SPAREBANK 1 NORD-NORGE

ANNUAL REPORT 2019

SpareBank 1 NORD-NORGE

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Continued Added Value

Uncertainty dominated 2019. Trade wars, Brexit, escalating levels of conflict in the Middle East as well as climate change resulting in floods and wildfires. Paradoxically, Northern Norway, and SpareBank 1 Nord-Norge profits from this uncertainty due to being an export driven region. Mainly because it results in a weaker currency (the NOK) and low interest rates.

Export of seafood from Norway passed NOK 107 billion in 2019, and much of this comes from Northern Norway. Our region also sees a continuing influx of tourists due to cheap currency (NOK). Paired with the world's most amazing nature and scenery, truly fresh seafood and vast landscapes, we attract tourists from all over the world.

The construction industry has also experienced continued growth. Although housing investments have declined slightly after several years of growth, there is still healthy activity related to infrastructure development in Northern Norway. The seafood industry, tourism and construction are producing economic ripple effects for the region.

Despite a stable economy and low unemployment in Northern Norway, we are aware that the effects of macroeconomic and geopolitical instability have an effect on our economy and our currency. However, the region's own economic challenges in the years to come will have an unprecedented impact on societal and business development, such as access to labour, development of necessary and sufficient infrastructure and questions related to sustainable development in the Arctic. SpareBank 1 Nord-Norge engages in these questions on a day-to-day basis through both our work with our customers as well as our continuing search and dissemination of knowledge.

The financial results for SpareBank 1 Nord-Norge are affected by the economic temperature of the region. In addition, SpareBank 1 Nord-Norge have gained a good effect by merging insurance companies of SpareBank 1 and DNB.

The operations are doing well. Adjusted results after non-recurring items, the return on equity is 12.8%, which places SpareBank 1 Nord-Norge in the top tier of comparable businesses. This allows a dividend per equity certificate of NOK 5.50, and a community dividend of NOK 639 millions, which will help to promote further development in the region.

A strong 2019 and a continued optimism for the economy in Northern Norway in the foreseeable future, provides a sound basis for developing the Group's operations further. This calls for a clear focus on a continued relationship with our customers, based on the unique advantages of SpareBank 1 Nord-Norge and our digital development for finance through SpareBank 1 Utvikling.

We have a unique presence in and knowledge of Northern Norway, and combined with our ownership model that creates visible and long-lasting value for the region, it gives us every reason to believe that we will continue to create value for our owners and fulfil our vision – for Northern Norway.

17 Sustainable Development Goals

The UN's Sustainable Development Goals are a shared blueprint for the whole world. The aim is to eliminate poverty, reduce inequality and stop climate change.

Throughout this report, you will find many of these Sustainable Development Goals referred to in the margin, as shown on the page opposite. This tells you that the text on that page contains details of how SpareBank 1 Nord-Norge is working to achieve the goals that are displayed.

From the CEO

The year 2019 strengthened SpareBank 1 Nord-Norge's position as the regional bank. Growth has continued in all business areas and the Group has probably never been stronger. 2019 was also a year in which the value of ownership and participation in the alliance became apparent. Not just the benefits emerging from the Fremtind merger, but also the fact that SpareBank 1 Utvikling has established itself as a leading digital development environment within finance. Our ownership model, in which "Samfunnsløftet" underlines the difference between savings banks and commercial banks, has become a key element for the Group and for the region. It should remain so in the future.

A Northern Norway which is thriving and playing an ever more central role in national value creation has an increasing need both for financing and for other financial services. This is where a strong SpareBank 1 Nord-Norge has a major part to play.

At the same time, the competition is tougher than ever. Margins are being squeezed, and this is felt particularly in the retail market. In parallel with this, we are seeing the emergence of new competition. On the payment processing side, Apple Pay, Google Pay and Coop Pay all made their entrance during 2019.

Producing good financial results in the future requires the Group to be clear about the value to be generated for customers, while the customers must see the Group as both relevant and value-creating. This raises big demands for innovation, efficiency and simplification. SpareBank 1 Nord-Norge has stayed true to its 'stone by stone' approach, in line with the business strategy. Efforts to simplify and automate have continued unabated. The same is true of investments in technology and digitalisation.

Our presence in the region, with 38 branches in 36 municipalities, still gives us a significant local footprint. Local presence and knowledge, combined with top digital services and operations, also help us to defend our number one position.

In March 2019, Kunnskapsbanken, the Knowledge Bank, was launched (www.kbnn.no). It has high ambitions: To establish a common northern Norwegian knowledge base for defining common issues and finding common solutions. There are reports, statistics, expectation barometers and podcasts. And of course, Konjunkturbarometer for Nord-Norge, the Business Barometer for Northern Norway.

Internally too, 2019 brought changes in the Group. In the spring, the Group welcomed a new CFO and a new CEO. However, we have not departed from the steady course and 'stone by stone' principle that have always guided us. The Group is nearing the end of a strategy period, operations have been focused on the core business and long-term sustainability, and the results have been good. So there has been little reason to make extensive changes.

> *In the new Sustainability Policy, launched in November 2019, it was therefore decided that the focus on sustainability should permeate our whole business.*

Nevertheless, there was one topic that received particular attention in 2019, and that was sustainability. As a financial institution in one of the world's most vulnerable areas, SpareBank 1 Nord-Norge has an extra responsibility. By conducting thorough ESG assessments for both funding and investment decisions, we can make a difference. In the new Sustainability Policy, launched in November 2019, it was therefore decided that the focus on sustainability should permeate our whole business. From now on, the Group will report on all of the UN Sustainable Development Goals. The Group has also chosen to sign up to the UNEP FI, "Principles of Responsible Banking". In this way, SpareBank 1 Nord-Norge is committed to its part in the banking industry's global sustainability effort to help meet the goals of the Paris Agreement.

However, the main focus in 2019 could still be said to have been the work on AML (anti-money laundering). The requirements to know your customers laid down in the Anti-Money Laundering Act have not been adequately handled in SpareBank 1 Nord-Norge. The Group therefore put in a significant effort in 2019 to obtain correct credentials and gain an overview of how the Group's customers use its banking services. By the end of the year, more than 200,000 customers had been re-validated. This is a formidable effort and provides an excellent basis for us to play our part in the fight against money laundering and terrorist financing in the future.

In the spring of 2019, the Group's departments in Bodø were co-located in new premises. Co-location gives strength and a significant competitive advantage. Work to finish the Group's new headquarters, Rødbanken in Tromsø, was also completed at the end of 2019. At the time of writing, more than 400 employees have moved into Rødbanken, and there are high expectations of further collaboration both internally and with the community. One of the first things to kick off after the move was the work on a new business strategy. By meeting customers' ever-higher expectations, SpareBank 1 Nord-Norge will lay the groundwork for continued growth and value creation in the north. We have an important role to play in the development of a region with great potential. This is a role we take seriously – for Northern Norway.

Liv Bortne Ulriksen, Acting CEO

SPAREBANK 1 NORD-NORGE

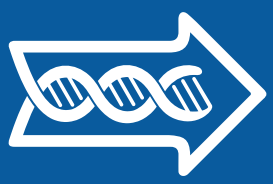
Strategic compass

NUMBER 1 FOR CUSTOMERS, EMPLOYEES AND OWNERS.

Managing according to a strategic compass enables you to make good decisions, including when the environment and market conditions are changing fast. The compass has three components: a right side, a left side and a compass dial.

The right side contains the Group's strategic objectives and ambitions. If the Group continuously achieves its five strategic objectives, its number one position will also be achieved and maintained, for customers, staff and owners.

How the Group's results are achieved is also important. This is described on the left side of the strategic compass. The Group should be a recognisably northern Norwegian alternative: with a great ability to follow through and a strong cultural side. This is our unique DNA. And in their contact with customers and the community, each and every member of staff must conduct themself as a bearer of the Group's values, the five Ts. If both the right side and the left side of the compass are complied with, our vision will also be fulfilled, "For Northern Norway". The vision is the compass's third component and is placed on the compass dial, pointing north. For a further description of the Group's business strategy see the annual report.



DNA and values
SpareBank 1 Nord-Norge's distinctive feature is a combination of a unique northern Norwegian business model, with an organization that excels in execution and which has a proud and customer oriented culture.

Ambition
SpareBank 1 Nord-Norge shall be number 1 for customers, employees and owners

Our history

Over half of SpareBank 1 Nord-Norge is owned by everyone who lives in Northern Norway. And as an owner, the region itself receives the biggest share of the profits. The reason why this is so lies in the history of the Bank.

Tromsø SpareBank was founded in 1836 and was the first bank to be established in Northern Norway. The photo shows director Just Quigstad in the bank's business premises. He is pictured with the bookkeeper Einar Olsen and others.

The history of SpareBank 1 Nord-Norge starts way back in 1836. Tromsø SpareBank was intended to be a bank for the people, and had a clear social responsibility. In time, savings banks appeared in all municipalities in Norway, and in the major cities there were often several. By 1930 there were 627 savings banks in the country. They were all set up because someone thought that a local bank was needed to boost the local community.

CREATING VALUE FOR THE LOCAL COMMUNITY

The people who established the savings banks did so by injecting the base capital needed to get a licence to run a bank – that is, to accept deposits and lend money to individuals and businesses in the community. But they did not do this for their own personal gain. They did it to support the local community. The savings banks were "self-owning", just like a foundation. And any surplus from the savings bank could only be distributed for "socially beneficial purposes" where the customers lived.

The basic idea behind the savings bank system in any country was that they should help people to help themselves. This is clear from the initial plans for the savings banks. They often started like this:

From the construction of the 'Red Bank' in Tromsø. This was finished in 1912.

"This purpose of this institution is to receive money from persons of both sexes, particularly workers and servants, and to make the sums received grow for the owner by calculating interest and by adding the interest to the capital."

WAVE OF MERGERS

The wave of mergers started in earnest in the 1960s. In Northern Norway, it was the biggest savings banks that led the way. Tromsø SpareBank merged with ten savings banks in Troms and Finnmark in the period 1963-1984. Tromsøsundets SpareBank first merged with four savings banks in Tromsø and then established Sparebanken Nord together with nine other savings banks in Troms and Finnmark in 1980. In Nordland, Alstadhaug SpareBank, Bodø SpareBank and Vaagan SpareBank had gone through mergersduring the same period. In 1985, Sparebanken Nordland was established by a merger between these three banks and eleven other savings banks in the county.

Banks in Northern Norway were hit by the banking crisis at the end of the 1980s. This led in 1989 to the establishment of Sparebanken Nord-Norge. The bank came out of a merger between Tromsø SpareBank and Sparebanken Nord. In 1991, Nordkapp SpareBank also joined the group, followed by Sparebanken Nordland in 1992.

NEED FOR SHARE CAPITAL

Towards the end of the 1980s, a combination of rapid growth and the subsequent banking crisis meant that the savings banks needed more equity than they could fund from their operations. Parts of the capital in the banks were therefore converted into share capital, which allowed private individuals to invest in the savings bank through the Oslo Stock Exchange. This also happened with SpareBank 1 Nord-Norge in 1994. As a result, 46% of the Bank's equity is now owned by private investors through the Oslo Stock Exchange. The remainder is still owned by the community in Northern Norway.

THE ALLIANCE

In 1996, Sparebanken Nord-Norge joined in the establishment of SpareBank 1-alliansen, an association of banks collaborating on insurance products, fund management, financial services, technology and branding. To begin with, the alliance consisted of four regional banks and 16 smaller savings banks. Today, the SpareBank 1-alliansen consists of 14 independent savings banks across the country.

Important events

Q1

On 1 January 2019, the insurance arms of SpareBank 1 and DNB merged, and Fremtind Forsikring AS was born.

Lena Slåtto was presented as the new marketing manager. She came from the post of sales director at Nordlys and Amedia.

SpareBank 1 Regnskapshuset Nord-Norge acquired Regnskapssentralen AS. Six staff changed employers, and 180 business customers moved to a new provider of accounting services.

The SpareBank 1 banks entered into an agreement to change the ownership model for BN Bank ASA, which also included the distribution of B shares in SpareBank 1 Næringskreditt AS.

On March 15, Petter Høiseth started as the new CEO. He is 45, a qualified lawyer, and has been with SpareBank 1 Nord-Norge since 2009.

From the establishment of Fremtind Forsikring AS, and DNB's stake in the Company, the parent company SpareBank 1 Gruppen AS received a tax-free profit of around NOK 1.7 billion.

Q2

Mortgage rates were increased by up to 0.25 percentage points. After the change, the Bank's best indicative mortgage rate was 2.34%. The Bank also launched a brand new product for young people buying their first home.

The Hurtigruten Museum at Stokmarknes was awarded NOK 10 million from Samfunnsløftet. The support was earmarked for two sub-projects in the new museum. Riddu Riđđu was awarded NOK 750,000. Among other things, the money was intended for the festival's work with children to ensure that the Sámi languages can remain in living and natural use in the community.

Turid Aspenes (51) was presented as the Chief of Staff. She came from the position of HR manager in the same Group. The senior management team now consists of six women and eight men.

The 'Expectation Barometer for North Norway' was presented in Bodø. It showed, among other things, that northern Norwegian managers were optimistic for the region but not equally positive about their own industries.

The northern Norwegian savings banks joined forces to finance the work of bringing the FIS Alpine World Ski Championships to Narvik in 2027. It was an unprecedented joint effort.

Loan interest was raised again. This resulted in a general increase in lending rates of 0.25 percentage points.

New CEO, extraordinary income, first policy on sustainability and support for everything from beach clearance to Bodø as European capital of culture.

Q3

In an extraordinary board meeting, SpareBank 1 Nord-Norge decided to award NOK 50 million from Samfunnsløftet to Bodø as European capital of Culture. The mayor of Bodø Ida Pinnerød described it as an investment that will repay both the Group and the region many times over.

SpareBank 1-alliansen and Spond entered into collaboration on a new and simplified organisation service for Norwegian sports teams, associations, and clubs.

Petter Gjerpe was presented as the new HR Manager for the Group. The 44-year-old took over the post from Turid Aspenes.

With funding from Samfunnsløftet, the non-profit organisation "In the Same Boat" cleared 200 tonnes of rubbish from northern Norwegian beaches.

Q4

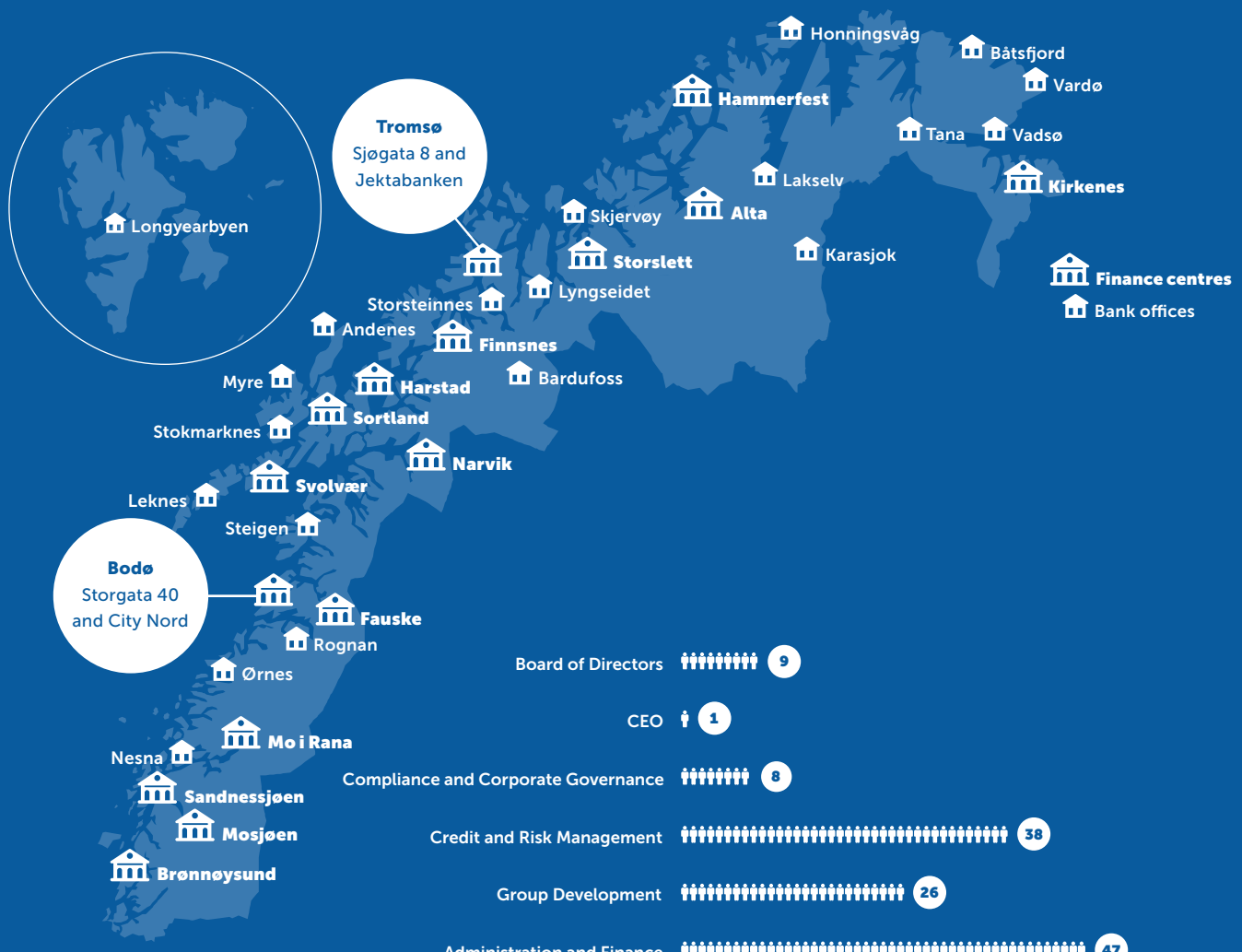
SpareBank 1 Regnskapshuset Nord-Norge AS signed its first collective agreement for in the form of a direct agreement with the Finance Sector Union of Norway.

The Board and Group Management adopted a policy on sustainability and corporate social responsibility. The ambition is to promote sustainable business practice which will contribute to reaching the UN's Sustainable Development Goals.

SpareBank 1 Nord-Norge signed up to the UNEP FI, "Principles of Responsible Banking" under the auspices of the UN Climate Initiative within finance. The Group thereby undertook contribute to the banking industry's global sustainability effort to fulfil the obligations in the Paris Agreement.

The 'Business Barometer for Northern Norway' was presented at Agenda Nord-Norge in Narvik on 11 November. It showed how the region relies on exports and is influenced by the macroeconomic trends in the world.

Branches


Honningsvåg
Båtsfjord
Vardø
Hammerfest
Tana
Vadsø
Lakselv
Kirkenes
Alta
Skjervøy
Karasjok
Storslett
Lyngseidet
Finance centres
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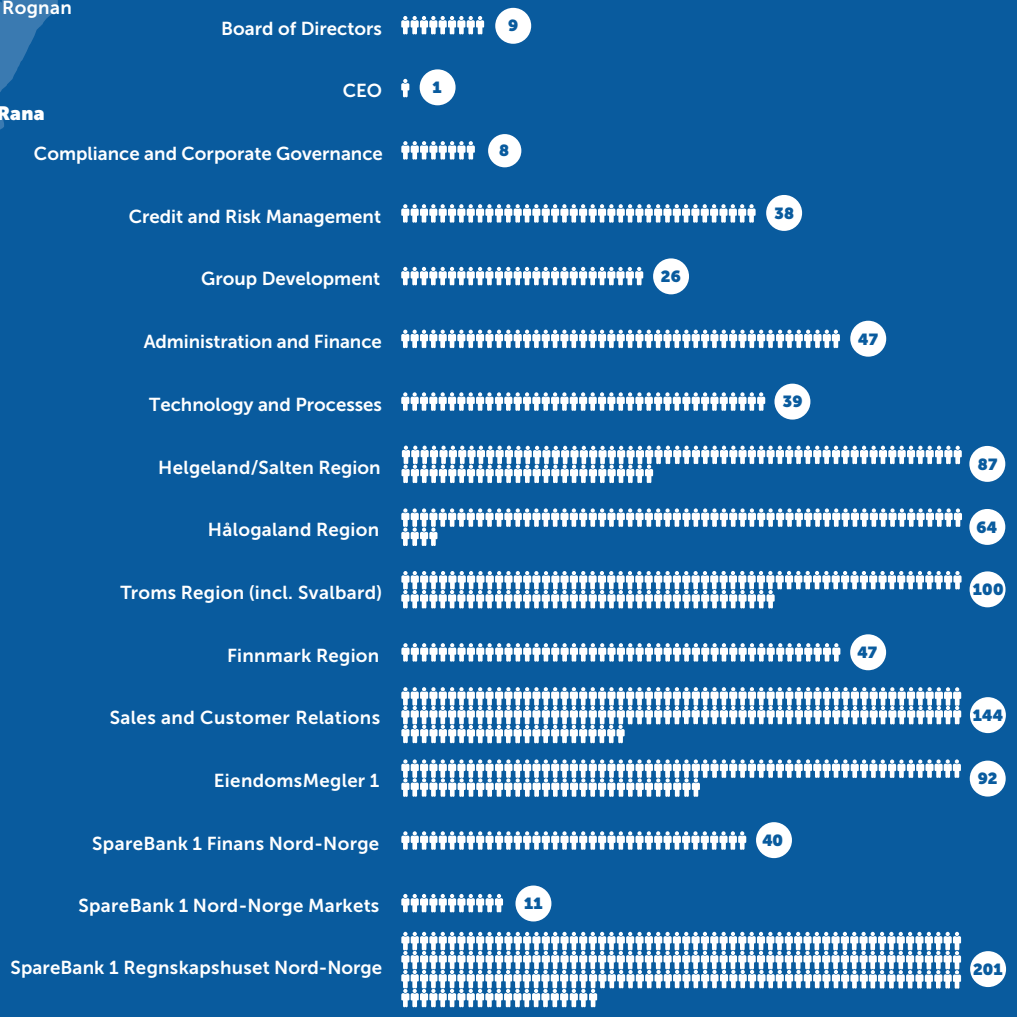
Longyearbyen
Storsteinnes
Andenes
Finnsnes
Bardufoss
Myre
Harstad
Sortland
Stokmarknes
Narvik
Svolvær
Leknes
Steigen
Bodø
Storgata 40 and City Nord
Fauske
Rognan
Ørnes
Mo i Rana
Nesna
Sandnessjøen
Mosjøen
Brønnøysund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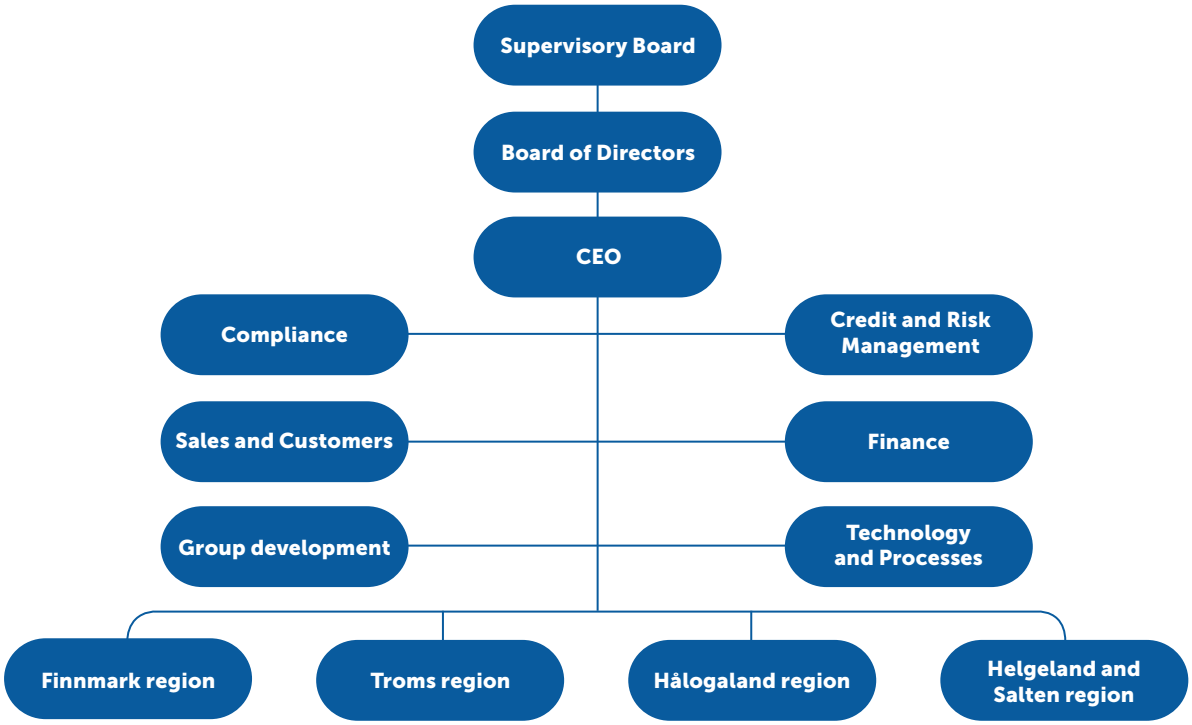


COMPANY STRUCTURE

Wholly owned subsidiaries

- EiendomsMegler 1 Nord-Norge AS
- SpareBank 1 Finans Nord-Norge AS
- SpareBank 1 Regnskapshuset Nord-Norge AS
- SpareBank 1 Portefølje AS
- Fredrik Langesg. 20 AS
- Rødbanken Holding AS
  - Rødbanken AS
  - LAB Nord-Norge AS

Part-owned companies

- SpareBank 1 Gruppen AS 19,5%
- SpareBank 1 Boligkreditt AS 18,65%
- SpareBank 1 Næringskreditt AS 8,6%
- SpareBank 1 Kredittkort AS 16,89%
- SpareBank 1 Betaling AS 18,57%
- SpareBank 1 Utvikling DA 17.74%
- SMB Lab AS 20%
- Betr AS 20%

Annual report

Financial results

In NOK million and as percent of average assets	Note	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net interest income	19	**2,097**	1,896	1,770	1,644	1,512	1,426	1,285	1,166	1,129	1,129
Commission income and other income	20	**1,116**	1,057	992	924	933	966	931	656	506	513
Net return on financial investments	21	**911**	463	552	509	249	602	346	260	184	404
Total income		**4,124**	3,416	3,314	3,077	2,694	2,994	2,562	2,082	1,819	2,046
Personnel costs	22	**834**	748	708	689	850	704	638	581	514	477
Other operating expenses	23	**806**	726	658	631	611	624	571	539	522	480
Total operating expenses		**1,640**	1,474	1,366	1,320	1,461	1,328	1,209	1,120	1,036	957
Result before losses		**2,484**	1,942	1,948	1,757	1,233	1,666	1,353	962	783	1,089
Loss on loans, guarantees etc.	13	**11**	22	184	213	200	321	172	195	101	87
Result before tax		**2,473**	1,920	1,764	1,544	1,033	1,345	1,181	767	682	1,002
Tax charge	25	**409**	374	324	291	163	223	214	172	157	186
Result non-current assets held for sale		**-2**	-4			-5	-27				
Minority interests						-7	-1	1			
Net profit		**2,062**	1,542	1,440	1,253	872	1,096	966	595	525	816

Balance sheet

In NOK million and as percent of average assets	Note	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Cash and loans to and claims on credit institutions	10	**1,471**	3,786	3,431	2,721	2,398	4,405	2,047	2,142	2,866	3,294
CDs, bonds and other interest-bearing securities	28 29	**17,738**	14,565	11,811	10,470	11,747	10,193	11,919	12,997	11,841	12,178
Loans and advances to customers	11	**86,771**	82,145	75,003	70,763	64,053	61,249	57,282	54,551	51,642	49,046
Individual write-downs for impaired value	13			-216	-154	-169	-171	-244	-303	-206	-271
Collective write-downs for impaired value	13			-300	-373	-247	-236	-209	-198	-226	-200
Provision for credit losses - stage 3	13	**-151**	-162								
Provision for credit losses - stage 2	13	**-142**	-157								
Provision for credit losses - stage 1	13	**-189**	-192								
Other assets	34	**6,026**	6,171	7,457	7,074	7,621	7,748	6,725	6,072	5,122	4,733
Total assets		**111,524**	106,156	97,186	90,501	85,403	83,188	77,520	75,261	71,039	68,780
Deposits from credit institutions	10	**563**	187	434	818	1,816	2,758	4,284	6,663	6 446	6,123
Deposits from customers	35	**68,030**	63,985	57,849	53,870	48,087	45,761	44,940	41,220	41,765	39,389
Debt securities in issue	36	**24,786**	25,135	23,552	21,165	21,470	21,116	16,336	16 534	13,342	14,477
Other liabilities	37	**2,923**	2,591	2,202	2,287	2,719	2,861	2,008	1,917	1,709	1,774
Subordinated loan capital	38	**1,050**	1,200	850	1,350	1,350	1,350	1,450	2,095	1,356	1,347
Hybrid capital	38	**780**	780	530							
Total equity	41	**13,392**	12,278	11,769	11,011	9,961	9,342	8,502	6,832	6,421	5,670
Total liabilities and equity		**111, 524**	106,156	97,186	90,501	85,403	83,188	77,520	75,261	71,039	68,780

Key figures

NOK million	Note	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Return on equity capital [1]	41	**15.9%**	12.9%	12.9%	12.0%	9.1%	12.2%	13.0%	9.0%	8.5%	15.3%
Cost/income group [2]	23	**39.8%**	43.1%	41.2%	42.9%	54.2%	44.4%	47.2%	53.8%	57.0%	46.8%
Cost/income parent bank [2]	23	**28.8%**	38.8%	36.9%	35.4%	52.4%	46.4%	44.0%	51.8%	57.6%	50.1%
Gross loans to customers incl comission loans [4]	11	**121,734**	114,117	105,485	96,287	88,403	84,980	80,581	75,914	68,034	63,334
Growth in loans incl comission loans last 12 months [4]	11	**6.7%**	8.2%	9.6%	8.9%	4.0%	5.5%	6.1%	11.6%	7.4%	7.2%
Growth in loans last 12 months	11	**6.0%**	7.8%	6.0%	10.5%	4.6%	6.9%	5.0%	5.6%	5.3%	1.8%
Deposits from customers	35	**68,030**	63,985	57,849	53,870	48,087	45,761	44,940	43,588	41,765	39,389
Growth in deposits last 12 months	35	**6.3%**	10.6%	7.4%	12.0%	5.1%	1.8%	3.1%	-1.3%	6.0%	12.9%
Share of loans transferred to Sp 1 Bolig-kreditt of total loans to retail customers	12	**41.3%**	39.8%	40.0%	36.7%	38.2%	39.7%	40.8%	41.1%	35.0%	32.3%
Share of loans transferred to Sp 1 Bolig-kreditt of total loans to customers	12	**29.6%**	29.1%	28.9%	26.5%	27.5%	27.9%	28.5%	28.1%	24.1%	22.6%
Deposits as a percentage of gross lending incl comission loans [6]	35	**55.9%**	56.1%	54.8%	55.9%	54.4%	53.8%	55.8%	54.3%	61.4%	62.2%
Deposits as a percentage of gross lending [5]	35	**79.4%**	79.1%	77.1%	76.1%	75.1%	74.7%	78.5%	75.6%	80.9%	80.3%
Total assets		**111,524**	106,156	97,186	90,501	85,403	83,188	77,520	75,329	71,032	68,780
Average assets [3]		**108,989**	101,855	93,905	89,168	84,039	80,191	75,952	72,921	70,291	66,245
Branches		**38**	38	38	38	62	74	74	74	75	75
Number of man-years (Group)	22	**904**	841	784	774	830	927	922	881	794	788
Number of man-years (parent bank)	22	**584**	559	538	510	618	639	647	672	670	675
Number of man-years (subsidiares)	22	**320**	282	246	264	212	288	275	209	124	113
Net other operating income of total income	21	**27.1%**	30.9%	29.9%	30.0%	34.6%	32.3%	36.3%	31.5%	27.8%	25.1%
Common equity Tier 1 Capital (CET 1 Capital)	5	**11,472**	10,334	9,992	9,155	8,367	7,752				
Common equity Tier 1 Capital (CET 1 Capital) %	5	**17.2%**	14.5%	14.9%	15.0%	13.9%	12.5%				
Tier I capital	5	**12,496**	11,396	10,857	9,951	9,110	8,439	7,783	6,672	6,002	5,334
Tier I Capital %	5	**18.8%**	16.0%	16.2%	16.3%	15.1%	13.6%	13.4%	12.1%	11.6%	10.9%
Equity and related capital resources	5	**13,726**	12,904	12,141	11,229	10,358	9,680	8,069	7,270	6,465	5,849
Total regulatory Capital %	5	**20.6%**	18.1%	18.1%	18.4%	17.2%	15.6%	13.9%	13.2%	12.5%	11.9%
Total risk-weighted assets base	5	**66,609**	71,167	67,223	61,120	60,328	61,925	57,989	55,098	51,704	48,966
Leverage ratio	5	**7.7%**	7.2%	7.2%	7.0%	6.1%	5.9%				
Losses on loans to customers as a percent-age of gross loans incl comission loans [4]	13	**0.01%**	0.02%	0.17%	0.22%	0.22%	0.19%	0.21%	0.26%	0.15%	0.14%
Non-perf. commitm. as % of gross loans incl commission loans [4]	13	**0.29%**	0.37%	0.84%	0.31%	0.30%	0.33%	0.59%	0.51%	0.68%	0.77%
Other doubtfull commitm. as % of gross loans incl commission loans [4]	13	**0.16%**	0.23%	0.65%	0.37%	0.39%	0.41%	0.75%	0.89%	0.87%	0.93%
Net commitments in default and at risk of loss as a percentage of gross loans incl commission loans	13	**43.20%**	38.40%	23.76%	30.08%	32.82%	32.82%	28.41%	30.64%	25.46%	34.15%

[1] The profit after tax in relation to average equity, calculated as a quarterly average of equity and as at 1 January and 31 December. The Bank's tier 1 capital instruments issued in 2019 are classified as equity in the financial statements. However, when calculating the return on equity, hybrid tier 1 capital of NOK 780 million is not included and the associated interest costs of NOK 28 million are adjusted for in the result.
[2] Total costs in relation to total net income.
[3] Average total assets is calculated as an average of the opening balance on 1 January, quarterly total assets, and the closing balance on 31 December.
[4] Intermediary loans include loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS amounting to NOK 36.042 million, which have been derecognised from the balance sheet.
[5] Customer deposits as a percentage of gross lending.
[6] Customer deposits as a percentage of gross lending, inclusive of intermediary loans.
[7] Stage 3 loss provisions in relation to total non-performing and impaired commitments.

Key figures ECC NONG

Hybrid tier 1 capital issued in SpareBank 1 Nord-Norge amounting to NOK 780 million is not covered by the definition of debt in the IFRS regulations and is therefore classified as equity. Based on this, NOK 28 million in accrued interest on the hybrid tier 1 capital has not been recognised as a cost in the income statement but has been charged directly against equity.

When calculating key figures for equity and the equity certificates, accrued interest on hybrid tier 1 capital is thus deducted from the accounting result. At the same time, hybrid tier 1 capital is deducted from the equity on the balance sheet. This ensures that the key figures relevant to the Bank's owners are calculated on the basis of the result and the equity that actually belong to the owners.

Also see note 41.

NOK million	Note	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
NONG Quoted/market price [1]		**78.50**	62.80	62.25	52.25	36.70	39.90	35.50	24.70	28.90	37.76
Number of Equity Certificates (EC) issued [2]	41	**100,398**	100,398	100,398	100,398	100,398	100,398	100,398	74,398	73,996	56,919
Allocated dividend per EC [3]	42	**4.00**	4.00	4.00	3.45	2.00	1.90	1.10	1.02	1.25	1.81
Equity capital per EC Group [4]		**61.84**	56.70	54.34	50.84	46.00	44.05	40.08	38.19	36.43	34.41
Result per EC Group, adjusted for interest hybrid capital [5]	42	**9.39**	7.03	6.61	5.54	5.10	4.64	4.14	4.01	2.72	5.26
P/E (Price/Earnings per EC Group) [6]		**8.4**	8.9	9.4	9.0	8.9	7.7	8.6	7.3	10.5	7.6
P/B (Price/Book Value per EC Group) [7]		**1.3**	1.1	1.1	1.0	0.8	0.9	0.9	0.6	0.8	1.1
Pay-out ratio Group [8]	42	**58.60%**	56.90%	60.50%	59.63%	48.65%	36.77%	26.62%	11.80%	19.74%	33.14%
EC ratio overall as at 01.01. used for allocaton of result	41	**46.36%**	46.36%	46.36%	46.36%	46.36%	47.33%	47.33%	42.07%	38.74%	34.54%

[1] Quoted/market price ajusted for equity issues, fund issues, dividend issues and splits. All key figures are adjusted with the same factor as the quoted/market price.
[2] Number of certificates issued
[3] Allocated dividend
[4] Equity excl. hybrid capital Group*EC ratio overall/Number of EC
[5] Anualised result after tax Consern*EC ratio overall/Number of EC
[6] Market price/Result per EC Group adjusted for interests hybrid capital
[7] Market price/Book value per EC Group
[8] Dividend per EC/Result per EC Group

Group Profit Analysis

From profit and loss account

NOK million	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Interest income	**3,320**	2,795	2,611	2,548	2,702	2,998	2,990	2,845	2,823	2,549
Interest costs	**1,223**	899	841	904	1,190	1,572	1,705	1,679	1,694	1,420
Net interest income	**2,097**	1,896	1,770	1,644	1,512	1,426	1,285	1,166	1,129	1,129
Dividend and other income from investments	**827**	380	438	440	407	469	330	227	209	294
Fees and commissions receivable	**1,035**	978	931	871	908	940	892	686	567	590
Fees and commissions payable	**107**	95	85	85	75	74	75	74	80	85
Net gain/loss on securities and foreign exchange	**84**	83	114	69	-158	133	16	33	-25	110
Other operating income	**188**	174	146	138	100	100	114	44	19	8
Net overall contribution	**4,124**	3,416	3,314	3,077	2,694	2,994	2,562	2,082	1,819	2,046
Wages, salaries an general administration costs	**1,358**	1,202	1,101	1,066	1,218	1,053	975	900	827	758
Depreciation etc. on fixed- and intangible assets	**120**	61	65	60	56	97	53	54	47	45
Other operating costs	**162**	211	200	194	187	178	181	166	162	154
Result before losses	**2,484**	1,942	1,948	1,757	1,233	1,666	1,353	962	783	1,089
Losses on loans and guarantees	**11**	22	184	213	200	321	172	195	101	87
Profit before tax	**2,473**	1,920	1,764	1,544	1,033	1,345	1,181	767	682	1,002
Tax	**409**	374	324	291	163	223	214	172	157	186
Result non-current assets held for sale	**-2**	-4			-5	-27				
Profit for the year	**2,062**	1,542	1,440	1,253	865	1,095	967	595	525	816
Minority interests					-7	-1	1			
Majority interests	**2,062**	1,542	1,440	1,253	872	1,096	966	595	525	816

From profit and loss account

In % of average assets	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Interest income	**3.05%**	2.74%	2.78%	2.86%	3.22%	3.74%	3.94%	3.90%	4.02%	3.85%
Interest costs	**1.12%**	0.88%	0.90%	1.01%	1.42%	1.96%	2.24%	2.30%	2.41%	2.14%
Net interest income	**1.92%**	1.86%	1.88%	1.84%	1.80%	1.78%	1.69%	1.60%	1.61%	1.70%
Dividend and other income from investments	**0.76%**	0.37%	0.47%	0.49%	0.48%	0.58%	0.43%	0.31%	0.30%	0.44%
Fees and commissions receivable	**0.95%**	0.96%	0.99%	0.98%	1.08%	1.17%	1.17%	0.94%	0.81%	0.89%
Fees and commissions payable	**0.10%**	0.09%	0.09%	0.10%	0.09%	0.09%	0.10%	0.10%	0.11%	0.13%
Net gain/loss on securities and foreign exchange	**0.08%**	0.08%	0.12%	0.08%	-0.19%	0.17%	0.02%	0.05%	-0.04%	0.17%
Other operating income	**0.17%**	0.17%	0.16%	0.15%	0.12%	0.12%	0.15%	0.06%	0.03%	0.01%
Net overall contribution	**3.78%**	3.35%	3.53%	3.45%	3.21%	3.73%	3.37%	2.86%	2.59%	3,09%
Wages, salaries an general administration costs	**1.25%**	1.18%	1.17%	1.20%	1.45%	1.31%	1.28%	1.23%	1.18%	1.14%
Depreciation etc. on fixed- and intangible assets	**0.11%**	0.06%	0.07%	0.07%	0.07%	0.12%	0.07%	0.07%	0.07%	0.07%
Other operating costs	**0.15%**	0.21%	0,21%	0.22%	0.22%	0,22%	0.24%	0.23%	0.23%	0.23%
Result before losses	**2.28%**	1.91%	2.07%	1.97%	1.47%	2.08%	1.78%	1.32%	1.11%	1.64%
Losses on loans and guarantees	**0.01%**	0.02%	0.20%	0.24%	0.24%	0.40%	0.23%	0.27%	0.14%	0.13%
Profit before tax	**2.27%**	1.89%	1.88%	1.73%	1.23%	1.68%	1.55%	1.05%	0.97%	1.51%
Tax	**0.38%**	0.37%	0.35%	0.33%	0.19%	0.28%	0.28%	0.24%	0.22%	0.28%
Result non-current assets held for sale	**0.00%**	0.00%			-0.01%	-0.03%				
Profit for the year	**1.89%**	1.51%	1.53%	1.41%	1.03%	1.37%	1.27%	0.82%	0.75%	1.23%
Minority interests					-0.01%	0.00%	0.00%			
Majority interests	**1.89%**	1.51%	1.53%	1.41%	1.04%	1.37%	1.27%	0.82%	0.75%	1.23%

Average total assets is calculated as the average of quarterly total assets (total assets) as at 1 January and 31 December.
Calculated average total assets for 2019 was NOK 108.889 million.
Total assets correspond to the total of capitalised assets for the Group.

Annual report from the board

Main features 2019 (same period 2018)

- result for the year: mnok 2,062 (mnok 1,542).
- return on equity (group): 15.9% (13.0%)[1]
- earnings per equity certificate (group): nok 9.39 (nok 7.03).
- net income from financial assets: mnok 911 (mnok 462).
- lending growth in last 12 months: 6.7% (8.2.%) including intermediary loans.
- growth in deposits in last 12 months: 6.3% (10.6%).
- deposit coverage ratio: 79% (79%).
- core tier 1 capital ratio (group): 17.2% (14.5%).
- provisions for dividend: nok 4.00 (nok 4.00).

2019 was an eventful year and a very good one for SpareBank 1 Nord-Norge. Petter Bjørkly Høiseth was appointed as the new CEO on 15 March 2019. Over the years, the Bank's underlying operations have been good, with high growth, low losses and good profitability. This continued in 2019, and the year was also marked by substantial one-off income and transactions relating to the insurance company Fremtind, which is the result of the merger between DNB Forsikring and SpareBank 1 Skadeforsikring. These transactions are evidence of values which have been built up over a long time and underpin the results for 2019, which are historically good. The key figures shown above back this up.

[1] The Bank's issued hybrid Tier 1 instruments are classified as equity in the accounts. However, hybrid Tier [1] instruments are excluded when calculating the return on equity.

STRATEGIC OBJECTIVES AND GOAL ACHIEVEMENT

Strategic objectives	Targets	2019	2018	2017	2016	2015	2014
Profitability							
Return on equity	Banking operations that are among the best for comparable financial groups, currently 12% or higher.	**15.9%** **12.3%[1])** **12.8%[2])**	12.9%	12.9%	12.0%	9.1%	12.2%
	Average for Norwegian banks		11.5%	11.4%			
Efficiency							
Costs	From 2017: Long-term objective: cost/income ratio 40% or lower.	**39.8%** **44.8% [1])** **42.9%[2])**	43.1%	41.2%	42.9%	54.2%	44.4%
Actual	Before 2017: Target for maximum cost growth[1]			0%	0%	1%	2%
	2017: Actual cost growth			4.5%	-2.5%	1.4%	9.8%
Financial strength							
Core Tier 1 capital ratio	Indisputable financial strength. Core Tier 1 capital ratio one percentage point above regulatory minimum requirement. Currently 15.0% or higher.	**17.22%**	14.50%	14.90%	15.0%	13.9%	12.60%
Dividends							
Payout ratio, Group	50% or higher. Before 2017: up to 50%	**42.6%**	56.9%	60.5%	60%	49%	37%

[1]) Excl. gain from merger
[2]) Excl. gain from merger and restructuring costs

26 February 2020 CEO Petter Høiseth resigned, and Liv Bortne Ulriksen started as the new acting CEO. The Board approved the annual financial statements on 27 February. Since then we also have been faced with a worldwide pandemic with the outbreak of the COVID-19 coronavirus. The effects of this pandemic have caused great economic uncertainty, market falls and challenges for many countries. Because of the ongoing pandemic, the Board has decided to prepare new annual financial statements with a new report and a reduced dividend payment.

The Group has met its long-term profitability target in each of the last seven years except for 2015. That year, significant provisions were made for profitability improving measures, including staffing reductions. The current long-term profitability objective is to achieve banking operations that are among the best for comparable financial groups. By evaluating the concrete ongoing targets for return on equity, a comparison is made with other banks' profitability targets and actual profitability. The capital markets' expectations regarding profitability are also assessed based on bank analysts' forecasts. This means that the ROE target for 2019 has remained at 12%, and this also applies for 2020.

The objective of a maximum long-term cost/income ratio of 40% is secondary to the Group's strategic profitability objective. In the opinion of the Board of Directors, developments in the financial services sector suggest that the Group should focus on strict cost control and continuously improving efficiency through digitalising and simplifying processes. The cost target is considered ambitious but achievable. The cost/income ratios for 2019 and 2018 were 39.8% and 43.1% respectively. Disregarding the effect of the Fremtind transactions (MNOK 460) and the provision for the profitability project in 2019 (MNOK 70), the cost/income ratio for 2019 is 42.9%.

The profitability project initiated in 2019 is intended to ensure that the Group has a cost/income ratio of no more than 40%. The profitability project has also set a short-term target effect on the bottom line of MNOK 200 at the end of 2021 compared to 2019 (excl. provision for profitability measures).

The reason for maintaining a long-term cost/income ratio of 40% is a desire for an efficiency target that compares well with other players. A relative target also takes account of the income side, which is particularly important at a time when operations are undergoing significant restructuring.

The Group's overarching strategic objective is to be indisputably strong and have a core Tier 1 capital ratio one percentage point above the regulatory minimum. As of 31.12.19, this implies a target core Tier 1 capital ratio of 15.0%, while the calculated ratio is 17.2%.

The result for 2019 may be described as very good and the Group's financial strength is also very good.

FUTURE FOCUS

A focus on the core business is key to the Group's strategy. At the same time, changed regulatory requirements and the evolving expectations of both customers and society mean that the SpareBank 1 Nord-Norge Group has to constantly develop and adapt. This places great demands on the Group in terms of the pace of change required, and both business models and internal processes are far less static than before.

2019 has been marked by several regulatory changes. They have a major impact on the Group's capital situation and have called for changes in both skills and processes. Stricter requirements and closer monitoring of anti-money laundering and compliance activities demand greater focus and more resources. These are important areas in relation to the trust that a financial group depends on. Together with a continuous customer and business focus, the work on compliance will form an important part of the business strategy in the coming years.

The Group is still investing heavily in the IT area. This includes process improvements to develop new sales channels and optimise existing channels. Everything that can be automated will be automated. These investments will continue in 2020 while the Group does more to address the effects of changed customer behaviour and increased digitalisation. In parallel with this digitalisation, the Group continues to invest in its physical presence. In 2019, the Bank renovated and/or moved to new premises at Ørnes and Bodø. In December 2019, we started to move into our newly renovated and upgraded head office, Rødbanken in Tromsø. The official opening was in January 2020. When moving into new premises, we prioritise co-location with our subsidiaries, to establish a complete finance house with banking, real estate, asset financing and accounting operations. Co-locating the companies in the Group is intended to create synergies, which

should in turn result in a better customer experience and increased profitability and efficiency.

With our network of physical branches, combined with good digital solutions, SpareBank 1 Nord-Norge has a dominant presence in the region. Although we will be going through a strategic process in 2020, SpareBank 1 Nord-Norge will retain a strong physical and digital presence in the region going forward.

After a very successful launch of Samfunnsløftet in September 2018, SpareBank 1 Nord-Norge carried this momentum forward into 2019. In 2018 and 2019, a community dividend of MNOK 465 was allocated. These funds have benefited the northern Norwegian community through the five initiatives established in 2018 and continued in 2019: ungdomsløftet (for youth), kunnskapsløftet (for knowledge), innovasjonsløftet (for innovation), arenaløftet (for arenas), and lokalsamfunnsløftet (for the local community). It was decided in 2018 that these would apply to the whole of the Group's strategy period, up to 2021. A topical category ("temaløfte") was also defined, which can be changed each year during the strategy period. For 2018 and 2019, this was "plastløftet". Work has started on preventing plastic granulate from artificial grass pitches ending up as microplastics in the ocean. Among other things, Samfunnsløftet was intended to make the ownership model better known, and to create positive engagement internally and externally. It is fair to say that the goals were achieved very successfully. Throughout 2019, Samfunnsløftet did much to make the ownership model known and create engagement in and around SpareBank 1 Nord-Norge.

The Group's ownership model, with its partial community ownership, benefits both the community as an owner and the Bank's equity certificate holders. Overall, SpareBank 1 Nord-Norge is well-equipped to strengthen its position as the number one bank for customers, owners and employees in Northern Norway – For Northern Norway.

STRATEGIC COMPASS:

SpareBank 1 Nord-Norge – number one for customers, employees and owners

SpareBank 1 Nord-Norge enjoys a unique position in the region with a strong network of branches and almost half of the northern Norwegian population as customers. Nonetheless, the fast pace of change is placing considerable demands on both the organisation and its form of management. The Group is therefore focusing heavily on overall management, locally-based decision-making and local energy. The Group's strategic compass is central to its overall management. It describes what the Group wants to achieve, its strategic objectives and ambitions, and how these will be achieved – through the Group's DNA and values. Managing according to a strategic compass enables us to make good decisions, even when the environment and market conditions are changing fast. During 2019, the strategic compass provided a clear pointer for the Group, and a basis for efficiency improvements in operations and development work. This in turn ensures good and long-term value creation.

STRATEGIC CHOICES

SpareBank 1 Nord-Norge is a full-service provider of financial products and services. Central to the Group's strategy is ensuring that customers have the same good customer experience whichever channel they are using (face-to-face meeting, direct bank or digital), or whatever part of the Group they are dealing with. In this work, the Group is adopting the available technology, taking advantage of its local presence and, at the same time, trying to enhance the Group's distinctive character.

The current strategy period is 2018–2020. A new strategy process has begun and a new strategy will be adopted during 2020.

In its current and future strategy, the Group will focus on accepting the consequences of the strategic choices that have been made and reinforcing compliance. The issues to be considered include:

- *Cultivating the distinctive qualities of the brand and culture:* Developing and taking advantage of the northern Norwegian brand. Focusing on the core business: this is defined geographically as Northern Norway and people/businesses with ties to Northern Norway. It includes banking, real estate brokerage, accounting, and asset financing. Utilising corporate power and synergies: Using and taking advantage of the Group's financial, market and skills-based power in all parts of the Group. Streamlining and renewing staffing: con tinually improving operational efficiency, while the Group attracts and develops relevant skills. Taking a leading position in developing SpareBank 1-alliansen: Developing the competitive advantage that comes from being part of Norway's strongest financial alliance.

The strategy emphasises continuing and reinforcing those elements with which the Group has had success. The following priorities will be continued:

- *Redesigning the distribution and service strategy:* Designing and implementing our service strategy, where we reach the customer both through strong financial centres and digitally. We will also emphasise direct sales and investment in new customer relationship (CRM) systems.

Key principles include the customer choosing the channel and being able to access the Group's entire expertise at every point of contact.

- *Establishing, and adapting the Group to, new ecosystems:* Developing third-party partnerships to reinforce the business model and customer experience. Important milestones in 2019 include the establishment of Fremtind insurance, which is a merger between SpareBank 1 Skadeforsikring AS and DNB Forsikring AS. SpareBank 1 Nord-Norge wants to play an active role in the development of further third-party partnerships.

- *Automating all of the processes that can be automated:* increasing efficiency by optimising processes through the active use of digital assistants (robots) and artificial intelligence.

- *Building an organisation and network for innovation:* enhancing innovation skills and the capacity to develop new products, processes and channels.

- *Actively inviting consolidation within the northern Norwegian financial services industry:* Stepping up work on compliance, sustainability and ethics, reflected in 2019 in the significant re-authentication work carried out as part of the Bank's anti-money laundering efforts.

- *Improving the administration and utilisation of the community's ownership:* Developing models and processes that make use of, highlight and increase the value of the Group's unique ownership model. Continuing the work on a northern Norwegian "Samfunnsløft", which also supports the Group's operations.

Strategies have also been established for the various main segments of the Group. Please also see the annual report's section on operations.

SUBSIDIARY COMPANIES

SpareBank 1 Nord-Norge's customers are offered a complete portfolio of services from the parent bank and the other companies that make up the Group. The main subsidiaries are briefly described below:

SpareBank 1 Finans Nord-Norge AS

The company is 100% owned by SpareBank 1 Nord-Norge and bears commercial responsibility for the leasing and secured loan financing product areas, with Northern Norway as its primary market area. The company also offers consumer financing. The parent bank and external retailers are important distribution channels for the company.

At the end of the year, the company had a good earnings base and managed consumer loans, leasing and vendor's security agreements totalling MNOK 6,611 (MNOK 6,257). The company's book equity was MNOK 1,103 (MNOK 1,114) as at 31.12.19. The return on equity for 2019 has been calculated as 13.4% (15.8%). The prospects for greater future activity and satisfactory returns in the company are good. The prospects for greater future and satisfactory returns in the company are good, but if the corona crisis is protracted and has a serious impact on the real economy, it could have a negative effect on the company, particularly on losses, but also on other growth and earnings.

The company is co-located with the Bank in Bodø and Tromsø, and had 40 (37) permanent employees as at 31.12.19.

EiendomsMegler 1 Nord-Norge AS

EiendomsMegler 1 Nord-Norge AS is a member of a nationwide alliance with other real estate companies owned by SpareBank 1 banks. The company is wholly owned by SpareBank 1 Nord-Norge and operates real estate brokerage in 17 different locations in Northern Norway. Most branches are co-located with the Bank. At the end of the year, EiendomsMegler 1 Nord-Norge had 91 (85) employees.

The company is a market leader in Northern Norway and most of the cities and towns in the north. The company has consolidated its position in recent years and in 2019 it had a market share of 36.5%. Its market share has been increasing for several years, from 22% in 2011. EiendomsMegler 1 Nord-Norge AS sold 3,360 properties in 2019, compared with 3,389 the year before. The company delivered a turnover of MNOK 151, which represents an increase of 2% compared with

2018. The supply of new assignments in 2019 was very good, 7% higher than the year before. This is a good starting point for further growth in the northern Norwegian housing market.

The commission income per sold residential unit has been stable since 2011. Over the same period, the average price for a sold residential Unit has risen by MNOK 1 to MNOK 2.8 per sold residential unit in 2019.

If the corona crisis is protracted and has a serious impact on the real economy, it could have a negative effect on house prices, sales and profits in the company.

SpareBank 1 Regnskapshuset Nord-Norge AS
SpareBank 1 Regnskapshuset was established in 2012 and completed a number of acquisitions and mergers after this. As at 31.12.19, the company had a total of 189 (159) FTEs and branches in Kirkenes, Hammerfest, Alta, Tromsø, Balsfjord, Finnsnes, Harstad, Narvik, Bodø, Mo i Rana, Sandnessjøen, Mosjøen/Trofors, Brønnøysund, Svolvær and Sortland. The focus on this sector is part of a collaboration with a number of the alliance banks with similar activities. The cooperation covers areas such as branded goods, IT, expertise, work processes and quality.

The SpareBank 1 Regnskapshuset Nord-Norge AS venture is motivated by a desire to exploit synergy effects with the Group's other activities. This includes increased sales across the Group, increased customer satisfaction and more efficient payment services. Examples include increased automation and integration of customers' billing systems, payment solutions and accounting. SpareBank 1 Regnskapshuset took over ownership of LofotRegnskap AS in Svolvær, Regnskapsbyrået Pluss AS in Kirkenes and Regnskapssentralen AS in Sortland from 01.01.19. In 2020, SpareBank 1 Regnskapshuset AS is expected to grow to around 220 employees and deliver a total turnover of around MNOK 210. The company is changing and developing, and rapid digitalisation will require further action in the future. If the corona crisis is protracted and has a serious impact on the real economy, it could have a negative effect on sales and profits in the company.

SpareBank 1 Nord-Norge Portefølje
As part of the Group's greater focus on its core activities, this company's former business is being restructured/wound up. SpareBank 1 Nord-Norge Portefølje has nevertheless been retained as a legal entity for legal and practical reasons. The object of the company is to "manage stakes owned by the SpareBank 1 Nord-Norge Group and business naturally associated with this". Parts of the business include managing ownership stakes that date from previous customer commitments in the Bank.

The market value of SpareBank 1 Nord-Norge Portefølje's investments was MNOK 19 as at 31.12.19, divided between MNOK 9 in equity investments and MNOK 10 in subordinated loans. The company's equity amounted to MNOK 11. The return on equity for the year was negative and this must be seen in the context of the company's business area.

SpareBank 1 Nord-Norge Portefølje AS is administered by the Bank and has no employees.

SPAREBANK 1-ALLIANSEN

The Bank's participation in SpareBank 1-alliansen and its stake in SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA (formerly SpareBank 1 Banksamarbeidet DA) form an important part of the Group's strategy.

NOK million	Ownership interest	Equity	Result 2019	Result 2018	Dividend 2019	Dividend 2018	Allocated capital according to internal models 2019	Return on allocated capital 2019	Allocated capital according to internal models 2018	Return on allocated capital 2018
SpareBank 1 Finans Nord-Norge AS	100%	1,103	124	131	137	5	939	13.3%	1,203	10.9%
SpareBank 1 Regnskapshuset Nord-Norge AS	100%	80	17	17			54	31.9%	44	39.5%
EiendomsMegler 1 Nord-Norge AS	100%	49	13	11	14	10	30	43.7%	30	35.6%
SpareBank 1 Nord-Norge Portefølje AS	100%	11	-3	1			10	-26.3%	7	-10.6%
Nord-Norge IV AS (sold mid-2018)	100%			0			NA	NA	NA	NA
Alsgården AS (sold mid-2018)	100%			0			NA	NA	NA	NA
Fredrik Langesg 20 AS	100%	347	-1	0			NA	NA	NA	NA
Rødbanken Holding AS (not-for-profit, not consolidated)	100%						NA	NA	NA	NA
Total		**1,590**	**150**	**158**	**151**	**15**	**1,033**	**14.5%**	**1,284**	**12.3%**

This participation has been important for SpareBank 1 Nord-Norge's positive development and has greatly contributed to the fact that the Bank has become a financially sound, strong bank 'For Northern Norway'.

The SpareBank 1 banks run the alliance and develop the product companies through the jointly-owned SpareBank 1 Utvikling DA and SpareBank 1 Gruppen AS, the holding company. The purpose of SpareBank 1-alliansen is to procure and provide competitive financial products and services, and to achieve economies of scale in the form of lower costs and/or higher quality. This allows the alliance to offer retail and corporate customers local roots, expertise and easier day-to-day banking. The alliance should also help to ensure the creation of value by the banks for the benefit of their region and the banks' owners.

The alliance banks have opted to collect their stakes in the Norwegian financial services industry's infrastructure in SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA. This collective ownership allows the alliance banks to act as a major player in both Norwegian banking partnerships and with respect to foreign market players. SpareBank 1 Nord-Norge owns 19.5% of SpareBank 1 Gruppen AS and 17.74% of SpareBank 1 Utvikling DA. The Bank owns a proportionately larger stake than the other owner banks because of its size. This makes SpareBank 1-alliansen particularly important for the SpareBank 1 Nord-Norge Group, not least because the underlying values in the alliance companies are judged to be significant. The later were illustrated by the merger between SpareBank 1 Skadeforsikring AS and DNB Forsikring AS in 2019. See separate section on SpareBank 1-alliansen later in the annual report.

NOK million	Ownership interest	Share of equity as at 31 December 2019	Share of profit 2019	Share of profit 2018	Dividend 2019	Dividend 2018
SpareBank 1 Gruppen AS	19.50%	1,649	712	289	663	286
SpareBank 1 Boligkreditt AS	17.82%	2,066	22	-6		11
SpareBank 1 Næringskreditt AS	8.60%	176	7	7	9	10
SpareBank 1 Kredittkort AS	16.89%	182	13	22	24	37
SpareBank 1 Betaling AS	18.57%	145	3	-7		
SpareBank 1 Utvikling DA	17.74%	21	-2	1		
Betr AS	20.00%	6	-1	-1		
SMB LAB AS	20.00%	13	-4	-2		
BN Bank ASA	9.99%	-	28	65		
Total		**4,258**	**778**	**368**	**696**	**344**

REVIEW OF THE ANNUAL ACCOUNTS

SpareBank 1 Nord-Norge's consolidated accounts were prepared in accordance with the International Financial Reporting Standards (IFRS), as approved by the EU, and Section 3-9 of the Norwegian Accounting Act. In accordance with the provisions of Section 4-5 of the Norwegian Accounting Act, the accounts for 2019 were prepared on the assumption that the Group is a going concern. The Group and parent bank are financially very strong and enjoy good earnings, satisfactory liquidity, and a good deposit coverage ratio.

Financial performance

NOK million	Group 2019	Group 2018	Parent bank 2019	Parent bank 2018
Net interest income	2,097	1,896	1,813	1,650
Net fee, commission and other operating income	1,116	1,057	775	722
Net income from financial investments	911	463	1,683	449
Operating costs	1,640	1,474	1,231	1,095
Losses	11	22	-2	31
Profit/loss before tax	2,473	1,920	3,042	1,695
Tax	409	374	355	321
Result from business held for sale	2	4		
Profit for the year	**2,062**	**1,542**	**2,687**	**1,374**

Net interest income
The strong competition for loan customers, with interest conditions coming under pressure, continued in 2019. Net interest income was also affected by the Bank's borrowing costs (funding costs in the money markets) and the growth in lending and deposit volumes. The Group's total net interest income increased by MNOK 201 from 2018 to 2019.

The Bank's borrowing costs rose throughout the year, primarily as a result of increased money market rates. Norges Bank raised its base rate three times during the year. However, because of the six-week notification period, money market rates rose faster than we could adjust our customer interest rate.

As a result, the parent bank's lending margin measured against the money market rate (NIBOR) fluctuated widely through the year, but is 0.04 percentage points lower at 31.12.18. The deposit margin increased through the year, ending 0.25 percentage points higher than it was at the same time last year.

When we look at 2020, uncertainty has increased because of the corona crisis. If this drags on, there is a risk that this will have a negative impact on the bank's borrowing costs for 2020.

The growth in lending in 2019 was 4.7% and 11.7% in the retail and corporate markets respectively. This is considered to be higher than the general lending growth in the market. The calculation of growth includes new loans granted by the Bank that have been sold to the alliance's mortgage companies. The relatively strong growth in the corporate market was partly due to the strategic prioritisation of this segment and good market opportunities and positive economic development in the region. The lending growth in 2019 is considered good and, overall, this has been an important factor behind the growth in net interest income.

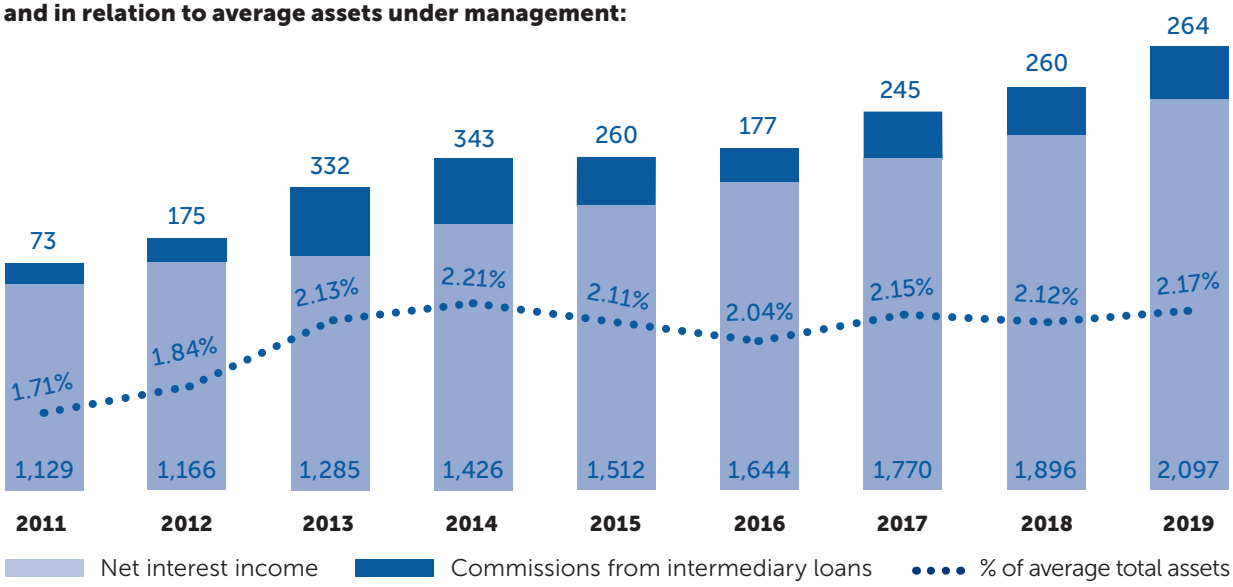
Net interest income was also affected by loans transferred to the alliance's mortgage companies SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. The income of MNOK 264 from the transferred portfolio has been recognised under commission income. The corresponding figure for 2018 was MNOK 260.

Net fee, commission and other operating income
SpareBank 1 Nord-Norge's objective is to increase income by offering a broad range of products, including in areas with no credit risk such as savings, investments and insurance. The subsidiaries also contribute to increased income within asset financing, real estate brokerage and accounting services.

In 2019, net commission and other operating income accounted for 35% of total income from the Group's core activities. The corresponding figure for 2018 was 36%.

Commission income from SpareBank 1 Boligkreditt and Næringskreditt increased by MNOK 4 in 2019, while net interest income, including commission income from the transferred loan portfolio, increased by MNOK 205.

Development in net interest income including commissions, and in relation to average assets under management:



Other commission income and other operating income developed as follows in the last year

NOK million	31.12.19	31.12.18	Change
Income, insurance	**166**	155	11
Income, payment transfers	**312**	282	30
Income, real estate brokerage	**141**	135	6
Income, accounting fees	**187**	158	29
Net other income	**46**	67	-21
Total	**852**	**797**	**55**

The Group has been working on various measures aimed at improving earnings in this area for some time. The increased income from accounting services was affected by several acquisitions of new business in 2019. In 2018, gains from the sale of bank buildings in Alta and Bodø were included in net other income.

Net income from financial investments

Result contributions from associated companies and joint ventures are recognised in the consolidated accounts using the equity method. The Group's shares of the respective companies' results are recognised in "Income from investments" in the income statement, with a corresponding adjustment of the value of the stake on the balance sheet in "Investment in associated companies and joint ventures".

NOK million	31.12.19	31.12.18	Change
Total contributions from associates and JVs	**815**	374	441
Share dividends	**12**	6	6
Net value changes shares	**75**	88	-13
Net value changes, bonds, currencies and derivatives	**5**	7	´-2
Net value change, loans at fair value	**4**	-12	16
Net income from financial investments	**911**	**463**	**448**

The Group's net income from financial investments in associates and joint ventures is distributed as follows:

Income shares NOK millions	Ownership interest	31.12.19	31.12.18	Change
SpareBank 1 Gruppen	19.50%	**712**	289	423
SpareBank 1 Boligkreditt	18.65%	**22**	-6	28
SpareBank 1 Næringskreditt	8.6%	**7**	7	0
SpareBank 1 Kredittkort	16.89%	**13**	22	-9
SpareBank 1 Betaling	18.57%	**3**	-7	10
BN Bank	9.99%	**28**	65	-37
Others	20.00%	**-4**	-2	-2
Sale of companies		**34**	6	28
Total contributions from associates and JVs		**815**	**374**	**441**

The parent bank's accounts use the cost method, which involves income recognition of the actual dividend received each year from these companies, see overview below.

The Group's profit for 2019 is heavily influenced by the share of the profit in SpareBank 1 Gruppen. 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 and the establishment of the insurance company Fremtind Forsikring AS.

The transaction agreement involved a conversion ratio of 80% for SpareBank 1 Skadeforsikring AS and 20% 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.

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.

SpareBank 1 Nord-Norge sold part of its stake in BN Bank AS at the end of May 2019. The ownership interest dropped from 23.5% to 9.99%, and a profit of MNOK 33 was recognised in 2Q 2019. At the same time, the remaining stake in BN Bank was reclassified in the accounts from a strategic investment in an associated company using the equity method to an ordinary stake measured at fair value.

In 2Q 2019, the Bank also sold part of its stake in the alliance company SpareBank 1 Næringskreditt AS, reducing it from 14.48% to 8.6%, with a recognised gain of MNOK 4. The remaining stake is still treated in the accounts as an associated company using the equity method.

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

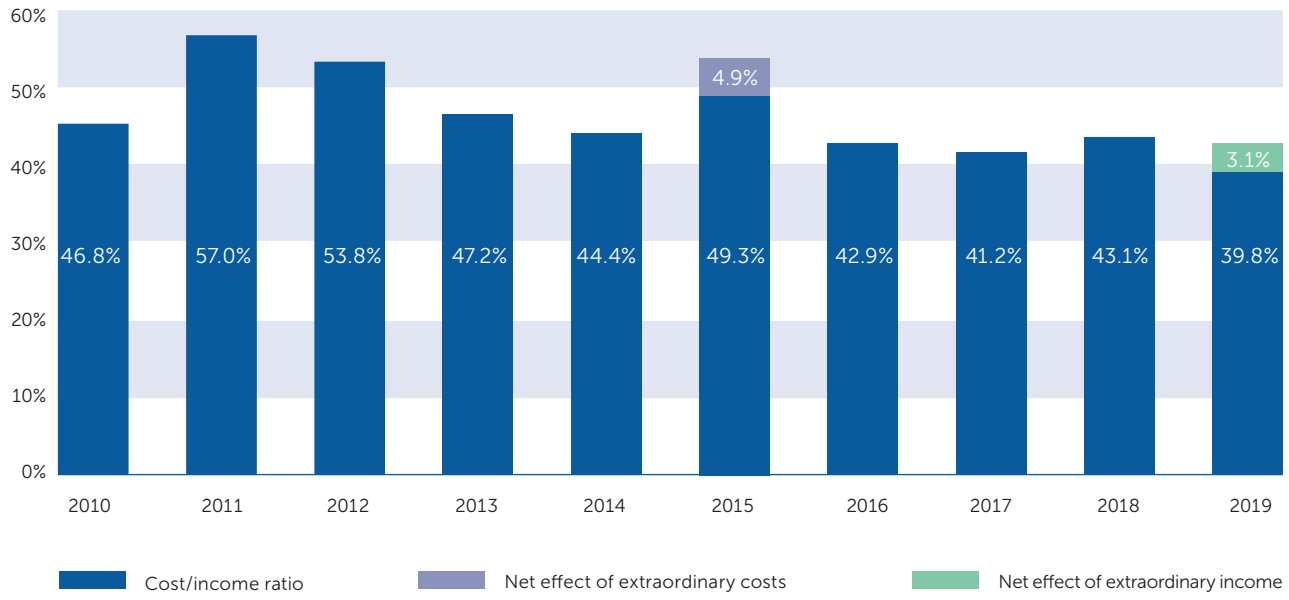
The earnings figures of the jointly-owned companies in SpareBank 1-alliansen are good. In the opinion of the Board, the underlying assets in these companies are also substantial. The planned merger brings these underlying assets somewhat to the fore.

NET CHANGE IN FINANCIAL ASSETS

Equities

As at 31.12.19, the Group's equities portfolio amounted to MNOK 791 (MNOK 352). The portfolio had a net positive profit contribution of MNOK 75 in the last year, most of which is due to positive value growth in the shareholdings in Visa and BN Bank.

Change in cost/income ratio over the last 10 years



Certificates, bonds, derivatives and currency
As at 31.12.19, the Group's holdings of certificates and bonds amounted to MNOK 15,837 (MNOK 12,560). No net change in share value in 2019. Lower credit premiums in 1Q 2019 resulted in a positive change in the portfolio, although this was gradually reduced over the year due to an increase in credit premiums in autumn 2019.

Loans at fair value
The Group's portfolios of fixed-rate loans and loans for sale to mortgage companies are classified and measured at fair value. The fixed-rate loan portfolio is hedged using interest rate swaps, which are also measured at fair value. The overall change in value in 2019 in the loan portfolio and associated interest rate hedges resulted in a negative contribution to the result of MNOK 2 due to rising interest rates throughout the year.

Subsidiaries
Dividends received from subsidiaries are recognised in the parent bank's accounts using the cost method. An overview of the results and dividends from the various subsidiaries is provided in a separate section at the beginning of this report.

As indicated earlier in the annual report from the Board, the Group's subsidiaries delivered a combined result after tax of MNOK 150 in 2019 (MNOK 158), which has been fully consolidated into the Group accounts.

Business held for sale
SpareBank 1 Nord-Norge owns 100% of the shares in Bodø-Gruppen II AS (factory buildings linked to earlier solar cell production in Glomfjord, Nordland). The companies are reported under IFRS 5 as available for sale and are therefore not consolidated in the accounts like ordinary subsidiaries.

OPERATING COSTS

The Group's long-term goal for the cost/income ratio (C/I) is 40% or lower. As at 31.12.19, this ratio was 39.8% (43.1%) for the Group and 28.7% (38.8%) for the parent bank.

Adjusted for the gain from the merger taken from SpareBank 1 Gruppen, as well as provisions for restructuring costs (see below), the cost/income ratio for the Group is 42.9%, and 29.5% for the parent bank.The Group's costs for 2019 were MNOK 166 (11%) higher than in 2018 and are specified in the table above. Of this increase, MNOK 136 is attributable to the parent bank and MNOK 30 to the Group's subsidiaries.

NOK millions	31.12.19	31.12.18	Change
Wages	**661**	578	83
Pensions	**46**	52	-6
NI contributions	**127**	118	9
Administration costs	**524**	454	70
Depreciation, fixed assets	**120**	61	59
Operating costs, properties	**28**	19	9
Other operating costs	**134**	192	-58
Total operating costs	**1,640**	**1,474**	**166**

The Group was engaged in a profitability drive during the autumn of 2019. This has now been completed. A number of cost-cutting measures have been decided on, including a reduction in staffing. Further measures will be considered as part of the strategy work in 2020, including an assessment of the bank account structure. As at 31.12.19, MNOK 70 had been set aside for such restructuring costs. These measures will be implemented during the course of 2020 and 2021, and the overall impact of the profitability drive is anticipated to be MNOK 200 as at the close of 2021.

The increase in costs in the subsidiaries was largely attributable to the acquisition of new business by SpareBank 1 Regnskapshuset Nord-Norge. Increased costs of the parent bank are due to higher activity associated with AML (anti-money laundering) and compliance, digitalisation, automation and new system solutions, as well as insourcing tasks from the alliance. Approximately MNOK 6 of this increase in AML and compliance costs is of a temporary nature. Provisions totalling MNOK 12 were made for wealth tax in 4Q 2019.

The Group's long-term target is a cost ratio of 40% or lower. As at 31.12.19, this ratio was 39.8% (43.1%) for the Group and 28.8% (38.8%) for the parent bank. Adjusted for the aforementioned gain from the Fremtind merger and the aforementioned restructuring costs, the cost/income ratio was 42.9% for the Group and 29.5% for the parent bank.

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.

The Group had 904 full-time equivalents as at 31.12.19 (841). Compared with 31.12.18, there are 63 more FTEs, 24 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. Over time, this will provide a net positive effect. The number of FTEs in the parent bank as at 31.12.19 was 584 (559), of which about half of the increase was due to the aforementioned takeover of tasks from the joint alliance call centre.

LOSSES AND DEFAULTS ON LOANS

The Group's net losses on loans and guarantees to customers in 2019 amounted to MNOK 11 (MNOK 22): MNOK 14 (MNOK 25) from the retail market and MNOK -3 (MNOK -3) from the corporate market. The level of losses is considered very low.

The Group's total loss provisions on loans as at 31.12.19 decreased by MNOK 26 compared to 31.12.18.

As at 31.12.19, total loss provisions on loans and guarantees came to MNOK 520 (MNOK 546). This equates to a loss provision ratio of 43% (38%) of net non-performing and doubtful commitments. As at 31.12.19, total loss provisions for loans amounted to 0.60% (0.66% of the Group's total gross lending to customers, and 0.42% (0.48%) of gross lending to customers including intermediary loans.

As at 31.12.19, the Group's total loss provisions for loans and guarantees classified as band 3 pursuant to IFRS 9 amounted to MNOK 152 (MNOK 166). As at 31.12.19, loss provisions for loans and guarantees classified as bands 1 and 2 pursuant to IFRS 9 amounted to MNOK 368 (MNOK 380).

In the opinion of the Board, the quality of the Group's loan portfolio is good and the Group is doing high quality work in connection with non-performing and impaired commitments. There will continue to be a strong focus on this work going forward. The overall level of losses in the portfolio is generally expected to be low going forward. However, a prolonged coronavirus crisis and a likely economic downturn will result in higher losses in 2020 than we have experienced in recent years. The corona crisis has not affected loss provisions for 2019, as this was an event occurring after the balance sheet date.

TAX

The Group's tax cost for 2019 is estimated at MNOK 409 (MNOK 374). The tax base was reduced by permanent differences between the accounting and tax treatment of some balance sheet items, as well as the effects of the exemption method. As mentioned above, wealth tax is recognised as part of ordinary operating costs.

ALLOCATION OF PROFITS

Prior to the allocation of the year's profits to the owners, the parent bank's accounting profit after tax was MNOK 2,687 (MNOK 1,374). This was adjusted (reduced) by MNOK 28 (MNOK 20). This represents an interest yield (adjusted for tax) for issued hybrid Tier 1 instruments, which are recognised in the accounts as a direct reduction in equity. Following this, the remaining profit amounts to MNOK 2,659 (MNOK 1,354), has been distributed between the equity certificate holders and the Bank's community-owned capital. This distribution mirrors the relative distribution of equity capital between the owner groups in the parent bank.

The Bank's dividend policy sets a payout ratio target of at least 50% of the Group's result. The Board is proposing to the Bank's Supervisory Board an ordinary cash dividend of NOK 4.00 (NOK 4.00) per equity certificate, for a total of MNOK 402 (MNOK 402), and an allocation of MNOK 831 (MNOK 226) to the dividend equalisation fund. In addition, a combined transfer of MNOK 465 (MNOK 465) to community dividends is proposed. The proposed allocation of the profit entails an equal payout ratio for the Bank's equity certificate holders and community-owned capital. The payout ratio amounts to 42.6% (56.9%) of the Group's profit and 32.6% (64.0%) of the parent bank's profit. Please refer also to the separate section on ownership later in this report and in the annual report. The Bank's Supervisory Board has approved the annual accounts and allocation of the profit.

CASH FLOW ANALYSIS

Total cash flow from operations in the Group amounted MNOK 1,328 (MNOK 763). Cash flow from operations amounted to MNOK -1,912 (MNOK -1,171), while the Group's profit after tax amounted to MNOK 2,062 (MNOK 1,542). The difference is mainly due to lending growth, as well as increased holdings of certificates and bonds. Total investments in the Group amounted to MNOK -96 in 2019 (MNOK -342). The year's investments were directed at jointly controlled activities in the alliance. The Group's liquidity holdings as at 31.12.19 amounted to MNOK 1,471 (MNOK 3,786). The Group's ability to

Allocation of the result for 2019

NOK millions	31.12.19	31.12.18	Change
Parent bank's profit after tax	2,687	1,374	1,313
Interest costs, hybrid Tier 1 instruments	28	20	8
Net profit available for distribution	**2,659**	**1,354**	**1,305**
Cash dividend per equity certificate	NOK 4.00	NOK 4.00	
Allocated to cash dividend	**402**	**402**	
Allocated to the dividend equalisation fund	**831**	**226**	**605**
Total to equity certificate holders	1,233	628	605
Share of profit	46.36%	46.36%	0.00%
Allocated to donations	464	464	
Allocated to the Savings Bank Fund	962	262	700
Total for community-owned capital	**1,426**	**726**	**700**
Share of profit	53.64%	53.64%	0.00%
Total allocations	**2,659**	**1,354**	**1,305**
Retained portion, Group profit	57.4%	43.1%	-14.3%
Retained portion, parent bank's profit	67.4%	36.0%	-31.4%
Payout rate for the result for the Group	42.6%	56.9%	14.3%
Payout rate for the result for the parent bank	32.6%	64.0%	31.4%

Dividends will be paid to those registered as equity certificate holders as at 26.03.20.
The Bank's equity certificate will be listed ex-dividend on 27.03.20.

self-finance investments is good. Please also see the cash flow statement included as part of the annual accounts.

BALANCE SHEET PERFORMANCE

As at 31.12.19, loans totalling BNOK 36 (BNOK 33) had been transferred to SpareBank 1 Boligkreditt, and BNOK 0.4 (BNOK 0.4) to SpareBank 1 Næringskreditt. These loans do not appear as lending on the Bank's balance sheet.

In the case of new loans, particular importance is attached to customers' 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.

After a period of strong growth in lending to retail and corporate customers in 2017 and 2018, total lending growth to retail customers was slightly lower in 2019. The northern Norwegian economy is doing well, with plenty of investment. As the main business bank in the SME segment, SpareBank 1 Nord-Norge has chosen

Percentage 12 months' growth	2019	2018	2017
Lending to the retail market	**4.7%**	8.2%	9.3%
Lending to the corporate market	**11.7%**	8.2%	10.1%
Total growth	**6.7%**	8.2%	9.6%

NOK millions	31.12.19	31.12.18	Change %
Retail market lending	**86,287**	82,381	4.7%
Corporate market lending	**35,447**	31,736	11.7%
Gross lending to customers, incl. intermediary loans	**121,734**	114,117	6.7%
Total lending to customers, excl. intermediary loans	**85,692**	80,863	6.0%
Retail market deposits	**36,489**	34,179	6.8%
Corporate market deposits [1])	**31,541**	29,806	5.8%
Total deposits	**68,030**	63,985	6.3%
Deposit-to-loan ratio, incl. intermediary loans	**79.4%**	79.1%	0.3%
Total assets	**111,524**	106,156	5.1%

[1]) Incl. public sector market

to grow together with northern Norwegian business, and has therefore achieved a high growth in loans and deposits in the SME market in 2019, while the risk appetite is unchanged and the quality in the portfolio has improved.

There is strong competition, especially in the mortgage market, but the Group is competitive. It took market share in 2019, and expects to gain further market share in 2020. Since it is expected that market growth will decline somewhat during 2020 compared with 2019, expected growth in the retail market has been reduced to a level of around 3.5 percentage points for 2020. Expected growth in the corporate market is 6-8 percentage points. If the coronavirus situation and closing down of the economy lasts for a prolonged period of time, these growth figures will have to be adjusted downwards, although it is still too early to say what the impact will be.

The retail market accounted for 71% of total loans as at 31.12.19 (72%).

LIQUIDITY

The Bank's most important source of funding is customer deposits. At the end of 2019, the deposit coverage ratio (excluding intermediary loans) was 79% (79%). The Bank's remaining funding, apart from equity and subordinated capital and deposits from customers, is mainly from 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 31.12.19, the calculated liquidity coverage ratio (LCR) was 156% (172%).

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

FINANCIAL STRENGTH AND CAPITAL ADEQUACY

SpareBank 1 Nord-Norge's goal is to maintain indisputable 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 15%.

In January 2007, SpareBank 1 Nord-Norge was authorised to use IRB models to calculate capital requirements for credit risk. In February 2015, the Bank was also authorised to use the advanced IRB method for the corporate portfolio. The use of IRB places great demands on the Bank's organisation, competence, risk models and risk management systems.

Until 31.12.19, SpareBank 1 Nord-Norge, and other Norwegian IRB banks, were subject to transitional rules regarding the magnitude of the risk-weighted calculation basis. The transitional rules mean that the risk-weighted calculation basis cannot be lower than 80% of the risk-weighted calculation basis under Basel I. This is referred to as the "Basel I floor".

CRR/CRD IV (Basel III) has now been fully implemented in Norway, including the removal of the 'Basel I floor' and the implementation of the 'SME discount' etc. effective from 31.12.19.

The countercyclical capital buffer increased from 2.0% to 2.5% on 31.12.19.

According to the rules for identifying systemically important financial institutions (SIFIs), SpareBank 1 Nord-Norge is not classed as a SIFI.

The Group uses proportional consolidation for its capital adequacy reporting for the stakes in SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt, and SpareBank 1 Kredittkort. Following the sell-down in BN Bank to 9.99%, the stake is below the minimum limit for consolidation. Following dialogue with the Financial Supervisory Authority of Norway, the Group has nevertheless chosen to consolidate this stake into its capital adequacy.

The Group's core Tier 1 capital has increased by MNOK 1,138, or 11 percentage points, in the last year. The total calculation basis, despite good lending growth, decreased by about BNOK 4.6 in 2019, mainly as a result of the above rule changes (removal of regulatory floor and SME discount).

The total minimum requirement for the unweighted Tier 1 capital ratio (leverage ratio) is 5%. As at 31.12.19, the leverage ratio was 7.7% (7.2%) at Group level and 10.4% (9.5%) at parent bank level.

The Bank's financial strength is considered good in relation to the current regulatory requirements and risk exposure. See also sections on risk and capital management, and on regulatory conditions.

[2]) Lower capital requirements for lending to small and medium-sized enterprises that meet a set of given criteria

Capital ratio as at 31.12.19

	31.12.19	31.12.18	Change
Core	**17.2%**	14.5%	2.7%
Tier 1 capital	**18.8%**	16.0%	2.7%
Total capital	**20.6%**	18.1%	2.5%
Leverage ratio	**7.7%**	7.2%	0.5%

EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the balance sheet date that are considered to have a significant impact on the Group's profit and/or financial position at 31.12.19.

The corona crisis which escalated sharply during March 2020 and led to a partial shutdown of the Norwegian economy will affect the bank in several areas. The first industries to be affected are tourism and transport, but in time retail and real estate will also be hit, and ultimately the rest of the economy if everything stops. The economic consequences for the Norwegian economy could be huge if this drags on, but the expectation is that the shutdown will have to end after a while. It is impossible to predict the long-term effects, but the government's cash measures, both to stop the epidemic and to boost the economy, are powerful and the Board believes that the long-term effects will be limited. The bank is aware of the situation and is committed to assisting customers with liquidity and financing to get them through a difficult period. Still, we must expect more defaults and increased losses in 2020 compared to recent years. However, the bank is financially strong and has a significant buffer for losses, so the Board sees it as very much a going concern.

On 02.09.19, Fremtind Forsikring AS received a licence from Financial Supervisory Authority of Norway to operate a life insurance company through its wholly owned subsidiary Fremtind Livsforsikring AS. Personal risk products from SpareBank 1 Forsikring AS and DNB Livsforsikring AS, as well as the employerfunded personal risk cover from SpareBank 1 Forsikring AS, were transferred to Fremtind Livsforsikring AS on 01.01.20.

The merger of SpareBank 1 Forsikring AS and DNB Livsforsikring AS, and the resultant transfer to Fremtind Livsforsikring AS, with payment made by Fremtind Forsikring AS, took financial effect on 01.01.20.

A total value in the personal risk area of around BNOK 6.25 has been assumed. The merger will result in increased equity for SpareBank 1 Gruppen AS at a Group level. The majority (the SpareBank 1 banks and the Norwegian Confederation of Trade Unions (LO)) share of this increase will be approximately BNOK 1.7. SpareBank 1 Nord-Norge's share of this increase (19.5%) will be approximately MNOK 331, which will be recognised as income in 1Q 2020.

SpareBank 1 Gruppen AS (the parent company) will receive a tax-free gain of around MNOK 937 as a result of this merger. SpareBank 1 Gruppen AS has increased its dividend base to match this gain. SpareBank 1 Nord-Norge's share of a dividend of approximately MNOK 937 (19.5%) will amount to MNOK 183.

DNB has an option to increase its stake in Fremtind Forsikring AS from 35% to 40% by 31.03.20. If DNB exercises this option, SpareBank 1 Gruppen AS (the parent company) will gain around MNOK 890. SpareBank 1 Gruppen AS has increased its dividend base to match this gain. The exercising of this option will also result in increased equity for the SpareBank 1 Gruppen at a Group level. The majority interest's (the SpareBank 1 banks and the Norwegian Confederation of Trade Unions (LO)) share of this increase will be around MNOK 590. SpareBank 1 Nord-Norge's share of this increase (19.5%) will be approximately MNOK 115, which will probably be recognised as income during 2020.Any extraordinary or ordinary dividend from SpareBank 1 Gruppen AS will be contingent on the capital situation, decisions by the company's governing bodies and the regulations for extraordinary dividends from financial undertakings applicable at the relevant time.

CORPORATE GOVERNANCE

The governance of SpareBank 1 Nord-Norge is based on the Norwegian Accounting Act and the principles stated in the Norwegian Code of Practice for Good Corporate Governance. Please see the special section in the annual report on 'Corporate governance' which also covers the requirements of Section 3-3b of the Norwegian Accounting Act. It provides a detailed description of SpareBank 1 Nord-Norge's compliance with the Code of Practice. The section also contains information about the Board with sub-committees.

RISK AND CAPITAL MANAGEMENT

Risk and capital management at SpareBank 1 Nord-Norge should support the Group's strategic development and performance. It should also ensure financial stability and safe and secure asset management. This should be achieved through:

- A healthy risk culture characterised by a high awareness of risk and capital management.
- A good understanding of what risks drive earnings.
- Pricing products, to the extent possible, in line with the underlying risk.

- Striving to achieve the optimal allocation of capital within the adopted business strategy.
- Exploiting synergy and diversification effects.
- Preventing individual events causing serious damage to the Group's financial position.

A comprehensive framework for risk and capital management has been established in SpareBank 1 Nord-Norge. The issues to be considered include:

- governing documents.
- roles and responsibilities.
- monitoring and reporting.
- models for calculating risk and risk-adjusted capital requirements.

The Group's risk strategy governs risk and capital management in SpareBank 1 Nord-Norge. The risk strategy and the business strategy together constitute the Group's supreme governing documents. All other governing documents are derived from these. The Group's control and management model clearly defines responsibilities and roles. SpareBank 1 Nord-Norge invests a great deal of resources to establish, follow up and develop the Group's risk management systems and processes. The aim is to manage all significant risks in accordance with the best practices for comparable financial groups.

A risk-adjusted capital requirement is calculated for all the significant risk areas. This is an important prerequisite for assessments related to risk exposure and financial strength targets. These factors are meant to secure the Group's operations even under stressed market conditions.

The Board discusses quarterly summary of the risk picture for the Group. This forms the basis for the Board's discussions and evaluations of necessary measures. A key part of this review is an assessment of the Group's financial strength, liquidity and funding, profitability and efficiency based on developments in the underlying portfolios and risks.

The Group carries out a comprehensive risk and capital assessment process (ICAAP/ILAAP) each year. The ICAAP/ILAAP is initiated and approved by the Board of Directors. The process involves a comprehensive overall assessment of the Group's total risk exposure, quality of governance and control, and short and long-term capital and liquidity needs.

The risk and capital management framework is reviewed and approved by the Board of Directors each year.

The Group's overall risk level, in line with the risk strategy, should be low to moderate.

INTERNAL CONTROL

In line with regulatory requirements and best practice, the Group has established a control model with three lines of defence. This is to ensure adequate internal control.

The business units etc. form the first line of defence, and are meant to ensure sufficient quality and control when tasks are performed for the first time.

The Risk Management and Compliance departments are independent of the first line, and make up the Group's second line of defence. Risk Management and Compliance monitor and check that quality and compliance are sufficient, and report periodically to Group Management and the Board.

Internal and external audit are the Group's third line of defence, and carry out independent assessments of the internal controls in place. Internal Audit and the external auditors report to the Board on a regular basis. They present independent assessments of the Group's risks and whether internal control is working in an appropriate and satisfactory manner.

The Board monitors the development of key quality and risk indicators every quarter. It also discusses a summary report on the internal control in the Group ("management confirmation") every year. The framework for management and control is evaluated and updated every year.

THE MOST IMPORTANT RISKS AREAS

Business risk

Business risk is defined as the risk of unexpected income and cost fluctuations as a result of the Group's operations or changes to external conditions such as the market situation or government regulations. The latter especially applies to falls in income due to increased competition, changes in framework

conditions or other changes in business conditions, as well as changes to the costs picture that one cannot compensate for through other cost cutting or income increasing measures.

The Group makes use of a broad range of both quantitative and qualitative tools to identify and report business risk.

Good strategic planning is the most important tool for reducing business risk. The Group's limits and guidelines for good corporate governance are important elements in the commercial management of its operations.

The business risk in the Group is considered low, and in line with the Group's risk strategy. The recent events relating to the corona crisis have increased the risk, but the expectation is that this will be for a limited time only.

Credit risk

Credit risk is defined as the risk of losses due to customers or counterparties being unable or unwilling to meet their financial obligations in accordance with an agreement. Credit risk arises because funding is part of the Group's core activities.

The risk in the Group's corporate market credit portfolio is moderate, while the risk in the retail market portfolio is considered very low. The development in the portfolio reflects the good macroeconomic situation in the region. The Group's direct exposure to oil-dependent sectors is low. Most of the loans to retail customers are secured by mortgages on real property and the collateral coverage is good.

The risk strategy establishes limits and targets for the ongoing management of credit risk in the portfolio. The Bank's rules and regulations relating to the granting of credit and authorisations are based on the probability of default (PD) and the "two pairs of eyes principle". The rules and regulations relating to the granting of credit are reviewed and approved annually by the Board. The status regarding the risk limits and targets is reported to the Board every quarter. This also includes suggestions for any measures and the status of previously adopted measures related to risk exposure.

The credit risk in the Group is considered low to moderate, and in line with the Group's risk strategy. Reference is made furthermore to a further description of credit risk in the notes to the financial statements.

Market risk

Market risk is defined as the risk of changes in the value of assets/financial positions due to changes in market value. Typical factors affecting market risk are share prices, interest rates and exchange rates. Market risk arises as a consequence of open positions in the currency, interest rate and capital markets. The Bank seldom takes positions in securities and financial instruments with a view to resale or benefiting from price or interest rate variations in the short term.

Stress tests for market risk show that the Bank and the Group have the capacity to keep the level of risk exposure within the adopted limits.

The market risk in the Group is considered low, and in line with the Group's risk strategy. Please also see the more detailed description of market risk in the notes to the annual accounts.

LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is defined as the risk of the Group being unable to fulfil its obligations when they fall due, as well as the risk of the Group being unable to meet its liquidity obligations without the cost of this increasing significantly.

Securities issued and debt to financial institutions amounted to MNOK 25,349 as at 31.12.19, a reduction of MNOK 27 compared with 2018. The Group's deposit coverage ratio was 79% as at 31.12.19 compared with 79% in 2018 and 77% in 2017. Good deposit coverage and stable customer deposits are important for the Bank's liquidity management.

The need for refinancing in the capital markets in 2020 is on a par with what is considered normal for the Group and is not expected to result in liquidity-related challenges in the future.

The Group's funding strategy must take different considerations into account, including achieving a balance between the lowest possible borrowing costs in the capital market and the costs related to diversification of the Bank's funding in terms of maturity and funding sources. The Board reviews the Group's liquidity strategy and contingency plans every year.

Requirements for prudent liquidity management are regulated by, among other things, regulatory and internal minimum requirements for the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

SpareBank 1 Nord-Norge's liquidity and funding have been adapted to satisfy these requirements.

The liquidity and financing risk in the Group is considered low, and in line with the Group's risk strategy. Refer also to a more detailed description of liquidity and financing risk in the notes to the financial statements.

OPERATIONAL RISK

Operational risk is defined as the risk of people, processes, systems or external events reducing the Group's ability to meet its objectives. Operational risk is an extensive area of risk and includes, among other things: Compliance risk, cyber/IT risk, reputational risk, behavioural risk, third-party risk, human capital risk etc.

Managing operational risk is a key part of risk management in the Group. The Group has therefore developed and established both a framework and a risk management system (Betr) for monitoring, documenting and reporting on operational risk and possible improvements in this area. The Risk Management and Compliance departments coordinate this work and report to management and the Board.

The Group pays particular attention to the most relevant threats at any given time, including IT crime, fraud and other types of threat to the Group and its customers. Incidents that have affected, or could affect, the Group's profitability, reputation or customers are followed up in the Group's risk management system (Betr). SpareBank 1 Nord-Norge also works closely with SpareBank 1-alliansen to ensure good and stable operations and a high level of security. Because of the high pace of change and increased complexity, increased regulatory requirements and increased ambitions in this area, the capacity and expertise of the second line of defence have increased in recent years. This was also the case in 2019.

Internal audit conducts regular independent reviews and evaluations of the level of security and control in the Group.

The operational risk in the Group is considered to be slightly higher than the Group's risk appetite as defined in the risk strategy. This is due to the high pace of change, both internally and externally. Extensive work has been done to reduce risk exposure in this area.

OWNERSHIP RISK

Ownership risk is defined as the risk of the Group suffering a loss from ownership interests in strategically owned companies, or the Group having to supply new capital to strategically owned companies. The stakes in wholly and partly owned companies are significant and important for the Group's overall profitability. On the other hand, these stakes can both lead to greater volatility in the results and affect capital adequacy. The stake in SpareBank 1 Gruppen represents the largest risk driver in this area.

The ownership risk is considered low to moderate, and in line with the Group's risk strategy. There is nothing so far to suggest that the corona crisis will call for additional capital injections to safeguard the Group's holdings, but this could change if the crisis becomes protracted. Refer also to a more detailed description of owner risk in the notes to the financial statements.

CLIMATE RISK

Climate risk (including sustainability) is defined as the risk of events that affect society due to changes in the climate and climate policy. Climate risk consists of three parts:

- Physical risk: Costs related to physical damage as a result of climate change.
- Transition risk: Economic risk associated with the transition to the low-emission society.
- Liability risk: Claims related to decisions or lack of decisions that can be linked to climate policy or climate change in one way or another.

Climate risk is thus an underlying risk driver for other risk types. This includes credit risk, market risk, liquidity and financing risk, insurance risk/ownership risk, as well as operational and reputational risk.

Climate risk arises from the Group's core activities and the fact that the Group is part of the financial system.

The Group's climate risk is considered low to moderate, and in line with the Group's risk strategy. Please also see the more detailed description of climate risk in the notes to the annual accounts.

REGULATORY FRAMEWORK

Regulatory requirements are changing at a fast pace, and this is expected to continue going forward. The Group identifies, assesses and adapts to regulatory changes on an ongoing basis. This is done to ensure:

- compliance with regulatory requirements
- proper management of the business implications

The Group has established a system for monitoring regulatory changes closely through, among other things:

- establishing a compliance committee.
- establishing joint cooperation in the area across the SpareBank 1 banks.
- quarterly reporting to the Board of Directors ("Risk report") on regulatory changes, including their content, timeline for implementation and implications, and compliance.
- annual reporting to the Board of Directors (ICAAP and compliance report) on regulatory changes, including their content, timeline for implementation and implications, and compliance.

The key changes in 2019 and the regulatory changes that have been announced for the coming years can be briefly summarised as follows:

- Capital/financial strength
  - Full implementation of CRR/CRD IV (Basel III) in Norway, including the removal of the 'Basel I floor' and the implementation of the 'SME discount' etc. Effective from 31 December 2019.
  - Countercyclical capital buffer requirement: increases from 2.0% to 2.5% from 31 December 2019.
  - The Financial Supervisory Authority of Norway's determination of minimum requirements for the sum of regulatory capital and convertible debt (MREL) for SpareBank 1 Nord-Norge: Effective from 31 December 2022.
  - Completion of Basel III, including new standard methods and IRB parameter floor, etc: Expected to be introduced in 2022 (at the earliest).
- The biggest commitment must be based on Tier 1 capital, not regulatory capital: Expected to apply from 2021.
- Liquidity and funding
  - Revised Payment Services Directive (PSD2): Effective from 14 September 2019.
  - New benchmark interest rate (reformed Nowa): Expected to be implemented in 2020.
  - NSFR minimum requirements: expected to be introduced in 2021.
- Credit
  - Mortgage Regulations: Changed in 2019 and extended to 31 December 2020.
  - Regulations for consumer financing: Introduced in 2019.
  - Debt Register: Introduced in 2019.
- Several EBA guidelines (GL) and consultation papers (CP) in the IRB area taking effect from 2021 and 2022.
- Accounts
- IFRS 16 Leases: introduced with effect from 1 January 2019.
- Other areas
  - AML circular 8/2019: Clarification and operationalisation of the requirements in the anti-money laundering regulations. Effective from 31 May 2019.
  - MiFID II: introduced with effect from 1 January 2019.
- Financial Contracts Act: The new Financial Contracts Act is expected to be implemented in 2020.

As far as PSD2 is concerned, this is an EU directive that regulates payment transfer systems in the EU and EEA, which is expected to lead to major changes in payment services. In 2019, SpareBank 1 Nord-Norge and SpareBank 1-alliansen have done a lot of work on implementing PSD2, both from the customer perspective and in terms of the Group's compliance with the regulatory requirements. With regard to compliance with the anti-money laundering regulations, SpareBank 1 Nord-Norge has deployed significant resources through 2019 and into 2020, as well as investments in system support, to ensure compliance with the regulatory requirements.

Overall, the changes in the regulatory landscape are considered extensive but manageable. The Group does not expect to have to make significant changes to its business model or strategy, in either the short or medium term, as a result of changes to the regulatory framework.

Auditing

The Group's external auditor is KPMG. Internal audits are carried out by EY. The external and internal auditors report to the Board.

Research and development activities

SpareBank 1 Nord-Norge carries out business development on its own behalf and also participates in extensive joint development within SpareBank 1-alliansen. Key areas of cooperation are technology, digitalisation and automation.

Development work relates to new and better products and services for customers and more efficient operations. Priorities in 2019 were further development of digital channels and development of digital buying solutions. Participation in the industry partnership around Vipps is important for the development and simplification of payment solutions for the retail and corporate markets.

SpareBank 1 Nord-Norge does not directly carry out activities that could be characterised as research. The Board of Directors allocated money for the creation of LAB Nord-Norge in 2019. LAB Nord-Norge is a collaboration between academic institutions, business and public-sector players in Northern Norway, with UiT Arctic University of Norway and Microsoft among the key participants. Central to the cooperation is the development of knowledge and expertise on digitalisation in the region, and increased collaboration on digital development. The Group also grants funds for new knowledge and research purposes in the region through community dividends and thus contributes to research that develops new knowledge in important areas.

Organisation and HR

The Group's Strategic Compass guides organisational and employee development. The Group's aims to be number one for employees and to be Northern Norway's most attractive and engaging workplace so that it can successfully create value for customers, owners and the region. Regular organisational surveys measure factors such as the employees' commitment to the work in the Group. This is measured by a so-called commitment index. Over time, the Group has scored more than 80 out of 100, which is considered very high. The response rate to the surveys is over 90%, which shows great interest among the Group's employees and gives authority to for the results.

Despite low unemployment in Northern Norway, there have been plenty of qualified applicants for positions advertised externally. It is slightly more challenging to recruit into the smallest offices in rural areas. The Group's ability to attract the right employees is very important to achieving its strategic goals. A lot of work therefore goes into good, professional recruitment processes. These are constantly developed.

Collection of insights, anti-money laundering (AML) and sustainability have been high on the agenda in 2019. Several projects have set out to collect and analyse internal and external data to be ready for a new strategic framework in 2020. We have mobilised employees and former employees in the work of re-authenticating all customers where this has been necessary. We have also established a sustainability policy encompassing activities within the organisation and contributed to an increased focus on sustainable development.

Equal opportunities and diversity

Diversity is a cornerstone of success when it comes to promoting innovation and competitiveness. Throughout the Group, the recruitment work has focussed on gender equality and diversity. Discrimination is not accepted.

There are more women in the Group than men. The proportion of female managers at the end of 2019 was 38%. The target is for at least 40% of the managers in SpareBank 1 Nord-Norge to be women. The Group's payroll analyses show that there are no differences in salary between men and women based on gender.

Health, safety and the environment

The Group had a total sickness absence of 3.98% in 2019 (doctor and self-certified). Sickness absence is still low compared to statistics for the region, but the HR department assesses the results on a monthly basis.

The HR Department and the safety service assist management with organisational development measures and following up managers. This work is producing clear results and some departments have made major progress in the organisational surveys that have been conducted.

The Norwegian Working Environment Act instructs employers to consider measures aimed at promoting physical activity among their employees. Through the diet and fitness concept SNN Spor, we turn assessment into action. The programme is the most proactive element of our systematic HSE work. The programme contributes to healthy lifestyles by promoting physical activity and a healthy diet among employees. A total of 85% of the Group's employees took part in 2019, and with an average of almost to 13 hours of exercise per month per participating employee, we are ahead of the Norwegian Directorate of Health's recommendation on physical activity.

Our work is mainly sedentary, and SNN Spor also makes a contribution to a sustainable healthy life.

All employees took compulsory courses on money laundering in 2019. The employees also take shorter courses ("nano learning") on various topics within the area of security. Three accidents involving personal injury were recorded in 2019.

Enviromental, social and corporate governance (ESG)

Sustainability and ESG (environmental, social and governance) issues are high on the agenda in the world. Norges Bank points out that climate risk will affect financial stability in the future, and the financial markets are expected to play a crucial role in the green transformation. This area has taken a high priority in the Group in 2019, with our customers, investors, employees and the community at large.

As the world's northernmost financial group, SpareBank 1 Nord-Norge is particularly concerned with matters that affect Arctic areas. The Group has selected three of the UN's 17 Sustainable Development Goals. These will be emphasised in particular in 2020. In collaboration with the Group's biggest owner, the northern Norwegian community, SpareBank 1 Nord-Norge can also contribute through Samfunnsløftet to all of the UN Sustainable Development Goals. The Group's has set the following target for sustainability: *SpareBank1 Nord-Norge shall engage in sustainable business conduct that will contribute to reaching the UN's Sustainable Development Goals.* SpareBank 1 Nord-Norge signed up to the UNEP FI (principles of responsible banking) in 2019.

In 2019, the focus has been on integrating sustainability into the Group's core processes through a separate policy on sustainability and corporate social responsibility, with complementary guidelines in key areas. The UN Global Compact principles of human rights, labour, the environment and combating corruption provide the basis for the Group's sustainability work. In 2019, the Board of Directors included climate risk in the Group's risk strategy, and defined it as an underlying risk driver for other risk types. In this annual report, SpareBank 1 Nord-Norge is reporting for the first time according to the recommendations in the framework for the TCFD (Task Force on Climate-Related Financial Disclosures). Operationalisation of procedures to address climate risk will be a priority in 2020, and this is reported quarterly to the Board. In 2019, the Group was part of Finance Norway's working group on climate risk, and CICERO's research project "Sustainable Edge", work that will continue in 2020.

The Group aims to reduce its own greenhouse gas emissions by 5% per year from 2016-2026, with the goal of a total reduction of 40% by the end of this period. This reduction is in line with the Paris Agreement. This year's climate accounts for SpareBank1 Nord-Norge show a reduction in greenhouse gas emissions of 5% compared to 2018. This is in line with the Group's ambition to reduce its own greenhouse gas emissions in a 10-year perspective.

You can read more about sustainability targets in the separate chapter on this in the annual report.

MACROECONOMIC CONDITIONS

Global development

Growth for several of our key trading partners has slowed down since 2017. Uncertainty and declining growth characterised the global economy throughout 2019. It remains the case that the uncertainty as a result of the trade dispute between China and the USA, as well as the UK's departure from the EU, has had the greatest impact on global growth estimates. China and the United States have now settled on a limited trade agreement, and the UK is leaving the EU. However, negotiations on a new trade agreement are still outstanding. Brexit will probably also dominate the headlines in the year to come. Reduced global trade has had an impact on the industrial sector for several of our most important trading partners. In the eurozone in particular, growth has been generally weak. Nevertheless, trends in the labour market and household consumption have been positive. Despite this, the International Monetary Fund (IMF) has revised its growth projections down a number of times during 2019, predicting global GDP growth of 3.4% in 2020. This is not dramatically low, but is somewhat lower than in recent years. The long-term impact of the outbreak of the coronavirus is difficult to predict, but it represents yet another uncertainty for the global economy.

Several of the world's central banks reduced interest rates over the past year. The USA's Federal Reserve and the European Central Bank have re-launched a range of measures to offer support in remedying increasing uncertainty and falling growth. Market expectations for both short- and long-term interest rates have stabilised at a low level, which is in itself a sign of weaker growth in the time to come. Unemployment in the USA and eurozone has fallen throughout the year, and in the USA it is at its lowest level for many decades. This has resulted in wage increases and inflation in excess of 2% in the USA.

Inflation among other key trading partners has remained stable at around 1.5% during 2019.

The Norwegian economy

2019 was a relatively good year for the Norwegian economy. According to calculations by Norges Bank, growth in GDP will be around 2.5%, which is 0.1% higher than in 2018. Capacity utilisation is high, and several Norwegian businesses are struggling to produce more without appointing more personnel or investing in further equipment. This has resulted in more jobs, and figures from Norges Bank show that more than 50,000 people have entered work during the course of 2019. Unemployment is low and the labour market may be characterised as tight, while prices have grown in line with the revised inflation target of 2.0% for the whole of 2019. Due to strong development, the key policy rate has been increased to 1.5% across three increases during 2019.

Investments increased during 2019 and were particularly strong in industry. There was a high rate of investment in the petroleum sector, while residential investments have been more modest. Mainland exports increased, helped along by a very weak trade-weighted krone. The weak krone improves the competitiveness of Norwegian exporters, and has had a significant impact in both petroleum and seafood. However, figures from Norges Bank indicate that investments and implicit growth will slow down in the coming period.

Since the fall in house prices in 2017, development in Norwegian house prices has been moderate. Total figures from Real Estate Norway show that house prices in December were 2.6% higher than they were a year previously. Norwegian households still have a high debt ratio, and although debt growth has slowed down somewhat in recent years, it remains at 5.6% (figures from Statistics Norway), which means that debt is still growing more than income. However, concerns related to the development of financial imbalances have dissipated and households largely seem to have absorbed the rate increases from Norges Bank.

The northern Norwegian economy

The northern Norwegian economy is solid and has enjoyed a higher rate of growth than the rest of the country for several years. Growth was also good in 2019, especially in the export-oriented industries. These also dominate the Northern Norwegian economy. Despite several interest rate increases from Norges Bank, the krone exchange rate has been at historically weak levels (trade-weighted). This has probably contributed to the growth in important industries such as fisheries and aquaculture and tourism. There is also a strong underlying demand for Northern Norwegian raw materials.

The value of seafood exports grew by more than 20% during 2019 compared with 2018. In addition to the krone exchange rate, high levels of demand and high prices have contributed to a strong year for Norwegian seafood exports. It is particularly gratifying to see that an ever-increasing proportion both fishing and fish farming (salmon) originate from Northern Norway. The tourism industry is characterised by very high levels of activity, increased professionalisation and an increasing flow of winter tourism. However, the industry is vulnerable to any negative trend in the global growth picture. Further growth will be limited by capacity related to airports and hotels.

Production from oil fields in Northern Norway accounts for just under 10% of national production. The direct ripple effects in the region cannot be said to be significant. There is currently production at a handful of fields (Gotha and Aasta are the last two to have started production), and the Johan Castberg field in the Barents Sea is expected to start production in 2022.

Northern Norway has a lower unemployment rate than the national average (based on figures from NAV), and strong growth in terms of employment. However, this is also connected to certain concerns relating to demographic challenges. Figures from the Business Barometer for North Norway (KBNN) show that the population fell by 1000 inhabitants in the first half of 2019 alone. Negative population growth results in limited access to labour, which hampers growth. Several economic operators are struggling to recruit the right skills. A lack of qualified labour poses a challenge to further growth in the northern Norwegian economy.

Another key challenge the region is faces is in relation to the climate and sustainability. Climate change is particularly visible in the northern regions, and the Intergovernmental Panel on Climate Change's report on oceans and polar regions states that the world's oceans are absorbing the majority of the excess energy caused by global warming. In the long term, this may have an impact on marine ecosystems and consequently fisheries and aquaculture businesses.

House prices in Northern Norway fell by 0.1% in 3Q. According to figures from Real Estate Norway, prices grew the most in Bodø and Alta, while prices fell the most in Harstad, Hammerfest and rural Finnmark. In Tromsø and Bodø, prices have risen much more than the national average over the past twelve months, but it is only in Tromsø where the prices are higher than the national average. Northern Norwegian households generally have healthy finances despite the high debt burden carried by many in the big cities.

Despite some challenges, the Business Barometer for North Norway (kbnn.no) reports that northern Norwegian business leaders (in both the public and private sector) are moderately optimistic about the future of the region. Growth is expected in terms of revenues, employment and investments over the course of the coming six months. In particular, fisheries, aquaculture and tourism are expected to be the key contributors in terms of growth.

It remains the case that the underlying macroeconomic conditions, prior to the outbreak of the coronavirus, were in place for continued growth in Northern Norway. This provides good opportunities for SpareBank 1 Nord-Norge. However, the outbreak of the coronavirus, expected weaker global growth and a prolonged coronavirus crisis could have an impact on demand for Northern Norwegian raw materials and tourism. In the long-term, demographic developments could create challenges for economic growth in the region. At the same time, climate and sustainability will increasingly affect economic and social development in Northern Norway in the future. It is therefore gratifying to see that the Business Barometer indicates that business leaders in northern Norway consider sustainability to be a competitive advantage – and are taking it seriously. In general, the macroeconomic prospects for Northern Norway are considered good, although the situation may change if the coronavirus crisis lasts for a prolonged period of time.

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

SUMMARY AND FUTURE PROSPECTS

As stated in the introduction, the Group's main strategic objectives are as follows:

1) Northern Norway's most enthusiastic customers
2) Number 1 in all business and geographical areas in the region
3) Northern Norway's most attractive workplace
4) Indisputably strong, with returns that are among the best for comparable financial groups
5) Quality in everything we do

The applicable financial objectives and ambitions remain unchanged, and are as follows:

- core Tier 1 capital ratio of one percentage point above the regulatory requirement.
- a return on equity of 12% or more
- a long-term cost income ratio of 40% or lower.
- a payout ratio of at least 50%.

The underlying macroeconomic conditions prior to the outbreak of the coronavirus in place for 2020 to provide growth opportunities for Northern Norway and for SpareBank 1 Nord-Norge. There is also underlying uncertainty in the international macro picture, and a prolonged coronavirus crisis could potentially give comprehensive negative effects. It is also unsure how the krone exchange rate will develop in the future and hence affect export industries and tourism. A tight labour market remains a challenge for growth in the region. The underlying macroeconomic prospects for Northern Norway are judged to be relatively good, however the outbreak of the coronavirus, involves increased risk in the short and medium term.

The Group's market position and financial position are good. The Group has successfully implemented significant measures in recent years. This is continuing in 2020 with a further focus on profitability in a specific profitability project, which should add MNOK 200 to the bottom line by the end of 2021. Major focal areas for the profitability project are to address the effects of digitalisation and automation, including an assessment of the distribution apparatus, streamlining the Group's processes and concentration on the core business. 2019 was also a year with a considerable focus on digitalisation and adaptation to new regulatory conditions, with particular emphasis on anti-money laundering. Measures to increase competence and awareness of compliance among employees were also taken in 2019, and will continue in 2020.

In order to preserve and strengthen the Group's leading market position, there is continuous product and market development, both through the alliance and within

SpareBank 1 Nord-Norge. 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 to increase competitiveness have combined with measures relating to compliance to increase costs in 2019. Positive results from this work can be seen in improved customer satisfaction, increased market share especially within lending, and positive customer development in all core product areas. Further payback from this work can be expected in the future.

The annual accounts for 2019 have been prepared on the assumption that the Group is a going concern. This assumption is based on the Group's long-term strategic plans and earnings forecasts for the coming years. Although the corona outbreak creates increased uncertainty and is likely to have a negative effect on 2020 in isolation. How much impact this has in the longer term will depend on the duration of the measures and the effect of the pandemic, but there is nothing to suggest any significant long-term effect on the bank's solvency.

SpareBank 1 Nord-Norge's results for 2019 are considered very good and the Group is in a good, healthy economic and financial position, despite of the ongoing corona crisis. Based on this, as well as the underlying good macroeconomic situation in the region, the outlook for the Group remains good.

As mentioned earlier in this report, the regulatory requirements for capital adequacy are changing. Nevertheless, the Board's objective for 2020 is to remain with the Group's target for this area. The Group's profitability target is ambitious, but is considered achievable for 2020. The cost target is also demanding, but is secondary to the profitability target. In 2020, however, specific efforts will be made to increase efficiency in the Group. A payout ratio of more than 50% is also considered achievable.

SpareBank 1 Nord-Norge will continue to be an active partner in the region's development in the years ahead and, in the opinion of the Board, it is very well-equipped to reinforce its position as the regional bank for Northern Norway.

The Board would like to thank all of the Group's employees for their efforts and commitment in 2019. These were important contributions to the development of SpareBank 1 Nord-Norge. The Board would also like to thank the Group's customers and other business associates for their contributions in 2019.

Tromsø, march 25th 2020

The Board of SpareBank 1 Nord-Norge

Karl Eirik Schjøtt-Pedersen (Chair)

Hans Tore Bjerkaas (Deputy Chair)

Ingvild Myhre

Kjersti Terese Stormo

Greger Mannsverk

Geir Bergvoll

Sonja Dønne

Vivi Ann Pedersen (Employee elected)

Kjetil Berntsen (Employee elected)

Liv Bortne Ulriksen (Acting CEO)

ANNUAL ACCOUNTS

Annual Report – Income statement

PARENT BANK				GROUP	
2018	2019	Amounts in NOK million	Notes	2019	2018
2,558	**3,045**	Interest income	19	**3,320**	2,795
908	**1,232**	Interest costs	19	**1,223**	899
1,650	**1,813**	**Net interest income**		**2,097**	1,896
782	**856**	Fee- and commission income	20	**1,035**	978
82	**92**	Fee- and commission costs	20	**107**	95
22	**11**	Other operating income	20	**188**	174
722	**775**	**Net fee- commission and other operating income**		**1,116**	1,057
6	**12**	Dividend	21	**12**	6
364	**1,289**	Income from investments	21	**815**	374
79	**382**	Gain/losses and net value changes from investments in securities	21	**84**	83
449	**1,683**	**Net income from investments**		**911**	463
2,821	**4,271**	**Total income**		**4,124**	3,416
517	**580**	Personnel costs	22,23,24	**834**	748
578	**651**	Other operating costs	23,31,32	**806**	726
1,095	**1,231**	**Total costs**		**1,640**	1,474
1,726	**3,040**	**Result before losses**		**2,484**	1,942
31	**- 2**	Losses	13	**11**	22
1,695	**3,042**	**Result before tax**		**2,473**	1,920
321	**355**	Tax	25	**409**	374
		Result non-current assets held for sale		**2**	4
1,374	**2,687**	**Result for the year**		**2,062**	1,542
		Result per Equity Certificates			
6.25	**12.28**	Result per EC, adjusted for interests hybrid capital [1])		**9.39**	7.03
		Other comprehensive income, IAS 1			
1,374	**2,687**	**Result for the period**		**2,062**	1,542
		Items that will not be reclassified to profit/loss			
		Net change in fair value of investment in joint-venture		**13**	-30
-35	**-53**	Actuarial gains (losses) on benefit-based pension schemes		**-50**	-36
9	**13**	Tax		**12**	9
-26	**- 40**	**Total**		**-25**	-57
		Items that will be reclassified to profit/loss			
7		Net change in fair value of financial assets available for sale			7
		Net change in fair value of investment in joint-venture		**-3**	1
		Tax			
7		**Total**		**- 3**	8
1,355	**2,647**	**Total comprehensive income for the period**		**2,034**	1,493
		Totalresult per Equity Certificate			
6.16	**12.09**	Result per EC, adjusted for interests hybrid capital [1])		**9.26**	6.80

[1]) Result, adjusted for interests hybrid capital, multiplied by ECs' share of result, divided by number of ECs

Annual Report – Balance Sheet

PARENT BANK				GROUP	
31.12.18	31.12.19	Amounts in NOK million	Notes	31.12.19	31.12.18
		Assets			
3,786	**1,471**	Cash and balances with Central Banks		**1,471**	3,786
5,976	**6,005**	Loans and advances to credit institutions	10	**1,079**	1,282
74,410	**78,707**	Net loans and advances to customers	11,13	**85,210**	80,352
340	**781**	Shares	21,29	**791**	352
12,560	**15,837**	Bonds and certificates	21,28	**15,837**	12,560
1,653	**1,110**	Financial derivatives	16, 21	**1,110**	1,653
1,073	**1,403**	Investment in Group companies	30		
3,461	**3,373**	Investment in associated companies and joint ventures	30	**4,257**	4,990
216	**473**	Property, plant and equipment	31	**1,016**	499
		Non-current assets held for sale		**22**	25
		Intangible assets	33	**105**	95
427	**636**	Other assets	34	**626**	562
103,902	**109,796**	**Total assets**		**111,524**	106,156
		Liabilities			
188	**564**	Liabilities to credit institutions	10	**563**	187
64,005	**68,074**	Deposits from customers	35	**68,030**	63,985
25,135	**24,786**	Debt securities in issue	36	**24,786**	25,135
874	**763**	Financial derivatives	16	**763**	874
1,015	**1,430**	Other liabilities	24, 25,37	**2,000**	1,440
173	**64**	Deferred tax liabilities	25	**160**	277
1,200	**1,050**	Subordinated loan capital	38	**1,050**	1,200
92,590	**96,731**	**Total liabilities**		**97,352**	93,098
		Equity			
1,807	**1,807**	Equity Certificates	41	**1,807**	1,807
843	**843**	Premium Fund		**843**	843
780	**780**	Hybrid capital	38	**780**	780
2,200	**3,035**	Dividend Equalisation Fund		**3,035**	2,200
5,024	**5,990**	Saving Bank's Fund		**5,990**	5,024
585	**585**	Donations		**585**	585
42	**42**	Fund for unrealised gains		**42**	42
31	**-17**	Other equity		**1,090**	1,777
11,312	**13,065**	**Total equity**		**14,172**	13,058
103,902	**109,796**	**Total liabilities and equity**		**111,524**	106,156

Tromsø, March 25th 2020

The Board of SpareBank 1 Nord-Norge

Karl Eirik Schjøtt-Pedersen (Chair) | Hans Tore Bjerkaas (Deputy Chair) | Ingvild Myhre | Kjersti Terese Stormo | Greger Mannsverk

Geir Bergvoll | Sonja Dønne | Vivi Ann Pedersen (Employee elected) | Kjetil Berntsen (Employee elected) | Liv Bortne Ulriksen (Acting CEO)

Annual Report – Changes in equity

PARENT BANK

Amounts in NOK million	EC capital	Premium Fund	Hybrid capital	Dividend Equalisa-tion Fund	Saving Bank's Fund	Fair value reserve	Donations Fund	Other equity	Total equity
Equity at 01.01.18	1,807	843	530	1,980	4,770	35	585	67	10,617
Total comprehensive income for the period									
Period result				637	272		465		1,374
Other comprehensive income:									
Net change in fair value of financial assets available for sale								-35	-35
Actuarial gains (losses) on benefit-based pension schemes						7			7
Tax on other comprehensive income								9	9
Total other comprehensive income						7		-26	-19
Total comprehensive income for the period				637	272	7	465	-26	1,355
Transactions with owners									
Set aside for dividend payments				-402					-402
Reversal of dividend payments				402					402
Dividend paid 2017/other distribution				-402			-465		-867
Hybrid capital increase			250						250
Interest hybrid capital - last year				-4	-5			9	0
Interest hybrid capital - this year								-20	-20
Changes due to new IFRS 9				-11	-13				-24
Other equity transactions								1	1
Total transactions with owners			250	-417	-18		-465	-10	-660
Equity at 31.12.18	1,807	843	780	2,200	5,024	42	585	31	11,312
Period result									
Other comprehensive income:				1,246	976		465		2,687
Net change in fair value of financial assets available for sale									
Actuarial gains (losses) on benefit-based pension schemes								-53	-53
Tax on other comprehensive income									0
Total other comprehensive income								13	13
Total comprehensive income for the period								-40	-40
Transactions with owners				1,246	976		465	-40	2,647
Equity issue									
Set aside for dividend payments				-402					-552
Reversal of dividend payments				402					552
Dividend paid 2018/other distribu-tion				-402			-465		-867
Interest hybrid capital – last year				-9	-10			19	0
Interest hybrid capital – this year								-28	-28
Other equity transactions								1	1
Total transactions with owners				-411	-10		-465	-8	-894
Equity at 31.12.19	**1,807**	**843**	**780**	**3,035**	**5,990**	**42**	**585**	**-17**	**13,065**

GROUP

Amounts in NOK million	EC capital	Premium Fund	Hybrid capital	Dividend Equalisa-tion Fund	Saving Bank's Fund	Fair value reserve	Donations Fund	Other equity	Total equity
Equity at 01.01.18	1,807	843	530	1,980	4,770	35	585	1,749	12,299
Total comprehensive income for the period									
Period result				637	272		465	168	1,542
Other comprehensive income:									
Net change in fair market value of investment in joint ventures								-29	-29
Net change in fair value of financial assets available for sale						7			7
Actuaroal 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				637	272	7	465	112	1,493
Transactions with owners									
Set aside for dividend payments				-402					-402
Reversal of dividend payments				402					402
Dividend paid 2017/other distribution				-402			-465		-867
Hybrid capital increase			250						250
Interest hybrid capital - last year				-4	-5			9	0
Interest hybrid capital - this year								-20	-20
Changes due to new IFRS 9				-11	-13			-13	-37
Other equity transactions from group companies and assosiated companies								-60	-60
Total transactions with owners			250	-417	-18		-465	-84	-734
Equity at 31.12.18	1,807	843	780	2,200	5,024	42	585	1,777	13,058
Total comprehensive income for the period									
Period result				1,246	976		465	-625	2,062
Other comprehensive income:									
Net change in fair market value of investment in joint ventures								10	10
Net change in fair value of financial assets available for sale									0
Actuaroal gains (losses) on benefit-based pension schemes								-50	-50
Tax on other comprehensive income								12	12
Total other comprehensive income								-28	-28
Total comprehensive income for the period				1,246	976	0	465	-653	2,034
Transactions with owners									
Set aside for dividend payments				-402					-552
Reversal of dividend payments				402					552
Dividend paid 2018/other distribu-tion				-402			-465		-867
Interest hybrid capital - last year				-9	-10			19	0
Interest hybrid capital - this year								-28	-28
Other equity transactions from group companies and assosiated companies							0	-25	-25
Total transactions with owners				-411	-10		-465	-34	-920
Equity at 31.12.19	**1,807**	**843**	**780**	**3,035**	**5,990**	**42**	**585**	**1,090**	**14,172**

Annual Report – Cash Flow Statement

PARENT BANK			GROUP	
31.12.18	31.12.19	Amounts in NOK million	31.12.19	31.12.18
1,695	**3,042**	Profit before tax	**2,473**	1,920
48	**92**	+ Ordinary depreciation	**120**	61
1		+ Write-downs, gains/losses fixed assets	**0**	1
30	**-2**	+ Losses on loans and guarantees	**11**	22
321	**355**	- Tax/Result non-current assetes held for sale	**409**	374
867	**867**	- Dividend paid on Ecs/distributions	**867**	867
586	**1,910**	**Provided from the year's operations**	**1,328**	763
182	**128**	Change in sundry liabilities: + increase/ - decrease	**249**	219
1,034	**335**	Change in various claims: - increase/ + decrease	**472**	1,288
-5,262	**-4,325**	Change in gross lending to and claims on customers: - increase/ + decrease	**-4,666**	-5,887
-1,104	**-3,718**	Change in short term-securities: - increase/ + decrease	**-3,716**	-1,101
6,122	**4,069**	Change in deposits from and debt owed to customers: + increase/ - decrease	**4,045**	6,136
-248	**376**	Change in debt owed to credit institutions: + increase/ - decrease	**376**	-247
1,310	**-1,225**	**A. Net liquidity change from operations**	**-1,912**	1,171
-80	**-349**	- Investment in fixed assets	**-637**	-169
49		+ Sale of fixed assets		62
-452	**-561**	Payments from long term-securities	**- 551**	-303
2	**319**	Change in holdings of long-term securities: - increase/ + decrease	**1,284**	68
-481	**-591**	**B. Liquidity change from investments**	**96**	-342
-544	**-4,394**	Decrease in borrowings through the issuance of securities	**-4,394**	-544
2,126	**4,045**	Increase in borrowings through the issuance of securities	**4,045**	2,126
	-350	Decrease in PCC/subordinated loan capital	**-350**	
600	**200**	Increase in PCC/subordinated loan capital	**200**	600
2,182	**-499**	**C. Liquidity change from financing**	**- 499**	2,182
3,011	**-2,315**	A + B + C. Total change in liquidity	**-2,315**	3,011
775	**3,786**	**+ Liquid funds at the start of the period**	**3,786**	775
3,786	**1,471**	**= Liquid funds at the end of the period**	**1,471**	3,786

Liquid funds are defined as cash-in-hand and claims on central banks.

RECONCILITATION OF MOVEMENTS OF LIABILITES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Amounts in NOK million	Debt securities	Sub-ordinated liabilites
Balance at 01.01.19	**25,134**	**1,200**
Changes from financing cash flows		
Proceeds from issue	3,920	200
Redeemed	-2,436	-185
Due excl. redeemed	-1,679	-165
Total changes from financing cash flows	**-195**	**-150**
The effect of changes in foreign exchange rates	113	
Changes in fair value	-279	
Changes in accrued interest	13	
Balance at 31.12.19	**24,786**	**1,050**

Annual accounts – Notes

Annual report

Note 1 – General information

DESCRIPTION OF THE BUSINESS

SpareBank 1 Nord-Norge is an independent Norwegian financial services group within the SpareBank 1-alilance with Equity Certificates registered on Oslo Stock Exchange. We know Northern Norway and are a leading provider of comprehensive, modern financial solutions to customers with a basis in the Northern Norway market. At the end of the year, the Group had 16 financial centers spread across 38 locations in Northern Norway and on Svalbard.

Business address

The SpareBank 1 Nord-Norge Group's head office is located in Tromsø, and its business address is Sjøgata 8, 9008 Tromsø.

Date of adoption of the Group accounts

The 2019 preliminary annual accounts were adopted by the Parent Bank's Board on 12.02.20. The 2019 final annual accounts were adopted by the Parent Bank's Board on 27.02.20. Adjusted annual accounts were adopted by Parent Bank's Board on 25.03.20. The 2019 final annual accounts were adopted by the Parent Bank's Supervisory Board on 26.03.20. Dividends will be paid out on 16.04.20.

Audit

The Group's auditor is state authorized public accountant Stig-Tore Richardsen at KPMG.

.Note 2 – Accounting principles

1. Basis for preparation of the annual accounts
2. Changes in accounting principles
3. Presentation currency
4. Consolidation
5. Subsidiaries
6. Associated companies
7. Joint ventures
8. Operations held for sale
9. Classification and valuation of financial assets and liabilities
10. Recognition, derecognition an measurement of financial assets and liabilities
11. Loans and losses on loans
12. Impairment losses on loans
13. Defaulted and doubtful commitments
14. Intangible assets
15. Property, plant and equipment
16. Repossessed assets
17. Liabilities
18. Contingent liabilities
19. Subordinated loans and hybrid tier 1 capital
20. Interest income and expenses
21. Commission income and expenses
22. Realised losses
23. Foreign currency transactions and holdings
24. Taxes
25. Pensions
26. Segment reporting
27. Events after the date of the balance sheet

1. Basis for preparation of the annual accounts

The 2019 group and parent bank accounts for SpareBank 1 Nord-Norge have been prepared in accordance with EU-approved IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) and the associated interpretations that can be applied as of 31 December 2019, as well as Norwegian information requirements pursuant to the Accounting Act as of 31 December 2019.

If nothing distinctly is defined precisely the same accounting principles are used in the Group and parent bank accounts. The financial statements are based on the historic cost principle, with the exception of financial assets available for sale and financial assets and liabilities (including derivatives) measured at fair value through profit and loss.

The accounting policies that are applied are consistent with the policies applied in the previous accounting period, with the exception of the IFRS amendments that have been implemented in the Group in the current accounting period. Below is

a list of the relevant IFRS amendments that came into effect for the 2019 financial statements and the effects

that they have had on the Group's annual financial statements.

The proposed annual financial statements were adopted by the Main Board of Directors and the bank's CEO at the time indicated by the dated and signed balance sheet. The annual financial statements will be considered by the Supervisory Board on 26 March 2020 for final approval.

2. Changes in accounting principles

IFRS 16 came into force on 1 January 2019 and replaces IAS 17 Leases

IFRS 16 Leases was implemented with effect from 1 January 2019. The standard has been approved by the EU. Pursuant to the new standard, there will be, for the lessee, no differentiation between operational and financial leasing where leases that have been entered into transfer the right of use to a specific asset from the lessor to the lessee for a specific period. As far as the lessor is concerned, the rules in IAS 17 will largely continue to apply. In SpareBank 1 Nord-Norge's case, the standard has largely impacted leases for branch/office premises. The implementation effects were disclosed in note 45 to the annual financial statements for 2018.

Please also see note 32.

New standards and interpretations that have not yet been adopted

IASB took effect in September 2019 with changes to IFRS 9 and IFRS 7. These amendments will become mandatory from 2020, but may be implemented in 2019 financial statements on a pre-emptive basis. The Group has chosen to pre-emptively implement the changes. The Group's choice to pre-emptively implement the changes means that the hedging situations can continue unaffected by the IBOR reform. The IBOR reform is an ongoing process in which reference rates used for receivables, lending and derivatives will be replaced with new interest rates.

Based on the assessments that have been made so far, other IFRSs and interpretation statements published prior to the adoption of the proposed annual financial statements, and which it was not mandatory to apply as at 31 December 2019, do not have a material effect on the reported figures.

3. Presentation currency

The presentation currency is Norwegian kroner (NOK), which is also the bank's functional currency. All amounts are presented in NOK million unless otherwise stated.

4. Consolidation

The consolidated accounts comprise the bank and all its subsidiaries that are not planned to be sold in the near future, which are therefore to be classified as held for sale in accordance with IFRS 5. Subsidiaries are defined as companies in which the bank has a controlling interest, i.e. the power to govern the company's financial and operational policies for the purpose of gaining benefits from the company's activities. Subsidiaries are consolidated from the date the bank gains a controlling interest, and they will be eliminated from the consolidation on the date when such control is relinquished.

5. Subsidiaries

As at 31.12.19 the following subsidiaries are consolidated:

- SpareBank 1 Finans Nord-Norge AS (100%)
- SpareBank 1 Nord-Norge Portefølje AS (100%)
- EiendomsMegler 1 Nord-Norge AS (100%)
- SpareBank 1 Regnskapshuset Nord-Norge AS (100%)
- Fredrik Langes gate 20 AS (100%)

On achieving a controlling interest in a company (business combinations), all identifiable assets and liabilities will be recognised at fair value in accordance with IFRS 3. Any positive differences between the cost of acquisition and fair value of identifiable assets and liabilities are recognised as goodwill, whereas any negative differences are recognised as income. The accounting of goodwill after the initial recognition is commented on under the section on intangible assets.

In the parent bank's balance sheet, equity stakes in group companies are recognised at cost price in accordance with IFRS. Only the annual dividends received and any write-down on the value of the shares are stated in the parent bank's profit and loss account. In the IFRS-based group accounts, the equity method of accounting is applied, which entails that profit/loss attributable to joint ventures and

associated companies is included in the group's profit and loss account by the equity stake, and they are taken into account in the book value of the assets in the balance sheet. Profit/loss attributable to subsidiaries are consolidated into the accounts. This means that the book value of subsidiaries in the parent bank's balance sheet represents historical cost. Intra-group transactions, open accounts and unrealised profit between group companies have been eliminated.

The book values are tested for impairment.

6. Associated companies

IAS 28 regulates the accounting treatment of investments in associated companies. The fundamental condition for the provision to apply is that the "owner company" has significant influence over the company in which it is invested in. "Significant influence" is the power to participate in establishing the principles for making financial and operational decisions in the company in which it is invested in, but not having control over these principles.

If a company directly or indirectly controls 20 per cent or more of the voting rights in a company in which it is invested in, it is assumed that the company has a significant influence, unless it can clearly be demonstrated that this is not the case. Conversely, if a company directly or indirectly controls less than 20 per cent of the voting rights in a company in which it is invested in, it is assumed that the company does not have a significant influence, unless it can clearly be demonstrated that the company has such an influence.

The extent to which significant influence exists on the part of a company can usually be demonstrated in one or more of the following ways:

- Representation on the board or equivalent governing bodies;
- Participation in processes for establishing principles including participation in decisions concerning dividends or other disbursements;
- Significant transactions between the company and the company in which it is invested in;
- Mutual exchange of senior personnel; or
- Delivery of important technical information.

Associated companies are included in the consolidated financial statements in line with the equity method of accounting. The investment is initially recognised at acquisition cost in the balance sheet and subsequently adjusted for changes in the Bank's share of the net assets of the associated company. The Bank's share of the associated company's profit/loss is incorporated in the consolidated financial statements, whereas the equity stake is recognised according to the cost method in the parent bank's financial statements, in the same manner as for subsidiaries.

An agreement exists between the companies in SpareBank 1 -alliansen that regulates these matters.

As at 31.12.19 the following associated companies are applied with equity method of accounting:

- SpareBank 1 Boligkreditt AS (18.65%)
- Spare-Bank 1 Næringskreditt AS (8.6%)
- SpareBank 1 Kredittkort AS (16.89%)
- SpareBank 1 Betaling AS (18.57%)
- SMB Lab AS (20%)
- Proaware AS (20%)

7. Joint ventures

IFRS 11 regulates joint arrangements. IFRS 11 classifies joint arrangements into two types – joint operations and joint ventures.

A joint arrangement has the following characteristics:

a. the parties are bound by a contractual arrangement; and
b. the contractual arrangement gives two or more of these parties joint control of the arrangement.

"Joint control" is the contractually agreed sharing of control of a joint arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A company that is a party in a joint arrangement must assess whether the contractual agreement collectively gives all parties, or a group of the parties, control of the joint arrangement. All the parties, or a group of the parties, control the joint arrangement collectively when they must act together to manage the activities that, to a significant degree, affect the return from the

arrangement, i.e. the "relevant activities". After concluding that all the parties, or a group of the parties, control the joint arrangement collectively, joint control only exists when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

In a joint arrangement, no individual party has sole control of the arrangement. A party with joint control of a collectively controlled arrangement can prevent any of the other parties, or a group of the parties, controlling the arrangement.

A joint arrangement exists in cases where two or more parties have joint control over the arrangement/activities. As a general rule, the parties must be bound by a contractual agreement that gives two or more of these parties control over the collectively controlled arrangement. In the case of joint ventures, contracts can be supplemented or replaced by the company's/entity's articles of association, etc. as a basis for ensuring two or more parties have control. Parties with joint control of the activities must be able to prevent any other party or group of parties controlling the activities.

As stated above, it is sufficient that those parties that have a contractual agreement regarding joint control have joint control over the relevant activities. Accordingly, the other owners will not be able to prevent decisions agreed by the parties with joint control.

Joint operations – the participants have rights to the assets, and obligations for the liabilities, relating to the collectively controlled arrangement/activities.

Joint ventures – condition: a separate legal entity is required for a joint venture to exist.

Assessments of whether a joint operation or a joint venture exists must largely be based on a discretionary judgement. The assessment must take account of, among other things, the contractual conditions between the participants/parties. Rights to assets and liability for the activities' liabilities guide the classification, ref. above. In the case of joint operations, the parties have rights to the assets and are liable for the liabilities of the joint arrangement. In the case of joint ventures, the parties have rights to the net assets of the joint arrangement. Joint ventures are recognised in the consolidated financial statements in line with the equity method of accounting. The cost method is used in the Parent Bank's financial statements.

An agreement exists between the companies in SpareBank 1 -alliansen that regulates these matters.

As at 31.12.19 the following joint ventures are applied with equity method of accounting:

- SpareBank 1 Gruppen AS (19.5%)
- SpareBank 1 Banksamarbeidet DA (17.74%),

8. Fixed assets held for sale and discontinued operations

Assets that the Bank's board has decided to sell will be treated in line with IFRS 5 if it is highly likely that the assets will be sold within 12 months. These types of asset are mainly assets that were acquired in connection with a bad loan, as well as investments in subsidiaries held for sale. Fixed assets and groups of fixed assets and liabilities classified as held for sale must be measured at the lowest value of previously recognised value less sales costs. The result from such activities and associated assets and liabilities are presented on a separate line as held for sale.

9. Classification and valuation of financial assets and liabilities

The Group's balance sheet items are classified based on whether they are financial assets and liabilities or other items.

Financial assets

Pursuant to IFRS 9, financial assets must be classified into one of three measurement categories:

- fair value with changes through profit or loss
- fair value with changes through other comprehensive income (OCI)
- amortised cost

For financial assets, there is a distinction between debt instruments, derivatives and equity instruments, where debt instruments are all financial assets that are not derivatives or equity instruments.

Financial assets that are debt instruments

Debt instruments with contractual cash flows that are only payments of interest and principal on given dates and that are held in a business model for the

purpose of receiving contractual cash flows and sales must be measured at amortised cost. Most of the Group's lending is classified in this category.

Instruments with contractual cash flows that are only payments of interest and principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows and sales must be measured at fair value with changes through profit or loss. The Group's mortgages that will be sold to SpareBank 1 Boligkreditt are included in this category.

Instruments that generally must be measured at amortised cost or at fair value with changes through OCI can be designated to be measured at fair with changes through profit or loss if this eliminates or significantly reduces an "accounting mismatch". The Group's fixed-rate loans are included in this category.

Instruments with contractual cash flows that are only payments of interest and principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows and sales, shall be measured at fair value with changes through OCI, with interest income, currency translation effects, and any impairments presented in the ordinary income statement. Changes recognised through OCI must be reclassified to profit or loss when the assets are sold or otherwise disposed of. The Group had no such items as at 31 December 2019.

Other debt instruments must be measured at fair value with changes through profit or loss. This applies to instruments with cash flows that are not only payments of normal interest and principal, and instruments that are held in a business model in which the main purpose is not the receipt of contractual cash flows. The Group's portfolio of certificates and bonds are included in this category.

Derivatives and investments in equity instruments
All derivatives in the Group must be measured at fair value with changes through profit or loss, however derivatives that are designated hedge instruments must be recognised in line with hedge accounting policies. Investments in equity instruments must be recognised on the balance sheet at fair value. As a general rule, value changes must be recognised in the ordinary income statement, but an equity instrument that is not held for trading purposes and that is not a conditional consideration following a business transfer may be designated as measured at fair value with changes through OCI.

Financial liabilities
Under IFRS 9, financial liabilities, where the purpose is to collect contractual cash flows, are classified at amortised cost. The option in IAS 39 to use fair value for measuring financial liabilities has been continued in IFRS 9.

The Group's debt and customer deposits are classified at amortised cost.

Hedging
The Group utilises derivatives for operational hedging purposes in order to minimise interest risk from fixed-rate instruments. The Bank assesses and documents the effectiveness of hedging, both at the time of initial classification and on an ongoing basis. In the event of a fair value hedge, the change in value of the hedged risk is recognised and changes from the opening balance are recognised in the income statement. The Bank does not utilise cash flow hedging.

The Group uses fair value hedging as a hedge accounting policy for fixed-rate borrowing.

Fair value hedging is: *"A hedge of the exposure to changes in the fair value of a recognised asset or liability, or a binding commitment that has not been recognised, or an identified proportion of such an asset, liability or binding commitment that is attributable to a particular risk, and that may affect the result."*

Hedge accounting calculates the offsetting effects on the result associated with changes in the fair value of the hedging instrument and hedge object.

IFRS 9 simplifies the requirements for hedging accounting compared with IAS 39. The requirement for hedge effectiveness of 80-125 per cent has been eliminated and replaced with a more qualitative requirement, including the fact that there should be a financial connection between the hedging instrument and hedged item, and that the credit risk should not dominate the value changes of the hedging instrument. Hedging documentation is still required.

Classification of balance sheet items – As at Desember 2019

	Financial assets Amounts in NOK million	Current IFRS/IAS	Financial assets or liabilities	Classification 2019	Fair value hierarchy	Applied in the annual report note	Balance parent bank 31.12.19	Balance group 31.12.19
B	Cash	IFRS 9	Yes	FVPL	1	Kontantstrømanalyse	168	168
B	Deposits with central banks	IFRS 9	Yes	FVPL	1	Kontantstrømanalyse	1,302	1,302
A	Lending to financial institutions	IFRS 9	Yes	AC		10	6,005	1,079
A	Write-downs lending to financial institutions	IFRS 9	Yes	AC		10,13	-	-
A	Property mortgages for retail customers	IFRS 9	Yes	AC		11,27	13,731	13,731
A	Property mortgages for retail customers available for sale for SpareBank 1 Boligkreditt (webclient)	IFRS 9	Yes	AC		11,27	16,447	16,447
B	Property mortgages for retail customers prepared for sale to SpareBank 1 Boligkreditt (webclient)	IFRS 9	Yes	FVPL	3	11,26,12	4,137	4,137
C	Fixed rate loans	IFRS 9, IFRS 13	Yes	FVO	3	11,26	8,570	8,591
A	Other loans for retail customers	IFRS 9	Yes	AC		11,27	4,832	7,756
A	Corporate market loans	IFRS 9	Yes	AC		11,27	37,393	36,109
A	Loan loss provisions	IFRS 9		AC		13	-398	-482
B	Shares, trading	IFRS 9, IFRS 13	Yes	FVPL	1	21, 29	185	185
B	Shares, available for sale with value changes through profit/loss	IFRS 9	Yes	FVPL	3	21,29	-	-
D	Shares, available for sale with value changes through OCI	IFRS 9	Yes	FVOCI	3	21,29	40	40
B	Shares, non trading	IFRS 9, IFRS 13	Yes	FVPL	2,3	21,29	5,190	4,765
B	Shares, non trading Hybrid Tier 1 Capital	IFRS 9, IFRS 13		FVPL	2,3	21,29	142	58
B	Liquidity portfolios	IFRS 9, IFRS 13	Yes	FVPL	1,2	21,29	15,837	15,837
B	Derivatives – interest rate-/currency hedging, bonds	IAS 39	Yes	FVPL	2	16,21,26	68	68
B	Derivatives – interest rate-/currency hedging, fixed rate loans	IAS 39	Yes	FVPL	2	16,21,26	40	40
B	Derivatives – interest rate-/currency hedging, customers	IAS 39	Yes	FVPL	3	16,21,27	568	568
B	Derivatives – interest rate-/currency hedging, funding	IAS 39	Yes	FVPL	2	16,21,26	417	417
B	Derivatives – commodity hedging	IAS 39	Yes	FVPL	2	16,21,26	17	17
	Total financial assets						**114,691**	**110,833**
	Financial liabilities							
A	Liabilities to financial institutions	IFRS 9	Yes	AC		10	564	563
A	Deposits from customers, variable rate	IFRS 9	Yes	AC		35, 19	66,230	66,186
A	Deposits from customers, fixed rate	IFRS 9	Yes	AC		35, 19	1,844	1,844
A	Debt securities in issue, variable rate	IFRS 9	Yes	AC		36, 19	9,193	9,193
A	Debt securities in issue, fixed rate	IFRS 9	Yes	AC		36, 19	15,593	15,593
A	Loss provisions, guarantees, credit limits, committed loans	IFRS 9	Yes	AC		13	38	38
B	Derivatives – interest rate-/currency hedging, bonds	IAS 39	Yes	FVPL	2	16,21,26	91	91
B	Derivatives – interest rate-/currency hedging, fixed rate loans	IAS 39	Yes	FVPL	2	16,21,26	78	78
B	Derivatives – interest rate-/currency hedging, customers	IAS 39	Yes	FVPL	2	16,21,26	546	546
B	Derivatives – interest rate-/currency hedging, funding	IAS 39	Yes	FVPL	2	16,21,26	32	32
B	Derivatives – commodity hedging	IAS 39	Yes	FVPL	2	16,21,26	16	16
A	Subordinated loan capital	IFRS 9	Yes	AC		38,27	1,050	1,050
	Total financial liabilities						**95,275**	**95,230**

A	Amortisert kost (AC – Amortised cost)	Held for receiving contractual cash flows.	Reports according to fair value but invests with an investment horizon that matches the liabilities that will fall due. Repayment of the nominal value or selling immediately prior to due date is used to settle the debt. Never sells before this.
B	Virkelig verdi over resultat (FVTPL – Mandatorily fair value through profit and loss)	Held for sale.	Invests independent of liabilities, the main goal is to achieve the greatest possible total return in the form of a coupon and changes in value. Makes sales in the portfolio when one needs liquidity to settle liabilities.
C	Virkelig verdi opsjon over resultat (FVO – Fair value option)	Held for sale.	Invests independent of liabilities, the main goal is to achieve the greatest possible total return in the form of a coupon and changes in value. Makes sales in the portfolio when one needs liquidity to settle liabilities.
D	Virkelig verdi over utvidet resultat (FVOCI – Fair value through other comprehensive income)	Held for receiving contractual cash flows and sales.	Same as A but sells instruments when one believes others can provide a better return up to the due date. Matches average duration in the portfolio with duration of liabilities.

Note 2 – Accounting principles

Other balance sheet asset and liability items
All other asset and liability items on the balance sheet, that are not financial, are covered by other IFRS rules, not IFRS 9, and are measured at amortised cost.

10. Recognition, derecognition an measurement of financial assets and liabilities
Fair value is the price that would have been obtained upon the sale of an asset, or paid for the transfer of a liability, in a well-ordered transaction between market players at the time of measurement.

A financial asset's or a financial liability's amortised cost is the amount that the financial asset or the financial liability is measured at upon initial recognition, minus repayments of the principal, plus or minus cumulative amortisation using an effective interest rate method of any difference between the initial amount and the amount due, and minus any reduction (direct or through the use of an appropriation account) for falls in value or exposure to loss.

An effective interest rate method is used to calculate amortised cost for a financial asset or a financial liability (or a group of financial assets or financial liabilities) and for allocating interest income or interest costs over a relevant period. The "effective interest rate" is the interest rate that exactly discounts estimated future cash receipts or payments over the financial instrument's expected lifetime, or over a shorter period if this is appropriate, to the net capitalised value of the financial assets or the financial liability. When calculating the effective interest rate, an institution must estimate cash flows and take into account all of the contractual terms and conditions associated with the financial instrument (e.g. early repayment, purchase options and similar options), but should not take account of future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see AG8A – AG8B), transaction costs and all other additional payments or discounts. It is assumed that the cash flows and expected lifetime of a group of similar financial instruments can be estimated reliably. However, in those rare cases where it is not possible to estimate the cash flows or expected life of a financial instrument (or a group of financial instruments) reliably, the institution must use the contractual cash flows throughout the period of maturity agreed for the financial instrument (or the group of financial instruments).

Derecognition is the elimination of a previously recognised financial asset or financial liability from an institution's balance sheet. Financial assets are derecognised upon expiration of the contractual rights to the cash flows from the financial asset or when the rights to the cash flows from the asset have been transferred in such a manner that the risk and return associated with ownership has to all intents and purposes been transferred.

Financial liabilities are derecognised when the contractual conditions have been met, been cancelled or expired.

The bank 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. There is some residual involvement associated with sold loans with the possible, limited settlement of losses against commissions. The mortgage companies can sell on loans purchased from the bank, but the bank's right to administer the customers and receive commissions continues. If the bank is unable to serve the customers, the right to serve them and receive commissions lapses. The bank also has the option to buy back loans, subject to certain conditions. The bank has, therefore, neither retained nor transferred the most material risks or returns associated with sold loans. The bank recognises the amount associated with the residual involvement as an asset or liability. Reference is also made to note 13.

When it repurchases its own bonds, the repurchased bonds are derecognised and the difference between the payment for and book value of the repurchased bond is recognised.

11. Loans and losses on loans
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised at fair value, plus direct marginal transaction costs, upon initial recognition, and at amortised cost using the effective interest rate method in subse-

quent periods. When calculating the effective interest, the cash flows are estimated and all the contractual terms relating to the financial instrument are taken into account. In the periods after the initial measurement, the loan is assessed at amortised cost using the effective interest rate method. Upon initial recognition, fixed rate loans are designated as being measured at fair value with value changes through profit and loss. Fair value is determined by actual cash flows from customers being discounted in accordance with the Group's own set required rate of return in relation to the actual term to maturity of the loan. Credit risk is also taken into account in the required rate of return. Gains and losses that are attributable to changes in fair value are recognised as changes in value in the income statement. Earned interest and any premium/discount is recognised as interest. The interest rate risk in fixed rate loans is managed via interest rate swaps, which are booked at fair value.

12. Impairment losses on loans

According to IFRS 9, provisions for losses must be recognised based on expected credit losses (ECL). The general model for impairments of financial assets in IFRS 9 applies to financial assets measured at amortised cost and that had not experienced an observable loss upon initial capitalisation. Loan pledges, financial guarantee contracts that are not measured at fair value through profit or loss, and lease agreement claims are also included.

The measurement of impairments for expected losses in the general model depends on whether or not the credit risk has increased significantly since initial capitalisation. Upon initial capitalisation and when the credit risk has not increased significantly after initial capitalisation, provisions must be made for 12 months' expected losses. 12 months' expected losses are the loss that is expected to occur over the lifetime of the instrument, but which can be linked to events that occurred in the first 12 months. If credit risk has increased substantially after initial recognition, provisions must be made for the expected loss over the entire lifetime. The expected credit loss is calculated based on the present value of all cash flows over the remaining lifetime, i.e. the difference between the contractual cash flows according to the contract and the cash flow that the Bank expects to receive, discounted by an effective interest rate on the instrument. In addition to the general model, there are separate principles for issued, including renegotiated loans that are treated as new, and purchased loans where there is an accrued credit loss upon initial capitali-sation. For these, an effective interest rate will be calculated that takes into account the expected credit loss, and in the event of changes in expected cash flows the change will be discounted by the originally set effective interest rate and recognised through profit or loss. Thus, for these assets there is no need to monitor the extent to which there has been a significant increase in credit risk after initial capitalisation since the expected loss over the entire lifetime will be taken into account anyway.

13. Defaulted and doubtful commitments

A commitment is deemed to be in default if it has been due for more than 90 days and the amount is over NOK 1,000. A commitment is deemed to be doubtful when objective proof exists, showing that one or more loss incidents have occurred and that this has an impact on the expected future cash flow which can be estimated in a reliable manner.

14. Intangible assets

Intangible assets consist of goodwill. Intangible assets are recognised in the balance sheet when the criteria have been satisfied. Goodwill arises as a positive difference between the cost of acquisition of a company and the fair value of identifiable assets and liabilities, with reference to the section on consolidation principles. Goodwill is not amortised; it is subjected to an annual impairment test aimed at identifying possible impairments in value in accordance with IAS 36. When the carrying amount of an asset or a cash flow generating unit exceeds its recoverable amount, the asset or unit will be written down. Write-downs are recognised through profit and loss. Write-downs of goodwill cannot be reversed.

15. Property, plant and equipment

Property, plant and equipment, with the exception of investment property and owner-occupied property are recognised at the cost of acquisition and depreciated on a straight-line basis over their estimated useful life. When determining a plan of depreciation, the separate assets are split up into components with different useful lives to the extent that this is regarded as necessary, taking into account estimated residual value. Property, plant and equipment, which individually are regarded as insignificant, for example PCs and other office equipment, are not assessed individually for residual value,

useful life or impairment, but are considered as groups. When implementing IFRS on 1 January 2004, all properties were value-adjusted to fair market value. According to IAS 16, these properties are deemed to have an estimated acquisition cost that corresponds to the value-adjusted amount at the time of such value adjustment. Property, plant and equipment that are depreciated are subject to a write-down test in accordance with IAS 36 whenever indicated by the circumstances.

16. Repossessed assets

In connection with the legal recovery of claims under outstanding loans and guarantees, the bank will repossess assets that have been pledged as security for such commitments in some cases. At the time of acquisition, the assets are valued at their assumed realisation value. Repossessed assets that are to be sold are classified in the balance sheet as current assets or as fixed assets held for sale and are recognised in accordance with IAS 2 or IFRS 5. Any losses/gains on the sale or reassessment of the value of such assets are recognised as additions to or deductions from losses on loans.

17. Liabilities

Funding is initially recorded at its original cost, which is the fair value of the proceeds received after deducting transaction costs. Variable rate loans are thereafter measured at amortised cost, and any discount/premium is accrued over the term of the loan. Fixed rate loans are included in hedge accounting and discounted according to the current interest rate curve. No fair value option is applied to the Group's liabilities. Deposits from customers are stated at amortised cost.

18. Contingent liabilities

The Group issues financial guarantees as part of its ordinary business. Latent liabilities are specified in note 38. Loans are assessed for impairment as part of assessing loan losses and on the same basis, and are reported with these, ref. note 11. Provisions are made for other contingent liabilities if it is more probable than not that the liability will materialise and the financial consequences can be reliably calculated.

19. Subordinated loans and hybrid tier 1 capital

Subordinated loans have priority after all other liabilities, are classified as subordinated loan capital on the balance sheet, and are stated at amortised cost. Hybrid tier 1 capital is a bond with a specified interest rate, but the Group is under no obligation to pay interest for a period in which no dividend is paid, and an investor has no subsequent claim to the unpaid interest. Hybrid tier 1 capital is classified as subordinated equity on the balance sheet and is stated at amortised cost.

20. Interest income and expenses

Interest income and expenses related to assets and liabilities that are valued at amortised cost are recognised in the profit and loss account in accordance with the effective interest rate method. All fees related to interest-bearing loans and borrowings are included in the calculation of an effective interest rate and are amortised over the expected life of the financial instrument. The market interest rate on debt instruments assessed at fair value is classified as interest income or interest expenses, whereas the effect of interest rate fluctuations is classified as income from financial investments.

21. Commission income and expenses

Commission income and expenses are generally accrued in accordance with the delivery of a service. Fees related to interest-bearing instruments are not recognised as commissions; they are included in the calculation of the effective interest rate and recognised accordingly. Advisory fees are accrued in accordance with the agreement, typically at the time the service is delivered. The same applies to day-to-day administrative services. Fees and charges related to the sale or brokerage of financial instruments, property or other investment objects that do not generate balance sheet items in the bank's accounts, are recognised in the profit and loss account when the transaction is finalised.

22. Realised losses

When it is highly probable that losses are final, they are classified as realised losses. Realised losses that are covered by previous individual loan loss provisions are booked against those provisions. Realised losses without cover by way of loan loss provisions and over or under coverage in relation to previous loan loss provisions are recognised through profit or loss.

23. Foreign currency transactions and holdings

Transactions in foreign currencies are converted into Norwegian kroner using exchange rates prevailing at the time of the transaction. Gains and losses related to completed transactions or to the conversion of holdings of cash or cash equivalents at the balance

sheet date are included in the profit and loss account, unless they are adjusted directly against equity in accordance with the principles of hedging. Gains and losses on non-monetary items are included in the income statement in the same way as the corresponding balance sheet item.

24. Taxes

Taxes recognised in the profit and loss account comprise tax payable for the period and deferred taxes. Tax payable for the period is calculated tax on the current year's taxable profit. Wealth tax is calculated and recognised as other operating expenses in the profit and loss account. Deferred taxes are accounted for by means of the liability method in accordance with IAS 12. Deferred tax liabilities or assets are recognised in respect of all temporary differences, which arise as a difference between the carrying amount and taxable value of assets and liabilities at the balance sheet date. However, no liabilities or assets are calculated for deferred taxes on goodwill that do not give a tax deduction or items that are recognised for the first time and do not affect the financial or taxable profit. Deferred tax assets are calculated with respect to accumulated tax losses carried forward at the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that the taxable profit will be available and unused tax losses can be utilised. See note 25.

25. Pensions

SpareBank 1 Nord-Norge is required pursuant to the Mandatory Company Pension Act to provide an occupational pension schemes for its employees. The Group has a defined contribution scheme and a closed defined benefit scheme. The defined benefit pension scheme is administered by a separate pension fund, SpareBank 1 Nord-Norge Pensjonskasse. On 1 July 2006 the group established a defined contribution pension scheme. All new staff are enrolled in this scheme. Pensions are accounted for in accordance with international accounting standards for the calculation and accounting of pensions (IAS 19). See note 24.

26. Segment reporting

Ordinary banking operations, involving private and business customers, represent the bank's primary reporting format, with leasing and markets as the bank's secondary reporting format. See also note 4.

27. Events after the date of the balance sheet

The annual accounts are deemed to be approved for publication when the Board has approved the accounts. The Supervisory Board and regulatory authorities may refuse to approve the published annual accounts after this, but they cannot change the accounts. Events occurring up to the time when the financial statements are approved for publication involving issues that were already known on the date of the balance sheet will form part of

the information basis for determining estimates and will thereby be fully reflected in the annual accounts. Events that were not known on the balance sheet date will be reported if they are significant. The corona pandemic is such an event. Such circumstances are mentioned in note 43. The annual accounts have been prepared on the basis that the group will continue as a going concern. This assumption was valid in accordance with the Boards opinion at the time the financial statements were approved for publication. The Boards dividend proposal is stated in the annual report. Proposed dividends and distributions for charitable purposes are classified as equity until final approval has been granted.

Note 3 – Critical estimates and assessments regarding the use of accounting principles

LOSSES ON LOANS AND GUARANTEES

The bank assesses its entire portfolio of business customers annually. Large and especially risk commitments are examined on a quarterly basis. Loans to private customers are assessed when more than 55 days have elapsed since a default or when there is a particularly bad payment history. For each customer, a likelihood of default is calculated, based on historical financial data and credit report remarks and correspondingly for retail banking customers based on tax assessment figures and credit report remarks.

The bank currently has nine categories for healthy commitments and two categories for commitments in default, based on the likelihood of default for each customer. These eleven categories are divided into groups based on low, medium, high, highest risk, and default an loss based on likelihood of default. The entire portfolio is scored on a monthly basis using

Note 3 – Critical estimates and assessments regarding the use of accounting principles

automatic data acquisition based on objective data. Individual write-downs are made due to impairment for loans where there is objective evidence that the loan in question is doubtful.

The Bank makes loss provisions in band 3 for loans that have seen a significant increase in credit risk since granting and for which objective evidence of a loss exists. The loss provision consists of the expected loss over the lifetime of the loan based on the increased credit risk due to non-performance. Such loss provisions are calculated as the difference between the loan's book value and the present value of the discounted cash flow based on the effective interest rate at the time of the initial loss provision. Subsequent changes in interest rates are taken into account for loan agreements subject to a variable interest rate.

Loss provisions in bands 1 and 2 are calculated for all new loans and loans without significantly higher credit risk than upon granting in the form of 12-month expected loss (band 1) and for all loans where there has been a significant increase in credit risk since granting, even if no loss event has occurred (band 2). An expected loss in phase 2 consists of the expected loss over the loan's entire lifetime.

The assessment of loss write-offs will always be based on a considerable degree of subjective judgment. Predictions based on historical information may prove to be wrong because one can never be certain about the relevance of historical data as a basis for decision-making. In many cases, assets pledged as collateral security are not sold in highly effective markets and the determination of fair market value may therefore be subject to considerable uncertainty.

FAIR VALUE OF EQUITY CAPITAL INSTRUMENTS

Financial assets assessed at fair value through the profit and loss account will normally be traded in active markets and the fair value can thus be determined with reasonable certainty. For financial assets classified as available for sale this is not necessarily the case. Correspondingly, the market values for assets and liabilities that are carried at amortised and appear in notes may be estimates based on discounted future cash flows, multiplier analysis or other calculation methods. Such methods could be subject to significant uncertainty. With the exception of a few shares, the Norwegian stock market is considered to have poor liquidity. Share prices will in most circumstances be the last known transaction price. In some cases where the liquidity is poor and there is a great deal of unexplained fluctuations in the share price, the share price might be determined based on the weighted average over a specified time period, usually December.

In cases where there are no representative transactions, other valuation methods have been used in accordance with the valuation hierarchy in IFRS 9.

FAIR VALUE OF FINANCIAL DERIVATIVES

The fair value of financial derivatives is usually determined by using valuation methods where the price of the underlying object, for example interest or foreign exchange rates, is obtained from the market. In the case of share options, volatility will either be observable implicit volatility or calculated volatility based on historical share price movements for the underlying object. If the bank's risk position is approximately neutral, middle rates will be used. A neutral risk position means for example that the interest rate risk within a repricing interval is approximately zero. In the opposite case, relevant purchase and sale prices will be used to assess the net position.

In the case of a counterparty whose credit rating is weaker than that of the Bank, the price will reflect an underlying credit risk. To the extent that market prices are obtained from transactions with a lower credit risk, this will be taken into account by amortising the original price difference measured against such transactions with a lower credit risk over the maturity period.

INTANGIBLE ASSETS

Intangible assets are subject to an impairment test which is mainly based on the discounting of expected future cash flows. There will always be considerable uncertainty related to estimated cash flows, and in some cases there will also be uncertainty with regard to the methods for allocating cash flows to various assets.

PENSIONS

Net pension liabilities are and pension costs for the year are based on a number of estimates, including the yield on pension assets, future interest and

inflation rates, wage growth, turnover, development of the Norwegian National Insurance basic amount (G) and the general development in the number of persons receiving disability benefits and life expectancy.

Uncertainty is to a great extent related to gross liabilities and not to net liabilities as shown in the balance sheet.

All estimate deviations must be recorded in the statement covering other operating income and costs under comprehensive income items, so-called OCI (Other Comprehensive Income).

ACQUISITIONS

Acquisitions of other companies are recognised in the accounts using the acquisition method, ref. IFRS 3. In the acquisition method, an acquisition analysis is carried out with full purchase price allocation, where the purchase price is allocated to identifiable assets and liabilities in the acquired company. A positive difference between the fair value of the purchase sum paid and the fair value of the identifiable assets and liabilities is recognised as goodwill. Anybadwill can, subject to certain criteria, be recognised as income in the income statement in the acquisition year. The acquisition analysis can be regarded as preliminary or final.

Acquisition analyses contain both concrete calculations and the exercising of best judgement. Estimated items are always associated with some uncertainty, but they are, to the extent possible, supported by calculations of expected cash flows, comparable transactions, etc.

Please also see notes 33 and 39.

Note 4 – Business Areas

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

The segments correspond with the executive management team's internal reporting structure. In SpareBank 1 Nord-Norge, the executive management team is responsible for evaluating and following up the segments' results and is defined as the chief operating decision maker in the sense used in IFRS 8.

The recognition and measurement principles in the Bank's segment reporting are based on accounting policies that comply with IFRS, as set out in the consolidated financial statements. Any transactions between the segments are carried out at arm's length.

The item "unallocated" contains activities that cannot be allocated to the segments. The Bank operates in a limited geographic area and reporting geographical information provides little additional information. Nonetheless, important assets classes (loans) are distributed geographically in a separate note 8 in Annual report.

GROUP

31.12.19 Amounts in NOK million	Retail banking	Corpo-rate banking	Large corpo-rates	Markets	SpareBank 1 Regnskaps-huset Nord-Norge	Eiendoms-Megler 1 Nord-Norge	SpareBank 1 Finans Nord-Norge	Unspeci-fied/ Elimina-tions	Total
Net interest income	1,002	468	217	8	-2	-1	285	119	**2,097**
Net fee- and other operating income	691	82	18	5	188	204	6	-77	**1,116**
Net income from financial investments	5	6	6	36	0	0	0	857	**911**
Total costs	1,004	136	21	25	164	187	109	-6	**1,640**
Result before losses	695	420	220	24	22	17	182	904	**2,484**
Losses	7	22	-31	0	0	0	16	-2	**11**
Result before tax	688	398	251	24	22	17	166	906	**2,473**
Total lending	48,910	16,418	12,350	0	0	0	6,610	2,483	**86,771**
Loss provision	-86	-194	-111	0	0	0	-84	-7	**-482**
Other assets	0	6,899	0	0	205	112	60	17,960	**25,235**
Total assets per business area	48,825	23,123	12,239	0	205	112	6,586	20,435	**111,524**
Deposits from customers	39,862	23,123	3,200	0	0	0	0	1,846	**68,030**
Other liabilities and equity capital	8,963	0	9,039	0	205	112	6,586	18,590	**43,494**
Total equity and liabilities per business area	48,825	23,123	12,239	0	205	112	6,586	20,435	**111,524**

31.12.18 Amounts in NOK million	Retail banking	Corpo-rate banking	Large corpo-rates	Markets	SpareBank 1 Regnskaps-huset Nord-Norge	Eiendoms-Megler 1 Nord-Norge	SpareBank 1 Finans Nord-Norge	Unspeci-fied/ Elimina-tions	Total
Net interest income	894	399	258	10	0	0	247	87	1,896
Net fee- and other operating income	644	68	5	4	158	195	6	-24	1,057
Net income from financial investments	4	6	7	33	0	0	0	413	463
Total costs	923	112	22	21	136	181	82	-4	1,474
Result before losses	618	361	249	26	22	14	172	480	1,942
Losses	3	95	-63	0	0	0	-3	-10	22
Result before tax	615	266	312	26	22	14	175	490	1,920
Total lending	48,206	14,507	11,078	0	0	0	6,257	2,096	82,145
Loss provision	-82	-232	-143	0	0	0	-77	22	-511
Other assets	0	7 409	0	0	94	94	56	16,869	24,522
Total assets per business area	48,124	21,685	10,935	0	94	94	6,236	18,988	106,156
Deposits from customers	37,592	21,685	2,830	0	0	0	0	1,878	63,985
Other liabilities and equity capital	10,531	0	8,106	0	94	94	6,236	17,110	42,171
Total equity and liabilities per business area	48,124	21,685	10,935	0	94	94	6,236	18,988	106,156

Note 5 – Equity and capital adequacy ratio

BACKGROUND

Capital adequacy is calculated and reported in accordance with the EU's capital requirements regulations for banks and investment firms (CRD IV/CRR).

In January 2007, SpareBank 1 Nord-Norge was authorised to use IRB models to calculate capital requirements for credit risk. In February 2015, the Bank was also authorised to use the advanced IRB method for the corporate portfolio. The use of IRB places great demands on the Bank's organisation, competence, risk models and risk management systems.

Up until 31 December 2019, SpareBank 1 Nord-Norge, and other Norwegian IRB banks, were subject to transitional rules regarding the magnitude of the risk-weighted calculation basis. The transitional rules meant that the risk-weighted calculation basis could not be lower than 80 per cent of the risk-weighted calculation basis under Basel I. This is referred to as the "Basel I floor". As at 31 December 2018, the "Basel I floor" was actualised at a group level, but not at a parent bank level. As at 31 December 2019, the "Basel I floor" is not included in capital adequacy reporting in line with the regulatory changes.

REGULATORY CAPITAL REQUIREMENTS

As at 31 December 2019, the regulatory minimum requirement for the core Tier 1 capital ratio was 14 per cent. This included the minimum requirement of 4.5 per cent, the total buffer requirement of 8 per cent, and the Pillar 2 requirement of 1.5 per cent.

CAPITAL TARGETS

SpareBank 1 Nord-Norge's goal is to maintain indisputable 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 current target core Tier 1 capital ratio of 15 per cent.

TREATMENT OF ASSOCIATED COMPANIES AND JOINT VENTURES

The Group uses proportional consolidation for its capital adequacy reporting for the stakes in SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt, SpareBank 1 Kredittkort and BN Bank. The stake in SpareBank 1 Betaling was deducted in its entirety from the core Tier 1 capital. This accounting treatment is in line with the Ministry of Finance's decision (June 2018). The book value of the stake in SpareBank 1 Gruppen is deducted from core Tier 1 capital pursuant to the applicable capital adequacy regulations.

CHANGES TO THE CAPITAL ADEQUACY REGULATIONS

The EU capital adequacy regulations came into force in the EEA Agreement on 31 December 2019. From this point onwards, CRR/CRD IV were fully implemented in Norway. This involved, among other things, the disappearance of the "Basel I floor" and the implementation of the "SME discount". The former results in more risk-sensitive capital requirements. The latter entails lower capital requirements for loans to small and medium-sized enterprises.

As a consequence of the full implementation of CRR/CRD IV from 31 December 2019, the Ministry of Finance published changes to the banks' capital requirements in December 2019. The changes can be summarised as follows (not exhaustive):

- System risk buffer increases from 3 per cent to 4.5 per cent. For SpareBank 1 Nord-Norge, and other AIRB banks, the increase will apply from 31 December 2020. For other banks, the increase will apply from 31 December 2022.
- Risk weighting floor (20 per cent) for loans with collateral in residential property. The change will apply from 31 December 2020.
- Risk weighting floor (35 per cent) for loans with collateral in commercial property. The change will apply from 31 December 2020.
- In December 2018, the Ministry of Finance decided that the countercyclical buffer requirement would increase from 2 per cent to 2.5 per cent with effect from 31 December 2019.
- The Basel Committee finalised the Basel III Regulations in December 2017. The regulations are expected to be introduced in the EU in 2022 (earliest), with transitional rules until 2027 (earliest). The final date for implementation in Norway has still to be confirmed.

Note 5 – Equity and capital adequacy ratio

PARENT BANK			GROUP	
31.12.18	31.12.19	Amounts in NOK million	31.12.19	31.12.18
1,807	**1,807**	Equity Certificate capital	**1,807**	1,807
843	**843**	Equity Certificate premium reserve	**843**	843
2,200	**3,035**	Dividend Equalisation Fund	**3,035**	2,200
5,024	**5,990**	The Saving Bank's Fund	**5,990**	5,024
585	**585**	Donations	**585**	585
42	**42**	Fair Value Reserve	**42**	42
31	**- 17**	Other equtiy capital	**1,090**	1,777
780	**780**	Hybrid capital	**780**	780
11,312	**13,065**	**Total book equity**	**14,172**	13,058
-780	**- 780**	Hybrid capital	**-780**	-780
		Tier 1 Capital		
-866	**-866**	Allocated dividends	**-866**	-866
0	**0**	Adjusted Tier 1 capital from consolidated financial institutions	**-38**	-100
0	**0**	Goodwill and other intangible assets	**-134**	-113
-25	**-29**	Adjustments to CET 1 due to prudential filters	**-32**	-28
-144	**-122**	Defined benefit pension fund assets gross amount	**-134**	-154
-4	**-109**	IRB shortfall of credit risk adjustments to expected losses	**-128**	-49
0	**0**	CET1 instruments of financial sector entities where the institution has significant investment	**-443**	-511
-137	**-156**	Deduction for non-significant investments in the financial sector	**-145**	-123
9,356	**11,003**	**Common equity Tier 1 capital**	**11,472**	10,334
780	**780**	Hybrid Tier 1 bonds	**1,024**	1,062
10,136	**11,783**	**Tier 1 capital**	**12,496**	11,396
		Tier 2 Capital		
1,200	**1,050**	Subordinated loans eligible as T2 Capital	**1,366**	1,644
-136	**-136**	T2 instruments of financial sector entities where the institution have significant investment	**- 136**	-136
1,064	**914**	**Tier 2 capital ratio**	**1,230**	1,508
11,200	**12,697**	**Total eligible capital**	**13,726**	12,904

PARENT BANK			GROUP	
31.12.18	31.12.19	Amounts in NOK million	31.12.19	31.12.18
		Total risk exposure amount		
36,289	**41,199**	Credit risk internal rating based approach (IRB)	**41,719**	38,238
8,147	**10,033**	Credit risk standardised based approach	**17,401**	15,997
44,436	**51,232**	**Total credit risk IRB**	**59,120**	54,235
66	**75**	Traded debt instruments	**75**	66
99	**103**	Equity	**103**	99
4,604	**5,358**	Operational Standarised indicator approach (STA)	**6,303**	5,210
262	**181**	Credit Valuation Adjustment (CVA)	**1,008**	1,081
49,467	**56,949**	**Total risk exposure amount (IRB)**	**66,609**	60,691
		Transitional rule Basel I		10,476
49,467	**56,949**	**Total risk exposure amount**	**66,609**	71,167
		Transitional rule Basel I	**0%**	15%
		Capital requirements		
936	**1 050**	Corporates – specialised lending	**1,104**	1,042
72	**59**	Corporates – other	**62**	77
363	**410**	Corporate – small and medium entities (SME)	**423**	380
1,026	**1,205**	Retail – secured by real estate	**1,681**	1,496
66	**66**	Retail – other	**68**	63
441	**506**	Equity IRB		2
2,903	**3,296**	**Total IRB capital requirements**	**3,338**	3,059
652	**803**	Total standardised capital requiremetns	**1,392**	1,280
3,555	**4,099**	**Capital requirements credit risk**	**4,730**	4,339
5	**6**	Traded debt instruments	**6**	5
8	**8**	Equity	**8**	8
368	**429**	Operational Standarised indicator approach (STA)	**504**	417
21	**14**	CVA	**81**	86
		Transitional rule Basel I		838
3,957	**4,556**	**Capital requirements**	**5,329**	5,693

PARENT BANK			GROUP	
31.12.18	31.12.19	Amounts in NOK million	31.12.19	31.12.18
20.5%	**20.7%**	Tier 1 Capital ratio	**18.8%**	16.0%
2.2%	**1.6%**	Tier 2 Capital ratio	**1.8%**	2.1%
22.6%	**22.3%**	Capital Adequacy ratio	**20.6%**	18.1%
18,9%	**19.3%**	Common Equity Tier 1 Capital ratio	**17.2%**	14.5%
20.5%	**20.7%**	Tier 1 Capital IRB ratio	**18.8%**	18.8%
22.6%	**22.3%**	Capital Adequacy IRB ratio	**20.6%**	21.3%
18.9%	**19.3%**	Common Equity Tier 1 Capital ratio IRB	**17.2%**	17.0%
		Capital Requirements Directive (CRD IV):		
2,226	**2,563**	Minimum common Tier 1 Equity Capital 4.5%	**2,997**	3,203
		Capital buffers		
1,484	**1,708**	Systemic risk buffer 3%	**1,998**	2,135
989	**1,424**	Countercyclical capital buffer 2.5%, (2%, 2018)	**1,665**	1,423
1,237	**1,424**	Capital conservation buffer 2.5%	**1,665**	1,779
3,710	**4,556**	**Total buffer requirement for common equity Tier 1 capital 8%, (7.5%, 2018)**	**5,329**	5,338
5,936	**7,119**	**Total buffer requirement for common equity Tier 1 capital 12.5% (12%, 2018)**	**8,326**	8,540
742	854	Pilar II requirements 1,5%	999	1 068
6,678	**7,973**	**Total regulatory requirement for common equity Tier 1 capital 14% (13.5%, 2018)**	**9,325**	9,608
2,678	**3,030**	**Available common equity Tier 1 capital**	**2,147**	726

Leverage ratio

31.12.18	31.12.19	**Exposure target**	31.12.19	31.12.18
102,526	**108,734**	Balance sheet items	**154,646**	149,872
3,174	**3,395**	Off balance sheet items	**4,310**	4,652
1,516	**975**	Derivatives exposure	**2,544**	3,186
-25	**-138**	Other adjustments	**-162**	-33
107,191	**112,966**	**Total exposure target**	**161,338**	157,677
10,136	**11,783**	Tier 1 capital	**12,496**	11,396
9.5%	**10.4%**	**Leverage ratio**	**7.7%**	7.2%

Note 6 – Financial risk management

RISK EXPOSURE: DEFINITION AND ORIGIN

SpareBank 1 Nord-Norge is exposed to various types of risk through its activities. The most important risks are:

Credit risk: The risk of losses due to customers or counterparties being unable or unwilling to meet their financial obligations in accordance with an agreement. In a loan situation, the credit risk is that the borrower will not comply with the loan agreement.

Credit risks arise as a result of and are primarily related to:

- Financing/loans in the retail market.
- Financing/loans in the business market.

The Group is also exposed to credit risk from investments in interest-bearing securities. This is described in more detail under "Market risk" below.

Liquidity and financing risk: The risk of the Group being unable to fulfil its obligations when they fall due, as well as the risk of the Group being unable to meet its liquidity obligations without the cost of this increasing significantly.

Liquidity and financing risks arise as a result of and are primarily related to:

- Different periods of maturity and due dates for assets and liabilities
- Dependence on the capital market.
- Regulatory changes.

Market risk: The risk of changes in the value of assets/financial positions due to changes in market value, including changes in the prices of bonds/certificates, share prices, interest rates and exchange rates.

Market risks arise as a result of and are primarily related to:

- The management (including also holdings) of liquidity reserves.
- Changes in interest rates that affect both assets and liabilities.
- Changes in exchange rates that affect both assets and liabilities.
- Changes in shares prices that affect assets.
- Customer business within interest rate and currency trading.

Ownership risk: The risk of the Group suffering a loss from ownership interests in strategically owned companies, or the Group having to supply new capital to strategically owned companies.

Ownership risks arise as a result of, and are related to, the ownership of strategically important companies.

Operational risk (including compliance risk, reputational risk, behavioural risk, technology risk, third-party risk, human capital risk, etc.): The risk of people, processes, systems or external events hindering the Group's ability to meet its objectives. Operational risk is a function of internal controls, employee behaviour, process effectiveness, supervision by third parties, physical security and crisis and continuity planning, etc.

Operational risks arise as a result of, and are related to, among other things, (not exhaustive):

- Processes and systems.
- Technology risk (cyber and IT).
- Regulatory requirements.

Insurance risk: The risk arising from insurance activities in the Group and the fluctuations these cause in the Group's result. Insurance risks arise due to the ownership interest in SpareBank 1 Gruppen.

Pension risk: The risk that arises due to changes in variables that affect the Group's liabilities associated with future pension payments. Pension risks arise as a result of the Group's defined benefit pension schemes.

Systemic risk: The risk that financial instability will disrupt the provision of financial services to such an extent that it could result in significant negative effects for production and employment. Systemic risks arise as a result of the characteristics of the financial system in which the Group operates.

Excessive debt accumulation: The risk that the proportion of outside financing on the Group's balance sheet becomes too high in relation to the Group's equity.

The risk of excessive debt accumulation can occur as a result of the Group's credit models estimating risk weightings too low in relation to the actual risks in the credit engagements.

Note 6 – Finansiell risikostyring

Business risk: The risk of unexpected income and cost fluctuations as a result of the Group's operations or changes to external conditions such as the market situation or government regulations. The latter especially applies to falls in income due to increased competition, changes in framework conditions or other changes in business conditions, as well as changes to the costs picture that one cannot compensate for through other cost cutting or income increasing measures.

Business risks arise as a result of, and are related to, among other things, (not exhaustive):

- The business model.
- The market situation.
- Strategic ventures.
- The macroeconomic situation.
- The regulatory framework conditions.

Climate risk (including sustainability): The risk of events that affect society due to changes in the climate and climate policy. Climate risk has three components:

- Physical risk: Costs related to physical damage resulting from climate change.
- Transition risk: Financial risk linked to the transition to a low-emissions society.
- Liability risk: Claims for damages linked to decisions, or a failure to make decisions, that in some manner or other can be linked to climate policy or climate change.

Climate risk is therefore an underlying risk driver for other risk types. This includes credit risk, market risk, liquidity and financing risk, insurance risk/ownership risk, as well as operational and reputational risk.

Climate risk arises as a consequence of the Group's core business and the fact that the Group is part of the financial system.

MANAGEMENT AND CONTROL OF THE GROUP'S RISK EXPOSURE

Risk and capital management at SpareBank 1 Nord-Norge

SpareBank 1 Nord-Norge's risk and capital management should support the Group's strategic development and achievement of targets, and at the same time ensure financial stability and proper asset management. This should be achieved through:

- A healthy risk culture characterised by a high awareness of risk and capital management.
- A good understanding of what risks drive earnings.
- Pricing products, as far as possible, in line with the underlying risk.
- Striving to achieve the optimal allocation of capital within the adopted business strategy.
- Exploiting synergy and diversification effects.
- Preventing individual events causing serious damage to the Group's financial position.

Management and control framework

A framework has been established for managing and controlling the Group's risk exposure. This covers both individual risks and overall risk exposure, and comprises:

- Governing documents.
- Organisation and the division of responsibilities.
- System support and measurement methods.
- Monitoring and reporting

Risk strategy

The Group's risk strategy defines the risk the Group is willing to assume in order to achieve its strategic objectives, as well as how the risk will be managed and monitored. This includes:

- Monitoring and assessing the Group's risk exposure.
- Calculating the Group's risk capacity.
- Defining the Group's risk willingness.
- Defining how risk should be managed and monitored.
- Defining roles and responsibilities.

It is a fundamental principle that the Group's level of risk must be within the limits for the Group's risk capacity and willingness. The Group must never breach the levels set for risk willingness when these are defined as risk limits. The risk strategy defines the direction for underlying strategies, policies, routines and guidelines in each area of risk.

A more detailed description is provided below of the management and monitoring within those areas of risk that have the largest explicit effect on the accounts as at 31.12.18.

Credit risk

Credit risk is managed via the Group's frameworks for granting credit, commitment monitoring and portfolio management. These include risk limits, targets, industry-specific policy requirements, authority structures, credit models, continuous measurement, monitoring and reporting. The Group particularly focuses on concentration risk and the quality of the loan portfolio, which includes monitoring this both when credit is granted and during ongoing portfolio management. The established management and monitoring must support the Group's risk willingness in the area.

SpareBank 1 Nord-Norge has, in partnership with SpareBank 1-alliansen, developed its own credit models that are used for:

- Calculating capital requirements for credit risk (IRB/AIRB)
- Granting credit.
- Monitoring commitments.
- Portfolio management.
- Calculating expected credit loss (ECL).

The models are based on three main components:

1. Probability of default (PD): Customers are classified in risk classes according to the likelihood of the customers defaulting on their commitments during a 12-month period. The probability of default is calculated based on historical data series for key financial figures, as well as non-financial criteria such as behaviour and age. In order to classify customers according to the probability of default, nine risk classes (A–I) are used. In addition, the Group has two risk classes (J and K) for customers with commitments in default and/or commitments that have been written down.

2. Expected exposure at default (EAD): A calculated magnitude that indicates the expected exposure to the customer in the event of default.

3. Loss given default (LGD): A calculated magnitude that indicates how much the Group could potentially lose if the customer defaults on their commitments. The assessment takes into consideration the realisation value of the assets that the customers have pledged as security, and the costs incurred by the Group in connection with recovering commitments in default. These figures are estimated based on the Bank's own experience over time. Seven different classes (1-7) are used for classification in relation to security coverage.

The credit models are verified (validated) and continuously being improved. Quantitative and qualitative validation processes are conducted every year. In the quantitative validation process, an assessment is made of whether the model's estimates and assumptions are functioning as intended. In the qualitative validation process, an assessment is made of whether the IRB system is well-integrated throughout the organisation and is being used as an important component in the Group's risk management and decision-making.

For further information, please see the related notes and the Group's Pillar 3 report.

Liquidity and financing risk

Liquidity and financing risks are managed using the Group's framework for this area. This includes risk limits, targets, continuous measurement, monitoring and reporting. The Group particularly focuses on predictability and stability in relation to liquidity and financing. The established management and monitoring must support the Group's risk willingness in the area (low).

Customer deposits are the most important source of funding for the Group. As at 31.12.18, the deposit coverage rate (excl. commission loans) was 79%. Other funding consists of borrowing in the form of covered bonds through SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, senior unsecured bonds, subordinated loans and hybrid Tier 1 instruments.

SpareBank 1 Nord-Norge has a conscious and active relationship with Norwegian and foreign actors in the capital markets (investor relations), including owners, potential investors, analysts and others with an interest in the Group. SpareBank 1 Nord-Norge strives for a funding structure that is well-diversified within given limits with respect to the market, product and due dates.

The proportion of funding in foreign currency has increased in recent years. The Group has good capacity for funding in Norwegian kroner, but periodically low liquidity in the Norwegian market means that the

Group finds being active in other markets for issuing securities reduces risk. The Bank has ratings from Moody's and Fitch in order to secure good access to these capital markets. The Bank's long-term rating with Moody's is A1, stable, while its Fitch's rating is A, stable. The Bank also has a joint EMTN loan programme with SpareBank 1 Østlandet and SpareBank 1 SMN for borrowing in foreign currency.

The liquidity coverage ratio (LCR) is one of the liquidity area's most important management parameters. The LCR requirement means that the Group must at all times have liquidity reserves of at least 100%; in other words, that the holding of liquid assets must be at least equal to the net liquidity outflow in a given stress period of 30 calendar days. The regulatory minimum requirement for total LCR is 100%. As at 31.12.19, the Group's total LCR was 156%.

The net stable funding ratio (NSFR) key figure is used to assess the extent to which the Group has adequate long-term funding. NSFR is defined as available stable funding relative to required stable funding. No regulatory minimum requirement has been introduced for NSFR in Norway, but the Financial Supervisory Authority of Norway expects Norwegian banks to have an NSFR of at least 100 per cent. As at 31.12.19, the Group's total NSFR was 118%.

For further information, please see notes 17-18 and the Group's Pillar 3 report.

Market risk

Market risks are managed using the Group's framework for this area. This includes risk limits, continuous measurement, monitoring and reporting. The Group takes a conservative approach to risk exposure in this area. This means the Group seldom takes positions in securities and financial instruments with a view to resale or benefiting from price or interest rate variations in the short term. The Group's general rule is that it should limit market risk through the active use of hedging instruments. Uncovered risks should only occur within specially allotted limits. The established management and monitoring must support the Group's risk willingness in the area (low).

Interest rate risk is the risk of loss as a result of interest rate fluctuations. Interest rate risk is measured by simulating how various distortions to the interest rate curve affect the Group's positions. The Group's interest rate risk is generally short and regarded as low.

The credit spread risk is defined as the risk of loss due to an expansion of credit spreads for interest-bearing papers in which the Group has invested. The Group is primarily exposed to credit spread risk through the administration of the liquidity portfolio, which consists of low-risk bonds and certificates. The potential loss associated with credit spread risk is calculated using methodology described in the Financial Supervisory Authority of Norway's circular 12/2016.

Currency risk is the risk of loss due to changes in exchange rates. The framework for exchange rate risk is expressed by limits for the total net currency position and maximum positions in individual currencies. The potential loss associated with currency risk is calculated using methodology described in the Financial Supervisory Authority of Norway's circular 12/2016.

Equity risk is the risk of loss due to changes in the value of equity positions in which the Group has invested. The potential loss associated with equity risk is calculated using methodology described in the Financial Supervisory Authority of Norway's circular 12/2016. The Group's equity exposure has been gradually reduced in recent years due to the cultivation of its core activities.

For further information, please see notes 14-16 and the Group's Pillar 3 report.

Ownership risk

Ownership risk is managed by active board participation in a number of part-owned companies. SpareBank 1 Nord-Norge is primarily exposed to ownership risk through ownership interests in SpareBank 1 Gruppen AS (19.5%), SpareBank 1 Boligkreditt AS

(18.65%), SpareBank 1 Næringskreditt AS (8.6%), Sparebank 1 Banksamarbeidet DA (17.74%), SpareBank 1 Kredittkort AS (16.89%), SpareBank 1 Betaling AS (18.57%), SMB Lab AS (20.0%), Betr AS (20%) and SpareBank 1 Markets (12.2%).

The potential loss associated with ownership risk is calculated using various approaches, some of which are based on methodology for ownership risk and equity risk described in the Financial Supervisory Authority of Norway's circular 12/2016.

For further information, please see the related notes and the Group's Pillar 3 report.

Climate risk

Climate risk is managed using the Group's framework for this area. The issues to be considered include:

- Governing documents explicitly related to sustainability and corporate social responsibility.
- The governing documents for risks areas in which climate risk is an underlying risk driver. This includes credit risk, market risk, liquidity and financing risk, insurance risk/ownership risk, as well as operational and reputational risk.
- Established roles and responsibilities, including the sustainability manager and the project "Green number 1".

The established management and monitoring must support the Group's risk willingness in the area (low to moderate).

For further information, please see the Board of Directors' Report.

Note 7 – Credit risk exposure for each internal risk rating

SpareBank 1 Nord-Norge applies its own risk classification system for the monitoring of credit risk in the portfolio. The classification of risk classes is done on the basis of the probability of default for each individual commitment. In addition to the probability of default, the Bank applies estimated value of collateralised assets pledged as security as an element when putting customers into different groups according to risk. The allocation is done by linking the collateral assets to the individual loans in question. Each customer is then put into risk groups according to probability of default and security class, as is shown below. The classification matrix comprises 77 risk classes in relation to probability of default and security coverage. The exposures are grouped according to total commitments. Total commitments are the total of gross loans, guarantees, unutilised credit and accrued interest.

PARENT Amounts in NOK million	Average unsecured exposure – %	Average unsecured exposure – %	Total amount	Total amount
	2019	2018	2019	2018
Very low risk	**0.3%**	0.3%	**34,202**	38,701
Low risk	**1.0%**	1.1%	**30,435**	23,054
Medium risk	**1.7%**	1.7%	**23,047**	21,112
High risk	**0.1%**	0.1%	**2,698**	2,504
Very high risk	**0.1%**	0.1%	**1,726**	1,513
In default and written down	**0.0%**	0.0%	**397**	400
Total	**3.2%**	3.3%	**92,505**	87,284

GROUP Amounts in NOK million	Average unsecured exposure – %	Average unsecured exposure – %	Total amount	Total amount
	2019	2018	2019	2018
Very low risk	**0.2%**	0.3%	**37,104**	36,584
Low risk	**1.0%**	1.0%	**26,566**	24,503
Medium risk	**1.8%**	1.9%	**24,594**	22,263
High risk	**0.2%**	0.1%	**3,285**	2,886
Very high risk	**0.2%**	0.2%	**2,095**	1,823
In default and written down	**0.1%**	0.0%	**481**	449
Total	**3.5%**	3.5%	**94,125**	88,508

Note 8 – Maximum credit exposure

The following table includes balance sheet items and items outside the balance sheet with credit risk, and the assessed value of the associated collateral. Market values are used where these are available. Within real estate, models are used that estimate the value of collateral based on market parameters for similar properties.

PARENT BANK 31.12.19 Amounts in NOK million

Maximum on balance credit exposure	Total	Collateral in real estate *)	Other collateral **)
Cash and balances with central banks	1,471		
Loans and advances to credit institutions	6,005		
Loans and advances to customers	79,105	66,690	7,898
Certificates and bonds	15,837		9,084
Financial derivatives	1,110		310
Maximum on balance credit exposure	**103,528**	**66,690**	**17,292**

Maximum off balance credit exposure	Total	Collateral in real estate *)	Other collateral **)
Contingent liabilities	1,725		
Unutilised credits	5,670	2,839	
Loan approvals	4,343		
Maximum off balance credit exposure	**11,738**	**2,839**	
Maximum credit exposure	**115,266**	**69,529**	**17,292**

*) The collateral pledged for real estate commitments is assessed at market value, limited to the size of the commitment for the individual counterparty. This is done to express the effective value of the available collateral.

**) Other collateral includes, among other things, cash, movable property, ships, and received guarantees. For covered bonds, the cover pool consists of loans to customers of the company that issued the bond.

GROUP 31.12.19 Amounts in NOK million

Maximum on balance credit exposure	Total	Collateral in real estate *)	Other collateral **)
Cash and balances with central banks	1,471		
Loans and advances to credit institutions	1,079		
Loans and advances to customers	85,692	66,690	12,850
Certificates and bonds	15,837		9,084
Financial derivatives	1,110		310
Maximum on balance credit exposure	**105,189**	**66,690**	**22,244**

Maximum off balance credit exposure	Total	Collateral in real estate *)	Other collateral **)
Contingent liabilities	1,725		
Unutilised credits	5,472	2,931	
Loan approvals	4,501		
Maximum off balance credit exposure	**11,698**	**2,931**	**0**
Maximum credit exposure	**116,887**	**69,621**	**22,244**

*) The collateral pledged for real estate commitments is assessed at market value, limited to the size of the commitment for the individual counterparty. This is done to express the effective value of the available collateral.

**) Other collateral includes, among other things, cash, movable property, ships, and received guarantees. For covered bonds, the cover pool consists of loans to customers of the company that issued the bond. In the Group, the adjusted realisation value of the lease objects is included in the subsidiary Sparebank 1 Finans Nord-Norge.

Note 8 – Maximum credit exposure

Banking activities by geography 31.12.19 (balance)	Parent bank	Group
Finnmark	13,047	14,297
Nordland	31,604	32,714
Other regions	9,292	9,814
Troms, including Svalbard	32,545	31,321
International	93	96
Total	**86,581**	**88,242**

Capital Market activity by geography 31.12.19 (balance)	Parent bank	Group
Norway	11,192	11,192
Europe/Asia	5,605	5,605
USA	150	150
Total	**16,947**	**16,947**
Total credit exposure by geography 31.12.19	**103,528**	**105,189**

The following table stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments - to the value of the collateral. The valuation of the collateral excludes any adjustments for abtaining and selling the collateral. The value of the collateral for residential mortgage mortgage loans is based on the collateral value at origination updated based on the change in house price indices. This tabel is only provided at the parent bank.

LTV ratio Amounts in NOK million	2019	2018
<50%	**7,320**	7,194
50% - 70%	**14,793**	15,173
70% - 90%	**22,743**	21,890
90% - 100%	**1,288**	1,193
>100%	**1,573**	1,517
Total gross lending (retail marked)	**47,717**	46,967

PARENT BANK 31.12.18 Amounts in NOK million

Maximum on balance credit exposure	Total	Collateral in real estate *)	Other collateral **)
Cash and balances with central banks	3,786		
Loans and advances to credit institutions	5,976		
Loans and advances to customers	74,880	63,281	7,390
Certificates and bonds	12,560		8,386
Financial derivatives	1,653		398
Maximum on balance credit exposure	98,855	63,281	16,174

Maximum off balance credit exposure	Total	Collateral in real estate *)	Other collateral **)
Contingent liabilities	1,171		
Unutilised credits	5,258	2,727	
Loan approvals	2,074		
Maximum off balance credit exposure	8,503	2,727	
Maximum credit exposure	107,358	66,008	16,174

*) The collateral pledged for real estate commitments is assessed at market value, limited to the size of the commitment for the individual counterparty. This is done to express the effective value of the available collateral.

**) Other collateral includes, among other things, cash, movable property, ships, and received guarantees. For covered bonds, the cover pool consists of loans to customers of the company that issued the bond.

GROUP 31.12.18 Amounts in NOK million

Maximum on balance credit exposure	Total	Collateral in real estate *)	Other collateral **)
Cash and balances with central banks	3,786		
Loans and advances to credit institutions	1,282		
Loans and advances to customers	80,863	63,281	12,344
Certificates and bonds	12,560		8,386
Financial derivatives	1,653		398
Maximum on balance credit exposure	100,144	63,281	21,128

Maximum off balance credit exposure	Total	Collateral in real estate *)	Other collateral **)
Contingent liabilities	1,171		
Unutilised credits	5,193	2,817	
Loan approvals	2,092		
Maximum off balance credit exposure	8,456	2,817	
Maximum credit exposure	108,600	66,098	21,128

*) The collateral pledged for real estate commitments is assessed at market value, limited to the size of the commitment for the individual counterparty. This is done to express the effective value of the available collateral.

**) Other collateral includes, among other things, cash, movable property, ships, and received guarantees.
For covered bonds, the cover pool consists of loans to customers of the company that issued the bond.
In the Group, the adjusted realisation value of the lease objects is included in the subsidiary Sparebank 1 Finans Nord-Norge.

Banking activities by geography 31.12.18 (balance)	Parent bank	Group
Finnmark	13,372	14,548
Nordland	30,973	33,177
Other regions	11,626	12,244
Troms, including Svalbard	28,583	25,856
International	88	105
Total	84,642	85,931

Capital Market activity by geography 31.12.18 (balance)	Parent bank	Group
Norge	10,433	10,433
Europe/Asia	3,771	3,771
USA	9	9
Total	14,213	14,213

Total credit exposure by geography 31.12.18 (balance)	98,855	100,144

Note 9 – Credit quality by class of financial assets

SpareBank1 Nord-Norge uses its own classification system for monitoring credit risk in the portfolio. The exposures are grouped according to gross loans and financial investments. For further information, see note 6 risk management.

PARENT BANK

2019 Amounts in NOK million	Very low risk	Low risk	Medium risk	High risk	Very high risk	In default or individually written down	Total
Loans and advances to financial institutions	1,079	4,926					**6,005**
Loans and advances to customers							
Retail market	23,440	16,900	6,338	438	457	144	47,717
Corporate market	7,231	6,377	14,368	1,976	925	203	31,080
Public sector	44	261				3	308
Total gross loans	**31,794**	**28,464**	**20,706**	**2,414**	**1,382**	**350**	**85,110**
Financial investments							
Listed government bonds	71						71
Listed other bonds	14,087		19	20			14,126
Unlisted other bonds	1,515		111	14			1,640
Total	**15,673**		**130**	**34**			**15,837**
Total	**47,467**	**28,464**	**20,836**	**2,448**	**1,382**	**350**	**100,947**
Share	47%	28%	21%	2%	1%	0%	100%

PARENT BANK

2018 Amounts in NOK million	Very low risk	Low risk	Medium risk	High risk	Very high risk	In default or individually written down	Total
Loans and advances to financial institutions	5,976						5,976
Loans and advances to customers							
Retail market	23,998	16,397	5,681	337	415	139	46,967
Corporate market	6,218	5,118	13,386	1,849	957	261	27,789
Public sector	37	87				0	124
Total gross loans	36,229	21,602	19,067	2,186	1,372	400	80,856
Financial investments							
Listed government bonds	703						703
Listed other bonds	11,584		11	20			11,615
Unlisted other bonds	125		115	2			242
Total	12,412		126	22			12,560
Total	48,641	21,602	19,193	2,208	1,372	400	93,416
Share	52%	23%	21%	2%	1%	0%	100%

GROUP

2019 Amounts in NOK million	Very low risk	Low risk	Medium risk	High risk	Very high risk	In default or individually written down	Total
Loans and advances to financial institutions	1,079						**1,079**
Utlån til og fordringer på kunder							
Retail market	25,362	17,388	6,694	491	570	157	50,662
Corporate market	8,137	7,086	15,511	2,512	1,259	199	34,704
Public sector	62	261				3	326
Total gross loans	**34,640**	**24,735**	**22,205**	**3,003**	**1,829**	**359**	**86,771**
Financial investments							
Listed government bonds	71						71
Listed other bonds	14,087		19	20			14,126
Unlisted other bonds	1,515		111	14			1,640
Total	**15,673**		**130**	**34**			**15,837**
Total	**50,313**	**24,735**	**22,335**	**3,037**	**1,829**	**359**	**102,608**
Share	49%	24%	22%	3%	2%	0%	100%

GROUP

2018 Amounts in NOK million	Very low risk	Low risk	Medium risk	High risk	Very high risk	In default or individually written down	Total
Loans and advances to financial institutions	1,282						1,282
Loans and advances to customers							
Retail market	25,719	16,777	5,969	388	492	208	49,553
Corporate market	6,970	6,187	14,410	2,179	1,189	241	31,176
Public sector	48	86					134
Total gross loans	34,019	23,050	20,379	2,567	1,681	449	82,145
Financial investments							
Listed government bonds	703						703
Listed other bonds	11,584		11	20			11,615
Unlisted other bonds	125		115	2			242
Total	12,412		126	22			12,560
Total	46,431	23,050	20,505	2,589	1,681	449	94,705
Share	49%	24%	22%	3%	2%	0%	100%

Note 10 – Financial institutions – Loans and advances

Loans to financial institutions are measured at amortised cost in accordance with IFRS 9. Amortised cost involves valuation based on the originally agreed cash flows, adjusted for expected loss in the ECL model.

PARENT BANK					GROUP			
31.12.18	Average interest rate %*	31.12.19	Average interest rate %*	Amounts in NOK million	31.12.19	Average interest rate %*	31.12.18	Average interest rate %*
				Loans and advances to financial institutions				
450	0.39%	**267**	**0.69%**	Loans and advances without agreed maturity or notice of withdrawal	**450**	**0.69%**	450	0.39%
5,526	1.82%	**5,738**	**2.09%**	Loans and advances with agreed maturity or notice of withdrawal	**629**	**2.09%**	832	1.82%
5,976	1.70%	**6,005**	**2.01%**	**Total**	**1,079**	**2.01%**	1,282	1.70%
				Broken down by the most important foreign currencies				
5,765		**5,794**		NOK	**868**		1,071	
10		**10**		GBP	**10**		10	
185		**185**		EUR	**185**		185	
6		**6**		USD	**6**		6	
2		**2**		SEK	**2**		2	
8		**8**		Other foreign currencies	**8**		8	
5,976		**6,005**		**Total**	**1,079**		1,282	
				Deposits from credit institutions				
13	10.39%	**248**	**4.19%**	Loans and deposits from financial institutions without agreed maturity or notice of withdrawal	**248**	**4.19%**	13	10.39%
175	0.95%	**316**	**1.30%**	Loans and deposits from credit institutions with agreed maturity or notice of withdrawal	**315**	**1.30%**	174	0.95%
188	1.87%	**564**	**2.01%**	**Total**	**563**	**2.01%**	187	1.87%
				Broken down by the most important foreign currencies				
174		**369**		NOK	**368**		173	
1		**0**		USD	**0**		1	
5		**160**		EUR	**160**		5	
8		**35**		Other foreign currencies	**35**		8	
188		**564**		**Total**	**563**		187	

* Average interest rate/(yield) is calculated as the sum of interest expense divided by average volume.

				Collateral				
398		**185**		The balance sheet value of loans and advances to finacial institutions pledged as collateral for derivatives trading	**185**		398	

Note 11 – Loans

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

LOANS AT AMORTISED COST

For all loans at amortised cost there has been calculated expected losses and provisions according to IFRS 9. Please also see note 13.

PARENT BANK		Amounts in NOK million	GROUP	
31.12.18	31.12.19	Loans broken down by method of measurement	31.12.19	31.12.18
		Loans at fair value through profit and loss		
7,652	**8,570**	Loans to customers at fixed interest rates	**8,591**	7,693
1,963	**4,137**	Mortgages to customers for sale, housing credit company	**4,137**	1,963
9,615	**12,707**	**Total loans at fair value through profit and loss**	**12,728**	9,656
		Loans at amortised cost		
71,241	**72,403**	Other loans	**74,043**	72,489
71,241	**72,403**	**Total loans at amortised cost**	**74,043**	72,489
80,856	**85,110**	**Total gross loans**	**86,771**	82,145
		Commission loans		
32,828	**35,625**	Loans transrered to SpareBank1 Boligkreditt	**35,625**	32,828
426	**417**	Loans transfered to SpareBank1 Næringskreditt	**417**	426
33,254	**36,042**	Total intermediary loans	**36,042**	33,254
114,110	**121 152**	**Total gross loans included intermediary loans**	**122,813**	115,399
		Provision for credit losses – reduction in assets		
-172	**-166**	Provision for credit losses – stage 1	**-189**	-192
-134	**-116**	Provision for credit losses – stage 2	**-142**	-157
-164	**-116**	Provision for credit losses – stage 3	**-151**	-162
80,386	**84,712**	**Net loans**	**86,289**	81,634
		Additional Information		
		Loans broken down by different types		
		Financial leasing 1)	**3,211**	3,220
6,581	**6,477**	Overdraft- and working capital facilities	**6,477**	6,657
1,690	**1,740**	Building loans	**1,740**	1,690
72,585	**76,893**	Repayment loans	**75,343**	70,578
80,856	**85,110**	**Gross loans to and advances to customers**	**86,771**	82,145
		Of this, subordinated loan capital accounted for:		
237	**237**	Subordinated loan capital in financial institutions	**136**	136
61	**61**	**Subordinated loan capital recording as loans to customers**	**61**	61
		Loans to employees		
1,222	**1,477**	**Loans to employees**	**1,477**	1,222

Note 11 – Loans

1) Loans and advances to customers relating to financial leasing Amounts in NOK million		31.12.19	31.12.18
-	Maturities of less than 1 year	**285**	470
-	Maturities of more than 1 year but not more than 5 years	**1,827**	786
-	Maturities of more than 5 years	**1,317**	2,175
Total		**3,429**	3,431
Income received, not yet earned, relating to financial leasing		**-218**	-213
Net investments relating to financial leasing		**3,211**	3,218
Net investments in financial leasing may be analysed in the following way:			
-	Maturities of less than 1 year	**267**	441
-	Maturities of more than 1 year but not more than 5 years	**1,710**	737
-	Maturities of more than 5 years	**1,234**	2,042
Total		**3,211**	3,220

LOANS BROKEN DOWN BY SECTOR/INDUSTRY

Total commitment is defined as the sum of net lending, guarantee exposure, unused credit and accrued interest. Expected losses are calculated in stages 1, 2 and 3 only for financial assets at amortised cost. The Bank has both gross lending and financial liabilities measured at amortised cost, where expected losses are calculated according to IFRS 9. See Note 13 for details of IFRS 9.

In order to calculate the expected credit losses according to IFRS 9, the asset must first be categorized into one of three 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.

PARENT BANK 31.12.19

Loans by insdutry segment Amounts in NOK million	Gross carrying amount	Accumulated impairment stage 1	Accumulated impairment stage 2	Accumulated impairment stage 3	Loans at fair value	Net loans
Real estate	13,189	-83	-35	-21	97	13,148
Finanicial and insurance activities	8,014	-13	-1		2	8,002
Fishing and aquaculture	4,921	-16	-4	0	73	4,973
Manufacturing	1,737	-8	-18	-33	11	1,689
Agriculture and forestry	1,255	-1	-2	-14		1,238
Power and water supply and construction	2,292	-7	-7	-11	47	2,314
Government	264	0			0	264
Service industries	1,455	-4	-7	-5	86	1,526
Transportation	2,311	-6	-7	-2	24	2,320
Commodity trade, hotel and restaurant industry	1,598	-10	-6	-6	17	1,593
Total industry	**37,038**	**-147**	**-87**	**-92**	**355**	**37,067**
Retail market	**35,365**	**-19**	**-29**	**-24**	**12,352**	**47,645**
Loans to customers	**72,403**	**-166**	**-116**	**-116**	**12,707**	**84,712**

PARENT BANK 31.12.19

Financial commitments by industry segment Amounts in NOK million	Financial liabilities at amortised cost	Loss provisions classified as liabilities stage 1	Loss provisions classified as liabilities stage 2	Loss provisions classified as liabilities stage 3	Total loss provisions classified as liabilities
Real estate	1,041	-17	0		-17
Finanicial and insurance activities	491	-2			-2
Fishing and aquaculture	565	-1	0		-1
Manufacturing	593	-2	-1		-3
Agriculture and forestry	99	0	0		0
Power and water supply and construction	625	-2	-6	0	-7
Government	252	0			0
Service industries	615	-2	-1	0	-3
Transportation	701	0	-1	0	-1
Commodity trade, hotel and restaurant industry	467	-2	-1		-3
Total industry	**5,449**	**-26**	**-10**	**0**	**-37**
Retail market	**1,946**	**0**	**0**	**-1**	**-1**
Loans to customers	**7,395**	**-27**	**-10**	**-1**	**-38**

GROUP 31.12.19

Loans by insdutry segment Amounts in NOK million	Gross carrying amount	Accumulated impairment stage 1	Accumulated impairment stage 2	Accumulated impairment stage 3	Loans at fair value	Net loans
Real estate	13,238	-84	-36	-20	97	13,195
Finanicial and insurance activities	3,104	-13	-1		2	3,092
Fishing and aquaculture	5,456	-20	-5	0	73	5,503
Manufacturing	2,027	-10	-21	-33	11	1,974
Agriculture and forestry	1,400	-2	-2	-15		1,381
Power and water supply and construction	3,017	-7	-11	-19	47	3,027
Government	281	0			0	281
Service industries	1,985	-8	-8	-6	107	2,070
Transportation	3,264	-7	-10	-5	24	3,266
Commodity trade, hotel and restaurant industry	1,959	-13	-7	-6	17	1,950
Total industry	**35,733**	**-164**	**-102**	**-105**	**376**	**35,738**
Retail market	**38,310**	**-25**	**-40**	**-46**	**12,352**	**50,551**
Loans to customers	**74,043**	**-189**	**-142**	**-151**	**12,728**	**86,289**

GROUP 31.12.19

Financial commitments by industry segment Amounts in NOK million	Financial liabilities at amortised cost	Loss provisions classified as liabilities stage 1	Loss provisions classified as liabilities stage 2	Loss provisions classified as liabilities stage 3	Total loss provisions classified as liabilities
Real estate	1,035	-17	0		-17
Finanicial and insurance activities	195	-2			-2
Fishing and aquaculture	571	-1	0		-1
Manufacturing	691	-2	-1		-3
Agriculture and forestry	101	0	0		0
Power and water supply and construction	640	-2	-6	0	-7
Government	252	0			0
Service industries	623	-2	-1	0	-3
Transportation	728	0	-1	0	-1
Commodity trade, hotel and restaurant industry	560	-2	-1		-3
Total industry	**5,396**	**-26**	**-10**	**0**	**-37**
Retail market	**1,958**	**0**	**0**	**-1**	**-1**
Loans to customers	**7,354**	**-27**	**-10**	**-1**	**-38**

PARENT BANK 31.12.18

Loans by insdutry segment Amounts in NOK million	Gross carrying amount	Accumulated impairment stage 1	Accumulated impairment stage 2	Accumulated impairment stage 3	Loans at fair value	Net loans
Real estate	11,619	-64	-46	-50	33	11,493
Finanicial and insurance activities	7,653	-17	-23		0	7,613
Fishing and aquaculture	3,774	-13	-4	-1	19	3,776
Manufacturing	1,957	-12	-12	-30	10	1,914
Agriculture and forestry	1,110	-1	-2	-17	42	1,132
Power and water supply and construction	1,859	-7	-3	-22	31	1,859
Government	124	0			0	124
Service industries	1,432	-8	-4	-11	29	1,437
Transportation	2,675	-7	-9	-1	25	2,683
Commodity trade, hotel and restaurant industry	1,475	-9	-6	-9	22	1,472
Total industry	33,678	-137	-109	-142	211	33,502
Retail market	37,563	-35	-25	-22	9,404	46,884
Loans to customers	71,241	-172	-134	-164	9,615	80,386

PARENT BANK 31.12.18

Financial commitments by industry segment Amounts in NOK million	Financial liabilities at amortised cost	Loss provisions classified as liabilities stage 1	Loss provisions classified as liabilities stage 2	Loss provisions classified as liabilities stage 3	Total loss provisions classified as liabilities
Real estate	578	-7	-7	0	-14
Finanicial and insurance activities	108	0	-1		-1
Fishing and aquaculture	472	-1	0		-1
Manufacturing	663	-2	-3	0	-5
Agriculture and forestry	86	0	0	0	0
Power and water supply and construction	615	-1	-1	-4	-6
Government	405	0	0	0	0
Service industries	771	-2	-1	0	-2
Transportation	64	0	-2	0	-2
Commodity trade, hotel and restaurant industry	540	-2	0	0	-2
Total industry	4,302	-16	-15	-4	-35
Retail market	2,126	0	0	0	-1
Loans to customers	6,428	-16	-15	-4	-35

GROUP 31.12.18

Loans by insdutry segment Amounts in NOK million	Gross carrying amount	Accumulated impairment stage 1	Accumulated impairment stage 2	Accumulated impairment stage 3	Loans at fair value	Net loans
Real estate	11,419	-63	-48	-14	33	11,328
Finanicial and insurance activities	2,962	-17	-23		0	2,922
Fishing and aquaculture	4,209	-16	-4	-1	19	4,208
Manufacturing	2,273	-16	-12	-30	10	2,225
Agriculture and forestry	1,245	-2	-2	-17	42	1,266
Power and water supply and construction	2,590	-12	-9	-26	31	2,574
Government	134	0			0	134
Service industries	2,031	-8	-4	-21	70	2,067
Transportation	3,489	-10	-10	-1	25	3,493
Commodity trade, hotel and restaurant industry	1,988	-9	-9	-9	22	1,982
Total industry	32,340	-152	-121	-120	252	32,199
Retail market	40,149	-40	-35	-42	9,404	49,435
Loans to customers	72,489	-192	-157	-162	9,656	81,634

Note 11 – Loans

GROUP 31.12.18					
Financial commitments by industry segment Amounts in NOK million	**Financial liabilities at amortised cost**	**Loss provisions classified as liabilities stage 1**	**Loss provisions classified as liabilities stage 2**	**Loss provisions classified as liabilities stage 3**	**Total loss provisions classified as liabilities**
Real estate	801	-7	-7	0	-14
Finanicial and insurance activities	252	0	-1		-1
Fishing and aquaculture	514	-1	0		-1
Manufacturing	597	-2	-3	0	-5
Agriculture and forestry	68	0	0	0	0
Power and water supply and construction	371	-1	-1	-4	-6
Government	401	0	0	0	0
Service industries	395	-2	-1	0	-2
Transportation	64	0	-2	0	-2
Commodity trade, hotel and restaurant industry	438	-2	0	0	-2
Total industry	3,901	-16	-15	-4	-35
Retail market	2,462	0	0	0	-1
Loans to customers	6,363	-16	-15	-4	-35

Total commitments broken down by stage of the credit risk assessment

PARENT BANK					GROUP			
Stage 1	**Stage 2**	**Stage 3**	**Total**		**Total**	**Stage 3**	**Stage 2**	**Stage 1**
72,095	5,191	383	**77,669**	**Total commitments loans to amortised cost 31.12.18**	**78,852**	432	5,759	72,661
				Changes in the period due to loans migrated between the stages:				
1,832	-1,811	-21	**0**	to (-from) stage 1	**0**	-21	-1,878	1,899
-2,307	2,319	-12	**0**	to (-from) stage 2	**0**	-15	2,472	-2,457
-49	-59	108	**0**	to (-from) stage 3	**0**	131	-71	-59
-7,432	-289	6	**-7,715**	Net remeasurement of loss allowances	**-8,064**	-49	-321	-7,694
34,503	792	59	**35,354**	Originated or purchased during the period	**39,800**	82	1,439	38,279
-23,815	-1,515	-180	**-25,510**	Loans that have been derecognised	**-29,191**	-207	-1,873	-27,111
74,827	4,628	343	**79,798**	**Total commitments loans to amortised cost 31.12.19**	**81,397**	352	5,527	75,518
			12,707	Loans at fair value through profit and loss	**12,728**			
74,827	4,628	343	**92,505**	**Total commitments**	**94,125**	352	5,527	75,518
-6,540	-528	-19	**-7,395**	Off-balance sheet	**-7,354**	-12	-528	-6,506
68,287	4,100	324	**85,110**	**Gross loans**	**86,771**	340	4,999	69,012
-166	-116	-116	**-398**	Provision for credit losses – reduction in assets	**-482**	-151	-142	-189
68,121	3,984	208	**84,712**	**Net loans**	**86,289**	189	4,857	68,823

Explanation of the table:

* The conditions for migrating between the stages and a specification of IFRS 9 are set out in note 13. Customers who experience significant changes in credit risk will migrate between the stages.
* Net new measurement of losses: Account numbers of customers who are in the same category closing balance and opening balance and who experience an increase in ECL.
* Net new measurement of losses: Account numbers of customers who are in the same category closing balance and opening balance and who experience a decrease in ECL.
* Newly issued or purchased financial assets: Account numbers of customers that are only found in the closing balance in the ECL model.
* Financial assets that have been derecognised: Account numbers of customers that are only found in the opening balance in the ECL model.

SpareBank 1 Nord-Norge has its own models that score customers based on probability of default. The sum of risk class (PD) and security class (security coverage) defines which risk category the commitments are placed in. For further infomation, see note 6 risk management. The credit model is based on three key main components:

1. Probability of default (PD): Customers are classified in risk classes according to the likelihood of the customers defaulting on their commitments during a 12-month period.

2. Expected exposure at default (EAD): A calculated magnitude that indicates the expected exposure to the customer in the event of default.

3. Loss given default (LGD): A calculated magnitude that indicates how much the Group could potentially lose if the customer defaults on their commitments.

The following tables provide information on the volume of credit exposure according to the ECL model viewed in the context of the risk category.

PARENT BANK

Risk group 31.12.19 Amounts in NOK million	**Stage 1**	**Stage 2**	**Stage 3**	**Loans at fair value**	**Total**
Very low risk	27,238	275		6,689	**34,202**
Low risk	25,981	256		4,198	**30,435**
Medium risk	18,746	2,714		1,587	**23,047**
High risk	1,915	675		108	**2,698**
Very high risk	947	708		71	**1,726**
Commitments in default			343	54	**397**
Total commitments	74,827	4,628	343	12,707	**92,505**
Share commitments	**81%**	**5%**	**0%**	**14%**	**100%**

GROUP

Risk group 31.12.19 Beløp i mill kroner	**Stage 1**	**Stage 2**	**Stage 3**	**Loans at fair value**	**Total**
Very low risk	30,121	295		6,689	**37,105**
Low risk	23,098	381		4,198	**27,677**
Medium risk	19,487	3,116		1,608	**24,211**
High risk	1,865	855		108	**2,828**
Very high risk	947	880		71	**1,898**
Commitments in default			352	54	**406**
Total commitments	75,518	5,527	352	12,728	**94,125**
Share commitments	**80%**	**6%**	**0%**	**14%**	**100%**

Note 11 – Loans

PARENT BANK

Risk group 31.12.18 Amounts in NOK million	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Very low risk	32,753	41		5,907	38,701
Low risk	19,532	805		2,717	23,054
Medium risk	17,475	2,799		838	21,112
High risk	1,614	841		49	2,504
Very high risk	721	705		87	1,513
Commitments in default			383	17	400
Total commitments	72,095	5,191	383	9,615	87,284
Share commitments	83%	6%	0%	11%	100%

GROUP

Risk group 31.12.18 Amounts in NOK million	Stage 1	Stage 2	Stage 3	Loans at fair value	Total
Very low risk	30,585	51		5,948	36,584
Low risk	20,923	863		2,717	24,503
Medium risk	18,426	2,999		838	22,263
High risk	1,846	991		49	2,886
Very high risk	881	855		87	1,823
Commitments in default			432	17	449
Total commitments	72,661	5,759	432	9,656	88,508
Share commitments	82%	7%	0%	11%	100%

Note 12 – Transfers of financial assets

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.

In connection with the introduction of IFRS 9, the Bank has changed how it recognises the parts of the loan portfolio that are eligible for sale to the mortgage companies. Based on the Group's funding plan for the next 12 months, the loans that are expected to be sold to the mortgage companies are flagged. These loans are recognised at fair value through profit or loss. The Bank recognises all of the rights and obligations generated or retained upon transfer separately, as assets or liabilities.

If the mortgage companies experience a loss on transferred loans, they have some entitlement to offset these against commissions from all banks that have transferred loans.

A residual involvement associated with the sold loans therefore exists with a possible limited settlement of losses against commissions. However, the nature of this right to offset is not regarded as meaning that it changes the conclusion that the majority of the risk and benefits associated with ownership have been transferred. The Bank's maximum exposure to losses is represented by the highest amount that could be claimed covered under the agreements.

The mortgage companies can resell the loans bought from the Bank, while the Bank's right to manage customers and receive commissions remains attached. Should the Bank be unable to serve customers, the right to serve and commissions may lapse. Furthermore, the Bank has an option to buy back loans under certain conditions.

SPAREBANK 1 BOLIGKREDITT

SpareBank 1 Boligkreditt AS is owned by the savings banks that make up the SpareBank 1 Alliance, and is colocated with SpareBank 1 Næringskreditt in Stavanger. The Bank owned a 18.65 % stake as at 31 December 2019 (17.82% as at 31 December 2018).

The purpose of the mortgage company is to ensure alliance banks have access to stable and long-term financing for mortgage loans at competitive prices. SpareBank 1 Boligkreditt's bonds are rated Aaa by Moody's. SpareBank 1 Boligkreditt AS acquires loans with collateral in housing and issues covered bonds in accordance with the regulations established for this in 2007.

Home mortgages worth a net NOK 2,7 billion were sold to SpareBank 1 Boligkreditt in 2019. A total of NOK 36 billion had been derecognized in home mortgages sold to SpareBank 1 Boligkreditt AS at the end of the financial year.

SPAREBANK 1 NÆRINGSKREDITT

SpareBank 1 Næringskreditt was established in 2009 and has a licence from the Financial Supervisory Authority of Norway to operate as a mortgage company. The Bank owned an 8.60% stake as at 31 December 2019 (13.97 % as at 31 December 2018). The loans transferred to SpareBank 1 Næringskreditt AS are very well secured and have a very small probability of default.

The bonds issued by SpareBank 1 Næringskreditt has an Aaa rating from Moody's. The company is owned by the savings banks that make up the SpareBank 1-alliansen and shares premises with SpareBank 1 Boligkreditt in Stavanger. The purpose of the mortgage company is to ensure alliance banks have access to stable and long-term financing for commercial property at competitive prices. SpareBank 1 Næringskreditt acquires loans backed by commercial property and issues covered bonds in line with the regulations for this that were established in 2007. Loans have been transferred to the company as part of the Bank's funding strategy. Loans transferred to SpareBank 1 Næringskreditt are backed by collateral

Note 12 – Transfers of financial assets

in commercial property within 60 per cent of its valuation. Loans worth a net NOK 0.42 billion NOK were sold to SpareBank 1 Næringskreditt AS in 2019.

LIQUIDITY FACILITY

SpareBank 1 Nord-Norge has, together with the other owners of SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt AS, concluded agreements that establish liquidity facilities for these two companies. This means that the banks have committed to purchase covered bonds in the event that the companies are unable to refinance its activities in the market. Bond purchases are contingent on the company's cover pool not having stopped payments such that it is actually in a position to issue such bonds. Therefore, there is no credit guarantee that can be invoked if the company or its cover pool become insolvent.

Purchases are limited to the total value of the amount due in the company for the next 12 months at any given time. Previous purchases under this agreement are deducted from future purchase obligations. In principle, each owner is liable for its share of the need, or alternatively twice their primary liability under the same agreement. The bonds can be deposited in Norges Bank and thus result in no material increase in risk for the Bank. In line with their internal policies, the companies retain liquidity for the amount due in the next 6 months. This is deducted when valuing the banks' liabilities. Therefore, it would only be after the companies no longer had adequate funding to cover the amount due in the next 12 months that the Bank would report any commitment here in relation to the capital adequacy ratio or major commitments.

Overall, this liability, as at 31.12.19, amounted to NOK 0 because both companies have more liquidity than amounts due in the next 12 months.

Note 13 – Losses

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. In order to calculate the expected credit losses according to this, the asset must first be categorized into one of three 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.

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 loss model developed in collaboration with the other banks in SpareBank 1-alliansen to calculate expected credit loss (ECL). The loss model is based on the Bank's credit models (IRB), including estimates for PD, LGD and EAD. The model uses PD and other objective events to group the assets into the different bands, while LGD is used to calculated expected loss. Unlike how the credit models are used for capital adequacy purposes, the model for loss provisions is a "point-in-time" model and unbiased at a point in time.

Loss provisions consist of:

Stage 1: This is the default for all financial assets covered by the loss model. All assets whose credit risk has not increased significantly since initial recognition will be allocated a loss provision equal to 12 months' expected loss. This band contains all financial assets that have not been moved to stage 2 or stage 3.

Stage 2: This band contains all financial assets whose credit risk has increased significantly since initial recognition, but where there is no objective indication of default or loss. The expected loss here is calculated over the lifetime of the loan. The Group defines a significant increase in credit risk as the commitment's calculated probability of default (PD) having increased. Both absolute and relative changes in PD are used as criteria to move a commitment to stage 2. The most important factor for a significant change in credit risk is a quantitative change in PD on the balance sheet date compared with PD upon initial recognition. The threshold for a significant change in PD has been set at 150 per cent. The PD must also be higher than 0.60 per cent. Commitments where payments are more than 30 days late will always be moved to stage 2.

A qualitative assessment is also made of whether the asset has experienced a significant change in credit risk if it is placed under special monitoring or more lenient payment terms are granted.

Stage 3: This stage contains all financial assets whose credit risk has increased significantly since being granted, but where there is objective evidence of default on the balance sheet date. The expected loss over the loan's term is calculated. This stage includes financial assets that were defined as in default and commitments with write-downs for impaired value pursuant to the previous rules (IAS 39).

An asset is moved from stage 2 to stage 1 when:

- The customer's risk has improved meaning that the increase in credit risk since granting is no longer significant.
- The customer is removed from "special monitoring".
- The commitment is restructured with terms and conditions that take account of the factors that caused the customer to be placed under "special mongering".

An asset is moved from stage 3 to stage 2 when:

- There is no longer objective evidence of default or loss, but the increase in credit risk since granting remains significant.

An asset is moved from band 3 to band 1 when:

- There is no longer objective evidence of default or loss and the increase in credit risk since granting is no longer significant.

Losses incorporated in the accounts

PARENT BANK			GROUP	
31.12.18	31.12.19	Amounts in NOK million	31.12.19	31.12.18
-111	**-64**	Period's change in lending loss provisions	**-59**	-116
149	**71**	Period's confirmed losses	**85**	162
-7	**-9**	Recoveries, previously confirmed losses	**-15**	-24
31	**-2**	**Losses on loans to customers**	**11**	22

Losses broken down by sector and industry

PARENT BANK			GROUP	
31.12.18	31.12.19	Amounts in NOK million	31.12.19	31.12.18
10	**12**	Real estate	**10**	5
34	**-25**	Finanicial and insurance activities	**-25**	34
7	**1**	Fishing and aquaculture	**5**	6
-77	**5**	Manufacturing	**5**	-76
2	**-3**	Agriculture and forestry	**-3**	3
10	**-2**	Power and water supply and construction	**-3**	11
9	**6**	Service industries	**4**	-5
4	**-3**	Transportation	**2**	3
15	**0**	Commodity trade, hotel and restaurant industry	**2**	16
14	**-9**	**Total public market**	**-3**	-3
17	**7**	**Total retail market**	**14**	25
31	**-2**	**Losses on loans to customers**	**11**	22

Note 13 – Losses

SpareBank 1 Nord-Norge made no changes to its IFRS 9 model in 2019, but some changes were made to parameters in underlying IRB models.

Expected credit loss is calculated on a monthly basis throughout the year based on an objective and probability-weighted analysis of alternative outcomes, where account is also taken of the time value of the expected cash flows. The analysis is based on relevant information that is available at 31.12.19 and builds on macroeconomic scenarios in order to take account of non-linear aspects of expected loss. The different scenarios are used to adjust relevant parameters for calculating expected loss and a probability-weighted average of expected loss according to the respective scenarios is recognised as a loss. Individual assessments of commitments subject to these are based on expected future cash flows. Calculations at 31.12.19 has not been influenced by the corona pandemic situation in 2020.

The different macroeconomic scenarios are the base case scenario (current macroeconomic situation), stress case scenario (significant economic downturn) and a scenario involving a period of strong economic expansion. To assess the probable outcome of the various scenarios, the Bank has established a committee that assesses factors such as global and national PMI, interest rates, national and regional unemployment, capacity utilisation, and developments in national and local property prices. As at 31 December 2019, the Bank considers the macroeconomic outlook to be good, although there is some uncertainty about the current interest rate peak, flattening growth in Northern Norway, and a stabilised housing market. The committee considers the current situation to be a cyclical peak, and there are several indications of flattening. Based on this, the base case scenario has been given the greatest weight, the stress scenario the second greatest, and the strong economic expansion scenario the least. The Bank uses the weighted scenario to calculate the expected credit loss.

The scenarios are run over a period of 5 years, where during the period one returns to the starting point in year five.

The Bank uses different factors for PD and LGD to estimate developments in the portfolio within the different scenarios. Both within the retail market and the corporate market, PD and LGD are adjusted in line with how the different scenarios are expected to affect these factors. In the stress scenario, the factors increase significantly, while in the strong economic expansion scenario they are moderately reduced.

PARENT BANK				CHANGES IN LENDING LOSS PROVISIONS	GROUP			
Stage 1	Stage 2	Stage 3	Total	**Changes in lending loss provisions on loans to amortised cost** Amounts in NOK million	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:				
-57	56	1	**0**	to (-from) stage 1	**0**	1	57	-58
11	-14	3	**0**	to (-from) stage 2	**0**	3	-15	12
0	1	-1	**0**	to (-from) stage 3	**0**	-2	2	0
83	-40	31	**74**	Net increase/decrease excisting loans	**36**	-1	-43	80
-92	-12	-3	**-107**	New issued or purchased loan	**-144**	-23	-29	-92
50	32	20	**102**	Loans that have been derecognised	**134**	36	48	50
-193	-126	-117	**-436**	**Total loss provisions at 31.12.19**	**-520**	-152	-152	-216
				Loss provisions segmented in markets				
-20	-26	-27	**-73**	Retail	**-112**	-48	-39	-25
-173	-100	-90	**-363**	Corporate	**-408**	-104	-113	-191
-193	-126	-117	**-436**	**Total loss provisions at 31.12.19**	**-520**	-152	-152	-216
			-398	Of which presented as a reduction of the assets	**-482**			
			-38	Of which presented as other debt	**-38**			

Explanation of the table:

* The changes during the period as a result of migration: transfer between the stages due to a significant change in credit risk..
* Net increase/decrease in balance: Changes in the expected credit loss, changes in model assumptions, effects of repayments, ascertainment and other changes that affect the balance.
* Newly issued or purchased financial assets: Account numbers of customers that are only found in the closing balance in the ECL model.
* Financial assets that have been derecognised: Account numbers of customers that are only found in the opening balance in the ECL model.
* Provisions for losses also include expected losses on assets not posted to the balance sheet, including guarantees and untapped credit limits, but not loan commitments.

Changes in loss provisions are due to positive migration of the portfolio, as well as the growth occurring in low and moderate risk. Ascertaining commitments in which provisions have previously been made for losses also results in a reduction in loss provisions. The Bank has no loans for which no provisions have been made for losses due to pledges of collateral.

Sensitivity analysis

Changes to the different factors PD, LGD and the weighting of the macroeconomic scenarios affect the outcomes for expected loss. A sensitivity analysis for the Parent Bank is provided below and shows how much expected credit loss increases as a result of percentage changes to the factors:

Factor	PD-factor increase 10%	LGD-factor increase 10%	Macroeconomic stress scenario increases by 1%
Retail marked	4.6%	8.6%	3.0%
Corporate marked	6.3%	6.6%	3.1%
Total	5.9%	7.1%	3.1%

Note 13 – Losses

If the stress case scenario is weighted 100 per cent, the Group's expected loss will increase by 118.7 per cent for retail customers, by 122.8 per cent for corporate customers, and by 121.9 per cent in total. With a negative migration of 10 per cent of the loan portfolio from stage 1 to stage 2, the Group's expected credit loss will increase by a total of 38.6 per cent. The losses in the above stress tests will still be at a manageable level.

SpareBank 1 Nord-Norge has its own models that score customers based on probability of default. The sum of risk class (PD) and security class (security coverage) defines which risk category the commitments are placed in. The following table provides information about which risk category loss provisions are scored in pursuant to the ECL model (IFRS 9). For further infomation, see note 6 risk managment.

PARENT BANK 31.12.19

Credit risk – Loss provisions broken down by risk category	12 month ECL	ECL lifetime – no objectiv proof of losses	ECL lifetime – objectiv proof of losses	Provision for credit losses 31.12.2019
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Very low risk	9	1		**10**
Low risk	20	0		**20**
Medium risk	93	35		**128**
High risk	39	21		**60**
Very high risk	32	69		**101**
Commitments in default			117	**117**
Total	193	126	117	**436**
Share	**44%**	**29%**	**27%**	**100%**

GROUP 31.12.19

Credit risk – Loss provisions broken down by risk category	12 month ECL	ECL lifetime – no objectiv proof of losses	ECL lifetime – objectiv proof of losses	Provision for credit losses 31.12.2019
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Very low risk	14	1		**15**
Low risk	24	1		**25**
Medium risk	105	48		**153**
High risk	40	26		**66**
Very high risk	33	76		**109**
Commitments in default			152	**152**
Total	216	152	152	**520**
Share	**42%**	**29%**	**29%**	**100%**

PARENT BANK 31.12.18

Credit risk – Loss provisions broken down by risk category	12 month ECL	ECL lifetime – no objectiv proof of losses	ECL lifetime – objectiv proof of losses	Provision for credit losses 31.12.2019
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Very low risk	9	0		9
Low risk	22	2		24
Medium risk	87	53		140
High risk	35	38		73
Very high risk	35	56		91
Commitments in default			168	168
Total	188	149	168	505
Share	37%	30%	33%	100%

GROUP 31.12.18

Credit risk – Loss provisions broken down by risk category	12 month ECL	ECL lifetime – no objectiv proof of losses	ECL lifetime – objectiv proof of losses	Provision for credit losses 31.12.2019
Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Very low risk	11	0		11
Low risk	26	2		28
Medium risk	95	58		153
High risk	38	40		78
Very high risk	38	72		110
Commitments in default			166	166
Total	208	172	166	546
Share	38%	32%	30%	100%

Note 14 – Marked risk related to interest rate risk

The value of the Group's interest-bearing financial instruments is affected by changes in market interest rates. The calculations set out in the table below assume that all market interest rates in all currencies within the respective maturity intervals have changed by 2 percentage points in the disfavour of the Group's positions. The calculations are thus an estimate of the Group's maximum financial loss due to changes in market interest rates. The calculations are based on the Group's positions and market interest rates as at 31 December 2019, and all interest rate sensitive financial instruments have been included in the calculations. The parent company and the group numbers are equal

GROUP

31.12.2019 Amounts in NOK million	Up to 1 month	From 1 month to 3 months"	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
NOK	4	10	1	10	6	**31**
EUR	1	1	0	0	1	**5**
USD	0	1	0	0	0	**2**
CHF	2	1	1	0	0	**4**
Other currencies	0	0	0	0	0	**0**
Total	**7**	**14**	**3**	**11**	**7**	**42**

31.12.2018 Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
NOK	5	19	7	12	5	47
EUR	1	4	2	0	0	7
USD	0	0	0	0	0	0
CHF	2	1	0	0	0	3
Other currencies	0	0	0	0	0	1
Total	8	23	9	13	5	58

The method for calculating interest rate risk was changed in 2019 and the figures for 2018 therefore differ from the figures reported in the 2018 annual report.

Note 15 – Market risk relating to foreign exchange risk

Currency risk is the risk of the Group incurring losses due to changes in exchange rates. The risk arises from the Group having differences between assets and liabilities in the individual currency. The Board has decided that the Group's total net currency position, measured pursuant to the CRR/CRD IV regulations, must amount to less than 2 per cent of the Group's primary capital. For detailed information about the Group's management and control of currency risk, see the Pillar 3 report. The table states the Group's net currency exposure as at 31 December 2019. The parent bank and group numbers are equal.

GROUP

Amounts in NOK million	2019	2018
USD	**135**	91
EUR	**16**	1
CHF	**-6**	-1
SEK	**-1**	2
Other	**1**	1
Total	**145**	94

Note 16 – Financial derivatives

SpareBank 1 Nord-Norge concludes hedging transactions with recognised Norwegian and foreign banks to reduce its risk. Derivative transactions are linked to ordinary banking operations and are carried out to reduce the risk associated with the bank's borrowing (funding) in the financial markets, and to reveal and reduce risk related to customer-oriented activities. Only hedges associated with the bank's funding activities are defined as fair value hedging pursuant to IAS 39. Other hedging is defined as ordinary hedge accounting. The Bank does not utilise cash flow hedging.

The bank's Board has set limits for the maximum risk for the bank's interest rate positions. Routines have been established that ensure the stipulated limits are adhered to.

Currency- and interest rate contracts consist of:

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 and at an agreed rate.

Currency swaps: Agreements relating to 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.

PARENT BANK AND GROUP

Amounts in NOK million	31.12.19	31.12.18
Net losses recognised related to hedging instruments for fair value hedging	**286**	24
Total gains on hedged items related to the hedged risk	**-308**	-18
Total, fair value hedges	**-22**	6

Foreign currency- and interest rate instruments by Fair value through profit and loss account	2019			2018		
Amounts in NOK million	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
Foreign currency instruments		Assets	Liabilites		Assets	Liabilites
Foreign exchange financial derivatives (forwards)	**1,911**	**16**	**16**	1,843	24	17
Currency swaps	**21,840**	**307**	**294**	15,687	459	194
Total foreign currency instruments	**23,751**	**323**	**310**	17,530	483	210
Interest rate instruments						
Interest rate swaps (including cross currency)	**29,869**	**612**	**348**	26,388	733	625
Other interest rate contracts	**375**	**17**	**42**	474	40	39
Total non-standardized contracts	**30,244**	**629**	**390**	26,862	773	664
Standardised interest rate contracts (futures)						
Total interest rate instruments	**30,244**	**629**	**390**	26,862	773	664

Note 16 – Financial derivatives

Securing of funding	2019			2018		
Amounts in NOK million	**Contract/ notional amount**	**Fair value**		Contract/ notional amount	Fair value	
Interest rate instruments		**Assets**	**Liabilites**		Assets	Liabilites
Interest rate swaps (including cross currency)	**18,729**	**158**	**63**	16,918	396	0
Total interest rate instruments	**18,729**	**158**	**63**	16,918	396	0
Total foreign currency- and interest rate instruments						
Total, interest rate instruments	**48,973**	**787**	**453**	43,779	1,169	664
Total currency swaps and forwards	**23,751**	**323**	**310**	17,530	483	210
Total	**72,724**	**1,110**	**763**	61,310	1,653	874

Plans are being made to reform the world's most traded reference rates, IBOR rates. The reform will entail restructuring reference rates from today's quoted rates to rates based on banks' overnight transactions. There is some uncertainty about when any changes will be made, but at the end of 2021 the obligation to quote today's most traded reference rates, LIBOR, will end.

SpareBank 1 Nord-Norge will monitor developments in the market and facilitate any transition to alternative reference rates.

SpareBank 1 Nord-Norge's entire current holdings of interest rate derivatives use IBOR rates as their reference rate and will thus be impacted by a reform. The most significant position is in the Norwegian reference rate, NIBOR. Derivatives with potential exposure to the IBOR reform are listed in the table below, which shows the nominal contract sum and remaining maturity as at 31 December 2019 broken down by reference rate.

Amounts in NOK million

Renteinstrumenter	Contract / notional amount	Weighted average time to maturity
EURIBOR EUR 3 months	2,500	7.3
NIBOR NOK 1 months	76	3.4
NIBOR NOK 3 months	26,814	5.7
STIBO SEK 3 months	71	3.4
LIBOR CHF 3 months	2,415	4.3
Total interest rate instruments	31,876	

Amounts in NOK million

Foreign currency instruments	Contract / notional amount	Weighted average time to maturity
LIBOR CHF (3 months) to EURIBOR (3 months)	820	5.9
LIBOR CHF (3 months) to NIBOR NOK (3 months)	1,139	2.7
EURIBOR EUR (3 months) to NIBOR NOK (3 months)	978	5.3
STIBOR SEK (3 months) to NIBOR NOK (3 months)	323	3.4
Total foreign currency instruments	3,261	
Sum exposure IBOR reform	**35,136**	

Note 17 – Remaining contract-related periods for liabilities

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. See note 12 for more information.

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 3.3 years as of 31.12.19. The short-term liquidity risk measurement, liquidity coverage ratio (LCR), was 156 % as of the end of the year.

The table below shows receipts and payments, including future interest payments, at various points in time.

PARENT BANK

2019 Amounts in NOK million	**On demand**	**Under 3 months**	**3-12 months**	**1-5 year**	**Over 5 years**	**Total**
Liabilities to credit institutions	564					**564**
Deposits from customers						
Debt securities in issue	68,074					**68,074**
Liabilities relating to deferred tax		330	2,937	19,200	2,319	**24,786**
Derivatives	763					**763**
Contract-related outgoing cash flows		394	129	396	203	**1,122**
Contract-related incoming cash flows		-569	-89	-252	-52	**-962**
Other liabilities		1,430				**1,430**
Subordinated loan capital		9	26	1,015		**1,050**
Total liabilities	**69,401**	**1,594**	**3,003**	**20,359**	**2,470**	**96,827**

2018 Amounts in NOK million	**On demand**	**Under 3 months**	**3-12 months**	**1-5 year**	**Over 5 years**	**Total**
Liabilities to credit institutions	140	3	9	36		188
Deposits from customers						
Debt securities in issue	64,005					64,005
Liabilities relating to deferred tax		827	2,741	18,138	3,429	25,135
Derivatives	874					874
Contract-related outgoing cash flows		442	358	1,570	750	3,120
Contract-related incoming cash flows		-583	-307	-1,270	-279	-2,439
Other liabilities		1,015				1,015
Subordinated loan capital		8	369	823		1,200
Total liabilities	65,019	1,712	3,170	19,297	3,900	93,098

Note 17 – Remaining contract-related periods for liabilities

GROUP

2019 Amounts in NOK million	**On demand**	**Under 3 months**	**3-12 months**	**1-5 year**	**Over 5 years**	**Total**
Liabilities to credit institutions	563					**563**
Deposits from customers						
Debt securities in issue	68,030					**68,030**
Liabilities relating to deferred tax		330	2,937	19,200	2,319	**24,786**
Derivatives	763					**763**
Contract-related outgoing cash flows		394	129	396	203	**1,122**
Contract-related incoming cash flows		-569	-89	-252	-52	**-962**
Other liabilities		2,000				**2,000**
Subordinated loan capital		9	26	1,015		**1,050**
Total liabilities	**69,356**	**2,164**	**3,003**	**20,359**	**2,470**	**97,352**

2018 Amounts in NOK million	**On demand**	**Under 3 months**	**3-12 months**	**1-5 year**	**Over 5 years**	**Total**
Liabilities to credit institutions	139	3	9	36		187
Deposits from customers						
Debt securities in issue	63,985					63,985
Liabilities relating to deferred tax		827	2,741	18,138	3,429	25,135
Derivatives	874					874
Contract-related outgoing cash flows		442	358	1,570	750	3,120
Contract-related incoming cash flows		-583	-307	-1,270	-279	-2,439
Other liabilities		1,440				1,440
Subordinated loan capital		8	369	823		1,200
Total liabilities	64,998	2,137	3,170	19,297	3,900	93,502

Note 18 – Maturity analysis of assets and liabilities

The table shows whether assets and liabililties have maturity dates within one year after the balance sheet date.

PARENT BANK

31.12.19 Amounts in NOK million	On demand	Under 3 months	3-12 months	1-5 year	Over 5 years	Total
Assets						
Cash and balances with central banks	1,471					**1,471**
Loans and advances to credit institutions	267	5,637		101		**6,005**
Loans and advances to customers	8,534	585	1,164	7,185	61,637	**79,104**
Provision for credit losses - stage 3					-116	**-116**
Provision for credit losses - stage 2					-116	**-116**
Provision for credit losses - stage 1					-166	**-166**
Shares	554		35	106	86	**781**
Bonds and certificates - fair value		1,526	2,151	12,010	151	**15,837**
Financial derivatives	1,110					**1,110**
Investments in Group companies					1,403	**1,403**
Investment in associated companies and joint ventures					3,373	**3,373**
Property, plant and equipment					473	**473**
Other assets	78	58	225		274	**636**
Total assets	**12,014**	**7,806**	**3,575**	**19,402**	**66,999**	**109,796**
Liabilities						
Liabilities to credit institutions	564					**564**
Deposits from customers	64,028	1,844	2,202			**68,074**
Debt securities in issue		183	3,948	17,099	3,556	**24,786**
Financial derivatives	763					**763**
Other liabilities	1,430					**1,430**
Deferred tax					64	**64**
Subordinated loan capital					1,050	**1,050**
Total liabilities	**66,785**	**2,027**	**6,150**	**17,099**	**4,670**	**96,731**

Note 18 – Maturity analysis of assets and liabilities

GROUP

31.12.19 Amounts in NOK million	On demand	Under 3 months	3-12 months	1-5 year	Over 5 years	Total
Assets						
Cash and balances with central banks	1,471					**1,471**
Loans and advances to credit institutions	267	711		101		**1,079**
Individual write-downs on loans and advances to credit institutions	8,534	585	1,164	7,185	68,225	**85,692**
Provision for credit losses - stage 3					-151	**-151**
Provision for credit losses - stage 2					-142	**-142**
Provision for credit losses - stage 1					-189	**-189**
Shares	564		35	106	86	**791**
Bonds and certificates		1,526	2,151	12,010	151	**15,837**
Financial derivatives	1,110					**1,110**
Investment in Group companies						
Investment in associated companies and joint ventures					4,257	**4,257**
Property, plant and equipment					1,016	**1,016**
Non-current assets held for sale	22					**22**
Intangible assets	105					**105**
Other assets	78	186	72		290	**626**
Total assets	**12,151**	**3,007**	**3,422**	**19,402**	**73,543**	**111,524**
Liability						
Liabilities to credit institutions	563					**563**
Deposits from customers	63,984	1,844	2,202			**68,030**
Debt securities in issue		183	3,948	17,099	3,556	**24,786**
Financial derivatives	763					**763**
Other liabilities	2,000					**2,000**
Deferred tax					160	**160**
Subordinated loan capital					1,050	**1,050**
Total liabilities	**67,310**	**2,027**	**6,150**	**17,099**	**4,766**	**97,352**

Note 19 – Net interest income

PARENT BANK			GROUP	
2018	2019	Amounts in NOK million	2019	2018
		Interest income on financial assets at fair value		
255	**310**	Interest and similar income from loans to and claims on customers	**310**	255
174	**270**	Interest and similar income from certificates, bonds and other interest-bearing securities	**266**	171
429	**580**	Total interest income at fair value	**576**	426
		Interest income on financial assets at amortized cost		
101	**119**	Interest and similar income from loans to and claims on credit institutions	**24**	15
2,028	**2,346**	Interest and similar income from loans to and claims on customers	**2,720**	2,354
2,129	**2,465**	Total interest income at amortized cost	**2,744**	2,369
2,558	**3,045**	Total interest income	**3,320**	2,795
		Interest expenses on financial liabilities at amortized cost		
67	**91**	Interest and similar costs on liabilities to credit institutions	**91**	68
439	**644**	Interest and similar costs relating to deposits from and liabilities to customers	**633**	429
338	**422**	Interest and similar costs related to the issuance of securities	**422**	338
25	**33**	Interest and similar costs on subordinated loan capital	**33**	25
39	**42**	Guarantee fund levy	**42**	39
		Other interest and similar costs	**2**	
908	**1,232**	**Total interest costs at amortized cost**	**1,223**	899
908	**1,232**	**Total interest expenses**	**1,223**	899
1,650	**1,813**	**Net interest income**	**2,097**	1,896

Note 20 – Net fee-, commission- and other operating income

PARENT BANK			GROUP	
2018	2019	Amounts in NOK million	2019	2018
		Fees and commissions receivable		
282	**312**	Payment facilities	**312**	282
149	**166**	Insurance products	**166**	155
15	**27**	Guarantee commissions	**27**	14
		Real estate broking	**142**	135
44	**36**	Portefolio commissions	**36**	44
14	**14**	Credit commissions	**14**	15
18	**37**	Other commissions	**74**	73
522	**592**	**Commissions ex. comission loans**	**771**	718
260	**264**	Comission from SpareBank 1 Boligkreditt and Sparebank 1 Næringskreditt	**264**	260
782	**856**	**Total commision loans income**	**1,035**	978
-82	**-92**	Commission costs	**-107**	-95
		Accounting services	**187**	158
22	**11**	Other income	**1**	16
22	**11**	**Total other income**	**188**	174
722	**775**	**Total commission- and other income**	**1,116**	1,057

Note 21 – Gains from other financial invesmtents

Financial instruments in the table below are recognised at fair value with changes in fair value through profit-and-loss, in accordance with IFRS 9.

PARENT BANK			GROUP	
2018	2019	Amounts in MNOK	2019	2018
6	**12**	**Dividends from equity capital instruments**	**12**	6
20	**156**	Income from Group companies	**0**	6
344	**1,133**	Income from joint ventures	**815**	368
364	**1,289**	**Total income from group companies and joint ventures**	**815**	374
-30	**-3**	Gains/losses from certificates and bonds	**-3**	-32
-30	**-3**	**Total income from certificates and bonds**	**-3**	-32
4	**-22**	Gains/losses from hedged bonds and financial derivatives	**-22**	4
-12	**4**	Gains/losses from fixed rate loans to customers and hedge derivatives	**4**	-12
1	**-3**	Gains/losses from other financial derivatives	**-3**	1
-7	**-21**	**Total income from financial derivatives**	**-21**	-7
82	**374**	Gains/losses from shares	**76**	88
82	**374**	**Total income from shares**	**76**	88
34	**32**	**Total income from currency trading**	**32**	34
79	**382**	Net gains/losses from financial assets	**84**	83
449	**1,683**	**Income from financial investments**	**911**	463

Note 22 – Personnel costs, benefits, loans and equity certificates – executive personnel and elected officers

THE BOARD OF DIRECTORS' DECLARATION REGARDING THE DETERMINATION OF SALARY AND OTHER REMUNERATION FOR EXECUTIVE PERSONNEL

Pursuant to Section 6-16a of the Public Limited Liability Companies Act, the Board of Directors sets guidelines for the remuneration of executive personnel.

The guidelines must be submitted to the Bank's Supervisory Board of Directors in accordance with Section 5-6(3) of the Public Limited Liability Companies Act.

REPORT ON EXECUTIVE PAY POLICY IN THE PRECEDING FINANCIAL YEAR

The Board of Directors hereby confirms that the guidelines for the remuneration of executive personnel for 2019, set out in last year's declaration, have been followed. The members of Group Management received no special offers regarding purchases of discounted equity certificates in 2019. All employees, including the members of Group Management, were given an opportunity to purchase equity certificates at a discount. 511 employees subscribed to equity certificates for a total amount of MNOK 9.

THE GUIDELINES

The Board of Directors considered the guidelines for salaries and other remuneration for executive personnel at its meeting on 28.02.19 and decided to apply the same guidelines as last year.

The following was adopted for the coming financial year:

1. Definitions

In this context, executive personnel mean the CEO, members of Group Management, Markets Director and the head of Compliance. The total remuneration packages for executive personnel consist of their fixed salary, benefits in kind and collective pension agreements, with the exception of two members of Group Management who have individual early retirement agreements.

Executive personnel with defined contribution pensions also have a savings arrangement for amounts above 12 G with the rate of 15%.

2. General principles for fixing total remuneration packages

Executive pay in SpareBank 1 Nord-Norge should be competitive, within the framework set by the remuneration policy, but it should not be a pay leader compared with the rest of the industry.

The principal element of the remuneration package should be the fixed salary. The members of Group Management in SpareBank 1 Nord-Norge have no individual or collective bonus agreements. The Board of Directors may decide that Group Management members are entitled to purchase equity certificates at a discount of up to 30 per cent subject to a specific limit and lock-in period. This arrangement is intended to help ensure that the members of Group Management increase their ownership and strengthen their commonality of interest with the Bank's shareholders.

The terms of the arrangement satisfy the requirements stipulated in chapter 15 of the Financial Institutions Regulation.

The Board of Directors must ensure that the remuneration of its executive employees has no adverse effects on the Group's reputation.

The members of Group Management are covered by a savings scheme that covers full-time employees. For every equity certificate one buys, SpareBank 1 Nord-Norge will grant a further one free of charge. These "bonus equity certificates" are awarded 2 years after one starts saving, and the employee must still own the originally saved equity certificates and still be employed by the Group.

3. Determination of salaries

The Board of Directors has to assess the CEO's overall performance each year and, on this basis, assess his salary and lay down salary conditions.

The CEO must also assess the performance of the members of Group Management and review their salary based on this.

4. Date effective

The guidelines for the fixing of salaries and other remuneration for executive personnel in SpareBank 1 Nord-Norge become effective once the matter has been presented to the Supervisory Board.

Personnel cost, number of employees and man-years				
PARENT BANK			GROUP	
2018	2019	Amount in NOK mill	2019	2018
378	**436**	Wages and salaries	**661**	578
35	**33**	Pension cost	**46**	52
104	**111**	Social cost	**127**	118
517	**580**	**Total Personnel cost**	**834**	748
550	**584**	Average number of employees	**904**	841
576	**613**	Number of man-years as at 31.12.	**946**	870
563	**595**	Number of employees as at 31.12.	**908**	840

Amount in NOK mill	2019	2018
Total loans to employees	**1,477**	1,222
The aggregate value of interest rate subsidies relating to loans to employee	**13.6**	12.3

Fees paid to members of the Board of Directors in 2019 Amounts in NOK thousand	Board fees	Fee Remu-neration Committee	Fee Re-cruitment Committee	Fees Audit Committee	Fees Risk Committee	Total Fees	Loans	Number of equity cer-tificates 1)
Karl Eirik Schjøtt-Pedersen (Chairman of the Board)	487	13	72			**571**	**1,973**	**7,067**
Hans-Tore Bjerkaas (Deputy Chairman)	271		36	49	38	**393**		**19,637**
Sonja Djønne	216					**216**	**4,100**	**8,121**
Kjersti Terese Stormo	216			38	38	**292**		**1,396**
Greger Mannsverk	216	11				**227**		**61,439**
Geir Bergvoll	162			38	49	**249**		
Ingvild Myhre	216	11	36			**263**		
Vivi Ann Pedersen	216	11	36			**263**	**191**	**24,694**
Kjetil Berntsen	210					**210**	**3,720**	**848**
Total	**2,211**	**45**	**180**	**125**	**125**	**2,685**	**8,011**	**123,202**

Fees paid to members of the Board of Directors in 2018								
Karl Eirik Schjøtt-Pedersen (Chairman of the Board)	473	13				486	2,000	6,532
Hans-Tore Bjerkaas (Deputy Chairman)	263			47	47	357		19,293
Sonja Djønne	210	11				221	4,268	7,777
Kjersti Terese Stormo	210					210		861
Greger Mannsverk	210	11				221		60,904
Bengt Olsen	210			37	37	284		7,000
Ingvild Myhre	210			37	37	284		
Vivi Ann Pedersen	210					210	230	24,230
Kjetil Berntsen	210					210	3,860	571
Total	2,206	35	0	121	121	2,483	10,358	127,168

[1]) The above figures show the number of equity certificates held in SpareBank 1 Nord-Norge as at 31.12. Equity certificates held by close family members or by companies of which the abovementioned persons are general partners or directors are also included.

Terms and conditions, collateral and other security are the same as for ordinary customers, with the exeption of employees' elected representatives for whom terms and conditions are the same as for other employees. The Chairman of the Board of Directors has no bonus agreements or agreement pertaining to termination benefits.

Note 22 – Personnel costs, benefits, loans and equity certificates – executive personnel and elected officers

Benefits to group management team 2019 Amounts in NOK thousand	**Salaries and other short-term emolu-ments**	**Fees 3)**	**Bonus**	**Total pay and benefits**	**Accrued pension rights / pension savings**	**Pension agree-ment**	**Loans 6)**	**Number of equity certificates 5)**
Petter Bjørkly Høiseth CEO	3,256			3,256	378	1) 2)	9,000	80,748
Bengt Olsen Chief Financial Officer	3,538			3,538	196	1) 2)	4,000	14,517
Geir Andreassen Chief Technology Officer	3,018			3,018	519	1) 4)	1,915	78,450
Liv Bortne Ulriksen Chief Risk Officer	2,271			2,271	261	1) 2) 4)	5,925	85,225
Turid Aspenes Chief of Staff	1,535			1,535	174	1) 2)	3,931	1,106
Ronni Møller Pettersen Chief commercial officer / Sales and customer relations	2,176			2,176	227	1) 2)	4,969	36,115
Trond Hanssen Chief Regional Officer Finnmark	1,897			1,897	204	1) 2)	0	63,503
Christian Overvaag Chief Regional Officer Troms	2,003			2,003	219	1) 2)	5,774	103,461
Lasse Hagerupsen Chief Regional Officer Hålogaland	1,897			1,897	198	1) 2)	3,192	79,514
Trude Glad Chief Regional Officer Helgeland and Salten	2,490			2,490	396	2)	3,128	79,835
Nina Wihuri Compliance Manager	1,017			1,017	94	2)	3,666	1,197
Tom Robin Solstad-Nøis CEO Markets / Actual manager	1,252		790	2,042	131	2)	3,385	57,298
Total benefits executive manage-ment team and senior employees	**26,350**		**790**	**27,140**	**2,995**		**48,886**	**680,969**

The chief executive and certain executive personnel have renounced their employment protection against a severance pay.

1) Pension scheme for earnings in excess of 12G.
2) Have a defined contribution pension scheme.
3) Board members' remuneration from subsidiaries.
4) Have an early retirement pension agreement.
5) The figures show the number of equity certificates the person concerned owned in SpareBank 1 Nord-Norge as at 31.12.19. They also include equity certificates owned by immediate family members or companies in which the person has a determining influence.
6) The loan rate is 1 percentage pont lower than the current best mortgage rate given to our ordinary customers at any given time for a maximum loan amount of NOK 4,5 million. No collateral is pledged on behalf of employees.

Benefits to group management team 2018 Amounts in NOK thousand	Salaries and other short-term emolments	Fees 3)	Bonus	Total pay and benefits	Accrued pension rights / pension savings	Pension agreement	Loans 6)	Number of equity certificates 5)
Jan-Frode Janson CEO	4,826	60		4,886	881	1) 2)		116,876
Rolf Eigil Bygdnes Chief Financial Officer	2,486			2,486	965	1) 4)	1,958	77,174
Geir Andreassen Chief Technology Officer	2,249			2,249	894	1) 4)	1,925	78,106
Liv Bortne Ulriksen Chief Risk Officer	2,369			2,369	597	1) 2) 4)	6,874	84,537
Petter Høiseth EVP Corporate Functions	2,394			2,394	249	1) 2)	8,883	80,557
Ronni Møller Pettersen Chief commercial officer / Sales and customer relations	2,239			2,239	210	1) 2)	4,495	35,580
Trond Hanssen Chief Regional Officer Finnmark	1,865			1,865	196	1) 2)	3,048	63,159
Christian Overvaag Chief Regional Officer Troms	1,941			1,941	212	1) 2)	5,951	102,945
Lasse Hagerupsen Chief Regional Officer Hålogaland	1,871			1,871	185	1) 2)	3,451	79,170
Trude Glad Chief Regional Officer Helgeland and Salten	2,476			2,476	125	2)	3,652	79,300
Nina Wihuri Compliance Manager	1,024			1,024	87	2)	3,755	1,197
Tom Robin Solstad-Nøis CEO Markets / Actual manager	1,217		600	1,817	128	2)	3,115	51,097
Total benefits executive management team and senior employees	26,957	60	600	27,617	4,729		47,107	849,698

The chief executive and certain executive personnel have renounced their employment protection against a severance pay.

1) Pension scheme for earnings in excess of 12G.
2) Have a defined contribution pension scheme.
3) Board members' remuneration from subsidiaries.
4) Have an early retirement pension agreement.
5) The figures show the number of equity certificates the person concerned owned in SpareBank 1 Nord-Norge as at 31.12.18. They also include equity certificates owned by immediate family members or companies in which the person has a determining influence.
6) The loan rate is 1 percentage pont lower than the current best mortgage rate given to our ordinary customers at any given time for a maximum loan amount of NOK 4 million. No collateral is pledged on behalf of employees.

Note 23 – Operating costs

PARENT BANK			GROUP	
2018	2019	Amounts in NOK million	2019	2018
517	**580**	Personnel expenses [1]	**834**	748
220	**235**	IT-expenses	**257**	236
165	**223**	Administrative expenses [2]	**267**	218
48	**92**	Ordinary depreciation	**120**	61
18	**26**	Operating costs properties	**28**	19
127	**75**	Other operating expenses	**134**	192
1,095	**1,231**	**Total operating costs**	**1,640**	1,474

[1] For further informastion see note 22 regarding personnel expences.
[2] As a result of a profitability project there was in 2019 decided a number of cost-cutting initiatives. In this regard NOK 70 million is provisioned per 31.12.19.

		External auditor's fees incl VAT **Amounts in NOK thousand**		
1,330	**1,759**	Statutory auditing	**2,446**	2,118
342	**522**	Other certification services	**689**	748
0	**6**	Tax advisory services	**6**	0
24	**56**	Other non-audit services	**228**	24
1,696	**2,343**	**Total remuneration for external auditor**	**3,369**	2,890

Note 24 – Pensions

SpareBank 1 Nord-Norge has two pension schemes for its employees.

A defined contribution pension scheme for retirement and disability pensions taken out with SpareBank 1 Forsikring AS.

The current saving rates for defined contribution pensions are:

- Salary equivalent to 0 to 7.1 G: 7%
- Salary equivalent to 7.1 to 12 G: 15%

Defined benefit pension scheme for retirement and disability pensions was closed in 2006, and is covered by SpareBank 1 Nord-Norge's pension fund. A full pension entails a qualifying period of 30 years and provides entitlement to a retirement pension of the difference between 70 per cent of salary and the calculated benefits from the National Insurance Scheme.

The schemes are in accordance with the Defined Benefit Occupational Pension Act.

The Group also has liabilities regarding salary above 12 G (the National Insurance Scheme's basic amount) and early retirement agreements for senior employees. In 2019, two employees were covered by this scheme (three employees in 2018). Early retirement is funded through operations.

Most of the companies in the Group are members of the private sector tariff-based pension scheme, AFP. The private AFP scheme provides a lifelong supplement to the ordinary pension. The private AFP scheme is funded through an annual premium, set as a percentage of salary between 1 and 7.1 G. The premium for 2019 was set at 2.5 percent (2.5 per cent in 2018).

Calculation of defined benefit pension liabilities pursuant to IAS 19

Estimates are used when valuing pension assets and measuring accrued liabilities.

These estimates are adjusted annually in accordance with the statement of the pension assets' transfer value and actuarial calculations of the size of the liabilities. The value of the pension fund's liabilities, pension insurance in other insurance companies and the unsecured liabilities are included in the calculations below. All estimate deviations are recognized in the statement covering other operating income and costs under comprehensive income items, so-called OCI (Other Comprehensive Income).

According to IAS 19, the period's net interest cost is 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 recognized. The difference between the actual return on pension assets and the recorded return is recognized against OCI to equity.

Actuarial calculations have been made using the changed mortality tariff, K2013BE (best estimate).

Note 24 – Pensions

PARENT BANK		Amounts in NOK million	GROUP	
31.12.18	**31.12.19**	**Net pension liabilities in the balance sheet**	**31.12.19**	**31.12.18**
702	**723**	Present value of future pension liabilities	**745**	728
928	**922**	Estimated value of pension resources	**960**	967
-226	**-199**	**Net pension liabilities in guaranteed schemes**	**-215**	-239
0	**0**	Social security liabilities	**0**	0
-226	**-199**	**Net pension liabilities in the balance sheet**	**-215**	-239
-4.1%	**8.4%**	Deviation between anticipated and actual return on pension funds in %	**8.4%**	-4.1%
2018	**2019**	**Pension costs for the year**	**2019**	**2018**
5	**5**	Pensionable amounts accrued during the year	**5**	5
17	**19**	Interest costs of pension liabilities	**19**	17
-23	**-25**	Expected rate of return on assets in the scheme	**-25**	-23
-1	**-1**	**Net pension costs relating to defined benefit plans excl social security contributions**	**-1**	-1
3	**4**	Employer's social security contributions - subject to accrual accounting	**4**	3
2	**3**	**Net pension cost relating to defined benefit plans incl social security combinations**	**3**	2
0	**0**	Curtailment/settlement	**0**	0
35	**33**	Other pension costs	**46**	52
37	**36**	**Total pension costs incl social security contributions**	**49**	54
-1.5%	**10.7%**	The actual rate of return on pension assets	**10.7%**	-1.5%
31.12.18	**31.12.19**	**Change in net pension liabilities in the balance sheet**	**31.12.19**	**31.12.18**
-242	**-226**	Net pension liabilities in the balance sheet as at 01.01	**-239**	-256
0	**0**	Recognised against equity as at 01.01	**0**	0
32	**50**	Adjusted equity balance sheet as 31.12	**49**	33
2	**3**	Net pension cost relating defined benefit plans	**3**	2
0	**0**	Charged to the Profit and Loss Account	**0**	0
-18	**-27**	Benefits paid	**-28**	-19
-226	**-199**	**Net pension liabilities in the balance sheet as at 31.12.**	**-215**	-240
34	**36**	Other pension liabilities (early retirement pension contract)	**36**	34
-192	**-163**	**Total pension liabilities in the balance sheet as at 31.12.**	**-179**	-206
		Actuarial assumptions		
2.60%	**2.30%**	Discount rate	**2.30%**	2.60%
2.60%	**2.30%**	Expected rate of return on scheme's assets	**2.30%**	2.60%
1.00%	**1.00%**	Future wage- and salary developments	**1.00%**	1.00%
2.25%	**2.00%**	Adjustment of basic amount (G)	**2.00%**	2.25%
0.00%	**0.00%**	Increase in current pensions	**0.00%**	0.00%
14.10%	**14.10%**	Social security liabilities	**14.10%**	14.10%
14.10%	**14.10%**	Social security contributions	**14.10%**	14.10%
5.00%	**5.00%**	Financial tax	**5.00%**	5.00%
0.00%	**0.00%**	Turnover age over 50 years	**0.00%**	0.00%
0.00%	**0.00%**	Turnover age under 50 years	**0.00%**	0.00%
90.00%	**90.00%**	Staff's average estimated propensity to opt for SRPS at the age of 62	**90.00%**	90.00%
K2003BE	**K2003BE**	Mortality rate, marriage probability etc.	**K2003BE**	K2003BE
IR2003	**IR2003**	Disability	**IR2003**	IR2003
723	**707**	**Number of members**	**723**	737

Composition of pension assets in SpareBank 1 Nord-Norges Pensjonskasse

Pension resources split into investment categories by precentage:

PARENT BANK			GROUP	
31.12.18	31.12.19	Investment category:	31.12.19	31.12.18
56%	**55%**	Certificates and bonds	**55%**	56%
33%	**31%**	Shares	**31%**	33%
2%	**1%**	Properties	**1%**	2%
9%	**13%**	Other	**13%**	9%
100%	**100%**	**Total**	**100%**	100%

Sensitivity

The estimates are based on facts and circumstances as at 31.12.19 assuming that all other parameters are constant. Actual results may differ from these estimates.

Group Amounts in NOK thousand	Discounting rate		Pay adjustment		Annual adjustment basic amount (G)		Pension adjustment	Expected remaining useful life	
	+1%	-1%	+1%	-1%	+1%	-1%	+1%	+1 year	-1 year
Changes in pensions									
Shift in Benefits-based pension liabilities	83,119	101,204	20,888	-17,893	8,451	9,363	90,979	29,317	-29,429
Shift in Net pension costs for the period incl. effects of recognised actuarial gains and losses	-6,220	5,090	1,383	-1,180	-556	620	3,278	1,016	-1,024

Parent bank Amounts in NOK thousand	Discounting rate		Pay adjustment		Annual adjustment basic amount (G)		Pension adjustment	Expected remaining useful life	
	+1%	-1%	+1%	-1%	+1%	-1%	+1%	+1 year	-1 year
Changes in pensions									
Shift in Benefits-based pension liabilities	-80,282	-97,750	20,175	-17,282	-8,162	9,043	87,873	28,317	-28,425
Shift in Net pension costs for the period incl. effects of recognised actuarial gains and losses	-5,933	4,840	1,331	-1,136	-535	597	3,161	980	-987

Note 25 – Tax

PARENT BANK			GROUP	
2018	2019	Amounts in NOK million	2019	2018
		Major components of income tax		
303	**442**	Current tax costs	**495**	355
-5	**-109**	Change in deferred tax	**-117**	-9
23	**22**	Recognised directly to equity	**21**	28
0	**0**	Shortfall/surplus in respect of accrual for taxation in the previous year/corrections	**10**	0
321	**355**	**Tax**	**409**	374
12	**13**	Capital (property) tax (presented as other operating costs)	**13**	12
333	**368**	Income tax for the period	**422**	386
314	**455**	**Tax payable in balance sheet**	**508**	367
		Change in net deferred tax		
-5	**-109**	Change in deferred tax recognised in the income statement	**-117**	-9
23	**22**	Recognised directly to equity	**21**	28
18	**- 87**	**Total change in net deferred tax**	**-96**	19

31.12.18	31.12.19	Amounts in NOK million	31.12.19	31.12.18
		Temporary differences and deferred tax		
-65	**-61**	Tangible fixed assets	**350**	364
226	**199**	Pension liabilities	**162**	239
529	**116**	Other temporary differences	**135**	527
		Loss carried forward	**-8**	-22
690	**254**	**Total temporary differences**	**639**	1,108
-173	**-64**	**Deferred tax in balance sheet -25%**	**-160**	-277

2018	2019	Amounts in NOK million	2019	2018
		Change in temporary differences		
-2	**4**	Tangible fixed assets	**-14**	-35
-15	**-27**	Pension liabilities	**-77**	-17
-6	**-413**	Other temporary differences	**-392**	-25
		Loss carried forward	**14**	43
- 23	**-436**	**Total temporary differences**	**-469**	-34
- 6	**-109**	Change in deferred tax recognised in the income statement -25%	**-117**	-9
23	**22**	Changes in principles recognised directly to equity	**21**	28
1		Changes beetween deferred tax/tax payable as at 31.12.		0
18	**-87**	**Change in deferred tax recognised in the income statement -25%**	**-96**	19
		Reconciliation of tax charge for the period recognised against profit and loss to profit before tax		
427	**764**	25 % of profit before tax	**622**	483
-129	**-431**	Non-taxable profit and loss items (permanent differences)	**-244**	-132
12	**13**	Capital gains tax	**13**	12
23	**22**	Shortfall/surplus from previous year/Recognised directly to equity	**31**	23
333	**368**	**Taxation charge for the period**	**422**	386
19.5%	**12.0%**	**Effective tax rate (income tax for the period expressed as a percentage of profit before tax)**	**17.0%**	20.0%

Note 26 – Financial instruments at fair value

The table on the next page contains financial assets and liabilities that are classified as held for sale or which it has been decided to measure at fair value through profit and loss upon initial recognition.Fair value is the amount an asset can be sold for, or a liability can be settled for, in a transaction between two independent parties. The value is set using different methods within three levels.

Level 1: Financial instruments that are valued using listed prices in active markets for identical assets or liabilities. The category includes listed shares or fund units, government bonds and certificates traded in active markets. The price used is the price on the balance sheet date. The market is deemed active if it is possible to obtain external, observable prices, exchange rates, or interest rates, and these prices are actual and frequent market transactions.

Level 2: Financial instruments that are valued using information that is not listed prices, but where prices are directly or indirectly observable for assets and liabilities, including listed prices in inactive markets for identical assets and liabilities. The category includes bonds and interbank derivatives such as interest rate swaps, currency swaps and forward contracts listed on Reuters or Bloomberg, basis swaps between the currencies NOK, EUR, USD and GBP, and interest rate and currency derivatives with customers with insignificant credit spreads.

The value is based on recently observable market data in the form of a transaction in the instrument between informed, willing and independent parties. Alternatively, that the instrument was traded in an active market that is substantially like the relevant instrument.

Level 3: Financial instruments that are valued in manner other than on the basis of observable market data and in which credit margins constitute a material part of the basis for adjusting market value. Instruments in this category are valued using methods that are based on estimated cash flows, assessments of assets and liabilities in companies, models in which material parameters are not based on observable market data, or any industry standards.

When valuation techniques are used, the value is adjusted for credit and liquidity risk. The price of the risk for equivalent instruments is used as the basis for making the assessment.

From and including 2013, the Bank has used a model that conforms to IFRS 13 concerning the measurement of fair value, where an 'exit price' assessment is used. The valuation model takes account of credit premiums and changes in credit risk.

INSTRUMENTS AT THE DIFFERENT LEVELS

Loans to customers at fixed interest rates (level 3)
The loans consist of fixed-rate loans in NOK. The loans are measured based on discounted cash flows, where the discount rate is calculated by a margin in excess of the interest rate curve. The margin is based on observable market prices.

Loans to customers for sale (level 3)
The category includes loans that will be transferred to SpareBank 1 Boligkreditt and these are measured at the agreed amount that is transferred to SpareBank 1 Boligkreditt.

Equities incl. equity instruments (level 2)
Level 2 equities include hybrid Tier 1 instruments that are held for sale to customers. Hybrid Tier 1 instruments are measured based on observable interest rate curves and credit margins, as well as indicative prices in the market.

Equities (level 3)
Equities in level 3 include stakes in companies where the Bank owns a minor stake, and which do not have observable market prices. In level 3, fair value is therefore determined on the basis of the book value of the equity.

Bonds (level 2)
The category mainly includes bonds in the Bank's liquidity portfolio that are considered less liquid (level 2 assets in calculations of the liquidity coverage ratio (LCR). The bonds are measured based on observable interest rate curves and credit margins, as well as indicative prices in the market.

Financial derivatives (level 2)
The category includes interest rate derivatives, currency swaps, currency futures and commodity derivatives. Interest rate derivatives are measured based on relevant interest rate curves. Currency derivatives are measured based on the last available exchange rates. Commodity derivatives are measured based on observable market prices for underlying commodities.

Note 26 – Financial instruments at fair value

PARENT BANK

Amounts in NOK million	Valuation based on listed prices in an active market	Valuation based on observable market data	Valuation based on factors other than observable market data	
	Level 1	Level 2	Level 3	Total
Assets 31.12.19				
Fixed-rate loans at fair value			8,570	**8,570**
Loans held for sale to mortgage company			4,137	**4,137**
Shares at fair value	185	58	538	**781**
Bonds at fair value	10,903	4,934		**15,837**
Derivatives at fair value		1,110		**1,110**
Total assets	**11,088**	**6,102**	**13,245**	**30,435**
Liabilities 31.12.19				
Derivatives at fair value		763		**763**
Total liabilities		**763**		**763**
Assets 31.12.18				
Fixed-rate loans at fair value			7,652	7,652
Loans held for sale to mortgage company			1,963	1,963
Shares at fair value	143	67	131	340
Bonds at fair value	9,545	3,014		12,560
Derivatives at fair value		1,653		1,653
Total assets	9,688	4,734	9,746	24,168
Liabilites 31.12.18				
Derivatives at fair value		874		874
Total liabilities		874		874

Changes in value for financial instruments in level 3 parentbank:

Assets				
Amounts in NOK million	Fixed-rate loans	Shares	Mortgages to customers for sale	Bonds
Booked value as of 01.01.	7,652	131	1,963	
Net gains	-68	322		
Acquisitions	3,302	89	3,192	
Disposals	-2,316		-488	
Overdue loans			-530	
Bookved value as of 31.12.	**8,570**	**538**	**4,137**	

GROUP

Amounts in NOK million	Valuation based on listed prices in an active market	Valuation based on observable market data	Valuation based on factors other than observable market data	
	Level 1	Level 2	Level 3	Total
Assets 31.12.19				
Fixed-rate loans at fair value			8,591	**8,591**
Loans held for sale to mortgage company			4,137	**4,137**
Shares at fair value	185	58	548	**791**
Bonds at fair value	10,903	4,934		**15,837**
Derivatives at fair value		1,110		**1,110**
Total assets	**11,088**	**6,102**	**13,276**	**30,466**
Liabilities 31.12.19				
Derivatives at fair value		763		**763**
Total liabilities		**763**		**763**
Assets 31.12.18				
Fixed-rate loans at fair value			7,693	7,693
Loans held for sale to mortgage company			1,963	1,963
Shares at fair value	143	67	142	352
Bonds at fair value	9,545	3,014		12,559
Derivatives at fair value		1,653		1,653
Total assets	9,688	4,734	9,798	24,220
Liabilites 31.12.18				
Derivatives at fair value		874		874
Total liabilities		874		874

Changes in value for financial instruments in level 3 group:

Assets				
Amounts in NOK million	Fixed-rate loans	Shares	Mortgages to customers for sale	Bonds
Booked value as of 01.01.	7,693	142	1,963	
Net gains	-68	317		
Acquisitions	3,302	89	3,192	
Disposals			-488	
Overdue loans	-2,336		-530	
Booked value as of 31.12.	**8,591**	**548**	**4,137**	

Sensitivity analysis, level 3

GROUP

		Booked value at 31.12.19		Effect of alternative assumptions
Fixed-rate loans at fair value		8,591		-22
Loans held for sale to mortgage company		4,137		
Shares at fair value		548		

The sensitivity analysis above is based on an alternative assumption where the discount rate increases by 10 basis points for fixed-rate loans to customers.

Equities at level 3 are represented by BN Bank with NOK 405 million and NOK 143 million of other equity investments and unlisted equities. Valuations are determined on the basis of the book value of the equity. The Group does not have complete information about all elements of the valuation and therefore has no basis for establishing alternative values for alternative assumptions.

Note 27 – Fair value financial instruments at amortised cost

FINANCIAL INSTRUMENTS AT AMORTISED COST

As stated in note 2, the default classification for financial assets and liabilities in the Bank and the Group is "at amortised cost". The Group seeks to minimise income statement volatility by applying the same measurement policy to both assets and liabilities. Amortised cost entails measurement based on the originally agreed cash flows, adjusted for any loss in value. The calculations are made on the basis of the individual instrument's characteristics and values on the balance sheet date. Amortised cost will not always result in values that are consistent with the market's assessments of the same financial instruments. This may be due to factors such as differing perceptions of market conditions, risk factors and required rates of return. The table below provides an overview of estimated fair values for items that are stated in the financial statements at amortised cost.

PARENT BANK

31.12.19 Amounts in nok million	Level 1	Level 2	Level 3	Fair value	Book value
Assets					
Total loans and advances to credit institutions			6 005	6 005	6 005
Net loans and advances to customers			67 290	67 290	66 404
Shares					
Total financial assets			**73 295**	**73 295**	**72 409**
Liabilities					
Liabilities to credit institutions			564	564	564
Deposits from customers			68 074	68 074	68 074
Debt securities in issue		24 995		24 995	24 784
Subordinated loan capital		1 050		1 050	1 050
Total financial liabilities		**26 045**	**68 638**	**94 683**	**94 472**

GROUP

31.12.19 Amounts in nok million	Level 1	Level 2	Level 3	Fair value	Book value
Assets					
Total loans and advances to credit institutions			1 079	1 079	1 079
Net loans and advances to customers			73 411	73 411	72 929
Shares					
Total financial assets			**74 490**	**74 490**	**74 008**
Liabilities					
Liabilities to credit institutions			187	187	187
Deposits from customers			68 074	68 074	68 074
Debt securities in issue		24 995		24 995	24 784
Subordinated loan capital		1 059		1 059	1 050
Total financial liabilities		**26 054**	**68 261**	**94 315**	**94 095**

PARENT BANK

31.12.18 Amounts in nok million	Level 1	Level 2	Level 3	Fair value	Book value
Assets					
Total loans and advances to credit institutions			5 976	5 976	5 976
Net loans and advances to customers			66 306	66 306	65 267
Shares					
Total financial assets			72 282	72 282	71 243
Liabilities					
Liabilities to credit institutions			188	188	188
Deposits from customers			64 005	64 005	64 005
Debt securities in issue		24 971		24 971	25 136
Subordinated loan capital		1 196		1 196	1 200
Total financial liabilities		26 167	64 193	90 360	90 529

GROUP

31.12.18 Amounts in nok million	Level 1	Level 2	Level 3	Fair value	Book value
Assets					
Total loans and advances to credit institutions			1 282	1 282	1 282
Net loans and advances to customers			71 735	71 735	70 696
Shares					
Total financial assets			73 017	73 017	71 978
Liabilities					
Liabilities to credit institutions			187	187	187
Deposits from customers			63 985	63 985	63 985
Debt securities in issue		24 971		24 971	25 136
Subordinated loan capital		1 196		1 196	1 200
Total financial liabilities		26 167	64 172	90 339	90 508

Note 28 – Certificates and bonds

Bonds and certificates are measured at fair value with changes through profit-and-loss in accordance with IFRS 9.

Certificates, bonds and other interest-bearing securities broken down by issuer sector				
PARENT BANK			GROUP	
31.12.18	31.12.19	Amounts in NOK million	31.12.19	31.12.18
		Governments		
2,510	**3,211**	– nominal value	**3,211**	2,510
2,577	**3,249**	– fair value/booked value	**3,249**	2,577
		Other public issuer		
1,433	**3,312**	– nominal value	**3,312**	1,433
1,449	**3,340**	– fair value/booked value	**3,340**	1,449
		Financial institutions		
8,456	**9,145**	- nominal value	**9,145**	8,456
8,512	**9,214**	- fair value/booked value	**9,214**	8,512
		Non-financial institutions		
23	**33**	– nominal value	**33**	23
22	**34**	– fair value / booked value	**34**	22
12,560	**15,837**	**Total certificates and bonds held for trading**	**15,837**	12,560

Note 29 – Shares

As is evident from note 2, SpareBank 1 Nord-Norge's trading portfolio will be stated at fair value using market prices as of the balance date. Other equities at fair value are valued using valuation methods based on observable market data and estimated cash flows. These equities are valued at fair value with changes in fair value recognized in profit and loss as they arise (FVPL), or at fair value through other comprehensive income (FVOCI).

PARENT BANK			GROUP	
31.12.2018	31.12.2019	Amount in NOK million	31.12.2019	31.12.2018
		Fair value through profit and loss (FVPL):		
143	**185**	Trading assets	**185**	143
90	**498**	Shares designated as fair value	**508**	102
67	**58**	Hybrid Tier 1 Capital classified as equity positions	**58**	67
		Fair value through other comprehensive income (FVOCI):		
40	**40**	Shares designated as fair value	**40**	40
340	**781**	**Total shares and equities**	**791**	352

Breakdown of shares as at 31.12.19

Shares held for trading Amounts in NOK thousands	**Number of shares/units**	**Our equity stake %**	**Cost**	**Market value**	**Booked value**
PCCs					
SpareBank 1 SMN	28,298	<0.05%	1,347	2,835	**2,835**
SpareBank 1 BV	21,000	<0.05%	750	832	**832**
SpareBank 1 Østlandet	18,870	<0.05%	1,603	1,744	**1,744**
Sparebanken Vest	22,725	<0.05%	797	1,441	**1,441**
Total PCCs			**4,497**	**6,852**	**6,852**
Listed shares					
AKER ASA	1,994	<0.05%	804	1,081	**1,081**
B2 Holding ASA	23,313	<0.05%	456	224	**224**
Borregaard ASA	3,440	<0.05%	322	326	**326**
DNB ASA	19,584	<0.05%	2,558	3,210	**3,210**
Elkem ASA	24,141	<0.05%	882	601	**601**
Equinor ASA	22,160	<0.05%	3,598	3,900	**3,900**
MOWI ASA	7,221	<0.05%	1,078	1,659	**1,659**
Norsk Hydro	30,927	<0.05%	1,298	1,008	**1,008**
ORKLA	11,845	<0.05%	859	1,059	**1,059**
SCATEC SOLAR AS	6,338	<0.05%	655	787	**787**
Schibsted ASA B-aksjer	3,537	<0.05%	785	894	**894**
Storebrand ASA	20,012	<0.05%	1,234	1,384	**1,384**
Subsea 7 S.A.	10,359	<0.05%	1,090	1,081	**1,081**
TELENOR ASA	15,502	<0.05%	2,426	2,449	**2,449**
TGS-NOPEC Geophysical Company	4,384	<0.05%	1,042	1,167	**1,167**
TOMRA SYSTEMS ASA	2,381	<0.05%	584	673	**673**
VISA INC. C-AKSJER	16,784	<0.05%	7,187	111,165	**111,165**
Visa Pref Stock C (forv Visa Norge Holding1 AS)	1,175	<0.05%	17,000	22,562	**22,562**
Yara International	5,319	<0.05%	1,768	1,958	**1,958**
Total listed shares			**45,626**	**157,187**	**157,187**

Note 29 – Aksjer

Shares held for trading Amounts in NOK thousands	Number of shares/units	Our equity stake %	Cost	Market value	Booked value
Investment fund certificates					
JPM EMS Equity A (acc) EUR	1,507		1,526	1,548	**1,548**
KLP AkjseGlobal Indeks 2	3,163		7,709	8,762	**8,762**
Sector Healthcare Value B NOK	2,244		2,805	3,325	**3,325**
Holberg Rurik A	6,122		1,270	1,228	**1,228**
Skagen Kon-Tiki A	932		771	830	**830**
Storebrand Global Multifactor	1,777		4,047	4,530	**4,530**
JPM Pacific Equity C (acc) USD	3,139		802	828	**828**
Total certificates investment funds			**18,932**	**21,050**	**21,050**
Total shares held for trading			**69,055**	**185,090**	**185,090**

Shares at fair value (FVPL)	Number of shares/units	Our equity stake %	Cost	Market value	Booked value
Sparebankmateriell AS	2,312	7.3%	225	225	**225**
S.W.I.F.T (eur)	11		79	98	**98**
Trygg Parkering	120		4,200	4,200	**4,200**
SpareBank 1 Markets	386,516	12.2%	110,148	85,807	**85,807**
Bank Tavrichesky	104,821,999	9.3%	122,284		
BN Bank	1,410,221	9.9%	88,801	404,536	**404,536**
Other equity investments			1,710	3,722	**3,722**
Total shares at fair value (FVPL)			**327,447**	**498,587**	**498,587**

Shares at fair value (FVOCI)	Number of shares/units	Our equity stake %	Cost	Market value	Booked value
VN Norge AS	28,778,208		46,214	39,999	**39,999**
Total shares at fair value (FVOCI)			**46,214**	**39,999**	**39,999**

Hybrid capital classified to fair value	Number of shares/units	Our equity stake %	Cost	Market value	Booked value
Hybrid capital SNN Markets			30,500	21,201	**21,201**
Hybrid capital SNN Treasury			36,500	36,337	**36,337**
Sum hybrid capital				**57,538**	**57,538**
Parent bank's total shares and equity investments			**442,716**	**781,214**	**781,214**

Shares valued at fair value: Amounts in NOK thousands	Number of shares/units	Our equity stake %	Cost	Market value	Booked value
Stakes owned by SpareBank 1 Nord-Norge Porteføljе AS as of 31 December 2019					
Lytix Biopharma	151,820		5,914	1,139	**1,139**
NorInnova Technology Transfer AS	613	3.7%	2,900	2,756	**2,756**
Saltenposten AS	50	2.5%	565	100	**100**
Viking Venture III LP	37,025	0.9%	1,822	5,258	**5,258**
Total shares owned by SNN Porteføljе			**11,201**	**9,253**	**9,253**
The company also owns more shares which has been written down to kr 0,-. Se the companys own annual report for further information.					
Shares owned by Eiendomsmegler 1 Nord-Norge AS and SNN Regnskapshuset			682	682	**682**
Total shares and equity investments			**454,599**	**791,149**	**791,149**

Note 30 – Investments in Group companies, associated companies and joint ventures

PARENT BANK

Investments in Group companies Amounts in NOK million	31.12.19	31.12.18
Equity stakes in financial institutions	**924**	924
Equity stakes in other Group companies	**479**	149
Total investments in Group companies	**1,403**	1,073
Off which hybrid capital in financial institutions	**84**	84

Shares and equity stakes included in the Group accounts and shown in the Parent Bank's accounts according to the cost method of accounting Amounts in NOK thousand	Share capital	Number of shares	Cost	Share of equity and voting capital	Booked value
Company Name					
SpareBank 1 Finans Nord-Norge AS, Tromsø					
SpareBank 1 Nord-Norge Portefølje AS, Tromsø	1,000	1,000	25,000	100%	25,000
EiendomsMegler 1 Nord-Norge AS, Tromsø	21,100	21,100	28,000	100%	29,636
Fredrik Langesg 20 AS, Tromsø	920	242	370,392	100%	370,392
SpareBank 1 Regnskapshuset Nord-Norge AS, Tromsø	150	1,500	43,610	100%	53,610
Investment (shares) shown in the Parent Bank's accounts					**1,318,638**
Hybrid capital SpareBank 1 Finans Nord-Norge			84,000		84,000
Total investment shown in the Parent Bank's accounts					**1,402,638**

Shares in subsidiaries are not quoted on the stock exchange.

Investments in joint ventures and associated companies Amounts in NOK million	31.12.19	31.12.18
Equity stakes in financial institutions	**2,305**	2,416
Equity stakes in other joint ventures	**1,068**	1,045
Total investments in joint ventures	**3,373**	3,461

Shares and equity stakes in joint ventures and assosiated companies, included in the Parent Bank's accounts according to the cost method of accounting	Classification	Share of equity and voting capital	Registered office
Company names			
SpareBank 1 Gruppen AS	Joint venture	19.50%	Oslo
SpareBank 1 Utvikling DA *)	Joint venture	17.74%	Oslo
SpareBank 1 Betaling AS	Associated company	18.57%	Oslo
SpareBank 1 Boligkreditt AS	Associated company	18.65%	Stavanger
SpareBank 1 Næringskreditt AS	Associated company	8.60%	Stavanger
SpareBank 1 Kredittkort AS	Associated company	16.89%	Trondheim
SMB LAB AS	Associated company	20.00%	Trondheim
Betr AS	Associated company	20.00%	Tromsø

*) Changed from SpareBank 1 Banksamarbeidet DA.
The bank sold down a share of its stake in BN Bank ASA from 23.5% to 9.99%.
The remaining stake was at the same time reclassified in the accounts to fair value through profit and loss.

Intra-group balances relating to the Bank and the abovementioned companies: Reference is made to note 40.

Note 30 – Investments in Group companies, associated companies and joint ventures

GROUP

2019 Amounts in NOK million	Total share	Spare-Bank1 Gruppen AS 19.5%	SpareBank 1 Bank-samarbeidet DA 17.74%	BN Bank ASA 9.99% (no longer associated company)	SpareBank 1 Boligkreditt AS 18.65%	SpareBank 1 Nærings-kreditt AS 8.6%	Other
Investments in associated companies and joint ventures							
As at 1 January	4,990	1,595	23	884	1,870	284	334
Acquisition/sale	242				207	12	23
Share of profit - IFRS	896	712	79	67	22	7	9
Share of result booked as administra-tive costs	-81		-81				
Items incorporated directly in equity capital	-1,094	5		-951	-33	-119	4
Paid-out dividend	-696	-663		0		-9	-24
As at 31 December	**4,257**	**1,649**	**21**	**0**	**2,066**	**175**	**346**

Included in "Other": SpareBank 1 Kredittkort AS, SpareBank 1 Betaling AS, SMB Lab AS and Betr AS.

2018 Amounts in NOK million	Total share	Spare-Bank1 Gruppen AS 19.5%	SpareBank 1 Bank-samarbeidet DA 17.74%	BN Bank ASA 23.5%	SpareBank 1 Boligkreditt AS 17.82%	SpareBank 1 Nærings-kreditt AS 13.97%	Other
Investments in associated companies and joint ventures							
As at 1 January	4,755	1,647	22	820	1,711	266	289
Acquisition/sale	300				210	20	70
Share of profit - IFRS	442	289	75	65	-6	7	12
Share of result booked as administrative costs	-74		-74				
Items incorporated directly in equity capital	-87	-54			-34	1	
Paid-out dividend	-346	-287		-1	-11	-10	-37
As at 31 December	4,990	1,595	23	884	1,870	284	334

Included in "Other": SpareBank 1 Kredittkort AS, SpareBank 1 Betaling AS, SMB Lab AS and Betr AS (Proaware AS).

GROUP

2019 Amounts in NOK million	Assets	Liabilities	Income	Profit/ loss	Ownership share
The Group's equity stakes in associated companies and joint ventures					
SpareBank 1 Gruppen AS (konsern)	18,244	16,124	5,032	252	19.50%
SpareBank 1 Betaling AS	144	1	0	-11	18.57%
SpareBank 1 Utvikling DA	191	164	243	-2	17.74%
SpareBank 1 Boligkreditt AS	45,808	43,518	48	23	18.65%
SpareBank 1 Næringskreditt AS	981	801	8	5	8.60%
SpareBank 1 Kredittkort AS	982	810	93	13	16.89%
SMB LAB AS	15	0	0	0	20.00%
Betr AS	9	3	1	-1	20.00%
Total	**66,375**	**61,421**	**5,425**	**279**	

2018 Amounts in NOK million	Assets	Liabilities	Income	Profit/ loss	Ownership share
The Group's equity stakes in associated companies and joint ventures					
SpareBank 1 Gruppen AS (konsern)	14,700	13,100	2,675	289	19.50%
SpareBank 1 Betaling AS	122	0	0	-11	18.57%
SpareBank 1 Banksamarbeidet DA	206	177	222	0	17.74%
SpareBank 1 Boligkreditt AS	43,752	41,688	7	1	17.82%
SpareBank 1 Næringskreditt AS	1,867	1,577	10	7	13.97%
BN Bank ASA	6,820	5,814	155	69	23.50%
SpareBank 1 Kredittkort AS	1,011	827	96	22	17.00%
SMB LAB AS	19	2	0	-2	20.00%
Betr AS	2	0	1	-1	20.00%
Total	68,499	63,185	3,166	375	

Note 31 – Property, plant and equipment

PARENT BANK				GROUP		
Buildings and other property	**Machinery, fixtures, fittings and vehicles**	**Total**	**2019** Amounts in NOK million	**Buildings and other property**	**Machinery, fixtures, fittings and vehicles**	**Total**
44	514	**558**	Cost of acquisition or adjusted value as at 01.01.19	344	661	**1,005**
0	44	**45**	Additions	98	74	**172**
0	0	**0**	Disposals	0	3	**3**
44	558	**602**	Cost of acquisition or adjusted value as at 31.12.19	442	732	**1,174**
4	338	**342**	Accumulated depreciation and write-downs as at 01.01.19	164	353	**518**
0	49	**49**	Current period's depreciation	0	60	**60**
0	3	**3**	Current period's impairment	0	3	**3**
0	0	**0**	Reversed accumulated depreciation related to disposals	0	0	**0**
4	390	**393**	Accumulated depreciation and impairment in value as at 31.12.19	164	410	**574**
		264	Right to use asset [1]			**417**
		473	**Book value as at 31.12.19**			**1,016**
			2018 Amounts in NOK million			
95	461	556	Cost of acquisition or adjusted value as at 01.01.18	312	613	925
4	76	80	Additions	87	84	171
55	23	79	Disposals	55	36	91
44	514	558	Cost of acquisition or adjusted value as at 31.12.18	344	661	1,005
11	305	316	Accumulated depreciation and write-downs as at 01.01.18	171	295	466
0	47	48	Current period's depreciation	0	60	61
			Current period's impairment			
7	14	22	Reversed accumulated depreciation related to disposals	7	14	21
4	338	342	Accumulated depreciation and impairment in value as at 31.12.18	164	341	506
40	176	216	Book value as at 31.12.18	180	320	499
1-5%	10-33%		Depreciation rates	1-5%	10-33%	
0%			Dwelling units, building plots and sites, works of art	0%		

[1] Further information regarding leases is found in note 32

Provision of collateralised assets as security
The Bank has not provided collateral security or accepted any rights of use limitations regarding fixed tangible assets.

The gross value of fully depreciated assets still in use
The gross value of fixed tangible assets which are fully depreciated and still in use was NOK 130 million as at 31.12.19 (175 million as at 31.12.18).

Liabilities related to property, plant and equipment
The Group has no liabilities in regards to acquiring fixed assets as of 31.12.19.
See note 37 concerning other liabilities for further information.

Investment property group
The Bank has no assets defined as investment properties as at 31.12.19.

Note 32 – Leases

IFRS 16 came into force on 1 January 2019 and replaced 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.

On a lease's start date, the lessee will recognise a liability to pay rent and an asset that represents the right to use the underlying asset during the lease period ("right-to-use asset"). Lessees will be required to recognise interest costs for the lease liability and depreciation costs for the right-of-use asset separately.

The Group will make us of the following practical exceptions for leases that were previously classified as operational leases, on the date of initial application:

- exception for short-term leases (defined as 12 months or shorter)
- exception for low value assets (less than USD 5,000)

As far as leases covered by these exceptions are concerned, the Group will recognise rent payments like other operating costs in the income statement when they occur. Also see note 2, and note 45 in the 2018 annual report for further details regarding the implementation.

PARENT BANK		GROUP
31.12.2019	Amounts in NOK million	**31.12.2019**
	Right to use asset	
341	Booked value 1 January 2019	482
0	Additions	0
0	-Derecognition	0
-34	Other changes	-5
307	**Booked value 31 December 2019**	**477**
43	Depreciation in the period	60
264	**Net book value right to use asset 31 December 2019**	**417**
	Lease liability 1 January 2019	
341	Booked value 1 January 2019	482
0	Additions	0
-45	Lease payments in the period	-63
7	Interest	10
-37	Other changes	-7
266	**Lease liability 31 December 2019**	**422**

31.12.2019		**31.12.2019**
	Profit and loss	
43	Depreciation	60
7	Interest	10
49	**Total lease expence**	**70**
	Effect of IFRS 16	
45	Reduced operating expences under IAS 17	63
49	Increase lease expense under IFRS 16	70
-4	**Changes in profit before tax in the period**	**-7**

Note 33 – Intangible assets

PARENT BANK			GROUP	
31.12.18	31.12.19	Amounts in NOK million	31.12.19	31.12.18
		Goodwill	**100**	92
		Other intangible assets	**5**	3
		Total intangible assets	**105**	95

Goodwill is primarily attributable to the acquisition of SpareBank 1 Regnskapshuset Nord-Norge AS and acquisition/merger with subordinate accounting firms.

Goodwill and licence items are assessed for impairment each year, and the values are written down if there is a basis for this.

Please see note 3 for a more detailed description.

Note 34 – Other assets

PARENT BANK			GROUP	
31.12.18	31.12.19	Amounts in NOK million	31.12.19	31.12.18
75	**75**	Capital contribution to the SpareBank 1 Nord-Norge Pension Fund	**75**	75
226	**199**	Pension assets	**215**	240
10	**10**	Other debtors	**10**	10
35	**63**	Prepaid expenses	**72**	70
37	**162**	Dividends receivable from subsidiaries		
6	**78**	Internal accounts	**78**	6
		Client account – property brokerage	**78**	79
39	**48**	Other assets	**98**	82
427	**636**	**Total other assets**	**626**	562
7	**6**	Hereof acquired assets listed for sale [1]	**6**	7

[1] The acquired assets listed for sale include five apartments and four properties.

Note 35 – Deposits from customers

SpareBank 1 Nord-Norge classifies deposits from customers to amortised cost according to IFRS 9.

For more information please see note 2 regarding accounting principles and note 19 regarding intrest cost for deposits.

PARENT BANK					GROUP			
31.12.18		31.12.19		Amounts in NOK million	31.12.19		31.12.18	
Propor-tion	Deposits	Propor-tion	Deposits		Propor-tion	Deposits	Propor-tion	Deposits
92%	58,624	**90%**	**61,584**	Deposits from and liabilities to customers, without agreed maturity	**90%**	**61,540**	92%	58,604
8%	5,381	**10%**	**6,490**	Deposits from and liabilities to customers, with agreed maturity	**10%**	**6,490**	8%	5,381
100%	64,005	**100%**	**68,074**	**Total deposits**	**100%**	**68,030**	100%	63,985
	0.76%		**1.01%**	Average interest rate[1]		**1.01%**		0.76%
				Deposits broken down by sector and industry				
5%	3,416	**6%**	**3,867**	Real estate	**6%**	**3,867**	5%	3,416
2%	1,342	**3%**	**1,729**	Finanicial and insurance activities	**3%**	**1,729**	2%	1,342
3%	1,727	**3%**	**2,020**	Fishing and aquaculture	**3%**	**2,020**	3%	1,727
2%	1,252	**2%**	**1,293**	Manufacturing	**2%**	**1,293**	2%	1,252
1%	478	**1%**	**505**	Agriculture and forestry	**1%**	**505**	1%	478
3%	2,021	**4%**	**2,610**	Power and water supply and construction	**4%**	**2,610**	3%	2,021
8%	4,885	**9%**	**6,135**	Service industries	**9%**	**6,091**	8%	4,866
3%	1,902	**3%**	**1,968**	Transportation	**3%**	**1,968**	3%	1,902
3%	2,208	**3%**	**2,041**	Commodity trade, hotel and restaurant industry	**3%**	**2,041**	3%	2,208
30%	19,231	**33%**	**22,168**	**Total public market**	**33%**	**22,124**	30%	19,212
53%	34,180	**54%**	**36,489**	**Total retail market**	**54%**	**36,489**	53%	34,179
17%	10,594	**14%**	**9,417**	**Total government**	**14%**	**9,417**	17%	10,594
100%	64,005	**100%**	**68,074**	**Total gross lending to customers**	**100%**	**68,030**	100%	63,985
				Deposits broken down by geographical area				
17%	10,608	**17%**	**11,818**	Finnmark	**17%**	**11,818**	17%	10,608
36%	23,312	**38%**	**25,864**	Nordland	**38%**	**25,864**	36%	23,312
4%	2,558	**4%**	**2,835**	Other regions	**4%**	**2,835**	4%	2,558
41%	26,491	**39%**	**26,463**	Troms inkl Svalbard	**39%**	**26,419**	41%	26,471
2%	1,036	**2%**	**1,094**	International	**2%**	**1,094**	2%	1,036
100%	64,005	**100%**	**68,074**	**Total deposits broken down by geographical areas**	**100%**	**68,030**	100%	63,985

[1] Average interest rate is calculated as annual total interest / average volume.

Note 36 – Debt securities in issue

As is evident from note 2, SpareBank 1 Nord-Norge has financial debt securities in issue with floating or fixed interest rate. Variable rate funding is recorded at amortised cost. Funding with fixed interest rate is also recorded at amortised cost, but with fair value hedging. Fixed rate funding is hedged through interest rate swaps. The recorded value is reported in accordance with the fair value of the interest rate hedge. The fair value of the interest rate hedge does not include credit risk. The group applies the rules for IAS 39 when assessing interest rate hedges.

PARENT BANK			GROUP	
31.12.18	**31.12.19**	Amounts in NOK million	**31.12.19**	**31.12.18**
13,350	**15,593**	Bond debt with fixed interest rate	**15,593**	13,350
11,785	**9,193**	Bond debt determinable interest rate	**9,193**	11,785
25,135	**24,786**	**Total debt securities in issue**	**24,786**	25,135
1.43%	**1.79%**	Average interest rate for bond debt [1]	**1.79%**	1.43%
		Bond debt broken down by maturities		
2,752		2019		2,752
4,755	**3,966**	2020	**3,966**	4,755
4,595	**4,307**	2021	**4,307**	4,595
4,417	**4,749**	2022	**4,749**	4,417
8,156	**4,879**	2023	**4,879**	8,156
	6,709	2024 and later	**6,709**	
460	**176**	Impact from recalculation to market value of bonds - hedging-related accounting	**176**	460
		Own bonds		
25,135	**24,786**	**Bond debt and other long-term borrowings**	**24,786**	25,135
		Broken down by the most important foreign currencies		
16,214	**14,811**	NOK	**14,811**	16,214
2,208	**3,554**	CHF	**3,554**	2,208
783	**441**	USD	**441**	783
436		SEK		436
5,494	**5,980**	EUR	**5,980**	5,494
25,135	**24,786**	**Total liabilities broken down by major currencies**	**24,786**	25,135

[1] Average interest is calculated on the basis of actual interest cost for the year, including any interest rate- and currency swaps, as a percentage of the average securities portfolio.

Changes in securities issued

PARENT BANK AND GROUP

Amounts in NOK million	Statement of financial position 31.12.18	Issued 2019	Matured/ Redeemed 2019	Exchange-rate movements 2019	Other adjustments 2019	Statement of financial position 31.12.19
Certificates and other short-term borrowings						
Bond debt	25,135	4,111	-4,410	-50	0	24,786
Total	**25,135**	**4,111**	**-4,410**	**-50**	**0**	**24,786**

Note 37 – Other liabilities

PARENT BANK			GROUP	
31.12.18	31.12.19	Amounts in NOK million	31.12.19	31.12.18
883	**1,194**	Other liabilities	**1,425**	982
96	**198**	Incurred costs / prepaid income	**498**	395
36	**38**	Provision for incurred costs / obligations 1)	**77**	63
1,015	**1,430**	**Total other liabilities**	**2,000**	1,440
37	**38**	1) Off balance sheet loss provisions under IFRS 9	**38**	37
		Other liabilities:		
	266	Lease liability under IFRS 16 (see note 32)	**422**	
314	**455**	Accrued tax	**467**	367
22	**21**	Tax deductions	**33**	64
156	**147**	Creditors	**164**	170
239	**252**	Agreed payments from Donations Fund	**252**	239
35	**34**	Pensionliabilities (IAS 19)	**34**	52
117	**19**	Miscellaneous liabilities	**53**	90
883	**1,194**	**Total other liabilities**	**1,425**	982
		Incurred costs / prepaid income:		
25	**122**	Incurred costs / prepaid income 2)	**194**	111
		Accrued income financial leases	**218**	213
71	**76**	Incurred personnel costs	**86**	71
96	**198**	**Total incurred costs / prepaid income**	**498**	395
		2) Including provision for restructuring costs		
		Provision of accrued expenses / obligations		
		Provision of accrued expenses / obligations	**39**	28
35	**38**	Off balance sheet loss provisions under IFRS 9	**38**	35
35	**38**	**Total provision of accrued expenses / obligations**	**77**	63

Binding agreements concerning acquisitions of property, plant and equipment
By year-end 2019 the Groups project regarding construction of a new head office in Tromsø was finalized.
See note 31 concerning property, plant and equipment.

Ongoing lawsuits
As at 31.12.19, the Group has not been sued in any law cases.
The Bank is not involved in legal disputes that entail a litigation risk of significance to the Bank's operations.

Provision for accrued costs / liabilities
Classified as liabilities pursuant to IFRS 9. See note 13.

Note 38 – Subordinated loan capital and hybrid capital

The maturity and interest rates for subordinated loan capital are shown in the table below. All of the amounts are measured at amortised cost. Interest is recognised as interest costs.

Maturity structure				
PARENT BANK			GROUP	
31.12.18	31.12.19	Amounts in NOK million	31.12.19	31.12.18
		Subordinated capital with definite maturity		
350		2024 3m NIBOR + 1,50 % (Call option 2019)		350
500	**500**	2027 3m NIBOR + 1,54 % (Call option 2022)	**500**	500
350	**350**	2028 3m NIBOR + 1,40 % (Call option 2023)	**350**	350
	200	2029 3m NIBOR + 1,40 % (Call option 2024)	**200**	
1,200	**1,050**	**Total subordinated capital with definite maturity**	**1,050**	1,200
2,51%	**3,00%**	Average interest subordinated capital	**3,00%**	2,51%

The contract terms and conditions for hybrid Tier 1 instruments mean that they are included in the Bank's Tier 1 capital for capital adequacy purposes, see note 5. Hybrid Tier 1 instruments are classified as equity and presented on the line hybrid Tier 1 instruments under equity. They are subsequently measured at amortised cost. This means that the interest is not presented on the line for interest costs but is recognised directly against equity.

		Perpetual hybrid Tier 1		
350	**350**	2099 3m NIBOR + 3,30 % (Call option 2022)	**350**	350
180	**180**	2099 3m NIBOR + 3,15 % (Call option 2022)	**180**	180
250	**250**	2099 3m NIBOR + 3,30 % (Call option 2023)	**250**	250
780	**780**	**Total perpetual hybrid Tier 1**	**780**	780
4.23%	**4.80%**	Average interest perpetual hybrid Tier 1	**4.80%**	4.23%
3.18%	**3.77%**	Average interest subordinated and hybrid capital	**3.77%**	3.18%

Note 39 – Business acquisitions / mergers

ACQUISITIONS/MERGER OF ACCOUNTING OFFICE

During 2019, SpareBank 1 Regnskapshuset Nord-Norge AS (RH) acquired 100% of the shares in three acounting companies located in North Norway. (Regnskapssentralen AS - Sortland, Regnskapsbyrået Pluss AS – Kirkenes og Lofotregnskap AS – Svolvær). All companies provides accounting services.

During 2019, the companies was merged into RH. The merger took place with accounting and tax continuity and accounting and tax effect from 1 January 2019.

Acquisition analyses have been prepared in line with IFRS 3, where identifiable assets and liabilities are stated at fair value at the time of acquisition. The difference between the Group's acquisition cost and the book value of the net assets is allocated as goodwill.

Note 40 – Related parties

Parent bank	Subsidiaries	Joint ventures / associated companies
SpareBank 1 Nord-Norge	SpareBank 1 Finans Nord-Norge AS	SpareBank 1 Gruppen AS
	EiendomsMegler 1 Nord-Norge AS	SpareBank 1 Boligkreditt AS
	SpareBank 1 Nord-Norge Portefølje AS	SpareBank 1 Utvikling DA
	SpareBank 1 Regnskapshuset Nord-Norge AS	SpareBank 1 Næringskreditt AS
	Fredrik Langesgate 20 AS	SpareBank 1 Betaling AS
	Rødbanken Holding AS [1]	SpareBank 1 Kredittkort AS
		SMB Lab AS
		Betr AS

[1] Ideal organisations are not consolidated in the group accounts.

Share of equity is specified in note 30.

Transactions with subsidiaries		
Amounts in NOK million	2019	2018
Income items – Parent Bank		
Interest and similar income from loans and claims from subsidiaries	**93**	82
Deposit interest income from subsidiaries	**12**	8
Share dividend	**152**	15
Accrued commissions from lien loans	**25**	1
Other fees and commisions	**4**	5
Refunded operating costs (adm services, IT ect)	**13**	6
Refunded rental cost (posted in the balance sheet for 2019, under IFRS 16)	**13**	10
Balance sheet items – Parent Bank		
Loans	**4,913**	4,615
Subordinated loan capital	**101**	306
Hybrid Tier 1 Capital bonds	**84**	84
Deposits	**593**	942
Other receivables	**162**	10
Other liabilities and incurred costs	**0**	0
Guarantees	**0**	0

Note 40 – Related parties

As at 31.12.19, lien-based loans and leasing arranged for SpareBank 1 Finans totalled NOK 6,188 million.

Transactions with joint ventures / associated companies		
Amounts in NOK million	**2019**	**2018**
Income items – Parent Bank		
Interest and similar income recieved from loans and claims from joint ventures	**86**	72
Deposit interest income from joint ventures	**2**	1
Share dividends	**697**	343
Balance sheet items – Parent Bank		
Loans and advances to joint ventures	**1 195**	1 798
Deposits from and liabilities to joint ventures	**62**	81
Bonds	**100**	84
Guarantees	**4**	4

Being a participant in the SpareBank 1-alliance, several transactions between the Parent Bank and joint ventures are carried out. All transactions entered into are completed on commercial terms as a part of ordinary business and at market prices.

Amounts in NOK million	**2019**	**2018**
The most important transactions are as follows:		
a) Purchase of management- and information technology, and development services from SpareBank 1 Utvikling DA	**148**	125
b) Commisions from sale of insurance- and savings products with an insurance element for SpareBank 1 Gruppen AS	**166**	149
c) Loans sold to SpareBank 1 Boligkreditt AS (as at 31.12)	**35,625**	32,799
Accrued commission from SpareBank 1 Boligkreditt AS	**260**	257
Receivables SpareBank 1 Boligkreditt AS (as at 31.12)	**0**	0
d) Loans sold to SpareBank 1 Næringskreditt AS (as at 31.12)	**417**	427
Accrued commission from SpareBank 1 Næringskreditt AS	**5**	3

Note 41 – Equity Certificates (EC) and ownership structure

According to the statutes §2-2 the Bank's EC-capital amounts to NOK 1,807,164,288 made up of 100,398,016 certificates, each of a nominal value of NOK 18. The voting rights associated with an equity certificate are held by the person who is registered as owner in the Norwegian Central Securities Depository (VPS).

The Supervisory Board can decide to issued equity certificates that are negotiable and entitle the holder to dividend under the Act of 10 June 1988 No. 40 relating to financial services and financial institutions (Financial Institutions Act).

Equity certificate holders must be registered with the Norwegian Central Securities Depository (VPS).
As at 31.12.19, the Bank had 9,200 EC-holders (8,491 as at 31.12.18).

Change in the Bank's EC-capital and total certificates:

Year	Change	Change in EC capital	Total EC capital	Total number of certificates
2000	Issue earmarked for staff	10,453,101	659,701,800	6,597,018
2001			659,701,800	6,597,018
2002			659,701,800	6,597,018
2003			659,701,800	6,597,018
2004			659,701,800	6,597,018
2005	Bonus issue	131,940,500	791,642,200	7,916,422
2005	EC split		791,642,200	15,832,844
2006			791,642,200	15,832,844
2007	Dividend issue	49,055,400	840,697,600	16,813,952
2008	Dividend issue	54,906,050	895,603,650	17,912,073
2009			895,603,650	17,912,073
2010			895,603,650	17,912,073
2011	EC split and issues	759,621,025	1,655,224,675	66,208,987
2012			1,655,224,675	66,208,987
2013	Rigths issue and private placement for employees	750,029,552	1,807,164,288	100,398,016
2014			1,807,164,288	100,398,016
2015			1,807,164,288	100,398,016
2016			1,807,164,288	100,398,016
2017			1,807,164,288	100,398,016
2018			1,807,164,288	100,398,016
2019			1,807,164,288	100,398,016

Note 41 – Equity Certificates (EC) and ownership structure

The 20 largest EC-Holders			
Equity Certificate holders	**Number of ECs**	**Share**	**Change in number**
	31.12.2019	**31.12.2019**	**OF ECS 2019**
State Street Bank and Trust Comp A/C CLIENT OMNIBUS F	3,659,857	3.65%	600,929
PARETO AKSJE NORGE VERDIPAPIRFOND V/PARETO ASSET MANAGEMENT AS	3,355,715	3.34%	95,652
PARETO INVEST AS	3,025,874	3.01%	2,079,898
GEVERAN TRADING CO LTD	2,693,280	2.68%	0
FLPS - PRINC ALL SEC STOCK SUB	2,273,297	2.26%	-38,095
MP PENSJON PK	2,269,322	2.26%	-315,000
The Northern Trust Comp, London Br NON-TREATY ACCOUNT	2,094,748	2.09%	-287,381
Morgan Stanley & Co. International MSIP Equity	1,964,238	1.96%	749,133
VPF EIKA EGENKAPITALBEVIS C/O EIKA KAPITALFORVALTNING AS	1,780,925	1.77%	382,796
METEVA AS	1,614,670	1.61%	0
FORSVARETS PERSONELLSERVICE	1,467,630	1.46%	76,000
SPAREBANKSTIFTELSEN SPAREBANK 1 NO	1,411,606	1.41%	0
Landkreditt Utbytte	1,200,000	1.20%	200,000
Citibank, N.A.	1,022,987	1.02%	303,991
Euroclear Bank S.A./N.V.	1,018,124	1.01%	-15,289
J.P Morgan Bank Luxemburg S.A. JPMBLSA RECLT LUX RES LEND	1,006,239	1.00%	659,688
State Street Bank and Trust Comp A/C CLIENT OMNIBUS D	895,243	0.89%	-60,996
ARCTIC FUNDS PLC BNY MELLON SA/NV	790,249	0.79%	229,634
CLEARSTREAM BANKING S.A.	756,198	0.75%	107,355
VERDIPAPIRFONDET EIKA SPAR C/O EIKA KAPITALFORVALTNING AS	630,948	0.63%	630,948
20 largest EC-holders	**34,931,150**	**34.79%**	**5,399,263**
Other EC-holders	**65,466,866**	**65.21%**	
ECs issued	**100,398,016**	**100.00%**	

EC ratio

The result for the accounting year is divided between the EC-holders and the Bank according to the EC-ratio fixed as at 01.01, adjusted for any issues during the accounting year. Excluding set aside for dividends payment and donations as at 31.12.

PARENT BANK		
Amounts in NOK mill	**01.01.20**	**01.01.19**
Equity Certificates	**1,807**	1,807
Premium Fund	**843**	843
Dividend Equalisation Fund, excluding fund for unrealised gains	**2,633**	1,798
Other equity	**14**	34
A. Equity attributable to EC holders of the Bank	**5,297**	4,482
Saving Bank's Fund, excluding fund for unrealised gains	**5,990**	5,024
Donations	**120**	120
Other equity	**11**	40
B. Total Saving Bank's Fund	**6,121**	5,184
Total equity, excluding hybrid capital	**11,418**	9,666
EC ratio (A/ (A+B))	**46.36%**	46.36%
Reconciliation Balance Sheet		
Total equity, excluding hybrid capital	**11,418**	9,666
Hybrid capital	**780**	780
Set aside for dividens payment	**402**	402
Set aside for donations	**465**	465
Total equity, Parent Bank	**13,065**	11,312

Result per EC				
2018	**2019**		**2019**	**2018**
1,374	**2,687**	Result for the year	**2,062**	1,542
-20	**-28**	*Net interests hybrid capital	**-28**	-20
1,354	**2,659**	**Adjusted resultat for the year**	**2,034**	1,522
628	**1,233**	EC-holders share of result for the year (46,36 %)	**943**	706
6.25	**12.28**	**Result per EC**	**9.39**	7.03
1,355	**2,647**	Total comprehensive income	**2,034**	1,493
-20	**-28**	*Net interests hybrid capital	**-28**	-20
1,335	**2,619**	**Adjusted total comprehensive income**	**2,006**	1,473
619	**1,214**	EC-holders share of result for the year (46,36 %)	**930**	683
6.16	**12.09**	total comprehensive income per EC	**9.26**	6.80

* Interest on tier 1 capital instruments that are classified as equity was recognised directly against equity in the amount of NOK 37 (27) million, reduced by a tax effect of NOK 9 (7) million.

Note 42 – Profit distribution

Amounts in NOK million	2019	2018
Result for the year (group)	**2,062**	1,542
Result from subsidiaries	**-151**	-165
Dividends from subsidiaries	**156**	20
Result from associated companies/joint ventures	**-815**	-367
Dividends/gains from associated companies/joint ventures	**1,133**	344
Reclassification from equity method to fair value through profit and loss	**299**	
Group eliminations	**3**	
Result for the year (parent bank)	**2,687**	1,374
Interest hybrid capital	**-28**	-20
Result for the year distributable (parent bank)	**2,659**	1,354
Distribution		
Cash dividend to EC holders	**402**	402
Dividend Equalization Fund	**831**	226
Donations	**464**	464
Saving Bank's Fund	**962**	262
Result for the year distributed	**2,659**	1,354
To EC holders (amount)	**1,233**	628
To EC holders (per cent)	**46.36%**	46.36%
To community owned capital (amount)	**1,426**	726
To community owned capital (per cent)	**53.64%**	53.64%
Payout rate for the result for the Parent Bank ex interest hybrid capital	**32.6%**	64.0%
Payout rate for the result for the Group ex interest hybrid capital	**42.6%**	56.9%
Dividend per equity certificate	**4.00**	4.00

Three tier 1 capital instruments issued by the Bank are not covered by the IFRS regulations' definition of debt and are therefore classified as equity. Based on this, accrued interest on the hybrid tier 1 capital has not been recognised as a cost in the income statement but has been charged directly against equity.

When calculating key figures for equity and the equity certificates, accrued interest on hybrid tier 1 capital is thus deducted from the accounting result.

At the same time, hybrid tier 1 capital is deducted from the equity on the balance sheet. This ensures that the key figures relevant to the Bank's owners are calculated on the basis of the result and the equity that actually belong to the owners.

Dividends will be distibuted to registered equity certificate holders as at 26 March 2020.
The Bank's equity certificates will be traded ex dividend as of 27 March 2020.
Dividends will be paid out on 16 April 2020.

(EC = Equity Certificates)

Note 43 – Events occurring after the end of the year

CEO Petter Høiseth resigned on 26 February 2020, and Liv Bortne Ulriksen started as the new acting CEO. The Board approved the annual financial statements on 27 February. Since then we have been faced with a world-wide pandemic with the outbreak of the Covid-19 coronavirus. The effects of this pandemic have caused great economic uncertainty, market falls and challenges for many countries. Because of the ongoing pandemic, the Board has decided to prepare new annual financial statements with a new report and a reduced dividend payment.

The proposed distribution of a cash dividend from the profit of the year is 402 MNOK to the equity capital certificate holders in SpareBank 1 Nord-Norge and 464 MNOK as donations to community-owned capital. This proposal has not been declared as at the date of the balance sheet, and has therefore not been recognised as a liability on the balance sheet. It is still included in the equity.

INSURANCE MERGER

On 2 September 2019, Fremtind Forsikring AS received a licence from Financial Supervisory Authority of Norway to operate a life insurance company through its wholly owned subsidiary Fremtind Livsforsikring AS. Personal risk products from SpareBank 1 Forsikring AS and DNB Livsforsikring AS, as well as the employer-funded personal risk cover from SpareBank 1 Forsikring AS, were transferred to Fremtind Livsforsikring AS on 1 January 2020.

Further details provided in the stock exchange notification of 5 September 2019.

DNB has an option to increase its stake in Fremtind Forsikring AS from 35 per cent to 40 per cent by 31 March 2020. If DNB exercises this option, SpareBank 1 Gruppen AS (parent company) will gain around NOK 890 million. SpareBank 1 Gruppen AS has increased its dividend base to match this gain.

The exercising of this option will also result in increased equity for the SpareBank 1 Gruppen at a group level. The majority interest's (the SpareBank 1 banks and the Norwegian Confederation of Trade Unions (LO)) share of this increase will be around NOK 590 million. SpareBank 1 Nord-Norge's share of this increase (19.5 per cent) will be approximately NOK 115 million, which will probably be recognised as income during 2020.

Any extraordinary or ordinary dividend from SpareBank 1 Gruppen AS will be contingent on the capital situation, decisions by the company's governing bodies and the regulations for extraordinary dividends from financial undertakings applicable at the relevant time.

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

Today the Board of Directors and the Chief Executive Officer have considered and adopted the semi-annual report and the consolidated semi-annual financial statements of SpareBank 1 Nord-Norge for the period from 1 January to 31 December 2019.

We confirm to the best of our knowledge that the semi-annual financial statements for the period from 1 January to 31 December 2019 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the group taken as a whole. We also confirm that the semi-annual report gives a true and fair view of important events during the accounting period and their influence on the semi-annual financial statements, the most important elements of risk and uncertainty that the group faces in the next accounting¬ period, and a description of related parties' material transactions.

Tromsø, March 25th 2020

The Board of SpareBank 1 Nord-Norge

Karl Eirik Schjøtt-Pedersen
(Chair)

Hans Tore Bjerkaas
(Deputy Chair)

Ingvild Myhre

Kjersti Terese Stormo

Greger Mannsverk

Geir Bergvoll

Sonja Dønne

Vivi Ann Pedersen
(Employee elected)

Kjetil Berntsen
(Employee elected)

Liv Bortne Ulriksen
(Acting CEO)

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. 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 customer loans in the last 12 months.	Shows the growth in the Bank's core area, customer lending. The calculation does not include liquidity portfolio/loans to credit institutions.
Growth in lending, incl. intermediary loans (%).	Growth in lending incl. intermediary loans is measured quarterly as the percentage change in the Bank's customer loans 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 SpareBank 1 Boligkreditt or SpareBank 1 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	31.12.19	31.12.18
Profit for the period	**2,062**	1,542
Deduct interest hybrid tier 1 capital	**28**	20
Profit for the period incl. interest hybrid tier 1 capital	**2,034**	1,522
Total Equity	**14,172**	13,058
Deducting hybrid Tier 1 capital	**780**	780
Equity excl. hybrid Tier 1 capital	**13,392**	12,278
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.	**12,820**	11,583
Equity excl. hybrid tier 1 capital 30.09.	**13,194**	11,975
Equity excl. hybrid tier 1 capital 31.12.	**13,392**	12,278
Average equity excl. hybrid tier 1 capital	**12,790**	11,751
Profit for the period, annualised incl. interest hybrid tier 1 capital	**2,034**	1,522
Average equity excl. hybrid tier 1 capital	**12,790**	11,751
Return on Equity	**15.9%**	13.0%
Total operating expenses	**1,640**	1,474
Total income	**4,124**	3,416
Cost-income ratio	**39.8%**	43.1%
Net interest income	**2,097**	1,896
Average total assets	**108,989**	101,855
Interest margin	**1.92%**	1.86%
Deposits from customers	**68,030**	63,985
Total lending incl. intermediary loans at the end of period	**121,734**	114,117
Deposits as a percentage of total lending incl. intermediary loans	**55.9%**	56.1%
Deposits from customers	**68,030**	63,985
Gross loans to customers	**85,692**	80,863
Deposits as a percentage of gross lending	**79.4%**	79.1%

Amounts in NOK million	31.12.19	31.12.18
Total lending incl. intermediary loans at the end of period	**121,734**	114,117
Total lending incl. intermediary loans at the end of same period last year	**114,117**	105,485
Lending growth last 12 months incl. intermediary loans	**7,617**	8,632
Lending growth last 12 months incl. intermediary loans	**6.7%**	8.2%
Total lending at the end of period	**85,692**	80,863
Total lending at the end of same period last year	**80,863**	75,003
Lending growth last 12 months	**4,829**	5,860
Lending growth last 12 months	**6.0%**	7.8%
Total intermediary loans at the end of the period	**36,042**	33,254
Total lending incl. intermediary loans at the end of period	**121,734**	114,117
Share of intermediatry loans	**29.6%**	29.1%
Intermediary loans SpareBank 1 Boligkreditt	**35,625**	32,828
Total retail lending end of period	**86,287**	82,381
Share of intermediary loans of total retail lending	**41.3%**	39.8%
Intermediary loans SpareBank 1 Næringskreditt	**417**	426
Total corporate lending end of period	**36,526**	33,018
Share of intermediary loans of total corporate lending	**1.1%**	1.3%
Deposits from customers end of period	**68,030**	63,985
Deposits from customers end of same period last year	**63,985**	57,849
Growth in deposits from customers past 12 months	**4,045**	6,136
Growth in deposits from customers past 12 months	**6.3%**	10.6%
Losses on loans and guarantees	**11**	22
Losses on loans and guarantees, annualised	**11**	22
Total lending incl. intermediary loans at the end of period	**122,813**	115,399
Losses on loans to customers as a percentage of total lending incl. intermediary loans	**0.01%**	0.02%
Gross loans in stage 3	**352**	432
Loss provisions stage 3	**-152**	-166
Net commitments in default	**200**	266
Total lending incl. intermediary loans at the end of period	**122,813**	115,399
Net comm. in default and at risk of loss as a per. of total lending incl. intermediary loans	**0.2%**	0.2%
Non-performing commitments	**352**	432
Loss provisions stage 3	**-152**	166
Loan loss provision ratio	**43.2%**	38.4%

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To the Supervisory Board of SpareBank 1 Nord-Norge

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SpareBank 1 Nord-Norge, which comprise:

- The financial statements of the parent company SpareBank 1 Nord-Norge (the Company), which comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of SpareBank 1 Nord-Norge and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Restatement of financial statements

This audit report replaces our previous audit report issued on 3 March 2020. The financial statements have been reissued. The previous financial statements were issued on 27. February 2020. The reason to reissue the financial statements is that the Board of Directors' have decided to reduce the proposed dividend payment as a result of the uncertain economic consequences of the ongoing pandemic of the coronavirus Covid 19. Furthermore we refer to the Board of Directors' report and to note 43. The matter does not affect our opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Expected credit loss on loans and advances in the corporate market

Reference is made to Note 3 Critical estimates and assessments regarding the use of accounting principles, Note 7 Credit risk exposure for each internal risk rating, Note 8 Maximum credit exposure, Note 9 Credit quality by class of financial assets, Note 11 Loans and advances to customers, Note 13 Losses on loans and guarantees and the Board's annual report, section losses and defaults on loans and sections on credit risk.

The key audit matter	*How the matter was addressed in our audit*
SpareBank 1 Nord-Norge's loans to the corporate market amounts to MNOK 31 388 for the parent company and MNOK 35 030 for the Group. The value of advances and unutilised credits amounts to MNOK 7 395 for the parent company and MNOK 7 354 for the Group. Expected credit loss on loans and advances in the corporate market that are not impaired is MNOK 273 for the parent company and MNOK 304 for the Group as of 31.12.2019. Expected credit loss on loans and advances in the corporate market that are impaired is MNOK 90 for the parent company and MNOK 104 for the Group as of 31.12.2019. IFRS 9 requires the Group to calculate expected credit loss (ECL) over the next 12 months for loans and advances that have no significant increase in credit risk (stage 1), and lifetime ECL for loans and advances that have significant increase in credit risk (stage 2). The Group uses models for calculating ECL in stage 1 and 2. Management uses judgement when making the estimates and assumptions, including: • definition of significant increase in credit risk (SICR), • probability of default (PD), • loss given default (LGD), • exposure at default (EAD), • probability weightings applied to future economic scenarios Impaired loans and advances, where credit risk has increased significantly and where there is objective evidence of default, are subject to individual assessments to estimate lifetime ECL (stage 3). To calculate the ECL, management is required to make estimates and assumptions, including:	We have formed an understanding of, and assessed, the Group's definitions, methods and internal control for recognition and measurement of expected credit loss for the corporate market. We involved specialists on our team to assess the Group's methods and policies for internal validation of PD, LGD and EAD, as well as evaluate the internal validation's results to assess possible deviations and consequences for our audit. We have obtained an assurance report from an independent auditor who has considered: • whether PD, LGD and EAD included in the model are correctly calculated, • whether the data input used in the calculations is correct, and • whether the model calculates losses in accordance with the requirements of IFRS 9. We have assured ourselves of the independent auditor's competence and objectivity, as well as evaluated the report to assess possible deviations and consequences for our audit. We have further performed procedures over the completeness of the data input in the model calculated ECL. We have assessed the Group's definition of SICR by comparison against information available for similar banks. For other relevant assumptions made by management, we have performed stress tests and evaluated the Group's future economic scenarios against external macro-economic reports. The Group has established controls to ensure that loans and advances with objective evidence of default are individually assessed for expected

• timely identification of impaired loans and advances, • the expected future cash flows including the value of underlying collateral. Based on the size of gross lending, inherent credit risk, the complexity of the models' calculations and the degree of management judgement when preparing the estimates, we consider the expected credit loss in the corporate market to be a key audit matter.	loss. We have tested that a key control operates as intended. In order to challenge management whether there should have been other loans and advances that should have been individually assessed for loss, we have considered whether there were indications of objective evidence of default for a selection of the Group's significant and high-risk loans and advances. For a selection of loans and advances in stage 3, we have: • reperformed the calculation of expected credit loss, and • assessed the expected cash flows used in the loss calculation against historical financial results, budgets and external value of collaterals where applicable.

2. IT systems and application controls

Reference is made to Note 6 section on operational risk and the Board's annual report, section for operational risk

The key audit matter	*How the matter was addressed in our audit*
SpareBank 1 Nord-Norge is dependent on the IT infrastructure in the bank functioning as intended. The bank uses a standard core system delivered and operated by an external service provider. Sound governance and control over the IT systems is critical to ensure accurate, complete and reliable financial reporting. Furthermore, the IT systems support regulatory compliance for financial reporting to authorities, which is central to licensed businesses. The system calculates interest on borrowing and lending and the bank's internal control systems are based on system-generated reports. Due to the importance of the IT systems for the bank's operations, the IT environment supporting the financial reporting process is considered a key audit matter.	In connection with our audit of the bank's IT-system, we have gained an understanding of the control environment and tested that selected general IT controls are functioning as intended and support important application controls. In our control testing, we have focused on access management controls. The independent auditor of the external service provider has assessed and tested the effectiveness of internal controls related to the IT systems outsourced to external service provider. We have obtained the attestation report (ISAE 3402) from the independent auditor to evaluate whether the external service provider has satisfactory internal control in areas of significant importance to SpareBank 1 Nord-Norge. We have assured ourselves of the independent auditor's competence and objectivity, as well as evaluated the report in order to assess possible deviations and consequences for our audit. We have requested the independent auditor at the service provider to test a selection of standard reports and key functionalities in the core-system to assess whether: • selected standard system reports contain all relevant data, and

	• the key functionalities, including controls related to interest rate-, annuity- and fee calculations, work as intended. We have inquired management for their evaluation and follow-up of the independent auditor's report for the external service provider to ensure that any findings are appropriately followed up. We have used our IT audit specialist in the work to understand the control environment, test controls and examine the reports.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The

risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial*

Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Tromsø, 25 March 2020
KPMG AS

Stig-Tore Richardsen
State Authorised Public Accountant

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

OPERATIONS


Norfura
VIKING

Group Management

The Group Management is the CEO's corporate body for general management in SpareBank 1 Nord-Norge. All significant decisions are made in consultation with the Group Management.

Liv Bortne Ulriksen *Acting CEO*

Education: Bachelor's degree in fisheries and aquaculture with specialisation in economics.
Experience: She is a former bank manager at Fokus Bank/Danske Bank, and has management experience from Fiskeriforskning and Nofima AS.
Number of equity certificates: 85,225

Lasse Hagerupsen *Chief Regional Officer Hålogaland*

Education: Master's degree in management.
Experience: He is a former bank manager for the retail market at both SpareBank 1 Nord-Norge and Postbanken. He has also previously been Managing Director of Interkraft Capital Management, and Risk Manager and stockbroker at Norse Securities.
Number of equity certificates: 79,514

Marius Nilsen *Acting Chief Risk Officer*

Education: Master's degree in business administration (financial accounting).
Experience: He has previously worked as program manager for the internal audit function and as head of risk management in SpareBank 1 Nord-Norge. He has a background from EY, where he worked as an internal auditor and consultant in Norwegian financial institutions.
Number of equity certificates: 0

Christian Overvaag *Chief Regional Officer Troms*

Education: Bachelor's degree in economics
Experience: He is the former Managing Director of the Business Association for the Tromsø region. He also has management experience from several commercial and residential projects, and has worked as a business insurance underwriter at Gjensidige Forsikring.
Number of equity certificates: 103,461

Turid Aspenes *Chief of Staff*

Education: Teacher
Experience: She has studied management at BI Norwegian Business School, and was previously HR Manager at SpareBank 1 Nord-Norge. Her earlier experiences include positions in SpareBank 1 Alliansen and Ibis IKT AS.
Number of equity certificates: 915

Kristin Amundsen *CEO of EiendomsMegler 1 Nord-Norge*

Education: Degrees in Real estate management and economics.
Experience: She has extensive experience from 20 years in the industry, in various roles and positions.
Number of equity certificates: 35,706

Tom Robert Aasnes *CEO of SpareBank 1 Regnskapshuset Nord-Norge*

Education: Degree in Economics
Experience: Varied background including apprenticeship as a car mechanic, experience of fire and ambulance work, and voluntary work. Over 40 years of management experience.
Number of equity certificates: 16,888

Geir Andreassen *Chief Technology Officer*

Education: Bachelor's degree in auditing.
Experience: He was previously Finance Manager and Audit Manager at SpareBank 1 Nord-Norge. He has also worked as an auditor in Noraudit.
Number of equity certificates: 78,450

Trude Glad *Chief Regional Officer Helgeland and Salten*

Education: Degree in economics and business administration and a master's degree in management.
Experience: Former corporate market manager at Sparebanken Nord-Norge, Investor Relations Manager at Rieber & Søn ASA, and Assistant Manager at Norgeskreditt/Vestenfjelske Bykreditt.
Number of equity certificates: 79,835

Trond Hanssen *Chief Regional Officer Finnmark*

Education: Bachelor's degree in economics with specialisation in marketing.
Experience: He is a former regional bank manager at DNB and Marketing Manager at Altaposten.
Number of equity certificates: 63,503

Ronni Møller Pettersen *Chief Commercial Officer*

Education: Master's degree in economics and business administration
Experience: He is a former Managing Director of Nordlys newspaper and a partner in Industrifinans Kapitalforvaltning. He has also been General Manager of Formuesforvaltning Norge and Sales Director at Storebrand.
Number of equity certificates: 36,115

Bengt Olsen *Chief Financial Officer*

Education: Masters in economics and business administration with international finance.
Experience: His earlier experiences include ¨KPMG, Nordlandsbanken and Catch Communications, and was most recently CFO and deputy CEO of DIPS AS. He has held several board positions, including three years as a board member of SpareBank 1 Nord-Norge.
Number of equity certificates: 14,157

Hanne Karoline Kræmer *CEO of SpareBank 1 Finans Nord-Norge*

Education: Business economist
Erfaring: She has worked as a high school teacher and has experience from Innovation Norway. She has been a bank executive for different custuomer grups and has been a leader since year 2000.
Number of equity certificates: 85,929

Nina Wihuri *Compliance Manager*

Education: Master of Law
Experience: She has studied mananegment at BI Norwegian Business School, and varied experience as a legal advisor.
Number of equity certificates: 1,197

Board of Directors

Karl Eirik Schjøtt-Pedersen *Chairman of the Board*

Education: Undergraduate degree in social sciences and an MBA.
Experience: He has long political experience from the Office of the Norwegian Prime Minister as a chief of staff and cabinet minister, and has been both the Minister of Finance and the Minister of Fisheries. He is currently the CEO of the Norwegian Oil and Gas Association.
Board meetings: 17/18. **Number of equity certificates:** 7,067.

Vivi Ann Pedersen *Employee representative*

Education: Graduate in banking
Experience: She has worked in various departments in the Group for a number of years. She is currently the senior union representative for the Finance Sector Union of Norway at SpareBank 1 Nord-Norge and has been an employee representative on the Board of Directors for a number of years.
Board meetings: 18/18. **Number of equity certificates:** 24,694.

Kjersti Therese Stormo *Board member*

Education: Business economist
Experience: She is the director of Bodø Havn KF and has previously been a director at BE Kraft Sales AS and the finance manager at Bodø Energi and at the Nordland Psychiatric Hospital. She has long and broad experience from various boards.
Board meetings: 17/18. **Number of equity certificates:** 1,396.

Hans-Tore Bjerkaas *Deputy Chairman*

Education: Master of Arts
Experience: He has a long, rich career in the media industry behind him in which he has been a presenter, journalist, district editor, director of television and director of broadcasting.
Board meetings: 18/18. **Number of equity certificates:** 19,637.

Kjetil Berntsen *Employee representative*

Education: Cand. Mag.
Experience: He has broad experience in financial consulting from SpareBank 1 SR-Bank and in his current position as a financial adviser in the retail market at SpareBank 1 Nord-Norge. He is also regional representative for Troms of the Finance Sector Union of Norway.
Board meetings: 18/18. **Number of equity certificates:** 848.

The Board of Directors of SpareBank 1 Nord-Norge is the Group's supreme governing body and ensures the proper organisation of the business via the CEO. The Board of Directors has three permanent subcommittees: The Risk Committee, Audit Committee and the Remuneration Committee. In 2019, the Board had a committee tasked with recruiting a new CEO.

Geir Bergvoll *Board member*

Education: Cand. Oecon
Experience: He has been both CEO and chairman of Eksportfinans, and has had a long career, both nationally and internationally, in various senior positions at DNB and Sparebanken NOR. He was elected to the Board of Directors by the Supervisory Board in March 2019.
Board meetings: 9/18. **Number of equity certificates:** 0.

Ingvild Myhre *Board member*

Education: Civil engineer
Experience: She is now self-employed and has previous experience as the CEO of Telecom AS and Telenor Mobile AS, as well as the CEO of Network Norway AS.
Board meetings: 17/18. **Number of equity certificates:** 0.

Greger Mannsverk *Board member*

Education: Engineering course in maritime technology and marine engineering
Experience: He is currently the CEO of Kimek AS, where he was previously a production manager, staff engineer and sales and project Engineer. He has also worked as an engineer at AS Sydvaranger and Munch Internasjonal AS.
Board meetings: 18/18. **Number of equity certificates:** 61,439.

Sonja Djønne *Board member*

Education: Master of Management in Business Administration
Experience: She is the founder and general manager of Heymat and has management experience from IT Partner Helgeland, Helgelandssykehuset HF and the municipality of Rana.
Board meetings: 14/18. **Number of equity certificates:** 8,121.

Governing bodies

SUPERVISORY BOARD

Board chairman Roar Dons,
Tromsø (Chairman of the Board) 2019/2020
Head of culture Kari Ann Olsen Lind,
Stokmarknes (Deputy Chairman) 2018/2019

Members elected from the Bank's depositors

Lawyer Charlotte Ringkjøb, Bodø 2018/2021
Cabinet maker Kim Daniel Arthur, Tromsø 2018/2021
Shop/company owner Mona Abelsen, Tromsø 2018/2021
Head of culture Kari Ann Olsen Lind, Stokmarknes 2018/2021
Artist Marit Hætta Øverli, Alta 2018/2021
Finance consultant Johanne Marie Olaussen, Storslett 2018/2021
CEO Bjørn-Ronald Olsen, Honningsvåg 2018/2021
Head of unit Lisa Friborg, Tromsdalen 2018/2021
General manager Dagny Valaker, Longyearbyen 2019/2022
General manager Rita Myrvang, Rossfjordstraumen 2019/2022

Deputy members elected from the Bank's depositors

Self-employed John Isak Sara, Kautokeino 2018/2021
Organisation employee Henning A. P. Bråten, Bjørnevatn 2018/2021
Communications manager Tore Bratt, Mo i Rana 2018/2021
Finance and personnel officer Kjetil Fjellgaard, Lovlund 2019/2022
General manager Pål Blix-Johansen, Hammerfest 2019/2022

Members elected from county councils

Deputy mayor/operations manager
Kurt Jenssen, Tengelfjord 2016/2019
Marketing and communications manager
Beate Bø Nilsen, Sortland 2016/2019
District secretary Synnøve Søndergaard, Tromsø 2016/2019
General manager Kari Lene Olsen, Honningsvåg 2016/2019

Substitute members elected by county councils

Nurse/project manager Hilde Holand, Leknes 2016/2019
Officer Torbjørn Bongo, Krokelvdalen 2016/2019
Project worker/qualified physiotherapist
Hanne Iversen, Varangerbotn 2016/2019
Politician Bjørn Larsen, Mosjøen 2019/

Members elected by equity certificate holders

CEO Trond Mohn, Bergen 2018/2021
Board chairman Roar Dons, Tromsø 2018/2021
General manager Håkon Løbach Willumsen, Tromsø 2018/2021
Assistant lawyer Ane Engel Røger, Oslo 2018/2021
Financial consultant Linn Knudsen, Alta 2018/2021
Board chairman Kjell Kolbeinsen, Tromsø 2018/2021
Executive vice president Erling Dalberg, Tromsø 2018/2021
Goldsmith Elin Wintervold, Tromsø 2018/2021
Odd Erik Hansen, Tromsø 2018/2021
Marie M. Fangel, Tromsø 2018/2021
CEO Lars Martin Lunde, Oslo 2018/2021
Board chairman/owner Birger Dahl, Bodø 2018/2021
Financial analyst Tom Rømer Svendsen, Oslo 2019/2022
Finance manager Gry-Janne Rugås, Fauske 2019/2022
Optician Sissel Ditlefsen, Tromsø 2019/2022
Self-employed Rigmor S. Berntsen, Tromsø 2019/2022

Deputy members elected from the Bank's ECC holders

General manager John-Oskar Nyvoll, Tromsø 2018/2021
General manager Hallgeir Angell, Sørreisa 2018/2021
Senior adviser Arvinn Eikeland Gadgil, Oslo 2018/2021
CEO Rita Karlsen, Husøy i Senja 2018/2021
Civil engineer Frøydis Rørtveit Stensvik, Henningsvær 2018/2021
General manager Erik Tostrup, Bodø 2019/2022

Members elected from the Bank's employees

Chief safety representative Irina S. Møllersen, Kirkenes 2018/2021
Adviser Kjetil Ask Olsen, Krokelvdalen 2018/2021
Authorised financial adviser Ann Kirsten Larsen, Tromsdalen 2018/2021
Head of department Chris Magne Martinsen, Hammerfest 2018/2021
Senior adviser Hans Olav Gjøvik, Tromsø 2018/2021
Head of department Tor Magne Oppheim, Tromsdalen 2018/2021
Business adviser Eivind Bergmo, Storslett 2018/2021
Authorised financial adviser Dag Inge Lund, Sortland 2018/2021
Business adviser Svein Borhaug, Finnsnes 2018/2021
Authorised financial adviser Anne Kathrine Nygaard,
Mo i Rana (alternate) 2019/2021

Deputy members elected from the Bank's employees

Bank manager Siri Lund, Finnsnes 2018/2021

Authorised financial adviser Aud Skaret, Meløy 2018/2021

Authorised financial adviser

Kenneth Normann, Brønnøysund 2018/2021

Adviser Marianne Nyhagen, Tomasjord 2018/2021

THE SUPERVISORY BOARD'S ELECTION COMMITTEE

Members

Lawyer Charlotte Ringkjøb,

Bodø (Chair) – depositor elected 2018/2019

Board chairman Kjell Kollbeinsen,

Tromsø – equity certificate holder elected 2018/2019

District secretary Synnøve Søndergaard,

Tromsø – county council elected 2018/2019

Authorised financial adviser Ann Kirsten Larsen,

Tromsø – employee representative 2019/2020

Optician Sissel Ditlefsen,

Tromsø – equity certificate holder elected 2019/2020

Deputy members

General manager Rita Myrvang,

Rossfjordstraumen – depositor elected 2018/2019

Goldsmith Elin Wintervold,

Tromsø – equity certificate holder elected 2018/2019

Deputy mayor/operations manager Kurt Jenssen,

Tengelfjord – county council elected 2018/2019

Business adviser Svein Borhaug,

Finnsnes – employee representative 2019/2020

CEO Trond Mohn, Bergen– equity certificate holder elected 2019/2020

BOARD OF DIRECTORS

Members

CEO Karl Eirik Schjøtt-Pedersen,

Hosle (Chairman of the Board) 2019/2020

Retiree Hans-Tore Bjerkaas,

Tromsø (Deputy Chairman) 2019/2020

General manager Sonja Djønne, Mo i Rana 2018/2019

CEO Greger Mannsverk, Kirkenes 2018/2019

Partner Ingvild Myre, Oslo 2018/2019

Port manager Kjersti Terese Stormo, Bodø 2018/2019

Pensioner Geir Bergvoll, Oslo 2019/2020

Senior employee representative Vivi Ann Pedersen,

Tromsø – employee representative 2019/2020

Authorised financial adviser Kjetil Berntsen,

Tromsø – employee representative 2019/2020

Deputy members

Employee representative May Britt Nilsen,

Storslett – employee representative 2019/2020

Business analyst Monica Dønlad,

Tromsø – employee representative 2019/2020

Authorised financial adviser Leif Gunnar Kristiansen,

Tromsø – employee representative 2019/2020

Business adviser Eivind Bergmo,

Storslett – employee representative 2019/2020

Attended meetings in 2019

Body	No. of meetings	No. of participants	No. times full attendance	No. of meetings with absences
Board of Directors	18	9	10	8
Supervisory Board	1	40	0	1
Supervisory Board's Nomination Committee	6	5	2	4

Corporate governance

The Group Management and Board of Directors conduct an annual review of the corporate governance principles and how they are functioning in the Group. SpareBank 1 Nord-Norge issues a statement on the principles and practice of corporate governance in accordance with Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance of 17.10.18.

SECTION 3-3B OF THE ACCOUNTING ACT (REPORT ON CORPORATE GOVERNANCE)

A description of how section 3-3b, second paragraph of the Norwegian Accounting Act is covered in Sparebank 1 Nord-Norge follows below. The classifications refer to the numbering in the section.

1. Reference to the Code of Practice followed by SpareBank 1 Nord-Norge, information about where the Code of Practice may be found, and the reasons for any deviations from the Code of Practice.
SpareBank 1 Nord-Norge's corporate governance structure is based on Norwegian law. SpareBank 1 Nord-Norge complies with the Norwegian Code of Practice for Corporate Governance, issued by the Norwegian Corporate Governance Board (NUES).

2. Information about where the Code of Practice and regulations mentioned in no 1 are publicly available.
The Code of Practice for Corporate Governance is available on nues.no.

3. Reasons for any deviations from the Code of Practice and regulations mentioned in no 1.
Any deviations from the Code of Practice are disclosed in the statement describing how the Code of Practice is complied with in the chapter on "Corporate governance in SpareBank 1 Nord-Norge".

4. Description of the principal elements of SpareBank 1 Nord-Norge's systems for internal control and risk management in connection with the financial reporting process.
See point 10 under the Norwegian Code of Practice for Corporate Governance for a description of the internal control and risk management associated with the accounts reporting process.

5. Provisions of the Articles of Association that fully or partly expand or deviate from chapter 5 of the Public Limited Liability Companies Act. SpareBank 1 Nord-Norge complies with the Financial Institutions Act.
Please refer to point 6 of the Norwegian Code of Practice for Corporate Governance for a description of SpareBank 1 Nord-Norge's compliance.

6. The composition of governing bodies and a description of the main elements of the current instructions and guidelines for work undertaken by the bodies and committees.
See points 6, 7, 8 and 9 of the Norwegian Code of Practice for Corporate Governance.

7. Provisions in the Articles of Association regulating the appointment and replacement of board members.
See the statement on point 8 of the Code of Practice.

8. Provisions in the Articles of Association and authorisations that permit the Board of Directors to decide to buy back or issue the Bank's own equity certificates.
See point 3 of the Norwegian Code of Practice for Corporate Governance.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

The description below explains how the 15 points of the Norwegian Code of Practice for Corporate Governance of 17 October 2018 are complied with by SpareBank 1 Nord-Norge.

	Code of Practice	Deviations
1	Implementation and reporting on corporate governance	None
2	Business	None
3	Equity and dividends	None
4	Equal treatment of shareholders and transactions with close associates	None
5	Shares and negotiability	None
6	General meetings	SpareBank 1 Nord-Norge complies with the provisions of the Financial Institutions Act with respect to the composition of bodies.
7	Nomination committees	All members of the Nomination Committee for the Supervisory Board are elected from the groups represented on the Supervisory Board. Expanding the committee by one member from outside the groups represented on the Supervisory Board has not been considered yet..
8	Supervisory Board and Board of Directors: composition and independence	None
9	The work of the Board of Directors	None
10	Risk management and internal control	None
11	Remuneration of the Board of Directors	The Board of Directors participates in the Group's savings scheme for equity certificates.
12	Remuneration of executive personnel	None
13	Information and communications	None
14	Take-overs	Statutory ownership limitations.
15	Auditor	Ingen

1. EXPLANATION OF CORPORATE GOVERNANCE IN SPAREBANK 1 NORD-NORGE

(point 1 of the Code of Practice 1)

There are no significant deviations between the Code of Practice and SpareBank 1 Nord-Norge's compliance with it.

The Code of Practice applies insofar as it relates to savings banks with equity certificates. Any deviations are explained below.

Corporate governance in SpareBank 1 Nord-Norge is defined as the aims, targets and overall principles in accordance with which the Bank is managed and controlled for the purpose of safeguarding the interests of the owners, depositors and other stakeholder groups in the Bank. Accordingly, the Bank's principles of corporate governance shall ensure the sound and appropriate management of the Bank's assets and liabilities, providing additional assurance that all agreed targets, aims and strategies are met and adhered to.

The Bank complies with the Norwegian Code of Practice for Corporate Governance. http://www.nues.no

Based on the three main pillars – openness, predictability and transparency – the Bank has defined the following main principles:

- a structure which ensures systematic and independent management and control
- systems that ensure measurability and accountability
- effective risk management
- full disclosure and effective communication to underpin the trust between owners, the Board of Directors and Group Management.
- equal treatment of all owners and balanced relations with other stakeholder groups
- compliance with laws, rules, regulations and ethical standards

Deviations from point 1 of the Code of Practice: None

2. BUSINESS (Point 2 of the Code of Practice)
SpareBank 1 Nord-Norge is an independent financial services group within SpareBank 1-alliansen.

The Bank's stated purpose is: *"The objective of the savings bank is to provide those services that are common or natural for banks to perform pursuant to the applicable legislation for savings banks and the licences granted at any given time."*

The Bank's corporate vision is: *For Northern Norway*

See also the section on the "Strategic Compass" in the annual report for more information about the Bank's vision, business concept and overarching financial objectives.

The Board of Directors adopts clear objectives, strategies and risk profiles for the business. The aim is to ensure that the Bank creates value for its owners.

The Bank's corporate governance rules were last approved by the Board of Directors at its meeting on 12 February 2020. SpareBank 1 Nord-Norge's staff shall be known for their high ethical standards. This means that their conduct should engender trust and be honest and upright, and comply with the standards, regulations and laws that apply in society. The Bank has therefore produced an ethics handbook, the SNN Code of Conduct – Ethical Guidelines. This covers topics such as qualification, customer relationships, suppliers and competitors, securities trading, insider rules and relevant private financial matters. These regulations apply to all employees and elected officers in governing bodies. The Company's Code of Conduct can be retrieved from the Company's web site.

By law and according to internal guidelines, all employees and elected officers have a duty of non-disclosure in relation to information about the Group's or customers' affairs that they learn through their work. The duty of non-disclosure does not just apply in relation to outsiders, but also to employees who have no work-related need for the relevant information.

Employees are not allowed, via IT systems or in some other manner, to actively search for information about other employees, customers or outsiders when this is not required for their work.

SpareBank 1 Nord-Norge has its own whistleblowing routine for employees who learn about matters that contravene current laws and regulations or material breaches of internal rules. Employees who report unacceptable situations in relation to internal routines must not be subject to any reprisals due to their reports. It is also possible to report anonymously.

SpareBank 1 Nord-Norge's corporate social responsibility is an integral part of the business and covers economic, social, and environmental considerations. It also covers our social mission as a savings bank with a significant role in value creation for the community and the development of the region. We address this through our services as a finance group and our distribution of community dividends and other types of social engagement. Corporate social responsibility is also expressed through the way in which we manage the resources at our disposal and our dialogue with employees, owners, customers, suppliers, the local community and other stakeholders. The Company has separate websites for sustainability and corporate social responsibility. See also the chapter on corporate social responsibility in the annual report.

The Board of Directors evaluates objectives, strategies and risk profiles at least once a year.

Deviations from point 2 of the Code of Practice: None

3. EQUITY AND DIVIDENDS

(Point 3 of the Code of Practice)

The Board of Directors continuously assesses the Group's capital level and composition in light of its objectives, strategy and desired risk profile.

The SpareBank 1 Nord-Norge Group's core Tier 1 capital ratio as at 31 December 2019 was 17.2%. The financial strength of the Bank and Group is considered very good.

The Bank's principal targets, including its financial strength target, are communicated via the Bank's website, periodic presentations of its accounts and in the Bank's annual report (see the previous point as well). The Bank also conducts periodic reviews of the Bank's risk, which is assessed in relation to risk capital (the ICAAP process). The results are presented to the Bank's Board of Directors.

For further information about its equity, see the chapter on risk management and controlinternal control.

Dividends

The Board of Directors has devised a dividend policy which forms the basis for the distribution of dividends proposed to the Supervisory Board. The dividend policy is published on the Bank's website, in periodic presentations of the accounts and in the annual report.

Each year, the Supervisory Board determines the proportion of the post-tax profit to be distributed in dividends to the equity certificate holders and primary capital in proportion to their shares of the equity. The proportion allocated to primary capital is normally paid as a community dividend.

Please see the information about this in the Annual Report from the Board.

Purchase of own equity certificates

In order to provide flexibility when selling equity certificates to employees and elected officers, the Supervisory Board has previously authorised the Board of Directors to buy back or issue the Bank's own equity certificates. To improve the opportunities for this, the Board of Directors was granted authorisation by the Supervisory Board on 21 March 2019 to purchase and establish security in the Bank's own equity certificates within the framework stipulated by the law and regulations.

The total holding of equity certificates that the Bank owns and/or has security in may not exceed 5 per cent of the Bank's equity share capital. The lowest price that can be paid for the equity certificates is NOK 12.50 and the highest is NOK 100.

The equity certificates must be purchased in the securities market via the Oslo Stock Exchange. Sales shall take place in the same market, or as targeted sales to employees and elected officers in accordance with the applicable law and regulations. Security is pledged through agreements with customers as part of granting credit and any realisation of the security must take place in the securities market via the Oslo Stock Exchange. The authorisation is valid until 22 May 2020.

Deficits

Any deficits are covered by proportionate transfers from primary capital, including the donations fund and the equity certificate capital that exceeds the stipulated equity certificate capital, including the dividend equalisation fund. Deficits that are not covered by this are covered by proportional transfers from the premium reserve and compensation reserve, and then by reducing the stipulated equity certificate capital.

Capital increase

Board authorisations for capital increases are granted on the basis of concrete and defined purposes. As at 31 December 2019, the Board of Directors has granted no authorisations for capital increases in SpareBank 1 Nord-Norge. No issues were implemented in 2019. Subordinated loans were taken out in 2019 to increase the Group's primary capital (capital adequacy).

Deviations from point 3 of the Code of Practice: None

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

(Point 4 of the Code of Practice)

The Bank must ensure that owners and other stakeholder groups are given an opportunity to express their views on the Bank's strategic and business-related development through an ongoing dialogue. The Bank must project an image of reliability and predictability as far as the equity capital market is concerned.

The emphasis in the Articles of Association and the work of the Board of Directors and Group Management is on ensuring that all equity certificate holders are treated equally and have the same opportunity to

exercise influence. All equity certificates have equal voting rights. The Bank complies with the Financial Institutions Act's rules on owners and voting right limitations insofar as they apply to savings banks with equity certificates.

In the event of an increase in equity certificate capital, existing owners have pre-emptive rights, unless special circumstances dictate that these rights be waived. The background for such a waiver would then have to be explained.

SpareBank 1 Nord-Norge has for several years conducted sales of equity certificates and/or issues for employees involving discounts and lock-in periods. Such transactions are conducted to strengthen the employees' ownership of their place of work, interest in the Bank's profitability and future, and the Bank's equity instrument.

In 2019, employees were given an opportunity to purchase equity certificates via an agreement involving saving NOK 500, NOK 1,000, NOK 1,500 or NOK 2 000 per month, which is deducted from their pay. Every quarter, the savings are spent on equity certificates. For every second equity certificate the employee purchases via the savings scheme, SpareBank 1 Nord-Norge gives the employee one extra free equity certificate.

The "bonus equity certificates" are awarded two years after they start saving and are contingent on the employee still owning the originally saved equity certificates and still being an employee of the Group. Board members are also able to participate in the savings scheme.

A total of 511 employees took advantage of the offer in 2019.

Transactions with close associates

The board instructions in SpareBank 1 Nord-Norge stipulate that board members must not take part in discussions or decisions about matters that are of such great importance to the member or a close associate that the member must be regarded as having a personal financial interest in the matter. Members have an obligation to ensure that they are not disqualified.

The Board of Directors must approve agreements between the Bank and board members. The same applies to agreements between the Bank and a third party where a board member, executive employee or close associate might have a special interest. An exemption applies in the case of credit agreements within the Bank's ordinary activities.

With some exceptions, agreements between the Bank and a board member, chief executive, an equity certificate holder or their parent company must be presented to the Supervisory Board for approval if the payment from the Bank has a fair value of more than a twentieth of the sum of the primary capital and the equity share capital in the Bank.

Deviations from point 4 of the Code of Practice: None

5. SHARES AND NEGOTIABILITY

(Point 5 of the Code of Practice)

The Bank's equity certificate is listed on the Oslo Stock Exchange and is freely negotiable. The Articles of Association contain no form of trading restriction.

Deviations from point 5 of the Code of Practice: None

6. GENERAL MEETINGS

(Point 6 of the Code of Practice)

General meeting (Supervisory Board)

The Bank is a savings bank and its management structure and composition of management bodies differ from those of a private limited company, cf. chapter 8 of the Financial Institutions Act on general meetings, governing and control bodies, etc. SpareBank 1 Nord-Norge therefore has the following bodies: the general meeting (Supervisory Board), Board of Directors, general manager (CEO), Internal Audit, auditor, Audit Committee, Remuneration Committee and Risk Committee.

The Bank's supreme body, the Supervisory Board, is composed of equity certificate holders, depositors, employees and representatives of the public.

The elected members should together reflect Sparebanken's customer structure, as well as other special interest groups and societal functions.

The Supervisory Board must ensure that the Bank fulfils its purpose and complies with the law, Articles of Association and the Supervisory Board's resolutions.

The Supervisory Board has the following main tasks:

- supervising the Board's management of the Company

- adopting the annual report and annual accounts
- electing members of the Bank's Board of Directors, Control Committee and Nomination Committee
- appointing the Bank's responsible auditor and determining the auditor's remuneration
- distributing the amount that, according to section 10-17 of the Financial Institutions Act, may be donated for socially beneficial purposes
- raising subordinated loan capital

For meetings of the Supervisory Board, the Bank shall ensure that all members receive written notice and access to agenda documents, including the Nomination Committee's recommendations, at least 21 days in advance. The documents shall be available on the Bank's website at least 21 days in advance of such meetings. The Supervisory Board cannot make decisions on any matters other than those stated in the notice convening the meeting.

The Supervisory Board consists of 40 members and 20 substitute members who represent the following:

- Equity certificate holders:
  16 members and 6 substitute members
- Troms and Finnmark county council:
  2 members and 2 substitute members
- Nordland county council:
  2 members and 2 substitute members
- Depositors:
  10 members and 5 substitute members
- Employees:
  10 members and 5 substitute members

The Supervisory Board normally meets once or twice a year.

The Supervisory Board has substitute members. Equity certificate holders can thus not be represented by a proxy.

Deviations from the point 6 of the Code of Practice: The Supervisory Board consists of 40 members, with the equity certificate holders accounting for 16 out of 40 votes. The reason for this deviation from the Code is that SpareBank 1 Nord-Norge complies with the provisions of the Financial Institutions Act with respect to the composition of bodies.

7. NOMINATION COMMITTEES

(Point 7 of the Code of Practice)

Nomination Committee for the Supervisory Board

The Nomination Committee shall consist of five members and five substitute members, with representatives from all four of the groups represented on the Supervisory Board. The Nomination Committee is appointed by the Supervisory Board to prepare for the election of members to the Supervisory Board, the Board of Directors and the Nomination Committee itself, excluding the employee representatives. The Nomination Committee is also tasked with reviewing and proposing any changes in the fee structure for the Company's elected officers.

Guidelines for the Nomination Committee are established by the Bank's Supervisory Board.

The Nomination Committee consists of 5 members and 5 substitute members with the following composition:

- 2 members and 2 substitute members from those elected by the equity certificate holders
- 1 member and 1 substitute member from those elected by the depositors
- 1 member and 1 substitute member from those elected by the employees
- 1 member and 1 substitute member from those elected by the county councils

For the elections, the Committee aims at a mix of experience, expertise, gender, industry and geography.

The Supervisory Board's Nomination Committee is tasked with preparing the depositors' election of members and substitute members to the Supervisory Board. The actual selection is made through an electronic depositor election.

Representatives from the county councils are appointed by the councils themselves.

Nomination committee for the employees' election

Pursuant to the Financial Institutions Act, the election must be organised by a nomination committee containing representatives appointed by the Board of Directors. The Nomination Committee must comprise at least three members and both the employees and management must be represented.

Equity certificate holders' election meeting

An annual election meeting is held for equity certificate holders where representatives are elected to the Supervisory Board and where the Company's financial situation is presented. The equity certificate holders

are invited to the election meeting at least 14 days before the meeting is held. The invitation contains the Nomination Committee's recommendations for representatives to the Supervisory Board and other relevant supporting documents.

The voting rights associated with an equity certificate are held by the person that is registered with the Norwegian central securities depository (VPS).

The Chair of the Nomination Committee, or whoever he/she authorises, makes the recommendations to the election meeting, including an account of the Nomination Committee's work. All those eligible to voting can make proposals at the election meeting. Separate elections are be held for members and substitute members. The order in which the substitute members are elected is determined.

Votes are cast in writing a those present at the meeting agree on a different method. The person(s) who have received the most votes are elected. In the case of a tie, lots are drawn.

Deviations from point 7 of the Code of Practice: All members of the Nomination Committee for the Supervisory Board are elected from the groups represented on the Supervisory Board. At this time, expanding the committee by one member from outside the Supervisory Board has not been considered.

8. SUPERVISORY BOARD AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

(Point 8 of the Code of Practice)

Please refer to point 6 for information about general meetings/the Supervisory Board.

In 2019, the Board of Directors consisted of nine permanent members, seven of them elected by the Supervisory Board and two elected from among the employees. Four of the Board of Directors' nine members were women, three of whom were elected by the Supervisory Board and one by the employees. The nine members were elected for terms of two years.

The CEO is not a member of the Board of Directors. None of the board members elected by the Supervisory Board have any employee or contractor relationship with Group beyond their positions as elected officers. The independence of board members has been assessed by the Nomination Committee and they are deemed independent, with the exception of the employee-elected board members. The Chair and Deputy Chair are elected by the Supervisory Board in a special election and for two years at a time.

The composition of the Board of Directors is based on expertise, capacity and diversity and complies with the Bank's Articles of Association. The Nomination Committee has to ensure that the composition of the Board of Directors is such that the qualifications of its members comply with the provisions of the Financial Institutions Act on suitability, as well as the ESMA/EBA recommendations.

The Board of Directors meets a minimum of twelve times a year and the members' participation in board meetings is described in the annual report. Their holdings of equity certificates in SpareBank 1 Nord-Norge are reported in the notes to the accounts, the presentation of the Board of Directors in the annual report and on the Bank's website. The individual board member's background is also described in the annual report and on the Bank's website www.snn.no.

Deviations from point 8 of the Code of Practice: None

9. THE WORK OF THE BOARD OF DIRECTORS

(Point 9 of the Code of Practice)

The Board of Directors' function

The Board of Directors manages the Bank's operations in accordance with the applicable law, Articles of Association and any other rules and regulations introduced by the Supervisory Board. The Board of Directors is responsible for ensuring the Bank's available resources are managed in a prudent and appropriate manner. The Board of Directors also has an obligation to ensure that all accounting and management of assets and liabilities are satisfactorily supervised.

In addition, the Board has the following main responsibilities:

- to appoint the CEO
- to provide instructions for the day-to-day management of the Bank
- to determine the Bank's strategy, budget, market-related and organisational targets

- the Board of Directors appoints and dismisses the manager of the internal audit department.

The Board of Directors normally holds twelve meetings a year.

Significant interests
The Board of Directors must, as representatives of the Bank, not do anything that may provide someone with an unreasonable advantage at the expense of the Bank.

Board members have a duty to disclose, unsolicited, any interest the individual executive employee or a close associate may have in the determination of a matter being considered by the Board of Directors. This applies regardless of whether it can be regarded as a special interest that disqualifies them according to the previous point.

The Board of Directors shall determine whether not the person concerned must withdraw from discussing and deciding the matter unless the board member withdraws of his or her own volition. In such an assessment, weight must be given to all forms of personal financial and other interests vis-à-vis the member and the need for public trust in the Board of Directors' decisions and the Bank's activities. The Board of Directors' assessment of the question of qualification must be minuted.

Board members are defined as primary insiders and must comply with the Bank's rules and regulations for acquiring equity certificates in the Bank and banks in SpareBank 1-alliansen. The same applies to the purchasing of shares in companies that are customers of the Bank.

In the case of discussions concerning commitments involving companies in which a board member has an interest or holds a position, the member in question must declare himself/herself disqualified and withdraw from the meeting. Board members and executive personnel must inform the Board of Directors if they have, directly or indirectly, a significant interest in an agreement entered into by the Bank.

Evaluation of the Board of Directors
Each year, the Board of Directors conducts a self-evaluation of its work with regard to competence, working methods, the way in which it deals with the matters presented to it, meeting structure and the way in which various tasks are prioritised.

Remuneration Committee
Members:

- chairman of the Board and three board members, one of whom must be an employee representative.
- the secretarial functions are performed by Corporate Governance.

The Remuneration Committee covers all of the companies in the Group that are subject to the Financial Institutions Regulations.

Remit:

- Prepare and present matters to the Board of Directors to do with the remuneration system, including:

    a. The remuneration policy
    b. The reports on the implementation of the remuneration system
    c. The Board of Directors' statement on the fixing of salaries and other remuneration for executive personnel that is presented to the Supervisory Board
    d. Establish frameworks for variable remuneration
    e. The Remuneration Committee considers and makes it recommendations on the variable remuneration of executive personnel covered by the Financial Institutions Act
    f. Control function
    g. CEO's remuneration

The Remuneration Committee's remit is established by the Board of Directors. The committee convenes when it deems it necessary, but at least once a year.

Audit Committee
The Audit Committee is a preparatory and advisory working committee for the Board tasked with carrying out more in-depth assessments of selected areas.

The Audit Committee's duties pursuant to Section 8-19 of the Financial Institutions Act are to:

a) prepare the Board of Directors' follow-up of the accounts reporting process
b) monitor the systems for internal control and risk management, as well as the Bank's Internal Audit if such a function has been established

c) issue a statement on the choice of auditor
d) maintain ongoing contact with the Bank's elected auditor about the auditing of the annual accounts
e) evaluate and monitor the auditor's independence, particularly the degree to which services other than auditing that

are provided by the auditor or audit firm constitute a threat to their independence

The Audit Committee addresses the following areas, processes and documents :

- Annual
  - Annual report, including relevant attachments.
- Quarterly
  - Quarterly report, including relevant attachments (loss report etc.)
- Ongoing
  - Prepare the Board of Directors' follow-up of the accounts reporting process
  - Maintain ongoing contact with the Company's auditor about the audit of the annual accounts
  - Evaluate and monitor the auditor's independence and objectivity, especially the degree to which services other than auditing that are provided by the auditor could affect their independence and objectivity
  - Supervise the statutory audit of the annual accounts and the consolidated financial statements, including reviewing and assessing the Group's quarterly and annual financial reports with the emphasis on:
    - changes in accounting policies and practice
    - important discretionary valuations and estimates
    - significant adjustments as a result of requirements and recommendations from the auditor
    - compliance with laws, regulations and accounting standards
    - Internal control in the process of compiling the accounts
  - Review and discuss points where the auditor disagrees with the management and/or where a high degree of uncertainty has been pointed out by the auditor and/or other matters that the auditor wants to discuss.
  - Correspondence with the Financial Supervisory Authority of Norway relating to areas covered by the Audit committee.
  - Assess other matters as determined by the Board of Directors and/or the Audit Committee itself, or which the external auditor wishes to discuss.
- Periodically
  - Assess and make recommendations to the Board on the choice of external auditors and their remuneration.

The Audit Committee comprises three members of the Board of Directors. They must be independent according to the definition in the Norwegian Code of Practice for Corporate Governance.

The Audit Committee may not consist of members of any other board committee, with the following exceptions:

- The members of the Audit Committee may be members of the Risk Committee.
- The chair of the Audit Committee may not also chair the Risk Committee.

The Audit Committee must have the necessary competence to discharge its tasks at all times. At least one of the members of the Audit Committee must have relevant accounting and auditing skills.

The Audit Committee convenes as often as it finds necessary, but at least four times a year.

Risk Committee

The Risk Committee is a preparatory and advisory working committee for the Board tasked with carrying out in-depth assessments of selected areas.

The Risk Committee handles the following areas, processes and documents :

- Annual
  - Self-assessment of risk and capital requirements (ICAAP)
  - Validation of the IRB system
  - Risk strategy
  - Capital strategy
  - Recovery plan
  - Pilar 3 report
  - Governing documents in the credit area
  - Liquidity strategy
  - Market risk strategy
  - Other relevant governing documents in the various risk areas
  - Manager confirmation
  - Risk analysis, money laundering
  - Annual report, Compliance
  - Annual plan for Internal Audit
- Quarterly/four-monthly
  - Risk report from Credit and Risk Management
  - Status reports from Internal Audit
- Ongoing
  - New strategic priorities

- Correspondence with the Financial Supervisory Authority of Norway relating to areas covered by the risk committee.
- Changes to the IRB system (model changes etc.)
- Significant new products, processes and systems, outsourcing arrangements etc.
- Risk pricing
- Ensuring that the IRB system is well integrated into the organisation and that it satisfactorily calculates risk levels and capital requirements.
- Ensuring that the Bank has adequate systems for internal control, risk management, compliance function and internal audit, and that they that function satisfactorily.
- Assessing other matters as determined by the Board of Directors and/or the Risk Committee itself, or that the internal auditor wishes to discuss.

- Periodically
  - Assessing and making recommendations to the Board of Directors concerning the election of the internal auditor.
  - Instructions to Internal Audit

The Risk Committee comprises three members of the Board of Directors. They must be independent according to the definition in the Norwegian Code of Practice for Corporate Governance. The Risk Committee may not consist of members of any other board committee, with the following exceptions:

- The members of the Risk Committee may be members of the Audit Committee.
- The chair of the Risk Committee may not also chair the Audit Committee.

The Risk Committee must have the necessary competence to discharge its tasks at all times. When appointing the committee, it must be ensured that the members, individually or collectively, have sufficient competence, experience and expertise in risk and capital management. The Risk Committee convenes as often as it finds necessary, but at least four times a year.

Reporting
The Board of Directors receives periodic reports on the following:

- financial performance
- market development
- management, personnel and organisational development
- changes in the risk picture and risk exposure for the Bank, including the status of risk limits and targets adopted by the Board, and the status of recovery indicators etc.

In addition to the above, there will be periodic presentations of the Bank's scorecard, which contains financial, organisational, market-related and quality-related targets.

Central business and other related areas are looked at least once a year with the evaluation and determination of limits and guidelines.

Internal Audit
Internal Audit is a function the Board of Directors and Group Management use to ensure that the risk management process is result-oriented, efficient and functioning as intended. EY are responsible for providing internal audit services to the Group. Internal Audit covers the whole of the business. This also includes substantial activities that are outsourced, as well as subsidiaries that are subject to the regulations on risk management and internal control or engage in an activity that is considered material for the Group. Internal Audit's main task is to confirm that the established internal control functions as intended and ensure that the established risk management measures are sufficient in relation to the Bank's risk profile.

The Internal Audit reports to the Board of Directors every quarter, which adopts annual plans and budgets for the internal audit. Reports and recommendations issued by the audit department concerning improvements to the Bank's risk management are continuously reviewed and implemented.

An audit plan is prepared. This is discussed with the Group Management, considered in the Risk Committee and approved by the Board of Directors. The audit's risk assessments determine which areas will be reviewed.

Special audit reports are prepared and contain results and proposed improvements. These are presented to the responsible manager and the Group's executive management team. A summary of the reports is submitted to the Risk Committee and the Board of Directors every quarter. Any consultancy work is carried out within the standards and recommendations that apply for internal auditors (IIA/NIRF).

Risk management – the function
This function is independent of the business units and bears overall responsibility for comprehensive risk management and internal control, including responsibility for the Group's risk models and the further development of effective risk management systems.

The compliance function
The compliance function is independent of the business units and is responsible for checking compliance with the regulations and routines. The function covers the entire Group and has reports directly to the Board of Directors.

Deviations from point 9 of the Code of Practice: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

(Point 10 of the Code of Practice)

The Bank's management structure is based on the Bank's vision, established objectives, strategies and core values. It is intended to ensure goal-oriented and independent management and control that covers all processes and control measures implemented by the Bank's management to ensure effective business management and implementation of the strategies.

A number of independent control bodies have been established, see the figure below, that are intended to ensure that owners and other interested parties receive correct information about commercial and financial matters. The control bodies have different duties and purposes. The various bodies' general roles and responsibilities are defined by the law, regulations and the Articles of Association.

Effective target and budget management is a prerequisite for continuously measuring the Bank's strategic goal attainment. The Bank uses scorecards, rolling forecasts and the accounts as management tools. Accountability is ensured by clearly communicating business plans and agreed targets to the employees. This is operationalised through clearly defined roles, responsibilities and expectations, and managers who are responsible for achieving targets within the various areas of responsibility.

The Group's principles and limits for internal control and risk management are contained in a special risk policy, which is reviewed annually by the Board of Directors. The Group's supreme governing documents are its business strategy and risk strategy. All other strategy documents and policies are derived from these. The policy for risk management and policy for compliance constitute the Group's internal framework for good management and control. The policies provide guidelines for the Group's overall approach towards risk management and are intended to ensure that the Group has effective and appropriate processes for this. Risk management is an integral part of the management's decision-making processes, and a key element for organisation, routines and systems.

The Board of Directors must follow up all agreed framework arrangements, principles and quality and risk targets through:

- quarterly reports from the CEO and the Risk Management and Compliance department
- annual report from Compliance
- tertiary reports from the internal auditor

The Bank's internal control and risk management systems also include guidelines on how the Bank ensures that social considerations are taken into account in the value creation.

Every manager must prepare an annual statement confirming that the framework, guidelines and routines have been observed, and that systems are used actively to follow up each manager's profit centre.

SpareBank 1 Nord-Norge's Board of Directors bears primary responsibility for monitoring and setting limits for the Group's risk exposure. SpareBank 1 Nord-Norge's risks are measured and reported in accordance with the principles and policy adopted by the Board of Directors.

The principal aim is to ensure that the Group's overall risk level is low to moderate and within the limits set by the Group's primary capital. The Group should achieve stable and predictable earnings and profit performance through good risk management.

Significant risks are analysed, managed and followed up through the Bank's ongoing risk management process. This is to ensure that the Bank operates in accordance with the approved risk profile and adopted strategies. The Board of Directors and Group Management review the Bank's risk profile based on strategic, operational and transaction-related factors at least once a year. Developments in the risk picture are periodically reported to the CEO, as well as the Board of Directors.

Every year, the Board of directors receives an independent report from the internal auditor and

responsible auditor. This contains an assessment of the Group's risk and whether the internal control system is working properly and is fit for purpose.

Internal control – financial reporting
The Group complies with current statutory requirements and helps to ensure relevant, reliable, timely and equal information for the Bank's equity capital holders and the rest of the securities market. This also applies to the Group's contact with investors outside the Supervisory Board. The unit is headed by the Chief Financial Officer (CFO) and organised independently of the business areas. Finance is responsible for the financial reporting, at both a parent bank and Group level. The unit sets guidelines for monthly, quarterly and annual reporting from all business areas and most of the subsidiaries based on internal and external requirements. The CFO continuously assesses the business area's financial results and goal attainment, and ensures that all the units are performing in line with the Group's overall financial objectives. The CFO reports directly to the CEO.

The Group's Administration and Finance unit prepares financial reports for the SpareBank 1 Nord-Norge Group. The unit ensures that the reporting complies with current legislation, accounting standards, the Group's accounting policies and the Board of Directors' guidelines.

Administration and Finance has established processes that ensure that the accounts reporting is quality assured and that any errors and deficiencies are immediately followed up and rectified. Control measures have been established for all financial reporting. This is to ensure correct, valid and complete reporting. The measures include fairness and probability controls in each individual centre within the business areas and on a more aggregated level. In addition to this, detailed reconciliation checks are carried out on a daily and monthly basis. The Group has established good assessment systems for all business areas in the Group, where the most important target figures for each area are followed up. Every business area is responsible for this sort of monthly financial reporting and follow-up and works closely with Administration and Finance on developing and improving assessment systems. The design and effectiveness of the established control activities are regularly evaluated.

The external auditor conducts a full annual audit of the Group's annual accounts. From and including 3Q 2018, interim reports were also subject to simplified auditor checks.

Ethics and reporting
A Code of Conduct has been drawn up for the Group and its employees. The core values and ethical values are well communicated and known throughout the entire organisation. Clear guidelines have been established for internal communication should an employee learn about matters that conflict with external or internal rules or other matters that could harm the Group's reputation or financial situation.

More information about risk management and internal control can be found in the Annual Report from the Board's section on "Risk management and internal control.

Deviations from point 10 of the Code of Practice: None

11. REMUNERATION OF THE BOARD OF DIRECTORS

(Point 11 of the Code of Practice)
The members of the Board of Directors receive a fixed annual remuneration. Remuneration is not performance based. The Chairman of the Board is remunerated separately and board members who participate in board committees receive payment for this. None of the board members elected by the Supervisory Board have jobs in the Company apart from their directorships.

Some of the board members have enrolled in the Group's savings scheme. The scheme is the same as in 2018 and involves agreements to save NOK 500, NOK 1,000, NOK 1,500 or NOK 2 000 per month. For every second equity certificate purchased via the savings scheme, SpareBank 1 Nord-Norge gives one extra equity certificate. The "bonus certificates" are awarded two years after they start saving and are contingent on them still owning the originally saved equity certificates.

Deviations from point 11 of the Code of Practice: savings scheme for equity certificates.

12. REMUNERATION OF EXECUTIVE PERSONNEL

(Point 12 of the Code of Practice)
The Group has established a remuneration policy that conforms to the Group's overall goals, risk tolerance

and long-term interests. It is intended to help promote and provide incentives for good management and control of the Group's risk, discourage excessive or unwanted risk taking, avoid conflicts of interest and ensure compliance with current laws and regulations. The guidelines are approved by the Board of Directors and presented to the Supervisory Board.

The Group's remuneration policy contains special rules for executive personnel, other employees and elected officers with tasks that are important in relation to the Group's risk exposure. The same is true for employees and elected officers with control duties, ref. requirements in the regulations relating to remuneration arrangements in financial institutions, investment firms and management companies for securities funds.

The Board of Directors has established a Remuneration Committee as a preparatory body for matters relating to the assessment and setting of the CEO's remuneration. The committee shall also make recommendations to the Board of Directors about guidelines for the remuneration for executive personnel (Group Management). The Remuneration Committee's remit is set by the Board of Directors. The guidelines are presented to the Supervisory Board. The Board of Directors' statement on executive pay is a special case document for the Supervisory Board. The notes to the accounts specify the remuneration of the CEO and executive personnel.

Please also see the section on the Board of Directors' Remuneration Committee under point 9.

The following principles are applied when determining any variable remuneration to executives:

1. There should be a balance between fixed and variable remuneration. The fixed portion of the employee's remuneration should be sufficiently high for the Company not to have to pay the variable portion.

2. For employees covered by the Financial Institutions Act, variable remuneration may not total more than 100% of the fixed remuneration. The Supervisory Board of the Bank, and the annual general meeting in subsidiaries, may decide that the limit can be increased to 200% if the requirements for inclusion in the Company's governing bodies etc. are fulfilled.

3. Any variable remuneration must not constitute more than 50% of the fixed salary for the CEO and Group management of the Bank.

4. The basis for variable remuneration linked the department's results must be a period of at least two years. Variable remuneration may however be earned annually, based on assessments of financial and non-financial performance over at least two years.

5. The determination of variable remuneration must be based on an assessment of the person's performance, as well as the results for the business unit and the Group as a whole. When measuring risk, all risks arising from the operations of the financial institution must be taken into account, including the cost of capital and liquidity that the institution needs.

6. At least half of the variable remuneration must be paid in the form of equity certificates in SpareBank 1 Nord-Norge. The right to such equity certificates must be accrued pro rata over a period of 3 years from the time the variable remuneration was determined. During this period, the equity certificates may not be bought and sold by the employee. The period must take account of the underlying business cycle of the entity and the risk in the Company. Part of the variable allow ance will be reduced if either the Company's performance or subsequent results dictate this.

7. The variable remuneration must not limit the Group's ability to strengthen its Tier 1 and Tier 2 capital.

8. Any individual variable bonus scheme will be reduced on a one-to-one basis by the amount of any profit share (Group or Company bonus).

9. Variable remuneration will not be paid through ownership interests in associates (internal companies), or in any other way which might circumvent the Company's remuneration policy.

10. Senior executives may not have agreements or insurance against the non-payment of performance-based remuneration.

11. Remuneration of employees with control responsibilities must be independent of the results in the business area that they control.

Deviations from point 12 of the Code of Practice: None

13. INFORMATION AND COMMUNICATIONS

(Point 13 of the Code of Practice)

Information and effective communication underpin the relationship of trust between owners, the Board of Directors and the Group Management, and provide the Bank's stakeholder groups with an ongoing opportunity to assess and relate to the Bank. The Bank's information policy therefore emphasises an active dialogue with the Bank's various stakeholder groups, in which the focus is on openness, predictability and access.

The Bank also attaches importance to the fact that correct, relevant and timely information on the Bank's performance and results will inspire the confidence of the investor market. Information is distributed to the market through the Bank's quarterly investor presentations, website, stock exchange disclosures and press releases. Regular presentations are also arranged for the Bank's international partners, lenders, investors and other stakeholder groups.

The open information practices conform to the current non-disclosure rules at any given time.

SpareBank 1 Nord-Norge's financial calendar is published on the Bank's website.

Deviations from point 13 of the Code of Practice: None

14. TAKE-OVERS

(Point 14 of the Code of Practice)

Those wishing to make an acquisition that will entail becoming the owner of a qualifying stake in a savings bank must send advance notice of this to the Financial Supervisory Authority of Norway, cf. section 6-1 of the Financial Institutions Act. The same applies to acquisitions that would entail a qualifying stake increasing such that it would equal or exceed 20, 30 or 50%, respectively, of the capital or votes in a financial institution, or such that the stake provides a determining influence in the financial institution as described in Section 1-3 of the Public Limited Liability Companies Act.

An overview of the 20 largest equity certificate holders in SpareBank 1 Nord-Norge can be found in the notes to the accounts and on the Bank's website.

Deviations from point 14 of the Code of Practice: Statutory ownership limitations.

15. AUDITOR (Point 15 of the Code of Practice)

External auditor

The external auditor is elected by the Supervisory Board based on the recommendation of the Audit Committee. The Bank uses the same auditor for the parent company and all of the subsidiaries.

The external auditor presents an annual plan to the Audit Committee containing the main features of the implementation of the audit work.

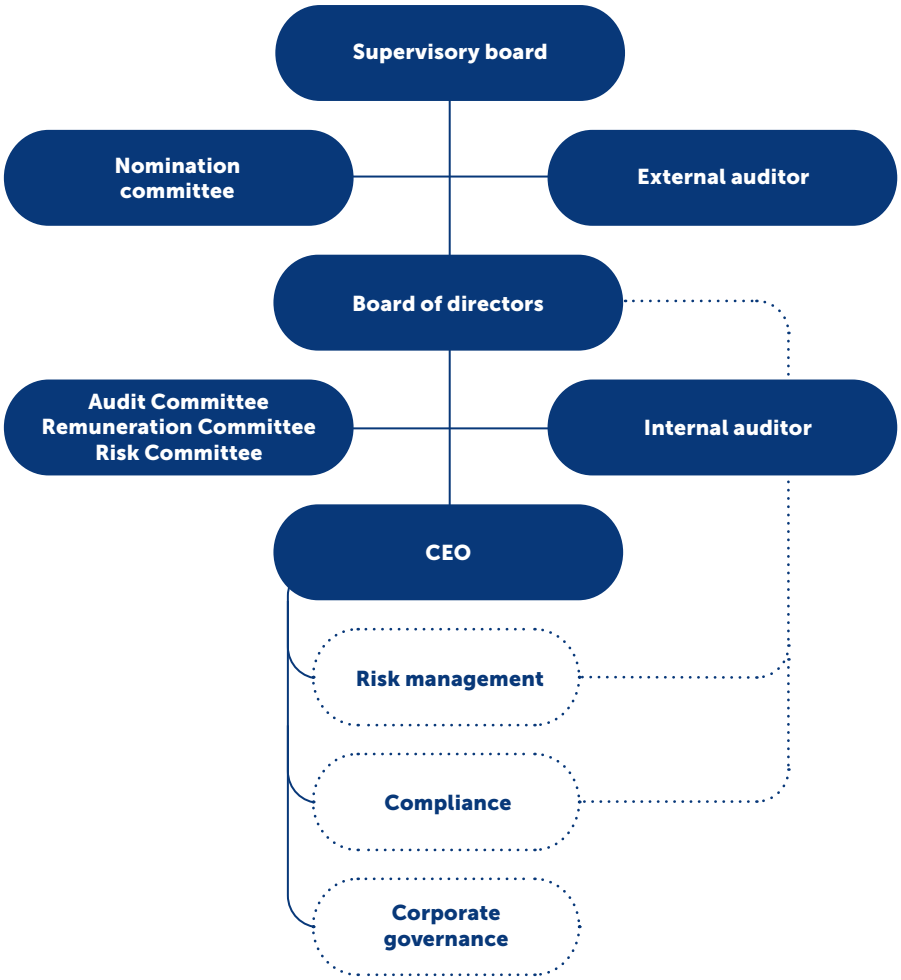
The auditor participates in board meetings in which the annual accounts are discussed and in the Audit Committee's meetings where the accounts are discussed. The Group also undergoes internal control, including identifying weaknesses and proposals for improvements. The Board of Directors holds at least one meeting with the auditor a year without the CEO or others from the Group Management being present.

The external auditor presents a report on these matters to the Bank's Supervisory Board and Control Committee.

Guidelines have been set for the Group Management's ability to use the auditor for services other than auditing.

The Supervisory Board sets the auditor's fees.

Deviations from point 15 of the Code of Practice: None


Supervisory board
Nomination committee
External auditor
Board of directors
Audit Committee
Remuneration Committee
Risk Committee
Internal auditor
CEO
Risk management
Compliance
Corporate governance

Risk management and internal control

SpareBank 1 Nord-Norge's risk and capital management should support the Group's strategic development and achievement of targets, while ensuring financial stability and proper asset management.

This should be achieved through:

- a healthy risk culture characterised by a high awareness of risk and capital management.
- a good understanding of what risks drive earnings.
- pricing products, to the extent possible, in line with the underlying risk.
- striving to achieve the optimal allocation of capital within the adopted business strategy.
- exploiting synergy and diversification effects.
- preventing individual events causing serious damage to the Group's financial position.

SpareBank 1 Nord-Norge should run the business at all times in accordance with relevant laws, regulations and internal guidelines, including the Group's core values and ethics rules embodied in the SNN code.

RISK STRATEGY

Purpose

The risk strategy is a guideline for work on risk management and internal control within SpareBank 1 Nord-Norge. It defines the risk the Group is willing to assume in order to achieve its strategic objectives, as well as how the risk will be managed and monitored. The purpose of the risk strategy is summarised in the table below.

Topic	Description of purpose
Overview	To provide a comprehensive and balanced overview of the Group's risks.
Risk capacity	Specifies the Group's risk capacity.
Risk willingness	Defines the risk the Group is willing to assume to achieve strategic goals as they are defined in the business strategy.
Management and control	Define how risk is managed and monitored.
Roles and responsibilities	Define roles and responsibilities.

Determination

The following concepts are used to determine the Group's risk strategy:

Consept	Definition/description
Risk capacity	The total exposure to risk the Group is able to withstand before it lands in a recovery situation and must: • Implement significant corrective and/or restrictive measures. • Implement an unwanted change of business model.
Risk willingness	• The maximum desired risk exposure from an earnings and loss perspective. • The risk willingness is lower than the risk capacity. • The risk willingness can apply to both the aggregated risk exposure and individual risks.

Scope

The risk strategy covers the entire Group, including the parent bank, subsidiaries, associated companies and joint ventures, where timely and relevant.

Follow-up

The risk strategy is monitored continuously. Requirements and guidelines related to follow-up are defined in more detail in the risk strategy, including:

- Roles and responsibilities.
- Action in the event of negative developments related to risk limits and target figures.
- Managing breaches of risk limits.
- Reporting.

Risk willingness

The Group's qualitative risk willingness is shown in the table below.

Overview of qualitative risk willingness		
#	Risk area	Risk willingness, normal scenario
1	Business risk (including strategic risk)	Low
2	Credit risk	Low to moderate
3	Market risk	Low
4	Liquidity and financing risk	Low[1]
5	Owner risk	Low to moderate
6	Operational risk (including related risks)	Low
7	Insurance risk	Low to moderate
8	Pension risk	Low
9	Systemic risk	Externally given
10	Excessive debt accumulation	Low
11	Climate risk	Low to moderate
Total risk willingness		**Low to moderate**

[1]) The Group's liquidity portfolio is the biggest driver of market risk. Regulatory requirements (LCR, NSFR) help to determine the composition of the liquidity portfolio. The Group's risk willingness is low within the given regulatory requirements.

The overall risk willingness is low to moderate, and unchanged from last year. The qualitatively defined risk willingness is operationalised through quantitatively defined risk limits and target figures within each of the defined risk areas. This provides further direction for underlying governing documents.

1 Business areas and specialist departments	2 Risk Management and Compliance	3 Group Management	4 Internal Audit	5 Board of Directors
Have primary responsibility for identifying, managing, controlling and reporting risks. The basic principle is that quality must be ensured the first time tasks are performed.	Advise and assist with facilitation so the first line of defence can establish and implement good management and control. Independent measuring and reporting of risk exposure in relation to adopted risk tolerance and risk frameworks. Test, check and assess whether the established internal control/risk management is satisfactory, report any discrepancies and advise on improvements.	Implements and carries out the strategy and risk management based on the principles adopted by the Board of Directors. Role execution is adapted to the rest of the staff. The CEO plays the key role in management. The CEO's management style must be tailored to the objectives, strategy and employees. The management must be based on a good insight into, and understanding of, the business activities and risk exposure.	Independent assessments that ensure management and control comply with the framework. Provides advice on the basis of its findings Proactively helps the organisation achieve its objectives.	Determines goals and strategies, and establishes both ethical guidelines and the company's risk tolerance. Must actively take the company's overall organisation into account. Ensures that strategies are implemented and risk limits are complied with. Has a good insight into, and understanding of, the business activities and risk exposure.

ORGANISATION, IMPLEMENTATION AND FOLLOW-UP

The Group's control and management model aims at independence in risk reporting, where responsibility and roles in the daily risk management are especially emphasised. For several years, SpareBank 1 Nord-Norge has, both in its own governing and through cooperation with the SpareBank 1 -alliansen, established major resources in developing effective processes to identify, measure and manage risk.

At any time, all managers in the Group are responsible for having full insight into the risk picture within their own business and/or professional area. In order to satisfy the group's overall objectives, the group has chosen to separate the risk management process into five parts.

An important foundation for effective risk management is a strong risk culture, with high awareness of risk and risk management throughout the entire group. This requires that all employees have a good understanding of their own role and actions, and the risks associated with this.

The responsibility for ongoing risk management is divided between the Board, the boards of the subsidiaries, group management, professional executives and line management. Risk management and control are part of SpareBank 1 Nord-Norge's business management, which is described in the chapter Corporate Governance. Emphasis has been placed on responsibility through personal powers, as well as independence between the business areas and departments, and the people who monitor them.

The Board of SpareBank 1 Nord-Norge is responsible for approving a justifiable risk profile, yield targets, overall risk and capital management frameworks, including the IRB system, and risk models in general. The Board is also responsible for adopting risk frameworks and proxies as well as ICAAP (Internal Capital Adequacy Assessment Process) with the associated assessment of reasonable solvency and liquidity seen in relation to the Group's risk profile and regulatory requirements.

The Board must ensure that the framework is sufficiently communicated and implemented throughout the Group. The Board must also ensure that the framework is followed up with sufficient authority and resources.

The Board's tasks are set out in a separate annual plan which is revised each year. This should ensure that the Board has adequate time and focus on its central tasks.

The Risk Committee, one of the Board's working committees, is responsible for the initial consideration of matters related to risk and capital management and internal control prior to final board

consideration and approval. This includes ICAAP, IRB validation, risk strategy and risk reports.

Internal Audit ensures that the risk management process is results-oriented and efficient and functions as intended. Internal Audit reports to the Board. The internal audit's reports and recommendations for improvements should be followed up by the organisation. The Group's internal audit function is handled by EY.

The CEO is responsible for the overall risk management. This means that the CEO is responsible for implementing effective risk management systems within the Group and monitoring risk exposure. The CEO is also responsible for delegation of proxies and reporting to the Board.

The Asset and Liability Committee for risk and capital management (RIKAP) handles the overall follow-up of the Group's balance sheet, risk profile, funding, liquidity and solvency and ensures that the Group complies with regulatory requirements in this area. RIKAP also handles ICAAP, IRB validation, credit models, risk strategy, capital plan. The Asset and Liability Committee is broadly composed, with executive employees from the business units and the units responsible for risk and capital management.

The Compliance Committee identifies, reviews, advises on, monitors and reports on the company's compliance risk. The committee is broadly composed with executives from Compliance, Risk Management, Credit, Security and Legal, supplemented with relevant union and business resources as needed.

Managers of business and support areas and employees are responsible for day-to-day risk management within their areas of responsibility. The managers must at all times ensure that the risk management and risk exposure comply with the limits and general management principles determined by the Board of Directors or CEO.

Risk management is organised independently from the business units and reports directly to the CEO. The general manager for credit and risk management also has the opportunity to report directly to the Board in extraordinary situations that require this. The department is responsible for further development of the framework for risk and capital management and internal control, including risk models and risk management systems. The department is also responsible for continuously monitoring and reporting on the Group's risk exposure to the Board.

Compliance is an independent function which identifies, assesses, advises on, monitors and reports on the company's compliance risk. The Compliance function in SNN covers all business units, support departments and subsidiary companies in matters of compliance with the regulations. The department is independent and cooperates with other specialists/departments where necessary. This applies particularly to Risk Management, the Legal department and Internal Audit.

Credit is the Group's central department within the credit area, responsible for the preparation and maintenance of goals, strategies, policies and procedures, operational management, and monitoring of the Group's credit operations and credit risk management. The department has a stand-alone role in relation to the business areas and local banks.

The credit committees are responsible for making an independent proposal to the proxy. In the proposal, the credit committees make an assessment of your loan and credit applications according to your current credit policy, appropriation regulations and credit management procedures. The credit committees put special emphasis on detecting risks associated with each application and making a separate, independent assessment of credit risk.

INTERNAL CONTROL AND MANAGER VERIFICATION

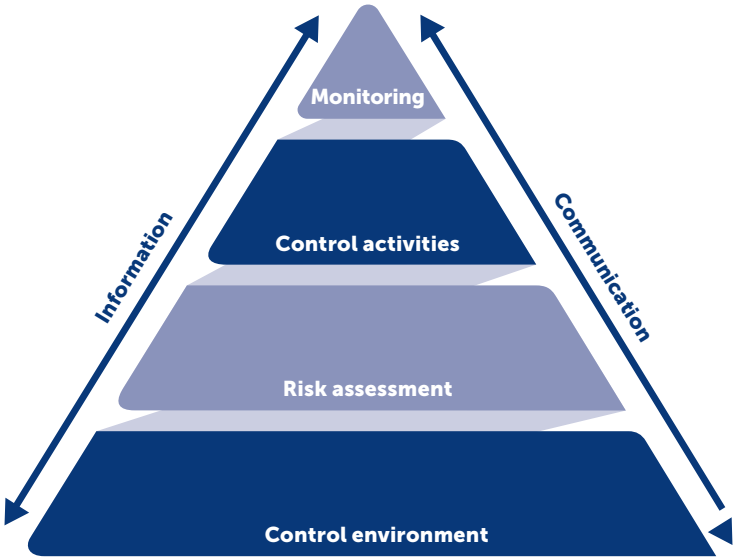
The internal control is based on the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission), which has five levels:

1. Control environment: Includes the people in the company, including their individual qualities and integrity, ethical values, attitudes and competence, as well as how the business is organized. Management philosophy, leadership style and type of operation are also included in the control environment.

2. Risk assessment: Assessment of internal and external circumstances that affect the attainment of goals.

3. Control activities: Policies and procedures to ensure that risks are minimised and managed effectively.

4. Information and communication: Processes that ensure that relevant information is identified and communicated on time.



5. Monitoring: Processes that ensure that internal control is appropriately defined and implemented, and that it is effective and adaptable.

The five levels should help the Group to reach its strategic goals through positive risk and business management. The COSO framework has been established in line with the Group's other principles of risk and capital management, where continuous improvement, operational efficiency, reliable financial reporting and compliance with laws and regulations are important aspects.

Directors, bank managers, professional executives and departmental managers should report upwards in the organisation on how risk management within their areas of responsibility has been implemented against approved frameworks and risk exposure. This will give the CEO and the Board a basis for ensuring that risk management is handled properly. Manager verification (internal control reporting) is carried out once a year. This work is coordinated by Risk Management. The purpose of the annual manager verification is to:

- summarise the implementation of internal control and risk management.
- map the Group's strengths and weaknesses within internal control and risk management so the necessary improvement measures can be implemented.
- lay the groundwork for active engagement and understanding around internal control and risk management among managers at every level in the Group.

The reporting should be actively utilised in a leader-ship development process that creates a better understanding of the importance of good risk management and quality.

The information technology (IT) area uses the Control Objectives for Information and Related Technology (COBIT) framework as the basis for internal control and risk management. COBIT is a framework that ensures holistic management and control within three key areas:

- internal and regulatory requirements and controls.
- technical issues and challenges.
- IT risks.

Business goals and strategic objectives are connected to IT goals within these areas. Good management is ensured through ongoing calculations and follow-ups on goals and achievements, and through the accountability of process owners within the business areas and IT area. The framework unites renowned IT standards and best practices with other overall and strategic objectives.

Ownership

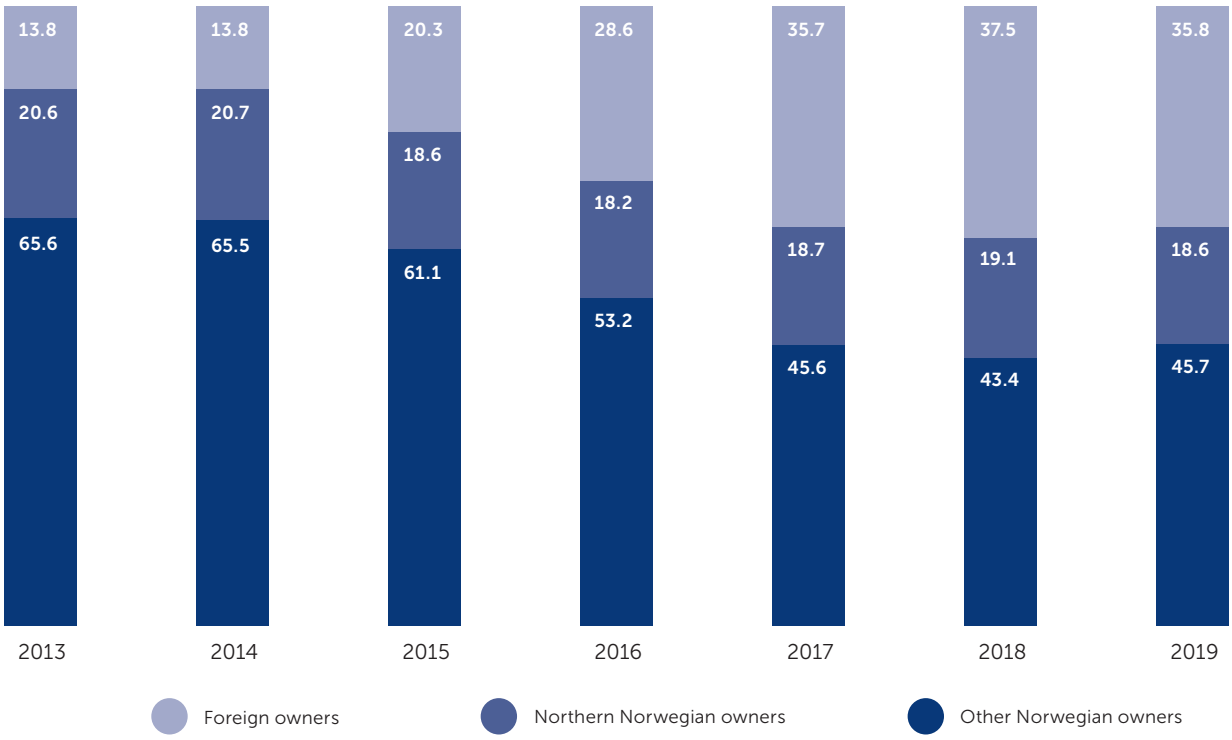
THE BANK'S EQUITY – OWNERSHIP BREAKDOWN

SpareBank 1 Nord-Norge has two groups of owners: holders of its listed equity certificates and the community-owned capital. At the end of the year, the equity certificates accounted for 46.36% of the Bank's equity, while 53.64% were community-owned (the equity capital ratio). SpareBank 1 Nord-Norge's equity certificate capital totals NOK 1,807 million, divided into 100,398,016 equity certificates each with a nominal value of NOK 18. The Bank's equity certificate is listed on the Oslo Stock Exchange, and the number of certificate holders at 31/12/19 was 9,201. At the end of 2018, the number of owners was 8,491, so the Bank has gained 710 new owners in the last year.

The number from Northern Norway increased from 2,671 at the end of 2018 to 2,761 at the end of 2019. These accounted for 18.55% of the total equity share capital, compared with 19.10% a year ago. The Bank still aims to increase the number and percentage of equity certificate holders from Northern Norway in the future. In order to support this, the Board of Directors has decided to maintain the savings scheme based on equity certificates. All employees are invited to invest up to NOK 2,000 in equity certificates each month. If the savings scheme is completed, then after two years, employees will receive one free equity certificate for every two they have purchased.

The proportion of equity certificates belonging to foreign investors has decreased slightly in the last year. A year ago, this share amounted to 37.50%, decreasing to 35.75% at the end of the year.

Geographical distribution of equity certificate holders (in per cent)



BREAKDOWN OF EQUITY CERTIFICATE HOLDERS

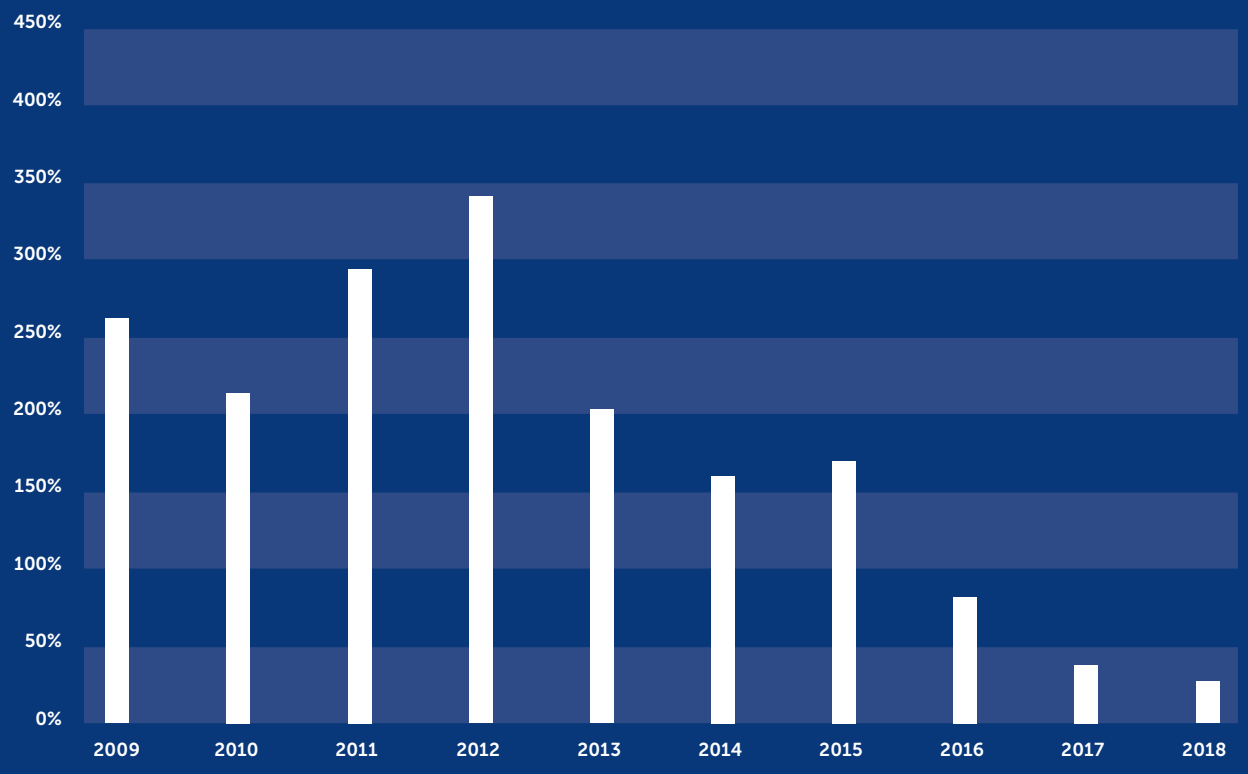
Note 22 includes a summary of the equity certificates held by the Bank's managers and elected officers. The table below contains details of the 20 largest owners and the change in their holdings in the past year.

Owners	31.12.19	31.12.18	Change in last year
State Street Bank And Trust Comp A/C Client Omnibus F, Ref: Om06	3,659,857	3,058,928	**600,929**
Pareto Aksje Norge Verdipapirfond V/Pareto Asset Management As	3,355,715	3,260,063	**95,652**
Pareto Invest As	3,025,874	945,976	**2,079,898**
Geveran Trading Co Ltd	2,693,280	2,693,280	**0**
Flps - Princ All Sec Stock Sub	2,273,297	2,311,392	**-38,095**
Mp Pensjon Pk	2,269,322	2,584,322	**-315,000**
The Northern Trust Comp, London Br Non-Treaty Account	2,094,748	2,382,129	**-287,381**
Morgan Stanley & Co. International Msip Equity	1,964,238	344,849	**1,619,389**
Vpf Eika Egenkapitalbevis C/O Eika Kapitalforvaltning As	1,780,925	1,398,129	**382,796**
Meteva As	1,614,670	1,614,670	**0**
Forsvarets Personellservice	1,467,630	1,391,630	**76,000**
Sparebankstiftelsen Sparebank 1 No	1,411,606	1,411,606	**0**
Landkreditt Utbytte	1,200,000	1,000,000	**200,000**
Citibank, N.A.	1,022,987	718,996	**303,991**
Euroclear Bank S.A./N.V. 25% Clients	1,018,124	1,033,413	**-15,289**
J.P. Morgan Bank Luxembourg S.A. Jpmblsa Reclt Lux Res Lend	1,006,239	0	**1,006,239**
State Street Bank And Trust Comp A/C Client Omnibus D, Ref: Om04	895,243	956,239	**-60,996**
Arctic Funds Plc Bny Mellon Sa/Nv	790,249	560,615	**229,634**
Clearstream Banking S.A.	756,198	648,843	**107,355**
Verdipapirfondet Eika Spar C/O Eika Kapitalforvaltning As	630,948	0	**630,948**
Total	**34,931,150**	**28,315,080**	**6,616,070**

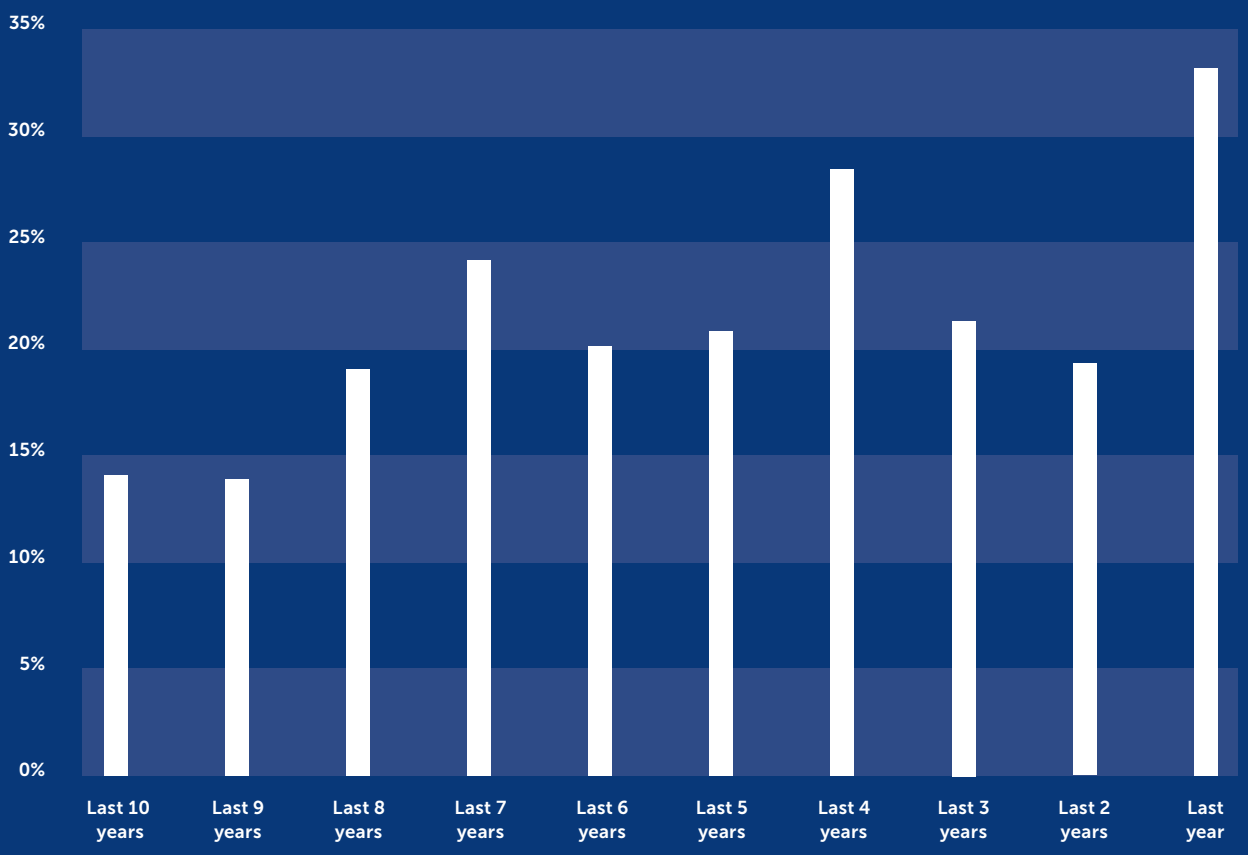
The Bank's ownership and dividend policy should help ensure that its equity certificate is viewed as an attractive and liquid financial instrument. The management of the Group's resources should result in a good and competitive long-term return on the Bank's equity in relation to comparable investments and given the Bank's risk profile. For the Bank's equity certificate holders, the return will be in the form of a cash dividend and price appreciation.

The Bank's dividend policy calls for a minimum of 50% of the Group's profit to be paid to the owners. The proposed payout ratio for 2019 is 42.6%, against 56.9% for 2018. The payout ratio is the same for both groups of owners and reflects the equity capital ratio.

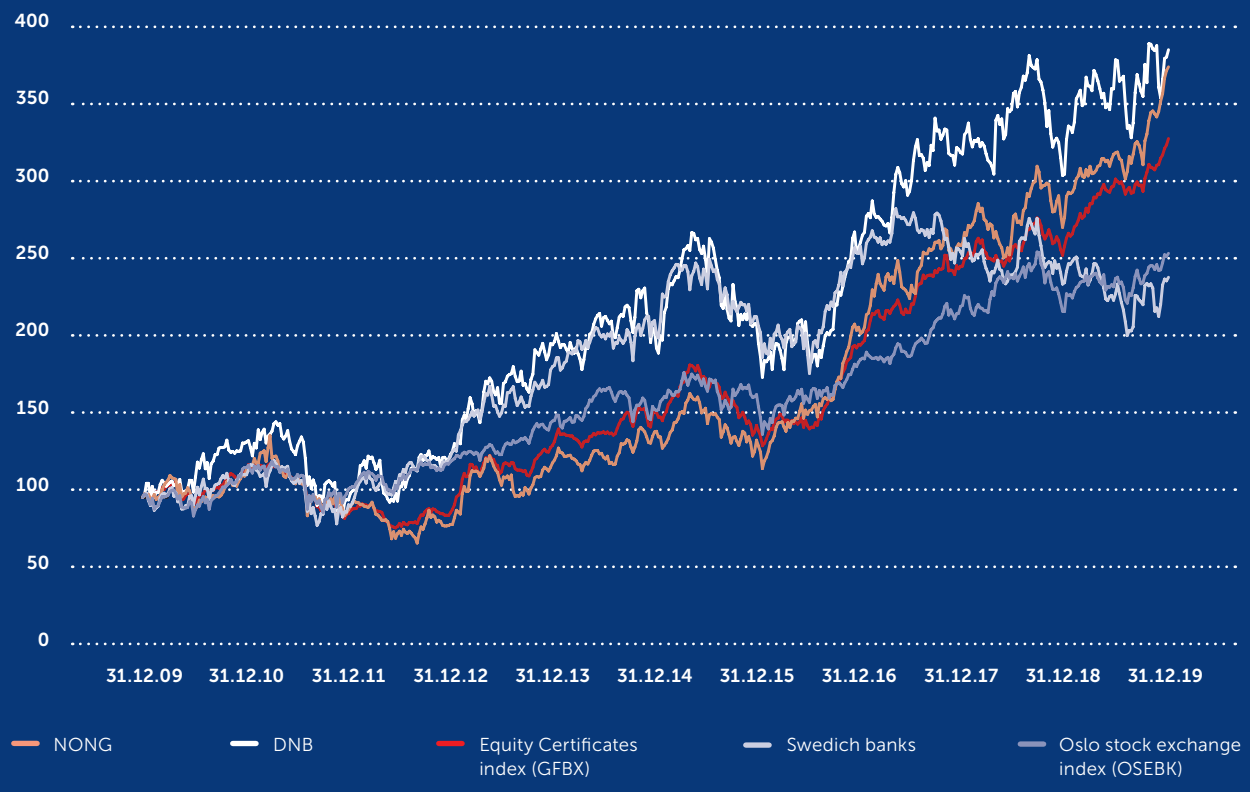
Cumulative total returns (%) up to 31/12/19
from buying the Bank's equity certificates at the end of each year



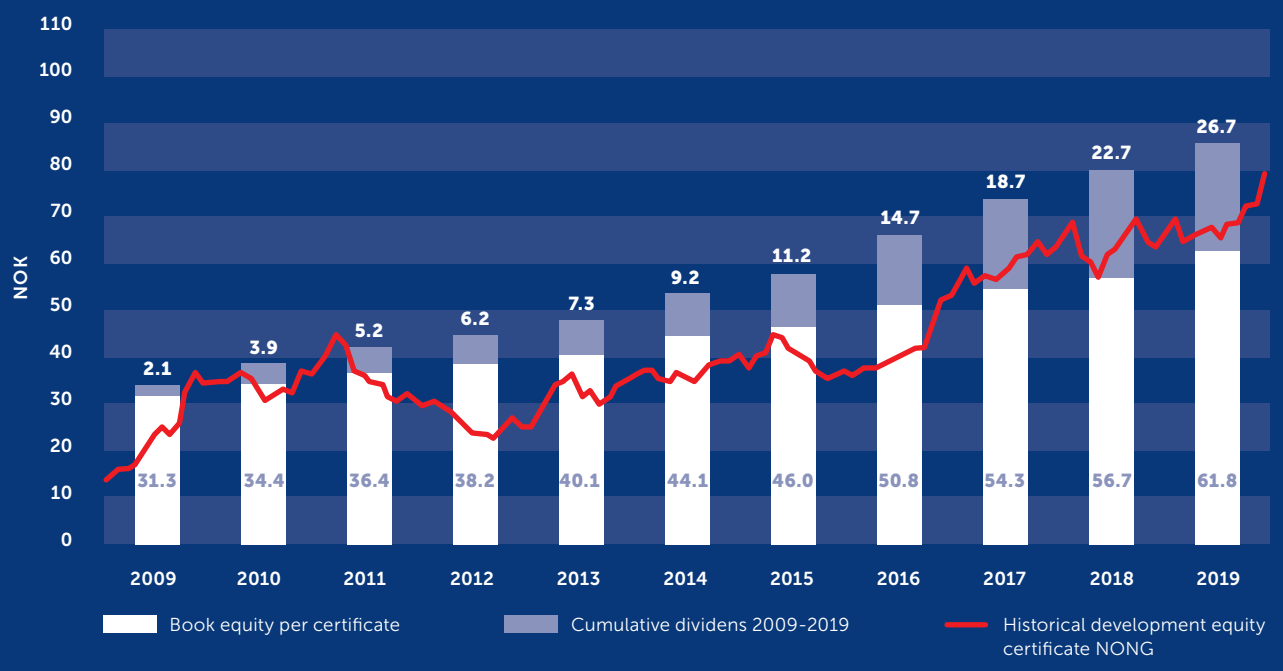
Annualised total returns for investors as at 31/12/19 (assuming reinvestment of dividends)



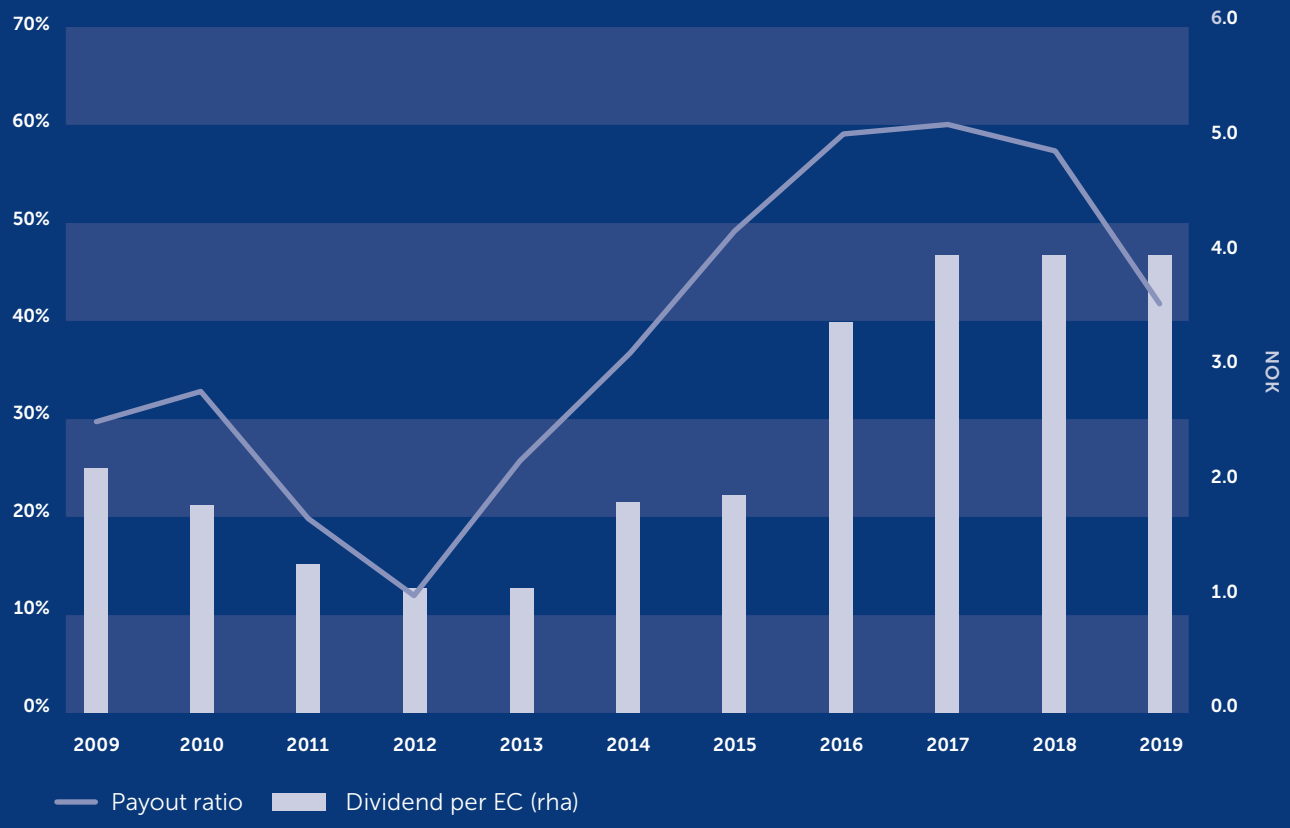
Total return for the last 10 years against comparable indices (31/12/19 = 100)



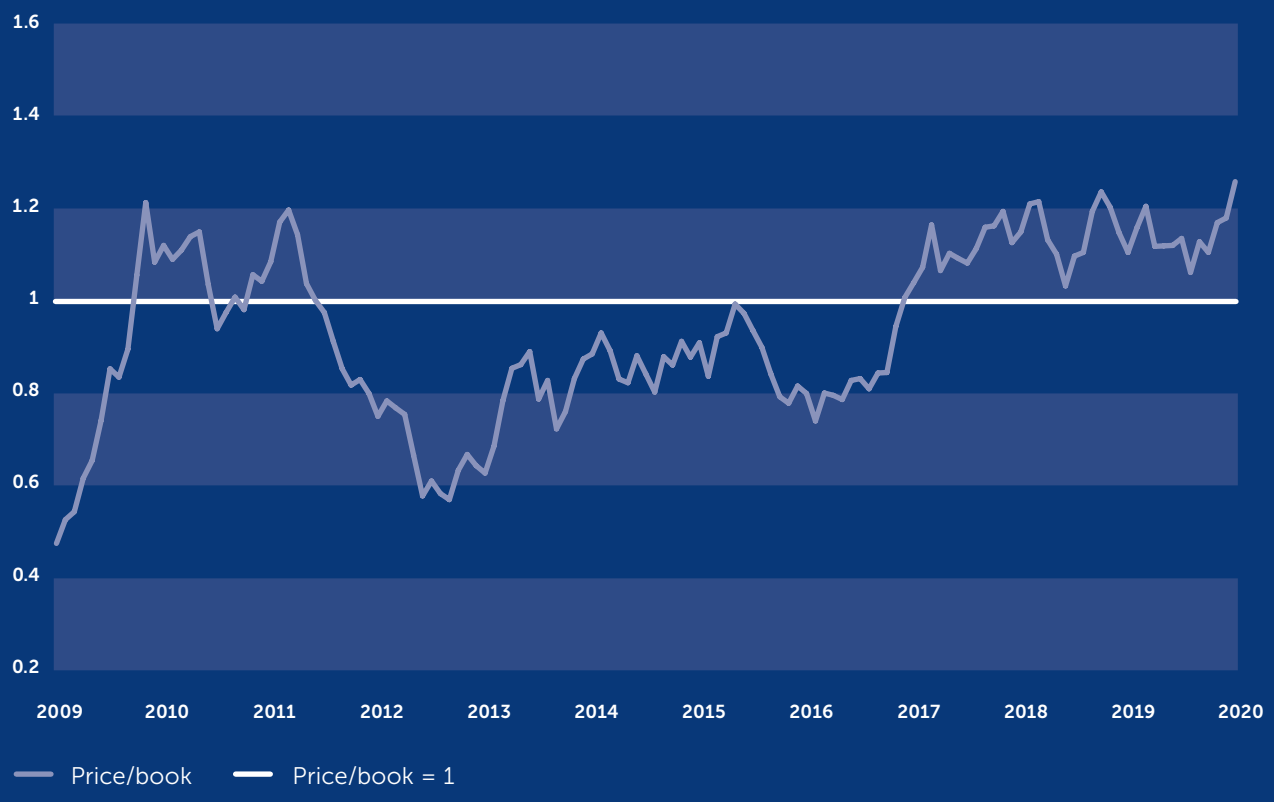
Accumulated value creation in the last 10 years based on book values and accumulated dividends per equity certificate, and price performance on NONG in the same period



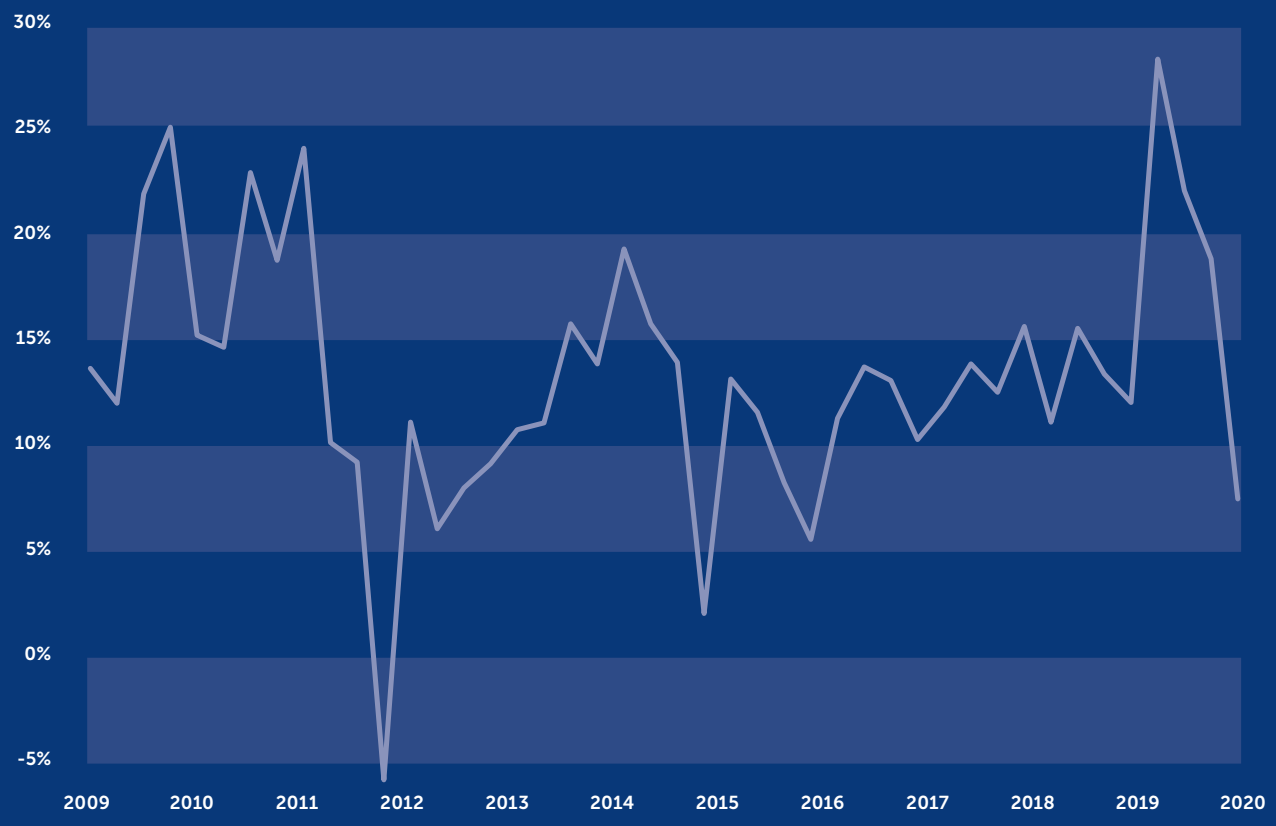
Change in payout ratio and dividends over the last 10 years.



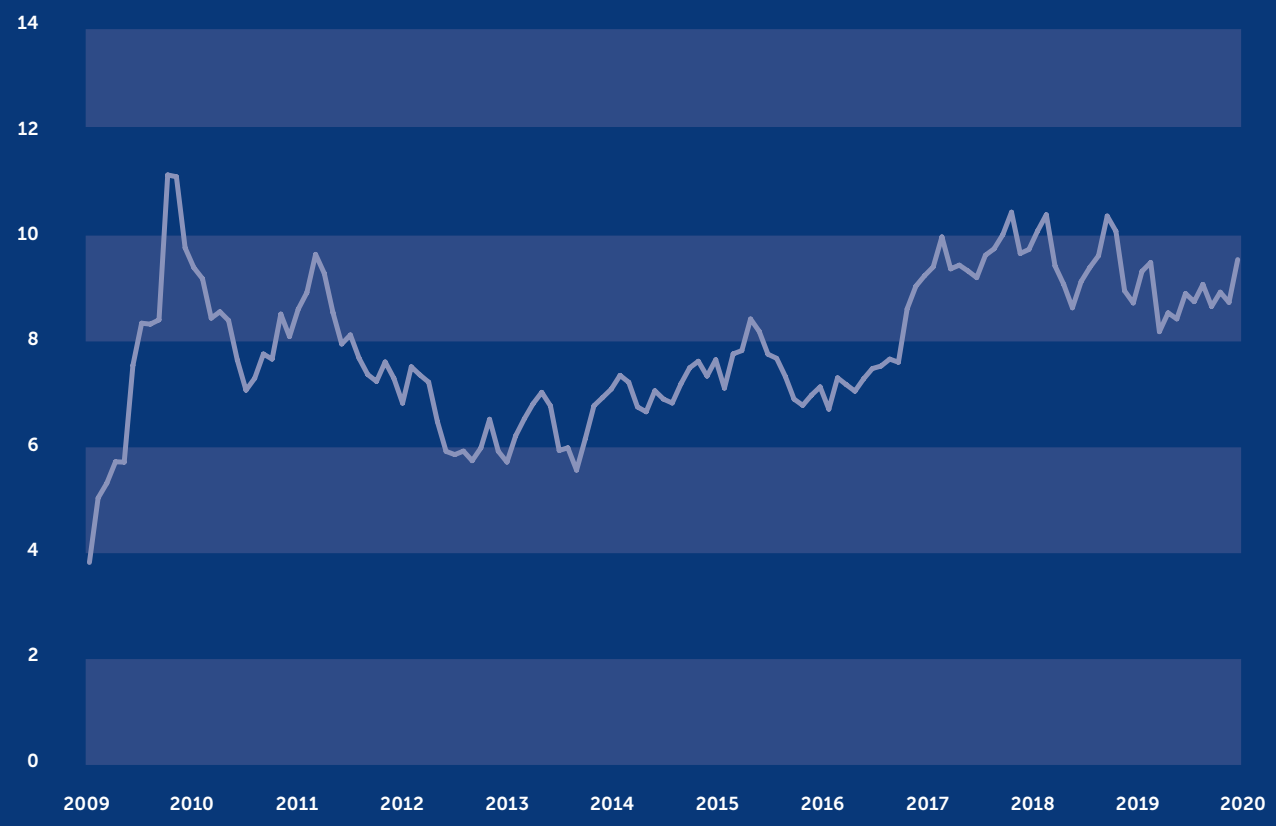
Change in the ratio of market value of equity certificates to book values over the last 10 years (P/B)



Change in reported return on book equity over the last 10 years



Change in the ratio of market value of equity certificates to earnings per EC over the last 10 years (P/E)



OWNERSHIP AND DIVIDEND POLICY

The Bank aims to make provisions so that enable it to continue to be a savings bank with a significant share of community ownership. It also aims to treat the two groups of owners equally, in line with the intentions behind the current legislation. This means that the Bank will seek to avoid unwanted saturation and dilution effects from treating the two groups differently.

SpareBank 1 Nord-Norge's Articles of Association contain special ownership rights that protect the interests of equity certificate holders. These stipulate that a number of decisions in the Bank's Supervisory Board require the agreement of two-thirds of equity certificate holders, including issues of equity.

The profit for individual years is divided between the groups of owners according to their relative share of the Bank's equity. Dividends will, insofar as it is possible, be set such that each group of owners receives a proportionally equal share of the profit as dividends. These will consist of cash dividends for equity certificate holders and community dividends for non-profit purposes.

Sparebankstiftelsen SpareBank 1 Nord-Norge is a charitable foundation, and is also one of the Bank's largest equity certificate holders. The main purpose of the foundation is to be a long-term and stable owner of SpareBank 1 Nord-Norge, and it has been allocated funds from the Bank through shares in the cash dividend to community capital for many years.

The dividend to the community is intended to support sustainable development in Northern Norway. Among other things, this is addressed through Samfunnsløftet, and NOK 465 million was set aside for the community in 2019. The community-owned capital allows the Group to contribute significantly to sustainable value creation and sustainable development in the region.

During 2019, the equity certificate was traded at between NOK 61.0 and 79.0, and 39 million equity certificates were traded on the stock exchange, compared to 48 million in 2018.

SpareBank 1 Markets has committed to a liquidity guarantee (market making) for the equity certificate since 02/01/2017.

In the opinion of the Board of Directors, the Bank's ownership model supports the Group's business model, which says that SpareBank 1 Nord-Norge aims to be a northern Norwegian financial group with strong local roots. The financial group is to be partly community-owned and the ownership model is not replicable.

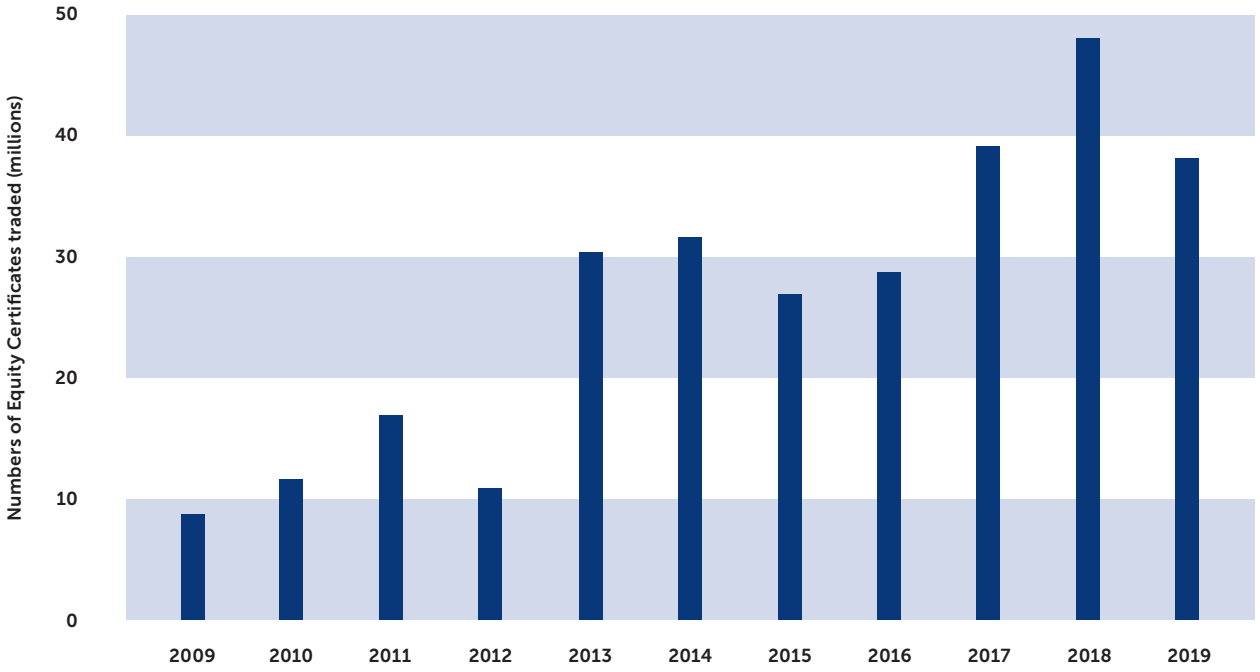
The community ownership also entails a community dividend (cash dividend) which is seen as an important marketing tool for the Group, while promoting growth and a desire to live in the region. Experience of the ownership model with partly exchange-listed equity so far indicates that it does not limit access to borrowing or other equity in the capital markets.

The equity certificate appears to be attractive to a steadily expanding investor base. The relative liquidity of the equity certificate is good for both SpareBank 1 Nord-Norge and the other large equity certificate banks. The size of the Group – more than the equity certificate as an instrument – is primarily considered to represent a limitation with respect to access to some larger, foreign investors.

The pricing of shares and equity certificates is primarily regarded as depending on the companies' earnings and profitability. Measured in terms of the key figure P/B (Price/Book – the ratio between the equity certificate's market value and book value per equity certificate) the pricing in the last few years stabilised at above Price/Book = 1. The pricing measured by P/B has further been aligned with comparable banks – both share-based banks and equity certificate-based banks.

The Board of Directors and the Management believe that the current ownership model benefits both groups of owners. In light of this, there are currently no plans to change the ownership model.

Overview of number of equity certificates traded on stock exchange in the last 10 years and annual high and low prices



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Price high	37.45	38.08	44.22	31.05	37.40	40.70	45.00	53.75	65.75	70.00	79.00
Price low	12.27	28.40	26.84	21.30	24.34	32.40	33.20	31.50	31.50	55.90	61.00

Operations

SpareBank 1 Nord-Norge is Northern Norway's largest financial group and offers a full range of financial services, as well as securities trading, real estate brokerage and accounting services to people and businesses in Northern Norway. The retail market, the corporate market and the public sector are main areas for the Group. The Group has a physical presence in Troms and Finnmark and Nordland and offers its services through 38 branches, digital applications and an efficient call centre. SpareBank 1 Nord-Norge's overall goal is to create the best customer experience and meet its financial targets, with the most enthusiastic employees in the market.

In 2019, the Group has experienced good growth in both the retail and the corporate markets. The growth includes loans to the retail and corporate markets, as well as all other product and business areas, measured in unique customers and business volume.

2019 was also a year in which the whole Group focused on developing new customer solutions and adapting to new directives and laws. Throughout the year, the Group took appropriate steps to comply with the Anti-Money Laundering Act, and gave customers access to the new services arising from the new Payment Services Directive (PSD2) from 14 September 2019. A strong focus on digitalisation and efficiency is the basis for meeting the increased demands of the market for competitive conditions and simplicity. In 2019, the Group continued the work of digitalising customer processes in the Group and in various product areas. The Group benefits from economies of scale in IT and product development, as part of the collaboration in SpareBank 1-alliansen.

RETAIL MARKET

SpareBank 1 Nord-Norge is the market leader in the retail market in Northern Norway with a total of 261,908 retail account-holders. Despite fierce competition for customers, the Group had lending growth of 4.7% in 2019. With this, SpareBank 1 Nord-Norge increased its market share and further strengthened its position throughout the year. The combination of an extensive branch network, first-class digital services and a modern customer service centre gives customers quick and easy access to financial services in all channels.

CORPORATE MARKET

The corporate market has 25,294 customers split between companies and sole proprietorships. With lending growth of 11.7% in the corporate market, the Group is strengthening its position in the market for small and medium-sized enterprises. 39% of all new companies that were established in Northern Norway during the year opened accounts with SpareBank 1 Nord-Norge. Despite falling interest margins on loans, total revenue from the corporate market has increased. This comes as a result of lending growth, improved margins on deposits and increased earnings from

Retail market 2018

259,399

Retail market 2019

261,908

[1]As a result of customer data assessment, the number of customers is adjusted down.
[2]Main products are casualty insurance, personal insurance, savings, credit cards and car financing.

other business areas, such as non-life insurance, pensions and payment processing.

CAPITAL MARKETS

SpareBank 1 Nord-Norge Markets is the region's leading bank-run capital markets environment, providing services to the retail and corporate markets. The company covers trading for customers and on own account in interest-bearing and currency instruments, equities and bonds, as well as consultancy and loan and equity financing. Extensive input to the Group's customer team in the corporate market makes an important contribution to the Group's overall customer offering.

CUSTOMER SATISFACTION AND POSITION

SpareBank 1 Nord-Norge has received good feedback from customers and the market in both national and local customer surveys. The Group's position as number one is confirmed by Kantar's position survey. Here, 35% of those questioned in the retail market and 33% in the corporate market say that they prefer SpareBank 1 Nord-Norge. In regular surveys after advising customers in the retail market, 94% say they are very pleased with the advice given. In similar surveys following contacts with the Group's customer service, 84% of customers say they are very pleased with the service.

DEVELOPING NEW SERVICES

One of SpareBank 1 Nord-Norge's greatest competitive advantages is the Group's physical proximity to the market, combined with one of the best digital offerings in the marketplace. Increased demand from customers, fierce competition, new laws/directives and a more open banking market as a result of the new Payment Services Directive (PSD2) have helped to make 2019 a record year for the development of new customer services and solutions. The aim of the development work is to preserve our position and constantly enhance the Group's competitiveness. Development of new products and services is handled both through the collaboration in SpareBank 1-alliansen and locally within SpareBank 1 Nord-Norge, under the motto: We strive for simpler and better financial management for the majority of people.

PSD2

On 10 September, the first customers were able to bring their accounts with other banks into SpareBank 1 Nord-Norge's digital bank. The services give users access to balances and transactions from other banks and enable them to move money between external banks and SpareBank 1 Nord-Norge. The service has been very well received by our retail customers. The focus going forward has been to release the initial version of a new spending overview based on the customer's transactions, and to open up the digital bank to non-customers. The Group is taking an aggressive approach to more open financial markets and efforts to develop further value-added services around the digital bank will continue unabated in 2020.

Digitalisation of the lending process for the retail market

Digitalising the mortgage process is an important area of development to improve the customer experience and streamline internal processes. As many as 86% of customers who need to increase their loan now do so via self-service. Just over 80% of customers starting a loan application now do so electronically. Development work is in full swing, focusing on providing evidence of funding in the digital bank, developing a new mortgage calculator and increasing the degree of digitalisation.

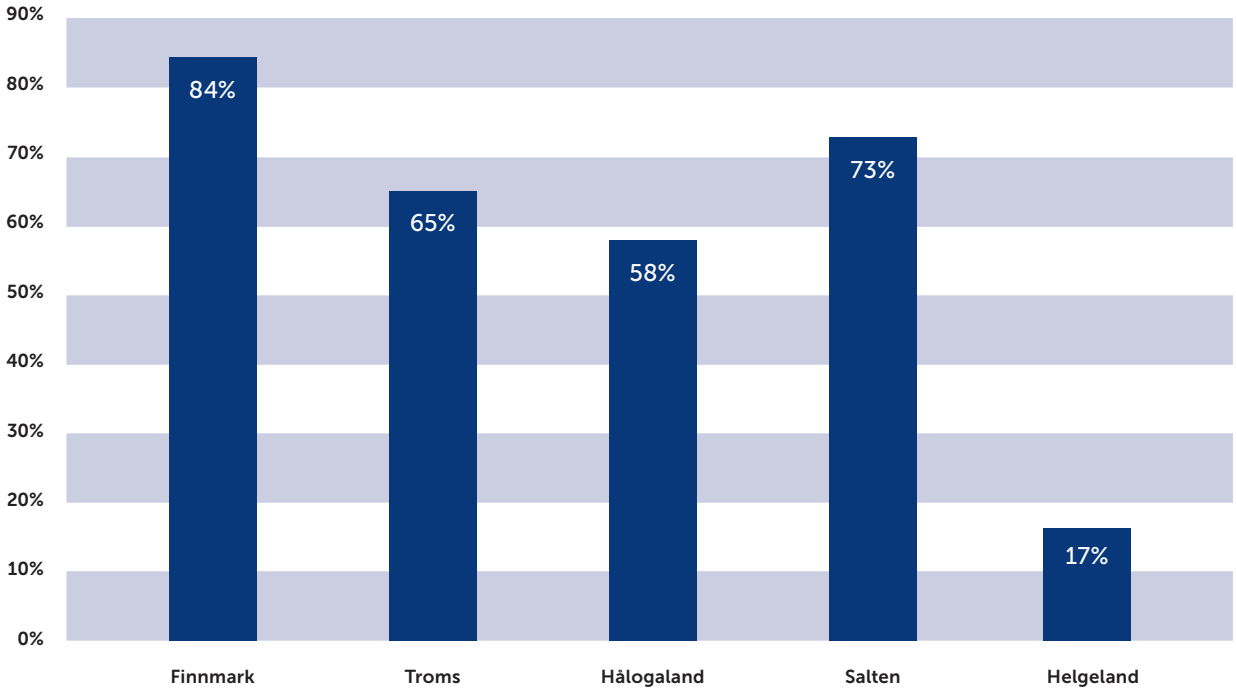
Companies and sole proprietorships 2018

25,798

Companies and sole proprietorships 2019

25,294

Market share



Explosive increase in the savings area
The focus in the savings area in 2019 has been on developing a new business model. This is to address customer expectations, increased competition and the launch of 'personal pension accounts'. During the year, the Group successfully released new functionality such as micro-savings in funds (inside or outside share savings accounts). We have also redesigned the savings guide with a new facility to set savings targets. The new functionality has been well received in the market and has resulted in 14,782 brand-new savings agreements in funds, 96% of them set up by customers themselves in the digital bank.

New model for insight-driven customer dialogue
In recent years, SpareBank 1 Nord-Norge has invested heavily in data analysis capacity and technology in order to use customer insights in our efforts to increase the relevance of the customer dialogue in all channels. During 2019, the Group developed a new model for data-driven customer dialogue. The aim is to acquire more new profitable customers, convert more customers into profitable customers and reduce the loss of profitable customers. Increased access to customer data and better analysis methods combined with local understanding and knowledge are key to efforts to significantly improve customer service in the Group. An important part of the work is the focus on developing our expertise in machine learning and artificial intelligence.

New digital desktop
In 2019, together with several SpareBank 1 banks and SpareBank 1 Utvikling, the bank started the development of a SpareBank 1-specific CRM solution based on Microsoft Dynamics 365, and developed the infrastructure for Office 365. Selected parts of Office 365 will be rolled out through 2020. The focus is on interaction across the group.

Corporate market
The business sector in the north is dominated by small and medium-sized enterprises (SMEs) which thrive on local presence. In its development work, the Group has therefore continued to prioritise these and the interaction between accountants, skilled corporate advisors and Norway's best digital solutions. SpareBank 1 Nord-Norge's mobile bank for businesses provides a quick overview and control, and access to banking services. The digital bank can now be integrated with all types of financial systems. Efficient handling of corporate deposits and payments is helping to make Northern Norway one of the world's most digitalised financial markets. In SpareBank 1

PUBLIC SECTOR MARKET

As at 31/12/19	Number of municipalities/ county authorities	SpareBank 1 Nord-Norge as main bank	Market share
Finnmark [1])	19	16	84%
Troms [2])	20	13	65%
Hålogaland [3])	19	11	58%
Salten incl. Værøy and Røst [4])	11	8	73%
Helgeland	18	3	17%
Total municipalities	87	51	59%
County authorities [5])	3	3	100%
Total incl. county authorities	**90**	**54**	**60%**

* Longyearbyen local authority is also a main bank customer

Changes in the municipal and county structure from 01/01/2020:

1) Merger of Kvalsund and Hammerfest – number of municipalities reduced from 19 to 18
2) Merger of Tranøy, Torsken Berg and Lenvik to Senja – number of municipalities reduced from 20 to 17
3) Merger of Skånland and Tjeldsund, while Ballangen and parts of Tysfjord merged with Narvik – number of municipalities reduced from 19 to 16
4) No change in the number of municipalities, but parts of Tysfjord are now part of Hamarøy municipality
5) Merger of Finnmark County and Troms County to form Troms and Finnmark

After the mergers of municipalities and county authorities, the market share as of 01/01/20 is 64% including the county authorities.

Nord-Norge's digital bank, corporate customers can manage their financial solutions themselves, such as creating accounts, applying for credits and loans and administering their insurance. The Bank also offers digital advice with relevant initiatives from the entire Group.

Payments

In 2019, the Visa debit card platform was finished and launched for payments using Fitbit and Garmin sports watches. The launch took place in the summer. We have also started work to ready our card platform to support payment with Vipps in stores, as well as accepting payment via Google Pay. Both are expected to launch in the first quarter of 2020.

SpareBank 1 Nord-Norge supplies cash in around 70 locations in the region.

MOBILE BANKING TRAFFIC

The fact that more than nine out of ten Norwegians now have a smartphone and use it for more and more things has been key to the Group's development of mobile banking. The aim of the development work has been to make it even easier and more intuitive to carry out every conceivable banking operation from a mobile device, ensuring that products and services are available to customers when they need them. The development work has therefore been carried out in close cooperation with the Group's customers, who have so far provided more than 150,000 reviews of the mobile bank and given it a score of 4.6 out of 5[3]. The proportion of customers using mobile banking has grown fast in recent years and is continuing to do so. In 2019, customers logged into mobile banking 44.4 million times, an increase of 12% on 2018. The number of unique users increased by 13% last year.

NEW AGREEMENT WITH THE NORWEGIAN CONFEDERATION OF TRADE UNIONS (LO)

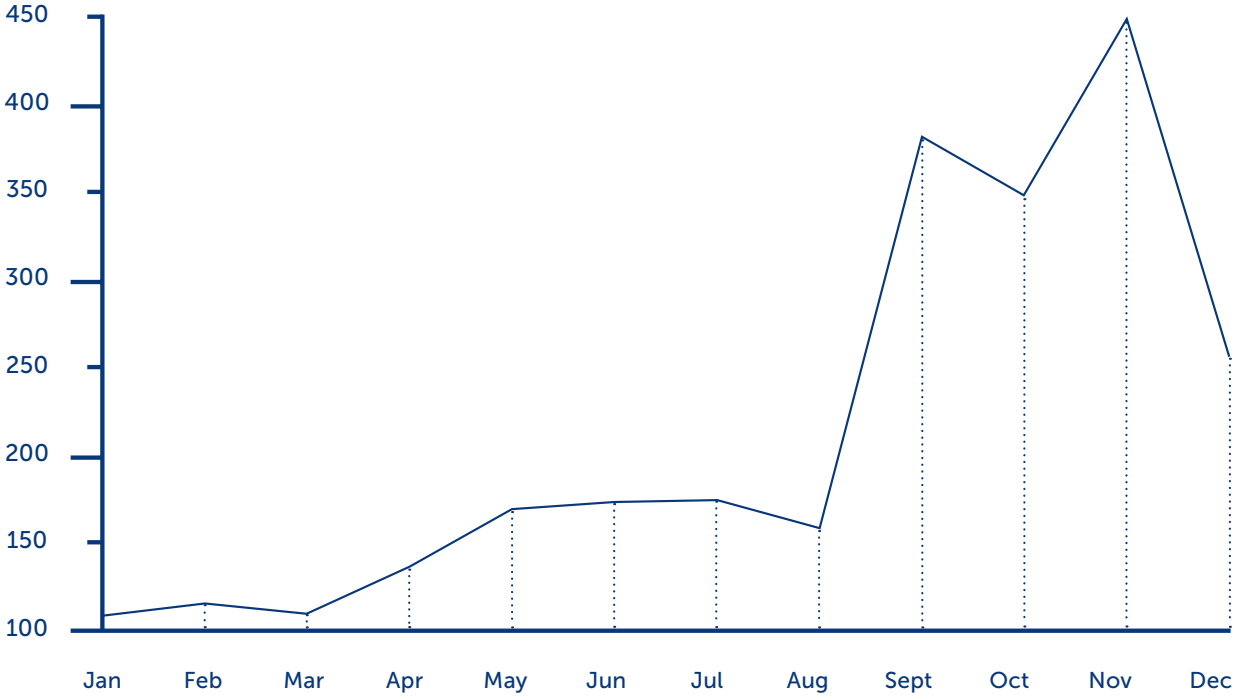
In August 2019, the Group entered into a new banKing agreement with LOFavør. The new agreement gives all LO members access to very competitive conditions for banking and insurance products. In collaboration with LOFavør, the Group has run extensive marketing activities to publicise the agreement in the market. Since the launch of the new conditions, the number of LO members who have chosen to move or establish mortgages has increased sharply.

FINANCIAL CRIME AND ANTI-CORRUPTION

Together with the rest of the finance industry, SpareBank 1 Nord-Norge plays an important role in safeguarding a healthy economy. In addition to our regulatory obligations, SpareBank 1 Nord-Norge has

[3] SpareBank 1 Nord-Norge is one of fourteen savings banks in SpareBank 1-alliansen, which are working together to develope the mobile bank. The number of customer reviews is for all banks in SpareBank 1-alliansen.

New borrowers from LO



signed up to the UN Global Compact's 10 principles, which include a commitment to combat financial crime. Our anti-money laundering work also helps to support UN Sustainable Development Goal no 16.4. This sub-goal means that by 2030 we aim to achieve a significant reduction in illegal flows of money and weapons, make it easier to track down and return stolen assets, and combat all forms of organised crime.

ANTI-MONEY LAUNDERING EFFORTS

SpareBank 1 Nord-Norge implemented the new Anti-Money Laundering Act in 2018, and we continued this work in 2019. We did this by increasing the resources in this area and improving structures and working methods. Banks are required under the Anti-Money Laundering Act to obtain and verify identification documents when establishing ordinary customer relationships. This also applies to ongoing customer checks, including a requirement to update our information on the customer. In 2019, a lot of work was done to ensure that this documentation is in place for all customers. All employees in the Group have also taken mandatory training in the regulations.

WORK AGAINST FINANCIAL CRIME

SpareBank 1 Nord-Norge is seeing a steady increase in the number of fraud cases, where customers or the Bank have been the (attempted) victims. This includes traditional tricks such as CEO and romance scams, but also sophisticated financial fraud. The Bank is actively working to combat financial crime, by investigating, detecting and stopping such transactions. Norwegian banks work together to detect and deal with threats linked to cybercrime. Banks in SpareBank 1-alliansen have also established a joint IRT (Incident Response Team), to ensure effective handling of crises and adverse incidents.

THE BANK'S WORK AGAINST CORRUPTION

The Bank's employees have to confirm that they have read the Code of Conduct, which has separate sections on qualification and corruption. Employees also have to declare all appointments, ownership interests and other matters that could compromise their impartiality. This self-reporting of appointments and ownership interests is checked against the Brønnøysund Register Centre. The Bank also applies its own procedures and spot-checks as part of the Company's misconduct prevention work. In 2019, we carried out a risk analysis on the subject of internal misconduct, where corruption risk is also an important element. This is followed up with regular checks. The Bank did not uncover any corruption cases among employees or suppliers in 2019. In 2020, a relationship analysis will be carried out to document employee relationships with customers and suppliers.

Digital sales, main products

36%

Numer of enquiries to the call centre RM + CM

600,000

Number of unique users, mobile bank

125,600

Number of entries in the mobile bank

3,7 mill/month

Number of unique users, SNN Nyhetssenter

344,000

Markets

In 2010, the Board of SpareBank 1 Nord-Norge decided to establish SpareBank 1 Nord-Norge Markets as a division of the Bank.

ORGANISATION OF THE INVESTMENT FIRM

The department's customer-facing activity comprises the following focus areas:

- Risk advice aimed at the corporate market
- Hedging transactions and trading in interest-bearing and currency instruments
- Hedging transactions in the commodity derivatives market, mainly bunkers and fuel
- Sale of Norwegian bonds and certificates, and participation in bond market issues
- Purchase and sale of equity shares and fund units
- Separate department for Corporate Finance
- Order-driven trading and investment advice

The department works closely with the Group's other customer-facing operations, especially within the corporate customer segment and the affluent clients' segment.

All settlement and controller functions are provided by Operations Support Capital Markets, which is also responsible for support and controller functions for Treasury. Operations Support Capital Markets is organised as a separate department from SpareBank 1 Nord-Norge Markets.

Since the establishment of the SpareBank 1 Nord-Norge Markets division, the investment firm has been assigned a more important role. The division of responsibilities between SpareBank 1 Nord-Norge Markets and investment services in the regional offices has been clarified. At the same time, the establishment of Operations Support Capital Markets, with operational managers and an independent compliance function, has strengthened the division of responsibilities and internal control. SpareBank 1 Nord-Norge Markets collaborates with SpareBank 1 Markets on trading systems, equity and fixed income securities areas, and investments analyses. For more information about SpareBank 1 Markets, please see comments in the Annual Report from the Board.

In 2011, the Financial Supervisory Authority of Norway approved the organisation of the investment service business as an investment firm. Tom Robin Solstad-Nøis has been the director of SpareBank 1 Nord-Norge Markets along with holding the operational responsibility for the investment firm's licensed investment services since June 2013. The Financial Supervisory Authority of Norway approved SpareBank 1 Nord-Norge's new organisation of the investment firm on October 23rd, 2019, as per the figure below.

The investment firm follows the Policy for Sustainability and Social Responsibility in SpareBank 1 Nord-Norge. Operationalising this policy will receive more attention in 2020. Targets for the Group's financial instruments are linked to UN Sustainable Development Goals 13.3 and 16.4, including:

- Integrating ESG risk into investment mandates and liquidity strategy and contributing to a greener securities market.
- Limiting negative ESG risk through negative screening.

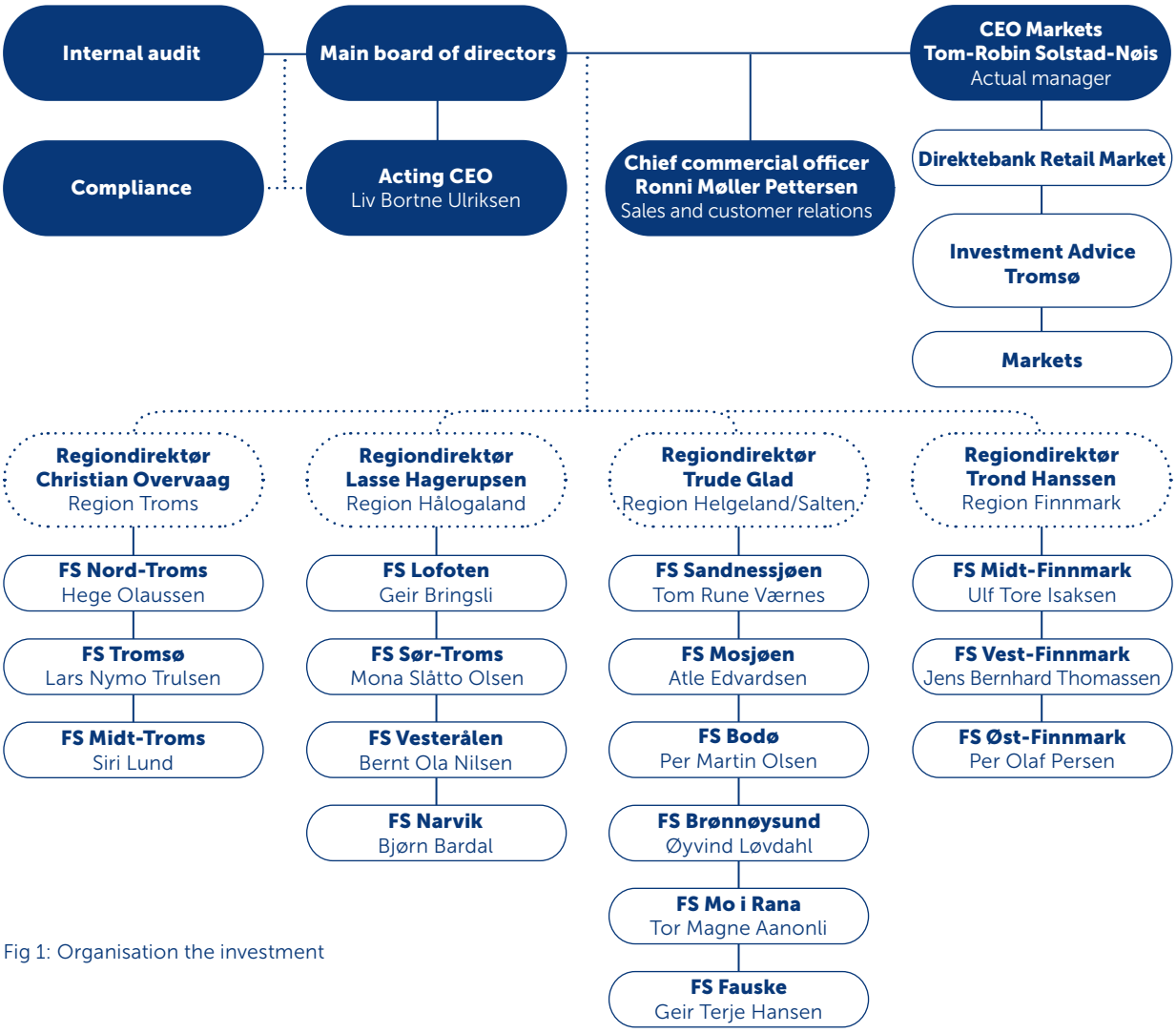


Fig 1: Organisation the investment

Summary of MiFID II for 2019. MiFID II came into force on 1 January 2018. SpareBank 1 Nord-Norge implemented MiFID II in the investment firm in the course of 2018. Through 2019, the focus in SpareBank 1 Nord-Norge Markets has been on monitoring compliance with new regulations. To ensure compliance, we have strengthened the organisation of the investment firm, introduced new first-line controls and revised/prepared new routines and policies for the whole securities area.

INTEREST RATES, CURRENCY AND SECURITIES

SpareBank 1 Nord-Norge Markets increased hiring and expanded the range of services throughout 2018.There are no plans for a further increase in staffing or any expansion of the range of services in 2020. A new business area was established, Corporate Finance. Corporate Finance will generally target its advice, capital raising and business sales services at investors and businesses with roots in Northern Norway. At the end of the year, eight people worked on SpareBank 1 Nord-Norge Markets' currency, interest rate and securities trading desk, and two people worked in Corporate Finance. The trading desk was further reinforced with a senior broker on 14 January 2019.

SpareBank 1 Nord-Norge Markets' total revenues increased by 10% (NOK 4.47 million) in 2019, mainly driven by the risk consulting area. The total profit for the division was NOK 30.13 million, an increase of 4% from the previous year.

Income related to the securities area (stocks and bonds) showed a moderate increase of 1.59%. The fall in income from equity related sales of 24.66% was compensated by a substantial rise in income from sales of interest-bearing instruments (66.61%).

Income from risk consulting showed an increase of 8.65% from the previous year.

The SpareBank 1-alliansen

The SpareBank 1- alliansen is Norway's second-largest finance group. The alliance consists of 14 independent savings banks. All are complete providers of financial products and services to private individuals, companies and organisations.

Customers should view the SpareBank 1- alliansen as the best in terms of closeness, local identity and expertise. The alliance employs around 7,000 people in total. Around 1,200 of these work for SpareBank 1 Gruppen AS, SpareBank 1 Utvikling DA or their subsidiaries. These constitute what is called the alliance partnership. The vision of the alliance partnership is to be Attractive to customers and the banks and its core values are Close and Capable.

SPAREBANK 1 GRUPPEN AS

SpareBank 1 Gruppen AS is the parent company of eight subsidiaries that all develop and supply products to the alliance banks. They in turn offer these to their customers in the local markets. SpareBank 1 Gruppen AS has the following subsidiaries: SpareBank 1 Forsikring AS (pension insurance), Fremtind Forsikring AS (65%, non-life and personal risk insurance), ODIN Forvaltning AS (fund management), SpareBank 1 Factoring AS (factoring), Modhi Finance AS (portfolio purchase), SpareBank 1 Spleis AS (financing), Connecto AS (debt collection), and LOfavør AS (51%).

The company also develops and provides products to trade unions affiliated with the Norwegian Confederation of Trade Unions (LO) and union members through the LOfavør advantage programme.

In September 2018, SpareBank 1 Gruppen AS and DNB ASA signed an agreement to merge their non-life insurance operations. The merger was approved by the Financial Supervisory Authority of Norway on 21 December 2018 and took effect on 1 January 2019. The merged company is called Fremtind Forsikring AS.

The SpareBank 1- alliansen was formed in 1996. In the alliance, the SpareBank 1 banks work together through the two jointly-owned companies, SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA.

SpareBank 1 Gruppen AS owns 65% and DNB ASA 35%. The company is continuing SpareBank 1's agreement to provide products to the 940,000 members of the Norwegian Confederation of Trade Unions (LO) through LOfavør.

SpareBank 1 Gruppen AS is wholly owned by the SpareBank 1 banks and LO, with the following stakes: SpareBank 1 SR-Bank ASA (19.5%), SpareBank 1 SMN (19.5%), SpareBank 1 Nord-Norge (19.5%), Sparebanker 1 Samspar (19.5%), SpareBank 1 Østlandet (12.4%) and LO and affiliated trade unions (9.6%).

SPAREBANK 1 UTVIKLING DA
(FORMER SPAREBANK 1 BANKSAMARBEIDET DA)
SpareBank 1 Utvikling DA bears the administrative responsibility for collaboration processes and provision of services to the SpareBank 1-alliansen. The company delivers business platforms and common management and development services to the alliance banks. The company contributes to joint activities that provide the banks with benefits in the form of economies of scale and expertise.

The company also owns and manages SpareBank 1-alliansen's intellectual property rights under the joint brand name: SpareBank 1. SpareBank 1 Banksamarbeidet DA is wholly owned by the SpareBank 1 banks and SpareBank 1 Gruppen AS with the following stakes: SpareBank 1 SR-Bank ASA (17.74%), SpareBank 1 SMN (17.74%), SpareBank 1 Nord-Norge (17.74%), Samarbeidende Sparebanker Utvikling AS (17.74%), SpareBank 1 Østlandet (18%) and SpareBank 1 Gruppen AS (10%) med følgende eierbrøker: SpareBank 1 SR-Bank ASA (17.74%), SpareBank 1 SMN (17.74%), SpareBank 1 Nord-Norge (17.74%), Samarbeidende Sparebanker Utvikling AS (17.74%), SpareBank 1 Østlandet (18%) og SpareBank 1 Gruppen AS (10%).

SpareBank 1 Utvikling DA owns 100% of the shares in the following subsidiaries:

- EiendomsMegler 1 Norge AS – management and administration of the real estate cooperation in the Alliance
- SpareBank 1 Kundesenter AS – shared customer centre for the banks after 4 p.m.
- SpareBank 1 Verdipapirservice AS – shared trading platform for securities
- SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS and SpareBank 1 Kredittkort AS
  So-called dynamic ownership where the holdings vary depending on the portfolio.
- SpareBank 1 Betaling AS, BN Bank ASA and SpareBank 1 Markets
  Static ownership with fixed holdings.

Jointly-owned companies outside the alliance	SpareBank 1 SR-Bank	SpareBank 1 SMN	SpareBank 1 Nord-Norge	SpareBank 1 SamSpar	SpareBank 1 Østlandet	BN Bank ASA/others
SpareBank 1 Betaling AS	19.8%	19.5%	18.6%	20.0%	18.7%	2.1%
SpareBank 1 Kredittkort AS	17.8%	17.3%	16.9%	25.7%	20.8%	1.4%
SpareBank 1 Boligkreditt AS	4.8%	20.7%	18.65%	28.0%	21.6%	6.5%
SpareBank 1 Næringkreditt AS	19.1%	33.8%	8.6%	18.2%	17.7%	2.6%
SpareBank 1 Markets AS	5.6%	67.0%	12.2%	4.4%	6.0%	5.12%
BN Bank ASA	35.0%	35.0%	9.99%	10.0%	10.0%	
Betr AS		20,0%	20.0%	20.0%	20.0%	20.0%
SMB Lab AS	20.0%	20,0%	20.0%	20.0%	20.0%	

OWNERSHIP AND COMPANY STRUCTURE IN THE SPAREBANK 1 ALLIANCE

Owners and alliance partners

SpareBank 1 SR-Bank	SpareBank 1 SMN	SpareBank 1 Nord-Norge	SpareBank 1 SamSpar	SpareBank 1 Østlandet	LO/LO forbund
18/19.5%	18/19.5%	18/19.5%	18/19.5%	18/12.4%	10/9.6%

Holdings Spb 1 Utvikling/ Spb1 Gruppen

Jointly-owned companies outside the alliance

- BN Bank ASA
- SpareBank 1 Boligkreditt AS
- SpareBank 1 Kredittkort AS
- SpareBank 1 Næringskreditt AS
- SpareBank 1 Markets AS
- SpareBank 1 Betaling AS

The alliance

- **SpareBank 1 Utvikling DA**
  - EiendomsMegler 1 Norge AS
  - SpareBank 1 Kundesenter AS
  - SpareBank 1 Verdipapirservice AS
- **SpareBank 1 Gruppen AS**
  Holding company. Owns 10% of SB
  - SpareBank 1 Forsikring AS
  - Fremtind Forsikring AS
  - Odin Forvaltning AS
  - SpareBank 1 Factoring AS
  - Modhi Finance AS
  - SpareBank 1 Spleis AS
  - Connecto AS
  - LOfavør AS (eier 51 % og LO 49 %)

The foundations

SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGE

The Bank established Sparebankstiftelsen SpareBank 1 Nord-Norge in 2011. The foundation's primary purpose is to exercise long-term and stable ownership of SpareBank 1 Nord-Norge, including the management of equity certificates that were transferred to the foundation at the time of its establishment and, as far as possible, to participate in SpareBank 1 Nord-Norge's equity issues. The foundation also makes donations for socially beneficial purposes from the returns on the capital it manages.

The reason for the establishing was the new Financial Business Act in 2009. The Act provided for equal treatment of the two groups of shareholders in savings banks: the community and equity certificate holders. The savings banks could now have equal dividend ratios for both categories of owner, as opposed to the previous position where dividend payments to the community were more limited. Previous issues related to "dilution" of the equity certificate holders were now largely resolved. On this basis, the Bank adopted a dividend policy which stated that the two types of shareholder should be treated equally, with an equal share of the profits being distributed to equity certificate holders and the community. This could, however, have led to very large distributions of community dividends (previously donations) as an owner – an owner that cannot participate in future equity issues. Over time, this could have led to the Bank's community ownership crumbling, which was not deemed to be in the interests of either the Bank or the community owners. SpareBank 1 Nord-Norge therefore intends to ensure that a proportion of the community dividends are distributed to the foundation. This will enable the foundation to build up capital that can be used in connection with future equity issues by the Bank.

Since its creation, the foundation has received several grants from the bank. It managed a total of NOK 950 million at 31 December 2019.

DONATIONS

The foundation's articles of association stipulate that it shall make donations for socially beneficial purposes within SpareBank 1 Nord-Norge's market area. Donations totalling NOK 18.7 million were made to 111 projects in 2019. Outdoor activities were prioritised and were awarded a total of NOK 5.2 million during the year. The foundation has become better known recently, and has experienced an increasing number of applications for support.

Sparebankstiftelsen's website, Facebook page and Instagram page are updated regularly with current news: www.snnstiftelsene.no. There is also information about all gift allocations.

Sparebankstiftelsen has two part-time employees: a business manager in a 20% position and an office manager in an 80% position.

SPAREBANK 1 NORD-NORGE'S KUNSTSTIFTELSE

SpareBank 1 Nord-Norge's kunststiftelse was established in 2007 by the Bank's Board of Directors. Its main purpose is to develop and manage a collection of works of art that are of significance to the region. The works are displayed at the Bank's premises or deposited in public institutions. The collection now amounts to 835 works, of which 131 were purchased after its creation.

In 2019, NOK 500,000 was approved for a work of art for the public area of the new Red Bank building. The art was supplied by the artist Hilde Hauan Johnsen.

The foundation has no employees.

Towards the end of 2019 Samfunnsløftet launched the project "Skileik i lag". Tverrelvdalen Alta is one of the organisations with support.

Organisation and HR

The Group aims to be number one for employees and to be Northern Norway's most attractive and engaging workplace.

In the first half of 2019, there were changes in senior management. Petter Høiseth took over as CEO, Bengt Olsen as CFO and Turid Aspenes as Chief of Staff. With new management in place, the focus in the second half of 2019 was on enabling action and communicating clear priorities.

The autumn was used to invest with our LO customers. There was also a large-scale effort to re-validate all of our customers who did not have adequate documentation.

2019 was also the year in which the Company structured its activities around sustainability.

The activities of the organisation's HR area fit naturally into the United Nations Sustainable Development Goals of good education, gender equality and good health. Under each of these goals, there are separate targets which help to focus more on the activities that promote sustainability.

The following targets have been set under these three sustainability goals for the HR department.

Goal 4: Good education

- SpareBank 1 Nord-Norge should have the right number of qualified employees in the right place at the right time.
- SpareBank 1 Nord-Norge should provide equal opportunities to women and men for training grants and skills development in general.

Goal 5: Gender equality

- SpareBank 1 Nord-Norge should have a minimum of 40% women in management.
- SpareBank 1 Nord-Norge should increase the proportion of women in key functions and more responsible positions.
- There should be no salary differences between genders that cannot be justified.
- SpareBank 1 Nord-Norge should facilitate diversity in the workplace.

Goal 3: Good health

- SpareBank 1 Nord-Norge should contribute to an active life for employees.
- SpareBank 1 Nord-Norge should provide for a healthy and varied diet in the workplace.
- SpareBank 1 Nord-Norge has zero tolerance for the use of intoxicants during working hours.

The Group continues to meet its objective of being an attractive and engaging workplace. We have received over 1,300 applications for advertised positions in the Group, and have made offers to more than 80 out of every 100 candidates. The popular Hackathon from 2018 was repeated: Here, students are invited to a weekend of competitions where the objective is to develop different business concepts. The event was well received both by the participants and the staff who contributed.

The level of sickness absence, which saw an increase in 2018, has remained roughly the same, falling to 3.98% in 2019. This is still low in relation to the industry and to sickness absence in general, especially in relation to the region.

In 2019, the Group signed collective agreements with Eiendomsmegler 1 Nord-Norge and SpareBank 1

Regnskapshuset Nord-Norge. All employees in the Group are now covered by a collective agreement. The level of union membership in the Group in 2019 is 58%. This gives the Group's employees a clear voice and support in safeguarding their working conditions. It is also a strength for the employer to have professional elected officers as a link between management and employees. The health and safety function works well across the companies in the Group and shows that the organisation has created a more integrated service.

The Group has active pensioners' and staff associations that organise social events for staff and retirees. In 2019 the pensioners' association expanded to take in a new association in Alta.

EQUAL OPPORTUNITIES AND DIVERSITY

Diversity can create innovation and competitiveness in the Group. It is part of our recruitment policy, which emphasises equality and diversity and does not accept discrimination. The Group employs more women (53%) than men (47%). At the end of 2019, the proportion of female managers in the Group was 39%. The equivalent figure in 2018 was 38%. The target is for at least 40% of the managers in SpareBank 1 Nord-Norge to be women.

The Group's payroll analyses show that there are no differences in salary between men and women based on gender. The types of positions and roles are slightly skewed between the sexes, and this leads to differences in pay between women and men. To create a better balance between pay and gender, we need to continue our efforts to get female applicants into more responsible positions, both internally and externally. Diversity is important in both recruitment and sustainability. Promising female managers are identified and followed up, to motivate them to take on more responsible jobs when the opportunities present themselves.

HEALTH, SAFETY AND THE ENVIRONMENT

A sustainable and engaging working environment is vital if the Group's employees are to perform and flourish at work. Managers must maintain a constant focus on this. The employee survey, with questions about health and safety, is an important driver for identifying and initiating measures to rectify any weaknesses in the working environment. This is in addition to systems to enable employees, elected officers and the health and safety function to report their concerns to management. HR and H&S help management with organisational development mea-sures and monitoring of managers. This work has produced clear results and some departments are making great progress in the survey.

Through the diet and fitness concept "SNN Spor", SpareBank 1 Nord-Norge promotes healthy lifestyles through increased physical activity and focus on diet among employees. This has had great support, with 85% of the Group's employees taking part in 2019. With an average of almost to 13 hours of exercise per month per participating employee, we are a couple of hours ahead of the Norwegian Directorate of Health's recommendation on physical activity. Many people have sedentary jobs, and SNN Spor makes an important contribution to an active life. All employees took compulsory courses on money laundering in 2019. The employees also took shorter courses ("nano learning") on various topics within the area of security.

In December 2018, the Group's branch on Svalbard was the target of an armed robbery. The three staff members were not physically harmed and are being followed up in line with the Group's preparedness routines.

Three accidents involving personal injury were recorded in 2019.

ABSENCE DUE TO ILLNESS

The Group has total sickness absence of 3.98%. This is an acceptable result when viewed against statistics for the region. Sickness absence in the Bank decreased from 4.66% in 2018 to 3.03% in 2019. Some people signed off with long-term illness left the Group in 2019, which may explain some of the reduction. Increased sickness absence in SpareBank 1 Regnskapshuset Nord-Norge and Eiendomsmegler 1 Nord-Norge brings the result for the Group to the same level as in 2018. HR will do further analyses to see whether we can find direct reasons for the changes.

RECRUITMENT AND CAREERS

SpareBank 1 Nord-Norge is an attractive workplace in the region, which is evident from the large number of applicants. In 2019, there were 1,342 applications for our externally advertised positions. We recruited 136 new employees into permanent positions in the Group, as well as 14 internal hires. The Group is generally happy with the candidates' background and qualifications.

In 2018, the Group had difficulty finding staff for its smallest locations. In 2019 we started a pilot project with a structured summer employment scheme in the

region of Finnmark. Our advertisement attracted 68 applicants, of whom nine were hired. Eight of these were subsequently taken on in a permanent or temporary position. We have also continued to provide younger people with opportunities for work experience through the Hackathon, internships and temporary jobs. The feedback from surveys that we have run indicates that we are an attractive workplace for young people. In 2019. SpareBank 1 Nord-Norge had two trainees from high school who completed two-year appren-ticeships in office and administrative work. We also took on a new apprentice who started in the same area.

STAFF DEVELOPMENT AND MANAGEMENT

One of SpareBank 1 Nord-Norge's strategic goals is to be number one for customers, employees and owners. Managers have a particular responsibility to develop their employees and units. The development of the managers' own skills is focused on in various management seminars and weekly management webinars. A bespoke master's degree programme in development-oriented management, is also offered, especially to new managers. The programme is provided in collaboration with BI Norwegian Business School and SpareBank 1-alliansen.

The LederLab ('management lab') concept launched in 2018 has been a development arena for managers in the Group, inspired by the partnership with BI Norwegian Business School and Olympiatoppen Nord. The concept will continue in 2020.

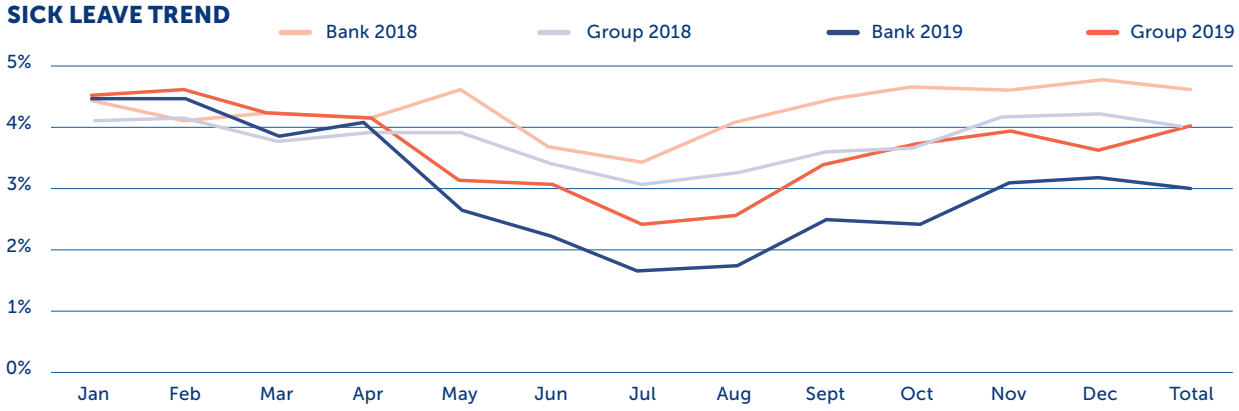
The need for continuous learning is clearer than ever. It is therefore important for SpareBank 1 Nord-Norge to train new employees and build up new and relevant competence, including among existing employees. All new employees undergo an induction programme to familiarise them with the Group, our culture and our strategic framework. 78 new staff completed the induction programme in 2019. New employees also undergo a digital induction programme in three parts: Introduction to Finance, SpareBank 1-alliansen and Customer Solutions. The programme is combined with training in confident-iality, anti-money laundering and the GDPR to form a single compulsory package.

SpareBank 1 Nord-Norge's customers are served by expert advisers both in the physical branches and in the digital channels. The financial services industry has established authorisation schemes for advisers, which are aimed at ensuring they have the necessary knowledge, skills and attitudes. In 2019, 268 of our staff were authorised financial advisers for savings and investments. 236 advisors were approved for non-life insurance and 209 for retail market lending.

In 2019, SpareBank 1 Nord-Norge joined a new authorisation scheme for personal insurance, to be implemented in 2020. All authorisations have to be renewed each year.

The Group's focus on learning in the workplace is demonstrated by the "Utsikt" learning platform, which is a collaborative project within SpareBank 1-alliansen. The whole Group now has access to a total learning service. The platform provides for good reporting and documentation and helps to steer the work on skills based on goals. Ethics and ethical dilemmas were also on the agenda in 2019. The SNN Code (ethical guidelines and guidelines for managing breaches) provided the starting point for this work. Several initiatives have been completed. Alongside internal activities, the learning package on "Ethics and good practice" has been added to the "Utsikt" learning portal. This is also as a mandatory part of all authorisations.

SICK LEAVE TREND



KEY FIGURES

Number of employees	2018		2019	
	Employees	FTEs	Employees	FTEs
The Group	870	841	945	904
SpareBank 1 Nord-Norge	576	560.4	613	584
EiendomsMegler 1 Nord-Norge	86	85	92	91.3
SpareBank 1 Finans Nord-Norge	37	37	40	39.6
SpareBank 1 Regnskapshuset Nord-Norge[1]	172	159.4	201	188.7

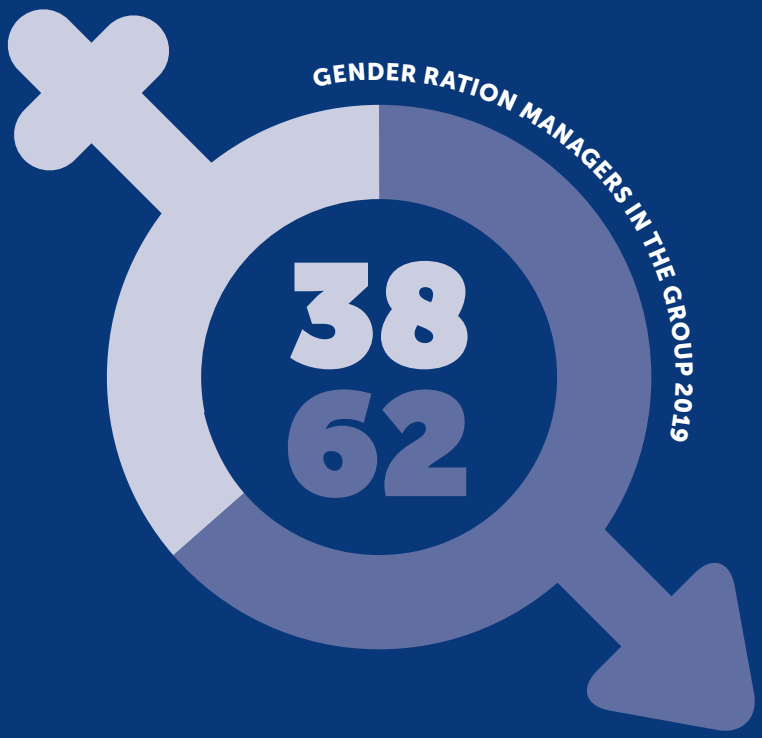
Recruitment	2018	2019
The Group	144	136
SpareBank 1 Nord-Norge	71	74
EiendomsMegler 1 Nord-Norge	8	10
SpareBank 1 Finans Nord-Norge	4	5
SpareBank 1 Regnskapshuset Nord-Norge	61	47

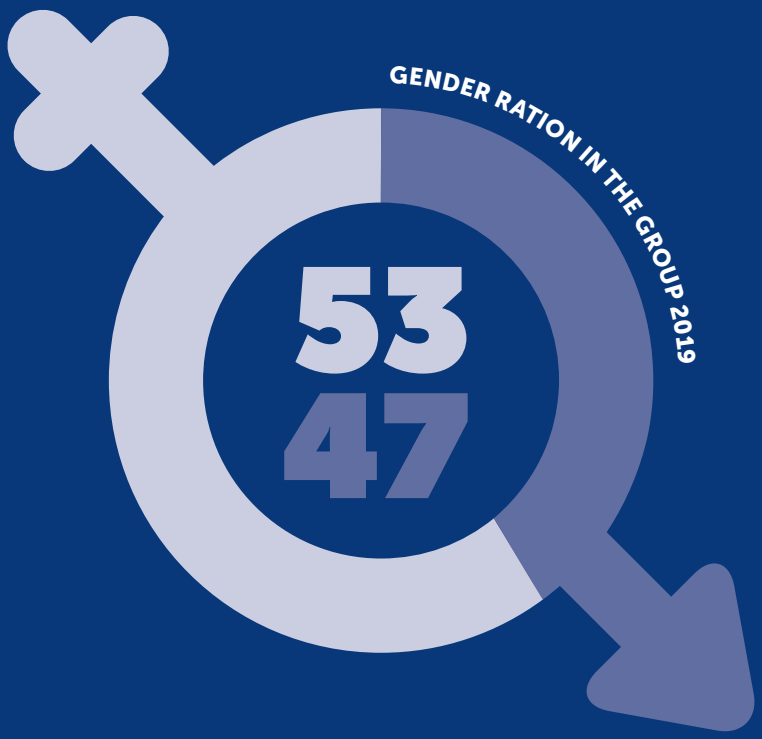
No. of leavers in SpareBank 1 Nord-Norge	2018	2019
	102	69

Sick leave, self-certified and doctor-certified	2018		2019	
	Per cent	Days	Per cent	Days
The Group	4%	7781.8	3.98%	8069
SpareBank 1 Nord-Norge	4.7%	5913.5	3.40%	4407
EiendomsMegler 1 Nord-Norge	3.3%	669.90	4.99%	946
SpareBank 1 Finans Nord-Norge	1.85%	168.8	2.38%	216
SpareBank 1 Regnskapshuset Nord-Norge	2.78%	1029.6	5.71%	2500

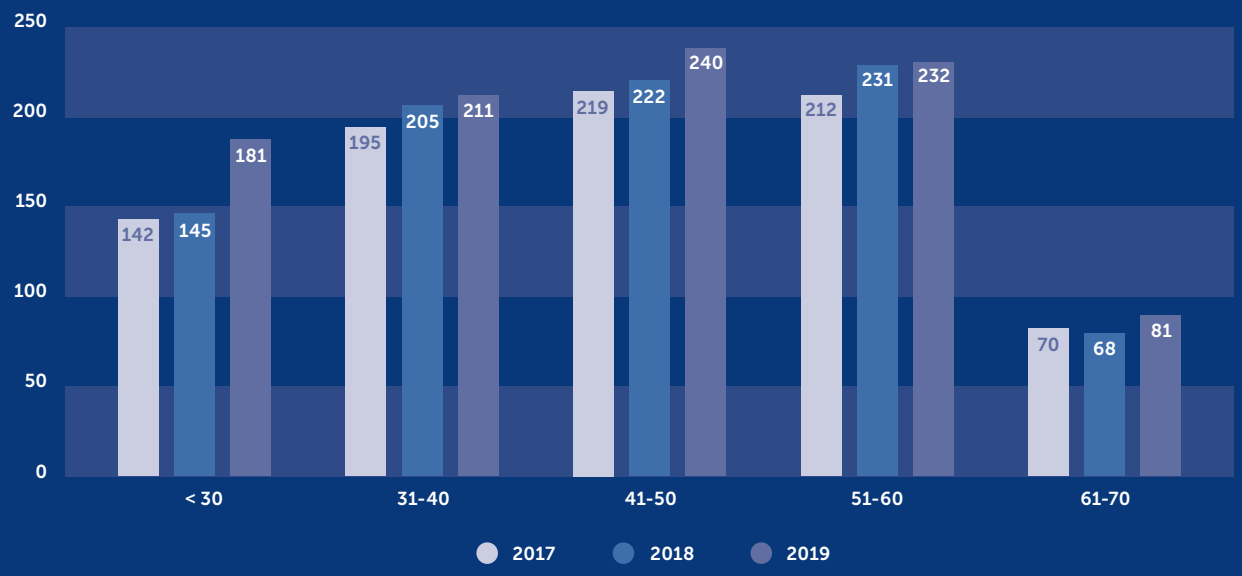
Management of SpareBank 1 Nord-Norge	2018		2019	
	Number	Women/ Men	Number	Women/ Men
Group Management	10	2/8	10	3/7
Management	64	21/43	63	21/42
EiendomsMegler 1 Nord-Norge	15	5/10	17	5/12
SpareBank 1 Finans Nord-Norge	6	5/1	6	5/1
SpareBank 1 Regnskapshuset Nord-Norge	14	8/6	21	11/10
Total	**109**	**41/69**	**117**	**45/72**
In %	**100%**	**37/63%**	**100%**	**38/62%**

Age composition	2016	2017	2018	2019
The Group	44.6	44.5	44.0	43.7
SpareBank 1 Nord-Norge	45.1	45.2	44.8	44.2
EiendomsMegler 1 Nord-Norge	39.9	39.3	39.0	38.7
SpareBank 1 Finans Nord-Norge	40.1	38.9	39.8	40.2
SpareBank 1 Regnskapshuset Nord-Norge	46.9	46.5	44.9	45.1

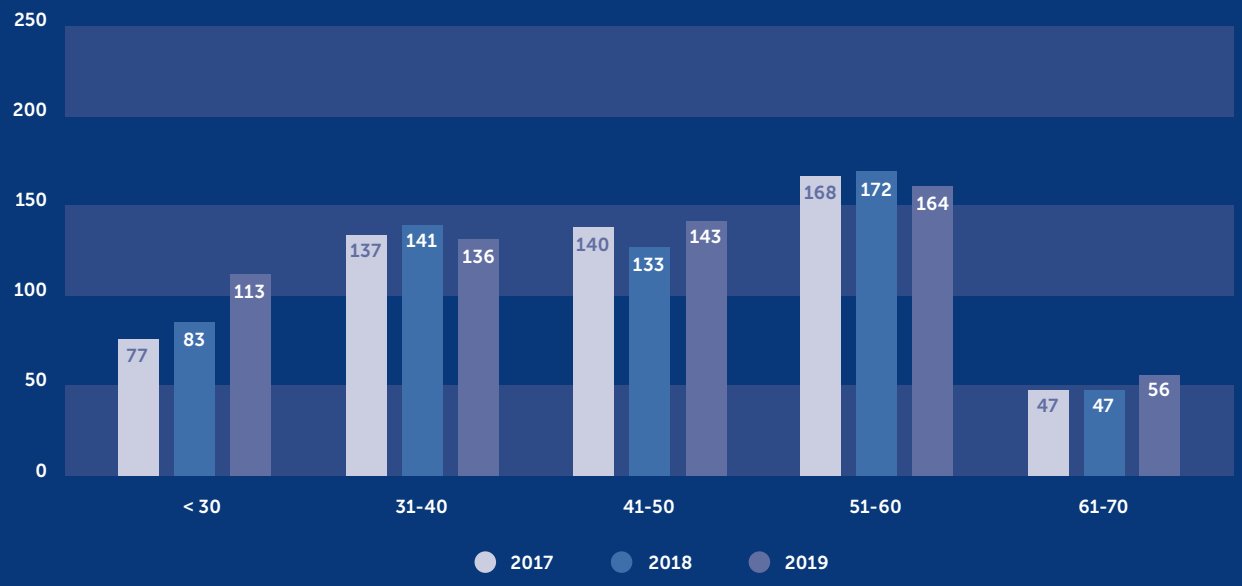

GENDER RATION MANAGERS IN THE GROUP 2019
38
62


GENDER RATION IN THE GROUP 2019
53
47

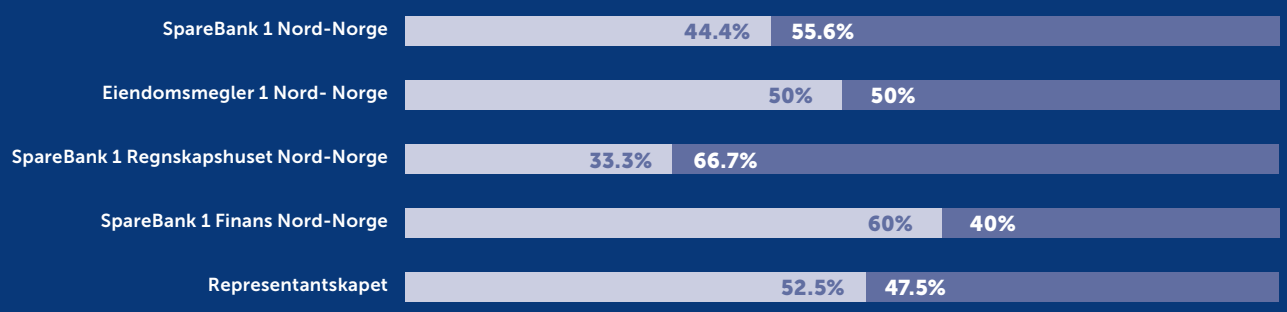
Age composition 2017-2019 in The Group



Age composition 2017-2019 for parent bank



Gender ration 2019 on Supervisory and other boards



CORPORATE SOCIAL RESPONSIBILITY


16 PEACE AND JUSTICE
1 NO POVERTY
2 NO HUNGER
3 GOOD HEALTH
5 GENDER EQUALITY
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION
8 GOOD JOBS AND ECONOMIC GROWTH
9 INNOVATION AND INFRASTRUCTURE
4 QUALITY EDUCATION
6 CLEAN WATER AND SANITATION
7 RENEWABLE ENERGY
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
17: PARTNERSHIPS FOR THE GOALS
PEOPLE
PROFITT
PLANET
SpareBank 1
NORD-NORGE

Sustainability

As the regional bank, SpareBank 1 Nord-Norge's vision is: For Northern Norway. The Group's business model as a savings bank is based on contributing to sustainable development in the region.

The Group's ambition for its sustainability work is: *SpareBank1 Nord-Norge has a sustainable business conduct that will contribute to reaching the UN's Sustainable Development Goals*

SUSTAINABILITY NATIONALLY AND INTERNATIONALLY

As the world's northernmost financial group, SpareBank 1 Nord-Norge is particularly concerned with matters that affect Arctic areas. The Group can thus be a catalyst for a more sustainable future in the North. At the national level, it sees a key role for the finance industry in the way the private sector handles climate risk and the sustainability challenges facing the world. Internationally, a number of initiatives have been launched to commit the business community to work more systematically on this issue.

The UN's 17 Sustainable Development Goals are the world's shared work plan to eradicate poverty, combat inequalities and stop climate change. In 2019, SpareBank 1 Nord-Norge set out its ambition, together with its largest owner, the Northern Norwegian society, to help to achieve all of the UN's 17 Sustainable Development Goals. This means that the Group's strategy for distributing community dividends, Samfunnsløftet, is dedicated to projects that can describe how they are working towards one or more of the Sustainable Development Goals.

Sustainability is now also integrated into the Group's core processes, such as financing (credit), liquidity and corporate governance, and distribution of mutual funds, procurement and policies for our employees. The Group's work on sustainability is an endorsement of the Global Compact with its 10 principles for responsible business. A separate report on the Group's work on the UN Sustainable Development Goals can be found at snn.no.

The Group has chosen to base its reporting on the Global Reporting Initiative (GRI), to provide a better internal overview and transparency for external stakeholders. This sustainability report will be built around a combination of what the Group's stakeholders are concerned about and what the Group itself sees as key issues for sustainability.

"Sustainability must be integrated into all of our activities. A good balance between growth and protection will form the basis for future value creation, especially for those of us who live in what is one of the world's most vulnerable areas. SpareBank 1 Nord-Norge will take its share of the responsibility for combating climate change, by integrating sustainability into all of our activities. We believe in the business advantage this focus can provide. For SpareBank 1 Nord-Norge and for Northern Norway."

Liv Bortne Ulriksen, Acting CEO

RESPONSIBLE FINANCIAL INSTITUTION

The Group's work on sustainability is driven by the Board of Directors and Group Management, and was discussed at three Board meetings in 2019. The Group can extend its influence far beyond its own organisation via good guidelines and procedures for responsible banking. In this way, the Group can contribute to a more sustainable Northern Norway and more sustainable financial markets. Sustainability has become an integral part of the Group's operations in 2019. This is implemented through the Group's risk strategy and in a separate policy on sustainability and corporate social responsibility, with associated procedures. This is a task that will continue to take a high priority in the year ahead. In particular, the Group will focus on developing green products and good practices for assessing the environmental, social and governance (ESG) aspects of financing and investment processes.

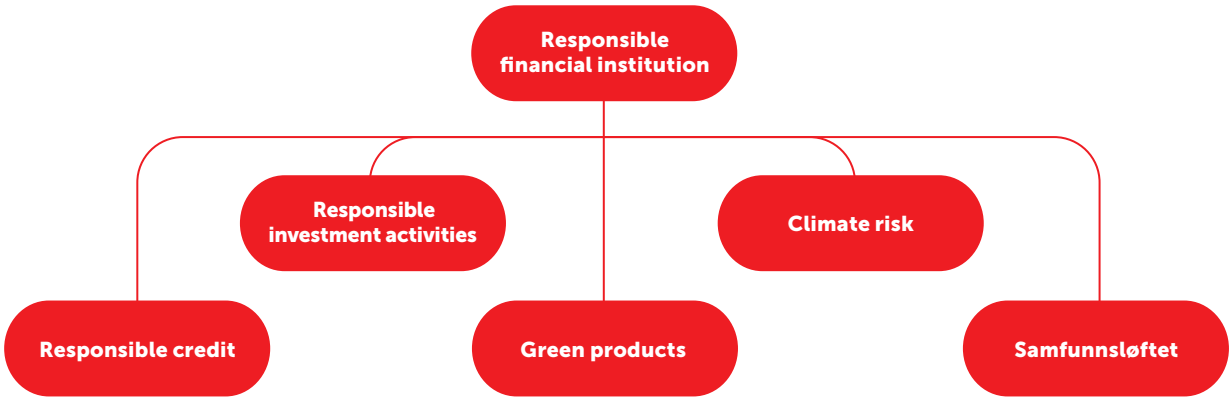
OBJECTIVE

In 2020, SpareBank 1 Nord-Norge will focus especially on the following UN Sustainable Development Goals:

"Take urgent action to combat climate change and its impacts"
Subsidiary objective 13.2

"Conserve and sustainably use the oceans and marine resources for sustainable development" Targets 14.1 and 14.3

"Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" Target 8.6



MATERIALITY ANALYSIS

In 2018, the Group conducted a materiality analysis to see which sustainability topics were important to employees of SpareBank 1 Nord-Norge compared with external stakeholders. This analysis has been an important starting point for the Group's continued work on sustainability and corporate social responsibility.

It identifies the key topics set out below:

Negative screening and exclusion Requirements for financial providers Responsible credit policy	Ethics and anti-corruption Data protection and information security Local business development Green products and innovation Climate risk
Supply chain monitoring Marketing products and services	Banking practice Development of employees Support to local communities

The topics that ended up at the bottom left have been taken out of the matrix. The topics that remain are judged to be the most important and will be covered in the GRI index, where the box at the top right is the most important.

THE GROUP'S KEY STAKEHOLDERS

SpareBank 1 Nord-Norge has a number of stakeholders who are involved in and influence the Group's work on sustainability. The key stakeholders are summarised in the following model. SpareBank 1 Nord-Norge maintains extensive dialogue with its stakeholders. The table on the next spread shows the relevant meeting places, together with the main topics for each stakeholder group.


THE GROUP'S KEY STAKEHOLDERS
EPMLOYEES
CUSTOMERS
OWNERS
NORTHERN NORWEGIAN SOCIETY
AFFILIATED BUSINESSES
AUTHORITIES
COMPETITORS
COLLABORATORS
SUPPLIERS
GNO'S
RATING AGENCY AND ANALYSTS
MEDIA
RECIPIENTS OF SOCIAL BENEFITS

Stakeholders	Meeting place for dialogue	Key topics	Measures related to topics
Customers	Customer and market surveys in the retail and corporate markets Position survey Customer communication and feedback via online banking and social media Customer communication in branches and via chat, phone or e-mail. Customer events	These stakeholders are interested in how the Group's activities are perceived by our customers. Sustainability, presence via local branches and cash machines, response to marketing. Customers want help in their initial contact with the bank, whatever channel they use. Events tailored to the customer's life situation or needs.	Development of business strategy. Dialogue with customers via responses to enquiries over the phone and social media, and in the media. More reporting on sustainability
Employees	Employee survey twice a year Working environment committees in all companies in the Group. Monthly meetings between elected representatives and the Group's HR department. Employee privacy policy Recruitment policy focusing on diversity and gender equality.	Health and safety, skills development, gender equality, involvement in processes and projects.	Involvement of employees in the development of the Group
Equity certificate holders	Supervisory Board meeting and election for equity certificate holders Stock exchange announcements and quarterly reports Investor presentations	Annual accounts and allocation of profit, plus other company actions. Election of members of the Board of Directors. Briefing on trends in the northern Norwegian economy, as well as developments in the Group and financial markets Income statement and goal achievement, return, briefing on trends in the northern Norwegian economy Performance and sustainability/ESG	
Authorities	Contact with control and regulatory authorities (Police, Financial Supervisory Authority of Norway etc.) throughout the year. Obtaining and checking proof of identity from customers to meet the requirements in the Norwegian Anti-Money Laundering Act has been a major focus in 2019.	Operations, security and data protection Identification and personal data	Increased focus on compliance with laws and regulations, and protection of personal data
Northern Norwegian society	Extensive dialogue with clubs and associations throughout the region via cooperation agreements and sponsorships. Collaboration with "Ungt entreprenørskap" in lower and upper secondary schools Agenda Nord-Norge conference organised each year. At this year's conference, a summary report was presented, based on input from 100 young voices aged between 18 and 34 Kunnskapsbanken, kbnn.no	Insight into the challenges faced by clubs and associations in the region Share knowledge of personal finance Meeting place for business, the public sector and academia in the region. The summary report provided a unique insight into young people's thoughts on the challenges and opportunities associated with settling in the North. Share knowledge of macro developments, globally, in the Norwegian economy and in Northern Norway	Support through Samfunnsløftet, sponsorships and banking services Establishment of a youth panel to follow up and disseminate the insights from the young people Dialogue with the government on the report from the northern region and the establishment of a separate youth panel Development of kbnn.no
Stakeholder organisations	Discussions with "Framtiden i våre hender" ("The future in our hands") and the Norwegian Consumer Council on the Ethical Bank Guide at least once a year in connection with data collection for the Guide Collaboration with the Norwegian Confederation of Trade Unions (LO) through LOfavør and various projects in the region throughout the year.	Using SpareBank 1 Nord-Norge's position and influence as a shareholder to make the investment market more sustainable Responsible investments, credit activities, transparency, trust, local presence	More comprehensive communication about own corporate social responsibility New guidelines for third-party funds

CLIMATE RISK

The world faces big climate-related changes that will affect financial stability. One of these is the fact that the climate is changing. The other is the commitments made by the global community through the Paris Agreement. Norway aims to be part of the transition to a low-emission society. This will also affect SpareBank 1 Nord-Norge. The Group is therefore both directly and indirectly exposed to climate risk. In light of this, the topic has been given a separate chapter in the Group's sustainability report. Climate risk is defined as the risk of events that affect society due to changes in the climate and climate policy. The term covers physical risk, policy risk and liability risk. For more information on climate risk, see Note 6 to the annual accounts.

WORK ON CLIMATE RISK IN SPAREBANK 1 NORD-NORGE

SpareBank 1 Nord-Norge has progressed further with integrating climate risk into the governance and control framework in 2019. Through assessments of climate risk in our own activities and in industries that the Group finances, SpareBank 1 Nord-Norge aims to help achieve the UN Sustainable Development Goals. This is especially true of target 13.3, "Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning". Assessments related to climate risk are made through financing, liquidity and corporate governance, procurement and in the distribution of mutual funds.

For 2019, SpareBank 1 Nord-Norge is reporting for the first time on climate risk using the template from the Task Force on Climate-related Financial Disclosures (TCFD).

CORPORATE GOVERNANCE

The Board's knowledge of climate-related risks and opportunities

The Board is well aware of climate-related risks and opportunities through strategic discussions and its approval of governing documents where climate risk is mentioned. The Board also receives various quarterly and annual reports that include assessments of the Group's exposure to climate risk. The Group's risk strategy is defined and determined by the Group's risk appetite in different risk areas. The Group's appetite for climate risk is low to moderate, in line with overall risk appetite for the Group's operations.

Management's role in assessing and managing climate-related risks and opportunities

In 2019, the management expanded its understanding of climate-related risks and opportunities through strategic and operational discussions, and by producing governing documents that cover climate risk. The management also receives various quarterly and annual reports that include assessments of the Group's exposure to climate risk. Clear roles and responsibilities have been established in the administration related to the risk exposure in this area, and the relevant people report to Group Management within their defined area. The overall responsibility for this area rests with the Executive Vice President Credit and Risk Management.

Strategy

Climate-related risks and opportunities identified by the Group in the short, medium and long term

The Group regards climate risk as an underlying risk driver for other risk types. This includes credit risk, market risk, liquidity and financing risk, insurance risk/ownership risk, as well as operational and reputational risk. Both risks and opportunities, in the short, medium and long term, are thus associated with lending, borrowing and investment in the capital markets etc. The issues to be considered include:

- which industries the Group should or should not finance.
- which objects the Group should or should not finance.
- which products the Group should or should not offer.
- which markets the Group should or should not be exposed to.

Description of the impact of climate-related risks and opportunities on business operations, strategy and financial planning

The Group's operations, strategy and financial planning are affected by both external and internal factors. Climate risk is a key external factor that the Group takes into account both in defining its strategy and in its operational activities. A priority in 2020 will be to raise the level of knowledge in the Group and among our customers on climate risks and opportunities and the challenges related to these.

Potential impact of different scenarios on business operations, strategy and financial planning, including a 2°C scenario

The annual ICAAP report is used to assess the Group's overall risk exposure and capital needs. From 2019 onwards, climate risk has also been included in this assessment. The ICAAP also includes stress tests related to negative trends both externally and internally, looking at how these could affect the Group's financial position. The stress tests do not include an explicit 'top-down' assessment of climate risk. Nevertheless, the financial implications found in the stress tests give a picture of the possible impact of external factors such as climate risk.

In 2020, the goal is to map climate risk in the key industries. This will be the start of efforts to analyse the impact of different climate scenarios on the Group and its financial position.

Risk management

The company's processes for identifying, assessing and managing climate-related risks

Climate risks are identified, assessed and managed at different levels and by different methods, including:

- at the overall level, through the ICAAP, risk strategy, governing documents etc.
- at the detailed level, through assessments made when granting credit, investment decisions, product development etc.
- ongoing monitoring and reporting from the administration to the Board of Directors and senior management.

SpareBank 1 Nord-Norge contributes to national work on industry standards for climate-related risk, including:

- Sustainable Edge (CICERO)
- Finance Norway's working group on climate risk

SpareBank 1 Nord-Norge plans to carry out the following work in this area in 2020:

- Developing a methodology to measure carbonrelated exposure in the lending portfolio.
- Establishing a temporary methodology for assessing ESG risk in the credit portfolio, to be used until an industry standard has been established in this area.

How processes for identifying, assessing and managing climate-related risks are integrated into the company's overall risk management

Climate risk is an integral part of the Group's risk and capital management. For a more detailed description of the Group's risk and capital management, please refer to the annual report.

Target

Targets and indicators used by the business to assess climate-related risks and opportunities, in line with the strategy and risk management processes

The Group's appetite for climate risk is low to moderate, in line with overall risk appetite for the Group's operations. This defines the level of risk the Group is willing to take in the area. This is implemented through underlying governing documents and day-to-day operations. The issues to be considered include:

- SpareBank 1 Nord-Norge does not finance businesses or activities which carry a high risk of serious damage to the environment.
- ESG risk has to be included in the credit assessment before granting a loan.
- The Group will increase its own knowledge of sustainability and climate risks related to relevant industries, particularly the marine sector and property.
- The Group will help customers take a conscious position on sustainability and climate risk, and expects them to take an active approach in their own practice in this field.
- The Group will integrate ESG risk into investment mandates and liquidity strategy.

The climate accounts report on greenhouse gas emissions from our own operations, broken down into Scope 1, Scope 2 and Scope 3. See separate section on the environment in this chapter. The Group has a target of a 5% reduction in greenhouse gas emissions each year from 2016-2026.

Facts

Responsible area in the Group: Risk management

Measurement parameter: GRI 201-2

Governing documents:
- Risk strategy
- Guidelines for sustainability in liquidity management and corporate governance
- Guidelines for sustainable financing

Link to UN Sustainability Goals: 13.3

ETHICS AND ANTI-CORRUPTION

SpareBank 1 Nord-Norge will not provide advice or services to customers seeking to evade tax, launder money, finance terrorism, or commit other types of financial crime. Both givers and receivers of such benefits may be punished. Employees should display high ethical standards. They must act in an honest and fair manner that inspires confidence and comply with the norms, regulations and laws that apply in society. The Group's own ethics manual, the SNN Code, describes how employees should conduct themselves in this context. This applies to all of the Group, including its subsidiaries, and all employees and members of boards, committees and the Supervisory Board. All employees have been trained in the Group's procedures through introductory courses for new employees and mandatory e-learning. This also applies to the Board of Directors of the Group. Measures against financial crime are followed up in all business relationships. An annual report is presented to the Board which covers the status of this work.

Courses given in this area in 2019:

- eLearning course "Ethics and Good Practice" (27% completed in 2019)
- eLearning course: "Anti-money laundering" (degree of completion 95%)
- The e-learning course "GDPR and personal data" and Training Cards (14% completed in 2019)
- Security programme "PassOpp"; 6 courses (degree of completion not documented)
- Management webinars on financial crime, ethics and anti-corruption
- Training of new employees in trust, legal matters and ethical dilemmas (completed by 100% of new employees)
- Training for the Board of Directors on anti-corruption and anti-money laundering (100% completed)

Status:

- obtaining and checking proof of identity from customers to meet the requirements in the Norwegian Anti-Money Laundering Act has been a major focus in 2019.
- establishment of a joint IRT (incident response team) for SpareBank 1-alliansen

Facts

Responsible area in the Group: Compliance

Measurement parameter: GRI 205-2, 205-3

Governing documents:
- Policy for anti-money laundering and terrorist financing
- The SNN Code
- Whistleblowing and nonconformance policy

Link to UN Sustainability Goals: 16.4

DATA PROTECTION AND INFORMATION SECURITY

SpareBank 1 Nord-Norge processes a lot of personal data that must not fall into wrong hands or be misused. The Group carries out a number of training measures aimed at ensuring that employees have the necessary knowledge and skills within data protection. The status of the Group's compliance with the regulations, including any non-conformities, is reported to the Board of Directors and Group Management every quarter. The Group did not receive any complaints regarding breaches of privacy from the supervisory authorities in 2019.

Status:

- 44 customer complaints were received, of 3 of which concerned breaches of privacy.

Facts

Responsible area in the Group: Data protection officer

Measurement parameter: GRI 418-1

Governing documents:
- Privacy policy
- Employee privacy policy

Link to UN Sustainability Goals: 16.4

LOCAL COMMUNITIES AND LOCAL BUSINESS DEVELOPMENT

Samfunnsløftet is the Group's strategy for distributing community dividends to society.

The strategy for Samfunnsløftet is divided into: lokalsamfunnsløftet (for the local community), arenaløftet (for arenas), ungdomsløftet (for youth), innovasjonsløftet (for innovation), kunnskapsløftet (for knowledge), and a separate campaign, plastløftet, which focused on plastic pollution in 2019.

Innovasjonsløftet

National analyses show that Northern Norway needs 25,000 new jobs and up to 30% more entrepreneurs

by 2040. "Innovasjonsløftet" aims to stimulate greater innovation and fresh ideas and raise the pace of innovation in existing businesses. The funding will be distributed to pure entrepreneurial and innovation projects, and to actors who facilitate and promote innovation in promising Northern Norwegian companies with the potential for growth. NOK 13.6 million was allocated to this in 2019.

LAB Nord-Norge

Lab Nord-Norge is a new start-up organised as a not-for-profit company. Different institutions in the region are associated with the project based on the technological challenges being prioritised. Microsoft and UiT Arctic University of Norway were two major contributors in 2019. The solutions being developed will benefit the region; they will be open and will be shared. Lab Nord-Norge is owned by SpareBank 1 Nord-Norge. NOK 100 million has been set aside over five years to develop the company, which has one employee.

"Plastløftet" of NOK 15 million

Through Samfunnsløftet, SpareBank 1 Nord-Norge has partnered with the Norwegian Football Federation to limit the spread of plastic granules from artificial grass pitches. This includes awareness-raising in football clubs in the region, and support for measures to collect the granules. In 2019, Samfunnsløftet spent NOK 9 million on this work.

SpareBank 1 Nord-Norge has also invited other players to assist in measures to reduce plastic pollution. The largest of these grants have gone to voluntary collection and influencing work. A research collaboration under the auspices of "In the Same Boat" resulted in 200 tonnes of plastic waste being collected from around the coast of Northern Norway. NOK 15 million was allocated to "Plastløftet" in 2018, to cover 2018 and 2019.

Sami areas

SpareBank 1 Nord-Norge's market area is part of the Sápmi/Sami regions. The Group wants to have a presence in local Sami communities and be a good business partner for Sami businesses and Sami retail customers. The telephone bank and advice are available to customers in the Northern Sami language. Information is also available in Northern Sami on the Group's website at snn.no. For more information, see chapter on Samfunnsløftet in the annual report.

Status:

- Establishment of Lab Nord-Norge
- Grants have been made for 49 artificial grass pitches in the region to limit the spread of plastic granules
- Collaboration with "In the Same Boat" has collected 200 tonnes of plastic from the sea in Northern Norway
- 18 innovation projects in the region received support through "Innovasjonsløftet" in 2019 NOK 1 million from Samfunnsløftet set aside to mark the UN's International Year of Indigenous Languages

Facts

Responsible area in the Group: Communication

Measurement parameter: GRI 201-1

Governing documents:
- Sustainability guidelines in Samfunnsløftet

Link to UN Sustainability Goals: 14.1, 7, 8, 9, 12

RESPONSIBLE FINANCING OF COMPANIES

SpareBank 1 Nord-Norge mainly finances companies that work in and for Northern Norway and has an important social role to play in contributing to sustainable development of the economy in the North. Financing is one of the Group's key areas of business and an area that is exposed to climate risk. Assessments of sustainability and ESG issues were included in the customer dialogue and financing process for the first time in 2019. Operationalisation and training in the Group in this area will be prioritised in 2020.

Status:

- Simplify the financing process for small and medium-sized enterprises
- ESG assessments were included in the financing process in 2019 (new sustainability guidelines)

Facts

Governing documents:
- Credit policy, corporate market
- Guidelines for sustainable financing

Link to UN Sustainability Goals: 8.3, 13.3, 14.1, 16.4

GREEN PRODUCTS AND GREEN INNOVATION

By developing green financial products, the Group can help to push capital flows in a more sustainable direction. In 2020, it will launch green products and services to make it easy for customers to make sustainable choices.

The work on green products is closely linked to the way in which the Group obtains its capital markets funding. In 2018, SpareBank 1 Boligkreditt (Spabol) issued the first green covered bond from a Norwegian covered bond institution. The bond was for EUR 1 billion and has a duration of seven years. Spabol is alliansen's jointly owned issuer of covered bonds and The Group held a 18.65% stake in the company at the end of 2019. At the end of the year, the bank had NOK 25.6 billion (41.5%) outstanding in capital markets funding, while loans transferred to Spabol amounted to NOK 36 billion (58.5%), for a total of NOK 61.6 billion.

The loans transferred to Spabol constitute a volume equivalent to approximately 58.5% of SpareBank 1 Nord-Norge's total borrowing from the capital markets. In 2018, SpareBank 1 Nord-Norge and the Nordic Investment Bank (NIB) signed a loan agreement for a total of NOK 1 billion. The funds are reserved for small and medium-sized enterprises, as well as environmental projects in Northern Norway. A total of NOK 100 million in loans based on the NIB agreement have been granted to environmental projects so far. This amounts to just over 0.1% of the total lending portfolio.

Status:

- Through our collaboration with the Nordic Investment Bank (NIB), the Group has offered financing of green projects.
- At the end of the year, the bank had NOK 25.6 billion (41.5%) outstanding in capital markets funding, while loans transferred to Spabol amounted to NOK 36 billion (58.5%), for a total of NOK 61.6 billion
- Green bonds accounted for just under 4% of the bank's total liquidity portfolio in 2019 (compared to 1% in 2018)

Facts

Responsible area in the Group: Treasury Concepts

Measurement parameter: GRI FS8

Governing documents:
- Market risk strategy
- Guidelines for sustainability in liquidity management and corporate governance

Link to UN Sustainability Goals: 13.3 and 16.4

RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE

Investments by SpareBank 1 Nord-Norge are mainly in the Norwegian and European bond markets, primarly the bond markets. In 2019, the Group developed new guidelines for sustainability in liquidity management and corporate governance with the aim of integrating ESG risk into investment mandates and liquidity strategy and contributing to a greener securities market.

The Group does not carry out its own fund management but distributes mutual funds from other investment managers. In 2019, SpareBank 1-alliansen developed new guidelines for sustainability in mutual funds to ensure that the fund offering reflects SpareBank 1's sustainability goals. A comprehensive ESG review of all fund providers was conducted in 2019. Based on this survey, closer ESG monitoring of fund managers and clearer information to customers through ESG labelling will be launched in 2020.

Active ownership/follow-up of subsidiaries

SpareBank 1 Nord-Norge's policies and guidelines also apply to the Group's wholly owned subsidiaries, EiendomsMegler 1 Nord-Norge, SpareBank 1 Regnskapshuset Nord-Norge, and SpareBank 1 Finans Nord-Norge. Group Management is represented on the boards of all of the subsidiaries, and the companies are managed according to the guidelines that apply to the rest of the Group.

In collaboration with the other alliance members in SparBank 1-alliance the Group har ownership in several joint ventures. These are held together with other alliance banks. SpareBank 1 Nord-Norge also owns an insurance company, Fremtind, together with other alliance banks and DNB.

Sustainability is high on the agenda for all companies in SpareBank 1-alliansen, with this ambition: We will score well in sustainability ratings and maintain our position among consumers as the banks that seen as the are most sustainable. SpareBank 1 was named "most sustainable bank" by the Sustainable Brand Index in 2019, a position it will strive to retain in 2020.

ODIN Forvalting is a provider of mutual funds and a subsidiary of SpareBank 1 Gruppen. The company has a comprehensive sustainability policy for its investment targets, and they have participated in the work on sustainability in 2019.

Status:

- SpareBank 1 Nord-Norge invests parts of the liquidity portfolio in multilateral development banks. These investments accounted for 12.4% of the liquidity portfolio in 2019.
- A common sustainability goal has been established for SpareBank 1-alliansen
- Review of the ESG profile of 291 mutual funds.

Facts

Responsible area in the Group: Treasury, Investment film, Savings and investment committee
Measurement parameters: GRI FS11, FS10

Governing documents:

- Market risk strategy
- Guidelines for sustainability in liquidity management and corporate governance
- Guidelines for sustainability in the distribution and recommendation of mutual funds.

Link to UN Sustainable Goals: 8, 13.3 and 16.4

SUPPLIER MONITORING

SpareBank 1 Nord-Norge accounts for a significant volume of procurement in a Norwegian and regional context and will use this volume to influence suppliers in their work on sustainability.

The bulk of the purchasing comes from SpareBank 1 Utvikling. The company has agreements with 249 suppliers which provide services to the SpareBank 1 banks and companies. In 2019, tools were prepared for assessing the risk of suppliers' negative impact on the environment, social conditions and ethical business practice, along with new guidelines for follow-up. Based on this assessment, suppliers with an increased risk of negative impact are monitored to ensure that they work systematically and practically on sustainability. These are requirements that apply to all purchases made by SpareBank 1 Nord-Norge, as well as purchases made through SpareBank 1-alliansen.

SpareBank 1 Nord-Norge made purchases totalling NOK 739 million from 1,885 different suppliers. Among the largest procurement categories are joint spending on systems in the alliance and new technology.

Status

- New guidelines and procedures for risk assessment of sustainability in purchasing
- 249 of SpareBank 1's suppliers have been risk assessed by the new procedure, and 37% of these will be actively monitored in 2020

Facts

Responsible area in the Group:
Purchasing in SpareBank 1 Utvikling
Facilities management in SpareBank 1 Nord-Norge

Measurement parameter: GRI 102-9

- Governing documents:
- Guidelines for sustainability in suppliers

Link to UN Sustainability Goals: 13.3 and 16.4

ENVIRONMENT AND GREENHOUSE GAS EMISSIONS

SpareBank 1 Nord-Norge continued its efforts to be even more efficient with respect to the environment and saving resources in 2019. All employees in the Group should give conscious thought to consumption, travel, waste management and energy consumption in general, and understand that a focus on sustainability is also a personal responsibility at work. The Group's internal goal is to reduce its own greenhouse gas emissions by 5% per year in the period 2016-2026, inline with the commitments made in the Paris Agreement for a 40% reduction by 2030.

SpareBank 1 Nord-Norge produces its own energy and climate accounts. These accounts comply with the international standards set out in the Greenhouse Gas Protocol and ISO 14064-1. The energy and climate accounts for 2019 show that SpareBank 1 Nord-Norge produced total greenhouse gas emissions totalling 829 tonnes of CO2 equivalents (tCO2e). This represents a total reduction of 5% in terms of tCO2e and is in line with the Group's goal of reducing GHG emissions.

Status

- New target for reductions in greenhouse gas emissions was set in 2019
- Purchases of electricity with a guarantee of origin started in 2019

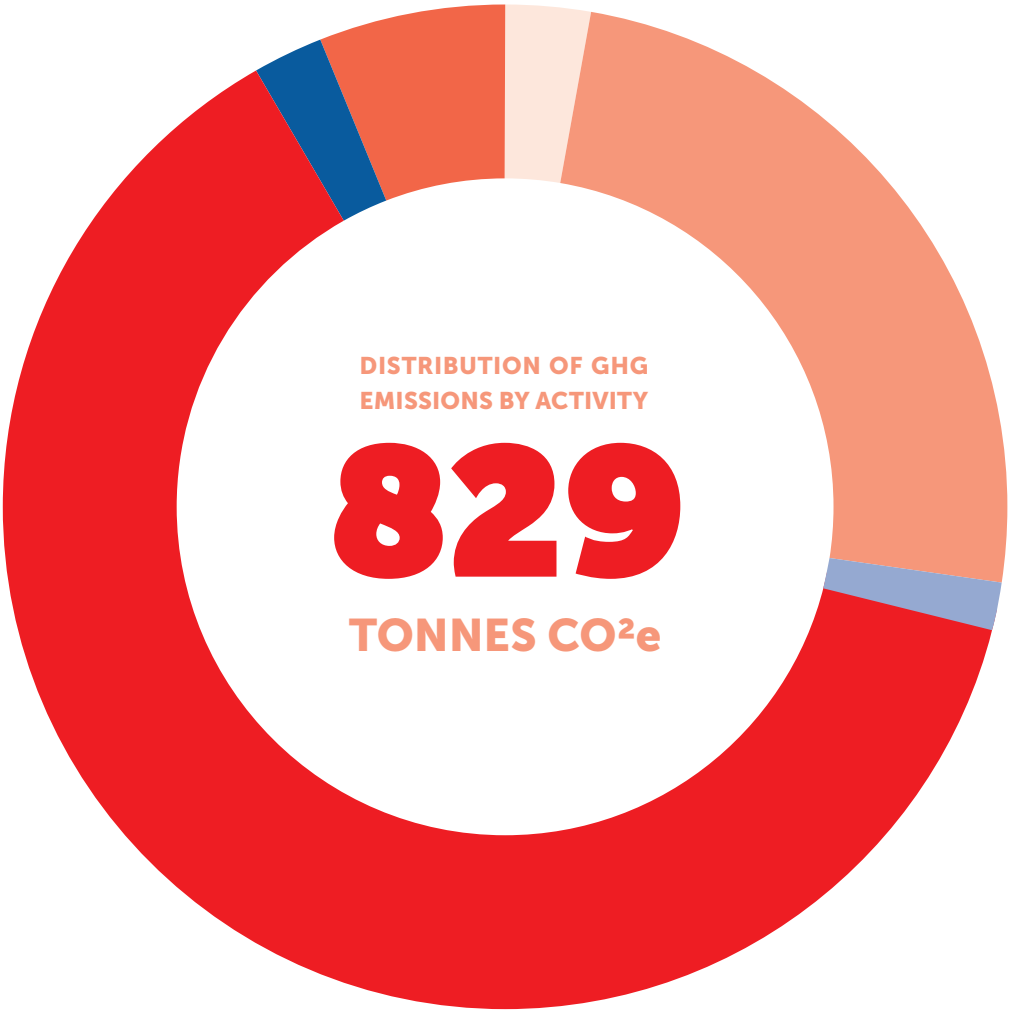
Facts

Responsible area in the Group: Facilities management, HR

Governing documents:

- Policy for sustainability and corporate social responsibility

Link to UN Sustainability Goals: 13.3



Air travel · Waste · Business travel · Transportation · Electicity · DH Nordic locations

ENERGY AND CLIMATE ACCOUNTING

	Category	2019
Scope 1	Transport (Diesel and bensin)	
	Scope 1 emissions	**22,9**
Scope 2	Electricity	
	Electricity Nordic mix	207
	DH Nordic locations Total	11,8
	Scope 2 emissions	**218,8**
Scope 3	Travel and waste	
	Air travel total	520,9
	Mileage all. car (NO)	52,6
	Waste total	13,5
	Scope 3 emissions	587
	Total emissions	**829**

Comments to the accounting
Scope 1:
2,8% (22.9 tCO2e) Transport: Actual consumption of fossil fuels by the Group's vehicles (owned, rented and leased). Use of diesel (B5) and petrol accounted for emissions totalling 23 tCO2e in 2019. This is roughly the same as in 2018.

Scope 2:
26.4% (218.8 tCO2e) Measured consumption of electricity in own or leased premises/buildings. Emissions from electricity use decreased by 4% compared with 2018. The use of district heating increased by 79.2% from 2018. A key reason for the increased consumption of district heating was that a new building was commissioned in 2019 which uses district heating. SpareBank 1 Nord-Norge purchased guarantees of origin (OG/REC) for all of its electricity consumption in 2019.

Scope 3:
70% (587 tCO2e) Air travel and mileage allowance: Flights account for 62.9% of total greenhouse gas emissions in the parent bank. Measured person-kilometres (pkm) travelled per region. Emissions from air travel amounted to 520.9 tCO2e and accounted for 62.9% of total emissions in 2019. This is a reduction in emissions from air travel of 5.9%. In 2019, mileage allowance payments were made for 367,000 km. This results in emissions of 52.6 tCO2e, and is roughly the same as the previous year.

Waste: Waste accounted for total emissions of 13.5 tCO2e in 2019, a reduction of 30.8% on figures from 2018. The reduction is due to the construction and renovation of the head office in Tromsø which started in 2017 and was completed in January 2020. Emptying of the premises resulted in exceptional waste in 2018.

SOCIAL ACCOUNTS

Finance	
Consolidated profit before tax (NOK millions)	2,473
Consolidated total assets (NOK millions)	111,524
Consolidated return on equity after tax	15.9
Consolidated core Tier 1 capital ratio	17.22
Strategy	
Business strategy and risk strategy	Strategy implemented in accordance with plan
Policy for sustainability and corporate social responsibility	Adopted by Group Management and the Board of Directors
Employees	
No. of FTEs, incl. subsidiaries	904
No. of FTEs, Parent Bank	584
Absence due to illness	3.98%
Proportion of women	53%
Proportion of women in senior positions	38%
Average age	43
Average period of service	10
Number recruited internally	14
Number recruited externally	136
Turnover	7.7%
Apprentices and internships	4
Employee satisfaction survey	2
Samfunnsløftet 2018	
Knowledge (NOK millions)	25
Innovation + Lab Nord-Norge (NOK millions)	55
Youth (NOK millions)	25
Local communities (NOK millions)	60
Arenas (NOK millions)	85
Theme: plastics (NOK millions)	5
Administration (NOK millions)	10
Total, Samfunnsløftet	265
Sparebankstiftelsen SpareBank 1 Nord-Norge	
Samfunnseierskap	NOK 200 million

Global Compact: SpareBank 1 Nord-Norge has signed up to the UN Global Compact, which is the world's largest initiative for sustainability in business.

Miljøfyrtårn: SpareBank 1 Nord-Norge is Eco-Lighthouse certified and complies with the certification scheme's obligations.

UNEP FI: SpareBank 1 Nord-Norge has signed in the UN Priciples for Responsible Banking

Klimapartner: SpareBank 1 Nord-Norge is a member of Climate Partner Troms (Klimapartner Troms) together with 15 other partner companies

Samfunnsløftet

53.6 per cent of SpareBank 1 Nord-Norge is owned by the community in Northern Norway. This then receives its dividend in the same way as private shareholders through their equity certificates. This community dividend is used to support the aims of Samfunnsløftet which aims to boost Northern Norway. Good results in 2018 made it possible to increase the dividend to the community. Through the first full year of Samfunnsløftet, we have seen good results from the dividends paid out.

A total of NOK 215 million was allocated in 2019 to the underlying pillars of Samfunnsløftet: Ungdomsløftet (for the youth – NOK 23 million), Kunnskapsløftet (knowledge – NOK 23 million), Innovasjonsløftet (innovation – NOK 13.8 million), Arenaløftet (arenas – NOK 78.2 million), Lokalsamfunnsløftet (the local community – NOK 60 million) and Plastløftet (plastic pollution – NOK 5 million). During 2019, 2009 applications were made to Samfunnsløftet. A total of 1.361 projects both large and small in Northern Norway were awarded almost NOK 300 million. Samfunnsløftet contributes to value creation and development of the region, and within the awards the northern Norwegian community has worked towards all of the UN Sustainable Development Goals. A more systematic approach to achieving the goals will be a priority in 2020.

Ever since the launch of Samfunnsløftet, dedicated resources have worked to coordinate projects and organisations across the region. In 2019, even more emphasis was placed on working proactively. This means, among other things, initiating projects based on knowledge and familiarity with the region. It also means actively looking for people who want to help realise such projects. Outreach efforts and detailed discussions with associations, teams, clubs and organisations have opened many people's eyes to the possibility of funding which is reflected in the large number of applicants.

The organisation of Samfunnsløftet ensures that all applications are treated equally. Most applications are handled by a panel of employees. Applications exceeding NOK 1 million are decided on by the CEO, while applications over NOK 10 million have to be approved by the Board of Directors. In 2019 the Board decided to allocate NOK 50 million to the project Bodø 2024. Having Bodø as a European Capital of Culture will give a huge lift to northern norwegian culture and voluntary work. In particular, it will prompt people across the region to work closely together in the coming years. The dividend benefits several of the pillars of Samfunnsløftet, and will be crystallised in a series of projects out to 2024.

Another major project from 2019 is 'Nye stemmer'. 100 young people from the north were asked what was important to them if Northern Norway is to remain an attractive place to live. The discussions between young people resulted in a summary report presented at Agenda Nord-Norge in Narvik in November 2019. The project received considerable attention, including from Prime Minister Erna Solberg, and will continue in 2020.

In March 2019, Kunnskapsbanken, the Knowledge Bank, was also launched (www.kbnn.no). As an integral part of Kunnskapsløftet (knowledge), the Knowledge Bank, has great ambitions: to establish a common northern Norwegian knowledge base in order to define common issues and find common solutions. On the website there are reports, statistics, expectation barometers and the podcast "Northern Norway in the world". And of course, Konjunkturbarometer for Northern Norway, the Business Barometer for Northern Norway.

After the first full year of operation, it is clear that Samfunnsløftet has contributed to projects that have brought pleasure and happiness to people living in Northern Norway. During the year, Samfunnsløftet has featured in a number of editorial articles in the northern Norwegian media, which helps to raise awareness of the ownership model. People can see the difference between SpareBank 1 Nord-Norge's ownership model – where large portions of the profits are distributed to the region – and the banks owned exclusively by professional investors. This makes more and more people want to be customers of the bank they co-own.

This in turn offers a greater benefit to the community, and more funding for good projects in Northern Norway.

GLOBAL REPORTING INITIATIVE (GRI) INDEX General information

GRI indicator	Description	Location in the report	Reporting directly in the index
Organisasjonsprofil			
102-1	Name of the organisation	SpareBank 1 Nord-Norge	
102-2	Activities, brands, products and/or services	Operations (190)	
102-3	Location of headquarters		The head office of SpareBank 1 Nord-Norge is located in Tromsø.
102-4	Number of countries in which the organisation operates	SpareBank 1 Nord-Norge – Our presence (16) Annual accounts – Notes 8 (77)	
102-5	Ownership and legal form		SpareBank 1 Nord-Norge is a savings bank owned 53.6% by the northern Norwegian community and 46% through equity certificates listed on Oslo Børs.
102-6	Description of markets served by the organisation	Operations – Description of operations (190)	
102-7	Size and scope of the organisation	Operations – Description of operations (190) Annual accounts 2019 Note 23 (108) SpareBank 1 Nord-Norge – Annual accounts (48)	
102-8	Total number of employees by type of employment, employment contract and region, broken down by gender.		

	Women	Men
Permanent employees	498 (472,6)	447 (434,4)
Temporary employees	39 (20)	23 (12,6)

Number of employees. FTEs in brackets.

	Women	Men
Full-time	439	472
Part-time	59	20

No work is done at SpareBank 1 Nord-Norge by workers who are not employees. No large variations in the number of employees.

102-9	Description of the organisation's supply chain	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (222)	
102-10	Significant changes in size, structure or ownership during the reporting period		No major changes
102-11	Description of whether and how the precautionary principle is used within the organisation	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (41)	SpareBank 1 Nord-Norge is a member of the UN Global Compact and is therefore committed to complying with the precautionary principle.
102-12	External initiatives, charters or principles in the financial, environmental or social area that the organisation supports or has acceded to	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (224)	- Miljøfyrtårn - Global Compact - UNEP FI - Klimapartner
102-13	Membership of industry organisations or other associations, and national/international lobbying groups	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (224)	- NHO - Finans Norge - AEC

Strategy and analysis			
102-14	Statement from the CEO	From the CEO (6 og 213)	
Ethics and integrity			
102-16	The organisation's values, principles, standards and norms of behaviour	Strategic compass, pages 10 and 11 Corporate Social Responsibility – Sustainability in SpareBank 1 Nord-Norge (213)	The 10 principles in the Global Compact's guide the Group's work on sustainability
Governance			
102-18	The organisation's management structure, including the highest authority and committees who are responsible for decision-making on financial, environmental and social topics	Corporate governance, page 160. Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (213)	
Stakeholder engagement			
102-40	Stakeholder groups that the organisation is in dialogue with	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (211 og 212)	
102-41	Percentage of employees who are covered by collective bargaining agreements		100% in the parent bank, 100% in the group
102-42	Description of how the organisation chooses relevant stakeholders	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (214 og 215)	In the process of improving the Group's work on sustainability, a survey of the most important stakeholders and their views on ethics and sustainability was conducted in 2018. The stakeholder map is also applicable for 2019.
102-43	Approach to stakeholder engagement, including frequency of engagement by type and stakeholder group	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (216)	
102-44	Key topics and concerns raised through stakeholder dialogue and the organisation's response	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (216)	
Reporting practices			
102-45	Overview of all entities included the organisation's annual financial statements or similar documents	Annual report from the Board (22)	
102-46	Description of the process for defining the report's content and topic boundaries, and the implementation of the reporting principles	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (212)	The sustainability report should convey correct and understandable information, in a way that enables stakeholders to make decisions. Both positive and negative aspects of the Group's impact on society and the environment should be reported and be of high quality and relevance.
102-47	List of all the topics that have been identified as material	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (214)	
102-48	Change of historical data from earlier reports		None
102-49	Significant changes from the previous report with regard to the scope of the content, distinctions made in the report or the measurement methods.		None
102-50	Reporting period		01.01.19-31.12.19
102-51	Date of publication for the previous report		This is SpareBank 1 Nord-Norge's second GRI report.
102-52	Reporting frequency		Annual

102-53	Contact person for questions about the report or its content		Ragnhild Dalheim Eriksen
102-54	Reporting level		*This report has been prepared in accordance with the GRI Standards: Core option*
102-55	GRI index	Annual report (226)	
102-56	Current practices for external assurance of the report		The report is not externally verified.

SPECIFIC INFORMATION

GRI indicator	Description	Location in the report	Reporting directly in the index
Financial performance			
103-1	Description and demarcation of material topic(s)	Annual report from the Board (35-42)	
103-2	Description of the management system that covers material topic(s)		
103-3	Evaluation of the management system		
201-1	Economic value generated and distributed	Annual accounts 2019 (54)	Income: MNOK 5,595 Personnel costs: MNOK 580 Other operating costs: MNOK 651 Interest costs: MNOK 1,260 Fees and commissions payable: 92 Losses: -2 Tax: MNOK 355 Dividends: MNOK 866 Retained earnings: MNOK 1,793
201-2	Financial implications, risks and opportunities due to climate change	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (217-218)	
Anti-corruption			
103-1	Description and demarcation of material topic(s)	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (219)	
103-2	Description of the management system that covers material topic(s)		
103-3	Evaluation of the management system		
205-2	Communication and training about anti-corruption policies and procedures	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (219)	
205-3	Confirmed incidents of corruption and actions taken		No confirmed cases in 2019
Training and education			
103-1	Description and demarcation of material topic(s)	Organisation and HR (204)	
103-2	Description of the management system that covers material topic(s)		
103-3	Evaluation of the management system		
404-1	Average hours of training per year per employee by position category		Partially reported. Retail market (40 hours). Corporate market and technical departments (10 hours). See information about courses p. 212)
404-2	Programmes for personal development and lifelong learning that develop the employee's value in the labour market	Organisation and HR (205)	The annual appraisal meeting covers this topic. Everyone over the age of 60 is enrolled in the pension association.
404-3	Percentage of employees receiving regular performance and career development reviews		All employees have an annual appraisal. Some 30% are also offered quarterly meetings.

Diversity and equal opportunities			
103-1	Description and demarcation of material topic(s)	Organisation and HR (204)	
103-2	Description of the management system that covers material topic(s)		
103-3	Evaluation of the management system		
405-1	Diversity of governance bodies and in different employee categories		

	Women	Men
Manage-ment team	4	5
Other managers	3 (+2)	7 (+1)
Regular employees	244 (458)	251 (383)

Management team: Group Management.
Other managers: Management in the Bank. Management incl. management of subsidi-aries' stated in brackets.
Regular employees: Ban employees minus management team and other managers. Regular employees of the Group stated in brackets

	30 and below	30-50	50 +
Manage-ment team	0 (0)	5 (2)	7 (1)
Other managers	10 (1)	30 (25)	20 (8)
Regular employees	112 (67)	237 (138)	190 (84)

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	Women	Men
Staff/support	62	97
Core (borrowing, lending, treasury)	222	231

Including: Regions, Sales and customer relationships and Markets defined as line organisation. Remainder defined as staff/support/group functions

	30 and below	30-50	50 +
Staff/support	54	121	104
Core (borrowing, lending, treasury)	42	156	117

Non-discrimination			
103-1	Description and demarcation of material topic(s)	Organisation and HR (204)	
103-2	Description of the management system that covers material topic(s)		
103-3	Evaluation of the management system		
406-1	Incidents of discrimination and corrective actions taken		We had one case of discrimination in 2019 which concerned wages. The case was handled according to the applicable procedures.

Privacy			
103-1	Description and demarcation of material topic(s)	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (219)	
103-2	Description of the management system that covers material topic(s)		
103-3	Evaluation of the management system		
418-1	Incidents of discrimination and corrective actions taken	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (219)	44 customer complaints. 3 concerns privacy

Responsible credit policy			
103-1	Description and demarcation of material topic(s)	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (220)	
103-2	Description of the management system that covers material topic(s)		
103-3	Evaluation of the management system		
FS8	Monetary value of products and services designed to deliver a specific environmental benefit	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (220)	
Responsible investments and requirements for financial services providers			
103-1	Description and demarcation of material topic(s)	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (221)	
103-2	Description of the management system that covers material topic(s)		
103-3	Evaluation of the management system		
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues.	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (221)	SpareBank 1 Nord-Norge's policies and guidelines apply to and are communicated to the Group's wholly-owned subsidiaries.
FS11	Percentage of assets subject to positive and negative environmental or social screening	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (217)	Fund investments: 100% From 2020, ESG risk will also be assessed in credit processes and the liquidity portfolio

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SpareBank 1
NORD-NORGE