3 802
<b>Total liabilities an equity capital</b>		<b>26 563</b>	<b>399</b>	<b>3 572</b>	<b>13 729</b>		<b>3 797</b>	<b>48 060</b>

**Remaining life of asset- and liabilities items, broken down by the time periods until next interest rate adjustment/fixing**

State and state-guaranteed certificates	NOK	589						589
	for.currency							-
Other negotiable certificates	NOK	225						225
	for.currency							-
Bearer bonds	NOK	326	1 176	110				1 612
	for.currency	1 648						1 648
Loans to and claims on credit institutions	NOK	804			20			824
	for.currency							-
Loans to and claims on customers	NOK	291	101	650	1 624	195	36 973 a)	39 834
	for.currency						1 231	1 231
Other portfolio	NOK/for.currency						2 097	2 097
<b>Total asset items</b>		<b>3 294</b>	<b>1 277</b>	<b>760</b>	<b>1 644</b>	<b>195</b>	<b>40 301</b>	<b>48 060</b>
Liabilities to credit institutions	NOK	637						637
	for.currency	417	399					816
Deposits and liabilities to customers	NOK	21	13	338	34		24 872 a)	25 278
	for.currency						188	188
Other negotiable certificates	NOK	1 875	1 100					2 975
	for.currency							-
Bearer bonds	NOK	805	4 900	2 404	366			8 475
	for.currency	360	3 603	239				4 202
Other liabilities	NOK	350						350
	for.currency							-
Ansvarlig lånekapital	NOK		231	300				531
	for.currency		400	406				806
Other portfolio	NOK/for.currency						3 802	3 802
<b>Total liabilities and equity capital</b>		<b>4 465</b>	<b>10 646</b>	<b>3 687</b>	<b>400</b>		<b>28 862</b>	<b>48 060</b>

a) Loans to and deposits from customers are placed in the "unallocated" category in accordance with guidelines from FSAN. The notice of interest changes to be given to customers is 6 weeks.

### Remaining time until maturity

Payments received (+) and made (-) relating to off balance sheet financial derivatives.

Currency	Up to 1 month	From 1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 year	Total
Foreign currency	0	0	0	0	0	0
NOK	0	0	0	0	0	0

### Period of time until next interest rate adjustment.

Off balance sheet financial derivatives not having an impact on the Bank's interest rate exposure.

Currency	Up to 1 month	From 1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 year	Total
Foreign currency	-	799	240	-	-	1 039
NOK	-1 354	-1 371	232	-	-	-2 493

## NOTE 33 GUARANTEES

Amounts in NOK million

### Breakdown of guarantee liabilities

	31.12.05	31.12.04
Payment guarantees	563	490
Contract guarantees	250	218
Loan guarantees	4	7
Guarantees for tax payment	0	0
Miscellaneous	173	165
Guarantee in favour of Banks' Guarantee Fund (BGF)	26	26
<b>Total guarantee liabilities</b>	<b>1 016</b>	<b>906</b>

### Guarantees broken down by commercial, industrial and other sectors

	31.12.05	31.12.04
Agriculture, forestry, fisheries, hunting and fish farming	13	9
Production of crude oil and natural gas		
Industry and mining	148	114
Building and construction; power- and water supply	264	267
Retail- and wholesale trade; hotel- and restaurant industry	151	139
International shipping and pipeline transport		
Financing, property management and business services	154	196
Transport and other service industries	227	119
Municipalities		
Retail banking market	33	11
<b>Total guarantees</b>	<b>990</b>	<b>855</b>
Financial institutions	26	51
<b>Total guarantees by commercial, industrial and other sectors</b>	<b>1 016</b>	<b>906</b>

### Guarantees broken down by different geographical areas

	31.12.05	31.12.04
North-Norway including Spitzbergen	967	870
Other counties	49	36
<b>Total guarantees broken down by geographical sectors</b>	<b>1 016</b>	<b>906</b>

**NOTE 34 INTEREST RATE- AND CURRENCY INSTRUMENTS**

Amounts in NOK million	2005		Risk-weighted volume	Market value	Book value
	Bought	Sold			
<b>Trading portfolio:</b>					
Interest rate agreements	0	0	0	0	0
Currency agreements/combined agreements 1)	9 554	9 554	19	32	32
<b>Hedging portfolio:</b>					
Interest rate agreements	14 803	14 803			
Currency agreements/combined agreements	2 484	2 419			

1) Including NOK bought and sold forward. Figures for purchases and sales are nominal amounts, figures for purchases and sales are nominal amounts, i.e. the underlying principal amounts involved.

**Currency- and interest rate agreements consist of:**

Interest rate swaps:	Agreements relating to the swapping of interest rates for an agreed amount over an agreed period.
Forward exchange contracts:	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 amounts at an exchange rate and for a period which both have 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.

The Bank's main Board of Directors have approved guidelines for the Bank's interest rate- and foreign currency positions. Routines have been established, ensuring that agreed positions are adhered to. Foreign currency transactions are largely done with financed sound domestic and international banks, involve only a few different currencies.

Amounts of credit risk (risk-weighted volumes) are computed according to the FSAN's rules and regulations. The bank has entered legally binding netting agreements.

The trading portfolio comprises transactions relating to the Bank's activities within domestic and international money- and foreign cur-

rency markets; appropriate interest rate - and foreign currency positions, within agreed parameters predetermined by the main Board, are always very important considerations. Transactions included in the trading portfolio involve standard market products with a high degree of liquidity.

Transactions relating to ordinary banking business are done in order to reduce the overall risk in respect of the Bank's funding operations in the financial markets, and to lessen the risk in connection with customer related business. Such transactions are to be regarded as hedging transactions, intended to stay on the books until maturity.

**Foreign exchange positions**

The table below shows SpareBank 1 Nord-Norge's net positions within the most important currencies and also the overall position. Foreign exchange positions are shown in accordance with the definition provided by Norges Bank, comprising net assets, after deduction of liabilities and equity capital, as well as forward contracts and settlements for each different currency involved.

Amounts in NOK million	USD	SEK	EURO	Other currencies	Total

## Annual report NGAAP Parent bank - Primary capital certificate (PCC) related key figu-

Amounts in NOK million

		<b>31.12.05</b>	<b>31.12.04</b>	<b>31.12.03</b>	<b>31.12.02</b>	<b>31.12.01</b>
PCC capital (NOK thousand)		<b>791 642</b>	659 702	659 702	659 702	659 702
Quoted price as at 31.12.		<b>157.00</b>	276.00	184.00	127.50	175.00
Profit/earnings per PCC (in NOK)	1	<b>13.24</b>	24.04	14.01	4.35	14.78
Adjusted profit/earnings earnings per PCC (in NOK)	2	<b>11.64</b>	24.04	14.01	10.29	19.13
Cash dividend per PCC to be paid		<b>10.00</b>	19.00	14.00	10.00	15.00
Equity capital per PCC (in NOK)	3	<b>60.07</b>	140.37	149.01	149.01	148.70
Dividend Equalisation Fund per PCC		<b>9.54</b>	39.11	47.75	47.75	47.45
Direct rate of return on PCCs	4	<b>6.37 %</b>	6.88 %	7.61 %	7.84 %	8.57 %
Dividend/effective yield on PCCs	5	<b>43.41 %</b>	57.61 %	52.16 %	-18.57 %	10.86 %
PCC ratio overall	6	<b>35.60 %</b>	39.01 %	41.71 %	43.94 %	45.54 %
Cash dividend as % of PCC-holders' share of adjusted profit		<b>85.93 %</b>	79.02 %	99.94 %	97.22 %	78.43 %
Change in D.E.Fund as % of PCC-holders' share of result		<b>-254.09 %</b>	-35.94 %	0.00 %	2.95 %	21.40 %
P/E (Price/Earnings)	7	<b>13.49</b>	11.48	13.14	12.40	9.15
P/BV (Price/Book Value)	8	<b>2.61</b>	1.97	1.23	0.86	1.18
'RISK' adjustment		<b>-3.73</b>	4.17	0.01	0.24	4.15
Number of PCCs issued		<b>15 832 844</b>	6 597 018	6 597 018	6 597 018	6 597 018
Number of PCC-holders		<b>8 031</b>	5 670	4 320	3 499	3 540

### Definitions:

- 1 PCC-holders' share of profit for the year per PCC (based on PCC ratio as at 1.1).
- 2 PCC-holders' share of adjusted annual profit per PCC (based on PCC ratio as at 1.1).
- 3 PCC-capital, Premium Fund and Dividend Equalisation Fund in relation to number of PCCs.
- 4 Set aside for cash dividend payment, in relation to PCC market price as at 31.12.
- 5 Change in PCC market price during the year + cash dividend paid, in relation to market price on 1.1.
- 6 PCC-capital, Dividend Equalisation Fund and Premium Fund, as per cent of equity capital, minus Fund for Evaluation Differences.
- 7 Market price on Oslo Stock Exchange on 31.12, divided by profit/earnings per PCC.
- 8 Market price on Oslo Stock Exchange on 31.12, divided by book value of equity capital per PCC.



Therese Einmo Jürgensen, a young artist from Mosjoen, was awarded the NOK 75,000 Kulturprisen. She is enjoying a distinguished career as a dramatic artist, enriching and stimulating North-Norway's cultural life.

## Annual accounts Group IFRS - Income statement

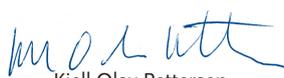
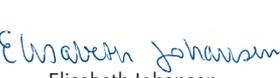
Amounts in NOK million

	Notes	2005	2004
Interest income	6	1 765	1 753
Interest costs	6	690	650
<b>Net interest income</b>		<b>1 075</b>	<b>1 103</b>
Fee- and commission income	7	403	377
Fee- and commission costs	7	63	71
<b>Net fee- and commission income</b>		<b>340</b>	<b>306</b>
Net gain from investment in securities	8	82	33
Income from associated companies and joint ventures	14	93	40
Other operating income	9	76	60
Operating costs	10, 13, 24	872	796
<b>Profit before losses</b>		<b>794</b>	<b>746</b>
Net losses on loans and guarantees	19	65	169
<b>Profit before income tax</b>		<b>729</b>	<b>577</b>
Income tax expense	11	172	174
<b>Profit for the year</b>		<b>557</b>	<b>403</b>
Attributable to:			
The Bank's PCC-holders		554	401
Minority interests		3	2
<b>Profit for the year</b>		<b>557</b>	<b>403</b>

## Annual accounts Group IFRS - Balance Sheet

Amounts in NOK million

	Notes	31.12.05	31.12.04
<b>Assets</b>			
Cash and balances with central banks		935	294
Loans and advances to credit institutions	17	45	132
Loans and advances to customers	18	41 638	37 931
- Individual write-down for impaired value	19	264	320
- Collective write-down for impaired value	19	217	321
Net loans and advances to customers	19	41 157	37 290
Securities	15	4 511	3 124
Financial derivatives	16	491	-
Investments in associated companies and joint ventures	14	495	307
Property, plant and equipment	13	503	559
Deferred tax	11	105	102
Other assets	12	388	452
<b>Total assets</b>		<b>48 630</b>	<b>42 260</b>
<b>Liabilities</b>			
Deposits from credit institutions	17	1 773	2 790
Due to customers	20	25 350	22 999
Debt securities in issue	21	15 668	11 738
Financial derivatives	16	586	-
Other liabilities	11, 23, 24	1 017	1 026
Subordinated loan capital	22	1 289	1 194
<b>Total liabilities</b>		<b>45 683</b>	<b>39 747</b>
<b>Equity capital</b>			
Primary Capital Certificates	25, 29	792	660
PCC premium reserve	25, 29	8	8
Other reserves	25, 29	2 142	1 841
<b>The Bank's PCC holders</b>		<b>2 942</b>	<b>2 509</b>
Minority interests		5	4
<b>Total equity capital</b>		<b>2 947</b>	<b>2 513</b>
<b>Total liabilities and equity capital</b>		<b>48 630</b>	<b>42 260</b>

 Kjell Olav Pettersen (Chairman)	 Tom Veierød (Deputy chairman)	 Elisabeth Johansen
 Erik Sture Larre jr.	 Trine Nøvik	 Åse Annie Opsjøn
 Rolf Pedersen	 Vivi Ann Pedersen	 Hans Olav Karde (Chief Executive Officer)

## Annual accounts Group IFRS - Cash Flow Statement

Amounts in NOK million

	<b>2005</b>	<b>2004</b>
<b>Profit before income tax</b>	<b>729</b>	<b>577</b>
+ Depreciation costs	49	51
+ Impairment of value relating to losses and gain/loss on fixed assets	0	-1
+ Net losses on loans and guarantees	65	170
- Income taxes paid	172	174
- Dividend paid	125	92
<b>Net change in cash and cash equivalents from operations</b>	<b>546</b>	<b>531</b>
Change in sundry liabilities: + increase/- decrease	271	707
Change in sundry receivables: - increase/+ decrease	-100	-650
Change in loans to and receivables from customers: - increase/+ decrease	-3 932	-1 416
Change in short-term commercial papers and bonds: - increase/+ decrease	-1 387	-317
Change in deposits from and loans to customers: + increase/- decrease	2 351	1 333
Change in loans to credit institutions: + increase/- decrease	-1 017	-576
<b>A. Net cash flow from operations</b>	<b>-3 268</b>	<b>-388</b>
- Purchase of tangible fixed assets	-32	-60
+ Sale of tangible fixed assets	17	15
Change in long-term securities and bonds: - increase/ + decrease	-188	-49
<b>B. Net cash flow from investment activities</b>	<b>-203</b>	<b>-94</b>
Change in borrowings through the issuance of securities: + increase/- decrease	3 930	567
Change in subordinated loan capital: + increase/- decrease	95	-308
<b>C. Net cash flow from financing activities</b>	<b>4 025</b>	<b>259</b>
<b>A + B + C. Total change in liquidity</b>	<b>554</b>	<b>-223</b>
+ Liquid funds at the start of the period	426	649
<b>= Liquid funds at the end of the period</b>	<b>980</b>	<b>426</b>

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

## Annual accounts Group IFRS - Change in equity capital

Amounts in NOK million

	(IFRS) 31.12.05	(IFRS) 31.12.04	(NGAAP) 31.12.04	(NGAAP) 31.12.03
Equity capital as at 1 January	2 509	2 355	2 355	2 237
<b>Effect of implementing new Norwegian GAAP:</b>				
Recognition of discrepancies in estimates involving pension liabilities		-237		
Transition to new loan regulations	-3			
<b>Effect of implementing IFRS as at 1 January:</b>				
Fair value tangible assets impact		28		
Revaluation of shareholding in the SpareBank 1 Gruppen		-39		
Net profit/ loss from hedging activities	-26			
Fair value adjustments of shares carried at cost	36			
Fair value adjustments of fixed-rate loans	3			
Dividend paid	-125			
Profit/ loss for the period	554	401	366	210
Dividend			-125	-92
Other equity capital adjustments	-6	1	-9	
Equity capital as at 31 December	<b>2 942</b>	<b>2 509</b>	<b>2 587</b>	<b>2 355</b>

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## NOTE 1 GENERAL INFORMATION

### Description of the SpareBank 1 Nord-Norge Group's business

#### Parent bank

One of SpareBank 1 Nord-Norge's aims is to be a comprehensive provider of financial products and services in North-Norway. In addition to loans, deposits and payments transmission services, this also comprises most savings products, as well as life-and non-life insurance products. Products and services are provided either by the Bank or its subsidiaries, or by the product companies within Sparebank 1 Gruppen AS.

The Bank applies a multi-channel approach for distribution of its products and services through 90 branches, one customer centre accessible by telephone on all working days, and through SpareBank 1 Nord-Norge's Internet-linked bank. Reference is also made to the description of the Bank's business areas in a separate section of the Annual Report for 2005.

#### Subsidiaries

##### SpareBank 1 Finans Nord-Norge AS

The company complements the Group's financial products and services by offering leasing, as well as administrative and financial factoring. The company also offers car financing. It employs 23 people and its core market area is North-Norway. In addition, factoring services are distributed by SpareBank 1 Finans Nord-Norge through the member banks of the SpareBank 1-alliance.

##### EiendomsMegler 1 Nord-Norge AS

The company brokers the sale of all types of property: detached houses, flats, also including housing co-operatives, holiday cottages, new buildings/project development and commercial- and industrial property. The company has branches in Tromsø, Alta, Bodø and Hammerfest and has 23 employees. In addition, there is a franchise department in Svolvær.

##### SpareBank 1 Nord-Norge Securities ASA

The company is owned with 56.2 per cent by the parent bank, 25 per cent by First Securities and 18.8 per cent by its employees. The company offers trading and active management of shares, value estimates and other corporate services. The company has 13 employees.

##### Eiendomsdrift AS

The company manages and rents out properties. The property management part of the business mainly comprises buildings and property located within SpareBank 1 Nord-Norges distribution network. The entire property portfolio is therefore located in North-Norway. The company's strategy is to sell parts of its property portfolio in order to achieve an optimal cost structure adapted to the Bank's needs. In 2005, buildings corresponding to a floor area of 6,690 squaremetres were sold. At the end of 2005, the company employed 5 people.

##### AS Fiskerikreditt

The Bank's main Board of Directors has decided to change and restructure the company into an investment company - SpareBank 1 Nord-Norge Invest AS will be established during the course of the first half of 2006.

##### Description of the Group, including business address

The SpareBank 1 Nord-Norge Group's head office is located in Tromsø, its business address being 9298 Tromsø.

##### Date of adoption of the Group accounts

The 2006 annual accounts were adopted by the Parent Bank's main Board of Directors on 28 February 2006.

## NOTE 2 ACCOUNTING PRINCIPLES

### Basis for preparation of accounts

The consolidated financial statements of SpareBank 1 Nord-Norge have been prepared in accordance with International Financial Reporting Standards (IFRS) as adapted by the Norwegian government. These include interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and the previous interpretations committee, the Standing Interpretations Committee (SIC).

The separate financial statement 2005 for the Bank has been prepared in accordance with the Norwegian accounting act as of 17.8.1998 no.56 with belonging regulations and Norwegian Generally Accepted Accounting Principles (NGAAP). Accounting principles for the parent Bank's financial statement is covered in a separate statement.

The consolidated financial statement has been prepared on a historical cost basis, with exception noted below.

### Reporting currency

Reporting currency is Norwegian kroner (NOK), which also is the Bank's functional currency. All amounts are in NOK million unless otherwise stated.

### First-time implementation of IFRS

2005 is the first year in which the annual accounts for the Group SpareBank 1 Nord-Norge are prepared in accordance with IFRS.

### Basis of consolidation

The consolidated financial statement comprises the Bank and all its subsidiaries which are not planned to be sold in the near future and which therefore are to be classified as held for sale in accordance with IFRS 5. Subsidiaries are defined as companies in which the Bank has the power to govern the financial and operational policies with the objective of acquiring advantages of the company's activities.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

On achieving a controlling influence in a company (business combinations), all identifiable assets and liabilities are incorporated in the balance sheet on the basis of their fair value at the time of acquisition in accordance with IFRS 3. Any positive difference between the cost of acquisition and fair value of identifiable assets and liabilities are recognised as goodwill, whereas any negative differences are recognised as income. Recognition of goodwill at the time of initial valuation is commented on under the paragraph Intangible assets.

The Bank has not applied IFRS 3 retrospectively on business combinations which were implemented before 1 January 2004.

### Associated companies

Associated companies are companies where the Bank has significant influence, but not control, generally accompanying a shareholding of 20 per cent or more of the voting rights. Investments in associates

are accounted for under the equity method of accounting. The investments are recognised for the first time in the balance sheet at cost and are adjusted thereafter for changes in the Bank's share of net assets in the associated company. Shares of the associated company's result for the year are incorporated in the Bank's profit and loss account.

### Joint ventures

A joint venture comprises jointly controlled operations, jointly controlled assets and jointly controlled entities. Joint control is regulated by an agreement between the Bank and one or several other partners. Jointly controlled operations and jointly controlled assets are recognised in the Bank's financial statements as the Bank's proportional share of assets, liabilities and other balance sheet items. Jointly controlled entities are accounted for under the equity method of accounting.

The Bank owns a share in the joint venture of SpareBank 1 SR-Bank, SpareBank 1 Midt-Norge and Samarbeidende Sparebanker, SpareBank 1 Gruppen AS. The parties have each an interest of 17.63 per cent of the shares in the company. In addition the Swedish FöreningsSparbanken AB/Swedbank owns 19.5 per cent of the shares in the company and Landsorganisasjonen (LO) in Norway and associations connected to LO own 10 per cent of the shares. The structure of corporate governance for the SpareBank 1-joint venture is regulated by an agreement between the owners. The Bank classifies its share in the SpareBank 1 Gruppen AS as an investment in a joint venture and incorporates this in accordance with the equity method of accounting.

### Loans and losses on loans

Loans are measured at amortised cost in compliance with IAS 39. Amortised cost is defined as acquisition cost minus any repayments relating to the principal amount, plus or minus cumulative amortisation as a result of application of the effective interest method, minus any amounts involving a decrease in fair value or bad and doubtful loans. The effective rate of interest is defined as the rate of interest which would discount exactly the estimated future cash payments received or made over the expected life of the financial instrument in question.

Loans in the consolidated financial statements are assessed according to the same principles as in the separate financial statements and in accordance with the lending regulation dated 21 December 2004, reference made to FSAN circular nr. 10/2005.

### Leasing

Financial leasing is classified as loans and recognised in accordance with the amortised cost principle. All fixed income during the ordinary leasing period is included in the calculation of the agreement's effective rate of interest. The Bank does not have "sale and lease-back" contracts with respect to property, plant and equipment.

### Financial instruments

Financial instruments comprise shares, bonds and currency- and interest derivatives. Shares are classified as either fair value through

profit and loss or available for sale. Bonds are classified as either fair value through profit and loss or as held to maturity. Derivatives are always classified as fair value through profit and loss, unless designated for hedging.

All financial instruments that are classified as fair value through profit and loss are recognised at fair value, and any change in fair value is recognised as income from other financial investments. Shares classified as available for sale are recognised at fair value, but any changes in fair value are recognised directly in equity. Where it has proven impossible to determine the fair value of unquoted shares, cost has been used. Bonds classified as held to maturity, are recognised at amortised cost in accordance with an effective interest rate method - reference is made to this method under the paragraph for loans.

Derivatives designated for cash flow hedging are recognised at fair value in the balance sheet, but changes in fair value are recognised directly in equity. Criteria for hedging are discussed below.

### Intangible assets

Intangible assets consist of deferred tax asset and goodwill. Intangible assets are recognised in the balance sheet when the criteria are satisfied. Intangible assets are divided into categories having either a finite or indefinite useful life. Assets with a finite useful life are amortised over their useful life. Costs in the development phase of internally generated intangible assets are capitalised only when the criteria in the development phase are satisfied. Other costs are recognised in the profit and loss account gradually as they are incurred. Intangible assets other than goodwill are subjected to an impairment test in accordance with IAS 36 when there is an indication that the asset may be impaired.

Goodwill arises as a positive difference between the cost of acquisition of a company and the fair value of identifiable assets and liabilities, with reference to the paragraph on Consolidation principles. Goodwill is not amortised, but is subject to an annual test of impairment. If the cash-generating unit's carrying amount exceeds the recoverable amount, goodwill allocated to the cash-generating unit is considered impaired and is written down to its recoverable amount, in accordance with IAS 36.

### Property, plant and equipment

Property, plant and equipment, with the exception of investment property and owner-occupied property, are recognised at cost of acquisition and depreciated on a straight line basis over their estimated useful life. When determining a plan of depreciation the separate assets are split up into components with different useful lives to the extent this is regarded as necessary, taking into account estimated residual value. Property, plant and equipment, which individually are regarded as insignificant, for example PCs and other office equipment, are not assessed individually for residual value, useful life or impairment, but are considered as groups.

In connection with the initial implementation of IFRS, buildings were revalued at a total of NOK 39 mill. The basis for this revaluation were independent assessments.

Property, plant and equipment, which are depreciated, are subjected to an impairment test in accordance with IAS 36 when there is an indication that the asset may be impaired.

### Repossessed assets

In connection with legal recovery of claims under outstanding loans and guarantees, the Bank repossesses in some cases assets which have been provided as security for such commitments. Such assets are assessed at their estimated realisation value at the time of repossession. Repossessed assets which are to be sold on are included in the balance sheet as current assets or as fixed assets held for sale and are recognised in accordance with IAS 2 or IFRS 5. Write-down as a result of an impairment, or loss from the sale involved, is included in the accounts as losses on loans, whereas any gain from such a sale is shown under 'Recoveries in respect of previously confirmed losses'.

### Impairment in value of assets

Amounts included in the balance sheet involving the Bank's assets, with certain exceptions, are evaluated on the balance sheet day in question, in order to consider whether there are any indications of impairment of value. If such indications were to exist, the asset's recoverable amount is estimated.

In the case of goodwill, assets with an indefinite useful life and intangible assets not yet available for use, the recoverable amount is determined annually.

When the carrying amount of an asset or a cash flow-generating unit exceeds its recoverable amount, the asset or unit is written down. Impairment in value is recognised in the income statement. Impairment of goodwill cannot be reversed. Impairment in value of other assets is reversed if a change in the estimates used to calculate the recoverable amount occurs.

### Interest income and interest costs

Interest income and interest costs related to assets and liabilities which are valued at amortised cost are recognised in the income statement in accordance with the effective interest rate method. All fees related to interest-bearing loans and borrowings are included in the calculation of an effective interest rate and are amortised over the expected life of the financial instrument.

For interest-bearing instruments carried at market value, the market rate will be classified as interest income or interest expense whereas the effect of changes in the rate of interest are classified as income from other financial investments.

### Commission income and commission costs

Commission income and -costs are generally recognised in accordance with the delivery of a service. Fees related to interest-bearing instruments are not recognised as commission, but are included in the calculation of effective interest rate and included in the profit and loss account accordingly. Consultancy fees are recognised when entering into a consultancy agreement, generally as the service is delivered. The same applies to day-to-day administrative services. Fees and charges related to the sale or brokerage of financial instruments, property or other investment objects that do not generate balance sheet items in the Bank's

accounts, are recognised in the income statement when the transaction is finalised.

### Foreign currency transactions

Transactions in foreign currencies are converted into Norwegian kroner using exchange rates prevailing at the time of the transaction. Gains and losses related to completed transactions or to the conversion of holdings of cash or cash equivalents at the balance sheet date are included in the income statement, unless they are adjusted directly against equity in accordance with the principles of hedging. Gains and losses related to the conversion of items other than cash or cash equivalents, are included in the same way as the corresponding balance sheet item.

### Hedging

The Bank assesses and documents the effectiveness of hedging, both at the time of initial recognition and on a current basis. In the case of fair-value hedging, both the hedging instrument and the hedged item are recognised at fair value. Any change in fair value is included on a net basis in the income statement, as net gain or loss.

In the case of cash-flow hedging, the hedging instrument is recognised at fair value, and any change in fair value is recognised directly in equity. Accumulated changes in fair value recognised against equity are reversed through the profit and loss account in the period during which the hedged cash flow is realised.

### Taxes

Income taxes comprise tax payable for the period and the movement in deferred tax. Tax payable for the period is calculated tax on the current year's taxable profit. Deferred tax is recognised in the balance sheet according to the liability method in accordance with IAS 12. Deferred tax liability or asset is recognised in respect of all temporary differences, which arise as a difference between the carrying amount and tax base of assets and liabilities at the balance sheet date. However, deferred tax asset or liability is neither recognised with respect to goodwill which does not give rise to tax-deductible costs, nor with respect to items that are recognised for the first time, and which neither affect financial or taxable profit.

Deferred tax asset is recognised with respect to accumulated tax losses carried forward at the balance sheet date. The deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available and unused tax losses can be utilised.

### Long-term loans

Loans are initially assessed at fair value plus directly attributable transaction costs. Loans are subsequently recognised at amortised cost. Any difference between cost of acquisition and cost of settlement at maturity is accrued over the period of lending through the effective interest rate method.

### Pensions

SpareBank 1 Nord-Norge has a collective pension scheme for its employees. The pension scheme is administered as a separate pension fund, and pension funds are managed within the regulations that apply to pension funds.

The main conditions are 30 years of contributions by the Bank and a pension of approximately 70 per cent of leaving salary payable at retirement. The benefits provided by the Bank is 67 years. All pensions benefits are coordinated with expected benefits from the Norwegian national insurance. As at 31 December 2005, the Group had 1,144 members of their pension scheme. In addition to the pension liability which is managed by the pension fund, the Group has taken out a separate pension insurance for employees where ordinary salaries exceed 12 times the basic amount.

At the balance sheet date, estimated values are applied when assessing the pension resources and when calculating incurred liabilities. These estimates are adjusted each year in accordance with the estimated value of the pension resources and the actuarial calculations of the size of the liabilities. The calculations below include the value of the pension fund's obligations, the pension insurance in other insurance company and uncovered obligations.

Permission has been granted for listed companies which have prepared their consolidated financial statements in accordance with IFRS, to apply the international standard IAS19 for the computation and inclusion in the accounts of pensions in the parent company's separate financial statements. The change implies the revision of figures as at 1 January 2004 which is recognised directly against equity. A change in pension costs will also imply a change in profit for 2004. This effect has also been recognised directly against equity.

### Segment reporting

Ordinary banking operations, factoring and leasing, involving private and business customers, represent the Bank's primary reporting format.

### Events occurring after the balance sheet date

The annual accounts are deemed to be approved for publication when the main Board of Directors has approved the financial statement. The top management team and regulatory authorities will be able to refuse approval of the financial statements, but will not be able to change them, after the approval of the Board of Directors has been granted.

Events occurring up to the time when the financial statements are approved for publication and which involve issues which were already known at the balance sheet date, will form part of the basis of information for determining estimates and will thereby be fully reflected in the annual accounts. Events concerning issues which were unknown on the closing date will be reported if they are significant.

The annual accounts are prepared on the assumption of a going concern. This assumption was valid according to the Board of Directors' opinion at the time the financial statements were submitted for approval.

The Board's proposal for dividend is shown in the annual report and note 27 (NGAAP Parent Bank). Proposed dividend is classified as equity until its final approval.

## NOTE 3 FINANCIAL RISK MANAGEMENT

### Strategy related to the use of financial instruments

The Bank actively uses financial instruments in order to reduce risk. The use of financial instruments is limited to instruments where one is able to measure and monitor risk and market value within the Bank's systems for measuring profitability and managing risks.

### Credit risk

Credit risk is defined as the risk for loss due to the other party's default on their payment commitments to SpareBank 1 Nord-Norge. SpareBank 1 Nord-Norge's credit process is related to the credit strategy sanctioned by the main Board of Directors. The overall goal for SpareBank 1 Nord-Norge's credit business is to have a borrowing portfolio which ensures lasting profitability and solidity. The credit strategy is revised each year, and determines the scope and objectives to ensure the overall goal.

All engagements are categorised according to statistically calculated default frequency and proportion of loss in case default occurs.

SpareBank 1 Nord-Norge divides their portfolio into 9 risk categories according to estimated default frequency, and two categories relating to engagements which already are categorised as either being defaulted upon or being at risk. Categorisation is based on financial data as well as non-financial parameters. Classification as a portfolio provides amongst other things a basis for statistical calculation of expected loss and risk-adjusted capital.

### Geographical allocation of assets and liabilities

The geographical location of assets and liabilities is specified in the notes to relevant balance sheet items. The Bank seeks to attain a sound geographical spread of loans within its local market, but local economic development and particularly property prices may have a significant influence on the customers' ability to repay their loans and on the value of the assets pledged as collateral security. The Bank will foremost seek to reduce this type of risk through maintaining a high quality of credit work, exploiting its local knowledge and through operating within safe margins with respect to borrowers' solvency and the quality of collateral securities.

### Market risk

The Bank is influenced by market risk indirectly through borrowings. There is reason to believe that there exists a not insignificant co-variation between interest rate margins, default on borrowings and the general economic development.

The Bank tries to maintain its market risk related to equity investments within narrow boundaries. Similarly, the Bank attempts to limit market risk related to repossessed assets by selling them as soon as possible in a responsible manner. The most important market risk is related to the property market where the Bank is exposed due to that a significant portion of borrowings have a collateral security in property, in addition to the Bank's own portfolio of bank properties.

### Currency risk

Currency risk is managed within the framework approved by the main Board of Directors. The limits for market risk are very low, and the objective is to maintain this risk at a minimum.

SpareBank 1 Nord-Norge's activities in the area of currency- and interest rate trading are mainly based on the customers' needs to identify and reduce their risk through the use of financial instruments. Nevertheless certain currency risks relating to default on loans and other currency transactions might arise.

### Interest rate risk

The Bank measures interest rate risk as the potential gain or loss as a result of parallel shifts in the interest rate curve. The risk of non-parallel shifts is provided for by the establishment of maximum limits for exposure per period, included the total amount of each and all periods.

The Bank also manages the risk of changes in the spread between different interest rate markets. However, fixed-rate lending to customers in NOK will be hedged by the use of SWAPs, FRAs and CAPS/FLOORS.

### Funding risk

Funding risk is defined as the risk of SpareBank 1 Nord-Norge defaulting on its commitments without involving significant additional costs in the form of fall in value of assets which have to be sold, or additional expensive funding. The funding strategy including the scope of activities is revised each year. In a "medium stress-situation", SpareBank 1 Nord-Norge would be able to manage without significant problems for a minimum of 30 days without access to external funding from capital markets and 90 days under certain assumptions.

SpareBank 1 Nord-Norge seeks to minimize this type of risk through maintaining limits for net re-financing requirements within 7 days, 1, 3 and 6 months. The limits are set with the intention being for SpareBank 1 Nord-Norge to handle minor interferences in the liquidity situation without exceeding these limits. In addition to limits for refinancing, the Norwegian Bank Liquidity Indicator 1 is used. The indicator shows the extent of the Bank's non-liquid assets funded on a long-term basis. Funding is managed in such a way that SpareBank 1 Nord-Norge's achieved level in relation to the Norwegian Bank's Liquidity Indicator is above 95 per cent.

Liquidity crises in Norwegian banks have primarily arisen due to large credit losses. SpareBank 1 Nord-Norge aims for a core capital ratio of minimum 9.0 per cent, and a credit rating of minimum A3 (Moody's) and A- (Fitch). SpareBank 1 Nord-Norge will take the necessary action if these goals are not achieved. According to its policy, SpareBank 1 Nord-Norge should never find itself in a situation where it is dependent upon receiving one or several payments in order to cover payments to be made the same day.

### Active asset management

The Group is involved in active asset management on behalf of its customers, but does not act as a nominee of any kind in transactions. Assets included in agreements regarding active management are not consolidated in the consolidated financial statements.

SpareBank 1 Nord-Norge does not participate in "sale and lease-back" transactions involving its own assets nor does it have financial interests in "Special Purpose Entities" as mentioned in SIC 12.

**NOTE 4 CRITICAL ESTIMATES AND ASSESSMENTS REGARDING THE USE OF ACCOUNTING PRINCIPLES****Losses on loans and guarantees**

The Bank assesses its entire portfolio of business customers each year and large and especially risky commitments are examined on a quarterly basis. Loans to private customers are assessed when over 60 days have elapsed since agreed default or where there exists a particularly bad history of payments. For each customer, a likelihood of default is calculated, based on historical financial data and remarks made about the way in which outstanding commitments are serviced, and similarly for retail banking customers based on tax assessments and relationship history. The Bank today has 9 categories for healthy commitments and 2 categories for defaulted commitments, based on the likelihood of default for each customer. Classification into high-, medium- and low risk is arrived at according to the likelihood of default. The entire portfolio is scored on a monthly basis using automatic data capturing techniques based on objective data. Individual write-down for impairment in value are assessed for loans where there is objective evidence of the loan being at risk in accordance with FSN's lending regulations/IAS 39.

Individual write-down for impairment of value are calculated as the difference between the loan's book value and present value of discounted cash flows based on the effective interest rate at the time of initial write-down. Subsequent changes in interest rates are taken into account for loan agreements with floating rates of interest.

Collective write-down for impairment in value are calculated on sub-groups of borrowings where there is objective information showing an increase in credit risk after credits have been approved, but where it is not possible to examine all commitments on an individual basis or where it is not possible to specify the information at contract level. Such information can consist of a negative development in credit risk classification or information about a negative development in the value of assets pledged as collateral security, profitability in a particular industry or group of debtors' ability to meet instalments.

The assessment of loss write-downs will always involve a considerable degree of subjective judgment. Predictions based on historical information can be proven wrong because one can never know with certainty how relevant historical data are as a basis for decision-making. In many cases, assets pledged as collateral security are not sold in highly effective markets and determination of market value may therefore be subject to considerable uncertainty.

**Fair value of equity capital instruments**

Financial assets classified as fair value through the profit and loss account are normally quoted in the market and fair value is determined with reasonable certainty. For financial assets classified as available for sale this is not necessarily the case.

In the same way, disclosures of fair value in the notes for assets and liabilities measured at amortised cost may be estimates based on

discounted future cash flows, multiplier analysis or other calculation methods. Such methods could be subject to significant uncertainty. With the exception of only a few cases of quoted shares, the Norwegian stock market is considered to have poor liquidity. Share prices will in most circumstances be the last known transaction price. In some cases where liquidity is poor and there is a great deal of unexplained fluctuations in the share price, the share price might be determined based on weighted average over a specified time period, usually December.

**Fair value of derivatives**

The fair value of financial derivatives is usually determined by using valuation methods where the price of the underlying object, for example interest- and foreign exchange rates, is obtained from the market. In the case of share options, volatility will either be observable implicit volatility or calculated volatility based on historical share price movements for the underlying object. If the Bank's risk position is approximately neutral, average share prices will be used. As an example, a neutral risk position can occur when the interest rate risk relating to a bond held to maturity is approximately nil. In the opposite case, relevant purchase- and sale prices are used to assess the net position.

In the case of financial derivatives where the counterpart has a weaker credit rating than the Bank, the price will reflect an underlying credit risk. To the extent that market prices are obtained from transactions with a lower credit risk, this will be taken into account by the original price difference as measured against such transactions with a lower credit risk, and amortised over the period.

**Intangible assets**

Intangible assets are subject to an impairment test which is mainly based on the discounting of expected future cash flows. There will always be considerable uncertainty relating to estimated cash flows, and in some cases there will also be uncertainty with regard to the methods for allocating cash flows to various assets.

**Pensions**

Net pension liability and the current period's pension cost are based on a number of estimates, amongst others return on pension funds, future interest- and inflation levels, development in wage rates, turnover, development with regard to the basic amount ('G'); the general development in the number of persons receiving disability benefits and life expectancy are also significant.

Uncertainty is to a great extent related to gross liabilities and not to net liabilities as shown in the balance sheet. Changes in estimates as a result of changes in the abovementioned estimates will to a large extent be accrued over average remaining working lives and will not be recognised in the profit and loss account immediately, as would be the case for other changes in estimates.

**NOTE 5 BUSINESS AREAS**

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 retail banking customers and business customers, factoring and leasing. The Bank's own investment activities are not a separately reportable segment and appear under the item "unallocated" together with activities which cannot be allocated to either private or business segments.

The Bank operates in a limited geographical area and reporting along the lines of geographic secondary segments provides little additional information. Significant types of assets (loan) allocated geographically in a separate note under loan.

Amounts in NOK million

31.12.05

	Retail banking customers	Business customers	SP1 Finans AS	Unallocated	Total
Net interest income	604	367	36	68	1 075
Net fee and commission income	190	112	-	39	340
Other operating income	-	-	6	245	251
Operating costs	503	305	23	41	872
<b>Profit before losses</b>	291	173	19	311	794
Net losses on loans, guarantees	15	48	2	-	65
<b>Profit before income tax</b>	276	125	17	311	729
Loans and advances to customers	26 829	14 230	925	-346	41 638
Individual write-down for impaired value on loans and advances for customers	-53	-206	-5	-	-264
Group write-down for impaired value on loans	-208	-6	-3	-	-217
Other assets	-	-	-772	8 245	7 473
<b>Total assets per business area</b>	26 568	14 018	145	7 899	48 630
Lending to and deposits to customers	14 043	11 495	-	-189	25 349
Other liabilities and equity	-	-	145	23 136	23 281
<b>Total equity and liabilities per business area</b>	14 043	11 495	145	22 947	48 630

## Annual report IFRS Group - Notes

Amounts in NOK million

31.12.04

	Retail banking customers	Business customers	SP1 Finans AS	Unallocated	Total
Net interest income	587	421	34	61	1 103
Net fee and commission income	163	117	-	26	306
Other operating income	-	-	6	127	133
Operating costs	451	323	22	-	796
<b>Profit before losses</b>	<b>299</b>	<b>215</b>	<b>18</b>	<b>214</b>	<b>746</b>
Net losses on loans, guarantees	8	157	3	1	169
<b>Profit before income tax</b>	<b>291</b>	<b>58</b>	<b>15</b>	<b>213</b>	<b>577</b>
Loans and advances to customers	23 669	13 901	774	-413	37 931
Individual write-down for impaired value on loans and advances for customers			-8	-633	-641
Group write-down for impaired value on loans				-	-
Other assets	-	-	-636	5 606	4 970
<b>Total assets per business area</b>	<b>23 669</b>	<b>13 901</b>	<b>130</b>	<b>4 560</b>	<b>42 260</b>
Lending to and deposits to customers	13 028	10 044	-	-73	22 999
Other liabilities and equity	-	-	130	19 131	19 261
<b>Total equity and liabilities per business area</b>	<b>13 028</b>	<b>10 044</b>	<b>130</b>	<b>19 058</b>	<b>42 260</b>

### NOTE 6 NET INTEREST INCOME

Amounts in NOK million

2005

2004

#### Interest income

Interest and similar income from loans to and claims on credit institutions	-	13
Interest and similar income from loans to and claims on customers	1 697	1 679
Interest and similar income from certificates, bonds and other interest-bearing securities	68	61
<b>Total interest income</b>	<b>1 765</b>	<b>1 753</b>

#### Interest costs

Interest and similar costs on liabilities to credit institutions	39	54
Interest and similar costs relating to deposits from and liabilities to customers	318	286
Interest and similar costs related to the issuance of securities	279	264
Interest and similar costs on subordinated loan capital	54	46
Funds paid to the banks' guarantee fund	-	-
Other interest costs and similar costs	-	-
<b>Total interest costs</b>	<b>690</b>	<b>650</b>

<b>Net interest income</b>	<b>1 075</b>	<b>1 103</b>
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**Average interest rate and average interest-bearing assets and liabilities for the period**

Amounts in NOK million	2005	2004
<b>Liabilities</b>		
Average interest-bearing deposits	25 279	23 201
Average interest rate on deposits	1.25	1.23
Average interest-bearing loan of securities	11 980	11 693
Average interest rate loan securities	2.33	2.26
Average interest-bearing liabilities to credit institutions	1 812	2 932
Average interest rate to credit institutions	2.27	1.88
<b>Assets</b>		
Average interest-bearing loans to customers	39 716	38 536
Average interest rate on loans to customers	4.20	4.35
Average portfolio of interest-bearing securities	2 687	2 562
Average interest rate on investments in securities	2.53	2.37

**NOTE 7 NET FEE AND COMMISSION INCOME**

Amounts in NOK million	2005	2004
<b>Fee and commission income</b>		
Guarantee commissions	14	15
Interbank commissions	17	18
Loan/ credit brokerage	25	22
Securities trading, administration and trust department services	63	58
Payment transmission services	200	181
Insurance services	74	72
Other commission income	10	11
<b>Total fee and commission income</b>	<b>403</b>	<b>377</b>
<b>Fee and commission expenses</b>		
Interbank commissions	12	12
Payment transmission services	35	47
Other commission expenses	16	12
<b>Total fee and commission expenses</b>	<b>63</b>	<b>71</b>
<b>Net fee and commission income</b>	<b>340</b>	<b>306</b>

**NOTE 8 NET GAIN FROM INVESTMENTS IN SECURITIES**

Amounts in NOK million	2005	2004
Value changes and gains/ losses on interest rate instruments		
- Net value changes - gains/ losses on certificates, bonds and other interest-bearing securities	7	8
- Net value changes - gains/ losses on derivatives	22	
- Net value changes - gains/ losses on hedged bonds and certificates	-22	
Dividends from equity capital instruments	5	5
Value changes and gains/losses on equity capital instruments		
- Fair value through the profit and loss account	36	-8
- Derecognition of securities held/available for sale	1	
- Impairment in value losses relating to financial instruments held/available for sale	-2	
Currency trading	35	28
<b>Total income from other financial investments</b>	<b>82</b>	<b>33</b>

IAS 39 was implemented with effect from 1 January 2005.

**NOTE 9 OTHER OPERATING INCOME**

Amounts in NOK million	2005	2004
Operating income from fixed assets and property	11	2
Management and sale of property	45	32
Other operating income	20	26
<b>Total other operating income</b>	<b>76</b>	<b>60</b>

**NOTE 10 OPERATING COSTS**

Amounts in NOK million	2005	2004
Personnel costs	457	381
Administrative costs	253	240
Ordinary depreciation	49	51
Other operating expenses	113	124
<b>Total operating expenses</b>	<b>872</b>	<b>796</b>

Amounts in NOK 1,000

**Audit fees**

Auditing fees	1 627	1 520
Audit-related consultant services	471	0
Advisory services fees	324	386
<b>Total fees external auditor</b>	<b>2 422</b>	<b>1 906</b>

Amounts in NOK million

**Personnel costs**

Wages and salaries	356	322
Pension costs (defined as a benefit plan)	51	38
Social costs	50	21
<b>Total personnel costs</b>	<b>457</b>	<b>381</b>

**Average numbers of employees**

Man-year as at 31.12.	776	758
Number of employees as at 31.12.	831	830

**NOTE 11 INCOME TAX**

Amounts in NOK million

	2005	2004
<b>Mayor components of income tax</b>		
Current tax costs	155	146
Capital (property) tax	8	7
Change in deferred tax	4	11
Change in deferred tax due to change in principle	-	7
Too small/ large accrual for taxation previous year	5	3
<b>Income tax for the period</b>	<b>172</b>	<b>174</b>
<b>Change in net deferred tax asset</b>		
Change in deferred tax recognised in the income statement	-4	-11
Deferred tax asset recognised to equity		
- Changes in principles recognised directly to equity	7	75
<b>Total change in net deferred tax asset</b>	<b>3</b>	<b>64</b>

**Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement**

	Deferred tax in balance sheet		Change in deferred tax recognised in the income statement	
	2005	2004	2005	2004
Temporary differences:				
- Tangible fixed assets	-87	-83	-4	10
- Current assets	-	-19	19	52
- Pension liability	-198	-223	25	-1
- Other temporary differences	-73	-29	-19	-23
Loss carried forward	-16	-9	-7	2
<b>Total temporary differences</b>	<b>-374</b>	<b>-363</b>	<b>14</b>	<b>40</b>

**Reconciliation of tax charge for the period recognised against profit and loss to profit before tax**

	2005	2004
28 % of profit before tax	204	162
Non-taxable profit and loss items (permanent differences)	-45	2
Capital (property) tax	8	7
Too small accrual for taxation previous year	5	3
<b>Taxation charge for the period</b>	<b>172</b>	<b>174</b>

**Regulation of "RISK"-amount**

The amount of "RISK" regulation as at 1 January 2005 for the Bank's Primary Capital Certificate has been fixed at NOK 4.17 (6,597,018 Primary Capital Certificates). As at 1 January 2006 the amount of "RISK" regulation is calculated to be NOK -3.73 pr primary capital certificate (15,832,844 primary capital certificates).

**NOTE 12 OTHER ASSETS**

Amounts in NOK million

	31.12.05	31.12.04
Accounts receivable and pre-paid costs	4	4
Earned income not yet received	265	320
Other pre-paid costs, not yet incurred	18	9
Other debtors	31	67
Capital contribution to the pension fund	25	25
Miscellaneous	45	27
<b>Total</b>	<b>388</b>	<b>452</b>

**NOTE 13 PROPERTY, PLANT AND EQUIPMENT**

Amounts in NOK million	Buildings and other property	Machinery, fixtures fittings and vehicles	Total
Cost of acquisition or adjusted value as at 1 January 2004	650	572	1 222
Acquisitions	8	25	33
Disposals	-28	-70	-98
Revaluation	39	-	39
Cost of acquisition or adjusted value as at 31 December 2004	669	527	1 196
Accumulated depreciation and write-down as at 1 January 2004	-222	-364	-586
Current period's depreciation	-9	-42	-51
Current period's impairment in value	-	-	-
Accumulated depreciation and impairment as at 31 December 2004	-231	-406	-637
<b>Book value as at 31 December 2004</b>	<b>438</b>	<b>121</b>	<b>559</b>
Cost of acquisition or adjusted value as at 1 January 2005	669	527	1 196
Acquisitions	7	25	32
Disposals	30	-69	-39
Revaluation	-	-	-
Cost of acquisition or adjusted value as at 31 December 2005	706	483	1 189
Accumulated depreciation and write-down as at 1 January 2005	-231	-406	-637
Current period's depreciation	-10	-39	-49
Current period's impairment in value	-	-	-
Accumulated depreciation and impairment as at 31 December 2005	-241	-445	-686
<b>Book value as at 31 December 2005</b>	<b>466</b>	<b>37</b>	<b>503</b>
Depreciation rates	1-5 %	10-33 %	
Dwelling units, building plots and sites, works of art	0 %		

**Provision of collateralised assets as security**

SpareBank 1 Nord-Norge has not provided collateral security or accepted any other limitations of its rights to use its fixed tangible assets.

**The gross value of fully depreciated assets still in use**

The gross value of fixed tangible assets which are fully depreciated and still in use was NOK 29 million as at 31 December 2004 and NOK 24 million as at 31 December 2005.

**Revaluation**

SpareBank 1 Nord-Norge does not make revaluations of fixed tangible assets on an ongoing basis. In connection with the initial implementation of IFRS, buildings were revalued at a total of NOK 39 million. The basis for this revaluation were independent assessments.

**Obligations**

SpareBank 1 Nord-Norge has not entered into any binding agreements relating to the acquisition of fixed tangible assets in 2006.

**Investment property Group**

SpareBank 1 Nord-Norge has no properties which are defined as investment properties as at 31 December 2005.

## NOTE 14 ASSOCIATED COMPANIES AND JOINT VENTURES

Amounts in NOK 1,000

Our share 2005	Total	SpareBank 1	SpareBank 1	ANS	ANS	SpareBank 1	SpareBank 1
		Gruppen AS	Utvikling DA	Bygginvest. II	Bygginvest. III	Bilplan AS	Boligkreditt AS
		17.63 %	19.78 %	29.71 %	28.43 %	26.70 %	19.08 %
	2005	2005	2005	2005	2005	2005	2005
As at 1 January	307 458	293 392	9 593	644	963	2 866	-
Acquisition/sale	95 225	42 750	34 407	122	-963	-167	19 076
Share of profit IFRS	93 427	120 000	-26 000			-573	
IFRS items incorporated directly in equity capital	-1 658	-1 658		-			
Paid-out dividend	-						
As at 31 December	494 452	454 484	18 000	766	-	2 126	19 076

Our share 2004	Total	SpareBank 1	SpareBank 1	ANS	ANS	SpareBank 1
		Gruppen AS	Utvikling DA	Bygginvest. II	Bygginvest. III	Bilplan AS
		15.46 %	19.78 %	29.71 %	28.43 %	26.70 %
	2004	2004	2004	2004	2004	2004
As at 1 January	265 943	255 794	7 000	732	419	1 998
Acquisition/sale	31 299	27 071	2 593	-88	544	1 179
Share of profit	22 134	22 445				-311
Share of profit IFRS	17 830	17 830				
IFRS items incorporated directly in equity capital	-29 748	-29 748				
Paid-out dividend	-					
As at 31 December	307 458	293 392	9 593	644	963	2 866

## The Group's equity stakes in associated companies and joint ventures:

Name	Assets	Liabilities	Income	Profit/loss	Ownership share
<b>2005</b>					
<b>Associated companies</b>					
ANS Bygginvestorer II, Havøysund	539	55	114	-113	29.71 %
<b>Joint ventures</b>					
SpareBank 1 Gruppen AS	7 696	7 262	1 554	120	17.63 %
SpareBank 1 Boligkreditt AS	21	21	141	-75	19.08 %
SpareBank 1 Utvikling DA	62	44	58	3	19.78 %
Total	7 779	7 327	1 753	48	
<b>2004</b>					
<b>Associated companies</b>					
ANS Bygginvestorer II, Havøysund	677	33	115	63	29.71 %
<b>Joint ventures</b>					
SpareBank 1 Gruppen AS	5 541	5 240	1 183	23	15.46 %
SpareBank 1 Utvikling DA	48	41	48	-	19.78 %
Total	5 589	5 281	1 231	23	
	Loan	Deposits	Subordinated loan		
<b>Accounts receivable and liabilities related to associated companies</b>					
SpareBank 1 Gruppen AS	26 256	1 636	42 600		
SpareBank 1 Utvikling DA	-	37 852	-		

## NOTE 15 SECURITIES

## General principles:

## Fair value

«Fair value» is the amount for which an asset can be sold for or a liability can be settled at in a transaction between well-informed and independent parties.

SpareBank 1 Nord-Norge uses the following classification of shares and securities according to IFRS:

## Fair value through profit and loss - FV

Shares, certificates, bonds and other interest-bearing papers classified into this category are carried at fair value. All shares in this category as at 31 December 2005 are listed, whereas one share item is on the unquoted list of the Oslo Stock Exchange Gains or

losses are recognised in the income statement. This category can be compared to the trading portfolio according to Norwegian accounting rules.

## Available for sale - AFS

Shares, certificates, bonds and other interest-bearing papers classified into this category are assessed at fair value. Gains or losses are incorporated directly in the equity capital. However, impairment in value of the financial instruments is recognised in the income statement. This category can be compared to other current assets according to Norwegian accounting rules. The category of equity instruments classified as non-current according to Norwegian rules is categorised as "Available for sale" in the IFRS Group accounts. In cases where it has proved impossible to fix a market price for shares and other securities, historical cost has been used.

Amounts in NOK million

	31.12.05	31.12.05	31.12.04
	IFRS	IFRS	NGAAP
	Book	Fair	Book
	value	value	value
Shares	450	450	356
Certificates and bonds	4 061	4 061	2 768
Total shares and other securities	4 511	4 511	3 124

## Equity securities

	Fair value through profit and loss account	Available for sale	Total
Listed	353	0	353
Not listed	0	97	97
Total shares and other securities	353	97	450

## Certificates and bonds according to sector of issuer

	Fair value through profit and loss account	
	Nominal value	Fair value
Governments	600	588
Other public sector issuers	0	0
Financial institutions	3 026	3 035
Non-financial institutions	428	438
Total certificates and bonds	4 054	4 061

## Certificates and bonds according to maturity

31.12.05	< 6 months	6 - 12 months	1 - 3 years	3-5 years	> 5 years	Eff. interest rate
Governments	199	390	0	0	0	0.00 %
Financial companies	225	32	853	1 191	734	2.83 %
Non-financial companies	0	40	148	188	61	3.44 %
Total certificates and bonds	424	462	1 001	1 379	795	

**NOTE 16 FINANCIAL DERIVATIVES**

Amounts in NOK million

**Currency- and interest rate contracts consist of:****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 at an agreed amount.

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 fixed positions are kept. All transactions are carried out with reputable Norwegian and foreign banks.

Financial derivatives transactions are related to ordinary financial activities and carried out in order to reduce risk relating to the Bank's loans in the financial markets, and in order to identify and reduce risk relating to customer activities. «Fair value» is the value for which an asset can be sold or a liability settled in transactions between well-informed and independent parties.

IFRS requires that the financial derivatives' fair value is shown in the Bank's accounts. Fair value is calculated on the basis of market prices as at 31 December. The accounting standard specifies what kind of changes in fair value is incorporated in the income statement and which value changes are to be carried in the Bank's balance sheet.

Financial derivatives whose fair value is incorporated through the profit and loss account are financial derivatives which are not intended for hedging. Financial derivatives intended for hedging are derivatives which qualify as hedging as defined by the IFRS accounting standard and there is approximately a one-on-one relation between changes in fair value of the derivative and the underlying hedging object. Changes in fair value are carried in the balance sheet as a change in the hedged object.

	Financial derivative assets	Financial derivative liabilities
Foreign currency instruments (fair value)	20	14
Interest rate instruments (fair value)	22	67
Interest rate instruments (hedging)	449	505
<b>Foreign currency- and interest rate instruments</b>	<b>491</b>	<b>586</b>

	Contract/notional account	Fair value	
		Assets	Liabilities
<b>Fair value through profit and loss account</b>			
<b>Foreign currency instruments</b>			
Foreign exchange financial derivatives (forwards)	2 407	7	4
Currency swaps	7 147	13	10
Total non-standardised contracts	9 554	20	14
Standardised foreign currency contracts (futures)			
<b>Total foreign currency instruments</b>	<b>9 554</b>	<b>20</b>	<b>14</b>
<b>Interest rate instruments</b>			
Interest rate swaps (including cross currency)	3 158	22	67
Short-term interest rate swaps (FRA)			
Other interest rate contracts			
Total non-standardised contracts	3 158	22	67
Standardised interest rate contracts (futures)			
<b>Total interest rate instruments</b>	<b>3 158</b>	<b>22</b>	<b>67</b>
<b>Hedging</b>			
Interest rate instruments			
Interest rate swaps (including cross currency)	11 643	220	276
Short-term interest rate swaps (FRA)			
Other interest rate contracts		229	229
Total non-standardised contracts	11 643	449	505
Standardised interest rate contracts			
<b>Total interest rate instruments</b>	<b>11 643</b>	<b>449</b>	<b>505</b>
<b>Total financial derivatives</b>		<b>491</b>	<b>586</b>

## NOTE 17 CREDIT INSTITUTIONS - LOANS AND ADVANCES

### Loans and advances to credit institutions

Amounts in NOK million

	31.12.05	31.12.04
Loans and advances without agreed maturity or notice of withdrawal	29	68
Loans and advances with agreed maturity or notice of withdrawal	16	64
<b>Total</b>	<b>45</b>	<b>132</b>

### Deposits from credit institutions

	31.12.05	31.12.04
Loans and deposits from credit institutions without agreed maturity or notice of withdrawal	67	59
Loans and deposits from credit institutions with agreed maturity or notice of withdrawal	1 706	2 731
<b>Total</b>	<b>1 773</b>	<b>2 790</b>

### Broken down by the most important foreign currencies

USD	203	60
EURO	543	1 706
JPY	-	-
NOK	768	310
GBP	-	-
Other foreign currencies	259	714
<b>Total</b>	<b>1 773</b>	<b>2 790</b>

**NOTE 18 LOANS AND ADVANCES TO CUSTOMERS****Loans broken down by different types**

Amounts in NOK million

	31.12.05	31.12.04
Factoring	66	82
Financial leasing	637	542
Overdraft- and working capital facilities	2 567	2 197
Building loans	1 268	833
Repayment loans	37 100	34 277
<b>Gross loans to and claims on customers</b>	<b>41 638</b>	<b>37 931</b>
Individual and collective write-down for impaired value	481	641
<b>Net loans and advances to customers (amortised cost)</b>	<b>41 157</b>	<b>37 290</b>
<b>Net loans and advances to customers (fair value)</b>	<b>41 263</b>	<b>37 481</b>
<b>Lending broken down by markets</b>		
Retail banking market	27 074	23 821
Corporate market	14 379	13 914
Public sector	185	196
<b>Gross loans and advances</b>	<b>41 638</b>	<b>37 931</b>
Individual and collective write-down for impaired value	481	641
<b>Net loans and advances</b>	<b>41 157</b>	<b>37 290</b>
Of this, subordinated loan capital accounted for:		
Subordinated loan capital in credit institutions	-	-
Subordinated loan capital in other financial institutions	-	-
Other subordinated loan capital	10	11
<b>Subordinated loan capital shown under loans to customers</b>	<b>10</b>	<b>11</b>
<b>Loans to employees</b>		
Loans to employees	621	534

Interest rate subsidies to employees are not recognised as a separate operating cost, and are included in the Bank's net interest income. The interest rate to employees is 80 per cent of the mortgage interest rate for our customers.

**Loans broken down by different risk groups**

	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04
	Total contracts		Gross loans		Individual write-down for impaired value		Expected annual average net loss	
Low risk	38 245	32 078	34 361	29 447	-	-	4	15
Medium risk	4 460	5 829	3 966	4 784	-	-	21	35
High risk	3 455	4 084	3 311	3 700	264	323	111	140
<b>Total</b>	<b>46 160</b>	<b>41 991</b>	<b>41 638</b>	<b>37 931</b>	<b>264</b>	<b>323</b>	<b>136</b>	<b>190</b>

The Bank utilises a classification system for monitoring credit risk in its corporate portfolio. The Bank has changed its definition of default, as a consequence of which figures cannot be directly compared to the previous year. Default is now defined as overdraft/arrears over 90 days, or when there is objective evidence of events which indicate a customer's default.

The likelihood of default is calculated for each customer, based on historical financial data or remarks about the ability/willingness to service outstanding debt in a timely fashion during the time of the relationship in question. A corresponding likelihood is calculated for retail banking customers based on tax assessment figures and the customer's general behavior in financial context during the history of the relationship. SpareBank 1 Nord-Norge today has 9 categories for healthy commitments and two categories for defaulted commitments, based on the likelihood of default for each customer.

The entire portfolio is scored on a monthly basis using automatic data capturing techniques based on objective data. Total commitment is defined as the sum of outstanding loan, guarantee limit, credit limit and accrued interest. Private and business commitments

are assessed for impairment individually in accordance with FSAN's regulations when identified as at risk for default. Shifts between risk categories in 2005 show a greater proportion of low- and medium risk according to the new system of classification implemented during the year.

The pricing of business commitments reflects the risk category and level of furnished securities. For private commitments, ability to make instalments according to standard rates and level of furnished securities are taken into account when determining the price of risk. The definition of high-risk loans and loans being at risk of default has now been significantly changed and is calculated according to the likelihood of default. The proportion of loans involving high risk was 7.2 per cent in 2005. The proportion of loans at risk of default amounted to 2.8 per cent of the loan portfolio.

Expected losses are calculated for a period of one year as a combination of likelihood of default, securities furnished and scope of the commitment. Expected loss is one of the parameters which are included in the Bank's pricing model utilised to calculate the rate of interest to customers.

#### Loans broken down by geographical areas

	31.12.05		31.12.04	
	Gross share	Loans	Gross share	Loans
North-Norway including Spitzbergen	91 %	37 872	92 %	34 744
Other regions	9 %	3 680	8 %	3 149
International	0 %	86	0 %	38
<b>Total gross loans broken down by geographical areas</b>	<b>100 %</b>	<b>41 638</b>	<b>100 %</b>	<b>37 931</b>

#### Loans broken down by different commercial, industrial and other sectors

	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04
	Total commitments		Gross loans		Individual write-down for impaired value		Expected annual average net loss	
Government- and social security administration	-	1	-	1	-	-	-	-
County municipalities and municipalities	455	393	228	195	-	-	-	-
Agriculture, forestry, fishing and fish farming	2 696	2 497	2 508	2 340	94	30	-	139
Extraction of crude oil and natural gas	12	9	12	9	-	-	-	-
Industry and mining	1 607	2 262	1 136	1 586	31	118	-	-
Building and construction, power- and water supply	1 789	1 702	1 177	1 011	8	18	-	-
Wholesale- and retail trade; hotel- og restaurant industry	2 075	2 064	1 633	1 654	33	30	-	-
Foreign shipping and pipe transport	-	6	-	6	-	-	98	-
Other transport and communications	1 515	1 778	1 287	1 611	3	16	-	-
Financing, real estate management and business services	6 709	5 597	5 889	4 915	38	45	-	-
Other service industries	750	708	686	650	4	5	-	-
Insurance, securities funds and other financial enterprises	1 063	909	8	132	-	-	-	-
Retail banking - international	93	78	86	78	-	-	-	-
Retail banking market	27 396	23 987	26 988	23 743	53	61	38	53
<b>Total</b>	<b>46 160</b>	<b>41 991</b>	<b>41 638</b>	<b>37 931</b>	<b>264</b>	<b>323</b>	<b>136</b>	<b>192</b>

Expected annual average net credit loss is only broken down by retail banking and corporate market.

**Loans and advances to customers relating to financial leasing**

	31.12.05	31.12.04
<b>Gross advances relating to financial leasing</b>		
- Maturities of less than 1 year	65	53
- Maturities of more than 1 year but not more than 5 years	475	430
- Maturities of more than 5 years	163	106
<b>Total</b>	<b>703</b>	<b>589</b>
Income received, not yet earned, relating to financial leasing	58	47
Net investments relating to financial leasing	761	636
<b>Net investments in financial leasing may be analysed in the following way:</b>		
- Maturities of less than 1 year	60	49
- Maturities of more than 1 year but not more than 5 years	436	396
- Maturities of more than 5 years	149	97
<b>Total</b>	<b>645</b>	<b>542</b>

**NOTE 19 WRITE-DOWN FOR IMPAIRED VALUE ON LOAN AND ADVANCES**

Amounts in NOK million

	31.12.05	31.12.04
Change in individual write-down for impaired value during the period	-108	-178
Change in collective write-down for impaired value during the period	-25	-1
Confirmed losses against which individual write-down for impaired value was previously made	176	324
Confirmed losses against which no individual write-down for impaired value was previously made	44	60
Payments received on loans, guarantees etc. previously written down	-22	-35
<b>Total losses on loans, guarantees etc.</b>	<b>65</b>	<b>170</b>

	31.12.05	31.12.04
<b>Individual write-down for impaired value on loans and guarantees</b>		
Individual write-down for impaired value on loans, guarantees as at 1 January	323	504
+ Impact of implementing IFRS	62	
- Confirmed losses during the period on loans, guarantees etc. against which individual write-down for impaired value was previously made	182	327
- Reversal of previous years' impaired value	63	41
+ Increase in individual write-down for impaired value of commitments against which individual write-down for impaired value was previously made	4	18
+ Individual write-down for impaired value of commitments where no allowance was raised in previous years	125	169
<b>= Individual write-down for impaired value on loans and guarantees as at 31 December</b>	<b>269</b>	<b>323</b>

Individual write-down for impaired value of guarantees, NOK 5 million, is included in the balance sheet as at 31 December 2005 under liabilities Other obligations. Accordingly the amount in 2004 was 3 mill NOK.

**Collective write-down for impaired value of loans and guarantees**

Collective write-down for impaired value on loans and guarantees as at 1 January	321	321
+ Impact of implementing IFRS	-79	-
+ Collective write-down for impaired value on loans and guarantees in the period	-25	-
<b>= Collective write-down for impaired value of value on loans and guarantees as at 31 December</b>	<b>217</b>	<b>321</b>

## Losses specified by sector and industry

Sector/industry	31.12.05		31.12.04	
	Proportion of losses	Loss	Proportion of losses	Tap
Agriculture, forestry, fisheries, hunting and fish farming	22 %	14	13 %	21
Industry and mining	34 %	22	45 %	104
Building and construction, power- and water supply	-2 %	-1	3 %	7
Wholesale and retail trade; hotel og restaurant industry	38 %	25	8 %	12
International shipping and pipeline transport	0 %	-	0 %	-
Other transport and communications	-2 %	-1	7 %	1
Financing, property management and business services	35 %	23	5 %	5
Other service industries	2 %	1	2 %	7
Retail banking sector	6 %	7	15 %	13
Collective write-down for impaired value – corporate sector	-51 %	-33	0 %	-
Collective write-down for impaired value – retail banking sector	17 %	8	0 %	-
Collective write-down for impaired value – (losses on repossessed properties)	0 %	-	0 %	-
<b>Losses on loans to customers</b>	<b>100 %</b>	<b>65</b>	<b>100 %</b>	<b>170</b>

## Commitments in default and commitments at risk of loss

	31.12.05	31.12.04	31.12.03	31.12.02	31.12.01
Commitments in default not at risk of loss	251	232	723	525	477
Commitments in default at risk of loss	711	773	424	549	178
Total commitments in default	962	1 005	1 147	1 074	655
Individual write-down for impaired value	264	323	503	358	245
Interest on reversal of discounted impairment of value	-	-	-	-	-
<b>Net commitments in default</b>	<b>698</b>	<b>682</b>	<b>644</b>	<b>716</b>	<b>410</b>

Change in principle. Comparative figures only for 31 December 2004 and 31 December 2005.

**NOTE 20 NOTE 20 - DUE TO CUSTOMERS**

Amounts in NOK million

	31.12.05		31.12.04	
	Proportion	Deposits	Proportion	Deposits
Deposits from and liabilities to customers, without agreed maturity	88 %	22 199	85 %	19 581
Deposits from and liabilities to customers, with agreed maturity	12 %	3 151	15 %	3 418
	<b>100 %</b>	<b>25 350</b>	<b>100 %</b>	<b>22 999</b>
Average interest rate		1,25 %		1,23 %

**Deposits broken down by commercial, industrial and other sectors**

Central government- and social security administration	2 %	599	3 %	612
Counties and municipalities	11 %	2 854	9 %	2 017
Agriculture, forestry, fisheries, hunting and fish farming	3 %	765	3 %	633
Production of crude oil and natural gas	0 %	1	0 %	1
Industry and mining	2 %	405	2 %	448
Building and construction, power- and water supply	4 %	949	4 %	949
Wholesale- and retail trade; hotel- og restaurant industry	5 %	1 177	4 %	991
International shipping and pipeline transport	0 %	4	0 %	8
Other transport and communications	3 %	770	3 %	662
Financing, property management and business services	7 %	1 741	6 %	1 399
Other professional services	6 %	1 529	6 %	1 463
Retail banking sector	55 %	13 861	57 %	13 028
Foreign sector	1 %	183	1 %	188
Insurance, fund management and other financial services	2 %	512	3 %	600
<b>Total deposits from customers broken down by sector and industry</b>	<b>100 %</b>	<b>25 350</b>	<b>100 %</b>	<b>22 999</b>

**Deposits broken down by geographical area**

North-Norway including Spitzbergen	94 %	23 761	93 %	21 471
Other regions	5 %	1 406	6 %	1 335
International	1 %	183	1 %	193
<b>Total deposits broken down by geographical areas</b>	<b>100 %</b>	<b>25 350</b>	<b>100 %</b>	<b>23 072</b>

**NOTE 21 DEBT SECURITIES IN ISSUE**

Amounts in NOK million

	Average interest rate % 1)		Average interest rate % 1)	
	31.12.05	31.12.05	31.12.04	31.12.04
Certificates and other short-term borrowings 2)	2 991	2.14 %	1 357	2.20 %
Bond debt 3)	13 600	2.29 %	11 006	2.25 %
- Own non-amortised certificates	923	1.24 %	626	1.71 %
<b>Total debt securities in issue</b>	<b>15 668</b>	<b>2.33 %</b>	<b>11 738</b>	<b>2.26 %</b>

**Bond debt broken down by maturities**

2006	6 076
2007	3 546
2008	2 441
2009	1 990
2010 and later	2 538
Own bonds	923
<b>Bond debt and other long-term borrowings</b>	<b>15 668</b>

1) Average interest rate/(Yield) is calculated as the sum of interest costs divided by average volume

2) Borrowings evidenced by certificates are only in NOK.

3) Proportion of bond debt in NOK is 8,477.

**NOTE 22 SUBORDINATED LOAN CAPITAL**

Amounts in NOK million

	Interest rate	31.12.05	31.12.04
<b>Maturity structure</b>			
<b>With definite maturities</b>			
Maturity 2013 - option to repay in 2008 (NOK)	3 months floating	300	300
Maturity 2013 - option to repay in 2008 (NOK)	3 months floating	232	232
Maturity 2010 - option to repay in 2005 (NOK)	3 months floating	0	200
Maturity 2010 - option to repay in 2005 (NOK)	3 months floating	0	100
Maturity 2015 - option to repay in 2010 (EUR)	3 months floating	400	
<b>Total with definite maturities</b>		<b>932</b>	<b>832</b>
Perpetual bond (USD)			
Subordinated loan capital - option to repay from 2013	6 months floating	357	362
<b>Total bonds</b>		<b>357</b>	<b>362</b>
<b>Total subordinated loan capital</b>		<b>1 289</b>	<b>1 194</b>

Subordinated loan capital of EUR 50 million and bond of USD 60 million are incorporated in the balance sheet at the equivalent NOK amounts, converted at the middle foreign exchange rates as at 31 December 2005. The foreign exchange risk relating to the loan in EUR has been hedged. 100 per cent of the subordinated loan capital is included in the Bank's subordinated loan capital.

**NOTE 23 OTHER LIABILITIES**

Amounts in NOK million

<b>Other liabilities</b>	<b>31.12.05</b>	<b>31.12.04</b>
Other liabilities	348	316
Incurring costs/prepaid income	465	484
Provision for incurred costs/obligations	204	226
<b>Total other liabilities</b>	<b>1 017</b>	<b>1 026</b>

<b>Other liabilities</b>	<b>31.12.05</b>	<b>31.12.04</b>
Creditors	21	18
Accrued tax	168	153
Tax deductions	17	15
Dividend	0	0
Miscellaneous	143	130
<b>Total other liabilities</b>	<b>348</b>	<b>316</b>

<b>Incurring costs/prepaid income</b>	<b>31.12.05</b>	<b>31.12.04</b>
Incurring personnel costs	101	49
Incurring interest	286	336
Miscellaneous	77	99
<b>Total</b>	<b>465</b>	<b>484</b>

<b>Provisions for incurred costs/liabilities</b>	<b>31.12.05</b>	<b>31.12.04</b>
Pension liabilities (note 24)	197	223
Miscellaneous	7	3
<b>Total</b>	<b>204</b>	<b>226</b>

<b>Incurring costs/prepaid income</b>	<b>31.12.05</b>
Provisions as at 1.1.	484
Additional provisions incorporated the profit and loss account	2 799
Utilised during the year	2 819
Reversal of provisions through the profit and loss account	0
Effect of discounting	0
<b>Provisions as at 31.12.</b>	<b>465</b>

<b>Securities pledged as collateral security</b>	<b>Cert./Bonds</b>
Securities pledged as collateral security in 2005	3 586
Relevant liability in 2005	0
Securities pledged as collateral security in 2004	2 762
Relevant liability in 2004	0

Securities pledged for D-loans from Norges Bank

**Commitments relating to the acquisition of property, plant and equipment**

As at 31 December 2005, the Bank did not have any commitments relating to the acquisition of property, plant and equipment.

**Ongoing lawsuits**

As at 31 December 2005, the Bank did not have any provisions for ongoing lawsuits.

## NOTE 24 PENSIONS

Amounts in NOK million

	31.12.05	31.12.04
<b>Net pension liabilities in the balance sheet</b>		
Net present value of pension liabilities in guaranteed schemes	851	747
Net pension liabilities in guaranteed schemes	851	747
Estimated discrepancies not included in profit and loss account	-554	-495
Estimated discrepancies not included in profit and loss account	-99	-29
<b>Net pension liabilities in the balance sheet</b>	<b>198</b>	<b>223</b>
<b>Pension cost for the year</b>		
Current service cost	29	28
Interest cost of pension liabilities	37	38
Expected rate of return on assets in the scheme	-33	-32
Actuarial gains or losses	-	-
Past service cost	-	-
Net pension cost relating to defined benefit plans excluding social security contributions	33	34
Employer's social security contribution - subject to accrual accounting	2	2
Net pension cost relating to defined benefit plans	35	36
Other pension costs	16	2
<b>Total pension cost including social security contributions</b>	<b>51</b>	<b>38</b>

Actual rate of return on pension resources in 2005 was 7.89 per cent. (2004: 7.5 per cent.)

**Change in net pension liabilities in the balance sheet**

Net pension liabilities in the balance sheet 1.1.	223	209
Current service cost	21	54
Benefits paid	-46	-40
<b>Net pension liabilities in the balance sheet 31.12.</b>	<b>198</b>	<b>223</b>

**Actuarial assumptions**

Discount rate	4.50 %	5.20 %
Expected rate of return on scheme's assets	5.50 %	6.20 %
Future wage- and salary developments	3.00 %	3.30 %
Adjustment of basic amount (G)	2.75 %	3.00 %
Increase in current pensions	2.75 %	3.00 %
Social security liabilities	14.10 %	14.10 %
Social security contributions	9.50 %	7.30 %
Turnover for all ages	2.00 %	2.00 %
Staff's average estimated propensity to opt for SERPS at the age of 62	30.00 %	30.00 %
Number of members	1 144	1 306

**NOTE 25 EQUITY AND RELATED CAPITAL - CAPITAL ADEQUACY RATIO**

Amounts in NOK million	IFRS 31.12.05	NGAAP 31.12.04
Primary Capital Certificates	792	660
Premium Fund	8	8
Savings Bank's Fund	1 648	1 542
Dividend Equalisation Fund	328	342
Donations	102	35
<b>Total equity capital</b>	<b>2 878</b>	<b>2 587</b>
Over-funding of pension liability	-	-91
Deferred tax, goodwill and other intangible assets	-105	-28
Perpetual non-call	406	363
<b>Total core capital</b>	<b>3 179</b>	<b>2 831</b>
<b>Supplementary capital in addition to core capital</b>		
Perpetual non-call	-	-
Subordinated loan capital	883	832
Subordinated capital in other financial institutions	-	-
Capital adequacy reserve	504	358
<b>Net equity and related capital</b>	<b>3 558</b>	<b>3 305</b>
Assets which are not part of the trading portfolio	30 572	29 268
Off-balance sheet items which are not part of trading portfolio	836	476
Currency risk and items in trading portfolio	1 511	415
Deductions:		
Subordinated capital in other financial institutions	-	-
Use of the equity method in the company's separate financial statements	-121	-102
Write-down for impaired value on loans	-487	-642
Capital adequacy reserve	-504	-358
<b>Total asset base for calculations</b>	<b>31 807</b>	<b>29 057</b>
Capital adequacy ratio	11.19 %	11.37 %
of which core capital accounts for	9.99 %	9.74 %
of which supplementary capital accounts for	1.19 %	1.63 %

**NOTE 26 RELATED PARTIES**

Amounts in NOK 1,000

**Transactions between related parties****Definitions:**

**The Board of Directors and senior management:** Members of the Board of Directors and senior Group management at SpareBank 1 Nord-Norge, and Managing Directors of subsidiaries.

**Associated companies:** Subsidiaries and the companies, SpareBank 1 Gruppen and SpareBank 1 Utvikling.

**Other close parties/persons:** People close to members of the Board of Directors and senior Group management

Close parties/persons are defined as follows:

- 1) Spouse or live-in partner.
- 2) Relatives in direct lineal ascent or lineally descended from the person in question, and siblings, or spouse or live-in partner of the person in question.
- 3) Relatives in direct lineal ascent or lineally descended from the person in question, and siblings of the person in question, as mentioned under 1 above.
- 4) Enterprises where the person himself/herself or someone mentioned in 1 to 3 above has a deciding influence.

	Board of Directors and top management		Associated companies		Other related parties	
	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04
<b>Loans</b>						
Outstanding loans as at 1.1.	13 943	10 942	1 178 567	1 152 574	13 971	14 826
Loans issued in the period	15 145	8 207	812 694	798 516	28 613	20 217
Repayments	7 187	7 218	720 799	793 151	18 478	21 072
<b>Outstanding loans as at 31.12.</b>	<b>21 901</b>	<b>11 931</b>	<b>1 270 462</b>	<b>1 157 939</b>	<b>24 106</b>	<b>13 971</b>
Interest income	643	484	41 504	40 967	637	548
Losses on loans	0	0	0	0	0	0
<b>Deposits</b>						
Deposits as at 1.1.	5 270	4 005	111 858	85 335	5 725	5 984
Contributions received during the period	36 456	28 691	30 676 566	19 185 082	44 893	44 892
Withdrawals	37 667	27 227	30 581 290	19 161 960	43 196	45 152
<b>Deposits as at 31.12.</b>	<b>4 059</b>	<b>5 469</b>	<b>207 134</b>	<b>108 457</b>	<b>7 422</b>	<b>5 724</b>
<b>Interest costs</b>	<b>44</b>	<b>33</b>	<b>3 969</b>	<b>1 848</b>	<b>33</b>	<b>64</b>
<b>Currency trading</b>						
Aggregated profit/ loss	0	0	0	0	0	0
<b>Other income - commissions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Guarantees issued</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Remuneration for management</b>						
Salaries and other short-term benefits	11 379	9 183				
Severance pay	0	0				
Pensions and other benefits after resignation 1)	0	0				
Other long-term benefits	0	0				
Share-based remuneration	0	0				
<b>Total</b>	<b>11 379</b>	<b>9 183</b>				

1) The CEO and Deputy CEO have a pension scheme which entitles them to a total pension of 70 per cent of their annual salary from the age of 62 years. According to their own wish they can resign at the end of the year after having reached the age of 60 but they have to resign at the end of the year after having reached the age of 62 years. Olav Karlsen, Senior Group General Manager, has a similar pension scheme but with an option to resign at the end of the year after having reached the age of 62 years.

**Board of Directors**

	2005	2004
Fees paid to members of the Board of Directors	1 524	1 672
Miscellaneous	0	0
Loan to CEO	1 448	983
The Chairman of the Board of Directors does not have a loan in the Bank.		

**NOTE 27 EVENTS OCCURRING AFTER THE END OF THE YEAR**

Proposed dividends amount to NOK 158 million. The proposal had not been approved as at 31.12.05 and therefore dividends are not included under liabilities in the balance sheet.

**NOTE 28 ACQUISITION OF BUSINESSES****Non-significant acquisitions**

SpareBank 1 Nord-Norge did not make any acquisitions during the course of 2005 which - on an individual- or aggregate basis - were of significant importance for the Bank.

**NOTE 29 GUARANTEES****Breakdown of guarantee liabilities**

Amounts in NOK million	31.12.05	31.12.04
Payment guarantees	563	490
Contract guarantees	250	218
Loan guarantees	4	7
Guarantees for tax payment	0	0
Miscellaneous	173	165
Guarantees in favour of the Norwegian Banks' Guarantee Fund (NBGF)	26	26
<b>Total guarantee liabilities</b>	<b>1 016</b>	<b>906</b>

**Guarantees broken down by commercial, industrial and other sectors**

	31.12.05	31.12.04
Agriculture, forestry, fisheries, hunting and fish farming	13	9
Production of crude oil and natural gas		
Industry and mining	148	114
Building and construction, power- and water supply	264	267
Wholesale- and retail trade; hotel- og restaurant industry	151	139
International shipping and pipeline transport		
Financing, property management and business services	154	196
Other transport and service industries	227	119
Municipalities		
Retail banking market	33	11
<b>Total guarantees</b>	<b>990</b>	<b>855</b>
Financial institutions	26	51
<b>Total guarantees broken down by commercial, industrial and other sectors</b>	<b>1 016</b>	<b>906</b>

**Guarantees broken down by geographical areas**

	31.12.05	31.12.04
North-Norway including Spitzbergen	967	870
Other regions	49	36
<b>Total guarantees broken down by geographical areas</b>	<b>1 016</b>	<b>906</b>

## NOTE 30 NOTE 30 - ADJUSTING CHANGE IN EQUITY CAPITAL

Amounts in NOK million

	Total	Issued capital	Savings Bank's Fund	Dividend- Equalisation Fund	Fair value reserve	Donations	Other equity
Entries involving the various equity capital funds are allocated according to the PCC fraction/percentage as at 1.1.05.							
Equity capital as at 1 January 2004 according to -							
Norwegian GAAP	2 355	668	1 357	315		15	
Profit for the year	366		188	153		25	
Dividend	-125			-125			
Donations	-5					-5	
Other equity adjustments	-4		-3	-1			
<b>Equity capital as at 31 December 2004 - Norwegian GAAP</b>	<b>2 587</b>	<b>668</b>	<b>1 542</b>	<b>342</b>	<b>0</b>	<b>35</b>	<b>0</b>
<b>Effects of implementing IFRS - 1 January 2004</b>							
Recognition of estimate discrepancies involving pension liabilities	-237		-145	-92			
Fair value tangible assets impact	28		17	11			
Revaluation of shareholding in SpareBank 1 Gruppen	-39		-24	-15			
<b>Total IFRS effects - 1 January 2004</b>	<b>-248</b>	<b>0</b>	<b>-152</b>	<b>-96</b>	<b>0</b>	<b>0</b>	<b>0</b>
Increase in profit - IFRS - SpareBank 1 Gruppen							
Increase in profit due to reduction in pension cost	18		11	7			
Reversal of dividend reserve	125			125			
Revaluation of shareholding in SpareBank 1 Gruppen	9		6	3			
<b>Equity capital as at 31 December 2004 - IFRS</b>	<b>2 509</b>	<b>668</b>	<b>1 418</b>	<b>388</b>	<b>0</b>	<b>35</b>	<b>0</b>
<b>Effects of implementing IAS 39 - Financial instruments</b>							
Transition to new loan regulations	-3		-2	-1			
Net profit/ loss from hedging activities	-26		-16	-10			
Fair value adjustments of shares carried at cost	36				36		
Fair value adjustments of fixed-rate loans	3		3				
<b>Total IFRS impact as at 1 January 2005</b>	<b>10</b>	<b>0</b>	<b>-15</b>	<b>-11</b>	<b>36</b>	<b>0</b>	<b>0</b>
<b>Adjusted equity capital as at 1 January 2005 - IFRS</b>	<b>2 519</b>	<b>668</b>	<b>1 403</b>	<b>377</b>	<b>36</b>	<b>35</b>	<b>0</b>
Issue of PCC capital	0	132		-132			
Dividend	-125			-125			
Profit for the year	554		221	193		75	65
Dividend	-158			-158			
Payments from Donations Fund	-8					-8	
Reversal of dividend reserve	158			158			
Other adjustments to equity capital	2		1	1			
<b>Total IFRS-related impact as at 31 December 2005</b>	<b>423</b>	<b>132</b>	<b>222</b>	<b>-63</b>	<b>0</b>	<b>67</b>	<b>65</b>
<b>Equity capital as at 31 Dec 2005 - IFRS</b>	<b>2 942</b>	<b>800</b>	<b>1 625</b>	<b>314</b>	<b>36</b>	<b>102</b>	<b>65</b>

## NOTE 31 EXPLANATION OF IMPLEMENTATION OF IFRS

Amounts in NOK million

	NGAAP	Effects of impl. of IFRS	IFRS	NGAAP	Effects of impl. of IFRS	IFRS
	31.12.03	1.1.04	1.1.04	31.12.04	31.12.04	31.12.04
<b>Assets</b>						
Cash and balances with central banks	548		548	294		294
Loans and advances to credit institutions	101		101	132		132
Loans and advances to customers	36 869		36 869	37 931		37 931
- Individual write-down for impaired value of loans and advances to customers	503		503	320		320
- Collective write-down for impaired value of loans and advances to customers	322		322	321		321
<b>Net loans and advances to customers</b>	<b>36 044</b>		<b>36 044</b>	<b>37 290</b>		<b>37 290</b>
Securities	2 807		2 807	3 124		3 124
Financial derivatives						
Investments in associated companies and joint ventures	258	-39	219	319	-12	307
Property, plant and equipment	553	39	592	520	39	559
Deferred tax assets	38	81	119	28	74	102
Other assets	543	-89	454	538	-86	452
<b>Total assets</b>	<b>40 892</b>	<b>-8</b>	<b>40 884</b>	<b>42 245</b>	<b>15</b>	<b>42 260</b>
<b>Liabilities</b>						
Deposits from credit institutions	3 366		3 366	2 790		2 790
Due to customers	21 666		21 666	22 999		22 999
Debt securities in issue	11 171		11 171	11 738		11 738
Financial derivatives						
Other liabilities	828	240	1 068	933	93	1 026
Subordinated loan capital	1 502		1 502	1 194		1 194
<b>Total liabilities</b>	<b>38 533</b>	<b>240</b>	<b>38 773</b>	<b>39 654</b>	<b>93</b>	<b>39 747</b>
<b>Equity capital</b>						
Primary Capital Certificates	660		660	660		660
PCC premium reserve	8		8	8		8
Other reserves	1 687	-248	1 439	1 919	-78	1 841
<b>The Bank's PCC-holders</b>	<b>2 355</b>	<b>-248</b>	<b>2 107</b>	<b>2 587</b>	<b>-78</b>	<b>2 509</b>
Minority interests	4		4	4		4
<b>Total equity capital</b>	<b>2 359</b>	<b>-248</b>	<b>2 111</b>	<b>2 591</b>	<b>-78</b>	<b>2 513</b>
<b>Total liabilities and equity capital</b>	<b>40 892</b>	<b>-8</b>	<b>40 884</b>	<b>42 245</b>	<b>15</b>	<b>42 260</b>

## Annual report IFRS Group - Notes

Amounts in NOK million

	NGAAP 31.12.04	Effects of impl. of IFRS 1.1.05	IFRS 1.1.05	NGAAP 31.12.05	Effects of impl. of IFRS 31.12.05	IFRS 31.12.05
<b>Assets</b>						
Cash and balances with central banks	294		294	935		935
Loans and advances to credit institutions	132		132	45		45
Loans and advances to customers	37 931	140	38 071	41 590	48	41 638
- Individual write-down for impaired value of loan and advances to customers	320		320	264		264
- Group write-down for impaired value of loan and advances to customers	321		321	217		217
<b>Net loans and advances to customers</b>	<b>37 290</b>	<b>140</b>	<b>37 430</b>	<b>41 109</b>	<b>48</b>	<b>41 157</b>
Securities	3 124	31	3 155	4 488	23	4 511
Financial derivatives		485	485		491	491
Investments in associated companies and joint ventures	319	-12	307	482	13	495
Property, plant and equipment	520	39	559	473	30	503
Deferred tax assets	28	81	109	110	-5	105
Other assets	538	-125	413	412	-24	388
<b>Total assets</b>	<b>42 245</b>	<b>639</b>	<b>42 884</b>	<b>48 054</b>	<b>576</b>	<b>48 630</b>
<b>Liabilities</b>						
Deposits from credit institutions	2 790		2 790	1 773		1 773
Due to customers	22 999	-82	22 917	25 376	-26	25 350
Debt securities in issue	11 738	195	11 933	15 652	16	15 668
Financial derivatives		500	500		586	586
Other liabilities	933	94	1 027	1 176	-159	1 017
Subordinated loan capital	1 194		1 194	1 337	-48	1 289
<b>Total liabilities</b>	<b>39 654</b>	<b>707</b>	<b>40 361</b>	<b>45 314</b>	<b>369</b>	<b>45 683</b>
<b>Equity capital</b>						
Primary Capital Certificates	660		660	792		792
PCC premium reserve	8		8	8		8
Other reserves	1 919	-68	1 851	1 935	207	2 142
<b>The Bank's PCC-holders</b>	<b>2 587</b>	<b>-68</b>	<b>2 519</b>	<b>2 735</b>	<b>207</b>	<b>2 942</b>
Minority interests	4		4	5		5
<b>Total equity capital</b>	<b>2 591</b>	<b>-68</b>	<b>2 523</b>	<b>2 740</b>	<b>207</b>	<b>2 947</b>
<b>Total liabilities and equity capital</b>	<b>42 245</b>	<b>639</b>	<b>42 884</b>	<b>48 054</b>	<b>576</b>	<b>48 630</b>

## Annual report IFRS - Profit analysis and key financial figures

	Amounts in NOK million					as a percentage of average assets				
	31.12.05 (IFRS)	31.12.04 (IFRS)	31.12.03 (NGAAP)	31.12.02 (NGAAP)	31.12.01 (NGAAP)	31.12.05	31.12.04	31.12.03	31.12.02	31.12.01
<b>From the profit and loss account</b>										
Interest and similar income	1 765	1 753	2 452	2 965	2 880	3.93%	4.17%	6.23%	8.11%	8.41%
Interest and similar costs	690	650	1 414	1 944	1 948	1.54%	1.55%	3.59%	5.32%	5.69%
Net interest- and credit commission income	1 075	1 103	1 038	1 021	932	2.39%	2.63%	2.64%	2.79%	2.72%
Dividends and other income from securities	98	45	-4	-143	-20	0.22%	0.11%	-0.01%	-0.39%	-0.06%
Commission income and revenue generated from banking services	403	377	355	328	310	0.90%	0.90%	0.90%	0.90%	0.91%
Commission costs and expenditure generated from banking services	63	71	86	85	72	0.14%	0.17%	0.22%	0.23%	0.21%
Net gains/ losses from securities and foreign exchange	77	28	46	24	0	0.17%	0.07%	0.12%	0.07%	0.00%
Other operating costs	76	60	56	51	44	0.17%	0.14%	0.14%	0.14%	0.13%
Net overall contribution	1 666	1 542	1 405	1 196	1 194	3.71%	3.67%	3.57%	3.28%	3.49%
Wages, salaries and general administration costs	710	621	647	619	584	1.58%	1.48%	1.64%	1.69%	1.71%
Depreciation etc. on fixed- and intangible assets	49	51	59	68	80	0.11%	0.12%	0.15%	0.19%	0.23%
Other operating costs	113	124	108	106	93	0.25%	0.30%	0.27%	0.29%	0.27%
Result before losses	794	746	591	403	447	1.77%	1.78%	1.50%	1.11%	1.28%
Losses on loans, guarantees etc.	65	170	318	245	138	0.14%	0.40%	0.81%	0.67%	0.40%
Gains/ losses on sale of fixed financial assets	0	-1	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%
Result before tax	729	577	273	158	309	1.62%	1.37%	0.69%	0.44%	0.88%
Tax	172	174	62	94	104	0.38%	0.41%	0.16%	0.26%	0.30%
Result from ordinary operations after tax	557	403	211	64	205	1.24%	0.96%	0.54%	0.17%	0.60%
Minority interests	3	2	1	1	1	0.01%	0.00%	0.00%	0.00%	0.00%
Profit for the year	554	401	210	63	204	1.23%	0.95%	0.53%	0.17%	0.60%

## Annual report IFRS Group - Profitability

Amounts in NOK million

		31.12.05	31.12.04	31.12.03	31.12.02	31.12.01
<b>Rate of return/profitability</b>						
Costs as a percentage of overall contribution margin		52.34%	51.62%	57.94%	66.30%	62.56%
Costs as a percentage of overall contribution margin (excluding net gain from foreign exchange and securities)		54.88%	52.58%	59.90%	67.66%	62.56%
Pre-tax return on equity capital	1	26.96%	24.24%	11.75%	7.06%	14.10%
After-tax return on equity capital	2	20.49%	16.84%	9.04%	2.76%	9.36%

### Lending portfolio and write-down for impaired value

Net losses on loans as a percentage of gross lending	3	0.16%	0.45%	0.86%	0.73%	0.45%
Write-down for impaired value as a percentage of gross lending	4	1.17%	1.70%	2.24%	2.02%	1.70%
Individual write-down for impaired value as a percentage of gross loans		0.65%	0.85%	1.36%	1.06%	0.79%
Collective write-down for impaired value as a percentage of gross loans		0.52%	0.85%	0.87%	0.96%	0.91%
Total bad and doubtful commitments as a percentage of gross loans		2.31%	2.65%	3.11%	3.20%	2.11%
Net bad and doubtful commitments as a percentage of gross loans		1.68%	1.80%	1.75%	2.13%	1.32%

### Capital adequacy

Capital adequacy ratio	5	11.19%	10.85%	11.82%	9.99%	10.58%
Core capital ratio		9.99%	9.24%	9.02%	7.87%	8.44%
Risk-weighted asset base for capital		31 806	29 296	29 019	26 595	24 988

### Balance sheet

Total assets		48 630	42 260	40 892	37 879	35 266
Asset growth		15.07%	3.35%	7.95%	7.41%	6.41%
Average assets	6	44 911	41 992	39 347	36 572	34 250
Certificates, bonds and other interest-bearing securities		4 061	2 768	2 435	2 186	1 908
Gross loans made to customers		41.638	37 931	36 869	33 574	30 973
Growth in gross loans to customers		9.77%	2.88%	9.81%	8.40%	5.94%
Write-down for impaired value		481	641	825	679	526
Deposits from customers		25.350	22 999	21 666	20 182	18 429
Growth in deposits from customers		10.22%	6.15%	7.35%	9.51%	6.42%

### Personnel

Number of man-years at the end of the year	7	778	758	770	868	879
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Definitions:

- 1 Pre-tax result as a percentage of average equity capital.
- 2 After-tax result as a percentage of average equity capital.
- 3 Losses as a percentage of gross loans.
- 4 Write-down for impaired value (individual and collective) as a percentage of gross loans.
- 5 Net equity and related capital as a percentage of total risk-weighted assets.
- 6 Calculated as average amount of quarterly assets each year, plus opening balance.
- 7 Man-years are defined as man-years relating to permanent positions in the Group.

Key figures for comparable periods have not been adjusted according to changes in the new Accounting Act.



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To the Board of Trustees of Sparebanken Nord-Norge

**AUDITOR'S REPORT FOR 2005**

**Respective Responsibilities of Directors and Auditors**

We have audited the annual financial statements of the Sparebanken Nord-Norge as of 31 December 2005, showing a profit of NOK 537 millions for the parent company and a profit of NOK 557 millions for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to prepare the parent company's financial statement. The rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements and the Board of Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

**Basis of Opinion**

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion,

- the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the parent Company as of 31 December 2005, the results of its operations and its cash flows for the year then ended, in accordance with the rules of the Norwegian accounting act and good accounting practice in Norway
- the group accounts are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Group as of December 31 2005, the results of its operations, its cash flows and the changes in equity for the year then ended, in accordance with the rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and comply with the law and regulations.

Tromsø, 28 February 2006  
 KPMG AS

Sverre Einersen  
 State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only

**Offices in**

Oslø	Haugesund	Sandnessjøen
Stavø	Kristiansund	Stange
Ålesund	Larvik	Stord
Arendal	Lillesand	Tromsø
Bergen	Molde	Trondheim
Bisnes	Oslo	Tvedestrand
Breivik	Rana	Tvedestrand
Breivik	Sandnessjøen	Tvedestrand
Breivik	Sandnessjøen	Tvedestrand

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 Statsautoriseret revisor - medlemmer av Den norske Revisorforening

**REPORT FROM THE CONTROL COMMITTEE**

During the business year of 2005, SpareBank 1 Nord-Norge's Control Committee has completed its task in accordance with paragraph 13 of the Savings Banks' Act and according to the currently valid instructions for the Control Committee. The committee has monitored and seen to it that the Bank's operations have been conducted in compliance with the Savings Banks' Act's rules and regulations, the Bank's bylaws, the Board of Trustees' resolutions and any other rules and regulations to which the bank must adhere.

The Control Committee has examined the Annual Accounts, Annual Report and Auditor's Report and has no comments to make in that connection. The committee is of the opinion that the Board of Directors' assessment of the Bank's financial position is true and fair, and would wish to recommend that the Annual Report and Accounts presented are adopted as SpareBank 1 Nord-Norge's Annual Financial Statement for 2005.

Tromsø, 1 march 2006

Dag Nafstad

Inger Johanne Pettersen

Dag Norvang

Just before the end of last year, Norway's largest newspaper wrote: “North-Norway is heading for a golden age”. This statement, which comes from the Stoltenberg government, is based on the resources found off-shore in the northern territories of Norway. This statement supports the results our bank has been enjoying in our northern region.

SpareBank 1 Nord-Norge produced a very good result in 2005 – its best ever. This record result illustrates that the region's commerce and industry is making progress. We have always known that when the Bank is doing well, so is our region. In other words, the Bank's performance is a mirror image of developments in North-Norway.

Last autumn, SpareBank 1 Nord-Norge and Innovasjon Norge published their Economic Barometer for North-Norway, with the supplement, 'The attractions of North-Norway'. This tells us that North-Norway's economy is currently enjoying a relatively strong boom.

- Commerce and industry is currently delivering strong results in most sectors.
- Unemployment has been reduced by one percentage point during 2005.
- There has been a sharp increase in the availability of new jobs.
- Industry is rationalising/restructuring, reducing its employment levels.
- Building and construction, the private service sector and wholesale and retail trade are all growing strongly.
- The number of new business start-ups is on the increase.
- Private consumption is increasing – private households are investing in residential property, holiday cottages, cars and travel.

A closer look at commerce and industry shows that the marine sector is doing well, making money. The development of the Snow White off-shore field near Hammerfest has created bigger ripple effects than what was first expected. In addition, this development has resulted in a great deal of optimism, attracting skilled labour to this part of the country. What is currently happening in the Barents Sea, both in the Norwegian and Russian sectors, is creating a great deal of interest nationally and internationally.

2005 has been a good year for the region's tourist industry. The private service sector has been enjoying increased profitability and growing employment levels and we now look forward to the development of new technology- and knowledge-intensive businesses.

Our region is currently attracting much attention with regard to the various opportunities available. The question is whether we are going to be sufficiently resourceful when it comes to making the most of the momentum we have at the present time. We know from experience that momentum never lasts for more than a certain – and not very long – time.

SpareBank 1 Nord-Norge realises that we must make the most of the opportunities which we do have and see around us – and, not least importantly, – which many observers from other areas and countries have also discovered. It is important that our region has a clear vision and a clear voice. In this connection, North-Norway's political authorities have a clear responsibility. Prestige as well as local and regional feelings must be put aside in favour of a cohesive and total policy embracing the future. If we fail to do this, we may once more end up as suppliers of raw materials without there being any real wealth creation in our region. We all have a responsibility to build a region which provides good and attractive jobs for young people who want to live in North-Norway and help to further develop our region.

In January this year, NHO (the Confederation of Norwegian Business and Industry) arranged a conference in Oslo titled “Opportunities in the north, strategies for growth and development”, attended by some one thousand representatives from commerce, industry and politics. The invitation to the conference included the following statement:

*“Increased off-shore oil- and gas activity in the northern territories is the driving force which can give a new lift to an entire region, to Norway and to the whole of Northern Europe. We have the resources, professional competence and technology. A strong focus and reliance on the region's resources will trigger beneficial ripple effects, which the development of the Snow White off-shore field has already demonstrated. In addition to non-renewable petroleum resources on the one hand and renewable fish stocks on the other, the region benefits from unique scenery which can provide the basis for growth within the local tourist industry.”*

SpareBank 1 Nord-Norge wishes to take a very active part in helping to bring about further development in the northern territories, which are now attracting such a great deal of attention, both regionally, nationally and internationally.

  
Hans Olav Karde  
Chief Executive Officer

## Ownership structure

### Primary Capital Certificate (PCC) capital – PCC-holding structure

SpareBank 1 Nord-Norge's PCC capital totals NOK 791,642,200, consisting of 15,832,844 certificates, each of a nominal value of NOK 50. The Bank's PCCs are listed on the Oslo Stock Exchange. The number of PCC-holders at the end of the year was 8,031, up from 4,320 a year earlier.

In 2005, in accordance with a resolution passed by the Bank's Board of Trustees, the Bank completed a bonus/capitalisation issue and a split of the Bank's PCCs. The new issue involved a NOK 131,940,400 increase in the Bank's PCC-capital, from NOK 659,701,800 to NOK 791,642,200, by transferring the amount of the increase to the Dividend Equalisation Fund. The issue was completed through the issuance of 1,319,404 new PCCs (bonus certificates) priced at par. Five old certificates provided the right to receive one new certificate.

The Bank's 20 largest PCC-holders are shown in Note 31, which also lists the number of certificates held by the Bank's elected representatives.

At the end of the year, the number of PCC-holders domiciled in North Norway was 2,505, up from 1,890 the year before. Corresponding figures from 2003 and 2002 were 1,774 and 1,846

respectively. At the end of 2005, certificates held by investors domiciled in North Norway accounted for 31.2 per cent of the Bank's total PCC capital. In the three years prior to that, the ratio was 21.3 per cent, 25.4 per cent and 25.1 per cent respectively. The Bank would still like the number of PCCs held by local investors and their share of the total PCC capital to be higher.

During the last 7 years, the Bank has sold PCCs to staff at a discounted price. In 2005, this was done by buying certificates in the market for selling on and allocation to staff. During the 2004 accounting year, 825 employees were allocated PCCs as part of the profit sharing that year. 335 employees within the Group bought PCCs in addition to the certificates acquired through the profit sharing arrangement. In all, 114,941 PCCs have been allocated and sold to employees. In 2006 too, staff will be able to buy PCCs at a discount.

### Turnover, liquidity and price movements

In 2005, the highest and lowest traded price of the Bank's PCCs were NOK 157 and NOK 108 respectively.

The number of certificates traded in 2005 was 11,433,222, whereas corresponding figures for the three preceding years were 5,495,125, 3,452,119 and 1,955,153.

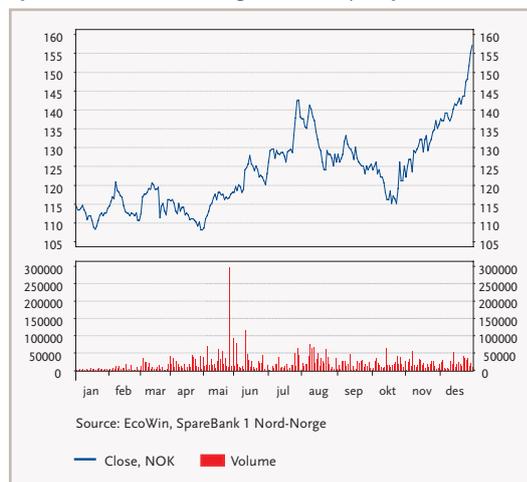
	2003	2004	2005
Number of PCCs issued	6 597 018	6 597 018	<b>15 832 844</b>
PCC capital	NOK 659 701 800	NOK 659 701 800	<b>NOK 791 642 200</b>
PCC price as at 31.12.	NOK 77 (184)	NOK 115 (276)	<b>NOK 157</b>
Dividend per PCC for the accounting year	NOK 6 (14)	NOK 8 (19)	<b>NOK 10</b>
Dividend per PCC paid	NOK (10)	NOK (14)	<b>NOK (19)</b>
Direct rate of return 1)	7.6%	6.9%	<b>6.37%</b>
Percentage rate of return before tax (arithmetical) 2)	52.2%	57.6%	<b>43.41%</b>
Market value as at 31.12.	1 213.9 mill	1 820.8 mill	<b>2 485.8 mill</b>
Book value of equity capital per PCC 3)	NOK 62.08 (149.00)	NOK 63.79 (153.10)	<b>NOK 60.07</b>
PCC share 4)	41.7% (42.0%)	39.01% (40 %)	<b>35.60%</b>
Payout ratio 5)	43.9%	41.7%	<b>39.01%</b>
Earnings per PCC, Parent Bank 6)	NOK 5.85 (14.01)	NOK 10.02 (23.16)	<b>NOK 11.63</b>
Dividend Equalisation Fund per PCC 7)	NOK 19.90 (47.45)	NOK 16.30 (39.11)	<b>NOK 9.53</b>
Number of PCCs traded/number of PCCs issued 8)	52%	83%	<b>72%</b>

The figures in brackets refer to the time before the latest PCC issue and split.

#### Definitions:

- 1) Direct rate of return: dividend for the accounting year/price as at 31.12.
- 2) Percentage rate of return before tax (arithmetical): (dividend paid + price change 1.1.-31.12)/price as at 1.1.
- 3) Book value of equity capital per PCC: (PCC-capital + Premium Fund + Dividend Equalisation Fund)/number of PCCs
- 4) PCC-share: (PCC-capital + Dividend Equalisation Fund + Premium Fund)/(total equity capital – Fund for Evaluation Differences)
- 5) Payout ratio: (Total dividends + transfer to Dividend Equalisation Fund)/profit for the year after Group contributions and change in Fund for Evaluation Differences
- 6) Earnings per PCC, Parent Bank: Result for the year for Parent Bank, adjusted for change in Fund for Evaluation Differences/number of PCCs
- 7) Dividend Equalisation Fund per PCC: Dividend Equalisation Fund as at 31.12./number of PCCs
- 8) Number of PCCs traded/number of PCCs issued

**Price movements and turnover**  
**SpareBank 1 Nord-Norge's Primary Capital Certificate**



**“RISK” adjustment**

In order to avoid double taxation of the Company and its share-/PCC-holders, the tax-related opening value of shares and PCCs is adjusted in the case of Norwegian holders of such securities. Such value adjustment is done in accordance with applicable “RISK” rules and regulations; the price at which PCCs were bought is adjusted for any changes in the Company's taxed equity capital for the period during which the certificates were owned.

The “RISK” amount applying to SpareBank 1 Nord-Norge's PCCs has been as follows in recent years:

1999	2000	2001	2002	2003	2004	2005
13.42	22.54	8.48	4.15	0.24	0.01	4.17

The provisional “RISK” amount as at 1.1.06 has been estimated at NOK -3.73.

**PCC-holder policy**

SpareBank 1 Nord-Norge's PCC-holder policy is of a long-term nature. The Bank aims to produce profits which will provide the basis for offering a competitive rate of return on the Bank's PCCs. The rate of return will be made up of a combination of cash dividend and any increase in the PCC price. The level of

PCC-holdings	Number of PCC-holders	Number of PCCs held	Percentage share
1: 1 - 100	936	50 646	0.32 %
2: 101 - 500	3 873	1 052 749	6.65 %
3: 501 - 1 000	1 246	920 395	5.81 %
4: 1 001 - 10 000	1 759	4 858 740	30.69 %
5: 10 001 - 50 000	183	3 642 644	23.01 %
5: 50 001 - 100 000	20	1 426 025	9.01 %
6: Over 100 000	14	3 881 645	24.52 %
<b>Total</b>		<b>15 832 844</b>	<b>100.00 %</b>

dividend paid to PCC-holders will depend upon the annual profit. The Bank has the following strategic aim in this connection: The sum of the dividend paid and the transfer made to the Dividend Equalisation Fund is to reflect PCC-holders' share of the Bank's equity capital. As far as the split between the total cash dividend payment and transfer to the Dividend Equalisation Fund is concerned, the Bank will endeavour to give priority to achieving a high cash dividend portion. However, when considering the split between these two elements, the Board of Directors will also take the Bank's equity capital situation into consideration.

The Bank will make transfers to and from the Dividend Equalisation Fund in accordance with the level of profit for the year and currently applicable laws, rules and regulations.

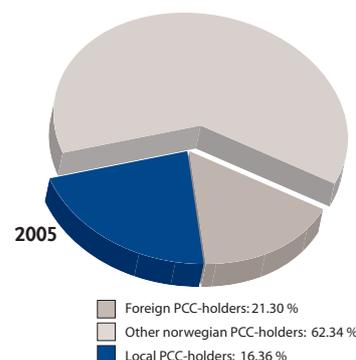
SpareBank 1 Nord-Norge will make every effort to provide PCC-holders and other investors in the market with information which will improve their knowledge of the Bank and its market areas. Good, accurate and timely information will help ensure that the basis for pricing the Bank's PCCs is as good as possible. The Bank will attempt to make available identical information simultaneously to all investors in the market.

SpareBank 1 Nord-Norge's information policy aims at giving the financial markets as much information about the Bank's future operations as possible, so that PCC-holders and potential investors are given an opportunity to understand and assess the Bank's development potential. The Bank will communicate frequently with PCC-holders and financial analysts, for instance through presentations given in connection with the publication of annual and quarterly reports. Furthermore, in all its communication with financial markets, the Bank will seek to provide complete and up-to-date information in accordance with good and generally accepted business practice.



**Financial calendar**

Interim report and accounts - 1st quarter 2006	02.05.06
Interim report and accounts - 2nd quarter 2006	10.08.06
Interim report and accounts - 3rd quarter 2006	01.11.06
Preliminary report and accounts 2005 -	At the beginning of February 2007





Some businesses see opportunities in the least obvious and most problematical areas – the weather. SpareBank 1 Nord-Norge's Business Development Fund awarded its first prize to Alta Friluftspark AS.

The Bank's strategy and intellectual capital are presented here as a supplement to the annual financial report. The purpose of this is to explain about the Bank's most important values, aims and strategic choices and also about how the Bank's resources are managed and developed.

The Bank's wealth creation is built on certain basic values, corporate culture and attitudes. This basis is kept alive through active management, cooperation and development processes.

### Business concept

SpareBank 1 Nord-Norge provides total and modern financial solutions to customers with a basis in the North-Norwegian market. We create competitive advantages by being close to the customers and professionally competent in all customer relations. We know our customers very well and have an intimate understanding of their situation. This is why we are best when it comes to taking care of their needs and best at coming up with solutions which produce added value.

SpareBank 1 Nord-Norge is an attractive place to work, with a corporate culture characterised by dynamic training, a will to win and a will to work together. Our business is based on strict requirements of honesty and corporate ethics, as written into the SNN Code of Conduct.

SpareBank 1 Nord-Norge is an independent financial group within the SpareBank 1-alliance. We know North-Norway extremely well and contribute to development and growth within the region.

### Corporate vision For North-Norway!

#### Values - Close and Competent

By *close* is meant close to the customers, coupled with intimate understanding and involvement. This means that we should at all times behave in a pleasant, accommodating and professional manner, understanding individual needs, being available and accessible, demonstrating intimate local knowledge, and having a big presence throughout the market. Being close to the customers means personal commitment and enthusiasm for the opportunities given to us in the workplace and by our customers. *Competent* means having customer focus, solid professional competence, good skills and a clear attitude. Advisory services and sales shall be based on good, ethical standards and authorisations. The advice we give shall be of a high professional quality. Competence means an ability and will to take initiative and recommend relevant solutions for our customers. Competence means an ability to work with colleagues in all parts of our organisation in order to realise our overall aims.

#### Strategy for growth and productivity

The main Board of Directors continually focuses on strategy. This is based on analyses and evaluations of market conditions, the competition, framework conditions and internal processes.

In 2005, the Bank completed a broad strategy process which provided a renewed strategy for growth and productivity. Growth will

be achieved through increased business volumes with existing customers, efforts to capture new customers, the development of market areas, coupled with the development of new services and business areas. Growth targets take into consideration the Bank's aim of increased productivity. Effective work processes, coupled with a strengthening of professional competence throughout the organisation, represent the most important initiatives.

### Financial targets

#### Capital adequacy

SpareBank 1 Nord-Norge shall be a financially strong bank with a capital adequacy ratio which reflects the risk relating to the Bank's market area.

- The capital adequacy ratio shall be at least 12 per cent and the core capital ratio minimum 9 per cent.
- The Bank's level of confidence shall be at 99.9 per cent

#### Profitability

- SpareBank 1 Nord-Norge shall have a level of profitability which reflects the risk involved in the Bank's business and the market's requirements for investment return.
- The targeted rate of return on equity capital after tax is minimum 6 percentage points above the yield on long-term Norwegian government bonds.
- The level of profitability shall be in line with other banks with which SpareBank 1 Nord-Norge would normally compare itself.

#### Effectiveness

- SpareBank 1 Nord-Norge's target states that overall costs shall not amount to more than 50 per cent of income.
- The overall effectiveness shall be in line with other banks with which SpareBank 1 Nord-Norge would normally compare itself.

### Satisfied customers

SpareBank 1 Norge shall be close and competent in all customer relations. Customers shall find the Bank an accessible partner, with professional competence, offering products and services which take care of each customer's individual requirements.

#### A bank close to the customer

Customers shall have easy and quick access to their bank, irrespective of where they are located and how they make contact with the bank. Our staff shall receive customers in a personal way, making it clear that the customer in question is known to them, based on our employees' intimate understanding of their situation and environment.

#### Professional advisory services

Customers shall meet a bank which understands their needs and offers relevant advice and solutions. Through their attitude, knowledge and skills, our staff will focus on customers' requirements. Our employees shall be proactive, showing initiative, offering advice which will make their customers' life easier, helping them to make the most of their opportunities.

### Tailor-made total solutions

Customers shall find that the Bank makes available a broad range of products and services which solve all their financial needs. Our staff initially base their approach on the customer's financial situation, offering total solutions, each product involved being adapted to the customer's individual requirements.

### A bank for North-Norway!

Our staff shall show our customers that's SpareBank 1 Nord-Norge represents a level of commitment and values which will enhance their lives. The Bank is strongly committed to all local communities and provides resources and knowledge to help boost development and growth within its region.

### Best practice

SpareBank 1 Nord-Norge's work processes shall be characterised by best practice.

### Advisory services and sale 'across-the-board'

Professional competence and personal service shall characterise the Bank's advisory services, which are to be based on customers' needs and offered through dialogue and the sharing of knowledge with the customer.

The Bank markets a wide range of products and services covering the customer's total requirements for financial services.

### Distributive power and customer growth

SpareBank 1 Nord-Norge has a network of 90 local branches within the region. The Bank's customer centre initially receives enquiries by telephone and e-mail. The financial portal gives customers access to information, payment transmission services, as well as the purchase and maintenance of financial services on the Internet.

### Innovation and business development

The Bank participates with resources and competence in the SpareBank 1-alliance in order to develop products, services and customer solutions. This bank alliance is the most important way of conducting our business as a modern financial group.

### Market support

The Bank's business processes are supported by professional knowledge which ensures quality and boosts the value added element for customers and the Bank:

- Customer surveys and information on markets and competitors
- Customer concepts and partner programmes
- Systems and tools for advisory services, sale 'across-the-board' and follow-up of customers

### Quality and risk management

The Bank's credit process shall provide effective loan administration and correct assessment of risk. Portfolio monitoring provides knowledge about the development of risk within different portfolios and commercial and industrial sectors. Professional

credit support provides the Bank's management with management information and supports our teams of advisors, making sure that credit growth is within the agreed limits for risk.

### Our commitment to the local communities

#### Local cooperation partner and sponsor

Sparebank 1 Nord-Norge wants to be a visible, local cooperation partner. Local responsibility for sponsorship ensures that this cooperation is for the mutual benefit of all parties involved.

#### The Donations Fund

The Bank uses its Donations Fund actively in order to support its commitment to the local communities within its region.

#### Knowledge- and development partner within the region

The Bank has a broad and visible commitment within the region. The Bank is an active participant in the provision of knowledge and in various projects promoting growth and new business within the region's commerce and industry. Since 1995, the Economic Barometer for North-Norway has been of pivotal importance in this connection. The role as development partner is also promoted at the local level, where the Bank contributes with knowledge in business development context.

### A culture of winners

The bank's organisation is characterised by a strong culture of winners, a culture which forms the basis for realising the ambitions which form part of our business concept.

- Knowledge and skills
- Corporate ethics, attitudes and values
- An understanding of strategy
- The will to take responsibility
- Working together as a team
- Open communication and the sharing of knowledge

### Continual learning

Continual learning and the sharing of knowledge form an integral part of our operations. The learning happens as a combination of personal talent, knowledge, skills, attitudes, understanding and making use of the professional skills of others. The training forum provides the basis for learning activities such as professional knowledge, skills and a sponsor arrangement for new recruits. 'Learning rooms' are local arenas for the sharing of knowledge. Attitudes are developed on the basis of mutual values and the SNN Code of Conduct which, together with the understanding of strategy, provides confidence when it comes to individual decisions and actions.

### Management development

Managers make others become aware of the Bank's values through their own actions, helping to build a culture of winners.

The Bank develops managers with an ability to work with others, and with ambitions in line with the Bank's aims and strategy. Managers are relation-builders, helping to further develop

proactive and committed colleagues. The Bank embraces management development which provides the understanding and skills needed to be a good manager in practice. The Bank's aim is to recruit most managers internally, making full use of in-house talent. The Bank prioritises even distribution between the sexes in staff context, as well as a good age mix as far as all jobs are concerned.

### Staff development and careers

The Bank shall be a company known for its high level of knowledge, a company which will attract and further develop talented people.

The Bank wants to have staff who actively seek new development opportunities and challenges. Career plans shall give each member of staff more opportunities and improved predictability in his or her career. Career development involves job mobility, contributing to enhanced cooperation throughout the organisation.

### The ability to work together

The ability to work together is the basis for a strong culture of winners. We benefit from each other's competence with regard to learning and improvement. We learn from our meetings with customers and must share our knowledge internally in

the organisation. Increased ability to work together is achieved through job rotation, project participation and learning, involving a variety of line- and special departments.

### Open communication

The Bank wishes to have a communications environment where there is an open and dynamic flow of information. Open communication means that knowledge of external activities is also made known through internal media. Active use of internal media ensures that the knowledge in question reaches as many employees as possible.

### From strategy to action

The Bank's strategy is implemented through day-to-day management and is followed up on a monthly basis through the Bank's Balanced Scorecard.

The scorecard contains indicators covering the following areas:

- Financial targets
- Customers and sale
- Quality in processes
- Organisation and learning



We wish to help provide knowledge and initiative for the further development of commerce and industry and local communities in North-Norway. Through the Economic Barometer and the Arena enclosures, we can contribute to constructive debate within our society and stimulate new thinking and business development.

### 1. Corporate Governance in SpareBank 1 Nord-Norge

Corporate governance in SpareBank 1 Nord-Norge is defined as the aims, targets and overall principles in accordance with which the Bank is managed and controlled, for the purpose of safeguarding the owners', depositors' and other groups' interests in the Bank. Accordingly, the Bank's principles of corporate governance shall ensure the sound and appropriate management of the Bank's assets and liabilities, providing additional assurance that all agreed targets, aims and strategies are met and adhered to. The Bank follows 'Norwegian Recommendation for Corporate Governance'.

As a result of this, the Bank has defined the following main principles, which are built on the three core values of openness, predictability and transparency:

- A structure which ensures targeted and independent management and control
- Systems which ensure that the relevant factors can be measured and which make it clear where the responsibility for certain aspects belong
- Effective risk management
- Complete and full information, as well as effective communication, aimed at underpinning and cementing the trust between owners, the Board of Directors and the Bank's management
- All owners to be treated in the same way; balanced relations with other interest groups
- Laws, rules, regulations and ethical standards to be adhered to

### 2. Operations

SpareBank 1 Nord-Norge is an independent financial services group within the SpareBank 1-alliance.

The Bank's corporate vision is **For North-Norway!**

The Bank's business concept is to supply complete and modern financial solutions for the benefit of customers based in the North-Norwegian market. The Bank shall create its competitive advantages by being **Close** and **Competent** in all customer relations.

In this context, **close** refers to closeness and proximity, understanding, knowledge and involvement. This means that all staff should act in a friendly, pleasant, accommodating and professional manner, that they should understand and appreciate individual requirements, are available and accessible, demonstrate local knowledge and that the Bank has a strong presence throughout the market. Closeness refers to personal commitment, coupled with enthusiasm for the many opportunities provided by our workplace and our customers

**Competent** means to be focused on our customers, to have solid professional competence, good skills and a clear and positive attitude. Advisory services and sales approach shall be based on good ethical standards and authorisations. The advice provided by Bank staff shall meet a high level of professional quality. Competence means the ability and willingness to take initiative, suggesting relevant solutions for the Bank's customers. Competence also means the ability to work together with colleagues throughout the organisation in order to meet and realise the Bank's overall targets and aims.

SpareBank 1 Nord-Norge is an attractive workplace with a corporate culture characterised by dynamic training, a will to win and a willingness to work together towards a common goal. The Bank's operations and business are based on strict requirements with regard to integrity and commercial ethics. Compliance with laws, rules, regulations and ethical standards is a requirement for healthy banking operations. The Bank's value basis and ethical guidelines are incorporated in the SpareBank 1 Nord-Norge Code of Conduct, which describes the Bank's practical approach to business. The SpareBank 1 Nord-Norge Code of Conduct has been clearly explained to all members of staff throughout the organisation and has also been made broadly known in the market, through the Bank's website, for the benefit of our customers and other people who may be interested to learn about this.

SpareBank 1 Nord-Norge's strategy is described in more detail in the Bank's Annual Report.

### 3. The company's capital and dividend

The Bank shall be well capitalised at all times: this is one of the most important aims forming part of the Bank's strategy. The Bank's main targets – including its capital adequacy ratio – is published through the Bank's website, through periodic accounts presentations, and in the Bank's Annual Report. In addition, at periodic intervals, the Bank's risk, measured in relation to the Bank's risk capital (the ICAAP process), is subject to a thorough examination. The result of this procedure is submitted to the Bank's main Board of Directors.

Furthermore, the main Board of Directors has worked out a dividend policy which forms the basis for the dividend recommendation which is submitted to the Board of Trustees. The dividend policy is published through the Bank's website, through periodic accounts presentations, and in the Bank's Annual Report.

### 4. All owners and transactions with close connections to be treated in the same way

Through ongoing dialogue, the Bank must make sure that owners and other interest groups are given the opportunity to express their views on the Bank's strategic and business-related development. The Bank must project an image of reliability and predictability as far as the equity capital market is concerned.

### 5. A structure which ensures targeted and independent management and control

The Bank's management structure is based on the Bank's corporate vision, established aims and targets, strategies and value bases. Management and control comprise all processes and control measures which have been introduced and implemented by the Bank's management in order to ensure effective operations and the implementation of the Bank's strategies.

In order to provide the necessary assurance that owners and other interest groups receive correct information relating to business-related and financial matters, several independent control bodies have been established.

In this way, the Bank's management- and control bodies have been allotted their different tasks and purposes, where the dif-

ferent bodies' roles and responsibilities at the highest level have been defined through laws, rules, regulations and by-laws.

## 6. Supervising-, management- and other bodies

### 6.1 Board of Trustees

The Board of Trustees is the Bank's most senior management body, which has the following main responsibilities:

- supervising the main Board of Directors' management of the Company
- adopting the Annual Report and Accounts
- electing members for the Bank's Board of Directors, Control Committee and Election Committee
- appointing the Bank's external auditor and fixing his/her remuneration

At a joint meeting, the Board of Trustees and main Board of Directors decide on:

- the appointment of the Bank's Chief Executive Officer
- the distribution of the amount which according to the Savings Banks' Act, paragraph 32, may be given to charitable and other deserving causes
- the raising of subordinated loan capital

When making the necessary preparations for the meetings of the Board of Trustees, the Bank shall make sure that all members receive the relevant notice by letter and at least 8 days in advance of such meetings. The Board of Trustees cannot make decisions on any other matters than those which have been specifically stated in the notice convening the meetings.

The Board of Trustees consists of 40 members and 40 deputy members, whose composition is as follows:

- 16 members and 16 deputy members to be elected from the Bank's PCC-holders
- Troms, Finnmark and Nordland – 7 members and 7 deputy members to be elected by the county councils in question
- 7 members and 7 deputy members from the Bank's depositors
- 10 members and 10 deputy members from the Bank's employees

The Board of Trustees shall normally meet twice each year.

### 6.2 Election Committees

#### Election committee for the Board of Trustees

The Election Committee shall consist of 4 members and 4 deputy members, with representatives from four groups represented on the Board of Trustees. The Election Committee shall make the necessary preparations for the election of the following members:

- Chairman and Deputy Chairman of the Board of Trustees
- Members and deputy members of the main and regional Boards of Directors, excluding the employees' representatives
- Chairman of the Control Committee, members and deputy members
- Members and deputy members of the Election Committee
- PCC-holders' and depositors' election of members and deputy members for the Board of Trustees.

In the case of the member and deputy member to be elected from the Bank's employees, only the staff's representative on the Election Committee is allowed to make a recommendation.

#### Election Committee for the depositors' election

The Election Committee consists of 3 members and 3 deputy members, the committee's task being to make the necessary preparations for the depositors' election of members and deputy members of the Board of Trustees, as well as members and deputy members of the Election Committee for depositors.

#### Election Committee for the PCC-holders' election

The Election Committee consists of 3 members and 3 deputy members, the committee's task being to make the necessary preparations for the PCC-holders' election of members and deputy members of the Board of Trustees, as well as members and deputy members of the Election Committee for PCC-holders. As part of their work, the Election Committees shall make sure that members of the Board of Trustees, Control Committee, Election Committee and main Board of Directors possess the necessary competence. In addition, the Election Committees should make every effort to ensure that there is an appropriate regional composition of the members involved and that both men and women are well represented.



### 6.3 The main Board of Directors

#### The function of the main Board of Directors

The main Board of Directors is in overall charge of the Bank's operations in accordance with applicable laws, by-laws and any detailed rules and regulations introduced by the Board of Trustees. The main Board of Directors is responsible for the Bank's available resources being managed in a secure and appropriate manner. In addition, the main Board of Directors has an obligation to ensure that all accounting and the management of assets and liabilities are subject to a reassuring level of control. Furthermore, the main Board of Directors has the following main responsibilities:

- to provide instructions for the day-to-day management of the Bank
- to determine the Bank's strategy, budget, market-related and organisational targets
- to approve the establishment and closure of any branches in municipalities where the Bank does not have its head office or regional offices
- to appoint and dismiss the head of the Bank's internal auditing department.

The main Board of Directors normally meets 11 times each year.

#### The composition of the main Board of Directors

The main Board of Directors consists of the Bank's Chief Executive Officer plus 8 Board members elected by the Board of Trustees. The Bank's Chief Executive Officer is a member of the main Board of Directors in accordance with the Savings Banks Act, paragraph 14. Furthermore, the main Board of Directors has 6 deputy members. All Board members are elected for 2 years and deputy members for 1 year. Members and deputy members may be re-elected. In order to ensure the necessary continuity, half of the main Board members are elected every other year.

#### Qualification/disqualification

The members of the main Board of Directors are defined as primary insiders and must adhere to the Bank's regulations as far as the purchase of PCCs in the Bank and other SpareBank 1-alliance banks is concerned. This regulation also applies to the acquisition of shares in companies with which the Bank has a relationship.

When a commitment involving a company where a member of the Bank's main Board of Directors has a business link or another interest is discussed, the Board member in question shall declare himself or herself disqualified and leave the meeting. Furthermore, members of the main Board of Directors or any senior staff are required to inform the main Board of Directors if they – directly or indirectly – have a significant interest in an agreement which is about to be entered into by the Bank.

#### Assessment of the main Board of Directors

The main Board of Directors makes an annual self-assessment of its work with regard to its competence, work methods, the way it handles proposals submitted to it, meeting structure and the manner in which it prioritises the various tasks for which it is responsible.

#### Committees

The main Board of Directors has decided not to appoint permanent sub-committees.

#### Reporting

The main Board of Directors shall receive periodic progress reports on the following matters:

- Results
- Markets
- Management, personnel and the Bank's organisation
- The risk situation and overall risk exposure for the Bank

In addition to the abovementioned matters, periodic presentations shall be made of the Bank's Score Card, which incorporates financial, organisational, market-related and quality-related targets. Central business and special areas are reviewed at least once every year, when limits and guidelines are evaluated and agreed.

#### Fees for members of the main Board of Directors

Fees for the members of the main Board of Directors are paid as a fixed amount per year, fixed by the Bank's Board of Trustees. No fees are paid in addition to this.

### 6.4 Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day management of the Bank's operations in accordance with applicable laws, by-laws, powers of attorney and various instructions. The CEO's responsibility does not apply to matters which, in view of the Bank's circumstances, are deemed to be of an unusual nature or to be of great importance. Such matters are submitted to the main Board of Directors.

The CEO's overall performance is assessed each year by the main Board of Directors.

## 7. Control bodies

### Control Committee

The Control Committee shall make sure that the Group is managed and run in an appropriate and reassuring manner in accordance with applicable laws, and in compliance with rules, regulations, bylaws and guidelines stipulated by the Bank's Board of Trustees, and according to rules and regulations laid down by the Financial Supervisory Authority of Norway. The Control Committee shall also make sure that all operations throughout the Bank are conducted in an appropriate and reassuring manner and that the Bank's main Board of Directors and CEO monitor and control the Parent Bank and its subsidiaries in an adequate manner.

The 3 members and 3 deputy members of the Control Committee are elected by the Bank's Board of Trustees. The members are elected for 2 years at the time.

Each year, the Control Committee provides the Board of Trustees and the Financial Supervisory Authority of Norway with a report about its work. Furthermore, the Control Committee makes a statement to the Board of Trustees on the subject of the Bank's Annual Report and Accounts.

The Control Committee normally holds 8 meetings every year.

### External Auditor

The main task of the external auditor is to assess and decide whether the Company's annual financial statements have been presented in accordance with applicable laws, rules and regulations. In addition, the external auditor shall assess whether the Bank's assets and liabilities are managed in a reassuring manner and with appropriate control. The external auditor is appointed by the Bank's Board of Trustees. The external auditor shall submit a report to the Board of Trustees and Control Committee about the various matters mentioned above.

A separate agreement with the external auditor is entered into; the agreement incorporates the business relationship between the Bank and the external auditor. As and when required, the external auditor may also be utilised for various advisory services. Fees payable to the external auditor, split between auditing and other services, are to be shown in the Bank's Annual Report and Accounts.

The external auditor shall attend the Board of Directors' meeting dealing with the Bank's Annual Report and Accounts. The Chief Executive Officer shall attend all Board meetings at which the external auditor is present, against the background of the Chief Executive Officer's statutory membership of the Board of Directors.

### Internal Auditor

The Bank's internal auditing function is the most important tool for the main Board of Directors and Bank's management in order to facilitate the monitoring of the Bank's control- and management process, making sure that it is targeted and effective, and that it functions as it is meant to do. The Bank has its own internal audit department. However, the professional responsibility for the Group's internal auditing has been outsourced to an external supplier of audit services. The internal audit department reports to the main Board of Directors. The audit plan for the Bank's internal audit department is subject to annual approval by the main Board of Directors. All internal audit reports and recommendations for improvements to the Bank's risk management and internal control are discussed and taken into consideration on a continuing basis.

### Risk management – the function

This function is independent of the Bank's customer units and responsible for:

- further development of the Bank's framework for uniform and overall risk management
- overall risk management and follow-up.

Separate controller functions have been established in order to cover the areas of credit risk, operational risk and market risk (funding, interest rates and foreign exchange).

## 8. Systems for measuring and for ascertaining responsibility

Effective target management is necessary in order for the Bank to be able to measure and ascertain on an ongoing basis to what

extent its various strategic targets are being met. The Bank has developed guidelines and benchmarks according to which its various profit centres are measured and managed, based on the concept of Balanced Scorecard. In addition, the Bank applies strategic planning and prognosis management as management tools.

It is important that it is always made clear who is responsible for the various operations and functions involved. This will be achieved through clear communication of business plans and fixed targets for the Bank's staff. This is made operational through clearly defined roles, responsibility and expectations; managers are responsible for the various targets being met within the different profit centres. Compensation arrangements established are based on how well managers and staff are doing in relation to these guidelines and benchmarks.

## 9. Effective risk management

Effective risk management is important in order for the Bank to be able to meet its strategic targets, forming an integrated part of management's decision-making processes and a central element with regard to organisation, routines and systems.

Through the ongoing risk management process in the Bank, analyses, management and follow-up of significant risks are done, for the purpose of ensuring that the Bank is managed in accordance with the approved risk profile and agreed strategies. At least once every year, the main Board of Directors and management review the Bank's overall risk profile in relation to strategic, operational and transaction-related circumstances. The development of the overall risk situation is reported periodically to the Bank's CEO and main Board of Directors.

## 10. Comprehensive information and effective communication

Comprehensive information and effective communication support the relationship of trust between owners, the main Board of Directors and management, ensuring that the Bank's interest groups are at all times informed about the Bank and able to assess its performance.

The Bank's information policy accordingly attaches great importance to an active dialogue with the Bank's different interest groups, where openness, predictability and transparency are the most important factors.

Furthermore, the Bank places particular emphasis on providing correct, relevant and up-to-date information about the Bank's development and results – this will build up a relationship of trust with the investor market. Information for the market is provided through quarterly investor presentations, the Bank's website and press releases. In addition, regular presentations are made to international contacts, lenders, investors and other interest groups.

## 11. Implementation

Framework and principles for good Corporate Governance were approved at the meeting of the main Board of Directors on 25 October 2005.

SpareBank 1 Nord-Norge is equipped to take care of retail banking customers' needs, expectations and requirements relating to professional advisory services and complete, overall solutions adapted to each individual customer. Solutions are worked out through a broad and up-to-date product range within the areas of financing, saving, insurance and payment transmission services.

The Bank's distributive strength represents a strong and important competitive advantage. No other bank comes even close to SNN's capacity to distribute professional competence, solutions, information and knowledge to its customers and the North-Norwegian market. Customers have access to the Bank through different channels which integrate with each other and which will provide customers with improved accessibility as far as taking care of different needs is concerned.

The local bank, the branch, plays a pivotal part in the Bank's strength of distribution. At the end of 2005, SpareBank 1 Nord-Norge had 90 branches in 71 of the region's 89 municipalities. In Finnmark, the Bank has a presence in 17 of the 19 municipalities, in Troms in all 25 municipalities and in Nordland in 29 out of 45 municipalities.

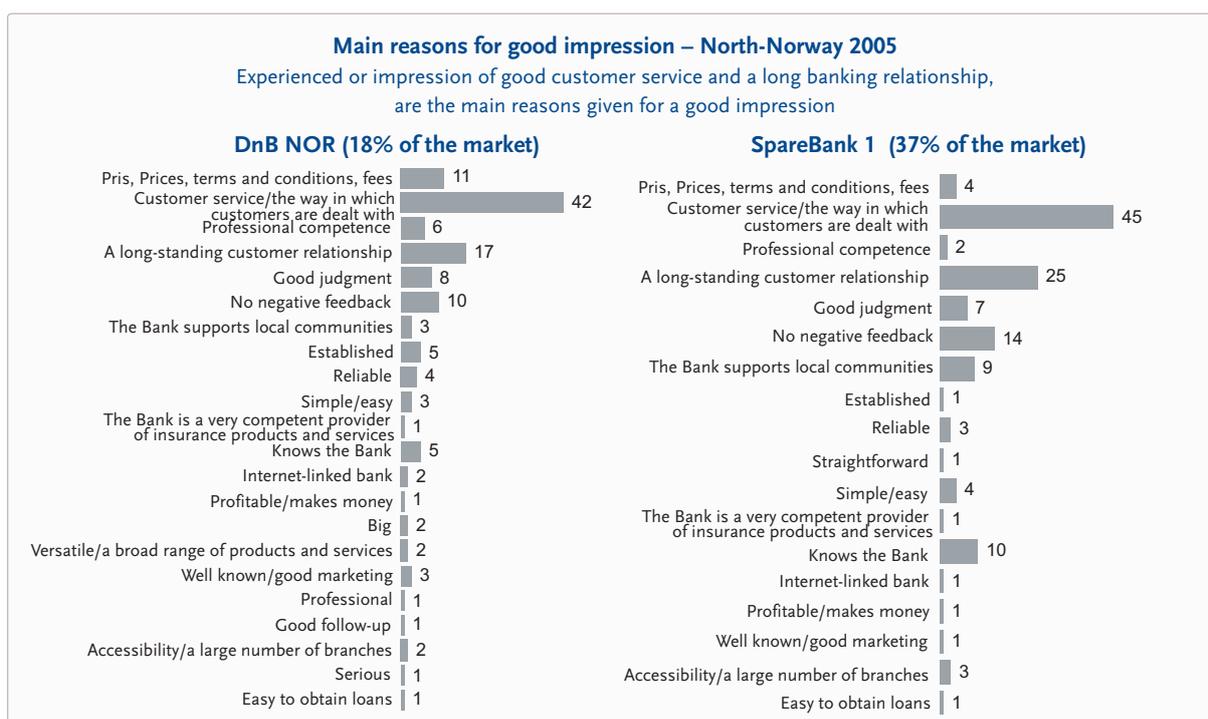
The Bank's customer centre provides customers with a quick response to questions relating to banking- and insurance requirements, obviating the need to make contact with their advisors. In 2005, the total number of enquiries amounted to 953,000. Of

these, 660,000 came through the Bank's main switchboard and 293,000 through the customer centre. During the autumn of 2005, customer satisfaction surveys confirmed that customers are very pleased with SNN staff's service-mindedness and their ability to come up with solutions to customers' questions and problems. The customer centre makes a big contribution when it comes to making SpareBank 1 Nord-Norge's local branches even better and more accessible.

The Internet bank provides customers with a total summary of their commitments within all product areas. In addition to payment transmission services, the purchase, sale and changes relating to various products form a central part of SpareBank 1 Nord-Norge's Internet bank. This bank is increasingly becoming a communication channel between customer and bank, in addition to being a transaction- and information channel.

During the summer of 2005, TNS Gallup conducted a positional market survey, recording brand name strength and market share for the various banks located in North-Norway. 38 per cent of the people asked, named SpareBank 1 Nord-Norge as their main banking connection, up from 35 per cent in 2003.

The survey showed that customer service and the way in which customers are dealt with are the best way of leaving customers with a good impression of their banks. Please see graph.



2005 was in all respects a good year for private households' finances. The labour market in the Bank's region has developed in a positive way; there has been, and still is, increased availability of new jobs. At the same time, the rate of price inflation has been moderate. Interest rates have generally been low. Households' demand for loans has been strong, the annual growth ending up at 13.9 per cent. Fierce competition for the best customers has brought about downward pressure on the Bank's margins. This has partly been compensated for through higher volumes.

Despite the low level of domestic interest rates, bank deposits have developed in a satisfactory way, up by 6.0 per cent during 2005.

A low interest rate level and people's good private financial positions have resulted in a steady, low level of commitments in default and low credit losses in 2005. In addition, the Bank's management and customer advisors have been focusing on this area throughout the year. We are well prepared for future increases in domestic interest rates through our interest rate sensitivity analysis, which shows that our borrowing customers should be able to cope with an increase in interest rates of up to 4 percentage points.

The Bank has been focusing on increasing revenue generation from off-balance sheet products. At the same time, more and more customers want to be able to access the whole range of the Bank's financial services in one place. There has been good progress in the sale of 'across the board' products and services to our customers, both within the savings- and insurance areas.

This has resulted in significant income growth relating to the sale of savings- and insurance products.

The trend towards increased use of the Bank's electronic payment transmission services continued in 2005. The number of active users of our Internet bank grew steadily throughout the year under review, producing good growth. In addition, the operational stability at our Internet-linked bank has been good.

The use of cards at payment terminals showed stable, strong growth. BBS recorded an 11 per cent increase in Norwegians' use of cards in 2005 compared with 2004. The use of cards by our customers is amongst the highest in the Norwegian banking market, and the highest within SpareBank 1-alliance.

In 2005, there were 3.95 million withdrawals totalling NOK 4.4 billion at our 82 cash machines. SNN's own customers accounted for 53 per cent of the total. The number of cash machines transactions was 5 per cent down on 2004.

The number of SNN cash machines at the turn of the year was 82.

2005 has been a good year, with high activity levels and good results in the retail banking market. 2005 is characterised by a good increase both in lending- and deposit volumes, a good level of 'across the board' sales, a low level of commitments in default and low credit losses, coupled with good news for SNN from the abovementioned positional market survey.

#### Statistical summary

Number of retail banking customers with SNN as their main bank	139 577
Number of agricultural customers:	2 176
Number of small and medium-sized customers:	14 250
Number of clubs and associations	23 442
Number of customers with savings agreements with banks	12 834
Number of customers with savings agreements with unit trusts:	18 751
Number of customers with placements in ODIN Fund:	34 110
Number of customers with non-life insurance:	65 474
Number of customers with personal insurance:	33 349
Deposit growth:	6.0 %
Lending growth:	13.9 %
Deposits:	NOK 14.0 billion
Loans:	NOK 27.0 billion

#### Savings funds of an 'off balance sheet' category:

Unit trusts:	NOK 1.8 billion
Unit Link:	NOK 0.4 billion
Annuity with guarantee:	NOK 0.5 billion

The Bank's corporate banking department serves the commercial, industrial and public sectors from Bronnoysund in the south to Kirkenes and Svalbard in the north. Against a background of closeness to the customers and local roots, it is our aim to create value for our customers.

### Number of customers

SpareBank 1 Nord-Norge has a total number of customers amounting to 17,600. Of these, 15,200 are accounted for by people who run their own businesses, whereas 2,400 involve small, medium-sized and larger companies.

### Working together produces competitive strength

Our local branches have the primary responsibility for service and decisions for the corporate segment involving people who run their own businesses, whereas the Bank's four regional corporate banking areas are responsible for the other corporate segment, the small, medium-sized and larger companies. In order to ensure the best possible level of service and best quality of reports and decisions, close cooperation has been established between the Bank's local branches and the regional corporate banking areas. This organisational model combines the local branch's closeness to the customers and the regional bank's professional competence.

### Excellent levels of growth and deposits

Deposits from corporate customers posted excellent growth in 2005 and now amount to NOK 11.3 billion. This means that throughout the year the Bank has further consolidated its position in the market for larger deposits. In 2005, deposits grew by NOK 1.55 billion or 15.8 per cent.

### Loan development

Following several years of weak demand for finance in the corporate banking market, demand picked up again in 2005. In relation to the nationwide market in Norway, the increase in demand started somewhat later in North-Norway. During the second half of 2005, however, the level of growth within our market area had caught up with the rest of the country.

In 2005, lending volumes at SpareBank 1 Nord-Norge expanded by NOK 408 million or 2.9 per cent. There was good growth in our Nordland region, whereas the level of growth in the Troms region was characterised by structural changes involving some of the Bank's largest customers.

Activity levels in the market are high and the Bank's share of so-called "Gassel-companies" is larger than its general market share would suggest. Most of our corporate customers had a good year in 2005. Continued efforts to achieve good quality and a reduction in our high risk commitments have resulted in a markedly improved quality in our lending portfolio in 2005.

### Other (non-interest) income

Cooperation between our local branches and the corporate banking organisation has resulted in significant additional revenue generation from the sale of insurance, placement products and pension solutions.

The last few months of 2005 demonstrated that with regard to organisation, professional competence and products, we were able to offer our corporate customers good pension solutions.

### An improved portfolio

Credit losses in 2005 amounted to NOK 83 million on a net basis. This is a substantially lower loss write-down than in 2004.

### The reasons for this improvement are:

- Our customers had a good year in 2005
- Better quality as far as credit administration and the handling of high risk commitments are concerned

Competition, especially for the best customers, has become fiercer. This has meant that we have had to pay even more attention to the further development of professional competence, new thinking and increased focus on our customers.

### Understanding our customers – a competitive factor

The strategy for the corporate banking market was reviewed and revised in 2004. The main point is that we shall continue to look after businesses with local roots. Through our network of local branches and our closeness and proximity to our customers we shall make every effort to understand our customers and their requirements, making full use of our professional competence in order to create value added for our customers. Through increased cooperation between all staff within our organisation, we shall be a successful provider of all financial services, including insurance- and pension products. Our customers' needs shall be our guide as far as our product- and professional competence development is concerned.

### Prospects for commerce and industry in our region in 2006

Twice every year, SpareBank 1 Nord-Norge publishes an economic barometer in order to draw attention to the most important development features in North-Norway. Our last economic barometer shows that prospects for the region's businesses are likely to be good in 2006. However, stable and predictable framework conditions are required if corporate customers and their banks are going to make further progress.

The areas in the north of Norway have attracted a great deal of attention in 2005, in a totally different way to what was the case in previous years. This situation should provide increased opportunities for further development, new business start-ups and other new activities within our region.

The areas of particular interest are:

- Oil and gas
- Tourism
- The marine sector

These business sectors will have great development potential.

### Statistical summary

Number of customers:	17,600
Deposit growth:	15.8 %
Lending growth:	2.9 %
Deposits:	NOK 11.3 billion
Loans (gross):	NOK 14.5 billion

The public sector is one of the Bank's prioritised marketing areas. In the early part of 2005, a separate working group, with a representative from each region, managed by the Bank's Group Management, devised a strategy for the Bank's marketing efforts within the public sector. During the course of the year currently under review, there has been a high level of marketing activity, involving visits by Bank personnel to many municipalities within the region – calling on both existing and hopefully future municipal customers.

The Bank is now used by all the region's county municipalities. Agreements have been entered into with 6 new municipalities. Despite strong competition, the Bank has not lost any municipal customers.

As at 31.12.05, SpareBank 1 Nord-Norge was the main bank for 50 of the region's 89 municipalities. The table below shows a statistical summary:

### Municipalities with SpareBank 1 Nord-Norge as main bank:

Region *	Number of municipalities	SNN as the main bank	Market share
Finnmark	19	10	53 %
Troms	19	16	84 %
Hålogaland	20	12	60 %
Nordland	31	12	38 %
<b>Sum</b>	<b>89</b>	<b>50</b>	<b>56 %</b>

\* Regional borders do not follow the county borders.

The public sector also comprises health authorities/companies and power companies. Main bank agreements have been entered into with Troms Kraft and Hålogaland Kraftselskap. In Troms and Finnmark, 7 power authorities have started using the Bank's electronic invoice solutions.

Helse Nord has extended its main bank agreement with SpareBank 1 Nord-Norge until the end of 2007.

Through its various activities, SpareBank 1 Nord-Norge creates a great deal of wealth which is channelled back into the region's communities. In 2005, the SNN Group earned a record NOK 729 million. Large parts of this profit are channelled back into the region in the form of dividends paid to investors in the Bank's Primary Capital Certificates (PPCs) and through the Bank's Donations Fund. In addition, NOK 213 million has been transferred to the Savings Bank's Fund. This increases the Bank's financial strength and the opportunities to help bring about further growth within commerce and industry in the region.

### Tax

As at 31.12.05, the Group employed 839 people. These wage earners pay large amounts of income tax to most of the region's 89 municipalities and to 3 county municipalities. In addition to paying company tax amounting to NOK 172 million, the SNN Group contributes further by paying substantial amounts of various indirect taxes and levies.

### The local business community benefits from SpareBank 1 Nord-Norge's use of its products and services

SpareBank 1 Nord-Norge also creates business activity by buying products and services from local commerce and industry. The Bank purchases products and services worth NOK 423 million relating to the day-to-day operations of the Group, NOK 164 million of the total amount benefitting suppliers from North-Norway. The Bank has had business dealings with 2,434 different suppliers.

SpareBank 1 Nord-Norge has a substantial property portfolio throughout the region. All these properties require ongoing maintenance, which is taken care of by local companies. In 2005, some NOK 50 million was earmarked for such purposes.

### PCCs

In 2005, NOK 158 million was set aside for direct payment of cash dividends to the Bank's PCC-holders. As at 31.12.05, the proportion of such investors domiciled in North-Norway amounted to 21.3 per cent. This means that nearly NOK 34 million was paid to 2,507 investors – domiciled in the region – in SpareBank 1 Nord-Norge PCCs.

### Public benefit funds

Today, the Bank makes donations from three funds aimed towards public benefit purposes:

- SNN's Business Development Fund, which distributes NOK 250,000 each year, and whose purpose is to promote development of commerce and industry in the region.
- SNN's Medical Research Fund distributes NOK 150,000 every other year, this amount representing interest yield. The fund was established in 1986 and has so far paid out in excess of NOK 1 million for various research projects.
- SNN's Cultural Fund distributes NOK 75,000 each year to artists from North-Norway. According to the fund's statutes, the prize winner must be under 25 years old, this age limit having been set in order to help develop young talented artists in the region.

### The Donations Fund

By special resolution, Stortinget (the Norwegian Parliament) has given the Bank permission to set aside up to 25 per cent of its annual profit for donations.

Allocations from the Donations Fund are earmarked for the following purposes:

- Culture (the extended concept)
- Competence – Research
- Measures aimed at children and young people

For the 2003 and 2004 accounting years, NOK 40 million was set aside for the Donations Fund. The allocations are done on three different levels: Each year, an amount which is used for dedicated purposes within each region involved is allocated to the main Board of Directors, the Chief Executive Officer and the Bank's regional Boards of Directors

For the 2005 accounting year, an amount of NOK 75 million was transferred to the Donations Fund. In the case of allocations of funds from the Donations Fund, the Bank cannot demand reciprocal contributions from the recipients – unlike in the case of sponsored goods etc. (e.g. advertising on athletes' clothes and equipment).

### Sponsorship

In 2005, the SNN Group used about NOK 20 million on various sponsorship arrangements. These funds have mainly benefitted sport and cultural activities in the local communities.

### Summary

A significant part of the Bank's resources is allocated to various projects within the region in the form of charitable and other contributions to more than 300 large and small purposes which help build, support and further develop the region in which we live:

We support local activities, showing that our Bank/Group has a strong commitment to the region, at the same time contributing with knowledge and resources for development and growth in North-Norway.

The SNN Group management considers the use of the Bank's various fund- and sponsorship resources as one of several important ways in which to enhance the Bank's image and reputation. In 2006, the Bank wishes to make the activities and efforts involving its Donations Fund and sponsorship resources more professional.



The county of Finnmark is investing in 'e-Citizen' training. We contributed NOK 1 million to this project from SpareBank 1 Nord-Norge's Donations Fund. Our regional director in Finnmark, Per Trygve Holmgren, presented the cheque to Helga Pedersen, former Chairman of the county council.

Management of risk and the employment of capital are central means and tools at SpareBank 1 Nord-Norge for achieving the aims which are incorporated in the Bank's corporate strategy. The Group's profitability and possibilities of meeting its various targets in relation to the Bank's PCC-holders, staff and local communities are dependent upon the ability to identify, measure, manage, monitor and price the risks arising in connection with the provision of financial products and services.

### The group's control- and management model

For many years, SpareBank 1 Nord-Norge, on its own and through its cooperation with the SpareBank 1-alliance, has invested substantial resources with a view to developing effective and appropriate risk management processes in order to identify, measure and manage risk.

All managers are responsible for risk within their own areas and must therefore be fully aware of the risk situation at all times. The organisational structure of SpareBank 1 Nord-Norge aims at ensuring independence in the reporting. It has been decided to divide the risk management process into three different parts, placing special emphasis on responsibilities and roles as far as the day-to-day risk management is concerned.

### Responsibility for risk management and control

A strong risk culture will always be an important basis for effective risk management; a strong risk culture is characterised by a high level of awareness of risk and risk management throughout the Group. Such a basis means that each employee has a good understanding of his or her own activities and actions, and the risks involved.

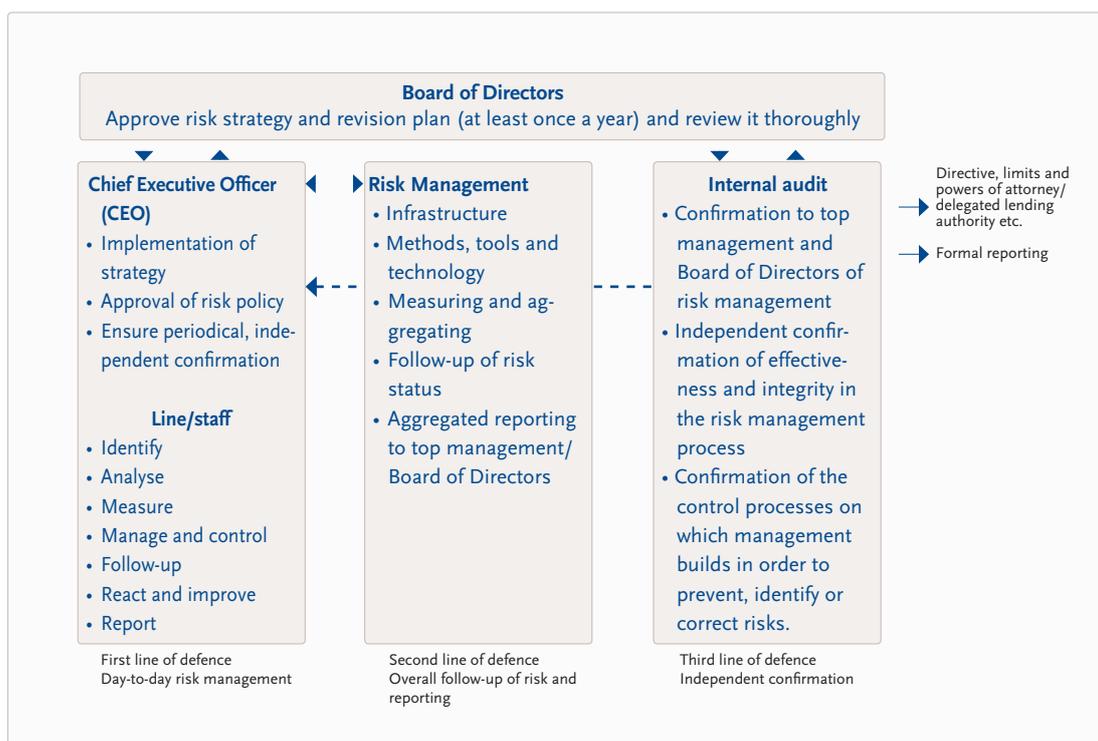
The responsibility for risk management is divided between the main Board of Directors, the Boards of Directors of the Bank's subsidiaries, Group management and line management. Risk management and control form part of SpareBank 1 Nord-Norge's corporate governance as described in the separate section on corporate governance. Special emphasis has been placed on responsibility through personal powers of attorney, coupled with independence between the various business areas and organisational units monitoring the business areas.

SpareBank 1 Nord-Norge's main Board of Directors has the overall responsibility for the Group's various types of risk exposure and the handling of these risks. This involves the responsibility for seeing to it that the Bank, with its subsidiaries, has an appropriate level of equity capital.

The CEO is responsible for the Group's risk management, including the development of effective management systems and internal control, and the follow-up of the various routines involved.

The different business areas are responsible for the aggregate risk management within their own areas. This means that all managers shall establish and implement appropriate risk management within their respective areas of responsibility, and make sure that this responsibility is exercised in a proactive manner in accordance with the Bank's policy relating to risk management, powers of attorney, directives and routines.

The department for risk management is organised independently of the business units, reporting to the CEO. The department has the overall responsibility for overall risk management, internal



control and the Group's adherence to the applicable rules and regulations.

**Credit support** is the Group's central department within the credit area. The department is responsible for the preparation and maintenance of targets, strategies, guidelines and routines, and for the operational management and follow-up of the Group's credit operations, as well as the handling of credit risk. Credit support has an independent role in relation to the various business areas and the Bank's local branches.

**The Internal Audit** shall provide objective advice to the Board of Directors and the Bank's management about the Group's risk management, formulation of controls, coupled with the compliance with established routines, procedures and guidelines. The technical responsibility for the Group's internal audit function is taken care of by an external supplier of auditing services – this ensures independence, professional competence and the availability of sufficient capacity.

**The Group Credit Committee's recommendation** is required in the case of all matters which in accordance with Group guidelines have to be dealt with by the main Board of Directors. The committee has a central role as far as the formulation of the Group's credit strategies, credit policies and credit rules and regulations is concerned.

**The Balance Sheet Committee** is headed up by the Deputy Chief Executive Officer and deals with matters relating to the management of market- and funding risk. The committee is also responsible for following up to make sure that all limits fixed by the main Board of Directors are adhered to. The committee also follows up on and determines internal pricing of capital, and decides on the Bank's capital structure.

### Different areas of risk

SpareBank 1 Nord-Norge identifies and manages risk within the following overall areas of risk:

#### Judgment risk

This is defined as the risk of loss as a result of impaired judgment. This would include reduced revenue generation and reduced access to capital due to impaired confidence and reputation in the market, involving customers, counterparts, PCC-holders and authorities.

The Group's limits, as well as guidelines for corporate governance, and the SNN Code of Conduct, all play an important part as far as the business-related management of the Bank's operations is concerned. The guidelines focus on attitudes and ethics at SpareBank 1 Nord-Norge and the way in which we do business with our customers and other connections.

#### Strategic risk

This is defined as the risk of loss due to insufficient application of agreed strategies. This includes impairment of revenue production and generation of capital due to changes in framework

conditions, bad implementation of decisions or insufficient adaptation to changes in business-related framework conditions. SpareBank 1 Nord-Norge revises the Group's strategy on an ongoing basis. This involves a review of any changes in framework conditions, including the competitive situation, requirements from public authorities, changes in customer behavior and requirements with regard to professional competence and organisation.

#### Credit risk

Credit risk is defined as the risk of loss as a result of customers or counterparts not having the ability or willingness to meet their obligations to the Bank.

Credit risk is the dominant type of risk involved in the Bank's business. The Bank shall have good capacity within the credit area, offering its customers credit on competitive terms and conditions. Good management of credit risk requires a high level of professional competence as far as all staff working with the granting of credit are concerned.

Through the formulation of a framework and principles for good credit management, SpareBank 1 Nord-Norge has emphasised the following main principles:

- **Comprehensiveness** – there must be rules and regulations in place for the purpose of regulating the Bank's business-related operations.
- **Reporting** – all actions and decisions shall be traceable and reporting shall be done to confirm that all rules and regulations, routines and powers of attorney are complied with.
- **Independence** – the business units which grant credit, the credit support function which is responsible for the support and follow-up of guidelines and routines, making sure that they are adhered to, and the department for risk management being responsible for monitoring credit risk, must all be kept separate.
- **'At arm's length'** – all credit-granting criteria shall be objective.
- **The Board of Directors' and management's** responsibilities and tasks shall have clear boundaries, limits, descriptions and definitions.

Data and analytical tools form an integrated part of risk management. Together with the other member banks of the SpareBank 1-alliance, SpareBank 1 Nord-Norge has been developing the classification system on an ongoing basis. The system provides important support throughout the credit process, the calculation of expected losses and risk-adjusted capital (unexpected losses) being applied as an integrated part of the credit decision process.

Credit risk is managed through:

- a) **The credit strategy which is agreed each year by the main Board of Directors.**

The credit strategy determines the overall principles for the granting of credit and how credit risk is to be managed and priced at SpareBank 1 Nord-Norge. This involves the preparation of the Bank's management documents, the organisation

of (division of responsibilities and roles) the credit function, overall principles for the granting of credit, as well as credit-strategic targets.

Management of credit risk at SpareBank 1 Nord-Norge is based on the principles recommended by the Basel committee in its document, 'Principles for the Management of Credit Risk', new capital adequacy rules and regulations (Basel II) and any relevant laws, rules and regulations.

### b) Guidelines for portfolio management

Describe the limits and guidelines which apply to the management of the credit portfolio at SpareBank 1 Nord-Norge. This is about the division of responsibility and roles in connection with the measurement and reporting of risk and profitability of the portfolio, coupled with measures suitable for managing the portfolio within the limits defined in the credit strategy and credit policy.

The management of the portfolio's composition is done by agreeing principles and limits for the granting of new credits, or through changes to existing commitments.

### c) Credit policy for the corporate- and retail banking markets

The documents describe how the Bank's credit strategy shall be implemented through agreeing detailed criteria for the granting of credit both for the corporate- and retail banking markets. The CEO is responsible for the preparation and maintenance of the Bank's credit policy.

### d) Rules and regulations relating to the granting of credit – the use of powers of attorney relating to credit/delegated lending authority

In the case of the retail banking market, decisions at the Bank's local branches are made by at least two members of staff acting together, or, in the case of smaller credits involving low risk, via IT-based credit scoring models. As far as the use of powers of attorney relating to credit/delegated lending authority within the corporate market is concerned, this is done in credit committees.

### Risk assessment

The Bank's risk classification system is based on a rating model for calculation of the probability of commitments in default and bad and doubtful commitments. The Bank's risk assessment of individual customers is a combination of the customer's ability to service his or her outstanding commitments, the customer's behavior, the size of the credit and the security provided, e.g. through collateralised assets pledged as security.

SpareBank 1 Nord-Norge's models for risk classification for individual customers are tested and improved on an ongoing basis. There are several models, each of which has been adapted to different sectors and segments. The models are based on three main components:

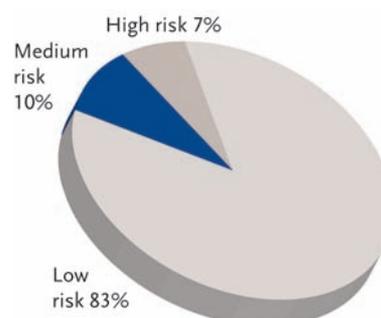
1. The likelihood of default. Customers are classified in different risk classes according to the probability of default. The risk classification system consists of 11 risk classes, two of which contain commitments in default and bad and doubtful commitments.
2. Exposure through default. The expected commitment in the case of default is a calculated amount in which commitments (loans) drawn down and committed limits are included.
3. Losses through default. This is an assessment in order to establish the size of the Bank's credit loss if the customer were to default on his/her outstanding commitments, after assets pledged as collateral security by the customer have been taken into consideration. Realisation values are determined on the basis of own experience and/or external data.

Total exposure to customers and other counterparts is dealt with in Notes to the Accounts. As at 31.12.05, retail banking loans accounted for 65 per cent (63 per cent) of total lending.

The Group's aggregate exposure is divided into different groups according to the likelihood of default and looks as follows:

Risk	Commitments	PD*	Average PD
Low	38.25	0-2 %	0.57 %
Medium	4.46	2-5 %	3.39 %
High	3.46	>5 %	12.73 %
	46.16		1.53 %

\*) PD = The likelihood of default



### Management of market risk

Market risk is defined as the risk relating to changes in observable market variables such as interest rates, foreign exchange rates and securities markets. The risk of changes in securities prices due to changes in general credit prices and credit risk relating to particular securities is also regarded as market risk. Market risk is incurred at SpareBank 1 Nord-Norge mainly in connection with the Bank's investment in bonds, certificates and shares, and as a result of activities aimed at supporting the Bank's operations, such as funding, interest rate- and foreign exchange trading.

Market risk is mainly controlled through the day-to-day follow-up of both risk exposure in relation to limits set by the main Board of Directors and ongoing analyses of outstanding positions. Limits for exposure are reviewed and renewed at least once a year. SpareBank 1 Nord-Norge's market risk exposure is moderate.

The Bank has no exposure in the foreign exchange market with the exception of the required exposure in relation to trading on behalf of customers. The aggregate foreign exchange position as at 31.12.05 amounted to NOK 4.9 million (NOK 7.8 million).

The Bank's portfolio of shares as at 31.12.05 was somewhat higher than it was 12 months earlier, which is ascribable to a significant increase in market value during the course of the year currently under review. The Group's portfolio of shares mainly represents exposure relating to substantial equity stakes in two transport- and tourism companies. As a result of the agreed merger between these two companies, the Board of Directors is currently making every effort to reduce this exposure. At the end of 2005, the portfolio of shares, unit trust certificates and PCCs had a book value of NOK 450 million, up by NOK 94 million during the last 12 months.

The Board of Directors has decided to keep the Bank's interest rate risk at a low level. The interest rate risk (measured as a value change in the case of a 1 percentage point shift in interest rates) amounted to NOK 0.7 million at the end of 2005, compared to NOK 4.3 million a year earlier.

### Management of funding risk

Liquidity/funding is defined as a company's ability to fund increases in assets and to meet its obligations as its funding requirements increase. The management of the Bank's funding structure is based on an overall funding strategy which is reviewed and agreed by the main Board of Directors at least once every year. The funding risk is reduced through spreading the funding loans as far as different markets, funding sources, financial instruments and maturities are concerned.

The main Board of Directors attaches great importance to predictability and stability. It is important to make sure that incidental events do not have a serious impact on the Bank's ability to meet its financial obligations.

Deposits from customers represent the Bank's most important source of funding. At the end of 2005, deposits from customers financed 60.9 per cent of loans made to customers, compared to a ratio of 60.6 and 58.8 per cent respectively one and two years earlier. Short-term funding loans (maturities up to 12 months) amounted to NOK 7,558 million as at 31.12.05, up by NOK 2,854 million during the last 12 months.

At the end of the year, deposits from customers, together with long-term funding loans and equity capital, amounted to 97 per cent – including drawing rights facilities – of the Bank's illiquid assets. If drawing rights were excluded from the calculation, the ratio would have been 92 per cent. The Bank applies Norges Bank's definition as a basis for calculating Liquidity Indicator

1. This is a ratio which shows to what extent the bank's illiquid assets are funded on a long-term basis.

One of the Board of Directors' aims is to maintain a low funding risk, which amongst other things is achieved through focusing on deposits from the Bank's own customers, coupled with the diversification of funding loans with regard to different markets, sources of funding and financial instruments.

Credit ratings given by the international rating agencies, Moody's and Fitch Ratings, are regarded as important in relation to the use of international sources of funding. The Bank's rating for 2005 remained unchanged from Fitch Ratings, whereas SpareBank 1 Nord-Norge received a positive comment from Moody's, which reconfirmed its outlook for the Bank's current rating of A3/P-2/C from stable to positive. Moody's bases its opinion on the diversification relating to the Bank's revenue generation, and on the overall cost effectiveness and risk profile.

### Management of operational risk

Operational risk is defined as the risk of loss as a result of:

- Insufficient professional competence
- Human failure
- Failure involving routines, internal systems and processes
- Crime, fraud, irregularities, malpractice and misconduct
- External events

Operational risk represents a category of risk which captures the most significant part of any costs relating to quality defects involving the Group's current operations. Identification, management and control of operational risk form an integrated part of the managerial responsibility at all levels throughout SpareBank 1 Nord-Norge. A manager's most important facilities and resources relating to his/her work are management competence and action plans, control routines and good follow-up systems. Systematic work with regard to risk assessment also contributes to increased knowledge and awareness of actual improvements needed within his/her own unit.

SpareBank 1 Nord-Norge's risk management emphasises the importance of the Group meeting all the different organisational requirements contained in the new system for capital adequacy requirements and supervision in the process of being introduced (Basel II). Several measures have been and are being implemented in order to ensure that the necessary professional competence and structure are in place. During the course of 2005, the Bank started to use a separate registration tool (Risk- and Information System) with a view to achieving a better structure and follow-up of different events and areas to be improved within the Group.

The department for risk management is responsible for the ongoing, independent monitoring of operational risk.

### Basel II adaptations

SpareBank 1 Nord-Norge's management of credit risk, operational risk and market risk shall be in line with the best practice

for banks. Good communication with the market and supervisory authorities forms an important part of this.

In 2005, the Bank continued the process of adapting to the new rules and regulations relating to risk management and the new capital adequacy requirements in accordance with the international rules and regulations. During the autumn of 2005, the Bank applied to FSAN

for permission to apply the internal rating models in connection with its capital adequacy computations with effect from 1.1.07.

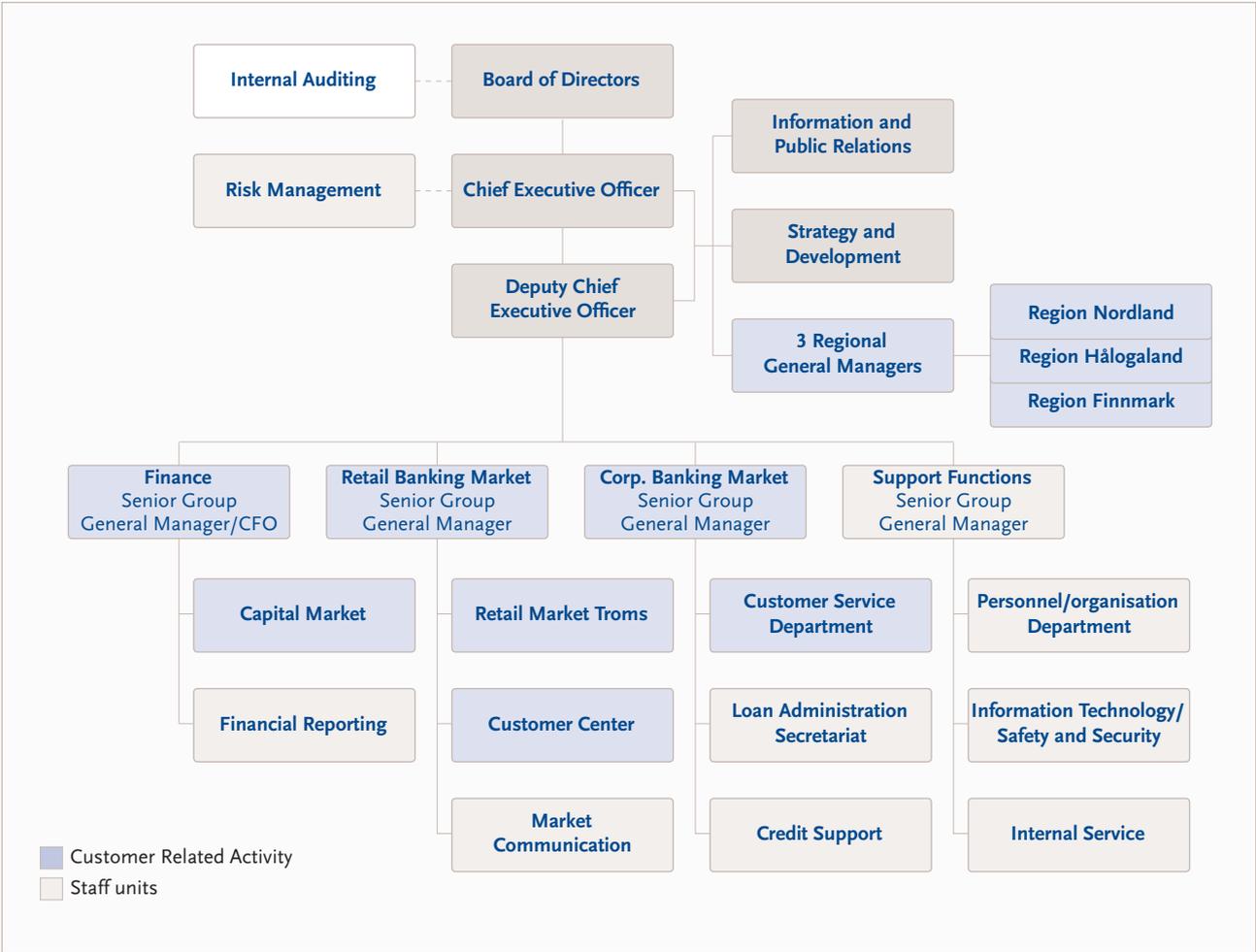
In its application, the main Board of Directors has emphasised the requirements relating to overall risk management, change in the competitive situation and the possibility of better use of the Bank's financial capital.



SpareBank 1 Nord-Norge's Medical Research Fund receives a donation from the Bank every other year. The fund was established for the purpose of supporting medical research in North-Norway.

Group management structure and  
Supervisory executive and regional bodies

Group management structure



### Board of Trustees

Torvall Lind, Oslo (Chairman), managing director  
Ann-Sissel Emaus, Burfjord (Deputy Chairman),  
printer

### Members elected from the Bank's depositors

Lars Klæboe, Stokmarknes, consultant  
Jann Sandøy, Nesna, agent for shipping company  
Reidun Kristiansen Flakstad, Gryllefjord,  
self-employed businesswoman  
Elise Gjerde, Lødingen, housewife  
Jan-Hugo Sørensen, Hansnes, deputy mayor  
Bjørn Atle Hansen, Honningsvåg, deputy mayor  
Sigfred Andersen, Honningsvåg, headmaster

### Deputy members elected from the Bank's depositors

May Halle, Hamarøy, teacher  
Asbjørn Hansen, Hamarøy, general manager  
Harald Erik Johannessen, Storslett,  
self-employed businessman  
Jarle Fosshaug, Bardu, accountant  
Bitten Barman, Jensen, Tromsdalen  
Cecilie Lysjø Jacobsen, Hammerfest, lawyer  
Stein Tore Hansen, Honningsvåg, senior engineer

### Members elected from the county council

Sissel Brufors Jensen, Andfiskå  
Benn Mikalsen, Svolvær  
Ann-Sissel Emaus, Burfjord, printer  
Ivar B. Prestbakmo, Sjøvegan, mayor  
Kristin Vatnelid Johansen, Olderdalen  
Magnhild Mathisen, Varangerbotn,  
organisation secretary  
Arne Kr. Bredahl, Vardø, senior engineer

### Deputy members elected from the county council

Steinar M. Friis, Ramberg, fisherman  
John Hempel, Sortland  
Laila Bjerke, Storslett  
Roald Pedersen, Kvaløysletta  
Alvhild Yttergaard, Tromsø  
Arne Pedersen, Vestre Jakobselv  
Arnt H. Johansen, Vardø

### Members elected from the Bank's PCC-holders

Finn Haugan, Trondheim, managing director  
Erik Sture Larre, Oslo, lawyer  
Svein Brustad, Hvalstad, director  
Bjarne Rasch-Tellefsen, Harstad, wholesaler  
Tor Læg Reid, Tromsø, managing director  
Marie M. Fangel, Tromsø, handicraft artist  
Terje Vareberg, Stavanger, managing director  
Trond Mohn, Paradis, managing director

Widar Slemdal Andersen, Rælingen,  
managing director  
Roger A. Rasmussen, Ramberg, managing director  
Bente Evensen, Tromsø,  
self-employed businesswoman  
Torvall Lind, Tromsdalen, managing director  
Bodil Steen, Oslo, director  
Herman Mehren, Oslo, merchant  
Ole Ovesen, Sørreisa, general manager  
Alf E. Erevik, Hønefoss, managing director (banking)

### Deputy members elected from the Bank's PCC-holders

Kjell Kræmer, Tromsø, managing director  
Trygve S. Myrvang, Tromsø, managing director  
Berit Berg, Tromsø, artist  
Asbjørg Jensvoll Strøm, Finnsnes,  
local government manager  
Karl-Johan Jakola, Tromsø, managing director  
Rolf W. Karlsen, Bergen, managing director  
Odd Erik Hansen, Tromsø, director  
Brynulf Grenersen, Tønsnes  
Jorhill Andreassen, Silsand, political adviser  
Britt Bergheim, Botnhamn, teacher  
Stein Kristiansen, Jakobsli, director  
Unn Granum, Mo i Rana, student  
Aslöv Kristian Sandnes, Vadsø  
Alf Boerre Lien, Finnsnes  
Knut Gjernes, Gravdal, civil architect  
Øivind Berg, Moen, self-employed businessman

### Members elected from the Bank's employees

Liv Knaplund, Bodø, adviser  
Terje Sundklakk, Svolvær, adviser  
Inger M. Loekken, Stokmarknes  
Linda Bornø, Harstad, adviser  
Odd H. Iversen, Finnsnes, adviser  
Hans Olav Gjøvik, Tromsø, senior consultant  
Randi Hansen, Lyngseidet, adviser  
Villy Johansen, Alta, senior adviser  
Ove Hagen, Hammerfest, adviser  
Brith Sand, Båtsfjord, adviser

### Deputy members elected from the Bank's employees

Roger Lorentzen, Sandnessjøen, adviser  
Svanhild Berlin Nilssen, Kabelvåg, adviser  
Stian Reinholdtsen, Myre, adviser  
Kaija Thomassen, Harstad, adviser  
May-Sissel Johansen, Finnsnes, adviser  
Nan Sissel Yttergård, Tromsø, senior consultant  
Lisbeth Birkelund, Skjervøy, adviser  
Marit Øien, Alta, adviser  
Bjørn Bangsund, Hammerfest, adviser  
Anne Britt Bangsund, Berlevåg, adviser

### The Board of Trustees' Election Committee

#### Members

Jan-Hugo Sørensen, Hansnes (Chairman), deputy mayor - elected from the Bank's depositors  
 Erik Sture Larre, Oslo, lawyer  
 - elected from the Bank's PCC-holders  
 Sissel Brufors Jensen, Andfiskå  
 - elected from the county council  
 Linda Bornø, Harstad, adviser  
 - elected from the Bank's employees

#### Deputy members

Ann-Sissel Emaus, Burfjord, printer  
 - elected from the county council  
 Lars Klæboe, Stokmarknes, consultant  
 - elected from the Bank's depositors  
 Kjell Kræmer, Tromsø, managing director  
 - elected from the Bank's PCC-holders  
 Ove Hagen, Hammerfest, adviser  
 - elected from the Bank's employees

### Depositors' Election Committee

#### Members

Jan-Hugo Sørensen, Hansnes (Chairman), deputy mayor  
 Lars Klæboe, Stokmarknes, consultant  
 Bjørn Atle Hansen, Honningsvåg, deputy mayor

#### Deputy members

Jann Sandøy, Nesna, agent for shipping company  
 Reidun Kristiansen Flakstad, Gryllefjord, self-employed businesswoman  
 Sigfred Andersen, Honningsvåg, headmaster

### PCC-holders' Election Committee

#### Members

Erik Sture Larre, Oslo (Chairman), lawyer  
 Kjell Kræmer, Tromsø, managing director  
 Marie M. Fangel, Tromsø, Handicraft artist

#### Deputy members

Trond Mohn, Paradis, managing director  
 Bente Evensen, Tromsø, self-employed businesswoman  
 Asbjørg Jensvoll Strøm, Finnsnes, local government manager

### Control Committee

#### Members

Dag Nafstad, Tromsø (Chairman), presiding judge  
 Inger Johanne Pettersen, Bodø, senior research assistant  
 Dag Norvang, Tromsø, general manager

#### Deputy members

Selma Olsen, Tromsø, auditor  
 Leif Oddgeir Pettersen, Sigerfjord, captain  
 Rune Lødemel, Honningsvåg, inspector

### Board of Directors

#### Members

Kjell Olav Pettersen, Tromsø (Chairman), director  
 Tom Veierød, Oslo (Deputy Chairman), director  
 Elisabeth Johansen, Stamsund, publisher  
 Erik Sture Larre jr., Oslo, engineer  
 Trine Nøvik, Bodø, marketing director  
 Aase Annie Opsjøn, Stokmarknes, sales manager  
 Rolf Pedersen, Alta, general manager  
 - public sector representative  
 Vivi Ann Pedersen, Tromsø, main employee representative  
 - elected by and from the Bank's employees  
 Hans Olav Karde, managing director

#### Deputy members

Roar Dons, Tromsø, company chairman  
 Elsa Eriksen, Finnsnes, school inspector  
 Gunnar Mathisen, Alta, self-employed businessman  
 - public sector representative  
 Gunnar Kristiansen, Sortland, elected representative  
 - employee representative  
 Ellinor Oftedal, Svolvær, elected representative  
 - employee representative  
 Oddmund Åsen, Deputy managing director

### Regional Board of Directors – Nordland

#### Members

Eivind Solheim, Bodø (Chairman), hospital director  
 Åshild Nordnes, Bodø (Deputy Chairman), Personnel Manager  
 Mona Kristine Rossvold, Mosjøen, managing director  
 Steinar Olaisen, Lovund, salmon fish farmer  
 Jon Tørset, Bodø, county council chairman  
 - public sector representative  
 Gunn Helen Kristensen, Rognan, elected representative  
 - employee representative  
 Kjell-Ivar Helgesen, Regional General Manager

#### Deputy members

Ove Sørdaahl, Straumen, financial manager  
 Brynjar Kroknes, Brønnøysund, General Manager  
 Randi Myrvan Næss, Halså  
 - public sector representative  
 Aud Jorun Skaret, Meløy  
 - employee representative  
 Anna Jacobsen, Bodø,  
 - employee representative

### Regional Board of Directors – Hålogaland

#### Members

Ottar B. Nilsen, Harstad (Chairman), lawyer  
 May Britt Paulsen, Svolvær (Deputy Chairman), Sales Manager  
 Berit Pettersen, Sortland, student  
 Kjetil Rønning, Stokmarknes

- public sector representative  
Ellinor Oftedal, Svolvær
- employee representative  
Kåre A. Markussen, Regional General Manager

### Deputy members

- Svein Helland, Svolvær, general manager
- Evy Martinsen, Myre, personnell manager
- Kari Ann Larsen, Harstad, deputy mayor
- public sector representative  
Tove Brune, Harstad
- employee representative  
Ellinor Oftedal, Svolvær, adviser
- employee representative

### Regional Board of Directors – Troms

#### Members

- Kåre Brynjulfsen, Silsand (Chairman),  
managing director
- Elin Wintervold, Tromsø (Deputy Chairman),  
Goldsmith
- Alfred Aksnes, Tromsø, managing director
- Gunda Johansen, Balsfjord, mayor
- public sector representative  
Kari Mette Darell Eliassen, Tromsø, student
- Trude Jakobsen, Tromsdalen,
- employee representative  
Stig Arne Engen, General Group Manager

#### Deputy members

- Bjørnar Heimly, Skjervøy, managing director
- Vigdis Johnsen, Finnsnes, Coach

- Oddvar Bjørnsen, Bardu, mayor
- public sector representative  
Øystein Sørvoll, Lyngseidet
- employee representative  
May Sissel Johansen, Finnsnes
- employee representative

### Regional Board of Directors – Finnmark

#### Members

- Kåre Harila, Vestre Jakobselv (Chairman),  
accounting consultant
- Tor Arne Pettersen, Alta (Deputy Chairman),  
company owner
- public sector representative  
Wenche Randal, Kirkenes (Deputy Chairman),  
hotel director
- Kristine Jørstad Bock, Hammerfest, corporate adviser
- Hans Ellingsen, Hammerfest
- public sector representative  
Turid Ingebrigtsen, Kirkenes,
- employee representative  
Per Trygve Holmgren, Regional General Manager

#### Deputy members

- Ann Kristin Kvalsvik, Akkarfjord, manager
- Anne Marie Gaino, Kautokeino, financial manager
- Gunnar Milch, Hammerfest
- public sector representative  
Linn Knutsen, Alta,
- employee representative  
Jon Arve Møller, Hammerfest,
- employee representative

### Finnmark

- Hammerfest
- Breivikbotn
- Lakselv
- Havøysund
- Kjøllefjord
- Honningsvåg
- Alta
- Kautokeino
- Øksfjord
- Karasjok
- Vadsø
- Varangerbotn
- Båtsfjord
- Berlevåg
- Kirkenes
- Tana
- Vardø

### Troms

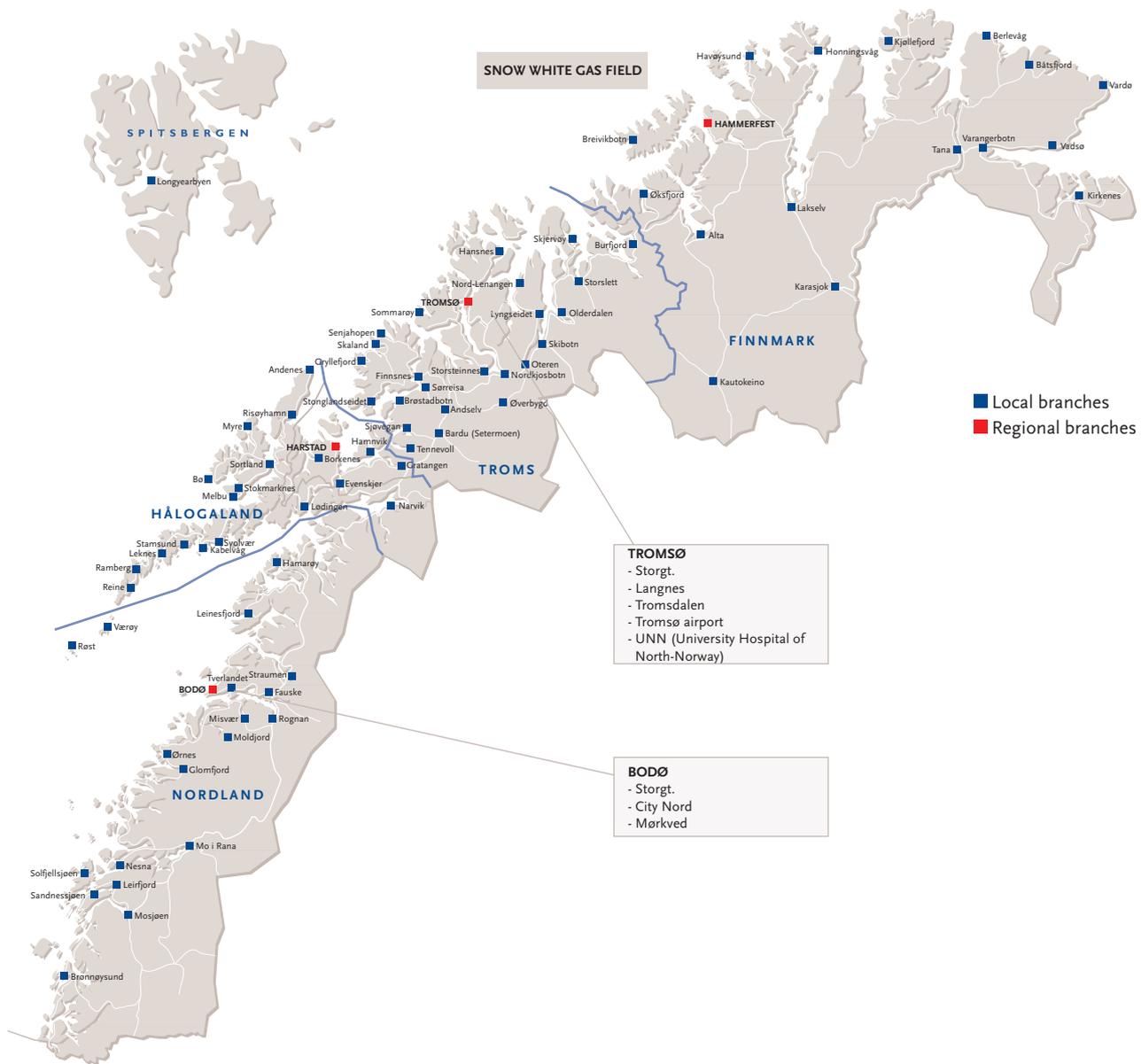
- Tromsø
- Storgt. 65
- Sjøgata 8
- Langnes
- Tromsdalen
- Tromsø Airport
- UNN (University Hospital of North-Norway)
- Sommarøy
- Longyearbyen
- Hansnes
- Storslett
- Burfjord
- Olderdalen
- Skibotn
- Skjervøy
- Lyngseidet
- Nord-Lenangen
- Oteren
- Finnsnes
- Senjahopen
- Brøstadbotn
- Gryllefjord
- Skaland
- Stonglandseidet
- Andselv
- Øverbygd
- Bardu (Setermoen)
- Sørreisa
- Sjøvegan
- Tennevoll
- Storsteinnes
- Nordkjosbotn

### Hålogaland

- Harstad
- Evenskjer
- Borkenes
- Hamnvik
- Gratangen
- Lødingen
- Narvik
- Svolvær
- Kabelvåg
- Leknes
- Ramberg
- Reine
- Stamsund
- Sortland
- Andenes
- Risøyhamn
- Myre
- Bø
- Straumsgjøen
- Stokmarknes
- Melbu

### Nordland

- Bodø
- Storgt. 40
- City Nord
- Mørkved
- Værøy
- Tverrlandet
- Røst
- Fauske
- Straumen
- Sandnessjøen
- Leirfjord
- Solfjellsjøen
- Glomfjord
- Ørnes
- Nesna
- Hamarøy
- Leinesfjord
- Rognan
- Misvær
- Moldjord
- Mo i Rana
- Brønnøysund
- Mosjøen



SpareBank 1 Nord-Norge has 90 branches in 71 of North Norway's 89 municipalities.



**CORPORATE VISION:**  
For North-Norway