

MOODY'S

INVESTORS SERVICE

COMPANY PROFILE

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SpareBank 1 Nord-Norge

Tromsø, Norway

Company Overview

SpareBank 1 Nord-Norge is a regional savings bank in northern Norway that provides retail and corporate customers with a range of banking products and services, including finance, savings, insurance and payment transmission services. As of 30 June 2016, its consolidated assets totalled NOK92.0 billion (€9.8 billion).

SpareBank 1 Nord-Norge is one of the founding members of the SpareBank 1 Alliance. The alliance is coordinated through SpareBank 1 Gruppen AS, a holding company owned collectively by SpareBank 1 Nord-Norge, SpareBank 1 SR-Bank ASA, SpareBank 1 SMN, Sparebanken Hedmark, Bank 1 Oslo Akershus AS, Samarbeidende Sparebanker (a group of savings banks), and the Norwegian Confederation of Trade Unions and affiliated trade unions. As of year-end 2015, the SpareBank 1 Alliance had total assets of approximately NOK640.3 billion (€66.9 billion).¹

SpareBank 1 Gruppen AS encompasses joint product companies (including fund management, and life and non-life insurance businesses), and provides for joint marketing and the development of common IT and internet platforms.

The bank was established via a series of mergers over 1989–92, starting with the 1989 merger of Sparebanken Nord and Tromsø Sparebank.

As of 30 June 2016, the 10 largest holders of SpareBank 1 Nord-Norge's equity certificates (ECs) accounted for 23.1% of its ECs. As of that date, the largest holder was Pareto Aksje Norge, with a 3.6% stake. The bank's ECs are listed on the Oslo Stock Exchange (stock code: NONG).

Note: Currency converted using exchange rate of NOK–€0.11843, as of 30 June 2016

Source: Company Reports (annual report Dec 2015 and Dec 2014 and Dec 2007, Q2 presentation June 2016, quarterly report Q2 June 2016), Company data, www.oanda.com, Moody's research, Oslo Stock Exchange

¹ Total assets for SpareBank 1 Alliance excluding covered bonds transferred to SpareBank 1 Boligkreditt and SpareBank 1 Naringskreditt AS.

Financial Highlights (as Reported)

Note: The financials presented below are those reported by the entity and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on SpareBank 1 Nord-Norge, please see <[SpareBank 1 Nord-Norge page on moodys.com](#)>.

EXHIBIT 1

Latest Full-Year Results

SpareBank 1 Nord-Norge

(in NOK Million)	31-Dec-15	31-Dec-14	31-Dec-13	% Change 15/14	% Change 14/13
NOK/€, Period end	0.10452	0.11040	0.11863	–	–
Total Assets	85,403	83,188	77,520	2.66	7.31
Total Shareholders' Equity	9,961	9,343	8,502	6.61	9.89
Shareholders' Equity excluding Minority Interest	9,961	9,328	8,479	6.79	10.01
Regulatory Capital	10,358	9,680	8,069	7.00	N/M
Tier 1 Ratio (%)	15.10	13.60	13.40	150 bps	N/M
Net Income	865	1,095	967	(21.00)	13.24
Net Income Attributable to Equity Holders	872	1,096	966	(20.44)	13.46

Notes: 1) Based on consolidated financial data

2) "Regulatory Capital" and "Tier 1 Ratio" for Dec 2015 and Dec 2014 are stated in accordance with the Basel III transitional framework, while the corresponding figures for Dec 2013 are stated in accordance with the Basel II framework.

Source: Company Reports (annual report Dec 2015 and Dec 2014), [www.oanda.com](#)

EXHIBIT 2

Latest First-Half Results

SpareBank 1 Nord-Norge

(in NOK Million)	30-June-16	30-June-15	% Change 16/15
NOK/€, Period end	0.10686	0.11408	–
Total Assets	92,038	84,981	8.30
Total Shareholders' Equity	10,353	9,521	8.74
Shareholders' Equity excluding Minority Interest	10,353	9,503	8.94
Regulatory Capital	10,674	9,709	9.94
Tier 1 Ratio (%)	15.00	14.10	90 bps
Net Income	628	550	14.18
Net Income Attributable to Equity Holders	628	553	13.56

Note: Based on consolidated financial data

Source: Company Report (Quarterly report Q2 June 2016), Moody's research, [www.oanda.com](#)

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moodys.com](#) for the most updated credit rating action information and rating history.

Business Activities

SpareBank 1 Nord-Norge is a regional savings bank that provides both retail and corporate customers with a range of banking products and services. It also provides various products and services through both its subsidiaries and the product companies within SpareBank 1 Gruppen AS. These include trading and asset management services (SpareBank 1 Nord-Norge [SNN] Forvaltning ASA), leasing and secured financing facilities (SpareBank 1 Finans Nord-Norge AS) and real estate brokerage (EiendomsMegler 1 Nord-Norge AS).

The bank organises its business activities through the following five segments: Retail Banking; Corporate; Leasing; Markets; and Unallocated. For the financial year ending 31 December 2015 (2015), the largest contributor to the bank's total income was the Retail Banking segment (52.0%).

Retail Banking: This segment provides its retail customers with financing products and services, including deposit-taking, loans, credit cards and payment transmission services. In addition, it offers savings and insurance products (life and non-life). As SpareBank 1 Nord-Norge originated as a savings bank, its core business is the retail market. As of 31 December 2015, 61.7% of its total loans (excluding loans transferred to the alliance's jointly owned covered bond companies) were to retail customers.

Corporate: This segment mainly provides services to corporates, primarily small and medium-size enterprises, and public-sector clients. It provides a range of financial solutions, such as deposit-taking and finance activities, remittance facilities, factoring, foreign exchange, pensions, credit cards, point-of-sale and payment terminals, leasing facilities, operating credit and insurance products. As of 31 December 2015, 38.3% of the bank's total loans were to corporates.

Leasing: This segment includes leasing operations and secured loan financing.

Markets: This segment comprises the customer-oriented business of the bank's former capital markets section, SpareBank 1 Nord-Norge Securities, and the bank's savings and investment advisers. The services offered include trading in securities, bonds and derivatives; asset management and investment advisory through SNN Forvaltning ASA; and capital market services such as valuations of both listed and unlisted firms. It also offers currency and fixed-income products and services, including currency hedging, spot trading, currency trading, currency financing, commercial papers and bonds.

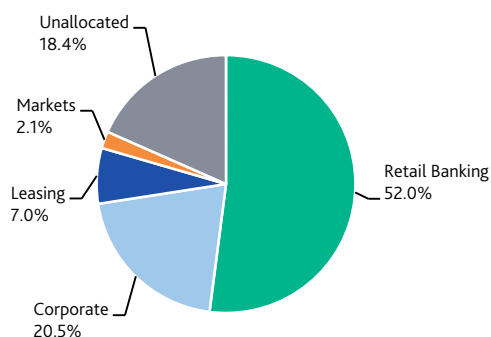
Unallocated: This segment comprises the bank's own investment activities and other activities that cannot be allocated to other segments.

Source: Company Reports (annual report Dec 2015 and Dec 2014, quarterly report Q2 June 2016, Q2 presentation June 2016), Company data, Moody's research

EXHIBIT 3

Business Segment

(% of Total Income, consolidated, for 2015)

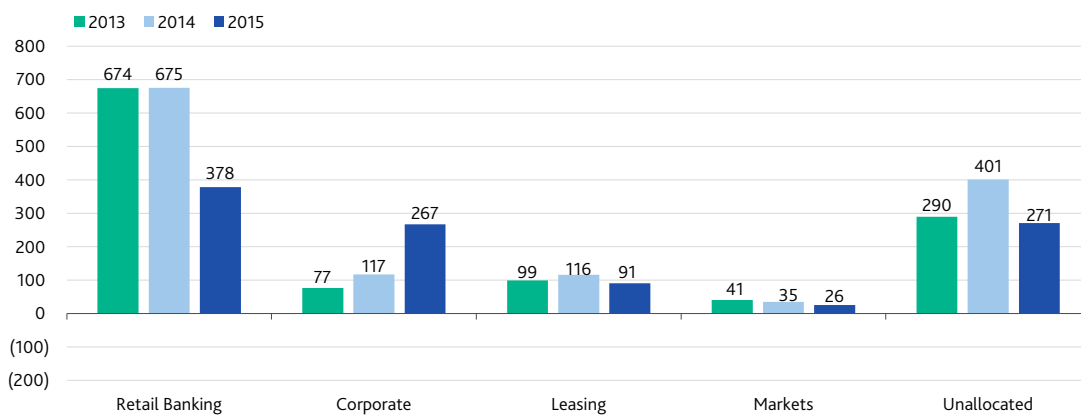


Source: Company Report (annual report Dec 2015, Pg: 56)

EXHIBIT 4

Pre-Tax Profit per Business Segment

(consolidated, in NOK Million)



Source: Company Reports (annual report Dec 2015, Pg 56 and Dec 2014, Pg: 58)

SpareBank 1 Nord-Norge's gross loan portfolio according to sector was as follows:

EXHIBIT 5

SpareBank 1 Nord-Norge

Gross Loans By Sector (%)	31-Dec-15	31-Dec-14
Real estate activities	10.0	12.4
Transportation and storage	6.0	5.6
Manufacturing	3.0	2.7
Fishing	3.6	4.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	1.5	1.7
Activities auxiliary to financial services and insurance activities	1.1	1.2
Crop and animal production	1.6	1.7

EXHIBIT 5

SpareBank 1 Nord-Norge

Gross Loans By Sector (%)	31-Dec-15	31-Dec-14
Electricity, gas, steam and air conditioning supply	1.1	1.1
Construction	1.7	1.6
Development of building projects	1.5	1.3
Other service industries	1.5	1.1
International shipping and pipeline transport	0.4	1.2
Other business support activities	1.1	1.0
Marine aquaculture	1.0	1.0
Professional, scientific and technical activities	1.4	1.0
Accommodation and food service activities	0.8	0.8
Water supply; sewerage, waste management and remediation activities	0.4	0.4
County municipalities and municipalities	0.4	0.6
Information and communication	0.1	0.1
Mining and quarrying	0.1	0.1
Support activities for petroleum and natural gas extraction	0.0	0.0
Forestry and logging	0.0	0.0
Building of ships and boats	0.0	0.2
Foreign industrial	0.0	0.3
Total corporate sector	38.3	41.1
Retail sector (domestic and international)	61.7	58.9
Gross Loans	100.0	100.0

Note: Excluding loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Naeringskreditt

Source: Company Report (annual report Dec 2015)

Distribution Capacity and Market Share

SpareBank 1 Nord-Norge is a regional savings bank that operates mainly in northern Norway, principally in the regions of Finnmark, Troms, Nordland and Svalbard. As of 30 June 2016, SpareBank 1 Nord-Norge operated through a network of 38 local branches (31 December 2015: 62).

In September 2010, SpareBank 1 Nord-Norge commenced branch banking operations in Russia through its acquisition of 75% of North-West 1 Alliance Bank (NW1AB) in partnership with Bank Tavrichesky OJSC (Bank Tavrichesky), which held the remaining 25% stake.

In Q4 2015, SpareBank 1 Nord-Norge sold its stake in NW1AB to a Russian group of investors. Pursuant to the sale, SpareBank 1 Nord-Norge has no banking operations of its own in Russia.

SpareBank 1 Nord-Norge benefits from the nationwide distribution network of SpareBank 1 Alliance, which comprised nearly 350 branches throughout Norway as of 31 March 2016. In addition, the bank distributes its offerings through a number of alternative channels, including ATMs and telephone and internet banking.

Moody's estimates that SpareBank 1 Nord-Norge held market shares of approximately 32% in terms of deposits and 16% in terms of loans in the three most northerly counties in Norway as of 31 December 2015

(the total deposits in these counties are according to Statistics Norway). Furthermore, as of that date, the bank's shares of the national market were around 3.4% in terms of total lending and 2.3% in terms of total deposits, according to Statistics Norway.

In terms of consolidated financials as of 31 December 2015, the bank's position among the top 10 banks in Norway was as follows:

EXHIBIT 6

Comparative Positions of Largest Norwegian Banks as of 31 December 2015

Assets	(In NOK Million)
1. DNB Bank-konsernet	2,315,603
2. Nordea Bank Norge	660,442
3. Danske Bank	322,500
4. Handelsbanken	220,029
5. SpareBank 1 SR-Bank	192,049
6. Sparebanken Vest	161,663
7. Santander Consumer Bank	135,936
8. SpareBank 1 SMN	131,914
9. Sparebanken Sør	101,334
10. SpareBank 1 Nord-Norge	85,403

Source: Company Reports (annual report Dec 2015, quarterly report Q2 June 2016), Company data, Norwegian Financial Services Association, Moody's research

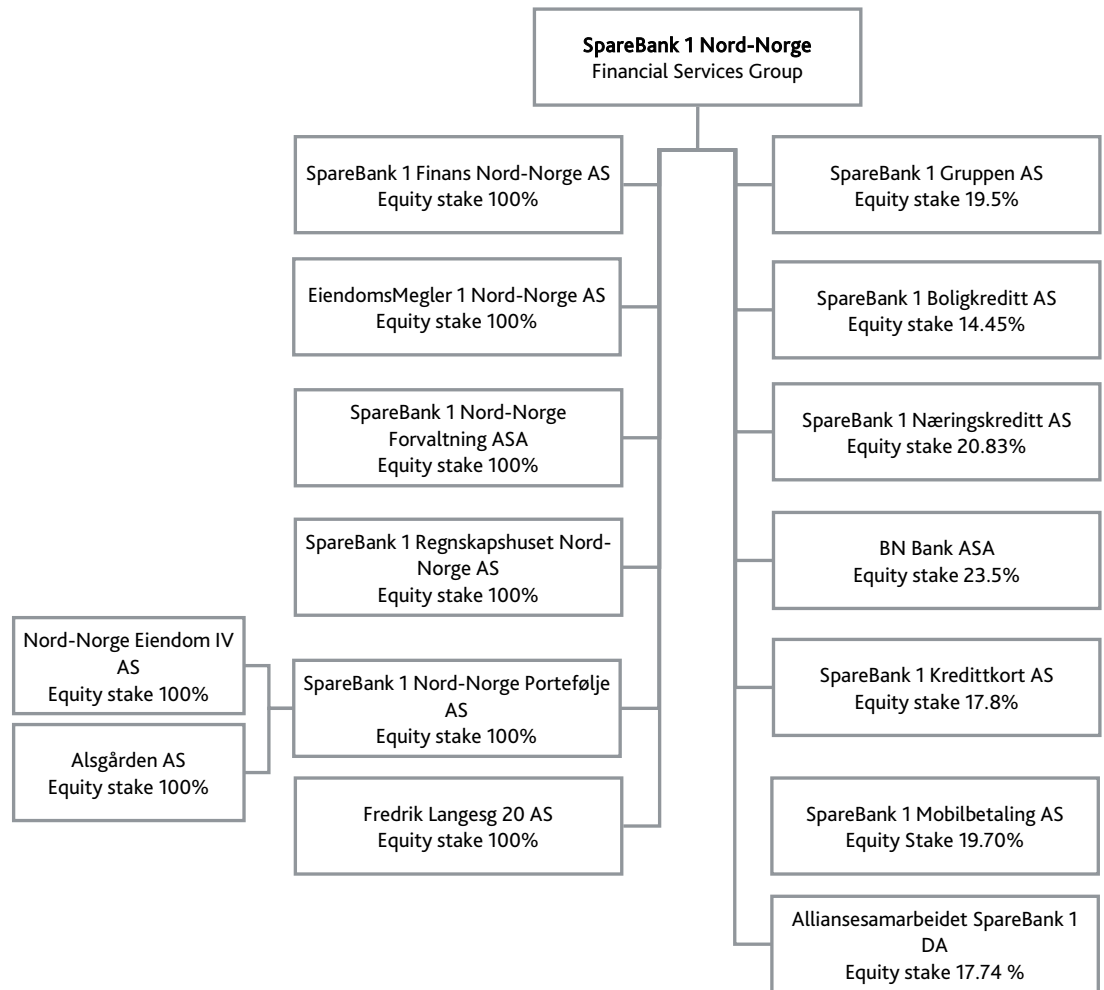
Ownership and Structure

As a Norwegian savings bank, SpareBank 1 Nord-Norge has a specific ownership structure with two ownership groups: The Bank's equity certificate holders (EC-holders) owned 46.4% (equity certificate fraction) of the Bank's equity capital as of 1 January 2016, while 53.6% was community-owned. The main difference between ECs and shares is that ECs give ownership rights to specific parts of a bank's capital. In addition, the governing bodies of a savings bank have a broader representation than those of a commercial bank. In July 2009, however, certain amendments to legislation reduced the differences between ECs and shares.

The bank's ECs are traded on the Oslo Stock Exchange, which is regulated by Finanstilsynet (stock code: NONG). As of 30 June 2016, SpareBank 1 Nord-Norge had 100,398,016 ECs in issue. No single entity held more than 6% of its ECs. Its largest holder, Pareto Aksje Norge, held a 3.6% stake. As of that date, the 10 largest EC holders jointly accounted for 23.1% of the ECs issued by the bank, while the top 20 accounted for 33.2%.

EXHIBIT 7

Organisational Chart as of 30 June 2016



Source: Company Reports (Q2 presentation June 2016)

Source: Company Reports (annual report Dec 2015 and Dec 2009, quarterly report Q2 June 2016, presentation Q2 June 2016), www.finanstilsynet.no, Oslo Stock Exchange, Moody's research

Ownership Structure

As of 30 June 2016, SpareBank 1 Nord-Norge's top 10 EC holders were as follows:

EXHIBIT 8

SpareBank 1 Nord-Norge

Top 10 EC Holders	Number of ECs	% Held
Pareto Aksje Norge	3,648,290	3.63
Verdipapirfondet DnB Norge (IV)	3,301,779	3.29
The Northern Trust	3,036,406	3.02
MP Pensjon PK	2,720,503	2.71
FLPS - Princ All Sec Stock Sub	2,125,000	2.12
Merrill Lynch Prof. Clearing Corp	1,914,360	1.91
Pope Asset Management	1,691,266	1.68
Meteva AS	1,614,670	1.61
State Street Bank And Trust Co.	1,567,624	1.56
Forsvarets Personellservice	1,561,630	1.56

Source: Company Report (quarterly report Q2 June 2016)

Company Management

Company Directors	Current Title
Jan-Frode Janson	SpareBank 1 Nord-Norge: Chief Executive Officer
Liv B. Ulriksen	SpareBank 1 Nord-Norge: Senior Group General Manager, Credit and Production
Geir Andreassen	SpareBank 1 Nord-Norge: Senior Group General Manager, Risk Management and IT
Rolf Eigil Bygdnes	SpareBank 1 Nord-Norge: Senior Group General Manager and Chief Financial Officer
Ronni Møller Pettersen	SpareBank 1 Nord-Norge: Senior Group General Manager for sales and customer relations
Petter Høiseth	SpareBank 1 Nord-Norge: Senior Group General Manager, Group Functions
Trond Hanssen	SpareBank 1 Nord-Norge: Regional Senior Group General Manager (Finnmark)
Christian Overvaag	SpareBank 1 Nord-Norge: Regional Senior Group General Manager (Troms)
Trude Glad	SpareBank 1 Nord-Norge: Regional Senior Group General Manager (Salten)
Lasse Hagerupsen	SpareBank 1 Nord-Norge: Regional Senior Group General Manager (Hålogaland)
Hanne Nordgaard	SpareBank 1 Nord-Norge: Regional Senior Group General Manager (Helgeland)

As of 21 Sep 2016

Board of Directors	Affiliation
Karl Eirik Schjøtt-Pedersen	SpareBank 1 Nord-Norge: Chairman of the Board of Directors; Norwegian Oil and Gas Association: Chief Executive Officer
Hans-Tore Bjerkaas	SpareBank 1 Nord-Norge: Deputy Chairman of the Board of Directors
Kjersti Terese Stormo	SpareBank 1 Nord-Norge: Member of the Board of Directors; BE Kraftsalg AS: Director; Bodø Energi Group: Finance Manager
Sonja Djønne	SpareBank 1 Nord-Norge: Member of the Board of Directors; IT Partner Helgeland: General Manager

Board of Directors	Affiliation
Bengt Olsen	SpareBank 1 Nord-Norge: Member of the Board of Directors; DIPS ASA: CFO
Ingvild Myhre	SpareBank 1 Nord-Norge: Member of the Board of Directors; Rådgiverne Los: Partner
Greger Mannsverk	SpareBank 1 Nord-Norge: Member of the Board of Directors; Kimek Holding AS: Chief Executive Officer
Vivi Ann Pedersen	SpareBank 1 Nord-Norge: Member of the Board of Directors (Employee Representative)

As of 21 Sep 2016

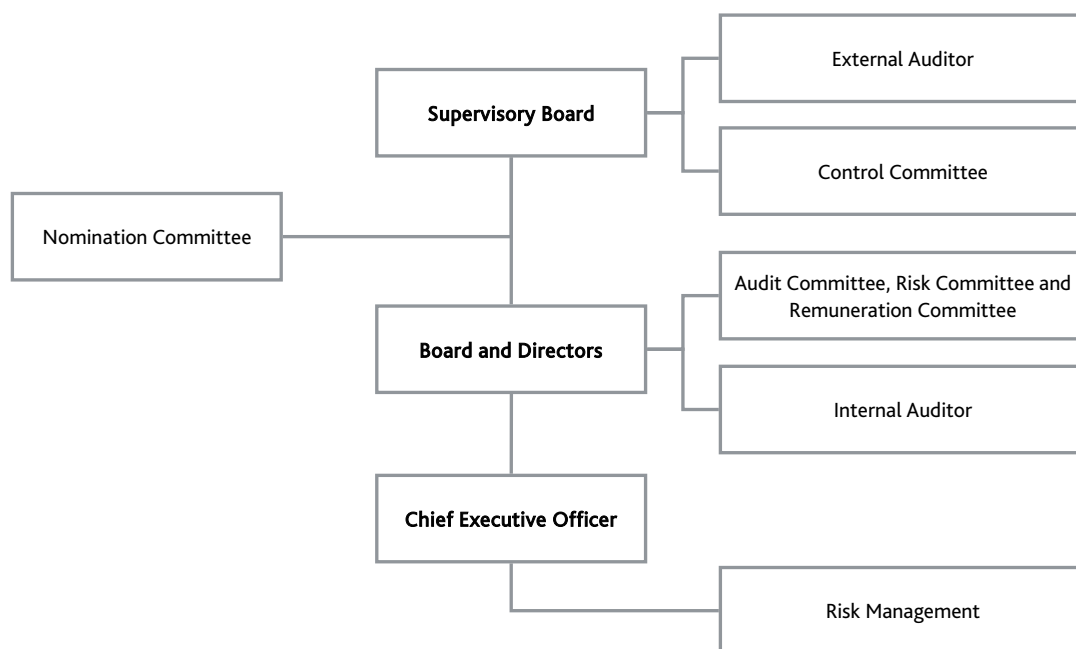
Source: Company data

As a savings bank, SpareBank 1 Nord-Norge is required to have a supervisory board, an audit committee and a board of directors. Its statutory supervisory board comprises 40 members and 26 substitute members, who represent EC holders (16 members and eight substitute members), county councils (four members and four substitute members), depositors (12 members and six substitute members) and employees (eight members and eight substitute members).

Source: Company Reports (annual report Dec 2015, quarterly report Q2 Sep 2016), Company data

EXHIBIT 9

Corporate Governance Chart



Source: Company Report (annual report Dec 2015)

Company History

SpareBank 1 Nord-Norge (known before May 2008 as Sparebanken Nord-Norge) was created via a series of mergers and acquisitions over 1989–92, starting with the merger of Sparebanken Nord and Tromsø Sparebank in 1989, followed by the acquisitions of Nordkapp Sparebank in 1991 and Sparebanken Nordland in 1992. The bank's roots, however, can be traced back to 1836 and the establishment of Tromsø Sparebank.

In 1996, SpareBank 1 Nord-Norge cofounded the SpareBank 1 Alliance with three other Norwegian savings banks in response to increasing competitive pressures within the Norwegian banking sector. The alliance was later extended to include other members. The alliance is coordinated through SpareBank 1 Gruppen AS, which is collectively owned by SpareBank 1 SR-Bank ASA, SpareBank 1 SMN, SpareBank 1 Nord-Norge, Bank 1 Oslo Akershus, Samarbeidende Sparebanker AS, Sparebanken Hedmark, and the Norwegian Confederation of Trade Unions and affiliated trade unions.

While there are no legally binding joint or several liability guarantees among the members of the alliance, the members have both commercial and moral obligations if another member is in distress. However, these are complex, with any member able to veto any decision concerning SpareBank 1 Gruppen AS, a jointly owned financial company of SpareBank 1 members. Nevertheless, the founding members had preferred an alliance to a merger, in light of the strong local ties of each member savings bank.

In January 2004, one of the founding members, Sparebanken Vest, left the alliance.

In 2000, SpareBank 1 Gruppen acquired Vår Bank. Each member bank integrated operations with the Vår Bank units within its own region, while Vår Bank's operations in Oslo were maintained as part of a group branch, currently known as Bank 1 Oslo Akershus AS. In January 2010, Bank 1 Oslo Akershus AS was separated from SpareBank 1 Gruppen AS, and is now directly owned by the SpareBank 1 banks and the Norwegian Confederation of Trade Unions. SpareBank 1 Nord-Norge acquired 19.5% of the shares in Bank 1 Oslo Akershus AS.

In January 2013, the bank agreed to sell its stake in Bank 1 Oslo Akershus AS to Sparebanken Hedmark, reducing its stake in Bank 1 Oslo Akershus AS to 4.8% from 19.5%. The transaction was approved by the Norwegian Ministry of Finance in March 2013.

In May 2008, SpareBank 1 Nord-Norge acquired 10% of Russia-based Bank Tavrichesky.

In October 2008, SpareBank 1 Nord-Norge and other banks in the SpareBank 1 Alliance acquired Glitnir Bank ASA (renamed BN Bank ASA in January 2009), a Norway-based mortgage lender, along with its subsidiary Glitnir Factoring (now part of SpareBank 1 Factoring AS) for a total of NOK300 million (€34.9 million). SpareBank 1 Nord-Norge acquired a 20% stake in Glitnir Bank ASA. The acquisition was approved by the authorities in December 2008. In September 2009, it increased its ownership interest by 3.5%.

In the fourth quarter of 2008, the bank entered into an agreement to sell its factoring business to SpareBank 1 Gruppen AS for up to NOK40 million (€4.0 million). The transaction was completed in March 2009, and its factoring subsidiary, SpareBank 1 Nord-Norge Factoring AS, was merged into Sparebank 1 Factoring AS.

In February 2009, SpareBank 1 Nord-Norge increased its stake in the Norwegian travel industry company Hurtigruten ASA to 15.3% from 8.7%, by subscribing for 50.0 million shares in a share issue. Following Hurtigruten ASA's subsequent share issue in March 2009 – in which SpareBank 1 Nord-Norge did not

participate – the bank's stake was reduced to 12.5%. In November 2009, the bank's stake in Hurtigruten ASA was further reduced to 7.5% and, in the first quarter of 2010, the remaining shares were sold.

Based on the agreement signed with Bank Tavrishesky in May 2008, SpareBank 1 Nord-Norge completed the acquisition of a 75% stake in NW1AB in September 2010.

In November 2011, the bank established the wholly owned subsidiary SNN Økonomihus Holding AS, which owns 60% of SNN Økonomipartner Alta AS (the former Consis Alta AS), an authorised accounting company in Alta. The remaining 40% stake was acquired by SNN Økonomihus Holding AS in September 2012.

In June 2012, SNN Økonomihus Holding AS acquired Merkantilservice AS (Tromsø). In January 2013, SNN Økonomipartner Alta AS, SNN Økonomihus Holding AS and Merkantilservice AS were merged to form SpareBank 1 Regnskapshuset Nord-Norge AS, a company that provides bookkeeping services.

In the first quarter of 2014, SpareBank 1 Nord-Norge sold the shares in SpareBank 1 Kundesenter AS and SpareBank 1 Verdipapirservice AS to Alliansesamarbeidet SpareBank 1 DA. In the beginning of 2014, the bank also acquired Fredrik Langesg 20 AS, which owned a commercial property in Storgata in Tromsø.

In Q4 2015, SpareBank 1 Nord-Norge sold its entire stake in NW1AB to a Russian group of investors. As a result of the sale, SpareBank 1 Nord-Norge has no banking operations of its own in Russia.

Note: Currency converted using exchange rate of NOK–€0.11618, as of 31 Oct 2008, and NOK–€0.10087, as of 31 Dec 2008
Source: *Company Reports (annual report Dec 2015, Dec 2014, Dec 2012, Dec 2011, Dec 2009 and Dec 2007, investor presentation Dec 2008, quarterly report Q1 Mar 2013 and Q1 Mar 2014), Moody's research, www.oanda.com, Company data*

Peer Group

- » Aktia Bank plc
- » Länsförsäkringar Bank AB (publ)
- » Ringkjøbing Landbobank AS
- » SpareBank 1 SMN
- » SpareBank 1 SR-Bank ASA
- » Sparebanken Hedmark
- » Sparebanken Møre
- » Sparebanken Øst
- » Sparebanken Sogn og Fjordane
- » Sparebanken Sør
- » Sparebanken Vest
- » Fana Sparebank
- » Spar Nord Bank AS
- » Storebrand Bank
- » Sydbank AS

Related Websites and Information Sources

For additional information, please see:

- » the company's website: www.snn.no
- » the regulator's website: www.finanstilsynet.no
- » the central bank's website: www.norges-bank.no

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Moody's Related Research

Credit Opinion:

- » [SpareBank 1 Nord-Norge](#)

Banking System Outlook:

- » [Norway, August 2016 \(1024120\)](#)

Banking System Profile:

- » [Norway, March 2016 \(190105\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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