

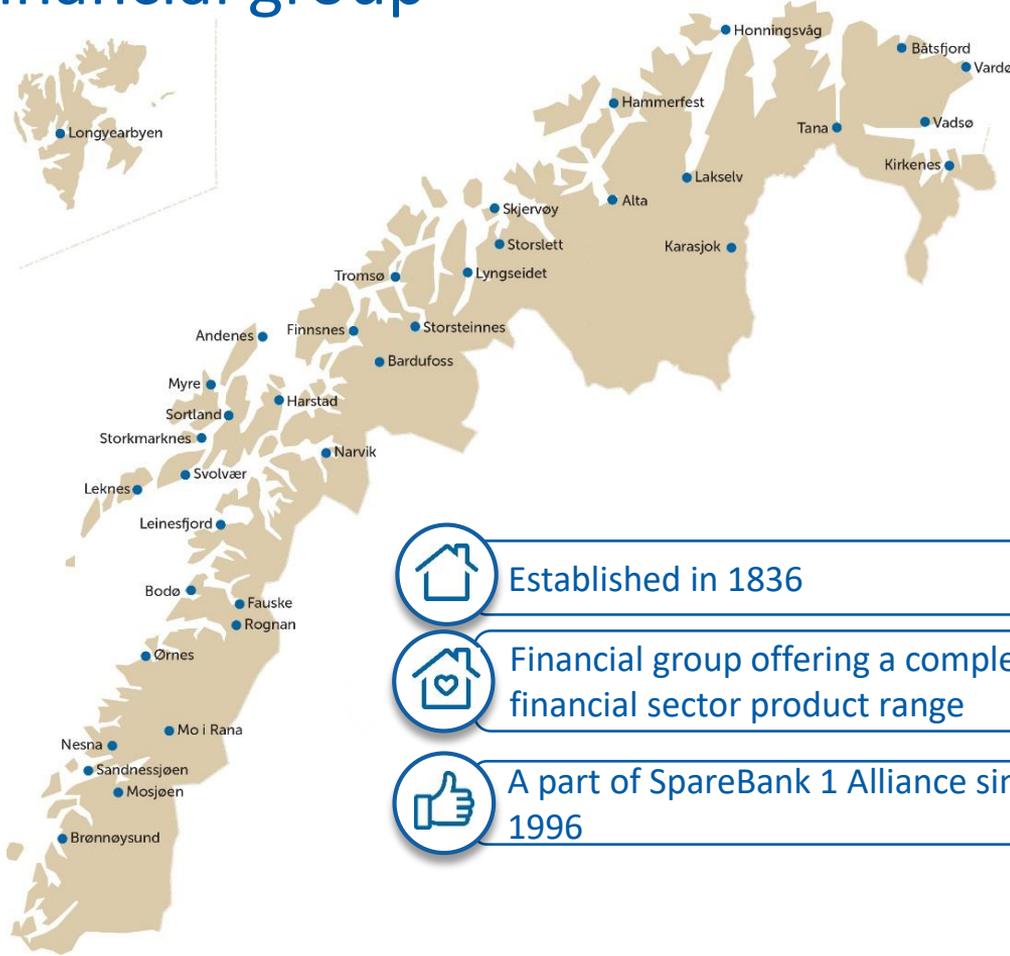


# Preliminary accounts 2017

Tromsø 9 Februar 2018

**SpareBank**  
NORD-NORGE 

# SpareBank 1 Nord-Norge – the world's northernmost financial group



Northern Norway: 35 % of Norway's land area and 482,000 inhabitants



354,900 retail customers



25,336 corporate customers



14,844 clubs and associations



Lendings volume NOK 101,8 bill



46.4 % listed on Oslo Stock Exchange and 53,6 % community owned



Established in 1836



Financial group offering a complete financial sector product range



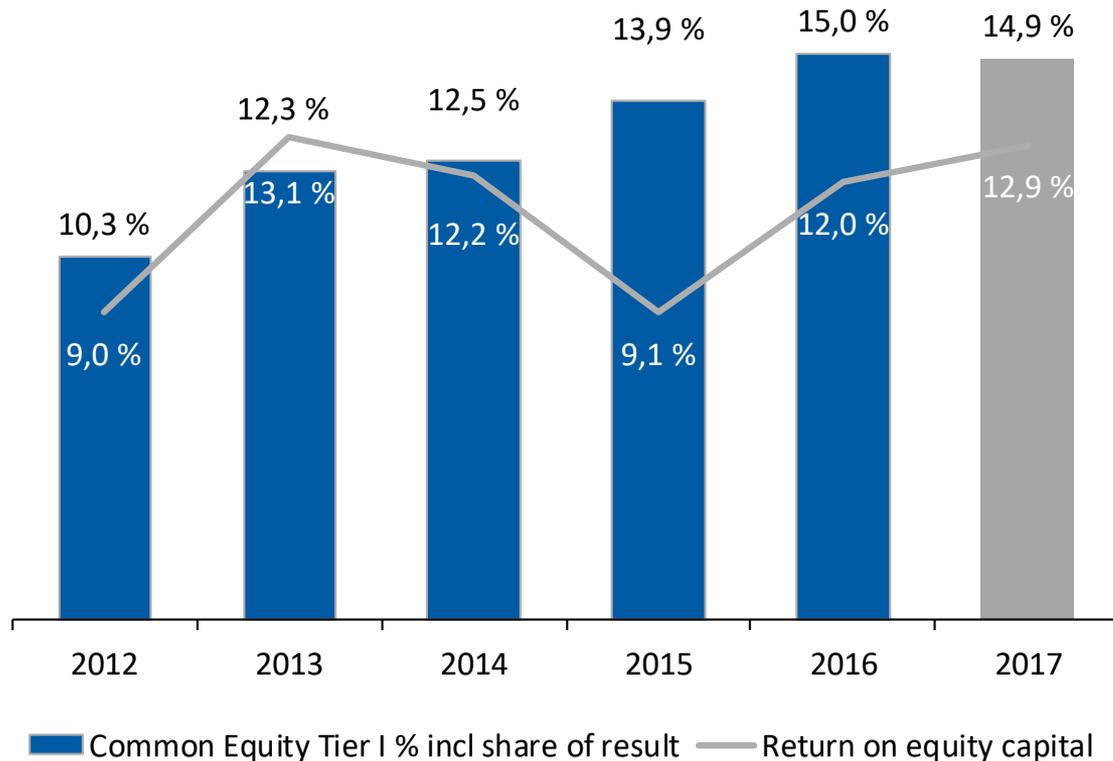
A part of SpareBank 1 Alliance since 1996

# Preliminary annual accounts 2017 - Group

|                        |  |
|------------------------|--|
| PRE-TAX PROFIT         | NOK 1 764 mill (NOK 1 544 mill)        |
| RETURN ON EQUITY       | 12.9 % (12.0 %). 4Q ISO: 14.7 %        |
| C/I-RATIO              | 41.2 % (42.9 %)                        |
| MODERATE LOAN LOSSES   | NOK 184 mill (NOK 213 mill)            |
| CET-1 RATIO            | 14.9 % (15.0 %)                        |
| PROPOSED CASH DIVIDEND | NOK 4.00 per equity certificate (3.45) |

# Solidity is built – rate of return sustained

Return on equity / Common Equity Tier I % incl share of result



# Strategic measures have been effective

- ✓ Core business cultivated
- 👥 Streamlined and renewed staffing
- 📍 Adjustment of physical presence
- 📱 New digitized processes
- 📄 Cooperation on innovation



Source: Nils Christian Øyen, SpareBank 1 Markets

# International focus on the Arctic as a resource area

The world's  
best and  
cleanest

## Food

Important commodity supplier

## Energy

New fields provide increased activity

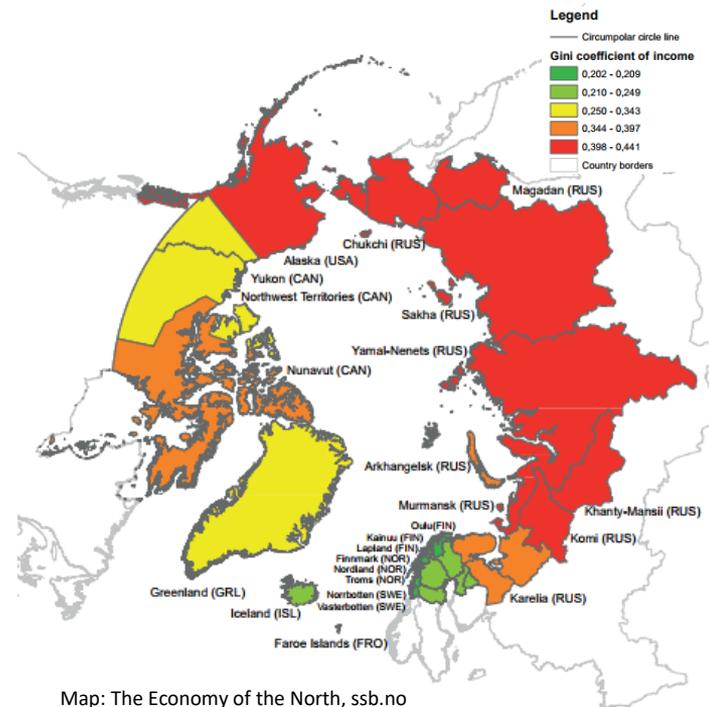
## Experiences

Good growth within tourism

## Minerals

Extensive mineral resources

The world's leading arctic competence



# Strong macroeconomic outlook

|   | Area    | Status  | Outlook   |
|---|---------|---|---|
|  | Macro   |  |  |
|  | Seafood |  |  |
|  | Tourism |  |  |

|  | Area          | Status  | Outlook   |
|--|---------------|---|---|
|  | Construction  |  |  |
|  | Merchandising |  |  |
|  | Oil and gas   |  |  |

# Northern Norwegian business sector – SMEs, profitable and solid

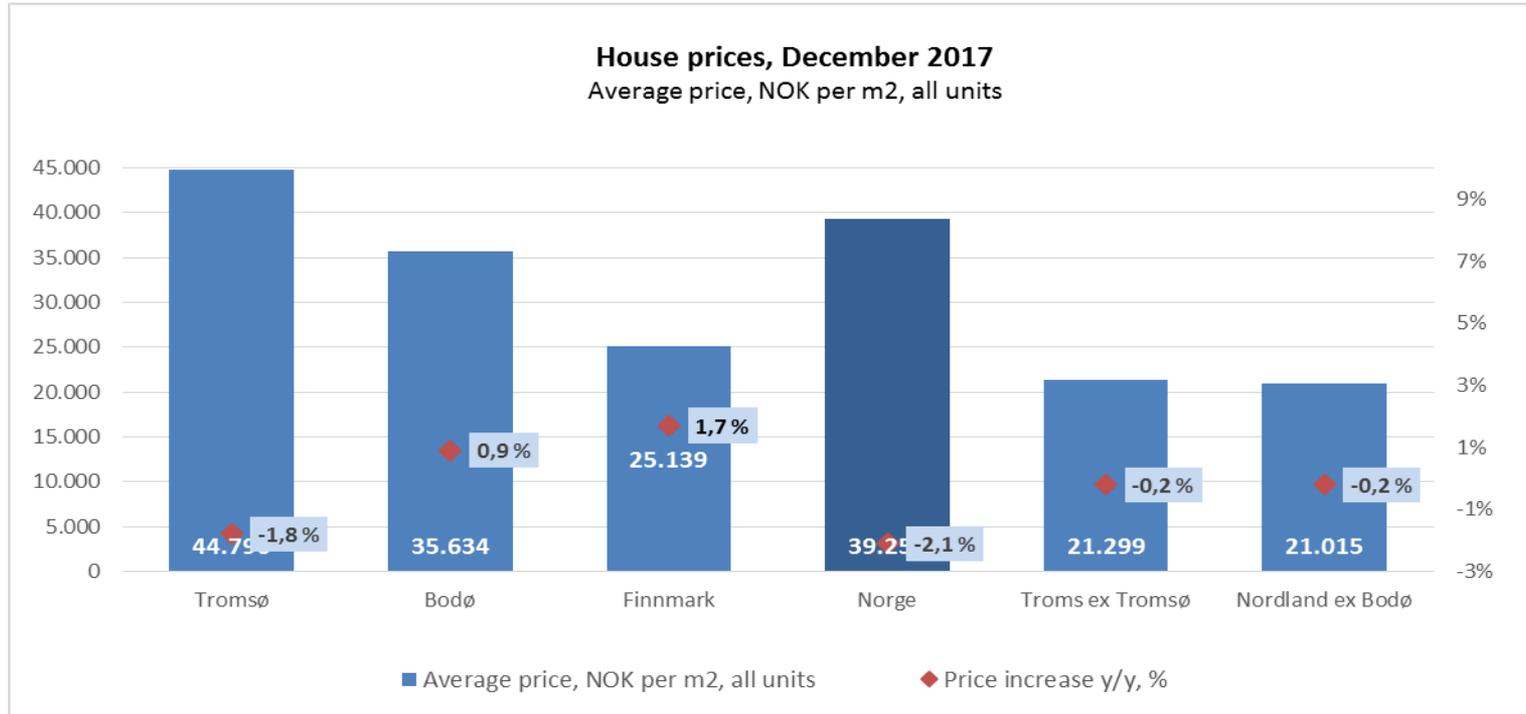
|                  | Northern Norway | Norway        |
|------------------|-----------------|---------------|
| Annual turnover  | NOK 11,1 mill   | NOK 20,0 mill |
| Employees        | 9.6             | 11.1          |
| Operating margin | 10 %            | 9 %           |
| Equity ratio     | 29 %            | 25 %          |

\*Weighted average

Source: Konjunkturbarometer for Nord-Norge



# Somewhat reduced housing prices in the north

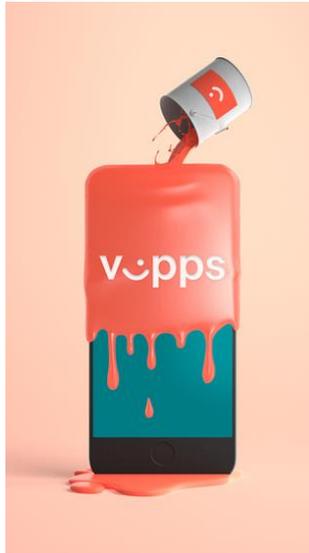


Source: Eiendom Norge, Finn.no og Eiendomsverdi AS, *Boligprisstatistikk*

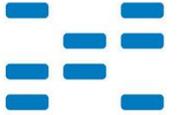
# Ownership provides diversified income and underlying values

| Group  | SpareBank 1 Gruppen  | Other joint product companies   |
|--|--|---|
|  <p>SpareBank 1<br/>NORD-NORGE</p> <p>SpareBank 1<br/>REGNSKAPSHUSET</p> <p>SpareBank 1<br/>FINANS NORD-NORGE</p> <p>EiendomsMegler 1</p> | <ul style="list-style-type: none"><li>○ SB1 Forsikring (insurance)</li><li>○ Odin (fund management)</li><li>○ Conecto (debt collection)</li><li>○ Finans</li><li>○ Medlemskort (LOfavør)</li></ul> | <ul style="list-style-type: none"><li>○ Kredittkort (credit card)</li><li>○ SB1 Markets</li><li>○ BN Bank</li><li>○ Vipps</li><li>○ Bank Axept</li><li>○ BankID</li><li>○ Næringskreditt (covered bond issuer)</li><li>○ Boligkreditt (covered bond issuer)</li></ul> |

# Innovation provides the world's best payment infrastructure



bank  
**axept**

 bankID™

# The combination of near and digital implies #superlocal



**SpareBank 1 Nord-Norge**  
Sponsored · 🌐

Vi vet det kan være vanskelig å komme i gang med pensjonssparingen... Men trykker du her er du kommet et langt stykke på vei!

sparebank1.no/pensjon [LEARN MORE](#)

**Spar til egen pensjon!**

Ken G. Karlsen and 31 others  
2 comments 2 shares

Like Comment Share

**Aurora**

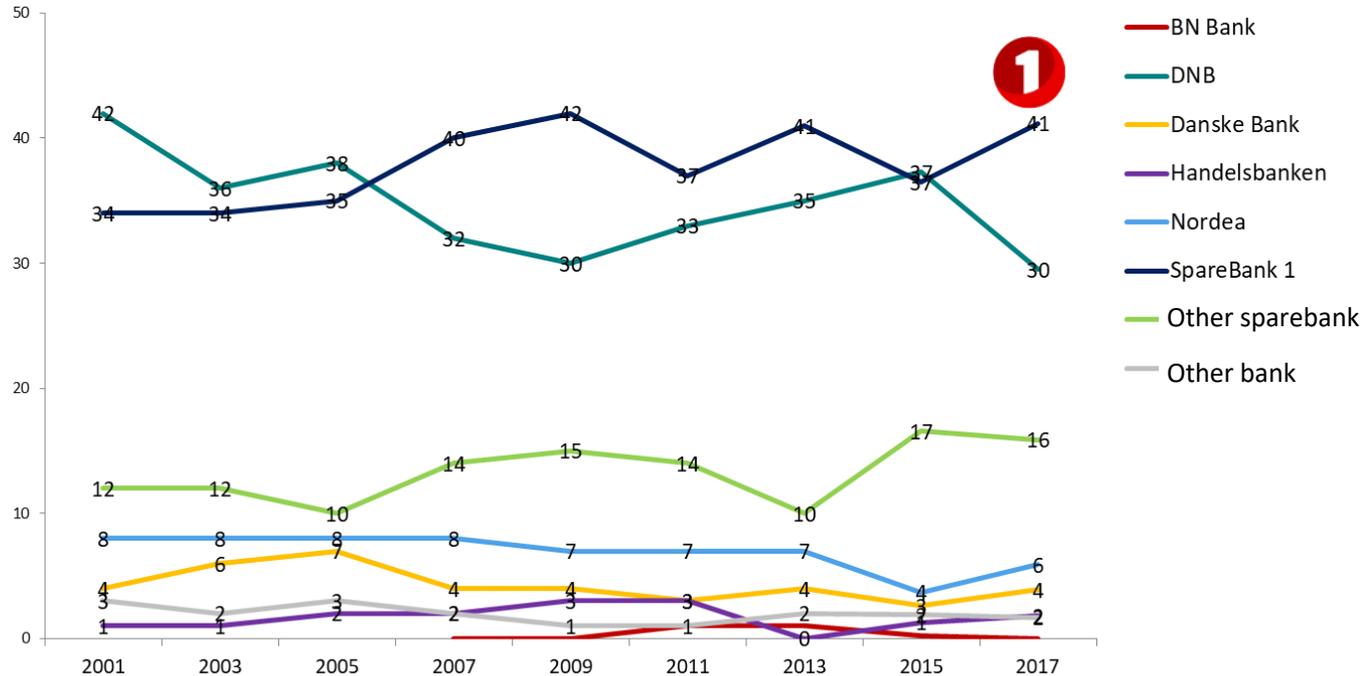
Aurora her! Hva kan jeg hjelpe deg med? Jeg er SpareBank 1 Nord-Norge sin nye digitale veileder.

Pssst! Ikke oppgi personlig informasjon som navn, kontonummer eller fødselsnummer til meg.

Hva kan jeg hjelpe deg med? [SEND](#)

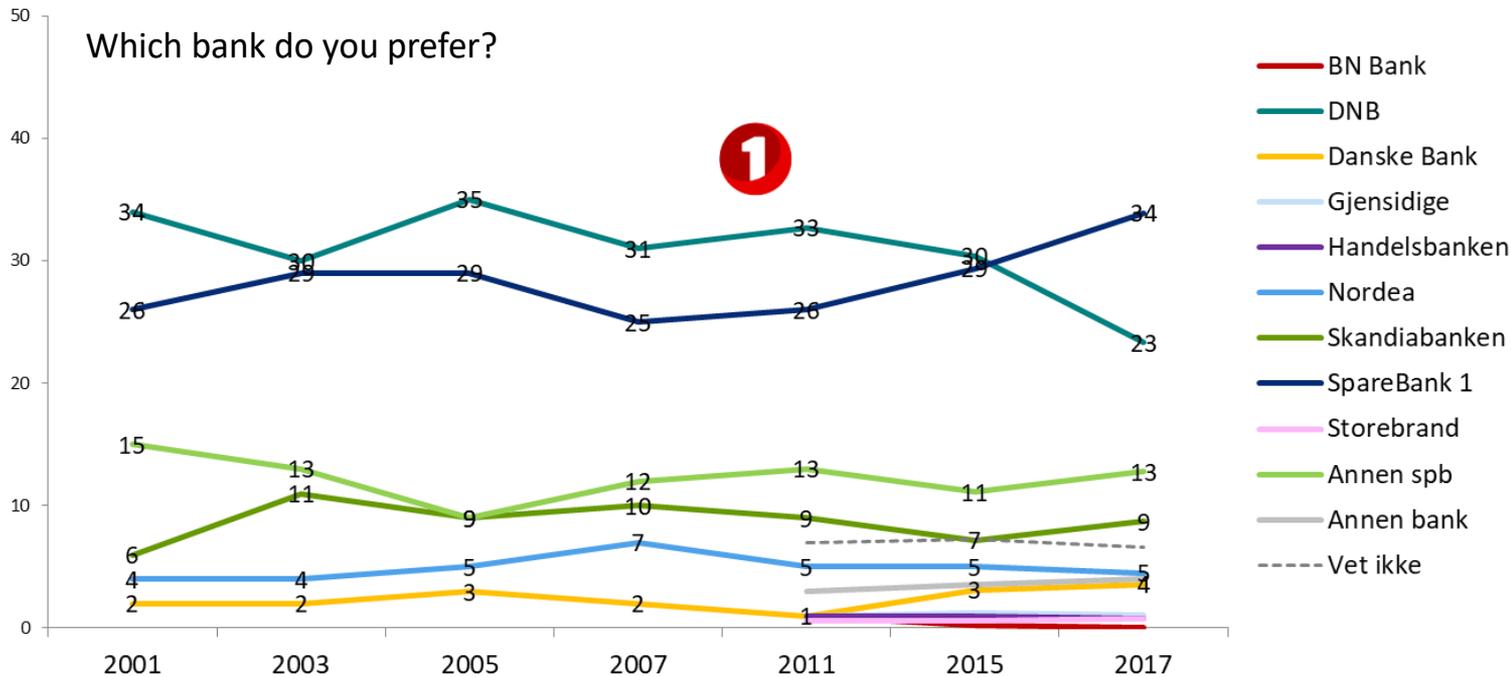
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# Competitors' closure of branches has led to rapid SME growth



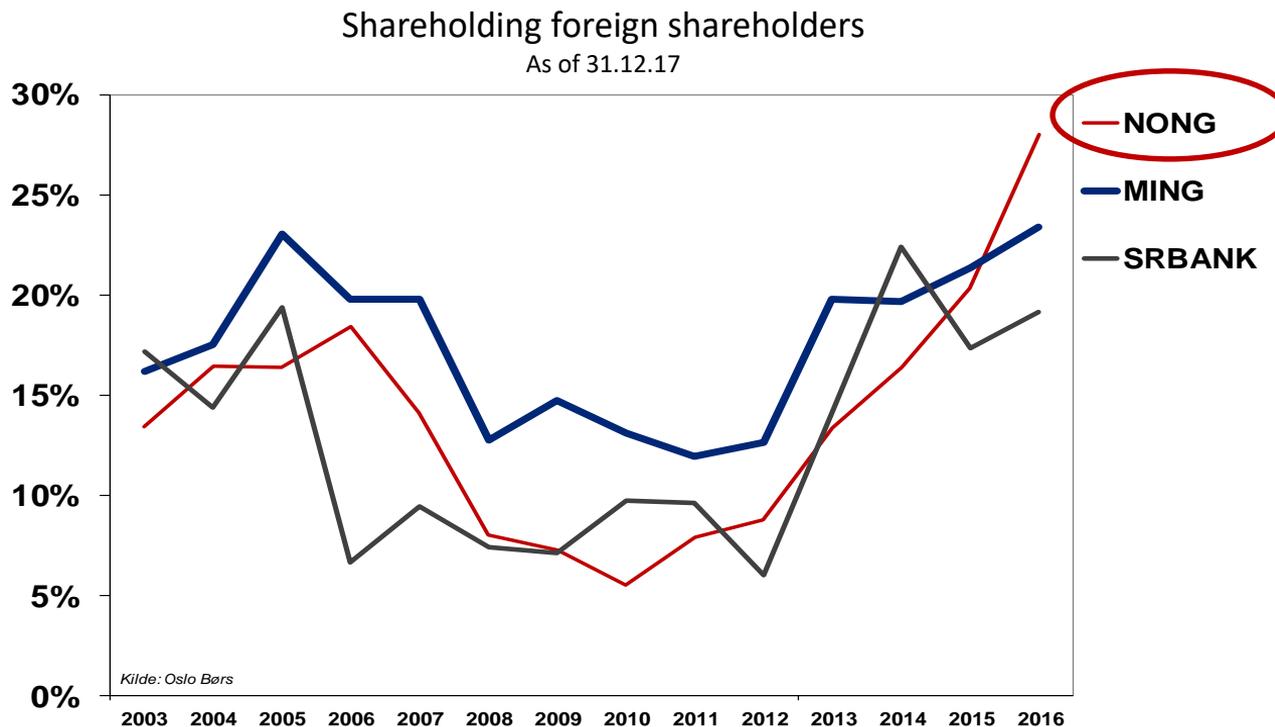
\*Main bank in the SME market (%). Source: KANTAR TNS

# ...and a pronounced preference among the region's personal customers



Preference in retail market (%). Source: KANTAR TNS

# Considerable increase in foreign ownership (number and share)

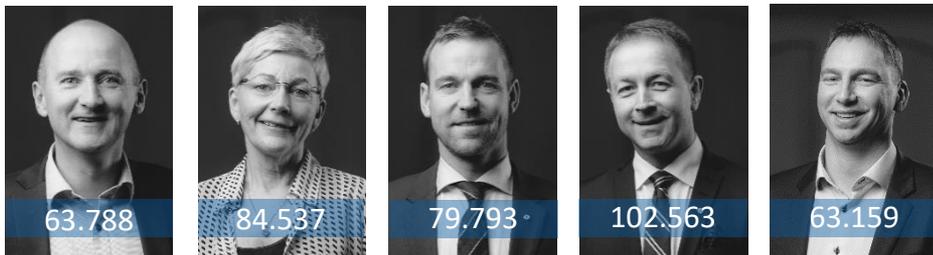


Source: Stein Husby, SpareBank 1 Markets/ Oslo Stock Exchange

# Broad and strong ownership among management and employees



Numbers of EC certificates as of 31 December 2017



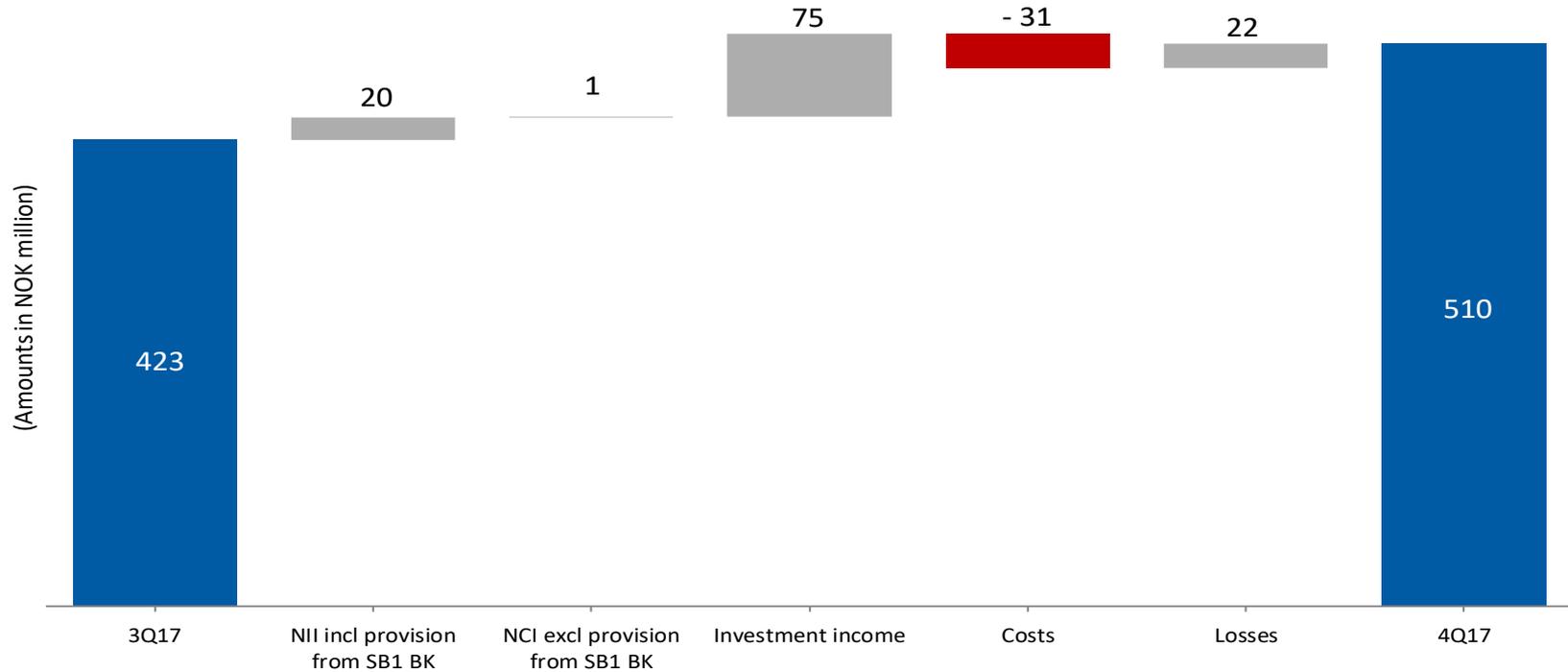
More than 90 %  
of all employees  
in the Group  
own EC certificates

# Quarterly summary – Profit and loss account

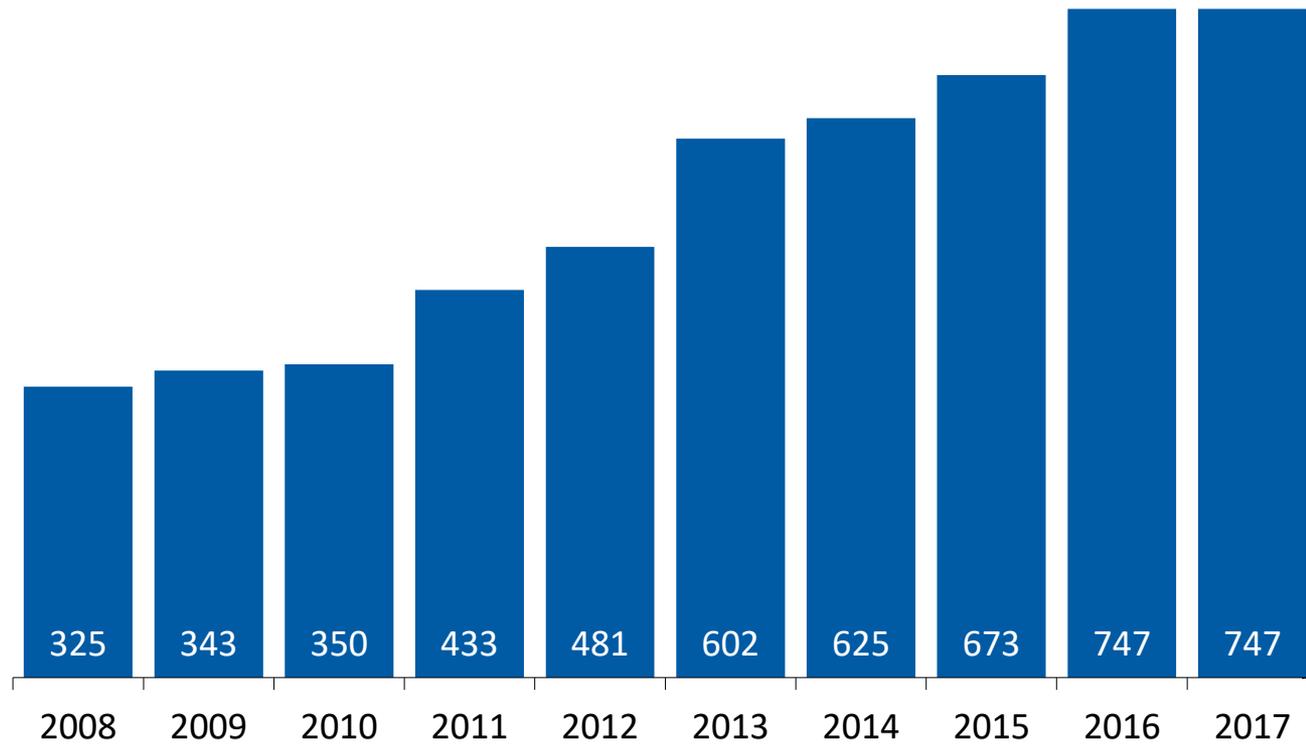
(Amounts in NOK million)

|   | <b>4Q17</b>   | 3Q17   | 2Q17   | 1Q17   | 4Q16   |
|---|---------------|--------|--------|--------|--------|
| Net interest income                             | <b>461</b>    | 450    | 437    | 422    | 434    |
| Net fee-, commission and other operating income | <b>265</b>    | 255    | 248    | 224    | 234    |
| Net income from financial investments           | <b>194</b>    | 119    | 124    | 115    | 116    |
| <b>Total net income</b>                         | <b>920</b>    | 824    | 809    | 761    | 784    |
| <b>Total costs</b>                              | <b>373</b>    | 342    | 325    | 326    | 375    |
| <b>Result before losses and write-downs</b>     | <b>547</b>    | 482    | 484    | 435    | 409    |
| Net losses and write-downs                      | <b>37</b>     | 59     | 44     | 44     | 64     |
| <b>Result before tax</b>                        | <b>510</b>    | 423    | 440    | 391    | 345    |
| Return on equity capital                        | <b>14,7 %</b> | 12,4 % | 13,1 % | 11,6 % | 9,9 %  |
| Cost/income                                     | <b>40,5 %</b> | 41,5 % | 40,2 % | 42,8 % | 47,8 % |

# Changes in P & L last quarter

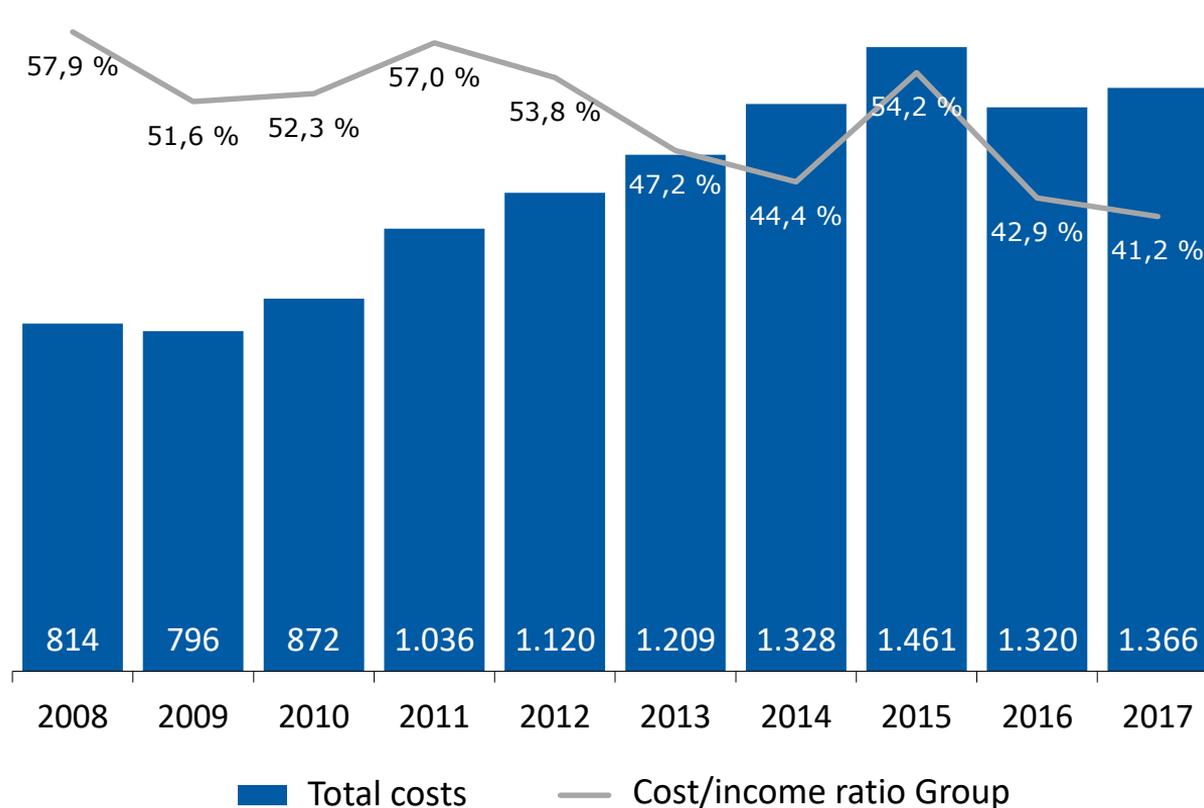


# Other income - development

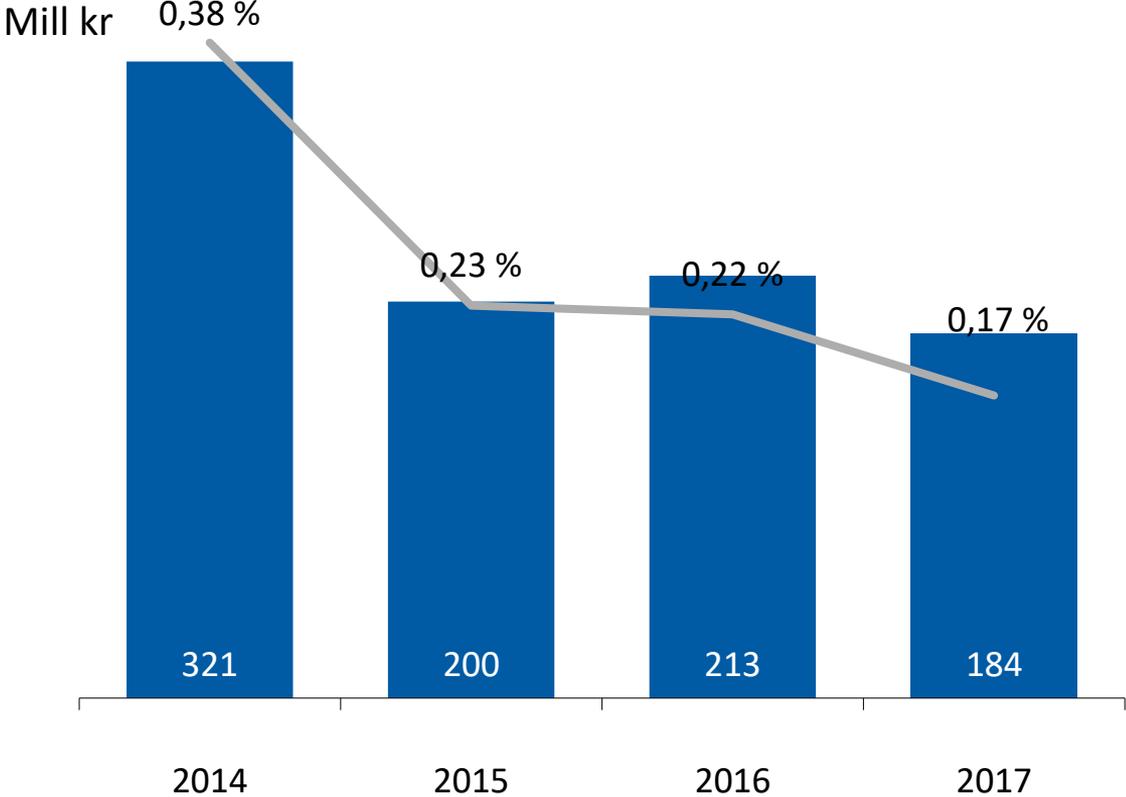


■ Other income excl commissions from intermediary loans

# Cost income ratio



# Net loan losses, customer loans and guarantees

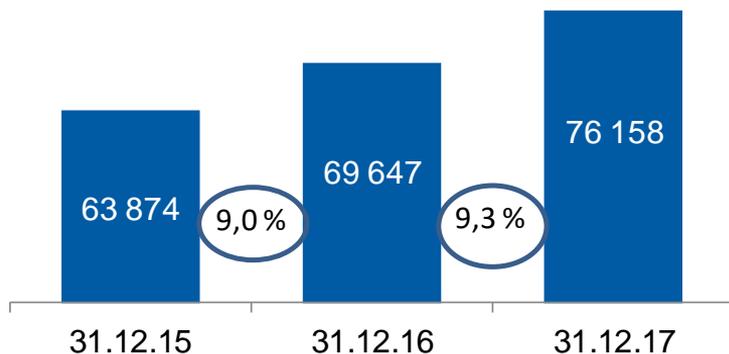


Net losses 4Q 2017 in isolation:  
NOK 37 mill

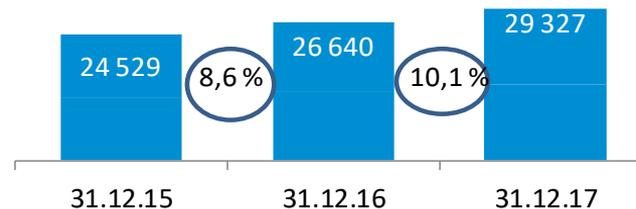
■ Net losses — Net losses in % of gross lending incl Boligkreditt

# Considerable lending growth

Retail incl. SpareBank 1 Boligkreditt



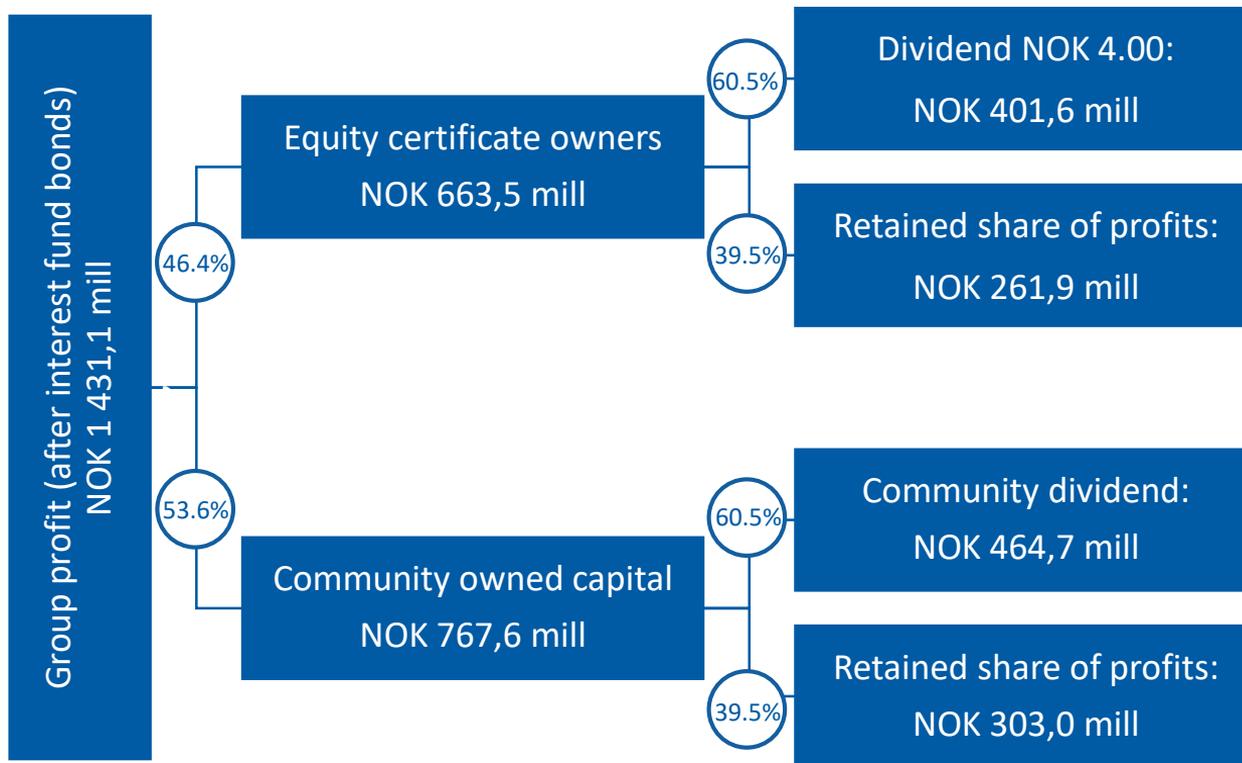
Corporate/public market



Lending growth retail market 4Q ISO: 2.0 %

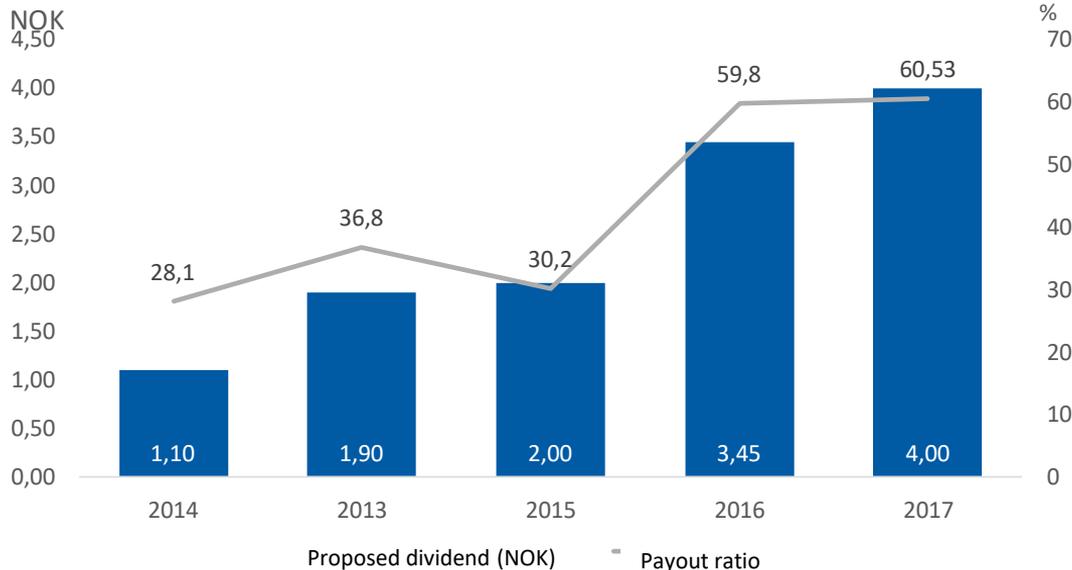
Lending growth corporate market 4Q ISO: 7.8 %

# Board's proposal for profit allocation of the Group's result



# Dividend: Target and historical figures

- Excess capital will not be used for activities outside the core business
- Instrument for future repayment to owners:
  - Dividend
  - Buyback NONG – not considered adequate due to unequal treatment of ownership groups



**Target dividend  
minimum 50 %**

# Financial targets and outlook

> 12 % ROE

CET-1 ratio:  
> 14,5 %

C/I ratio:  
< 40 %

Divided payout ratio:  
> 50 %



# Why invest in SpareBank 1 Nord-Norge?

- 1** Strong 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

# Contact information:

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Tel + 47 909 75 183

CFO Rolf Eigil Bygdnes

Tel +47 905 19 774

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

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





# 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

# Facts about northern Norway



34.9% of Norway's area  
3 counties, 87 municipalities

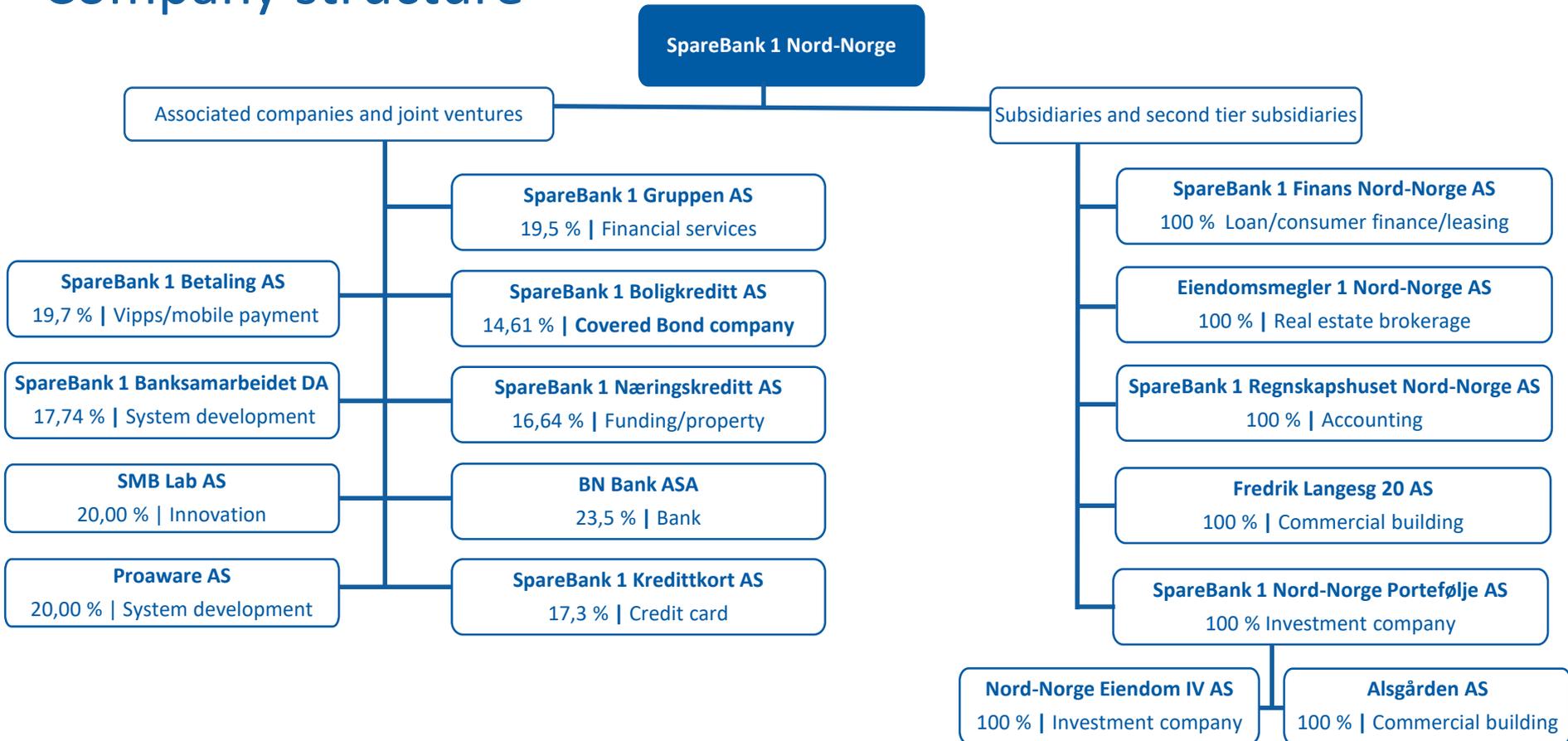
- **Nordland:** 242,866 residents
- **Troms:** 163,453 residents
- **Finnmark:** 75,605 residents

**Key industries:** Seafood, tourism, agriculture, industry, energy, oil

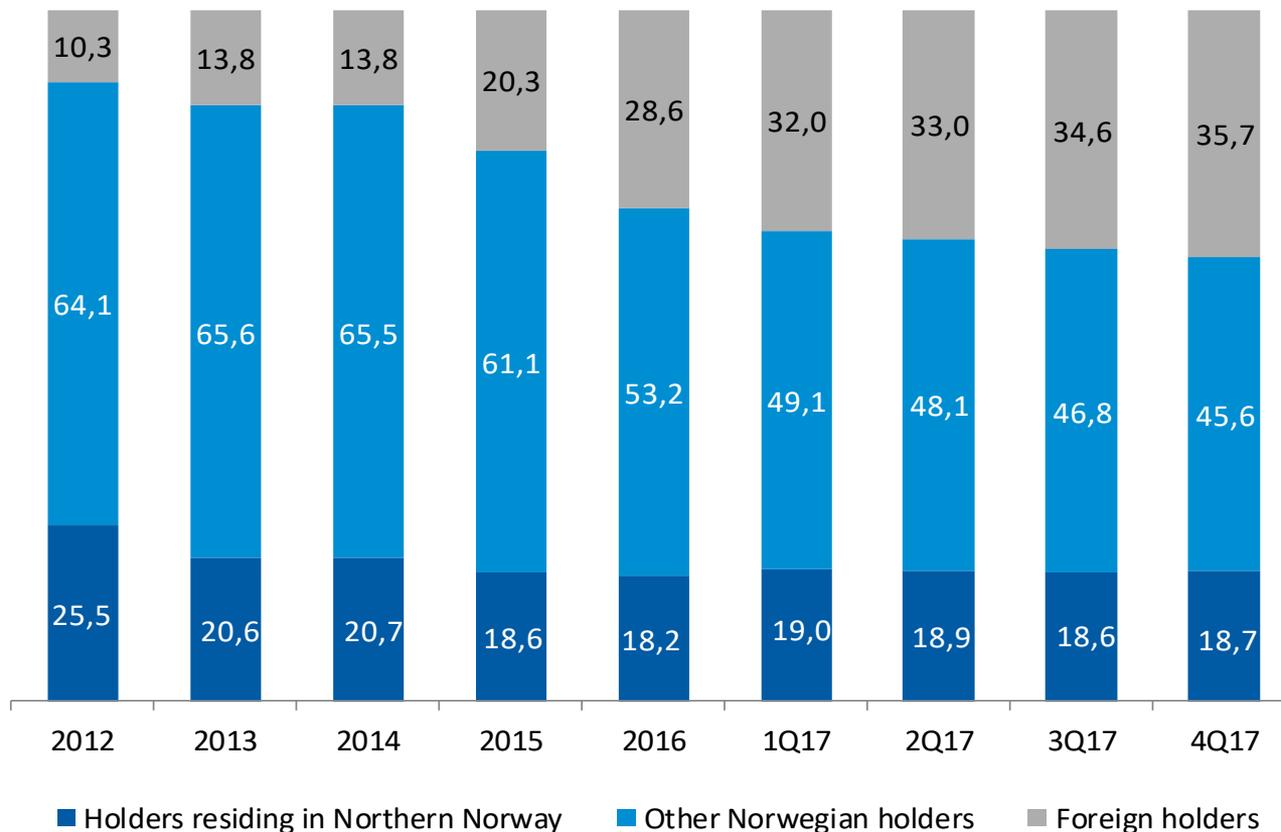
Employees public sector North Norway: 41 %  
Employees public sector Norway: 32 %

Planned private and public investments  
towards 2025: NOK 635 billion

# Company structure



# Equity Certificates (EC) – holder structure by geography



# The 20 largest EC holders

| Equity Certificate holders                               | Number of<br>Equity Certificates | Share of total<br>Equity Certificate |
|--|----------------------------------|--------------------------------------|
| PARETO AKSJE NORGE                                       | 3.069.150                        | 3,06 %                               |
| MP PENSJON PK  | 2.697.811                        | 2,69 %                               |
| THE NORTHERN TRUST COMP, LONDON NON-TREATY ACCOUNT       | 2.655.981                        | 2,65 %                               |
| STATE STREET BANK AND TRUST COMP A/C CLIENT OMNIBUS F    | 2.592.616                        | 2,58 %                               |
| FLPS - PRINC ALL SEC STOCK SUB                           | 2.389.900                        | 2,38 %                               |
| MORGAN STANLEY AND CO INTL PLC BNY MELLON SA/NV          | 2.074.940                        | 2,07 %                               |
| GEVERAN TRADING CO LTD                                   | 1.793.280                        | 1,79 %                               |
| VERDIPAPIRFONDET DNB NORGE (IV) V/DNB ASSET MANAGEMENT   | 1.772.126                        | 1,77 %                               |
| METEVA AS  | 1.614.670                        | 1,61 %                               |
| SKANDINAVISKA ENSKILDA BANKEN AB SEB AB, UCITS V         | 1.518.259                        | 1,51 %                               |
| SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGE               | 1.411.606                        | 1,41 %                               |
| FORSVARETS PERSONELLSERVICE                              | 1.391.630                        | 1,39 %                               |
| POPE ASSET MANAGEMENT, LLC BNY MELLON SA/NV              | 1.373.754                        | 1,37 %                               |
| VPF EIKA EGENKAPITALBEVIS C/O EIKA KAPITALFORVALTNING AS | 1.241.971                        | 1,24 %                               |
| PARETO AS  | 970.659                          | 0,97 %                               |
| STATE STREET BANK AND TRUST COMP A/C WEST NON-TREATY ACC | 946.988                          | 0,94 %                               |
| LANDKREDITT UTBYTTE                                      | 850.000                          | 0,85 %                               |
| STATE STREET BANK AND TRUST COMP A/C CLIENT OMNIBUS D    | 790.379                          | 0,79 %                               |
| STATE STREET BANK AND TRUST COMP S/A SSB CLIENT OMNI E   | 777.631                          | 0,77 %                               |
| JP MORGAN SECURITIES PLC BNY MELLON SA/NV                | 774.000                          | 0,77 %                               |
| <b>The 20 largest EC holders</b>                         | <b>32 707 351</b>                | <b>32,58 %</b>                       |

# 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 %                                    |

The 20 largest EC holders residing in Northern Norway <sup>1)</sup>

5 356 820

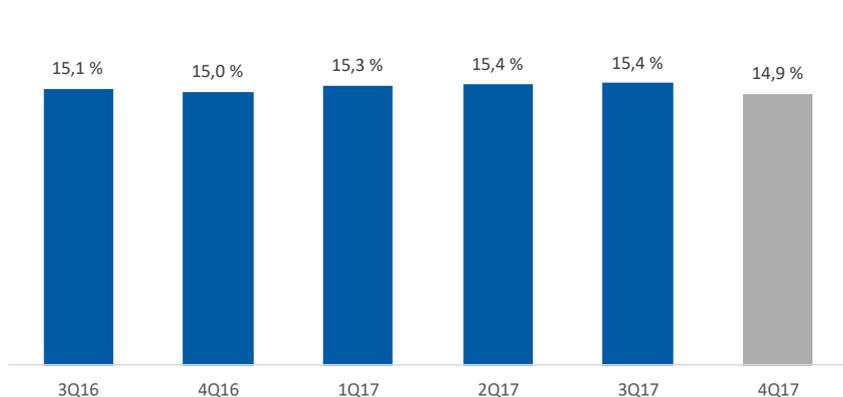
5,34 %

2

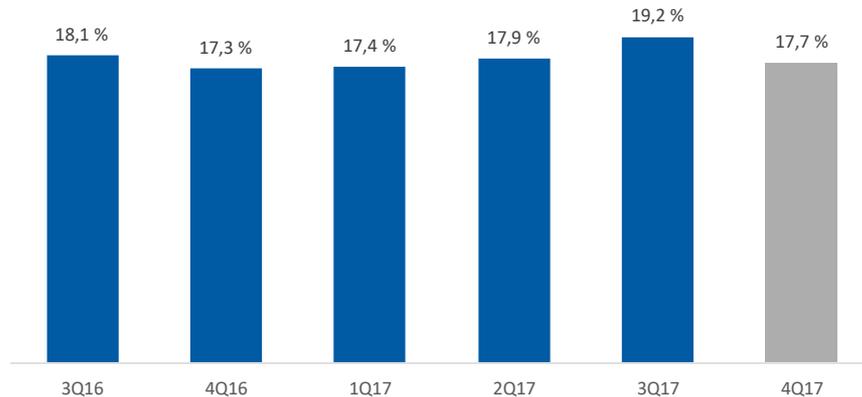
## Financial figures – additional information

# Capital adequacy ratio - Group

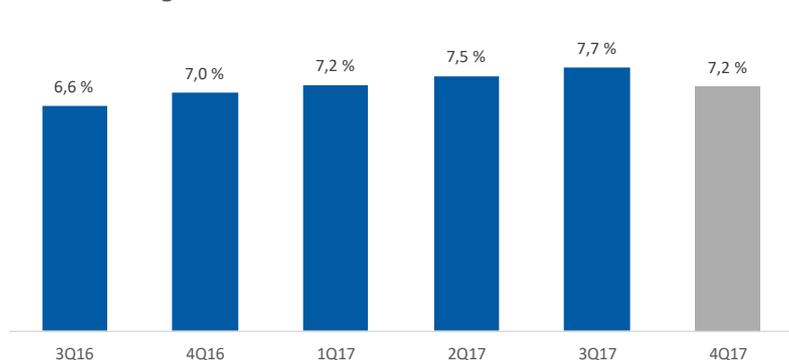
CET 1 incl floor



CET 1 excl floor



Leverage ratio - LR incl result



Minimum regulatory CET 1 level

31.12.17

**13,5 %**

**1,5 %**

**2,5 %**

**2,0 %**

**3,0 %**

**4,5 %**

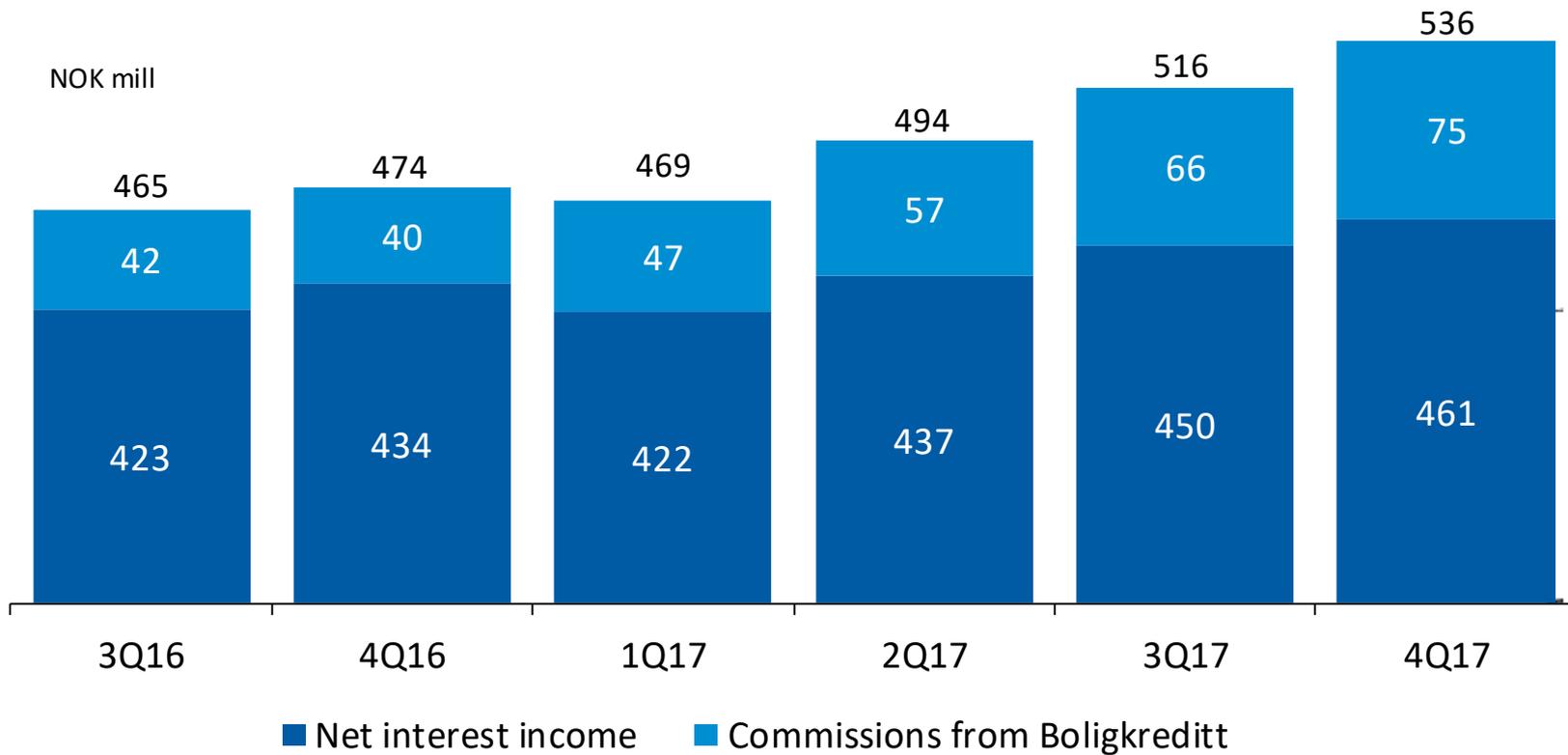
- Lower limit Pillar 2
- Capital conservation buffer
- Counter cyclical buffer
- Systemic risk buffer

# Profit and loss account - Group

(Amounts in NOK million)

|  | 31.12.17     | 31.12.16     | 31.12.16     |
|--|--------------|--------------|--------------|
| Net interest income                            | 1 770        | 1 644        | 1 644        |
| Net fee-, commision and other operating income | 992          | 924          | 924          |
| Net income from financial investments          | 552          | 509          | 509          |
| <b>Total net income</b>                        | <b>3 314</b> | <b>3 077</b> | <b>3 077</b> |
| Total costs                                    | 1 366        | 1 320        | 1 320        |
| <b>Result before losses and write-downs</b>    | <b>1 948</b> | <b>1 757</b> | <b>1 757</b> |
| Net losses and write-downs                     | 184          | 213          | 213          |
| <b>Result before tax</b>                       | <b>1 764</b> | <b>1 544</b> | <b>1 544</b> |
| Tax  | 324          | 291          | 291          |
| Result non-current assets held for sale        | 0            | 0            | 0            |
| Minority interests                             | 0            | 0            | 0            |
| <b>Result for the period</b>                   | <b>1 440</b> | <b>1 253</b> | <b>1 253</b> |
| 36 Return on equity capital                    | 12,9 %       | 12,0 %       | 12,0 %       |

# Net interest income - Group

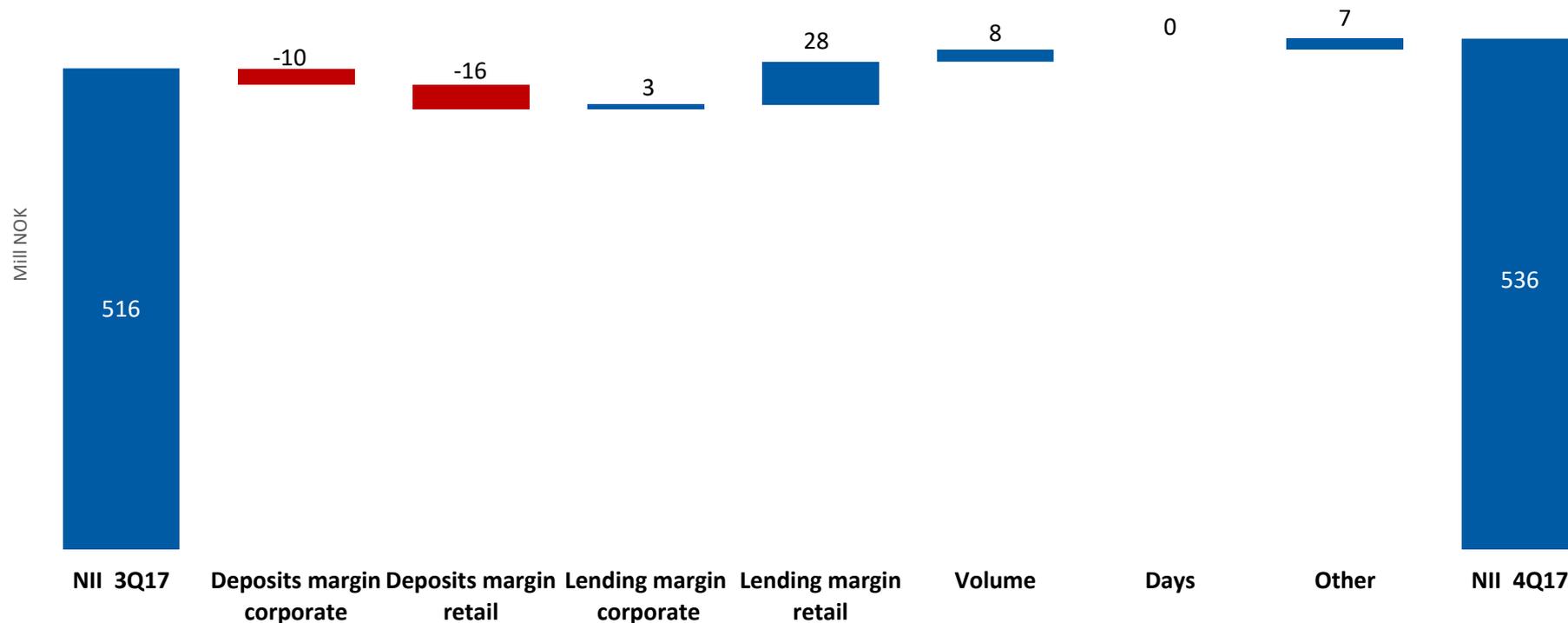


# Quarterly results – net interest income

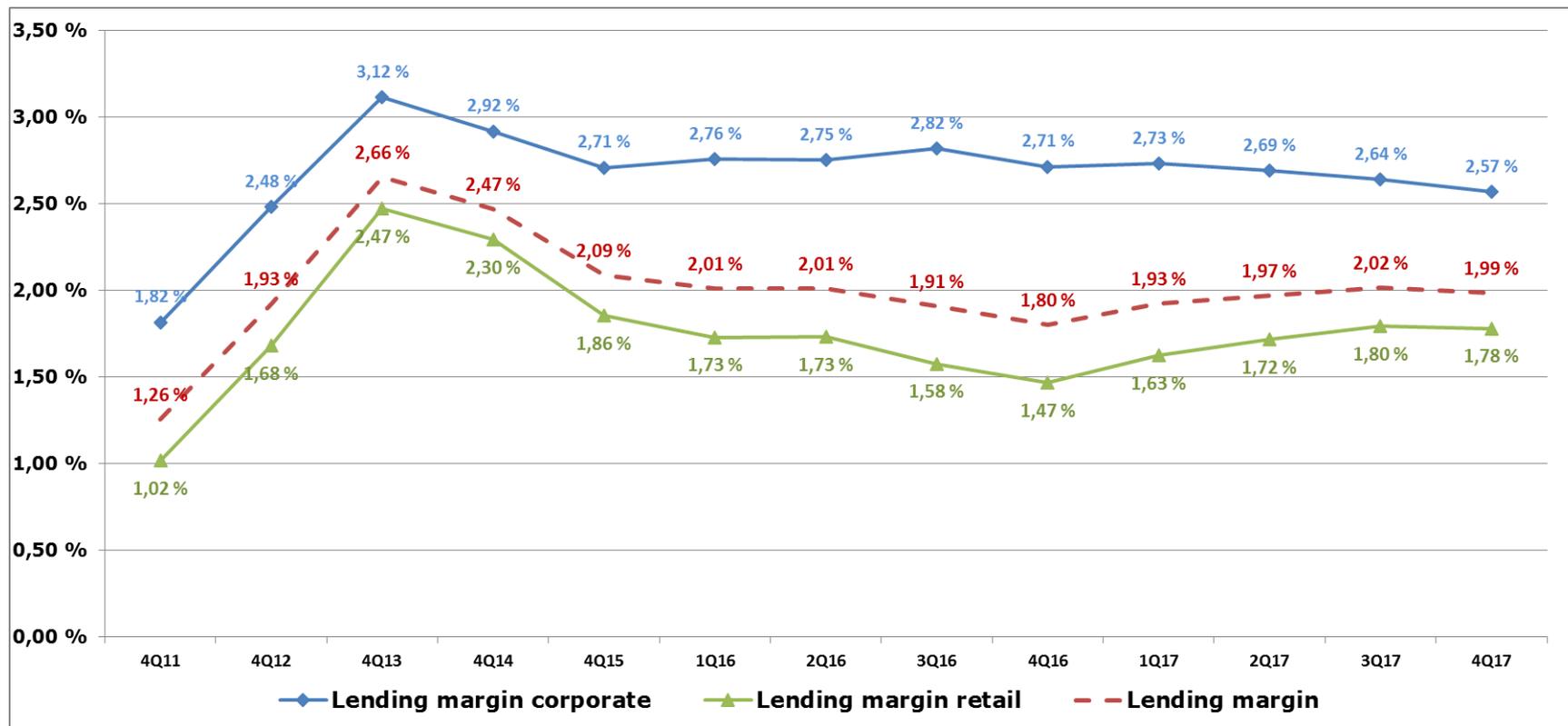
(Amounts in NOK million)

|  | 4Q17       | 3Q17       | 2Q17       | 1Q17       | 4Q16       |
|--|------------|------------|------------|------------|------------|
| Interest and similar income from loans to and claims on credit institutions                | 21         | 1          | 2          | 2          | -2         |
| Interest and similar income from loans to and claims on customers                          | 619        | 612        | 602        | 600        | 616        |
| Interest and similar income from certificates, bonds and other interest-bearing securities | 35         | 37         | 36         | 43         | 39         |
| <b>Interest and similar income</b>   | <b>675</b> | <b>650</b> | <b>641</b> | <b>645</b> | <b>653</b> |
| Interest and similar costs on liabilities to credit institutions                           | 37         | 13         | 15         | 17         | 13         |
| Interest and similar costs relating to deposits from and liabilities to customers          | 91         | 91         | 89         | 95         | 97         |
| Interest and similar costs related to the issuance of securities                           | 68         | 78         | 80         | 88         | 84         |
| Interest and similar costs on subordinated loan capital                                    | 9          | 9          | 10         | 14         | 15         |
| Payments made to The Norwegian Banks'  | 9          | 9          | 10         | 9          | 10         |
| <b>Total interest costs</b>  | <b>214</b> | <b>200</b> | <b>204</b> | <b>223</b> | <b>219</b> |
| <b>Net interest income</b>   | <b>461</b> | <b>450</b> | <b>437</b> | <b>422</b> | <b>434</b> |

# Changes in net interest income

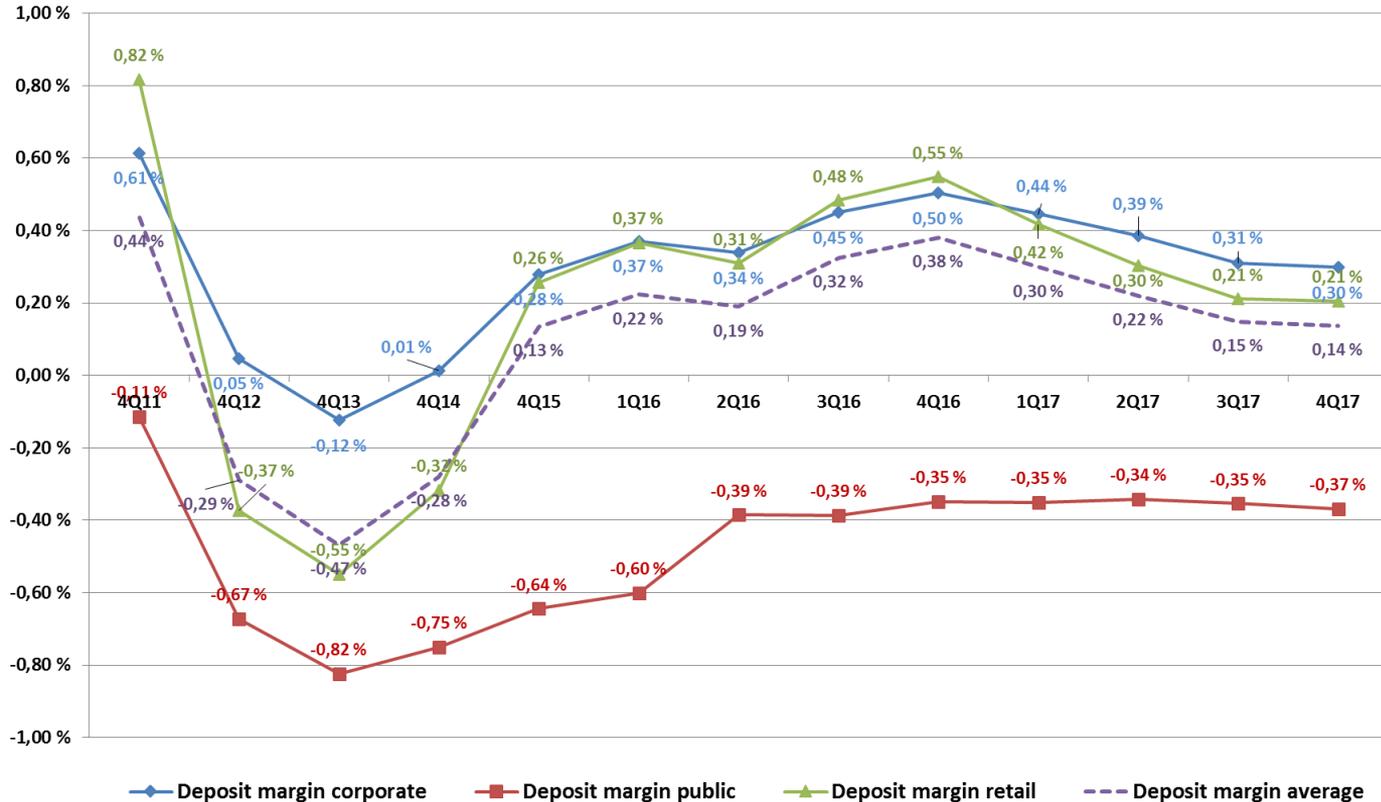


# Lending margin, Parent bank



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

# Customer deposit, Parent bank

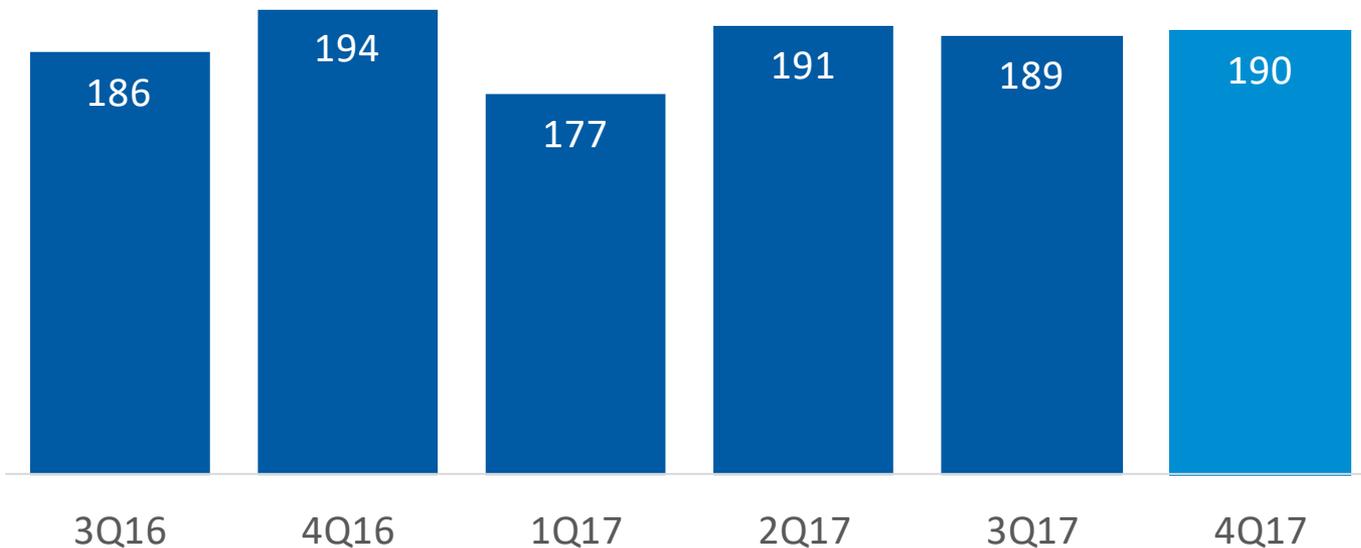


The interest margin is defined as the difference between average 3 month NIBOR and the customer deposit interest rate

# Net fee- and other operating income

(excl commissions from Boligkreditt)

NOK mill



# Net fee- and other operating income - Group

|   | 4Q17       | 3Q17       | 2Q17       | 1Q17       | 4Q16       |
|---|------------|------------|------------|------------|------------|
| (Amounts in NOK million)                  |            |            |            |            |            |
| Payment facilities                        | 60         | 74         | 64         | 63         | 63         |
| Insurance products                        | 35         | 41         | 42         | 41         | 44         |
| Guarantee commissions                     | 3          | 4          | 4          | 4          | 4          |
| Real estate broking                       | 29         | 32         | 34         | 26         | 33         |
| Portefolio commission                     | 11         | 11         | 12         | 14         | 13         |
| Other commissions                         | 21         | 23         | 22         | 16         | 16         |
| Commissions excl. Boligkreditt            | 159        | 185        | 178        | 164        | 173        |
| Commission income SB1 Boligkreditt        | 75         | 66         | 57         | 47         | 40         |
| <b>Total commision income</b>             | <b>234</b> | <b>251</b> | <b>235</b> | <b>211</b> | <b>213</b> |
| <b>Commission costs</b>                   | <b>21</b>  | <b>23</b>  | <b>20</b>  | <b>21</b>  | <b>22</b>  |
| Accounting services                       | 29         | 25         | 30         | 32         | 33         |
| Other income                              | 23         | 2          | 3          | 2          | 10         |
| <b>Total other income</b>                 | <b>52</b>  | <b>27</b>  | <b>33</b>  | <b>34</b>  | <b>43</b>  |
| <b>Total commission- and other income</b> | <b>265</b> | <b>255</b> | <b>248</b> | <b>224</b> | <b>234</b> |

# Income from financial investments

## Group

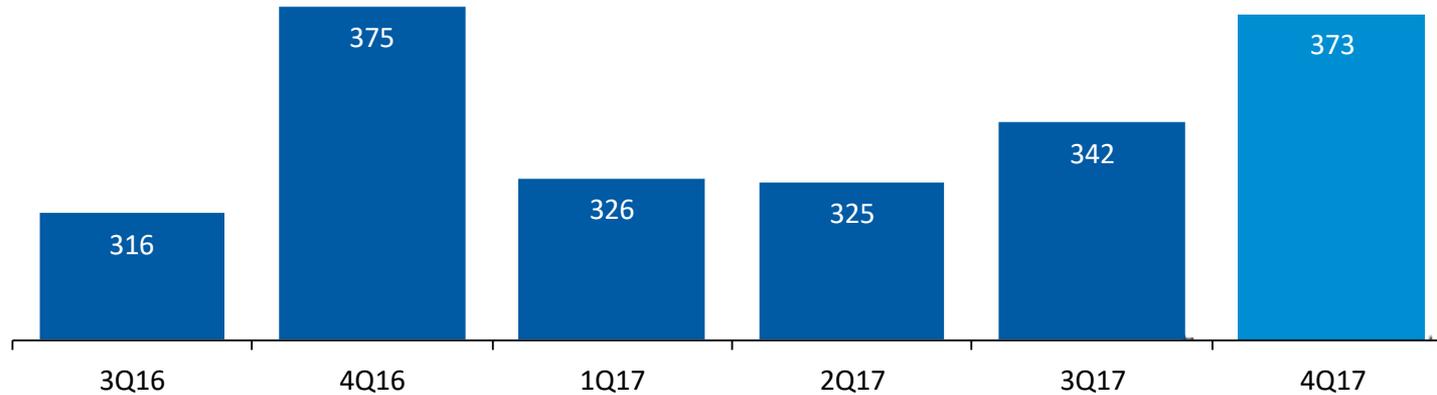
(Amounts in NOK million)

|  | 4Q17       | 3Q17       | 2Q17       | 1Q17       | 4Q16       |
|--|------------|------------|------------|------------|------------|
| Dividends  | 0          | 0          | 4          | 0          | 1          |
| Income from joint ventures                                       | 167        | 109        | 78         | 65         | 76         |
| Gains/losses from shares in subsidiaries                         | 0          | 0          | 15         | 0          | 0          |
| Gains/losses and net value changes on shares                     | 30         | 7          | 23         | 13         | 14         |
| Net value changes on bonds, foreign exchange and fin.derivatives | -3         | 6          | 4          | 35         | 26         |
| Gains/losses and net value changes on loans                      | 0          | -3         | 0          | 2          | -1         |
| <b>Income from financial investments</b>                         | <b>194</b> | <b>119</b> | <b>124</b> | <b>115</b> | <b>116</b> |

# Group operating costs

NOK mill.

Total costs



# Group operating costs

(Amounts in NOK million)

|  | 31.12.17     | 31.12.16     | Change    |
|--|--------------|--------------|-----------|
| Wages and salaries                                       | 552          | 540          | 12        |
| Pension costs  | 42           | 53           | - 11      |
| Social costs   | 114          | 96           | 18        |
| <b>Total personnel costs</b>                             | <b>708</b>   | <b>689</b>   | <b>19</b> |
| Administration costs                                     | 393          | 377          | 16        |
| <b>Total personnel- and general administration costs</b> | <b>1 101</b> | <b>1 066</b> | <b>35</b> |
| Depreciation and write-downs of fixed assets             | 65           | 60           | 5         |
| Operating costs buildings                                | 22           | 37           | - 15      |
| Other operating costs                                    | 178          | 157          | 21        |
| <b>Total operating costs</b>                             | <b>265</b>   | <b>254</b>   | <b>11</b> |
| <b>Total costs</b>                                       | <b>1 366</b> | <b>1 320</b> | <b>46</b> |

# Operating expenses - Group

| (Amounts in NOK million)             | 4Q17       | 3Q17       | 2Q17       | 1Q17       | 4Q16       |
|--------------------------------------|------------|------------|------------|------------|------------|
| Wages and salaries                   | 150        | 143        | 127        | 133        | 136        |
| Pension costs                        | 3          | 13         | 14         | 12         | 24         |
| Social costs                         | 30         | 28         | 28         | 27         | 35         |
| <b>Total personnel costs</b>         | <b>183</b> | <b>184</b> | <b>169</b> | <b>172</b> | <b>195</b> |
| Development costs                    | 19         | 33         | 31         | 32         | 25         |
| Electronic data processing costs     | 31         | 21         | 19         | 19         | 18         |
| Marketing costs                      | 13         | 16         | 17         | 15         | 23         |
| Travel - and training costs          | 14         | 6          | 9          | 9          | 8          |
| Communication- and office costs      | 9          | 8          | 6          | 8          | 9          |
| Consultancy services                 | 15         | 13         | 12         | 12         | 14         |
| Ordinary depreciation                | 19         | 15         | 16         | 15         | 15         |
| Operating costs - premises/buildings | 6          | 4          | 7          | 5          | 16         |
| Other operating costs incl rent      | 65         | 41         | 39         | 39         | 51         |
| <b>Other costs</b>                   | <b>190</b> | <b>158</b> | <b>156</b> | <b>154</b> | <b>180</b> |
| <b>Total operating expenses</b>      | <b>373</b> | <b>342</b> | <b>325</b> | <b>326</b> | <b>375</b> |

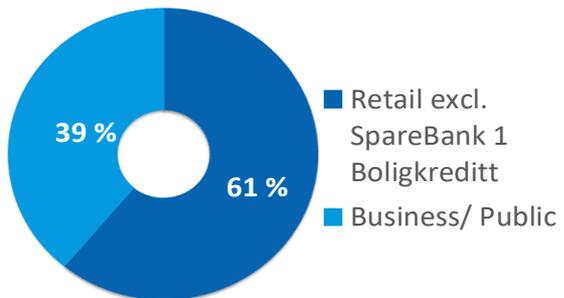
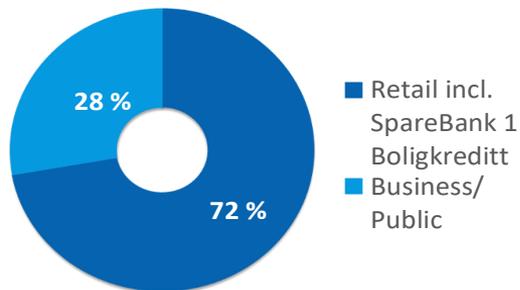
# Group companies result before tax

| (Amounts in NOK 1000)                    | 31.12.17      | 31.12.16       |
|--|---------------|----------------|
| SpareBank 1 Finans Nord-Norge AS         | 7 002         | 86 012         |
| SpareBank 1 Regnskapshuset Nord-Norge AS | 16 321        | 13 125         |
| EiendomsMegler 1 Nord-Norge AS           | 18 118        | 27 260         |
| SpareBank 1 Nord-Norge Forvaltning ASA   | 1 656         | 2 640          |
| <b>Subsidiaries core operations</b>      | <b>43 097</b> | <b>129 037</b> |
| Other subsidiaries                       | -3 646        | -52 462        |
| <b>Total</b>                             | <b>39 451</b> | <b>76 575</b>  |

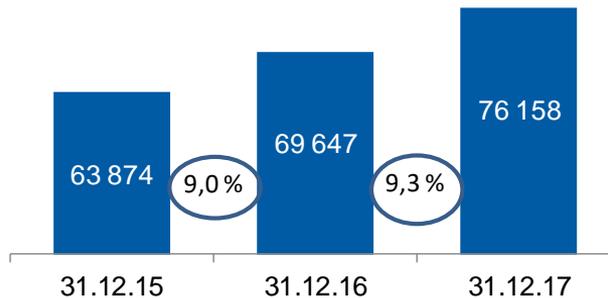
# Key figures balance sheet

| (Amounts in NOK million)                         | <b>31.12.17</b> | 31.12.16 | Change | Change % |
|--|-----------------|----------|--------|----------|
| Total assets                                     | <b>97 186</b>   | 90 501   | 6 685  | 7,4%     |
| Gross lending                                    | <b>75 003</b>   | 70 763   | 4 240  | 6,0%     |
| Loans and advances to customers incl SpareBank 1 | <b>105 485</b>  | 96 287   | 9 198  | 9,6%     |
| Deposits from customers                          | <b>57 849</b>   | 53 870   | 3 979  | 7,4%     |

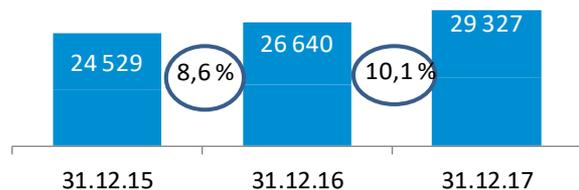
# Lending volume



### Retail incl. SpareBank 1 Boligkreditt

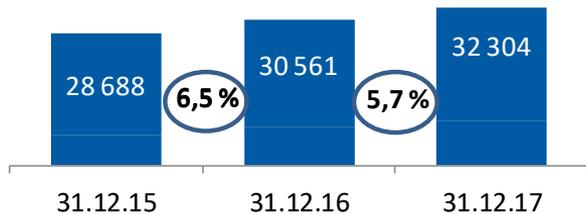


### Business/public market

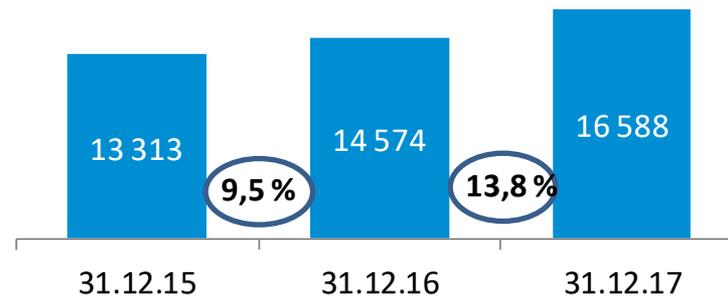


# Deposit volume

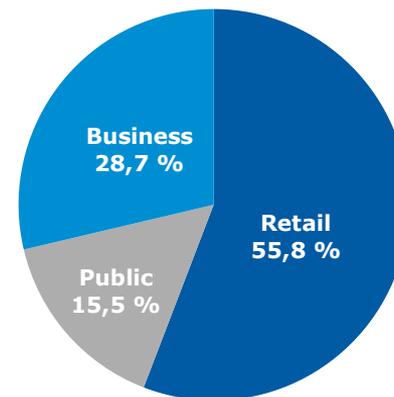
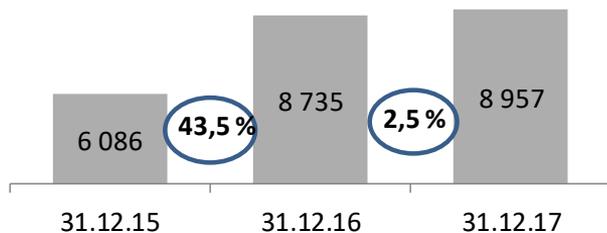
## Retail banking market



## Business



## Public

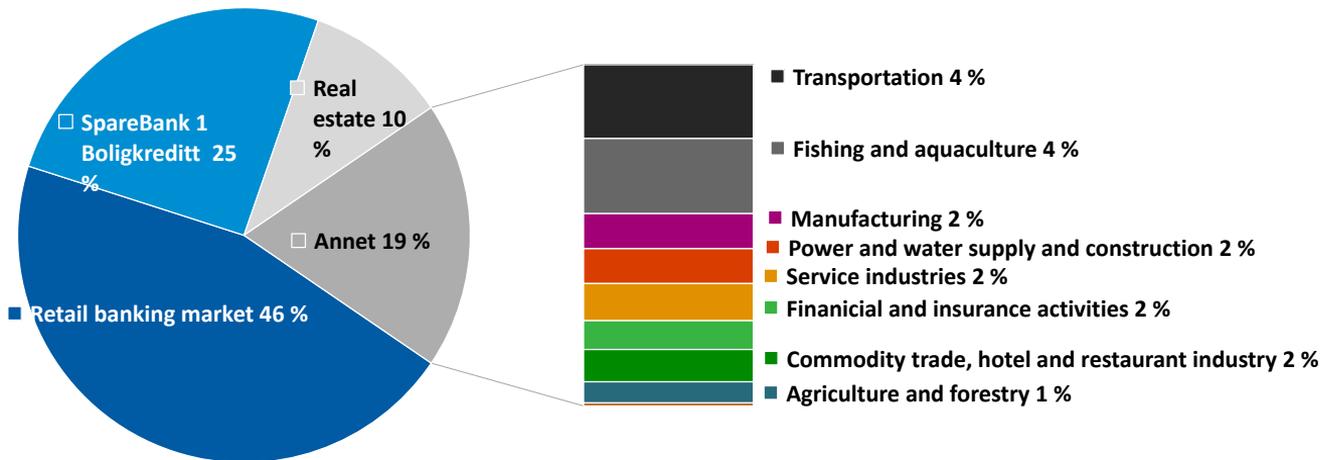


3

Credit area

# Distribution on segments shows good diversification

Loan portfolio including Boligkreditt

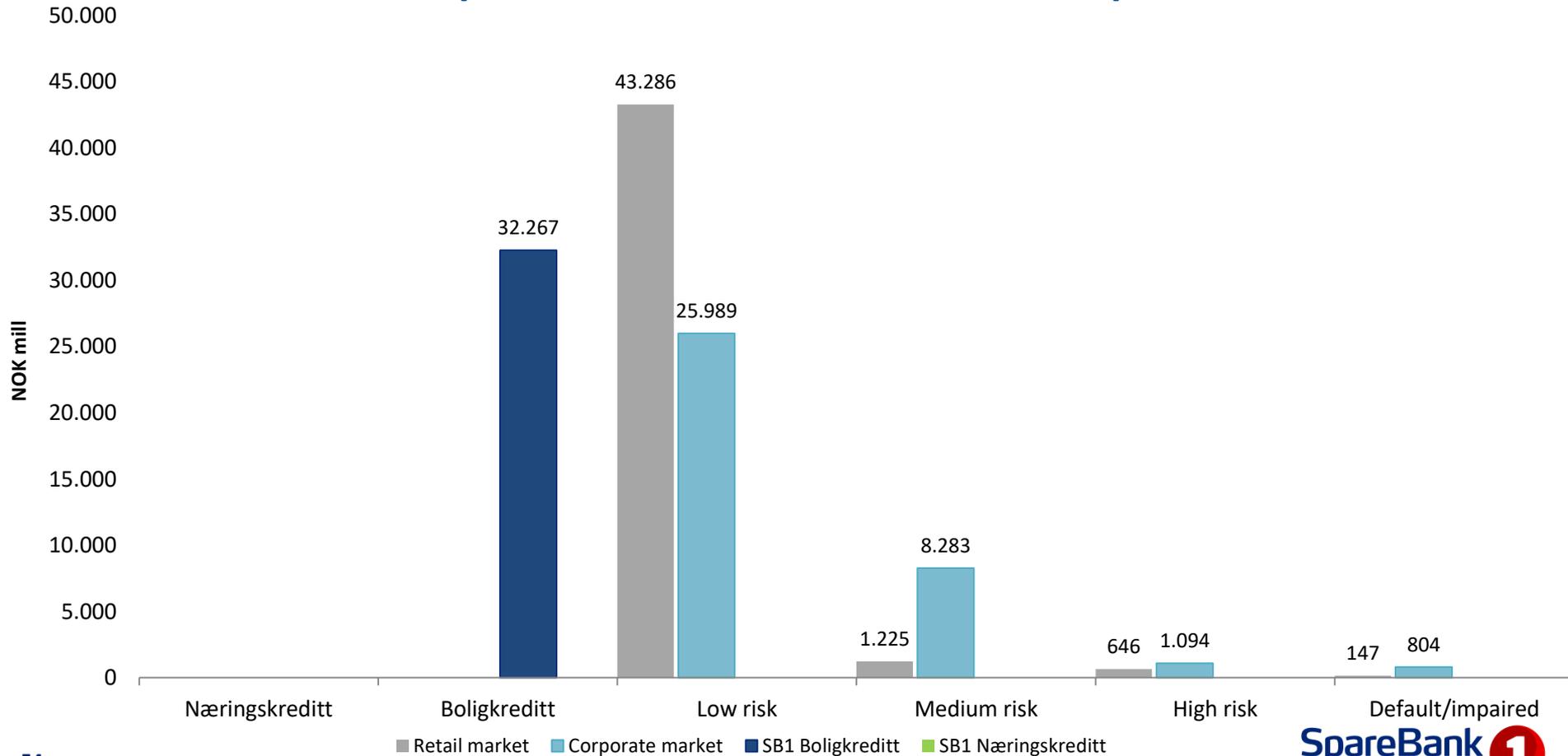


A high share of retail- and primary industry lending represent a risk mitigating factor.

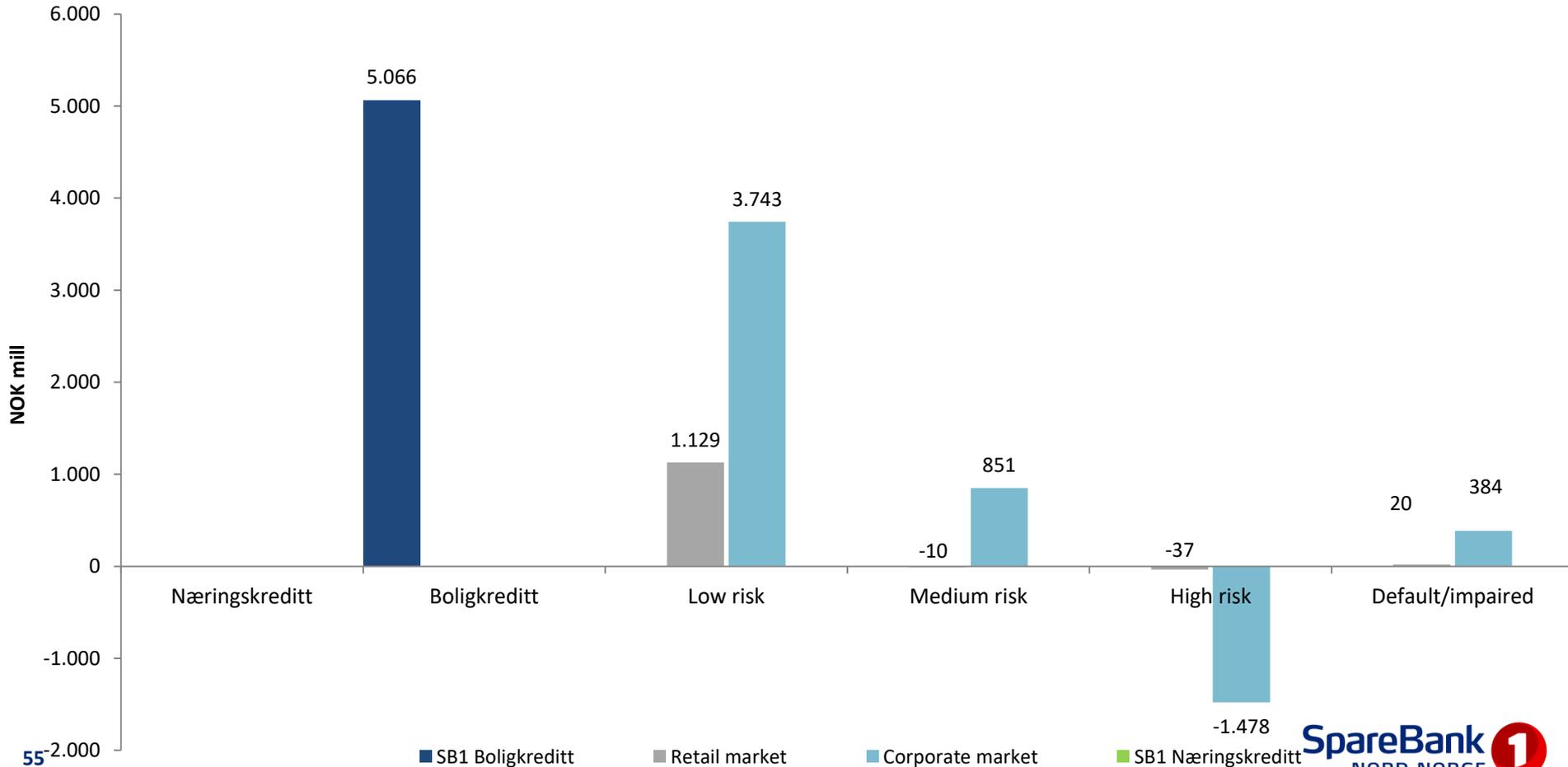
The Group has a well diversified corporate market lending portfolio.

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.

# Portfolio - exposure as of 31.12.17, parent bank

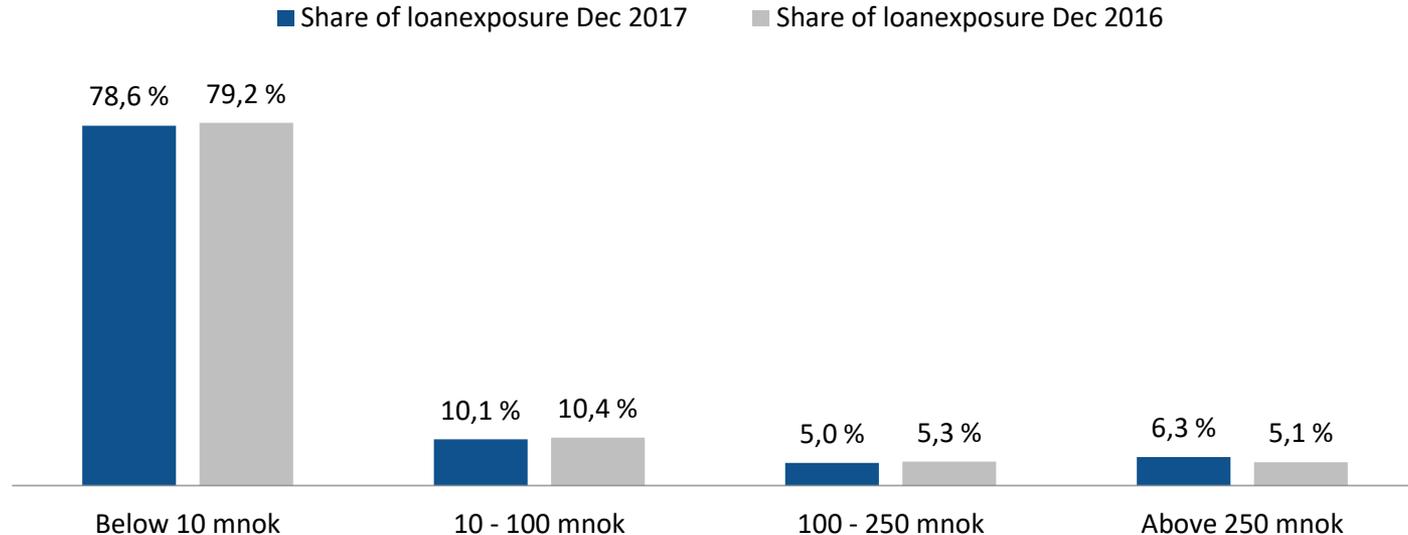


# Portfolio – changes last 12 months, parent bank



# Portfolio - exposure distributed by size

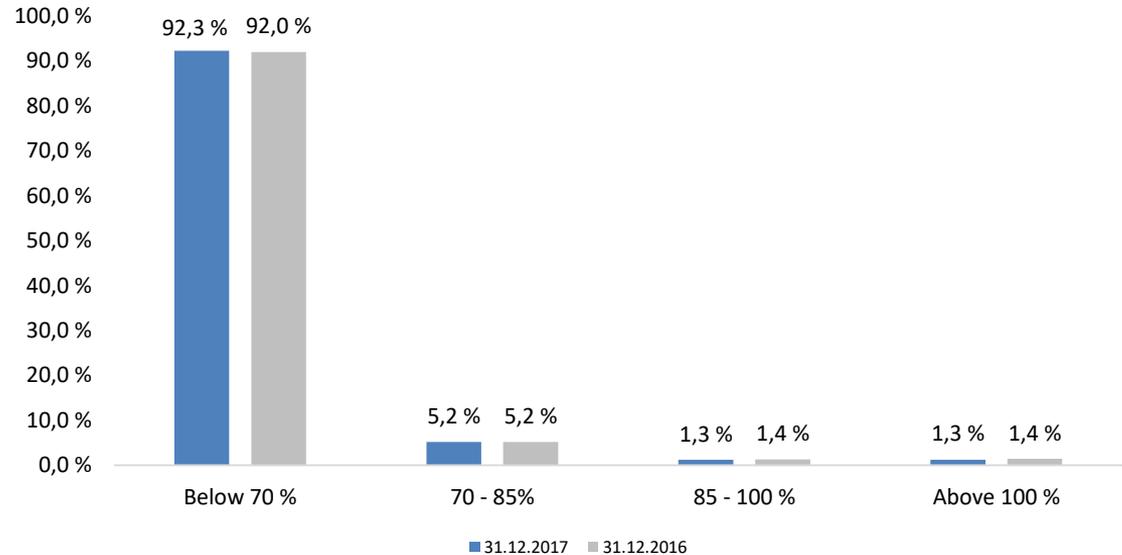
Loans distributed by size of exposure and share of total exposure



Numbers include SB 1 Bolig- and Næringskreditt

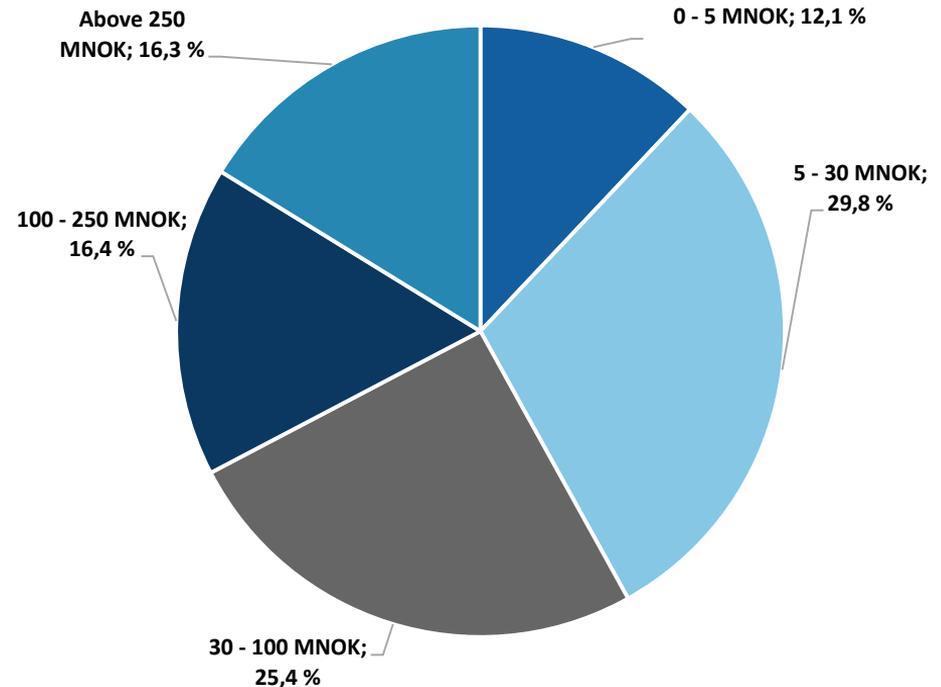
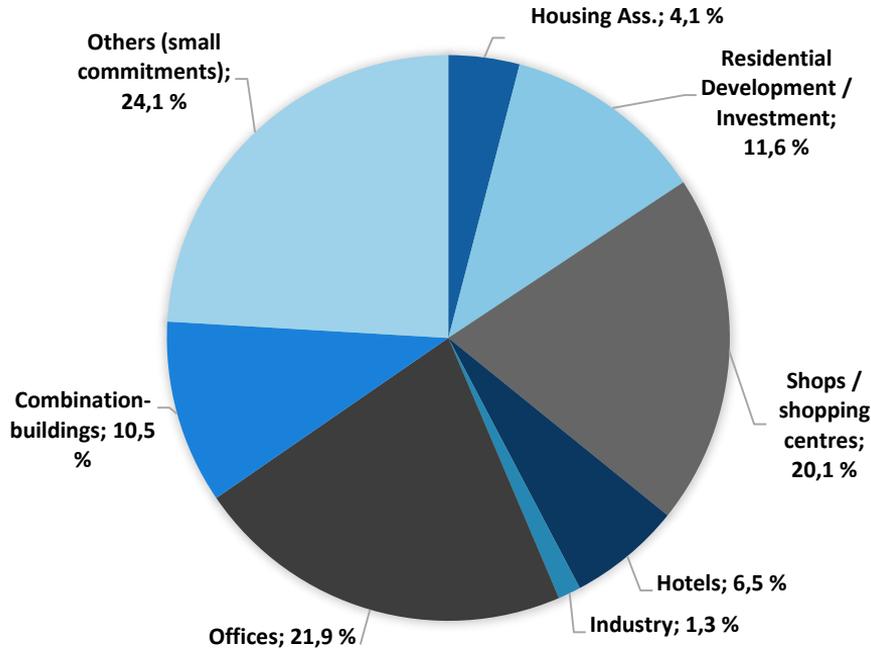
# Portfolio – LTV mortgage loans

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



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

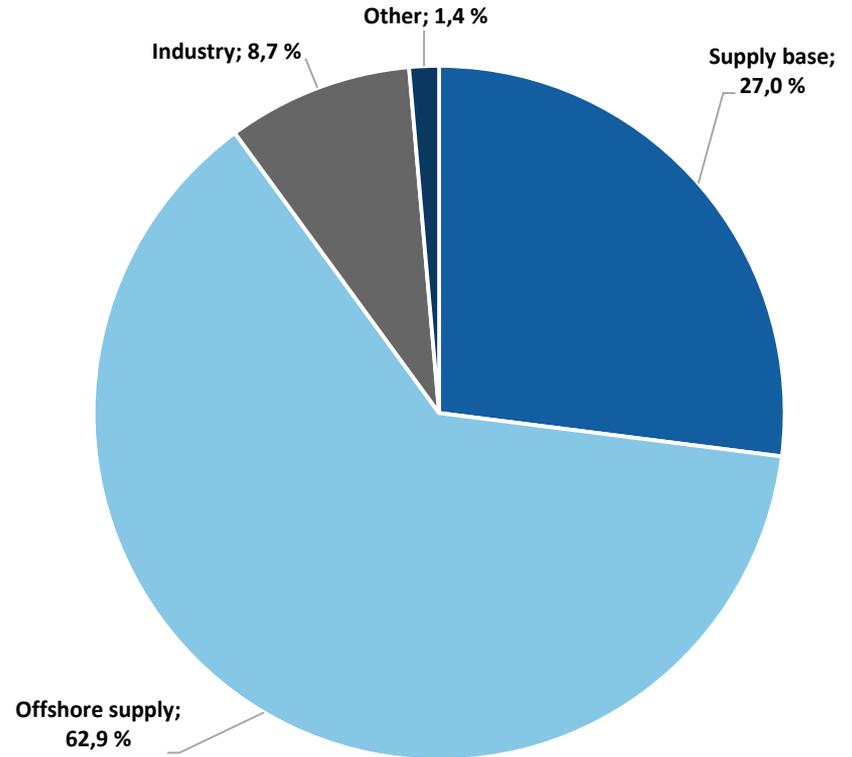
# Portfolio – Commercial Real Estate



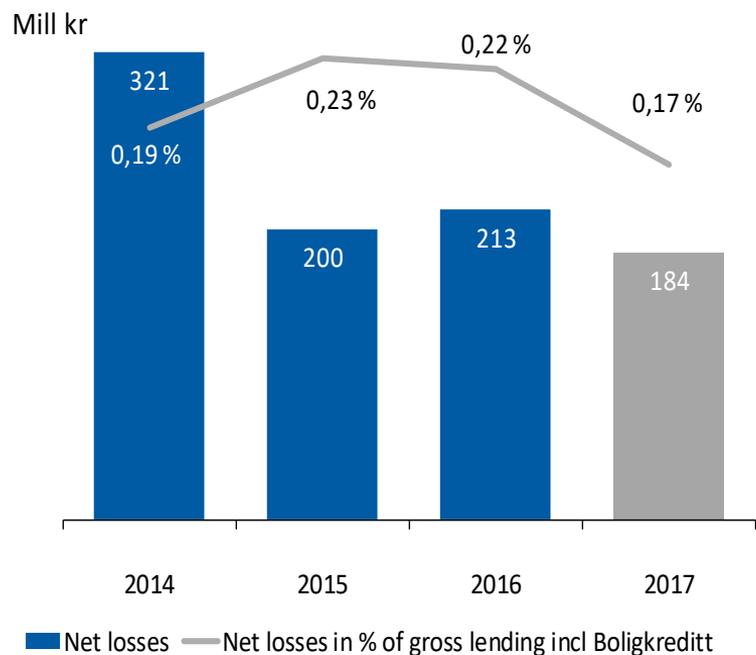
- About 50 % of portfolio is rental involving own operations
- 67.3 % of the portfolio are commitments smaller than NOK 100 mill
- No significant commitments where tenants have significant oil related business

# 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



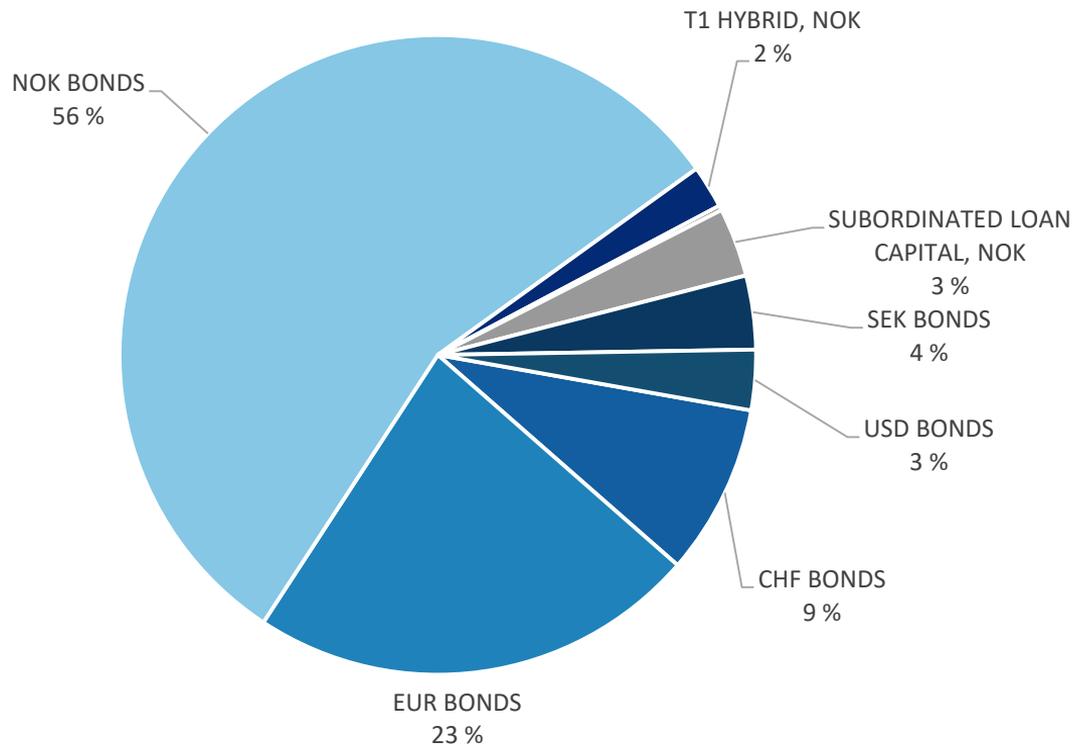
# Loan losses: The Group's write-downs

| <b>Write-downs</b>                                     | <b>2017</b> | <b>2016</b> | <b>4th quarter<br/>2017 (iso)</b> | <b>4th quarter<br/>2016 (iso)</b> |
|--|-------------|-------------|-----------------------------------|-----------------------------------|
| Individual write-downs                                 |             |             |                                   |                                   |
| <i>Retail market</i>                                   | <b>-3</b>   | <b>4</b>    | <b>-1</b>                         | <b>0</b>                          |
| <i>Corporate market</i>                                | <b>109</b>  | <b>32</b>   | <b>87</b>                         | <b>-2</b>                         |
| <i>SpareBank 1 Finans Nord-Norge</i>                   | <b>11</b>   | <b>53</b>   | <b>6</b>                          | <b>17</b>                         |
| Total individual write-downs                           | <b>117</b>  | <b>89</b>   | <b>93</b>                         | <b>15</b>                         |
| Collective write downs and other value<br>change items | <b>-77</b>  | <b>125</b>  | <b>-155</b>                       | <b>49</b>                         |
| Other losses   | <b>144</b>  | <b>0</b>    | <b>100</b>                        | <b>0</b>                          |
| Total write-down on loans and guarantees               | <b>184</b>  | <b>213</b>  | <b>38</b>                         | <b>64</b>                         |

4

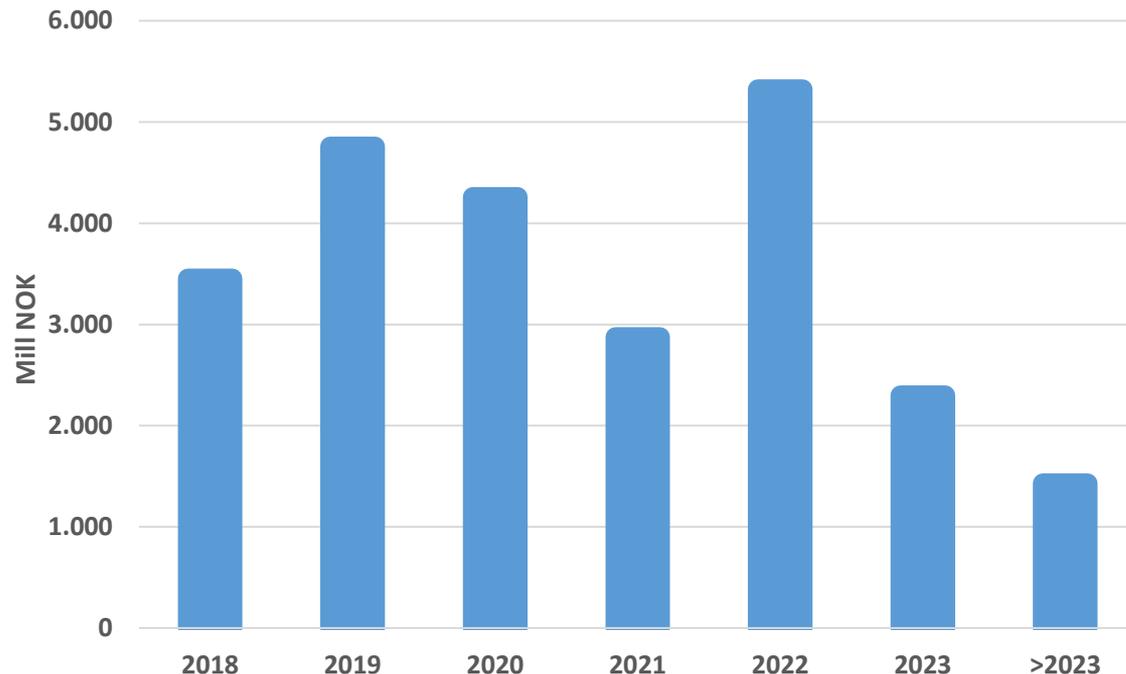
# Liquidity

# Funding instruments 31.12.2017



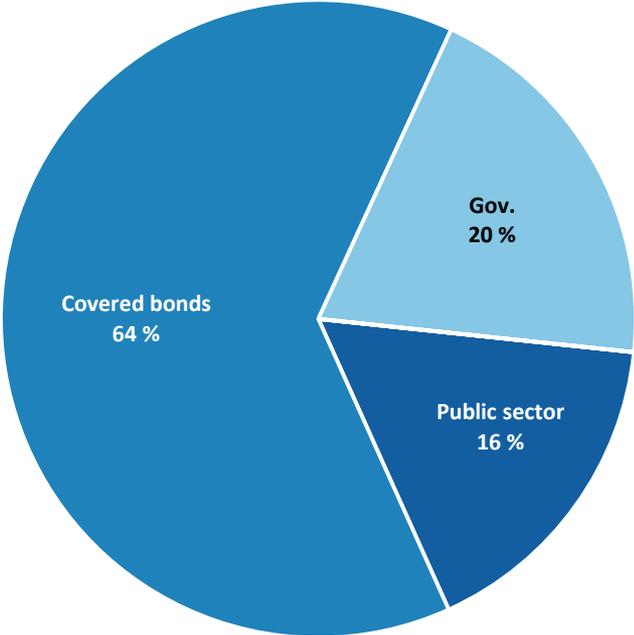
# Maturity profile 31.12.2017

## Capital markets funding (excl. SPABOL)



- Good diversification in terms of maturities
- NOK 24 386 mill in capital market funding exclusive of SB1 Boligkredditt
- SpareBank 1 Boligkredditt is an important funding source. Mortgage loans of NOK 30 463 mill transferred as at 31.12.17
- Amount of gross maturities of capital market funding next 12 months is NOK 3 451 mill

# Liquidity portfolio 31.12.2017



5

# Macro and Economic trends

# Still good progress in the Northern Norwegian economy

## GROWTH

---

Continued higher growth in the north, but not as marked as before

## SEAFOOD

---

Seafood exports from Northern Norway continue to increase (5.0%). Limited short term potential for further growth. Decreasing price trend for salmon

## TOURISM

---

Continued progress within tourism in the region. Good growth in number of foreign overnight stays, with a continuing increase during the winter season

## OIL

---

Relatively small oil sector – supplier industry grows again after setbacks

## HOUSING

---

Falling house prices, although the annual growth is still positive most places in the north

## EMPLOYMENT

---

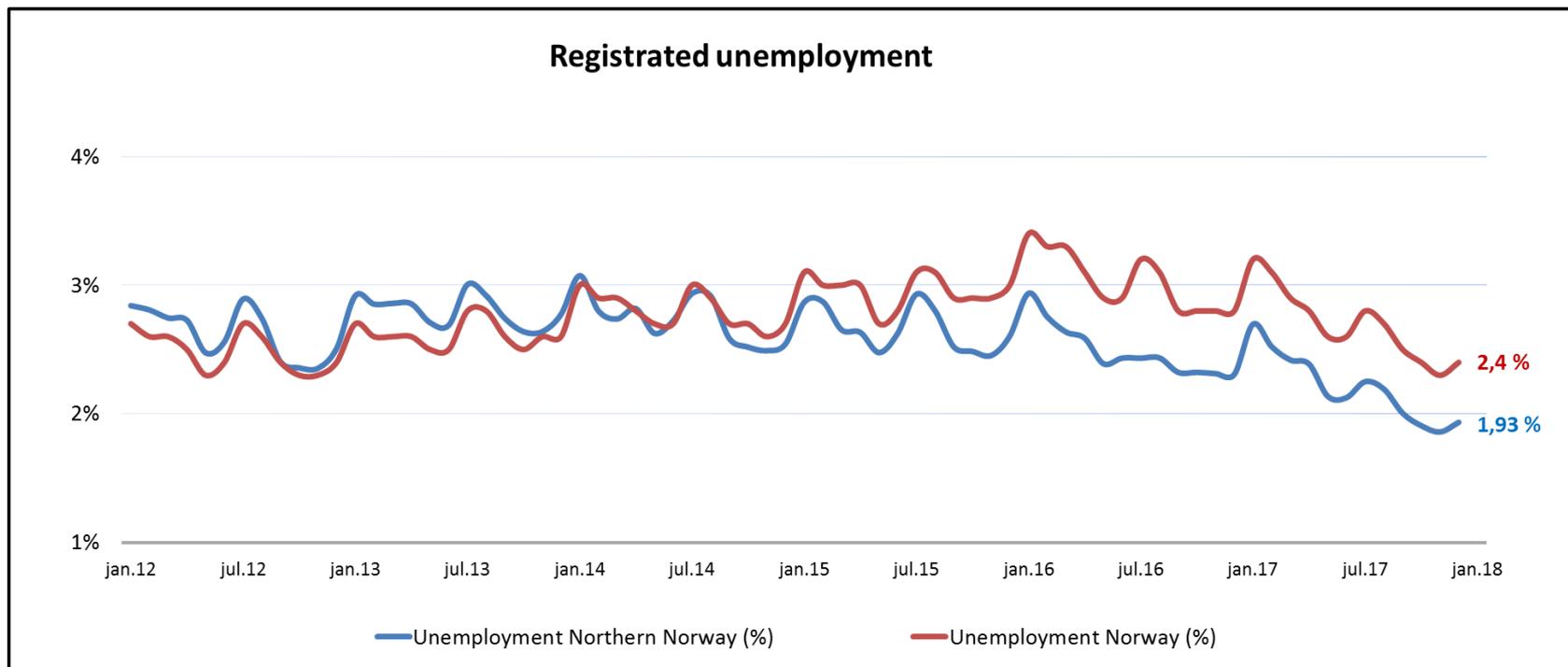
Stable low unemployment. 1.9 % completely unemployment as of December 2017

## GOING FORWARD

---

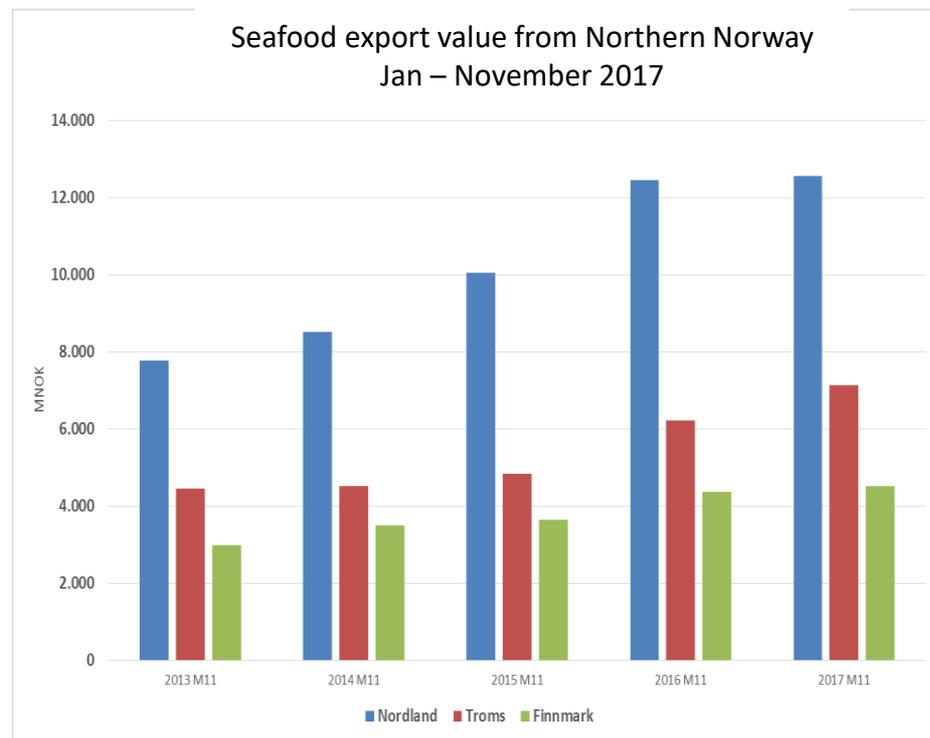
Prospects for good growth in 2018. Stronger NOK may have negative impact for the export industry. Scarcity of qualified labor is an ever-increasing challenge

# Stable, low unemployment



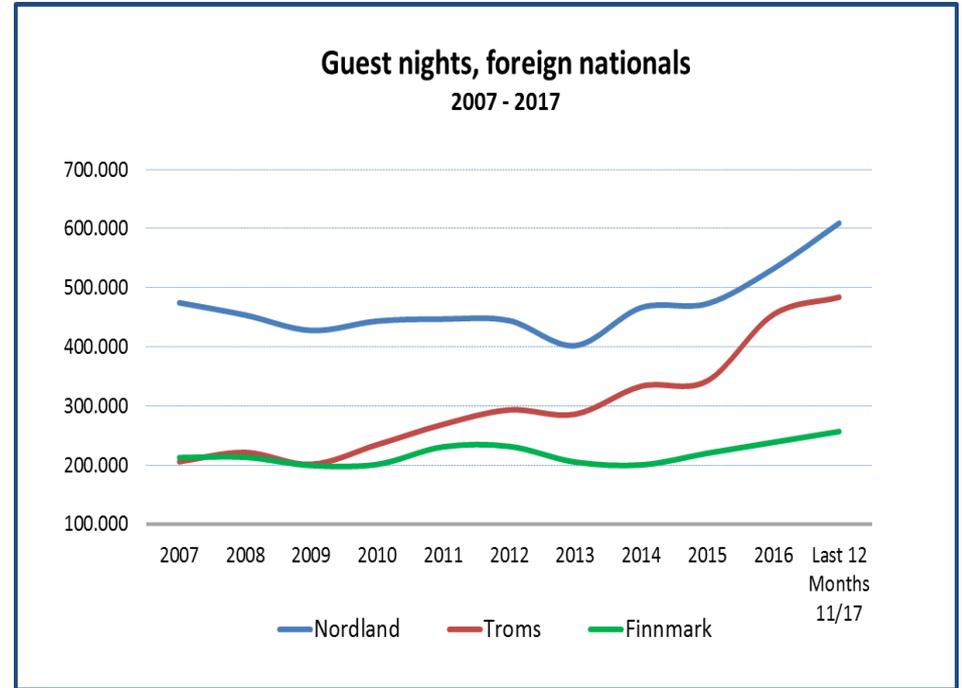
# Seafood – export growth

- Still growth in seafood export value from Northern Norway in 2017 – 5.0 % growth compared with 2016.
- Relatively good prices and weak Norwegian kroner contribute positively. However, negative pricetrend for salmon.
- Limited potential for further growth in the short run.



# Tourism – growth in overnight stays

- Strong growth in number of overnight stays.
- Firm growth in foreign overnight stays, and strong contribution from winter tourism.
- Optimistic prospects for world economy and weak Norwegian kroner is positive for the tourism industry.



# Oil and gas – new fields increase activity

- Four fields in production: Norne, Snøhvit, Skarv and Goliat
  - First oil field opened in the Barents Sea.
- Aasta Hansteen
  - Production start-up in Q4 2018
- Johan Castberg
  - Final investment decision is in progress
- 2017/2018 is a promising year for discovering
  - Several prospects in the Barents Sea
  - New fields in Norwegian Sea
- The Norwegian Petroleum Directorate has increased their estimates for oil and gas deposits in the Barents Sea.

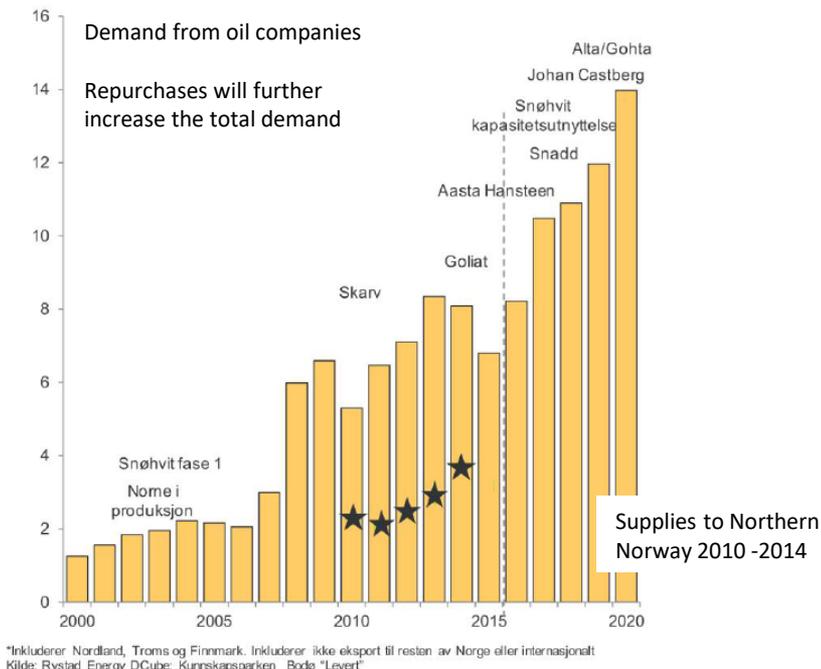
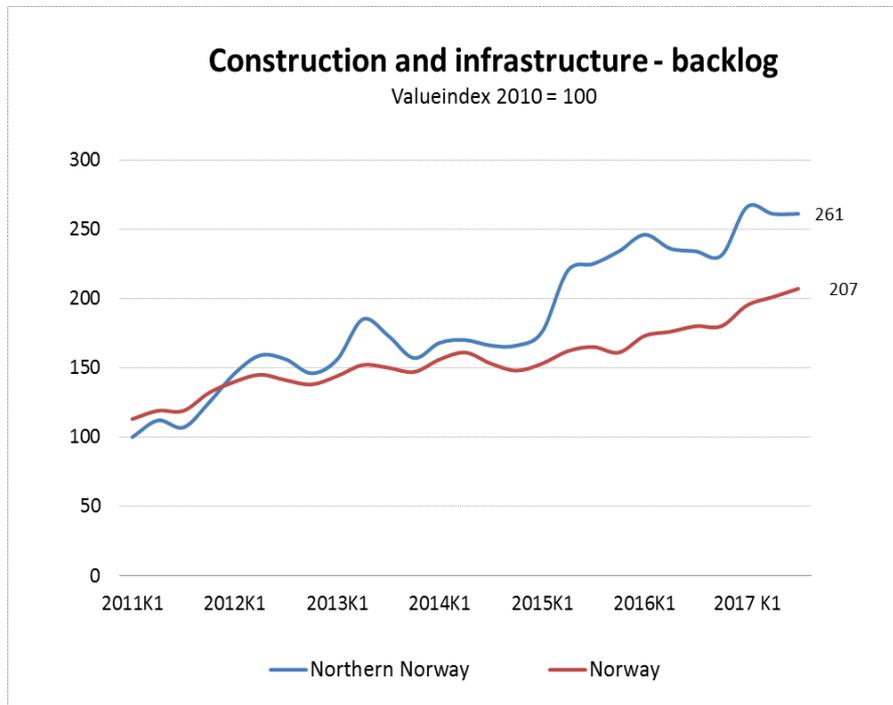
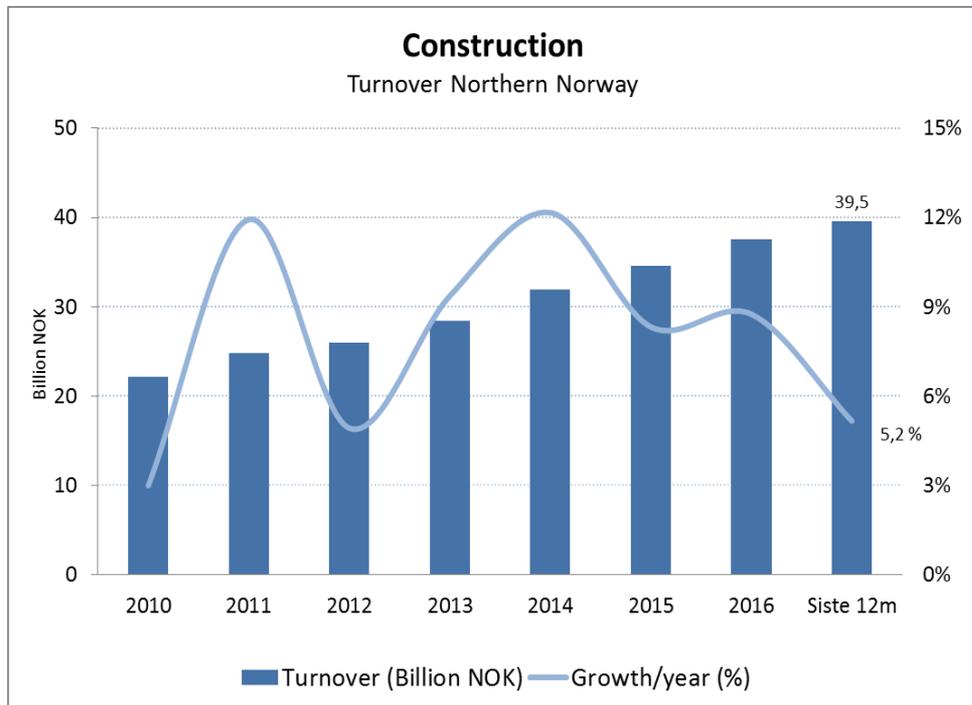
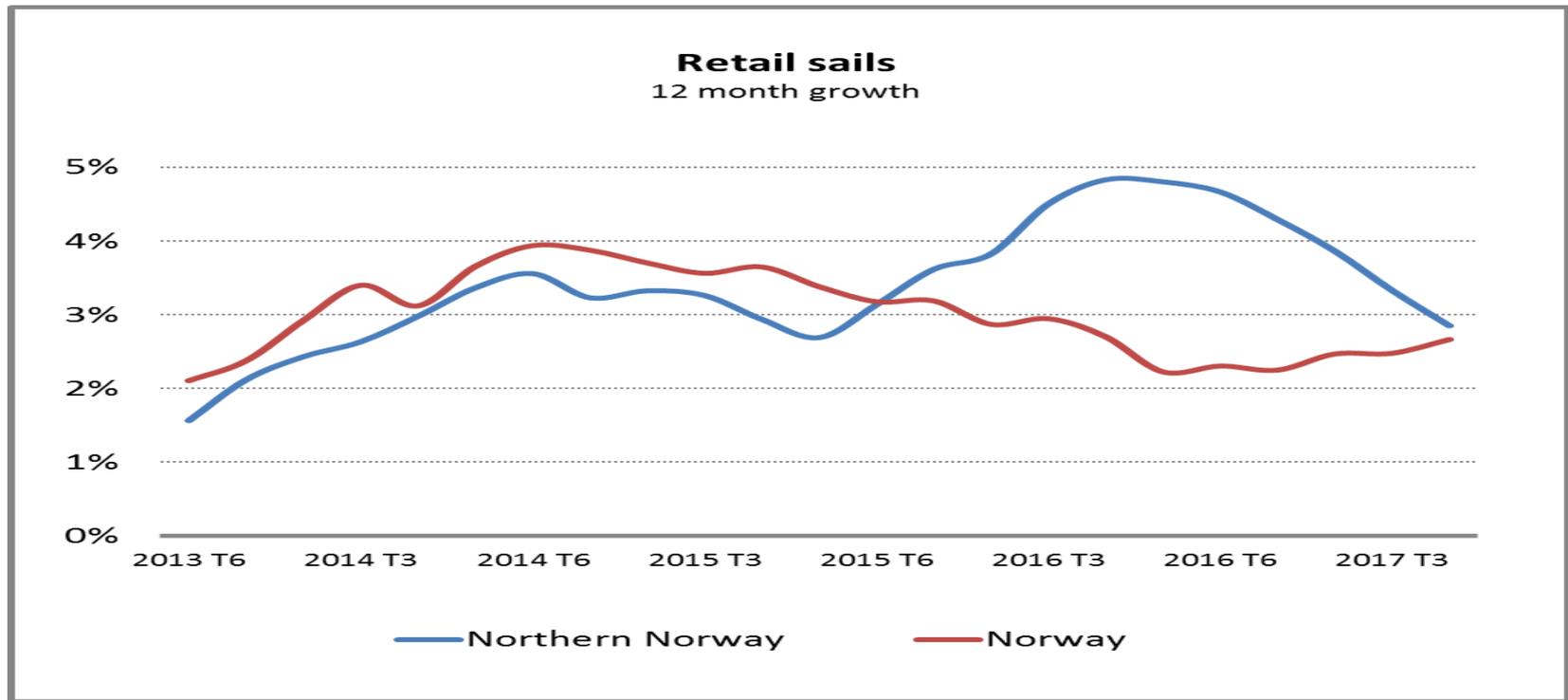


Figure: Petro Foresight 2030, February 2016

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

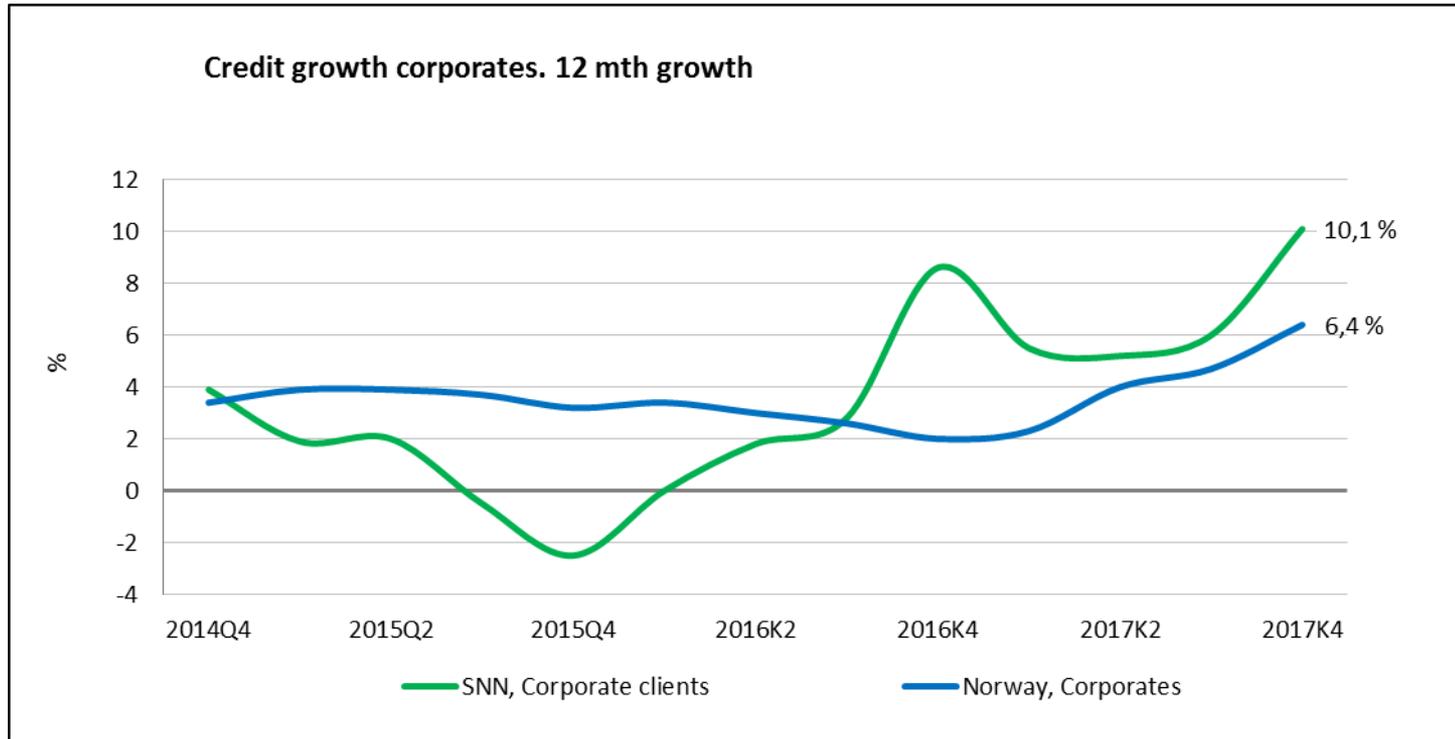


# Lower growth in retail sales, but still higher than Norwegian average

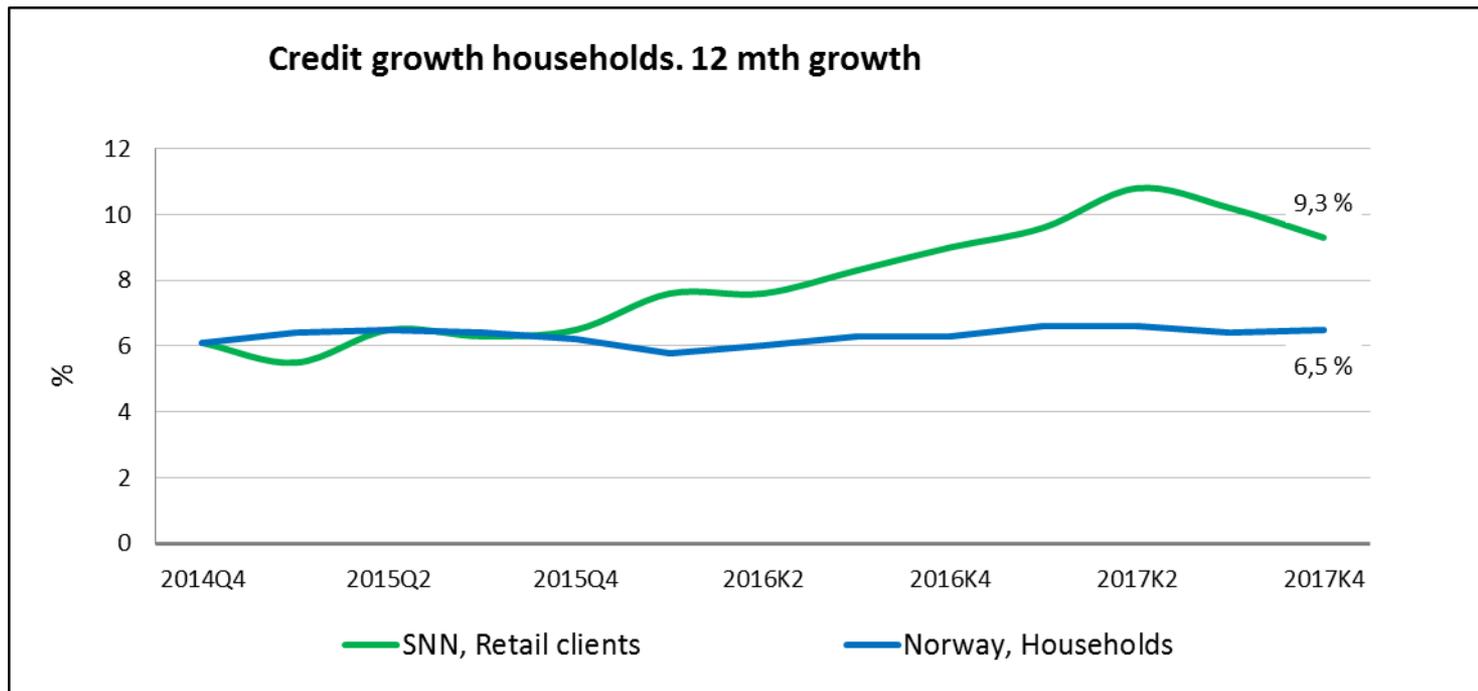


Kilde: SSB, retail sales

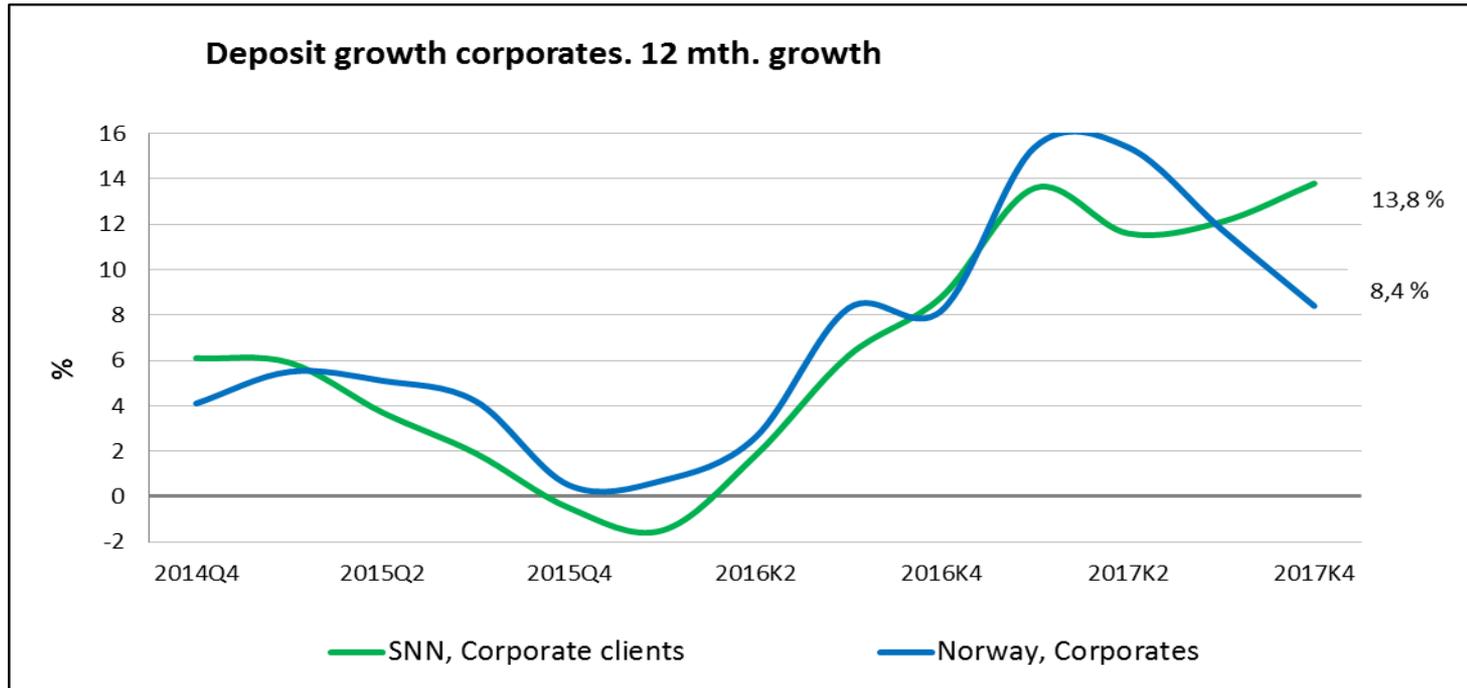
# Credit growth corporates



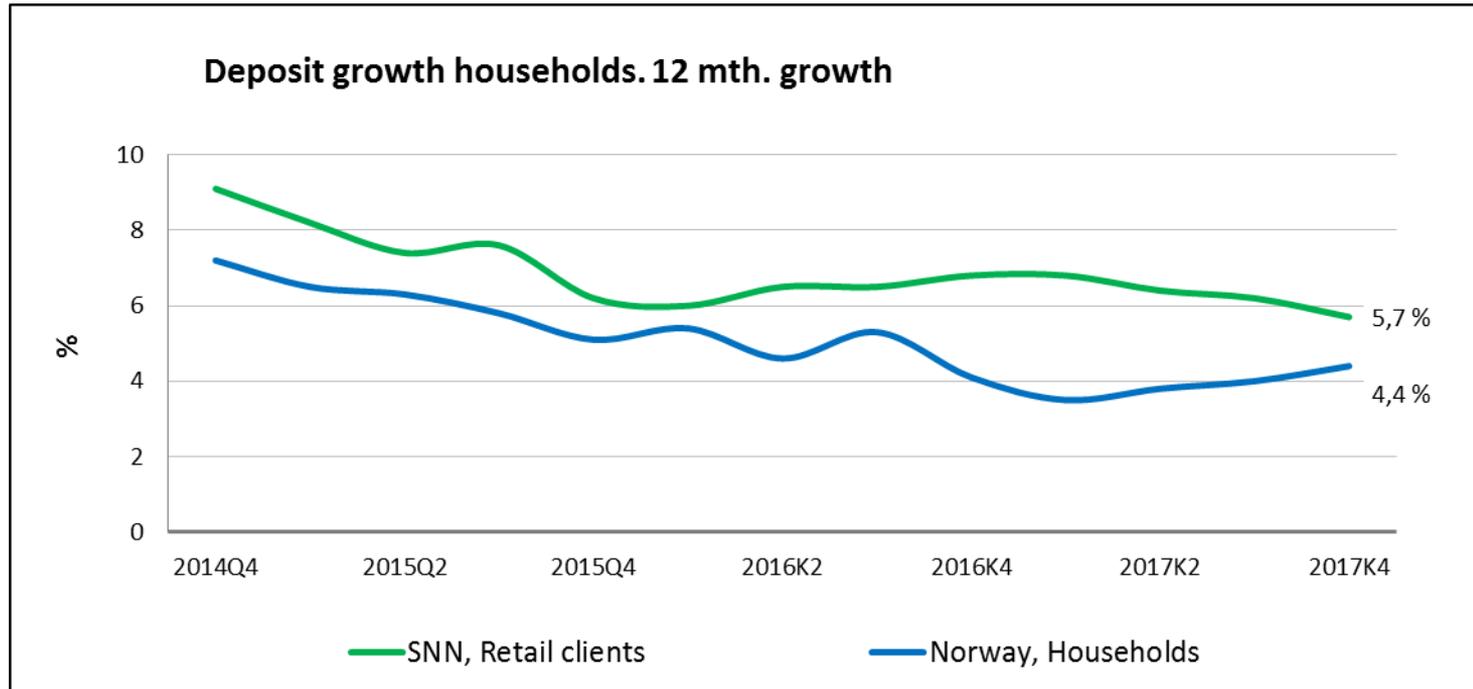
# Credit growth households



# Deposit growth corporates



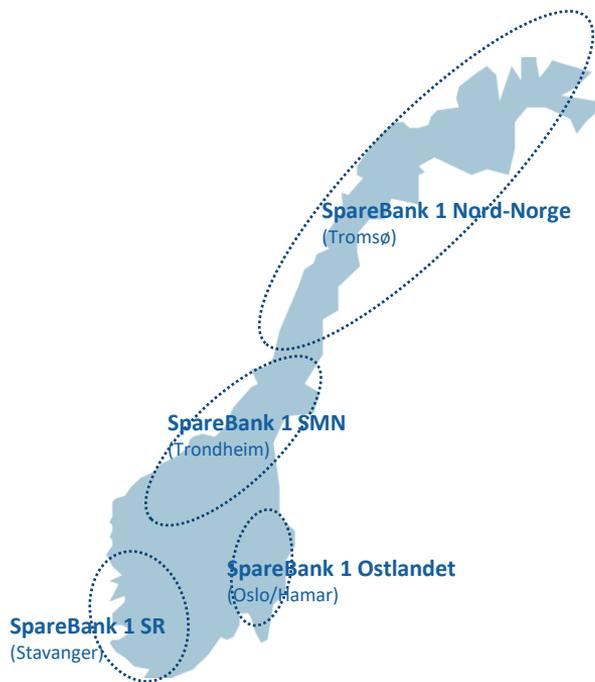
# Deposit growth households



6

# SpareBank 1 Group and Alliance

# SpareBank 1 Alliance: National champion, regional focus

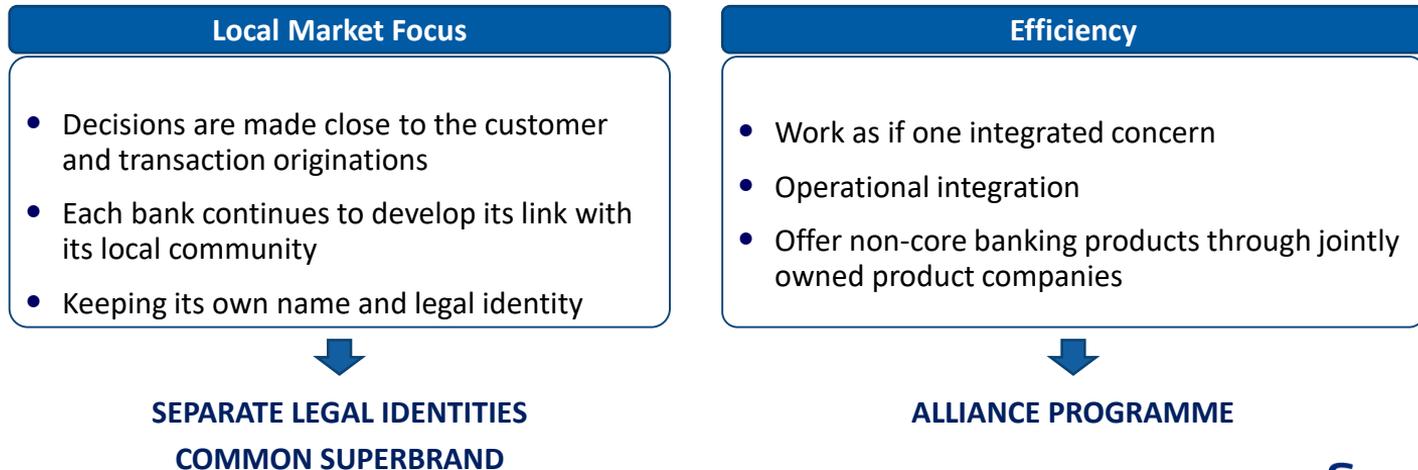


- The SpareBank 1 Alliance consists of 14 banks; independent in each their region
- Operate exclusively in Norway – Norway’s most extensive branch network
  - But physical branch structure is changing and SpareBank 1 banks are at the forefront of incorporating technological innovation into its distribution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

| Sr. Unsecured   | Fitch   | Moody's  |
|---|---------|----------|
| SpareBank <br>SMN        | A- / F2 | A1 / P-1 |
| SpareBank <br>SR-BANK    | A- / F2 | A1 / P-1 |
| SpareBank <br>NORD-NORGE | A / F1  | A1 / P-1 |
| SpareBank <br>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, also through 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

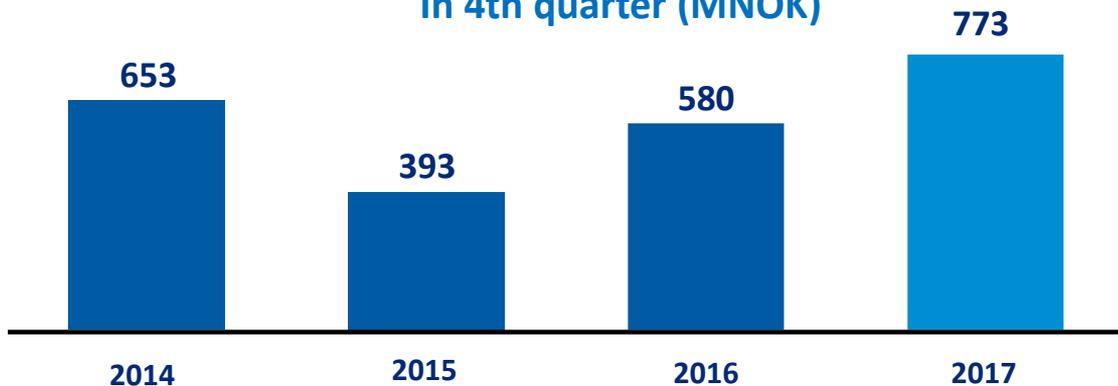
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Verdipapirservice AS

SpareBank 1 ID AS

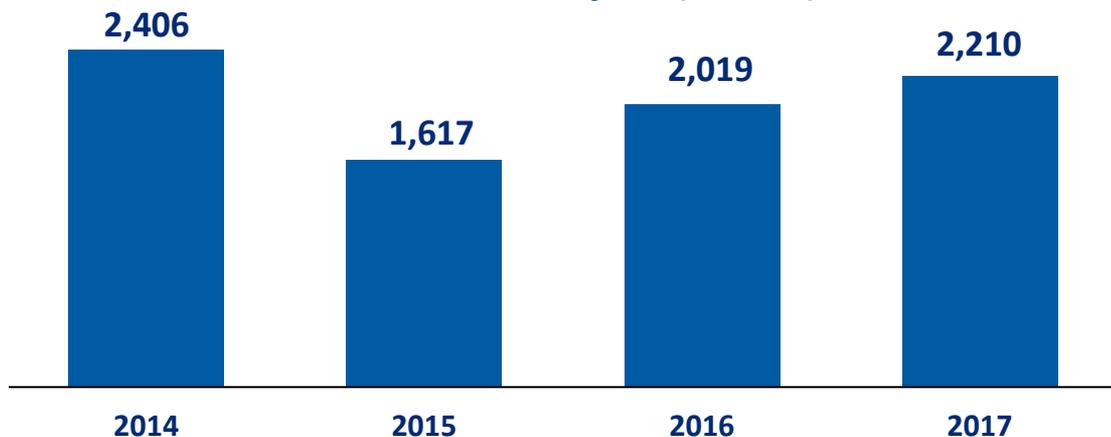
SpareBank 1 Asept  
AS

# Pre-tax operating profit - SpareBank 1 Gruppen

In 4th quarter (MNOK)



For the full year (MNOK)



- Return on equity for the full year:

|      |        |
|------|--------|
| 2017 | 22.7 % |
| 2016 | 19.1 % |
| 2015 | 17.2 % |
| 2014 | 28.0 % |