# Quarterly Report

## Financial statement Q1 2019

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SpareBank 1 NORD-NORGE

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# Group financial highlights and key figures

| (Beløp i mill kroner og i % av gjennomsnittlig forvaltningskapital) | | 31.03.19 | % | 31.03.18 | % |
|---|---|---|---|---|---|
| **From the profit and loss account** | | | | | |
| Net interest income | | **473** | **1.77 %** | 449 | 1.84 % |
| Net fee-, commision and other operating income | | **256** | **0.96 %** | 250 | 1.02 % |
| Net income from financial investments | | **589** | **2.21 %** | 74 | 0.30 % |
| **Total income** | | **1 318** | **4.94 %** | 773 | 3.16 % |
| **Total costs** | | **362** | **1.36 %** | 343 | 1.40 % |
| **Result before losses** | | **956** | **3.58 %** | 430 | 1.76 % |
| Losses | | **- 17** | **-0.06 %** | 16 | 0.07 % |
| **Result before tax** | | **973** | **3.65 %** | 414 | 1.69 % |
| Tax | | **104** | **0.39 %** | 89 | 0.36 % |
| Defecit non-current assets held for sale | | **0** | **0.00 %** | 0 | 0.00 % |
| **Result after tax** | | **869** | **3.26 %** | 325 | 1.33 % |
| **Profitability** | | | | | |
| Return on equity capital | 1 | **28.1 %** | | 11.2 % | |
| Interest margin | 2 | **1.77 %** | | 1.84 % | |
| Cost/income | 3 | **27.5 %** | | 44.4 % | |
| **Balance sheet figures and liquidity** | | | | | |
| Total assets | | **107 306** | | 98 372 | |
| Average assets | 4 | **106 731** | | 97 779 | |
| Liquidity Coverage Ratio (LCR) | | **130** | | 138 | |
| **Solidity** | | | | | |
| Common Tier I Capital - incl. withheld share of result | | **14.6 %** | | 14.8 % | |
| Tier I Capital | | **16.1 %** | | 16.1 % | |
| Total regulatory Capital | | **18.1 %** | | 17.8 % | |
| Common Tier I Capital incl. period result, excl. dividend | | **10 655** | | 10 114 | |
| Tier I capital | | **11 716** | | 10 980 | |
| Equity and related capital resources | | **13 191** | | 12 170 | |
| Adjusted risk-weighted assets base | | **72 768** | | 68 281 | |
| Leverage Ratio - incl. 50% of result | | **7.4 %** | | 7.1 % | |
| **Branches and full-time employees** | | | | | |
| Branches | | **38** | | 38 | |
| Manyears | | **862** | | 777 | |

1 The profit after tax in relation to average equity, calculated as a quarterly average of equity and at 01.01.
The Bank's hybrid 1 capital issued are classified as equity in the financial statements. However, when calculating the return on equity, hybrid tier 1 capital are decucted from equity, and result after tax are adjusted for interests on hybrid tier 1 capital.

2 Net total interests as a percentage of average total assets

3 Total costs as a percentage of total net income

4 Average assets are calculated as average assets each quarter and at 01.01.

## Key figures ECC

| | 1Q19 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1) NONG Quoted/market price | **63.70** | 62.80 | 62.25 | 52.25 | 36.70 | 39.90 | 35.50 | 24.70 | 28.90 | 37.76 |
| 2) Number of Equity Certificates (EC) issued | **100.40** | 100.40 | 100.40 | 100.40 | 100.40 | 100.40 | 100.40 | 74.40 | 74.00 | 56.92 |
| 3) Quoted/market price EC issued (NOK mill) | **6,395** | 6,305 | 6,250 | 5,246 | 3,685 | 4,006 | 3,564 | 1,837 | 2,139 | 2,149 |
| 4) Quoted/market price total equity | **13,795** | 13,600 | 13,481 | 11,315 | 7,948 | 8,464 | 7,530 | 4,418 | 5,083 | 6,223 |
| 5) Allocated dividend per EC | - | 4 | 4.00 | 3.45 | 2.00 | 1.90 | 1.10 | 1.02 | 1.25 | 1.81 |
| Paid-out dividend per EC | - | 4.00 | 3.45 | 2.00 | 1.90 | 1.10 | 1.02 | 1.25 | 1.81 | 2.12 |
| 6) Dividend yield | **0.0 %** | 6.4 % | 6.4 % | 6.6 % | 5.4 % | 4.8 % | 3.1 % | 4.1 % | 4.3 % | 4.8 % |
| 7) Total yearly return | **0.0 %** | 7.3 % | 25.7 % | 47.8 % | -3.3 % | 15.5 % | 47.9 % | -10.2 % | -18.7 % | 15.2 % |
| Total equity capital Parent bank, NOK mill | **11,213** | 11,312 | 10,617 | 9,336 | 8,198 | 7,735 | 7,200 | 5,589 | 5,264 | 4,547 |
| Total equity capital Group, NOK mill | **13,046** | 13,058 | 12,299 | 11,011 | 9,961 | 9,343 | 8,502 | 6,832 | 6,408 | 5,670 |
| 8) Equity capital per EC Group | **56.64** | 56.70 | 54.34 | 50.84 | 46.00 | 44.05 | 40.08 | 38.19 | 36.43 | 34.41 |
| 9) Result per EC Group, adjusted for interest hybrid capital | **15.92** | 7.03 | 6.60 | 5.54 | 5.10 | 4.64 | 4.14 | 4.01 | 2.72 | 5.26 |
| 10) Totalresult per EC Group, adjusted for interests hybrid capital. | **15.57** | 6.80 | 6.95 | 5.79 | 4.11 | 5.17 | 4.13 | 3.36 | 2.75 | 4.95 |
| 11) P/E (Price/Earnings per EC Group) | **4.00** | 8.94 | 9.43 | 9.03 | 8.93 | 7.72 | 8.59 | 7.34 | 10.51 | 7.63 |
| 12) P/B (Price/Book Value per EC Group) | **1.12** | 1.11 | 1.15 | 1.03 | 0.80 | 0.91 | 0.89 | 0.65 | 0.79 | 1.10 |
| 13) Pay-out ratio Group | **56.90 %** | 56.90 % | 60.50 % | 59.63 % | 48.65 % | 36.77 % | 26.62 % | 11.80 % | 19.74 % | 33.14 % |
| EC ratio overall as at 31.12. | **46.36 %** | 46.36 % | 46.36 % | 46.36 % | 46.36 % | 47.33 % | 47.33 % | 41.59 % | 42.07 % | 34.54 % |
| EC ratio overall as at 01.01. used for allocaton of result | **46.36 %** | 46.36 % | 46.36 % | 46.36 % | 47.33 % | 47.33 % | 42.91 % | 42.07 % | 38.74 % | 34.54 % |

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

12) Market price/Book value per EC Group

13) Dividend per EC/Result per EC Group

# Quarterly Report for SNN – 1Q 2019

*(Figures in brackets are for the same period/date in 2018, unless otherwise specified).*

## Highlights

| NOK mill | 1Q19 | 4Q18 | Change | 31.03.19 | 31.03.18 | Change |
|---|---|---|---|---|---|---|
| Operating costs | 362 | 387 | -25 | 362 | 343 | 19 |
| Profit after tax | 869 | 371 | 498 | 869 | 325 | 544 |
| Return on equity *) | 28,1 % | 12,0 % | 16,1 | 28,1 % | 11,2 % | 16,9 |
| Earnings per equity certificate | 3,98 | 1,68 | 2,3 | 15,92 | 5,74 | 10,2 |
| Common tier 1 capital ratio**) | 14,6 % | 14,7 % | -0,1 | 14,6 % | 14,8 % | -0,2 |
| Loan losses | -17 | -6 | -11 | -17 | 16 | -33 |
| Lending growth | 1,3 % | 0,4 % | 0,9 | 6,8 % | 12,7 % | -6,0 |
| Growth in deposits | 0,3 % | 4,1 % | -3,8 | 8,7 % | 8,8 % | -0,2 |

**) The Bank's hybrid tier 1 securities issued are classified as equity in the financial statements. However, when calculating the return on equity, hybrid tier 1 securities NOK 780 million are decucted from equity, and profit before tax are adjusted for NOK 7 million interests on hybrid tier 1 securities in 1q 19.*

***) Calculated common tier 1 capital ratio including profit, excl. 50 % dividend.*

## Macroeconomic trends

*Global development*

At the beginning of 2019, global GDP growth appears to be waning. The International Monetary Fund (IMF) expects global growth in 2019 to be the weakest for several years. After global growth of 4.0 per cent in 2017, growth fell to 3.6 per cent in 2018. The IMF is now forecasting growth of 3.3 per cent for 2019. The main explanatory factors for the slower pace of growth are the trade conflict between China and the US, higher US interest rates, and uncertainty surrounding Brexit.
China's growth rate has also slowed compared with previous years.

The US is still enjoying good economic growth and unemployment is at record low levels. Despite this, the US government has chosen to continue with a highly expansive fiscal policy. However, the US Federal Reserve has recently lowered its forecasts for future growth and indicated that there will probably be more rate hikes this year. This has helped to boost international stock markets.

Growth in the eurozone is weak, and the latest figures from the German economy were disappointing. The European Central Bank has revised downwards its growth forecasts by 0.6 percentage points to a low 1.1 per cent for 2019. In addition to weaker growth than expected in Germany, there is uncertainty surrounding the UK's leaving of the EU, which is the main explanation for the lower growth forecasts.

The growth in emerging economies remains relatively good and is above the growth rates of the developed economies, although there are big variations between the countries. Growth in India was particularly high at 7.3 per cent in 2018. However, global trade uncertainty has increased. The trade conflict has mostly concerned the US and China, but it will also have ripple effects on other economies, particularly countries with a lot of international trade.

*The Norwegian economy*

As expected, Norges Bank raised interest rates by 0.25 percentage points on 21.03.19, meaning that the policy rate is now 1 per cent. The press release issued in connection with this provides a good description of the status of the Norwegian economy: "The Norwegian economy is expanding at a solid pace, and capacity utilisation now appears to be slightly above a normal level. Underlying inflation is a little higher than the inflation target. The

uncertainty surrounding global developments and the effects of monetary policy suggests a cautious approach to interest rate setting. Overall, the outlook and the balance of risks imply a gradual interest rate increase ahead."

The labour market improved throughout last year, and this positive trend has continued into 2019. Investments are rising, with the increased activity on the Norwegian Continental Shelf making a particularly important contribution, while housing investments fell slightly following a period of solid growth. House prices have developed moderately throughout the year. The growth in household debt has slowed slightly, but still exceeds income growth. Household debt thus continues to rise, which increases the vulnerability of households.

Consumer prices have risen by more than Norges Bank's inflation target in the last year. Underlying inflation has also risen more than expected. A steadily tighter labour market indicates that the growth in wages will continue to increase.

*The northern Norwegian economy*
The northern Norwegian economy is solid and has seen higher growth over time than the rest of the country. However, the Business Barometer for Northern Norway (KB) from November 2018 indicates that the expected growth in Northern Norway will be slightly weaker than in the country as a whole. The main reason for this is that Northern Norway will not benefit as much as the rest of the country from the upswing in oil and gas investments. Export growth is also expected to slow down, primarily due to capacity constraints. This particularly applies to the constraints caused by access to labour, but also includes capacity constraints within seafood and metal production, which are now at full capacity. Airport infrastructure and hotel capacity also represent constraints when it comes to tourism.

Northern Norway has a tight labour market, with lower unemployment than the rest of the country. Meanwhile, population growth is weak, which further contributes to the lack of labour. One consequence of this could be extra pressure on wages, and thereby weaker competitiveness in those parts of the economy where wage growth is controlled locally. The region currently relies on migrant labour, and in parts of the business sector, managing to attract labour from abroad will be crucial for future value creation in the region.

Housing prices in Northern Norway have risen moderately in the last year and roughly on a par with the country at large, although still lower than the growth in the Oslo area. With the exception of Tromsø, house prices in the region are lower than in the country as a whole, so they do not have as far to fall should the housing market deteriorate. Northern Norwegian households are, by and large, financially healthy. However, it still remains the case, especially in the largest towns in the region, that rising house prices have resulted in many households taking on a heavy debt burden. If interest rates were to rise more than expected, this could prove challenging to some households.

Northern Norway has enjoyed high investment growth in recent years. The pace of growth has slackened a little recently, but remains high. Much of the growth was driven by the start-up of construction projects. The order reserves in the construction sector are now lower, and there are signs that investments in housing will be slightly down, but perhaps not as much as in the rest of the country. The Companies in Norges Bank's regional network are stating that they have confidence in the future, and North-Norwegian firms have roughly the same investment expectations as the rest of the country. This may be cause for optimism for business investment in 2019.

Northern Norwegian export companies are still doing well, and the export industry is still benefiting from a weak Norwegian krone and strong demand for northern Norwegian raw materials. It has long been feared that the strong growth in the Norwegian economy, together with rising oil prices, would result in a significantly stronger Norwegian krone. The Norwegian krone has indeed strengthened recently, but it remains relatively weak and this is thus advantageous for the export industry and tourism.

The value of seafood exports from Northern Norway increased by 14 per cent in the first two months of the year compared with the same period in 2018. The industry continues to enjoy high prices and a low exchange rate.

In recent years, the growth in northern Norwegian tourism has been largely driven by more foreign tourists. Winter tourism is accounting for an increasingly larger proportion of the stream of tourists. Better times in the global economy suggest that this trend will continue, but the tourism industry may be vulnerable to price changes.

Oil and gas are still in an early phase in the north, with only the Norne, Snøhvit, Skarv, Goliat and Aasta Hansteen fields in operation. 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. The report "Delivered" from the Knowledge Park in

Bodø stresses that the supplier companies in oil and gas in the Hammerfest region have grounds for optimism about the future. The report does not paint an equally positive picture of the other regions in the north. There is therefore little reason to believe that increased oil activity in the country as a whole will contribute to a broad upturn for supply chain companies in Northern Norway.

The international, national and regional macroeconomic conditions are anyhow in place for 2019 to provide growth opportunities for Northern Norway and for SpareBank 1 Nord-Norge. There is some uncertainty in relation to both the international macroeconomic picture and how the Norwegian krone exchange rate will develop in the future and impact export industries and tourism. Many places and many segments of the business sector in the region are experiencing a lack of skilled 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, the macroeconomic prospects for Northern Norway are judged to be relatively good.

One of SpareBank 1 Nord-Norge's roles is to ensure that good projects receive the right funding. The Group also wants to use its expertise to help ensure that the region can implement measures and investments that improve value creation.

## IFRS 16 Leases

The new international financial reporting standard issued by the International Accounting Standards Board, IFRS 16 – Leases, came into effect on 01.01.19. It replaces IAS 17. The new standard requires lessees to capitalise all major leases, such that the value of the right-of-use asset is shown as an asset and the corresponding lease liability is shown as a liability item on the balance sheet.

This transition results in significant leases no longer being expensed on an ongoing basis. Instead, they are activated on the balance sheet as if the assets had been purchased and financed by borrowing. In the income statement, lessees must recognise interest costs for the lease liability and depreciation costs for the right-of-use asset separately.
SpareBank 1 Nord-Norge has applied IFRS 16 since 01.01.19 using the modified retrospective method, which entails no requirement to change comparable information.

Please also refer to the new Note 23 in the quarterly report.

### Financial performance

| NOK mill | 1Q19 | 4Q18 | Change | 31.03.19 | 31.03.18 | Change |
|---|---|---|---|---|---|---|
| Total income | 1.318 | 854 | 464 | 1.318 | 773 | 545 |
| Total costs | 362 | 387 | -25 | 362 | 343 | 19 |
| Losses | - 17 | -6 | -11 | - 17 | 16 | -33 |
| Tax | 104 | 102 | 2 | 104 | 89 | 15 |
| Defecit non-current assets held for sale | | 4 | -4 | | | 0 |
| Profit after tax | 869 | 367 | 502 | 869 | 325 | 544 |

At the end of 1Q 2019, the income statement shows a profit after tax of MNOK 869 (MNOK 325). This represents a return on equity capital of 28.1 per cent (11.2 per cent). The Group's profitability target is a return on equity that is among the best for comparable financial groups, currently set to 12 per cent or higher.

The results include a gain of MNOK 460 from the insurance merger between SpareBank 1 Forsikring AS and DNB Forsikring AS on 01.01.19. This is described in more detail in the 'Financial investments' section below. The return on equity capital exclusive of this gain was 13.1 per cent.

## Net interest income

Net interest income at the end of the 1Q 2019 amounted to MNOK 473 (MNOK 449).

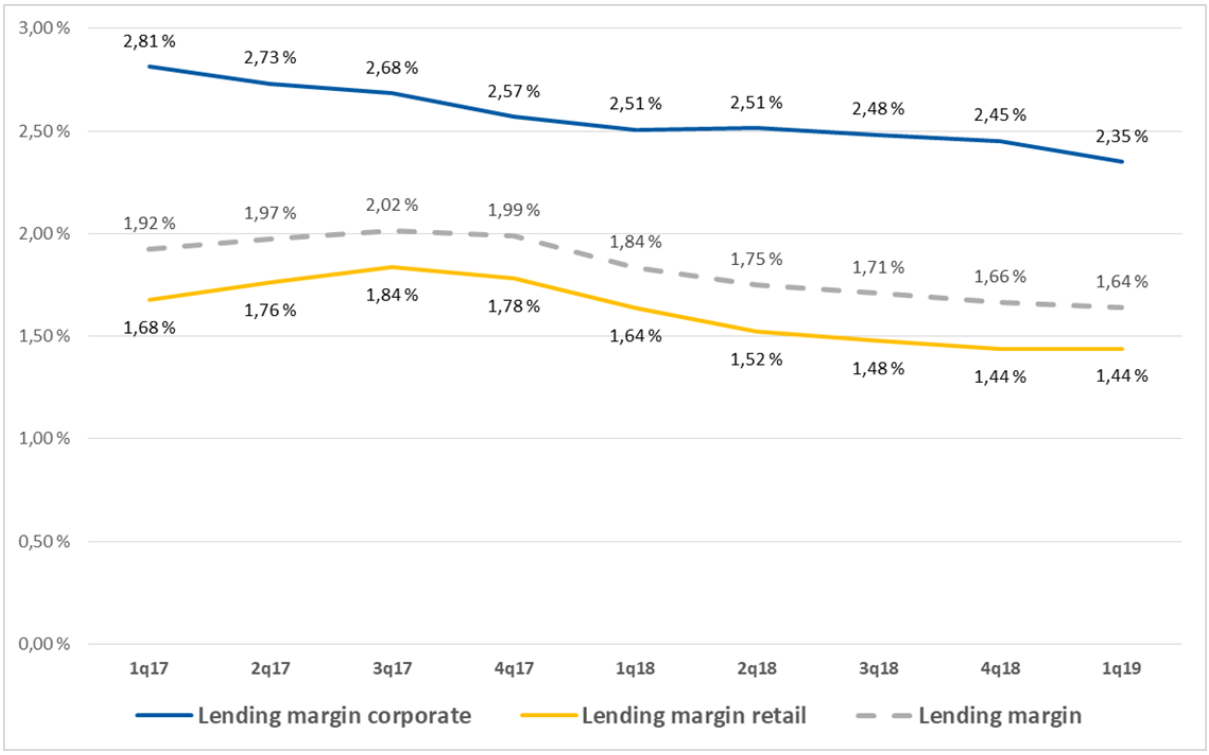
Net interest income represented 1.85 per cent (1.90 per cent) of average total assets.

Income from the loan portfolio transferred to SpareBank 1 Boligkreditt (SB1BK) and SpareBank 1 Næringskreditt (SB1NK) totalled MNOK 62 for 1Q 2019 (MNOK 76), and is booked as commission income.

Compared with 4Q 2018, the changes in net interest income, including commission income from the transferred loan portfolio but excluding charges for the Guarantee Fund, were as follows in 1Q 2019:

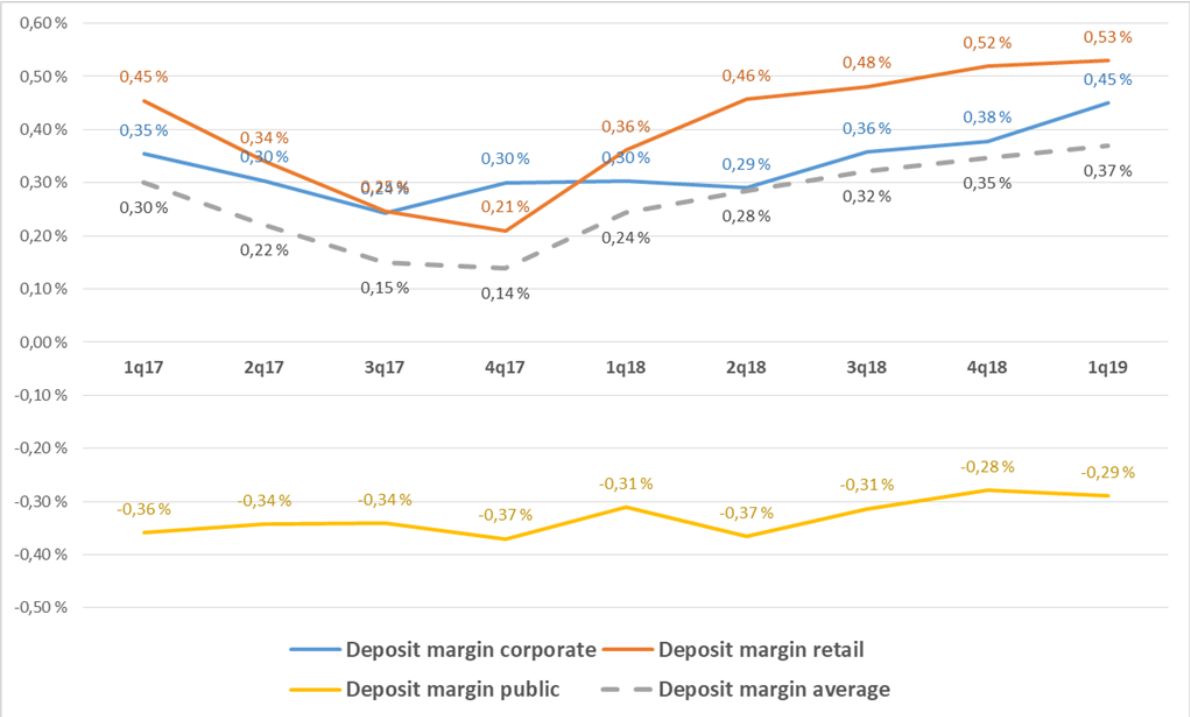
| NOK mill | Chance last quarter |
|---|---|
| Effect of days | -9 |
| Margin effects | -9 |
| Effect volume | 1 |
| Other effects | -10 |
| Total effects | -27 |

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




Norges Bank increased its policy rate by 0.25 percentage points in September 2018, and the Bank increased its mortgage and deposit rates correspondingly with effect from mid-November 2018. However, rising money market rates in 4Q 2018 resulted in higher borrowing costs in the capital market meaning that the effect of the rate increase in November was more or less cancelled out in 1Q 2019. On 21.03.19, Norges Bank again increased its policy rate by 0.25 percentage points. The Bank announced that it would increase lending rates by up to 0.25 percentage points for new loans from 03.04.19 and for existing loans from 16.05.19.

Assuming stable conditions in the capital market, a moderate increase is expected in the Bank's borrowing costs in the capital market during the course of the year. The strong competition in the market is putting pressure on margins, especially for mortgage loans. Measures are being planned to increase the risk pricing of loans in 2019.




## Net fee, commission and other operating income

| NOK mill | 1Q19 | 4Q18 | Change | 31.03.19 | 31.03.18 | Change |
|---|---|---|---|---|---|---|
| Net commission loans | 62 | 65 | -3 | 62 | 76 | -14 |
| Net commission insurance | 41 | 37,2 | 4 | 41 | 40 | 1 |
| Net commission payments | 67 | 84 | -17 | 67 | 60 | 7 |
| Commission real estate | 31 | 33,6 | -3 | 31 | 26 | 5 |
| Fee accounting services | 52 | 38 | 14 | 52 | 33 | 19 |
| Net other income | 3 | 20,3 | -17 | 3 | 15 | -12 |
| Total | 256 | 278 | -22 | 256 | 250 | 6 |

The reduction in net commission and other operating income in 1Q was also due to increased income in SpareBank 1 Regnskapshuset Nord-Norge, a drop in income from money transfer systems (seasonal), and lower income from banking related products such as administration fees for securities, interbank fees and other commission income.

The Group is still working to increase the proportion of other income.

## Financial Investments – income and events in the accounting period

| Share results NOK mill | Sharehold | 1Q19 | 4Q18 | Change | 31.03.19 | 31.03.18 | Change |
|---|---|---|---|---|---|---|---|
| SpareBank 1 Gruppen | 19,50 % | 498 | 100 | 398 | 498 | 36 | 462 |
| SpareBank 1 Boligkreditt | 16,85 % | 12 | -7 | 19 | 12 | 3 | 9 |
| SpareBank 1 Næringskreditt | 14,48 % | 3 | 3 | 0 | 3 | 2 | 1 |
| SpareBank 1 Kredittkort | 17,00 % | 3 | 1 | 2 | 3 | 5 | -2 |
| SpareBank 1 Betaling | 18,57 % | 11 | 0 | 11 | 11 | -2 | 13 |
| BN Bank | 23,50 % | 16 | 15 | 1 | 16 | 20 | -4 |
| Other companies | 20,00 % | 1 | 0 | 1 | 1 | -1 | 2 |
| Sale of Group company | | 0 | 0 | 0 | 0 | 0 | 0 |
| Total income associated companies | | 544 | 112 | 432 | 544 | 63 | 481 |
| Share dividend | | 1 | 1 | 0 | 1 | 1 | 0 |
| Net change value of equities | | 26 | -15 | 41 | 26 | -1 | 27 |
| Net change value of bonds, currency and derivatives | | 19 | -13 | 32 | 19 | 19 | 0 |
| Net change value loans at fair value, included hedging | | -1 | -5 | 4 | -1 | -8 | 7 |
| Net income from financial investments | | 589 | 80 | 509 | 589 | 74 | 515 |

Above mentioned share of SpareBank 1 Gruppen's 1st quarter result includes a gain from the insurance merger accounted in SpareBank 1 Nord-Norge through profit and loss. SpareBank 1 Gruppen has accounted this merger directly to equity. SpareBank 1 Gruppen's result after tax for 1Q 2019 amounted to MNOK 193 (MNOK 184) on majority owner's stake.

Fremtind Forsikring AS was established on 01.01.19 through the merger of SpareBank 1 Skadeforsikring AS and DNB Skadeforsikring AS.

The transaction agreement involved a conversion ratio of 80 per cent for SpareBank 1 Skadeforsikring AS and 20 per cent for DNB Skadeforsikring AS. DNB ASA increased its stake in the company to 35 per cent in January 2019. DNB ASA also has an option to increase its stake up to 40 per cent. The option expires on 31.03.20.

DNB ASA's increase in its stake in Fremtind Forsikring AS from 20 per cent to 35 per cent resulted in SpareBank 1 Gruppen AS (the parent company) receiving a tax-free gain of approximately BNOK 1.7. This gain was distributed as extraordinary dividends to the owners on 29.03.19. SpareBank 1 Nord-Norge's share of these dividends amounted to MNOK 331. Overall, the transaction resulted in increased equity for SpareBank 1 Gruppen of around BNOK 4.7 at a group level. The majority's (the SpareBank 1 banks and the Norwegian Confederation of Trade Unions (LO)) share of this increase was around BNOK 2.4. SpareBank 1 Nord-Norge's share of the increase amounted to MNOK 460 and was recognised in the income statement in 1Q 2019. Due to the capital adequacy rules that stipulate deductions in Tier 1 capital for stakes in financial institutions, in practice this has had no effect on the Group's capital adequacy.

At the time of publication, Fremtind Forsikring AS has not yet been granted a licence to transfer the personal insurance products from SpareBank 1 Forsikring AS and DNB Livsforsikring AS. These products are expected to be transferred to the new subsidiary, Fremtind Livsforsikring AS, during the course of 2019, assuming final approval from the Financial Supervisory Authority of Norway.

SpareBank 1 Betaling AS adjusted its accounts for 2018 compared with what was reported to the owner banks at the end of 4Q 2018. The change of around MNOK 71 in increased equity was due to the final items in connection with the Vipps merger in 2018. The Bank has included its share of this (MNOK 13) as the incorporated share of the result in 1Q 2019.

The profit share item 'Other' consists of shares in the profits from SpareBank 1 Banksamarbeidet DA, SMB Lab AS and Betr AS.

The jointly-owned companies in the SpareBank 1 - alliansen have seen good earnings. In the opinion of the Board, the underlying assets in these companies are also substantial. The completed and planned transactions in Fremtind are a good illustration of such underlying values.

*The Group's equities portfolio*

As at 31.03.19, the Group's equities portfolio amounted to MNOK 392 (MNOK 357). The portfolio saw a positive change in value of MNOK 40 in the last quarter. The change in value was primarily due to a MNOK 17 increase in the value of the Bank's shares in Visa Incorporated, as well as holdings of hybrid Tier 1 instruments classified as shares of MNOK 16.

*Certificates, bonds, currency and derivatives*

The Group's holdings of certificates and bonds as at 31.03.19 amounted to MNOK 14,957, compared with MNOK 11,841 at the same time last year.

The total net changes in value for 1Q 2019 in this portfolio represented a gain of MNOK 10, and were largely due to reduced credit premiums (spread contraction) compared with year end 2018.

A summary of the Group's derivatives as at 31.03.19 is provided in Note 11 in the quarterly report.

*Subsidiaries and second tier subsidiaries*

At the end 1Q 2019, the Group's subsidiaries had a combined profit before tax of MNOK 53 (MNOK 42), which has been fully consolidated in the consolidated financial statements. The largest subsidiaries, which operate within the Group's core business, show the following profits before tax compared with the same period in 2018:

| NOK thousand | 1Q19 | 1Q18 | Change |
|---|---|---|---|
| SpareBank 1 Finans Nord-Norge | 36 675 | 35 708 | 967 |
| EiendomsMegler 1 Nord-Norge | 1 484 | 407 | 1 077 |
| SpareBank 1 Regnskapshuset Nord-Norge | 14 444 | 6 029 | 8 415 |
| Other subsidiaries | 428 | - 232 | 660 |
| Total | 53 031 | 41 912 | 11 119 |

The individual subsidiaries' results are presented in Note 16 in the quarterly report.

## Operating costs

The Group's long-term target is a cost ratio of 40 per cent or lower. As at 31.03.19, this ratio was 27.5 per cent (44.4 per cent) for the Group and 24.4 per cent (44.3 per cent) for the Parent Bank. Adjusted for the aforementioned gain from the merger that was recognised as income, the cost/income ratio was 42.2 per cent for the Group and 34.6 per cent for the Parent Bank.

| NOK mill | 1Q19 | 4Q18 | Change | 31.03.19 | 31.03.18 | Change |
|---|---|---|---|---|---|---|
| Labor costs | 153 | 150 | 3 | 153 | 139 | 14 |
| Pensions | 11 | 17 | -6 | 11 | 11 | 0 |
| Social costs | 29 | 33 | -4 | 29 | 28 | 1 |
| Administration costs | 106 | 106 | 0 | 106 | 109 | -3 |
| Depreciation | 29 | 15 | 14 | 29 | 18 | 11 |
| Property costs | 7 | 4 | 3 | 7 | 4 | 3 |
| Other operating costs | 27 | 62 | -35 | 27 | 34 | -7 |
| Total operating costs | 362 | 387 | -25 | 362 | 343 | 19 |

Following the introduction of IFRS 16 from 01.01.19, all leases in the Group are capitalised, and the calculated, current depreciation and interest costs from this calculation basis are recognised as costs in the income statement. Ongoing invoiced rent costs from the lessor will be capitalised in 2019. In last year's accounts, rent costs were recognised as costs on an ongoing basis and included on the line 'other operating costs'. Therefore, compared with last year, depreciation will increase somewhat for fixed assets in 2019, while other operating costs will be correspondingly reduced. Please also see Note 23 in the quarterly report.

The Group's costs were MNOK 19 (5.5 per cent) higher in 1Q 2019 than in the same quarter in 2018. Of this increase, MNOK 8 is attributable to the Parent Bank and MNOK 11 to the Group's subsidiaries. The increase in costs in the subsidiaries was largely attributable to the acquisition of new business. The increased costs in the Parent Bank are primarily due to a higher level of activity related to digitalisation, automation and new system solutions. This is expected to lay the groundwork for cost savings and higher future income, which the Group will focus more heavily on in 2019.

An overview of the Group's pension liabilities and pension costs is provided in Note 14 in the quarterly report.

Overall, the Group's costs for 1Q in isolation were MNOK 25 lower than in 4Q 2018: MNOK 13 lower in the Parent Bank and MNOK 12 lower in the subsidiaries. The lower costs were due provisions of capital tax and various allocated accrued costs as at 31.12.18.

The Group had 891 FTEs at the end of March 2019 (777). Compared with 31.12.18 there are 21 more FTEs, 19 of which work in the Parent Bank. 15 FTEs were due to the Bank taking over duties that were previously performed by a joint 24-hour service centre in the alliance.

The Parent Bank had 578 FTEs as at 31.03.19 (530).

## Losses and non-performing loans

The Group's net losses on loans and guarantees to customers in 1Q 2019 amounted to MNOK -17 (income recognition) (MNOK 16): MNOK 2 (MNOK -6) from the retail market and MNOK -19 (MNOK 22) from the corporate market. The level of losses is considered very low.

As at 31.03.19, total loss provisions on loans and guarantees came to MNOK 514 (MNOK 669). This equates to a loss provision ratio of 28 per cent (38 per cent) of non-performing and doubtful commitments. As at 31.03.19, loss provisions for loans amounted to 0.62 per cent (0.85 per cent) of the Group's total gross lending to customers, and 0.44 per cent (0.61 per cent) of gross lending to customers including intermediary loans.

As at 31.03.19, the Group's total loss provisions for loans and guarantees classified as Band 3 pursuant to IFRS 9 amounted to MNOK 145 (MNOK 332). The provisions were MNOK 21 lower than at year end 2018. As at 31.03.19, loss provisions for loans and guarantees classified as Band 1 and Band 2 pursuant to IFRS 9 amounted to MNOK 369 (MNOK 282), an increase of MNOK 11 compared with the end of the previous quarter.

See also Notes 7, 8 and 9 in the quarterly report. Note 7 provides an overview of total loss provisions pursuant to IFRS 9 as at 31.03.19, including off-balance-sheet items.

In the opinion of the Board of Directors, the quality of the Group's loan portfolio is currently good and it is steadily improving. Good work is being done on non-performing and doubtful commitments, and this will remain a top priority going forward. The general level of losses is expected to be low for the immediate future.

## Balance sheet performance

| NOK mill | 31.03.2019 | 31.03.2018 | Change | 31.12.18 | Change |
|---|---|---|---|---|---|
| Retail lending | 82.658 | 77.140 | 7,2 % | 82.381 | 0,3 % |
| Corporate lending | 34.406 | 32.516 | 5,8 % | 33.152 | 3,8 % |
| Total lending incl. intermediary loans | 117.064 | 109.656 | 6,8 % | 115.533 | 1,3 % |
| Total lending excl. intermediary loans | 82.899 | 78.964 | 5,0 % | 82.145 | 0,9 % |
| Deposits retail | 34.836 | 32.589 | 6,9 % | 34.179 | 1,9 % |
| Deposits corporate [1)] | 29.347 | 26.450 | 11,0 % | 29.806 | -1,5 % |
| Total deposits | 64.183 | 59.039 | 8,7 % | 63.985 | 0,3 % |
| Deposits as % of lending excl. intermediary loans | 77 % | 75 % | 4 % | 78 % | -1 % |
| Total assets | 107.306 | 98.372 | 9,1 % | 106.156 | 1,1 % |

[1)] *Incl. government market*

## Loans

As at 31.03.19, loans totalling BNOK 33.5 (BNOK 31) had been transferred to SpareBank 1 Boligkreditt, and BNOK 0.4 (BNOK 0) to SpareBank 1 Næringskreditt. These loans do not appear as lending on the Bank's balance sheet. However, comments that deal with the growth in lending also include these intermediary loans.

After a period of strong lending growth in 2017 and 2018, especially within the corporate market, lending growth decreased in 4Q 2018. In 1Q 2019, the Group saw lending growth (not annualised) in the retail market of 0.3 per cent, and 3.8 per cent in the corporate market.

The competition is strong, especially in the mortgage loan market, but the Group still expects to take market shares in 2019 and maintain growth in the range of 3-5 per cent in the corporate market and 7-9 per cent in the retail market.

The retail market accounted for 71 per cent of total loans as at 31.03.19 (72 per cent).

An overview of the Group's lending is provided in Note 6 in the quarterly report.

In the case of new loans, particular importance is attached to the customer's ability to service and repay their outstanding loans, and a satisfactory level of collateral and other security to ensure that credit risk is kept at an acceptable level.

## Liquidity

Customer deposits are the Group's most important source of funding and Note 19 in the quarterly report provides an overview of the Bank's deposits. As at 31.03.19, the deposit coverage rate (excluding intermediary loans) was 78 per cent (77 per cent). 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 maintain the overall liquidity risk at a low level. As at 31.03.19, the calculated liquidity coverage ratio (LCR) was 130 per cent (138 per cent). Please refer also to Note 14 in the quarterly report 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

| | 31.03.2019 | 31.03.2018 | Change | 31.12.2018 | Change |
|---|---|---|---|---|---|
| Common tier 1 capital | 14,6 % | 14,8 % | -0,1 | 14,5 % | 0,2 |
| Tier 1 capital | 16,1 % | 16,1 % | 0,0 | 16,0 % | 0,1 |
| Capital adequacy ratio | 18,1 % | 17,8 % | 0,3 | 18,1 % | 0,0 |
| Leverage ratio | 7,4 % | 7,1 % | 0,3 | 7,2 % | 0,2 |

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 core Tier 1 capital increased by MNOK 320, or 0.1 percentage points, from the previous quarter, mainly due to two factors.

- The aforementioned gain from the merger in SpareBank 1 Gruppen is included in the quarter's results. The book value of the stake in SpareBank 1 Gruppen also increased, and the portion that exceeds 10 per cent of CET1 is deducted from core Tier 1 capital. Meanwhile, the value of the stake in SpareBank 1 Gruppen is reduced for that portion that is paid out in extraordinary dividends to the owners. Therefore, the increase in the deductible is not as large as the increase in equity.
- The calculation basis increased by BNOK 1.6 in 1Q 2019. In addition to lending growth, the increase also consists of the effect of introducing IFRS 16 and the increased value of the stake in SpareBank 1 Gruppen.

*Capital requirements and capital targets*

As at 31.12.18, the regulatory minimum requirement for the core Tier 1 capital ratio was 13.5 per cent. This included the minimum requirement of 4.5 per cent, the total buffer requirement of 7.5 per cent, and the Pillar 2 requirement of 1.5 per cent. The Financial Supervisory Authority of Norway has postponed the planned SREP (Supervisory Review and Evaluation Process for Pillar 2) from 2018 to 2019, and the new SREP is expected to be released in 2019. The Pillar 2 decision for the Group from SREP 2016 (1.5 per cent) therefore still applies.

SpareBank 1 Nord-Norge aims to maintain incontestable financial strength and satisfy the regulatory minimum requirements for capital adequacy at all times. The Group has a target core Tier 1 capital ratio of 1.0 percentage point above the regulatory minimum requirement, which results in a target core Tier 1 capital ratio of 14.5 per cent.

*Changes in the regulatory framework for capital requirements*

CRD IV, CRR and a long list of underlying legislative acts were incorporated into the EEA at the end of March 2019. The process surrounding the elimination of the Basel 1 Floor and implementation of the so-called 'SME discount' thus took another step forward. Finally, Norwegian implementation requires parliamentary consideration and amendments to the relevant regulations. The date on which the changes will be implemented in Norway remains unclear, although the Norwegian authorities have already clarified that an attempt will be made to utilise the leeway Norway has when it comes to countering the easing of the capital requirements the aforementioned changes result in.

In October 2018, the Financial Supervisory Authority of Norway published proposed amendments to the rules for identifying systemically important financial institutions (SIFIs). The proposed changes will cause SpareBank 1 Nord-Norge to be classed as systemically important. The core Tier 1 capital ratio requirement will then increase by 2 percentage points to 15.5 per cent and the requirement for the unweighted Tier 1 leverage ratio will increase by 1.0 percentage point to 6 per cent. As at 31.03.19, the overall effect of removing the Basel 1 Floor and the introduction of SIFI requirements for the Group is expected to be an increased buffer between the reported core Tier 1 capital ratio and the regulatory minimum requirement. Some uncertainty remains about the effect the changes will have on the capital adequacy regulations. Final clarification is expected to be issued during the course of 2019.

In December 2017, the Basel Committee finalised the "Basel III regulations". The regulations will be introduced in the EU in 2022, with transitional rules in place until 2027. The final date for implementing them in Norway has still to be confirmed.

## The Bank's equity certificate holders

| NOK mill | 31.03.2019 | 31.03.2018 | Change | 31.12.2018 | Change |
|---|---|---|---|---|---|
| Equity certificate capital | 1.807 | 1.807 | 0 | 1.807 | 0 |
| ECC Ownership fraction | 46,36 % | 46,36 % | 0 | 46,36 % | 0 |
| Number of holders | 8.685 | 8.255 | 430 | 8.491 | 194 |
| Proportion of northern Norwegian holders | 19 % | 20 % | 0 | 19 % | 0,26 |
| Proportion of foreign holders | 42 % | 38 % | 5 | 38 % | 4,88 |
| Market price NOK | 63,70 | 62,00 | 1,70 | 62,80 | 0,90 |
| Market value | 13.795 | 13.427 | 368 | 13.600 | 195 |
| Earnings per equity certificate | 15,92 | 5,74 | 10,18 | 7,03 | 8,89 |
| Price/Earnings | 4,0 | 10,8 | -6,8 | 8,9 | -4,9 |
| Price/Book value | 1,1 | 1,2 | -0,1 | 1,1 | 0,0 |

A summary of the Bank's 20 largest equity certificate holders is provided in Note 21 in the quarterly report.

## Concluding remarks and outlook

The international, national and regional macroeconomic conditions are in place for 2019 to provide growth opportunities for Northern Norway and for SpareBank 1 Nord-Norge, even though growth is expected to be slightly weaker in the north than in the rest of the country. At the same time, uncertainty also exists in relation to both the international macro picture and the Norwegian krone exchange rate, which is especially important for export industries and tourism. A tight labour market remains a challenge for growth in the region.

The Group's market position and financial position are good. The Group has successfully implemented significant measures in recent years. This work will be continued and the Group will continue to focus on its core business. 2019 will, like 2018, also be a year with a considerable focus on digitalisation and adapting to new regulatory conditions. Further interest rate changes are expected from Norges Bank during the course of 2019, and it is important for the Bank that the rate changes are implemented in a way that ensures long-term profitability and competitiveness.

To preserve and strengthen the Group's leading market position, the pace of development of new products and services has further increased. The ambition is to improve efficiency, strengthen the Group's customer relations, and win new market shares. This work emphasises the Group's local approach to customers and market areas. The measures aimed at improving competitiveness have so far resulted in somewhat higher costs, and will continue to do so for the immediate future. However, measures will be implemented in 2019 to ensure that the effects of the measures are realised. The positive results of this work are expected to be seen in the form of more satisfied customers, increased market shares, and positive customer development in all core product areas. The future contributions this work will make to the results are largely expected to be seen from 2020 onwards.

The Group's future prospects are still considered good.

Tromsø, 08.05.19

**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

Geir Bergvoll

Sonja Djønne

Vivi Ann Pedersen
(employee representative)

Kjetil Berntsen
(employee representative)

## Statement of income

| Parent Bank | | | | | | Group | | | |
|---|---|---|---|---|---|---|---|---|---|
| (Amounts in NOK million) | | | | | | | | | |
| 31.12.18 | 1Q18 | **1Q19** | **31.03.19** | | Note | **31.03.19** | **1Q19** | 1Q18 | 31.12.18 |
| 2 558 | 593 | **677** | **677** | Interest income | | **742** | **742** | 648 | 2 795 |
| 908 | 203 | **271** | **271** | Interest costs | | **269** | **269** | 199 | 899 |
| 1 650 | 390 | **406** | **406** | **Net interest income** | | **473** | **473** | 449 | 1 896 |
| 782 | 199 | **194** | **194** | Fee- and commission income | | **231** | **231** | 236 | 978 |
| 82 | 17 | **22** | **22** | Fee- and commission costs | | **26** | **26** | 21 | 95 |
| 22 | 3 | **5** | **5** | Other operating income | | **51** | **51** | 35 | 174 |
| 722 | 185 | **177** | **177** | **Net fee-, commision and other operating income** | | **256** | **256** | 250 | 1 057 |
| 6 | 1 | **1** | **1** | Dividend | | **1** | **1** | 1 | 6 |
| 364 | 17 | **485** | **485** | Income from investments | | **544** | **544** | 63 | 374 |
| 79 | 7 | **43** | **43** | Net gain from investments in securities | 12 | **44** | **44** | 10 | 83 |
| 449 | 25 | **529** | **529** | **Net income from financial investments** | | **589** | **589** | 74 | 463 |
| 2 821 | 600 | **1 112** | **1 112** | **Total income** | | **1 318** | **1 318** | 773 | 3 416 |
| 517 | 128 | **132** | **132** | Personnel costs | 14 | **193** | **193** | 178 | 748 |
| 385 | 95 | **93** | **93** | Administration costs | | **106** | **106** | 109 | 454 |
| 48 | 12 | **23** | **23** | Ordinary depreciation | 23 | **29** | **29** | 18 | 61 |
| 145 | 27 | **22** | **22** | Other operating costs | 23 | **34** | **34** | 38 | 211 |
| 1 095 | 262 | **270** | **270** | **Total costs** | | **362** | **362** | 343 | 1 474 |
| 1 726 | 338 | **842** | **842** | **Result before losses** | | **956** | **956** | 430 | 1 942 |
| 31 | 11 | **- 23** | **- 23** | Losses | | **- 17** | **- 17** | 16 | 22 |
| 1 695 | 327 | **865** | **865** | **Result before tax** | | **973** | **973** | 414 | 1 920 |
| 321 | 79 | **91** | **91** | Tax | 8 | **104** | **104** | 89 | 374 |
| 0 | 0 | **0** | **0** | Defecit non-current assets held for sale | | **0** | **0** | 0 | 4 |
| 1 374 | 248 | **774** | **774** | **Result after tax** | | **869** | **869** | 325 | 1 542 |
| 6.25 | 1.13 | **3.54** | **14.17** | Result per Equity Certificate, adjusted for interests hybrid capital | | **15.92** | **3.98** | 1.44 | 7.03 |

## Other comprehensive income

| Parent Bank | | | | | Group | | | |
|---|---|---|---|---|---|---|---|---|
| (Amounts in NOK million) | | | | | | | | |
| 31.12.18 | 1Q18 | **1Q19** | **31.03.19** | | **31.03.19** | **1Q19** | 1Q18 | 31.12.18 |
| 1,374 | 248 | **774** | **774** | Result after tax | **869** | **869** | 325 | 1,542 |
| | | | | *Items that will not be reclassified to profit/loss* | | | | |
| 0 | 0 | **0** | **0** | Net change in fair market value of investment in joint ventures | **-20** | **-20** | 5 | -30 |
| -35 | 0 | **0** | **0** | Actuarial gains (losses) on benefit-based pension schemes | **0** | **0** | 0 | -36 |
| 9 | 0 | **0** | **0** | Tax | **0** | **0** | 0 | 9 |
| -26 | 0 | **0** | **0** | **Total** | **-20** | **-20** | 5 | -57 |
| | | | | *Items that will be reclassified to profit/loss* | | | | |
| 0 | 0 | **0** | **0** | Value adjustment of property, plant and equipment | **0** | **0** | 0 | 0 |
| 0 | 0 | **0** | **0** | Effective part of change in fair market value in cash flow hedging | **0** | **0** | 0 | 0 |
| 7 | 0 | **0** | **0** | Net change in fair market value of financial assets available for sale | **0** | **0** | 0 | 7 |
| 0 | 0 | **0** | **0** | Reclassification adjustments | **0** | **0** | 0 | 0 |
| 0 | 0 | **0** | **0** | Net change in fair market value of investment in joint ventures | **1** | **1** | 0 | 1 |
| 0 | 0 | **0** | **0** | Tax | **0** | **0** | 0 | 0 |
| 7 | 0 | **0** | **0** | **Total** | **1** | **1** | 0 | 8 |
| 1,355 | 248 | **774** | **774** | **Total comprehensive income for the period** | **850** | **850** | 330 | 1,493 |
| 6.16 | 1.13 | **3.54** | **14.17** | Total result per Equity Certificate, adjusted for interests hybrid capital | **15.57** | **3.89** | 1.46 | 6.80 |

# Statement of financial position

| Parent Bank | | | | | Group | | |
|---|---|---|---|---|---|---|---|
| (Amounts in NOK million) | | | | | | | |
| 31.12.18 | 31.03.18 | **31.03.19** | | Notes | **31.03.19** | 31.03.18 | 31.12.18 |
| | | | **Assets** | | | | |
| 3 786 | 558 | **1 033** | Cash and balances with central banks | | **1 033** | 558 | 3 786 |
| 5 976 | 6 736 | **6 141** | Net loans and advances to credit institutions | 6.7 | **1 366** | 2 106 | 1 282 |
| 74 409 | 70 758 | **75 040** | Net loans | 6,7,15 | **81 052** | 76 219 | 80 352 |
| 340 | 340 | **380** | Shares | 15 | **392** | 357 | 352 |
| 12 560 | 11 841 | **14 957** | Certificates and bonds | 15 | **14 957** | 11 841 | 12 560 |
| 1 653 | 1 094 | **1 319** | Financial derivatives | 11.15 | **1 319** | 1 094 | 1 653 |
| 1 073 | 924 | **1 083** | Investments in Group Companies | 16 | | | |
| 3 461 | 3 197 | **3 535** | Investments in assosiated companies and joint ventures | | **5 257** | 4 816 | 4 990 |
| 216 | 230 | **543** | Property, plant and equipment | 23 | **981** | 456 | 499 |
| | | | Non current assets held for sale | | **25** | 30 | 25 |
| | | | Deduction for entangible assets | | **89** | 68 | 95 |
| 428 | 632 | **824** | Other assets | 14.17 | **835** | 827 | 562 |
| 103 902 | 96 310 | **104 854** | **Total assets** | | **107 306** | 98 372 | 106 156 |
| | | | **Liabilities** | | | | |
| 188 | 192 | **284** | Deposits from credit institutions | | **284** | 192 | 187 |
| 64 005 | 59 066 | **64 210** | Deposits from customers | 19 | **64 183** | 59 039 | 63 985 |
| 25 135 | 23 790 | **24 461** | Debt securities in issue | 20 | **24 461** | 23 790 | 25 135 |
| 874 | 791 | **701** | Financial derivatives | 11.15 | **701** | 791 | 874 |
| 1 015 | 1 481 | **2 612** | Other liabilities | 7,14,18,23 | **3 168** | 1 758 | 1 440 |
| 173 | 170 | **173** | Deferred tax liabilities | | **263** | 274 | 277 |
| 1 200 | 850 | **1 200** | Subordinated loan capital | 20 | **1 200** | 850 | 1 200 |
| 92 590 | 86 340 | **93 641** | **Total liabilities** | | **94 260** | 86 694 | 93 098 |
| | | | **Equity** | | | | |
| 1 807 | 1 807 | **1 807** | Equity Certificate capital | 21 | **1 807** | 1 807 | 1 807 |
| 843 | 843 | **843** | Equity Certificate premium reserve | | **843** | 843 | 843 |
| 780 | 530 | **780** | Hybrid capital | | **780** | 530 | 780 |
| 2 200 | 1 567 | **1 789** | Dividend Equalisation Fund | | **1 789** | 1 567 | 2 200 |
| 5 024 | 4 757 | **5 014** | The Savings Bank's Fund | | **5 014** | 4 757 | 5 024 |
| 585 | 120 | **120** | Donations | | **120** | 120 | 585 |
| 42 | 35 | **42** | Fair value reserve | | **42** | 35 | 42 |
| 31 | 63 | **44** | Other equity capital | | **1 782** | 1 694 | 1 777 |
| 11 312 | 9 970 | **11 213** | **Total equity** | | **13 046** | 11 678 | 13 058 |
| 103 902 | 96 310 | **104 854** | **Total liabilities and equity** | | **107 306** | 98 372 | 106 156 |

## Changes in equity

| (Amounts in NOK million) | PCC capital | Premium Fund | Hybrid capital | Dividend Equalisation Fund | Saving Bank's Fund | Donations Fund | Fair value reserve | Other equity | Period result | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | |
| Equity at 01.01.18 | 1 807 | 843 | 530 | 1 980 | 5 235 | 120 | 35 | 1 749 | | 12 299 |
| **Total comprehensive income for the period** | | | | | | | | | | |
| Period result | | | | 633 | 267 | 465 | | 177 | | 1 542 |
| *Other comprehensive income:* | | | | | | | | | | |
| Net change in fair market value of investment in joint ventures | | | | | | | | - 29 | | - 29 |
| Net change in fair market value of financial assets available for sale | | | | | | | 7 | | | 7 |
| Actuarial gains (losses) on benefit-based pension schemes | | | | | | | | - 36 | | - 36 |
| Tax on other comprehensive income | | | | | | | | 9 | | 9 |
| **Total other comprehensive income** | | | | | | | 7 | - 56 | | - 49 |
| **Total comprehensive income for the period** | | | | 633 | 267 | 465 | 7 | 121 | | 1 493 |
| **Transactions with owners** | | | | | | | | | | |
| Set aside for dividend payments | | | | - 402 | | | | | | - 402 |
| Reversal of dividend payments | | | | 402 | | | | | | 402 |
| Dividend paid | | | | - 402 | | | | | | - 402 |
| Other transactions | | | 250 | - 11 | - 13 | | | - 93 | | 133 |
| Changes in minority interests | | | | | | | | | | |
| Payments from Donations Fund | | | | | - 465 | | | | | - 465 |
| Total transactions with owners | | | 250 | - 413 | - 478 | | | - 93 | | - 734 |
| **Equity at 31.12.18** | **1 807** | **843** | **780** | **2 200** | **5 024** | **585** | **42** | **1 777** | | **13 058** |
| Equity at 01.01.19 | 1 807 | 843 | 780 | 2 200 | 5 024 | 585 | 42 | 1 777 | | 13 058 |
| **Total comprehensive income for the period** | | | | | | | | | | |
| Period result | | | | | | | | 869 | | 869 |
| *Other comprehensive income:* | | | | | | | | | | |
| Net change in fair market value of investment in joint ventures | | | | | | | | 2 | | 2 |
| Net change in fair market value of financial assets available for sale | | | | | | | | | | |
| Actuarial gains (losses) on benefit-based pension schemes | | | | | | | | | | |
| Tax on other comprehensive income | | | | | | | | | | |
| Total other comprehensive income | | | | | | | | 2 | | 2 |
| Total comprehensive income for the period | | | | | | | | 871 | | 871 |
| **Transactions with owners** | | | | | | | | | | |
| Dividend paid | | | | - 402 | | | | | | - 402 |
| Other transactions | | | | - 9 | - 10 | | | 3 | | - 16 |
| Payments from Donations Fund | | | | | | - 465 | | | | - 465 |
| Total transactions with owners | | | | - 411 | - 10 | - 465 | | 3 | | - 883 |
| **Equity at 31.03.19** | **1 807** | **843** | **780** | **1 789** | **5 014** | **120** | **42** | **2 651** | | **13 046** |

## ECC ratio overall

**Parent Bank**

| (Amounts in NOK million) | 31.12.18 | 01.01.18 | 31.12.17 | 31.12.16 | 31.12.15 | 31.12.14 | (adjusted) 31.12.13 |
|---|---|---|---|---|---|---|---|
| Equity Certificate capital | 1 807 | 1 807 | 1 807 | 1 807 | 1 807 | 1 807 | 1 807 |
| Equity Certificate premium reserve | 843 | 843 | 843 | 843 | 843 | 843 | 843 |
| Dividend Equalisation Fund | 1 798 | 1 567 | 1 579 | 1 310 | 960 | 815 | 617 |
| Set aside dividend | 402 | 402 | 402 | 347 | 201 | 191 | 110 |
| Share Fund Fair Value Options and other equity | 39 | 46 | 46 | 22 | 69 | 6 | 31 |
| **A. Equity attributable to Equity Certificate holders of the Bank** | 4 889 | 4 665 | 4 677 | 4 329 | 3 880 | 3 662 | 3 408 |
| The Savings Bank's Fund | 5 024 | 4 757 | 4 770 | 4 460 | 4 055 | 3 730 | 3 588 |
| Allocated dividends to ownerless capital | 465 | 465 | 465 | 400 | 60 | 212 | 43 |
| Donations | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| Share Fund Fair Value Options and other equity | 34 | 55 | 55 | 29 | 83 | 12 | 41 |
| **B. Total ownerless capital** | 5 643 | 5 397 | 5 410 | 5 009 | 4 318 | 4 074 | 3 792 |
| **Equity Certificate Ratio overall (A/(A+B))** | 46.36 % | 46.36 % | 46.36 % | 46.36 % | 47.33 % | 47.33 % | 47.33 % |
| Hybrid capital | 780 | 530 | 530 | | | | |
| **Total equity** | 11 312 | 10 592 | 10 617 | 9 338 | 8 198 | 7 736 | 7 200 |

# Statement of cash flows

| Parent Bank | | | Group | |
|---|---|---|---|---|
| *(Amounts in NOK million)* | | | | |
| 31.12.18 | **31.03.19** | | **31.03.19** | 31.12.18 |
| 1 695 | **865** | Result before tax | **973** | 1 920 |
| 48 | **23** | + Ordinary depreciation | **29** | 61 |
| 1 | **0** | + Write-downs, gains/losses fixed assets | **0** | 1 |
| 30 | **- 23** | + Losses on loans and guarantees | **- 17** | 22 |
| 321 | **91** | - Tax/Result investment held for sale | **104** | 374 |
| 867 | **867** | - Dividends/donations | **867** | 867 |
| 586 | **- 93** | **Provided from the year's operations** | **14** | 763 |
| 181 | **1 418** | Change in sundry liabilities: + increase/ - decrease | **1 527** | 219 |
| - 71 | **- 62** | Change in various claims: - increase/ + decrease | **67** | - 86 |
| -5 262 | **- 607** | Change in gross lending to and claims on customers: - increase/ + decrease | **- 683** | -5 887 |
| -1 104 | **-2 437** | Change in short term-securities: - increase/ + decrease | **-2 437** | -1 101 |
| 6 122 | **205** | Change in deposits from and debt owed to customers: + increase/ - decrease | **198** | 6 136 |
| - 248 | **96** | Change in debt owed to credit institutions: + increase/ - decrease | **97** | - 247 |
| 204 | **-1 480** | **A. Net liquidity change from operations** | **-1 217** | - 203 |
| - 80 | **- 350** | - Investment in fixed assets (incl merger effects) | **- 511** | - 169 |
| 49 | **0** | + Sale of fixed assets | **0** | 62 |
| - 450 | **- 84** | Change in holdings of long-term securities: - increase/ + decrease | **- 267** | - 235 |
| - 481 | **- 434** | **B. Liquidity change from investments** | **- 778** | - 342 |
| 1 583 | **- 674** | Change in borrowings through the issuance of securities: + increase/ - decrease | **- 674** | 1 582 |
| 600 | **0** | Change in hybrid capital/subordinated loan capital: + increase/ - decrease | **0** | 600 |
| 2 183 | **- 674** | **C. Liquidity change from financing** | **- 674** | 2 182 |
| 1 906 | **-2 588** | A + B + C. Total change in liquidity | **-2 669** | 1 637 |
| 7 856 | **9 762** | + Liquid funds at the start of the period | **5 068** | 3 431 |
| 9 762 | **7 174** | **= Liquid funds at the end of the period** | **2 399** | 5 068 |

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) | | 1Q19 | 4Q18 | 3Q18 | 2Q18 | 1Q18 | 4Q17 | 3Q17 | 2Q17 | 1Q17 |
|---|---|---|---|---|---|---|---|---|---|---|
| Interest income | | **742** | 749 | 707 | 691 | 648 | 675 | 650 | 641 | 645 |
| Interest costs | | **269** | 253 | 223 | 224 | 199 | 214 | 200 | 204 | 223 |
| **Net interest income** | | **473** | 496 | 484 | 467 | 449 | 461 | 450 | 437 | 422 |
| Fee- and commission income | | **231** | 257 | 247 | 238 | 236 | 235 | 250 | 235 | 211 |
| Fee- and commission costs | | **26** | 26 | 27 | 21 | 21 | 21 | 23 | 20 | 21 |
| Other operating income | | **51** | 47 | 34 | 58 | 35 | 51 | 28 | 33 | 34 |
| **Net fee-, commision and other operating income** | | **256** | 278 | 254 | 275 | 250 | 265 | 255 | 248 | 224 |
| Dividend | | **1** | 1 | 2 | 2 | 1 | 0 | 0 | 4 | 0 |
| Income from investments | | **544** | 112 | 99 | 100 | 63 | 167 | 109 | 93 | 65 |
| Net gain from investments in securities | | **44** | - 33 | 20 | 86 | 10 | 27 | 10 | 27 | 50 |
| **Net income from financial investments** | | **589** | 80 | 121 | 188 | 74 | 194 | 119 | 124 | 115 |
| **Total income** | | **1 318** | 854 | 859 | 930 | 773 | 920 | 824 | 809 | 761 |
| Personnel costs | | **193** | 200 | 185 | 185 | 178 | 183 | 184 | 169 | 172 |
| Administration costs | | **106** | 106 | 118 | 121 | 109 | 103 | 98 | 96 | 96 |
| Ordinary depreciation | | **29** | 15 | 14 | 14 | 18 | 19 | 15 | 16 | 15 |
| Other operating costs | | **34** | 66 | 56 | 51 | 38 | 68 | 45 | 44 | 43 |
| **Total costs** | | **362** | 387 | 373 | 371 | 343 | 373 | 342 | 325 | 326 |
| **Result before losses** | | **956** | 467 | 486 | 559 | 430 | 547 | 482 | 484 | 435 |
| Losses | | **- 17** | - 6 | - 8 | 20 | 16 | 37 | 59 | 44 | 44 |
| Net gain from sale of financial fixed assets | | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Result before tax** | | **973** | 473 | 494 | 539 | 414 | 510 | 423 | 440 | 391 |
| Tax | | **104** | 102 | 92 | 91 | 89 | 86 | 76 | 84 | 78 |
| Defecit non-current assets held for sale | | **0** | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Result after tax** | | **869** | 371 | 398 | 448 | 325 | 424 | 347 | 356 | 313 |
| **Profitability** | | | | | | | | | | |
| Return on equity capital | 1 | **28,1 %** | 12,0 % | 13,3 % | 15,6 % | 11,2 % | 14,6 % | 12,4 % | 13,1 % | 12,2 % |
| Interest margin | | **1,77 %** | 1,89 % | 1,87 % | 1,85 % | 1,84 % | 1,93 % | 1,90 % | 1,86 % | 1,85 % |
| Cost/income | 2 | **27,5 %** | 45,3 % | 43,4 % | 39,9 % | 44,4 % | 40,5 % | 41,5 % | 40,2 % | 42,8 % |
| **Balance sheet figures** | | | | | | | | | | |
| Loans and advances to customers | | **81 533** | 80 863 | 81 989 | 79 588 | 76 746 | 75 003 | 73 902 | 73 471 | 71 294 |
| Growth in loans and advances to cust. incl. commision loans past 12 months | | **6,8 %** | 8,2 % | 11,7 % | 11,0 % | 10,3 % | 9,6 % | 9,0 % | 9,2 % | 8,4 % |
| Deposits from customers | | **64 183** | 63 985 | 61 474 | 63 773 | 59 039 | 57 849 | 57 163 | 58 634 | 54 261 |
| Growth in deposits from customers past 12 months | | **8,7 %** | 10,6 % | 7,5 % | 8,8 % | 16,9 % | 7,4 % | 6,6 % | 5,3 % | 7,4 % |
| Deposits as a percentage of gross lending | 4 | **78,7 %** | 79,1 % | 75,0 % | 80,1 % | 76,9 % | 77,1 % | 77,3 % | 79,8 % | 76,1 % |
| Deposits as a percentage of gross lending including commission loans | 5 | **54,9 %** | 55,4 % | 53,5 % | 57,5 % | 53,9 % | 54,8 % | 56,1 % | 58,7 % | 55,8 % |
| Average assets | 3 | **106 731** | 101 855 | 100 780 | 99 816 | 97 779 | 93 905 | 93 085 | 92 933 | 91 489 |
| Total assets | | **107 306** | 106 156 | 103 672 | 103 890 | 98 372 | 97 186 | 93 542 | 95 822 | 92 476 |
| **Losses on loans and commitments in default** | | | | | | | | | | |
| Losses on loans to customers as a percentage of total lending incl. intermediary loans | | **-0,06 %** | -0,02 % | -0,03 % | 0,07 % | 0,06 % | 0,14 % | 0,23 % | 0,18 % | 0,18 % |
| Commitments in default as a percentage of total lending incl. intermediary loans | | **0,26 %** | 0,28 % | 0,22 % | 0,20 % | 0,34 % | 0,36 % | 0,37 % | 0,42 % | 0,38 % |
| Commitments at risk of loss as a percentage of total lending incl. intermediary loans | | **0,16 %** | 0,16 % | 0,16 % | 0,16 % | 0,58 % | 0,61 % | 0,21 % | 0,22 % | 0,26 % |
| Net comm. in default and at risk of loss as a per. of total lending incl. intermediary loans | | **0,22 %** | 0,30 % | 0,27 % | 0,25 % | 0,57 % | 0,77 % | 0,44 % | 0,48 % | 0,48 % |
| **Solidity** | | | | | | | | | | |
| Common Tier I Capital - incl. withheld share of result | | **14,6 %** | 14,5 % | 14,7 % | 14,7 % | 14,8 % | 14,9 % | 15,4 % | 15,4 % | 15,3 % |
| Tier I Capital | | **16,1 %** | 16,0 % | 16,2 % | 15,9 % | 16,1 % | 16,2 % | 16,0 % | 16,2 % | 16,6 % |
| Total regulatory Capital | | **18,1 %** | 18,1 % | 18,4 % | 17,7 % | 17,8 % | 18,1 % | 18,3 % | 18,5 % | 18,8 % |
| Common Tier I Capital incl. period result, excl. dividenc | | **10 655** | 10 334 | 10 686 | 10 462 | 9 951 | 9 992 | 10 601 | 10 454 | 9 417 |
| Tier I capital | | **11 716** | 11 396 | 11 615 | 11 390 | 10 980 | 10 857 | 10 485 | 10 565 | 10 370 |
| Equity and related capital resources | | **13 191** | 12 904 | 13 158 | 12 635 | 12 170 | 12 141 | 11 928 | 12 039 | 11 767 |
| Adjusted risk-weighted assets base | | **72 768** | 71 167 | 71 567 | 71 488 | 68 281 | 67 222 | 65 351 | 65 125 | 62 590 |

1) The profit after tax in relation to average equity, calculated as a quarterly average of equity at 1 January and end quarterly equity. The Bank's hybrid tier 1 capital issued 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.
2) Total costs as a percentage of total net income
3) Average assets are calculated as average assets each quarter and at 01.01. and 31.12.
4) Deposits from customers as a percentage of gross lending
5) Deposits from customers in percentage of total lendring incl. intermediary loans

# Note 1 - Accounting policies

The group's accounts for 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU, including IAS 34 – interim reporting. The quarterly accounts do not include all information required in a complete annual accounts, and should be read in conjunction with the annual accounts for 2018.

IFRS 16 came into force on 1 January 2019 and replaces IAS 17 Leases. This transition results in significant leases no longer being expensed on an ongoing basis. Instead, they are activated on the balance sheet as if the assets had been purchased and financed by borrowing. IFRS 16 stipulates principles for the recognition, measurement, presentation and disclosure of leases, and instructs the lessee to provide an account of all leases in a simple balance sheet model similar to the recognition of financial leases pursuant to IAS 17. SpareBank 1 Nord-Norge has used the modified retrospective method when implementing IFRS 16, which entails no requirement to change comparable information. For more information regarding the implementation of IFRS 16 in SpareBank 1 Nord-Norge see note 23 in quarterly report, and note 45 in the annual report for 2018.

In the calculation of capital coverage and the leverage Pure Tier 1 capital ratio, the share of income is still taken into consideration.

# 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 are no changes in group structure during 1st quarter 2019.

# Note 4 - Business Areas

Pursuant to IFRS 8, SpareBank 1 Nord-Norge has the following operating segments: retail market, corporate market, leasing and Ma rkets.
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.

**Group**

(Amounts in NOK million)

| | Retail banking | Corporate banking | Markets | SpareBank 1 Regnskaps-huset Nord-Norge | Eiendoms-Megler 1 Nord-Norge | SpareBank 1 Finans Nord-Norge | Unspeci-fied | **Total** |
|---|---|---|---|---|---|---|---|---|
| **31.03.19** | | | | | | | | |
| Net interest income | 255 | 156 | 0 | 0 | 0 | 68 | - 6 | **473** |
| Net fee-, commision and other operating income | 156 | 21 | 1 | 52 | 42 | 0 | - 16 | **256** |
| Net income from financial investments | 1 | 1 | 6 | 0 | 0 | 0 | 580 | **589** |
| Total costs | 217 | 35 | 3 | 38 | 40 | 36 | - 6 | **362** |
| Result before losses | 196 | 144 | 4 | 14 | 2 | 32 | 565 | **956** |
| Losses | - 1 | 22 | 0 | 0 | 0 | - 5 | 0 | **15** |
| Result before tax | 197 | 122 | 4 | 14 | 2 | 37 | 565 | **941** |
| Total lending | 49 109 | 21 291 | 0 | 0 | 0 | 6 358 | 6 141 | **82 899** |
| Loss provision stage 3 | - 27 | - 88 | 0 | 0 | 0 | - 27 | 0 | **- 142** |
| Loss provision stage 1 and 2 | - 76 | - 212 | 0 | 0 | 0 | - 51 | 0 | **- 339** |
| Other assets | 0 | 8 356 | 0 | 181 | 97 | 57 | 16 197 | **24 888** |
| Total assets per business area | 49 006 | 29 347 | 0 | 181 | 97 | 6 337 | 22 338 | **107 306** |
| Deposits from customers | 34 836 | 29 347 | 0 | 0 | 0 | 0 | 0 | **64 183** |
| Other liabilities and equity capital | 14 170 | 0 | 0 | 181 | 97 | 6 337 | 22 338 | **43 123** |
| Total equity and liabilities per business area | 49 006 | 29 347 | 0 | 181 | 97 | 6 337 | 22 338 | **107 306** |
| **31.03.18** | | | | | | | | |
| Net interest income | 270 | 144 | 0 | 0 | 0 | 59 | - 24 | **449** |
| Net fee-, commision and other operating income | 164 | 15 | 1 | 34 | 38 | 0 | - 3 | **250** |
| Net income from financial investments | 1 | 2 | 5 | 0 | 0 | 0 | 67 | **74** |
| Total costs | 192 | 30 | - 3 | 28 | 37 | 17 | 42 | **343** |
| Result before losses | 243 | 131 | 9 | 6 | 1 | 42 | - 2 | **430** |
| Losses | 5 | 11 | 0 | 0 | 0 | 0 | 0 | **16** |
| Result before tax | 238 | 120 | 9 | 6 | 1 | 42 | - 2 | **414** |
| Total lending | 44 281 | 26 246 | 0 | 0 | 0 | 5 689 | 2 748 | **78 964** |
| Loss provision stage 3 | - 22 | - 352 | 0 | 0 | 0 | - 58 | 0 | **- 432** |
| Loss provision stage 1 and 2 | - 43 | - 142 | 0 | 0 | 0 | - 22 | 0 | **- 207** |
| Other assets | 0 | 2 588 | 0 | 69 | 80 | - 116 | 17 426 | **20 047** |
| Total assets per business area | 44 216 | 28 340 | 0 | 69 | 80 | 5 493 | 20 174 | **98 372** |
| Deposits from customers | 30 699 | 28 340 | 0 | 0 | 0 | 0 | 0 | **59 039** |
| Other liabilities and equity capital | 13 517 | 0 | 0 | 69 | 80 | 5 493 | 20 174 | **39 333** |
| Total equity and liabilities per business area | 44 216 | 28 340 | 0 | 69 | 80 | 5 493 | 20 174 | **98 372** |

# Note 5 - Capital Adequacy

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

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

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

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

| Parent Bank (Amounts in NOK million) | | | | Group | | |
|---|---|---|---|---|---|---|
| 31.12.18 | 31.03.18 | **31.03.19** | | **31.03.19** | 31.03.18 | 31.12.18 |
| 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 |
| 2 200 | 1 567 | **1 789** | Equalisation reserve | **1 789** | 1 567 | 2 200 |
| 5 024 | 4 757 | **5 014** | Savings bank's reserve | **5 014** | 4 757 | 5 024 |
| 585 | 120 | **120** | Endowment fund | **120** | 120 | 585 |
| 42 | 35 | **42** | Deduction Fund for urealised gains available for sale | **42** | 35 | 42 |
| 31 | 63 | **44** | Other equity | **1 782** | 1 694 | 1 777 |
| 780 | 530 | **780** | Hybrid capital | **780** | 530 | 780 |
| 0 | 248 | **774** | Period result | **869** | 325 | 0 |
| 11 312 | 9 970 | **11 213** | **Total equity** | **13 046** | 11 678 | 13 058 |
| 0 | - 124 | **- 387** | Period result | **- 436** | - 163 | 0 |
| - 780 | - 530 | **- 780** | Hybrid capital | **- 780** | - 530 | - 780 |
| | | | **Additional Tier 1 Capital (AT 1 Capital)** | | | |
| - 866 | 0 | **0** | Deduction for allocated dividends | **0** | 0 | - 866 |
| 0 | 0 | **0** | Adjusted Tier 1 Capital from consolidated financial institutions | **- 52** | - 62 | - 100 |
| 0 | 0 | **0** | Deduction for entangible assets | **- 100** | - 87 | - 113 |
| - 25 | - 24 | **- 27** | Adjustments to CET 1 due to prudential filters | **- 30** | - 40 | - 28 |
| - 144 | - 130 | **- 144** | Deduction defined benefit pension fund assets gross amounts | **- 154** | - 136 | - 154 |
| - 4 | - 61 | **- 21** | IRB shortfall of credit risk adjustments to expected losses | **- 67** | - 6 | - 49 |
| - 137 | 0 | **- 138** | CET1 instruments of financial sector entities where the institution has significant investment | **- 773** | - 541 | - 634 |
| 9 219 | 9 101 | **9 716** | **Common equity Tier 1 Capital (CET 1 Capital)** | **10 655** | 10 114 | 10 334 |
| 780 | 530 | **780** | Hybrid Tier 1 capital bonds | **1 061** | 870 | 1 062 |
| 0 | 0 | **0** | Own Hybrid Tier 1 capital bonds | **0** | - 4 | 0 |
| 10 136 | 9 631 | **10 496** | **Additional Tier 1 Capital (AT 1 Capital)** | **11 716** | 10 980 | 11 396 |
| | | | **Tier 2 Capital (T2 Capital)** | | | |
| 1 200 | 850 | **1 200** | Nonperpetual subordinated capital | **1 611** | 1 329 | 1 644 |
| - 136 | - 137 | **- 136** | Deduction for subordinated capital in other financial institutions with a significant investment | **- 136** | - 139 | - 136 |
| 1 064 | 713 | **1 064** | **Tier 2 Capital (T2 Capital)** | **1 475** | 1 190 | 1 508 |
| 11 200 | 10 344 | **11 560** | **Equity and related capital resources** | **13 191** | 12 170 | 12 904 |
| | | | **Minimum requirements subordinated capital, Basel I I** | | | |
| 936 | 926 | **949** | Specialised lending exposure | **1 051** | 1 014 | 1 042 |
| 72 | 142 | **65** | Other corporations exposure | **69** | 151 | 77 |
| 363 | 365 | **384** | SME exposure | **396** | 375 | 380 |
| 1 026 | 958 | **1,046** | Property retail mortage exposure | **1 540** | 1 401 | 1 496 |
| 66 | 64 | **62** | Other retail exposure | **64** | 66 | 63 |
| 441 | 409 | **457** | Equity investments | **2** | 0 | 2 |
| 2 903 | 2 865 | **2 962** | **Total credit risk** | **3 121** | 3 007 | 3 059 |
| 652 | 603 | **689** | Credit risk standardised approach | **1 388** | 1 151 | 1 280 |
| 5 | 9 | **7** | Debt risk | **7** | 9 | 5 |
| 8 | 5 | **9** | Equity risk | **9** | 5 | 8 |
| 368 | 368 | **397** | Operational risk | **477** | 417 | 417 |
| 21 | 27 | **22** | Credit Value Adjustment | **92** | 79 | 86 |
| 0 | 0 | **0** | Transitional arrangements | **728** | 794 | 838 |
| 3 957 | 3 877 | **4 085** | **Minimum requirements subordinated capital** | **5 821** | 5 463 | 5 693 |
| 49 467 | 48,463 | **51 063** | RWA (Risk weighted assets) | **72 768** | 68 281 | 71 167 |
| | | | **Total regulatory Capital** | | | |
| 22.6 % | 21.3 % | **22.6 %** | Total regulatory Capital | **18.1 %** | 17.8 % | 18.1 % |
| 20.5 % | 19.9 % | **20.6 %** | Tier 1 Capital | **16.1 %** | 16.1 % | 16.0 % |
| 2.2 % | 1.5 % | **2.1 %** | Tier 2 Capital | **2.0 %** | 1.7 % | 2.1 % |
| 18.9 % | 18.8 % | **19.0 %** | Common Tier I Capital incl. period result, excl. dividend | **14.6 %** | 14.8 % | 14.5 % |
| 9.5 % | 9.4 % | **9.8 %** | Leverage Ratio incl share of period result, excl. dividend | **7.4 %** | 7.2 % | 7.2 % |

## Note 6 Loans

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

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

***Fixed-rate loans***
Actual value is determined by the loans' actual cash flows discounted by a discounting factor based on the swap rate, with the addition of a margin requirement. The margin requirement includes credit markup, administrative markup, anticipated loss, and a liquidity premium. The bank considers on a continual basis changes in observable market rates that can affect the value of these loans. There is also a continuous assessment of possible differences between discount rates and observable market rates for similar loans. The Bank makes appropriate adjustments to the discount rate, if this difference becomes significant.
Value changes on loans are included in full in the result of the line - net value changes on financial assets.

***Loans at amortised cost***
For all loans at amortised cost there has been calculated expected losses and provisions according to IFRS 9. Please also see note 7.

| Parent Bank | | | | Group | | |
|---|---|---|---|---|---|---|
| Amounts in NOK million | | | | | | |
| 31.12.18 | 31.03.18 | **31.03.19** | Loans broken down by method of measurement | **31.03.19** | 31.03.18 | 31.12.18 |
| | | | **Loans at fair value through profit and loss** | | | |
| 7 652 | 6 492 | **7 653** | Loans to customers at fixed interest rates | **7 691** | 6 492 | 7,693 |
| 1 963 | 3 803 | **3 069** | Mortgages to customers for sale, housing credit company | **3 069** | 3 803 | 1,963 |
| 9 615 | 10 295 | **10 722** | **Total loans at fair value through profit and loss** | **10 760** | 10 295 | 9 656 |
| | | | **Loans at amortized cost** | | | |
| 71 241 | 67 789 | **70 897** | Other loans to customers | **72 139** | 72 489 | 72 489 |
| 71 241 | 67 789 | **70 897** | **Total loans at amortized cost** | **72 139** | 68 669 | 72 489 |
| 80 856 | 78 084 | **81 619** | **Total gross loans** | **82 899** | 78 964 | 82 145 |
| | | | **Commission loans** | | | |
| 32 828 | 30 510 | **33 549** | Loans transrered to SpareBank1 Boligkreditt | **33 549** | 30 510 | 32 828 |
| 426 | 0 | **425** | Loans transfered to SpareBank1 Næringskreditt | **425** | 0 | 426 |
| 33 254 | 30 510 | **33 974** | Total intermediary loans | **33 974** | 30 510 | 33,254 |
| 114 110 | 108 594 | **115 593** | **Total gross loans included intermediary loans** | **116 873** | 109 474 | 115 399 |
| | | | **Provision for credit losses - reduction in assets** | | | |
| - 172 | - 135 | **- 171** | Provision for credit losses - stage 1 | **- 192** | - 160 | - 192 |
| - 134 | - 73 | **- 120** | Provision for credit losses - stage 2 | **- 147** | - 94 | - 157 |
| - 164 | - 382 | **- 147** | Provision for credit losses - stage 3 | **- 142** | - 385 | - 162 |
| 80 386 | 77 494 | **81 181** | **Net loans** | **82 418** | 78 325 | 81 634 |

## Loans broken down by sector/industry

**Parent Bank 31.03.19**
Amounts in NOK million

| Loans broken down by sector/industry | Total commitments | Off-balance sheet | Gross loans | Provision for credit losses - balance sheet | Net loans | Provision for credit losses - off-balance sheet |
|---|---|---|---|---|---|---|
| Real estate | 12 168 | 507 | 11 661 | - 174 | 11 487 | - 14 |
| Finanicial and insurance activities | 8 337 | 368 | 7 969 | - 28 | 7 941 | - 1 |
| Fishing and aquaculture | 5 289 | 1 093 | 4 196 | - 20 | 4 176 | - 2 |
| Manufacturing | 2 466 | 662 | 1 804 | - 50 | 1 754 | - 4 |
| Agriculture and forestry | 1 258 | 137 | 1 121 | - 18 | 1 103 | 0 |
| Power and water supply and construction | 3 141 | 812 | 2 329 | - 27 | 2 302 | - 4 |
| Government | 490 | 309 | 181 | 0 | 181 | 0 |
| Service industries | 2 108 | 551 | 1 557 | - 14 | 1 543 | - 2 |
| Transportation | 3 194 | 470 | 2 724 | - 17 | 2 707 | - 2 |
| Commodity trade, hotel and restaurant industry | 2 056 | 598 | 1 458 | - 22 | 1 436 | - 3 |
| Public market | 40 507 | 5 507 | 35 000 | - 370 | 34 630 | - 32 |
| Retail market | 48 638 | 2 019 | 46 619 | - 68 | 46 551 | - 1 |
| **Total** | **89 145** | **7 526** | **81 619** | **- 438** | **81 181** | **- 33** |

**Group 31.03.19**
Amounts in NOK million

| Loans broken down by sector/industry | Total commitments | Off-balance sheet | Gross loans | Provision for credit losses - balance sheet | Net loans | Provision for credit losses - off-balance sheet |
|---|---|---|---|---|---|---|
| Real estate | 11 957 | 507 | 11 450 | - 139 | 11 311 | - 14 |
| Finanicial and insurance activities | 3 350 | 157 | 3 193 | - 28 | 3 165 | - 1 |
| Fishing and aquaculture | 5 751 | 1 093 | 4 658 | - 24 | 4 634 | - 2 |
| Manufacturing | 2 808 | 662 | 2 146 | - 55 | 2 091 | - 4 |
| Agriculture and forestry | 1 393 | 137 | 1 256 | - 21 | 1 235 | 0 |
| Power and water supply and construction | 3 905 | 812 | 3 093 | - 40 | 3 053 | - 4 |
| Government | 500 | 309 | 191 | 0 | 191 | 0 |
| Service industries | 2 833 | 551 | 2 282 | - 17 | 2 265 | - 2 |
| Transportation | 4 115 | 470 | 3 645 | - 26 | 3 619 | - 2 |
| Commodity trade, hotel and restaurant industry | 2 474 | 598 | 1 876 | - 28 | 1 848 | - 3 |
| Public market | 39 086 | 5 296 | 33 790 | - 378 | 33 412 | - 32 |
| Retail market | 51 128 | 2 019 | 49 109 | - 103 | 49 006 | - 1 |
| **Total** | **90 214** | **7 315** | **82 899** | **- 481** | **82 418** | **- 33** |

**Parent Bank 31.12.18**

Amounts in NOK million

| Loans broken down by sector/industry | Total commitments | Off balance sheet | Gross loans | Provision for credit losses - balance sheet | Net loans | Provision for credit losses - off-balance sheet |
|---|---|---|---|---|---|---|
| Real estate | 12 230 | 578 | 11 652 | - 159 | 11 493 | - 14 |
| Finanicial and insurance activities | 7 761 | 108 | 7 653 | - 40 | 7 613 | - 2 |
| Fishing and aquaculture | 4 265 | 472 | 3 793 | - 17 | 3 776 | - 1 |
| Manufacturing | 2 630 | 663 | 1 967 | - 53 | 1 914 | - 5 |
| Agriculture and forestry | 1 238 | 86 | 1 152 | - 20 | 1 132 | 0 |
| Power and water supply and construction | 2 505 | 615 | 1 890 | - 32 | 1 858 | - 6 |
| Government | 529 | 405 | 124 | 0 | 124 | 0 |
| Service industries | 2 232 | 771 | 1 461 | - 24 | 1 437 | - 3 |
| Transportation | 2 764 | 64 | 2 700 | - 17 | 2 683 | - 2 |
| Commodity trade, hotel and restaurant industry | 2 037 | 540 | 1 497 | - 25 | 1 472 | - 2 |
| Public market | 38 191 | 4 302 | 33 889 | - 387 | 33 502 | - 35 |
| Retail market | 49 093 | 2 126 | 46 967 | - 83 | 46 884 | 0 |
| **Total** | **87 284** | **6 428** | **80 856** | **- 470** | **80 386** | **- 35** |

**Group 31.12.18**

Amounts in NOK million

| Loans broken down by sector/industry | Total commitments | Off balance sheet | Gross loans | Provision for credit losses - balance sheet | Net loans | Provision for credit losses - off-balance sheet |
|---|---|---|---|---|---|---|
| Real estate | 12 253 | 801 | 11 452 | - 124 | 11 328 | - 14 |
| Finanicial and insurance activities | 3 214 | 252 | 2 962 | - 40 | 2 922 | - 2 |
| Fishing and aquaculture | 4 742 | 514 | 4 228 | - 20 | 4 208 | - 1 |
| Manufacturing | 2 880 | 597 | 2 283 | - 58 | 2 225 | - 5 |
| Agriculture and forestry | 1 355 | 68 | 1 287 | - 21 | 1 266 | 0 |
| Power and water supply and construction | 2 992 | 371 | 2 621 | - 47 | 2 574 | - 6 |
| Government | 535 | 401 | 134 | 0 | 134 | 0 |
| Service industries | 2 496 | 395 | 2 101 | - 34 | 2 067 | - 3 |
| Transportation | 3 578 | 64 | 3 514 | - 21 | 3 493 | - 2 |
| Commodity trade, hotel and restaurant industry | 2 448 | 438 | 2 010 | - 28 | 1 982 | - 2 |
| Public market | 36 493 | 3 901 | 32 592 | - 393 | 32 199 | - 35 |
| Retail market | 52 015 | 2 462 | 49 553 | - 118 | 49 435 | 0 |
| **Total** | **88 508** | **6 363** | **82 145** | **- 511** | **81 634** | **- 35** |

In order to calculate the expected credit losses according to IFRS 9, the loans must first be categorized into one of three so-called "buckets" or stages:
1. Not significantly higher credit risk than on granting.
2. Substantial increase in credit risk since granting, but no objective proof of losses.
3. Substantial increase in credit risk since granting, and objective proof of losses.

## Total loan commitments broken down by stage of the credit risk assessment at 31.03.19

**Parent Bank** | **Group**

Amounts in NOK million

| Stage 1 | Stage 2 | Stage 3 | Total | | Total | Stage 3 | Stage 2 | Stage 1 |
|---|---|---|---|---|---|---|---|---|
| 72 095 | 5 191 | 383 | **77 669** | Total loan commitments to amortised cost 01.01.19 | **78 852** | 432 | 5 759 | 72 661 |
| | | | | Changes in the period due to loans migrated between the stages: | | | | |
| 1 019 | -1 013 | - 6 | **0** | to (-from) stage 1 | **0** | - 10 | -1 137 | 1 147 |
| -1 212 | 1 218 | - 6 | **0** | to (-from) stage 2 | **0** | - 38 | 1 423 | -1 385 |
| - 1 | - 21 | 22 | **0** | to (-from) stage 3 | **0** | 41 | - 28 | - 14 |
| -1 493 | - 124 | - 4 | **-1 621** | Net new measurement of losses | **-1 926** | - 8 | - 170 | -1 748 |
| 2 531 | - 139 | - 17 | **2 375** | Net increase/decrease in balance | **2 528** | - 16 | - 146 | 2 689 |
| 72 939 | 5 112 | 372 | **78 423** | Total loan commitments to amortised cost | **79 454** | 402 | 5 701 | 73 350 |
| 0 | 0 | 0 | **10 722** | Loans at fair value through profit and loss | **10 760** | 0 | 0 | 0 |
| 72 939 | 5 112 | 372 | **89 145** | Total loan commitments | **90 214** | 402 | 5 701 | 73 350 |
| -6 866 | - 642 | - 18 | **-7 526** | Off-balance sheet | **-7 315** | - 18 | - 642 | -6 655 |
| 66 073 | 4 470 | 354 | **81 619** | Gross loans | **82 899** | 384 | 5 059 | 66 695 |
| - 171 | - 120 | - 147 | **- 438** | Provision for credit losses - reduction in assets | **- 481** | -142 | -147 | -192 |
| 65 902 | 4 350 | 207 | **81 181** | **Net loans** | **82 418** | 242 | 4 912 | 66 503 |

# Note 7 - Loss provision

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

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

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

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

In stage 1, provision for losses is the expected loss for the next 12 months. In stages 2 and 3, provisions for losses are expected loss over the asset's lifetime.

SpareBank 1 Nord-Norge uses a model developed in cooperation with the other banks in the SpareBank 1 Alliance. In the model the following are used PD (probability of default) is used to categorize the assets in the different steps. In addition, LGD (loss given default) is used to calculate expected credit losses. Unlike the capital coverage models, the model for loss provisions is a "point-in-time" model and expectations are based on one point in time. Estimates of expected credit losses in the capital coverage models are seen from a downturn perspective on the basis of a downturn scenario.
Provisions for losses also include expected losses on assets not posted to the balance sheet; guarantees, untapped credit frames, and granted, but not paid out, loans.

Specification of write-downs:
Stage 1: Expected credit losses next 12 months
Stage 2: Expected losses over the loan's term to maturity due to increased credit risk without a loss event
Stage 3: Expected losses over the loan's term to maturity due to increased credit risk with a loss event

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

| **Parent Bank** | | | | | **Group** | | | |
|---|---|---|---|---|---|---|---|---|
| Amounts in NOK million | | | | | | | | |
| Stage 1 | Stage 2 | Stage 3 | **Total** | **Changes in lending loss provisions on loans to amortized cost** | **Total** | Stage 3 | Stage 2 | Stage 1 |
| -188 | -149 | -168 | **-505** | Loss provisions at 01.01.19 | **-546** | -166 | -172 | -208 |
| | | | **-470** | - Of which presented as a reduction of the assets | **-511** | | | |
| | | | **-35** | - Of which presented as other debt | **-35** | | | |
| | | | | Changes in the period due to loans migrated between the stages: | | | | |
| 25 | -22 | -3 | **0** | to (-from) stage 1 | **0** | -3 | -18 | 21 |
| 10 | -10 | 0 | **0** | to (-from) stage 2 | **0** | 4 | -16 | 12 |
| 0 | 1 | -1 | **0** | to (-from) stage 3 | **0** | -2 | 2 | 0 |
| -34 | 46 | 22 | **34** | Net increase/decrease in balance | **32** | 22 | 44 | -34 |
| -187 | -134 | -150 | **-471** | **Total loss provisions at 31.03.19** | **-514** | -145 | -160 | -209 |
| | | | | **Loss provisions allocated to markets** | | | | |
| -22 | -27 | -25 | **-74** | Retail market | **-110** | -44 | -39 | -27 |
| -165 | -107 | -125 | **-397** | Corporate market | **-404** | -101 | -122 | -181 |
| -187 | -134 | -150 | **-471** | **Total loss provisions at 31.03.19** | **-514** | -145 | -161 | -208 |
| | | | **-438** | - Of which presented as a reduction of the assets | **-481** | | | |
| | | | **-33** | - Of which presented as other debt | **-33** | | | |

# Note 8 - Losses

## Losses incorporated in the accounts

| Parent Bank | | | | Group | | |
|---|---|---|---|---|---|---|
| Amounts in NOK million | | | | | | |
| 31.12.18 | 31.03.18 | **31.03.19** | | **31.03.19** | 31.03.18 | 31.12.18 |
| - 111 | - 11 | **- 34** | Period's change in lending provisions | **- 31** | - 10 | - 116 |
| 149 | 23 | **15** | Period's confirmed losses | **18** | 27 | 162 |
| - 7 | - 1 | **- 4** | Recoveries, previously confirmed losses | **- 4** | - 1 | - 24 |
| 31 | 11 | **- 23** | **Losses on loans to customers** | **- 17** | 16 | 22 |

## Losses broken down by sector and industry

| Parent Bank | | | | Group | | |
|---|---|---|---|---|---|---|
| Amounts in NOK million | | | | | | |
| 31.12.18 | 31.03.18 | **31.03.19** | | **31.03.19** | 31.03.18 | 31.12.18 |
| 10 | - 12 | **3** | Real estate | **3** | - 12 | 5 |
| 34 | 17 | **- 12** | Finanicial and insurance activities | **- 12** | 18 | 34 |
| 7 | 4 | **1** | Fishing and aquaculture | **3** | 5 | 6 |
| - 77 | 4 | **0** | Manufacturing | **0** | 4 | - 76 |
| 2 | - 1 | **- 1** | Agriculture and forestry | **0** | - 1 | 3 |
| 10 | 1 | **- 7** | Power and water supply and construction | **- 9** | 2 | 11 |
| 9 | 1 | **- 4** | Service industries | **- 4** | 1 | - 5 |
| 4 | 1 | **0** | Transportation | **2** | 2 | 3 |
| 15 | 1 | **- 2** | Commodity trade, hotel and restaurant industry | **- 2** | 2 | 16 |
| 14 | 16 | **- 22** | Total public market | **- 19** | 21 | - 3 |
| 17 | - 5 | **- 1** | Total retail market | **2** | - 5 | 25 |
| 31 | 11 | **- 23** | **Losses on loans to customers** | **- 17** | 16 | 22 |

# Note 9 - Net bad and doubtful loans

| Parent Bank | | | | Group | | |
|---|---|---|---|---|---|---|
| Amounts in NOK million | | | | | | |
| 31.12.18 | 31.03.18 | **31.03.19** | | **31.03.19** | 31.03.18 | 31.12.18 |
| 383 | 1 047 | **372** | Gross loans in stage 3 | **402** | 1 006 | 432 |
| - 168 | - 389 | **- 150** | Loss provisions stage 3 | **- 145** | - 387 | - 166 |
| 215 | 658 | **222** | **Nett bad and doubtful loans** | **257** | 619 | 266 |
| 44 % | 37 % | **40 %** | **Loan loss provision ratio** | **36 %** | 38 % | 38 % |
| 0,3 % | 1,0 % | 0,2 % | Share of gross loans inclusive intermediary loans | **0,2 %** | 0,6 % | 0,2 % |

# Note 10 - SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

SpareBank 1 Nord-Norge has agreements concerning the legal sale of loans with very good collateral and property mortgages to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. According to the administration contracts concluded with these two alliance companies, the Bank administers the loans and remains responsible for customer contact. The Bank receives remuneration in the form of commissions for the duties that arise from administering the loans. The Bank has assessed the accounting implications and concluded that the material risk and benefits of ownership associated with the sold loans has been transferred. This entails full derecognition. The remuneration received for the loans that have been transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS matches the book value and is assessed to match the loans fair value at the time of transfer. The Bank recognizes all rights and obligations that were generated or retained upon transfer separately as assets or liabilities.

SpareBank 1 Nord-Norge has, together with the other owners of SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, signed an agreement on the establishment of liquidity facilities for these companies. This entails an obligation on the part of the banks to buy bonds, limited to the combined value of the amount due in 12 months in these companies. In principle, each owner is liable for its share of the need or alternatively twice the primary responsibility under the same agreement. The bonds can be deposited in Norges Bank and thus result in no material increase in risk for the Bank.

This obligation is, as of 31.03.19, NOK 60 million.

For more information about the accounting treatment of the agreements see note 2 and note 13 in the annual financial statements.

# Note 11 - Financial derivatives

**Parent Bank and Group**
(Amounts in NOK million)

***Interest rate swaps:***
Commitments to exchange one set of cash flow for another over an agreed period.

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

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

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

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

SpareBank 1 Nord-Norge enters into hedging contracts with respected Norwegian and foreign banks in order to reduce its own risk. Financial derivatives transactions are related to ordinary banking operations and are done in order to reduce the risk relating to the Bank's activity in the financial markets, and in order to cover and reduce risk relating to customer-related activities. Only hedges associated with the bank's funding activities are defined as fair value hedging pursuant to IAS39. Other hedging is defined as ordinary hedge accounting. The Bank does not utilise cash flow hedging.

| **Fair value hedging transactions** | **31.03.19** | 31.03.18 | 31.12.18 |
|---|---|---|---|
| Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value hedging | **- 67** | - 93 | 24 |
| Total gain from hedging objects relating to the hedged risk | **71** | 89 | - 18 |
| **Total fair value hedging transactions** | **4** | -4 | 6 |

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

(Amounts in NOK million)

| **Fair value through statement of comprehensive income** | | **31.03.19 Fair value** | | | **31.03.18 Fair value** | | | **31.12.18 Fair value** | |
|---|---|---|---|---|---|---|---|---|---|
| **Foreign currency instruments** | **Contract** | **Assets** | **Liabilites** | Contract | Assets | Liabilites | Contract | Assets | Liabilites |
| Foreign exchange financial derivatives (forwards) | **2 647** | **14** | **21** | 1 974 | 8 | 19 | 1 843 | 24 | 17 |
| Currency swaps | **16 500** | **183** | **100** | 16 216 | 203 | 147 | 15 687 | 459 | 194 |
| Currency options | | | | | | | | | |
| Total non-standardised contracts | **19 147** | **197** | **121** | 18 190 | 211 | 166 | 17 530 | 483 | 211 |
| Standardised foreign currency contracts (futures) | | | | | | | | | |
| Total foreign currency instruments | **19 147** | **197** | **121** | 18 190 | 211 | 166 | 17 530 | 483 | 211 |
| | | | | | | | | | |
| **Interest rate instruments** | | | | | | | | | |
| Interest rate swaps (including cross currency) | **27 116** | **657** | **514** | 25 716 | 532 | 609 | 26 388 | 733 | 625 |
| Short,-term interest rate swaps (FRA) | | | | | | | | | |
| Other interest rate contracts | **432** | **16** | **44** | 324 | 5 | 7 | 474 | 40 | 39 |
| Total non-standardised contracts | **27 548** | **673** | **558** | 26 040 | 537 | 616 | 26 862 | 773 | 664 |
| Standardised interest rate contracts (futures) | | | | | | | | | |
| Total interest rate instruments | **27 548** | **673** | **558** | 26 040 | 537 | 616 | 26 862 | 773 | 664 |
| | | | | | | | | | |
| **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) | **16 389** | **449** | **22** | 16 095 | 346 | 9 | 16 918 | 396 | |
| Short-term interest rate swaps (FRA) | | | | | | | | | |
| Other interest rate contracts | | | | | | | | | |
| Total, non-standardised contracts | **16 389** | **449** | **22** | 16 095 | 346 | 9 | 16 918 | 396 | |
| Standardised interest rate contracts (futures) | | | | | | | | | |
| Total interest rate instruments | **16 389** | **449** | **22** | 16 095 | 346 | 9 | 16 918 | 396 | |
| | | | | | | | | | |
| Total interest rate instruments | **43 937** | **1 122** | **580** | 42 135 | 883 | 625 | 43 780 | 1 169 | 664 |
| Total foreign currency instruments | **19 147** | **197** | **121** | 18 190 | 211 | 166 | 17 530 | 483 | 211 |
| **Total** | **63 084** | **1 319** | **701** | 60 325 | 1 094 | 791 | 61 310 | 1 653 | 874 |

## Note 12 - Net accounting of financial derivates 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 31.03.19 the net figures were:

| Category/counterpart<br>(Amounts in NOK million) | Gross amount | Offset amount | Net amount | Net amount to be posted at bankruptcy or default | **Net credit exposure** |
|---|---|---|---|---|---|
| | A | B | C=A-B | D | **E=C-D** |
| Financial derivatives - assets | 20,499 | 20,034 | 465 | 0 | **465** |
| Financial derivatives - liabilities | 23,269 | 23,105 | 164 | 0 | **164** |

## Note 13 - Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations,
and/or the risk of not being able to fund a desired growth in assets. SpareBank 1 Nord-Norge prepares an annual liquidity strategy that encompasses, for example, the bank's liquidity risk.
The Group's liquidity risk is revealed, except in the case of raising external financing, through the Bank's liquidity reserve/buffer, including sale of mortgage loans to SpareBank 1 Boligkreditt.

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

The average remaining term to maturity for the Bank's debt securities in issue was 3.34 years as of 31.03.19.
The short-term liquidity risk measurement, liquidity coverage ratio (LCR), was 130 % as of the end of the quarter.

# Note 14 Pensions

SpareBank 1 Nord-Norge 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 statement.

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 Other Comprehensice Income (OCI).

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

| | **1Q19** | 1Q18 |
|---|---|---|
| *Assumptions* | | |
| Discount rate | **2.60 %** | 2.40 % |
| Expected return on pension assets | **2.60 %** | 2.40 % |
| Future salary growth rate | **1.00 %** | 1.00 % |
| Adjustment of NI basic amount (G) | **2.50 %** | 2.25 % |
| Pension adjustment | **0.00 %** | 0.00 % |
| Employer's NI liability | **14.10 %** | 14.10 % |
| Employer's NI cost | **14.10 %** | 14.10 % |
| Financial tax | **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 | **90.00 %** | 50.00 % |
| Mortality, marriage probability, etc. | **K2013BE IR2003** | K2013BE IR2003 |
| | | |
| **Net pension liabilities in the balance sheet** | | |
| Present value of future pension liabilities | **728** | 738 |
| Estimated value of pension assets | **967** | 994 |
| **Net pension liabilities in fund-based plans** | **-239** | -256 |
| Unrecognised estimate deviations (possible actuarial gains and losses) | **0** | 0 |
| **Net pension liabilities/assets in the balance sheet** | **- 239** | - 256 |
| | | |
| **Pension costs for the period** | | |
| Accrued defined benefit-based pensions | **1** | 1 |
| Interest costs on pension liabilities | **4** | 4 |
| Expected return on pension assets | **-5** | -5 |
| Estimate deviations recognised in the period | **0** | 0 |
| Effect of changed pension plan | **0** | 0 |
| **Net defined benefit-based pension costs without employer's NI contributions** | **0** | 0 |
| Accrued employer's NI contributions | **0** | 0 |
| **Net defined benefit-based pension costs recognised through profit or loss** | **0** | 0 |
| Curtailment/settlement | **0** | 0 |
| Other pension costs (contribution pension scheme and early retirement pension) | **8** | 9 |
| **Total pension costs including employer's NI Insurance contribution** | **8** | 9 |
| | | |
| **Movement in net pension liabilities from benefit-based plan recognised in balance sheet** | | |
| Net pension liabilities in the balance sheet as of 01.01 | **-239** | -256 |
| Correction against equity OB | **0** | 0 |
| Correction against equity CB | **0** | 0 |
| Net defined benefit-based pension costs recognised through profit or loss | **0** | 0 |
| Curtailment/settlement | **0** | 0 |
| Paid directly from operations | **0** | 0 |
| Receipts - pension premiums defined benefit-based plans | **0** | -5 |
| **Net pension liabilities/assets in the balance sheet** | **-239** | -261 |
| Other pension liabilities (early retirement pensions) | **33** | 32 |
| **Net total pension liabilities** | **-206** | -229 |

# Note 15 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 at 31.03.19** | | | | |
| Loans to customers with fixed rate | | | 7 691 | **7 691** |
| Loans to customers for sale | | | 3 069 | **3 069** |
| Shares | 162 | 83 | 147 | **392** |
| Bonds | 10 677 | 4 280 | | **14 957** |
| Financial derivatives | | 1 319 | | **1 319** |
| **Total assets** | 10 839 | 5 682 | 10 907 | **27 428** |
| | | | | |
| **Liabilities at 31.03.19** | | | | |
| Financial derivatives | | 701 | | **701** |
| **Total liabilities** | | 701 | | **701** |
| | | | | |
| *Assets at 31.03.18* | | | | |
| Loans to customers with fixed rate | | | 6 492 | **6 492** |
| Loans to customers for sale | | | 3 803 | **3 803** |
| Shares | 116 | 95 | 146 | 357 |
| Bonds | 8 259 | 3 582 | | 11 841 |
| Financial derivatives | | 1 094 | | 1 094 |
| Total assets | 8 375 | 4 771 | 10 441 | 23 587 |
| | | | | |
| *Liabilities at 31.03.18* | | | | |
| Financial derivatives | | 791 | | 791 |
| Total liabilities | | 791 | | 791 |

| **Changes in instruments at fair value, level 3:** | Financial assets | | | | Financial liabilities Financial derivatives |
|---|---|---|---|---|---|
| (Amounts in NOK million) | Fixed-rate loans | Loans to customers with fixed rate | Shares | Financial Bonds | |
| Carrying amount at 31.03.18 | 6 492 | 3 803 | 146 | | |
| Net gains on financial instruments | - 64 | | 2 | | |
| Additions/acquisitions | 3 302 | 3 020 | | | |
| Disposals | -1 981 | -3 520 | - 1 | | |
| Overdue loans | | - 234 | | | |
| Transferred from level 1 or level 2 | | | | | |
| **Carrying amount at 31.03.19** | **7 691** | **3 069** | **147** | **0** | **0** |

# Note 16 - Subsidiaries

| (Amounts in NOK thousand) | | Profit from ordinary operations before tax | | Equity | |
|---|---|---|---|---|---|
| | Share of Eq.% | **31.03.19** | 31.03.18 | **31.03.19** | 31.03.18 |
| SpareBank 1 Finans Nord-Norge AS | 100 | **36 675** | 35 708 | **1 009 727** | 863 945 |
| SpareBank 1 Nord-Norge Portefølje AS | 100 | **595** | - 408 | **13 662** | 12 791 |
| EiendomsMegler 1 Nord-Norge AS | 100 | **1 484** | 407 | **33 725** | 43 661 |
| SpareBank 1 Regnskapshuset Nord-Norge AS | 100 | **14 444** | 6 029 | **74 335** | 40 332 |
| Nord-Norge Eiendom IV AS | 0 | **0** | - 38 | **0** | 3 858 |
| Alsgården AS | 0 | **0** | 250 | **0** | 7 914 |
| Fredrik Langesg 20 AS | 100 | **- 167** | - 36 | **26 960** | 27 366 |
| **Total** | | **53 031** | 41 912 | **1 158 409** | 999 867 |

# Note 17 - Other assets

(Amounts in NOK million)

| **Parent Bank** | | | **Group** | |
|---|---|---|---|---|
| 31.03.18 | **31.03.19** | | **31.03.19** | 31.03.18 |
| 8 | **7** | Repossessed assets | **7** | 27 |
| 3 | **7** | Accrued income | **68** | 70 |
| 378 | **698** | Prepayments | **561** | 385 |
| 243 | **112** | Other assets | **199** | 345 |
| 632 | **824** | **Total other assets** | **835** | 827 |

# Note 18 - Other liabilities

(Amounts in NOK million)

| **Parent Bank** | | | **Group** | |
|---|---|---|---|---|
| 31.03.18 | **31.03.19** | | **31.03.19** | 31.03.18 |
| 146 | **4** | Costs incurred | **296** | 372 |
| 33 | **33** | Provisioning against incurred liabilities and costs 1) | **72** | 64 |
| 1 302 | **2 575** | Other liabilities 2) | **2 800** | 1 322 |
| 1 481 | **2 612** | **Total other liabilities** | **3 168** | 1 758 |
| 33 | 33 | 1) Of which off balance loss provision | 33 | 33 |
| | 336 | 2) Incl. IFRS 16 effect. See note 23. | 465 | |

# Note 19 - Deposits broken down by sector and industry

(Amounts in N

| | | | Group | |
|---|---|---|---|---|
| 31.03.18 | **31.03.19** | | **31.03.19** | 31.03.18 |
| 2 943 | **3 049** | Real estate | **3 049** | 2 943 |
| 1 072 | **1 424** | Finanicial and insurance activities | **1 424** | 1 072 |
| 1 906 | **2 076** | Fishing and aquaculture | **2 076** | 1 906 |
| 807 | **1 085** | Manufacturing | **1 085** | 807 |
| 596 | **594** | Agriculture and forestry | **594** | 596 |
| 1 715 | **1 998** | Power and water supply and construction | **1 998** | 1 715 |
| 4 811 | **5 200** | Service industries | **5 173** | 4 784 |
| 1 622 | **1 828** | Transportation | **1 828** | 1 622 |
| 2 767 | **2 510** | Commodity trade, hotel and restaurant industry | **2 510** | 2 767 |
| 18 239 | **19 764** | **Public market** | **19 737** | 18 212 |
| 32 589 | **34 836** | Total retail market | **34 836** | 32 589 |
| 8 238 | **9 610** | Total government | **9 610** | 8 238 |
| 59 066 | **64 210** | **Total deposits** | **64 183** | 59 039 |

# Note 20 - Securities issued and subordinated loan capital

**Parent Bank and Group**
(Amounts in NOK million)

**Securities issued**

| | 31.03.18 | 31.12.18 | **31.03.19** |
|---|---|---|---|
| Certificates and other short-term borrowings | | | |
| Bond debt | 23 790 | 25 135 | **24 461** |
| **Total debt securities in issue** | 23 790 | 25 135 | **24 461** |

| Changes in securities issued | Statement of financial position 31.12.17 | Issued 31.03.19 | Matured/ redeemed 31.03.19 | Exchange rate movements 31.03.19 | Other adjustments 31.03.19 | **Statement of financial position 31.03.19** |
|---|---|---|---|---|---|---|
| Certificates and other short-term borrowings | | | | | | |
| Bond debt | 25 135 | 196 | - 617 | - 203 | - 50 | **24 461** |
| **Total debt securities issued** | 25 135 | 196 | - 617 | - 203 | - 50 | **24 461** |

| | 31.03.18 | 31.12.18 | **31.03.19** |
|---|---|---|---|
| Subordinated loan capital | 850 | 1 200 | **1 200** |
| **Total subordinated loan capital** | 850 | 1 200 | **1 200** |

| Changes in subordinated loan capital | Statement of financial 31.12.18 | Issued 31.03.19 | Matured/ redeemed 31.03.19 | Exchange rate movements 31.03.19 | Other adjustments 31.03.19 | **Statement of financial 31.03.19** |
|---|---|---|---|---|---|---|
| Subordinated loan capital with definite maturities | 1 200 | | | | | **1 200** |
| **Total subordinated loan capital** | 1 200 | | | | | **1 200** |

| | 31.03.18 | 31.12.18 | **31.03.19** |
|---|---|---|---|
| **Total Tier 1 instruments** | 530 | 780 | **780** |

**Hybrid Tier 1 instruments**

SpareBank 1 Nord-Norge has three outstanding perpetual hybrid tier 1 capital loans for NOK 350 million and NOK 180 million, and NOK 250 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. The third loan issued on 29 August 2018 for NOK 250 million is subject to interest of 3-month NIBOR + 330 bp. All 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 21 - Equity Certificates (ECs)

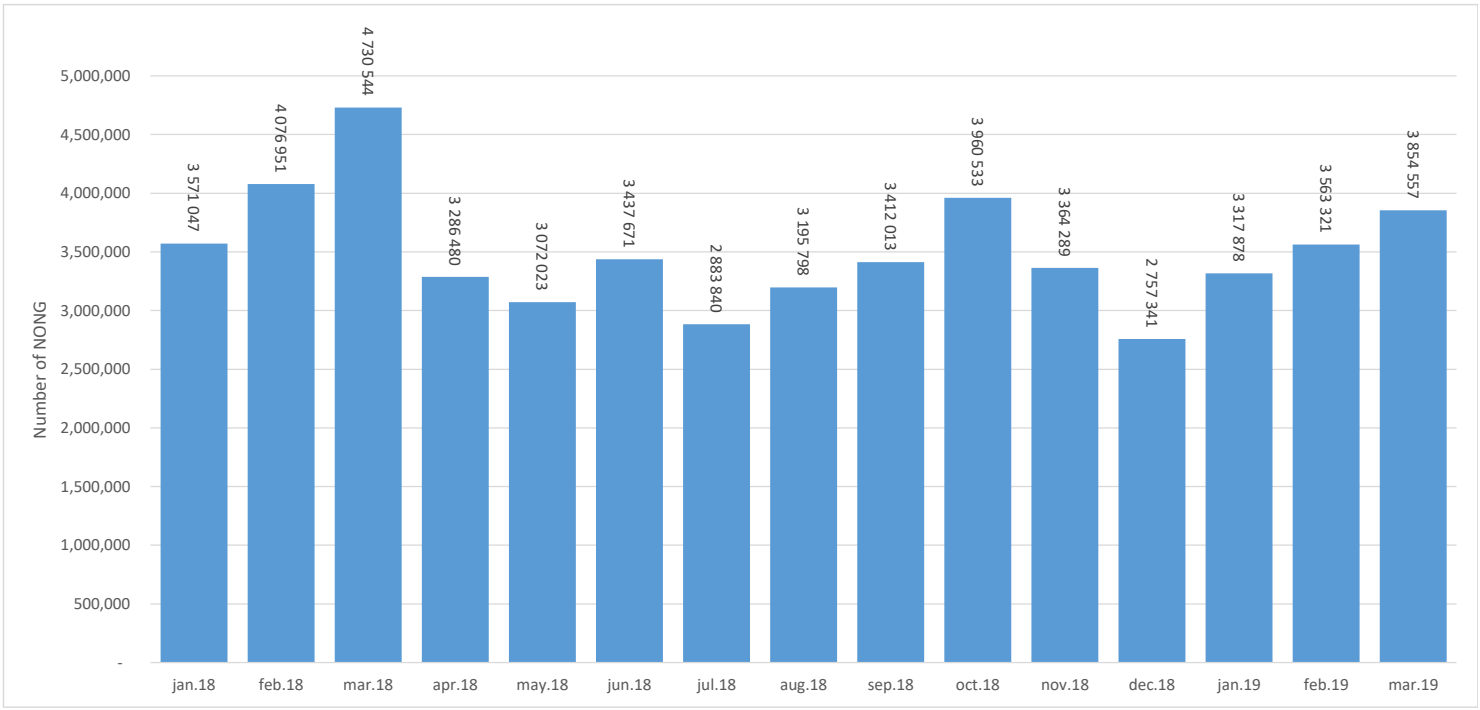
**The 20 largest EC holders at** **31.03.19**

| EC Holders | Number of ECs | Share of EC Capital |
|---|---|---|
| PARETO AKSJE NORGE | 3,394,063 | 3.38% |
| STATE STREET BANK AND TRUST COMP A/C CLIENT OMNIBUS F | 3,088,103 | 3.08% |
| GEVERAN TRADING CO LTD | 2,693,280 | 2.68% |
| THE NORTHERN TRUST COMP, LONDON BR NON-TREATY ACCOUNT | 2,584,322 | 2.57% |
| MP PENSJON PK | 2,305,335 | 2.30% |
| FLPS - PRINC ALL SEC STOCK SUB | 2,102,859 | 2.09% |
| MSIP EQUITY Morgan Stanley & Co. International | 1,797,076 | 1.79% |
| METEVA AS | 1,614,670 | 1.61% |
| SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGE | 1,481,714 | 1.48% |
| FORSVARETS PERSONELLSERVICE | 1,478,129 | 1.47% |
| VPF EIKA EGENKAPITALBEVIS C/O EIKA KAPITALFORVALTNING AS | 1,411,606 | 1.41% |
| J.P. MORGAN SECURITIES PLC | 1,391,630 | 1.39% |
| EUROCLEAR BANK S.A./N.V. 25% CLIENTS | 1,095,517 | 1.09% |
| LANDKREDITT UTBYTTE | 1,050,000 | 1.05% |
| LANNEBO EUROPA SMÅBOLAG SKANDINAVISKA ENSKILDA BANKEN AB | 984,365 | 0.98% |
| PARETO AS | 978,304 | 0.97% |
| STATE STREET BANK AND TRUST COMP A/C WEST NON-TREATY ACCOUNT | 970,659 | 0.97% |
| STATE STREET BANK AND TRUST COMP A/C CLIENT OMNIBUS D | 960,615 | 0.96% |
| J.P. MORGAN BANK LUXEMBOURG S.A. JPML SA RE CLT ASSETS LUX RES | 815,164 | 0.81% |
| STATE STREET BANK AND TRUST COMP S/A SSB CLIENT OMNI E | 743,606 | 0.74% |
| **Total** | **32,941,017** | **32.81%** |

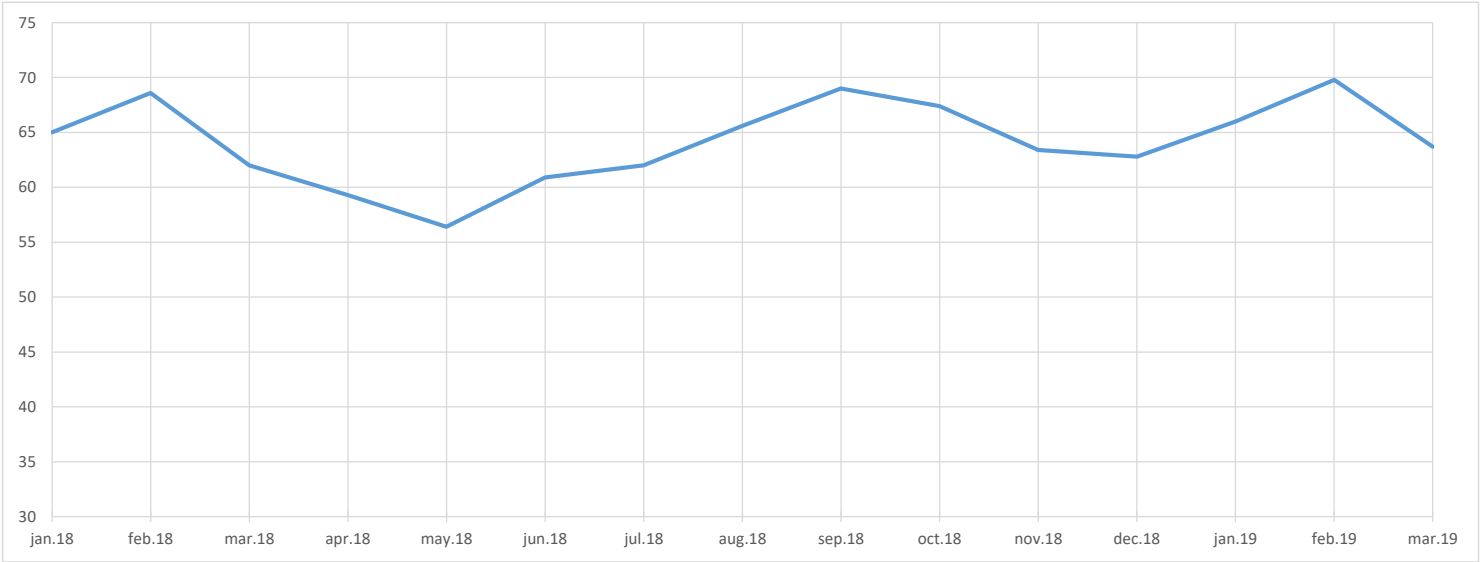
**Dividend policy**

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

## Trading statistics




## Price trend NONG




## Note 22 - Events occuring 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.

# Note 23 - Leases

The table shows the implentation effect from IFRS 16 on the balance and the income statement.
For more information, please see note 1 in the quarterly report or note 45 in the annual report for 2018.

Amounts in NOK million

| Parent bank | | | Group | |
|---|---|---|---|---|
| 01.01.19 | **31.03.19** | | **31.03.19** | 01.01.19 |
| | | **Balance sheet** | | |
| 342 | **336** | Lease liabilites | **465** | 473 |
| 344 | **335** | Right-of-use assets | **463** | 475 |
| | | **Income statement** | | |
| | **11** | Depreciation | **14** | |
| | **2** | Interest | **2** | |
| | **13** | **Total** | **16** | |

# Alternative performance measures

SpareBank 1 Nord-Norge's alternative performance measures (APMs), provide relevant additional information to what is otherwise shown in the quarterly financial statements. These key figures are not defined through IFRS and cannot be directly compared with equivalent figures for other companies unless the same definition is used.

The alternative performance measures are not meant to replace any measurements/key figures under IFRS. The performance targets provide additional insight into the Group's operations and represent important targets in management's control of the Group's various business areas. Non-financial data or key figures governed by IFRS or other regulations, e.g. CRR/CRD, are not defined as APMs. The APMs are presented on a separate page in the quarterly accounts, and show comparable figures for the corresponding period last year.

| **Profitability** | **Definition** | **Relevance** |
|---|---|---|
| Return on equity | Profit in relation to average equity. Calculated per the end of each quarter, along with opening and closing balances for the year. The return on equity for the period is reported on an annualised basis. | Return on equity is the Group's strategic target for profitability.<br>The return on equity is a measure of profitability on the Group's performance factors. |
| Cost/income ratio | Total costs in relation to total income. | The cost/income ratio is a measure of the profitability of the Group's ongoing operations. |
| Interest margin | Net interest income in relation to average total assets. Average total assets are calculated as at the end of each quarter, along with opening and closing balances. | The interest margin shows the trend in the ratio between the sale price of products and lending costs from period to period. The interest margin measures the profitability of the Group's loan products. |

| **Deposits** | | |
|---|---|---|
| Deposit-to-loan ratio | Total deposits are divided by total lending excluding intermediary loans. | The ratio shows the proportion of the Group's total lending financed through customer deposits, and the need for financing from external lenders. |
| Deposit-to-loan ratio incl. intermediary loans | Total deposits are divided by total lending including intermediary loans. | The ratio shows how much of the Group's total lending including intermediary loans has been funded through customers' deposits. |
| Growth in deposits | Deposit growth is measured quarterly as the percentage change in the Bank's deposits in the last 12 months. | Measures both customer growth and changes in the financing situation. |

| **Lending** | | |
|---|---|---|
| Growth in lending (%) | Growth in lending excl. intermediary loans is measured quarterly as the percentage change in the Bank's lending in the last 12 months. | Shows the growth in the Bank's core area. |
| Growth in lending, incl. intermediary loans (%). | Growth in lending incl. intermediary loans is measured quarterly as the percentage change in the Bank's lending in the last 12 months. | Shows the growth in the Bank's core area, including intermediary loans. |
| Proportion of loans deducted | Measured as the percentage of loans deducted in relation to gross lending. | A not insignificant part of the bank's lending is transferred to SpareBank1 Boligkreditt or SpareBank1 Næringskreditt as intermediary loans and deducted from the balance. This key figure shows the percentage of loans in this category. |
| Proportion of loans deducted, retail market | Measured as the percentage of loans deducted in relation to gross lending to the retail market. | Deducted portion of the retail market. The bulk of deducted loans are in the retail market segment. |

| **Losses and non-performing loans** | | |
|---|---|---|
| Loan losses (%) | Total posted losses year to date in relation to total lending volume incl. intermediary loans. | Measures the relative importance of losses set against the rest of the portfolio of loans. Relevant for estimating future expected losses and the Group's credit risk. |
| Commitments in default (%) | Percentage of overdue commitments (over 90 days) in relation to total lending volume incl. intermediary loans. | Measures the relative importance of non-performing loans set against the rest of the portfolio of loans. Relevant for estimating future expected defaults and the Group's credit risk. |
| Doubtful commitments (%) | Percentage of impaired commitments in relation to total lending volume incl. intermediary loans | Measures the relative importance of non-performing loans set against the rest of the portfolio of loans. Relevant for estimating future expected defaults and the Group's credit risk. |
| Net defaulted and doubtful commitments (%) | Defaulted and doubtful commitments are adjusted for individual loss write-downs and expressed as a proportion of gross lending incl. intermediary loans. | Defaulted and doubtful commitments are netted off against loss provisions in Stage 3. |
| Loss provision ratio | Ratio between total loss provisions and non-performing and impaired commitments. | Shows the percentage of losses and non-performing loans that have been raised in Stage 3 of loss provisions. |

# APM (Alternative Performance Measures) Group

| (Amounts in NOK million) | **31.03.19** | 31.03.18 |
|---|---|---|
| Profit for the period | **869** | **325** |
| Deduct interest hybrid tier 1 capital | **7** | 14 |
| **Profit for the period excl. interest hybrid tier 1 capital** | **862** | 311 |
| | | |
| Total Equity | **13 046** | 11 678 |
| Deducting hybrid Tier 1 capital | **780** | 530 |
| **Equity excl. hybrid Tier 1 capital** | **12 266** | 11 148 |
| | | |
| Equity excl. hybrid tier 1 capital 01.01. | **12 278** | **11 769** |
| Equity excl. hybrid tier 1 capital 31.03. | **12 266** | 11 148 |
| Equity excl. hybrid tier 1 capital 30.06. | **0** | 0 |
| Equity excl. hybrid tier 1 capital 30.09. | **0** | 0 |
| Equity excl. hybrid tier 1 capital 31.12. | **0** | 0 |
| **Average equity excl. hybrid tier 1 capital** | **12 272** | 11 459 |
| | | |
| Profit for the period, annualised excl. interest hybrid tier 1 capital | **862** | **311** |
| Average equity excl. hybrid tier 1 capital | **12 272** | 11 459 |
| **Return on Equity** | **7,0 %** | 2,7 % |
| | | |
| Total operating expenses | **362** | **343** |
| Total income | **1 318** | 773 |
| **Cost-income ratio** | **27,5 %** | 44,4 % |
| | | |
| Net interest income | **473** | 449 |
| Average total assets | **106 731** | 97 779 |
| **Interest margin** | **1,77 %** | 1,84 % |
| | | |
| Deposits from customers | **64 183** | 59 039 |
| Total lending incl. intermediary loans at the end of period | **116 873** | 109 474 |
| **Deposits as a percentage of total lending incl. intermediary loans** | **54,9 %** | 53,9 % |
| | | |
| Deposits from customers | **64 183** | 59 039 |
| Gross loans to customers | **81 533** | 76 746 |
| **Deposits as a percentage of gross lending** | **78,7 %** | 76,9 % |

| APM (Alternative Performance Measures) Group (cont.) | 31.03.19 | 31.03.18 |
|---|---|---|
| Total lending incl. intermediary loans at the end of period | **116 873** | 109 474 |
| Total lending incl. intermediary loans at the end of same period last year | **115 399** | 97 280 |
| Lending growth last 12 months incl. intermediary loans | **1 474** | 12 194 |
| **Lending growth last 12 months incl. intermediary loans** | **6,8 %** | 8,2 % |
| Total lending at the end of period | **81 533** | 76 746 |
| Total lending at the end of same period last year | **76 746** | 71 294 |
| Lending growth last 12 months | **4 787** | 5 452 |
| **Lending growth last 12 months** | **6,2 %** | 7,6 % |
| Total intermediary loans at the end of the period | **33 974** | 30 510 |
| Total lending incl. intermediary loans at the end of period | **116 873** | 109 474 |
| **Share of intermediatry loans** | **29 %** | 28 % |
| Intermediary loans SpareBank 1 Boligkreditt | **33 549** | 30 510 |
| Total retail lending end of period | **82 658** | 77 140 |
| **Share of intermediary loans of total retail lending** | **41 %** | 40 % |
| Intermediary loans SpareBank 1 Næringskreditt | **425** | 0 |
| Total corporate lending end of period | **33 790** | 32 334 |
| **Share of intermediary loans of total corporate lending** | **1 %** | 0 % |
| Deposits from customers end of period | **64 183** | 59 039 |
| Deposits from customers end of same period last year | **59 039** | 54 261 |
| Growth in deposits from customers past 12 months | **5 144** | 4 778 |
| **Growth in deposits from customers past 12 months** | **8,7 %** | 8,8 % |
| Losses on loans and guarantees | **- 17** | 16 |
| Losses on loans and guarantees, annualised | **- 68** | 64 |
| Total lending incl. intermediary loans at the end of period | **116 873** | 109 474 |
| **Losses on loans to customers as a percentage of total lending incl. intermediary loans** | **-0,1 %** | 0,0 % |
| Non-performing commitments | **300** | 374 |
| Total lending incl. intermediary loans at the end of period | **116 873** | 109 474 |
| **Commitments in default as a percentage of total lending incl. intermediary loans** | **0,3 %** | 0,3 % |
| Other doubtful commitments | **190** | 632 |
| Total lending incl. intermediary loans at the end of period | **116 873** | 109 474 |
| **Commitments at risk of loss as a percentage of total lending incl. intermediary loans** | **0,2 %** | 0,6 % |
| Non-performing commitments | **402** | 1 006 |
| Loss provisions stage 3 | **145** | 387 |
| Net commitments in default | **257** | 619 |
| Total lending incl. intermediary loans at the end of period | **116 873** | 109 474 |
| **Net comm. in default and at risk of loss as a per. of total lending incl. intermediary loans** | **0,2 %** | 0,6 % |
| Non-performing commitments | **402** | 1 006 |
| Loss provisions stage 3 | **145** | 387 |
| **Loan loss provision ratio** | **36 %** | 38 % |

The Board of Directors of SpareBank 1 Nord-Norge

**Report of Review of Interim Financial Information**

*Introduction*
We have reviewed the accompanying condensed interim financial information of SpareBank 1 Nord-Norge, which comprises the company and the groups statement of financial position as at March 31, 2019, and the statement of comprehensive income with a total comprehensive income of MNOK 774 for the parent company and MNOK 850 for the group, statement of changes in equity and statement of cash flows for the three-month period then ended, and a summary of significant accounting policies.

*Responsibility of The Board of Directors and Managing Director (Management)*
Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by EU.

*Scope of Review*
We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, and the procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by EU.

Tromsø, 08. May 2019
KPMG AS

Stig-Tore Richardsen
*State Authorized Public Accountant*

Note: This translation from Norwegian has been prepared for information purposes only.