

# Preliminary accounts 2019

Tromsø/Oslo 13 February 2020



SpareBank  
NORD-NORGE 

# Preliminary annual accounts 2019

## **Pre-tax profit**

2 473 MNOK (1 920)

## **ROE**

15.9 % (12.9 %)

## **Proposed cash dividend**

5.50 NOK (4.0)

## **CET-1 ratio**

16.7 % (14.5 %)

## **C/I ratio**

39.8 % (43.1 %)

## **Loan losses**

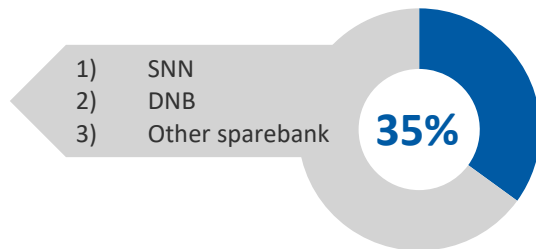
11 MNOK (22)

## **Community dividend**

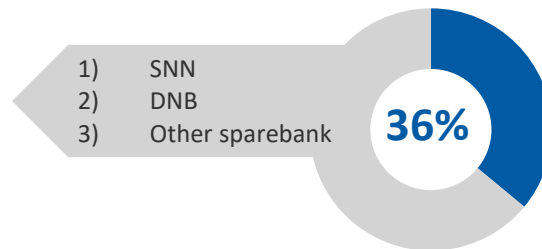
639 MNOK (464)

# Strong number 1 position in the North

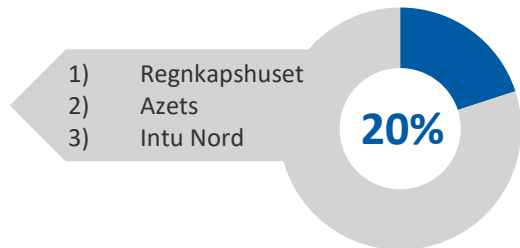
## Main bank retail



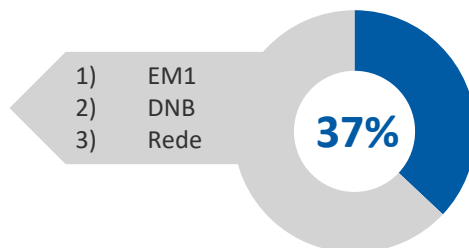
## Main bank SME



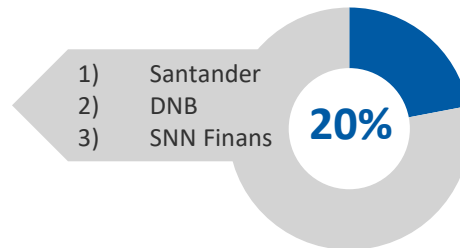
## Accounting



## Real estate



## Secured financing



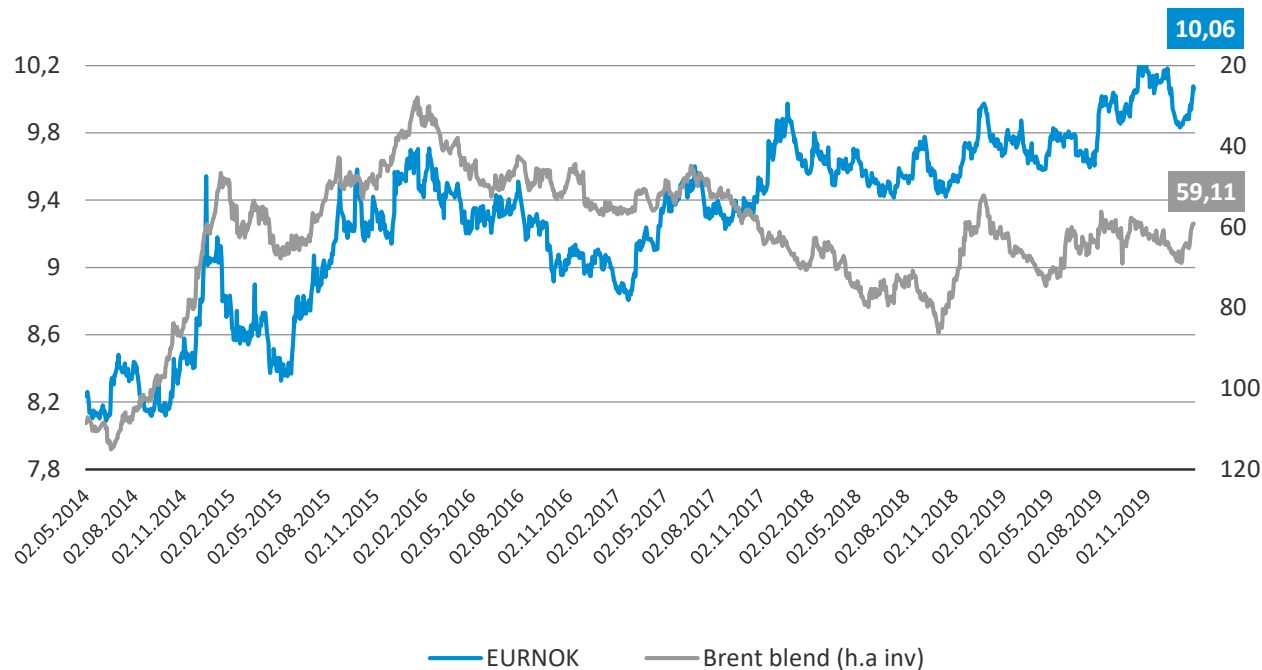
# Strategic decisions in the Alliance creates value

v:pps



SpareBank 1

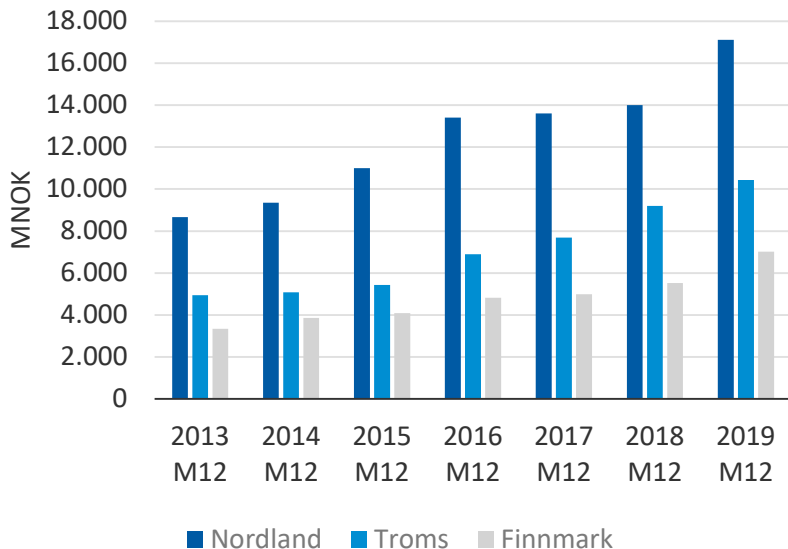
# International development is positive for Northern Norway



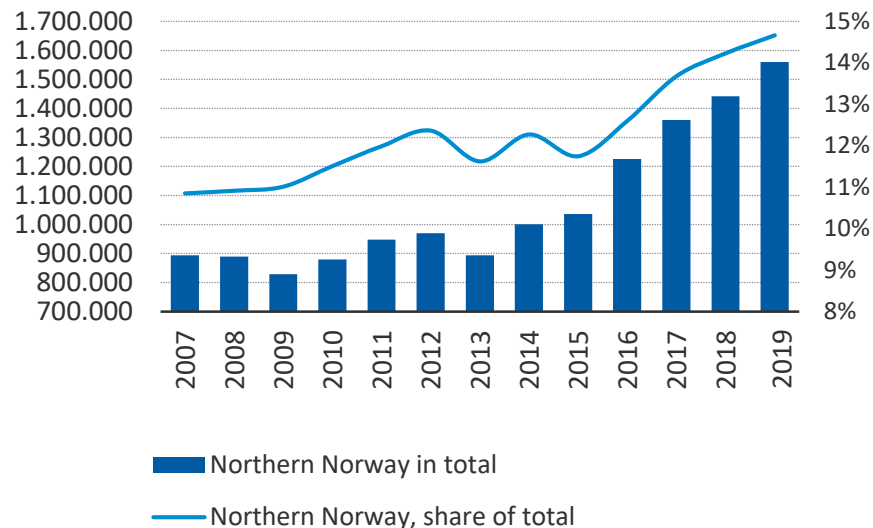
IMF estimates global  
GDP growth of 3.4 %  
in 2020

# Strong demand for commodities out of Northern Norway

Export value of fish from Northern Norway  
December 2019



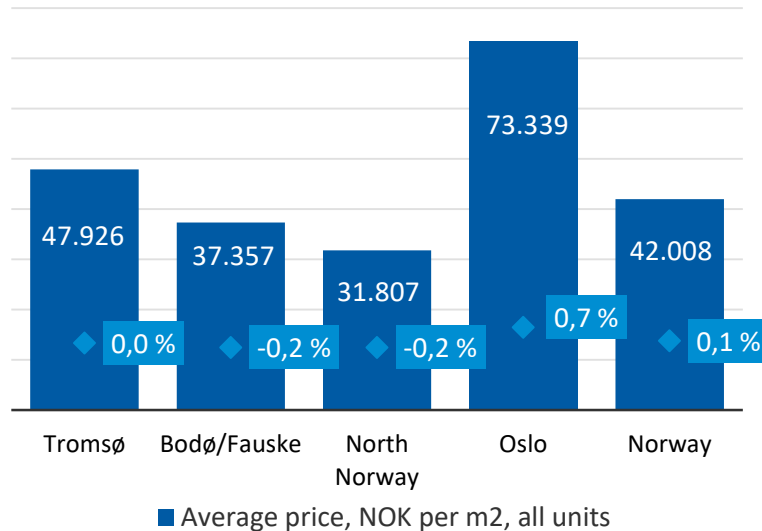
Overnight stays - foreign nationals, and share of total overnight stays in Norway



# Soft landing in the housing market?

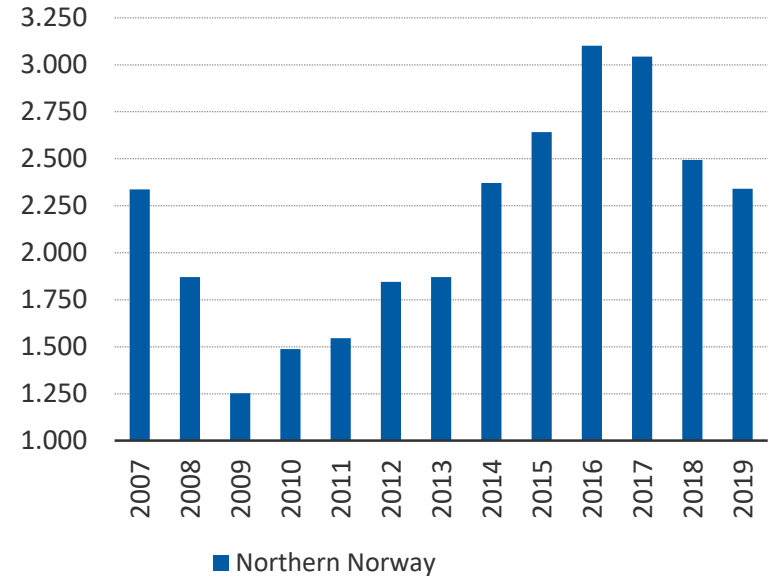
## House prices, December 2019

Average price, NOK per m2, all units

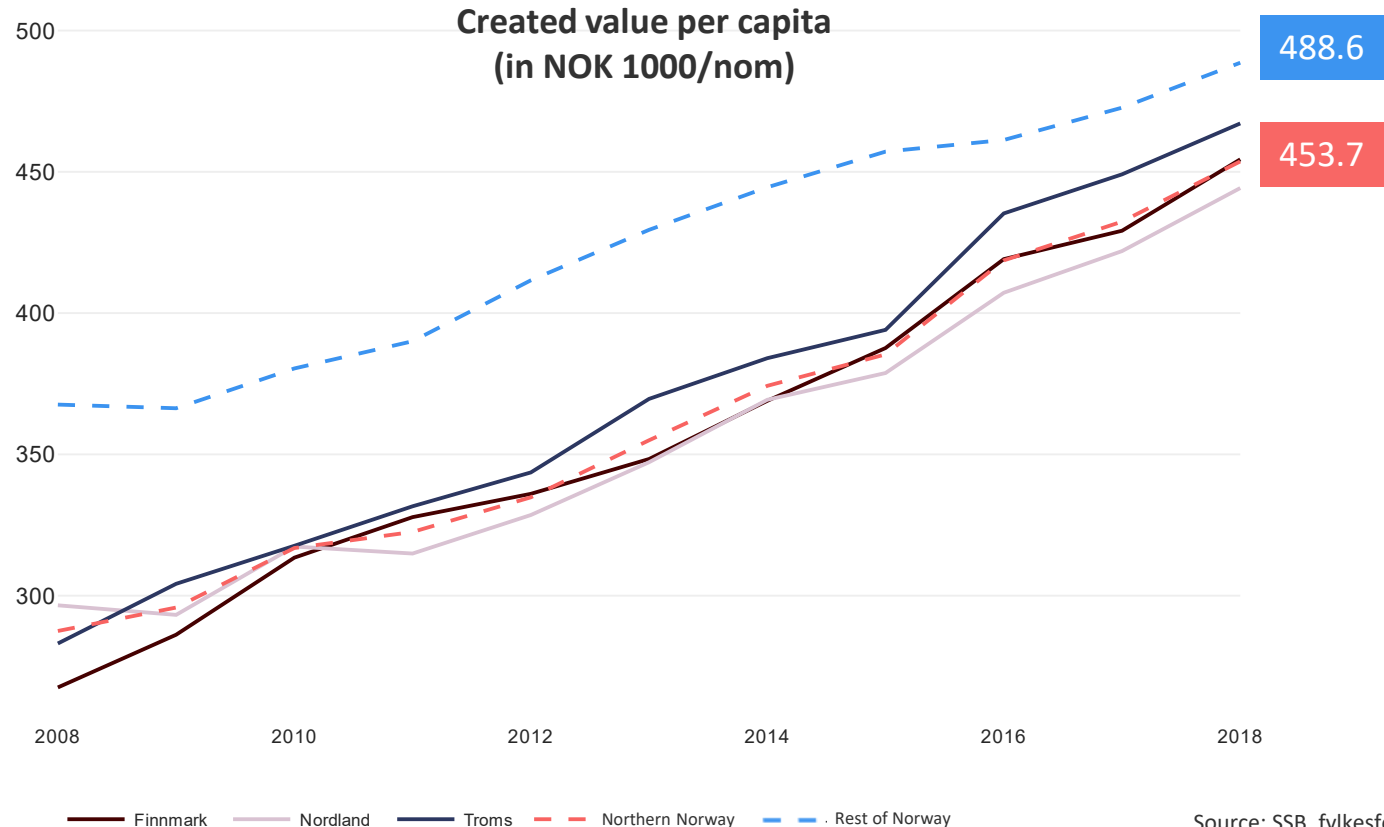


## Housing starts

Number of units



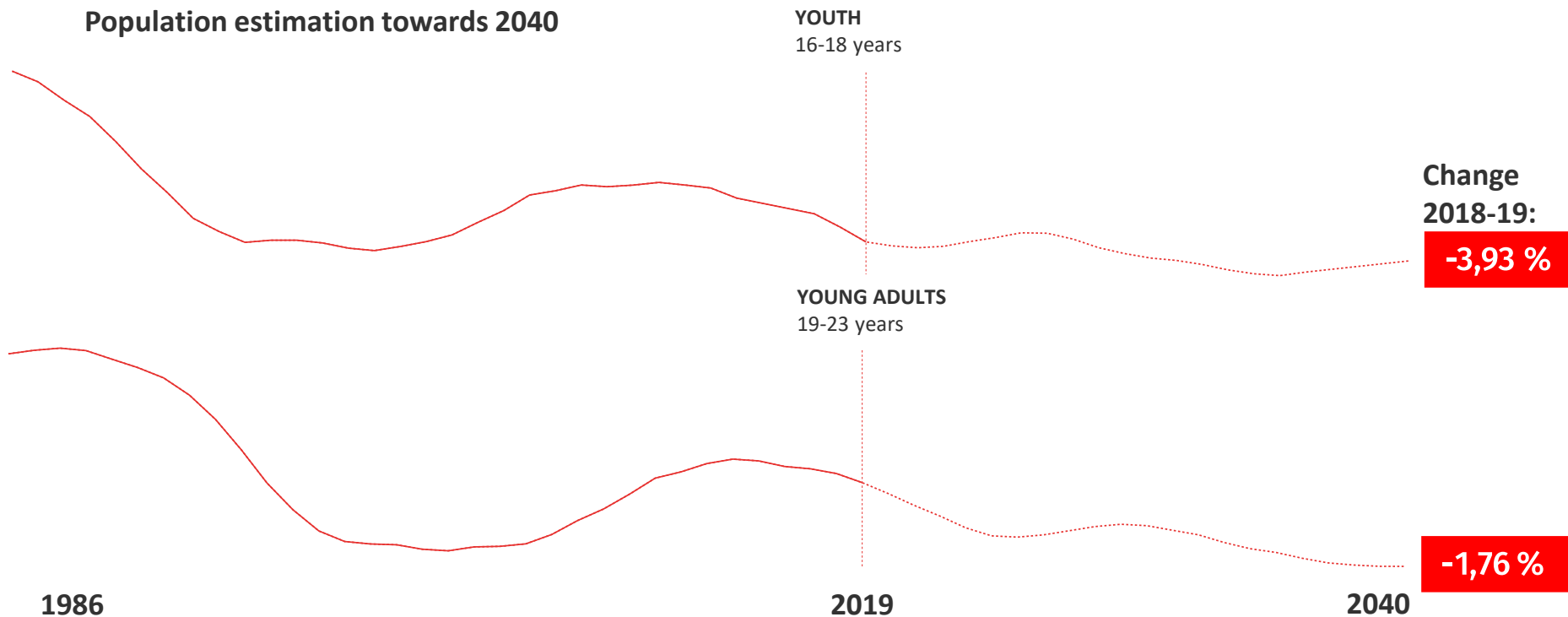
# A region characterized by growth...





# ...with demographic challenges

## Population estimation towards 2040

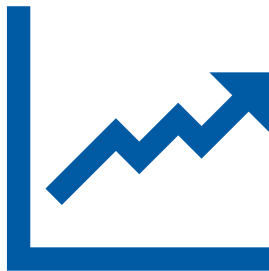


# Ambitions for growth and increased market share

Expected growth for SpareBank 1 Nord-Norge in 2020:

Personal customers: **3-5 %**

Corporate market: **6-8 %**



# Organizational measures for more strength



CEO



Compliance



Chief  
Communications  
Officer



Chief People  
Officer



Chief  
Financial  
Officer



Chief Risk  
Officer



Chief Marketing  
Officer



Personal  
Banking



Corporate  
Banking

# Financial target still valid– measurement in place to ensure long term achievement

**ROE**

12 %

**C/I ratio**

< 40 %



Effect of profitability  
measures

Year end 2021:

200 MNOK

Maximum  
cost increase\*:

2020: 2%

2021: 0%

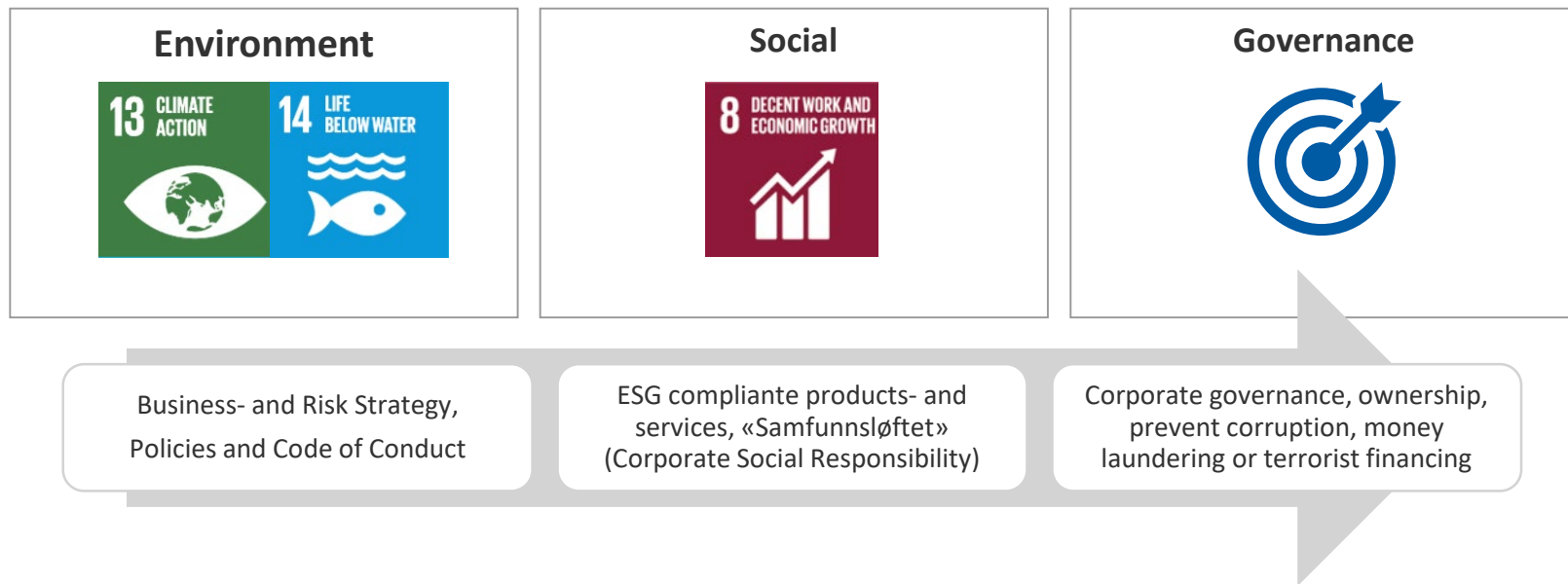
# Ambitious targets for climate risk and sustainability

- Climate risk is part of the Group's risk strategy.
- Sustainability is a part of all core processes through its own policy on sustainability and corporate social responsibility. These include goals to contribute to a greener securities market and working towards a more sustainable lending portfolio.
- Commits to reduction of own greenhouse gas emissions by 40% by 2026.
- As of 2020 the bank will report on all of the UN's 17 sustainability targets.

In 2019 MNOK 300 of community dividend went to sustainable wealth creation and development of the region through the concept «Samfunnsløftet».

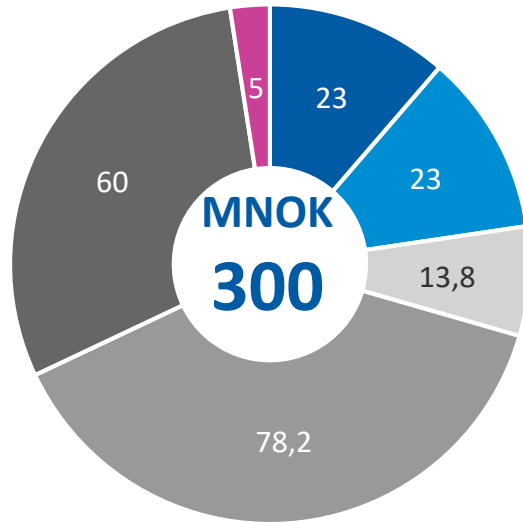


# ESG in SpareBank 1 Nord-Norge



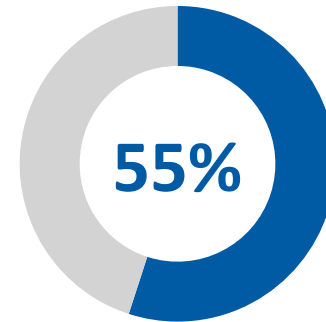
# Community dividend enhances the brand, creates media attention and strengthens our position

1361 different projects in Northern Norway received community dividend (numbers in MNOK)



■ Youth ■ Knowledge ■ Innovation ■ Arena ■ Local community ■ Plastic

Share of voice in local media Q4 2019



# Why invest in SpareBank 1 Nord-Norge?

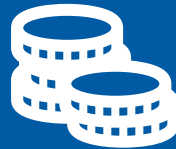
## #1

Strong position in a growth region with strong macro

## ROE

Ambitious, top class financial targets

Implements new KPI measures to maintain top class ROE



Owner friendly dividend policy and strong capitalization

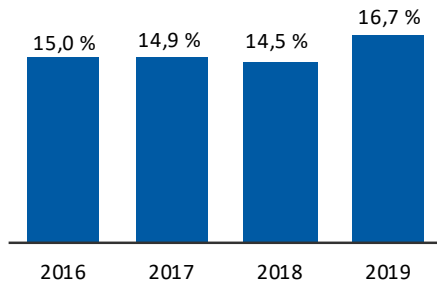


High relative ownership in SpareBank 1 Group, other alliance companies and Norwegian banking infrastructure

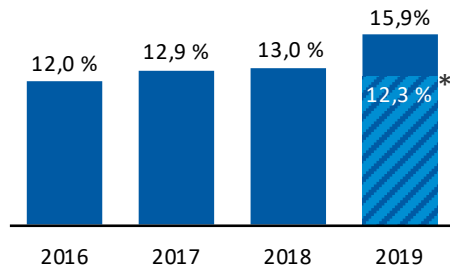


# Key financial figures

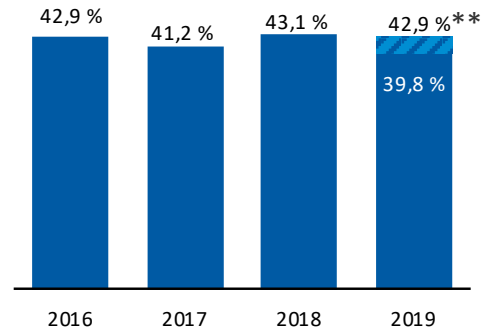
CET 1 incl floor



Return on equity capital



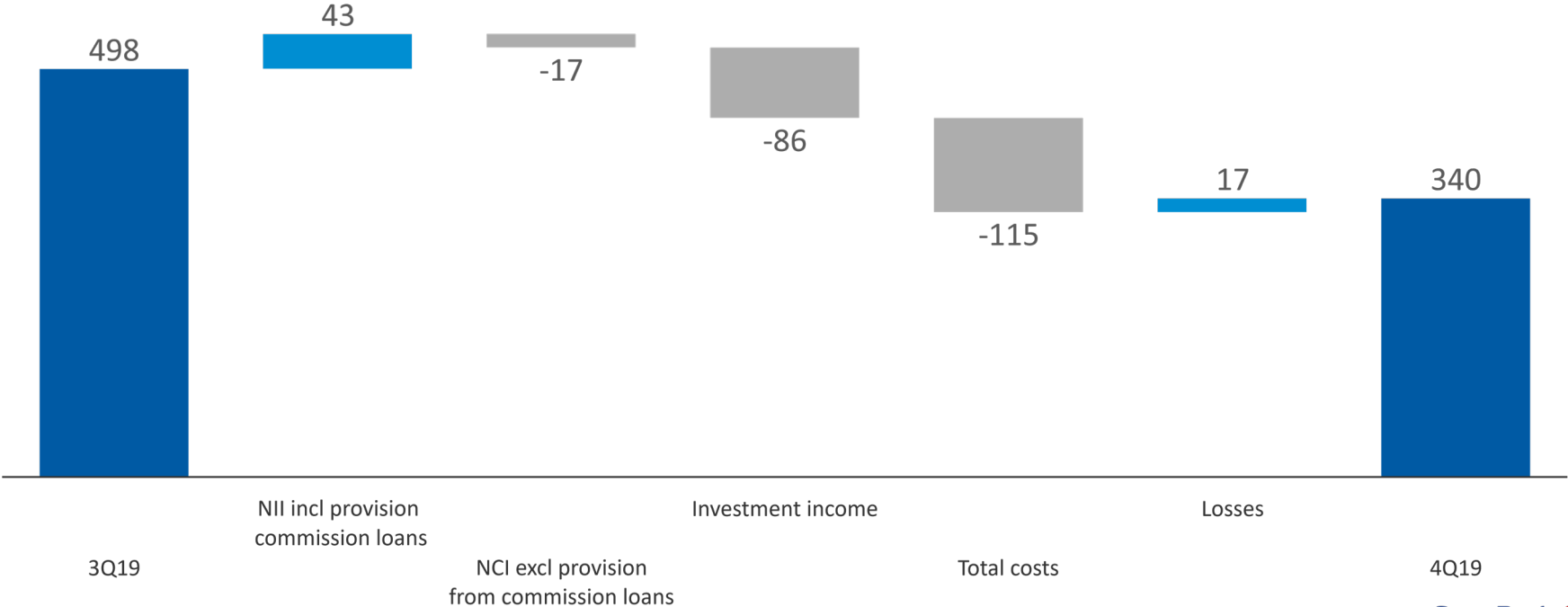
Cost/income Group



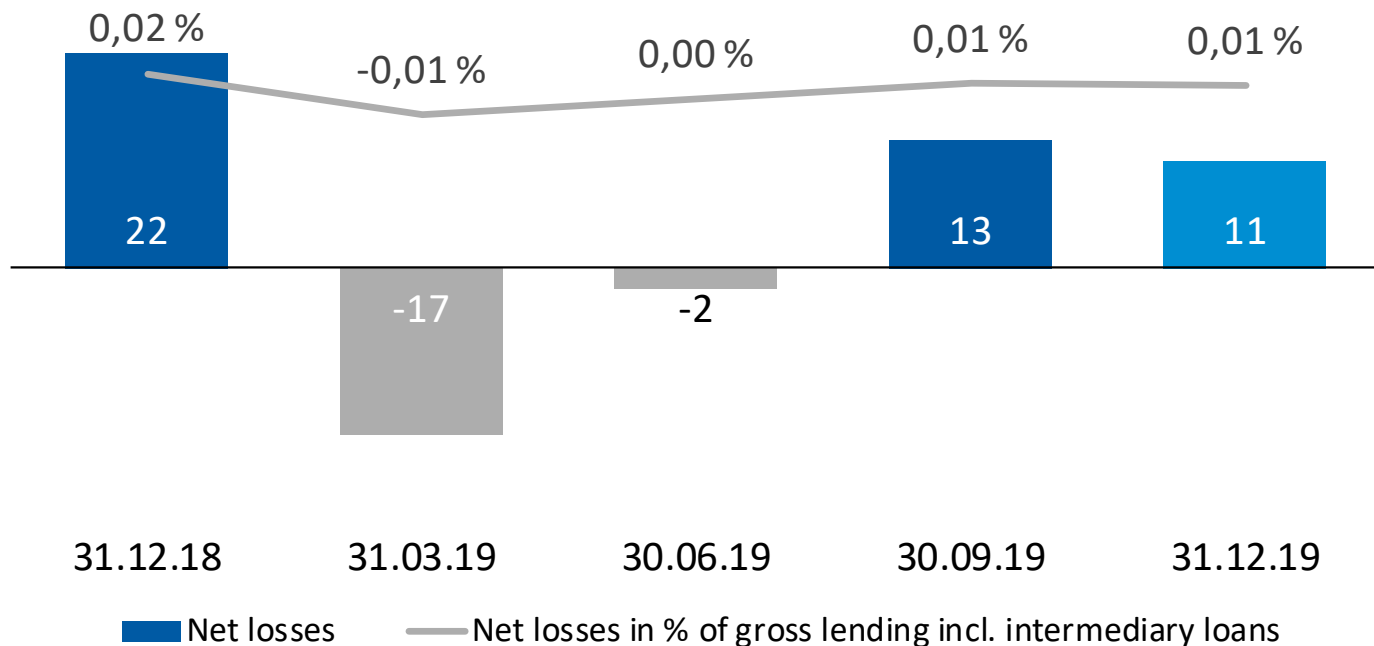
\*Return on equity capital ex. gain SpareBank 1 Gruppen

\*\* Cost/income ex. gain/profit from SpareBank 1 Gruppen and cost related to downsizing

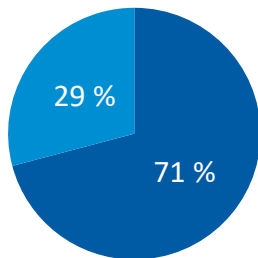
# Changes in profit and loss last quarter



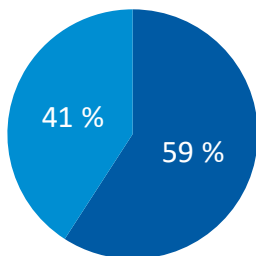
# Very low loan losses, customer loans and guarantees



# Good growth, especially in the corporate market

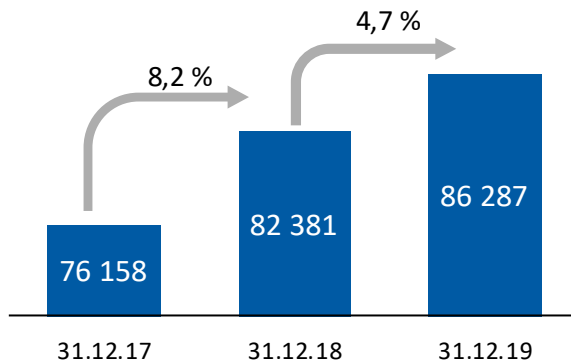


■ Retail incl. commission loans  
■ Corporate incl. commission loans

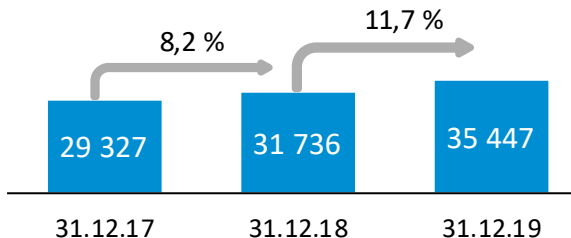


■ Retail excl. commission loans  
■ Corporate incl. commission loans

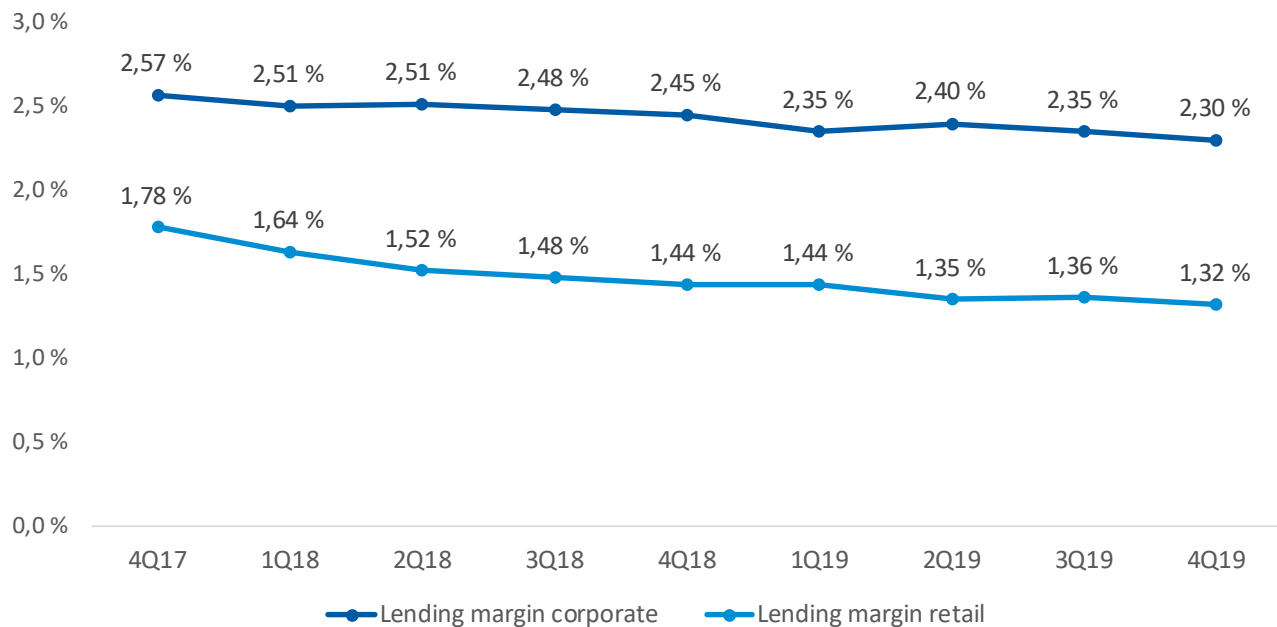
Retail market incl. commission loans



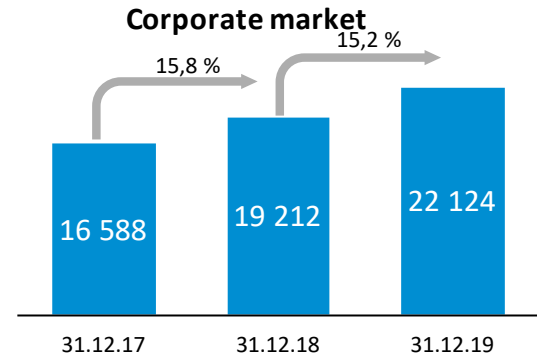
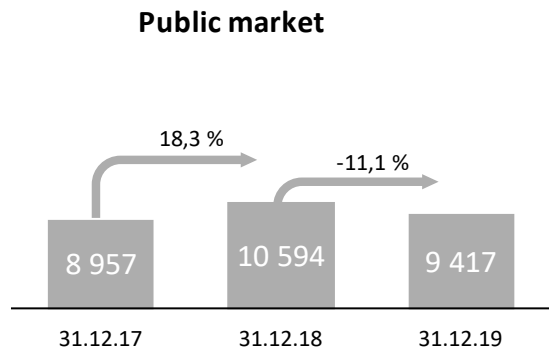
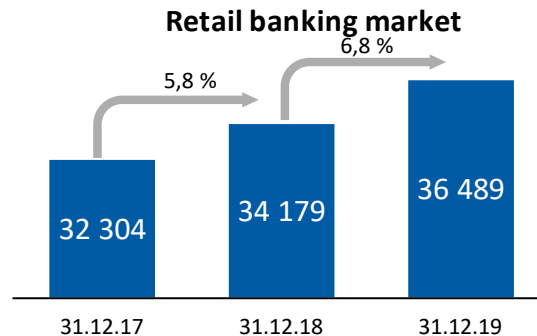
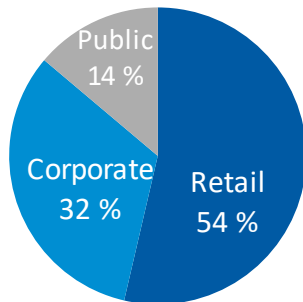
Corporate incl. commission loans



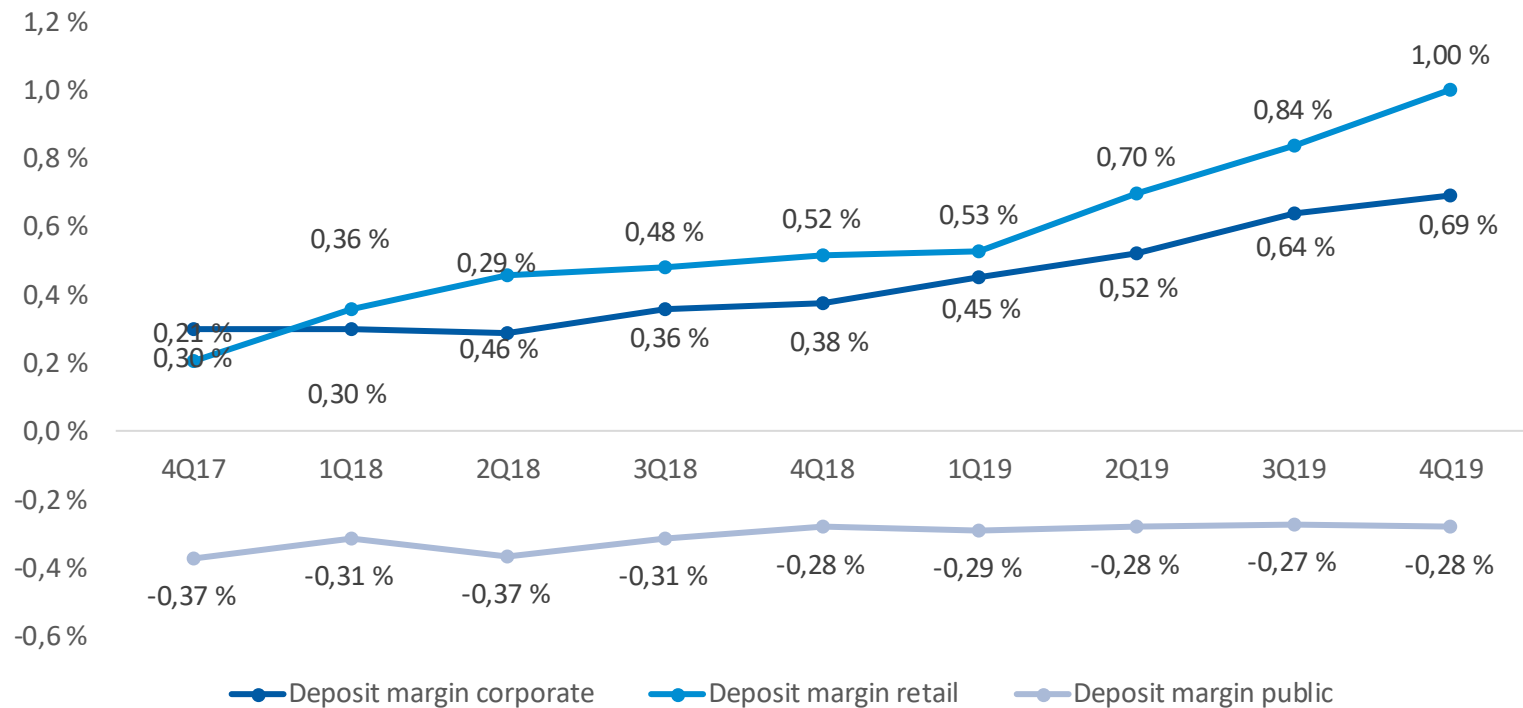
# Strong competition in the region



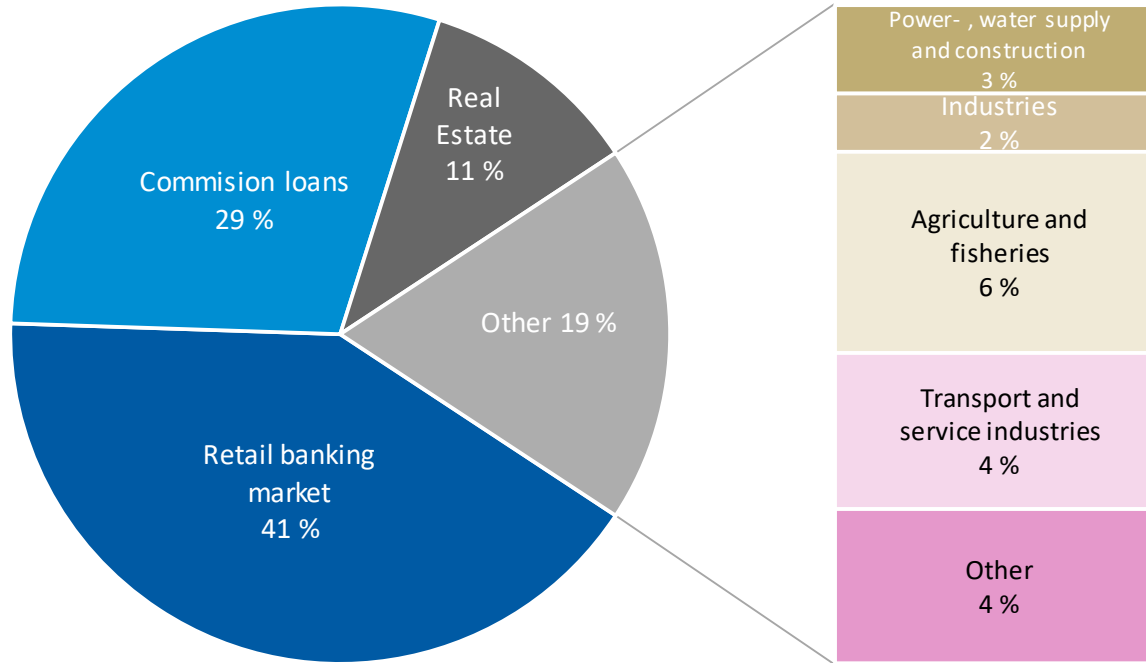
# Strong deposit growth in the retail market



# Strong development in deposit margins



# Well diversified loan portfolio

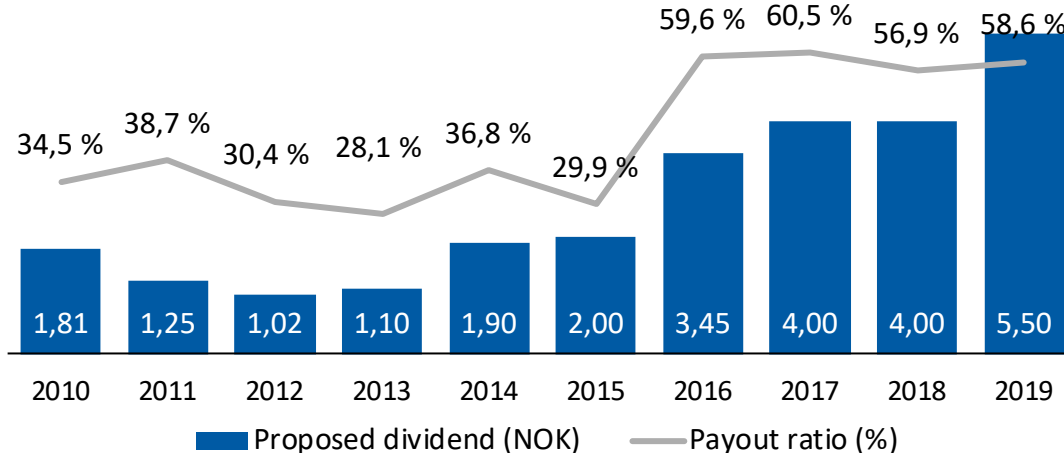




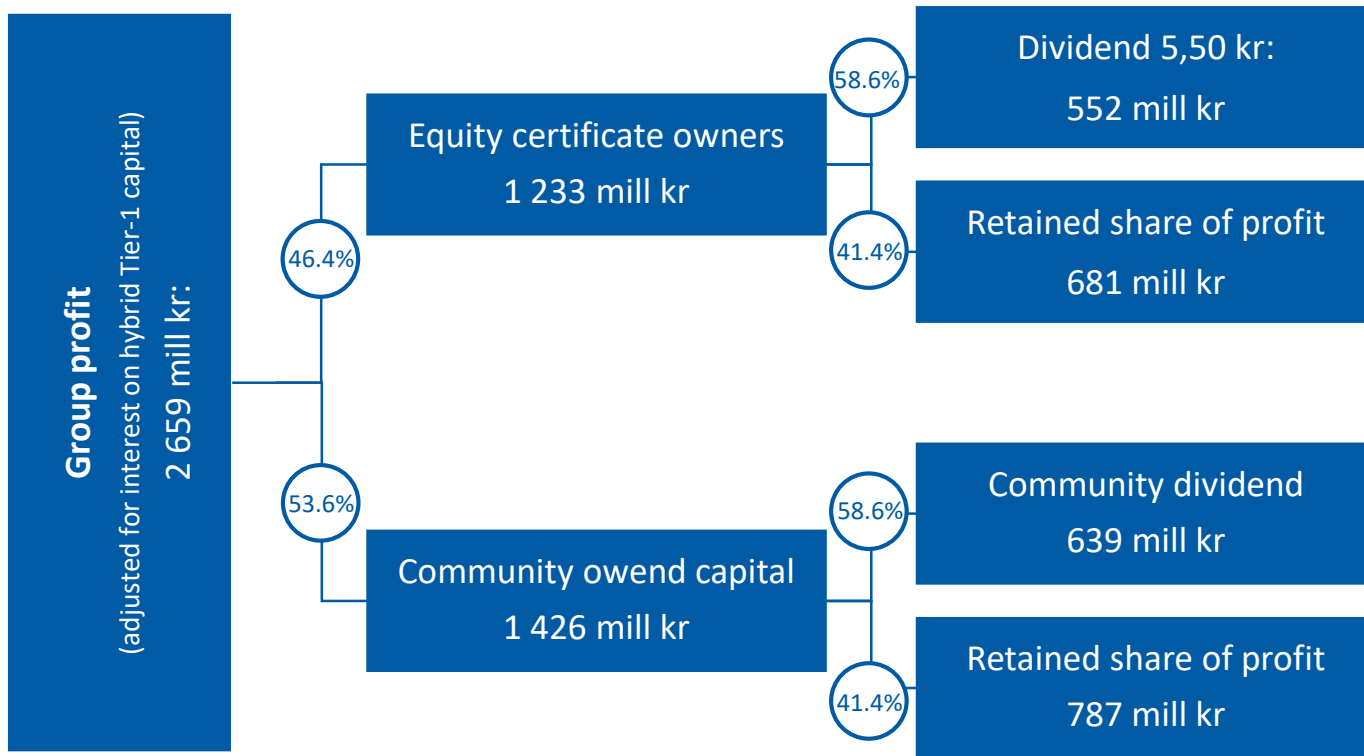
# Extraordinary dividend for 2019

Excess capital will not be used for activities outside core business

Extraordinary dividend of NOK 1.50 from SpareBank 1 Gruppen associated with the insurance merger



# 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

# Financial targets

>12 %

Return on equity

Main target

> 50 %

Dividend Payout  
ratio

< 40 %

Cost/income ratio

15.0 %

Tier 1 Capital

# Financial outlook

## NRI

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Strong mortgage competition and a rising NIBOR puts pressure on the lending margin. Rising central bank interest rates in 2019 provided possibility for repricing lending and deposit rates. This effect will cease during 2020, making targeted NRI increase harder.

## ROE > 12 %

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

## CET-1 RATIO 15,0 %

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Common tier 1 Capital target one percentage point above regulatory minimum requirements; currently 15%. Still some uncertainty about upcoming regulatory changes from the FSAN.

## C/I RATIO < 40 %

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Status 2019: 42.9% ex. gain/profit from insurance merger Fremtind and cost related to downsizing. Total cost increase due to compliance, automation and digitalization, and growth in Groups companies. Planned profitability measures of MNOK 200 by end 2021.

## CASH DIVIDEND > 50 %

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Extraordinary high cash dividend of NOK 5.50 in 2019, from which NOK 4 is considered ordinary. Any changes to regulatory requirements and growth ambitions will affect cash dividend in the future, but payout ratio stands.

# SpareBank 1 Nord-Norge

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## **CFO Bengt Olsen**

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Tel. + 47 975 89 560

## **URLs**

Website and internet bank: [www.snn.no](http://www.snn.no)

Equity certificate in general: [www.egenkapitalbevis.no](http://www.egenkapitalbevis.no)

## **Financial calendar:**

Preliminary Annual Accounts 2019: 13 February 2020

Q1 2020 13 May 2020

Q2 2020 12 August 2020

Q3 2020 23 October 2020

Preliminary Annual Accounts 2020: 11 February 2021



# Appendix

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

# Company structure

## Associated companies and joint ventures

### SpareBank 1 Gruppen AS

19,5 % | Financial services

### SpareBank 1 Boligkreditt AS

18,65 % | Covered Bond company

### SpareBank 1 Næringskreditt AS

8,6 % | Funding/ property

### SpareBank 1 Utvikling DA

17,74 % | System development

### SpareBank 1 Kredittkort AS

16,89 % | Credit card

### SpareBank 1 Betaling AS

18,57 % | Vipps/ mobile payment

### 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

### Lab Nord-Norge AS\*

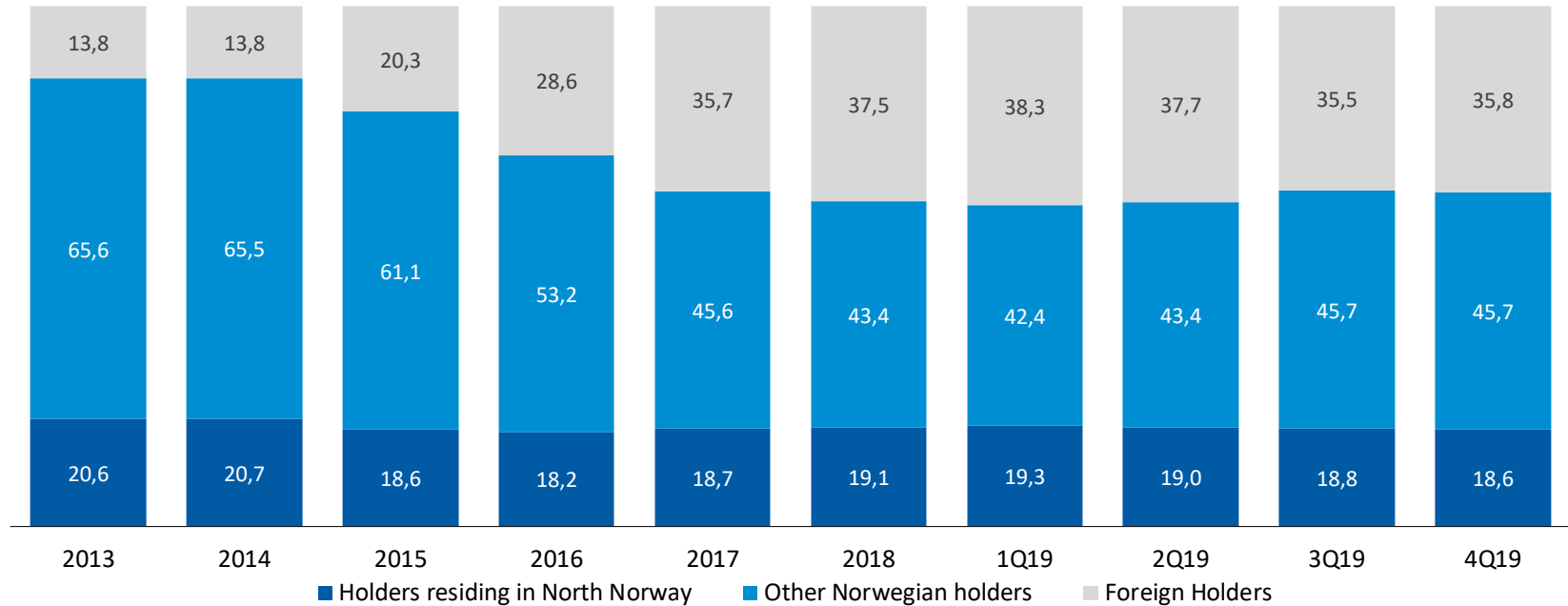
Innovation

### Rødbanken AS\*

Commercial building

*\*Not consolidated*

# Geographical distribution of ownership



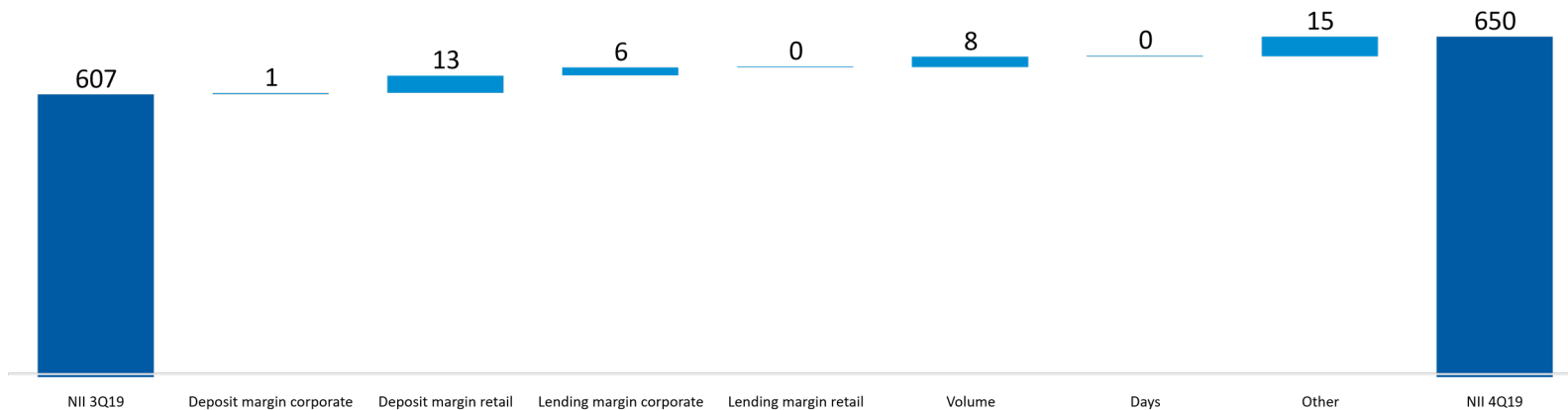


# The 20 largest EC holders

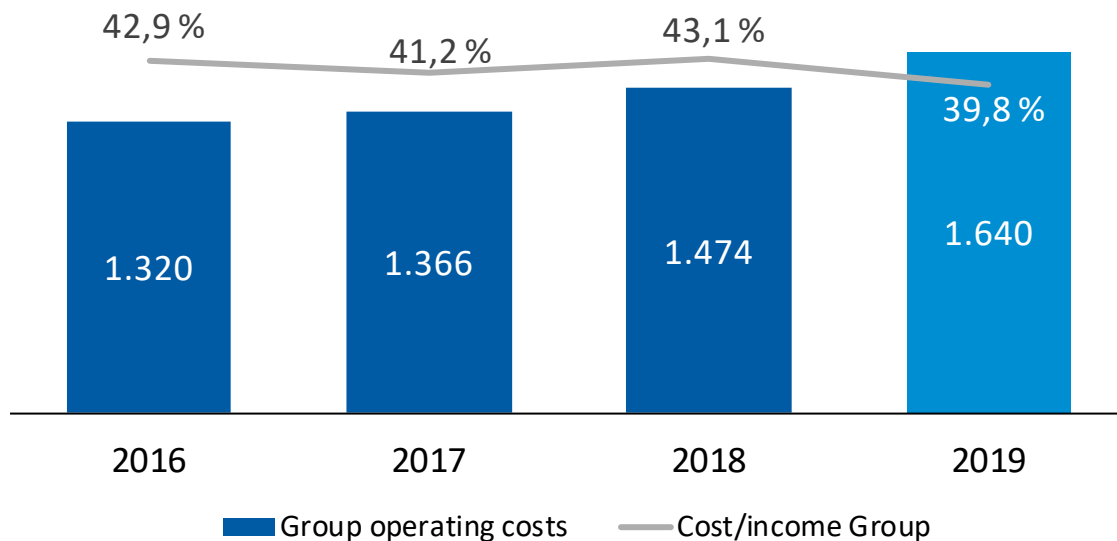
Eiere	Antall egenkapitalbevis	Andel av eierandelskapital
State Street Bank and Trust Comp A/C CLIENT OMNIBUS F	3.659.857	3,65 %
PARETO AKSJE NORGE VERDIPAPIRFOND V/PARETO ASSET MANAGEMENT AS	3.355.715	3,34 %
PARETO INVEST AS	3.025.874	3,01 %
GEVERAN TRADING CO LTD	2.693.280	2,68 %
FLPS - PRINC ALL SEC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

# Net interest income - Group

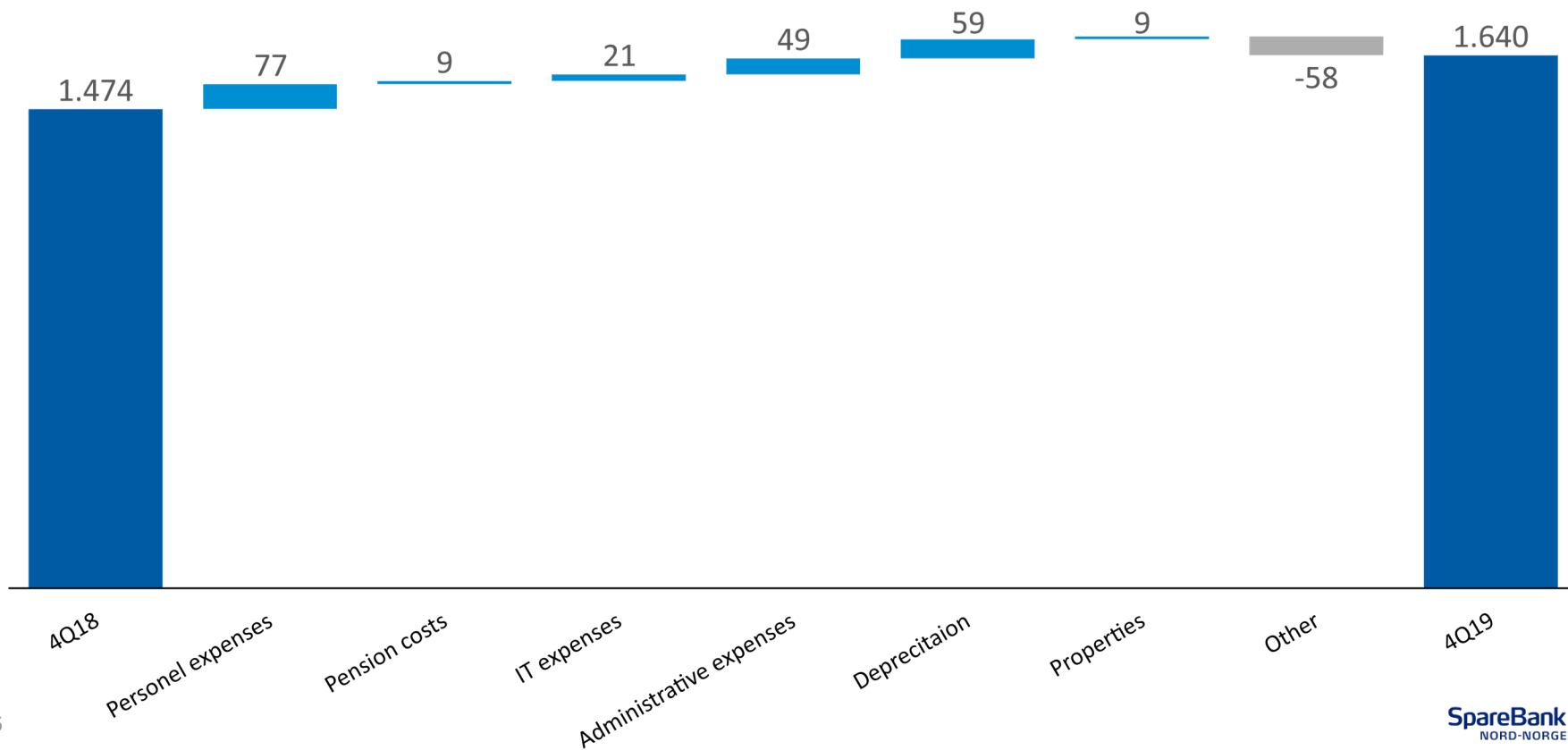
Measured against funding cost



# Cost development – Group



# Operating expenses - Group



# Net fee- and other operating income - Group

(Amounts in NOK million)	4Q19	3Q19	2Q19	1Q19	4Q18
Payment facilities	76	89	79	68	83
Insurance products	42	42	42	40	39
Guarantee commissions	7	7	9	4	3
Real estate broking	32	29	49	31	34
Portfolio commissions	9	11	8	8	10
Other commisions	26	34	11	18	23
<b>Commissions excl. commission loan</b>	<b>192</b>	<b>212</b>	<b>198</b>	<b>169</b>	<b>192</b>
Commission loans	72	67	63	62	65
<b>Total commission income</b>	<b>264</b>	<b>279</b>	<b>261</b>	<b>231</b>	<b>257</b>
Commission costs	27	29	25	26	26
Accounting services	41	38	60	48	42
Other operating income	0	2	-4	3	5
<b>Total commissions and other income</b>	<b>41</b>	<b>40</b>	<b>56</b>	<b>51</b>	<b>47</b>
<b>Net fee- and other operating income</b>	<b>278</b>	<b>290</b>	<b>292</b>	<b>256</b>	<b>278</b>

# Group companies result before tax

	31.12.19	31.12.18
SpareBank 1 Finans Nord-Norge AS	165 934	175 041
SpareBank 1 Regnskapshuset Nord-Norge AS	21 944	22 366
EiendomsMegler 1 Nord-Norge AS	16 595	14 074
<b>Subsidiaries core operations</b>	<b>204 473</b>	<b>211 481</b>
Other subsidiaries	- 610	- 792
<b>Total</b>	<b>203 863</b>	<b>210 689</b>

2

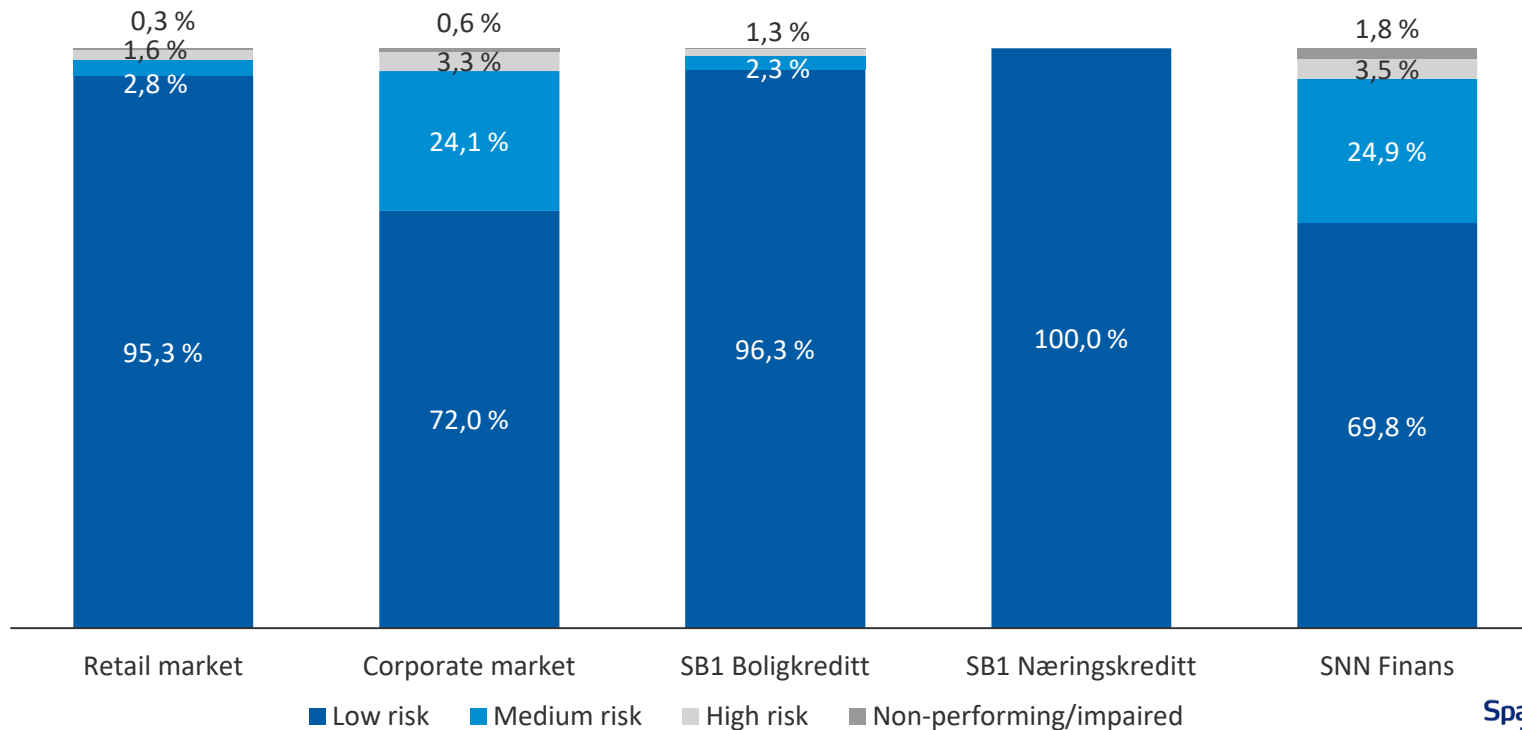
**Credit area**

# Lending portfolio - comments

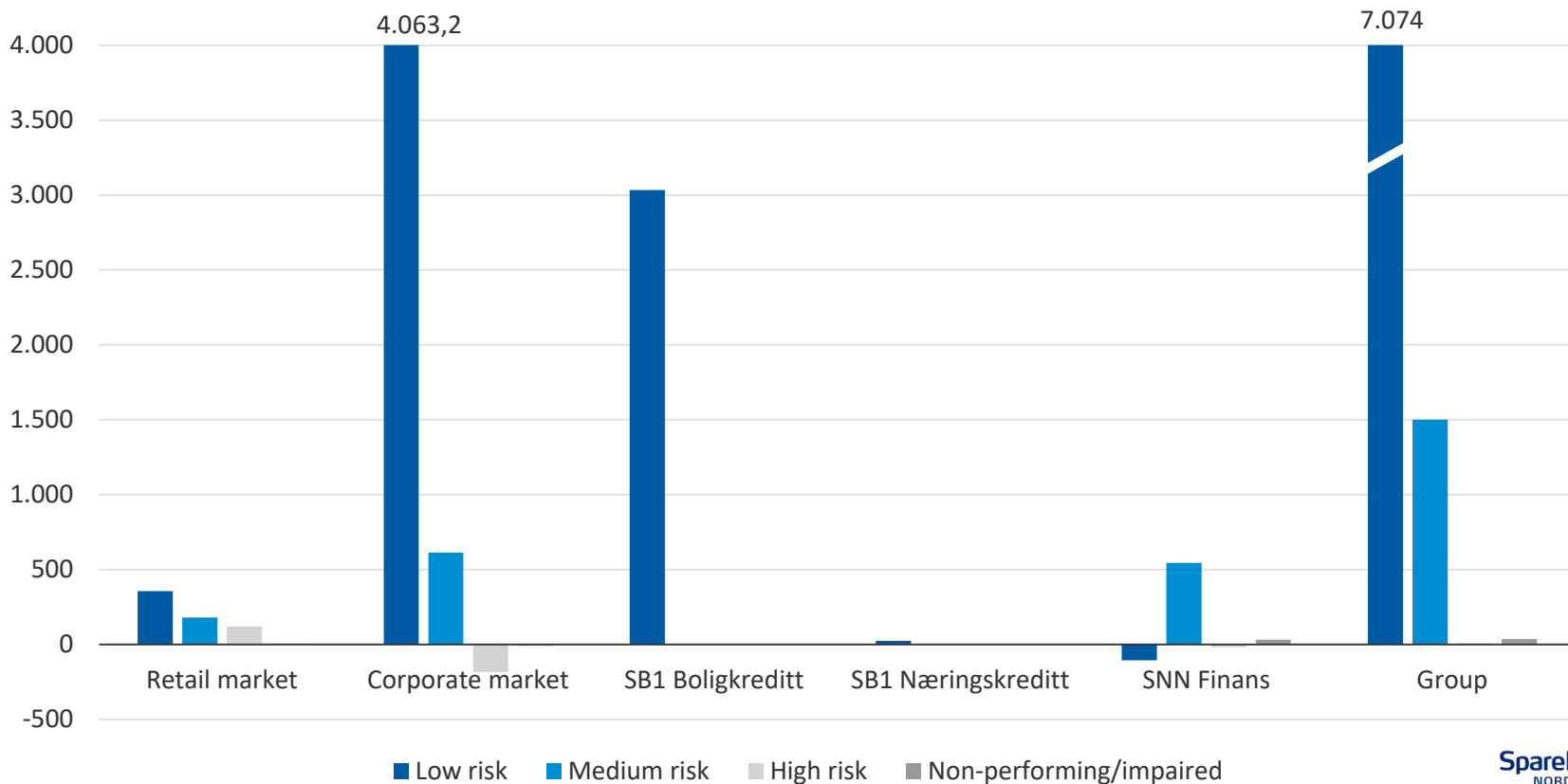
- Solid growth in retail lending, with focus on commitments qualifying for SpareBank 1 Boligkreditt (covered bond company)
- Solid growth in corporate market lending last 12 months
- The portfolio and new commitments in corporate sector lending are diversified
- Somewhat increased exposure in non-performing/impaired commitments, but still at low levels
- Loan losses at low level



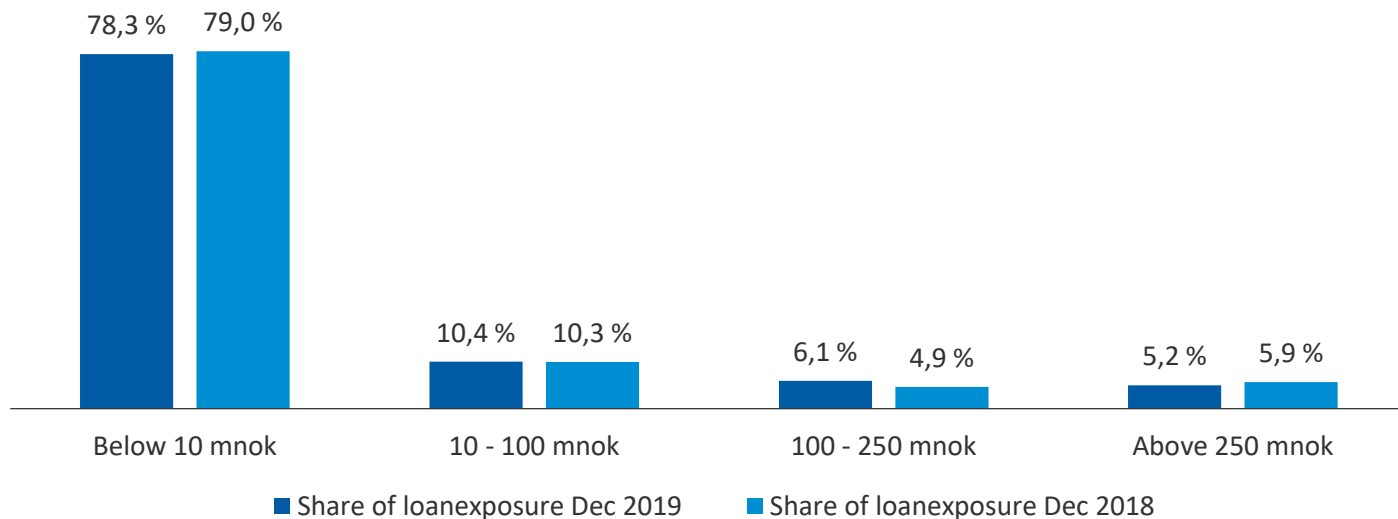
# Portfolio - exposure as of 31.12.19 – Group



# Portfolio – changes last 12 months – Group



# Portfolio - exposure distributed by size

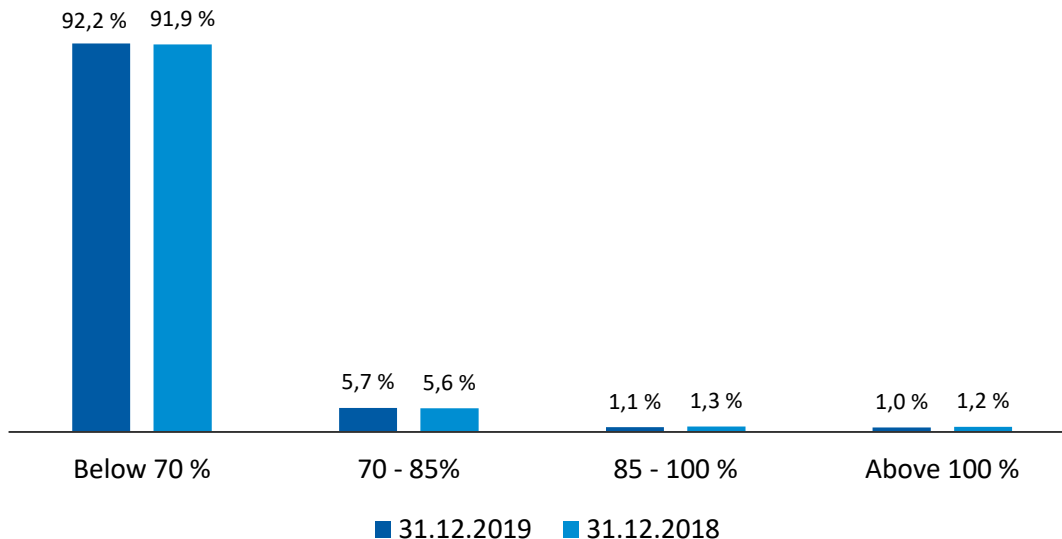


Loans distributed by size of exposure and share of total exposure  
Numbers include SB 1 Bolig- and Næringskreditt

# Portfolio – LTV mortgage loans

97.9 % of exposures are within 85 % of the collaterals market value

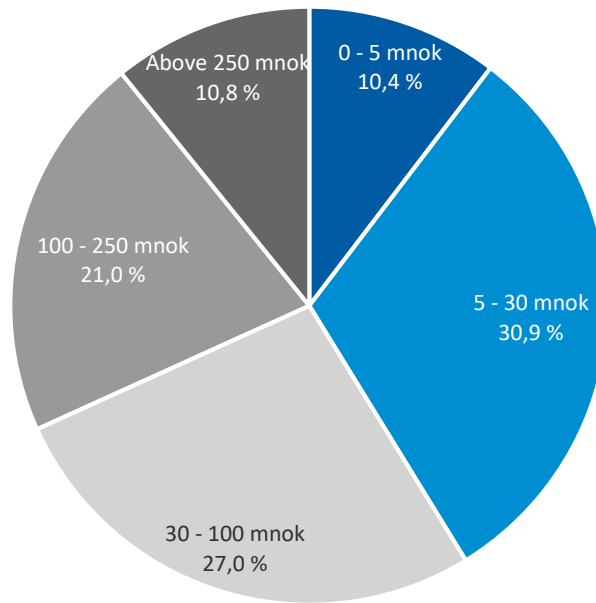
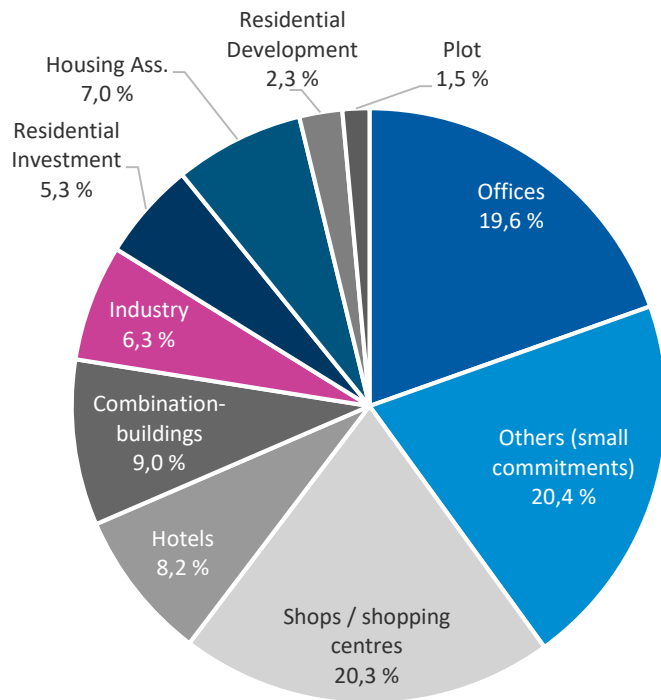
Exposures above 85 % are 2.1 %



Each loan is distributed in the different intervals.

The numbers include the Group's share of SB1 Boligkreditt portfolio.

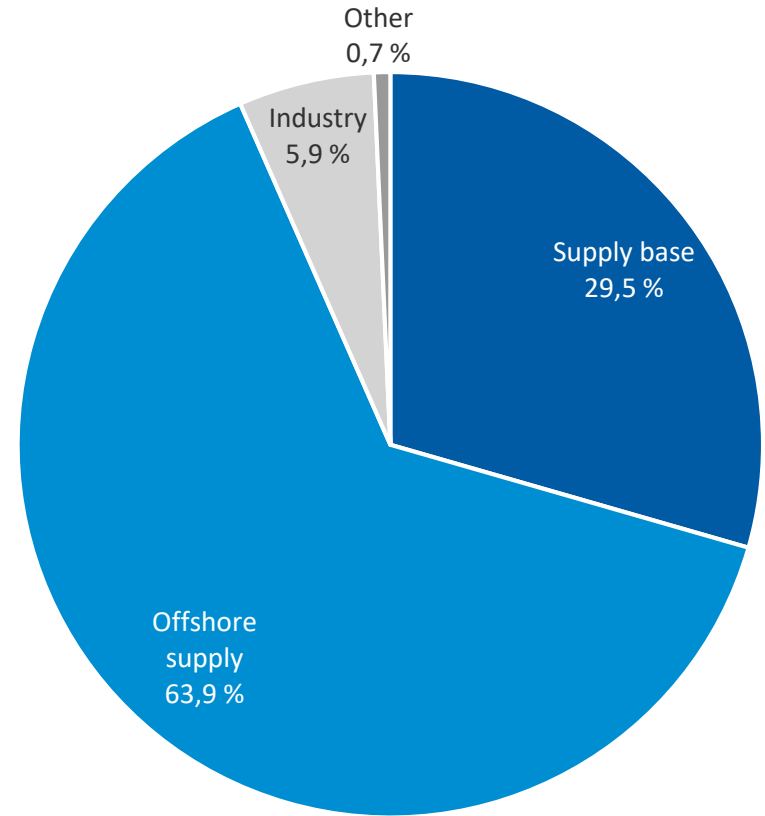
# Portfolio – Commercial Real Estate



68.2 % of the portfolio are commitments smaller than NOK 100 mill

# Portfolio – Oil related exposure

- Oil related exposure amounts to NOK 1,032 mill
- The exposure represents 0.84 % of total lending incl. Næring- and Boligkreditt
- Average weighted probability of default 0.80 %
- A total of NOK 42 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

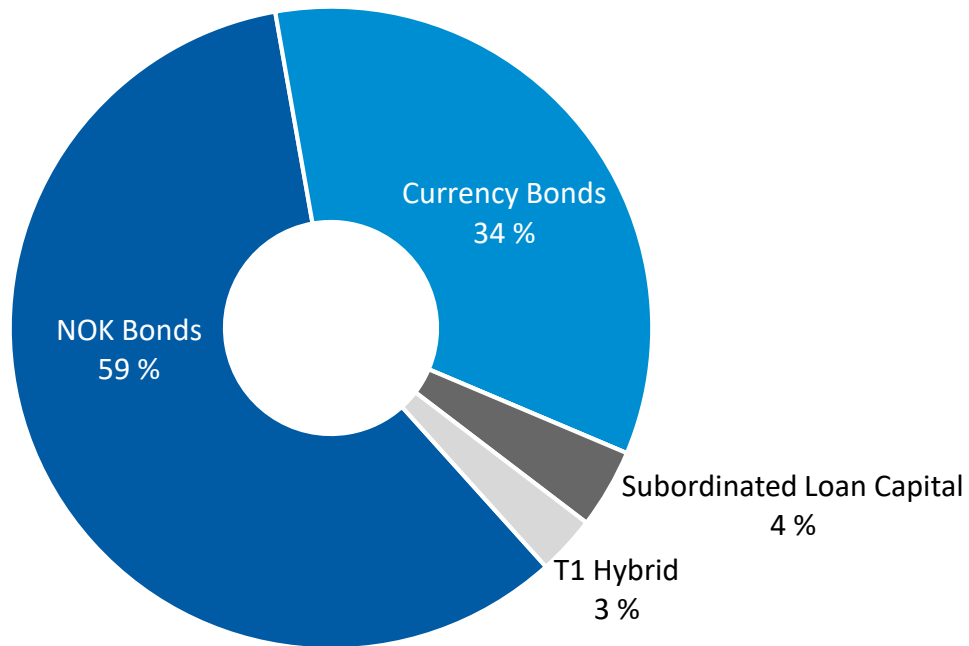
Losses	2019	Q4 19	Q3 19	Q2 19	Q1 19	2018	Q4 18
Individual losses Corporate market	17,5	4,2	9,3	5,4	-1,4	40,4	13,1
Individual losses Retail market	10,0	6,7	-0,8	4,4	-0,4	14,3	2,0
Collective losses and other value change items	-16,1	-12,7	6,2	5,8	-15,5	-32,4	-20,9
<b>Total losses on loans and guarantees</b>	<b>11,3</b>	<b>-1,8</b>	<b>14,8</b>	<b>15,6</b>	<b>-17,3</b>	<b>22,3</b>	<b>-5,8</b>

3

# Liquidity

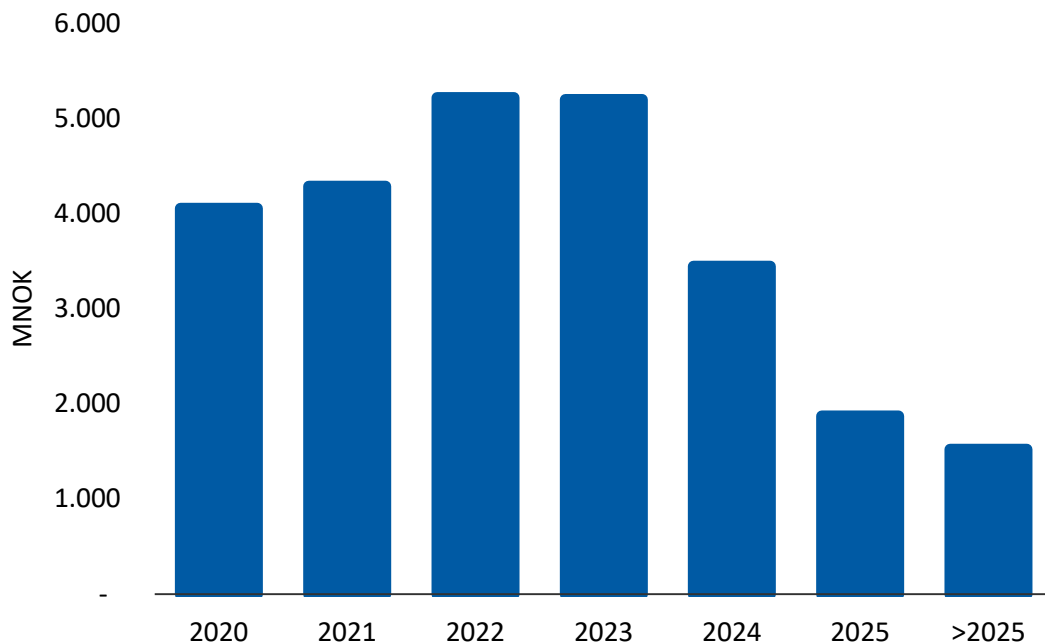


# Funding instruments 31.12.2019



# Maturity profile 31.12.2019

## Capital markets funding (excl. SPABOL/SPACOM)



NOK 25 596 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 36 041 mill had been transferred as of 31.12.19

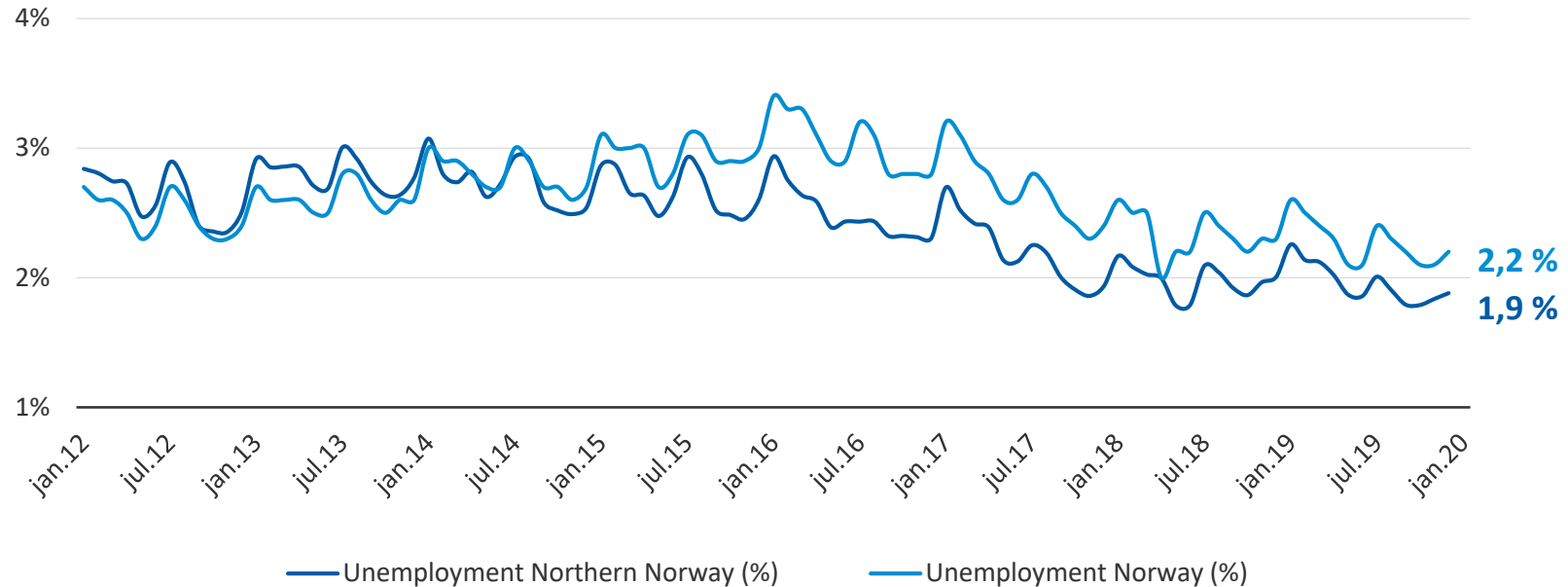
Amount of gross maturities of capital market funding next 12 months is NOK 4 054 mill

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# Macro and Economic trends

# Stable, low unemployment

## Registered unemployment



5

## 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

