

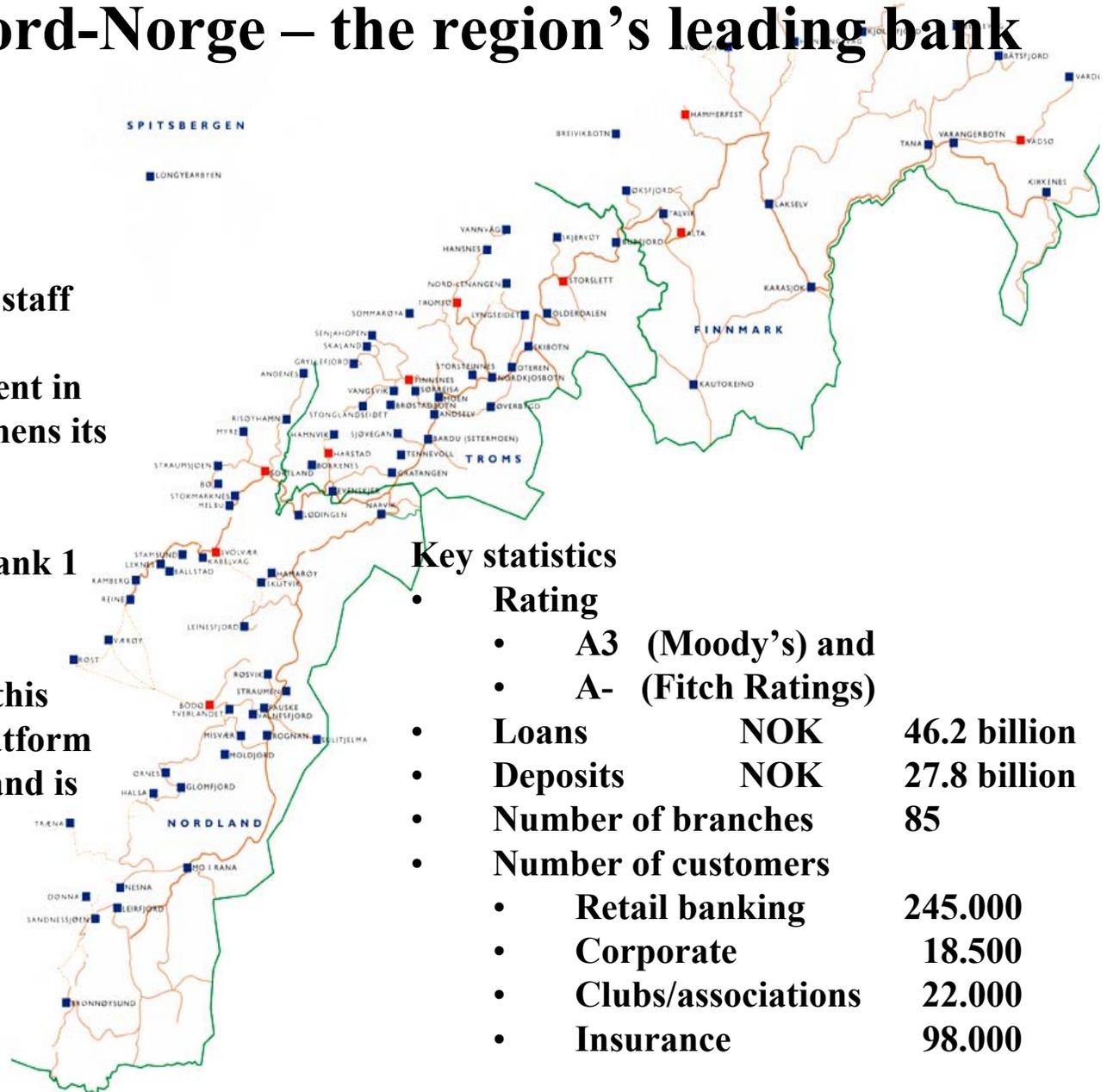
# PRESENTATION OF PRELIMINARY ANNUAL REPORT AND ACCOUNTS 2006

TROMSØ, OSLO, 7 February 2007



# SpareBank 1 Nord-Norge – the region’s leading bank

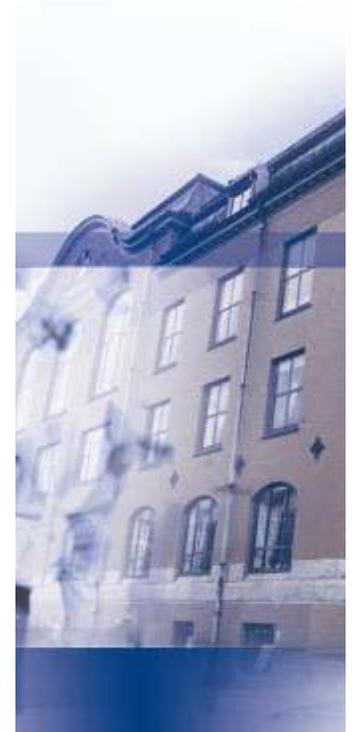
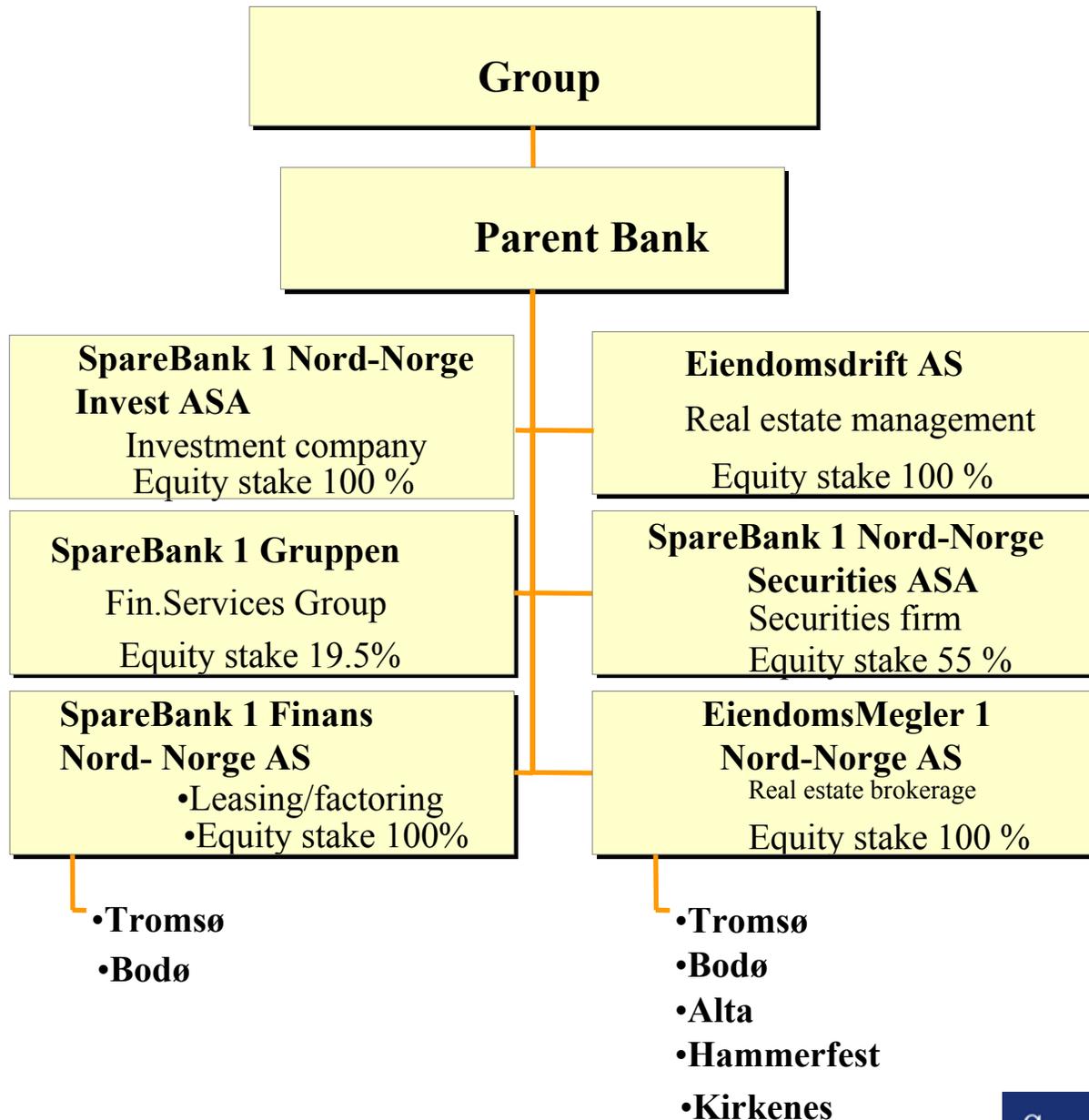
- Assets NOK 54.9 billion
- Good profitability
- High job satisfaction among staff
- The Bank’s strong involvement in the local community strengthens its market position.
- Very good results in SpareBank 1 Gruppen AS
- The SpareBank 1 alliance – this strategic and operational platform for the Bank functions well and is well accepted by the market



## Key statistics

- **Rating**
  - A3 (Moody’s) and
  - A- (Fitch Ratings)
- **Loans** NOK 46.2 billion
- **Deposits** NOK 27.8 billion
- **Number of branches** 85
- **Number of customers**
  - Retail banking 245.000
  - Corporate 18.500
  - Clubs/associations 22.000
  - Insurance 98.000

# Organisation of the financial services group





# SpareBank 1 Nord-Norge

## Finnmark

Alta  
Berlevåg  
Breivikbotn  
Båtsfjord  
Hammerfest  
Havøysund  
Honningsvåg  
Karasjok  
Kautokeino  
Kirkenes  
Kjøllefjord  
Lakselv  
Tana  
Vadsø  
Varangerbotn  
Vardø  
Øksfjord

## Hålogaland

Andenes  
Borkenes  
Bø  
Evenskjer  
Hamnvik  
Harstad  
Kabelvåg  
Leknes  
Lødingen  
Melbu  
Myre  
Narvik  
Ramberg  
Reine  
Risøyhamn  
Sortland  
Stamsund  
Stokmarknes  
Svolvær

## Troms

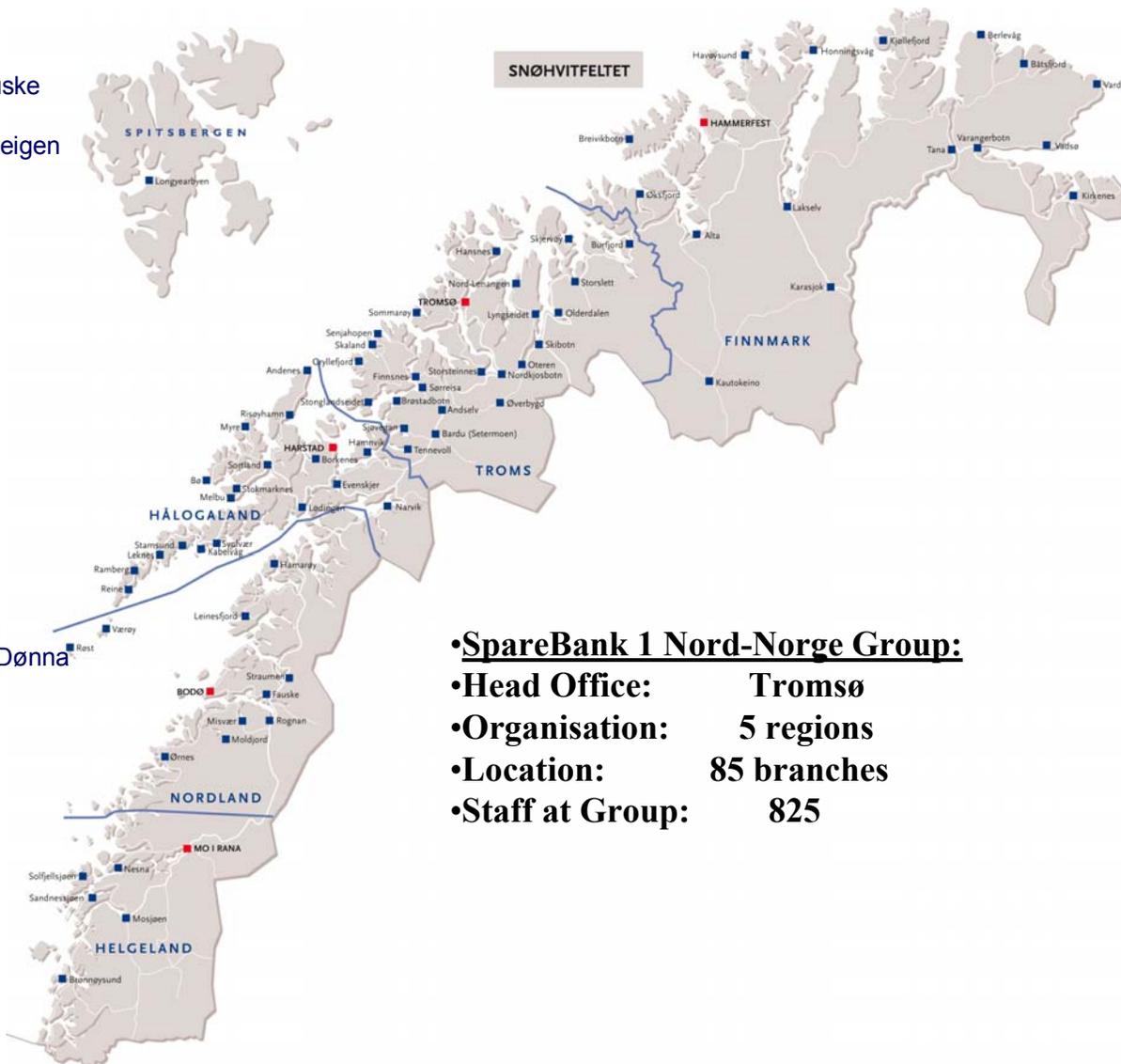
Bardufoss  
Brøstadbotn  
Burfjord  
Finnsnes  
Gryllefjord  
Hansnes  
Langnes flyplass  
Langnes Tromsø  
(Jekta)  
Longyearbyen  
Lyngseidet  
Nord-Lenangen  
Nordkjosbotn  
Olderdalen  
Oteren  
Setermoen  
Senjahopen  
Sjøvegan  
Skaland  
Skibotn  
Skjervøy  
Sommarøy  
Stonglandseidet  
Storslett  
Storsteinnes  
Sørreisa  
Tennevoll  
Tromsdalen  
Tromsø  
UNN, Tromsø  
Øverbygd

## Nordland

Bodø  
City Nord, Fauske  
Hamarøy  
Leinesfjord, Steigen  
Misvær  
Moldjord  
Mørkved  
Rognan  
Røst  
Straumen  
Værøy  
Ørnes

## Helgeland

Brønnøysund  
Mo i Rana  
Mosjøen  
Nesna  
Sandnessjøen  
Solfjellsjøen, Dønna



### •SpareBank 1 Nord-Norge Group:

- Head Office: Tromsø
- Organisation: 5 regions
- Location: 85 branches
- Staff at Group: 825

Vit at vi er der.

SpareBank 1 Nord-Norge

## **Financial targets:**

# **Capital adequacy ratio**

**SpareBank 1 Nord-Norge shall be a financially strong bank with a capital adequacy ratio which reflects the risks involved within the Bank's market area.**

- Capital adequacy ratio of 12 % and a core capital coverage of 9 % minimum.
- The confidence level shall be 99,9%.



# Capital Adequacy

(AMOUNTS IN NOK MILLION)

PARENT BANK - NGAAP

GROUP - IFRS

31.12.04	31.12.05	31.12.06		31.12.06	31.12.05	31.12.04
2.859	2.986	<b>3.360</b>	Core capital	<b>3.573</b>	3.178	2.946
831	931	<b>945</b>	Supplementary capital in addition to the core capital	<b>944</b>	884	941
			Deduction items:			
310	456	<b>691</b>	Subord. loan-and equity cap. participations in other fin.inst.	<b>124</b>	0	0
0	0	<b>0</b>	Capital adequacy reserves	<b>619</b>	504	577
<b>3.380</b>	<b>3.461</b>	<b>3.614</b>	Net equity and related capital resources	<b>3.774</b>	<b>3.558</b>	<b>3.309</b>
28.694	31.118	<b>34.640</b>	Total risk-weighted assets base	<b>35.678</b>	31.806	35.474
11,78 %	11,12 %	<b>10,43 %</b>	Capital adequacy ratio	<b>10,58 %</b>	11,19 %	9,33 %
9,96 %	9,60 %	<b>9,70 %</b>	Core capital adequacy ratio	<b>10,01 %</b>	9,99 %	8,30 %

## Financial targets:

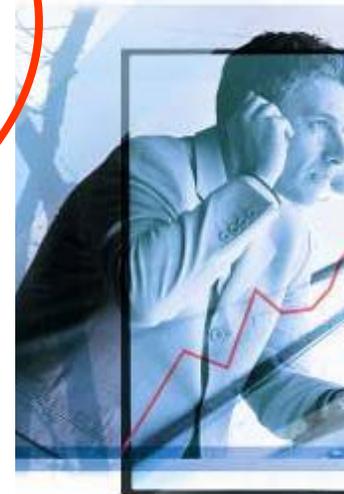
# Profitability and effectiveness

## Profitability

- SpareBank 1 Nord-Norge's return on equity shall reflect the risk pertaining to the Bank's business operations and the general level of interest rates
- The targeted after-tax return is minimum 6 percentage points above the yield on long-term government bonds
- The profitability shall be comparable to the performance of competing banks in Norway

## Effectiveness

- SpareBank 1 Nord-Norge's target is a cost-income ratio of 50%
- The effectiveness shall be comparable to the level of competing banks in Norway



## **Main features – 4th quarter 2006 (2005)**

- A very good result
  - Pre-tax operating result of NOK 941 mill. (NOK 729 mill. )
  - After-tax return on equity capital – 23.7 % (20.5 %)
  - Parent Bank profit per PCC - NOK 15.20 (NOK 13.20)
- Very good result development for SpareBank 1 Gruppen AS
- The Bank's share of result (IFRS) was NOK 189 mill. (NOK 120 mill.)
- Overall cost ratio: 49.9 % (52.3 %)
- Very low loan losses: Reduced write-downs produce net gain of NOK 43 mill. (in 2005, there were losses amounting to NOK 65 mill.)
- Total result from securities and foreign exchange amounted to NOK 81 mill., made up of a NOK 7 mill. gain on securities and a NOK 74 mill. gain of foreign exchange and other financial instruments
- Lending growth during the last 12 months: 11.0 % (9.8 %)
  - Retail banking market: + 12.9 %
  - Corporate market: + 7.6 %
- Deposit growth during the last 12 months: 9.6 % (10.2 %)
- Overall deposit coverage ratio: 60.1 % (60.9 %)
- Proposed cash dividend: NOK 10.00 per PCC
- A dividend issue is proposed, where the Bank's PCC-holders may choose between a cash dividend or participating in the issue.
- It is proposed that NOK 104 mill. is set aside for the Bank's Donations Fund.

## Group profit and loss account - IFRS

(Amounts in NOK million)	31.12.06	31.12.05	Change	31.12.06	31.12.05
Interest- and similar income	2.215	1.765	450	4,32 %	3,93 %
Interest- and similar costs	1.118	690	428	2,18 %	1,54 %
<b>Net interest- and credit commission income</b>	<b>1.097</b>	<b>1.075</b>	<b>22</b>	<b>2,14 %</b>	<b>2,39 %</b>
Dividends and other income from sec.with var.yield	17	5	12	0,03 %	0,01 %
Income from shareholdings in Group companies	156	93	63	0,30 %	0,21 %
Commission inc.and revenues from banking services	427	403	24	0,83 %	0,90 %
Comm.costs and expenditure gen.from banking servi	65	63	-2	0,13 %	0,14 %
Net gains/ losses from securities and foreign exchang	64	77	-13	0,12 %	0,17 %
Other operating income	80	76	4	0,16 %	0,17 %
<b>Total operating income</b>	<b>679</b>	<b>591</b>	<b>88</b>	<b>1,33 %</b>	<b>1,32 %</b>
<b>Total net income</b>	<b>1.776</b>	<b>1.666</b>	<b>110</b>	<b>3,47 %</b>	<b>3,71 %</b>
Wages, salaries and general administration costs	710	710	0	1,39 %	1,58 %
Depreciation etc. of fixed and intangible assets	49	49	0	0,10 %	0,11 %
Other operating costs	119	113	-6	0,23 %	0,25 %
<b>Total costs</b>	<b>878</b>	<b>872</b>	<b>-6</b>	<b>1,71 %</b>	<b>1,94 %</b>

# Group profit and loss account - IFRS

-forts.

<b>Result before losses and write-downs</b>	<b>898</b>	794	104	<b>1,75 %</b>	1,77 %
Losses on loans, guarantees etc.	<b>-43</b>	65	-108	<b>-0,08 %</b>	0,14 %
<b>Net losses and write-downs</b>	<b>-43</b>	65	-108	<b>-0,08 %</b>	0,14 %
<b>Result before tax</b>	<b>941</b>	729	212	<b>1,84 %</b>	1,62 %
Tax payable on ordinary result	<b>205</b>	172	-33	<b>0,40 %</b>	0,38 %
Tax payable on ordinary result	<b>5</b>	3	-2	<b>0,00 %</b>	0,00 %
<b>Result from ordinary operations after tax</b>	<b>731</b>	554	177	<b>1,44 %</b>	1,24 %

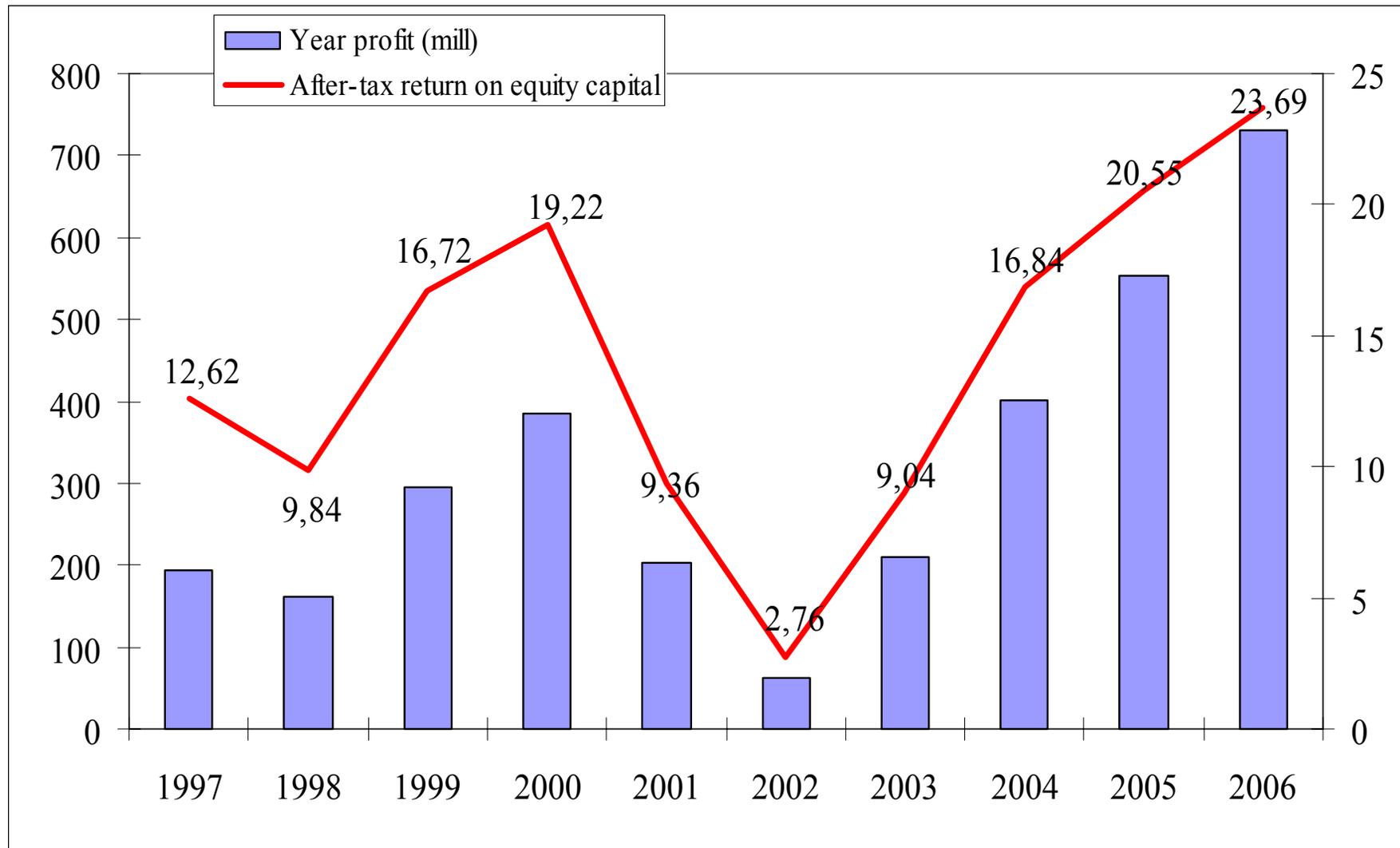
# Group Companies

## Profit after tax

	<b>31.12.06</b>	31.12.05
SpareBank 1 Finans Nord-Norge AS	<b>14.732</b>	13.473
SpareBank 1 Nord-Norge Invest ASA	<b>-139</b>	239
Eiendomsdrift AS	<b>7.238</b>	10.937
Eiendomsmegler 1 Nord-Norge AS	<b>5.313</b>	3.882
SpareBank 1 NN Securities ASA (55%)	<b>6.368</b>	4.293
<b>TOTAL</b>	<b>33.512</b>	32.824

# Year profit and After-tax return on equity capital

From 2004 the figures have been restated according to IFRS



# Group Operating income

(Amounts in NOK million)	Q4-06	Q3-06	Q2-06	Q1-06	Q4-05
Interest income	<b>282</b>	283	270	262	268
Total other income	<b>264</b>	141	107	167	203
Total operating expenses	<b>238</b>	206	226	208	228
Profit before losses	<b>308</b>	218	151	221	243
Losses and write-downs	<b>-32</b>	-6	1	-6	24
Profit before tax	<b>340</b>	224	150	227	219
Income tax expense	<b>47</b>	53	43	62	40
Profit after tax	<b>293</b>	171	107	165	179

# Group operating income

In comparison with 2005, the changed result is primarily ascribable to the following factors:

• Increase in net interest income	+ NOK	22 million
• Increase in other (non-interest) income	+ NOK	26 million
• Net gain/income and value change—securities	- NOK	1 million
• Share of Sp 1 Gruppen AS's result	+ NOK	69 million
• Share of result in other joint ventures	- NOK	6 million
• Increase in costs	- NOK	6 million
• <u>Reduction in net loan losses</u>	+ NOK	<u>108 million</u>
• <u>TOTAL</u>	+ NOK	<u>212 million</u>

# Allocation of profit

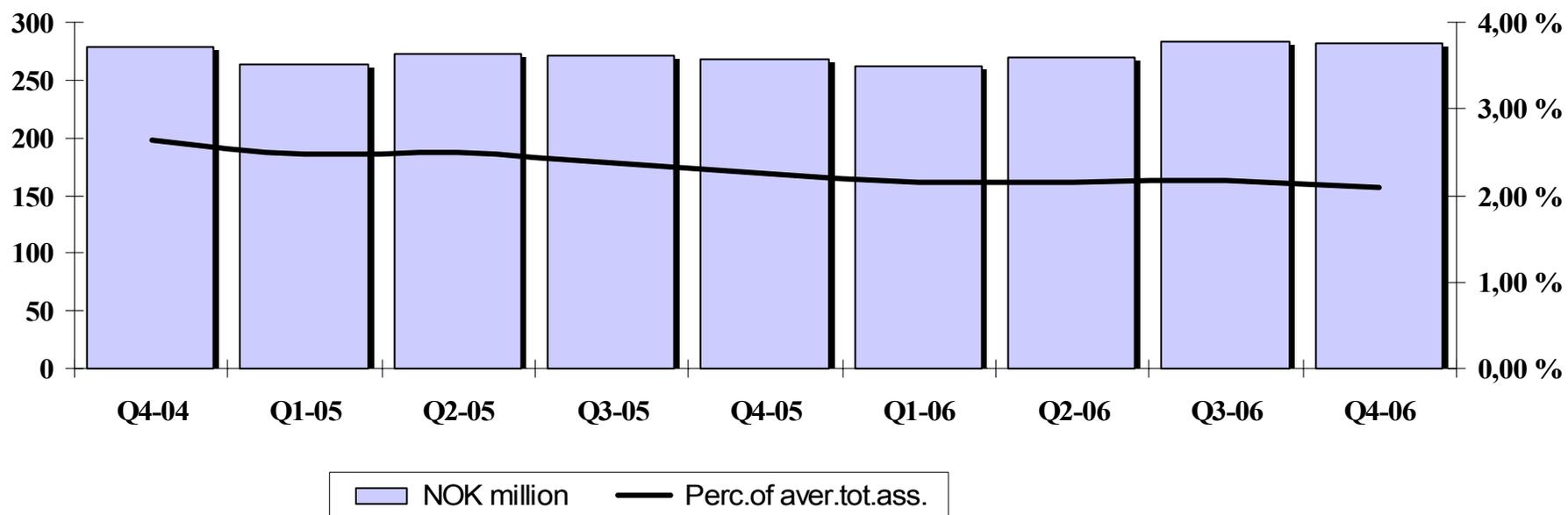
Parent Bank's profit for the year after tax	NOK 676 mill
Transferred to Fund for Evaluation Differences	<u>NOK 102 mill</u>
	NOK 574 mill
Set aside for cash dividend to be paid	NOK 158 mill
Set aside for Equalisation Fund	<u>NOK 46 mill</u>
Set aside for PCC-holders (35.6 per cent)	<u>NOK 204 mill</u>
Set aside for Donations	NOK 104 mill
Transferred to the Savings Bank's Fund	<u>NOK 266 mill</u>
Total allocations	<u>NOK 676 mill</u>

- Profit and Loss Account (NGAAP) is the basis for allocation of profit.
- Proposed dividend: NOK 10 per PCC. This gives a direct yield of 6.7 %.
- After a transfer of NOK 46 million to the Dividend Equalisation Fund, it totals NOK 197 million.
- Dividend payments and transfer to the Dividend Equalisation Fund reflect the PCC-holders' share of the Bank's equity capital as at 01.01.06 (35.6 %)
- NOK 104 million to be set aside for the Bank's Donations Fund. This is equivalent to 25 per cent of the profit for allocation, after dividends.
- NOK 266 million to be transferred to the Savings Bank's Fund

# Highlights 2006

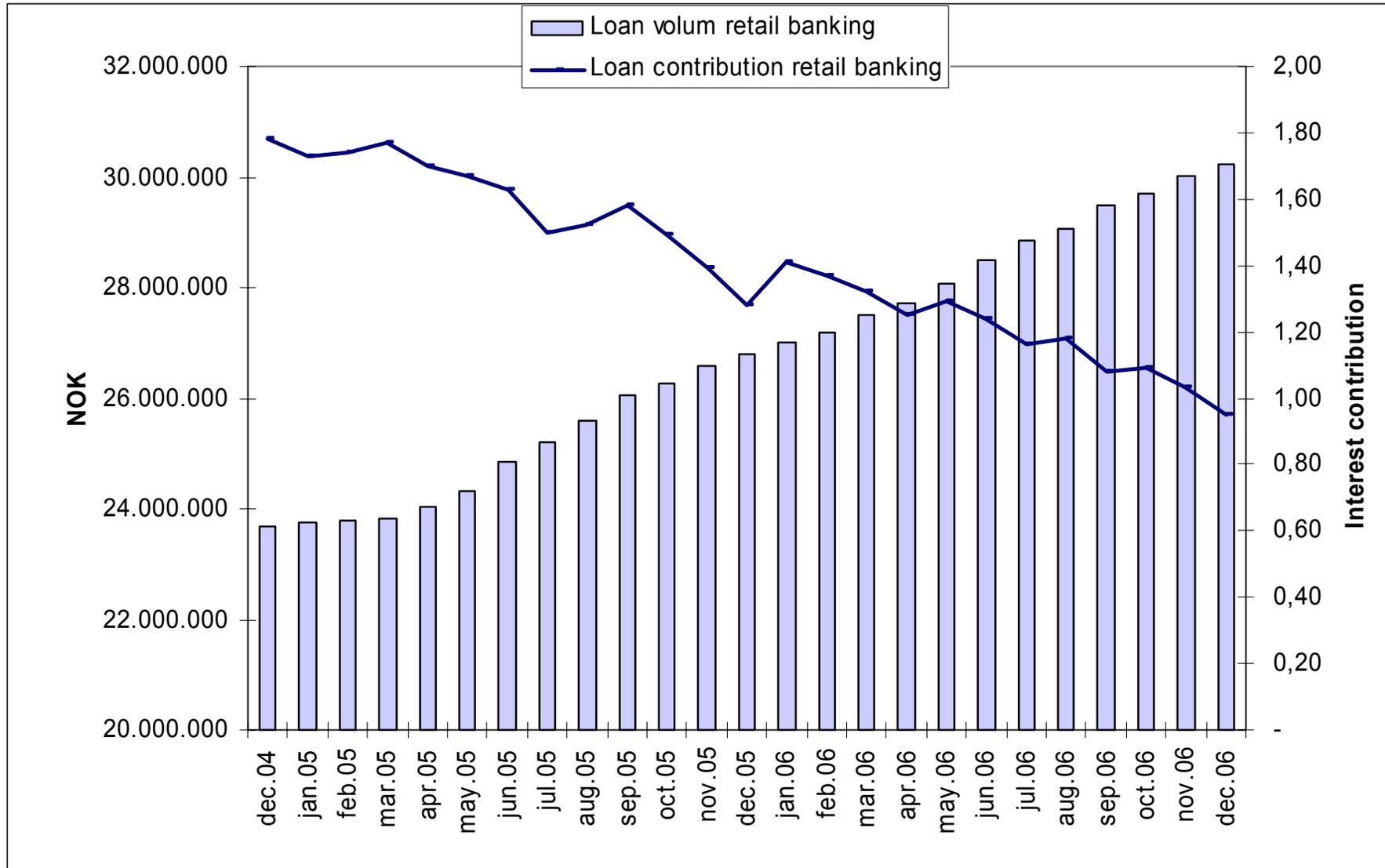
- Good economic development in Nord-Norge. Considerable national focus on our region and the areas in the north
- Very good profitability within the Bank's core operations
- Positive risk development in the Bank's lending portfolio, both within the retail banking- and corporate markets
- The Bank has strengthened its position within the public sector.
- Fitch Ratings has changed its assessment of SNN from "stable" to "positive outlook".
- The investment company SNN Invest has been established with a capital base of NOK 180 million.
- During the first half of 2006, the Bank acquired a 20 % equity stake in Helgeland Sparebank.
- A separate region has been established in Helgeland – strong ambitions of a higher market share.
- A representative office is being planned in Murmansk, North-Western Russia.
- Strong focus on internal control and risk management in connection with the Bank's application for IRB-status in accordance with Basel II. The Bank expects to be reporting according to IRB with effect from the 1st quarter of 2007.
- High activity levels relating to the Bank's "Corporate Social Responsibility" involvement (CSR) – active use of donations to benefit a number of worthy causes within the local community

# Net interest- and credit commission income - Group

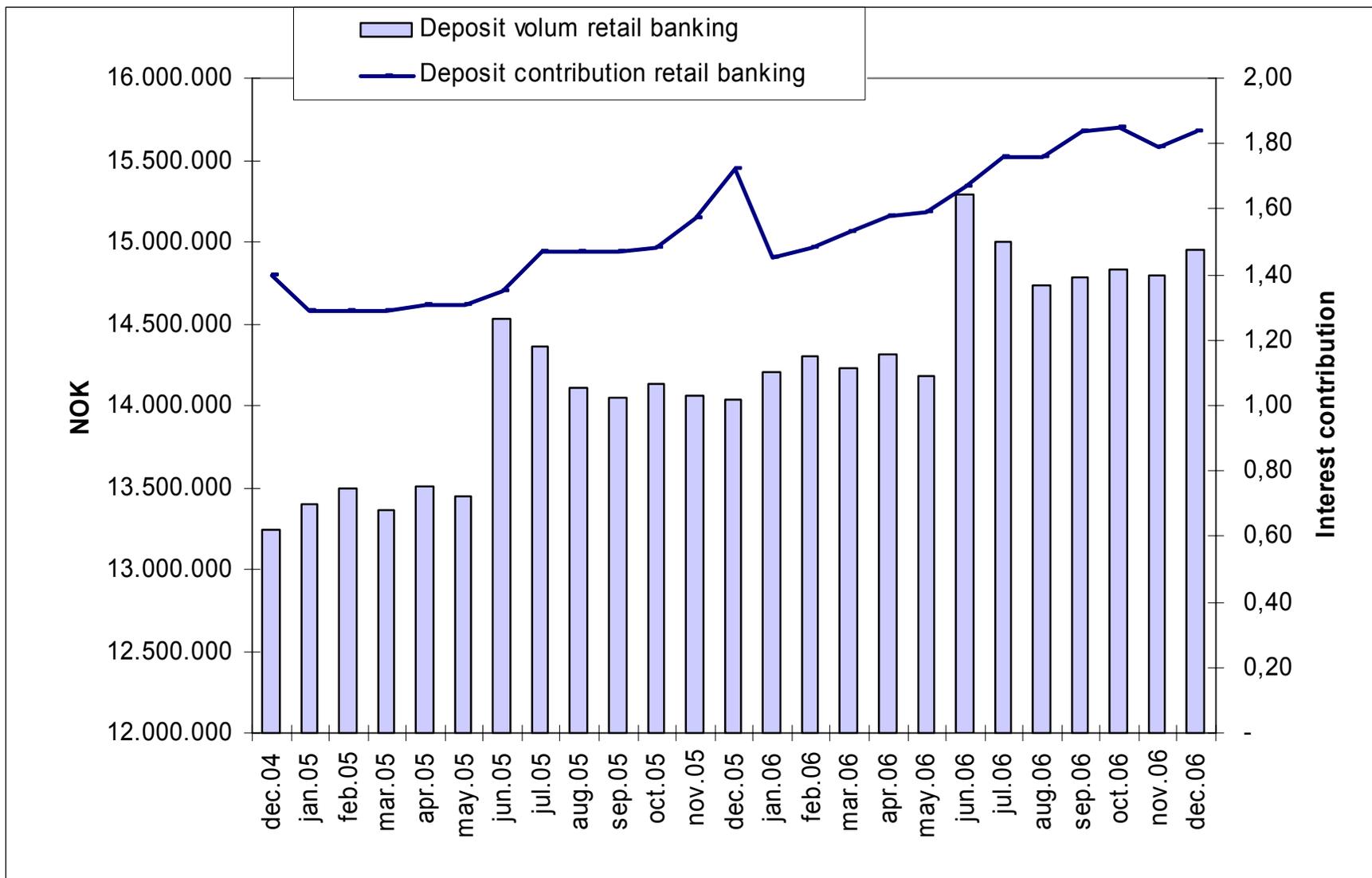


	Q4-04	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06
<b>NOK million</b>	278	263	273	271	268	262	270	283	<b>282</b>
<b>Perc. of aver. tot. ass.</b>	2,63 %	2,48 %	2,50 %	2,38 %	2,26 %	2,16 %	2,16 %	2,18 %	<b>2,10 %</b>

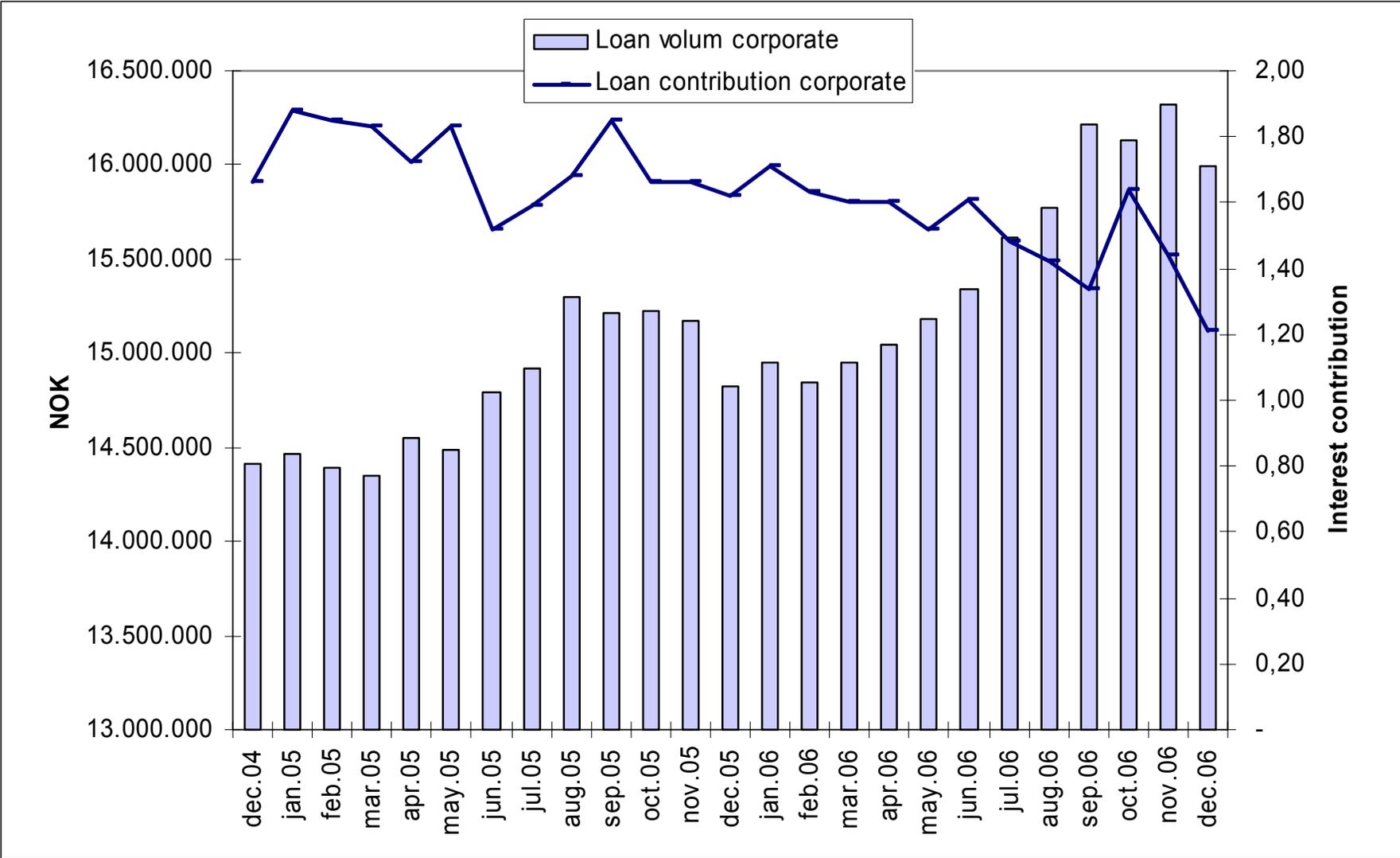
# Lending, Parent bank – retail market



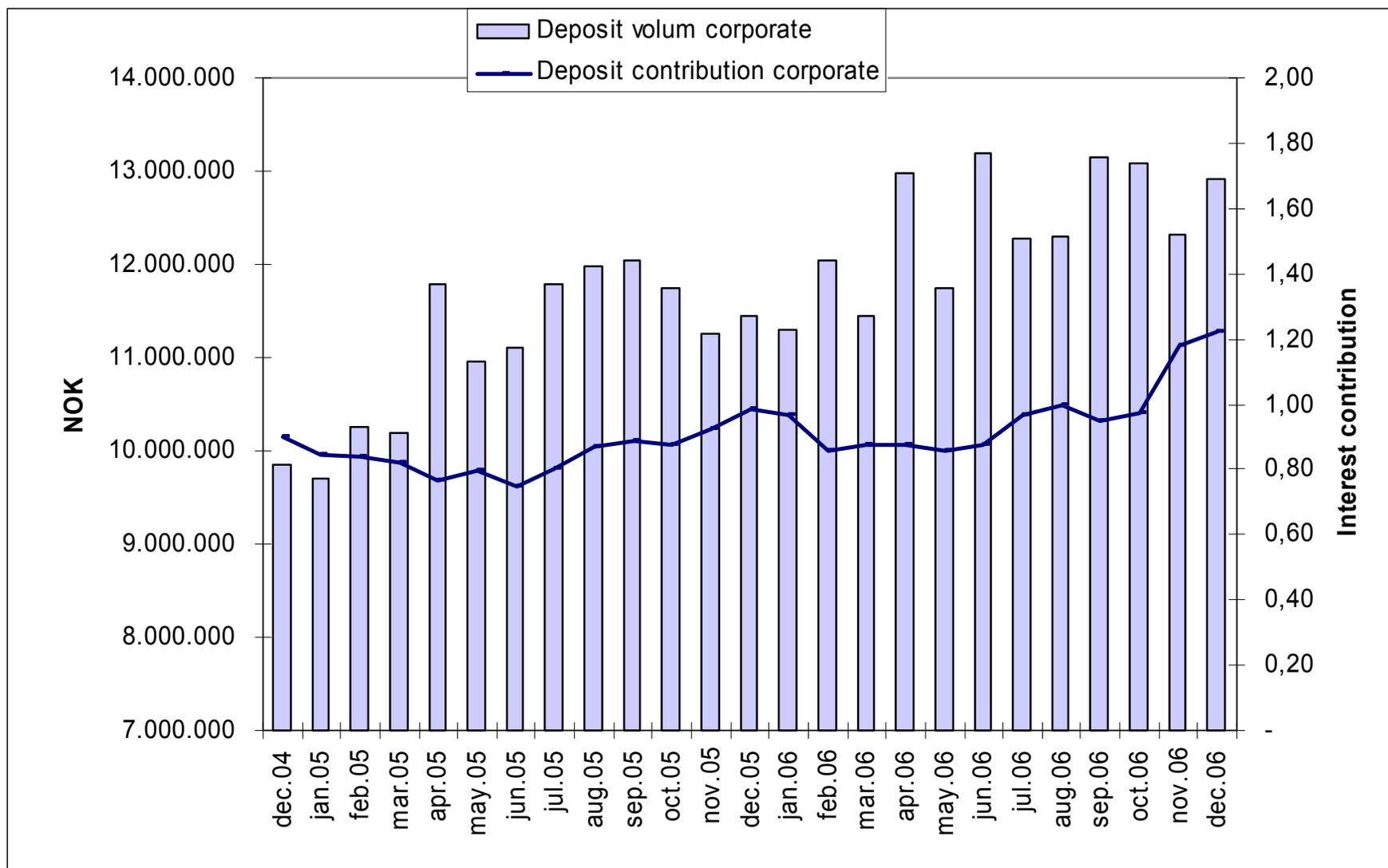
# Customer deposits, Parent bank – retail market



# Lending, Parent bank – corporate market



# Customer deposits, Parent bank – corporate market



## Financial targets:

# Profitability and effectiveness

## Profitability

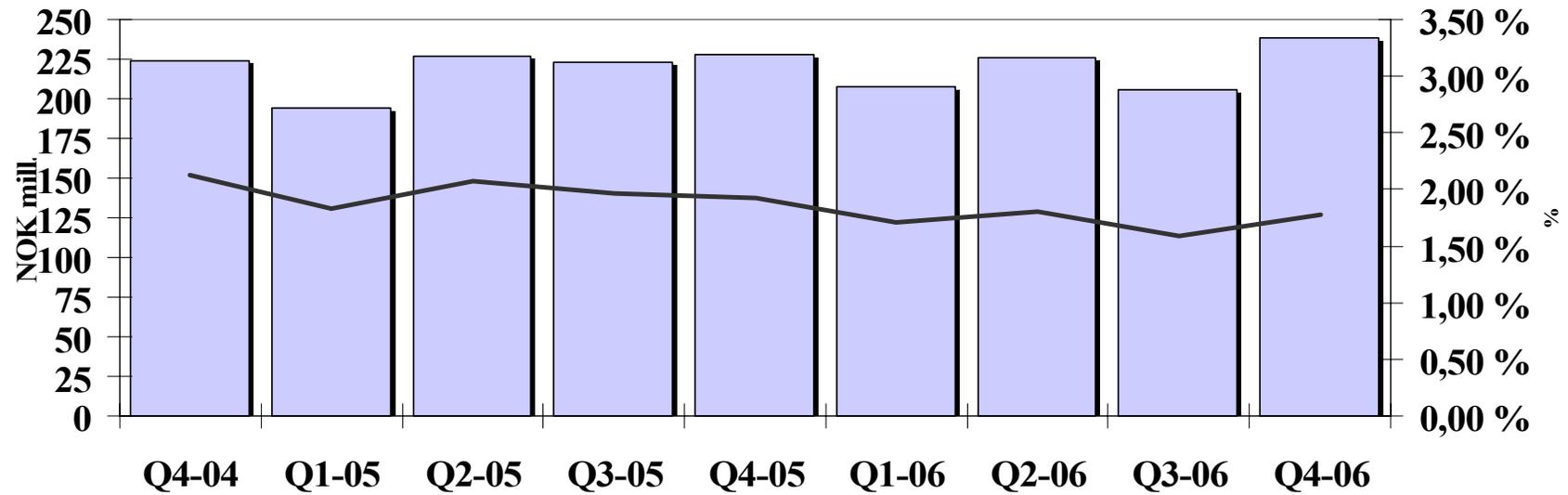
- SpareBank 1 Nord-Norge's return on equity shall reflect the risk pertaining to the Bank's business operations and the general level of interest rates
- The targeted after-tax return is minimum 6 percentage points above the yield on long-term government bonds
- The profitability shall be comparable to the performance of competing banks in the Norway

## Effectiveness

- SpareBank 1 Nord-Norge's target is a cost-income ratio of 50%
- The effectiveness shall be comparable to the level of competing banks in Norway



# Group operating expences



NOK million
  % of av. tot. ass.

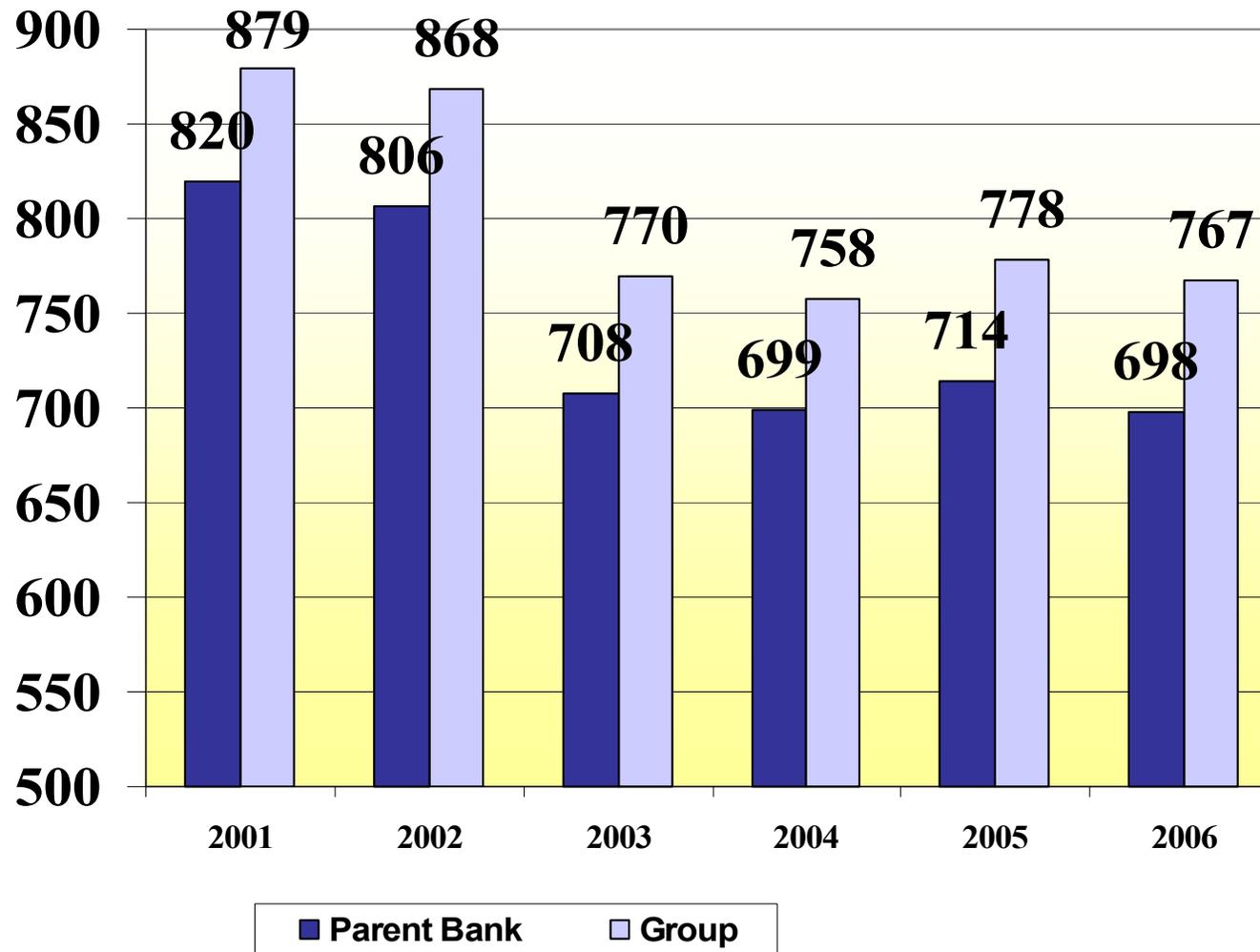
	Q4-04	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06
<b>NOK million</b>	224	194	227	223	228	208	226	206	238
<b>% of av. tot. ass.</b>	2,12 %	1,83 %	2,08 %	1,96 %	1,92 %	1,71 %	1,81 %	1,58 %	1,77 %

From 2004 costs have been revised in accordance with IFRS for all items not covered by IAS 39

## Group operating costs

	1q	2q	3q	4q	2006	4q	2005
Wages,pension and social costs	106	123	115	125	469	116	467
Administration costs	60	61	53	67	241	70	243
Depreciation	12	11	11	15	49	13	49
Other costs	30	31	27	31	119	29	113
<b>Total costs</b>	<b>208</b>	<b>226</b>	<b>206</b>	<b>238</b>	<b>878</b>	<b>228</b>	<b>872</b>

# Group development – man years



## Financial targets:

# Market areas and customer groups

### Market areas

- Nord-Norge represents SpareBank 1 Nord-Norge's primary market area. In particular, marketing efforts will be focused on Nordland (Helgeland).
- Customers who move away from the region will be actively followed up by the Bank.

### Customer groups

- Retail banking customers represent SpareBank 1 Nord-Norge's most important customer group – SNN shall be the Bank for these people during all phases of their lives.
- SpareBank 1 Nord-Norge also targets small and medium-sized businesses, the public sector, clubs and associations.



# Financial targets:

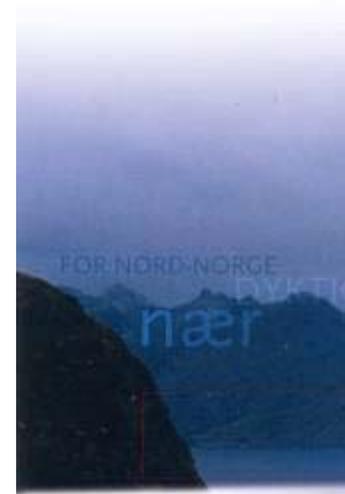
## Market share and income targets

### Market shares

SpareBank 1 Nord-Norge's target is to achieve market shares of minimum 30% in Nord-Norge within all product areas

### Business areas

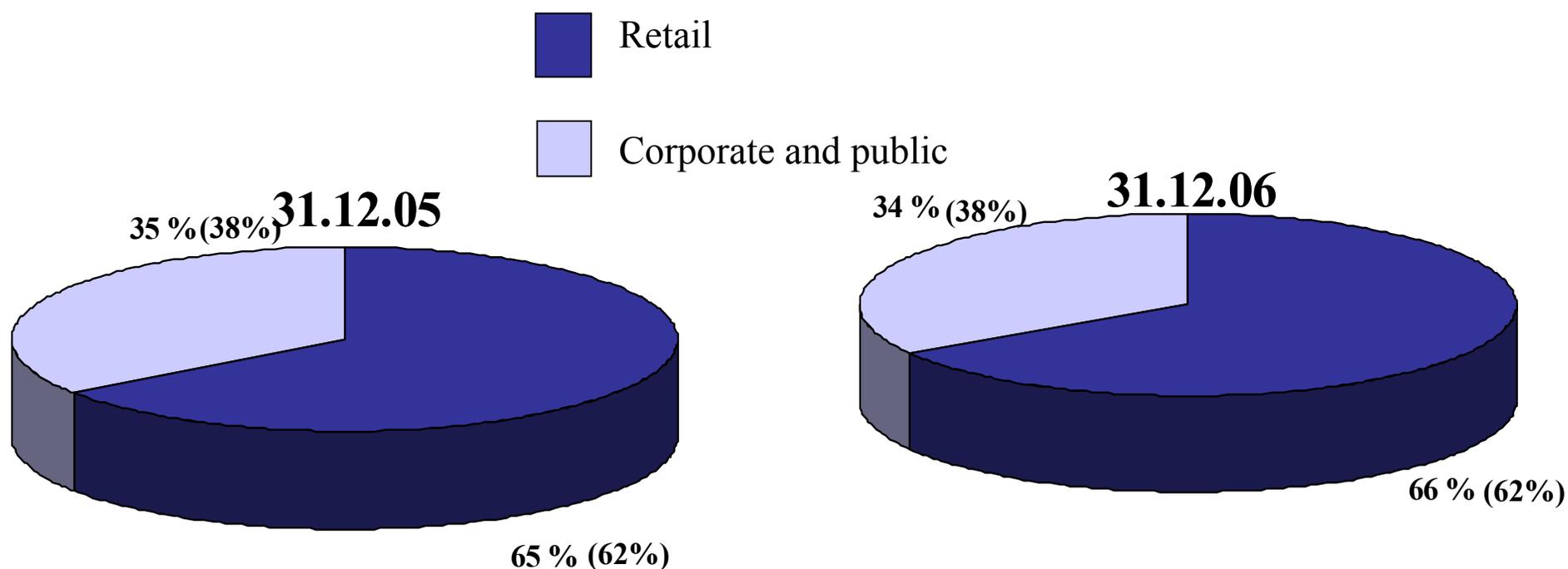
SpareBank 1 Nord-Norge offers a broad range of products and services within the areas of financing, saving and placement, insurance, and payments transmission services. The Bank makes every effort to further develop a diversified product range as well as new business areas.



## Key figures balance sheet

(Amounts in NOK million)				
<b>BALANCE SHEET</b>	<b>31.12.06</b>	31.12.05	Change	Change %
Total assets	<b>54.895</b>	48.630	6.265	12,9%
Gross lending	<b>46.226</b>	41.638	4.588	11,0%
Deposits	<b>27.784</b>	25.350	2.434	9,6%

# Group lending portfolio according to markets



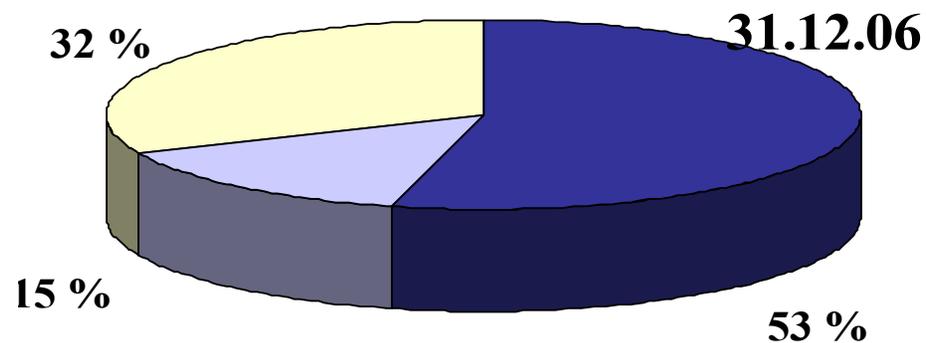
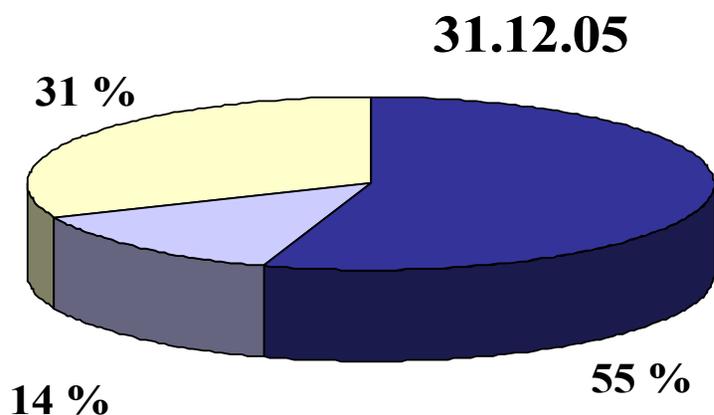
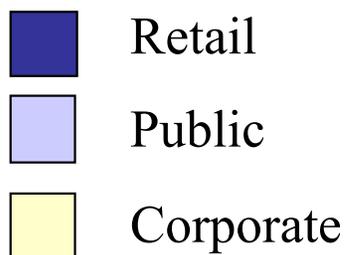
(NOK Million)	31.12.06	31.12.05	Change	Change %
Retail	30.555	27.074	3.481	12.86 %
Corporate and public	15.671	14.564	1.107	7,60 %
<b>TOTAL</b>	<b>46.226</b>	41.638	4.588	11,02 %

Numbers in brackets refer included given credits

## Group corporate lending by sector

(NOK million)	31.12.2006	Share	31.12.2005	Share	Change
Agriculture and forestry	666	4 %	623	4 %	43
Fishing vessels	1.127	7 %	884	6 %	243
Fish farming	782	5 %	1.001	7 %	-219
Extraction of crude oil and natural gas	22	0 %	12	0 %	10
Mining	52	0 %	35	0 %	17
Fishing industry	588	4 %	605	4 %	-17
Other industries	704	5 %	496	3 %	208
Power and water supply	404	3 %	354	2 %	50
Building and construction	774	5 %	822	6 %	-48
Retail trade	963	6 %	920	6 %	43
Wholesale trade	378	2 %	343	2 %	35
Hotel and restaurant	355	2 %	370	3 %	-15
Intern. shipping and pipeline transport	1	0 %	-	0 %	1
Transport and communication	1.210	8 %	1.343	9 %	-133
Finance and insurance	178	1 %	48	0 %	130
Housing cooperatives	768	5 %	505	4 %	263
Property project	1.137	7 %	1.059	7 %	78
Property hiring out	3.063	20 %	2.765	19 %	298
Real estate business	416	3 %	161	1 %	255
Business services	986	6 %	1.298	9 %	-312
Other sectors	760	5 %	631	4 %	129
Insurance, fund management and financial services	103	1 %	104	1 %	-1
<b>TOTAL</b>	<b>15.437</b>	<b>100 %</b>	<b>14.379</b>	<b>100 %</b>	<b>1.058</b>

# Group deposits according to markets



(NOK Million)	<b>31.12.06</b>	31.12.05	Change	Change %
Retail	<b>14.951</b>	13.975	976	6,98 %
Public	<b>4.073</b>	3.453	620	17,96 %
Corporate	<b>8.760</b>	7.922	838	10,58 %
<b>TOTAL</b>	<b>27.784</b>	25.350	2.434	9,60 %

## Development of deposits and other savings products

<b>Balance sheet/portfolio</b>	2004	2005	<b>2006</b>	Growth 2006	<b>Growth in % 2006</b>	Growth in Norway
Unit trust	1,226	1,849	<b>2,515</b>	666	<b>36.0 %</b>	21,7 %
Insurance-related savings	635	930	<b>1,154</b>	224	<b>24.1 %</b>	n.a.
Investment management (incl. NNI)	293	542	<b>808</b>	266	<b>49.1 %</b>	n.a.
Structured products	1,018	1,349	<b>827</b>	-522	<b>-38.7 %</b>	n.a.
Property		31	<b>88</b>	57	<b>183.9 %</b>	n.a.
<b>Total savings products</b>	3,172	4,701	<b>5,661</b>	960	<b>20.4 %</b>	n.a.
<b>Bank deposits*</b>	23,072	25,466	<b>27,873</b>	2,407	<b>9.6 %</b>	*

• In November 2006, the 12-month growth for private households and the corporate sector in Norway was 6.2 % and 25.5 % respectively.

# Strong development within the savings- and placement market.

- Strong growth in the unit trust portfolio: NOK 666 million (36 %) as against market growth of 21.7 % in Norway.
- Good growth in the portfolio for insurance-related saving: NOK 224 million (24 %)
- Strong growth within investment management: NOK 266 million (49 %)
- Normal redemption of structured products in 2006 (minus NOK 522 million kroner)
- Property products at an early stage of their development: Growth NOK 57 million (184 %)
- Satisfactory deposit growth: NOK 2,407 million (9.6 %)

# The credit area



# The credit area

Management targets have been made within the following areas;

- Risk-adjusted return in the retail banking- and corporate banking market
- Concentration risk
  - Breakdown between retail banking- and corporate banking market commitments
  - Largest individual commitment
  - Maximum exposure involving the Bank's 20 largest customers
  - Proportion of risk-adjusted capital per sector
- Operational targets
  - Proportion of high-risk commitments
  - Probability of commitments going into default
  - Maximum expected losses
  - Maximum unexpected losses

# Credit policy

- Special handling routines (powers of attorney) for:
  - Marine sector
  - Financing of intangible rights
  - Commercial property
  - Project financing
- Upper limit of exposure for the marine sector – NOK 3.5 billion



# The credit area: Strategy

## Growth – with appropriate risk:

- Retail banking market – a two-part strategy:
  - Maintain current business and develop more business from existing customers
  - Capture new market shares, especially where Bank's market share is low
- Corporate customers
  - Strong emphasis on SMB segments
  - Cultivate and develop existing customer base ('across-the-board' sales)
  - New larger corporate customers providing risk is low
- General points relating to both markets:
  - Correct pricing in relation to risk
  - Avoid detrimental concentration within certain sectors and areas



# Favourable risk development in the Bank's lending portfolio

This is due to:

1. Good development within Nord-Norge's economy and within our customers' financial position
2. Systematic work on the high-risk part of the portfolio
  - individual commitments have been terminated
  - individual commitments have been identified as losses and specific write-downs have been made
3. New corporate customers have largely been low-risk customers.
4. Enhanced quality in the use of the Bank's portfolio management system (Porto)

# Portfolio migration 31.12.05-31.12.06

## SpareBank1 Nord-Norge risk change

	New loan commitments	1) Reduction due to loss of customers 2)	Change in score and exposure 3)	Net change 31.12.05 - 31.12.06 3)	Exposure 31.12.06	
A	677	-235	578	1.020	5.117	} Risk change: 6.956
B	2.019	-1.097	2.668	3.590	20.954	
C	779	-619	2.101	2.261	10.823	
D	859	-444	-330	85	6.970	
E	199	-168	355	387	1.988	} Risk change: 855
F	1.651	-279	-904	468	3.326	
G	161	-38	-340	-217	698	} Risk change: -942
H	54	-22	-223	-191	318	
I	80	-114	-190	-224	1.020	
J	5	-104	14	-85	226	
K	15	-156	-85	-225	504	
<b>Total</b>	<b>6.500</b>	<b>-3.276</b>	<b>3.645</b>	<b>6.869</b>	<b>51.944</b>	

### Score

A - D	Low Risk
E - F	Medium Risk
G - I	High Risk
J	Doubtful Loans
K	Bad Loans

1) Customers to whom loans have been granted during the period, but who did not have loans outstanding as at 31.12.05.

2) Customers who had loans outstanding as at 31.12.05, but not as at 31.12.06.

3) Change in volume and/or score for the rest of the customers in the portfolio

# Portfolio migration 31.12.05-31.12.06

## Corporate Market risk change

	New loan commitments	1) Reduction due to loss of customers 2)	Change in score and exposure 3)	Net change 31.12.05 - 31.12.06 3)	Exposure 31.12.06	
A	360	-74	382	668	2.295	} Risk change 2.360
B	825	-489	529	864	7.185	
C	183	-257	1.158	1.083	3.209	
D	296	-118	-433	-256	1.581	
E	22	-60	399	361	722	} Risk change 936
F	1.307	-166	-566	575	2.300	
G	41	-5	-184	-148	289	} Risk change -694
H	6	-5	-183	-182	91	
I	17	-36	-27	-46	440	
J	2	-88	-17	-104	124	
K	15	-135	-94	-214	381	
<b>Total</b>	<b>3.074</b>	<b>-1.434</b>	<b>963</b>	<b>2.602</b>	<b>18.619</b>	

### Score

A - D	Low Risk
E - F	Medium Risk
G - I	High Risk
J	Doubtful Loans
K	Bad Loans

1) Customers to whom loans have been granted during the period, but who did not have loans outstanding as at 31.12.05.

2) Customers who had loans outstanding as at 31.12.05, but not as at 31.12.06.

3) Change in volume and/or score for the rest of the customers in the portfolio

# Portfolio migration 31.12.05-31.12.06

## Retail Market risk change

	New loan commitments	1) Reduction due to loss of customers 2)	Change in score and exposure 3)	Net change 31.12.05 - 31.12.06 3)	Exposure 31.12.06	
A	317	-162	197	352	2.822	} Risk change: 4.596
B	1.195	-608	2.139	2.726	13.769	
C	597	-362	943	1.178	7.614	
D	563	-326	104	340	5.389	
E	177	-108	-44	25	1.267	} Risk change: -81
F	345	-113	-338	-107	1.026	
G	120	-33	-156	-70	409	} Risk change: -248
H	48	-18	-39	-9	227	
I	63	-78	-163	-177	581	
J	3	-15	32	20	101	
K	0	-20	9	-11	123	
<b>Total</b>	<b>3.427</b>	<b>-1.842</b>	<b>2.682</b>	<b>4.267</b>	<b>33.326</b>	

### Score

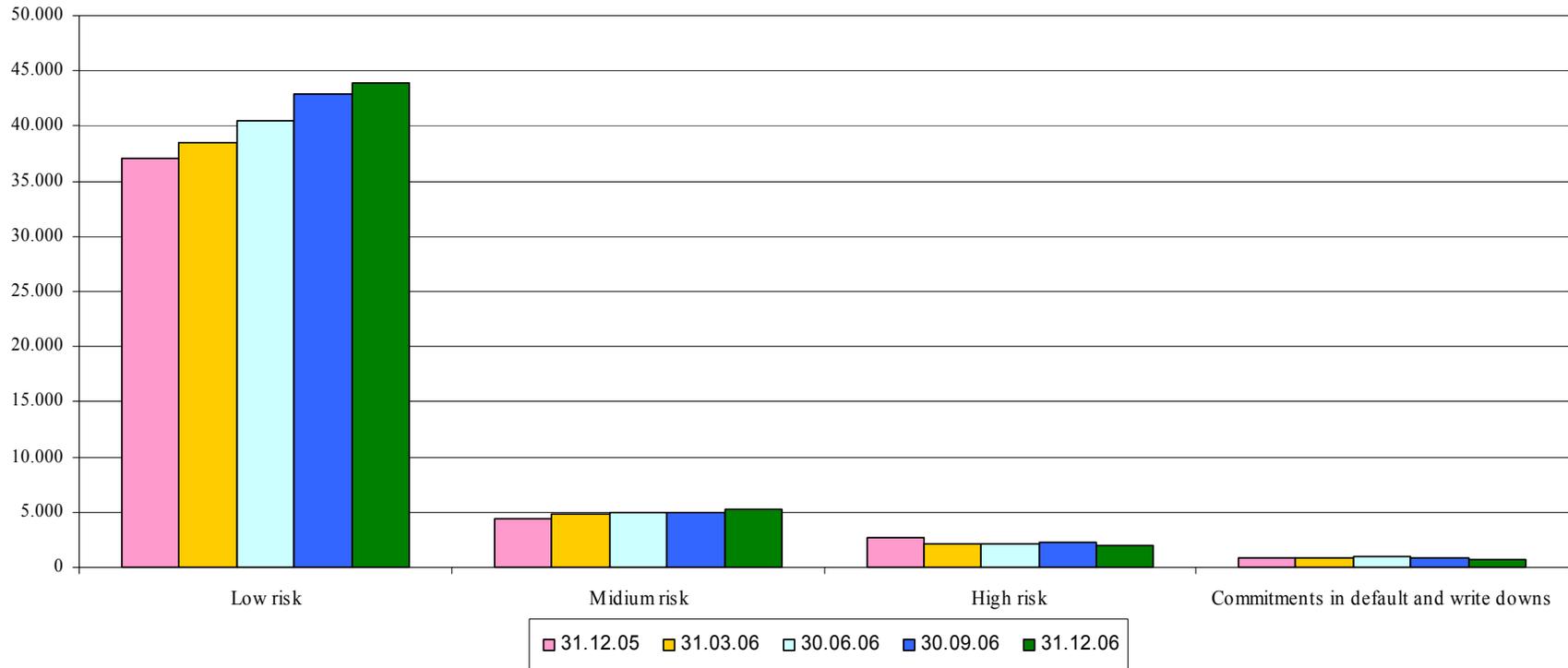
A - D	Low Risk
E - F	Medium Risk
G - I	High Risk
J	Doubtful Loans
K	Bad Loans

1) Customers to whom loans have been granted during the period, but who did not have loans outstanding as at 31.12.05.

2) Customers who had loans outstanding as at 31.12.05, but not as at 31.12.06.

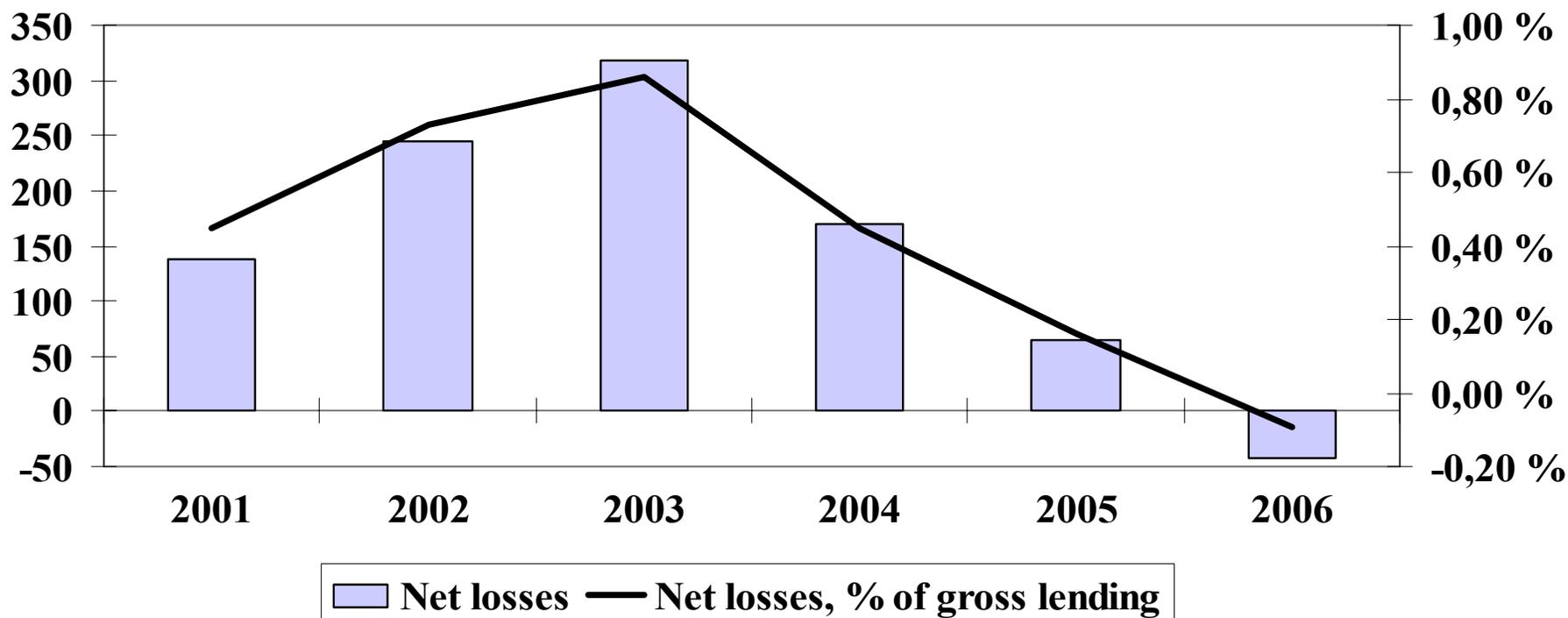
3) Change in volume and/or score for the rest of the customers in the portfolio

# Lending by risk class



	<b>30.09.05</b>	<b>31.12.05</b>	<b>31.03.06</b>	<b>30.06.06</b>	<b>30.09.06</b>	<b>31.12.06</b>
Low risk	37.033	37.140	38.504	40.419	42.849	43.864
Midium risk	4.773	4.460	4.873	4.922	5.004	5.315
High risk	2.428	2.669	2.192	2.071	2.219	2.037
Commitments in default and write downs	700	807	912	941	826	729
<b>Total</b>	<b>44.934</b>	<b>45.075</b>	<b>46.480</b>	<b>48.353</b>	<b>50.898</b>	<b>51.944</b>

## Losses on loans and guarantees - Group



	2001	2002	2003	2004	2005	2006
<b>Individual write-downs imp. value</b>	123	233	345	206	109	20
<b>Collective write-downs imp. value</b>	41	42	0	-1	-22	-36
<b>Recoveries, previously confirmed losses</b>	26	30	27	35	22	27
<b>Net losses</b>	138	245	318	170	65	-43
<b>Net losses, % of gross lending</b>	0,45 %	0,73 %	0,86 %	0,45 %	0,16 %	-0,09 %

## Group - lending key figures

	2006	2005	2004	2003	2002	2001
Net losses	<b>-0,09 %</b>	0,16 %	0,45 %	0,86 %	0,73 %	0,45 %
Write downs for imp. value	<b>0,81 %</b>	1,17 %	1,70 %	2,24 %	2,02 %	1,70 %
Individual write-downs	<b>0,42 %</b>	0,65 %	0,85 %	1,36 %	1,06 %	0,79 %
Collective write-downs	<b>0,39 %</b>	0,52 %	0,85 %	0,87 %	0,96 %	0,91 %
Total bad and doubtful comm.	<b>1,64 %</b>	2,31 %	2,65 %	3,11 %	3,20 %	2,11 %
Net bad and doubtful comm.	<b>1,22 %</b>	1,68 %	1,80 %	1,75 %	2,13 %	1,32 %

# PCC\*-holder policy

\*Primary Capital Certificates



# Dividend policy

- SpareBank 1 Nord-Norge aims to produce profits which will provide the basis for offering a competitive rate of return on the Bank's PCC's.
- The level of dividend paid to PCC-holders will depend upon the annual profit made. The sum of the dividend paid and transfer made to the Dividend Equalisation Fund should reflect the 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 seek to give priority to achieving a high cash dividend share. When considering the split between these two elements, however, the Board of Directors will also take into consideration the Bank's equity capital situation.
- 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.

# Cash dividend and/or participating in the issue

- The main Board of Directors propose a cash dividend at NOK 10.00 per PCC
- A dividend issue is proposed, where the Bank's PCC-holders may choose between a cash dividend or participating in the issue.

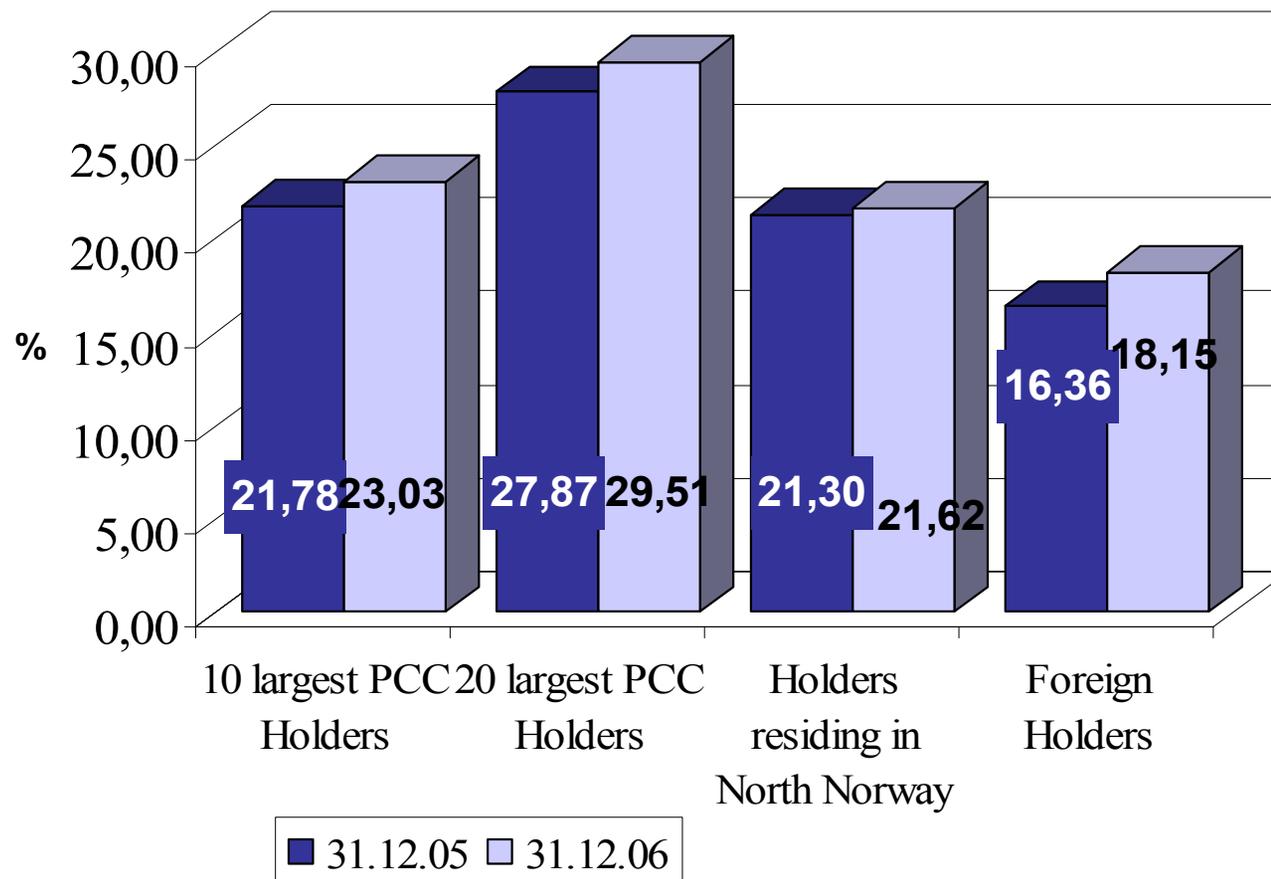
# Cash dividends and equity dilution

- The Bank has two ownership groups; PCC-holders and the Savings Bank's Fund.
- The two ownership groups' equity stakes and rights to shares of the Bank's profit are calculated on the basis of the book value of the equity capital (not market values).
- The Bank's profit is divided between the two ownership groups in accordance with their equity stakes in the form of:
  - Cash dividend (PCC-holders) and donations (other equity capital)
  - Retained profit;
    - Dividend Equalisation Fund (PCC-holders) and
    - The Savings Bank's Fund (other equity capital)
- The PCC-holders have traditionally been paid a higher share of "their" portion of the profit in the form of dividend in comparison with the Bank's other equity capital. Over a period of time, this has reduced the PCC-holders' equity stake in the savings banks, also resulting in the transfer of values from the PCC-holders to the Bank's other equity capital. This represents 'dilution' as far as the PCC-holders are concerned.

# Dividend issue

- In order to counteract equity dilution, and in order to take care of the PCC-holders' different preferences relating to cash dividends, it is proposed that a private placement for existing PCC-holders (dividend issue) is arranged.
- The amount of the issue will be NOK 158 million – equivalent to the amount of dividend payments set aside.
- The issue price is intended to provide an incentive for choosing a dividend certificate rather than a cash dividend.
- The issue price will be fixed before the start of the subscription period. The issue price will determine the number of existing PCCs required in order to provide the right to receive one new PCC. Fractional certificates will not be issued, but an ordinary cash dividend of NOK 10 will be paid on each PCC which does not give the right to acquire a new PCC.
- Preliminary time-table:
  - Consideration by the Board of Trustees: 13 March 2007
  - PCCs to be traded ex-dividend: 14 March 2007
  - Subscription period: 16 – 30 March 2007
  - Payment of dividends/allocation of new PCCs: 20 April 2007

# PCC holder structure



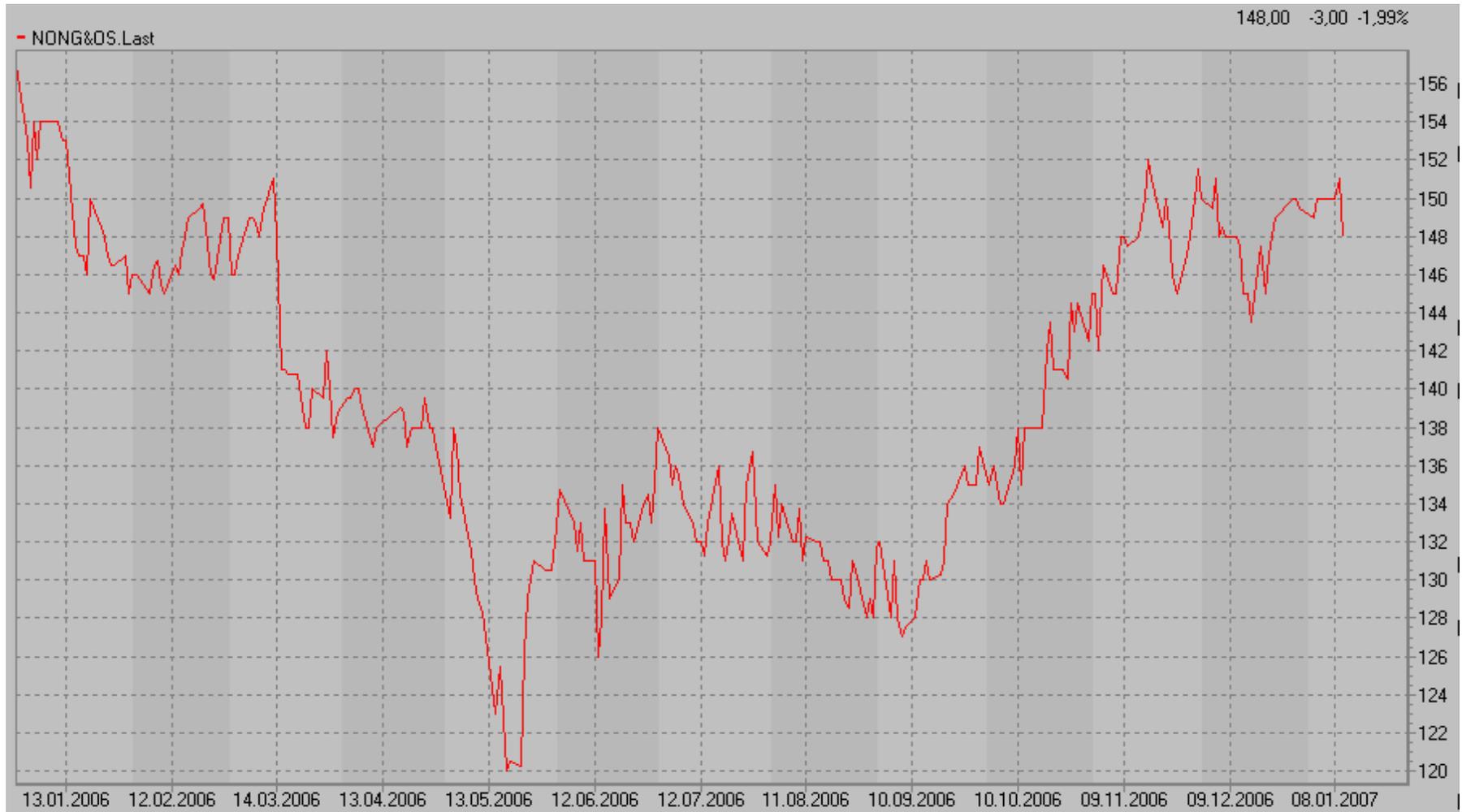
## The 20 largest PCC Holders 31.12.06

HOLDERS	NUMBER OF PCC'S	PERCENTAGE SHARE OF TOTAL PCC CAPITAL
Swedbank - client account	1.541.640	9,74 %
Frank Mohn AS	398.200	2,52 %
Terra Utbytte	317.410	2,00 %
MP Pensjon	298.560	1,89 %
Tonsenhagen Forretningssentrum AS	244.200	1,54 %
Mellon Bank Agent	218.000	1,38 %
Framo Development AS	200.000	1,26 %
National Financial Services Citibank N.A.	162.354	1,03 %
Troms Kraft AS	134.830	0,85 %
JPMorgan Chase Bank - client account	131.136	0,83 %
Karl Ditlefsen	125.680	0,79 %
Trond Mohn	120.000	0,76 %
Sparebankstiftelsen	112.600	0,71 %
SpareBank 1 SR-bank	103.901	0,66 %
Fred Olsen & Co's Pensjonskasse	102.000	0,64 %
Stichting Shell Pensjon	98.100	0,62 %
Ringerikes Sparebank	94.080	0,59 %
JPMorgan Chase Bank Omnibus	92.640	0,59 %
State Street Bank - client account	90.517	0,57 %
Forvarets Personell Service	86.880	0,55 %
<b>TOTAL</b>	<b>4.672.728</b>	<b>29,51%</b>

## The 20 largest PCC Holders residing in Northern Norway 31.12.2006

HOLDERS	NUMBER OF PCC'S	PERCENTAGE SHARE OF TOTAL PCC CAPITAL
Troms Kraft AS, Tromsø	134.830	0,85%
Karl Ditlefsen, Tromsø	125.680	0,79%
Bodø Kommune, Bodø	69.600	0,44%
Norges Råfisklag, Tromsø	68.880	0,44%
Eriksen Eiendom AS, Bardufoss	59.981	0,38%
AS Ferdighus, Sørreisa	52.720	0,33%
Asbjørn Hansen, Tromsø	51.600	0,33%
O.A.Ovesen AS, Sørreisa	45.360	0,29%
Ole Ovesen, Sørreisa	44.680	0,28%
Tor Ovesen, Sørresia	43.380	0,27%
Tromstrygd, Tromsø	40.000	0,25%
Stig Vonka, Harstad	37.280	0,24%
Hemming Andersen, Kvaløysletta	36.910	0,23%
Gullsmed Kristiansen Eiendom AS, Tromsø	36.000	0,23%
Stein Harald Enoksen, Gryllefjord	34.000	0,21%
Bj. Rasch-Tellefsen AS, Harstad	31.760	0,20%
Hans A. Kristiansen, Lyngseidet	29.440	0,19%
Torodd Vonka, Kirkenes	28.900	0,18%
Kræmer AS, Tromsø	24.000	0,15%
Tromsø Skotøimagasin AS, Tromsø	24.000	0,15%
<b>TOTAL</b>	<b>1.019.001</b>	<b>6,43%</b>

# The Bank's PCC – price development



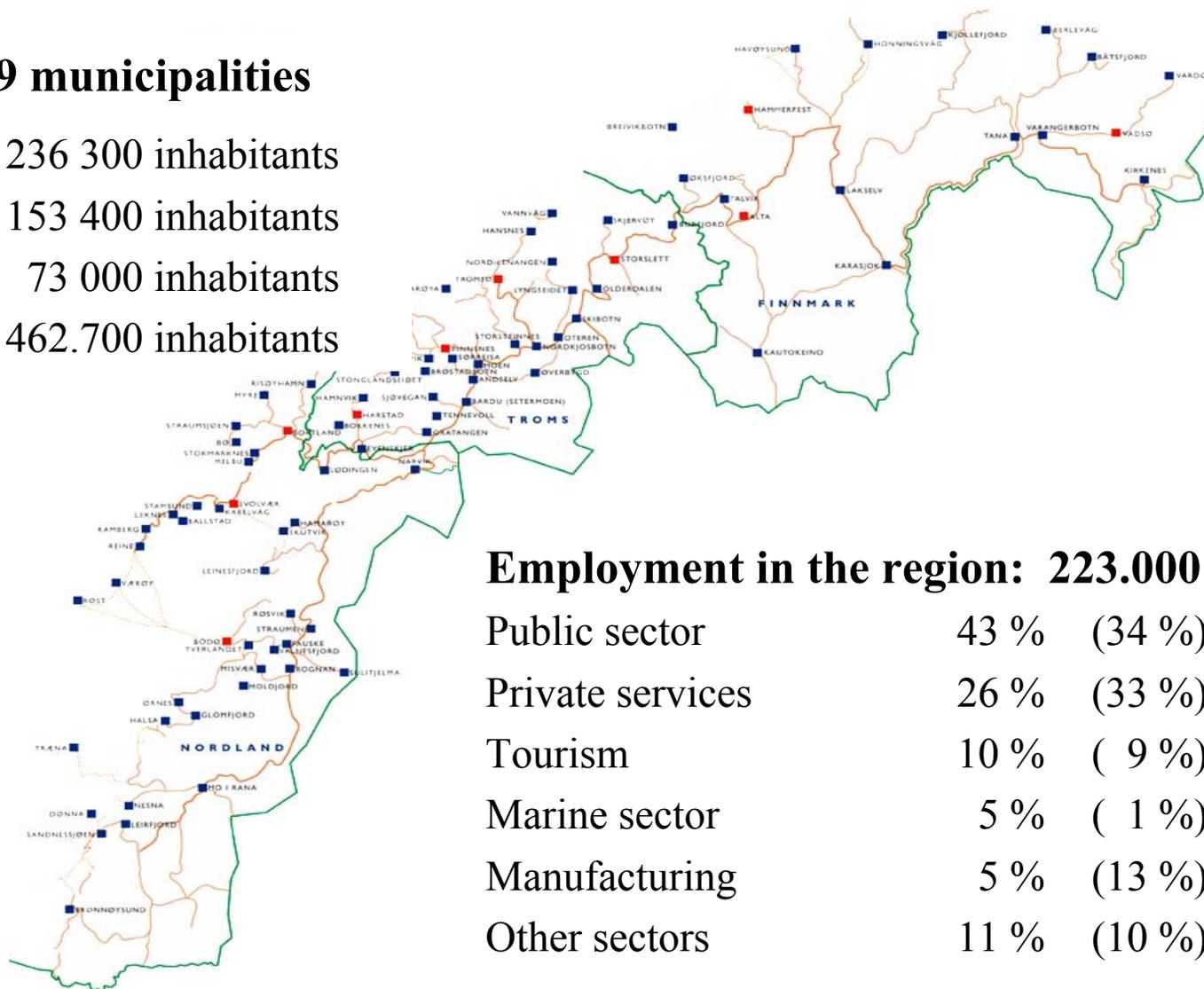
# Economic outlook



# The economic situation in Northern Norway

## 3 counties and 89 municipalities

Nordland:	236 300 inhabitants
Troms:	153 400 inhabitants
Finnmark:	73 000 inhabitants
Northern Norway	462.700 inhabitants



## Employment in the region: 223.000

Public sector	43 %	(34 %)
Private services	26 %	(33 %)
Tourism	10 %	( 9 %)
Marine sector	5 %	( 1 %)
Manufacturing	5 %	(13 %)
Other sectors	11 %	(10 %)

# The general economic situation in Nord-Norge

## At the top of the cyclical upturn

- Lowest unemployment for 20 years
- The jobless level has fallen by a third in the last 12 months.
- A shortage of labour is slowing down further growth.
- Restructuring and renewal within traditional industries
- Building boom in towns and increased activity in many districts
- Good levels of financial strength in households; higher consumer spending and increased levels of saving

# The struggle to get enough competent staff

- We may be facing a continual shortage of manpower.
- All business sectors are becoming more knowledge-intensive.
- We shall be needing more people with a background of scientific subjects, e.g. mathematics and physics, craftsmen, economists and sociologists.
- We must take particularly good care of the young people from the large classes of the nineties.

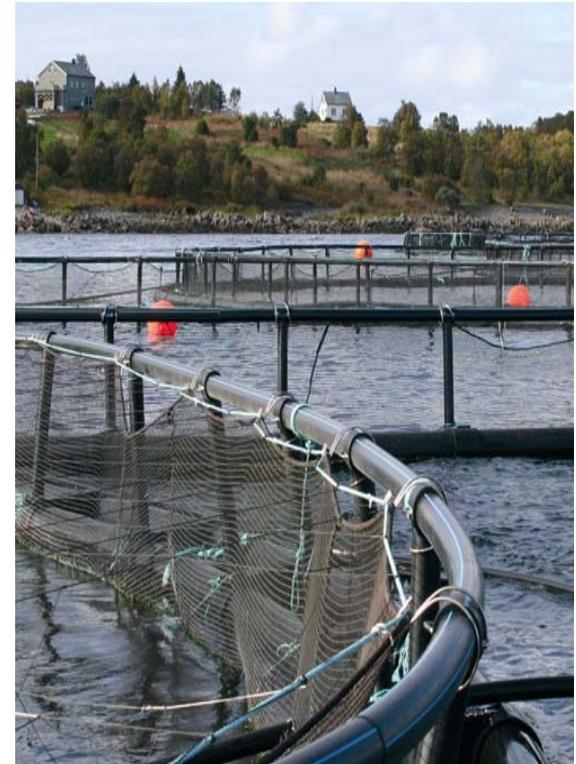
## Record levels of low unemployment in the region

1. Unemployment in Nord-Norge was 2.6% in December 2006
2. Employment levels increased by 1,000 persons from the 2nd quarter of 2005 to the 2nd quarter of 2006.
3. Unemployment fell by 3,000 persons during the last 12 months.
4. Good supply of new available jobs

<b>The labour market December 2006</b>	<b>Nord-Norge</b>	
<b>Totally unemployed</b>	<b>6,036</b>	<b>2.6 %</b>
<b>On local programmes</b>	<b>1,480</b>	<b>0.6 %</b>
<b>Gross unemployment</b>	<b>7,516</b>	<b>3.2 %</b>
<b>Supply of jobs (% of gross unemployment)</b>	<b>1,480</b>	<b>19 %</b>

# Marine sector

- Higher prices for cod and salmon
  - Improved profitability in fishing and salmon farming
- Still problems within the fishing industry
- Excess capacity produces reduced employment levels
  - Restructuring measures in the fishing fleet
- Good long-term market prospects
  - Global population- and standard of living development



# High activity levels within the building- and construction sector

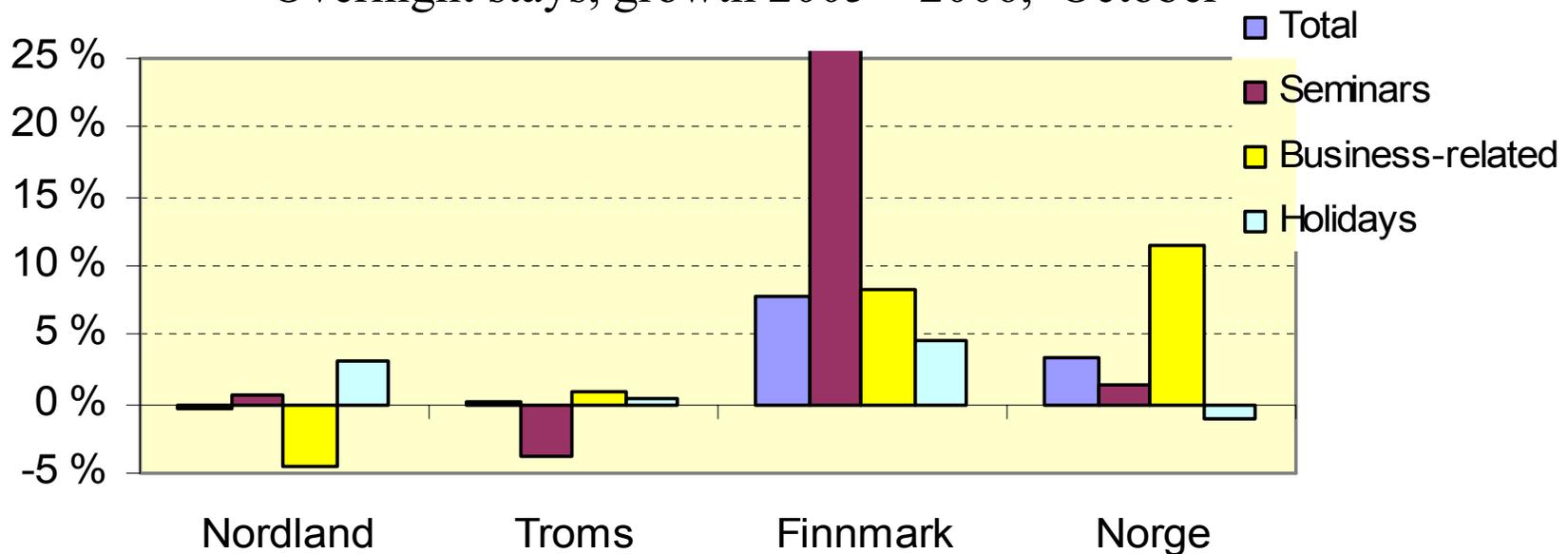
- Activity levels remain high in this sector.
- This is particularly the case for pressure areas.
- The sector benefits from imported manpower.
- The shortage of skilled labour prevents growth and puts upward pressure on wages.
- The level of productivity is improved by more effective building processes.



# Tourism

- Biggest growth in business-related travel, from which cities and towns benefit
- The Norwegian krone exchange rate and cheap flights to foreign destinations are having a big impact on tourism.

Overnight stays, growth 2005 – 2006, October



Source: SSB, Percentage change, number of overnight stays, January-October, 2005-2006

# Energy

## Renewable energy

- No shortage of energy in Nord-Norge
- The potential for wind power and small-scale water power in Nord-Norge is equivalent to today's hydro-electric power production within the region.

## Petroleum

- Snøhvit – production to start in 2007
  - Several development stages are ready to start.
- Goliat
  - ENI has decided on further development; test drilling taking place now
  - ENI estimates a production period of 10-12 years.
- Skarv Idun – BP and Statoil – outside the Helgeland coast
  - Base- and operations support functions at Sandnessjøen
  - Expected economic life minimum 20 years
- Shtokman – postponed until after 2013

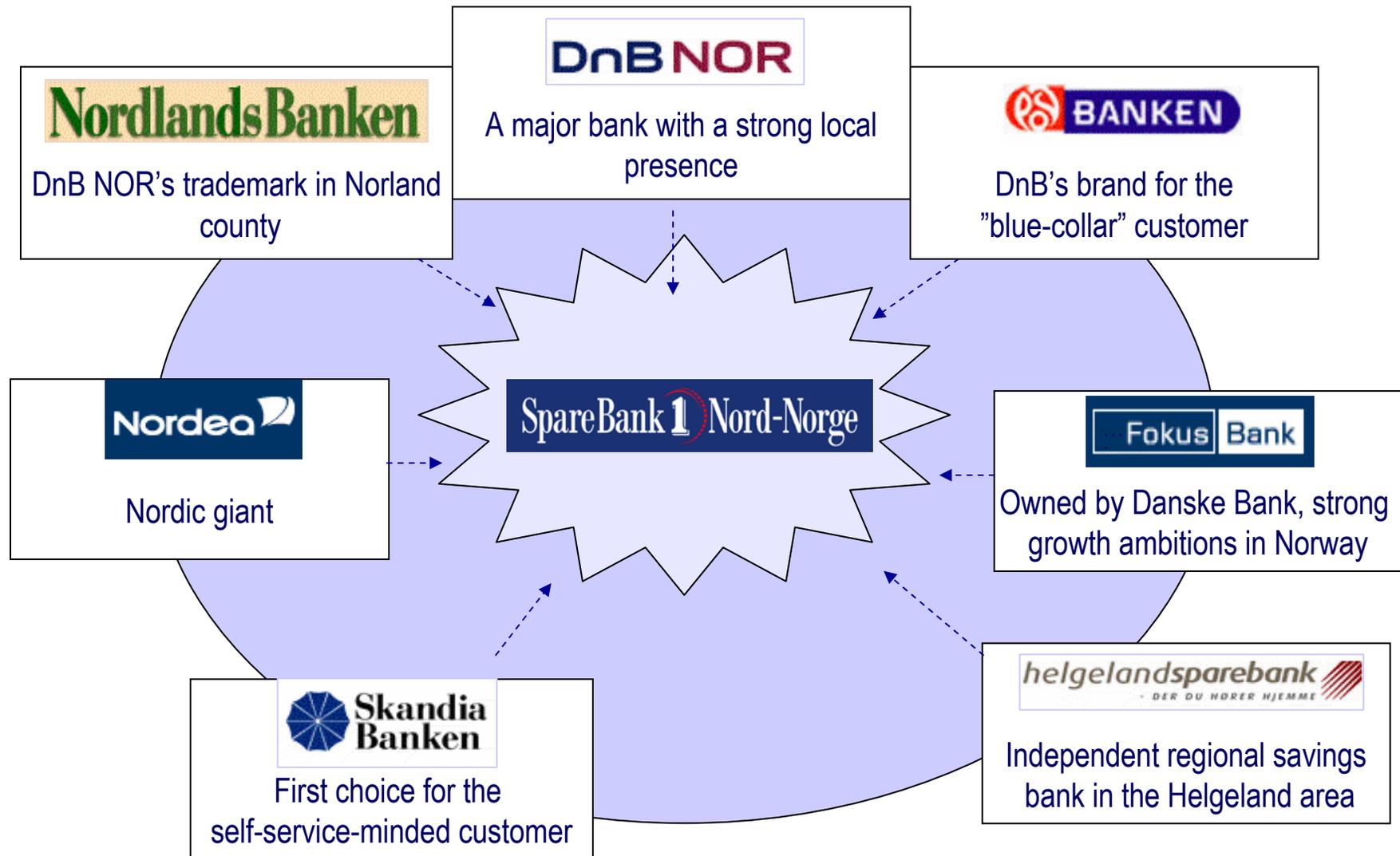
# Good prospects for the main industrial and commercial sectors

1. Marine sector – comprehensive restructuring; good market prospects in due course
2. Industry – renewal based on the development of competence and effective processes
3. Building and construction – high activity levels; shortage of skilled labour
4. A future energy region – petroleum and renewable resources
5. Tourism – at a crossroads with regard to markets and products, and with regard to its attraction as an industry
6. The private service sector – a key role for increased wealth creation

# The financial services industry



# Northern Norway - the competitive arena



In addition, there are six local savings banks in Hålogaland and Svenska Handelsbanken's branch in Tromsø.

# Stronger competition – a more focused strategy

The competition has become fiercer and more complex.

1. Several strong players are focusing on the market in North Norway.
2. Competence and innovation are key driving factors.
3. Being close to the customers and the Bank's involvement in the local community are given a great deal of emphasis.
4. Increased pressure on fees, prices and margins



# Strategy in brief

**The strategy aims to strengthen our competitive position. The ambition is growth in market shares and productivity.**

## Our goals:

- Stable, high profitability
- Increased market shares
- Increased customer satisfaction
- More effective business processes
- Continuous knowledge development

Our customers will view us as the close, local and competence-driven bank

Our business processes build on our strong distributional power. We apply “best practice” in sales and advisory, customer acquisition, innovation and risk management in addition to a strong involvement in the local community.

Our organisation fosters a winner culture based on knowledge development, cooperation and open communication.

# Growth and productivity

## Growth in all business areas through ....

- cross-sales to existing customers
- sales to new customers
- development of the bank market area
- development of services and business areas

## Increased productivity by ....

- high quality performance
- more efficient business processes
- development of professional skills
- Furthering internal cooperation



# Northwest Russia - platform for economic development:

- An open Norwegian-Russian border
- Resources; fish, minerals, oil/gas



# Representative office



Customers and Russian experts recommend that we open a representative office in Russia in order to:

- offer service and advisory services to corporate customers
- make available a network for the benefit of Russian, Norwegian and western companies
- provide information about market-, economic- and legislative matters
- be able to have a dialogue with Russian authorities

SpareBank 1 Nord-Norge is considering applying for a licence to open a representative office at Murmansk.

## Helgeland region; strengthened focus

	<b>Total market NOK billion</b>	<b>SNN share</b>	<b>SNN target 2009</b>	<b>SNN market share (target 2009)</b>
<b>Retail banking market</b>	18.2	2.1	3.7	20 %
<b>Corporate banking market</b>	6.9	0.8	1.4	20 %
<b>Total</b>	25,1	2,9	5,1	20 %

- **Establish a corporate banking market environment**
- **Appoint more retail banking advisers**
- **Strengthen real estate brokerage services**
- **Improved services within factoring and leasing**

# Summary 4th quarter 2006

## Group:

<b>NOK million</b>	<b>31.12.06</b>	31.12.05	Change	Change %
<b>PROFIT AND LOSS ACCOUNT</b>				
Result from ordinary operations	<b>941</b>	729	212	29,1%
<b>BALANCE SHEET</b>				
Total assets	<b>54.895</b>	48.630	6.265	12,9%
Gross lending	<b>46.226</b>	41.638	4.588	11,0%
Deposits	<b>27.784</b>	25.350	2.434	9,6%
<b>KEY FIGURES</b>				
Capital Adequacy ratio	<b>10,58%</b>	11,19%		-0,61%
After-tax return on equity capital	<b>23,69%</b>	20,55%		3,14%
Cost as a perc.of overall contrib.margin	<b>49,91%</b>	52,34%		-2,43%
Man-years	<b>767</b>	778	-11	
<b>Parent bank:</b>				
Earnings per PCC (NOK)	<b>15,20</b>	13,24	1,96	