

Press release

SpareBank 1 Nord-Norge makes record profit for 2005 and strengthens its commitment to the communities within the region

SpareBank 1 Nord-Norge strengthens its commitment to the communities within the region. The Bank is able to do this because of its very good annual result for 2005. NOK 75 million has been transferred to the Donations Fund. The preliminary accounts for 2005 show a profit of NOK 729 million, before tax, but after credit losses. This is the best ever result achieved by the Bank, up by NOK 152 million (26 per cent) on 2004.

The strong improvement in the result is mainly due to increased income, reduced credit losses and good control of overall costs, coupled with the Bank's share of SpareBank 1 Gruppen's improved result.

The after-tax return on equity capital amounted to 20.4 per cent, up from 16.9 per cent in 2004.

It is proposed that a dividend of NOK 10.00 is paid on each Primary Capital Certificate.

The main Board of Directors is very pleased with the result for 2005 and would like to thank all staff for their excellent efforts which have produced the very good result.

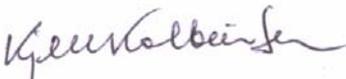
More detailed information about the Group's operations can be found in the attached reports.

Any questions should be directed to Hans Olav Karde, Chief Executive Officer, telephone number 77 62 24 01 or Oddmund Aasen, Deputy Chief Executive Officer, telephone number 77 62 20 94.

Reference is also made to the Bank's home page: www.snn.no

Tromsø, 7 February 2006

For and on behalf of **Sparebanken Nord-Norge**



Kjell Kolbeinsen

Director, Information and Public Relations

SPAREBANKEN NORD-NORGE

PRELIMINARY ANNUAL REPORT 2005 – THE GROUP

Main features (amounts in brackets refer to same period in 2004):

- Continued, good improvement in overall results
 - Pre-tax operating result totals NOK 729 million (NOK 577 million)
 - 20.4 per cent (16.9 per cent) after-tax return on equity capital
 - NOK 11.64 (NOK 10.02) earnings/profit per PCC (Primary Capital Certificate) (Parent Bank)
- Improved revenue generation from the sale of products and services involving risk-free areas
- A good result from SpareBank 1 Gruppen AS, the Bank's share thereof (IFRS) being NOK 120 million (NOK 40 million)
- Overall cost ratio: 52.3 per cent (51.6 per cent)
- Continued, low credit losses: Loan losses amounted to NOK 65 million (NOK 169 million)
- Lending growth during the last 12 months: 9.7 per cent (2.9 per cent)
 - Retail banking market: + 13.9 per cent
 - Corporate banking market: + 2.6 per cent
- Deposit growth during the last 12 months: 10.2 per cent (6.2 per cent)
- Deposit coverage ratio: 60.9 per cent (60.6 per cent)
- Proposed cash dividend: NOK 10 per PCC
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Introductory comments

Group accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). The Parent Bank's accounts have been prepared according to the Norwegian accounting standard, including the accounting standards IAS 19, and the new rules and regulations relating to lending issued by the Financial Supervisory Authority of Norway (FSAN). This means that – unlike in the case of previous quarterly reports published by the Bank – in the preliminary accounts for 2005 there are no differences between the accounts of the Parent Bank and Group within these areas. The most important accounting item relating to IAS 19 involves pension costs. This also means that as far as certain items are concerned, the fourth quarter profit and loss account is not directly comparable with the accounts provided for the other three quarters of 2005.

A new, adjusted Group balance sheet has been prepared according to IFRS as at 1.1.2004 and 1.1.2005. Furthermore, in the 2004 profit and loss account, comparable accounting items have been shown whenever required. In this connection it should be pointed out especially that the implementation of IAS 19 for pensions means that the previously prepared accounts for 2004 have been adjusted. Comparable, published accounting and key figures for 2004 contained in this quarterly report have accordingly been amended in relation to the accounts which were previously prepared. The 2004 profit and loss account has nevertheless not been adjusted for accounting items covered by IAS 39, Financial instruments. This is in accordance with the rules and regulations relating to the implementation of IAS 39.

Comparable figures have not been prepared for 2003.

Furthermore, reference is made to a separate paragraph below dealing with the effects of the transition to IFRS/IAS.

From the Profit and Loss Account

SpareBank 1 Nord-Norge's operating result – after credit losses, but before tax – totalled NOK 729 million for 2005. This is equivalent to 1.62 per cent of average assets. The corresponding figures for 2004 were NOK 577 million and 1.37 per cent respectively.

The Group's after-tax return on equity capital ended up at 20.37 per cent and the Parent Bank's earnings/profit per PCC totalled NOK 11.64. The taxation cost has been estimated at NOK 172 million. The preliminary 'RISK' amount for 2005 has been calculated at NOK 4.13 per PCC.

In relation to 2004, the main reasons for the improved 2005 result are as follows:

Shrinkage in net interest income	- NOK 28 mill
Increase other (non-interest) income	+ NOK 50 mill
Net income, gains and value changes relating to securities	+ NOK 49 mill
Bank's share of SpareBank 1 Gruppen AS's result	+ NOK 80 mill
Bank's share of SP 1	
Utvikling DA's costs	- NOK 27 mill
Increased costs	- NOK 76 mill
Reduction in net losses on loans	+ NOK 104 mill

The result from the Group's core operations (excluding securities and SpareBank 1 Gruppen AS) improved by NOK 22 million during the last 12 months.

In 2005, NOK 36 million was charged to the profit and loss account in respect of profit sharing for the Bank's staff. The corresponding amount in 2004 amounted to NOK 12 million.

The difference in result between the Parent Bank (NRS) and Group (IFRS) for 2005 is primarily ascribable to the following accounting items:

Increased result SpareBank 1 Gruppen AS	+ NOK 25 mill
Reduced gains from the sale of properties	- NOK 9 mill
Reduced tax on gains from sale of prop.	+ NOK 3 mill
Other IFRS-related effects	+ NOK 1 mill
TOTAL	+ NOK 20 mill

Proposed allocation of profit for the year

The Board of Directors proposes to the Bank's Board of Trustees that a NOK 10 cash dividend is paid on each PCC, totalling NOK 158.3 million, and that NOK 25.6 million is transferred to the Dividend Equalisation Fund.

The proposed share of the annual profit to be allocated to the PCC capital is in accordance with PCC-holders' relative shares of the Parent Bank's equity capital as at 1.1.2005.

It is proposed that NOK 75 million is set aside for Donations.

The following allocation of profit for the year is proposed:

Parent Bank's profit for the year after tax
NOK 536.9 million

Transf to Fund for Evaluation Differences	NOK 65.3 mill
Set aside for cash dividend to be paid	NOK 158.3 mill
Set aside for Equalisation Fund	<u>NOK 25.6 mill</u>
Set aside for PCC-holders (39.01 per cent)	<u>NOK 183.9 mill</u>
Set aside for Donations	NOK 75.0 mill
Transferred to the Savings Bank's Fund	<u>NOK 212.7 mill</u>
Total allocations	<u>NOK 536.9 mill</u>

The Bank's PCCs go ex dividend on 15 March 2006.

Net interest income and average interest margin

Group net interest income in 2005 was down by NOK 28 million on 2004, totalling NOK 1,075 million. In relation to average assets, this amounted to 2.39 per cent, after a shrinkage of 0.23 percentage point during the last 12 months.

Net income from banking services

Net other (non-interest) income, excluding income from foreign exchange and securities, amounted to NOK 416 million in 2005. The corresponding figure in 2004 totalled NOK 366 million. The amount includes net commissions and income from banking services, as well as other operating income.

Income from foreign exchange and securities

In 2005, the net result from foreign exchange and securities, plus return/dividends from securities, totalled NOK 82 million, up from NOK 33 million in 2004.

The 2005 net result of NOK 82 million has been arrived at as follows:

Net gains from foreign exchange	+ NOK 35 mill
Net result from certificates	+ NOK 11 mill
Net result from shares	+ NOK 31 mill

Subsidiaries

The Bank's share of its subsidiaries' aggregate after-tax result for 2005 amounted to NOK 32.7 million, up from NOK 15.6 million in 2004.

SpareBank 1 Gruppen AS

The equity stake in SpareBank 1 Gruppen AS must be regarded as participation in a joint venture and is shown in the Bank's accounts in accordance with the equity method of accounting. As at 31.12.2005, the Bank's equity stake in SpareBank 1 Gruppen AS amounted to 17.63 per cent. The Bank's 2005 accounts include the Bank's relative share of SpareBank 1 Gruppen AS's result. SpareBank 1 Nord-Norge's share of SpareBank 1 Gruppen AS's 2005 result amounts to NOK 120 million, compared with NOK 22 million in 2004.

The Bank's share of this result is based on preliminary accounting figures for 2005 from SpareBank 1 Gruppen AS. There may therefore be changes to these figures.

SpareBank 1 Utvikling DA's NOK 27 million loss has been charged to the Bank's profit and loss account. In 2004, the comparable cost was shown in the accounts as an ordinary operating cost.

Operating costs

In 2005, ordinary operating costs totalled to NOK 872 million, up by NOK 76 million on 2004. In relation to average assets, costs amounted to 1.93 per cent, up by 0.05 percentage point.

The increase in operating costs during the last 12 months are principally attributable to higher personnel costs, including an increased number of employees, general wage increases, provision for staff's bonus/profit sharing, coupled with higher employers' social security contributions with effect from 1.1.05 (social costs). Marketing costs have increased due to the Bank's ambitions of higher growth. Furthermore, adaptations to the new regulatory requirements (including IFRS and Basel 2) have resulted in increased use of resources and higher costs.

Increased wage- and salary costs	NOK 46 mill
Increased pension costs	NOK 7 mill
Increased social costs	NOK 21 mill
Increased other costs	NOK 3 mill
Reduced depreciation	- NOK 1 mill

The higher personnel costs are due to increased use of resources within the following areas: establishment of a customer centre, increased marketing efforts within the corporate banking market (smaller businesses), coupled with intensified efforts within the area of pension sales. The Bank will continue to make every effort to achieve more cost-effective operations. This will include a reduction in the Bank's personnel costs.

At the end of 2005, the overall cost ratio for the Group as a whole was 52.3 per cent, compared with 51.6 per cent a year earlier.

Group manning levels at the end of the year under review were the equivalent of 778 man-years, of which 714 were accounted for by the Parent Bank.

Net credit losses and commitments in default

As at 31.12.2005, the Group's net loss on loans amounted to NOK 65 million, representing 0.16 per cent of gross lending. The comparable level at the end of 2004 was NOK 170 million. Corporate- and retail banking customers accounted for NOK 49 million and NOK 16 million respectively of total credit losses.

In connection with the credit loss assessment at the end of 2005, the loss evaluation in accordance with the new rules and regulations/IFRS as at 1.1.2005 has also been reassessed. In comparison with previously published quarterly accounts for 2005, this has involved changes to the opening balance sheet as at 1.1.2005 with regard to credit loss assessment. This is mainly due to interpretations of the way in which the new lending rules and regulations/IFRS are practiced – reference is also made to reservations in this regard in the published quarterly accounts.

Against the background of the abovementioned factors, the loss assessment for 2005, as it is shown in the preliminary annual accounts, must be regarded as an assessment for the year as a whole. This means that the losses shown (including the breakdown between the retail banking and corporate banking sectors) in the various quarterly accounts for 2005 are not directly comparable.

As at 31.12.2005, net commitments in default/bad and doubtful commitments totalled NOK 698 million, representing 1,68 per cent of gross lending. At the end of 2004, the comparable figure was NOK 682 million or 1,79 per cent of gross lending (restated figures). The difference between the latter figure as at 31.12.2004 and previously reported figures is ascribable to the amended definition of commitments in default in accordance with the new rules and regulations relating to credit losses.

Efforts to further improve the situation with regard to commitments in default and bad and doubtful commitments have continued to produce positive results. Against the background of the risk development in the lending portfolio, the quality of the Bank's lending portfolio at the end of 2005, in the opinion of the Bank's main Board of Directors, is better than it was 12 months ago.

Tax

The Group taxation cost for 2005 amounted to NOK 172 million. This is equivalent to 23.6 per cent of the Group result before tax. New tax rules mean that gains from the sale of securities are regarded as totally tax-free income for the whole of 2005. In the Parent Bank's accounts, the basis for tax has been reduced by the results of the Bank's subsidiaries and SpareBank 1 Gruppen.

Assets

At the end of 2005, Group assets stood at NOK 48,968 million, up by NOK 6,040 million or 14.1 per cent during the last 12 months.

Loans

At the end of 2005, Group gross lending to customers totalled NOK 41,603 million, up by 9.7 per cent on 2004. The retail banking market grew by 13.9 per cent, the corporate and public sectors by 2.6 per cent.

The retail banking sector's share of total loans continued to grow, amounting to 65 per cent at the end of 2005. The Bank's main Board of Directors have the ambition of increased growth within the lending market both as far as retail banking and corporate banking are concerned. From the second quarter this year, the Bank has focused on lending growth, which so far has produced good results, with an increase in loans during the year's last three quarters of 8 per cent (equivalent to 11 per cent on an annualised basis). These efforts will continue. It should be pointed out in this connection that in the case of all new loans, particular importance is attached to borrowers' ability to service their loans, and to satisfactory security coverage, in order to keep overall credit risk at an acceptable level.

Deposits from customers and other forms of saving

In 2005, deposits from customers went up by NOK 2,350 million or 10.2 per cent to NOK 25,349 million at the end of the year. Retail banking deposits increased by 6.1 per cent, the corporate- and public sectors by 15.8 per cent.

Equity capital and capital adequacy ratio

As at 31.12.2005, the capital adequacy ratio was 10.84 per cent (11.37 per cent) of the risk-weighted asset calculation basis. The core capital ratio was 9.27 per cent (9.74 per cent).

As at 31.12.2005, the Parent Bank's core capital ratio was 9.54 per cent (9.96).

Changes in the Bank's equity capital in 2005 are dealt with in a separate note to the accounts.

The Bank's PCC-holders

The Bank has a NOK 792 million PCC-capital. Last year, the number of PCC-holders increased by 2,361 to 8,031. As at 31.12.2005, there were 2,505 PCC-holders domiciled in Nord-Norge. A summary of the Bank's 20 largest PCC-holders is included in Notes to the Accounts.

Bonus issue and split

During the first quarter of 2005, in accordance with a resolution passed by the Board of Trustees, the Bank launched a bonus issue and split of the Bank's PCCs. The bonus 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 from the Equalisation Fund. The issue was completed through the issuance of 1,319,404 new PCCs (bonus certificates) at par. 5 old PCCs provided the holder with the right to acquire one new certificate.

After completion of the bonus issue, the PCC's nominal amount was split into two, the nominal amount of each new certificate being NOK 50. The number of PCCs after the split totalled 15,832,844.

IFRS - transition to new accounting standard

The transition to IFRS for the Group, coupled with implementation of the accounting standard IAS 19 and the new lending rules and regulations for the Parent bank,

involves both positive and negative accounting effects. Effects brought about at the time of transition have, in accordance with the transition rules, been incorporated by a direct adjustment of the equity capital. The main rule states that the time of transition is 1.1.2004, but an exemption has been granted for IAS 39, where the transition takes place on 1.1.2005. 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.

The factors mentioned above mean, among other things, that parts of the changes which have been made direct against the Bank's equity capital in the Group accounts as a result of IFRS, have now also been recorded against the equity capital of the Parent Bank. These entries, among other things, affect changes in the Bank's Equalisation Fund.

Basel II – new capital adequacy rules

As a result of the new capital adequacy rules – Basel II – it will be possible to calculate the minimum amount of equity and similar capital required on the basis of internal measuring methods within the company in question. This set of rules and regulations is expected to come into force on 1 January 2007. The new requirements will make the legal 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 involved. SpareBank 1 Nord-Norge has applied to FSAN for permission to apply internal measuring methods (Internal Ratings-Based Approach) for credit risk.

Concluding remarks

The main Board of Directors is very pleased with the result for 2005 – and particularly pleased that the Bank's efforts to achieve a higher, but justifiable level of lending growth is continuing to produce results. The Bank will continue its efforts to reduce the overall credit risk within certain industrial and commercial sectors. Growth in Group revenue generation, coupled with more cost-effective operations, will remain important priorities. Every effort will be made to achieve this through enhanced risk-free income from the sale of other products and services, increased growth within the lending area, coupled with reduced costs.

Tromsø, 6 February 2006

The main Board of Directors of SpareBank 1 Nord-Norge

INCOME STATEMENT

(AMOUNTS IN NOK MILLION)

PARENT BANK - NGAAP

31.12.03	4th Q.04	4th Q.05	31.12.04	31.12.05	
2,448	422	467	1,741	1,751	Interest income
1,418	149	204	652	693	Interest expense
1,030	273	263	1,089	1,058	Net interest income
15	6	12	23	38	Dividend income
-7	12	39	22	69	Income from investment in associates
329	84	90	351	367	Fee and commission income
75	20	15	71	62	Fee and commission expense
46	17	49	32	81	Net gains/losses on financial instruments at fair value
9	8	6	17	16	Other operating income
317	107	181	374	509	Total other income
1,347	380	444	1,463	1,567	Total income
596	139	166	575	642	Staff costs and administrative expenses
45	9	9	36	35	Depreciation
126	47	31	144	131	Other operating expenses
767	195	206	755	808	Total operating expenses
580	185	238	708	759	Profit before losses
314	36	23	165	63	Losses on loans and guarantees
-	-	-	-1	0	Write-downs
314	36	23	164	63	Losses and write-downs
266	149	215	544	696	Profit before tax
56	60	39	164	159	Income tax expense
210	89	176	380	537	Profit after tax
210	89	176	380	537	Minority interests
					Net profit
					ALLOCATION OF PROFIT FOR THE YEAR
92			125	158	Return on Primary Capital Certificates
15			25	75	Donations
				65	Transferred to the Fund for Evaluation Differences
103			196	213	Transferred to the Savings Bank's Fund
0			34	26	Transferred to the Dividend Equalisation Fund
210			380	537	Total allocations

(AMOUNTS IN NOK MILLION)

GROUP - IFRS

NGAAP

31.12.05	31.12.04	4th Q.05	4th Q.04	31.12.03
1,765	1,753	471	427	2,452
690	650	203	149	1,414
1,075	1,103	268	278	1,038
5	5	1	0	3
93	40	49	15	-7
403	377	101	95	355
63	71	16	19	86
77	28	50	13	46
76	60	22	18	56
591	439	207	122	367
1,666	1,542	475	400	1,405
710	621	203	167	647
49	51	13	13	59
113	124	29	44	108
872	796	245	224	814
794	746	230	176	591
65	170	24	36	318
0	-1	0	0	0
65	169	24	36	318
729	577	206	140	273
172	174	35	59	62
557	403	171	81	211
3	2	1		1
554	401	170	81	210

(IN % P.A. OF AVERAGE ASSETS)

31.12.03	4th Q.04	4th Q.05	31.12.04	31.12.05	
6.22 %	3.99 %	3.98 %	4.13 %	3.94 %	Interest income
3.60 %	1.41 %	1.74 %	1.55 %	1.56 %	Interest expense
2.62 %	2.58 %	2.24 %	2.59 %	2.38 %	Net interest income
0.04 %	0.06 %	0.10 %	0.05 %	0.09 %	Dividend income
-0.02 %	0.11 %	0.33 %	0.05 %	0.16 %	Income from investment in associates
0.84 %	0.79 %	0.77 %	0.83 %	0.83 %	Fee and commission income
0.19 %	0.19 %	0.13 %	0.17 %	0.14 %	Fee and commission expense
0.12 %	0.16 %	0.42 %	0.08 %	0.18 %	Net gains/losses on financial instruments at fair value
0.02 %	0.08 %	0.05 %	0.04 %	0.04 %	Other operating income
0.81 %	1.01 %	1.54 %	0.89 %	1.14 %	Total other income
3.42 %	3.59 %	3.78 %	3.47 %	3.52 %	Total income
1.51 %	1.31 %	1.41 %	1.37 %	1.44 %	Staff costs and administrative expenses
0.11 %	0.09 %	0.08 %	0.09 %	0.08 %	Depreciation
0.32 %	0.44 %	0.26 %	0.34 %	0.29 %	Other operating expenses
1.95 %	1.84 %	1.76 %	1.79 %	1.82 %	Total operating expenses
1.47 %	1.75 %	2.03 %	1.68 %	1.71 %	Profit before losses
0.80 %	0.34 %	0.20 %	0.39 %	0.14 %	Losses on loans and guarantees
0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	Write-downs
0.80 %	0.34 %	0.20 %	0.39 %	0.14 %	Losses and write-downs
0.68 %	1.41 %	1.83 %	1.29 %	1.57 %	Profit before tax
0.14 %	0.57 %	0.33 %	0.39 %	0.36 %	Income tax expense
0.53 %	0.84 %	1.50 %	0.90 %	1.21 %	Profit after tax

(IN % P.A. OF AVERAGE ASSETS)

31.12.05	31.12.04	4th Q.05	4th Q.04	31.12.03
3.91 %	4.16 %	3.95 %	4.05 %	6.23 %
1.53 %	1.54 %	1.70 %	1.40 %	3.59 %
2.38 %	2.62 %	2.25 %	2.61 %	2.64 %
0.01 %	0.01 %	0.01 %	0.00 %	0.01 %
0.21 %	0.09 %	0.41 %	0.14 %	-0.02 %
0.89 %	0.89 %	0.85 %	0.89 %	0.91 %
0.14 %	0.17 %	0.13 %	0.18 %	0.22 %
0.17 %	0.07 %	0.42 %	0.12 %	0.12 %
0.17 %	0.14 %	0.18 %	0.17 %	0.14 %
1.31 %	1.04 %	1.74 %	1.15 %	0.93 %
3.69 %	3.66 %	3.99 %	3.76 %	3.57 %
1.57 %	1.47 %	1.70 %	1.57 %	1.64 %
0.11 %	0.12 %	0.11 %	0.12 %	0.15 %
0.25 %	0.29 %	0.24 %	0.41 %	0.27 %
1.93 %	1.88 %	2.06 %	2.10 %	2.07 %
1.76 %	1.77 %	1.93 %	1.65 %	1.50 %
0.14 %	0.39 %	0.20 %	0.33 %	0.80 %
0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
0.14 %	0.40 %	0.20 %	0.34 %	0.81 %
1.62 %	1.37 %	1.73 %	1.32 %	0.69 %
0.38 %	0.41 %	0.29 %	0.55 %	0.16 %
1.23 %	0.96 %	1.44 %	0.76 %	0.54 %

BALANCE SHEET

(AMOUNTS IN NOK MILLION)

PARENT BANK - NGAAP

(AMOUNTS IN NOK MILLION)

GROUP - IFRS

NGAAP

31.12.03	31.12.04	31.12.05	ASSETS	31.12.05	31.12.04	31.12.03
548	294	935	Cash and advances with central banks	935	294	548
709	802	824	Due from credit institutions	45	132	101
36,573	37,570	41,030	Loans and advances to customers	41,603	37,931	36,869
495	310	259	- specific loss write-downs	264	320	503
318	318	179	- group loss write-downs	182	321	322
35,760	36,942	40,592	Net loans and advances to customers	41,157	37,290	36,044
7	6	6	Repossessed assets			
2,435	2,768	4,074	Certificates, bonds and other fixed-income securities	4,061	2,768	2,435
369	341	410	Shares and other securities with variable yield	450	356	372
258	316	480	Investment in associates	494	306	258
152	168	188	Investment in subsidiaries	0	0	0
9	84	107	Deferred tax assets	58	125	38
131	113	98	Fixed assets	503	559	553
			Financial derivative instruments	926	632	0
50	93	60	Other assets	97	110	59
471	324	303	Accrued income and prepaid expenses	242	356	476
40,899	42,251	48,077	TOTAL ASSETS	48,968	42,928	40,892
31.12.03	31.12.04	31.12.05	LIABILITIES AND EQUITY	31.12.05	31.12.04	31.12.03
						NGAAP
3,394	2,823	1,803	Due to credit institutions	1,773	2,790	3,366
21,727	23,072	25,466	Customer deposits	25,349	22,999	21,666
11,171	11,738	15,652	Securities issued	15,668	11,738	11,171
			Financial derivative instruments	647	500	0
314	419	471	Other liabilities	503	441	329
435	422	406	Accrued expenses and prepaid income	489	523	494
0	211	206	Accrued expenses and liabilities	205	251	5
1,503	1,194	1,337	Subordinated loan capital	1,290	1,194	1,502
38,544	39,879	45,341	TOTAL LIABILITIES	45,924	40,436	38,533
			Minority interests	5	4	4
660	660	792	Primary capital certificates	792	660	660
8	8	8	Premium	8	8	8
668	668	800	Total paid equity	800	668	668
0	0	65	Fund for Evaluation Differences	65	0	0
1,357	1,411	1,618	Savings bank's reserve	1,631	1,404	1,357
315	258	151	Dividend equalisation reserve	442	381	315
15	35	102	Other equity	101	35	15
1,687	1,704	1,936	Total retained earnings	2,239	1,820	1,687
2,355	2,372	2,736	Total equity	3,039	2,488	2,355
40,899	42,251	48,077	TOTAL LIABILITIES AND EQUITY	48,968	42,928	40,892

NOTES TO THE ACCOUNTS

ACCOUNTING PRINCIPLES

The quarterly accounts for the Parent Bank have been prepared in accordance with Norwegian accounting law, Norwegian accounting standards, currently valid rules and regulations and good accounting practice (NRS). As a quoted company, SNN's Group accounts, with effect from 01.01.05, have been prepared in accordance with International Financial Reporting Standards (IFRS).

A new opening balance sheet for the Group accounts was established as at 01.01.04, and the balance sheet as at 31.12.04 was restated on the basis of the former balance sheet. Implementation effects have been adjusted against the equity capital.

IAS 39, which deals with financial instruments, came into force on 01.01.05. Against this background, SNN's Group balance sheet as at 31.12.04 has been restated as at 01.01.05.

During the autumn of 2005, permission was given to quoted companies which publish group accounts according to IFRS, also to apply international standards (IAS19) when calculating and showing pensions in parent bank accounts. The change involves the restatement of accounting figures as at 01.01.2004, such figures having been adjusted against equity capital.

In addition, this involves amended result for 2004 as a result of changed pension cost. This effect too has been adjusted against equity capital.

With effect from 01.01.05, the Financial Supervisory Authority of Norway's (FSAN) new rules and regulations relating to lending have been applied to the Parent Bank's accounts.

The implementation effects of this have been adjusted against equity capital as at 1.1.05.

According to IAS 39, as far as 2005 is concerned, there is no requirement to show comparable accounting figures for corresponding periods in 2004.

The total impact on the Group accounts of transition to IFRS is shown in a separate note below.

CAPITAL ADEQUACY

(AMOUNTS IN NOK MILLION)

PARENT BANK - NGAAP

GROUP - IFRS

31.12.03	31.12.04	31.12.05		31.12.05	01.01.05	31.12.04	31.12.03
						NRS	NRS
2,653	2,859	2,969	Core capital	2,939	2,706	2,831	2,619
1,104	831	931	Supplementary capital in addition to the core capital	931	831	831	1,110
			Deduction items:				
249	310	456	Subord. loan-and equity cap. participations in other fin.inst.	0	0	0	0
0	0	0	Capital adequacy reserves	433	357	357	298
3,508	3,380	3,444	Net equity and related capital resources	3,437	3,180	3,305	3,430
28,662	28,694	31,118	Total risk-weighted assets base	31,720	29,296	29,057	29,019
12.24 %	11.78 %	11.07 %	Capital adequacy ratio	10.84 %	10.85 %	11.37 %	11.82 %

In the figures as at 1.1.05, the amount set aside for dividend payment has been deducted from the Bank's core capital.

NET BAD AND DOUBTFUL COMMITMENTS

(AMOUNTS IN NOK MILLION)

PARENT BANK - NGAAP

GROUP - IFRS

31.12.03	31.12.04	31.12.05		31.12.05	31.12.04	31.12.03
704	222	243	Credit loss portfolio	251	232	723
404	763	703	+ Non performing loans(not incl. in credit loss portfolio)	711	773	424
495	312	259	- Specific loss provisions	264	323	503
613	673	687	= Net bad and doubtful commitments	698	682	644

LOSSES INCORPORATED IN THE ACCOUNTS

(AMOUNTS IN NOK MILLION)

PARENT BANK - NGAAP

GROUP - IFRS

31.12.03	31.12.04	31.12.05		31.12.05	31.12.04	31.12.03
94	13	13	+ Increase in loss provisions for commitments against which specific loss provisioning has previously been raised	13	18	94
224	169	334	+ Loss provisions for commitments against which specific loss provisioning has not previously been raised	334	169	227
30	41	280	- Reversal of previous years' loss provisions	280	41	30
0	0	-22	+ Change in non-specific loss provisions	-24	-1	0
53	58	40	+ Confirmed losses on commitments against which specific loss provisioning has not previously been raised	44	60	54
27	34	22	- Recoveries in respect of previously confirmed losses	22	35	27
314	165	63	= Total losses on loans, guarantees etc.	65	170	318

CONFIRMED LOSSES

(AMOUNTS IN NOK MILLION)

PARENT BANK - NGAAP

GROUP - IFRS

31.12.03	31.12.04	31.12.05		31.12.05	31.12.04	31.12.03
144	324	175	+ Period's confirmed losses against which specific loss provisions were previously made	178	327	145
53	58	40	+ Period's confirmed losses against which specific loss provisions were not previously made	41	60	54
197	382	215	= Period's confirmed losses	219	387	199

SPECIFIC AND NON-SPECIFIC LOSS PROVISIONS

(AMOUNTS IN NOK MILLION)

PARENT BANK - NGAAP

GROUP - IFRS

31.12.03	31.12.04	31.12.05		31.12.05	31.12.04	31.12.03
			Specific loss provisions:			
351	495	312	Specific loss provisions against losses on loans, guarantees etc. as at 01.01.	323	503	357
144	324	175	- Confirmed losses during the period on loans, guarantees etc., against which spec. loss provisioning has prev. been raised	175	327	145
30	41	280	- Reversal of previous years' loss provisions	280	41	30
94	13	4	+ Increase in loss provisions for commitments against which specific loss provisions were previously made	4	18	95
224	169	332	+ Loss provisions for commitments against which no loss provisioning was previously raised	335	169	227
		71	+ provisioning was previously raised	62		
495	312	264 *)	= Specific provisions against losses on loans, guarantees etc.	269	323	503
			Non-specific loss provisions:			
318	318	318	Non-specific provisions against losses on loans, guarantees etc. as at 01.01.	321	322	322
0	0	-22	+ Period's non-specific provisions against losses on loans, guarantees etc.	-22	-1	0
		-117	+ provisioning was previously raised	-117		
318	318	179	= Non-specific loss provisions against losses on loans, guarantees etc.	182	321	322

*) Specific credit loss write-downs on guarantees, amounting to NOK 5 million, are shown in the balance sheet as liabilities, under 'Provisions for incurred costs and liabilities'.

LOANS AND LOSSES BROKEN DOWN BY SECTOR AND INDUSTRY

(AMOUNTS IN NOK MILLION)

GROUP	31.12.05	IFRS		GROUP	31.12.04	IFRS
%SHARE LOSSES	LOSSES	LOANS		% SHARE LOSSES	LOSSES	LOANS
0 %	0	0	Central government adm., social security adm.	0 %	0	1
0 %	0	228	Counties/municipalities	0 %	0	195
19 %	16	2,508	Agriculture, forestry, fisheries, hunting and fish farming	13 %	27	2,341
0 %	0	12	Production of crude oil and natural gas	0 %	0	9
27 %	23	1,136	Industry and mining	45 %	93	1,586
0 %	0	1,177	Building and construction, power and water supply	3 %	7	1,011
30 %	26	1,633	Wholesale and retail trade; hotel and restaurant industry	8 %	17	1,654
0 %	0	0	International shipping and pipeline transport	0 %	0	6
-1 %	-1	1,287	Transport and communication	7 %	15	1,611
29 %	25	5,844	Financing, property management and business services	5 %	10	4,950
0 %	0	686	Other services	2 %	5	650
0 %	0	8	Insurance, fund management and financial services	0 %	0	132
0 %	0	86	Foreign sector retail	0 %	0	78
22 %	19	26,998	Retail banking market	15 %	31	23,707
-38 %	-33		Non-specific corporate banking losses	0 %	0	
13 %	11		Non-specific retail banking losses	0 %	0	
100 %	86	41,603	Gross lending/ losses on customers	100 %	205	37,931
	22		Recoveries from previously written off losses		35	
	64		Net losses - the Group		170	

DEPOSITS BROKEN DOWN BY SECTOR AND INDUSTRY

	GROUP - IFRS (AMOUNTS IN NOK MILLION)		
	31.12.05	31.12.04	31.12.03
Central government administration and social security administration	599	613	687
Counties and municipalities	2,854	2,017	1,828
Agriculture, forestry, fisheries, hunting and fish farming	765	633	622
Production of crude oil and natural gas	1	1	3
Industry and mining	405	448	477
Building and construction, power and water supply	949	949	903
Wholesale and retail trade, hotel and restaurant industry	1,177	991	1,004
International shipping and pipeline transport	4	8	16
Financing, property management and business services	1,768	1,399	1,397
Transport and communication	770	662	611
Insurance, fund management and financial services	512	600	336
Other service industries	1,529	1,463	1,338
Retail banking market	13,833	13,027	12,259
Foreign retail banking market	183	188	185
Deposits from customers	25,349	22,999	21,666

SUBSIDIARIES - NGAAP

(AMOUNTS IN NOK 1000)	SHARE OF EQ.%	RESULT FROM ORDINARY OPERATIONS AFTER TAX			EQUITY CAPITAL		
		31.12.05	31.12.04	31.12.03	31.12.05	31.12.04	31.12.03
SpareBank 1 Finans Nord-Norge AS	100.00	13,473	10,508	10,282	87,411	81,421	70,886
AS Fiskerikreditt	100.00	239	-883	610	30,259	30,020	29,455
Eiendomsdrift AS	100.00	10,937	4,774	2,083	57,439	44,677	39,725
EiendomsMegler 1 Nord-Norge AS	100.00	3,882	639	-2,369	6,895	5,181	4,452
SpareBank 1 Nord-Norge Securities ASA	56.20	4,293	3,387	2,025	6,021	6,515	6,919
ANS Bygginvestor 1	52.36	0	-415	31	67	67	481

QUARTERLY SUMMARY - PROFIT AND LOSS ACCOUNT FIGURES

(AMOUNTS IN NOK MILLION)	GROUP								
	Q4-05	Q3-05	Q2-05	Q1-05	Q4-04	Q3-04	Q2-04	Q1-04	Q4-03
Result before losses and write-downs	230	223	162	179	176	190	171	209	179
Result from ordinary operations	206	207	148	168	140	156	128	153	59

The figures with effect from 2004 have been restated according to IFRS.

QUARTERLY SUMMARY - BALANCE SHEET FIGURES

(AMOUNTS IN NOK MILLION)	GROUP								
	Q4-05	Q3-05	Q2-05	Q1-05	Q4-04	Q3-04	Q2-04	Q1-04	Q4-03
Deposits	25,349	25,968	25,542	23,454	22,999	22,777	23,695	21,795	21,666
Gross lending	41,603	41,263	39,663	38,096	37,931	38,255	37,941	37,760	36,869
Balance sheet total	48,968	46,321	44,696	42,649	42,928	42,243	42,994	41,571	40,892

PCC HOLDERS

THE 20 LARGEST PCC HOLDERS AS AT:

31.12.2005

PCC HOLDERS	NUMBER OF PCCs	PERCENTAGE SHARE OF TOTAL PCC CAPITAL
Swedbank - client account	1,541,640	9.74%
Frank Mohn AS	418,800	2.65%
MP Pensjon	298,560	1.89%
Tonsenhagen Forretningsentrum AS	244,200	1.54%
Framo Development AS	212,640	1.34%
Mellon Bank	200,000	1.26%
Bergen Kommunale Pensjonskasse	173,360	1.09%
SpareBank 1 Rogaland	124,080	0.78%
Ringerikes Sparebank	120,000	0.76%
Trond Mohn	116,285	0.73%
Troms Kraft AS	114,700	0.72%
Karl Ditlefsen	113,880	0.72%
Olsen, Fred & Co's Pensjonskasse	102,000	0.64%
National Financial Services Citibank N.A.	101,500	0.64%
Forvarets Personell Service	100,000	0.63%
Trondheim Kommune Kraftfondet	98,004	0.62%
Haugaland Kraft AS	86,880	0.55%
Terra Utbytte	84,592	0.53%
SpareBank 1 Livsforsikring AS	81,285	0.51%
Goldman Sachs	80,313	0.51%
TOTAL	4,412,719	27.87%

CHANGE IN EQUITY CAPITAL
(AMOUNTS IN NOK MILLION)

PARENT BANK - NGAAP

GROUP - IFRS

31.12.03	31.12.04	31.12.04 Adjusted	31.12.05		31.12.05	31.12.04 Adjusted	31.12.04	31.12.03
2,237	2,355	2,355	2,372	Equity capital as at 1 January	2,488	2,355	2,355	2,237
		-229		-3 Implementation effects – IFRS – as at 1.1	5	-268		
				IFRS effects as at 31.12	-2			
210	366	380	537	Result for the period	557	401	366	210
-92	-125	-125	-158	Set aside for dividends to be paid			-125	-92
0	-9	-9	-12	Other adjustments against the equity capital	-9	0	-9	
2,355	2,587	2,372	2,736	Equity capital at the end of the period	3,039	2,488	2,587	2,355

CHANGE IN GROUP EQUITY CAPITAL - IFRS

Transfers relating to equity capital funds have been allotted according to the PCC-fraction/percentage (Primary Capital Certificate) as at 01.01.05

Equity capital as at 01.01.04 according to NRS

	Total equity capital	Total paid-in equity capital	Savings Bank's Fund	Equalisation Fund	Donations – Other equity capital
Published annual result for 2004	2,355	668	1,357	315	15
Set aside for dividends to be paid	366	0	188	153	25
Paid out from Donations	-125	0	0	-125	0
Other equity capital adjustments	-5	0	0	0	-5
	-4	0	-3	-1	0
Equity capital as at 31.12.2004 – NRS	2,587	668	1,542	342	35

Implementation effects – IFRS – as at 1.1.04

Inclusion in the accounts of previous estimate discrepancies relating to pension liabilities, not included in the profit and loss account

Fixed assets re-assessed at their market value

Re-assessed value of Bank's equity stake in SpareBank 1 Gruppen

Total implementation effects as at 1.1.04

	-257	0	-156	-101	0
	28	0	17	11	0
	-39	0	-24	-15	0
Total implementation effects as at 1.1.04	-268	0	-163	-105	0
Addition to the result – IFRS – SpareBank 1 Gruppen	17	0	10	7	0
Addition to the result due to lower pension costs	18	0	10	8	0
Reversal of amount set aside for dividends	125	0	0	125	0
Re-assessed value of equity stake in SpareBank 1 Gruppen	9	0	5	4	0
Equity capital as at 31.12.04 according to IFRS	2,488	668	1,404	381	35

IFRS-impact of implementation of IAS 39 – Financial instruments

Transition to new lending rules and regulations	-3	0	-2	-1	0
Net value of hedging transactions	-124	0	-76	-48	0
Re-assessed value of shares previously valued at cost	31	0	19	12	0
Market value of fixed interest rate loans	101	0	62	39	0
Total implementation effects as at 1.1.05	5	0	3	2	0

Adjusted equity capital as at 1.1.05 according to IFRS

	2,493	668	1,407	383	35
Bonus issue	0	132	0	-132	0
Annual result for 2005	557	0	226	191	140
Set aside for dividends to be paid	-158	0	0	-158	0
Paid from Donations	-9	0	0	0	-9
Reversal of amount set aside for dividend payments	158	0	0	158	0
Net value of hedging transactions	-15	0	-9	-6	0
Market value of fixed interest rate loans	15	0	8	7	0
Re-assessed value of shares previously valued at cost	-2	0	-1	-1	0
Total IFRS impact as at 31.12.05	546	132	224	59	131

Equity capital as at 31.12.05 according to IFRS

	3,039	800	1,631	442	166
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CASH FLOW STATEMENT

(AMOUNTS IN NOK MILLION)			(AMOUNTS IN NOK MILLION)		
PARENT BANK - NGAAP			GROUP - IFRS		
31.12.03	31.12.04	31.12.05	31.12.05	01.01.05	31.12.03
266	544	696	729	577	273
45	36	35	49	51	58
0	-1	0	0	-1	1
314	165	63	65	170	318
56	164	159	172	174	62
92	125	158	0	0	92
CASH FLOW FROM OPERATING PROFITS BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES			671	623	496
-8	30	17	146	614	-7
65	60	31	-100	-650	64
-3,399	-1,347	-3,713	-3,932	-1,416	-3,467
-23	-305	-1,375	-1,387	-317	-25
1,478	1,345	2,394	2,350	1,333	1,484
-1,084	-571	-1,020	-1,017	-576	-1,086
-2,494	-333	-3,189	-3,269	-389	-2,541
A. NET CASH FLOW FROM OPERATING ACTIVITIES					
-41	-18	-21	-32	-60	-64
0	0	0	17	15	17
3	-68	-184	-188	-48	8
-38	-86	-205	-203	-93	-39
B. NET CASH USED IN INVESTING ACTIVITIES					
1,873	567	3,914	3,930	567	1,873
632	-309	143	96	-308	631
2,505	258	4,057	4,026	259	2,504
C. CASH FLOW FROM FINANCING ACTIVITIES					
-27	-161	663	554	-223	-76
1,284	1,257	1,096	426	649	725
1,257	1,096	1,759	980	426	649
= CASH AND CASH EQUIVALENTS AT END OF PERIOD					

Cash and cash equivalents are defined as cash-in-hand, due to central banks, plus loans to and advances to credit institutions.

KEY FIGURES

PARENT BANK - NGAAP

GROUP - IFRS

31.12.03	31.12.04	01.01.05	31.12.05			31.12.05	01.01.05	31.12.04	31.12.03
9.04%	14.55%	15.37%	19.81%	After-tax return on equity capital	1	20.37%	16.87%	14.55%	9.04%
56.94%	52.90%	51.61%	51.56%	Costs as a percentage of overall contribution margin	2	52.34%	51.62%	53.81%	57.94%
59.41%	61.41%	61.41%	62.07%	Deposits as a percentage of gross lending	3	60.93%	60.63%	54.85%	58.76%
0.86%	0.44%	0.44%	0.21%	Net specific losses as a percentage of gross lending	4	0.21%	0.45%	60.63%	0.86%
0.86%	0.44%	0.44%	0.15%	Net losses as a percentage of gross lending	5	0.16%	0.45%	0.45%	0.86%
1.68%	1.79%	1.79%	1.67%	Net commitments in default 1)	6	1.68%	1.80%	1.80%	1.75%
14.01	10.02	10.02	11.64	Earnings per PCC (NOK) 2)	7				
149.01	153.10	140.37	60.07	Equity capital per PCC (NOK) 2)	8				
39,354	42,111	42,109	44,467	Average assets	9	45,112	42,126	42,100	39,347

1) Change principle. Comparable figures only 2004 and 2005.

2) Increase of capital and split of PCC March 2005

- (1) Result after tax, recalculated on an annual basis.
(2) Costs as a percentage of total income.
(3) Deposits as a percentage of gross lending.
(4) Net losses, excluding the changes in non-specific loss provisions, as a percentage of gross lending recalculated on an annual basis.
(5) Net losses as a percentage of gross lending recalculated on an annual basis.
(6) Customer loans in default, after deducting interest provisions and specific loss provisioning, as a percentage of gross lending.
(7) After-tax profit multiplied by the PCC holders' share of the equity capital as at 1.1., divided by the number of PCCs issued, recalculated on an annual basis.
(8) PCC capital + Premium Fund + Dividend Equalisation Fund, divided by the number of PCCs issued.
(9) Average assets are based on total assets for each of the quarters in the current year, including total assets at the end of the previous year.

All figures are calculated as a percentage of NOK amounts, to the nearest whole million. In view of this rounding up of figures, there may be some smaller differences in comparison with previously published amounts, as these were computed on the basis of amounts in whole NOK thousand.