

Preliminary accounts 2018

Tromsø/Oslo
6 February 2019

SpareBank 
NORD-NORGE

Preliminary annual accounts 2018

Pre-tax profit



1 920 MNOK

ROE



12.9 %

Loan losses



22 MNOK

CET-1 ratio



14.5 %

Proposed cash dividend



4 NOK
per EC-certificate

Community dividend

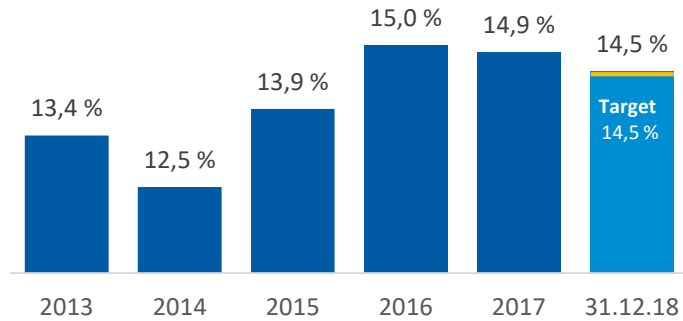


465 MNOK

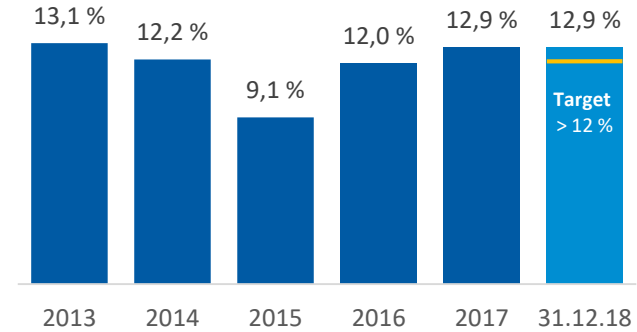


Key financial figures - development

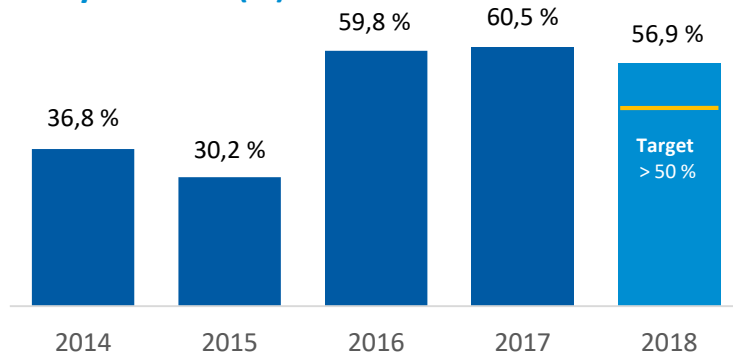
CET 1 incl floor



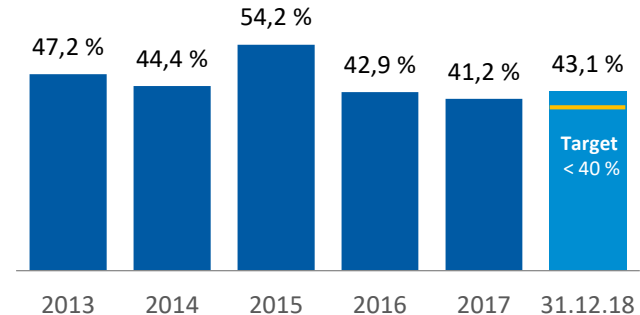
Return on equity capital



Payout ratio (%)















C/I ratio



Northern Norwegian economy:

- record low unemployment and steady growth

Sector	Status	Outlook
Macro		
Seafood		
Tourism		
Construction		
Retail		
Oil and gas		

While the rest of Norway is experiencing decrease, increasingly more tourists are coming to North-Norway

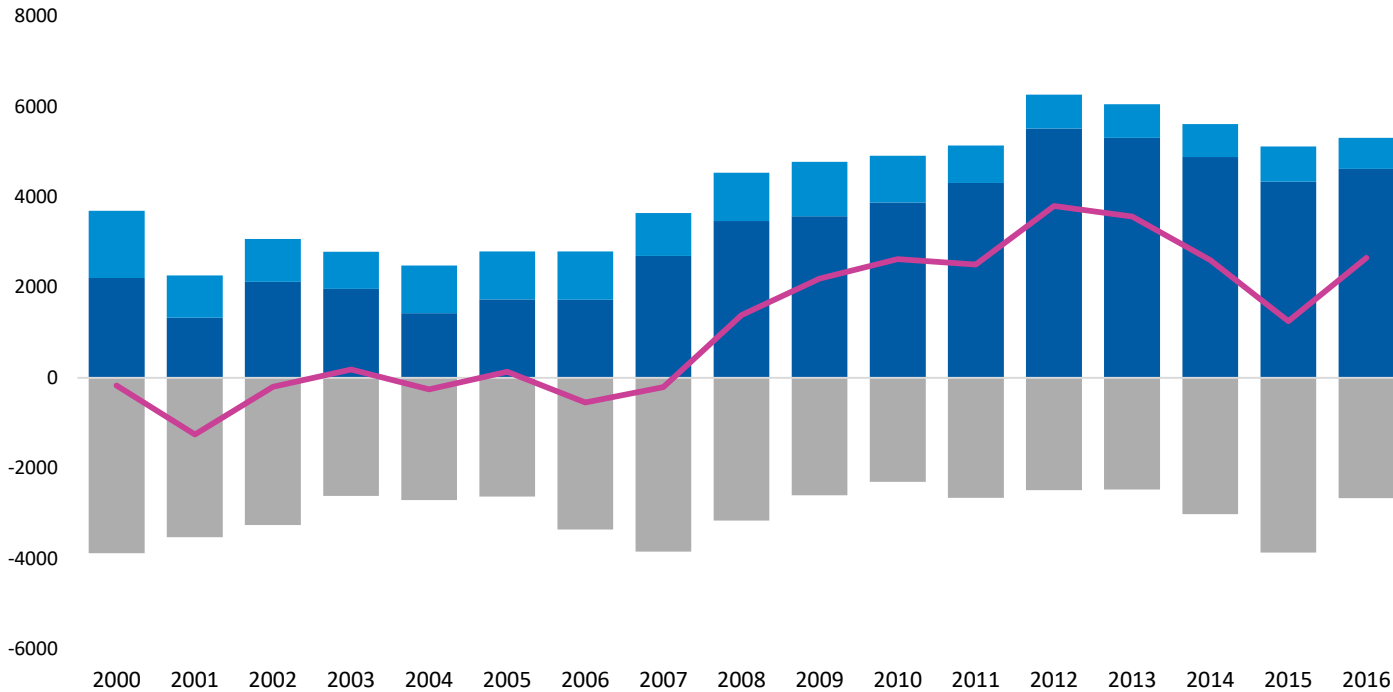
In particular hotels in Troms and Finnmark have seen an increase compared to autumn last year



TROMSØ: Stadig flere utenlandske turister legger ferien til Nord-Norge, og det er særlig Troms og Finnmark som leder an. FOTO: RONALD JOHANSEN

Source: itromso.no, november 2018

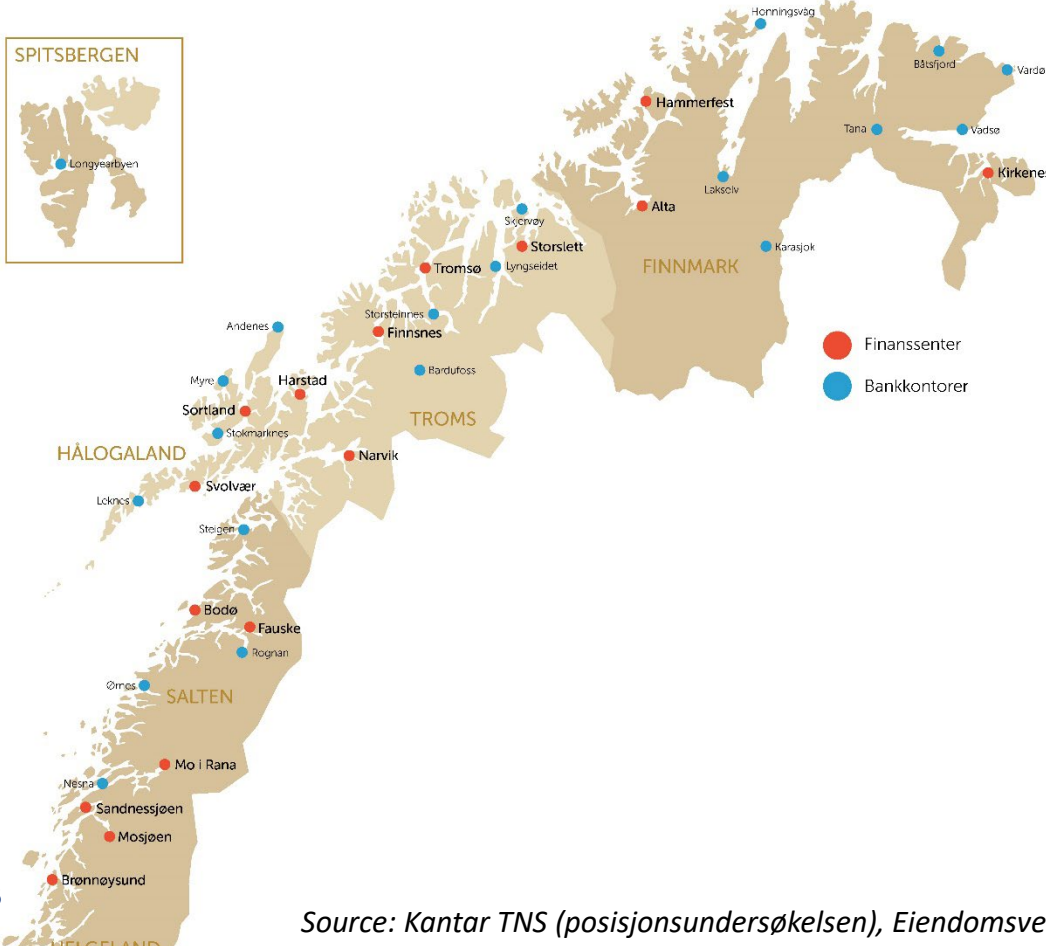
Decreasing population is limiting further growth



Net immigration Net migration Births surplus Population growth

Source: SSB, KBNN 2016

Number 1 position in the retail and SME market



1

PM Bank

- Main bank: 35 %

1

SME Bank

- Main bank: 41 %

2

Large corporates - Bank

1

Real estate

- Market share: 37 %

1

Accounting services

- Market share: 15 %

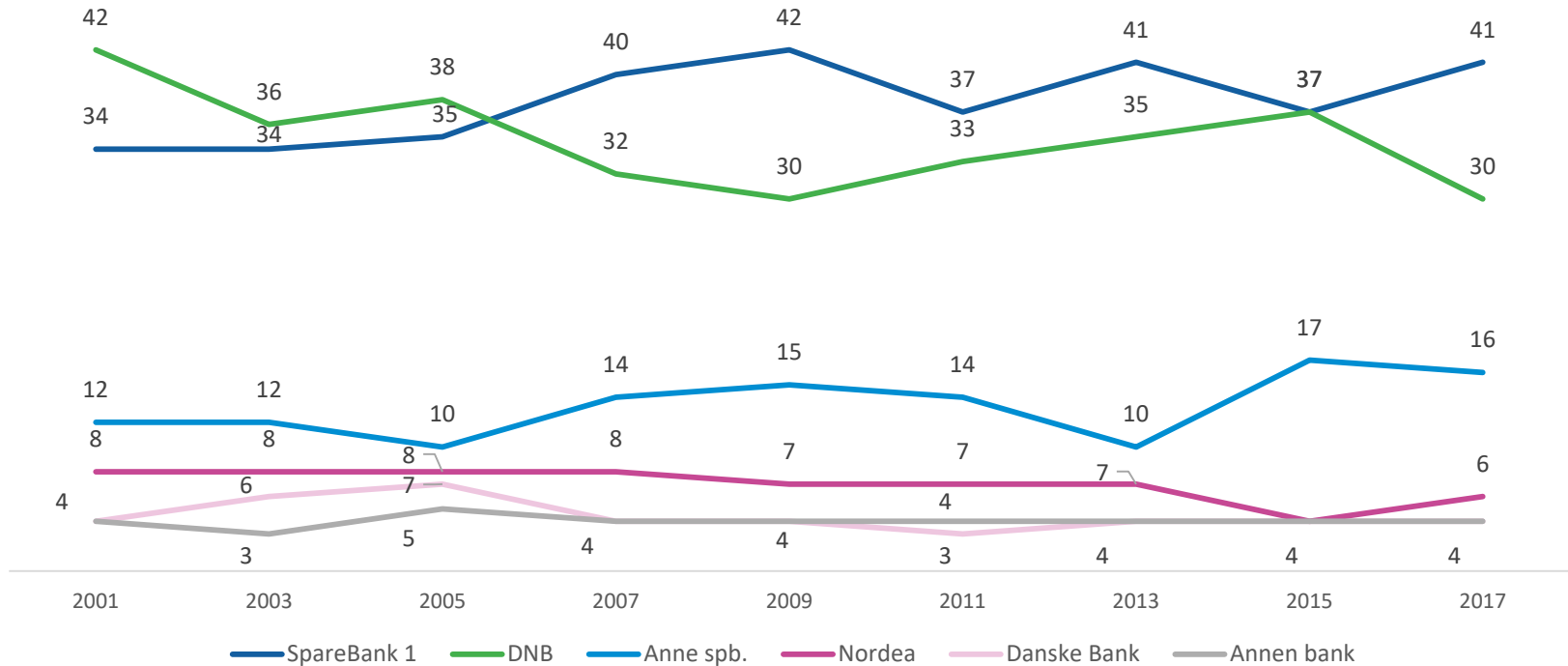
3

Secured financing/leasing

- Market share: 19 %

Focus on SME is showing good results

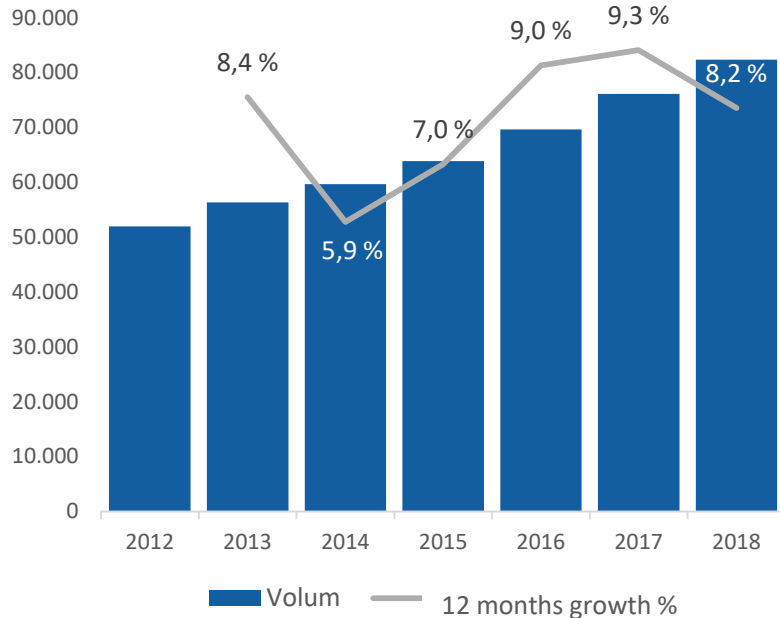
Main bank in the SME market (%)



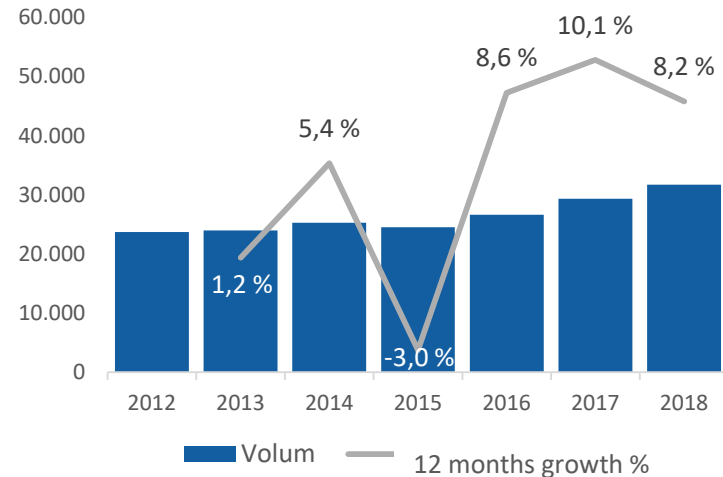
Source: KANTAR TNS, posisjonsundersøkelsen

Continued growth in market share, but decreasing lending growth




Retail market



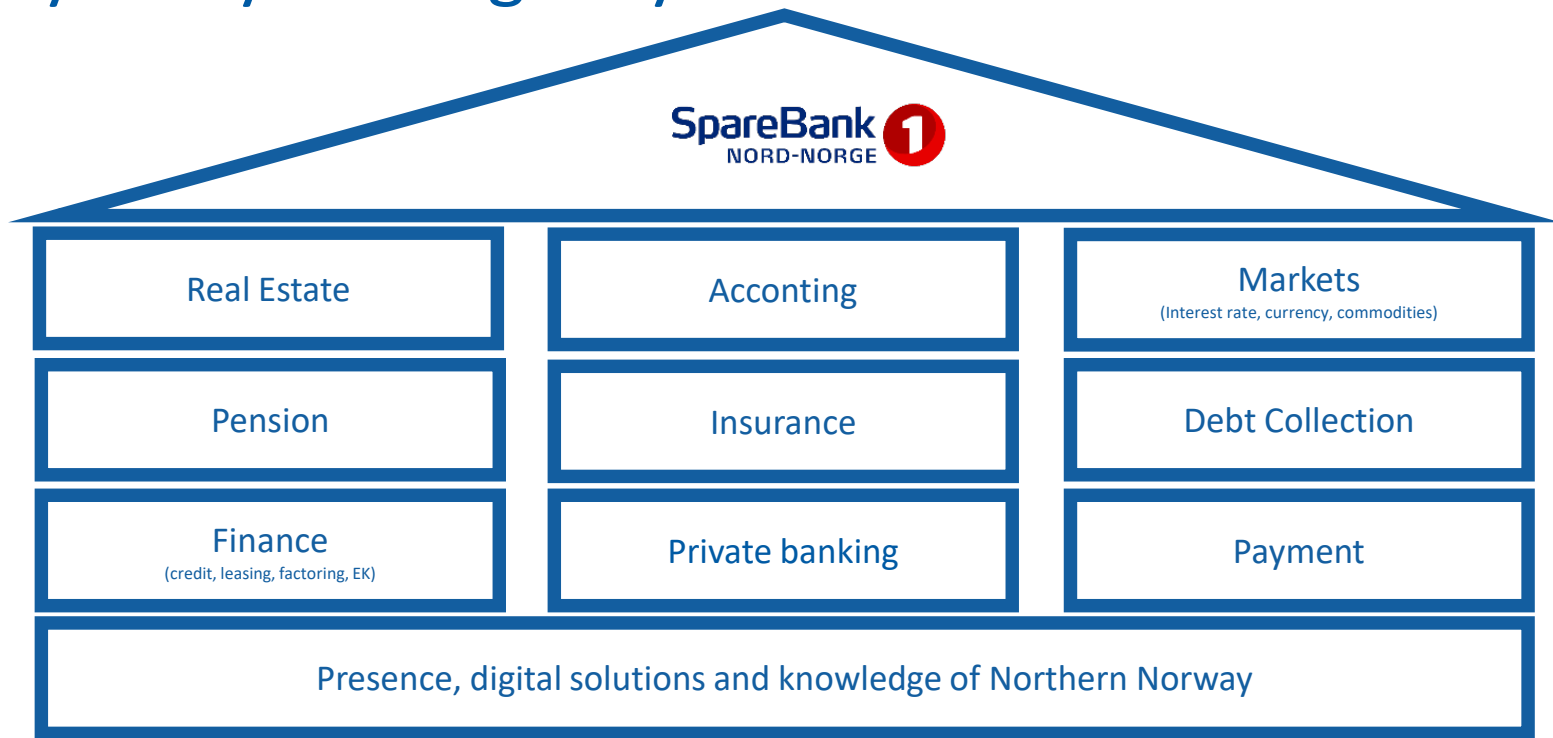
Business



Subsidiaries – high investments and good profitability

	Selskap	Resultat før skatt	Endring fra 2017
	SpareBank 1 Finans Nord-Norge	NOK 175 mill	+ 168 mill
	SpareBank 1 Regnskapshuset Nord-Norge	NOK 22 mill	+ 6 mill
	Eiendomsmegler 1 Nord-Norge	NOK 14 mill	- 4 mill

«One stop shop» for financial services – physically and digitally



Community dividend provide proximity and visibility



Sparebank 1 Nord-Norge åpnet pengepotten for lag og foreninger Deler overskuddet

RAHA-Sparebank 1 Nord-Norge har åpnet pengepotten for lag og foreninger i hele Nord-Norge. Sparebanken deler ut nesten en halv milliard kroner til lag og foreninger i regionen. Dette er en del av Sparebank 1 Nord-Norges strategi for å styrke samfunnsforankringen og bidra til et bedre samfunn. Pengene kan brukes til å støtte lag og foreninger som arbeider med sosialt arbeid, kultur, idrett og friluftsliv. Sparebanken har også etablert et nettverk av lokale lag og foreninger som kan søke om støtte.

Vippset 15 millioner på direkten til samfunnshele Nord-Norge



DEBISSET MÅLNER: Torisdag, første kommunepålegg i SpareBank 1 Nord-Norge, Jan-Frode Jan Samfunnsforbarns fremvisning på Samfunnsforbarns første bidrag til 1,5 milliarder kroner. Torisdag og Høyemåle, foto: SpareBank 1 Nord-Norge

Sparebank 1 Nord-Norge skal dele ut nesten en halv milliard - Termik fikk det første bidraget lokalt



ØSTAFØRR NYHET NR 13

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Banksjefen ønsker innspill til tiltak som fortjener støtte: - INGEN VISJONER FOR STORE



NYHETER VELDEKHT SPAREBANK 1 NORD-NORGE

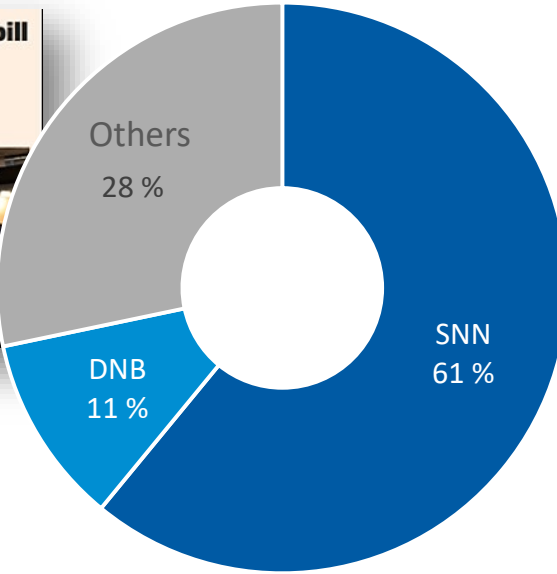
De mottok 10.000 innspill fra publikum. I morgen avslører SpareBank 1 Nord-Norge hvordan de skal bruke en halv milliard kroner for å løfte Nord-Norge



Jan-Frode fikk 10.000 innspill for bruk av 500 millioner kroner: Disse fem får millionbeløp



Share of Voice in media (Dec 18)




Distribution of editorial publicity in the Group's core area. Source: Retriever

SpareBank 1 Alliance – more than 20 years of cooperation

Products

NYHET!
Smart bilforsikring



Betal bare
for det du kjører

Bestill her >

SpareBank 1

Technology

Nå slipper du
å skrive inn KID

Scan fakturaene med
mobilkameraet ditt



1

Cooperation

1 SpareBank 1 SMN føler seg fantastisk bra her: Val di Fiemme.
Spnset -

SÅ glad blir man når man vinner Tour de Skill! 🥰👏👏👏 #godesammen
Johannes Høstfot Klæbo Ingvild Flugstad Østberg



👍👏👏 2,2 k 92 kommentarer 7 delinger

Liker Kommenter Del

Business Strategy: Regional Proximity – National Power



Regional Proximity

Physical presence customised
Strong, local branding
Community dividend
Full financial service offer



Nasjonal strength

Specialists
Analysis
Digital solutions
Innovation



Cooperation

«Frenemies»
Payment and ID
Insurance



Ownership of strategy and the Group

Equity certificates:
Top management
owns a total value of

53 MNOK

81%

of employees are owners



Consolidated statement of profit or loss

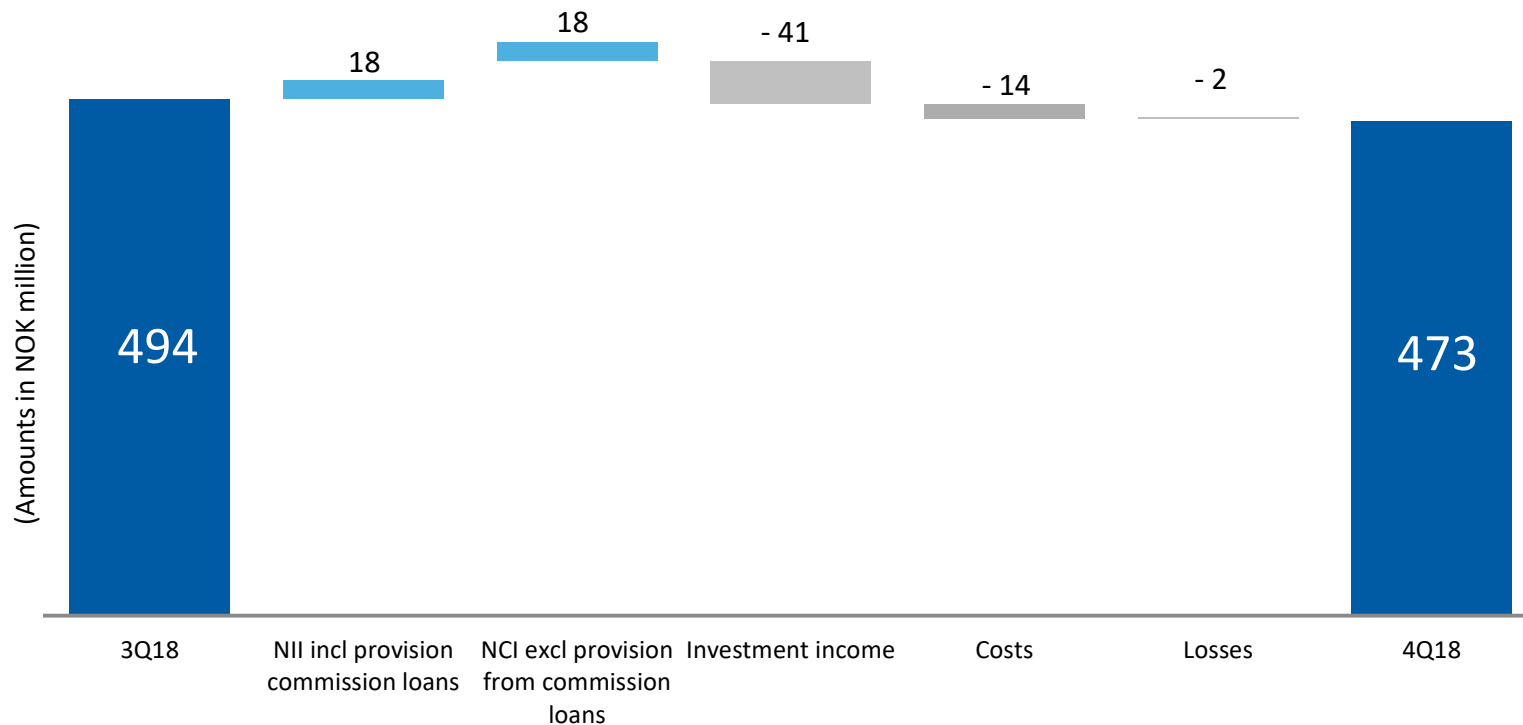
(Amounts in NOK million)	31.12.18	31.12.17
Net interest income	1 896	1 770
Net fee-, commision and other operating income	1 057	992
Net income from financial investments	463	552
Total net income	3 416	3 314
Total costs	1 474	1 366
Result before losses and write-downs	1 942	1 948
Net losses and write-downs	22	184
Result before tax	1 920	1 764
Tax	374	324
Defecit non-current assets held for sale	4	0
Minority interests	0	0
Result for the period	1 542	1 440
Return on equity capital	12,9 %	12,9 %

Quarterly summary

(Amounts in NOK million)

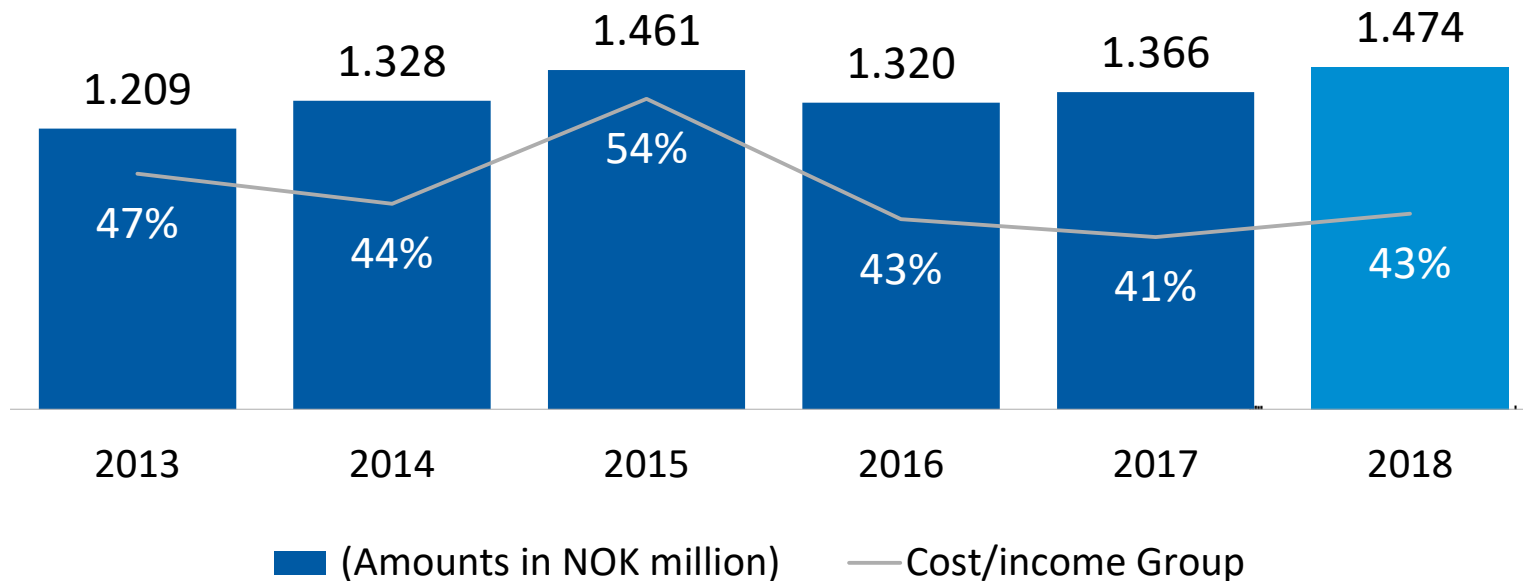
	4Q18	3Q18	2Q18	1Q18	4Q17
Net interest income	496	484	467	449	461
Net fee-, commision and other operating income	278	254	275	250	265
Net income from financial investments	80	121	188	74	194
Total net income	854	859	930	773	920
Total costs	387	373	371	343	373
Result before losses and write-downs	467	486	559	430	547
Net losses and write-downs	-6	-8	20	16	37
Result before tax	473	494	539	414	510
Return on equity capital	12,0 %	13,3 %	15,6 %	11,2 %	14,6 %
Cost/income	45,3 %	43,4 %	39,9 %	44,4 %	40,5 %

Changes profit and loss last quarter



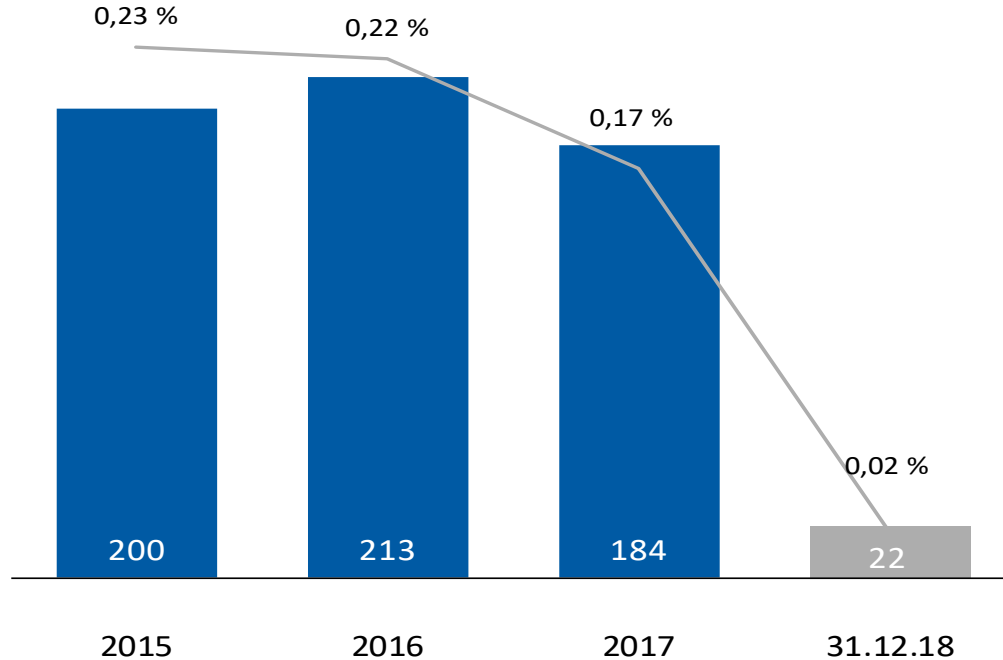
Ambitious long-term cost target: C/I < 40%

NOK mill.



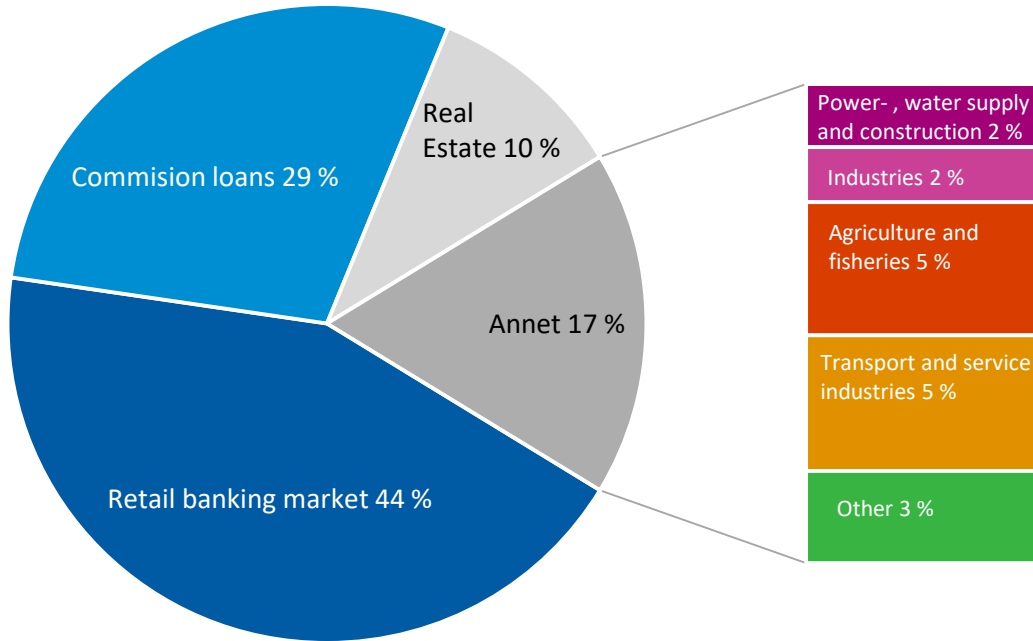
Net loan losses, customer loans and guarantees

Mill kr



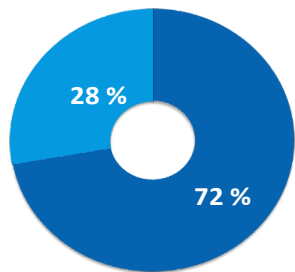
■ Net losses — Net losses in % of gross lending incl Boligkreditt

Good segment diversification

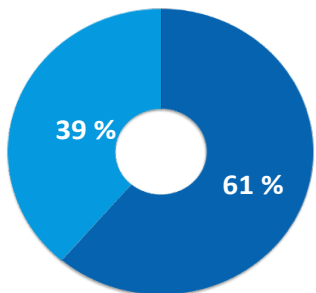


- ✓ A high share of retail- and primary industry lending represent a risk mitigating factor.
- ✓ The Group has a well diversified corporate market lending portfolio.
- ✓ No specific concerns related to the bank's loans to commercial property due to low interest rates and good occupancy rates in the bank's market area.

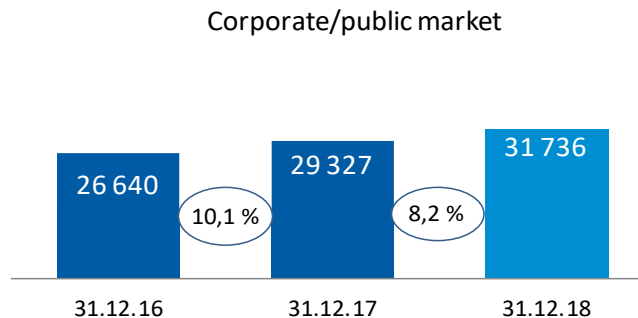
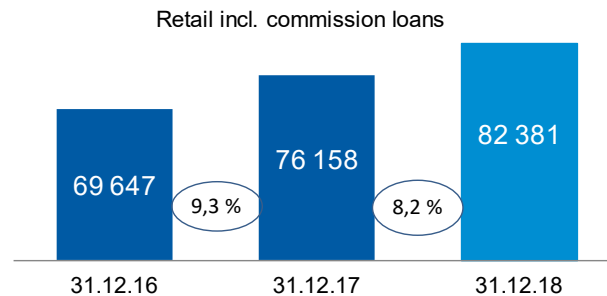
Lending volume



- Retail incl. commission loans
- Business/ incl. commission loans

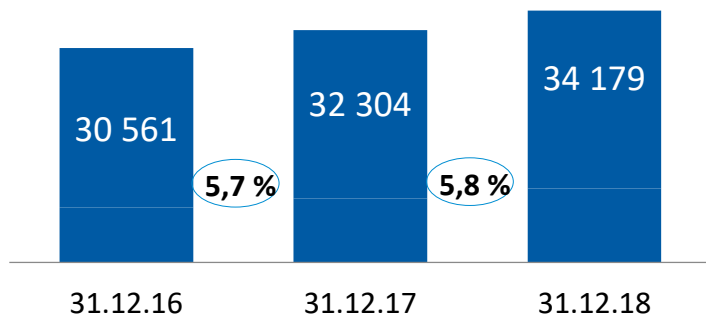


- Retail excl. commission loans
- Business excl. commission loans

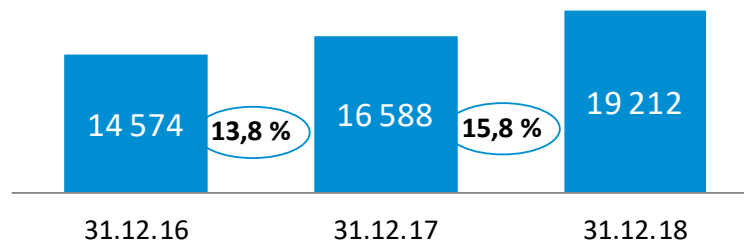


Deposit volume

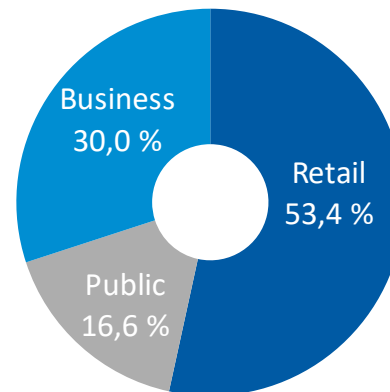
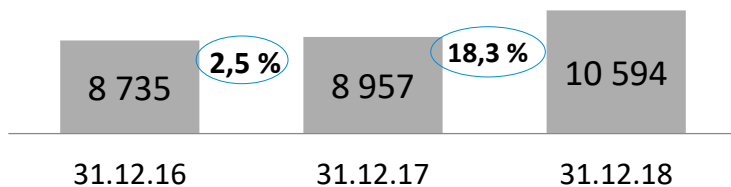
Retail banking market



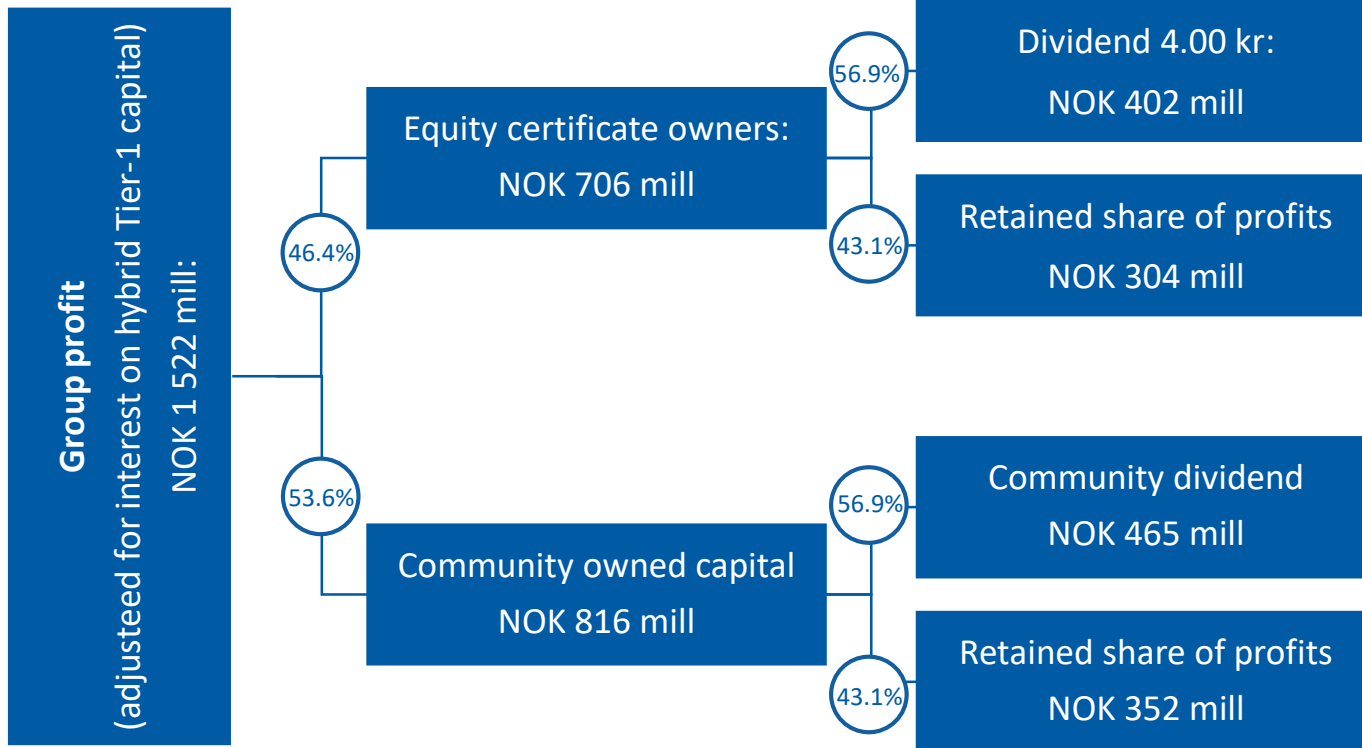
Business



Public



Board's proposal for profit allocation of the Group's result



It should be noted that the Financial Supervisory Authority of Norway (FSAN) may order the bank not to pay out dividend, or pay out less than proposed

Dividend: Target and historical figures

- Excess capital will not be used for activities outside the core business
- Allocation of extraordinary dividend from SpareBank 1 Gruppen associated with the insurance merger, assessment:
 - Possible need for increased solvency as a result of regulatory changes. However, uncertainty associated with the overall effect of such changes
 - Profitable growth
 - Dividend



**Targeted dividend ratio:
Minimum 50 %**

Financial targets

ROE



> 12 %

CET-1 ratio



14.5 %

Dividend payout ratio



> 50 %

C/I ratio



< 40 %



Financial outlook

NRI

Increased deposit and lendings rates from 4Q 2018, but increased NIBOR reduces the effect. Increased interest rates in 2019 are expected to provide a basis for further repricing of lending and deposit rates, including stricter risk pricing of loans and credits.

ROE > 12 %

ROE targeted: Top-level profitability among comparable banks, currently > 12 %.

REN KJERNEKAPITALDEKNING: 14,5 %

Targeted core capital coverage ratio: One percentage point above regulatory minimum requirements, currently 14.5%. Total solvency in the sector is expected to be maintained after regulatory changes.

KOSTNADSPROSENT < 40 %

Status 2018: 43.1%. Total cost increase due to automation and digitalization, which in the future should reduce costs and boost profits.

UTBYTTEGRAD > 50 %

Cash dividend for 2018 is considered very high. The insurance merger between DNB and Sparebank 1 may provide basis for increased dividend.

SpareBank 1 Nord-Norge

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URLs

Website and netbanking:

www.snn.no

Equity certificate in general:

www.egenkapitalbevis.no

Financial calendar:

Preliminary annual accounts 2018: 6 February 2019

Q1 2019: 8 May 2019

Q2 2019: 7 August 2019

Q3 2019: 24 October 2019

Preliminary annual accounts 2019: 12 February 2020



Appendix

1. About SpareBank 1 Nord-Norge
2. Financial figures – additional information
3. Credit area
4. Liquidity
5. Northern Norway: Macro and economic trends
6. SpareBank 1 Group and alliance

Company structure

Associated companies and jointed ventures

SpareBank 1 Gruppen AS

19,5 % | Financial services

SpareBank 1 Boligkreditt AS

17,82 % | Covered Bond company

SpareBank 1 Næringskreditt AS

13,97 % | Funding/ property

BN Bank ASA

23,5 % | Bank

SpareBank 1 Kredittkort AS

17,0 % | Credit card

SpareBank 1 Betaling AS

18,57 % | Vipps/ mobil payment

SpareBank 1 Banksamarbeidet DA

17,74 % | System development

SMB Lab AS

20 % | Innovation

Betr AS

20 % | System development

Subsidiaries and second tier subsidiaries

SpareBank 1 Finans Nord-Norge AS

Loan/ consumer finance/ leasing

Eiendomsmegler 1 Nord-Norge AS

Real estate brokerage

Fredrik Langesg 20 AS

Commercial buildings

SpareBank 1 Regnskaps- huset Nord-Norge AS

Accounting

SpareBank 1 Nord-Norge Portefølje AS

Investment company

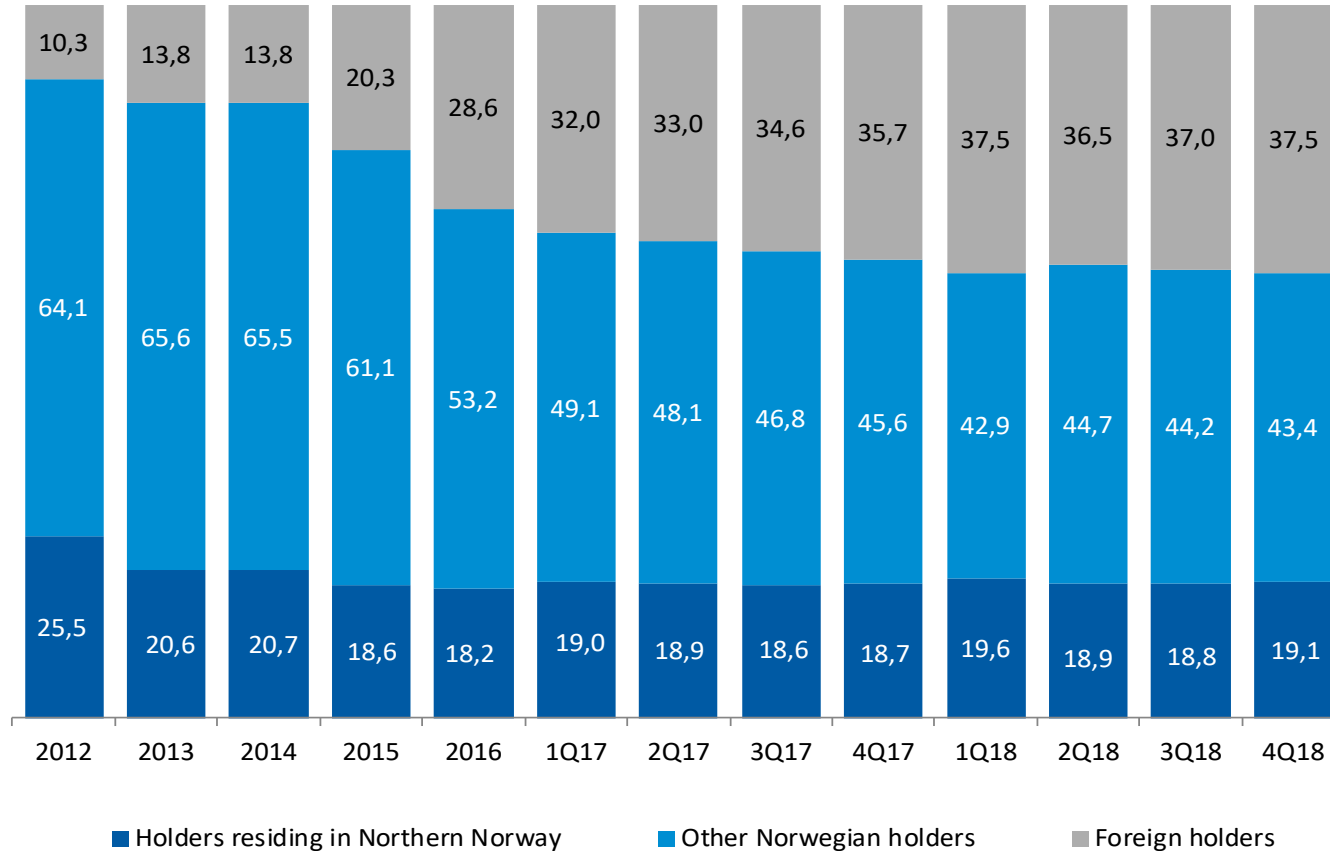
Rødbanken Holding AS*

Investment company

Rødbanken AS*

Commercial building

Equity Certificates (EC) – geographic holder structure



The 20 largest EC holders

EC Holders	Number of ECs	Share of EC Capital
PARETO AKSJIE NORGE VERDIPAPIRFOND V/PARETO ASSET MANAGEMENT AS	3.260.063	3,25%
State Street Bank and Trust Comp A/C CLIENT OMNIBUS F, REF: OM06	3.058.928	3,05%
GEVERAN TRADING CO LTD	2.693.280	2,68%
MP PENSJON PK	2.584.322	2,57%
The Northern Trust Comp, London Br NON-TREATY ACCOUNT	2.382.129	2,37%
FLPS - PRINC ALL SEC STOCK SUB	2.311.392	2,30%
J.P. MORGAN SECURITIES PLC	1.785.104	1,78%
METEVA AS	1.614.670	1,61%
SPAREBANKSTIFTELSEN SPAREBANK 1 NO Økonomiavdelingen	1.411.606	1,41%
VPF EIKA EGENKAPITALBEVIS C/O EIKA KAPITALFORVALTNING AS	1.398.129	1,39%
FORSVARETS PERSONELLSERVICE	1.391.630	1,39%
Morgan Stanley & Co. Int. Plc. MS & CO INTL PLC MSIP IPB CL AC NO	1.215.105	1,21%
Euroclear Bank S.A./N.V. 25% CLIENTS	1.033.413	1,03%
Landkreditt Utbytte	1.000.000	1,00%
SEB EUROPAFOND SMÅBOLAG SEB Investor World Global Custody	986.425	0,98%
State Street Bank and Trust Comp A/C CLIENT OMNIBUS D, REF: OM04	956.239	0,95%
PARETO INVEST AS	945.976	0,94%
Lannebo Europa Småbolag Skandinaviska Enskilda Banken AB	804.230	0,80%
State Street Bank and Trust Comp S/A SSB CLIENT OMNI E, FUND OM06	666.798	0,66%
CLEARSTREAM BANKING S.A.	648.843	0,65%
Total	32 148 282	32,02%

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 NO	1.411.606	1,41 %
KARL DITLEFSEN	547.543	0,55 %
ODD ERIK HANSEN INVEST AS	400.000	0,40 %
LARS WORKINN	294.180	0,29 %
SPAREBANKSTIFTELSEN HELGELAND	284.491	0,28 %
DAHL FISKERI AS	224.883	0,22 %
SØRLIA HOLDING AS	218.978	0,22 %
BJJ HOLDING AS	218.978	0,22 %
TOR OVESEN	206.556	0,21 %
OLE ALFRED ROLF OVESEN	205.554	0,20 %
NBK AS	183.211	0,18 %
TROMSØ SKOTØIMAGASIN A/S	170.000	0,17 %
BIRGER H DAHL AS	170.000	0,17 %
ALTA INVEST AS	168.000	0,17 %
RIGAMONTI A/S	164.000	0,16 %
GADD HOLDING AS	162.924	0,16 %
HEMMING LEONHARTH ANDERSEN	126.600	0,13 %
BRØDRENE KARLSEN HOLDING AS	119.705	0,12 %
JAN-FRODE JANSON	116.876	0,12 %
CHRISTIAN OVERVAAG	102.945	0,10 %
The 20 largest EC holders residing in Northern Norway ¹⁾	5 497 030	5,48 %

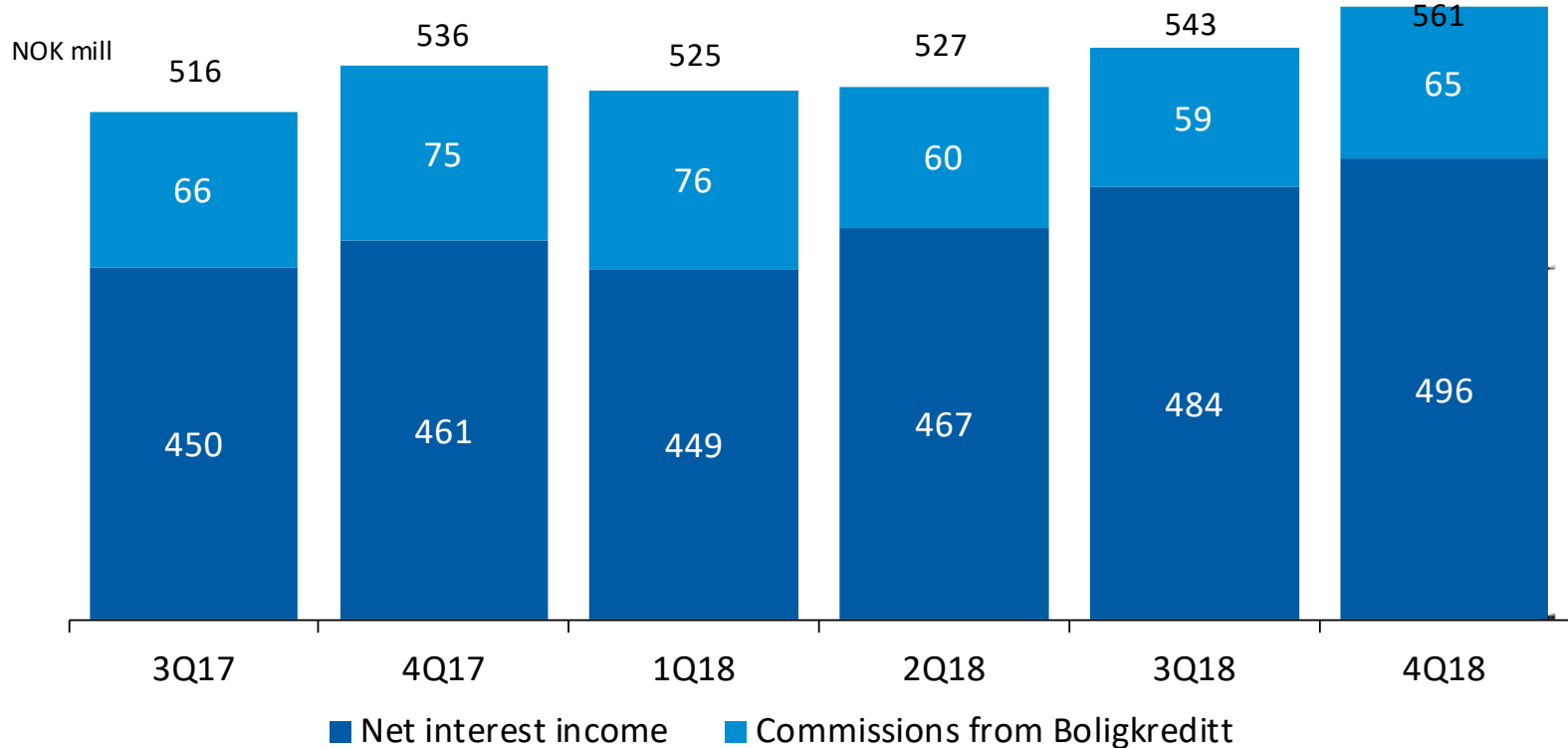
Why invest in SpareBank 1 Nord-Norge?

- 1** Number 1-position in an attractive growth region
- 2** Ambitious cost and modernization measures provide profitable operations
- 3** Focus on core business has implied reduced risk
- 4** Considerable underlying values through high relative ownership in SpareBank 1 Gruppen, other alliance companies and Norwegian infrastructure (including Vipps)
- 5** Very good solidity and ownership-friendly dividend policy

2

Financial figures – additional information

Net interest income - Group

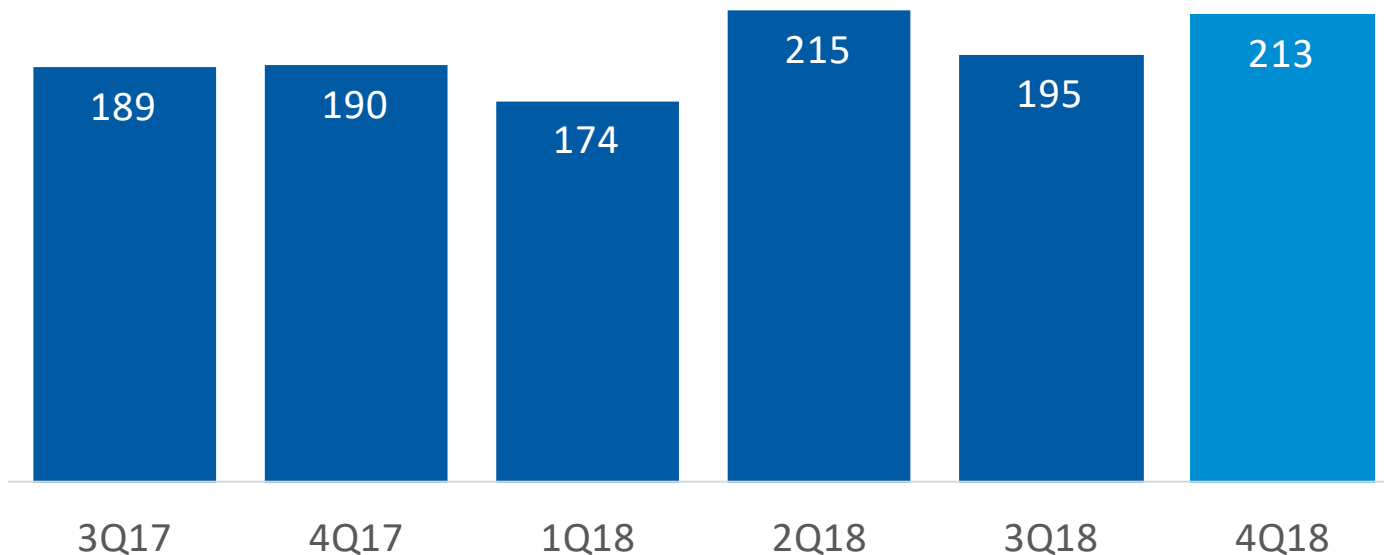


Quarterly results – net interest income

(Amounts in NOK million)	4Q18	3Q18	2Q18	1Q18	4Q17
Interest and similar income from loans to and claims on credit institutions	6	3	3	3	21
Interest and similar income from loans to and claims on customers	696	656	646	611	619
Interest and similar income from certificates, bonds and other interest-bearing securities	47	47	42	34	35
Interest and similar income	749	707	691	648	675
Interest and similar costs on liabilities to credit institutions	16	17	20	15	37
Interest and similar costs relating to deposits from and liabilities to customers	123	102	107	97	91
Interest and similar costs related to the issuance of securities	96	88	82	72	68
Interest and similar costs on subordinated loan capital	8	6	6	5	9
Payments made to The Norwegian Banks' Guarantee Fund	10	10	9	10	9
Total interest costs	253	223	224	199	214
Net interest income	496	484	467	449	461

Net fee-, commision- and other operating income

NOK mill



Net fee- and other operating income

	4Q18	3Q18	2Q18	1Q18	4Q17
(Amounts in NOK million)					
Payment facilities	84	77	61	60	60
Insurance products	37	42	36	40	35
Guarantee commissions	4	4	3	4	3
Real estate broking	34	34	41	26	29
Portefolio commission	13	8	11	12	11
Other commissions	21	23	26	18	21
Commissions excl. commission loans	192	188	178	160	159
Commission income SB1 Boligkredditt	65	59	60	76	75
Total commision income	257	247	238	236	234
Commission costs	26	27	21	21	21
Accounting services	38	33	54	33	29
Other income	9	1	4	2	23
Total other income	47	34	58	35	52
Total commission- and other income	278	254	275	250	265

Income from financial investments

Group

(Amounts in NOK million)

	4Q18	3Q18	2Q18	1Q18	4Q17
Dividends	1	2	2	1	0
Income from joint ventures	112	93	100	63	167
Gains/losses from shares in subsidiaries	0	6	0	0	0
Gains/losses and net value changes on shares	-15	23	81	-1	30
Net value changes on bonds, foreign exchange and fin.derivatives	-13	-4	5	19	-3
Gains/losses and net value changes on loans	-5	1	0	-8	0
Income from financial investments	80	121	188	74	194

Operating expenses

(Amounts in NOK million)	4Q18	3Q18	2Q18	1Q18	4Q17
Wages and salaries	148	144	146	139	150
Pension costs	17	12	12	11	3
Social costs	35	29	27	28	30
Total personnel costs	200	185	185	178	183
Development costs	38	30	39	33	19
Electronic data processing costs	21	25	31	24	31
Marketing costs	2	29	16	20	13
Travel - and training costs	13	7	9	9	14
Communications and office-related costs	8	7	7	7	9
Consultancy services	22	18	18	14	15
Ordinary depreciation	15	14	14	18	19
Operating costs - premises/buildings	10	7	3	5	6
Other operating costs incl rent	58	51	49	35	65
Other costs	187	188	186	165	190
Total operating expenses	387	373	371	343	373

Group companies result before tax

(Amounts in NOK 1000)	31.12.18	31.12.17
SpareBank 1 Finans Nord-Norge AS	175 041	7 002
SpareBank 1 Regnskapshuset Nord-Norge AS	22 366	16 321
EiendomsMegler 1 Nord-Norge AS	14 074	18 118
Subsidiaries core operations	211 481	41 441
Other subsidiaries	- 792	-1 990
Total	210 689	39 451

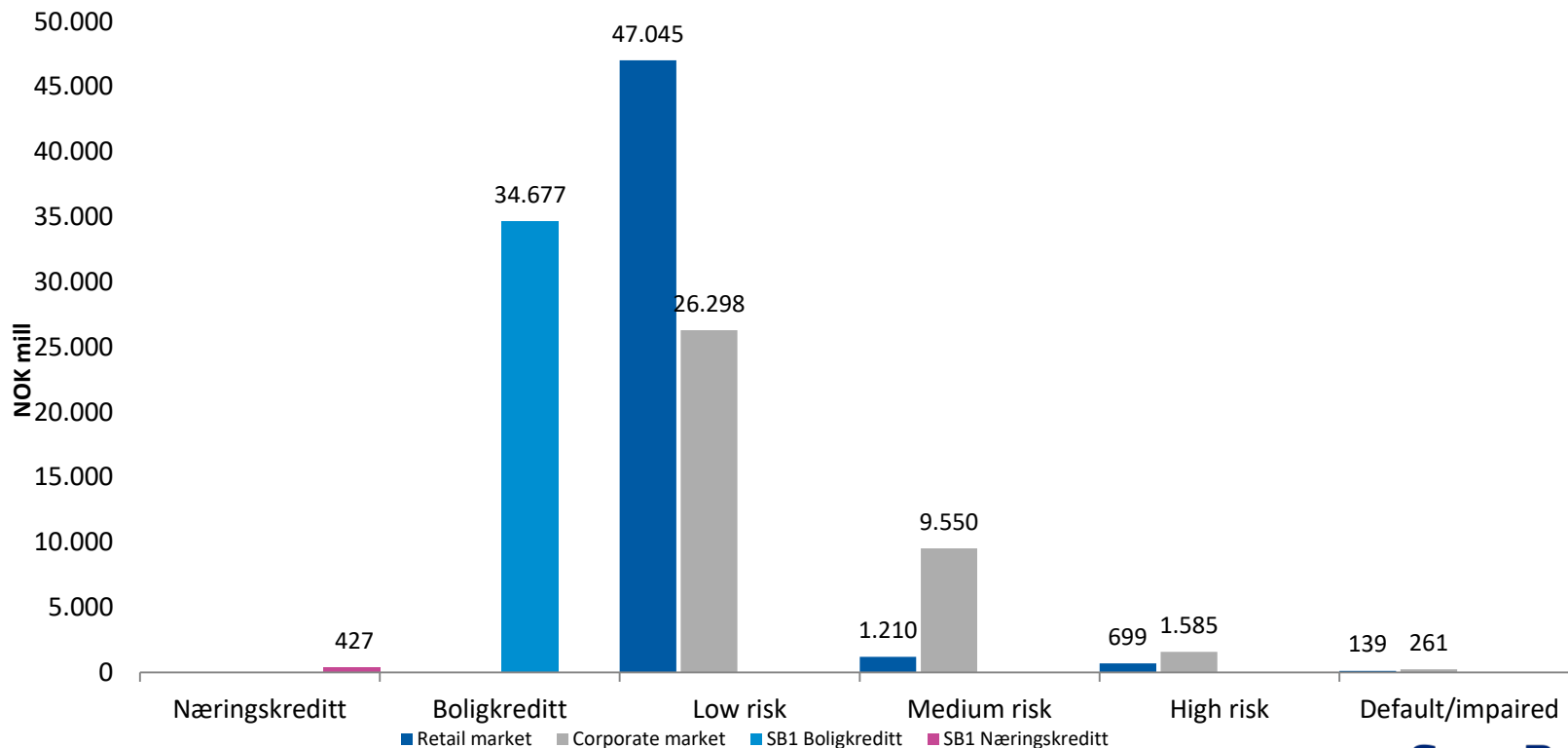
Key figures balance sheet

(Amounts in NOK million)	31.12.18	31.12.17	Change	Change %
Total assets	106 156	97 186	8 970	9,2%
Total lending	80 863	75 003	5 860	7,8%
Loans and advances to customers incl commission loans	114 117	105 485	8 632	8,2%
Deposits from customers	63 985	57 849	6 136	10,6%

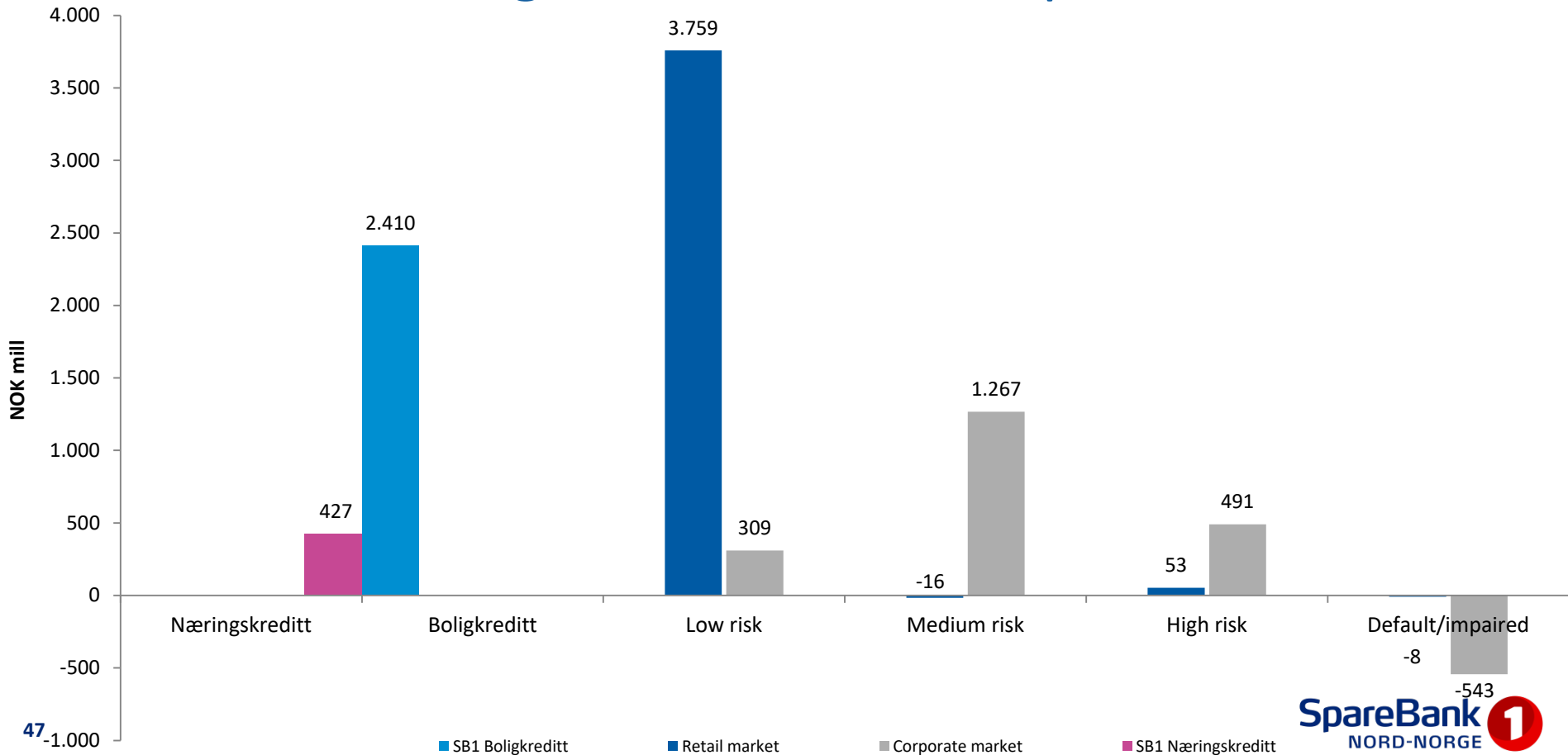
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Credit area

Portfolio - exposure as of 31.12.18, parent bank

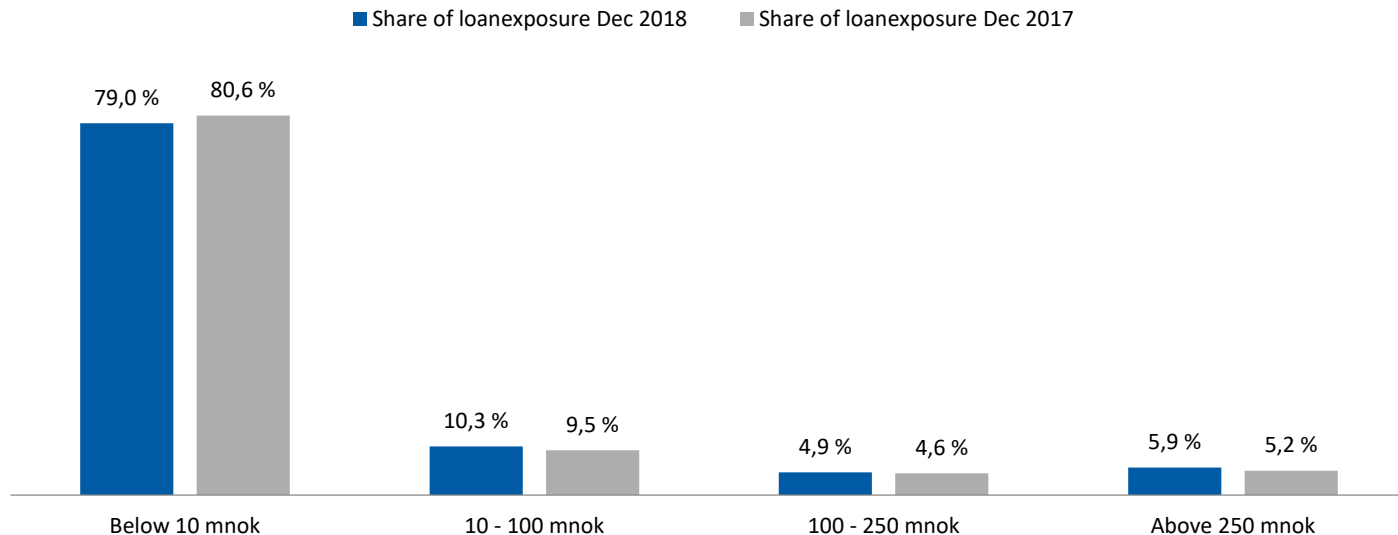


Portfolio – changes last 12 months, parent bank



Portfolio - exposure distributed by size

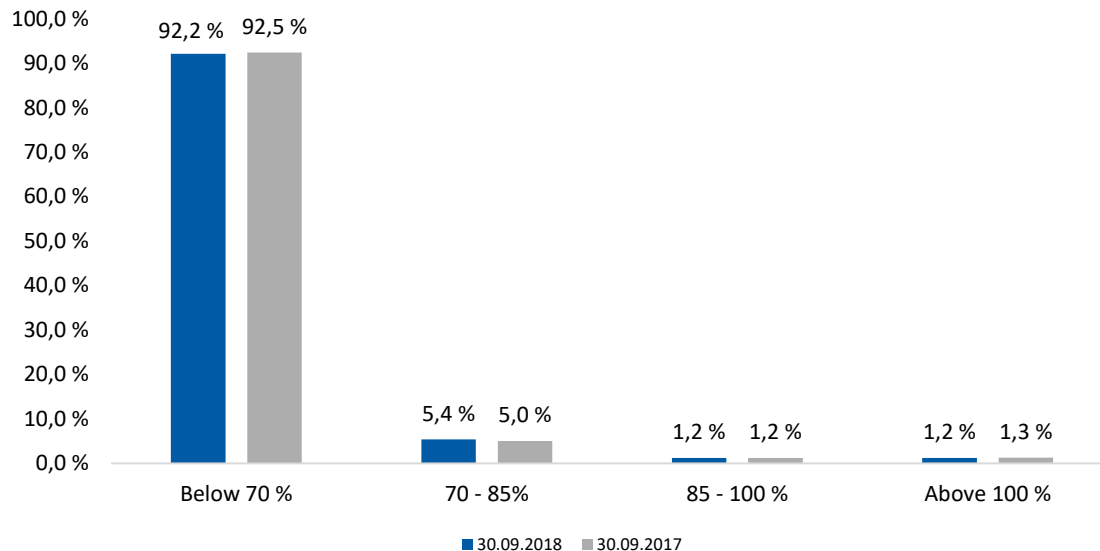
Loans distributed by size of exposure and share of total exposure



Numbers include SB 1 Bolig- and Næringskreditt

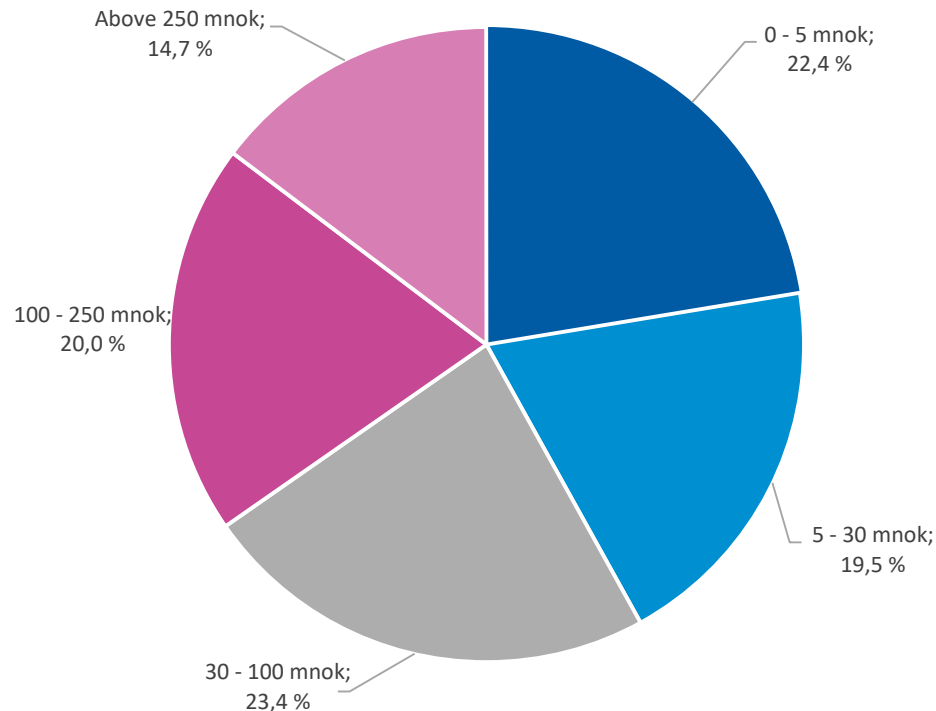
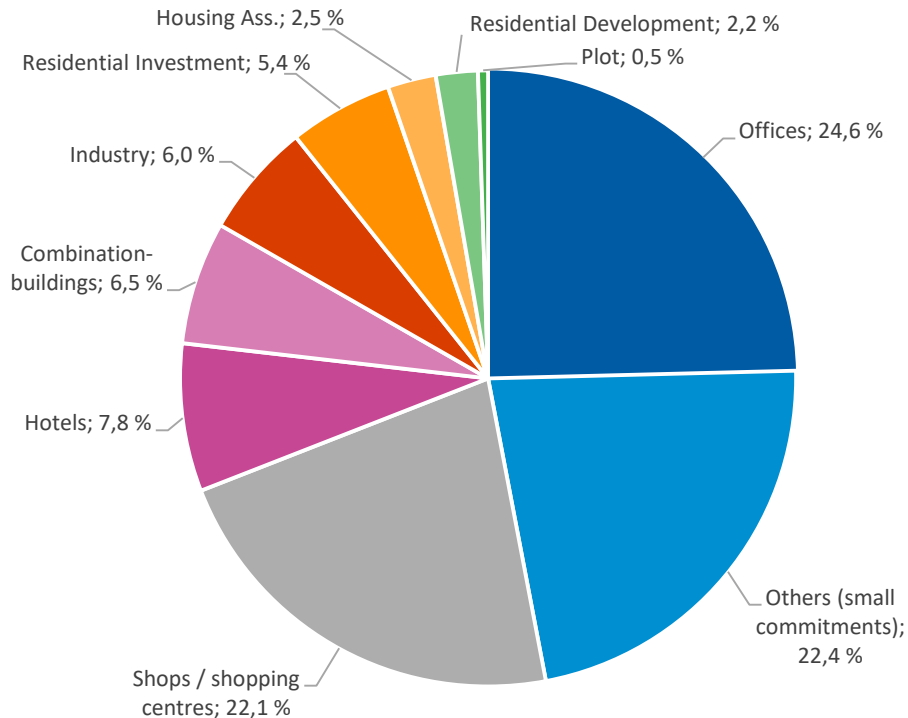
Portfolio – LTV mortgage loans

- 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.

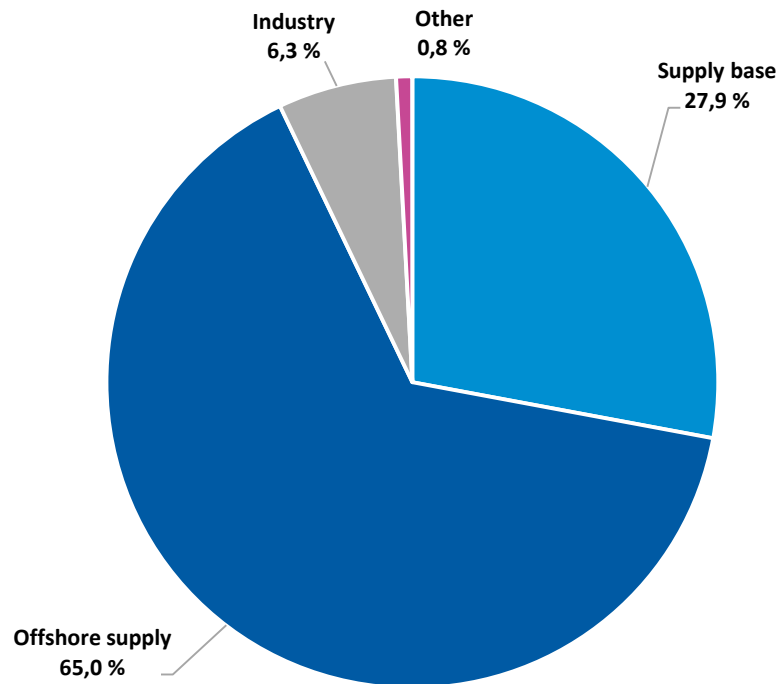
Portfolio – Commercial Real Estate



65.3 % of the portfolio are commitments smaller than NOK 100 mill

Portfolio – Oil related exposure, Group

- Oil related exposure amounts to NOK 1,102 mill
- The exposure represents 0.97 % of total lending incl. Næring- and Boligkreditt
- Average weighted probability of default 1.14 %
- A total of NOK 25 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



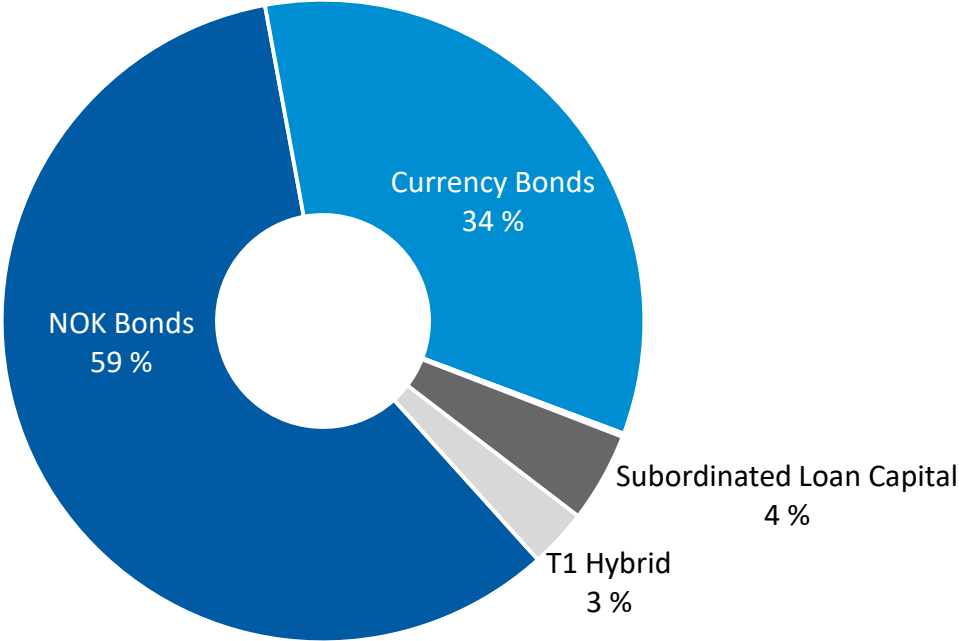
The Group's loan losses

Losses	2018	2017	4th quarter 2018 (iso)	4th quarter 2017 (iso)
Individual losses				
Retail market	2	-3	3	-1
Corporate market	-64	109	12	87
SpareBank 1 Finans Nord-Norge	10	125	0	6
Total individual losses	-52	261	15	93
Collective losses and other value change items	55	-77	-21	-155
Other losses	19	30	0	100
Total losses on loans and guarantees	22	184	-6	38

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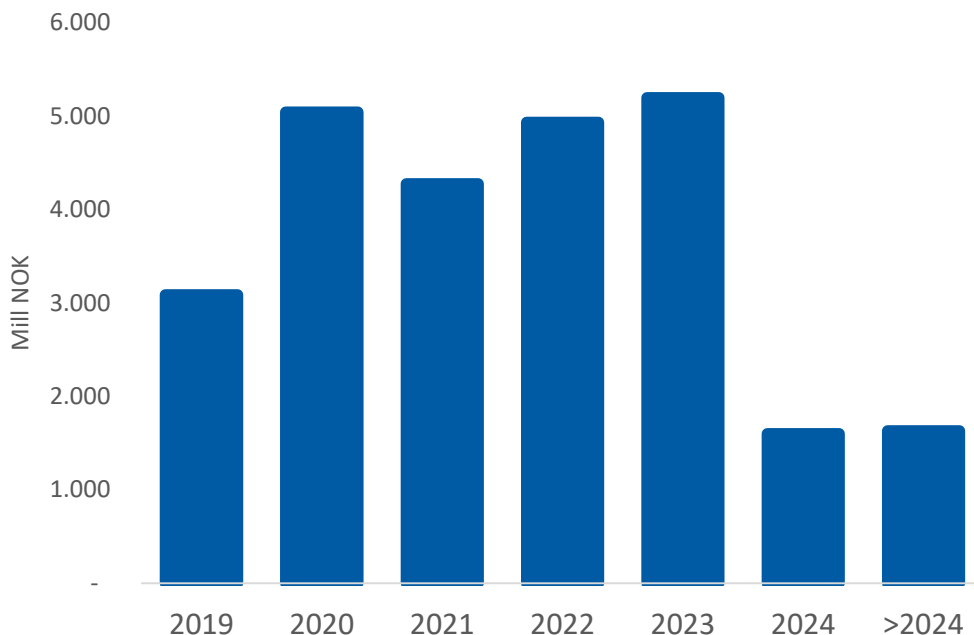
Liquidity

Funding instruments 31.12.2018



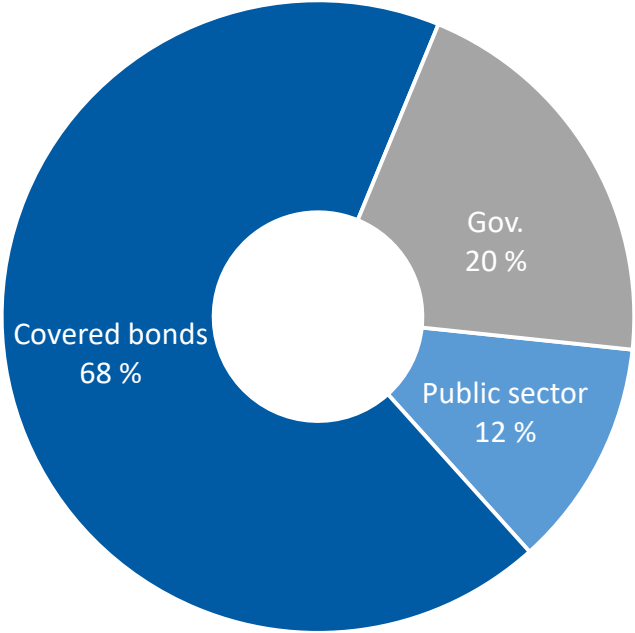
Maturity profile 31.12.2018

Capital markets funding (excl. SPABOL/SPACOM)



- NOK 25 775 mill in capital market funding exclusive of SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt
- SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is important funding sources. Mortgage loans of NOK 33 225 mill transferred as at 31.12.18
- Amount of gross maturities of capital market funding next 12 months is NOK 3 089 mill

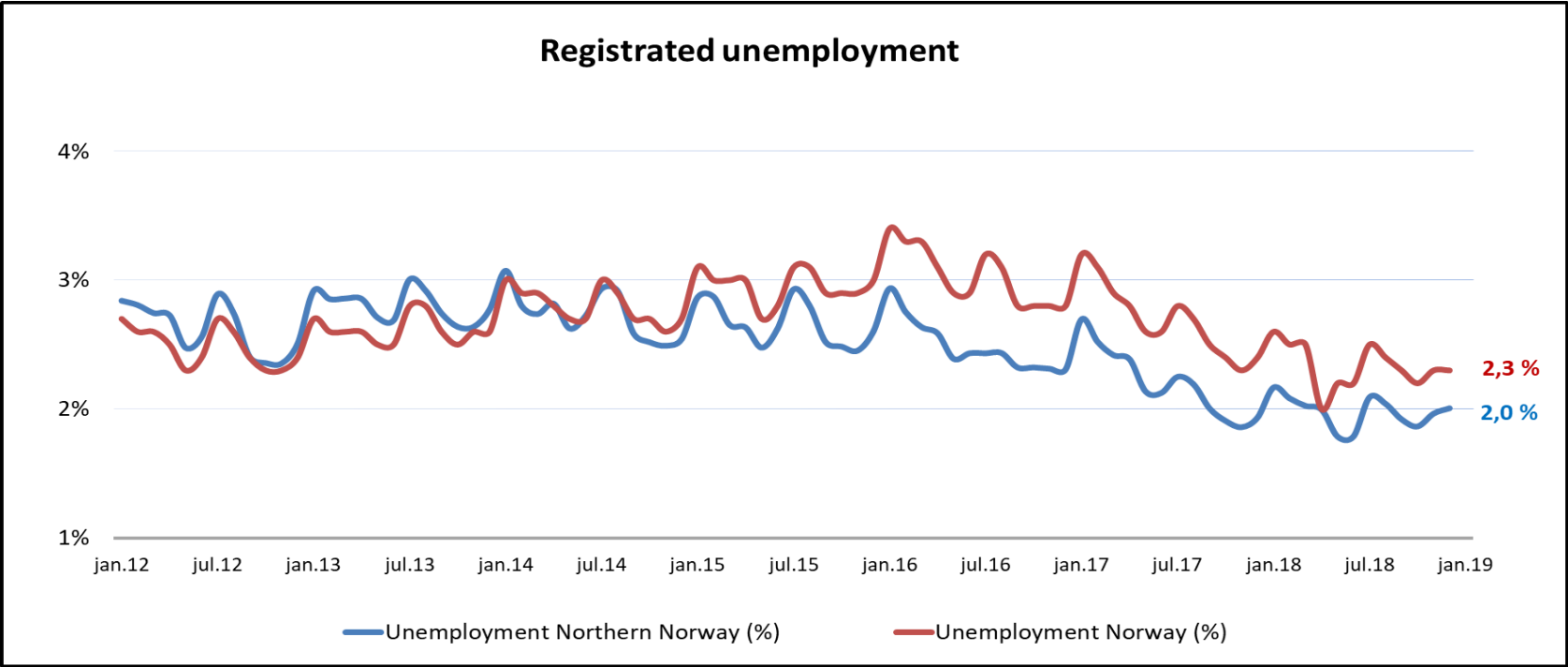
Liquidity portfolio 31.12.2018



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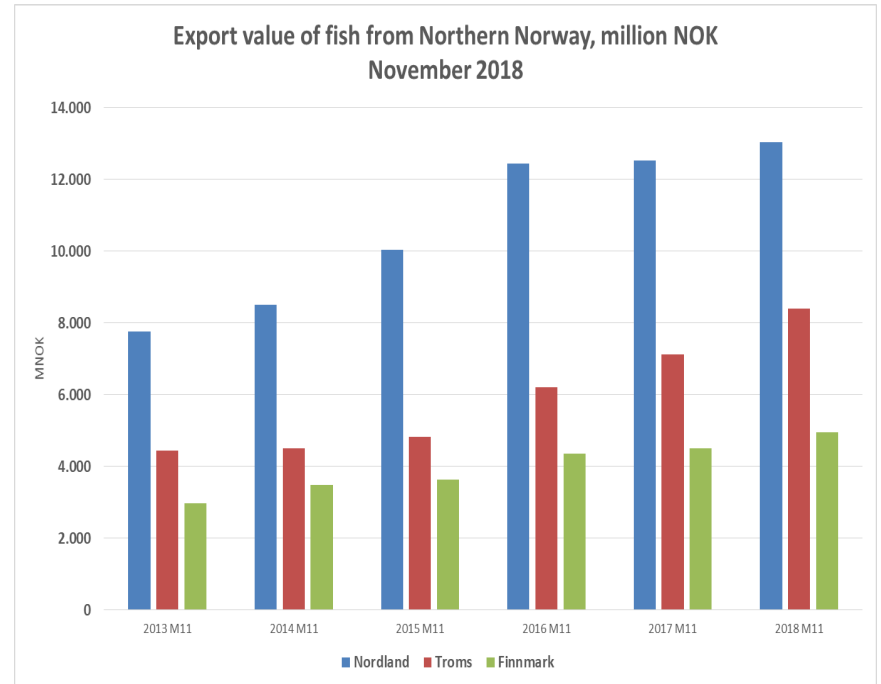
Macro and Economic trends

Stable, low unemployment



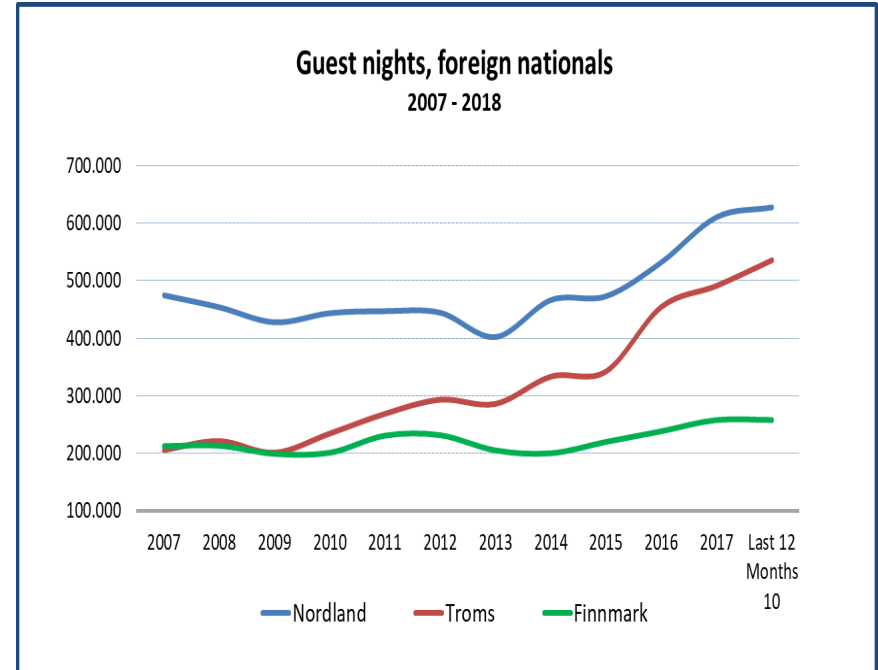
Seafood – export growth

- Growth in seafood export value from Northern Norway of 9,3 % per November.
- Good prices and weak norwegian kroner contribute.
- 1st half 2018 was the best ever for cod fisheries, and cod is important for Northern Norway.



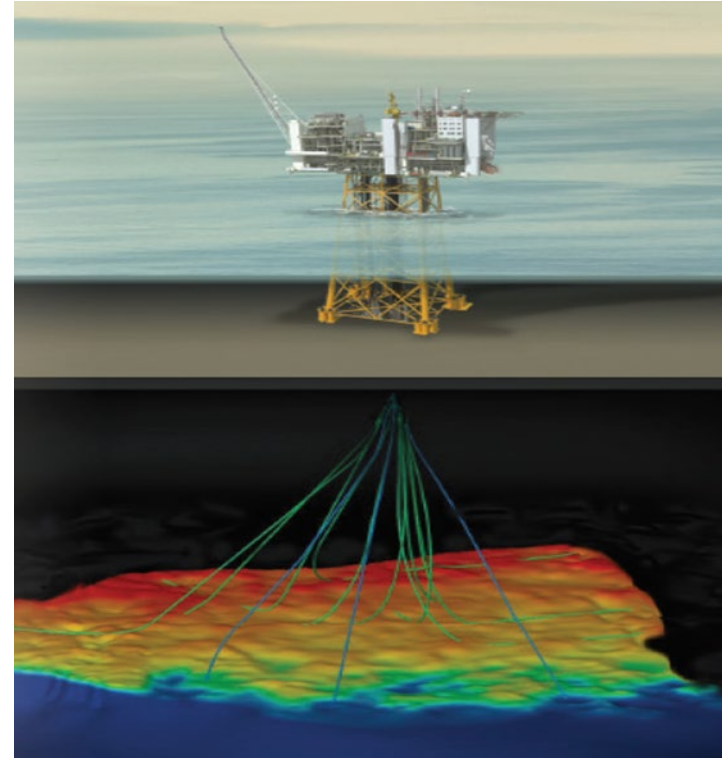
Tourism – growth in foreign overnight stays

- A minor decrease in number of overnight stays.
- Foreign overnight stays plays a more important role, but the growth is now slowing down in Finnmark and Nordland. Still growth in Troms, especially from winter tourism.
- Optimistic prospects for world economy and weak Norwegian kroner is positive for the tourism industry.

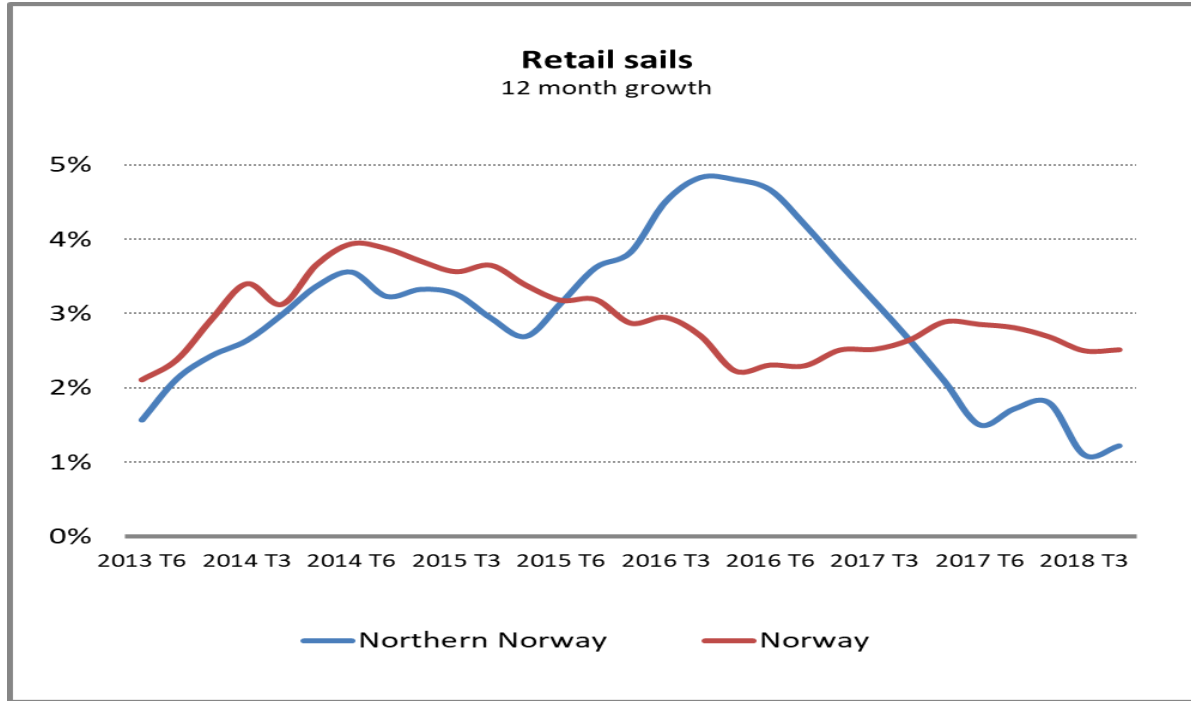


Oil and gas – new fields increase activity

- Five fields in production: Norne, Snøhvit, Skarv, Goliat and Aasta Hansteen.
- Alta/Gotha
 - Appraisal for development
- Johan Castberg
 - Building has started, production start-up planned in 2022/2023
- 2019 is promising years for discovering
 - Several prospects in the Barents Sea
 - New fields in the Norwegian Sea

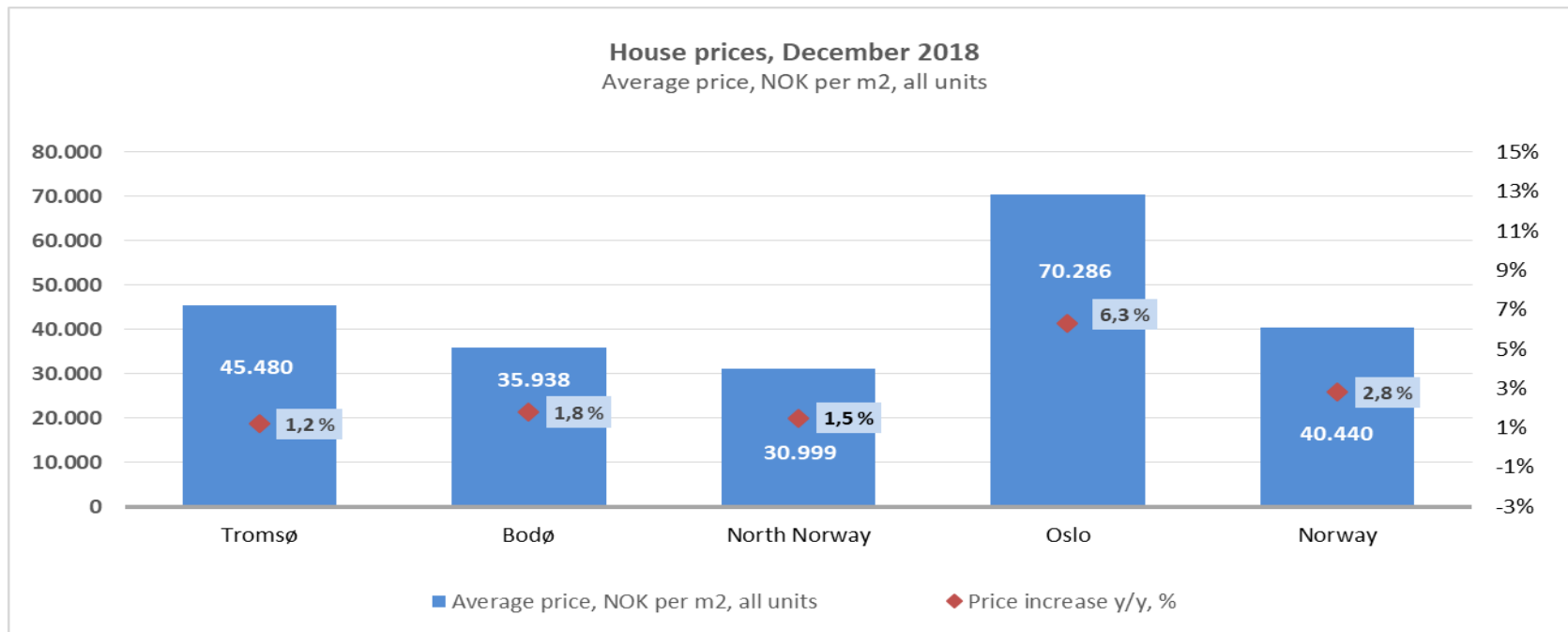


Lower growth in retail sales, and currently growth is lower than the Norwegian average

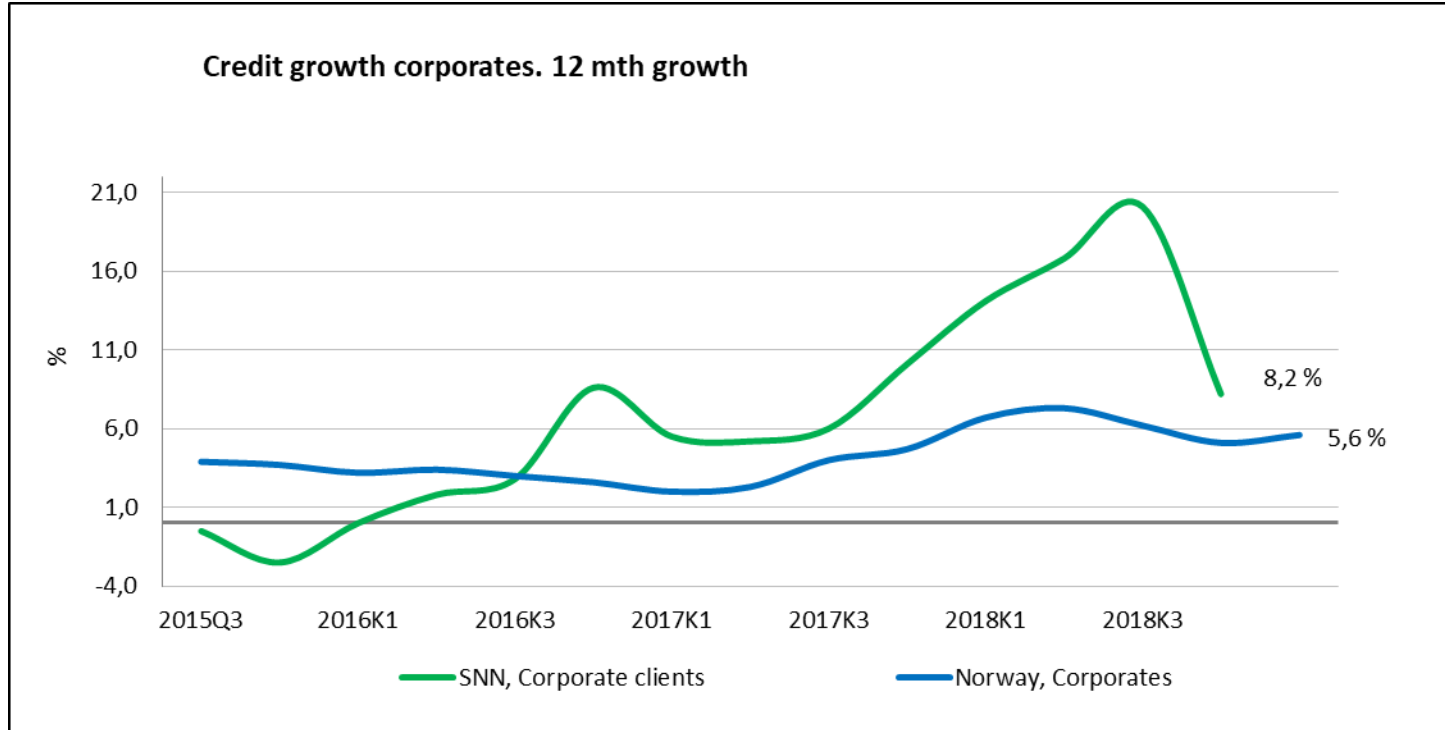


Source: SSB, retail sales

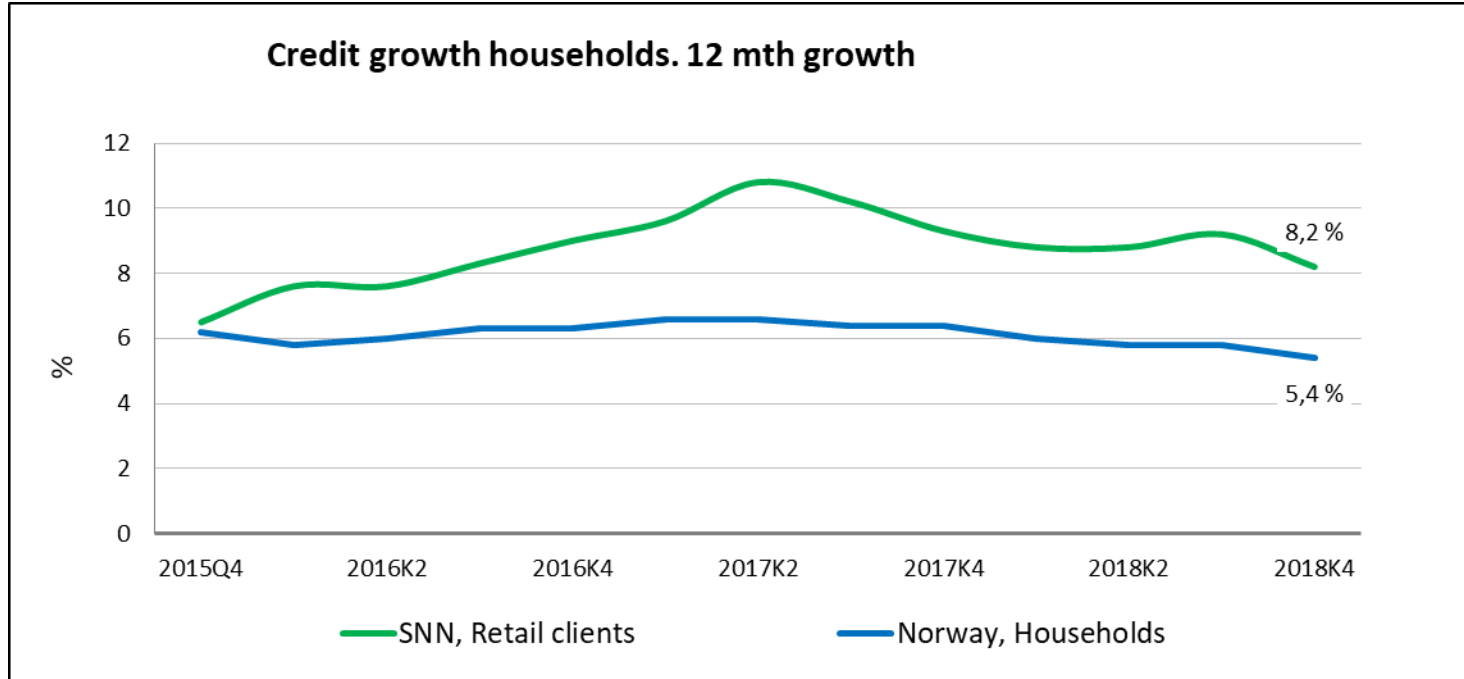
Housing prices: Lower price level and growth rate in Northern Norway – implies lower downside risk



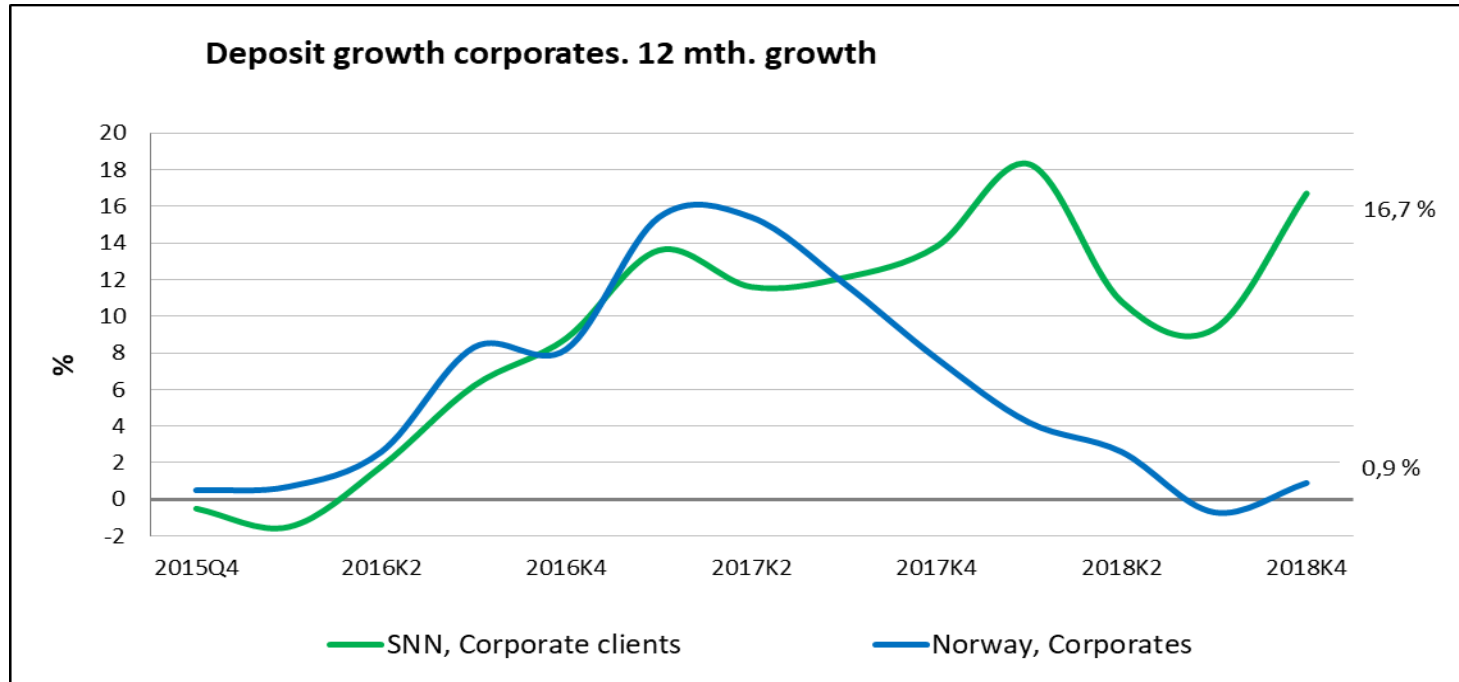
Credit growth corporates



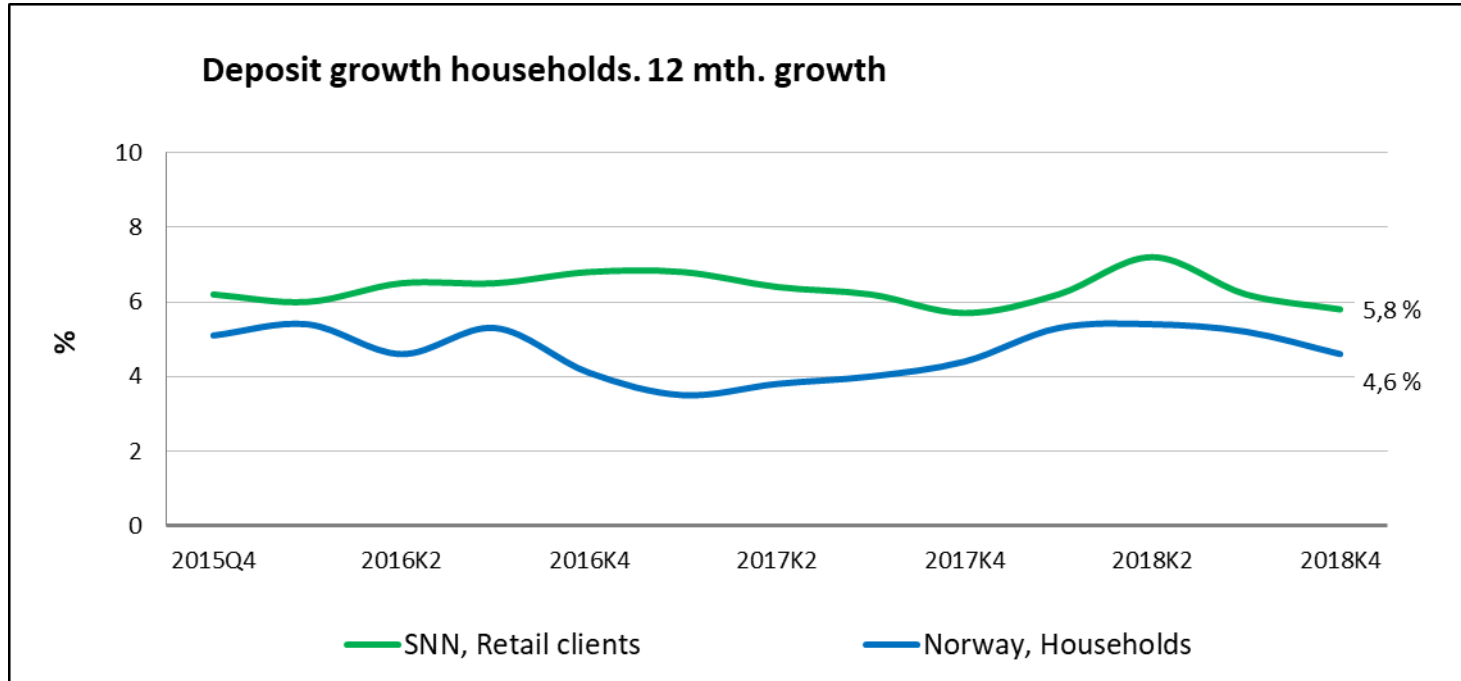
Credit growth households



Deposit growth corporates



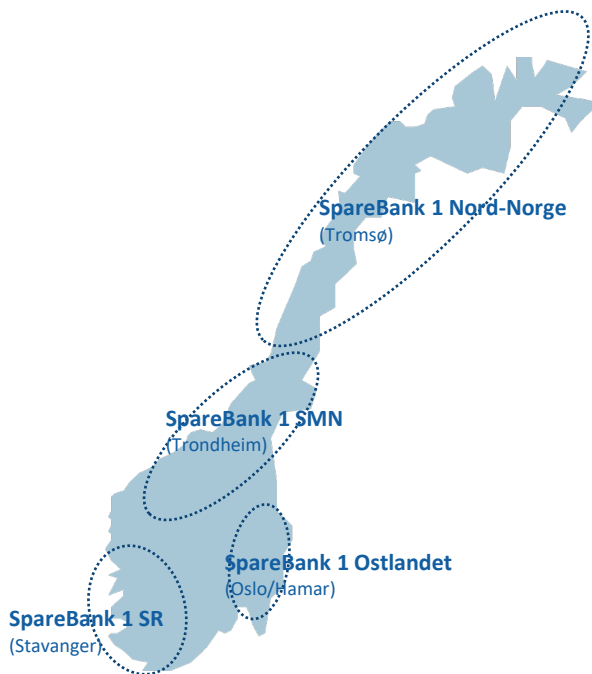
Deposit growth households



6

SpareBank 1 Group and Alliance

SpareBank 1 Alliance: National champion, regional focus



- ✓ The SpareBank 1 alliance consists of 14 banks; independent in each their region. Decisions are made close to the customer, and each bank continues to develop its link with its local community
- ✓ Operate exclusively in Norway – Norway’s most extensive branch network
- ✓ Work as if one integrated concern. SpareBank 1 banks are at the forefront of incorporating technological innovation into its distribution channels. Best rated mobil banking in Norway
- ✓ Offer banking products through jointly owned product companies
- ✓ Market leaders in their core regional markets 30-50%

SpareBank 1 Alliance



Products, commissions, dividends ⇕ Sales, loan portfolio, capital

