

Quarterly accounts Q1 2019

Tromsø/Oslo 8. mai 2019

SpareBank
NORD-NORGE 

Quarterly accounts Q1 2019

Pre-tax profit



973 MNOK

ROE



28.1 %

CET-1 ratio



14.6 %

C/I-ratio



27.5 %

Losses















-17 MNOK



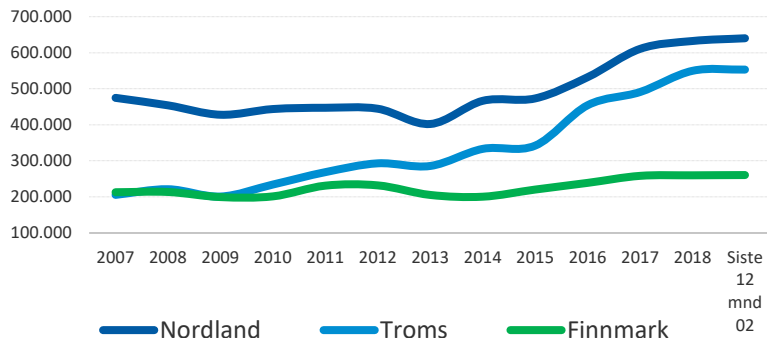
Northern Norwegian economy:

– low unemployment and steady growth

Sector	Status	Outlook
Macro		
Seafood		
Tourism		
Construction		
Retail		
Oil and gas		

Tourism – growth in foreign overnight stays

Foreign overnight stays



Foreign overnight stays continues to grow. Winter tourism plays a more important role, but the growth is now slowing down.

Rominntekten i Tromsø har steget 60 prosent: - Det er for fullt!

Tromsø-hotellene gruser alle konkurrenter med rekordbelegg og -priser ingen andre storbyer er i nærheten av.

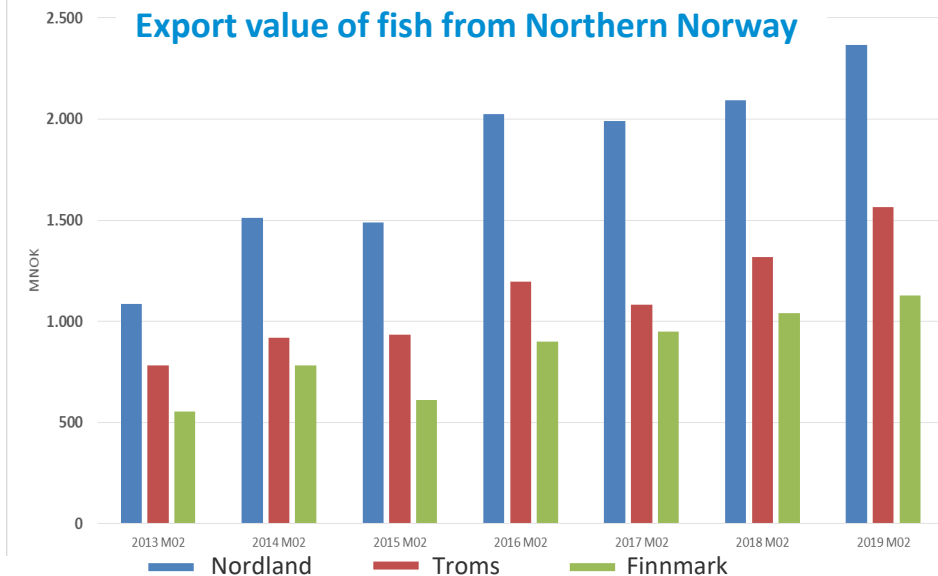
Publisert: 07.05.19 – 08.36 Oppdatert: en dag siden



Eiendomsinvestor Roar Dons (til venstre) og hans selskap Pellerin as vil snarest mulig bygge nok et stort sentrumshotell i Tromsø. - Kapasiteten er på bristepunktet, sier Pellerins

[Mer...](#)

1st quarter 2019 - the best ever for export of seafood from Norway



Growth in seafood export value from Northern Norway of 14 % per February. Good prices and weak norwegian kroner contribute.

Tjener fett på fisk: - Det er høy pris inn og høy pris ut

Karl Alberth Hansen startet med to paller frossenfisk, nå tjener han snart 100 millioner kroner på rekordhøye torskepriser.

2 min Publisert: 02.04.19 – 15.11 Oppdatert: 21 dager siden



Karl Alberth Hansen (til høyre) hos Karl's Fisk og skalldyr i Tromsø. Her sammen med Hendrik Ivstad. (Foto: Lars Åke Andersen)

Further growth is hampered by infrastructure



NRK Nordland

Snakk med oss Fordypning TV Radio

Tror femdobling av sjømateksperten vil gi store problemer: – Veinettet er for skrøpelig

I framtiden vil salget av sjømat mangedobles. Det er bare et stort problem: Det vil ikke veiene våre tåle, ifølge ny rapport.



Ambisjonen for sjømatnæringa er å vokse betydelig i årene s... [Vis mer](#)

Henrik Østensen Heldahl Journalist

Publisert 9. apr. kl. 14:15

TROMSØ LUFTHAVN

Dette møtte Odd da han skulle reise fra Tromsø lufthavn: - Aldri opplevd så lang kø her



LANG KØ: Mange må vente lenge når køen på Tromsø Lufthavn går fra sikkerhetskontrollen til enden av avgangshallen. Foto: Odd Asbjørn Brovold

 Av Anja Ariel Tørnes Brekke
04. januar 2019, kl. 17:26

Køen på Tromsø Lufthavn strekker seg metervis gjennom avgangshallen. Helt vanlig mener driftsjef på flyplassen.

E24

-0.12%	1.03%	0.11%	-0.05%	-0.45%	0.95%
OSLO 162.77	OLJE 72.72	S&P 2 943.03	EURO 0.87	DOLLAR 0.82	BITCOIN 1 207.28

Nord-Norge mangler arbeidskraft - slik vil Solberg og Skogen Lund sikre videre vekst

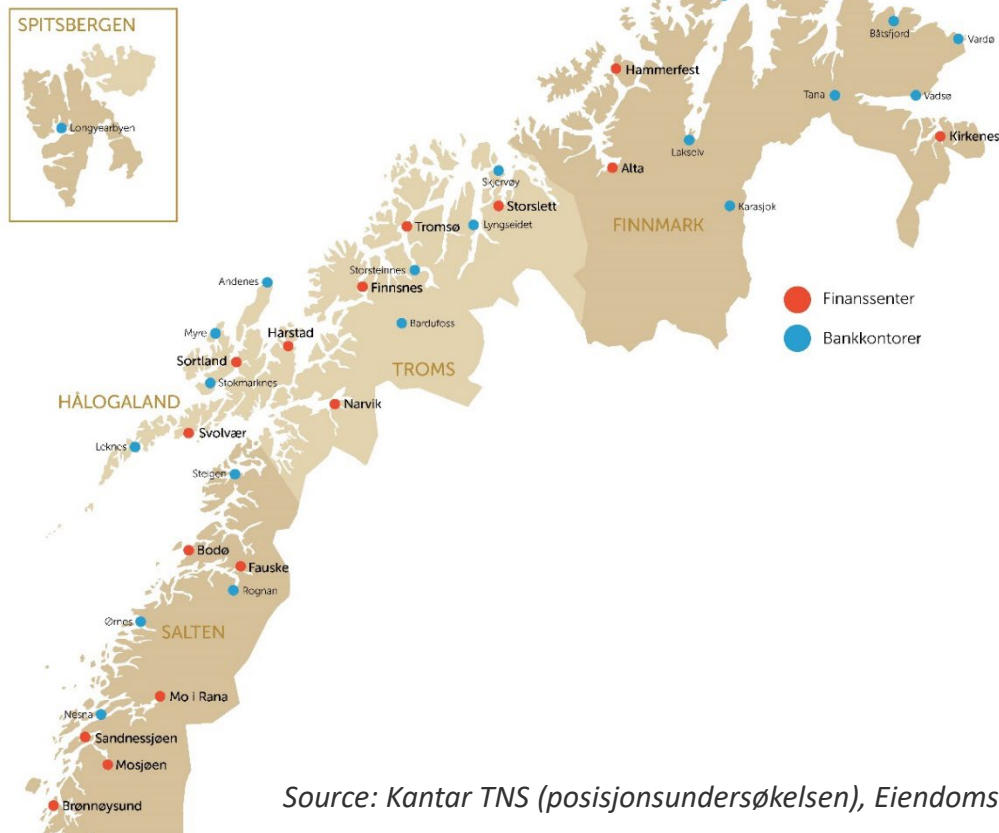
- Kompetanse og inkludering, svarer både NHO-sjef og statsminister om jakten på flere hender og hoder.



NHO-sjef Kristin Skogen Lund og statsminister Erna Solberg på Agenda Nord-Norge i Svolvær.

FOTO: GARD L. MICHAELSEN E24

SpareBank 1 Nord-Norge – number 1 in the north



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: 16 %

2

Secured financing

- Market share: 22 %

Source: Kantar TNS (posisjonsundersøkelsen), Eiendomsverdi

Business strategy: Regional knowledge – national strength



Regional knowledge



National strength



Cooperation



4,6
120K
vurderinger



Quarterly accounts Q1 2019

PRE-TAX PROFIT

NOK 973 mill. (NOK 414 mill.)

RETURN ON EQUITY

28.1 % (11.2 %) | 13.1 % adjusted for insurance merger gain

C/I-RATIO

27.5 % (44.4 %) | 42.2 % adjusted for insurance merger gain

LOAN LOSSES

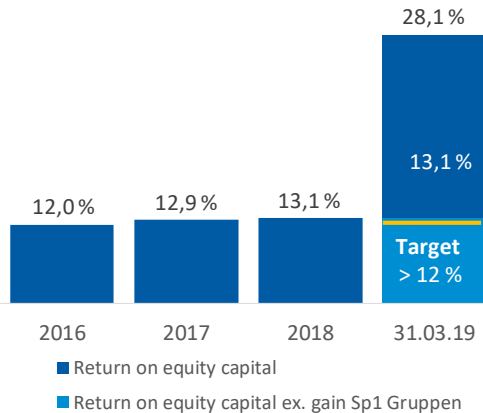
NOK -17 mill, _{return} (NOK 16 mill)

CET-1 RATIO

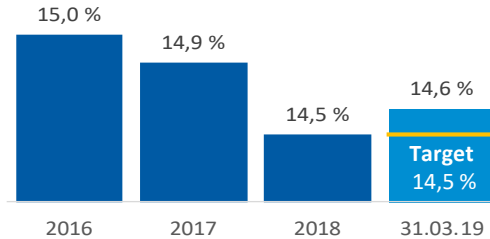
14.6 % (14.8 %)

Key financial figures - development

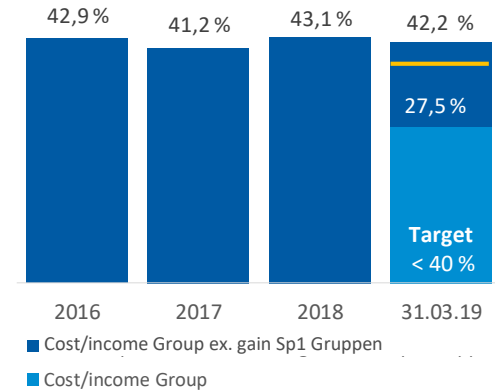
Return on equity capital



CET 1 incl floor



Cost/income Group



Quarterly summary:

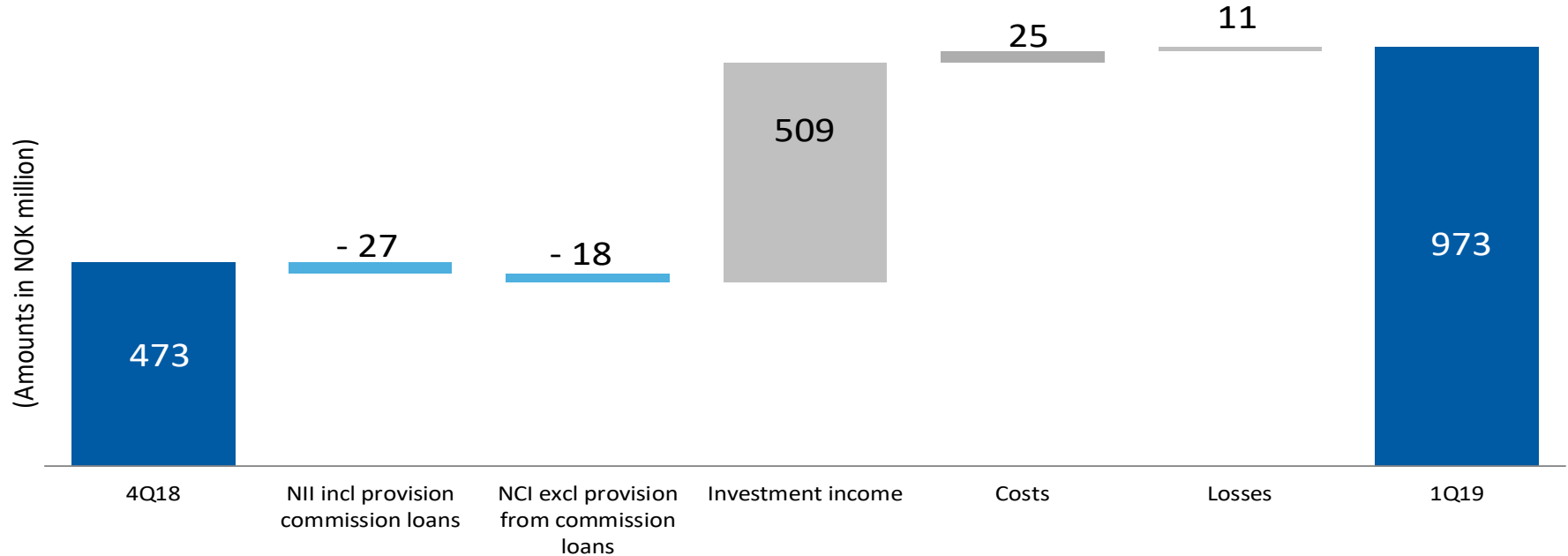
Profit and loss account figures

(Amounts in NOK million)

	1Q19	4Q18	3Q18	2Q18	1Q18
Net interest income	473	496	484	467	449
Net fee-, commision and other operating income	256	278	254	275	250
Net income from financial investments	589	80	121	188	74
Total net income	1.318	854	859	930	773
Total costs	362	387	373	371	343
Result before losses and write-downs	956	467	486	559	430
Net losses and write-downs	-17	-6	-8	20	16
Result before tax	973	473	494	539	414

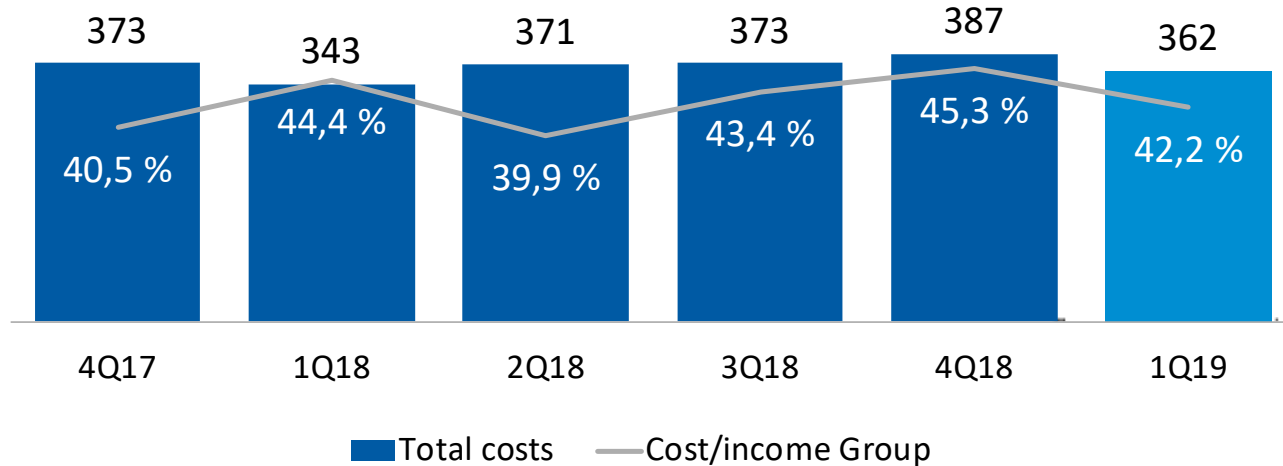
Return on equity capital	28,1 %	12,0 %	13,3 %	15,6 %	11,2 %
EK-avkastning ekskl. gevinst Sp 1 Gruppen	13,1 %				
Cost/income	27,5 %	45,3 %	43,4 %	39,9 %	44,4 %
Cost/income Group ex. gain Sp1 Gruppen	42,2 %				

Changes profit and loss last quartal

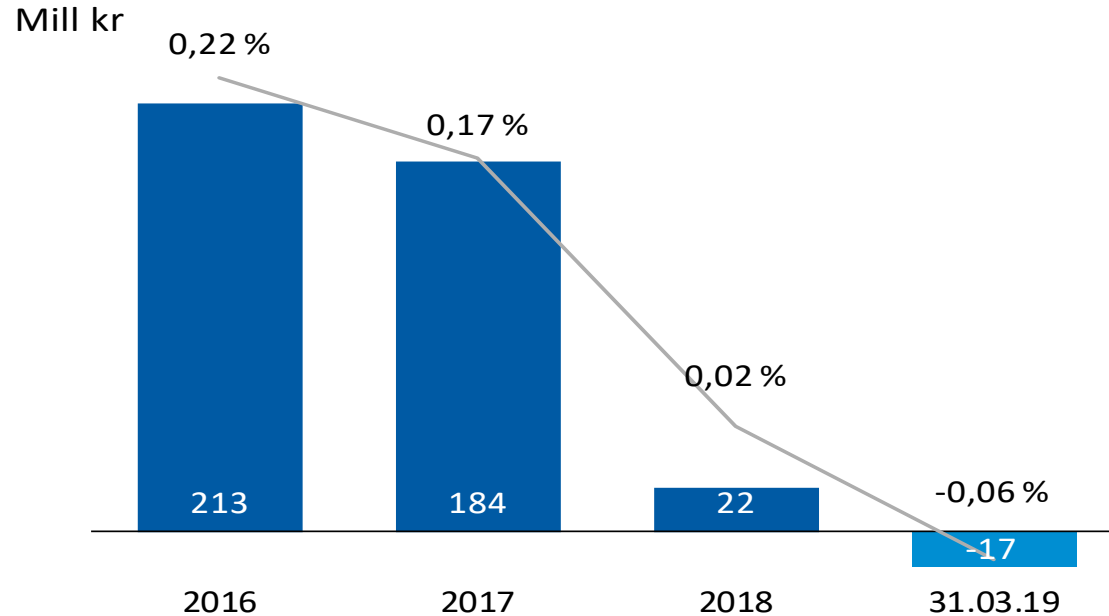


Ambitious long-term cost target: C/I < 40 %

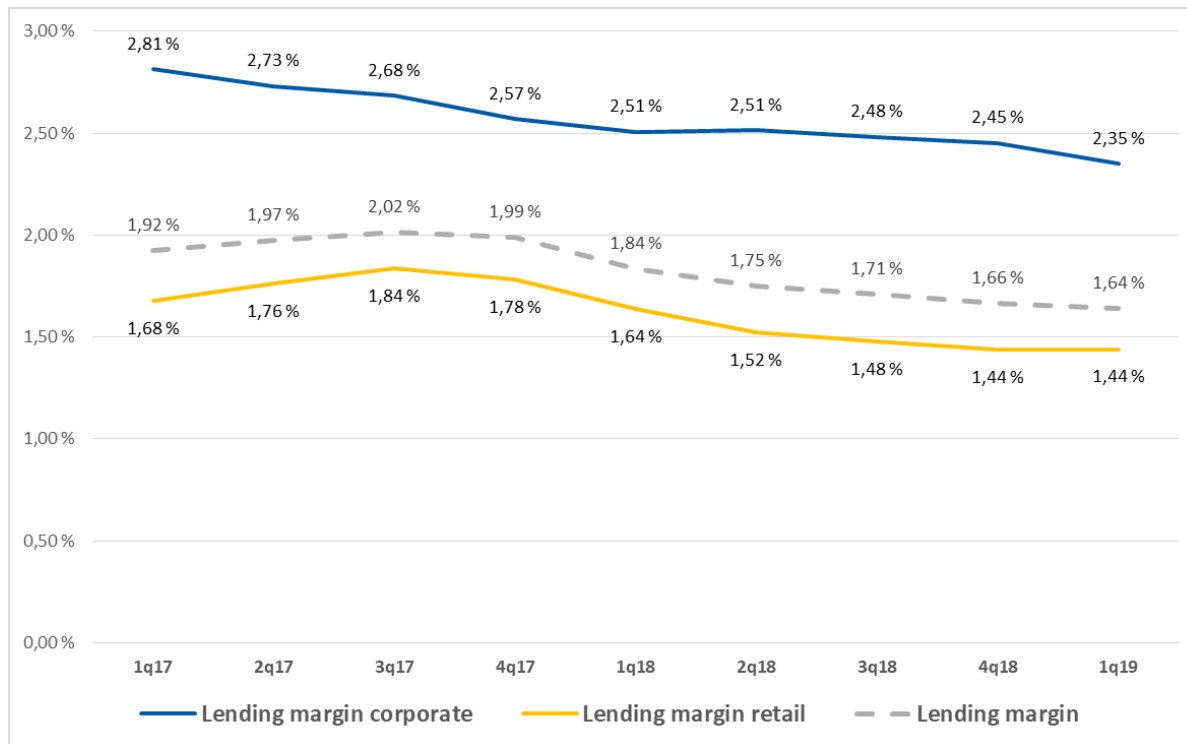
NOK mill.



Very low losses on loans and guarantees

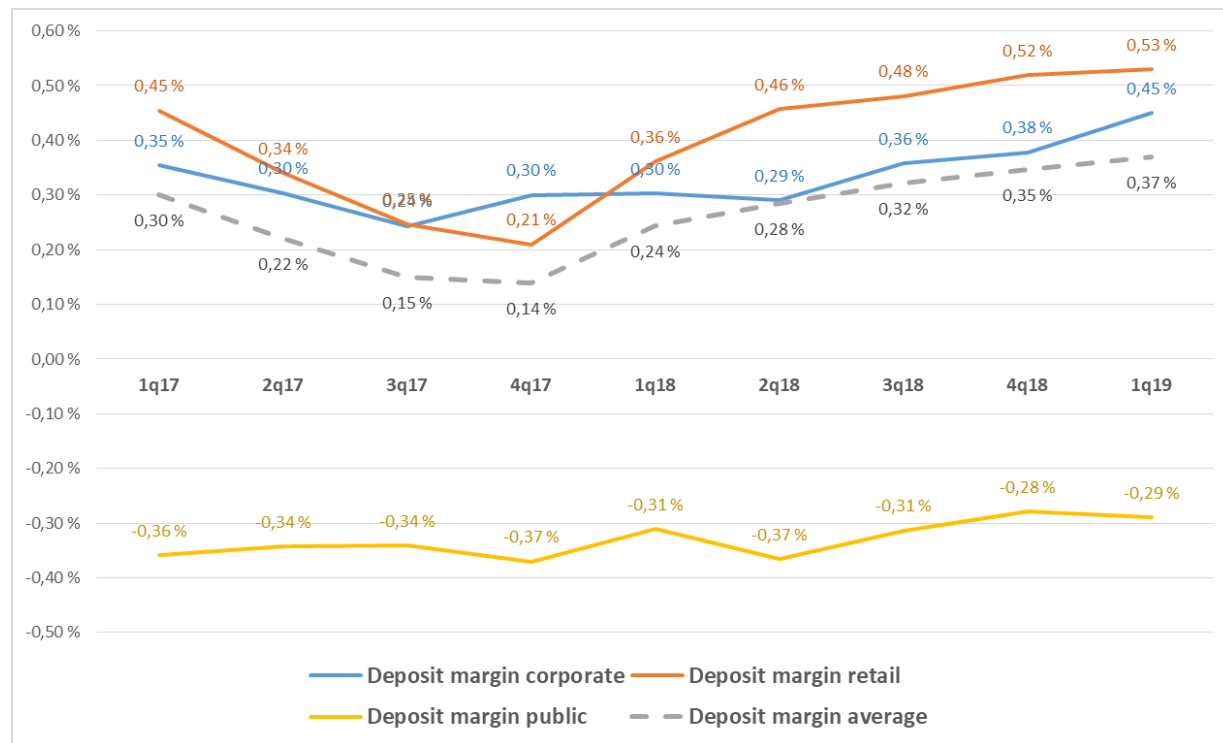


Lending margin, parent bank



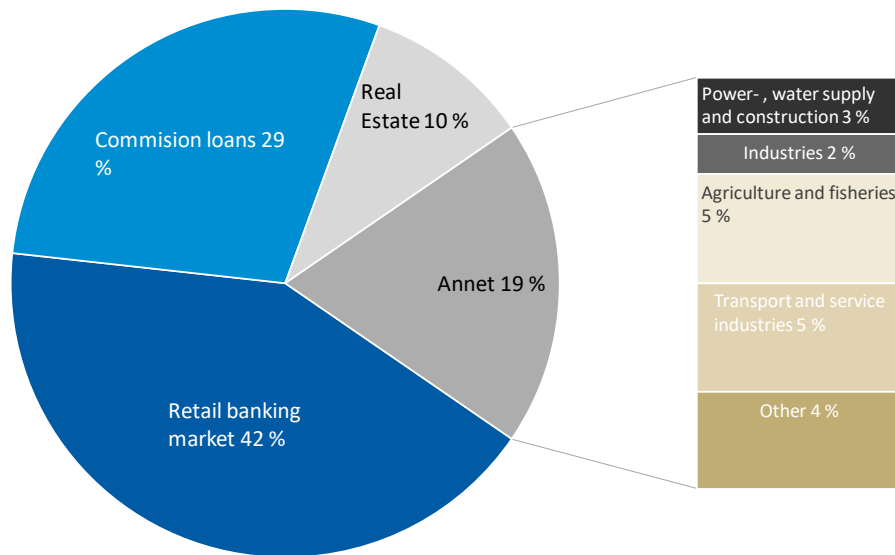
The interest margin is defined as the difference between the customer lending interest rate and average 3 month NIBOR

Customer deposit, parent bank



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

Distribution on segments shows good diversification

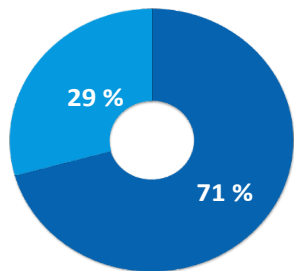


A high share of retail- and primary industry lending represent a risk mitigating factor.

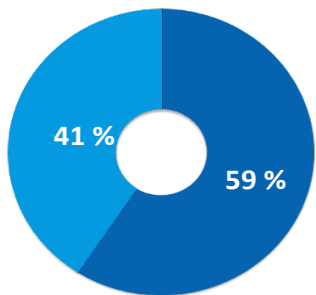
The Group has a well diversified corporate market lending portfolio.

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.

Lending volume

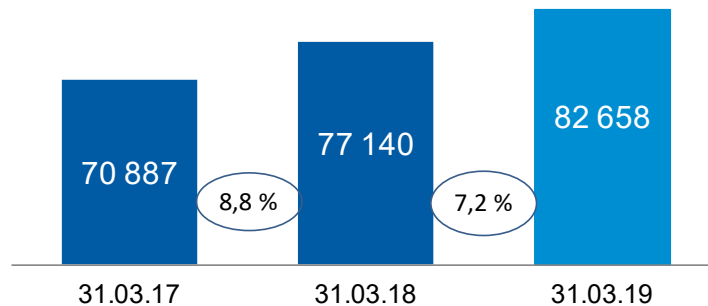


- Retail incl. commission loans
- Business/ incl. commission loans

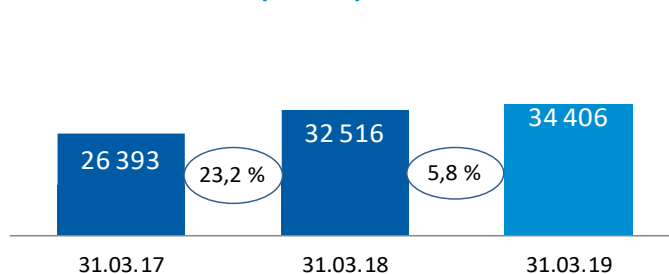


- Retail excl. commission loans
- Business excl. commission loans

Retail incl. commission loans

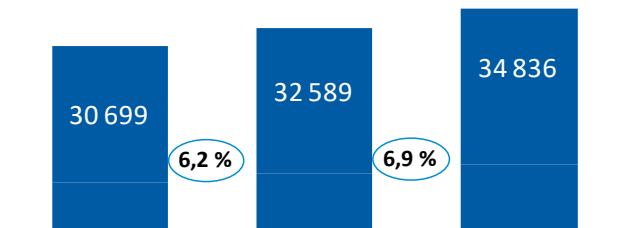


Corporate/public market

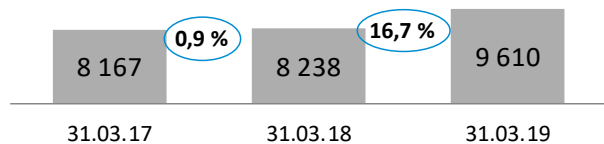


Deposit volume

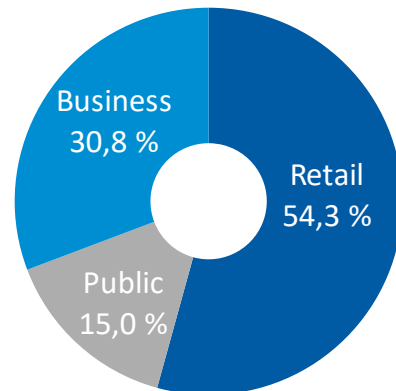
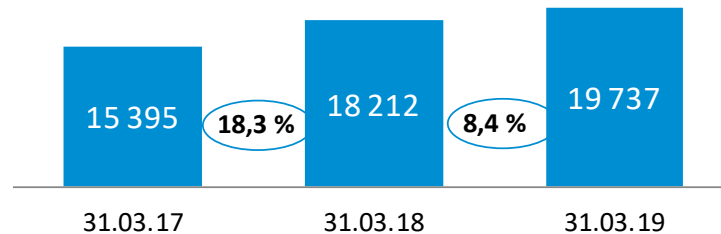
Retail banking market



Public



Business



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, reduced effect due to increased NIBOR. Increased interest rates in 2019 are expected to provide a basis for further repricing of lending and deposit rates. Increased risk pricing of loans will be emphasized further in 2019.

ROE > 12 %

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

CET-1 RATIO 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.

C/I-RATIO < 40 %

Status Q1 2019: 42.2 %. Total cost increase due to expenses with automation and digitalization, and due to growth in Groups companies. Investments in IT are in the long run expected to contribute to reduced costs and increased profits.

CASH DIVIDEND > 50 %

Cash dividend for 2018 is considered very high. Extraordinary dividend from SpareBank 1 Group may provide basis for increased dividend at year end, but this must be considered when new regulatory requirements are known.

SpareBank 1 Nord-Norge

CEO Petter Høiseth

E-mail: petter.hoiseth@snn.no

Tel. + 47 415 05 036

CFO Bengt Olsen

E-mail: bengt.olsen@snn.no

Tel. + 47 975 89 560

URLs

Website and internet bank: www.snn.no

Equity certificate in general: www.egenkapitalbevis.no

Financial calendar:

Q1 2019: 8. Mai 2019

Q2 2019: 7. August 2019

Q3 2019: 24. October 2019

Preliminary results 2019: 12. February 2020

Quarterly reports are published after the meeting of the board, normally after closing time of the Oslo Stock Exchange.

The investor presentation will normally follow the next business day.



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

16,89 % | Credit card

SpareBank 1 Betaling AS

18,57 % | Vipps/ mobile 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 building

SpareBank 1 Regnskaps- huset Nord-Norge AS

Accounting

SpareBank 1 Nord-Norge Portefølje AS

Investment company

Rødbanken Holding AS*

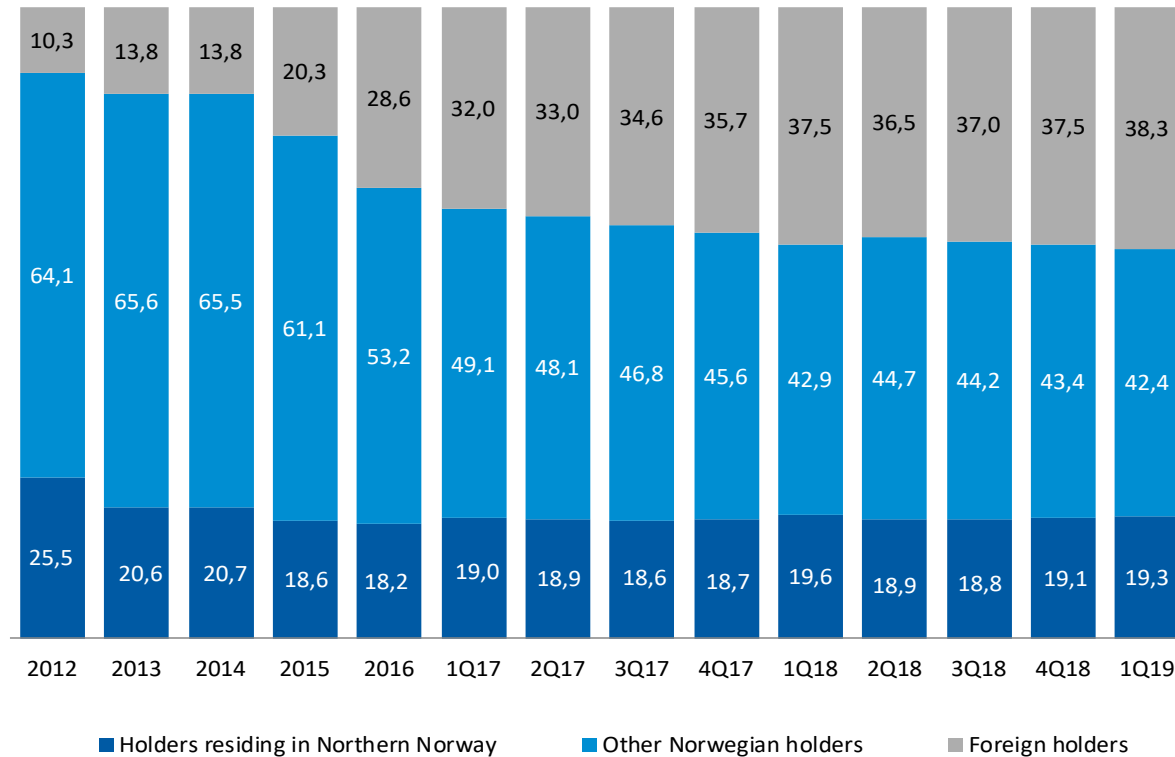
Investment company

Rødbanken AS*

Commercial building

**Not consolidated*

Equity Certificates (EC) – geographic holder structure



The 20 largest EC holders

EC Holders	Number of ECs	Share of EC Capital
PARETO AKSJE NORGE	3.394.063	3,38%
STATE STREET BANK AND TRUST COMP A/C CLIENT OMNIBUS F	3.088.103	3,08%
GEVERAN TRADING CO LTD	2.693.280	2,68%
THE NORTHERN TRUST COMP, LONDON BR NON-TREATY ACCOUNT	2.584.322	2,57%
MP PENSJON PK	2.305.335	2,30%
FLPS - PRINC ALL SEC STOCK SUB	2.102.859	2,09%
MSIP EQUITY Morgan Stanley & Co. International	1.797.076	1,79%
METEVA AS	1.614.670	1,61%
SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGE	1.481.714	1,48%
FORSVARETS PERSONELLSERVICE	1.478.129	1,47%
VPF EIKA EGENKAPITALBEVIS C/O EIKA KAPITALFORVALTNING AS	1.411.606	1,41%
J.P. MORGAN SECURITIES PLC	1.391.630	1,39%
EUROCLEAR BANK S.A./N.V. 25% CLIENTS	1.095.517	1,09%
LANDKREDITT UTBYTTE	1.050.000	1,05%
LANNEBO EUROPA SMÅBOLAG SKANDINAVISKA ENSKILDA BANKEN AB	984.365	0,98%
PARETO AS	978.304	0,97%
STATE STREET BANK AND TRUST COMP A/C WEST NON-TREATY ACCOUNT	970.659	0,97%
STATE STREET BANK AND TRUST COMP A/C CLIENT OMNIBUS D	960.615	0,96%
J.P. MORGAN BANK LUXEMBOURG S.A. JPML SA RE CLT ASSETS LUX RES	815.164	0,81%
STATE STREET BANK AND TRUST COMP S/A SSB CLIENT OMNI E	743.606	0,74%
Total	32.941.017	32,81%

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 %
GERD MARGARETH DITLEFSEN	547.543	0,55 %
NORGES RÅFISKLAG	403.584	0,40 %
ODD ERIK HANSEN INVEST AS	400.000	0,40 %
LARS WORKINN	294.180	0,29 %
SPAREBANKSTIFTELSEN HELGELAND	284.491	0,28 %
ALTA INVEST AS	225.000	0,22 %
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	180.000	0,18 %
BIRGER H DAHL AS	170.000	0,17 %
RIGAMONTI A/S	164.000	0,16 %
GADD HOLDING AS	162.924	0,16 %
GEFA EIENDOM AS	150.000	0,15 %
HEMMING LEONHARTH ANDERSEN	126.600	0,13 %
BRØDRENE KARLSEN HOLDING AS	119.705	0,12 %
The 20 largest EC holders residing in Northern Norway ¹⁾	5 897 793	5,87 %

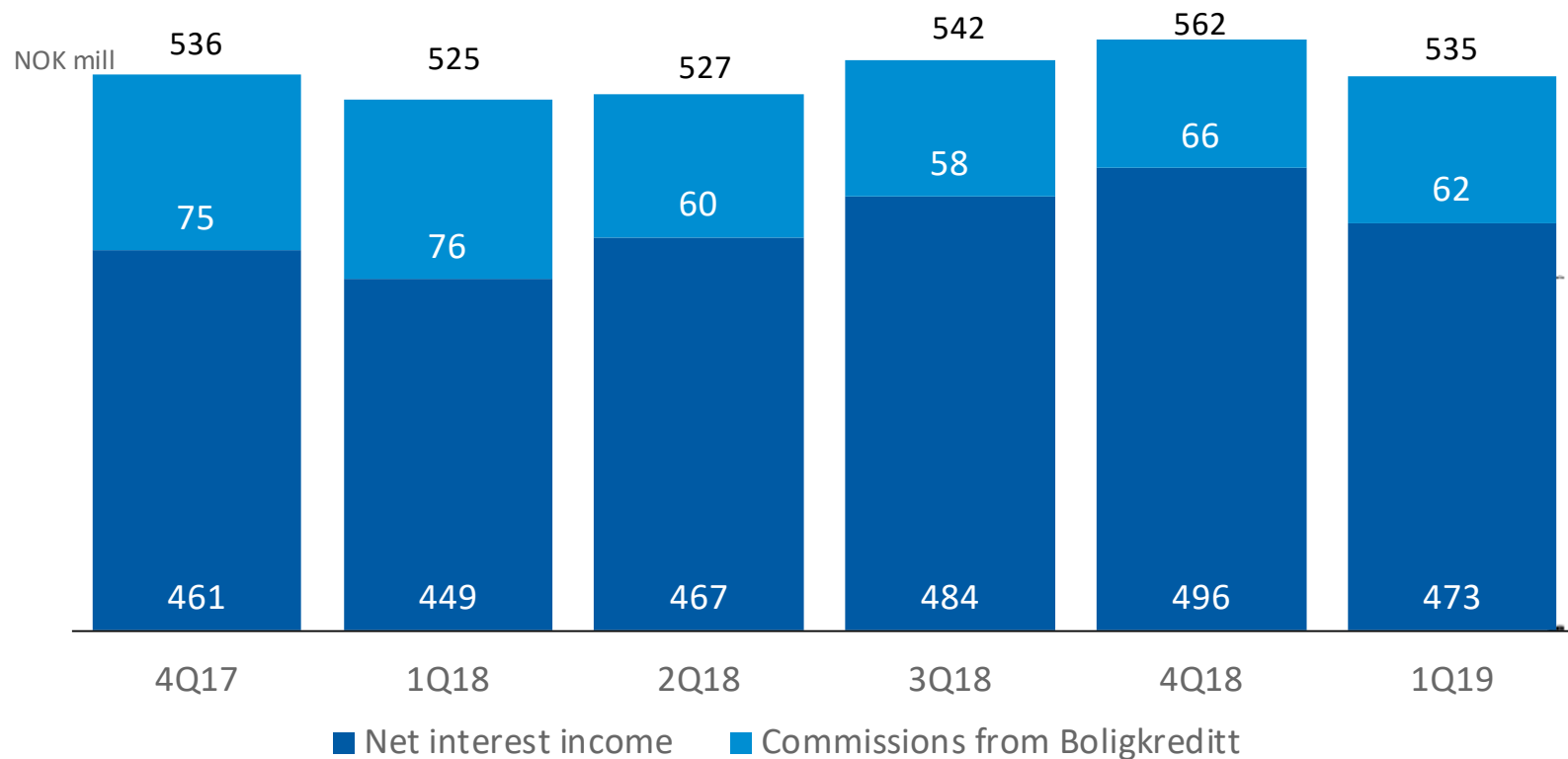
Why invest in SpareBank 1 Nord-Norge?

- 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

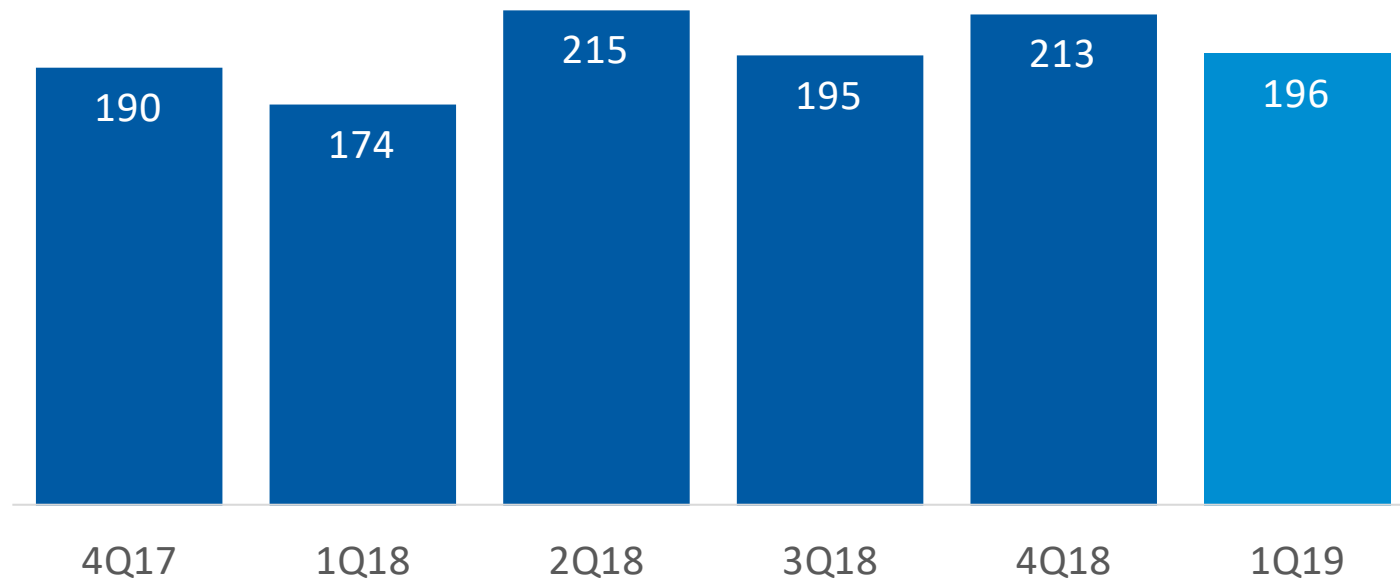


Quarterly results – net interest income

(Amounts in NOK million)	1Q19	4Q18	3Q18	2Q18	1Q18
Interest and similar income from loans to and claims on credit institutions	5	6	3	3	3
Interest and similar income from loans to and claims on customers	683	696	656	646	611
Interest and similar income from certificates, bonds and other interest-bearing securities	54	47	47	42	34
Interest and similar income	742	749	707	691	648
Interest and similar costs on liabilities to credit institutions	13	16	17	20	15
Interest and similar costs relating to deposits from and liabilities to customers	142	123	102	107	97
Interest and similar costs related to the issuance of securities	95	96	88	82	72
Interest and similar costs on subordinated loan capital	8	8	6	6	5
Payments made to The Norwegian Banks' Guarantee Fund	11	10	10	9	10
Total interest costs	269	253	223	224	199
Net interest income	473	496	484	467	449

Net fee-, commission- and other operating income

NOK mill



Net fee- and other operating income

	1Q19	4Q18	3Q18	2Q18	1Q18
(Amounts in NOK million)					
Payment facilities	68	84	77	61	60
Insurance products	41	37	42	36	40
Guarantee commissions	4	4	4	3	4
Real estate broking	31	34	34	41	26
Portefolio commission	8	13	8	11	12
Other commissions	17	21	23	26	18
Commissions excl. commission loans	169	192	188	178	160
Commission income SB1 Boligkreditt	62	65	59	60	76
Total commision income	231	257	247	238	236
Commission costs	26	26	27	21	21
Accounting services	52	38	33	54	33
Other income	1	9	1	4	2
Total other income	53	47	34	58	35
Total commission- and other income	258	278	254	275	250

Income from financial investments

Group

(Amounts in NOK million)

	1Q19	4Q18	3Q18	2Q18	1Q18
Dividends	1	1	2	2	1
Income from joint ventures	544	112	93	100	63
Gains/losses from shares in subsidiaries	0	0	6	0	0
Gains/losses and net value changes on shares	26	-15	23	81	-1
Net value changes on bonds, foreign exchange and fin.derivatives	19	-13	-4	5	19
Gains/losses and net value changes on loans	-1	-5	1	0	-8
Income from financial investments	589	80	121	188	74

Operating expenses

(Amounts in NOK million)	1Q19	4Q18	3Q18	2Q18	1Q18
Wages and salaries	153	148	144	146	139
Pension costs	11	17	12	12	11
Social costs	29	35	29	27	28
Total personnel costs	193	200	185	185	178
Development costs	37	38	30	39	33
Electronic data processing costs	20	21	25	31	24
Marketing costs	19	2	29	16	20
Travel - and training costs	11	13	7	9	9
Communications and office-related costs	8	8	7	7	7
Consultancy services	12	22	18	18	14
Ordinary depreciation	27	15	14	14	18
Operating costs - premises/buildings	7	10	7	3	5
Other operating costs incl rent	34	58	51	49	35
Other costs	176	187	188	186	165
Total operating expenses	369	387	373	371	343

Group companies result before tax

(Amounts in NOK 1000)	31.03.19	31.03.18
SpareBank 1 Finans Nord-Norge AS	36 675	35 708
SpareBank 1 Regnskapshuset Nord-Norge AS	14 444	6 029
EiendomsMegler 1 Nord-Norge AS	1 484	407
Subsidiaries core operations	52 603	42 144
Other subsidiaries	428	- 232
Total	53 031	41 912

Key figures balance sheet

(Amounts in NOK million)

	31.03.19	31.03.18	Change	Change %
Total assets	107 306	98 372	8 934	9,1%
Total lending	81 533	76 746	4 787	6,2%
Loans and advances to customers incl commission	116 873	109 474	7 399	6,8%
Deposits from customers	64 183	59 039	5 144	8,7%

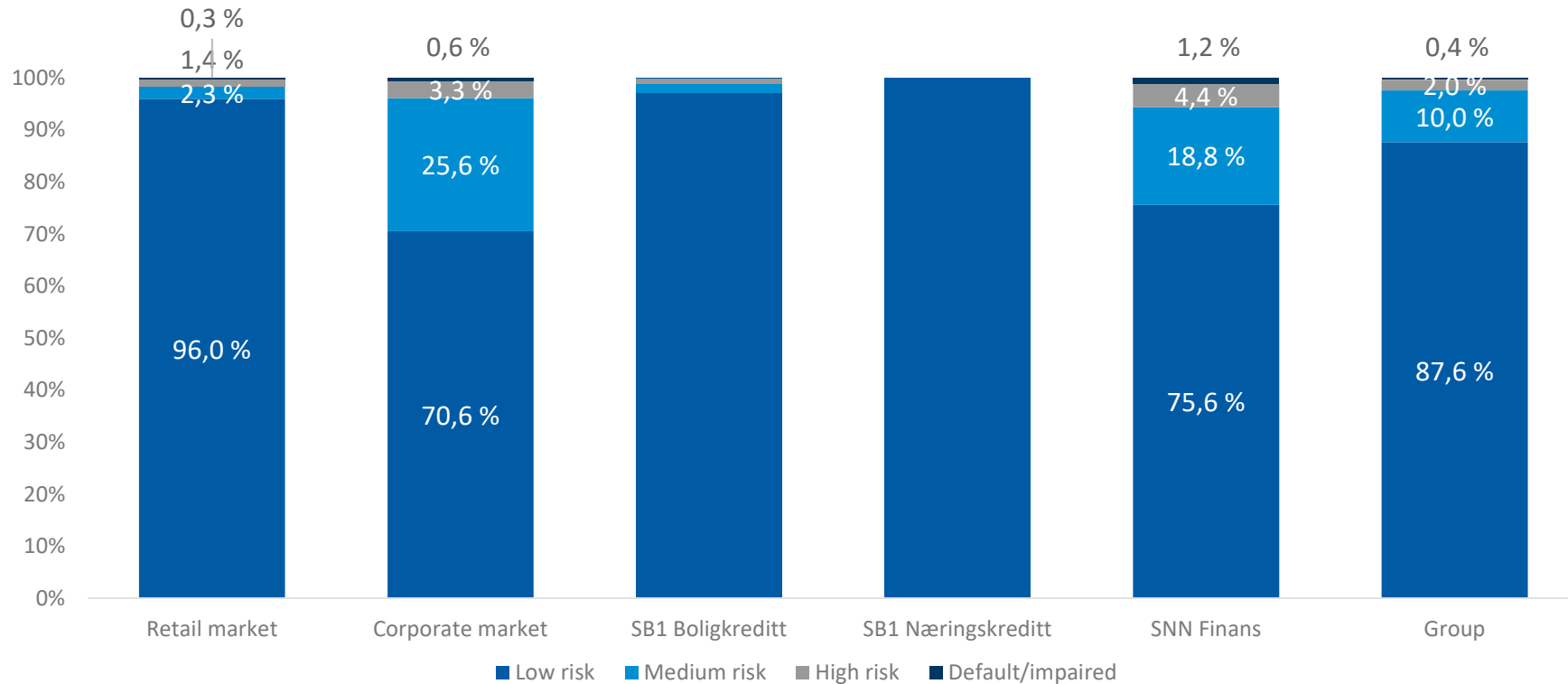
3

Credit area

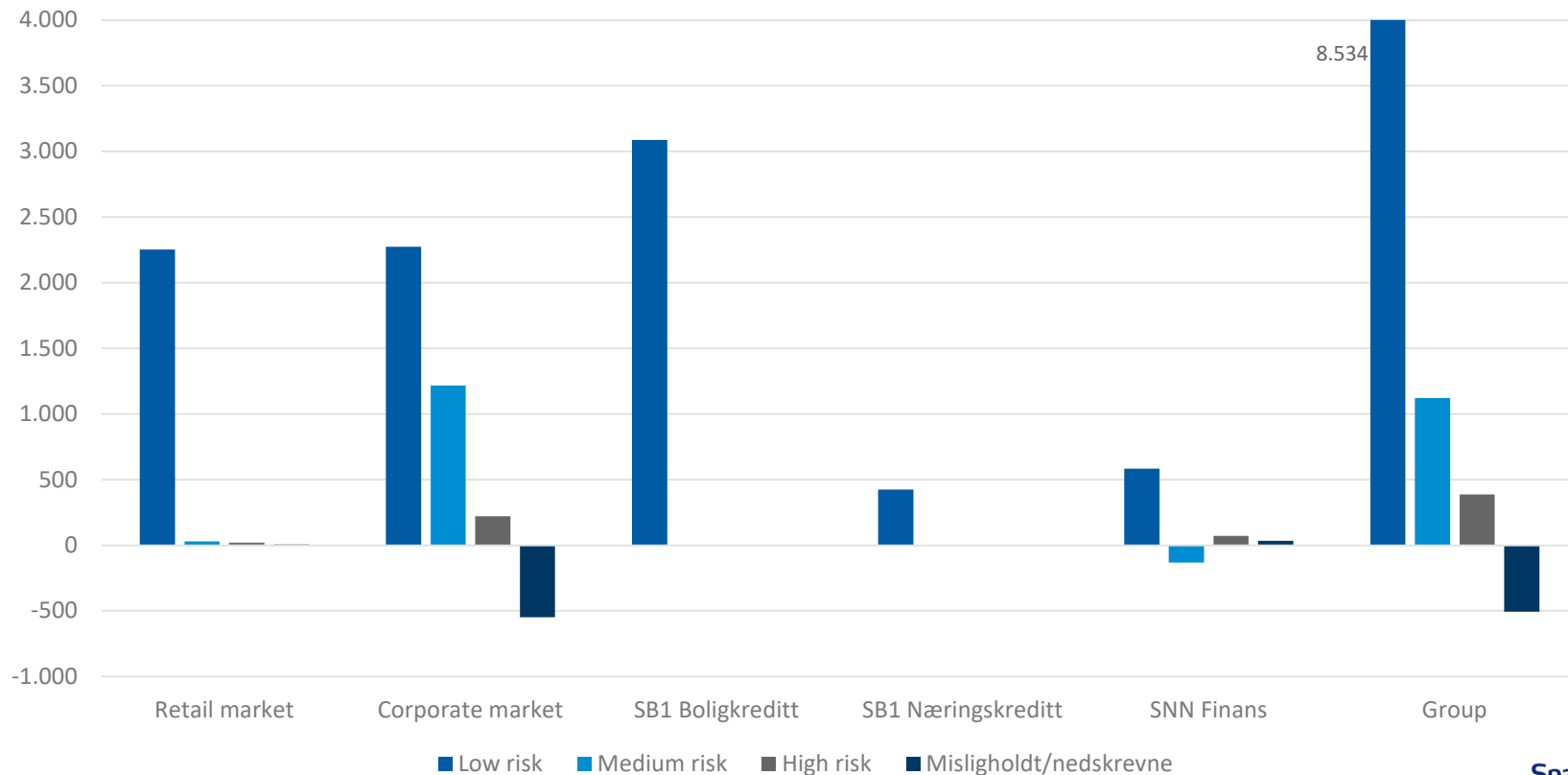
Lending portfolio - comments

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

Portfolio - exposure as of 31.03.19, group

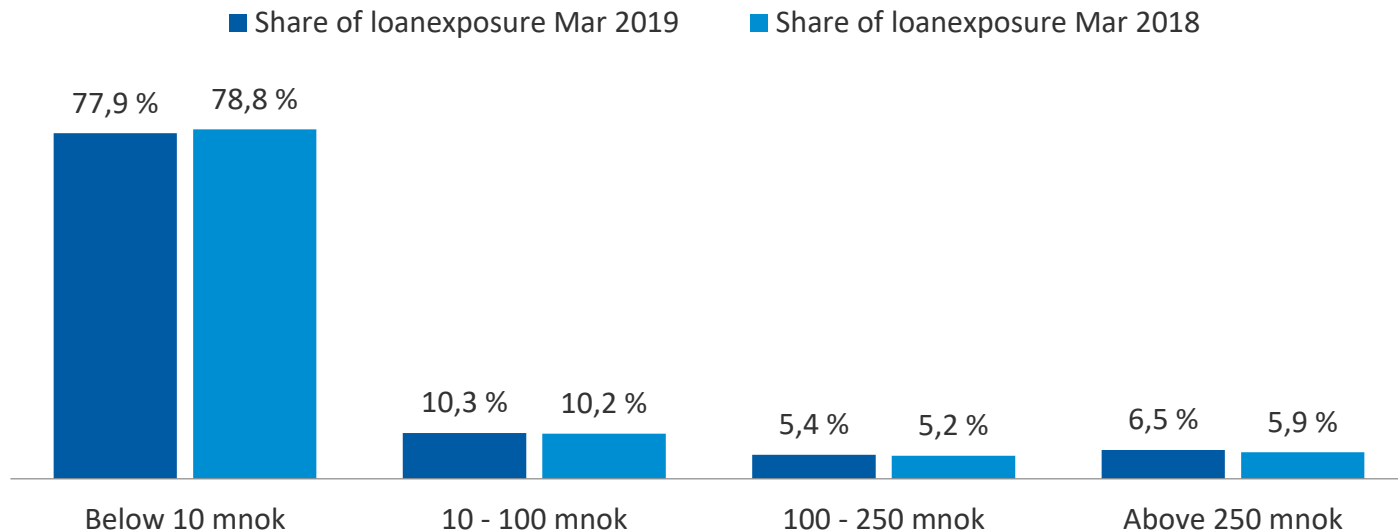


Portfolio – changes last 12 months, group



Portfolio - exposure distributed by size

Loans distributed by size of exposure and share of total exposure

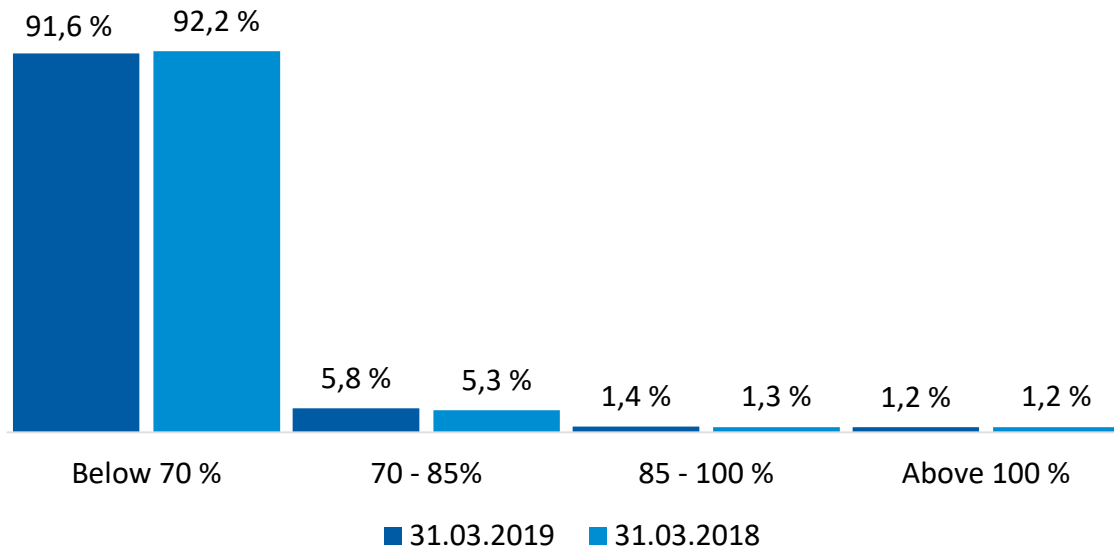


Numbers include SB 1 Bolig- and Næringskreditt

Portfolio – LTV mortgage loans

97.4 % of exposures are within 85 % of the collaterals market value

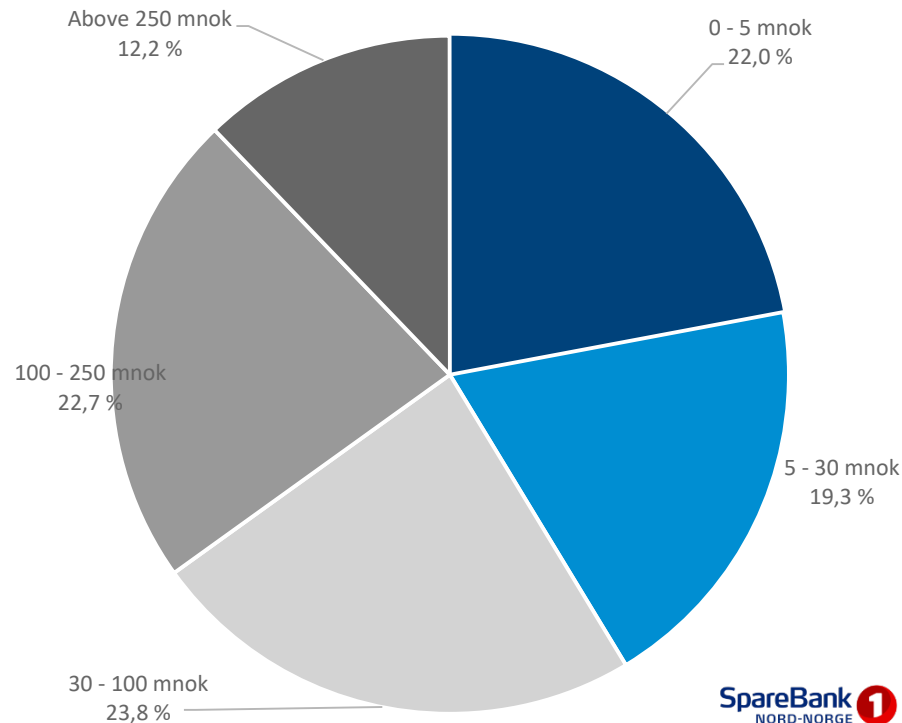
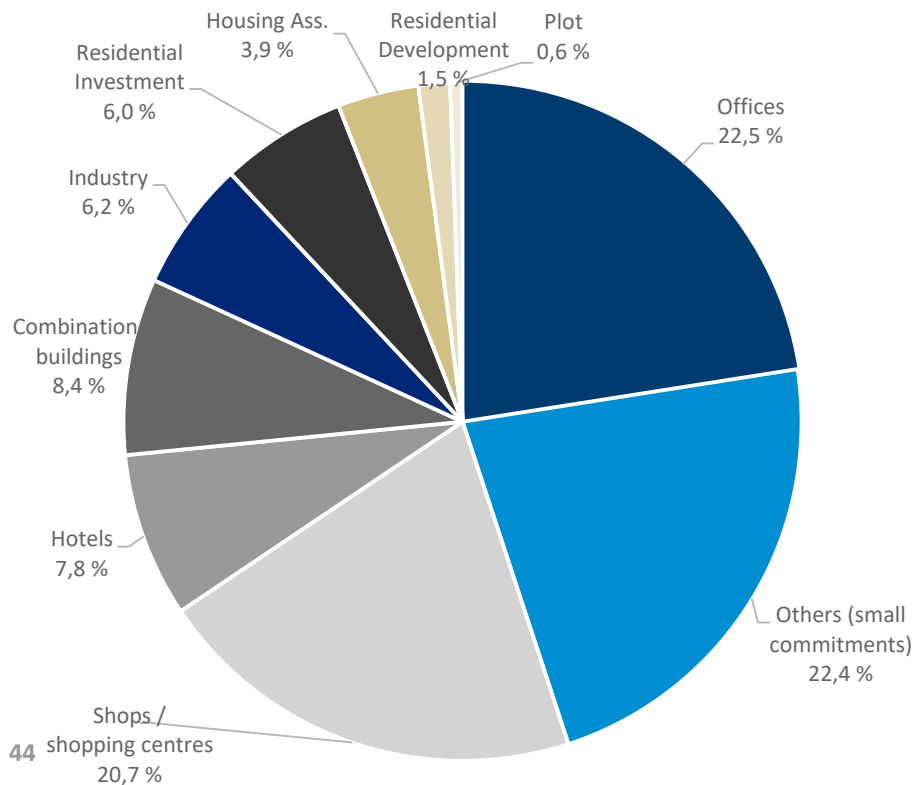
Exposures above 85 % are 2.6 %



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

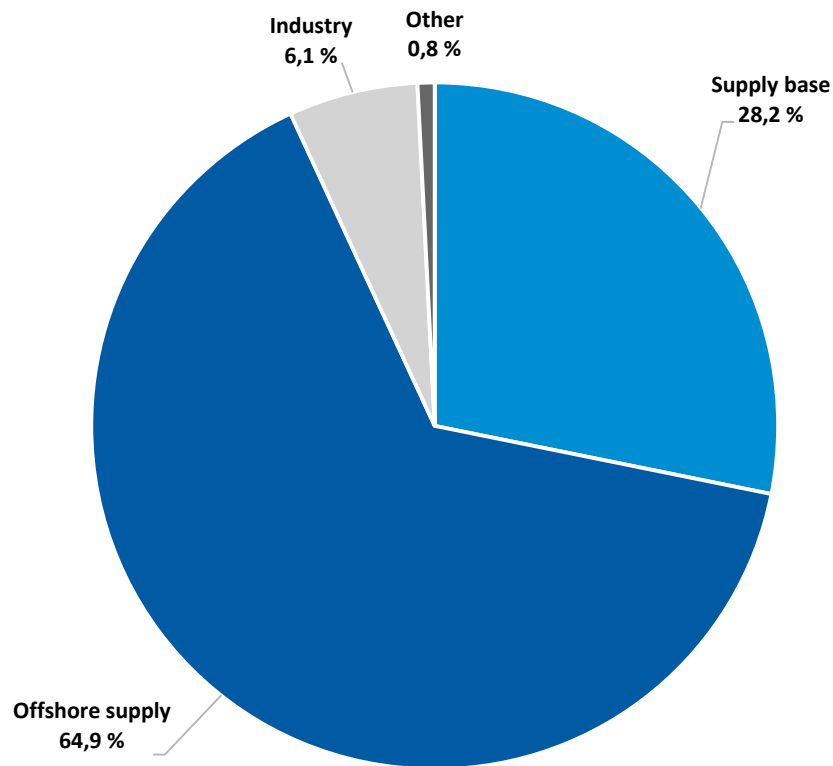
Portfolio – Commercial Real Estate

65.1 % of the portfolio are commitments smaller than NOK 100 mill



Portfolio – Oil related exposure

- Oil related exposure amounts to NOK 1,075 mill
- The exposure represents 0.92 % of total lending incl. Næring- and Boligkreditt
- Average weighted probability of default 1.14 %
- A total of NOK 31 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



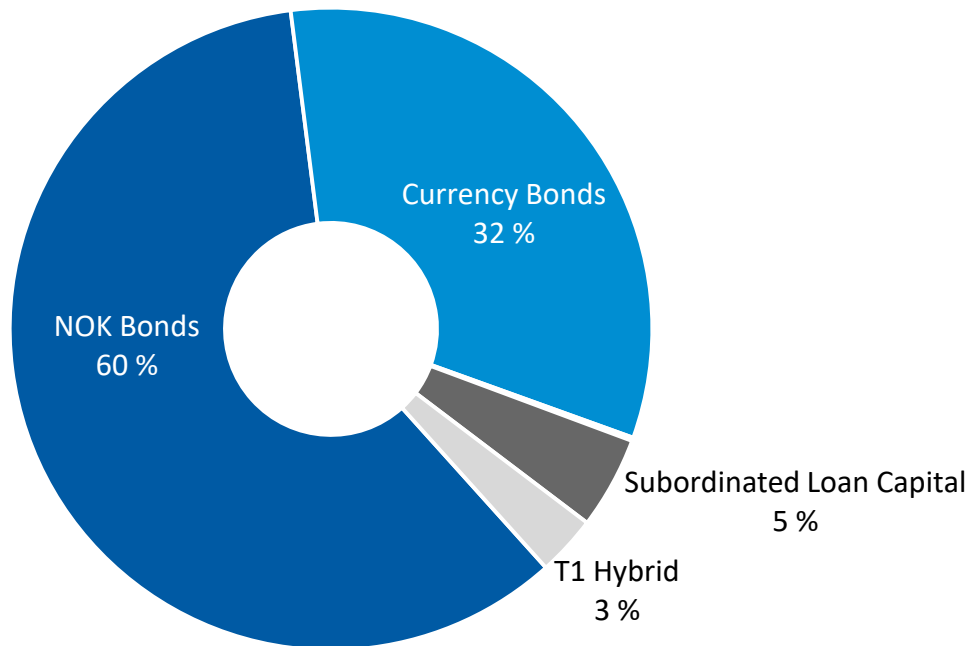
The Group's loan losses

Losses in MNOK	Q1 19	2018	Q4 18	Q3 18	Q2 18	Q1 18
Individual losses Corporate market	-1,4	40,4	13,1	11,2	20,6	7,2
Individual losses Retail market	-0,4	14,3	2,0	2,2	2,9	0,4
Collective losses and other value change items	-15,5	-32,4	-20,9	-16,1	-4,1	8,7
Total losses on loans and guarantees	-17,3	22,3	-5,8	-2,7	19,4	16,3

4

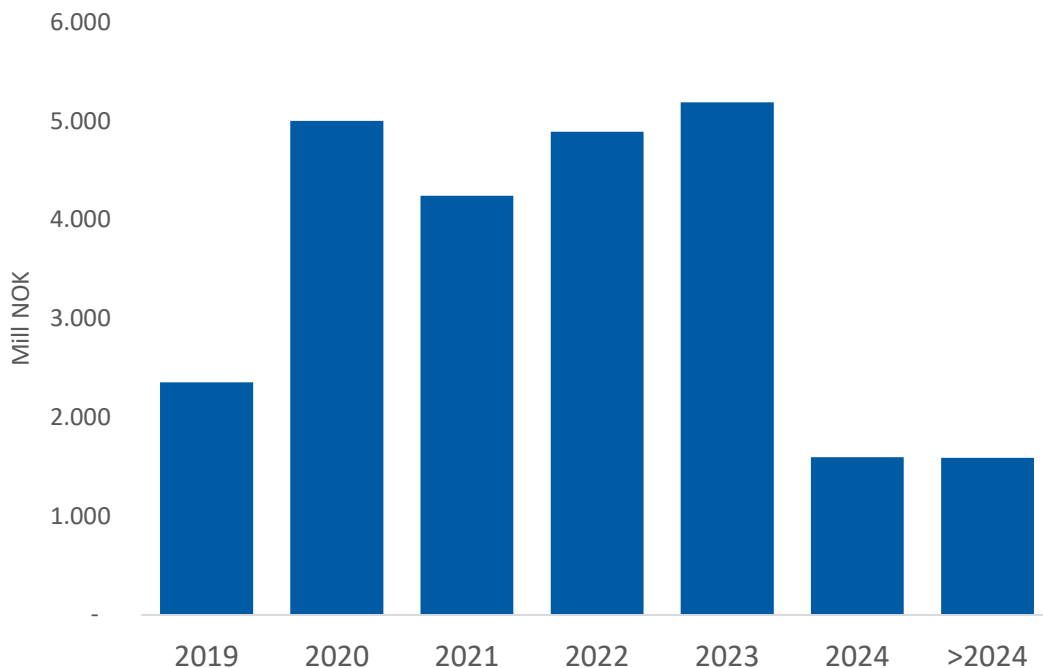
Liquidity

Funding instruments 31.03.2019



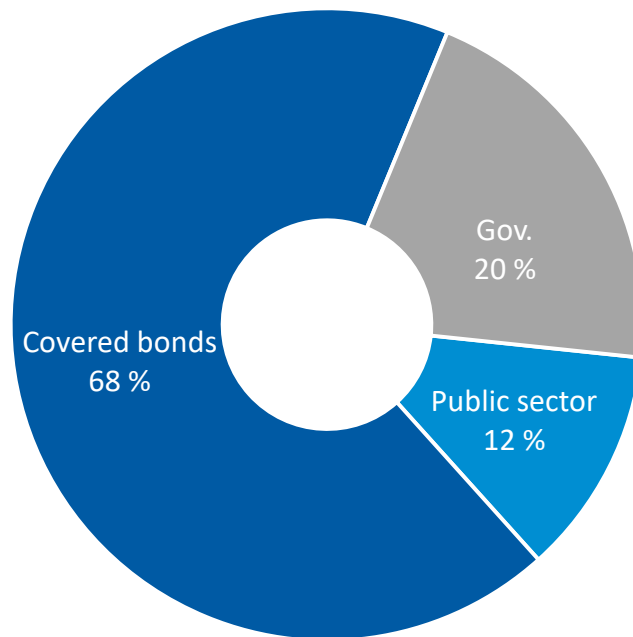
Maturity profile 31.03.2019

Capital markets funding (excl. SPABOL/SPACOM)



- NOK 25 060 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. In total NOK 33 845 mill had been transferred as of 31.03.19
- Amount of gross maturities of capital market funding next 12 months is NOK 3 251 mill

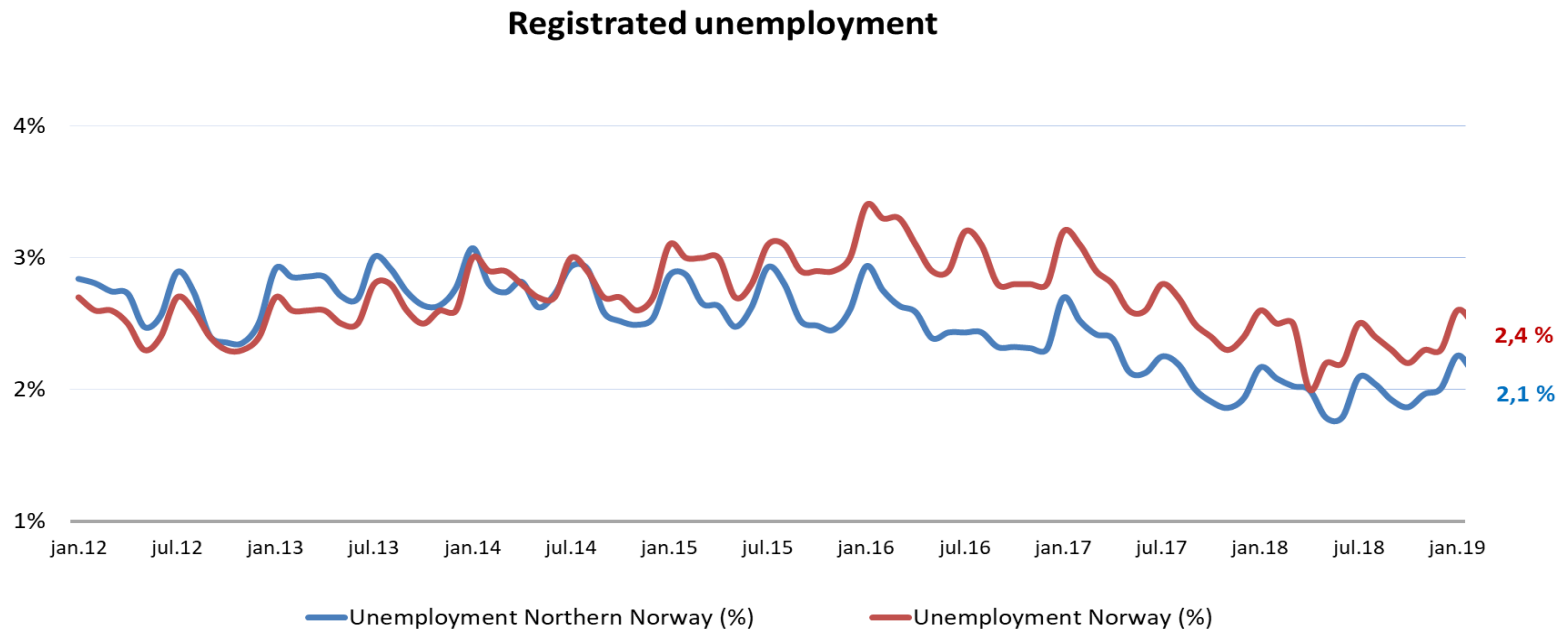
Liquidity portfolio 31.03.2019



5

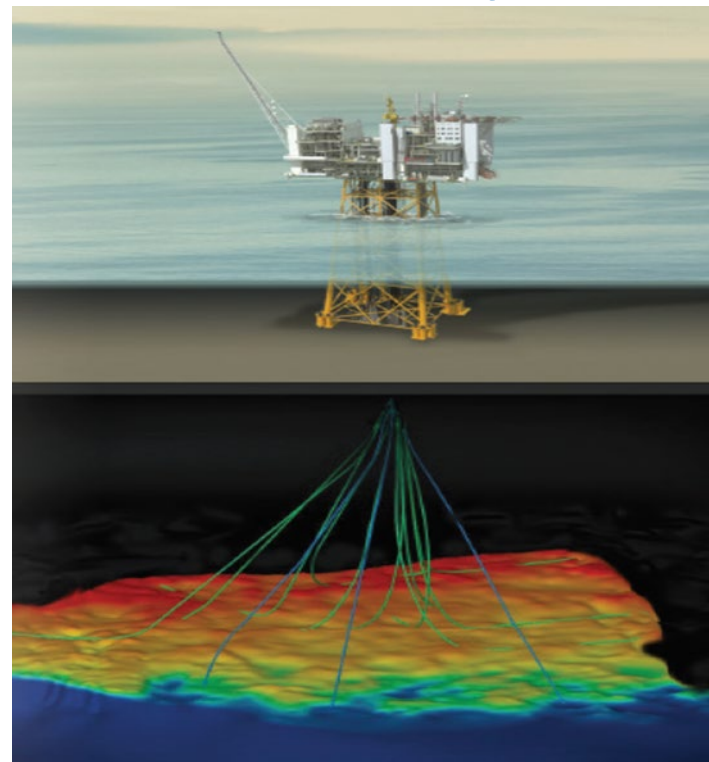
Macro and Economic trends

Stable, low unemployment

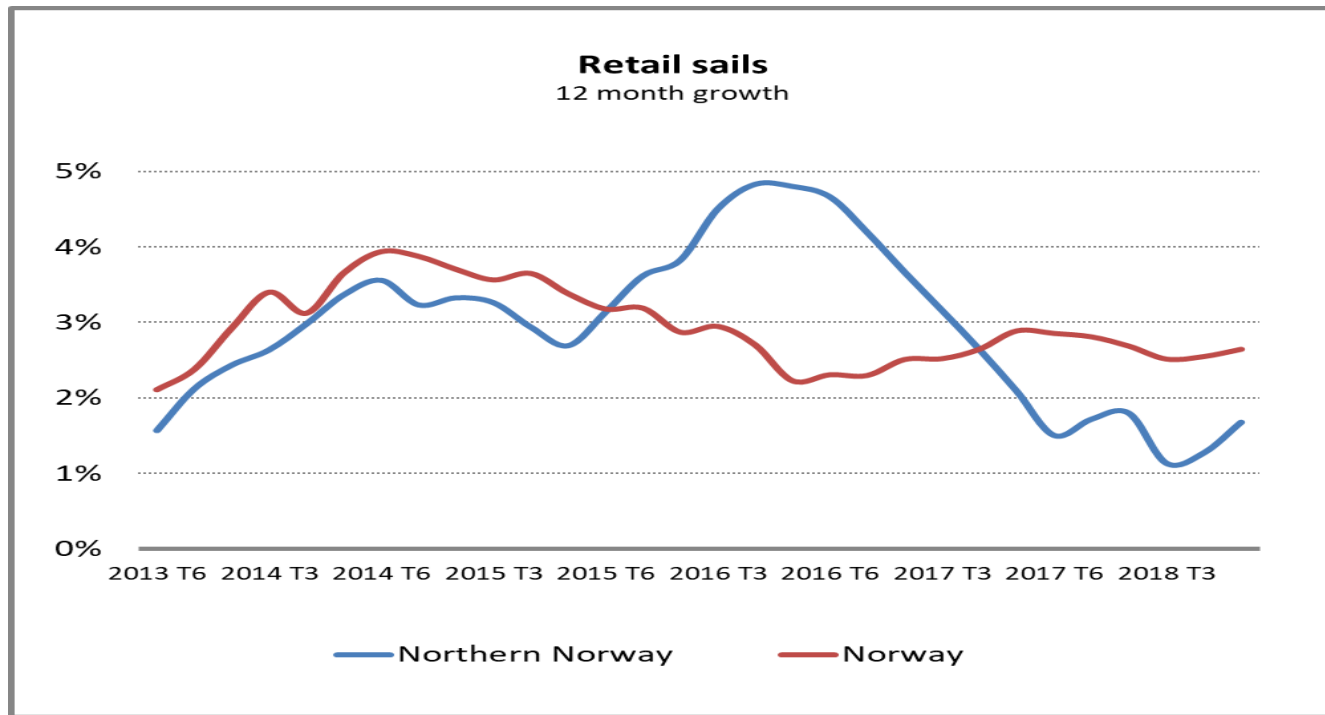


Oil and gas – new fields increase activity

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

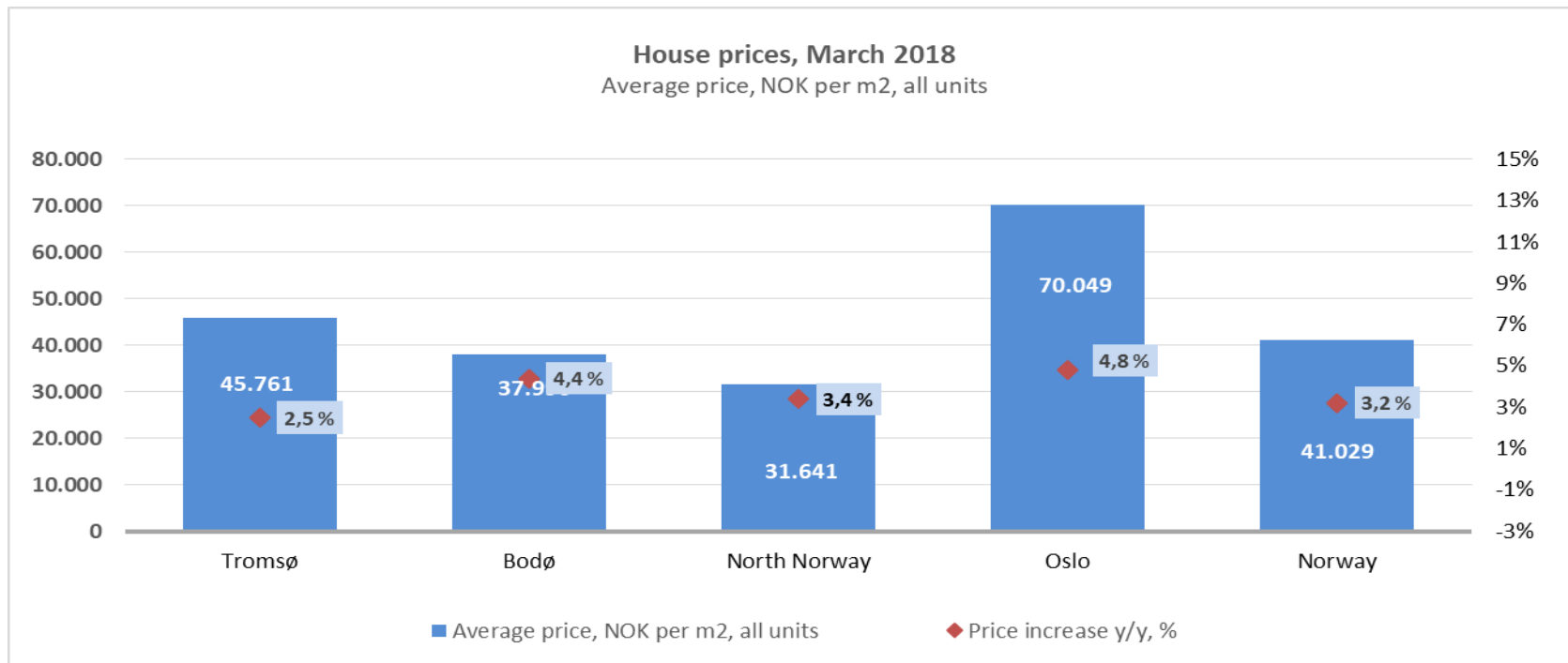


Lower growth in retail sales, and now growth is lower than Norwegian average

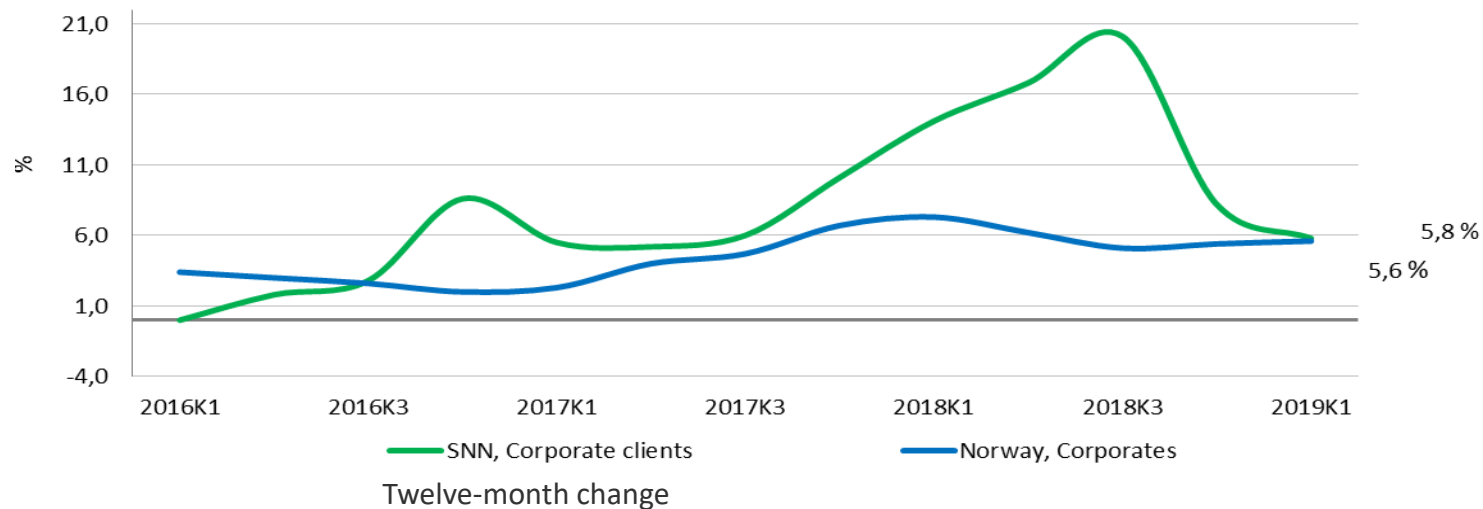


Kilde: SSB, retail sales

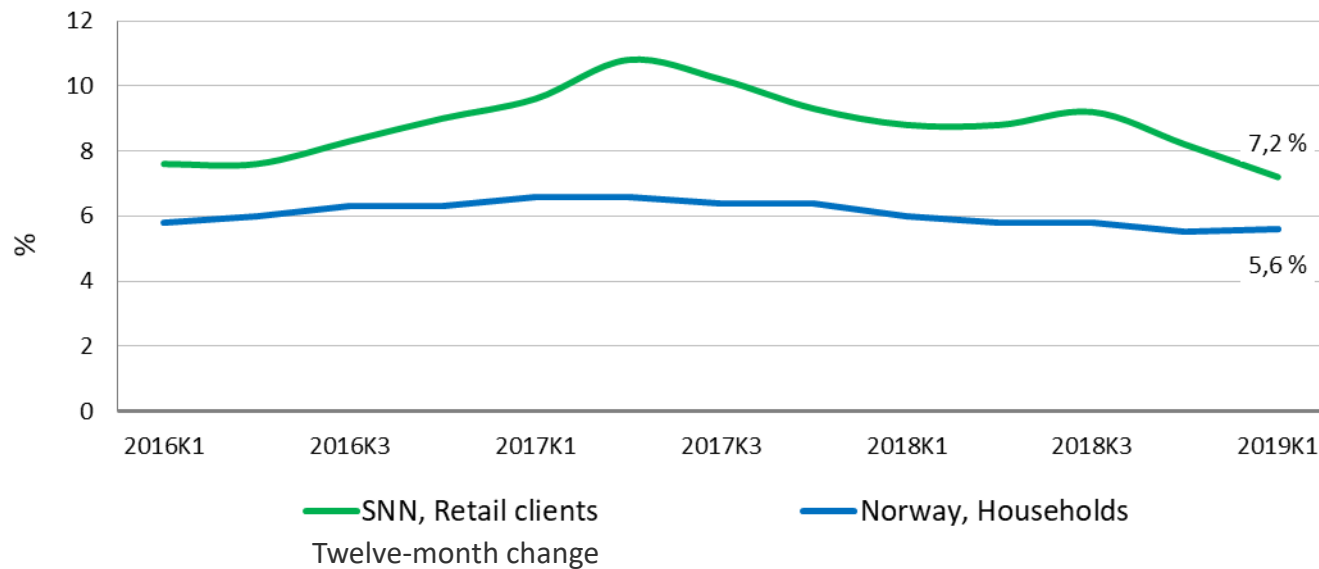
Lower housing prices – gives lower downside risk.



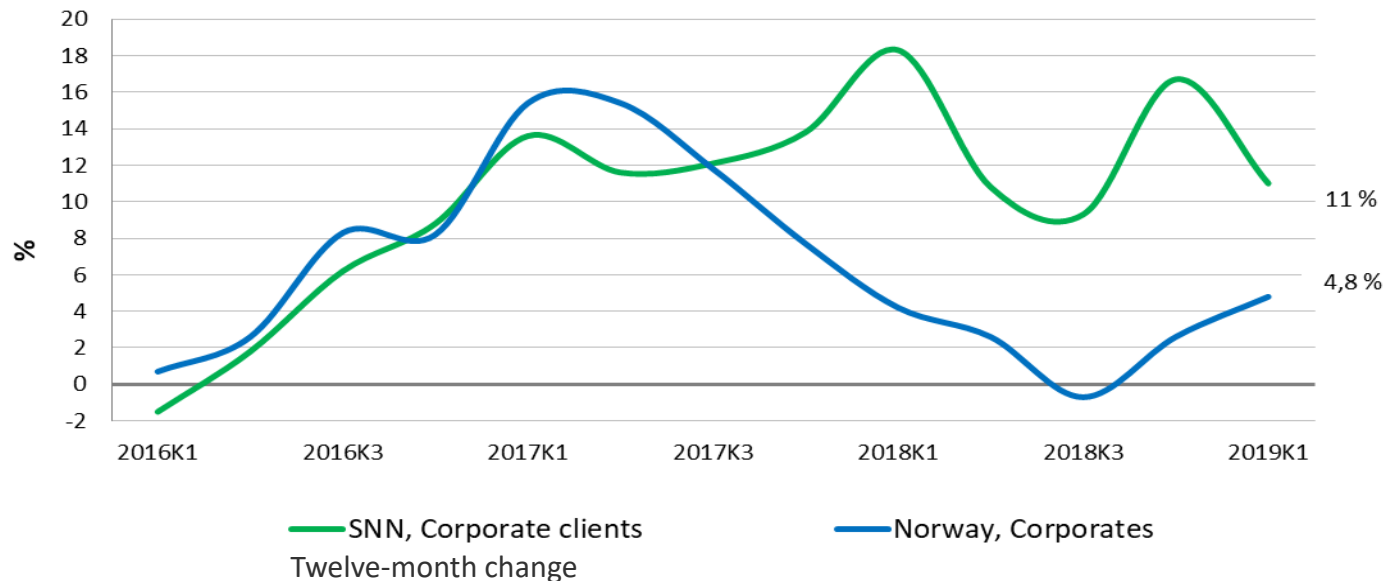
Credit growth corporates



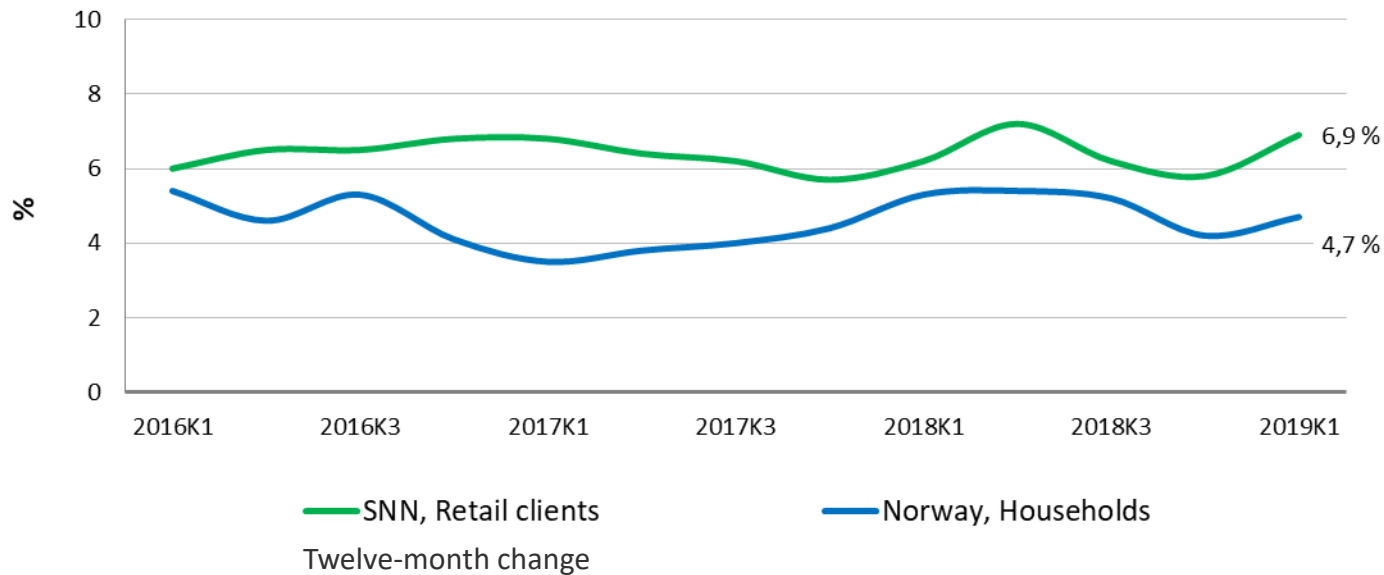
Credit growth households



Deposit growth corporates



Deposit growth households

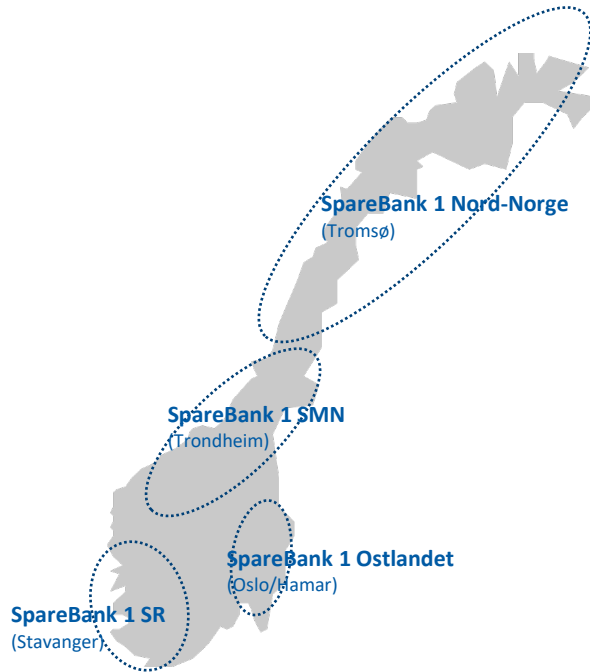


6

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

