

Quarterly Report



Financial statement Q4 2019

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SpareBank 
NORD-NORGE

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Group financial highlights and key figures

(Amounts in NOK million and in % of average assets)	31.12.19	%	31.12.18	%
From the profit and loss account				
Net interest income	2 097	1,92 %	1 896	1,86 %
Net fee- and other operating income	1 116	1,02 %	1 057	1,04 %
Net income from financial investments	911	0,84 %	463	0,45 %
Total income	4 124	3,78 %	3 416	3,35 %
Total costs	1 640	1,50 %	1 474	1,45 %
Result before losses	2 484	2,28 %	1 942	1,91 %
Losses	11	0,01 %	22	0,02 %
Result before tax	2 473	2,27 %	1 920	1,89 %
Tax	409	0,38 %	374	0,37 %
Defecit non-current assets held for sale	2	0,00 %	4	0,00 %
Result after tax	2 062	1,89 %	1 542	1,51 %
Interest hybrid capital	28		20	
Result after tax ex. interest hybrid capital	2 034		1 522	
Profitability				
Return on equity capital	1	15,9 %	12,9 %	
Interest margin	2	1,92 %	1,86 %	
Cost/income	3	39,8 %	43,1 %	
Balance sheet figures and liquidity				
Total assets	111 524		106 156	
Average assets	4	108 989	101 855	
Liquidity Coverage Ratio (LCR)		156	172	
Solidity				
Common Tier I Capital ratio		16,7 %	14,5 %	
Tier I Capital ratio		18,3 %	16,0 %	
Total regulatory Capital ratio		20,1 %	18,1 %	
Common Tier I Capital		11 114	10 334	
Tier I capital		12 138	11 396	
Total eligible capital		13 368	12 904	
Adjusted risk-weighted assets base		66 507	71 167	
Leverage Ratio		7,5 %	7,1 %	
Branches and full-time employees				
Branches		38	38	
Manyears		904	841	

- 1 The profit after tax in relation to average equity, calculated as a quarterly average of equity and at 01.01. The Bank's hybrid 1 capital issued are classified as equity in the financial statements. However, when calculating the return on equity, hybrid tier 1 capital are deducted from equity, and result after tax are adjusted for interests on hybrid tier 1 capital.
- 2 Net total interests as a percentage of average total assets
- 3 Total costs as a percentage of total net income
- 4 Average assets are calculated as average assets each quarter and at 01.01.

Key figures ECC

	4Q19	2018	2017	2016	2015	2014	2013	2012	2011
1) NONG Quoted/market price (NOK)	78,50	62,80	62,25	52,25	36,70	39,90	35,50	24,70	28,90
2) Number of Equity Certificates (EC) issued (mill)	100,40	100,40	100,40	100,40	100,40	100,40	100,40	74,40	74,00
3) Quoted/market price EC issued (NOK mill)	7,881	6,305	6,250	5,246	3,685	4,006	3,564	1,837	2,139
4) Quoted/market price total equity (mill)	17,000	13,600	13,481	11,315	7,948	8,464	7,530	4,418	5,083
5) Allocated dividend per EC (NOK)	5,5	4,00	4,00	3,45	2,00	1,90	1,10	1,02	1,25
Paid-out dividend per EC (NOK)	4,00	4,00	3,45	2,00	1,90	1,10	1,02	1,25	1,81
6) Dividend yield	7,0 %	6,4 %	6,4 %	6,6 %	5,4 %	4,8 %	3,1 %	4,1 %	4,3 %
7) Total yearly return	31,4 %	7,3 %	25,7 %	47,8 %	-3,3 %	15,5 %	47,9 %	-10,2 %	-18,7 %
Total equity capital Parent bank (NOK mill)	13,065	11,312	10,617	9,336	8,198	7,735	7,200	5,589	5,264
Total equity capital Group (NOK mill)	14,172	13,058	12,299	11,011	9,961	9,343	8,502	6,832	6,408
8) Equity capital per EC Group (NOK)	61,84	56,70	54,34	50,84	46,00	44,05	40,08	38,19	36,43
9) Result per EC Group, adjusted for interest hybrid capital (NOK)	9,39	7,03	6,60	5,54	5,10	4,64	4,14	4,01	2,72
10) Totalresult per EC Group, adjusted for interests hybrid capital (NOK)	9,26	6,80	6,95	5,79	4,11	5,17	4,13	3,36	2,75
11) P/E (Price/Earnings per EC Group) (NOK)	8,36	8,94	9,43	9,03	8,93	7,72	8,59	7,34	10,51
12) P/B (Price/Book Value per EC Group) (NOK)	1,27	1,11	1,15	1,03	0,80	0,91	0,89	0,65	0,79
13) Pay-out ratio Group	58,6 %	56,9 %	60,5 %	59,6 %	48,7 %	36,8 %	26,6 %	11,8 %	19,7 %
EC ratio overall as at 31.12.	46,36 %	46,36 %	46,36 %	46,36 %	46,36 %	47,33 %	47,33 %	41,59 %	42,07 %
EC ratio overall as at 01.01. used for allocaton of result	46,36 %	46,36 %	46,36 %	46,36 %	47,33 %	47,33 %	42,91 %	42,07 %	38,74 %

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

Quarterly Report for SNN – 4Q 2019

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

Highlights

NOK mill	4Q19	3Q19	Change	31.12.19	31.12.18	Change
Operating costs	502	387	115	1.640	1.474	166
Profit after tax	249	388,8	-140	2.062	1.542	520
Return on equity *)	7,3 %	11,7 %	-4,4	15,9 %	13,0 %	3,0
Earnings per equity certificate	1,12	1,76	-0,6	9,39	7,03	2,4
Common tier 1 capital ratio**)	16,7 %	15,5 %	1,1	16,7 %	14,5 %	2,1
Loan losses	-2	15	-17	11	22	-11
Lending growth***)	5,9 %	8,1 %	-2,2	6,7 %	8,2 %	-1,5
Growth in deposits***)	17,0 %	-14,6 %	31,6	6,3 %	10,6 %	-4,4

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

However, when calculating the return on equity, hybrid tier 1 securities NOK 780 million are deducted from equity, and profit before tax are adjusted for NOK 28 million interests on hybrid tier 1 securities at 4q 19.

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

***) Annualized

Macroeconomic trends

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 USA have now agreed on a limited trade agreement, and the UK is leaving the EU but still needs to negotiate a new trade agreement. Brexit will probably also cause insecurity 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 as well as 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 Corona virus is difficult to predict, but it represents yet another uncertainty for the global economy.

Several of the world's central banks have 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 per cent 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 as at 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 provided by 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 in 2019 was also good, particularly in export-focused industries, which otherwise dominate the north Norwegian economy. Despite several rate hikes from Norges Bank, the krone exchange rate has remained at historically weak levels (trade-weighted), which is likely to have contributed to growth in key industries such as fishing and aquaculture, as well as tourism, but there is also strong underlying demand for north Norwegian raw materials.

The value of seafood exports has grown by more than 20% during 2019 compared with 2018. In addition to the aforementioned 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 a great proportion of Norway's exports in fisheries 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 negative developments in terms of global growth, and further growth is somewhat limited by capacity relating to airports and hotels.

Oil field production in Northern Norway comprises just under 10% of national output, and the direct ripple effects in the region are not considered to be significant. There is currently production at a handful of fields (Gotha and Aasta Hansteen 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), as well as 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 1,000 inhabitants in the first half of 2019 alone. Negative population growth provides limited access to labour, which is an inhibitor of growth, and several tourism businesses are struggling to recruit people with appropriate skills. A lack of qualified labour poses a challenge to further growth in the northern Norwegian economy.

Another key challenge the region is facing 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 per cent 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 both Tromsø and Bodø, prices have risen much more than the national average over the past twelve months, but it remains the case that 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 households in the region's largest 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 macroeconomic conditions, both domestically and internationally, are facilitating continued growth in Northern Norway, which will provide good opportunities for SpareBank 1 Nord-Norge. However, weaker global growth may have an impact over time on demand for northern Norwegian raw materials and tourism. Demographic developments may pose challenges to economic growth in the region, while the climate and sustainability will increasingly impact upon business and social development in Northern Norway in the

future. It is therefore gratifying to see that the Business Barometer for North Norway 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 judged to be good.

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.

Financial performance

NOK mill	4Q19	3Q19	Change	31.12.19	31.12.18	Change
Total income	840	900	-60	4.124	3.416	708
Total costs	502	387	115	1.640	1.474	166
Losses	-2	15	-17	11	22	-11
Tax	91	109	-18	409	374	35
Defecit non-current assets held for sale	0	0	0	2	4	-2
Profit after tax	249	389	-140	2.062	1.542	520

The income statement shows a profit after tax of NOK 249 million (NOK 371 million) for the fourth quarter and NOK 2,062 million (NOK 1,542 million) for 2019 as a whole. This represents a return on equity capital of 15.9 per cent (12.9 per cent). The profit for the year is characterised as very good.

The Group's profitability target is a return on equity that is among the best for comparable financial groups, which is currently 12 per cent or higher.

The profit for 2019 includes a gain of NOK 460 million from the insurance merger in 1Q between SpareBank 1 Forsikring AS and DNB Forsikring AS effective from 01.01.19. The return on equity capital exclusive of this gain was 12.3 per cent. Adjusted for the one-off provision of NOK 70 million for restructuring initiatives, the return on equity was 12.8 per cent.

Net interest income

Net interest income as at 31 December 2019 was NOK 2,097 million (NOK 1,896 million).

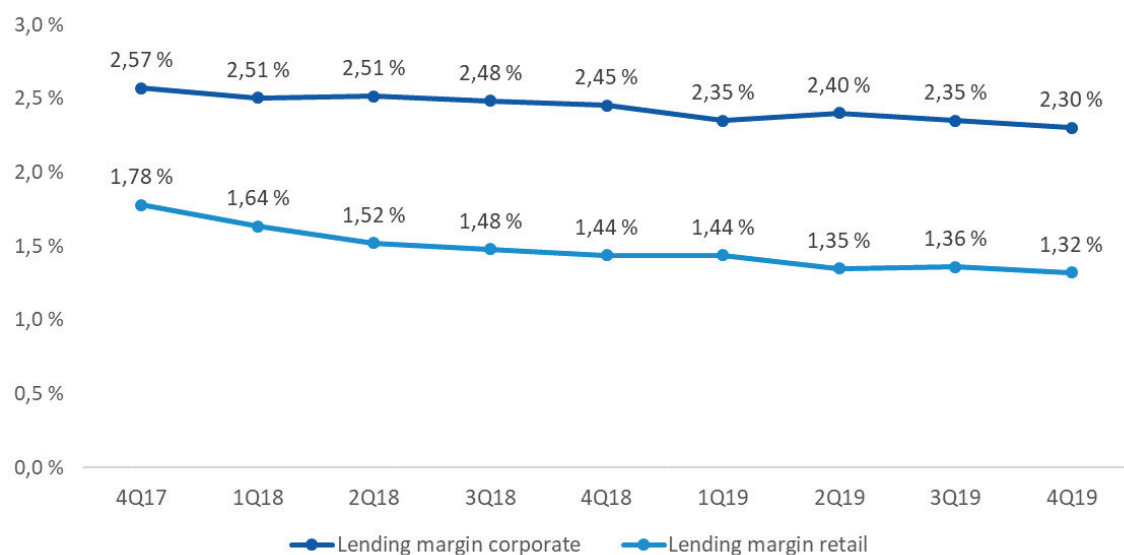
Net interest income represented 1.92 per cent (1.86 per cent) of average total assets.

Income from the loan portfolio transferred to SpareBank 1 Boligkreditt (SB1BK) and SpareBank 1 Næringskreditt (SB1NK) totalled NOK 72 million in 4Q 2019 (NOK 66 million), and is booked as commission income.

Compared with 3Q 2019, the changes in net interest income, including commission income from the transferred loan portfolio but excluding fees for the deposit guarantee fund and emergency initiatives fund (formerly known as the Guarantee Fund), were as follows in 4Q 2019:

NOK mill	Change last quarter
Effect of days	0
Margin effects	20
Effect volume	8
Other effects	15
Total effects	43

Development of lending margin (measured against average 3-month NIBOR)

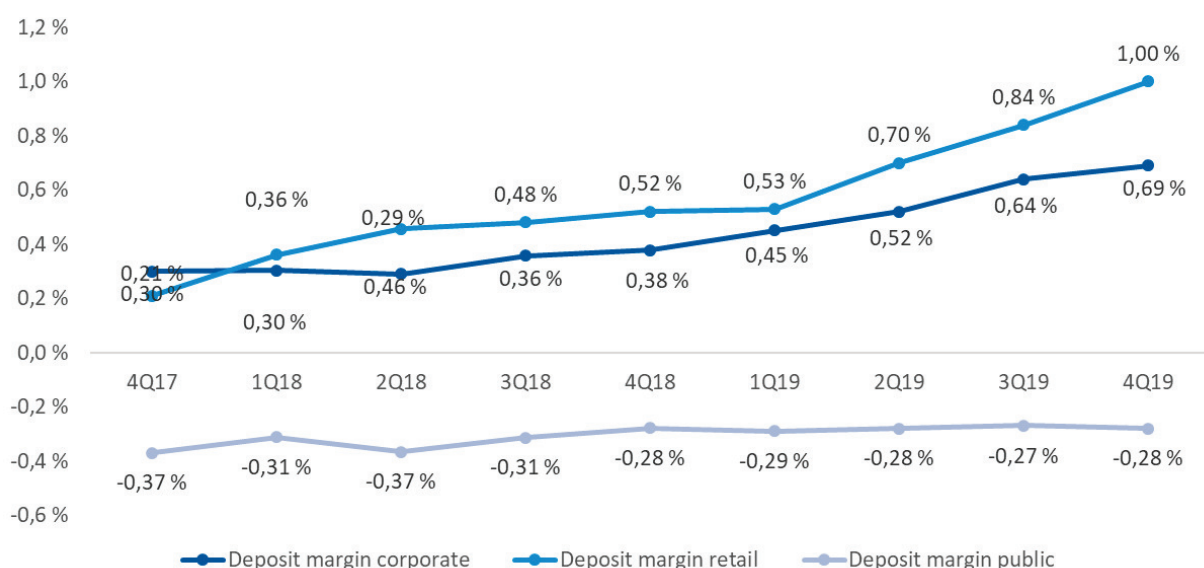


Norges Bank increased its policy rate by 0.25 percentage points on 19.09.19. Since then, Norges Bank has chosen to keep the key policy rate unchanged.

The Bank increased mortgage rates correspondingly with effect for new loans from 26.09.19 and for existing loans from 08.11.19. Deposit rates were also changed.

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

Development of deposit margin (measured against average 3-month NIBOR)



Net fee, commission and other operating income

Net fee, commission and other operating income was NOK 12 million lower during 4Q than 3Q. This is due to a reduction in income from payment services, where income during the previous quarter were seasonally high.

See also the new note 14 in the quarterly accounts for a more detailed specification of the net fee, commission and other operating income.

Financial Investments – income and events in the accounting period

Share results NOK mill	Sharehold	4Q19	3Q19	Change	31.12.19	31.12.18	Change
SpareBank 1 Gruppen	19,50 %	-12	40	-52	712	289	423
SpareBank 1 Boligkreditt	18,65 %	0	3	-3	22	-6	28
SpareBank 1 Næringskreditt	8,60 %	2	1	1	7	7	0
SpareBank 1 Kredittkort	16,89 %	0	4	-4	13	22	-9
SpareBank 1 Betaling	18,57 %	-4	-2	-2	3	-7	10
BN Bank	9,99 %	0	0	0	28	65	-37
Other companies	20,00 %	-6	-2	-4	-4	-2	-2
Sale of Group company		0	0	0	34	6	28
Total income associated companies		-20	44	-64	815	374	441
Share dividend		1	2	-1	12	6	6
Net change value of equities		23	20	3	75	88	-13
Net change value of bonds, currency and derivatives		-16	2	-18	5	7	-2
Net change value loans at fair value, included hedging		-2	2	-4	4	-12	16
Net income from financial investments		-14	70	-84	911	463	448

SpareBank 1 Gruppen's booked profit after tax at the end of 4Q 2019 totalled NOK 1,291 million (NOK 1,480 million) for the controlling interest's share.

The profit share from SpareBank 1 Gruppen as at 31.12.19 includes the writing up of properties in 2Q and the merger gain in 1Q, which SpareBank 1 Nord-Norge has recognised in the income statement.

The merger between SpareBank 1 Skadeforsikring AS and DNB Forsikring AS was carried out with accounting effect from 01.01.19 with SpareBank 1 Skadeforsikring AS as the taking over company. SpareBank 1 Gruppen AS has a 65 per cent state and DNB ASA a 35 per cent stake in Fremtind Forsikring AS. Please refer to our 1Q 2019 financial statements for information on the financial and liquidity consequences of this transaction.

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 employer-funded 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 NOK 6.25 billion 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 NOK 1.7 billion. SpareBank 1 Nord-Norge's share of this increase (19.5 per cent) will be approximately NOK 331 million, which will be recognised as income in 1Q 2020.

SpareBank 1 Gruppen AS (parent company) will receive a tax-free gain of around NOK 937 million 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 NOK 937 million (19.5 per cent) will amount to NOK 183 million.

DNB has an option to increase its stake in Fremtind Forsikring AS from 35 per cent to 40 per cent by 31.03.20. 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 jointly-owned companies in the SpareBank 1 - alliansen have seen good earnings. In the opinion of the Board, the underlying assets in these companies are substantial. The completed and planned transactions in Fremtind are a good illustration of such underlying values.

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

The Group's equities portfolio

As at 31.12.19, the Group's equities portfolio amounted to NOK 791million (NOK 352 million). The portfolio saw a positive change in value of NOK 23 million in the last quarter. This was mainly due to an increase in the value of the stakes in BN Bank AS and Visa.

Certificates, bonds, currency and derivatives

As at 31.12.19, the Group's holdings of certificates and bonds amounted to NOK 15,837 million, compared with NOK 12,560 million at the same time last year.

Net value changes in 4Q 2019 to this portfolio amount to NOK -16 million, which is largely due to an increase to the base rate/discount rate. The portfolio largely consists of placements of temporary surplus liquidity in certificates and bonds.

A summary of the Group's derivatives as at 31.12.19 is provided in Note 11 in the quarterly report.

Subsidiaries and second tier subsidiaries

At the end of 4Q 2019, the Group's subsidiaries had a combined profit before tax of NOK 204 million (NOK 211 million), which has been fully consolidated in the consolidated financial statements. The largest subsidiaries, which operate within the Group's core business, showed the following profits before tax as at 31.12.19 compared with the same period in 2018:

NOK mill	4Q19	4Q18	Change
SpareBank 1 Finans Nord-Norge AS	166	175	- 9
SpareBank 1 Regnskapshuset Nord-Norge AS	22	22	0
EiendomsMegler 1 Nord-Norge AS	17	14	3
Other subsidiaries	- 1	0	- 1
Total	204	211	- 8

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

Operating costs

The Group's costs were NOK 166 million (11 per cent) higher at the end of 4Q 2019 than at the same time in 2018. Of this increase, NOK 136 million is attributable to the parent bank and NOK 30 million to the Group's subsidiaries. The Group's costs for the fourth quarter seen in isolation decreased by NOK 115 million compared with the third quarter of 2019, of which NOK 70 million in recurring costs.

The Group was engaged in a profitability drive during the autumn of 2019. This has now reached an end, A range of cost-cutting initiatives were implemented and should be implemented in 2020/21, including review to the structure of bank branches and staffing. As at 31.12.19, a provision of NOK 70 million has been made for restructuring costs in this regard, of which NOK 64 million applies to 4Q 2019. These measures will be implemented during the course of 2020 and 2021, and the overall impact of the profitability drive is anticipated to be NOK 200 million as at the close of 2021. As a consequence of cost-cutting initiatives, we expect a maximum 2 % growth in costs in 2020 and 0 % in 2021.

The increase in costs in the subsidiaries was largely attributable to the acquisition of new business by SpareBank 1 Nord-Norge's Regnskapshuset. In addition to a one-off provision of NOK 70 million, the increased costs of the parent bank are due to higher activity associated with AML (Anti-Money Laundering)/Compliance, digitalisation, automation and new system solutions, as well as insourcing tasks from the alliance. Approximately NOK 6 million of this increase in AML compliance costs are of a temporary nature. Provisions totalling NOK 13 million were made for wealth tax in 4Q 2019.

The Group's long-term target is a cost ratio of 40 per cent 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 per cent for the Group and 29.5 per cent 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. Please also see Note 24 in the quarterly report.

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.

These costs are specified by main groups in the new note 15 on the quarterly accounts and compared with previous periods.

Losses and non-performing loans

The Group's net losses on loans and guarantees to customers at the end of 4Q 2019 amounted to NOK 11 million (NOK 22 million): NOK 14 million (NOK 25 million) from the retail market and NOK - 3 million (NOK 3 million) from the corporate market. The level of losses is considered very low.

There was no significant change in risk in the last quarter, and in the opinion of the Board, the quality of the Group's loan portfolio is good. Good work is being done on non-performing and doubtful commitments, and this will remain a top priority going forward. The general level of losses is expected to be low for the immediate future.

As at 31.12.19, total loss provisions on loans and guarantees came to NOK 520 million (NOK 546 million). As at 31.12.19, loss provisions for loans amounted to 0.60 per cent (0.66 per cent) of the Group's total gross lending, and 0.42 per cent (0.48 per cent) of gross lending to customers inclusive of 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 NOK 152 million (NOK 166 million). This equates to a loss provision ratio of 43 per cent (38 per cent) of non-performing and doubtful commitments. The provisions are NOK 10 million lower than in the last quarter. As at 31.12.19, loss provisions for loans and guarantees classified as Band 1 and Band 2 pursuant to IFRS 9 amounted to NOK 368 million (NOK 380 million), a decrease of NOK 1 million compared with the end of the previous quarter.

See also Notes 7, 8 and 9 in the quarterly report. Note 7 provides an overview of total loss provisions pursuant to IFRS 9 as at 31.12.19, including off-balance sheet items.

Balance sheet performance

NOK mill	31.12.2019	31.12.2018	Change	30.09.19	Change
Retail lending	86.287	82.381	4,7 %	85.592	0,8 %
Corporate lending	35.447	31.736	11,7 %	34.369	3,1 %
Total lending customers incl. intermediary loans	121.734	114.117	6,7 %	119.961	1,5 %
Total lending customers excl. intermediary loans	85.692	80.863	6,0 %	85.237	0,5 %
Deposits retail	36.489	34.179	6,8 %	36.348	0,4 %
Deposits corporate ¹⁾	31.541	29.806	5,8 %	28.909	9,1 %
Total deposits	68.030	63.985	6,3 %	65.257	4,2 %
Deposits as % of lending excl. intermediary loans	79,4 %	79,1 %	0,3 %	76,6 %	2,8 %
Total assets	111.524	106.156	5,1 %	109.380	2,0 %

¹⁾ Incl. government market

Lending

As at 31.12.19, loans totalling NOK 36 billion (NOK 33 billion) had been transferred to SpareBank 1 Boligkreditt, and NOK 0.4 billion (NOK 0.4 billion) to SpareBank 1 Næringskreditt. These loans do not appear as lending on the Bank's balance sheet. However, comments that deal with the growth in lending also include these intermediary loans.

Following a period of strong growth in lending to customers during 2017 and 2018, lending growth in the retail market has been somewhat lower in 2019 than in previous years. During the last quarter, growth was high in the corporate market at 11.7%, and moderate in the retail market at 4.7%.

There is strong competition, especially in the residential mortgage market, but the group is competitive and has taken market share during 2019, and expects to continue to do so 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 around 6-8 percentage points.

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

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

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

Liquidity

Customer deposits are the Group's most important source of funding and Note 19 in the quarterly report provides an overview of the Bank's deposits. As at 31.12.19, the deposit coverage rate (excluding intermediary loans) was 79 per cent (79 per cent). The Bank's remaining funding, apart from equity and subordinated capital and deposits from customers, is mainly long-term funding from the capital markets. The Bank's access to liquidity and the key figures for liquidity are satisfactory. The Bank's strategic aim is to maintain the overall liquidity risk at a low level. As at 31.12.19, the calculated liquidity coverage ratio (LCR) was 156 per cent (172 per cent). Please refer also to Note 16 in the quarterly report on liquidity risk.

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

Financial strength and capital adequacy

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'¹ etc. The implementation took effect on 31.12.19.

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

At the end of 4Q 2019, the regulatory minimum requirement for the core Tier 1 capital ratio was 14.0 per cent. This included the minimum requirement of 4.5 per cent, the total buffer requirement of 8.0 per cent, and the Pillar 2 requirement of 1.5 per cent. The new supervisory review and evaluation process (SERP) for Pillar 2 for 2020 is expected to be released in the first half of 2020. The Pillar 2 decision for the Group from SREP 2016 (1.5 per cent) therefore still applies.

SpareBank 1 Nord-Norge aims to maintain incontestable financial strength and satisfy the regulatory minimum requirements for capital adequacy at all times. The Group has a target core Tier 1 capital ratio of 1.0 percentage point above the regulatory minimum requirement, which results in a target core Tier 1 capital ratio of at least 15% as at 31.12.19.

In December 2019, the Ministry of Finance published changes to bank capital requirements from the end of 2020. Among other things, this includes an increase in the systemic risk

¹ Lower capital requirements for lending to small and medium-sized enterprises that meet a set of given criteria.

buffer from 3% to 4.5%, as well as a floor for IRB risk weighting for residential mortgage lending and commercial mortgages of 20% and 35% respectively.

	31.12.2019	31.12.2018	Change	30.09.2019	Change
Common tier 1 capital	16,7 %	14,5 %	2,2 %	15,5 %	1,2 %
Tier 1 capital	18,3 %	16,0 %	2,2 %	16,9 %	1,4 %
Capital adequacy ratio	20,1 %	18,1 %	2,0 %	18,6 %	1,5 %
Leverage ratio	7,5 %	7,2 %	0,3 %	7,7 %	-0,2 %

The Group uses proportional consolidation for its capital adequacy reporting for the stakes in SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, and SpareBank 1 Kredittkort AS. Following the sell-down in BN Bank AS to 9.99 per cent, 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 was reduced by NOK 101 million, or 0.9 per cent, from the previous quarter. This is as a result of the allocated dividend as at 31.12.19 being in excess of 50% of the profit on which previous quarterly calculations were based on. In addition, there are guidelines directed at equity related to pensions. The total calculation basis has been reduced by approximately NOK 6 billion during 4Q 2019, primarily as a result of the aforementioned regulatory changes (removal of the floor and the SME discount).

The overall effect of the above changes is not expected to present challenges for the Group.

Proposed profit allocation

The Parent Bank's profit after tax is adjusted for the interest yield for issued hybrid tier 1 capital loans. After this, the profit after tax is distributed between the equity certificate holders and the Bank's community-owned capital in accordance with the relative distribution of equity capital between the owner groups in the Parent Bank as at 1 January 2019, 46.36% and 53.64% respectively.

The Bank's dividend policy states that it aims to provide a competitive direct return for the Bank's owners. The target dividend rate is a minimum 50%. The Board proposes the following allocation of the profit to the Bank's Supervisory Board:

NOK mill	31.12.2019	31.12.2018	Change
Parent Bank's profit after tax	2.687	1.374	1.313
Interests hybrid capital	28	20	8
Profit to allocate	2.659	1.354	1.305
Cash dividend per ECC (NOK)	5,50	4,00	1,50
Allocated to cash dividend	552	402	150
Allocated to dividend equalisation fund	681	226	455
Total to the equity certificate holders	1.233	628	605
<i>Share of profit</i>	46,36 %	46,36 %	0,00 %
Allocated to donations	639	464	175
Allocated to the Saving Banks Fund	787	262	525
Total to the Bank's community-owned capital	1.426	726	700
<i>Share of profit</i>	53,64 %	53,64 %	0,00 %
Total allocated	2.659	1.354	1.305
Withheld share of Group result	41,4 %	43,1 %	1,7 %
Withheld share of Parent Bank result	55,2 %	36,0 %	-19,2 %
Payout ratio Group	58,6 %	56,9 %	-1,7 %
Payout ratio Parent Bank ^{*)}	44,8 %	64,0 %	19,2 %

*) Adjusted for the 2019 recurring effects from the Fremtind merger in Parent Bank profit, the profit after tax is NOK 2.356 million. Dividend amounts to NOK 5.50 entails an payout ratio of 51.2% of the Parent Bank's profit.

Of the proposed dividend of NOK 5.50 per equity certificate, the ordinary dividend amounts to NOK 4.00, while the remaining NOK 1.50 is considered an extraordinary dividend. 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 is a total of 58.6% (56.9%) of the Group's profit. Set against the Group's dividend policy, the proposed dividend rate may be described as high. As at the dividend date, there remain notified changes in terms of regulatory requirements in relation to capital adequacy that remain unresolved. In assessing the proposed dividend, the Board were took this into account and gave weight to the fact that the Group's capital coverage, taking account of dividends, is at the target level. Note that the Financial Supervisory Authority of Norway may impose restrictions on the issuing of dividends or the require that a lower dividend than that proposed is issued.

The Bank will continue to give weight to providing a competitive direct return for the Bank's owners. Nonetheless, the future payout rate will have to take into account the Group's capital adequacy and opportunities for future profitable growth.

Dividends are distributed to registered equity certificate holders as at 26 March 2020. The Bank's equity certificates will be traded ex dividend as at 27 March 2020. The equity certificate holders' proportion of the equity (ownership fraction) has not changed and was calculated at 46.36% as of 1 January 2020.

The Bank's equity certificate holders

NOK mill	31.12.2019	31.12.2018	Change	30.09.2019	Change
Equity certificate capital	1.807	1.807	0	1.807	0
ECC Ownership fraction	46,36 %	46,36 %	0	46,36 %	0
Number of holders	9.200	8.491	709	8.836	364
Proportion of northern Norwegian holders	19 %	19 %	0	19 %	0
Proportion of foreign holders	36 %	38 %	-2	35 %	0
Market price NOK	78,50	62,80	15,70	67,90	10,60
Market value	17.000	13.600	3400	14.705	2296
Earnings per equity certificate	9,39	7,03	2,36	8,27	1,12
Price/Earnings	8,4	8,9	-0,6	8,2	0,2
Price/Book value	1,3	1,1	0,2	1,1	0,2

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

Concluding remarks and outlook

Although there is increased uncertainty surrounding macroeconomic conditions internationally, the macroeconomic situation is nationally and regionally good. The Norwegian krone exchange rate remains favourable for large parts of the northern Norwegian business sector, unemployment is at a record low, and there is optimism among northern Norwegian business leaders, despite the hikes in interest rates in the last year. The conditions are therefore still in place for growth in Northern Norway and for SpareBank 1 Nord-Norge.

The Group's market position and financial position are good. The Group has long focused on its core business. This work will continue together with a focus on digitalisation, adapting to new regulatory conditions and measures aimed at increasing profitability.

To preserve and strengthen the Group's leading market position, there will also be a heavy focus on customers in the development of new products and services. The ambition is to improve efficiency, strengthen the Group's customer relations, and win new market shares. This work emphasises the Group's local approach to customers and market areas. The measures aimed at increasing our competitiveness will, together with the stricter regulatory requirements regarding AML and Compliance, result in some increase in costs in the short term. However, the Bank is actively working on profitability and efficiency measures to ensure that it benefits from the effects of this initiative. The positive results of this work are expected to be seen in the form of more satisfied customers, increased market shares, and positive customer development in all core product areas.

The Group's future prospects are considered good.

Tromsø, 12 February 2020

The Board of SpareBank 1 Nord-Norge

Karl Eirik Schjøtt-Pedersen
(Chairman)

Hans Tore Bjerkås
(Deputy Chairman)

Ingvild Myhre

Kjersti Terese Stormo

Greger Mannsverk

Geir Bergvoll

Sonja Djønne

Vivi Ann Pedersen
(employee representative)

Kjetil Berntsen
(employee representative)

Statement of income

Parent Bank				Group					
(Amounts in NOK million)									
31.12.18	4Q18	4Q19	31.12.19		Note	31.12.19	4Q19	4Q18	31.12.18
2 558	685	849	3 045	Interest income		3 320	925	749	2 795
908	256	349	1 232	Interest costs		1 223	347	253	899
1 650	429	500	1 813	Net interest income		2 097	578	496	1 896
782	209	218	856	Fee- and commission income	14	1 035	264	257	978
82	25	24	92	Fee- and commission costs	14	107	27	26	95
22	10	-5	11	Other operating income	14	188	41	47	174
722	194	189	775	Net fee- and other operating income		1 116	278	278	1 057
6	1	1	12	Dividend		12	1	1	6
364	1	0	1 289	Income from investments		815	- 22	112	374
79	-35	5	382	Net gain from investments in securities		84	5	-33	83
449	-33	6	1 683	Net income from financial investments		911	- 16	80	463
2 821	590	695	4 271	Total income		4 124	840	854	3 416
517	135	157	580	Personnel costs	15	834	225	200	748
385	81	170	458	Administration costs	15	524	190	106	454
48	13	23	92	Ordinary depreciation	15	120	32	15	61
145	46	38	101	Other operating costs	15,24	162	55	66	211
1 095	275	388	1 231	Total costs		1 640	502	387	1 474
1 726	315	307	3 040	Result before losses		2 484	338	467	1 942
31	3	-1	-2	Losses	7,8	11	- 2	- 6	22
1 695	312	308	3 042	Result before tax		2 473	340	473	1 920
321	89	77	355	Tax		409	91	102	374
0	0	0	0	Deficit non-current assets held for sale		2	0	0	4
1 374	223	231	2 687	Result after tax		2 062	249	371	1 542
6,25	1,00	1,03	12,28	Result per Equity Certificate		9,39	1,12	1,68	7,03
				Result per Equity Certificate, adjusted for interests hybrid capital					

Other comprehensive income

Parent Bank				Group					
(Amounts in NOK million)									
31.12.18	4Q18	4Q19	31.12.19			31.12.19	4Q19	4Q18	31.12.18
1.374	223	231	2.687	Result after tax		2.062	249	371	1.542
				<i>Items that will not be reclassified to profit/loss</i>					
0	0	0	0	Net change in fair market value of investment in joint ventures		13	21	-19	-30
-35	-35	-53	-53	Actuarial gains (losses) on benefit-based pension schemes		-50	-50	-36	-36
9	9	13	13	Tax		12	12	9	9
-26	-26	-40	-40	Total		-25	0	-46	-57
				<i>Items that will be reclassified to profit/loss</i>					
7	0	0	0	Net change in fair market value of financial assets available for sale		0	0	0	7
0	0	0	0	Net change in fair market value of investment in joint ventures		-3	0	-1	1
0	0	0	0	Tax		0	0	0	0
7	0	0	0	Total		-3	0	-1	8
1.355	197	191	2.647	Total comprehensive income for the period		2.034	249	324	1.493
6,16	0,88	0,85	12,09	Total result per Equity Certificate, adjusted for interests hybrid capital		9,26	1,12	1,46	6,80

Statement of financial position

Parent Bank
Group

(Amounts in NOK million)

31.12.18	31.12.19		Notes	31.12.19	31.12.18
Assets					
3 786	1 471	Cash and balances with central banks		1 471	3 786
80 385	84 712	Net loans	6,7,16	86 289	81 634
340	781	Shares	16	791	352
12 560	15 837	Certificates and bonds	16	15 837	12 560
1 653	1 110	Financial derivatives	11,16	1 110	1 653
1 073	1 403	Investments in Group Companies	16		
3 461	3 373	Investments in associated companies and joint ventures		4 257	4 990
216	473	Property, plant and equipment	24	1 016	499
		Non current assets held for sale		22	25
		Deduction for intangible assets		105	95
428	636	Other assets	15,18	626	562
103 902	109 796	Total assets		111 524	106 156
Liabilities					
188	564	Deposits from credit institutions		563	187
64 005	68 074	Deposits from customers	20	68 030	63 985
25 135	24 786	Debt securities in issue	21	24 786	25 135
874	763	Financial derivatives	11,15	763	874
1 015	1 430	Other liabilities	7,15,19,24	2 000	1 440
173	64	Deferred tax liabilities		160	277
1 200	1 050	Subordinated loan capital	21	1 050	1 200
92 590	96 731	Total liabilities		97 352	93 098
Equity					
1 807	1 807	Equity Certificate capital	22	1 807	1 807
843	843	Equity Certificate premium reserve		843	843
780	780	Hybrid capital		780	780
2 200	3 035	Dividend Equalisation Fund		3 035	2 200
5 024	5 816	The Savings Bank's Fund		5 816	5 024
585	759	Donations		759	585
42	42	Fair value reserve		42	42
31	- 17	Other equity capital		1 090	1 777
	0	Result after tax		0	
11 312	13 065	Total equity		14 172	13 058
103 902	109 796	Total liabilities and equity		111 524	106 156

Changes in equity

(Amounts in NOK million)	PCC capital	Premium Fund	Dividend		Saving Bank's Fund	Donations Fund	Fair value reserve	Other equity	Period result	Total equity
			Hybrid capital	Equalisation Fund						
Group										
Equity at 01.01.18	1 807	843	530	1 980	5 235	120	35	1 749		12 299
Total comprehensive income for the period										
Period result				633	267	465		177		1 542
<i>Other comprehensive income:</i>										
Net change in fair market value of investment in joint ventures								- 29		- 29
Net change in fair market value of financial assets available for sale							7			7
Actuarial gains (losses) on benefit-based pension schemes								- 36		- 36
Tax on other comprehensive income								9		9
Total other comprehensive income							7	- 56		- 49
Total comprehensive income for the period				633	267	465	7	121		1 493
Transactions with owners										
Set aside for dividend payments				- 402						- 402
Reversal of dividend payments				- 402						- 402
Dividend paid				- 402						- 402
Other transactions			250	- 11	- 13			- 93		133
Changes in minority interests										
Payments from Donations Fund					- 465					- 465
Total transactions with owners			250	- 413	- 478			- 93		- 734
Equity at 31.12.18	1 807	843	780	2 200	5 024	585	42	1 777		13 058
Equity at 01.01.19	1 807	843	780	2 200	5 024	585	42	1 777		13 058
Total comprehensive income for the period										
Period result				1 246	802	639		- 625		2 062
<i>Other comprehensive income:</i>										
Net change in fair market value of investment in joint ventures								10		10
Net change in fair market value of financial assets available for sale										
Actuarial gains (losses) on benefit-based pension schemes								- 38		- 38
Tax on other comprehensive income										
Total other comprehensive income								- 28		- 28
Total comprehensive income for the period				1 246	802	639		- 653		2 034
Transactions with owners										
Dividend paid				- 402						- 402
Other transactions				- 9	- 10			- 34		- 53
Payments from Donations Fund						- 465				- 465
Total transactions with owners				- 411	- 10	- 465		- 34		- 920
Equity at 31.12.19	1 807	843	780	3 035	5 816	759	42	1 090		14 172

ECC ratio overall

(Amounts in NOK million)	Parent Bank		adjusted for IFRS 9 effects		31.12.17	31.12.16	31.12.15	31.12.14
	31.12.19	31.12.18	01.01.18	31.12.17				
Equity Certificate capital	1 807	1 807	1 807	1 807	1 807	1 807	1 807	1 807
Equity Certificate premium reserve	843	843	843	843	843	843	843	843
Dividend Equalisation Fund	2 483	1 798	1 567	1 579	1 310	960	815	
Set aside dividend	552	402	402	402	347	201	191	
Share Fund Fair Value Options and other equity	11	39	46	46	22	69	6	
A. Equity attributable to Equity Certificate holders of the Bank	5 696	4 889	4 665	4 677	4 329	3 880	3 662	
The Savings Bank's Fund	5 816	5 024	4 757	4 770	4 460	4 055	3 730	
Allocated dividends to ownerless capital	639	465	465	465	400	60	212	
Donations	120	120	120	120	120	120	120	
Share Fund Fair Value Options and other equity	14	34	55	55	29	83	12	
B. Total ownerless capital	6 589	5 643	5 397	5 410	5 009	4 318	4 074	
Equity Certificate Ratio overall (A/(A+B))	46,36 %	46,36 %	46,36 %	46,36 %	46,36 %	47,33 %	47,33 %	
Hybrid capital	780	780	530	530				
Total equity	13 065	11 312	10 592	10 617	9 338	8 198	7 736	

Statement of cash flows

Parent Bank		Group	
(Amounts in NOK million)			
31.12.18	31.12.19	31.12.19	31.12.18
1 695	3 042 Result before tax	2 473	1 920
48	92 + Ordinary depreciation	120	61
1	0 + Write-downs, gains/losses fixed assets	0	1
30	- 2 + Losses on loans and guarantees	11	22
321	355 - Tax/Result investment held for sale	409	374
867	867 - Dividends/donations	867	867
586	1 910 Provided from the year's operations	1 328	763
181	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
1 309	-1 225 A. Net liquidity change from operations	-1 912	1 171
- 80	- 349 - Investment in fixed assets (incl merger effects)	- 637	- 169
49	0 + Sale of fixed assets	0	62
- 450	- 242 Change in holdings of long-term securities: - increase/ + decrease	733	- 235
- 481	- 591 B. Liquidity change from investments	96	- 342
1 583	- 349 Change in borrowings through the issuance of securities: + increase/ - decrease	- 349	1 582
600	- 150 Change in hybrid capital/subordinated loan capital: + increase/ - decrease	- 150	600
2 183	- 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

Result from the Group's quarterly accounts

(Amounts in NOK million)	4Q19	3Q19	2Q19	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17
Interest income	925	856	797	742	749	707	691	648	675
Interest costs	347	316	291	269	253	223	224	199	214
Net interest income	578	540	506	473	496	484	467	449	461
Fee- and commission income	264	280	260	231	257	247	238	236	235
Fee- and commission costs	27	30	24	26	26	27	21	21	21
Other operating income	41	40	56	51	47	34	58	35	51
Net fee- and other operating income	278	290	292	256	278	254	275	250	265
Dividend	1	2	8	1	1	2	2	1	0
Income from investments	- 22	44	249	544	112	99	100	63	167
Net gain from investments in securities	5	24	11	44	- 33	20	86	10	27
Net income from financial investments	- 16	70	268	589	80	121	188	74	194
Total income	840	900	1 066	1 318	854	859	930	773	920
Personnel costs	225	212	204	193	200	185	185	178	183
Administration costs	190	112	116	106	106	118	121	109	103
Ordinary depreciation	32	30	29	29	15	14	14	18	19
Other operating costs	55	33	40	34	66	56	51	38	68
Total costs	502	387	389	362	387	373	371	343	373
Result before losses	338	513	677	956	467	486	559	430	547
Losses	- 2	15	15	- 17	- 6	- 8	20	16	37
Net gain from sale of financial fixed assets	0	0	0	0	0	0	0	0	0
Result before tax	340	498	662	973	473	494	539	414	510
Tax	91	109	105	104	102	92	91	89	86
Deficit non-current assets held for sale	0	0	2	0	0	4	0	0	0
Result after tax	249	389	555	869	371	398	448	325	424
Interest hybrid capital	7	8	6	7	7	5	4	4	3
Result after tax ex. interest hybrid capital	242	381	549	862	364	393	444	321	421
Profitability									
Return on equity capital	1	7,3 %	11,7 %	17,5 %	28,1 %	12,0 %	13,3 %	15,6 %	14,6 %
Interest margin		2,13 %	1,96 %	1,86 %	1,77 %	1,89 %	1,87 %	1,85 %	1,84 %
Cost/income	2	59,8 %	43,0 %	36,5 %	27,5 %	45,3 %	43,4 %	39,9 %	40,5 %
Balance sheet figures									
Loans and advances excl. commission loans	86 771	86 395	85 240	82 899	82 145	83 103	80 919	78 852	77 659
-of which loans and advances to financial institutions	1 079	1 158	1 885	1 366	1 282	1 114	1 331	2 106	2 656
-of which loans and advances to customers	85 692	85 237	83 355	81 533	80 863	81 989	79 588	76 746	75 003
Total lending incl. intermediary loans	121 734	119 961	117 579	115 507	114 117	113 739	110 888	107 256	105 485
Growth in loans and advances to cust. incl. commission loans past 12 months	6,7 %	5,5 %	6,0 %	7,7 %	8,2 %	11,7 %	11,0 %	10,3 %	9,6 %
Deposits from customers	68 030	65 257	67 726	64 183	63 985	61 474	63 773	59 039	57 849
Growth in deposits from customers past 12 months	6,3 %	6,2 %	6,2 %	8,7 %	10,6 %	7,5 %	8,8 %	8,8 %	7,4 %
Deposits as a percentage of gross lending	4	79,4 %	76,6 %	81,3 %	78,7 %	79,1 %	80,1 %	76,9 %	77,1 %
Deposits as a percentage of gross lending including commission loans	5	55,9 %	54,4 %	57,6 %	55,6 %	56,1 %	54,0 %	57,5 %	54,8 %
Average assets	3	108 989	108 356	108 014	106 731	101 855	100 780	99 816	97 779
Total assets	111 524	109 380	110 580	107 306	106 156	103 672	103 890	98 372	97 186
Losses on loans and commitments in default									
Losses on loans to customers as a percentage of total lending incl. intermediary loans	0,01 %	0,01 %	0,00 %	-0,01 %	0,02 %	0,02 %	0,03 %	0,01 %	0,17 %
Net comm. in default and at risk of loss as a per. of total lending incl. intermediary loans	0,16 %	0,29 %	0,26 %	0,22 %	0,23 %	0,27 %	0,24 %	0,57 %	0,64 %
Solidity									
Common Tier I Capital ratio	16,7 %	15,5 %	15,3 %	14,6 %	14,5 %	14,7 %	14,7 %	14,8 %	14,9 %
Tier I Capital ratio	18,3 %	16,9 %	16,7 %	16,1 %	16,0 %	16,2 %	15,9 %	16,1 %	16,2 %
Total regulatory Capital ratio	20,1 %	18,6 %	18,4 %	18,1 %	18,1 %	18,4 %	17,7 %	17,8 %	18,1 %
Common Tier I Capital	11 114	11 215	11 052	10 655	10 334	10 686	10 462	9 951	9 992
Tier I capital	12 138	12 229	12 072	11 716	11 396	11 615	11 390	10 980	10 857
Total eligible capital	13 368	13 470	13 316	13 191	12 904	13 158	12 635	12 170	12 141
Adjusted risk-weighted assets base	66 507	72 492	72 402	72 768	71 167	71 566	71 497	68 281	67 223

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

2) Total costs as a percentage of total net income

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

4) Deposits from customers as a percentage of gross lending

5) Deposits from customers in percentage of total lending incl. intermediary loans

Note 1 - Accounting policies

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

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

This transition results in significant leases no longer being expensed on an ongoing basis. Instead, they are activated on the balance sheet as if the assets had been purchased and financed by borrowing. IFRS 16 stipulates principles for the recognition, measurement, presentation and disclosure of leases, and instructs the lessee to provide an account of all leases in a simple balance sheet model similar to the recognition of financial leases pursuant to IAS 17.

SpareBank 1 Nord-Norge has used the modified retrospective method when implementing IFRS 16, which entails no requirement to change comparable information. For more information regarding the implementation of IFRS 16 in SpareBank 1 Nord-Norge see note 24 in quarterly report, and note 45 in the annual report for 2018.

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 accounts on a preemptive basis. The Group has chosen to preemptively implement the changes. The Group's choice to preemptively implement the changes means that the hedge ration may continue unaffected by the IBOR reform. The IBOR reform is an ongoing process in which benchmark rates used for receivables, lending and derivatives are replaced with new interest rates.

There are no standards or interpretations that have not entered into force that are expected to have a significant impact on the Group's accounts.

The financial statements have been audited.

Note 2 - Important accounting estimates and discretionary judgements

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

Note 3 - Changes in group structure

No change in group structure last quarter.

Note 4 - Business Areas

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

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

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

Group (Amounts in NOK million)	31.12.19							
	Retail banking	Corporate banking	Markets	SpareBank 1 Regnskaps- huset Nord-Norge	Eiendoms- Megler 1 Nord-Norge	SpareBank 1 Finans Nord-Norge	Unspecified/ Eliminations	Total
Net interest income	1 002	468	8	- 2	- 1	285	119	2 097
Net fee- and other operating income	691	82	5	188	204	6	- 77	1 116
Net income from financial investments	5	6	36	0	0	0	857	911
Total costs	1 004	136	25	164	187	109	- 6	1 640
Result before losses	695	420	24	22	17	182	904	2 484
Losses	7	22	0	0	0	16	- 2	11
Result before tax	688	398	24	22	17	166	906	2 473
Total lending	48 910	16 418	0	0	0	6 610	2 483	86 771
Loss provision	- 86	- 194	0	0	0	- 84	- 7	- 482
Other assets	0	6 899	0	205	112	60	17 960	25 235
Total assets per business area	48 825	23 123	0	205	112	6 586	20 435	111 524
Deposits from customers	39 862	23 123	0	0	0	0	1 846	68 030
Other liabilities and equity capital	8 963	0	0	205	112	6 586	18 590	43 494
Total equity and liabilities per business area	48 825	23 123	0	205	112	6 586	20 435	111 524
	31.12.18							
Net interest income	894	399	10	0	0	247	87	1 896
Net fee- and other operating income	644	68	4	158	195	6	- 24	1 057
Net income from financial investments	4	6	33	0	0	0	413	463
Total costs	923	112	21	136	181	82	- 4	1 474
Result before losses	618	361	26	22	14	172	480	1 942
Losses	3	95	0	0	0	- 3	- 10	22
Result before tax	615	266	26	22	14	175	490	1 920
Total lending	48 206	14 507	0	0	0	6 257	825	82 145
Loss provision	- 82	- 232	0	0	0	- 77	22	- 511
Other assets	0	7 409	0	94	94	56	16 869	24 522
Total assets per business area	48 124	21 685	0	94	94	6 236	17 716	106 156
Deposits from customers	37 592	21 685	0	0	0	0	1 878	63 985
Other liabilities and equity capital	10 531	0	0	94	94	6 236	25 216	42 171
Total equity and liabilities per business area	48 124	21 685	0	94	94	6 236	27 094	106 156

Note 5 - Capital Adequacy

The Group follows the EU's capital adequacy rules for banks and investment companies, CRD IV/CRR (the Capital Requirements Directive/Capital Requirements Regulation).

Since 2015, SpareBank 1 Nord-Norge has been authorised by the Financial Supervisory Authority of Norway to use the Advanced Internal Rating Based approach, which means that the Bank can use internal models for loss levels in the corporate market portfolio to calculate the necessary requirements for tied-up capital. The use of IRB (the Internal Rating Based approach) places great demands on the Bank's organisation, competence, risk models and risk management systems.

The Financial Supervisory Authority of Norway has issued transitional rules for IRB banks that do not get the full effect of reduced regulatory capital requirements where the risk-weighted calculation basis under the new rules is lower than the calculation basis under the old capital calculation (Basel I). The calculation basis can then be adjusted upwards (a correction for the 'floor') to 80% of calculation basis according to Basel I. The transitional rules were repealed for Sparebank 1 Nord-Norge, and the other Norwegian IRB banks as at 31.12.2019, as a result of full implementation of CRR / CRD IV.

Regulatory capital requirements

At the end of 4Q 2019, the regulatory minimum requirement for the core Tier 1 capital ratio was 14.0 per cent. This included the minimum requirement of 4.5 per cent, the total buffer requirement of 8.0 per cent, and the Pillar 2 requirement of 1.5 per cent.

Capital target

SpareBank 1 Nord-Norge aims to maintain incontestable financial strength and satisfy the regulatory minimum requirements for capital adequacy at all times. The Group has a target core Tier 1 capital ratio of 1.0 percentage point above the regulatory minimum requirement, which results in a target core Tier 1 capital ratio of at least 15 per cent as at 31.12.19.

Associated companies and joint ventures

The Group uses proportional consolidation for its capital adequacy reporting for the stakes in SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, and SpareBank 1 Kredittkort AS. Following the sell-down in BN Bank AS to 9.99 per cent, 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.

Changes in the regulatory framework for capital requirements

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. The implementation took effect on 31.12.19. Lower capital requirements for lending to small and medium-sized enterprises that meet a set of given criteria. This results in a more risk-sensitive calculation basis and lower capital requirements for small and medium-sized businesses.

In December 2019, the Ministry of Finance published changes to bank capital requirements from the end of 2020. The changes can be summarized by (non-exhaustive): Among other things, this includes an increase in the systemic risk buffer from 3 per cent to 4.5 per cent, as well as a floor for IRB risk weighting for residential mortgage lending and commercial mortgages of 20% and 35% respectively.

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

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

(Amounts in NOK million)

31.12.18	31.12.19		31.12.19	31.12.18
1 807	1 807	Equity certificates	1 807	1 807
843	843	Premium reserve	843	843
2 200	3 035	Equalisation reserve	3 035	2 200
5 024	5 816	Savings bank's reserve	5 816	5 024
585	759	Endowment fund	759	585
42	42	Deduction Fund for unrealised gains available for sale	42	42
31	- 17	Other equity	1 090	1 777
780	780	Hybrid capital	780	780
11 312	13 065	Total equity	14 172	13 058

- 780	- 780 Hybrid capital	- 780	- 780
	Additional Tier 1 Capital (AT 1 Capital)		
- 866	-1 191 Deduction for allocated dividends	-1 191	- 866
0	0 Adjusted Tier 1 Capital from consolidated financial institutions	- 38	- 100
0	0 Deduction for intangible assets	- 134	- 113
- 25	- 29 Adjustments to CET 1 due to prudential filters	- 32	- 28
- 144	- 122 Deduction defined benefit pension fund assets gross amounts	- 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	- 476	- 511
- 137	- 156 CET1 instruments of financial sector entities where the institution does not have significant investment	- 145	- 123
9 356	10 678 Common equity Tier 1 Capital (CET 1 Capital)	11 114	10 334
780	780 Hybrid Tier 1 capital bonds	1 024	1 062
10 136	11 458 Additional Tier 1 Capital (AT 1 Capital)	12 138	11 396
	Tier 2 Capital (T2 Capital)		
1 200	1 050 Nonperpetual subordinated capital	1 366	1 644
- 136	- 136 Deduction for subordinated capital in other financial institutions with a significant investment	- 136	- 136
1 064	914 Tier 2 Capital (T2 Capital)	1 230	1 508
11 200	12 372 Total eligible capital	13 368	12 904
	Minimum requirements subordinated capital, Basel I I		
936	1.050 Specialised lending exposure	1 104	1 042
72	59 Other corporations exposure	62	77
363	410 SME exposure	423	380
1 026	1.205 Property retail mortgage exposure	1 681	1 496
66	66 Other retail exposure	68	63
441	506 Equity investments	0	2
2 903	3 296 Total credit risk	3 338	3 059
652	803 Credit risk standardised approach	1 384	1 280
5	6 Debt risk	6	5
8	8 Equity risk	8	8
368	429 Operational risk	504	417
21	14 Credit Value Adjustment	81	86
0	0 Transitional arrangements	0	838
3 957	4 556 Minimum requirements subordinated capital	5 321	5 693
49 467	56 949 RWA (Risk weighted assets)	66 507	71 167
	Total regulatory Capital		
22,6 %	21,7 % Total regulatory Capital	20,1 %	18,1 %
20,5 %	20,1 % Tier 1 Capital	18,3 %	16,0 %
2,2 %	1,6 % Tier 2 Capital	1,8 %	2,1 %
18,9 %	18,7 % Common Tier I Capital	16,7 %	14,5 %
9,5 %	10,1 % Leverage Ratio	7,5 %	7,2 %

Note 6 Loans

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

Fixed-rate loans

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

Loans at amortised cost

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

(Amounts in NOK million)

Parent Bank		Group	
31.12.18	31.12.19	31.12.19	31.12.18
Loans broken down by method of measurement			
Loans at fair value through profit and loss			
7 652	8 570	8 591	7 693
1 963	4 137	4 137	1 963
9 615	12 707	12 728	9 656
Total loans at fair value through profit and loss			
Loans at amortized cost			
71 241	72 403	74 043	72 489
71 241	72 403	74 043	72 489
Total loans at amortized cost			
80 856	85 110	86 771	82 145
Total gross loans			
Commission loans			
32 828	35 625	35 625	32 828
426	417	417	426
33 254	36 042	36 042	33 254
114 110	121 152	122 813	115 399
Total gross loans included intermediary loans			
Provision for credit losses - reduction in assets			
- 172	- 166	- 189	- 192
- 134	- 116	- 142	- 157
- 164	- 116	- 151	- 162
80 386	84 712	86 289	81 634
Net loans			

Loans broken down by sector/industry

Parent Bank 31.12.19

(Amounts in NOK million)

Loans broken down by sector/industry	Total commitments	Off-balance sheet	Gross loans	Provision for credit losses - balance sheet	Net loans	Provision for credit losses - off-balance sheet
Real estate	14 327	1 041	13 286	- 138	13 148	- 17
Financial and insurance activities	8 507	491	8 016	- 14	8 002	- 2
Fishing and aquaculture	5 559	565	4 994	- 21	4 973	- 1
Manufacturing	2 341	593	1 748	- 59	1 689	- 3
Agriculture and forestry	1 354	99	1 255	- 17	1 238	0
Power and water supply and construction	2 964	625	2 339	- 25	2 314	- 7
Government	516	252	264	0	264	0
Service industries	2 156	615	1 541	- 15	1 526	- 3
Transportation	3 036	701	2 335	- 15	2 320	- 1
Commodity trade, hotel and restaurant industry	2 082	467	1 615	- 22	1 593	- 3
Corporate market	42 842	5 449	37 393	- 326	37 067	- 37
Retail market	49 663	1 946	47 717	- 72	47 645	- 1
Total	92 505	7 395	85 110	- 398	84 712	- 38

Group 31.12.19

(Amounts in NOK million)

Loans broken down by sector/industry	Total commitments	Off-balance sheet	Gross loans	Provision for credit losses - balance sheet	Net loans	Provision for credit losses - off-balance sheet
Real estate	14 370	1 035	13 335	- 140	13 195	- 17
Financial and insurance activities	3 301	195	3 106	- 14	3 092	- 2
Fishing and aquaculture	6 100	571	5 529	- 26	5 503	- 1
Manufacturing	2 729	691	2 038	- 64	1 974	- 3
Agriculture and forestry	1 501	101	1 400	- 19	1 381	0
Power and water supply and construction	3 704	640	3 064	- 38	3 026	- 7
Government	533	252	281	0	281	0
Service industries	2 715	623	2 092	- 22	2 070	- 3
Transportation	4 016	728	3 288	- 22	3 266	- 1
Commodity trade, hotel and restaurant industry	2 536	560	1 976	- 26	1 950	- 3
Corporate market	41 505	5 396	36 109	- 371	35 738	- 37
Retail market	52 620	1 958	50 662	- 111	50 551	- 1
Total	94 125	7 354	86 771	- 482	86 289	- 38

Parent Bank 31.12.18

(Amounts in NOK million)

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

Group 31.12.18

(Amounts in NOK million)

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

In order to calculate the expected credit losses according to IFRS 9, the loans must first be categorized into one of three so-called buckets or stages:

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

Total loan commitments broken down by stage of the credit risk assessment at 31.12.19

Parent Bank				Group				
Amounts in NOK million								
Stage 1	Stage 2	Stage 3	Total	Total	Stage 3	Stage 2	Stage 1	
72 095	5 191	383	77 669	Total loan commitments to amortised cost 01.01.19	78 852	432	5 759	72 661
Changes in the period due to loans migrated between the stages:								
1 832	-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 increase/(decrease) balance existing loans	-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 loan commitments to amortised cost	81 397	352	5 527	75 518
				Loans at fair value through profit and loss	12 728			
74 827	4 628	343	92 505	Total loan commitments	94 125	352	5 527	75 518
Off-balance sheet								
-6 540	- 528	- 19	-7 395		-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

Note 7 - Loss provision

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

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

In order to calculate the expected credit losses according to this, the asset must first be categorized into one of three so-called "buckets" or 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 model developed in cooperation with the other banks in the SpareBank 1 Alliance. In the model the following are used PD (probability of default) is used to categorize the assets in the different steps. In addition, LGD (loss given default) is used to calculate expected credit losses. Unlike the capital coverage models, the model for loss provisions is a "point-in-time" model and expectations are based on one point in time.

Estimates of expected credit losses in the capital coverage models are seen from a downturn perspective on the basis of a downturn scenario.

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

Specification of write-downs:

Stage 1: Expected credit losses next 12 months

Stage 2: Expected losses over the loan's term to maturity due to increased credit risk without a loss event

Stage 3: Expected losses over the loan's term to maturity due to increased credit risk with a loss event

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

Parent Bank				Group					
(Amounts in NOK million)									
Stage 1	Stage 2	Stage 3	Total	Changes in lending loss provisions on loans to amortized cost	Total	Stage 3	Stage 2	Stage 1	
-188	-149	-168	-505	Loss provisions at 01.01.19	-546	-166	-172	-208	
			-470	- Of which presented as a reduction of the assets	-511				
			-35	- Of which presented as other debt	-35				
				Changes in the period due to loans migrated between the stages:					
-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 existing 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 allocated to markets					
-20	-26	-27	-73	Retail market	-112	-48	-39	-25	
-173	-100	-90	-363	Corporate market	-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				

Note 8 - Losses

Losses incorporated in the accounts

Parent Bank

(Amounts in NOK million)

Group

31.12.18	31.12.19		31.12.19	31.12.18
- 111	- 64	Period's change in lending provisions	- 59	- 116
149	71	Period's confirmed losses	85	162
- 7	- 9	Recoveries, previously confirmed losses	- 15	- 24
31	- 2	Total losses on loans	11	22

Losses broken down by sector and industry

Parent Bank

(Amounts in NOK million)

Group

31.12.18	31.12.19		31.12.19	31.12.18
10	12	Real estate	10	5
34	- 25	Financial 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 corporate market	- 3	- 3
17	7	Total retail market	14	25
31	- 2	Total losses on loans	11	22

Note 9 - Net bad and doubtful loans

Parent Bank

(Amounts in NOK million)

Group

31.12.18	31.12.19		31.12.19	31.12.18
383	343	Gross loans in stage 3	352	432
- 168	- 117	Loss provisions stage 3	- 152	- 166
215	226	Nett bad and doubtful loans	200	266
44 %	34 %	Loan loss provision ratio	43 %	38 %
0,2 %	0,2 %	Share of gross loans inclusive intermediary loans	0,2 %	0,2 %

Note 10 - SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

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

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

Net obligation as of 31.12.19 is NOK 0, since liquid assets exceeds the companies 12 months redemptions.

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

Note 11 - Financial derivatives

Parent Bank and Group

(Amounts in NOK million)

Interest rate swaps:

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

Foreign exchange derivatives:

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

Currency swaps:

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

Interest rate- and currency swap agreements:

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

Options:

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

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

Fair value hedging transactions	31.12.19	31.12.18
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value hedging	286	24
Total gain from hedging objects relating to the hedged risk	- 308	- 18
Total fair value hedging transactions	- 22	6

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

(Amounts in NOK million)

Fair value through statement of comprehensive income

	31.12.19			31.12.18		
	Contract	Assets	Liabilities	Contract	Assets	Liabilities
Foreign currency instruments						
Foreign exchange financial derivatives (forwards)	1 911	16	16	1 843	24	17
Currency swaps	21 840	307	294	15 687	460	194
Currency options						
Total non-standardised contracts	23 751	323	310	17 530	484	211
Standardised foreign currency contracts (futures)						
Total foreign currency instruments	23 751	323	310	17 530	484	211
Interest rate instruments						
Interest rate swaps (including cross currency)	29 869	612	348	26 388	733	625
Short-term interest rate swaps (FRA)						
Other interest rate contracts	375	17	42	474	40	39
Total non-standardised 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	663
Hedging of funding loans						
Foreign currency instruments						
Foreign exchange financial derivatives (forwards)						
Currency swaps						
Total, non-standardised contracts						
Standardised foreign currency contracts (futures)						
Total foreign currency instruments						
Interest rate instruments						
Interest rate swaps (including cross currency)	18 729	158	63	16 918	396	
Short-term interest rate swaps (FRA)						
Other interest rate contracts						
Total, non-standardised contracts	18 729	158	63	16 918	396	
Standardised interest rate contracts (futures)						
Total interest rate instruments	18 729	158	63	16 918	396	
Total interest rate instruments	48 973	787	453	43 780	1 169	664
Total foreign currency instruments	23 751	323	310	17 530	484	211
Total	72 724	1 110	763	61 310	1 653	874

Note 12 - Net accounting of financial derivatives and related set-off agreements

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

At 31.12.19 the net figures were:

Category/counterpart	Gross amount	Offset amount	Net amount	Net amount to be posted at bankruptcy or default	Net credit exposure
(Amounts in NOK million)	A	B	C=A-B	D	E=C-D
Financial derivatives - assets	20.486	20.201	285	0	285
Financial derivatives - liabilities	29.089	28.885	204	0	204

Note 13 - Liquidity risk

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

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

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

The average remaining term to maturity for the Bank's debt securities in issue was 3.3 years as of 31.12.19.

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

Note 14 - Net fee-, commission- and other operating income

Parent bank				Group				
(Amounts in mill NOK)								
4Q18	4Q19	31.12.18	31.12.19		31.12.19	31.12.18	4Q19	4Q18
65	72	260	264	Provision commission loans	264	260	72	65
84	76	282	312	Payment facilities	312	282	76	83
36	42	149	166	Insurance products	166	155	42	39
4	7	15	27	Guarantee commissions	27	14	7	3
				Real estate broking	141	135	32	34
13	9	44	36	Portfolio commissions	36	44	9	10
5	3	16	14	Credit commision	14	15	3	4
3	9	16	37	Other commisions	75	73	23	19
210	218	782	856	Total commission income	1 035	978	264	257
25	24	82	92	Commission costs	107	95	27	26
185	194	700	764	Net fee- and commission income	928	883	237	231
				Accounting services	187	159	41	42
10	- 5	22	11	Other operating income	1	15	0	5
194	189	722	775	Net fee- and other operating income	1 116	1 057	278	278
31 %	27 %	30 %	30 %	Percent of net core earnings	35 %	36 %	32 %	36 %

Note 15 Expenses

Parent Bank

(Amounts in NOK million)

Group

4Q18	4Q19	31.12.18	31.12.19		31.12.19	31.12.18	4Q19	4Q18
95	119	378	436	Personel expenses	661	578	180	150
10	8	35	33	Pension costs	46	37	10	2
30	30	104	111	Social costs	127	133	35	48
135	157	517	580	Total personnel costs	834	748	225	200
52	60	220	235	IT expenses	257	236	76	54
29	110	165	223	Administrative expenses	267	218	114	52
13	23	48	92	Ordinary depreciation	120	61	32	15
4	6	18	26	Operating costs properties	28	19	7	4
42	32	127	75	Other operating expenses	134	192	48	62
275	388	1 095	1 231	Total costs	1 640	1 474	502	387

Pensions

SpareBank 1 Nord-Norge has two types of pension agreements for its employees: defined benefit-based and defined contribution-based plans. The plans are described in more detail in the note 25 to the annual financial statement.

The period's net interest cost is now calculated by applying the discount rate for the liabilities at the beginning of the period to the net liabilities. Therefore, net interest costs consist of the interest on liabilities and the return on assets, both calculated using the discount rate. Changes in net pension liabilities due to premium payments and pension payments are taken into account. The difference between the actual return on pension assets and the recorded return is recognised immediately against Other Comprehensive Income (OCI).

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

	31.12.19	31.12.18
<i>Assumptions</i>		
Discount rate	2,30 %	2,60 %
Expected return on pension assets	2,30 %	2,60 %
Future salary growth rate	1,00 %	1,00 %
Adjustment of NI basic amount (G)	2,00 %	2,50 %
Pension adjustment	0,00 %	0,00 %
Employer's NI liability	14,10 %	14,10 %
Employer's NI cost	14,10 %	14,10 %
Financial tax	5,00 %	5,00 %
Voluntary leaving over 50 years old	0,00 %	0,00 %
Voluntary leaving up to 50 years old	0,00 %	0,00 %
Expected statutory early retirement pension (AFP) acceptance from age 62	90,00 %	50,00 %
Mortality, marriage probability, etc.	K2013BE IR2003	K2013BE IR2003

Net pension liabilities in the balance sheet

(Amounts in NOK million)

Present value of future pension liabilities	745	728
Estimated value of pension assets	960	967
Net pension liabilities in fund-based plans	-215	-239
Unrecognised estimate deviations (possible actuarial gains and losses)	0	0
Net pension liabilities/assets in the balance sheet	- 215	- 239

Pension costs for the period

Accrued defined benefit-based pensions	5	5
Interest costs on pension liabilities	19	17
Expected return on pension assets	-25	-23
Estimate deviations recognised in the period	0	0
Effect of changed pension plan	0	0
Net defined benefit-based pension costs without employer's NI contributions	-1	-1
Accrued employer's NI contributions	4	3
Net defined benefit-based pension costs recognised through profit or loss	3	2
Curtailment/settlement	0	0
Other pension costs (contribution pension scheme and early retirement pension)	43	35
Total pension costs including employer's NI Insurance contribution	46	37

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

Net pension liabilities in the balance sheet as of 01.01	-239	-256
Correction against equity OB	0	0
Correction against equity CB	49	33
Net defined benefit-based pension costs recognised through profit or loss	3	2
Curtailment/settlement	0	0
Paid directly from operations	0	0
Receipts - pension premiums defined benefit-based plans	-28	-19
Net pension liabilities/assets in the balance sheet	-215	-240
Other pension liabilities (early retirement pensions)	36	34
Net total pension liabilities	-179	-206

Note 16 Classification of financial instruments stated at fair value

Financial instruments at fair value are classified at different levels:

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

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

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

Group

(Amounts in NOK million)

	Level 1	Level 2	Level 3	Total
Assets at 31.12.19				
Loans to customers with fixed rate			8 591	8 591
Loans to customers for sale			4 137	4 137
Shares	185	58	548	791
Bonds	10 903	4 934		15 837
Financial derivatives		1 110		1 110
Total assets	11 088	6 102	13 276	30 466

Liabilities at 31.12.19

Financial derivatives		763		763
Total liabilities		763		763

Assets at 31.12.18

Loans to customers with fixed rate			7 693	7 693
Loans to customers for sale			1 963	1 963
Shares	143	67	142	352
Bonds	9 545	3 014		12 560
Financial derivatives		1 653		1 653
Total assets	9 688	4 734	9 798	24 221

Liabilities at 31.12.18

Financial derivatives		874		874
Total liabilities		874		874

Changes in instruments at fair value, level 3:

(Amounts in NOK million)	Financial assets				
	Fixed-rate loans	Loans to customers with fixed rate	Shares	Bonds	Financial derivatives
Carrying amount at 31.12.18	7 693	1 963	142		
Net gains on financial instruments	- 68		317		
Additions/acquisitions	3 302	3 192	89		
Disposals		- 488	0		
Overdue loans	-2 336	- 530			
Transferred from level 1 or level 2					
Carrying amount at 31.12.19	8 591	4 137	548	0	0

Note 17 - Subsidiaries

(Amounts in NOK thousand)

	Share of Eq. %	Profit from ordinary operations before tax		Equity	
		31.12.19	31.12.18	31.12.19	31.12.18
SpareBank 1 Finans Nord-Norge AS	100	165 934	175 041	1 102 546	1 114 334
SpareBank 1 Nord-Norge Portefølje AS	100	146	- 791	10 829	12 455
EiendomsMegler 1 Nord-Norge AS	100	16 595	14 074	49 002	43 111
SpareBank 1 Regnskapshuset Nord-Norge AS	100	21 944	22 366	80 188	52 911
Nord-Norge Eiendom IV AS	0	0	- 123	0	0
Alsgården AS	0	0	398	0	0
Fredrik Langesg 20 AS	100	- 756	- 276	346 549	27 147
Total		203 863	210 689	1 589 114	1 249 958

Note 18 - Other assets

(Amount in NOK million)

Parent bank			Group	
31.12.18	31.12.19		31.12.19	31.12.18
7	6	Reposessed assets	6	7
0	0	Accrued income	50	47
226	199	Overfunding of pension liabilities	215	240
37	162	Dividends receivable from subsidiaries		
35	57	Prepayments	72	70
123	212	Other assets 1)	283	198
428	636	Total other assets	626	562

1) Of which 75 NOK million is capital contribution to the SpareBank 1 Nord-Norge Pension Fund

Note 19 - Other liabilities

(Amounts in NOK million)

Parent bank			Group	
31.12.18	31.12.19		31.12.19	31.12.18
883	1 194	Other liabilities	1 425	982
96	198	Costs incurred	498	395
36	38	Provisioning against incurred liabilities and costs 1)	77	63
1 015	1 430	Total other liabilities	2 000	1 440
35	38	1) Of which off balance loss provision	38	35
		Specification of other liabilities:		
	266	Lease liabilities IFRS 16 2)	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	Pension liabilities (IAS 19)	34	52
117	19	Miscellaneous liabilities	54	90
883	1 194	Sum other liabilities	1425	982

2) See note 24 regarding IFRS 16

Note 20 - Deposits broken down by sector and industry

Parent Bank		Group	
(Amounts in NOK million)			
31.12.18	31.12.19	31.12.19	31.12.18
3 416	3 867	3 867	3 416
1 342	1 729	1 729	1 342
1 727	2 020	2 020	1 727
1 252	1 293	1 293	1 252
478	505	505	478
2 021	2 610	2 610	2 021
4 885	6 135	6 091	4 866
1 902	1 968	1 968	1 902
2 208	2 041	2 041	2 208
19 231	22 168	22 124	19 212
34 180	36 489	36 489	34 179
10 594	9 417	9 417	10 594
64 005	68 074	68 030	63 985

Note 21 - Securities issued and subordinated loan capital

Parent Bank and Group

(Amounts in NOK million)

Securities issued

	31.12.18	31.12.19
Certificates and other short-term borrowings		
Bond debt	25 135	24 786
Total debt securities in issue	25 135	24 786

	Statement of financial position 31.12.18	Issued 31.12.19	Matured/ redeemed 31.12.19	Exchange rate movements 31.12.19	Other adjustments 31.12.19	Statement of financial position 31.12.19
Changes in securities issued						
Certificates and other short-term borrowings						
Bond debt	25 135	4 111	-4 410	- 50		24 786
Total debt securities issued	25 135	4 111	-4 410	- 50		24 786

	31.12.18	31.12.19
Subordinated loan capital	1 200	1 050
Total subordinated loan capital	1 200	1 050

	Statement of financial position 31.12.18	Issued 31.12.19	Matured/ redeemed 31.12.19	Exchange rate movements 31.12.19	Other adjustments 31.12.19	Statement of financial position 31.12.19
Changes in subordinated loan capital						
Subordinated loan capital with definite maturities	1 200	200	- 350			1 050
Total subordinated loan capital	1 200	200	- 350			1 050

	31.12.18	31.12.19
Total Tier 1 instruments	780	780

Hybrid Tier 1 instruments

SpareBank 1 Nord-Norge has three outstanding perpetual hybrid tier 1 capital loans for NOK 350 million and NOK 180 million, and NOK 250 million respectively.

One loan issued on 4 April 2017 for NOK 350 million is subject to interest of 3-month NIBOR + 330 bp. The second loan issued on 10 October 2017 for NOK 180 million is subject to interest of 3-month NIBOR + 315 bp. The third loan issued on 29 August 2018 for NOK 250 million is subject to interest of 3-month NIBOR + 330 bp. All loans are classified as equity and presented on the line tier 1 capital instruments under equity.

This means that the interest is not presented on the line for interest costs but is recognised directly against equity. The contract terms for both hybrid tier 1 capital loans

Note 22 - Equity Certificates (ECs)

The 20 largest EC holders at

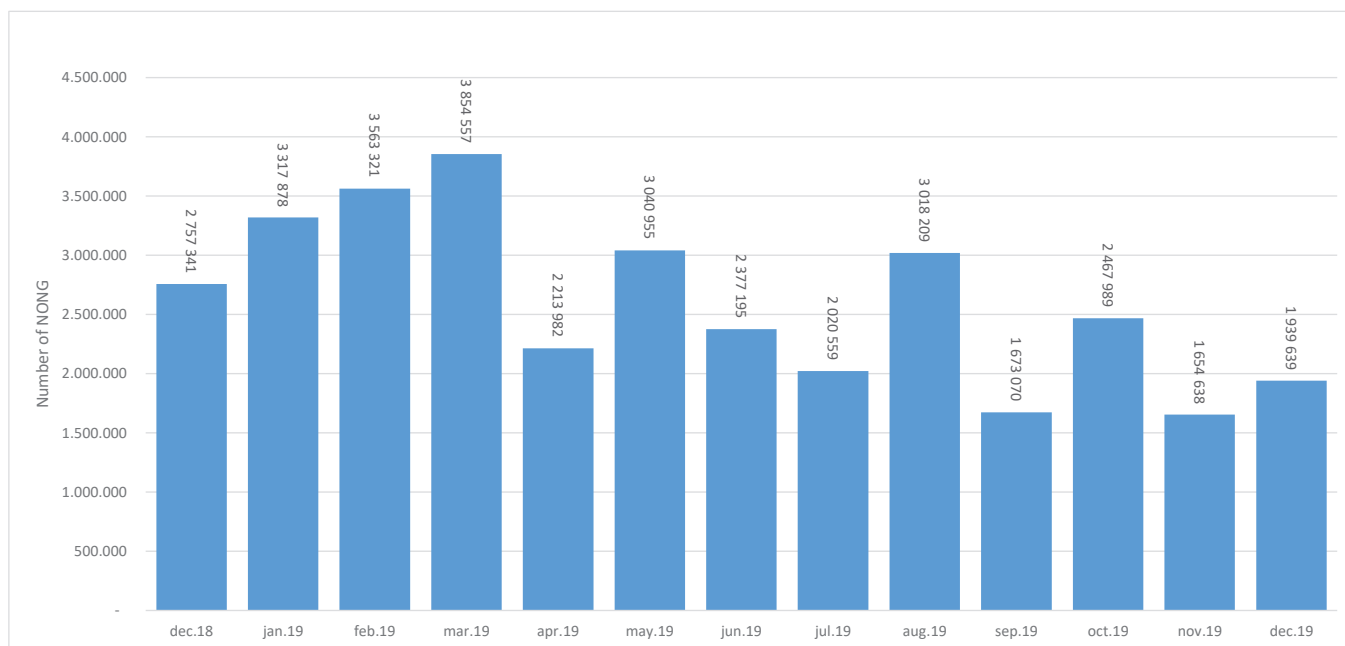
31.12.19

EC Holders	Number of ECs	Share of EC Capital
State Street Bank and Trust Comp A/C CLIENT OMNIBUS F	3.659.857	3,65%
PARETO AKSJE NORGE VERDIPAPIRFOND V/PARETO ASSET MANAGEMENT AS	3.355.715	3,34%
PARETO INVEST AS	3.025.874	3,01%
GEVERAN TRADING CO LTD	2.693.280	2,68%
FLPS - PRINC ALL SEC STOCK SUB	2.273.297	2,26%
MP PENSJON PK	2.269.322	2,26%
The Northern Trust Comp, London Br NON-TREATY ACCOUNT	2.094.748	2,09%
Morgan Stanley & Co. International MSIP Equity	1.964.238	1,96%
VPF EIKA EGENKAPITALBEVIS C/O EIKA KAPITALFORVALTNING AS	1.780.925	1,77%
METEVA AS	1.614.670	1,61%
FORSVARETS PERSONELLSERVICE	1.467.630	1,46%
SPAREBANKSTIFTELSEN SPAREBANK 1 NO	1.411.606	1,41%
Landkreditt Utbytte	1.200.000	1,20%
Citibank, N.A.	1.022.987	1,02%
Euroclear Bank S.A./N.V.	1.018.124	1,01%
J.P. Morgan Bank Luxembourg S.A. JPMBSA RECLT LUX RES LEND	1.006.239	1,00%
State Street Bank and Trust Comp A/C CLIENT OMNIBUS D	895.243	0,89%
ARCTIC FUNDS PLC BNY MELLON SA/NV	790.249	0,79%
CLEARSTREAM BANKING S.A.	756.198	0,75%
VERDIPAPIRFONDET EIKA SPAR C/O EIKA KAPITALFORVALTNING AS	630.948	0,63%
Total	34.931.150	34,79%

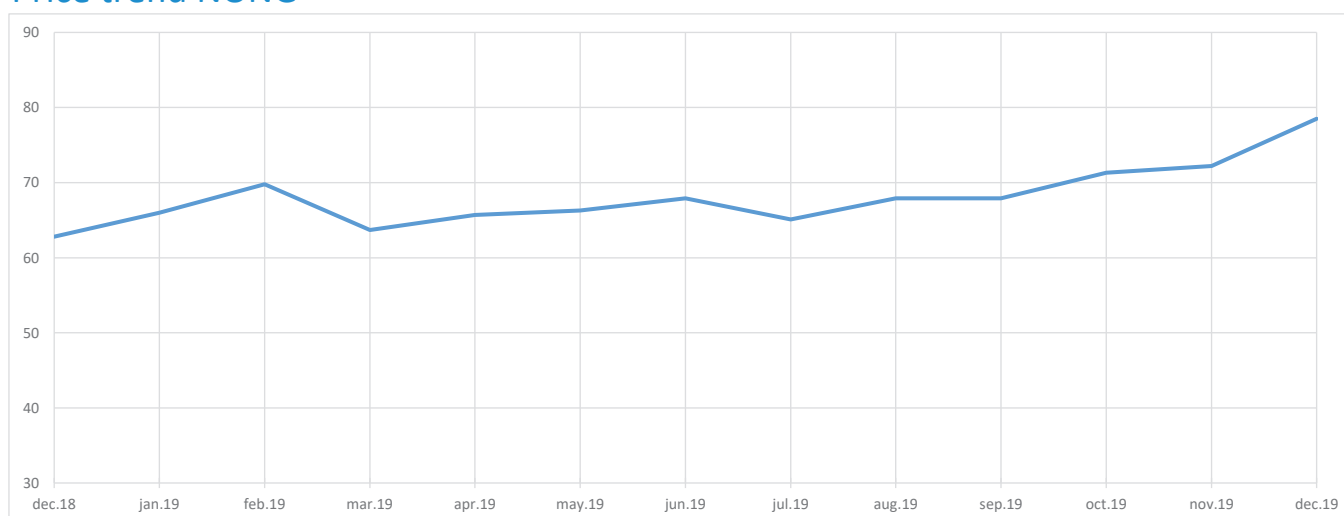
Dividend policy

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

Trading statistics



Price trend NONG



Note 23 - Events occurring after the end of the quarter

The proposed distribution of a cash dividend from the profit of the year is 552 MNOK to the equity capital certificate holders in SpareBank 1 Nord-Norge and 639 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

Note 24 - Leases

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

(Amounts in NOK million)

Parent bank			Group	
01.01.19	31.12.19		31.12.19	01.01.19
Balance sheet				
342	266	Lease liabilities	422	473
344	264	Right-of-use assets	417	475
Income statement				
	43	Depreciation	60	
	7	Interest	10	
	50	Total	70	

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 SpareBank1 Boligkreditt or SpareBank1 Næringskreditt as intermediary loans and deducted from the balance. This key figure shows the percentage of loans in this category.
Proportion of loans deducted, retail market	Measured as the percentage of loans deducted in relation to gross lending to the retail market.	Deducted portion of the retail market. The bulk of deducted loans are in the retail market segment.

Losses and non-performing loans

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

APM (Alternative Performance Measures) Group

(Amounts in NOK million)

	31.12.19	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 %

APM (Alternative Performance Measures) Group (cont.)	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 intermediary 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 %

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, 12.02.20

The Board of Directors of SpareBank 1 Nord-Norge

Karl Eirik Schjøtt-Pedersen
(Chairman)

Hans Tore Bjerås
(Deputy Chairman)

Ingvild Myhre

Kjersti Terese Stormo

Greger Mannsverk

Geir Bergvoll

Sonja Djøanne

Vivi Ann Pedersen
(employee representative)

Kjetil Berntsen
(employee representative)