

# Quarterly accounts Q1 2020

Tromsø/Oslo 13 May 2020

SpareBank  
NORD-NORGE



# Quarterly accounts Q1 2020

## Pre-tax profit

448 MNOK (973)

## ROE

11.4 % (28.1 %)

## CET-1 ratio

16.7 % (14.6 %)

## C/I-ratio

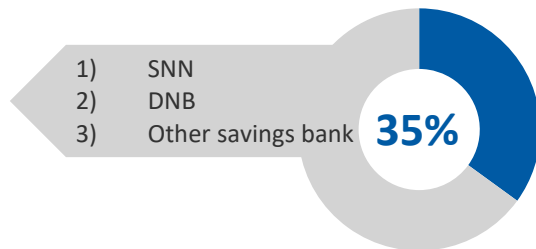
41.6 % (27.5 %)

## Losses

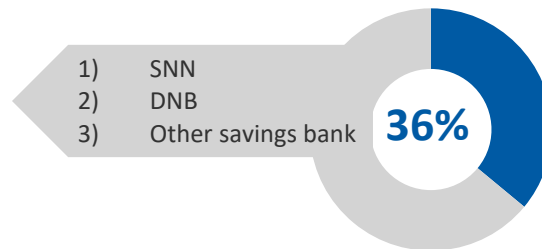
119 MNOK (-17)

# Strong number 1 position in the North

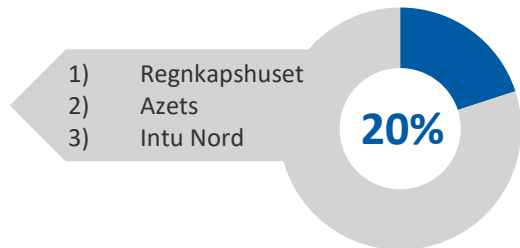
## Main bank retail



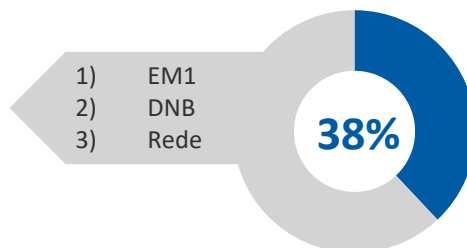
## Main bank SME



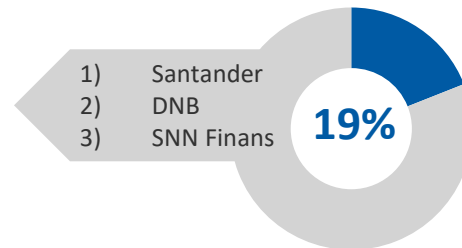
## Accounting



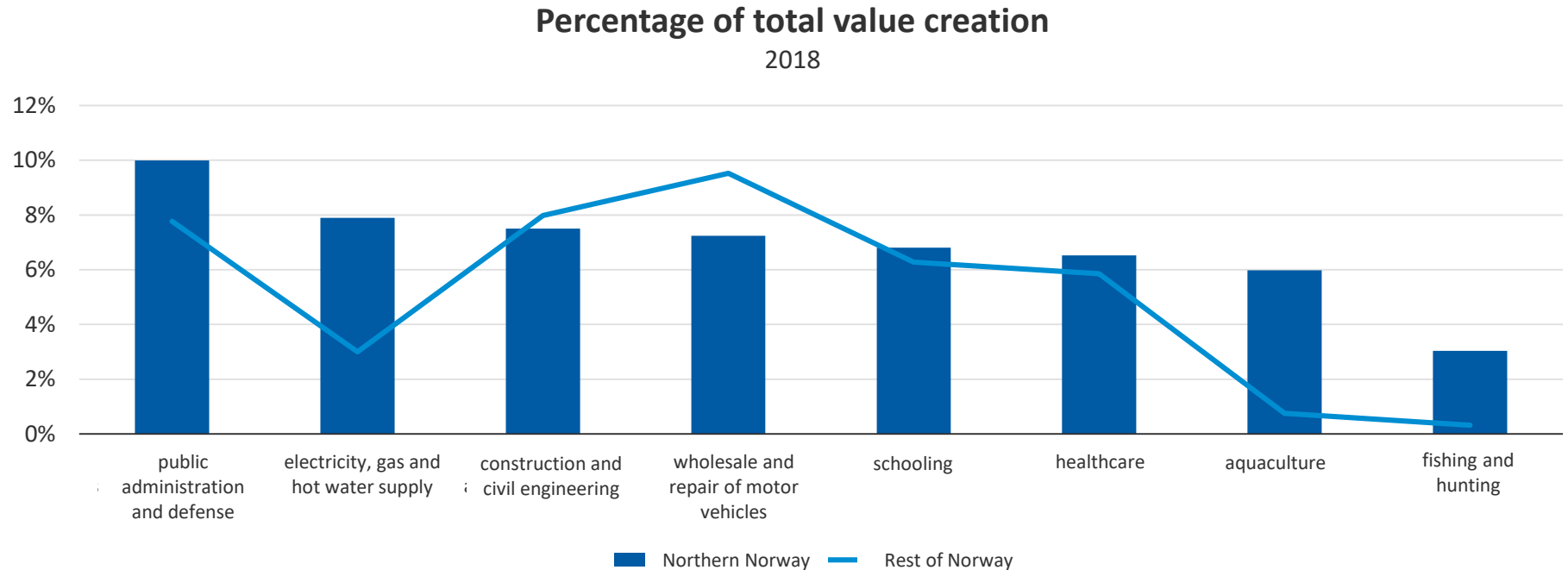
## Real estate



## Secured financing

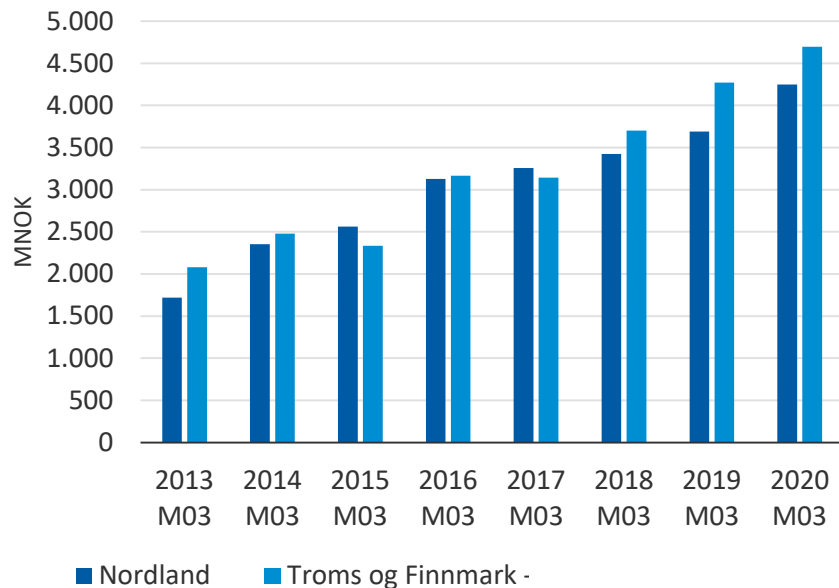


# The most important industries in the north

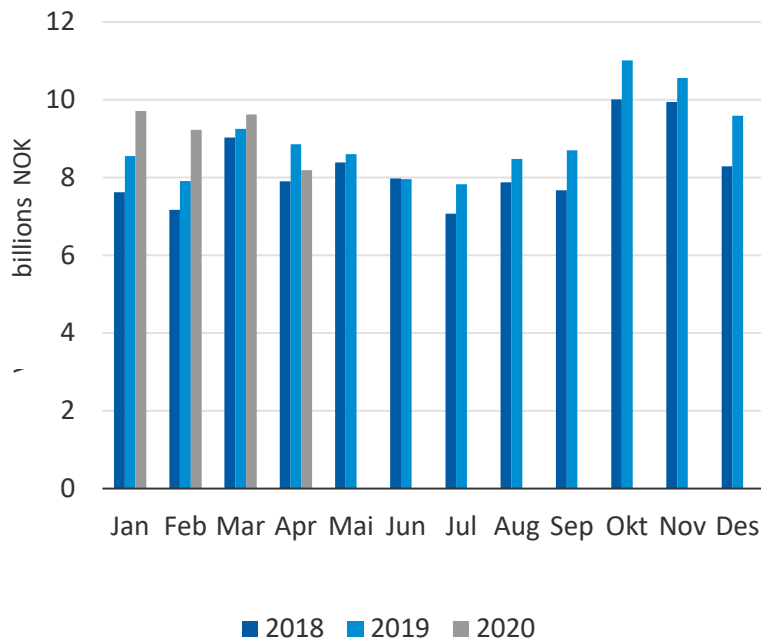


# The seafood industry has so far been less exposed

**Export value of fish from Northern Norway**  
March 2020

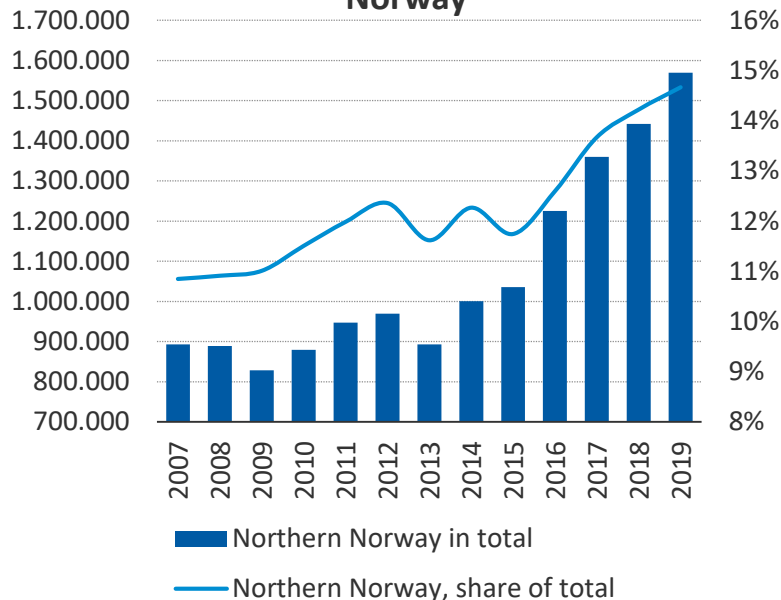


**Export value of fish from Norway**  
per month



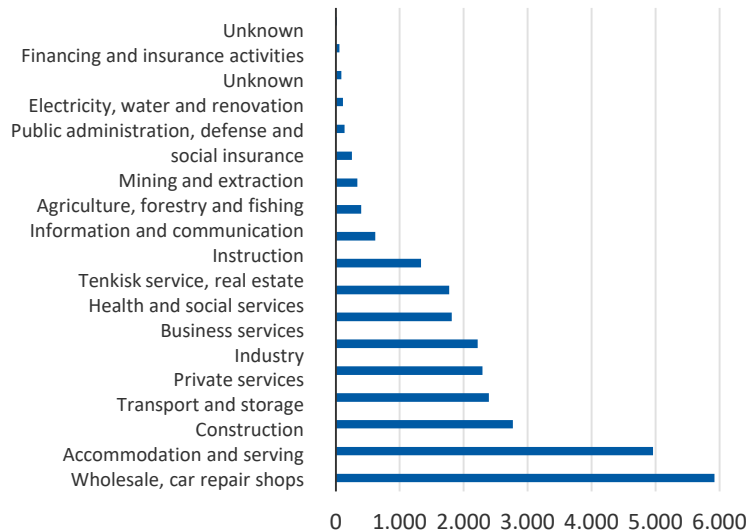
# Abrupt halt for the tourism industry in March

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



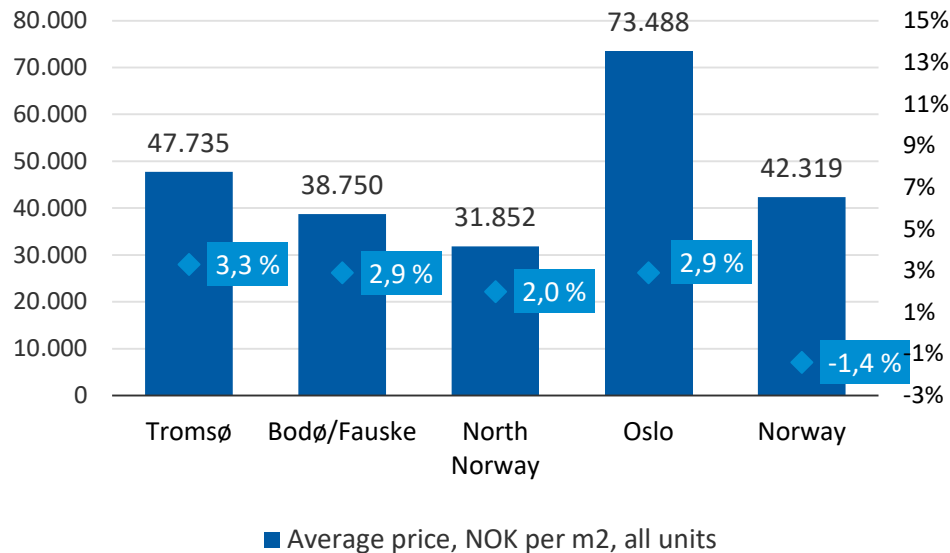
## Unemployment Benefits in Northern Norway

Number of persons who had applied by industry (per 29/4-2020)

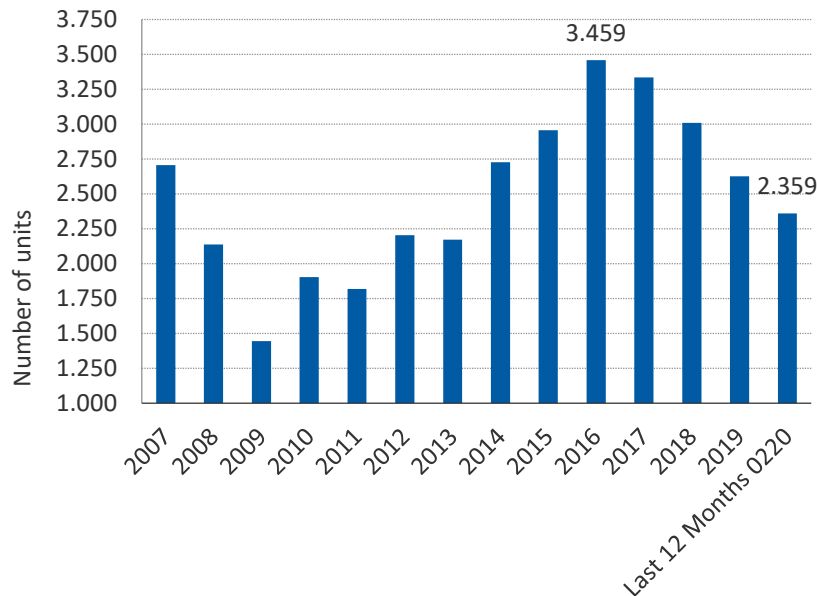


# Uncertain development in the housing market?

## House prices, March 2020

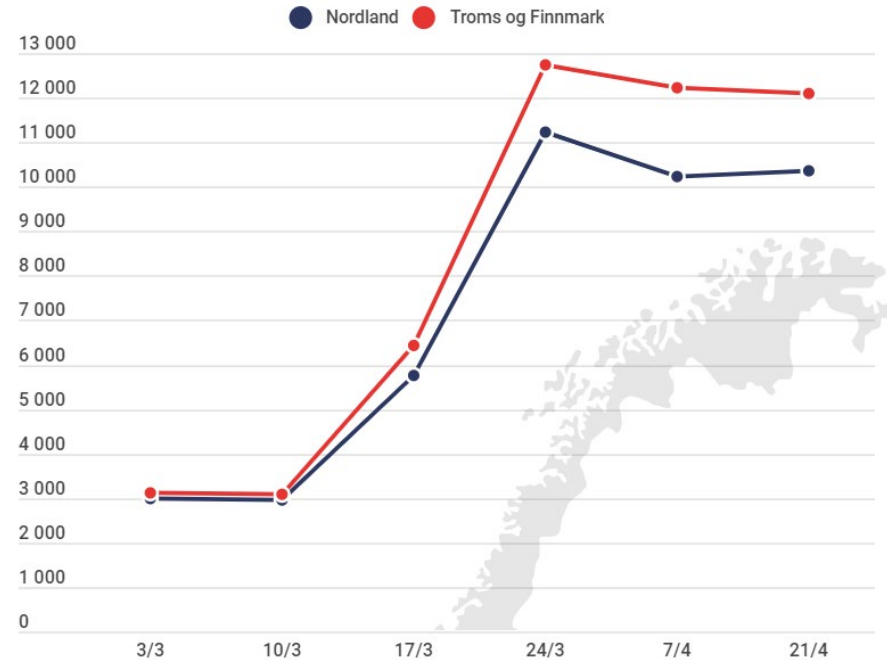
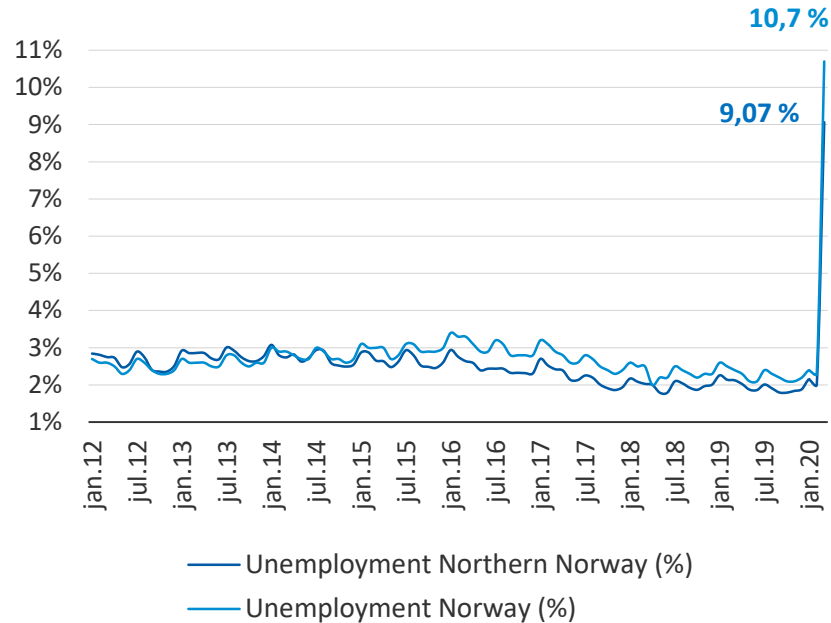


## Housing starts in Northern Norway



# High unemployment due to Covid-19, but lower than the national average

## Registered unemployment





# CSR is even more important under the Covid-19 outbreak



SAMFUNNSLØFTET

Samfunnsløftet skal styrke landsdelen med 265 millioner



AV: RENATE PETTERSEN 2. APRIL 2020



Samfunnsløftet får tilført nye midler og forsterker tiltakene for å hjelpe Nord-Norge under og etter koronakrisen.

vol.no Plus Næringsliv Meninger Andreposten Vesteråsens Avis

## Lanserer nytt handelkonsept i Hadsel og Sortland

Live-shopping er noe handelsforeningene i Hadsel og Sortland satser på.



## Gir gratis hjelp til kriserammede bedrifter

Adlevo hadde ikke råd å fortsette medlemskapet med Norinnova på grunn av koronakrisen.

Journalist  
**TORJE D. JOHANSEN**  
torje.d.johansen@nordllys.no



**UVERDERLIG HJELP:** Wigo Yttergård er daglig leder i Adlevo, som har benyttet seg av kompetansen til Norinnova i flere år.



17. mai: Kristine Andrea Nygård Elvasson fra skolemusikken, Siri Lund og Hanne Gundersen fra Sparebanken og Oddve Elias og Line Magnusen fra Finnes skolemusikkorps går innfor en annerledes 17. mai feiring. Foto: Birger Caspersen

• Sparebanken Nord-Norge trør til

## Annerledes 17. mai feiring

# Impact due to Covid-19 and drop in oilprice

## Affected by drop in oilprice

- Oilrelated sector

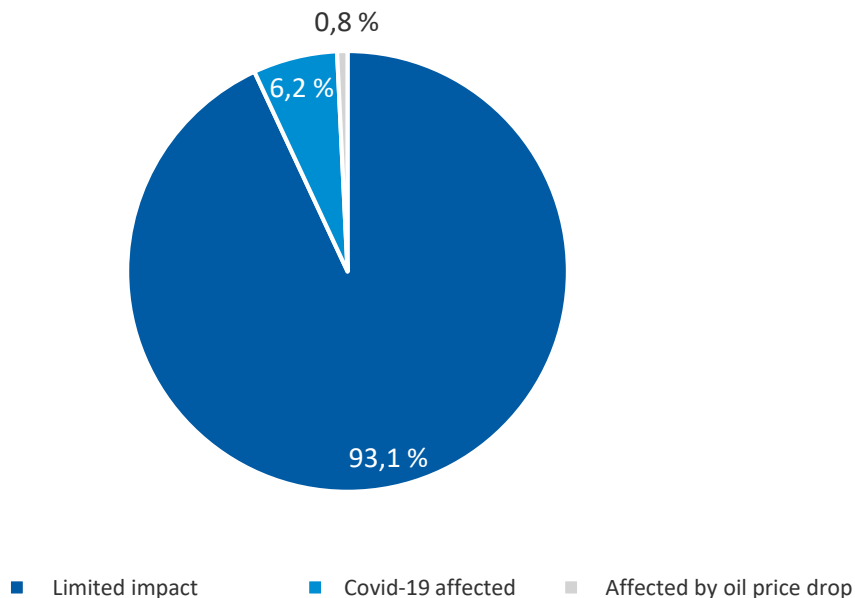
## Affected by Covid-19:

- Commercial property related to shopping mall, retail and hotel
- Service industries
- Industyr, excl fishing industry
- Tourism
- Passenger transport

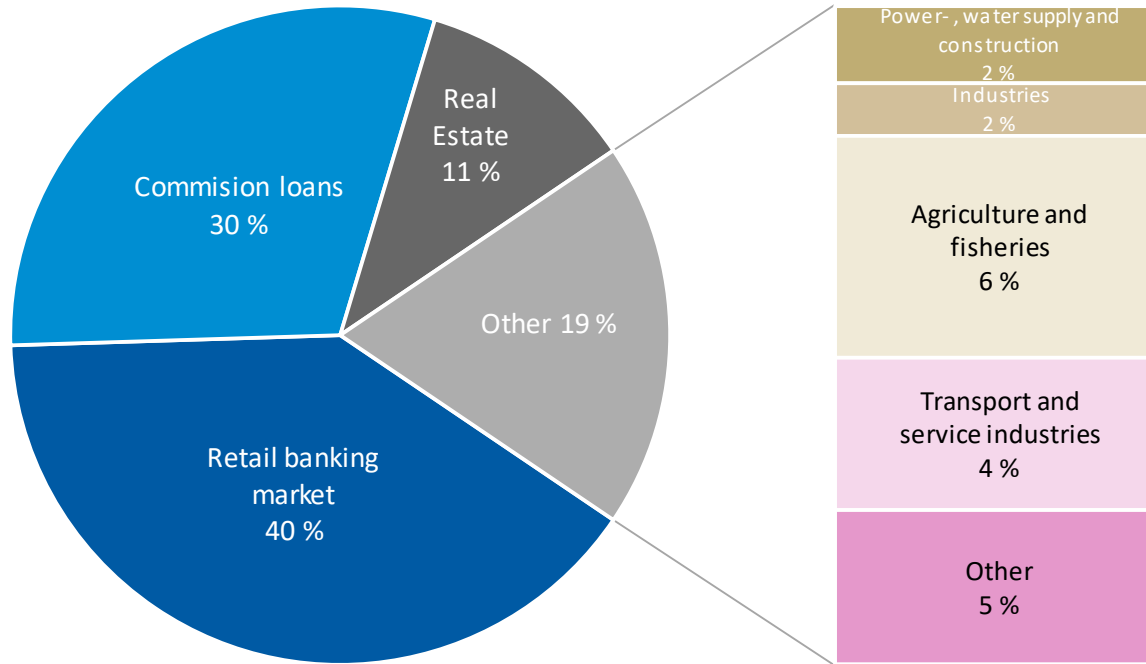
## Limited impact

- Retail customers
- Commercial property excl shopping mall, retail and hotel
- Fishing and farming
- Other food segments

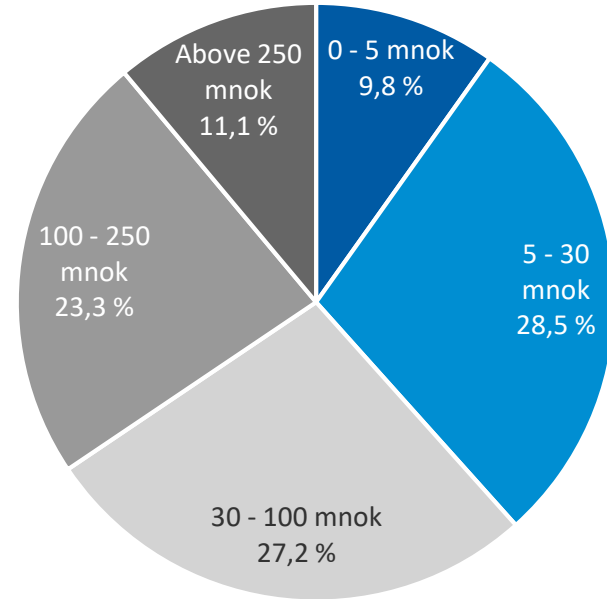
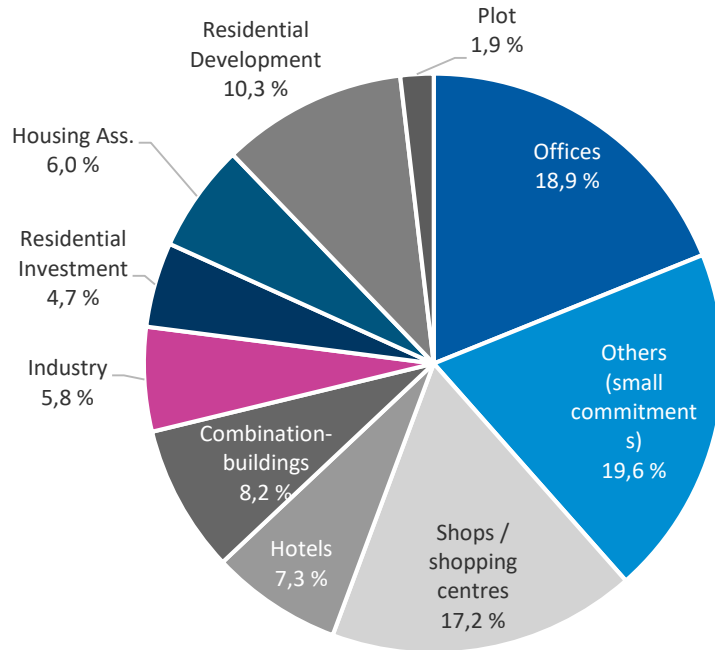
## Loan portfolio



# Well diversified loan portfolio



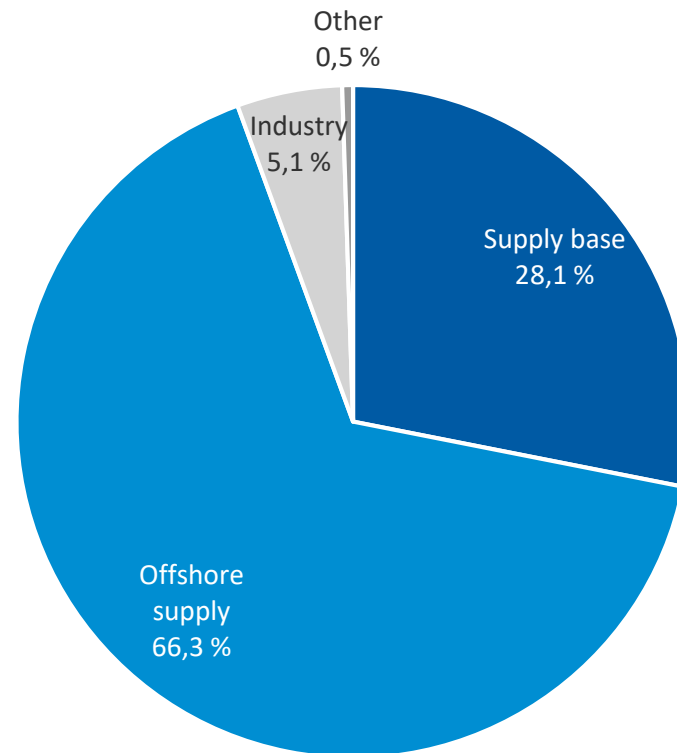
# Diversified portfolio in commercial real estate



65.6 % of the portfolio are commitments smaller than NOK 100 mill

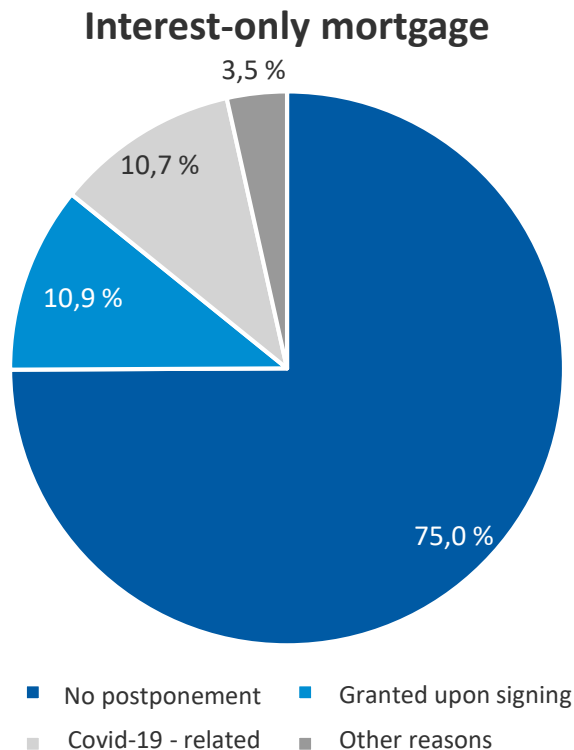
# Low oil related exposure

- Oil related exposure amounts to NOK 1 012 mill
- The exposure represents 0.76 % of total lending incl. Næring- and Boligkreditt
- Average weighted probability of default 0.77 %
- 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



# Increased need for interest-only mortgage

- Significant increase in interest-only applications – some refusal due to granting must be Covid-19-related. Decrease in applications.
- Over 6 000 loans granted interest-only in March and April due to Covid-19.
- About 10.7 % of mortgage are interest-only (up to 6 months) due to Covid-19.

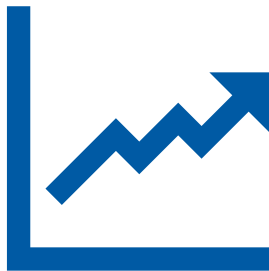


# Ambitions for growth and increased market share

Expected growth for SpareBank 1 Nord-Norge in 2020:

Retail market: **2-5 %**

Corporate market: **4-7 %**



Expanded and somewhat reduced growth intervals due to increased uncertainty

# Why invest in SpareBank 1 Nord-Norge

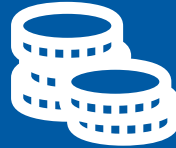
## #1

Market leader in a resourceful region

## ROE

Ambitious, top class financial targets

Implements new KPI measures to maintain top class ROE



Owner friendly dividend policy and strong capitalization

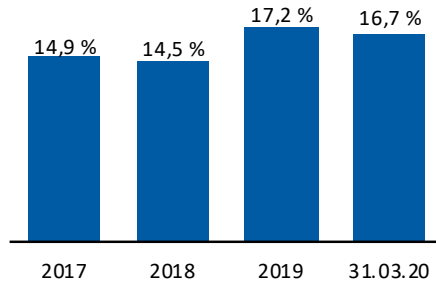


High relative ownership in SpareBank 1 Group, other alliance companies and Norwegian banking infrastructure

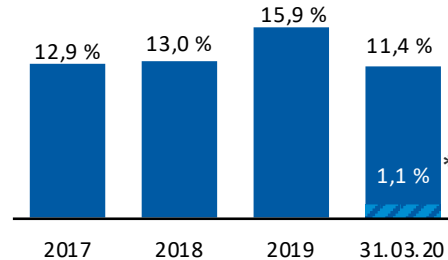


# A good first quarter despite the negative corona effect

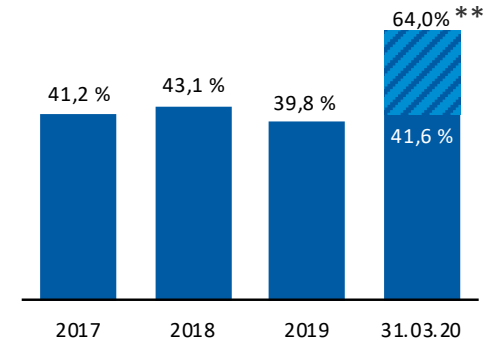
CET 1 incl floor



Return on equity capital



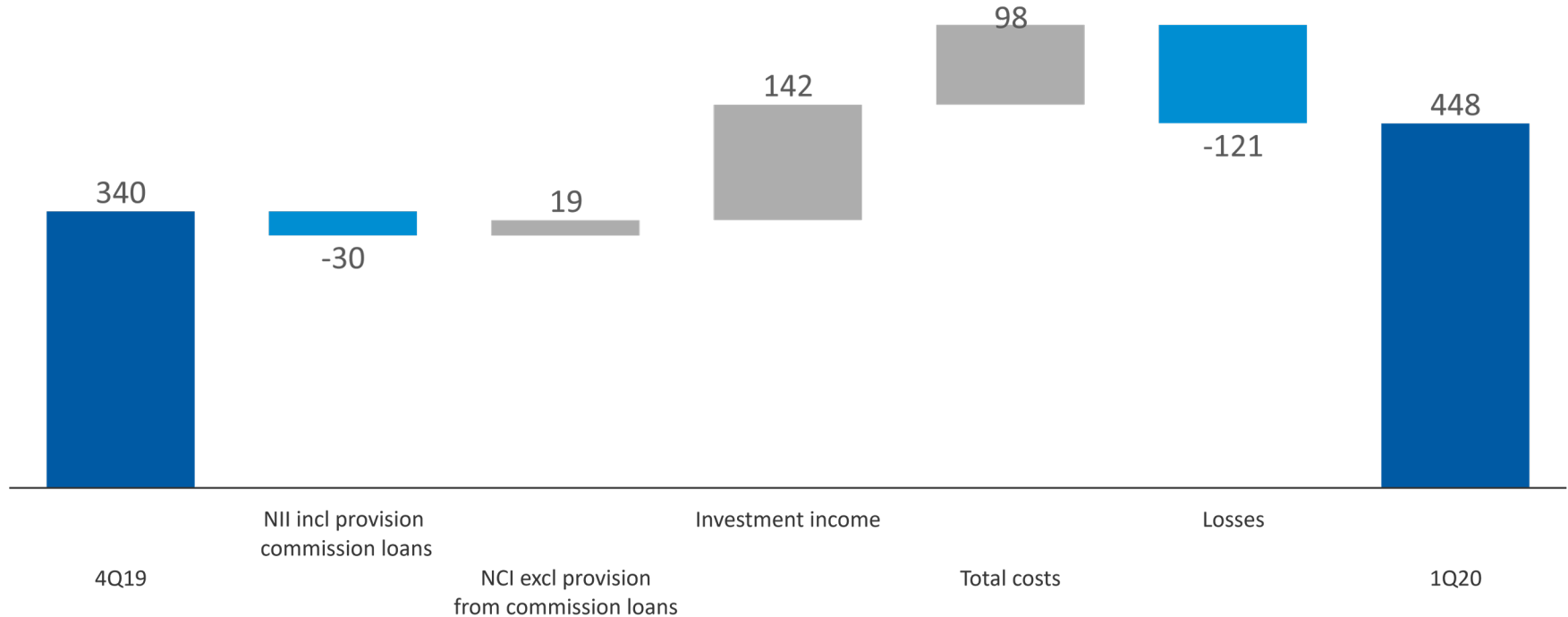
Cost/income Group



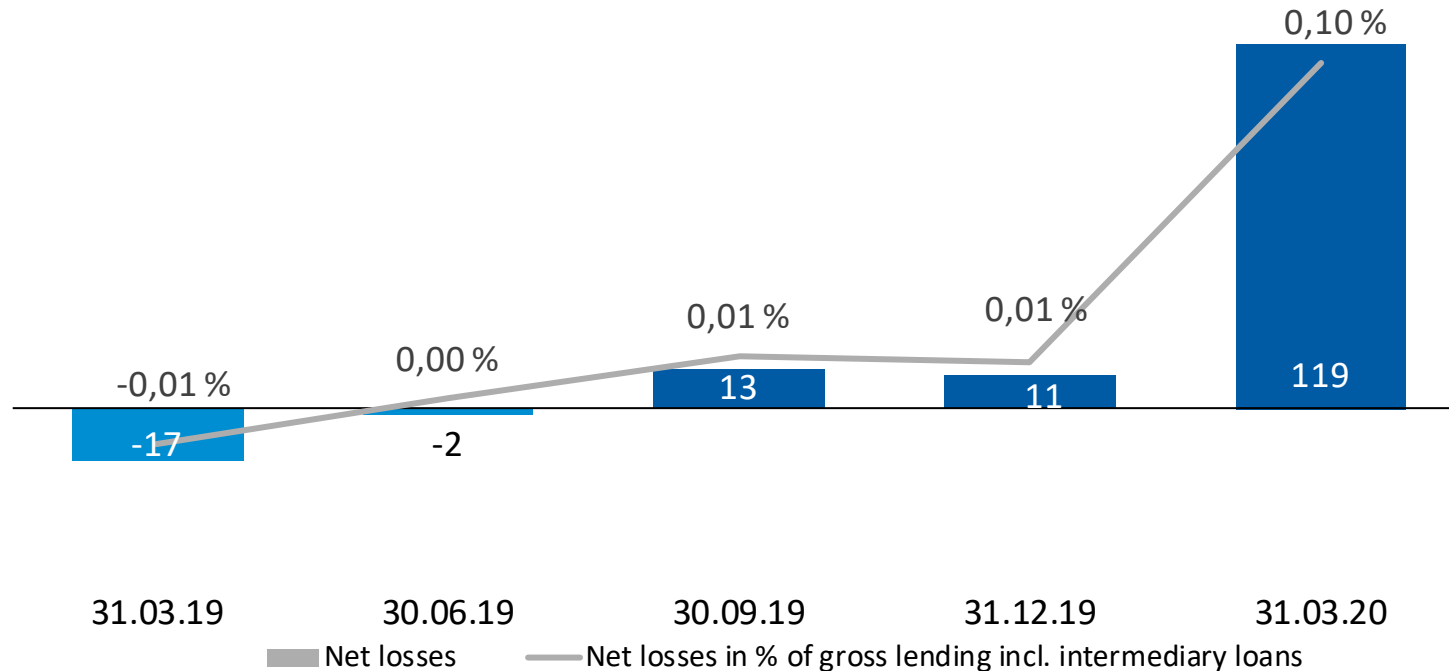
\*Return on equity capital ex. gain SpareBank 1 Gruppen

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

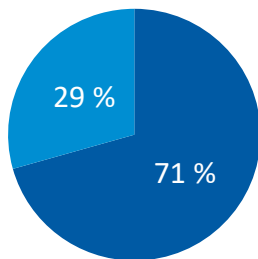
# Changes in profit and loss over the last quarter



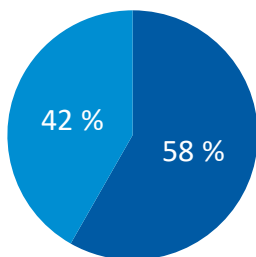
# Low individual losses but increase in expected credit losses in Q1



# Good growth first quarter

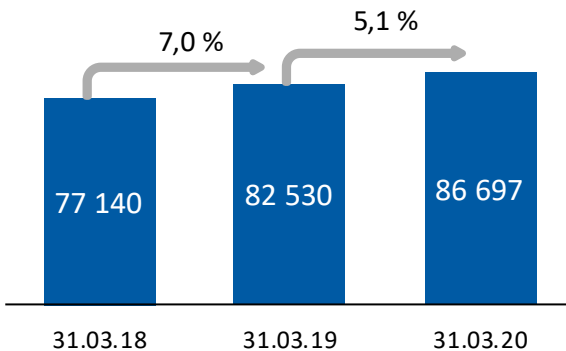


- Retail incl. commission loans
- Corporate incl. commission loans

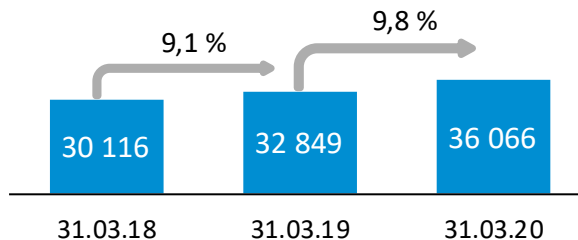


- Retail excl. commission loans
- Corporate excl. commission loans

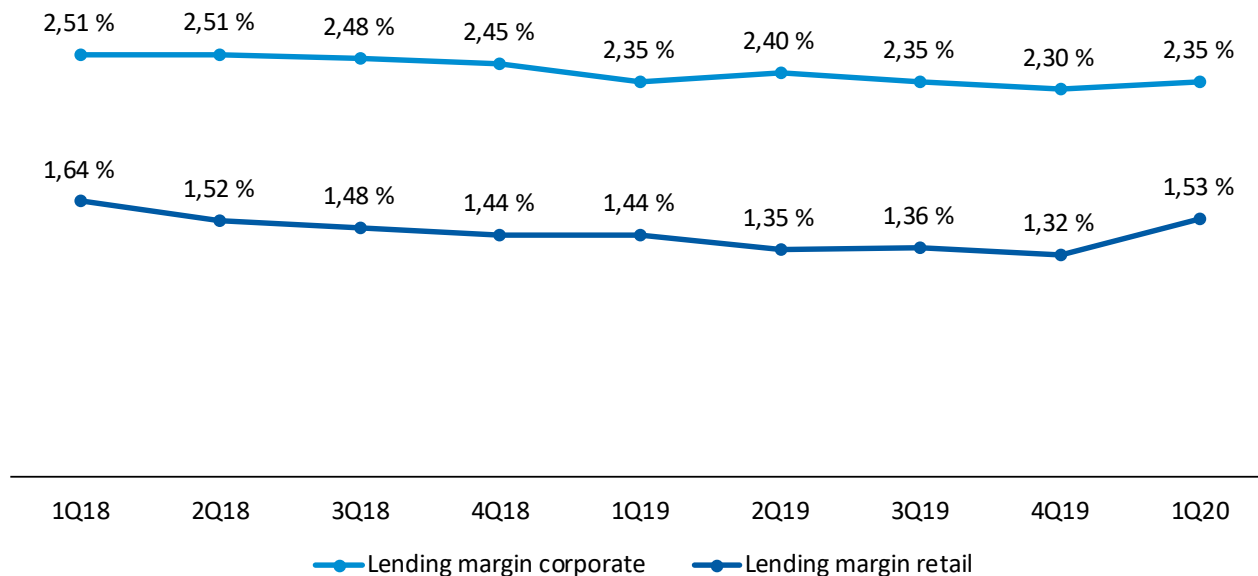
## Personmarked inkl formidlingslån



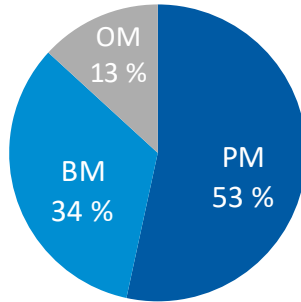
## BM inkl. formidlingslån



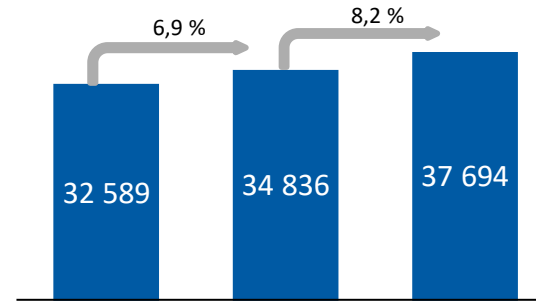
# Positive development in lending margins



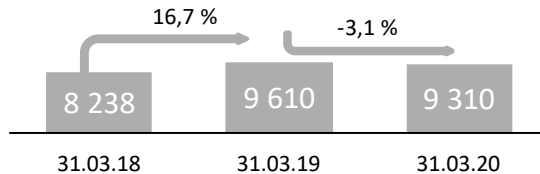
# Still strong deposit growth



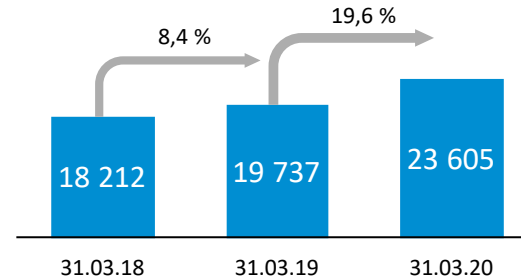
**Personmarked**



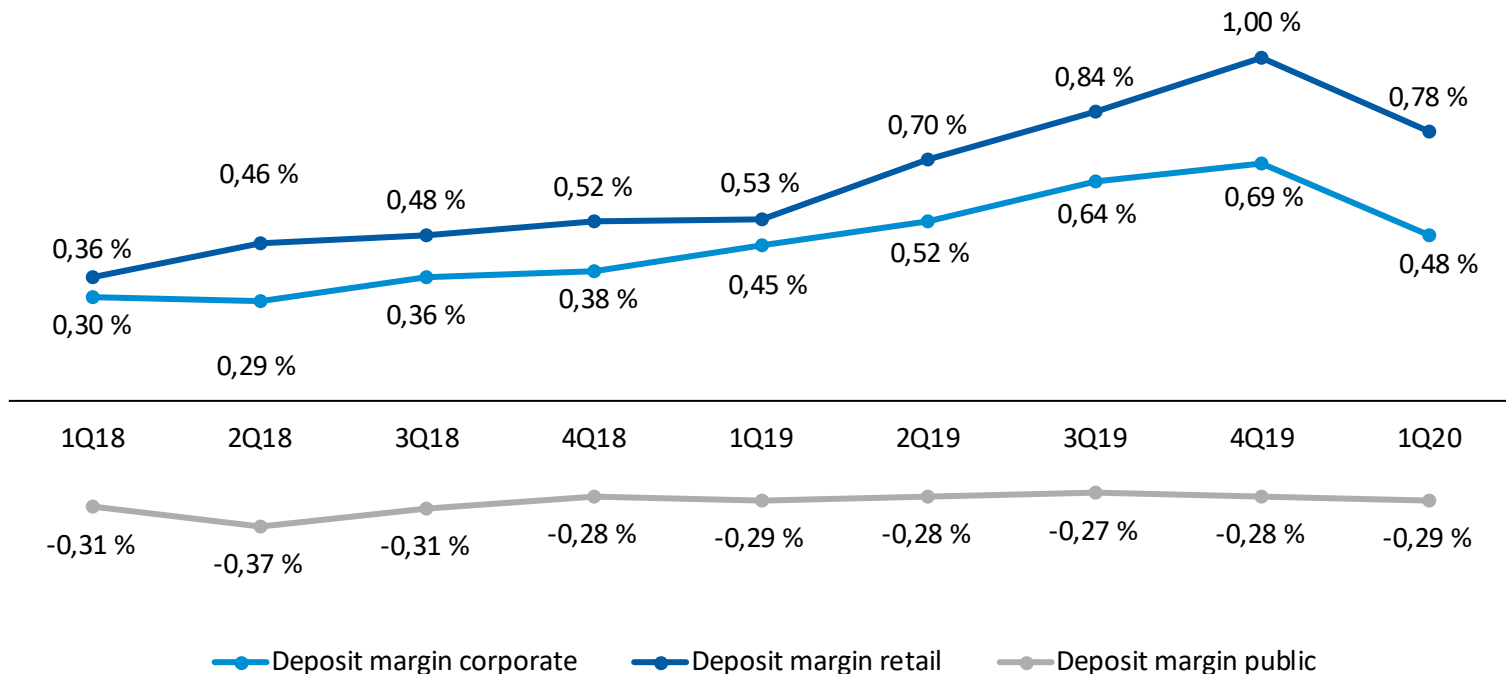
**Offentlig marked**



**Bedriftsmarked**



# Weaker development in deposit margins



# The profitability measures goal remains, but the 2020 effect is more uncertain due to Corona

**ROE**

12 %

**C/I ratio**

< 40 %



Effect of profitability  
measures year  
end 2021:

200 MNOK

Maximum cost  
increase\*:

2020: 2%

2021: 0%



# Long term financial targets

> 12 %

ROE

Main target

> 50 %

Dividend payout  
ratio

< 40 %

C/I-ratio

15,0 %

Tier 1 Capital

# Financial Outlook

## **NRI**

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The Q1 figures are positively affected by the interest changes in late 2019. However the latest cuts from the central bank might have a negative effect on the NRI going forward.

## **ROE > 12 %**

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ROE target: Top-level profitability among comparable banks, currently > 12 %. As a consequence of the Corona outbreak, there is a higher degree of uncertainty, but the target remains Top-level profitability.

## **CET-1 RATIO 15,0 %**

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Targeted CET-1 ratio is one percentage point above the regulatory minimum requirement, and as of Q1 the CET-1 is 16.7 %. There is still some uncertainty about upcoming regulatory changes from the FSAN.

## **C/I < 40 %**

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A combination of the corona outbreak and a reduced contribution from SPB1 Gruppen has lead to a weakening of the C/I, while the Fremtind merger had a positive effect. Still above target at 41.6 % in Q1, but measures are, and will be put in place to achieve the long term target of C/I < 40 %.

## **CASH DIVIDEND > 50 %**

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The targeted cash dividend of > 50 % still stands, but the current economical situation due to Corona might affect the dividend capacity for 2020.

# SpareBank 1 Nord-Norge

## CEO Liv B. Ulriksen

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Tel. + 47 957 31 130

## CFO for finans Bengt Olsen

E-mail: [bengt.olsen@snn.no](mailto:bengt.olsen@snn.no)  
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

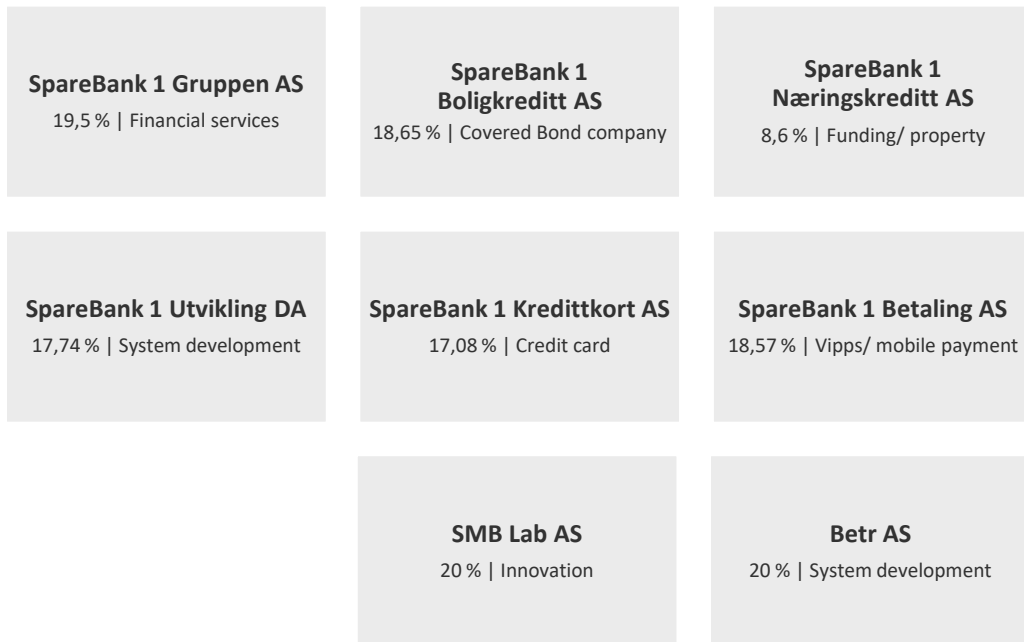




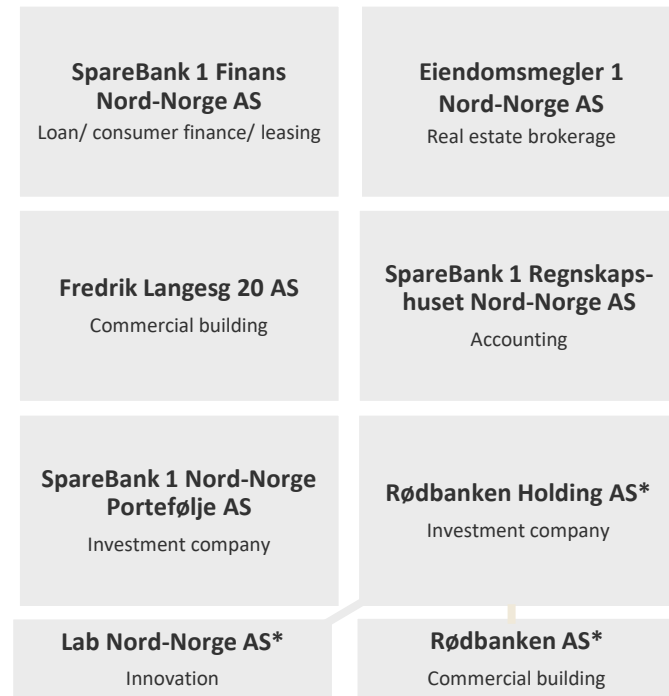
# Appendix

# Company structure

## Associated companies and joint ventures

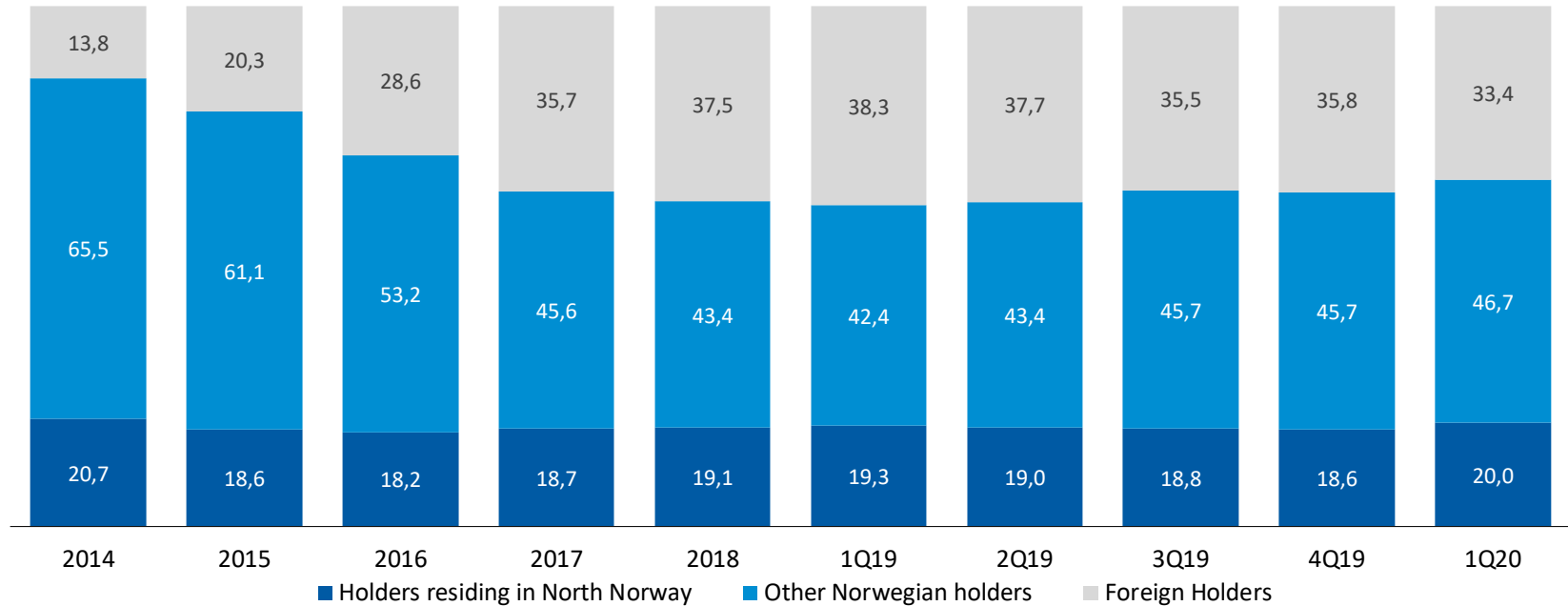


## Subsidiaries and second tier subsidiaries



*\*Not consolidated*

# Geographical distribution of ownership

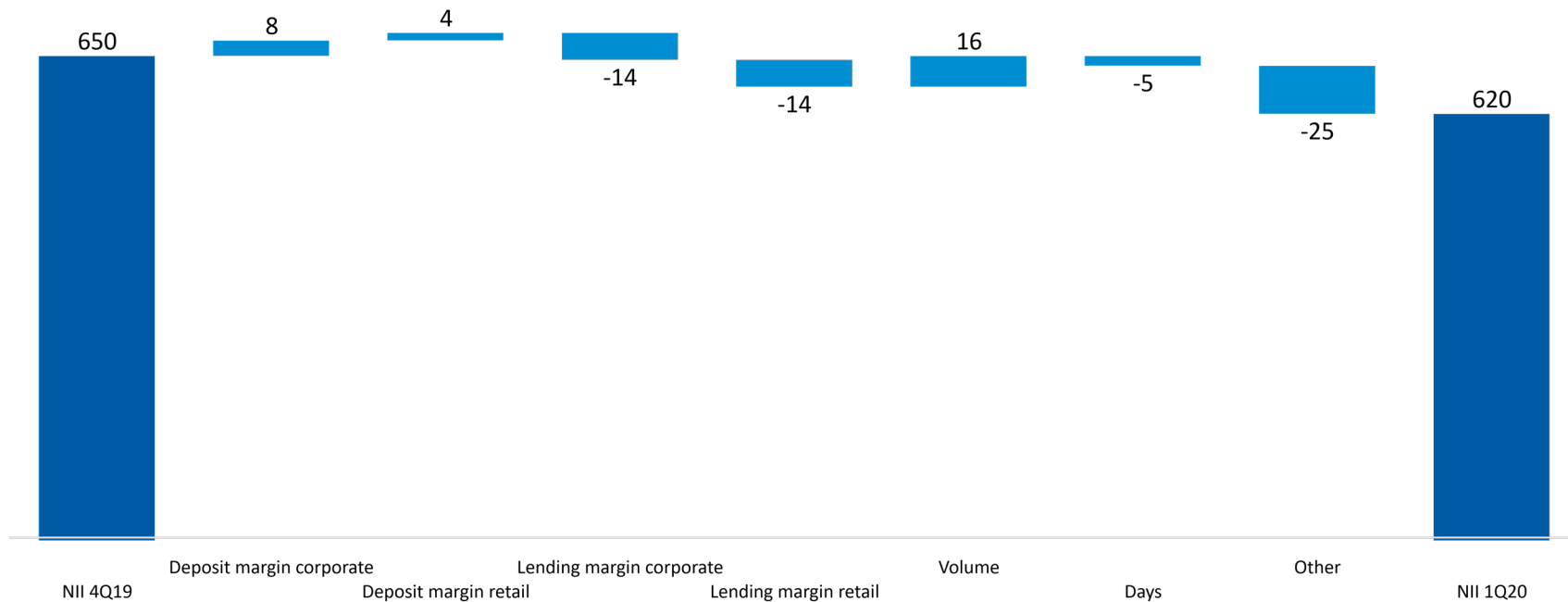


# The 20 largest EC holders

EC Holders	Number of ECs	Share of EC Capital
State Street Bank and Trust Comp	3.415.002	3,40%
PARETO INVEST AS	3.161.748	3,15%
PARETO AKSJE NORGE VERDIPAPIRFOND	3.091.505	3,08%
GEVERAN TRADING CO LTD	2.790.356	2,78%
The Northern Trust Comp, London Br	2.504.703	2,49%
MP PENSJON PK	2.444.322	2,43%
VPF EIKA EGENKAPITALBEVIS	2.205.565	2,20%
Brown Brothers Harriman & Co.	2.198.362	2,19%
Morgan Stanley & Co. International	1.793.505	1,79%
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	1.225.000	1,22%
Euroclear Bank S.A./N.V.	971.084	0,97%
J.P. Morgan Bank Luxembourg S.A.	922.412	0,92%
State Street Bank and Trust Comp	921.048	0,92%
JP MORGAN SECURITIES PLC	869.341	0,87%
ARCTIC FUNDS PLC	790.249	0,79%
CLEARSTREAM BANKING S.A.	781.884	0,78%
BARCLAYS CAPITAL SEC. LTD FIRM	724.596	0,72%
<b>Total</b>	<b>35.304.588</b>	<b>35,16%</b>

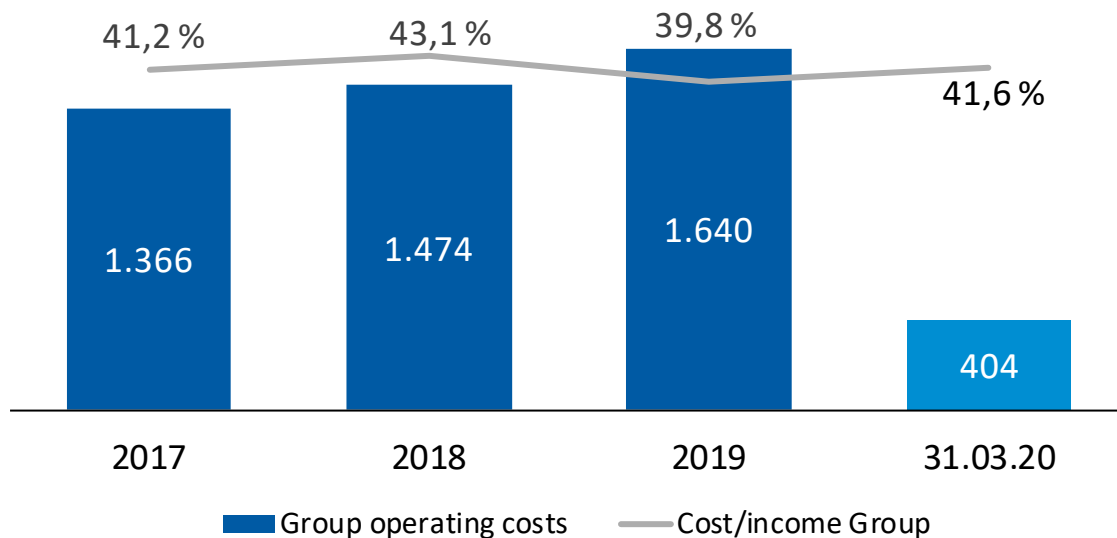
# Net interest income - Group

Measured against funding cost

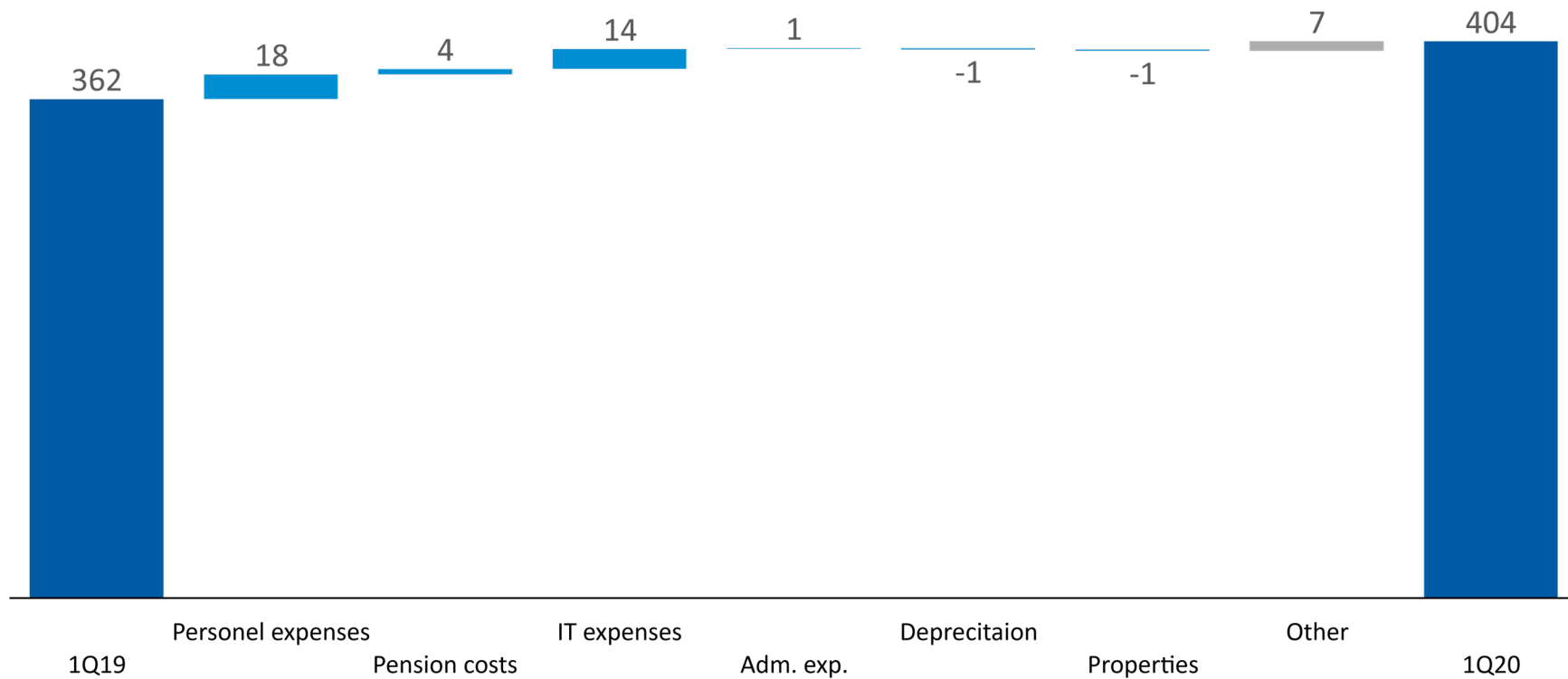




# Cost development – Group



# Operating expenses - Group



# Net fee- and other operating income - Group

(Amounts in NOK million)	1Q20	4Q19	3Q19	2Q19	1Q19
Payment facilities	73	76	89	79	68
Insurance products	43	42	42	42	40
Guarantee commissions	7	7	7	9	4
Real estate broking	30	32	29	49	31
Portfolio commissions	12	9	11	8	8
Other commissions	22	26	34	11	18
<b>Commissions excl. commission loan</b>	<b>187</b>	<b>192</b>	<b>212</b>	<b>198</b>	<b>169</b>
Commission loans	68	72	67	63	62
<b>Total commission income</b>	<b>255</b>	<b>264</b>	<b>279</b>	<b>261</b>	<b>231</b>
Commission costs	22	27	29	25	26
Accounting services	60	41	38	60	48
Other operating income	0	0	2	-4	3
<b>Total commissions and other income</b>	<b>60</b>	<b>41</b>	<b>40</b>	<b>56</b>	<b>51</b>
<b>Net fee- and other operating income</b>	<b>293</b>	<b>278</b>	<b>290</b>	<b>292</b>	<b>256</b>

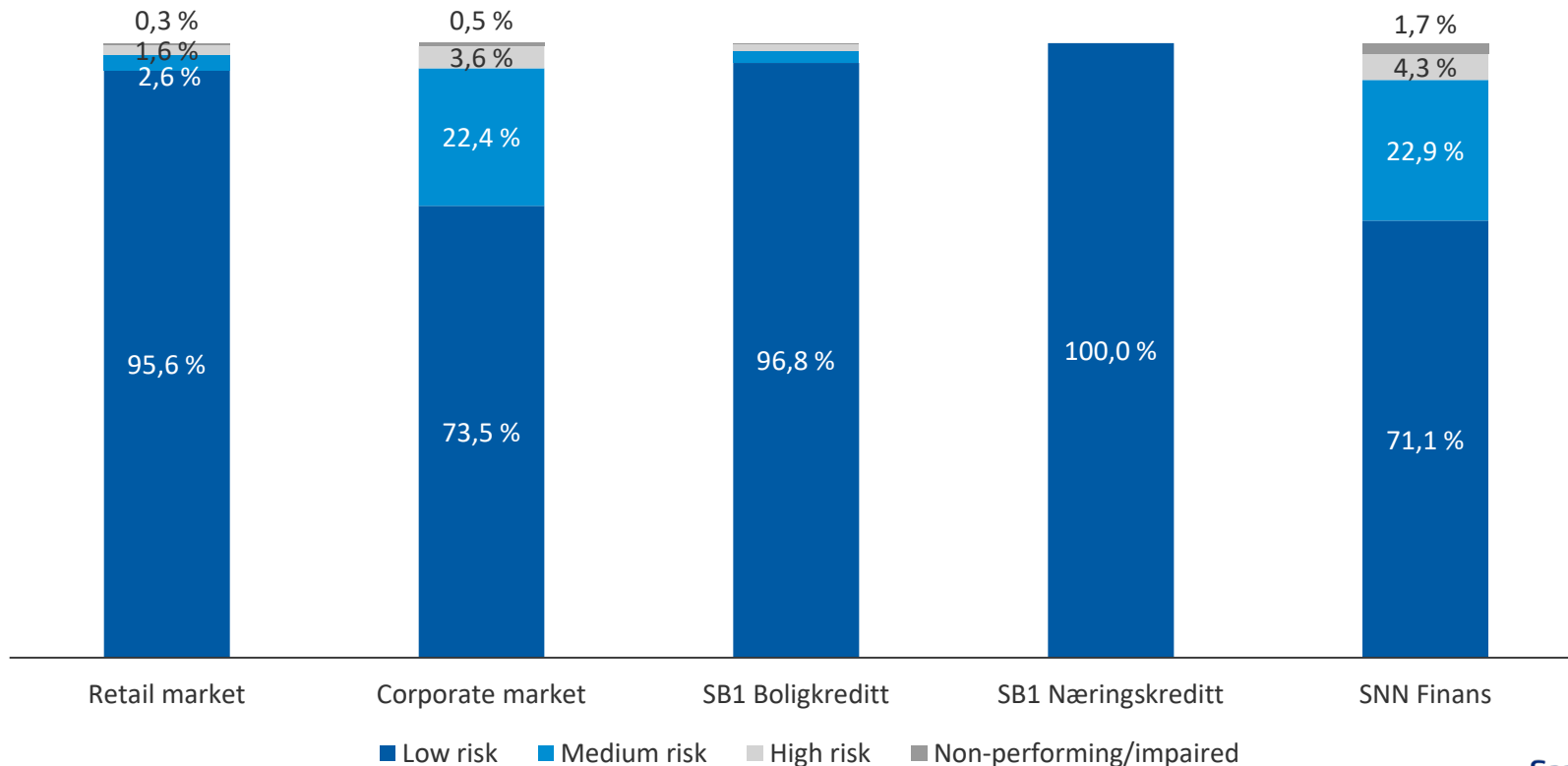
# Group companies result before tax

	31.03.20	31.03.19
SpareBank 1 Finans Nord-Norge AS	21 751	36 675
SpareBank 1 Regnskapshuset Nord-Norge AS	12 427	14 444
EiendomsMegler 1 Nord-Norge AS	3 074	1 484
<b>Subsidiaries core operations</b>	<b>37 252</b>	<b>52 603</b>
Other subsidiaries	2 072	428
<b>Total</b>	<b>39 324</b>	<b>53 031</b>

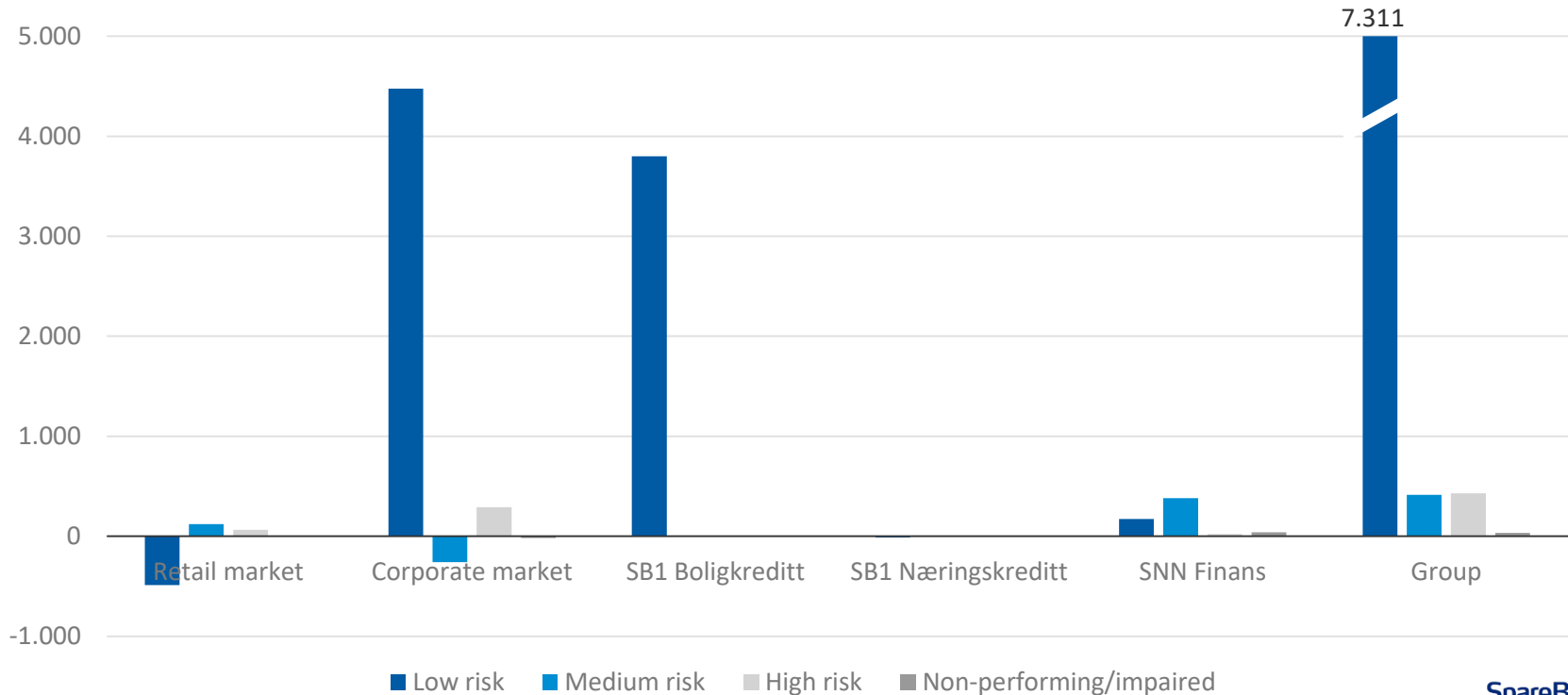
# Lending portfolio - comments

- Good growth in retail lending last 12 months, 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
- Somewhat increased exposure in non-performing/impaired commitments, but still at low levels. Expected to increase in the forthcoming year.
- Increase in loan loss due to the macroeconomic views. Still at low levels.

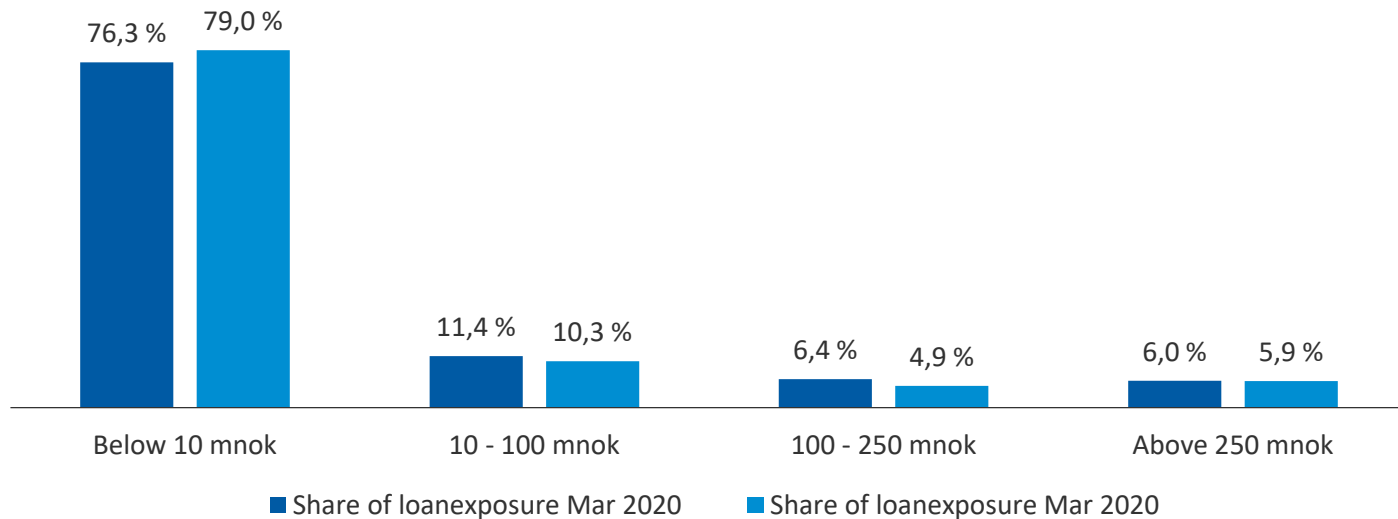
# Portfolio - exposure as of 31.03.20, group



# Portfolio – changes last 12 months, group



# Portfolio - exposure distributed by size



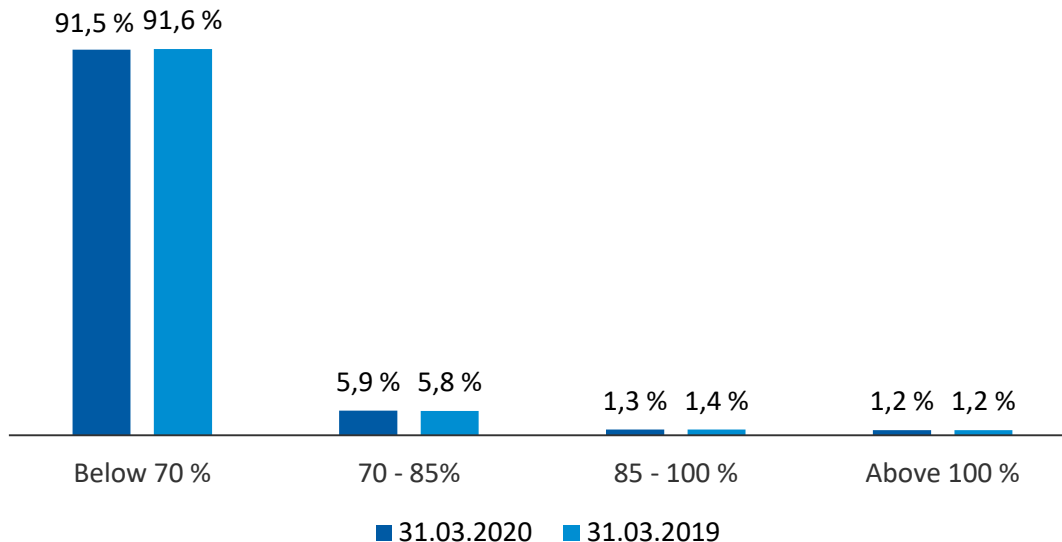
Loans distributed by size of exposure and share of total exposure

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.



# Largest single-customers within segments

## 5 largest tourism/hotels

Type	Volume (mill.)	Risk-group
Hotel	209.2	MEDIUM
Hotel	169.0	MEDIUM
Hotel	141.5	MEDIUM
Hotel	116.5	LOW
Hotel	110.2	MEDIUM

## 5 largest passenger transportation

Type	Volume (mill.)	Risk-group
Transport	350.0	MEDIUM
Transport	250.0	VERY LOW
Transport	65.9	VERY LOW
Transport	65.1	MEDIUM
Transport	61.0	VERY LOW

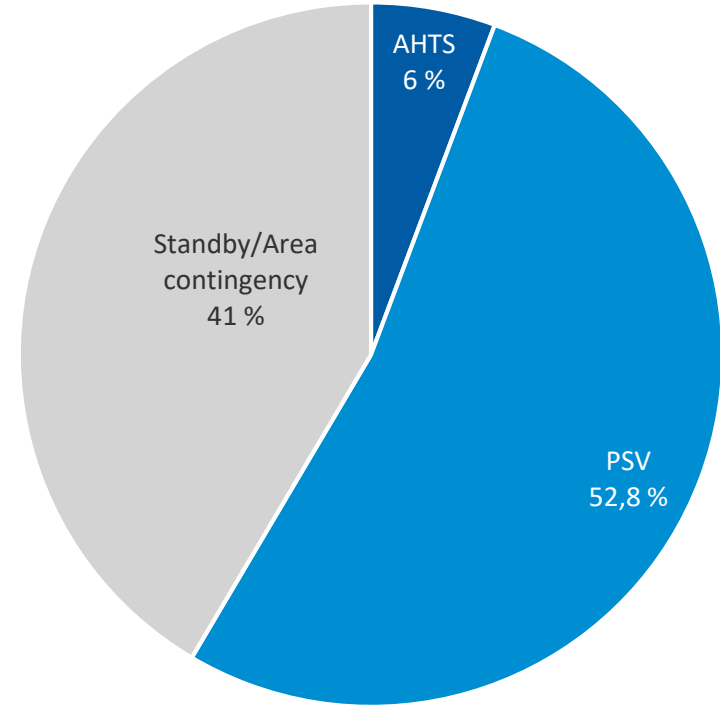
## 5 largest retail-trade-related commercial real estate

Type	Volume (mill.)	Risk-group
Retail-trade-related commercial real estate	386.6	VERY LOW
Retail-trade-related commercial real estate	261.1	MEDIUM
Retail-trade-related commercial real estate	255.0	VERY LOW
Retail-trade-related commercial real estate	233.5	MEDIUM
Retail-trade-related commercial real estate	150.8	MEDIUM

# Portfolio – Offshore Supply Vessels (OSV)

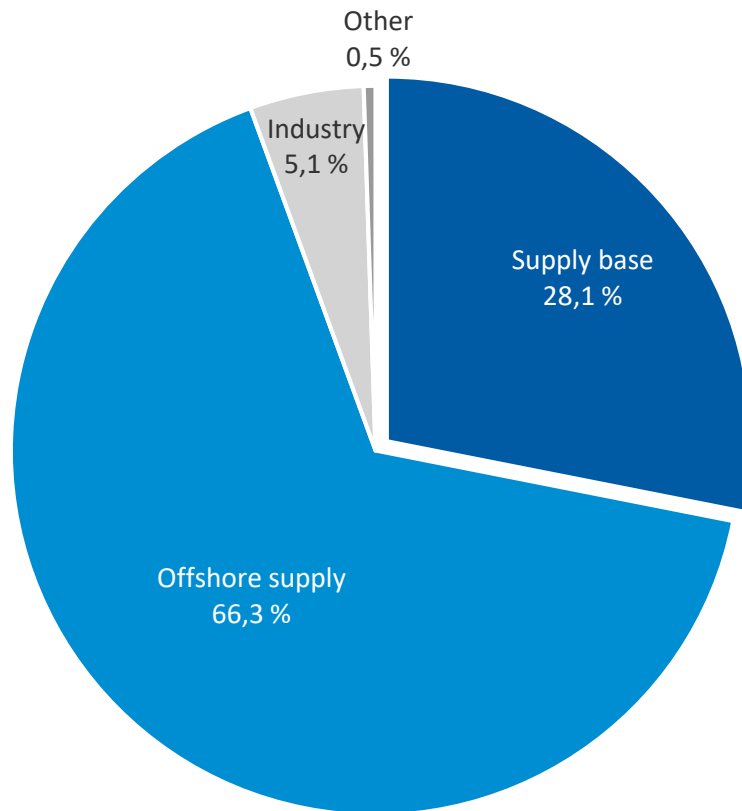
- OSV amounts to NOK 671 mill
- Average weighted probability of default 0.80 %
- Total amount of 7 vessels\*
- Weighted age 8.5 years\*
- Average weighted contract length 3.6 years
- SNN is participant in syndicates on 6 vessels\*

\*Exclusive of barges



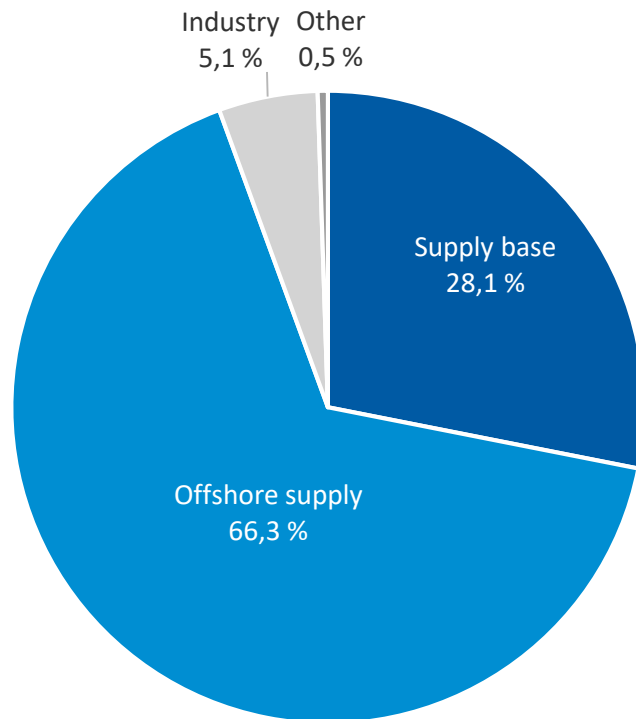
# Portfolio – Supply bases

- Supply base exposure amounts to NOK 284 mill
- Average weighted probability of default 0.32 %
- Customers with long term contracts with solid and strong partners gives good cash flows in the short and long term



# Portfolio – Industry and Other

- The sector “Industry and Other” amounts to NOK 56 mill, divided into Industry NOK 51 mill and Other NOK 5 mill
- Average weighted probability of default: Industry 2.66 % and Other 1.84 %
- A total of NOK 42.2 mill non-performing or impaired commitments
- The exposure consists of financing transport equipment and working capital

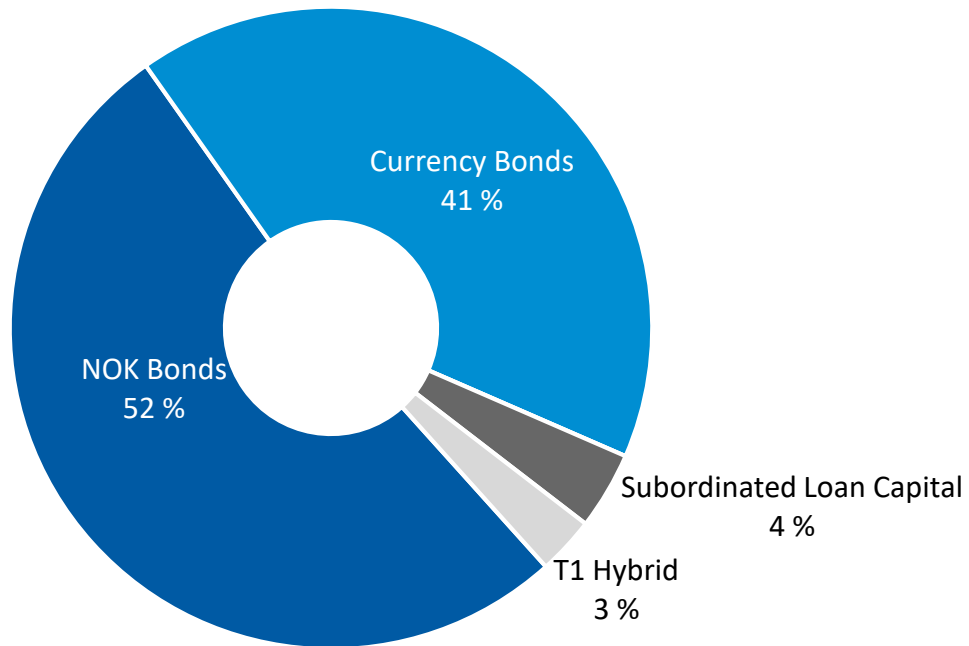


# The Group's loan losses

<b>Losses</b>	<b>Q1 20</b>	<b>2019</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>	<b>Q1 19</b>	<b>2018</b>
Individual losses Corporate market	4.5	17.5	4.2	9.3	5.4	-1.4	40.4
Individual losses Retail market	3.3	10.0	6.7	-0.8	4.4	-0.4	14.3
Collective losses and other value change items	111.1	-16.1	-12.7	6.2	5.8	-15.5	-32.4
<b>Total losses on loans and guarantees</b>	<b>118.9</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>

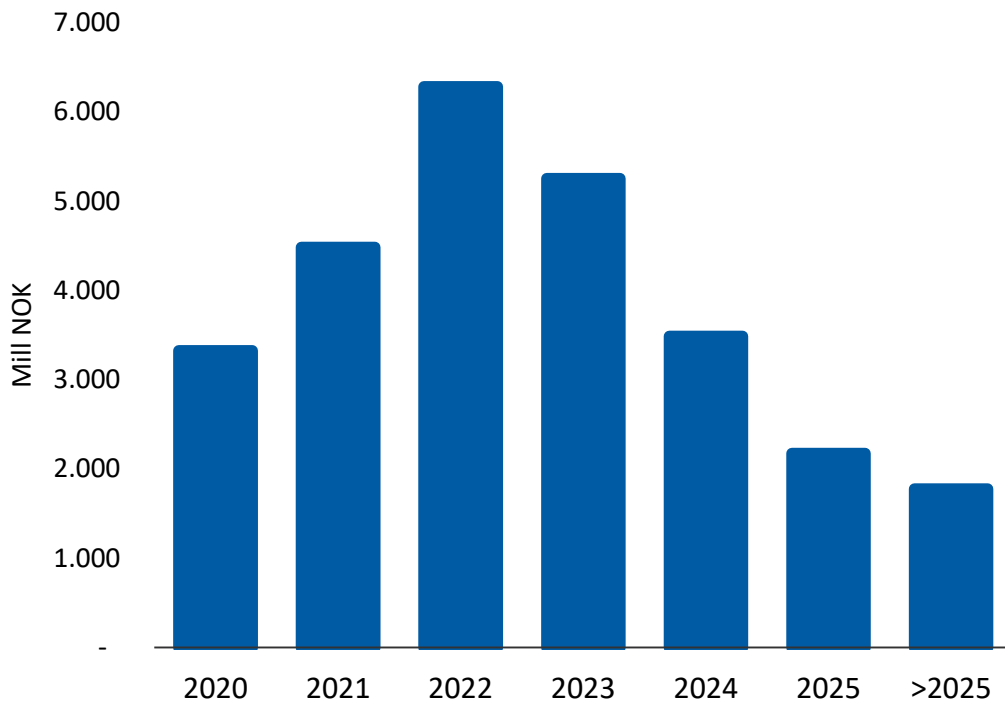
- The Group's annualized losses is 0.39 % of gross lending incl. intermediary loans
- Commitments in step 3 – 0.52 % of total exposure – expected loss share: 37.05 %
- Commitments in step 2 – 5.86 % of total exposure – expected loss share: 3.36 %
- Commitments in step 2 – 93,62 % of total exposure – expected loss share: 0,40 %

# Funding instruments 31.03.2020



# Maturity profile 31.03.2020

Capital markets funding (excl. SPABOL/SPACOM)



NOK 26 287 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 37 403 mill had been transferred as of 31.03.20

Amount of gross maturities of capital market funding next 12 months is NOK 4 517 mill



# 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».



# 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

