



# Quarterly accounts Q1 2018

Good returns, high growth and  
investment for further growth

Tromsø/Oslo 9. mai 2018










# Quarterly accounts Q1 2018

PRE-TAX PROFIT	NOK 414 mill (NOK 391 mill)
RETURN ON EQUITY	11.2 % (12.2 %)
C/I-RATIO	44.4 % (42.8 %)
LOAN LOSSES	NOK 16 mill (NOK 44 mill)
CET-1 RATIO	14.8 % (15.3 %)

# North-Norway: Macro economic development

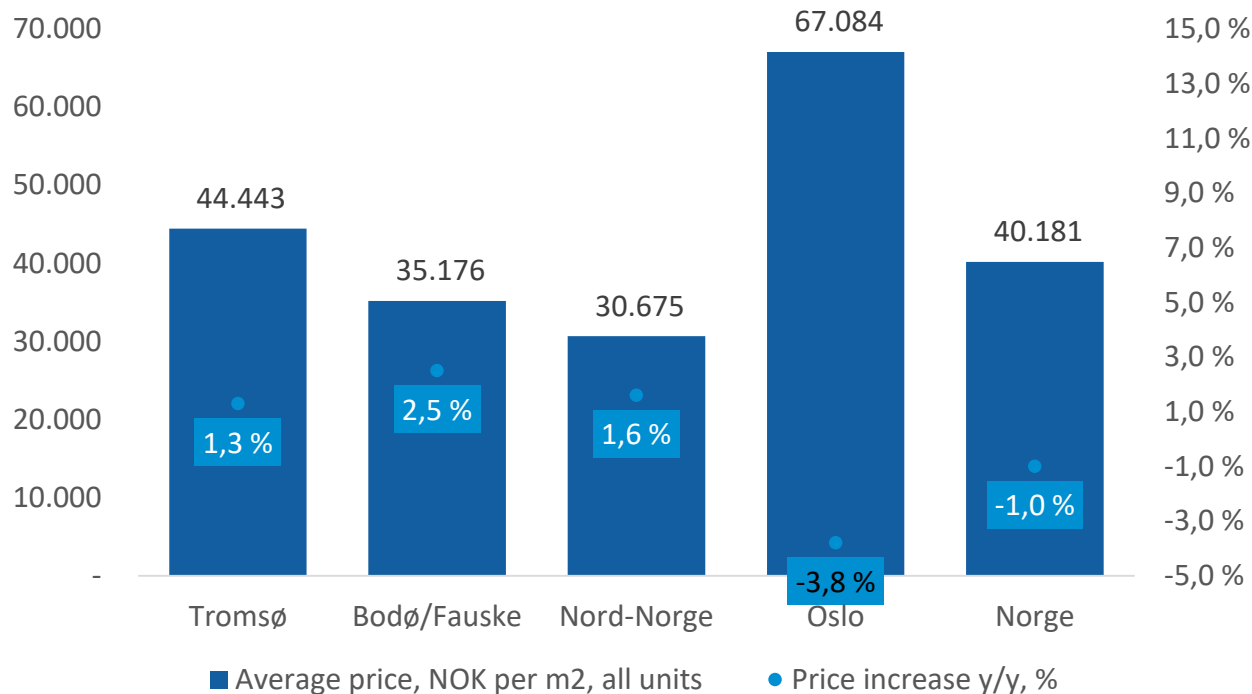
## – low unemployment and high growth

	Area	Status	Views
	Macro		
	Seafood		
	Tourism		

	Area	Status	Views
	Construction		
	Retail		
	Oil and gas		

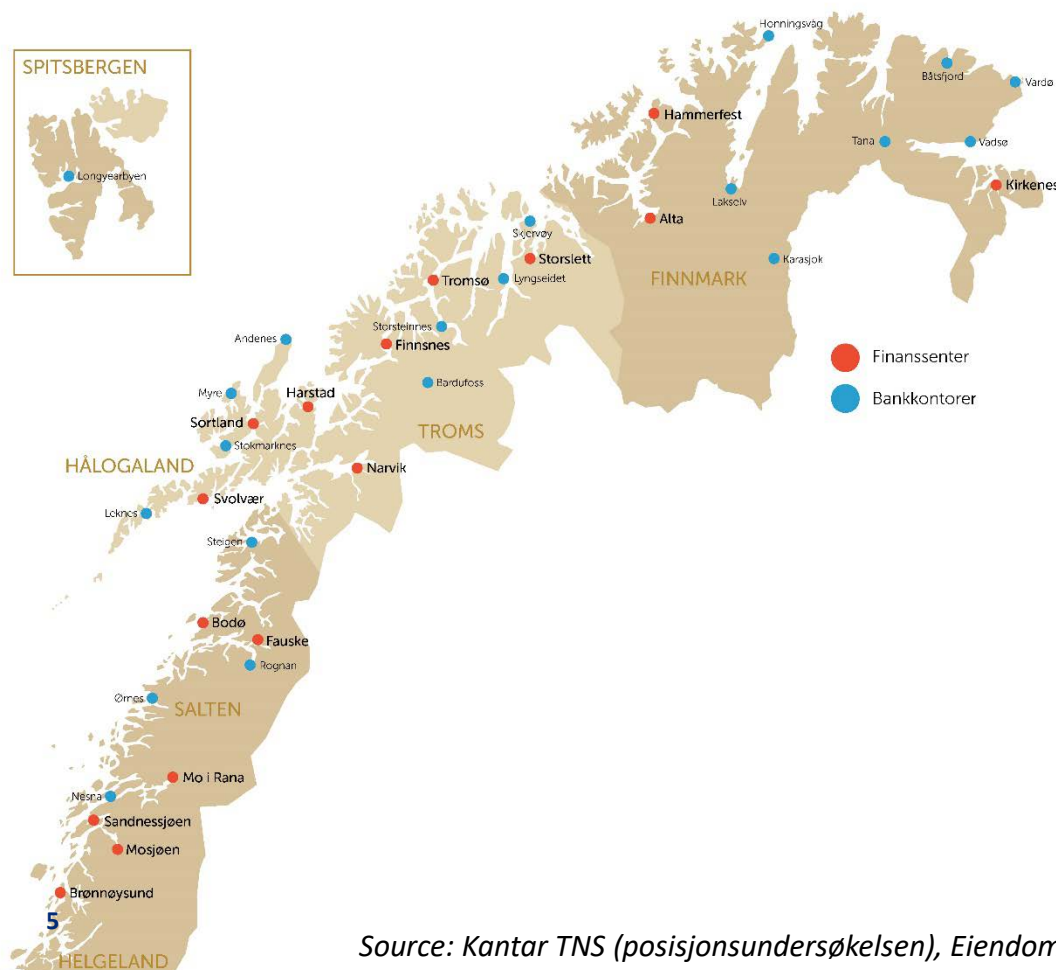
# Lower housing prices in northern Norway – lower downside risk and new positive trend

House prices, April 2018



Source: Eiendom Norge, Finn.no and Eiendomsverdi AS, «Boligprisstatistikk»

# SpareBank 1 Nord-Norge Group – number 1 in the north



1

PM Bank

- Main bank: 34 %

1

SMB Bank

- Main bank: 41 %

2

Large corporates - Bank

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1

Real estate

- Market share: 36.1 %

1

Accounting services

- Market share: 15 %

3

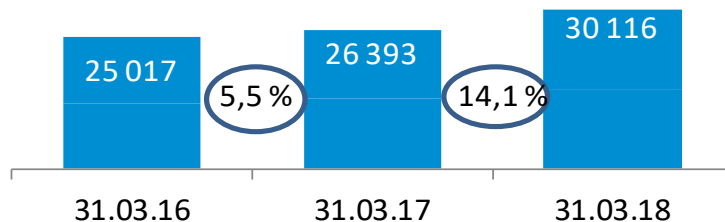
Secured financing/leasing

- Market share: 15.64 %

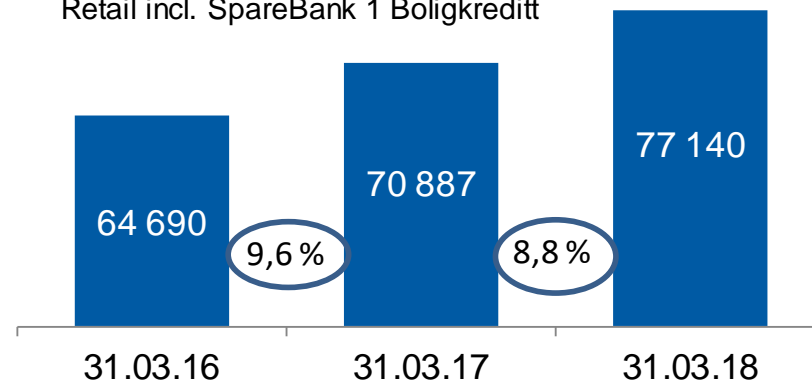
Source: Kantar TNS (posisjonsundersøkelsen), Eiendomsverdi

# Increased market shares – especially within SME sector

Corporate/public market



Retail incl. SpareBank 1 Boligkreditt



# Subsidiaries - high investments and good operations



## **SpareBank 1 Finans Nord-Norge**

- Pre-tax profit 35.7 MNOK (34,2 MNOK)
  - Good growth and increased profitability over time
  - Total asseth 5 493 MNOK (4 932 MNOK)
- 



## **SpareBank 1 Regnskapshuset Nord-Norge**

- Pre-tax profit 6.0 MNOK (6.6 MNOK)
  - Organic growth and acquisitions
  - Active participation in consolidation in the sector. Builds synergy with the parent bank
- 



## **EiendomsMegler 1 Nord-Norge**

- Pre-tax profit 0.4 MNOK (1.4 MNOK)
- Market leader in Northern Norway
- Good synergies with the parent bank

# Jointly owned companies – good earnings and significant underlying values



## SpareBank 1 Gruppen AS

**Pre-tax profit:** 278 MNOK (447 MNOK)

**Ownership** 19.5 %

### Underlying companies

- SpareBank 1 Skadeforsikring
- SpareBank 1 Forsikring (pensjon)
- Odin Forvaltning
- Conecto
- SpareBank 1 Factoring
- SpareBank 1 Spleis

### SpareBank 1 Kredittkort (17.3 %)

- Pre-tax profit 1Q 18: 40.6 MNOK (12.6 MNOK)

### SpareBank 1 Markets (12.2%)

- Pre-tax profit 1Q 18: 7.1 MNOK (2.5 MNOK)

### BN Bank (23.5 %)

- Pre-tax profit 1Q 18: 121 MNOK

### SpareBank 1 Næringskreditt (16.64 %)

- Pre-tax profit 1Q 18: 18.5 MNOK (27.9 MNOK)
- Important vehicle for financing for commercial real estate covered bond financing

### SpareBank 1 Boligkreditt (14,61 %)

- Pre-tax profit 1Q 18: 34.7 MNOK (-169.2 MNOK)
- Important vehicle for covered bonds financing of mortgages

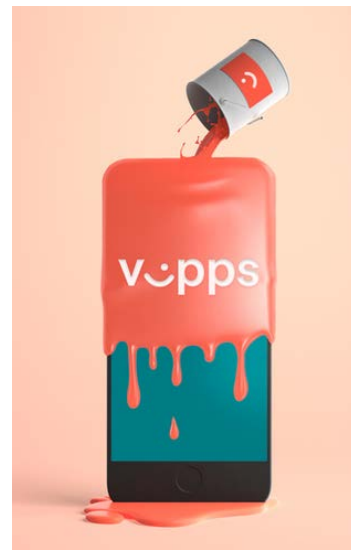


# Number 1 on innovation through cooperation

## SpareBank 1 Alliansen



## Norwegian infrastructure



# Investment and development for profitable growth in the Group



**Modernized  
buildings**



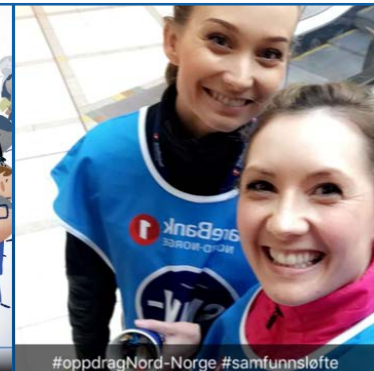
**Automated  
processes**



**New sales  
approach**



**Strengthened  
branding**



**Renewed and  
proud  
organization**

# Ownership model gives distinctive character and competitive advantage

Visste du at alle i Nord-Norge eier banken i lag?

Les mer

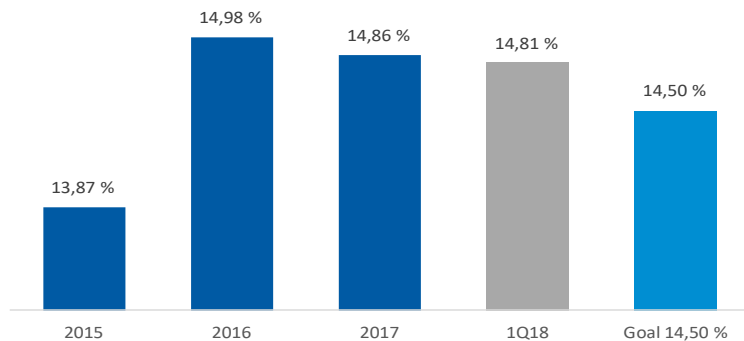
**SpareBank 1**  
NORD-NORGE  
I lag. For Nord-Norge.



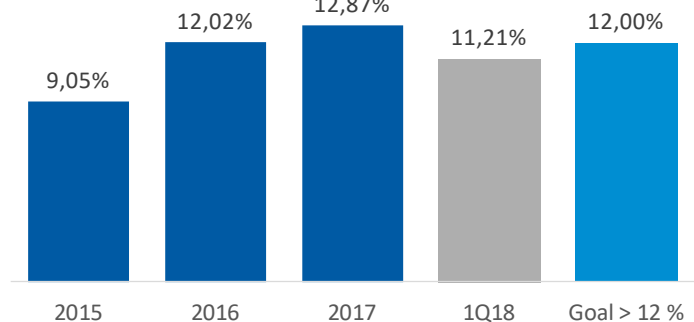
Community dividend 2017 = NOK 465 mill

# Key financial figures - development

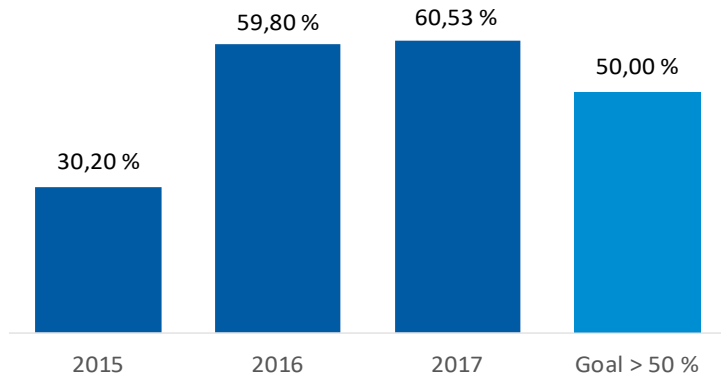
CET 1 incl floor



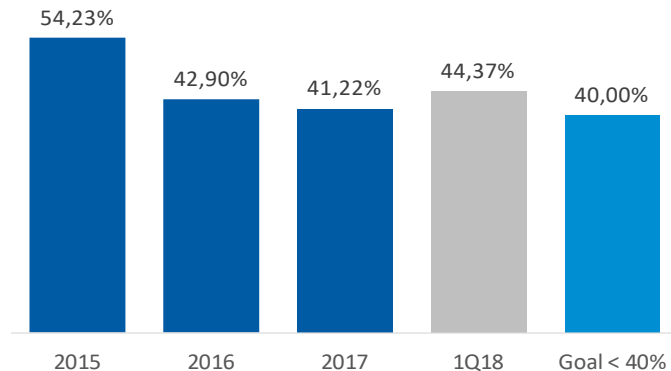
Return on equity capital



Payout ratio (%)

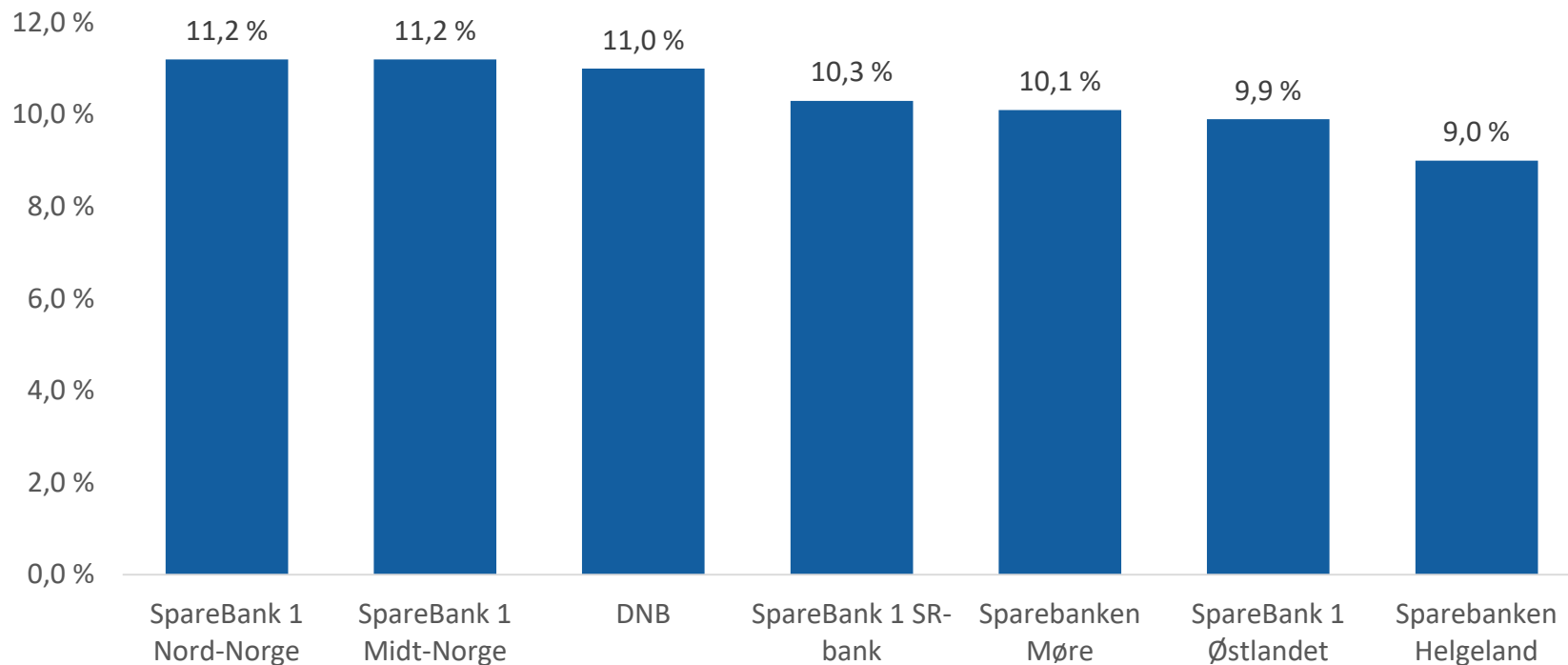


Cost/income Group

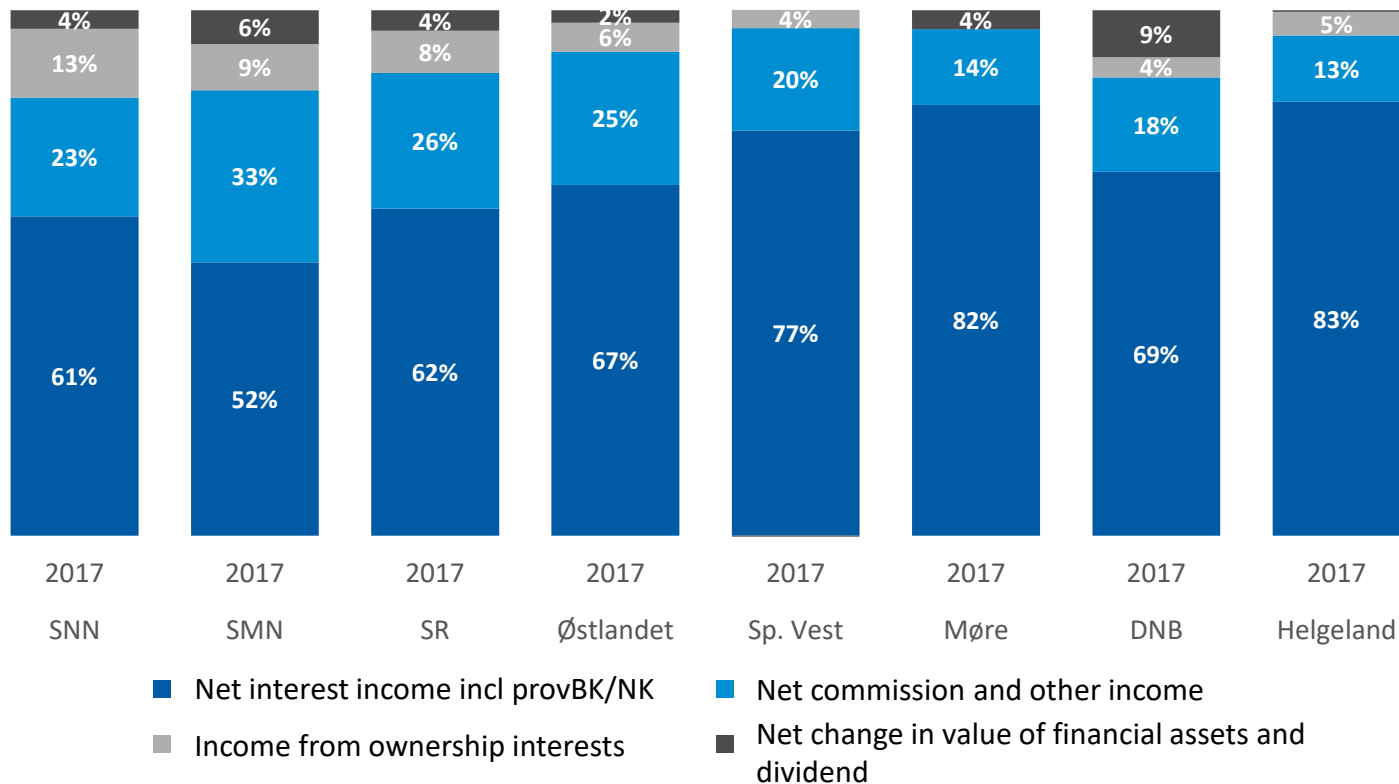


# Benchmark ROE

Return on equity Q1 2018 (ROE)



# Diversified income – less dependency on interest income

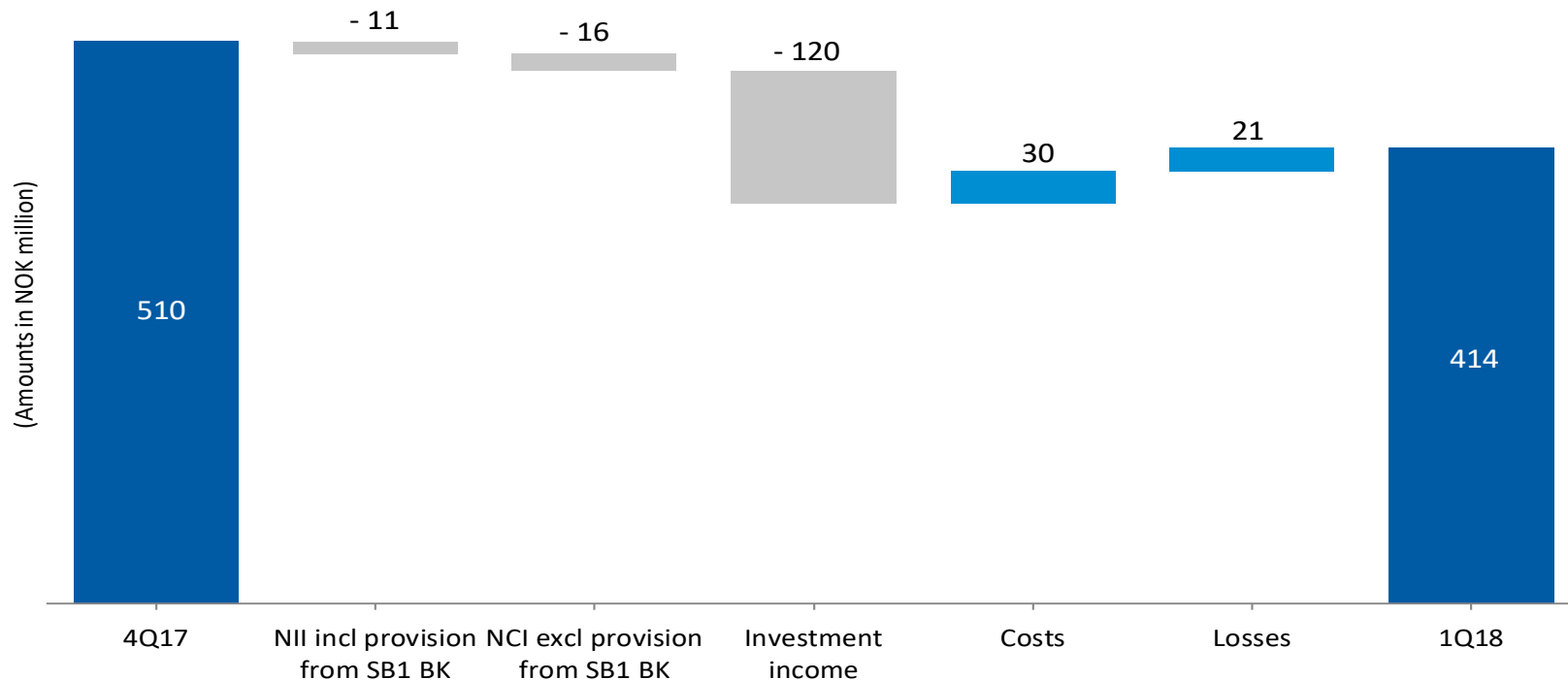


# Quarterly earnings

(Amounts in NOK million)

	1Q18	4Q17	3Q17	2Q17	1Q17
Net interest income	449	461	450	437	422
Net fee-, commision and other operating income	250	265	255	248	224
Net income from financial investments	74	194	119	124	115
<b>Total net income</b>	<b>773</b>	<b>920</b>	<b>824</b>	<b>809</b>	<b>761</b>
<b>Total costs</b>	<b>343</b>	<b>373</b>	<b>342</b>	<b>325</b>	<b>326</b>
<b>Result before losses and write-downs</b>	<b>430</b>	<b>547</b>	<b>482</b>	<b>484</b>	<b>435</b>
Net losses and write-downs	16	37	59	44	44
<b>Result before tax</b>	<b>414</b>	<b>510</b>	<b>423</b>	<b>440</b>	<b>391</b>
Return on equity capital	11,2 %	14,6 %	12,4 %	13,1 %	12,2 %
Cost/income	44,4 %	40,5 %	41,5 %	40,2 %	42,8 %

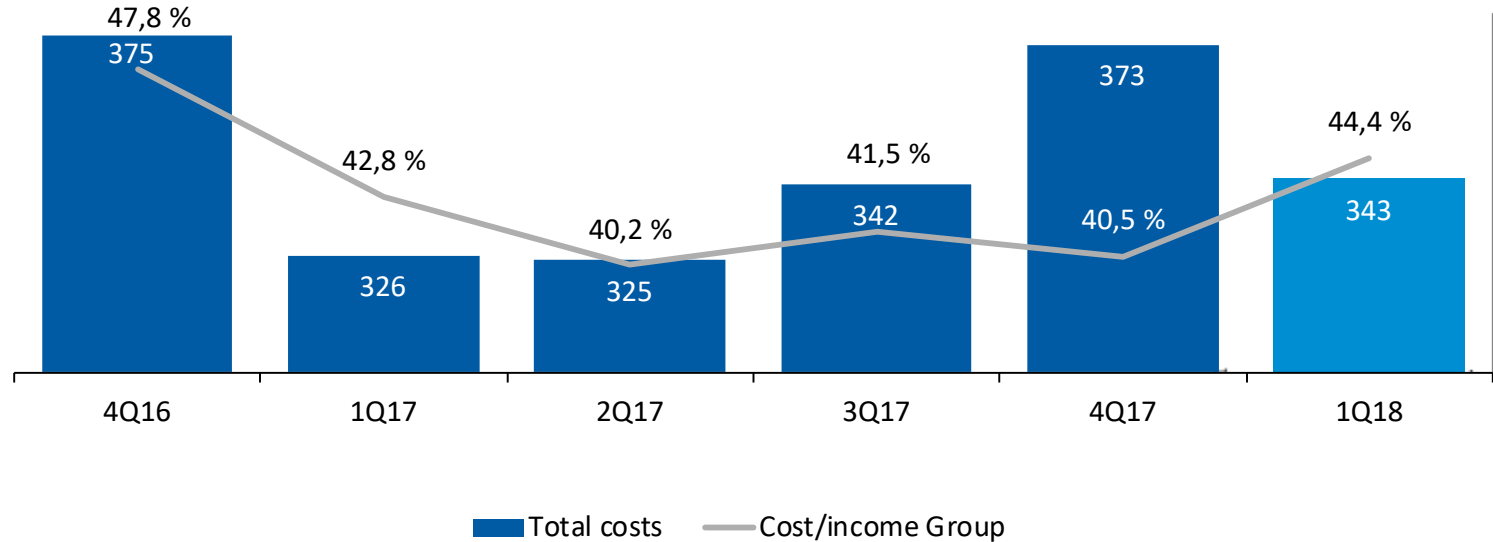
# Changes in profit and loss last quarter



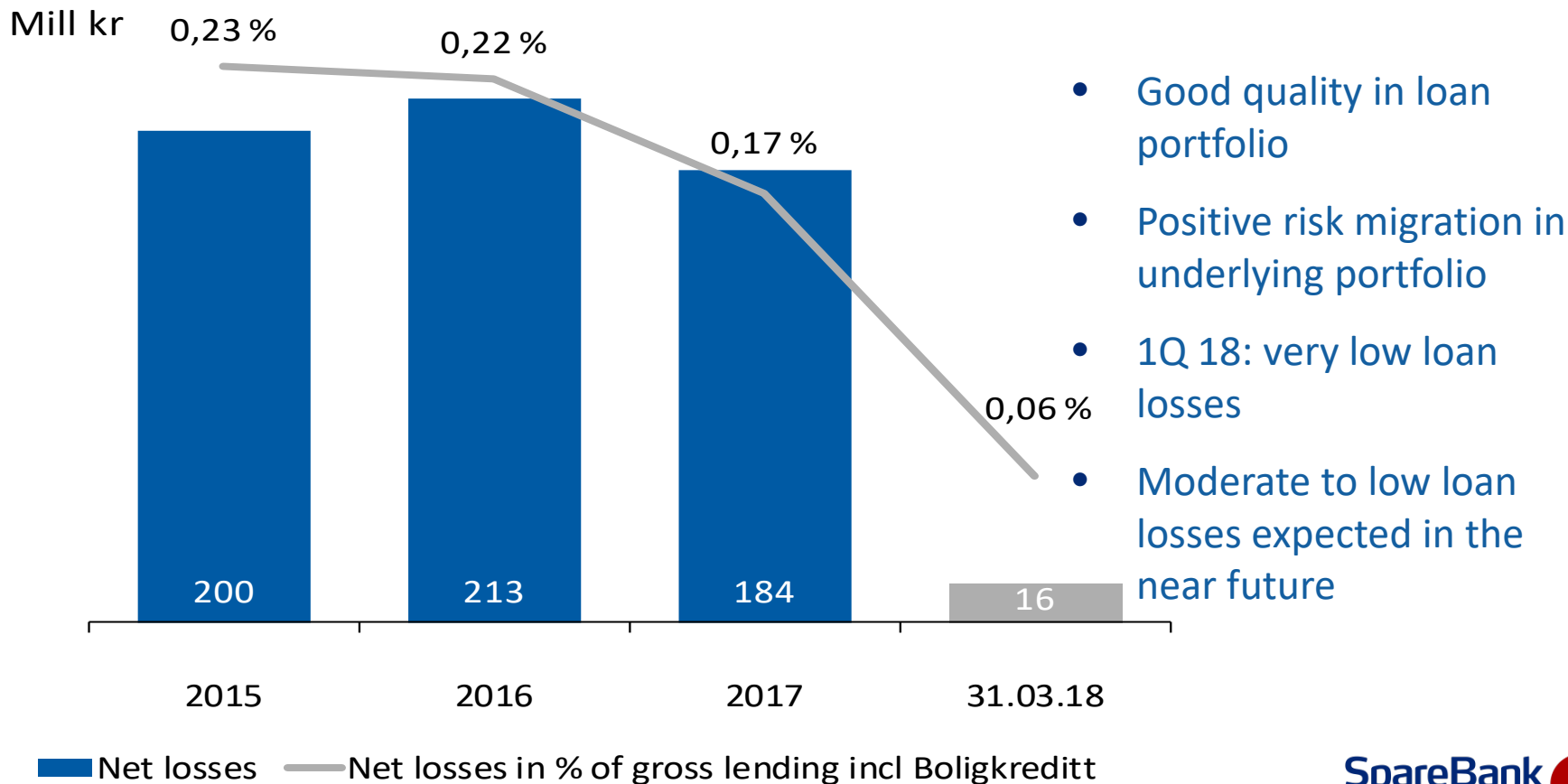


# Ambitious long-term cost target: $C/I < 40\%$

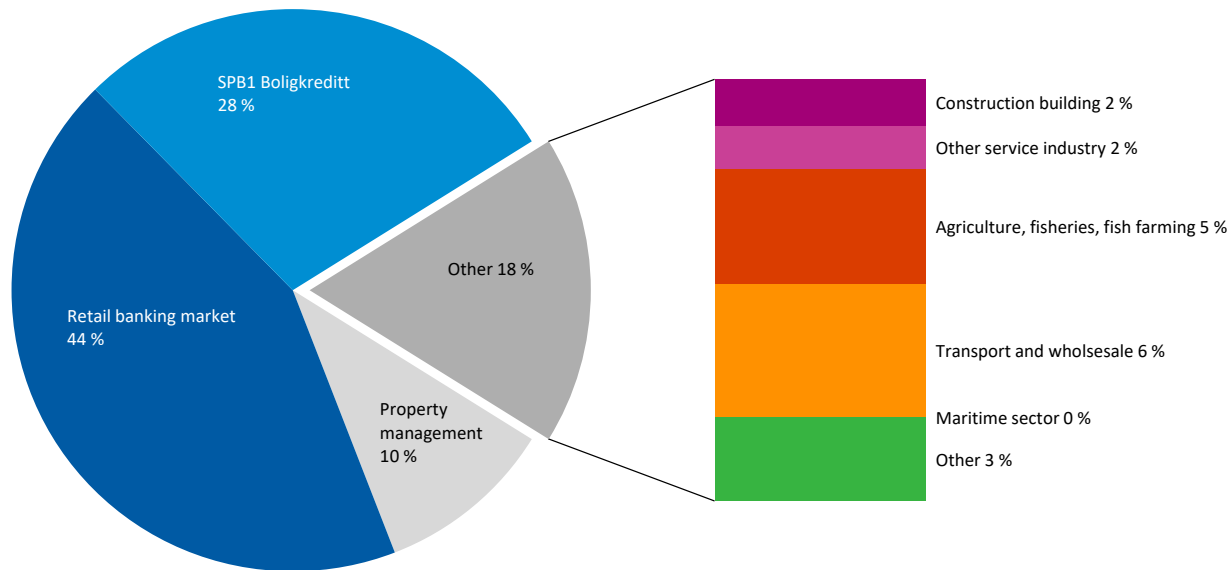
NOK mill.



# Net losses on loans and guarantees



# Distribution on segments shows good 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.

# Financial targets

> 12 % ROE



CET-1 ratio  
14,5 %

C/I ratio  
< 40 %



Payout ratio  
> 50 %

# Financial outlook

## **NRI**

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The interest margin is currently under pressure due to increased NIBOR. The increased interest rate level is expected to provide basis for repricing of deposits and loans.

## **ROE > 12 %**

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Targeted top-level profitability among comparable banks, currently > 12%. This goal is maintained.

## **REN KJERNEKAPITALDEKNING: 14,5 %**

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Targeted core capital coverage ratio one percentage point above regulatory minimum requirements. Current target: 14.5%.

## **KOSTNADSPROSENT < 40 %**

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Status 1Q 18: 44.5 %. Some increased costs are expected in 2018 due to increased automation, digitization etc. Income and cost effects are expected from 2019.

## **CASH DIVIDEND > 50 %**

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Cash dividend 2016 og 2017: 60 %.

# SpareBank 1 Nord-Norge

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## CFO Rolf Eigil Bygdnes

E-mail: [reb@snn.no](mailto:reb@snn.no)  
Tel. + 47 905 19 774

## URLs

Website and netbanking: [www.snn.no](http://www.snn.no)  
Equity certificate in general: [www.egenkapitalbevis.no](http://www.egenkapitalbevis.no)

## Financial calendar:

Q1 2018: 9. mai 2018  
Q2 2018: 8. august 2018  
Q3 2018: 26. oktober 2018



# 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

14,61 % | Covered Bond company

### SpareBank 1 Næringskreditt AS

16,64 % | Funding/ property

### BN Bank ASA

23,5 % | Bank

### SpareBank 1 Kredittkort AS

17,3 % | Credit card

### SpareBank 1 Betaling AS

19,7 % | Vipps/ mobile payment

### SpareBank 1 Banksamarbeidet DA

17,74 % | System development

### SMB Lab AS

20 % | Innovation

### Proaware 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

Forretningsbygg

### SpareBank 1 Regnskapshuset Nord-Norge AS

Accounting

### SpareBank 1 Nord-Norge Portefølje AS

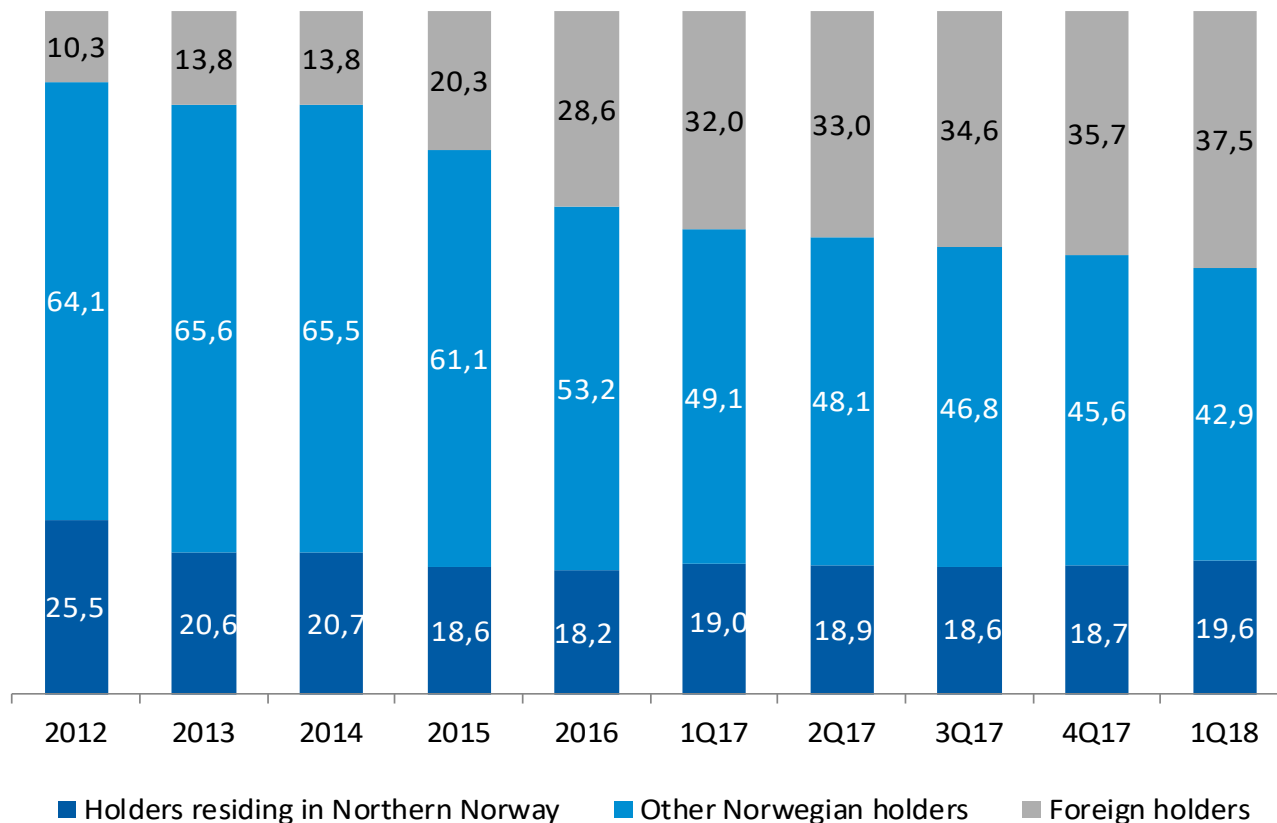
Investment company

### Nord-Norge Eiendom IV AS

### Alsgården AS



# Equity Certificates (EC) – geographic holder structure



# 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	418.375	0,42 %
ODD ERIK HANSEN INVEST AS	320.000	0,32 %
LARS WORKINN	294.180	0,29 %
SPAREBANKSTIFTELSEN HELGELAND	284.491	0,28 %
DAHL FISKERI AS	224.883	0,22 %
TOR OVESEN	206.556	0,21 %
OLE ALFRED ROLF OVESEN	205.554	0,20 %
TROMSØ SKOTØIMAGASIN A/S	170.000	0,17 %
NBK AS	169.596	0,17 %
GADD HOLDING AS	163.674	0,16 %
RIGAMONTI A/S	156.005	0,16 %
HEMMING LEONHARTH ANDERSEN	126.600	0,13 %
CROSS AS	125.000	0,12 %
BRØDRENE KARLSEN HOLDING AS	119.705	0,12 %
JAN-FRODE JANSON	116.876	0,12 %
CHRISTIAN OVERVAAG	102.563	0,10 %
COOP NORD BA	97.848	0,10 %
AS FERDIGHUS	95.765	0,10 %
<b>The 20 largest EC holders residing in Northern Norway <sup>1)</sup></b>	<b>5 356 820</b>	<b>5,34 %</b>

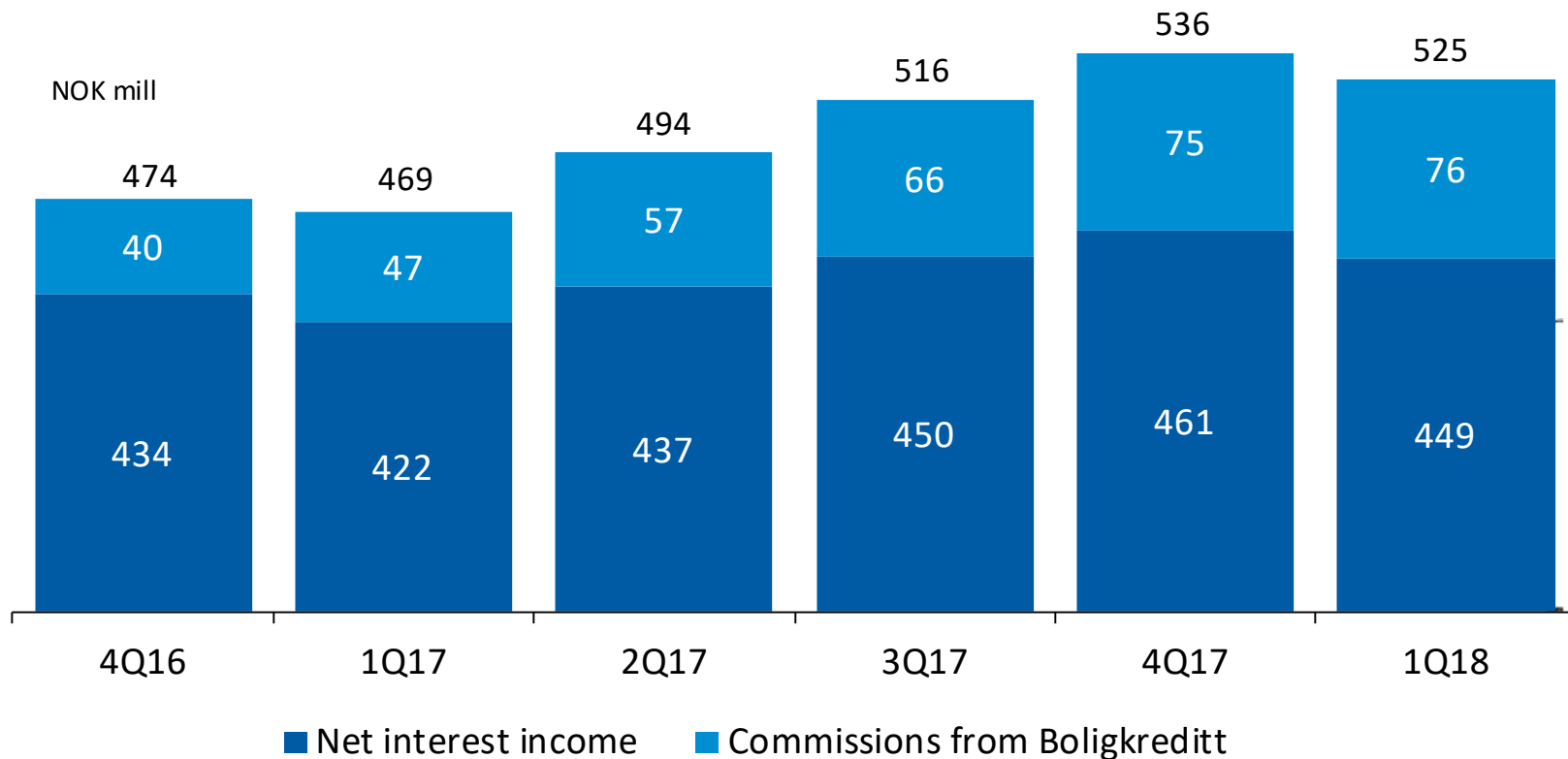
# Why invest in SpareBank 1 Nord-Norge?

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

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## Financial figures – additional information

# Net interest income - Group



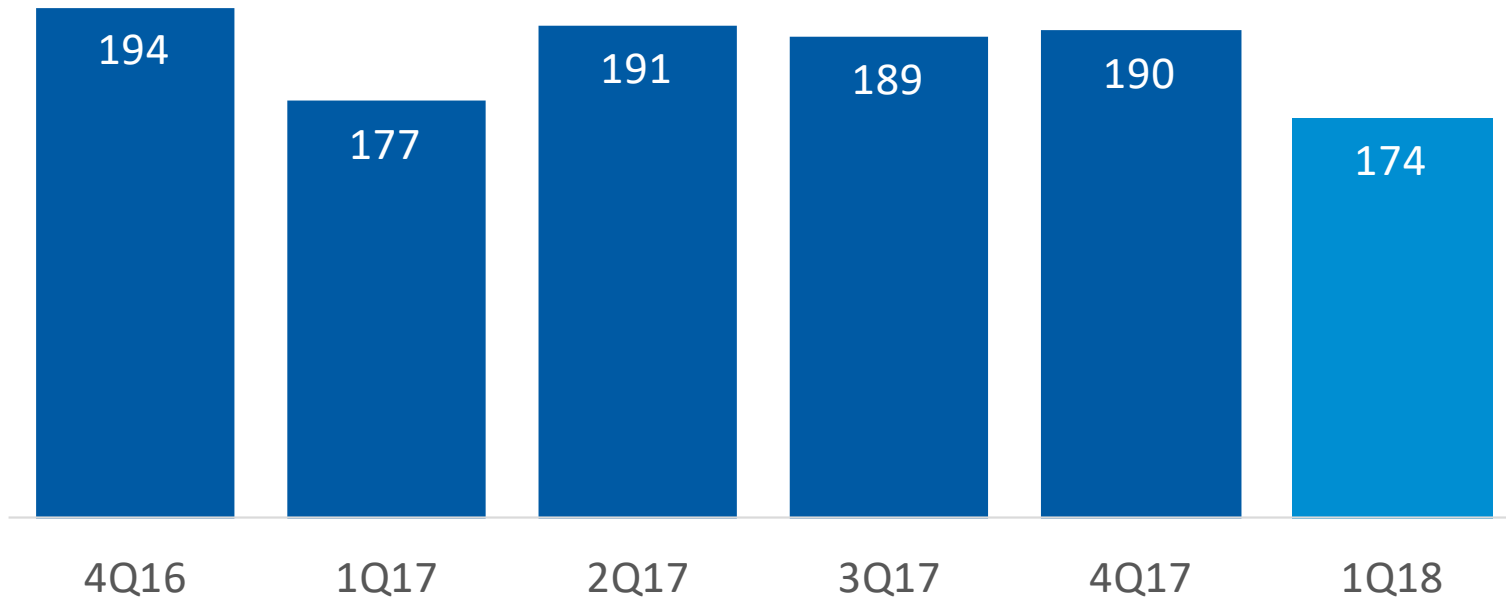
# Quarterly results – net interest income

(Amounts in NOK million)

	1Q18	4Q17	3Q17	2Q17	1Q17
Interest and similar income from loans to and claims on credit institutions	3	21	1	2	2
Interest and similar income from loans to and claims on customers	611	619	612	602	600
Interest and similar income from certificates, bonds and other interest-bearing securities	34	35	37	36	43
<b>Interest and similiar income</b>	<b>648</b>	<b>675</b>	<b>650</b>	<b>641</b>	<b>645</b>
Interest and similar costs on liabilities to credit institutions	15	37	13	15	17
Interest and similar costs relating to deposits from and liabilities to customers	97	91	91	89	95
Interest and similar costs related to the issuance of securities	72	68	78	80	88
Interest and similar costs on subordinated loan capital	5	9	9	10	14
Payments made to The Norwegian Banks' Guarantee Fund	10	9	9	10	9
<b>Total interest costs</b>	<b>199</b>	<b>214</b>	<b>200</b>	<b>204</b>	<b>223</b>
<b>Net interest income</b>	<b>449</b>	<b>461</b>	<b>450</b>	<b>437</b>	<b>422</b>

# Net fee-, commission- and other operating income

NOK mill



# Net fee- and other operating income

	1Q18	4Q17	3Q17	2Q17	1Q17
(Amounts in NOK million)					
Payment facilities	60	60	74	64	63
Insurance products	40	35	41	42	41
Guarantee commissions	4	3	4	4	4
Real estate broking	26	29	32	34	26
Portefolio commission	12	11	11	12	14
Other commissions	18	21	23	22	16
<b>Commissions excl. Boligkreditt</b>	<b>160</b>	<b>159</b>	<b>185</b>	<b>178</b>	<b>164</b>
Commission income SB1 Boligkreditt	76	75	66	57	47
<b>Total commision income</b>	<b>236</b>	<b>234</b>	<b>251</b>	<b>235</b>	<b>211</b>
Commission costs	21	21	23	20	21
Accounting services	33	29	25	30	32
Other income	2	23	2	3	2
<b>Total other income</b>	<b>35</b>	<b>52</b>	<b>27</b>	<b>33</b>	<b>34</b>
<b>Total commission- and other income</b>	<b>250</b>	<b>265</b>	<b>255</b>	<b>248</b>	<b>224</b>



# Income from financial investments

## Group

(Amounts in NOK million)

	1Q18	4Q17	3Q17	2Q17	1Q17
Dividends	1	0	0	4	0
Income from joint ventures	63	167	109	78	65
Gains/losses from shares in subsidiaries	0	0	0	15	0
Gains/losses and net value changes on shares	-1	30	7	23	13
Net value changes on bonds, foreign exchange and fin.derivatives	19	-3	6	4	35
Gains/losses and net value changes on loans	-8	0	-3	0	2
<b>Income from financial investments</b>	<b>74</b>	<b>194</b>	<b>119</b>	<b>124</b>	<b>115</b>

# Operating expenses Group

(Amounts in NOK million)	1Q18	4Q17	3Q17	2Q17	1Q17
Wages and salaries	139	150	143	127	133
Pension costs	11	3	13	14	12
Social costs	28	30	28	28	27
<b>Total personnel costs</b>	<b>178</b>	<b>183</b>	<b>184</b>	<b>169</b>	<b>172</b>
Development costs	33	19	33	31	32
Electronic data processing costs	24	31	21	19	19
Marketing costs	20	13	16	17	15
Travel - and training costs	9	14	6	9	9
Communications and office-related costs	7	9	8	6	8
Consultancy services	14	15	13	12	12
Ordinary depreciation	18	19	15	16	15
Operating costs - premises/buildings	5	6	4	7	5
Other operating costs incl rent	35	65	41	39	39
<b>Other costs</b>	<b>165</b>	<b>190</b>	<b>158</b>	<b>156</b>	<b>154</b>
<b>Total operating expenses</b>	<b>343</b>	<b>373</b>	<b>342</b>	<b>325</b>	<b>326</b>

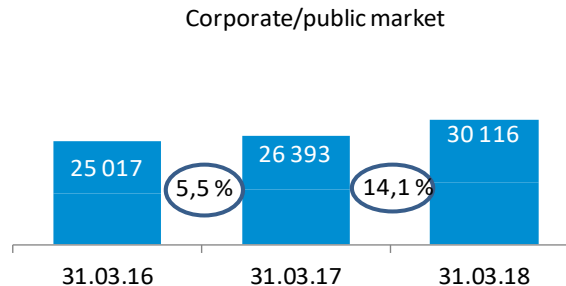
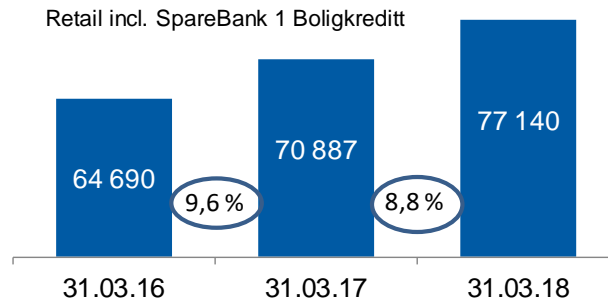
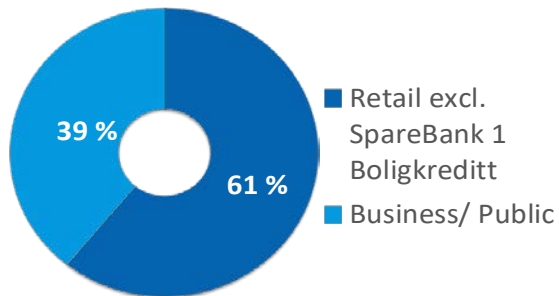
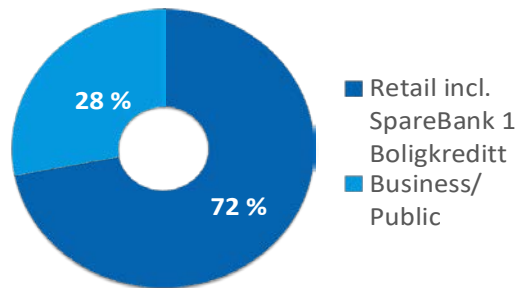
# Group companies - result before tax

(Amounts in NOK 1000)	31.03.18	31.03.17
SpareBank 1 Finans Nord-Norge AS	35 708	34 180
SpareBank 1 Regnskapshuset Nord-Norge AS	6 029	6 618
EiendomsMegler 1 Nord-Norge AS	407	1 359
SpareBank 1 Nord-Norge Forvaltning ASA	0	598
<b>Subsidiaries core operations</b>	<b>42 144</b>	<b>42 755</b>
Other subsidiaries	- 232	- 804
<b>Total</b>	<b>41 912</b>	<b>41 951</b>

# Key figures balance sheet

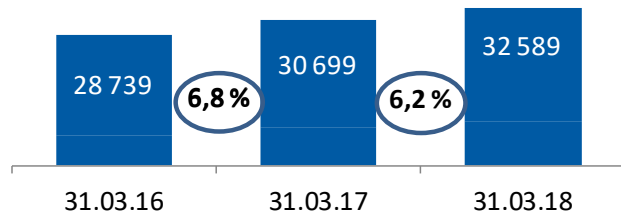
(Amounts in NOK million)	<b>31.03.18</b>	31.03.17	Change	Change %
Total assets	<b>98 372</b>	92 476	5 896	6,4%
Gross lending	<b>76 746</b>	71 294	5 452	7,6%
Loans and advances to customers incl SpareBank 1	<b>107 256</b>	97 280	9 976	10,3%
Deposits from customers	<b>59 039</b>	54 261	4 778	8,8%

# Lending volume

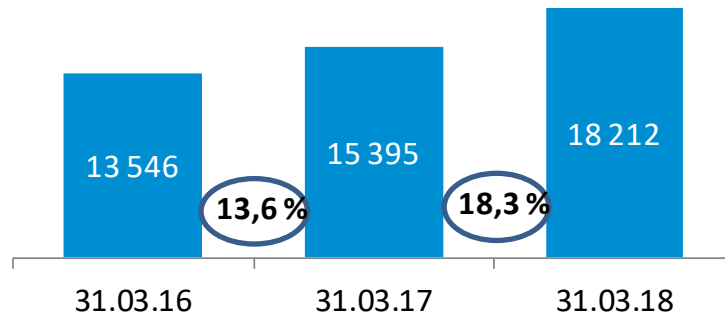


# Deposit volume

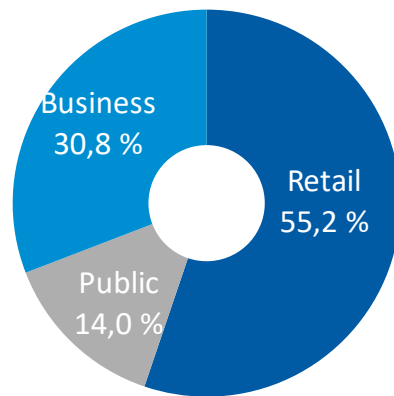
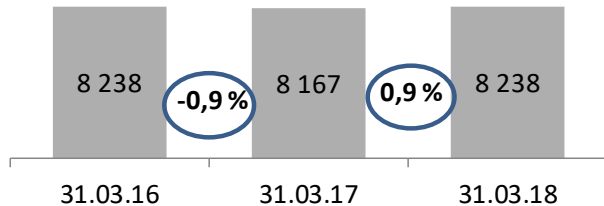
Retail banking market



Business



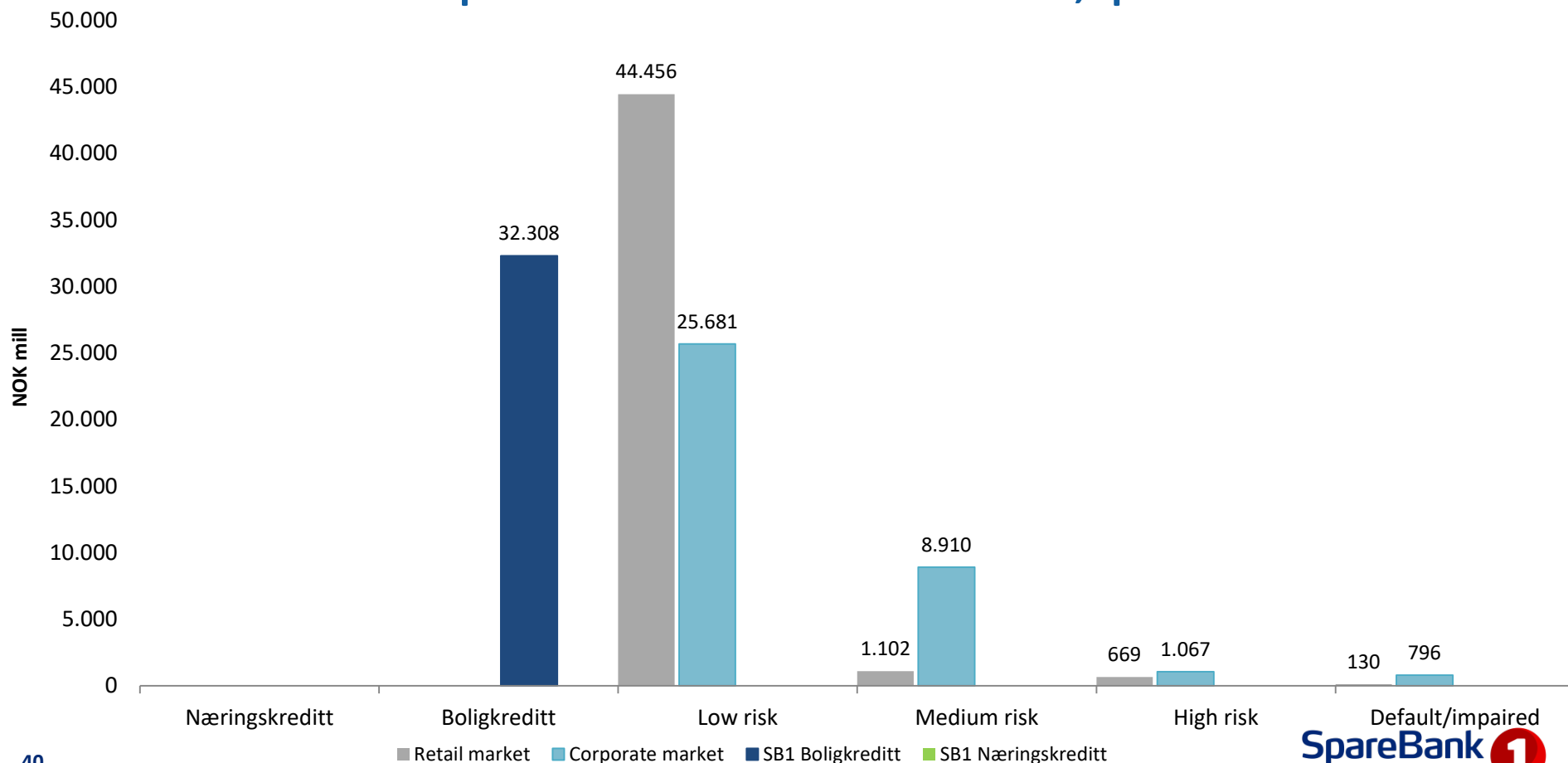
Public



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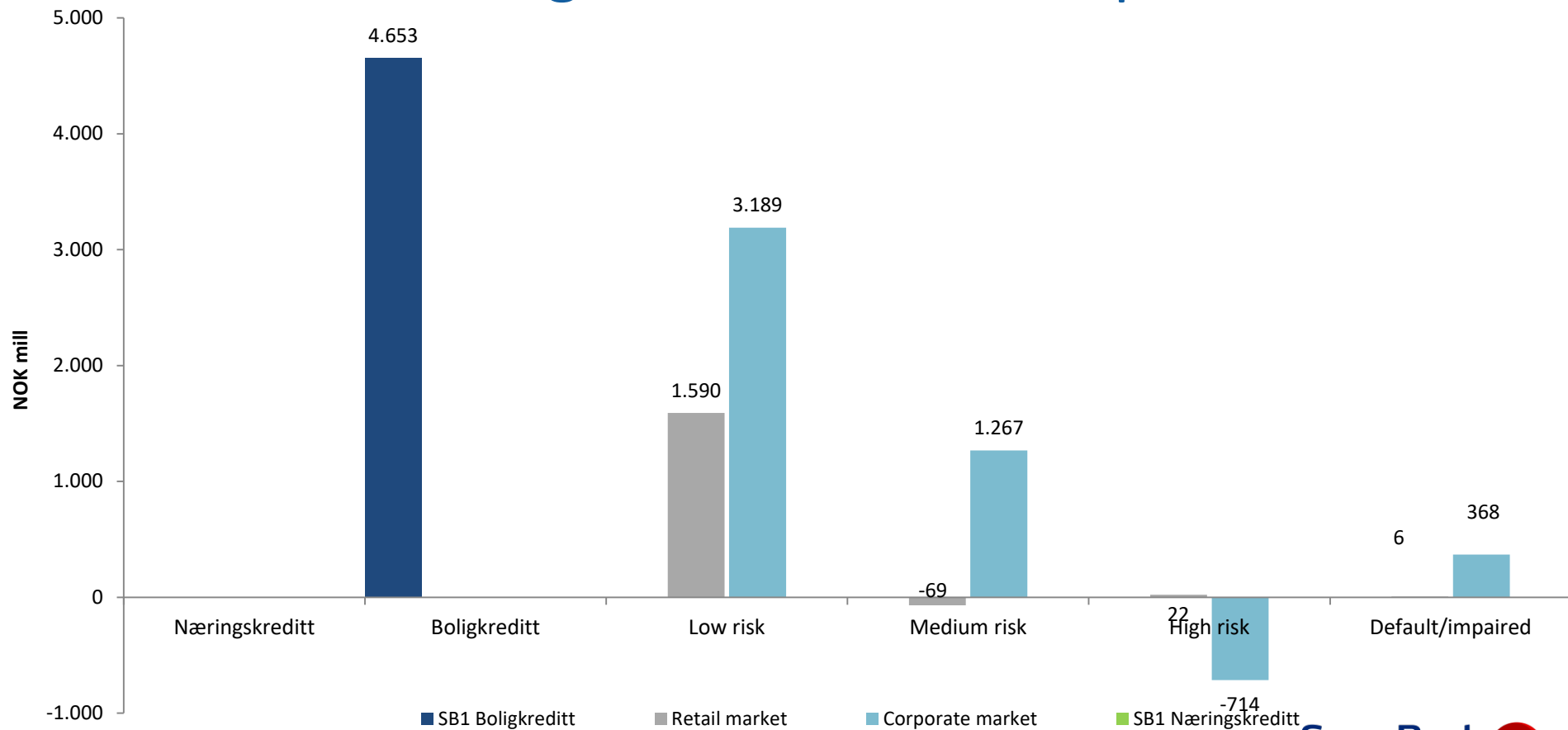
Credit area

# Portfolio - exposure as of 31.03.18, parent bank



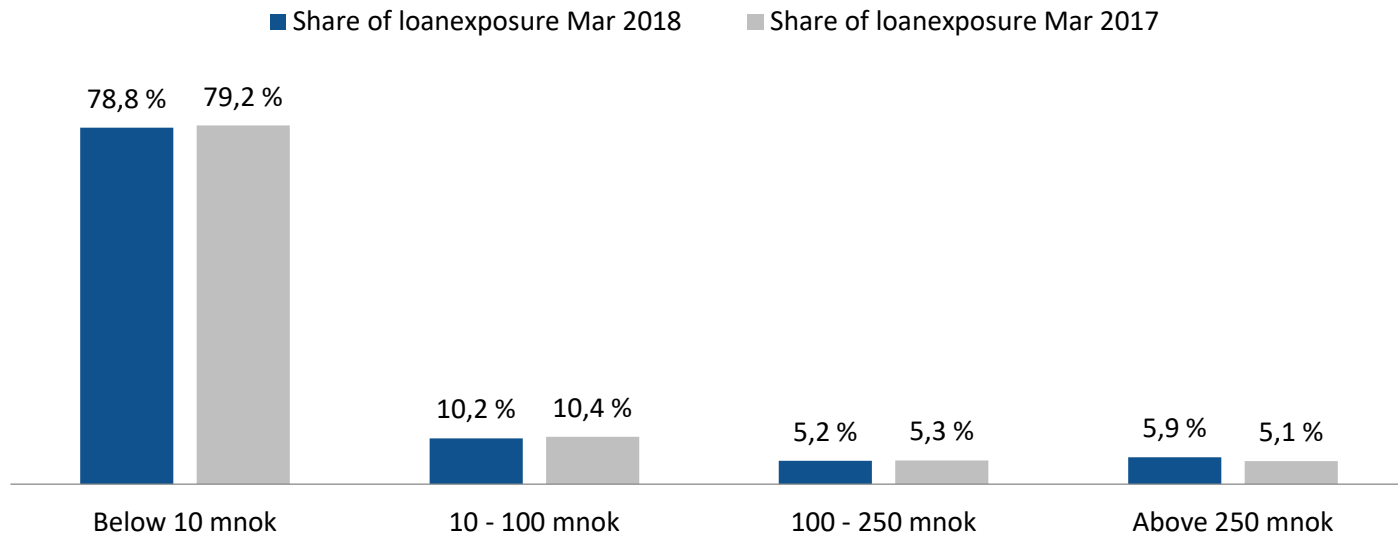


# Portfolio – changes last 12 months, parent bank



# Portfolio - exposure distributed by size

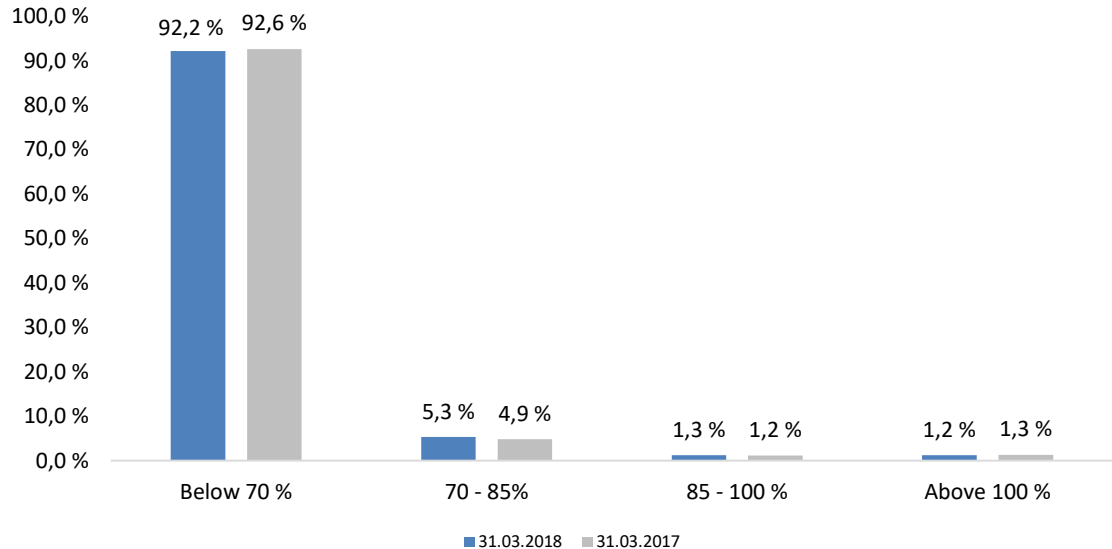
Loans distributed by size of exposure and share of total exposure



Numbers include SB 1 Bolig- and Næringskreditt

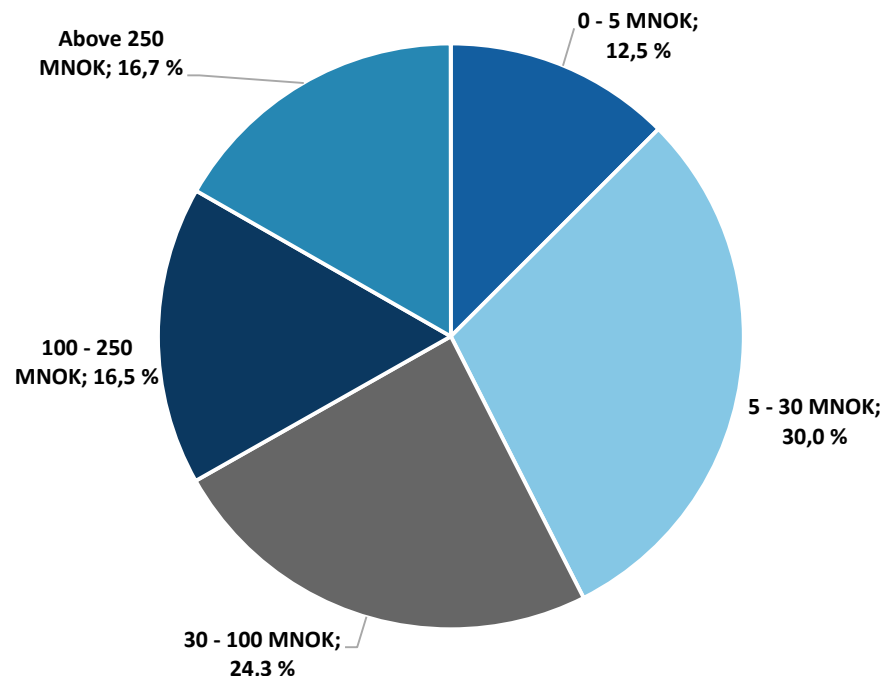
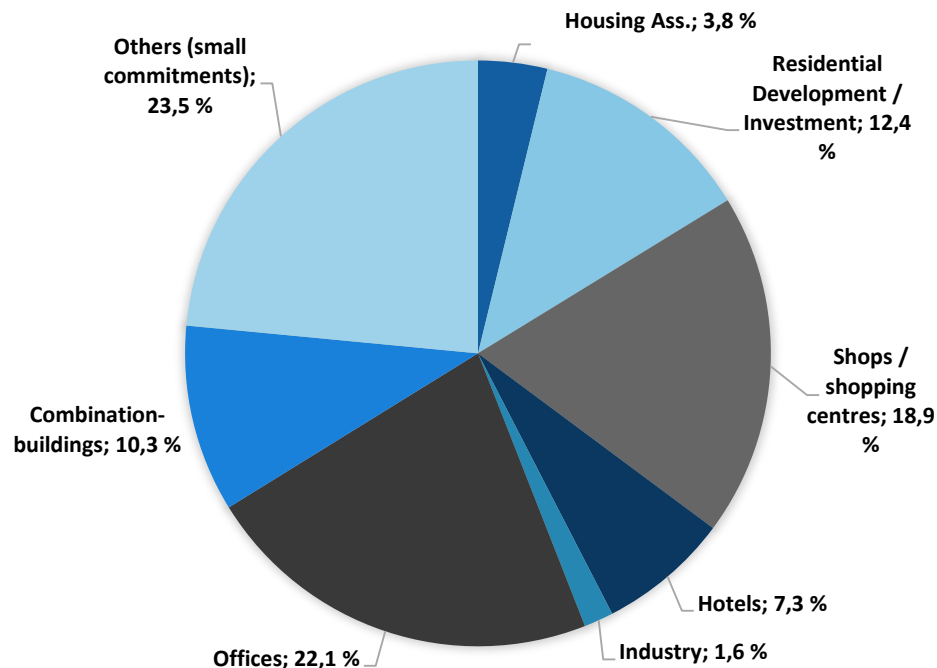
# Portfolio – LTV mortgage loans

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



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

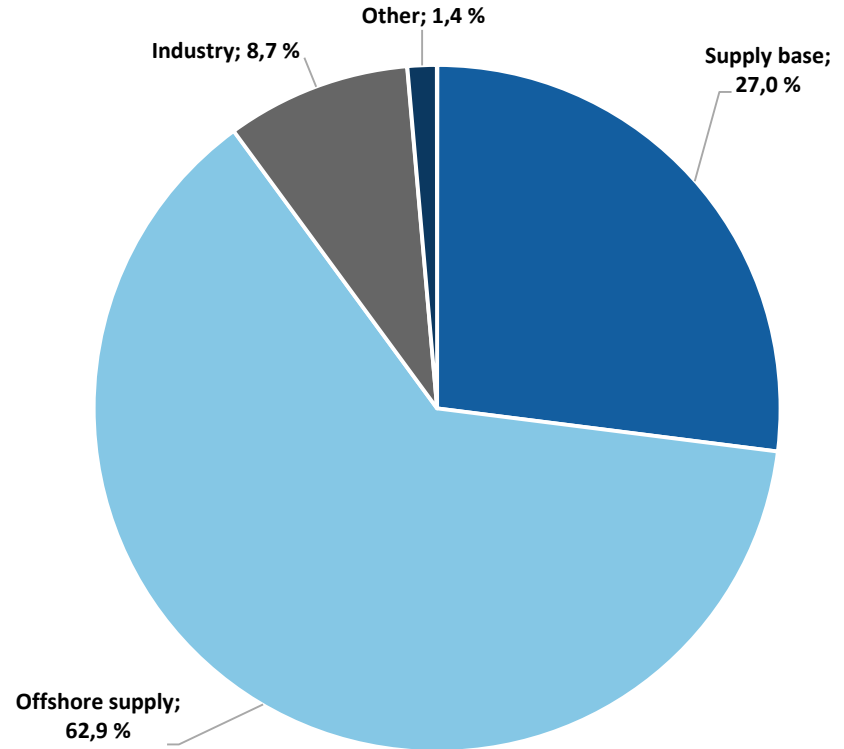
# Portfolio – Commercial Real Estate



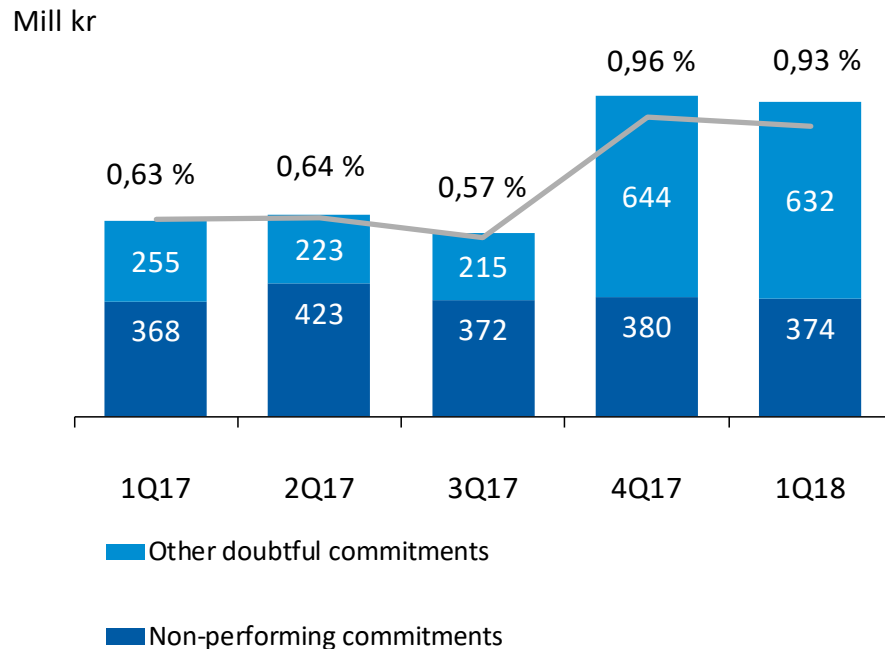
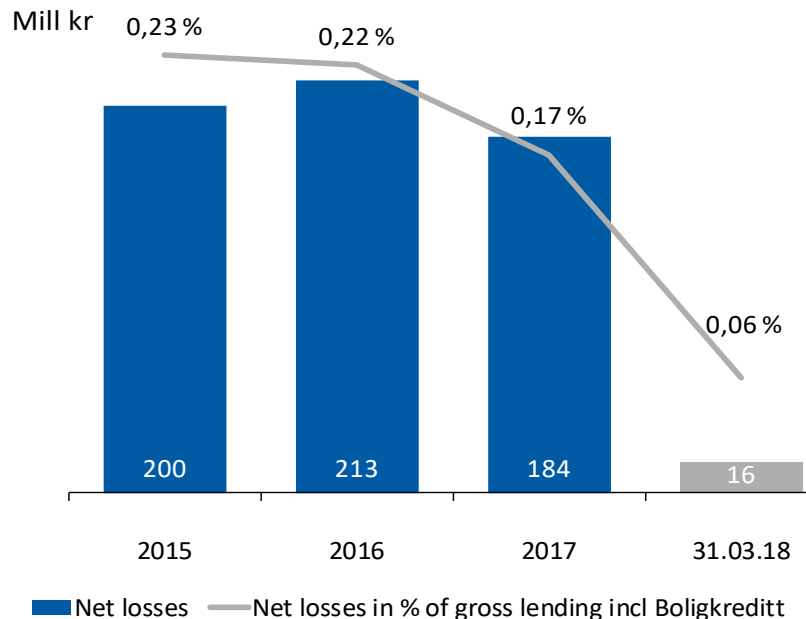
- About 50 % of portfolio is rental involving own operations
- 66.8 % of the portfolio are commitments smaller than NOK 100 mill

# Portfolio – Oil related exposure

- Oil related exposure amounts to NOK 1,264 mill
- The exposure represents 1.25 % of total lending incl. Næring- and Boligkreditt
- Average weighted probability of default 1.09 %
- A total of NOK 36 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



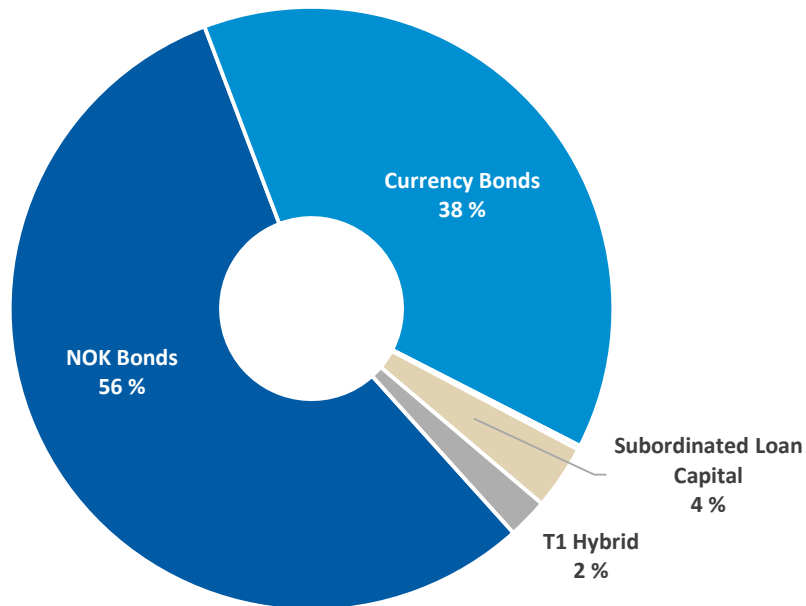
# Losses on loans and guarantees and non-performing commitments



4

# Liquidity

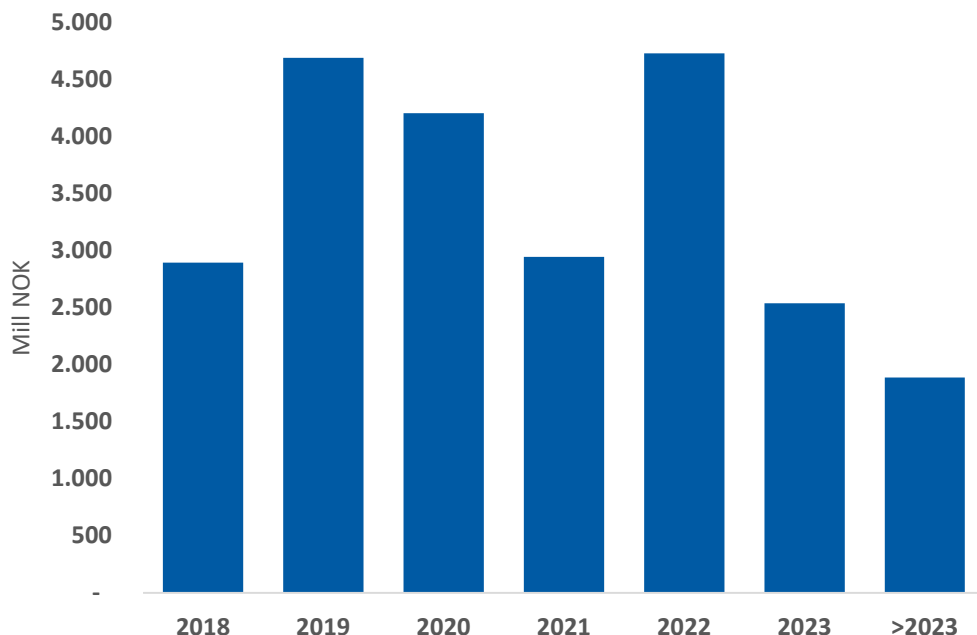
# Funding instruments as at 31.03.2018





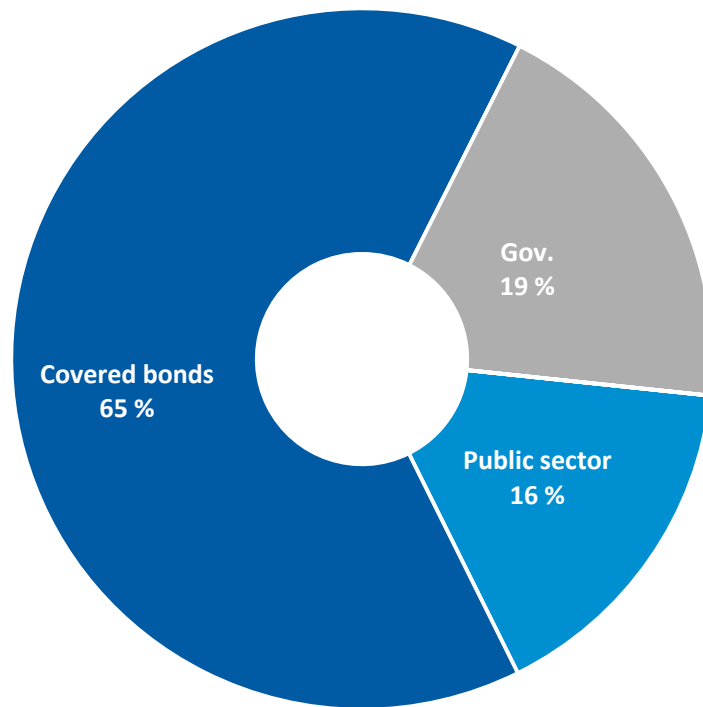
# Maturity profile 31.03.2018

## Capital markets funding (excl. SPABOL)



- Good diversification in terms of maturities
- NOK 24 173 mill in capital market funding exclusive of SB1 Boligkreditt
- SpareBank 1 Boligkreditt is an important funding source. Mortgage loans of NOK 30 509 mill transferred as at 31.03.18
- Amount of gross maturities of capital market funding next 12 months is NOK 4 012 mill

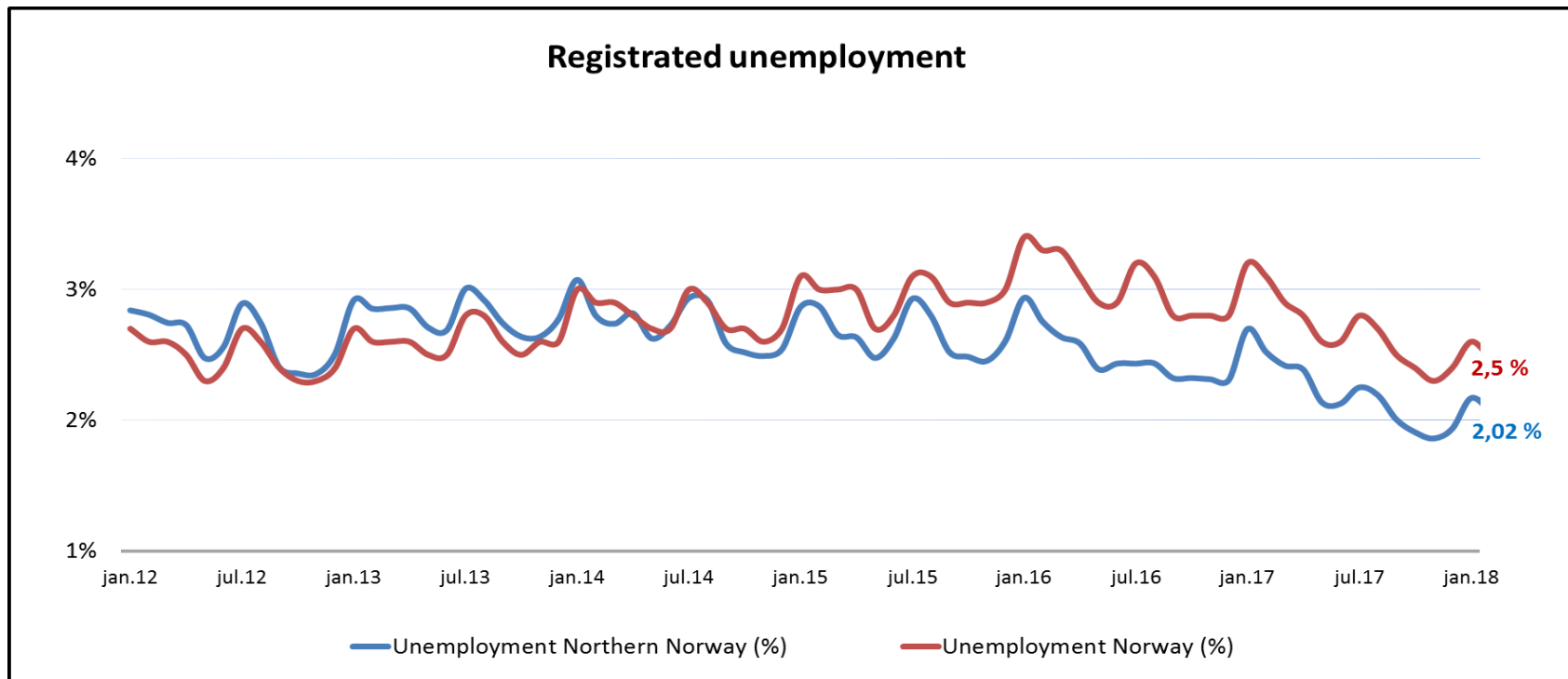
# Liquidity portfolio 31.03.2018



5

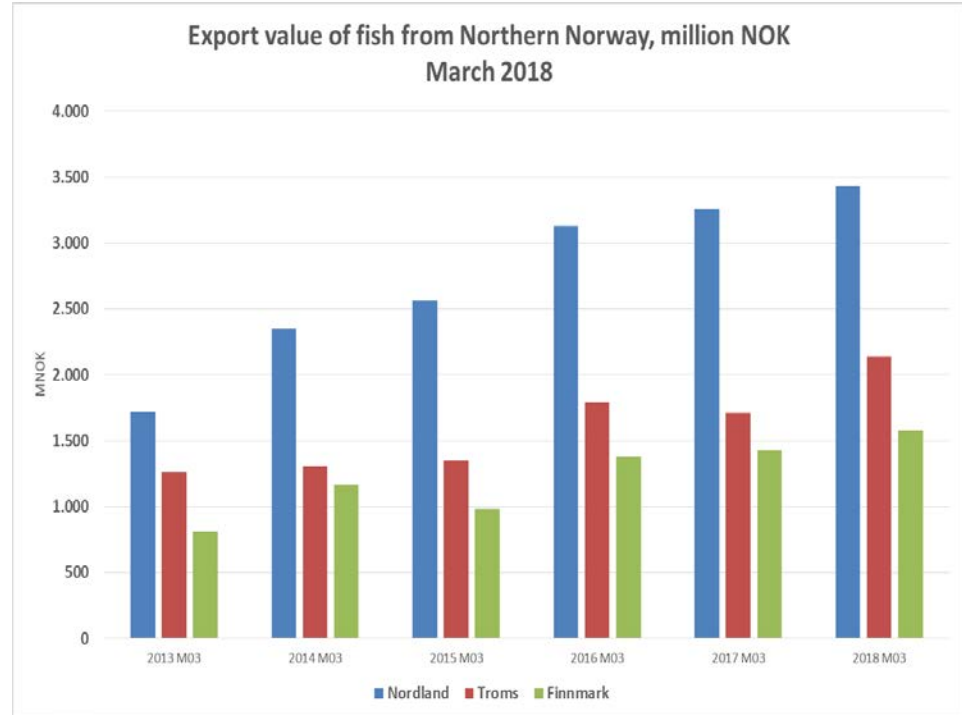
# Macro and Economic trends

# Stable, low unemployment, lower than the country as a whole



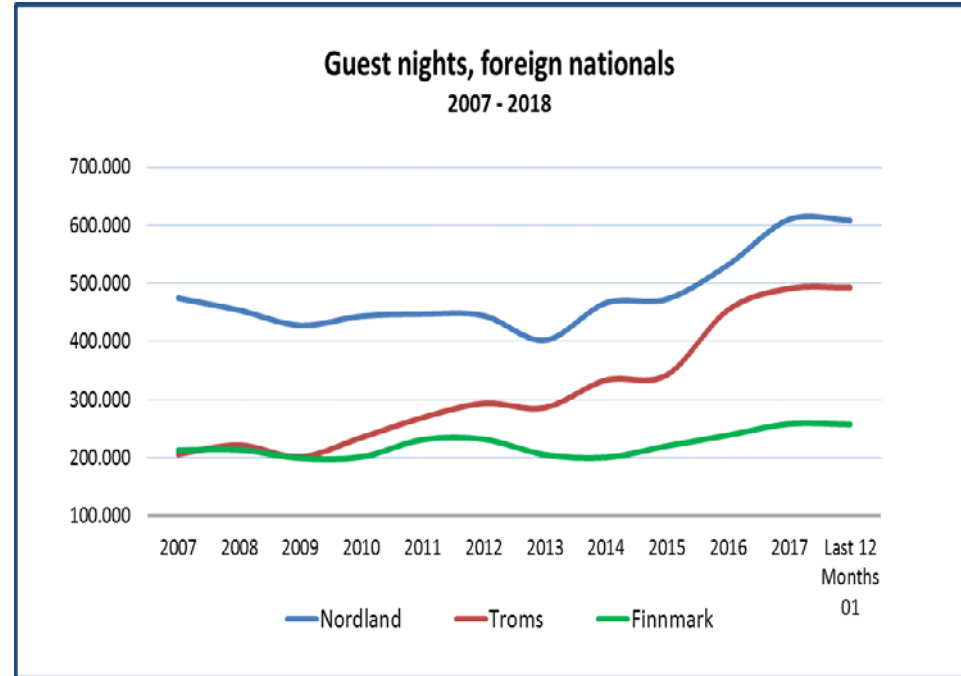
# Seafood – export growth

- Growth in seafood export value from northern Norway of 11 % in 1. quarter compared with the same period last year.
- Relatively good prices and a weak Norwegian krone contribute. The price trend for salmon is again positive now.
- 1. quarter 2018 was the best quarter ever for cod fisheries. Cod is important for northern Norway.



# Tourism – good growth in overnight stays

- Positive development in overnight stays
- Foreign overnight stays plays a more important role, but the growth is now slowing down. Strong contribution from winter tourism.
- Optimistic prospects for the world economy and a weak Norwegian krone 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 Barents Sea.
- Aasta Hansteen
  - Production start-up in 2018
- Johan Castberg
  - Final investment decision is in progress
- 2017/2018 is a promising period 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.

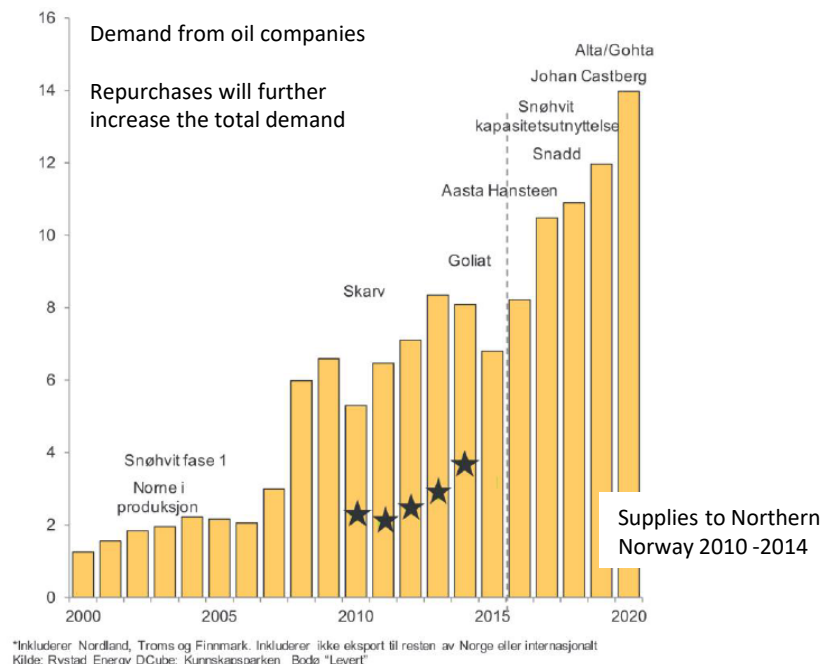
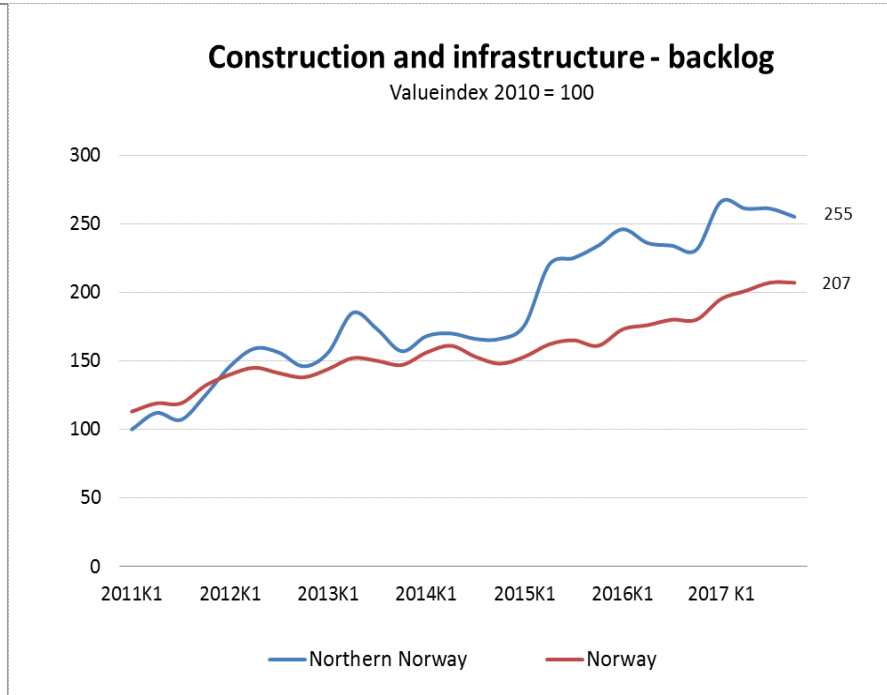
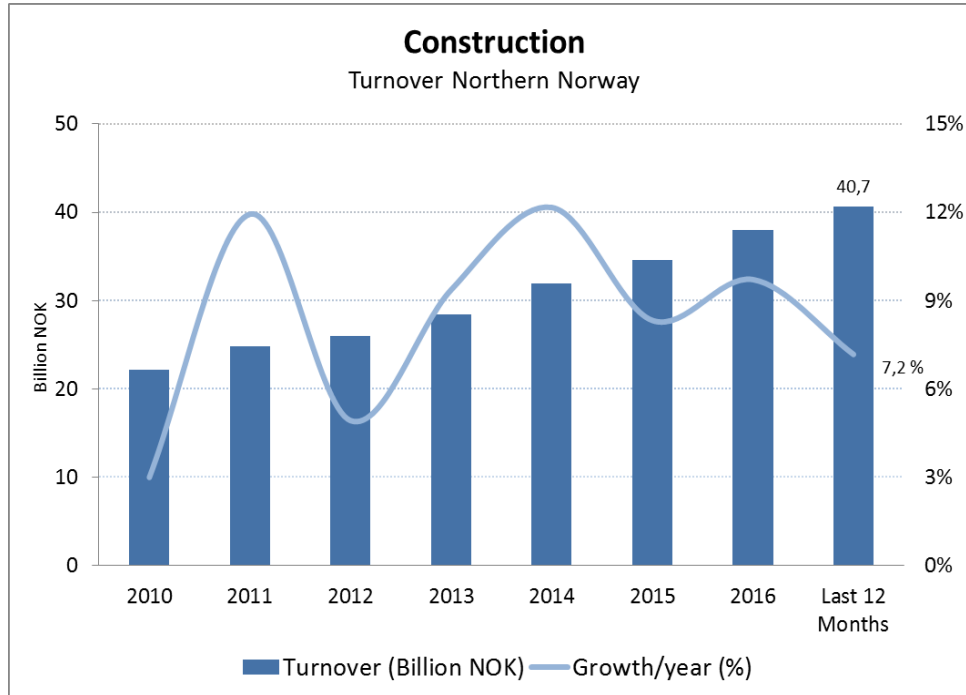


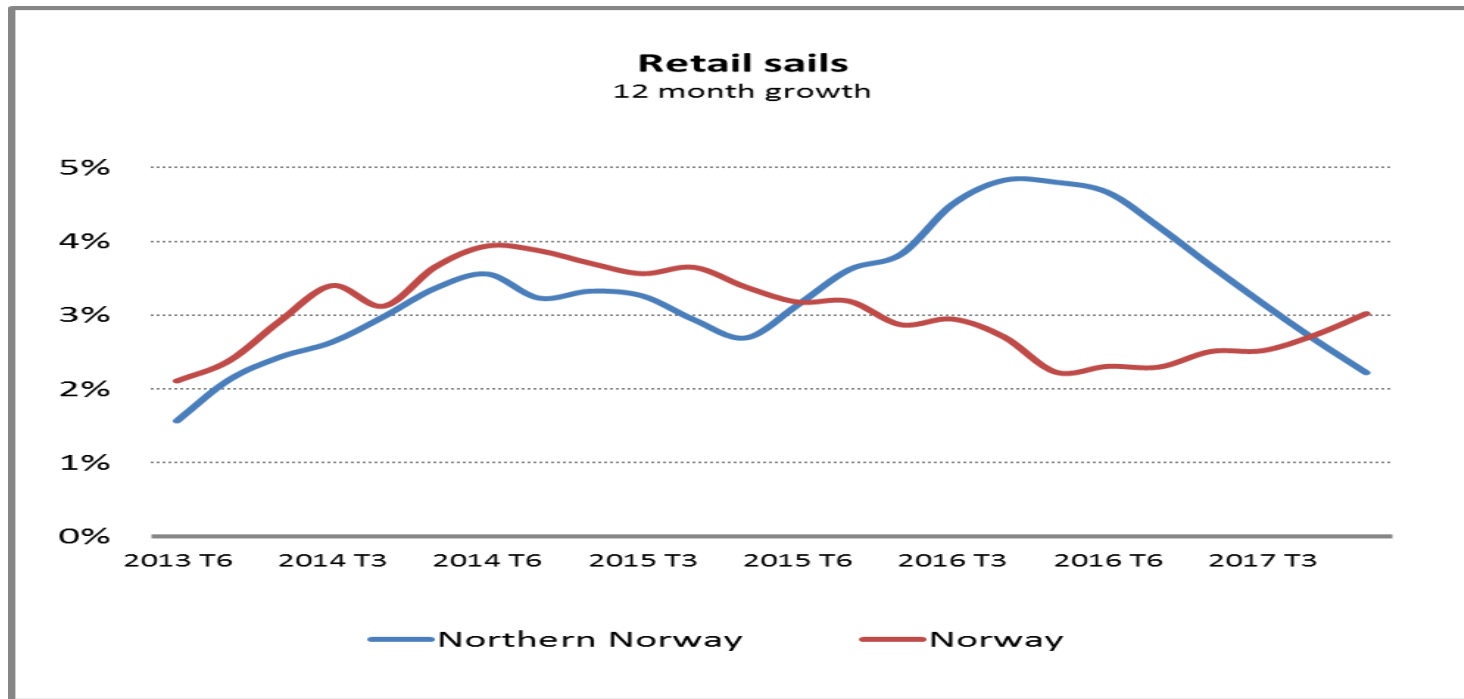
Figure: Petro Foresight 2030, February 2016

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



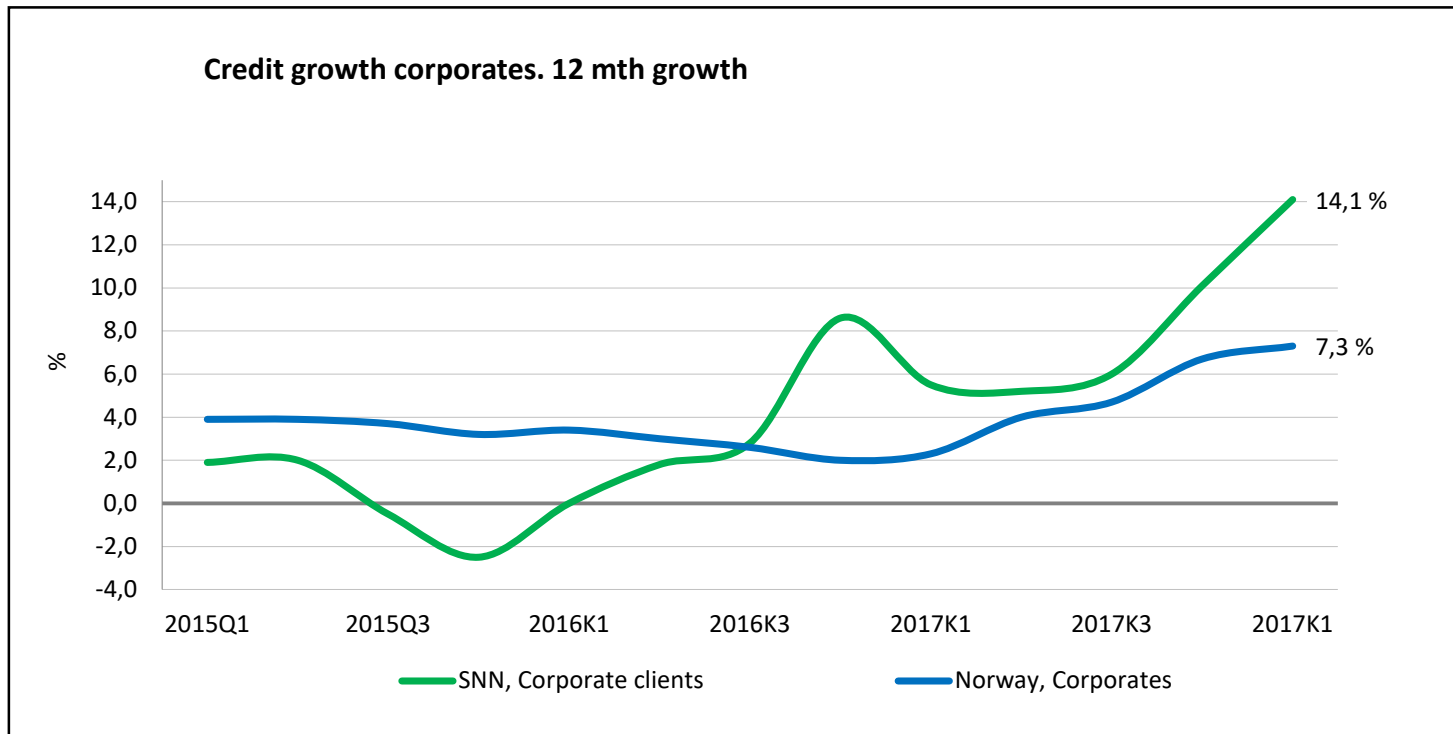


# Decreasing growth in retail sales, and growth is now lower than the Norwegian average

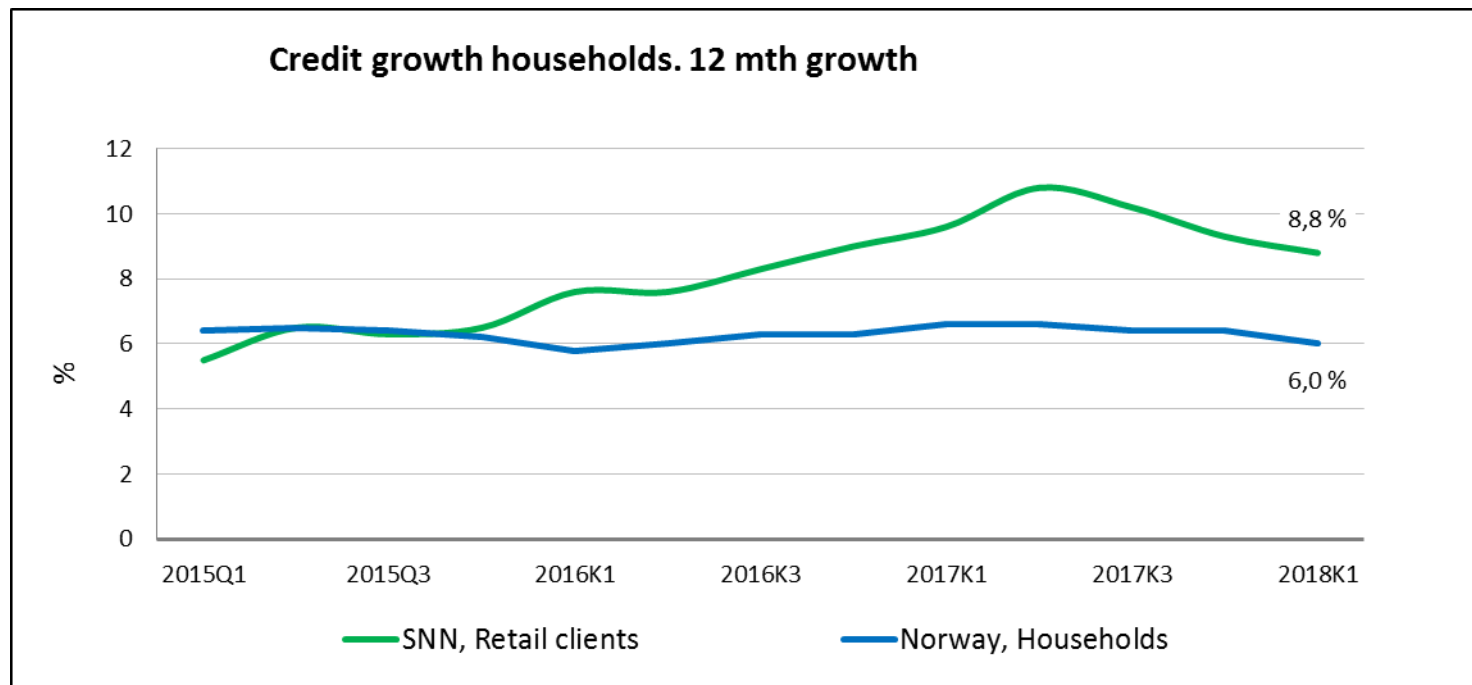


Kilde: SSB, retail sales

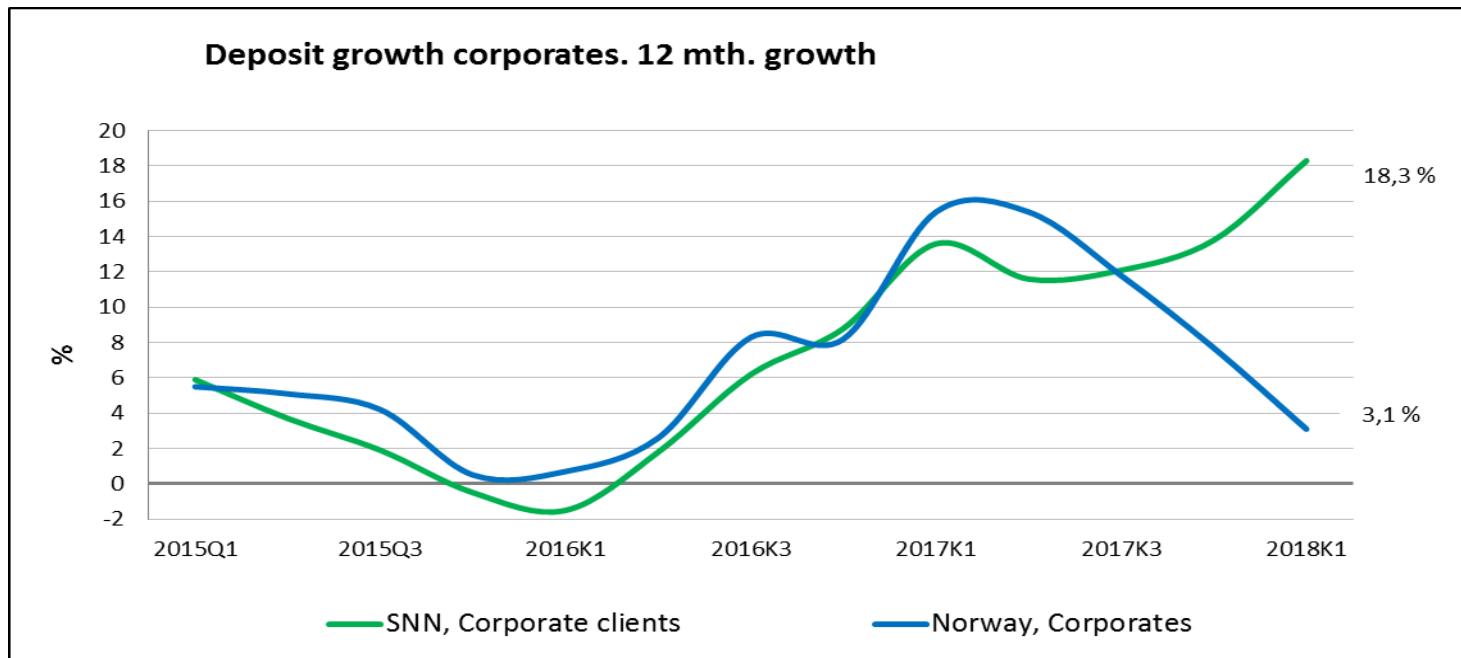
# Credit growth corporates



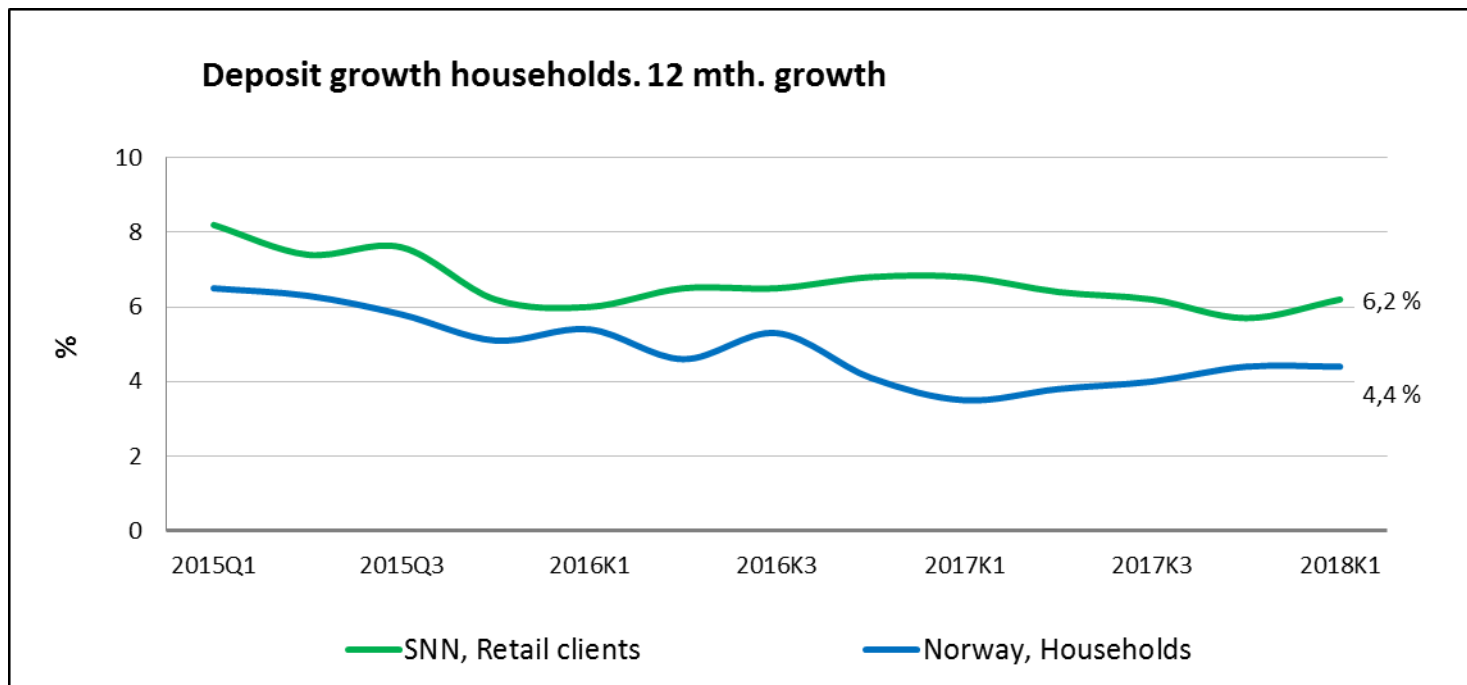
# Credit growth households



# Deposit growth corporates



# Deposit growth households

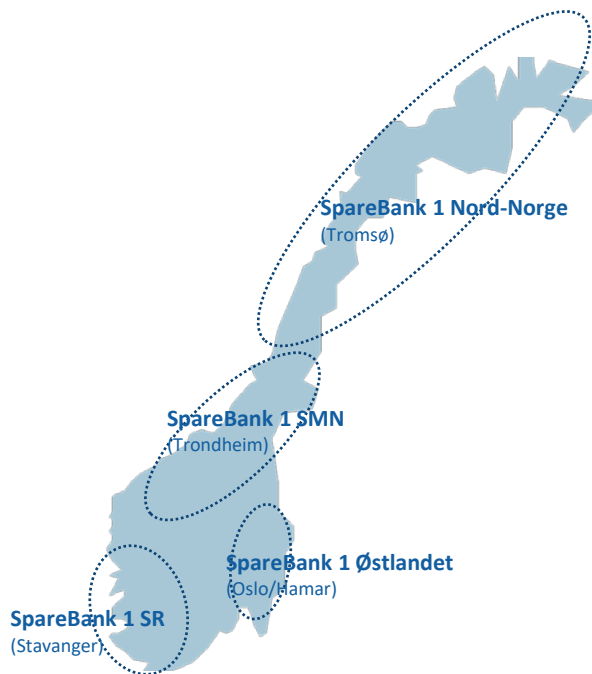


6

## SpareBank 1 Group and the alliance

# SpareBank 1 Alliance:

## National champion, regional focus



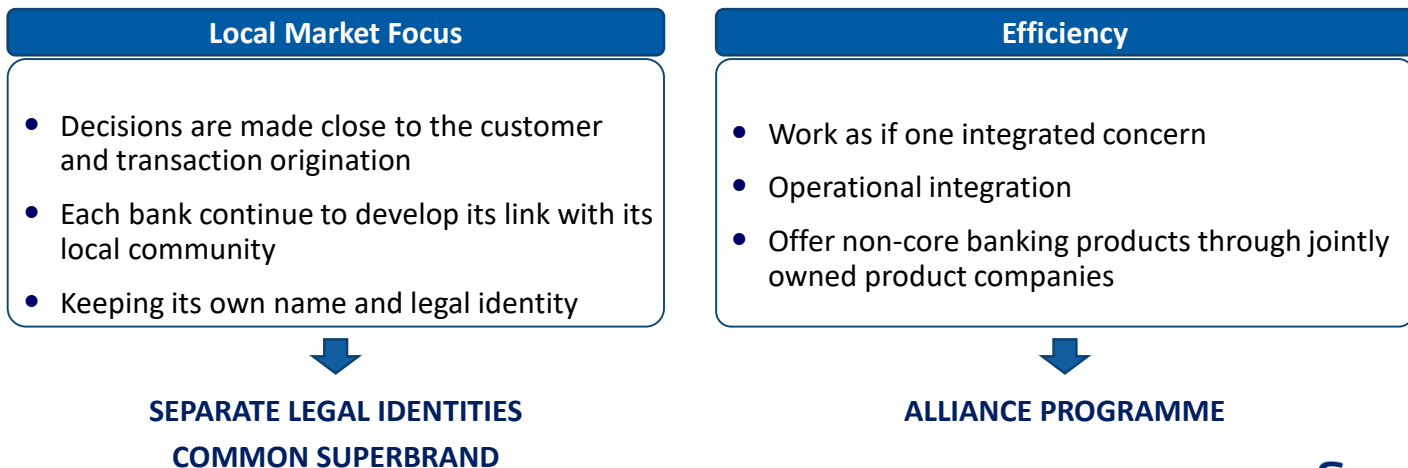
- The SpareBank 1 Alliance consists of 14 banks; independent in each region
- Operate exclusively in Norway – with Norway’s most extensive branch network
  - Physical branch structure is changing and SpareBank 1 banks are at the forefront of incorporating technological innovation into its distribution channels
- Market leaders in their core regional markets; 30-50% market share
- The largest banks (~ 80% of total assets) have the following ratings:

Sr. Unsecured	Fitch	Moody's
<b>SpareBank 1</b> SMN	A- / F2	A1 / P-1
<b>SpareBank 1</b> SR-BANK	A- / F2	A1 / P-1
<b>SpareBank 1</b> NORD-NORGE	A / F1	A1 / P-1
<b>SpareBank 1</b> ØSTLANDET	n/a	A1 / P-1

# SpareBank 1 Alliance:

## Achieving benefits of scale, while being local

- The saving banks are independent banks with very strong regional focus, and operate solely in the regions where they have been active for almost 200 years
- The largest Norwegian Savings banks established the SpareBank 1 Alliance in 1996 to address efficiency in banking operations and realize the benefits of size, among other things by creating jointly owned product companies





# The SpareBank 1 Alliance

**SpareBank 1**  
SR-BANK

**SpareBank 1**  
SMN

**SpareBank 1**  
NORD-NORGE

**SpareBank 1**  
SAM-SPAR

**SpareBank 1**  
ØSTLANDET



**SpareBank 1 Betaling AS**

**SpareBank 1 Kredittkort AS**  
(Credit card)

**SpareBank 1 Boligkreditt AS**  
(Covered bond issuer)

**SpareBank 1 Næringskreditt AS**  
(Covered bond issuer)

**SpareBank 1 Markets AS**

**BN Bank ASA**

**SpareBank 1 Gruppen AS (SB1G)**

**SpareBank 1 Forsikring AS**  
(Life insurance)

**SpareBank 1 Skadeforsikring AS**  
(Non-life insurance)

**ODIN Forvaltning AS**  
(Fund management)

**SpareBank 1 Medlemskort AS**  
(LOfavør)

**Conecto AS**  
(Debt collection)

**SpareBank 1 Factoring AS**  
(Factoring)

**SpareBank 1 Portefølje AS**  
(Portfolio)

**Banksamarbeidet DA (BS)**

**EiendomsMegler 1 Norge AS**

**SpareBank 1 Kundesenter AS**

**SpareBank 1 Verdipapirservice AS**

**SpareBank 1 ID AS**

**SpareBank 1 Asept AS**