

SpareBank 1 Nord-Norge

Preliminary annual report and accounts 2012

7 February 2013



SpareBank 1 Nord-Norge Group

Vision: For Nord-Norge!



Head office:

Tromsø

Organisation:

Regional offices:

5 regions

Hammerfest

Tromsø

Harstad

Bodø

Mo i Rana

Branches:

75

Man-years Group:

881

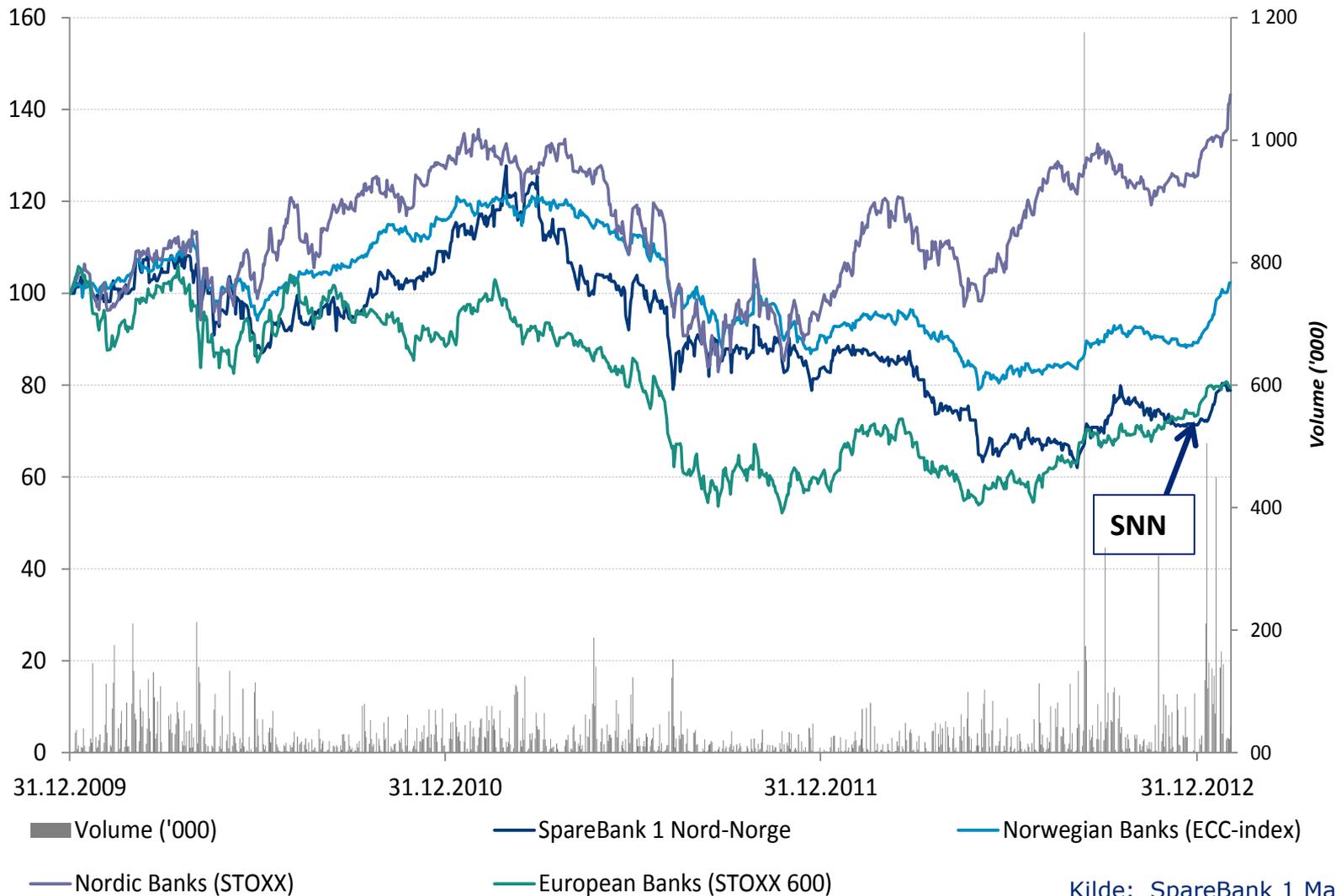
Man-years parent bank:

672

Interim report for Q4 2012 – Group

- Continuing good macroeconomic situation in Northern Norway.
- Return on equity after tax for 2012: 9.0% (8.5%).
- Good and further improved core banking operations before and after loan losses. Improvement of 17.2 % compared with 2011. Further improvement bank operations expected in 2013.
- Increased net interest income and increased interest margin.
- High loan losses in 2012 due to losses on individual commitments. Moderate loan losses in Q4 2012.
- Weak results from SpareBank 1 Nord-Norge Invest.
- Very good liquidity.
- Satisfactory financial strength.
- Proposed cash dividend: NOK 1.15 per equity certificate.

NONG – relative price performance



Rebased to 100 per 31/12/2009

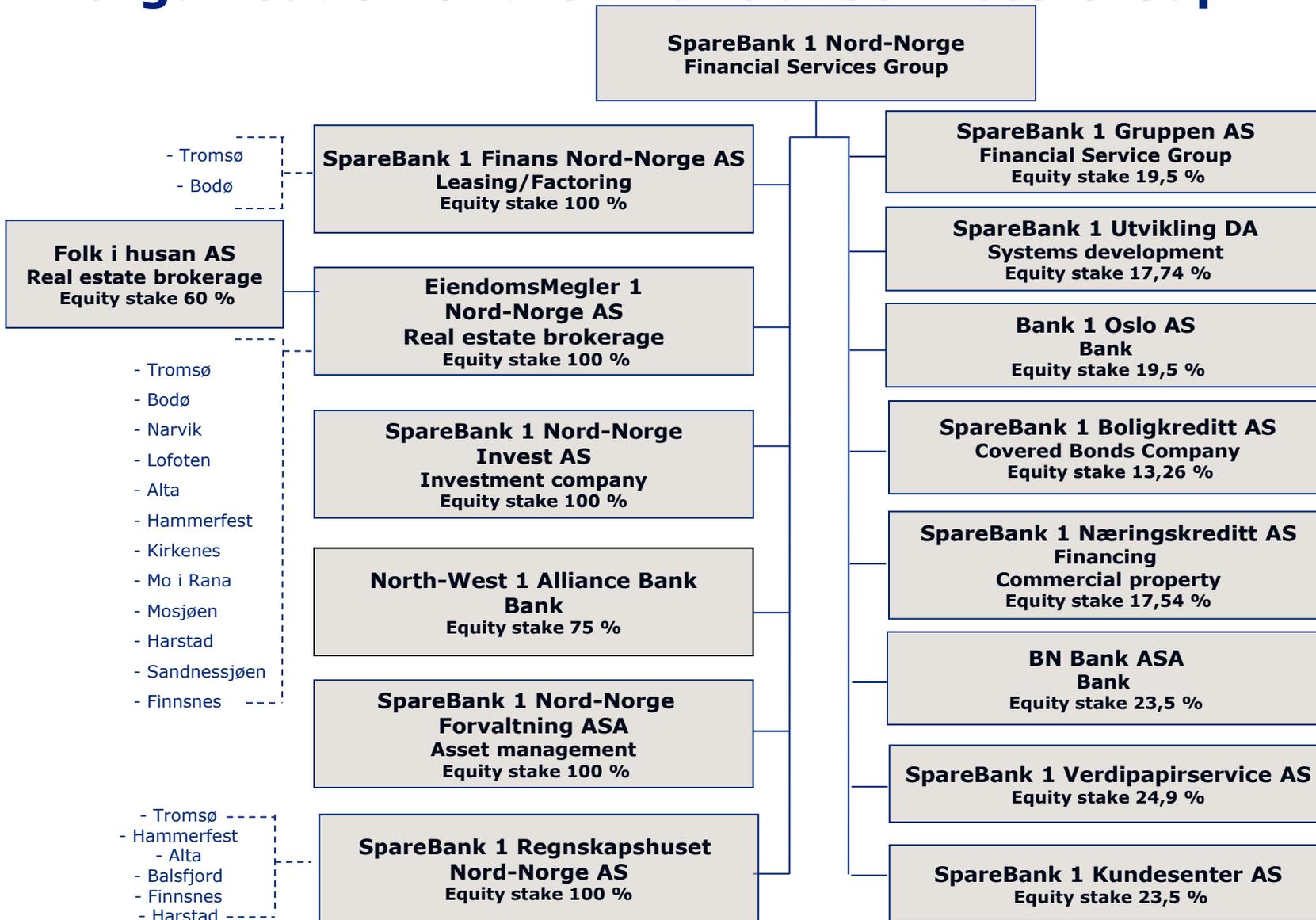
Northern Norway – current economic status

High activity level, growth and optimism

- Seafood; high quotas and production level - weaker markets for cod
- Oil and gas activities moving North, oil services as well
- Possibilities within the mining and mineral sector
- Construction – all time high order reserves
- Tourist industry turning from mass market to high-value experience
- Large public sector – a stabilising factor
- Labour immigration – both domestic and from Europe
- Very low jobless rate; 2.4 % in December 2012



Organisation of the financial services Group



Financial targets

Capital adequacy ratio

- CET-1 12.5 % or higher in 2015

Profitability

ROE shall be comparable to the performance of bank peers. The targeted after-tax return is minimum 6 percentage points above the yield on long-term government bonds

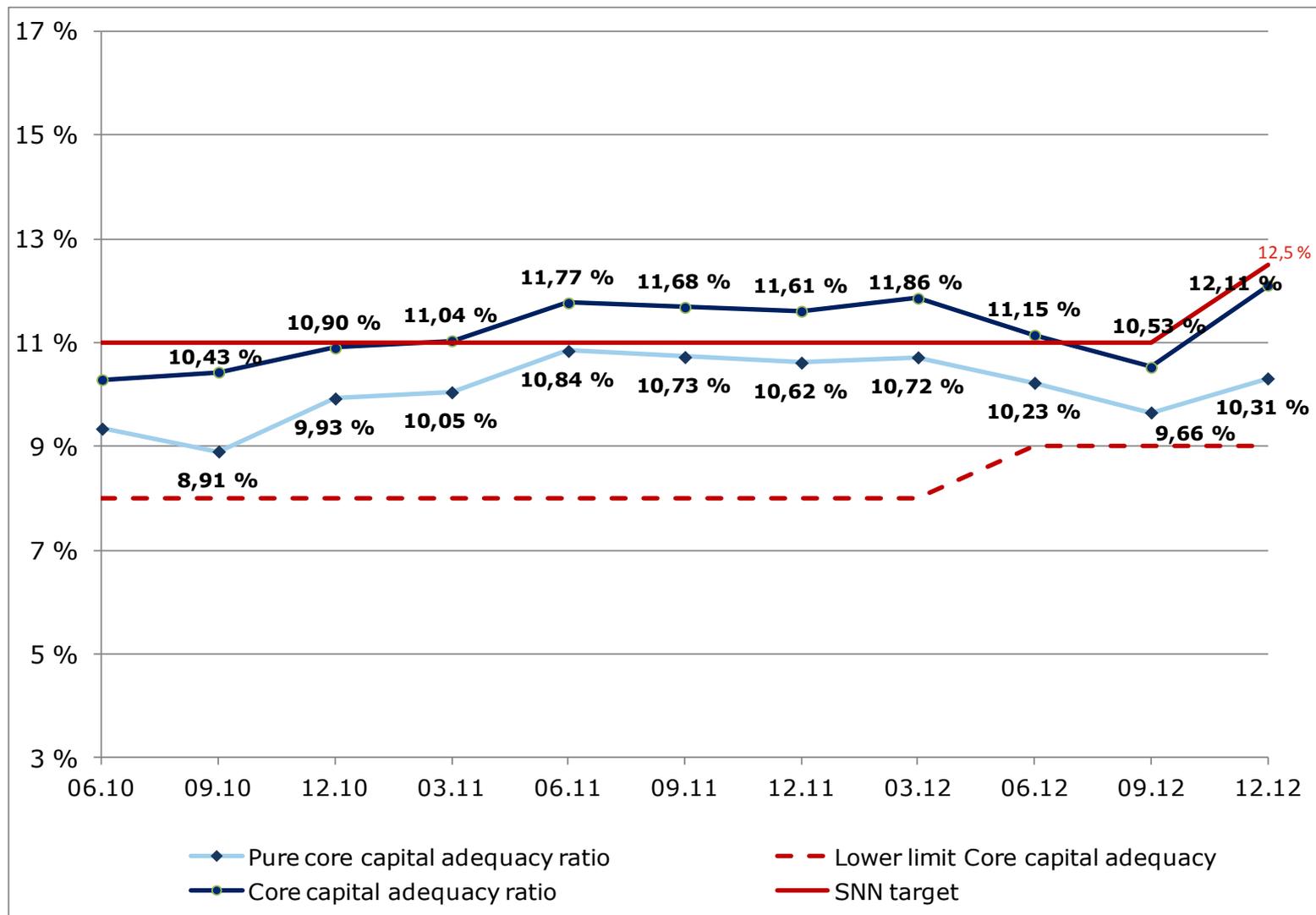
Effectiveness

- Yearly average increase in costs shall be 2 % maximum
- The Parent bank cost ratio shall be comparable to that of bank peers

Top-line growth

- The growth in interest contribution and provisions is targeted to be 2 percentage points above the growth in operating costs

Capital adequacy ratio - Group



Capital adequacy - Group

- Financial strength target: Common Equity Tier 1 (CET 1) of 12.5% or higher in 2015
- SpareBank 1 Nord-Norge shall maintain incontestable financial strength and satisfy the defined minimum requirements for capital at all times
- The bank's financial strength is deemed to be satisfactory at present. Further measures are planned to achieve the capital adequacy target, including:
 - Various measures for increasing earnings, including increased margins on loans
 - Reduced lending growth, especially in the corporate market
 - Application for IRBA approval
 - Measures to increase utilisation of capital
 - Reduction of the bank's stake in SpareBank 1 Oslo Akershus (completed early 2013)
 - Utilisation of capital allocated to Sparebankstiftelsen SpareBank 1 Nord-Norge
 - Reduced payout ratio
 - New equity will only be raised if a satisfactory return on new equity can be obtained
 - Other measures

Financial targets

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Top-line growth

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Profit and loss account - Group

Result for the period

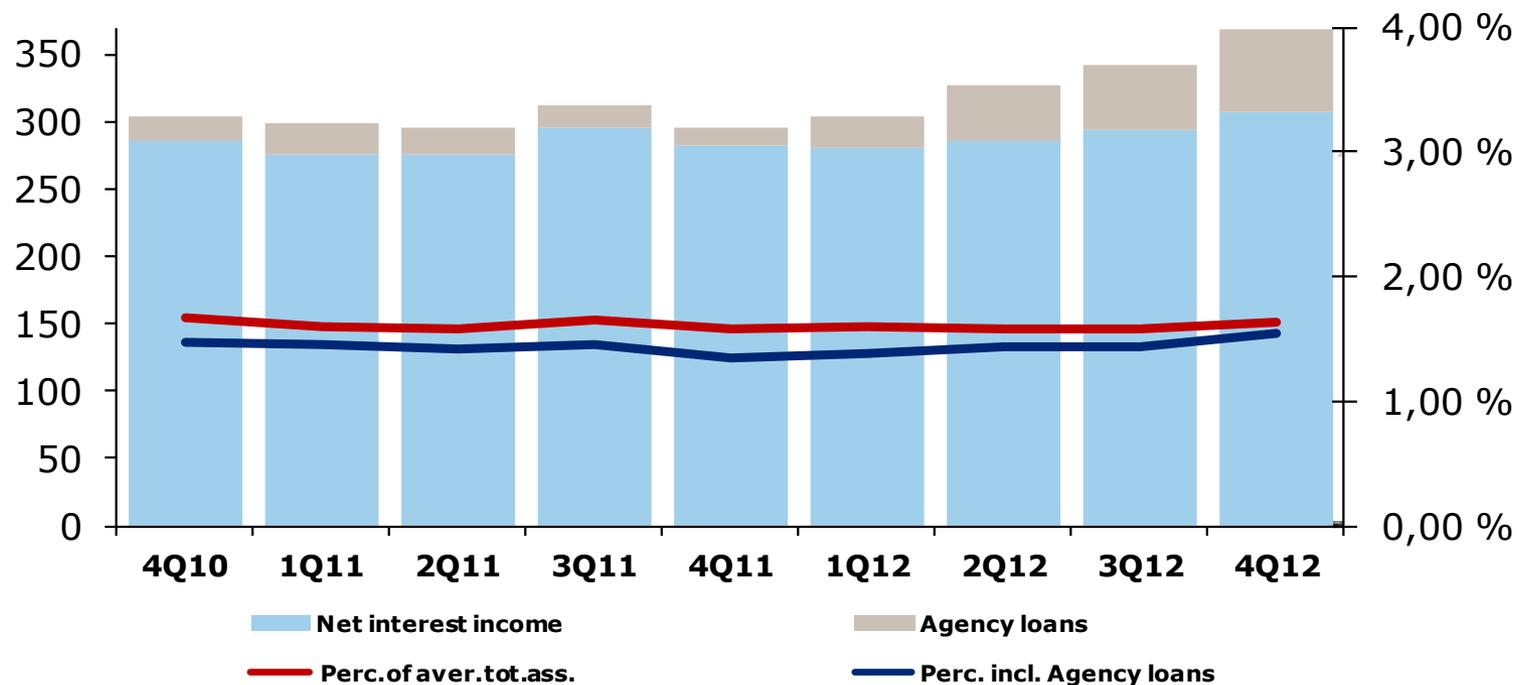
(Amounts in NOK million)

	31.12.12	31.12.11
Net interest income	1 166	1 129
Net fee-, commision and other operating income	656	506
Net income from financial investments	260	184
Total net income	2 082	1 819
Total costs	1 120	1 036
Result before losses and write-downs	962	783
Net losses and write-downs	195	101
Result before tax	767	682
Tax	172	157
Minority interests	0	0
Result for the period	595	525
Return on equity capital	9,0 %	8,5 %

Quarterly Summary – Profit and loss account figures

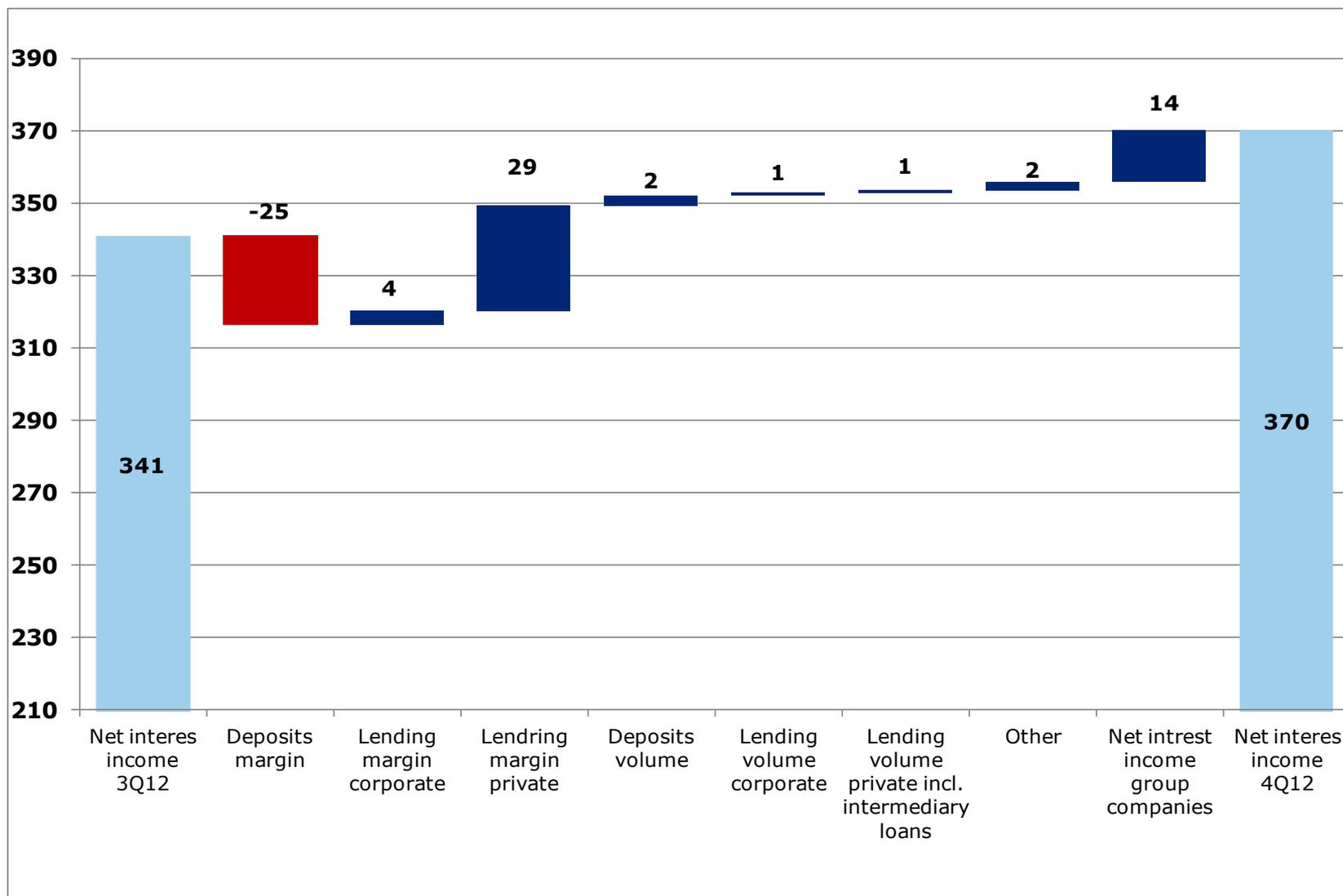
(Amounts in NOK million)	4Q12	3Q12	2Q12	1Q12	4Q11
Net interest income	307	293	285	281	282
Net fee-, commission and other operating income	202	172	156	126	125
Net income from financial investments	30	79	2	149	-162
Total net income	539	544	443	556	245
Total costs	295	266	277	282	277
Result before losses and write-downs	244	278	166	274	-32
Net losses and write-downs	32	115	6	42	53
Result before tax	212	163	160	232	-85
Return on equity capital	9,3 %	8,4 %	6,4 %	12,1 %	-6,6 %
Cost/income	54,7 %	48,9 %	62,5 %	50,7 %	113,1 %

Net interest income - Group

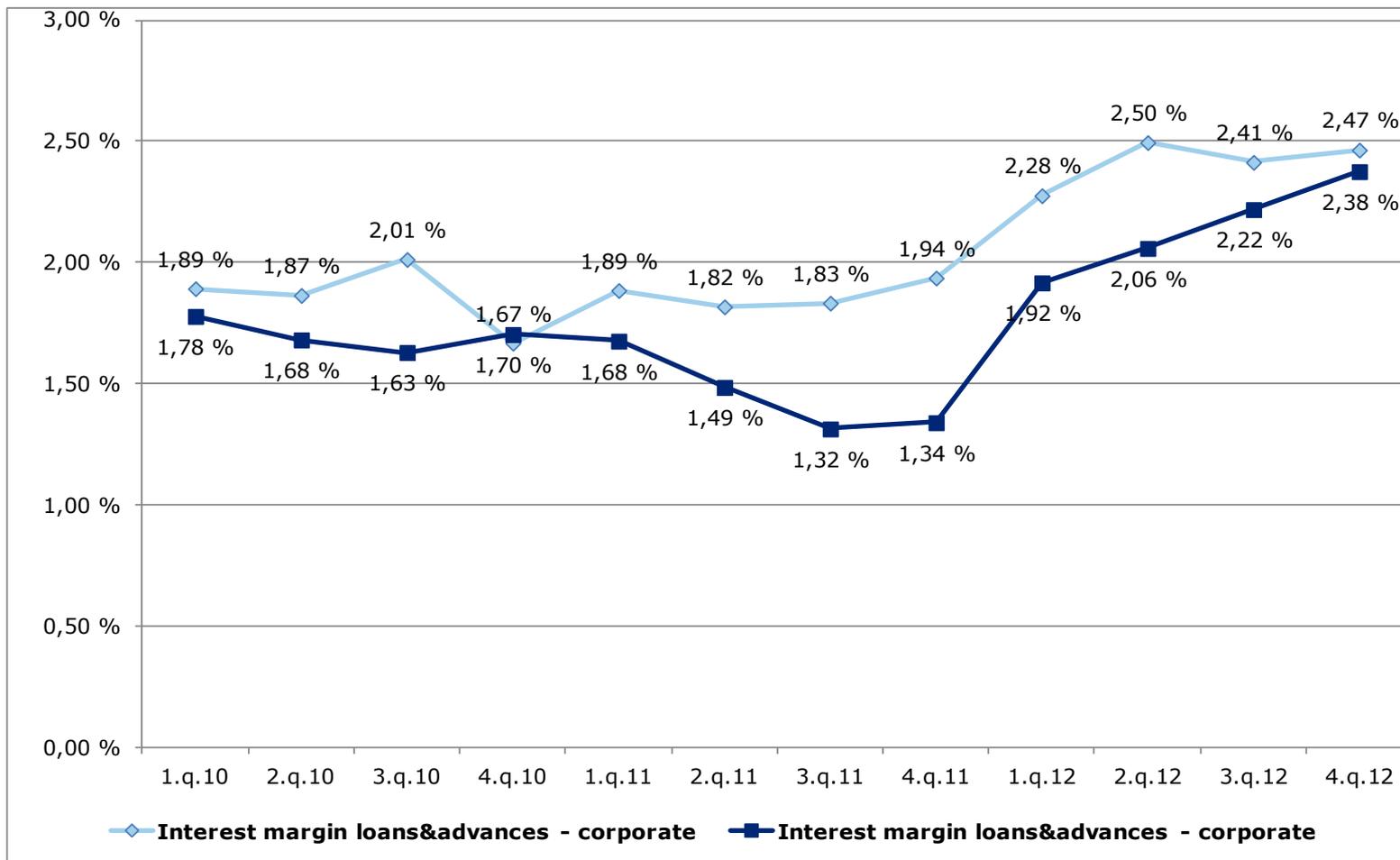


	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
Net interest income	285	275	276	296	282	281	285	293	307
Agency loans	19	24	20	16	13	23	42	48	62
Perc. of aver.tot.ass.	1,66 %	1,61 %	1,59 %	1,65 %	1,57 %	1,59 %	1,58 %	1,58 %	1,64 %
Perc. incl. Agency loans	1,47 %	1,45 %	1,42 %	1,46 %	1,36 %	1,38 %	1,43 %	1,44 %	1,54 %

Changes in net interest income 3q12 to 4q12

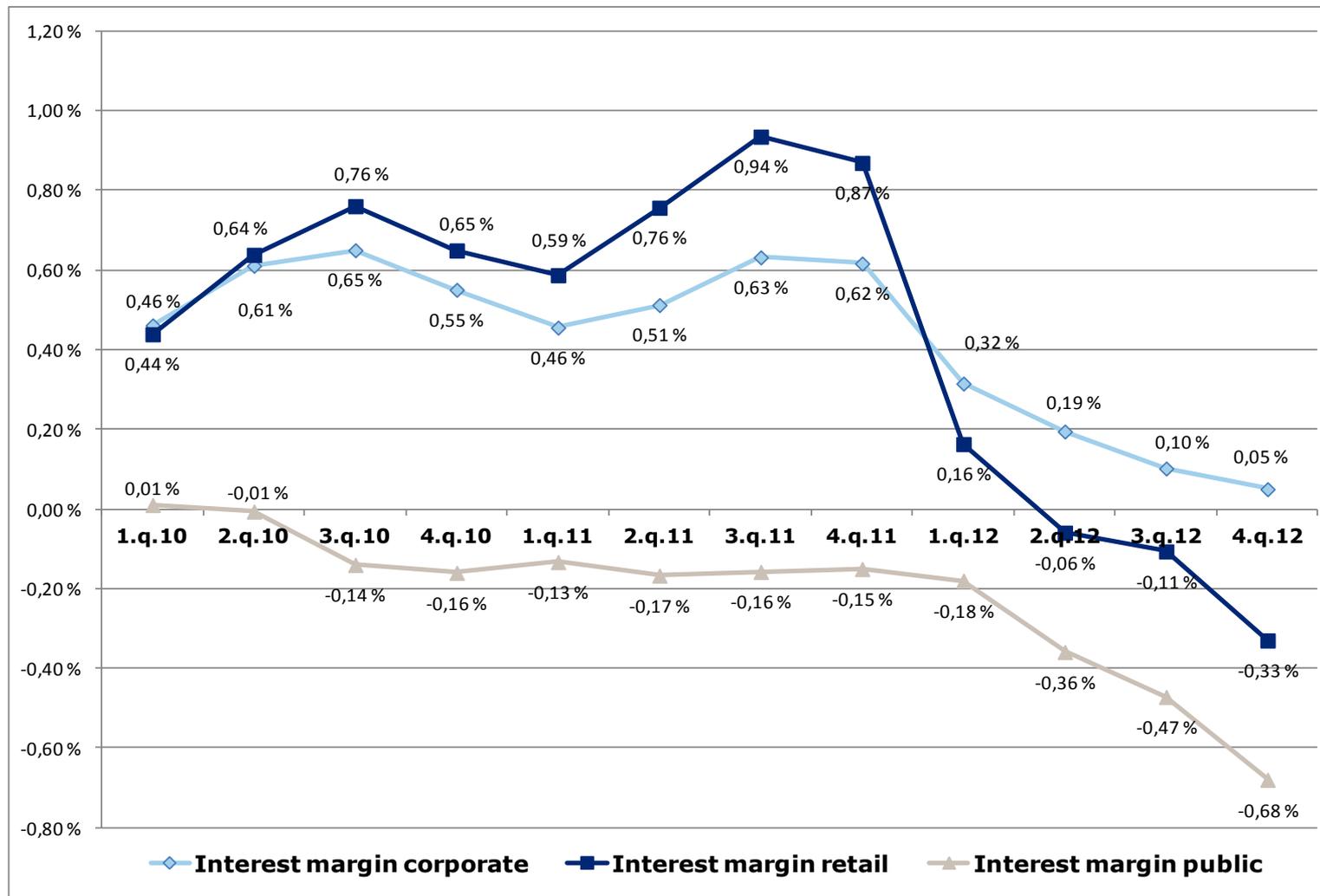


Lending margin



The interest margin is defined as the difference between the customer lending (deposit) interest rate and average 3 month NIBOR

Customer deposit, Parent bank



The interest margin is defined as the difference between average 3 month NIBOR and the customer deposit interest rate

Income from financial investments

	31.12.12	31.12.11
Dividends	17	14
Income from joint ventures	210	195
Gains/losses and net value changes on shares	-104	-76
Gains/losses and net value changes on foreign exchange	24	54
Gains/losses and net value changes on certificates and bonds (incl. other financial derivatives)	113	-3
Income from financial investments	260	184

Core banking operations - (excl. income from financial investments)

(Amounts in NOK million)	4Q12	3Q12	2Q12	1Q12	4Q11
Net interest income	307	293	285	281	282
Net fee- and commission income	182	160	150	120	119
Other operating income	20	12	6	6	6
Total costs	295	266	277	282	277
Underlying banking operations	214	199	164	125	130
Net losses and write-downs	32	115	6	42	53
Underlying banking operations after losses	182	84	158	83	77

- Good and further strengthened core banking operations before and after losses.
- Profit from core operations before losses of NOK 702 million (NOK 599 million). Improvement of 17.2 % compared with 2011.

Group companies result before tax

(NOK 1000)	31.12.12	31.12.11
SpareBank 1 Finans Nord-Norge AS	75 575	69 370
SpareBank 1 Nord-Norge Invest AS	-147 523	-68 718
SNN Økonomihus AS	-1 163	60
EiendomsMegler 1 Nord-Norge AS	7 291	4 089
SpareBank 1 Nord-Norge Forvaltning ASA	1 259	1 091
North-West 1 Alliance Bank	647	82
Folk i husan AS (owned by EM1 60%)	- 285	0
Total	-63 914	5 974

SpareBank 1 Nord-Norge Invest AS

- This company is being restructured
- The portfolio will be transferred to the parent bank
- Remaining direct investments are considered to have little loss potential
- Market value Nord I as at 31.12.12 (61%): NOK 62 mill
- Possible future investments will be made through Nord Kapitalforvaltning (the PE fund Nord II and possibly other funds). Nord II is established in collaboration with Argentum.
- The Group's ownership share in Nord II: 70 %. The Group's committed capital: NOK 300 mill

Financial targets

Capital adequacy ratio

- CET-1 12.5 % or higher in 2015

Profitability

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Effectiveness

- Yearly average increase in costs shall be 2 % maximum
- The Parent bank cost ratio shall be comparable to that of bank peers

Top-line growth

- The growth in interest contribution and provisions is targeted to be 2 percentage points above the growth in operating costs

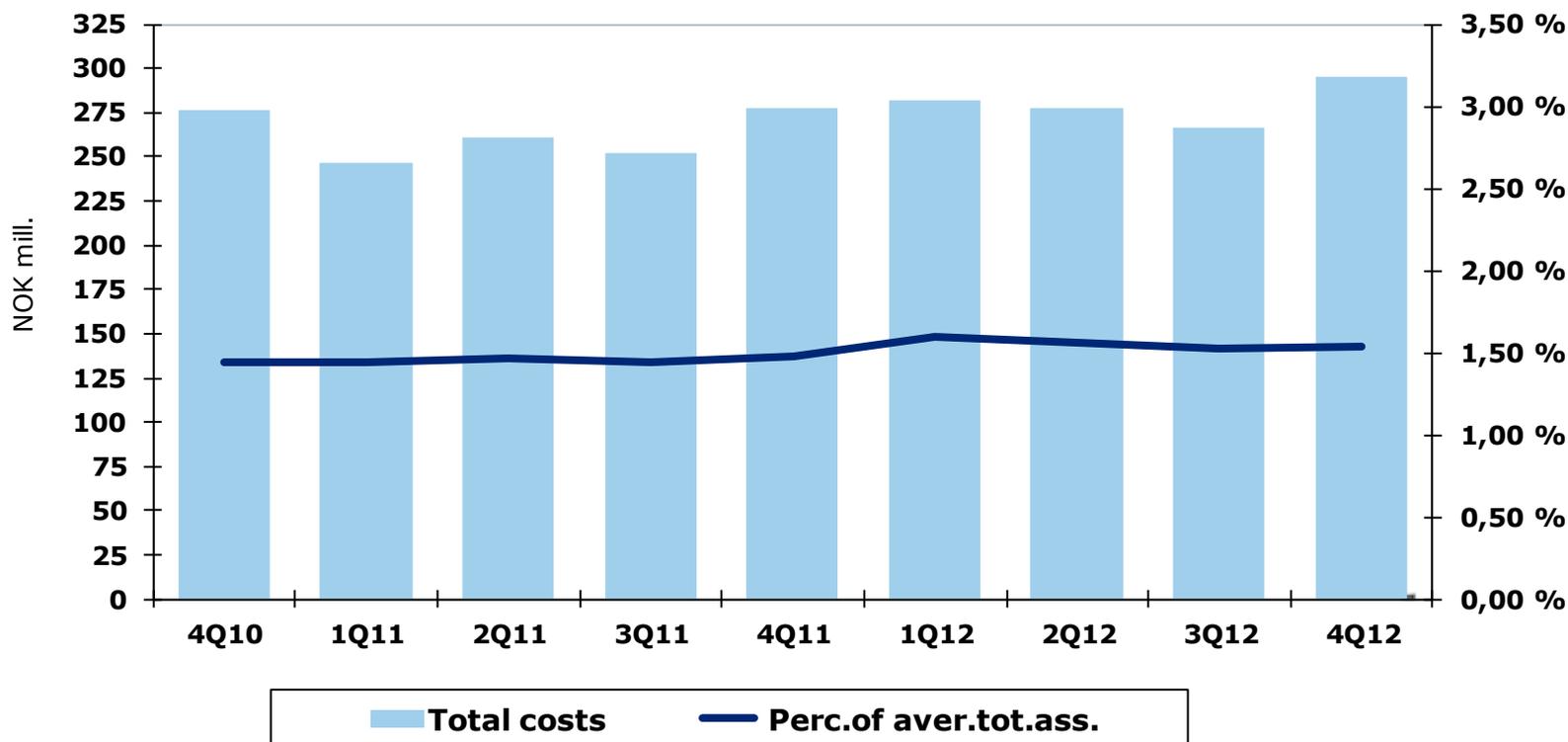
Group operating costs

(NOK Million)

	31.12.12	31.12.11	Change
Wages and salaries	499	438	61
Pension costs	34	29	5
Social costs	48	47	1
Total personnel costs	581	514	67
Administration costs	319	313	6
Total personnel- and general administration costs	900	827	73
Depreciation and write-downs of fixed assets	54	47	7
Total operating costs	220	209	11
Total costs	1 120	1 036	84

- Parent bank operating costs 2012: + 46 NOK mill (+ 5,1 %).
- of this, increased wages and salaries NOK 29 mill.
- Subsidiaries' operating costs 2012: + 38 NOK mill.
The increase is mainly due to consolidation of newly acquired companies

Group operating costs



	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
Total costs	276	246	261	252	277	282	277	266	295
Perc. of aver. tot. ass.	1,44 %	1,44 %	1,46 %	1,44 %	1,47 %	1,60 %	1,56 %	1,52 %	1,54 %

Costs and cost targets

- Cost targets: Annual average growth in costs shall be 2 % maximum
- The parent bank's cost-to-income ratio shall be in line with, or better than, comparable banks

Allocation of profit

(Amounts in NOK million)			
Parent Bank's profit after tax			515
Allocated to cash dividend		76	
Allocated to equalisation reserve		141	
Total to EC-holders	42,1 %	217	217
Pay-out ratio EC-holders	35,0 %		
Allocated to donations	10,1 %	30	
Allocated to the Savings Bank's Fund		268	
Total to bank's ownerless capital	57,86 %	298	298
Total allocated			515
Undistributed profit of Parent Bank's profit			79,4 %
Undistributed profit of Group's profit			82,2 %

Cash dividends of NOK 1.15 will be distributed to EC-holders as at 20.03.13.

The proposed allocation of profits represents a payout ratio of Group profits of 30.4 % to the bank's EC-holders and 8.7 % to the community-owned capital.

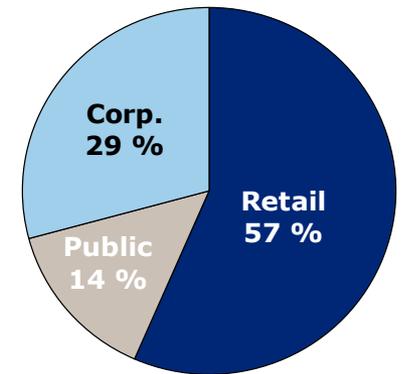
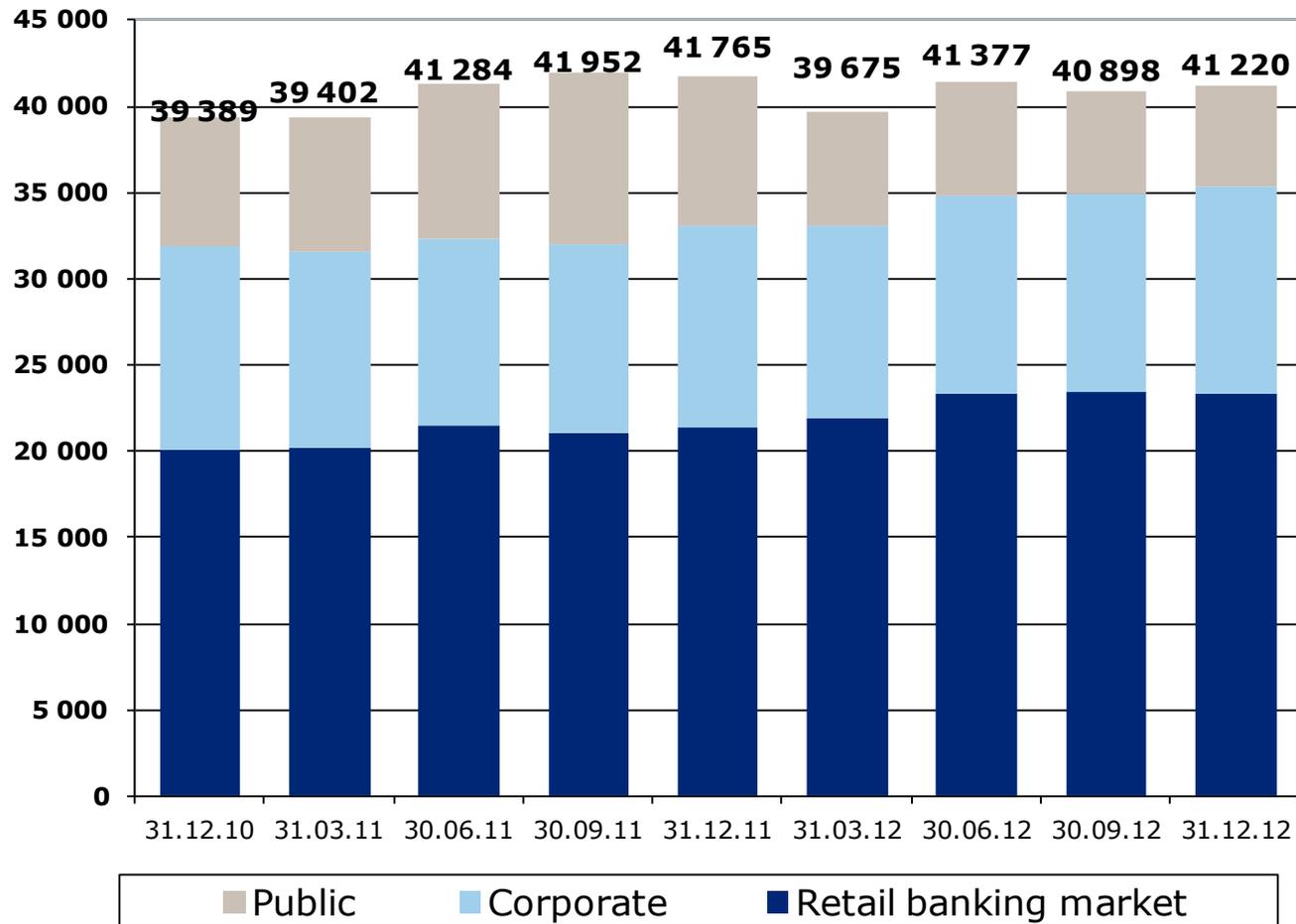
New EC-ratio per 01.01.13 is 41.59 % (42.07 % per 01.01.12)

Key figures balance sheet

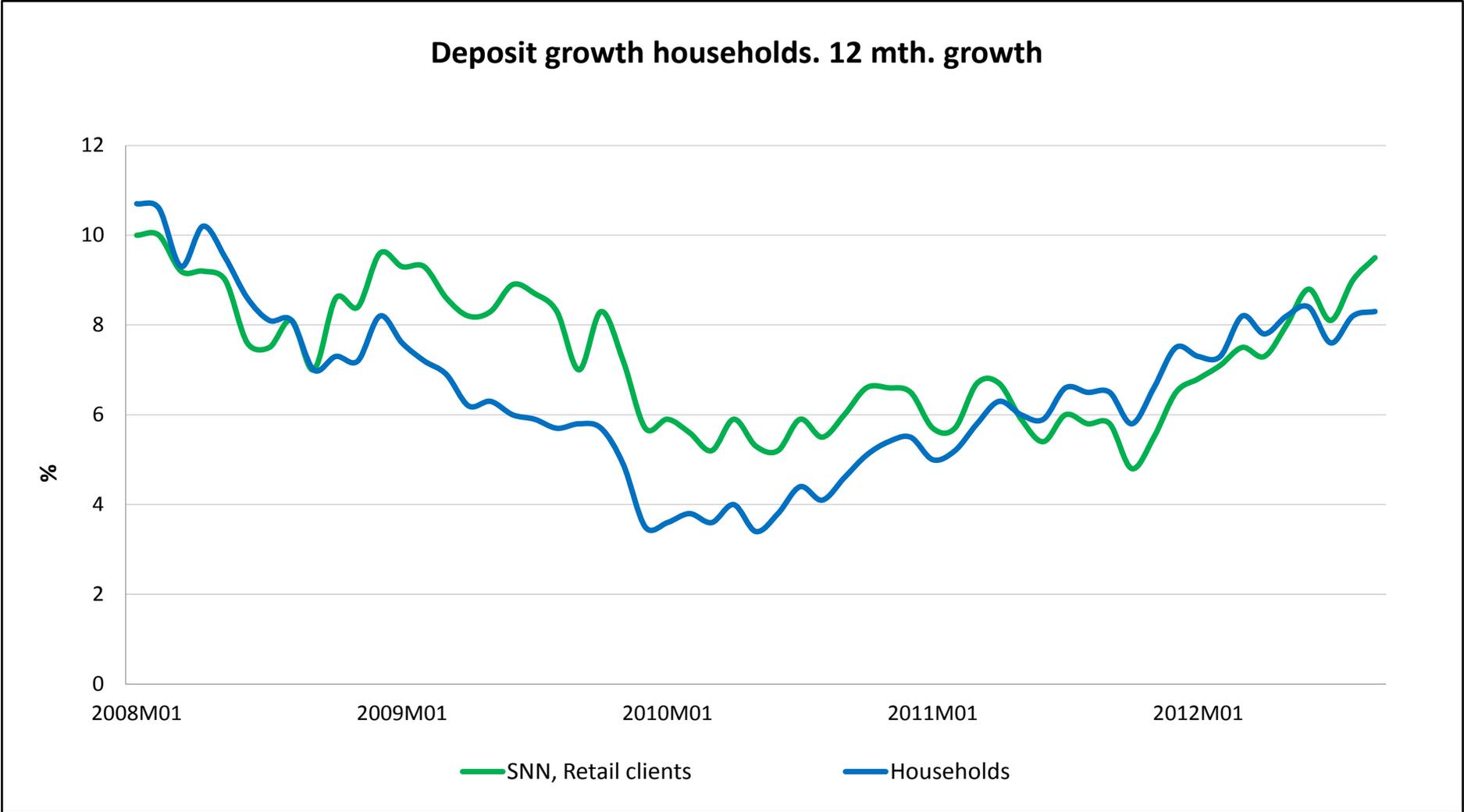
(Amounts in NOK million)

	31.12.12	31.12.11	Change	Change %
Total assets	75 261	71 039	4 222	5,9%
Gross lending	54 551	51 642	2 909	5,6%
Loans and advances to customers including agency loans	75 914	68 034	7 880	11,6%
Deposits from customers	41 220	41 765	- 545	-1,3%

Deposit volume

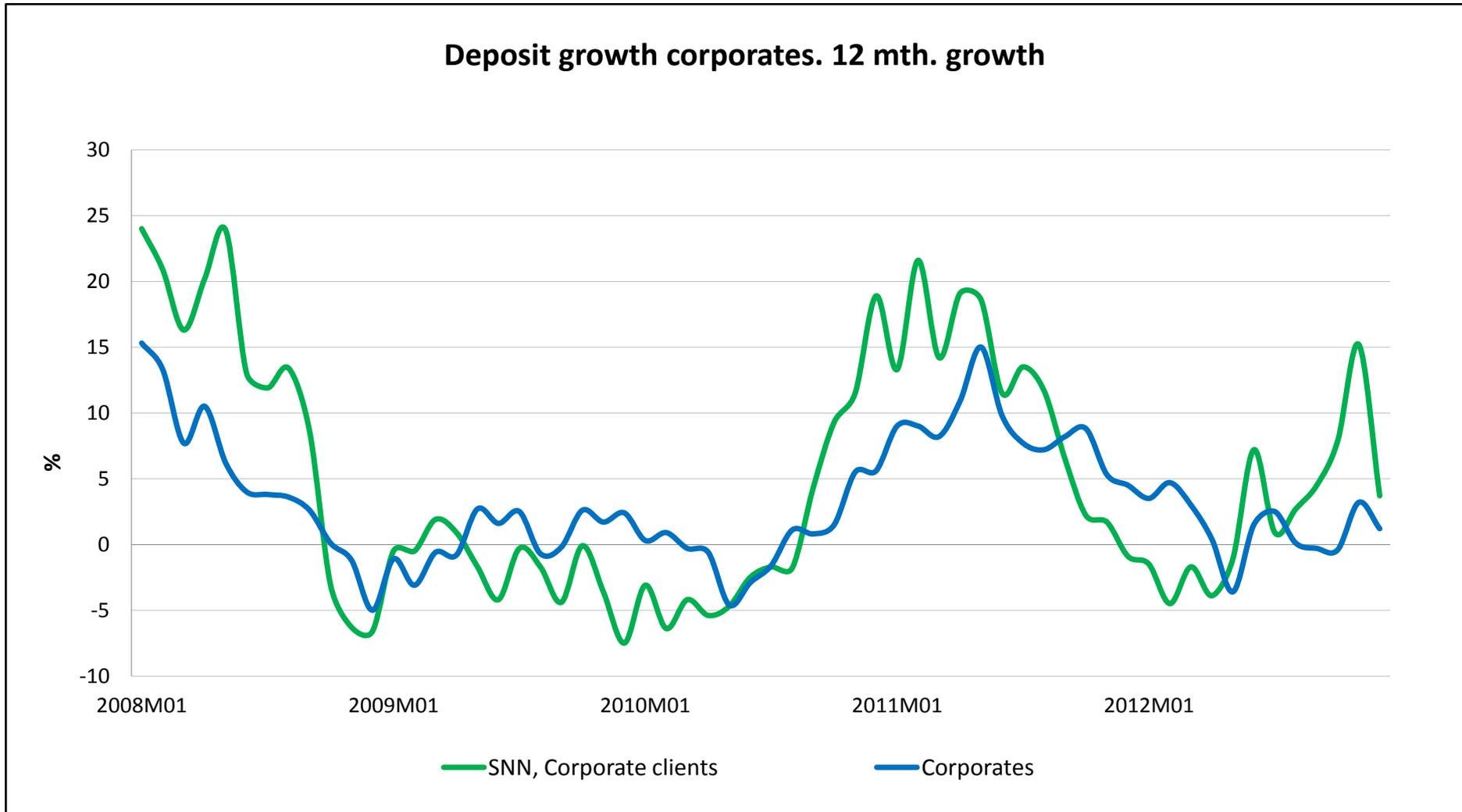


Deposit growth households

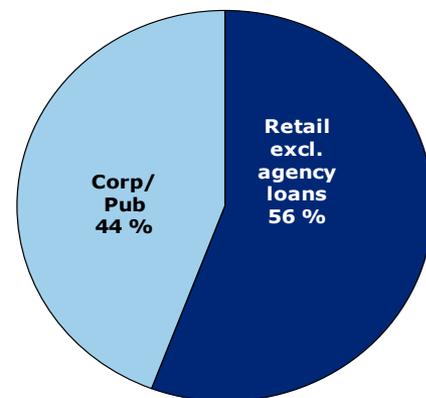
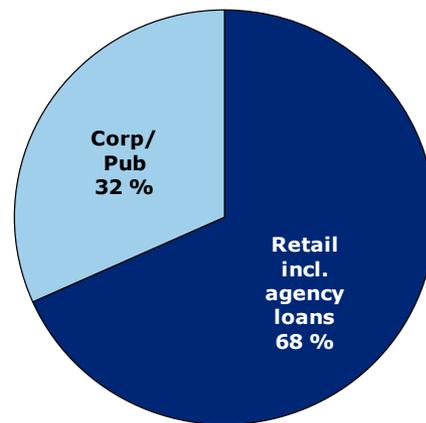
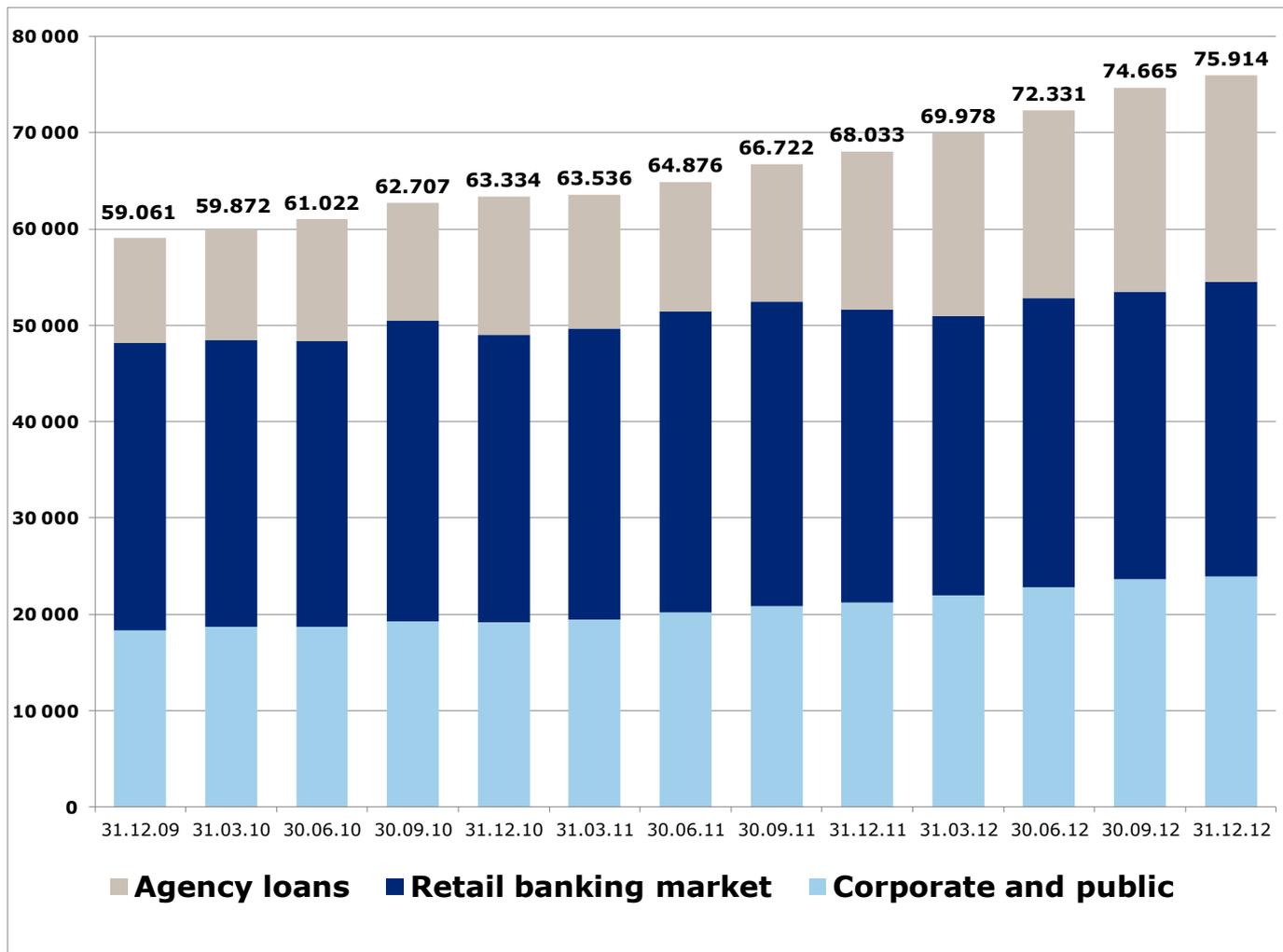


Source: Statistisk Sentralbyrå, The money supply M2, December 2012 & SNN Bare, December 2012

Deposit growth corporates

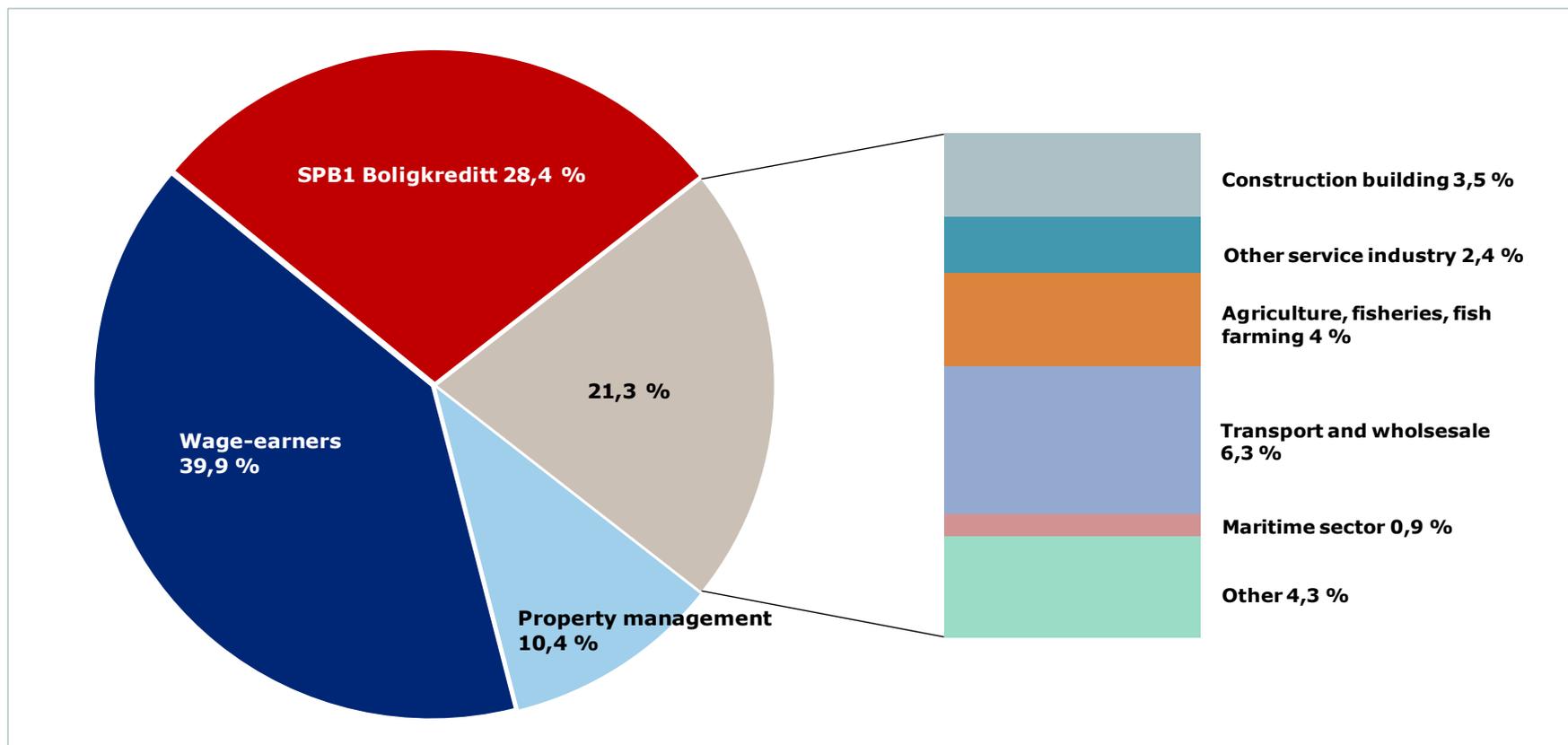


Lending volume



Distribution on segments shows good diversification

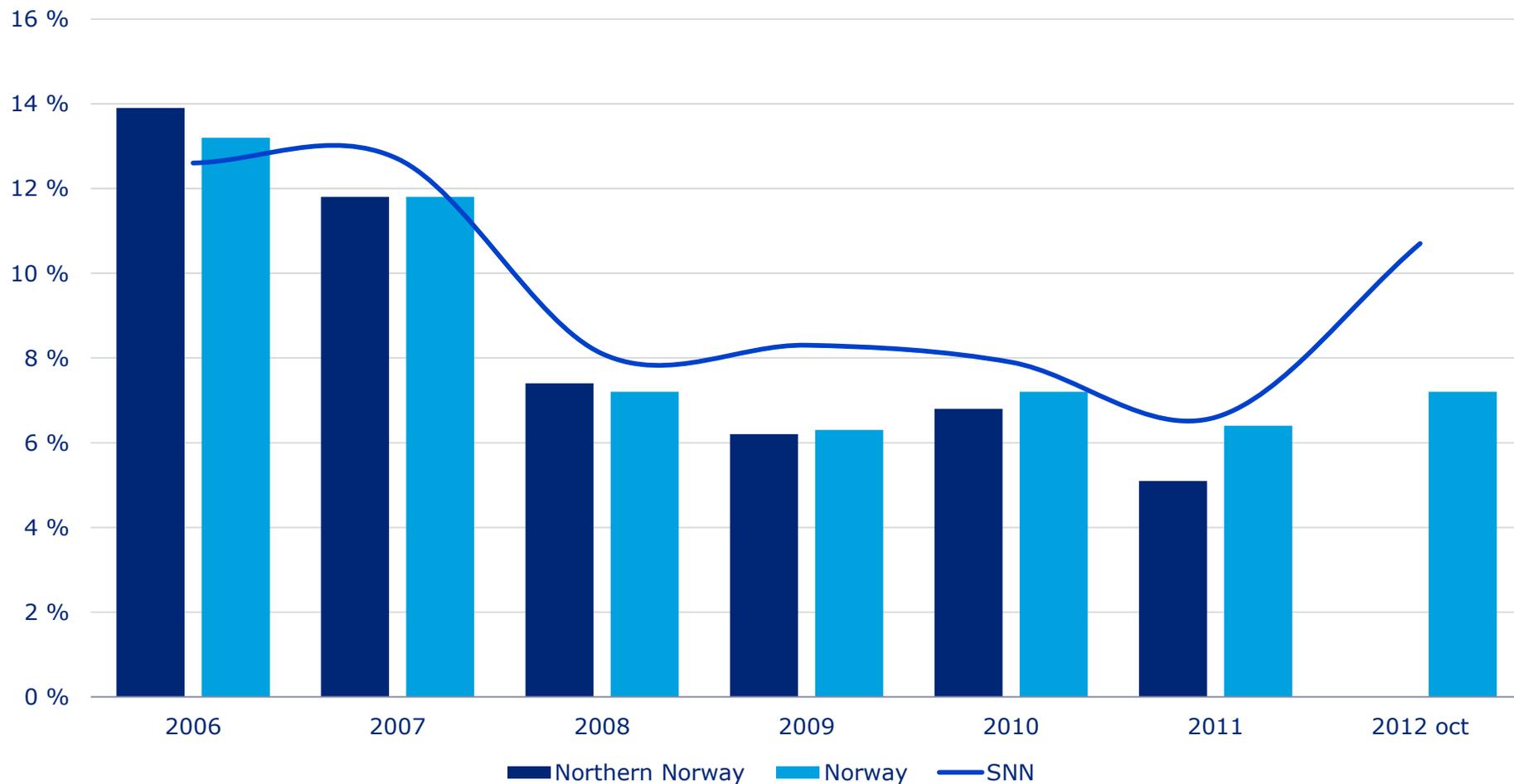
Loan portfolio including Boligkreditt



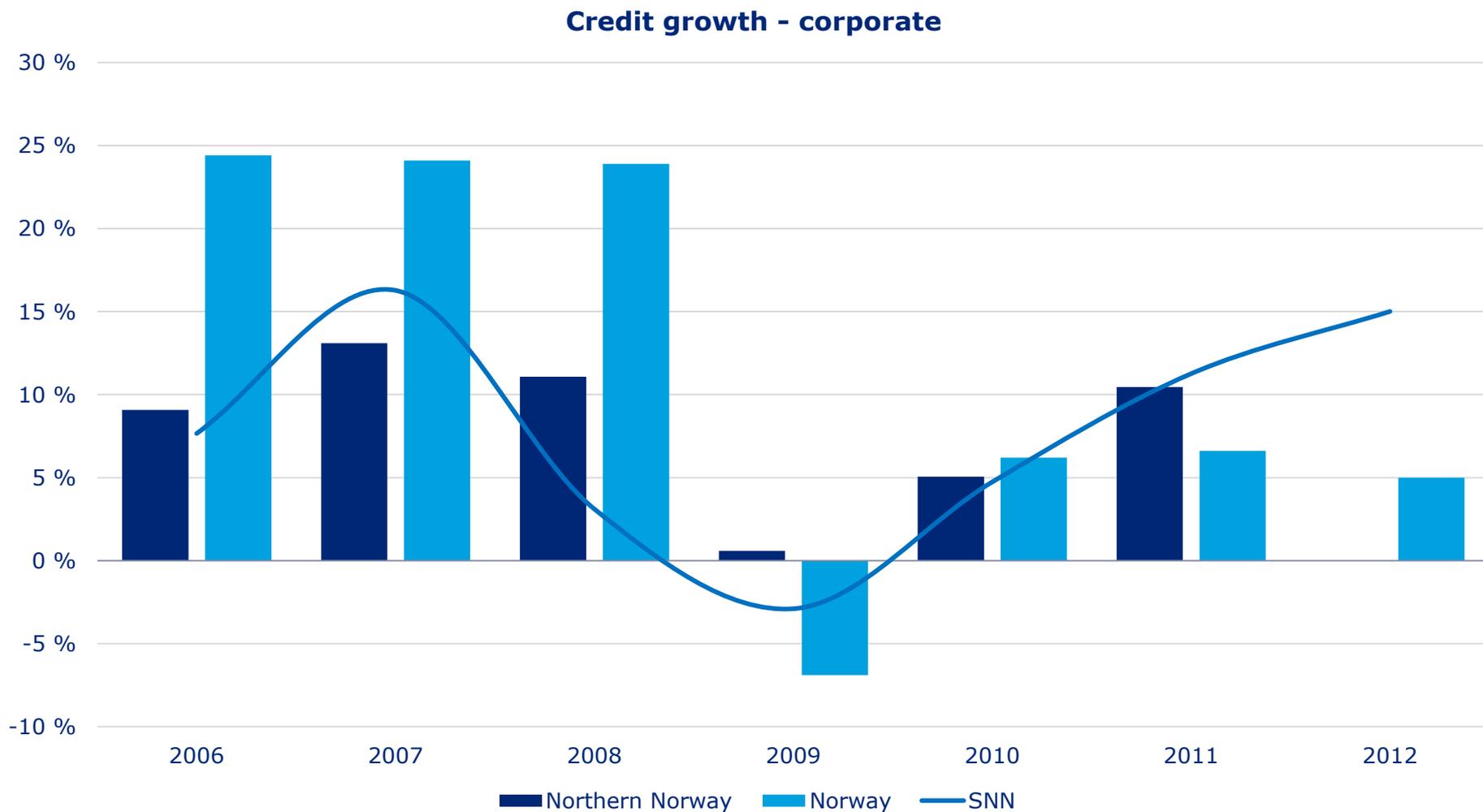
- High portion of retail market and primary industry lending represent a risk dampening effect
- The Group has a well diversified corporate market portofolio.
- No specific concerns related to the to commercial property lending. Low interest rates and high occupancy rates in the bank's market area. The share of corporate property lending has been reduced over the last 12 months (11 % as at 31.12.11)

Retail lending – profitable growth

Credit growth - retail



Corporate lending – taking part in regional growth



Credit area

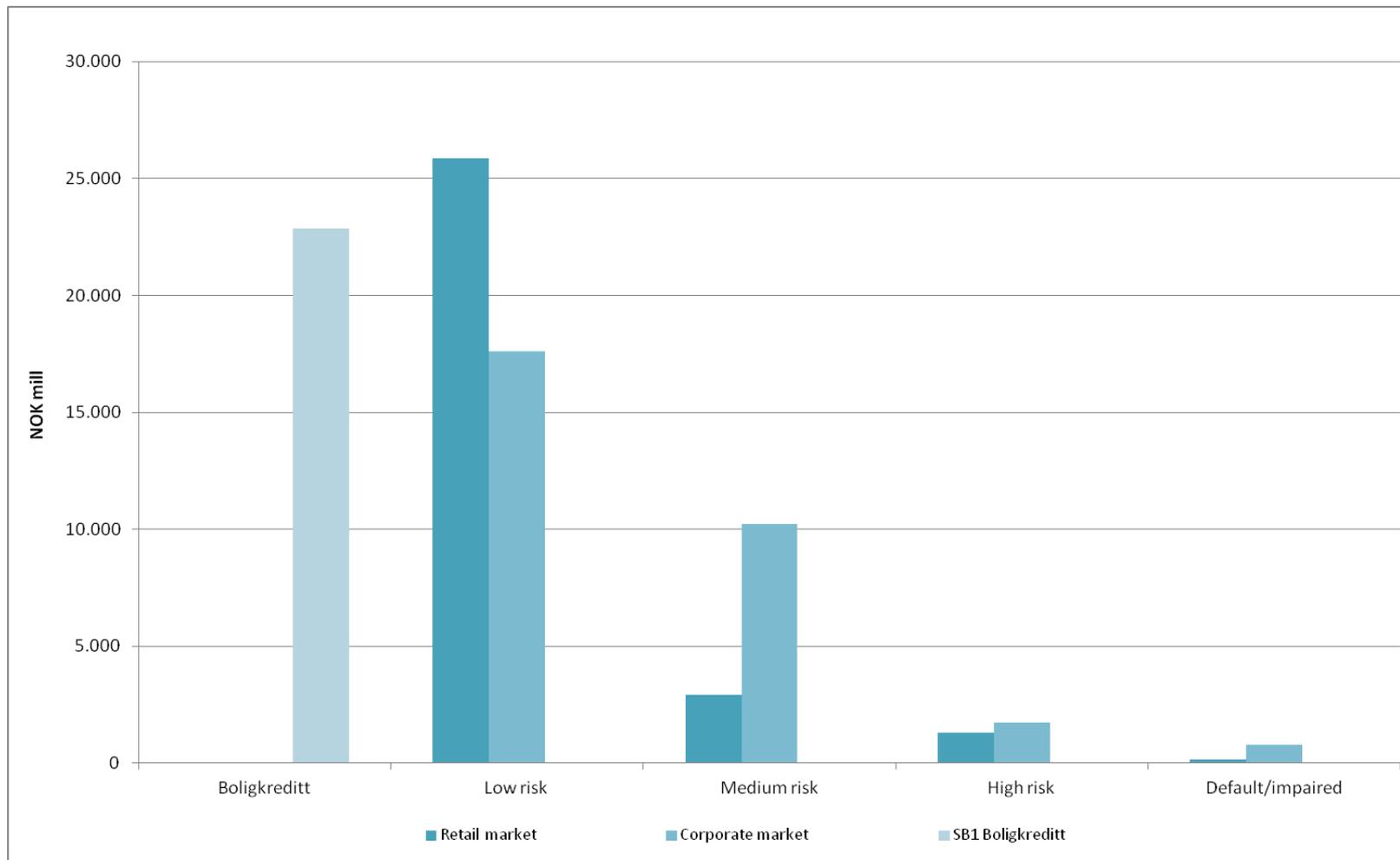
- Quality
- Portfolio
- Migration, commitments in default and losses

Loan portfolio

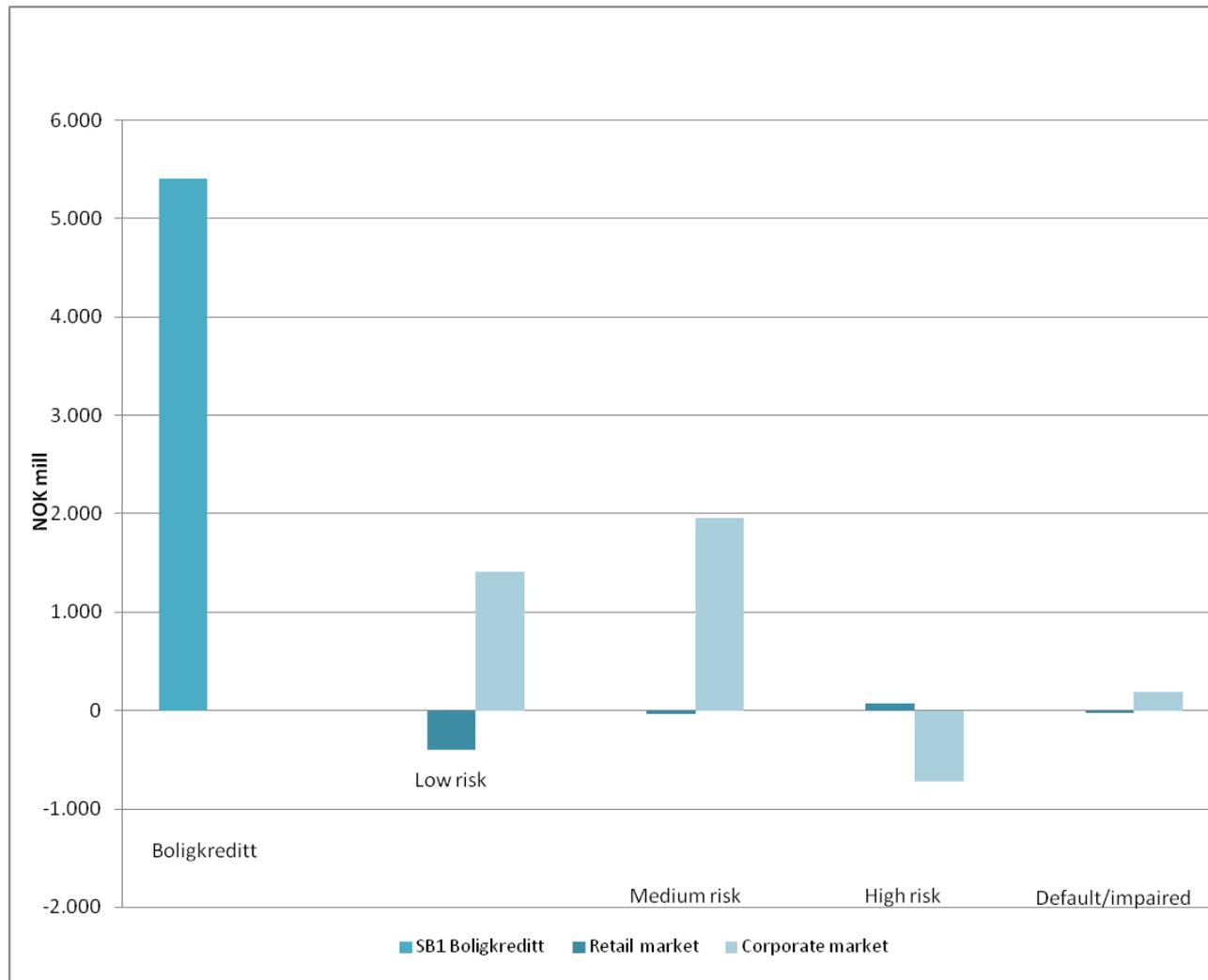
- Good growth in retail lending. Emphasis on commitments qualifying for transfer to the covered bond company (SB1 Boligkreditt)
- Positive business development in the region has contributed to a very high corporate lending growth. Dampened demand in Q4 2012.
- The portfolio and growth in corporate lending is diversified
- The Sebra analysis carried out by The Financial Supervisory Authority of Norway (Finanstilsynet) on 72 % of the corporate commitments of SNN as of 31.12.11, shows a robust portfolio
- Good growth of low risk commitments in the following sector; electricity supply, transportation & storage, fishing vessels
- Reduced exposure towards commercial real estate and marine aquaculture
- Lending growth in 2013, especially corporate lending growth, will be reduced

Portfolio

- exposure as of 31.12.12



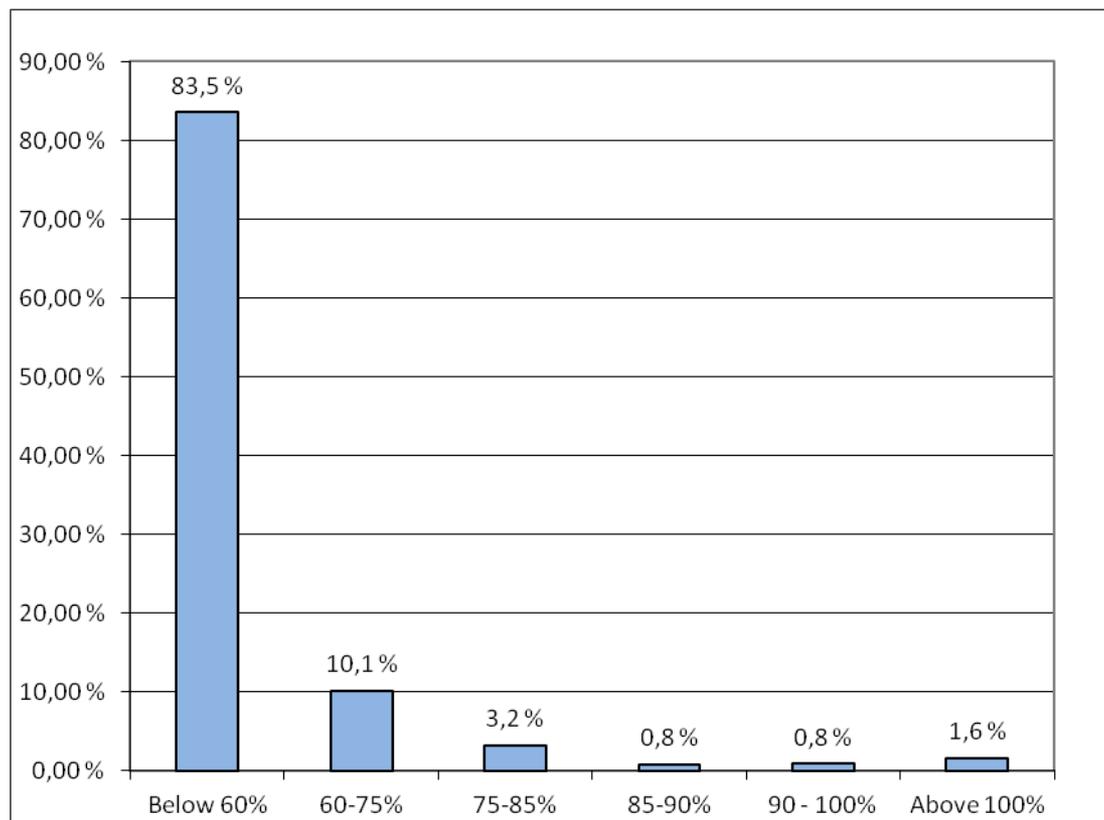
Risk change - portfolio change Q4/11 – Q4/12



Group lending by sector

(NOK million)	31.12.12	Share	31.12.11	Share	Change	Change in %
Mining and quarrying	81	0,1 %	71	0 %	10	14 %
Construction	1 037	1,4 %	916	1 %	121	13 %
Building of ships and boats	12	0,0 %	28	0 %	- 16	-58 %
Electricity, gas, steam an air conditioning supply	1 434	1,9 %	977	1 %	457	47 %
Professional, scientific and technical activities	705	0,9 %	792	1 %	- 87	-11 %
Financial and insurance activities	0	0,0 %	0	0 %	0	0 %
Fishing	1 619	2,1 %	1 359	2 %	260	19 %
Marine aquaculture	257	0,3 %	268	0 %	- 11	-4 %
Other business support activities	577	0,8 %	578	1 %	- 1	0 %
Activities auxiliary to financial services and insurance act	807	1,1 %	361	1 %	446	123 %
County municipalities and municipalities	199	0,3 %	148	0 %	51	35 %
Manufacturing	1 677	2,2 %	1 126	2 %	551	49 %
Information and communication	150	0,2 %	162	0 %	- 12	-7 %
Crop and animal production	971	1,3 %	949	1 %	22	2 %
Foreign industrial	286	0,4 %	38	0 %	248	100 %
Real estate activities	7 785	10,3 %	7 836	12 %	- 51	-1 %
<i>Housing cooperatives</i>	1 152	1,5 %	1 404	2 %	- 252	-18 %
<i>Property project</i>	1 320	1,7 %	1 129	2 %	191	17 %
<i>Property hiring out</i>	4 806	6,3 %	4 916	7 %	- 110	-2 %
<i>Real estate business</i>	507	0,7 %	387	1 %	120	31 %
Accomodation and food service activities	359	0,5 %	405	1 %	- 46	-11 %
Forestry and logging	11	0,0 %	12	0 %	- 1	-10 %
Central government and social security funds	1	0,0 %	1	0 %	0	26 %
Support activities for petroleum and natural gas extractio	0	0,0 %	1	0 %	- 1	-100 %
Other service industries	766	1,0 %	722	1 %	44	6 %
Transportation and storage	2 689	3,5 %	1 797	3 %	892	50 %
International shipping and pipeline transport	671	0,9 %	738	1 %	- 67	-9 %
Extraction of crude oil and natural gas	0	0,0 %	75	0 %	- 75	-100 %
Unspecified	0	0,0 %	0	0 %	0	0 %
Water supply; sewerage, waste management and remedia	290	0,4 %	171	0 %	119	70 %
Wholesale and retail trade; repair of motor vehicles and n	1 527	2,0 %	1 644	2 %	- 117	-7 %
Retail banking market - domestic	30 506	40,2 %	30 422	46 %	84	0 %
Retail banking market - SB 1 Boligkreditt	21 363	28,1 %	14 734	22 %	6 630	45 %
Retail banking market - international	134	0,2 %	42	0 %	92	218 %
Total retail market	52 003	68,5 %	45 198	68 %	6 806	15 %
Total corporate market	23 711	31,2 %	21 029	32 %	2 682	13 %
Total government	200	0,3 %	148	0 %	52	35 %
Total loans	75 914	100,0 %	66 375	100 %	9 539	14 %

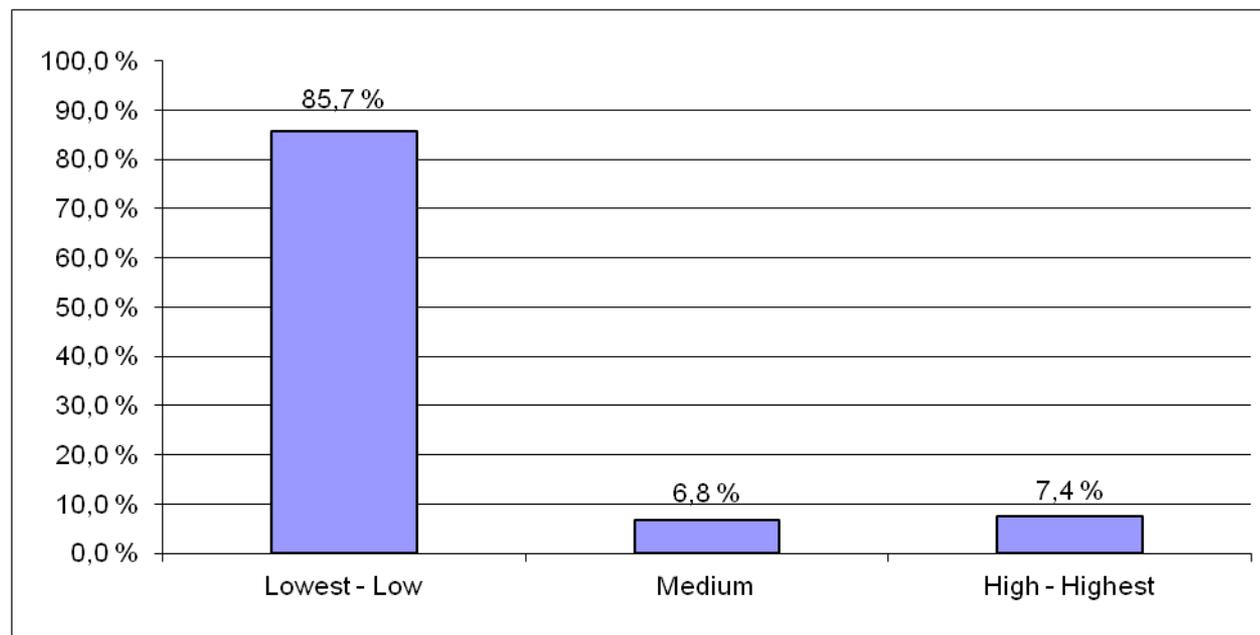
Loan to value – LTV in % of collateral



The calculation of LTV is based on the collaterals market value. The loans are split between the various segments.

The numbers includes loans transferred to SB1 Boligkreditt

Portfolio of corporate property lending

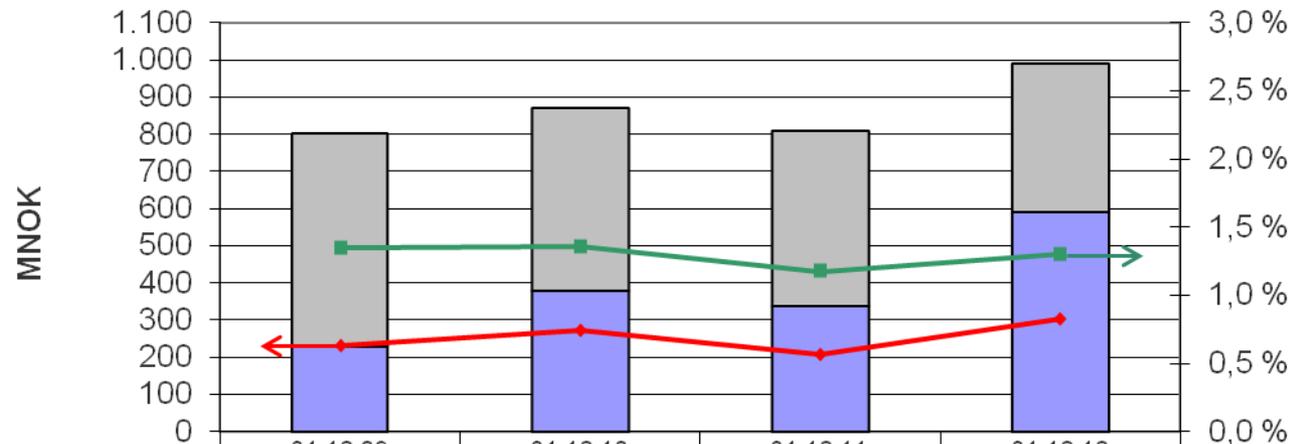


- Low risk, expected loss 0 % - 0,50 %
- Medium risk, expected loss 0,50 - 2,00 %
- High risk, expected loss over 2,00 %

The portfolio of corporate property lending represents the Group's highest single sector concentration

SNN has started the work for qualifying corporate property loans for transfer to SB1 Næringskreditt

The Group's non-performing, impaired and other problem commitments



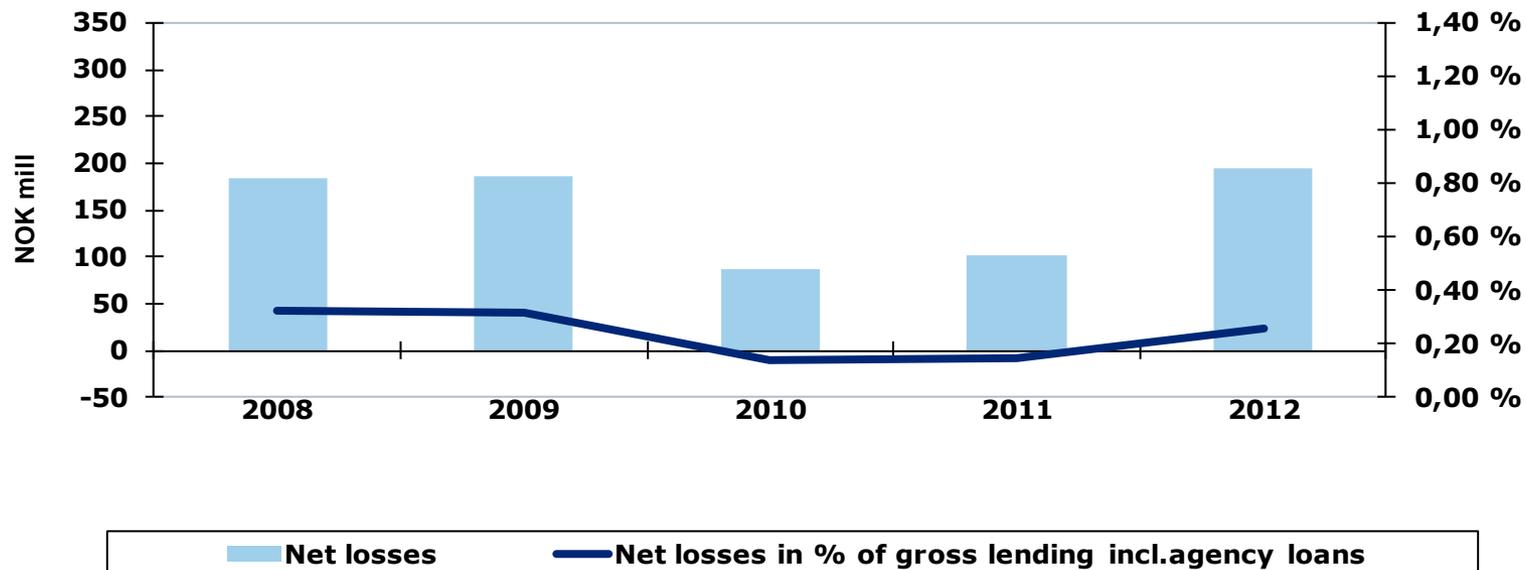
Non-performing commitments	575	492	471	397
Other problem commitments	228	378	338	592
Individual write-down for impaired value	232	273	208	303
Gross non-performing and impaired commitments in % of gross lending incl. Boligkreditt	1,3 %	1,4 %	1,2 %	1,3 %

Loan losses: The Group's write-downs in 2012

	Write-downs			2011
	2012	4th quarter 2012 (iso)	4th quarter 2011 (iso)	
Individual write-downs				
<i>Retail market</i>	5	0	1	10
<i>Corporate market</i>	223	43	24	63
<i>SpareBank 1 Finans Nord-Norge</i>	6	4	-1	1
<i>Other group units</i>	1	0	3	1
Total individual write-downs	235	47	27	75
Collective write downs and other value change items	-40	-15	25	26
Total write-down on loans and guarantees	195	32	52	101

- The Group's total write-downs in 2012 are above an expected normalized level
- The write-downs are connected to a few commitments with limited further downside risk

Losses on loans and guarantees

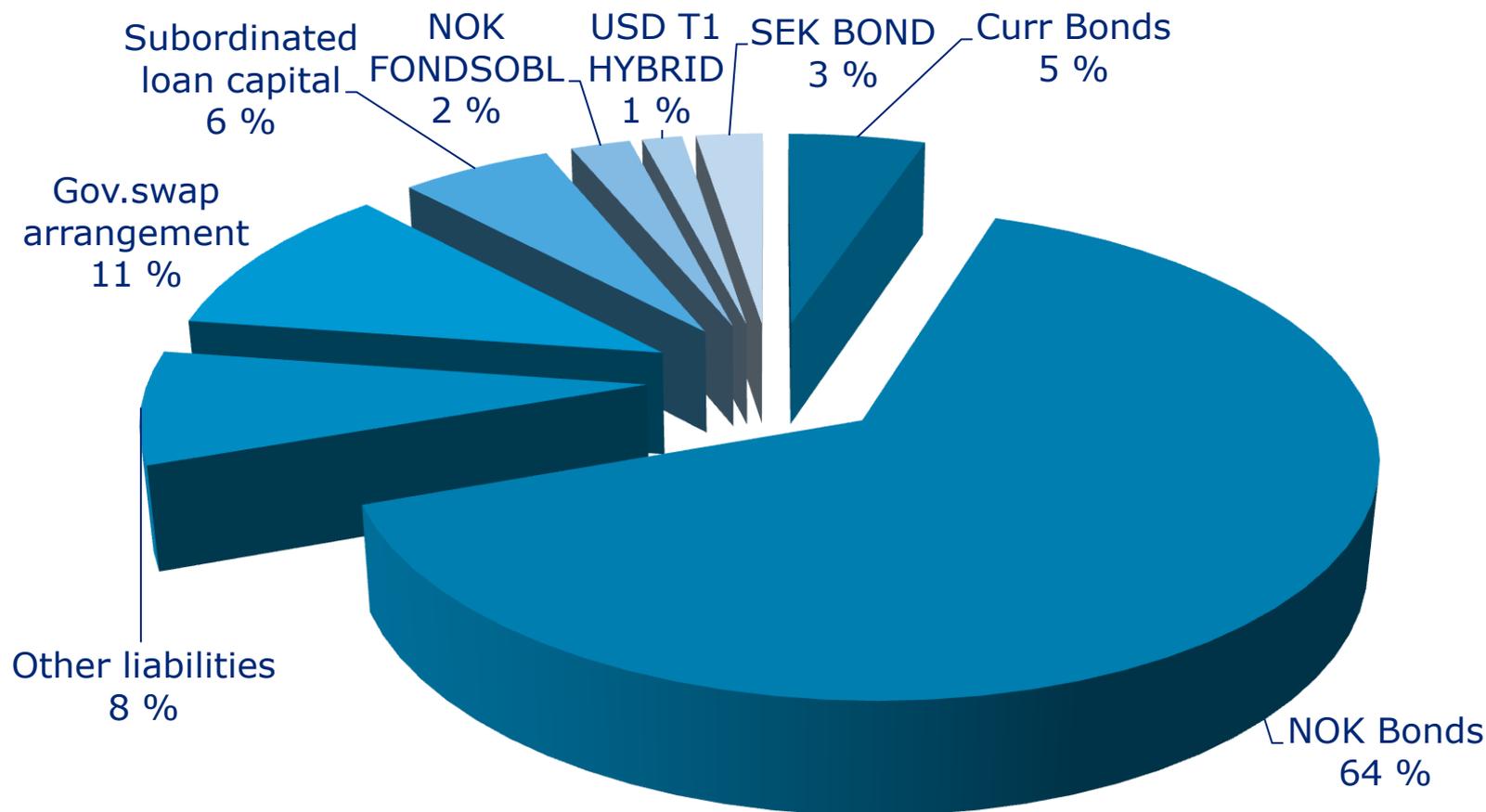


	2008	2009	2010	2011	2012
Individual write-downs for impaired value	202	163	133	84	246
Collective write-downs imp. value	40	36	-39	26	-40
Recoveries, previously confirmed losses	59	14	7	9	11
Net losses	183	185	87	101	195
Net losses in % of gross lending incl. agency loans	0,32 %	0,31 %	0,14 %	0,15 %	0,26 %

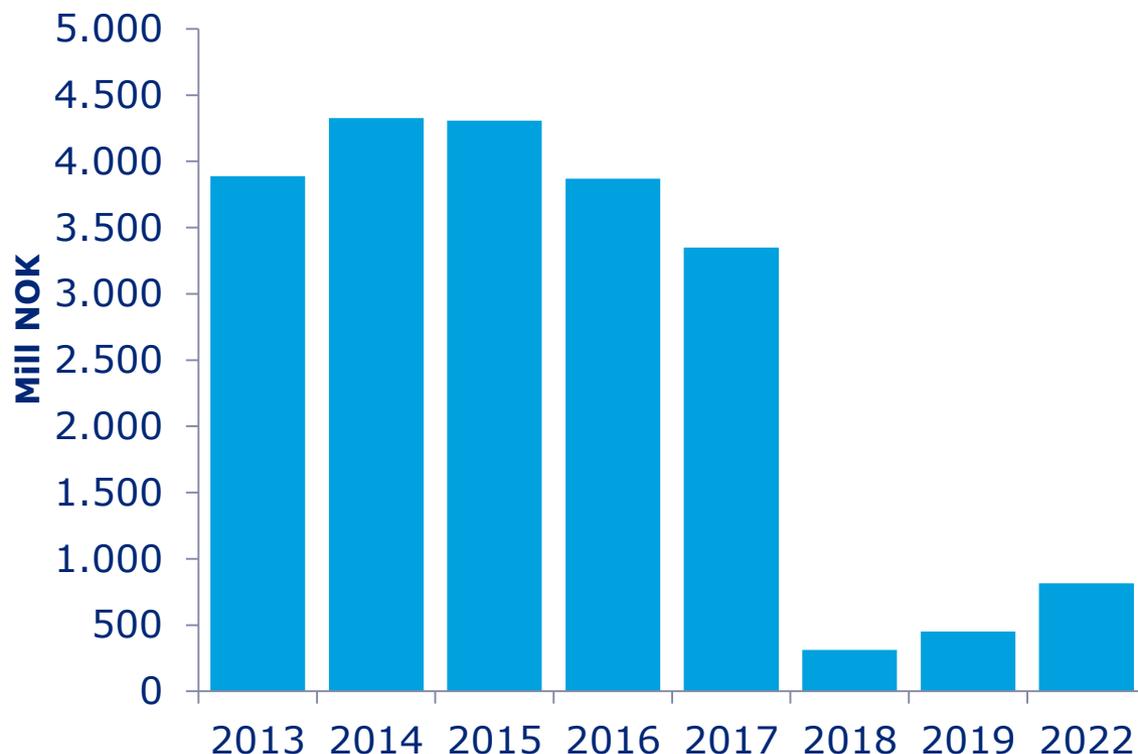
Liquidity/funding



Funding instruments / diversification, 31.12.12



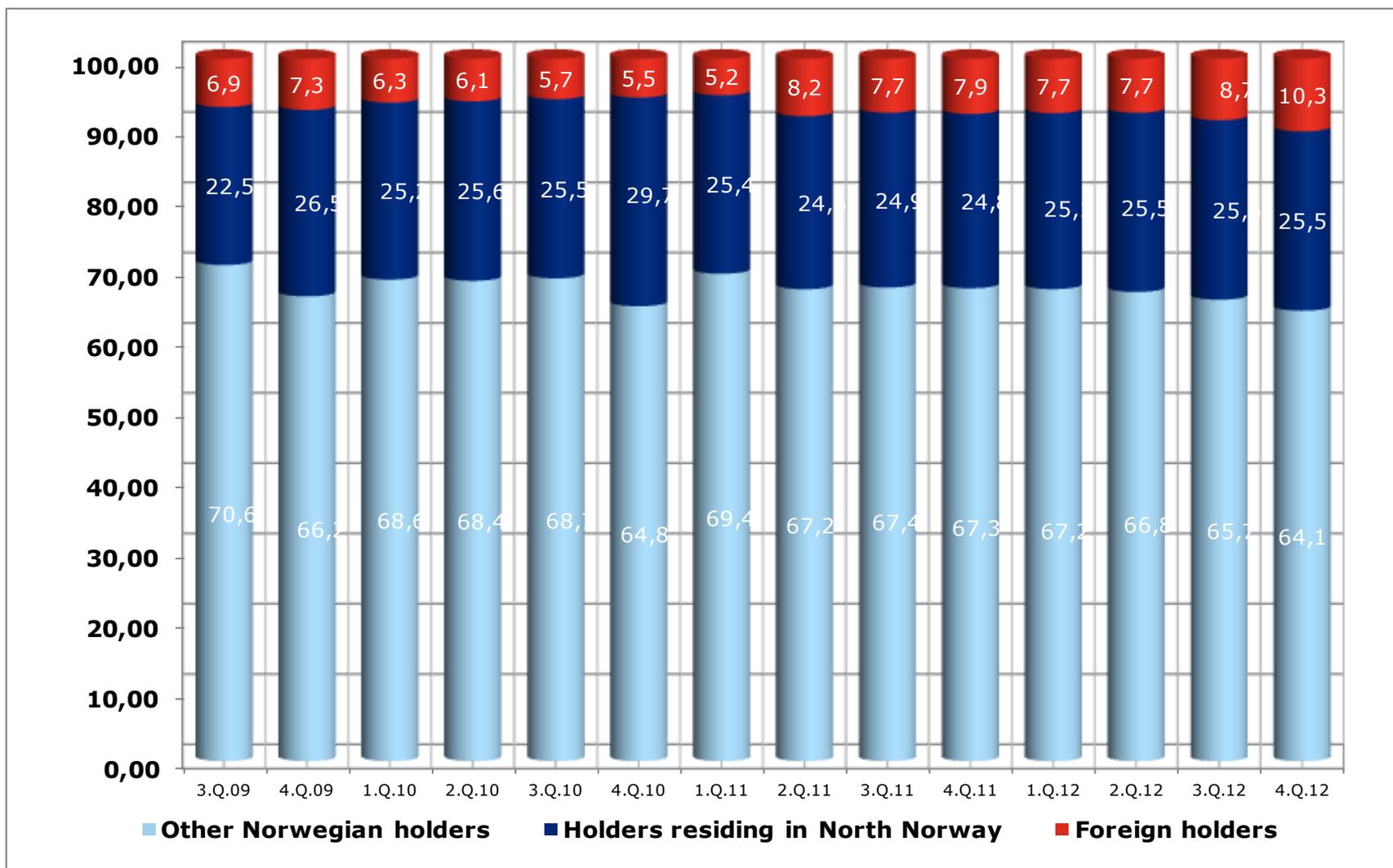
Maturity profile of capital markets funding, 31.12.12



- Good diversification in terms of maturities
- NOK 21,3 bill in capital market funding exclusive SB 1 Boligkreditt
- SpareBank 1 Boligkreditt is an important funding source. Mortgage loans of NOK 21,4 bill transferred as of 31.12.12.
- Amount of gross maturities of capital market funding next 12 months is NOK 3 887 mill

Equity certificate holders

Equity Certificates (EC) - holder structure



The 20 largest EC holders

Equity Certificate holders	Number of Equity Certificates	Share of total Equity Certificate capital
PARETO AKSJE NORGE	3.356.910	5,07 %
MP PENSJON PK	1.766.431	2,67 %
PARETO AKTIV	1.433.383	2,16 %
FRANK MOHN A/S	1.355.745	2,05 %
CITIBANK NA NEW YORK BRANCH	1.327.479	2,00 %
MORGAN STANLEY & CO LLC	1.314.149	1,98 %
TONSENHAGEN FORRETNINGSSENTRUM AS	1.134.493	1,71 %
SPAREBANKSTIFTELSEN SPAREBANK 1 NO	916.561	1,38 %
NORDEA BANK NORGE ASA	906.588	1,37 %
FRAMO DEVELOPMENTS AS	848.925	1,28 %
GOLDMAN SACHS & CO - EQUITY	804.184	1,21 %
SPAREBANK 1 SR-BANK PENSJONSKASSE	782.386	1,18 %
PARETO VERDI	763.674	1,15 %
FORSVARETS PERSONELLSERVICE	620.854	0,94 %
SPAREBANKSTIFTELSEN DNB NOR	545.614	0,82 %
TROND MOHN	509.354	0,77 %
CONSEPT EIENDOM AS	479.950	0,72 %
KARL DITLEFSEN	459.243	0,69 %
BERGEN KOMMUNALE PENSJONSKASSE	450.000	0,68 %
TERRA UTBYTTE	446.664	0,67 %
The 20 largest EC holders	20 222 587	30,54 %

The 20 largest EC holders residing in Northern Norway

Equity Certificate holders	Number of Equity Certificates	Share of total Equity Certificate capital
SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGE	916.561	1,38 %
CONSEPT EIENDOM AS	479.950	0,72 %
KARL DITLEFSEN	459.243	0,69 %
NORGES RÅFISKLAG	436.318	0,66 %
TROMS KRAFT AS	409.224	0,62 %
TROMSTRYGD	289.308	0,44 %
OLE ALFRED ROLF OVESEN	226.404	0,34 %
BODØ KOMMUNE	221.604	0,33 %
TOR OVESEN	206.556	0,31 %
GADD HOLDING AS	204.329	0,31 %
HELGELAND SPAREBANK	161.252	0,24 %
JARLE FOSSHAUG	142.882	0,22 %
RIGAMONTI A/S	126.393	0,19 %
BJ.RASCH-TELLEFSEN A/S	119.272	0,18 %
ENTREPRENØRCOMPANIET NORD AS	110.121	0,17 %
HEMMING LEONARTH ANDERSEN	109.167	0,16 %
AGNAR HOLDING AS	106.800	0,16 %
KRÆMER AS	103.999	0,16 %
TROMSØ SKOTØIMAGASIN A/S	102.000	0,15 %
COOP NORD BA	97.848	0,15 %
The 20 largest EC holders residing in Northern Norway ¹⁾	5 029 231	7,60 %

¹⁾ Postal code > 7999

SpareBank 1 Nord-Norge 4th quarter report 2012 (1)

Main features (figures and percentages in brackets refer to the same interim period in 2011):

- Profit before tax NOK 767 million (NOK 682 million)
- Profit after tax NOK 595 million (NOK 525 million)
- Good and further strengthened core banking operations before and after losses; profit from core operations before losses of NOK 702 million (NOK 599 million). Improvement of 17.2 % compared with 2011.
- Net loan losses 2012: NOK 195 million (NOK 101 million)
Net loss Q4: NOK 32 million.
- Weak results from SpareBank 1 Nord-Norge Invest.
- Return on equity after tax; 9.0% (8.5%)
- Earnings per equity certificate of NOK 3.78 (NOK 3.07)

SpareBank 1 Nord-Norge 4th quarter report 2012 (2)

Main features (figures and percentages in brackets refer to the same interim period in 2011):

- Very high lending growth in 2012: 11.6 % (7.4 %) including intermediary loans
 - Retail market 11.0 %
 - Corporate market 12.9 %
- Deposits growth in 2012: -1.3 % (6.0 %)
 - Retail market 8.8 %
 - Corporate market 3.4 %
 - Public sector -32.5 %
- Deposit-to-loan ratio: 75.6 % (80.9 %)
- Satisfactory financial strength: Core capital adequacy ratio (Group) 12.11 % (11.61 %). CET 1: 10.31 %
- Very good liquidity
- Proposed cash dividend of NOK 1.15 (NOK 1.40) to the equity certificate holders

Future trends

- A favourable macroeconomic situation leads to expectations of continued high economic activity levels in the region
- Reduced lending growth in the corporate market
- Relatively high retail lending growth is expected also in the near future
- Strengthened core operations are expected to continue:
 - Increased margins in the retail market: Increased mortgage margins are expected
 - Increased margins in the corporate market: margin increase of 0.80 - 1.00 percentage points is being implemented in Q1 2013
 - Implementation of various cost-reducing measures
 - Low loan losses
- Increased regulatory requirements for financial strength. Further measures will be implemented to increase the Group's financial strength towards 2015

Summary – key figures

Amounts in NOK million	31.12.12	31.12.11	Change	Change %
Group				
RESULT				
Result before tax	767	682	85	12,5%
STATEMENT OF FINANCIAL POSITION				
Total assets	75 261	71 039	4 222	5,9%
Gross lending	54 551	51 642	2 909	5,6%
Deposits from customers	41 220	41 765	- 545	-1,3%
KEY FIGURES				
Core Tier 1	10,31%	10,62%		-0,3%
After-tax return on equity capital	9,0%	8,5%		0,6%
Cost/income	53,8%	57,0%		-3,2%
Manyear	881	794	87	
Parent bank				
Result per Equity Certificate	3,27	2,55	0,72	

Contact information

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Deputy CEO
Oddmund Åsen
Tel 906 72 757

CFO
Rolf Eigil Bygdnes
Tel 905 19 774

Internet:

SNN home page and internet bank: www.snn.no
Hugin Online: www.huginonline.no
Equity capital certificates in general: www.egenkapitalbevis.no

Financial calendar 2013

Q4-2012	7 February
Q1	26 April
Q2	14 August
Q3	31 October



Bank. Forsikring. Og deg.

Enclosures



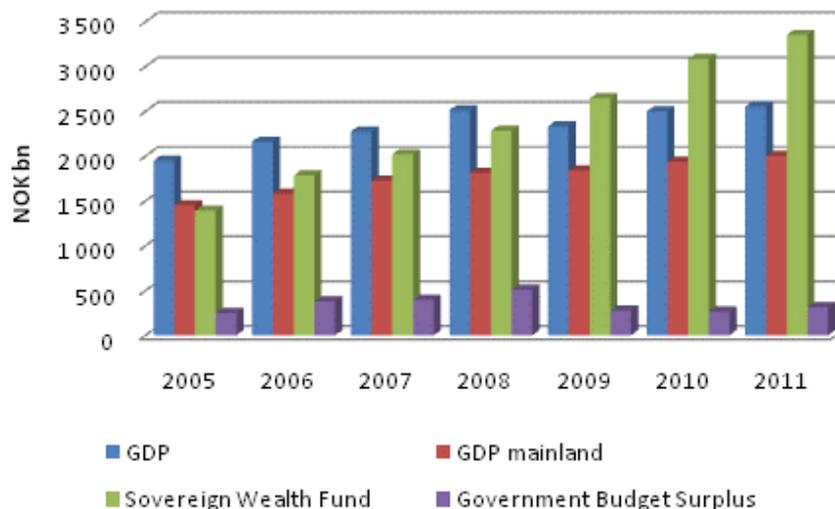
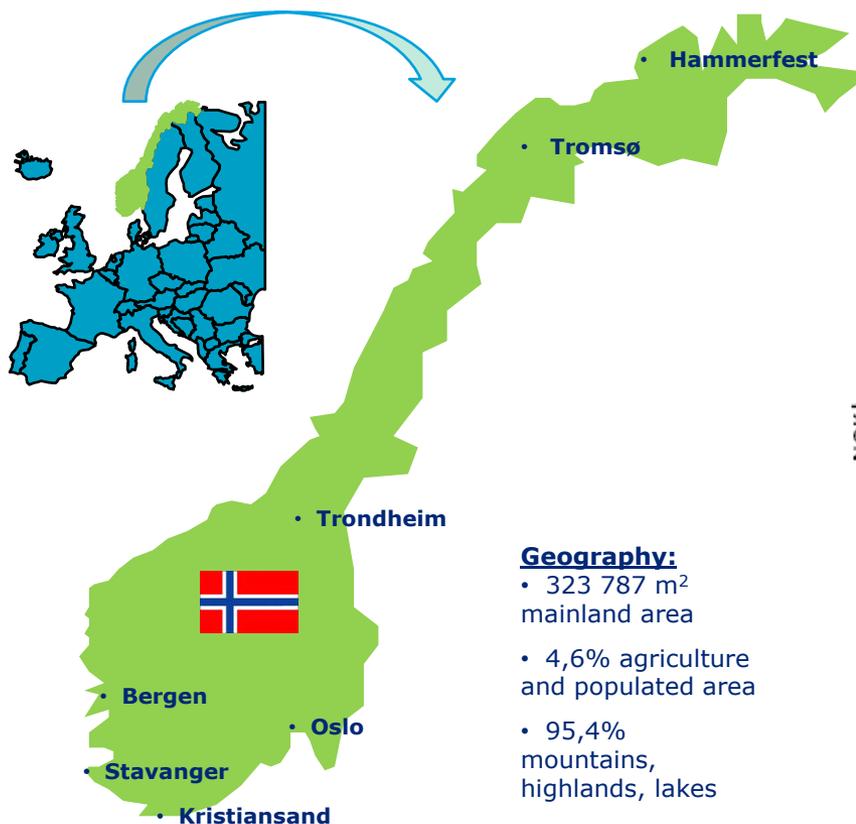
Total commission and other income

(in NOK million)	4Q12	3Q12	2Q12	1Q12	4Q11	Per 4Q		2011
						2012	2011	
Guarantee commissions	7	8	7	5	5	27	17	17
Interbank commissions	4	4	4	4	5	16	21	21
Credit arrangement fee	3	4	3	3	4	13	14	14
Arrangement fee from SpareBank 1 Boligkreditt	62	48	42	23	13	175	73	73
Arrangement fee from SpareBank 1 NN Finans	0	2	0	0	1	2	2	2
Securities trading, administration and trust department services	9	12	10	9	17	40	52	52
Payment transmission services	53	57	49	47	53	206	206	206
Brokerage commission	20	18	22	24	12	84	68	68
Insurance services	36	26	27	24	27	113	101	101
Other commission income	3	0	5	2	6	10	13	13
Total commissions income	197	179	169	141	143	686	567	567
Operating- and sales income real estate	2	1	2	1	3	6	14	14
Other operating income	18	11	4	5	3	38	5	5
Total other operating income	20	12	6	6	6	44	19	19
Commission expenses	15	19	19	21	24	74	80	80
Total commissions and other income	202	172	156	126	125	656	506	506

Operating expenses - Group

(in NOK million)	4Q12	3Q12	2Q12	1Q12	4Q11	Per 4Q	
						2012	2011
Wages and salaries	134	126	126	113	121	499	438
Pension costs	4	10	12	8	5	34	29
Social costs	15	11	10	12	15	48	47
Total personnel expenses	153	147	148	133	141	581	514
Development costs	22	25	24	26	24	97	90
Electronic data processing costs	15	16	14	12	11	57	52
Marketing costs	15	11	19	18	17	63	63
Travel - and training costs	15	9	14	15	16	53	41
Communications	2	2	4	4	3	12	10
Postage	3	2	3	3	3	11	12
Consultancy services	5	2	4	6	4	17	18
Cost involving the handling of cash	5	3	2	3	3	13	13
Office-related costs	3	3	3	3	3	12	11
Collection costs	1	1	1	1	1	4	3
Ordinary depreciation	16	13	12	13	15	54	49
Operating costs buildings	4	4	5	5	6	18	19
Rent paid - premises and bank buildings	10	11	9	9	9	39	39
Operating costs - premises	5	5	6	6	6	22	24
Other operating costs	21	12	9	25	15	67	78
Other expenses	142	119	129	149	136	539	522
Total operating expenses	295	266	277	282	277	1.120	1.036

Norway – Key Characteristics



Demographics:

- Population: 5.0 million
- Households: 2.2 million
- Unemployment: 3.0 %

Affiliations and currency:

- Non-EU member (EEA member)
- Currency: NOK
 - NOK/EUR 7.40
 - NOK/USD) 5.40

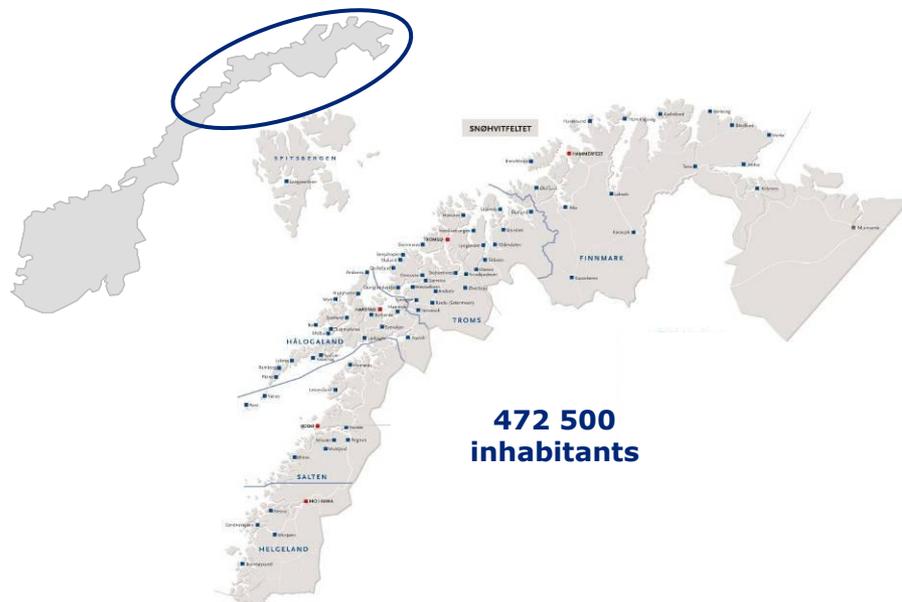
Household debt and income (2011):

- Average HH debt: NOK 1.041.000
- Average gross income per HH: NOK 431.000
- HH debt multiple of gross income: 2,42x

SpareBank 1 Nord-Norge: at a Glance

Introduction to SpareBank 1 Nord-Norge

SpareBank 1 Nord-Norge's core market



Employment in North-Norway 239.680

Public sector	41.3%	(33.8%)
Marine industry	4.5%	(2.0%)
Agriculture	2.2%	(1.4%)
Mining & manufacturing	6.5%	(10.4%)
Construction	7.8%	(7.7%)
Tourism & transport	9.7%	(8.7%)
Private services & trade	26.5%	(34.8%)
Energy	1.5%	(1.1%)

Overview of SpareBank 1 Nord-Norge

- SpareBank 1 Nord-Norge is an independent savings bank with head office in Tromsø and 76 branches. 786 man-years
- SpareBank 1 Nord-Norge is a leading provider of financial products and services within the retail and corporate sector throughout Nord-Norge
- Participant in the SpareBank 1 alliance (third largest banking group in Norway) and 19.5% ownership in the SpareBank 1 Group AS

Brief history of SpareBank 1 Nord-Norge

- Established in 1836
- Listed on the Oslo Stock Exchange in 1994
- Participated in the establishment of the SpareBank 1 alliance in 1996
- Established North-West Alliance Bank in Russia in 2011, with offices in St. Petersburg and Murmansk, in cooperation with Tavrichesky Bank

Macro and Economic trends

Northern Norway – current economic status

High activity level, growth and optimism

- Seafood; high quotas and production level - weaker markets for cod
- Oil and gas activities moving North, oil services as well
- Possibilities within the mining and mineral sector
- Construction – all time high order reserves
- Tourist industry turning from mass market to high-value experience
- Large public sector – a stabilising factor
- Labour immigration – both domestic and from Europe
- Very low jobless rate; 2.4 % in December 2012



Employment by industry divisions 2011

Industry divisions	Employed persons	Northern Norway	Norway
Fishing, fish farming and agriculture	12,174	5,2 %	3 %
Mining, extraction and manufacturing	17,586	7,5 %	11 %
Electricity, water and waste	3,521	1,5 %	1 %
Construction	18,360	7,8 %	8 %
Trade, accommodation and transportation ¹⁾	52,490	22,4 %	23 %
Business and personal services	31,678	13,5 %	21 %
Public administration, education and health	98,532	42,0 %	34 %
Total	234,341	100 %	100 %

The most important industries

- Seafood
 - Production growth and increasing prices for the salmon industry
 - Record high quotas but falling market prices for cod
 - Economic problems in important export markets
- Petroleum
 - High level of exploration and drilling activities in the Norwegian Sea and Barents Sea
 - Strengthening of operational and base organisations in the region
 - *Skarv* started production December 31, 2012, *Goliat* in 2014
- Building and construction
 - High level of activity in the construction sector and growth in residential building
 - Record order books: companies anticipate strong growth in the next 6 months
- Tourism
 - Tourist industry is growing strongly - fastest growth in winter tourism and cruise traffic
 - The market is turning towards high-end segments in Northern and Eastern Europe

Labour market and private economy

- Employment increasing
 - Companies anticipate weak growth in employment next 3 months
 - Labour migration vital for business capacity
- Tight labour market
 - Unemployment: 2.4 % in December
 - Equal to national level
- Strong private economy
 - Strong growth in real income
 - Debt growth at national average
 - Strong savings growth
 - Private consumption flattens

	Northern Norway		Norway	
	Number	%	Number	%
Jobless	6,016	2.4	62,569	2.4
On schemes	1,377	0.6	16,997	0.6
Gross unemployed	7,393	3.0	79,566	3.0
Available jobs	1,437		10,999	
Job offers ratio	5.1		7.2	

Source: NAV, 21 December 2012

High North – Norway's number one foreign policy priority

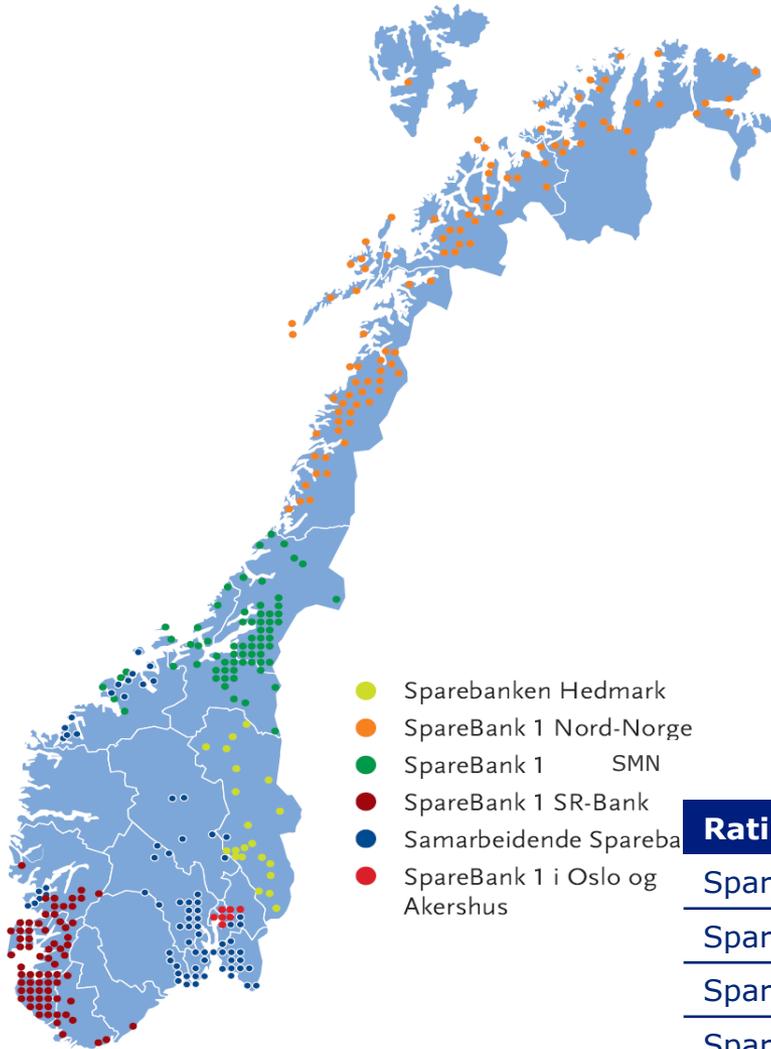
- Knowledge and research
 - New icebreaking research vessel
 - New technology building at University in Tromsø
 - Basic allocation to High North Centre at University in Bodø
- Building Barentswatch
 - Monitoring and information system for the northern maritime and coastal areas
- Deepening cooperation with Russia
 - Treaty on maritime delimitation between Norway and Russia
 - Agreement on local border traffic permits that facilitate cross-border contact
- National Transport Plan 2014 - 2023
 - Important for the development of infrastructure in the northern regions



SpareBank 1 Group and Alliance

SpareBank 1 Alliance

Strong alliance of Norwegian retail banks



Source: Published quarterly reports from respective banks

- Founded 1996 - Economies of Scale
- Local presence – extensive branch network
- 2nd largest mortgage lender in the Norwegian Retail Market
- Market leader in its local markets
 - The neighbourhood bank with market shares from 30 - 50%
- Approximately two thirds are retail lending
 - Rest is SME lending
- Key banks in the Alliance trace their history back to the 1820's

Ratings	Fitch	Moody's
SpareBank 1 SMN	A -/ F1	A2 / P-1
SpareBank 1 SR-Bank	A -/ F1	A2 / P-1
SpareBank 1 Nord-Norge	A / F1	A1 / P-1
Sparebanken Hedmark	na.	A1 / P-1

The SpareBank 1 Alliance

Strategic platform for the Alliance

Purpose

Ensure the independence and regional foothold of the individual member banks by maximizing their:

- Competitiveness
- Profitability
- Capital strength

Cornerstones

Efficiency

As a group, the banks seek to increase their efficiency compared to competitors by:

- Economies of scale
- Mutually increasing critical core competencies
- Sharing development investments

Local Market Focus

Each bank continues to maintain its link with its local community by:

- Keeping its own name and legal identity
- Taking advantage of its proximity to the local market

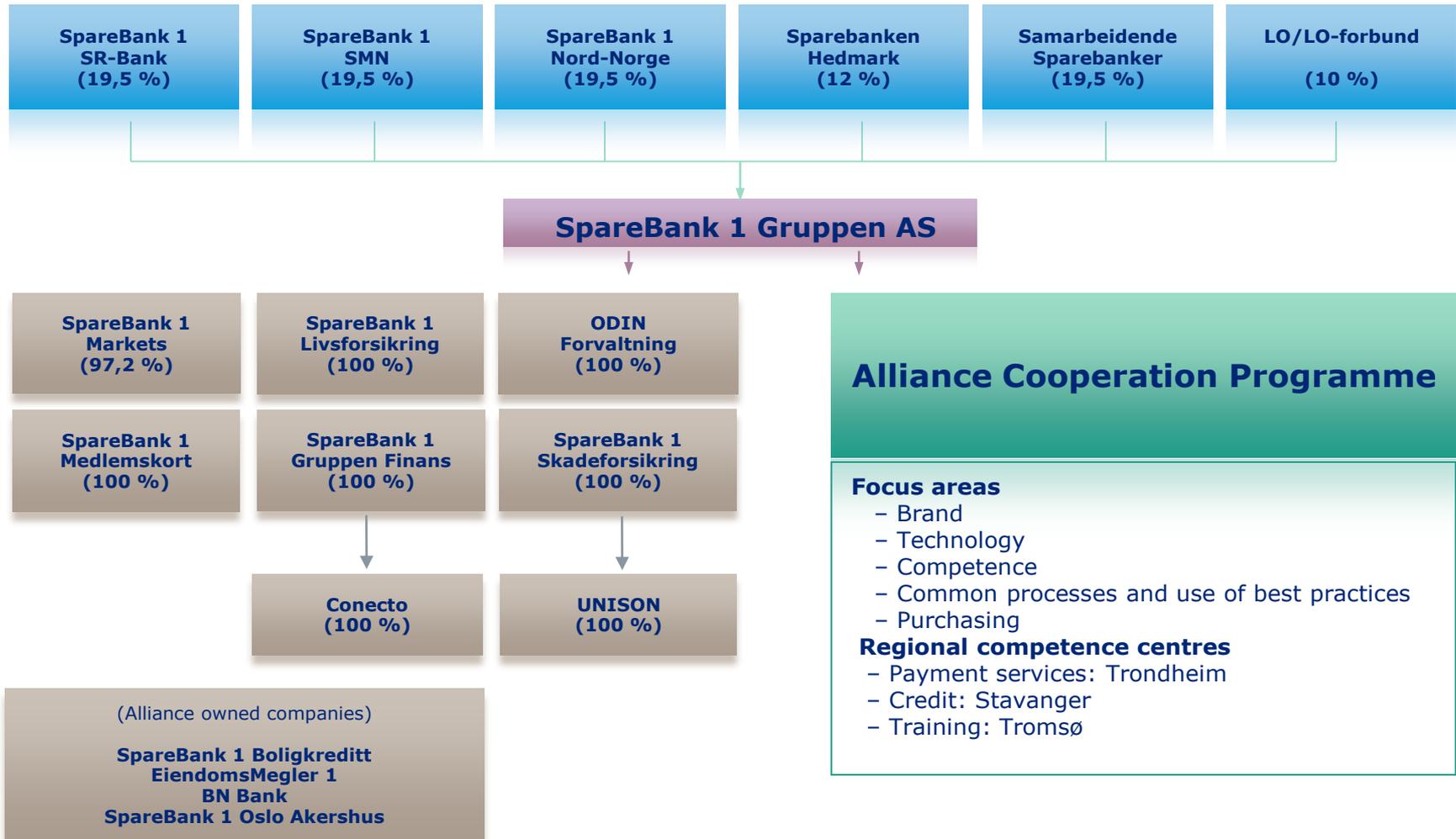


ALLIANCE PROGRAMME



**SEPARATE LEGAL IDENTITIES
COMMON SUPERBRAND**

The Alliance structure

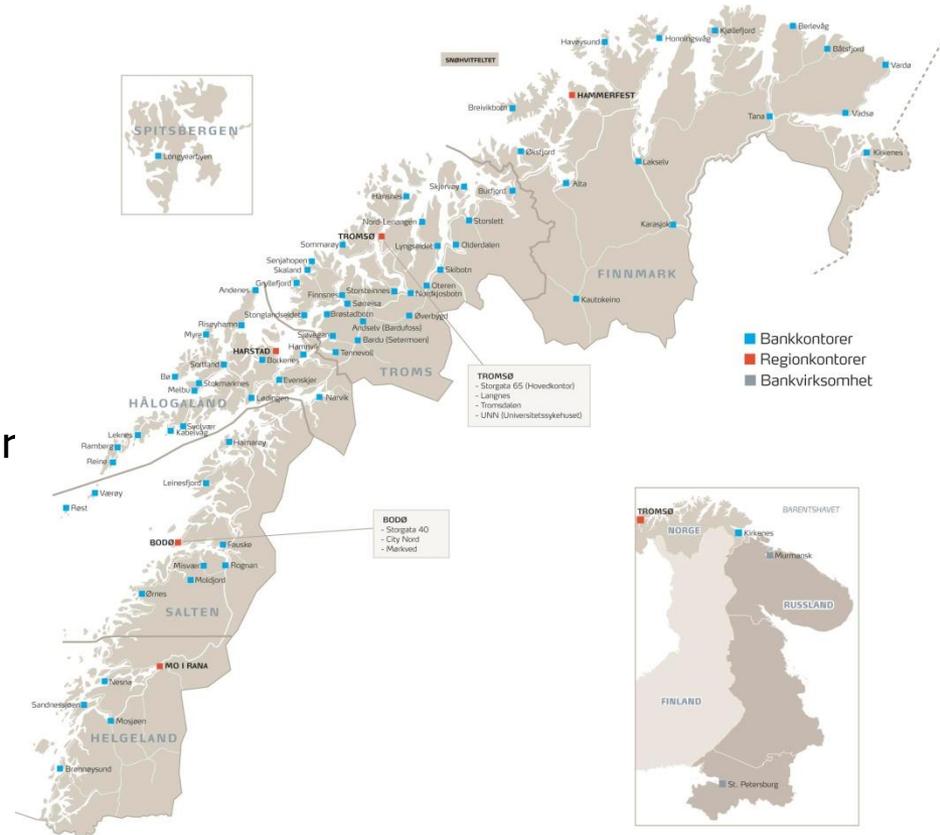


Strategy

Market position

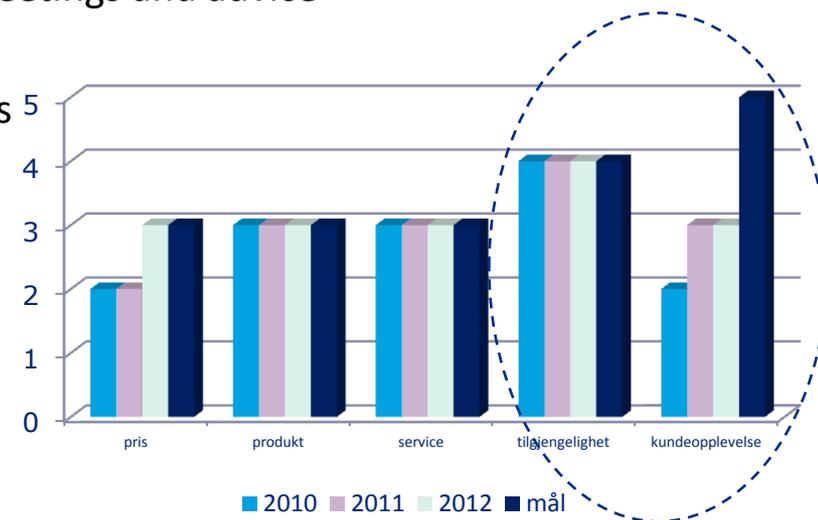
- SpareBank 1 Nord-Norge is a regionally based savings bank
- Main market is Northern Norway
 - SNN owns 75% of *North-West 1 Alliance Bank in Russia*
- Market targets: 30% market share for all business areas
- Market shares (2011)

– Customers/main bank	35%
– Deposits	33%
– Lending	23%
– Insurance; home and car	20%



Strategic core

- The best customer experience
 - The bank is trustable; keeping its promises
 - Personal advisers know the customers and understand their needs
 - Relevant initiatives and solutions tailored to the customer
 - All advisers are authorised
 - Seamless interaction between customer contact points
- Accessible to customers
 - Branch network - 76 branches offer customer meetings and advice
 - Call centre - front line customer service
 - Online bank - wide range of self-service solutions
 - Mobile bank - simplifies the customer's banking
 - 27,500 customers using mobile for paying bills
- Price and products – industry par



Customer Relevancy – improving in all dimensions

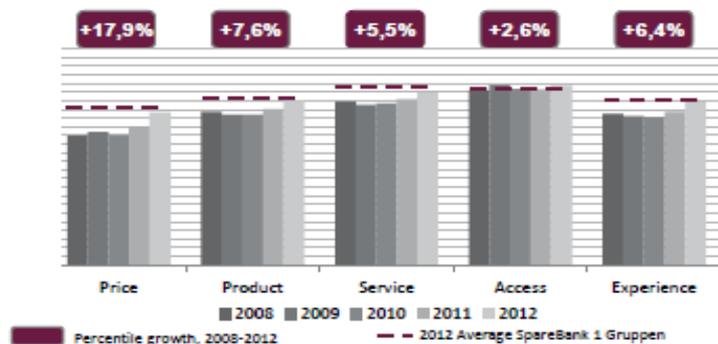
SpareBank 1 Nord-Norge has experienced a great increase on all dimensions over the past five years

Historical development in dimensions and Consumer Relevancy profile - SNN

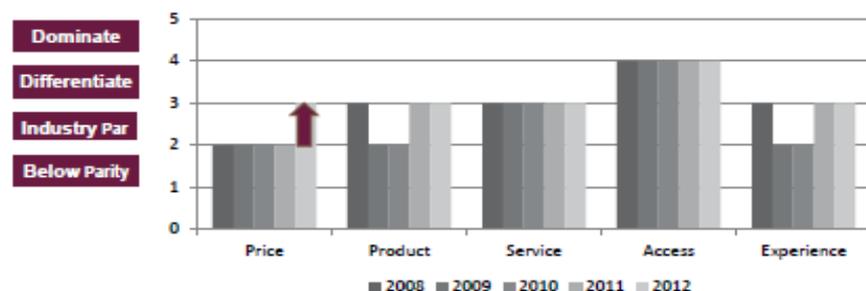
- SpareBanken 1 Nord-Norge (SNN) has increased on all dimensions since 2008. The largest increase is on Price
- Above half of the increase on all attributes has occurred from 2011 to 2012
- SNN is perceived to be strongest on Access, but the differences between the dimensions have decreased
- SNN has experienced the largest increases on the dimensions which had a relatively low historical score and the dimensions are therefore perceived more similar



Historical dimension overview - SNN



Historical Consumer Relevancy profiles - SNN



Note: It takes an average of 3,5 to reach 'Industry par', 4 to reach 'Differentiation' and 4,5 to reach 'Domination'

Prioritizing dimensions and choosing position will be a main concern for SNN.

Improving customers access – branches and mobile

- Implementing new customer strategy
 - New customer proposition
 - Internal change programme
- Extending branch opening hours
- Launching new branch concept
 - Jekta, large shopping centre in Tromsø
- Leading edge mobile banking services
- Rapid customer adaption; Dec 2012
 - 27.500 users (23 % of internet users)
 - 540.000 logons (47 % of internet logons)
- Launched mobile bank for corporates



Jekta – modern branch office opened December 8, 2012



SpareBank 1 launched first mobile bank for corporate