

# Quarterly presentation Q1 2015



Tromsø/Oslo 29 April 2015

# 1<sup>st</sup> quarter report 2015 - Group

- **Profits before tax: NOK 356 mill (473 mill)**
- **ROE: 12.5 % (18.6 %)**
- **Loan losses NOK 32 mill**
- **Very good solidity and liquidity**
- **Few signs of a weakening of the regional economy. Continued good macroeconomic outlook for Nord-Norge**

# Nord-Norge – macro economy

# Economic prognosis: Export growth Norway 4 %, North Norway 7 %

Growth unless otherwise stated	NORTHERN NORWAY				NORWAY			
	Est.2013	2014	2015	2016	SSB 2013	2014	2015	2016
Private consumption	107 bn	2 %	2 %	3 %	2,1 %	2 %	2 %	3 %
Public consumption	73 bn	2 %	3 %	3 %	1,6 %	2 %	3 %	3 %
Fixed investments	42 bn	2 %	2 %	3 %	8,7 %	1 %	2 %	3 %
Exports international	49 bn	6 %	7 %	7 %	-3,9 %	4 %	4 %	4 %
Imports international	46 bn	2 %	3 %	4 %	2,5 %	2 %	3 %	3 %
Exports to rest of Norway	85 bn	2 %	2 %	3 %				
Imports from rest of Norway	128 bn	2 %	3 %	3 %				
GDP (mainland)	182 bn	3 %	3 %	4 %	2,0 %	2 %	2 %	3 %
Employment	0,9 %	0,5 %	0,5 %	1,0 %	1,2 %	0,5 %	0,0 %	1,0 %
Unemployment level	2,9 %	3,0 %	3,1 %	3,0 %	2,6 %	3,1 %	3,7 %	3,5 %

# Regional economy – few signs of weakening

- Continued improvement within seafood and tourism following a record year in 2014
- A growing oil and gas sector in the north
  - Goliat in production
  - Aasta Hansteen and Polarled under development
- Housing investments at a high level
- «Regional network North» report (Central Bank of Norway), March 2015:
  - «Pronounced growth the following six months»
- Stable, low unemployment – 2,7 % as at March 2015

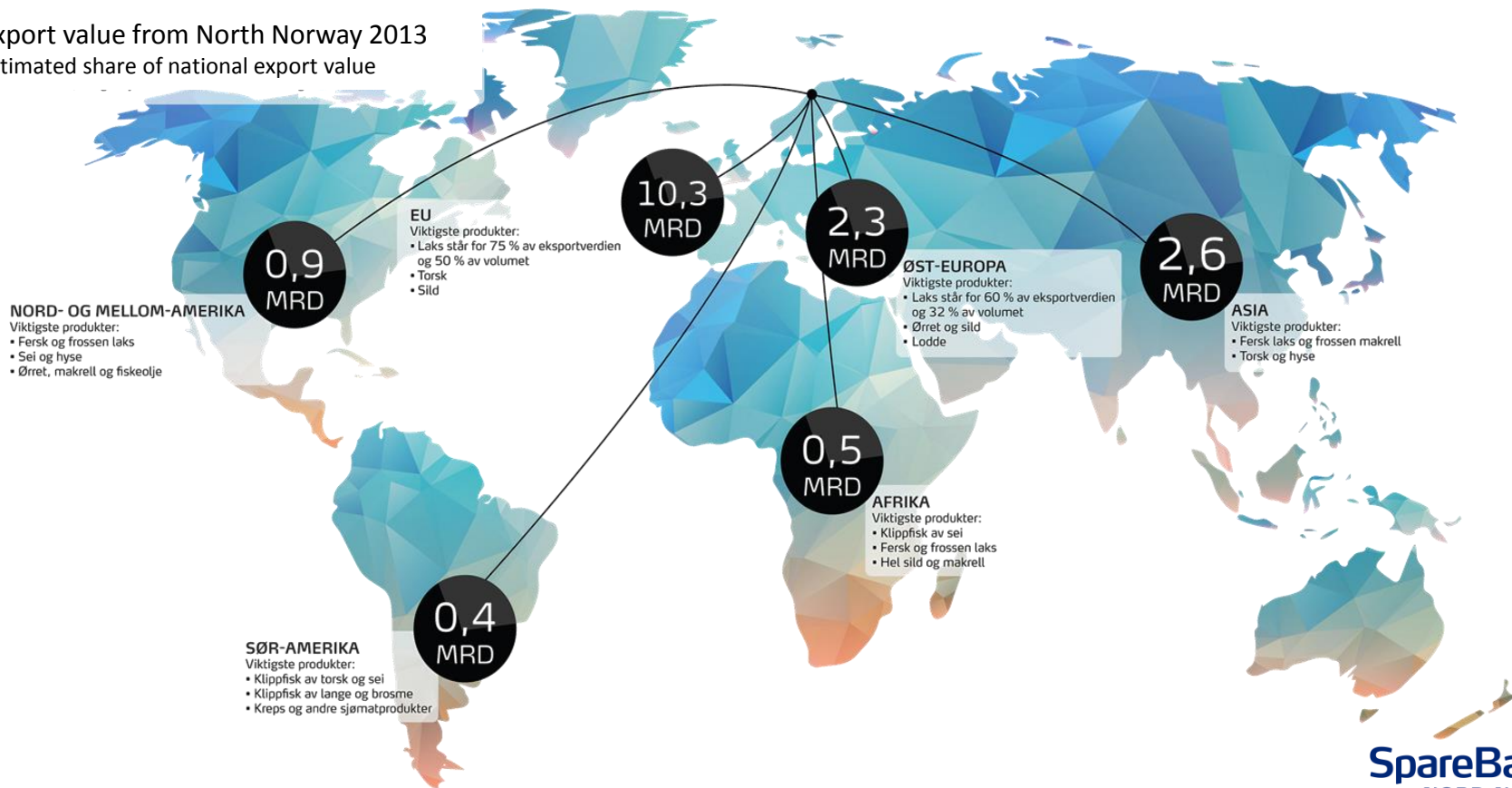
# North Norway – macro-economic advantages

- A diversified export oriented business sector with positive growth impulses
- The regional oil and gas industry is still in an early phase, thus representing an upside rather than a downside potential
- Considerable infrastructure investments
- A stabilising public sector



# Seafood from North Norway on the global food dish

Export value from North Norway 2013  
Estimated share of national export value



# Oil and gas: new fields in production

- Goliat:
  - First oil field in the Barents Sea
  - Platform is being prepared for operation
  - Operational organisation in place
  - Polarbase – more than 50 supplier companies
- Aasta Hansteen/Polarled:
  - Several gas fields, strengthened by new discovery in March 2015 (Snefrid north)
  - Installation at 1 300 meter ocean depth
  - Substantial local supplies from companies like Momek and Aker Solutions Helgeland
  - Production start-up in 2017



Goliat FSPO – the world's northernmost offshore oil field soon ready for operation  
Picture: ENI Norge



# NOK 300 bill. investments in infrastructure

## Investeringer i Nord-Norge (2014 - 2022)

Høsten 2013 presenterte KB den første oversikten over større planlagte investeringer i Nord-Norge. Oversikten er nå oppdatert med ferske tall, samt at langt flere investeringsprosjekter er identifisert.

Kartet viser planlagte, igangsatte og snart ferdige investeringsprosjekter. Til sammen har vi kartlagt investeringer for nærmere 300 milliarder kroner for perioden 2014-2022. Oversikten er basert på rundt 300 identifiserte prosjekter. I tillegg kommer en rekke mindre prosjekter som ikke er spesifisert.

### HÅLOGANDSREGIONEN

- Boliger, infrastruktur og kraft utgjør vel 80 % av planlagte investeringer.
- 14,5 mrd innen offentlig sektor og 19,0 mrd i privat sektor.
- Av private investeringer utgjør boliger 12,8 mrd.
- Investering i næringsbygg utgjør 3,9 mrd.

### BODØREGIONEN

- Investeringer i bolig, infrastruktur og helse står for 87 % av totalen.
- Offentlig sektor utgjør 14,2 mrd og privat sektor 30,8 mrd.
- Av private investeringer utgjør boliger 27,6 mrd, 70 % av disse i Bodø.
- Øvrige investeringer skjer hovedsakelig innen kraft og næringsbygg.

### HELGELAND

- Kraft, infrastruktur, bolig og offentlige bygg står for 80 % av investeringene.
- 12,3 mrd av investeringer er i offentlig sektor, 15,2 mrd i privat sektor.
- Av offentlige investeringer kommer 7,0 mrd innen infrastruktur og 5,3 mrd til offentlige bygg.
- Av private investeringer utgjør kraft 10,6 mrd, boliger 6,6 mrd og næringsbygg 1,1 mrd.

### SOKKEL

- Offshoreinvesteringene på 60,0 mrd kommer i hovedsak i Finnmark.

### VEST-FINNMARK

- Boliger- og kraft utgjør 63 % av investeringene.
- 15,8 mrd er offentlige og 21,7 mrd private investeringer.
- 7,2 mrd investeres i infrastruktur og 3,0 mrd i offentlige bygg, resten er innen helse.
- Boliger utgjør 50 % av private investeringer.
- Investeringer i industri og næring utgjør 1,1 mrd.

17,4 MRD

### ØST-FINNMARK

- Boliger og offshore utgjør 60 % av investeringene.
- 4,5 mrd investeres innen offentlig sektor og 12,9 mrd i privat sektor.
- Av private investeringer utgjør boliger 6,1 mrd, offshore (baseutvikling) 4,3 mrd og industri 2,3 mrd.
- Av offentlige investeringer kommer hovedtyngden innen infrastruktur og helse.

37,5 MRD

72,8 MRD

### TROMSØ, MIDT- OG NORD-TROMS

- Boliger og offentlige bygg står for 62 % av investeringene.
- 26,1 mrd i er offentlige investeringer og 46,7 mrd private.
- 94 % av investeringene kommer i Tromsø.
- Av de private investeringer utgjør boliger 79 %.

33,4 MRD

45,0 MRD

27,5 MRD

### Investeringsdrøm, finansiert, igangsatt

Tidspunktene for oppstart og avslutning er herftet med stor usikkerhet, og enkelte prosjekter vil nok aldri komme i gang. Det er også langt fra alle investeringsplanene som er kommet så langt at finansieringen er på plass. Slik usikkerhet er på mange måter investeringsens natur.

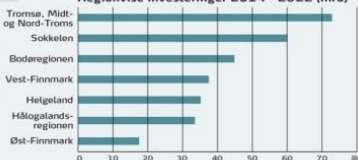


### Offentlig, privat og offshoreinvesteringer

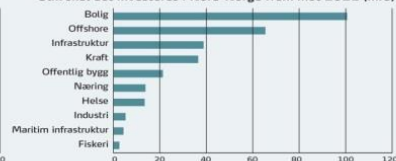
Oversikten over offentlige investeringer er i stor grad hentet fra statlige organer som har ansvaret for investerings tiltakene. Oversikten over private investeringer er hentet fra en rekke ulike kilder, hvor blant annet SpareBank1 Nord-Norges finansskede kontornett i landsdelen har bidratt med informasjon.



### Regionvise investeringer 2014 - 2022 (mrd)

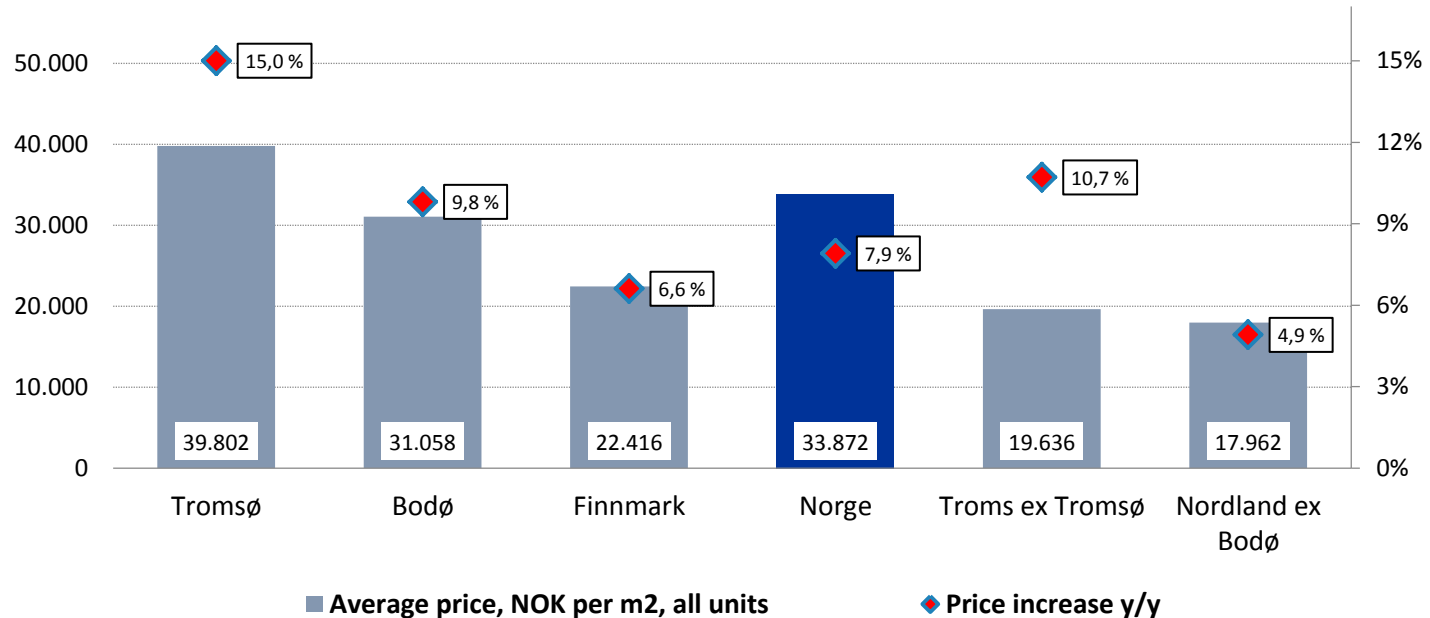


### Slik skal det investeres i Nord-Norge frem mot 2022 (mrd)

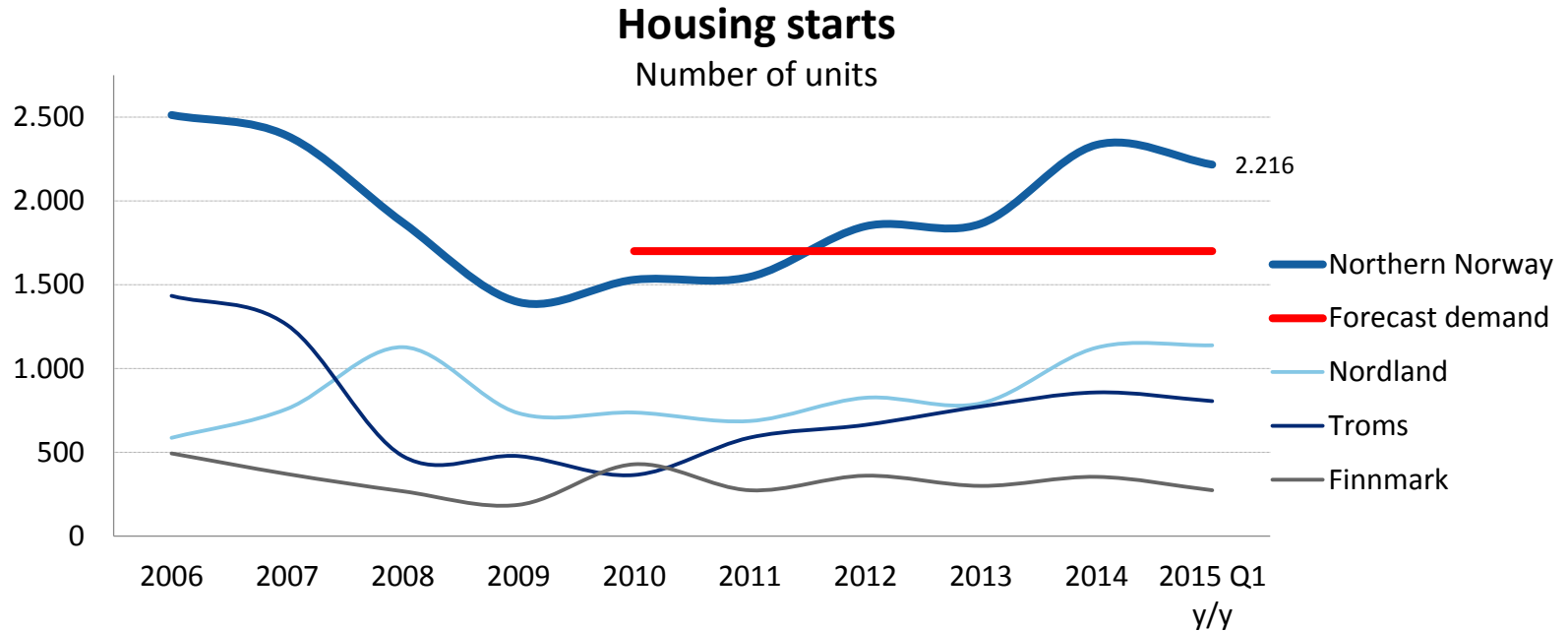


# Housing market in the north

**House prices**  
Price level and Growth y/y, March 2015



# Residential investment at high level



# Strategy and brand

...a fact that has inspired SpareBank 1 Nord-Norge

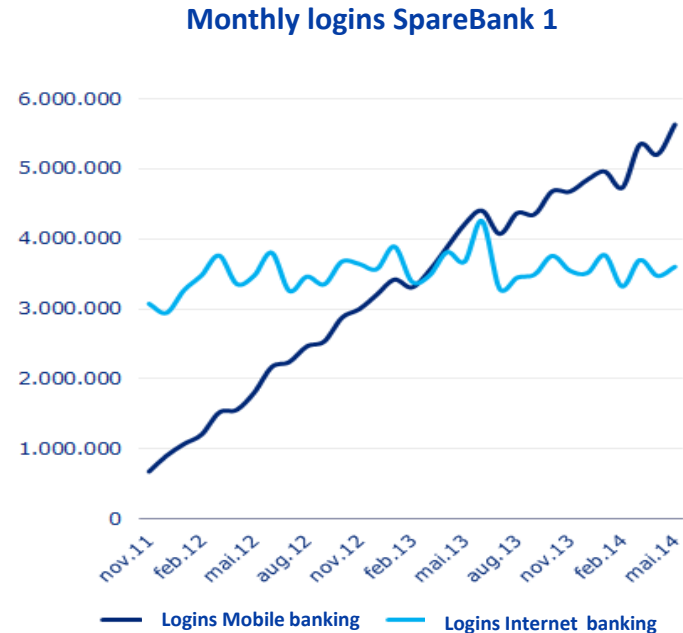


# Strategy: Priorities 2015 - 2016

- Profitable growth in all high-priority segments and geographical areas. Further branding
- Focus on core banking and being perceived as a unified banking group.
- Continued focus on digitalisation of business processes. Stimulating seamless interaction between the distribution channels; branches, customer center and mobile/internet banking
- Ensure and utilise the physical presence, but also increase efficiency in the distribution network

# Rapid change in customer behaviour – adaption of day-to-day traditional banking to mobile solutions in less than two years

- 1,1 million logins on the mobile banking application in SpareBank 1 Nord-Norge in Dec. 2014
- 50 % more logins on the mobile application compared with the internet solution
- The mobile application now also includes products within insurance and savings



# Several mobile purchasing solutions

- **Overview**

- Accounts, credit card, savings, loans, insurance

- **Wage- /current account**

- Payment services
- Transfers between accounts
- Maturity list
- Electronic invoicing
- Receipts

- **SMS-alerts**

- **Dialog and messages**

- **Order services**

- Advisory services
- Real estate value estimation



- **Cards**

- Replacement
- Individual regional restrictions
- Refilling

- **Credit card**

- Electronic invoicing
- Payment

- **Equity and fixed income funds**

- Buy/sell
- Savings agreement

- **Insurance**

- Buy childrens insurance
- Buy travel insurance
- Insurance loss reporting

- Several new purchasing solutions will be launched in 2015 within banking, card, credit card, insurance, savings, etc.



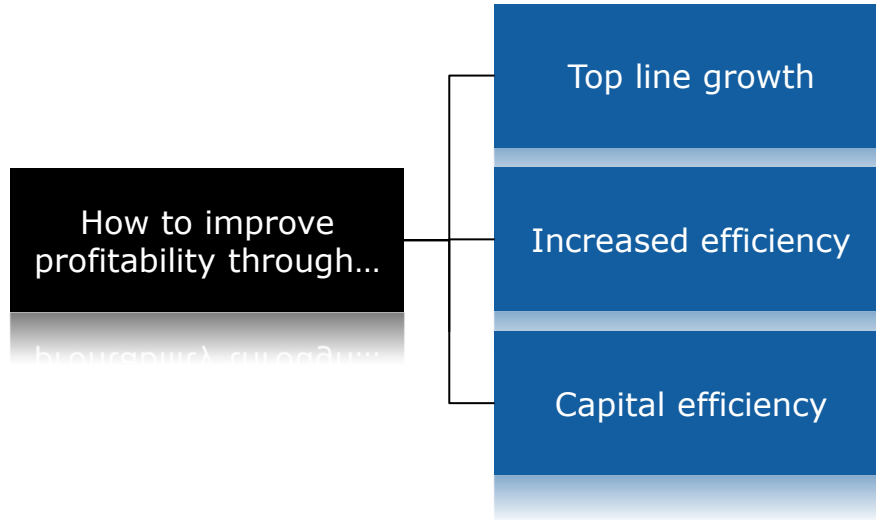
# Physical distribution network

- At yearend 2014 the bank had 66 branches.
- 19 Financial Centres and 47 smaller local branches represent the bank's physical distribution network
- The Financial Centres are offering the Group's total products and services, while the smaller branches are only servicing the retail market.
- The number of local branches was reduced by 8 in 2014. The Board has in 2015 been authorised by the general assembly to decide upon a possible merge of 4 further units with other branches.



# Profitability and cost efficiency

- Tightened cost ambition: Maximum yearly cost increase; 1 %, excluding restructuring costs and implemented business expansions (subsidiaries)
- Project for improved Group profitability has been initiated



# A profitable business model



- A unique brand
- Local presence
- Regional knowledge
- A national alliance
- Focus on core banking

# Financial figures

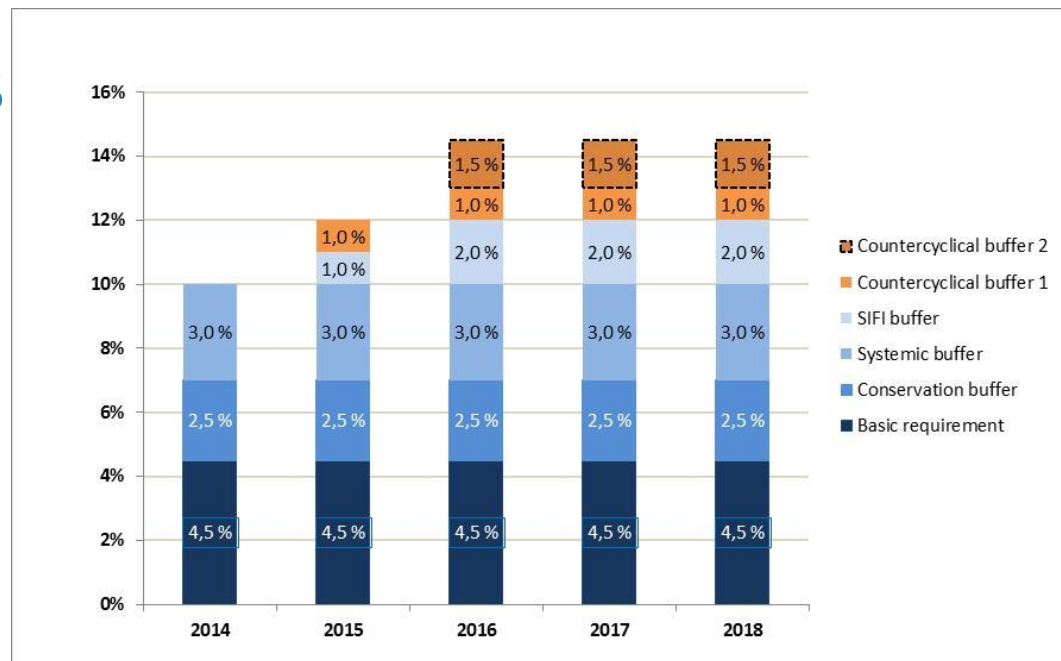
# Main financial targets

## Profitability:

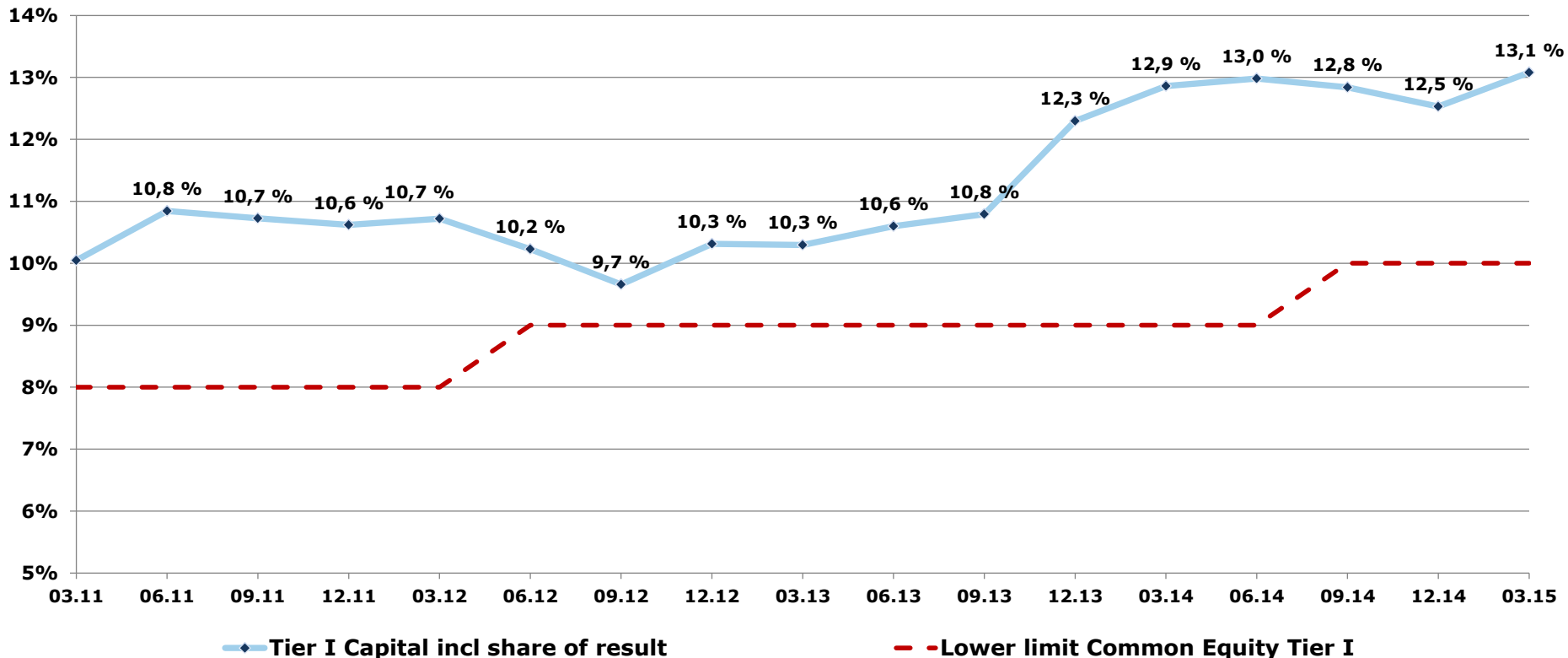
- Banking operations at top international level: Minimum 12% ROE

## Solidity:

- Undisputable solid
- Internal capital buffer of at least 1 percentage point above the statutory minimum requirement.
- Long term goal for Core Tier 1 level is currently 14.5 %



# Capital adequacy ratio - Group



# Profit and loss account - Group

(Amounts in NOK million)

	31.03.15	31.03.14
Net interest income	369	328
Net fee-, commision and other operating income	239	243
Net income from financial investments	118	243
<b>Total net income</b>	<b>726</b>	814
Total costs	338	316
<b>Result before losses and write-downs</b>	<b>388</b>	498
Net losses and write-downs	32	25
<b>Result before tax</b>	<b>356</b>	473
Tax	66	72
Result non-current assets held for sale	0	0
Minority interests	- 2	0
<b>Result for the period</b>	<b>292</b>	401
Return on equity capital	12,5 %	18,6 %

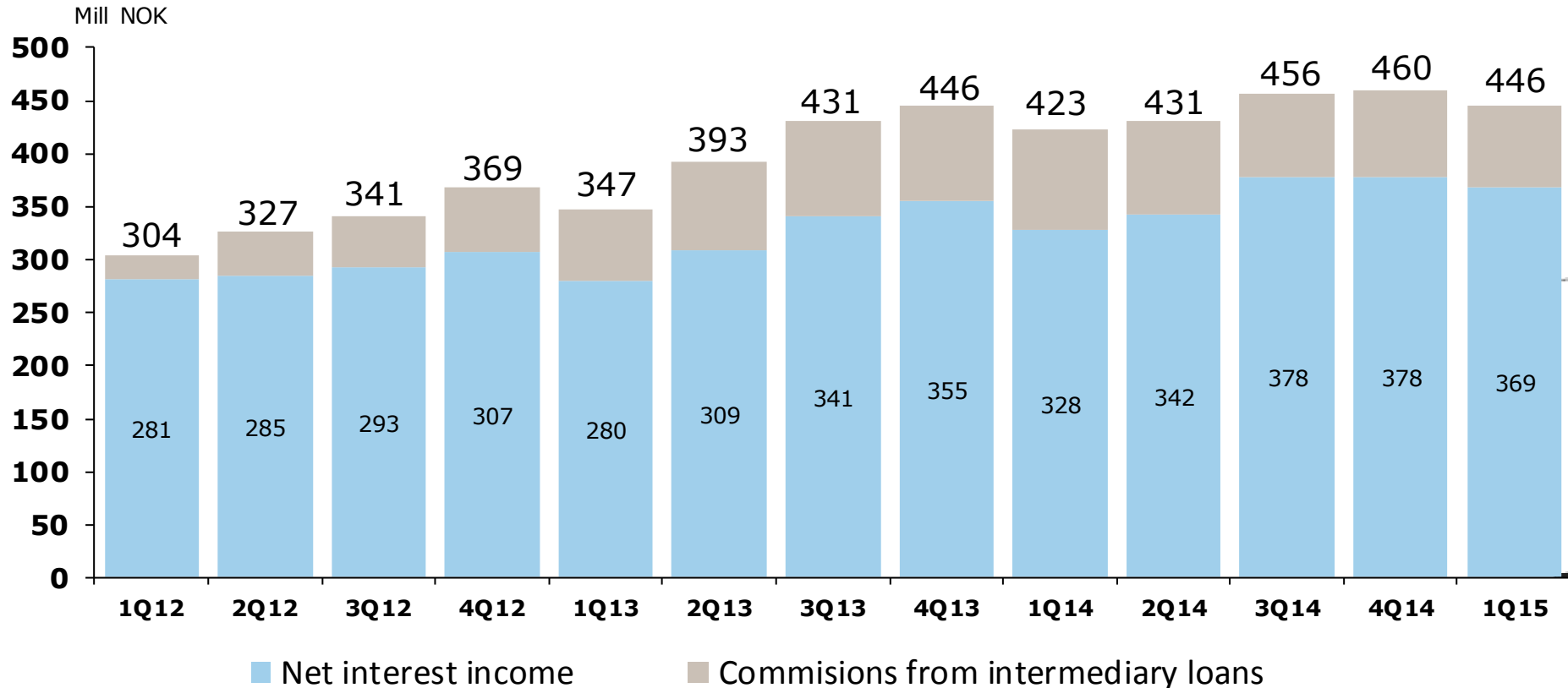
# Quarterly summary – Profit and loss account figures

(Amounts in NOK million)

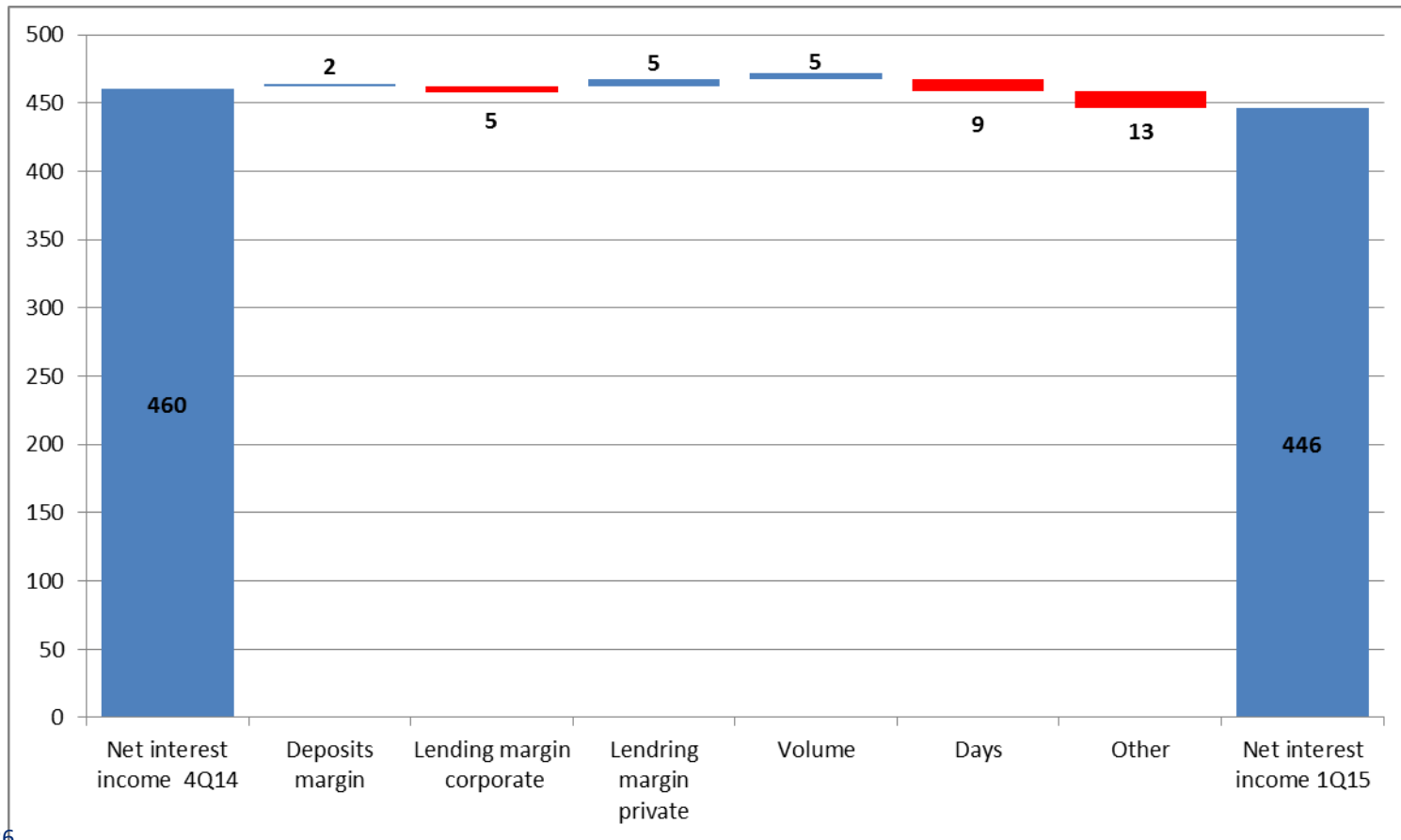
	<b>1Q15</b>	4Q14	3Q14	2Q14	1Q14
Net interest income	<b>369</b>	378	378	342	328
Net fee-, commision and other operating income	<b>239</b>	237	238	248	243
Net income from financial investments	<b>118</b>	51	119	189	243
<b>Total net income</b>	<b>726</b>	666	735	779	814
Total costs	<b>338</b>	354	325	333	316
Result before losses and write-downs	<b>388</b>	312	410	446	498
Net losses and write-downs	<b>32</b>	236	38	22	25
<b>Result before tax</b>	<b>356</b>	76	372	424	473
Return on equity capital	<b>12,5 %</b>	1,5 %	13,4 %	15,9 %	18,6 %
Cost/income	<b>46,6 %</b>	53,2 %	44,2 %	42,7 %	38,8 %



# Net interest income - Group

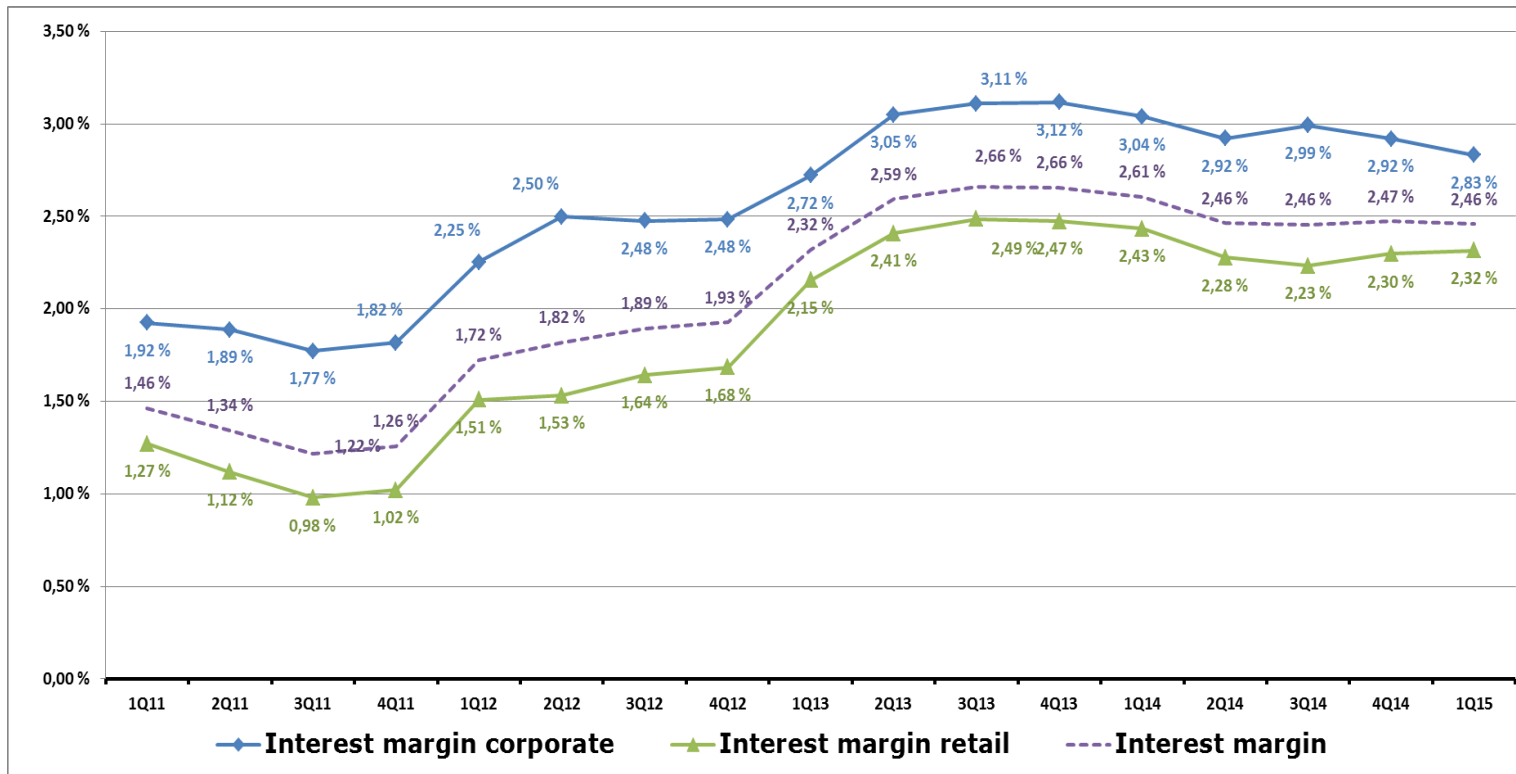


# Changes in net interest income last quarter



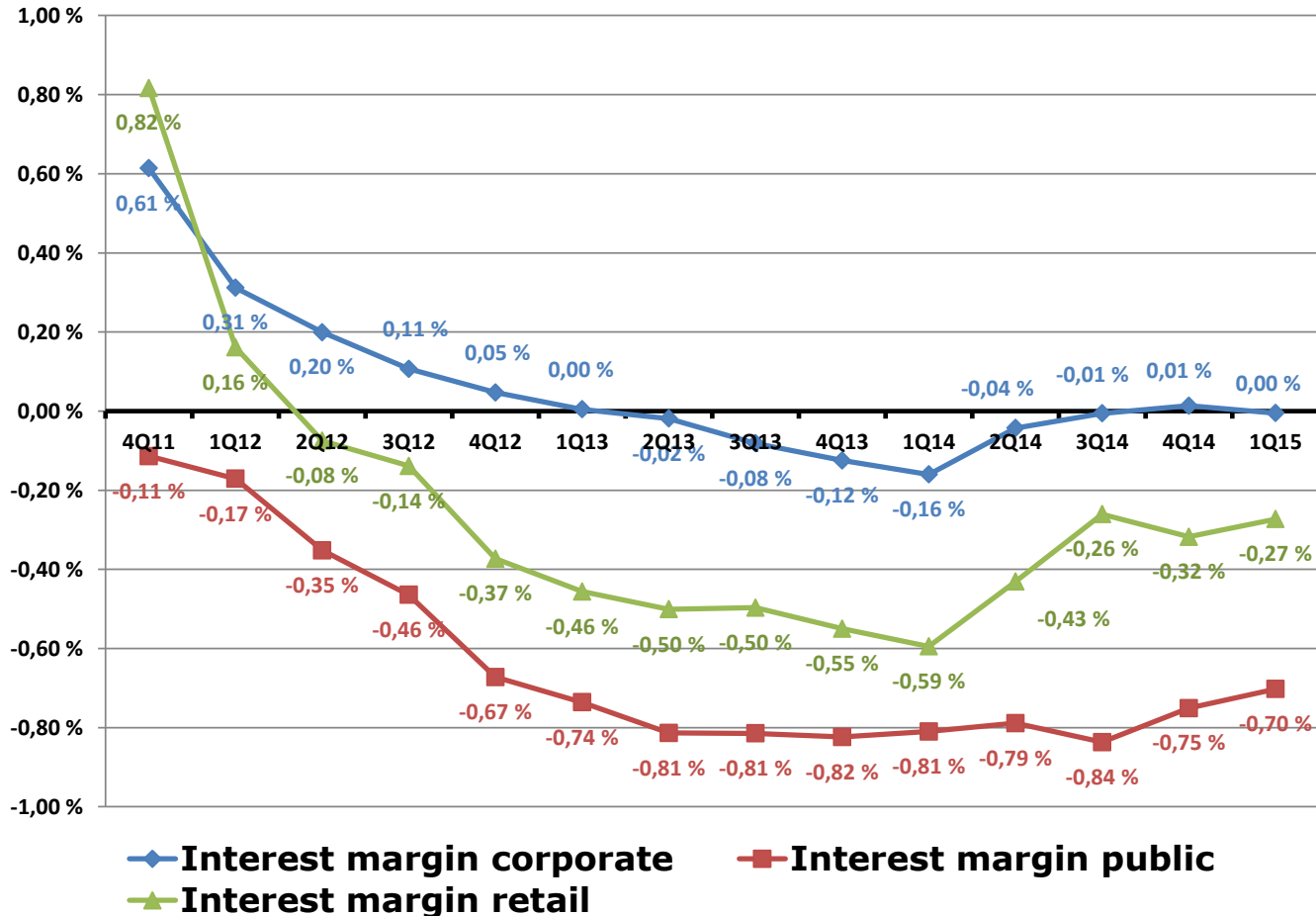
Measured against average funding cost

# Lending margin, Parent bank



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

# Customer deposit, Parent bank



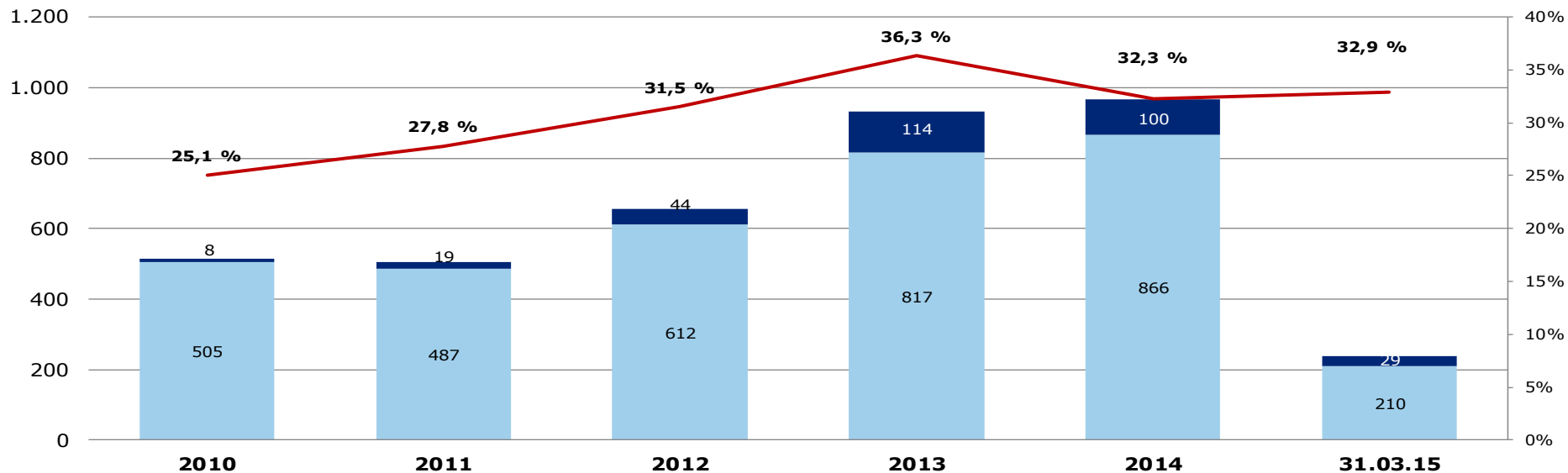
The interest margin is defined as the difference between average 3 month NIBOR and the customer deposit interest rate

# Quarterly summary – Profit and loss account figures

(Amounts in NOK million)

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# Total commission and other income



■ Total other operating income ■ Net commission income — Net fee-, commission and other income as % of total net return

# Income from financial investments

<b>Group</b>					
(Amounts in NOK million)	<b>1Q15</b>	4Q14	3Q14	2Q14	1Q14
Dividends	<b>0</b>	0	0	5	11
Income from joint ventures	<b>112</b>	121	142	119	71
Gains/losses and net value changes on shares	<b>5</b>	-69	-21	44	144
Net value changes on bonds, foreign exchange and fin.derivatives	<b>3</b>	41	-2	13	25
Gains/losses and net value changes on loans	<b>-2</b>	-42	0	8	-8
<b>Income from financial investments</b>	<b>118</b>	51	119	189	243

# Group operating costs

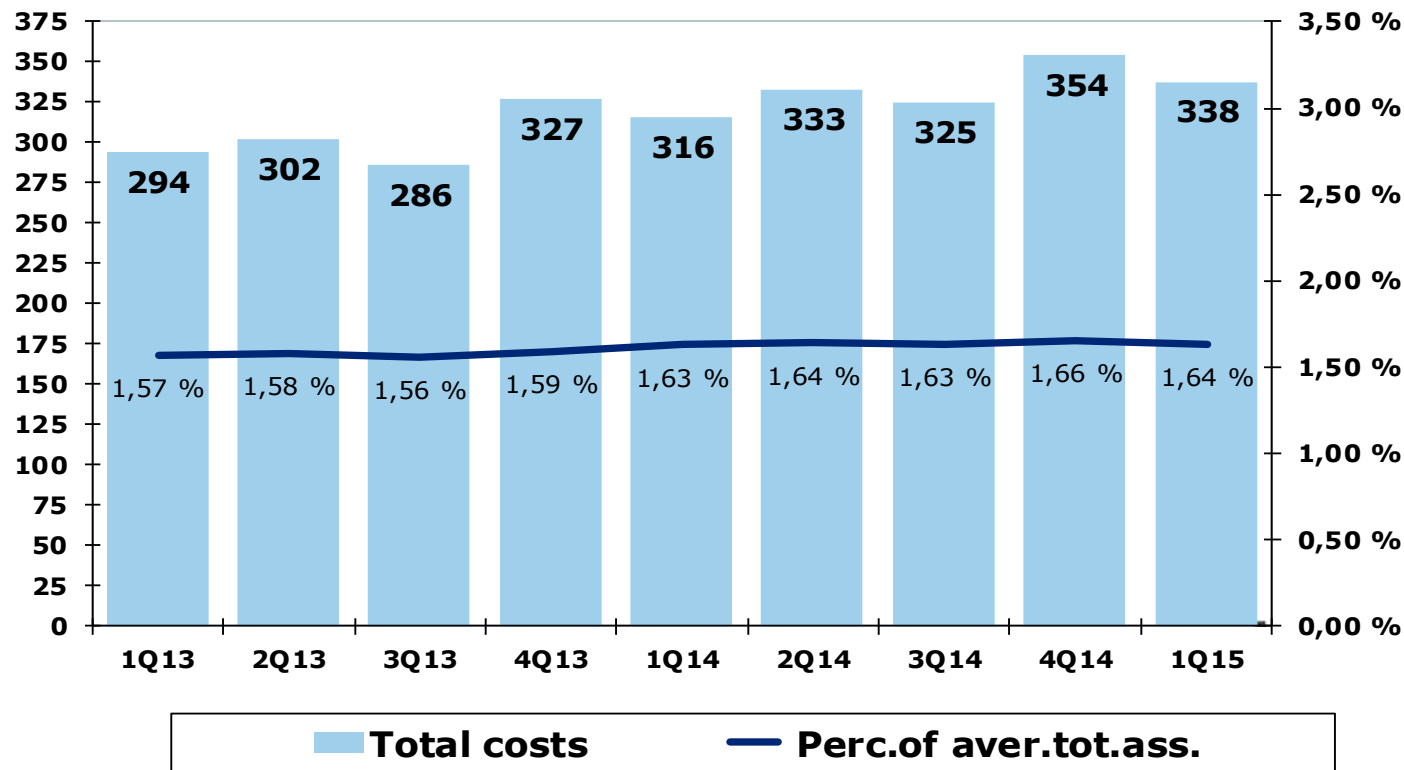
(Amounts in NOK million)

	<b>31.03.15</b>	31.03.14	Change
Wages and salaries	<b>159</b>	142	17
Pension costs	<b>9</b>	8	1
Social costs	<b>21</b>	12	9
<b>Total personnel costs</b>	<b>189</b>	162	27
Administration costs	<b>90</b>	89	1
<b>Total personnel- and general administration costs</b>	<b>279</b>	251	28
Depreciation and write-downs of fixed assets	<b>14</b>	14	0
<b>Total operating costs</b>	<b>45</b>	51	- 6
<b>Total costs</b>	<b>338</b>	316	22

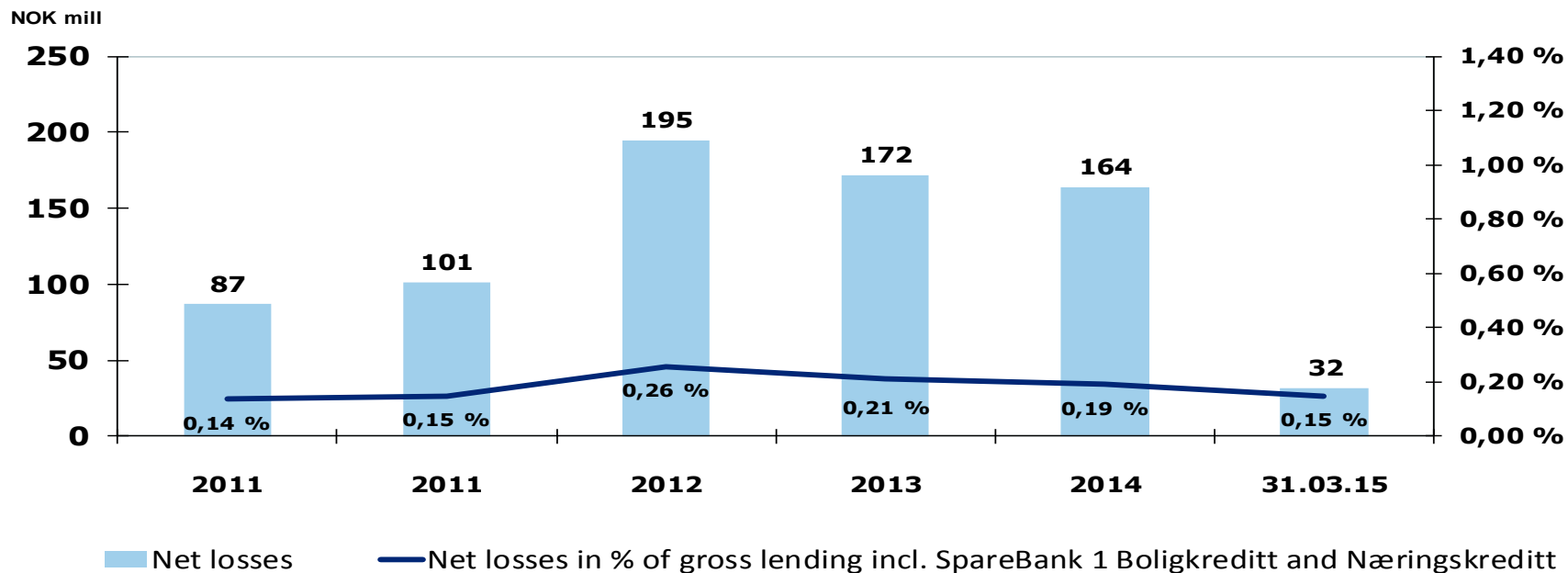


# Group operating costs

NOK mill.



# Losses on loans and guarantees - customers



# Core banking operations- (excl. income from financial investments)

(Amounts in NOK million)

	1Q15	4Q14*	3Q14	2Q14	1Q14
Net interest income	369	378	378	342	328
Net fee- and commission income	210	212	219	221	214
Other operating income	29	25	19	27	29
Total costs	338	354	325	333	316
<b>Underlying banking operations</b>	<b>270</b>	261	291	257	255
Net losses and write-downs	32	236	38	22	25
<b>Underlying banking operations after losses</b>	<b>238</b>	25	253	235	230

\*Of which cost/losses Russian Banks

206

# Group companies result before tax

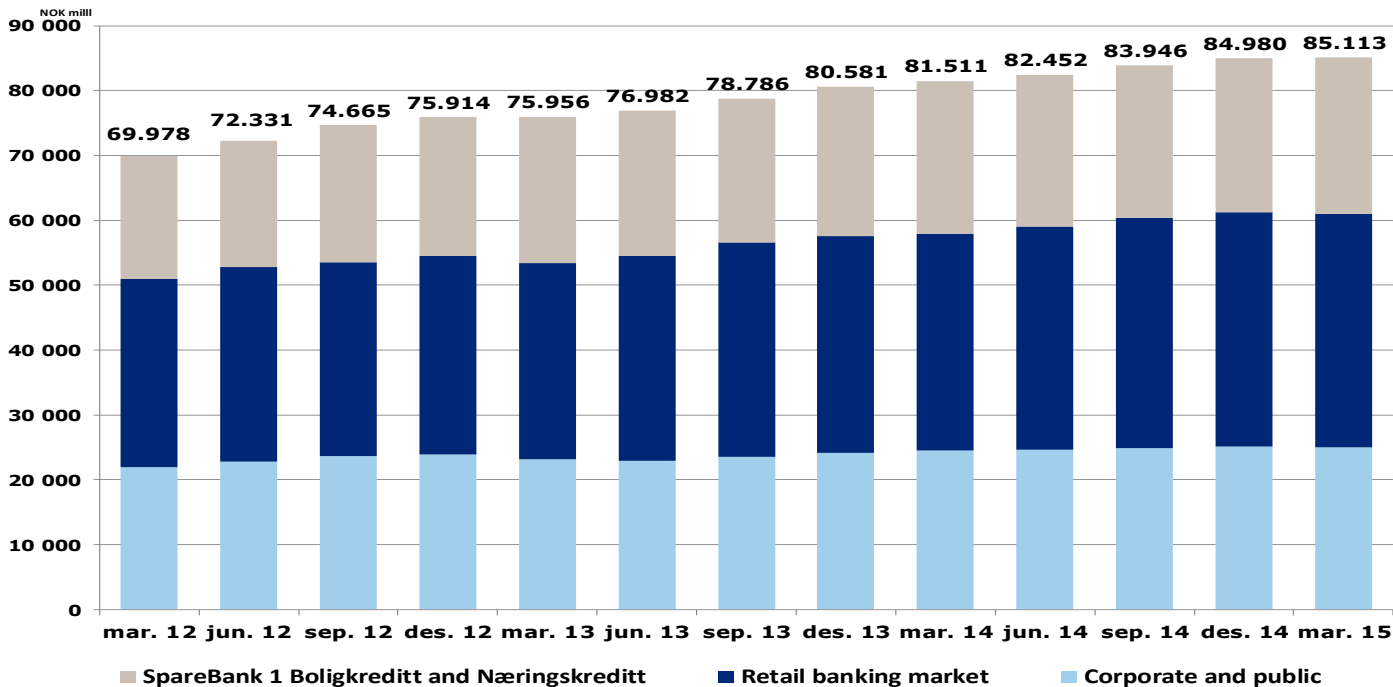
(Amounts in NOK 1000)

	<b>31.03.15</b>	31.03.14
SpareBank 1 Finans Nord-Norge AS	<b>29 506</b>	28 930
SpareBank 1 Nord-Norge Portefølje AS	<b>-5 914</b>	15 903
SpareBank 1 Regnskapshuset Nord-Norge AS	<b>3 359</b>	2 793
EiendomsMegler 1 Nord-Norge AS	<b>4 864</b>	1 124
SpareBank 1 Nord-Norge Forvaltning ASA	<b>682</b>	621
North-West 1 Alliance Bank	<b>-7 668</b>	1 041
EiendomsMegler 1 Lofoten AS (owned by EM1 60%)	<b>53</b>	- 198
Nord-Norge Eiendom IV AS	<b>- 222</b>	- 413
Alsgården AS	<b>141</b>	478
Fr. Langes gate 20 AS	<b>488</b>	296
<b>Total</b>	<b>25 289</b>	<b>50 575</b>

# Key figures balance sheet

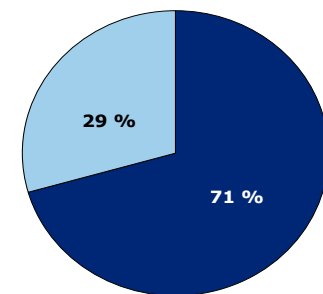
	<b>31.03.15</b>	31.03.14	Change	Change %
Total assets	<b>82 128</b>	77 642	4 486	5,8%
Gross lending	<b>61 060</b>	57 638	3 422	5,9%
Loans and advances to customers incl SpareBank 1 Boligkreditt and Næringskreditt	<b>85 113</b>	81 511	3 602	4,4%
Deposits from customers	<b>46 211</b>	43 635	2 576	5,9%

# Lending volume

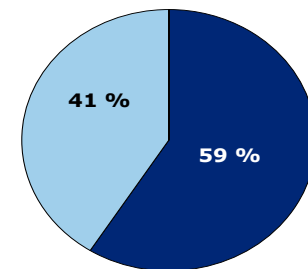


Growth past 12 months:

Loans and advances to customers incl SpareBank 1 Boligkreditt and Retail incl. SpareBank 1 Boligkreditt	4,4 %
Corporate and public	5,5 %
	1,9 %

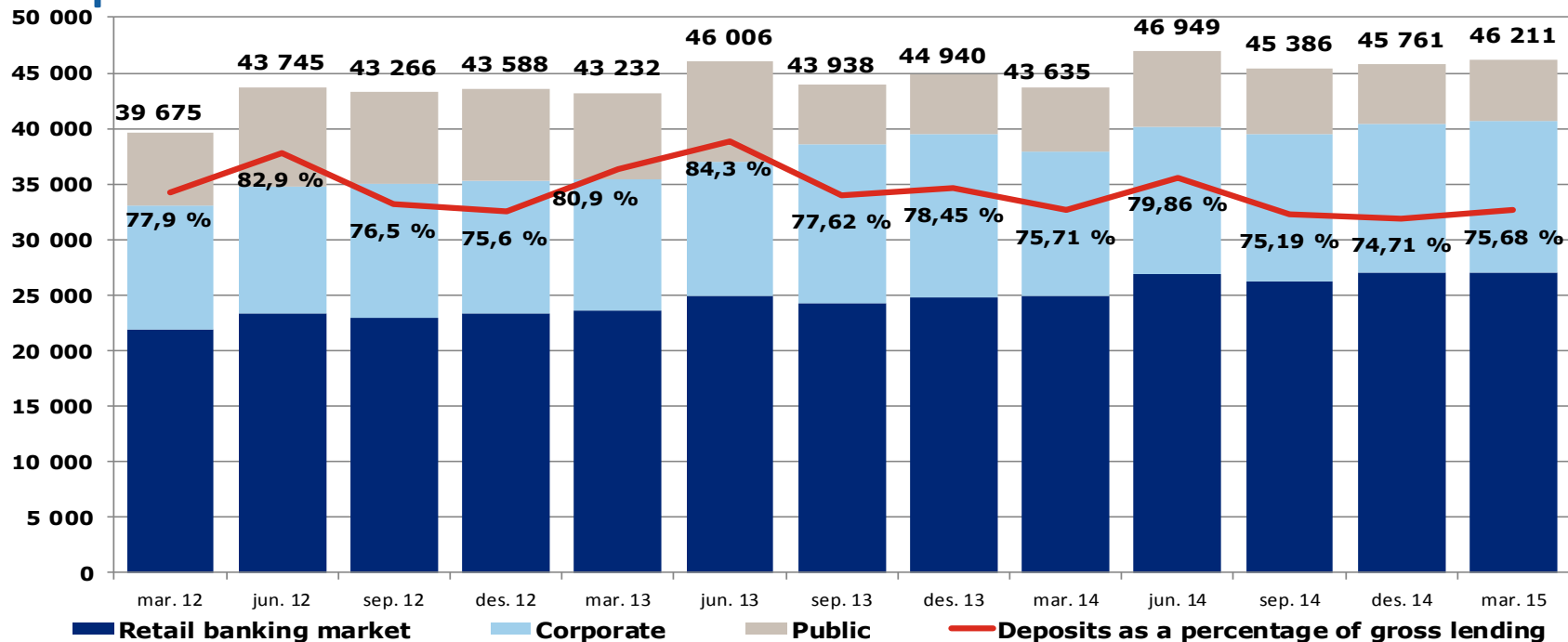


■ Retail incl. SpareBank 1 Boligkreditt



■ Retail excl. SpareBank 1 Boligkreditt

# Deposit volume



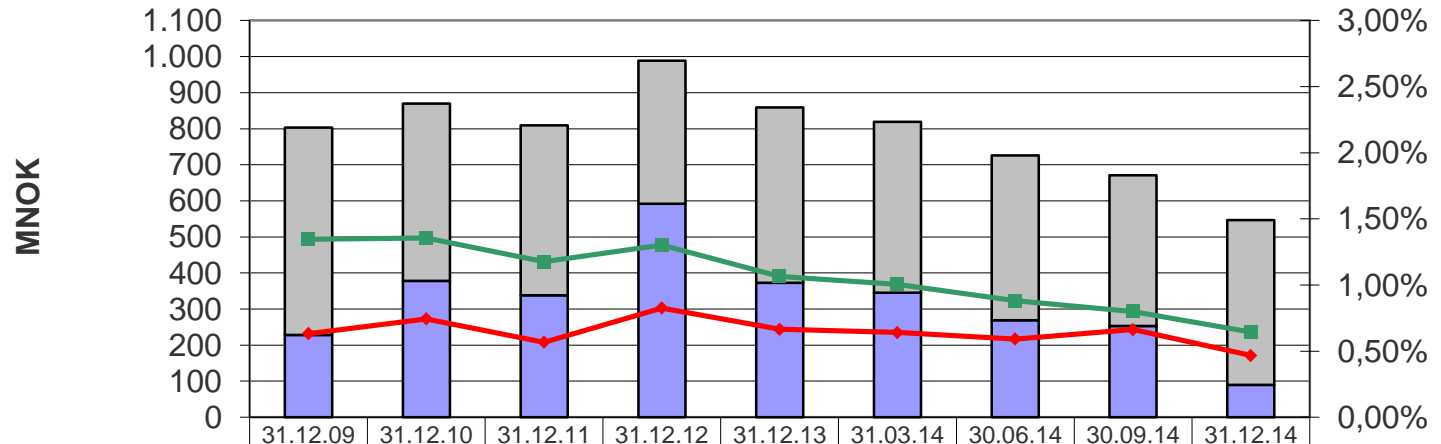
Deposits growth past 12 months	5,9 %
Retail banking market	8,2 %
Public*	-4,3 %
Corporate	5,9 %

\*Deposit growth excl. of Treasury bills under the Government swap scheme

**Credit area**



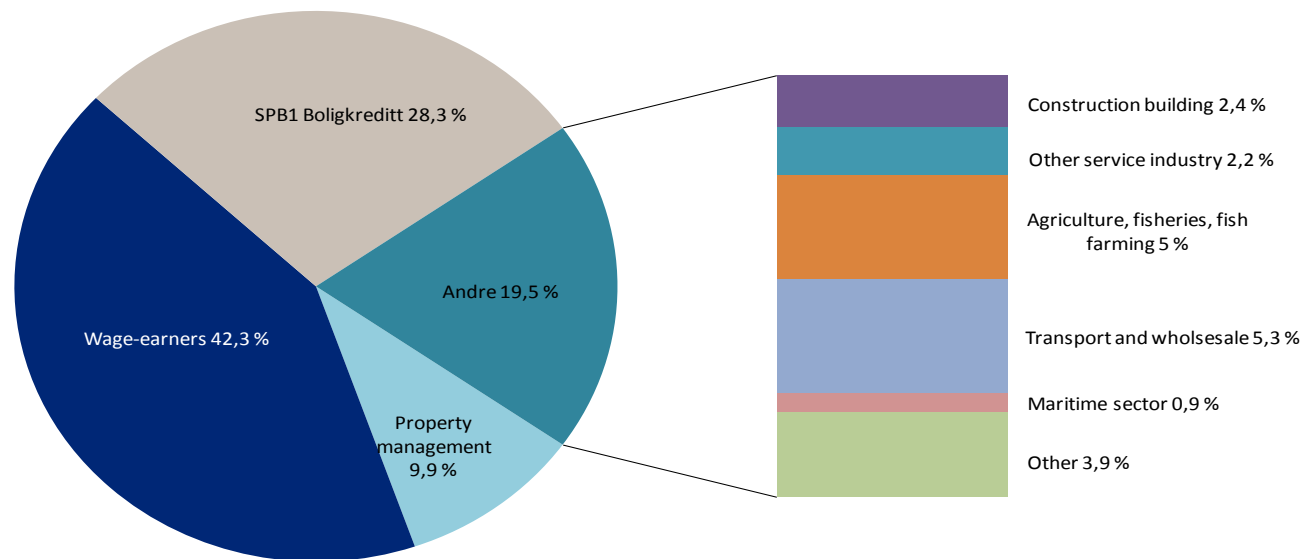
# The Group's non-performing, impaired and other problem commitments



■ Non-performing commitments	575	492	471	397	486	474	457	418	457
■ Other problem commitments	228	378	338	592	373	345	269	253	90
◆ Individual write-down for impaired value (left axis)	232	273	208	303	244	235	217	243	171
■ Gross non-performing and impaired commitments in % of gross lending incl. agency loans (right axis)	1,34%	1,36%	1,18%	1,30%	1,06%	1,00%	0,88%	0,80%	0,64%

# Distribution on segments shows good diversification

Loan portfolio including Boligkreditt



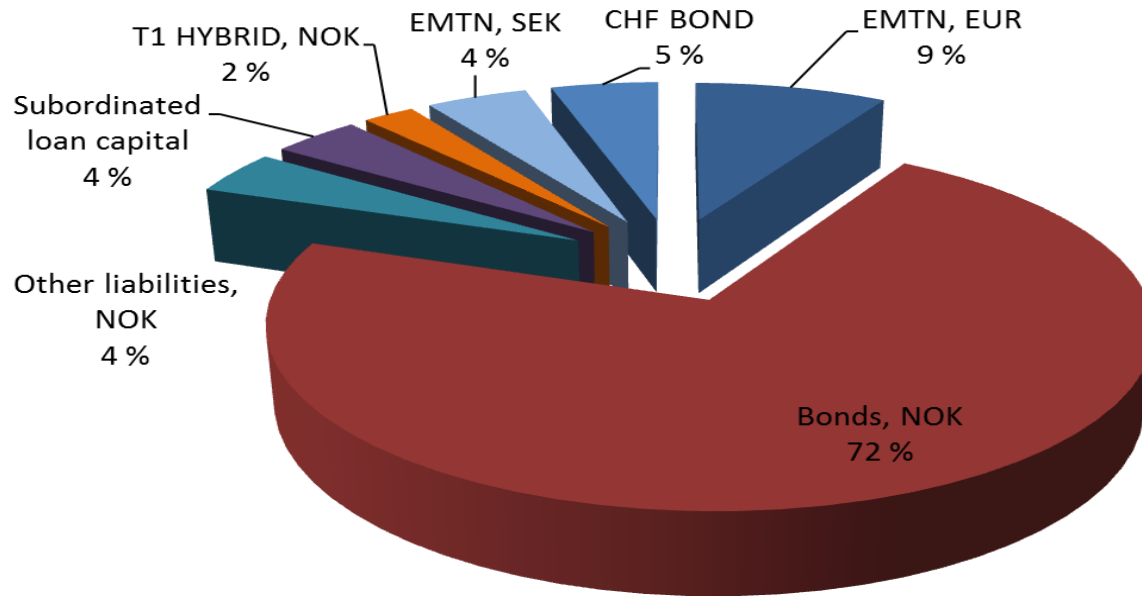
A high share of retail- and primary industry lending represent a risk mitigating factor.

The Group has a well diversified corporate market lending portofolio.

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.

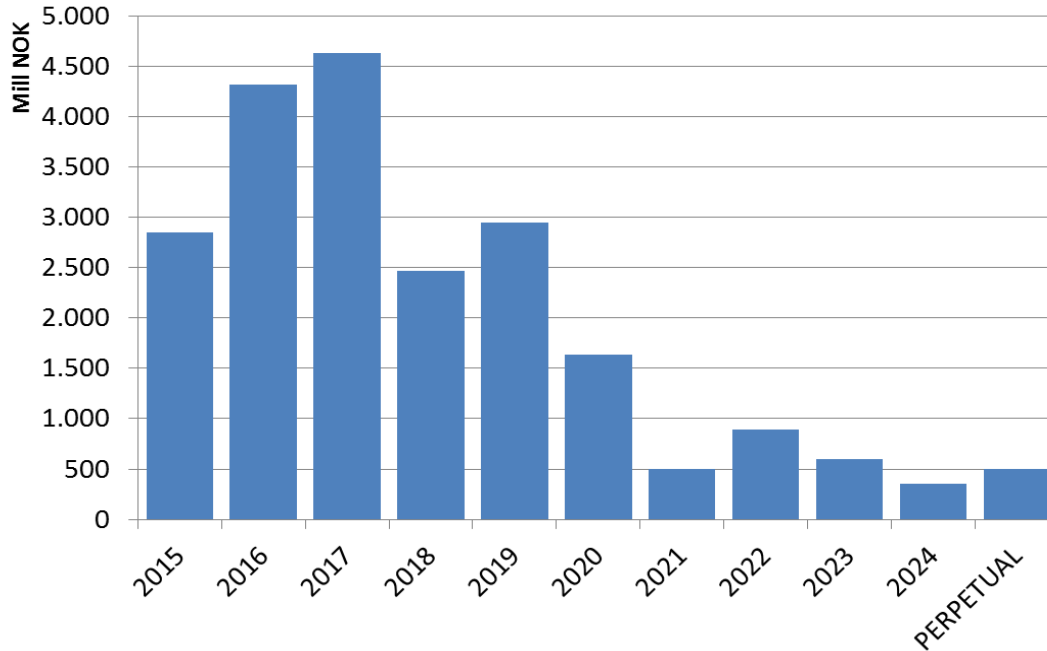
# Liquidity/funding

# Funding instruments 31.03.15



# Maturity profile 31.03.15

## Capital markets funding (excl. SPABOL)



- Good diversification in terms of maturities
- NOK 21.680 mill in capital market funding exclusive of SB1 Boligkreditt
- SpareBank 1 Boligkreditt is an important funding source. Mortgage loans of NOK 24.200 mill transferred as at 30.03.15.
- Amount of gross maturities of capital market funding next 12 months is NOK 3.637 mill

# Summary

# 1<sup>st</sup> quarter report 2015 - Group

- **Profits before tax: NOK 356 mill (473 mill)**
- **ROE: 12.5 % (18.6 %)**
- **Loan losses NOK 32 mill**
- **Very good solidity and liquidity**
- **Few signs of a weakening of the regional economy. Continued good macroeconomic outlook for Nord-Norge**

# Why invest in SpareBank 1 Nord-Norge?

**1) Continued strong macro economics in North Norway**

**2) Very strong position in the region**

**3) Profitable growth within core banking activities**

**4) Good solidity and capacity for profitable growth**



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SNN home page and internet bank: [www.snn.no](http://www.snn.no)

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

## Financial calendar 2015:

12 August

29 October

