

Quarterly Report



Financial statement Q1 2017

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Key figures group

(Amounts in NOK million and in % of average assets)	31.03.17	%	31.03.16	%	31.12.16	%
From the profit and loss account						
Net interest income	422	1,85 %	386	1,77 %	1 644	1,84 %
Net fee-, commission and other operating income	224	0,98 %	213	0,98 %	924	1,03 %
Net income from financial investments	115	0,50 %	80	0,37 %	509	0,57 %
Total income	761	3,33 %	679	3,12 %	3 077	3,44 %
Total costs	326	1,43 %	311	1,43 %	1 320	1,48 %
Result before losses	435	1,90 %	368	1,69 %	1 757	1,97 %
Losses	44	0,19 %	24	0,11 %	213	0,24 %
Result before tax	391	1,71 %	344	1,58 %	1 544	1,73 %
Tax	78	0,34 %	69	0,32 %	291	0,33 %
Result non-current assets held for sale	0	0,00 %	0	0,00 %	0	0,00 %
Result after tax	313	1,37 %	275	1,26 %	1 253	1,40 %
Profitability						
Return on equity capital	1	11,6 %	11,0 %		12,0 %	
Interest margin	2	1,85 %	1,77 %		1,84 %	
Cost/income	3	42,8 %	45,8 %		42,9 %	
Balance sheet figures and liquidity						
Gross lending	71 294		65 357		70 763	
commission loans	97 280		89 707		96 287	
months	9,1 %		7,0 %		10,5 %	
loans past 12 months	8,4 %		5,0 %		8,9 %	
retail loans	36,7 %		37,6 %		36,6 %	
loans	26,7 %		27,1 %		26,5 %	
Deposits from customers	54 261		50 523		53 870	
Growth in deposits from customers past 12 months	7,4 %		9,3 %		12,0 %	
Deposits as a percentage of gross lending	4	76,1 %	77,3 %		76,1 %	
Deposits as a percentage of gross lending including		55,8 %	56,3 %		55,9 %	
Average assets	5	91 489	87 046		89 339	
Total assets		92 476	88 688		90 501	
Leverage Ratio incl share of period result		7,2 %	6,1 %		7,0 %	
Losses on loans and commitments in default						
loans incl. commission loans		0,18 %	0,11 %		0,22 %	
Commitments in default as a percentage of gross loans incl. commission loans		0,26 %	0,28 %		0,31 %	
Commitments at risk of loss as a percentage of gross loans incl. commission loans		0,26 %	0,20 %		0,22 %	
Net comm. in default and at risk of loss as a per. of gross loans incl. commission loans		0,36 %	0,36 %		0,37 %	
Loan loss provision ratio		30,43 %	25,91 %		30,08 %	
Solidity						
Total regulatory Capital %	6	18,5 %	16,9 %		18,4 %	
Tier I Capital %	7	16,3 %	14,9 %		16,3 %	
Common Equity Tier I - incl share of period result		15,3 %	13,8 %		15,0 %	
Tier I capital		10 213	7 741		8 439	
Equity and related capital resources		11 610	10 411		11 229	
Adjusted risk-weighted assets base		62 590	61 425		61 120	
Liquidity Coverage Ratio (LCR)		121	120		121	
Branches and full-time employees						
Branches		38	62		38	
Manyears		763	764		774	

Key figures ECC

	2009	2010	2011	2012	2013	2014	2015	2016	1Q17 *
Quoted/market price as at 31.12 (adjusted) (1)	34,62	37,76	28,90	24,70	35,50	39,90	36,70	52,25	55,25
Number of Equity Certificates (EC) issued (mill) (2)	56,92	56,92	74,00	74,40	100,40	100,40	100,40	100,40	100,40
Quoted/market price EC issued (mill) (3)	1,970	2,149	2,139	1,837	3,564	4,006	3,685	5,246	5,547
Quoted/market price total equity (4)	5,704	6,223	5,083	4,418	7,530	8,464	7,948	11,315	11,965
Allocatde dividend per EC (5)	2,12	1,81	1,25	1,02	1,10	1,90	2,00	3,45	
Paid-out dividend per EC	0,94	2,12	1,81	1,25	1,02	1,10	1,90	2,00	3,45
Dividend yield (6)	6,1 %	4,8 %	4,3 %	4,1 %	3,1 %	4,8 %	5,4 %	6,6 %	
Total yearly return (7)	156,8 %	15,2 %	-18,7 %	-10,2 %	47,9 %	15,5 %	-3,3 %	47,8 %	12,3 %
Total equity capital Parent bank	4,247	4,547	5,264	5,589	7,200	7,735	8,198	9,336	8,873
Total equity capital Group, NOK mill	5,160	5,670	6,408	6,832	8,502	9,343	9,961	11,011	10,576
Equity capital per EC Parent bank (8)	31,09	34,59	29,93	31,24	33,94	36,46	37,86	43,11	40,97
Equity capital per EC Group (9)	31,31	34,41	36,43	38,19	40,08	44,05	46,00	50,84	48,84
Result per EC Parent bank (10)	5,41	4,93	2,28	2,91	3,91	3,50	3,44	6,72	1,31
Result per EC Group (11)	5,21	4,95	2,75	3,36	4,13	5,16	4,11	5,83	1,45
P/E (Price/Earnings per EC Group)(12)	6,64	7,63	10,51	7,34	8,59	7,73	8,93	8,96	9,56
P/B (Price/Book Value per EC Group)(13)	1,11	1,10	0,79	0,65	0,89	0,91	0,80	1,03	1,13
Pay-out ratio Group (14)	39,29 %	36,69 %	54,88 %	35,14 %	26,62 %	36,81 %	48,65 %	59,16 %	
EC ratio overall as at 31.12 (15)	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 (16)	34,54 %	34,54 %	38,74 %	42,07 %	42,91 %	47,33 %	47,33 %	46,36 %	46,36 %

Comments/definitions:

1) Quoted/market price	Quoted/market price adjusted for equity issues, fund issues, dividend issues and splits All key figures are adjusted with the same factor as the quoted/market price
2) Number of Equity Certificates (EC) issued (mill)	Number of certificates issued as of 31.12. adjusted as 1)
3) Quoted/market price EC issued (mill)	Market price * number of ECs
4) Quoted/market price total equity	Market price * number of ECs/ EC ratio overall
5) Allocated dividend per EC	Allocated dividend adjusted as 1)
6) Dividend yield	Allocated dividend/Market price EC as at 31.12
7) Total yearly return	(Market price EC 31.12 - market price EC 31.12 previous year + paid dividend)/Market price EC 31.12
8) Equity capital per EC Parent bank	Book equity Parent bank*EC ratio overall/Number of EC 31.12
9) Equity capital per EC Group	Book equity Group*EC ratio overall/Number of EC 31.12
10) Result per EC Parent bank	Analised result after tax Parent bank*EC ratio overall 1.1/Number of EC 31.12
11) Result per EC Group	Analised result after tax Consern*EC ratio overall 1.1/Number of EC 31.12
12) P/E (Price/Earnings per EC Group)	Market price 31.12/Result per EC Group
13) P/V (Price/Book Value per EC Group)	Market price 31.12/Book value per EC Group
14) Pay-out ratio per EC Group	Dividend per EC/Result per EC Group
15) EC ratio overall as at 31.12	EC-owners share of equity capital (Parent bank), calculated at year end
16) EC ratio overall as at 01.01 used for allocaton of result	EC-owners share of equity capital (Parent bank), used for allocation of result of the year

Interim report for Q1 2017 - Group

Highlights

(Figures in brackets are for the same period in 2016)

- Profit before tax: NOK 391 million (NOK 344 million).
- Profit after tax: NOK 313 million (NOK 275 million).
- Return on equity after tax: 11.6% (11.0%).
 - Earnings per equity certificate: NOK 1.31 (NOK 1.27).
- Good underlying banking operations.
- Net income from financial assets: NOK 115 million (NOK 80 million).
- Loan losses: NOK 44 million (NOK 24 million).
- Lending growth in the last 12 months: 8.4% (5.0%), inclusive of intermediary loans.
 - Retail market: 9.6% (7.4%).
 - Corporate market: 5.5% (-0.6%).
- Growth in deposits in the last 12 months: 7.4% (9.3%).
 - Retail market: 6.8% (6.0%).
 - Corporate market: 13.6% (-1.5%).
 - Public sector market: -0.9% (49.9%).
- Deposit coverage ratio: 76.1% (77.3%).
- Common equity tier 1 capital ratio, Group: 15.3 % (13.9 %).
- The financial statements have not been audited.

Macroeconomic trends

Despite the uncertainty associated with the impending Brexit process and President Trump's desire for more protectionism, the market still expects relatively good global growth of around 3.5% in 2017. Surveys of companies and consumers also indicate relatively good confidence in the development of the global economy. The global PMI index, which is an indicator of the expectations of company purchasing managers, is at its highest level for 3 years and consumer confidence in the US is at its highest level since 2000.

At its interest rate meeting on 14 March, Norges Bank chose to leave the Norwegian key rate at 0.5%. At the same time, it indicated that the key rate would be kept low for longer than previously signalled. The primary reason for this is lower inflation and an expectation that it will remain low, in part due to low wage growth. Nevertheless, the central bank expressed the view that holding interest rates at such a low level presents major challenges. In particular, there are concerns about rising house prices and the amount of debt owed by Norwegian households. The last monetary policy report issued by Norges Bank drew a picture of a Norwegian economy that was clearly improving compared with 2016. The upturn is broadly based, across both industries and regions, and there are clear signs that unemployment is on its way down.

The northern Norwegian economy remains in good shape. Unemployment is low and stable. 2.4% were registered as completely without work in Northern Norway, compared with 2.8% of the country as a whole. The activity in the housing market is still high, although the price growth has slowed slightly in the last few months. The 12-month growth figure at the end of March showed that house prices have risen less in Northern Norway than in the rest of the country. While the growth in the country as a whole was 11.7%, it was 8.5% in Nordland, 7.1% in Troms, and 8.7% in Finnmark.

Growth has remained this high in the north due to two factors in particular: firstly the weak Norwegian kroner has helped to strengthen export industries in the region, and secondly the region is less affected by the downturn in the oil sector because the supply industry here is small. The role the seafood industry plays in the economy of Northern Norway and its prosperity is becoming ever more important. Exports of fish from the region account for around 60% of its goods exports and more than 6% of all goods exports from mainland Norway. As per the end of February, the 12-month growth figure for the value of seafood exports from the region was just over 16%.

Tourism in the region has enjoyed very good growth in foreign guest nights, and its 12-month growth figure at the end of February was 18%. Growth in the building and construction sector remains high.

Northern Norwegian household finances are solid. Persistently low unemployment rates and low interest rates have contributed to good growth in private savings, while growth in consumer spending has also been good. The annual growth figure for turnover in the wholesale and retail industry in the region was 4.2% at the end of 2016. This was significantly higher than the growth in the rest of the country, which was 2.8% for the same period.

The macroeconomic outlook for Northern Norway remains good. The greatest risk is linked to the exchange rate, where a strengthened Norwegian kroner would have a negative impact on the region's export industry. The Norwegian kroner has weakened again lately, after strengthening at the beginning of the year. An international political trend towards less trade and more protectionism is not positive for a region with a high degree of exports and tourism in the economy. Increasing growth in Norway as a whole would have a positive effect on Northern Norway.

Overall, the Bank believes the growth outlook for the Northern Norwegian economy is relatively good.

Financial performance

The financial statements as at the first quarter of 2017 show an operating profit before tax of NOK 391 million (NOK 344 million). Underlying banking operations before losses remain good and show a profit of NOK 320 million, compared with NOK 288 million for the same period last year.

The Group's return on equity after tax as at 31 March 2017 was 11.6% (11.0%). Its earnings per equity certificate were NOK 1.45 (NOK 1.27).

Net interest income

Net interest income as at 31 March 2017 was NOK 422 million (NOK 386 million).

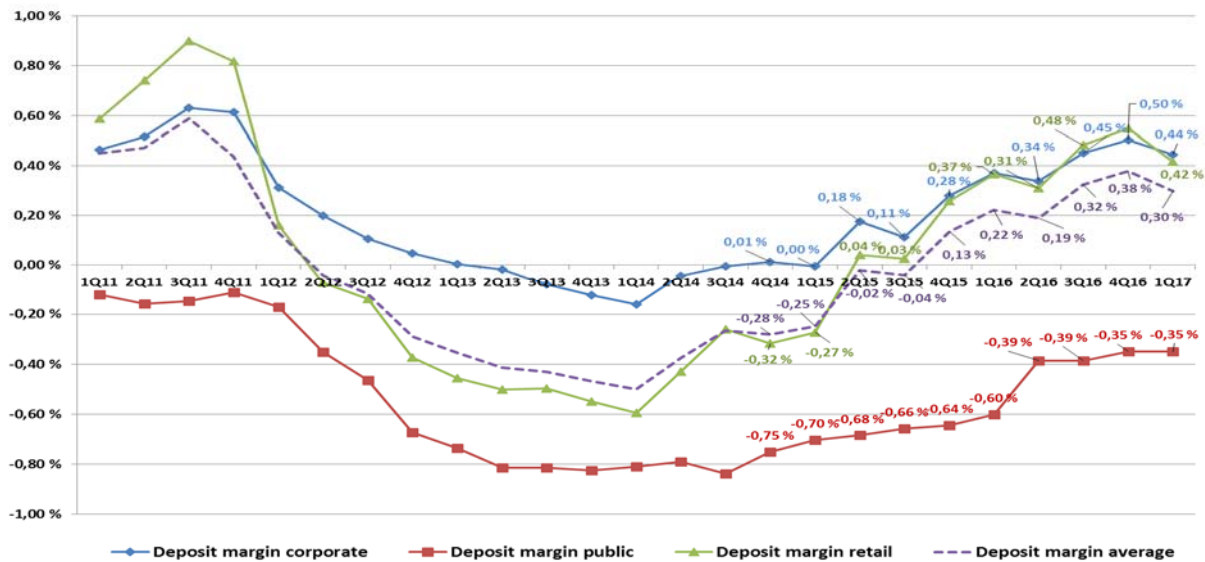
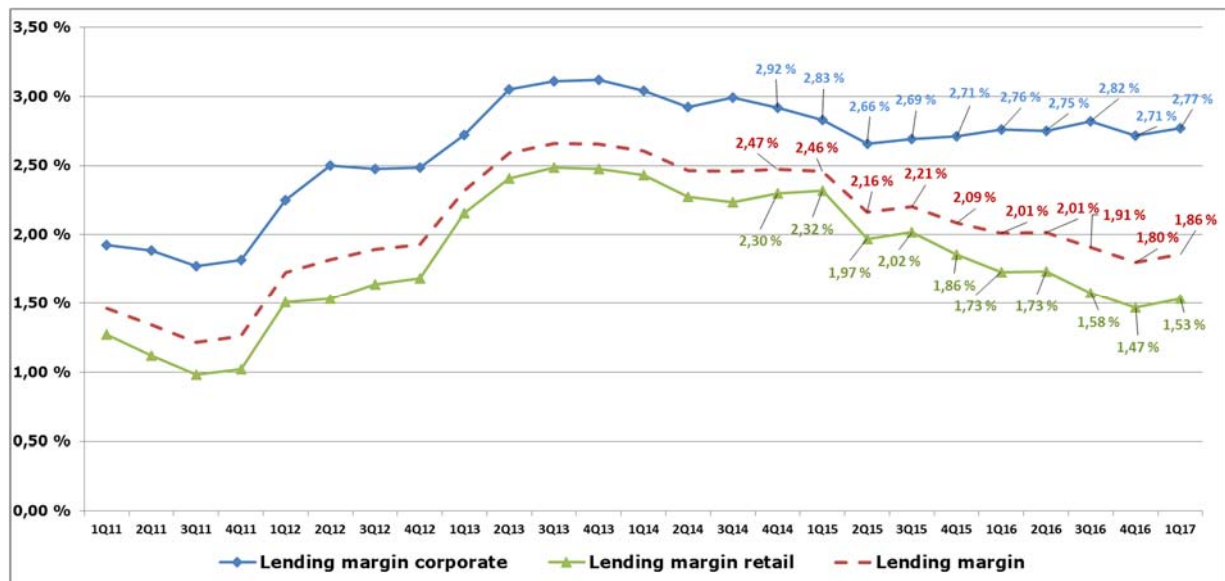
Net interest income represented 1.85% (1.77%) of average total assets.

Income from the loan portfolio transferred to SpareBank 1 Boligkreditt (SB1BK) and SpareBank 1 Næringskreditt (SB1NK) is booked as commissions. As at 31 March 2017, these commissions amounted to NOK 47 million (NOK 48 million). Net interest income, inclusive of the aforementioned commissions, decreased by NOK 1 million compared with the year before.

At the end of the first quarter of 2017, mortgages worth NOK 26 billion (NOK 24 billion) had been transferred to SB1BK. As at 31 March 2017, no loans had been transferred to SB1NK (NOK 0 billion).

Compared with the fourth quarter of 2016, net interest income, inclusive of commissions from the transferred loan portfolios, but exclusive of charges for the Guarantee Fund, shows a reduction of NOK 5 mill.

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



Compared with the fourth quarter of 2016, the Bank's average costs for borrowing in the capital markets fell slightly in the first quarter of 2017. The competition for loan customers remains strong with pressure on lending rates.

Assuming stable conditions in the capital market, the Bank's average capital market borrowing costs are expected to decrease somewhat during 2017. The development of net interest income will also depend in part on the competition situation and volume growth.

Net commissions and other operating income

Net commissions and other operating income totalled NOK 224 million for the first quarter of 2017 (NOK 213 million).

<i>Figures in NOK millions</i>	Q1 2017	Change	Q1 2016
Net commissions and other operating income	224	+11	213
Commissions from SB1BK and SB1Finans	47	-1	48
Commissions from EiendomsMegler 1 Nord-Norge	26	0	26
Income from SB1 Regnskapshuset Nord-Norge	32	+7	25
Other commissions and other operating income	119	+5	114

The reduction in commissions from SB1BK was due to tighter margins for mortgages in 2017 than in 2016. Exclusive of these commissions, the financial statements show an increase in net commissions and other operating income of NOK 12 million, NOK 5 million of which was in the Parent Bank.

Income from financial investments

Total net income from financial investments for the first quarter of 2017 amounted to NOK 115 million (NOK 80 million). This has developed as follows:

<i>Figures in NOK millions</i>	Q1 2017	Change	Q1 2016
Net income from financial investments	115	+35	80
Result from SpareBank 1 Gruppen	71	16	55
Result from SpareBank 1 Boligkreditt	-19	-34	15
Result from BN Bank	21	7	14
Result from SpareBank 1 Næringskreditt	3	-2	5
Result from SpareBank 1 Kredittkort	2	-4	6
Result from SpareBank 1 Mobilbetaling	-13	-5	-8
Share dividends	0	0	0
Net change in value of equities	13	27	-14
Net change in value of bonds, currency and derivatives	35	29	6
Net change in value of loans at fair value, incl. hedging	2	1	1

Profit contributions from joint ventures

SpareBank 1 Gruppen

SpareBank 1 Gruppen's profit after tax for the first quarter of 2017 totalled NOK 362 million (NOK 284 million). The SpareBank 1 Nord-Norge Group's profit contribution, amounting to NOK 71 million (NOK 55 million), has been incorporated into the financial statements. The Bank's owns a 19.5% stake. SpareBank 1 Livsforsikring and SpareBank 1 Skadeforsikring made the greatest contributions to SpareBank 1 Gruppen's profit. In the opinion of the Board, the Group's book value for SpareBank 1 Gruppen contains significant excess value.

SpareBank 1 Boligkreditt (SB1BK) and SpareBank 1 Næringskreditt (SB1NK)

SB1BK was set up by the banks in the SpareBank 1 Alliance to benefit from capital market funding through the use of covered bonds. The banks transfer mortgages with very good security to this company. This reduces borrowing costs and increases the competitiveness of the SpareBank 1 banks.

The Bank owned a 14.61% stake in SB1BK as at 31 March 2017 (14.45%) and the result contribution from this for the first quarter of 2017 was NOK -19 million (NOK 15 million). SB1BK's net loss in 2016 and the first quarter of 2017 was primarily due to negative value changes (which were positive in 2015) in the company's holdings of hedging instruments in the form of basis swaps. The accounting treatment of these makes no difference to ongoing cash flows, and the total effect on the bottom line over time is NOK 0.

SpareBank 1 Nord-Norge owned a 16.64% (20.83%) stake in SB1NK and the profit contribution from this for the first quarter of 2017 was NOK 3 million (NOK 5 million).

BN Bank

SpareBank 1 Nord-Norge owned a 23.5% stake in BN Bank as at 31 March 2017. The profit contribution for the first quarter of 2017 amounted to NOK 21 million (NOK 14 million).

Other companies

In addition to the above companies, a share of the profit from SpareBank 1 Kredittkort amounting to NOK 2 million for the first quarter of 2017, which corresponds to the Bank's 17.3% stake, has been included (NOK 6 million). The 19.7% share of the result from SpareBank 1 Mobilbetaling, NOK -13 million for the first quarter of 2017 (NOK -8.5 million), has also been included.

On 13 February 2017, it was announced that DNB, the banks in the SpareBank 1 Alliance, the banks in the Eika Alliance, Sparebanken Møre, and 15 independent savings banks, which are also co-owners of Frende Forsikring, have signed a letter of intent to jointly develop Vipps further as the whole of Norway's mobile wallet. The initiative takers represent 106 Norwegian banks in total.

Vipps has until now been part of the DNB Group, but will now be transferred to a free-standing company in which DNB will be the largest shareholder with a stake of around 52%. The SpareBank 1 Alliance will own 25%, the independent savings 12%, the Eika Alliance 10%, and Sparebanken Møre 1%. This means the mCash brand name will be taken off the market in 2017. The new company will also continue to build on SpareBank 1 Mobilbetaling AS, with new equity certificate holders in line with the ownership outlined above.

The Financial Supervisory Authority of Norway has approved the distribution partnership for Vipps. The licence application is currently being considered by the Ministry of Finance.

The Group's equities portfolio

The Group's equities portfolio as at 31 March 2017 amounted to NOK 317 million (NOK 564 million). A net gain/increase in value of NOK 13 million (NOK -14 million) was recognised for this portfolio for the first quarter of 2017: the value of the Parent Bank's portfolio increased by NOK 13 million (NOK -12 million) and the subsidiary SpareBank 1 Nord-Norge Portefølje saw a net gain of NOK 0 million (NOK -2 million).

Certificates, bonds, currency and derivatives

As at 31 March 2017, the Group's holdings of certificates and bonds amounted to NOK 11,036 million, compared with NOK 13,108 million at the same time the year before.

The total net change in value in the first quarter of 2017 in this portfolio amounted to NOK 32 million (NOK 0 million) and was largely due to reduced credit premiums (credit spreads) in the interest rate market.

Subsidiaries and second tier subsidiaries

<i>(Figures in whole NOK thousands)</i>	Stake in %	Profit before tax	
		31.03.17	31.03.16
SpareBank 1 Finans Nord-Norge AS	100	34 180	33 386
SpareBank 1 Nord-Norge Portefølje AS	100	-217	-3 322
EiendomsMegler 1 Nord-Norge AS	100	1 359	1 685
SpareBank 1 Forvaltning AS	100	598	601
SpareBank 1 Regnskapshuset AS	100	6 618	3 622
Nord-Norge Eiendom IV AS	100	-272	-324
Alsgården AS	100	-171	-922
Fredrik Langesg 20 AS	100	-144	284

The Group's subsidiaries posted a combined profit before tax for the first quarter of 2017 of NOK 42 million (NOK 35 million), which has been fully consolidated in the consolidated financial statements. The subsidiaries with operations within the Group's core activities (SB1 Finans NN, the estate agency business, SNN Forvaltning and Regnskapshuset) showed good earnings.

SpareBank 1 Finans Nord-Norge AS's profit before tax for the first quarter of 2017 was NOK 34 million (NOK 33 million). The company has a good earnings base and total earnings for the year-to-date amounted to NOK 71 million (NOK 68 million). Losses on leasing and loan commitments amounted to NOK 3 million for the first quarter of 2017 (NOK 2 million). At the end of the quarter, the company managed leasing, consumer loan, and vendor's security agreements with a total value of NOK 4,863 million (NOK 4,542 million).

SpareBank 1 Nord Norge Portefølje AS has a portfolio of unlisted equities and investments in funds. The company's result before tax for the first quarter of 2017 was NOK -0.2 million (NOK -3 million). The book value of the company's holdings of equities and subordinated loans was NOK 43 million.

EiendomsMegler 1 Nord-Norge AS posted a profit before tax for the first quarter of 2017 of NOK 1.4 million (NOK 1.7 million). The number of units sold in the first quarter of 2017 was 618 (608), with total commissions income of NOK 35 million (NOK 29 million).

SpareBank 1 Nord-Norge Forvaltning ASA, which manages a portfolio of NOK 2.6 billion, posted a profit before tax of NOK 0.6 million for the first quarter of 2017 (NOK 0.6 million).

On 27 February 2017, SpareBank 1 Markets announced that asset management would be established as a separate business area based on the management environments in Trondheim and Tromsø. SpareBank 1 Markets will take over Allegro Kapitalforvaltning in Trondheim and SpareBank 1 Nord-Norge Forvaltning in Tromsø from SpareBank 1 SMN and SpareBank 1 Nord-Norge, respectively. The two companies will be merged in 2017, but with accounting effect from 1 January 2017.

SpareBank 1 Regnskapshuset Nord-Norge AS operates accountancy firms in Northern Norway. The company's profit before tax for the first quarter of 2017 was NOK 7 million (NOK 4 million).

Operating costs

The Group's goal is to achieve average annual cost increases of a maximum of 0%, exclusive of restructuring costs and any business expansions, although this does not take into account cost increases due to the approved financial activity tax. Furthermore, the Bank has communicated that nominal costs (exclusive of restructuring costs, any business expansions and financial activity tax) in 2016 and 2017 is targeted to be lower than the corresponding costs for 2015.

Ordinary operating costs for the first quarter of 2017 amounted to NOK 326 million (NOK 311 million). The changes in costs compared with the same period last year were as follows:

<i>Figures in NOK millions</i>	Q1 2017	Change Q1 2016
Operating costs	326	+15
Personnel costs	172	+9
Admin. Costs	96	+1
Depreciation and write-downs	15	+1
Other costs	43	+4

Exclusive of provisions for restructuring costs, business expansions and financial activity tax, the Group's costs for the first quarter of 2017 were 4.7% lower than the average Group quarterly costs for 2015. A corresponding comparison with 2016 shows a reduction of 1.2 %.

In relation to the average total assets, costs amounted to 1.43% as at 31 March 2017 (1.43%).

The Group's cost/income ratio was 42.8% as at 31 March 2017 (45.8%), compared with 42.9% as at 31 December 2016.

The Parent Bank's costs amounted to NOK 254 million for the first quarter of 2017 (NOK 243 million). Exclusive of the financial activity tax and provisions for restructuring costs in 2016, this is NOK 6 million higher than last year and NOK 7 million lower than the average quarterly costs for 2015.

There were 763 full-time equivalents at the end of the first quarter of 2017 (764), 11 fewer than as at 31 December 2016: there were 3 fewer in the Parent Bank and 8 fewer in the subsidiaries.

The Parent Bank had 537 full-time equivalents the end of the first quarter of 2017 (550).

Net losses and non-performance – customer commitments

The Group's net losses on loans to customers for the first quarter of 2017 amounted to NOK 44 million (NOK 24 million): NOK 0 million (NOK 2 million) from the retail market and NOK 44 million (NOK 22 million) from the corporate market. The level of losses is considered moderate.

Net non-performing and doubtful commitments as at 31 March 2017 totalled NOK 359 million (NOK 326 million), which represents 0.36% of gross lending inclusive of intermediary loans (0.36%).

The Group's total individual loss write-downs on loans to customers as at 31 March 2017 amounted to NOK 219 million (NOK 190 million), NOK 62 million (NOK 62 million) of which involved financial institutions. The provisions were increased by NOK 3 million in the last quarter.

Group write-downs as at 31 March 2017 amounted to NOK 402 million (NOK 268 million) and have increased by NOK 29 million compared with the previous quarter. Group write-downs totalled 0.6% of the Group's total gross lending as at 31 March 2017 (0.4%), which represents 0.4% (0.3%) of gross lending including intermediary loans. The increase in group write-downs in the first quarter of 2017 was related to the industry and property leasing segments. The increase within property leasing was based on underlying risk, while the increase within industry was based on greater exposure.

The exposure in Russia consists of loans to Bank Tavrichesky equivalent to around NOK 107 million. The claim recovery process has begun. The net exposure to this claim in the consolidated financial statements after remaining provisions for losses amounted to NOK 45 million as at 31 March 2017.

In the opinion of the Board, the quality of the Group's loan portfolio remains 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) shall 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 and has not yet been approved by the EU. With the exception of hedge accounting, the standard must be applied retrospectively, although there is no obligation to provide comparable figures. In the case of hedge accounting, the standard must be applied prospectively, with a limited number of exceptions. Please also refer to note 11 to the interim financial statements.

Total assets

The Group's total assets amounted to NOK 92,476 million as at 31 March 2017 (NOK 88,688 million). Total assets have increased by 4.3% (7.9%), or NOK 3,788 million, in the last 12 months.

Loans

As at 31 March 2017, lending totalling NOK 26 billion (NOK 24 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 Group's gross lending to customers, inclusive of intermediary loans, amounted to NOK 97,280 million as at 31 March 2017 (NOK 89,707 million). This represents an increase of 8.4% compared with as at 31 March 2016 (5.0%). Retail loans grew by 9.6% (7.4%), while corporate and public sector loans grew by 5.5% (-0.6%). The relatively strong lending growth in the corporate market, especially with respect to the SME market, 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. Annualised lending growth in the first quarter of 2017 was 7.1% and -3.7% for the retail market and the corporate market, respectively.

The percentage of lending to the retail market, inclusive of intermediary loans, accounts for 72.9% of the total lending as at 31 March 2017 (72.1%).

The Group's exposure in the oil and gas sector is low. Its total exposure as at 31 March 2017 was NOK 1,385 million, or 1.43% of gross lending (inclusive of intermediary loans). In the Board's opinion, the risk in this part of the portfolio is clear and manageable. Around 25.6% of the portfolio consists of commitments to supply bases with long contracts with solid actors. Supply shipowners with activities within platform supply vessels (PSVs) and anchor handlers (AHTSs) still face challenges. However, the Group's portfolio within this subsector has good contract coverage and cash flow. The Group's customers within this segment of the oil and gas sector can expect reductions in turnover and profit due to a significant reduction in investments in the sector – the latter compared with previous years' considerably higher oil prices.

The Bank's portfolio of fixed-rate loans in Norwegian kroner amounted to NOK 7.4 billion (NOK 7.5 billion) as at 31 March 2017. This portfolio is measured at fair value in the financial statements. Changes in interest rates and risk premiums can result in changes in the estimated fair value.

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

Deposits from customers represent the Bank's main source of funding. At the end of the first quarter of 2017, the deposit coverage ratio (exclusive of intermediary loans) was 76% (77%). 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 March 2017 has been calculated as 121% (120%).

The Group's deposits from customers totalled NOK 54,261 million as at 31 March 2017. The increase over the past 12 months was NOK 3,738 million, or 7.4% (9.3%). Retail deposits showed growth of 6.8% (6.0%), corporate deposits 13.6% (-1.5%), and public sector deposits -0.9% (49.9%).

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

Financial strength and capital adequacy

The Group's common equity tier 1 capital ratio, inclusive of 50% of the profit contribution, as at 31 March 2017 was 15.3% (13.9%). The tier 1 capital ratio was 16.3% (14.9%) and the total capital adequacy ratio was 18.6% (17.0%).

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 Group's common equity tier 1 capital ratio, inclusive of 50% of the profit contribution, increased from 15.0% to 15.3% in the last quarter. Tier 1 capital (counted in the capital adequacy ratio) has increased due to reduced deductions for losses due to accounting provisions for losses now exceeding calculated expected losses. In addition to this, the deduction in tier 1 capital for material ownership interests in companies in the financial sector was reduced due to the fact that SpareBank 1 Kredittkort is now consolidated.

In November 2016, SpareBank 1 Nord-Norge received the Financial Supervisory Authority of Norway's decision concerning the Group's capital requirements. This decision concludes that the Pillar 2 requirement should be 1.5%

of the risk-weighted balance sheet. The Group's regulatory minimum requirement for common equity tier 1 capital ratio is therefore 13.0% up to 31 December 2017.

The current requirement for the countercyclical capital buffer is 1.5%. On 15 December 2016, the Ministry of Finance decided that this should be increased by 0.5 percentage points to 2.0% effective from 31 December 2017. The purpose of the countercyclical capital buffer is to make the banks more robust and more capable of withstanding loan losses, and to ensure more stable credit practices in an economic downturn.

SpareBank 1 Nord-Norge's goal is to maintain unquestionable financial strength and satisfy the statutory minimum equity requirements for capital adequacy. The Group's long-term goal for common equity tier 1 capital ratio is 14.5%, which was achieved as at 30 September 2016.

Leverage ratio – new framework conditions

The Ministry of Finance has set new requirements for the leverage ratio effective from 30 June 2017. New requirements have been included in the regulations concerning capital requirements that specify that an institution must have a leverage ratio equal to at least 3% of the institution's exposure at any given time. All banks must also have a tier 1 leverage ratio amounting to 2% of the institution's exposure, causing the total minimum requirement to be 5%.

The tier 1 leverage ratio as at 31 March 2017 was calculated to be 7.2 % (6.0 %).

The Bank's equity certificate holders

As at 31 March 2017, the Parent Bank's equity certificate capital was NOK 1,807 million. The number of equity certificates as at 31 March 2017 was 100,398,016 each with a nominal value of NOK 18, fully paid-up.

The ownership fraction as at 1 January 2017 was 46.36%. The number of holders of equity certificates as at 31 March 2017 was 7,790 (7,701). The proportion of northern Norwegian equity certificate holders was 19% (19%). A summary of the Bank's 20 largest equity certificate holders is provided in the notes to the interim report.

The market price for the Bank's equity certificates was NOK 55.25 as at 31 March 2017 (NOK 37.50). Based on this price, the market value of the Bank's equity was NOK 11,965 million (NOK 8,121 million). The earnings per equity certificate (Group) amounted to NOK 1.45 (NOK 1.27). As at 31 March 2017, Price/Earnings was NOK 9.56 (NOK 7.38) and Price/Book 1.13 (0.81) (both figures for the Group).

Concluding remarks and future prospects

Northern Norway's macroeconomic prospects are still good and somewhat better than those for the country as a whole. The greatest risk is linked to the exchange rate, where a strengthened Norwegian kroner would have a negative impact on the region's export industry. A potential international political trend towards less trade and more protectionism is not positive for a region with a high degree of exports and tourism in the economy.

more reliant on exports and tourism. Increasing growth in Norway as a whole would have a positive effect on Northern Norway. The Business Barometer for Northern Norway forecasts economic growth of 3% in 2017.

Overall, the Bank believes the growth outlook for the northern Norwegian economy is relatively good.

The Group has implemented significant strategic measures in the last few years. This includes a significant building up of equity and financial strength in which the Group's target for financial strength has been achieved. Furthermore, the process of cultivating the core business has almost been completed. A substantial amount of work on improving the Group's profitability has been done. The restructuring work in the Group will continue in 2017. Under the heading "One Group – one customer experience", a project has been started that aims to provide

customers with a more comprehensive offer of all of the Group's products and services. The goals are to strengthen the Group's 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. The results of this work will also be reflected in the accounts by ensuring the Group's future profitability.

Overall, the Group's prospects are considered to be good.

Tromsø, 4 May 2017

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-elected)

Kjetil Berntsen
(Employee-elected)

Jan-Frode Janson
(CEO)

Statement of income

Parent Bank

Group

(Amounts in NOK million)

31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
2 359	578	597	Interest income	645	623	2 548
907	239	225	Interest costs	223	237	904
1 452	339	372	Net interest income	422	386	1 644
682	168	174	Fee- and commission income	211	204	871
78	18	19	Fee- and commission costs	21	19	85
42	4	4	Other operating income	34	28	138
646	154	159	Net fee-, commision and other operating inco	224	213	924
74	0	0	Dividend	0	0	74
612	111	67	Income from investments	65	87	366
114	-5	50	Net gain from investments in securities	50	-7	69
800	106	117	Net income from financial investments	115	80	509
2 898	599	648	Total income	761	679	3 077
503	119	125	Personnel costs	172	163	689
339	83	86	Administration costs	96	95	377
50	12	12	Ordinary depreciation	15	14	60
134	29	31	Other operating costs	43	39	194
1 026	243	254	Total costs	326	311	1 320
1 872	356	394	Result before losses	435	368	1 757
158	22	42	Losses	44	24	213
1 714	334	352	Result before tax	391	344	1 544
258	60	68	Tax	78	69	291
0	0	0	Result non-current assets held for sale	0	0	0
1 456	274	284	Result after tax	313	275	1 253
			Result per Equity Certificate			
6,72	1,27	1,31	Result per Equity Certificate	1,45	1,27	5,79
6,72	1,27	1,31	Diluted result per Equity Certificate	1,45	1,27	5,79

Statement of financial position

Parent Bank			Group			
(Amounts in NOK million)						
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
Assets						
775	475	797	Cash and balances with central banks	797	475	775
5 871	5 445	5 941	Loans and advances to credit institutions	1 968	1 795	1 946
65 670	60 719	66 070	Net loans and advances to customers	70 735	64 975	70 236
291	377	298	Shares	317	564	306
10 164	13 108	11 036	Certificates and bonds	11 036	13 108	10 164
1 390	1 914	1 547	Financial derivatives	1 547	1 914	1 390
728	626	728	Investments in Group Companies	0	0	0
2 849	2 836	2 831	Investments in associated companies and joint ventures	4 438	4 613	4 370
361	443	352	Property, plant and equipment	493	555	501
0	0	0	Non current assets held for sale	30	28	30
0	0	0	Deduction for ntangible assets	63	51	63
425	597	846	Other assets	1 052	610	720
88 524	86 540	90 446	Total assets	92 476	88 688	90 501
Liabilities						
833	942	186	Deposits from credit institutions	176	927	818
53 924	50 545	54 282	Deposits from customers	54 261	50 523	53 870
21 165	22 899	22 824	Debt securities in issue	22 824	22 899	21 165
985	1 476	958	Financial derivatives	958	1 476	985
846	972	1 890	Other liabilities	2 146	1 205	1 128
83	146	83	Deferred tax liabilities	185	230	174
1 350	1 350	1 350	Subordinated loan capital	1 350	1 350	1 350
79 186	78 330	81 573	Total liabilities	81 900	78 610	79 490
Equity						
1 807	1 807	1 807	Equity Certificate capital	1 807	1 807	1 807
0	- 4	0	Own holding ECC	843	- 4	0
843	843	843	Equity Certificate premium reserve	0	843	843
1 657	979	1 310	Dividend Equalisation Fund	1 310	979	1 657
4 459	4 076	4 460	The Savings Bank's Fund	4 460	4 076	4 459
521	120	120	Donations	120	120	521
20	80	20	Fair value reserve	20	80	20
31	35	29	Other equity capital	1 703	1 902	1 704
0	274	284	Result after tax	313	275	0
9 338	8 210	8 873	Total equity	10 576	10 078	11 011
88 524	86 540	90 446	Total liabilities and equity	92 476	88 688	90 501

Changes in equity

(Amounts in NOK million) Group	PCC capital	Premium Fund	Dividend			Fair value reserve	Other equity	Period result	Total Majority interests	Total equity
			Equalisation Fund	Saving Bank's Fund	Donations Fund					
Equity at 01.01.16	1 807	843	1 179	4 074	180	80	1 798		9 961	9 961
Total comprehensive income for the period										
Period result			675	380	401		-203		1 253	1 253
<i>Other comprehensive income:</i>										
Effective part of change in fair market value in cash flow hedging			4	6					10	10
Net change in fair market value of financial assets available for sale						-60			-60	-60
Tax on other comprehensive income					-1				-1	-1
Total other comprehensive income			4	5		-60			-51	-51
Total comprehensive income for the period			679	385	401	-60	-203		1 202	1 202
Transactions with owners										
Equity issue										
Set aside for dividend payments										
Reversal of dividend payments										
Dividend paid			-201						-201	-201
Other transactions							109		109	109
Payments from Donations Fund					-60				-60	-60
Total transactions with owners			-201		-60		109		-152	-152
Equity at 31.12.2016	1 807	843	1 657	4 459	521	20	1 704		11 011	11 011
Equity at 01.01.17	1 807	843	1 657	4 459	521	20	1 704		11 011	11 011
Total comprehensive income for the period										
Period result								313	313	313
Net change in fair market value of investment in joint ventures							2		2	2
Effective part of change in fair market value in cash flow hedging										
Actuarial gains (losses) on benefit-based pension schemes							-1		-1	-1
Total other comprehensive income	0	0	0	0	0	0	1	0	1	1
Total comprehensive income for the period							1	313	314	314
Transactions with owners										
Dividend paid			-346						-346	-346
Other transactions			-1	1			-2		-2	-2
Payments from Donations Fund					-401				-401	-401
Total transactions with owners			-347	1	-401		-2		-749	-749
Equity at 31.03.17	1 807	843	1 310	4 460	120	20	1 703	313	10 576	10 576

ECC ratio

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
Equity Certificate capital	1 655	1 655	1 681	1 807	1 807	1 807	1 807
Equity Certificate premium reserve	245	245	344	843	843	843	843
Dividend Equalisation Fund	319	453	380	685	1 011	1 193	1 657
Set aside dividend	- 93	- 76	0	0	- 191	- 201	- 346
Share Fund Fair Value Options	- 14	- 33	- 33	0	0	38	8
A. Equity attributable to Equity Certificate holders of the Bank	2 112	2 244	2 372	3 335	3 470	3 680	3 969
The Savings Bank's Fund	2 902	3 107	3 081	3 593	3 954	4 096	4 459
Allocated dividends to ownerless capital	- 107	- 30	0	0	- 212	- 60	- 401
Donations	133	120	120	119	119	180	521
Share Fund Fair Value Options	- 20	- 45	- 45	0	0	42	12
B. Total ownerless capital	2 908	3 152	3 156	3 712	3 861	4 258	4 591
Equity Certificate Ratio overall (A/(A+B))	42,07 %	41,59 %	42,91 %	47,33 %	47,33 %	46,36 %	46,36 %

Statement of cash flows

Parent Bank

(Amounts in NOK million)

Group

31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
1 714	334	352	Result before tax	391	344	1 544
50	12	12	+ Ordinary depreciation	15	14	60
- 20	0	0	+ Write-downs, gains/losses fixed assets	0	0	- 20
158	19	42	+ Losses on loans and guarantees	44	21	213
258	60	68	- Tax/Result investment held for sale	78	69	291
261	261	747	- Dividends/donations	747	261	261
1 383	44	- 409	Provided from the year's operations	- 375	49	1 245
- 563	172	1 015	Change in sundry liabilities: + increase/ - decrease	1 001	300	- 374
653	- 43	- 578	Change in various claims: - increase/ + decrease	- 489	41	440
			Change in gross lending to and claims on customers: - increase/ + decrease			
- 6 341	- 1 251	- 442		- 543	- 1 360	- 6 837
1 111	- 1 919	- 879	Change in short term-securities: - increase/ + decrease	- 883	- 1 925	1 277
			Change in deposits from and debt owed to customers: + increase/ - decrease			
5 779	2 430	358		391	2 436	5 778
- 965	- 887	- 647	Change in debt owed to credit institutions: + increase/ - decrease	- 642	- 889	- 967
1 057	- 1 454	- 1 582	A. Net liquidity change from operations	- 1 540	- 1 348	562
- 40	- 12	- 3	- Investment in fixed assets (incl merger effects)	- 7	- 16	- 80
92	0	0	+ Sale of fixed assets	0	0	92
- 115	0	18	Change in holdings of long-term securities: - increase/ + decrease	- 68	- 189	54
- 63	- 12	15	B. Liquidity change from investments	- 75	- 205	66
			Change in borrowings through the issuance of securities: + increase/ - decrease			
- 305	1 429	1 659		1 659	1 429	- 305
			Change in Equity Certificate/subordinated loan capital: + increase/ - decrease			
0	0	0		0	- 4	0
- 305	1 429	1 659	C. Liquidity change from financing	1 659	1 425	- 305
689	- 37	92	A + B + C. Total change in liquidity	44	- 128	323
5 957	5 957	6 646	+ Liquid funds at the start of the period	2 721	2 398	2 398
6 646	5 920	6 738	= Liquid funds at the end of the period	2 765	2 270	2 721

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)	1Q17	4Q16	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15
Interest income	645	653	641	631	623	644	672	682	704
Interest costs	223	219	218	230	237	254	287	314	335
Net interest income	422	434	423	401	386	390	385	368	369
Fee- and commission income	211	213	228	226	204	217	231	233	227
Fee- and commission costs	21	22	22	22	19	19	21	18	17
Other operating income	34	43	22	45	28	24	23	24	29
Net fee-, commission and other operating income	224	234	228	249	213	222	233	239	239
Dividend	0	1	0	73	0	0	1	7	0
Income from investments	65	76	94	109	87	98	75	114	112
Net gain from investments in securities	50	39	63	-26	-7	-52	-84	-28	6
Net income from financial investments	115	116	157	156	80	46	-8	93	118
Total income	761	784	808	806	679	658	610	700	726
Personnel costs	172	195	170	161	163	289	190	182	189
Administration costs	96	100	86	95	95	104	84	90	90
Ordinary depreciation	15	15	15	16	14	14	14	14	14
Other operating costs	43	65	45	46	39	44	48	50	45
Total costs	326	375	316	318	311	451	336	336	338
Result before losses	435	409	492	488	368	207	274	364	388
Losses	44	64	61	64	24	92	40	36	32
Net gain from sale of financial fixed assets	0	0	0	0	0	0	0	0	0
Result before tax	391	345	431	424	344	115	234	328	356
Tax	78	77	74	71	69	-17	46	68	66
Result non-current assets held for sale	0	0	0	0	0	5	0	0	0
Result after tax	313	268	357	353	275	133	186	261	292
Profitability									
Return on equity capital	11,60 %	9,87 %	13,56 %	13,82 %	11,33 %	5,16 %	7,82 %	11,09 %	12,49 %
Interest margin	1,85 %	1,93 %	1,86 %	1,77 %	1,77 %	1,84 %	1,82 %	1,76 %	1,79 %
Cost/income	42,84 %	47,83 %	39,11 %	39,45 %	45,80 %	68,54 %	55,08 %	48,00 %	46,56 %
Balance sheet figures									
Loans and advances to customers	71 294	70 763	68 905	67 861	65 357	64 053	63 143	63 073	61 060
Growth in loans and advances to cust. incl. commis	8,4 %	8,9 %	6,3 %	5,1 %	5,0 %	4,0 %	4,7 %	5,6 %	4,8 %
Deposits from customers	54 261	53 870	53 637	55 666	50 523	48 087	47 660	49 977	46 211
Growth in deposits from customers past 12 months	7,4 %	12,0 %	12,5 %	11,4 %	9,3 %	5,1 %	5,0 %	6,4 %	5,9 %
Deposits as a percentage of gross lending	76,1 %	76,1 %	77,8 %	82,0 %	77,3 %	75,1 %	75,5 %	79,2 %	75,7 %
Deposits as a percentage of gross lending including	55,8 %	55,9 %	57,4 %	60,8 %	56,3 %	54,4 %	54,2 %	57,4 %	54,1 %
Average assets	91 489	89 339	89 049	88 869	87 046	84 039	83 698	83 432	82 658
Total assets	92 476	90 501	89 210	92 038	88 688	85 403	84 495	84 981	82 128
Losses on loans and commitments in default									
Losses on loans to customers as a percentage of gross loans incl. commission loans	0,18 %	0,26 %	0,27 %	0,28 %	0,11 %	0,41 %	0,18 %	0,16 %	0,15 %
Commitments in default as a percentage of gross loans incl. commission loans	0,26 %	0,31 %	0,44 %	0,54 %	0,28 %	0,30 %	0,30 %	0,41 %	0,39 %
Commitments at risk of loss as a percentage of gross loans incl. commission loans	0,26 %	0,22 %	0,23 %	0,10 %	0,20 %	0,27 %	0,42 %	0,39 %	0,25 %
Net comm. in default and at risk of loss as a per. of gross loans incl. commission loans	0,36 %	0,37 %	0,51 %	0,49 %	0,36 %	0,39 %	0,44 %	0,53 %	0,41 %
Solidity									
Total regulatory Capital %	18,5 %	18,4 %	17,7 %	17,1 %	16,9 %	17,2 %	16,3 %	16,1 %	16,1 %
Tier I Capital %	16,3 %	16,3 %	15,6 %	15,0 %	14,9 %	15,1 %	14,2 %	14,1 %	14,0 %
Tier I capital	10 213	10 267	10 361	9 360	9 130	9 110	8 462	8 464	8 344
Equity and related capital resources	11 610	11 229	10 783	10 674	10 411	10 358	9 747	9 709	9 610
Adjusted risk-weighted assets base	62 590	61 120	60 798	62 479	61 425	60 328	59 708	60 194	59 722

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

There has been no changes in Group structure 1st quarter 2017.

On 27.02.17, SpareBank 1 Markets announced the establishment during 2017 of an asset management function as a separate business area originating in the asset management environment in Trondheim and Tromsø SpareBank 1 Markets is purchasing Allegro Kapitalforvaltning in Trondheim and SpareBank 1 Nord-Norge Forvaltning in Tromsø from SpareBank 1 SMN and SpareBank 1 Nord-Norge respectively. The two companies will be merged to spearhead SpareBank 1 Markets' venture into asset management with total assets of close to NOK 10 billion. After the purchase, SpareBank 1 Nord-Norge, which owns 9.99 % as of 31.12.16, will hold around 13 per cent of the shares in SpareBank 1 Markets.

Note 4 – Business areas

The management has made an assessment of which business areas are deemed reportable with respect to form of distribution, products and customers. The primary format of reporting takes as a starting point risk and yield profiles of various assets and reporting is divided into private customers (Retail Banking Market), Corporate / Public Market, leasing and Markets. Apart from what is included in this list, the Group does not have any companies or segments which are of significant importance. The Bank operates mainly in a limited geographical area and reporting along the lines of geographic segments provides little additional information.

Group

(Amounts in NOK million)						31.03.17
	Retail	Corporate	Leasing	Markets	Unallocated	Total
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
Result before losses	147	118	37	11	122	435
Losses	0	41	3	0	0	44
Result before tax	147	77	34	11	122	391
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
Total assets per business area	44 840	23 563	5 021	0	19 052	92 476
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
Total equity and liabilities per business area	44 840	23 563	5 021	0	19 052	92 476
						31.03.16
Net interest income	193	113	48	0	32	386
Net fee- and commission income	91	5	0	0	89	185
Other operating income	61	16	0	13	18	108
Operating costs	201	27	13	4	66	311
Result before losses	144	107	35	9	73	368
Losses	2	17	2	0	3	24
Result before tax	142	90	33	9	70	344
Loans and advances to customers	40 340	20 468	4 549	0	0	65 357
Individual write-downs for impaired value on loans and advances to customers	- 25	- 74	- 15	0	0	- 114
Collective write-downs for impaired value on loans and advances to customers	- 40	- 214	- 14	0	0	- 268
Other assets	0	1 605	59	0	22 049	23 713
Total assets per business area	40 275	21 785	4 579	0	22 049	88 688
Deposits from customers	28 738	21 785	0	0	0	50 523
Other liabilities and equity capital	11 537	0	4 579	0	22 049	38 165
Total equity and liabilities per business area	40 275	21 785	4 579	0	22 049	88 688

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)						
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
1 807	1 807	1 807	Equity certificates	1 807	1 807	1 807
0	- 4	0	- Own equity certificates	843	- 4	0
843	843	843	Premium reserve	0	843	843
1 657	979	1 310	Equalisation reserve	1 310	979	1 657
4 459	4 076	4 460	Savings bank's reserve	4 460	4 076	4 459
521	120	120	Endowment fund	120	120	521
20	80	20	Deduction Fund for unrealised gains available for sale	20	80	20
31	35	29	Other equity	1 703	1 902	1 704
0	274	284	Period result	313	275	0
9 338	8 210	8 873	Total equity	10 576	10 078	11 011
0	- 274	- 284	Period result	- 313	- 275	0
			Additional Tier 1 Capital (AT 1 Capital)			
- 750	0	0	Deduction for allocated dividends	0	0	- 750
0	0	0	Adjusted Tier 1 Capital from consolidated financial institutions	- 126	- 72	- 116
0	0	0	Deduction for ntangible assets	- 87	- 55	- 67
- 21	- 24	- 21	Adjustments to CET 1 due to prudential filters	- 25	- 24	- 33
- 95	- 82	- 95	Deduction defined benefit pension fund assets gross amounts	- 99	- 80	- 99
0	- 96	0	IRB shortfall of credit risk adjustments to expected losses	0	- 248	- 64
0	0	0	CET1 instruments of financial sector entities where the institution has significant investment	- 509	- 956	- 727
- 26	- 123	0	Deduction for CET 1 instruments of financial sector institutions with a significant investment over 10 % threshold limit	0	0	0
8 446	7 611	8 473	Common equity Tier 1 Capital (CET 1 Capital)	9 417	8 368	9 155
500	500	500	Hybrid Tier 1 bonds	800	768	800
0	0	0	Own Hybrid Tier 1 bonds	- 4	- 6	- 4
8 946	8 111	8 973	Additional Tier 1 Capital (AT 1 Capital)	10 213	9 130	9 951

Continuation Note 5 – capital adequacy

31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
850	850	850	Tier 2 Capital (T2 Capital)			
1	0	40	Nonperpetual subordinated capital	1 369	1 365	1 361
- 61	- 61	- 62	Expected losses on IRB, net of writedowns	89	0	0
790	789	828	Deduction for subordinated capital in other financial institutions with a significant investment	- 61	- 84	- 83
			Tier 2 Capital (T2 Capital)	1 397	1 281	1 278
9 736	8 900	9 801	Equity and related capital resources	11 610	10 411	11 229
			Minimum requirements subordinated capital, Basel II			
778	744	750	Specialised lending exposure	843	865	878
96	126	93	Other corporations exposure	121	160	123
359	401	346	SME exposure	354	408	367
898	876	904	Property retail mortgage exposure	1 267	1 152	1 254
69	49	66	Other retail exposure	68	50	71
368	390	368	Equity investments	11	12	12
2 568	2 586	2 527	Total credit risk	2 664	2 647	2 705
621	798	715	Credit risk standardised approach	1 318	1 437	1 165
12	12	12	Debt risk	12	12	12
6	3	6	Equity risk	6	18	6
294	294	329	Operational risk	322	296	296
24	23	37	Credit Value Adjustment	80	56	47
0	0	0	Transitional arrangements	605	450	659
0	0	0	Deductions	0	0	0
3 525	3 716	3 625	Minimum requirements subordinated capital	5 007	4 916	4 890
44 063	46.450	45 317	RWA (Risk weighted assets)	62 590	61 425	61 120
			Total regulatory Capital			
22,10 %	19,16 %	21,63 %	Total regulatory Capital	18,55 %	16,95 %	18,37 %
20,30 %	17,46 %	19,80 %	Tier 1 Capital	16,32 %	14,86 %	16,28 %
1,79 %	1,70 %	1,83 %	Tier 2 Capital	2,23 %	2,09 %	2,09 %
19,17 %	16,68 %	19,01 %	Common Equity Tier I - incl share of period result	15,30 %	13,85 %	14,98 %
9,99 %	8,41 %	9,73 %	Leverage Ratio incl share of period result	7,21 %	6,06 %	6,98 %

Note 6 – Net bad and doubtful commitments

(Amounts in NOK million)

Parent Bank				Group		
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
267	383	229	Non-performing commitments	261	256	301
280	273	324	+ Other doubtful commitments	255	184	211
547	656	553	+ Total commitments in default and doubtful commitments	516	440	512
78	194	63	- Individual write-downs on non performing commitments	79	60	93
61	79	78	- Other doubtful individual write-downs	78	54	61
139	273	141	+ Total individual write-downs *	157	114	154
408	383	412	= Net commitments in default and doubtful commitments	359	326	358

Note 7 – Losses incorporated in the accounts

(Amounts in NOK million)

Parent Bank				Group		
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
- 188	- 55	6	+ Period's change in individual write-down for impaired value	6	- 55	- 15
122	20	28	+ Period's change in collective write-down for impaired value	28	21	125
221	12	- 2	Were previously made	0	13	82
9	45	12	Were previously not made	12	45	11
9	3	2	- Recoveries in respect of previously confirmed losses	2	3	11
158	22	42	= Total losses on loans	44	24	213
			+ Other losses			
158	22	42	= Total losses	44	24	213

Note 8 – Losses broken down by sector and industry

(Amounts in NOK million)

Parent Bank				Group		
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
- 1	3	13	Real estate	13	3	- 1
- 7	6	3	Financial and insurance activities	3	6	- 7
27	- 1	- 6	Fishing and aquaculture	- 6	- 1	27
85	14	29	Manufacturing	29	14	85
7	- 3	3	Agriculture and forestry	3	- 3	7
- 5	2	2	Power and water supply and construction	2	2	- 5
13	12	- 2	Service industries	- 2	12	13
27	- 11	1	Transportation	1	- 11	60
- 1	- 2	1	Commodity trade, hotel and restaurant industry	1	- 2	- 1
145	20	44	Total public market	0	20	178
19	3	1	Total retail market	3	4	25
164	23	45	Losses on loans to customers	47	24	203
- 9	- 4	- 3	Recoveries from previously written off losses	- 3	- 3	- 11
3	3	0	Other losses	0	3	21
158	22	42	Net losses	44	24	213

Note 9 – Loans broken down by sector and industry

(Amounts in NOK million)

Parent Bank				Group		
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
8 075	7 466	8 369	Real estate	8 248	7 520	8 405
1 367	1 320	1 615	Financial and insurance activities	1 617	1 553	1 600
3 721	2 864	3 358	Fishing and aquaculture	3 673	3 144	4 001
1 784	1 925	1 773	Manufacturing	2 032	2 097	1 956
1 032	970	1 024	Agriculture and forestry	1 118	1 050	1 112
1 524	1 577	1 445	Power and water supply and construction	1 994	1 983	1 930
1 158	1 403	1 165	Service industries	1 747	1 816	1 571
3 773	3 716	3 424	Transportation	4 147	4 217	4 435
1 280	1 248	1 328	Commodity trade, hotel and restaurant industry	1 590	1 463	1 495
23 714	22 489	23 501	Total public market	26 166	24 843	26 505
42 329	38 597	42 879	Total retail market	44 901	40 340	44 123
123	161	217	Total government	228	174	135
66 166	61 247	66 597	Total gross lending to customers	71 294	65 357	70 763
- 139	- 273	- 141	Individual write-downs for impaired value	- 157	- 114	- 154
- 357	- 255	- 386	Collective write-downs for impaired value	- 402	- 268	- 373
65 670	60 719	66 070	Net loans to customers	70 735	64 975	70 236

Note 10 - SpareBank 1 Boligkreditt

In the third quarter 2010, SpareBank 1 Nord-Norge 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 – IFRS 9 Financial Instruments

IFRS 9 Financial Instruments will replace the current IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 deals with the recognition, classification, measurement, and derecognition of financial assets and obligations, as well as hedge accounting. IFRS 9 will apply from 01.01.18 and has been approved by the EU. The standard may be applied early. SpareBank 1 Nord-Norge will not avail itself of this option. Nor will SpareBank 1 Nord-Norge show comparable figures for earlier periods upon implementation of the standard on 01.01.18.

In 2015, the SpareBank 1 Alliance put together a team that will prepare for the implementation of IFRS 9. Further information is given in note 44 in Annual Report 2016. SpareBank 1 Nord-Norge has also established a local project for resolving the technical adaptations of new regulations, as well as discussing and deciding on adaptations and the effects of new regulations.

Effect on financial reporting

Any implementation effects will be recognized against equity upon the switch to IFRS 9 on 01.01.18. The provisional review of the future disclosure requirements indicates there will be some changes in disclosure requirements relating to impairment losses, but little effect in relation to notes for financial instruments.

Quantitative effects of implementing IFRS 9

Based on a preliminary review, the transition to IFRS 9 is not expected to have significant effects. This applies to any effects associated with a change in classification and measurement, as well as a change in methods linked to impairment losses. The effect on the capital adequacy ratio will, according to our preliminary calculations, be limited or non-existent as a consequence of the deduction provisions associated with regulatory expected losses since the group's total impairments are lower than these. Given this, it therefore does not appear that SpareBank 1 Nord-Norge will require a 5-year implementation period, which the capital adequacy regulations allow.

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	31.03.17	31.03.16	31.12.16
Net loss charged to the statement of comprehensive income	- 16	133	195
Total gain from hedging objects relating to the hedged risk	13	- 129	- 191
Total fair value hedging transactions	- 3	4	4

The Bank's 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	31.03.17			31.03.16			31.12.16		
	Contract	Assets	Liabilities	Contract	Assets	Liabilities	Contract	Assets	Liabilities
Foreign currency instruments									
Foreign exchange financial derivatives (forwards)	1 792	17	7	1 130	27	15	2 143	14	9
Currency swaps	13 933	224	83	4 477	169	38	13 467	193	47
Currency options									
Total non-standardised contracts	15 725	241	90	5 607	196	53	15 610	207	56
Standardised foreign currency contracts (futures)									
Total foreign currency instruments	15 725	241	90	5 607	196	53	15 610	207	56
Interest rate instruments									
Interest rate swaps (including cross currency)	27 168	792	831	28 094	857	1 347	26 701	685	913
Short-term interest rate swaps (FRA)									
Other interest rate contracts	501	29	37	29	74	74	480	15	16
Total non-standardised contracts	27 669	821	868	28 123	931	1 421	27 181	700	929
Standardised interest rate contracts (futures)									
Total interest rate instruments	27 669	821	868	28 123	931	1 421	27 181	700	929
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)	10 748	485		12 532	787	2	11 963	483	
Short-term interest rate swaps (FRA)									
Other interest rate contracts									
Total, non-standardised contracts	10 748	485		12 532	787	2	11 963	483	
Standardised interest rate contracts (futures)									
Total interest rate instruments	10 748	485		12 532	787	2	11 963	483	
Total interest rate instruments	38 417	1 306	868	40 655	1 718	1 423	39 144	1 183	929
Total foreign currency instruments	15 725	241	90	5 607	196	53	15 610	207	56
Total	54 142	1 547	958	46 262	1 914	1 476	54 754	1 390	985

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 31.03.17 the net figures were:

Category/counterpart	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 derivatives - assets	25.250	24.778	472	0	472
Financial derivatives - liabilities	14.743	14.352	391	0	391

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 3.05 years as of 31 March 2017.

The short-term liquidity risk measurement, liquidity coverage ratio (LCR), was 121 % 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.

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

<i>Assumptions</i>	31.03.17	31.03.16	31.12.16
Discount rate	2,60 %	2,70 %	2,60 %
Expected return on pension assets	2,60 %	2,70 %	2,60 %
Future salary growth rate	1,50 %	2,25 %	1,50 %
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 %
Finansskatt	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)	50,00 %	90,00 %	50,00 %
Mortality, marriage probability, etc.	K2013BE IR2003	K2013BE IR2003	K2013BE IR2003

Continuation Note 15 – Pensions

Group

Amounts in NOK million

	31.03.17	31.03.16	31.12.16
Net pension liabilities in the balance sheet			
Present value of future pension liabilities	747	796	747
Estimated value of pension assets	910	935	910
Net pension liabilities in fund-based plans	-163	-139	-163
Unrecognised estimate deviations (possible actuarial gains and losses)	0	0	0
Employer's NI contributions	0	1	0
Net pension liabilities/assets in the balance sheet	- 163	- 138	- 163
Pension costs for the period			
Accrued defined benefit-based pensions	2	4	10
Interest costs on pension liabilities	5	4	21
Expected return on pension assets	-5	-5	-25
Estimate deviations recognised in the period			
Effect of changed pension plan			
Net defined benefit-based pension costs without employer's NI contributions	2	3	6
Accrued employer's NI contributions	0	0	4
Net defined benefit-based pension costs recognised through profit or loss	2	3	10
Curtailement/settlement			-1
Other pension costs	8	3	40
Total pension costs including employer's NI Insurance contribution	10	6	49
Movement in net pension liabilities from benefit-based plan recognised in balance			
Net pension liabilities in the balance sheet as of 01.01	-163	-141	-141
Correction against equity OB	6		12
Correction against equity CB			-10
Net defined benefit-based pension costs recognised through profit or loss	2	3	10
Curtailement/settlement			1
Paid directly from operations	-1	-1	-5
Receipts - pension premiums defined benefit-based plans		-8	-30
Net pension liabilities/assets in the balance sheet	-156	-147	-163
Other pension liabilities (early retirement pensions)	32	44	32
Net total pension liabilities	-124	-103	-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 31.03.17				
Loans to and receivables from customers at fair value (fixed-rate loans)			7 360	7 360
Shares	110		171	281
Bonds	6 784	4 208		10 992
Financial derivatives		1 547		1 547
Total assets	6 894	5 755	7 531	20 180

Liabilities as of 31.03.17				
Financial derivatives		958		958
Total liabilities		958		958

<i>Assets 31.03.16</i>				
Loans to and receivables from customers at fair value (fixed-rate loans)			7 525	7 525
Shares	100		375	475
Bonds	4 074	8 971		13 045
Financial derivatives		1 914		1 914
Total assets	4 174	10 885	7 900	22 959

<i>Liabilities as of 31.03.16</i>				
Financial derivatives		1 476		1 476
Total liabilities	0	1 476	0	1 476

(Amounts in NOK million)	Financial assets				Financial liabilities Financial derivatives
	Fixed-rate loans	Shares	Bonds	Financial derivatives	
Carrying amount as of 31.03.16	7 525	375			0
Net gains on financial instruments	- 152				
Additions/acquisitions	1 826	111			
Disposals	-1 839	- 205			
Transferred from level 1 or level 2					
Carrying amount as of 31.03.17	7 360	281	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 before tax			Equity		
		31.03.17	31.03.16	31.12.16	31.03.17	31.03.16	31.12.16
SpareBank 1 Finans Nord-Norge AS	100	34 180	33 386	86 012	690 208	572 049	729 113
SpareBank 1 Nord-Norge Portefølje AS	100	- 217	-3 322	-49 629	0	35 533	14 359
EiendomsMegler 1 Nord-Norge AS	100	1 359	1 685	27 260	28 281	27 692	47 769
SpareBank 1 Nord-Norge Forvaltning ASA	100	598	601	2 640	7 783	7 786	9 314
SpareBank 1 Regnskapshuset Nord-Norge AS	100	6 618	3 622	13 125	28 245	16 006	23 217
Nord-Norge Eiendom IV AS	100	- 272	- 324	-1 314	4 354	-14 238	4 562
Alsgården AS	100	- 171	- 922	-2 058	8 022	8 941	8 151
Fredrik Langesg 20 AS	100	- 144	284	539	8 103	8 779	8 118
Total		41 951	35 010	76 575	774 996	662 548	844 603

Note 18 – Other assets

(Amounts in NOK million)

Parent Bank				Group		
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
20	20	20	Repossessed assets	153	20	153
12	10	0	Accrued income	88	64	103
260	373	673	Prepayments	590	263	267
133	194	153	Other assets	221	263	197
425	597	846	Total other assets	1 052	610	720

Note 19 – Other liabilities

(Amounts in NOK million)

Parent Bank				Group		
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
267	227	496	Costs incurred	692	412	468
0	0	3	Provisioning against incurred liabilities and costs	30	18	25
579	745	1 391	Other liabilities	1 424	775	635
846	972	1 890	Total other liabilities	2 146	1 205	1 128

Note 20 – Deposits broken down by sector and industry

(Amounts in NOK million)

Parent Bank			Group			
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
2 608	2 249	2 756	Real estate	2 756	2 249	2 608
699	733	848	Financial and insurance activities	848	733	699
1 228	1 068	1 741	Fishing and aquaculture	1 741	1 068	1 228
700	552	543	Manufacturing	543	552	700
440	500	475	Agriculture and forestry	475	500	440
1 636	1 747	1 651	Power and water supply and construction	1 651	1 747	1 636
3 780	3 578	4 075	Service industries	4 054	3 556	3 726
1 635	1 442	1 626	Transportation	1 626	1 442	1 635
1 870	1 591	1 667	Commodity trade, hotel and restaurant industry	1 667	1 591	1 870
14 628	13 568	15 416	Total public market	15 395	13 546	14 574
30 561	28 739	30 699	Total retail market	30 699	28 739	30 561
8 735	8 238	8 167	Total government	8 167	8 238	8 735
53 924	50 545	54 282	Total gross lending to customers	54 261	50 523	53 870

Note 21 – Securities issued and subordinated loan capital ex. Accrued interests

Parent Bank and Group

(Amounts in NOK million)

Securities issued

	31.12.16	31.03.16	31.03.17
Certificates and other short-term borrowings			500
Bond debt	21 165	22 899	22 324
Total debt securities in issue	21 165	22 899	22 824

Changes in securities issued	financial position	Issued	Matured/ redeemed	Exchange rate movements	Other adjustments	Statement of financial position
	31.12.16	31.03.17	31.03.17	31.03.17	31.03.17	31.03.17
Certificates and other short-term borrowings		500				500
Bond debt	21 165	1 879	- 886	72	94	22 324
Total debt securities issued	21 165	2 379	- 886	72	94	22 824

Subordinated loan capital and hybrid Tier 1 instruments

	31.12.16	31.03.16	31.03.17
Hybrid Tier 1 instruments			
2033 6 mnd Nibor + 2,30 (USD 60 mill.) (Call opsj 2013)			
2099 3 mnd Nibor + 4,75 (Call opsjon 2017)	500	500	500
Hybrid Tier 1 instruments - foreign currency			
Total hybrid Tier 1 instruments	500	500	500

Subordinated loan capital

	31.12.16	31.03.16	31.03.17
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	1 350
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Changes in subordinated loan capital and hybrid Tier 1 instruments	financial position	Issued	Matured/ redeemed	Exchange rate movements	Other adjustments	Statement of financial position
	31.12.16	31.03.17	31.03.17	31.03.17	31.03.17	31.03.17
Subordinated loan capital with definite maturities	850					850
Hybrid Tier 1 instruments	500					500
Total subordinated loan capital and hybrid Tier 1 instruments	1 350					1 350

Note 22 – Equity Certificates (ECCs)

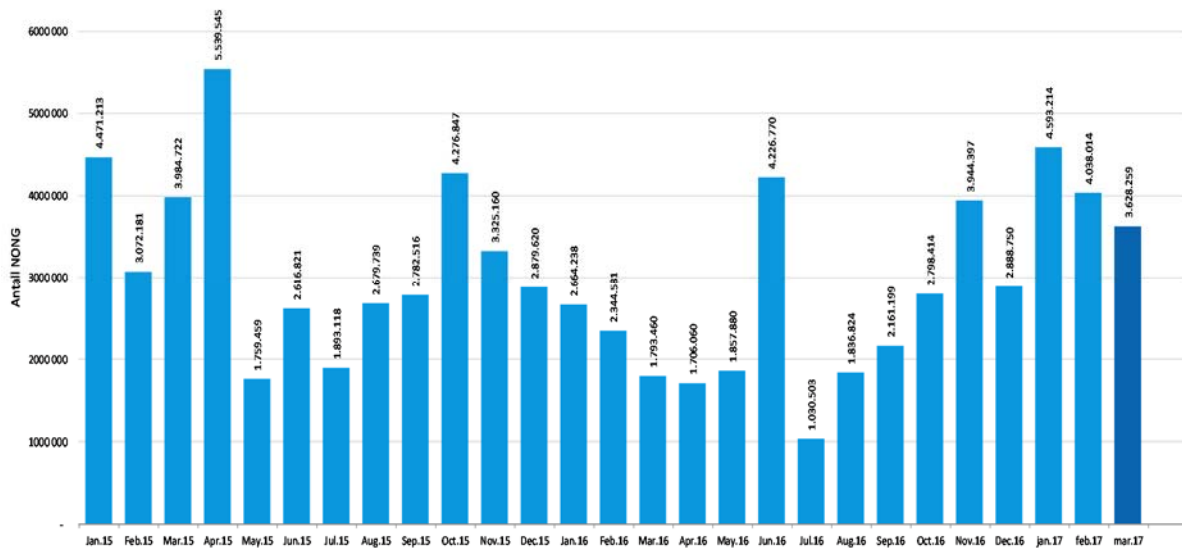
The 20 largest EC holders as at 31.03.17:

EC Holders	Number of ECs	Share of EC Capital
PARETO AKSJE NORGE	3.095.780	3,08%
VERDIPAPIRFONDET DNB NORGE (IV)	2.875.237	2,86%
MP PENSJON PK	2.690.503	2,68%
THE NORTHERN TRUST COMP, NON-TREATY ACCOUNT	2.603.388	2,59%
FLPS - PRINC ALL SEC	2.486.200	2,48%
MSIP EQUITY MORGAN STANLEY & CO. INTERNATIONAL	1.826.781	1,82%
STATE STREET BANK AND TRUST A/C CLIENT OMNIBUS F	1.625.305	1,62%
METEVA AS	1.614.670	1,61%
MERRILL LYNCH PROF. MLPRO SEG FOR EXCLSVE	1.563.513	1,56%
FORSVARETS PERSONELLSERVICE	1.561.630	1,56%
POPE ASSET MANAGEMENT, LLC BNY MELLON SA/NV	1.438.385	1,43%
SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGE	1.411.606	1,41%
VPF EIKA EGENKAPITALBEVIS C/O EIKA KAPITALFORV.	1.003.956	1,00%
PARETO AS	970.659	0,97%
STATE STREET BANK AND TRUST COMP A/C WEST	829.387	0,83%
STATE STREET BANK AND TRUST COMP SSB CL OMNI E	760.928	0,76%
STATE STREET BANK AND TRUST COMP FUND NU:OM80	702.350	0,70%
STATE STREET BANK AND TRUST COMP OMNIBUS D	686.643	0,68%
SKANDINAVISKA ENSKILDA BANKEN AB, UCITS V	685.544	0,68%
J.P. MORGAN SECURITIES PLC	674.963	0,67%
TOTAL	31 107 428	30,98%

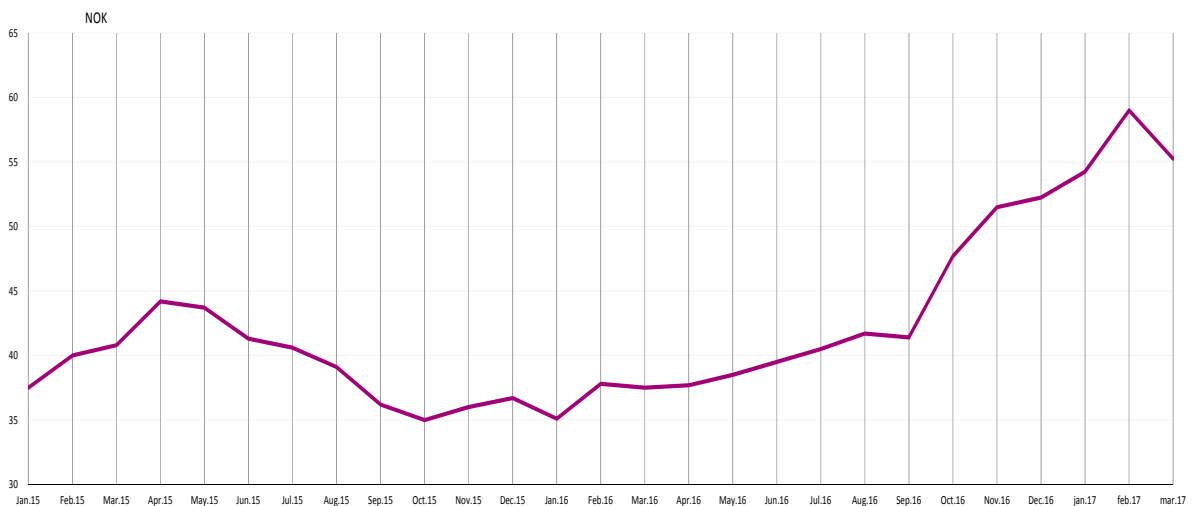
Dividend policy

The Bank's dividend policy states that the Bank aims to provide a competitive direct return for the Bank's owners (cash dividends 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 – 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.