

Quarterly Report



Financial statement Q4 2017

Index

Key figures group.....	1
Key figures ECC.....	2
Quarterly report.....	3
Statement of income.....	15
Statement of financial position.....	16
Changes in equity.....	17
ECC ratio overall.....	17
Statement of cash flows.....	18
Result from the Group's quarterly accounts.....	29
Notes	
1 – Accounting policies.....	20
2 – Important accounting estimates and discretionary judgements.....	20
3 – Changes in group structure.....	20
4 – Business areas.....	21
5 – Capital adequacy.....	22
6 – Net bad and doubtful commitments.....	23
7 – Losses incorporated in the accounts.....	23
8 – Losses broken down by sector and industry.....	24
9 – Loans broken down by sector and industry.....	25
10 – SpareBank 1 Boligkreditt – liquidity facility.....	26
11 – Investment in bonds.....	26
12 – Financial derivatives.....	27
13 – Net accounting of financial derivatives and related set-off agreements.....	28
14 – Liquidity risk.....	28
15 – Pensions.....	29
16 – Classification of financial instruments stated at fair value.....	30
17 – Subsidiaries.....	31
18 – Other assets.....	31
19 – Other liabilities.....	31
20 – Deposits broken down by sector and industry.....	32
21 – Securities issued and subordinated loan capital.....	33
22 – Equity Certificates.....	34
23 – Events occurring after the end of the quarter.....	35
Statement from the Board of Directors and CEO.....	36

Key figures and APM (Alternative Performance Measures) Group

(Amounts in NOK million and in % of average assets)

	31.12.17	%	31.12.16	%	31.12.15	%
From the profit and loss account						
Net interest income	1 770	1.88 %	1 644	1.84 %	1 512	1.80 %
Net fee-, commission and other operating income	992	1.06 %	924	1.04 %	933	1.11 %
Net income from financial investments	552	0.59 %	509	0.57 %	249	0.30 %
Total income	3 314	3.53 %	3 077	3.45 %	2 694	3.21 %
Total costs	1 366	1.45 %	1 320	1.48 %	1 461	1.74 %
Result before losses	1 948	2.07 %	1 757	1.97 %	1 233	1.47 %
Losses	184	0.20 %	213	0.24 %	200	0.24 %
Result before tax	1 764	1.88 %	1 544	1.73 %	1 033	1.23 %
Tax	324	0.35 %	291	0.33 %	163	0.19 %
Result non-current assets held for sale	0	0.00 %	0	0.00 %	5	0.01 %
Result after tax	1 440	1.53 %	1 253	1.41 %	872	1.04 %

Profitability

Return on equity capital	1	12.9 %	12.0 %	9.1 %
Interest margin	2	1.88 %	1.84 %	1.80 %
Cost/income	3	41.2 %	42.9 %	54.2 %

Balance sheet figures and liquidity

Total assets		97 186	90 501	85 403
Average assets	4	93 905	89 168	84 039
Gross lending		75 003	70 763	64 053
Brutto utlån overført til SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt		30 482	25 524	24 350
Gross lending and advances to customers incl. commission loans	5	105 485	96 287	88 403
Growth in loans and advances to customers past 12 months		6.0 %	10.5 %	4.6 %
Growth in loans and advances to cust. incl. commission loans past 12 months		9.6 %	8.9 %	4.0 %
Share total lending transferred to Sp1 Boligkreditt of total retail loans		40.0 %	36.6 %	38.1 %
Share total lending transferred to Sp1 Boligkreditt of total loans		28.9 %	26.5 %	27.5 %
Deposits from customers		57 849	53 870	48 087
Growth in deposits from customers past 12 months		7.4 %	12.0 %	5.1 %
Deposits as a percentage of gross lending	6	77.1 %	76.1 %	75.1 %
Deposits as a percentage of gross lending including commission loans	7	54.8 %	55.9 %	54.4 %
Liquidity Coverage Ratio (LCR)		126	121	95

Losses on loans and commitments in default

Losses on loans to customers as a percentage of gross loans incl. commission loans		0.17 %	0.22 %	0.23 %
Commitments in default as a percentage of gross loans incl. commission loans		0.25 %	0.31 %	0.30 %
Commitments at risk of loss as a percentage of gross loans incl. commission loans		0.60 %	0.22 %	0.27 %
loans		0.65 %	0.37 %	0.39 %
Loan loss provision ratio	8	23.76 %	30.08 %	32.82 %

Solidity

Common Equity Tier I		14.9 %	15.0 %	13.9 %
Tier I Capital		16.2 %	16.3 %	15.1 %
Total regulatory Capital %		18.1 %	18.4 %	17.2 %
Common Equity Tier I		9 992	9 155	8 367
Tier I capital		10 857	9 951	9 110
Equity and related capital resources		12 141	11 229	10 358
Adjusted risk-weighted assets base		67 222	61 120	60 328
Leverage Ratio		7.2 %	7.0 %	6.2 %

Branches and full-time employees

Branches		38	38	62
Manyyears		784	774	830

- 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 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 31.12.
- 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.

Key figures ECC

	2009	2010	2011	2012	2013	2014	2015	2016	2017
1) NONG Quoted/market price	34.62	37.76	28.90	24.70	35.50	39.90	36.70	52.25	62.25
2) Number of Equity Certificates (EC) issued	56.92	56.92	74.00	74.40	100.40	100.40	100.40	100.40	100.40
3) Quoted/market price EC issued (NOK mill)	1 970	2 149	2 139	1 837	3 564	4 006	3 685	5 246	6 250
4) Quoted/market price total equity	5 704	6 223	5 083	4 418	7 530	8 464	7 948	11 315	13 481
5) Allocated dividend per EC	2.12	1.81	1.25	1.02	1.10	1.90	2.00	3.45	4.00
Paid-out dividend per EC	0.94	2.12	1.81	1.25	1.02	1.10	1.90	2.00	3.45
6) Dividend yield	6.1 %	4.8 %	4.3 %	4.1 %	3.1 %	4.8 %	5.4 %	6.6 %	6.4 %
7) Total yearly return	156.8 %	15.2 %	-18.7 %	-10.2 %	47.9 %	15.5 %	-3.3 %	47.8 %	25.7 %
Total equity capital Parent bank, NOK mill	4 247	4 547	5 264	5 589	7 200	7 735	8 198	9 336	10 617
Total equity capital Group, NOK mill	5 160	5 670	6 408	6 832	8 502	9 343	9 961	11 011	12 299
8) Equity capital per EC Group	31.31	34.41	36.43	38.19	40.08	44.05	46.00	50.84	54.34
9) Result per EC Group, adjusted for interest hybrid capital	4.95	5.26	2.72	4.01	4.14	4.64	5.10	5.54	6.61
10) Totalresult per EC Group, adjusted for interests hybrid capital	5.21	4.95	2.75	3.36	4.13	5.17	4.11	5.79	6.95
11) P/E (Price/Earnings per EC Group)	6.64	7.63	10.51	7.34	8.59	7.72	8.93	9.03	9.42
12) P/B (Price/Book Value per EC Group)	1.11	1.10	0.79	0.65	0.89	0.91	0.80	1.03	1.15
13) Pay-out ratio Group	29.65 %	33.14 %	19.74 %	11.80 %	26.62 %	36.77 %	48.65 %	59.63 %	60.50 %
EC ratio overall as at 31.12.	34.54 %	34.54 %	42.07 %	41.59 %	47.33 %	47.33 %	46.36 %	46.36 %	46.36 %
EC ratio overall as at 01.01. used for allocaton of result	34.54 %	34.54 %	38.74 %	42.07 %	42.91 %	47.33 %	47.33 %	46.36 %	46.36 %

- 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) Annualised result after tax Consern*EC ratio overall/Number of EC
- 10) Annualised 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

Interim Report for SNN – Q4 2017

(Figures in brackets are for the same period/date in 2016, unless otherwise specified).

Highlights

- Profit before tax: NOK 1,764 million (NOK 1,544 million).
- Profit after tax: NOK 1,440 million (NOK 1,253 million).
- Return on equity after tax: 12.9% (12.0%). Return on equity for the fourth quarter in isolation: 14.7%.¹
 - Earnings per equity certificate: NOK 6.61 (NOK 5.79).
- Net income from financial assets: NOK 552 million (NOK 509 million).
- The Group's costs (exclusive of restructuring costs and financial activity tax) rose by 4.5% compared with 2016.
- Loan losses: NOK 184 million (NOK 213 million).
- Lending growth in the last 12 months: 9.6% (8.9%), inclusive of intermediary loans.
 - Retail market: 9.3% (9.0%). Lending growth in the fourth quarter in isolation: 2.0% (not annualised).
 - Corporate market: 10.1% (8.6%). Lending growth in the fourth quarter in isolation: 7.8% (not annualised).
- Growth in deposits in last 12 months: 7.4% (12.0%).
 - Retail market: 5.7% (6.5%).
 - Corporate market: 13.8% (9.5%).
 - Public sector market: 2.5% (43.5%).
- Deposit coverage ratio: 77.1% (76.1%).
- Common equity tier 1 capital ratio, Group: 14.9% (15.0%).
- Proposed provision for cash dividend: NOK 4.00 per equity certificate (NOK 3.45). Dividend payout ratio, Group: 60.5%.
- The Group's costs target has been changed to a long-term cost/income ratio (C/I) of 40% or lower. C/I for 2017 and 2016 was 41.2% and 42.9%, respectively.

NOK mill	iso Q417	iso Q317	Change	at Q417	at Q416	Change
Operation costs	373	342	31	1.366	1.320	46
Profit after tax	424	347	77	1.440	1.253	187
Return of equity ₁₎	14,7 %	9,9 %	4,8 %	12,9 %	12,0 %	0,9 %
Earnings per equity certificate ₂₎	1,95	1,59	0,36	6,61	5,79	0,82
Common tier 1 capital ratio				14,9 %	15,0 %	-0,1 %
Loan losses	37	59	-22	184	213	-29
Lending growth	3,6 %	1,9 %	1,7 %	9,6 %	8,9 %	0,7 %
Growth in deposits	1,2 %	-2,5 %	3,7 %	7,4 %	12,0 %	-4,6 %

¹ 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 securities are treated as liabilities.

² Profit before tax are adjusted for interests on hybrid tier 1 securities.

Macroeconomic trends

Global growth in 2017 was stronger than expected by most economists at the start of the year; it has also been very stable in the last few years. Growth was good in both rich and emerging economies and the three big engines, the US, Europe and China, all saw strong growth in 2017. Despite this, interest rates and inflation remained low, and payroll costs have only risen moderately. Company earnings showed good growth in most markets and the price of oil continued to improve in 2017. The global economy is thus seeing a relatively strong cyclical upswing that looks like it could last throughout 2018.

After weak growth in the last few years, caused by a fall in the price of oil that started in 2014, growth in the Norwegian economy rose in 2017. The growth was driven by personal and public consumption and housing investments. Norwegian exports also increased in 2017. Despite increased growth in the economy, inflation is low and Norges Bank expects it to remain relatively low in 2018 as well. The key interest rate has been at a record low in Norway since March 2016 when it was set at 0.5%. Norges Bank raised its forecast for the key interest rate several times in 2017 and its update from December 2017 indicates that the first rate hike will come towards the end of 2018.

The uncertainty in the Norwegian economy is primarily associated with the development of the housing market. Norway has, after many years of strong growth, see a fall in house prices. If the fall in prices becomes significant, it could have a negative impact on the real economy in Norway.

As far as the pace of investment in the Norwegian economy is concerned, a weaker housing market could reduce investments in housing. A large number of housing projects are expected to be put on hold until it is clear that the market has stabilised. On the other hand, higher oil prices and the substantial rationalisation that has taken place in the oil industry provide grounds for new optimism. The drop in investments in the petroleum sector is levelling off.

The northern Norwegian economy is solid 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 higher in the coming year 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 is expected to be limited by scarce resources. The biggest constraint is the lack of labour. Today, northern Norway is completely dependent on labour migration. There are also significant capacity limitations in seafood production and airport infrastructure when it comes to dealing with the growth in tourism.

In recent years, employment has grown faster in northern Norway than nationally, but the potential for growth is now lower. Quite simply, there are too few people to draw on, at the same time as unemployment cannot really fall much lower. The Business Barometer estimates that 25,000 new employees will be needed in the north in the period up to 2030. This is a need that must largely be met through labour migration and people moving to the region. One consequence of the scarcity of labour could be extra pressure on wages and thereby weaker competitiveness in those parts of the economy where wages growth is governed locally.

Since the summer of 2017, house prices have also shown a slight downwards trend in northern Norway as well. Tromsø, which has the highest prices in northern Norway, saw negative annual growth of 1.8% at the end of the year. The annual growth in Bodø remains positive but is also showing a downwards trend. It is likely that prices will continue to fall somewhat in the coming months, although according to the forecasts in the Business Barometer, prices will not fall as much in the north as they will in the south, primarily because house prices are generally lower in the north.

Investments in northern Norway grew strongly in 2016 and 2017, primarily boosted by high housing investments. The number of new housing projects is expected to fall in the years ahead due to a 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. Orders on hand are rising and an ambitious national transport plan ensures further growth. As far as companies are concerned, Norges Bank's regional network reports that weak investment growth is expected going forward.

Northern Norwegian exporters are benefiting from price rises for their products. The value of northern Norwegian goods exports grew well in 2017. The growth was primarily due to good price growth, while volume growth was weak. The value of seafood exports from Northern Norway increased by no less than 22.5% in 2016. The growth was significantly lower in 2017 and at the end of November the value of seafood exports was about 5% higher than for the same period in 2016. The Business Barometer from October 2017 forecasts growth of 2.5% in northern Norwegian exports in 2018, measured in terms of fixed prices.

Optimism in the tourism industry remains high. Tourism in the region is growing strongly and in the last few years its growth has generally outpaced the national rate. In 2016, the number of foreign overnight stays rose by 18% and at the end of November 2017 the annual growth was 12%. The growth in 2017 was highest in Nordland at 15%, while Troms and Finnmark both saw growth of 9%. Winter tourism is accounting for an increasingly larger proportion of the stream of tourists.

Oil and gas are still in an early phase in the north where only the Norne, Snøhvit, Skarv and Goliat fields are in operation. Aasta Hansteen is also under development with production start planned for the fourth quarter of 2018. Combined with new finds (Johan Castberg, Gotha and Alta) and the opening up of new areas for exploration, the oil sector is still making more of a mark in the region.

The international, national and regional macroeconomic situations will present growth opportunities for northern Norway in 2018 as well. At the same time, uncertainty exists in relation to both the international macro picture and how the Norwegian krone exchange rate will develop in the future and impact export industries and tourism. It is expected that rising growth in Norway together with higher oil prices could result in a stronger Norwegian krone. This would be negative for the region, both for the export industry and for tourism. Many places and industries in the region are experiencing a lack of qualified labour. A tight labour market thus presents a challenge for growth in the region. The same applies to infrastructure, which is not efficient enough, as well as current restrictions in the seafood industry. However, Northern Norway's macroeconomic prospects still look as good or better than those for the country as a whole.

Financial performance

NOK mill	iso Q417	iso Q317	Change	at Q417	at Q416	Change
Total income	920	824	96	3.314	3.077	237
Total costs	373	342	31	1.366	1.320	46
Losses	37	59	-22	184	213	-29
Tax	86	76	10	324	291	33
Profit after tax	424	347	77	1.440	1.253	187

The income statement shows a profit after tax of NOK 424 million for the fourth quarter and NOK 1,440 million for the full year 2017. These represent returns on equity of 12.9% and 12.0%, respectively.

Net interest income

Net interest income as at 31 December 2017 was NOK 1,770 million (NOK 1,644 million).

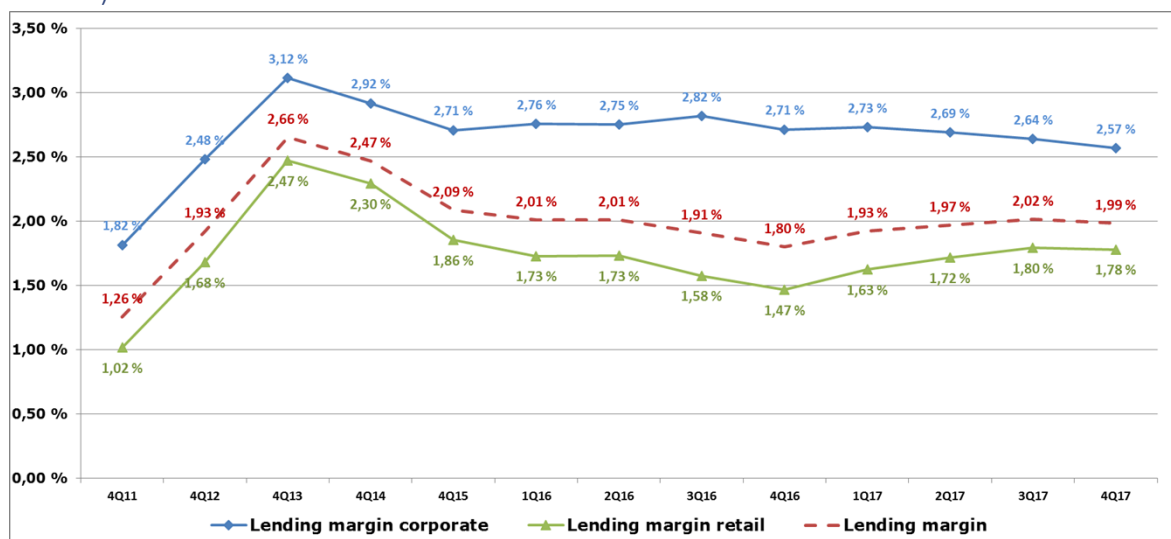
Net interest income represented 1.88% (1.84%) of average total assets.

Income from the loans portfolio transferred to SpareBank 1 Boligkreditt (SB1BK) and SpareBank 1 Næringskreditt (SB1NK), NOK 30 billion as at 31 December 2017 (NOK 26 billion), is booked as commissions. As at 31 December 2017, these commissions amounted to NOK 245 million (NOK 177 million).

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

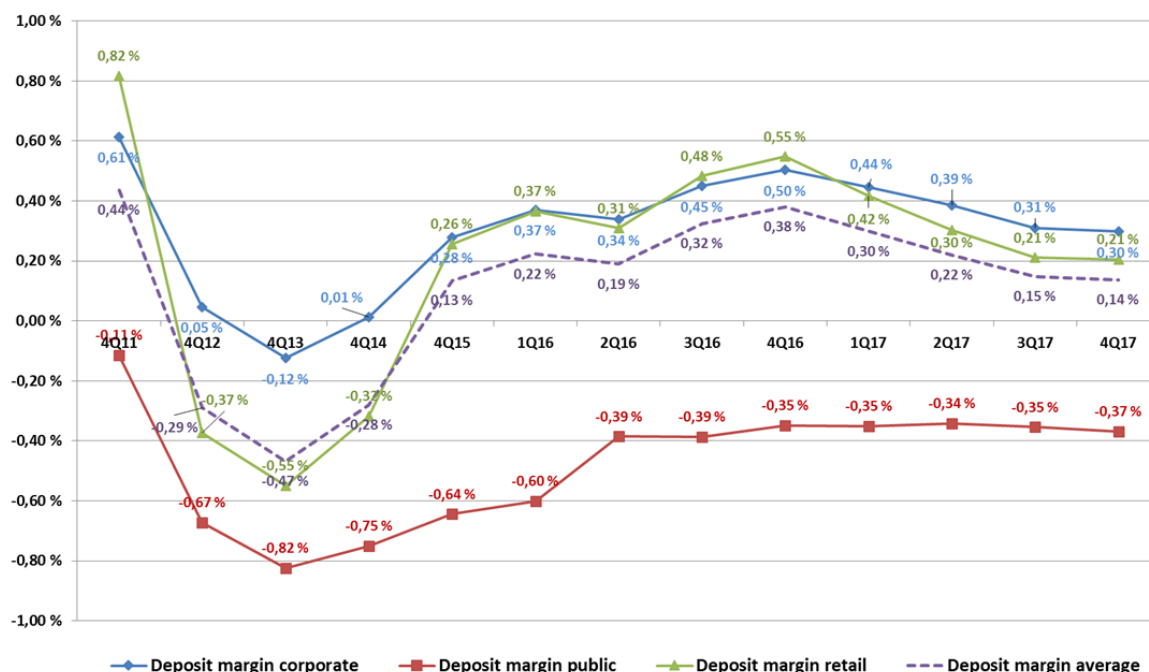
NOK mill	Change last quarter
Effect of days	0
Margin effects	5
Effect volume	8
Other effects	7
Total effects	20

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



Compared with the third quarter of 2017, the Bank's average costs for borrowing in the capital markets fell by around 0.17 percentage points in the fourth quarter of 2017. The competition for loan customers remains strong with pressure on lending rates.

Assuming constant conditions in the capital market, the Bank's average borrowing costs are expected to fall by a further 0.10 percentage points in the first quarter of 2018 before levelling off for the remainder of the year. The development of net interest income will also depend in part on the competition situation and volume growth.



Net commissions and other operating income

NOK mill	iso Q417	iso Q317	Change	at Q417	at Q416	Change
Net commission loans	75	66	9	245	177	68
Net commission insurance	37	41	-4	161	157	4
Net commission payment	60	74	-14	261	263	-2
Commission real estate	29	32	-3	121	133	-12
Fee accounting services	29	25	4	116	101	15
Other income	35	17	18	88	93	-5
Total	265	255	10	992	924	68

The Group is actively working to increase its proportion of other operating income.

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 at the end of the year and recognised a profit of NOK 17 million under other operating income. The sale was made to Rødbanken AS, a non-profit company founded by SNN which will own parts of Rødbanken that will be used for non-profit purposes.

A loss of NOK 11 million was also recognised in connection with the sale of the Bank's building in Bodø. This was recognised in the income statement as a write-down under other operating costs.

Income from financial investments

Share results NOK mill	Sharehold	iso Q417	iso Q317	Change	at Q417	at Q416	Change
SpareBank 1 Gruppen	19,50 %	134	80	54	353	308	45
SpareBank 1 Boligkreditt	16,85 %	-6	8	-14	-26	-16	-10
SpareBank 1 Næringskreditt	14,48 %	2	3	-1	10	16	-6
SpareBank 1 Kredittkort	17,29 %	4	3	1	15	23	-8
SpareBank 1 Mobilbetaling	19,70 %	1	0	1	1	-26	27
SpareBank 1 Betaling	19,70 %	-6	-1	-5	-7	0	-7
BN Bank	23,50 %	20	16	4	70	61	9
Other companies		3	0	3	3	0	3
Sale Group company		15	0	15	15	0	15
Total income associated companies		167	109	58	434	366	68
Share dividends		0	0	0	4	74	-70
Net change value equities		30	7	23	73	-21	94
Net change value of bonds, currency and derivatives		-3	6	-9	42	96	-54
Net change value loans at fait value included hedging		0	-3	3	-1	-6	5
Net income from financial investments		194	119	75	552	509	43

SpareBank 1 Gruppen's profit after tax for 2017 totalled NOK 1,811 million, NOK 236 million higher than in 2016. The increase was largely due to the life insurance segment in which returns on securities portfolios and real estate values significantly improved in the last year.

The SpareBank 1 Alliance own, via the holding company SpareBank 1 Betaling AS, 25% of Vipps AS as at 31 December 2017. On 28 September 2017, this became a freestanding company with almost 100 Norwegian banks as owners. DNB is the largest owner with a 52% stake. SpareBank 1 Betaling was established as a continuation of the former alliance company SpareBank 1 Mobilbetaling AS, which operated the mCash payment concept. The share of the result from SpareBank 1 Betaling was NOK -7 million for 2017.

In November 2017, a plan to merge Vipps, BankAxept and BankID Norge was announced. The merger is scheduled for completion on 1 August 2018. 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 our position in the competition with the global technology giants.

The rest of the result consists of shares of the profit from the companies SpareBank 1 Banksamarbeidet DA, SMB Lab AS and Proaware AS.

The Group's equities portfolio

The Group's equities portfolio as at 31 December 2017 amounted to NOK 270 million (NOK 306 million). The value of the portfolio rose by a net NOK 30 million in the last quarter, NOK 17 million of which was related to the rest of the settlement for the sale of the Bank's stake in Visa/Nets (Visa Norge and Visa Europe) and the awarding of preferred shares (C shares) in Visa. A NOK 10 million rise in the value of the Bank's equities portfolio was also recognised in the fourth quarter.

In the second quarter of 2017, NOK 21 million in profit from the sale of shares in SpareBank 1 Østlandet and NOK 15 million in profit from the sale of the Bank's subsidiary SpareBank 1 Nord-Norge Forvaltning were recognised.

Certificates, bonds, currency and derivatives

As at 31 December 2017, the Group's holdings of certificates and bonds amounted to NOK 11,541 million, compared with NOK 10,164 at the same time the year before.

The total net change in the value of this portfolio for the fourth quarter of 2017 was NOK -3 million.

A summary of the Group's derivatives as at 31 December 2017 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 fourth quarter of 2017 of NOK 39 million (NOK 77 million), which has been fully consolidated in the consolidated financial statements. The subsidiaries with operations within the Group's core business (SB1 Finans Nord-Norge, EiendomsMegler 1 Nord-Norge AS and SpareBank 1 Regnskapshuset Nord-Norge) have shown good earnings. The reduction is primarily due to a weaker result from SpareBank 1 Finans Nord-Norge AS, which booked a substantial loss and write-downs in 2017 in connection with a single commitment.

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

Operating costs

The Group's goal is to hold average annual cost increases to a maximum of 0%, exclusive of reorganisation costs, financial activity tax and any business expansions.

The Group's costs target was changed from 1 January 2018. The long-term target cost/income ratio is now 40% or lower. The costs target was changed because the Group want a measure of efficiency that provided a better basis for comparisons with other banks. 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. For 2017, this ratio was 41.2% (42.9%) for the Group and 36.9% (35.4%) for the Parent Bank.

NOK mill	iso Q417	iso Q317	Change	at Q417	at Q416	Change
Labor costs	150	143	7	553	540	13
Pension	3	13	-10	42	53	-11
Social costs	30	28	2	113	96	17
Administration costs	103	98	5	387	370	17
Depreciation costs	19	15	4	65	60	5
Property costs	6	4	2	22	37	-15
Other operation costs	62	41	21	184	164	20
Total operation costs	373	342	31	1.366	1.320	46

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 2017 were NOK 46 million (3.5%) higher than in 2016. If reorganisation costs and financial activity tax are taken into account, the increase in costs was NOK 57 million (4.4%). The increase was due to business expansions in the Group's subsidiaries amounting to NOK 16 million, as well as a NOK 41 million increase in costs in the Parent Bank. The latter was mainly due to the scrapping of fixed assets and higher rental costs associated with the building of a new head office in Tromsø. A NOK 11 million write-down was also made in connection with the sale of the Bank's building in Bodø. In addition to this, higher costs were incurred due to more activity within digitalisation, automation and new customer relations systems.

The Group's costs for the fourth quarter seen in isolation increased by NOK 31 million compared with the third quarter. Around NOK 2 million of the increase was due to the subsidiaries. For the Parent Bank, the increased costs in the fourth quarter (NOK 29 million) were primarily due to the above-mentioned write-down of the Bank's building in Bodø and capital tax of NOK 8 million.

Costs are expected to rise somewhat in 2018 compared with 2017. This is due to continued rental costs in Tromsø and Bodø from leasing temporary premises. There is also a increased resources allocated to digitalisation, automation and new customer relations systems. The latter will provide cost savings and higher income, but is not expected to produce significant effects before 2019. New business acquired by the subsidiary SpareBank 1 Regnskapshuset Nord-Norge will increase costs by around NOK 30 million in 2018. The acquisition is expected to

contribute to increased profitability. There is a constant focus on income growing and cost streamlining measures, which are expected to produce effects towards the end of 2018/beginning of 2019.

There were 784 full-time equivalents at the end of the fourth quarter of 2017 (774), 10 more than as at 31 December 2016: there were 2 fewer in the Parent Bank and 12 more in the subsidiaries.

The Parent Bank had 538 full-time equivalents the end of the fourth quarter of 2017 (540).

Net losses and non-performance – customer commitments

The Group's net losses on loans to customers as at the end of the fourth quarter of 2017 amounted to NOK 184 million (NOK 213 million): NOK 35 million (NOK 19 million) from the retail market and NOK 149 million (NOK 194 million) from the corporate market. The level of losses is considered moderate. See also notes 7 and 8 to the quarterly financial statements.

Net non-performing and doubtful commitments as at 31 December 2017 totalled NOK 693 million (NOK 358 million), equivalent to 0.66% of gross lending inclusive of intermediary loans (0.37%). The increase is due to the individual loss marking of a single commitment where the loss was previously assessed as part of group provisions in the industrial sector. The loss marking has thereby also reduced group provisions and increased individual loss provisions. Also see note 6 to the interim financial statements. The level of non-performing commitments is regarded as moderate.

The Group's total individual loss write-downs on loans to customers as at 31 December 2017 amounted to NOK 308 million (NOK 216 million), NOK 92 million (NOK 62 million) of which involved financial institutions. The provisions were increased by NOK 30 million in the last quarter.

Group write-downs as at 31 December 2017 amounted to NOK 300 million (NOK 373 million). This represents a reduction of NOK 153 million compared with 30 September 2017. Group write-downs totalled 0.4% of the Group's total gross lending as at 31 December 2017 (0.5%), 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 for the immediate future.

IFRS 9 Financial instruments

IASB (International Accounting Standards Board) has decided that a new IFRS 9 *Financial Instruments* (International Financial reporting Standards) will replace the existing IAS 39 *Financial Instruments: Recognition and Measurement* (International Accounting Standards). IFRS 9 entails changes in relation to the current standard with respect to the classification and measurement of financial instruments, writing down financial assets, and hedge accounting. The standard will come into force on 1 January 2018.

As stated in the interim financial statements throughout 2017, the Group does not expect the new standard to have significant effects on the balance sheet and equity. An estimate of the effects of implementing IFRS 9 as at 1 January 2018, based on figures as at 31 December 2017, indicates a negative effect of between NOK 30-50 million on equity. This is expected to have a positive effect on the return on equity of up to 0.05 percentage points, as well as reduce common equity tier 1 capital by up to 0.10 percentage points. Please also refer to note 11 to the interim financial statements.

Balance sheet performance

NOK mill	31.12.2017	31.12.2016	Change	30.09.2017	Change
Loan retail	76.158	69.647	9,3 %	74.636	2,0 %
Loan corporate	29.327	26.640	10,1 %	27.208	7,8 %
Loan incl.committion loans	105.485	96.287	9,6 %	101.844	3,6 %
Loan exclusive committion loans	75.003	70.736	6,0 %	73.902	1,5 %
Deposits retail	32.304	30.651	5,4 %	32.206	0,3 %
Deposits corporate	25.545	23.218	10,0 %	24.957	2,4 %
Total deposits	57.849	53.869	7,4 %	57.163	1,2 %
Deposit coverage ratio incl.committion loans	55 %	56 %	-1 %	56 %	-1 %
Deposit coverage ratio excl.committion loans	77 %	76 %	1 %	77 %	0 %
Total assets	97.186	90.501	7,4 %	93.542	3,9 %

Loans

As at 31 December 2017, lending totalling NOK 30 billion (NOK 26 billion) had been transferred to SpareBank 1 Boligkreditt. As at the end of the year, 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 December 2017 (72%).

The Group's exposure in the oil and gas sector is low. Its total exposure as at 31 December 2017 was NOK 1,264 million, or 1.25% of gross lending (inclusive of intermediary loans). In the Board's opinion, the risk in this part of the portfolio is clear and manageable.

An overview of the Group's lending is provided in note 9 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 2017, 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 December 2017 was calculated at 126% (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

	31.12.2017	31.12.2016	Change	30.09.2017	Change
Common tier 1 capital	14,9 %	15,0 %	-0,1 %	15,4 %	-0,5 %
Tier 1 capital	16,2 %	16,3 %	-0,1 %	16,8 %	-0,6 %
Capital adequacy ratio	18,1 %	18,4 %	-0,3 %	19,0 %	-0,9 %
Leverage ratio	7,2 %	7,0 %	0,2 %	7,7 %	-0,5 %

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 main reason for the fall in common equity tier 1 capital in the last quarter was the rise in the risk-adjusted basis for calculation of around NOK 2 billion due to lending growth in the last quarter, especially in the corporate market. The dividend payout ratio has also increased from the 50% rate calculated as at 30 September 2017 to 60%.

After the countercyclical capital buffer requirement rose from 1.5% to 2.0% from 31 December 2017, the Group's regulatory minimum requirement for the common equity tier 1 capital ratio is 13.5% from 31 December 2017. 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 common equity tier 1 capital ratio of one percentage point above the minimum requirement, which results in a current target common equity tier 1 capital ratio of 14.5%.

The Ministry of Finance set new requirements for the leverage ratio, which came into effect on 30 June 2017. The total minimum requirement for the tier 1 leverage ratio is 5%.

Proposed profit allocation

The Parent Bank's profit after tax of NOK 1,444 million is adjusted for the interest yield for issued hybrid tier 1 capital loans. After this, the profit after tax is distributed between the equity certificate holders and the Bank's community-owned capital in accordance with the relative distribution of equity capital between the owner groups in the Parent Bank as at 1 January 2017, 46.36% and 53.64% respectively.

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 a minimum 50%. The Board proposes the following allocation of the profit to the Bank's Supervisory Board:

NOK mill	31.12.2017	31.12.2016	Change
Parent Bank's profit for the year after tax	1.444	1.456	-12
Interests hybrid capital	8	-	8
Profit to allocate	1.436	1.456	-20
Cash dividend per ECC	NOK 4,00	NOK 3,45	NOK 0,20
Allocated to cash dividend	402	346	56
Allocated to dividend equalisation fund	264	329	-65
Total to the equity certificate holders	666	675	-9
Share of profit for the year	46,36 %	46,36 %	0,00 %
Allocated to donations	464	401	63
Allocated to the Saving Banks Fund	306	380	-74
Total to the Bank's community-owned capital	770	781	-11
Share of profit for the year	53,64 %	53,64 %	0,00 %
Total allocated	1.436	1.456	-20

The proposed allocation of the profit entails an equal payout ratio for the Bank's equity certificate holders and community-owned capital. The payout ratio amounts to 60.5% (59.6%) of the Group's profit and 60.3% (51.3%) of the Parent Bank's profit. The payout ratio is characterised as especially high and is due to a good result and a common equity tier 1 capital ratio above the target level. Going forward, the Bank will continue to give weight to providing a competitive direct return for the Bank's owners. Nonetheless, the future payout ratio will have to take into account the Group's capital adequacy and opportunities for future profitable growth.

Dividends will be distributed to those registered as equity certificate holders as at 22 March 2018. The Bank's equity certificates will be traded ex dividend as at 23 March 2018. The equity certificate holders' proportion of the equity (ownership fraction) has not changed and was as at 1 January 2018 calculated as being 46.36%.

The Bank's equity certificate holders

NOK mill	31.12.2017	31.12.2016	Change	30.09.2017	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	7.939	7.465	474	7.912	27
Proportion of northern norwegian holders	19 %	18 %	1 %	19 %	0 %
Proportion of foreign holders	36 %	29 %	7 %	35 %	1 %
Market price NOK	62,25	52,25	10,00	61,5	0,75
Market value	13.481	11.315	2.166	13.319	162
Earnings per equity certificate	6,61	5,79	0,82	4,66	1,95
Price/Earnings	9,4	9,0	0,4	9,8 -	0,4
Price/Book value	1,2	1,0	0,2	1,2 -	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 therefore in place for 2018 to provide growth opportunities for northern Norway and for SpareBank 1 Nord-Norge. At the same time, uncertainty exists in relation to both the international macro picture and how the Norwegian krone exchange rate will develop in the future and impact export industries and tourism. Rising growth in Norway, together with a higher oil price, could result in a stronger Norwegian krone, which would have a negative impact on the region's economy, both for the export industry and for tourism. A tight labour market presents a challenge for growth in the region. The same applies to infrastructure, which is not efficient enough, as well as current restrictions in the seafood industry. However, northern Norway's macroeconomic prospects still look as good or better than those for the country as a whole.

Following the implementation of significant strategic measures in the last few years, the Group's target financial strength has been more than met. The process of cultivating the core business has been completed. A substantial amount of work on improving the Group's profitability has been done. Nevertheless, further reorganisation measures are required. 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 in 2017, which will rise somewhat further in 2018. This work is expected to have an impact on costs and income from the end of 2018/beginning of 2019.

The Group's future prospects are considered good.

Tromsø, 8 February 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

(Amounts in NOK million)

31.12.15 4Q16 4Q17 31.12.16 31.12.17

2 520 601 599 2 359 2 387
1 200 215 191 907 824
1 320 386 408 1 452 1 563

Interest income
Interest costs
Net interest income

739 168 194 682 756
72 20 20 78 77
15 13 34 42 46
682 161 208 646 725

Fee- and commission income
Fee- and commission costs
Other operating income
Net fee-, commision and other operating income

8 1 0 74 4
354 225 33 612 457
- 114 44 25 114 112
248 270 58 800 573

Dividend
Income from investments
Net gain from investments in securities
Net income from financial investments

2 250 817 674 2 898 2 861

Total income

670 140 132 503 511
331 96 88 339 342
48 13 13 50 51
129 43 56 134 151
1 178 292 289 1 026 1 055

Personnel costs
Administration costs
Ordinary depreciation
Other operating costs
Total costs

1 072 525 385 1 872 1 806

Result before losses

216 45 - 46 158 46
856 480 431 1 714 1 760

Losses
Result before tax

126 70 98 258 316
0 0 0 0 0
730 410 333 1 456 1 444

Tax
Result non-current assets held for sale
Result after tax

3.37 1.89 1.54 6.72 6.62
3.37 1.89 1.54 6.72 6.62

Result per Equity Certificate, adjusted for interests hybrid capital
Diluted result per Equity Certificate, adjusted for interests hybrid capital

Group

31.12.17 31.12.16 4Q17 4Q16 31.12.15

2 611 2 548 675 653 2 702
841 904 214 219 1 190
1 770 1 644 461 434 1 512

931 871 235 213 908
85 85 21 22 75
146 138 51 43 100
992 924 265 234 933

4 74 0 1 8
434 366 167 76 399
114 69 27 39 - 158
552 509 194 116 249

3 314 3 077 920 784 2 694

708 689 183 195 850
393 377 103 100 368
65 60 19 15 56
200 194 68 65 187
1 366 1 320 373 375 1 461

1 948 1 757 547 409 1 233

184 213 37 64 200
1 764 1 544 510 345 1 033

324 291 86 77 163
0 0 0 0 5
1 440 1 253 424 268 872

6.61 5.79 1.95 1.24 4.03
6.61 5.79 1.95 1.24 4.03

Other comprehensive income

Parent

Bank

(Amounts in NOK million)

31.12.15 4Q16 4Q17 31.12.16 31.12.17

730 410 333 1 456 1 444

Result after tax

0 0 0 0 0

Items that will not be reclassified to profit/loss

61 -5 62 -5 61

Net change in fair market value of investment in joint ventures

-18 3 -15 1 -15

Actuarial gains (losses) on benefit-based pension schemes

43 -2 47 -4 46

Tax

0 0 0 0 0

Items that will be reclassified to profit/loss

8 4 0 10 0

Value adjustment of property, plant and equipment

80 -60 15 -60 15

Effective part of change in fair market value in cash flow hedging

0 0 0 0 0

Net change in fair market value of financial assets available for sale

0 0 0 0 0

Reclassification adjustments

0 0 0 0 0

Net change in fair market value of investment in joint ventures

0 -2 0 -2 0

Tax

88 -58 15 -52 15

Total

861 350 395 1 400 1 505

Total comprehensive income for the period

3.97 1.62 1.82 6.46 6.90

Total result per Equity Certificate, adjusted for interests hybrid capital

3.97 1.62 1.82 6.46 6.90

Diluted total result per Equity Certificate, adjusted for interests hybrid capital

Group

31.12.17 31.12.16 4Q17 4Q16 31.12.15

1 440 1 253 424 268 865

5 0 6 28 34

69 -1 70 -1 58

-17 0 -17 0 -17

57 -1 59 27 65

0 0 0 0 -10

0 10 0 4 8

15 -60 15 0 80

0 0 0 0 30

3 0 3 0 34

0 -2 0 0 0

18 -52 18 4 152

1 515 1 200 501 299 1 082

6.95 5.54 2.31 1.38 5.00

6.95 5.54 2.31 1.38 5.00

Statement of financial position

Parent Bank

Group

(Amounts in NOK million)

31.12.15	31.12.16	31.12.17		31.12.17	31.12.16	31.12.15
Assets						
274	775	775	Cash and balances with central banks	775	775	274
5 683	5 871	7 081	Loans and advances to credit institutions	2 656	1 946	2 124
59 487	65 670	69 177	Net loans and advances to customers	74 487	70 236	63 637
388	291	255	Shares	270	306	569
11 178	10 164	11 541	Certificates and bonds	11 541	10 164	11 178
1 946	1 390	1 511	Financial derivatives	1 511	1 390	1 946
626	728	924	Investments in Group Companies			
2 836	2 849	3 160	Investments in associated companies and joint ventures	4 755	4 370	4 424
443	361	234	Property, plant and equipment	453	501	553
			Non current assets held for sale	30	30	28
			Deduction for ntangible assets	68	63	51
522	425	499	Other assets	640	720	619
83 383	88 524	95 157	Total assets	97 186	90 501	85 403
Liabilities						
1 829	833	436	Deposits from credit institutions	434	818	1 816
48 115	53 924	57 883	Deposits from customers	57 849	53 870	48 087
21 470	21 165	23 552	Debt securities in issue	23 553	21 165	21 470
1 525	985	902	Financial derivatives	902	985	1 525
750	846	819	Other liabilities	1 093	1 128	956
146	83	98	Deferred tax liabilities	206	174	238
1 350	1 350	850	Subordinated loan capital	850	1 350	1 350
75 185	79 186	84 540	Total liabilities	84 887	79 490	75 442
Equity						
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	Hybrid capital	530		
1 179	1 657	1 980	Dividend Equalisation Fund	1 980	1 657	1 179
4 074	4 459	5 235	The Savings Bank's Fund	5 235	4 459	4 074
180	521	120	Donations	120	521	180
80	20	35	Fair value reserve	35	20	80
35	31	67	Other equity capital	1 749	1 704	1 798
8 198	9 338	10 617	Total equity	12 299	11 011	9 961
83 383	88 524	95 157	Total liabilities and equity	97 186	90 501	85 403

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 01.01.16	1 807	843		1 179	4 074	180	80	1 798	9 961
Total comprehensive income for the Period result				675	380	401		- 203	1 253
<i>Other comprehensive income:</i>									
Effective part of change in fair market value in cash flow hedging				4	6				10
Net change in fair market value of financial assets available for sale							- 60		- 60
Tax on other comprehensive income					- 1				- 1
Total other comprehensive income				4	5		- 60		- 51
Total comprehensive income for the				679	385	401	- 60	- 203	1 202
Transactions with owners									
Equity issue									
Set aside for dividend payments									
Reversal of dividend payments									
Dividend paid				- 201					- 201
Other transactions								109	109
Payments from Donations Fund						- 60			- 60
Total transactions with owners				- 201		- 60		109	- 152
Equity at 31.12.2016	1 807	843		1 657	4 459	521	20	1 704	11 011
Equity at 01.01.17	1 807	843		1 657	4 459	521	20	1 704	11 011
Total comprehensive income for the Period result				670	775			- 5	1 440
<i>Other comprehensive income:</i>									
Interest hybrid capital									
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
Reclassification adjustments									
Actuarial gains (losses) on benefit-based pension schemes								69	69
Tax on other comprehensive income								- 17	- 17
Total other comprehensive income	0	0		0	0	0	15	60	75
Total comprehensive income for the period				670	775		15	55	1 515
Transactions with owners									
Dividend paid				- 346					- 346
Other transactions			530	- 1	1			- 10	520
Payments from Donations Fund						- 401			- 401
Total transactions with owners			530	- 347	1	- 401		- 10	- 227
Equity at 31.12.17	1 807	843	530	1 980	5 235	120	35	1 749	12 299

ECC ratio overall

Parent Bank									
(Amounts in NOK million)	(01.01.12)	(01.01.13)	(adjusted)						
	31.12.11	31.12.12	01.01.13	31.12.13	31.12.14	31.12.15	31.12.16	31.12.17	
Equity Certificate capital	1 655	1 655	1 681	1 807	1 807	1 807	1 807	1 807	
Equity Certificate premium reserve	245	245	344	843	843	843	843	843	
Dividend Equalisation Fund	319	453	380	685	820	960	1 310	1 574	
Set aside dividend	- 93	- 76	0	0	191	201	347	402	
Share Fund Fair Value Options	- 14	- 33	- 33	0	0	69	22	51	
A. Equity attributable to Equity Certificate holders of the Bank	2 112	2 244	2 372	3 335	3 661	3 880	4 329	4 677	
The Savings Bank's Fund	2 902	3 107	3 081	3 593	3 742	4 055	4 460	4 765	
Allocated dividends to ownerless capital	- 107	- 30	0	0	212	60	400	465	
Donations	133	120	120	119	119	120	120	120	
Share Fund Fair Value Options	- 20	- 45	- 45	0	0	83	29	60	
B. Total ownerless capital	2 908	3 152	3 156	3 712	4 073	4 318	5 009	5 410	
Equity Certificate Ratio overall (A/(A+B))	42.07 %	41.59 %	42.91 %	47.33 %	47.33 %	47.33 %	46.36 %	46.36 %	

Statement of cash flows

Parent Bank

(Amounts in NOK million)

31.12.15	31.12.16	31.12.17		31.12.17	31.12.16	31.12.15
856	1 714	1 760	Result before tax	1 764	1 544	1 033
48	50	51	+ Ordinary depreciation	65	60	56
2	- 20	- 11	+ Write-downs, gains/losses fixed assets	1	- 20	2
216	158	46	+ Losses on loans and guarantees	184	213	200
126	258	316	- Tax/Result investment held for sale	324	291	163
403	261	747	- Dividends/donations	747	261	403
593	1 383	783	Provided from the year's operations	943	1 245	725
167	- 563	- 39	Change in sundry liabilities: + increase/ - decrease	- 17	- 374	191
173	653	- 195	Change in various claims: - increase/ + decrease	- 46	440	178
-2 703	-6 341	-3 553	Change in gross lending to and claims on customers: - increase/ + decrease	-4 435	-6 837	-2 860
-1 605	1 111	-1 341	Change in short term-securities: - increase/ + decrease	-1 341	1 277	-1 554
2 379	5 779	3 959	Change in deposits from and debt owed to customers: + increase/ - decrease	3 979	5 778	2 351
- 935	- 965	- 397	Change in debt owed to credit institutions: + increase/ - decrease	- 384	- 967	- 942
-1 931	1 057	- 783	A. Net liquidity change from operations	-1 301	562	-1 911
- 47	- 40	- 40	- Investment in fixed assets (incl merger effects)	- 90	- 80	- 52
20	92	123	+ Sale of fixed assets	68	92	37
- 154	- 115	- 507	Change in holdings of long-term securities: - increase/ + decrease	- 385	54	- 237
- 181	- 63	- 424	B. Liquidity change from investments	- 407	66	- 252
158	- 305	2 387	Change in borrowings through the issuance of securities: + increase/ - decrease	2 388	- 305	156
0	0	30	Change in hybrid capital/subordinated loan capital: + increase/ - decrease	30	0	0
158	- 305	2 417	C. Liquidity change from financing	2 418	- 305	156
-1 954	689	1 210	A + B + C. Total change in liquidity	710	323	-2 007
7 911	5 957	6 646	+ Liquid funds at the start of the period	2 721	2 398	4 405
5 957	6 646	7 856	= Liquid funds at the end of the period	3 431	2 721	2 398

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)

	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16
Interest income	675	650	641	645	653	641	631	623
Interest costs	214	200	204	223	219	218	230	237
Net interest income	461	450	437	422	434	423	401	386
Fee- and commission income	235	250	235	211	213	228	226	204
Fee- and commission costs	21	23	20	21	22	22	22	19
Other operating income	51	28	33	34	43	22	45	28
Net fee-, commission and other operating income	265	255	248	224	234	228	249	213
Dividend	0	0	4	0	1	0	73	0
Income from investments	167	109	93	65	76	94	109	87
Net gain from investments in securities	27	10	27	50	39	63	- 26	- 7
Net income from financial investments	194	119	124	115	116	157	156	80
Total income	920	824	809	761	784	808	806	679
Personnel costs	183	184	169	172	195	170	161	163
Administration costs	103	98	96	96	100	86	95	95
Ordinary depreciation	19	15	16	15	15	15	16	14
Other operating costs	68	45	44	43	65	45	46	39
Total costs	373	342	325	326	375	316	318	311
Result before losses	547	482	484	435	409	492	488	368
Losses	37	59	44	44	64	61	64	24
Net gain from sale of financial fixed assets	0	0	0	0	0	0	0	0
Result before tax	510	423	440	391	345	431	424	344
Tax	86	76	84	78	77	74	71	69
Result non-current assets held for sale	0	0	0	0	0	0	0	0
Result after tax	424	347	356	313	268	357	353	275
Profitability								
Return on equity capital	14.7 %	12.4 %	13.1 %	11.6 %	9.9 %	13.6 %	13.8 %	11.0 %
Interest margin	1.93 %	1.90 %	1.86 %	1.85 %	1.93 %	1.87 %	1.78 %	1.77 %
Cost/income	40.5 %	41.5 %	40.2 %	42.8 %	47.8 %	39.1 %	39.5 %	45.8 %
Balance sheet figures								
Loans and advances to customers	75 003	73 902	73 471	71 294	70 763	68 905	67 861	65 357
Growth in loans and advances to cust. incl. commission loans past 12 months	9.6 %	9.0 %	9.2 %	8.4 %	8.9 %	6.3 %	5.1 %	5.0 %
Deposits from customers	57 849	57 163	58 634	54 261	53 870	53 637	55 666	50 523
Growth in deposits from customers past 12 months	7.4 %	6.6 %	5.3 %	7.4 %	12.0 %	11.7 %	10.8 %	9.3 %
Deposits as a percentage of gross lending	77.1 %	77.3 %	79.8 %	76.1 %	76.1 %	77.8 %	82.0 %	77.3 %
Deposits as a percentage of gross lending including commission loans	54.8 %	56.1 %	58.7 %	55.8 %	55.9 %	57.4 %	60.8 %	56.3 %
Average assets	93 905	93 085	92 933	91 489	89 168	88 835	88 710	87 046
Total assets	97 186	93 542	95 822	92 476	90 501	89 210	92 038	88 688
Losses on loans and commitments in default								
Losses on loans to customers as a percentage of gross loans incl. commission loans	0.14 %	0.23 %	0.18 %	0.18 %	0.27 %	0.26 %	0.28 %	0.11 %
Commitments in default as a percentage of gross loans incl. commission loans	0.25 %	0.26 %	0.31 %	0.26 %	0.31 %	0.44 %	0.54 %	0.28 %
Commitments at risk of loss as a percentage of gross loans incl. commission loans	0.60 %	0.21 %	0.22 %	0.26 %	0.22 %	0.23 %	0.10 %	0.20 %
Net comm. in default and at risk of loss as a per. of gross loans incl. commission loans	0.65 %	0.33 %	0.36 %	0.36 %	0.37 %	0.51 %	0.49 %	0.36 %
Solidity								
Common Equity Tier I	14.9 %	15.4 %	15.4 %	15.3 %	15.0 %	15.1 %	14.2 %	13.8 %
Tier I Capital	16.2 %	16.0 %	16.2 %	16.3 %	16.3 %	15.6 %	15.0 %	14.9 %
Total regulatory Capital %	18.1 %	18.3 %	18.5 %	18.5 %	18.4 %	17.7 %	17.1 %	16.9 %
Common Equity Tier I	9 992	10 601	10 454	9 417	9 467	9 563	9 206	8 440
Tier I capital	10 857	10 485	10 565	10 213	10 267	10 361	9 360	9 130
Equity and related capital resources	12 141	11 928	12 039	11 610	11 229	10 783	10 674	10 411
Adjusted risk-weighted assets base	67 222	65 351	65 125	62 590	61 120	60 798	62 479	61 425

Notes

Note 1 - Accounting policies

The Group's interim financial statements in 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by EU, including IAS 34 relating to interim reporting. The Group's accounting policies and calculation methods remain essentially unchanged from the accounting year 2016.

The interim financial statements do not cover all the information required in complete financial statements and should be read in conjunction with the annual financial statements for 2016.

The interim financial statements have not been audited.

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.

						31.12.17
(Amounts in NOK million)						
	Retail	Corporate	Leasing	Markets	Unallocated	Total
Net interest income	879	518	207	1	165	1 770
Net fee- and commission income	364	29	0	0	453	846
Other operating income	289	66	0	34	309	698
Operating costs	857	131	62	16	300	1 366
Result before losses	675	482	145	19	627	1 948
Losses	19	27	138	0	0	184
Result before tax	656	455	7	19	627	1 764
Loans and advances to customers	45 676	23 923	5 404	0	0	75 003
Individual write-downs for impaired value on loans and advances to customers	- 11	- 175	- 30	0	0	- 216
Collective write-downs for impaired value on loans and advances to customers	- 73	- 198	- 29	0	0	- 300
Other assets	0	1 995	148	0	20 556	22 699
Total assets per business area	45 592	25 545	5 493	0	20 556	97 186
Deposits from customers	32 304	25 545	0	0	0	57 849
Other liabilities and equity capital	13 288	0	5 493	0	20 556	39 337
Total equity and liabilities per business area	45 592	25 545	5 493	0	20 556	97 186
						31.12.16
Net interest income	779	493	195	2	175	1 644
Net fee- and commission income	366	21	0	0	382	769
Other operating income	273	75	0	52	264	664
Operating costs	888	118	54	20	240	1 320
Result before losses	530	471	141	34	581	1 757
Losses	19	139	55	0	0	213
Result before tax	511	332	86	34	581	1 544
Loans and advances to customers	44 123	21 865	4 775	0	0	70 763
Individual write-downs for impaired value on loans and advances to customers	- 12	- 96	- 46	0	0	- 154
Collective write-downs for impaired value on loans and advances to customers	- 49	- 308	- 16	0	0	- 373
Other assets	0	1 758	220	0	18 287	20 265
Total assets per business area	44 062	23 219	4 933	0	18 287	90 501
Deposits from customers	30 651	23 219	0	0	0	53 870
Other liabilities and equity capital	13 411	0	4 933	0	18 287	36 631
Total equity and liabilities per business area	44 062	23 219	4 933	0	18 287	90 501

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.

SpareBank 1 Nord-Norge's goal is to maintain unquestionable financial strength and satisfy the official minimum requirements for capital adequacy. The Group's long-term goal for the common equity tier 1 capital ratio is 14.5%.

Parent Bank				Group		
(Amounts in NOK million)						
31.12.15	31.12.16	31.12.17		31.12.17	31.12.16	31.12.15
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
1 179	1 657	1 980	Equalisation reserve	1 980	1 657	1 179
4 074	4 459	5 235	Savings bank's reserve	5 235	4 459	4 074
180	521	120	Endowment fund	120	521	180
80	20	35	Deduction Fund for unrealised gains available for sale	35	20	80
35	31	67	Other equity	1 749	1 704	1 798
0	0	530	Hybrid capital	530	0	0
8 198	9 338	10 617	Total equity	12 299	11 011	9 961
0	0	- 530	Hybrid capital	- 530	0	0
			Additional Tier 1 Capital (AT 1 Capital)			
- 260	- 750	- 866	Deduction for allocated dividends	- 866	- 750	- 260
0	0	0	Adjusted Tier 1 Capital from consolidated financial institutions	- 36	- 116	- 48
0	0	0	Deduction for ntangible assets	- 87	- 67	- 55
- 22	- 21	- 23	Adjustments to CET 1 due to prudential filters	- 27	- 33	- 23
- 82	- 95	- 130	Deduction defined benefit pension fund assets gross amounts	- 136	- 99	- 82
- 95	0	- 75	IRB shortfall of credit risk adjustments to expected losses	- 36	- 64	- 309
0	0	0	CET1 instruments of financial sector entities where the institution has significant investment	- 589	- 727	- 817
- 81	- 26	0	Deduction for CET 1 instruments of financial sector institutions with a significant investment over 10 % threshold limit	0	0	0
7 658	8 446	8 993	Common equity Tier 1 Capital (CET 1 Capital)	9 992	9 155	8 367
500	500	530	Hybrid Tier 1 bonds	869	800	756
0	0	0	Own Hybrid Tier 1 bonds	- 4	- 4	- 13
8 158	8 946	9 523	Additional Tier 1 Capital (AT 1 Capital)	10 857	9 951	9 110
			Tier 2 Capital (T2 Capital)			
850	850	850	Nonperpetual subordinated capital	1 328	1 361	1 341
0	1	0	Expected losses on IRB, net of writedowns	0	0	0
- 61	- 61	- 61	Deduction for subordinated capital in other financial institutions with a significant investment	- 44	- 83	- 93
789	790	789	Tier 2 Capital (T2 Capital)	1 284	1 278	1 248
8 947	9 736	10 312	Equity and related capital resources	12 141	11 229	10 358
			Minimum requirements subordinated capital, Basel I I			
717	778	935	Specialised lending exposure	1 026	878	850
125	96	144	Other corporations exposure	154	123	165
406	359	352	SME exposure	362	367	413
855	898	920	Property retail mortgage exposure	1 336	1 254	1 215
39	69	65	Other retail exposure	66	71	40
395	368	405	Equity investments	13	12	12
2 537	2 568	2 820	Total credit risk	2 958	2 705	2 694
716	621	616	Credit risk standardised approach	1 150	1 165	1 434
13	12	8	Debt risk	8	12	12
3	6	5	Equity risk	5	6	18
274	294	329	Operational risk	322	296	283
22	24	33	Credit Value Adjustment	83	47	60
0	0	0	Transitional arrangements	852	659	325
3 565	3 525	3 810	Minimum requirements subordinated capital	5 378	4 890	4 827
44 557	44 063	47 629	RWA (Risk weighted assets)	67 223	61 120	60 328
			Total regulatory Capital			
20.1 %	22.1 %	21.7 %	Total regulatory Capital	18.1 %	18.4 %	17.2 %
18.3 %	20.3 %	20.0 %	Tier 1 Capital	16.2 %	16.3 %	15.1 %
1.8 %	1.8 %	1.7 %	Tier 2 Capital	1.9 %	2.1 %	2.1 %
17.2 %	19.2 %	18.9 %	Common Equity Tier I	14.9 %	15.0 %	13.9 %
8.7 %	10.0 %	9.7 %	Leverage Ratio incl share of period result	7.2 %	7.0 %	6.2 %

Note 6 -Net bad and doubtful commitments

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	31.12.16	31.12.17		31.12.17	31.12.16	31.12.15
387	267	238	Non-performing commitments	265	301	270
334	280	713	+ Other doubtful commitments	644	211	245
721	547	951	+ Total commitments in default and doubtful commitments	909	512	515
203	78	59	- Individual write-downs on non performing commitments	58	93	69
125	61	158	- Other doubtful individual write-downs	158	61	100
328	139	217	+ Total individual write-downs	216	154	169
393	408	734	= Net commitments in default and doubtful commitments	693	358	346
45 %	25 %	23 %	Loan loss provision ratio	24 %	30 %	33 %

Note 7 - Losses incorporated in the accounts

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	31.12.16	31.12.17		31.12.17	31.12.16	31.12.15
55	- 188	81	+ Period's change in individual write-down for impaired value	66	- 15	- 3
51	122	- 90	+ Period's change in collective write-down for impaired value	- 77	125	54
88	221	27	+ Period's confirmed losses against which individual write-downs were previously made	52	82	92
54	9	7	+ Period's confirmed losses against which individual write-downs were previously not made	9	11	64
32	9	9	- Recoveries in respect of previously confirmed losses	10	11	7
216	155	16	= Total losses on loans	40	192	200
0	3	30	+ Other losses	144	21	0
216	158	46	= Total losses	184	213	200

Note 8 - Losses broken down by sector and industry

(Amounts in NOK million)

Parent Bank			Group	
31.12.16	31.12.17		31.12.17	31.12.16
- 1	3	Real estate	3	- 1
- 7	5	Financial and insurance activities	5	- 7
27	- 26	Fishing and aquaculture	- 26	27
85	- 10	Manufacturing	- 10	85
6	2	Agriculture and forestry	2	7
- 5	3	Power and water supply and construction	8	- 5
13	- 5	Service industries	1	13
27	21	Transportation	21	60
- 1	1	Commodity trade, hotel and restaurant industry	1	- 1
144	- 6	Total public market	5	178
20	31	Total retail market	45	25
164	25	Losses on loans to customers	50	203
- 5	- 9	Recoveries from previously written off losses	- 10	- 11
3	30	Other losses	144	21
158	46	Net losses	184	213

Note 9 - Loans broken down by sector and industry

(Amounts in NOK million)

Parent Bank			Group	
31.12.16	31.12.17		31.12.17	31.12.16
8 075	10 306	Real estate	10 234	8 405
1 367	1 605	Financial and insurance activities	1 607	1 600
3 721	3 870	Fishing and aquaculture	4 205	4 001
1 784	1 713	Manufacturing	1 960	1 956
1 032	1 089	Agriculture and forestry	1 185	1 112
1 524	1 330	Power and water supply and construction	1 951	1 930
1 158	1 489	Service industries	2 080	1 571
3 773	3 313	Transportation	4 132	4 435
1 280	1 429	Commodity trade, hotel and restaurant industry	1 809	1 495
23 714	26 144	Total public market	29 163	26 505
42 329	43 368	Total retail market	45 676	44 123
123	154	Total government	164	135
66 166	69 666	Total gross lending to customers	75 003	70 763
- 139	- 217	Individual write-downs for impaired value	- 216	-154
- 357	- 271	Collective write-downs for impaired value	- 300	-373
65 670	69 178	Net loans to customers	74 487	70 236

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 - Implementation of IFRS 9 Financial Instruments

IASB (International Accounting Standards Board) has decided that a new IFRS 9 *Financial Instruments* (International Financial reporting Standards) should replace the existing IAS 39 *Financial Instruments: Recognition and Measurement* (International Accounting Standards). IFRS 9 entails changes in relation to the current standard with respect to the classification and measurement of financial instruments, writing down financial assets, and hedge accounting. The standard will come into force on 1 January 2018.

In the current regulations with the "incurred loss model", financial assets must be written down at the time when an objective loss event has occurred. According to the new IFRS (International Financial Reporting Standards) 9, provisions for expected 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 the loss will be shown in the financial statements before a loss event has occurred and that future expectations will be included in the calculations.

International surveys have been conducted on the expected effects of transitioning to a new model. These show that expected loss provisions under IFRS 9 may be greater than expected losses using the IRB method under the Basel rules and the current level of recognised provisions for losses.

The Group started preparing for implementation and impact assessments of this in 2016. In collaboration with the other banks in the SpareBank 1 Alliance, models have been developed along with clarifications concerning valuation and classification. The financial consequences have also been analysed. The Group has not expected significant effects on the balance sheet or equity due to the new standard.

The work has now concluded and an estimate of the effects of implementation as at 1 January 2018, based on figures as at 31 December 2017, indicates a negative effect of between NOK 30-50 million on equity. This would have a positive effect on the return on equity of up to 0.05 percentage points, as well as reduce common equity tier 1 capital by up to 0.10 percentage points.

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 funding loans from the financial markets, and in order to cover and reduce risk relating to customer-related activities. Only hedging transactions relating to the Bank's funding loan operations are defined as 'fair value hedging' in accordance with IFRS standard IAS 39. Other hedging transactions are defined as ordinary accounts-related hedging. The Bank does not use cash flow hedging.

Fair value hedging transactions	31.12.17	31.12.16	31.12.15
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value	30	195	226
Total gain from hedging objects relating to the hedged risk	- 44	-191	- 224
Total fair value hedging transactions	- 14	4	2

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

	31.12.17 Fair value			31.12.16 Fair value			31.12.15 Fair value		
Foreign currency instruments	Contract	Assets	Liabilities	Contract	Assets	Liabilities	Contract	Assets	Liabilities
Foreign exchange financial derivatives (forwards)	1 630	28	11	2 143	14	9	1 610	47	42
Currency swaps	16 497	357	128	13 467	193	47	2 256	272	208
Currency options									
Total non-standardised contracts	18 127	385	139	15 610	207	56	3 866	319	250
Standardised foreign currency contracts (futures)									
Total foreign currency instruments	18 127	385	139	15 610	207	56	3 866	319	250
Interest rate instruments									
Interest rate swaps (including cross currency)	24 757	675	746	26 701	685	913	16 409	858	1 193
Short-term interest rate swaps (FRA)									
Other interest rate contracts	353	8	9	480	15	16	30	82	82
Total non-standardised contracts	25 110	683	755	27 181	700	929	16 439	940	1 275
Standardised interest rate contracts (futures)									
Total interest rate instruments	25 110	683	755	27 181	700	929	16 439	940	1 275
Hedging of funding loans									
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)									
Currency swaps									
Total, non-standardised contracts									
Standardised foreign currency contracts (futures)									
Total foreign currency instruments									
Interest rate instruments									
Interest rate swaps (including cross currency)	14 816	443	8	11 963	483		28 701	687	
Short-term interest rate swaps (FRA)									
Other interest rate contracts									
Total, non-standardised contracts	14 816	443	8	11 963	483		28 701	687	
Standardised interest rate contracts (futures)									
Total interest rate instruments	14 816	443	8	11 963	483		28 701	687	
Total interest rate instruments	39 926	1 126	763	39 144	1 183	929	45 140	1 627	1 275
Total foreign currency instruments	18 127	385	139	15 610	207	56	3 866	319	250
Total	58 053	1 511	902	54 754	1 390	985	49 006	1 946	1 525

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 31.12.17 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	23 954	23 520	434	0	434
Financial derivat	15 463	15 157	306	0	306

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.

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 December 2017. The short-term liquidity risk measurement, liquidity coverage ratio (LCR), was 126 % 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 period's net interest cost is now calculated by applying the discount rate for the liabilities at the beginning of the period to the net liabilities. Therefore, net interest costs consist of the interest on liabilities and the return on assets, both calculated using the discount rate. Changes in net pension liabilities due to premium payments and pension payments are taken into account. The difference between the actual return on pension assets and the recorded return is recognised immediately against OCI.

Assumptions	31.12.17	31.12.16
Discount rate	2.40 %	2.60 %
Expected return on pension assets	2.40 %	2.60 %
Future salary growth rate	1.00 %	1.50 %
Adjustment of NI basic amount (G)	2.25 %	2.25 %
Pension adjustment	0.00 %	0.00 %
Employer's NI liability	14.10 %	14.10 %
Employer's NI cost	14.10 %	14.10 %
Finansskatt	5.00 %	5.00 %
Voluntary leaving over 50 years old	0.00 %	0.00 %
Voluntary leaving up to 50 years old	0.00 %	0.00 %
Expected statutory early retirement pension (AFP) acceptance from age 62	50.00 %	50.00 %
Mortality, marriage probability, etc.	K2013BE IR2003	K2013BE IR2003

Group

Amounts in NOK million

Net pension liabilities in the balance sheet	31.12.17	31.12.16
Present value of future pension liabilities	738	747
Estimated value of pension assets	994	910
Net pension liabilities in fund-based plans	-256	-163
Unrecognised estimate deviations (possible actuarial gains and losses)	0	0
Employer's NI contributions	0	0
Net pension liabilities/assets in the balance sheet	- 256	- 163
Pension costs for the period		
Accrued defined benefit-based pensions	7	10
Interest costs on pension liabilities	18	21
Expected return on pension assets	-22	-25
Estimate deviations recognised in the period		
Effect of changed pension plan		
Net defined benefit-based pension costs without employer's NI contributions	3	6
Accrued employer's NI contributions	1	4
Net defined benefit-based pension costs recognised through profit or loss	4	10
Curtailment/settlement	-5	-1
Other pension costs	33	40
Total pension costs including employer's NI Insurance contribution	32	49
Movement in net pension liabilities from benefit-based plan recognised in balance sheet		
Net pension liabilities in the balance sheet as of 01.01	-163	-141
Correction against equity OB	-16	12
Correction against equity CB	-57	-10
Net defined benefit-based pension costs recognised through profit or loss	1	10
Curtailment/settlement	0	1
Paid directly from operations	-2	-5
Receipts - pension premiums defined benefit-based plans	-19	-30
Net pension liabilities/assets in the balance sheet	-256	-163
Other pension liabilities (early retirement pensions)	33	32
Net total pension liabilities	-223	-131

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

(Amounts in NOK million)	Level 1	Level 2	Level 3	Total
Assets 31.12.17				
Loans to and receivables from customers at fair value (fixed-rate loans)			6 395	6 395
Shares	123		95	218
Bonds	7 774	3 767		11 541
Financial derivatives		1 511		1 511
Total assets	7 897	5 278	6 490	19 665

Liabilities as of 31.12.17				
Financial derivatives		902		902
Total liabilities		902		902

Assets 31.12.16				
Loans to and receivables from customers at fair value (fixed-rate loans)			7 489	7 489
Shares	105		156	261
Bonds	7 048	3 070		10 118
Financial derivatives		1 390		1 390
Total assets	7 153	4 460	7 645	19 258

Liabilities as of 31.12.16				
Financial derivatives		985		985
Total liabilities	0	985	0	985

Changes in instruments at fair value, level 3:					Financial liabilities
(Amounts in NOK million)	Fixed-rate loans	Shares	Bonds	Financial derivatives	Financial derivatives
Carrying amount as of 31.12.16	7 489	156			0
Net gains on financial instruments	- 3				
Additions/acquisitions	758	35			
Disposals	-1 849	- 96			
Transferred from level 1 or level 2					
Carrying amount as of 31.12.17	6 395	95	0	0	0

The Bank's portfolio of fixed-rate loans in NOK is measured at fair value in the financial statements. Fair value is measured by discounting the loans' cash flows by a discount factor based on a swap rate plus a margin requirement. The determination of the discounting factor is based on an assessment of market conditions, and factors which an external investor would have considered in relation to a possible investment in an equivalent portfolio. Furthermore, an assessment is being made with regard to a possible difference between the discounting factor and observable rates for equivalent loans in the market. Should this difference be material, the bank will make an evaluation of possible reasons for such difference and evaluate a possible change in the discounting rate.

Note 17 - Subsidiaries

(Amounts in NOK 1 000)

	Share of Eq.%	Profit from ordinary operations befor tax			Equity		
		31.12.17	31.12.16	31.12.15	31.12.17	31.12.16	31.12.15
SpareBank 1 Finans Nord-Norge AS	100	7 002	86 012	124 287	857 035	729 113	642 813
SpareBank 1 Nord-Norge Portefølje AS	100	-1 470	-49 629	-75 415	13 117	14 359	38 409
EiendomsMegler 1 Nord-Norge AS	100	18 118	27 260	27 183	43 356	47 769	39 135
SpareBank 1 Nord-Norge Forvaltning ASA	0	1 656	2 640	2 386	0	9 314	9 074
SpareBank 1 Regnskapshuset Nord-Norge AS	100	16 321	13 125	5 773	35 731	23 217	13 021
Nord-Norge Eiendom IV AS	100	- 876	-1 314	-1 293	3 765	4 562	-13 969
Alsgården AS	100	- 635	-2 058	- 587	7 698	8 151	9 377
Fredrik Langesg 20 AS	100	- 665	539	1 830	27 554	8 118	7 217
Total		39 451	76 575	81 115	988 256	844 603	745 077

Note 18 - Other assets

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	31.12.16	31.12.17		31.12.17	31.12.16	31.12.15
20	20	10	Reposessed assets	29	153	20
0	12	5	Accrued income	65	103	53
239	260	288	Prepayments	292	267	227
263	133	196	Other assets	254	197	319
522	425	499	Total other assets	640	720	619

Note 19 - Other liabilities

(Amounts in NOK million)

Parent Bank				Group		
31.12.15	31.12.16	31.12.17		31.12.17	31.12.16	31.12.15
287	267	20	Costs incurred	237	468	453
0	0	3	Provisioning against incurred liabilities and	29	25	14
463	579	796	Other liabilities	827	635	489
750	846	819	Total other liabilities	1 093	1 128	956

Note 20 - Deposits broken down by sector and industry

(Amounts in NOK million)

Parent Bank			Group	
31.12.16	31.12.17		31.12.17	31.12.16
2 608	2 753	Real estate	2 753	2 608
699	1 123	Financial and insurance activities	1 123	699
1 228	1 595	Fishing and aquaculture	1 595	1 228
700	1 002	Manufacturing	1 002	700
440	489	Agriculture and forestry	489	440
1 636	1 721	Power and water supply and construction	1 721	1 636
3 780	4 468	Service industries	4 434	3 726
1 635	1 716	Transportation	1 716	1 635
1 870	1 724	Commodity trade, hotel and restaurant industry	1 724	1 870
14 628	16 622	Total public market	16 588	14 574
30 561	32 304	Total retail market	32 304	30 561
8 735	8 957	Total government	8 957	8 735
53 924	57 883	Total gross lending to customers	57 849	53 870

Note 21 - Securities issued and subordinated loan capital

Parent Bank and Group

(Amounts in NOK million)

Securities issued

	31.12.15	31.12.16	31.12.17
Certificates and other short-term borrowings			
Bond debt	21 470	21 165	23 553
Total debt securities in issue	21 470	21 165	23 553

	Statement of financial position 31.12.16	Issued 31.12.17	Matured/ redeemed 31.12.17	Exchange rate movements 31.12.17	Other adjustments 31.12.17	Statement of financial position 31.12.17
Changes in securities issued						
Certificates and other short-term borrowings						
Bond debt	21 165	8 018	-6 007	381	- 4	23 553
Total debt securities issued	21 165	8 018	-6 007	381	- 4	23 553

Subordinated loan capital and hybrid Tier 1 instruments

	31.12.15	31.12.16	31.12.17
Hybrid Tier 1 instruments			
2099 3 mnd Nibor + 4,75 (Call opsjon 19.12.2017)	500	500	
Total hybrid Tier 1 instruments	500	500	

Subordinated loan capital

Subordinated loan capital with definite maturities	850	850	850
Total subordinated loan capital	850	850	850

Total subordinated loan capital and hybrid Tier 1 instruments	1 350	1 350	850
--	--------------	--------------	------------

	Statement of financial position 31.12.16	Issued 31.12.17	Matured/ redeemed 31.12.17	Exchange rate movements 31.12.17	Other adjustments 31.12.17	Statement of financial position 31.12.17
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			
Total subordinated loan capital and hybrid Tier 1 instruments	1 350	500	-1 000			850

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

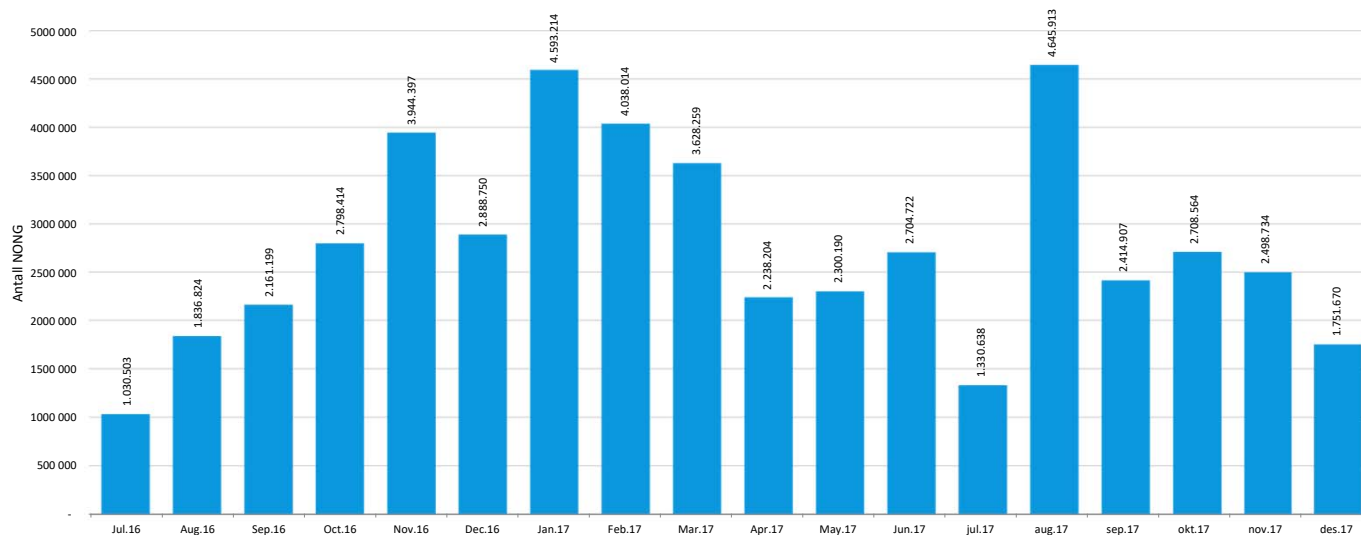
31.12.17

EC Holders	Number of ECs	Share of EC Capital
PARETO AKSJE NORGE	3 069 150	3.06%
MP PENSJON PK	2 697 811	2.69%
THE NORTHERN TRUST COMP, LONDON NON-TREATY ACCOUNT	2 655 981	2.65%
STATE STREET BANK AND TRUST COMP A/C CLIENT OMNIBUS F	2 592 616	2.58%
FLPS - PRINC ALL SEC STOCK SUB	2 389 900	2.38%
MORGAN STANLEY AND CO INTL PLC BNY MELLON SA/NV	2 074 940	2.07%
GEVERAN TRADING CO LTD	1 793 280	1.79%
VERDIPAPIRFONDET DNB NORGE (IV) V/DNB ASSET MANAGEMENT	1 772 126	1.77%
METEVA AS	1 614 670	1.61%
SKANDINAVISKA ENSKILDA BANKEN AB SEB AB, UCITS V	1 518 259	1.51%
SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGE	1 411 606	1.41%
FORSVARETS PERSONELLSERVICE	1 391 630	1.39%
POPE ASSET MANAGEMENT, LLC BNY MELLON SA/NV	1 373 754	1.37%
VPF EIKA EGENKAPITALBEVIS C/O EIKA KAPITALFORVALTNING AS	1 241 971	1.24%
PARETO AS	970 659	0.97%
STATE STREET BANK AND TRUST COMP A/C WEST NON-TREATY ACC	946 988	0.94%
LANDKREDITT UTBYTTE	850 000	0.85%
STATE STREET BANK AND TRUST COMP A/C CLIENT OMNIBUS D	790 379	0.79%
STATE STREET BANK AND TRUST COMP S/A SSB CLIENT OMNI E	777 631	0.77%
JP MORGAN SECURITIES PLC BNY MELLON SA/NV	774 000	0.77%
TOTAL	32 707 351	32.58%

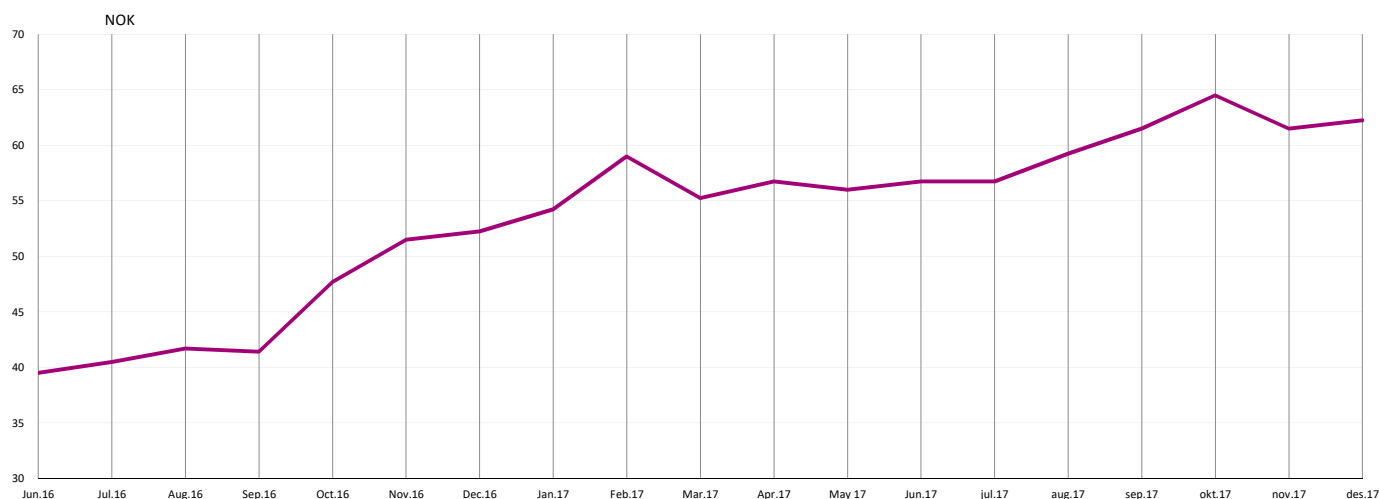
Dividend policy

The Bank's dividend policy states that the Bank aims to provide a competitive direct return for the Bank's owners (cash dividend and donations for socially beneficial purposes). The earlier limit of a payout ratio of a maximum of 50% of the Group's profit for the year has been cancelled. The future payout ratio will have to take into account the Group's capital adequacy and future growth. For 2017, the targeted payout ratio is minimum 50%.

Trading statistics



Price trend NONG



Note 23 - Hendelser etter balansedagen

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.

The SpareBank 1 Nord-Norge Group – a Statement from the Board of Directors and Chief Executive Officer

Today the Board of Directors and the Chief Executive Officer have considered and adopted the semi-annual report and the consolidated semi-annual financial statements of SpareBank 1 Nord-Norge for the period from 1 January to 31 December 2017.

We confirm to the best of our knowledge that the semi-annual financial statements for the period from 1 January to 31 December 2017 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the group taken as a whole. We also confirm that the semi-annual report gives a true and fair view of important events during the accounting period and their influence on the semi-annual financial statements, the most important elements of risk and uncertainty that the group faces in the next accounting period, and a description of related parties' material transactions.

Tromsø, 08.02.17

The Board of Directors of SpareBank 1 Nord-Norge

Karl Eirik Schjøtt-Pedersen
(Chairman)

Hans Tore Bjerkås
(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
(Chief Executive Officer)