

4th quarter 2020

Tromsø, 11 februar 2021

Liv B. Ulriksen, CEO

Bengt Olsen, CFO

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2 Outlook

3 Financial status

A Appendix



Preliminary Annual accounts 2020

Pre-tax profit	ROE	
2 102 MNOK (2 473)	12,6 % (15,9 %)	
CET-1 ratio	C/I ratio	Loan losses
17,5 % (17,2 %)	40 % (39,8 %)	332 MNOK (11)

The obvious choice for people and businesses

*«Better than anyone else,
we shall understand and do
what's important for people
and businesses in Northern
Norway»*

Main bank retail **35 %**

Main bank SME **36 %**

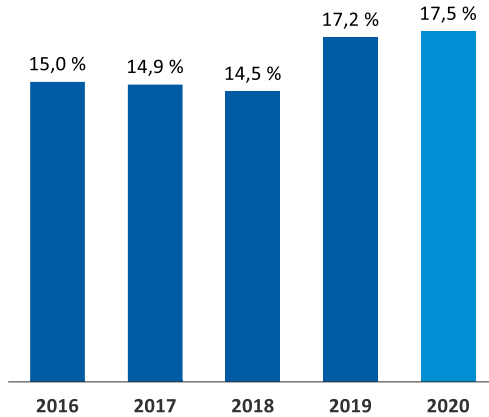
Real estate agency **36 %**

Accounting **20 %**

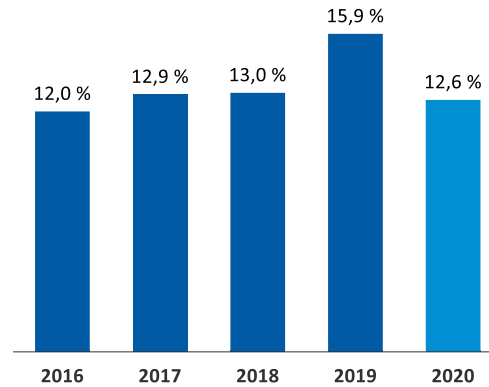
Secured financing **21,6 %**

A good last quarter in a demanding year

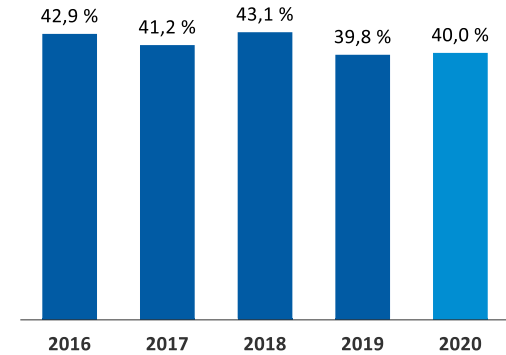
CET 1



Return on equity capital



Cost/income Group



Subsidiaries – results before tax

	31.12.2020	31.12.2019
SpareBank 1 Finans Nord-Norge AS	176 339	165 934
SpareBank 1 Regnskapshuset Nord-Norge AS	24 900	21 944
EiendomsMegler 1 Nord-Norge AS	38 791	16 595
Subsidiaries core operations	240 030	204 473
Other subsidiaries	-4 819	- 610
Total	235 211	203 863

New business strategy

Take advantage of our branches

- Win the battle for young adults
- Be the preferred partner for SMEs

Capitalize on our presence and local knowledge

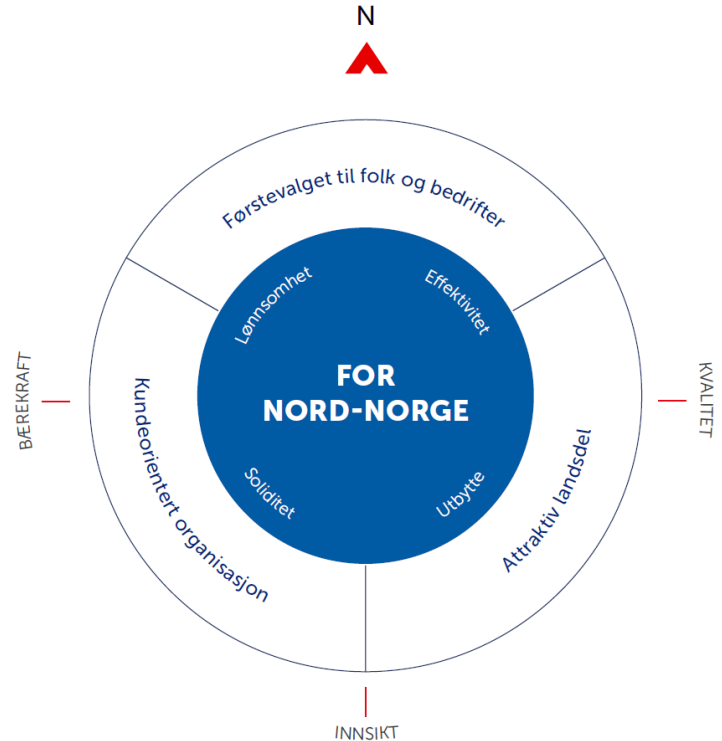
- Create new content in the branches
- Customer centric channel interaction

Respond quickly and with quality

- Decentralized decisions in fixed framework
- 24/7/365

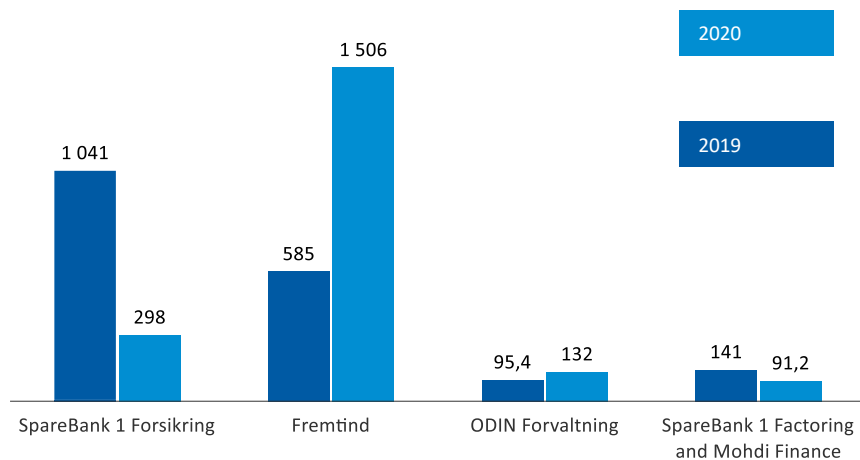
Be a driving force for sustainable development in the north

- Set requirements and make it easy to choose sustainably

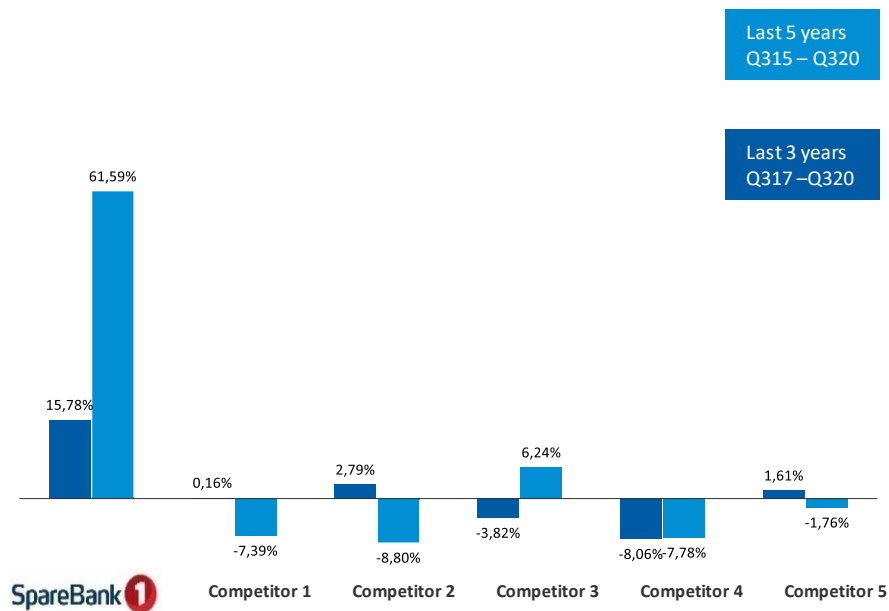


A solid effort in the Alliance

Significant improvement in insurance results in Fremtind and strong profit improvement in ODIN



Norway's fastest growing pension company



An ownership model that contributes to an attractive region



Et av de nye utbyggerne som har bidratt til utviklingen av regionen. Spasen gir lokale arbeidsplasser og bidrar til å gjøre regionen mer attraktiv. Foto: Helsebygg.

SAMFUNNSLØFTET

The people of Harstad may, by walking, contribute with NOK 9 million to the regions new attraction



SAMFUNNSLØFTET

Received support to alternative startup week at the university



En innbygger er viktig for å bli en del av regionen. Nå vil Samfunnsloftet bidra til mer trykksløst.

SAMFUNNSLØFTET

Lighting up the major cities in the north



Planlegg utbyggingen av en av de nye kunst- og kulturutstillingene som har bidratt til utviklingen av regionen. Foto: Torbjørn.

SAMFUNNSLØFTET

Home residency for selected artists



Tusen takk til de lokale byråene i Troms og Finnmark som har bidratt til utviklingen av regionen.

SAMFUNNSLØFTET

NOK 10 million in support to Corona charity



Brenner for ungdom som sliter

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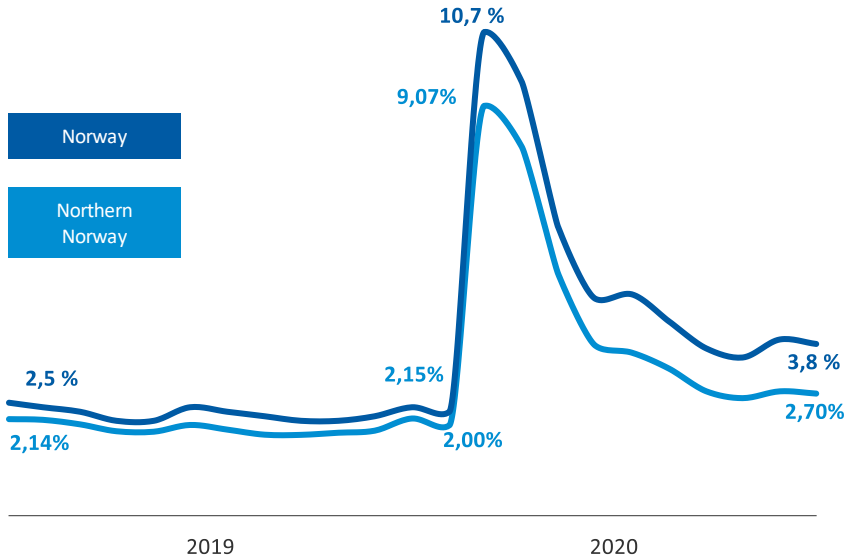
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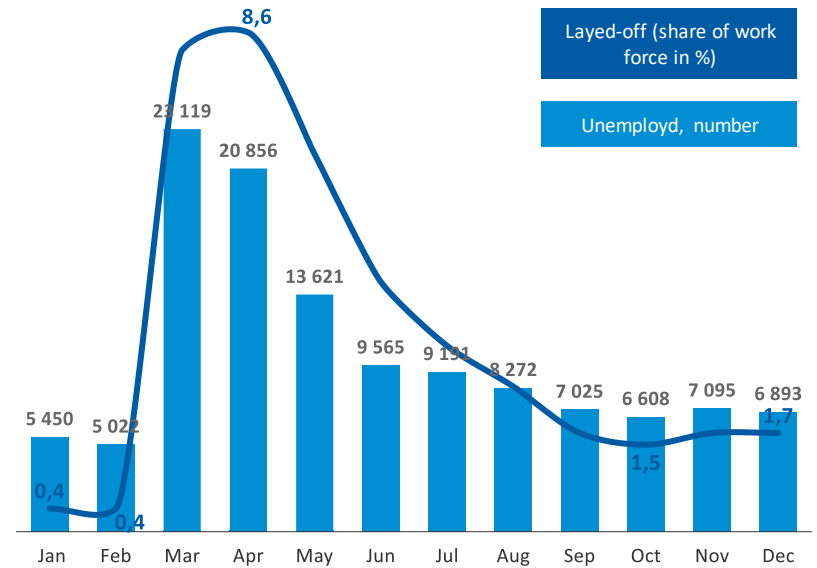


Unemployment

Unemployment

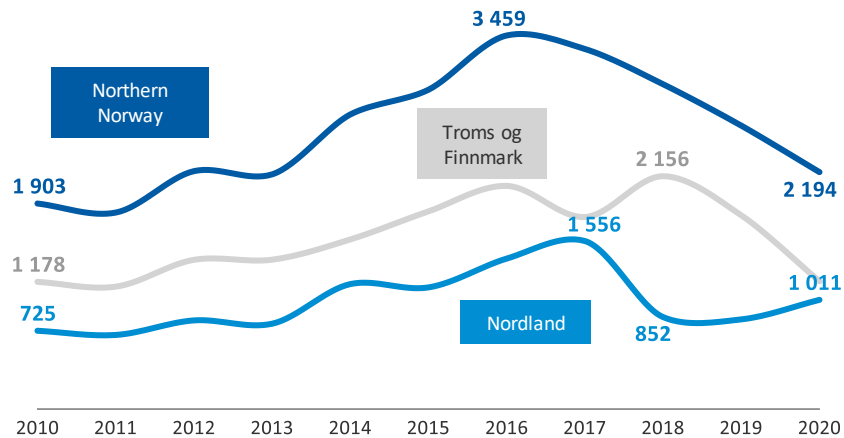


Layed-off and unemployed, Northern Norway

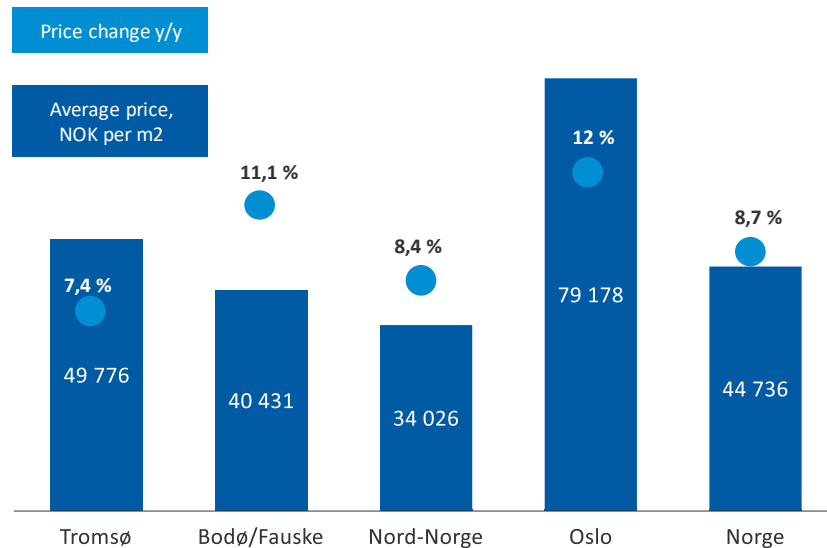


Housing market

Housing starts

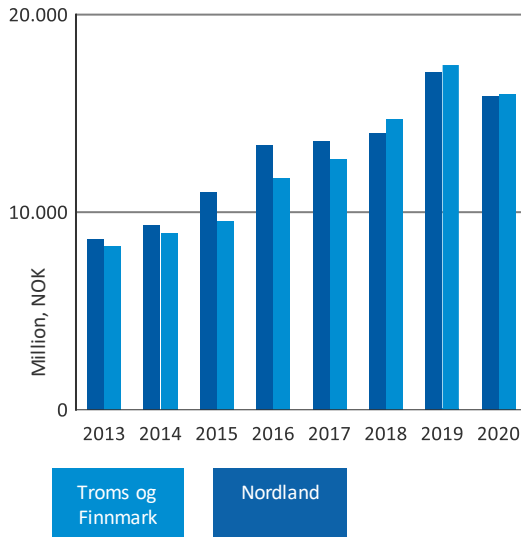


House prices, December 2020 (Av.price all units)

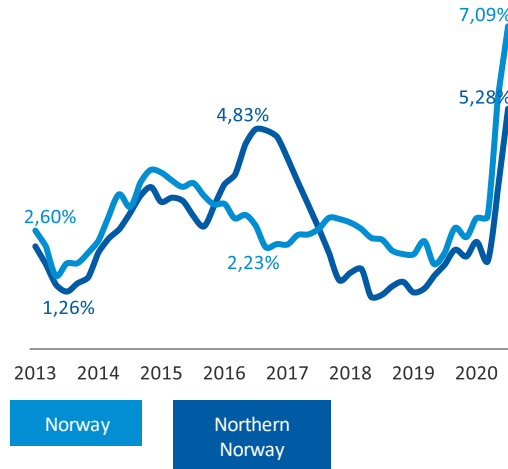


Northern Norway - selected industries

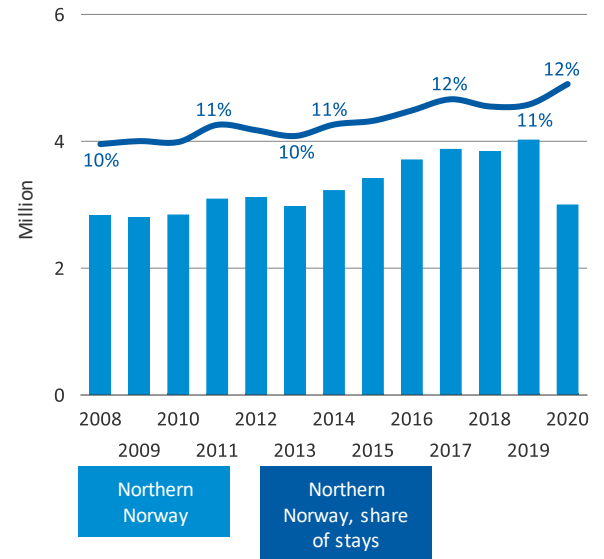
Export value of fish from Northern Norway, million NOK

















Retail sales 12 month growth



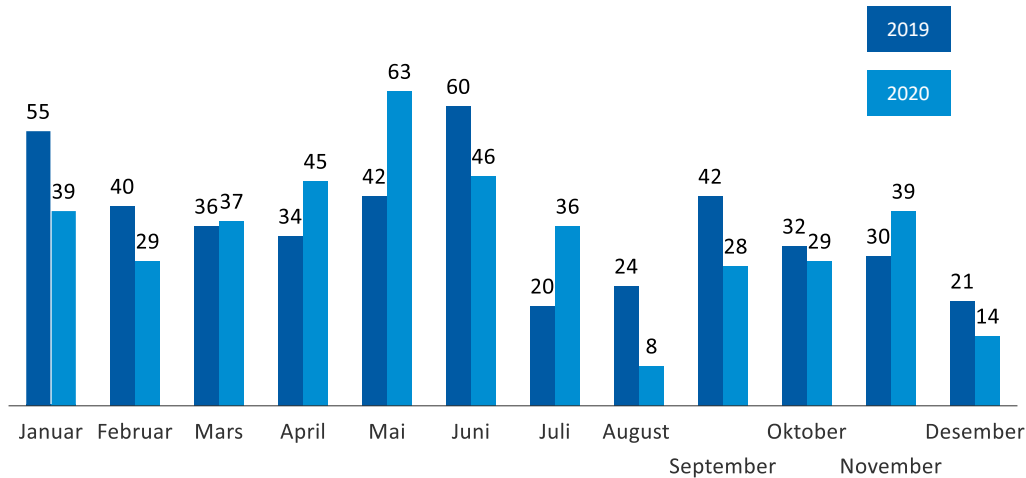
Overnight stays, total and share of total overnight stays in Norway



Status and outlook in Northern Norway

Segment	Status	Outlook
Macro		
Commercial real estate		
Fisheries		
Fish farming		
Construction		
Retail sales		
Tourism		

Bankruptcies in Northern Norway



Number of bankruptcies in Northern Norway are still at low levels

A small decrease from 2019 to 2020

These industries have seen the greatest number of bankruptcies in 2020:

- Construction
- Accommodation
- Catering
- Retail sales

Number of bankruptcies are expected to increase going forward

Total number of bankruptcies



Ambitions for growth and increased market share

Expected growth for SpareBank 1 Nord-Norge in 2021

Retail market: 2-5 %

Corporate market: 4-6 %

Corporate growth within companies and industries with low exposure to Corona

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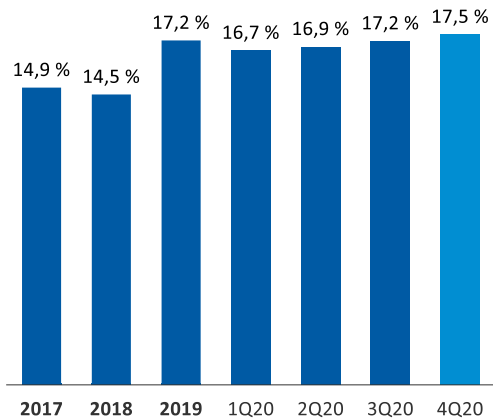


Group financial highlights and key figures

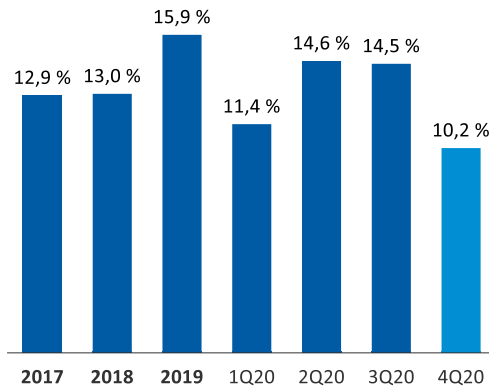
(Amounts in NOK million and in % of average assets)	31.12.2020	%	31.12.2019	%	31.12.2018	%
Net interest income	2 068	1,8 %	2 097	1,9 %	1 896	1,9 %
Net fee- and other operating income	1 299	1,1 %	1 116	1,0 %	1 057	1,0 %
Net income from financial investments	693	0,6 %	911	0,8 %	463	0,5 %
Total income	4 060	3,5 %	4 124	3,8 %	3 416	3,4 %
Total costs	1 626	1,4 %	1 640	1,5 %	1 474	1,4 %
Result before losses	2 434	2,1 %	2 484	2,3 %	1 942	1,9 %
Losses	332	0,3 %	11	0,0 %	22	0,0 %
Result before tax	2 102	1,8 %	2 473	2,3 %	1 920	1,9 %
Tax	360	0,3 %	409	0,4 %	374	0,4 %
Defecit non-current assets held for sale	0	0,0 %	2	0,0 %	4	0,0 %
Result after tax	1 742	1,5 %	2 062	1,9 %	1 542	1,5 %
Interest hybrid capital	33		28		20	
Result after tax ex. interest hybrid capital	1 709		2 034		1 522	
Profitability						
Return on equity capital	12,6 %		15,9 %		13,0 %	
Interest margin	1,8 %		1,9 %		1,9 %	
Cost/income	40,0 %		39,8 %		43,1 %	

Quarterly development

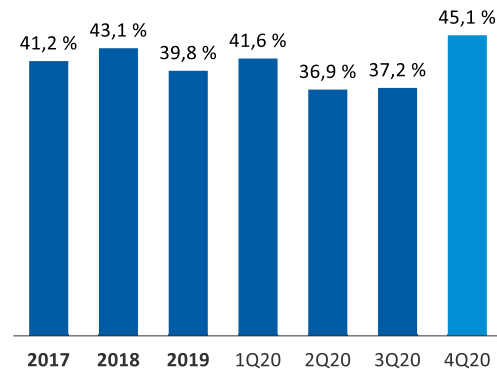
CET 1



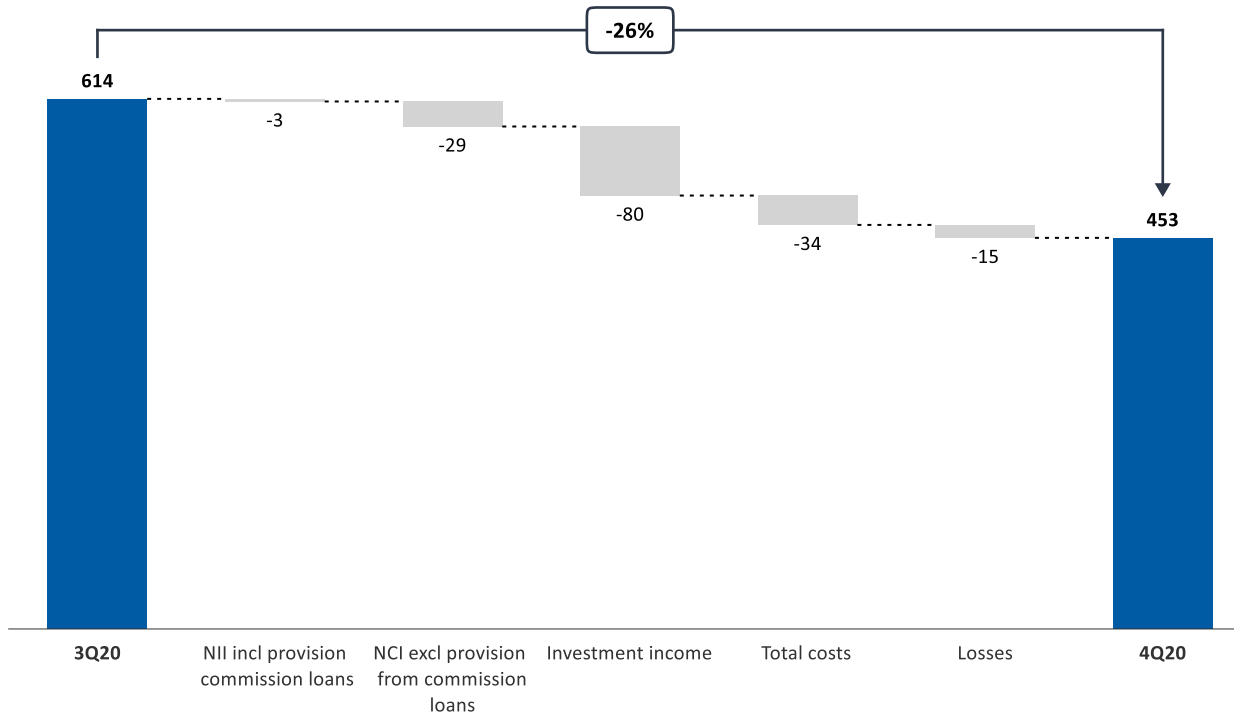
Return on equity capital



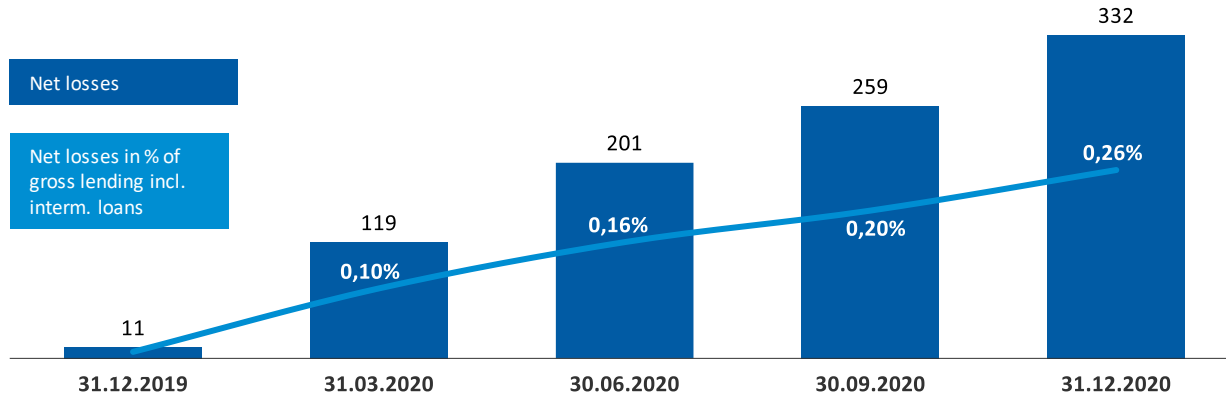
Cost/income Group



Result before tax last quarter



Low individual losses, increased ECL provisions

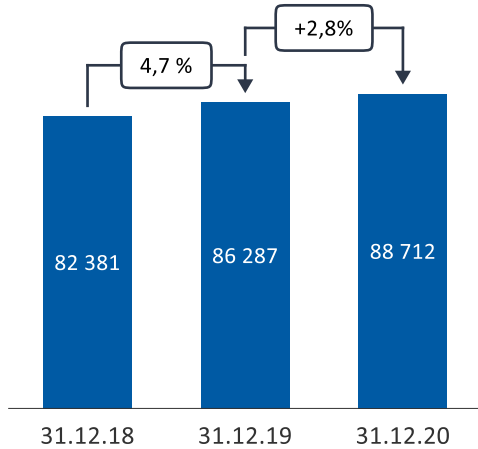


Distribution of losses

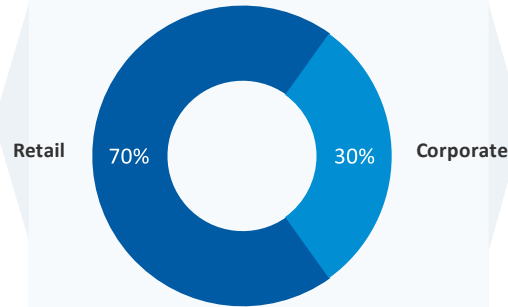


Lending growth

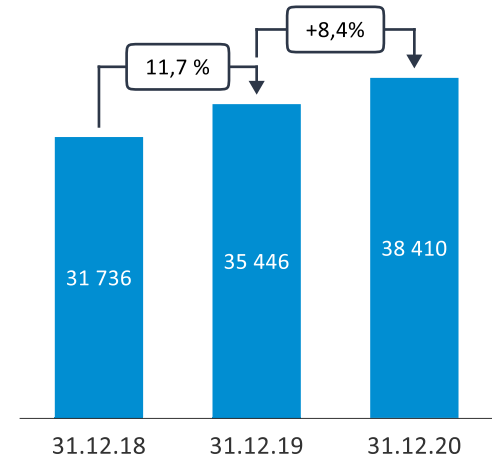
Retail marked (incl.commission loans)



Gross lending (incl.commission loans)



Corporate Banking (incl.commission loans)

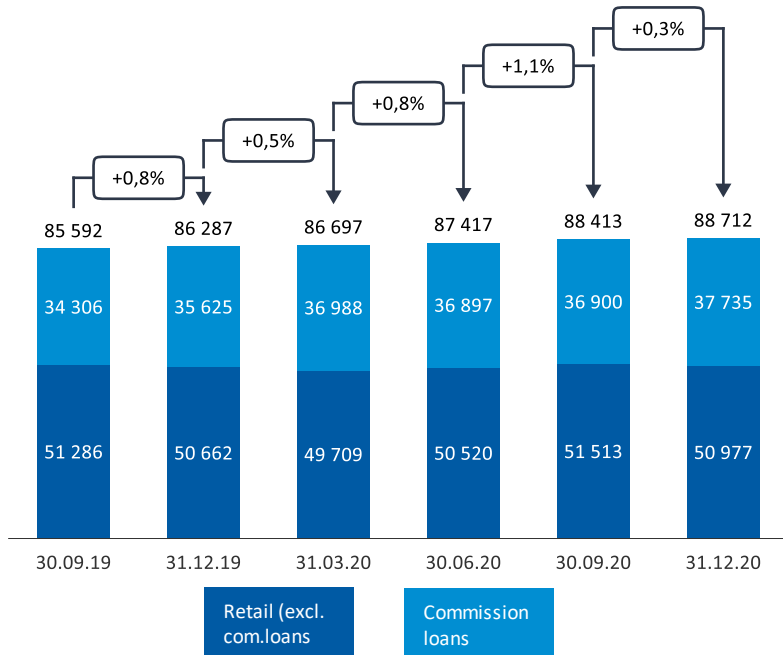


Gross lending (excl.commission loans)

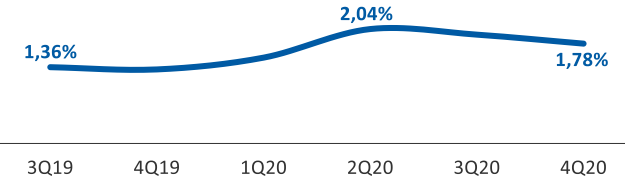


Retail Market

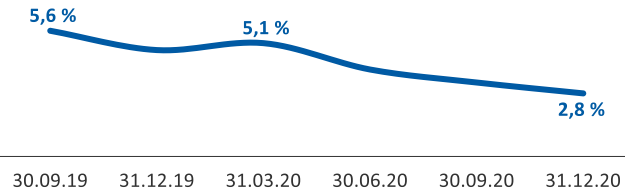
Lending growth



Development in lending margin (ISO)

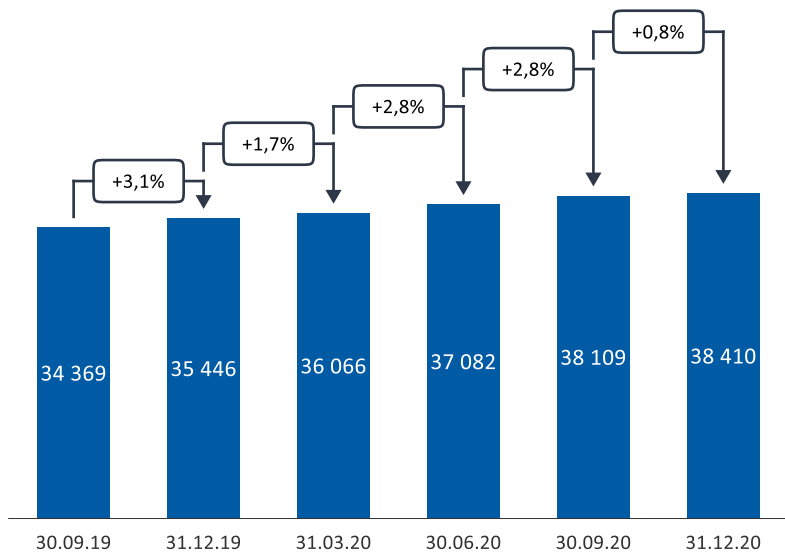


Lending growth (YTD)

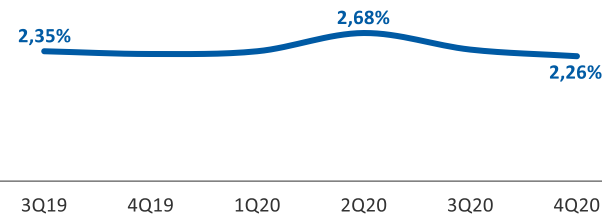


Corporate Banking

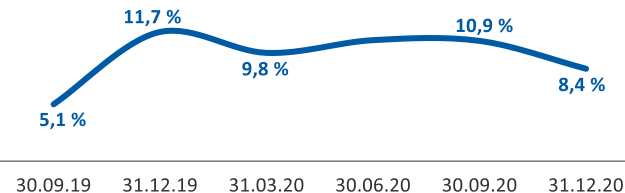
Lending growth



Development in lending margin (ISO)

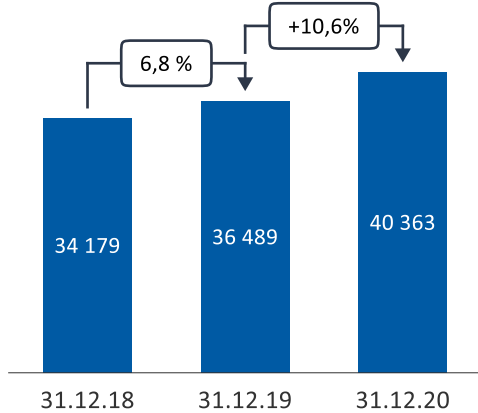


Lending growth (YTD)

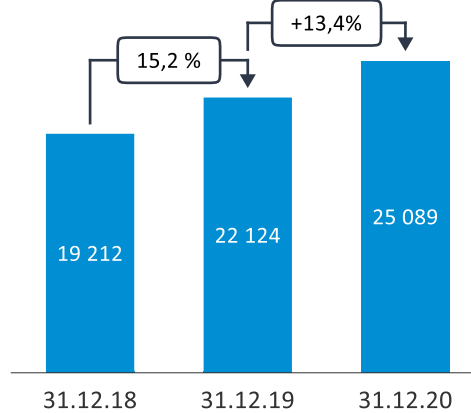


Deposit growth

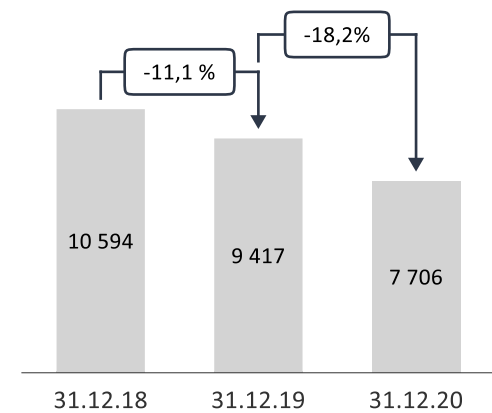
Retail Market



Corporate Banking



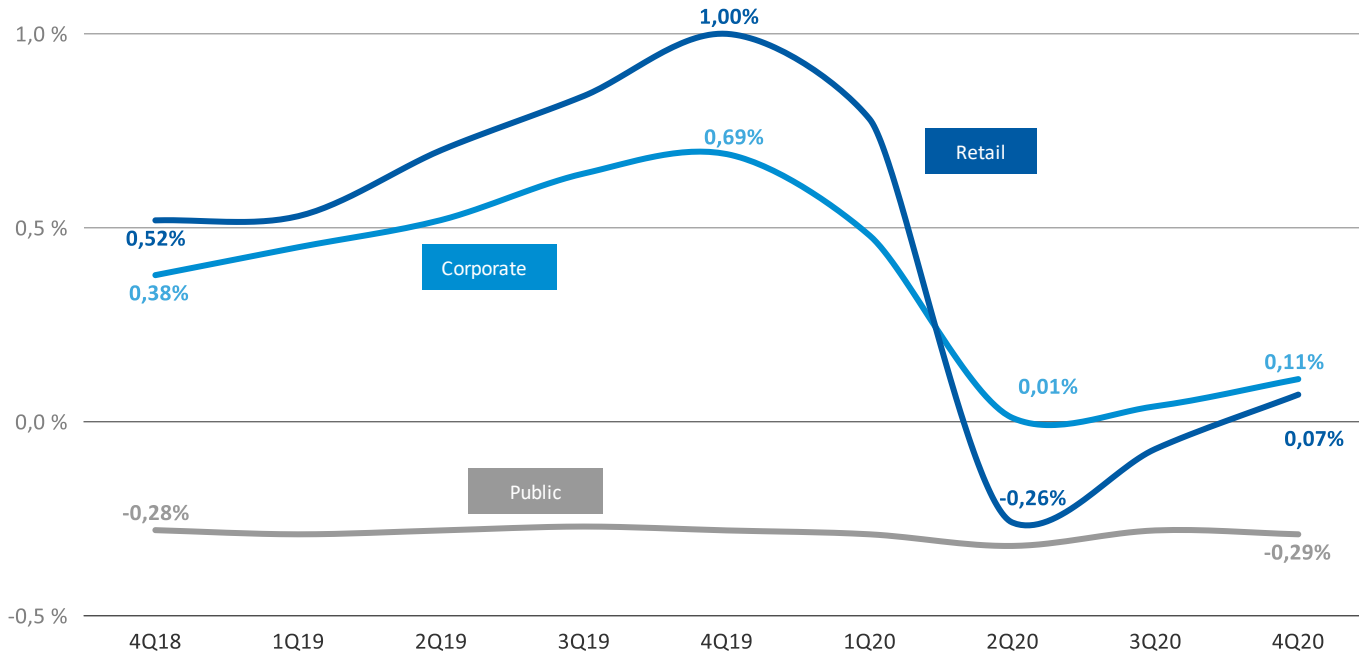
Public Market



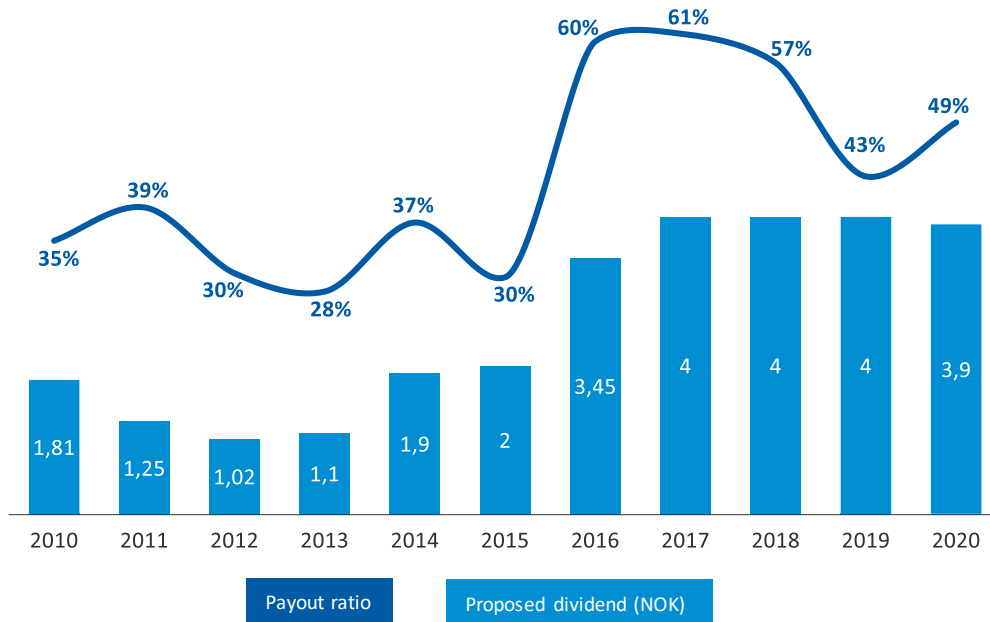
Deposits gross



Development in deposit margins



Proposed dividend for 2020



Proposed dividend for 2020 3,90 kroner/EC

Proposed dividend with pay out in 2Q21 1,27 kroner/EC

Proposed dividend with delayed pay out in 4Q21 2,63 kroner/EC

At the proposed payout ration of 49 %, the local community will receive a total dividend of NOK 453 million

It should be noted that the FSAN may instruct the bank not to pay out dividend, or pay less than proposed

Long term financial targets

> 12 %
ROE

< 40 %
C/I ratio

> 50 %
Dividend payout ratio

14,7 %
CET-1

Financial outlook

NRI

- Some decrease in net interest income over the last quarter
- The competition in the retail market is still tough and put a pressure on the margins

ROE >12 %

- Over the five last years we have delivered a ROE well above the targeted level
- Achieving the target in 2021 will be tough, but we will deliver a competitive ROE over time

CET-1 Ratio: 14,7 %

- Targeted CET-1 ratio is one percentage point above the regulatory minimum requirement
- At the end of 2020 the requirement was increased from 12,5 % to 13,7 %
- The banks is very well capitalized, and at the end of 2020 the CET-1 was 17,5 %

C/I < 40 %

- As for 2020 we have seen a decrease in cost at - 2 %
- Still demanding to achive our long term goal. The closing of 16 branches and downsizing by 89 employees will make a positive contribution this year

Pay out ratio > 50 %

- The targeted dividend pay out ratio of > 50 % still stands
- Given the current uncertainty FSAN may order the banks not to pay out dividend, or pay less than proposed

Why invest in SpareBank 1 Nord-Norge

#1

- Market leader in a resourceful region

ROE

- Ambitious, top class financial targets
- Implements new KPI measures to maintain top class ROE



- Owner friendly dividend policy and strong capitalization
- High relative ownership in SpareBank 1 Group, other alliance companies and Norwegian banking infrastructure

Contacts

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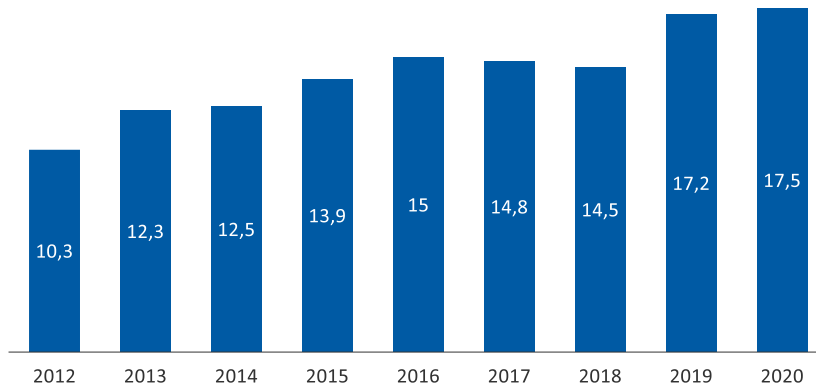
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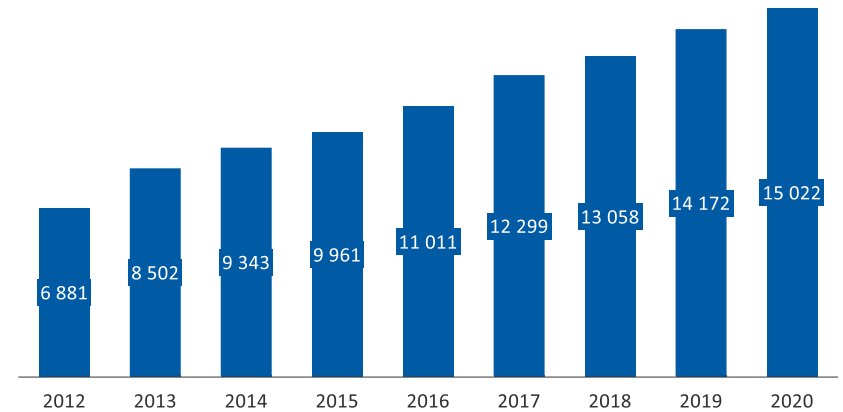


A solid bank for Northern Norway

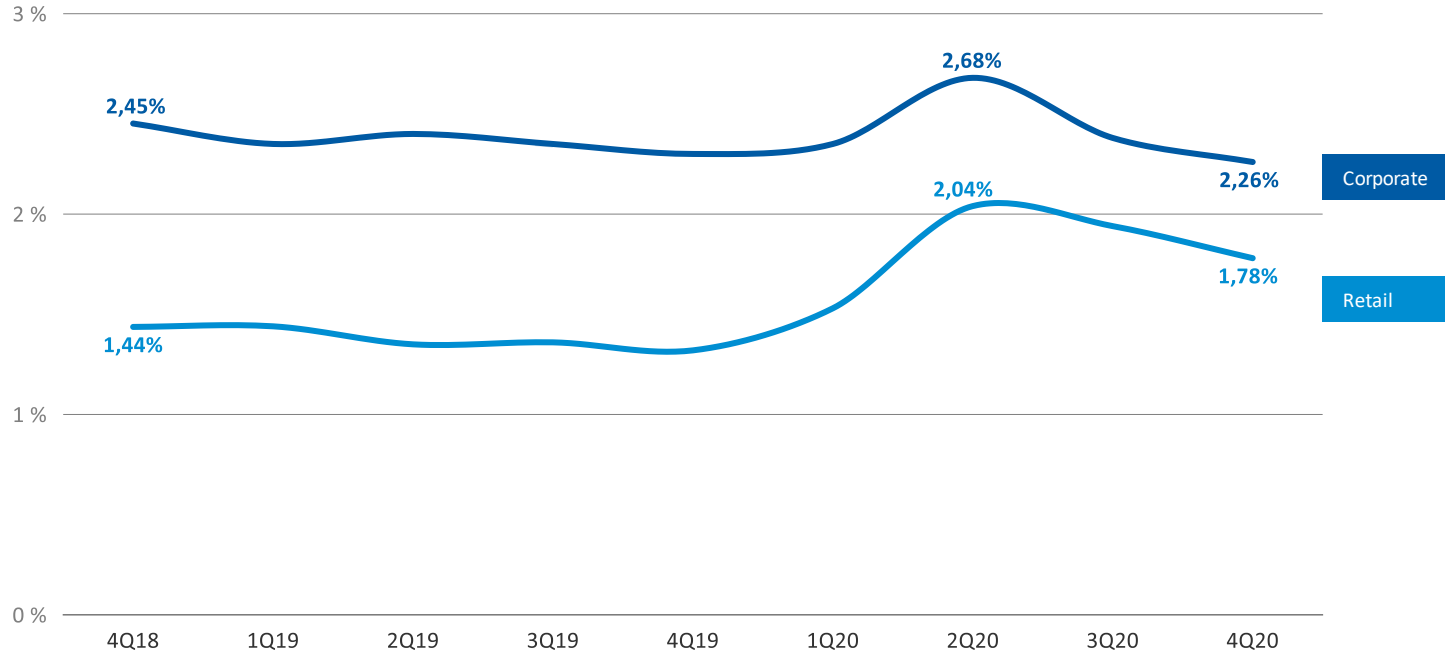
CET-1 (%)



Total equity (mNOK)



Development in lending margins



Company structure

Associated companies and joint ventures

SpareBank 1 Gruppen AS

19,5 % | Financial services

SpareBank 1 Boligkreditt AS

18,14 % | Covered Bond company

SpareBank 1 Næringskreditt AS

8,60 % | Funding/property

SpareBank 1 Utvikling

17,74 % | System development

SpareBank 1 Kreditt AS

17,08 % | Credit card

SpareBank 1 Betaling AS

18,57 % | Vipps/mobile payment

SpareBank 1 Finans Nord-Norge AS

Loan/consumer finance/leasing

Eiendomsmegler 1 Nord-Norge AS

Real estate brokerage

SpareBank 1 Gjeldsinformasjon AS

14,44 % | Investment company

SpareBank 1 Bank og Regnskap AS

20 % | Innovation

SpareBank 1 Mobilitet AS

33,33 % | System development

SpareBank 1 Nord-Norge Portefølje AS

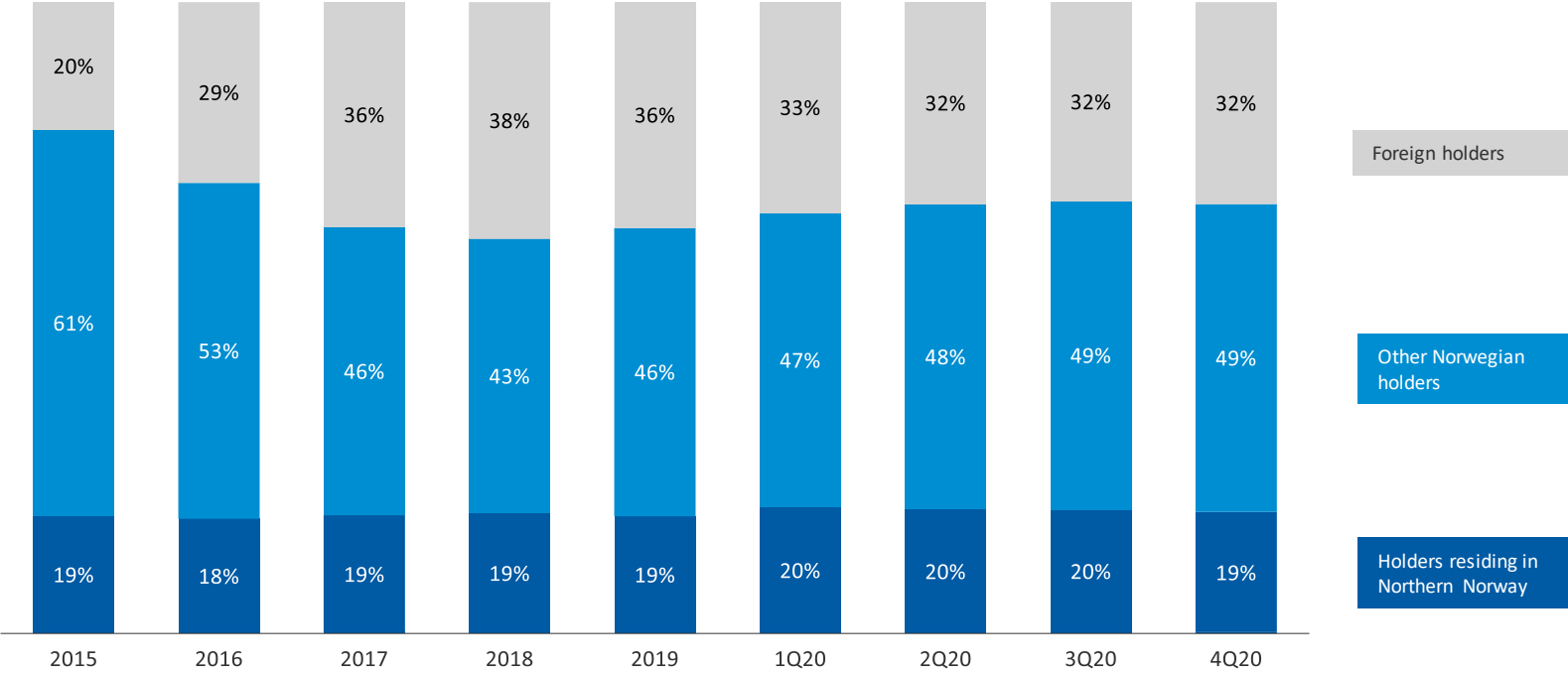
Investment company

Rødbanken Holding AS*

Investment company

Subsidiaries

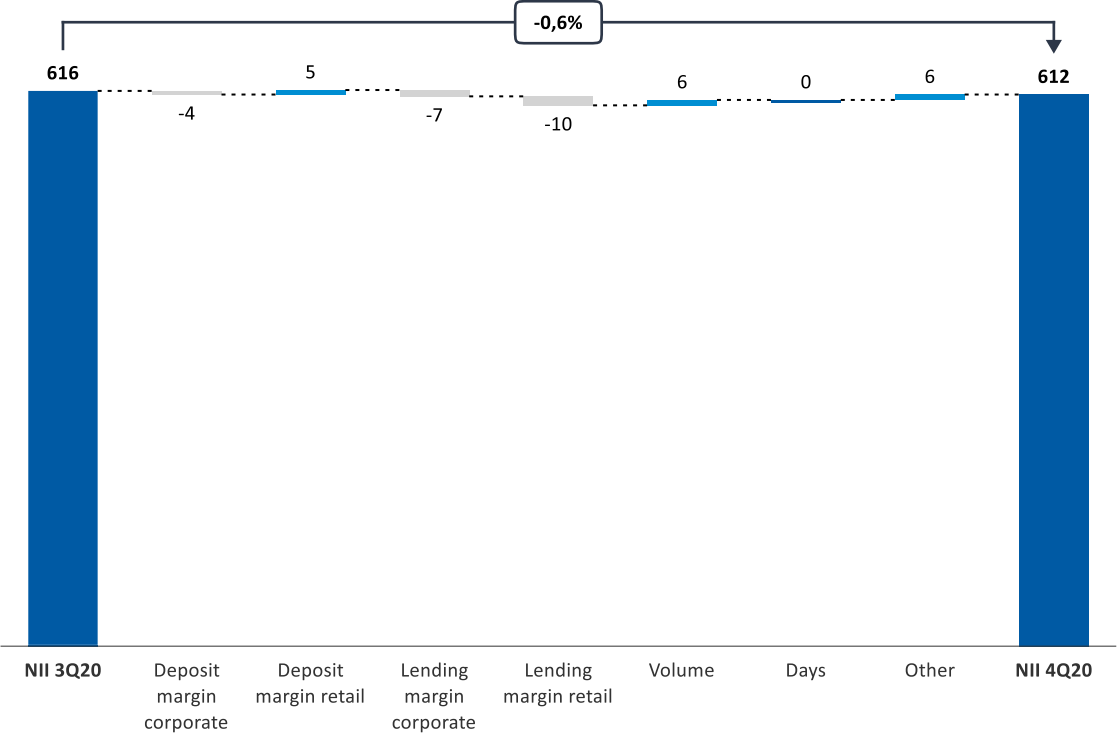
Geographical distribution of ownership



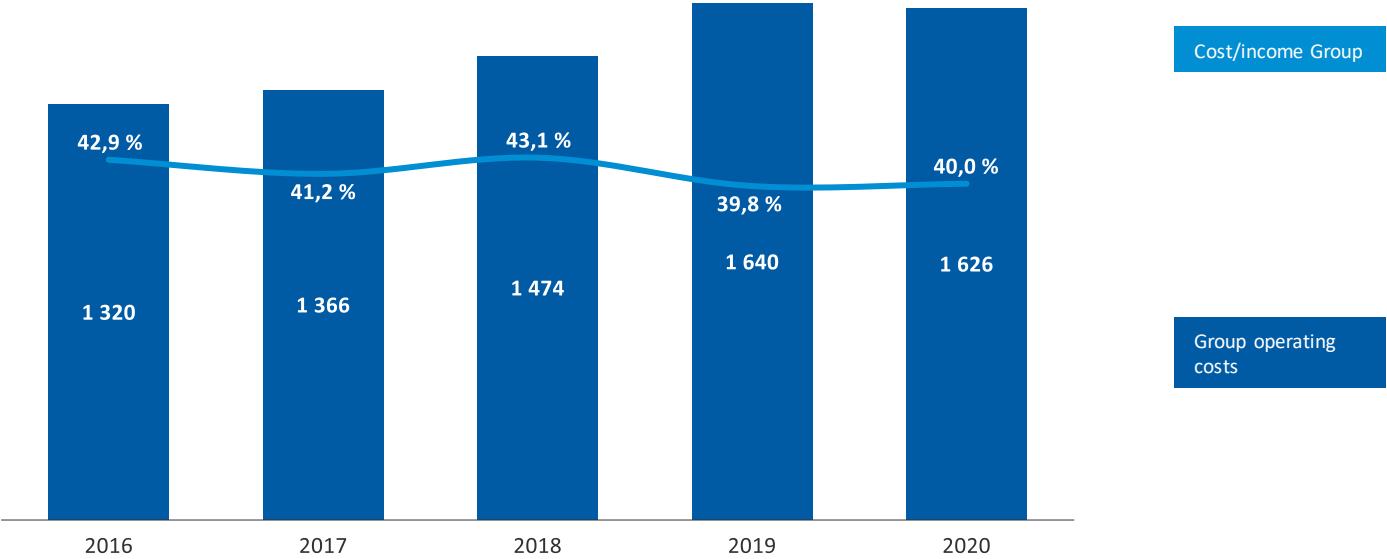
The 20 largest EC holders

EC Holders	Number of Ecs	Share of EC Capital
PARETO INVEST AS	3,4M	3,4 %
PARETO AKSJE NORGE VERDIPAPIRFOND	3,3M	3,3 %
State Street Bank and Trust Comp	2,9M	2,9 %
The Northern Trust Comp, London Br	2,8M	2,8 %
GEVERAN TRADING CO LTD	2,8M	2,8 %
VPF EIKA EGENKAPITALBEVIS	2,5M	2,5 %
MP PENSJON PK	2,4M	2,4 %
Brown Brothers Harriman & Co.	2,2M	2,2 %
FORSVARETS PERSONELLSERVICE	1,6M	1,6 %
METEVA AS	1,6M	1,6 %
SPAREBANKSTIFTELSEN SPAREBANK 1 NO	1,4M	1,4 %
Landkreditt Utbytte	1,3M	1,2 %
Morgan Stanley & Co. Int. Plc.	1,2M	1,2 %
State Street Bank and Trust Comp	1,1M	1,1 %
Euroclear Bank S.A./N.V.	1,0M	1,0 %
The Bank of New York Mellon SA/NV	790K	0,8 %
J.P. Morgan Bank Luxembourg S.A.	768K	0,8 %
CLEARSTREAM BANKING S.A.	750K	0,7 %
Brown Brothers Harriman & Co.	735K	0,7 %
VERDIPAPIRFONDET EIKA SPAR	729K	0,7 %
Total	35.402.903	35,3 %

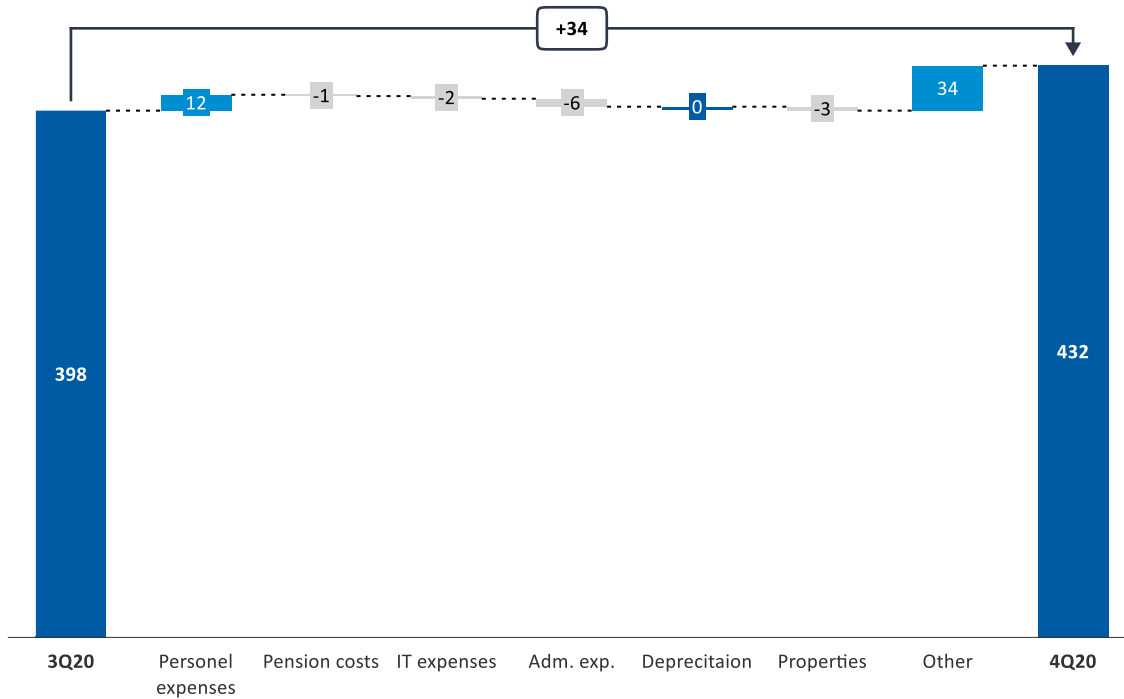
Net interest income - Group



Cost development - Group



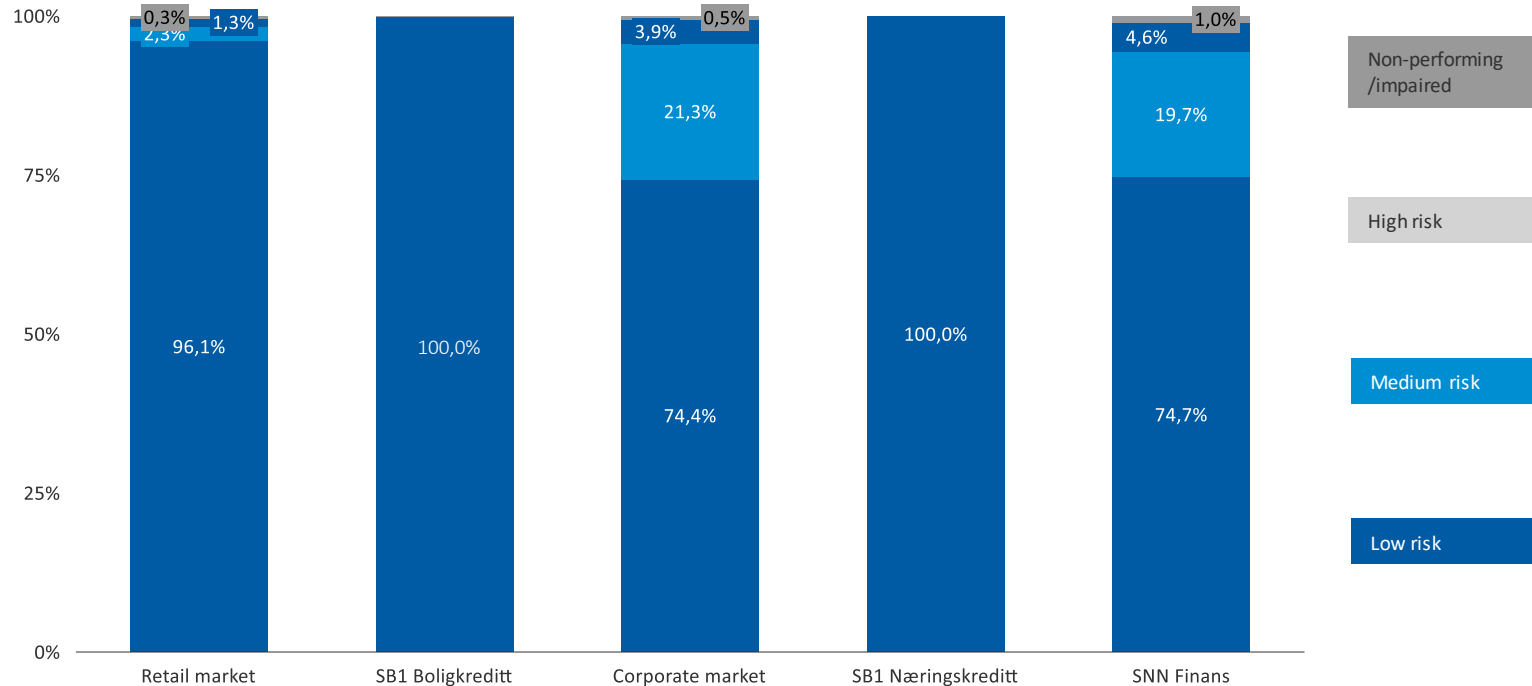
Operating expenses - Group



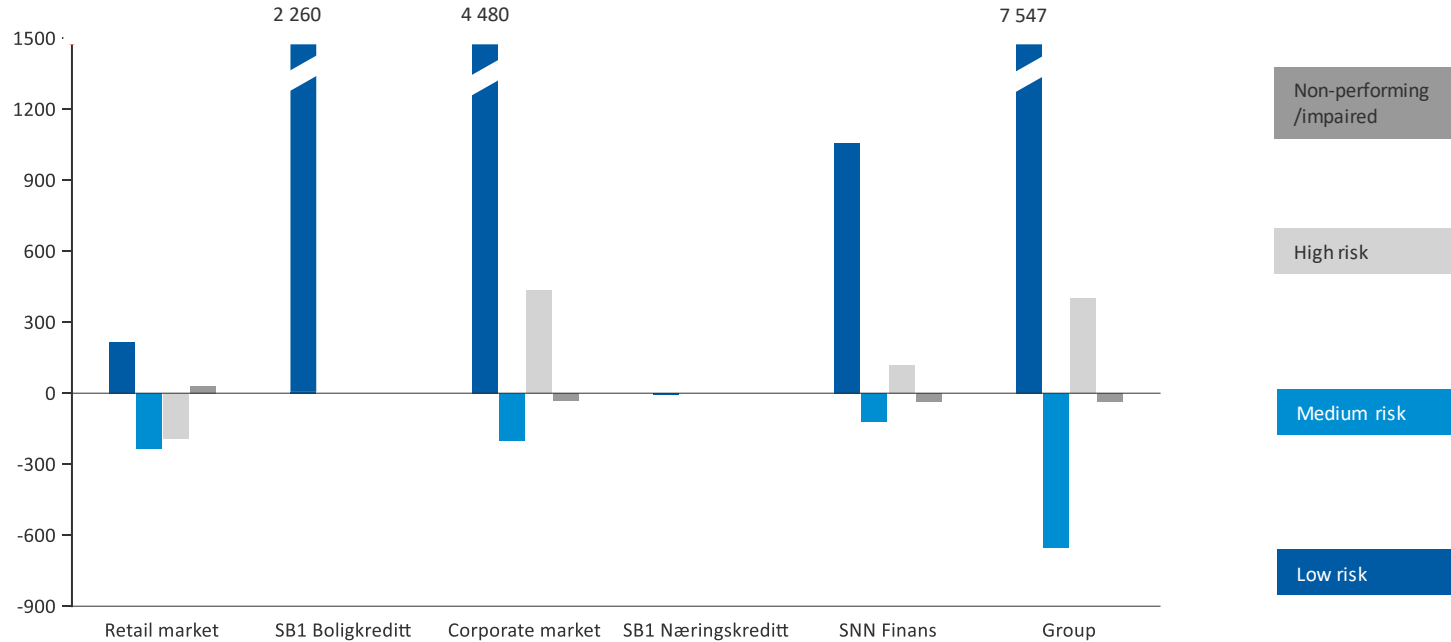
Net fee- and other operating income - Group

(Amounts in NOK million)	4Q20	3Q20	2Q20	1Q20	4Q19
Payment facilities	73	74	68	73	76
Sales provision insurance products	46	47	44	43	42
Guarantee commissions	9	9	8	7	7
Real estate broking	53	49	40	30	32
Portfolio commissions	17	14	11	12	9
Other commissions	11	27	27	22	26
Commissions excl. commission loan	209	220	198	187	192
Commission loans	114	113	52	68	72
Total commission income	323	333	250	255	264
Commission costs	29	14	17	22	27
Accounting services	42	55	50	60	41
Other operating income	12	0	1	0	0
Total commissions and other income	54	55	51	60	41
Net fee- and other operating income	348	374	284	293	278

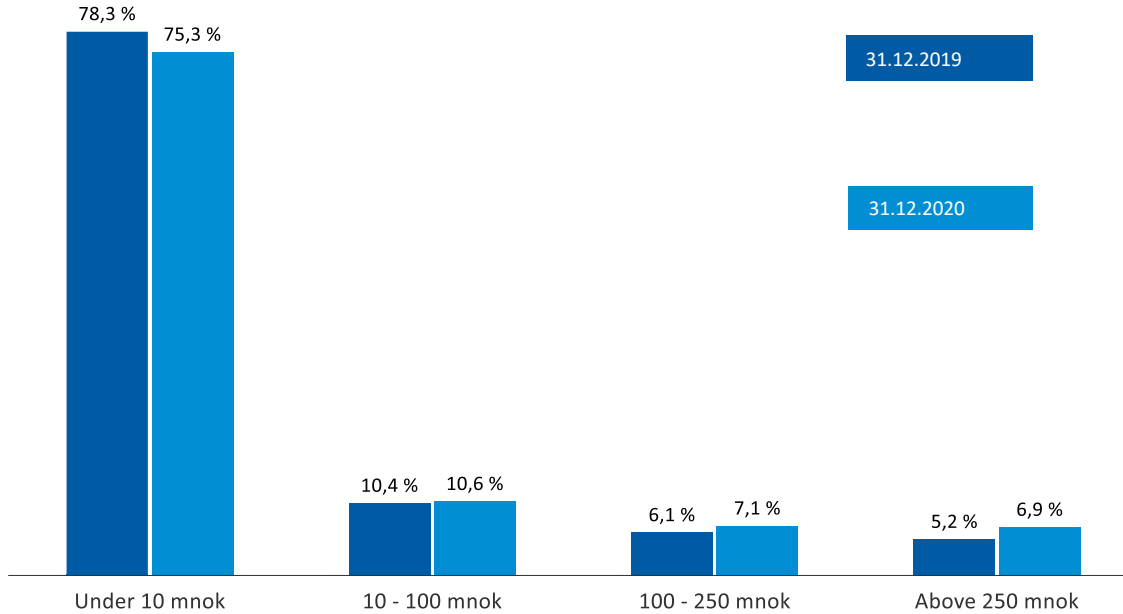
Risk exposure as of 31.12.2020 - Group



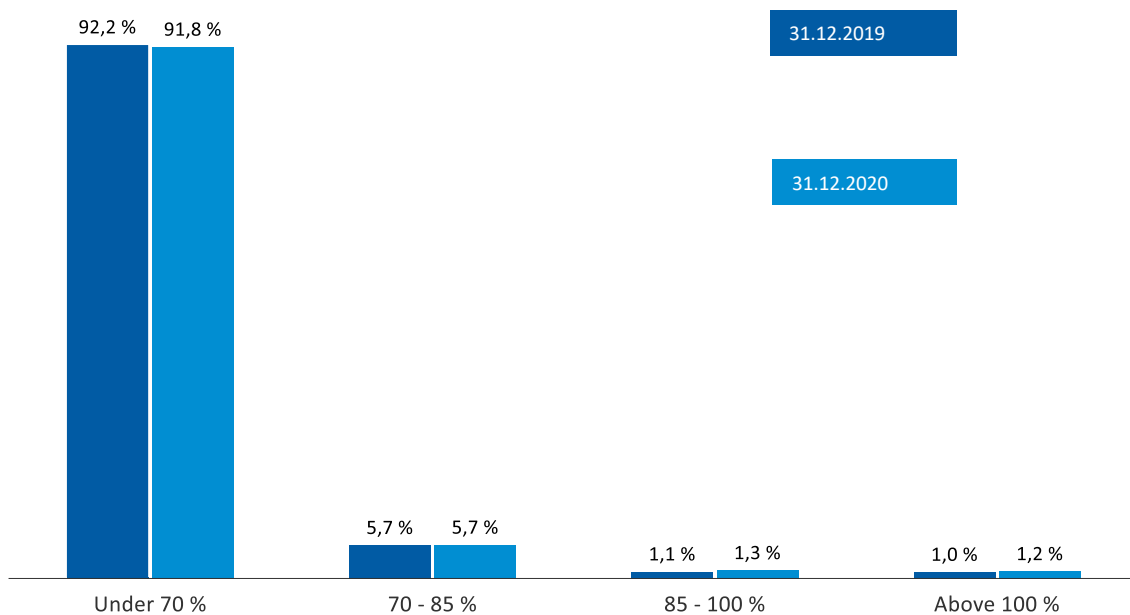
Changes in exposure last 12 months - Group



Exposure distributed by size*



LTV mortgage loans



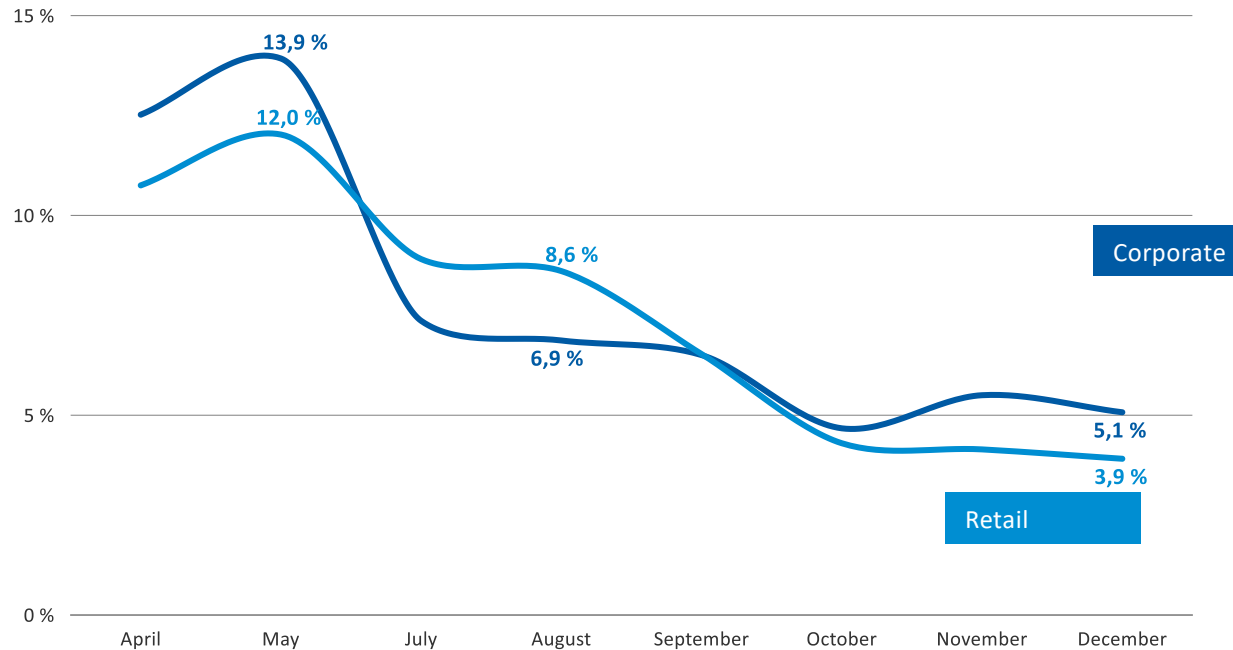
LTV is distributed by balance and is based on the market value of the collateral:

- 97.5 % of the gross exposure is within 85 % of the collateral market value
- Only 1.2 % of the gross exposure is higher than 100 % of the collateral market value
- Very small changes in LTV last 12 months

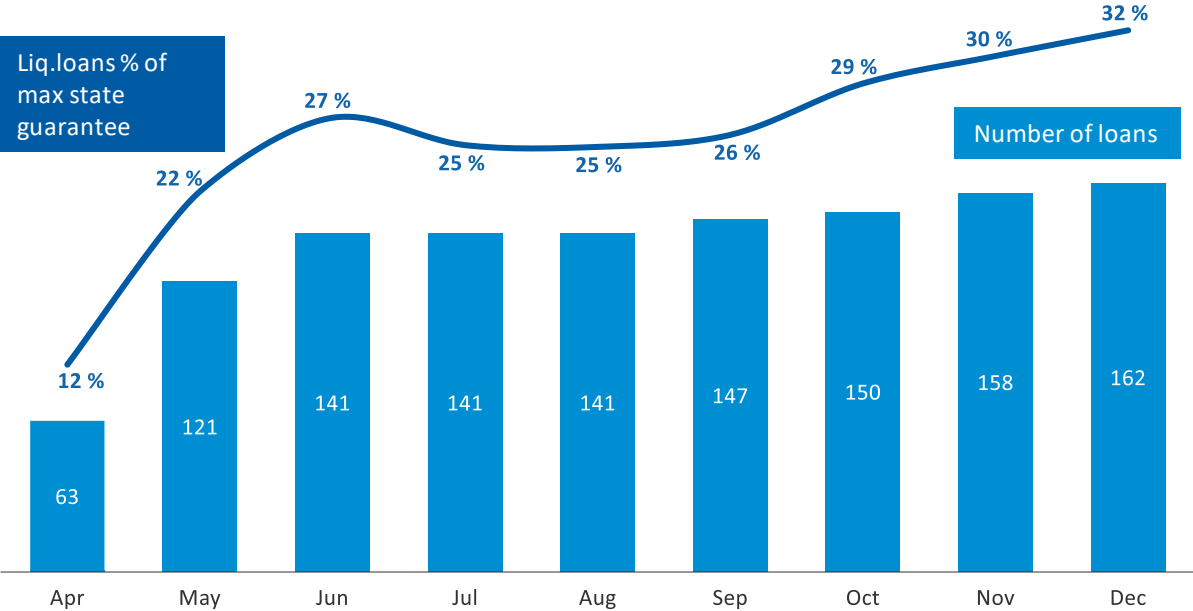
- The figures include the portfolio in SB1 Boligkreditt

Reduced use of interest-only loans

Share of interest-only loans due to Covid-19

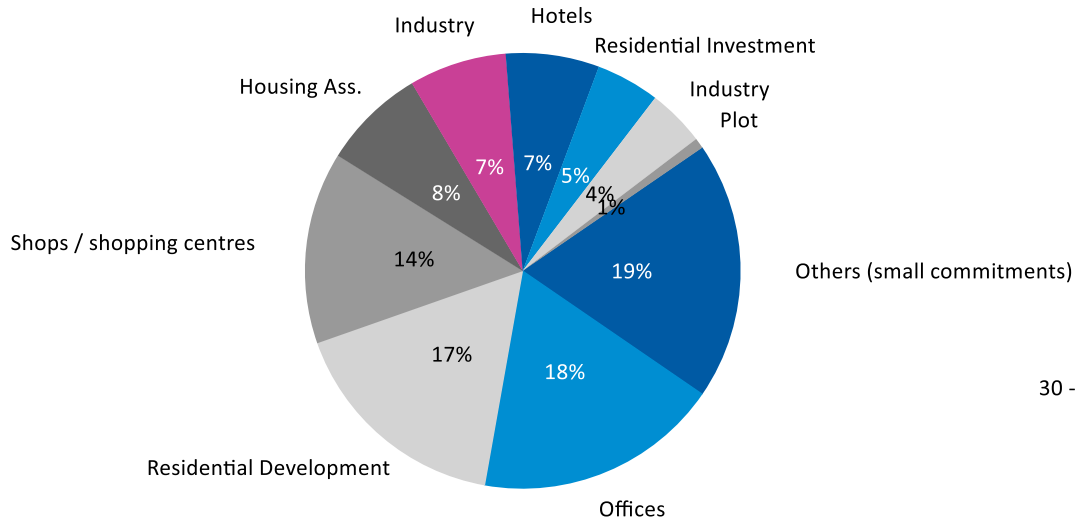


Declining demand for liquidity loans with state guarantee

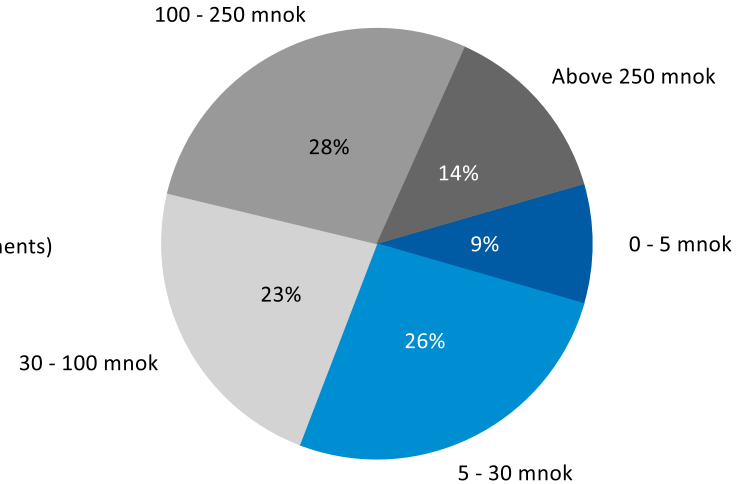


Diversified portfolio in commercial real estate

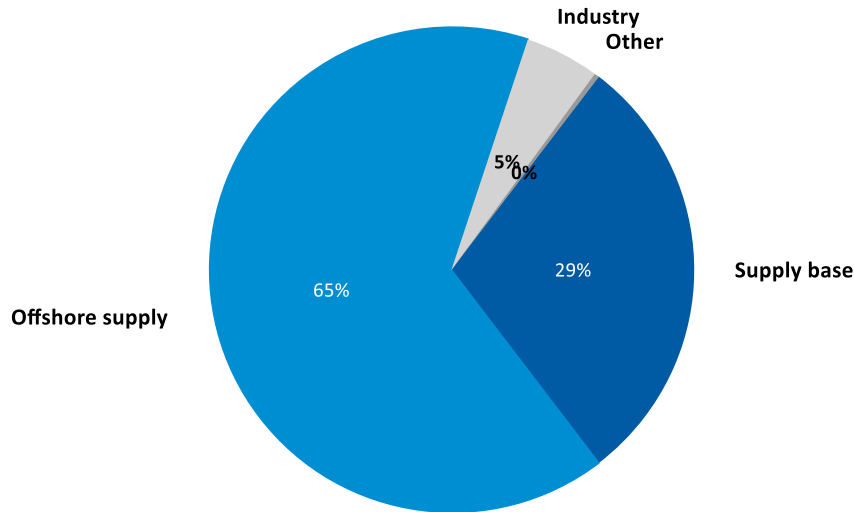
Portfolio distribution



Size of commitments



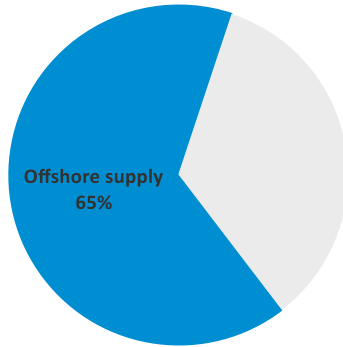
Still low oil related exposure



Oil related exposure amounts to NOK 924 mill

- The exposure represents 0.72 % of total exposure including covered bond companies
- Average weighted probability of default 0.97 %
- A total of NOK 41 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

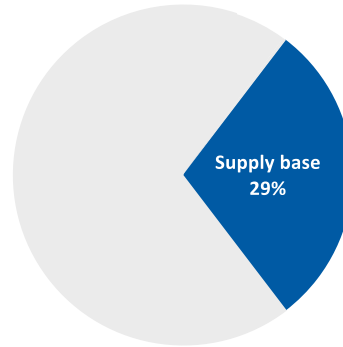
Oil related portfolio



Offshore Supply Vessels

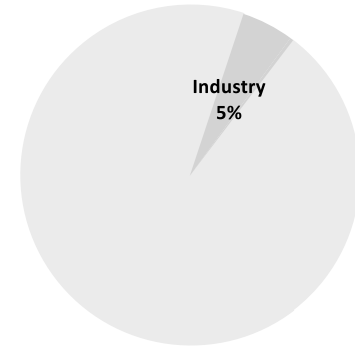
- Exposure amounts to NOK 605 mill
- Average weighted probability of default 1.13 %
- Total amount of 7 vessels*
- Weighted age 8.4 years*
- Average weighted contract length 3.1 years*
- SNN is participant in syndicates on 6 vessels

*Exclusive of barges



Supply base

- Exposure amounts to NOK 270 mill
- Average weighted probability of default is 0.26%
- Customers with long term contracts with solid and strong partners gives good cash flows in the short and long term



Industry and other

- Exposure amounts to NOK 48 mill. including Industry NOK 45 mill and Other NOK 3 mill
- Average weighted probability of default:
 - “Industry” 3.41 %
 - “Other” 1.81 %
- A total of NOK 41.2 mill non-performing or impaired commitments
- The exposure consists of financing transport equipment and working capital

Loan losses - Group

(Amounts in NOK million)	31.12.2020	4Q20	3Q20	2Q20	1Q20	31.12.2019
Individual losses Corporate market	32,4	7,5	9,9	10,5	4,5	17,5
Individual losses Retail market	5,4	0,0	0,7	1,5	3,3	10,0
Collective losses and other value change items	286,6	58,2	47,1	70,1	111,1	(16,1)
Total losses on loans and guarantees	324,4	65,7	57,7	82,1	118,9	11,3

The Group's annualized losses is 0.34 % of gross lending including loans transferred to covered bond companies

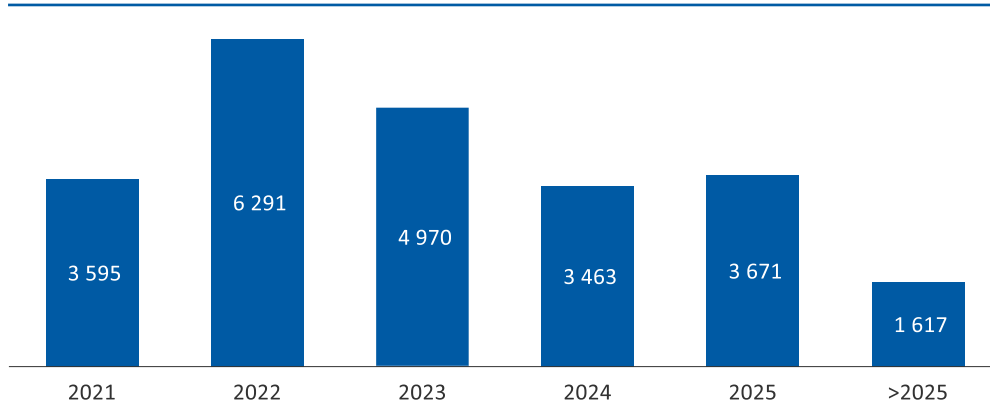
Commitments in step 3: 0.43 % of total exposure, Expected loss share: 44.8 %

Commitments in step 2: 9.61 % of total exposure, Expected loss share: 3.6 %

Commitments in step 1: 89.97 % of total exposure, Expected loss share: 0.4 %

Funding

Maturity profile (mNOK)

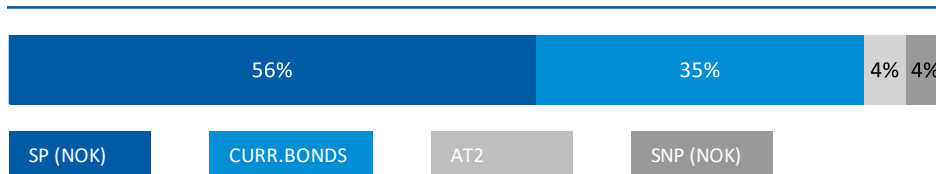


NOK 23 605 mill in capital market funding exclusive of SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is important funding sources. In total NOK 38 147 mill had been transferred as of 31.12.20

Amount of gross maturities of capital market funding next 12 months is NOK 3 595 mill

Distribution of capital market funding (mNOK)



Ambitious goals for climate risk and sustainability



Sustainability and climate risk are included in our business- and risk strategy

A framework for the link between green lending and green capital market funding has been developed. The framework is based on important business sectors in the north, including fisheries, aquaculture, real estate, transport and renewable energy

The group aims for a total reduction in greenhouse gas emission by 40 % by 2026

Green loan products and ESG labeling of funds are some of the ways we are making it easier for customers to make sustainable choices

The group reports on its work on sustainability according to internationally recognized standards such as GRI, TCFD, UNEP FI and the Global Compact

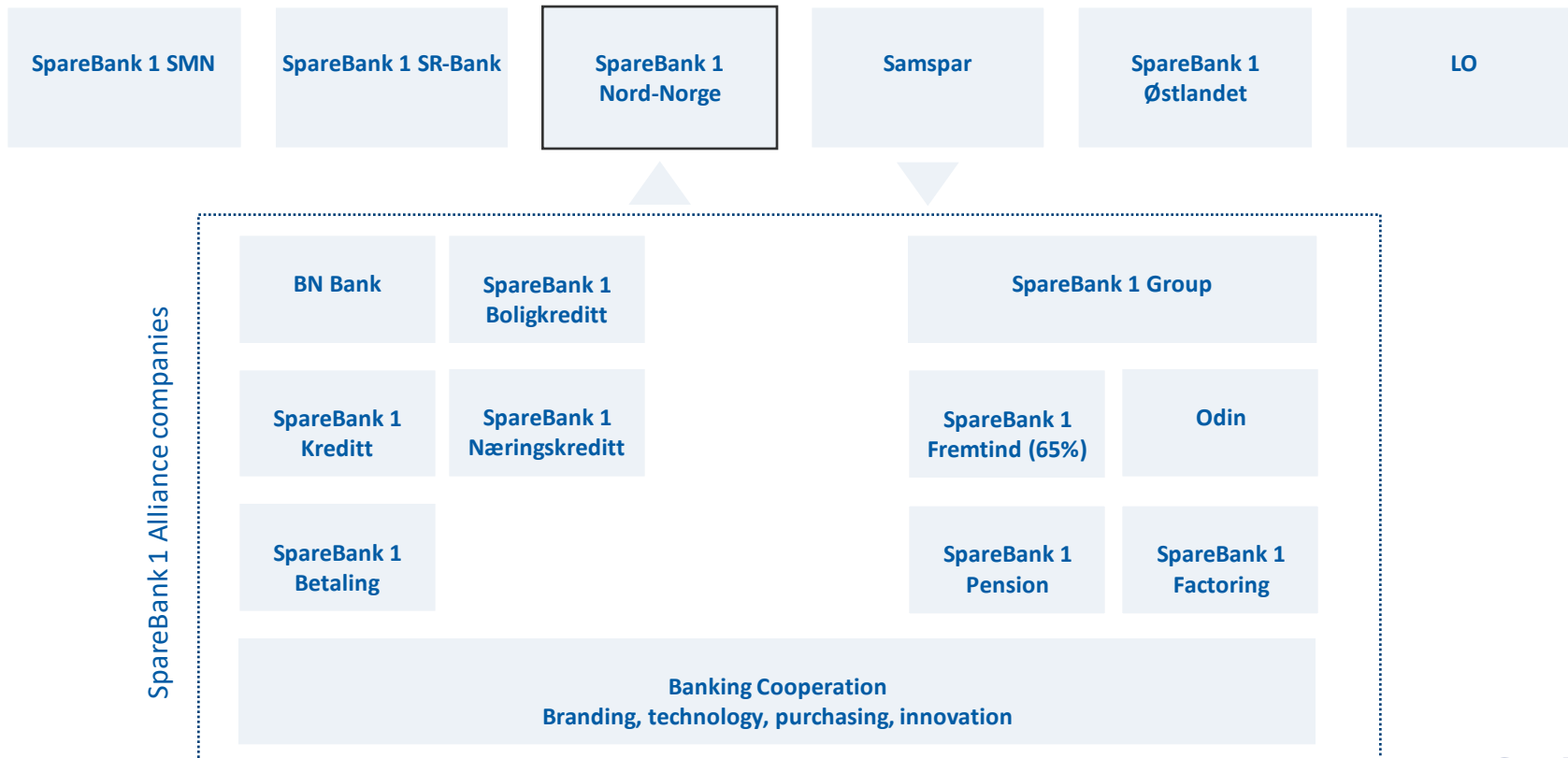
SpareBank 1 Alliance

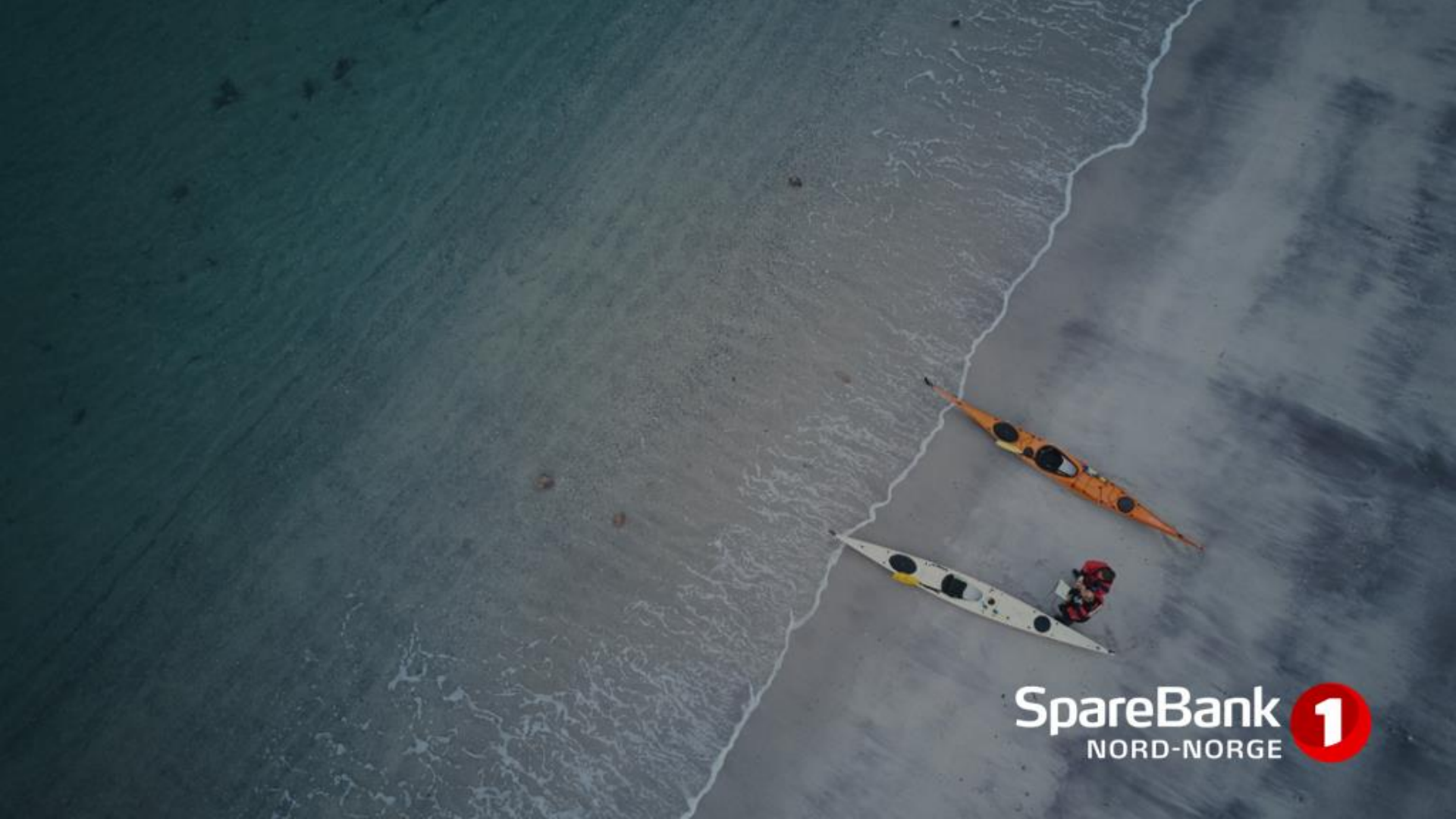


- The SpareBank 1-alliance consists of 14 banks
- Operate exclusively in Norway – Norway’s most extensive branch network with approx. 350 branches
- The alliance are in the forefront of incorporating technological innovation into its distribution channels. Best rated mobile banking in Norway
- Market leaders in their core regional markets
- The largest banks (approx. 80 % of total assets) have the following rating:

Sr. Unsec. Ratings	Moody's
SpareBank 1 Nord-Norge	Aa3 / P-1
SpareBank 1 SMN	A1 / P-1
SpareBank 1 SR	A1 / P-1
SpareBank 1 Østlandet	Aa3 / P-1

SpareBank 1 Alliance





SpareBank
NORD-NORGE

