



Quarterly presentation Q2 2017

Tromsø/Oslo, August 9, 2017

SpareBank 
NORD-NORGE

Interim report for 1H 2017 – Group

PRE-TAX PROFIT	NOK 831 mill (NOK 768 mill)
RETURN ON EQUITY	12.2 % (12.4 %). 2Q ISO: 13.0 %
REDUCED COSTS	- 0,5 % compared with average quarterly costs 2016 ex. restructuring costs
MODERATE LOAN LOSSES	NOK 88 mill (NOK 88 mill)
CET-1 RATIO	15.4 % (14.2 %)

Strategic measures have been effective



Core business cultivated



Streamlined and renewed staffing



Adjustment of physical presence



New digitized services and processes



New models for innovation



Ambitious market and sales measures for profitable growth

Good and profitable growth within core banking

Retail banking



Lending: + 10,8 % (7,6 %)*
Deposit: + 6.4 % (6.5 %)*
Sales other products: + 73 %**

Corporate banking



Lending: + 5,2 % (1,8 %)
Deposit: + 11.6 % (1.8 %)
Sales other products: + 40 %**

* 12 months growth

** Increased sales vs. last year

Good development within subsidiaries



EiendomsMegler 1 Nord-Norge:

Pre-tax profit NOK 10,8 mill (NOK 16,5 mill)

Market leader in North Norway

Strong synergies with the bank



SpareBank 1 Finans Nord-Norge:

Pre-tax profit NOK 51,4 mill (NOK 39,4 mill)

Considerable future potential. Complementary business to banking.



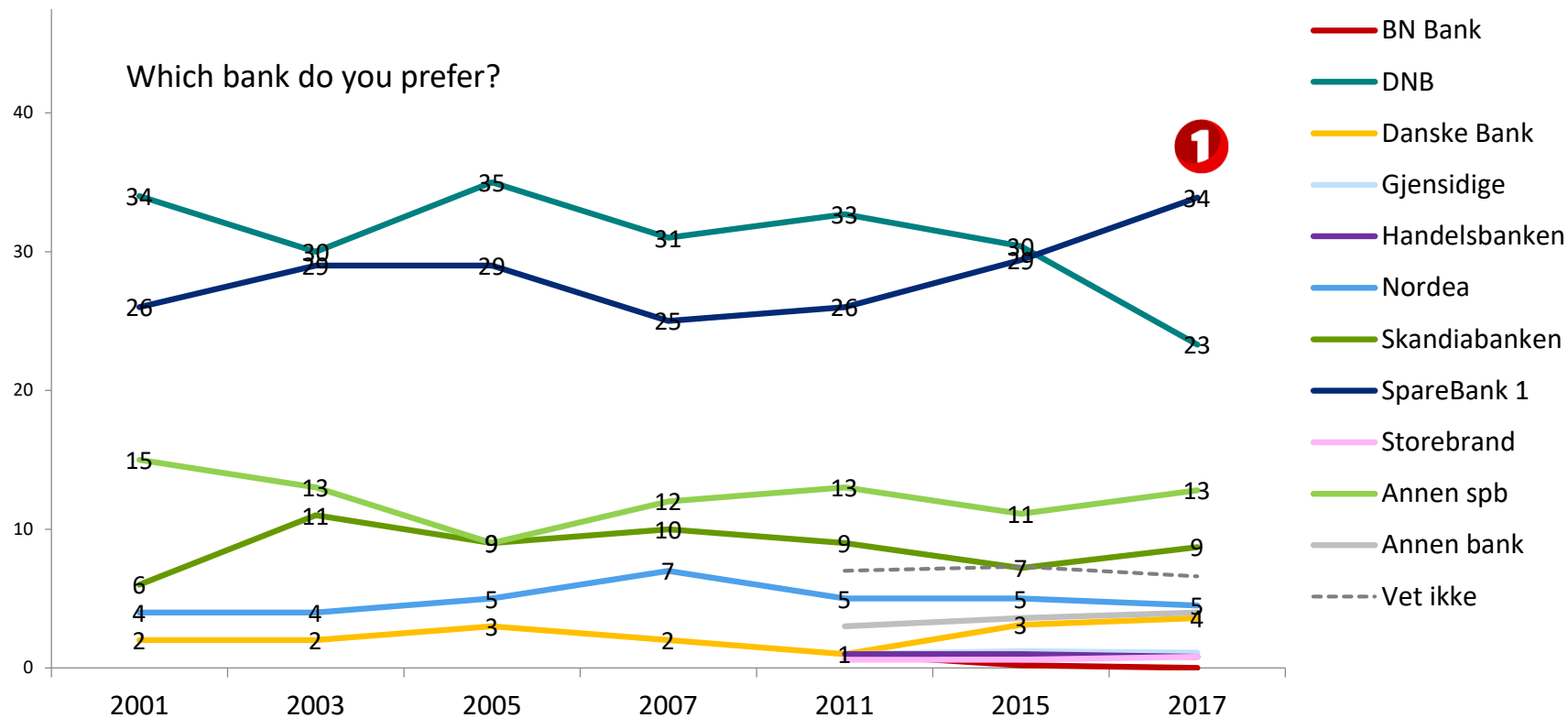
SpareBank 1 Regnskapshuset Nord-Norge:

Pre-tax profit NOK 13,4 mill (NOK 9,8 mill)

Market leader in North Norway

Consolidation, and digitalization. Strong synergies with the bank

Number 1 position in northern Norway



Strengthened position in a growth region



Higher GDP-growth compared to Norway as a whole



Relatively small oil sector. Increased estimates for oil and gas resources in the Barents sea.



Seafood export continues to grow (3.8 %). Increased prices, but lower volume for salmon. White fish has growth in volume and prices.



Regional house prices lower than the Norwegian average, but the price growth higher than the national average. Norway 6.3 % – Northern Norway approx. 6.8 %



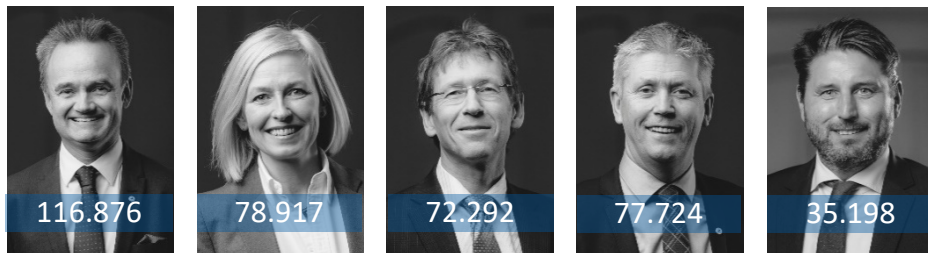
Continued growth in tourism, with 13 % increase in foreign overnight stays in the region



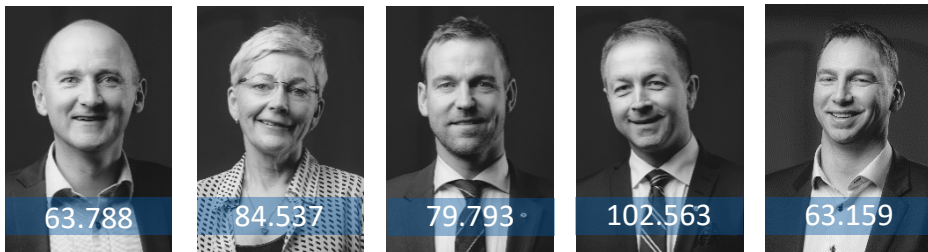
Stable, low unemployment: 2.1 % as of March 2017 (2.6 % for Norway). Shortage of skilled labor in certain areas and industries

Going forward: Prospects of moderate growth in 2017. A strengthened NOK is not positive for the regional export industry. Higher house prices with high debt growth could represent a long term risk. However, the region is less exposed compared to the national average

Broad ownership of equity certificates by management and employees



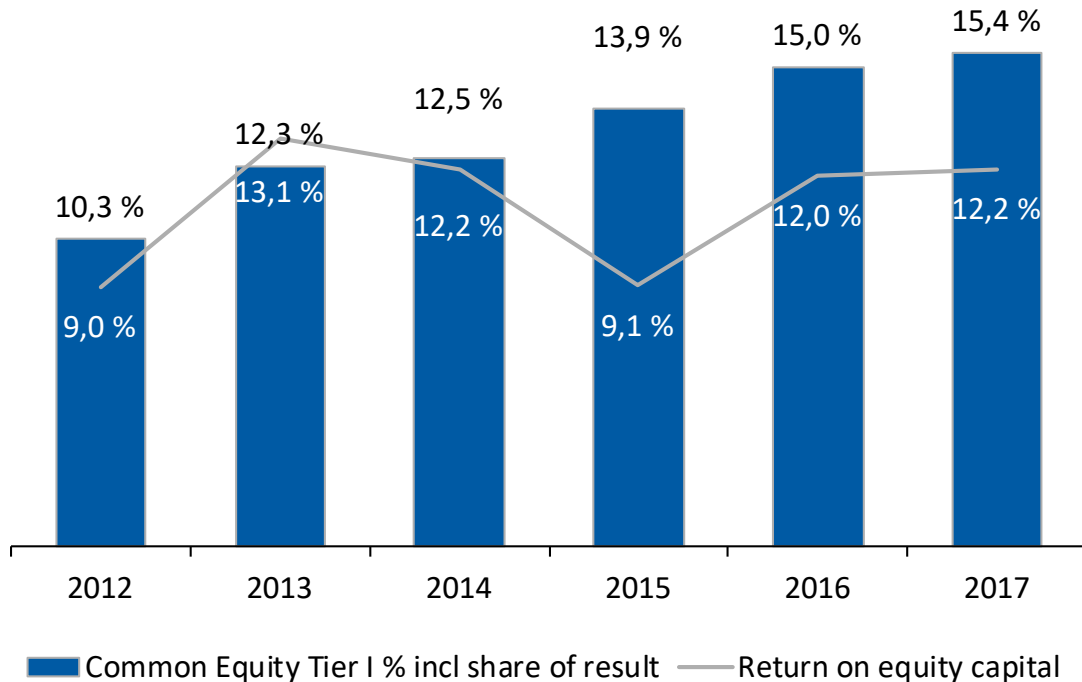
Number of EC certificates as of 31 July 2017



More than 90 %
of all employees
in The Group
owns EC certificates

Solidity is built – rate of return sustained

Return on equity / Common Equity Tier I % incl share of result

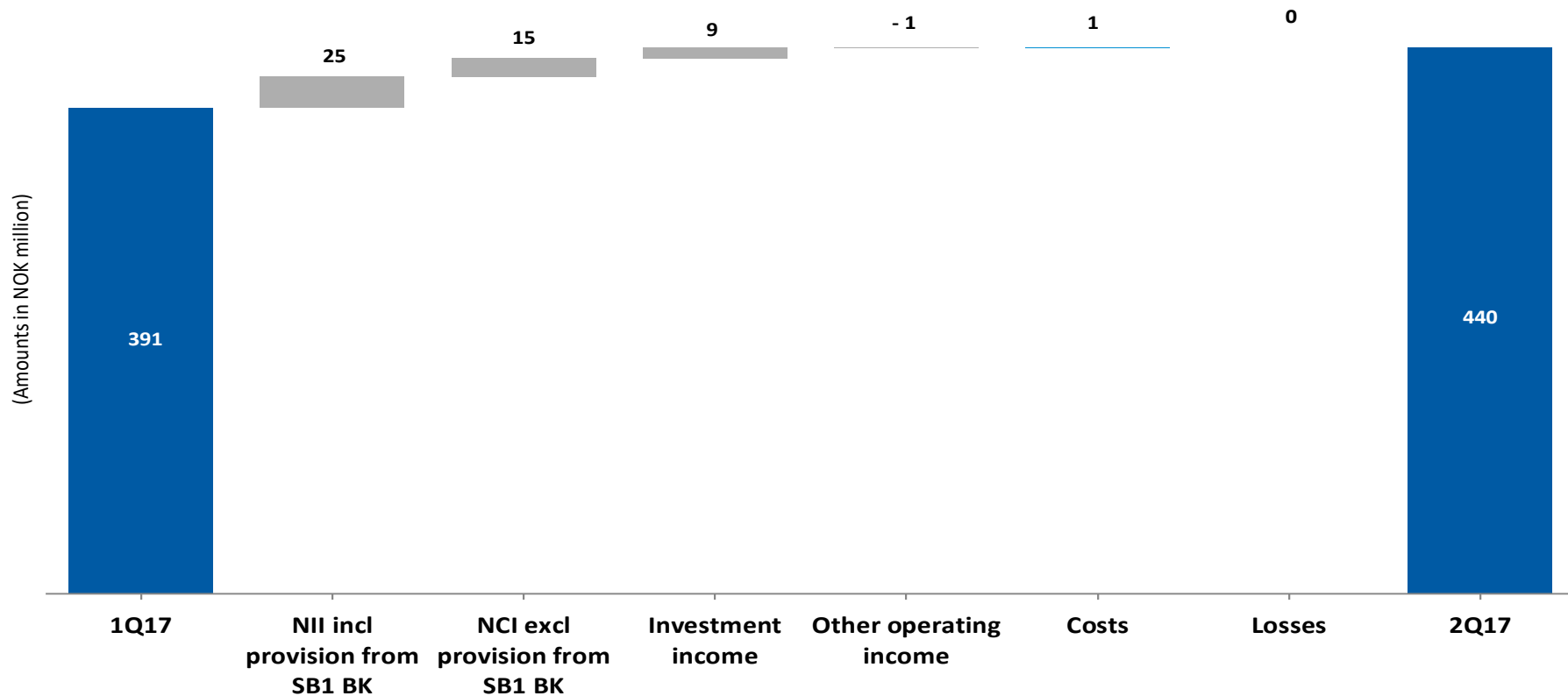


Quarterly summary – Profit and loss account figures

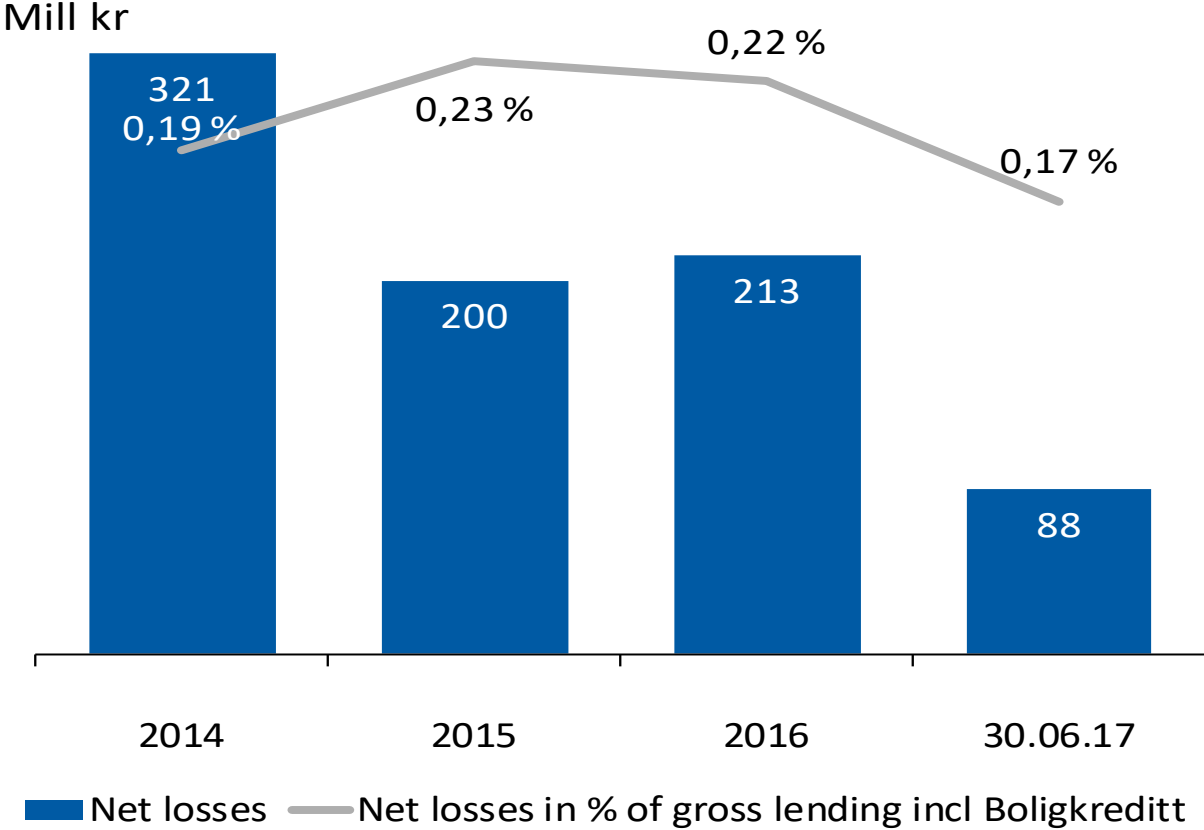
(Amounts in NOK million)

	2Q17	1Q17	4Q16	3Q16	2Q16
Net interest income	437	422	434	423	401
Net fee-, commission and other operating income	248	224	234	228	249
Net income from financial investments	124	115	116	157	156
Total net income	809	761	784	808	806
Total costs	325	326	375	316	318
Result before losses and write-downs	484	435	409	492	488
Net losses and write-downs	44	44	64	61	64
Result before tax	440	391	345	431	424
Return on equity capital	13,0 %	11,6 %	9,9 %	13,6 %	13,8 %
Cost/income	40,2 %	42,8 %	47,8 %	39,1 %	39,5 %

Changes in P & L last quarter

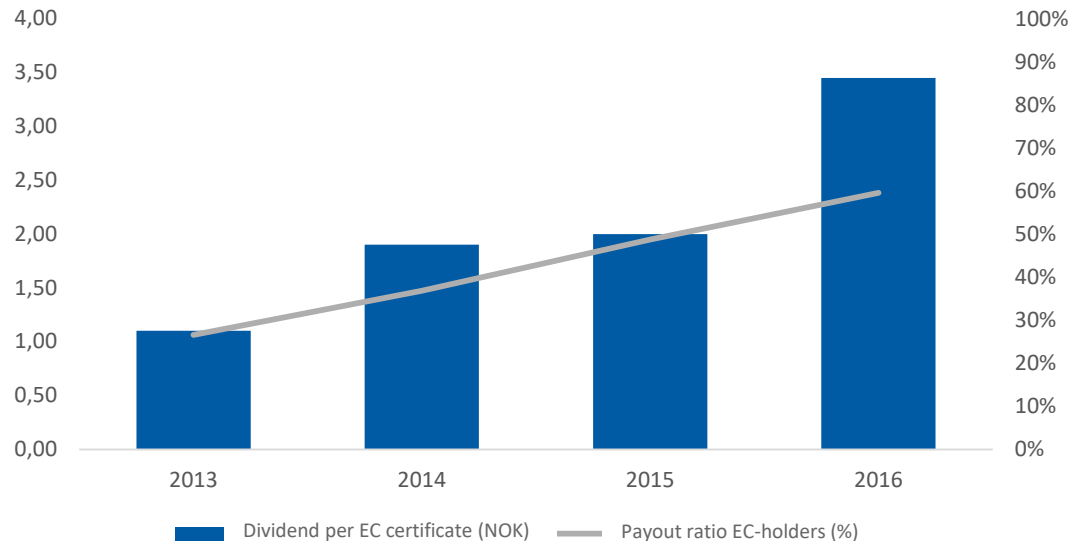


Moderate losses on loans and guarantees



Dividend: Target and historical figures

- Targeted equal treatment of ownership groups
- Limitation on dividend rate of max. 50% is removed
- Dividend payout ratio of 60% for 2016 was considered to be extraordinary high
- Future yields will depend on solidity and prospects for profitable growth



**Targeted
payout ratio;
minimum 50 %**

Financial targets and future outlook

ROE:

Top international level

CET-1 ratio:

14.5 %

Cost increase: ≤ 0 %

(ex. restructuring costs, business expansions and financial activity tax)

Dividend payout ratio:

≥ 50 %

Future prospects:

- Good growth in all product areas
- Increased net interest income. Assuming stable capital markets, reduced borrowing costs are expected to contribute positively over the next 12 months
- Continued moderate loan losses
- Capital target is achieved. Satisfactory growth capacity
- Comprehensive restructuring measures implemented. Further measures are planned

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Homepage and internet bank: www.snn.no

Equity capital certificates in general: www.egenkapitalbevis.no

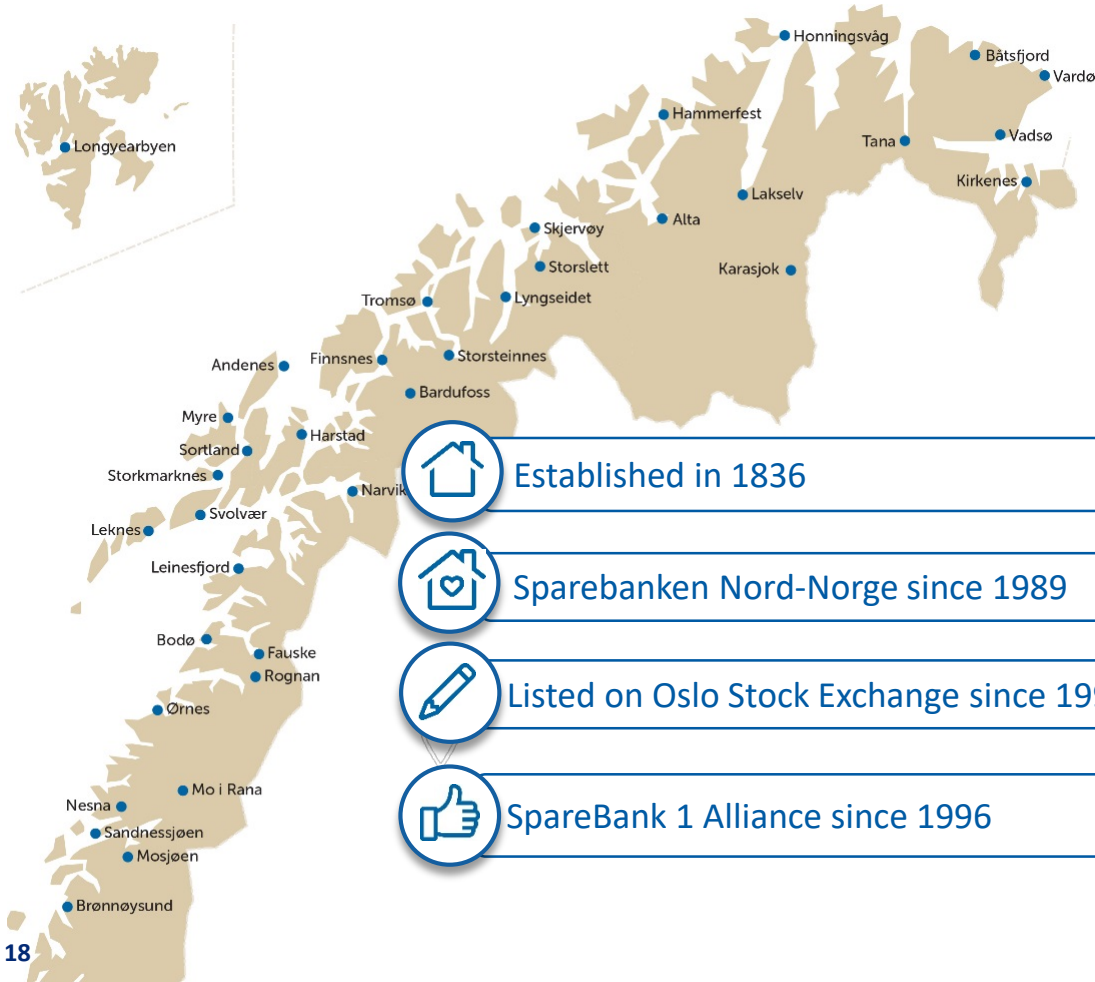




Appendix

1. About SpareBank 1 Nord-Norge
2. Main financial figures
3. Credit area
4. Liquidity
5. Macro and economic trends
6. SpareBank 1 Group and Alliance

SpareBank 1 Nord-Norge



Established in 1836



Sparebanken Nord-Norge since 1989



Listed on Oslo Stock Exchange since 1994



SpareBank 1 Alliance since 1996



354 900 retail customers



25 336 corporate customers



14 844 Clubs and associations

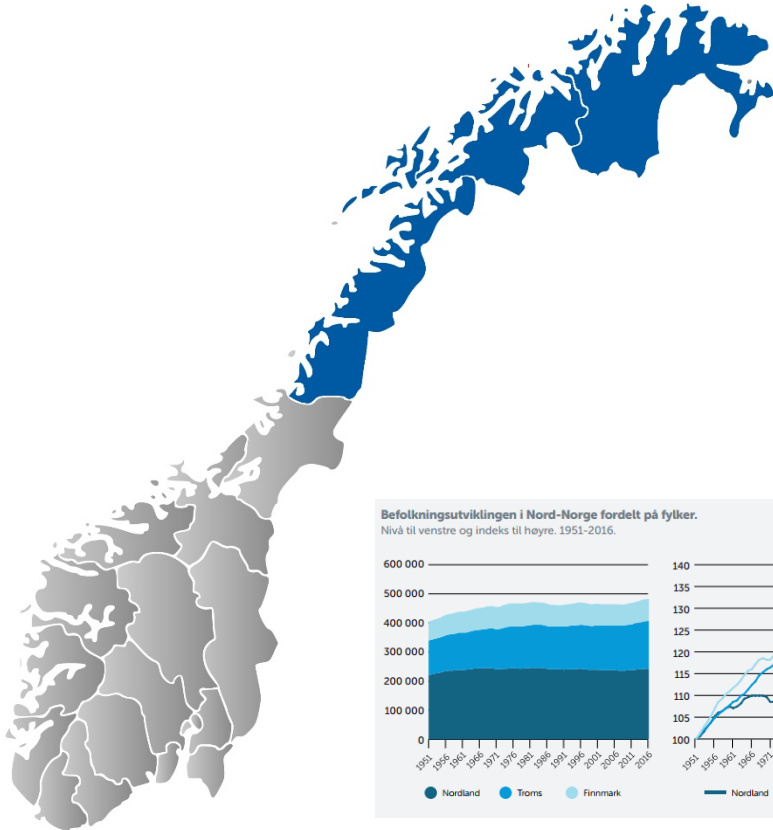


Lending volume NOK 99,9 bill



Financial group offering a complete product range

Facts about Northern Norway

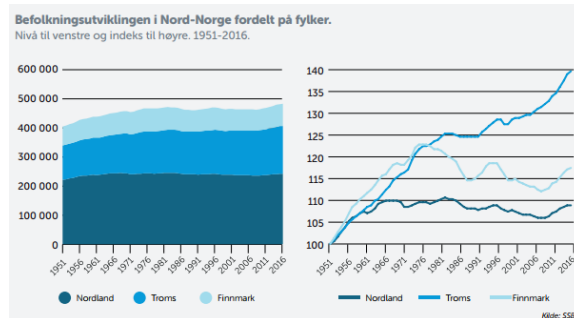


34.9% of Norway's area
3 counties, 87 municipalities

- **Nordland:** 242 866 residents
- **Troms:** 163 453 residents
- **Finnmark:** 75 605 residents

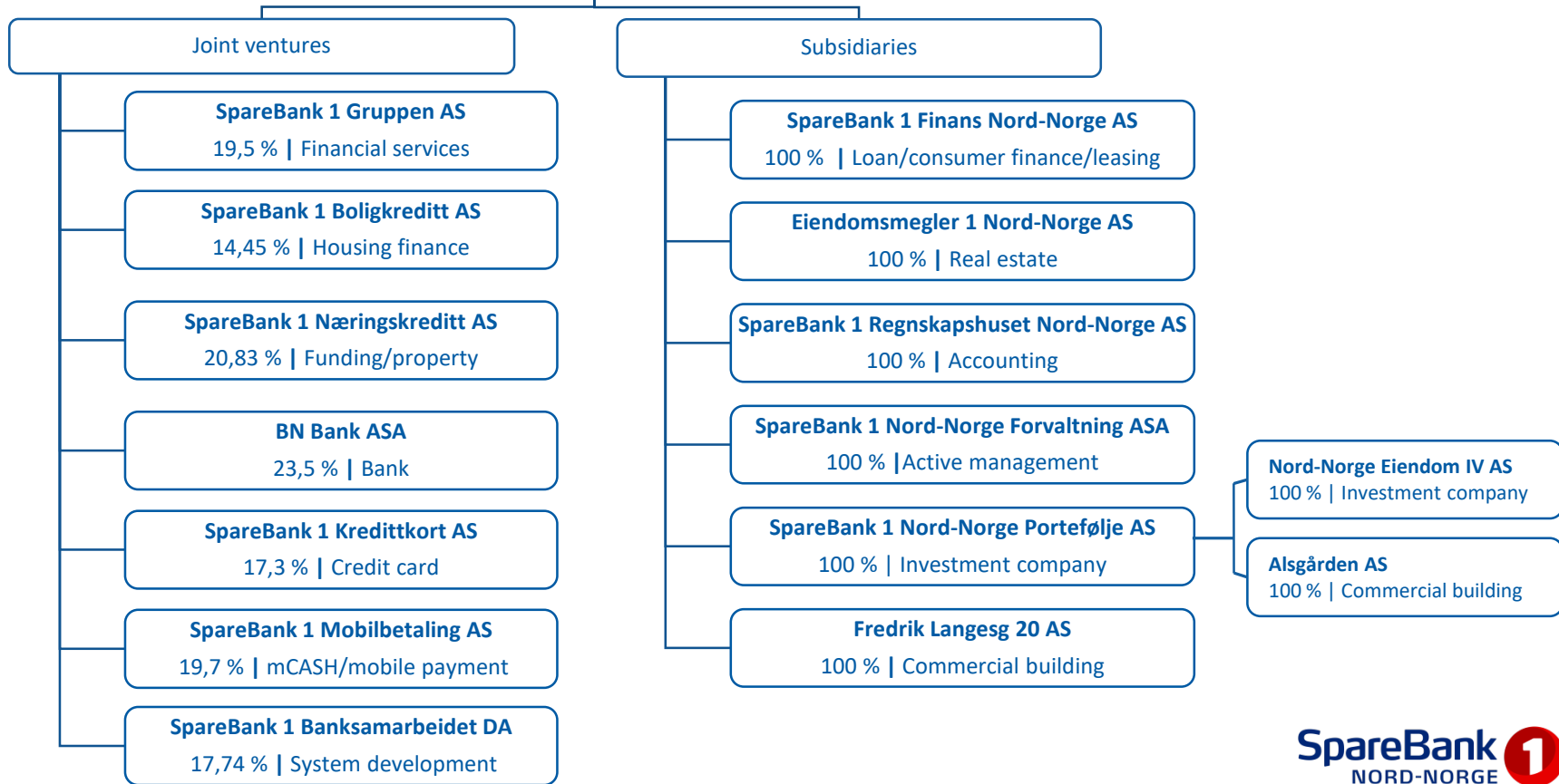
Key industries: Seafood, tourism, agriculture, industry, energy, oil

Annual economic growth 2008-2013:
Nearly one percentage point higher than Norway as a whole

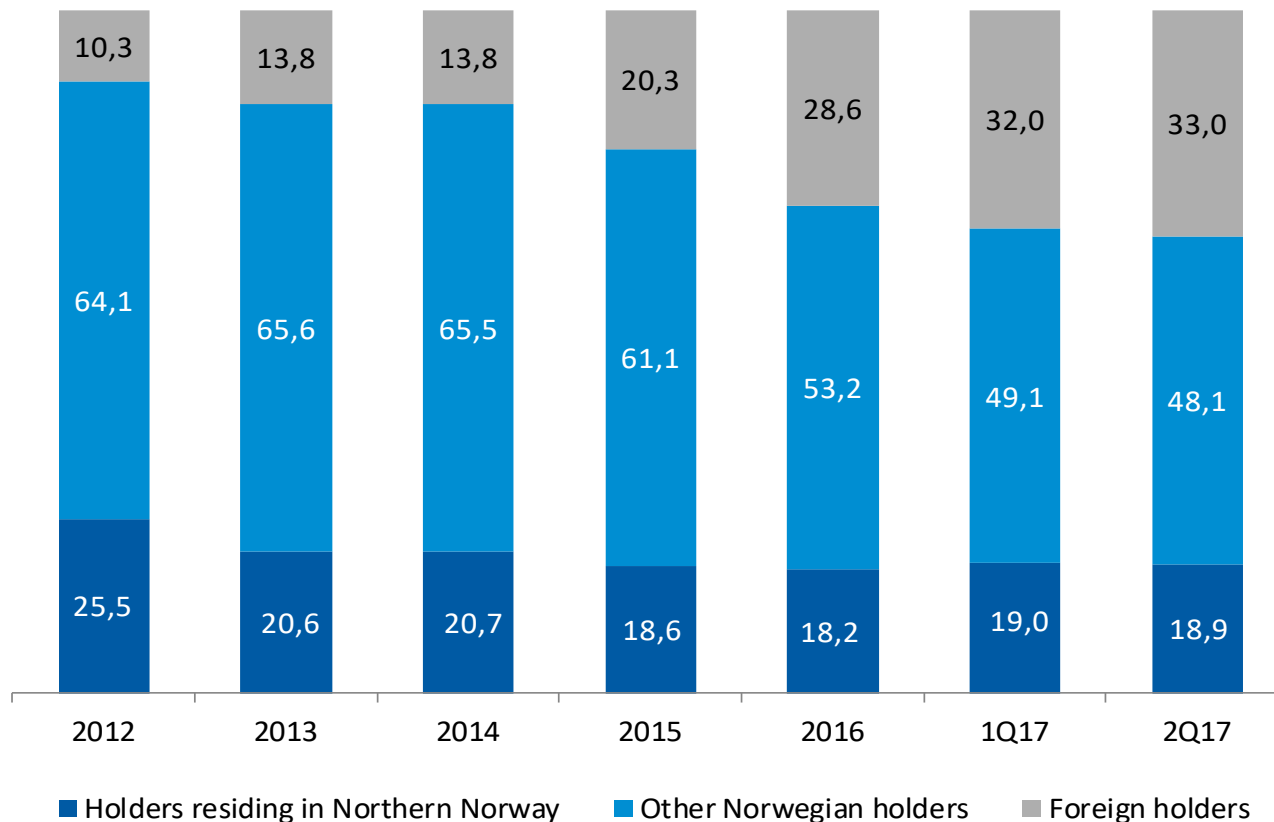


Company structure

SpareBank 1 Nord-Norge



Equity Certificates (EC) – holder structure



The 20 largest EC holders

Equity Certificate holders	Number of Equity Certificates	Share of total Equity Certificate capital
PARETO AKSJE NORGE	3.119.081	3,11 %
VERDIPAPIRFONDET DNB NORGE (IV)	2.821.219	2,81 %
MP PENSJON PK	2.697.811	2,69 %
THE NORTHERN TRUST COMP, NON-TREATY ACCOUNT	2.597.236	2,59 %
FLPS - PRINC ALL SEC	2.459.900	2,45 %
STATE STREET BANK AND TRUST A/C CLIENT OMNIBUS D	2.172.755	2,16 %
MSIP EQUITY Morgan Stanley & Co. International	2.034.412	2,03 %
METEVA AS	1.614.670	1,61 %
FORSVARETS PERSONELLSERVICE	1.561.630	1,56 %
MERRILL LYNCH PROF. MLPRO SEG FOR EXCLSVE	1.498.187	1,49 %
POPE ASSET MANAGEMENT, LLC BNY MELLON SA/NV	1.438.385	1,43 %
SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGE	1.411.606	1,41 %
VPF EIKA EGENKAPITALBEVIS C/O EIKA KAPITALFORVALTNING AS	1.027.253	1,02 %
SKANDINAVISKA ENSKILDA BANKEN AB SEB AB, UCITS V	974.366	0,97 %
PARETO AS	970.659	0,97 %
J.P. MORGAN SECURITIES PLC	776.031	0,77 %
LANDKREDITT UTBYTTE	700.000	0,70 %
STATE STREET BANK AND TRUST COMP A/C CLIENT OMNIBUS F	666.930	0,66 %
ARCTIC FUNDS PLC BNY MELLON SA/NV	641.115	0,64 %
THE NORTHERN TRUST COMP, USL NON-TREATY ACCOUNT	632.605	0,63 %
The 20 largest EC holders	31 815 851	31,69 %

The 20 largest EC holders residing in Northern Norway

Equity Certificate holders	Number of Equity Certificates	Share of total Equity Certificate capital
SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGE	1.411.606	1,41 %
KARL DITLEFSEN	547.543	0,55 %
NORGES RÅFISKLAG	423.175	0,42 %
DAHL FISKERI AS	374.883	0,37 %
ODD ERIK HANSEN INVEST AS	346.502	0,35 %
LARS WORKINN	294.180	0,29 %
SPAREBANKSTIFTELSEN HELGELAND	284.491	0,28 %
TOR OVESEN	206.556	0,21 %
OLE ALFRED ROLF OVESEN	205.554	0,20 %
GADD HOLDING AS	176.619	0,18 %
TROMSØ SKOTØIMAGASIN A/S	170.000	0,17 %
ENTREPRENØRCOMPANIET NORD AS	169.596	0,17 %
RIGAMONTI A/S	156.005	0,16 %
BRØDRENE KARLSEN HOLDING AS	119.705	0,12 %
JAN-FRODE JANSON	116.876	0,12 %
HEMMING LEONHARTH ANDERSEN	115.500	0,12 %
CHRISTIAN OVERVAAG	102.563	0,10 %
NYHAMN AS	100.000	0,10 %
COOP NORD BA	97.848	0,10 %
AS FERDIGHUS	95.765	0,10 %
The 20 largest EC holders residing in Northern Norway ¹⁾	5 514 967	5,49 %

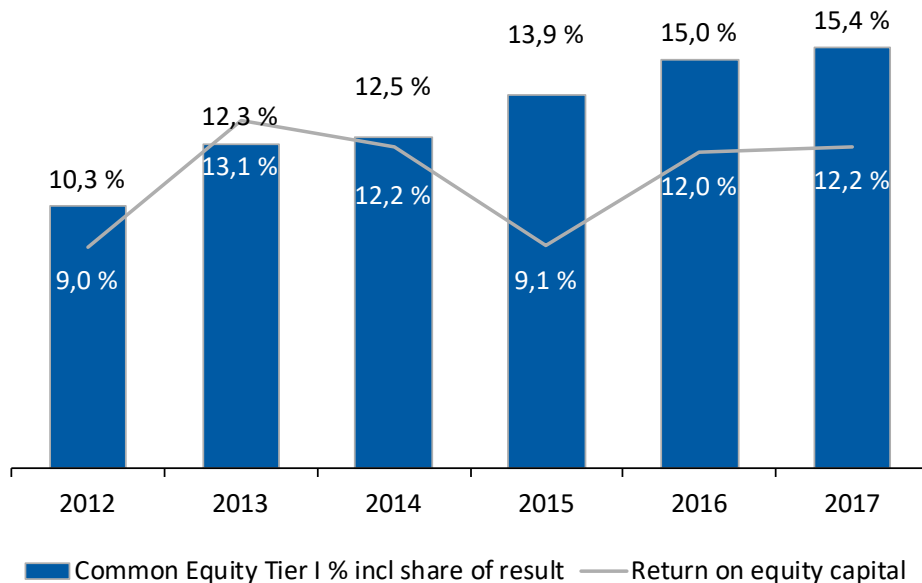
¹⁾ Postal code > 7999

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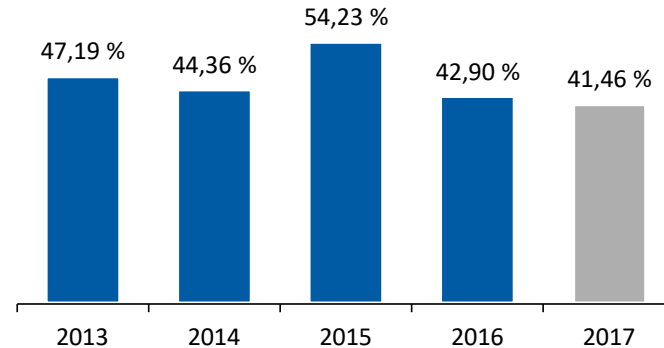
Financial figures – additional information

Key figures

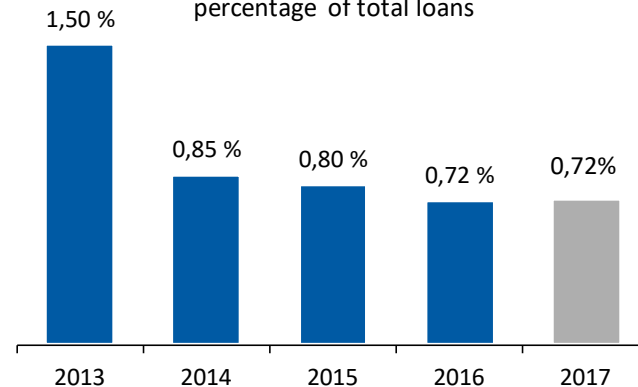
Return on equity / Common Equity Tier I % incl share of result



Cost/income ratio

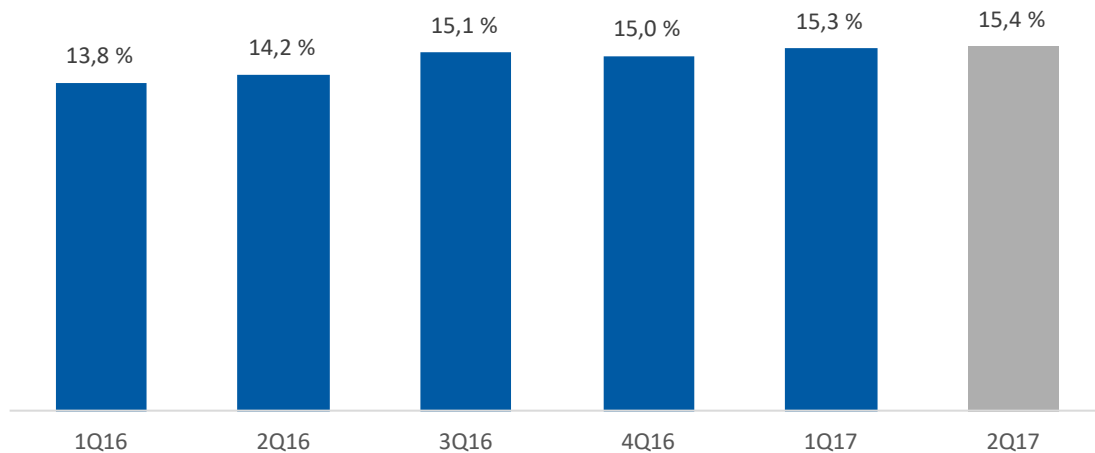


Loans in default and other problem loans as a percentage of total loans

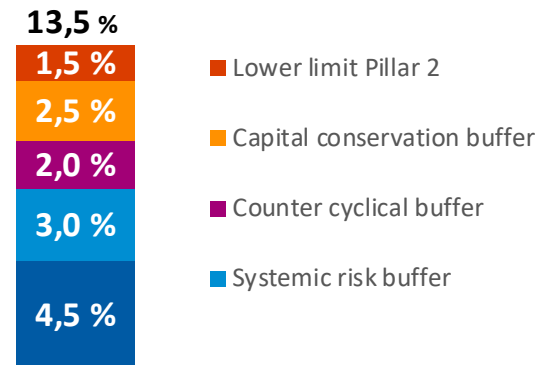


Capital adequacy ratio - Group

CET 1 incl floor



Minimum regulatory CET 1 level
31.12.17



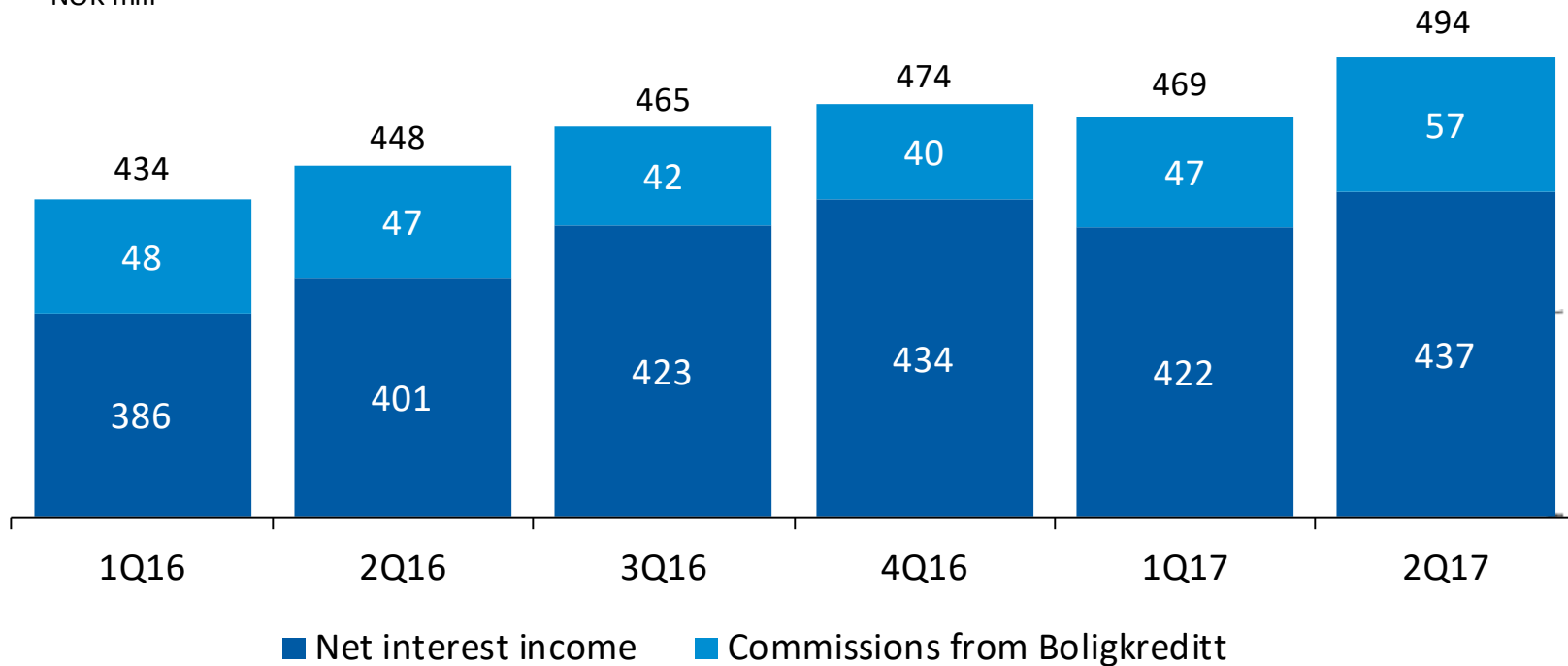
Profit and loss account - Group

(Amounts in NOK million)

	30.06.17	30.06.16	31.12.16
Net interest income	859	787	1 644
Net fee-, commision and other operating income	472	462	924
Net income from financial investments	239	236	509
Total net income	1 570	1 485	3 077
Total costs	651	629	1 320
Result before losses and write-downs	919	856	1 757
Net losses and write-downs	88	88	213
Result before tax	831	768	1 544
Tax	162	140	291
Result non-current assets held for sale	0	0	0
Minority interests	0	0	0
Result for the period	669	628	1 253
Return on equity capital	12,2 %	12,4 %	12,0 %

Net interest income - Group

NOK mill

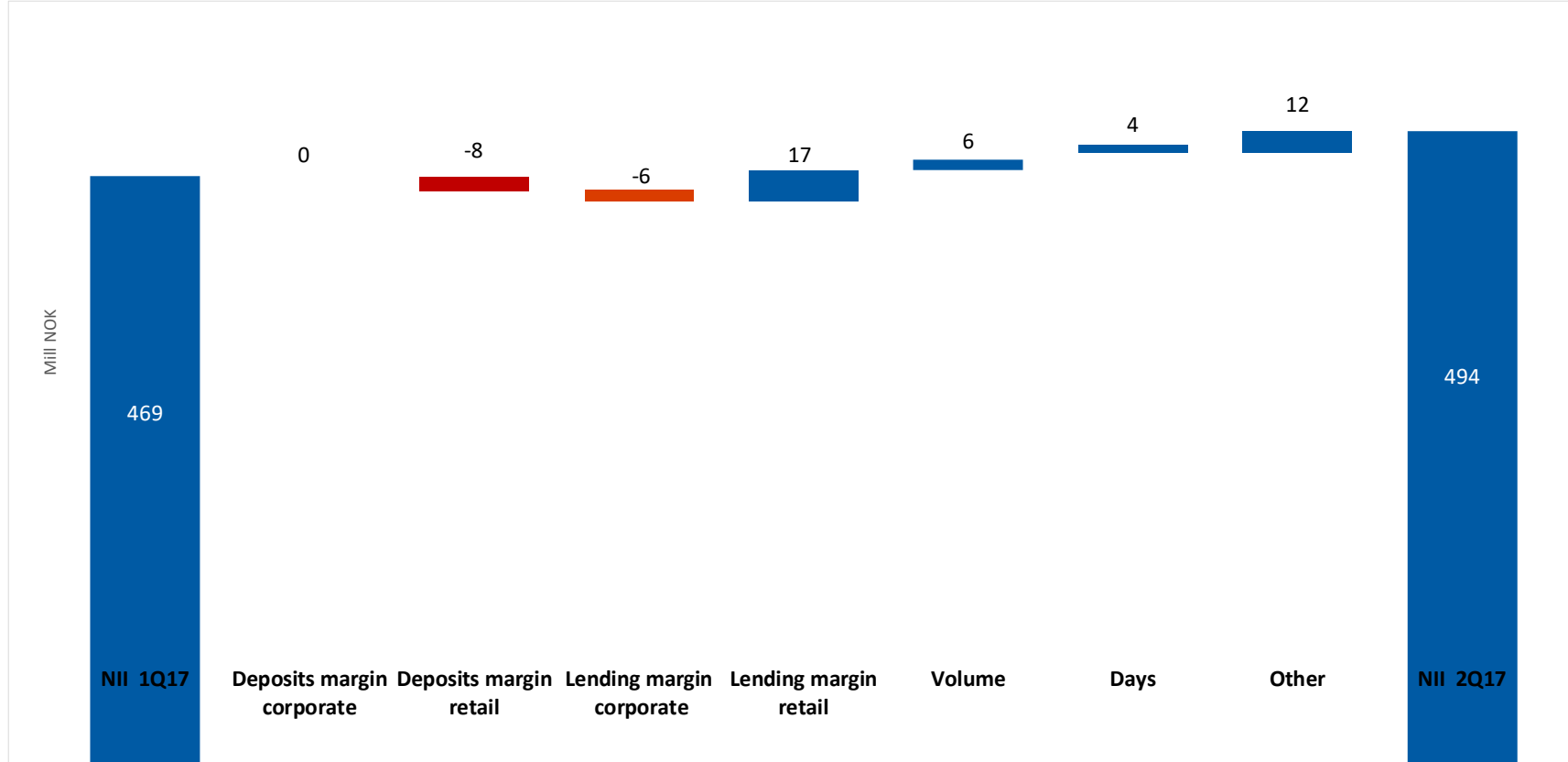


Quarterly results – net interest income

(Amounts in NOK million)

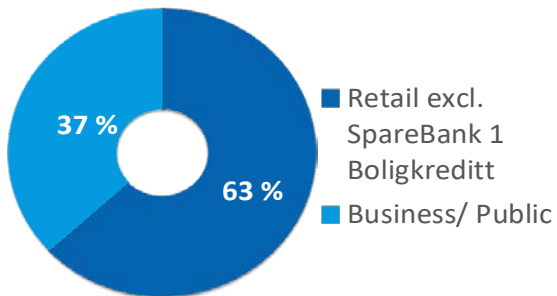
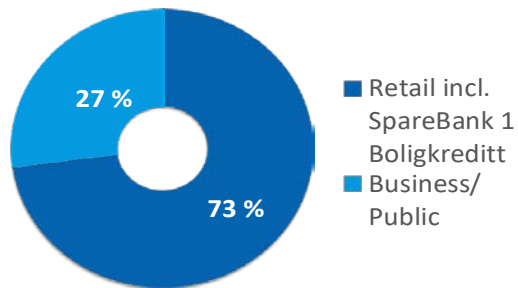
	2Q17	1Q17	4Q16	3Q16	2Q16
Interest and similar income from loans to and claims on credit institutions	2	2	-2	4	2
Interest and similar income from loans to and claims on customers	602	600	616	593	584
Interest and similar income from certificates, bonds and other interest-bearing securities	36	43	39	44	45
Interest and similiar income	641	645	653	641	631
Interest and similar costs on liabilities to credit institutions	15	17	13	20	14
Interest and similar costs relating to deposits from and liabilities to customers	89	95	97	91	100
Interest and similar costs related to the issuance of securities	80	88	84	84	92
Interest and similar costs on subordinated loan capital	10	14	15	14	14
Payments made to The Norwegian Banks' Guarantee Fund	10	9	10	9	10
Total interest costs	204	223	219	218	230
Net interest income	437	422	434	423	401

Changes in net interest income

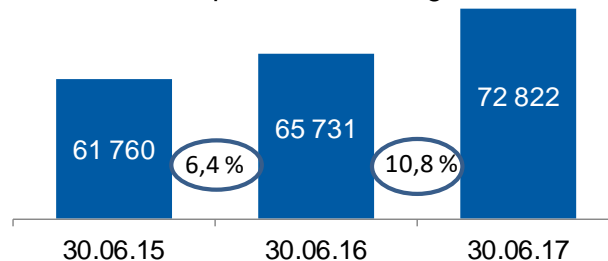


Including commissions from Boligkreditt. Measured against average funding cost

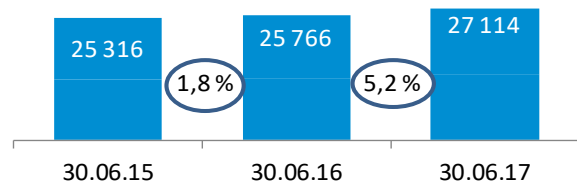
Profitable lending growth



Retail incl. SpareBank 1 Boligkreditt

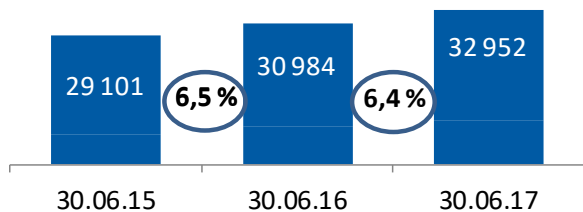


Business/public market

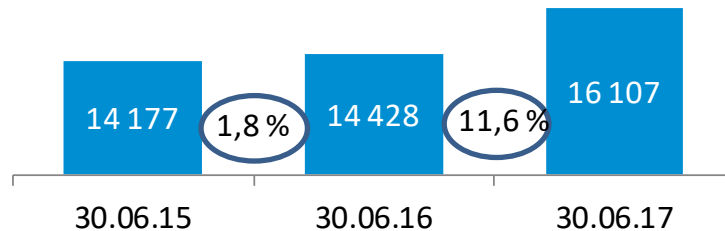


...and good growth in deposits

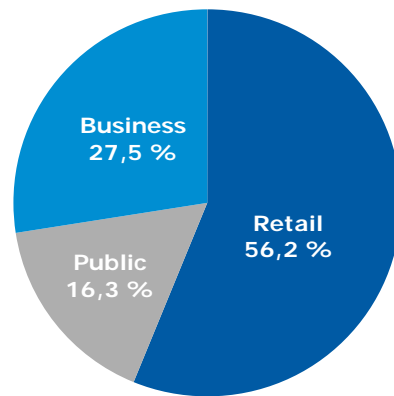
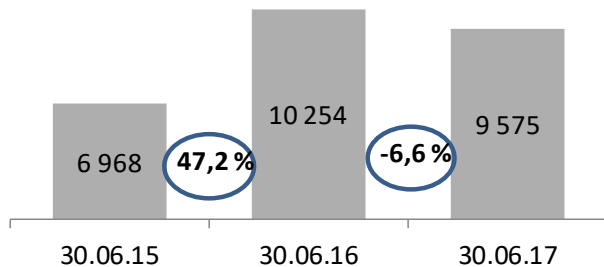
Retail banking market



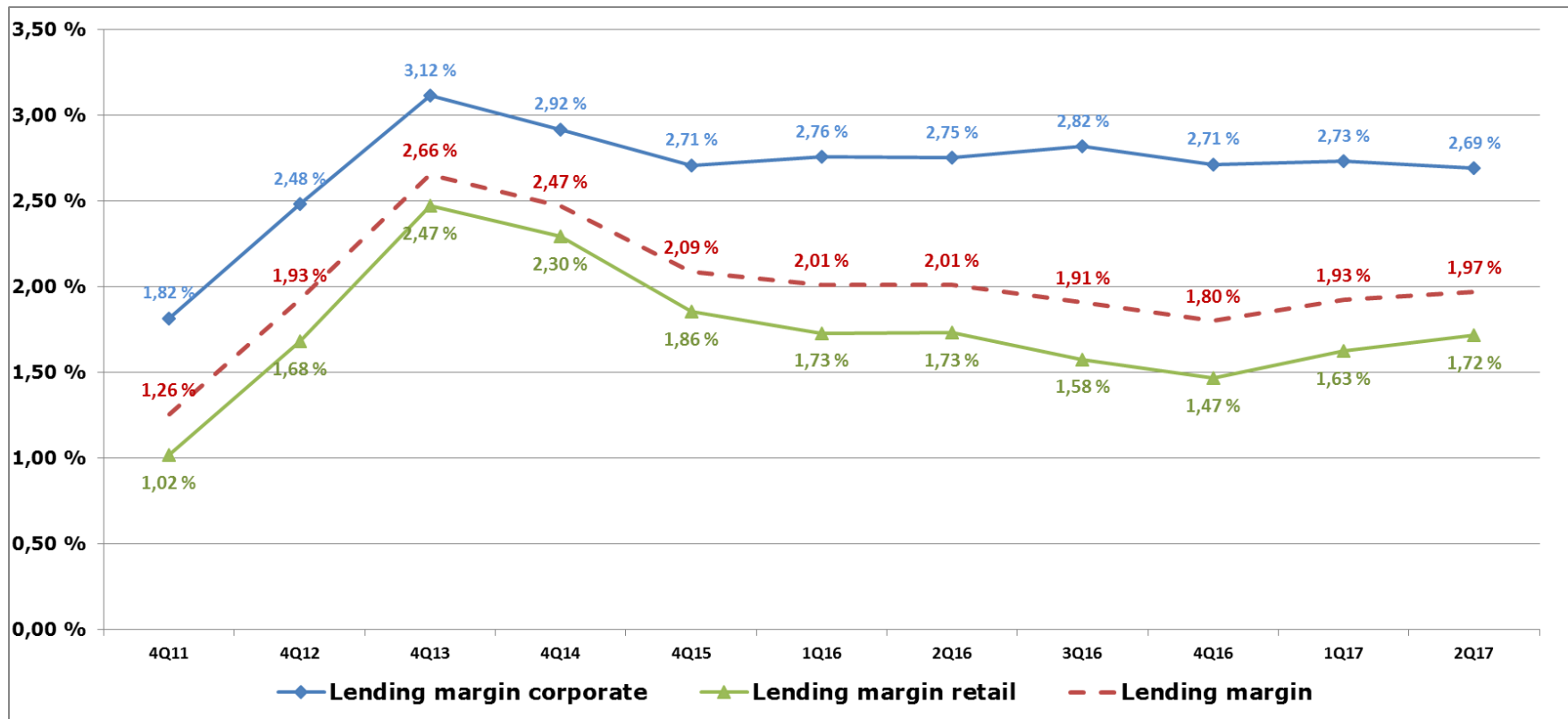
Business



Public

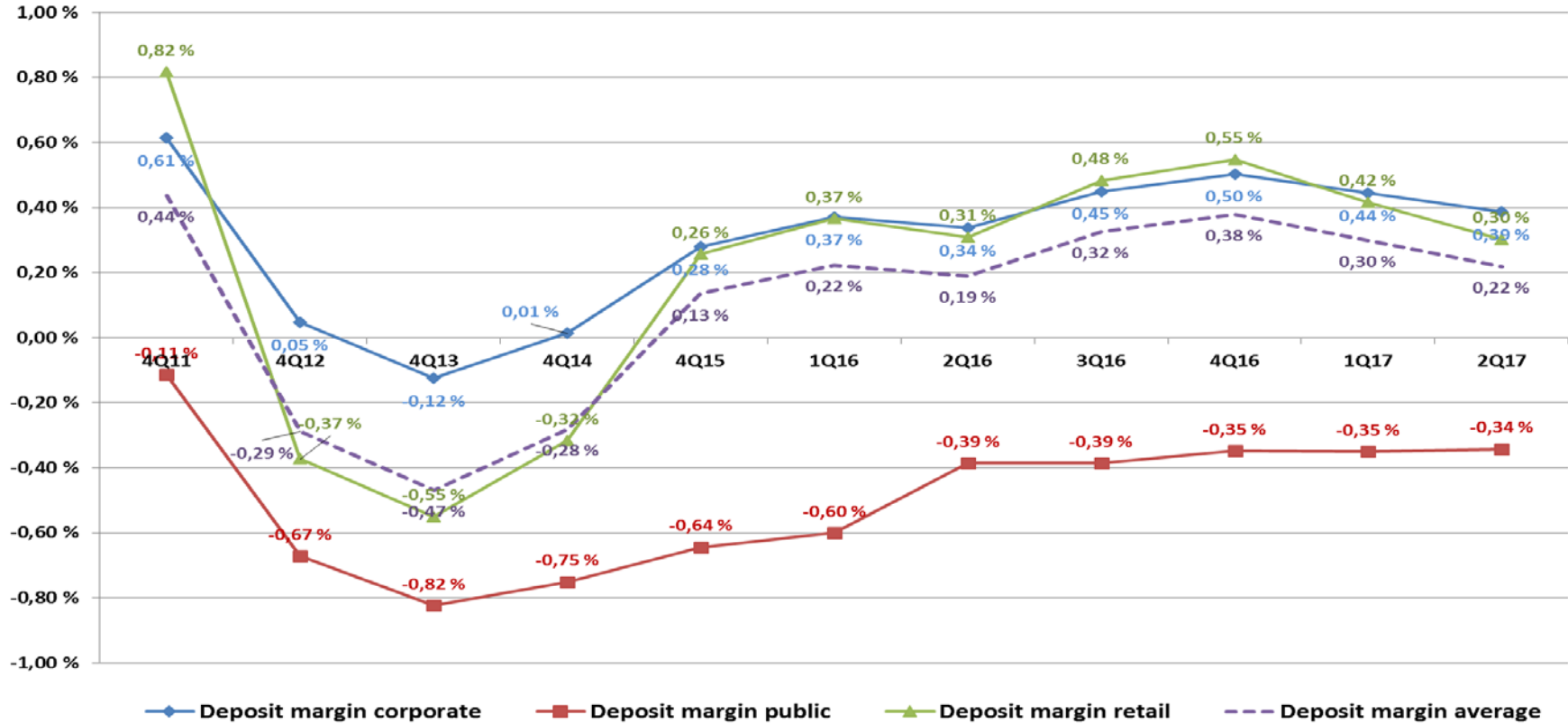


Lending margin, Parent bank



The interest margin is defined as the difference between the customer lending interest rate and average 3 month NIBOR

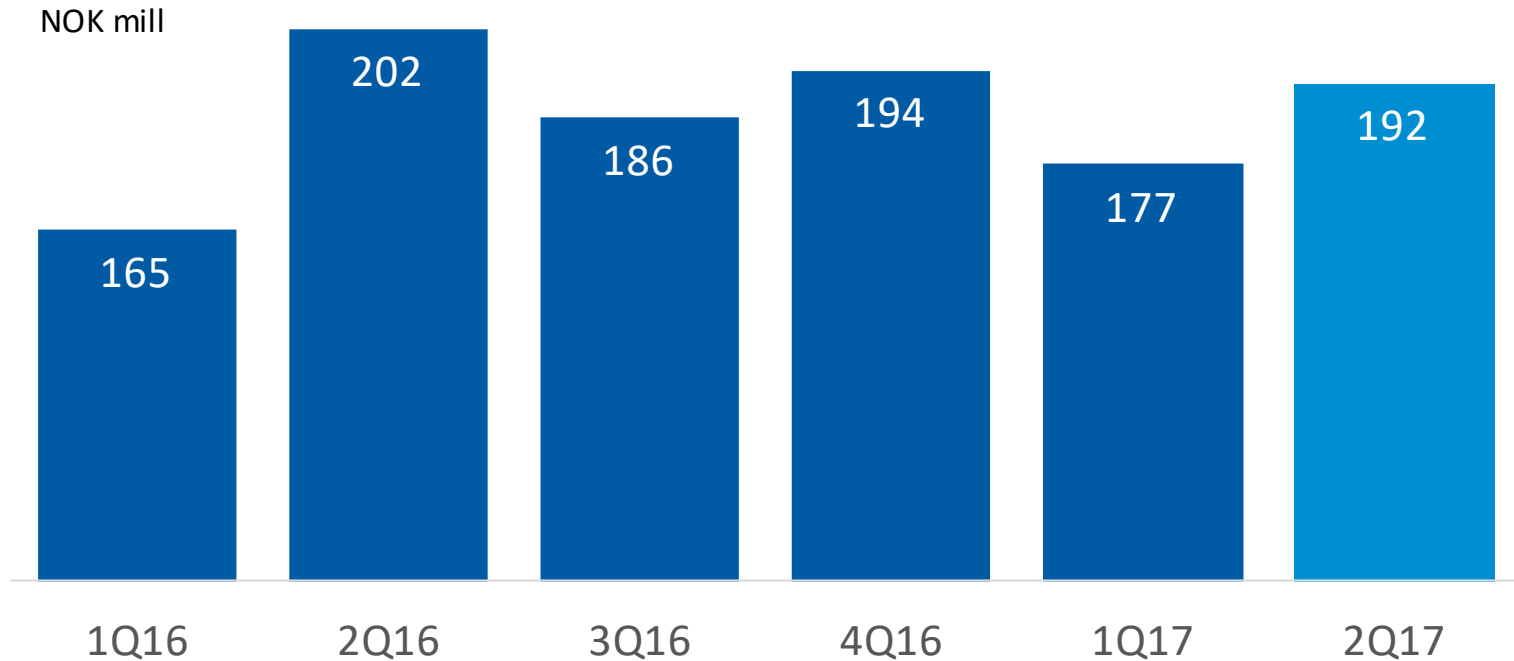
Deposit margin, parent bank



The interest margin is defined as the difference between average 3 month NIBOR and the customer deposit interest rate

Net fee-, commission- and other operating income

(excl. income from loans transferred to Boligkreditt)



Net fee- and other operating income

	2Q17	1Q17	4Q16	3Q16	2Q16
(Amounts in NOK million)					
Payment facilities	64	63	63	76	63
Insurance products	42	41	44	37	37
Guarantee commissions	4	4	4	5	5
Real estate broking	34	26	33	35	39
Portefolio commission	12	14	13	12	11
Other commissions	22	16	16	21	24
Commissions excl. Boligkreditt	178	164	173	186	179
Commission income SB1 Boligkreditt	57	47	40	42	47
Total commision income	235	211	213	228	226
Commission costs	20	21	22	22	22
Accounting services	30	32	33	20	23
Other income	4	2	10	2	22
Total other income	34	34	43	22	45
Total commission- and other income	249	224	234	228	249

Income from financial investments

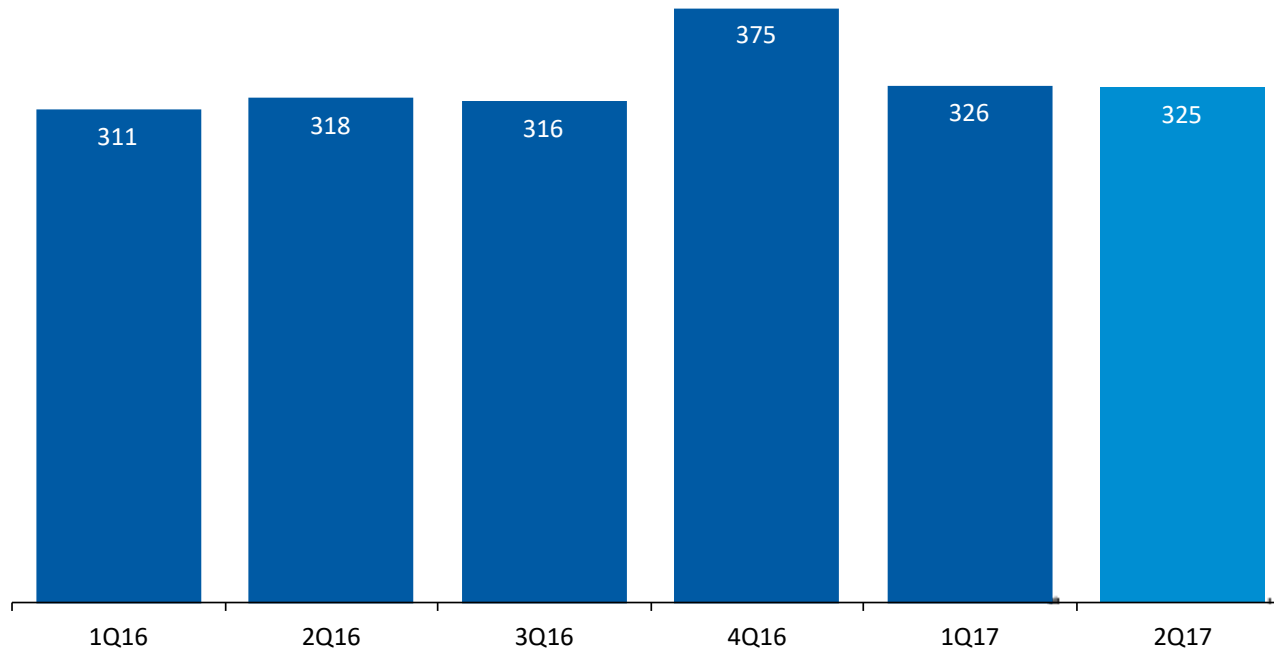
(Amounts in NOK million)

	2Q17	1Q17	4Q16	3Q16
Dividends	4	0	1	0
Income from joint ventures	78	65	76	94
Gains/losses and net value changes on shares	38	13	14	20
Net value changes on bonds, foreign exchange and fin.derivatives	4	35	26	46
Gains/losses and net value changes on loans	0	2	-1	-3
Income from financial investments	124	115	116	157

Group operating costs

NOK mill.

Total costs



Group operating costs

(Amounts in NOK million)

	30.06.17	30.06.16	Change
Wages and salaries	259	265	- 6
Pension costs	26	17	9
Social costs	56	42	14
Total personnel costs	341	324	17
Administration costs	192	191	1
Total personnel- and general administration costs	533	515	18
Depreciation and write-downs of fixed assets	31	30	1
Operating costs buildings	11	13	- 2
Other operating costs	76	71	5
Total operating costs	118	114	4
Total costs	651	629	22

Operating expenses

(Amounts in NOK million)	2Q17	1Q17	4Q16	3Q16	2Q16
Wages and salaries	127	133	136	139	133
Pension costs	14	12	24	12	10
Social costs	28	27	35	19	19
Total personnel costs	169	172	195	170	161
Development costs	31	32	25	31	31
Electronic data processing costs	19	19	18	19	19
Marketing costs	17	15	23	14	19
Travel - and training costs	9	9	8	4	9
Communication- and office costs	6	8	9	6	7
Consultancy services	12	12	14	9	9
Ordinary depreciation	16	15	15	15	16
Operating costs - premises/buildings	7	5	16	8	6
Other operating costs incl rent	39	39	51	39	41
Other costs	156	154	180	146	157
Total operating expenses	325	326	375	316	318

Core banking operations- (excl. income from financial investments)

Group

(Amounts in NOK million)

	2Q17	1Q17	4Q16	3Q16	2Q16
Net interest income	437	422	434	423	401
Net fee- and commission income	215	190	191	206	204
Other operating income	33	34	43	22	45
Total costs excl restructuring and financial activity costs	320	321	343	316	318
Underlying banking operations	365	325	325	335	332
Restructuring and financial activity costs	5	5	32	0	0
Net losses and write-downs	44	44	64	61	64
Underlying banking operations after losses	316	276	229	274	268

Group companies result before tax

(Amounts in NOK 1000)	30.06.17	30.06.16
SpareBank 1 Finans Nord-Norge AS	51 412	39 369
SpareBank 1 Regnskapshuset Nord-Norge AS	13 443	9 834
EiendomsMegler 1 Nord-Norge AS	10 819	16 502
SpareBank 1 Nord-Norge Forvaltning ASA	1 656	1 270
Subsidiaries core operations	77 330	66 975
Other subsidiaries	-1 094	-43 352
Total	76 236	23 623

Key figures balance sheet

(Amounts in NOK million)

	30.06.17	30.06.16	Change	Change %
Total assets	95 822	92 038	3 784	4,1%
Gross lending	73 471	67 861	5 610	8,3%
Loans and advances to customers incl SpareBank 1	99 936	91 497	8 439	9,2%
Deposits from customers	58 634	55 666	2 968	5,3%

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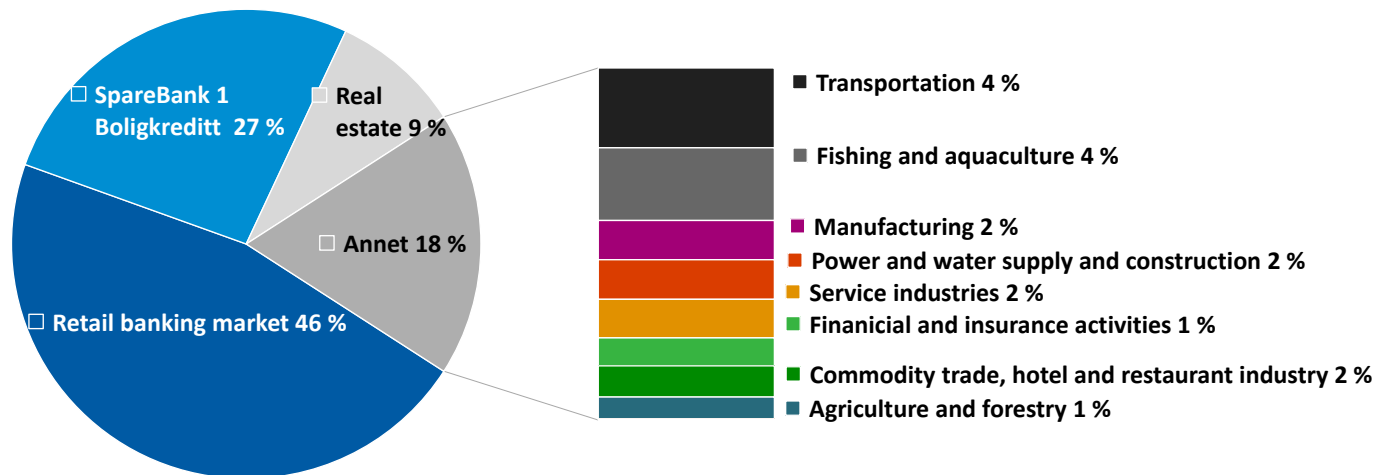
Credit area

Lending portfolio - comments

- Good growth in retail lending, with focus on commitments qualifying for SpareBank 1 Boligkreditt (covered bond company)
- Moderate growth in corporate market lending last 12 months
- The portfolio and new commitments in corporate sector lending are diversified
- Unchanged exposure in non-performing/impaired commitments
- Increased collective write-downs
- Moderate loan losses

Distribution on segments shows good diversification

Loan portfolio including Boligkreditt

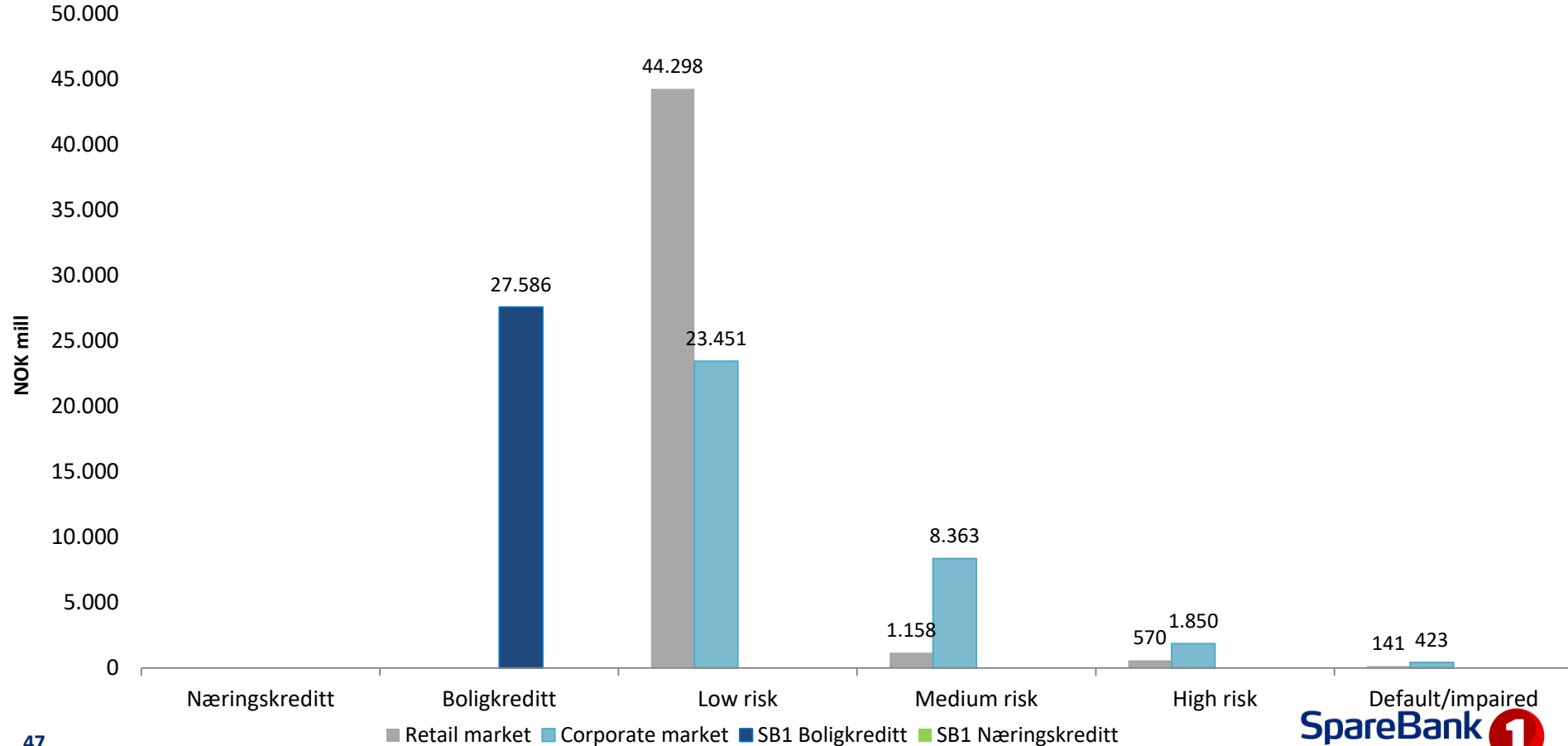


A high share of retail- and primary industry lending represent a risk mitigating factor.

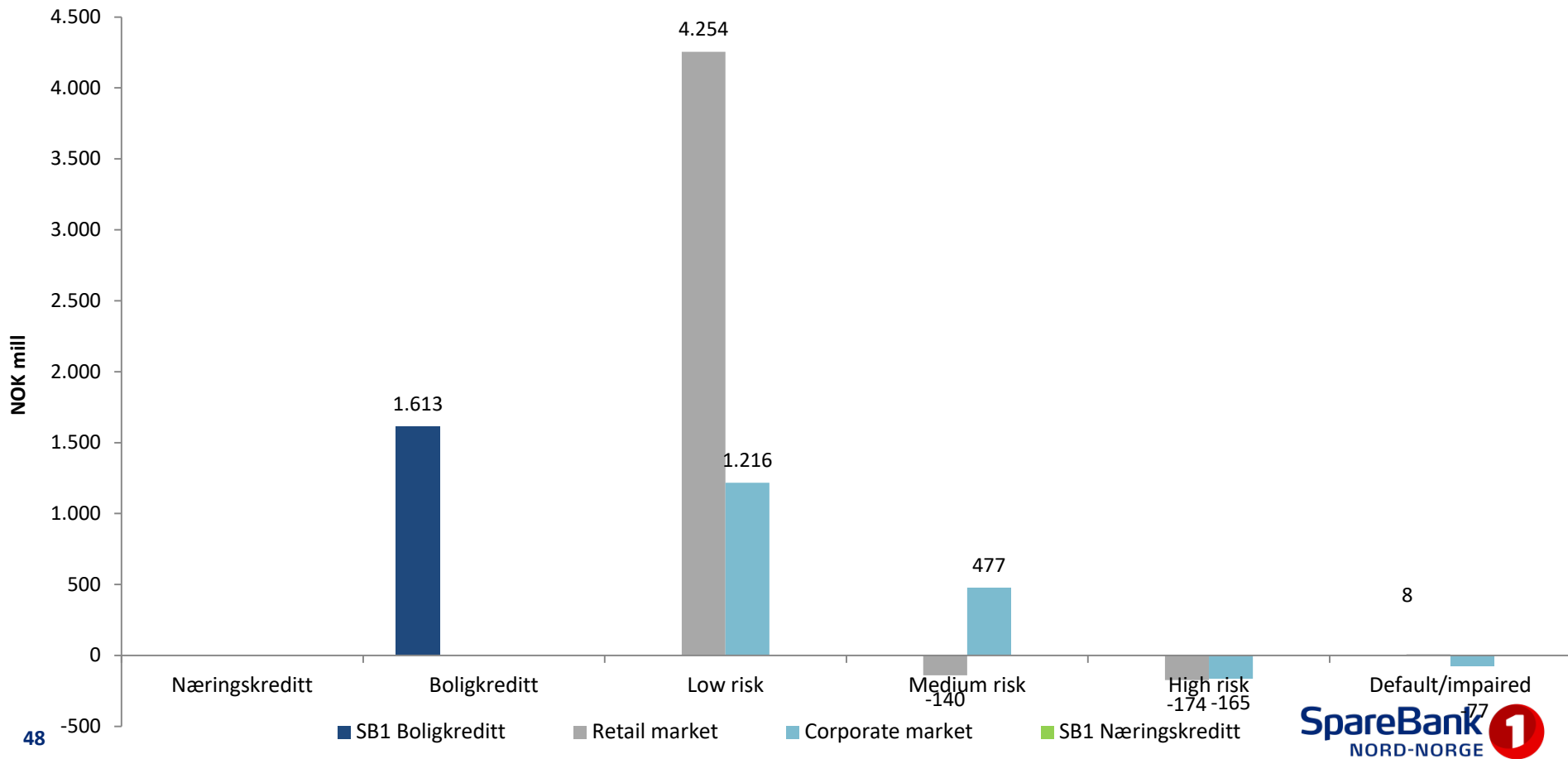
The Group has a well diversified corporate market lending portofolio.

No specific concerns related to the bank's loans to commercial property due to low interest rates and good occupancy rates in the bank's market area.

Portfolio - exposure as of 30.06.17, parent bank

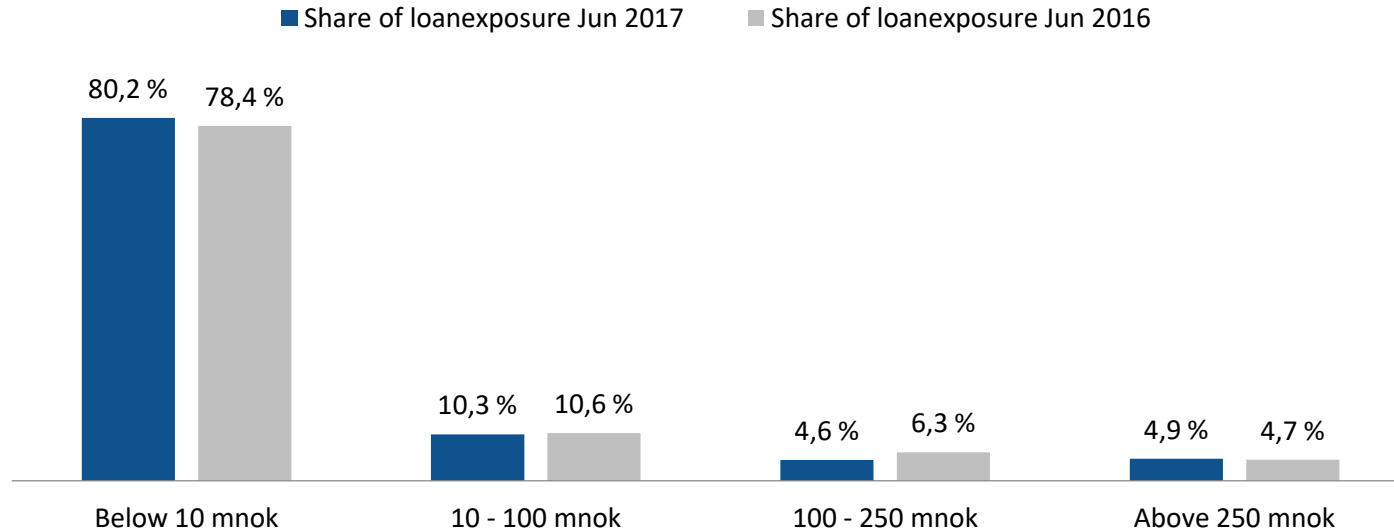


Portfolio – changes last 12 months, parent bank



Portfolio - exposure distributed by size

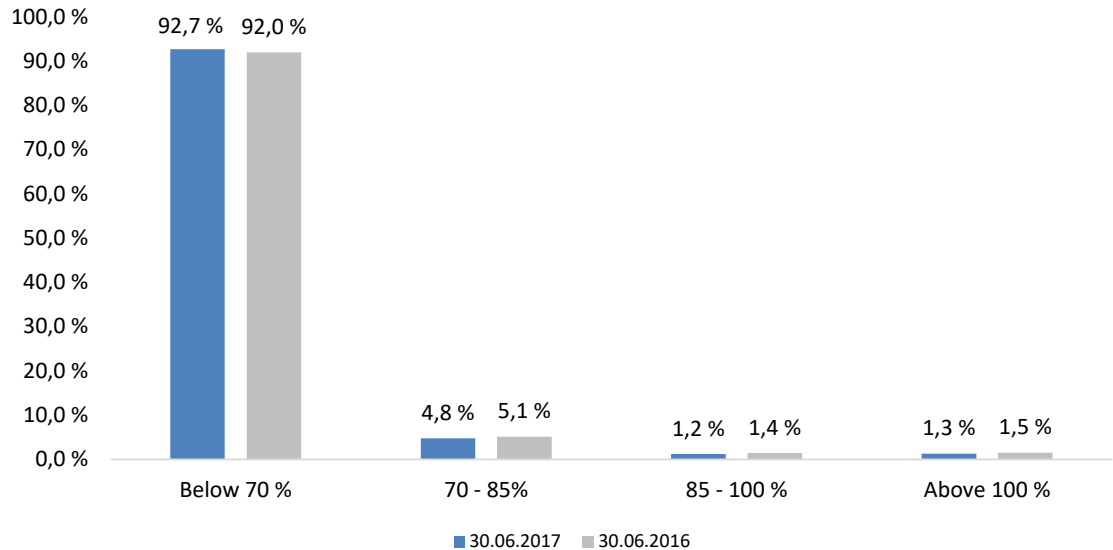
Loans distributed by size of exposure and share of total exposure



Numbers include SB 1 Bolig- and Næringskreditt

Portfolio – LTV mortgage loans

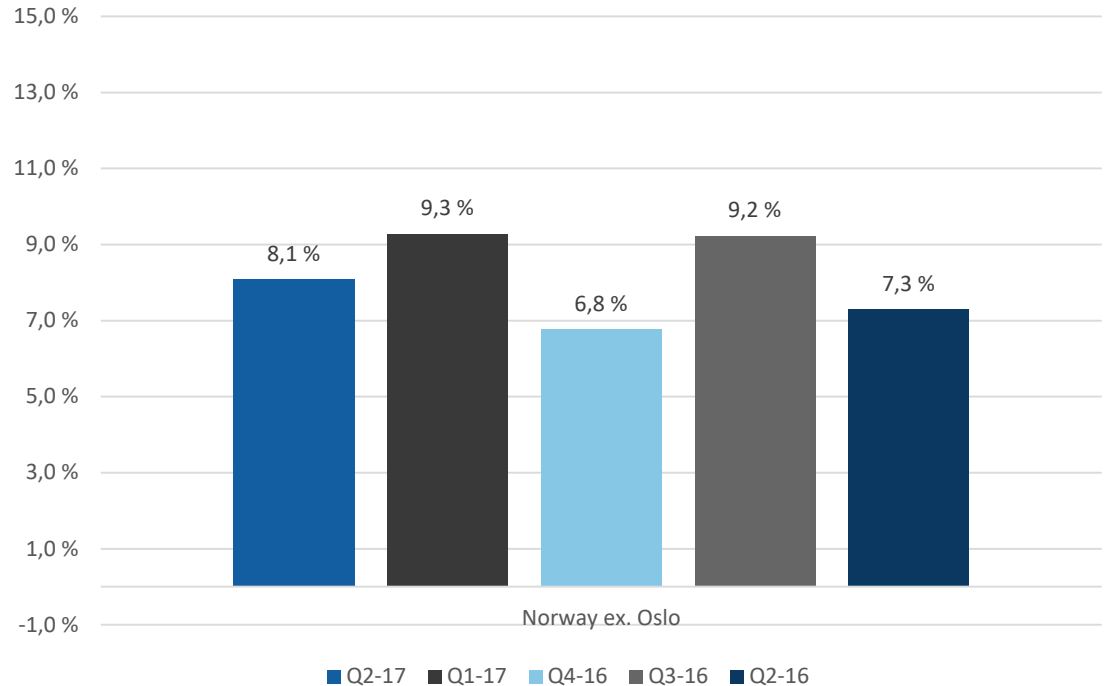
- 97.5 % of exposures are within 85 % of the collaterals market value
- Exposures above 85 % are 2.5 %



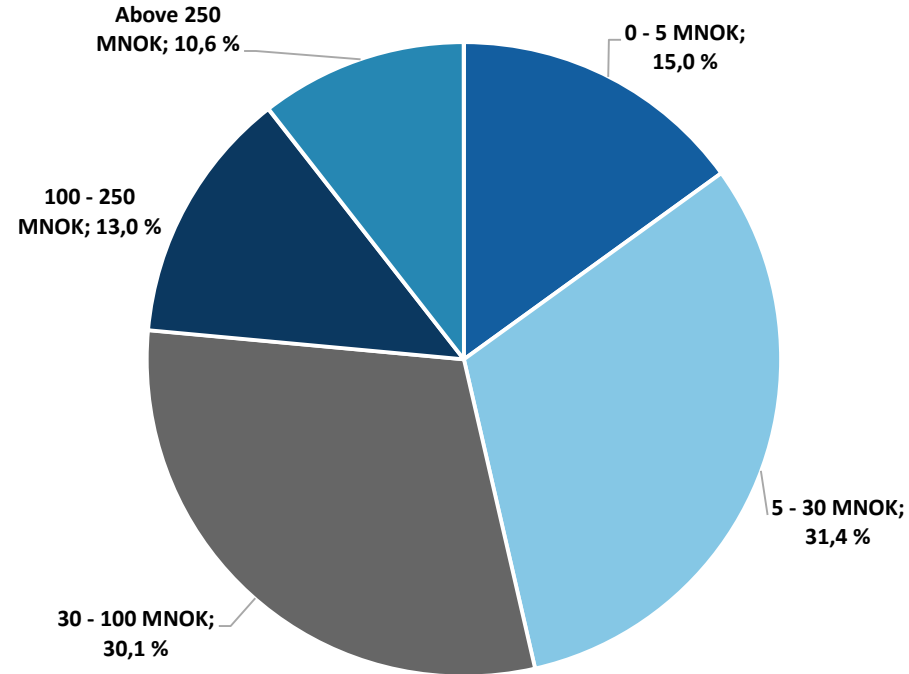
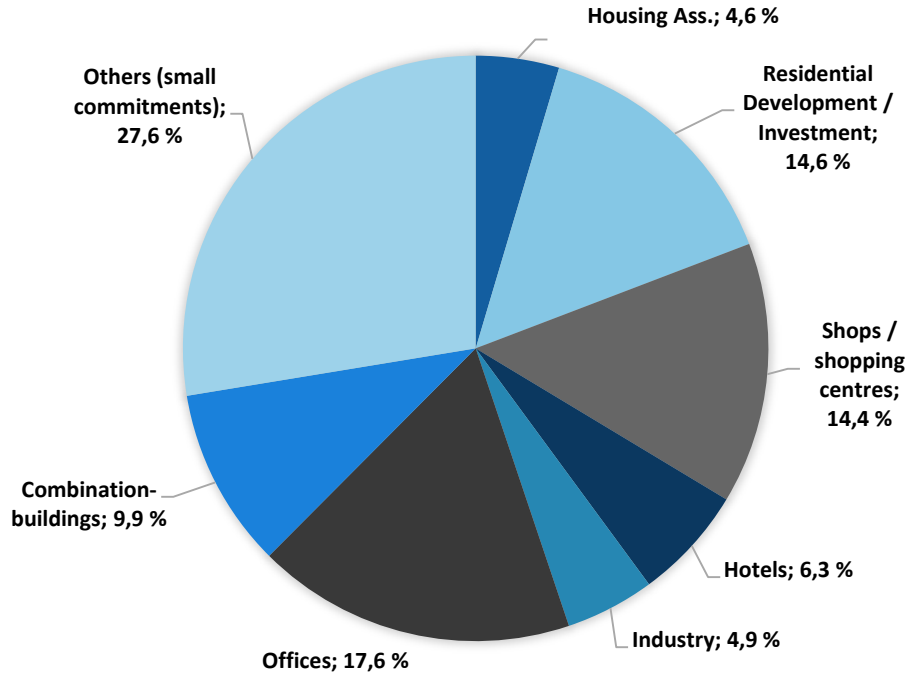
Each loan is distributed in the different intervals. The numbers include the Group's share of SB1 Boligkreditt portfolio.

Loan approvals – mortgage regulation

- Within the mortgage regulation limit of 10 % for Norway excl. Oslo and 8 % for Oslo
- New regulations from 01.01.2017 has resulted in a tightening of the loan approval process



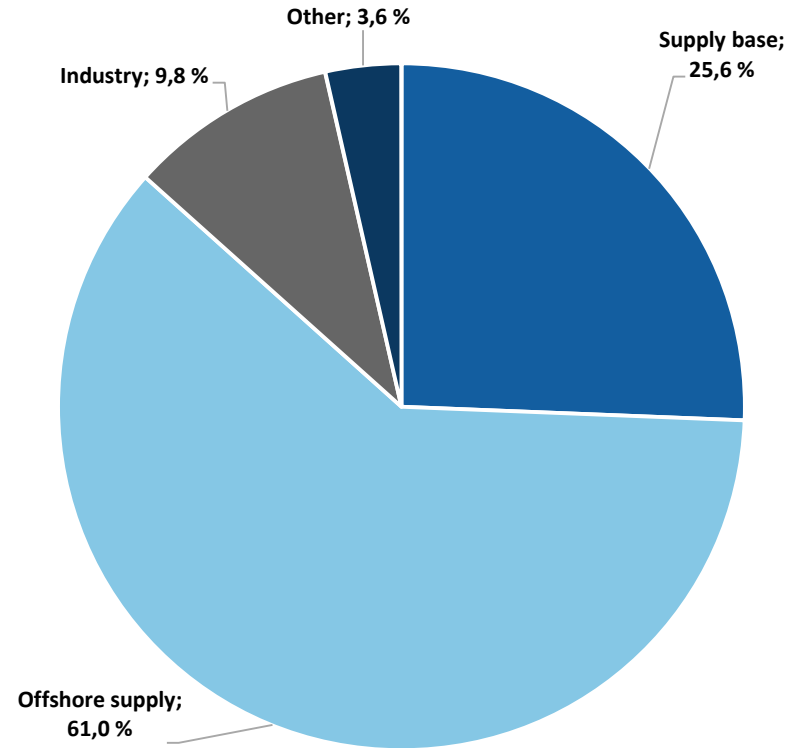
Portfolio – Commercial Real Estate



- About 50 % of portfolio is rental involving own operations
- 76.5 % of the portfolio are commitments smaller than NOK 100 mill
- No significant commitments where tenants have significant oil related business

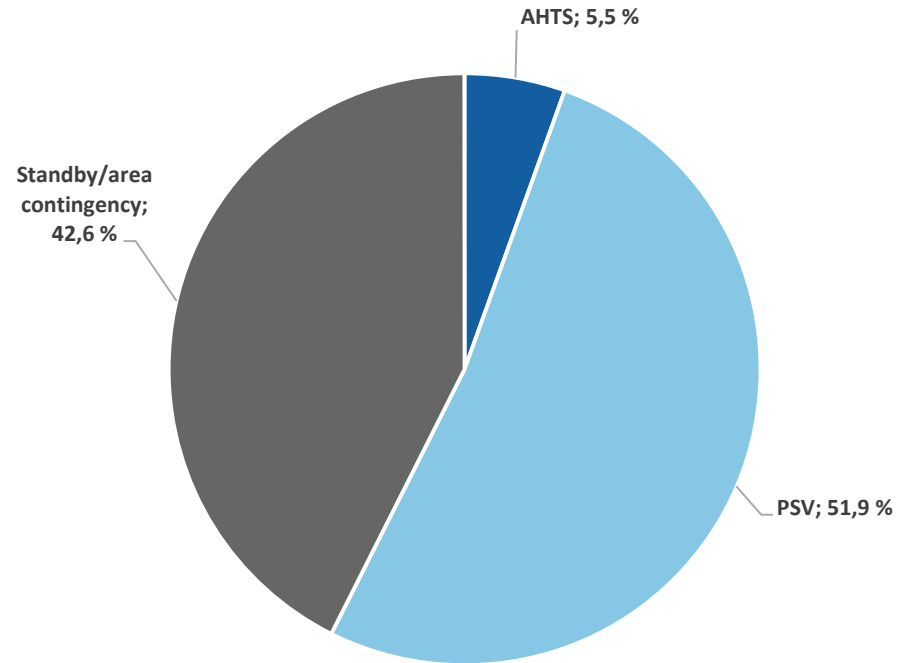
Portfolio – Oil related exposure

- Oil related exposure amounts to NOK 1,366 mill
- The exposure represents 1.4 % of total lending incl. Næring- and Boligkreditt
- Average weighted probability of default 1.38 %
- A total of NOK 80.3 mill are non-performing or impaired commitments
- The activity within oil and offshore consists of a small customer portfolio handled by a small group of advisors



Portfolio – Offshore Supply Vessels (OSV)

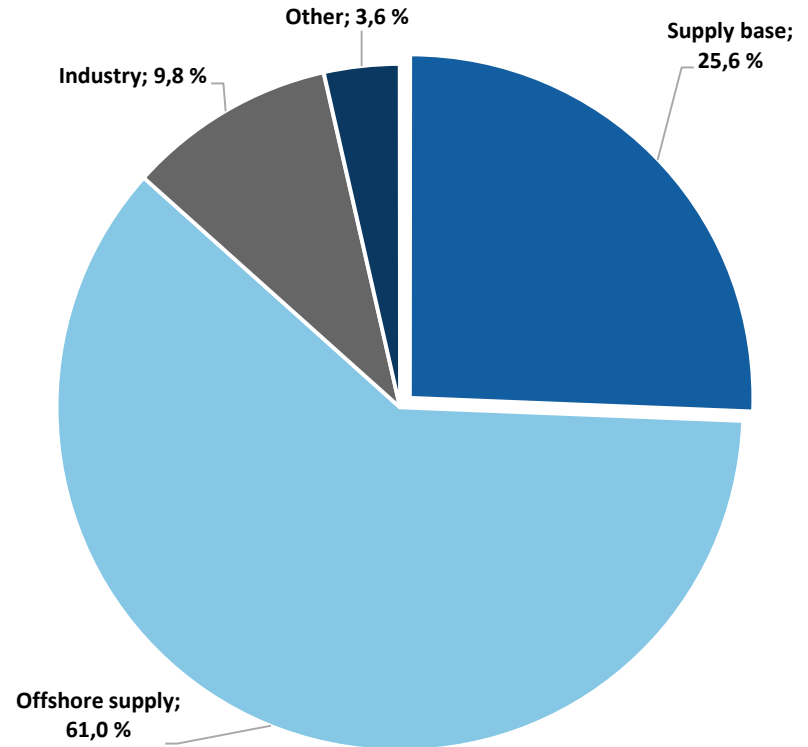
- OSV amounts to NOK 834 mill
- Average weighted probability of default 1.08 %
- Total amount of 8 vessels*
- Weighted age 6.9 years*
- Average weighted contract length 5.5 years* incl. one vessel laid up
- SNN is participant in syndicates on 6 vessels*



*Exclusive of barges

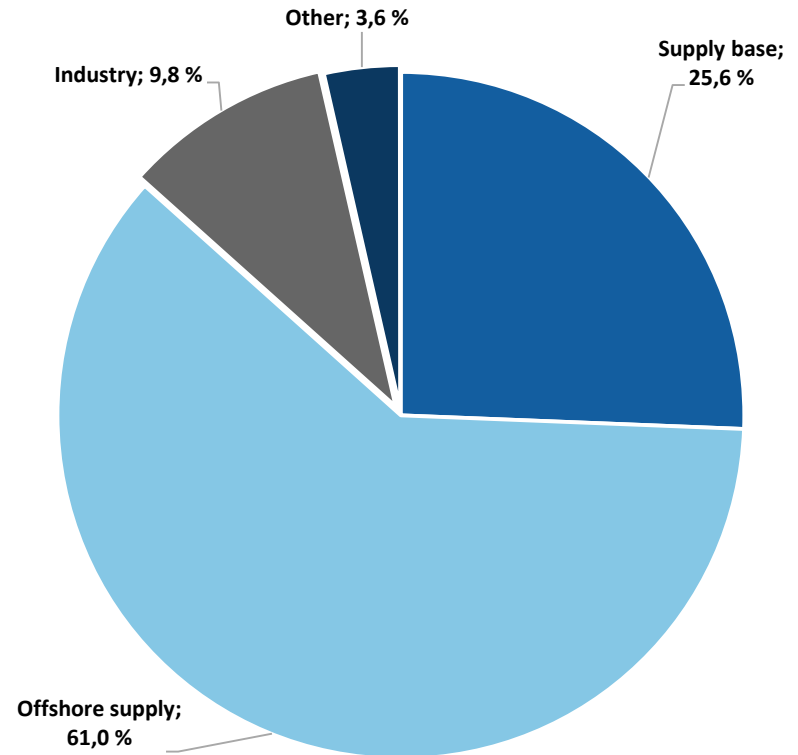
Portfolio – Supply bases

- Supply base exposure amounts to NOK 350 mill
- Average weighted probability of default 2.03 %
- Customers with long term contracts with solid and strong partners bring about good cash flows in the short and long term



Portfolio – Industry and Other

- The sector “Industry and Other” amounts to NOK 183 mill, divided into Industry NOK 134 mill and Other NOK 49 mill
- Average weighted probability of default: Industry 1.37 % and Other 3.66 %
- A total of NOK 80.3 mill non-performing or impaired commitments
- The exposure consists of financing of real estate, transport equipment and working capital



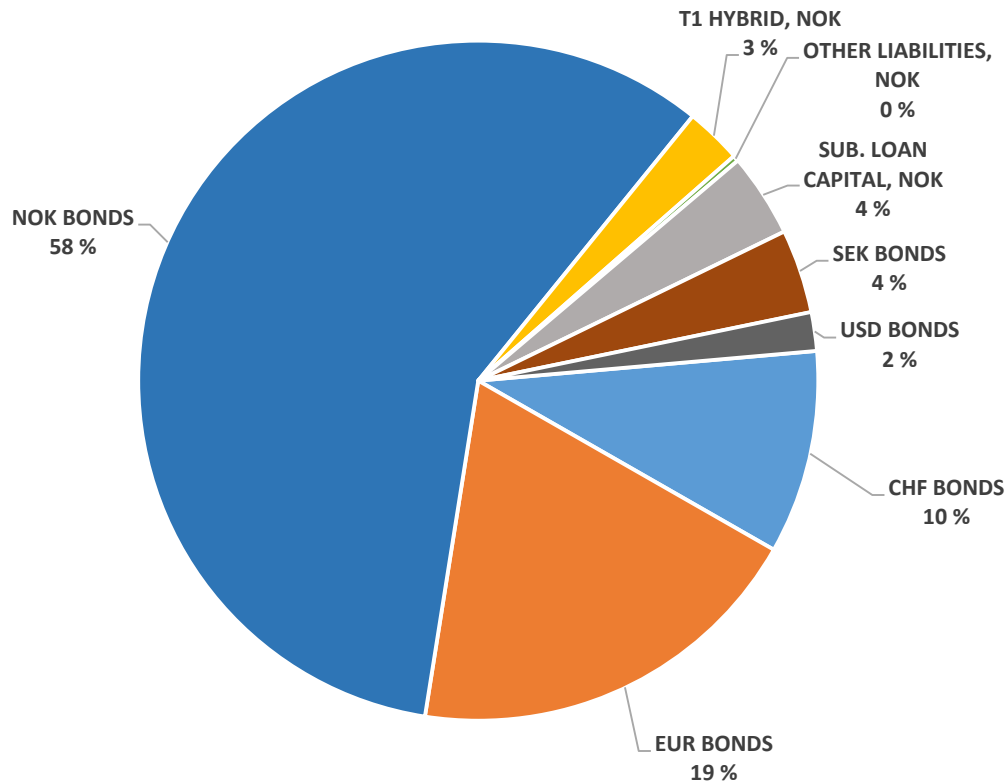
Loan losses: The Group's write-downs

Write-downs	1st half 2017	1st half 2016	2nd quarter 2017	2016
Individual write-downs				
<i>Retail market</i>	-1	2	0	4
<i>Corporate market</i>	20	13	5	32
<i>SpareBank 1 Finans Nord-Norge</i>	24	34	24	53
<i>Other group units</i>	-	-	0	0
Total individual write-downs	43	48	29	89
Collective write downs and other value change items	45	40	17	125
Effects from consolidations	0	0	0	0
Total write-down on loans and guarantees	88	88	46	213

4

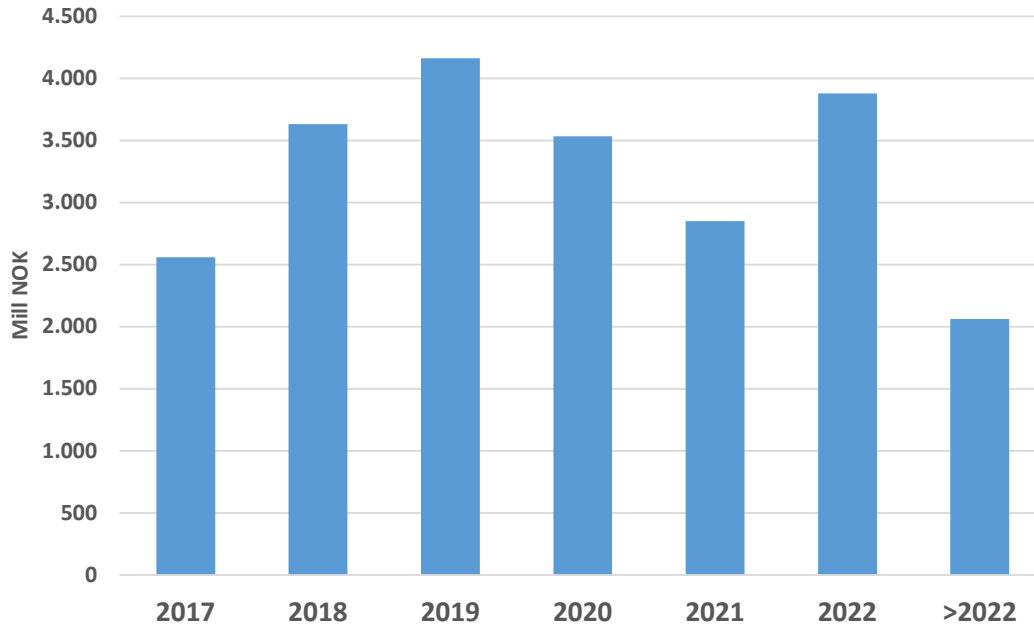
Liquidity

Funding instruments 30.06.2017



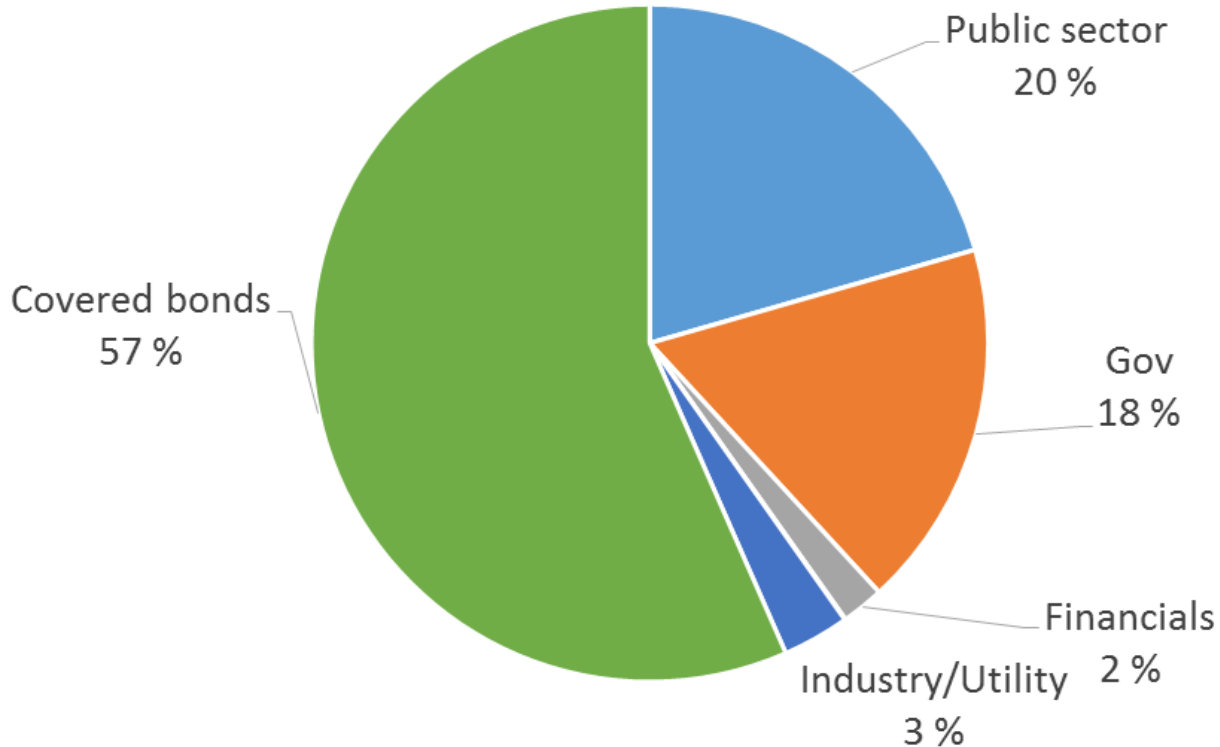
Maturity profile 30.06.2017

Capital markets funding (excl. SPABOL)



- Good diversification in terms of maturities
- NOK 22 676 mill in capital market funding exclusive of SB1 Boligkredditt
- SpareBank 1 Boligkredditt is an important funding source. Mortgage loans of NOK 26 422 mill transferred as at 30.06.17
- Amount of gross maturities of capital market funding next 12 months is NOK 4 899 mill

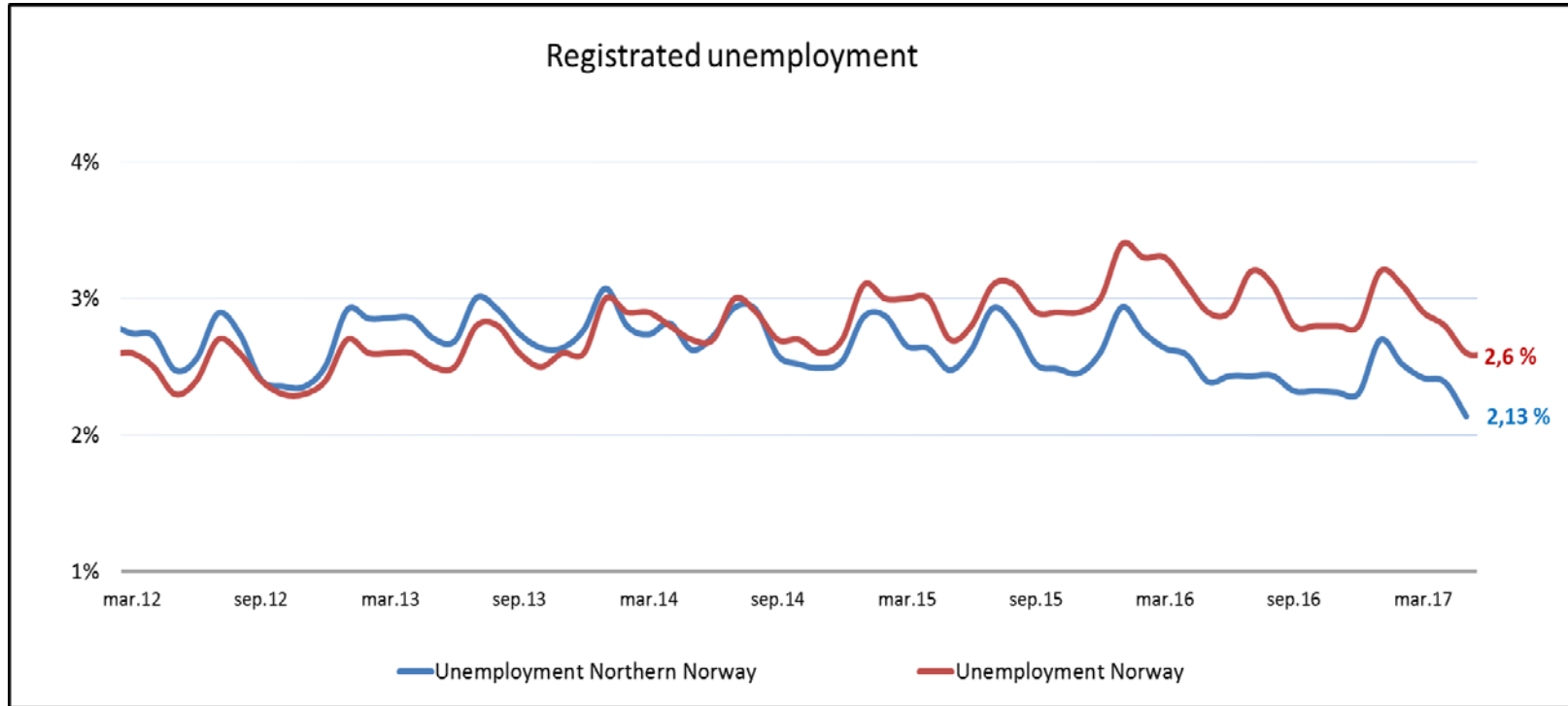
Liquidity portfolio as of 30.06.2017



5

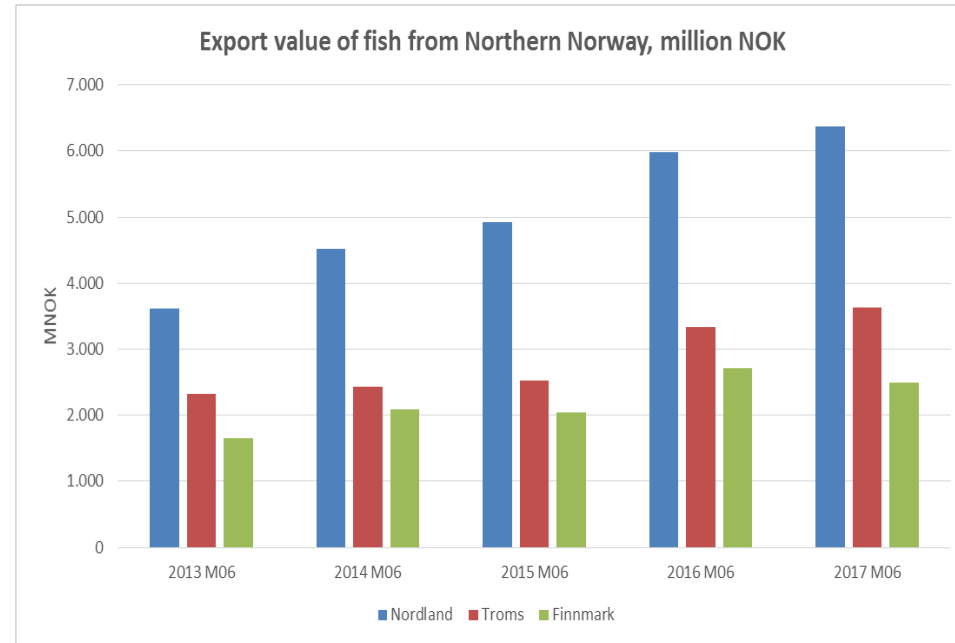
Macro and Economic trends

Stable, low unemployment



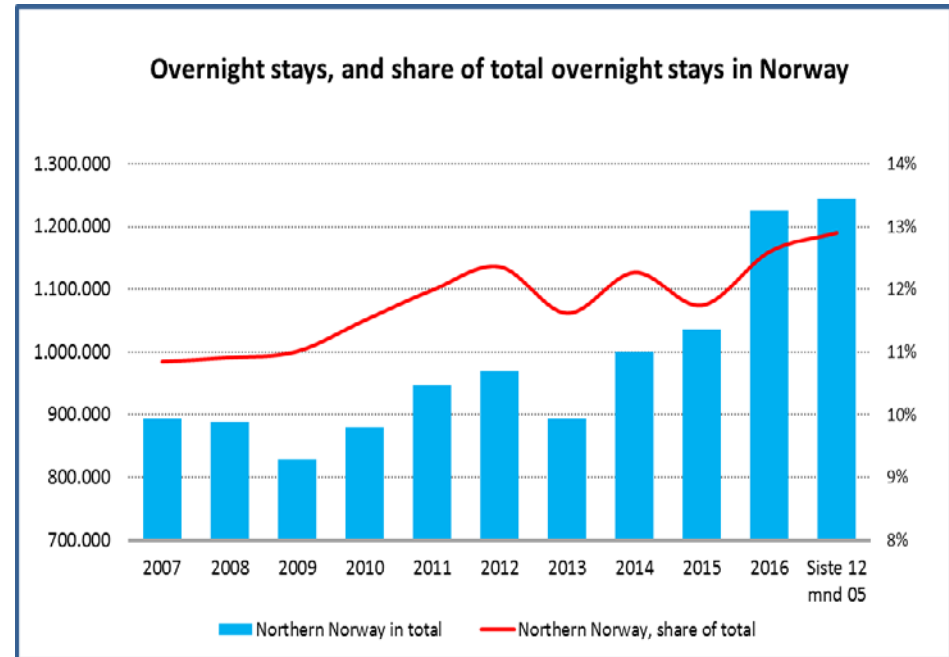
Seafood – export growth

- Continued growth in seafood export value from northern Norway first half of 2017 – 3.8 % growth vs. same period in 2016.
- Salmon contribute for around 70 % of total seafood export. Higher prices, however, less volume.
- Good development for white fish, both prices and volume is growing.



Tourism – growth in overnight stays

- Total number of overnight stays is increasing, and Northern Norway take a larger part of the total overnight stays in Norway.
- Firm growth in foreign overnight stays, and strong contribution from winter tourism. Growth has been especially strong in Troms county.
- A weak Norwegian kroner is positive for the tourism industry



Oil and gas – new fields increase activity

- Four fields in production: Norne, Snøhvit, Skarv and Goliat
 - First oilfield open in the Barents Sea.
- Aasta Hansteen og Polarled
 - Polarled – pipeline completed in 2015
 - Production start-up in 2018
- Several promising discoveries in the Barents Sea
 - Johan Castberg – investment decision in 2017
 - Alta/Gotha
 - Wisting
- 2017: An exciting year for exploration
 - Several prospects in the Barents Sea
 - New fields in the Norwegian Sea
- The Norwegian Petroleum Directorate has increased their estimates for oil and gas deposits in the Barents Sea.

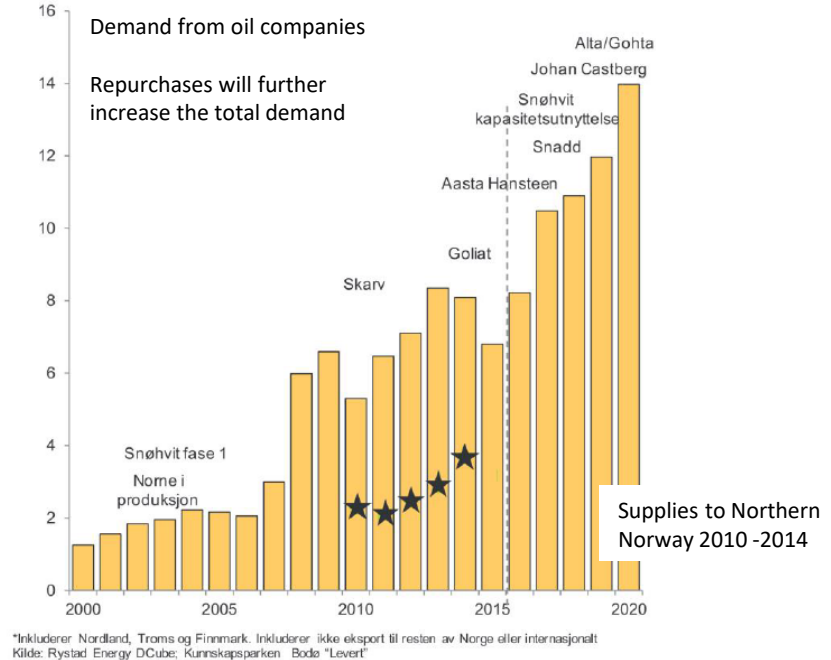
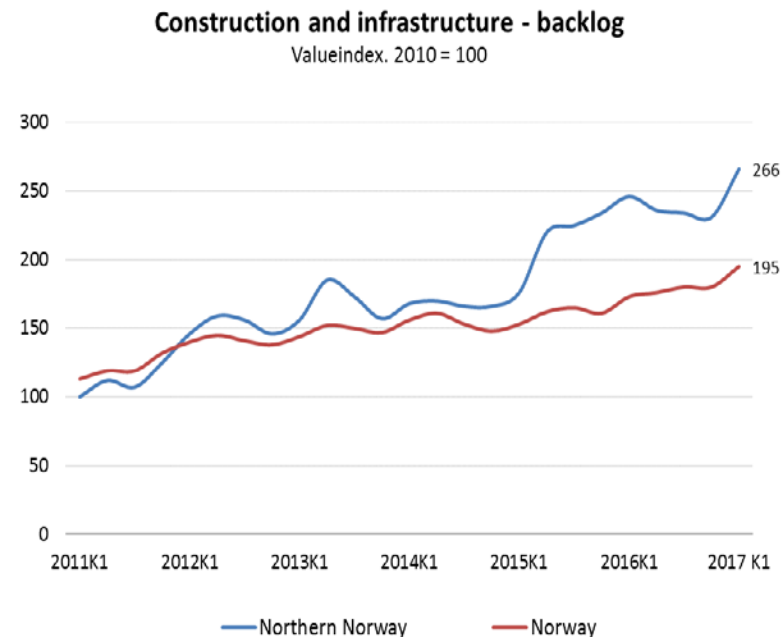
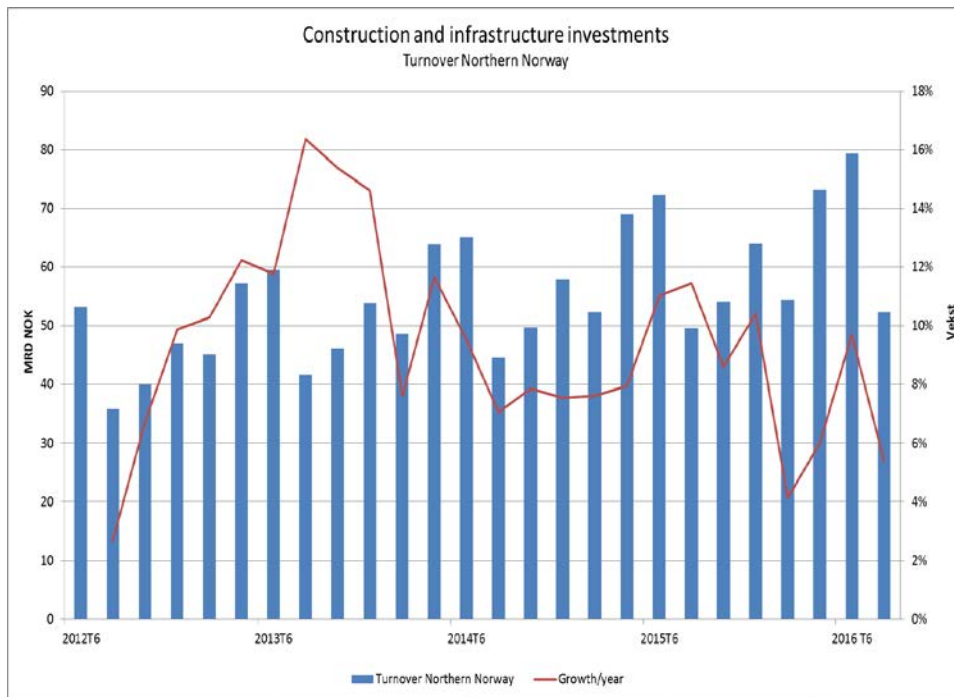
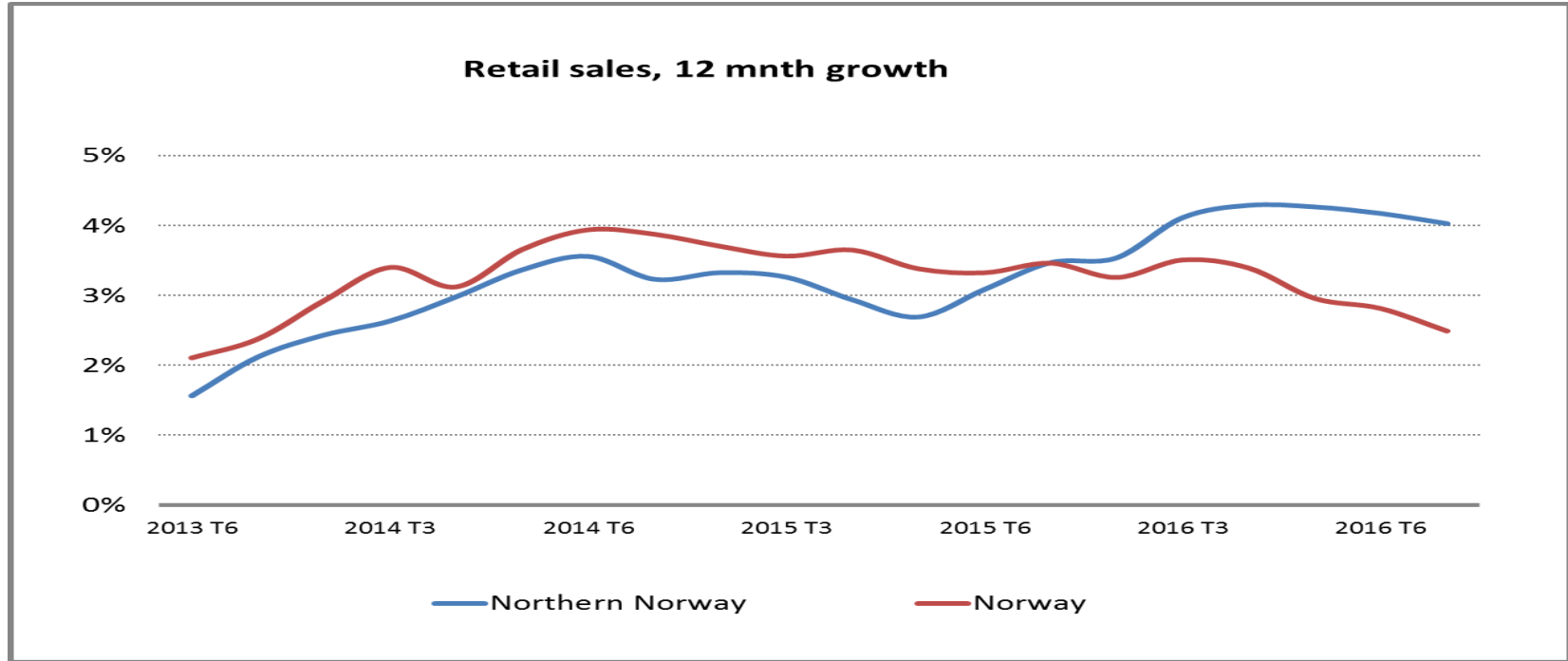


Figure: Petro Foresight 2030, February 2016

The activity in construction is solid, but growth is lower. Higher backlog

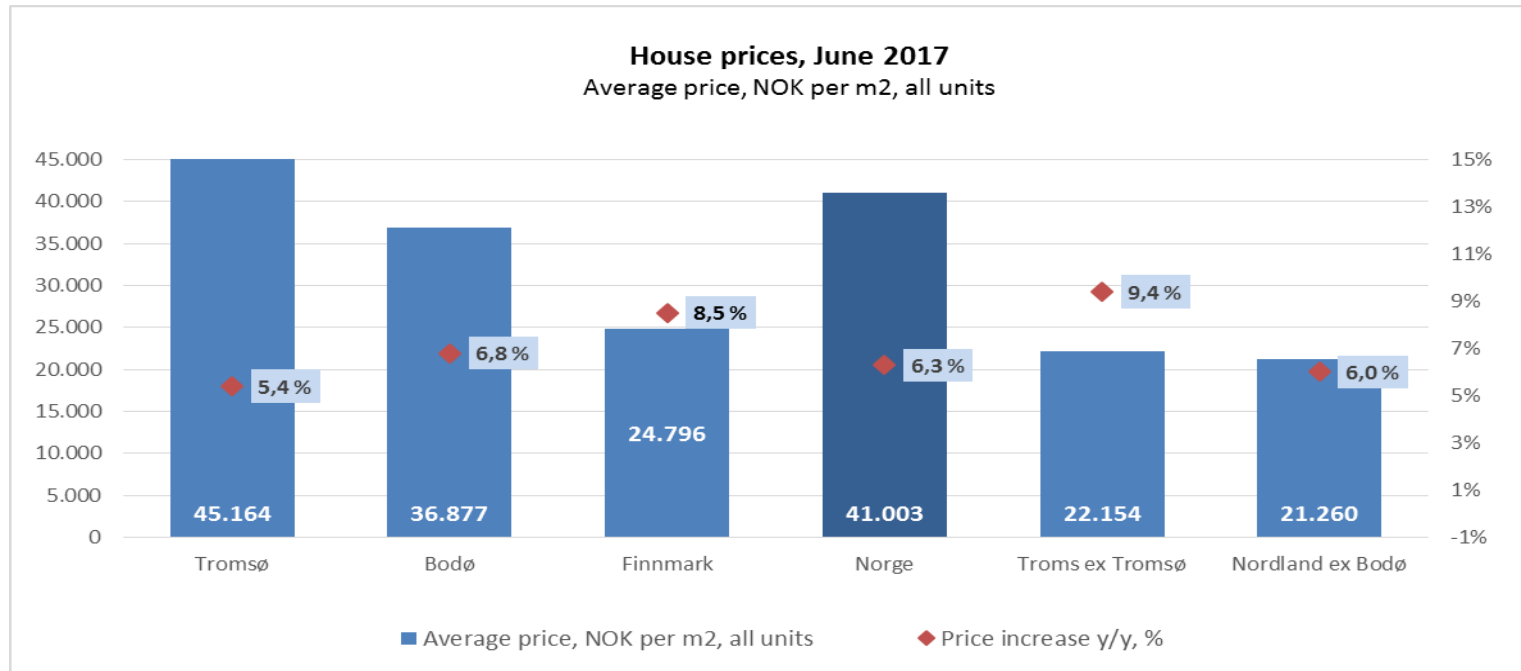


Higher retail sales growth in northern Norway

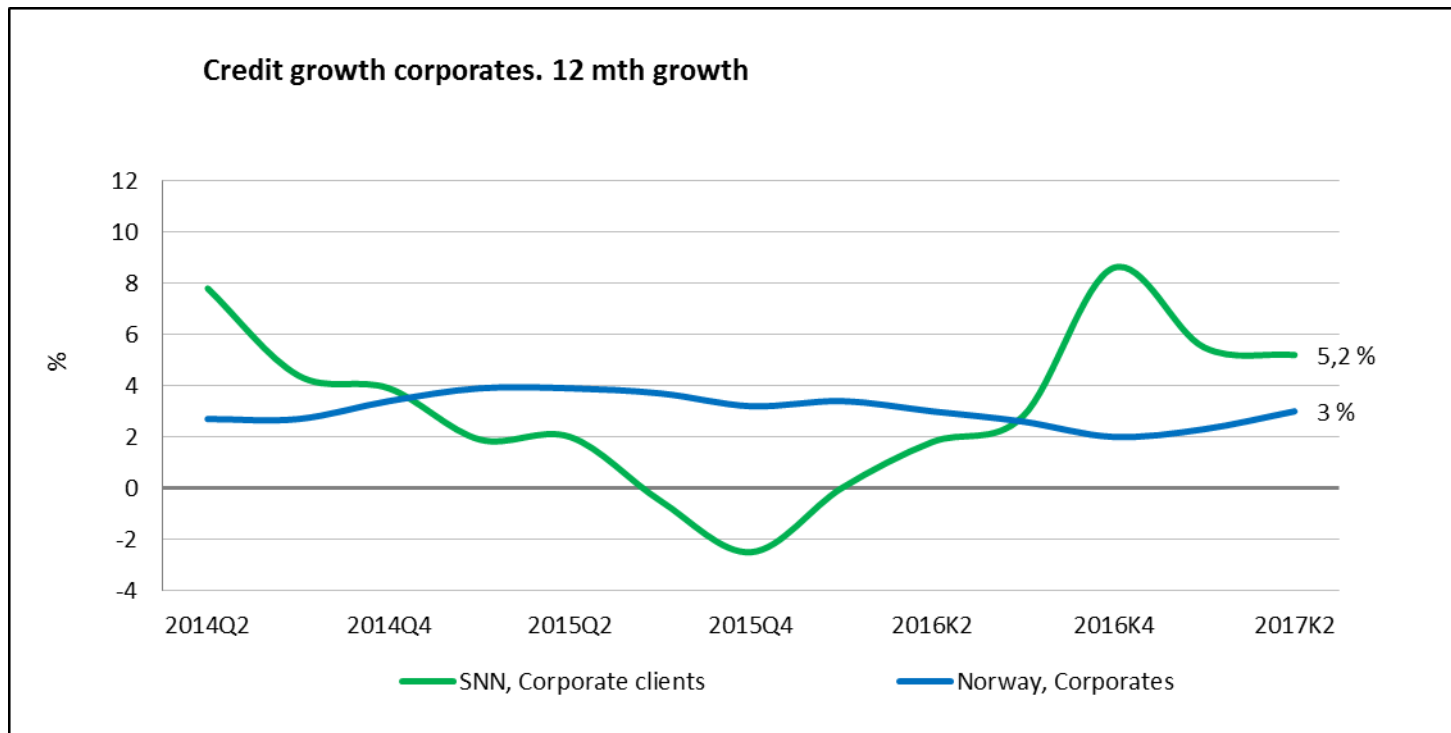


Kilde: SSB, retail sales

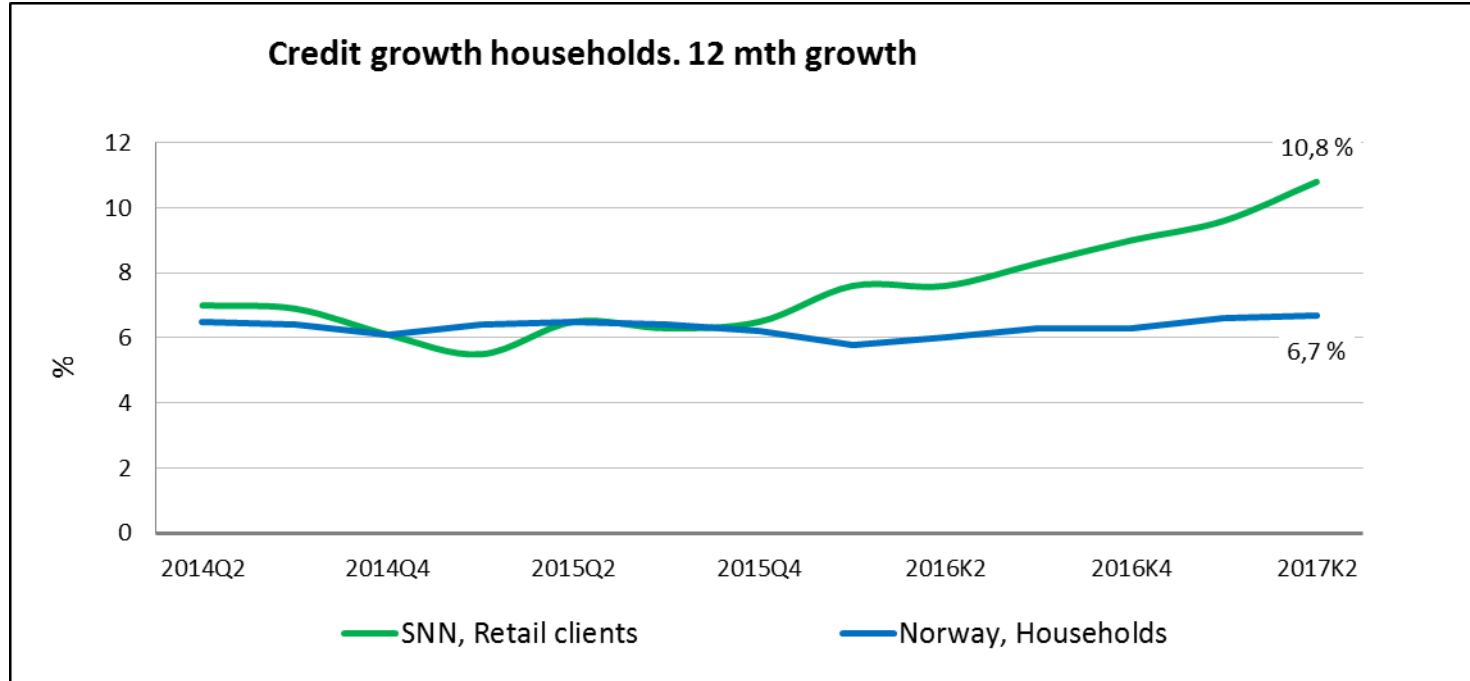
Regional house prices are lower than the Norwegian average, but growth is higher



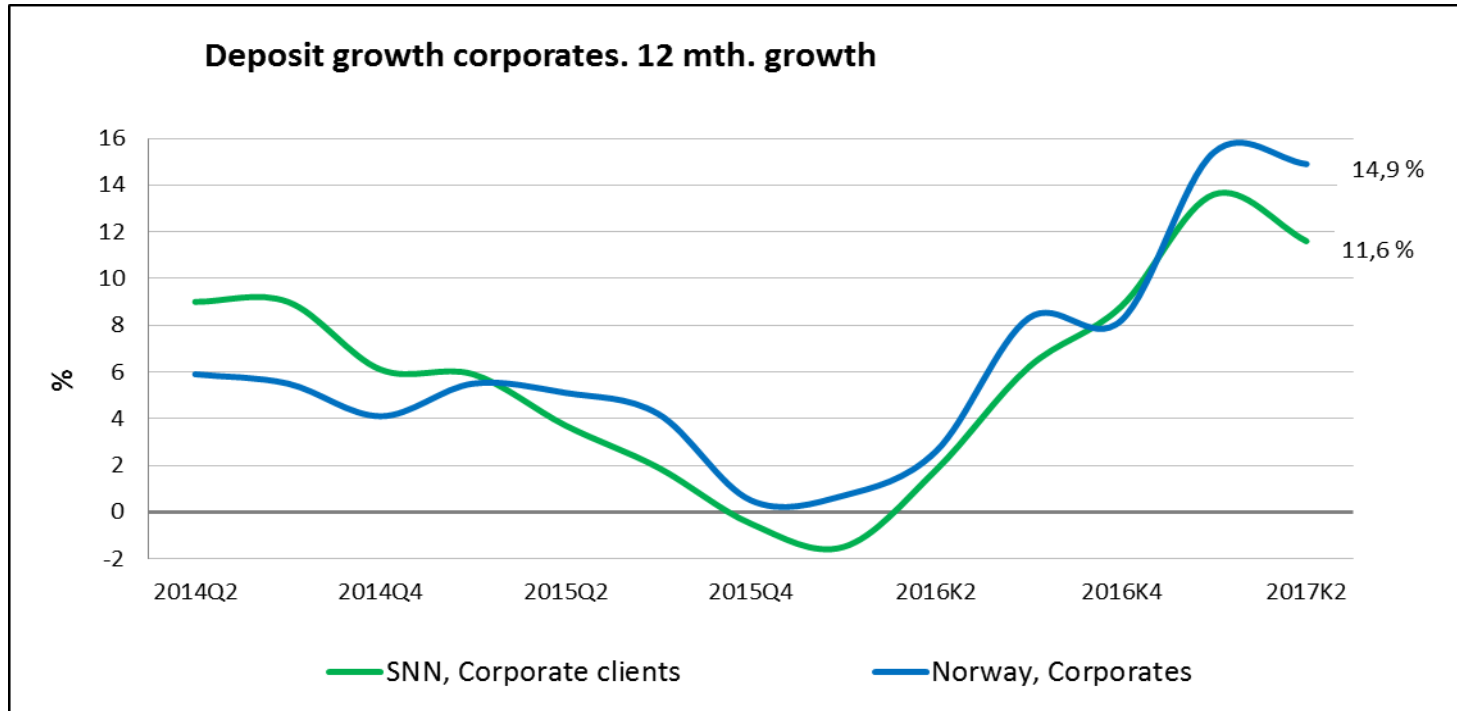
Credit growth corporates



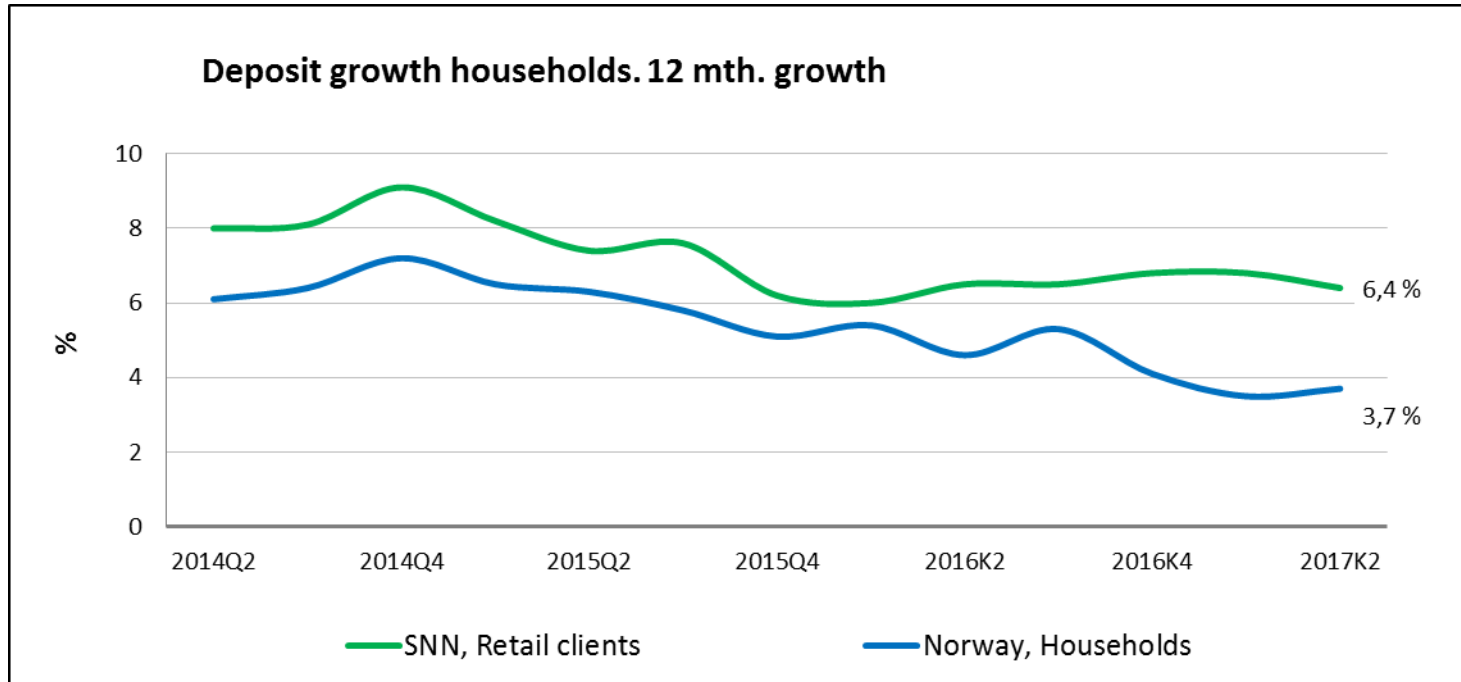
Credit growth households



Deposit growth corporates



Deposit growth households



6

SpareBank 1 Group and Alliance

The idea behind the SpareBank 1 Alliance

The banks in the alliance want to:



Achieve
critical level
of
competence



Share
development
costs



Achieve
economies
of scale

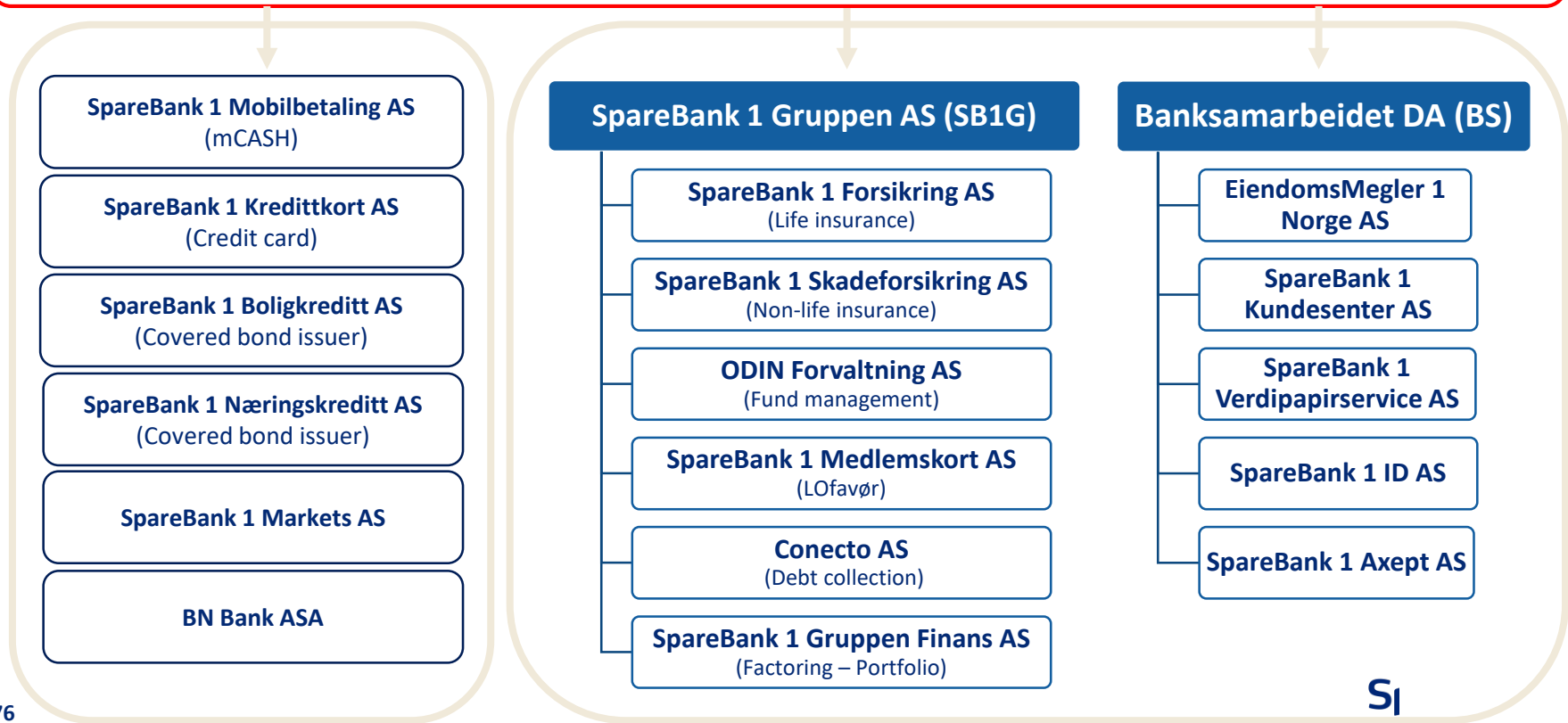


Retain their own
name and continue
as independent
legal entities



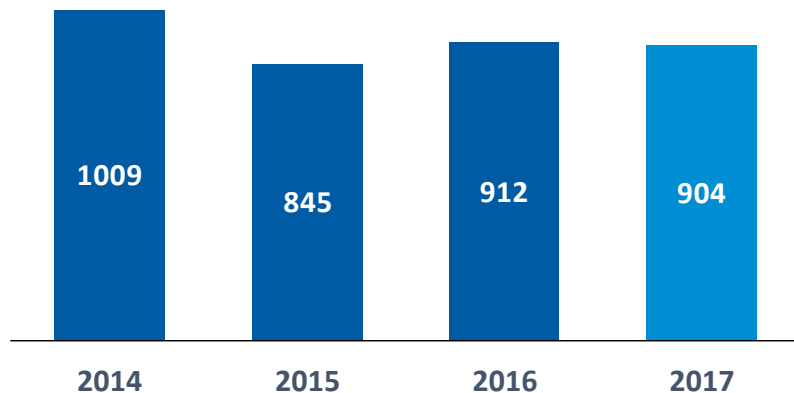
Still be able to exploit
each bank's proximity to
their local market

The SpareBank 1 Alliance

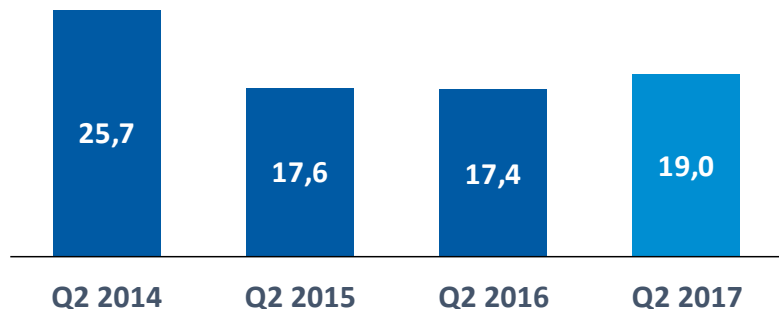


A solid first half of 2017 for SpareBank 1 Gruppen

Pre-tax operating profit as per 30.06 (MNOK)



Return on equity (%) *)



- Profitable growth in most companies and business areas.
- Pre-tax operating profit of MNOK 322 (320) in SpareBank 1 Forsikring (life insurance company).
- Further growth in the pension area.
 - Sales volume within defined contribution and hybrid pension increased by 37% compared with the same period last year.
- Pre-tax operating profit of MNOK 555 (441) in SpareBank 1 Skadeforsikring (non-life insurance company).
- Reduced loss ratio within both the retail and corporate sector.
- Very high growth in house and car insurance.
- Highest customer satisfaction and loyalty in the non-life insurance industry (Norsk Kundebarometer).

*) Annualised, YTD