

# Quarterly accounts 3Q 2020



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## Pre-tax profit

1 649 MNOK (2 133)

## ROE

13,4 % (18,9 %)

## CET-1 ratio

17,2 % (15,5 %)

## C/I-ratio

38,5 % (34,7 %)

## Losses

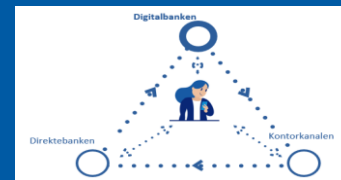
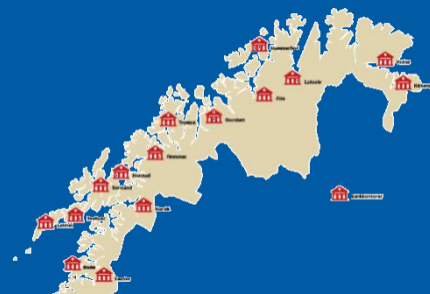
259 MNOK (-13)

## Nr. 1 position

Main bank retail	35 %
Main bank SME	36 %
Real estate agency	36 %
Accounting	20 %
Secured financing	21,5 %

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

## New local presence 15 branches



# Group companies - result before tax

	30.09.20	30.09.19
SpareBank 1 Finans Nord-Norge AS	103 963	114 804
SpareBank 1 Regnskapshuset Nord-Norge AS	31 061	29 937
EiendomsMegler 1 Nord-Norge AS	34 178	15 954
<b>Subsidiaries core operations</b>	<b>169 202</b>	<b>160 695</b>
Other subsidiaries	2 025	- 758
<b>Total</b>	<b>171 227</b>	<b>159 937</b>

# Taking control of the future

- New divisional organization
- 16 branches will be closed
- The remaining 15 offices will be strengthened
- Target downsizing by 100 employees by the end of 2021
- Implementation of Performance Management
- Enhance our strong customer focus with a new CRM-system

## SpareBank 1 Nord-Norge legger ned 16 av 31 kontorer

SpareBank 1 Nord-Norge tar grep for å møte fremtiden.



SJEF: Liv Ulriksen i SpareBank 1 Nord-Norge.

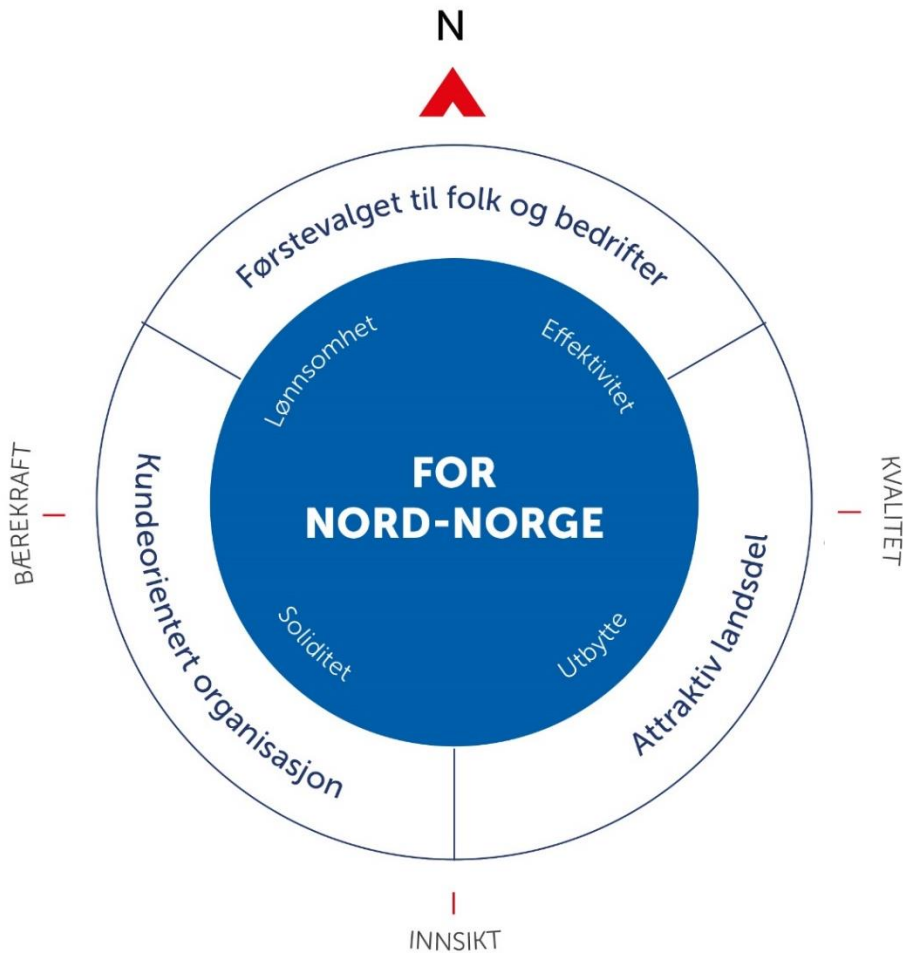
Bank



Herman Tinius Folvik  
08.37 - 17. sep.

Banken velger å legge ned 16 av 31 kontorer for å kunne møte endret kundeadferd, tøff konkurranse og forventet demografisk utvikling, går det frem av en børsmelding.

SpareBank 1 Nord-Norge NØNG peker på at coronakrisen har gjort at digitaliseringen har skutt fart.



## Strategic initiatives

New distribution and operating model

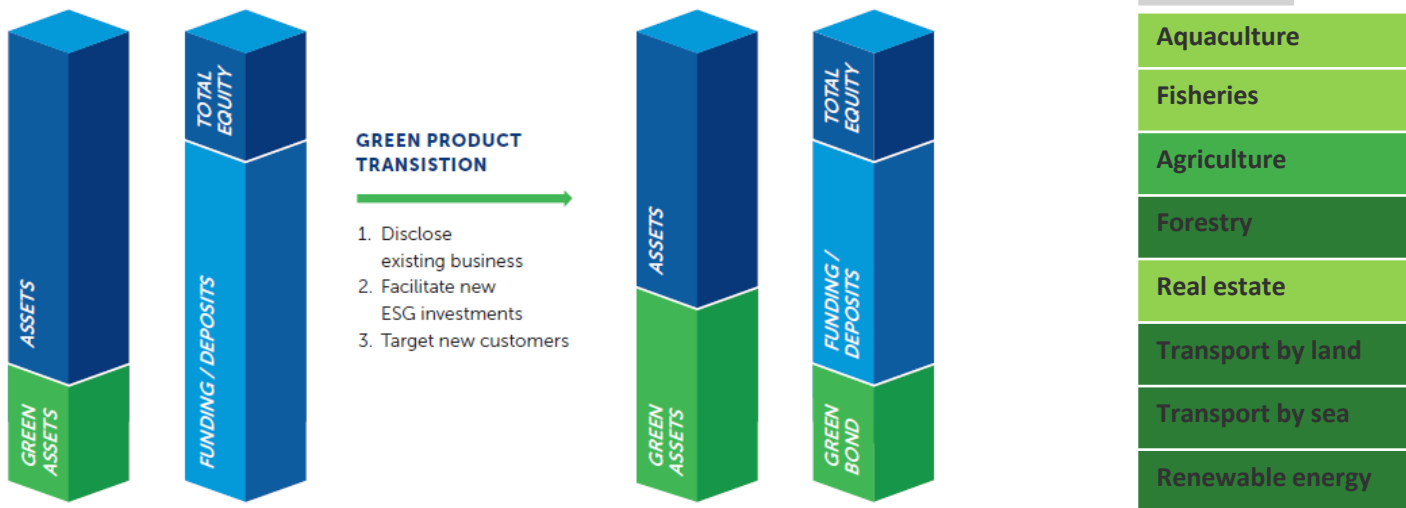
CSR commitment 2.0

Implementation of Performance Management

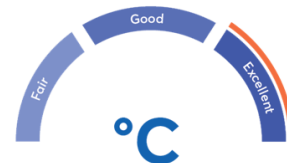




# Green product framework



- Sustainability as a part of our new business strategy
- Including climate risk – strengthening our balance
- Adapting to new regulations
- In accordance with current expectations
- Contribute to positive change in business
- Strengthen our position «for Northern Norway»

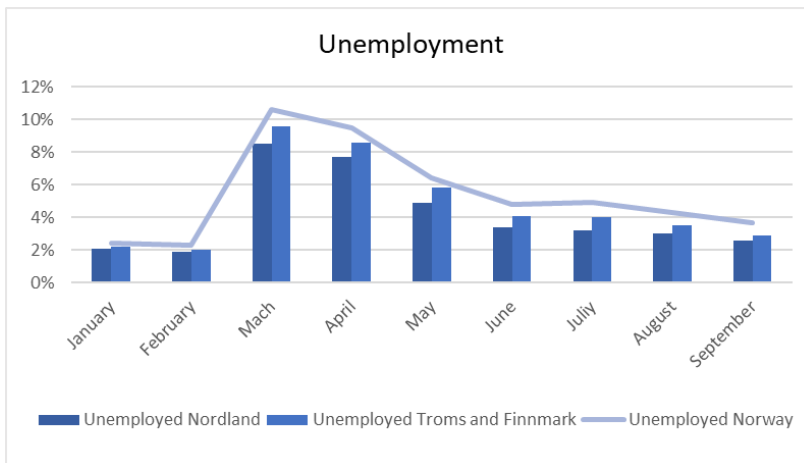
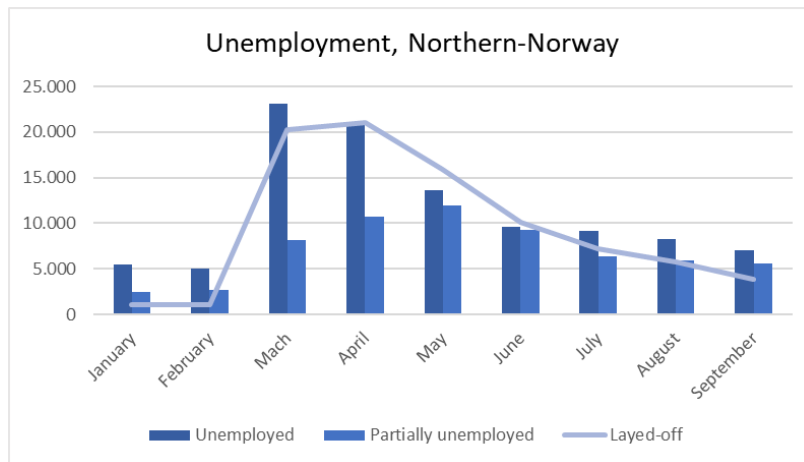


*“The overall assessment of SNN’s governance structure and processes gives it a rating of Excellent”*

# Vacancy is falling

## - Long-term unemployment is rising

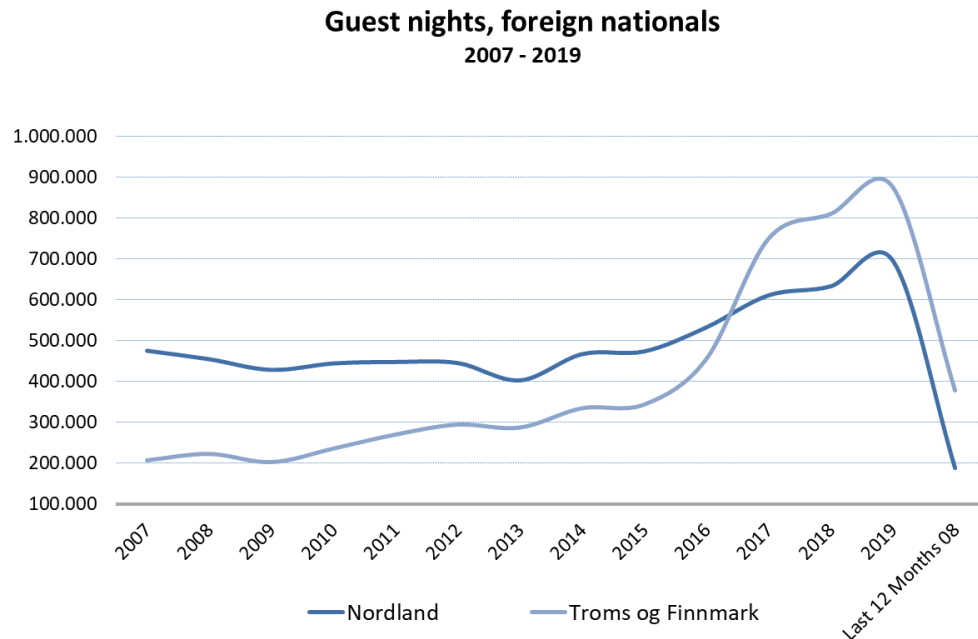
- There are 12 643 unemployed in Northern Norway, where 3 893 are temporarily lay-offs
- The number of unemployed went down with 1 200 during September
- The biggest positive change occurred within tourism and transport, but still it is within these sectors we find the biggest number of unemployed
- The number of long-term unemployed are increasing in both counties





# Tourism still struggles

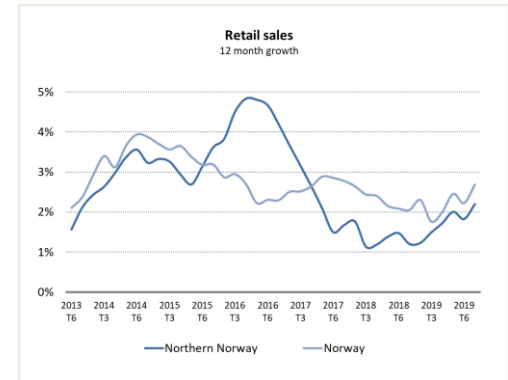
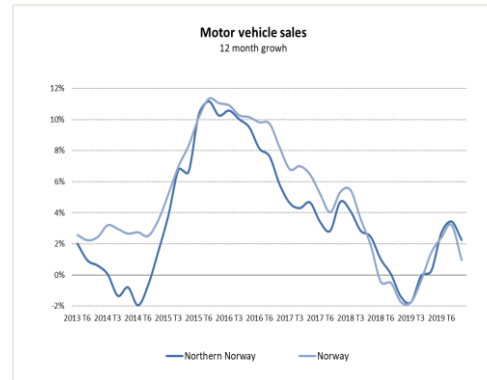
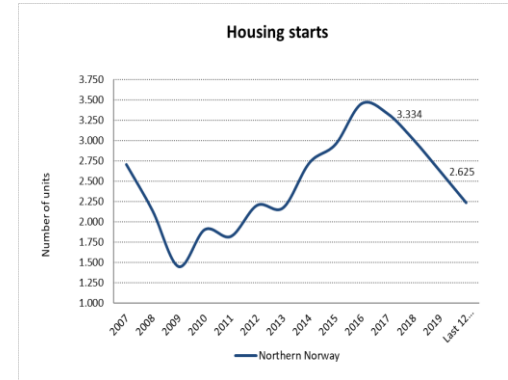
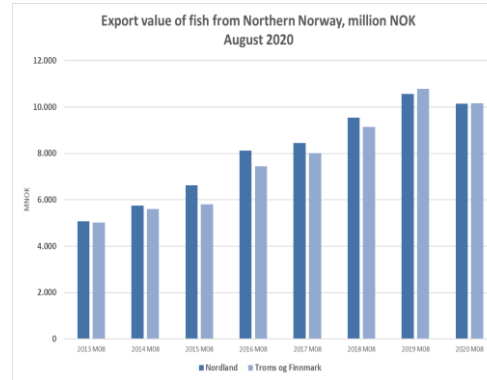
- The tourism sector is an important employer in Northern Norway
- Tourism has been a growth industry in the region for the latest 5-10 years
- Without any new stimulus packages for the industry the number of bankruptcies are expected to rise
- The direct impact of this for the bank will be rather limited
- Indirect and second-round effects may however result in slightly higher losses



# Northern Norway

## A quick view

- Seafood export is on record levels
  - Large importers like Spain, Portugal, Italy and France are however heavily affected by the virus
- The housing market seems to be well balanced
- Consumption is still rising after the March dip both in terms of retail sales and durable goods

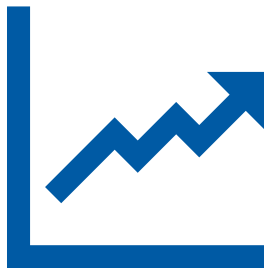


# Ambitions for growth and increased market share

Expected growth for SpareBank 1 Nord-Norge in 2020:

**Retail market: 2-5 %**

**Corporate market: 5-8 %**



Corporate growth within companies and industries with low exposure to Corona

# Why invest in SpareBank 1 Nord-Norge?

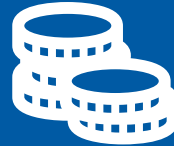
## #1

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



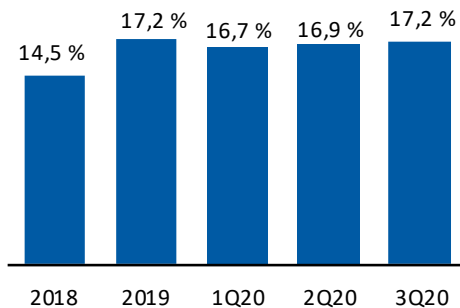
# Group financial highlights and key figures

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

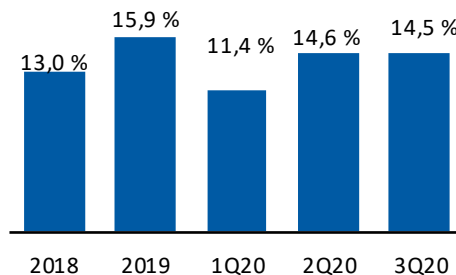
	30.09.20	%	30.09.19	%	31.12.19	%
<b>From the profit and loss account</b>						
Net interest income	1 570	1,79 %	1 519	1,87 %	2 097	1,92 %
Net fee- and other operating income	951	1,09 %	838	1,03 %	1 116	1,02 %
Net income from financial investments	581	0,66 %	927	1,14 %	911	0,84 %
<b>Total income</b>	<b>3 102</b>	<b>3,54 %</b>	<b>3 284</b>	<b>4,04 %</b>	<b>4 124</b>	<b>3,78 %</b>
<b>Total costs</b>	<b>1 194</b>	<b>1,36 %</b>	<b>1 138</b>	<b>1,40 %</b>	<b>1 640</b>	<b>1,50 %</b>
<b>Result before losses</b>	<b>1 908</b>	<b>2,18 %</b>	<b>2 146</b>	<b>2,64 %</b>	<b>2 484</b>	<b>2,28 %</b>
Losses	259	0,30 %	13	0,02 %	11	0,01 %
<b>Result before tax</b>	<b>1 649</b>	<b>1,88 %</b>	<b>2 133</b>	<b>2,62 %</b>	<b>2 473</b>	<b>2,27 %</b>
Tax	281	0,32 %	318	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>1 368</b>	<b>1,56 %</b>	<b>1 813</b>	<b>2,23 %</b>	<b>2 062</b>	<b>1,89 %</b>
Interest hybrid capital	19		21		28	
<b>Result after tax ex. interest hybrid capital</b>	<b>1 349</b>		<b>1 792</b>		<b>2 034</b>	
<b>Profitability</b>						
Return on equity capital	1	<b>13,4 %</b>	18,9 %		15,9 %	
Interest margin	2	<b>1,79 %</b>	1,87 %		1,92 %	
Cost/income	3	<b>38,5 %</b>	34,7 %		39,8 %	

# A good third quarter in a demanding year

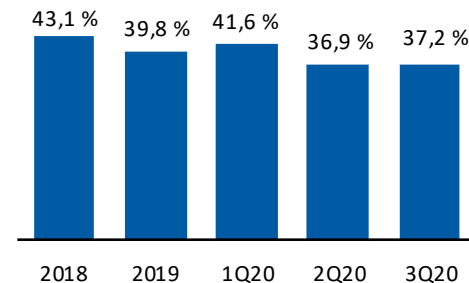
CET 1



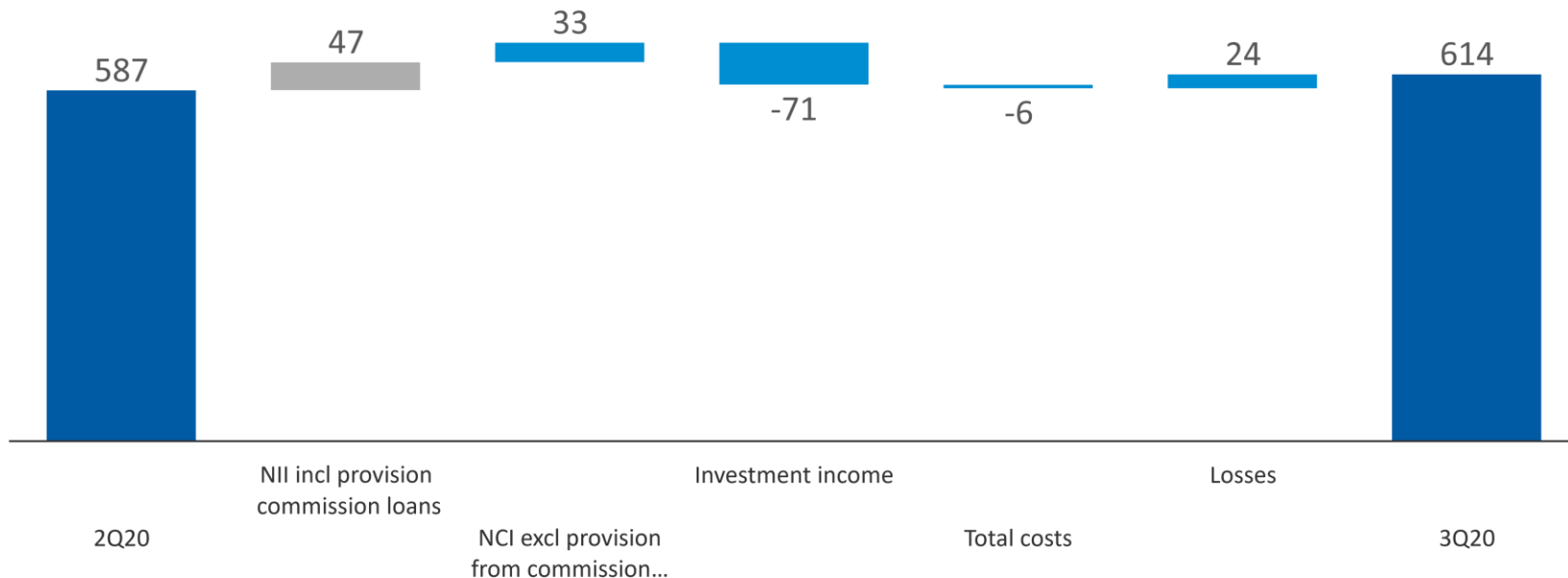
Return on equity capital



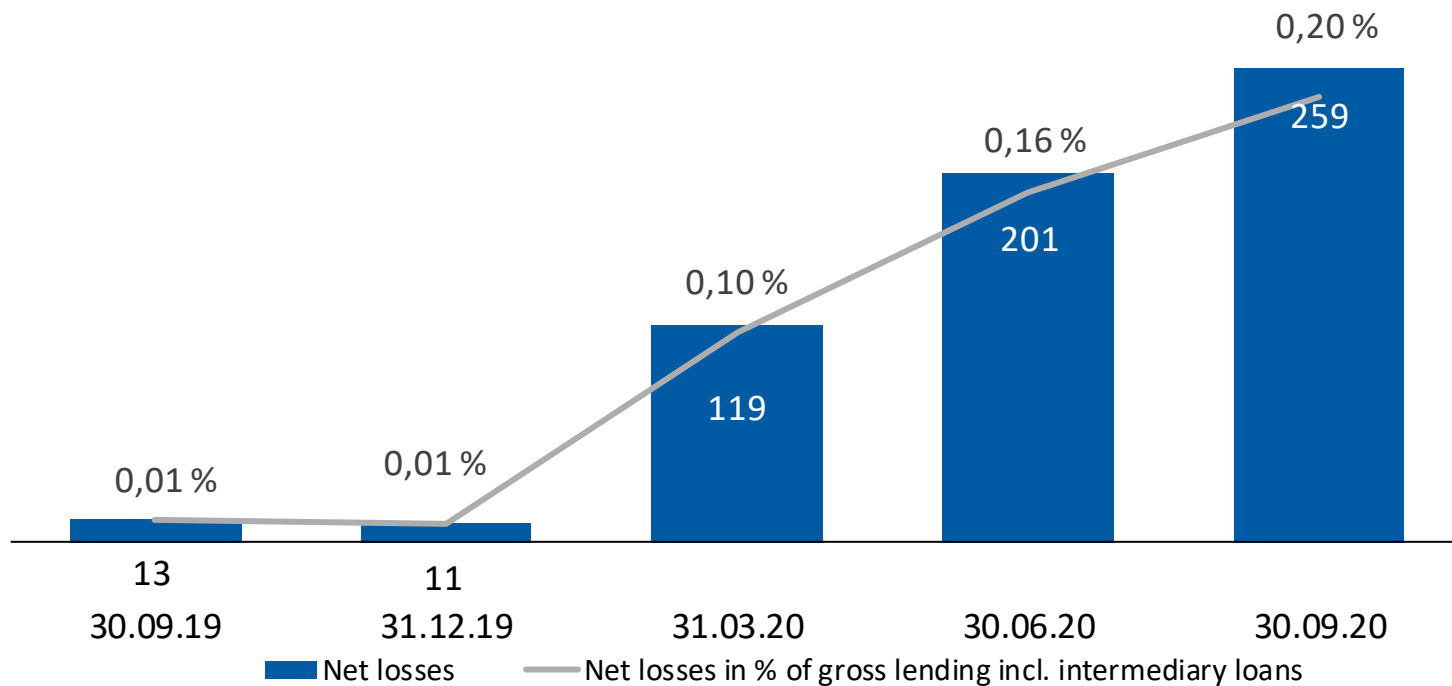
Cost/income Group



# Improvement in result before tax last quarter

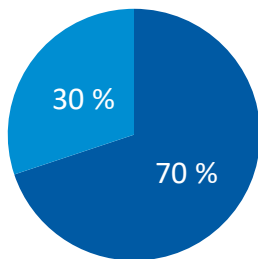


# Low individual losses – increased ECL provisions



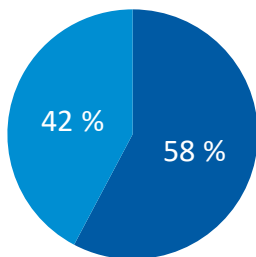


# Lending growth in both retail and corporate market



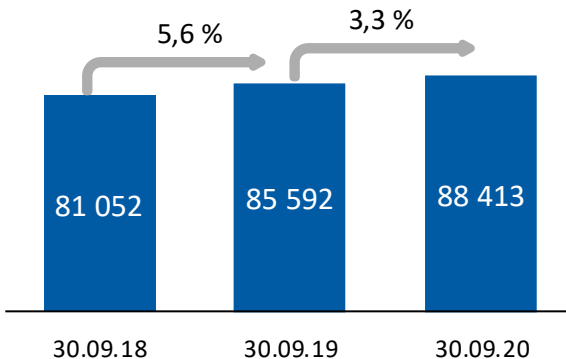
■ Retail incl.  
commission  
loans

■ Corporate incl.  
commission  
loans

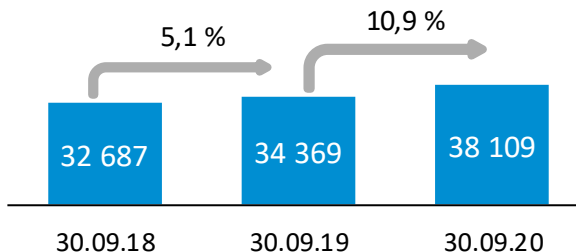


■ Retail excl.  
commission  
loans

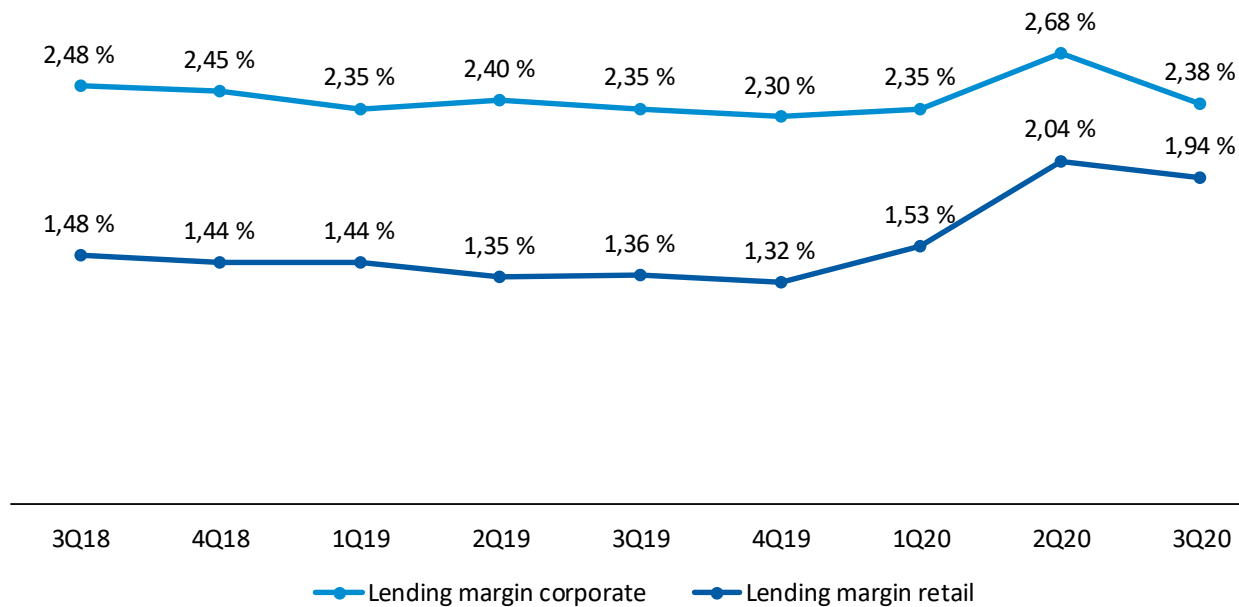
Retail market incl. commission loans



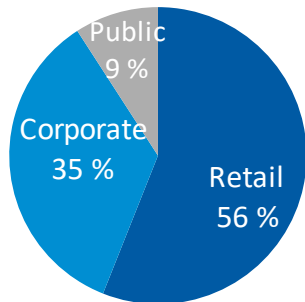
Corporate incl. commission loans



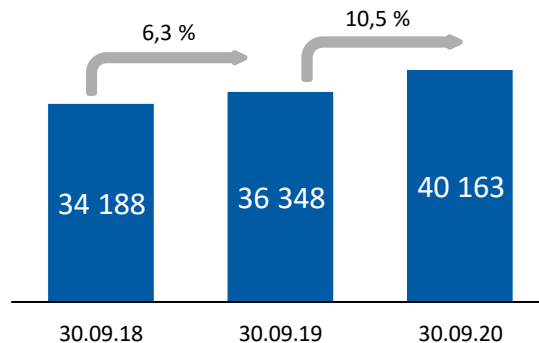
# Development in lending margins



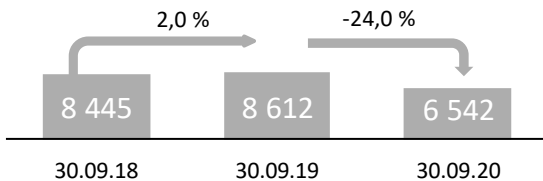
# Deposit growth



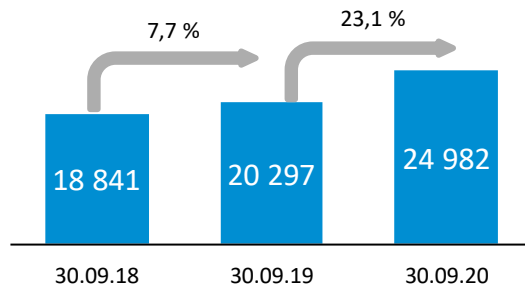
**Retail banking market**



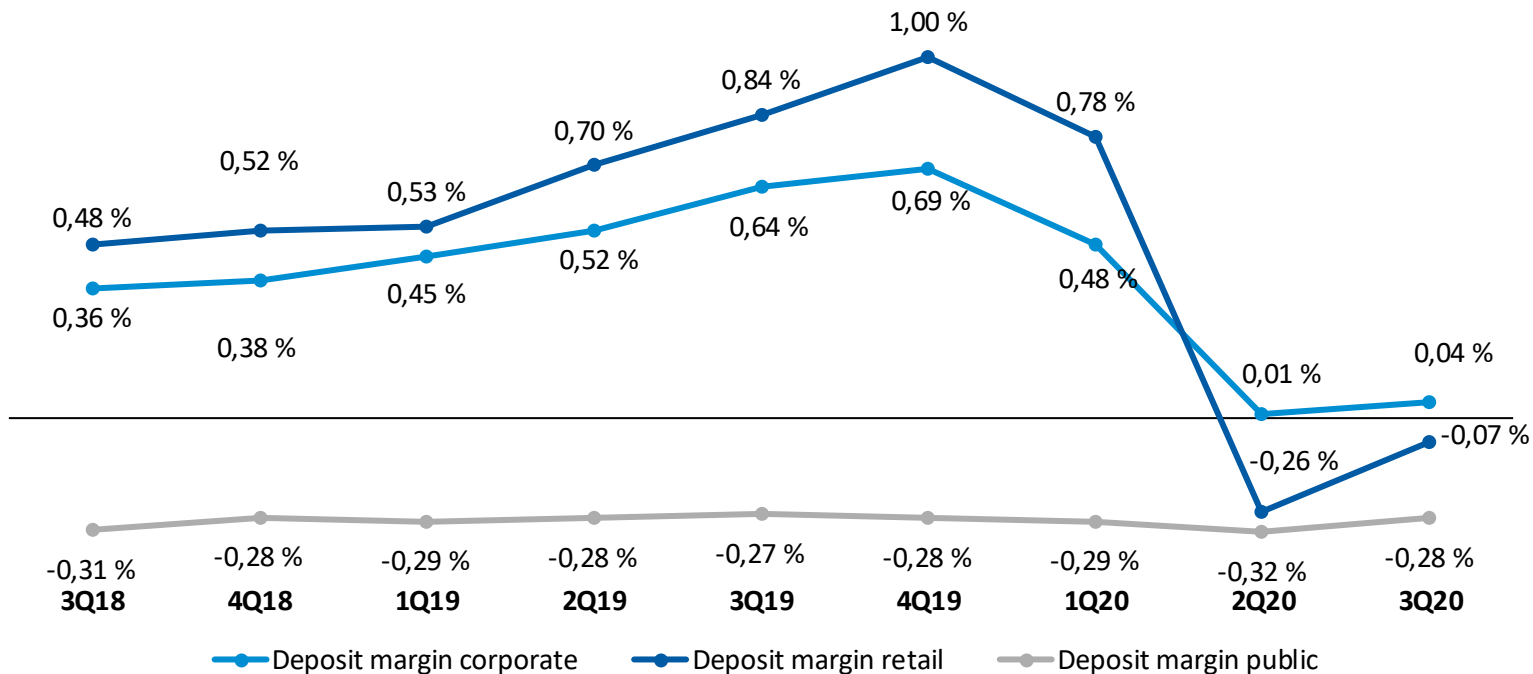
**Public market**



**Corporate market**



# Development in deposit margins





# The profitability measures goal stands

**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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Increased net interest income in Q3, mainly due to increased margins and reversal of one-offs from Q2. Tough price competition in retail market and low policy interest rates will put pressure on net interest income.

## 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 Q3 the CET-1 is 17.2 %. There is still some uncertainty about upcoming regulatory changes from the FSAN.

## C/I < 40 %

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Q3 Cost/Income at 37,2 %. Reduced costs in the parent bank while the top-line growth in group companies has led to an increased C/I. Full effect of the planned profitability measures expected to be seen during 2021.

## CASH DIVIDEND > 50 %

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The targeted cash dividend of > 50 % still stands. The uncertainty related to Covid-19 and/or 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:**

Q3 2020 23 October 2020

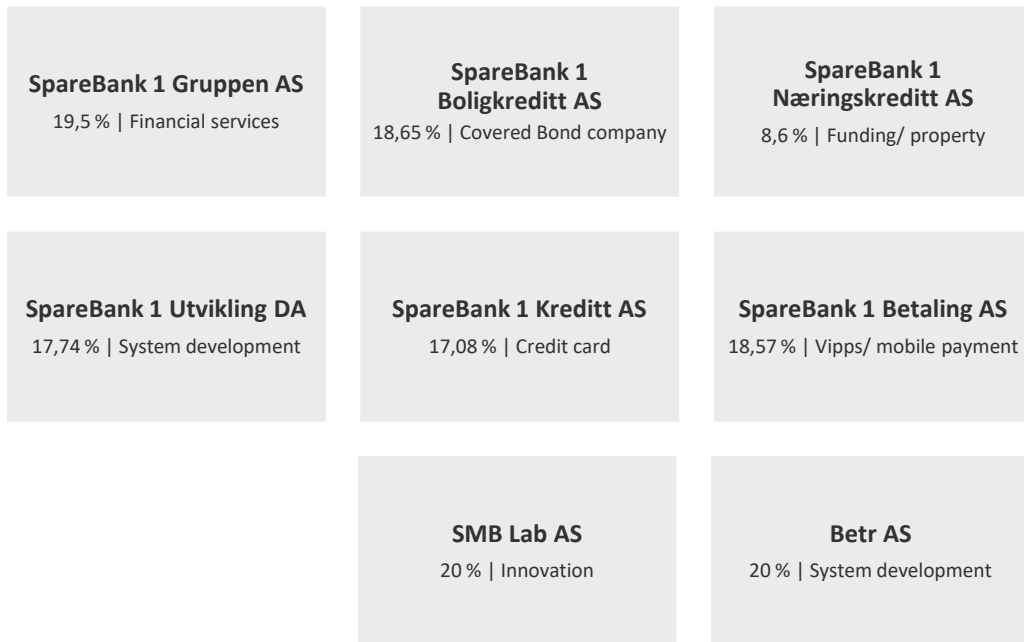
Preliminary Annual Accounts 2020: 11 February 2021



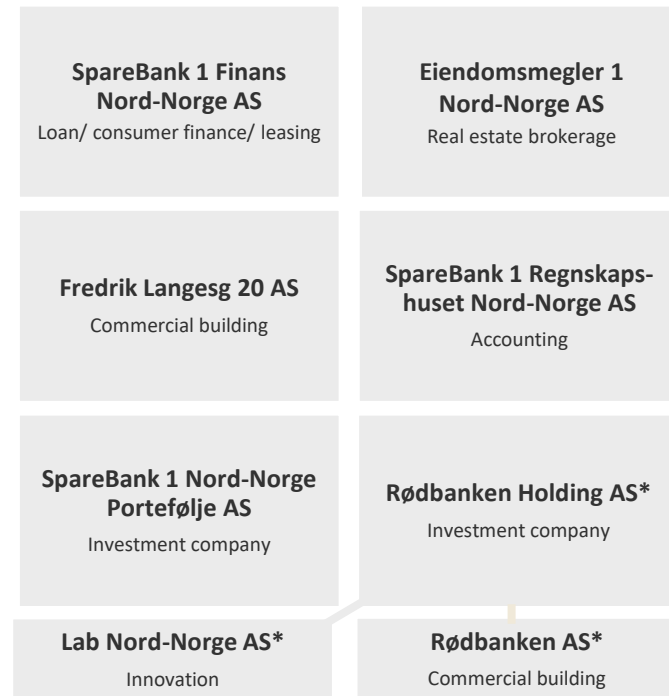
# Appendix

# Company structure

## Associated companies and joint ventures



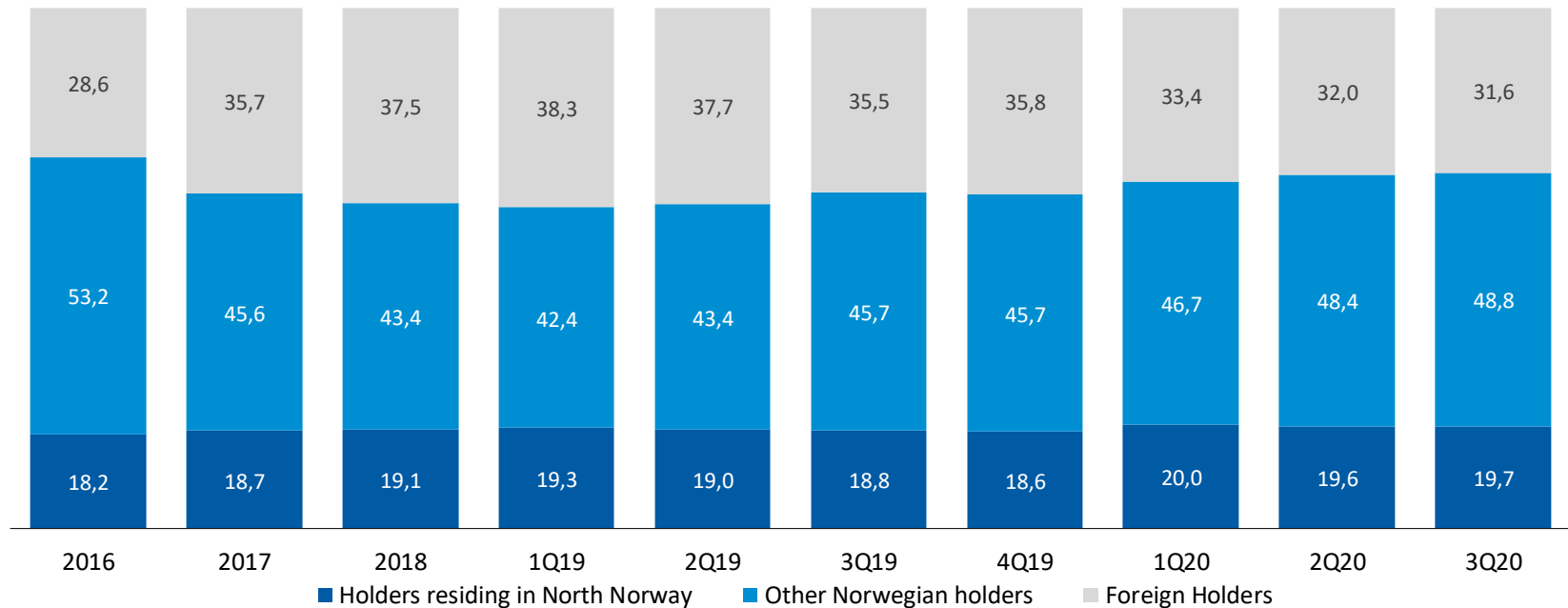
## Subsidiaries and second tier subsidiaries



*\*Not consolidated*



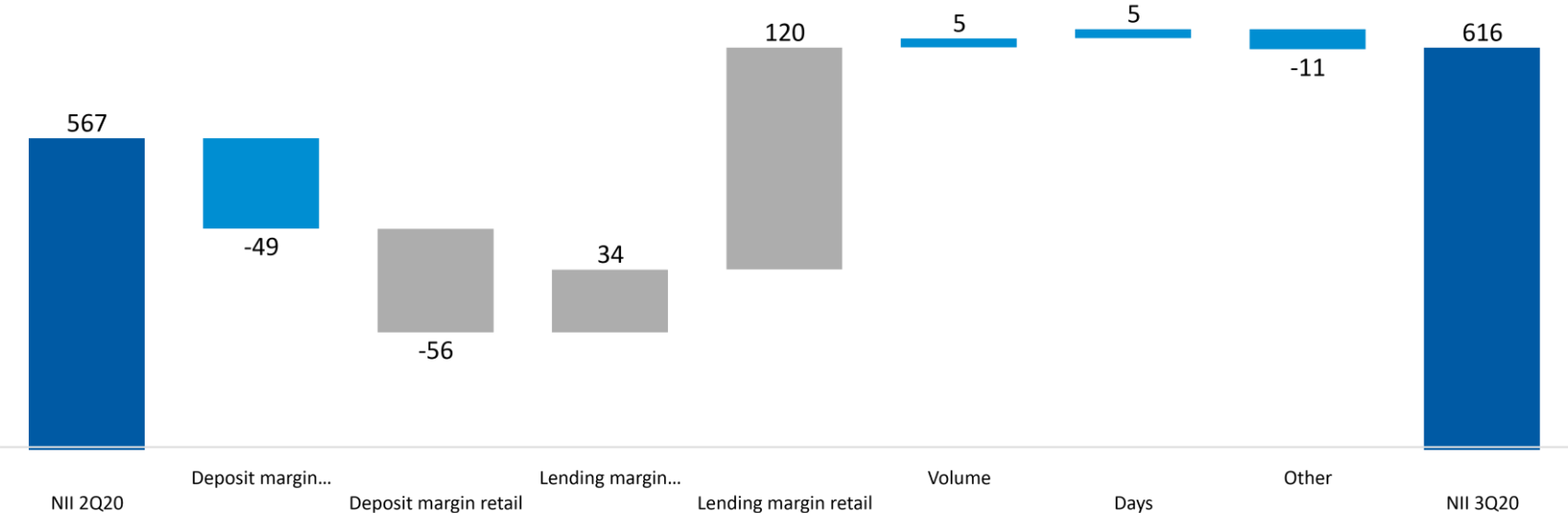
# Geographical distribution of ownership



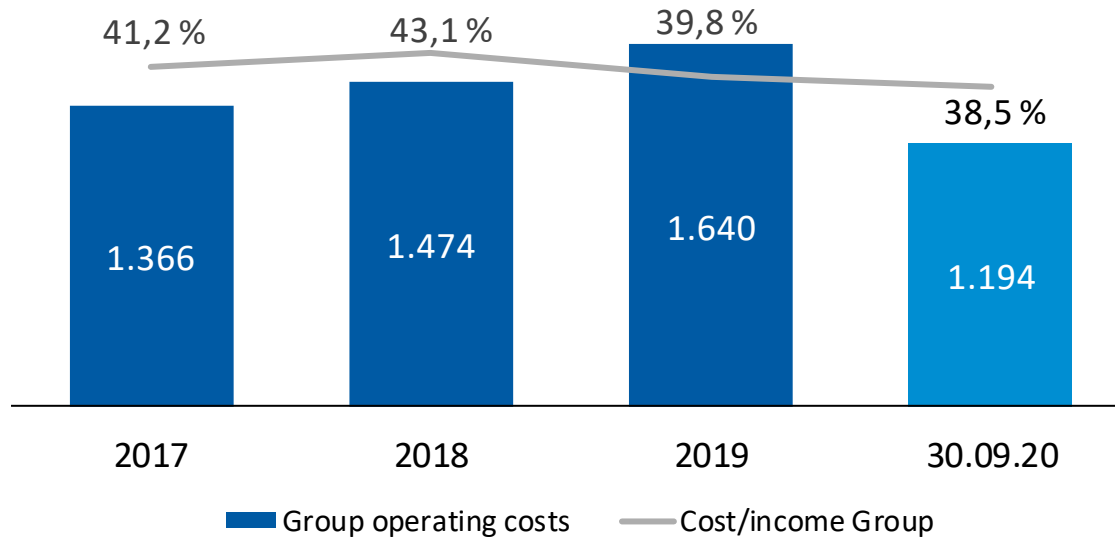
# The 20 largest EC holders

EC Holders	Number of ECs	Share of EC Capital
PARETO AKSJE NORGE VERDIPAPIRFOND	3.389.231	3,38%
PARETO INVEST AS	3.145.133	3,13%
State Street Bank and Trust Comp	2.878.282	2,87%
The Northern Trust Comp, London Br	2.863.162	2,85%
GEVERAN TRADING CO LTD	2.790.356	2,78%
VPF EIKA EGENKAPITALBEVIS	2.507.958	2,50%
MP PENSJON PK	2.444.322	2,43%
Brown Brothers Harriman & Co.	2.196.486	2,19%
METEVA AS	1.614.670	1,61%
FORSVARETS PERSONELLSERVICE	1.602.630	1,60%
Morgan Stanley & Co. Int. Plc.	1.502.076	1,50%
SPAREBANKSTIFTELSEN SPAREBANK 1 NO	1.411.606	1,41%
Landkreditt Utbytte	1.325.000	1,32%
State Street Bank and Trust Comp	1.016.019	1,01%
Euroclear Bank S.A./N.V.	996.822	0,99%
VERDIPAPIRFONDET EIKA SPAR	866.452	0,86%
J.P. Morgan Bank Luxembourg S.A.	831.519	0,83%
ARCTIC FUNDS PLC	790.249	0,79%
CLEARSTREAM BANKING S.A.	782.178	0,78%
Brown Brothers Harriman & Co.	735.389	0,73%
<b>Total</b>	<b>35.689.540</b>	<b>35,55%</b>

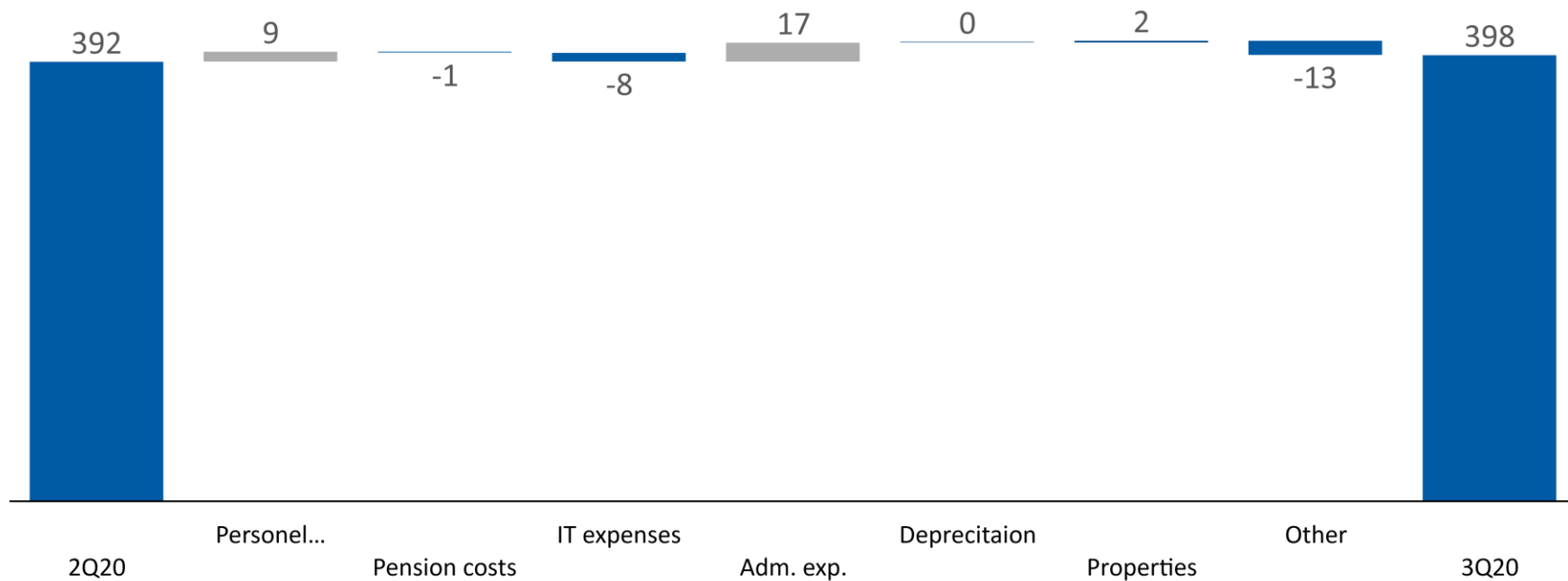
**Net interest income - Group**  
Measured against funding cost



# Cost development – Group



# Operating expenses - Group



# Net fee- and other operating income - Group

(Amounts in NOK million)	3Q20	2Q20	1Q20	4Q19	3Q19
Payment facilities	74	68	73	76	89
Insurance products	47	44	43	42	42
Guarantee commissions	9	8	7	7	7
Real estate broking	49	40	30	32	29
Portfolio commissions	14	11	12	9	11
Other commissions	27	27	22	26	34
<b>Commissions excl. commission loan</b>	<b>220</b>	<b>198</b>	<b>187</b>	<b>192</b>	<b>212</b>
Commission loans	113	52	68	72	67
<b>Total commission income</b>	<b>333</b>	<b>250</b>	<b>255</b>	<b>264</b>	<b>279</b>
 Commission costs	 14	 17	 22	 27	 29
 Accounting services	 55	 50	 60	 41	 38
Other operating income	0	1	0	0	2
<b>Total commissions and other income</b>	<b>55</b>	<b>51</b>	<b>60</b>	<b>41</b>	<b>40</b>
 <b>Net fee- and other operating income</b>	 <b>374</b>	 <b>284</b>	 <b>293</b>	 <b>278</b>	 <b>290</b>



# Lending portfolio: Key points

## Growth

- 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, within the group's risk appetite











## Portfolio quality

- Decreased exposure in non-performing and impaired commitments last 12 months. Expected to increase in the forthcoming year due to Covid-19
- Significant loan losses due to the macroeconomic outlook, but decreased in Q3 compared to last quarter. Individual losses are still low

## Concentration

- Somewhat increased concentration within the corporate sector, but still a diversified portfolio

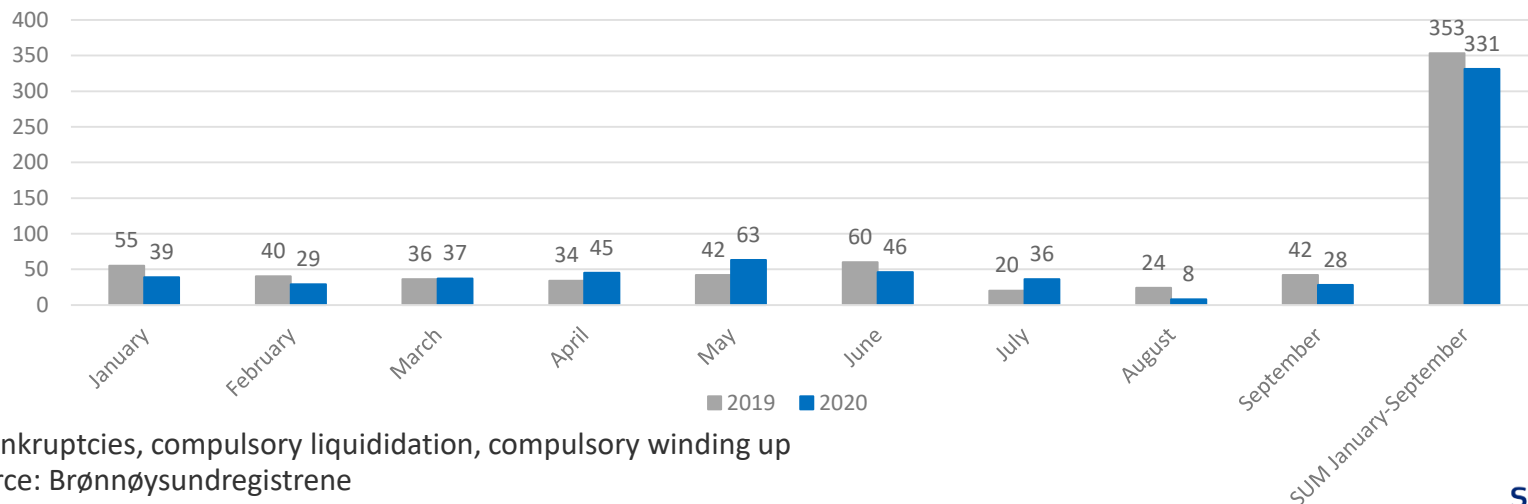
# Economy in Northern Norway and loan portfolio

Segments	Status	Outlook
Macro		
Seafood		
Construction		
Retail shops, including CRE shopping centres		
Other CRE (offices +++)		
Tourism, including hotels and passenger transport		

**UNCERTAINTY  
RELATED TO  
OUTLOOK**

# No significant increase in bankruptcies so far

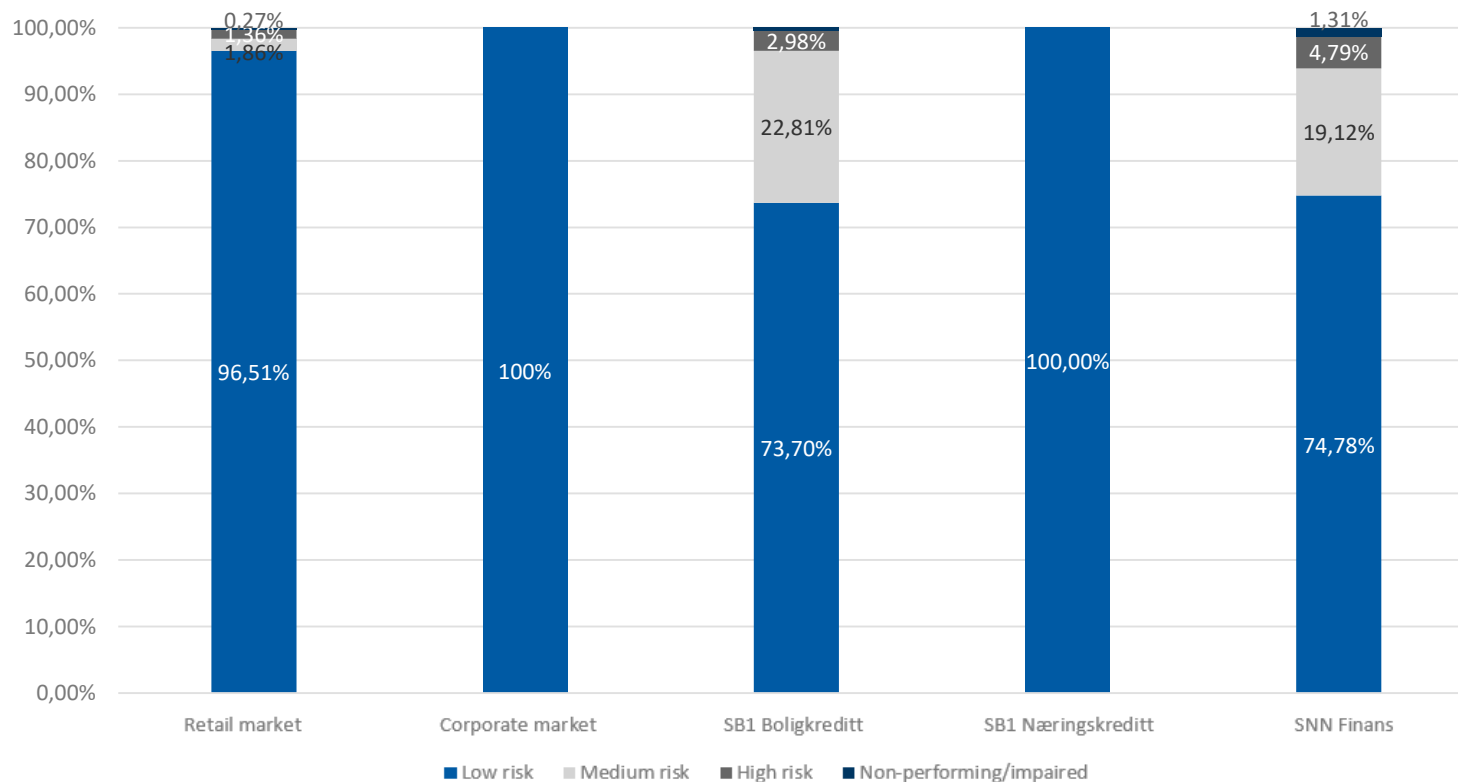
- Number of bankruptcies\* in Northern Norway are still at low levels
- A small increased number of bankruptcies in Northern Norway so far in 2020
- The industries construction, accommodation and catering and retail trade make up a significant proportion of bankruptcies in 2020
- Number of bankruptcies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



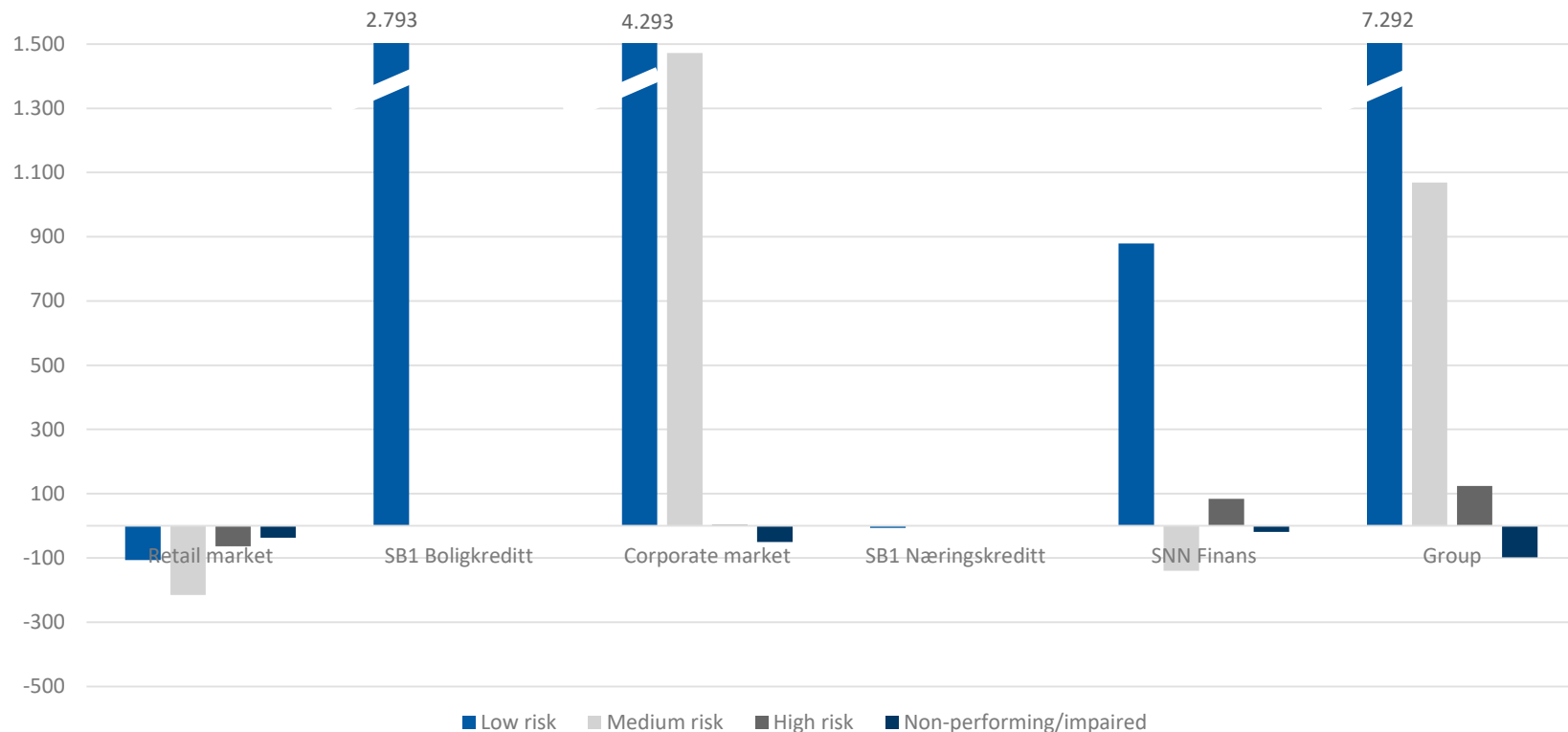
\* Bankruptcies, compulsory liquidation, compulsory winding up

Source: Brønnøysundregistrene

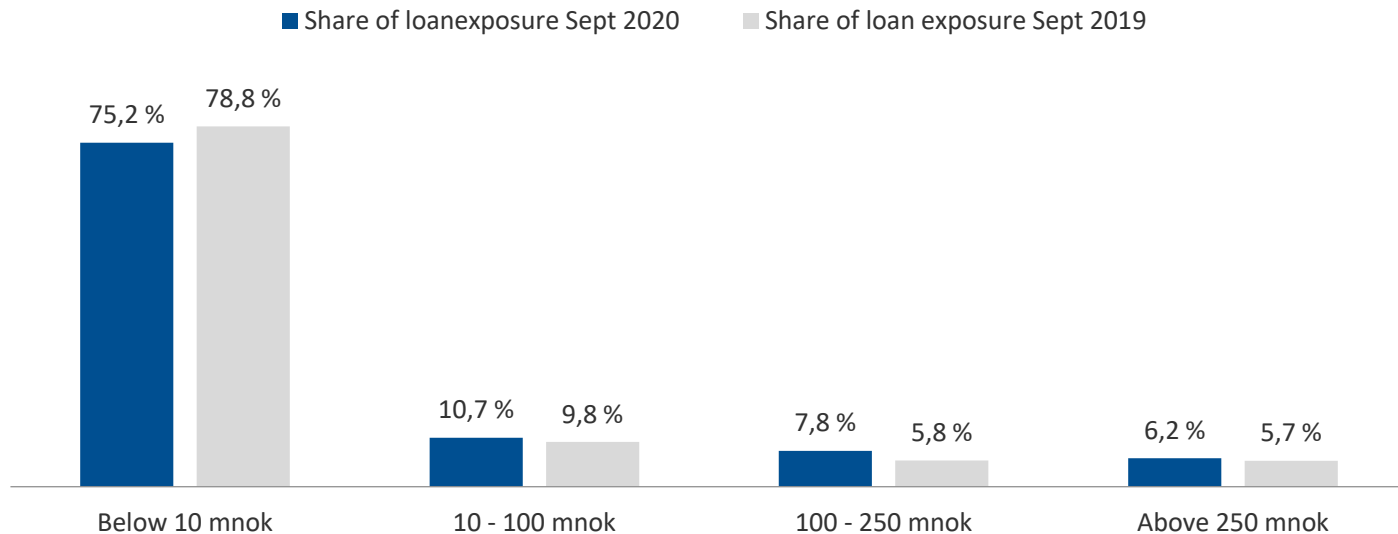
# Portfolio: Exposure as of 30.09.2020 (Group level)



# Portfolio: Changes last 12 months (Group level)



# Portfolio: Exposure distributed by size

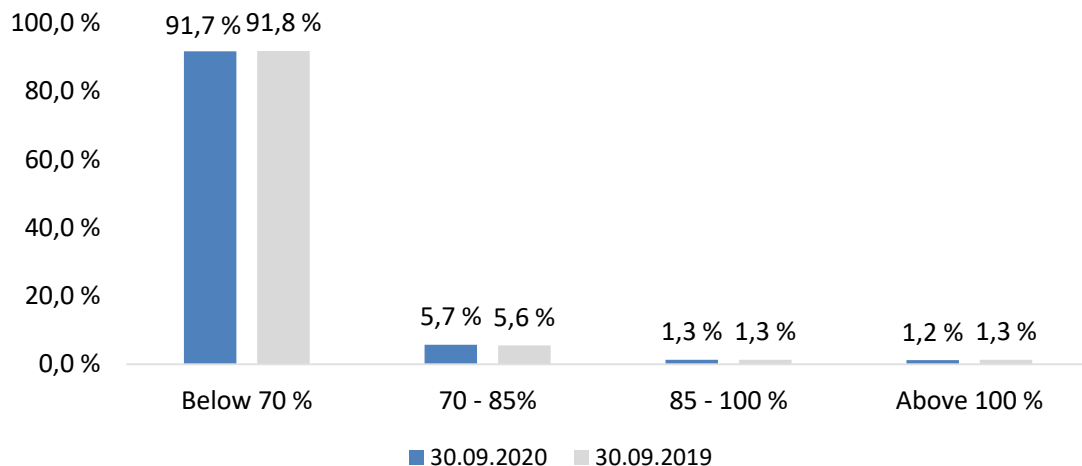


Numbers include parent bank, SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

# Portfolio: LTV mortgage loans

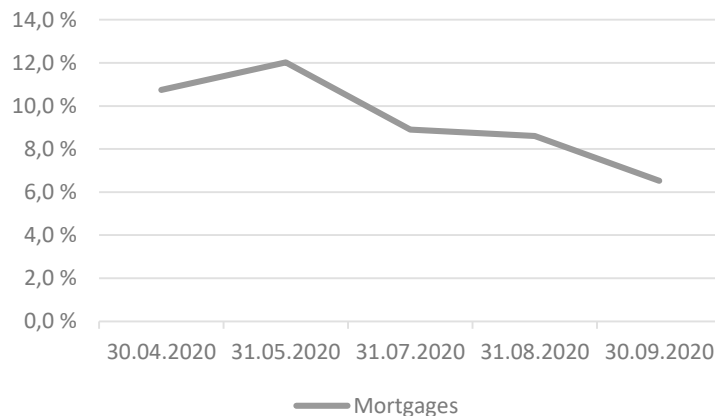
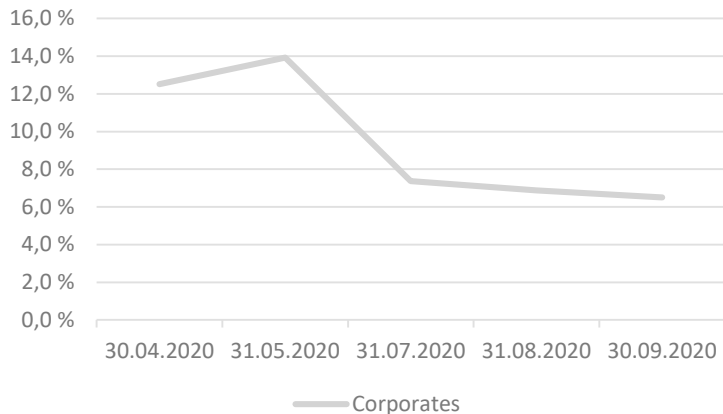
LTV is distributed by balance and is based on the market value of the collateral:

- 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 need for interest-only loans

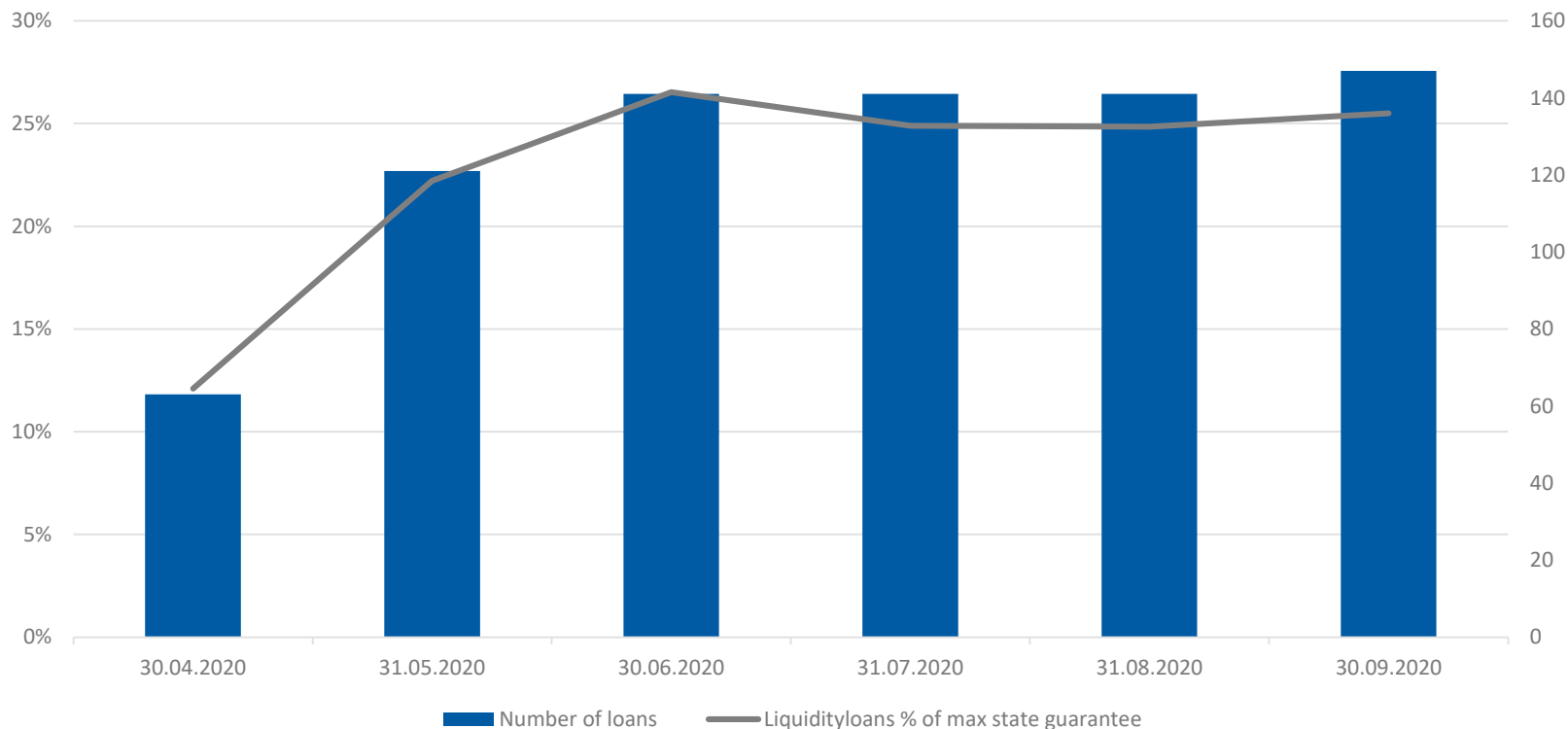
## Share of interest-only loans due to Covid-19



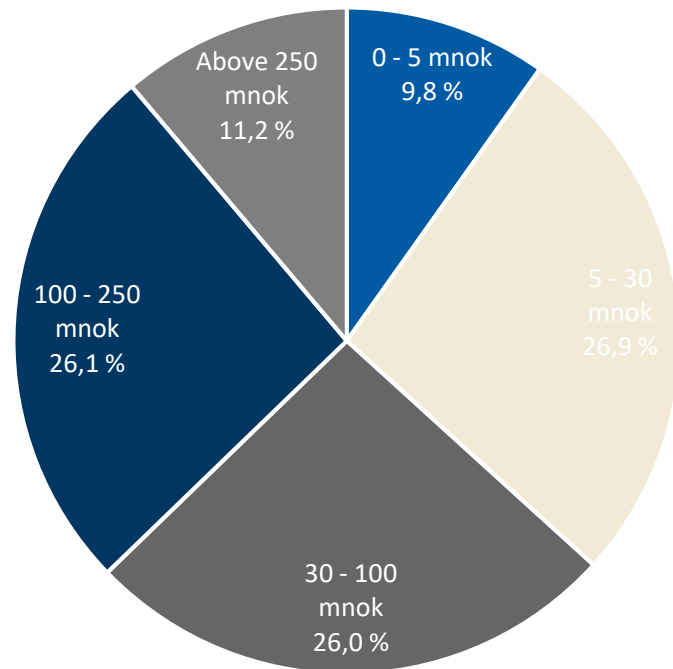
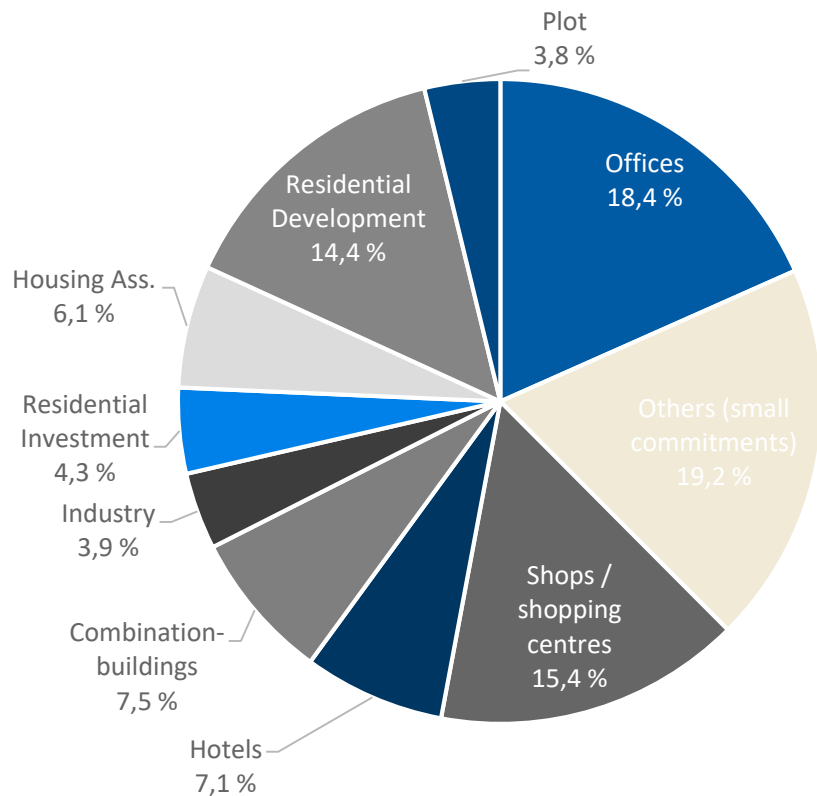
- Substantial reduction in the number of loans that run with interest-only due to Covid-19
- Customers terminate the relief and returns to ordinary payments



# Reduced demand for liquidity loans with state guarantee



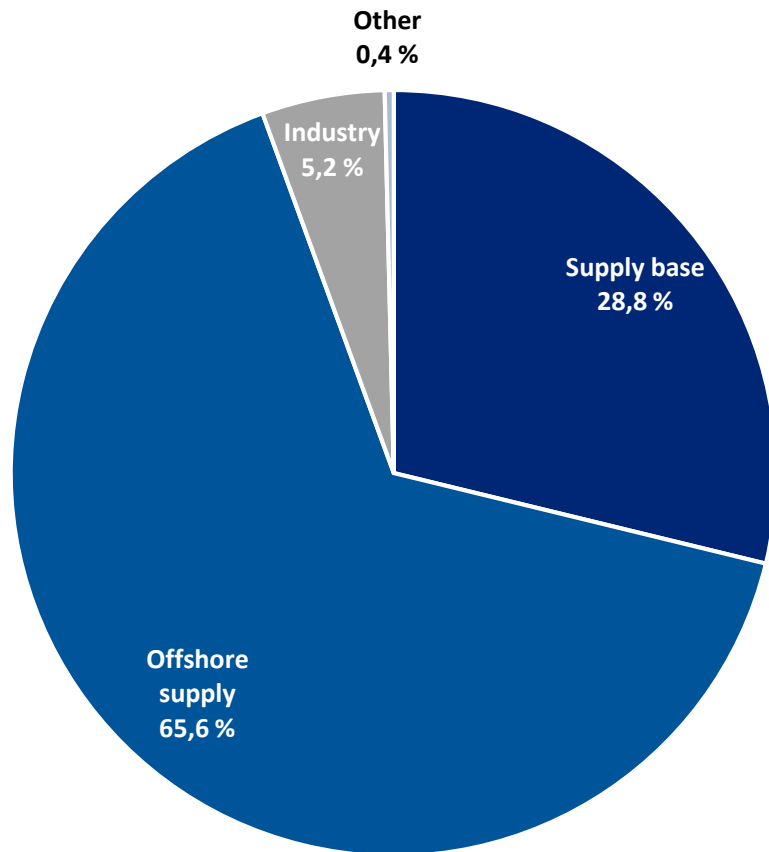
# Diversified portfolio in commercial real estate



62.8 % of the portfolio are commitments under NOK 100 mill

# Still low oil related exposure

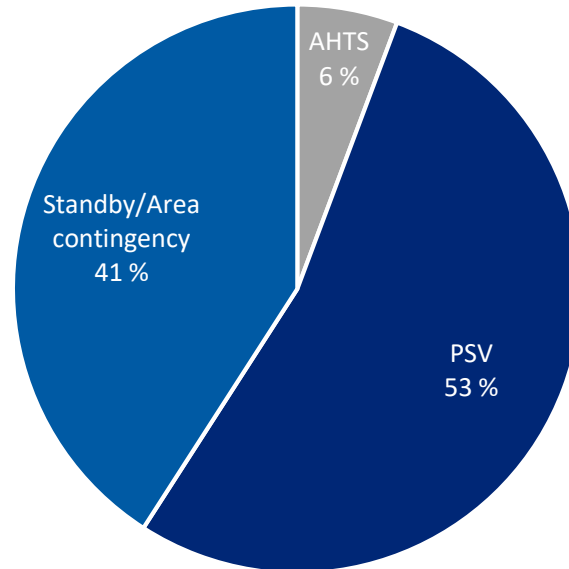
- Oil related exposure amounts to NOK 955 mill
- The exposure represents 0.69 % of total exposure including covered bond companies
- Average weighted probability of default 0.98 %
- A total of NOK 43 mill are non-performing or impaired commitments
- A total of NOK 627 mill in OSV exposure
- The activity within oil and offshore consists of a small customer portfolio handled by a small group of advisors



# Oil related portfolio: Offshore Supply Vessels (OSV)

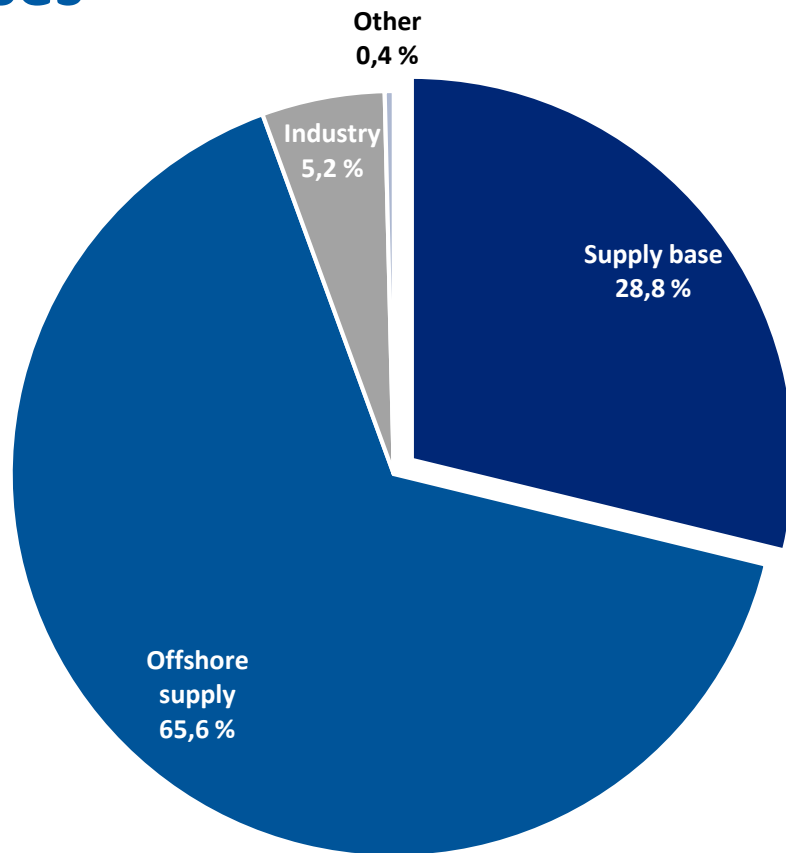
- OSV exposure amounts to NOK 627 mill
- Average weighted probability of default 1.14 %
- Total amount of 7 vessels\*
- Weighted age 8.5 years\*
- Average weighted contract length 3.2 years\*
- SNN is participant in syndicates on 6 vessels

\*Exclusive of barges



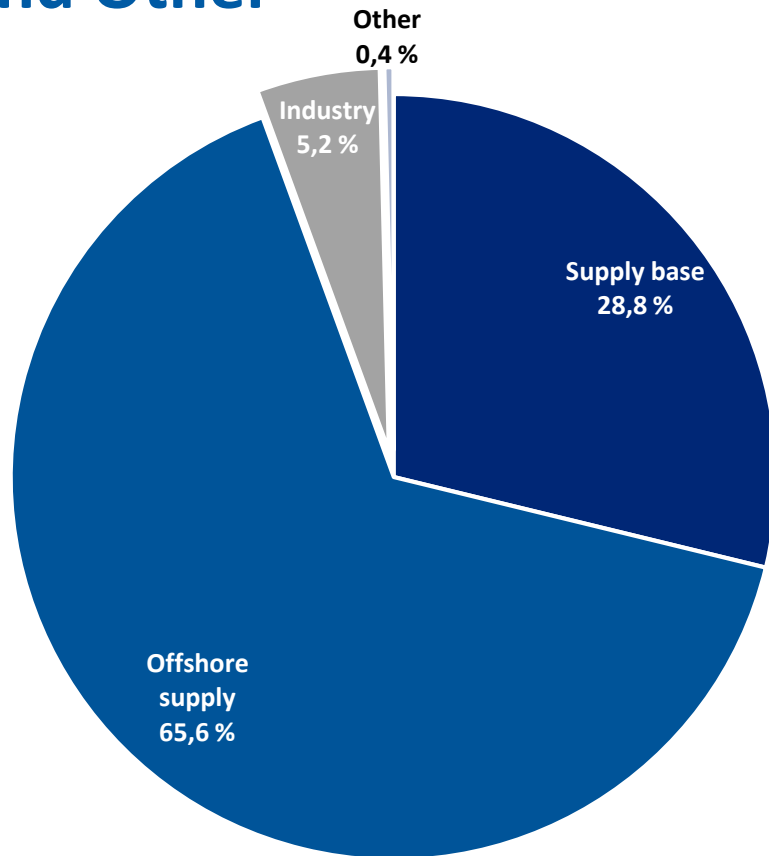
# Oil related portfolio: Supply bases

- Supply base exposure amounts to NOK 275 mill
- Average weighted probability of default 0.28 %
- 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 53 mill. including Industry NOK 49 mill and Other NOK 4 mill
- Average weighted probability of default:
  - “Industry” 2.48 %
  - “Other” 0.90 %
- A total of NOK 43.3 mill non-performing or impaired commitments
- The exposure consists of financing transport equipment and working capital

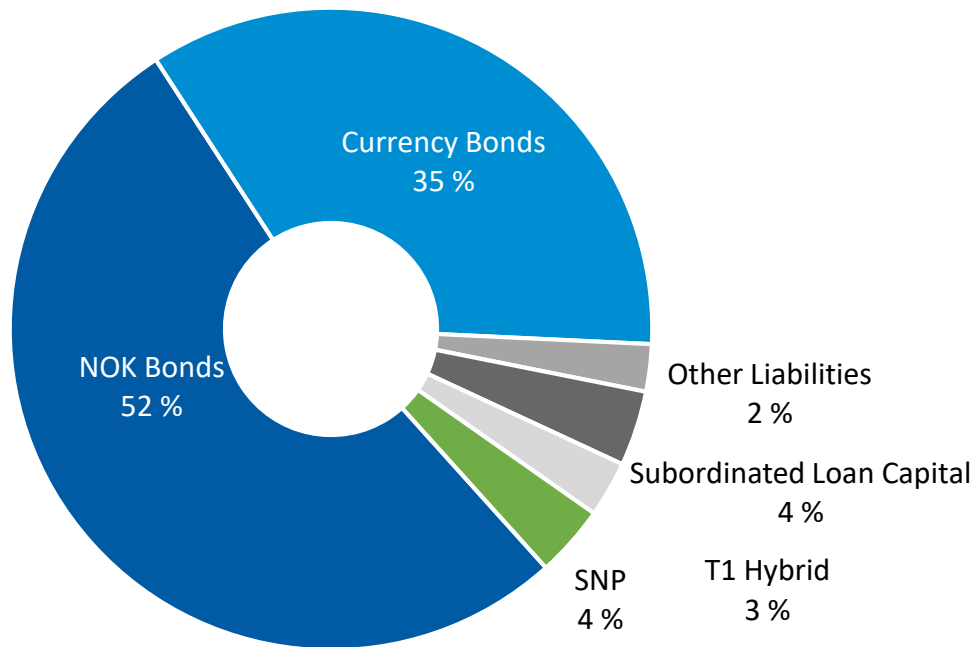


# Loan losses (Group level)

Losses	2020	Q3 20	Q2 20	Q1 20	2019	Q4 19	Q3 19
Individual losses Corporate market	24.8	9.9	10.5	4.5	17.5	4.2	9.3
Individual losses Retail market	5.6	0.7	1.5	3.3	10.0	6.7	-0.8
Collective losses and other value change items	228.4	47.1	70.1	111.1	-16.1	-12.7	6.2
<b>Total losses on loans and guarantees</b>	<b>258.9</b>	<b>57.7</b>	<b>82.1</b>	<b>118.9</b>	<b>11.3</b>	<b>-1.8</b>	<b>14.8</b>

- **Losses Q3 amounts to MNOK 57.7**
  - Individual losses: MNOK 10.6
  - Model losses: MNOK 19.1
  - «Post model adjustment» (PMA): MNOK 28.0
- **The Group's annualized losses** is 0.27 % of gross lending including loans transferred to covered bond companies
- **Commitments in step 3:** 0.53 % of total exposure → Expected loss share: 36.1 %
- **Commitments in step 2:** 9.19 % of total exposure → Expected loss share: 2.6 %
- **Commitments in step 1:** 90.28 % of total exposure → Expected loss share: 0.4 %

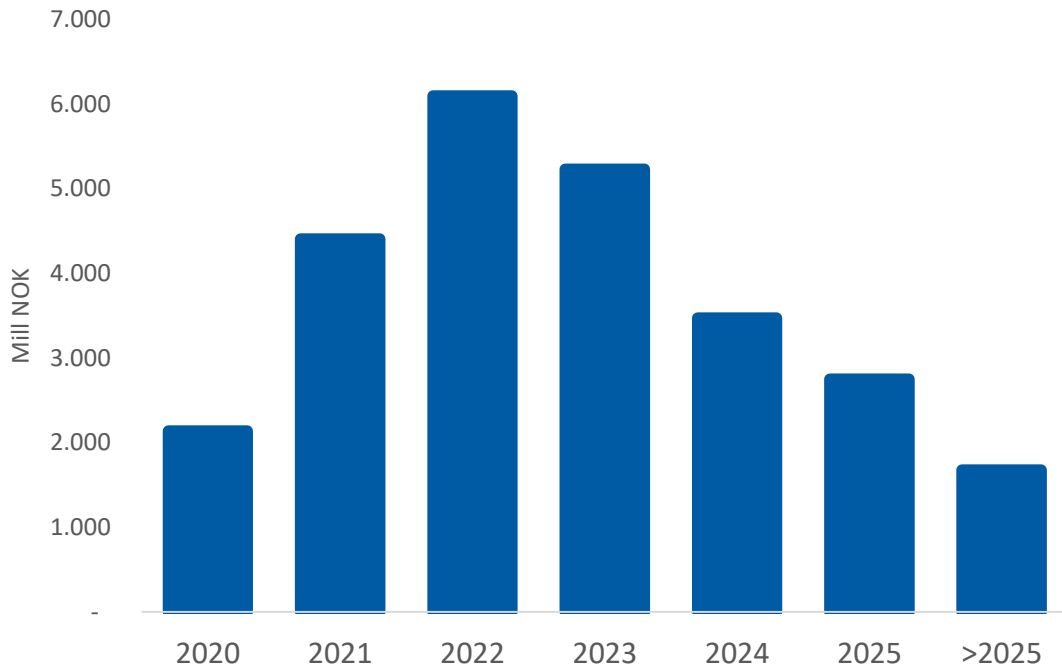
# Funding instruments 30.09.2020





# Maturity profile 30.09.2020

Capital markets funding (excl. SPABOL/SPACOM)



- NOK 26 960 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 36 901 mill had been transferred as of 30.09.20
- Amount of gross maturities of capital market funding next 12 months is NOK 5 968 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

