



# Preliminary accounts 2016

Tromsø/Oslo 15 February 2017

SpareBank   
NORD-NORGE

# 2016: Very good result – increased dividend



2016 profit before tax NOK 1 544 mill (NOK 1 033 mill)



Return on equity 12.0 % (9.1 %)



Reduced costs (- 2.4 %) compared with 2016 (excl. restructuring costs)



Moderate loan losses NOK 213 mill (NOK 200 mill). NOK 64 mill in Q4

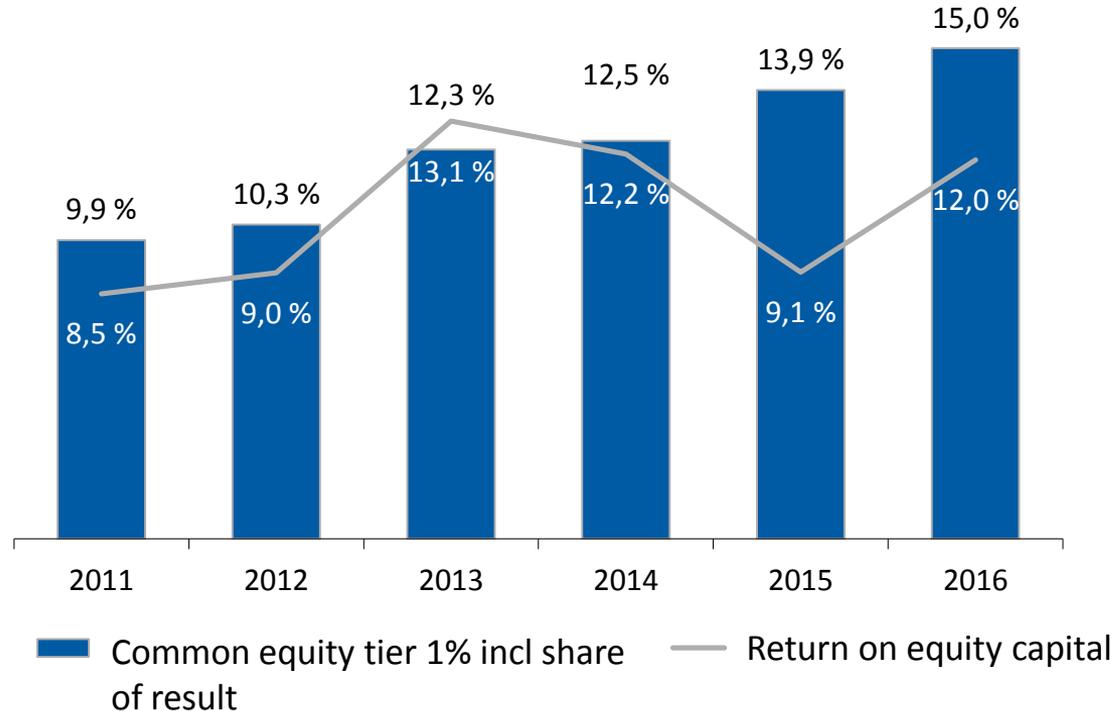


Proposed dividend per share; NOK 3.45 (NOK 2.00)

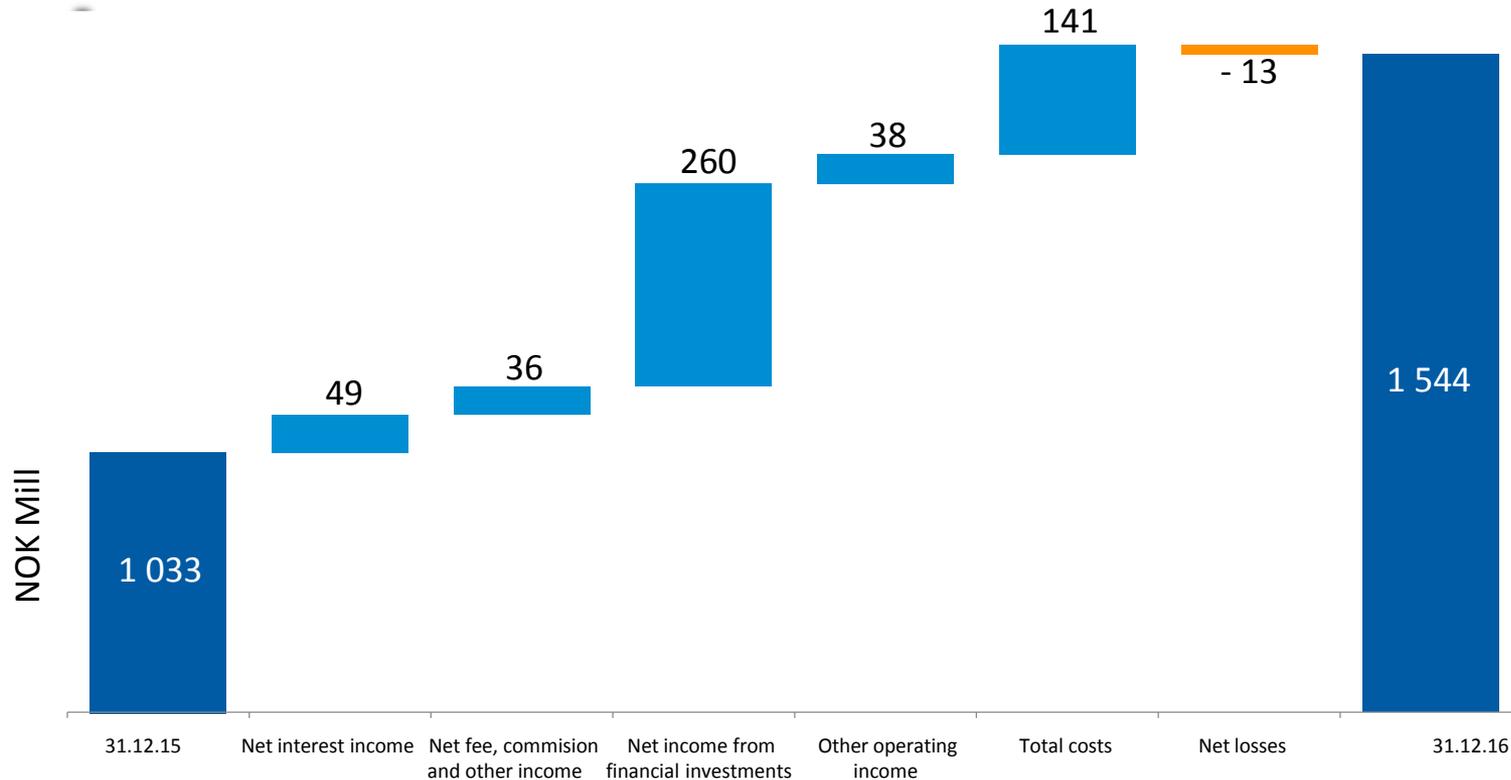


CET-1 Ratio 15.0 % (13.9%). Target of 14.5 % is achieved.

# Very good profitability and financial strength



# Improved profitability 2015 - 2016



# Quarterly summary - profit and loss account

| (Amounts in NOK million)                       | <b>4Q16</b>   | 3Q16   | 2Q16   | 1Q16   | 4Q15   |
|------------------------------------------------|---------------|--------|--------|--------|--------|
| Net interest income                            | <b>434</b>    | 423    | 401    | 386    | 390    |
| Net fee-, commision and other operating income | <b>234</b>    | 228    | 249    | 213    | 222    |
| Net income from financial investments          | <b>116</b>    | 157    | 156    | 80     | 46     |
| <b>Total net income</b>                        | <b>784</b>    | 808    | 806    | 679    | 658    |
| Total costs                                    | <b>375</b>    | 316    | 318    | 311    | 451    |
| Result before losses and write-downs           | <b>409</b>    | 492    | 488    | 368    | 207    |
| Net losses and write-downs                     | <b>64</b>     | 61     | 64     | 24     | 92     |
| <b>Result before tax</b>                       | <b>345</b>    | 431    | 424    | 344    | 115    |
| Return on equity capital                       | <b>9,9 %</b>  | 13,6 % | 13,8 % | 11,0 % | 5,2 %  |
| Cost/income                                    | <b>47,8 %</b> | 39,1 % | 39,5 % | 45,8 % | 68,5 % |

# Strategic measures have been effective...



Core business cultivated: Exit from Russia, Nord Kapitalforvaltning and Bank 1 Oslo. SNN Invest wound up and downsizing of corporate lending in BN Bank according to plan



Physical presences reduces from 71 branches in 2012 to 38 in 2016



Cost reduction through voluntary downsizing of 150 employees



Improved SME service through 16 financial centres with a wide range of financial products



Renewed bank with recruitment of 50 employees with new knowledge



Further reinforcement of the the social commitment (Agenda Nord-Norge - ANN) and the northern Norwegian brand

# ...and more have been initiated



Redesign of service processes (LEAN) with digital assistants (robots)



Strengthened physical presence and strength of sales through further adjustments and content of the distribution network



Development of a Norwegian digital wallet through the merger of mCASH and Vipps



Competence, capacity and tools for digital sales



Digital customer meetings through chat, video og digital assistants

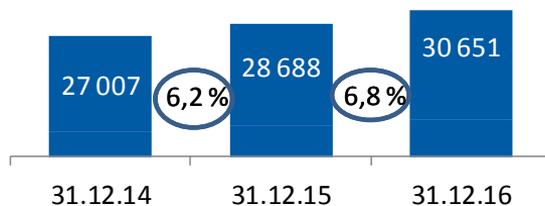


Growth measures for the Group, including subsidiaries, and the SpareBank 1 Alliance

# Profitable growth. SME efforts have been successful

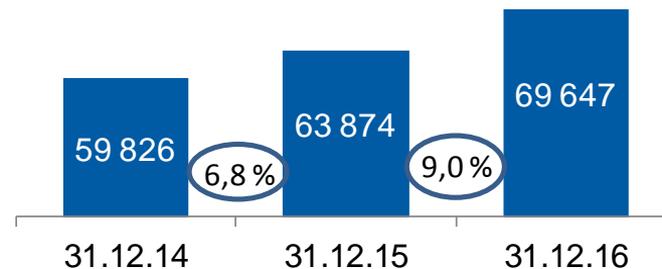
## Deposit volume

Retail banking market

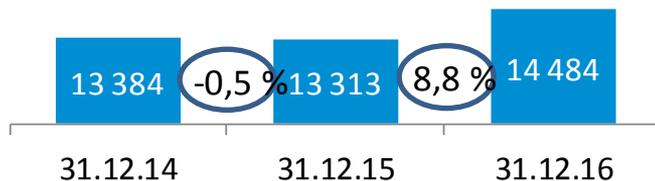


## Lending volume

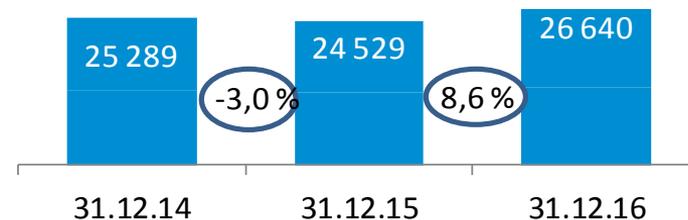
Retail incl. SpareBank 1 Boligkreditt



Business



Business/public market



# Good results from subsidiaries



## SpareBank 1 Finans Nord-Norge

- Pre-tax profit NOK 86 mill (NOK 124,2 mill)
- Good growth and increased profitability
- Total assets: NOK 4 933 mill



## EiendomsMegler 1 Nord-Norge

- Pre-tax profit NOK 27,3 mill (NOK 27,2 mill)
- Market leader in North Norway
- Strong synergies with the bank



## SpareBank 1 Regnskapshuset Nord-Norge

- Pre-tax profit NOK 13,1 mill (NOK 5,8 mill)
- Organic growth and acquisitions
- Long-term strategy to participate in the consolidation of the accounting industry and to build synergies with the bank



## SpareBank 1 Nord-Norge Forvaltning

- Pre-tax profit NOK 2,6 mill (NOK 2,4 mill)
- Assets under management of NOK 2.6 bill at year-end

# Strengthens position in a region of growth



Significantly higher growth compared to Norway as a whole: GDP-growth in Northern Norway; approximately 4 % in 2015 (mainland Norway 0.7 %).



Relatively small oil sector (around 2 % of the economy). New field in production and considerable planned exploration



22 % growth in seafood export value from 2015 to 2016. Good development also for white fish – but no growth in volume



Regional house prices lower than the Norwegian average, but the price growth is high. Norway 12.8 % – Northern Norway approx. 9 %



Continued growth in tourism, with 9 % increase in foreign overnight stays in the region



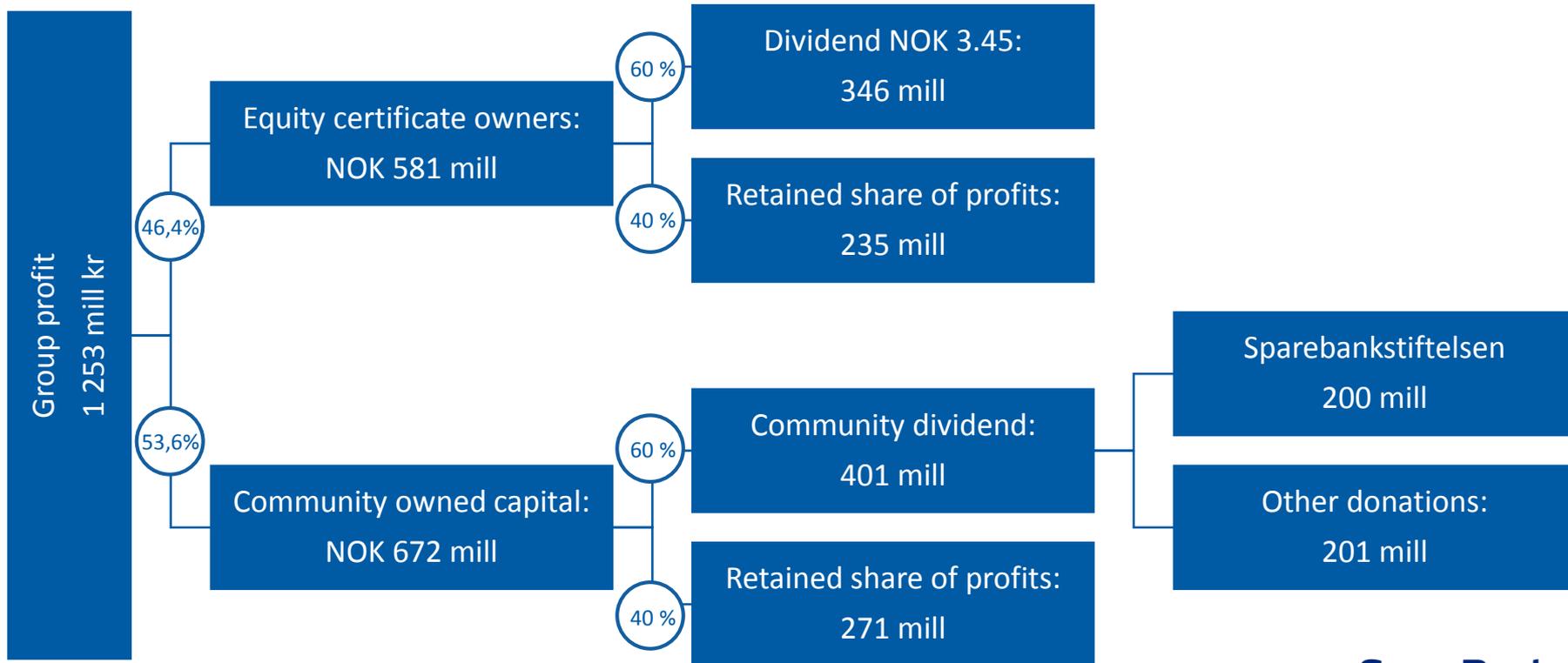
Stable, low unemployment: 2.3 % as of December 2016 (2.8 % for Norway). Shortage of skilled labor in certain areas and industries

## **GOING FORWARD**

Prospects of moderate growth in 2017 (forecast 3 %). A strengthened NOK may be negative for the export industry

# Extraordinary high dividend payout ratio; 60 %

The Board of Directors' proposed profit allocation for the Group



# Financial targets and future outlook

## NRI

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Continued strong competition. The pressure on interest margins is expected to continue in 2017. Decreased capital markets funding cost is expected to contribute positively in 2017 (assuming stable capital market rates)

## COSTS

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Average targeted cost increase 0 %. Reduced costs compared with 2015 expected in 2017 (excl. restructuring costs)

## LOSSES

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Lending losses are expected to remain moderate.

## ROE

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Targeted ROE at top international level. For 2017 this is considered to correspond to a ROE level of 10 – 12 %

## FINANCIAL STRENGTH

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Target of 14.5 % CET-1 ratio is achieved.

## DIVIDEND

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Proposed level of payout ratio of 59.6 % is considered to be extraordinary. Targeted 2017 payout ratio; minimum 50 %. Previous statement of maximum payout-ratio of 50 % in the Bank's dividend policy has been removed

# Contact information:

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

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

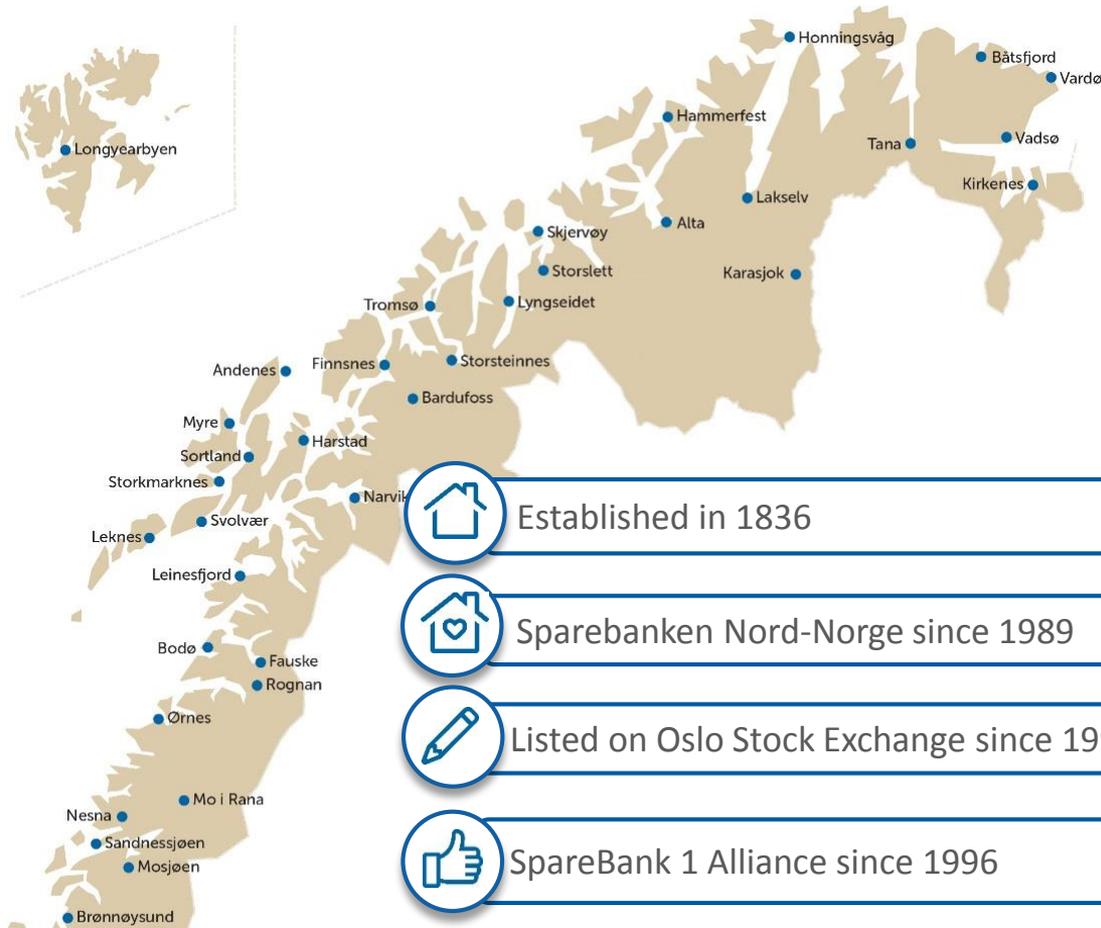




# Appendix

1. About SpareBank 1 Nord-Norge
2. Main financial figures
3. Credit area
4. Liquidity
5. Macro and economic trends
6. SpareBank 1 Group and Alliance

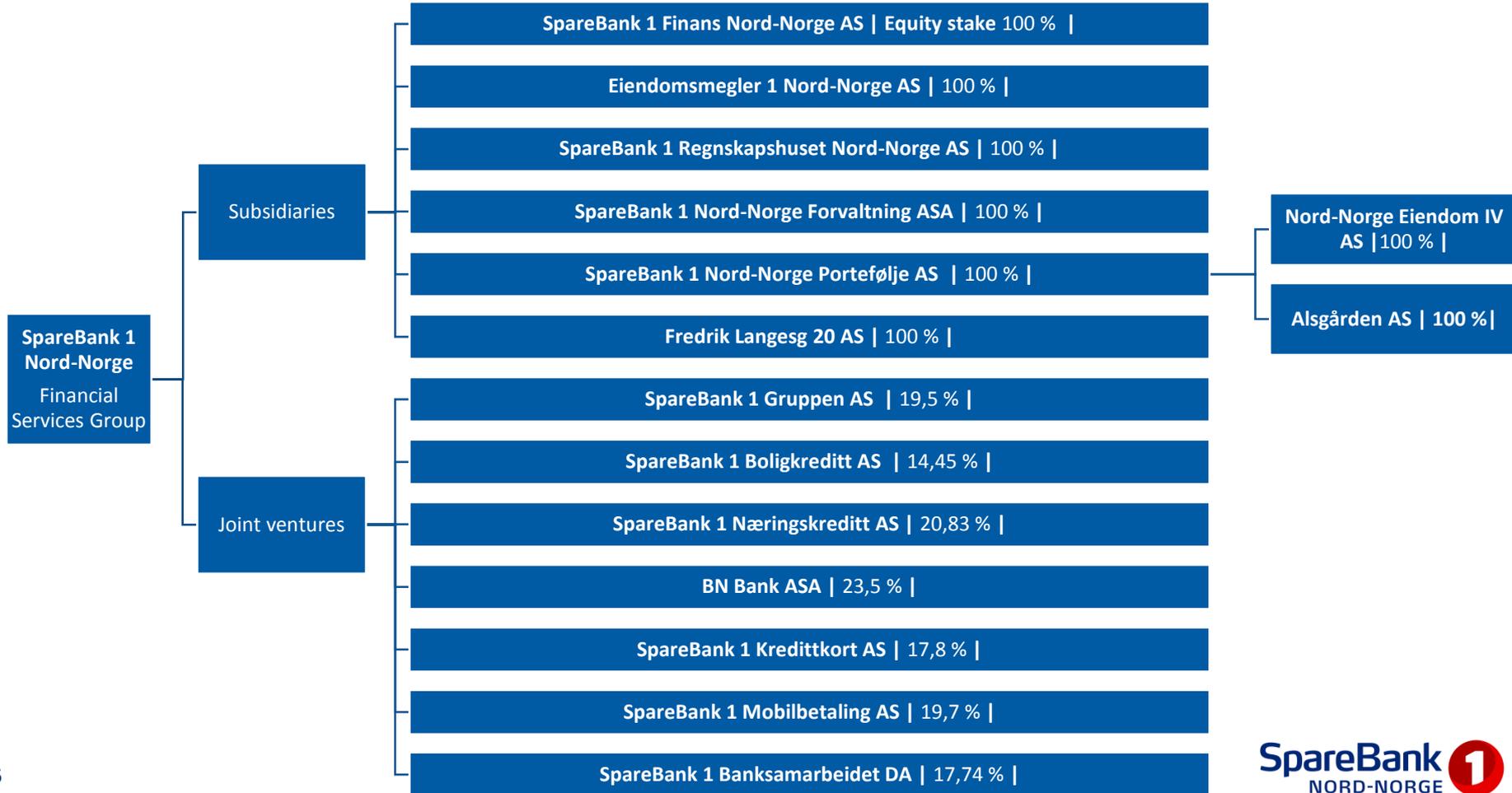
# SpareBank 1 Nord-Norge



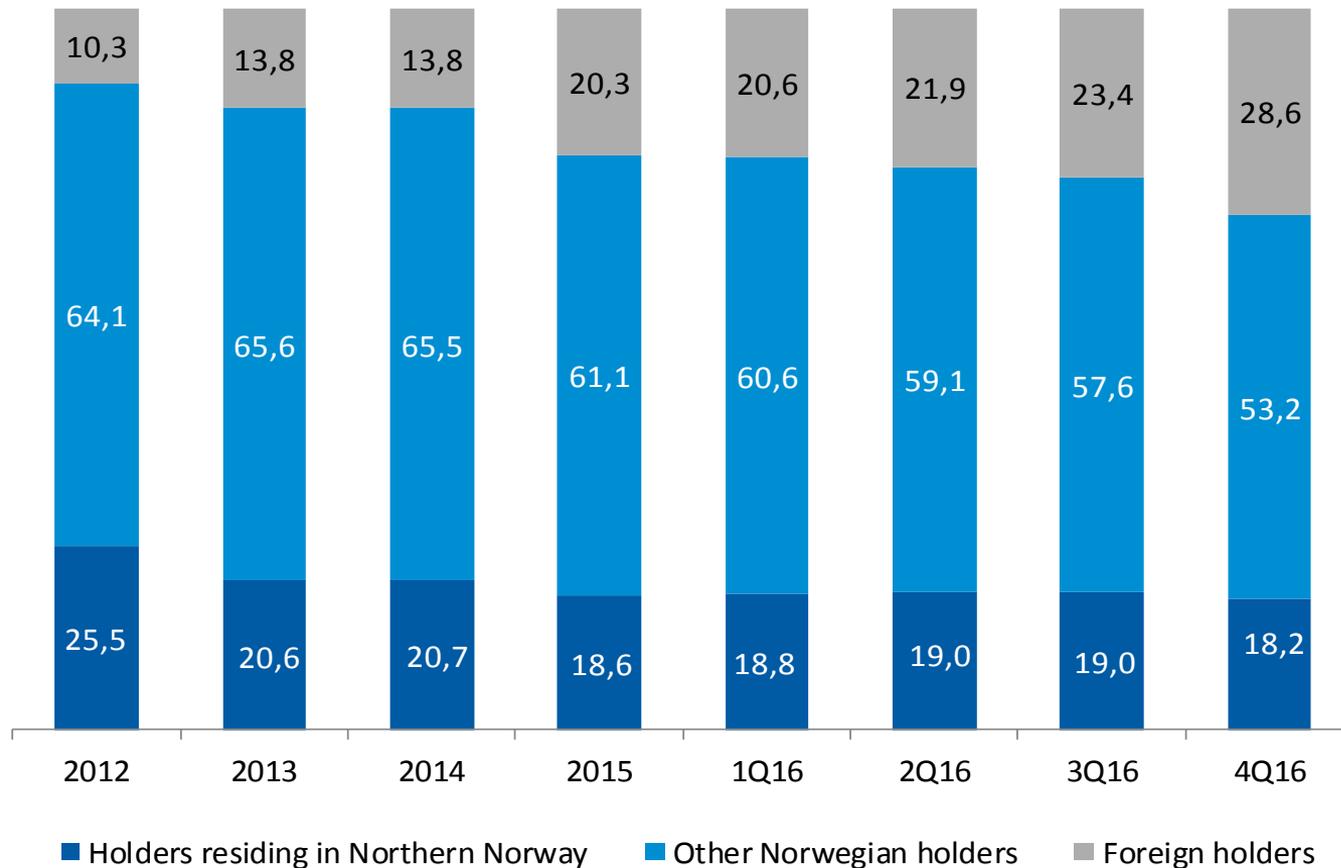
-  Established in 1836
-  Sparebanken Nord-Norge since 1989
-  Listed on Oslo Stock Exchange since 1994
-  SpareBank 1 Alliance since 1996

-  354 900 retail customers
-  25 336 corporate customers
-  14 844 Clubs and associations
-  Lending volume NOK 96,3 bill
-  Financial group house offering a complete set of products

# Organisation of the financial services Group



# Equity Certificates (EC) - holder structure by geography



# The 20 largest EC holders

| <b>Equity Certificate holders</b>           | <b>Number of<br/>Equity Certificates</b> | <b>Share of total<br/>capital</b> | <b>Change in<br/>number of ECs</b> |
|---------------------------------------------|------------------------------------------|-----------------------------------|------------------------------------|
| PARETO AKSJE NORGE                          | 3.448.699                                | 3,44 %                            | -835.443                           |
| THE NORTHERN TRUST COMP                     | 3.151.670                                | 3,14 %                            | 1.028.451                          |
| MP PENSJON PK                               | 2.720.503                                | 2,71 %                            | 0                                  |
| FLPS - PRINC ALL SEC STOCK SUB              | 2.494.000                                | 2,48 %                            | 361.300                            |
| VERDIPAPIRFONDET DNB NORGE (IV)             | 2.194.357                                | 2,19 %                            | -1.129.623                         |
| MERRILL LYNCH PROFESSIONAL                  | 1.914.360                                | 1,91 %                            | 395.565                            |
| METEVA AS                                   | 1.614.670                                | 1,61 %                            | 1.614.670                          |
| FORSVARETS PERSONELLSERVICE                 | 1.561.630                                | 1,56 %                            | 61.700                             |
| POPE ASSET MANAGEMENT                       | 1.445.501                                | 1,44 %                            | 1.445.501                          |
| MORGAN STANLEY AND CO INTL PLC BNY          | 1.442.490                                | 1,44 %                            | 1.387.573                          |
| SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGE  | 1.411.606                                | 1,41 %                            | 0                                  |
| STATE STREET BANK AND TRUST COMP            | 1.358.380                                | 1,35 %                            | -643.452                           |
| DNB LIVSFORSIKRING ASA                      | 1.026.778                                | 1,02 %                            | -60.210                            |
| EIKA UTBYTTE C/O EIKA KAPITALFORVALTNING AS | 1.009.801                                | 1,01 %                            | -94.990                            |
| PERESTROIKA AS                              | 984.609                                  | 0,98 %                            | 984.609                            |
| PARETO AS                                   | 970.659                                  | 0,97 %                            | 200.000                            |
| JPMORGAN CHASE BANK                         | 827.968                                  | 0,82 %                            | 769.880                            |
| BERGEN KOMMUNALE PENSJONSKASSE              | 817.000                                  | 0,81 %                            | -183.000                           |
| STATE STREET BANK AND TRUST COMP            | 816.511                                  | 0,81 %                            | 48.632                             |
| STATE STREET BANK AND TRUST COMP            | 704.668                                  | 0,70 %                            | 197.125                            |
| <b>The 20 largest EC holders</b>            | <b>31 915 860</b>                        | <b>31,79 %</b>                    | <b>5 548 288</b>                   |

# The 20 largest EC holders residing in Northern Norway

| <b>Equity Certificate holders</b>          | <b>Number of<br/>Equity Certificates</b> | <b>Share of total<br/>Equity Certificate capital</b> |
|--------------------------------------------|------------------------------------------|------------------------------------------------------|
| SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGE | <b>1.411.606</b>                         | <b>1,41 %</b>                                        |
| KARL DITLEFSEN                             | <b>547.543</b>                           | <b>0,55 %</b>                                        |
| NORGES RÅFISKLAG                           | <b>423.175</b>                           | <b>0,42 %</b>                                        |
| DAHL FISKERI AS                            | <b>374.883</b>                           | <b>0,37 %</b>                                        |
| LARS WORKINN                               | <b>294.180</b>                           | <b>0,29 %</b>                                        |
| SPAREBANKSTIFTELSEN HELGELAND              | <b>284.491</b>                           | <b>0,28 %</b>                                        |
| ODD ERIK HANSEN INVEST AS                  | <b>281.502</b>                           | <b>0,28 %</b>                                        |
| TOR OVESEN                                 | <b>206.556</b>                           | <b>0,21 %</b>                                        |
| OLE ALFRED ROLF OVESEN                     | <b>205.554</b>                           | <b>0,20 %</b>                                        |
| GADD HOLDING AS                            | <b>176.839</b>                           | <b>0,18 %</b>                                        |
| TROMSØ SKOTØIMAGASIN A/S                   | <b>170.000</b>                           | <b>0,17 %</b>                                        |
| ENTREPRENØRCOMPANIET NORD AS               | <b>169.596</b>                           | <b>0,17 %</b>                                        |
| RIGAMONTI A/S                              | <b>156.005</b>                           | <b>0,16 %</b>                                        |
| AGNAR HOLDING AS                           | <b>127.649</b>                           | <b>0,13 %</b>                                        |
| BRØDRENE KARLSEN HOLDING AS                | <b>119.705</b>                           | <b>0,12 %</b>                                        |
| HEMMING LEONHARTH ANDERSEN                 | <b>115.500</b>                           | <b>0,12 %</b>                                        |
| COOP NORD BA                               | <b>97.848</b>                            | <b>0,10 %</b>                                        |
| AS FERDIGHUS                               | <b>95.765</b>                            | <b>0,10 %</b>                                        |
| THORODD BERNT JAMES VONKA                  | <b>88.816</b>                            | <b>0,09 %</b>                                        |
| BJØRN EDVART KRISTIANSEN                   | <b>86.987</b>                            | <b>0,09 %</b>                                        |

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

**5 434 200**

**5,41 %**

<sup>1)</sup> Postal code > 7999

# Why invest in SpareBank 1 Nord-Norge?

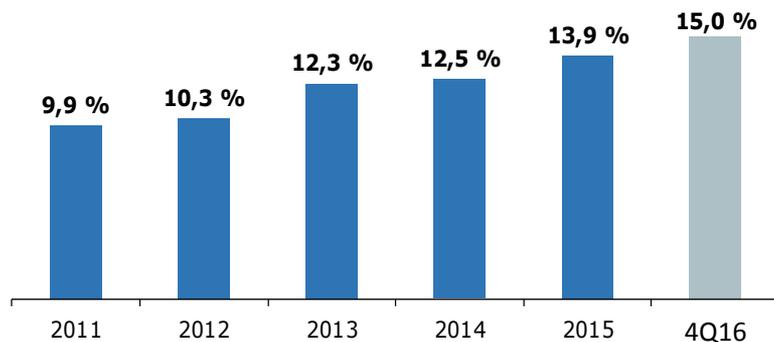
- The northern Norwegian macroeconomy is showing few signs of weakening
- Focus on core business is reducing volatility in the results
- Strong regional base and community part-ownership providing a very good competitive position
- The SpareBank 1 Alliance is contributing to modernisation and higher income. Significant underlying value of ownership.
- Good financial strength - owner-friendly dividend policy

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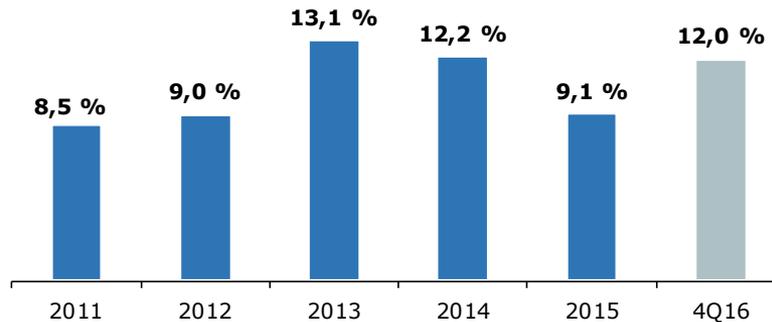
## Financial figures – additional information

# Key figures

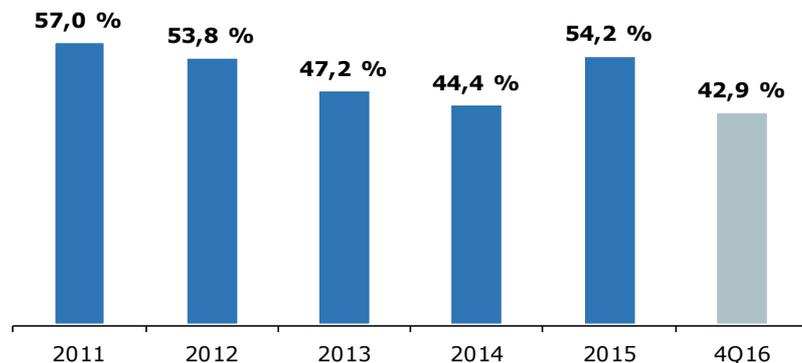
## Common equity tier 1%



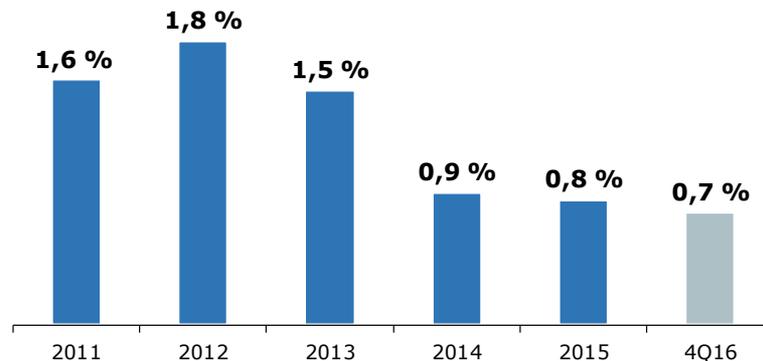
## Return on equity capital



## Cost/income ratio



## Loans in default and other problem loans as a percentage of total loans



# Preliminary accounts 2016 – Group

PRE-TAX PROFIT

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NOK 1 544 mill (NOK 1 033 mill)

RETURN ON EQUITY

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12.0 % (9.1 %)

REDUCED COSTS

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(- 2.4 %) compared with as of Q4 2015 (excl. restructuring costs)

MODERATE LOAN LOSSES

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NOK 213 mill (NOK 200 mill), NOK 61 mill in Q4

DIVIDEND

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Proposed dividend per share of NOK 3.45 (NOK 2.00)

CET-1 RATIO

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15.0 % (13.9 %), target of 14.5 % is achieved

# Profit and loss account - Group

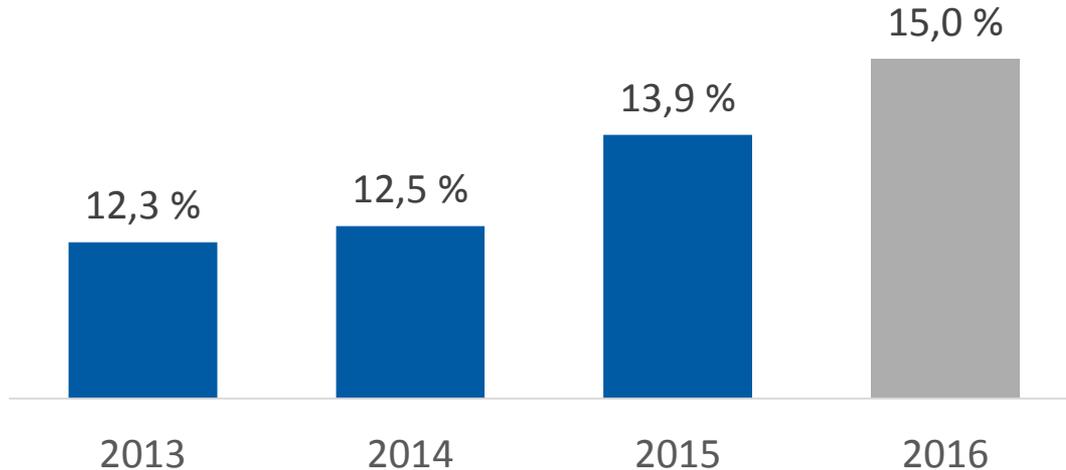
(Amounts in NOK million)

|                                                | 31.12.16     | 31.12.15 |
|------------------------------------------------|--------------|----------|
| Net interest income                            | 1 644        | 1 512    |
| Net fee-, commision and other operating income | 924          | 933      |
| Net income from financial investments          | 509          | 249      |
| <b>Total net income</b>                        | <b>3 077</b> | 2 694    |
| Total costs                                    | 1 320        | 1 461    |
| <b>Result before losses and write-downs</b>    | <b>1 757</b> | 1 233    |
| Net losses and write-downs                     | 213          | 200      |
| <b>Result before tax</b>                       | <b>1 544</b> | 1 033    |
| Tax                                            | 291          | 163      |
| Result non-current assets held for sale        | 0            | 5        |
| Minority interests                             | 0            | - 7      |
| <b>Result for the period</b>                   | <b>1 253</b> | 872      |
| Return on equity capital                       | 12,0 %       | 9,1 %    |

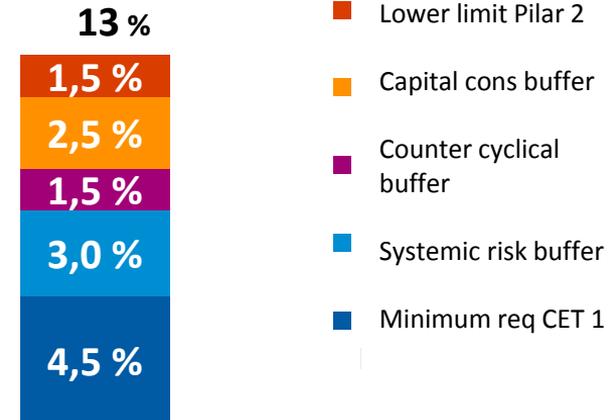
# Capital adequacy ratio – Group

The 14.5 % CET-1 goal is achieved

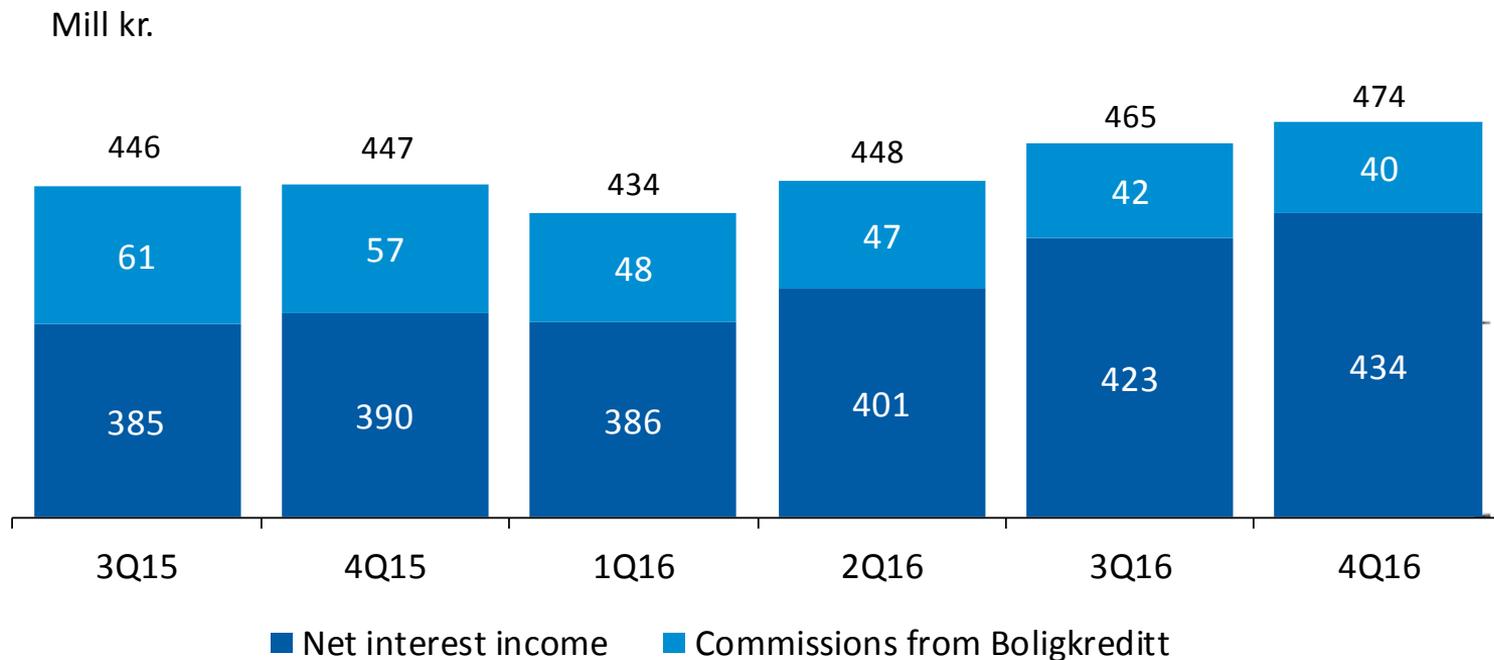
CET 1 incl floor



Minimum regulatory CET 1 level



# Net interest income - Group



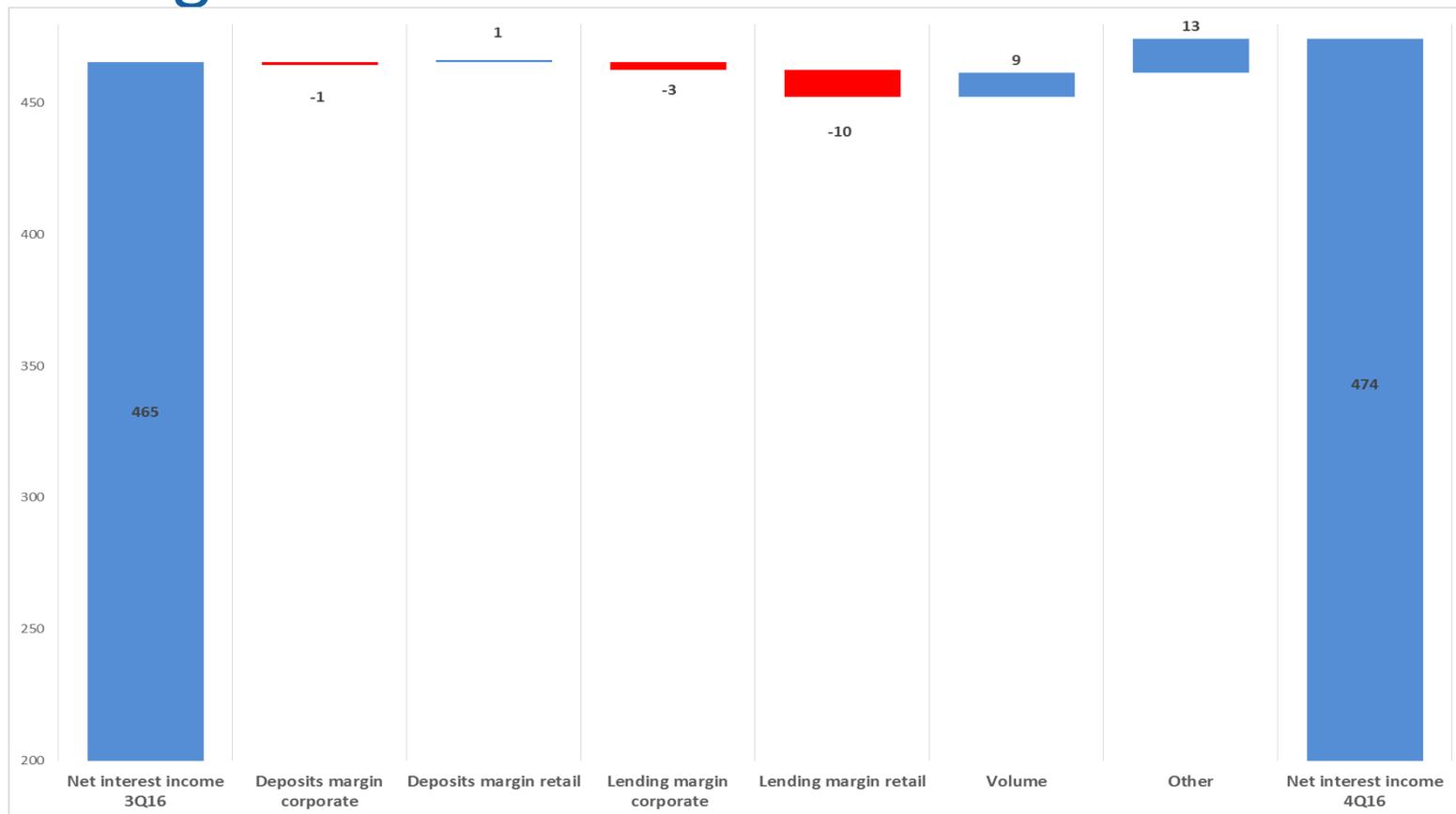
|                                         | 2015  | 2016  |
|-----------------------------------------|-------|-------|
| Net interest income incl Boligdkreditt: | 1 772 | 1 821 |

# Quarterly results – net interest income

(Amounts in NOK million)

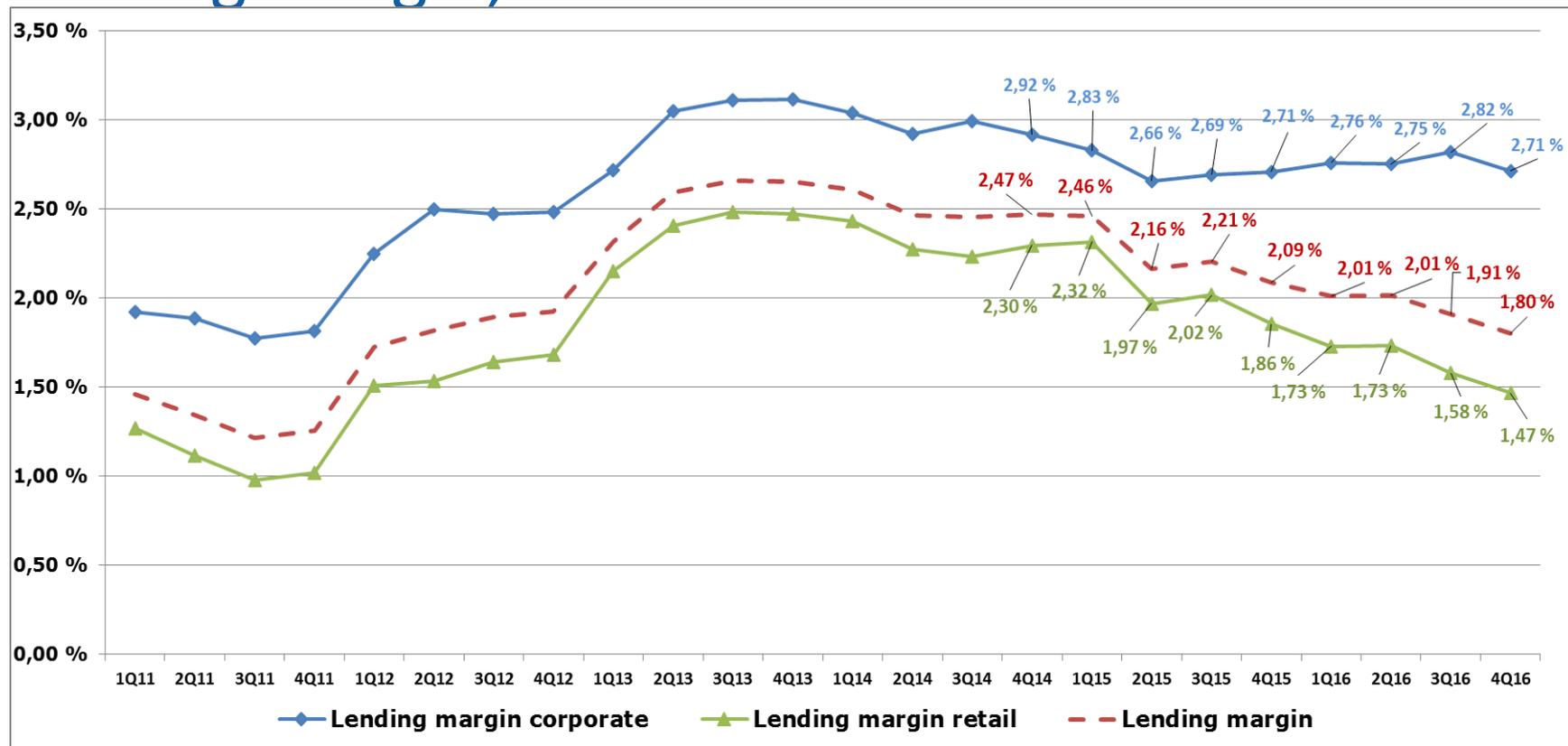
|                                                                                            | 4Q16       | 3Q16       | 2Q16       | 1Q16       | 4Q15       |
|--------------------------------------------------------------------------------------------|------------|------------|------------|------------|------------|
| Interest and similar income from loans to and claims on credit institutions                | - 2        | 4          | 2          | 2          | 6          |
| Interest and similar income from loans to and claims on customers                          | 616        | 593        | 584        | 578        | 597        |
| Interest and similar income from certificates, bonds and other interest-bearing securities | 39         | 44         | 45         | 43         | 41         |
| Interest and similar income                                                                | 653        | 641        | 631        | 623        | 644        |
| Interest and similar costs on liabilities to credit institutions                           | 13         | 20         | 14         | 12         | 11         |
| to customers                                                                               | 97         | 91         | 100        | 105        | 119        |
| Interest and similar costs related to the issuance of securities                           | 84         | 84         | 92         | 96         | 100        |
| Interest and similar costs on subordinated loan capital                                    | 15         | 14         | 14         | 15         | 15         |
| Payments made to The Norwegian Banks' Guarantee Fund                                       | 10         | 9          | 10         | 9          | 9          |
| Total interest costs                                                                       | 219        | 218        | 230        | 237        | 254        |
| <b>Net interest income</b>                                                                 | <b>434</b> | <b>423</b> | <b>401</b> | <b>386</b> | <b>390</b> |

# Changes in net interest income



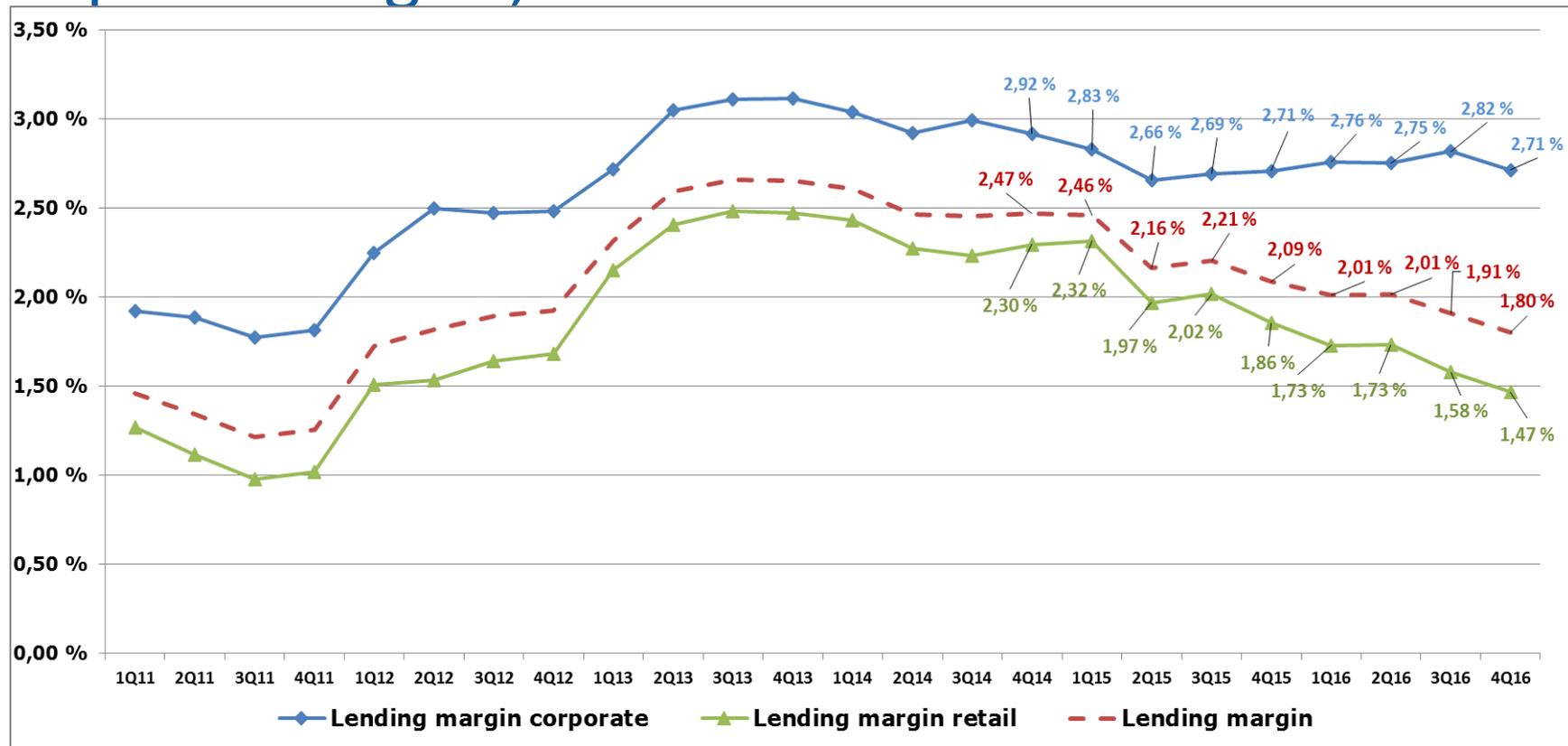
Including commisions from Boligkreditt. Measured against average funding cost

# Lending margin, Parent bank



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

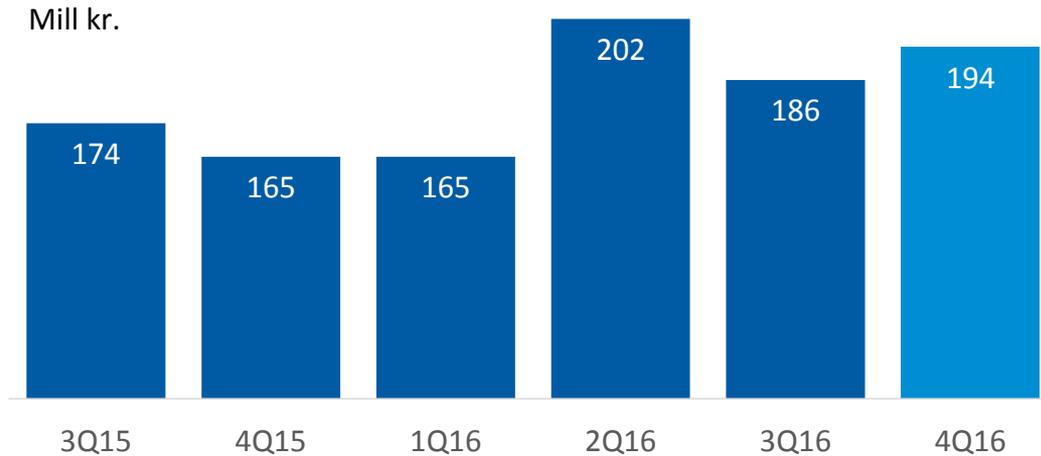
# Deposit margins, Parent bank



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



Net fee- and other operating income (excl commission income from Boligkreditt):

2015  
674

2016  
747

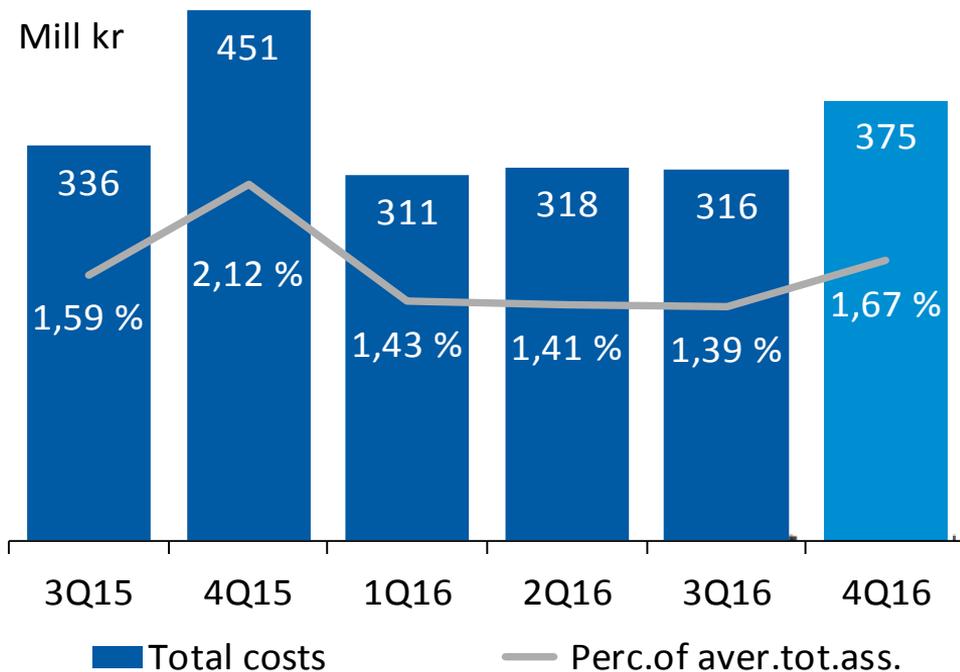
# Net fee- and other operating income - Group

|                                           | 4Q16       | 3Q16 | 2Q16 | 1Q16 | 4Q15 |
|-------------------------------------------|------------|------|------|------|------|
| (Amounts in NOK million)                  |            |      |      |      |      |
| Payment transmission income               | 63         | 76   | 63   | 61   | 60   |
| Commissions insurance                     | 44         | 37   | 37   | 39   | 37   |
| Guarantee commissions                     | 4          | 5    | 5    | 5    | 5    |
| Estate agency                             | 33         | 35   | 39   | 26   | 27   |
| Assets management                         | 13         | 12   | 11   | 11   | 11   |
| Other commissions                         | 16         | 21   | 24   | 14   | 19   |
| Commissions ex. Boligkreditt              | 173        | 186  | 179  | 156  | 159  |
| Boligkreditt                              | 40         | 42   | 47   | 48   | 57   |
| <b>Total commision income</b>             | <b>213</b> | 228  | 226  | 204  | 216  |
| Commission costs                          | 22         | 22   | 22   | 19   | 18   |
| Accountancy services                      | 33         | 20   | 23   | 25   | 22   |
| Other income                              | 10         | 2    | 22   | 3    | 2    |
| <b>Total other income</b>                 | <b>43</b>  | 22   | 45   | 28   | 24   |
| <b>Total commission- and other income</b> | <b>234</b> | 228  | 249  | 213  | 222  |

# Income from financial investments

| (Amounts in NOK million)                    | <b>4Q16</b> | 3Q16      | 2Q16      | 1Q16     | <b>2016</b> | 2015 | Endring |
|---------------------------------------------|-------------|-----------|-----------|----------|-------------|------|---------|
| Dividends                                   | <b>1</b>    | 0         | 73        | 0        | <b>74</b>   | 8    | 66      |
| Income from joint ventures                  | <b>76</b>   | 94        | 109       | 87       | <b>366</b>  | 399  | -33     |
| Net value changes on shares                 | <b>14</b>   | 20        | -41       | -14      | <b>-21</b>  | -50  | 29      |
| Net value changes on certificates and bonds | <b>26</b>   | <b>46</b> | <b>18</b> | <b>6</b> | <b>0</b>    | 0    | 0       |
| Net value changes on loan                   | <b>-1</b>   | -3        | -3        | 1        | <b>-6</b>   | -1   | -5      |
| <b>Income from financial investments</b>    | <b>116</b>  | 157       | 156       | 80       | <b>413</b>  | 356  | 57      |

# Group operating costs



Total costs excl. restructuring costs:

|  | 2015  | 2016  |
|--|-------|-------|
|  | 1 326 | 1 285 |

# Group operating costs

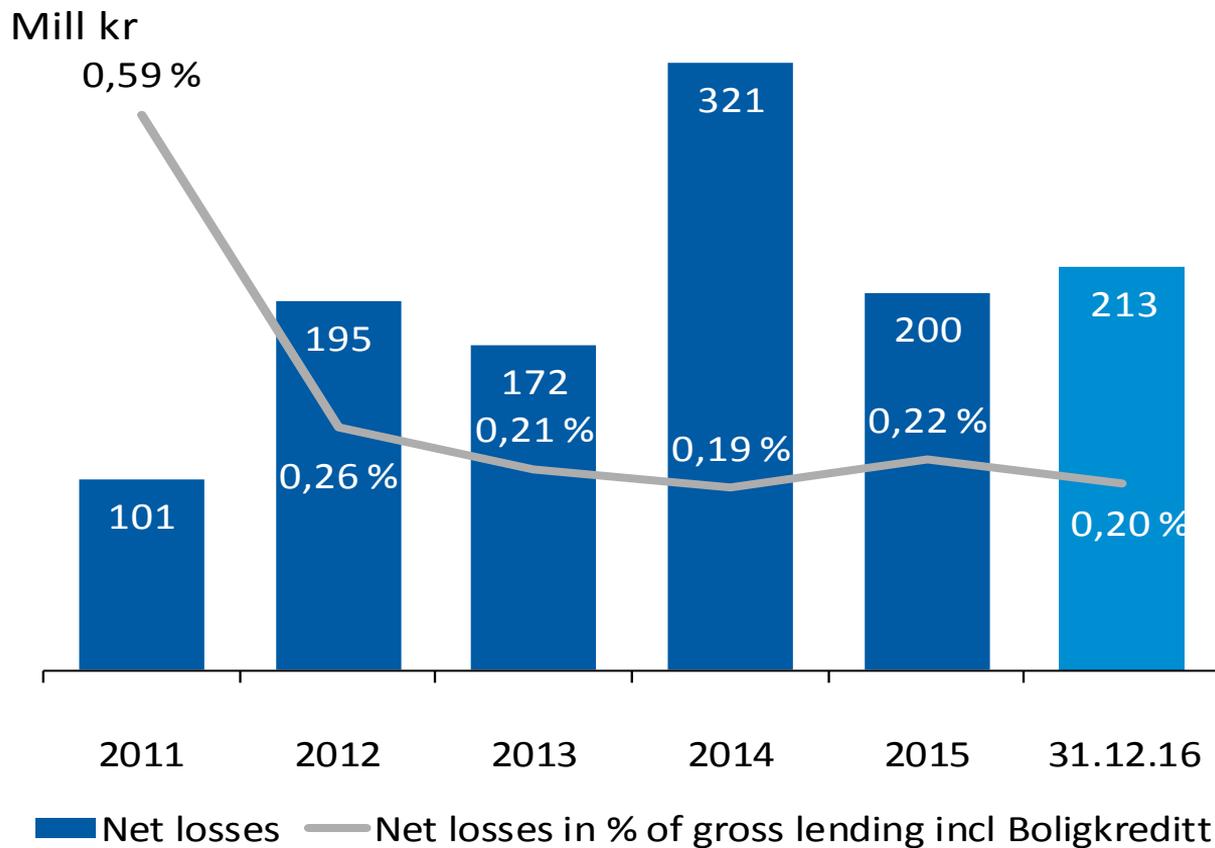
(Amounts in NOK million)

|                                                          | <b>31.12.16</b> | 31.12.15 | Change |
|----------------------------------------------------------|-----------------|----------|--------|
| Wages and salaries                                       | <b>540</b>      | 713      | - 173  |
| Pension costs                                            | <b>53</b>       | 36       | 17     |
| Social costs                                             | <b>96</b>       | 101      | - 5    |
| <b>Total personnel costs</b>                             | <b>689</b>      | 850      | - 161  |
| Administration costs                                     | <b>377</b>      | 368      | 9      |
| <b>Total personnel- and general administration costs</b> | <b>1 066</b>    | 1 218    | - 152  |
| Depreciation and write-downs of fixed assets             | <b>60</b>       | 56       | 4      |
| Operating costs buildings                                | <b>37</b>       | 30       | 7      |
| Other operating costs                                    | <b>157</b>      | 157      | 0      |
| <b>Total operating costs</b>                             | <b>254</b>      | 243      | 11     |
| <b>Total costs</b>                                       | <b>1 320</b>    | 1 461    | - 141  |

# Operating expenses - Group

| (Amounts in NOK million)             | 4Q16       | 3Q16       | 2Q16       | 1Q16       | 4Q15       |
|--------------------------------------|------------|------------|------------|------------|------------|
| Wages and salaries                   | 136        | 139        | 133        | 132        | 248        |
| Pension costs                        | 24         | 12         | 10         | 8          | 4          |
| Social costs                         | 35         | 19         | 19         | 23         | 36         |
| <b>Total personnel costs</b>         | <b>195</b> | <b>170</b> | <b>161</b> | <b>163</b> | <b>288</b> |
| Development costs                    | 25         | 31         | 31         | 32         | 34         |
| Electronic data processing costs     | 18         | 19         | 19         | 18         | 16         |
| Marketing costs                      | 23         | 14         | 19         | 15         | 17         |
| Travel - and training costs          | 8          | 4          | 9          | 9          | 11         |
| Communication- and office costs      | 9          | 6          | 7          | 8          | 7          |
| Consultancy services                 | 14         | 9          | 9          | 12         | 16         |
| Ordinary depreciation                | 15         | 15         | 16         | 14         | 14         |
| Operating costs - premises/buildings | 16         | 8          | 6          | 7          | 8          |
| Other operating costs incl rent      | 51         | 39         | 41         | 33         | 39         |
| <b>Other costs</b>                   | <b>180</b> | <b>146</b> | <b>157</b> | <b>148</b> | <b>163</b> |
| <b>Total operating expenses</b>      | <b>375</b> | <b>316</b> | <b>318</b> | <b>311</b> | <b>451</b> |

# Moderate losses on loans and guarantees



# Core banking operations

(excl. income from financial investments)

(Amounts in NOK million)

|                                      | 4Q16       | 3Q16 | 2Q16 | 1Q16 | 4Q15 |
|--------------------------------------|------------|------|------|------|------|
| Net interest income                  | 434        | 423  | 401  | 386  | 390  |
| Net fee- and commission income       | 191        | 206  | 204  | 185  | 198  |
| Other operating income               | 43         | 22   | 45   | 28   | 24   |
| Total costs excl restructuring costs | 349        | 316  | 318  | 311  | 346  |
| <b>Underlying banking operations</b> | <b>319</b> | 335  | 332  | 288  | 266  |
| Restructuring costs                  | 26         | 0    | 0    | 0    | 105  |
| Net losses and write-downs           | 64         | 61   | 64   | 24   | 92   |
| <b>losses</b>                        | <b>229</b> | 274  | 268  | 264  | 69   |

# Group companies result before tax

| (Amounts in NOK 1000)                    | <b>31.12.16</b> | 31.12.15      |
|------------------------------------------|-----------------|---------------|
| SpareBank 1 Finans Nord-Norge AS         | <b>86 012</b>   | 124 287       |
| SpareBank 1 Regnskapshuset Nord-Norge AS | <b>13 125</b>   | 5 773         |
| EiendomsMegler 1 Nord-Norge AS           | <b>27 260</b>   | 27 183        |
| SpareBank 1 Nord-Norge Forvaltning ASA   | <b>2 640</b>    | 2 386         |
| <hr/> Subsidiaries core operations       | <b>129 037</b>  | 159 629       |
| <br>Other subsidiaries                   | <b>-52 462</b>  | -78 514       |
| <hr/> <b>Total</b> <hr/>                 | <b>76 575</b>   | <b>81 115</b> |

# Adjusted dividend policy – maximum payout ratio has been removed

- The Bank's ownership policy should contribute to the Equity Certificate being an attractive and liquid financial instrument.
- It is an objective of equal treatment of the ownership groups
- Earlier maximum payout ratio of 50 % has been removed
- Targeted payout ratio for 2017; minimum 50 %.

# Allocation of earnings – Parent Bank

(Amounts in NOK million)

|                                                 |         |                |
|-------------------------------------------------|---------|----------------|
| Parent Bank's profit after tax                  |         | <b>1.456,1</b> |
| Allocated to cash dividend                      |         | 346,4          |
| Allocated to dividend equalisation fund         |         | 328,6          |
| Total to EC-holders                             | 46,36 % | <b>675,0</b>   |
| Allocated to donations                          |         | 400,8          |
| of which to donation to Sparebankstiftelsen SNN |         | 0,0            |
| Allocated to the Savings Bank's Fund            |         | 324,8          |
| Total to the bank's community owned capital     | 52,66 % | <b>725,6</b>   |
| <b>Total allocated</b>                          |         | <b>730,7</b>   |
| Undistributed profit of Parent Bank's profit    |         | <b>48,7 %</b>  |
| Undistributed profit of Group's profit          |         | <b>40,4 %</b>  |

Suggested cash dividend of NOK 3.45 will be distributed to certificate holders as of 28.03.17.

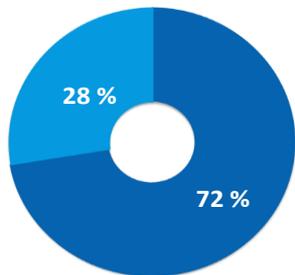
Pay-out ratio of the Group's profit: 59.6 %  
Pay-out ratio of the Parent Bank's profit: 51.3%

The equity certificate holders proportion of the equity (ownership fraction) as of 1 January 2017 is 46.36 % (46.36 %).

# Key figures balance sheet

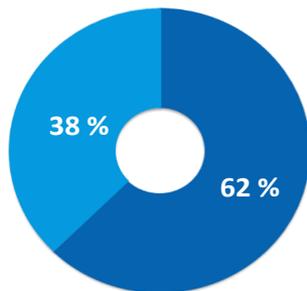
|                                                                                     | <b>31.12.16</b> | 31.12.15 | Change | Change % |
|-------------------------------------------------------------------------------------|-----------------|----------|--------|----------|
| Total assets                                                                        | <b>90 501</b>   | 85 403   | 5 098  | 6,0%     |
| Gross lending                                                                       | <b>70 763</b>   | 64 053   | 6 710  | 10,5%    |
| Loans and advances to customers incl<br>SpareBank 1 Boligkreditt and Næringskreditt | <b>96 287</b>   | 88 403   | 7 884  | 8,9%     |
| Deposits from customers                                                             | <b>53 870</b>   | 48 087   | 5 783  | 12,0%    |

# Lending volume



■ Retail incl. SpareBank 1 Boligkreditt

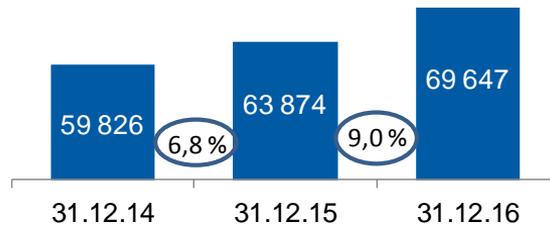
■ Business/ Public



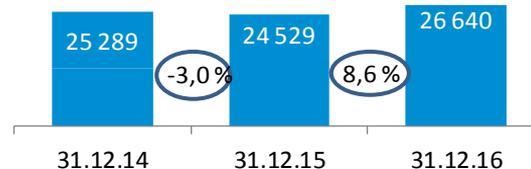
■ Retail excl. SpareBank 1 Boligkreditt

■ Business/ Public

Retail incl. SpareBank 1 Boligkreditt

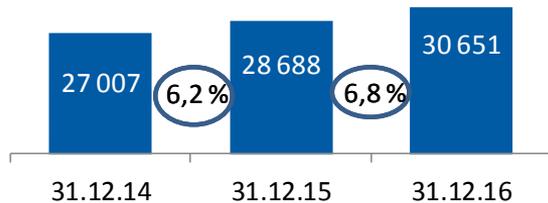


Business/public market

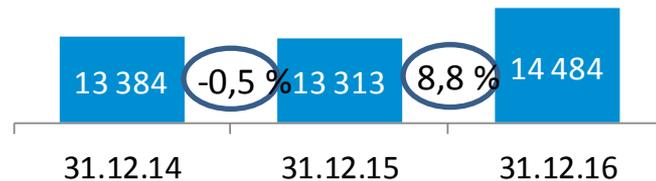


# Deposit volume

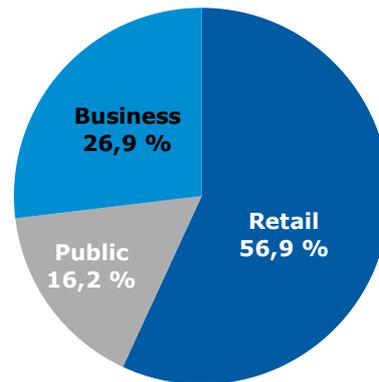
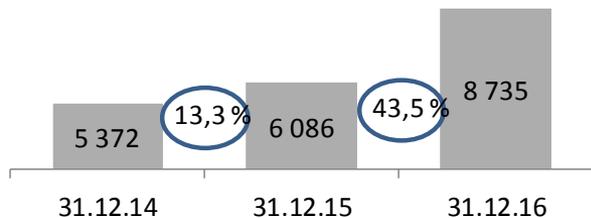
Retail banking market



Business



Public



3

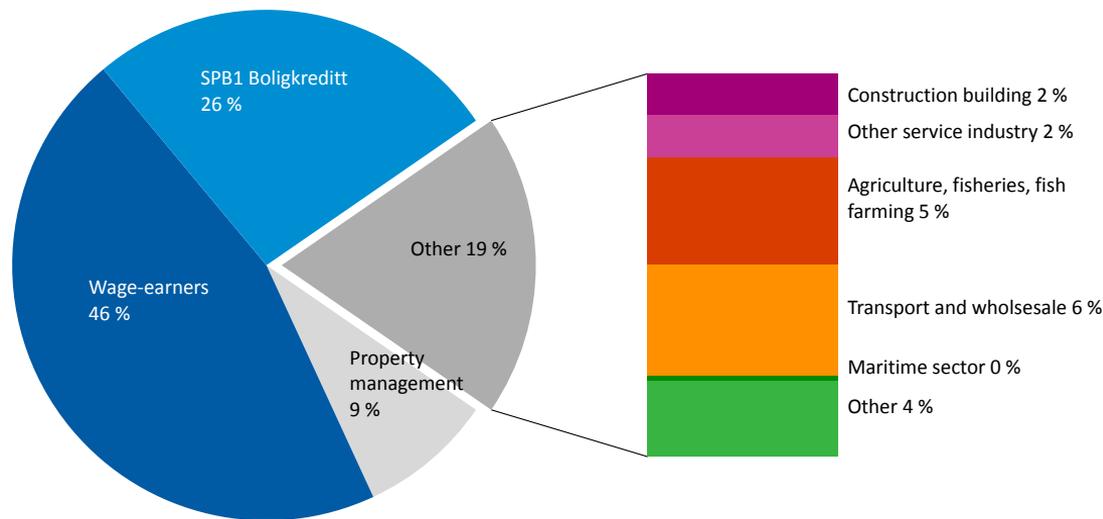
Credit area

# Lending portfolio - comments

- Good growth in retail lending, with focus on commitments qualifying for SpareBank 1 Boligkreditt (covered bond company)
- High growth in corporate market lending last 12 months
- The portfolio and new commitments in corporate sector lending are diversified
- Decreased exposure in non-performing/impaired commitments
- Increased collective write-downs based on macroeconomic outlook
- Moderate loan losses

# Distribution on segments shows good diversification

Loan portfolio including Boligkreditt

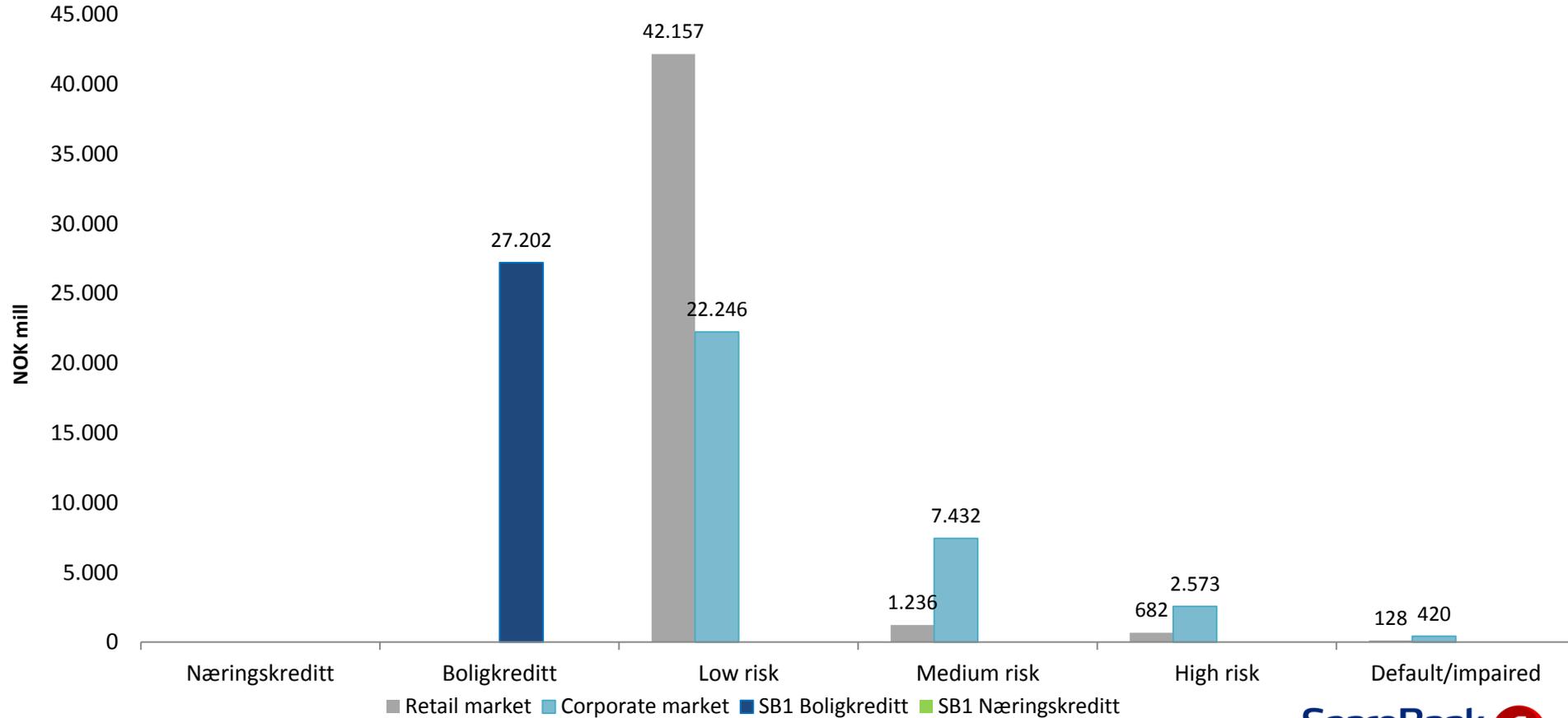


A high share of retail- and primary industry lending represent a risk mitigating factor.

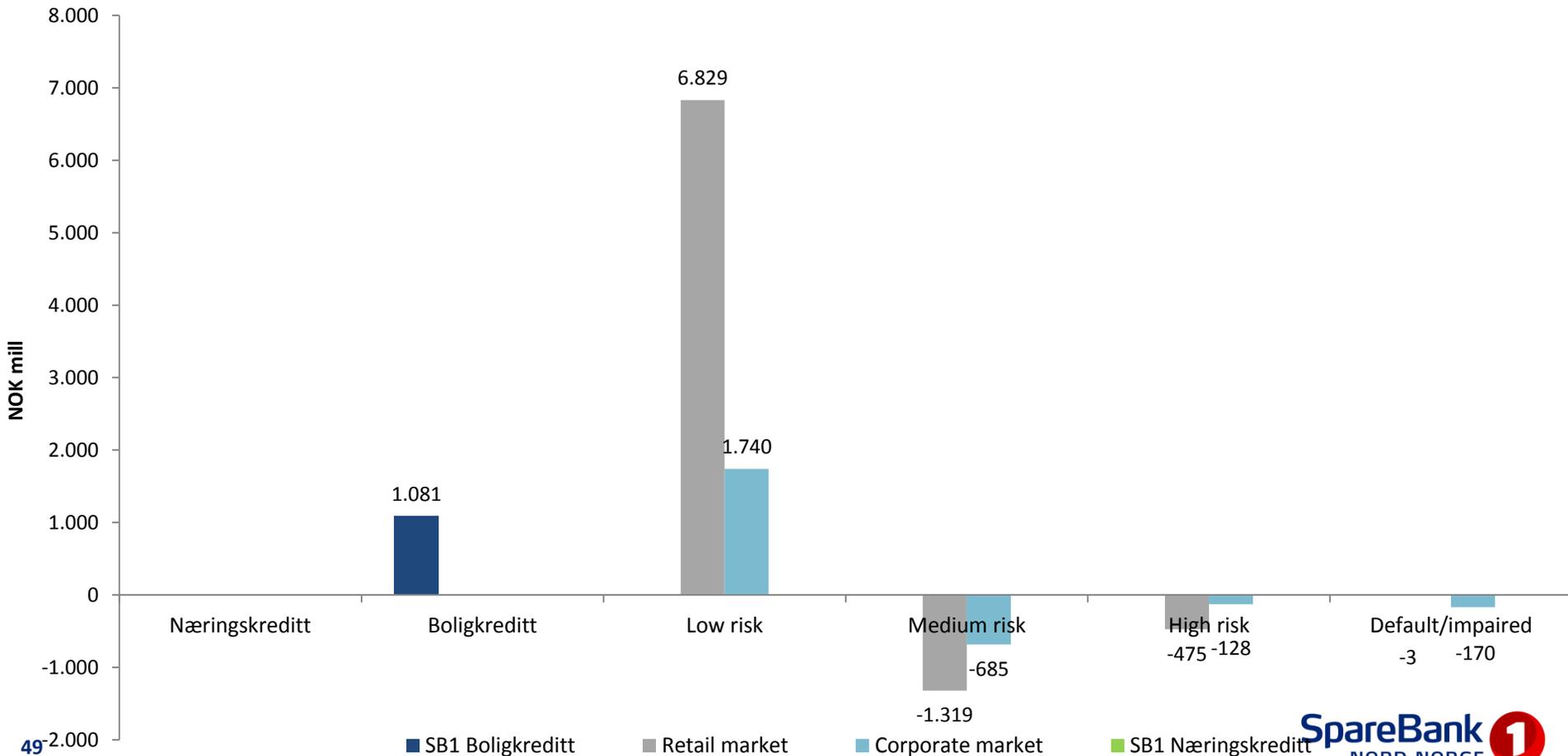
The Group has a well diversified corporate market lending portfolio.

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 31.12.16, parent bank

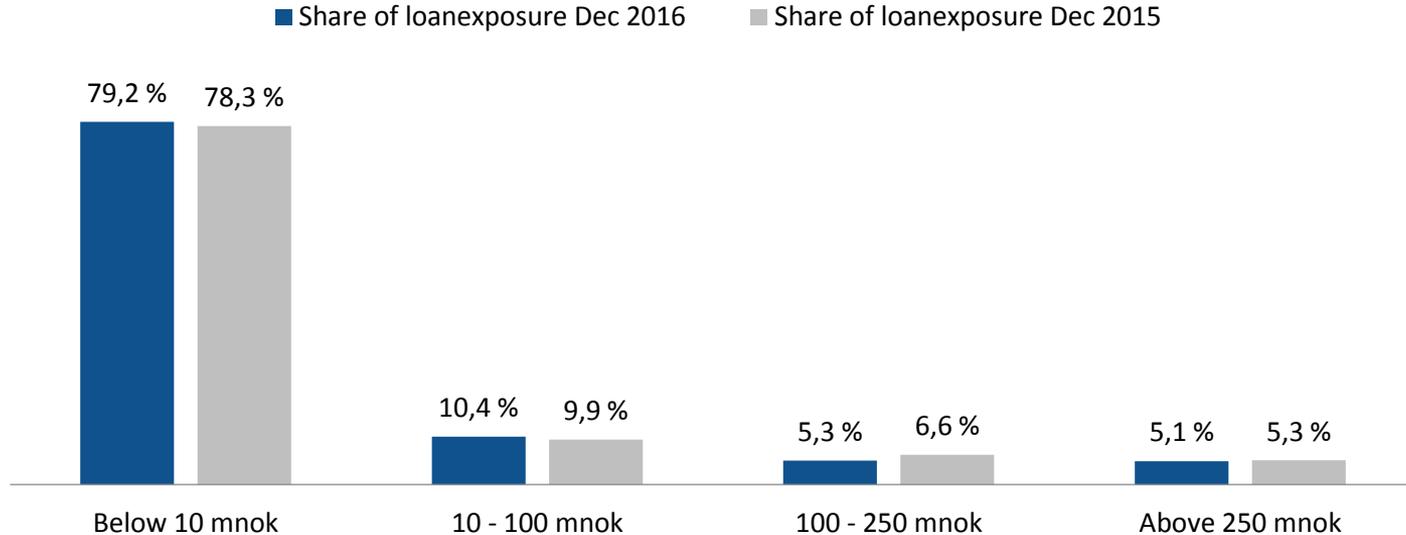


# Portfolio – changes last 12 months, parent bank



# Portfolio - exposure distributed by size

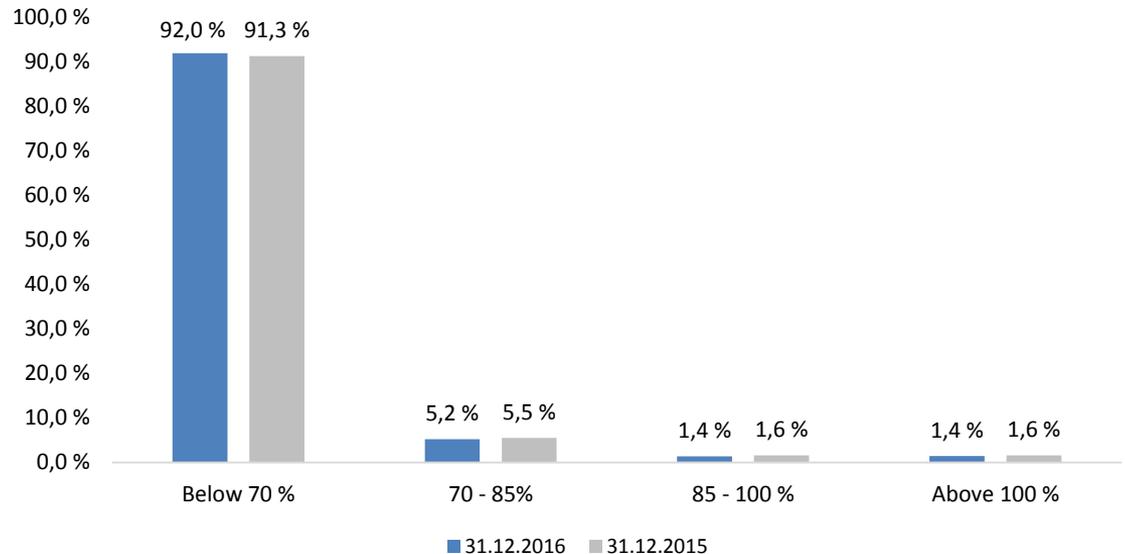
Loans distributed by size of exposure and share of total exposure



Numbers includes SB 1 Bolig- and Næringskreditt

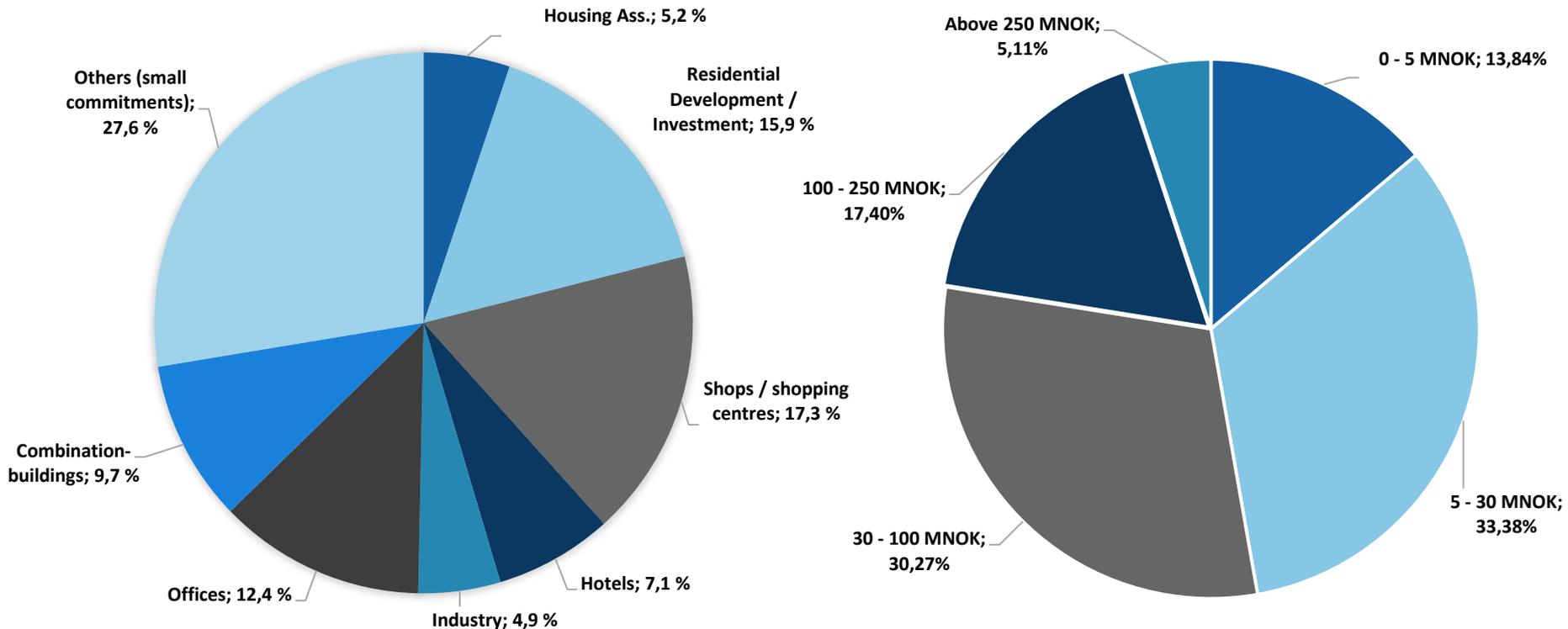
# Portfolio – LTV mortgage loans

- 97.2 % of exposures are within 85 % of the collaterals market value
- Exposures above 85 % are 2.8 %



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

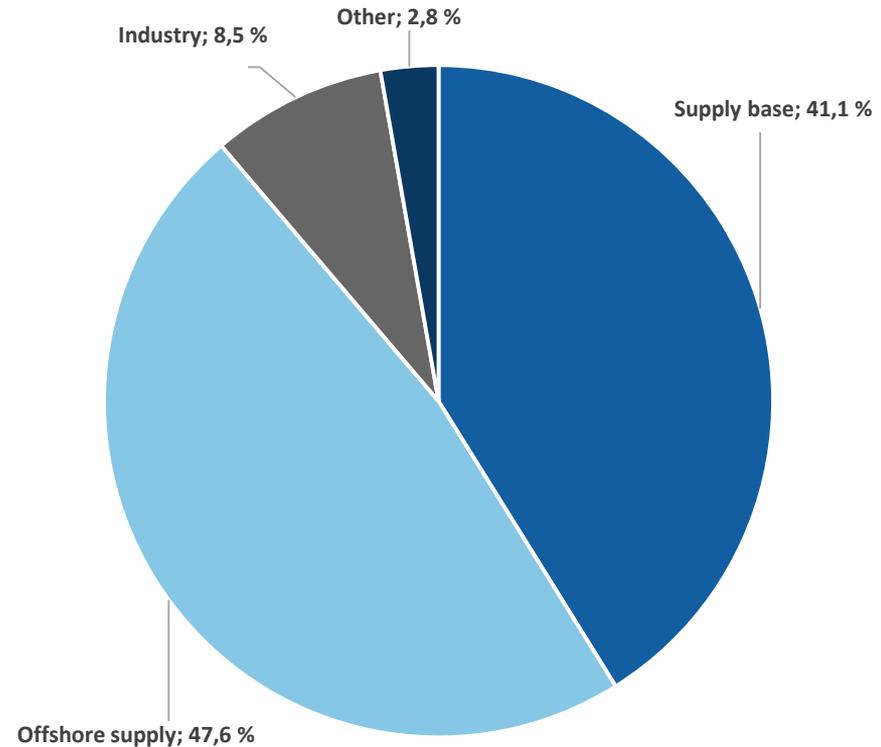
# Portfolio – Commercial Real Estate



- About 50 % of portfolio is rental involving own operations
- 77.5 % of the portfolio are commitments smaller than NOK 100 mill
- No significant commitments where tenants have significant oil related business

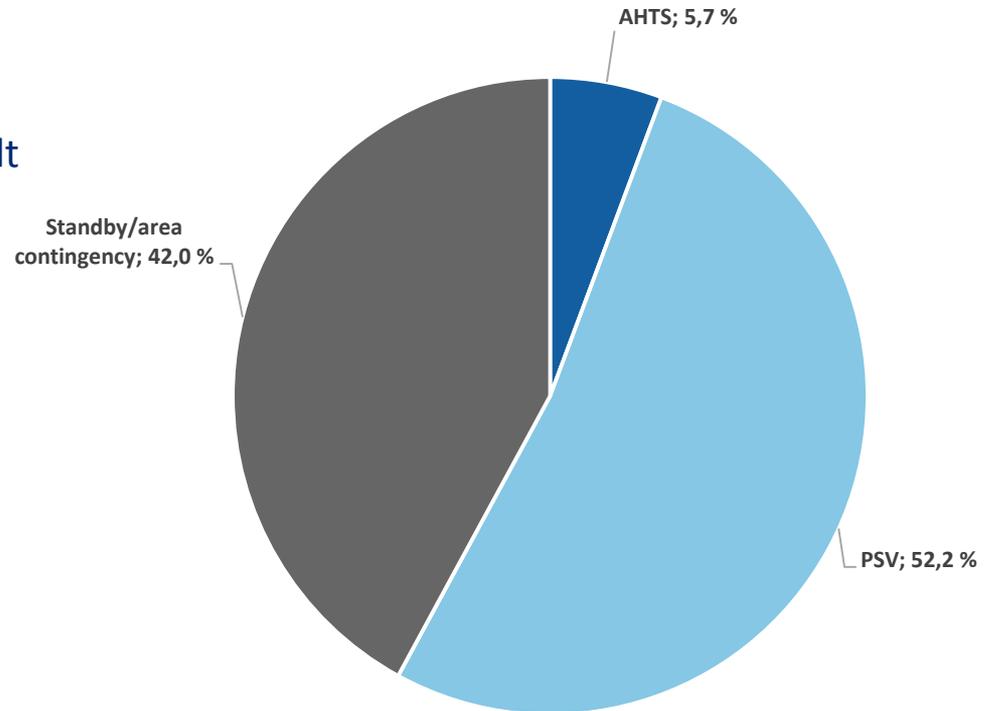
# Low oil related exposure

- Oil related exposure amounts to NOK 1,790 mill
- The exposure represents 1.9 % of total lending incl. Næring- and Boligkreditt
- Average weighted probability of default 1.15 %
- A total of NOK 86.9 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



# Portfolio – Offshore Supply Vessels (OSV)

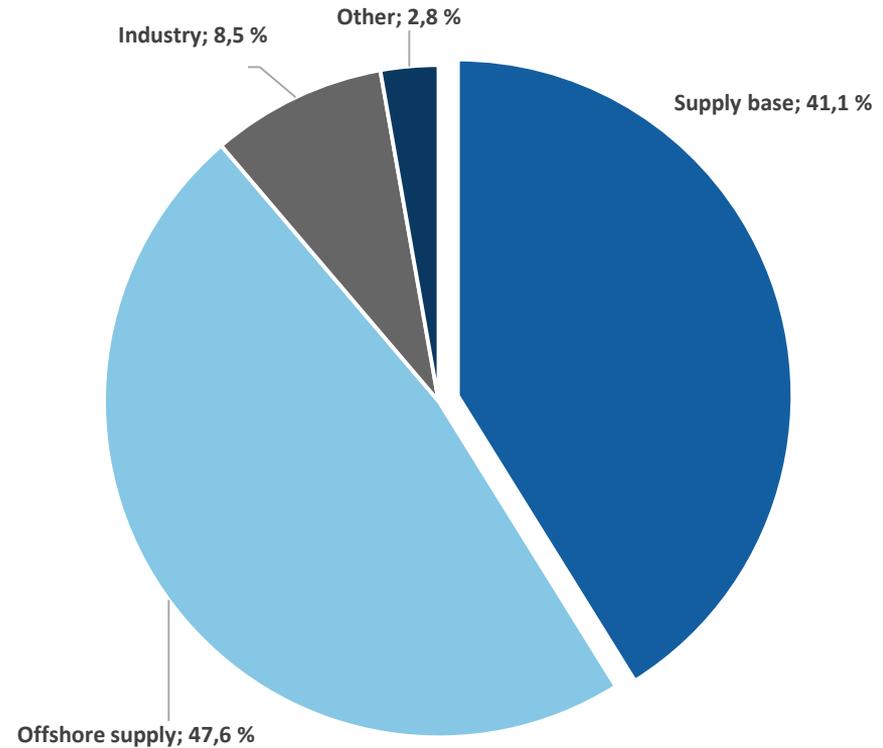
- OSV amounts to NOK 852 mill
- Average weighted probability of default 1.28 %
- Total amount of 8 vessels\*
- Weighted age 5.4 years\*
- Average weighted contract length 2.9 years\* incl. one vessel laid up
- SNN is participant in syndicates on 6 vessels\*



\*Exclusive of barges

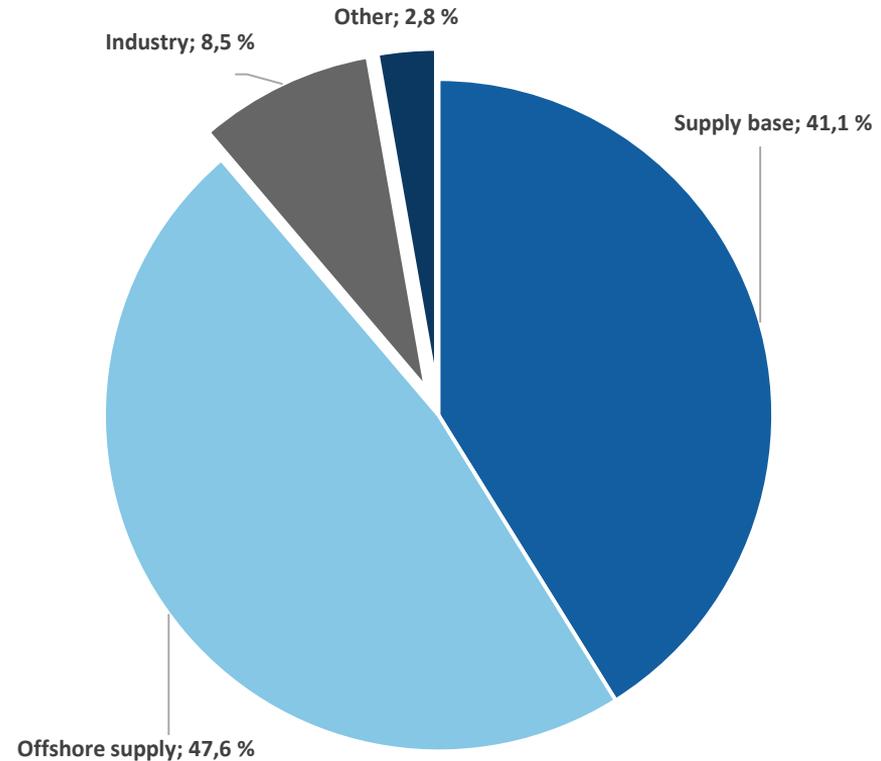
# Portfolio – Supply bases

- Supply base exposure amounts to NOK 736 mill
- Average weighted probability of default 1.28 %
- Customers with long term contracts with solid and strong partners gives good cash flows in the short and long term

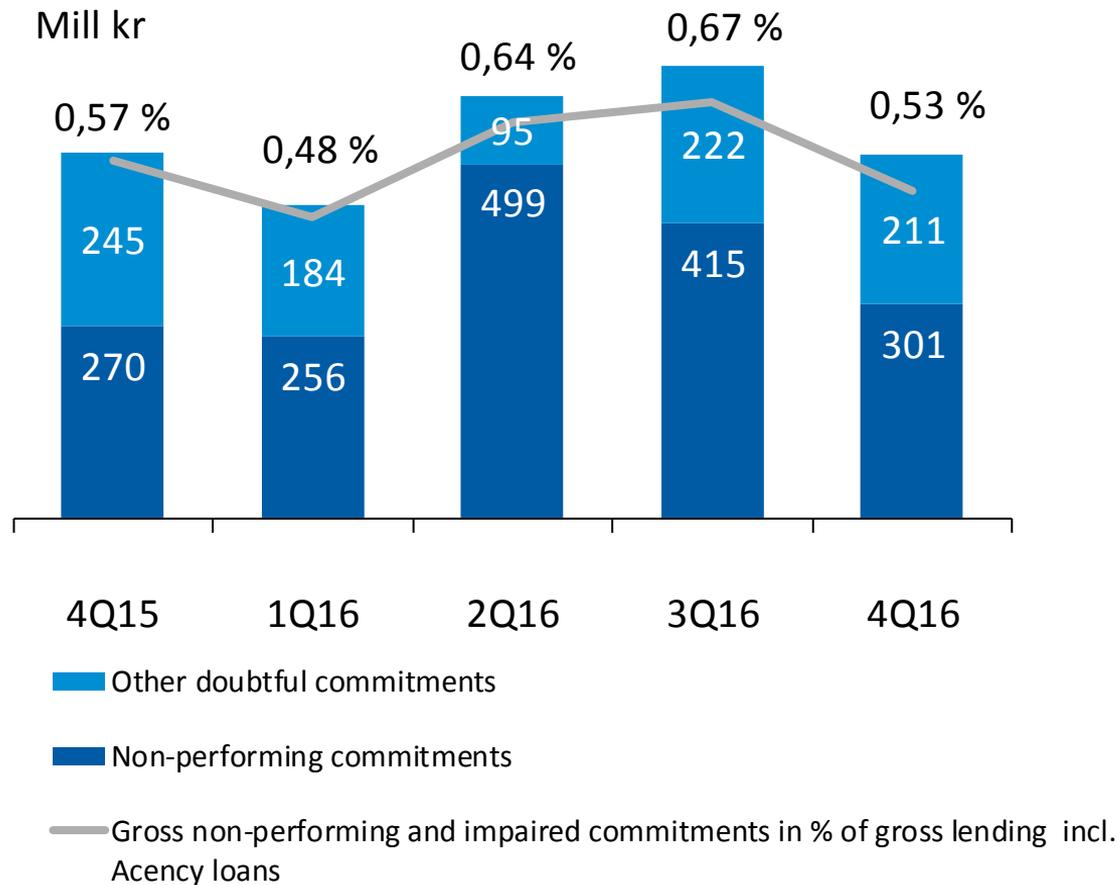


# Portfolio – Industry and Other

- The sector “Industry and Other” amounts to NOK 101 mill, divided into Industry NOK 151 mill and Other NOK 50 mill
- Average weighted probability of default: Industry 1.35 % and Other 3.66 %
- A total of NOK 86.9 mill non-performing or impaired commitments
- The exposure consists of financing of real estate, transport equipment and working capital



# Non-performing commitments



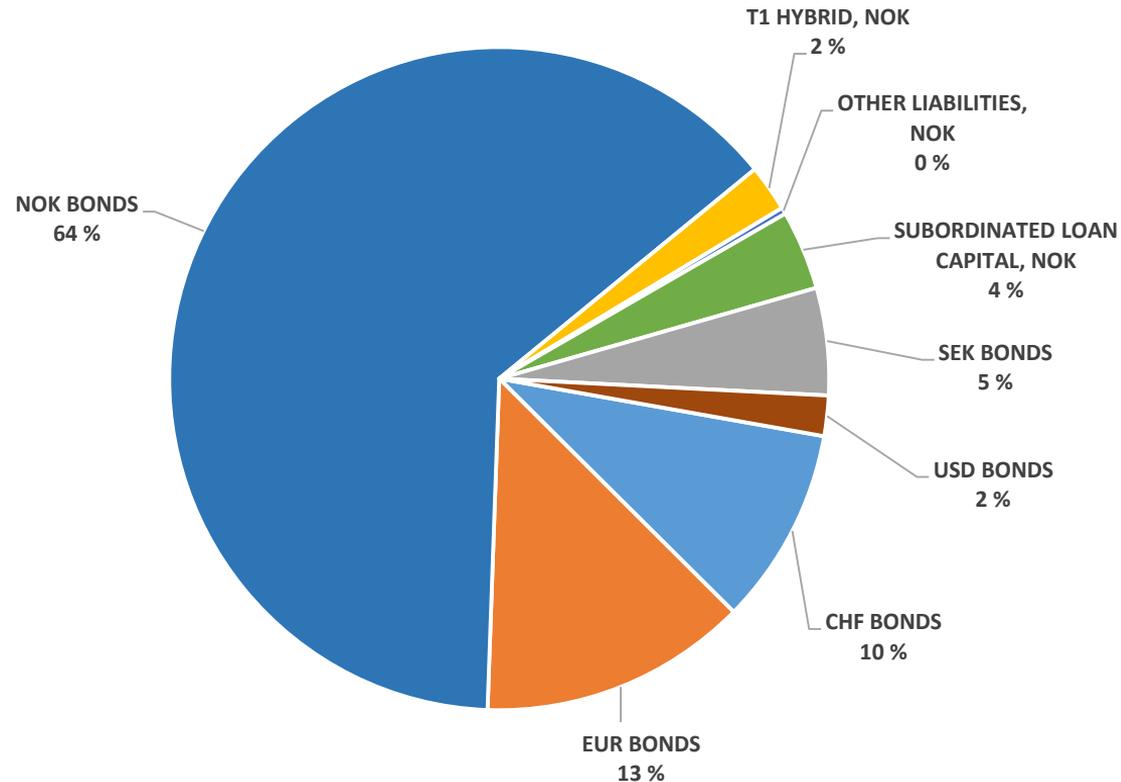
# Loan losses: The Group's write-downs

| Write-downs                                         |            |            |                           |                           |
|-----------------------------------------------------|------------|------------|---------------------------|---------------------------|
|                                                     | 2016       | 2015       | 4th quarter<br>2016 (iso) | 4th quarter<br>2015 (iso) |
| Individual write-downs                              |            |            |                           |                           |
| <i>Retail market</i>                                | <b>4</b>   | <b>0</b>   | <b>0</b>                  | <b>0</b>                  |
| <i>Corporate market</i>                             | <b>32</b>  | <b>165</b> | <b>-2</b>                 | <b>67</b>                 |
| <i>SpareBank 1 Finans Nord-Norge</i>                | <b>53</b>  | <b>8</b>   | <b>17</b>                 | <b>2</b>                  |
| <i>Other group units</i>                            | <b>0</b>   | <b>-19</b> | <b>0</b>                  | <b>-42</b>                |
| Total individual write-downs                        | <b>89</b>  | <b>154</b> | <b>15</b>                 | <b>27</b>                 |
| Collective write downs and other value change items | <b>125</b> | <b>54</b>  | <b>49</b>                 | <b>49</b>                 |
| Effects from consolidations                         | <b>0</b>   | <b>-8</b>  | <b>0</b>                  | <b>15</b>                 |
| Total write-down on loans and guarantees            | <b>213</b> | <b>200</b> | <b>64</b>                 | <b>92</b>                 |

4

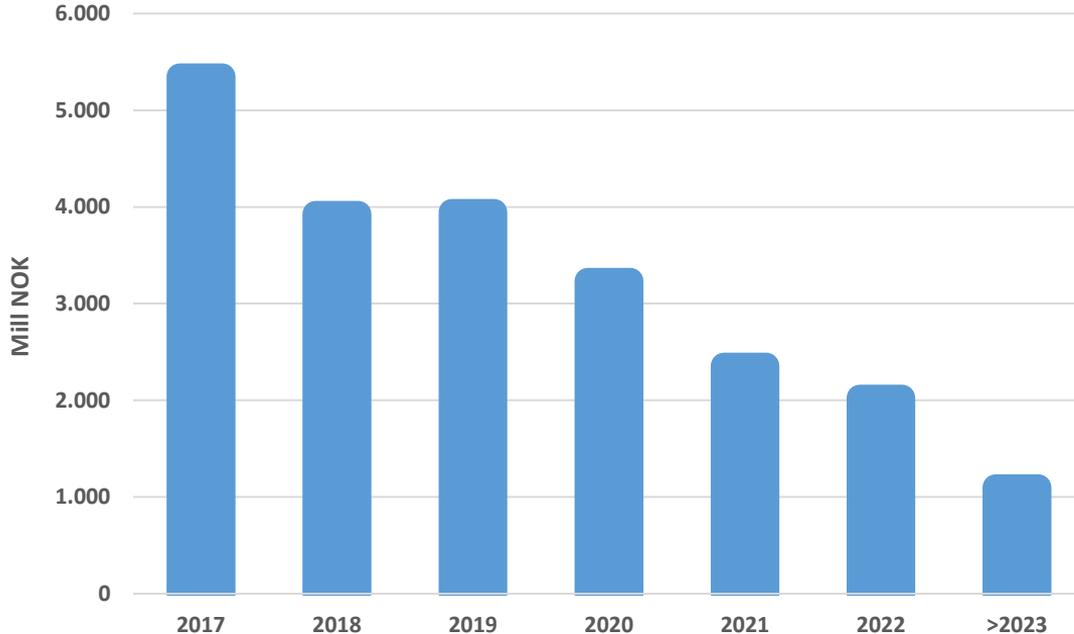
# Liquidity

# Funding instruments 31.12.2016



# Maturity profile 31.12.2016

## Capital markets funding (excl. SPABOL)

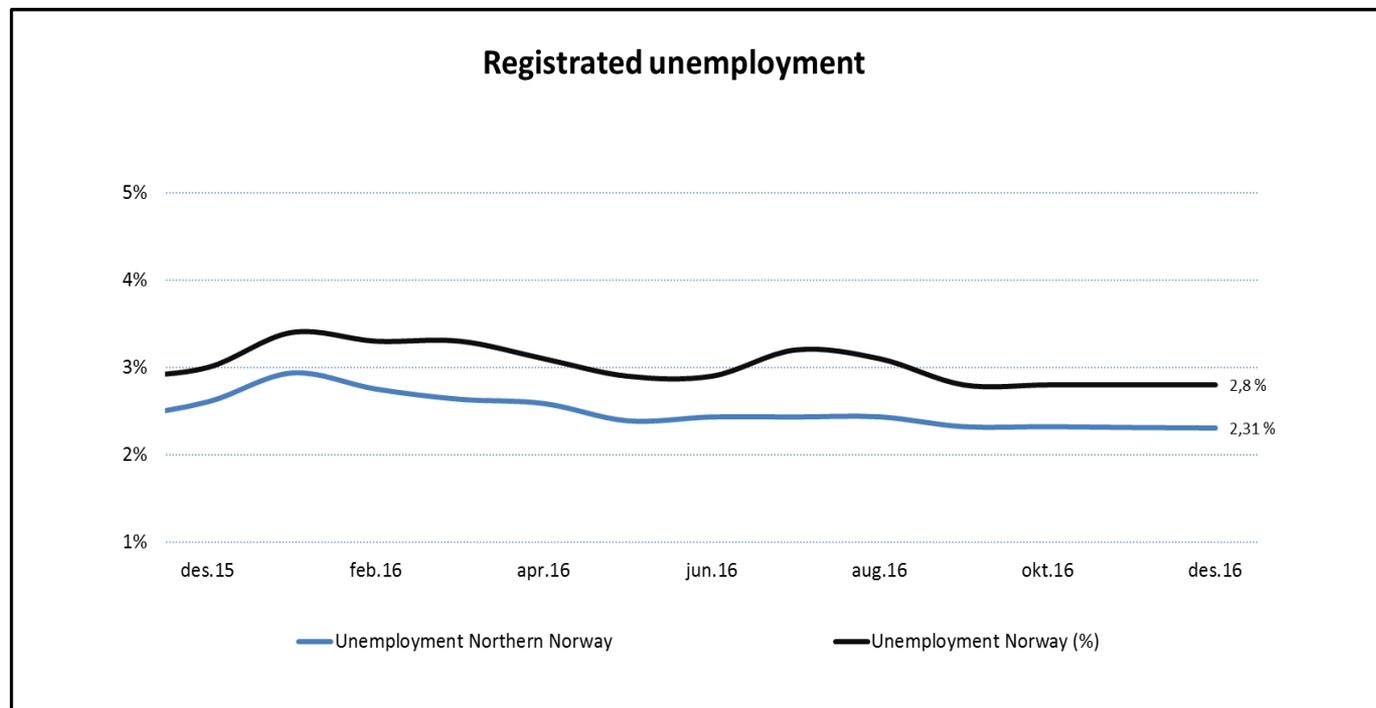


- Good diversification in terms of maturities
- NOK 21 942 mill in capital market funding exclusive of SB1 Boligkredditt
- SpareBank 1 Boligkredditt is an important funding source. Mortgage loans of NOK 25 523 mill transferred as at 31.12.16
- Amount of gross maturities of capital market funding next 12 months is NOK 5 346 mill

5

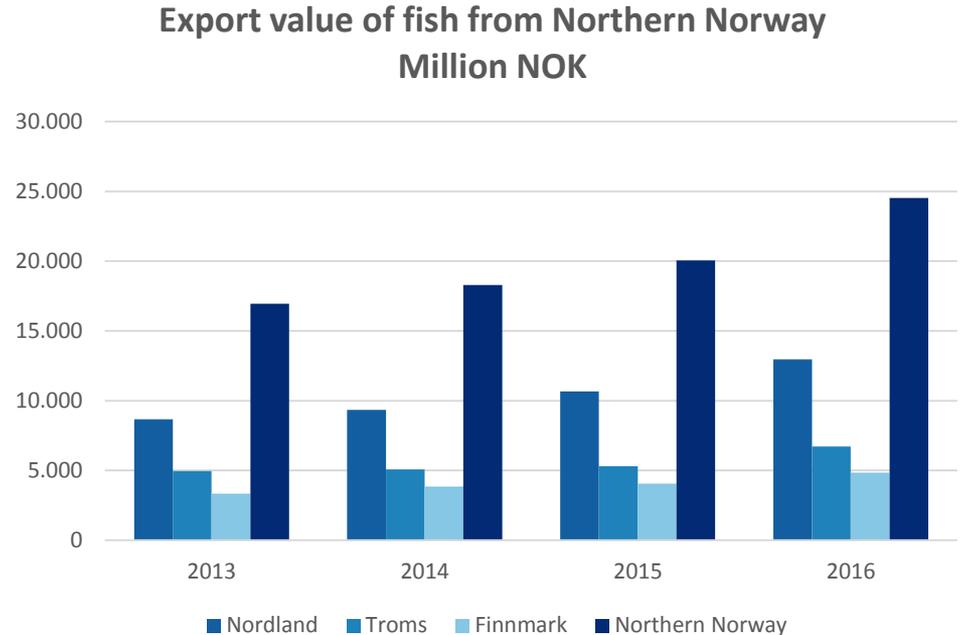
# Macro and Economic trends

# Stable, low unemployment



# Seafood – strong export growth

- 22% growth in seafood export value from Northern Norway in 2016 vs. 2015.
- Increased prices is the contribution to the growth, not volume.
- More than 70 % of total export of seafood are salmon and trout.
- Good development for white fish



# Tourism – good growth in overnight stays

- Total number of overnight stays is increasing, and Northern Norway take a larger part of the total overnight stays in Norway.
- Firm growth in foreign overnight stays, and strong contribution from winter tourism.
- 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 oilfield open in Barents Sea.
- Aasta Hansteen og Polarled
  - Polarled – pipeline completed in 2015
  - Production start-up in 2018
- Several promising discovery in Barents Sea
  - Johan Castberg – investment decision in 2017
  - Alta/Gotha
  - Wisting
- 2017 is a promising year for discovering
  - Several prospects in the Barents Sea
  - New fields in Norwegian Sea

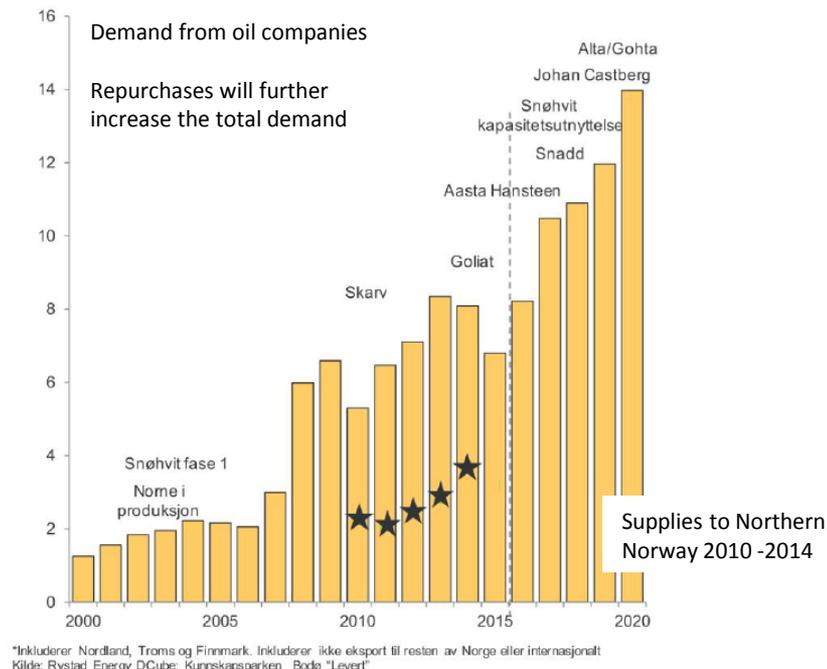
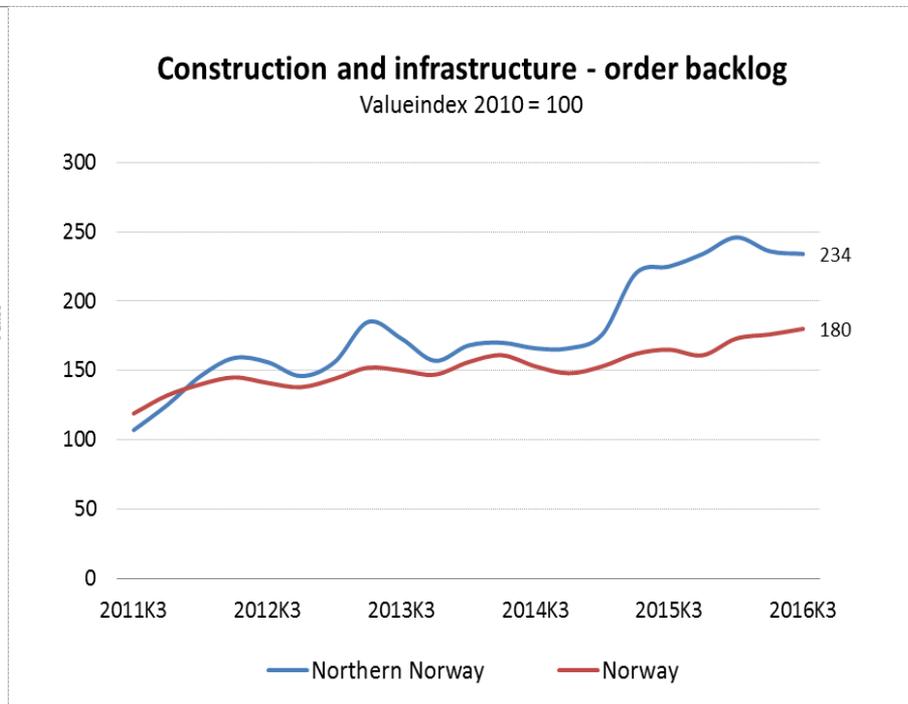
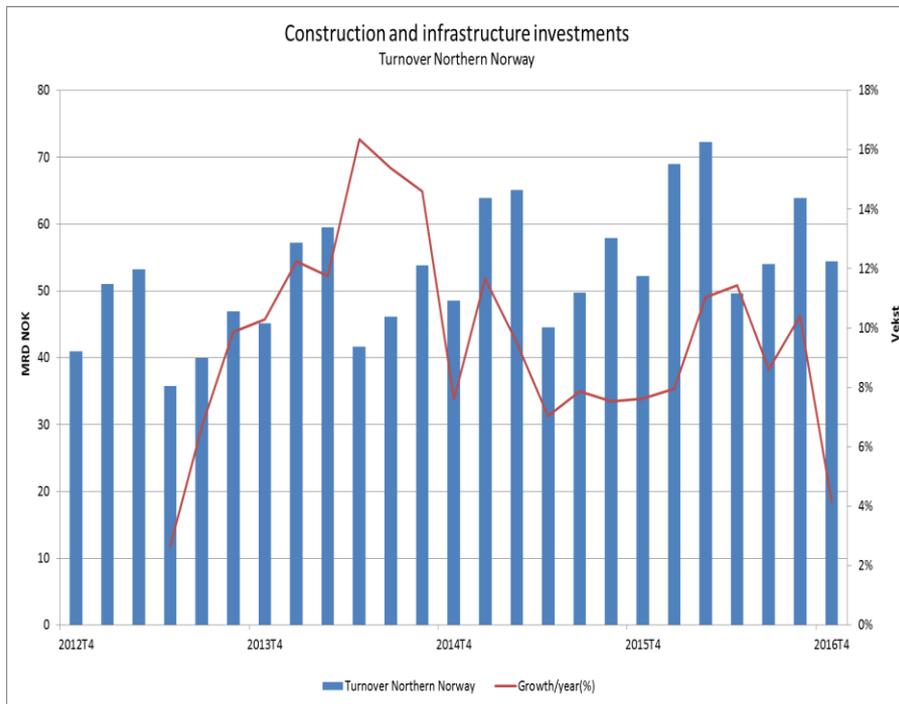
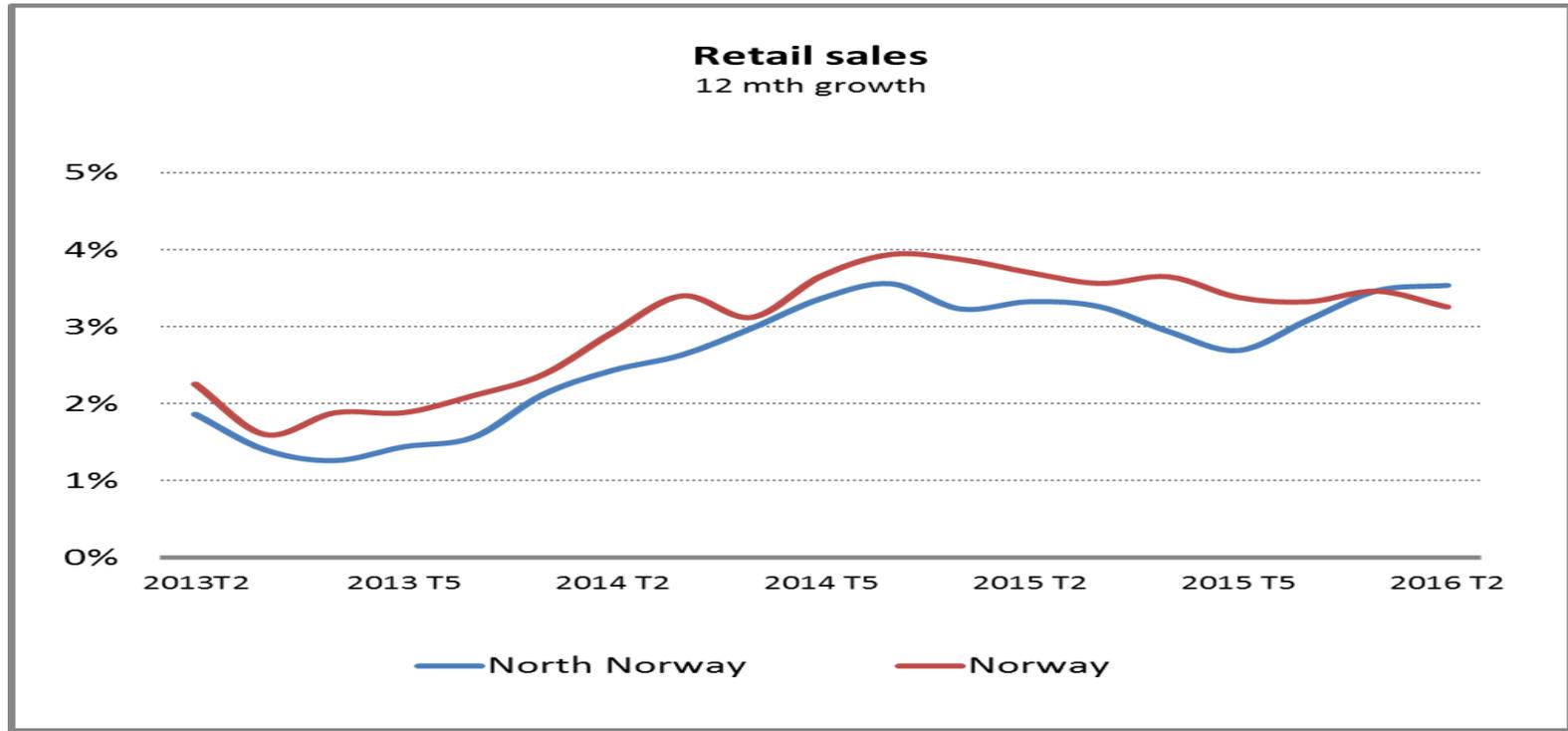


Figure: Petro Foresight 2030, February 2016

# The activity in construction is solid, but the growth is slowing down

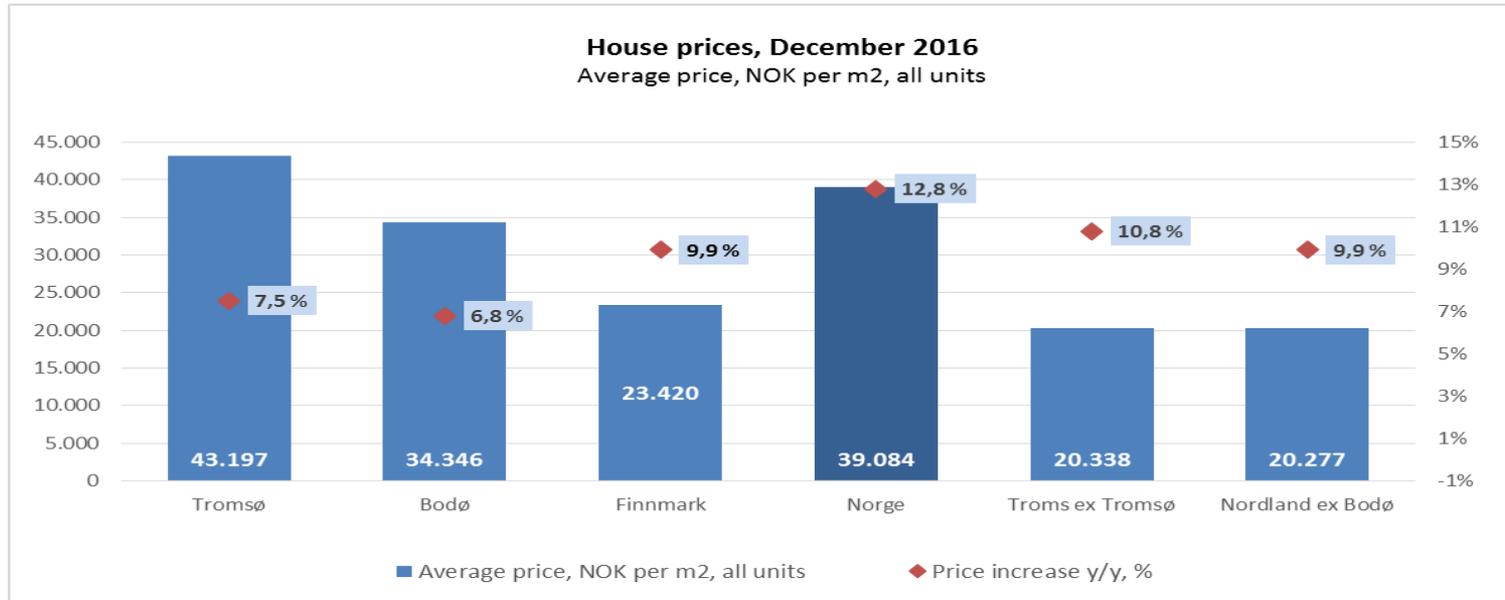


# Retail sales grows more in Northern Norway

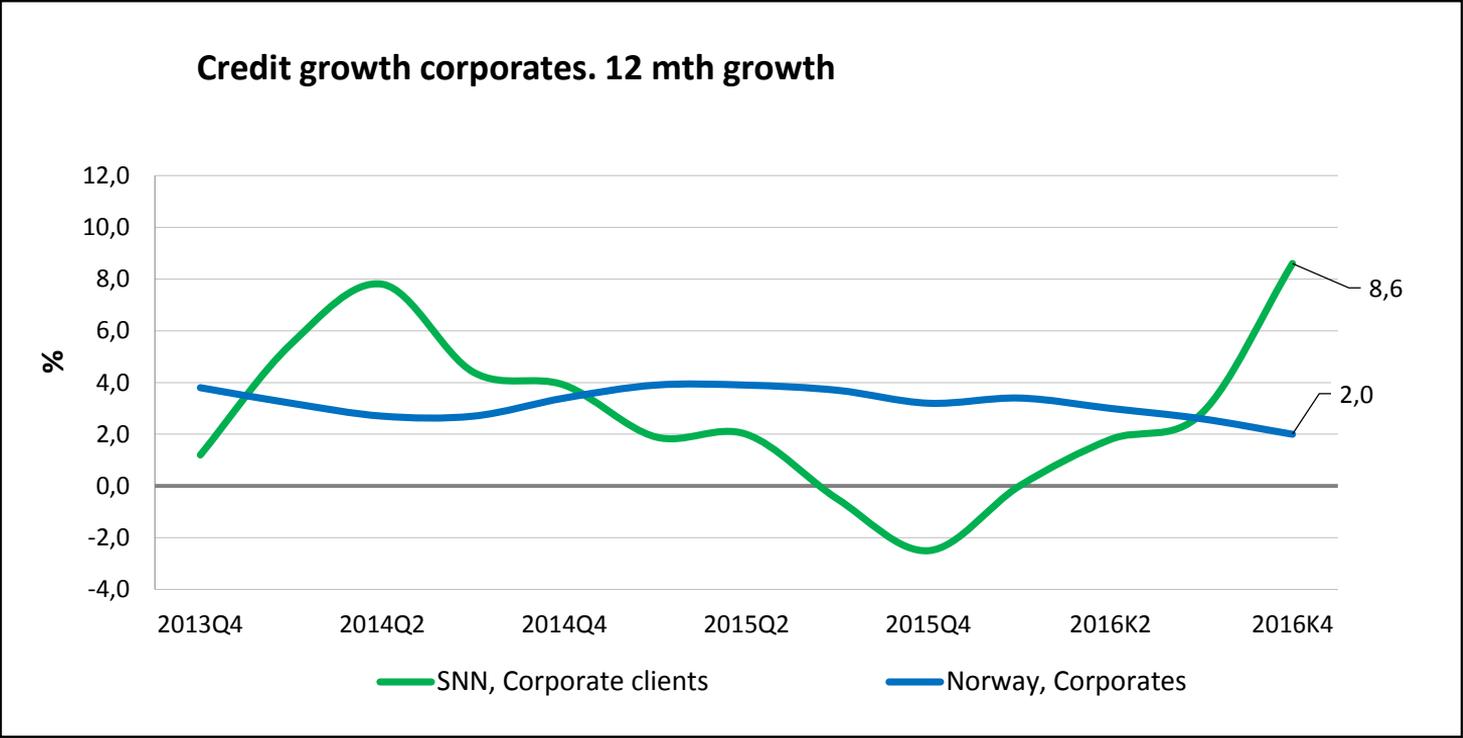


Kilde: SSB, retail sales

# Regional house prices lower than the Norwegian average, but the price growth is high

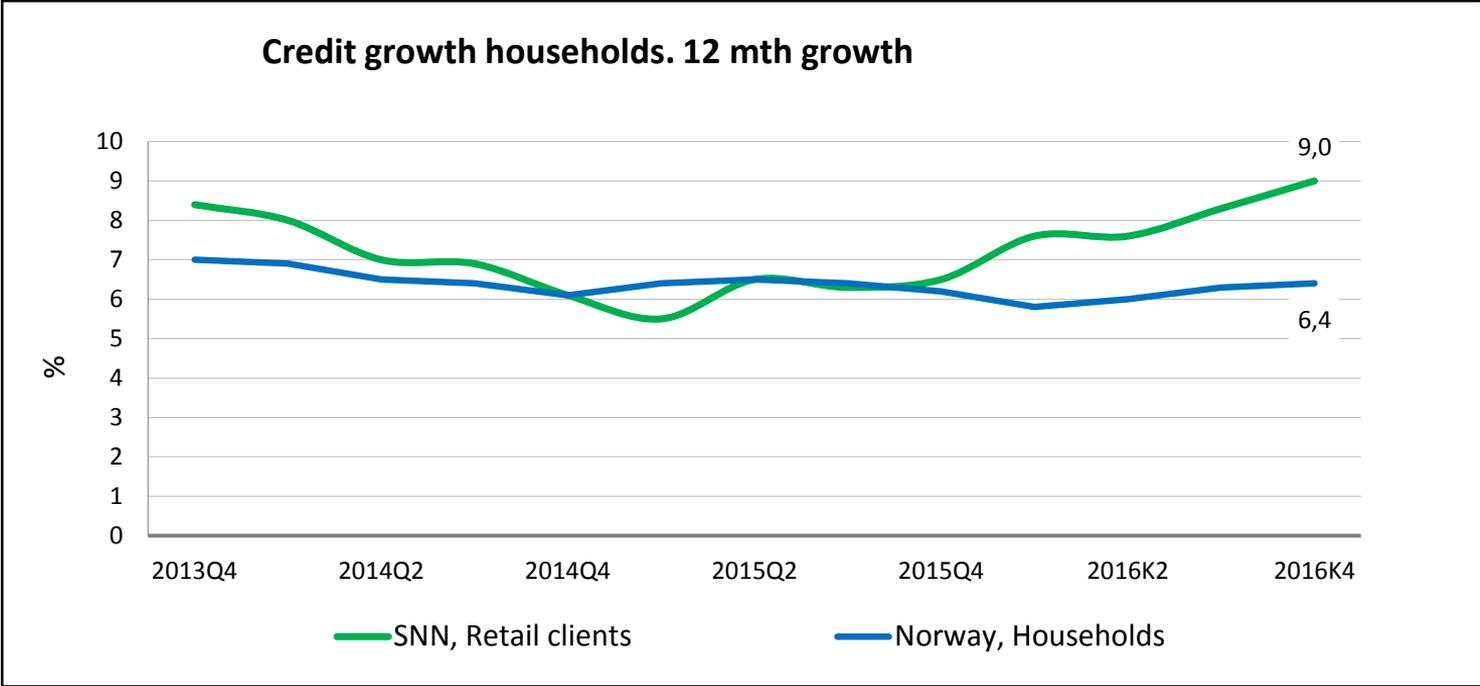


# Credit growth corporates



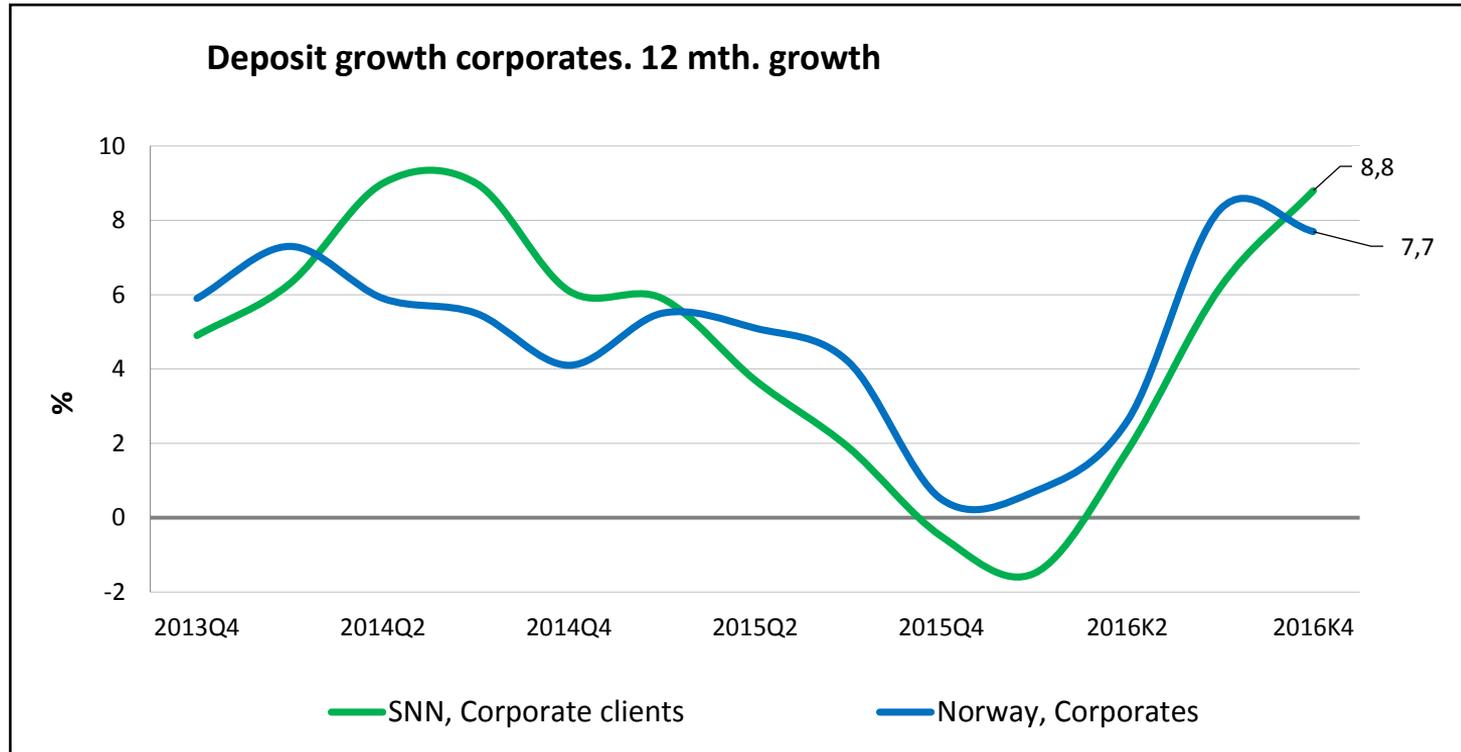
Source: Statistics Norway; «kredittvekst», SpareBank 1 Nord-Norge; lending growth

# Credit growth households



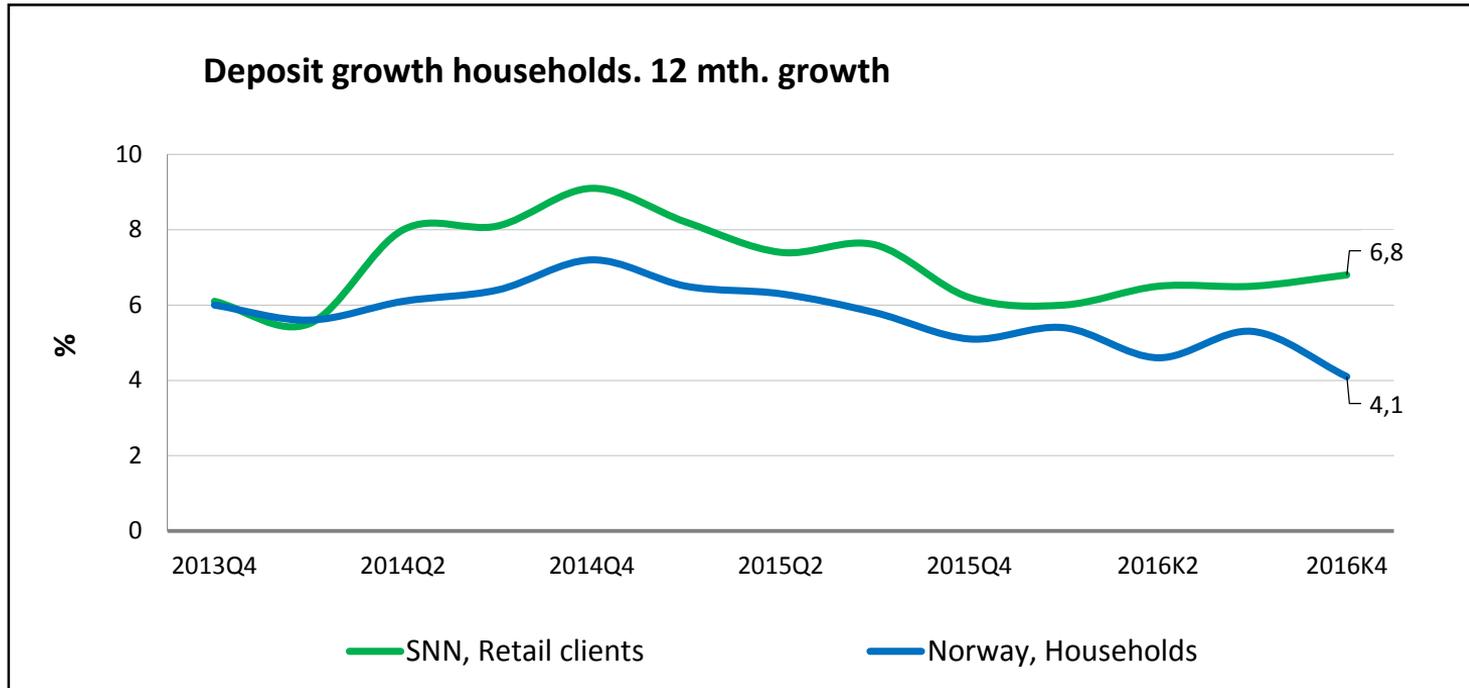
Source: Statistics Norway; «kredittvekst», SpareBank 1 Nord-Norge; lending growth

# Deposit growth corporates



Source: Statistics Norway; «pengemengde», SpareBank 1 Nord-Norge; deposit growth

# Deposit growth households



Source: Statistics Norway; «pengemengde», SpareBank 1 Nord-Norge; deposit growth

6

# SpareBank 1 Group and Alliance

# The idea behind the SpareBank 1 Alliance

## The banks in the alliance want to:



Achieve  
critical level  
of  
competence



Share  
development  
costs



Achieve  
economies  
of scale

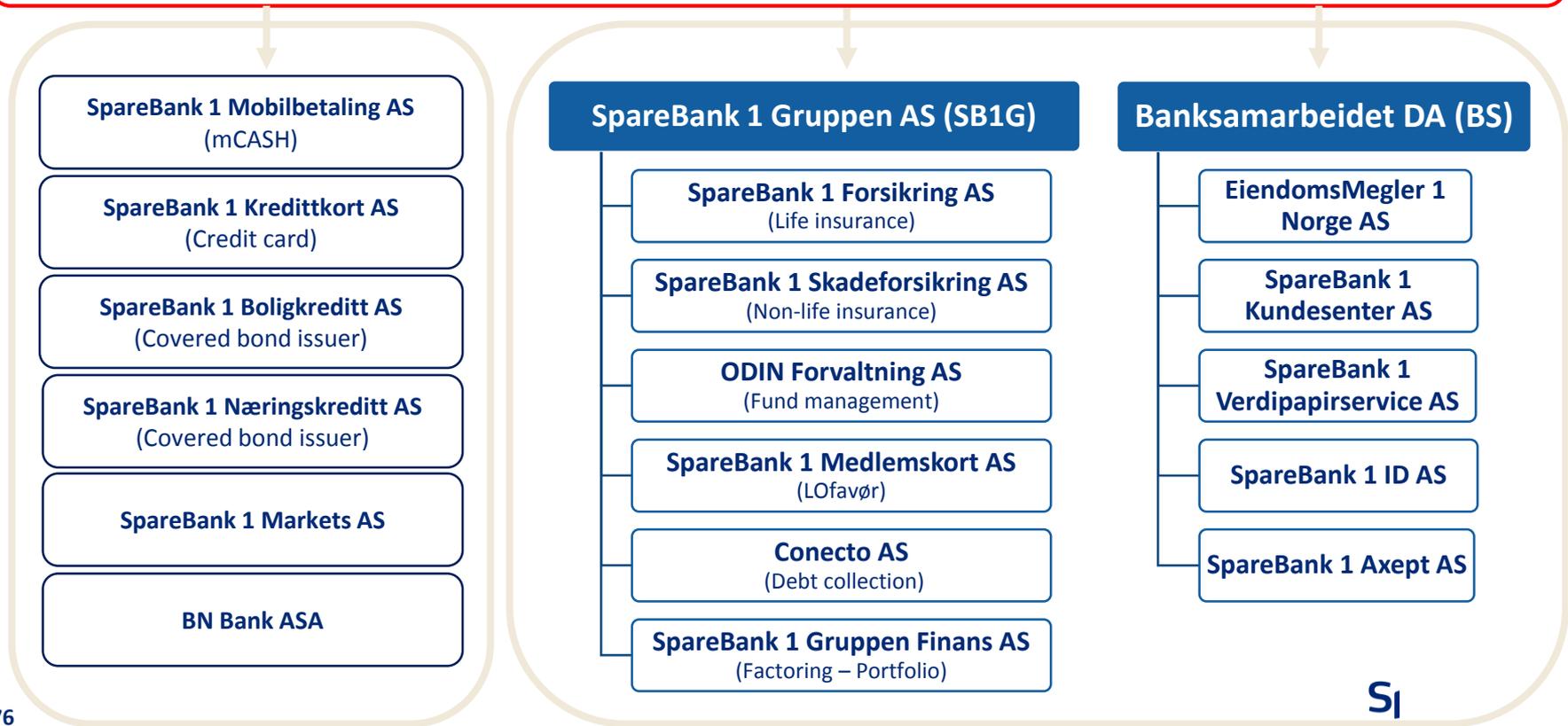


Retain their own  
name and continue  
as independent  
legal entities



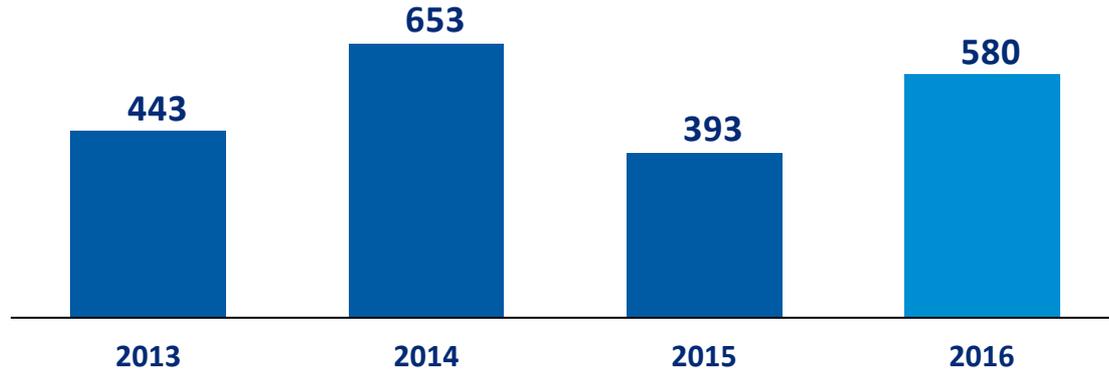
Still be able to exploit  
each bank's proximity to  
their local market

# The SpareBank 1 Alliance

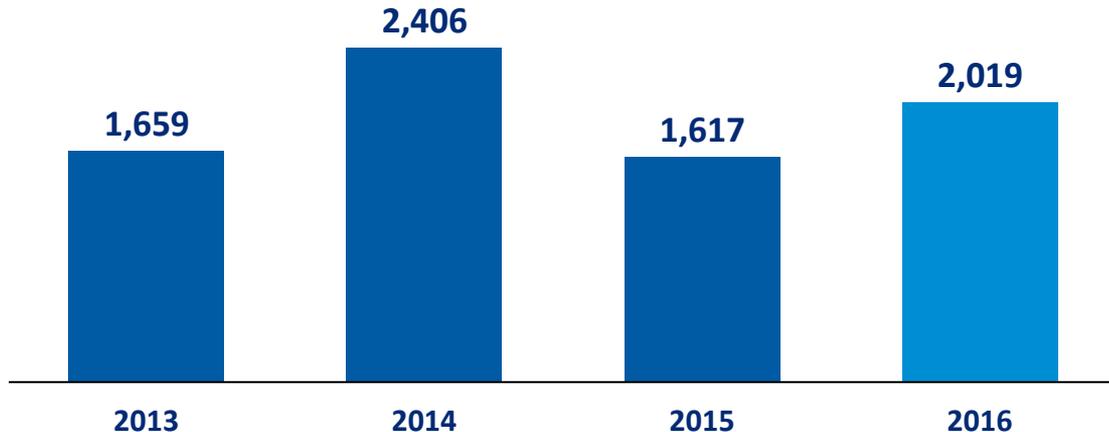


# Pre-tax operating profit. SpareBank 1 Gruppen

4th quarter (MNOK)



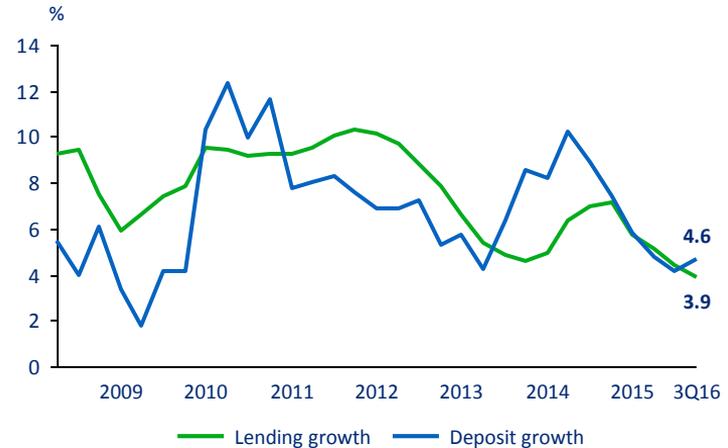
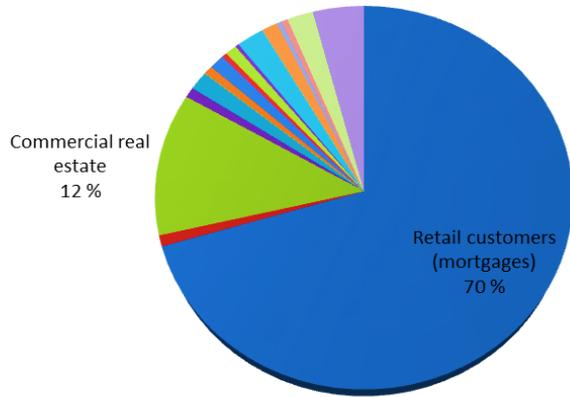
For the full year (MNOK)



- Return on equity for the full year:

|      |        |
|------|--------|
| 2016 | 19.1 % |
| 2015 | 17.2 % |
| 2014 | 28.0 % |
| 2013 | 20.3 % |

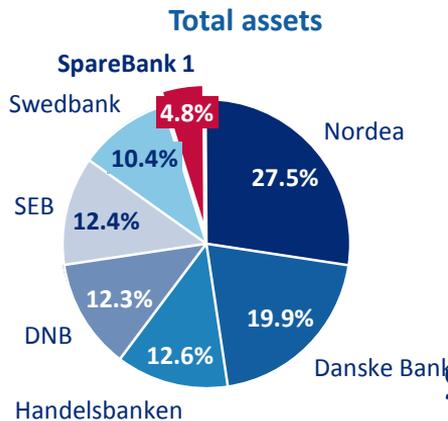
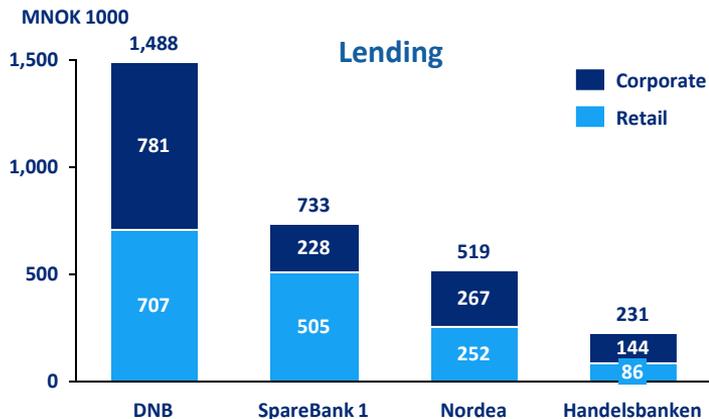
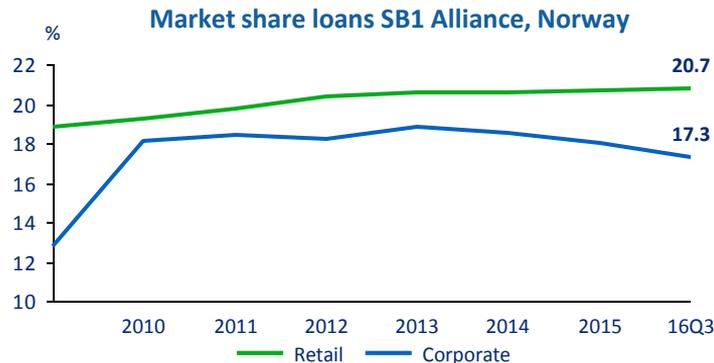
# SpareBank 1 Alliance – lending composition as of Q3 2016



- **Total lending: approx. NOK 730 bn.**
- **Mortgages: approx. NOK 500 bn.**
- **Share of mortgages bought by Boligkreditt: approx. 35 %**

# SpareBank 1 Alliance – market position as of Q3 2016

- **2<sup>nd</sup>** largest banking group in the market
- More than **20 %** national market share in residential mortgages
- Regional market share leader with **30-50%** shares



- SpareBank 1 is a Norwegian-only, retail focused institution