

Quarterly accounts Q3 2019

Tromsø/Oslo 25 October 2019

Accounts YTD September 2019

Pre-tax profit



2 133 MNOK

ROE



18.9 %

CET-1 ratio



15.9 %

C/I-ratio



34.7 %

Losses



13 MNOK



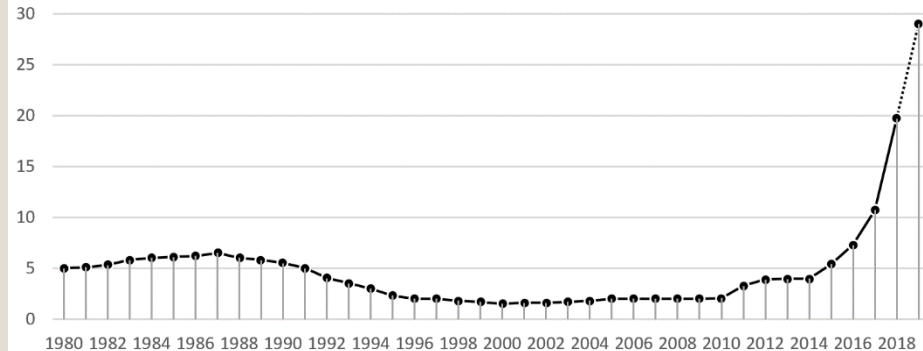
Strategic geographical location



80 %

of Norwegian marine areas lies north of the Arctic Circle

Annual freight traffic on the Northern Sea Route (in mill. tonnes)

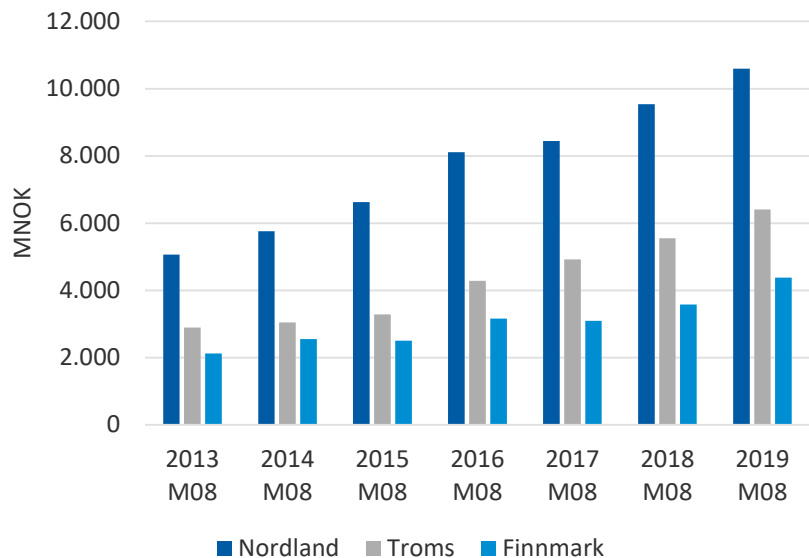


Source: Atomflot

Strong demand for commodities from northern Norway

Export value of fish from Northern Norway

jan - august 2019



20 %

of the world's salmon production takes place in northern Norway

50 %

of the value creation from Norwegian white fish takes place in northern Norway

Northern Tourism increases its national market share

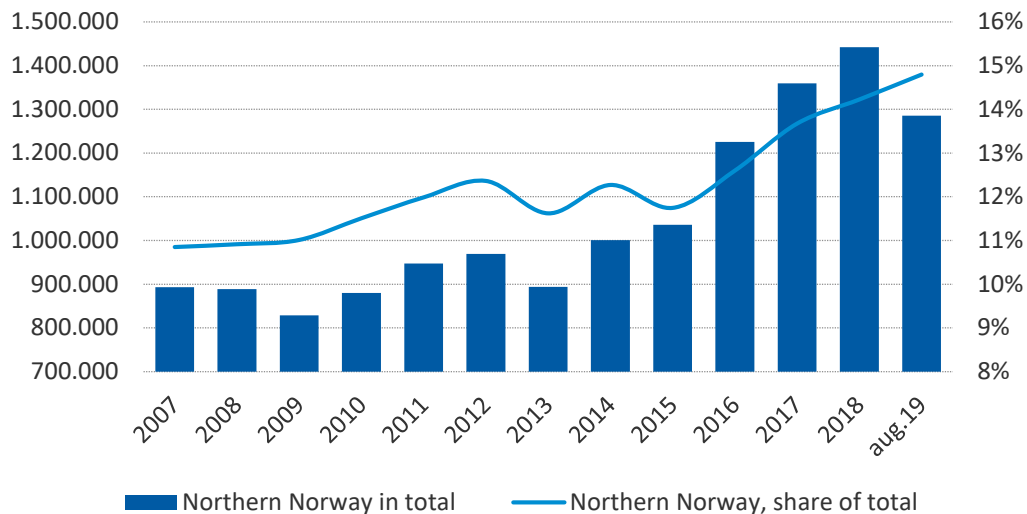
2,6 mill.

overnight stays at hotels and Airbnb in the region from May-August 2019

9 %

growth in overnight stays from the same period in 2018

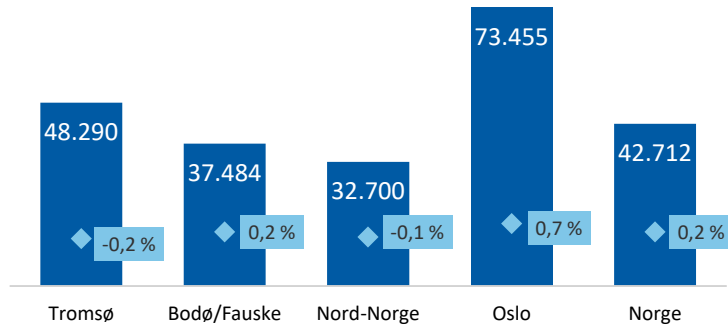
Overnight stays
- foreign nationals, and share of total overnight stays in Norway



How will the future housing market look like?

House prices, September 2019

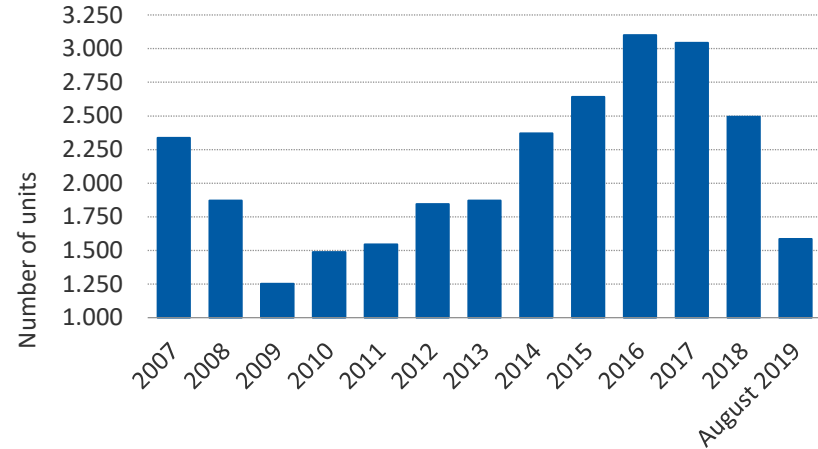
Average price, NOK per m2, all units



■ Average price, NOK per m2, all units

◆ Price increase y/y, %

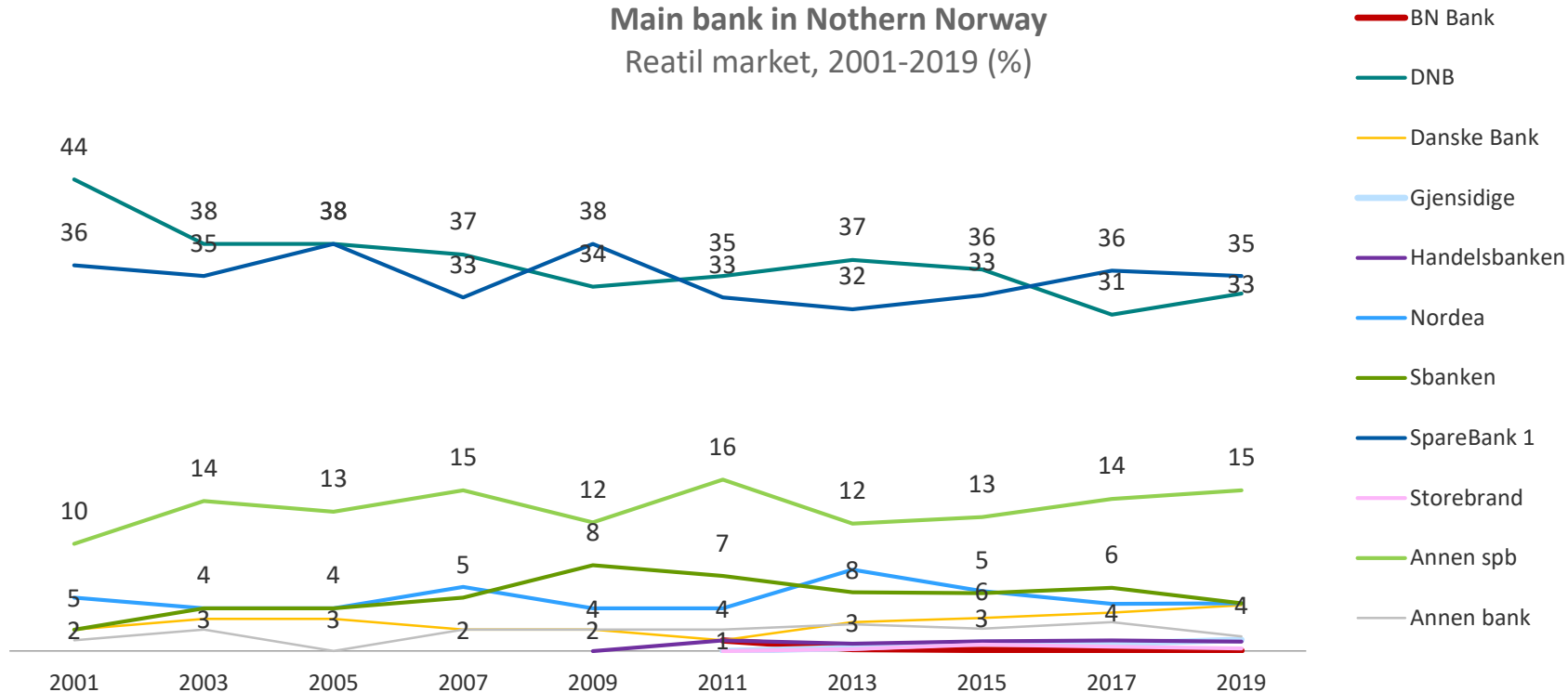
Housing starts



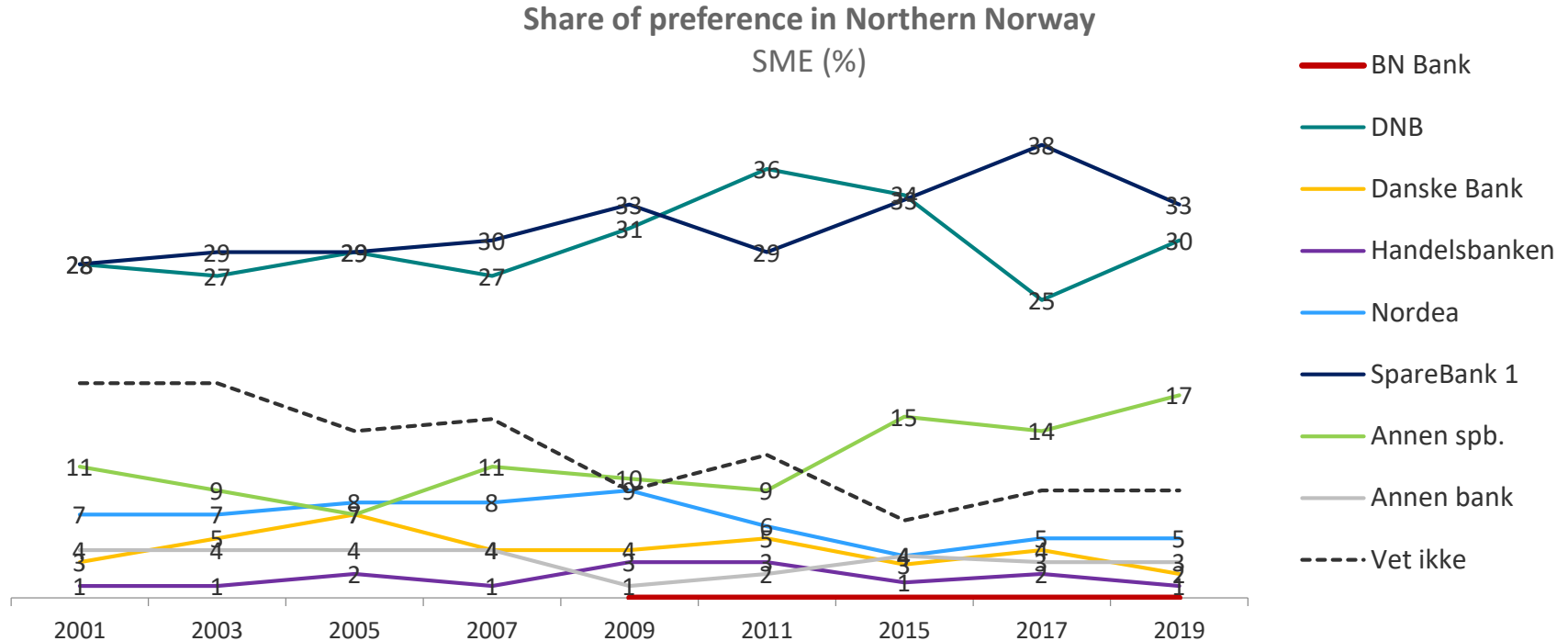
■ Northern Norway

Strong competition in the retail sector

Main bank in Northern Norway
Retail market, 2001-2019 (%)

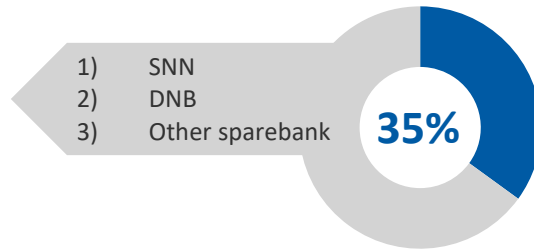


Preferred bank with the SME

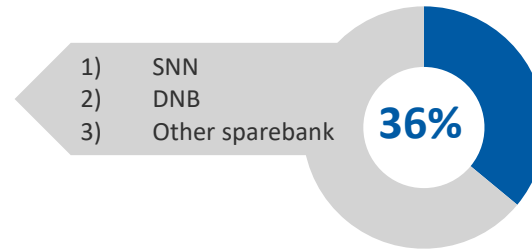


The number 1 position in the north is solid

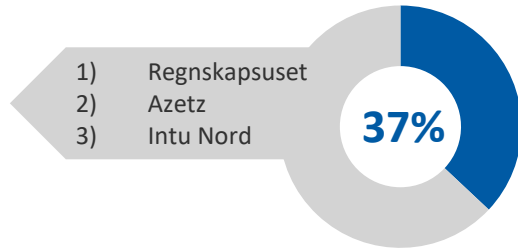
Main bank retail market



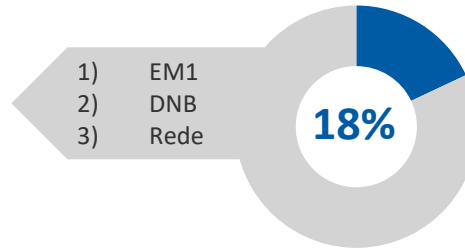
Main bank SME



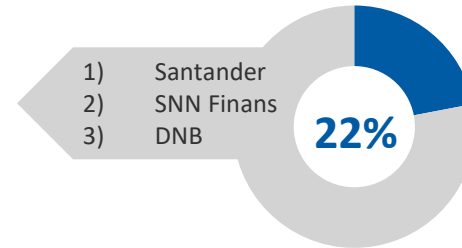
Real estate



Accounting services



Secured financing



SpareBank 1 Nord-Norge

SeastinBánku 1 Davvi-Norga



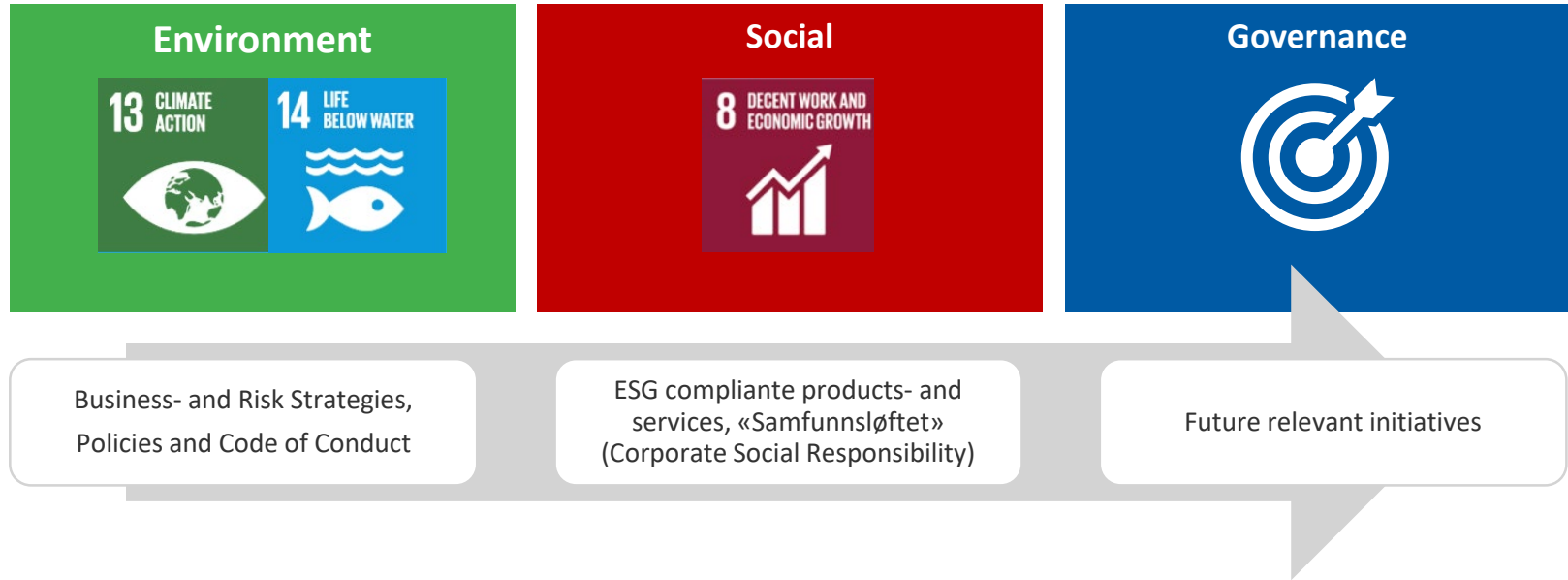
ESG in SpareBank 1 Nord-Norge

Ambition:

SpareBank 1 Nord-Norge has a sustainable business behavior that will help to achieve the UN's Sustainable Development Goals

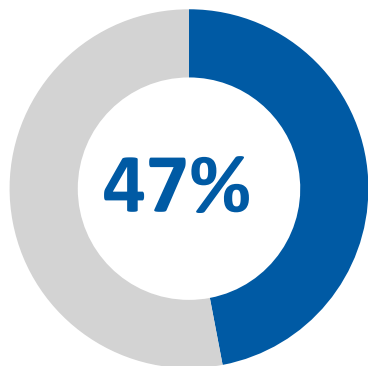


ESG in SpareBank 1 Nord-Norge



Community dividend provide proximity, visibility and affiliation

Share of voice in media
Q3 2019



Samfunnsløftet skal bidra til utvikling og verdiskaping i byer og lokalsamfunn i Nord-Norge



- 450 000 kr til Matsentralen
- 100 000 kr til CARE + dugnadsinnsats og tellekorps



- bærekraftige systemer for matproduksjon, gjennom gode kredittprosesser (Retningslinjer kreditt)



- bidra til et aktivt liv for de ansatte (SPOR)
- krav til leverandørene om ikke å bruke helsefarlig materiale



- Kunnskapsbanken og forventningsbarometer
- Ungt Entreprenørskap i alle tre fylkene på til sammen 900 000 kr.



- Grand Bodø kr 900 000 – jenteakademiet



- Plastløftet – 10 MNOK til å minske plastforurensing og særlig marin forurensing

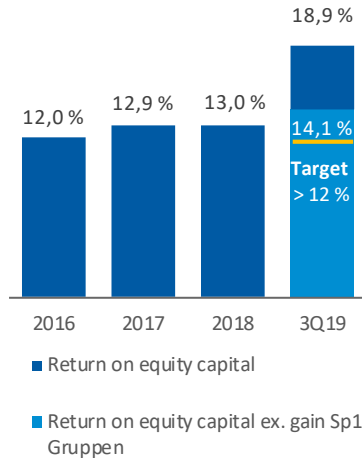


Accounts YTD Q3 2019

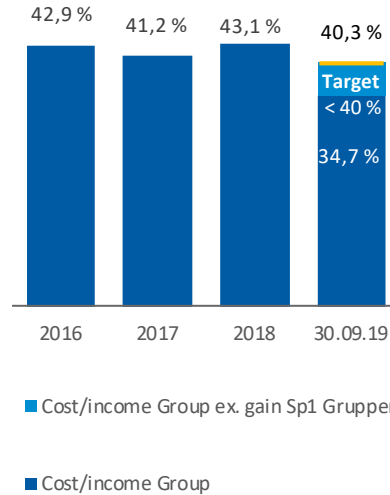
PRE-TAX PROFIT	2 133 mill. kr (1 447 mill. kr)
RETURN ON EQUITY	18,9 % (13,3 %) 14,1 % adjusted for insurance merger gain
C/I-RATIO	34,7 % (42,4 %) 40,3 % adjusted for insurance merger gain
LOANS LOSSES	13 mill. kr (28 mill. kr)
CET-1 RATIO	15,9 % (14,7 %)

Positive key financial figures

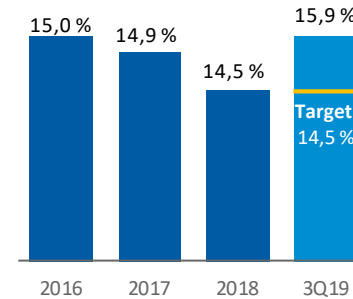
Return on equity capital



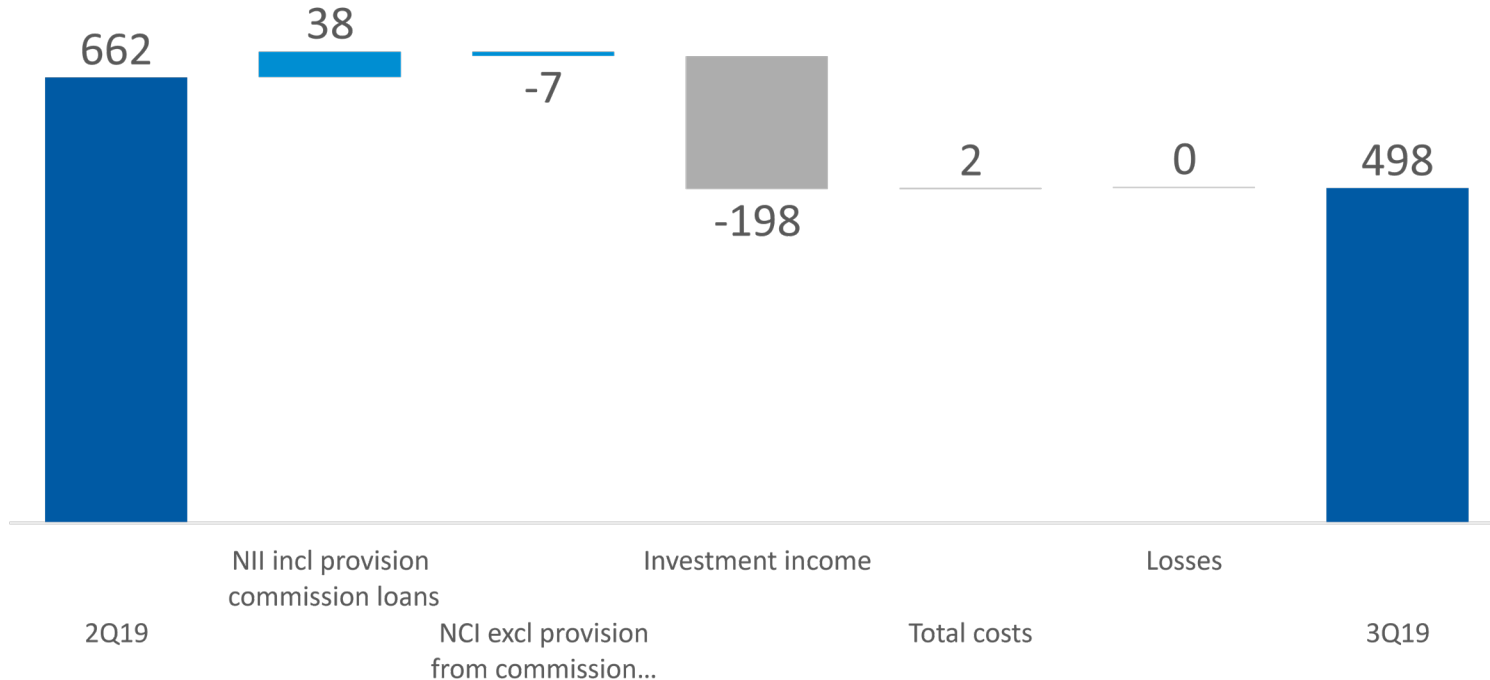
Cost/income Group



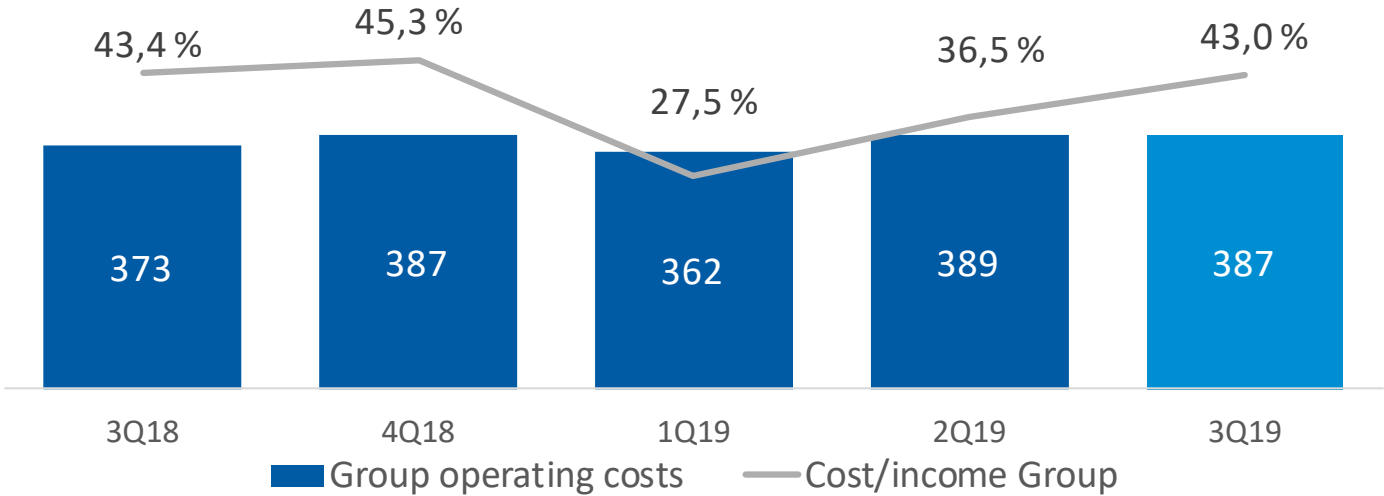
CET 1 incl floor



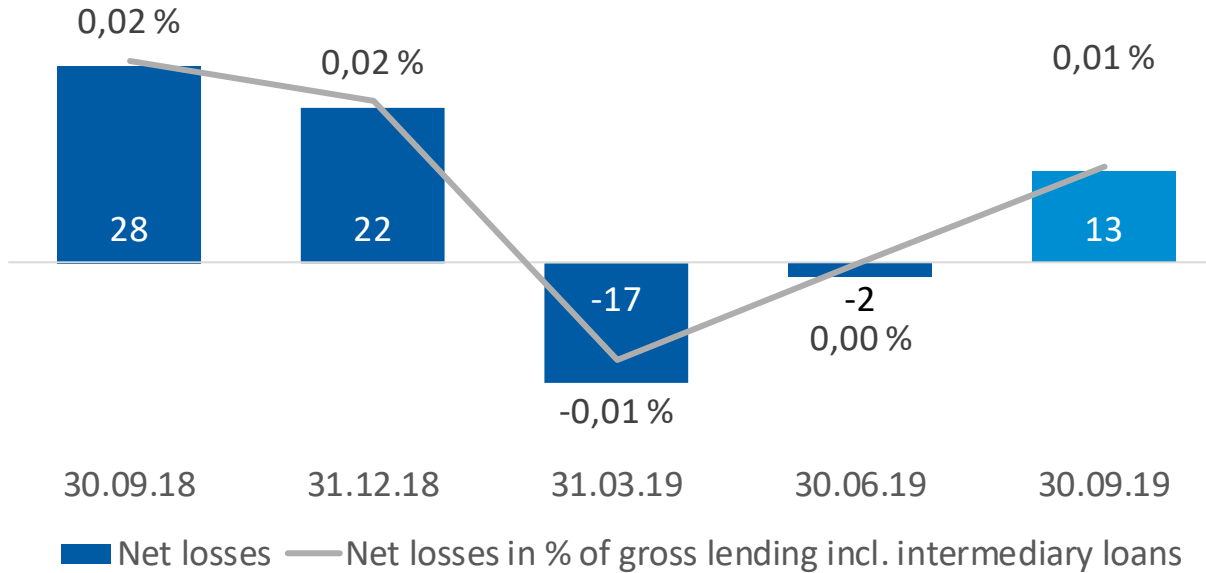
Last quarter changes in profit and loss



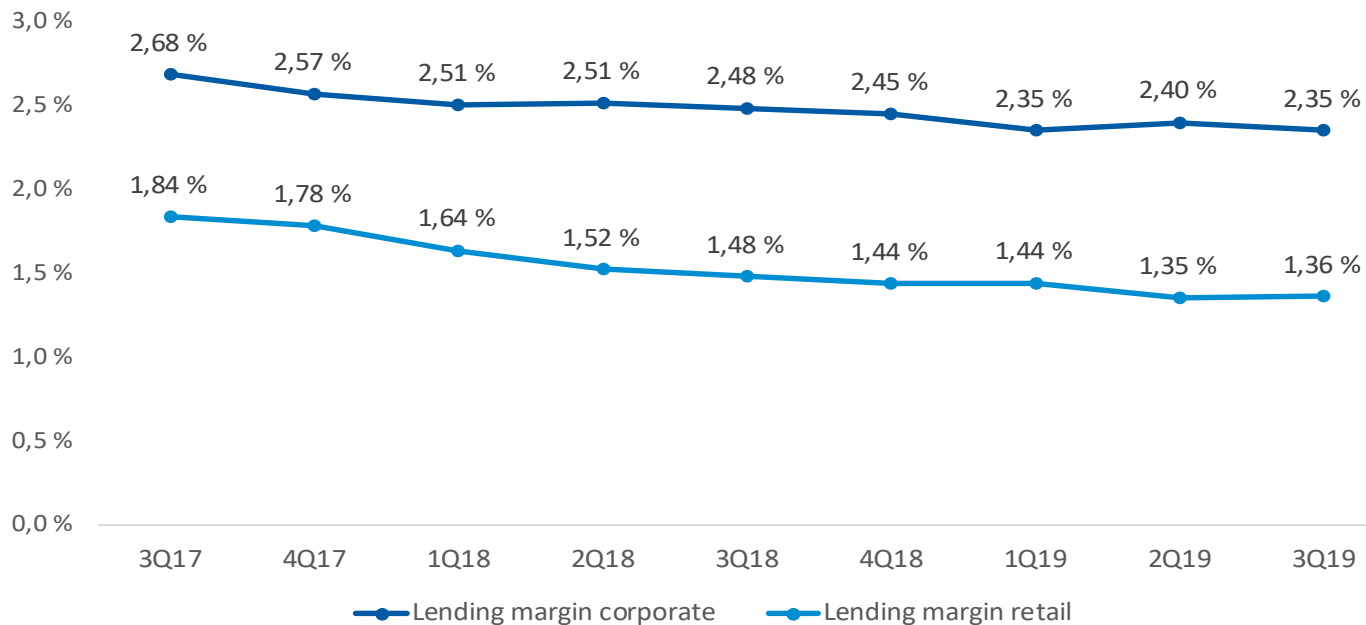
Cost development Group



Low losses on loans and guarantees

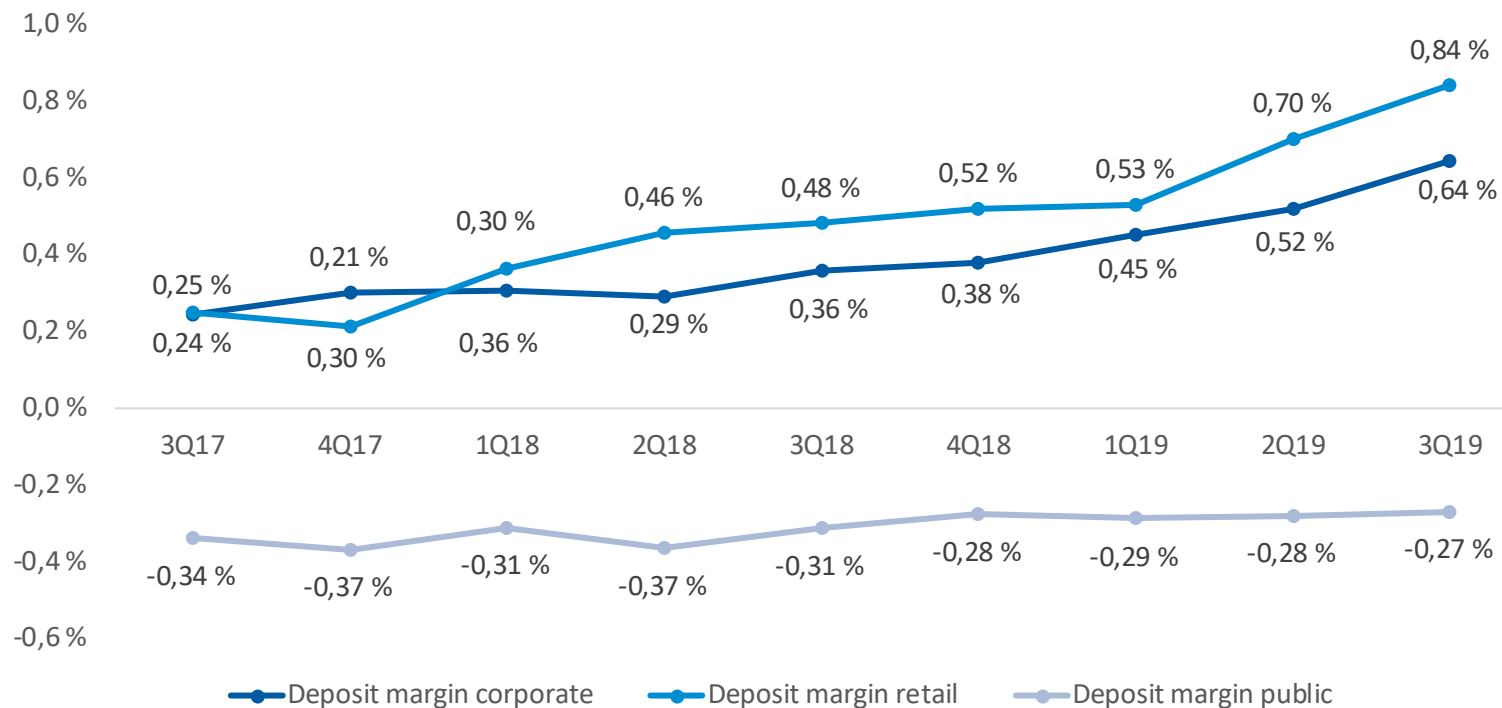


Lending margin, parent bank



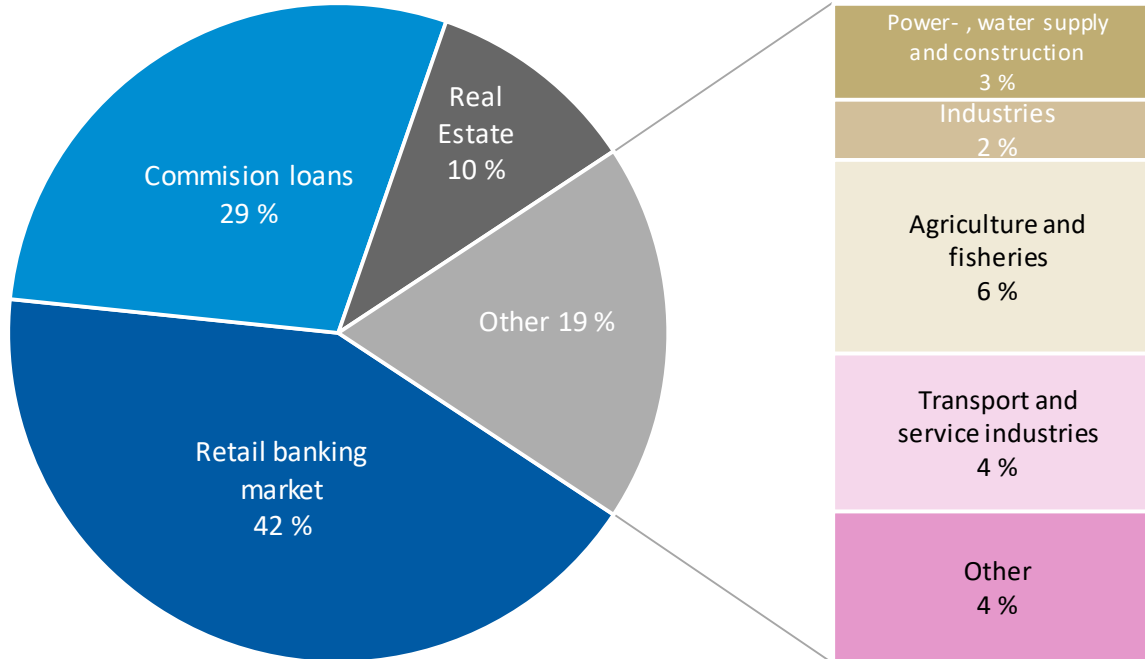
The interest margin is defined as the difference between the customer lending interest rate and average 3 month NIBOR

Customer desposit, parent bank



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

Well diversified segment distribution

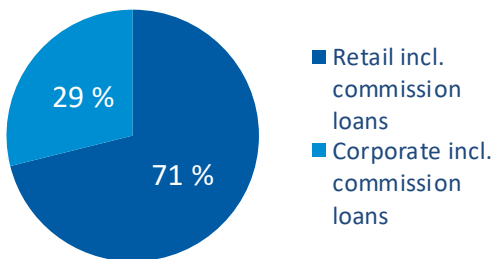


A high share of retail- and primary industry lending represent a risk mitigating factor.

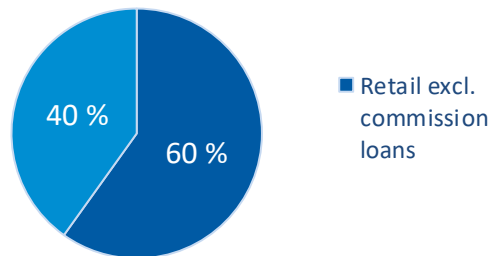
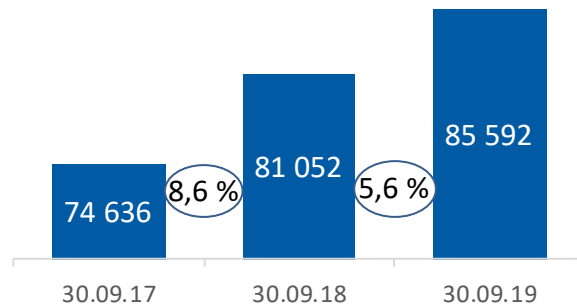
The Group has a well diversified corporate market lending portfolio.

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.

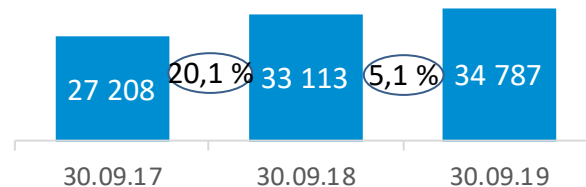
Solid 12M growth in lending volume



Retail market incl. commission loans

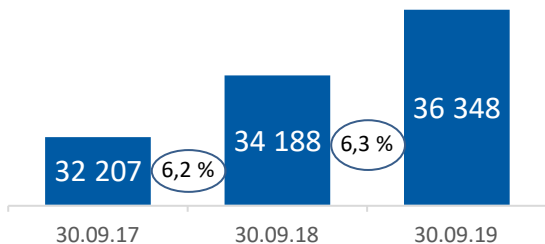


Corporate incl. commission loans

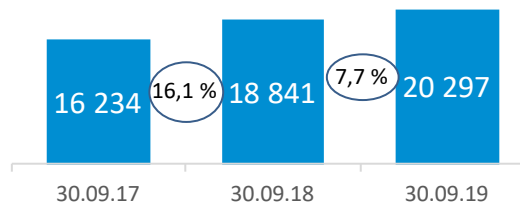


Increased deposit volume in all sectors

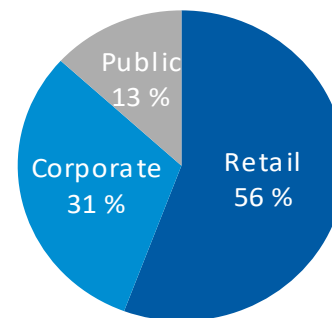
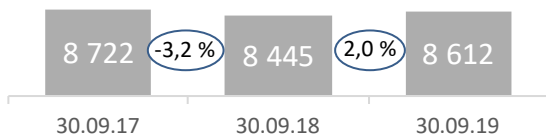
Retail banking market



Corporate market



Public market



Financial targets

ROE



> 12 %

Tier 1 Capital



14,5 %

Dividend Payout ratio



> 50 %

Cost/Income ratio



< 40 %



Financial outlook

NRI

Strong mortgage competition and a rising NIBOR puts pressure on the lending margin. Rising central bank interest rates have provided a basis for repricing of deposits and loans, with an increased emphasis on risk pricing.

ROE > 12 %

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

CET-1 RATIO 14,5 %

Common tier 1 Capital target one percentage point above regulatory minimum requirements, currently 14.5 %. SNN see no challenges in satisfying the coming capital regulatory changes.

C/I-RATIO < 40 %

Status Q3 2019: 40,3 %. Total cost increase due to increased expenses regarding automation and digitalization, and due to growth in Groups companies. The goal is to facilitate cost savings and increase future revenues. Profitability project is underway.

CASH DIVIDEND > 50 %

Cash dividend for 2018 is considered very high. Extraordinary dividend from SpareBank 1 Group may provide basis for a high dividend payout ratio at year end, but this must be considered against new regulatory requirements and profitable growth opportunities.

SpareBank 1 Nord-Norge

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URLs

Website and internet bank: www.snn.no

Equity certificate in general: www.egenkapitalbevis.no

Financial calendar:

Q3 2019: 25. October 2019

Preliminary results 2019: 13. February 2020

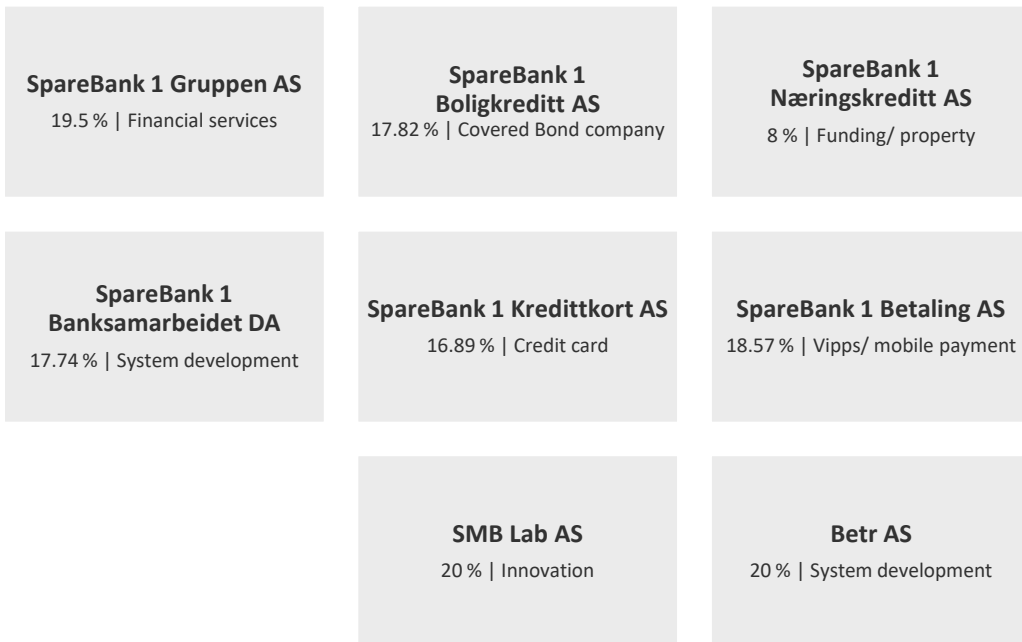


Appendix

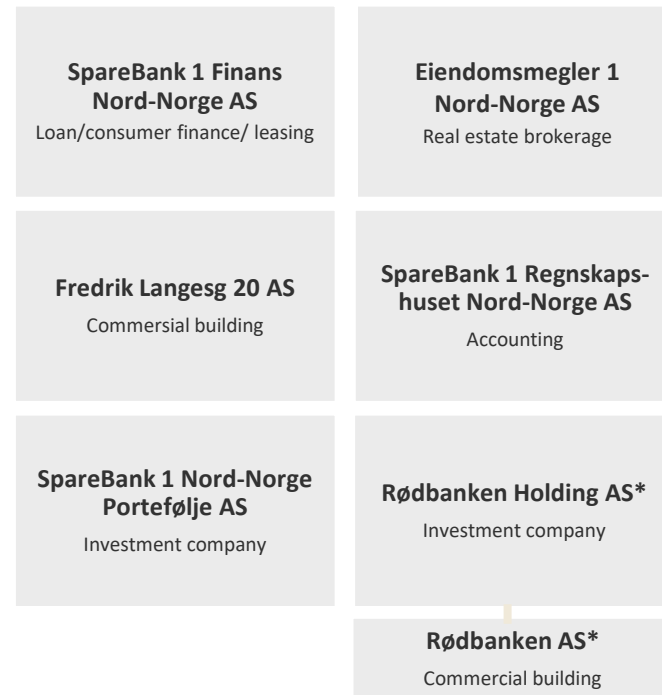
1. Financial figures – additional information
2. Credit area
3. Liquidity
4. Northern Norway: Macro and economic trends
5. SpareBank 1 Group and alliance

Company structure

Associated companies and jointed ventures

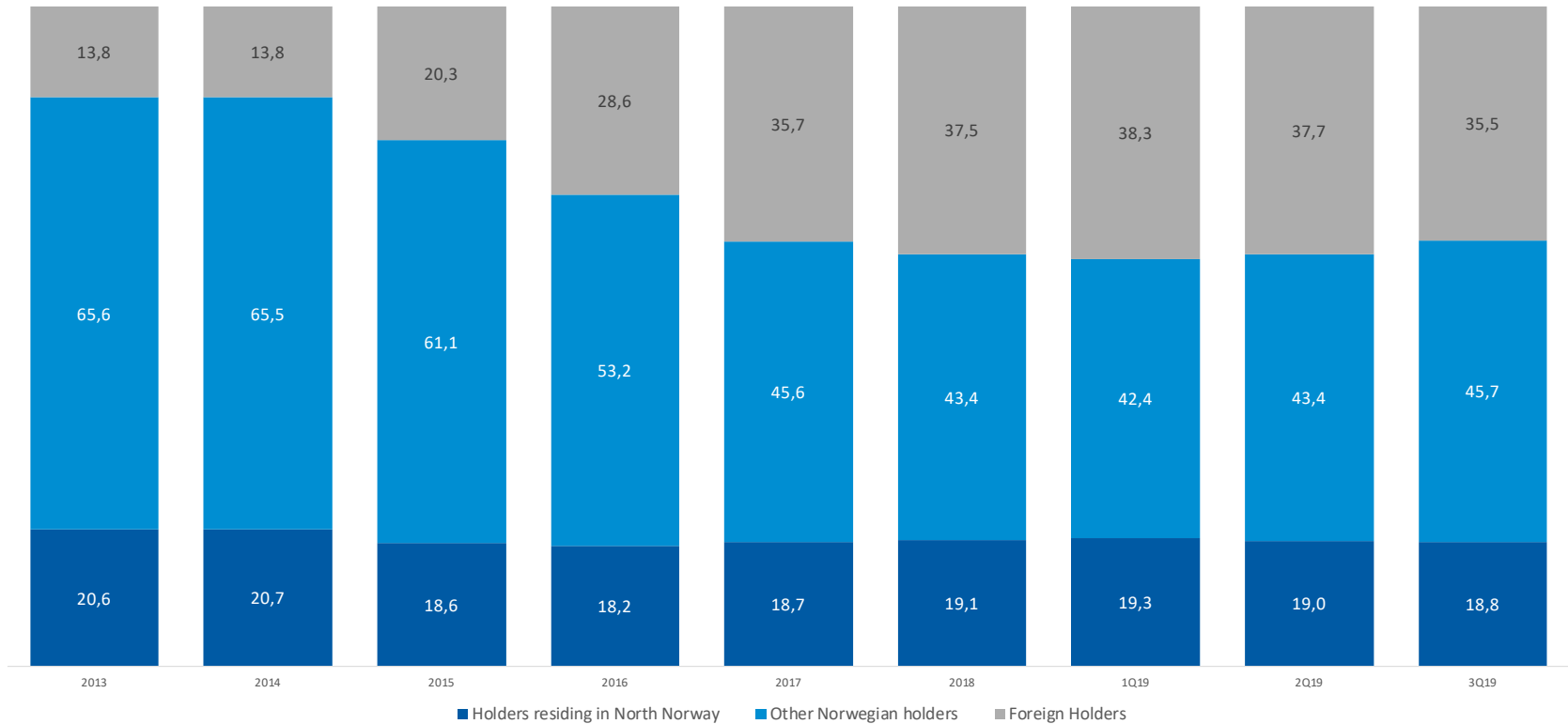


Subsidiaries and second tier subsidiaries



**Not consolidated*

Equity Certificates (EC) – geographic holder structure

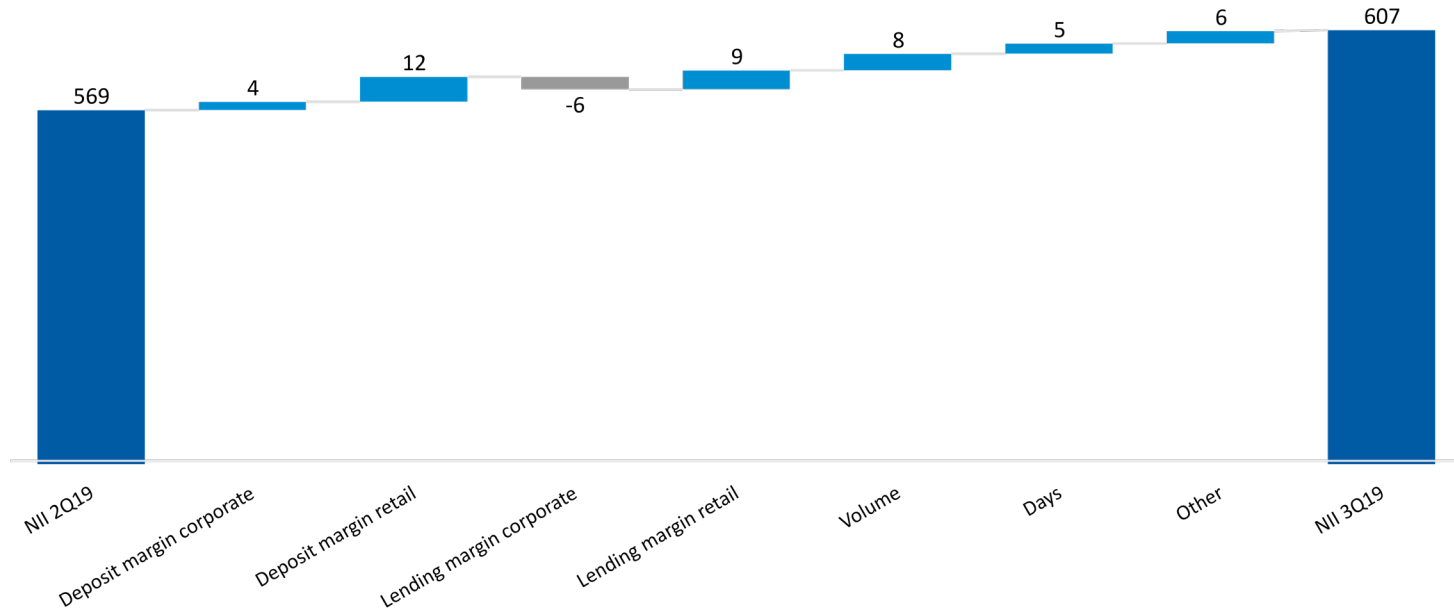


The 20 largest EC holders

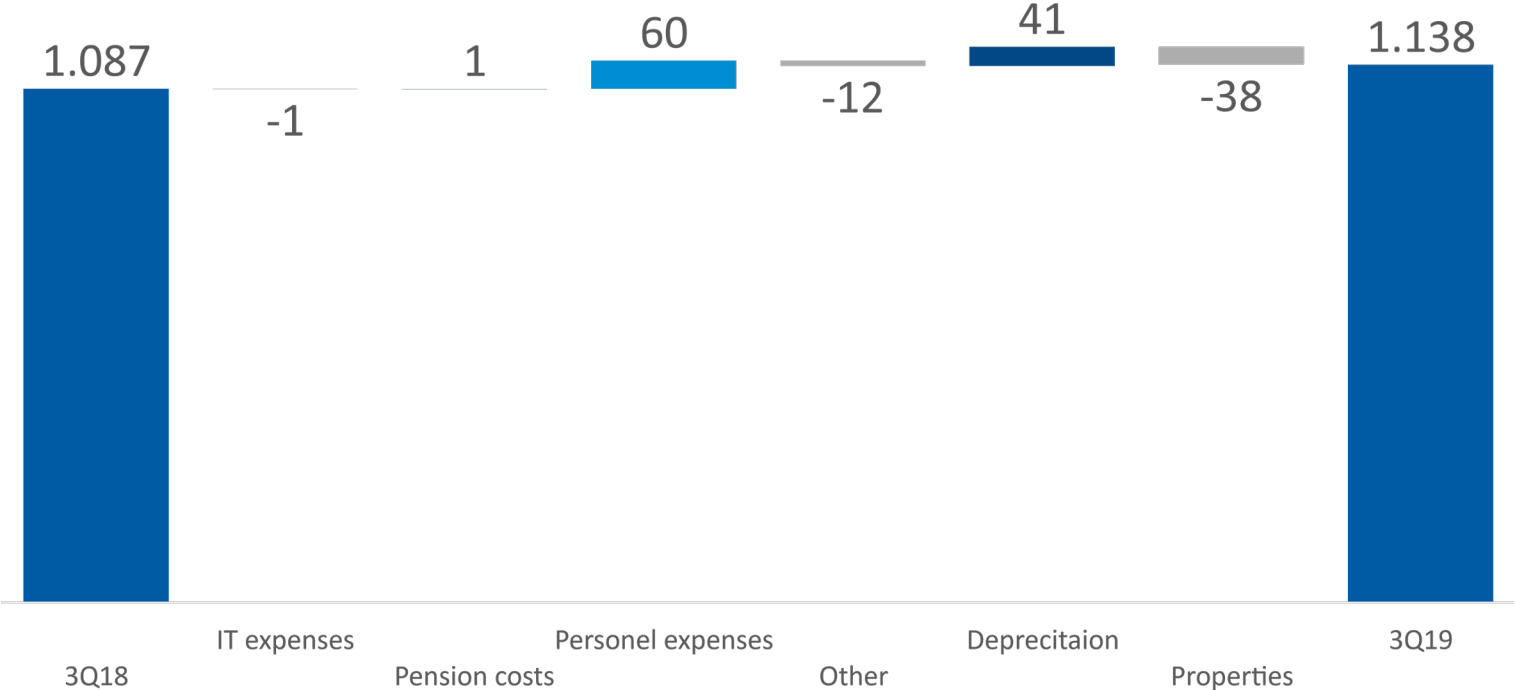
EC Holders	Number of ECs	Share of EC Capital
PARETO AKSJE NORGE VERDIPAPIRFOND V/PARETO ASSET MANAGEMENT AS	3.423.611	3,41%
STATE STREET BANK AND TRUST COMP A/C CLIENT OMNIBUS F	3.061.820	3,05%
GEVERAN TRADING CO LTD	2.693.280	2,68%
PARETO INVEST AS	2.673.849	2,66%
MP PENSJON PK	2.384.322	2,37%
FLPS - PRINC ALL SEC STOCK SUB	2.275.616	2,27%
THE NORTHERN TRUST COMP, LONDON BR NON-TREATY ACCOUNT	2.073.141	2,06%
MORGAN STANLEY & CO. INTERNATIONAL MSIP EQUITY	1.822.762	1,82%
VPF EIKA EGENKAPITALBEVIS C/O EIKA KAPITALFORVALTNING AS	1.805.320	1,80%
METEVA AS	1.614.670	1,61%
FORSVARETS PERSONELLSERVICE	1.467.630	1,46%
SPAREBANKSTIFTELSEN SPAREBANK 1 Nord-Norge	1.411.606	1,41%
CITIBANK, N.A.	1.285.432	1,28%
LANDKREDITT UTBYTTE	1.075.000	1,07%
EUROCLEAR BANK S.A./N.V.	1.015.986	1,01%
J.P. MORGAN BANK LUXEMBOURG S.A.	997.403	0,99%
ARCTIC FUNDS PLC BNY MELLON SA/NV	884.115	0,88%
STATE STREET BANK AND TRUST COMP A/C CLIENT OMNIBUS D	878.373	0,87%
CLEARSTREAM BANKING S.A.	691.178	0,69%
EIKA SPAR C/O EIKA KAPITALFORVALTNING AS	630.948	0,63%
Total	34.166.062	34,03%

Net interest income – Group

Measured against funding cost



Operating expenses - Group






Net fee- and other operating income - Group

(Amounts in NOK million)

	3Q19	2Q19	1Q19	4Q18	3Q18
Payment facilities	89	79	68	84	77
Insurance products	42	42	40	37	42
Guarantee commissions	7	9	4	4	4
Real estate broking	29	49	31	34	34
Portfolio commissions	11	8	8	13	8
Other commissions	34	11	18	21	23
Commissions excl. commission loan	213	198	169	192	188
Commission loans	67	63	62	65	59
Total commission income	280	260	231	257	247
Commission costs	30	24	26	26	27
Accounting services	38	59	49	38	33
Other operating income	0	-3	7	8	2
Total commissions and other income	39	56	56	46	35
Net fee- and other operating income	289	292	260	277	255

Group companies result before tax

	Company	Pre-tax profit	Change from 2018
	SpareBank 1 Finans Nord-Norge	115 mill	- 6 mill
	SpareBank 1 Regnskapshuset Nord-Norge	30 mill	+ 8 mill
	Eiendomsmegler 1 Nord-Norge	16 mill	- 1 mill

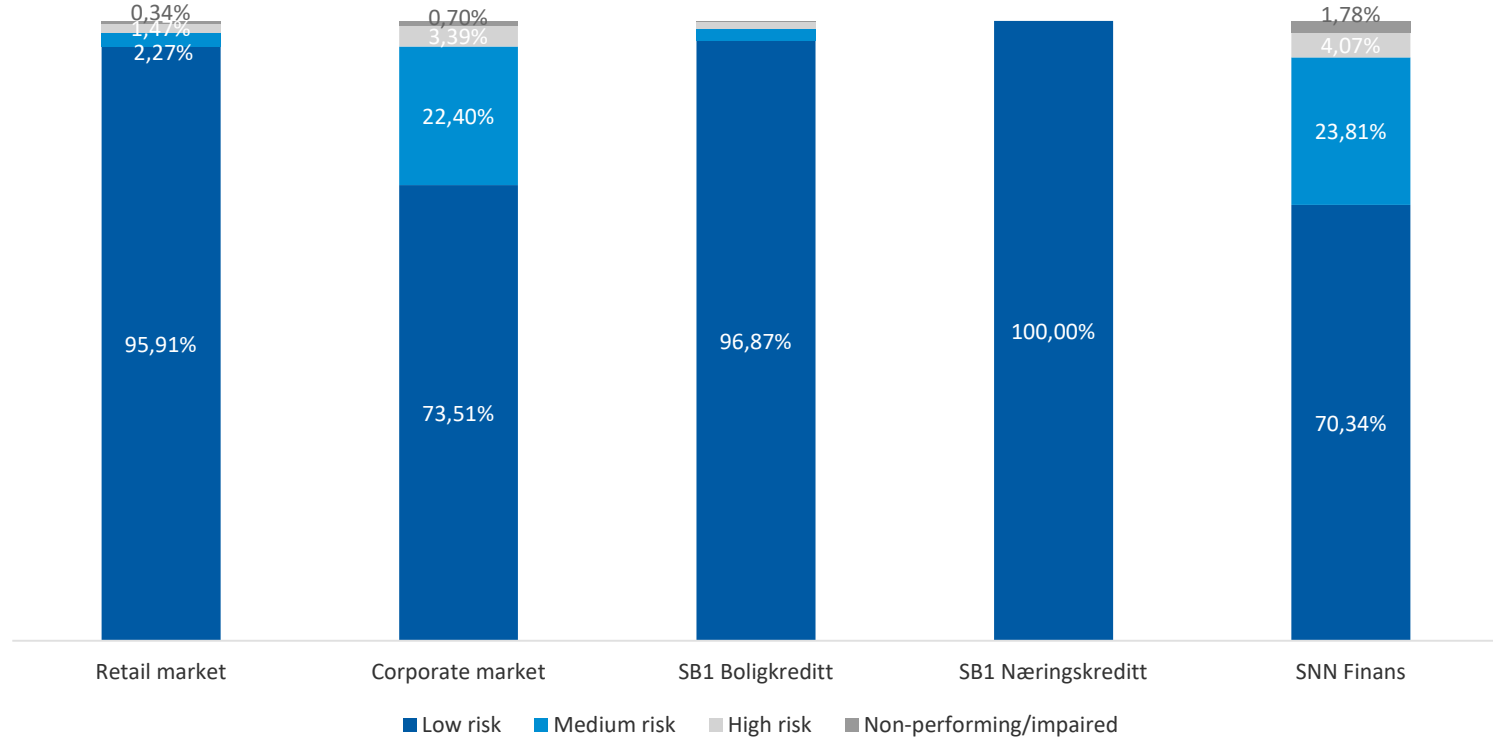
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Credit area

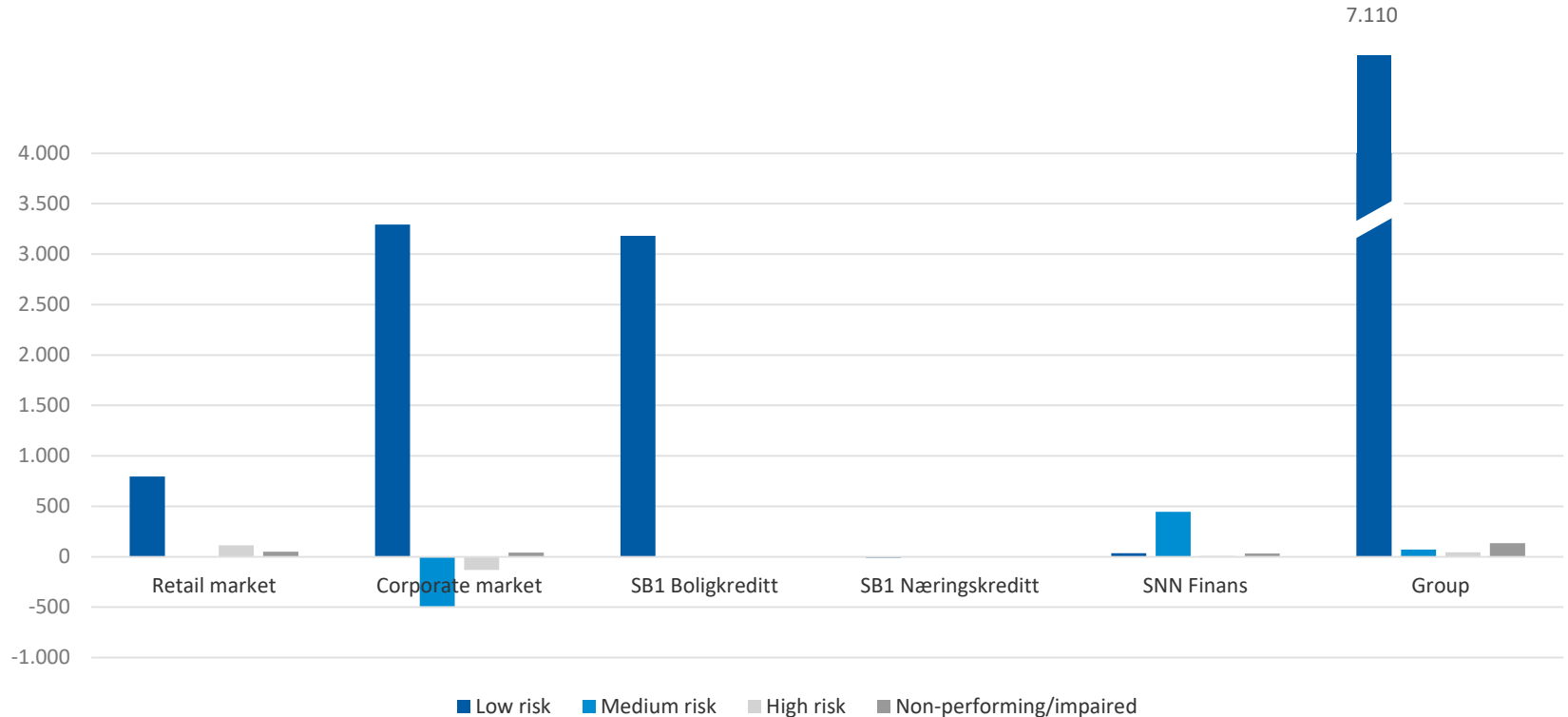
Lending portfolio - comments

- 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
- Somewhat increased exposure in non-performing/impaired commitments, but still at low levels
- Loan losses at low level

Portfolio - exposure as of 30.09.19, group

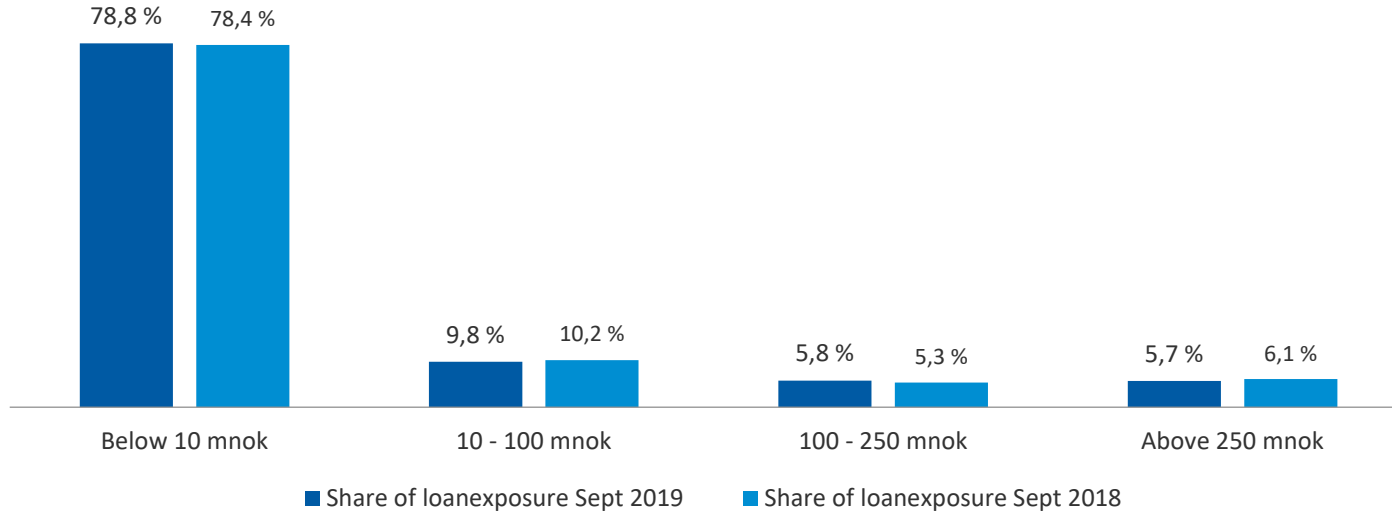


Portfolio – changes last 12 months, group



Portfolio - exposure distributed by size

Loans distributed by size of exposure and share of total exposure
Incl. SB1 Bolig- and næringskreditt



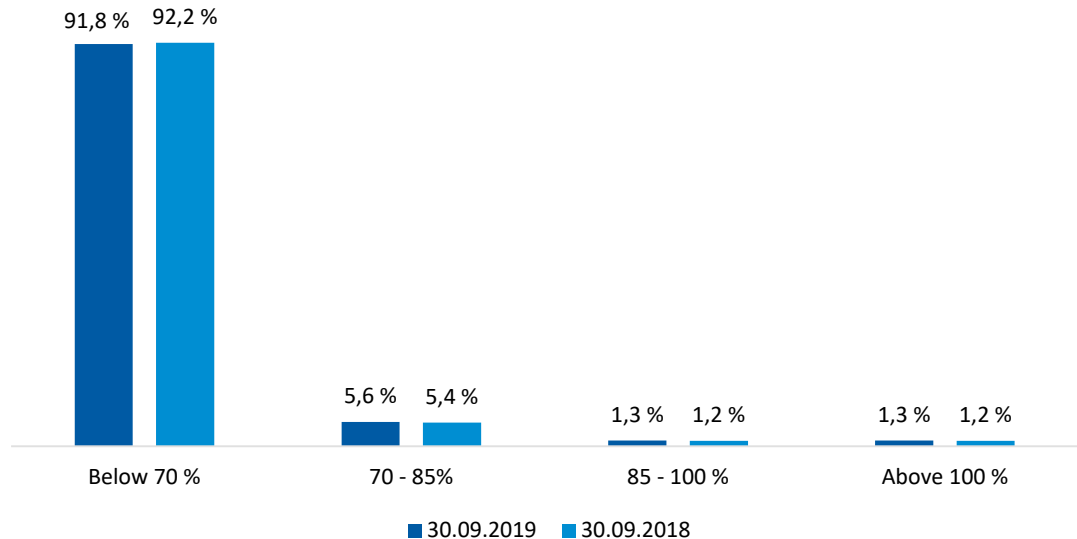
Portfolio – LTV mortgage loans

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

Exposures above 85 % are 2.6 %

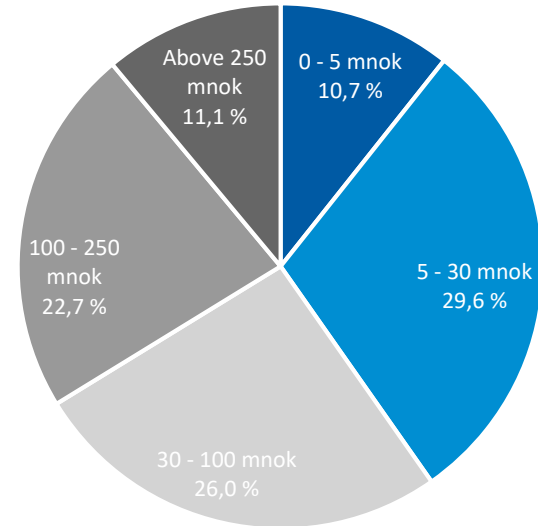
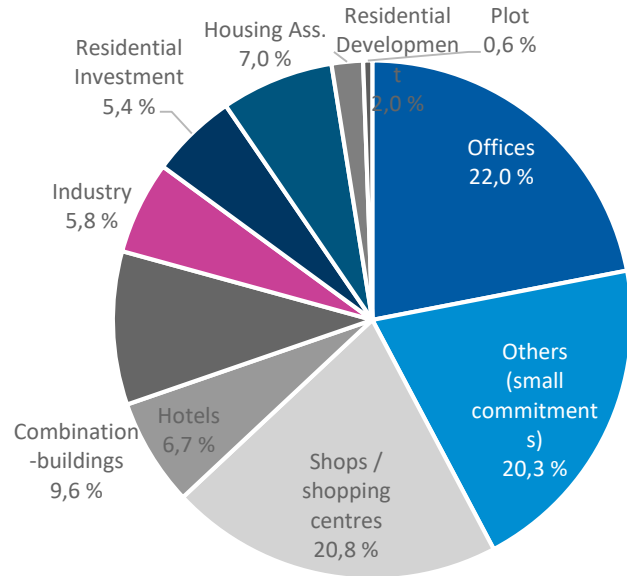
Each loan is distributed in the different intervals.

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



Portfolio – Commercial Real Estate

66.2 % of the portfolio are commitments smaller than NOK 100 mill



Portfolio – Oil related exposure

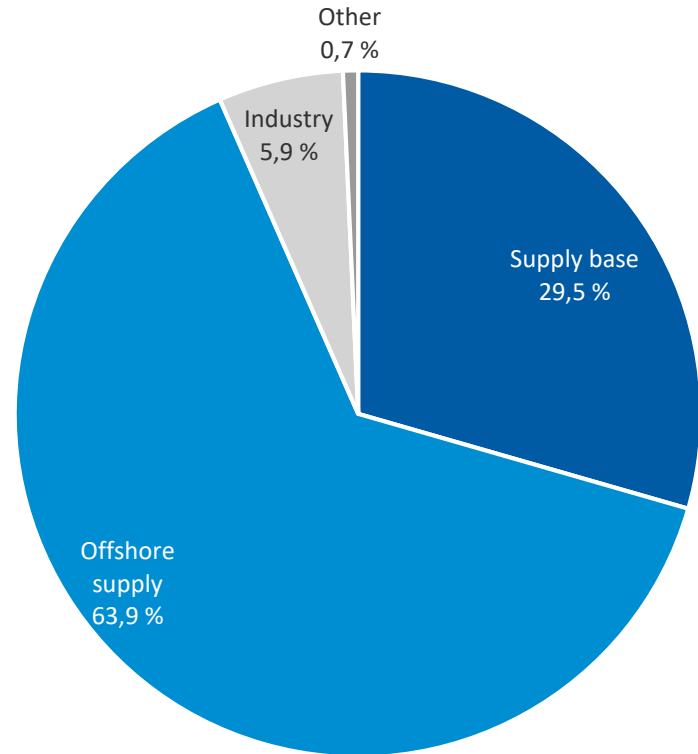
Oil related exposure amounts to NOK 997 mill

The exposure represents 0.82 % of total lending incl. Næring- and Boligkreditt

Average weighted probability of default 0.85 %

A total of NOK 37 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



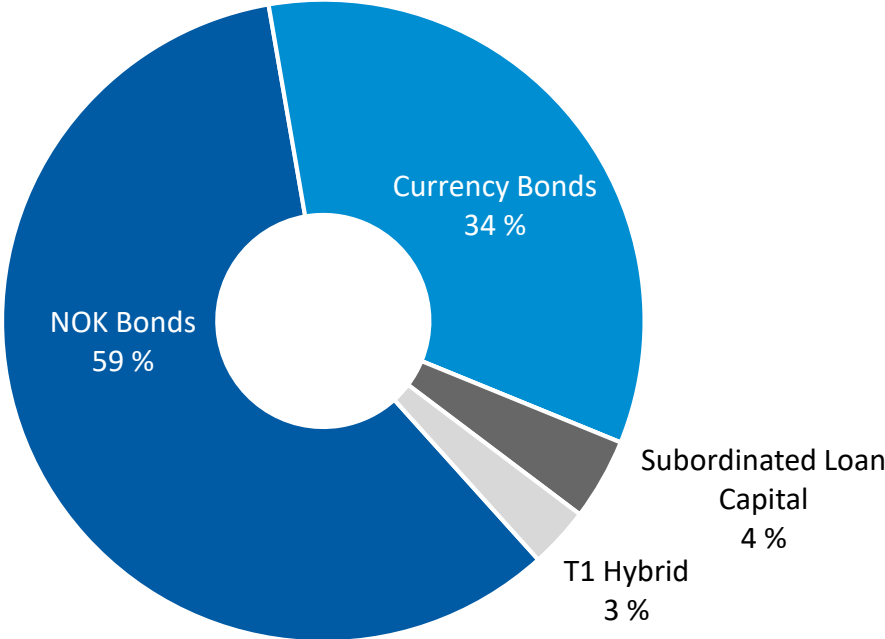
The Group's loan losses

Losses	2019	Q3 19	Q1 19	Q1 19	2018
Individual losses Corporate market	13.3	9.3	5.4	-1.4	40.4
Individual losses Retail market	3.3	-0.8	4.4	-0.4	14.3
Collective losses and other value change items	-3.4	6.2	5.8	-15.5	-32.4
Total losses on loans and guarantees	13.1	14.8	15.6	-17.3	22.3

3

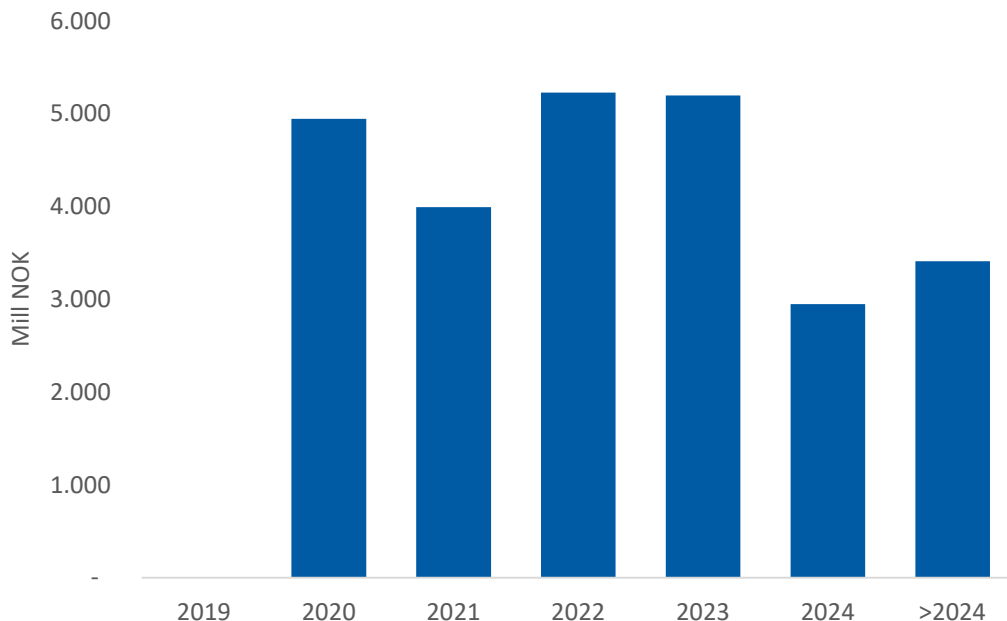
Liquidity

Funding instruments 30.09.2019



Maturity profile 30.09.2019

Capital markets funding (excl. SPABOL/SPACOM)



NOK 25 727 mill in capital market funding exclusive of SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

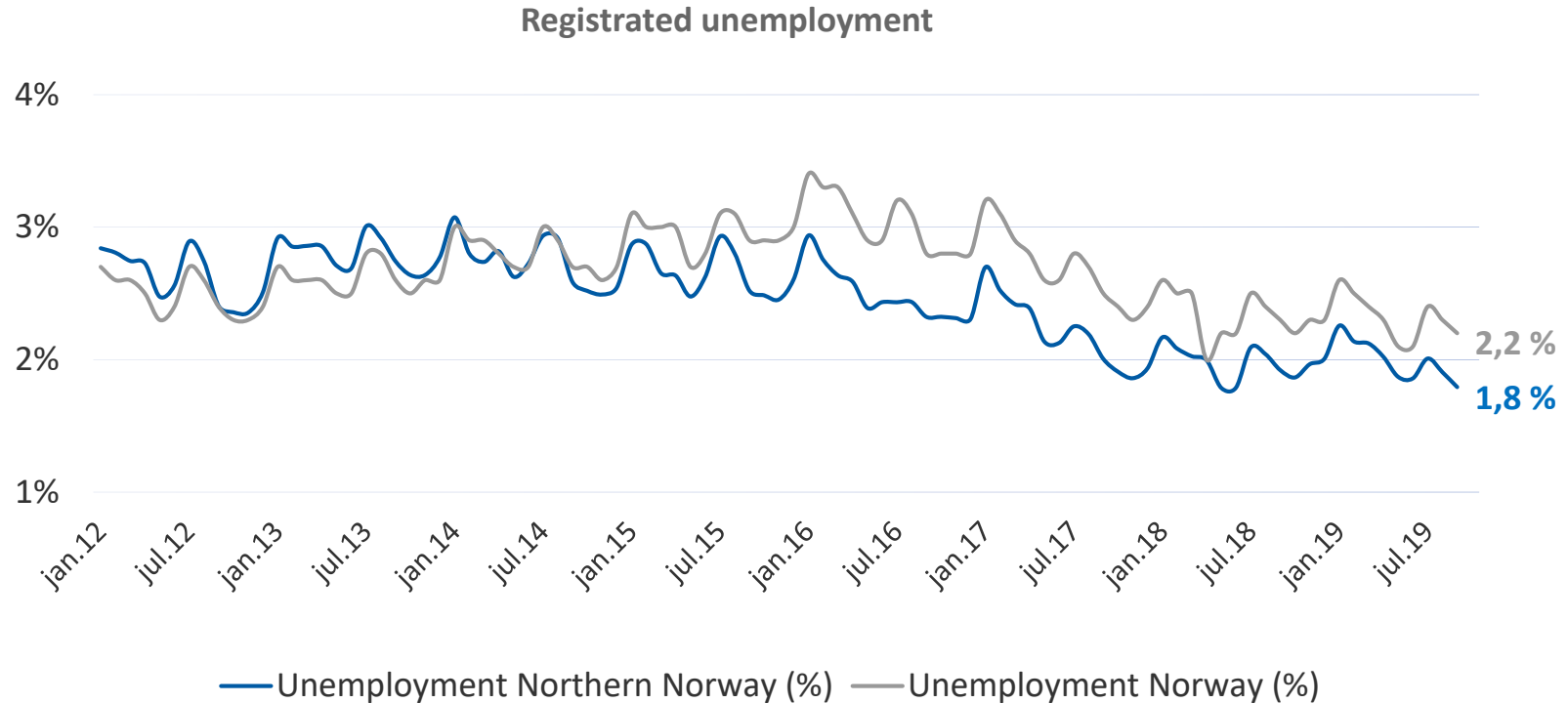
SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is important funding sources. In total NOK 34 725 mill had been transferred as of 30.09.19

Amount of gross maturities of capital market funding next 12 months is NOK 2 501 mill

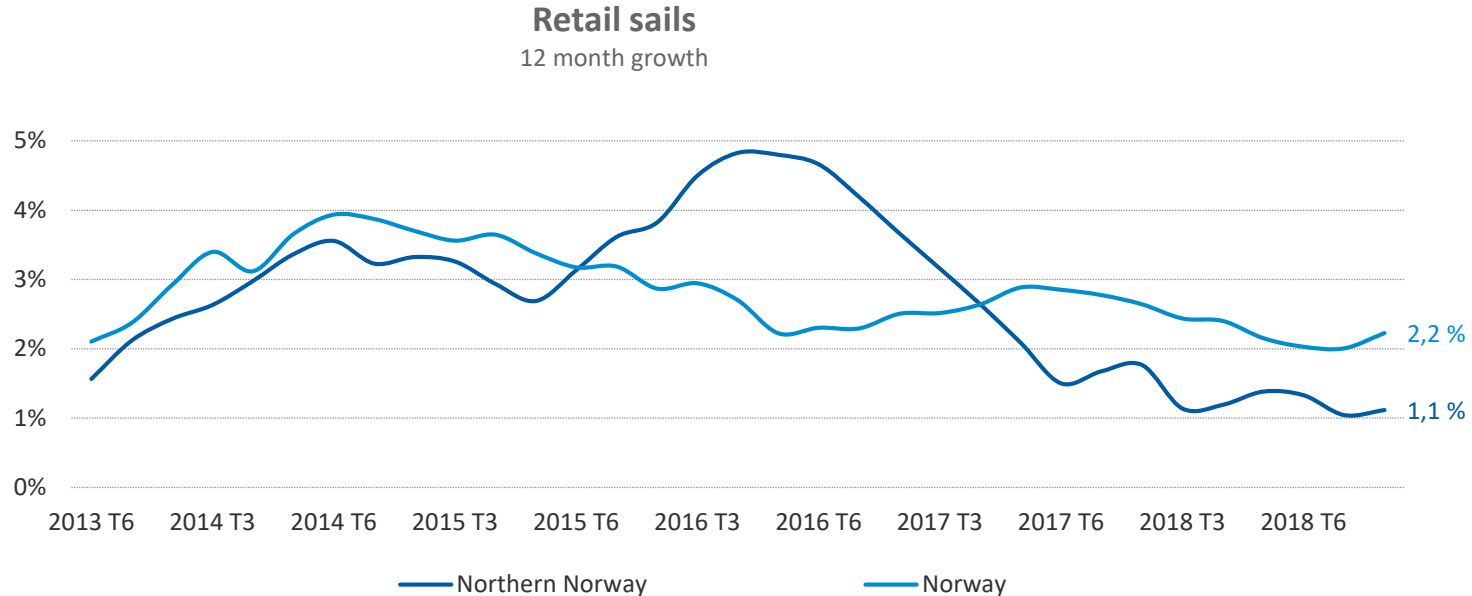
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Macro and Economic trends

Stable, low unemployment

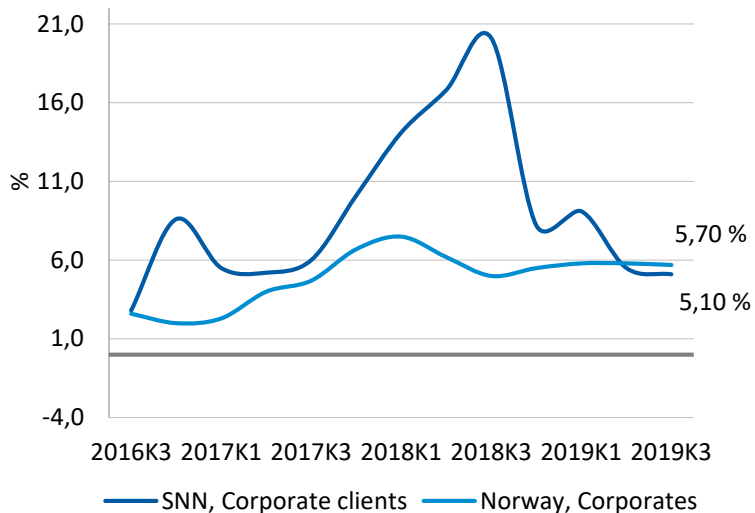


Lower growth in retail sales, and now growth is lower than Norwegian average

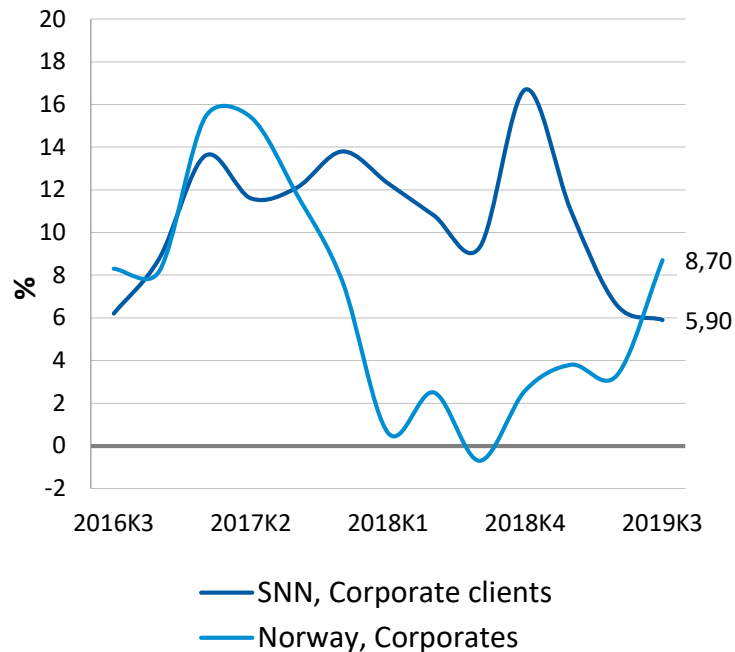


Credit and deposit growth corporates

Credit growth corporates
12 mth growth

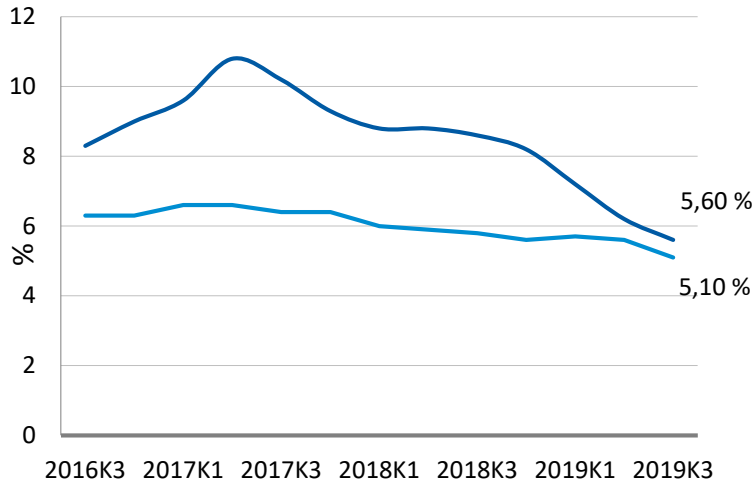


Deposit growth corporates
12 mth. growth



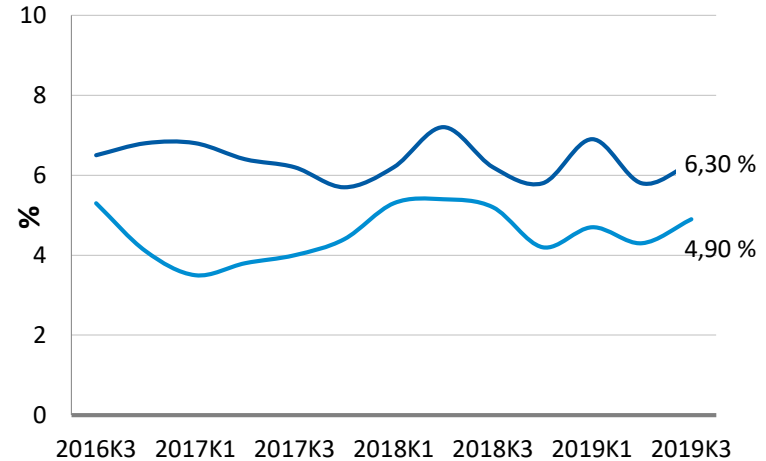
Credit and deposit growth households

Credit growth households
12 mth growth



— SNN, Retail clients — Norway, Households

Deposit growth households
12 mth. growth



— SNN, Retail clients — Norway, Households

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%