



# Quarterly accounts

## 2Q 2020



# Quarterly accounts Q2 2020

## Pre-tax profit

1 035 MNOK (1 635)

## ROE

12,9 % (22,7 %)

## CET-1 ratio

16,9 % (15,3 %)

## C/I-ratio

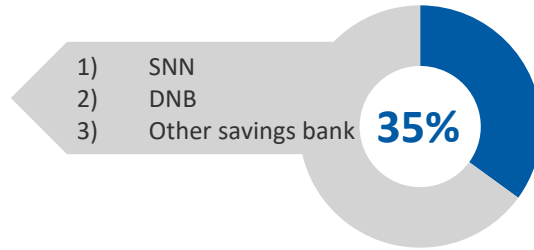
39,2 % (31,5 %)

## Losses

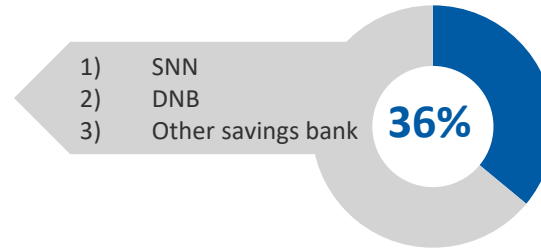
201 MNOK (-2)

# Solid number 1 position in Northern Norway

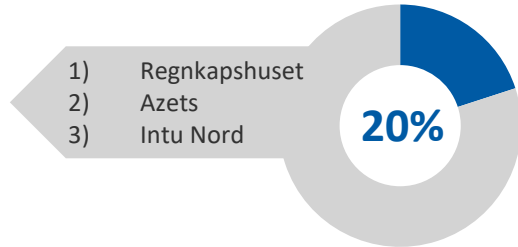
Main bank retail



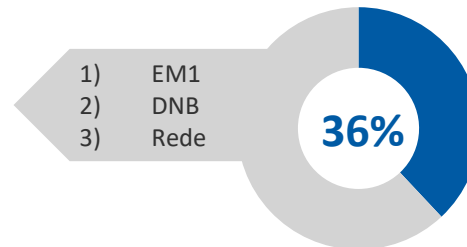
Main bank SME



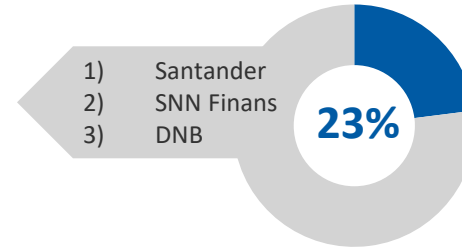
Accounting



Real estate



Secured financing



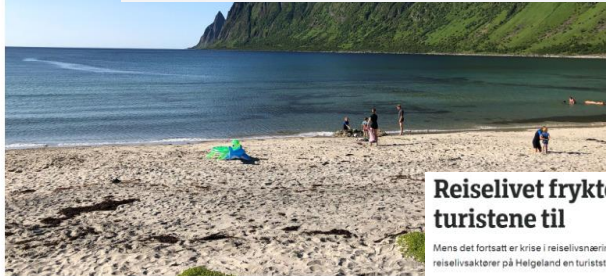
# Group companies - result before tax

	30.06.20	30.06.19
SpareBank 1 Finans Nord-Norge AS	62 505	75 769
SpareBank 1 Regnskapshuset Nord-Norge AS	19 316	26 158
EiendomsMegler 1 Nord-Norge AS	19 807	11 109
<b>Subsidiaries core operations</b>	<b>101 628</b>	<b>113 036</b>
Other subsidiaries	1 381	- 494
<b>Total</b>	<b>103 009</b>	<b>112 542</b>

# Tough year for the tourism industry

- Fewer overnight stays
- Lower demand for air BnB
- However: travellers from Norway and Finland chosed Northern Norway this summer
- Despite this, we see reduced revenue in tourism in 2020

## Flere turister velger Nord-Norge



Her kan du bade med vakker utsikt mot Okshornan. Fjellene er også kjent som «djeve

På yttersiden av Senja ligger Ersfjordstranda, lunt og dramatiske fjell. En bonus til badeopplevelsen er at deg av «guldassen» som ligger like ovenfor strander del av turistveien på Senja, og er kledd i gullfarget aluminiumshingel.

## I år drar finnene til Norge: Skrytebilder fra Lofoten er sommerens ferietrend i nabolandet

NORD-NORGE (Aftenposten): Utlendingene er stort sett borte fra norske reisemål i sommer. Men det er ett unntak: Det har vært en kraftig økning i turister fra Finland.



## Reiselivet fryktet det verste – men nå strømmer turistene til

Mens det fortsatt er krise i reiselivsnaeringen på Vestlandet, opplever flere reiselivsaktører på Helgeland en turiststrøm de aldri har sett maken til.



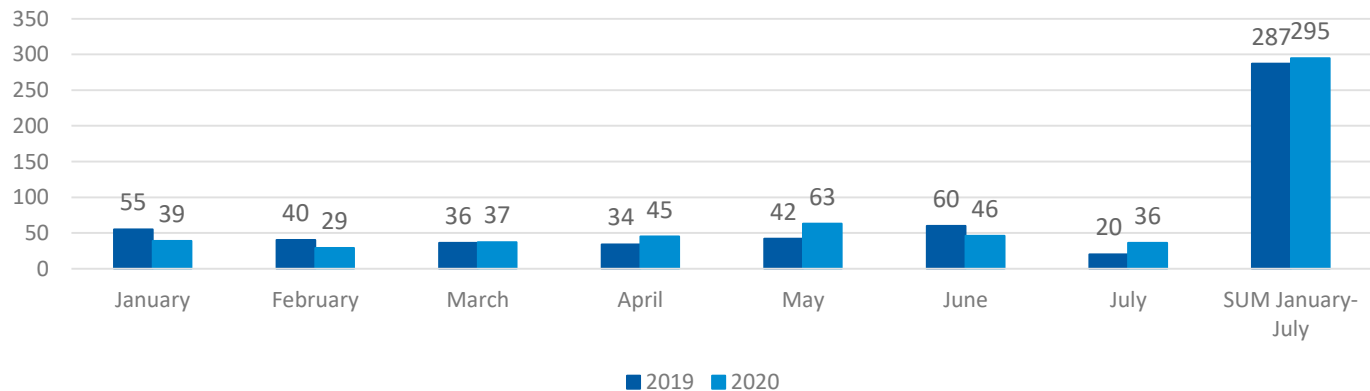
Reiselivsnaeringen i øykommunen Vega på Helgeland var reddet for at koronasituasjonen skulle gi en stille sesong. Men nå tyder mye på det motsatte, sier Hilde Vikås. Her fra en fjelltur med utsikt mot Eidsen på Vega. FOTO: ØYVIND HUNFELDT / NTB-HILDEVIK

Lise Farang Hagen  
journalist  
Synnøve Sundby Fallmyr  
journalist  
Ole Christian Olsen  
journalist  
Kathinka Vagstad Prestley  
reportasje

Publisert 23. juni kl. 08:25  
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# No significant increase in bankruptcies so far

- Number of bankruptcies\* in Northern Norway are still at low levels
- A small increased number of bankruptcies in Northern Norway so far in 2020
- The industries construction, accommodation and catering and retail trade make up a significant proportion of bankruptcies in 2020
- Number of bankruptcies are expected to rise going forward

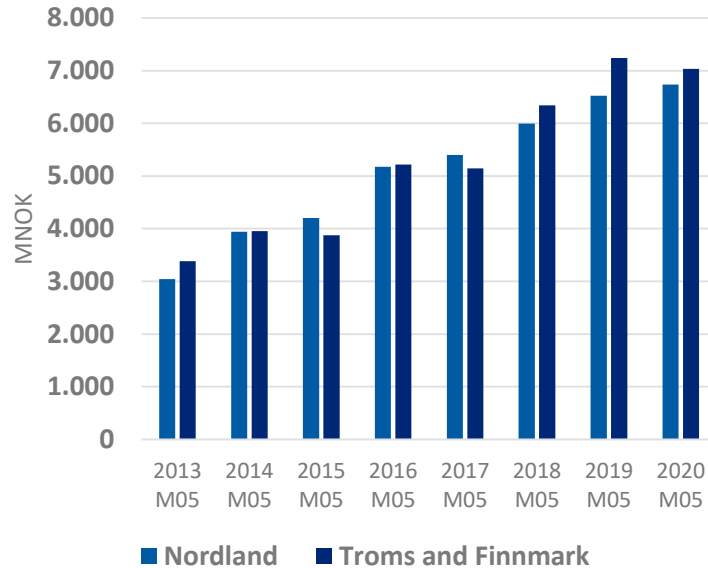


\* Bankruptcies, compulsory liquidation, compulsory winding up

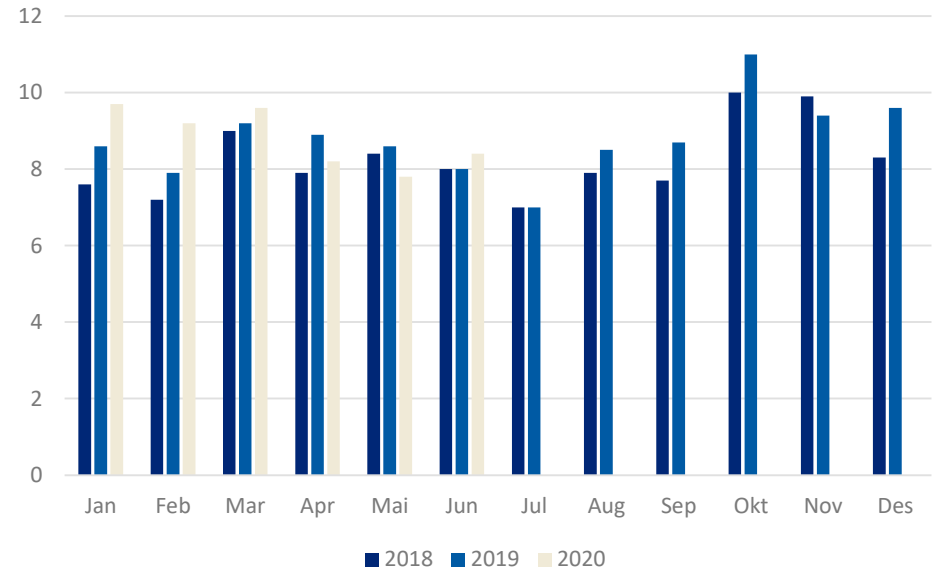
Source: Brønnøysundregistrene

# The seafood industry less exposed from corona

Export value of fish from Northern Norway, Mill NOK as of May 2020

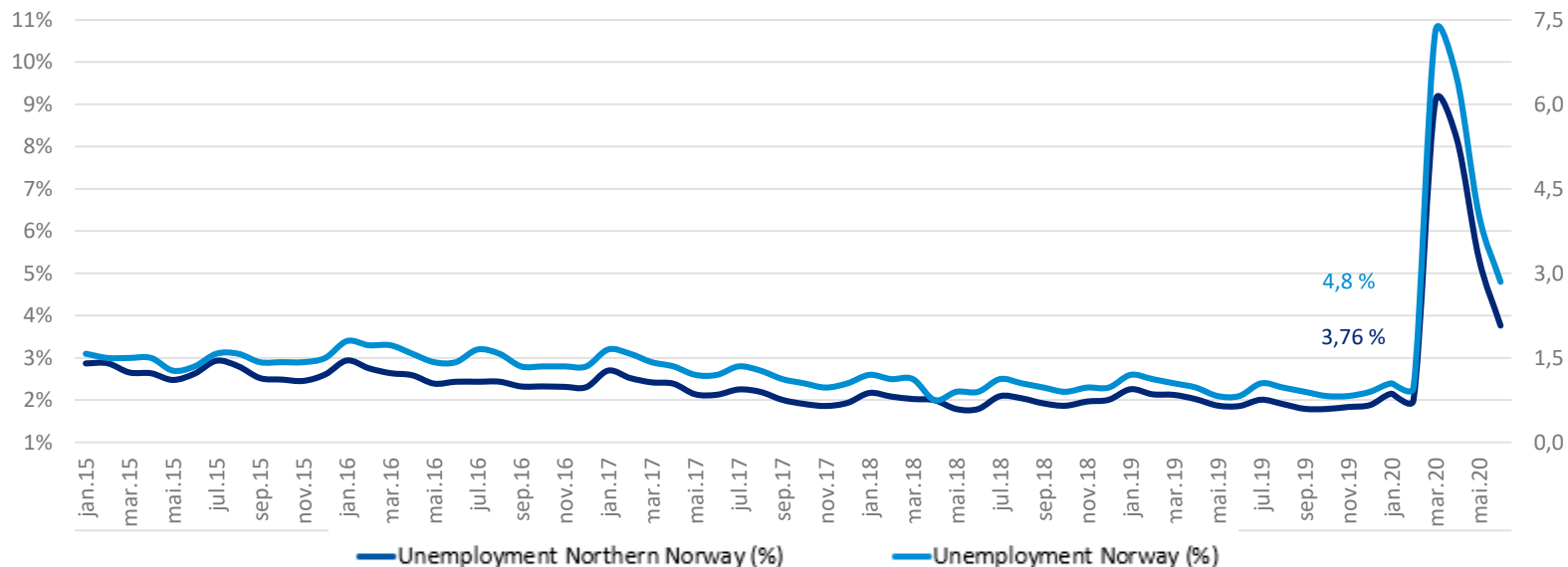


Export value of fish from Norway per month (BNOK)



# Unemployment bounce back

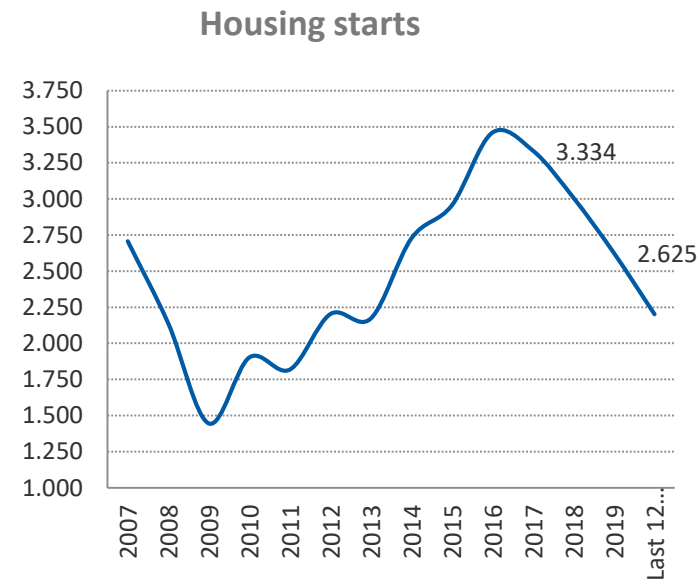
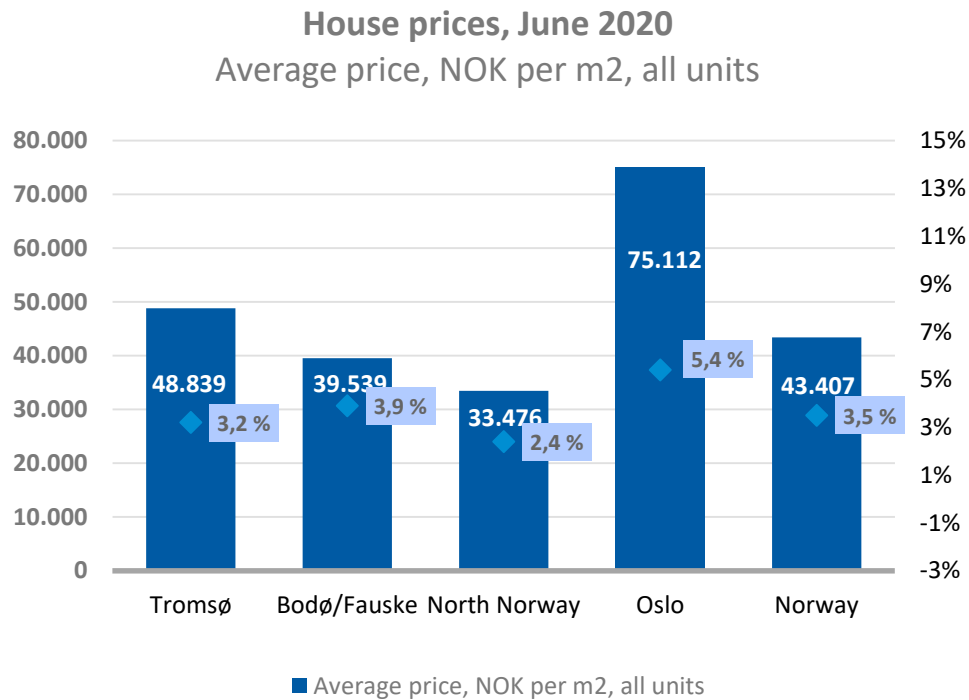
Registered unemployment



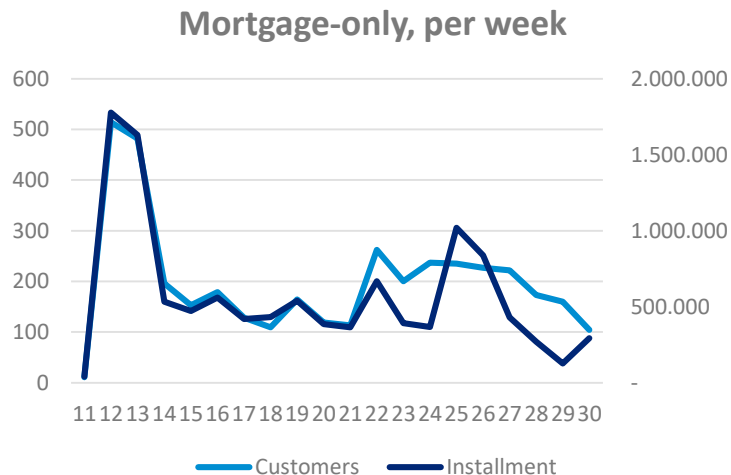
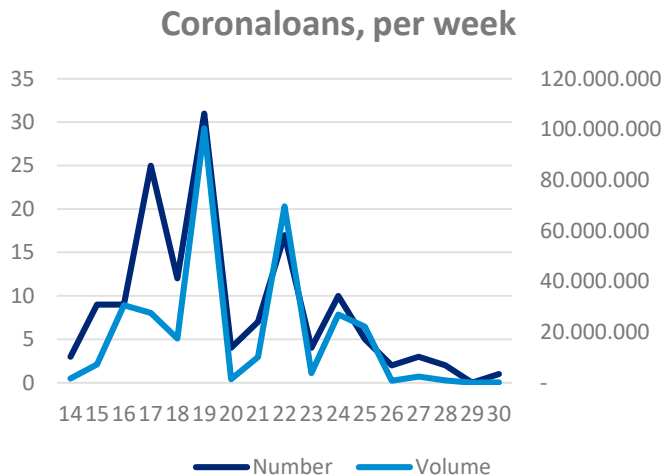
Source: SSB



# Moderat growth in house prices



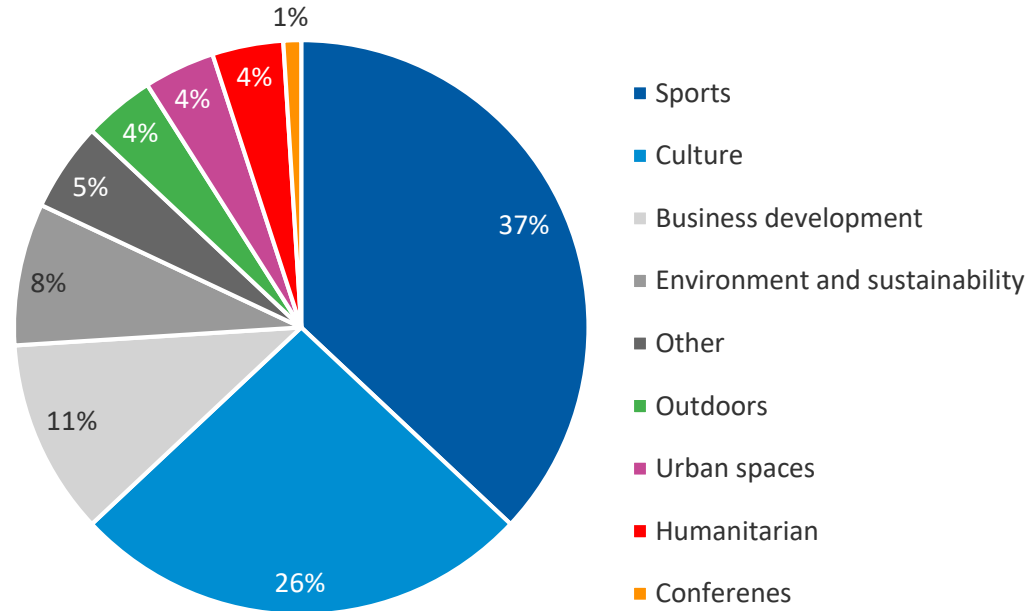
# Lower demand for interest-only mortgage and coronaloans



# SpareBank 1 Nord-Norge is an important CSV-player

- The board set aside 10 MNOK for corona measures. 228 community- and sports groups have received support under this scheme
- Community dividend for non-profit purposes has increased from 39 MNOK in 2015 to 265 MNOK in 2020
- As of the first six months of 2020, NOK 129 million has been allocated
- 845 different projects in Northern Norway has received support (as of the first six months of 2020)

Distribution of the community dividend in 2019

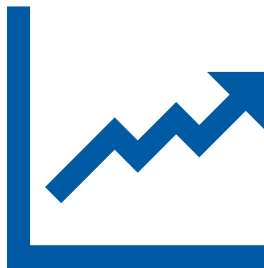


# Ambitions for growth and increased market share

Expected growth for SpareBank 1 Nord-Norge in 2020:

**Retail market: 2-5 %**

**Corporate market: 5-8 %**



Future growth is still highly uncertain due to the corona situation  
Corporate growth is from companies and industries with low exposure to corona

# Why invest in SpareBank 1 Nord-Norge?

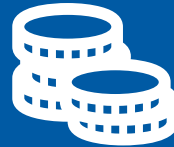
## #1

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

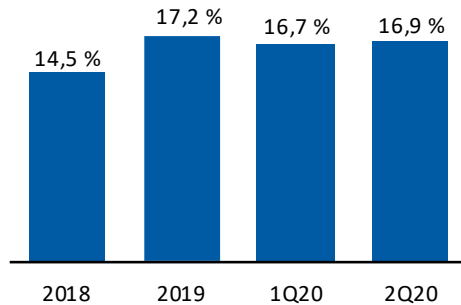
# Group financial highlights and key figures

(Amounts in NOK million and in % of average assets)

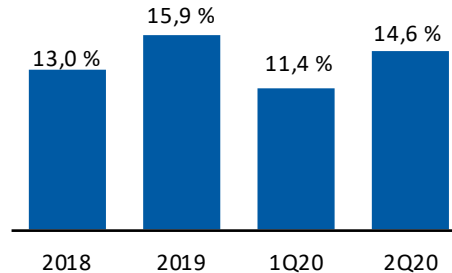
	30.06.20	%	30.06.19	%	31.12.19	%
<b>From the profit and loss account</b>						
Net interest income	1 067	1,84 %	979	1,81 %	2 097	1,92 %
Net fee- and other operating income	576	0,99 %	548	1,02 %	1 116	1,02 %
Net income from financial investments	389	0,67 %	857	1,59 %	911	0,84 %
<b>Total income</b>	<b>2 032</b>	<b>3,51 %</b>	<b>2 384</b>	<b>4,41 %</b>	<b>4 124</b>	<b>3,78 %</b>
<b>Total costs</b>	<b>796</b>	<b>1,37 %</b>	<b>751</b>	<b>1,39 %</b>	<b>1 640</b>	<b>1,50 %</b>
<b>Result before losses</b>	<b>1 236</b>	<b>2,13 %</b>	<b>1 633</b>	<b>3,02 %</b>	<b>2 484</b>	<b>2,28 %</b>
Losses	201	0,35 %	- 2	0,00 %	11	0,01 %
<b>Result before tax</b>	<b>1 035</b>	<b>1,79 %</b>	<b>1 635</b>	<b>3,03 %</b>	<b>2 473</b>	<b>2,27 %</b>
Tax	164	0,28 %	209	0,39 %	409	0,38 %
Deficit non-current assets held for sale	0	0,00 %	2	0,00 %	2	0,00 %
<b>Result after tax</b>	<b>871</b>	<b>1,50 %</b>	<b>1 424</b>	<b>2,64 %</b>	<b>2 062</b>	<b>1,89 %</b>
Interest hybrid capital	15		13		28	
<b>Result after tax ex. interest hybrid capital</b>	<b>856</b>		<b>1 411</b>		<b>2 034</b>	
<b>Profitability</b>						
Return on equity capital	1	<b>12,9 %</b>	22,7 %		15,9 %	
Interest margin	2	<b>1,84 %</b>	1,81 %		1,92 %	
Cost/income	3	<b>39,2 %</b>	31,5 %		39,8 %	

# A good second quarter in a demanding year

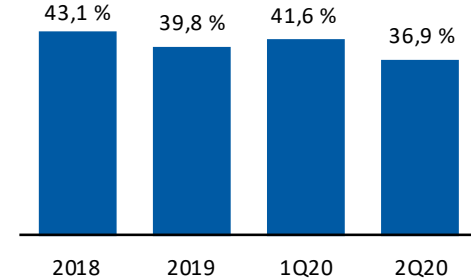
CET 1 incl floor



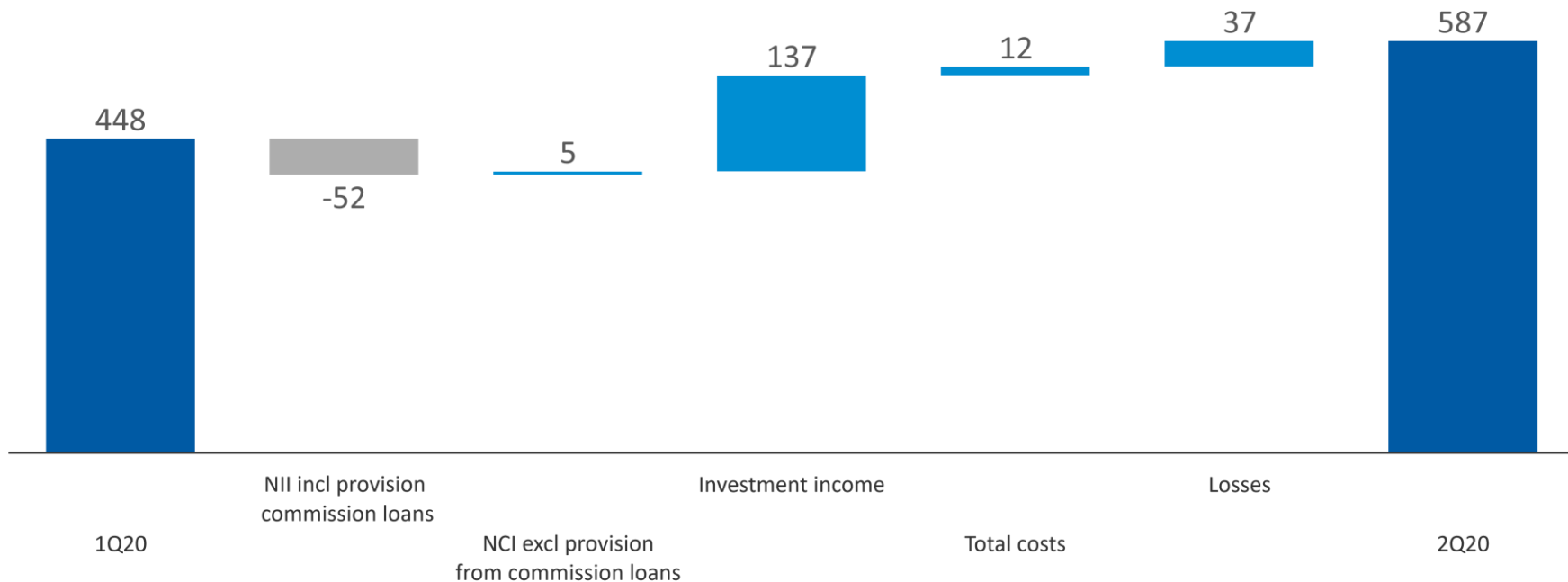
Return on equity capital



Cost/income Group

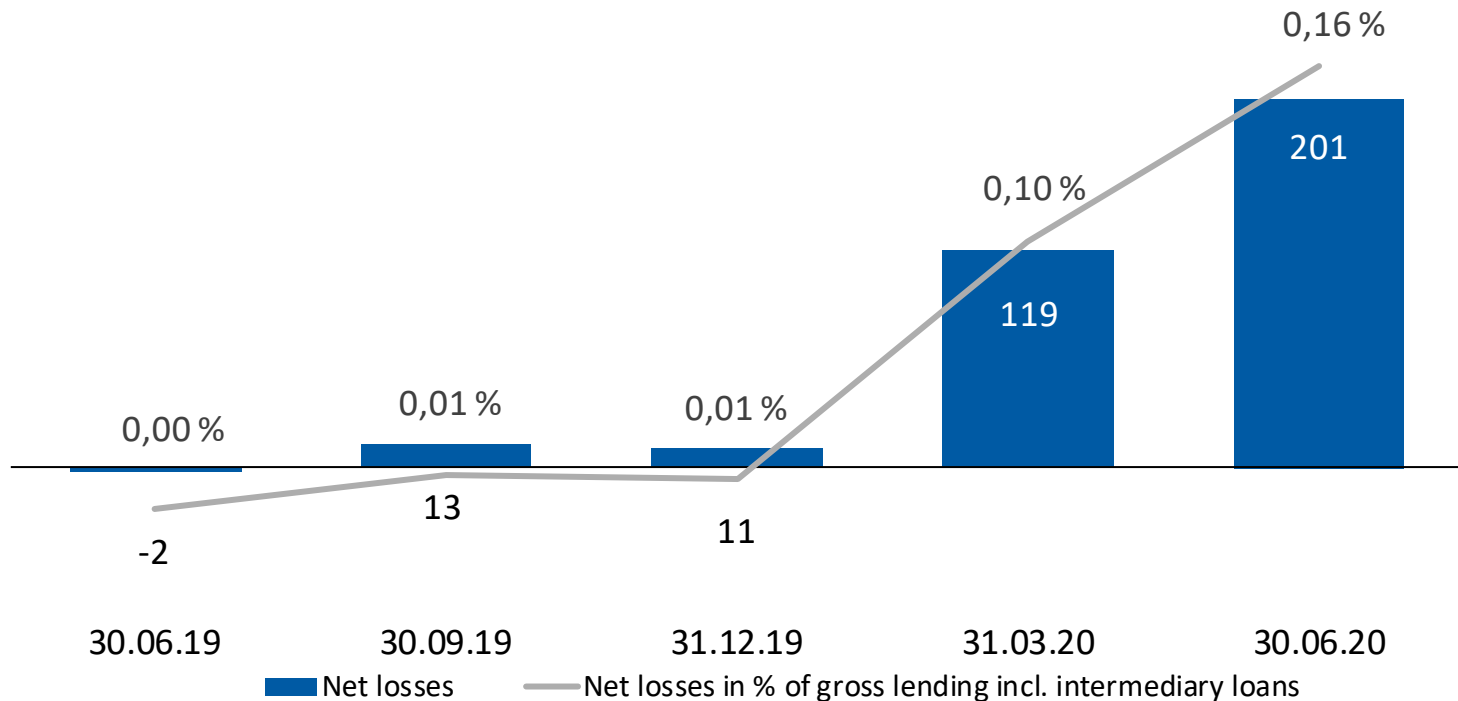


# Improvement in result before tax last quarter

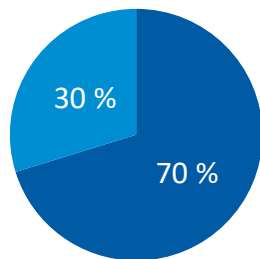




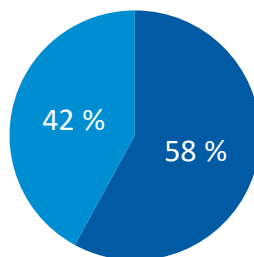
## Low individual losses – increased ECL provisions



# Somewhat weaker lending growth in retail market, but strong corporate growth

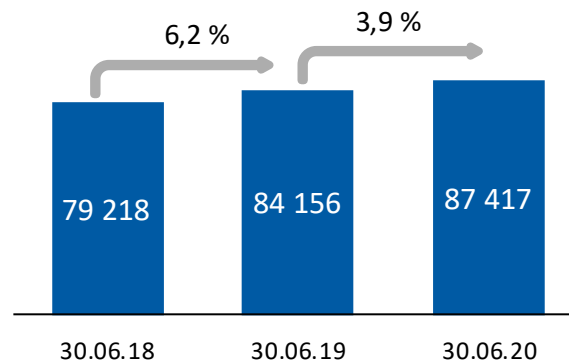


■ Retail incl. commission loans  
■ Corporate incl. commission loans

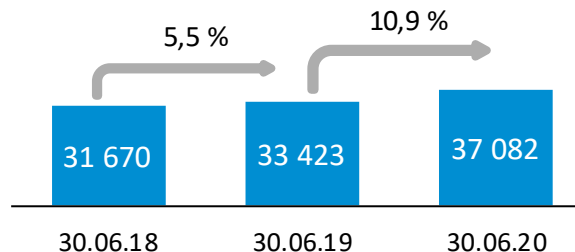


■ Retail excl. commission loans  
■ Corporate incl. commission loans

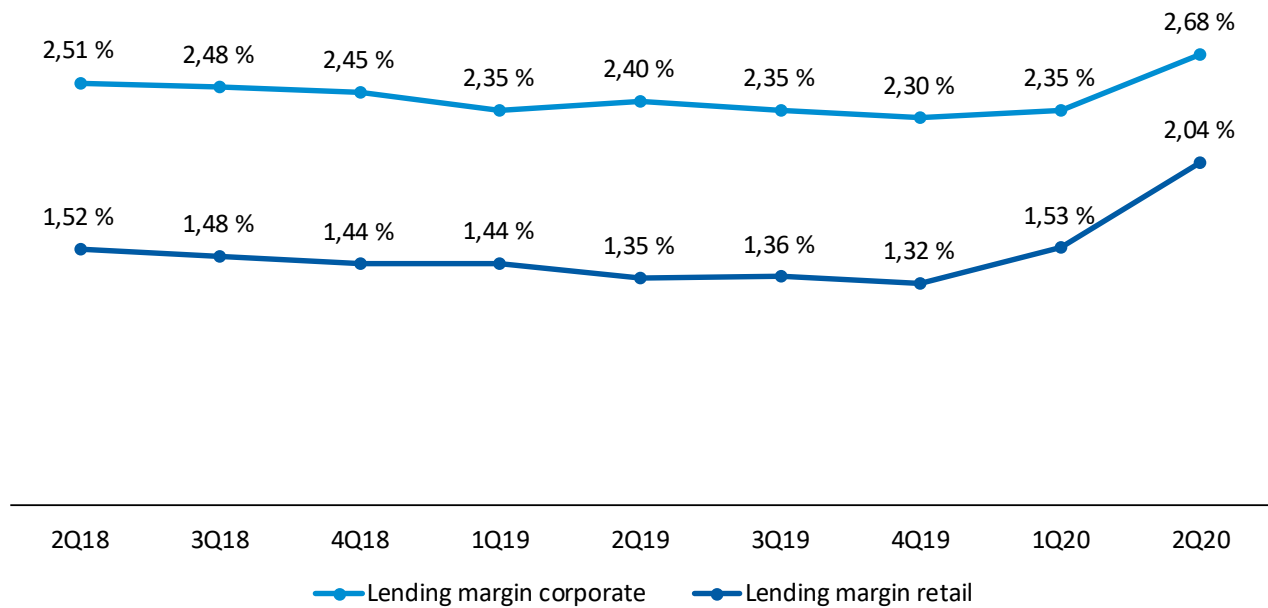
Retail market incl. commission loans



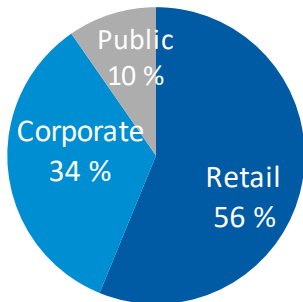
Corporate incl. commission loans



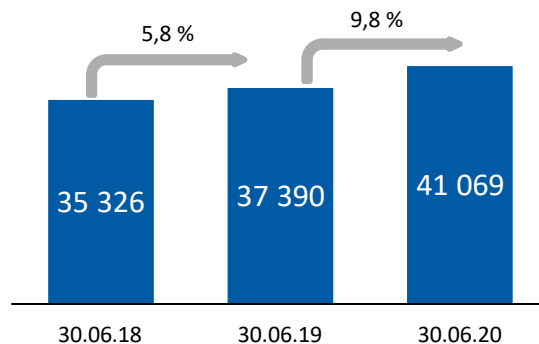
# Positive development in lending margins



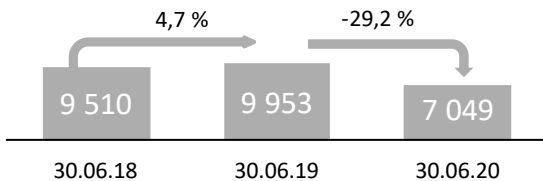
# Continued strong deposit growth



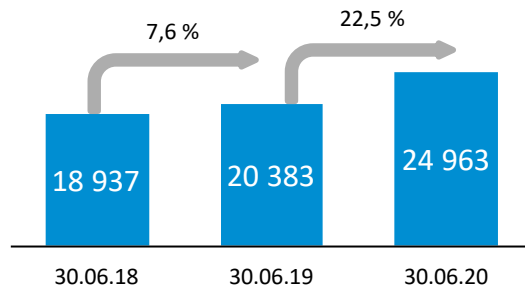
Retail banking market



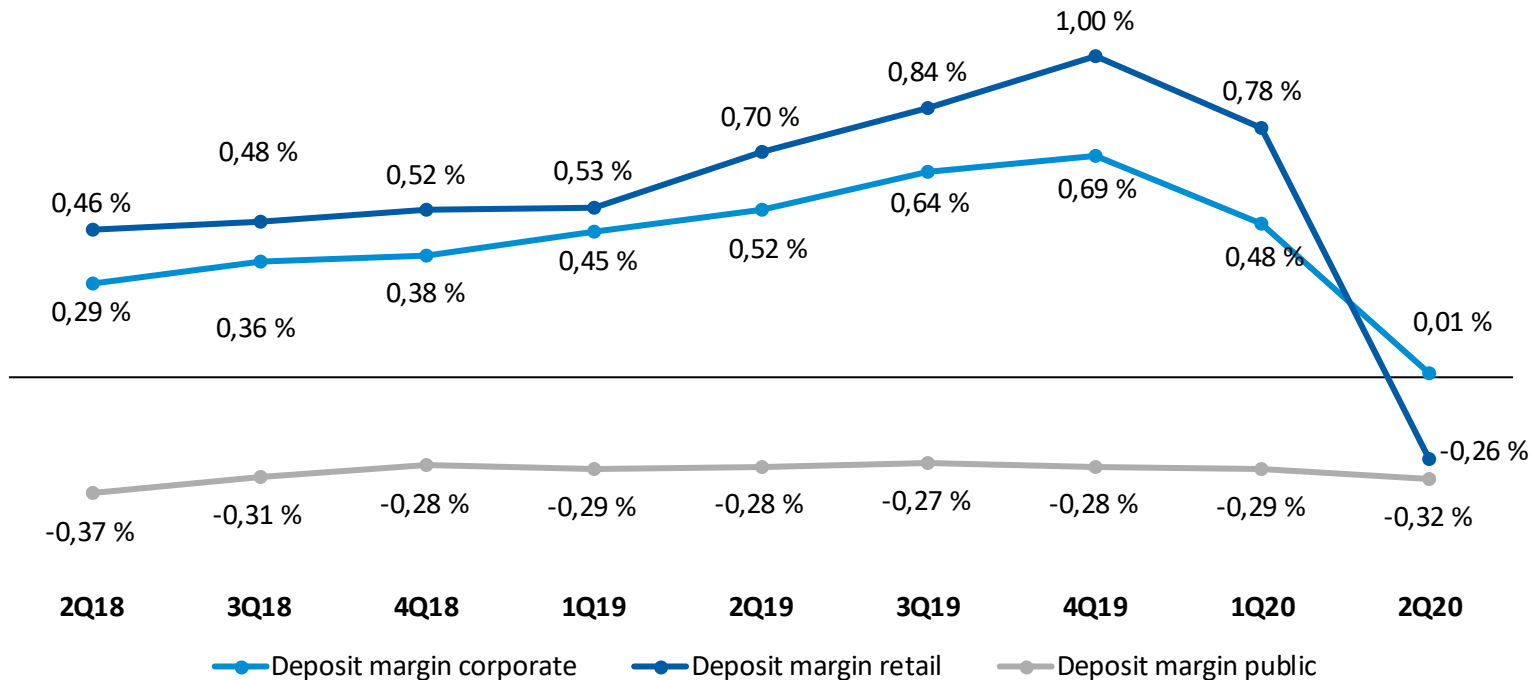
Public market



Corporate market



# Weaker deposit margins due to falling NIBOR



# The profitability measures goal remains

**ROE**  
12 %

**C/I ratio**  
< 40 %



Effect of profitability  
measures year  
end 2021:

200 MNOK

Maximum cost  
increase\*:

2020: 2%

2021: 0%

# Long term financial targets

> 12 %

ROE

Main target

> 50 %

Dividend payout  
ratio

< 40 %

C/I-ratio

15,0 %

Tier 1 Capital

# Financial outlook

## NRI

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Weak net interest income in Q2, since the lending rate was lowered faster than the NIBOR rate fell, and before the deposit rate was lowered. Tough price competition in retail market and low policy interest rates will put pressure on net interest income in 2020

## ROE > 12 %

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ROE target: Top-level profitability among comparable banks, currently > 12 %. As a consequence of the Corona outbreak, there is a higher degree of uncertainty, but the target of Top-level profitability remains.

## CET-1 RATIO

**13,5% (15,0 % FROM 2021)**

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Targeted CET-1 ratio is one percentage point above the regulatory minimum requirement, and as of Q2 the CET-1 is 16.9 %. There is still some uncertainty about upcoming regulatory changes from the FSAN.

## C/I < 40 %

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Q2 Cost/Income at 36,9 %. Improved profit, due to reversion of booked securities losses in Q1 and lower costs in the parent bank. Better group results in Q2.

## CASH DIVIDEND > 50 %

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The targeted cash dividend of > 50 % still stands, but the current financial situation due to covid-19 and regulatory changes might affect the dividend possibility for 2020.



# SpareBank 1 Nord-Norge

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## **URLs**

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

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

## **Financial calendar:**

Q2 2020 12 August 2020

Q3 2020 23 October 2020

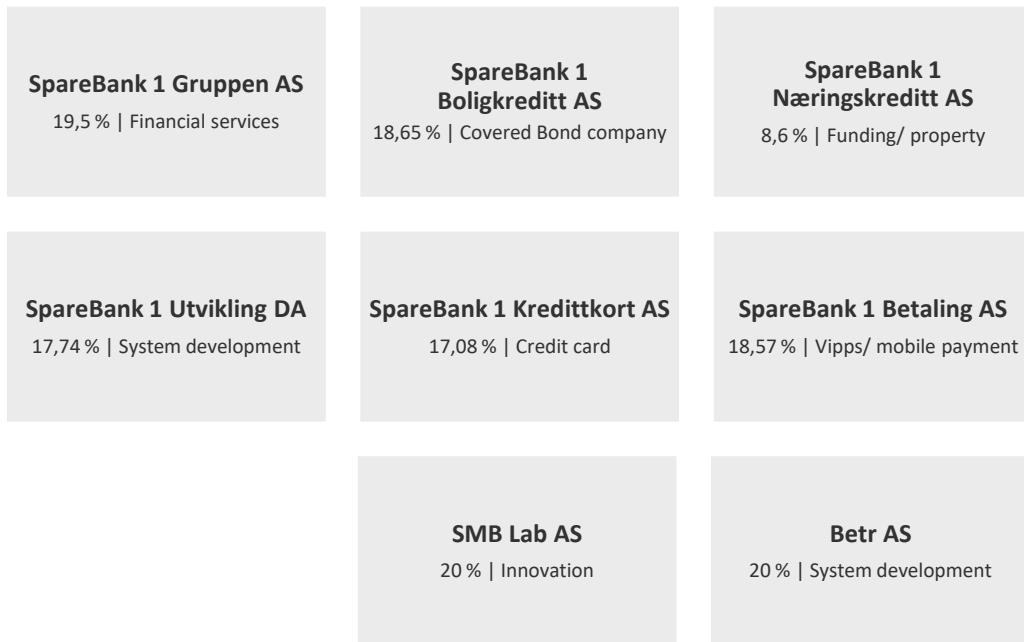
Preliminary Annual Accounts 2020: 11 February 2021



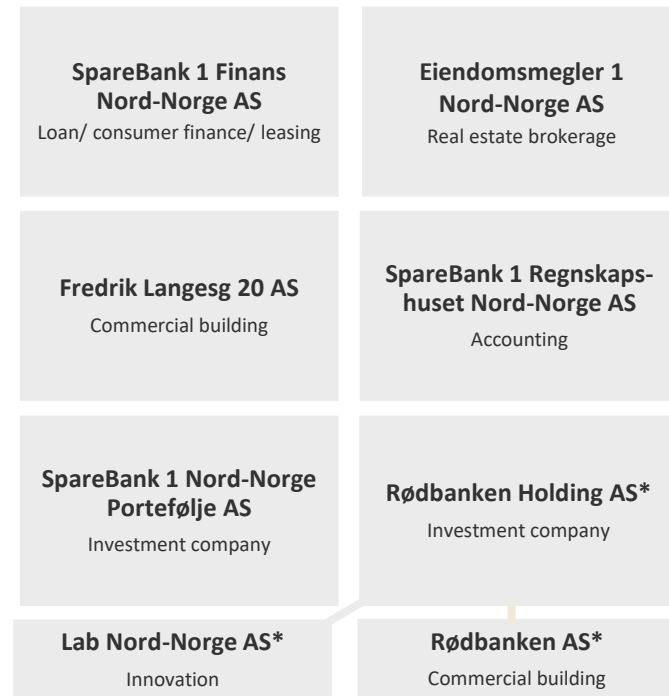
# Appendix

# Company structure

## Associated companies and joint ventures

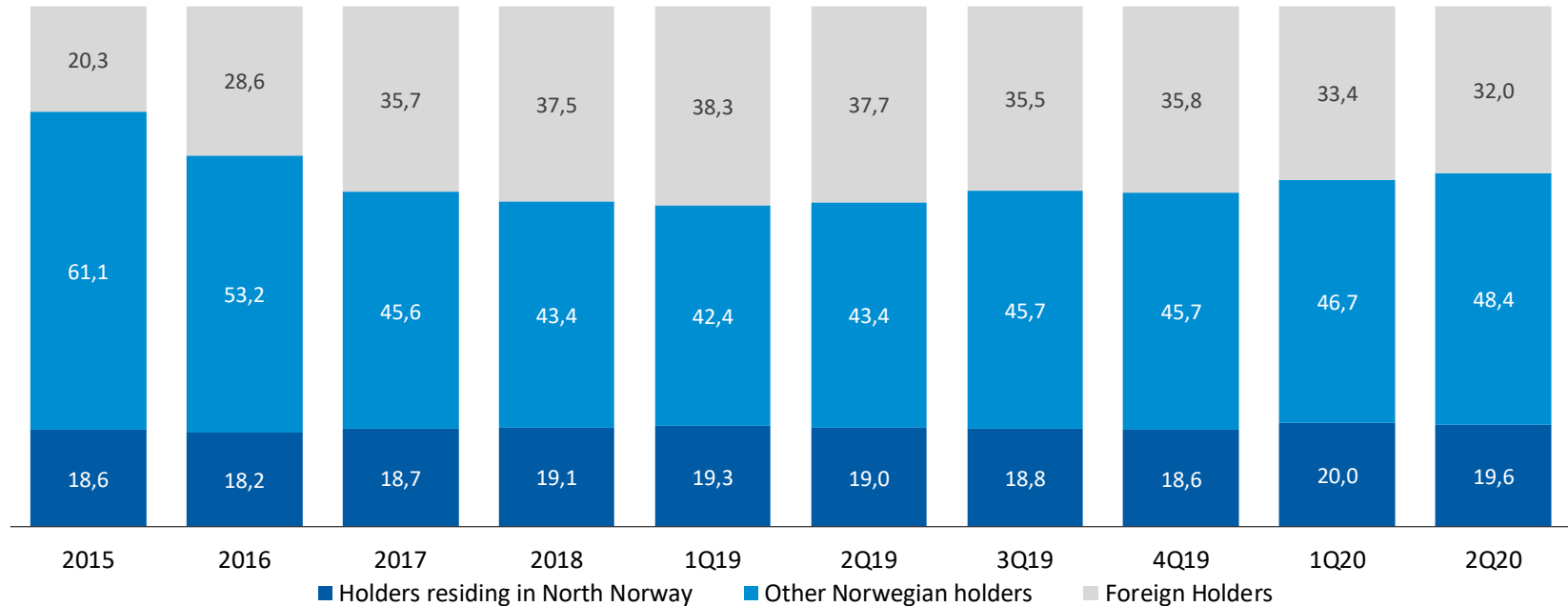


## Subsidiaries and second tier subsidiaries



*\*Not consolidated*

# Geographical distribution of ownership

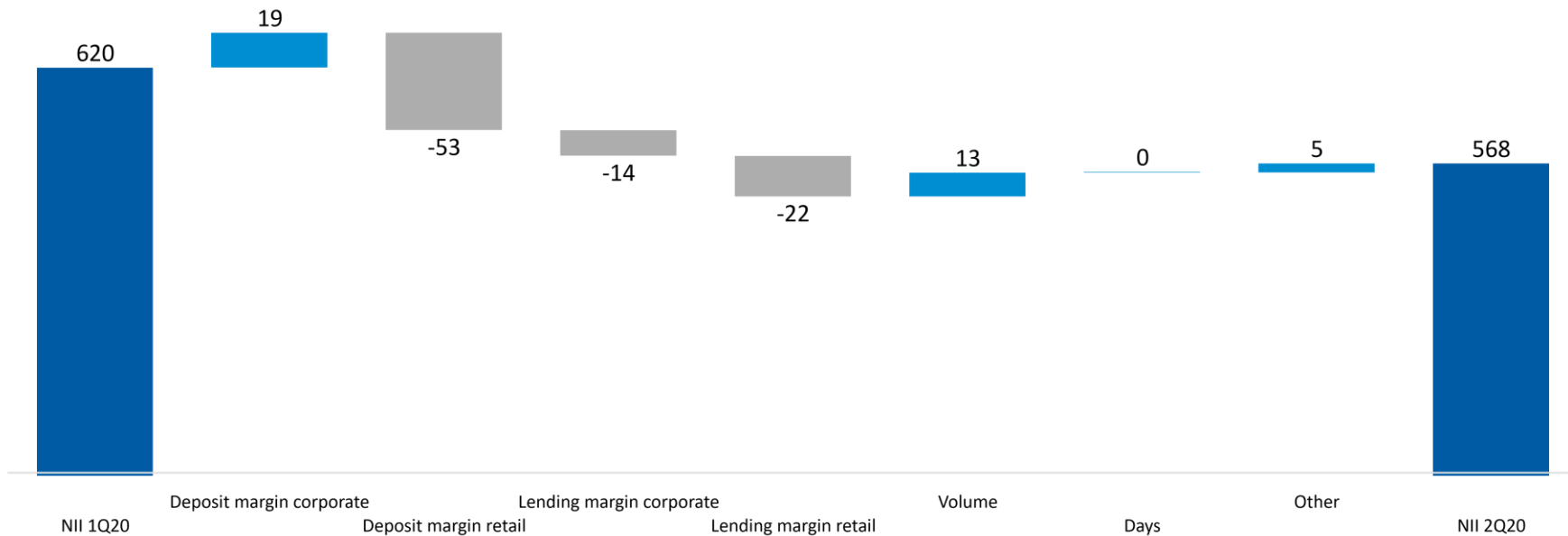


# The 20 largest EC holders

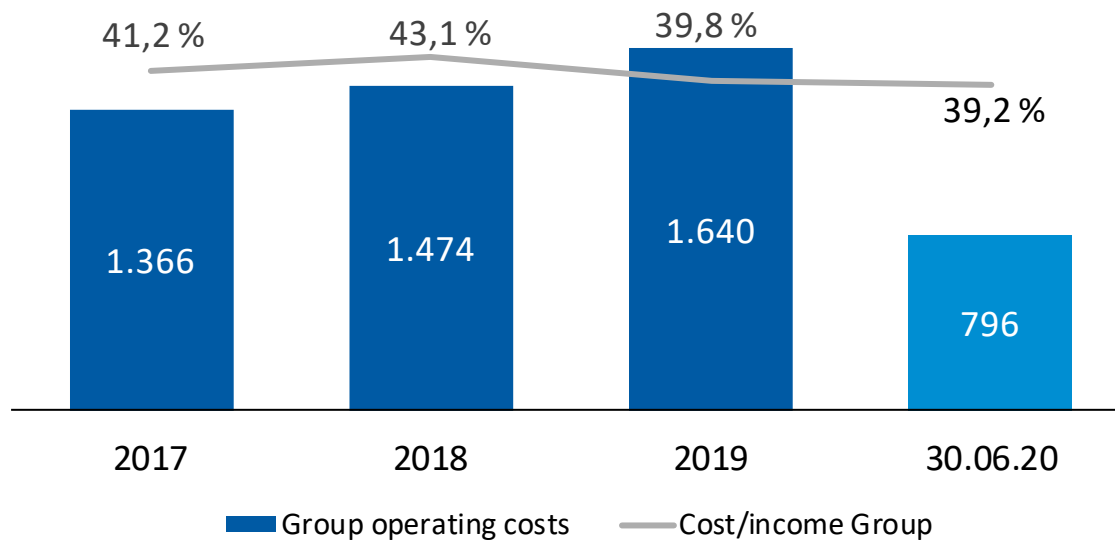
EC Holders	Number of ECs	Share of EC Capital
PARETO AKSJER NORGE VERDIPAPIRFOND	3.341.931	3,33%
PARETO INVEST AS	3.167.268	3,15%
State Street Bank and Trust Comp	2.853.894	2,84%
GEVERAN TRADING CO LTD	2.790.356	2,78%
The Northern Trust Comp, London Br	2.658.042	2,65%
MP PENSJON PK	2.444.322	2,43%
VPF EIKA EGENKAPITALBEVIS	2.428.568	2,42%
Brown Brothers Harriman & Co.	2.198.362	2,19%
Morgan Stanley & Co. Int. Plc.	1.677.545	1,67%
METEVA AS	1.614.670	1,61%
FORSVARETS PERSONELLSERVICE	1.490.430	1,48%
SPAREBANKSTIFTELSEN SPAREBANK 1 NO	1.411.606	1,41%
Landkreditt Utbytte	1.300.000	1,29%
Euroclear Bank S.A./N.V.	1.156.323	1,15%
State Street Bank and Trust Comp	927.054	0,92%
J.P. Morgan Bank Luxembourg S.A.	919.803	0,92%
VERDIPAPIRFONDET EIKA SPAR	866.452	0,86%
ARCTIC FUNDS PLC	790.249	0,79%
Brown Brothers Harriman & Co.	735.389	0,73%
VERDIPAPIRFONDET EIKA NORGE	724.568	0,72%
<b>Total</b>	<b>35.496.832</b>	<b>35,36%</b>

# Net interest income - Group

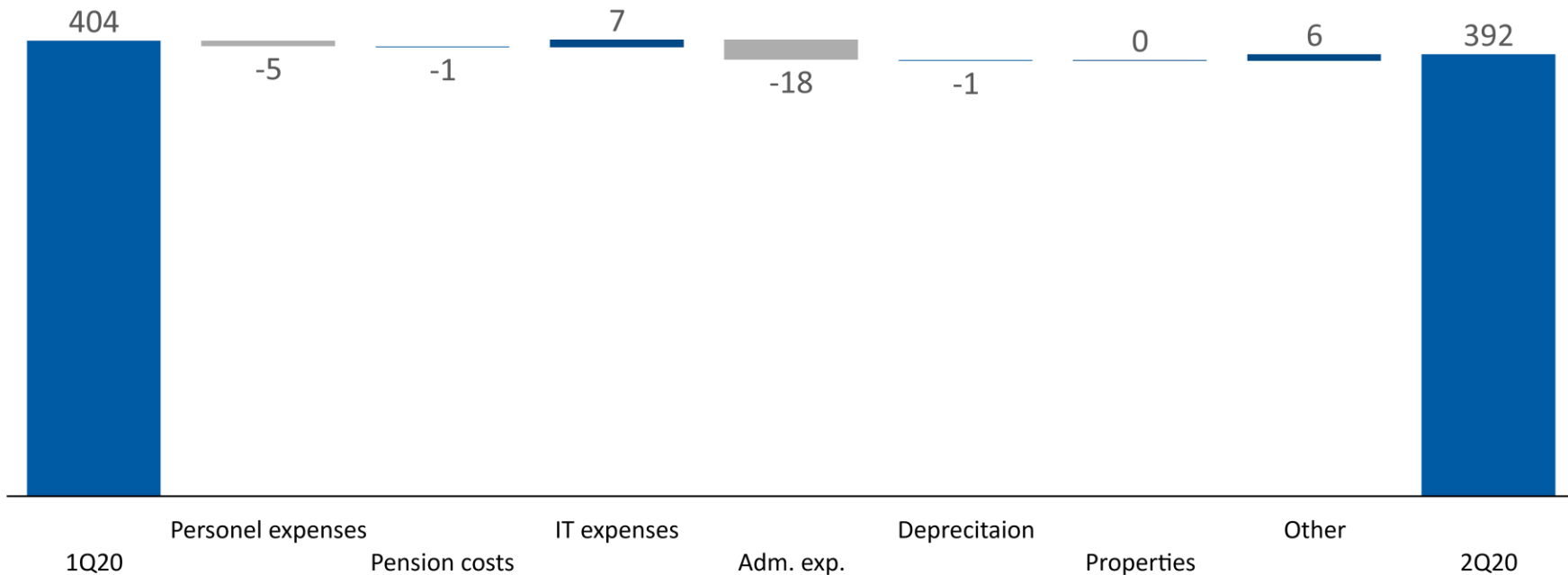
Measured against funding cost



# Cost development – Group



# Operating expenses - Group





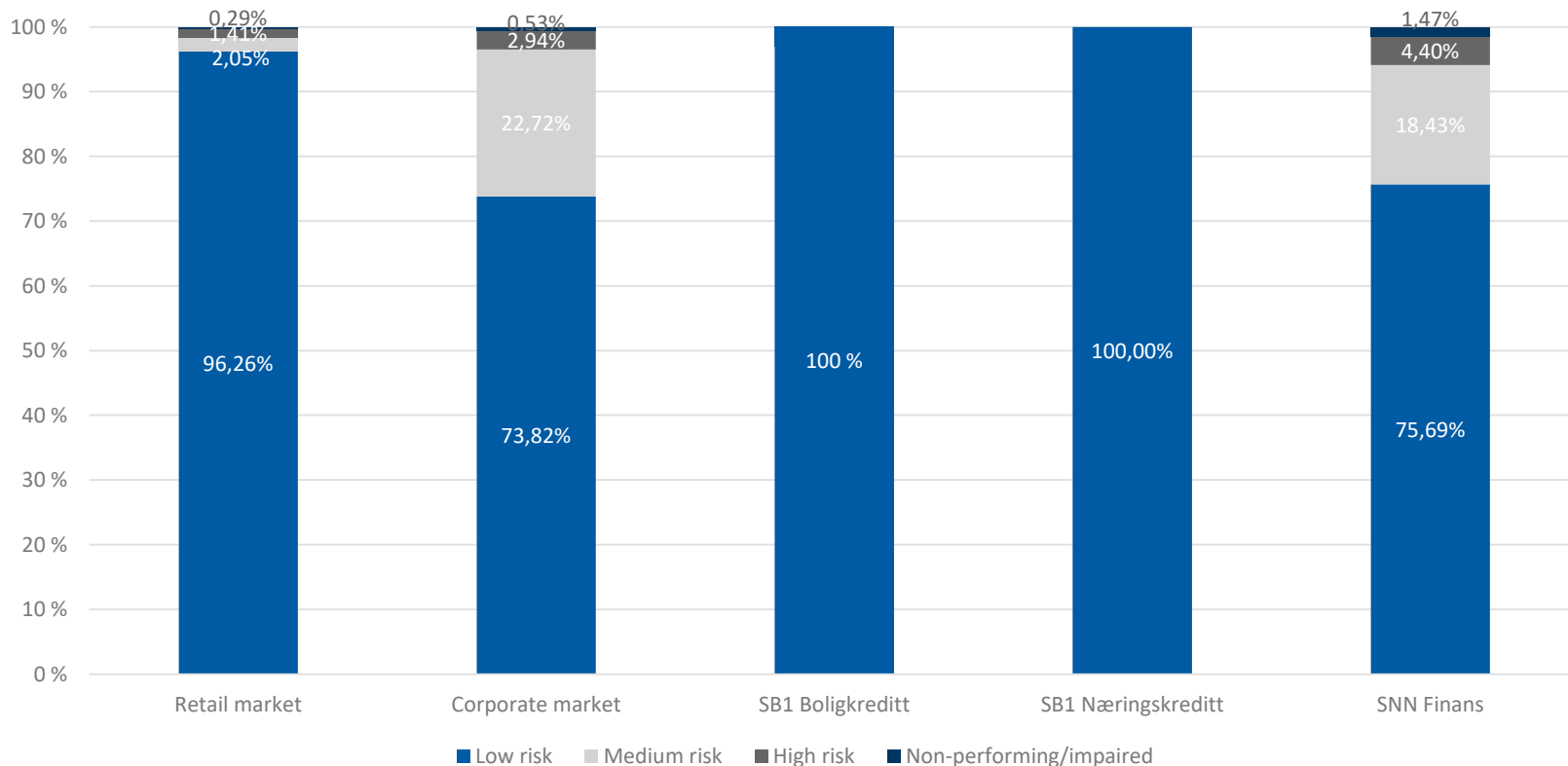
# Net fee- and other operating income - Group

(Amounts in NOK million)	2Q20	1Q20	4Q19	3Q19	2Q19
Payment facilities	68	73	76	89	79
Insurance products	44	43	42	42	42
Guarantee commissions	8	7	7	7	9
Real estate broking	40	30	32	29	49
Portfolio commissions	11	12	9	11	8
Other commissions	27	22	26	34	11
<b>Commissions excl. commission loan</b>	<b>198</b>	<b>187</b>	<b>192</b>	<b>212</b>	<b>198</b>
Commission loans	53	68	72	67	63
<b>Total commission income</b>	<b>251</b>	<b>255</b>	<b>264</b>	<b>279</b>	<b>261</b>
 Commission costs	 17	 22	 27	 29	 25
 Accounting services	 50	 60	 41	 38	 60
Other operating income	0	0	0	2	-4
<b>Total commissions and other income</b>	<b>50</b>	<b>60</b>	<b>41</b>	<b>40</b>	<b>56</b>
 <b>Net fee- and other operating income</b>	 <b>284</b>	 <b>293</b>	 <b>278</b>	 <b>290</b>	 <b>292</b>

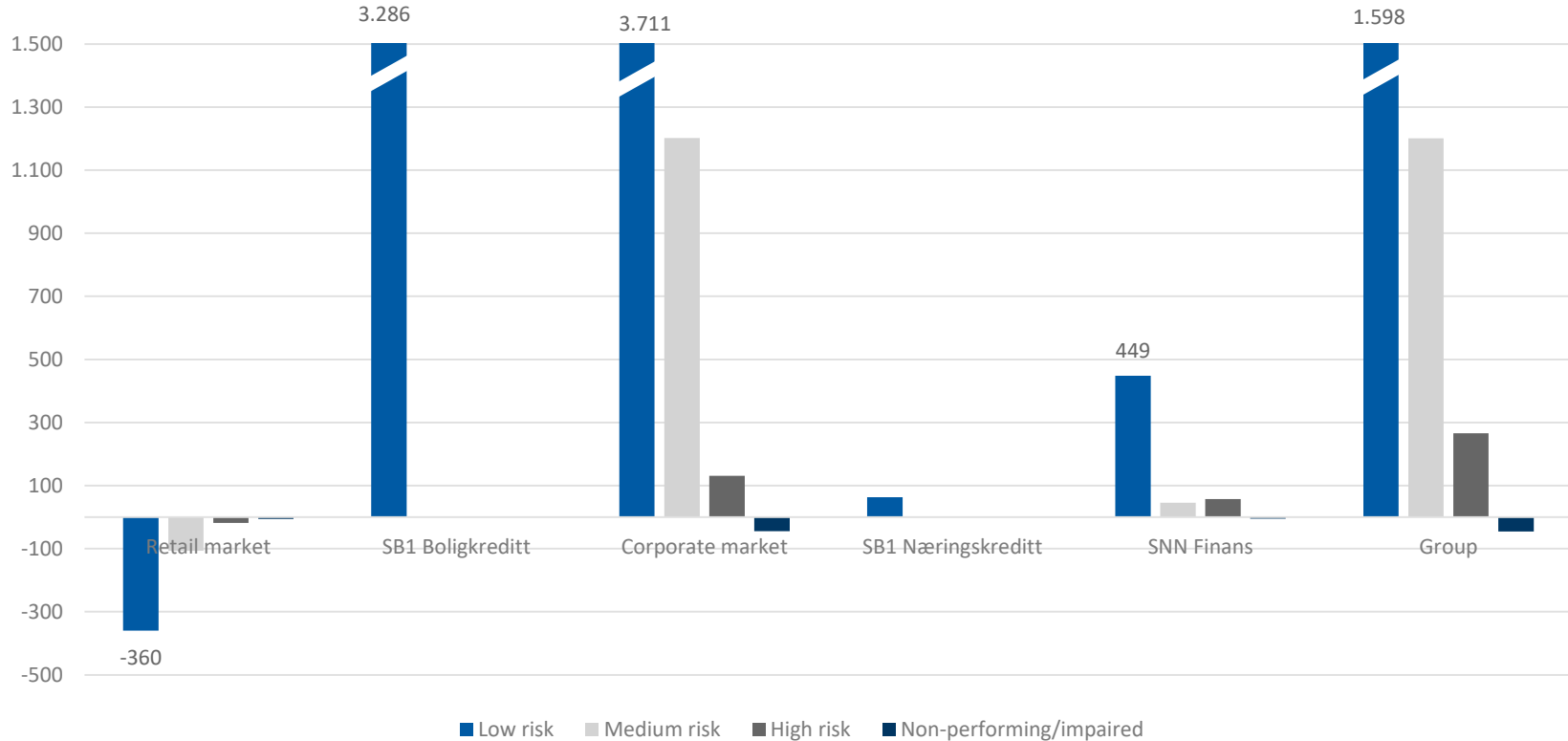
# Lending portfolio - comments

- Moderate growth within retail lending last 12 months, with focus on commitments qualifying for SpareBank 1 Boligkreditt (covered bond company)
- Good 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 last 12 months. Expected to increase in the forthcoming year.
- Significant loan losses due to the macroeconomic outlook, however they are somewhat decreased in quarter 2 compared to quarter 1. Individual losses are still low.

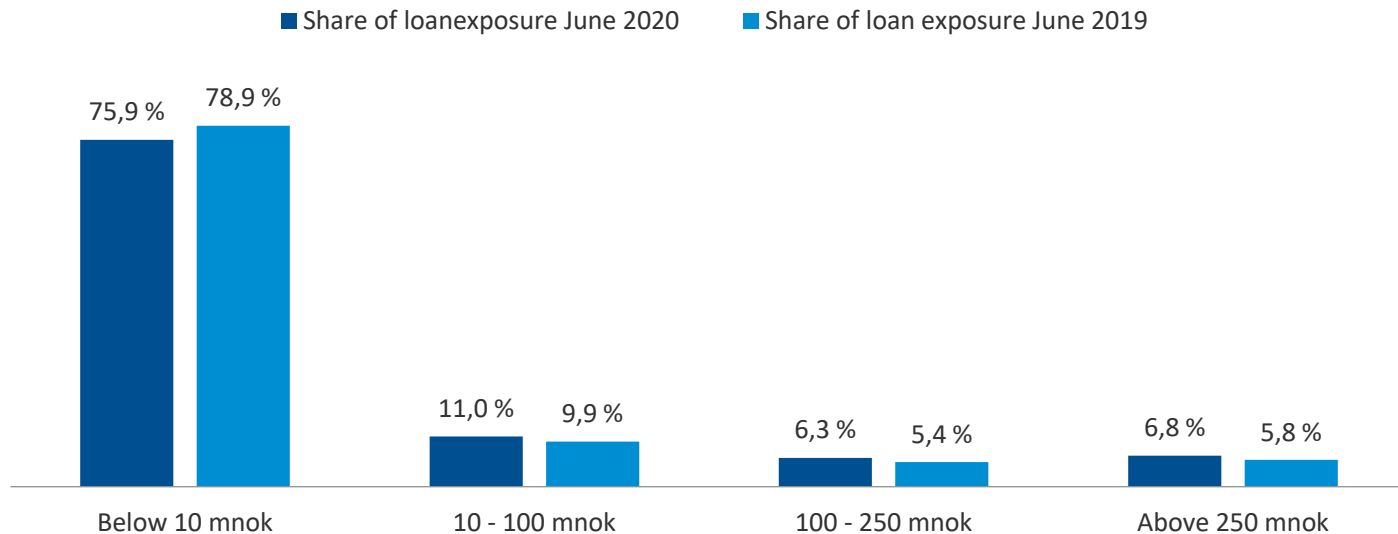
# Portfolio - exposure as of 30.06.20 (Group level)



# Portfolio – changes last 12 months (Group level)



# Portfolio - exposure distributed by size

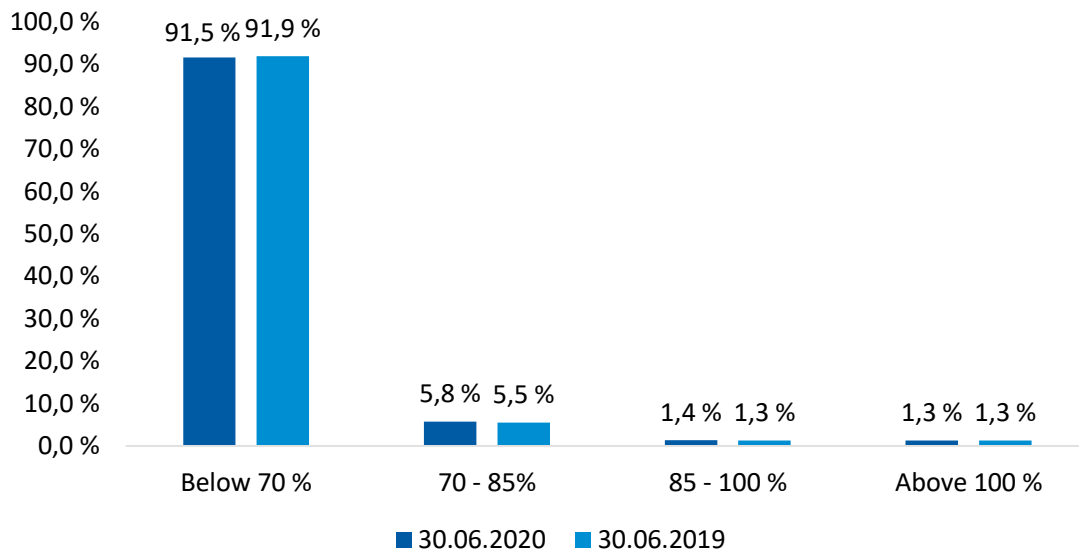


Loans distributed by size of exposure and share of total exposure

Numbers include SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

# Portfolio – LTV mortgage loans

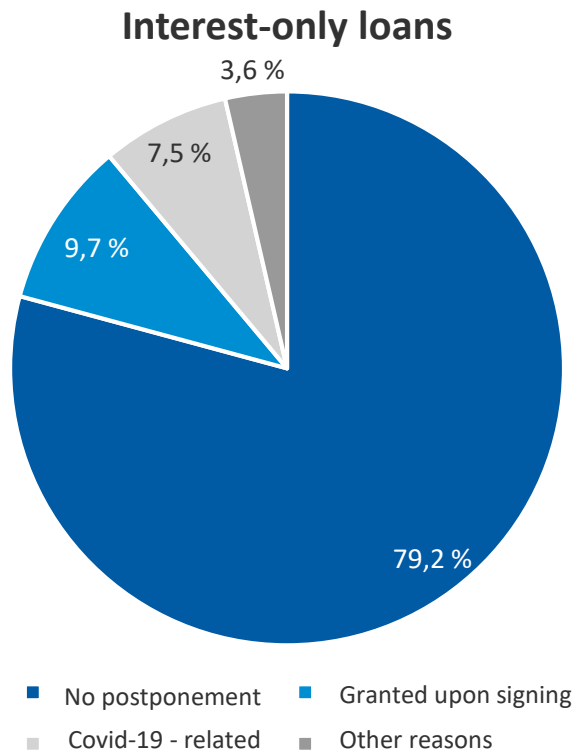
- 97.3 % of exposures are within 85 % of the collaterals market value
- Exposures above 85 % are 2.7 %
- Each loan is distributed in the different LTV intervals.
- The numbers include the Group's share of SpareBank 1 Boligkreditt portfolio.



# Reduced need for interest-only mortgage

Substantial reduction in the number of loans that run with a grace period. Customers terminate the grace period and return to ordinary repayment.

As of the end of July, approximately 4.400 current loans have been granted a grace period as a result of Covid-19. Approximately 7.5% of the loans have up to 6 months grace period, both for the retail market and corporate market.



# Limited impact from Covid-19 and drop in oilprice

## Affected by drop in oilprice

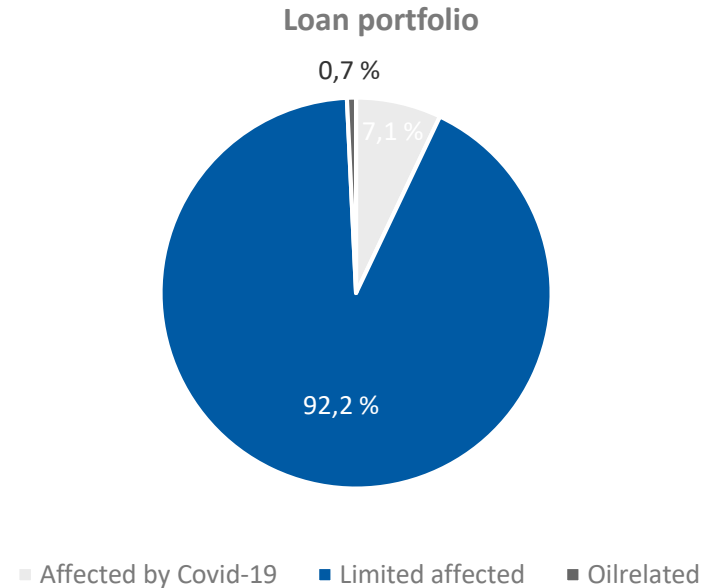
- Oilrelated sector

## Affected by Covid-19:

- Commercial real estate related to shopping centres, retail and hotels
- Service industries
- Industry, including traditional fishing industry
- Tourism
- Passenger transport

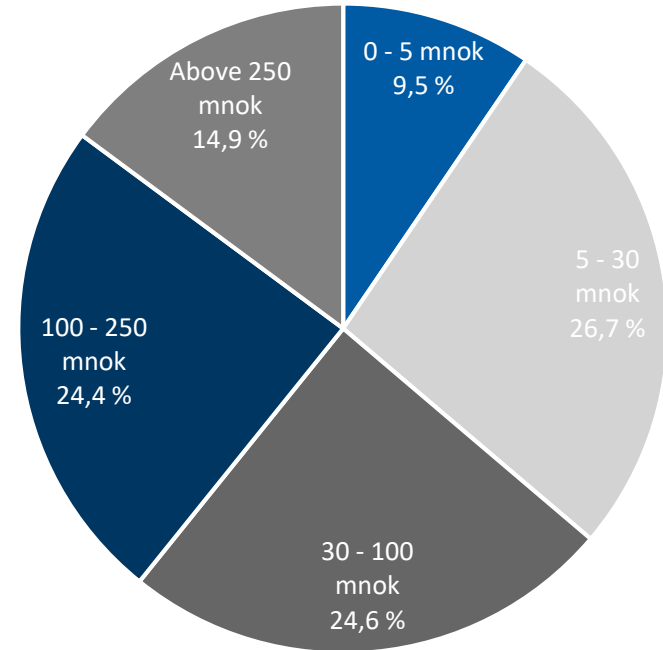
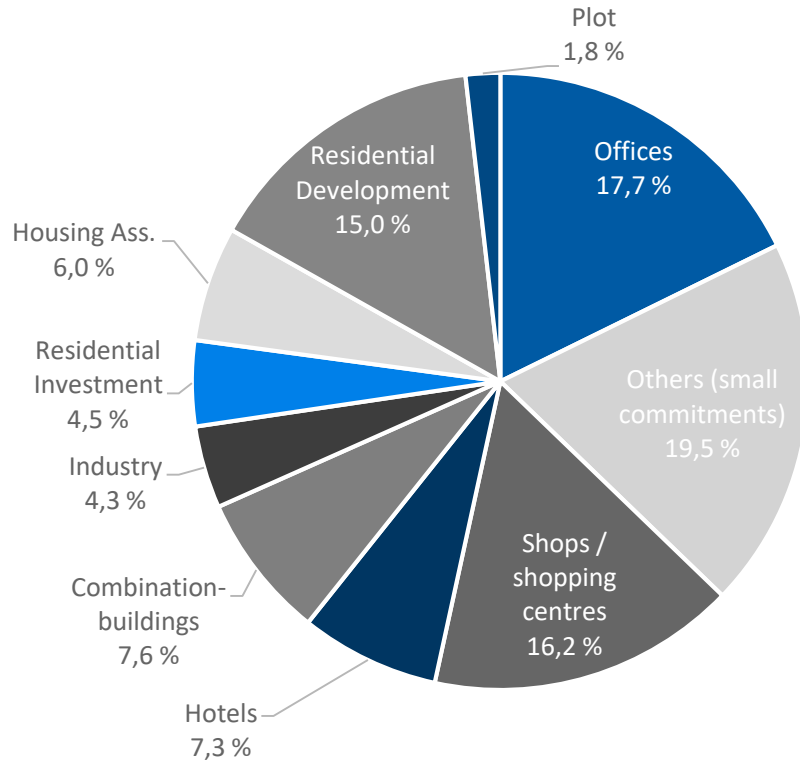
## Limited impact

- Retail customers
- Commercial real estate excluding shopping centres, retail and hotels
- Fisheries and farming
- Other food segments





# Diversified portfolio in commercial real estate



60.8 % of the portfolio are commitments smaller than NOK 100 mill

# Largest single-customers within segments

## 5 largest tourism/hotels

Type	Volume (mill.)	Risk-group
Hotel	261.9	Medium
Hotel	169.0	Medium
Hotel	116.5	Low
Hotel	110.6	Low
Hotel	104.0	Medium

## 5 largest passenger transportation

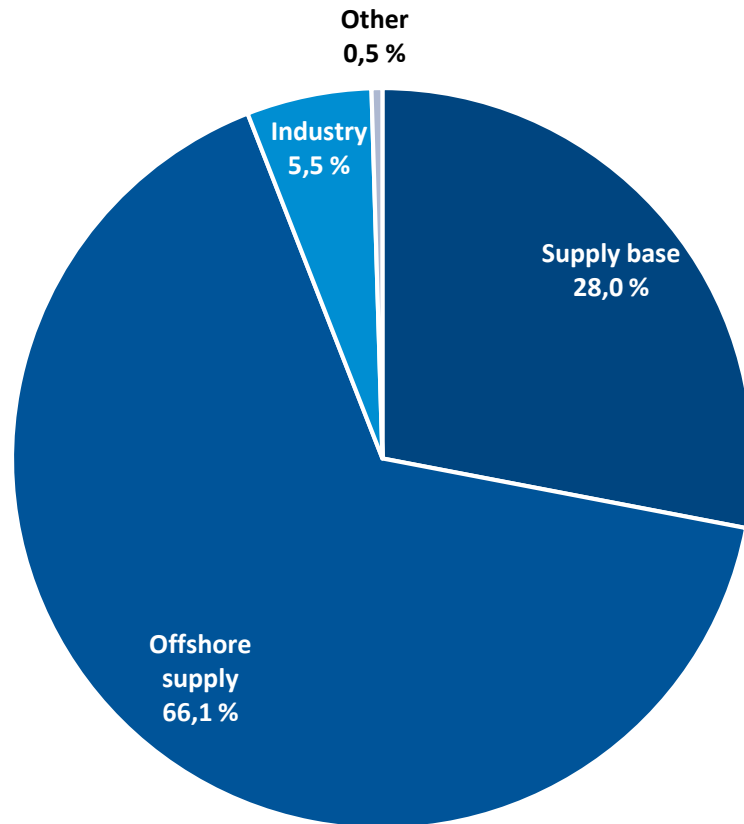
Type	Volume (mill.)	Risk-group
Transportation	350.0	Medium
Transportation	300.0	Very low
Transportation	150.0	Medium
Transportation	65.9	Very low
Transportation	65.1	Medium

## 5 largest retail-trade-related commercial real estate

Type	Volume (mill.)	Risk-group
Retail-trade-related commercial real estate	384.9	Very low
Retail-trade-related commercial real estate	261.1	Medium
Retail-trade-related commercial real estate	252.4	Very low
Retail-trade-related commercial real estate	149.3	Medium
Retail-trade-related commercial real estate	143.7	Low

# Low oil related exposure

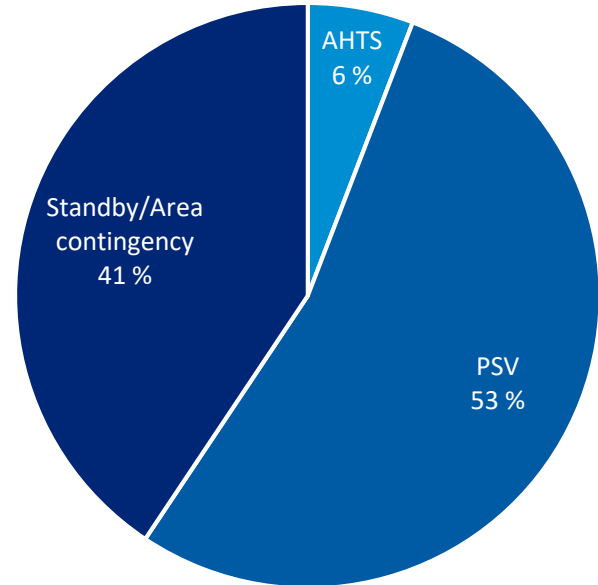
- Oil related exposure amounts to NOK 999 mill
- The exposure represents 0.74 % of total exposure including covered bond companies
- Average weighted probability of default 0.75 %
- A total of NOK 48 mill are non-performing or impaired commitments
- A total of NOK 660 mill in OSV exposure
- The activity within oil and offshore consists of a small customer portfolio handled by a small group of advisors



# Oil related portfolio – Offshore Supply Vessels (OSV)

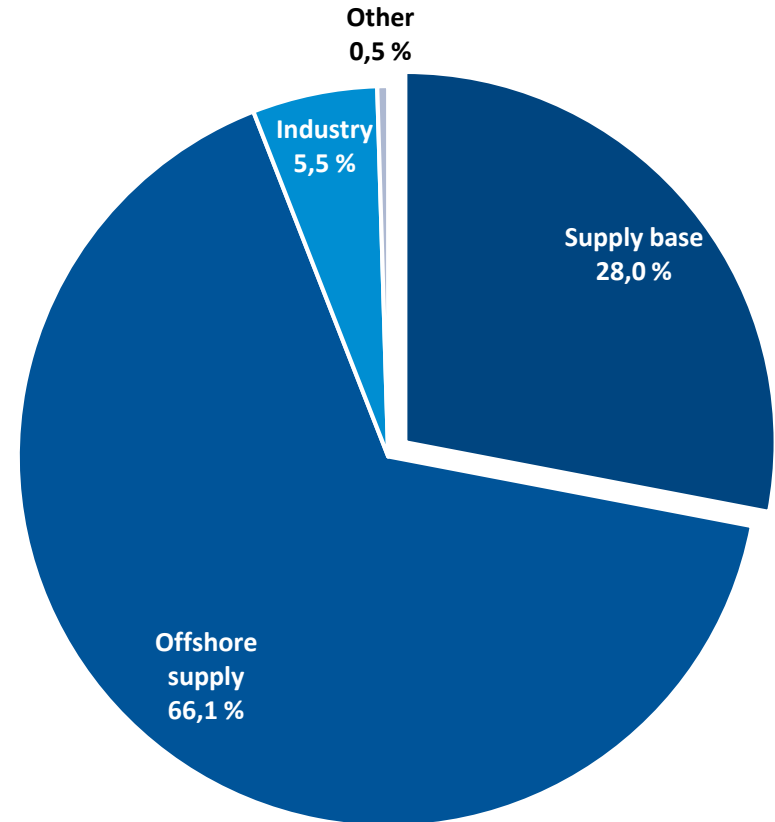
- OSV exposure amounts to NOK 660 mill
- Average weighted probability of default 0.80 %
- Total amount of 7 vessels\*
- Weighted age 8.5 years\*
- Average weighted contract length 3.4 years\*
- SNN is participant in syndicates on 6 vessels

\*Exclusive of barges



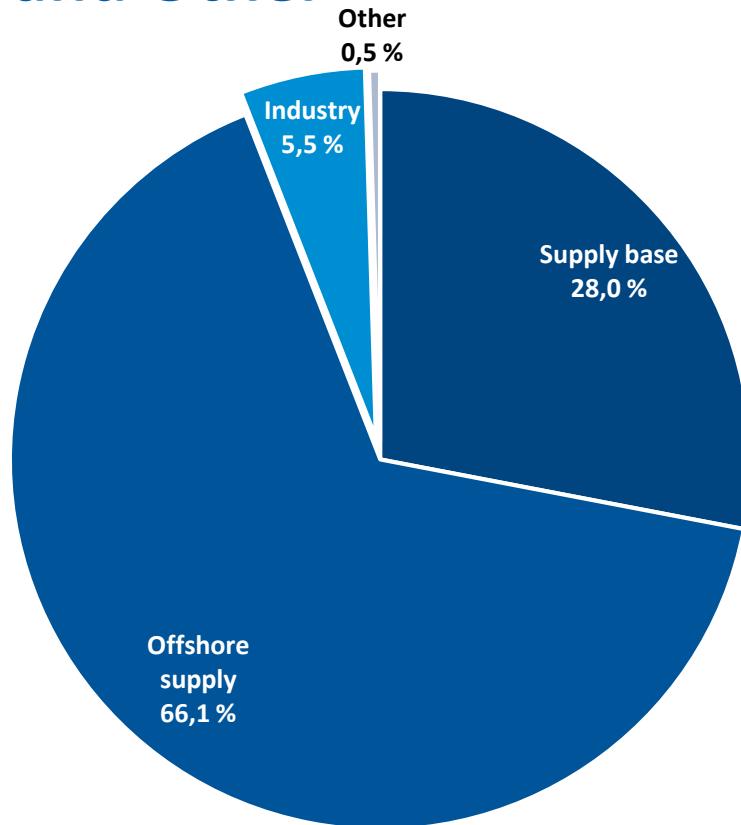
# Oil related portfolio – Supply bases

- Supply base exposure amounts to NOK 279 mill
- Average weighted probability of default 0.26 %
- Customers with long term contracts with solid and strong partners gives good cash flows in the short and long term



# Oil related portfolio – Industry and Other

- The sector “Industry and Other” amounts to NOK 59 mill, including Industry NOK 54 mill and Other NOK 5 mill
- Average weighted probability of default: “Industry” 3.54 % and “Other” 0.96 %
- A total of NOK 47.9 mill non-performing or impaired commitments
- The exposure consists of financing transport equipment and working capital

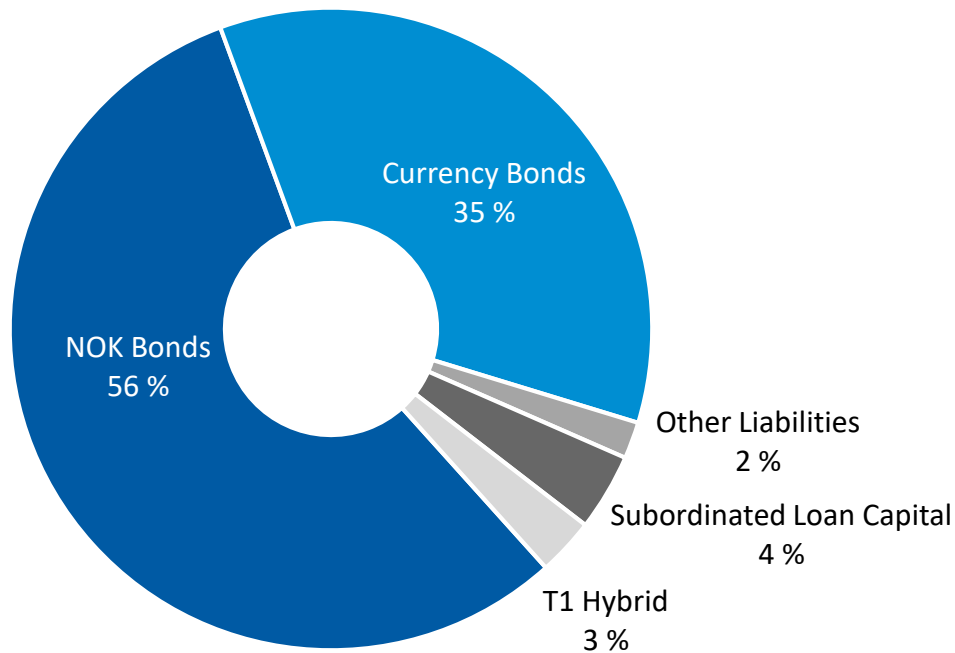


## Loan losses (Group level)

Losses	2020	Q2 20	Q1 20	2019	Q4 19	Q3 19	Q2 19
Individual losses Corporate market	15.0	10.5	4.5	17.5	4.2	9.3	5.4
Individual losses Retail market	4.9	1.5	3.3	10.0	6.7	-0.8	4.4
Collective losses and other value change items	181.1	70.1	111.1	-16.1	-12.7	6.2	5.8
<b>Total losses on loans and guarantees</b>	<b>201.0</b>	<b>82.1</b>	<b>118.9</b>	<b>11.3</b>	<b>-1.8</b>	<b>14.8</b>	<b>15.6</b>

- The Group's annualized losses is 0.32 % of gross lending including loans transferred to covered bond companies
- Commitments in step 3 – 0.48 % of total exposure – expected loss share: 35.77 %
- Commitments in step 2 – 7.99 % of total exposure – expected loss share: 3.02 %
- Commitments in step 1 – 91.53 % of total exposure – expected loss share: 0.35 %

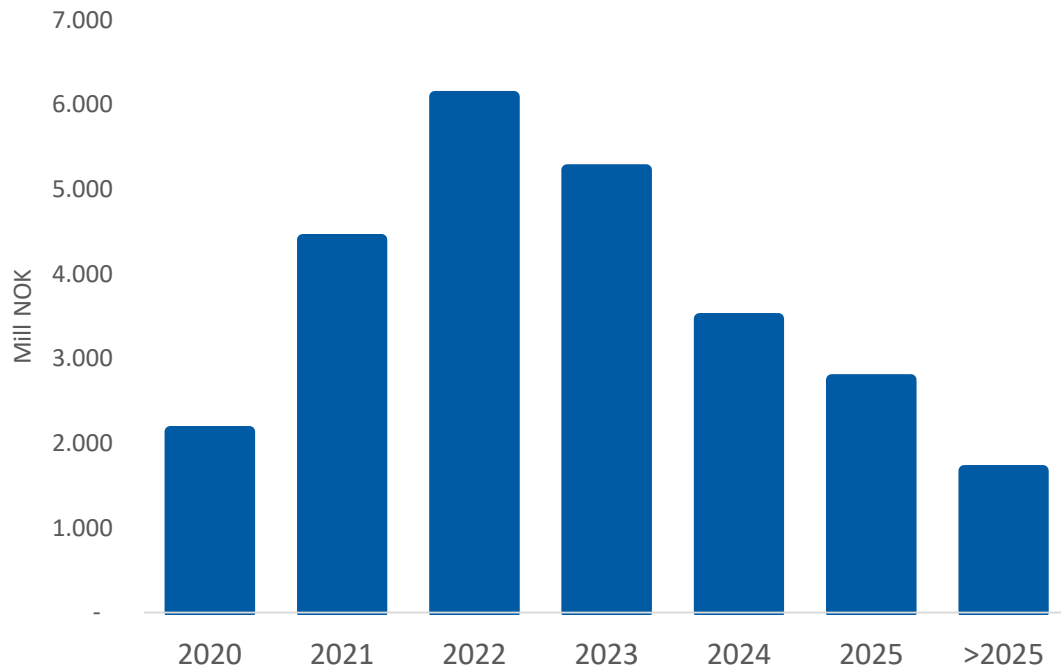
# Funding instruments 30.06.2020





# Maturity profile 30.06.2020

Capital markets funding (excl. SPABOL/SPACOM)



NOK 25 769 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 37 311 mill had been transferred as of 30.06.20

Amount of gross maturities of capital market funding next 12 months is NOK 4 391 mill

# Ambitious targets for climate risk and sustainability

- Climate risk is part of the Group's risk strategy.
- Sustainability is a part of all core processes through its own policy on sustainability and corporate social responsibility. These include goals to contribute to a greener securities market and working towards a more sustainable lending portfolio.
- Commits to reduction of own greenhouse gas emissions by 40% by 2026.
- As of 2020 the bank will report on all of the UN's 17 sustainability targets.

In 2019 MNOK 300 of community dividend went to sustainable wealth creation and development of the region through the concept «Samfunnsløftet».



# SpareBank 1 Alliance:

## National champion, regional focus



- **The SpareBank 1 alliance consists of 14 banks;** independent in each their region. Decisions are made close to the customer, and each bank continues to develop its link with its local community
- **Operate exclusively in Norway** – Norway's most extensive branch network
- **Work as if one integrated concern.** SpareBank 1 banks are at the forefront of incorporating technological innovation into its distribution channels. Best rated mobil banking in Norway
- Offer banking products through **jointly owned product companies**
- **Market leaders** in their core regional markets 30-50%

# SpareBank 1 Alliance

