

# Quarterly Report



Financial statement Q1 2018

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**SpareBank**   
NORD-NORGE

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## Key figures and APM (Alternative Performance Measures) Group

(Amounts in NOK million and in % of average assets)	31.03.18	%	31.03.17	%	31.12.17	%
<b>From the profit and loss account</b>						
Net interest income	449	1.84 %	422	1.85 %	1 770	1.88 %
Net fee-, commission and other operating income	250	1.02 %	224	0.98 %	992	1.06 %
Net income from financial investments	74	0.30 %	115	0.50 %	552	0.59 %
<b>Total income</b>	<b>773</b>	<b>3.16 %</b>	<b>761</b>	<b>3.33 %</b>	<b>3 314</b>	<b>3.53 %</b>
<b>Total costs</b>	<b>343</b>	<b>1.40 %</b>	<b>326</b>	<b>1.43 %</b>	<b>1 366</b>	<b>1.45 %</b>
<b>Result before losses</b>	<b>430</b>	<b>1.76 %</b>	<b>435</b>	<b>1.90 %</b>	<b>1 948</b>	<b>2.07 %</b>
Losses	16	0.07 %	44	0.19 %	184	0.20 %
<b>Result before tax</b>	<b>414</b>	<b>1.69 %</b>	<b>391</b>	<b>1.71 %</b>	<b>1 764</b>	<b>1.88 %</b>
Tax	89	0.36 %	78	0.34 %	324	0.35 %
Result non-current assets held for sale	0	0.00 %	0	0.00 %	0	0.00 %
<b>Result after tax</b>	<b>325</b>	<b>1.33 %</b>	<b>313</b>	<b>1.37 %</b>	<b>1 440</b>	<b>1.53 %</b>
<b>Profitability</b>						
Return on equity capital	1	11.2 %	12.2 %		12.9 %	
Interest margin	2	1.84 %	1.85 %		1.88 %	
Cost/income	3	44.4 %	42.8 %		41.2 %	
<b>Balance sheet figures and liquidity</b>						
Total assets		98 372	92 476		97 186	
Average assets	4	97 779	91 489		93 905	
Gross lending		76 746	71 294		75 003	
Loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt		30 510	25 986		30 482	
Gross lending and advances to customers incl. commission loans	5	107 256	97 280		105 485	
Growth in loans and advances to customers past 12 months		7.6 %	9.1 %		6.0 %	
Growth in loans and advances to cust. incl. commission loans past 12 months		10.3 %	8.4 %		9.6 %	
Share total lending transferred to Sp1 Boligkreditt of total retail loans		39.6 %	36.7 %		40.0 %	
Share total lending transferred to Sp1 Boligkreditt of total loans		28.4 %	26.7 %		28.9 %	
Deposits from customers		59 039	54 261		57 849	
Growth in deposits from customers past 12 months		8.8 %	7.4 %		7.4 %	
Deposits as a percentage of gross lending	6	76.9 %	76.1 %		77.1 %	
Deposits as a percentage of gross lending including commission loans	7	55.0 %	55.8 %		54.8 %	
Liquidity Coverage Ratio (LCR)		138	121		126	
<b>Losses on loans and commitments in default</b>						
Losses on loans to customers as a percentage of gross loans incl. commission loans		0.06 %	0.18 %		0.17 %	
Commitments in default as a percentage of gross loans incl. commission loans		0.34 %	0.37 %		0.35 %	
Commitments at risk of loss as a percentage of gross loans incl. commission loans		0.58 %	0.26 %		0.60 %	
Net comm. in default and at risk of loss as a per. of gross loans incl. commission loans		0.73 %	0.47 %		0.75 %	
Loan loss provision ratio	8	21.77 %	25.20 %		21.09 %	
<b>Solidity</b>						
Common Equity Tier I		14.8 %	15.3 %		14.9 %	
Tier I Capital		16.1 %	16.6 %		16.2 %	
Total regulatory Capital %		17.8 %	18.8 %		18.1 %	
Common Equity Tier I		10 114	9 574		9 992	
Tier I capital		10 980	10 370		10 857	
Equity and related capital resources		12 170	11 767		12 141	
Adjusted risk-weighted assets base		68 281	62 590		67 222	
Leverage Ratio		7.2 %	7.2 %		7.2 %	
<b>Branches and full-time employees</b>						
Branches		38	38		38	
Manyears		777	763		784	

- The profit after tax in relation to average equity, calculated as a quarterly average of equity and as at 1 January and 31 March.  
The Bank's hybrid tier 1 securities issued in 2017 are classified as equity in the financial statements. However, when calculating the return on equity, hybrid tier 1 capital is treated as a liability and the associated interest costs are adjusted for in the result.
- Net total interests as a percentage of average total assets
- Total costs as a percentage of total net income
- Average assets are calculated as average assets each quarter and at 01.01. and 31.03.
- Intermediary loans include loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, which are deducted from the balance sheet.  
Key figures related to lending are calculated both with and without intermediary loans to reflect the Group's actual growth.
- Deposits from customers as a percentage of gross lending
- Deposits from customers as a percentage of gross lending
- Individual loss provisions in relation to total non-performing and impaired commitments.
- EC holders share of equity capital as at 01.01.
- Quoted price on Oslo Stock Exchange multiplied by numbers of EC's outstanding divided by Equity Certificates holders' share of the equity capital as at 31.12.

## Key figures ECC

	1q18	2017	2016	2015	2014	2013	2012	2011	2010
1) NONG Quoted/market price	<b>62.00</b>	62.25	52.25	36.70	39.90	35.50	24.70	28.90	37.76
2) Number of Equity Certificates (EC) issued	<b>100.40</b>	100.40	100.40	100.40	100.40	100.40	74.40	74.00	56.92
3) Quoted/market price EC issued (NOK mill)	<b>6 225</b>	6 250	5 246	3 685	4 006	3 564	1 837	2 139	2 149
4) Quoted/market price total equity	<b>13 427</b>	13 481	11 315	7 948	8 464	7 530	4 418	5 083	6 223
5) Allocated dividend per EC	-	4.00	3.45	2.00	1.90	1.10	1.02	1.25	1.81
Paid-out dividend per EC	<b>4.00</b>	3.45	2.00	1.90	1.10	1.02	1.25	1.81	2.12
6) Dividend yield	-	6.4 %	6.6 %	5.4 %	4.8 %	3.1 %	4.1 %	4.3 %	4.8 %
7) Total yearly return	-	25.7 %	47.8 %	-3.3 %	15.5 %	47.9 %	-10.2 %	-18.7 %	15.2 %
Total equity capital Parent bank, NOK mill	<b>9 970</b>	10 617	9 336	8 198	7 735	7 200	5 589	5 264	4 547
Total equity capital Group, NOK mill	<b>11 678</b>	12 299	11 011	9 961	9 343	8 502	6 832	6 408	5 670
8) Equity capital per EC Group	<b>51.48</b>	54.34	50.84	46.00	44.05	40.08	38.19	36.43	34.41
9) Result per EC Group, adjusted for interest hybrid capital	<b>5.93</b>	6.60	5.54	5.10	4.64	4.14	4.01	2.72	5.26
10) Totalresult per EC Group, adjusted for interests hybrid cap	<b>6.02</b>	6.95	5.79	4.11	5.17	4.13	3.36	2.75	4.95
11) P/E (Price/Earnings per EC Group)	<b>10.46</b>	9.43	9.03	8.93	7.72	8.59	7.34	10.51	7.63
12) P/B (Price/Book Value per EC Group)	<b>1.20</b>	1.15	1.03	0.80	0.91	0.89	0.65	0.79	1.10
13) Pay-out ratio Group		60.50 %	59.63 %	48.65 %	36.77 %	26.62 %	11.80 %	19.74 %	33.14 %
EC ratio overall as at 31.12.	<b>46.36 %</b>	46.36 %	46.36 %	46.36 %	47.33 %	47.33 %	41.59 %	42.07 %	34.54 %
EC ratio overall as at 01.01. used for allocaton of result	<b>46.36 %</b>	46.36 %	46.36 %	47.33 %	47.33 %	42.91 %	42.07 %	38.74 %	34.54 %

- 1) Quoted/market price adjusted for equity issues, fund issues, dividend issues and splits
- 2) Number of certificates issued
- 3) Market price \* number of ECs
- 4) Market price \* number of ECs/EC ratio overall
- 5) Allocated dividend
- 6) Allocated dividend/Market price EC as at 31.12
- 7) (Market price EC 31.12 - market price EC 31.12 previous year + paid dividend)/Market price EC 31.12
- 8) Equity excl. hybrid capital Group\*EC ratio overall/Number of EC
- 9) Anualised result after tax Consern\*EC ratio overall/Number of EC
- 10) Anualised totalresult after tax Consern\*EC ratio overall/Number of EC
- 11) Market price/Result per EC Group adjusted for interests hybrid capital
- 12) Market price/Book value per EC Group
- 13) Dividend per EC/Result per EC Group

## Interim Report for SNN – Q1 2018

(Figures in brackets are for the same period/date in 2017, unless otherwise specified).

### Highlights

NOK mill	1Q18	4Q17	Change	31.03.18	31.03.17	Change
Operation costs	343	373	-30	343	326	17
Profit after tax	325	424	-99	325	313	12
Return of equity *)	11,2 %	14,6 %	-3,4 %	11,2 %	12,2 %	-1,0 %
Earnings per equity certificate	1,48	1,95	-0,46	5,93	5,78	0,15
Common tier 1 capital ratios				14,8 %	15,3 %	-0,5 %
Loan losses	16	37	-21	16	44	-28
Lending growth	1,7 %	3,6 %	-1,9 %	10,3 %	8,4 %	1,8 %
Growth in deposits	2,1 %	1,2 %	0,9 %	8,8 %	7,4 %	1,4 %

\*) The Bank's hybrid tier 1 securities issued in 2017 are classified as equity in the financial statements.

However, when calculating the return on equity, a NOK 530 mill hybrid tier 1 securities are deducted from equity, and profit before tax are adjusted for NOK 4 million interests on hybrid tier 1 securities in 1q 18.

### IFRS 9 Financial instruments

IASB (International Accounting Standards Board) decided that the new IFRS 9 *Financial Instruments* (International Financial Reporting Standards) was to replace the IAS 39 *Financial Instruments: Recognition and Measurement* (International Accounting Standards), and it came into force on 01.01.18. IFRS 9 has entailed changes to the classification and measurement of financial instruments, writing down financial assets, and hedge accounting.

Throughout 2017, the Group stated that it did not expect the new standard to have significant effects on the balance sheet and equity. As set out in the 2017 Annual Report and in the quarterly accounts for the first quarter of 2018, the implementation effect of IFRS 9 as at 01.01.18 has had a negative impact on the Group's equity worth NOK 51 million. This had a positive effect on the return on equity of around 0.05 percentage points, as well as a reduction to common equity tier 1 capital of around 0.10 percentage points compared to the calculation as at 31.12.17.

### Macroeconomic trends

Global growth was strong in 2017, and development has remained strong in early 2018. Growth is good both in rich and emerging economies. In spite of this, there has been turbulence in the world's financial markets so far this year, with falling share indexes and nervousness in the bond market. There are two particular factors that have caused unrest: Firstly, strong growth in the USA has meant that markets expect higher inflation and thus higher interest rates. Secondly, there is fear of a trade war. This was initiated by the USA and Trump raising tariffs on some goods, which hit countries such as China. This was followed by a tariff on steel and aluminium, which had a wider impact despite many countries being exempt. Just before Easter came what many had been waiting for and feared: increased tariffs aim squarely at Chinese goods. The markets are now unsure what countermeasures will come out of China.

Key figures for the Norwegian economy are increasingly strong. Annual growth in GDP during the fourth quarter was 2.4%, and the rate of growth going forward looks likely to be higher. A count of petroleum investments showed that these are likely to rise by up to ten per cent this year. Furthermore, there was a clear drop in the unemployment rate reported by NAV. Although core inflation was somewhat lower than expected, the macro figures point to an increased likelihood that Norges Bank will raise interest rates this year.

Governor of Norges Bank, Øystein Olsen, based his eighth annual speech on the fact that it is now ten years since the financial crisis. It is only now that the economy can be considered returned to health, illustrating that recovery following crises can take a very long time. In early March, it was also announced that Norges Bank has lowered the inflation target from 2.5% to 2.0%. However, it was also emphasised that monetary policy will be flexible and seek to achieve stability in terms of production and employment, as well as counteracting financial imbalances.

It is also important for the financial sector that in February, the Financial Supervisory Authority of Norway and Norges Bank advised the Ministry of Finance to retain all elements of the mortgage regulation. This includes a maximum LTV of 85% LTV, maximum lending of five times annual income and a 2.5% minimum amortisation of loans above 60% of loan value.

There remains uncertainty relating to housing market developments, even if the market now appears to have stabilised. The latest figures have once again shown rising house prices. Many factors, including very high prices, a healthy supply of new homes, and stricter lending rules are still drawing the market towards weaker house price development. On the other hand, low unemployment, low interest rates and prospects of higher salaries give less cause to fear falling prices.

Many households have taken on a heavy debt burden. This is especially the case in the larger cities. If interest rates were to rise more than expected, this might prove challenging to some households.

North-Norwegian households are, by and large, financially healthy. The performance of the northern Norwegian economy is good and has over time seen higher growth than the rest of the country. Analyses by the Business Barometer for Northern Norway in October 2017 indicate that growth in the northern Norwegian economy will be high. The fact that the Norwegian economy is picking up is also further stimulating northern Norwegian economy. The region's economic growth is expected to continue to rise faster in the coming years than otherwise in Norway, but that it will now only be slightly ahead of the rest of the country. This is partly because growth in the Norwegian economy has risen, and partly because growth in the northern Norwegian economy might be limited by scarce resources. The biggest constraint is the lack of labour, where northern Norway currently is dependent on labour migration. There are also capacity limitations in seafood production. Increased airport infrastructure is also necessary when it comes to dealing with the growth in tourism.

There has been a moderate increase in house prices in North-Norway during the first quarter of the year. Annual growth in house prices as at end of first quarter was slightly negative at -0.2% for the region as a whole, while the figures as end of April are showing a positive annual growth of 1.6 %. Although there are several signs of improvement in the North-Norwegian housing market compared with the weak development that characterised 2017, the figures so far are insufficient to ascertain a marked change in the trend. Ordinarily, the supply of houses increases during the second quarter, which will also lead to weaker growth in prices compared to the first quarter.

Investments in Northern Norway grew strongly in 2016 and 2017, primarily boosted by high housing investments. Going forward, the number of new housing projects is expected to fall due to a somewhat weaker housing market. In the civil engineering sector, where the activity is largely steered by the construction of roads and other infrastructure, the picture is more positive.

The value of seafood exports from North-Norway increased by approximately 15% during the first two months of the year compared to the same period in 2018. The industry continues to enjoy relatively high prices and a low exchange rate. Pricing trends for salmon are once again positive following a decline through much of 2017. According to figures from the Norwegian Seafood Council, the first quarter of 2018 was the best quarter ever recorded for cod, a fish that is important for North-Norway. Both volume and prices have been good. Dried cod, salted cod and whole fresh cod have all seen significant price rises of 19%, 12% and 7% respectively during this quarter.

Optimism in the tourism industry remains high and the region's industry has seen substantial growth in recent years. In 2016, the number of foreign overnight stays rose by 18% and in 2017 the annual growth was 11%. It may now seem as if growth is tailing off, although activities relating to winter tourism remained high during the most recent season.

Going forward, the region's economy is expected to be characterized by good growth, record low unemployment, and high investments. Unless the Norwegian currency is considerably strengthened, the export sector will be stimulated by a continued weak currency.

Uncertainty also exists in relation to the development of the economy in North-Norway, both with regard to the international macro picture, and how the Norwegian krone exchange rate will develop in the future and impact export industries and tourism. A tight labour market might also present a challenge for growth in the region. The same is true of infrastructure, which is not sufficiently efficient. The emergence of more protectionism and the development of a trade war between global super powers is also not positive for the Norwegian or North-Norwegian economy.

In total, the international, national and regional macroeconomic conditions continue to be in place to provide good growth opportunities for northern Norway and for SpareBank 1 Nord-Norge.

## Financial performance

NOK mill	1Q18	4Q17	Change	31.03.18	31.03.17	Change
Total income	773	920	-147	773	761	12
Total costs	343	373	-30	343	326	17
Losses	16	37	-21	16	44	-28
Tax	89	86	3	89	78	11
Profit after tax	325	424	-99	325	313	12

The income statement shows a profit after tax of NOK 325 million. This corresponds to a return on equity of 11.2%. The Group's profitability target is to have banking operations on top among comparable financial groups, currently 12 % or higher. The profitability target of 12 % return on equity is maintained.

## Net interest income

Net interest income as at 31 March 2018 was NOK 449 million (NOK 422 million).

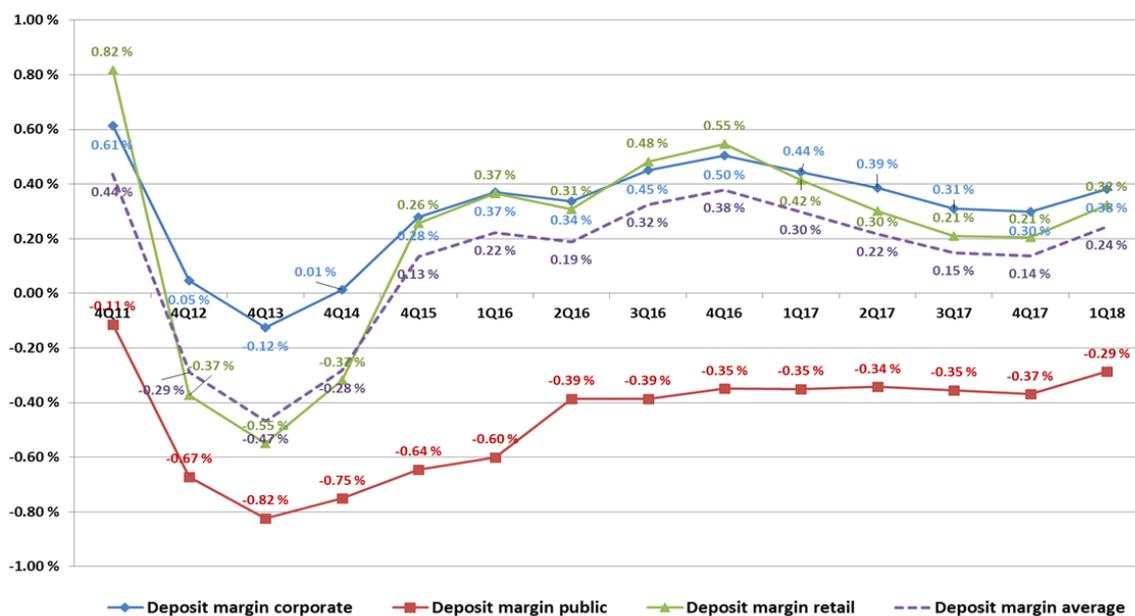
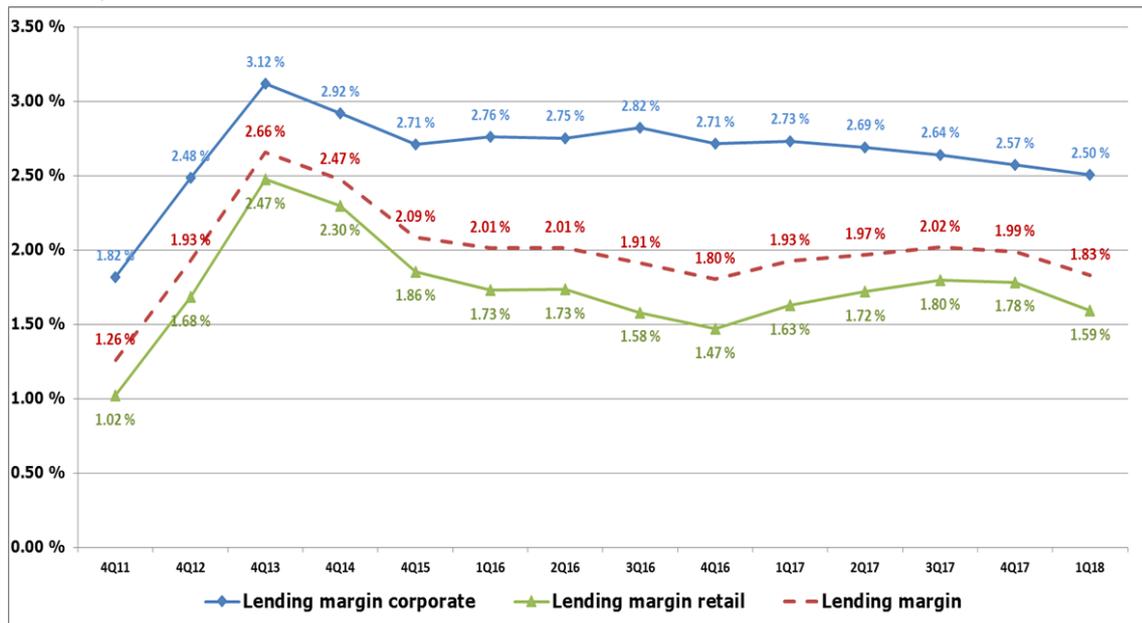
Net interest income represented 1.84% (1.85%) of average total assets.

Income from the loans portfolio transferred to SpareBank 1 Boligkreditt (SB1BK) and SpareBank 1 Næringskreditt (SB1NK), NOK 31 billion as at 31 March 2018 (NOK 26 billion), is booked as commissions. As at 31 December 2017, these commissions amounted to NOK 76 million (NOK 47 million).

Compared with the fourth quarter of 2017, the changes in net interest income, inclusive of commissions from the transferred loans portfolio, but exclusive of charges for the Guarantee Fund, were as follows in the first quarter of 2018:

NOK mill	Change last quarter
Effect of days	-9
Margin effects	-3
Effect volume	10
Other effects	-9
Total effects	-11

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



Compared with the fourth quarter of 2017, the Bank's average costs for borrowing in the capital markets fell by around 0.08 percentage points in the first quarter of 2018. This reduction is primarily due to refinancing of the bank's borrowing from the capital markets through new loans with lower credit premiums. The recent increase in money market rates (NIBOR) has had little impact on the bank's borrowing costs during the first quarter, but these will increase as of the second quarter.

Assuming constant conditions in the capital market, the Bank's average borrowing costs are expected to increase by around 0.19 percentage points in the second quarter of 2018 and by a further 0.07 percentage points during the second half of 2018.

The increase in money market rates is in the short run expected to represent a pressure on net interest margin for Norwegian banks. However, in the medium term, the increased interest rate level should give grounds for a repricing of loans and deposits.

The development of net interest income will also depend in part on the competitive situation and volume growth.

## Net commissions and other income

NOK mill	1Q18	4Q17	Change	31.03.18	31.03.17	Change
Net commission loans	76	75	1	76	47	29
Net commission insurance	40	35	5	40	41	-1
Net commission payment	60	60	0	60	63	-3
Commission real estate	26	29	-3	26	26	0
Fee accounting services	33	29	4	33	32	1
Net other income	15	37	-22	15	15	0
<b>Total</b>	<b>250</b>	<b>265</b>	<b>-15</b>	<b>250</b>	<b>224</b>	<b>26</b>

As part of the process surrounding the development and construction of a new head office in Tromsø, SpareBank 1 Nord-Norge sold parts of its Rødbanken building in Tromsø during the fourth quarter of 2017 and recognised a profit of NOK 4 million under other operating income.

The Group is actively working to increase its proportion of other operating income within the core business area.

## Income from financial investments

Share results NOK mill	Sharehold	1Q18	4Q17	Change	31.03.18	31.03.17	Change
SpareBank 1 Gruppen	19,50 %	36	134	-98	36	71	-35
SpareBank 1 Boligkreditt	16,85 %	3	-6	9	3	-19	22
SpareBank 1 Næringskreditt	14,48 %	2	2	0	2	3	-1
SpareBank 1 Kredittkort	17,29 %	5	4	1	5	2	3
SpareBank 1 Mobilbetaling	19,70 %	0	14	-14	0	-13	13
SpareBank 1 Betaling	19,70 %	-2	-4	2	-2	0	-2
BN Bank	23,50 %	20	20	0	20	21	-1
Other companies		-1	3	-4	-1	0	-1
Sale Group company		0	0	0	0	0	0
<b>Total income associated companies</b>		<b>63</b>	<b>167</b>	<b>-104</b>	<b>63</b>	<b>65</b>	<b>-2</b>
Share dividends		1	0	1	1	0	1
Net change value equities		-1	30	-31	-1	13	-14
Net change value of bonds, currency and derivatives		19	-3	22	19	35	-16
Net change value loans at fair value included hedging		-8	0	-8	-8	2	-10
<b>Net income from financial investments</b>		<b>74</b>	<b>194</b>	<b>-120</b>	<b>74</b>	<b>115</b>	<b>-41</b>

SpareBank 1 Gruppen's total profit after tax as at 31.03.18 was NOK 184 million, NOK 178 less than during the first quarter of 2017. This decrease is largely related to the non-life insurance sector, and is due to weaker insurance results and lower net financial income.

In November 2017, a plan to merge Vipps, BankAxept and BankID Norge was announced. The merger is scheduled for completion on 1.08.18. The banks have signed a letter of intent concerning continuing the current payment and identification solutions, and the goals are to create an even better customer experience and strengthen the position in the competition with the global technology giants. The Norwegian Competition Authority approved the merger 27.04.18, subject to certain conditions. The requirements include that the merged company should offer services to third parties' payment solutions on non-discriminating terms.

The income share 'Other' consists of shares of the profit from the companies SpareBank 1 Banksamarbeidet DA, SMB Lab AS and Betr AS (previously Proaware AS).

### ***The Group's equities portfolio***

The Group's equities portfolio as at 31.03.18 amounted to NOK 357 million (NOK 317 million). The portfolio saw a negative change in value of NOK -1 million in the last quarter.

### ***Certificates, bonds, currency and derivatives***

As at 31 March 2018, the Group's holdings of certificates and bonds amounted to NOK 11,841 million, compared with NOK 11,036 million at the same time the year before.

Total net changes in value for the first quarter of 2018 in this portfolio represented a gain of NOK 18 million, and were largely due to general gains from changes in market spread.

A summary of the Group's derivatives as at 31 December 2018 is provided in note 12 to the interim financial statements.

### ***Subsidiaries and second tier subsidiaries***

The Group's subsidiaries have a combined result before tax as at the first quarter of 2018 of NOK 42 million (NOK 42 million), which has been fully consolidated in the consolidated financial statements. The subsidiaries with operations within the Group's core business (SpareBank 1 Finans Nord-Norge, EiendomsMegler 1 Nord-Norge and SpareBank 1 Regnskapshuset Nord-Norge) have shown good earnings.

The individual subsidiaries' results are presented in note 17 to the interim financial statements.

## **Operating costs**

The Group's costs target was changed from 1 January 2018. The long-term targeted cost/income ratio is now 40% or lower. The costs target was changed because SNN wanted a measure of efficiency that provided a better basis for comparisons with other players. In addition to this, a relative target also takes into account the income side. This is considered particularly important at a time when the reorganisation of the business is affecting both the costs and income sides. As at 31.03.18, this ratio was 44.4% (42.8%) for the group and 44.3% (42.8%) for the parent bank.

NOK mill	1Q18	4Q17	Change	31.03.18	31.03.17	Change
Labor costs	139	149	-10	139	133	6
Pension	11	3	8	11	12	-1
Social costs	28	31	-3	28	27	1
Administration costs	109	103	6	109	96	13
Depreciation costs	18	19	-1	18	15	3
Property costs	4	6	-2	4	5	-1
Other operation costs	34	62	-28	34	38	-4
<b>Total operation costs</b>	<b>343</b>	<b>373</b>	<b>-30</b>	<b>343</b>	<b>326</b>	<b>17</b>

The Group's costs during the first quarter of 2018 were NOK 17 million (5%) higher than the same quarter in 2017. NOK 9 million of the increase was due to the Group's subsidiaries, in addition to a NOK 8 million increase in costs

in the Parent Bank. Higher costs in the parent bank were due to more activity relating to digitalisation, automation and new IT systems.

An overview of the Group's pension liabilities and pension costs is provided in note 15 to the interim financial statements.

The Group's costs for the first quarter seen in isolation decreased by NOK 30 million compared with the fourth quarter of 2017. Included in other operating expenses for the fourth quarter of 2017 were a NOK 11 million write down related to a bank building Bodø, and provisions made for wealth tax worth NOK 8 million.

Compared with total costs in 2017 and the first quarter of 2018, costs are expected to rise somewhat during the remainder of 2018. This is due to continued rental costs in Tromsø and Bodø from leasing temporary premises. There is also a greater focus on digitalisation, automation and new IT systems. This will provide cost savings and higher income from 2019. New business acquired by the subsidiary SpareBank 1 Regnskapshuset Nord-Norge will increase costs by around NOK 25 million in 2018. The merger of the new businesses will take place during the second quarter of 2018, but with accounting effect from 01.01.18. The acquisition is expected to contribute to increased profitability. Work continues to find income streams and to streamline costs in the Group.

There were 777 full-time equivalents at the end of the first quarter of 2018 (763), 14 more than as at 31 January 2017: there were 7 fewer in the Parent Bank and 21 more in the subsidiaries. The latter is mainly due to Regnskapshuset, where the number of employees increases as a consequence of the above mentioned acquisition.

The Parent Bank had 530 full-time equivalents the end of the first quarter of 2018 (537).

## Loss and defaults

The Group's net losses on loans as at the end of the first quarter of 2018 amounted to NOK 16 million (NOK 44 million): NOK -4 million (NOK 0 million) from the retail market, NOK 0 million (NOK 44 million) from the corporate market and other sectors. The level of losses is considered to be very low. See also notes 7 and 8 to the interim financial statements.

Net non-performing and doubtful lending volume as at 31 March 2018 totalled NOK 337 million (NOK -1 million), equivalent to 0.35% of gross lending inclusive of intermediary loans. Also see note 9 to the interim financial statements.

The Group's total individual loss provisions on loans to customers according to IFRS 9 as at 31 March 2018 amounted to NOK 332 million (NOK 219 million). The provisions were increased by NOK 21 million in the last quarter.

Group loss provisions according to IFRS 9 as at 31 March 2018 amounted to NOK 337 million (NOK 402 million). This represents a reduction of NOK 14 million compared with 1 January 2018. Group write-downs totalled 0.4% of the Group's total gross lending as at 31 March 2018 (0.6%), which represents 0.3% (0.4%) of gross lending including intermediary loans.

In the opinion of the Board, the quality of the Group's loan portfolio is good and the Group is doing high quality work in connection with non-performing and impaired commitments. There will continue to be a strong focus on this work going forward. The general level of losses is expected to remain moderate to low for the immediate future.

## Balance sheet performance

NOK mill	31.03.2018	31.03.2017	Change	30.09.2017	Change
Loan retail	77.140	70.887	8,8 %	76.158	1,3 %
Loan corporate	30.116	26.393	14,1 %	29.327	2,7 %
Loan incl.committion loans	107.256	97.280	10,3 %	105.485	1,7 %
Loan exclusive committion loans	76.746	71.294	7,6 %	75.003	2,3 %
Deposits retail	32.589	30.699	6,2 %	32.206	1,2 %
Deposits corporate	26.450	23.562	12,3 %	25.643	3,1 %
Total deposits	59.039	54.261	8,8 %	57.849	2,1 %
Deposits as % of loans excl committion loans	77 %	76 %	1 %	77 %	0 %
Total assets	98.372	92.476	6,4 %	97.186	1,2 %

## Loans

As at 31.03.18, lending totalling NOK 31 billion (NOK 26 billion) had been transferred to SpareBank 1 Boligkreditt. As at the end of the quarter, no loans had been transferred to SpareBank 1 Næringskreditt (NOK 0 million). These loans do not appear as lending on the Bank's balance sheet. Comments that deal with the growth in lending include these intermediary loans.

The relatively strong lending growth in the corporate market in the last year was in part due to the strategic prioritisation of this segment and in part due to positive market opportunities in connection with competitors' branch closures. The latter has also had a positive effect on lending growth in the retail market. The overall effect of the above has contributed to growth in net interest income.

The percentage of lending to the retail market constitutes 72% of the total lending as at 31 March 2018 (73%).

An overview of the Group's lending is provided in note 6 to the interim financial statements.

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

## Liquidity

Customer deposits are the Bank's most important source of funding and note 20 to the interim financial statements provides an overview of the Group's deposits. At the end of the first quarter of 2018, the deposit coverage ratio (exclusive of intermediary loans) was 77% (76%). The Bank's remaining funding, apart from equity and subordinated capital and deposits from customers, is mainly long-term funding from the capital markets. The Bank's access to liquidity and the key figures for liquidity are satisfactory. The Bank's strategic aim is to keep liquidity risk at a low level. The LCR (liquidity coverage ratio) as at 31.03.18 was calculated as 138 % (121 %). Please also refer to note 14 to the interim financial statements on liquidity risk.

The long-term ratings at the rating agencies Moody's and Fitch are A1 and A, respectively.

## Financial strength and capital adequacy

Including 50% result	31.03.2018	31.03.2017	Change	31.12.2017	Change
Common tier 1 capital	14,8 %	15,3 %	-0,5 %	14,9 %	-0,1 %
Tier 1 capital	16,1 %	16,6 %	-0,5 %	16,2 %	-0,1 %
Capital adequacy ratio	17,8 %	18,8 %	-1,0 %	18,1 %	-0,2 %
Leverage ratio	7,2 %	7,2 %	0,0 %	7,2 %	0,0 %

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

The reduction in Core Tier 1 capital during the last quarter is largely due to an increase in risk-weighted assets worth approximately NOK 1 billion, as a result of the growth in lending during the last quarter. In addition, Core Tier 1 capital has been reduced as a result of the implementation effects caused by the transition to IFRS 9.

SpareBank 1 Nord-Norge's goal is to maintain unquestionable financial strength and satisfy the statutory minimum equity requirements for capital adequacy. The Group has a target for the core equity Tier 1 capital ratio of one percentage point above the minimum requirement, which results in a current target for core Tier 1 capital ratio of 14.5%. The total minimum requirement for the leverage ratio is 5%.

### The Bank's equity certificate holders

NOK mill	31.03.2018	31.03.2017	Change	31.12.2017	Change
Equity certificate capital	1.807	1.807	0	1.807	0
ECC Ownership fraction	46,36 %	46,36 %	0 %	46,36 %	0 %
Number of holders	8.255	7.790	465	7.939	316
Proportion of northern Norwegian holders	20 %	19 %	1 %	19 %	1 %
Proportion of foreign holders	38 %	32 %	17 %	36 %	2 %
Market price NOK	62,00	55,25	6,75	62,25	-0,25
Market value	13.427	11.965	1.462	13.481	-54
Earnings per equity certificate	5,93	5,78	0,15	6,60	-0,67
Price/Earnings	10,5	9,6	0,9	9,4	1,0
Price/Book value	1,2	1,1	0,1	1,1	0,1

A summary of the Bank's 20 largest equity certificate holders is provided in note 22 to the interim financial statements.

### Concluding remarks and future prospects

The international, national and regional macroeconomic conditions are in place for the remainder of 2018 to continue to provide good growth opportunities for northern Norway and for SpareBank 1 Nord-Norge. Although uncertainty also exists both internationally and related to certain aspect within North-Norway, the North-Norwegian economy is expected to grow quicker in the coming years than the national economy. However, this growth is now only expected to be slightly ahead of the rest of the country.

Significant strategic measures have been implemented in recent years, and the Group's solvency targets have been more than met. However, there still remains a need for further restructuring work. Measures aimed at providing customers with a more comprehensive offer of all of the Group's products and services are therefore being developed in order to strengthen its market position, increase across-the-board sales, and streamline all of its processes. In connection with this, the Group has already strengthened its focus on digital channels, introduced digital assistants (robots) and established new models for innovation. This resulted in higher costs, which will rise somewhat further in 2018. The cost and revenue effects of this work are expected to be effective from 2019.

The Group's future prospects are considered good.

Tromsø, 8 May 2018

**The Board of SpareBank 1 Nord-Norge**

Karl Eirik Schjøtt-Pedersen  
(Chairman of the Board)

Hans-Tore Bjerkaas  
(Deputy Chairman)

Ingvild Myhre

Kjersti Terese Stormo

Greger Mannsverk

Bengt Olsen

Sonja Djønne

Vivi-Ann Pedersen  
(employee representative)

Kjetil Berntsen  
(employee representative)

Jan-Frode Janson  
(CEO)

## Statement of income

### Parent Bank

### Group

(Amounts in NOK million)

31.12.17	1Q17	1Q18	31.03.17	31.03.18		31.03.18	31.03.17	1Q18	1Q17	31.12.17
2 387	597	593	597	593	Interest income	648	645	648	645	2 611
824	225	203	225	203	Interest costs	199	223	199	223	841
1 563	372	390	372	390	Net interest income	449	422	449	422	1 770
756	174	199	174	199	Fee- and commission income	236	211	236	211	931
77	19	17	19	17	Fee- and commission costs	21	21	21	21	85
46	4	3	4	3	Other operating income	35	34	35	34	146
725	159	185	159	185	Net fee-, commission and other operating income	250	224	250	224	992
4	0	1	0	1	Dividend	1	0	1	0	4
457	67	17	67	17	Income from investments	63	65	63	65	434
112	50	7	50	7	Net gain from investments in securities	10	50	10	50	114
573	117	25	117	25	Net income from financial investments	74	115	74	115	552
2 861	648	600	648	600	Total income	773	761	773	761	3 314
511	125	128	125	128	Personnel costs	178	172	178	172	708
342	86	95	86	95	Administration costs	109	96	109	96	393
51	12	12	12	12	Ordinary depreciation	18	15	18	15	65
151	31	27	31	27	Other operating costs	38	43	38	43	200
1 055	254	262	254	262	Total costs	343	326	343	326	1 366
1 806	394	338	394	338	Result before losses	430	435	430	435	1 948
46	42	11	42	11	Losses	16	44	16	44	184
1 760	352	327	352	327	Result before tax	414	391	414	391	1 764
316	68	79	68	79	Tax	89	78	89	78	324
0	0	0	0	0	Result non-current assets held for sale	0	0	0	0	0
1 444	284	248	284	248	Result after tax	325	313	325	313	1 440
6.62	1.31	1.13	5.25	4.51	Result per Equity Certificate, adjusted for interests hybrid capital	5.93	5.78	1.48	1.45	6.60

## Other comprehensive income

### Parent Bank

### Group

(Amounts in NOK million)

31.12.17	1Q17	1Q18	31.03.17	31.03.18		31.03.18	31.03.17	1Q18	1Q17	31.12.17
1 444	284	248	284	248	Result after tax	325	313	325	313	1 440
0	0	0	0	0	<i>Items that will not be reclassified to profit/loss</i>					
61	-1	0	-1	0	Net change in fair market value of investment in joint ventures	5	2	5	2	5
-15	0	0	0	0	Actuarial gains (losses) on benefit-based pension schemes	0	-1	0	-1	69
46	-1	0	-1	0	Tax	0	0	0	0	-17
					Total	5	1	5	1	57
0	0	0	0	0	<i>Items that will be reclassified to profit/loss</i>					
0	0	0	0	0	Value adjustment of property, plant and equipment	0	0	0	0	0
15	0	0	0	0	Effective part of change in fair market value in cash flow hedging	0	0	0	0	0
0	0	0	0	0	Net change in fair market value of financial assets available for sale	0	0	0	0	15
0	0	0	0	0	Reclassification adjustments	0	0	0	0	0
0	0	0	0	0	Net change in fair market value of investment in joint ventures	0	0	0	0	3
0	0	0	0	0	Tax	0	0	0	0	0
15	0	0	0	0	Total	0	0	0	0	18
1 505	283	248	283	248	Total comprehensive income for the period	330	314	330	314	1 515
6.90	1.31	1.13	5.23	4.51	Total result per Equity Certificate, adjusted for interests hybrid capital	6.02	5.80	1.51	1.45	6.95

# Statement of financial position

## Parent Bank

## Group

(Amounts in NOK million)

31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
<b>Assets</b>						
775	797	558	Cash and balances with central banks	558	797	775
7 081	5 941	6 736	Net loans and advances to credit institutions	2 106	1 968	2 656
69 177	66 070	70 758	Net loans and advances to customers	76 219	70 735	74 487
255	298	340	Shares	357	317	270
11 541	11 036	11 841	Certificates and bonds	11 841	11 036	11 541
1 511	1 547	1 094	Financial derivatives	1 094	1 547	1 511
924	728	924	Investments in Group Companies			
3 160	2 831	3 197	Investments in associated companies and joint ventures	4 816	4 438	4 755
234	352	230	Property, plant and equipment	456	493	453
			Non current assets held for sale	30	30	30
			Deduction for ntangible assets	68	63	68
499	846	632	Other assets	827	1 052	640
<b>95 157</b>	<b>90 446</b>	<b>96 310</b>	<b>Total assets</b>	<b>98 372</b>	<b>92 476</b>	<b>97 186</b>
<b>Liabilities</b>						
436	186	192	Deposits from credit institutions	192	176	434
57 883	54 282	59 066	Deposits from customers	59 039	54 261	57 849
23 552	22 824	23 790	Debt securities in issue	23 790	22 824	23 553
902	958	791	Financial derivatives	791	958	902
819	1 890	1 481	Other liabilities	1 758	2 146	1 093
98	83	170	Deferred tax liabilities	274	185	206
850	1 350	850	Subordinated loan capital	850	1 350	850
<b>84 540</b>	<b>81 573</b>	<b>86 340</b>	<b>Total liabilities</b>	<b>86 694</b>	<b>81 900</b>	<b>84 887</b>
<b>Equity</b>						
1 807	1 807	1 807	Equity Certificate capital	1 807	1 807	1 807
843	843	843	Equity Certificate premium reserve	843	843	843
530	0	530	Hybrid capital	530	0	530
1 980	1 310	1 567	Dividend Equalisation Fund	1 567	1 310	1 980
5 235	4 460	4 757	The Savings Bank's Fund	4 757	4 460	5 235
120	120	120	Donations	120	120	120
35	20	35	Fair value reserve	35	20	35
67	29	63	Other equity capital	1 694	1 703	1 749
	284	248	Result after tax	325	313	
<b>10 617</b>	<b>8 873</b>	<b>9 970</b>	<b>Total equity</b>	<b>11 678</b>	<b>10 576</b>	<b>12 299</b>
<b>95 157</b>	<b>90 446</b>	<b>96 310</b>	<b>Total liabilities and equity</b>	<b>98 372</b>	<b>92 476</b>	<b>97 186</b>

## Changes in equity

(Amounts in NOK million) Group	PCC capital	Premium Fund	Hybrid capital	Dividend Equalisation Fund	Saving Bank's Fund	Donations Fund	Fair value reserve	Other equity	Total equity
Equity at 01.01.17	1 807	843		1 657	4 459	521	20	1 704	11 011
<b>Total comprehensive income for the period</b>									
Period result				669	310	465		- 4	1 440
<i>Other comprehensive income:</i>									
Net change in fair market value of investment in joint ventures								8	8
Net change in fair market value of financial assets available for sale							15		15
Actuarial gains (losses) on benefit-based pension schemes								69	69
Tax on other comprehensive income								- 17	- 17
<b>Total other comprehensive income</b>							15	60	75
<b>Total comprehensive income for the period</b>				669	310	465	15	56	1 515
<b>Transactions with owners</b>									
Set aside for dividend payments				- 402					- 402
Reversal of dividend payments				402					402
Dividend paid				- 346					- 346
Other transactions			530		1				531
Changes in minority interests									
Payments from Donations Fund						- 401		- 11	- 412
<b>Total transactions with owners</b>			530	- 346	1	- 401		- 11	- 227
<b>Equity at 31.12.2017</b>	<b>1 807</b>	<b>843</b>	<b>530</b>	<b>1 980</b>	<b>4 770</b>	<b>585</b>	<b>35</b>	<b>1 749</b>	<b>12 299</b>
Equity at 01.01.18	1 807	843	530	1 980	4 770	585	35	1 749	12 299
<b>Total comprehensive income for the period</b>									
Period result								325	325
<i>Other comprehensive income:</i>									
Net change in fair market value of investment in joint ventures								- 5	- 5
Tax on other comprehensive income									
<b>Total other comprehensive income</b>	0	0		0	0	0	0	- 5	- 5
<b>Total comprehensive income for the period</b>								320	320
<b>Transactions with owners</b>									
Dividend paid				- 402					- 402
Other transactions				- 11	- 13			- 50	- 74
Payments from Donations Fund						- 465			- 465
<b>Total transactions with owners</b>				- 413	- 13	- 465		- 50	- 941
<b>Equity at 31.03.18</b>	<b>1 807</b>	<b>843</b>	<b>530</b>	<b>1 567</b>	<b>4 757</b>	<b>120</b>	<b>35</b>	<b>2 019</b>	<b>11 678</b>

## ECC ratio overall

### Parent Bank

(Amounts in NOK million)	adjusted IFRS 9 effects	01.01.18	31.12.17	31.12.16	31.12.15	31.12.14	31.12.13	(adjusted) 01.01.13	(01.01.13) 31.12.12
Equity Certificate capital	1 807	1 807	1 807	1 807	1 807	1 807	1 807	1 681	1 655
Equity Certificate premium reserve	843	843	843	843	843	843	843	344	245
Dividend Equalisation Fund	1 567	1 579	1 310	960	815	617	380	453	453
Set aside dividend	402	402	347	201	191	110	0	- 76	- 76
Share Fund Fair Value Options and other equity	46	46	22	69	6	31	- 33	- 33	- 33
<b>A. Equity attributable to Equity Certificate holders of the Bank</b>	<b>4 665</b>	<b>4 677</b>	<b>4 329</b>	<b>3 880</b>	<b>3 662</b>	<b>3 408</b>	<b>2 372</b>	<b>2 244</b>	
The Savings Bank's Fund	4 757	4 770	4 460	4 055	3 730	3 588	3 081	3 107	3 107
Allocated dividends to ownerless capital	465	465	400	60	212	43	0	- 30	- 30
Donations	120	120	120	120	120	120	120	120	120
Share Fund Fair Value Options and other equity	55	55	29	83	12	41	- 45	- 45	- 45
<b>B. Total ownerless capital</b>	<b>5 397</b>	<b>5 410</b>	<b>5 009</b>	<b>4 318</b>	<b>4 074</b>	<b>3 792</b>	<b>3 156</b>	<b>3 152</b>	
<b>Equity Certificate Ratio overall (A/(A+B))</b>	<b>46.36 %</b>	<b>46.36 %</b>	<b>46.36 %</b>	<b>47.33 %</b>	<b>47.33 %</b>	<b>47.33 %</b>	<b>42.91 %</b>	<b>41.59 %</b>	
Hybrid capital	530	530							
<b>Total equity</b>	<b>10 592</b>	<b>10 617</b>	<b>9 338</b>	<b>8 198</b>	<b>7 736</b>	<b>7 200</b>	<b>5 528</b>	<b>5 396</b>	

# Statement of cash flows

## Parent Bank

(Amounts in NOK million)

Parent Bank			Group			
31.12.17	31.03.17	31.03.18	31.03.18	31.03.17	31.12.17	
1 760	352	<b>327</b>	Result before tax	<b>414</b>	391	1 764
51	12	<b>12</b>	+ Ordinary depreciation	<b>18</b>	15	65
- 11	0	<b>0</b>	+ Write-downs, gains/losses fixed assets	<b>0</b>	0	1
46	42	<b>11</b>	+ Losses on loans and guarantees	<b>16</b>	44	184
316	68	<b>79</b>	- Tax/Result investment held for sale	<b>89</b>	78	324
747	747	<b>867</b>	- Dividends/donations	<b>867</b>	747	747
<b>783</b>	<b>- 409</b>	<b>- 596</b>	<b>Provided from the year's operations</b>	<b>- 508</b>	<b>- 375</b>	<b>943</b>
- 39	1 015	<b>619</b>	Change in sundry liabilities: + increase/ - decrease	<b>618</b>	1 001	- 17
- 195	- 578	<b>284</b>	Change in various claims: - increase/ + decrease	<b>230</b>	- 489	- 46
-3 553	- 442	<b>-1 616</b>	Change in gross lending to and claims on customers: - increase/ + decrease	<b>-1 786</b>	- 543	-4 435
-1 341	- 879	<b>- 385</b>	Change in short term-securities: - increase/ + decrease	<b>- 387</b>	- 883	-1 341
3 959	358	<b>1 183</b>	Change in deposits from and debt owed to customers: + increase/ - decrease	<b>1 190</b>	391	3 979
- 397	- 647	<b>- 244</b>	Change in debt owed to credit institutions: + increase/ - decrease	<b>- 242</b>	- 642	- 384
<b>- 783</b>	<b>-1 582</b>	<b>- 755</b>	<b>A. Net liquidity change from operations</b>	<b>- 885</b>	<b>-1 540</b>	<b>-1 301</b>
- 40	- 3	<b>- 8</b>	- Investment in fixed assets (incl merger effects)	<b>- 21</b>	- 7	- 90
123	0	<b>0</b>	+ Sale of fixed assets	<b>0</b>	0	68
- 507	18	<b>- 37</b>	Change in holdings of long-term securities: - increase/ + decrease	<b>- 98</b>	- 68	- 385
<b>- 424</b>	<b>15</b>	<b>- 45</b>	<b>B. Liquidity change from investments</b>	<b>- 119</b>	<b>- 75</b>	<b>- 407</b>
2 387	1 659	<b>238</b>	Change in borrowings through the issuance of securities: + increase/ - decrease	<b>237</b>	1 659	2 388
30	0	<b>0</b>	Change in hybrid capital/subordinated loan capital: + increase/ - decrease	<b>0</b>	0	30
<b>2 417</b>	<b>1 659</b>	<b>238</b>	<b>C. Liquidity change from financing</b>	<b>237</b>	<b>1 659</b>	<b>2 418</b>
1 210	92	<b>- 562</b>	A + B + C. Total change in liquidity	<b>- 767</b>	44	710
6 646	6 646	<b>7 856</b>	+ Liquid funds at the start of the period	<b>3 431</b>	2 721	2 721
<b>7 856</b>	<b>6 738</b>	<b>7 294</b>	<b>= Liquid funds at the end of the period</b>	<b>2 664</b>	<b>2 765</b>	<b>3 431</b>

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

## Result from the Group's quarterly accounts

(Amounts in NOK million)

	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16
Interest income	648	675	650	641	645	653	641	631	623
Interest costs	199	214	200	204	223	219	218	230	237
<b>Net interest income</b>	<b>449</b>	<b>461</b>	<b>450</b>	<b>437</b>	<b>422</b>	<b>434</b>	<b>423</b>	<b>401</b>	<b>386</b>
Fee- and commission income	236	235	250	235	211	213	228	226	204
Fee- and commission costs	21	21	23	20	21	22	22	22	19
Other operating income	35	51	28	33	34	43	22	45	28
<b>Net fee-, commission and other operating income</b>	<b>250</b>	<b>265</b>	<b>255</b>	<b>248</b>	<b>224</b>	<b>234</b>	<b>228</b>	<b>249</b>	<b>213</b>
Dividend	1	0	0	4	0	1	0	73	0
Income from investments	63	167	109	93	65	76	94	109	87
Net gain from investments in securities	10	27	10	27	50	39	63	-26	-7
<b>Net income from financial investments</b>	<b>74</b>	<b>194</b>	<b>119</b>	<b>124</b>	<b>115</b>	<b>116</b>	<b>157</b>	<b>156</b>	<b>80</b>
<b>Total income</b>	<b>773</b>	<b>920</b>	<b>824</b>	<b>809</b>	<b>761</b>	<b>784</b>	<b>808</b>	<b>806</b>	<b>679</b>
Personnel costs	178	183	184	169	172	195	170	161	163
Administration costs	109	103	98	96	96	100	86	95	95
Ordinary depreciation	18	19	15	16	15	15	15	16	14
Other operating costs	38	68	45	44	43	65	45	46	39
<b>Total costs</b>	<b>343</b>	<b>373</b>	<b>342</b>	<b>325</b>	<b>326</b>	<b>375</b>	<b>316</b>	<b>318</b>	<b>311</b>
<b>Result before losses</b>	<b>430</b>	<b>547</b>	<b>482</b>	<b>484</b>	<b>435</b>	<b>409</b>	<b>492</b>	<b>488</b>	<b>368</b>
Losses	16	37	59	44	44	64	61	64	24
Net gain from sale of financial fixed assets	0	0	0	0	0	0	0	0	0
<b>Result before tax</b>	<b>414</b>	<b>510</b>	<b>423</b>	<b>440</b>	<b>391</b>	<b>345</b>	<b>431</b>	<b>424</b>	<b>344</b>
Tax	89	86	76	84	78	77	74	71	69
Result non-current assets held for sale	0	0	0	0	0	0	0	0	0
<b>Result after tax</b>	<b>325</b>	<b>424</b>	<b>347</b>	<b>356</b>	<b>313</b>	<b>268</b>	<b>357</b>	<b>353</b>	<b>275</b>
<b>Profitability</b>									
Return on equity capital	1	11.2 %	14.6 %	12.4 %	13.1 %	12.2 %	9.9 %	13.8 %	11.0 %
Interest margin		1.84 %	1.93 %	1.90 %	1.86 %	1.85 %	1.93 %	1.87 %	1.77 %
Cost/income	2	44.4 %	40.5 %	41.5 %	40.2 %	42.8 %	47.8 %	39.1 %	45.8 %
<b>Balance sheet figures</b>									
Loans and advances to customers		76 746	75 003	73 902	73 471	71 294	70 763	68 905	67 861
Growth in loans and advances to cust. incl. commission loans past 12 months		10.3 %	9.6 %	9.0 %	9.2 %	8.4 %	8.9 %	6.3 %	5.1 %
Deposits from customers		59 039	57 849	57 163	58 634	54 261	53 870	53 637	55 666
Growth in deposits from customers past 12 months		8.8 %	7.4 %	6.6 %	5.3 %	7.4 %	12.0 %	11.7 %	10.8 %
Deposits as a percentage of gross lending	4	76.9 %	77.1 %	77.3 %	79.8 %	76.1 %	76.1 %	77.8 %	82.0 %
Deposits as a percentage of gross lending including commission loans	5	55.0 %	54.8 %	56.1 %	58.7 %	55.8 %	55.9 %	57.4 %	60.8 %
Average assets	3	97 779	93 905	93 085	92 933	91 489	89 168	88 835	88 710
Total assets		98 372	97 186	93 542	95 822	92 476	90 501	89 210	92 038
<b>Losses on loans and commitments in default</b>									
Losses on loans to customers as a percentage of gross loans incl. commission loans		0.06 %	0.14 %	0.23 %	0.18 %	0.18 %	0.27 %	0.26 %	0.28 %
Commitments in default as a percentage of gross loans incl. commission loans		0.34 %	0.35 %	0.36 %	0.42 %	0.37 %	0.31 %	0.44 %	0.28 %
Commitments at risk of loss as a percentage of gross loans incl. commission loans		0.58 %	0.60 %	0.21 %	0.22 %	0.26 %	0.22 %	0.23 %	0.10 %
Net comm. in default and at risk of loss as a per. of gross loans incl. commission loans		0.73 %	0.75 %	0.44 %	0.47 %	0.47 %	0.37 %	0.51 %	0.36 %
<b>Solidity</b>									
Common Equity Tier I		14.8 %	14.9 %	15.4 %	15.4 %	15.3 %	15.0 %	15.1 %	14.2 %
Tier I Capital		16.1 %	16.2 %	16.0 %	16.2 %	16.6 %	16.3 %	15.6 %	14.9 %
Total regulatory Capital %		17.8 %	18.1 %	18.3 %	18.5 %	18.8 %	18.4 %	17.7 %	16.9 %
Common Equity Tier I		9 951	9 992	10 601	10 454	9 417	9 467	9 563	9 206
Tier I capital		10 980	10 857	10 485	10 565	10 370	10 267	10 361	9 360
Equity and related capital resources		12 170	12 141	11 928	12 039	11 767	11 229	10 783	10 674
Adjusted risk-weighted assets base		68 281	67 222	65 351	65 125	62 590	61 120	60 798	62 479

1) The profit after tax in relation to average equity, calculated as a quarterly average of equity and as at 1 January and 31 December. The Bank's hybrid tier 1 securities issued in 2017 are classified as equity in the financial statements. However, when calculating the return on equity, hybrid tier 1 capital (530 mill) is treated as a liability and the associated interest costs (4 mill) are adjusted for in the result.

2) Total costs as a percentage of total net income

3) Average assets are calculated as average assets each quarter and at 01.01. and 31.12.

4) Deposits from customers as a percentage of gross lending

5) Deposits from customers in percentage of gross lending ex commission loans

## Notes

### Note 1 - Accounting policies

The group's accounts for 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU, including IAS 34 – interim reporting. The quarterly accounts do not include all information required in a complete annual accounts, and should be read in conjunction with the annual accounts for 2017.

The IASB (International Accounting Standards Board) has decided that the new IFRS 9 Financial Instruments (International Financial Reporting Standards) should replace the existing IAS 39 Financial Instruments: Recognition and Measurement (International Accounting Standards) from 1.1.18. According to the new IFRS 9 (International Financial Reporting Standards), provision for anticipated losses must be made based on relevant information that is available at the time of reporting, including historical, current and future information. This means that loss will be shown in the accounts before a loss event has occurred, and that future expectations will be included in the calculations.

Over the last two years and in collaboration with the other banks in the SpareBank 1 Alliance, the Group has been developing models along with clarifications concerning valuation and classification. The work has now been completed, and implementation effects per 1.1.18 based on figures per 31.12.17, have been calculated and posted. An implementation effect arising from the introduction of new regulations is posted directly to equity per 1.1.18.

The whole of the implementation effect in the group is due to an increase in provision for bad debts on loans, and a total negative effect on equity is posted, with NOK 24.5 and 38.4 million respectively in the parent bank and the Group. Compared to what was reported per Q4 2017, this gives a positive effect on return on equity of 0.01 percentage points, as well as a reduction of 0.04 percentage points in tier 1 capital ratio.

Reference is made furthermore to further details around the implementation effects and the discussion of new regulations in note 11, as well as notes 7, 8 and 9 on loss and loans.

The quarterly accounts have not been audited. In the calculation of capital coverage and the leverage Pure Tier 1 capital ratio, the share of income is still taken into consideration. Share results are not included when reporting the capital coverage and the leverage Pure Tier 1 capital ratio to the Financial Supervisory Authority of Norway.

### Note 2 - Important accounting estimates and discretionary judgements

In preparing the consolidated financial statements the management makes estimates, discretionary judgements and assumptions that influence the application of the accounting policies. These could thus affect the stated amounts for assets, liabilities, income and costs. Note 3 to last year's annual financial statements provides a fuller explanation of the items subject to important estimates and judgements.

### Note 3 - Changes in group structure

No change in group structure last quarter.

## Note 4 - Business Areas

Pursuant to IFRS 8, SpareBank 1 Nord-Norge has the following operating segments: retail market, corporate market, leasing and markets. The segments correspond with the executive management team's internal reporting structure. In SpareBank 1 Nord-Norge, the executive management team is responsible for evaluating and following up the segments' results and is defined as the chief operating decision maker in the sense used in IFRS 8. The recognition and measurement principles in the Bank's segment reporting are based on accounting policies that comply with IFRS, as set out in the consolidated financial statements. Any transactions between the segments are carried out at arm's length.

The item "unallocated" contains activities that cannot be allocated to the segments. The Bank operates in a limited geographic area and reporting geographical information provides little additional information. Nonetheless, important assets classes (loans) are distributed geographically in a separate note 11 in Annual report.

<b>Group</b>						<b>31.03.18</b>
(Amounts in NOK million)						
	Retail Banking	Corporate Banking	Leasing	Markets	Unallo- cated	Total
Net interest income	67	48	59	0	275	<b>449</b>
Net fee- and commission income	38	2	0	0	175	<b>215</b>
Other operating income	24	5	0	8	72	<b>109</b>
Operating costs	62	9	17	3	252	<b>343</b>
<b>Result before losses</b>	<b>67</b>	<b>46</b>	<b>42</b>	<b>5</b>	<b>270</b>	<b>430</b>
Losses	19	41	6	0	0	<b>66</b>
<b>Result before tax</b>	<b>48</b>	<b>5</b>	<b>36</b>	<b>5</b>	<b>270</b>	<b>364</b>
Loans and advances to customers	44 281	26 856	5 609	0	0	<b>76 746</b>
Individual write-downs for impaired value on loans and advances to customers	- 64	- 526	- 49	0	0	<b>- 639</b>
Collective write-downs for impaired value on loans and advances to customers	0	0	0	0	0	<b>0</b>
Other assets	0	405	153	0	21 707	<b>22 265</b>
<b>Total assets per business area</b>	<b>44 217</b>	<b>26 735</b>	<b>5 713</b>	<b>0</b>	<b>21 707</b>	<b>98 372</b>
Deposits from customers	32 304	26 735	0	0	0	<b>59 039</b>
Other liabilities and equity capital	11 913	0	5 713	0	21 707	<b>39 333</b>
<b>Total equity and liabilities per business area</b>	<b>44 217</b>	<b>26 735</b>	<b>5 713</b>	<b>0</b>	<b>21 707</b>	<b>98 372</b>
						<b>31.03.17</b>
Net interest income	192	129	50	0	51	422
Net fee- and commission income	91	6	0	0	93	190
Other operating income	67	16	0	15	51	149
Operating costs	203	33	13	4	73	326
<b>Result before losses</b>	<b>147</b>	<b>118</b>	<b>37</b>	<b>11</b>	<b>122</b>	<b>435</b>
Losses	0	41	3	0	0	44
<b>Result before tax</b>	<b>147</b>	<b>77</b>	<b>34</b>	<b>11</b>	<b>122</b>	<b>391</b>
Loans and advances to customers	44 901	21 526	4 867	0	0	71 294
Individual write-downs for impaired value on loans and advances to customers	- 12	- 96	- 46	0	- 3	- 157
Collective write-downs for impaired value on loans and advances to customers	- 49	- 307	- 16	0	- 30	- 402
Other assets	0	2 440	216	0	19 085	21 741
<b>Total assets per business area</b>	<b>44 840</b>	<b>23 563</b>	<b>5 021</b>	<b>0</b>	<b>19 052</b>	<b>92 476</b>
Deposits from customers	30 699	23 562	0	0	0	54 261
Other liabilities and equity capital	14 141	1	5 021	0	19 052	38 215
<b>Total equity and liabilities per business area</b>	<b>44 840</b>	<b>23 563</b>	<b>5 021</b>	<b>0</b>	<b>19 052</b>	<b>92 476</b>

## Note 5 - Capital Adequacy

The Group follows the EU's capital adequacy rules for banks and investment companies, CRD IV/CRR (the Capital Requirements Directive/Capital Requirements Regulation). The use of IRB (the Internal Rating Based approach) places great demands on the Bank's organisation, competence, risk models and risk management systems. Since 2015, SpareBank 1 Nord-Norge has been authorised by the Financial Supervisory Authority of Norway to use the Advanced Internal Rating Based approach, which means that the Bank can use internal models for loss levels in the corporate market portfolio to calculate the necessary requirements for tied-up capital.

The Financial Supervisory Authority of Norway has issued transitional rules for IRB banks that do not get the full effect of reduced regulatory capital requirements where the risk-weighted calculation basis under the new rules is lower than the calculation basis under the old capital calculation (Basel I). The calculation basis can then be adjusted upwards (a correction for the 'floor') to 80% of calculation basis according to Basel I.

In the calculation of capital adequacy, the same rules do not apply to consolidation of associates or joint ventures as for the accounts. The Group uses proportional consolidation for its capital adequacy reporting of the participations in SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt, SpareBank 1 Kredittkort and BN Bank.

The Group has a long-term goal that the Pure Tier 1 capital ratio should be a minimum of one percentage point above the regulatory minimum. Currently, this equates to a Pure Tier 1 capital ratio target of 14.5%.

Parent Bank			Group			
(Amounts in NOK million)						
31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
1 807	1 807	1 807	Equity certificates	1 807	1 807	1 807
0	0	0	- Own equity certificates	0	0	0
843	843	843	Premium reserve	843	843	843
1 980	1 310	1 567	Equalisation reserve	1 567	1 310	1 980
5 235	4 460	4 757	Savings bank's reserve	4 757	4 460	5 235
120	120	120	Endowment fund	120	120	120
35	20	35	Deduction Fund for unrealised gains available for sale	35	20	35
67	29	63	Other equity	1 694	1 703	1 749
530	0	530	Hybrid capital	530	0	530
0	284	248	Period result	325	313	0
<b>10 617</b>	<b>8 873</b>	<b>9 970</b>	<b>Total equity</b>	<b>11 678</b>	<b>10 576</b>	<b>12 299</b>
0	- 142	- 124	Period result	- 163	- 157	0
- 530	0	- 530	Hybrid capital	- 530	0	- 530
<b>Additional Tier 1 Capital (AT 1 Capital)</b>						
- 866	0	0	Deduction for allocated dividends	0	0	- 866
0	0	0	Adjusted Tier 1 Capital from consolidated financial institutions	- 62	- 126	- 36
0	0	0	Deduction for ntangible assets	- 87	- 87	- 87
- 23	- 21	- 24	Adjustments to CET 1 due to prudential filters	- 40	- 25	- 27
- 130	- 95	- 130	Deduction defined benefit pension fund assets gross amounts	- 136	- 99	- 136
- 75	0	- 61	IRB shortfall of credit risk adjustments to expected losses	- 6	0	- 36
0	0	0	CET1 instruments of financial sector entities where the institution has significant investment	- 541	- 509	- 589
<b>8 993</b>	<b>8 615</b>	<b>9 101</b>	<b>Common equity Tier 1 Capital (CET 1 Capital)</b>	<b>10 114</b>	<b>9 574</b>	<b>9 992</b>
530	500	530	Hybrid Tier 1 bonds	870	800	869
0	0	0	Own Hybrid Tier 1 bonds	- 4	- 4	- 4
<b>9 523</b>	<b>9 115</b>	<b>9 631</b>	<b>Additional Tier 1 Capital (AT 1 Capital)</b>	<b>10 980</b>	<b>10 370</b>	<b>10 857</b>
<b>Tier 2 Capital (T2 Capital)</b>						
850	850	850	Nonperpetual subordinated capital	1 329	1 369	1 328
0	40	0	Expected losses on IRB, net of writedowns	0	89	0
- 61	- 62	- 137	Deduction for subordinated capital in other financial institutions with a significant investment	- 139	- 61	- 44
<b>789</b>	<b>828</b>	<b>713</b>	<b>Tier 2 Capital (T2 Capital)</b>	<b>1 190</b>	<b>1 397</b>	<b>1 284</b>
<b>10 312</b>	<b>9 943</b>	<b>10 344</b>	<b>Equity and related capital resources</b>	<b>12 170</b>	<b>11 767</b>	<b>12 141</b>
<b>Minimum requirements subordinated capital, Basel I I</b>						
935	750	926	Specialised lending exposure	1 014	843	1 026
144	93	142	Other corporations exposure	151	121	154
352	346	365	SME exposure	375	354	362
920	904	958	Property retail mortgage exposure	1 401	1 267	1 336
65	66	64	Other retail exposure	66	68	66
405	368	409	Equity investments	0	11	13
<b>2 820</b>	<b>2 527</b>	<b>2 865</b>	<b>Total credit risk</b>	<b>3 007</b>	<b>2 664</b>	<b>2 958</b>
616	715	603	Credit risk standardised approach	1 151	1 318	1 150
8	12	9	Debt risk	9	12	8
5	6	5	Equity risk	5	6	5
329	329	368	Operational risk	417	322	322
33	37	27	Credit Value Adjustment	79	80	83
0	0	0	Transitional arrangements	794	605	852
<b>3 810</b>	<b>3 625</b>	<b>3 877</b>	<b>Minimum requirements subordinated capital</b>	<b>5 463</b>	<b>5 007</b>	<b>5 378</b>
47 629	45 317	48 463	RWA (Risk weighted assets)	68 281	62 590	67 223
<b>Total regulatory Capital</b>						
21.7 %	21.9 %	21.3 %	Total regulatory Capital	17.8 %	18.8 %	18.1 %
20.0 %	20.1 %	19.9 %	Tier 1 Capital	16.1 %	16.6 %	16.2 %
1.7 %	1.8 %	1.5 %	Tier 2 Capital	1.7 %	2.2 %	1.9 %
18.9 %	19.0 %	18.8 %	Common Equity Tier I	14.8 %	15.3 %	14.9 %
9.7 %	9.7 %	9.6 %	Leverage Ratio	7.2 %	7.2 %	7.2 %

## Note 6 - Loans

### IFRS 9 classified loans

(Amounts in NOK million)

Parent Bank				Group			
31.12.17 (01.01.18)	31.12.17	31.03.17	31.03.18	31.03.18	31.03.17	31.12.17	31.12.17 (01.01.18)
IFRS 9	IAS 39	IAS 39	IFRS 9	IFRS 9	IAS 39	IAS 39	IFRS 9
<i>Loans at fair value through profit and loss</i>							
6 935	6 935	7 360	<b>6 492</b>	Loans to customers at fixed interest rates	<b>6 492</b>	7 360	6 935
4 002			<b>3 803</b>	Mortgages to customers for sale, housing credit company	<b>3 803</b>		4 002
<b>10 937</b>	<b>6 935</b>	<b>7 360</b>	<b>10 295</b>	<b>Total loans at fair value through profit and loss</b>	<b>10 295</b>	<b>7 360</b>	<b>10 937</b>
<i>Loans at amortized cost</i>							
7 173	7 173	6 003	<b>6 848</b>	Loans to credit institutions	<b>2 218</b>	2 030	2 748
58 728	62 730	59 237	<b>60 941</b>	Other loans to customers	<b>66 451</b>	63 934	64 066
- 613	- 580	- 589	- <b>590</b>	Total loan loss provisions	- <b>639</b>	- 621	- 659
<b>65 288</b>	<b>69 323</b>	<b>64 651</b>	<b>67 199</b>	<b>Total loans at amortized cost</b>	<b>68 030</b>	<b>65 343</b>	<b>70 208</b>
<b>76 225</b>	<b>76 258</b>	<b>72 011</b>	<b>77 494</b>	<b>Total loans</b>	<b>78 325</b>	<b>72 703</b>	<b>77 092</b>

#### Loans at fair value through profit and loss

##### Fixed-rate loans

Actual value is determined by the loans' actual cash flows discounted by a discounting factor based on the swap rate, with the addition of a margin requirement.

The margin requirement includes credit markup, administrative markup, anticipated loss, and a liquidity premium.

The bank considers on a continual basis changes in observable market rates that can affect the value of these loans.

There is also a continuous assessment of possible differences between discount rates

and observable market rates for similar loans. The Bank makes appropriate adjustments to the discount rate, if this difference becomes significant.

Value changes on loans are included in full in the result of the line - net value changes on financial assets.

##### Mortgages for sale to housing credit companies

Mortgages to be sold to mortgage credit companies over the next 12 months are valued at the agreed value at which these loans are to be assigned.

##### Loans at amortized cost

For all loans at amortized cost there has been calculated expected losses and provisions according to IFRS 9. See note 7.

## Loans broken down by sector and industry

Parent Bank				Group			
31.12.17 (01.01.18)	31.12.17	31.03.17	31.03.18	31.03.18	31.03.17	31.12.17	31.12.17 (01.01.18)
IFRS 9	IAS 39	IAS 39	IFRS 9	IFRS 9	IAS 39	IAS 39	IFRS 9
10 306	10 306	8 369	<b>10 985</b>	Real estate	<b>10 940</b>	8 273	10 234
1 605	1 605	1 615	<b>1 616</b>	Financial and insurance activities	<b>1 558</b>	1 592	1 607
3 870	3 870	3 358	<b>3 582</b>	Fishing and aquaculture	<b>3 989</b>	3 673	4 205
1 713	1 713	1 773	<b>1 689</b>	Manufacturing	<b>1 938</b>	2 032	1 960
1 089	1 089	1 024	<b>1 051</b>	Agriculture and forestry	<b>1 150</b>	1 118	1 185
1 330	1 330	1 445	<b>1 413</b>	Power and water supply and construction	<b>2 123</b>	1 994	1 951
1 489	1 489	1 165	<b>1 696</b>	Service industries	<b>2 206</b>	1 747	2 080
3 313	3 313	3 424	<b>3 303</b>	Transportation	<b>4 174</b>	4 147	4 132
1 429	1 429	1 328	<b>1 447</b>	Commodity trade, hotel and restaurant industry	<b>1 856</b>	1 590	1 809
26 144	26 144	23 501	<b>26 782</b>	Public market	<b>29 934</b>	26 165	29 163
153	153	217	<b>173</b>	Total government	<b>182</b>	228	164
43 368	43 368	42 879	<b>44 281</b>	Total retail market	<b>46 630</b>	44 901	45 676
<b>69 665</b>	<b>69 665</b>	<b>66 597</b>	<b>71 236</b>	<b>Gross lending to customers</b>	<b>76 746</b>	<b>71 294</b>	<b>75 003</b>
7 173	7 173	6 003	<b>6 848</b>	Net loans and advances to credit institutions	<b>2 218</b>	2 030	2 748
<b>76 838</b>	<b>76 838</b>	<b>72 600</b>	<b>78 084</b>	<b>Gross lending</b>	<b>78 964</b>	<b>73 324</b>	<b>77 751</b>
- 309	- 309	- 203	- <b>332</b>	Individual write-downs as reduction of assets	- <b>329</b>	- 219	- 308
- 304	- 271	- 386	- <b>258</b>	Collective write-downs for impaired value as reduction of assets	- <b>310</b>	- 402	- 351
<b>76 225</b>	<b>76 258</b>	<b>72 011</b>	<b>77 494</b>	<b>Net loans</b>	<b>78 325</b>	<b>72 703</b>	<b>77 092</b>
30 482	30 482	25 986	<b>30 510</b>	Loans transferred to SpareBank 1 Boligkreditt	<b>30 510</b>	25 986	30 482
0	0	0	<b>0</b>	Loans transferred to SpareBank 1 Næringskreditt	<b>0</b>	0	0
30 482	30 482	25 986	<b>30 510</b>	Gross commission loans	<b>30 510</b>	25 986	30 482
<b>100 147</b>	<b>100 147</b>	<b>92 583</b>	<b>101 746</b>	<b>Gross lending and advances to customers incl. commission loans</b>	<b>107 256</b>	<b>97 280</b>	<b>105 485</b>

## Note 7 - Loss provision

The general rule of IFRS 9 is that the loss provision should be calculated as anticipated credit losses over the next 12 months, or as anticipated credit losses over the entire lifetime of the If the credit risk has not increased significantly since the first time calculation, the provision for losses is calculated as anticipated credit losses over the next 12 months. Anticipated credit losses over the entire lifetime are calculated for assets where the credit risk has increased substantially since the first time calculation, except for assets still considered to have low absolute credit risk at the time of reporting.

The calculation of the anticipated credit loss is based on an objective and probability-weighted analysis of alternative outcomes, where the time value is also taken into account. The analysis is based on relevant information that is available at the time of reporting, without undue cost or effort. The anticipated credit losses are defined as a weighted average of credit losses, where the weights are the respective risks of defaults occurring.

In order to calculate the anticipated credit losses according to this, the asset must first be categorized into one of three so-called "buckets" or steps;

1. Not significantly higher credit risk than on granting
2. Substantial increase in credit risk since granting, but no objective proof of losses
3. Substantial increase in credit risk since granting, and objective proof of losses

In step 1, provision for losses is the anticipated loss for the next 12 months. In steps 2 and 3, provisions for losses are anticipated loss over the asset's lifetime.

SpareBank 1 Nord-Norge uses a model developed in cooperation with the other banks in the SpareBank 1 Alliance. In the model the following are used PD (probability of default) is used to categorize the assets in the different steps. In addition, LGD (loss given default) is used to calculate anticipated losses. Unlike the capital coverage models, the model for loss provisions is a "point-in-time" model and expectations are based on one point in time. Estimates of anticipated losses in the capital coverage models are seen from a downturn perspective on the basis of a downturn scenario.

Provisions for losses also include anticipated losses on assets not posted to the balance sheet; guarantees, untapped credit frames, and granted, but not paid out, loans.

Specification of write-downs:

Step 1: Anticipated for 12 months losses (ECL) - by groups provision

Step 2: Anticipated losses over the loan's term to maturity due to increased credit risk without a loss event - bt groups provision

Step 3: Anticipated losses over the loan's term to maturity due to increased credit risk with a loss event - by groups provision

Step 3: Anticipated losses over the loan's term to maturity due to increased credit risk with a loss event - individual provision

Loss provisions for the loans posted on the balance sheet are presented as a reduction of the asset, and provisions for losses on assets not posted on the balance sheet appear on the line other debt.

(Amounts in NOK million)

Parent Bank					Group					
Step 1 By groups provision	Step 2 By groups provision	Step 3 By groups provision	Step 3 Individual provision	Total	Changes to loan loss provisions on loans to amortized cost	Step 1 By groups provision	Step 2 By groups provision	Step 3 By groups provision	Step 3 Individual provision	Total
		-271	-312	<b>-583</b>	Loss provisions on balance sheet 31.12.17			-300	-311	<b>-611</b>
				-580	- Of which presented as a reduction of the assets					-608
				-3	- Of which presented as other debt					-3
-149	-100	216		<b>-33</b>	Implementation effect 01.01.18	-167	-127	243		<b>-51</b>
-149	-100	-55	-312	<b>-616</b>	Loss provisions on balance sheet 01.01.18	-167	-127	-57	-311	<b>-662</b>
				-582	- Of which presented as a reduction of the assets					-628
				-34	- Of which presented as other debt					-34
					Changes in the period due to loans migrated between the steps:					
-7	7				to (-from) step 1	-7	7			
10	-12	2			to (-from) step 2	10	-12	2		
	1	-1			to (-from) step 3 (group provision)		1	-1		
		-6	6		to (-from) step 3 (individual)			-6	6	
-3	19	1	-23	<b>-6</b>	New and increased loss provisions	-7	19	2	-21	<b>-7</b>
				-4	Reversed individual loss provisions					-7
				2	Actual loss for the period on loans with prior loss provisions					5
				2	Other changes					2
-152	-81	-54	-335	<b>-622</b>	Loss provisions on balance sheet 31.03.18	-174	-108	-55	-332	<b>-669</b>
				-589	- Of which presented as a reduction of the assets					-639
				-33	- Of which presented as other debt					-30

## Note 8 - Losses

### Losses incorporated in the accounts

(Amounts in NOK million)

Parent Bank				Group		
31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
81	6	3	Period's change in individual write-down for impaired value	1	6	66
- 90	28	- 17	Period's change in collective write-downs for impaired value	- 14	28	- 77
27	- 2	2	Period's confirmed losses against which individual write-downs were previously made	5	0	52
7	12	1	Period's confirmed losses against which individual write-downs were previously not made	2	12	9
- 9	- 2	- 1	Recoveries, previously confirmed losses	- 1	- 2	- 10
		3	Other changes	3		
16	42	- 9	<b>Losses on loans to customers</b>	- 4	44	40
30	0	20	Other losses	20	0	144
46	42	11	<b>Total losses</b>	16	44	184

### Losses broken down by sector and industry

(Amounts in NOK million)

Parent Bank				Group		
31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
3	13	- 12	Real estate	- 12	13	3
5	3	- 3	Financial and insurance activities	- 3	3	5
- 26	- 6	4	Fishing and aquaculture	5	- 6	- 26
- 10	29	4	Manufacturing	4	29	- 10
2	3	- 1	Agriculture and forestry	- 1	3	2
1	2	1	Power and water supply and construction	2	2	6
- 5	- 2	1	Service industries	2	- 2	1
21	1	1	Transportation	3	1	21
1	0	1	Commodity trade, hotel and restaurant industry	2	0	1
- 8	43	- 4	Public market	2	43	3
24	- 1	- 5	Total retail market	- 6	1	37
16	42	- 9	<b>Losses on loans to customers</b>	- 4	44	40
30	0	20	Other losses	20	0	144
46	42	11	<b>Total losses</b>	16	44	184

## Note 9 - Net bad and doubtful commitments

(Amounts in NOK million)

Parent Bank				Group		
31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
353	336	346	Non-performing commitments	374	368	380
713	324	701	Other doubtful commitments	632	255	644
1 066	660	1 047	<b>Total commitments in default and doubtful commitments</b>	1 006	623	1 024
- 63	- 128	- 175	Individual write-downs on non performing commitments	- 172	- 144	- 153
- 157	- 78	- 160	Other doubtful individual write-downs	- 160	- 78	- 158
- 271	- 386	- 287	Collective write-downs for impaired value	- 337	- 402	- 300
- 491	- 592	- 622	<b>Total write-downs</b>	- 669	- 624	- 611
575	68	425	<b>Net commitments in default and doubtful commitments</b>	337	- 1	413
46 %	90 %	59 %	Loan loss provision ratio	67 %	100 %	60 %

## Note 10 - SpareBank 1 Boligkreditt

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

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

## Note 11 - Transitional IFRS 9 Financial instruments

Group IFRS 9 classification rules for financial assets and debt as follow:

Instrument	Beskrivelse
<b>Assets</b>	
<b>P.t loans</b> (p.t. – pro tempore. P-t loans ; loans with current/variable interest rate where notification of interest rate changes may be communicated in accordance with public regulations)	The current conditions are normal conditions in Norway for variable rate loans for housing and to parts of the corporate market and the conditions are normally standardised and apply equally to all loans of this type. The borrower's right to repay loans early and the competition between banks mean that the loans' cash flows will not significantly deviate from what are defined as payments of interest and principal on given dates in IFRS 9. Therefore, the Bank's assessment is that the conditions associated with these loans are consistent with measurement at amortised cost.
<b>Loans which can be sold to mortgage company</b>	Some banks in the SpareBank 1 Alliance transfer parts of their loans that qualify for transfer to the mortgage companies. Loans included in business models (portfolios) with loans that qualify for transfer are therefore held both to receive contractual cash flows and for sale.
<b>Loans for sale to mortgage company</b>	SpareBank 1 Nord-Norge transfer selected loans that qualified for transfer to the mortgage companies. These loans are therefore held for sale.
<b>Loans for sale to mortgage company</b>	SpareBank 1 Nord-Norge's other mortgage loans that also qualified for transfer to the mortgage companies, but are included in business models (portfolios) with loans that are held to receive contractual cash flows.
<b>Fixed rate loans</b>	Pursuant to IFRS 9.B4.1.12(b), payment of a reasonable additional compensation for early repayment of a financial instrument is consistent with an instrument's cash flows only being payments of interest and principal. A discount is not an additional compensation for early repayment, but a deduction in the cash flows that would otherwise have been paid. As part of an instrument's contractual conditions the opportunity for payment of a discount therefore means that the instrument should be measured at fair value with value changes through profit or loss.
<b>Shares, not trading</b>	The available for sale category in IAS 39 has not been continued in IFRS 9.
<b>Bonds</b>	The Bank's holdings of interest-bearing securities are generally held as liquidity reserves. The purpose of liquidity reserves is in many cases to provide security for ordinary repo transactions and/or loans to Norges Bank, and the various portfolios will have a varying degree of turnover. There is a varying degree of turnover in the Group's liquidity portfolio. There is also a varying degree of turnover within different parts of the liquidity portfolio. The purpose of the portfolio is in many cases to provide security for ordinary repo transactions and loans to Norges Bank. The fact that the portfolio is a liquidity portfolio therefore does not necessarily mean that the Group's intention is to sell the instruments included in the portfolio, since the liquidity is secured through collateral and loans in connection with ordinary repo transactions and loans in Norges Bank rather than sales of instruments included in the portfolio.
<b>Other portfolios</b>	The Bank's holdings of interest-bearing securities in excess of portfolios defined as liquidity reserves are generally linked to customer activities through SpareBank 1 Nord-Norge Markets. Any holdings of tier 1 capital instruments are treated as equity instruments.
<b>Debt</b>	
<b>Debt securities in issue</b>	The principles for classifying and measuring financial liabilities are generally the same as those under IAS 39, but under certain conditions changes in value due to changes in own credit risk must be recognised through OCI when the fair value option is used.

OCI

AC

FVOCI

FVTPL

FVTPL (FVO)

FVTPL (AFS)

Other Comprehensive Income

Amortised cost

Fair value through OCI

Mandatorily fair value through profit and loss

Designated fair value through profit and loss - Fair value option

Fair value through profit and loss - available for sale

## Transitional IFRS 9

(Amounts in NOK million)

Parent Bank				Group				
IAS 39 booked value at 31.12.17	Classifi- cation effects	Change by new measure- ment	IFRS 9 booked value at 01.01.18		IAS 39 booked value at 31.12.17	Classifi- cation effects	Change by new measure- ment	IFRS 9 booked value at 01.01.18
<b>Financial assets</b>								
<b>Amortized Cost</b>								
7 081	0	0	7 081	Loans and advances to credit institutions	2 656	0	0	2 656
62 698	-4 002	-33	58 663	Loans and advances to customers	68 008	-4 002	-51	63 955
<b>69 779</b>	<b>-4 002</b>	<b>-33</b>	<b>65 744</b>	<b>Total effect amortized cost</b>	<b>70 664</b>	<b>-4 002</b>	<b>-51</b>	<b>66 611</b>
<b>Fair Value Profit and Loss</b>								
775	0	0	775	Cash and balances with Central Banks	775	0	0	775
6 479	4 002	0	10 481	Loans and advances to customers	6 479	4 002	0	10 481
11 541	0	0	11 541	Bonds and certificates	11 541	0	0	11 541
1 511	0	0	1 511	Financial derivatives	1 511	0	0	1 511
194	18	0	227	Shares	209	18	0	227
<b>20 500</b>	<b>4 020</b>	<b>0</b>	<b>24 535</b>	<b>Total effect fair value profit and loss</b>	<b>20 515</b>	<b>4 020</b>	<b>0</b>	<b>24 535</b>
<b>Fair Value OCI- with reclassification</b>								
0	43	0	43	Shares	0	43	0	43
<b>0</b>	<b>43</b>	<b>0</b>	<b>43</b>	<b>Total effect fair value OCI with reclassification</b>	<b>0</b>	<b>43</b>	<b>0</b>	<b>43</b>
<b>Fair Value OCI- without reclassification</b>								
18	-18	0	0	Shares	18	-18	0	0
<b>18</b>	<b>-18</b>	<b>0</b>	<b>0</b>	<b>Total effect fair value OCI- without reclassification</b>	<b>18</b>	<b>-18</b>	<b>0</b>	<b>0</b>
<b>Fair Value OCI- available for sale</b>								
43	-43	0	0	Shares	43	-43	0	0
<b>43</b>	<b>-43</b>	<b>0</b>	<b>0</b>	<b>Total effect fair value OCI- available for sale</b>	<b>43</b>	<b>-43</b>	<b>0</b>	<b>0</b>
<b>90 297</b>	<b>43</b>	<b>-33</b>	<b>90 322</b>	<b>Total financial assets</b>	<b>91 197</b>	<b>43</b>	<b>-51</b>	<b>91 189</b>
<b>Financial debt</b>								
<b>Amortized Cost</b>								
-436	0	0	-434	Liabilities to credit institutions	-434	0	0	-434
-57 883	0	0	-57 849	Deposits from customers	-57 849	0	0	-57 849
-23 553	0	0	-23 553	Debt securities in issue	-23 553	0	0	-23 553
-850	0	0	-850	Subordinated loan capital	-850	0	0	-850
<b>-82 721</b>	<b>0</b>	<b>0</b>	<b>-82 686</b>	<b>Total effects amortized cost</b>	<b>-82 686</b>	<b>0</b>	<b>0</b>	<b>-82 686</b>
<b>Fair Value Profit and Loss</b>								
-902	0	0	-902	Financial derivatives	-902	0	0	-902
<b>-902</b>	<b>0</b>	<b>0</b>	<b>-902</b>	<b>Total effects Fair Value Profit and Loss</b>	<b>-902</b>	<b>0</b>	<b>0</b>	<b>-902</b>
<b>-83 623</b>	<b>0</b>	<b>0</b>	<b>-83 588</b>	<b>Total financial debt</b>	<b>-83 588</b>	<b>0</b>	<b>0</b>	<b>-83 588</b>
<b>Change in write-downs</b>								
IAS 39 booked value at 31.12.17	Classifi- cation effects	Change by new measure- ment	IFRS 9 booked value at 01.01.18		IAS 39 booked value at 31.12.17	Classifi- cation effects	Change by new measure- ment	IFRS 9 booked value at 01.01.18
580	0	2	582	Loans and financial assets hold to maturity in IAS 39 but now to amortized cost after IFRS 9	608	0	20	628
0	0	0	0	Financial debt available for sale in IAS 39 but now to amortized cost after IFRS 9	0	0	0	0
<b>580</b>	<b>0</b>	<b>2</b>	<b>582</b>	<b>Total assets and debt to amortized cost after IFRS 9</b>	<b>608</b>	<b>0</b>	<b>20</b>	<b>628</b>
0	0	0	0	Loans and financial assets hold to maturity in IAS 39 but now to fair value profit and loss after IFRS 9	0	0	0	0
0	0	0	0	Financial debt available for sale in IAS 39 but now to fair value profit and loss after IFRS 9	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>Total assets and debt to fair value profit and loss after IFRS 9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
3	0	4	7	Guarantee liabilities	3	0	4	7
0	0	27	27	Loan approvals	0	0	27	27
<b>3</b>	<b>0</b>	<b>31</b>	<b>34</b>	<b>Total guarantee liabilities and loan approvals</b>	<b>3</b>	<b>0</b>	<b>31</b>	<b>34</b>
<b>583</b>	<b>0</b>	<b>33</b>	<b>616</b>	<b>Total change write-downs</b>	<b>611</b>	<b>0</b>	<b>51</b>	<b>662</b>

## Note 12 - Financial derivatives

### Parent Bank and Group

(Amounts in NOK million)

#### Interest rate swaps:

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

#### Foreign exchange derivatives:

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

#### Currency swaps:

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

#### Interest rate- and currency swap agreements:

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

#### Options:

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

SpareBank 1 Nord-Norge enters into hedging contracts with respected Norwegian and foreign banks in order to reduce its own risk. Financial derivatives transactions are related to ordinary banking operations and are done in order to reduce the risk relating to the Bank's activity in the financial markets, and in order to cover and reduce risk relating to customer-related activities.

Fair value hedging transactions	31.03.18	31.03.17	31.12.17
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value hedging	- 93	-16	30
Total gain from hedging objects relating to the hedged risk	89	13	- 44
<b>Total fair value hedging transactions</b>	<b>- 4</b>	<b>-3</b>	<b>- 14</b>

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

(Amounts in NOK million)

#### Fair value through statement of comprehensive income

	31.03.18 Fair value			31.03.17 Fair value			31.12.17 Fair value		
	Contract	Assets	Liabilities	Contract	Assets	Liabilities	Contract	Assets	Liabilities
<b>Foreign currency instruments</b>									
Foreign exchange financial derivatives (forwards)	1 974	8	19	1 792	17	7	1 630	28	11
Currency swaps	16 216	203	147	13 933	224	83	16 497	357	128
Currency options									
<b>Total non-standardised contracts</b>	<b>18 190</b>	<b>211</b>	<b>166</b>	<b>15 725</b>	<b>241</b>	<b>90</b>	<b>18 127</b>	<b>385</b>	<b>139</b>
Standardised foreign currency contracts (futures)									
<b>Total foreign currency instruments</b>	<b>18 190</b>	<b>211</b>	<b>166</b>	<b>15 725</b>	<b>241</b>	<b>90</b>	<b>18 127</b>	<b>385</b>	<b>139</b>
<b>Interest rate instruments</b>									
Interest rate swaps (including cross currency)	25 716	532	609	27 168	792	831	24 757	675	746
Short-term interest rate swaps (FRA)									
Other interest rate contracts	324	5	7	501	29	37	353	8	9
<b>Total non-standardised contracts</b>	<b>26 040</b>	<b>537</b>	<b>616</b>	<b>27 669</b>	<b>821</b>	<b>868</b>	<b>25 110</b>	<b>683</b>	<b>755</b>
Standardised interest rate contracts (futures)									
<b>Total interest rate instruments</b>	<b>26 040</b>	<b>537</b>	<b>616</b>	<b>27 669</b>	<b>821</b>	<b>868</b>	<b>25 110</b>	<b>683</b>	<b>755</b>
<b>Hedging of funding loans</b>									
<b>Foreign currency instruments</b>									
Foreign exchange financial derivatives (forwards)									
Currency swaps									
<b>Total, non-standardised contracts</b>									
Standardised foreign currency contracts (futures)									
<b>Total foreign currency instruments</b>									
<b>Interest rate instruments</b>									
Interest rate swaps (including cross currency)	16 095	346	9	10 748	485		14 816	443	8
Short-term interest rate swaps (FRA)									
Other interest rate contracts									
<b>Total, non-standardised contracts</b>	<b>16 095</b>	<b>346</b>	<b>9</b>	<b>10 748</b>	<b>485</b>		<b>14 816</b>	<b>443</b>	<b>8</b>
Standardised interest rate contracts (futures)									
<b>Total interest rate instruments</b>	<b>16 095</b>	<b>346</b>	<b>9</b>	<b>10 748</b>	<b>485</b>		<b>14 816</b>	<b>443</b>	<b>8</b>
<b>Total interest rate instruments</b>	<b>42 135</b>	<b>883</b>	<b>625</b>	<b>38 417</b>	<b>1 306</b>	<b>868</b>	<b>39 926</b>	<b>1 126</b>	<b>763</b>
<b>Total foreign currency instruments</b>	<b>18 190</b>	<b>211</b>	<b>166</b>	<b>15 725</b>	<b>241</b>	<b>90</b>	<b>18 127</b>	<b>385</b>	<b>139</b>
<b>Total</b>	<b>60 325</b>	<b>1 094</b>	<b>791</b>	<b>54 142</b>	<b>1 547</b>	<b>958</b>	<b>58 053</b>	<b>1 511</b>	<b>902</b>

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

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

At 31.03.18 the net figures were:

Category/counte	Gross amount	Offset amount	Net amount	Net amount to be posted at bankruptcy or default	Net credit exposure
(Amounts in NOK million)	A	B	C=A+B	D	E=C-D
Financial derivat	15 874	15 641	233	0	<b>233</b>
Financial derivat	24 756	24 413	343	0	<b>343</b>

## Note 14 - Liquidity risk

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

The Group's liquidity risk is revealed, except in the case of raising external financing, through the Bank's liquidity reserve/buffer, including sale of mortgage loans to SpareBank 1 Boligkreditt.

The Bank proactively manages the Group's liquidity risk on a daily basis. SpareBank 1 Nord-Norge must also comply with the regulatory minimum requirements for prudent liquidity management at all times.

The average remaining term to maturity for the Bank's debt securities in issue was 3.40 years as of 31 March 2018. The short-term liquidity risk measurement, liquidity coverage ratio (LCR), was 138 % as of the end of the quarter.

## Note 15 Pensions

The SpareBank 1 Nord-Norge Group has two types of pension agreements for its employees: defined benefit-based and defined contribution-based plans.

The plans are described in more detail in the note 25 to the annual financial statements.

The following assumptions were made for defined benefit-based plans:

	2018 1kv	2017 1kv	2017 4kv
<i>Assumptions</i>			
Discount rate	2.40 %	2.60 %	2.40 %
Expected return on pension assets	2.40 %	2.60 %	2.40 %
Future salary growth rate	1.00 %	1.50 %	1.00 %
Adjustment of NI basic amount (G)	2.25 %	2.25 %	2.25 %
Pension adjustment	0.00 %	0.00 %	0.00 %
Employer's NI liability	14.10 %	14.10 %	14.10 %
Employer's NI cost	14.10 %	14.10 %	14.10 %
Financial tax	5.00 %	5.00 %	5.00 %
Voluntary leaving over 50 years old	0.00 %	0.00 %	0.00 %
Voluntary leaving up to 50 years old	0.00 %	0.00 %	0.00 %
Expected statutory early retirement pension (AFP) acceptance from age 62	50.00 %	50.0 %	50.0 %
Mortality, marriage probability, etc.	K2013BE IR2003	K2013BE IR2003	K2013BE IR2003

### Net pension liabilities in the balance sheet

Present value of future pension liabilities	738	747	738
Estimated value of pension assets	994	910	994
<b>Net pension liabilities in fund-based plans</b>	<b>-256</b>	<b>-163</b>	<b>-256</b>
Unrecognised estimate deviations (possible actuarial gains and losses)	0	0	0
Employer's NI contributions	0	0	0
<b>Net pension liabilities/assets in the balance sheet</b>	<b>- 256</b>	<b>- 163</b>	<b>- 256</b>

### Pension costs for the period

Accrued defined benefit-based pensions	1	2	7
Interest costs on pension liabilities	4	5	18
Expected return on pension assets	-5	-5	-22
Estimate deviations recognised in the period	0	0	0
Effect of changed pension plan	0	0	0
<b>Net defined benefit-based pension costs without employer's NI contributions</b>	<b>0</b>	<b>2</b>	<b>3</b>
Accrued employer's NI contributions	0	0	1
<b>Net defined benefit-based pension costs recognised through profit or loss</b>	<b>0</b>	<b>2</b>	<b>4</b>
Curtailment/settlement	0	0	-5
Other pension costs (contribution pension scheme and early retirement pension)	9	8	33
<b>Total pension costs including employer's NI Insurance contribution</b>	<b>9</b>	<b>10</b>	<b>32</b>

### Movement in net pension liabilities from benefit-based plan recognised in balance sheet

Net pension liabilities in the balance sheet as of 01.01	-256	-163	-163
Correction against equity OB	0	6	-16
Correction against equity CB	0	0	-57
Net defined benefit-based pension costs recognised through profit or loss	0	2	1
Curtailment/settlement	0	0	0
Paid directly from operations	0	-1	-2
Receipts - pension premiums defined benefit-based plans	-5	0	-19
<b>Net pension liabilities/assets in the balance sheet</b>	<b>-261</b>	<b>-156</b>	<b>-256</b>
Other pension liabilities (early retirement pensions)	32	32	33

## Note 16 Classification of financial instruments stated at fair value

Financial instruments at fair value are classified at different levels:

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

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

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

Group	Level 1	Level 2	Level 3	Total
(Amounts in NOK million)				
<b>Assets 31.03.18</b>				
Loans to customers with fixed rate			6 492	<b>6 492</b>
Loans to customers for sale			3 803	<b>3 803</b>
Shares	116	95	146	<b>357</b>
Bonds	8 259	3 582		<b>11 841</b>
Financial derivatives		1 094		<b>1 094</b>
<b>Total assets</b>	<b>8 375</b>	<b>4 771</b>	<b>10 441</b>	<b>23 587</b>
<b>Liabilities as of 31.03.18</b>				
Financial derivatives		791		<b>791</b>
<b>Total liabilities</b>		<b>791</b>		<b>791</b>
<i>Assets 31.03.17</i>				
Loans to customers with fixed rate			7 360	7 360
Shares	110		171	281
Bonds	6 784	4 208		10 992
Financial derivatives		1 547		1 547
<b>Total assets</b>	<b>6 894</b>	<b>5 755</b>	<b>7 531</b>	<b>20 180</b>
<i>Liabilities as of 31.03.17</i>				
Financial derivatives		958		958
<b>Total liabilities</b>		<b>958</b>		<b>958</b>

Changes in instruments at fair value, level 3:	Financial assets				Financial liabilities
	Fixed-rate loans	Shares	Bonds	Financial derivatives	Financial derivatives
(Amounts in NOK million)					
Carrying amount as of 31.03.17	7 360	171			0
Net gains on financial instruments	- 79				
Additions/acquisitions	1 046	163			
Disposals	-1 835	- 188			
Transferred from level 1 or level 2					
<b>Carrying amount as of 31.03.18</b>	<b>6 492</b>	<b>146</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Note 17 - Subsidiaries

(Amounts in NOK 1 000)

	Share of Eq.%	Profit from ordinary operations befor tax			Equity		
		31.03.18	31.03.17	31.12.17	31.03.18	31.03.17	31.12.17
SpareBank 1 Finans Nord-Norge AS	100	35 708	34 180	7 002	863 945	690 208	857 035
SpareBank 1 Nord-Norge Portefølje AS	100	- 408	- 217	-1 470	12 791	0	13 117
EiendomsMegler 1 Nord-Norge AS	100	407	1 359	18 118	43 661	28 281	43 356
SpareBank 1 Nord-Norge Forvaltning ASA	0	0	598	1 656	0	7 783	0
SpareBank 1 Regnskapshuset Nord-Norge AS	100	6 029	6 618	16 321	40 332	28 245	35 731
Nord-Norge Eiendom IV AS	100	- 38	- 272	- 876	3 858	4 354	3 765
Alsgården AS	100	250	- 171	- 635	7 914	8 022	7 698
Fredrik Langesg 20 AS	100	- 36	- 144	- 665	27 366	8 103	27 554
<b>Total</b>		<b>41 912</b>	<b>41 951</b>	<b>39 451</b>	<b>999 867</b>	<b>774 996</b>	<b>988 256</b>

## Note 18 - Other assets

(Amounts in NOK million)

Parent Bank				Group		
31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
10	20	8	Repossessed assets	27	153	29
5	0	3	Accrued income	70	88	65
288	673	378	Prepayments	385	590	292
196	153	243	Other assets	345	221	254
<b>499</b>	<b>846</b>	<b>632</b>	<b>Total other assets</b>	<b>827</b>	<b>1 052</b>	<b>640</b>

## Note 19 - Other liabilities

(Amounts in NOK million)

Parent Bank				Group		
31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
20	496	146	Costs incurred	372	692	237
3	3	33	Provisioning against incurred liabilities and costs	64	30	29
796	1 391	1 302	Other liabilities 2)	1 322	1 424	827
<b>819</b>	<b>1 890</b>	<b>1 481</b>	<b>Total other liabilities</b>	<b>1 758</b>	<b>2 146</b>	<b>1 093</b>
3	3	33	1) Of which off balance loss provision	33	3	3
	747	867	2) Of which not paid dividend	867	747	

## Note 20 - Deposits broken down by sector and industry

(Amounts in NOK million)

Parent Bank				Group		
31.12.17	31.03.17	31.03.18		31.03.18	31.03.17	31.12.17
2 753	2 756	<b>2 943</b>	Real estate	<b>2 943</b>	2 756	2 753
1 123	848	<b>1 072</b>	Financial and insurance activities	<b>1 072</b>	848	1 123
1 595	1 741	<b>1 906</b>	Fishing and aquaculture	<b>1 906</b>	1 741	1 595
1 002	543	<b>807</b>	Manufacturing	<b>807</b>	543	1 002
489	475	<b>596</b>	Agriculture and forestry	<b>596</b>	475	489
1 721	1 651	<b>1 715</b>	Power and water supply and construction	<b>1 715</b>	1 651	1 721
4 499	4 109	<b>4 811</b>	Service industries	<b>4 784</b>	4 088	4 465
1 716	1 626	<b>1 622</b>	Transportation	<b>1 622</b>	1 626	1 716
1 724	1 667	<b>2 767</b>	Commodity trade, hotel and restaurant industry	<b>2 767</b>	1 667	1 724
<b>16 622</b>	<b>15 416</b>	<b>18 239</b>	<b>Public market</b>	<b>18 212</b>	<b>15 395</b>	<b>16 588</b>
32 304	30 699	<b>32 589</b>	Total retail market	<b>32 589</b>	30 699	32 304
8 957	8 167	<b>8 238</b>	Total government	<b>8 238</b>	8 167	8 957
<b>57 883</b>	<b>54 282</b>	<b>59 066</b>	<b>Total deposits</b>	<b>59 039</b>	<b>54 261</b>	<b>57 849</b>

## Note 21 - Securities issued and subordinated loan capital

### Parent Bank and Group

(Amounts in NOK million)

#### Securities issued

	31.12.17	31.03.17	31.03.18
Certificates and other short-term borrowings		500	
Bond debt	23 553	22 324	23 790
<b>Total debt securities in issue</b>	<b>23 553</b>	<b>22 824</b>	<b>23 790</b>

	Statement of financial position 31.12.17	Issued 31.03.18	Matured/ redeemed 31.03.18	Exchange rate movements 31.03.18	Other adjustments 31.03.18	Statement of financial position 31.03.18
Changes in securities issued						
Certificates and other short-term borrowings						
Bond debt	23 553	1 120	- 462	- 378	- 43	23 790
<b>Total debt securities issued</b>	<b>23 553</b>	<b>1 120</b>	<b>- 462</b>	<b>- 378</b>	<b>- 43</b>	<b>23 790</b>

#### Subordinated loan capital and hybrid Tier 1 instruments

	31.12.17	31.03.17	31.03.18
<b>Hybrid Tier 1 instruments</b>			
2099 3 mnd Nibor + 4,75 (Call opsjon 19.12.2017)		500	
<b>Total hybrid Tier 1 instruments</b>		<b>500</b>	

#### Subordinated loan capital

Subordinated loan capital with definite maturities	850	850	850
<b>Total subordinated loan capital</b>	<b>850</b>	<b>850</b>	<b>850</b>

<b>Total subordinated loan capital and hybrid Tier 1 instruments</b>	<b>850</b>	<b>1 350</b>	<b>850</b>
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	Statement of financial position 31.12.17	Issued 31.03.18	Matured/ redeemed 31.03.18	Exchange rate 31.03.18	Other adjustments 31.03.18	Statement of financial position 31.03.18
Changes in subordinated loan capital and hybrid Tier 1 instruments						
Subordinated loan capital with definite maturities	850	500	- 500			850
Hybrid Tier 1 instruments	500		- 500			
<b>Total subordinated loan capital and hybrid Tier 1 instruments</b>	<b>1 350</b>	<b>500</b>	<b>- 1 000</b>			<b>850</b>

#### Hybrid Tier 1 instruments

SpareBank 1 Nord-Norge has two outstanding perpetual hybrid tier 1 capital loans for NOK 350 million and NOK 180 million, respectively. One loan issued on 4 April 2017 for NOK 350 million is subject to interest of 3-month NIBOR + 330 bp.

The second loan issued on 10 October 2017 for NOK 180 million is subject to interest of 3-month NIBOR + 315 bp. Both loans are classified as equity and presented on the line tier 1 capital instruments under equity.

This means that the interest is not presented on the line for interest costs but is recognised directly against equity. The contract terms for both hybrid tier 1 capital loans mean that the loans are included in the Bank's tier 1 capital for capital adequacy purposes.

## Note 22 - Equity Certificates (ECs)

The 20 largest EC holders as at

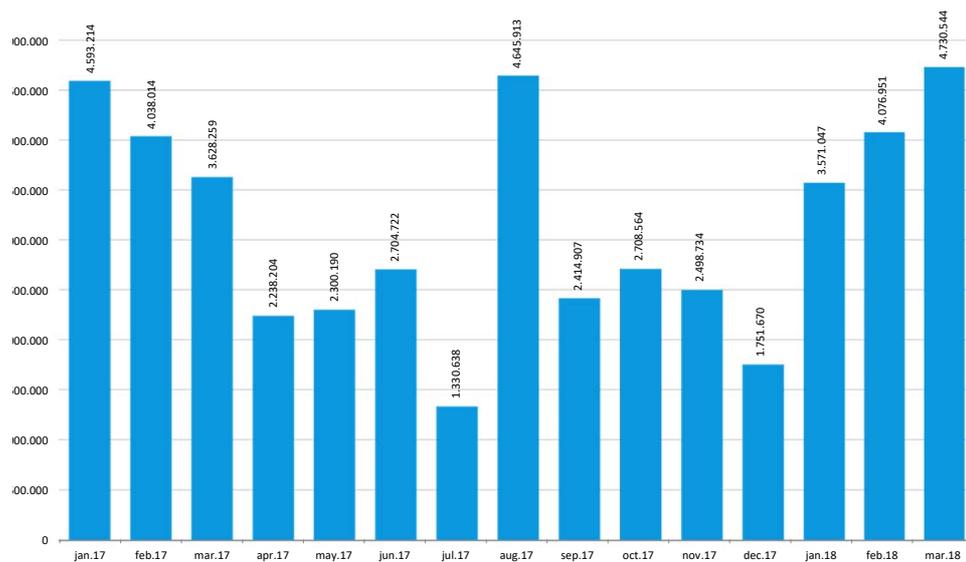
31.03.18

EC Holders	Number of ECs	Share of EC Capital
PARETO AKSJE NORGE	2 994 656	2.98%
STATE STREET BANK AND TRUST COMP A/C CLIENT OMNIBUS F	2 775 710	2.76%
GEVERAN TRADING CO LTD	2 693 280	2.68%
THE NORTHERN TRUST COMP, LONDON BR NON-TREATY ACCOUNT	2 656 879	2.65%
MP PENSJON PK	2 447 811	2.44%
FLPS - PRINC ALL SEC STOCK SUB	2 330 978	2.32%
MSIP EQUITY Morgan Stanley & Co. International	2 182 900	2.17%
METEVA AS	1 614 670	1.61%
SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGE	1 411 606	1.41%
FORSVARETS PERSONELLSERVICE	1 391 630	1.39%
VPF EIKA EGENKAPITALBEVIS C/O EIKA KAPITALFORVALTNING AS	1 327 959	1.32%
J.P. MORGAN SECURITIES PLC	1 106 577	1.10%
EUROCLEAR BANK S.A./N.V. 25% CLIENTS	1 079 603	1.08%
LANDKREDITT UTBYTTE	1 050 000	1.05%
LANNEBO EUROPA SMÅBOLAG SKANDINAVISKA ENSKILDA BANKEN AB	985 377	0.98%
PARETO AS	970 659	0.97%
STATE STREET BANK AND TRUST COMP A/C WEST NON-TREATY ACCOUNT	848 702	0.85%
STATE STREET BANK AND TRUST COMP A/C CLIENT OMNIBUS D	830 928	0.83%
J.P. MORGAN BANK LUXEMBOURG S.A. JPML SA RE CLT ASSETS LUX RES	796 096	0.79%
STATE STREET BANK AND TRUST COMP S/A SSB CLIENT OMNI E	711 583	0.71%
<b>TOTAL</b>	<b>32 207 604</b>	<b>32.08%</b>

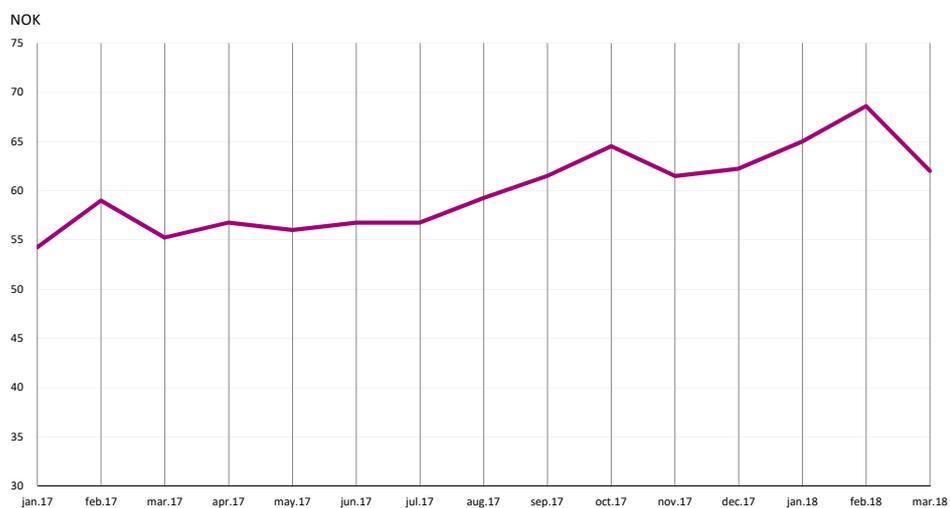
### Dividend policy

The Bank's dividend policy states that the Bank aims to provide a competitive direct return for the Bank's owners. The target dividend rate is at minimum 50%. The future distribution rate will also take into account the group's capital coverage and future growth.

## Trading statistics



## Price trend NONG



### Note 23 - Events occurring after the end of the quarter.

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