



**Annual
Report
2020**

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Sparebank 1 Nord-Norge

SpareBank 1 Nord-Norge is the leading finance house in Northern Norway. The group is part of SpareBank 1-alliansen, an alliance of 14 independent savings banks across the entire country.



Photo: Marius Fiskum



DIGITALISATION

2020 was the year that video meetings – up to then regarded as unusual and unfamiliar – became part of everyday life. Our entire society took, more or less reluctantly, a digital ‘quantum leap’ in the year of the coronavirus pandemic.

Both SpareBank 1 Nord-Norge and the group’s customers have become more digital, in virtually all spheres. We meet digitally, we interact digitally, we sign digitally and we pay digitally. However, the

meeting between people remains at centre-stage. In the annual report we serve up small glimpses of the digitalisation process, seen from the vantage point of both SpareBank 1 Nord-Norge’s and the group’s customers.

Here’s the group’s departments for communication along with marketing and digital sales meet, with most participants working from home.

The anomalous year 2020

2020 turned out to be the year no-one was prepared for. Covid-19 has left its imprint on us in absolutely every way, but so far Northern Norway appears to be hit less hard than the rest of Norway and much of the world around us.

There are several reasons for this. Unemployment levels reflect the high proportion of public sector employees in the region, and the public sector has neither laid off nor dismissed staff. Further, the region has a substantial export segment. Much of what we export comes from the sea, and seafood has remained in demand. The pandemic has also brought a persistently low Norwegian krone. This has cheapened Norwegian exports, thereby helping to hold up demand. In addition, the government has deployed economic instruments to keep the wheels turning. In sum, all the above have helped ensure that the economic consequences of the pandemic have been smaller than they would otherwise have been. However, some North Norwegian industries have felt the crisis to their very core. First and foremost the tourism industry, but also the service industries – above all those that normally benefit from the presence of tourists. Restaurants, hotels and cafes are among those to have experienced a very demanding year.

The construction industry appears to have managed well for the time being. This has to do with the

pandemic's relatively low impact on the region, and with historically low interest rates. However, the industry reports a below-normal order supply and, unless vaccines have an effect in the near future, this industry, like others, could be negatively impacted.

Retail trade has managed exceptionally well in 2020. Given northern Norwegian largely intact purchasing power, combined with a narrower choice of items to spend money on for most people, this part of the business sector has seen a fine upturn. Time will tell whether a permanent change in people's consumption will ensue, or if the upturn came and went with the pandemic.

The financial performance of SpareBank 1 Nord-Norge in 2020 was only minimally affected by the crisis. Loss provisions are low, and actual losses are likely to be lower than the provision for loss suggests. Underlying operations are good, and cost control is consistently sound.

Return on equity in 2020 was 12.6% placing SpareBank 1 Nord-Norge in the top flight of comparable banks. A good performance also put the bank in a position to pay out dividends, including a community dividend, making a further contribution to the region's development. And precisely this aspect may be more important than ever. Throughout the crisis the community dividend has lent the voluntary

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Throughout the crisis the community dividend has lent the voluntary sector an indispensable helping hand. Without this support it would have been difficult for the voluntary sector to keep the wheels turning. In 2021 too, these funds will be both decisive and much needed.

sector an indispensable helping hand. Without this support it would have been difficult for the voluntary sector to keep the wheels turning. In 2021 too, these funds will be both decisive and much needed.

At the end of 2020, SpareBank 1 Nord-Norge launched its new business strategy. At centre-stage stands The Group's mission:

«Better than anyone we shall understand and achieve what is important for people and businesses in Northern Norway».

This imposes an obligation on The Group in many areas – in its day-to-day business as a bank, as an active partner in a period of restructuring of a business sector in partial crisis, and as a driver for sustainable development in a vulnerable Arctic area. SpareBank 1 Nord-Norge maintains a strong presence, a thorough knowledge of people and businesses, and an ownership model that creates tangible value for Northern Norway. This is a solid basis on which to continue to create value for our owners, and to fulfil both our mission and our vision – For Northern Norway.

From the CEO

2020 was a year of change for SpareBank 1 Nord-Norge. Many of the changes were planned; others were a consequence of the pandemic that has impacted the world like a nightmare. In sum, the year behind us truly tested The Group's flexibility and endurance. The test was passed on both counts, and SpareBank 1 Nord-Norge's position in the region remains strong.

The Group Management was restructured in February. The Group switched from a regional organisation structure to a divisionalised structure, with one division for the retail market and one for the corporate market. A new CEO was concurrently appointed. The restructuring signalled the start of an internal reorganisation process that was brought to completion over the course of the year.

In March we broke the news of a banking collaboration in the Helgeland region. Helgeland Sparebank was to take over parts of SpareBank 1 Nord-Norge's client portfolio in Helgeland, while SpareBank 1 Nord-Norge was to acquire a 19.99% stake in Helgeland Sparebank. Helgeland Sparebank will buy into SpareBank 1 Nord-Norge's subsidiaries, and join SpareBank 1-alliansen as part of Samspar. Overall this is expected to provide a basis for increased profitability and more efficient use of the banks' capital. SpareBank 1 Nord-Norge has over the years sought collaboration and consolidation within Northern Norway's banking sector, and the above transaction was a step in that direction.

It was accompanied by a nationwide lockdown of Norway. The run-up to the summer was a challenging period for northern Norwegian business sector. However, thanks to government policy instruments, along with active dialogue with our customers, the negative economic consequences have so far not proven overly serious.

The lockdown faced us with a number of challenges as a bank. We were for instance compelled to rely to a greater extent on digital interfaces and extended working from home. Norway is said to have taken giant digital strides over the year. This is also eminently true of our Group.

In September we announced to the market our intention to close 16 of our smallest branches as from the turn of the year. The decision was based on a comprehensive analysis taking into account recent years' drastic fall in the number of customer visits to our branches. We also noted that customers are both able, and prefer, to engage digitally. More than 48 million logins annually to the mobile bank underscore this. The announcement was largely met with understanding. An exception was Svalbard where fervent opposition to the decision was mobilised. Mitigating measures have however been identified and put in place.

This leaves us with 15 strong financial centres at which our focus ahead will be on establishing a new and strengthened range of products and services. All of these offices will feature a full-scale offering comprising estate agency, asset finance and accounting services, in addition to traditional banking services.



The closures were also part of a staff cutback. The Group has a strong focus on holding down costs, and we enter 2021 with about 100 fewer staff – including those leaving us in favour of the new SpareBank 1 Helgeland.

The Group's new business strategy was also launched towards year-end, and a new corporate governance system is under establishment. Central to the strategy is The Group's mission: «We shall, better than anyone, understand and achieve what is important for people and businesses in Northern Norway», a mission which both provides direction and imposes an obligation.

The corporate governance system will help us to do the right things in the right way, in day-to-day operations which must reflect clear priorities and direction. In an increasingly competitive climate, this is more important than ever.

Northern Norway is growing ever more important for Norway as a whole. The region has managed well through the corona crisis, and is playing an increasingly key role in the nation's value creation. Both business and households need to invest if the region's potential is to be realised. The region accordingly has a growing need both for capital and for a banking sector with the size and capital strength to finance and offer financial services. A strong SpareBank 1 Nord-Norge has an important role to play in that respect.

There is a growing focus on sustainability and the green transition. SpareBank 1 Nord-Norge devotes much attention to the theme, and in 2020 launched a Green Product Framework. This takes a basis in important northern Norwegian industries such as seafood, real estate, renewable energy, agriculture and transport, and puts us in a position to offer green financing and raise green capital.

Developing competencies with regard to climate risk was also in focus in the year behind us. Both within our own organisation, and by way of reports, podcasts and statistics published by the Konjunkturbarometeret (kbnn.no). Both sustainability and climate risk are integral aspects of The Group's business and risk strategies.

Over the course of 2020 we defined important strategic priorities, made substantial investments and planned appurtenant implementations. 2021 will be a year of effectuation. We will at the same time continue to build, stone upon stone. Through our presence – both physical and digital – our abiding focus will be on developing relevant and good customer service and treatment. Consolidating our number 1 position in the region is, and will remain, our main priority.

Liv Bortne Ulriksen, CEO

Strategic compass

We shall, better than anyone, understand and achieve what is important for people and businesses in Northern Norway

Central to the overall management of SpareBank 1 Nord-Norge is The Group's strategic compass. This enables us to make good decisions even though market conditions and customer expectations are continuously changing. SpareBank 1 Nord-Norge's strategic compass was modernised and geared to a new business strategy in 2020. The compass ensures direction, it ensures focus and it keeps internal and external parameters in balance throughout. By basing our management on the strategic compass we create value for our customers, equity certificate (EC) holders, employees and for Northern Norway.

At the centre of the compass is The Group's **vision**: For Northern Norway. This stands unchanged and indicates both what we are and for whom we exist.

The innermost circle also shows The Group's financial objectives: **profitability, efficiency, financial strength and dividends**. The table below shows the levels delivered in recent years.

	2017	2018	2019	2020
Return on equity	12.9%	12.9%	15.9%	12.6%
Cost/income	41.2%	43.1%	39.8%	40.0%
CET1	14.9%	43.1%	17.2%	17.5%
Divided per share	4 kr	4 kr	4 kr	3,9 kr

The compass's next level shows our three strategic objectives:

To be the first choice of people and businesses.

We will achieve this by facilitating customers' value creation.

To be a **customer-oriented organisation**.

By delivering what customers expect, we create value for The Group, for our employees and for our owners.

To contribute to making Northern Norway an **attractive region**. By facilitating value creation in Northern Norway, and by developing the region, we are helping it to achieve its value creation potentials.

The compass rests on three strategic foundations which together embody our strategic principles: **sustainability, insight and quality**. These principles permeate our approach to fulfilling our vision.

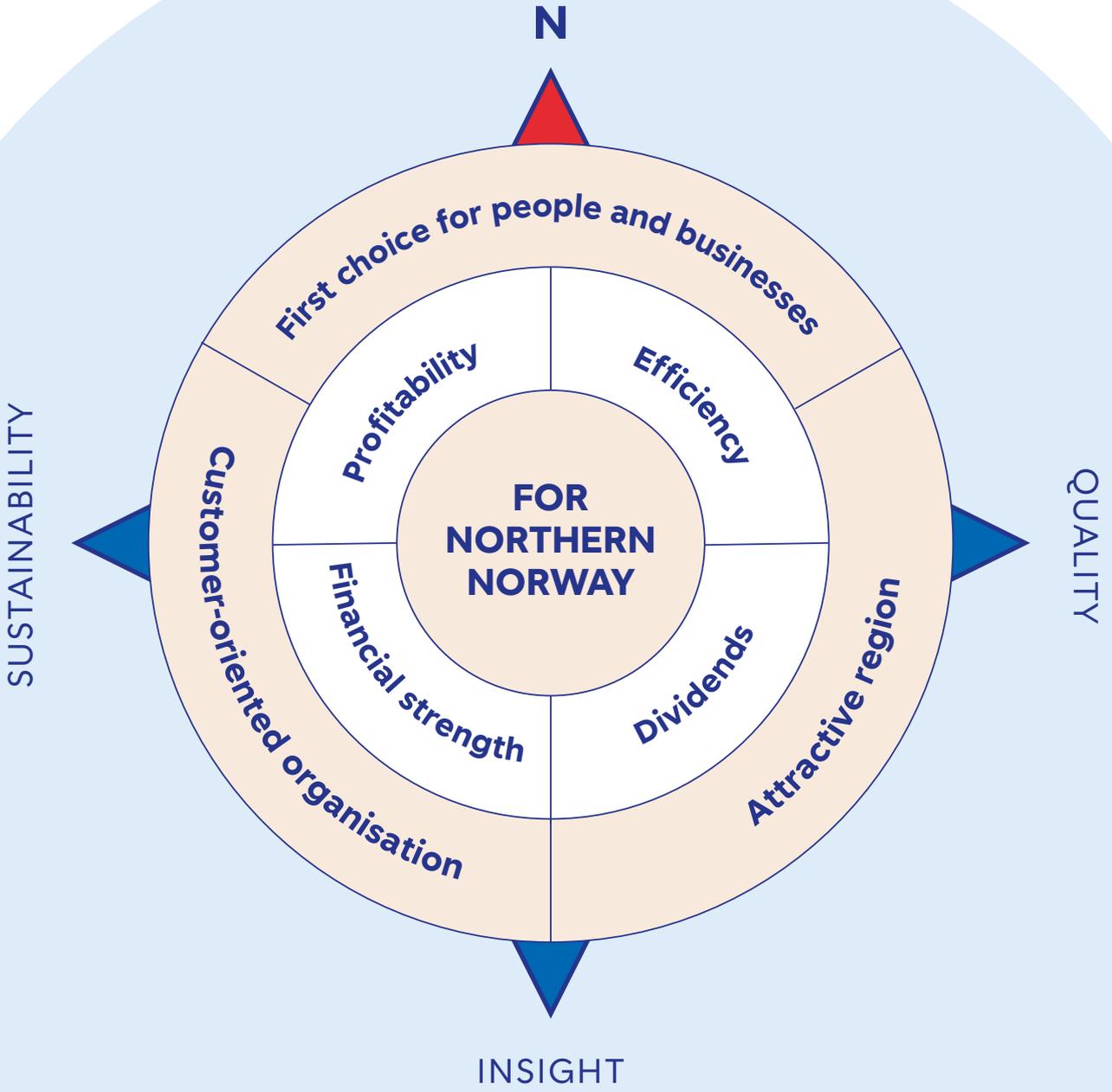
SUSTAINABILITY: As the largest financial actor in the region, we aim to be a catalyst for a sustainable future in the North. Consideration for sustainability will pervade our entire operations.

INSIGHT: We are insight-driven. This entails basing our decisions on insight and knowledge throughout. We do not surmise or conjecture, we do not make decisions exclusively based on a gut feeling.

QUALITY: Quality infuses all our actions. We do the right things in the right way, and we take pride in being a financial group that can be relied upon. We have good procedures, standards and policies – which we abide by.

In the North you find The Group's mission, often referred to as our **North Star**. This lends substance to our vision, and reads: We shall, better than anyone, understand and achieve what is important for people and businesses in Northern Norway. This mission is our guiding principle.

See also the Report of The Board of Directors.



Our history

Over half of SpareBank 1 Nord-Norge is owned by everyone who lives in Northern Norway. And as an owner, the region itself receives the biggest share of the profits. The reason why this is so lies in the history of the bank.

The history of SpareBank 1 Nord-Norge goes all the way back to 1836. Tromsø Sparebank was intended to be a bank for the people, and had a clear social responsibility. In time, savings banks appeared in all municipalities in Norway, and in the largest towns there were often several. By 1930 there were 627 savings banks across the country. They were all established because someone believed that a local bank was needed to move the local community forward.

CREATING VALUE FOR THE LOCAL COMMUNITY

The people who established the savings banks did so by contributing the basic capital needed

to obtain a licence to run a bank – that is, to accept deposits and lend money to individuals and businesses in the community. But they did not do this for their own personal gain. They did it to support the local community. The savings banks were «self-owning», just like a foundation. And any profit made by a savings bank could only be distributed for «socially beneficial purposes» in the community in which the customers lived.

The basic idea behind the savings bank system in all countries was that it should help people to help themselves. This is clear from the earliest plans for the savings banks. They often started like this:



BUILDING BANK: From the construction of Rødbanken in Tromsø. This was completed in 1912.



OLD MEN: Tromsø SpareBank was founded in 1836 and was the first bank to be established in Northern Norway. The photo shows director Just Quigstad in the bank's customer service area. He is pictured with bookkeeper Einar Olsen and others.

«This object of this institution is to receive money from persons of either sex, particularly working people and servants, and to make the sums received bear fruit for their owners by calculating interest and by adding the interest to the capital.»

WAVE OF MERGERS

The wave of mergers started in earnest in the 1960s. In Northern Norway, it was the biggest savings banks that led the way. Tromsø Sparebank merged with ten savings banks in Troms and Finnmark in the period 1963-1984. Tromsø Sundets Sparebank first merged with four savings banks in Tromsø and then established Sparebanken Nord together with nine other savings banks in Troms and Finnmark in 1980. In Nordland, Alstadhaug Sparebank, Bodø Sparebank and Vaagan Sparebank had gone through mergers in the same period. In 1985, Sparebanken Nordland was established by merger of these three banks and eleven other savings banks in the county.

Banks in Northern Norway were hit by the banking crisis at the end of the 1980s. This led in 1989 to the establishment of Sparebanken Nord-Norge – an amalgamation of Tromsø Sparebank and Sparebanken

Nord. In 1991, Nordkapp Sparebank joined The Group, followed by Sparebanken Nordland in 1992.

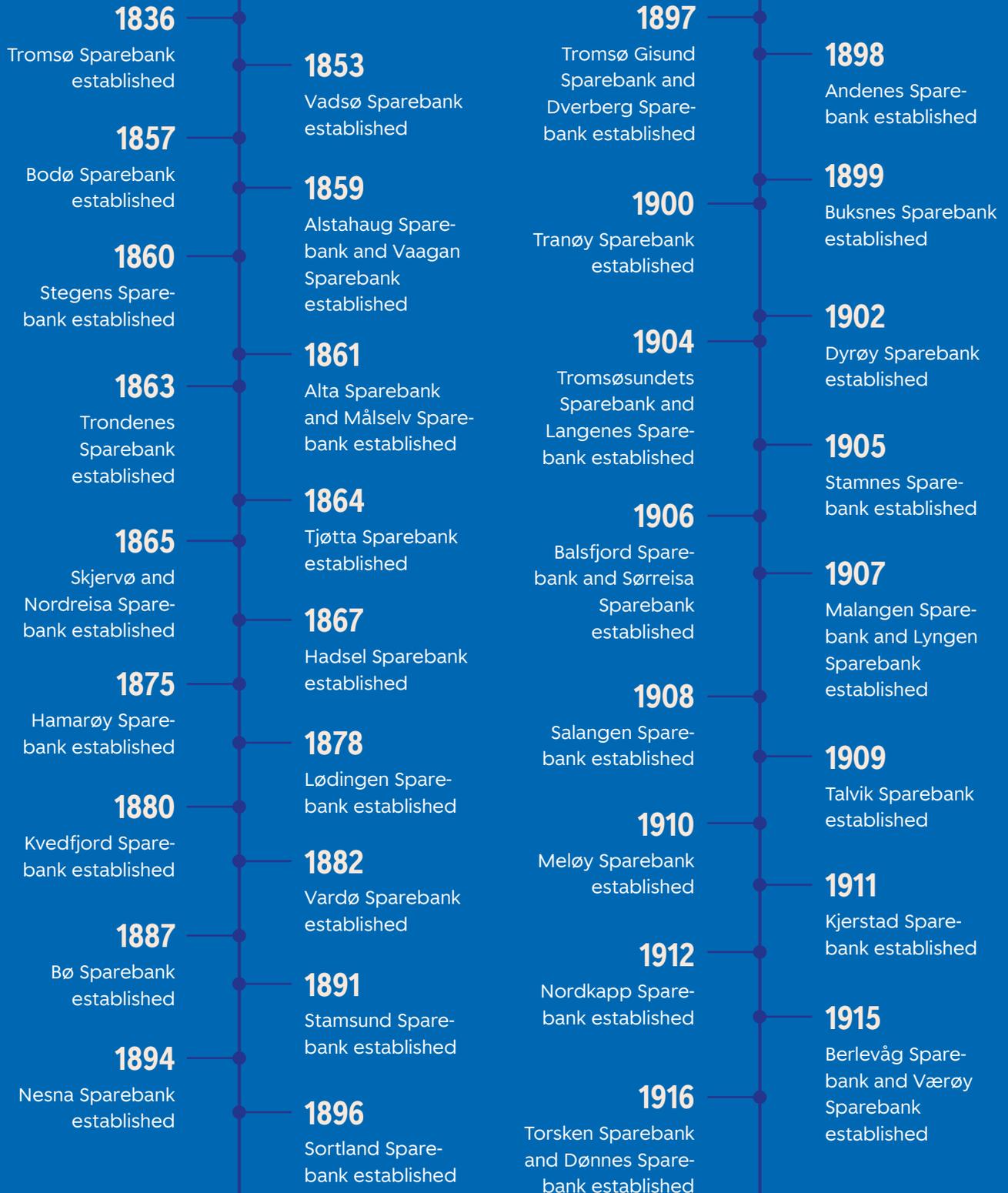
NEED FOR SHARE CAPITAL

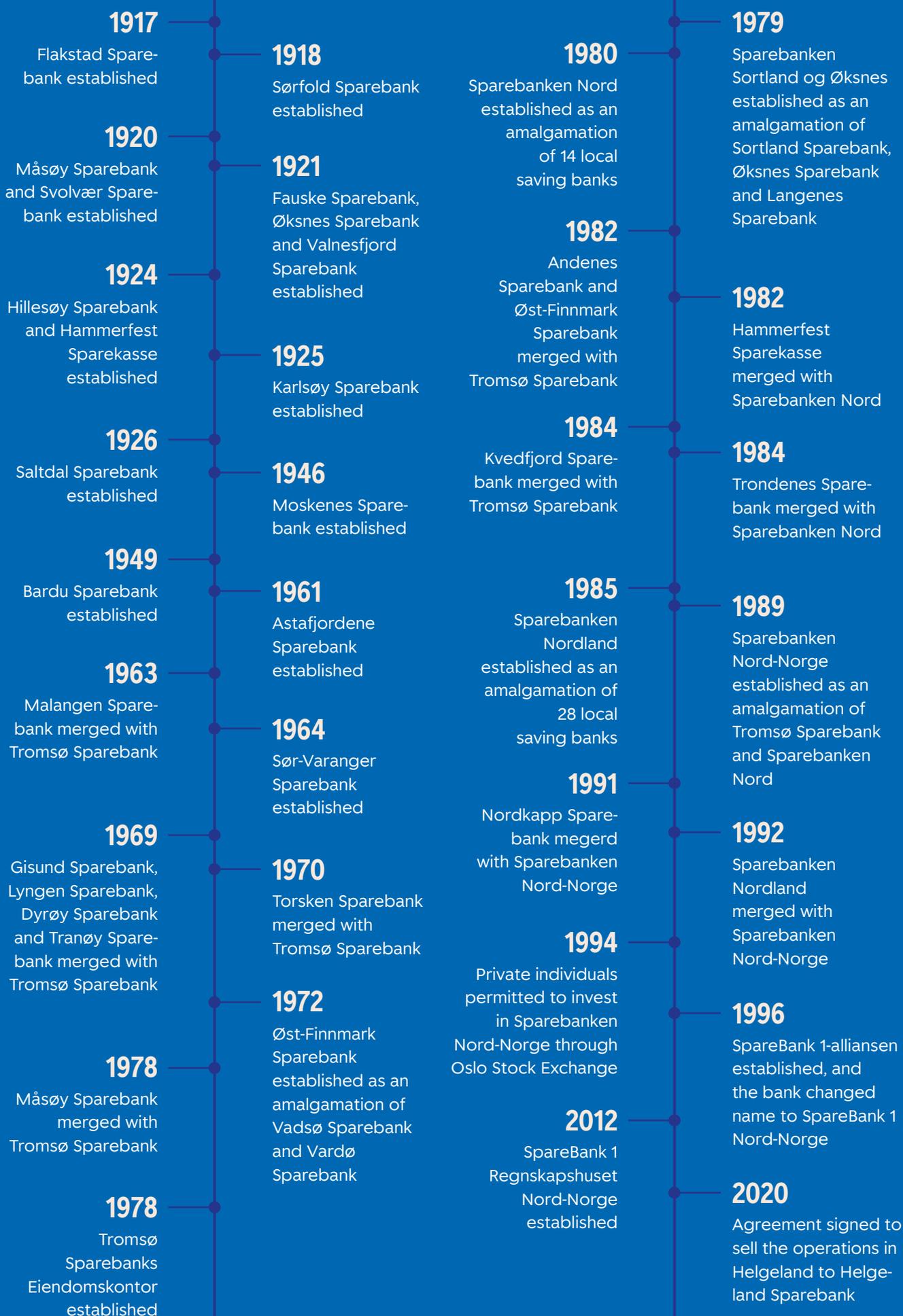
Towards the end of the 1980s, a combination of rapid growth and the subsequent banking crisis meant that the savings banks needed more equity than they could fund from their operations. Parts of the capital of the banks were therefore converted into share capital, which allowed private individuals to invest in the savings bank through the Oslo Stock Exchange. The same was the case with SpareBank 1 Nord-Norge in 1994. As a result, 46 % of the bank's equity is now owned by private investors through the Oslo Stock Exchange. The remainder is still owned by the community in Northern Norway.

THE ALLIANCE

In 1996, Sparebanken Nord-Norge participated in the establishment of SpareBank 1-alliansen, an association of banks collaborating on insurance products, fund management, financial services, technology and branding. Initially the Alliance consisted of four regional banks and 16 smaller savings banks. Today, the SpareBank 1-alliansen comprises 14 independent savings banks across the country.

SpareBank 1 Nord-Norge's historical timeline





Important events

Q1

In January SpareBank 1 Nord-Norge relocated to the recently refurbished Rødbanken block in the heart of Tromsø town centre. In addition to housing the bank's head office, the building will be an arena for activities and events of benefit to the community. First in line was the Tromsø International Film Festival, which filled Rødbanken with people and activity.

Stein Vidar Loftås was appointed new director of Communication and Society. Mr Loftås previously held the position of head of communications with The Group.

In February the bank relinquished its regional model and reorganised its operations into separate retail and corporate divisions. The two new units are headed, respectively, by Lasse Hagerupsen and Trude Glad.

On 26 February Liv B. Ulriksen was appointed Acting Group CEO. Ms Ulriksen was previously executive director, Credit and Risk Management, with SpareBank 1 Nord-Norge. She replaced Petter Høiseth who stepped down for personal reasons.

In the course of March The Group introduced the first of a series of measures aimed at containing the spread of coronavirus. These included extended periods of working from home for most employees, accompanied by cuts in business trips and events. Doors to offices were also locked for a time.

The Group's own Covid-19 measures were modified on many occasions over the course of the year.

16 March saw the first of a number of interest rate cuts by SpareBank 1 Nord-Norge, prompted by the uncertain situation surrounding the spread of coronavirus. In the space of a week the mortgage lending rate was lowered by up to 0.85 percentage points.

On 18 March SpareBank 1 Nord-Norge and Helgeland Sparebank presented an innovative collaboration in the Helgeland region. The agreement provides for Helgeland Sparebank to acquire SpareBank 1 Nord-Norge's banking business in Helgeland, and to establish SpareBank 1 Helgeland.

On 26 March the Supervisory Board of SpareBank 1 Nord-Norge declared a cash dividend of NOK 4,00 per equity certificate (EC) on the bank's ECs. The Board of Directors of the Bank had beforehand proposed lowering the cash dividend from NOK 5,50 to NOK 4,00 per EC in response to Finanstilsynet's (Norway's FSA) call for Norwegian banks to reassess the distribution of their net profits.

At the above meeting of the Supervisory Board, Lisbeth Berg-Hansen, Kim Daniel Arthur and Kathrine Tveiterås were elected to The Board of Directors of the Bank. Greger Mannsverk, Sonja Djønné and Ingvild Myhre retired from The Board of Directors.



NEW HEAD OFFICE:
Rødbanken block in Tromsø.

2020 was not just about coronavirus and infection protection. Some of the key events that left their mark on SpareBank 1 Nord-Norge follow below.

Q2

On 30 April the Confederation of Norwegian Enterprise (NHO), the Norwegian Configuration of Trade Unions (LO) and SpareBank 1 Nord-Norge decided to call off Agenda Nord-Norge 2020. The conference was scheduled for November in Tromsø, but the uncertain coronavirus situation put a stop to the plans.

On 8 May SpareBank 1 Nord-Norge once again lowered interest rates as a result of the Covid-19 situation and Norges Bank's (Norway's central bank) cut in the base rate. This time the bank lowered its mortgage rate by up to 0.4 percentage points.

On 12 May Liv B. Ulriksen was appointed Group CEO of SpareBank 1 Nord-Norge. She had acted in the position since 25 February. Ms Ulriksen thus became SpareBank 1 Nord-Norge's first female top manager.

On 13 May SpareBank 1 Nord-Norge presented a solid first-quarter performance, despite the negative impact of Covid-19. The profit before tax was MNOK 448. In May and June SpareBank 1 Nord-Norge launched green loans for home buyers and car buyers alike.

When the Covid-19 situation inflicted significant revenue losses on many clubs and associations, Samfunnsløftet (SpareBank 1 Nord-Norge's community dividend fund) donated NOK 10,000 to all clubs and associations that wished to do something to bring pleasure to others on Norway's national day, **17 May**. A total of MNOK 1.9 was duly distributed to 189 North Norwegian clubs and associations.

In June SpareBank 1 Nord-Norge launched through the Knowledge Bank a new report on climate risk in Northern Norway. The report presented the climate risk picture for three important industries in Northern Norway, and examined their strategies to cope with climate risk in the future.

In June also saw the renewal of the agreement between SpareBank 1-alliansen and the Norwegian Configuration of Trade Unions (LO). The agreement is designed to promote the recruitment of new members to the LO trade unions and to consolidate the loyalty of already existing members. It also aims to attract new customers to all SpareBank 1 banks and the other entities making up the alliance – and to build loyal and long-term customer relationships.

On 19 June the Norwegian Competition Authority gave the go-ahead for the planned banking collaboration in Helgeland, of which SpareBank 1 Nord-Norge and Helgeland Sparebank published details in February.

On 22 June June Marius Nilsen was presented as the new director of Credit and risk management. He previously headed the risk management department, having acted in the director position since February.

In June, SpareBank 1 Nord-Norge was recertified under the Environmental Lighthouse scheme after the scheme was expanded to include criteria specific to banking and finance.



NEW GROUP CEO:
Liv B. Ulriksen.

Q3 and Q4



Q3

In August SpareBank 1 Nord-Norge reported that the bank's digital assistants had responded to more than 160,000 approaches via chat and processed more than 150,000 matters in the first half-year. Digital assistants have become an important aspect of SpareBank 1 Nord-Norge's service concept. Customers give favourable feedback and are well pleased with the solutions employed on open webpages, the internet bank and mobile bank.

On 12 August SpareBank 1 Nord-Norge posted a solid performance for the first half-year. The profit before tax was MNOK 1,035, and The Group CEO noted that Northern Norway was hit less hard by Covid-19 than many other parts of the country.

As one of the first banks in Norway to do so, SpareBank 1 Nord-Norge offered **from August** onwards its customers the opportunity to view their student loans in the digital bank.

Anna-Liisa Brantzeg Evensen (35) was appointed head of Compliance at SpareBank 1 Nord-Norge. Ms Evensen was previously a compliance specialist with Santander Consumer Bank where she had been employed since 2014.

On 1 September SpareBank 1 Nord-Norge presented a new offering – cash services in shops – in collaboration with Vipps and Norgesgruppen. The offering enables the bank's customers to deposit and withdraw

cash in 129 Kiwi, Joker, Spar and Eurospar stores across the region.

In September The Board of Directors presented SpareBank 1 Nord-Norge's business strategy for the period 2020-2022. The new business strategy is an action-oriented, measurable strategy focusing on value creation for The Group's customers, the northern Norwegian community and SpareBank 1 Nord-Norge.

In September SpareBank 1 Nord-Norge launched a green product framework enabling green loans to sustainable customers to support the raising of green capital.

On 17 September September SpareBank 1 Nord-Norge announced its intention to close 16 branches at the turn of 2021. The changes in branch structure were rooted in changed customer behaviour and increased digitalisation. Concurrently 15 branches would be offering a new and expanded range of products and services. SpareBank 1 Nord-Norge's intention was to offer The Group's entire product range at each and every branch – including estate agency, leasing and accounting services.

From end-September onwards SpareBank 1 Nord-Norge's customers no longer had to identify themselves electronically using BankID in order to pay bills via the mobile bank. From now on they could sign payments using their mobile phone's built-in facial recognition or fingerprint sensor functionality.



NEW OFFERING:
Cash services in shops.

Q4

On 5 November Finanstilsynet gave the go-ahead for the transaction effectuating the banking collaboration in Helgeland.

On 27 November the SpareBank 1 banks presented their plan to win the competition for savers and investors. The plan involves pooling the SpareBank 1 banks' forces in this area in a new company to be headed by the current Chief Marketing Officer at SpareBank 1 Nord-Norge, Ronni Møller Pettersen.

During the NRK Telethon (an annual nationwide charity campaign) **in October**, SpareBank 1 Nord-Norge was tasked with providing digital collection boxes. More than MNOK 50 was collected through SpareBank 1's crowdfunding service Spleis.

In November SpareBank 1 Gruppen sold its software company Betr AS to the Norwegian software company Corporater AS. Betr has developed a solution for governance, risk management and compliance (GRC) which had been put into use by 28 banks by the time of sale.

Eight out ten adults in North Norway have no plans to move out of the region in the next five years. This was one of the findings of the Barometer 2020x survey which SpareBank 1 Nord-Norge's Knowledge Bank presented in November.

EiendomsMegler 1 and Samfunnsløftet wished in **autumn 2020** to contribute to more northern Norwegian meeting places.

As many as 452 applications for support were received, resulting in contributions to 41 'gapahuk' shelters, 65 fire pans, 56 benches and 34 plant boxes.

In November SpareBank 1 and DNB joined forces to acquire Uni Macro, one of Norway's leading actors in the field of ERP and financial management systems. SpareBank 1's aim with the acquisition is to offer the best digital accounting systems to the banks' SMB clients, and gain a real hold on the accounting industry in Norway.

In Desember it transpired that 86 of The Group's employees had accepted a voluntary severance package. The severance packages were a step in an overall cost reduction programme. Both The Group Management and union representatives said they were pleased with the severance package process.

In the middle of Advent, SpareBank 1 Nord-Norge's Sami logo graced the head office in Tromsø. By means of the Sami logo, The Group wished to show its support for the Sami people, culture and language, after several weeks in which harassment of Sami persons had been a theme of public debate.

Shortly before Christmas, SpareBank 1 Nord-Norge launched sustainable funds labelling on the banks' digital platforms. It was now a simple matter for customers themselves to select a sustainability profile for their savings.



NEW MEETING PLACES:
Including 65 fire pans.

Branches





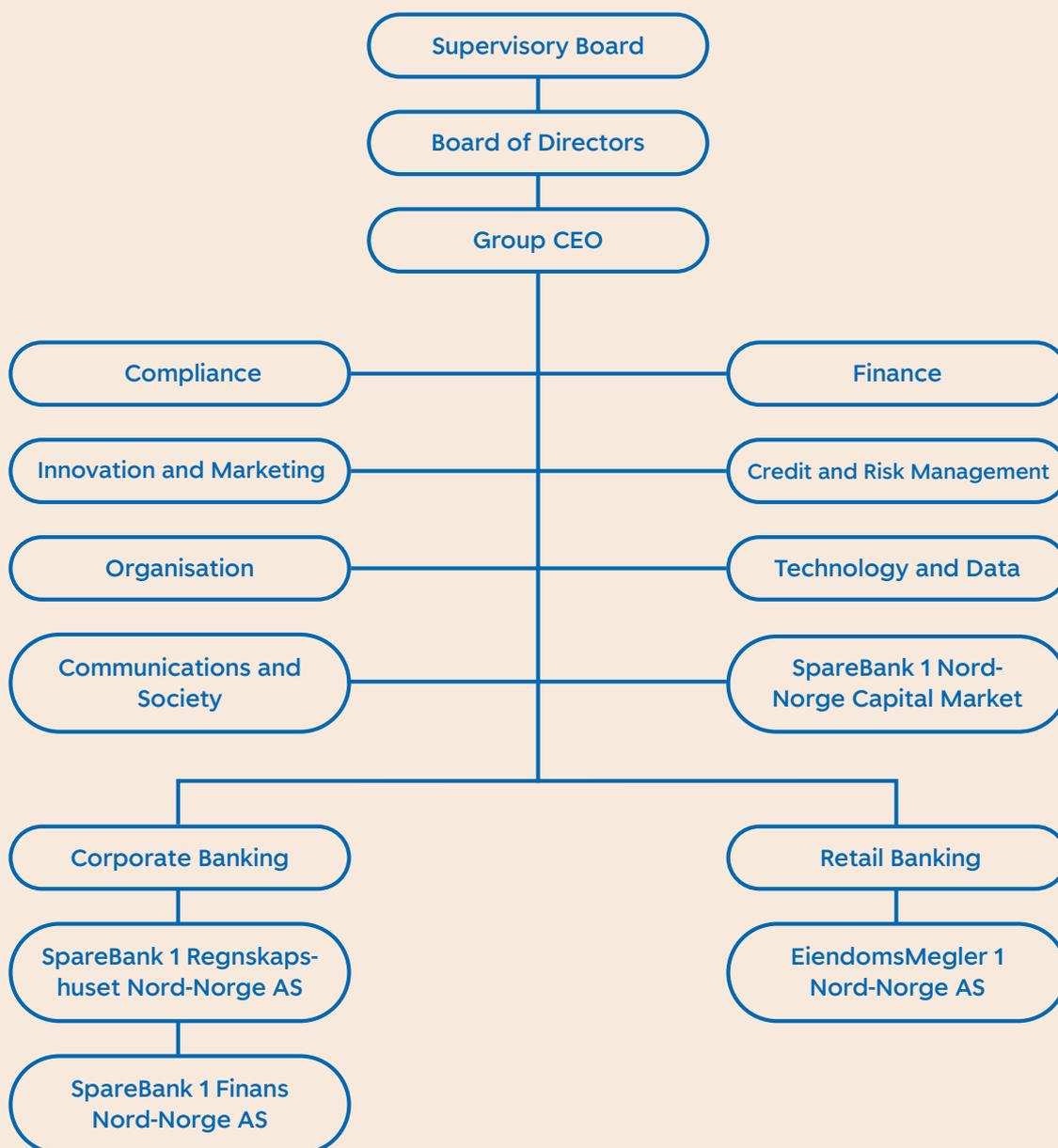
19 Bank offices



Empoyees per department

Board of Directors	9
Group management team (Group CEO and adviser to The Group Management team)	2
SpareBank 1 Nord-Norge Capital	17
Compliance	3
Technology and data	40
Credit and risk management	36
Administration and finance	26
Organisation	33
Innovation and markets	39
Communications and society	10
Retail banking	265
Corporate banking	90
Helgeland	34
EiendomsMegler 1 Nord-Norge AS	92
SpareBank 1 Nord-Norge Finans AS	38
SpareBank 1 Regnskapshuset Nord-Norge AS	216

Organisation chart



Corporate structure

SUBSIDIARY

100% **SpareBank 1 Finans Nord-Norge AS**
Leasing and seller financing

100% **EiendomsMegler 1 Nord-Norge AS**
Estate agency services

100% **SpareBank 1 Regnskapshuset Nord-Norge AS**
Accountancy firm

100% **SpareBank 1 Nord-Norge Portefølje AS**
Investment company

100% **Fredrik Langesgt 20 AS**
Commercial building

100% **Rødbanken Holding AS**
Investment company

100% **Rødbanken AS**
Commercial building

100% **LAB Nord-Norge AS**
Innovation

ASSOCIATES AND JOINT VENTURES

19.5% **SpareBank 1 Gruppen AS**
Financial holding company

18.14% **SpareBank 1 Boligkreditt AS**
House purchase finance

8.6% **SpareBank 1 Næringskreditt AS**
Financing/commercial property

17.08% **SpareBank 1 Kreditt AS**
Credit cards

18.57% **SpareBank 1 Betaling AS**
VIPPS/mobile payments

17.74% **SpareBank 1 SpareBank 1 Utvikling DA**
Systems development

20% **SpareBank 1 Bank og Regnskap AS**
Systems development company

14.44% **SpareBank 1 Gjeldinformasjon AS**
Investment company

33.33% **SpareBank 1 Mobilitet AS**
Systems development (owned by SpB1 Finans AS)

Annual report

24

SPAREBANK 1 NORD-NORGE

FINANCIAL RESULTS

IN NOK MILLION AND AS
PERCENT OF AVERAGE ASSETS

	NOTE	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net interest income	19	2,068	2,097	1,896	1,770	1,644	1,512	1,426	1,285	1,166	1,129
Commission income and other income	20	1,299	1,116	1,057	992	924	933	966	931	656	506
Net return on financial investments	21	693	911	463	552	509	249	602	346	260	184
TOTAL INCOME		4,060	4,124	3,416	3,314	3,077	2,694	2,994	2,562	2,082	1,819
Personnel costs	22	869	834	748	708	689	850	704	638	581	514
Other operating expenses	23	757	806	726	658	631	611	624	571	539	522
TOTAL OPERATING EXPENSES		1,626	1,640	1,474	1,366	1,320	1,461	1,328	1,209	1,120	1,036
RESULT BEFORE LOSSES		2,434	2,484	1,942	1,948	1,757	1,233	1,666	1,353	962	783
Loss on loans, guarantees etc.	13	332	11	22	184	213	200	321	172	195	101
RESULT BEFORE TAX		2,102	2,473	1,920	1,764	1,544	1,033	1,345	1,181	767	682
Tax charge	25	360	409	374	324	291	163	223	214	172	157
Result non-current assets held for sale			- 2	- 4			- 5	- 27			
Minority interests							- 7	- 1	1		
NET PROFIT		1,742	2,062	1,542	1,440	1,253	872	1,096	966	595	525

BALANCE SHEET

IN NOK MILLION AND AS
PERCENT OF AVERAGE ASSETS

	NOTE	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Cash and loans to and claims on credit institutions	10	360	1,471	3,786	3,431	2,721	2,398	4,405	2,047	2,142	2,866
CDs, bonds and other interest-bearing securities	28,29	20,570	17,738	14,565	11,811	10,470	11,747	10,193	11,919	12,997	11,841
Loans and advances to customers	11	90,511	86,771	82,145	75,003	70,763	64,053	61,249	57,282	54,551	51,642
Individual write-downs for impaired value	13				- 216	- 154	- 169	- 171	- 244	- 303	- 206
Collective write-downs for impaired value	13				- 300	- 373	- 247	- 236	- 209	- 198	- 226
Provision for credit losses - stage 3	13	- 169	- 151	- 162							
Provision for credit losses - stage 2	13	- 283	- 142	- 157							
Provision for credit losses - stage 1	13	- 310	- 189	- 192							
Other assets	34	6,619	6,026	6,171	7,457	7,074	7,621	7,748	6,725	6,072	5,122
TOTAL ASSETS		117,298	111,524	106,156	97,186	90,501	85,403	83,188	77,520	75,261	71,039
Deposits from credit institutions	10	1,272	563	187	434	818	1,816	2,758	4,284	6,663	6,446
Deposits from customers	35	73,158	68,030	63,985	57,849	53,870	48,087	45,761	44,940	41,220	41,765
Debt securities in issue	36	23,167	24,786	25,135	23,552	21,165	21,470	21,116	16,336	16,534	13,342
Other liabilities	37	3,629	2,923	2,591	2,202	2,287	2,719	2,861	2,008	1,917	1,709
Subordinated loan capital	38	1,050	1,050	1,200	850	1,350	1,350	1,350	1,450	2,095	1,356
Hybrid capital	38	780	780	780	530						
Total equity	41	14,242	13,392	12,278	11,769	11,011	9,961	9,342	8,502	6,832	6,421
TOTAL LIABILITIES AND EQUITY		117,298	111,524	106,156	97,186	90,501	85,403	83,188	77,520	75,261	71,039

KEY FIGURES

IN NOK MILLION AND
AS PERCENT OF
AVERAGE ASSETS

	NOTE	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Return on equity capital 1)	41	12.6%	15.9%	12.9%	12.9%	12.0%	9.1%	12.2%	13.0%	9.0%	8.5%
Cost/income group 2)	23	40.0%	39.8%	43.1%	41.2%	42.9%	54.2%	44.4%	47.2%	53.8%	57.0%
Cost/income parent bank 2)	23	37.7%	28.8%	38.8%	36.9%	35.4%	52.4%	46.4%	44.0%	51.8%	57.6%
Gross loans to customers incl commission loans 4)	11	127,122	121,734	114,117	105,485	96,287	88,403	84,980	80,581	75,914	68,034
Growth in loans incl commission loans last 12 months 4)	11	4.4%	6.7%	8.2%	9.6%	8.9%	4.0%	5.5%	6.1%	11.6%	7.4%
Growth in loans last 12 months	11	3.8%	6.0%	7.8%	6.0%	10.5%	4.6%	6.9%	5.0%	5.6%	5.3%
Deposits from customers	35	73,158	68,030	63,985	57,849	53,870	48,087	45,761	44,940	43,588	41,765
Growth in deposits last 12 months	35	7.5%	6.3%	10.6%	7.4%	12.0%	5.1%	1.8%	3.1%	-1.3%	6.0%
Share of loans transferred to Sp 1 Boligkreditt of total loans to retail customers	12	42.5%	41.3%	39.8%	40.0%	36.7%	38.2%	39.7%	40.8%	41.1%	35.0%
Share of loans transferred to Sp 1 Boligkreditt of total loans to customers	12	29.3%	29.6%	29.1%	28.9%	26.5%	27.5%	27.9%	28.5%	28.1%	24.1%
Deposits as a percentage of gross lending incl commission loans 6)	35	57.6%	55.9%	56.1%	54.8%	55.9%	54.4%	53.8%	55.8%	54.3%	61.4%
Deposits as a percentage of gross lending 5)	35	82.2%	79.4%	79.1%	77.1%	76.1%	75.1%	74.7%	78.5%	75.6%	80.9%
Total assets		117,298	111,524	106,156	97,186	90,501	85,403	83,188	77,520	75,329	71,032
Average assets 3)		116,810	108,989	101,855	93,905	89,168	84,039	80,191	75,952	72,921	70,291
Branches		36	38	38	38	38	62	74	74	74	75
Number of man-years (Group)	22	897	904	841	784	774	830	927	922	881	794
Number of man-years (parent bank)	22	565	584	559	538	510	618	639	647	672	670
Number of man-years (subsidiaries)	22	332	320	282	246	264	212	288	275	209	124
Net other operating income of total income	21	32.0%	27.1%	30.9%	29.9%	30.0%	34.6%	32.3%	36.3%	31.5%	27.8%
Common equity Tier 1 Capital (CET 1 Capital)	5	12,019	11,472	10,334	9,992	9,155	8,367	7,752			
Common equity Tier 1 Capital (CET 1 Capital) %	5	17.5%	17.2%	14.5%	14.9%	15.0%	13.9%	12.5%			
Tier I capital	5	12,991	12,496	11,396	10,857	9,951	9,110	8,439	7,783	6,672	6,002
Tier I Capital %	5	18.9%	18.8%	16.0%	16.2%	16.3%	15.1%	13.6%	13.4%	12.1%	11.6%
Equity and related capital resources	5	14,366	13,726	12,904	12,141	11,229	10,358	9,680	8,069	7,270	6,465
Total regulatory Capital %	5	20.9%	20.6%	18.1%	18.1%	18.4%	17.2%	15.6%	13.9%	13.2%	12.5%
Total risk-weighted assets base	5	68,588	66,609	71,167	67,223	61,120	60,328	61,925	57,989	55,098	51,704
Leverage ratio	5	7.6%	7.7%	7.2%	7.2%	7.0%	6.1%	5.9%			
Losses on loans to customers as a percentage of gross loans incl commission loans 4)	13	0.26%	0.01%	0.02%	0.17%	0.22%	0.22%	0.19%	0.21%	0.26%	0.15%
Non-perf. commitm. as % of gross loans incl commission loans 4)	13	0.29%	0.29%	0.37%	0.84%	0.31%	0.30%	0.33%	0.59%	0.51%	0.68%
Other doubtful commitm. as % of gross loans incl commission loans 4)	13	0.16%	0.16%	0.23%	0.65%	0.37%	0.39%	0.41%	0.75%	0.89%	0.87%
Net commitments in default and at risk of loss as a percentage of gross loans incl commission loans	13	44.80%	43.20%	38.40%	23.76%	30.08%	32.82%	32.82%	28.41%	30.64%	25.46%

1) The profit after tax in relation to average equity, calculated as a quarterly average of equity and as at 1 January and 31 December. The Bank's tier 1 capital instruments issued in 2020 are classified as equity in the financial statements. However, when calculating the return on equity, hybrid tier 1 capital of NOK 780 million is not included and the associated interest costs of NOK 33 million are adjusted for in the result.

2) Total costs in relation to total net income.

3) Average total assets is calculated as an average of the opening balance on 1 January, quarterly total assets, and the closing balance on 31 December.

4) Intermediary loans include loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS amounting to NOK 38,145 million, which have been derecognised from the balance sheet.

5) Customer deposits as a percentage of gross lending.

6) Customer deposits as a percentage of gross lending, inclusive of intermediary loans.

7) Stage 3 loss provisions in relation to total non-performing and impaired commitments.

Hybrid tier 1 capital issued in SpareBank 1 Nord-Norge amounting to NOK 780 million is not covered by the definition of debt in the IFRS regulations and is therefore classified as equity.

Based on this, NOK 33 million in accrued interest on the hybrid tier 1 capital has not been recognised as a cost in the income statement but has been charged directly against equity.

When calculating key figures for equity and the equity certificates, accrued interest on hybrid tier 1 capital is thus deducted from the accounting result.

At the same time, hybrid tier 1 capital is deducted from the equity on the balance sheet.

This ensures that the key figures relevant to the Bank's owners are calculated on the basis of the result and the equity that actually belong to the owners.

Also see note 41.

	NOTE	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
NONG Quoted/market price 1)		74,60	78,50	62,80	62,25	52,25	36,70	39,90	35,50	24,70	28,90
Number of Equity Certificates (EC) issued 2)	41	100,398	100,398	100,398	100,398	100,398	100,398	100,398	100,398	74,398	73,996
Allocated dividend per EC 3)	42	3,90	4,00	4,00	4,00	3,45	2,00	1,90	1,10	1,02	1,25
Equity capital per EC Group 4)		65,76	61,84	56,70	54,34	50,84	46,00	44,05	40,08	38,19	36,43
Result per EC Group, adjusted for interest hybrid capital 5)	42	7,89	9,39	7,03	6,61	5,54	5,10	4,64	4,14	4,01	2,72
P/E (Price/Earnings per EC Group) 6)		9,5	8,4	8,9	9,4	9,0	8,9	7,7	8,6	7,3	10,5
P/B (Price/Book Value per EC Group) 7)		1,1	1,3	1,1	1,1	1,0	0,8	0,9	0,9	0,6	0,8
Pay-out ratio Group 8)	42	49.40%	42.60%	56.90%	60.50%	59.63%	48.65%	36.77%	26.62%	11.80%	19.74%
EC ratio overall as at 01.01. used for allocation of result	41	46.36%	46.36%	46.36%	46.36%	46.36%	46.36%	47.33%	47.33%	42.07%	38.74%

1) Quoted/market price adjusted for equity issues, fund issues, dividend issues and splits. All key figures are adjusted with the same factor as the quoted/market price

2) Number of certificates issued

3) Allocated dividend

4) Equity excl. hybrid capital Group*EC ratio overall/Number of EC

5) Annualised result after tax Consern*EC ratio overall/Number of EC

6) Market price/Result per EC Group adjusted for interests hybrid capital

7) Market price/Book value per EC Group

8) Dividend per EC/Result per EC Group

Group Profit Analysis

FROM PROFIT AND LOSS ACCOUNT

NOK MILLIONS	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Interest income	2,927	3,320	2,795	2,611	2,548	2,702	2,998	2,990	2,845	2,823
Interest costs	859	1,223	899	841	904	1,190	1,572	1,705	1,679	1,694
Net interest income	2,068	2,097	1,896	1,770	1,644	1,512	1,426	1,285	1,166	1,129
Dividend and other income from investments	598	827	380	438	440	407	469	330	227	209
Fees and commissions receivable	1,161	1,035	978	931	871	908	940	892	686	567
Fees and commissions payable	82	107	95	85	85	75	74	75	74	80
Net gain/loss on securities and foreign exchange	95	84	83	114	69	- 158	133	16	33	- 25
Other operating income	220	188	174	146	138	100	100	114	44	19
Net overall contribution	4,060	4,124	3,416	3,314	3,077	2,694	2,994	2,562	2,082	1,819
Wages, salaries an general administration costs	1,330	1,358	1,202	1,101	1,066	1,218	1,053	975	900	827
Depreciation etc. on fixed- and intangible assets	109	120	61	65	60	56	97	53	54	47
Other operating costs	187	162	211	200	194	187	178	181	166	162
Result before losses	2,434	2,484	1,942	1,948	1,757	1,233	1,666	1,353	962	783
Losses on loans and guarantees	332	11	22	184	213	200	321	172	195	101
Profit before tax	2,102	2,473	1,920	1,764	1,544	1,033	1,345	1,181	767	682
Tax	360	409	374	324	291	163	223	214	172	157
Result non-current assets held for sale	0	- 2	- 4			- 5	- 27			
PROFIT FOR THE YEAR	1,742	2,062	1,542	1,440	1,253	865	1,095	967	595	525
Minority interests						- 7	- 1	1		
Majority interests	1,742	2,062	1,542	1,440	1,253	872	1,096	966	595	525

FROM PROFIT AND LOSS ACCOUNT

NOK MILLIONS	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Interest income	2.51%	3.05%	2.74%	2.78%	2.86%	3.22%	3.74%	3.94%	3.90%	4.02%
Interest costs	0.74%	1.12%	0.88%	0.90%	1.01%	1.42%	1.96%	2.24%	2.30%	2.41%
Net interest income	1.77%	1.92%	1.86%	1.88%	1.84%	1.80%	1.78%	1.69%	1.60%	1.61%
Dividend and other income from investments	0.51%	0.76%	0.37%	0.47%	0.49%	0.48%	0.58%	0.43%	0.31%	0.30%
Fees and commissions receivable	0.99%	0.95%	0.96%	0.99%	0.98%	1.08%	1.17%	1.17%	0.94%	0.81%
Fees and commissions payable	0.07%	0.10%	0.09%	0.09%	0.10%	0.09%	0.09%	0.10%	0.10%	0.11%
Net gain/loss on securities and foreign exchange	0.08%	0.08%	0.08%	0.12%	0.08%	-0.19%	0.17%	0.02%	0.05%	-0.04%
Other operating income	0.19%	0.17%	0.17%	0.16%	0.15%	0.12%	0.12%	0.15%	0.06%	0.03%
Net overall contribution	3.48%	3.78%	3.35%	3.53%	3.45%	3.21%	3.73%	3.37%	2.86%	2.59%
Wages, salaries an general administration costs	1.14%	1.25%	1.18%	1.17%	1.20%	1.45%	1.31%	1.28%	1.23%	1.18%
Depreciation etc. on fixed- and intangible assets	0.09%	0.11%	0.06%	0.07%	0.07%	0.07%	0.12%	0.07%	0.07%	0.07%
Other operating costs	0.16%	0.15%	0.21%	0.21%	0.22%	0.22%	0.22%	0.24%	0.23%	0.23%
Result before losses	2.08%	2.28%	1.91%	2.07%	1.97%	1.47%	2.08%	1.78%	1.32%	1.11%
Losses on loans and guarantees	0.28%	0.01%	0.02%	0.20%	0.24%	0.24%	0.40%	0.23%	0.27%	0.14%
Profit before tax	1.80%	2.27%	1.89%	1.88%	1.73%	1.23%	1.68%	1.55%	1.05%	0.97%
Tax	0.31%	0.38%	0.37%	0.35%	0.33%	0.19%	0.28%	0.28%	0.24%	0.22%
Result non-current assets held for sale	0.00%	0.00%	0.00%			-0.01%	-0.03%			
PROFIT FOR THE YEAR	1.49%	1.89%	1.51%	1.53%	1.41%	1.03%	1.37%	1.27%	0.82%	0.75%
Minority interests						-0.01%	0.00%	0.00%		
Majority interests	1.49%	1.89%	1.51%	1.53%	1.41%	1.04%	1.37%	1.27%	0.82%	0.75%

Average total assets is calculated as the average of quarterly total assets as at 1 January and 31 December.

Calculated average total assets for 2020 was NOK 116.810 million.

Total assets correspond to the total of capitalised assets for The Group.

Annual report of The Board of Directors

MAIN POINTS 2020 (SAME PERIOD 2019)

- Profit for the year: MNOK 1,742 (MNOK 2,062)
- Return on equity (Group): 12.6% (15.9%) ¹
- Cost-income ratio: 40% (39.8%)
- Earnings per equity certificate (Group): NOK 7,90 (NOK 9,39)
- Net income from financial assets: MNOK 693 (MNOK 911)
- Growth in lending last 12 months: 4.4% (6.7%) including intermediary lending
- Growth in deposits in last 12 months: 7.5% (6.3%)
- Deposit-to-loan ratio: 82% (79%)
- Common equity Tier 1 ratio (Group): 17.5% (16.7%)
- Provision for dividends: NOK 3,90 (NOK 4,00)

2020 was a demanding but nonetheless good year for SpareBank 1 Nord-Norge. In January 2020 the Rødbanken building resumed its function as the bank's head office after renovation and extensions.

Liv Bortne Ulriksen was appointed acting Group CEO on 21 February 2020, and appointed Group CEO on 11 May 2020. In mid-March SpareBank 1 Nord-Norge, like the rest of Norway and the world as a whole, was hit head-on by the Covid-19 pandemic to the extent that we were compelled to close our branches and largely switched to working from home.

Concurrently the securities markets, oil prices and exchange rates tumbled. Fortunately, a rapid turnaround ensued and, apart from a significant

increase in loss provisions due to increased uncertainty, underlying operations in the bank over the year have been good, reflecting strong growth and good profitability. Disregarding sectors that were hit directly by Covid-19, in particular tourism and transport, the bank's loan portfolio has shown a good trend, and The Group's underlying losses remain low (including in tourism and transport). Although 2020 proved a far more demanding year than we envisaged at the end of 2019, SpareBank 1 Nord-Norge and the region in which we operate have emerged relatively well from 2020, as evidenced by the key figures and ratios shown above.

In March 2020 SpareBank 1 Nord-Norge and Helgeland Sparebank (HSB) announced a new, offensive

¹ Hybrid equity issued by the bank is classified for accounting purposes as equity capital

collaboration. HSB was to take over SpareBank 1 Nord-Norge's portfolio in Helgeland, and buy into SpareBank 1 Nord-Norge's subsidiaries, at the same time as SpareBank 1 Nord-Norge would acquire a 19.99% stake in HSB. HSB would join SpareBank 1-alliansen by becoming part of Samarbeidende Sparebanker. Although the banks remain competitors in the market, we expect positive synergy effects through closer cooperation.

The Group has met its profitability objectives in each of the last eight years, apart from 2015. That year, significant provisions were made for profitability improvement measures, including staff reductions. The Group's current profitability objective is to maintain banking operations in the top flight among comparable financial groups. When assessing the concrete ongoing target for return on equity, a comparison is drawn with other banks' profitability targets and actual profitability. Capital market expectations as to profitability are also assessed through bank analysts' forecasts. Based on the above, the return target for 2020 has remained 12%. Given the present low-interest-rate regime, the uncertainty surrounding the long-term effects of Covid-19 and intense price competition between banks, achieving a 12% return on equity will be demanding. However, the objective of a return on equity on a par with the best among comparable financial Groups stands firm, so time will tell if the figure for 2021 remains 12%. The 12% target is nonetheless retained for the long term.

The objective of a maximum long-term cost-income ratio of 40% is secondary to The Group's strategic

profitability objective. In The Board of Directors' assessment, developments in the financial services sector suggest that The Group should focus on strict cost control and continuous efficiency improvement by digitalising and simplifying processes. The cost target is considered ambitious but achievable. The cost-income ratio for 2020 was in line with the target of 40%, as compared with 39.8% and 43.1% in 2019 and 2018 respectively.

The rationale for maintaining a long-term cost-income ratio of 40% is a desire for an efficiency target that is well suited for comparison with other players. A relative target also takes account of the income side, which is particularly important at a time when operations are undergoing significant restructuring. With a view to maintaining efficient operations at lowest possible cost, a series of measures were initiated in 2020, including the decision to close several bank branches, leaving 15 bank branches as from 1 January 2021. This is a direct consequence of changing customer behaviour, anticipated demographic developments and the need to free up resources for a greater focus on digital advances and on the customer.

The Group's overarching strategic objective is to be indisputably solid, with a common equity Tier 1 (CET1) ratio one percentage point above the regulatory minimum, currently 14.9%, while the actual CET1 ratio is calculated at 17.5%.

The result for 2019 is characterised as good, and The Group's financial position is excellent.

STRATEGIC OBJECTIVES AND TARGET ACHIEVEMENT

STRATEGIC OBJECTIVES	TARGETS	2020	2019	2018	2017	2016	2015	2014	2013
Profitability									
Return on equity	Banking operations that are among the best for comparable financial groups, currently 12% or higher.	12,6 % 10,1 % ¹	15,9 % 12,3 % ¹ 12,8 % ²	12.9%	12.9%	12.0%	9.1%	12.2%	12.90%
	Average for Norwegian banks		11,2 %	10.2%	10.5%	11.0%	8.6%	12.3%	
Efficiency									
Costs	From 2017: Long-term objective: cost-income ratio 40% or lower.	40,0 % 43,7 % ¹	39,8 % 44,8 % ¹ 42,9 % ²	43.1%	41.2%	42.9%	54.2%	44.4%	47.2%
Actual	Before 2017: Target for maximum cost growth ¹				0%	0%	1%	2%	2%
	2017: Actual cost growth.				4.5%	-2.5%	1.4%	9.8%	7.6%
Financial strength									
CET1 ratio	Indisputable financial strength. Core Tier 1 capital ratio one percentage point above regulatory minimum requirement. Currently 15.0% or higher.	17,50 %	17,22 %	14.50%	14.90%	15.00%	13.90%	12.60%	13.40%
Dividends									
Payout ratio group	50% or higher.								
	Before 2017: up to 50%	49,4 %	42,6 %	56.9%	60.5%	60%	49%	37%	28%

¹ Eksklusiv gevinst fusjon

² Eksklusiv gevinst fusjon og omstillingskostnader

FUTURE FOCUS

A focus on core business remains key to The Group's strategy. Changing customer behaviour, new expectations from society at large, and regulatory requirements, are in sum the factors that spur development of the SpareBank 1 Nord-Norge Group.

2020 was marked by the Covid-19 pandemic. This led in turn to changed expectations from virtually all quarters. Hence the year can be said to have been a stress test. After all, who could have envisaged The Group being managed from home offices, or that all customer dialogue would be transferred to digital interfaces overnight?

Experience gained in 2020 provides a good basis for the further evolution of The Group SpareBank 1 Nord-Norge. Investments in the IT area will remain key. This includes process improvements to develop new service and sales channels and to optimise existing channels. Artificial intelligence (AI) and machine learning are also key areas to be explored and further developed, in collaboration with SpareBank 1 Utvikling and the other alliance banks.

Customers are using the bank in a different way than previously. Almost 50 million logons to the mobile bank

in 2020 underscore this fact. Digital interaction will become even more important in the period ahead. But The Group will retain its focus on physical presence. We will accordingly expand our offering at our 15 branches. Banking, real estate agency, asset financing and accounting services will be supplemented by seminars, courses and other value-increasing interaction with our customers and owners.

A new, holistic governance system is under establishment, and will be implemented in 2021. Through this system the emphasis will be on implementing, evaluating and adjusting necessary measures, in conformance with our strategy and stated priorities.

SpareBank 1 Nord-Norge is and shall be a change-capable organisation that changes in step with the expectations of customers, owners and the community at large. Continual change has become part of our everyday existence. Over the course of 2021 a new Group unit will see the light of day. *Innovation and business development* will cater to The Group's need for technology and service innovation, and play a central role in developments in the alliance arena in this area. «Samfunnsloftet» will also be further developed in 2021.

NEW BUSINESS STRATEGY:

SPAREBANK 1 NORD-NORGE – THE FIRST CHOICE FOR PEOPLE AND BUSINESSES IN THE NORTH

SpareBank 1 Nord-Norge enjoys a unique position in the region, with a strong presence and a large and loyal customer base. Nonetheless, the fast pace of change makes considerable demands both of organisation and form of management. The Group accordingly puts emphasis on an overall management perspective, short decision paths and local ability to get the job done. The Group's strategic compass is central to its overall management. It describes what The Group wants to achieve, its strategic objectives, mission, priorities and strategic foundation. Managing by a strategic compass enables good decisions to be made, even when the environment and market conditions are changing fast. The strategic compass was renewed in 2020 – in step with the establishment of a new business strategy. As part of this effort we established a new mission, which can be viewed as adding substance to our vision – For Northern Norway. The mission states «Better than anyone else we shall understand and achieve what is important for people and businesses in Northern Norway».

ABOUT THE BUSINESS STRATEGY

The new business strategy is an action-oriented and measurable strategy built around value creation for our customers, the community and SpareBank 1 Nord-Norge. This business strategy replaces the business strategy for the period 2017-2020.

The new business strategy shall

- Contribute to creating an understanding of, and to operationalise, our vision *For Northern Norway*
- Assure the attainment of financial and strategic goals
- Be relevant and build around an understanding of customers' behaviour and expectations
- Be action-oriented and measurable
- Help us realise the full potential of our vision and our position – and our business model

In addition, the business strategy is based on the principle of shared value creation. This entails not being exclusively concerned to create value for ourselves and our owners. We are at least equally concerned to create value for the customer, and for the region of which we are part.

The business strategy is structured as follows:

- A strategic compass showing our vision, mission, financial goals, strategic goals and strategic principles (foundations)
- Strategic initiatives
- Tactical goals

VISION

FOR NORTHERN NORWAY

Our vision is a statement expressing our desired position. Since 2005 our vision has been «For Northern Norway». It sums up all that we have been, all that we are and all that we intend to be. Our vision stands strong both internally and externally, and is retained for the current strategy period.

MISSION

BETTER THAN ANYONE ELSE WE SHALL UNDERSTAND AND ACHIEVE WHAT IS IMPORTANT FOR PEOPLE AND BUSINESSES IN NORTHERN NORWAY

Our mission is the substance of our vision. What, in concrete terms, does it mean that we are «For Northern Norway»?

Our mission aims to give our vision concrete form and to translate it into our everyday work. It is an aid to navigation, enabling us to make the right choices and set the right priorities. For if we, better than anyone else, understand and achieve what is important for people and businesses Northern Norway, then we are «For Northern Norway».

FINANCIAL GOALS

The basis for our existence is also to create profits in kroner and øre. To that end we have four long-term financial goals which the entire Group is working to achieve:

- **Profitability:** We shall deliver a return on equity on a par with the best among comparable financial Groups, currently above 12%.
- **Efficiency:** Our cost-income ratio shall be below 40%.
- **Financial strength:** We shall maintain a CET1 ratio 1% over the regulatory minimum, currently 14.9%
- **Dividend:** We shall have a dividend payout ratio above 50%.

STRATEGIC GOALS

Our business strategy is based on the principle of shared value creation. This entails not being exclusively concerned to create value for ourselves and our owners. We are at least equally concerned to create value for the customer, and for the region of which we are part.

We have three co-equal goals to that end:

- To be the first choice of people and businesses. Because we contribute to creating value for our customers.
- To be a customer-oriented organisation. Because it is by delivering what our customers expect, at all times, that we create value for The Group, for our employees and for our owners.
- To contribute to Northern Norway's attractiveness as a region. It is by contributing to Northern Norway's value creation that we promote the ability to realise the region's enormous value creation potential. And it is by contributing to create value for Northern Norway that we assure the basis for our existence in the long term.

SUBSIDIARIES

SpareBank 1 Nord-Norge's customers are offered a complete portfolio of services from the Parent Bank and the other companies that make up The Group.

NOK MILLIONS	OWNER-SHIP INTEREST	EQUITY	RESULT 2020	RESULT 2019
SpareBank 1 Finans Nord-Norge AS	100%	1,108	132	124
SpareBank 1 Regnskapshuset Nord-Norge AS	100%	109	19	17
EiendomsMegler 1 Nord-Norge AS	100%	62	30	13
SpareBank 1 Nord-Norge Portefølje AS	100%	6	-5	-3
Fredrik Langesg 20 AS	100%	347	2	-1
Rødbanken Holding AS (not-for-profit, not consolidated)	100%			
TOTAL		1,632	178	150

STRATEGIC PRINCIPLES

Our principles, or foundations, shall guide how we act to fulfil our vision

SUSTAINABILITY

One of our principles is that our advice and our choices shall be sustainable. As the largest financial actor in the region, we intend to be a catalyst for a sustainable future in the North. Sustainability must accordingly permeate our entire activity. This applies both to the way our business is run and to the requirements we place on our customers, suppliers, our own staff and other stakeholders. As the world's northernmost financial group, we will take particular account of matters with a bearing on Arctic areas.

INSIGHT

Principle number two is that we shall at all times be *insight-driven*. This means basing our decisions on insight and knowledge at all times. We do not surmise or conjecture, we do not make decisions based exclusively on a gut feeling. We know our customers, suppliers our own staff and other stakeholders – and, not least, our region. We shall apply this knowledge in the right way, at all times.

QUALITY

The third principle is that *quality* shall infuse everything we do. We do the right things in the right way, and we take pride in being a financial group that can be relied upon. We have good procedures, standards and policies – which we abide by.

STRATEGIC INITIATIVES

The strategic initiatives are by far the most important areas we shall have in focus and develop ahead. They will be of shorter duration than the strategic objectives, since we will likely need to focus on several different areas in order to realise our objectives. The strategic priorities will be replaced over the course of the strategy period.

The three first strategic initiatives are:

- A new distribution and service model
- «Samfunnsløftet» 2.0
- Governance

The strategic initiatives are included as a component of The Group's corporate governance system, and tie naturally in with the tactical objectives and business unit goals.

RESULT 2018	DIVIDEND 2020	DIVIDEND 2019	DIVIDEND 2018	ALLOCATED CAPITAL ACCORDING TO INTERNAL MODELS 2020	ALLOCATED CAPITAL ACCORDING TO INTERNAL MODELS 2020	ALLOCATED CAPITAL ACCORDING TO INTERNAL MODELS 2019	RETURN ON ALLOCATED CAPITAL 2019	ALLOCATED CAPITAL ACCORDING TO INTERNAL MODELS 2018	RETURN ON ALLOCATED CAPITAL 2018
131	126	137	5	936	14.2%	939	13.3%	1,203	10.9%
17				64	30.9%	54	31.9%	44	39.5%
11	13	14	10	30	102.1%	30	43.7%	30	35.6%
1				10	-2.0%	10	-26.3%	7	-10.6%
-0				NA	NA	NA	NA	NA	NA
				NA	NA	NA	NA	NA	NA
158	139	151	15	1,040	17.1%	1,033	14.5%	1,284	12.3%

SUBSIDIARIES

The main subsidiaries are briefly described below:



SPAREBANK 1 FINANS NORD-NORGE AS

The company is wholly owned by SpareBank 1 Nord-Norge and has commercial responsibility for the product areas leasing and secured loan financing, with Northern Norway as its primary market area. The company also offers consumer financing. The Parent Bank and external retailers are important distribution channels for the company.

The company had a good earnings base and at year-end managed consumer loans, leasing and seller financing agreements totalling MNOK 6,961 (6,611). The company's book equity was MNOK 1,108 (1,103) as at 31 December 2020.

As a step in the alliance's goal of profit growth, and of developing sought after products, the company sold its portfolio of consumer loans of MNOK 135 to SpareBank 1 Kreditt AS in the fourth quarter of 2020. A commercial collaboration with SpareBank 1 Kreditt ahead will strengthen the Bank's market position.

Return on equity for 2020 is calculated at 12.5% (13.4%). The prospects for increased activity in the future and for satisfactory returns for the company are good.

The company is co-located with the bank in Bodø and Tromsø, and employed 37.5 (40) FTEs as at 31 December 2020.



EIENDOMSMEGLER 1 NORD-NORGE AS

EiendomsMegler 1 Nord-Norge AS is a member of a nationwide alliance with other real estate agencies owned by SpareBank 1 banks. The company is wholly owned by SpareBank 1 Nord-Norge and operates real estate agency services in 16 locations in Northern Norway.

Most branches are co-located with the bank. At the end of the year EiendomsMegler 1 Nord-Norge employed 91.5 (91.0) FTEs.

The company leads the market in Northern Norway and in most towns in the region. The company has consolidated its position in recent years and in 2020 had a market share of 35.5%, as compared with 22% in 2011. In 2020, 3,717 properties were sold through EiendomsMegler 1 Nord-Norge AS, compared with 3,360 the previous year. The company posted a turnover of MNOK 181 in 2020, up 20% from 2019. There was an ample supply of new assignments in 2020, 9% higher than the previous year. This is a good basis for further growth in the northern Norwegian housing market.

Return on equity for 2020 is calculated at 54% (28%).



SPAREBANK 1 REGNSKAPSHUSET NORD-NORGE AS

SpareBank 1 Regnskapshuset was established in 2012, is wholly owned by SpareBank 1 Nord-Norge, and has completed a number of acquisitions and mergers in the intervening period. As at 31 December 2020, the company employed a total of 204 (189) FTEs and operated 15 branches in the following locations: Kirkenes, Hammerfest, Alta, Tromsø, Balsfjord, Finnsnes, Harstad, Narvik, Sortland, Svolvær, Bodø, Mo i Rana, Sandnessjøen, Mosjøen/Trofors and Brønnøysund.

The offensive focus on this sector is in collaboration with a number of the alliance banks with similar activities. The collaboration covers areas including branded goods, IT, expertise, work processes and quality.

The backing for SpareBank 1 Regnskapshuset Nord-Norge AS is designed to exploit synergies with The Group's other activities. This will promote additional sales across The Group, increase customer satisfaction and spur more efficient payment services. Examples include increased automation and integration of customers' billing systems, payment solutions and accounting.

SpareBank 1 Regnskapshuset acquired Tromsø Regnskap AS in 2020.

The company recorded a total turnover of MNOK 211 in 2020, an increase of MNOK 23 or 12% compared with the previous year.

Return on equity for 2020 is put at 20% (26%). The company is still undergoing change and development in which rapid digitalisation will require relevant steps to be taken ahead.



FREDRIK LANGES GATE 20 AS

This company is engaged in leasing of real property (bank building) in Tromsø, and posted a result for the year of MNOK 1.5 compared with a negative MNOK 1.8 in 2019. The company is wholly owned by SpareBank 1 Nord-Norge.

The value of its assets booked at MNOK 325 (MNOK 338), and equity capital amounted to MNOK 326.7 as at 21 December 2020 (MNOK 345.2).

The company is wholly owned by the Bank, is administered by the Bank and has no employees.



SPAREBANK 1 NORD-NORGE PORTEFØLJE AS

As part of The Group's increased focus on its core activities, this company's former business is being restructured/wound up. SpareBank 1 Nord-Norge Portefølje has on legal and practical grounds nonetheless been retained as a legal entity in its own right. The company's mission is to "manage holdings owned by the SpareBank 1 Nord-Norge Group and business naturally connected thereto". Parts of the business include managing holdings that date from previous customer relationships with the bank.

SpareBank 1 Nord-Norge Portefølje's investments had a market value of MNOK 19 as at 31 December 2020, breaking down to MNOK 9 in equity investments and MNOK 10 in subordinated loans. The company's equity amounted to MNOK 4.4 (MNOK 11). The negative return on equity for 2020 should be viewed in the context of the company's line of business.

SpareBank 1 Nord-Norge Portefølje AS is administered by the Bank and has no employees.

SPAREBANK 1-ALLIANSEN

NOK MILLIONS	OWNERSHIP INTEREST	SHARE OF EQUITY	SHARE OF PROFIT 2020	SHARE OF PROFIT 2019	SHARE OF PROFIT 2018	DIVIDEND 2020
SpareBank 1 Gruppen AS	19.50%	2,207	534	712	289	195
SpareBank 1 Boligkreditt AS	18.14%	2,075	16	22	-6	
SpareBank 1 Næringskreditt AS	8.60%	176	5	7	7	5
SpareBank 1 Kreditt AS (tidl. Sp1 Kredittkort AS)	17.08%	179	2	13	22	18
SpareBank 1 Betaling AS	18.57%	144	-1	3	-7	
SpareBank 1 Utvikling DA	17.74%	23	2	-2	1	
Betr AS	20.00%	-	-4	-1	-1	
SpareBank 1 Bank og regnskap AS (tidl SMB LAB AS)	20.00%	1	-	-4	-2	
SpareBank 1 Mobilitet AS	33.33%	5				
SpareBank 1 Gjeldsinformasjon AS	14.44%	1				
BN Bank ASA	9.99%	-	-	28	65	
TOTAL		4,811	554	778	368	218

The bank's participation in SpareBank 1-alliansen and its stake in SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA are an important part of The Group's strategy. This participation has been important for SpareBank 1 Nord-Norge's positive development and has greatly contributed to the bank's position as a financially sound and strong bank – for Northern Norway.

The SpareBank 1 banks run the alliance and develop the product companies through the jointly-owned SpareBank 1 Utvikling DA and the holding company SpareBank 1 Gruppen AS. SpareBank 1-alliansen's mission is to procure and deliver competitive financial products and services, and to achieve economies of scale in the form of lower costs and/or higher quality. This allows the alliance to offer private individuals and corporate clients expertise, a local footing, and simpler everyday banking. The alliance also aims to ensure the banks' value creation for the benefit of their region and their owners.

The alliance banks have opted to assemble their holdings in Norway's financial sector infrastructure in SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA. This collective ownership allows the alliance banks to act as a major player in both Norwegian banking partnerships and in relation to foreign market players.

SpareBank 1 Nord-Norge owns 19.5% of SpareBank 1 Gruppen AS and 17.74% of SpareBank 1 Utvikling DA. The bank owns a proportionately larger stake than the other owner banks due to its size. This makes SpareBank 1-alliansen particularly important for the SpareBank 1 Nord-Norge Group, not least in light of the alliance companies' underlying assets, which are judged to be substantial. The latter is evidenced by the merger between SpareBank 1 Skadeforsikring AS and DNB Forsikring AS in 2019.

See the section on SpareBank 1-alliansen on page 221 in this annual report.

DIVIDEND 2019	DIVIDEND 2018	ALLOCATED CAPITAL ACCORDING TO INTERNAL MODELS 2020	RETURN ON ALLOCATED CAPITAL 2020	ALLOCATED CAPITAL ACCORDING TO INTERNAL MODELS 2019	RETURN ON ALLOCATED CAPITAL 2019	ALLOCATED CAPITAL ACCORDING TO INTERNAL MODELS 2018	RETURN ON ALLOCATED CAPITAL 2018
663	286	936	14.2%	939	13.3%	1,203	10.9%
	11	NA	NA	54	31.9%	44	39.5%
9	10	189	2.7%	30	43.7%	30	35.6%
24	37	176	1.2%	10	-26.3%	7	-10.6%
		157	-1.0%	NA	NA	NA	NA
		NA	NA	NA	NA	NA	NA
		NA	NA	NA	NA	NA	NA
		408	8.5%	NA	NA	NA	NA
696	344	1,866	11.5%	1,033	14.5%	1,284	12.3%

REVIEW OF THE ANNUAL ACCOUNTS

SpareBank 1 Nord-Norge's consolidated accounts were prepared in accordance with the International Financial Reporting Standards (IFRS), as approved by the EU, and Section 3-9 of the Norwegian Account-

ing Act. Pursuant to the provisions of Section 4-5 of the Norwegian Accounting Act, the accounts for 2019 were prepared on the going concern assumption.

FINANCIAL PERFORMANCE

NOK MILLIONS	GROUP 2020	GROUP 2019	GROUP 2018	PARENT BANK 2020	PARENT BANK 2019	PARENT BANK 2018
Net interest income	2,068	2,097	1,896	1,775	1,813	1,650
Net fee, commission and other operating income	1,299	1,116	1,057	880	775	722
Net income from financial investments	693	911	463	490	1,683	449
Operating costs	1,626	1,640	1,474	1,183	1,231	1,095
Losses	332	11	22	290	-2	31
Profit/loss after tax	2,102	2,473	1,920	1,669	3,042	1,695
Tax	360	409	374	304	355	321
Result from business held for sale		2	4			
PROFIT FOR THE YEAR	1,742	2,062	1,542	1,365	2,687	1,374

The Group and Parent Bank enjoy good earnings, a good financial position, along with a satisfactory liquidity position and deposit-to-loan ratio.

NET INTEREST INCOME

The strong competition on mortgage loans, with interest conditions under pressure, continued in 2020. Net interest income was also affected by the bank's borrowing costs (funding costs in the money markets) and the growth in lending and deposit volumes.

The Group's total net interest income increased by MNOK 201 from 2019 to 2020.

The bank's borrowing costs fell throughout the year, primarily as a result of lower money market rates, only to rise back slightly in recent months. Borrowing costs in January averaged 2.58% compared with 1.05% at the end of the year. Norges Bank lowered its base rate on two occasions in March, and to zero as from 7 May 2020.

The Parent Bank's lending margin measured against the money market rate (NIBOR) climbed in the first half of 2020 due to falling money market rates, only to fall back somewhat in the second half. The lending margin at the turn of 2021 was 0.04 percentage points lower than 12 months previously in the corporate market, but 0.46 percentage points higher in the retail market. The deposit margin showed the opposite movement through the year – a marked fall in the first half followed by a rising tendency in the second half. It ended the year 0.93 percentage points lower in the retail market, and 0.58 percentage points lower in the corporate market, than at the same point 12 months previously.

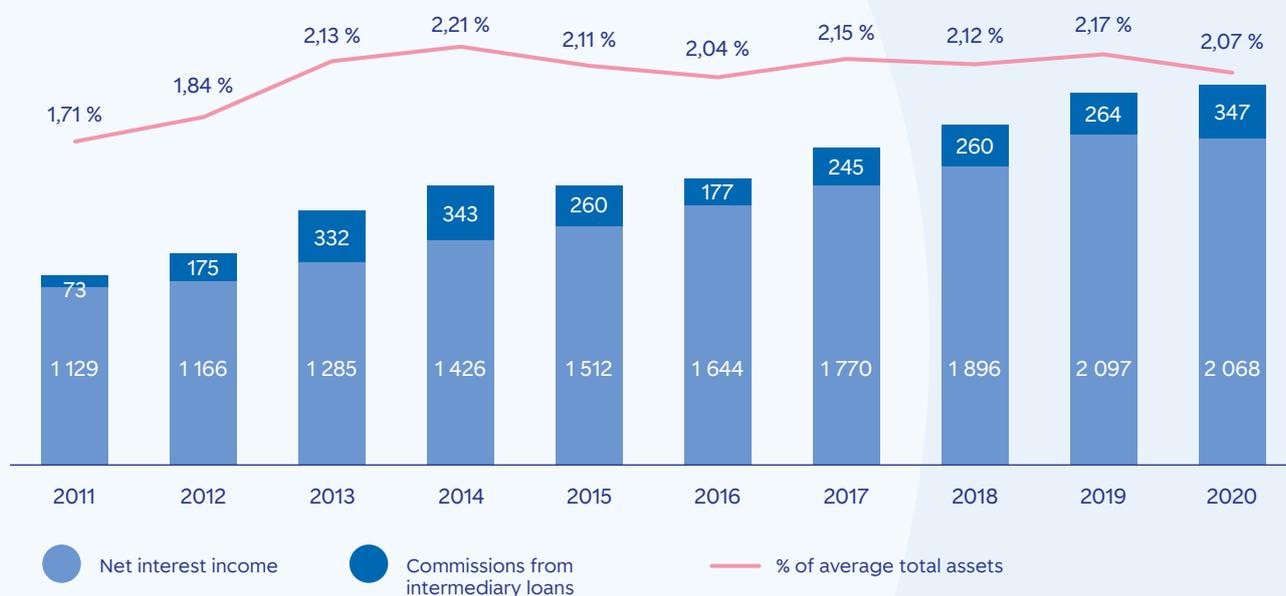
Assuming stable conditions in the capital market, borrowing costs are expected to remain approximately unchanged in 2021.

Growth in lending in 2020 was 2.8% and 8.4% in the retail and corporate market respectively. Growth was lower than in 2019 but, despite strong competition, above all in the market for residential loans, this is considered to be higher than the general lending growth in the northern Norwegian market. The growth calculation includes new loans granted by the Bank and subsequently sold to the alliance's mortgage companies. The relatively strong growth in the corporate market is due partly to the strategic priority given to this segment, to market shares gained and to a positive economic development in the region. Lending growth in 2020 is considered good and, overall, this is an important factor behind the growth in net interest income.

After the interest rate increases in autumn 2019, the underlying growth on the lending side was expected to decline somewhat in 2020. Given the Covid-19 situation it is difficult to assess future developments with any certainty, but for 2021 as a whole we assume and expect 2-5% lending growth in the retail market and 4-6% lending growth in the corporate market.

Net interest income is also affected by loans transferred to the alliance's Covered Bonds companies, SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. The income of MNOK 347 from the transferred portfolio is recognised under commission income. The corresponding figure for 2019 was MNOK 264.

DEVELOPMENT IN NET INTEREST INCOME INCLUDING COMMISSIONS, AND IN RELATION TO AVERAGE ASSETS UNDER MANAGEMENT OVER THE LAST 10 YEARS:



NET COMMISSION AND OTHER INCOME

SpareBank 1 Nord-Norge's objective is to increase income by offering a broad range of products, including in areas with no credit risk such as saving, investment and insurance. The subsidiaries also contribute to increased income within asset financing, real estate agency and accounting services.

In 2020, net commission and other operating income accounted for 32% of total income from The Group's core activities. The corresponding figure for 2019 was 27%.

Commission income from SpareBank 1 Boligkreditt and Næringskreditt increased by MNOK 83 in 2020, while net interest income, including commission income from the transferred loan portfolio, increased by MNOK 54.

OTHER COMMISSION INCOME AND OTHER OPERATING INCOME IN 2020 WAS AS FOLLOWS:

NOK MILLIONS	31.12.20	31.12.19	CHANGE
Income, intermediary loans	347	264	83
Income, insurance	180	166	14
Income, payment transfers	288	312	-24
Income, real estate brokerage	172	141	31
Income, accounting fees	207	187	20
Net other income	105	46	59
TOTAL	1,299	1,116	183

The Group has over time worked actively on a variety of measures aimed at improving earnings in this area. The increased income from accounting services was related to an acquisition of a new operation in 2020.

shares of the respective companies' profits are recognised in «Income from investments» in the income statement, with a corresponding adjustment of the value of the holding on the balance sheet in «Investment in associates and joint ventures».

NET INCOME FROM FINANCIAL INVESTMENTS

Profit shares from associates and joint ventures are recognised using the equity method. The Group's

NOK MILLIONS	31.12.20	31.12.19	31.12.18
Total contributions from associates and JVs	554	815	374
Share dividends	44	12	6
Net value changes shares	50	75	88
Net value changes, bonds, currencies and derivatives	42	5	7
Net value change, loans at fair value	3	4	-12
NET INCOME FROM FINANCIAL INVESTMENTS	693	911	463

THE GROUP'S NET INCOME FROM FINANCIAL INVESTMENTS IN ASSOCIATES AND JOINT VENTURES BREAKS DOWN AS FOLLOWS:

PROFIT SHARES NOK MILLIONS	OWNERSHIP INTEREST	31.12.20	31.12.19	CHANGE
Sparebank 1 Gruppen	19.50%	534	712	-178
Sparebank 1 Boligkreditt	18.14%	16	22	-6
Sparebank 1 Næringskreditt	8.60%	5	7	-2
Sparebank 1 Kreditt	17.08%	2	13	-11
Sparebank 1 Betaling	18.57%	-1	3	-4
BN Bank	9.99%		28	-28
Other	20.00%	4	-4	8
Sale of companies		-6	34	-40
TOTAL CONTRIBUTIONS FROM ASSOCIATES AND JVS		554	815	-261

The Parent Bank's accounts use the cost method, which involves income recognition of the actual dividend received each year from these companies; see the overview on page 32 and 33.

The Group's profit for 2020 is heavily influenced by the share of the profit from SpareBank 1 Gruppen. The profit includes a gain of MNOK 340 from part 2 of the insurance merger between SpareBank 1 Forsikring AS and DNB Forsikring AS on 1 January 2020 when personal risk insurances from these two companies were transferred to the insurer Fremtind Forsikring AS.

Overall, the transaction resulted in increased equity for SpareBank 1 Gruppen at group level. The majority's (the SpareBank 1 banks and the Norwegian Confederation of Trade Unions (LO)) share of this increase was around BNOK 1.7. SpareBank 1 Nord-Norge's share of the increase amounted to MNOK 340 which was recognised in the income statement in the first quarter of 2019.

In the fourth quarter of 2020 SpareBank 1 Nord-Norge sold its stake in the alliance company Betr AS, incurring a loss of MNOK 6.

The profit share item «Other» consists of shares in the profits of SpareBank 1 Utvikling (formerly SpareBank 1 Banksamarbeidet DA), SpareBank 1 Bank og Regnskap AS (SMB Lab AS) and a new alliance company SpareBank 1 Gjeldsinformasjon AS and SpareBank 1 Mobilitet AS (owned by SpareBank 1 Finans Nord-Norge AS).

The jointly-owned companies in SpareBank 1-alliansen report good earnings. In The Board of Directors' assessment, the underlying assets in these companies are also substantial. The mergers carried out render such underlying assets somewhat more visible.

SHARES

As at 31 December 2020, The Group's share portfolio amounted to MNOK 714 (MNOK 791). The trading portfolio managed by SpareBank 1 Nord-Norge was liquidated in August, and all portfolio assets were sold (MNOK 42.3) at a gain of MNOK 1.2.

The portfolio thereafter mainly comprises shareholdings in Visa, BN Bank and Sp1 Markets, along with a portfolio of hybrid equity classified for accounting purposes as shares.

The portfolio had a net positive profit contribution of MNOK 50 in 2020, most of which was due to positive value growth in the shareholdings in Visa and BN Bank.

In December 2020, Visa C preference shares were converted Visa A shares. SpareBank 1 Nord-Norge holds this type of share through two companies: VN Norge (which is owned together with other Norwegian banks) and Visa Pref C (directly owned by SNN). Half of the holding in both companies was converted, and could thus be disposed of. It was decided to sell the newly converted A shares in both companies, and the bank received in December proceeds/dividend of MNOK 29.2 for the portion held by VN Norge AS. Proceeds/dividend for the remainder amount to MNOK 15.5 which was received in January 2021. As at 31 December 2020, the overall value of shares related to Visa was MNOK 182.

The shares in BN Bank rose MNOK 15 in value over the course of the year.

CERTIFICATES, BONDS, DERIVATIVES AND CURRENCY

KAs at 31 December 2019, The Group's holdings of certificates and bonds amounted to MNOK 18,079 (MNOK 15,837). After a sharp increase in credit premiums in the first quarter causing a negative change in portfolio value, a positive trend gradually resumed over the year due to declining credit premiums. The end of the year saw a net negative change of MNOK 4. The portfolio's associated derivatives and currency effects had a positive value impact of MNOK 46 over the year, bringing a net gain of MNOK 42 all told.

LOANS AT FAIR VALUE

The Group's portfolios of fixed-rate loans are classified and measured at fair value. The fixed-rate loan portfolio is hedged using interest rate swaps, which are also measured at fair value. The overall change in value in 2020 in the loan portfolio and associated interest rate hedges resulted in a positive profit contribution of MNOK 3 due to a reduced discount rate over the course of the year. At the end of the year this portfolio was worth MNOK 7,614.

In addition to fixed-rate loans, residential mortgage loans selected and labelled for transfer to the mortgage company SpareBank 1 Boligkreditt in the period ahead were also classified and measured at fair value.

Fair value is set at the value for which the loan is actually transferred. As at 31 December 2020 this portfolio amounted to MNOK 3,917.

SUBSIDIARIES

Dividends received from subsidiaries are recognised in the Parent Bank's accounts using the cost method. An overview of the results and dividends from the various subsidiaries is provided in a separate section earlier in this report.

As indicated earlier in the report of The Board of Directors, The Group's subsidiaries delivered a combined profit of MNOK 178 after tax in 2020 (MNOK 151), which has been fully consolidated into The Group accounts.

BUSINESS HELD FOR SALE

At the start of 2020, SpareBank 1 Nord-Norge wholly owned Bodø-Gruppen II AS (factory buildings linked to earlier solar cell production in Glomfjord, Nordland). The company was reported under IFRS 5 as available for sale and was accordingly not consolidated in the accounts as an ordinary subsidiary but presented on its own line in the balance sheet as 'business held for sale'.

The property was sold in the first quarter of 2020, and the residual exposure redeemed.

OPERATING COSTS

NOK MILLIONS	31.12.20	31.12.19	CHANGE
Wages	690	661	29
Pensions	54	46	8
NI contributions	125	127	-2
Administration costs	461	524	-63
Depreciation, fixed assets	109	120	-11
Operating costs, properties	25	28	-3
Other operating costs	162	134	28
TOTAL OPERATING COSTS	1,626	1,640	-14

Group costs in 2020 were 1% lower than in 2019. The reduction is ascribable to the Parent Bank in an amount of MNOK 45, while The Group's subsidiaries show an increase of MNOK 31, which is largely due to the acquisition of SpareBank 1 Nord-Norge Regnskapshuset and very high activity at Eiendoms-Megler 1 Nord-Norge.

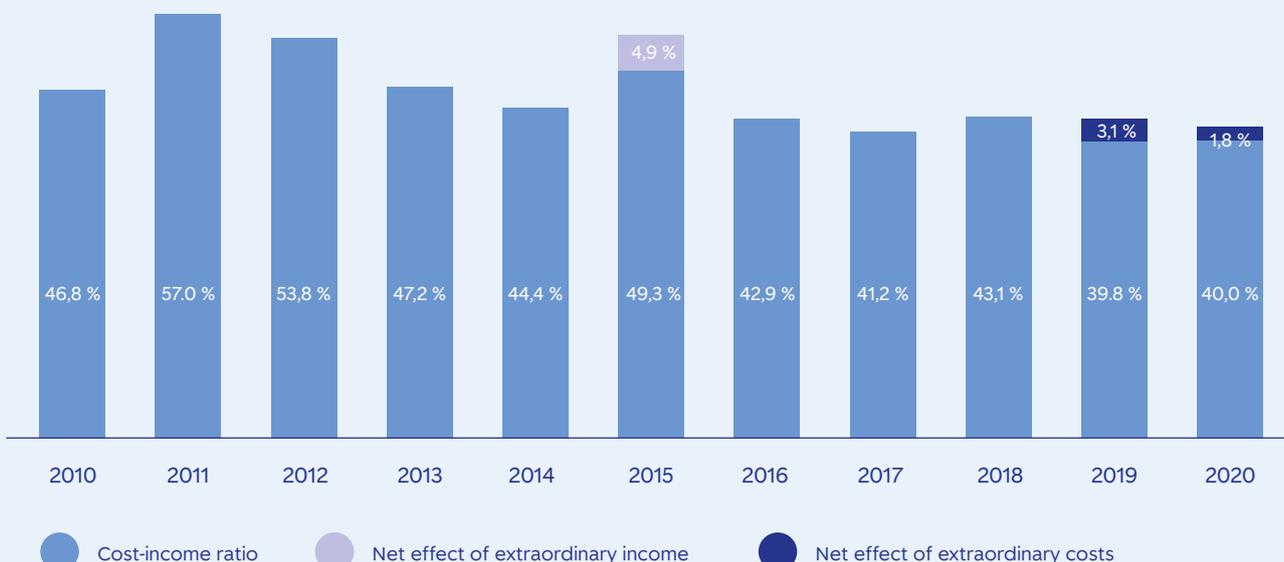
As a consequence of The Group's profitability project, adopted in December 2019, MNOK 70 was earmarked for reorganisation measures, and a number of cost-reducing measures were adopted. The Covid-19 situation has led to some delays in implementation, but all measures are now in place and we expect full effect over the course of 2021.

The announced closure of bank branches is an important aspect of the measures, which will have full effect over the course of 2021. The overall effect of the profitability project (incomes and expenses) at the end of 2021 is put at MNOK 200.

As a consequence of the cost measures, the profitability project aims for maximum cost growth of 2% in 2020 and of 0% or lower in 2021. Thus the figure of a 1% decline for 2020 is well within target.

Wealth tax is not defined as a tax charge, but as an operating cost under IFRS. Wealth tax totalling MNOK 13 was expensed for 2020 (MNOK 13).

CHANGE IN COST-INCOME RATIO OVER THE LAST 11 YEARS



The Group's long-term goal for the cost-income ratio (C/I) is 40% or lower. As at 31 December 2020, this ratio was 40.0% (39.8%) for The Group and 37.7% (28.8%) for the Parent Bank. Adjusted for the above-mentioned gain from the Fremtind merger, recognised as income, and the above-mentioned restructuring costs, the cost-income ratio for The Group is 43.7% (42.9%), and 35.5% (29.5%) for the Parent Bank. The cost-income ratio for The Group's basic operations (exc. incomes from financial investments and provision for reorgan-

isation costs) was 3% higher as per the fourth quarter than for the same period of the previous year.

The Group's FTEs totalled 897 as at 31 December 2020 (904). This is 12 FTEs fewer than at 30 September 2020, of which 13 fewer at the Parent Bank and 1 more at the subsidiaries. The Parent Bank's FTEs totalled 565 as at 31 December 2020 (584). As of 1 January 2021 a further 18 FTEs left The Group, of which 16 at the Parent Bank and 2 at subsidiaries.

LOSSES AND DEFAULTS ON LOANS

The Group's net losses on loans and guarantees to customers in 2020 are heavily affected by Covid-19, amounting to MNOK 323 (MNOK 11) which breaks down to MNOK 10 (MNOK 14) from the personal market and MNOK 316 (-MNOK 3) from the corporate market.

The Group's total loss provisions on loans and guarantees as at 31 December 2020 were MNOK 823, which is MNOK 303 higher than 12 months previously. Loan loss provisions measure 0.91% (0.60%) of The Group's total outstanding loans to customers, incl. intermediary loans.

As at 31 December 2020, total loss provisions at stage 3 on loans and guarantees came to MNOK 167 (MNOK 152). This equates to a loss provision ratio of 45% (43%) of net non-performing and doubtful commitments. Provisions are MNOK 2 lower than for the previous quarter, comprising Parent Bank provisions that were MNOK 13 higher, while the subsidiary SNN Finans' provisions were MNOK 15 lower than at the previous quarter after divesting its consumer finance portfolio as mentioned above.

Loss provisions at stage 1 and 2 on loans and guarantees totalled MNOK 656 (MNOK 368) as at 31 December 2020, MNOK 57 higher compared with the end of the previous quarter. The increase stems in all

essentials from manual removal of exposures from stage 1 to stage 2 in the ECL calculation in order to allow for expected negative migration in the portfolio due to Covid-19.

Special reference is made to note 2 in the quarterly accounts which describes The Group's assessments relating to factors with a bearing on loss provisions as per 31 December 2020. Reference is also made to notes 11 and 13 in the annual accounts. Note 13 provides an overview of total loss provisions as at 31 December 2020, including off-balance sheet items.

Although the year 2020 is marked by Covid-19 and the associated economic consequences, The Board of Directors considers the overall quality of The Group's loan portfolio to be good. This is explained by The Group's systematic effort of recent years to lower the risk present in the loan portfolio, and by the monitoring established by The Group of the loan portfolio through Covid-19. Furthermore, The Group's loan portfolio is characterised by residential mortgages and sectors little affected by Covid-19, and by the Norwegian government's establishment of comprehensive economic support arrangements. Substantial uncertainty nonetheless remains as to economic developments ahead, and future losses will depend among other things on the infection situation and government measures.

TAX

The Group's tax charge for 2020 is put at MNOK 306 (MNOK 409). The tax base was reduced by permanent differences between the accounting and tax treatment of certain balance sheet items, as well as

the effects of the exemption method. As mentioned above, wealth tax is recognised as part of ordinary operating costs.

DISTRIBUTION OF PROFIT

There has been much uncertainty in the financial industry with regard to the distribution of dividends for 2020. Finance Norway and various bank groupings, including SpareBank 1 Nord-Norge, have been in dialogue with the Ministry of Finance about issues related to dividends and the importance for savings banks of a regulatory amendment that places savings banks on an equal footing with share-based banks.

The Ministry of Finance published on 21 January 21 the following

There is still considerable uncertainty about the economic outlook in Norway and internationally. Banks should therefore, in line with recommendations from the European Systemic Risk Board (ESRB), apply caution in distributing profits until 30 September.

The Ministry of Finance expects that Norwegian banks which, after a careful assessment and based on the

ESRB's recommendation, find grounds for distributing profits, will keep total distributions within a maximum of 30% of cumulative annual profits for the years 2019 and 2020, until 30 September 2021. This is conveyed in a letter that the Ministry today has sent to Finanstilsynet, in response to Finanstilsynet's proposal for such a threshold of 25%.

The proposed distribution of profit for 2020 is in line with Norwegian government authorities' expectations, and takes a basis in The Group's post-tax profit, adjusted for accrued interest on issued hybrid equity. The net profit is thereafter distributed between equity certificate (EC) holders and the bank's community-owned capital in proportion to the relative distribution of total equity between these owner groupings at the Parent Bank as at 1 January 20, respectively 46.36% and 53.64%. Based on this, The Board of Directors recommends to the Supervisory Board the following distribution of profit for 2020:

DISTRIBUTION OF THE PROFIT FOR 2020

NOK MILLIONS	31.12.2020	31.12.2019	CHANGE
Parent Bank's profit after tax	1,742	2,062	-320
Interest costs, hybrid Tier 1 instruments	32	28	4
NET PROFIT AVAILABLE FOR DISTRIBUTION	1,710	2,034	-324
Cash dividend per equity certificate	3,90	4,00	1,50
ALLOCATED TO CASH DIVIDEND	392	402	-10
ALLOCATED TO THE DIVIDEND EQUALISATION FUND	401	541	-140
Total to equity certificate holder	793	943	-150
Share of profit	46.36%	46.36%	0.00%
Allocated to donations	453	464	-11
Allocated to the dividend equalisation fund	464	627	-163
TOTAL FOR COMMUNITY-OWNED CAPITAL	917	1,091	-174
Share of profit	53.64%	53.64%	0.00%
TOTAL DISTRIBUTIONS	1,710	2,034	-324
Retained portion, group profit	50.6%	57.4%	6.8%
Retained portion, Parent Bank's profit	36.6%	67.4%	30.8%
Payout ratio, group profit	49.4%	42.6%	-6.8%
Payout ratio, Parent Bank's profit	63.4%	32.6%	-30.8%

The distribution entails an identical payout ratio to the bank's equity certificate holders and the community-owned capital. The payout ratio constitutes in aggregate 63.4% (32.6%) of the Parent Banks' profit for the year and 49.4% (42.6%) of The Group's profit.

In the assessment of recommended dividend, thorough assessments have been made of The Group's solidity, liquidity and financial development, including stress tests showing the consequences of negative scenarios. These assessments indicate that the recommended dividend is prudent. As at 31 December 2020, the capital adequacy ratio, after the recommended dividend payout, is significantly higher than both regulatory requirements and internal targets. This indicates substantial loss-absorbing capacity. However, it is pointed out that Finanstilsynet (Norway's financial supervisory authority) can, when called for in the interests of the financial institution's financial position, order the bank to refrain from distributing dividend or to distribute lower dividend than that recommended by The Board of Directors or approved by the Supervisory Board.

The bank will continue to attach importance to delivering a competitive direct return to the bank's owners. Future payout ratios must nonetheless take account of the bank's capital adequacy and the potentials for future profitable growth.

The Board of Directors recommend a dividend of MNOK 844.6 corresponding to 49.4% of The Group's net profit, and NOK 3,90 per equity certificate (EC), and that payment of this dividend be split into two parts, so that NOK 1,27 per EC is paid in the second quarter (based on the above-mentioned recommended 30% cap from the Ministry of Finance). The remaining dividend of NOK 2,63 per EC (MNOK 263.4) is recommended for disbursement in the fourth quarter of 2021, based on an authorisation to The Board of Directors whereby the board after the third quarter shall make an overall assessment of whether the situation indicates that it will be prudent to disburse the remaining dividend.

The initial portion of dividend will be paid to those EC holders that are registered as holders as of 25 March 2021. The bank's equity certificate will be quoted ex dividend on 26 March 2021. The EC holders' portion of the total equity is unchanged, and is calculated at 46.36% as at 1 January 2021.

CASH FLOW ANALYSIS

The total cash flow from Group operations amounted to MNOK 2,183 (MNOK 2,195). Cash flow from operations amounted to MNOK 2,080 (MNOK -956), while The Group's profit after tax amounted to MNOK 1,742 (MNOK 2,064). The difference is mainly due to lending growth, as well as increased certificate and bond holdings. Total investments in The Group in 2020 amounted to MNOK 621 in 2020 (MNOK 96). The year's investments were largely directed to jointly controlled activities in the alliance.

The Group's liquidity holdings as at 31 December 2020 amounted to MNOK 2,580 (MNOK 1,465). The Group's ability to self-finance investments is good.

See also the cash flow statement included in the annual accounts.

BALANCE SHEET PERFORMANCE

As at 31 December 2020, loans totalling BNOK 38 (BNOK 33) had been transferred to SpareBank 1 Boligkreditt, and BNOK 0.4 (BNOK 0.4) to SpareBank 1 Næringskreditt. These loans, termed intermediary loans, do not appear as lending on the bank's balance sheet.

NOK MILLIONS	31.12.20	31.12.19	CHANGE
Lending to retail customers	88,712	86,287	2.8%
Lending to corporate clients	38,410	35,446	8.4%
GROSS LENDING TO CUSTOMERS, INCL. INTERMEDIARY LOANS	127,122	121,733	4.4%
TOTAL LENDING TO CUSTOMERS, EXC. INTERMEDIARY LOANS	88,977	85,692	3.8%
Retail deposits	40,363	36,489	10.6%
Corporate deposits ¹	32,795	31,541	4.0%
TOTAL DEPOSITS	73,158	69,030	7.5%
DEPOSIT-TO-LOAN RATIO, EXC. INTERMEDIARY LOANS	82.2%	79.4%	2.8%
TOTAL ASSETS	117,298	111,524	5.2%

¹ Incl. public sector market

In the case of new loans, particular importance is attached to customers' debt-servicing ability and a satisfactory level of collateral to ensure that credit risk is kept to an acceptable level.

PERCENTAGE 12 MONTHS' GROWTH	2020	2019	2018	2017
Lending to retail customers	2.8%	4.7%	8.2%	9.3%
Lending to corporate clients	8.4%	11.7%	8.2%	10.1%
TOTAL GROWTH	4.4%	6.7%	8.2%	9.6%

There is strong competition, especially in the mortgage market, but The Group is competitive and is taking market share. After the market interest rate hikes in autumn 2019, the underlying rate of growth was in principle expected to decline somewhat in 2020.

Given the Covid-19 situation it is difficult to assess future developments with any certainty, but for 2021 as a whole we assume and expect 2-5% growth in lending to retail customers and 4-6% to corporates. This represents a wider range of possible outcomes

and somewhat lower growth than we assumed prior to the onset of Covid-19.

In 2020, prompted by the Covid situation, the bank initiated measures in the form of mortgage payment holidays and government-guaranteed liquidity loans. As at the end of 2020, government-guaranteed liquidity loans worth MNOK 343 had been disbursed to some 160 customers.

The retail market accounted for 70% of overall lending as at 31 December 2020 (71%).

LIQUIDITY

The bank's most important funding source is customer deposits. At the end of 2020, the deposit-to-loan ratio (exc. intermediary loans) was satisfactory at 82% (79%). The bank's remaining funding, apart from own funds and customer deposits, is mainly long-term funding from the capital markets. The bank's access to liquidity, and its key figures for liquidity, are satisfactory.

The bank's aim is to keep overall liquidity risk at a low level. According to the LCR Regulation, undertakings are required at all times to maintain a liquidity coverage ratio (LCR) of at least 100% for all currencies combined. That entails that undertakings' holdings of liquid assets must match their net liquidity outflow in a situation of stress in money and

capital markets for at least 30 days ahead. As at 31 December 2020, the LCR was calculated at 142% (156%).

In addition, there is a general requirement for the enterprises shall have stable and long-term financing (Net Stable Funding Ratio - NSFR). NSFR for the group is calculated to 118% (118%) as of 31.12.20.

THE BANK HAD THE FOLLOWING RATINGS WITH RATING AGENCIES AS OF 21 DECEMBER 2020:

SNN RATING 31.12.20	MOODY'S	FITCH
Senior preferred rating	Aa3	A+
Senior non-preferred rating	A3	A

FINANCIAL STRENGTH AND CAPITAL ADEQUACY

SpareBank 1 Nord-Norge's goal is to maintain an indisputably solid financial position at all times and to be compliant with the regulatory minimum capital adequacy requirement. The Group's targeted common equity Tier 1 (CET1) ratio is one percentage point above the regulatory minimum requirement. This entails a targeted CET1 ratio of 14.9% at the end of 2020.

In January 2007, SpareBank 1 Nord-Norge was granted permission to use IRB models to calculate capital requirements for credit risk. In February 2015, the bank was also given permission to apply the advanced IRB method to the corporate portfolio. The use of IRB models places great demands on the bank's organisation, competence, risk models and risk management systems.

As from 31 December 2019, CRR/CRD IV (Basel III) had been fully implemented in Norway, including the removal of the «Basel I floor» and the implementation of the «SME discount»¹ etc. This reduced risk weighted assets for Norwegian IRB banks, including SpareBank 1 Nord-Norge. As a follow-up to this, Norwegian government authorities have through 2020 worked on changes related to other capital charges.

The changes, adopted in December 2020, entailed the following:

- The systemic risk buffer requirement increases from 3 to 4.5%. The requirement applies to Nor-

wegian AIRB banks (incl. SpareBank 1 Nord-Norge) from the end of 2020, and to other banks from the end of 2022. SpareBank 1 Nord-Norge has exposures to a number of countries with lower/no buffer requirements. This entails a risk-weighted, institution-specific systemic risk buffer of 4.42%.

- A temporary floor (minimum requirement) is introduced for average risk weights on residential mortgages of, respectively, 20% and 35%. This does not affect SpareBank 1 Nord-Norge at present since The Group's risk weighting is above those threshold values.

The countercyclical capital buffer increased from 2.0% to 2.5% as from 31 December 2019. As a result of Covid-19, the countercyclical capital buffer requirement in Norway was lowered from 2.5% to 1% with effect from 13 March 2020. SpareBank 1 Nord-Norge is above the threshold of 2% foreign exposures and has calculated The Group's countercyclical capital buffer at 1%. Norges Bank is expected to advise an increase in the buffer requirement during the course of 2021. A decision to increase buffer requirements normally sets the implementation date to 12 months after the date of the decision. Norges Bank envisages the buffer returning to 2.5% in the longer term.

The rules for identifying systemically important financial institutions (SIFIs) suggest that SpareBank 1 Nord-Norge is *not* to be regarded as a SIFI.

¹ Lower capital requirements for loans to small and medium-sized enterprises that meet a set of given criteria.

	4Q20	3Q20	1Q20	4Q19
Minimum CET1 requirement	4.5%	4.5%	4.5%	4.5%
Systemic risk buffer	4.4%	3.0%	3.0%	3.0%
Countercyclical capital buffer	1.0%	1.0%	1.0%	2.5%
Capital conservation buffer	2.5%	2.5%	2.5%	2.5%
Pillar 2 requirement	1.5%	1.5%	1.5%	1.5%
TOTAL REGULATORY MINIMUM REQUIREMENT	13.9%	12.5%	12.5%	14.0%
INTERNAL CAPITAL BUFFER TARGET	1.0%	1.0%	1.0%	1.0%
INTERNAL CAPITAL TARGET SNN	14.9%	13.5%	13.5%	15.0%

The Group applies proportional consolidation in its capital adequacy reporting of ownership interests in SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt, and SpareBank 1 Kreditt. Disinvestment from BN Bank to 9.99% brought the holding below the threshold for consolidation. Following dialogue with Finanstilsynet, The Group has nevertheless chosen to consolidate this holding for capital adequacy purposes.

The Group's CET1 capital (incl. profit share) increased by MNOK 547, or 4.8%, in 2020. Total risk

weighted assets rose by about BNOK 2.0 in 2020. The CET1 ratio thus rose proportionally by 0.3 percentage points.

The bank's financial position is considered good in relation to current and forthcoming regulatory requirements and risk exposure, as well as the uncertainty related to Covid-19.

See also the account on page 86 (note 6) on risk and capital management, and the regulatory framework.

CAPITAL RATIO AS AT 31.12.2020

	GROUP 31.12.20	GROUP 31.12.19	CHANGE	PARENT BANK 31.12.20	PARENT BANK 31.12.19	CHANGE
CET1 ratio	17.5%	17.2%	0.3%	20,6%	19.3%	1.3%
Tier 1 ratio	18.9%	18.8%	0.2%	21.9%	20.7%	1.2%
Total capital ratio	20.9%	20.6%	0.3%	23.8%	22.3%	1.5%
Leverage ratio	7.6%	7.7%	-0.1%	10.9%	10.4%	0.5%

EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the balance sheet date that are considered to have a material bearing on The Group's profit and/or financial position.

The distribution is proposed of a cash dividend of MNOK 391.6 from the profit for the year to EC holders of SpareBank 1 Nord-Norge and MNOK 453.0

as community dividends to the community-owned capital. This proposal had not been adopted as of the balance sheet date, and is therefore not recognised as a liability on the balance sheet, but is still included in equity pending a final decision by the Supervisory Board in March 2021.

SpareBank 1 Nord-Norge's corporate governance is based on the Accounting Act and the principles set forth in the Norwegian Code of Practice for Corporate Governance. See the chapter entitled Corporate Governance in this annual report, which also covers the requirements of Section 3-3b of the Accounting Act. That chapter explains how SpareBank 1 Nord-Norge complies with the Code of Practice. It also includes information on The Board of Directors and the board's subcommittees.

RISK AND CAPITAL MANAGEMENT

Risk and capital management at SpareBank 1 Nord-Norge is aimed at supporting The Group's strategic development and goal attainment. It shall also ensure financial stability and prudent asset management.

This shall be achieved through:

- A healthy risk culture characterised by a high awareness of risk and capital management.
- A good understanding of what risks drive earnings.
- Striving to achieve optimal allocation of capital within the adopted business strategy.
- Exploiting synergy and diversification effects.
- Ensuring that no single event will seriously impair The Group's financial position.

A comprehensive framework for risk and capital management has been established at SpareBank 1 Nord-Norge.

This includes:

- Governing documents.
- Roles and responsibilities..
- Monitoring and reporting.
- Models for calculating risk and risk-adjusted capital needs.

The Group's risk strategy guides risk and capital management at SpareBank 1 Nord-Norge. The risk strategy and the business strategy together constitute The Group's supreme governing documents. All other governing documents are derived from these.

The Group's control and management model defines clear-cut responsibilities and roles. SpareBank 1 Nord-Norge invests a great deal of resources to establish, follow up and develop The Group's risk management systems and processes. The object is to manage

all significant risks in line with best practices among comparable financial groups.

A risk-adjusted capital need is calculated for all significant risk areas. This is an important prerequisite for assessments related to risk exposure and capital adequacy objectives. These are factors intended to secure The Group's operations also under stressed market conditions.

The Board of Directors reviews a summary of The Group's risk picture on a quarterly basis. This underlies the board's discussions and assessments of necessary measures. Central to this review is an assessment of The Group's financial strength, liquidity and funding, profitability and efficiency against the background of developments in underlying portfolios and risks.

The Group carries out a comprehensive risk and capital assessment process (ICAAP/ILAAP) each year. The ICAAP/ILAAP is initiated, and approved, by The Board of Directors. The process involves a comprehensive overall assessment of The Group's overall risk exposure, quality of governance and control, and short- and long-term capital and liquidity needs.

The risk and capital management framework is reviewed and approved by The Board of Directors on an annual basis.

The Group's overall risk level shall, in keeping with the risk strategy, be low to moderate.

INTERNAL CONTROL

Pursuant to regulatory requirements and best practice, The Group has established a control model with three lines of defence. This is to ensure adequate internal control.

The business lines and key departments form the first line of defence, and are intended to ensure sufficient quality and control when tasks are performed for the first time.

The risk management and compliance departments are independent of the first line, and make up The Group's second line of defence. The risk management and compliance departments monitor and check that quality and compliance are adequate, and report periodically to The Group Management team and The Board of Directors.

The internal and external audit functions are The

Group's third line of defence, and perform independent assessments of the internal control function. The internal auditor and the external auditor report to The Board of Directors on a regular basis. They present independent assessments of The Group's risks and of whether the internal control function operates in an appropriate and satisfactory manner.

The Board of Directors reviews key quality and risk

indicators every quarter, and considers a summary report on the implementation of internal control in The Group ('management confirmation') each year. The management and control framework is evaluated and updated each year.

THE MOST IMPORTANT RISKS AREAS

BUSINESS RISK

Business risk is defined as the risk of unexpected income and cost fluctuations resulting from The Group's operations, or from changes in external conditions such as the market situation or government regulatory measures. The latter applies above all to falls in income due to increased competition, changes in regulatory conditions or other changes in business conditions, as well as changes to the costs picture that cannot be offset through other cost-cutting or income-increasing measures.

Business risk arises as a result of, and is related inter alia to:

- Business model
- Market situation
- Strategic ventures
- Macroeconomic factors
- Regulatory framework conditions

The Group makes use of a broad range of quantitative and qualitative tools to identify and report business risk. Good strategic planning is the most important tool for reducing business risk. The Group's framework for coherent, overall corporate governance is an important element in the commercial management of its operations.

Business risk in The Group is considered low, and in keeping with The Group's risk strategy.

CREDIT RISK

Credit risk is defined as the risk of loss due to customers or counterparties being unable or unwilling to meet their financial obligations under an agreement.

Credit risk arises as a result of, and is related primarily to:

- Financing/lending to retail customers
- Financing/lending to corporate clients

The Group has in addition credit risk related to investments in interest-bearing securities. This is further described below under «Market risk».

Risk in The Group's corporate market credit portfolio is moderate, while risk in the retail market portfolio is considered very low. The risk in the portfolio reflects the macroeconomic situation in the region prior to Covid-19, The Group's risk appetite, and established management and control. Risk and uncertainty in this area have increased as a result of Covid-19, but the consequences for Northern Norway and The Group's loan customers have so far been moderate. The Group has little direct exposure to oil-dependent sectors.

The risk strategy establishes limits and targets for the ongoing management of credit risk in the portfolio. The bank's lending regulations and authorisations are based on the probability of default (PD) and the 'two pairs of eyes' principle. The lending regulations are reviewed and approved annually by The Board of Directors.

Credit risk in The Group is considered low to moderate, and in line with The Group's risk strategy. Reference is made to a further description of credit risk in the notes to the accounts.

LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is defined as the risk of The Group being unable to fulfil its obligations as and when they fall due, and the risk of The Group being unable to meet its liquidity obligations without the cost of this increasing significantly.

Liquidity and funding risk arises as a result of, and is related primarily to:

- Mismatched maturities of assets and liabilities.
- Dependence on the capital market.
- Regulatory changes

Debt created by the issuance of securities and debt to credit institutions amounted to MNOK 24,440 as at 31 December 2020, a reduction of MNOK 909 compared with 2019. The Group's deposit-to-loan ratio was 82% as at 31 December 2020 compared with 79% in both 2019 and 2018. A good deposit-to-loan ratio and stable customer deposits are important for the bank's liquidity management.

The need for refinancing in the capital markets in 2020 is within a level considered normal for The Group and is not expected to result in liquidity-related challenges ahead.

The Group's funding strategy needs to take various considerations into account, including trade-offs between the lowest possible borrowing costs in the capital market and costs related to diversification of the bank's funding in terms of maturity and funding sources. The Board of Directors reviews The Group's liquidity strategy and contingency plans annually.

Requirements for prudent liquidity management are regulated by, among other things, regulatory and internal minimum requirements for the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). SpareBank 1 Nord-Norge's liquidity and funding conform to these requirements. Moreover, The Group has started the process of conforming to the MREL requirement set by Finanstilsynet. The Group's MREL requirement applies as from 1 January 2021. The Group's MREL requirement applies as from 1 January 2020. The requirement as to issuance of senior non-preferred debt must be met by 1 January 2024.

Liquidity and financing risk in The Group is considered low, and in line with The Group's risk strategy. Reference is made to further details of liquidity and financing risk in the notes to the annual accounts.

MARKET RISK

Market risk is defined as the risk of changes in the value of assets/financial positions due to changes in market value. Typical factors bearing on market risk are share prices, interest rates, risk premiums and exchange rates.

Market risk arises as a consequence of, and is primarily related to:

- Management (including holding) of liquidity reserves
- Changes in interest rate level that affect both assets and liabilities
- Changes in exchange rates that affect both assets and liabilities
- Changes in share prices that affect assets
- Customer activity in fixed income and currency trading

The bank's securities portfolio is in all essentials linked to the regulatory, interest-bearing liquidity portfolio (LCR). The bank very rarely takes positions in securities and financial instruments with a view to resale or to benefit from price or interest rate variations in the short term.

Stress tests for market risk show that the bank and The Group have the ability to keep the level of risk exposure within adopted limits.

Market risk in The Group is considered low, and in line with The Group's risk strategy. See also further details of market risk in the notes to the annual accounts.

OWNERSHIP RISK

Ownership risk is defined as the risk of The Group incurring negative profit from ownership interests in strategically owned companies, or having to supply fresh capital to strategically owned companies.

Ownership risk arises as a consequence of, and is related to, The Group's ownership interests in strategically important companies, for example SpareBank 1 Gruppen, in which Fremtind is the largest and most important company.

Holdings in wholly and partly owned companies are substantial and important for The Group's overall goal attainment. On the other hand these stakes can cause profit volatility and/or affect capital adequacy.

The holding in SpareBank 1 Gruppen represents the largest risk driver in this area.

Ownership risk is considered *low to moderate*, and in line with The Group's risk strategy. Reference made to further details of ownership risk in the notes to the annual accounts.

OPERATIONAL RISK

Operational risk is defined as the risk of people, processes, systems or external events reducing The Group's ability to fulfil its objectives. Operational risk is an extensive area of risk and includes, among other things, compliance risk, cyber/IT risk, reputational risk, behavioural risk, third-party risk, human capital risk et al.

Operational risk arises as a consequence of, and is inter alia related to:

- A large number of processes related to the operation of the business
- A large number of systems related to the operation of the business
- A large number of employees related to the operation of the business
- Regulatory requirements

Managing operational risk is a key part of risk management in The Group. The Group has accordingly developed and established both a comprehensive framework and system support for monitoring, documenting and reporting on operational risk and potential improvements in this area. The risk management and compliance departments coordinate this work and report to The Group Management team and The Board of Directors.

The Group pays particular attention to the most relevant threats at any given time, including IT crime, fraud, money laundering and other types of threat to The Group and its customers. Incidents that have affected, or could affect, The Group's profitability, reputation or customers are followed up systematically. SpareBank 1 Nord-Norge also works closely with SpareBank 1-alliansen to ensure good, stable operations and a high level of security.

Because of the high pace of change and increased complexity, increased regulatory requirements and increased ambitions in this area, the capacity and expertise of the second line of defence have been upgraded in recent years. This was also the case in 2020.

Operational risk in The Group (moderate) is still considered to be somewhat higher than The Group's risk appetite (low) as defined in the risk strategy. This is due to the high pace of change, both internally and externally. A wide-ranging effort to reduce risk exposure in this area has been ongoing in recent years. This effort has shown good progress and key areas have been further developed.

INSURANCE RISK

Insurance risk is defined as risk arising as a result of The Group's insurance activities, and the fluctuations this causes in group profits.

Insurance risk arises as a result of, and is related to, The Group's ownership interest in SpareBank 1 Gruppen.

PENSION RISK

Pension risk is defined as risk arising as a result of changes in variables affecting The Group's obligations related to future pension disbursements.

Pension risk arises as a result of, and is related to, The Group's defined benefit pension scheme.

SYSTEMIC RISK

Systemic risk is defined as the risk of financial instability disrupting the provision of financial services on a scale that may lead to substantial negative impacts on production and employment.

Systemic risk arises as a result of, and is related to, characteristics of the financial system in which The Group operates.

RISK OF EXCESSIVE DEBT ACCUMULATION

The risk of excessive debt accumulation is defined as the risk of the proportion of external funding on The Group's balance sheet rising too high in relation to The Group's equity capital.

The risk of excessive debt accumulation may arise as a result of The Group's credit models estimating risk weights that are too low in light of the actual risk present in the credit exposures.

CLIMATE RISK (INCLUDING SUSTAINABILITY)

Climate risk (including sustainability) is defined as the risk of events affecting society due to changes in the climate and climate policy.

Climate risk consists of three parts:

- Physical risk: Costs related to physical damage as a result of climate change.
- Transition risk: Economic risk associated with the transition to a low-emission society.
- Liability risk: Claims related to decisions or lack of decisions that in some or other way can be linked to climate policy or climate change.

Climate risk is an underlying risk driver for other risk types. These include in particular credit risk, market risk, liquidity and funding risk, insurance risk/ownership risk, as well as operational/reputational risk.

Climate risk arises as a result of The Group's core activities; see the description of other risk types above.

The Group's climate risk is considered low to moderate, and in line with The Group's risk strategy. See further details of climate risk in the notes to the annual accounts.

Regulatory requirements are changing apace, and this is expected to continue ahead. The Group identifies, assesses and adapts to regulatory changes on an ongoing basis.

This is done to ensure:

- Compliance with regulatory requirements.
- Proper management of business-related implications

The Group has established a system for close follow-up of regulatory changes through, inter alia:

- Establishment of a compliance committee.
- Establishment of joint cooperation in this area across the SpareBank 1 banks («regulatory radar»).
- Quarterly reporting to The Board of Directors («risk report» and «compliance report») on regulatory changes, including their content, timeline for implementation and implications, along with compliance.
- Annual reporting to The Board of Directors (ICAAP and annual compliance report) on regulatory changes, including their content, timeline for implementation and implications, along with compliance.

The key changes in 2020 and the regulatory changes announced for the coming years can be briefly summarised as follows:

Capital/financial strength

- The systemic risk buffer requirement increased from 3.0% to 4.5% as from 31 December 2020.
- Provisional minimum requirements (floor) for average risk weights on residential mortgages and commercial mortgages, of 20% and 30% respectively, were imposed as from 31 December 2020.
- The countercyclical capital buffer increased from 2.0% to 2.5% as from 31 December 2019. As a result of Covid-19, the countercyclical capital buffer requirement was lowered from 2.5% to 1% with effect from 13 March 2020. Norges Bank is expected to advise an increase in the buffer requirement over the course of 2021. A decision to increase the buffer requirement normally sets the implementation date to 12 months after the date of the decision. Norges Bank envisages the buffer returning to 2.5% in the longer term.
- Finanstilsynet has set the minimum requirement at the sum of own funds and eligible debt (MREL) for SpareBank 1 Nord-Norge. The decision sets the implementation date for The Group's MREL requirement to 1 January 2021. The requirement for issuance of senior non-preferred debt must be met by 1 January 2024.

- CRR2/CRDS/BRRD2 (the 'bank package') is expected to be implemented in 2021. This brings inter alia changes in the calculation of the limit for calculation of the largest exposure ('of Tier 1 capital'), and changes in the SMB discount.
- Completion of Basel III, including new standard approaches and IRB parameter floor etc. Introduction expected in 2023 (postponed for one year from the previously announced date).

Liquidity and funding

- NSFR minimum requirement (100%): Expected to be implemented in 2021 as part of CRR2/CRDS/BRRD2 (the «bank package»).
- Work on benchmark interest rate reforms and alternative benchmark rates still ongoing.

Updated status is:

- Nibor approved as benchmark interest rate in Norwegian kroner.
- Nowa designated as alternative benchmark rate in Norwegian kroner.
- In 2020 market conventions were proposed for use of Nowa in financial contracts in the event of lapse of Nibor.
- It is aimed to establish an interest rate derivatives market with Nowa as the underlying rate during the course of the third quarter of 2021.
- Possible wind up of Libor in the currencies GBP, CHF, JPY and EUR as from 31 December 2021 (and little used maturities of USD Libor).
- Possible wind up of Libor in USD for the maturities o/n, 1, 3, 6 and 12 months as from 30 June 2023.

Credit

- The mortgage lending regulations and consumer lending regulations were merged with effect from 1 January 2021. The combined regulations apply up to and including 31 December 2024. They will be evaluated in autumn 2022.
- The EBA has published new guidelines on loan origination and monitoring (EBA GL/2020/06). Finanstilsynet has confirmed to the EBA that Norway will abide by the guidelines upon their entry into force on 1 July 2021.
- New guidelines on default definition (EBA GL/2016/07) in force as from 1 January 2021.
- Further guidelines (GL) and consultation papers (CP) from the EBA in the IRB area, in force as from 2022.

Other areas

- New Financial Contracts Act: Passed in parliament in 2020. Entry into force expected on 1 July 2021 or 1 January 2022.
- Outsourcing: Finanstilsynet published a new circular on outsourcing in 2020 which operationalises and clarifies existing provisions in this area.

With regard to compliance with the anti-money laundering legislation, SpareBank 1 Nord-Norge has in recent years deployed substantial resources, including investments in systems support, to ensure compliance with current regulatory requirements.

All in all, the amendments in the regulatory area are considered comprehensive, but manageable. Changes in the regulatory framework are not expected to require The Group to make significant changes to its business model or strategy in the short or medium term.

AUDITING

The Group's external auditor is KPMG. Internal audits are carried out by EY.

The external and internal auditors report to The Board of Directors

RESEARCH AND DEVELOPMENT ACTIVITIES

SpareBank 1 Nord-Norge carries out business development on its own behalf and also participates in extensive joint development collaboration within SpareBank 1-alliansen. Key areas of cooperation are technology, digitalisation and automation.

Development work relates to new and better products and services for customers and more efficient operations. Priorities in 2020 were further development of digital channels, including the establishment of «banking and accounts», a new concept under corporate banking, which will simplify everyday life for many SMB businesses. Participation in the industry partnership around Vipps is important for the development and simplification of payment solutions for the retail and corporate markets.

SpareBank 1 Nord-Norge does not engage directly in activities that could be characterised as research. The Board of Directors allocated funds to the creation of LAB Nord-Norge in 2020. LAB Nord-Norge is a collaboration between academic institutions, business and public sector players in Northern Norway, in which UiT Arctic University of Norway and Microsoft are key participants. Central to the cooperation is the development of knowledge and expertise on digitalisation in the region, and increased collaboration on digital development. The Group also grants funds for knowledge and research purposes in the region through «Samfunnsloftet» and thus contributes to the development of new knowledge in important areas.

ORGANISATION AND HR

SpareBank 1 Nord-Norge must at all times have the right number of qualified staff in the right place and time, framed by The Group's business and risk strategy. More than 900 committed, skilled employees have played their part in enabling The Group to deliver on its strategic and financial targets in 2020, in a year which in every respect has required a will and ability to change on the part of the organisation.

At the time the Covid-19 pandemic struck, SpareBank 1 Nord-Norge and Helgeland Sparebank announced a future-oriented collaboration. In addition to the purely business aspect, the move brings major changes for The Group's employees localised in Helgeland. The management of both companies, elected officers and safety delegates teamworked to coordinated labour law processes to ensure predictability and to find solutions without having to resort to dismissal notices. We have succeeded thus far.

With a view to remaining competitive, the management issued early in 2020 a call for closer consideration of improvements on both the cost side and income side in the bank. This included assessment of the branch network and voluntary downstaffing. The need for staff reductions was put at 70-100 FTEs, and resulted in 89 approved severance packages.

Customer behaviour has moved further towards the digital interfaces, prompting a need to adjust staff numbers and physical presence. Based on a broad insight base, a total of 18 branches were closed over the course of 2020. In its capacity as employer, The Group was concerned to retain competent employees who wished to continue in other positions/locations, and we succeeded on that score.

The Covid-19 situation was defining for how the organisation conducted virtually all its activities. A planned group gathering was cancelled, and almost all business-related and social activity was affected by the restrictions imposed. Despite a lower spread of infection in Northern Norway, The Group's ability to rapidly modify its mode of working was put to the test, with a large element of homeworking, extended use of digital interfaces and, in periods, closure of customer premises. The Group had no layoffs over the year, and worked actively to deploy staff to where needs have been greatest, for example to attend to corporate clients. The situation was also turned to account to reinforce our focus on digitalisation, both internally and externally.

Evaluations show that the Covid-19 situation was handled with a minimum of negative consequences for our customers and operations in general.

Despite a particularly demanding year, our staff reported a high level of commitment. The employee survey shows a score of 80 out of 100, which is considered very high. The response rate was 92%, a high rate that lends legitimacy to the results.

SpareBank 1 Nord-Norge attaches great importance to competent staff with a keen commitment, and we aim to be an attractive employer. The year's Universum survey of Norway's most attractive places to work was therefore extra gratifying. 13 thousand students at 26 educational institutions ranked SpareBank 1 as high as number 4 (among economics students) and number 23 (among IT students).

EQUAL OPPORTUNITIES AND DIVERSITY

Diversity encourages increased innovation and stronger competitiveness. Through systematic work on recruitment, gender balance and pay equality, The Group has played its part in promoting diversity.

It is a pleasure to note that The Group's Board of Directors, and boards of subsidiaries, comprise at least 44.5% women. Unfortunately there is a way to go before our objective is attained in general across The Group, in which women hold 38% of managerial positions. The top management currently comprises

three women and six men. The gender distribution across the entire workforce is 53% women and 47% men.

Pay equality is an important principle for the organisation, and payroll analyses are devised with a focus on gender and job parities. No appreciable pay differences were brought to light in 2020, but we note that men often occupy the weightier posts commanding the highest salaries. This is addressed in the recruitment policy ahead.

HEALTH, SAFETY AND THE ENVIRONMENT

The Group has reported a low rate of sickness absence in recent years, and it remained low in 2020. Overall sickness absence ended the year at 3.51% for The Group, a decline of 0.47%. Specifically this entails a reduction of 739 sick days.

The HR Department and the safety service assist management with organisational development measures and follow-up of managers. This work has switched to a more digital footing due to restrictions on travel and meetings. Despite less physical follow-up, the staff survey reflects progress, also in terms of work environment parameters. There are also good indications that previously challenged individual departments have now made substantial progress, based on the results of the annual staff survey,

The Group's 'strategic compass' guides the evolution of the organisation and employees' development. The Group aspires to being an attractive and inviting employer with a view to successfully creating value for customers, owners and for Northern Norway.

Despite Northern Norway's low unemployment rate, job openings posted externally have attracted a good supply of qualified applicants. A greater challenge is faced when it comes to recruiting staff to the smallest branches in outlying areas. The Group's ability to attract the right employees is highly important with a view to attaining its strategic objectives. A substantial effort is therefore made to carry through good, professional recruitment processes. These are developed on a continual basis.

THE ENVIRONMENT AND SUSTAINABILITY

Sustainability and ESG (environmental, social and governance) issues are high on the agenda in a world marked by much uncertainty. Climate risk will affect financial stability in the future, and the financial industry is accordingly expected to play a crucial role in the green transition. Sustainability and ESG received high priority in 2020 at SpareBank 1 Nord-Norge and among our customers, investors, employees and society at large.

As the world's northernmost financial group, SpareBank 1 Nord-Norge is particularly concerned with matters that affect Arctic areas. Sustainability is therefore among the guiding principles of the new business strategy, and climate risk awareness is a part of The Group's risk strategy with quarterly reporting to The Board of Directors.

In September 2020 SpareBank 1 Nord-Norge launched a green product framework. The framework takes a basis in sectors considered to be of particular significance for the region, and links The Group's lending to green funding in the capital

market. The framework is designed to strengthen The Group's climate risk effort, to enable adjustment to new regulatory measures and requirements, and to contribute to Northern Norwegian business and industry's progress towards the green transition.

Other priorities in 2020 were the launching of green loan products for the retail market, and provision of training in, and knowledge of, climate risk for The Group's employees, and for the wider community through kbnn.no.

In 2020 SpareBank 1 Nord-Norge also worked further on implementing the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative (UNEP FI).

SpareBank 1 Nord-Norge reports in its annual report under the GRI Global Reporting Initiative, and follows the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).



GLOBAL DEVELOPMENTS

The globally coordinated endeavour to contain the outbreak of Covid-19, and the very far-reaching measures that ensued, have had a major bearing on overall growth in the world economy in 2020. The fall in economic activity was particularly forceful and dramatic in the second quarter. Although growth recovered considerably in the second half-year, overall global annual growth is negative. The industrialised countries suffered most. In order to alleviate the real economic consequences of the virus outbreak – including rising joblessness, falling investments and weaker capacity utilisation – governments across the world instituted highly expansionary fiscal and monetary policy measures. A number of central banks, including Norway's, have lowered their base rates to zero. This was accompanied by forceful measures contributing to an ample supply of capital and good liquidity to financial markets. Global interest rates at the start of 2021 are very low. This is expected to continue ahead, although the trend may possibly have reversed since long rates and inflationary expectations have risen slightly following the US presidential election.

Sovereign debt in Europe and the USA has risen from already high levels. The debt has been issued successively to finance various packages of measures intended to secure liquidity for households and parts of business and industry whose revenue bases have been, and in some cases are continuing to be, sharply reduced. US authorities have gone as far as making direct cash transfers to the populace – the latest at the very end of the year. Preliminary estimates from the IMF indicate annual growth of -4.4% globally in 2020. In the USA and among our main trading partners in the eurozone the stage is set for negative annual growth of -3.7% and -7.5% respectively (figures from Sp1 Markets). While some stringent measures, particularly in Europe, appear to be slowing the economic recovery, positive vaccine news underpins faith in renewed growth in 2021. The IMF predicts annual growth of 5.2% in 2021, but the estimates are highly uncertain.

NORWEGIAN ECONOMY

Activity levels in the Norwegian economy were heavily impacted by infection protection measures in 2020. As a small, open and export-oriented economy, Norway is also affected by lower economic activity internationally. Overall value creation in mainland (non-oil) Norway dropped sharply in the

second quarter (about 8% according to national accounts statistics), and, although growth picked up substantially in the second half-year, preliminary estimates indicate overall GDP growth of -3.5%. Reduced activity levels in the Norwegian economy also had substantial real economic consequences. Unemployment, which has been low and stable for several years, rose above 10%, driven primarily by layoffs. In step with the gradual reopening through 2020, unemployment receded, but a new negative trend due to stricter Covid-19 measures imposed toward the end of the year and in 2021 is in evidence. Although fewer employees are laid off now compared with spring 2020, unemployment remains higher than prior to the pandemic. The possibility that long lasting restrictions, related inter alia to travel and tourism, will have permanent consequences cannot be ruled out.

After several years of strong growth, somewhat weaker growth for 2020 was expected compared with earlier years, even before the virus outbreak. This was primarily attributable to an expectation of lower investments in the petroleum industry. Due to sharp demand and supply shocks (global lockdown and overproduction, respectively), the oil price has at times fallen to very low levels in 2020, and at the time of writing is about 15% lower than at the start of 2020. A lower oil price, along with an increased focus on sustainability, could conceivably bring profits and willingness to invest on the Norwegian shelf under further pressure. Were a global recovery to entail a higher oil price, it could pull in the opposite direction.

A falling oil price and increased uncertainty have historically provided a poor climate for the Norwegian currency – and 2020 was no exception. A weak krone is positive for Norwegian exporters, but entails some imported price inflation. Disregarding very low electricity prices, inflation rose somewhat through 2020. Core inflation (inflation less energy prices), which is Norges Bank's preferred inflation measure, stood at 3% at year-end. This is somewhat above the inflation target, and would under normal circumstances call for higher interest rates. However, 2020 was everything but normal, and Norges Bank acted rapidly, cutting the base rate to zero. At the same time, zero interest is indicated for a long time ahead (right up until the third quarter of 2022 according to Monetary Policy Report 4/2020). However, we know from experience that forecasts change rapidly in step with the economy, and the market appears to assume and expect some increase in the interest rate from as early as autumn 2021.

Low interest rates appear to have spurred the Norwegian housing market. Activity has been high, and price developments likewise. According to figures from Real Estate Norway, house prices as at December were 8.7% higher than 12 months previously. This entails further pressure on households' debt burden – which has risen over a long period. Norwegian retail trade also surprised on the upside in the autumn, indicating a shift from services to goods consumption. Price growth in the housing market and strong retail turnover figures could indicate that many Norwegian households have not seen a significant reduction in incomes in 2020.

NORTHERN NORWEGIAN ECONOMY

High activity in export-oriented sectors has contributed to stronger growth in Northern Norway compared with the country as a whole in recent years. Continued high demand for northern Norwegian commodities, together with a large public sector, low oil exposure and low local spread of infection have resulted in smaller direct impacts of the virus outbreak than elsewhere in the country. Unemployment, for example, has in general been lower in the north of the country during the pandemic. Figures from the Labour and Welfare Administration (NAV) show the lowest unemployment in Nordland (3.0% as at December 2020), but Troms and Finnmark (3.2%) also show unemployment below the national average of 4.2%. However, in the bigger picture a measure of concern still attends demographic developments in the region. Population numbers are falling in much of the region, and only half of young adults consider that the region offers good career opportunities (Barometer 2020, kbnn.no). Paradoxically enough, business leaders in Northern Norway cite challenges in terms of recruiting the right skills. This structural discrepancy is a long-term challenge for Northern Norway.

Another important challenge refers to climate and sustainability. Climate change is extra visible in the northern areas, and, according to the UN Climate Change body's special report on oceans and the Arctic, the global oceans are absorbing most of the excess energy stemming from global warming. This could affect marine eco-systems and by implication the fishery and aquaculture sector which is crucially important for Northern Norway. In which direction, however, is impossible to say. Climate change may act both ways, and may also provide new opportunities in the north for the fisheries and aquaculture alike. It is also conceivable that increased use of Arctic trade routes could have positive spin-offs for the region. In this connection, reference is made to Konjunkturbarometer ('business barometer') for Northern Norway (KBNN) on climate risk, conducted in 2020.

A significant share of Norwegian seafood exports stems from our region. The weak krone exchange rate has contributed to holding profits up in both this and other export sectors in 2020. The overall value of seafood exports from the north was 20% lower as at 30 November 2020 than at the same point in 2019. Lower demand from important export markets in Europe, and in particular the HORECA segment comprising the hotel and restaurant industry is an important reason for this. It should however be pointed out that 2019 was a record year, and the overall value of exports as at November 2020 exceeds the overall value for the year 2018. Demand has in other words remained at a high level. Somewhat greater uncertainty attends the seafood industry in 2021 owing to stringent Covid-19 restrictions in key markets for Norwegian seafood. In the long term The Board of Directors nonetheless views prospects for Norway's seafood industry as good.

The tourism industry has experienced strong growth and professionalisation in recent years. Strict travel restrictions have brought a sharp decline among many tourism operators, whether operating in summer or winter. Although many people headed north for their summer holidays in 2020, with Nordland posting particularly fine visitor figures, Konjunkturbarometer (kbnn.no) showed a sharp reduction in air and cruise traffic and a reduction in bednights at hotels and other tourist accommodation. Moreover, employees in these segments also top the layoff statistics in the north (kbnn.no).

House prices in Northern Norway climbed 8.4% in the 12 months to 31 December 2020. This is slightly below the national average, but the trend in the largest towns (Bodø and Tromsø) has been strong. Bodø (including Fauske) tops the growth table at 11.1%, while Tromsø prices have risen by 7.4%. Tromsø is the only north Norwegian town with house prices above the national average (measured by price per sq.m.). The strong growth suggests that many households may have ignored Covid-19 when considering buying a home. Most Northern Norwegian households have generally speaking healthy finances, with a debt burden below the national average.

Despite challenging macroeconomic conditions, both nationally and internationally in 2020, the signs are that Northern Norway has coped well through the crisis. We have a large public sector, as well as a number of commodity-based industries which have in large measure maintained activity levels. The weak Norwegian krone has also helped to maintain export earnings.

SUMMARY AND FUTURE PROSPECTS

As stated in the introduction, The Group's main strategic objectives have been revised over the course of 2020, and are as follows:

1. To be the first choice for people and businesses
2. To be a customer-oriented organisation
3. To be an attractive region

The financial objectives and ambitions were unchanged in 2020, and are as follows:

- To deliver a return on equity on a par with the best of comparable financial groups
- A cost ratio below 40%
- A CET1 ratio 1% above the regulatory minimum a dividend payout ratio above 50%.

Vaccination against Covid-19 is under way, and in countries where the vaccination process has made the greatest progress we already see a positive development. Assuming we do not see new major outbreaks that get out of control before the population has been vaccinated, the long-term effects of the pandemic for SpareBank 1 Nord-Norge will most likely be limited.

The Northern Norwegian economy's underlying growth and development are good, and major industries in the region appear to have managed well enough through the pandemic. There is reason to expect a relatively pronounced upswing in the global economy once the pandemic has passed, and our region and SpareBank 1 Nord-Norge will also benefit. The long-term macroeconomic prospects for Northern Norway are therefore viewed as good.

The Group's market position and financial position are good. The Group has implemented substantial strategic measures in recent years with creditable results. Through 2021 we should be in a position to harvest the fruits of these investments by continuing our strong

customer and cost focus in the best interests of customers, employees, owners and the community.

Products and markets are undergoing continual development with a view to strengthening The Group's leading market position, both under alliance auspices and internally in SpareBank 1 Nord-Norge. Our ambition is to improve customer satisfaction, increase efficiency and gain new market share. In this work emphasis is given to profiling The Group's local approach to customers and market areas. Over the course of 2021 we will be rolling out our new customer service model, and we will strengthen our remaining branches as local economic and financial power centres.

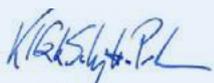
The annual accounts for 2020 have been prepared based on the going concern assumption. The Group's long-term strategic plan and profit forecasts for the years immediately ahead underlie this assumption.

SpareBank 1 Nord-Norge's profit performance for 2020 is described as good, and The Group is in a healthy and good financial position. The economic uncertainty internationally remains large. Covid-19 will accompany us into 2021 and will retain its potential to impact the Northern Norwegian economy negatively. However, SpareBank 1 Nord-Norge is fundamentally positive to the underlying power inherent in the Northern Norwegian economy, and we see good opportunities for continued growth and positive development for us and for the region, to which we as the most important and largest financial institution can contribute - for Northern Norway.

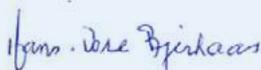
The Board of Directors would like to thank The Group's entire staff for their efforts and commitment in 2020. These were important contributions to the development of SpareBank 1 Nord-Norge. The board would also like to thank The Group's customers and business associates for their contributions in 2020.

Tromsø, 25 February 2021

The Board of Directors of SpareBank 1 Nord-Norge



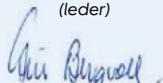
Karl Eirik Schjøtt Pedersen
(leder)



Hans-Tore Bjerkaas
(nestleder)



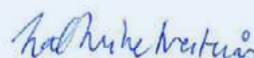
Kjersti Terese Stormo



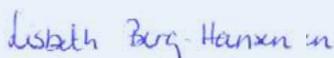
Geir Bergvoll



Kim Daniel Arthur



Kathrine Tveiterås



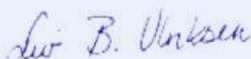
Lisbeth Berg-Hansen



Kjetil Berntsen
(ansattevalgt)



Vivi Ann Pedersen
(ansattevalgt)



Liv Bortne Ulriksen
(konsernsjef)



Annual Accounts

At SpareBank 1 Nord-Norge, you meet staff with a local knowledge of everything from the housing market to business and industry.



Photo: Foto: Stein Inge Pedersen, Deadline Media



LIGHT IN THE TUNNEL

«I'd looked into the crystal ball, and realised I needed to make changes», says Ann Karin Grindhaug.

She owns and manages the clothing store 'Utsøkt', located in Sortland and Svolvær. When the pandemic struck Norway in March, Ann Karin was in Asia. She left for home, and went straight into quarantine. She was compelled to reduce store opening hours,

and feared for the future. The solution was one she'd had in mind long before Covid-19 struck.

Her internet store was up and running as early as 6 April, and has done better and better ever since. Ann Karin believes that suddenly being able to reach out to the whole of Norway has expanded her customer base to the tune of about 2 million women.

ANNUAL REPORT - INCOME STATEMENT

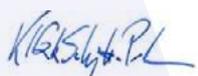
PARENT BANK				GROUP	
2019	2020	AMOUNTS IN NOK MILLION	NOTER	2020	2019
3,045	2,639	Interest income	19	2,927	3,320
1,232	864	Interest costs	19	859	1,223
1,813	1,775	Net interest income		2,068	2,097
856	939	Fee- and commission income	20	1,161	1,035
92	70	Fee- and commission costs	20	82	107
11	11	Other operating income	20	220	188
775	880	Net fee- commission and other operating income		1,299	1,116
12	44	Dividend	21	44	12
1,289	351	Income from investments	21	554	815
382	95	Gain/losses and net value changes from investments in securities	21	95	84
1,683	490	Net income from investments		693	911
4,271	3,145	Total income		4,060	4,124
580	590	Personnel costs	22, 23, 24	869	834
651	596	Other operating costs	23, 31, 32	757	806
1,231	1,186	Total costs		1,626	1,640
3,040	1,959	Result before losses		2,434	2,484
- 2	290	Losses	13	332	11
3,042	1,669	Result before tax		2,102	2,473
355	304	Tax	25	360	409
		Result non-current assets held for sale			2
2,687	1,365	Result for the year		1,742	2,062
		Result per Equity Certificates			
12,28	6,22	Result per EC, adjusted for interests hybrid capital 1)		7,89	9,39
		Other comprehensive income, IAS 1			
2,687	1,365	Result for the period		1,742	2,062
		Items that will not be reclassified to profit/loss			
		Share of other comprehensive income from investment in joint-ventures		17	13
-53	2	Actuarial gains (losses) on benefit-based pension schemes		-1	- 50
13		Tax			12
- 40	2	Total		16	- 25
		Items that will be reclassified to profit/loss			
	-27	Net change in fair value of financial assets available for sale		- 27	
		Share of other comprehensive income from investment in joint-ventures		10	-3
		Tax			
	- 27	Total		- 17	- 3
2,647	1,340	Total comprehensive income for the period		1,741	2,034
		Total result per Equity Certificate			
12,09	6,10	Result per EC, adjusted for interests hybrid capital 1)		7,89	9,26

1) Result, adjusted for interests hybrid capital, multiplied by ECs' share of result, divided by number of ECs

ANNUAL REPORT - BALANCE SHEET

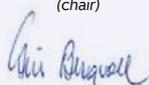
PARENT BANK					GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	NOTES	31.12.20	31.12.19	
Assets						
1,471	360	Cash and balances with Central Banks		360	1,471	
6,005	6,923	Loans and advances to credit institutions	10	1,534	1,079	
78,707	81,346	Net loans and advances to customers	11, 13, 14	88,214	85,210	
781	705	Shares	21, 29	714	791	
15,837	18,079	Bonds and certificates	21, 28	18,079	15,837	
1,110	1,777	Financial derivatives	16, 21	1,777	1,110	
1,403	1,413	Investment in Group companies	30			
3,373	3,541	Investment in associated companies and joint ventures	30	4,810	4,257	
473	570	Property, plant and equipment	31	975	1,016	
		Non-current assets held for sale			22	
		Intangible assets	33	113	105	
636	551	Other assets	34	722	626	
109,796	115,265	Total assets		117,298	111,524	
Liabilities						
564	1,274	Liabilities to credit institutions	10	1,272	563	
68,074	73,220	Deposits from customers	35	73,158	68,030	
24,786	23,167	Debt securities in issue	36	23,167	24,786	
763	1,356	Financial derivatives	16	1,356	763	
1,430	1,335	Other liabilities	24, 25, 37	1,818	2,000	
64	358	Deferred tax liabilities	25	455	160	
1,050	1,050	Subordinated loan capital	38	1,050	1,050	
96,731	101,760	Total liabilities		102,276	97,352	
Equity						
1,807	1,807	Equity Certificates	41	1,807	1,807	
843	843	Premium Fund		843	843	
780	780	Hybrid capital	38	780	780	
3,035	3,253	Dividend Equalisation Fund		3,253	3,035	
5,990	6,254	Saving Bank's Fund		6,254	5,990	
585	573	Donations		573	585	
42	15	Fund for unrealised gains		15	42	
- 17	- 20	Other equity		1,497	1,090	
13,065	13,505	Total equity		15,022	14,172	
109,796	115,265	Total liabilities and equity		117,298	111,524	

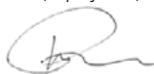
Tromsø, 25 February 2021


Karl Eirik Schjøtt Pedersen
(chair)

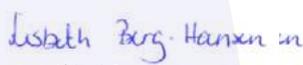

Hans-Tore Bjerkaas
(deputy chair)


Kjersti Terese Stormo


Geir Bergvoll


Kim Daniel Arthur


Kathrine Tveiterås


Lisbeth Berg-Hansen


Kjetil Berntsen
(employee elected)


Vivi Ann Pedersen
(employee elected)


Liv Bortne Ulriksen
(CEO)

ANNUAL REPORT - CHANGES IN EQUITY

PARENT BANK

AMOUNTS IN NOK MILLION	EC CAPITAL	PREMIUM FUND	HYBRID CAPITAL	DIVIDEND EQUALISATION FUND	SAVING BANK'S FUND	FAIR VALUE RESERVE	DONATIONS FUND	OTHER EQUITY	TOTAL EQUITY
Equity at 01.01.19	1,807	843	780	2,200	5,024	42	585	31	11,312
Total comprehensive income for the period									
Period result				1,246	976		465		2,687
<i>Other comprehensive income:</i>									
Net change in fair value of financial assets available for sale								-53	-53
Actuarial gains (losses) on benefit-based pension schemes									0
Tax on other comprehensive income								13	13
Total other comprehensive income								-40	-40
Total comprehensive income for the period				1,246	976		465	-40	2,647
Transactions with owners									
Set aside for dividend payments				-402					-402
Reversal of dividend payments				402					402
Dividend paid 2018/other distribution				-402			-465		-867
Interest hybrid capital - last year				-9	-10			19	0
Interest hybrid capital - this year								-28	-28
Other equity transactions								1	1
Total transactions with owners				-411	-10		-465	-8	-894
Equity at 31.12.19	1,807	843	780	3,035	5,990	42	585	-17	13,065
Total comprehensive income for the period									
Period result				633	279		453		1,365
<i>Other comprehensive income:</i>									
Net change in fair value of financial assets available for sale								2	2
Actuarial gains (losses) on benefit-based pension schemes						-27			-27
Tax on other comprehensive income									0
Total other comprehensive income						-27		2	-25
Total comprehensive income for the period				633	279	-27	453	2	1,340
Transactions with owners									
Equity issue									
Set aside for dividend payments				-392					-392
Reversal of dividend payments				392					392
Dividend paid 2019/other distribution				-402			-465		-867
Interest hybrid capital - last year				-13	-15			28	0
Interest hybrid capital - this year								-33	-33
Other equity transactions									0
Total transactions with owners				-415	-15		-465	-5	-900
Equity at 31.12.20	1,807	843	780	3,253	6,254	15	573	-20	13,505

GROUP

AMOUNTS IN NOK MILLION	EC CAPITAL	PRE-MIUM FUND	HYBRID CAPITAL	DIVIDEND EQUALISATION FUND	SAVING BANK'S FUND	FAIR VALUE RESERVE	DONATIONS FUND	OTHER EQUITY	TOTAL EQUITY
Equity at 01.01.19	1,807	843	780	2,200	5,024	42	585	1,777	13,058
Total comprehensive income for the period									
Period result				1,246	976		465	- 625	2,062
<i>Other comprehensive income:</i>									
Share of other comprehensive income from investment in associated companies							10	10	- 53
Net change in fair value of financial assets available for sale									
Actuarial gains (losses) on benefit-based pension schemes							- 50	- 50	
Tax on other comprehensive income							12	12	13
Total other comprehensive income								- 28	- 28
Total comprehensive income for the period				1,246	976		465	- 653	2,034
Transactions with owners									
Set aside for dividend payments				- 402					- 402
Reversal of dividend payments				402					402
Dividend paid 2018/other distribution				- 402			- 465		- 867
Interest hybrid capital - last year				- 9	- 10			19	
Interest hybrid capital - this year								- 28	- 28
Other equity transactions from group companies and associated companies								- 25	- 25
Total transactions with owners				- 411	- 10		- 465	- 34	- 920
Equity at 31.12.19	1,807	843	780	3,035	5,990	42	585	1,090	14,172
Total comprehensive income for the period									
Period result				633	279		453		1,365
<i>Other comprehensive income:</i>									
Share of other comprehensive income from investment in associated companies								27	27
Net change in fair value of financial assets available for sale							- 27		- 27
Actuarial gains (losses) on benefit-based pension schemes								- 1	- 1
Tax on other comprehensive income									
Total other comprehensive income						- 27		26	- 1
Total comprehensive income for the period				633	279	- 27	453	403	1,741
Transactions with owners									
Set aside for dividend payments				- 392					- 392
Reversal of dividend payments				392					392
Dividend paid 2019/other distribution				- 402			- 465		- 867
Interest hybrid capital - last year				- 13	- 15			28	
Interest hybrid capital - this year								- 33	- 33
Other equity transactions from group companies and associated companies								9	9
Total transactions with owners				- 415	- 15		- 465	4	- 891
Equity at 31.12.20	1,807	843	780	3,253	6,254	15	573	1,497	15,022

ANNUAL REPORT - CASH FLOW STATEMENT

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
3,042	1,669	Profit before tax	2,102	2,473
92	94	+ Ordinary depreciation	109	120
		+ Write-downs, gains/losses fixed assets		
- 2	290	+ Losses on loans and guarantees	332	11
355	304	- Tax/Result non-current assets held for sale	360	409
2,777	1,749	Provided from the year's operations	2,183	2,195
199	807	Change in sundry liabilities: + increase/ - decrease	765	338
335	- 582	Change in various claims: - increase/ + decrease	- 749	472
-4,325	-3,847	Change in gross lending to and claims on customers: - increase/ + decrease	-3,791	-4,666
-3,718	-2,166	Change in short term-securities: - increase/ + decrease	-2,165	-3,716
4,069	5,146	Change in deposits from and debt owed to customers: + increase/ - decrease	5,128	4,045
376	710	Change in debt owed to credit institutions: + increase/ - decrease	709	376
- 287	1,817	A. Net liquidity change from operations	2,080	- 956
-349	-191	Investment in fixed assets	- 68	-637
		Sale of fixed assets		
- 561	- 240	Payments to group companies and associated companies	- 240	- 551
319	62	Payment from/Change in values of group companies and associated companies	- 313	1,284
-591	-369	B. Liquidity change from investments	-621	96
- 26	- 33	Interest to hybrid capital owners	- 33	- 26
- 45	- 40	Payments to leases	- 51	- 63
- 867	- 867	Dividend paid on Ecs/distributions	- 867	- 867
-4,394	-6,699	Decrease in borrowings through the issuance of securities	-6,699	-4,394
4,045	5,080	Increase in borrowings through the issuance of securities	5,080	4,045
- 350	0	Decrease in PCC/subordinated loan capital	0	- 350
200	0	Increase in PCC/subordinated loan capital	0	200
-1,437	-2,559	C. Liquidity change from financing	-2,570	-1,455
-2,315	-1,111	A + B + C. Total change in liquidity	-1,111	-2,315
3,786	1,471	+ Liquid funds at the start of the period	1,471	3,786
1,471	360	= Liquid funds at the end of the period	360	1,471

Liquid funds are defined as cash-in-hand and claims on central banks.

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

AMOUNTS IN NOK MILLION	DEBT SECURITIES	SUB-ORDINATED LIABILITIES
Balance at 01.01.20	24,786	1,050
Changes from financing cash flows		
Proceeds from issue	4,981	
Redeemed	-2,558	
Due excl. redeemed	-3,716	
Total changes from financing cash flows	-1,293	0
The effect of changes in foreign exchange rates	99	
Changes in fair value	- 401	
Changes in accrued interest	- 24	
Balance at 31.12.20	23,167	1,050

Annual Report - Notes

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Annual Report - Notes

NOTE 1 GENERAL INFORMATION

DESCRIPTION OF THE BUSINESS

SpareBank 1 Nord-Norge is an independent Norwegian financial services group within the SpareBank 1-alliance with Equity Certificates registered on Oslo Stock Exchange.

We know Northern Norway and are a leading provider of comprehensive, modern financial solutions to customers with a basis in the Northern Norway market.

At the end of the year, The Group had 16 financial centers spread across 36 locations in Northern Norway and on Svalbard.

BUSINESS ADDRESS

The SpareBank 1 Nord-Norge Group's head office is located in Tromsø, and its business address is Sjøgata 8, 9008 Tromsø.

DATE OF ADOPTION OF THE GROUP ACCOUNTS

The 2020 preliminary annual accounts were adopted by the Parent Bank's Board on 10.02.21.

The 2020 final annual accounts were adopted by the Parent Bank's Board on 25.02.21.

The 2020 final annual accounts were adopted by the Parent Bank's Supervisory Board on 25.03.21.

Dividends will be paid out in two installments. MNOK 275 will be paid out on 14.04.21, and additional MNOK 570 will, if the circumstances allow, be paid in Q4.

See also note 43 for more information.

AUDIT

The Group's auditor is state authorized public accountant Stig-Tore Richardsen at KPMG.

NOTE 2 ACCOUNTING PRINCIPLES

1. Basis for preparation of the annual accounts
2. Changes in accounting principles
3. Presentation currency
4. Consolidation
5. Subsidiaries
6. Associated companies
7. Joint ventures
8. Operations held for sale
9. Classification and valuation of financial assets and liabilities
10. Recognition, derecognition and measurement of financial assets and liabilities
11. Loans and losses on loans
12. Impairment losses on loans
13. Defaulted and doubtful commitments
14. Intangible assets
15. Property, plant and equipment
16. Repossessed assets
17. Liabilities
18. Contingent liabilities
19. Subordinated loans and hybrid tier 1 capital
20. Interest income and expenses
21. Commission income and expenses
22. Realised losses
23. Foreign currency transactions and holdings
24. Taxes
25. Pensions
26. Segment reporting
27. Events after the date of the balance sheet

1. BASIS FOR PREPARATION OF THE ANNUAL ACCOUNTS

The 2019 group and parent bank accounts for SpareBank 1 Nord-Norge have been prepared in accordance with EU-approved IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) and the associated interpretations that can be applied as of 31 December 2020.

If nothing distinctly is defined precisely the same accounting principles are used in The Group and parent bank accounts. The financial statements are based on the historic cost principle, with the exception of financial assets available for sale and financial assets and liabilities (including derivatives) measured at fair value through profit and loss.

The accounting policies that are applied are consistent with the policies applied in the previous accounting period, with the exception of the IFRS amendments that have been implemented in The Group in the current accounting period. Below is a list of the relevant IFRS amendments that came into effect for the 2019 financial statements and the effects that they have had on The Group's annual financial statements.

The proposed annual financial statements were adopted by the Main Board of Directors and the bank's CEO at the time indicated by the dated and signed balance sheet. The annual financial statements will be considered by the Supervisory Board on 25 March 2021 for final approval.

2. CHANGES IN ACCOUNTING PRINCIPLES

New standards and interpretations that have not yet been adopted

In 2020, the IASB issued a draft new standard for insurance contracts, IFRS 17 Insurance Contracts, that will replace the current IFRS 4 Insurance Contracts and come into effect on 1 January 2023. Implementation of the standard may affect the value of the Bank's investment in SpareBank 1 Gruppen AS.

SpareBank 1 Gruppen AS is carrying out a project to analyse the consequences of the new IFRS 17. As at 31 December 2020, the project has not fully quantified the accounting implications of the new standards.

Based on the assessments that have been made so far, other IFRSs and interpretation statements published prior to the adoption of the proposed annual financial statements, and which it was not mandatory to apply as at 31 December 2020, do not have a material effect on the reported figures.

3. PRESENTATION CURRENCY

The presentation currency is Norwegian kroner (NOK), which is also the bank's functional currency. All amounts are presented in NOK million unless otherwise stated.

4. CONSOLIDATION

The consolidated accounts comprise the bank and all its subsidiaries that are not planned to be sold in the near future, which are therefore to be classified as held for sale in accordance with IFRS 5. Subsidiaries are defined as companies in which the bank has a controlling interest, i.e. the power to govern the company's financial and operational policies for the purpose of gaining benefits from the company's activities. Subsidiaries are consolidated from the date the bank gains a controlling interest, and they will be eliminated from the consolidation on the date when such control is relinquished.

5. SUBSIDIARIES

As at 31.12.20 the following subsidiaries are consolidated:

SpareBank 1 Finans Nord-Norge AS (100%)
 SpareBank 1 Nord-Norge Portefølje AS (100%)
 EiendomsMegler 1 Nord-Norge AS (100%)
 SpareBank 1 Regnskapshuset Nord-Norge AS (100%)
 Fredrik Langes gate 20 AS (100%)

On achieving a controlling interest in a company (business combinations), all identifiable assets and liabilities will be recognised at fair value in accordance with IFRS 3. Any positive differences between the cost of acquisition and fair value of identifiable assets and liabilities are recognised as goodwill, whereas any negative differences are recognised as income. The accounting of goodwill after the initial recognition is commented on under the section on intangible assets.

In the parent bank's balance sheet, equity stakes in group companies are recognised at cost price in accordance with IFRS. Only the annual dividends received and any write-down on the value of the shares are stated in the parent bank's profit and loss account. In the IFRS-based group accounts, the equity method of accounting is applied,

which entails that profit/loss attributable to joint ventures and associated companies is included in The Group's profit and loss account by the equity stake, and they are taken into account in the book value of the assets in the balance sheet. Profit/loss attributable to subsidiaries are consolidated into the accounts. This means that the book value of subsidiaries in the parent bank's balance sheet represents historical cost. Intra-group transactions, open accounts and unrealised profit between group companies have been eliminated.

The book values are tested for impairment.

6. ASSOCIATED COMPANIES

IAS 28 regulates the accounting treatment of investments in associated companies. The fundamental condition for the provision to apply is that the "owner company" has significant influence over the company in which it is invested in. "Significant influence" is the power to participate in establishing the principles for making financial and operational decisions in the company in which it is invested in, but not having control over these principles.

If a company directly or indirectly controls 20% or more of the voting rights in a company in which it is invested in, it is assumed that the company has a significant influence, unless it can clearly be demonstrated that this is not the case. Conversely, if a company directly or indirectly controls less than 20% of the voting rights in a company in which it is invested in, it is assumed that the company does not have a significant influence, unless it can clearly be demonstrated that the company has such an influence.

The extent to which significant influence exists on the part of a company can usually be demonstrated in one or more of the following ways:

- Representation on the board or equivalent governing bodies;
- Participation in processes for establishing principles including participation in decisions concerning dividends or other disbursements;
- Significant transactions between the company and the company in which it is invested in;
- Mutual exchange of senior personnel; or
- Delivery of important technical information

Associated companies are included in the consolidated financial statements in line with the equity method of accounting. The investment is initially recognised at acquisition cost in the balance sheet

and subsequently adjusted for changes in the Bank's share of the net assets of the associated company. The Bank's share of the associated company's profit/loss is incorporated in the consolidated financial statements, whereas the equity stake is recognised according to the cost method in the parent bank's financial statements, in the same manner as for subsidiaries.

An agreement exists between the companies in SpareBank 1 -alliansen that regulates these matters.

As at 31.12.20 the following associated companies are applied with equity method of accounting:

SpareBank 1 Boligkreditt AS (18.14%)
 Spare-Bank 1 Næringskreditt AS (8.6%)
 SpareBank 1 Kredittkort AS (17.08%)
 SpareBank 1 Betaling AS (18.57%)
 SpareBank 1 Bank og Regnskap AS (20%)
 SpareBank 1 Gjeldsinformasjon AS (14.44%)
 SpareBank 1 Mobilitet AS (33.33%)

7. JOINT VENTURES

IFRS 11 regulates joint arrangements.

IFRS 11 classifies joint arrangements into two types – joint operations and joint ventures.

A joint arrangement has the following characteristics:

- a. the parties are bound by a contractual arrangement; and
- b. the contractual arrangement gives two or more of these parties joint control of the arrangement

«Joint control» is the contractually agreed sharing of control of a joint arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A company that is a party in a joint arrangement must assess whether the contractual agreement collectively gives all parties, or a group of the parties, control of the joint arrangement. All the parties, or a group of the parties, control the joint arrangement collectively when they must act together to manage the activities that, to a significant degree, affect the return from the arrangement, i.e. the «relevant activities».

After concluding that all the parties, or a group of the parties, control the joint arrangement collectively, joint control only exists when decisions about

the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

In a joint arrangement, no individual party has sole control of the arrangement. A party with joint control of a collectively controlled arrangement can prevent any of the other parties, or a group of the parties, controlling the arrangement.

A joint arrangement exists in cases where two or more parties have joint control over the arrangement/activities. As a general rule, the parties must be bound by a contractual agreement that gives two or more of these parties control over the collectively controlled arrangement. In the case of joint ventures, contracts can be supplemented or replaced by the company's/entity's articles of association, etc. as a basis for ensuring two or more parties have control. Parties with joint control of the activities must be able to prevent any other party or group of parties controlling the activities.

As stated above, it is sufficient that those parties that have a contractual agreement regarding joint control have joint control over the relevant activities. Accordingly, the other owners will not be able to prevent decisions agreed by the parties with joint control.

«Joint operations» – the participants have rights to the assets, and obligations for the liabilities, relating to the collectively controlled arrangement/activities.

«Joint ventures» – condition: a separate legal entity is required for a joint venture to exist.

Assessments of whether a joint operation or a joint venture exists must largely be based on a discretionary judgement. The assessment must take account of, among other things, the contractual conditions between the participants/parties. Rights to assets and liability for the activities' liabilities guide the classification, ref. above. In the case of joint operations, the parties have rights to the assets and are liable for the liabilities of the joint arrangement. In the case of joint ventures, the parties have rights to the net assets of the joint arrangement.

Joint ventures are recognised in the consolidated financial statements in line with the equity method of accounting. The cost method is used in the Parent Bank's financial statements.

An agreement exists between the companies in SpareBank 1-alliance that regulates these matters.

As at 31.12.20 the following joint ventures are applied with equity method of accounting:

SpareBank 1 Gruppen AS (19.5%)
SpareBank 1 Banksamarbeidet DA (17.74%)

8. FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets that the Bank's board has decided to sell will be treated in line with IFRS 5 if it is highly likely that the assets will be sold within 12 months. These types of asset are mainly assets that were acquired in connection with a bad loan, as well as investments in subsidiaries held for sale. Fixed assets and groups of fixed assets and liabilities classified as held for sale must be measured at the lowest value of previously recognised value less sales costs. The result from such activities and associated assets and liabilities are presented on a separate line as held for sale.

9. CLASSIFICATION AND VALUATION OF FINANCIAL ASSETS AND LIABILITIES

The Group's balance sheet items are classified based on whether they are financial assets and liabilities or other items.

Financial assets

Pursuant to IFRS 9, financial assets must be classified into one of three measurement categories:

- fair value with changes through profit or loss
- fair value with changes through other comprehensive income (OCI)
- amortised cost

For financial assets, there is a distinction between debt instruments, derivatives and equity instruments, where debt instruments are all financial assets that are not derivatives or equity instruments.

Financial assets that are debt instruments

Debt instruments with contractual cash flows that are only payments of interest and principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows and sales must be measured at amortised cost. Most of The Group's lending is classified in this category.

Instruments with contractual cash flows that are only payments of interest and principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows and sales must be measured at fair value with changes through profit or loss. The Group's mortgages that will be sold to SpareBank 1 Boligkreditt are included in this category.

Instruments that generally must be measured at amortised cost or at fair value with changes through OCI can be designated to be measured at fair with changes through profit or loss if this eliminates or significantly reduces an "accounting mismatch". The Group's fixed-rate loans are included in this category.

Instruments with contractual cash flows that are only payments of interest and principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows and sales, shall be measured at fair value with changes through OCI, with interest income, currency translation effects, and any impairments presented in the ordinary income statement. Changes recognised through OCI must be reclassified to profit or loss when the assets are sold or otherwise disposed of. The Group had no such items as at 31 December 2020.

Other debt instruments must be measured at fair value with changes through profit or loss. This applies to instruments with cash flows that are not only payments of normal interest and principal, and instruments that are held in a business model in which the main purpose is not the receipt of contractual cash flows. The Group's portfolio of certificates and bonds are included in this category.

Derivatives and investments in equity instruments

All derivatives in The Group must be measured at fair value with changes through profit or loss, however derivatives that are designated hedge instruments must be recognised in line with hedge accounting policies.

Investments in equity instruments must be recognised on the balance sheet at fair value. As a general rule, value changes must be recognised in the ordinary income statement, but an equity instrument that is not held for trading purposes and that is not a conditional consideration following a business transfer may be designated as measured at fair value with changes through OCI.

Financial liabilities

Under IFRS 9, financial liabilities, where the purpose is to collect contractual cash flows, are classified at amortised cost. The option in IAS 39 to use fair value for measuring financial liabilities has been continued in IFRS 9.

The Group's debt and customer deposits are classified at amortised cost.

Hedging

The Group utilises derivatives for operational hedging purposes in order to minimise interest risk from fixed-rate instruments. The Bank assesses and documents the effectiveness of hedging, both at the time of initial classification and on an ongoing basis. In the event of a fair value hedge, the change in value of the hedged risk is recognised and changes from the opening balance are recognised in the income statement. The Bank does not utilise cash flow hedging.

The Group uses fair value hedging as a hedge accounting policy for fixed-rate borrowing.

Fair value hedging is:

“A hedge of the exposure to changes in the fair value of a recognised asset or liability, or a binding commitment that has not been recognised, or an identified proportion of such an asset, liability or binding commitment that is attributable to a particular risk, and that may affect the result.”

Hedge accounting calculates the offsetting effects on the result associated with changes in the fair value of the hedging instrument and hedge object.

IFRS 9 simplifies the requirements for hedging accounting compared with IAS 39. The requirement for hedge effectiveness of 80-125% has been eliminated and replaced with a more qualitative requirement, including the fact that there should be a financial connection between the hedging instrument and hedged item, and that the credit risk should not dominate the value changes of the hedging instrument. Hedging documentation is still required.

Other balance sheet asset and liability items

All other asset and liability items on the balance sheet, that are not financial, are covered by other IFRS rules, not IFRS 9, and are measured at amortised cost.

10. RECOGNITION, DERECOGNITION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would have been obtained upon the sale of an asset, or paid for the transfer of a liability, in a well-ordered transaction between market players at the time of measurement.

A financial asset's or a financial liability's amortised cost is the amount that the financial asset or the financial liability is measured at upon initial recognition, minus repayments of the principal, plus or minus

cumulative amortisation using an effective interest rate method of any difference between the initial amount and the amount due, and minus any reduction (direct or through the use of an appropriation account) for falls in value or exposure to loss.

An effective interest rate method is used to calculate amortised cost for a financial asset or a financial liability (or a group of financial assets or financial liabilities) and for allocating interest income or interest costs over a relevant period. The «effective interest rate» is the interest rate that exactly discounts estimated future cash receipts or payments over the financial instrument's expected lifetime, or over a shorter period if this is appropriate, to the net capitalised value of the financial assets or the financial liability. When calculating the effective interest rate, an institution must estimate cash flows and take into account all of the contractual terms and conditions associated with the financial instrument (e.g. early repayment, purchase options and similar options), but should not take account of future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other additional payments or discounts. It is assumed that the cash flows and expected lifetime of a group of similar financial instruments can be estimated reliably. However, in those rare cases where it is not possible to estimate the cash flows or expected life of a financial instrument (or a group of financial instruments) reliably, the institution must use the contractual cash flows throughout the period of maturity agreed for the financial instrument (or The Group of financial instruments).

Derecognition is the elimination of a previously recognised financial asset or financial liability from an institution's balance sheet. Financial assets are derecognised upon expiration of the contractual rights to the cash flows from the financial asset or when the rights to the cash flows from the asset have been transferred in such a manner that the risk and return associated with ownership has to all intents and purposes been transferred.

Financial liabilities are derecognised when the contractual conditions have been met, been cancelled or expired.

The bank has agreements concerning the legal sale of loans with very good collateral and property mortgages to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. According to the administration contracts concluded with these two

CLASSIFICATION OF BALANCE SHEET ITEMS - AS AT DESEMBER 2020

CLASS	CURRENT IFRS/IAS	FINANCIAL ASSETS OR LIABILITIES	CLASSIFICATION 2020	FAIR VALUE HIERARCHY	APPLIED IN THE ANNUAL REPORT NOTE	BALANCE PARENT BANK 31.12.20	BALANCE GROUP 31.12.20
Financial assets							
B Cash	IFRS 9	Yes	FVPL	1	Cash flow statement	153	153
B Deposits with central banks	IFRS 9	Yes	FVPL	1	Cash flow statement	207	207
A Lending to financial institutions	IFRS 9	Yes	AC		10	6,923	1,534
A Write-downs lending to financial institutions	IFRS 9	Yes	AC		10, 13	-	-
A Property mortgages for retail customers	IFRS 9	Yes	AC		11, 27	19,465	19,465
A Property mortgages for retail customers available for sale for SpareBank 1 Boligkreditt (webclient)	IFRS 9	Yes	AC		11, 27	13,624	13,624
B Property mortgages for retail customers prepared for sale to SpareBank 1 Boligkreditt (webclient)	IFRS 9	Yes	FVPL	3	11, 26, 12	3,917	3,917
C Fixed rate loans	IFRS 9, IFRS 13	Yes	FVO	3	11, 26	7,600	7,600
A Other loans for retail customers	IFRS 9	Yes	AC		11, 27	3,358	6,370
A Corporate market loans	IFRS 9	Yes	AC		11, 27	34,041	38,000
A Loan loss provisions	IFRS 9		AC		13	-659	-762
B Shares, trading	IFRS 9, IFRS 13	Yes	FVPL	1	21, 29	152	152
D Shares, available for sale with value changes through OCI	IFRS 9	Yes	FVOCI	3	21, 29	15	15
B Shares, non trading	IFRS 9, IFRS 13	Yes	FVPL	2,3	21, 29	5,396	5,345
B Shares, non trading Hybrid Tier 1 Capital	IFRS 9, IFRS 13		FVPL	2,3	21, 29	96	12
B Liquidity portfolios	IFRS 9, IFRS 13	Yes	FVPL	1,2	21, 29	18,079	18,079
B Derivatives - interest rate-/currency hedging, bonds	IAS 39	Yes	FVPL	2	16, 21, 26	73	73
B Derivatives - interest rate-/currency hedging, fixed rate loans	IAS 39	Yes	FVPL	2	16, 21, 26	15	15
B Derivatives - interest rate-/currency hedging, customers	IAS 39	Yes	FVPL	3	16, 21, 27	843	843
B Derivatives - interest rate-/currency hedging, funding	IAS 39	Yes	FVPL	2	16, 21, 26	812	812
B Derivatives - commodity hedging	IAS 39	Yes	FVPL	2	16, 21, 26	34	34
Total financial assets						114,144	115,488
Financial liabilities							
A Liabilities to financial institutions	IFRS 9	Yes	AC		10	1,274	1,272
A Deposits from customers, variable rate	IFRS 9	Yes	AC		35, 19	71,439	71,377
A Deposits from customers, fixed rate	IFRS 9	Yes	AC		35, 19	1,781	1,781
A Debt securities in issue, variable rate	IFRS 9	Yes	AC		36, 19	9,325	9,325
A Debt securities in issue, fixed rate	IFRS 9	Yes	AC		36, 19	13,842	13,842
A Loss provisions, guarantees, credit limits, committed loans	IFRS 9	Yes	AC		13	61	61
B Derivatives - interest rate-/currency hedging, bonds	IAS 39	Yes	FVPL	2	16, 21, 26	255	255
B Derivatives - interest rate-/currency hedging, fixed rate loans	IAS 39	Yes	FVPL	2	16, 21, 26	183	183
B Derivatives - interest rate-/currency hedging, customers	IAS 39	Yes	FVPL	2	16, 21, 26	743	743
B Derivatives - interest rate-/currency hedging, funding	IAS 39	Yes	FVPL	2	16, 21, 26	145	145
B Derivatives - commodity hedging	IAS 39	Yes	FVPL	2	16, 21, 26	30	30
A Subordinated loan capital	IFRS 9	Yes	AC		38, 27	1,050	1,050
Total financial liabilities						100,128	100,064
A AC - Amortized Cost		Held for receiving contractual cash flows					Reports according to fair value but invests with an investment horizon that matches the liabilities that will fall due. Repayment of the nominal value or selling immediately prior to due date is used to settle the debt. Never sells before this.
B FVPL - Fair Value Profit and Loss		Held for sale					Invests independent of liabilities, the main goal is to achieve the greatest possible total return in the form of a coupon and changes in value. Makes sales in the portfolio when one needs liquidity to settle liabilities.
C FVO - Fair Value Option		Held for sale					Invests independent of liabilities, the main goal is to achieve the greatest possible total return in the form of a coupon and changes in value. Makes sales in the portfolio when one needs liquidity to settle liabilities.
D FVOCI - Fair Value Other Comprehensive Income		Held for receiving contractual cash flows and sales					Same as A but sells instruments when one believes others can provide a better return up to the due date. Matches average duration in the portfolio with duration of liabilities.

alliance companies, the bank administers the loans and remains responsible for customer contact. The bank receives remuneration in the form of commissions for the duties that arise from administering the loans. There is some residual involvement associated with sold loans with the possible, limited settlement of losses against commissions. The mortgage companies can sell on loans purchased from the bank, but the bank's right to administer the customers and receive commissions continues. If the bank is unable to serve the customers, the right to serve them and receive commissions lapses. The bank also has the option to buy back loans, subject to certain conditions. The bank has, therefore, neither retained nor transferred the most material risks or returns associated with sold loans. The bank recognises the amount associated with the residual involvement as an asset or liability. Reference is also made to note 12.

When it repurchases its own bonds, the repurchased bonds are derecognised and the difference between the payment for and book value of the repurchased bond is recognised.

11. LOANS AND LOSSES ON LOANS

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised at fair value, plus direct marginal transaction costs, upon initial recognition, and at amortised cost using the effective interest rate method in subsequent periods. When calculating the effective interest, the cash flows are estimated and all the contractual terms relating to the financial instrument are taken into account. In the periods after the initial measurement, the loan is assessed at amortised cost using the effective interest rate method. Upon initial recognition, fixed rate loans are designated as being measured at fair value with value changes through profit and loss. Fair value is determined by actual cash flows from customers being discounted in accordance with The Group's own set required rate of return in relation to the actual term to maturity of the loan. Credit risk is also taken into account in the required rate of return. Gains and losses that are attributable to changes in fair value are recognised as changes in value in the income statement. Earned interest and any premium/discount is recognised as interest. The interest rate risk in fixed rate loans is managed via interest rate swaps, which are booked at fair value.

12. IMPAIRMENT LOSSES ON LOANS

According to IFRS 9, provisions for losses must be recognised based on expected credit losses (ECL). The general model for impairments of financial

assets in IFRS 9 applies to financial assets measured at amortised cost and that had not experienced an observable loss upon initial capitalisation. Loan pledges, financial guarantee contracts that are not measured at fair value through profit or loss, and lease agreement claims are also included.

The measurement of impairments for expected losses in the general model depends on whether or not the credit risk has increased significantly since initial capitalisation. Upon initial capitalisation and when the credit risk has not increased significantly after initial capitalisation, provisions must be made for 12 months' expected losses. 12 months' expected losses are the loss that is expected to occur over the lifetime of the instrument, but which can be linked to events that occurred in the first 12 months. If credit risk has increased substantially after initial recognition, provisions must be made for the expected loss over the entire lifetime. The expected credit loss is calculated based on the present value of all cash flows over the remaining lifetime, i.e. the difference between the contractual cash flows according to the contract and the cash flow that the Bank expects to receive, discounted by an effective interest rate on the instrument.

In addition to the general model, there are separate principles for issued, including renegotiated loans that are treated as new, and purchased loans where there is an accrued credit loss upon initial capitalisation. For these, an effective interest rate will be calculated that takes into account the expected credit loss, and in the event of changes in expected cash flows the change will be discounted by the originally set effective interest rate and recognised through profit or loss. Thus, for these assets there is no need to monitor the extent to which there has been a significant increase in credit risk after initial capitalisation since the expected loss over the entire lifetime will be taken into account anyway.

13. DEFAULTED AND DOUBTFUL COMMITMENTS

A commitment is deemed to be in default if it has been due for more than 90 days and the amount is over NOK 1,000. On 1 January 2021, new rules will be introduced for defaults. These include the introduction of a waiting period for commitments that have been in default and also having to assess the likelihood of a customer repaying its loan: 'unlikely to pay'. A commitment is deemed to be doubtful when objective proof exists showing that one or more loss incidents have occurred and that this is having an impact on the expected future cash flow which can be estimated in a reliable manner.

14. INTANGIBLE ASSETS

Intangible assets consist of goodwill. Intangible assets are recognised in the balance sheet when the criteria have been satisfied. Goodwill arises as a positive difference between the cost of acquisition of a company and the fair value of identifiable assets and liabilities, with reference to the section on consolidation principles. Goodwill is not amortised; it is subjected to an annual impairment test aimed at identifying possible impairments in value in accordance with IAS 36. When the carrying amount of an asset or a cash flow generating unit exceeds its recoverable amount, the asset or unit will be written down. Write-downs are recognised through profit and loss. Write-downs of goodwill cannot be reversed.

15. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, with the exception of investment property and owner-occupied property are recognised at the cost of acquisition and depreciated on a straight-line basis over their estimated useful life. When determining a plan of depreciation, the separate assets are split up into components with different useful lives to the extent that this is regarded as necessary, taking into account estimated residual value. Property, plant and equipment, which individually are regarded as insignificant, for example PCs and other office equipment, are not assessed individually for residual value, useful life or impairment, but are considered as groups. According to IAS 16, these properties are deemed to have an estimated acquisition cost that corresponds to the value-adjusted amount at the time of such value adjustment. Property, plant and equipment that are depreciated are subject to a write-down test in accordance with IAS 36 whenever indicated by the circumstances.

16. REPOSSESSED ASSETS

In connection with the legal recovery of claims under outstanding loans and guarantees, the bank will repossess assets that have been pledged as security for such commitments in some cases. At the time of acquisition, the assets are valued at their assumed realisation value. Repossessed assets that are to be sold are classified in the balance sheet as current assets or as fixed assets held for sale and are recognised in accordance with IAS 2 or IFRS 5. Any losses/gains on the sale or reassessment of the value of such assets are recognised as additions to or deductions from losses on loans.

17. LIABILITIES

Funding is initially recorded at its original cost, which is the fair value of the proceeds received after deducting transaction costs. Variable rate loans are thereafter measured at amortised cost, and any discount/premium is accrued over the term of the loan. Fixed rate loans are included in hedge accounting and discounted according to the current interest rate curve. No fair value option is applied to The Group's liabilities.

Deposits from customers are stated at amortised cost.

18. CONTINGENT LIABILITIES

The Group issues financial guarantees as part of its ordinary business. Latent liabilities are specified in note 37. Loans are assessed for impairment as part of assessing loan losses and on the same basis, and are reported with these, ref. note 11. Provisions are made for other contingent liabilities if it is more probable than not that the liability will materialise and the financial consequences can be reliably calculated.

19. SUBORDINATED LOANS AND HYBRID TIER 1 CAPITAL

Subordinated loans have priority after all other liabilities, are classified as subordinated loan capital on the balance sheet, and are stated at amortised cost. Hybrid tier 1 capital is a bond with a specified interest rate, but The Group is under no obligation to pay interest for a period in which no dividend is paid, and an investor has no subsequent claim to the unpaid interest. Hybrid tier 1 capital is classified as subordinated equity on the balance sheet and is stated at amortised cost.

20. INTEREST INCOME AND EXPENSES

Interest income and expenses related to assets and liabilities that are valued at amortised cost are recognised in the profit and loss account in accordance with the effective interest rate method. All fees related to interest-bearing loans and borrowings are included in the calculation of an effective interest rate and are amortised over the expected life of the financial instrument. The market interest rate on debt instruments assessed at fair value is classified as interest income or interest expenses, whereas the effect of interest rate fluctuations is classified as income from financial investments.

21. COMMISSION INCOME AND EXPENSES

Commission income and expenses are generally accrued in accordance with the delivery of a service. Fees related to interest-bearing instruments are not recognised as commissions; they are included in the calculation of the effective interest rate and recognised accordingly. Advisory fees are accrued in accordance with the agreement, typically at the time the service is delivered. The same applies to day-to-day administrative services. Fees and charges related to the sale or brokerage of financial instruments, property or other investment objects that do not generate balance sheet items in the bank's accounts, are recognised in the profit and loss account when the transaction is finalised.

22. REALISED LOSSES

When it is highly probable that losses are final, they are classified as realised losses. Realised losses that are covered by previous individual loan loss provisions are booked against those provisions. Realised losses without cover by way of loan loss provisions and over or under coverage in relation to previous loan loss provisions are recognised through profit or loss.

23. FOREIGN CURRENCY TRANSACTIONS AND HOLDINGS

Transactions in foreign currencies are converted into Norwegian kroner using exchange rates prevailing at the time of the transaction. Gains and losses related to completed transactions or to the conversion of holdings of cash or cash equivalents at the balance sheet date are included in the profit and loss account, unless they are adjusted directly against equity in accordance with the principles of hedging. Gains and losses on non-monetary items are included in the income statement in the same way as the corresponding balance sheet item.

24. TAXES

Taxes recognised in the profit and loss account comprise tax payable for the period and deferred taxes. Tax payable for the period is calculated tax on the current year's taxable profit. Wealth tax is calculated and recognised as other operating expenses in the profit and loss account. Deferred taxes are accounted for by means of the liability method in accordance with IAS 12. Deferred tax liabilities or assets are recognised in respect of all temporary differences, which arise as a difference between the carrying amount and taxable value of assets and liabilities at the balance sheet date. However, no liabilities or assets are calculated for deferred taxes on goodwill that do not give a tax deduction

or items that are recognised for the first time and do not affect the financial or taxable profit. Deferred tax assets are calculated with respect to accumulated tax losses carried forward at the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that the taxable profit will be available and unused tax losses can be utilised. See note 25.

25. PENSIONS

SpareBank 1 Nord-Norge is required pursuant to the Mandatory Company Pension Act to provide an occupational pension schemes for its employees. The Group has a defined contribution scheme and a closed defined benefit scheme. The defined benefit pension scheme is administered by a separate pension fund, SpareBank 1 Nord-Norge Pensjonsskasse. On 1 July 2006 The Group established a defined contribution pension scheme. All new staff are enrolled in this scheme. Pensions are accounted for in accordance with international accounting standards for the calculation and accounting of pensions (IAS 19). See note 24.

26. SEGMENT REPORTING

Ordinary banking operations, involving private and business customers, represent the bank's primary reporting format, with leasing and markets as the bank's secondary reporting format. See also note 4.

27. EVENTS AFTER THE DATE OF THE BALANCE SHEET

The annual accounts are deemed to be approved for publication when the Board has approved the accounts. The Supervisory Board and regulatory authorities may refuse to approve the published annual accounts after this, but they cannot change the accounts. Events occurring up to the time when the financial statements are approved for publication involving issues that were already known on the date of the balance sheet will form part of the information basis for determining estimates and will thereby be fully reflected in the annual accounts. Events that were not known on the balance sheet date will be reported if they are significant. The corona pandemic is such an event. Such circumstances are mentioned in note 43. The annual accounts have been prepared on the basis that The Group will continue as a going concern. This assumption was valid in accordance with the Boards opinion at the time the financial statements were approved for publication. The Boards dividend proposal is stated in the annual report. Proposed dividends and distributions for charitable purposes are classified as equity until final approval has been granted.

NOTE 3 CRITICAL ESTIMATES AND ASSESSMENTS REGARDING THE USE OF ACCOUNTING PRINCIPLES

LOSSES ON LOANS AND GUARANTEES

In preparing the consolidated financial statements the management makes estimates, discretionary judgements and assumptions that influence the application of the accounting policies. These could thus affect the stated amounts for assets, liabilities, income and costs. Note 3 in last year's annual financial statements provides a fuller explanation of the items subject to important estimates and judgements.

As also stated in Note 13, SpareBank 1 Nord-Norge uses a model for calculating expected credit losses based on IFRS 9. Expected credit loss is calculated on a monthly basis based on an objective and probability-weighted analysis of alternative outcomes, where account is also taken of the time value of the expected cash flows.

The analysis is based on relevant information available at the time of reporting and builds on macroeconomic scenarios in order to take account of non-linear aspects of expected loss. The different scenarios are used to adjust relevant parameters for calculating expected loss and a probability-weighted average of expected credit loss according to the respective scenarios is recognised as a loss. Individual assessments of commitments subject to these are based on expected future cash flows. In the calculations as at 31.12.19, no factors related to the outbreak of the coronavirus pandemic in 2020 had been taken into account.

Assumptions:

The Bank uses weighted scenarios to calculate expected credit loss. The various macroeconomic scenarios for the base case scenario (current macroeconomic situation), stress case scenario (significant economic downturn) and strong economic expansion scenario are reviewed on an ongoing basis and a committee assesses factors such as global and national PMI, projected path of interest rates, national and regional unemployment, capacity utilisation and national and local developments in property prices. The scenarios are run over a period of five years. As at 31.12.20, the PD curve for year 5 has been adjusted to take into account the expected consequences of Covid-19.

As at 31.12.19, the Bank considered the macro-economic outlook to be good, although there was some uncertainty about the current interest rate peak, flattening growth in Northern Norway, and a stabilised housing market. The committee considered the situation to be a cyclical peak since there were several indications of flattening. Given this, the base case scenario was given the greatest weight (81%), the stress scenario the second greatest (19%), and the strong economic expansion scenario the least (0%).

As at 31.03.20, based on the uncertainty associated with the coronavirus situation, higher unemployment (furloughs), and low oil prices, adjustments were made to the weighting between the two scenarios for the base case and stress case, where the weighting of the base case was significantly reduced (to 70%) with a corresponding increase in the stress scenario (to 30%). The committee has monitored this development very closely throughout the year, and although the macro picture is somewhat better at the end of the year compared with the previous quarter, Covid-19 infections have increased again, and this is creating uncertainty. The committee, therefore, concluded that no adjustments would be made to the macro scenario weightings as at 31.12.20.

The Bank uses different factors for PD and LGD to estimate developments in the portfolio within the different scenarios. SpareBank 1 Nord-Norge has its own models that score customers based on PD. Both within the retail market and the corporate market, PD and LGD are adjusted in line with how the different scenarios are expected to affect these factors. In the stress case scenario, the factors increase significantly, while in the strong economic expansion scenario they are moderately reduced.

In-depth analyses of these are conducted every quarter for the entire loan portfolio in relation to the assumptions used at the end of the previous year. Particular attention has been paid to some exposed industries in our market area (including tourism, transport, fisheries and real estate). However, the analyses did not find that significant changes needed to be made to PD and LGD factors in the ECL model as at 31.12.20. Meanwhile, as mentioned above, adjustments were made in 4Q to factors in year 5 of the PD curve, both for the retail market (RM) and the corporate market (CM).

Industries and the development of individual customers will also be monitored closely using a so-called watchlist at a customer commitment level, as well as by flagging customers with forbearance (payment relief). All commitments categorised as high-risk are on the watchlist.

As at 30.06.20, all tourism-related commitments of more than MNOK 10 were placed on a watchlist and manually transferred from Stage 1 to Stage 2. In 3Q and 4Q, all tourism-related commitments of less than MNOK 10 were placed on a watchlist and manually transferred from Stage 1 to Stage 2. In addition, all customers granted government guaranteed liquidity loans have been transferred from Stage 1 to Stage 2. In total, these manual transfers amount to MNOK 59 in increased loss provisions. The resale values of the security pledged for these commitments have also been assessed and adjusted downwards, which resulted in increased ECL provisions.

As at 31.12.20, SpareBank 1 Nord-Norge has granted general interest-only instalment holidays for loans of up to six months both to retail customers and customers in the corporate market that have been affected by the coronavirus situation. Many of the interest-only instalment holidays granted in March and April have expired, while some have been extended. Interest-only instalment holidays due to Covid-19 and of up to six months duration are currently not automatically considered forbearance in the ECL calculation given that there are no other factors that indicate that the credit risk has significantly increased (SICR). Customers that require interest-only instalment holidays of longer than six months undergo special assessment and if the result is that payment problems may be expected, these are regarded as exposures with payment relief, with the appropriate transfer from Stage 1 to Stage 2. The proportion of customers granted forbearance continued to fall in 3Q and 4Q.

According to IFRS 9, there will be an opportunity to carry out temporary adjustments, so-called 'management overlays', when it is clear that existing or expected risk factors have not been assessed in the credit risk models. Such management overlays can occur in short-term situations when there is not enough time to incorporate relevant new information into existing models or to re-segment existing groups of loans. On 30.09.20, the Parent Bank carried out a MNOK 78 post model adjustment (PMA).

The effects of the pandemic caused by Covid-19 have proved to be extensive and are highly likely to be long-term in nature. Our credit risk models (IRB) are largely based on historical information, which means that the models will only have taken limited account of the risk factors Covid-19 is expected to have caused. At the end of 4Q 2020, a great deal of uncertainty still exists about the duration of the crisis and its effects on our customers. Although we have, among other things, handled tourism related commitments separately, the crisis will most probably also impact other industries in the coming quarters. This will be one of the consequences of the expected scaling down of public support schemes and the reduced opportunities for loan arrangements.

A series of assessments that underpin the level of the post model adjustment (PMA) has been conducted. As a consequence of the continued uncertainty, the Bank has chosen to maintain the temporary adjustment through PMA from previous quarters in 2020 (MNOK 78). The provision is made in Stage 1 for business, tourism-related property.

SpareBank 1 Nord-Norway implemented IFRS 9 with effect from 01.01.18. In 2018, 2019 and 2020, SpareBank 1 Nord-Norge established and used a specified, documented and verifiable method for determining expected credit loss (ECL). In 4Q 2020, the Bank assessed ECL using an alternative method. Overall, method 2 resulted in almost the same loss as method 1. The Bank will continue to work on the new method during 1Q 2021. After that, it is highly likely that the Bank will transition to the new method. The difference between the methods lies in the determination of factors and scenario weightings, where the base scenario would, seen in isolation, be even more unbiased and where uncertainty about the future would be taken greater account of in the determination of PD and LGD factors. This will also affect the scenario weightings.

For details, also see note 13 – Losses.

By the end of 2020, the Bank had paid out about MNOK 343 in government guaranteed liquidity loans to its customers. These were also included in the ECL assessment at the end of 4Q 2020.

FAIR VALUE OF EQUITY CAPITAL INSTRUMENTS

Financial assets assessed at fair value through the profit and loss account will normally be traded in active markets and the fair value can thus be determined with reasonable certainty. For financial assets classified as available for sale this is not necessarily the case. Correspondingly, the market values for assets and liabilities that are carried at amortised and appear in notes may be estimates based on discounted future cash flows, multiplier analysis or other calculation methods. Such methods could be subject to significant uncertainty. With the exception of a few shares, the Norwegian stock market is considered to have poor liquidity. Share prices will in most circumstances be the last known transaction price. In some cases where the liquidity is poor and there is a great deal of unexplained fluctuations in the share price, the share price might be determined based on the weighted average over a specified time period, usually December.

In cases where there are no representative transactions, other valuation methods have been used in accordance with the valuation hierarchy in IFRS 9.

FAIR VALUE OF FINANCIAL DERIVATIVES

The fair value of financial derivatives is usually determined by using valuation methods where the price of the underlying object, for example interest or foreign exchange rates, is obtained from the market. In the case of share options, volatility will either be observable implicit volatility or calculated volatility based on historical share price movements for the underlying object. If the bank's risk position is approximately neutral, middle rates will be used. A neutral risk position means for example that the interest rate risk within a repricing interval is approximately zero. In the opposite case, relevant purchase and sale prices will be used to assess the net position.

In the case of a counterparty whose credit rating is weaker than that of the Bank, the price will reflect an underlying credit risk. To the extent that market prices are obtained from transactions with a lower credit risk, this will be taken into account by amortising the original price difference measured against such transactions with a lower credit risk over the maturity period.

INTANGIBLE ASSETS

Intangible assets are subject to an impairment test which is mainly based on the discounting of expected future cash flows. There will always be considerable uncertainty related to estimated cash flows, and in some cases there will also be uncertainty with regard to the methods for allocating cash flows to various assets.

ACQUISITIONS

Acquisitions of other companies are recognised in the accounts using the acquisition method, ref. IFRS 3. In the acquisition method, an acquisition analysis is carried out with full purchase price allocation, where the purchase price is allocated to identifiable assets and liabilities in the acquired company. A positive difference between the fair value of the purchase sum paid and the fair value of the identifiable assets and liabilities is recognised as goodwill. Any goodwill can, subject to certain criteria, be recognised as income in the income statement in the acquisition year. The acquisition analysis can be regarded as preliminary or final.

Acquisition analyses contain both concrete calculations and the exercising of best judgement. Estimated items are always associated with some uncertainty, but they are, to the extent possible, supported by calculations of expected cash flows, comparable transactions, etc.

Please also see notes 33 and 39.

NOTE 4 BUSINESS AREAS

Pursuant to IFRS 8, SpareBank 1 Nord-Norge has the following operating segments: retail market, corporate market, leasing and Markets.

The segments correspond with the executive management team's internal reporting structure. In SpareBank 1 Nord-Norge, the executive management team is responsible for evaluating and following up the segments' results and is defined as the chief operating decision maker in the sense used in IFRS 8.

The recognition and measurement principles in the Bank's segment reporting are based on accounting policies that comply with IFRS, as set out in the consolidated financial statements. Any transactions between the segments are carried out at arm's length.

The item «unallocated» contains activities that cannot be allocated to the segments. The Bank operates in a limited geographic area and reporting geographical information provides little additional information. Nonetheless, important assets classes (loans) are distributed geographically in a separate note 8 in Annual report.

GROUP 31.12.20

AMOUNTS IN NOK MILLION	RETAIL BANKING	SMB BANKING	CORPO- RATE BANKING	MARKETS	SPAREBANK 1 REGNSKAPS- HUSET NORD-NORGE	EIENDOMS- MEGLER 1 NORD-NORGE	SPARE- BANK 1 FINANS NORD- NORGE	UNSPEC- IFIED/ ELIMINA- TIONS	TOTAL
Net interest income	927	496	228	8	0	1	291	116	2,068
Net fee- and other operating income	763	97	22	12	211	228	9	- 44	1,299
Net income from financial investments	6	18	17	66				586	693
Total costs	959	149	21	42	186	191	90	- 11	1,626
Result before losses	737	463	247	45	25	39	211	669	2,434
Losses	16	71	125				34	86	332
Result before tax	721	392	122	45	25	39	176	583	2,102
Total lending	49,360	17,918	13,439				6,962	2,832	90,511
Loss provision	- 100	- 257	- 210				- 104	- 92	- 764
Other assets		4,658			246	109	96	22,443	27,551
Total assets per business area	49,260	22,318	13,228		246	109	6,954	25,183	117,298
Deposits from customers	43,898	22,318	4,523					2,419	73,158
Other liabilities and equity capital	5,363		8,705		246	109	6,954	22,764	44,140
Total equity and liabilities per business area	49,260	22,318	13,228		246	109	6,954	25,183	117,298

NOTE 4 BUSINESS AREAS

GROUP 31.12.19

AMOUNTS IN NOK MILLION	RETAIL BANKING	SMB BANKING	CORPORATE BANKING	MARKETS	SPAREBANK 1 REGN-SKAPS-HUSET NORD-NORGE	EIENDOMS-MEGLER 1 NORD-NORGE	SPAREBANK 1 FINANS NORD-NORGE	UNSPECIFIED/ELIMINATIONS	TOTAL
Net interest income	992	468	217	8	- 2	- 1	285	129	2,097
Net fee- and other operating income	691	82	18	17	188	204	6	- 90	1,116
Net income from financial investments	5	6	6	36				857	911
Total costs	1,004	136	21	35	164	187	109	- 16	1,640
Result before losses	685	420	220	26	22	17	182	912	2,484
Losses	7	28	- 31				16	- 8	11
Result before tax	678	392	251	26	22	17	166	921	2,473
Total lending	48,916	16,418	12,350				6,611	2,476	86,771
Loss provision	- 86	- 194	- 111				- 84	- 7	- 482
Other assets		6,900			205	112	59	17,960	25,235
Total assets per business area	48,831	23,124	12,239		205	112	6,586	20,428	111,524
Deposits from customers	39,879	23,124	3,200					1,827	68,030
Other liabilities and equity capital	8,952		9,039		205	112	6,586	18,601	43,494
Total equity and liabilities per business area	48,831	23,124	12,239		205	112	6,586	20,428	111,524

	RETAIL BANKING	SMB BANKING
Total lending	5,400	1,300
Deposits from customers	2,800	1,200

During 2021, SpareBank 1 Nord-Norge will sell its portfolio of local banks in Helgeland to Helgeland Sparebank. Following the sale, SpareBank 1 Nord-Norge will own 19.99% of Helgeland Sparebank. This stake will be incorporated into the consolidated financial statements. The portfolio being sold is approximately:

NOTE 5 EQUITY AND CAPITAL ADEQUACY RATIO

Capital adequacy is calculated and reported in accordance with the EU's capital requirements regulations for banks and investment firms (CRD IV/CRR).

In January 2007, SpareBank 1 Nord-Norge was authorised to use IRB models to calculate capital requirements for credit risk. In February 2015, the Bank was also authorised to use the advanced IRB method for the corporate portfolio. The use of IRB places great demands on the Bank's organisation, competence, risk models and risk management systems.

REGULATORY CAPITAL REQUIREMENTS

As at 31.12.20, the regulatory minimum requirement for The Group's core Tier 1 capital ratio was 13.92%. This included the minimum requirement of 4.5%, the total buffer requirement of 7.92%, and the Pillar 2 requirement of 1.5%.

CAPITAL TARGET

SpareBank 1 Nord-Norge's goal is to maintain indisputable financial strength and satisfy the regulatory minimum requirements for capital adequacy at all times. The Group has a target for its core Tier 1 capital ratio of 1.0 percentage point above the regulatory minimum requirement, which currently results in a target core Tier 1 capital ratio of 14.92%.

CHANGES TO THE CAPITAL ADEQUACY REGULATIONS

The EU capital adequacy regulations came into force in the EEA Agreement on 31 December 2019. From this point onwards, CRR/CRD IV were fully implemented in Norway. This involved, among other things, the disappearance of the "Basel I floor" and the implementation of the "SME discount". The former results in more risk-sensitive capital requirements. The latter entails lower capital requirements for loans to small and medium-sized enterprises. As a consequence of the full implementation of CRR/CRD IV from 31 December 2019, the Ministry of Finance published changes to the banks' capital requirements in December 2019. The changes can be summarised as follows (not exhaustive):

The systemic risk buffer requirement increases from 3 to 4.5%. The requirement applies from the end of 2020 for Norwegian AIRB banks (including SpareBank 1 Nord-Norge) and from the end of 2022 for other banks. SpareBank 1 Nord-Norge has commitments in a number of other countries that have a lower/no buffer requirement. As at 31.12.20, the systemic risk buffer is calculated using differentiated rates. The rate has increased from 3% to 4.5% for credit commitments in Norway. For commitments in other countries, the systemic risk buffer rate determined by the authorities of the country concerned is used. If a country has not set a rate, 0% is used, unless the Ministry of Finance sets another rate. For parent companies and groups, institution-specific systemic risk buffer rates of 4.42% are calculated.

However, minimum requirements (floors) are being introduced for average risk weightings for mortgage loans

and commercial property loans of 20% and 35%, respectively. The ratios have not been actualised for SpareBank 1 Nord-Norge at this point in time.

The countercyclical capital buffer increased from 2.0% to 2.5% in Norway on 31.12.19. As a consequence of Covid-19, the countercyclical capital buffer requirement was reduced from 2.5% to 1% with effect from 13.03.20. Norges Bank is expected to advise increasing the buffer requirement during 2021. When a decision is made to increase the buffer requirement, the implementation date is normally 12 months after the decision has been made. Norges Bank envisages the buffer returning to 2.5% in the long term.

SpareBank 1 Nord-Norge exceeds the threshold of 2% international exposure. In these circumstances the countercyclical capital buffer is calculated using differentiated rates. For commitments in other countries, the countercyclical capital buffer rate determined by the authorities of the country concerned is used. If a country has not set a rate, the same rate as the one for commitments in Norway is used, unless the Ministry of Finance sets another rate.

As at 31.12.20, the Parent Bank is below the exemption limit, meaning that the Norwegian rate is used for relevant commitments. For groups, an institution-specific countercyclical capital buffer rate of 1.0% has been calculated.

According to the rules for identifying systemically important financial institutions (SIFIs), SpareBank 1 Nord-Norge is not classed as a SIFI.

The Covid-19 pandemic has resulted in an extraordinary work situation and challenges for both financial institutions and the Financial Supervisory Authority of Norway, including with respect to the implementation of the Supervisory Review and Evaluation Process (SREP) and Pillar 2. On 15.06.20, the Financial Supervisory Authority of Norway announced it would not be making any new Pillar 2 decisions in 2H 2020. The Group's Pillar 2 requirement of 1.5% therefore still applies.

TREATMENT OF ASSOCIATED COMPANIES AND JOINT VENTURES

The Group uses proportional consolidation for its capital adequacy reporting for the stakes in SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt, SpareBank 1 Kreditt and BN Bank. The stake in SpareBank 1 Betaling was deducted in its entirety from the core Tier 1 capital. This accounting treatment is in line with the Ministry of Finance's decision (June 2018). The book value of the stake in SpareBank 1 Gruppen is deducted from core Tier 1 capital pursuant to the applicable capital adequacy regulations.

NOTE 5 EQUITY AND CAPITAL ADEQUACY RATIO

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
1,807	1,807	Equity Certificate capital	1,807	1,807
843	843	Equity Certificate premium reserve	843	843
3,035	3,253	Dividend Equalisation Fund	3,253	3,035
5,990	6,254	The Saving Bank's Fund	6,254	5,990
585	573	Donations	573	585
42	15	Fair Value Reserve	15	42
- 17	- 20	Other equity capital	1,497	1,090
780	780	Hybrid capital	780	780
13,065	13,505	Total book equity	15,022	14,172
- 780	- 780	Hybrid capital	- 780	- 780
Tier 1 Capital				
- 866	- 844	Allocated dividends	- 845	- 866
		Adjusted Tier 1 capital from consolidated financial institutions	- 29	- 38
		Goodwill and other intangible assets	- 130	- 134
- 29	- 33	Adjustments to CET 1 due to prudential filters	- 28	- 32
- 122	- 136	Defined benefit pension fund assets gross amount	- 148	- 134
- 109		IRB shortfall of credit risk adjustments to expected losses		- 128
		CET1 instruments of financial sector entities where the institution has significant investment	- 900	- 443
- 156	- 157	Deduction for non-significant investments in the financial sector	- 143	- 145
11,003	11,555	Common equity Tier 1 capital	12,019	11,472
780	780	Hybrid Tier 1 bonds	972	1,024
11,783	12,335	Tier 1 capital	12,991	12,496
Tier 2 Capital				
1,050	1,050	Subordinated loans eligible as T2 Capital	1,359	1,366
	179	T2 instruments of financial sector entities where the institution have significant investment	150	
- 136	- 134	Tier 2 capital ratio	- 134	- 136
914	1,095	Tier 2 capital ratio	1,375	1,230
12,697	13,430	Total eligible capital	14,366	13,726
Total risk exposure amount				
41,199	42,132	Credit risk internal rating based approach (IRB)	42,905	41,719
10,033	10,511	Credit risk standardised based approach	17,877	17,401
51,232	52,643	Total credit risk IRB	60,782	59,120
75	80	Traded debt instruments	80	75
103		Equity		103
5,358	5,559	Operational Standardised indicator approach (STA)	6,657	6,303
181	229	Credit Valuation Adjustment (CVA)	1,069	1,008
56,949	58,511	Total risk exposure amount	68,588	66,609

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
Capital requirements				
1,050	1,155	Corporates - specialised lending	1,207	1,104
59	56	Corporates - other	59	62
410	430	Corporate - small and medium entities (SME)	443	423
1,205	1,166	Retail - secured by real estate	1,658	1,681
66	63	Retail - other	65	68
506	501	Equity IRB		
3,296	3,371	Total IRB capital requirements	3,432	3,338
803	841	Total standardised capital requirements	1,430	1,392
4,099	4,212	Capital requirements credit risk	4,862	4,730
Capital requirements credit risk				
6	6	Traded debt instruments	6	6
8		Equity		8
429	445	Operational Standardised indicator approach (STA)	533	504
14	18	CVA	86	81
		Transitional rule Basel I		
4,556	4,681	Capital requirements	5,487	5,329
Capital ration				
20.7%	21.1%	Tier 1 Capital ratio	18.9%	18.8%
1.6%	1.9%	Tier 2 Capital ratio	2.0%	1.8%
22.3%	23.0%	Capital Adequacy ratio	20.9%	20.6%
19.3%	19.7%	Common Equity Tier 1 Capital ratio	17.5%	17.2%
Capital Requirements Directive (CRD IV):				
2,563	2,633	Minimum common Tier 1 Equity Capital 4.5%	3,086	2,997
Capital buffers				
1,708	2,586	Systemic risk buffer 3%	3,032	1,998
1,424	585	Countercyclical capital buffer 2.5%, (2%, 2018)	686	1,665
1,424	1,463	Capital conservation buffer 2.5%	1,715	1,665
4,556	4,634	Total buffer requirement for common equity Tier 1 capital 7.92%, (8%, 2019)	5,432	5,329
Total buffer requirement for common equity Tier 1 capital 12.42% (12.5%, 2019)				
7,119	7,267	Total buffer requirement for common equity Tier 1 capital 12.42% (12.5%, 2019)	8,519	8,326
854	878	Pillar II requirements 1.5%	1,029	999
7,973	8,145	Total regulatory requirement for common equity Tier 1 capital 13.92% (14%, 2019)	9,547	9,325
Available common equity Tier 1 capital				
3,030	3,410	Available common equity Tier 1 capital	2,472	2,147

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
Exposure target				
108,734	113,992	Balance sheet items	164,298	154,646
3,395	2,898	Off balance sheet items	3,908	4,310
975	1,039	Derivatives exposure	2,666	2,544
- 138	- 33	Other adjustments	- 38	- 162
112,966	117,896	Total exposure target	170,834	161,338
11,783	12,335	Tier 1 capital	12,991	12,496
10.4%	10.5%	Leverage ratio	7.6%	7.7%

NOTE 6 FINANCIAL RISK MANAGEMENT

RISK EXPOSURE: DEFINITION AND ORIGIN

SpareBank 1 Nord-Norge is exposed to various types of risk through its activities. The most important risks are:

Business risk: The risk of unexpected income and cost fluctuations as a result of The Group's operations or changes to external conditions such as the market situation or government regulations. The latter especially applies to falls in income due to increased competition, changes in framework conditions or other changes in business conditions, as well as changes to the costs picture that one cannot compensate for through other cost cutting or income increasing measures.

Business risks arise as a result of, and are related to, among other things, (not exhaustive):

- The business model
- The market situation
- Strategic ventures
- The macroeconomic situation
- The regulatory framework conditions

Credit risk: The risk of losses due to customers or counterparties being unable or unwilling to meet their financial obligations in accordance with an agreement.

Credit risks arise as a result of and are primarily related to:

- Financing/loans in the retail market
- Financing/loans in the business market

The Group is also exposed to credit risk from investments in interest-bearing securities. This is described in more detail under "Market risk" below.

Liquidity and financing risk: The risk of The Group being unable to fulfil its obligations when they fall due, as well as the risk of The Group being unable to meet its liquidity obligations without the cost of this increasing significantly.

Liquidity and financing risks arise as a result of and are primarily related to:

- Different periods of maturity and due dates for assets and liabilities
- Dependence on the capital market
- Regulatory changes

Market risk: The risk of changes in the value of assets/financial positions due to changes in market value, including changes in the prices of share prices, interest rates, risk spread and exchange rates.

Market risks arise as a result of and are primarily related to:

- The management (including also holdings) of liquidity reserves
- Changes in interest rates that affect both assets and liabilities
- Changes in exchange rates that affect both assets and liabilities
- Changes in shares prices that affect assets.
- Customer business within interest rate and currency trading

Ownership risk: The risk of The Group suffering a loss from ownership interests in strategically owned companies, or The Group having to supply new capital to strategically owned companies.

Ownership risks arise as a result of, and are related to, the ownership of strategically important companies, for example SpareBank 1 Gruppen.

Operational risk (including compliance risk, reputational risk, behavioural risk, technology risk, third-party risk, human capital risk, etc.): The risk of people, processes, systems or external events hindering The Group's ability to meet its objectives. Operational risk is an extensive area of risk and includes, among other things: compliance risk, cyber/IT risk, reputational risk, behavioural risk, third-party risk, human capital risk, etc.

Operational risk arises as a result of, and are related to, among other things, (not exhaustive):

- Processes and systems
- Technology risk (cyber and IT)
- Regulatory requirements

Insurance risk: The risk arising from insurance activities in The Group and the fluctuations these cause in The Group's result.

Insurance risks arise due to the ownership interest in SpareBank 1 Gruppen.

Pension risk: The risk that arises due to changes in variables that affect The Group's liabilities associated with future pension payments.

Pension risks arise as a result of The Group's defined benefit pension schemes.

System risk: The risk that financial instability will disrupt the provision of financial services to such an extent that it could result in significant negative effects for production and employment.

Systemic risks arise as a result of the characteristics of the financial system in which The Group operates.

Excessive debt accumulation: The risk that the proportion of outside financing on The Group's balance sheet becomes too high in relation to The Group's equity.

The risk of excessive debt accumulation can occur as a result of The Group's credit models estimating risk weightings too low in relation to the actual risks in the credit engagements.

Climate risk (including sustainability): The risk of events that affect society due to changes in the climate and climate policy.

Climate risk has three components:

- Physical risk: Costs related to physical damage resulting from climate change
- Transition risk: Financial risk linked to the transition to a low-emissions society
- Liability risk: Claims for damages linked to decisions, or a failure to make decisions, that in some manner or other can be linked to climate policy or climate change

Climate risk is therefore an underlying risk driver for other risk types. This includes credit risk, market risk, liquidity and financing risk, insurance risk/ownership risk, as well as operational and reputational risk.

Climate risk arises as a result of The Group's core activities, ref. description of other risk types above.

MANAGEMENT AND CONTROL OF THE GROUP'S RISK EXPOSURE

SpareBank 1 Nord-Norge's risk and capital management should support The Group's strategic development and achievement of targets, and at the same time ensure financial stability and proper asset management.

This should be achieved through:

- A healthy risk culture characterised by a high awareness of risk and capital management
- A good understanding of what risks drive earnings
- Pricing products, as far as possible, in line with the underlying risk.
- Striving to achieve the optimal allocation of capital within the adopted business strategy
- Exploiting synergy and diversification effects
- Preventing individual events causing serious damage to The Group's financial position

Management and control framework

A framework has been established for managing and controlling The Group's risk exposure. This covers both individual risks and overall risk exposure, and comprises:

- Governing documents
- Organisation and the division of responsibilities
- System support and measurement methods
- Monitoring and reporting
- Models for calculating risk and risk-adjusted capital requirements

Risk strategy

The Group's risk strategy defines the risk The Group is willing to assume in order to achieve its strategic objectives, as well as how the risk will be managed and monitored. This includes:

- Monitoring and assessing The Group's risk exposure
- Calculating The Group's risk capacity
- Defining The Group's risk willingness
- Defining how risk should be managed and monitored
- Defining roles and responsibilities

It is a fundamental principle that The Group's level of risk must be within the limits for The Group's risk capacity and willingness. The Group must never breach the levels set for risk willingness when these are defined as risk limits. The risk strategy defines the direction for underlying strategies, policies, routines and guidelines in each area of risk.

A more detailed description is provided below of the management and monitoring within those areas of risk that have the largest explicit effect on the accounts as at 31.12.20.

Credit risk

Credit risk is managed via The Group's frameworks for granting credit, commitment monitoring and portfolio management. These include risk limits, targets, industry-specific policy requirements, authority structures, credit models, continuous measurement, monitoring and reporting. The Group particularly focuses on concentration risk and the quality of the loan portfolio, which includes monitoring this both when credit is granted and during ongoing portfolio management. The established management and monitoring must support The Group's risk willingness in the area (*low to moderate*).

SpareBank 1 Nord-Norge has, in partnership with SpareBank 1-alliansen, developed its own credit models that are used for:

- Calculating capital requirements for credit risk (IRB/AIRB)
- Granting credit
- Monitoring commitments
- Portfolio management
- Calculating expected credit loss (ECL)

The models are based on three main components:

1. **Probability of default (PD):** Customers are classified in risk classes according to the likelihood of the customers defaulting on their commitments during a 12-month period. The probability of default is calculated based on historical data series for key financial figures, as well as non-financial criteria such as behaviour and age. In order to classify customers according to the probability of default, nine risk classes (A–I) are used. In addition, The Group has two risk classes (J and K) for customers with commitments in default and/or commitments that have been written down.
2. **Expected exposure at default (EAD):** A calculated magnitude that indicates the expected exposure to the customer in the event of default.
3. **Loss given default (LGD):** A calculated magnitude that indicates how much The Group could potentially lose if the customer defaults on their commitments. The assessment takes into consideration the realisation value of the assets that the customers have pledged as security, and the costs incurred by The Group in connection with recovering commitments in default. These figures are estimated based on the Bank's own experience over time. Seven different classes (1-7) are used for classification in relation to security coverage.

The credit models are verified (validated) and continuously being improved. Quantitative and qualitative validation processes are conducted every year. In the quantitative validation process, an assessment is made of whether the model's estimates and assumptions are functioning as intended. In the qualitative validation process, an assessment is made of whether the IRB system is well-integrated throughout the organisation and is being used as an important component in The Group's risk management and decision-making.

For further information, please see the related notes and The Group's Pillar 3 report.

Liquidity and financing risk

Liquidity and financing risks are managed using The Group's framework for this area. This includes risk limits, targets, continuous measurement, monitoring and reporting. The Group particularly focuses on predictability and stability in relation to liquidity and financing. The established management and monitoring must support The Group's risk willingness in the area (*low*).

Customer deposits are the most important source of funding for The Group. As at 31.12.20, the deposit coverage rate (excl. commission loans) was 82%. Other funding consists of borrowing in the form of covered bonds through SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, senior unsecured bonds, subordinated loans and hybrid Tier 1 instruments.

SpareBank 1 Nord-Norge has a conscious and active relationship with Norwegian and foreign actors in the capital markets (investor relations), including owners, potential investors, analysts and others with an interest in The Group. SpareBank 1 Nord-Norge strives for a funding structure that is well-diversified within given limits with respect to the market, product and due dates.

The proportion of funding in foreign currency has increased in recent years. The Group has good capacity for funding in Norwegian kroner, but periodically low liquidity in the Norwegian market means that The Group finds being active in other markets for issuing securities reduces risk. The Bank has ratings from Moody's and Fitch in order to secure good access to these capital markets. The Bank's long-term rating with Moody's is Aa3 stable. The Bank also has a joint EMTN loan programme with SpareBank 1 Østlandet and SpareBank 1 SMN for borrowing in foreign currency.

The liquidity coverage ratio (LCR) is one of the liquidity area's most important management parameters. The LCR requirement means that The Group must at all times have liquidity reserves of at least 100%; in other words, that the holding of liquid assets must be at least equal to the net liquidity outflow in a given stress period of 30 calendar days. The regulatory minimum requirement for total LCR is 100%. As at 31.12.20, The Group's total LCR was 142% (156%).

The net stable funding ratio (NSFR) key figure is used to assess the extent to which The Group has adequate long-term funding. NSFR is defined as

available stable funding relative to required stable funding. No regulatory minimum requirement has been introduced for NSFR in Norway, but the Financial Supervisory Authority of Norway expects Norwegian banks to have an NSFR of at least 100%. As at 31.12.20, The Group's total NSFR was 118% (118%).

For further information, please see notes 17-18 and The Group's Pillar 3 report.

Market risk

Market risks are managed using The Group's framework for this area. This includes risk limits, continuous measurement, monitoring and reporting. The Group takes a conservative approach to risk exposure in this area. This means The Group seldom takes positions in securities and financial instruments with a view to resale or benefiting from price or interest rate variations in the short term. The Group's general rule is that it should limit market risk through the active use of hedging instruments. Uncovered risks should only occur within specially allotted limits. The established management and monitoring must support The Group's risk willingness in the area (*low*).

Interest rate risk is the risk of loss as a result of interest rate fluctuations. Interest rate risk is measured by simulating how various distortions to the interest rate curve affect The Group's positions. The Group's interest rate risk is generally short and regarded as low.

The credit spread risk is defined as the risk of loss due to an expansion of credit spreads for interest-bearing papers in which The Group has invested. The Group is primarily exposed to credit spread risk through the administration of the liquidity portfolio, which consists of low-risk bonds and certificates. The potential loss associated with credit spread risk is calculated using methodology described in the Financial Supervisory Authority of Norway's circular 12/2016.

Currency risk is the risk of loss due to changes in exchange rates. The framework for exchange rate risk is expressed by limits for the total net currency position and maximum positions in individual currencies. The potential loss associated with currency risk is calculated using methodology described in the Financial Supervisory Authority of Norway's circular 12/2016.

Equity risk is the risk of loss due to changes in the value of equity positions in which The Group has invested. The potential loss associated with equity risk is calculated using methodology described in the Financial Supervisory Authority of Norway's circular 12/2016. The Group's equity exposure has been gradually reduced in recent years due to the cultivation of its core activities.

For further information, please see notes 14-16 and The Group's Pillar 3 report.

Ownership risk

Ownership risk is managed by active board participation in a number of part-owned companies. SpareBank 1 Nord-Norge is primarily exposed to ownership risk through ownership interests in SpareBank 1 Gruppen AS (19.5%), SpareBank 1 Boligkreditt AS (18.14%), SpareBank 1 Næringskreditt AS (8.6%), Sparebank 1 Utvikling (17.74%), SpareBank 1 Kreditt (17.08%), SpareBank 1 Betaling AS (18.57%) and SpareBank 1 Markets (12.2%).

The established management and monitoring must support The Group's risk willingness in the area (*low to moderate*).

The potential loss associated with ownership risk is calculated using various approaches, some of which are based on methodology for ownership risk and equity risk described in the Financial Supervisory Authority of Norway's circular 12/2016.

For further information, please see the related notes and The Group's Pillar 3 report.

Climate risk

Climate risk is managed using The Group's framework for this area. The issues to be considered include:

- Governing documents explicitly related to sustainability and corporate social responsibility.
- The governing documents for risks areas in which climate risk is an underlying risk driver. This includes credit risk, market risk, liquidity and financing risk, insurance risk/ownership risk, as well as operational and reputational risk.
- Established roles and responsibilities, including the sustainability manager and the project "Green number 1".
- Establishment of 'green curriculum' for employees

The established management and monitoring must support The Group's risk willingness in the area (*low to moderate*).

For further information, please see The Board of Directors' Report.

NOTE 7 CREDIT RISK EXPOSURE FOR EACH INTERNAL RISK RATING

SpareBank 1 Nord-Norge use the company's own risk classification system for monitoring credit risk in the portfolio. The classification into risk classes is based on probability of default for each individual commitment. In addition, the estimated value of collateralised assets pledged as security is used when placing customers into different groups according to risk. The allocation is done by linking the collateral assets to the individual loans in question. Each customer is then divided into risk groups according to probability of default and security class, as is shown in the tables below. The classification matrix comprises 77 risk classes in relation to probability of default and security coverage. The exposures are grouped according to total commitments. Total commitments include gross loans, guarantees, unutilised credit and accrued interest.

PARENT BANK	AVERAGE UNSECURED EXPOSURE - %	AVERAGE UNSECURED EXPOSURE - %	TOTAL AMOUNT	TOTAL AMOUNT
AMOUNTS IN NOK MILLION	2020	2019	2020	2019
Very low risk	0.25%	0.3%	34,456	34,202
Low risk	0.99%	1.0%	36,426	30,435
Medium risk	1.30%	1.7%	22,013	23,047
High risk	0.03%	0.1%	2,440	2,698
Very high risk	0.10%	0.1%	1,849	1,726
In default and written down	0.01%	0.0%	394	397
Total	2.69%	3.2%	97,577	92,505

GROUP	AVERAGE UNSECURED EXPOSURE - %	AVERAGE UNSECURED EXPOSURE - %	TOTAL AMOUNT	TOTAL AMOUNT
AMOUNTS IN NOK MILLION	2020	2019	2020	2019
Very low risk	0.25%	0.2%	39,476	37,104
Low risk	0.97%	1.0%	32,507	26,566
Medium risk	1.28%	1.8%	21,954	24,594
High risk	0.03%	0.2%	2,873	3,285
Very high risk	0.09%	0.2%	2,256	2,095
In default and written down	0.01%	0.1%	392	481
Total	2.64%	3.5%	99,458	94,125

NOTE 8 MAXIMUM CREDIT EXPOSURE

The following table includes balance sheet items and items outside the balance sheet with credit risk, and the assessed value of the associated collateral. Market values are used where these are available. Within real estate, models are used that estimate the value of collateral based on market parameters for similar properties.

PARENTBANK 31.12.20

AMOUNT IN NOK MILLION	TOTAL	COLLATERAL IN REAL ESTATE *)	OTHER COLLATERAL **)
Maximum on balance credit exposure			
Cash and balances with central banks	360		
Loans and advances to credit institutions	6,923		
Loans and advances to customers	82,005	66,090	8,794
Certificates and bonds	18,079		10,550
Financial derivatives	1,777		1,089
Maximum on balance credit exposure	109,144	66,090	20,433
Maximum off balance credit exposure			
Contingent liabilities	1,770		
Unutilised credits	6,879	1,674	
Loan approvals	2,558	497	
Maximum off balance credit exposure	11,207	2,171	
Maximum credit exposure	120,351	68,261	20,433

*) The collateral pledged for real estate commitments is assessed at market value, limited to the size of the commitment for the individual counterparty. This is done to express the effective value of the available collateral.

***) Other collateral includes, among other things, cash, movable property, ships, and received guarantees. For covered bonds, the cover pool consists of loans to customers of the company that issued the bond.

GROUP 31.12.20

AMOUNTS IN NOK MILLION	TOTAL	COLLATERAL IN REAL ESTATE *)	OTHER COLLATERAL **)
Cash and balances with central banks			
Loans and advances to credit institutions	360		
Loans and advances to customers	1,534		
Certificates and bonds	88,977	68,623	15,184
Financial derivatives	18,079		10,550
Maximum on balance credit exposure	1,777		1,089
Maximum on balance credit exposure	110,727	68,623	26,823
Maximum off balance credit exposure			
Contingent liabilities	1,770		
Unutilised credits	7,177	1,674	
Loan approvals	2,640	497	
Maximum off balance credit exposure	11,587	2,171	0
Maximum credit exposure	122,314	70,794	26,823

*) The collateral pledged for real estate commitments is assessed at market value, limited to the size of the commitment for the individual counterparty. This is done to express the effective value of the available collateral.

**) Other collateral includes, among other things, cash, movable property, ships, and received guarantees. For covered bonds, the cover pool consists of loans to customers of the company that issued the bond. In The Group, the adjusted realisation value of the lease objects is included in the subsidiary Sparebank 1 Finans Nord-Norge.

BANKING ACTIVITIES BY GEOGRAPHY 31.12.20 (BALANCE)

AMOUNTS IN NOK MILLION	PARENT BANK	GROUP
Nordland	32,342	35,200
Other regions in Norway	10,098	10,997
Troms and Finnmark, including Svalbard	46,195	44,481
International	653	656
Total	89,288	90,871

CAPITAL MARKET ACTIVITY BY GEOGRAPHY 31.12.19 (BALANCE)

AMOUNTS IN NOK MILLION	PARENT BANK	GROUP
Norway	12,594	12,594
Europe/Asia	6,888	6,888
USA	374	374
Total	19,856	19,856
Total credit exposure by geography 31.12.20	109,144	110,727

The following table stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage mortgage loans is based on the collateral value at origination updated based on the change in house price indices. This tabel is only provided at the parent bank.

LTV RATIO

AMOUNTS IN NOK MILLION	2020	2019
< 50%	7,424	7,320
50% - 70%	14,171	14,793
70% - 90%	23,671	22,743
90% - 100%	1,298	1,288
> 100%	1,400	1,573
Total gross lending (retail marked)	47,964	47,717

NOTE 8 MAXIMUM CREDIT EXPOSURE

PARENTBANK 31.12.19

AMOUNTS IN NOK MILLION	TOTAL	COLLATERAL IN REAL ESTATE *)	OTHER COLLATERAL **)
Maximum on balance credit exposure			
Cash and balances with central banks	1,471		
Loans and advances to credit institutions	6,005		
Loans and advances to customers	79,105	66,690	7,898
Certificates and bonds	15,837		9,084
Financial derivatives	1,110		310
Maximum on balance credit exposure	103,528	66,690	17,292
Maximum off balance credit exposure			
Contingent liabilities	1,725		
Unutilised credits	5,670	2,839	
Loan approvals	4,343		
Maximum off balance credit exposure	11,738	2,839	
Maximum credit exposure	115,266	69,529	17,292

*) The collateral pledged for real estate commitments is assessed at market value, limited to the size of the commitment for the individual counterparty. This is done to express the effective value of the available collateral.

***) Other collateral includes, among other things, cash, movable property, ships, and received guarantees. For covered bonds, the cover pool consists of loans to customers of the company that issued the bond.

GROUP 31.12.19

AMOUNTS IN NOK MILLION	TOTAL	COLLATERAL IN REAL ESTATE *)	OTHER COLLATERAL **)
Maximum on balance credit exposure			
Cash and balances with central banks	1,471		
Loans and advances to credit institutions	1,079		
Loans and advances to customers	85,692	66,690	12,850
Certificates and bonds	15,837		9,084
Financial derivatives	1,110		310
Maximum on balance credit exposure	105,189	66,690	22,244
Maximum off balance credit exposure			
Contingent liabilities	1,725		
Unutilised credits	5,472	2,931	
Loan approvals	4,501		
Maximum off balance credit exposure	11,698	2,931	
Maximum credit exposure	116,887	69,621	22,244

*) The collateral pledged for real estate commitments is assessed at market value, limited to the size of the commitment for the individual counterparty. This is done to express the effective value of the available collateral.

***) Other collateral includes, among other things, cash, movable property, ships, and received guarantees. For covered bonds, the cover pool consists of loans to customers of the company that issued the bond. In The Group, the adjusted realisation value of the lease objects is included in the subsidiary Sparebank 1 Finans Nord-Norge.

BANKING ACTIVITIES BY GEOGRAPHY 31.12.19 (BALANCE)

	PARENT BANK	GROUP
Nordland	31,604	32,714
Other regions in Norway	9,292	9,814
Troms and Finnmark, including Svalbard	45,592	45,618
International	93	96
Total	86,581	88,242

CAPITAL MARKET ACTIVITY BY GEOGRAPHY 31.12.19 (BALANCE)

	PARENT BANK	GROUP
Norge	11,192	11,192
Europa/Asia	5,605	5,605
USA	150	150
Total	16,947	16,947
Total credit exposure by geography 31.12.19 (balance)	103,528	105,189

NOTE 9 CREDIT QUALITY BY CLASS OF FINANCIAL ASSETS

SpareBank 1 Nord-Norge uses its own classification system for monitoring credit risk in the portfolio.

The exposures are grouped according to gross loans and financial investments. For further information regarding risk management see note 6.

PARENT BANK 2020

AMOUNTS IN NOK MILLION	VERY LOW RISK	LOW RISK	MEDIUM RISK	HIGH RISK	VERY HIGH RISK	IN DEFAULT OR INDIVIDUALLY WRITTEN DOWN	TOTAL
Loans and advances to financial institutions	1,534	5,389					6,923
Loans and advances to customers							
Retail market	23,397	17,884	5,697	311	360	171	47,820
Corporate market	7,167	10,713	13,430	1,458	1,164	212	34,144
Public sector		41					41
Total gross loans	32,098	34,027	19,127	1,769	1,524	383	88,928
Financial investments							
Listed government bonds	503						503
Listed other bonds	16,525			34			16,559
Unlisted other bonds	874		110	32			1,016
Total	17,903		110	66			18,079
Total	50,001	34,027	19,237	1,835	1,524	383	107,007
Share	47%	32%	18%	2%	1%	0%	100%

PARENT BANK 2019

AMOUNTS IN NOK MILLION	VERY LOW RISK	LOW RISK	MEDIUM RISK	HIGH RISK	VERY HIGH RISK	IN DEFAULT OR INDIVIDUALLY WRITTEN DOWN	TOTAL
Loans and advances to financial institutions	1,079	4,926					6,005
Loans and advances to customers							
Retail market	23,440	16,900	6,338	438	457	144	47,717
Corporate market	7,231	6,377	14,368	1,976	925	203	31,080
Public sector	44	261				3	308
Total gross loans	31,794	28,464	20,706	2,414	1,382	350	85,110
Financial investments							
Listed government bonds	71						71
Listed other bonds	14,087		19	20			14,126
Unlisted other bonds	1,515		111	14			1,640
Total	15,673		130	34			15,837
Total	47,467	28,464	20,836	2,448	1,382	350	100,947
Share	47%	28%	21%	2%	1%	0%	100%

GROUP 2020

AMOUNTS IN NOK MILLION	VERY LOW RISK	LOW RISK	MEDIUM RISK	HIGH RISK	VERY HIGH RISK	IN DEFAULT OR INDIVIDUALLY WRITTEN DOWN	TOTAL
Loans and advances to financial institutions	1,534						1,534
Loans and advances to customers							
Retail market	25,514	18,462	5,921	349	401	203	50,850
Corporate market	2,349	17,322	14,749	1,853	1,561	252	38,086
Public sector		41					41
Total gross loans	29,397	35,825	20,670	2,202	1,962	455	90,511
Financial investments							
Listed government bonds	503						503
Listed other bonds	16,525			34			16,559
Unlisted other bonds	874		110	32			1,016
Total	17,903		110	66			18,079
Total	47,300	35,825	20,780	2,268	1,962	455	108,590
Share	44%	33%	19%	2%	2%	0%	100%

GROUP 2019

AMOUNTS IN NOK MILLION	VERY LOW RISK	LOW RISK	MEDIUM RISK	HIGH RISK	VERY HIGH RISK	IN DEFAULT OR INDIVIDUALLY WRITTEN DOWN	TOTAL
Loans and advances to financial institutions	1,079						1,079
Loans and advances to customers							
Retail market	25,362	17,388	6,694	491	570	157	50,662
Corporate market	8,137	7,086	15,511	2,512	1,259	199	34,704
Public sector	62	261				3	326
Total gross loans	34,640	24,735	22,205	3,003	1,829	359	86,771
Financial investments							
Listed government bonds	71						71
Listed other bonds	14,087		19	20			14,126
Unlisted other bonds	1,515		111	14			1,640
Total	15,673		130	34			15,837
Total	50,313	24,735	22,335	3,037	1,829	359	102,608
Share	49%	24%	22%	3%	2%	0%	100%

NOTE 10 FINANCIAL INSTITUTIONS - LOANS AND ADVANCES

Loans to financial institutions are measured at amortised cost. Amortised cost involves valuation based on the originally agreed cash flows, adjusted for expected loss.

PARENT BANK				GROUP				
AVERAGE				AVERAGE				
31.12.19	INTEREST RATE% *	31.12.20	INTEREST RATE% *	AMOUNTS IN NOK MILLION	31.12.20	INTEREST RATE% *	31.12.19	INTEREST RATE% *
Loans and advances to financial institutions								
267	0.69%	723	0.30%	Loans and advances without agreed maturity or notice of withdrawal	723	0.30%	450	0.69%
5,738	2.09%	6,200	1.54%	Loans and advances with agreed maturity or notice of withdrawal	811	1.54%	629	2.09%
6,005	2.01%	6,923	1.58%	Total	1,534	1.58%	1,079	2.01%
Broken down by the most important foreign currencies								
5,794		6,898		NOK	1,509		868	
10				GBP			10	
185		9		EUR	9		185	
6		2		USD	2		6	
2				SEK			2	
8		14		Other foreign currencies	14		8	
6,005		6,923		Total	1,534		1,079	
Deposits from credit institutions								
248	4.19%	377	1.74%	Loans and deposits from financial institutions without agreed maturity or notice of withdrawal	377	1.74%	248	4.19%
316	1.30%	897	0.11%	Loans and deposits from credit institutions with agreed maturity or notice of withdrawal	895	0.11%	315	1.30%
564	2.01%	1,274	0.55%	Total	1,272	0.55%	563	2.01%
Broken down by the most important foreign currencies								
369		901		NOK	899		368	
0		19		USD	19		0	
160		323		EUR	323		160	
35		31		Other foreign currencies	31		35	
564		1,274		Total	1,272		563	
Collateral								
185		689		The balance sheet value of loans and advances to financial institutions pledged as collateral for derivatives trading	689		185	
		363		The balance sheet value of loans and advances to financial institutions received as collateral for derivatives trading	363			

* Average interest rate/(yield) is calculated as the sum of interest expense divided by average volume

NOTE 11 LOANS

SpareBank 1 Nord-Norge divides its loans into two separate classes for accounting purposes; Loans at amortized cost and loans at fair value. Loans to customers and credit institutions are classified at amortized cost, however, with the following exceptions: Mortgages for sale to housing credit companies.

Mortgages to be sold to mortgage credit companies over the next 12 months are valued at the agreed value at which these loans are to be assigned.

FIXED-RATE LOANS

Fair value is determined by the loans actual cash flow discounted by a discounting factor based on the swap rate, with the addition of a margin requirement. The margin requirement includes credit markup, administrative markup, anticipated loss, and a liquidity premium. The bank considers on a continual basis changes in observable market rates that can affect the value of these loans. There is also a continuous assessment of possible differences between discount rates and observable market rates for similar loans. The bank makes appropriate adjustments to the discount rate, if this difference becomes significant. No adjustments have been made to the discount rates as of 31.12.20. The sensitivity against discounting as of 31.12.20 would cause an effect to the result of approx. -18,9 NOK million + bp changed discount rate.

LOANS AT AMORTISED COST

For all loans at amortised cost there has been calculated expected losses and provisions according to IFRS 9. For further information, see note 13.

LOANS BROKEN DOWN BY METHOD OF MEASUREMENT

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
Loans at fair value through profit and loss				
8,570	7,600	Loans to customers at fixed interest rates	7,614	8,591
4,137	3,917	Mortgages to customers for sale, housing credit company	3,917	4,137
12,707	11,517	Total loans at fair value through profit and loss	11,531	12,728
Loans at amortised cost				
72,403	77,411	Other loans	78,980	74,043
72,403	77,411	Total loans at amortised cost	78,980	74,043
85,110	88,928	Total gross loans	90,511	86,771
Commission loans				
35,625	37,735	Loans transferred to SpareBank1 Boligkreditt	37,735	35,625
417	410	Loans transferred to SpareBank1 Næringskreditt	410	417
36,042	38,145	Total intermediary loans	38,145	36,042
121,152	127,073	Total gross loans included intermediary loans	128,656	122,813
Provision for credit losses - reduction in assets				
- 166	- 285	Provision for credit losses - stage 1	- 310	- 189
- 116	- 232	Provision for credit losses - stage 2	- 283	- 142
- 116	- 142	Provision for credit losses - stage 3	- 169	- 151
84,712	88,269	Net loans	89,748	86,289

ADDITIONAL INFORMATION

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
Loans broken down by different types				
		Financial leasing 1)	3,388	3,211
6,477	4,485	Overdraft- and working capital facilities	4,494	6,477
1,740	2,354	Building loans	2,354	1,740
76,893	82,089	Repayment loans	80,275	75,343
85,110	88,928	Gross loans to and advances to customers	90,511	86,771
Of this, subordinated loan capital accounted for:				
237	235	Subordinated loan capital in financial institutions	134	136
Of this, loans to employees				
1,477	1,255	Loans to employees	1,255	1,477

1) Loans and advances to customers relating to financial leasing		31.12.20	31.12.19
Gross advances relating to financial leasing:			
-	Maturities of less than 1 year	243	285
-	Maturities of more than 1 year but not more than 5 years	2,009	1,827
-	Maturities of more than 5 years	1,363	1,317
Total		3,615	3,429
	Income received, not yet earned, relating to financial leasing	- 226	- 218
	Net investments relating to financial leasing	3,388	3,211
Net investments in financial leasing may be analysed in the following way:			
-	Maturities of less than 1 year	228	267
-	Maturities of more than 1 year but not more than 5 years	1,883	1,710
-	Maturities of more than 5 years	1,278	1,234
Total		3,388	3,211

LOANS BROKEN DOWN BY SECTOR/INDUSTRY

Total commitment is defined as the sum of net lending, guarantee exposure, unused credit and accrued interest. Expected losses are calculated in stages 1, 2 and 3 only for financial assets at amortised cost. The Bank has both gross lending and financial liabilities measured at amortised cost, where expected losses are calculated according to IFRS 9. See Note 13 for details of IFRS 9.

In order to calculate the expected credit losses according to IFRS 9, the asset must first be categorized into one of three stages:

1. Not significantly higher credit risk than on granting.
2. Substantial increase in credit risk since granting, but no objective proof of losses.
3. Substantial increase in credit risk since granting, and objective proof of losses.

PARENT BANK 31.12.20

LOANS BY INDUSTRY SEGMENT AMOUNTS IN NOK MILLION	GROSS CARRYING AMOUNT	ACCUMU- LATED IMPAIRMENT STAGE 1	ACCUMU- LATED IMPAIRMENT STAGE 2	ACCUMU- LATED IMPAIRMENT STAGE 3	LOANS AT FAIR VALUE	NET LOANS
Real estate	14,285	-183	-114	-42	41	13,987
Financial and insurance activities	8,551	-15	-4			8,532
Fishing and aquaculture	6,834	-24	-16	-1	25	6,818
Manufacturing	1,519	-6	-23	-28	11	1,473
Agriculture and forestry	1,223	-1	-2	-12	38	1,246
Power and water supply and construction	2,460	-7	-5	-10	32	2,470
Government	42	0	0			42
Service industries	1,710	-9	-7	-5	77	1,766
Transportation	2,200	-5	-12	-4	52	2,231
Commodity trade, hotel and restaurant industry	1,843	-9	-21	-9	21	1,825
Total industry	40,667	-259	-203	-111	297	40,390
Retail market	36,744	-26	-29	-31	11,220	47,878
Loans to customers	77,411	-285	-232	-142	11,517	88,269

FINANCIAL COMMITMENTS BY INDUSTRY SEGMENT AMOUNTS IN NOK MILLION	FINANCIAL LIA- BILITIES AT AMORTISED COST	LOSS PROVISIONS CLASSIFIED AS LIA- BILITIES STAGE 1	LOSS PROVISIONS CLASSIFIED AS LIA- BILITIES STAGE 2	LOSS PROVISIONS CLASSIFIED AS LIA- BILITIES STAGE 3	TOTAL LOSS PROVI- SIONS CLASSIFIED AS LIABILITIES
Real estate	1,573	-29	-6		-35
Financial and insurance activities	354	-1			-1
Fishing and aquaculture	1,209	-6	0		-6
Manufacturing	623	-1	-3		-4
Agriculture and forestry	99	0	0		0
Power and water supply and construction	834	-2	-4	0	-6
Government	419	0			0
Service industries	465	-1	-2	0	-3
Transportation	796	-1	-1	0	-2
Commodity trade, hotel and restaurant industry	535	-2	-2		-4
Total industry	6,907	-43	-18	0	-61
Retail market	1,742	0	0	0	0
Loans to customers	8,649	-43	-18	0	-61

GROUP 31.12.20

LOANS BY INDUSTRY SEGMENT AMOUNTS IN NOK MILLION	GROSS CARRY- ING AMOUNT	ACCUMU- LATED IMPAIRMENT STAGE 1	ACCUMU- LATED IMPAIRMENT STAGE 2	ACCUMU- LATED IMPAIRMENT STAGE 3	LOANS AT FAIR VALUE	NET LOANS
Real estate	14,384	-184	-114	-42	41	14,084
Financial and insurance activities	3,162	-15	-4		0	3,143
Fishing and aquaculture	7,417	-30	-19	-1	25	7,392
Manufacturing	1,964	-9	-32	-28	11	1,906
Agriculture and forestry	1,344	-2	-3	-13	38	1,364
Power and water supply and construction	3,324	-10	-14	-15	32	3,317
Government	59	0	0			59
Service industries	2,201	-11	-9	-10	77	2,248
Transportation	3,084	-8	-24	-5	67	3,114
Commodity trade, hotel and restaurant industry	2,283	-12	-28	-12	21	2,252
Total industry	39,222	-280	-247	-127	312	38,880
Retail market	39,758	-31	-36	-43	11,220	50,868
Loans to customers	78,979	-310	-283	-169	11,531	89,748

FINANCIAL COMMITMENTS BY INDUSTRY SEGMENT AMOUNTS IN NOK MILLION	FINANCIAL LIA- BILITIES AT AMORTISED COST	LOSS PROVI- SIONS CLASSI- FIED AS LIABI- LITIES STAGE 1	LOSS PROVI- SIONS CLASSI- FIED AS LIABI- LITIES STAGE 2	LOSS PROVI- SIONS CLASSI- FIED AS LIABI- LITIES STAGE 3	TOTAL LOSS PROVISIONS CLASSIFIED AS LIABILITIES
Real estate	1,538	-29	-6		-35
Financial and insurance activities	65	-1			-1
Fishing and aquaculture	1,261	-6	0		-6
Manufacturing	713	-1	-3		-4
Agriculture and forestry	101	0	0		0
Power and water supply and construction	834	-2	-4	0	-6
Government	467	0			
Service industries	575	-1	-2	0	-3
Transportation	914	-1	-1	0	-2
Commodity trade, hotel and restaurant industry	722	-2	-2		-4
Total industry	7,189	-43	-18	0	-61
Retail market	1,757	0	0	0	0
Loans to customers	8,947	-43	-18	0	-61

PARENT BANK 31.12.19

LOANS BY INDUSTRY SEGMENT AMOUNTS IN NOK MILLION	GROSS CARRYING AMOUNT	ACCUMU- LATED IMPAIRMENT STAGE 1	ACCUMU- LATED IMPAIRMENT STAGE 2	ACCUMU- LATED IMPAIRMENT STAGE 3	LOANS AT FAIR VALUE	NET LOANS
Real estate	13,189	-83	-35	-21	97	13,148
Financial and insurance activities	8,014	-13	-1		2	8,002
Fishing and aquaculture	4,921	-16	-4	0	73	4,973
Manufacturing	1,737	-8	-18	-33	11	1,689
Agriculture and forestry	1,255	-1	-2	-14		1,238
Power and water supply and construction	2,292	-7	-7	-11	47	2,314
Government	264	0			0	264
Service industries	1,455	-4	-7	-5	86	1,526
Transportation	2,311	-6	-7	-2	24	2,320
Commodity trade, hotel and restaurant industry	1,598	-10	-6	-6	17	1,593
Total industry	37,038	-147	-87	-92	355	37,067
Retail market	35,365	-19	-29	-24	12,352	47,645
Loans to customers	72,403	-166	-116	-116	12,707	84,712

FINANCIAL COMMITMENTS BY INDUSTRY SEGMENT AMOUNTS IN NOK MILLION	FINANCIAL LIABILITIES AT AMORTISED COST	LOSS PROVI- SIONS CLASSI- FIED AS LIABI- LITIES STAGE 1	LOSS PROVI- SIONS CLASSI- FIED AS LIABI- LITIES STAGE 2	LOSS PROVI- SIONS CLASSI- FIED AS LIABI- LITIES STAGE 3	TOTAL LOSS PROVISIONS CLASSIFIED AS LIABILITIES
Real estate	1,041	-17	0		-17
Financial and insurance activities	491	-2			-2
Fishing and aquaculture	565	-1	0		-1
Manufacturing	593	-2	-1		-3
Agriculture and forestry	99	0	0		0
Power and water supply and construction	625	-2	-6	0	-7
Government	252				0
Service industries	615	-2	-1	0	-3
Transportation	701	0	-1	0	-1
Commodity trade, hotel and restaurant industry	467	-2	-1		-3
Total industry	5,449	-26	-10	0	-37
Retail market	1,946	0	0	-1	-1
Loans to customers	7,395	-27	-10	-1	-38

GROUP 31.12.19

LOANS BY INDUSTRY SEGMENT AMOUNTS IN NOK MILLION	GROSS CARRYING AMOUNT	ACCUMU- LATED IMPAIRMENT STAGE 1	ACCUMU- LATED IMPAIRMENT STAGE 2	ACCUMU- LATED IMPAIRMENT STAGE 3	LOANS AT FAIR VALUE	NET LOANS
Real estate	13,238	-84	-36	-20	97	13,195
Financial and insurance activities	3,104	-13	-1		2	3,092
Fishing and aquaculture	5,456	-20	-5	0	73	5,503
Manufacturing	2,027	-10	-21	-33	11	1,974
Agriculture and forestry	1,400	-2	-2	-15		1,381
Power and water supply and construction	3,017	-7	-11	-19	47	3,027
Government	281	0			0	281
Service industries	1,985	-8	-8	-6	107	2,070
Transportation	3,264	-7	-10	-5	24	3,266
Commodity trade, hotel and restaurant industry	1,959	-13	-7	-6	17	1,950
Total industry	35,733	-164	-102	-105	376	35,738
Retail market	38,310	-25	-40	-46	12,352	50,551
Loans to customers	74,043	-189	-142	-151	12,728	86,289

**FINANCIAL COMMITMENTS
BY INDUSTRY SEGMENT**

AMOUNTS IN NOK MILLION	FINANCIAL LIABILITIES AT AMORTISED COST	LOSS PROVI- SIONS CLASSI- FIED AS LIABI- LITIES STAGE 1	LOSS PROVI- SIONS CLASSI- FIED AS LIABI- LITIES STAGE 2	LOSS PROVI- SIONS CLASSI- FIED AS LIABI- LITIES STAGE 3	TOTAL LOSS PROVISIONS CLASSIFIED AS LIABILITIES
Real estate	1,035	-17	0		-17
Financial and insurance activities	195	-2			-2
Fishing and aquaculture	571	-1	0		-1
Manufacturing	691	-2	-1		-3
Agriculture and forestry	101	0	0		0
Power and water supply and construction	640	-2	-6	0	-7
Government	252	0			0
Service industries	623	-2	-1	0	-3
Transportation	728	0	-1	0	-1
Commodity trade, hotel and restaurant industry	560	-2	-1		-3
Total industry	5,396	-26	-10	0	-37
Retail market	1,958	0	0	-1	-1
Loans to customers	7,354	-27	-10	-1	-38

TOTAL COMMITMENTS BROKEN DOWN BY STAGE OF THE CREDIT RISK ASSESSMENT AS OF 31.12.20

PARENT BANK					GROUP			
STAGE 1	STAGE 2	STAGE 3	TOTAL		TOTAL	STAGE 3	STAGE 2	STAGE 1
74,827	4,628	343	79,798	Total commitments loans to amortised cost 01.01.20	81,397	352	5,527	75,518
				Changes in the period due to loans migrated between the stages:				
1,019	-1,010	- 9	0	to (-from) stage 1	0	- 11	-1,225	1,236
-3,819	3,829	- 10	0	to (-from) stage 2	0	- 23	4,489	-4,465
- 60	- 93	153	0	to (-from) stage 3	0	202	- 127	- 75
6,279	- 575	- 11	5,693	Net remeasurement of loss allowances	4,783	- 31	- 754	5,568
36,198	1,985	35	38,218	Originated or purchased during the period	40,756	68	2,432	38,256
-37,208	- 315	- 126	-37,649	Loans that have been derecognised	-39,011	- 112	- 576	-38,323
77,236	8,449	375	86,060	Total commitments loans to amortised cost 31.12.20	87,926	444	9,766	77,715
				Loans at fair value through profit and loss	11,531			
77,236	8,449	375	97,577	Total commitments	99,457	444	9,766	77,715
-7,121	-1,519	- 9	-8,649	Off-balance sheet 1)	-8,947	- 9	-1,504	-7,434
70,115	6,930	366	88,928	Gross loans	90,510	435	8,262	70,281
- 285	- 232	- 142	- 659	Provision for credit losses - reduction in assets	- 762	- 169	- 283	- 310
69,830	6,698	224	88,269	Net loans 2)	89,748	266	7,979	69,971

- 1) Off balance consists of unused limits of loans and credits, entered into guarantee agreements and committed loans that have not been disbursed. Committed loans are not included.
- 2) Net loans as assets in Balance sheet

- Newly issued or purchased financial assets: Account numbers of customers that are only found in the closing balance in the ECL model.
- Financial assets that have been derecognised: Account numbers of customers that are only found in the opening balance in the ECL model.

Explanation of the table:

- The conditions for migrating between the stages and a specification of IFRS 9 are set out in note 13. Customers who experience significant changes in credit risk will migrate between the stages.
- Net new measurement of losses: Account numbers of customers who are in the same category closing balance and opening balance and who experience an increase in ECL.
- Net new measurement of losses: Account numbers of customers who are in the same category closing balance and opening balance and who experience a decrease in ECL.

The credit model is based on three key main components:

1. Probability of default (PD): Customers are classified in risk classes according to the likelihood of the customers defaulting on their commitments» during a 12-month period.
2. Expected exposure at default (EAD): A calculated magnitude that indicates the expected exposure to the customer in the event of default.
3. Loss given default (LGD): A calculated magnitude that indicates how much The Group could potentially lose if the customer defaults on their commitments.

TOTAL COMMITMENTS BROKEN DOWN BY STAGE OF THE CREDIT RISK ASSESSMENT AS OF 31.12.19

PARENT BANK					GROUP			
STAGE 1	STAGE 2	STAGE 3	TOTAL		TOTAL	STAGE 3	STAGE 2	STAGE 1
72,095	5,191	383	77,669	Total commitments loans to amortised cost 01.01.20	78,852	432	5,759	72,661
				Changes in the period due to loans migrated between the stages:				
1,832	-1,811	- 21	0	to (-from) stage 1	0	- 21	-1,878	1,899
-2,307	2,319	- 12	0	to (-from) stage 2	0	- 15	2,472	-2,457
- 49	- 59	108	0	to (-from) stage 3	0	131	- 71	- 59
-7,432	- 289	6	-7,715	Net remeasurement of loss allowances	-8,064	- 49	- 321	-7,694
34,503	792	59	35,354	Originated or purchased during the period	39,800	82	1,439	38,279
-23,815	-1,515	- 180	-25,510	Loans that have been derecognised	-29,191	- 207	-1,873	-27,111
74,827	4,628	343	79,798	Total commitments loans to amortised cost 31.12.20	81,397	352	5,527	75,518
				Loans at fair value through profit and loss	12,728			
74,827	4,628	343	92,505	Total commitments	94,125	352	5,527	75,518
-6,540	- 528	- 19	-7,395	Off-balance sheet	-7,354	- 12	- 528	-6,506
68,287	4,100	324	85,110	Gross loans	86,771	340	4,999	69,012
- 166	- 116	- 116	- 398	Provision for credit losses - reduction in assets	- 482	- 151	- 142	- 189
68,121	3,984	208	84,712	Net loans	86,289	189	4,857	68,823

For footnote and remarks regarding the table please see the 2020 table on page 105.

The following tables provide information on the volume of credit exposure according to the ECL model viewed in the context of the risk category.

PARENT BANK

RISK GROUP 31.12.20

AMOUNTS IN NOK MILLION	STAGE 1	STAGE 2	STAGE 3	LOANS AT FAIR VALUE	TOTAL
Very low risk	32,192	477		1,788	34,456
Low risk	26,407	1,436		8,583	36,426
Medium risk	16,029	4,965		1,019	22,013
High risk	1,714	681		45	2,440
Very high risk	894	890		64	1,849
Commitments in default			375	19	394
Total commitments	77,236	8,449	375	11,517	97,577
Share commitments	79%	9%	0%	12%	100%

GROUP

RISK GROUP 31.12.20

AMOUNTS IN NOK MILLION	STAGE 1	STAGE 2	STAGE 3	LOANS AT FAIR VALUE	TOTAL
Very low risk	37,204	484		1,788	39,476
Low risk	22,350	1,574		8,583	32,507
Medium risk	16,596	4,325		1,033	21,954
High risk	1,890	939		45	2,873
Very high risk	1,065	1,127		64	2,256
Commitments in default			373	19	392
Total commitments	79,104	8,449	373	11,531	99,458
Share commitments	80%	8%	0%	12%	100%

PARENT BANK

RISK GROUP 31.12.19

AMOUNTS IN NOK MILLION	STAGE 1	STAGE 2	STAGE 3	LOANS AT FAIR VALUE	TOTAL
Very low risk	27,238	275		6,689	34,202
Low risk	25,981	256		4,198	30,435
Medium risk	18,746	2,714		1,587	23,047
High risk	1,915	675		108	2,698
Very high risk	947	708		71	1,726
Commitments in default			343	54	397
Total commitments	74,827	4,628	343	12,707	92,505
Share commitments	81%	5%	0%	14%	100%

GROUP

RISK GROUP 31.12.19

AMOUNTS IN NOK MILLION	STAGE 1	STAGE 2	STAGE 3	LOANS AT FAIR VALUE	TOTAL
Very low risk	30,121	295		6,689	37,105
Low risk	23,098	381		4,198	27,677
Medium risk	19,487	3,116		1,608	24,211
High risk	1,865	855		108	2,828
Very high risk	947	880		71	1,898
Commitments in default			352	54	406
Total commitments	75,518	5,527	352	12,728	94,125
Share commitments	80%	6%	0%	14%	100%

SpareBank 1 Nord-Norge has agreements concerning the legal sale of loans with very good collateral and property mortgages to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. According to the administration contracts concluded with these two alliance companies, the Bank administers the loans and remains responsible for customer contact. The Bank receives remuneration in the form of commissions for the duties that arise from administering the loans. The Bank has assessed the accounting implications and concluded that the material risk and benefits of ownership associated with the sold loans has been transferred. This entails full derecognition. The remuneration received for the loans that have been transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS matches the book value and is assessed to match the loans fair value at the time of transfer. The Bank recognizes all rights and obligations that were generated or retained upon transfer separately as assets or liabilities.

In 2018, the Bank has changed how it recognises the parts of the loan portfolio that are eligible for sale to the mortgage companies. Based on The Group's funding plan for the next 12 months, the loans that are expected to be sold to the mortgage companies are flagged. These loans are recognised at fair value through profit or loss. The Bank recognises all of the rights and obligations generated or retained upon transfer separately, as assets or liabilities.

If the mortgage companies experience a loss on transferred loans, they have some entitlement to offset these against commissions from all banks that have transferred loans. A residual involvement associated with the sold loans therefore exists with a possible limited settlement of losses against commissions. However, the nature of this right to offset is not regarded as meaning that it changes the conclusion that the majority of the risk and benefits associated with ownership have been transferred. The Bank's maximum exposure to losses is represented by the highest amount that could be claimed covered under the agreements.

The mortgage companies can resell the loans bought from the Bank, while the Bank's right to manage customers and receive commissions remains attached. Should the Bank be unable to serve customers, the right to serve and commissions may lapse. Furthermore, the Bank has an option to buy back loans under certain conditions.

SPAREBANK 1 BOLIGKREDITT AS

SpareBank 1 Boligkreditt AS is owned by the savings banks that make up the SpareBank 1 Alliance, and is collocated with SpareBank 1 Næringskreditt in Stavanger. The Bank owned a 18.14% stake as at 31 December 2020 (18.65% as at 31 December 2019). The purpose of the mortgage company is to ensure alliance banks have access to stable and long-term financing for mortgage loans at competitive prices. SpareBank 1 Boligkreditt's bonds are rated Aaa by Moody's. SpareBank 1 Boligkreditt AS acquires loans with collateral in housing and issues covered bonds in accordance with the regulations established for this in 2007.

Home mortgages worth a net NOK 2,0 billion were sold to SpareBank 1 Boligkreditt in 2020. A total of NOK 37,7 billion had been derecognized in home mortgages sold to SpareBank 1 Boligkreditt AS at the end of the financial year.

SPAREBANK 1 NÆRINGSKREDITT AS

SpareBank 1 Næringskreditt was established in 2009 and has a licence from the Financial Supervisory Authority of Norway to operate as a mortgage company. The Bank owned an 8.60% stake as at 31 December 2020 (8.60% as at 31 December 2020). The loans transferred to SpareBank 1 Næringskreditt AS are very well secured and have a very small probability of default.

The bonds issued by SpareBank 1 Næringskreditt has an Aaa rating from Moody's. The company is owned by the savings banks that make up the SpareBank 1-alliansen and shares premises with SpareBank 1 Boligkreditt in Stavanger. The purpose of the mortgage company is to ensure alliance banks have access to stable and long-term financing for commercial property at competitive prices. SpareBank 1 Næringskreditt acquires loans backed by commercial property and issues covered bonds in line with the regulations for this that were established in 2007. Loans have been transferred to the company as part of the Bank's funding strategy. Loans transferred to SpareBank 1 Næringskreditt are backed by collateral in commercial property within 60% of its valuation.

Loans worth a net NOK 0.41 billion NOK had been derecognized to SpareBank 1 Næringskreditt AS at the end of the financial year.

LIQUIDITY FACILITY

SpareBank 1 Nord-Norge has, together with the other owners of SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt AS, concluded agreements that establish liquidity facilities for these two companies. This means that the banks have committed to purchase covered bonds in the event that the companies are unable to refinance its activities in the market. Bond purchases are contingent on the company's cover pool not having stopped payments such that it is actually in a position to issue such bonds. Therefore, there is no credit guarantee that can be invoked if the company or its cover pool become insolvent.

Purchases are limited to the total value of the amount due in the company for the next 12 months at any given time. Previous purchases under this agreement

are deducted from future purchase obligations. In principle, each owner is liable for its share of the need, or alternatively twice their primary liability under the same agreement. The bonds can be deposited in Norges Bank and thus result in no material increase in risk for the Bank. In line with their internal policies, the companies retain liquidity for the amount due in the next 6 months. This is deducted when valuing the banks' liabilities. Therefore, it would only be after the companies no longer had adequate funding to cover the amount due in the next 12 months that the Bank would report any commitment here in relation to the capital adequacy ratio or major commitments.

Overall, this liability, as at 31.12.20, amounted to NOK 0 because both companies have more liquidity than amounts due in the next 12 months.

NOTE 13 LOSSES

The general rule of IFRS 9 is that the loss provision should be calculated as expected credit losses (ECL) over the next 12 months, or as expected credit losses over the entire lifetime of the asset.

In order to calculate the expected credit losses according to this, the asset must first be categorized into one of three stages:

1. Not significantly higher credit risk than on granting
2. Substantial increase in credit risk since granting, but no objective proof of losses
3. Substantial increase in credit risk since granting, and objective proof of losses

The Bank conducts an annual review of its entire portfolio of corporate customers. Large and particularly risky commitments are reviewed on a quarterly basis. Loans to retail customers are reviewed when they are more than 55 days past due or when their payment history is particularly poor. Probability of default (PD) is calculated for each corporate customer based on their historical financial data and observations. The same is done for retail customers based on their tax returns and historical observations.

The Bank currently has nine risk categories for healthy commitments and two categories for commitments in default, based on the probability of default for each customer. These 11 classes are further divided into low, moderate, high and highest risk groups, as well

as defaults and losses in relation to PD. The entire portfolio is scored on a monthly basis using automatic data acquisition based on objective data.

SpareBank 1 Nord-Norge uses a loss model developed in collaboration with the other banks in SpareBank 1-alliansen to calculate expected credit loss (ECL). The loss model is based on the Bank's credit models (IRB), including estimates for PD, (loss given default) LGD and (exposure at default) EAD. The model uses PD and other objective events to group the assets into the different stages, while LGD is used to calculate expected loss. While credit models are used for capital adequacy purposes, the model used for loss provisions is a 'point-in-time' model and unbiased at a point in time.

In Stage 1, provisions for losses are for expected credit loss in the next 12 months. In Stages 2 and 3, provisions for losses are for expected credit loss over the asset's lifetime (lifetime PD).

A commitment is deemed to be in default if a demand is more than 90 days past due and the amount is for more than NOK 1,000.

A commitment is deemed to be doubtful when objective proof exists showing that one or more loss incidents have occurred and that this is having an impact on the expected future cash flow which can be estimated in a reliable manner.

The Group defines a significant increase in credit risk as the commitment's calculated PD having increased. Both absolute and relative changes in PD are used as criteria for moving a commitment into Stage 2. The most important factor for a significant change in credit risk is a quantitative change in PD on the balance sheet date compared with PD upon initial recognition. The threshold for a significant change in PD has been set at 150%. PD must also be higher than 0.60%.

Loss provisions consist of:

Stage 1: This is the default for all financial assets covered by the loss model. All assets whose credit risk has not increased significantly since initial recognition will be allocated a loss provision equal to 12 months' expected loss. This stage contains all financial assets that have not been moved to Stage 2 or Stage 3.

Stage 2: This stage contains all financial assets whose credit risk has increased significantly since initial recognition, but where there is no objective indication of default or loss. Here, expected credit loss is calculated over the lifetime of the loan (lifetime PD).

Commitments where payments are more than 30 days past due will always be moved to Stage 2. A qualitative assessment is also made of whether the asset has experienced a significant change in credit risk if it is placed under special monitoring or more lenient payment terms are granted.

Stage 3: This stage contains all financial assets whose credit risk has increased significantly since being granted, but where there is objective evidence of default on the balance sheet date. The loss provision consists of the expected loss over the lifetime of the loan based on the increased credit risk due to non-performance.

Such loss provisions are calculated as the difference between the loan's book value and the present value of the discounted cash flow based on the effective interest rate at the time of the initial loss provision. Subsequent changes in interest rates are taken into account for loan agreements subject to a variable interest rate.

An asset is moved from stage 2 to stage 1 when:

- The customer's risk has improved meaning that the increase in credit risk since granting is no longer significant.
- The customer is removed from «special monitoring».
- The commitment is restructured with terms and conditions that take account of the factors that caused the customer to be placed under «special monitoring».

An asset is moved from stage 3 to stage 2 when:

- There is no longer objective evidence of default or loss, but the increase in credit risk since granting remains significant. New rules for defining, calculating and reporting default will be introduced on 1 January 2021. Among other things, a waiting period is being introduced before defaulted commitments can be returned to non-defaulted status, as are conditions that must be considered with respect to whether or not a commitment can be defined as having indications of unlikelihood to pay.

An asset is moved from band 3 to band 1 when:

- There is no longer objective evidence of default or loss and the increase in credit risk since granting is no longer significant. Here too, the above-mentioned new regulations must be taken into account in 2021.

LOSSES INCORPORATED IN THE ACCOUNTS

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
- 64	286	Period's change in lending loss provisions	306	- 59
71	14	Period's confirmed losses	37	85
- 9	- 10	Recoveries, previously confirmed losses	- 11	- 15
- 2	290	Losses on loans to customers	332	11

LOSSES BROKEN DOWN BY SECTOR AND INDUSTRY

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
12	224	Real estate	224	10
- 25	4	Financial and insurance activities	4	- 25
1	25	Fishing and aquaculture	29	5
5	6	Manufacturing	12	5
- 3	- 1	Agriculture and forestry		- 3
- 2	- 4	Power and water supply and construction	- 1	- 3
6	- 1	Service industries	3	4
- 3	7	Transportation	14	2
	20	Commodity trade, hotel and restaurant industry	31	2
- 9	280	Total loss public market	316	- 3
7	10	Total loss retail market	9	14
		Other losses public market	7	
- 2	290	Losses on loans to customers	332	11

CHANGES IN LENDING LOSS PROVISIONS

PARENT BANK				CHANGES IN LENDING LOSS PROVISIONS ON LOANS TO AMORTISED COST	GROUP			
STAGE 1	STAGE 2	STAGE 3	TOTAL	AMOUNTS IN NOK MILLION	TOTAL	STAGE 3	STAGE 2	STAGE 1
-193	-126	-117	-436	Loss provisions at 01.01.20	-520	-152	-152	-216
			-398	Of which presented as a reduction of the assets	-482			
			-38	Of which presented as other debt	-38			
				Changes in the period due to loans migrated between the stages:				
-22	21	1		to (-from) stage 1		1	26	-27
25	-26	1		to (-from) stage 2		4	-34	30
1	2	-3		to (-from) stage 3		-4	3	1
-83	-103	-32	-218	Net increase/decrease existing loans	-223	-26	-117	-80
-109	-53	-5	-167	New issued or purchased loan	-198	-6	-72	-120
54	34	13	101	Loans that have been derecognised	118	16	44	58
-327	-251	-142	-720	Total loss provisions at 31.12.20	-823	-167	-302	-354
				Loss provisions segmented in markets				
-26	-29	-31	-86	Retail	-110	-43	-36	-31
-301	-222	-111	-634	Corporate	-713	-124	-266	-323
-327	-251	-142	-720	Total loss provisions at 31.12.20	-823	-167	-302	-354
			-659	Of which presented as a reduction of the assets	-762			
			-61	Of which presented as other debt	-61			

Explanation of the table:

- The changes during the period as a result of migration: transfer between the stages due to a significant change in credit risk.
- Net increase/decrease in balance: Changes in the expected credit loss, changes in model assumptions, effects of repayments, ascertainment and other changes that affect the balance.
- Newly issued or purchased financial assets: Account numbers of customers that are only found in the closing balance in the ECL model.
- Financial assets that have been derecognised: Account numbers of customers that are only found in the opening balance in the ECL model.
- Provisions for losses also include expected losses on assets not posted to the balance sheet, including guarantees and untapped credit limits, but not loan commitments.

CHANGES IN LENDING LOSS PROVISIONS

PARENT BANK				CHANGES IN LENDING LOSS PROVISIONS ON LOANS TO AMORTISED COST		GROUP			
STAGE 1	STAGE 2	STAGE 3	TOTAL	AMOUNTS IN NOK MILLION		TOTAL	STAGE 3	STAGE 2	STAGE 1
-188	-149	-168	-505	Loss provisions at 01.01.19	-546	-166	-172	-208	
			-470	Of which presented as a reduction of the assets	-511				
			-35	Of which presented as other debt	-35				
Changes in the period due to loans migrated between the stages:									
-57	56	1		to (-from) stage 1		1	57	-58	
11	-14	1		to (-from) stage 2		3	-15	12	
	1	-3		to (-from) stage 3		-2	2		
-83	-40	-32	-74	Net increase/decrease existing loans	36	-1	-43	-80	
-92	-12	-5	-107	New issued or purchased loan	-144	-23	-29	-92	
50	32	13	102	Loans that have been derecognised	134	36	48	50	
-193	-126	-117	-436	Total loss provisions at 31.12.20	-520	-152	-152	-216	
Loss provisions segmented in markets									
-20	-26	-27	-73	Retail	-112	-48	-39	-25	
-173	-100	-90	-363	Corporate	-408	-104	-113	-191	
-193	-126	-117	-436	Total loss provisions at 31.12.19	-520	-152	-152	-216	
			-398	Of which presented as a reduction of the assets	-482				
			-38	Of which presented as other debt	-38				

SENSITIVITY ANALYSIS

Changes to the different factors PD, LGD and the weighting of the macroeconomic scenarios affect the outcomes for expected loss. A sensitivity analysis for the Parent Bank is provided below and shows how much expected credit loss increases as a result of percentage changes to the factors:

FACTOR	PD-FACTOR INCREASE 10%	LGD-FACTOR INCREASE 10%	MACROECONOMIC STRESS SCENARIO INCREASES BY 10%	100% STRESS- SCENARIO*	20% INCREASE IN PD**
Retail marked	4.8%	5.7%	3.5%	82.2%	16.4%
Corporate marked	5.7%	6.8%	3.5%	82.7%	15.2%
Total	5.6%	6.6%	3.5%	82.6%	15.4%

* Percentage changes in ECL by 100% weighting of stress-scenario.

** 20% increase in PD on total portfolio. Step-migration, as an effect of increase in PD, is taken care of in the sensitivity analysis.

SpareBank 1 Nord-Norge has its own models that score customers based on probability of default. The sum of risk class (PD) and security class (security coverage) defines which risk category the commitments are placed in. The following table provides information about which risk category loss provisions are scored in. For further information, see note 6.

PARENT BANK 31.12.20

CREDIT RISK - LOSS PROVISIONS BROKEN DOWN BY RISK CATEGORY	ECL LIFETIME - NO OBJECTIV PROOF OF LOSSES		ECL LIFETIME - OBJECTIV PROOF OF LOSSES	PROVISION FOR CREDIT LOSSES
	12 MONTH ECL	STAGE 1	STAGE 2	
Very low risk	17	1		18
Low risk	46	8		54
Medium risk	138	93		231
High risk	60	34		94
Very high risk	66	115		181
Commitments in default				142
Total	327	251	142	720
Share	45%	35%	20%	100%

GROUP 31.12.20

CREDIT RISK - LOSS PROVISIONS BROKEN DOWN BY RISK CATEGORY	ECL LIFETIME - NO OBJECTIV PROOF OF LOSSES		ECL LIFETIME - OBJECTIV PROOF OF LOSSES	PROVISION FOR CREDIT LOSSES
	12 MONTH ECL	STAGE 1	STAGE 2	
Very low risk	18	1		19
Low risk	59	12		71
Medium risk	151	114		265
High risk	61	41		102
Very high risk	65	134		199
Commitments in default				167
Total	354	302	167	823
Share	43%	37%	20%	100%

PARENT BANK 31.12.19

CREDIT RISK - LOSS PROVISIONS BROKEN DOWN BY RISK CATEGORY	ECL LIFETIME - NO OBJECTIV PROOF OF LOSSES		ECL LIFETIME - OBJECTIV PROOF OF LOSSES	PROVISION FOR CREDIT LOSSES
	12 MONTH ECL	STAGE 1	STAGE 2	
Very low risk	9	1		10
Low risk	20	0		20
Medium risk	93	35		128
High risk	39	21		60
Very high risk	32	69		101
Commitments in default				117
Total	193	126	117	436
Share	44%	29%	27%	100%

GROUP 31.12.19

CREDIT RISK - LOSS PROVISIONS BROKEN DOWN BY RISK CATEGORY	ECL LIFETIME - NO OBJECTIV PROOF OF LOSSES			PROVISION FOR CREDIT LOSSES 31.12.2019
	12 MONTH ECL	STAGE 2	STAGE 3	TOTAL
Very low risk	14	1		15
Low risk	24	1		25
Medium risk	105	48		153
High risk	40	26		66
Very high risk	33	76		109
Commitments in default			152	152
Total	216	152	152	520
Share	42%	29%	29%	100%

NOTE 14 MARKED RISK RELATED TO INTEREST RATE RISK

The value of The Group's interest-bearing financial instruments is affected by changes in market interest rates. The calculations set out in the table below assume that all market interest rates in all currencies within the respective maturity intervals have changed by 2 percentage points in the disfavour of The Group's positions. The calculations are thus an estimate of The Group's maximum financial loss due to changes in market interest rates. The calculations are based on The Group's positions and market interest rates as at 31 December 2020, and all interest rate sensitive financial instruments have been included in the calculations.

The parent company and The Group numbers are equal.

GROUP 31.12.20

AMOUNTS IN NOK MILLION	UP TO 1 MONTH	FROM 1 MONTH TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
NOK	-14	-19	4	-11	-6	-46
EUR	0	0	0	0	0	0
USD	0	0	0	0	0	0
CHF	0	0	0	0	0	0
Other currencies	0	0	0	0	0	0
Total	-13	-19	4	-11	-6	-45

GROUP 31.12.19

AMOUNTS IN NOK MILLION	UP TO 1 MONTH	FROM 1 MONTH TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
NOK	-4	-10	-1	-10	-6	-31
EUR	-1	-1	0	0	-1	-5
USD	0	-1	0	0	0	-2
CHF	-2	-1	-1	0	0	-4
Other currencies	0	0	0	0	0	0
Total	-7	-13	-3	-11	-7	-41

NOTE 15 MARKET RISK RELATING TO FOREIGN EXCHANGE RISK

Currency risk is the risk of The Group incurring losses due to changes in exchange rates. The risk arises from The Group having differences between assets and liabilities in the individual currency. The Board has decided that The Group's total net currency position, measured pursuant to the CRR/CRD IV regulations, must amount to less than 2% of The Group's primary capital. For detailed information about The Group's management and control of currency risk, see the Pillar 3 report.

The table states The Group's net currency exposure as at 31 December 2020. The parent bank and group numbers are equal.

GROUP

AMOUNTS IN NOK MILLION	2020	2019
USD	139	135
EUR	1	16
CHF	0	-6
SEK	0	-1
Other	1	1
Total	141	145

NOTE 16 FINANCIAL DERIVATIVES

SpareBank 1 Nord-Norge concludes hedging transactions with recognised Norwegian and foreign banks to reduce its risk. Derivative transactions are linked to ordinary banking operations and are carried out to reduce the risk associated with the bank's borrowing (funding) in the financial markets, and to reveal and reduce risk related to customer-oriented activities. Only hedges associated with the bank's funding activities are defined as fair value hedging pursuant to IAS 39. Other hedging is defined as ordinary hedge accounting. The Bank does not utilise cash flow hedging.

The bank's Board has set limits for the maximum risk for the bank's interest rate positions. Routines have been established that ensure the stipulated limits are adhered to.

Currency- and interest rate contracts consist of:

Interest rate swaps: Commitments to exchange one set of cash flow for another over an agreed period.

Foreign exchange derivatives: Agreements to buy or sell a fixed amount of currency at an agreed future date and at an agreed rate.

Currency swaps: Agreements relating to the swapping of currency- and interest rate terms and conditions, periods and amounts having been agreed in advance.

Options: Agreements where the seller gives the buyer a right, but not an obligation to either sell or buy a financial instrument or currency at an agreed date or before, and at an agreed amount.

PARENT BANK AND GROUP

AMOUNTS IN NOK MILLION	31.12.20	31.12.19
Net losses recognised related to hedging instruments for fair value hedging	-437	-308
Total gains on hedged items related to the hedged risk	430	286
Total, fair value hedges	-7	-22

FOREIGN CURRENCY- AND INTEREST RATE INSTRUMENTS BY FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT

AMOUNTS IN NOK MILLION	2020			2019		
	CONTRACT/ NOTIONAL AMOUNT	FAIR VALUE		CONTRACT/ NOTIONAL AMOUNT	FAIR VALUE	
		ASSETS	LIABILITES		ASSETS	LIABILITES
Foreign currency instruments						
Foreign exchange financial derivatives (forwards)	1,567	49	20	1,911	16	16
Currency swaps	16,220	246	299	21,840	307	294
Total foreign currency instruments	17,787	295	319	23,751	323	310
Interest rate instruments						
Interest rate swaps (including cross currency)	36,507	1,021	991	29,869	612	348
Other interest rate contracts	327	34	30	375	17	42
Total non-standardized contracts	36,834	1,055	1,021	30,244	629	390
Standardised interest rate contracts (futures)						
Total interest rate instruments	36,834	1,055	1,021	30,244	629	390
Securing of funding						
Interest rate instruments						
Interest rate swaps (including cross currency)	14,900	428	16	18,729	158	63
Total interest rate instruments	14,900	428	16	18,729	158	63
Total foreign currency- and interest rate instruments						
Total, interest rate instruments	51,734	1,483	1,037	48,973	787	453
Total currency swaps and forwards	17,787	295	319	23,751	323	310
Total	69,521	1,777	1,356	72,724	1,110	763

Plans are being made to reform the world's most traded reference rates, IBOR rates. The reform will entail restructuring reference rates from today's quoted rates to rates based on banks' overnight transactions. There is some uncertainty about when any changes will be made, but at the end of 2021 the obligation to quote today's most traded reference rates, LIBOR, will end.

SpareBank 1 Nord-Norge will monitor developments in the market and facilitate any transition to alternative reference rates.

SpareBank 1 Nord-Norge's entire current holdings of interest rate derivatives use IBOR rates as their reference rate and will thus be impacted by a reform. The most significant position is in the Norwegian reference rate, NIBOR. Derivatives with potential exposure to the IBOR reform are listed in the table below, which shows the nominal contract sum and remaining maturity as at 31 December 2020 broken down by reference rate.

AMOUNTS IN NOK MILLION	CONTRACT/ NOTIONAL AMOUNT	WEIGHTED AVERAGE TIME TO MATURITY
Interest rate instruments		
EURIBOR EUR 3 months	2,899	4,8
NIBOR NOK 1 months	71	2,4
NIBOR NOK 3 months	34,012	5,3
STIBOR SEK 3 months	93	2,5
LIBOR CHF 3 months	2,666	3,3
Total interest rate instruments	39,741	
Foreign currency instruments		
LIBOR CHF (3 months) to EURIBOR (3 months)	5	4,9
LIBOR CHF (3 months) to NIBOR NOK (3 months)	1,128	1,7
EURIBOR EUR (3 months) to NIBOR NOK (3 months)	1,956	4,4
STIBOR SEK (3 months) to NIBOR NOK (3 months)	601	2,5
Total foreign currency instruments	3,690	
Sum exposure IBOR reform	43,431	

NOTE 17 REMAINING CONTRACT-RELATED PERIODS FOR LIABILITIES

LIQUIDITY RISK

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations, and/or the risk of not being able to fund a desired growth in assets. SpareBank 1 Nord-Norge prepares an annual liquidity strategy that encompasses, for example, the bank's liquidity risk.

The Group's liquidity risk is revealed, except in the case of raising external financing, through the Bank's liquidity reserve/buffer, including sale of mortgage loans to SpareBank 1 Boligkreditt. See note 12 for more information.

The Bank proactively manages The Group's liquidity risk on a daily basis. SpareBank 1 Nord-Norge must also comply with the regulatory minimum requirements for prudent liquidity management at all times.

The average remaining term to maturity for the Bank's debt securities in issue was 3.1 years as of 31.12.20. The short-term liquidity risk measurement, liquidity coverage ratio (LCR), was 142% as of the end of the year.

The table below shows receipts and payments, including future interest payments, at various points in time.

PARENT BANK 2020

AMOUNTS IN NOK MILLION	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1 - 5 YEAR	OVER 5 YEARS	TOTAL	BOOKED VALUE
Liabilities to credit institutions	377	897				1,274	1,274
Deposits from customers							
Debt securities in issue	69,002	1,781	2,437			73,220	73,220
Liabilities relating to deferred tax		320	2,915	16,702	5,413	25,350	23,167
Derivatives	1,356					1,356	1,356
Contract-related outgoing cash flows		180	383	3,061	731	3,624	
Contract-related incoming cash flows		- 204	- 331	- 3,304	- 859	- 3,839	
Other liabilities	1,335					1,335	1,335
Subordinated loan capital		5	15	80	1,095	1,195	1,050
Total liabilities	72,070	2,979	5,419	16,539	6,380	103,515	101,402

PARENT BANK 2019

AMOUNTS IN NOK MILLION	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1 - 5 YEAR	OVER 5 YEARS	TOTAL	BOOKED VALUE
Liabilities to credit institutions	564					564	564
Deposits from customers							
Debt securities in issue	68,074					68,074	68,074
Liabilities relating to deferred tax		330	2,937	16,944	5,258	25,469	24,786
Derivatives	763					763	763
Contract-related outgoing cash flows		394	129	396	203	1,122	
Contract-related incoming cash flows		- 569	- 89	- 252	- 52	- 962	
Other liabilities		1,430				1,430	1,430
Subordinated loan capital		9	26	1,130		1,165	1,050
Total liabilities	69,401	1,594	3,003	18,218	5,409	97,625	96,667

GROUP 2020

AMOUNTS IN NOK MILLION	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1 - 5 YEAR	OVER 5 YEARS	TOTAL	BOOKED VALUE
Liabilities to credit institutions	377	895				1,272	1,272
Deposits from customers							
Debt securities in issue	68,940	1,781	2,437			73,158	73,158
Liabilities relating to deferred tax		320	2,915	16,702	5,413	25,350	23,167
Derivatives	1,356					1,356	1,356
Contract-related outgoing cash flows		180	383	3,061	731	3,624	
Contract-related incoming cash flows		- 204	- 331	- 3,304	- 859	- 3,839	
Other liabilities	1,818					1,818	1,818
Subordinated loan capital		5	15	80	1,095	1,195	1,050
Total liabilities	72,491	2,977	5,419	16,539	6,380	103,934	101,821

GROUP 2019

AMOUNTS IN NOK MILLION	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1 - 5 YEAR	OVER 5 YEARS	TOTAL	BOOKED VALUE
Liabilities to credit institutions	563					563	563
Deposits from customers							
Debt securities in issue	68,030					68,030	68,030
Liabilities relating to deferred tax		330	2,937	16,944	5,258	25,469	24,786
Derivatives	763					763	763
Contract-related outgoing cash flows		394	129	396	203	919	
Contract-related incoming cash flows		- 569	- 89	- 252	- 52	- 910	
Other liabilities		2,000				2,000	2,000
Subordinated loan capital		9	26	1,130		1,165	1,050
Total liabilities	69,356	2,164	3,003	18,218	5,409	97,999	97,192

NOTE 18 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table shows whether assets and liabilities have maturity dates within one year after the balance sheet date.

PARENT BANK 31.12.20

AMOUNTS IN NOK MILLION	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1 - 5 YEAR	OVER 5 YEARS	TOTAL
Assets						
Cash and balances with central banks	360					360
Loans and advances to credit institutions	723	6,099		101		6,923
Loans and advances to customers	5,222	464	1,777	9,801	64,742	82,005
Provision for credit losses - stage 3					- 142	- 142
Provision for credit losses - stage 2					- 232	- 232
Provision for credit losses - stage 1					- 284	- 284
Shares	576			43	86	705
Bonds and certificates - fair value		852	739	13,793	2,695	18,079
Financial derivatives	1,777					1,777
Investments in Group companies					1,413	1,413
Investment in associated companies and joint ventures					3,541	3,541
Property, plant and equipment					570	570
Other assets	16	174	62		299	551
Total assets	8,674	7,589	2,578	23,738	72,687	115,265
Liabilities						
Liabilities to credit institutions	377	897				1,274
Deposits from customers	69,002	1,781	2,437			73,220
Debt securities in issue		865	2,591	17,149	2,562	23,167
Financial derivatives	1,356					1,356
Other liabilities	1,335					1,335
Deferred tax					358	358
Subordinated loan capital					1,050	1,050
Total liabilities	72,070	3,543	5,028	17,149	3,970	101,760

GROUP 31.12.20

AMOUNTS IN NOK MILLION	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1 - 5 YEAR	OVER 5 YEARS	TOTAL
Assets						
Cash and balances with central banks	360					360
Loans and advances to credit institutions	723	811				1 534
Individual write-downs on loans and advances to credit institutions	5 222	464	1 777	9 801	71 713	88 977
Provision for credit losses - stage 3					- 169	- 169
Provision for credit losses - stage 2					- 283	- 283
Provision for credit losses - stage 1					- 310	- 310
Shares	585			43	86	714
Bonds and certificates		852	739	13 793	2 695	18 079
Financial derivatives	1 777					1 777
Investment in Group companies						
Investment in associated companies and joint ventures					4 810	4 810
Property, plant and equipment					975	975
Non-current assets held for sale						0
Intangible assets	113					113
Other assets	6	311	91		314	722
Total assets	8 786	2 438	2 607	23 637	79 831	117 298
Liability						
Liabilities to credit institutions	377	895				1 272
Deposits from customers	68 940	1 781	2 437			73 158
Debt securities in issue		865	2 591	17 149	2 562	23 167
Financial derivatives	1 356					1 356
Other liabilities	1 818					1 818
Deferred tax					455	455
Subordinated loan capital					1 050	1 050
Total liabilities	72 491	3 541	5 028	17 149	4 067	102 276

NOTE 19 NET INTEREST INCOME

PARENT BANK			GROUP	
2019	2020	AMOUNTS IN NOK MILLION	2020	2019
Interest income on financial assets at fair value				
310	325	Interest and similar income from loans to and claims on customers	325	310
270	235	Interest and similar income from certificates, bonds and other interest-bearing securities	232	266
		Total interest income at fair value		
580	560	Total interest income at fair value	557	576
Interest income on financial assets at amortized cost				
119	79	Interest and similar income from loans to and claims on credit institutions	5	24
2,346	2,000	Interest and similar income from loans to and claims on customers	2,364	2,720
		Other interest and similar income	1	
2,465	2,079	Total interest income at amortized cost	2,370	2,744
3,045	2,639	Total interest income	2,927	3,320
Interest expenses on financial liabilities at amortized cost				
91	74	Interest and similar costs on liabilities to credit institutions	74	91
644	416	Interest and similar costs relating to deposits from and liabilities to customers	411	633
422	302	Interest and similar costs related to the issuance of securities	302	422
33	25	Interest and similar costs on subordinated loan capital	25	33
42	47	Guarantee fund levy	47	42
		Other interest and similar costs		2
1,232	864	Total interest costs at amortized cost	859	1,223
1,232	864	Total interest expenses	859	1,223
1,813	1,775	Net interest income	2,068	2,097

NOTE 20 NET FEE-, COMMISSION- AND OTHER OPERATING INCOME

PARENT BANK			GROUP	
2019	2020	AMOUNTS IN NOK MILLION	2020	2019
Fees and commissions receivable				
312	288	Payment facilities	288	312
166	180	Insurance products	180	166
27	33	Guarantee commissions	33	27
		Real estate broking	172	141
36	54	Portefolio commissions	54	36
14	14	Credit commissions	14	14
37	24	Other commissions	73	75
592	593	Commissions ex. comission loans	814	771
264	347	Comission from SpareBank 1 Boligkreditt and Sparebank 1 Næringskreditt	347	264
856	940	Total commision loans income	1,161	1,035
-92	-71	Commission costs	-82	-107
		Accounting services	207	187
11	11	Other income	13	1
11	11	Total other income	220	188
775	880	Total commission- and other income	1,299	1,116

NOTE 21 GAINS FROM OTHER FINANCIAL INVESTMENTS

Financial instruments in the table below are recognised at fair value with changes in fair value through profit-and-loss, in accordance with IFRS 9.

PARENT BANK			GROUP	
2019	2020	AMOUNTS IN NOK MILLION	2020	2019
12	44	Dividends from equity capital instruments	44	12
156	139	Income from Group companies	0	0
1,133	212	Income from joint ventures	554	815
1,289	351	Total income from group companies and joint ventures	554	815
-3	32	Gains/losses from certificates and bonds	32	-3
-3	32	Total income from certificates and bonds	32	-3
-22	8	Gains/losses from hedged bonds and financial derivatives	8	-22
4	3	Gains/losses from fixed rate loans to customers and hedge derivatives	3	4
-3	-42	Gains/losses from other financial derivatives	-42	-3
-21	-31	Total income from financial derivatives	-31	-21
374	50	Gains/losses from shares	50	76
374	50	Total income from shares	50	76
32	44	Total income from currency trading	44	32
382	95	Net gains/losses from financial assets	95	84
1,683	490	Income from financial investments	693	911

NOTE 22 PERSONNEL COSTS, BENEFITS, LOANS AND EQUITY CERTIFICATES – EXECUTIVE PERSONNEL AND ELECTED OFFICERS

THE BOARD OF DIRECTORS' DECLARATION REGARDING THE DETERMINATION OF SALARY AND OTHER REMUNERATION FOR EXECUTIVE PERSONNEL

Pursuant to Section 6-16a of the Public Limited Liability Companies Act, The Board of Directors sets guidelines for the remuneration of executive personnel.

The guidelines must be submitted to the Bank's Supervisory Board of Directors in accordance with Section 5-6(3) of the Public Limited Liability Companies Act.

REPORT ON EXECUTIVE PAY POLICY IN THE PRECEDING FINANCIAL YEAR

The Board of Directors hereby confirms that the guidelines for the remuneration of executive personnel for 2020, set out in last year's declaration, have been followed. The members of Group Management received no special offers regarding purchases of discounted equity certificates in 2020. All employees, including the members of Group Management, were given an opportunity to purchase equity certificates with bonus certificates program. 529 employees subscribed to equity certificates for a total amount of MNOK 10,38.

THE GUIDELINES

The Board of Directors considered the guidelines for salaries and other remuneration for executive personnel at its meeting on 12.02.20 and decided to apply the same guidelines as last year.

The following was adopted for the coming financial year:

1. Definitions

In this context, executive personnel mean the CEO, members of Group Management, Markets Director and the head of Compliance. The total remuneration packages for executive personnel consist of their fixed salary, benefits in kind and collective pension agreements, with the exception of two members of Group Management who have individual early retirement agreements.

Executive personnel with defined contribution pensions also have a savings arrangement for amounts above 12 G with the rate of 15%.

2. General principles for fixing total remuneration packages

Executive pay in SpareBank 1 Nord-Norge should be competitive, within the framework set by the remuneration policy, but it should not be a pay leader compared with the rest of the industry.

The principal element of the remuneration package should be the fixed salary. The members of Group Management in SpareBank 1 Nord-Norge have no individual or collective bonus agreements. The Board of Directors may decide that Group Management members are entitled to purchase equity certificates at a discount of up to 30% subject to a specific limit and lock-in period. This arrangement is intended to help ensure that the members of Group Management increase their ownership and strengthen their commonality of interest with the Bank's shareholders.

The terms of the arrangement satisfy the requirements stipulated in chapter 15 of the Financial Institutions Regulation.

The Board of Directors must ensure that the remuneration of its executive employees has no adverse effects on The Group's reputation.

The members of Group Management are covered by a savings scheme that covers full-time employees. For every equity certificate one buys, SpareBank 1 Nord-Norge will grant a further one free of charge. These "bonus equity certificates" are awarded 2 years after one starts saving, and the employee must still own the originally saved equity certificates and still be employed by The Group.

3. Determination of salaries

The Board of Directors has to assess the CEO's overall performance each year and, on this basis, assess his salary and lay down salary conditions.

The CEO must also assess the performance of the members of Group Management and review their salary based on this.

4. Date effective

The guidelines for the fixing of salaries and other remuneration for executive personnel in SpareBank 1 Nord-Norge become effective once the matter has been presented to the Supervisory Board.

NOTE 22 PERSONNEL COSTS, BENEFITS, LOANS AND EQUITY CERTIFICATES
– EXECUTIVE PERSONNEL AND ELECTED OFFICERS

PERSONNEL COST, NUMBER OF EMPLOYEES AND MAN-YEARS

PARENT BANK			GROUP	
2019	2020	AMOUNTS IN NOK MILLION	2020	2019
436	443	Wages and salaries	Lønn	661
36	43	Pension cost	54	49
108	104	Social cost	125	124
580	590	Total Personnel cost	869	834
584	565	Average number of employees	897	904
613	595	Number of man-years as at 31.12.	941	946
595	604	Number of employees as at 31.12.	944	908

AMOUNTS IN NOK MILLION	2020	2019
Total loans to employees	1,255	1,477
The aggregate value of interest rate subsidies relating to loans to employee	13.3	13.6

FEES PAID TO MEMBERS OF THE BOARD OF DIRECTORS IN 2020

AMOUNTS IN NOK THOUSAND	BOARD FEES	FEE REMUNERATION COMMITTEE	RECRUITMENT COMMITTEE	FEE FEES AUDIT COMMITTEE	FEES RISK COMMITTEE	TOTAL FEES	LOANS	NUMBER OF EQUITY CERTIFICATES 1)
Karl Eirik Schjøtt-Pedersen (leder)	550	38	79			667		7,427
Hans-Tore Bjerkaas (nestleder)	300			45	45	390		19,637
Kjersti Terese Stormo	250			60	45	355		1,756
Geir Bergvoll	250			45	60	355		2,360
Kim Daniel Arthur	187	26				213	4,500	
Kathrine Tveiterås	187					187	4,559	
Lisbeth Berg-Hansen	187	26				213		
Vivi Ann Pedersen	250	26				276	147	25,125
Kjetil Berntsen	250					250	3,562	1,251
Greger Mannsverk *Member of the Board until end of March 2020	63					63		
Sonja Djønne *Member of the Board until end of March 2020	63					63		
Ingvild Myhre *Member of the Board until end of March 2020	63					63		
total	2,600	116	79	150	150	3,095	12,768	57,556

FEES PAID TO MEMBERS OF THE BOARD OF DIRECTORS IN 2019

AMOUNTS IN NOK THOUSAND	BOARD FEES	FEE REMUNERATION COMMITTEE	FEE RECRUITMENT COMMITTEE	FEES AUDIT COMMITTEE	FEES RISK COMMITTEE	TOTAL FEES	LOANS	NUMBER OF EQUITY CERTIFICATES 1)
Karl Eirik Schjøtt-Pedersen (chair)	487	13	72			571	1,973	7,067
Hans-Tore Bjerkaas (deputy chair)	271		36	49	38	393		19,637
Sonja Djønne	216					216	4,100	8,121
Kjersti Terese Stormo	216			38	38	292		1,396
Greger Mannsverk	216	11				227		61,439
Geir Bergvoll	162			38	49	249		
Ingvild Myhre	216	11	36			263		
Vivi Ann Pedersen	216	11	36			263	191	24,694
Kjetil Berntsen	210					210	3,720	848
Total	2,211	45	180	125	125	2,685	9,984	123,202

1) The above figures show the number of equity certificates held in SpareBank 1 Nord-Norge as at 31.12. Equity certificates held by close family members or by companies of which the abovementioned persons are general partners or directors are also included.

Terms and conditions, collateral and other security are the same as for ordinary customers, with the exception of employees' elected representatives for whom terms and conditions are the same as for other employees.

The Chairman of The Board of Directors has no bonus agreements or agreement pertaining to termination benefits.

NOTE 22 PERSONNEL COSTS, BENEFITS, LOANS AND EQUITY CERTIFICATES
– EXECUTIVE PERSONNEL AND ELECTED OFFICERS

BENEFITS TO GROUP MANAGEMENT TEAM 2020

BENEFITS TO GROUP MANAGEMENT TEAM 2020	SALARIES AND OTHER SHORT-TERM EMOLUMENTS	FEES 3)	BONUS	TOTAL PAY AND BENEFITS	ACCRUED PENSION RIGHTS / PENSION SAVINGS	PENSION AGREEMENT	LOANS 6)	NUMBER OF EQUITY CERTIFICATES 5)
Liv B. Ulriksen CEO	3,359			3,359	487	1) 2)	8,000	85,585
Bengt Olsen Chief Financial Officer	2,829			2,829	327	1) 2)	3,500	45,422
Geir Andreassen Chief Technology Officer	2,401			2,401	170	1) 4)	1,900	78,641
Marius Nilsen Chief Risk Officer	1,733			1,733	223	1) 2) 4)	2,276	
Turid Aspnes Chief of Staff	1,974			1,974	227	1) 2)	4,000	1,916
Ronni Møller Pettersen Chief commercial officer / Sales and customer relations	2,224			2,224	256	1) 2)	5,500	36,287
Stein Vidar Loftås Chief of Communication / "Samfunnsløftet"	1,800			1,800	213	1) 2)	4,400	5,721
Lasse Hagerupsen Chief of Retail marked	2,170			2,170	212	1) 2)	3,638	79,958
Trude Glad Chief of Corporate Market	2,673			2,673	254	2)	2,701	79,835
Petter Bjørkly Høiseith Tidl. konsernsjef, sluttet 26.02.20	4,309 *)			4,309	931	1) 2)		
Total benefits executive management team and senior employees	21,162		0	21,162	3,300		35,915	413,365
Salaries and other short-term emoluments for other leaders then group management team and board members	85,240							

The chief executive and certain executive personnel have renounced their employment protection against a severance pay of 12 months with addition of salary in the notice periode.

*) Former CEO had a salary of 2,034 million in his notice period until 31.05.20. From 01.06.20 until 31.05.21 is a severance pay of 12 months valid. From 01.06.20 are the pension agreement and employee's terms for loan terminated.

- 1) Pension scheme for earnings in excess of 12G.
- 2) Have a defined contribution pension scheme

- 3) Board members' remuneration from subsidiaries
- 4) Have an early retirement pension agreement
- 5) The figures show the number of equity certificates the person concerned owned in SpareBank 1 Nord-Norge as at 31.12.20. They also include equity certificates owned by immediate family members or companies in which the person has a determining influence.
- 6) The loan rate is 1 percentage point lower than the current best mortgage rate given to our ordinary customers at any given time for a maximum loan amount of NOK 4,5 million. No collateral is pledged on behalf of employees.

BENEFITS TO GROUP MANAGEMENT TEAM 2019

AMOUNTS IN NOK THOUSAND	SALARIES AND OTHER SHORT-TERM EMOLUMENTS	FEES 3)	BONUS	TOTAL PAY AND BENEFITS	ACCRUED PENSION RIGHTS / PENSION SAVINGS	PENSION AGREEMENT	LOANS 6)	NUMBER OF EQUITY CERTIFICATES 5)
Petter Bjørkly Høiseith CEO	3,256			3,256	378	1) 2)	9,000	80,748
Bengt Olsen Chief Financial Officer	3,538			3,538	196	1) 2)	4,000	14,517
Geir Andreassen Chief Technology Officer	3,018			3,018	519	1) 4)	1,915	78,450
Liv Bortne Ulriksen Chief Risk Officer	2,271			2,271	261	1) 2) 4)	5,925	85,225
Turid Aspenes Chief of Staff	1,535			1,535	174	1) 2)	3,931	1,106
Ronni Møller Pettersen Chief commercial officer / Sales and customer relations	2,176			2,176	227	1) 2)	4,969	36,115
Trond Hanssen Chief Regional Officer Finnmark	1,897			1,897	204	1) 2)	0	63,503
Christian Overvaag Chief Regional Officer Troms	2,003			2,003	219	1) 2)	5,774	103,461
Lasse Hagerupsen Chief Regional Officer Hålogaland	1,897			1,897	198	1) 2)	3,192	79,514
Trude Glad Chief Regional Officer Helgeland and Salten	2,490			2,490	396	2)	3,128	79,835
Nina Wihuri Compliance Officer	1,017			1,017	94	2)	3,666	1,197
Tom Robin Solstad-Nøis CEO Markets / Actual manager	1,252		790	2,042	131	2)	3,385	57,298
Total benefits executive management team and senior employees	26,350	0	790	27,140	2,995		48,886	680,969

The chief executive and certain executive personnel have renounced their employment protection against a severance pay.

- 1) Pension scheme for earnings in excess of 12G.
- 2) Have a defined contribution pension scheme
- 3) Board members' remuneration from subsidiaries
- 4) Have an early retirement pension agreement
- 5) The figures show the number of equity certificates the person concerned owned in SpareBank 1 Nord-Norge as at 31.12.19. They also include equity certifi-

cates owned by immediate family members or companies in which the person has a determining influence.

- 6) The loan rate is 1 percentage point lower than the current best mortgage rate given to our ordinary customers at any given time for a maximum loan amount of NOK 4,5 million. No collateral is pledged on behalf of employees.

NOTE 23 OPERATING COSTS

PARENT BANK			GROUP	
2019	2020	AMOUNTS IN NOK MILLION	2020	2019
580	590	Personnel expenses 1)	869	834
235	264	IT-expenses	287	257
223	127	Administrative expenses 2)	174	267
92	94	Ordinary depreciation	109	120
26	24	Operating costs properties	25	28
75	87	Other operating expenses	162	134
1,231	1,186	Total operating costs	1,626	1,640

1) For further information see note 22 regarding personnel expenses

2) As a result of a profitability project there was in 2019 decided a number of cost-cutting initiatives. In this regard NOK 70 million were provisioned per 31.12.19.

EXTERNAL AUDITOR'S FEES INCL VAT

PARENT BANK			GROUP	
2019	2020	AMOUNTS IN NOK THOUSAND	2020	2019
1,759	1,547	Statutory auditing	2,546	2,446
522	191	Other certification services	191	689
6	0	Tax advisory services	0	6
56	499	Other non-audit services	638	228
2,343	2,237	Total remuneration for external auditor	3,375	3,369

SpareBank 1 Nord-Norge has two pension schemes for its employees.

A defined contribution pension scheme for retirement and disability pensions taken out with SpareBank 1 Forsikring AS.

The current saving rates for defined contribution pensions are:

- Salary equivalent to 0 to 7.1 G: 7%
- Salary equivalent to 7.1 to 12 G: 15%

Defined benefit pension scheme for retirement and disability pensions was closed in 2006, and is covered by SpareBank 1 Nord-Norge's pension fund. A full pension entails a qualifying period of 30 years and provides entitlement to a retirement pension of the difference between 70% of salary and the calculated benefits from the National Insurance Scheme.

The schemes are in accordance with the Defined Benefit Occupational Pension Act.

The Group also has liabilities regarding salary above 12 G (the National Insurance Scheme's basic amount) and early retirement agreements for senior employees. In 2020, two employees were covered by this scheme (two employees in 2019). Early retirement is funded through operations.

Most of the companies in The Group are members of the private sector tariff-based pension scheme, AFP. The private AFP scheme provides a lifelong supplement to the ordinary pension. The private AFP scheme is funded through an annual premium, set as a percentage of salary between 1 and 7.1 G. The premium for 2019 was set at 2.5% (2.5% in 2018).

Calculation of defined benefit pension liabilities pursuant to IAS 19

Estimates are used when valuing pension assets and measuring accrued liabilities.

These estimates are adjusted annually in accordance with the statement of the pension assets' transfer value and actuarial calculations of the size of the liabilities. The value of the pension fund's liabilities, pension insurance in other insurance companies and the unsecured liabilities are included in the calculations below. All estimate deviations are recognized in the statement covering other operating income and costs under comprehensive income items, so-called OCI (Other Comprehensive Income).

According to IAS 19, the period's net interest cost is calculated by applying the discount rate for the liabilities at the beginning of the period to the net liabilities. Therefore, net interest costs consist of the interest on liabilities and the return on assets, both calculated using the discount rate. Changes in net pension liabilities due to premium payments and pension payments are recognized. The difference between the actual return on pension assets and the recorded return is recognized against OCI to equity.

Actuarial calculations have been made using the changed mortality tariff, K2013BE (best estimate)

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
Net pension liabilities in the balance sheet				
723	749	Present value of future pension liabilities	772	745
922	973	Estimated value of pension resources	1,012	960
-199	-224	Net pension liabilities in guaranteed schemes	-240	-215
0	0	Social security liabilities	0	0
-199	-224	Net pension liabilities in the balance sheet	-240	-215
8.4%	4.3%	Deviation between anticipated and actual return on pension funds in%	4.3%	8.4%
2019	2020	Pension costs for the year	2020	2019
5	5	Pensionable amounts accrued during the year	5	5
19	16	Interest costs of pension liabilities	17	19
-25	-21	Expected rate of return on assets in the scheme	-22	-25
-1	0	Net pension costs relating to defined benefit plans excl social security contributions	0	-1
4	3	Employer's social security contributions - subject to accrual accounting	3	4
3	3	Net pension cost relating to defined benefit plans incl social security combinations	3	3
33	40	Other pension costs	51	46
36	43	Total pension costs incl social security contributions	54	49
10.7%	5.8%	The actual rate of return on pension assets	5.8%	10.7%
31.12.19	31.12.20	Change in net pension liabilities in the balance sheet	31.12.20	31.12.19
-226	-199	Net pension liabilities in the balance sheet as at 01.01	-215	-239
0	0	Recognised against equity as at 01.01	0	0
50	-11	Adjusted equity balance sheet as 31.12	-10	49
3	3	Net pension cost relating defined benefit plans	3	3
0	0	Charged to the Profit and Loss Account	0	0
-27	-18	Benefits paid	-18	-28
-199	-224	Net pension liabilities in the balance sheet as at 31.12.	-240	-215
36	42	Other pension liabilities (early retirement pension contract)	42	36
-163	-182	Total pension liabilities in the balance sheet as at 31.12.	-198	-179
Actuarial assumptions				
2.30%	1.50%	Discount rate	1.50%	2.30%
2.30%	1.50%	Expected rate of return on scheme's assets	1.50%	2.30%
1.00%	0.50%	Future wage- and salary developments	0.50%	1.00%
2.00%	1.75%	Adjustment of basic amount (G)	1.75%	2.00%
0.00%	0.50%	Increase in current pensions	0.50%	0.00%
90.00%	90.00%	Staff's average estimated propensity to opt for SRPS at the age of 62	90.00%	90.00%
130	110	Number of active members covered by the defined benefit pension scheme	113	132
576	587	Number of pensioners covered by the defined benefit scheme	597	584

COMPOSITION OF PENSION ASSETS IN SPAREBANK 1 NORD-NORGES PENSJONSKASSE

Pension resources split into investment categories by percentage:

PARENT BANK			GROUP	
31.12.19	31.12.20		31.12.20	31.12.19
Investment category:				
61%	60%	Certificates and bonds	60%	55%
36%	38%	Shares	38%	31%
3%	2%	Other	2%	3%
100%	100%	Total	100%	100%

SENSITIVITY

The estimates are based on facts and circumstances as at 31.12.20 assuming that all other parameters are constant. Actual results may differ from these estimates.

GROUP AMOUNTS IN NOK MILLION	DISCOUNTING RATE		PAY ADJUSTMENT		ANNUAL ADJUSTMENT BASIC AMOUNT (G)		PENSION ADJUSTMENT		EXPECTED REMAINING USEFUL LIFE	
	+1%	-1%	+1%	-1%	+1%	-1%	+1%	+1 ÅR	-1 ÅR	
Changes in pensions										
- Shift in Benefits-based pension liabilities	-88	108	23	-19	-9	11	97	32	-32	
- Shift in Net pension costs for the period incl. effects of recognised actuarial gains and losses	-6	4	1	-1	-1	0	4	2	0	

PARENT BANK AMOUNTS IN NOK MILLION	DISCOUNTING RATE		PAY ADJUSTMENT		ANNUAL ADJUSTMENT BASIC AMOUNT (G)		PENSION ADJUSTMENT		EXPECTED REMAINING USEFUL LIFE	
	+1%	-1%	+1%	-1%	+1%	-1%	+1%	+1 ÅR	-1 ÅR	
Changes in pensions										
- Shift in Benefits-based pension liabilities	-87	106	22	-19	-9	11	95	32	-32	
- Shift in Net pension costs for the period incl. effects of recognised actuarial gains and losses	-5	4	1	-1	0	1	3	1	-1	

NOTE 25 TAX

PARENT BANK			GROUP	
2019	2020	AMOUNTS IN NOK MILLION	2020	2019
Major components of income tax				
442	12	Current tax costs	67	495
-109	295	Change in deferred tax	296	-117
22	-1	Recognised directly to equity	-1	21
0	-2	Shortfall/surplus in respect of accrual for taxation in the previous year/ corrections	-2	10
355	304	Income tax for the period	360	409
Change in net deferred tax				
-109	295	Change in deferred tax recognised in the income statement	296	-117
22	-1	Recognised directly to equity	-1	21
-87	294	Total change in net deferred tax	295	-96
Temporary differences and deferred tax				
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
-61	-73	Tangible fixed assets	386	350
199	224	Pension liabilities	238	162
116	1,281	Other temporary differences	1,226	135
		Loss carried forward	-29	-8
254	1,432	Total temporary differences	1,821	639
-64	-358	Deferred tax in balance sheet - 25%	-455	-160
Change in temporary differences				
2019	2020	AMOUNTS IN NOK MILLION	2020	2019
4	-12	Tangible fixed assets	36	-14
-27	25	Pension liabilities	76	-77
-413	1,165	Other temporary differences	1,091	-392
		Loss carried forward	-21	14
-436	1,178	Total temporary differences	1,182	-469
Reconciliation of tax charge for the period recognised against profit and loss to profit before tax				
764	417	25% of profit before tax	526	622
-431	-112	Non-taxable profit and loss items (permanent differences)	-164	-244
22	-1	Shortfall/surplus from previous year/Recognised directly to equity	-2	31
355	304	Taxation charge for the period	360	409
11.7%	18.2%	Effective tax rate (income tax for the period expressed as a percentage of profit before tax)	17.1%	16.5%

The table below contains financial assets and liabilities that are classified as held for sale or which it has been decided to measure at fair value through profit and loss upon initial recognition.

Fair value is the amount an asset can be sold for, or a liability can be settled for, in a transaction between two independent parties.

The value is set using different methods within three levels.

Level 1: Financial instruments that are valued using listed prices in active markets for identical assets or liabilities. The category includes listed shares or fund units, government bonds and certificates traded in active markets. The price used is the price on the balance sheet date. The market is deemed active if it is possible to obtain external, observable prices, exchange rates, or interest rates, and these prices are actual and frequent market transactions.

Level 2: Financial instruments that are valued using information that is not listed prices, but where prices are directly or indirectly observable for assets and liabilities, including listed prices in inactive markets for identical assets and liabilities. The category includes bonds and interbank derivatives such as interest rate swaps, currency swaps and forward contracts listed on Reuters or Bloomberg, basis swaps between the currencies NOK, EUR, USD and GBP, and interest rate and currency derivatives with customers with insignificant credit spreads.

The value is based on recently observable market data in the form of a transaction in the instrument between informed, willing and independent parties. Alternatively, that the instrument was traded in an active market that is substantially like the relevant instrument.

Level 3: Financial instruments that are valued in manner other than on the basis of observable market data and in which credit margins constitute a material part of the basis for adjusting market value. Instruments in this category are valued using methods that are based on estimated cash flows, assessments of assets and liabilities in companies, models in which material parameters are not based on observable market data, or any industry standards.

When valuation techniques are used, the value is adjusted for credit and liquidity risk. The price of the risk for equivalent instruments is used as the basis for making the assessment.

From and including 2013, the Bank has used a model that conforms to IFRS 13 concerning the measurement of fair value, where an 'exit price' assessment is used. The valuation model takes account of credit premiums and changes in credit risk.

INSTRUMENTS AT THE DIFFERENT LEVELS

Loans to customers at fixed interest rates (level 3)

The loans consist of fixed-rate loans in NOK. The loans are measured based on discounted cash flows, where the discount rate is calculated by a margin in excess of the interest rate curve. The margin is based on observable market prices.

Loans to customers for sale (level 3)

The category includes loans that will be transferred to SpareBank 1 Boligkreditt and these are measured at the agreed amount that is transferred to SpareBank 1 Boligkreditt.

Equities incl. equity instruments (level 2)

Level 2 equities include hybrid Tier 1 instruments that are held for sale to customers. Hybrid Tier 1 instruments are measured based on observable interest rate curves and credit margins, as well as indicative prices in the market.

Equities (level 3)

Equities in level 3 include stakes in companies where the Bank owns a minor stake, and which do not have observable market prices. In level 3, fair value is therefore determined on the basis of the book value of the equity.

Bonds (level 2)

The category mainly includes bonds in the Bank's liquidity portfolio that are considered less liquid (level 2 assets in calculations of the liquidity coverage ratio (LCR)). The bonds are measured based on observable interest rate curves and credit margins, as well as indicative prices in the market.

Financial derivatives (level 2)

The category includes interest rate derivatives, currency swaps, currency futures and commodity derivatives. Interest rate derivatives are measured based on relevant interest rate curves. Currency derivatives are measured based on the last available exchange rates. Commodity derivatives are measured based on observable market prices for underlying commodities.

NOTE 26 FINANCIAL INSTRUMENTS AT FAIR VALUE

PARENT BANK	VALUATION BASED ON LISTED PRICES IN AN ACTIVE MARKET	VALUATION BASED ON OBSERVABLE MARKET DATA	VALUATION BASED ON FACTORS OTHER THAN OBSERVABLE MARKET DATA	
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
AMOUNTS IN NOK MILLION				
Assets 31.12.20				
Shares	152	12	540	705
Bonds	13,258	4,821		18,079
Financial derivatives		1,777		1,777
Loans to customers with fixed rate			7,600	7,600
Loans to customers for sale			3,917	3,917
Total assets	13,410	6,610	12,057	32,077
Liabilities 31.12.20				
Derivatives at fair value		1,356		1,356
Total liabilities		1,356		1,356
Assets 31.12.19				
Shares	185	58	538	781
Bonds	10,903	4,934		15,837
Financial derivatives		1,110		1,110
Loans to customers with fixed rate			8,570	8,570
Loans to customers for sale			4,137	4,137
Total assets	11,088	6,102	13,245	30,435
Liabilities 31.12.19				
Derivatives at fair value		763		763
Total liabilities		763		763

Changes in value for financial instruments in level 3 parentbank:

ASSETS	FIXED-RATE LOANS	SHARES	MORTGAGES TO CUSTOMERS FOR SALE	BONDS
Booked value as of 01.01.	8,570	538	4,137	
Net gains	124	2		
Acquisitions	1,081		2,396	
Disposals			-1,301	
Overdue loans	-2,175		-1,316	
Bookved value as of 31.12.	7,600	540	3,916	

GROUP	VALUATION BASED ON LISTED PRICES IN AN ACTIVE MARKET	VALUATION BASED ON OBSERVABLE MARKET DATA	VALUATION BASED ON FACTORS OTHER THAN OBSERVABLE MARKET DATA	TOTAL
	LEVEL 1	LEVEL 2	LEVEL 3	
AMOUNTS IN NOK MILLION				
Assets 31.12.20				
Shares	152	12	549	714
Bonds	13,258	4,821		18,079
Financial derivatives		1,777		1,777
Loans to customers with fixed rate			7,614	7,614
Loans to customers for sale			3,917	3,917
Total assets	13,410	6,610	12,080	32,100
Liabilities 31.12.20				
Derivatives at fair value		1,356		1,356
Total liabilities		1,356		1,356

Assets 31.12.19				
Shares	185	58	548	791
Bonds	10,903	4,934		15,837
Financial derivatives		1,110		1,110
Loans to customers with fixed rate			8,591	8,591
Loans to customers for sale			4,137	4,137
Total assets	11,088	6,102	13,276	30,466
Liabilities 31.12.19				
Derivatives at fair value		763		763
Total liabilities		763		763

Changes in value for financial instruments in level 3 group:

ASSETS	FIXED-RATE LOANS	SHARES	MORTGAGES TO CUSTOMERS FOR SALE	BONDS
Booked value as of 01.01.	8,591	548	4,137	
Net gains	124	1		
Acquisitions	1,081		2,396	
Disposals			-1,301	
Overdue loans	-2,182		-1,316	
Booked value as of 31.12.	7,614	549	3,917	

SENSITIVITY ANALYSIS, LEVEL 3

GROUP	BOOKED VALUE AT 31.12.20	EFFECT OF ALTERNATIVE ASSUMPTIONS
Fixed-rate loans at fair value	7,614	- 19
Loans held for sale to mortgage company	3,917	
Shares at fair value	549	

The sensitivity analysis above is based on an alternative assumption where the discount rate increases by 10 basis points for fixed-rate loans to customers.

Equities at level 3 are represented by BN Bank with NOK 428 million and NOK 121 million of other equity investments and unlisted equities. Valuations are determined on the basis of the book value of the equity. The Group does not have complete information about all elements of the valuation and therefore has no basis for establishing alternative values for alternative assumptions.

NOTE 27 FAIR VALUE FINANCIAL INSTRUMENTS AT AMORTISED COST

FINANCIAL INSTRUMENTS AT AMORTISED COST

As stated in note 2, the default classification for financial assets and liabilities in the Bank and The Group is “at amortised cost”. The Group seeks to minimise income statement volatility by applying the same measurement policy to both assets and liabilities. Amortised cost entails measurement based on the originally agreed cash flows, adjusted for any loss in value. The calculations are made on the basis of the individual instrument’s characteristics and values on the balance sheet date. Amortised cost will not always result in values that are consistent with the market’s assessments of the same financial instruments. This may be due to factors such as differing perceptions of market conditions, risk factors and required rates of return. The table below provides an overview of estimated fair values for items that are stated in the financial statements at amortised cost. As stated in note 26, fair value is determined according to various methods within three levels.

PARENT BANK 31.12.20

AMOUNTS IN NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE	BOOK VALUE
Assets					
Total loans and advances to credit institutions			6,923	6,923	6,923
Net loans and advances to customers			69,876	69,876	69,829
Shares					
Total financial assets			76,799	76,799	76,752
Liabilities					
Liabilities to credit institutions			1,274	1,274	1,274
Deposits from customers			73,220	73,220	73,220
Debt securities in issue		24,749		24,749	23,167
Subordinated loan capital		1,050		1,050	1,050
Total financial liabilities		25,799	74,494	100,293	98,711

GROUP 31.12.20

AMOUNTS IN NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE	BOOK VALUE
Assets					
Total loans and advances to credit institutions			1,534	1,534	1,534
Net loans and advances to customers			76,730	76,730	76,683
Shares					
Total financial assets			78,264	78,264	78,217
Liabilities					
Liabilities to credit institutions			1,272	1,272	1,272
Deposits from customers			73,158	73,158	73,158
Debt securities in issue		24,749		24,749	23,167
Subordinated loan capital		1,050		1,050	1,050
Total financial liabilities		25,799	74,430	100,229	98,647

PARENT BANK 31.12.19

AMOUNTS IN NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE	BOOK VALUE
Assets					
Total loans and advances to credit institutions			6,005	6,005	6,005
Net loans and advances to customers			66,045	66,045	66,000
Shares					
Total financial assets			72,050	72,050	72,005
Liabilities					
Liabilities to credit institutions			564	564	564
Deposits from customers			68,074	68,074	68,074
Debt securities in issue		24,995		24,995	24,784
Subordinated loan capital		1,050		1,050	1,050
Total financial liabilities		26,045	68,638	94,683	94,472

GROUP 31.12.19

AMOUNTS IN NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE	BOOK VALUE
Assets					
Total loans and advances to credit institutions			1,079	1,079	1,079
Net loans and advances to customers			72,527	72,527	72,482
Shares					
Total financial assets			73,606	73,606	73,561
Liabilities					
Liabilities to credit institutions			563	563	563
Deposits from customers			68,030	68,030	68,030
Debt securities in issue		24,995		24,995	24,784
Subordinated loan capital		1,050		1,050	1,050
Total financial liabilities		26,045	68,593	94,638	94,427

NOTE 28 CERTIFICATES AND BONDS

Bonds and certificates are measured at fair value with changes through profit-and-loss in accordance with IFRS 9.

CERTIFICATES, BONDS AND OTHER INTEREST-BEARING SECURITIES BROKEN DOWN BY ISSUER SECTOR

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN MILLION	31.12.20	31.12.19
Governments				
3,211	4,334	- nominal value	4,334	3,211
3,249	4,468	- fair value/booked value	4,468	3,249
Other public issuer				
3,312	2,847	- nominal value	2,847	3,312
3,340	2,884	- fair value/booked value	2,884	3,340
Financial institutions				
9,145	10,584	- nominal value	10,584	9,145
9,214	10,660	- fair value/booked value	10,660	9,214
Non-financial institutions				
33	66	- nominal value	66	33
34	66	- fair value/bookd value	66	34
15,837	18,079	Total certificates and bonds held for trading	18,079	15,837

NOTE 29 SHARES

As is evident from note 2, SpareBank 1 Nord-Norge's trading portfolio will be stated at fair value using market prices as of the balance date. Other equities at fair value are valued using valuation methods based on observable market data and estimated cash flows. These equities are valued at fair value with changes in fair value recognized in profit and loss as they arise (FVPL), or at fair value through other comprehensive income (FVOCI).

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
Fair value through profit and loss (FVPL):				
185	152	Trading assets	152	185
498	514	Shares designated as fair value	523	508
58	12	Hybrid Tier 1 Capital classified as equity positions	12	58
Fair value through other comprehensive income (FVOCI):				
40	26	Shares designated as fair value	26	40
781	705	Total shares and equities	714	791

BREAKDOWN OF SHARES AS AT 31.12.20

SHARES HELD FOR TRADING

AMOUNTS IN NOK THOUSANDS	NUMBER OF SHARES/ UNITS	OUR EQUITY STAKE%	COST	MARKET VALUE	BOOKED VALUE
Shares					
VISA INC. C-AKSJER	16,784	<0.05%	7,187	125,246	125,246
Visa Pref Stock C (forv Visa Norge Holding1 AS)	1,175	<0.05%	17,000	27,165	27,165
Total listed shares			24,187	152,411	152,411
Total shares held for trading			24,187	152,411	152,411

AMOUNTS IN NOK THOUSANDS	NUMBER OF SHARES/ UNITS	OUR EQUITY STAKE%	COST	MARKET VALUE	BOOKED VALUE
Shares at fair value (FVPL):					
Sparebankmaterieill AS	2,312	7.3%	225	225	225
S.W.I.F.T	11		79	104	104
SpareBank 1 Markets	386,516	12.2%	110,148	85,807	85,807
BN Bank	1,410 221	9.9%	88,801	428,162	428,162
Other equity investments			0	25	25
Total shares at fair value (FVPL)			199,253	514,323	514,323

SHARES AT FAIR VALUE (FVOCI)

AMOUNTS IN NOK THOUSAND	NUMBER OF SHARES/ UNITS	OUR EQUITY STAKE%	COST	MARKET VALUE	BOOKED VALUE
VN Norge AS	28,778 208		40,000	26,296	26,296
Total shares at fair value (FVOCI)			40,000	26,296	26,296

HYBRID CAPITAL CLASSIFIED TO FAIR VALUE

AMOUNTS IN NOK THOUSANDS	NUMBER OF SHARES/ UNITS	OUR EQUITY STAKE%	COST	MARKET VALUE	BOOKED VALUE
Hybrid capital SNN Markets			11,174	11,235	11,235
Hybrid capital SNN Treasury			756	893	893
Sum hybrid capital				12,128	12,128
Parent bank's total shares and equity investments			263,440	705,159	705,159

STAKES OWNED BY SPAREBANK 1 NORD-NORGE PORTEFØLJE AS AS OF 31 DECEMBER 2020

AMOUNTS IN NOK THOUSAND	NUMBER OF SHARES/ UNITS	OUR EQUITY STAKE%	COST	MARKET VALUE	BOOKED VALUE
Lytix Biopharma	151,820		5,914	1,139	1,139
NorInnova Technology Transfer AS	613	3.7%	2,900	2,756	2,756
Saltenposten AS	50	2.5%	565	100	100
Viking Venture III LP	37,025	0.9%	1,822	5,455	5,455
Total shares owned by SNN Portefølje			11,201	9,450	9,450

The company also owns more shares which has been written down to kr 0,-. Se the companys own annual report for further information.

Shares owned by Eiendomsmegler 1 Nord-Norge AS and SNN Regnskapshuset			682	282	282
Total shares and equity investments			275,323	714,891	714,891

NOTE 30 INVESTMENTS IN GROUP COMPANIES, ASSOCIATED COMPANIES AND JOINT VENTURES

INVESTMENTS IN GROUP COMPANIES PARENT BANK:

AMOUNTS IN NOK MILLION	31.12.20	31.12.19
Equity stakes in financial institutions	924	924
Equity stakes in other Group companies	489	479
Total investments in Group companies	1,413	1,403
Off which hybrid capital in financial institutions	84	84

SHARES AND EQUITY STAKES INCLUDED IN THE GROUP ACCOUNTS AND SHOWN IN THE PARENT BANK'S ACCOUNTS ACCORDING TO THE COST METHOD OF ACCOUNTING:

AMOUNTS IN NOK THOUSAND	SHARE CAPITAL	NUMBER OF SHARES	COST	SHARE OF EQUITY AND VOTING CAPITAL	BOOKED VALUE
Company Name					
SpareBank 1 Finans Nord-Norge AS, Tromsø					
SpareBank 1 Nord-Norge Portefølje AS, Tromsø	1,000	1,000	25,000	100%	25,000
EiendomsMegler 1 Nord-Norge AS, Tromsø	21,100	21,100	28,000	100%	29,636
Fredrik Langesg 20 AS, Tromsø	920	242	370,392	100%	370,392
SpareBank 1 Regnskapshuset Nord-Norge AS, Tromsø	10,200	1,500	63,610	100%	63,610
Investment (shares) shown in the Parent Bank's accounts					1,328 638
Hybrid capital SpareBank 1 Finans Nord-Norge			84,000		84,000
Total investment shown in the Parent Bank's accounts					1,412 638

Shares in subsidiaries are not quoted on the stock exchange.

INVESTMENTS IN JOINT VENTURES AND ASSOCIATED COMPANIES

AMOUNTS IN NOK MILLION	31.12.20	31.12.19
Equity stakes in financial institutions	2,298	2,305
Equity stakes in other joint ventures	1,243	1,068
Total investments in joint ventures	3,541	3,373

NOTE 30 INVESTMENTS IN GROUP COMPANIES, ASSOCIATED COMPANIES AND JOINT VENTURES

SHARES AND EQUITY STAKES IN JOINT VENTURES AND ASSOCIATED COMPANIES, INCLUDED IN THE PARENT BANK'S ACCOUNTS ACCORDING TO THE COST METHOD OF ACCOUNTING

COMPANY NAMES	CLASSIFICATION	SHARE OF EQUITY AND VOTING CAPITAL	REGISTERED OFFICE
SpareBank 1 Gruppen AS	Joint venture	19.50%	Oslo
SpareBank 1 Utvikling DA	Joint venture	17.74%	Oslo
SpareBank 1 Betaling AS	Associated company	18.57%	Oslo
SpareBank 1 Boligkreditt AS	Associated company	18.14%	Stavanger
SpareBank 1 Næringskreditt AS	Associated company	8.60%	Stavanger
SpareBank 1 Kreditt AS *)	Associated company	17.08%	Trondheim
SpareBank 1 Bank og Regnskap AS **)	Associated company	20.00%	Trondheim
SpareBank 1 Mobilitet AS	Associated company	33.33%	Hamar
SpareBank 1 Gjeldsinformasjon AS	Associated company	14.44%	Oslo

*) Changed from SpareBank 1 Kredittkort AS

***) Changed from SMB LAB AS

Intra-group balances relating to the Bank and the abovementioned companies: Reference is made to note 40.

INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

GROUP 2020

AMOUNTS IN NOK MILLION	TOTAL	SPAREBANK 1 GRUPPEN AS 19.5%	SPAREBANK 1 UTVIKLING DA 17.74%	SPAREBANK 1 KREDITT AS 17.08%	SPAREBANK 1 BOLIG-KREDITT AS 18.14%	SPAREBANK 1 NÆRINGS-KREDITT AS 8.60%	OTHER
As at 1 January	4,257	1,649	21	182	2,066	175	164
Acquisition/sale	185	195		2	- 7		- 5
Share of profit - IFRS	632	534	80	2	16	5	-5
Share of result booked as administrative costs	- 78		- 78				
Items incorporated directly in equity capital	32	24		- 7	17		-2
Paid-out dividend	- 218	- 195			- 18	- 5	
As at 31 December	4,810	2,207	23	179	2,074	175	152

Included in «Other»: SpareBank 1 Bank og Regnskap AS, SpareBank 1 Betaling AS, SpareBank 1 Gjeldsinformasjon AS and SpareBank 1 Mobilitet AS.

INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

GROUP 2019

AMOUNTS IN NOK MILLION	TOTAL	SPAREBANK 1 GRUPPEN AS 19.5%	SPAREBANK 1 UTVIKLING DA 17.74%	SPAREBANK 1 KREDITT AS 17.08%	SPAREBANK 1 BOLIG- KREDITT AS 18.14%	SPAREBANK 1 NÆRINGS- KREDITT AS 8.60%	OTHER
As at 1 January	4,990	1,595	23	884	1,870	284	334
Acquisition/sale	242				207	12	23
Share of profit - IFRS	896	712	79	67	22	7	9
Share of result booked as administrative costs	- 81		- 81				
Items incorporated directly in equity capital	-1,094	5		- 951	- 33	- 119	4
Paid-out dividend	- 696	- 663				- 9	- 24
As at 31 December	4,257	1,649	21	0	2,066	175	346

Included in «Other»: SpareBank 1 Kredittkort AS, SpareBank 1 Betaling AS, SMB Lab AS and Betr AS.

THE GROUP'S EQUITY STAKES IN ASSOCIATED COMPANIES AND JOINT VENTURES:

NAME	ASSETS	LIA- BILITIES	INCOME	PROFIT/ LOSS	OWNERSHIP SHARE
2020					
SpareBank 1 Gruppen AS (konsern)	21,150	18,309	4,790	194	19.50%
SpareBank 1 Betaling AS	143	1		- 2	18.57%
SpareBank 1 Utvikling DA	192	164	278	2	17.74%
SpareBank 1 Boligkreditt AS	49,211	46,968	50	16	18.14%
SpareBank 1 Næringskreditt AS	1,032	852	9	5	8.60%
SpareBank 1 Kreditt AS	985	817	74	2	16.89%
SpareBank 1 Bank og Regnskap AS	14	13			20.00%
SpareBank 1 Mobilitet AS	6	2		- 2	33.33%
SpareBank 1 Gjeldsinformasjon AS	1				14.44%
Total	72,734	67,126	5,201	216	
2019					
SpareBank 1 Gruppen AS (konsern)	18,244	16,124	5,032	252	19.50%
SpareBank 1 Betaling AS	144	1		- 11	18.57%
SpareBank 1 Utvikling DA	191	164	243	- 2	17.74%
SpareBank 1 Boligkreditt AS	45,808	43,518	48	23	18.65%
SpareBank 1 Næringskreditt AS	981	801	8	5	8.60%
SpareBank 1 Kredittkort AS	982	810	93	13	16.89%
SMB LAB AS	15				20.00%
Betr AS	9	3	1	- 1	20.00%
Total	66,375	61,421	5,425	279	

NOTE 31 PROPERTY, PLANT AND EQUIPMENT

PARENT BANK			GROUP				
BUILDINGS AND OTHER PROPERTY	MACHINERY, FIXTURES, FITTINGS AND VEHICLES	TOTAL	AMOUNTS IN NOK MILLION		TOTAL	BUILDINGS AND OTHER PROPERTY	MACHINERY, FIXTURES, FITTINGS AND VEHICLES
44	558	602	Cost of acquisition or adjusted value as at 01.01.20 1)		1,035	387	648
4	28	32	Additions		83	50	33
	27	27	Disposals		73	46	27
48	559	607	Cost of acquisition or adjusted value as at 31.12.20		1,045	391	654
4	390	393	Accumulated depreciation and write-downs as at 01.01.20		453	10	443
5	47	52	Current period's depreciation		72	14	58
			Current period's impairment				
	20	20	Reversed accumulated depreciation related to disposals		20		20
9	417	425	Accumulated depreciation and impairment in value as at 31.12.20		505	24	481
		388	Right to use asset 2)		435		
		570	Book value as at 31.12.20		975		
44	514	558	Cost of acquisition or adjusted value as at 01.01.19		1,005	344	661
	44	45	Additions		172	98	74
			Disposals		3		3
44	558	602	Cost of acquisition or adjusted value as at 31.12.19		1,174	442	732
4	338	342	Accumulated depreciation and write-downs as at 01.01.19		518	164	353
	49	49	Current period's depreciation		60		60
	3	3	Current period's impairment		3		3
			Reversed accumulated depreciation related to disposals				
4	390	393	Accumulated depreciation and impairment in value as at 31.12.19		574	164	410
		264	Right to use asset		417		
		473	Book value as at 31.12.19		1,016		
1-5%	10-33%		Depreciation rates		1-5%	10-33%	
0%			Dwelling units, building plots and sites, works of art		0%		

1) Because of a system correction the opening balance have been adjusted on Group level

2) Further information regarding leases is found in note 32

Provision of collateralised assets as security

The Bank has not provided collateral security or accepted any rights of use limitations regarding fixed tangible assets.

The gross value of fully depreciated assets still in use

The gross value of fixed tangible assets which are fully depreciated and still in use was NOK 240 million as at 31.12.20 (NOK 130 million as at 31.12.19).

Liabilities related to property, plant and equipment

The Group has no liabilities in regards to acquiring fixed assets as of 31.12.20. See note 37 concerning other liabilities for further information.

Investment property group

The Bank has no assets defined as investment properties as at 31.12.20.

NOTE 32 LEASES

On a lease's start date, The Group recognises a liability to pay rent and an asset that represents the right to use the underlying asset during the term of the lease ('right-of-use asset'). The Group sets the lease liabilities and 'right-of-use assets' at the present value of the remaining rent payments, discounted with the aid of The Group's marginal loan rate. The discount rate used upon establishment is 2.09%.

Interest costs on the lease liability are recognised as costs on an ongoing basis and the right-of-use asset is depreciated on a straight-line basis over the term of the lease. The Group's leased assets mainly include branches and naturally associated premises. Many of the contracts include the right to an extension that can be exercised during the term of the contract. The Group assesses, upon entering into a contract and thereafter continually, whether the right to the extension will, with reasonable certainty, be exercised.

The terms of leases vary from 2 to 14 years.

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
Right to use asset				
341	264	Carrying amount 1 January	417	482
	164	Additions	65	
		-Derecognition		
-34	2	Other changes	-3	-5
307	430	Carrying amount at the end of the period	479	477
43	42	Depreciation in the period	44	60
264	388	Carrying amount of right to use asset at the end of the period	435	417
Lease liability				
341	266	Carrying amount 1 January	422	482
	163	Additions	64	
-45	-40	Lease payments in the period	-51	-63
7	9	Interest	10	10
-37	-5	Other changes	-2	-7
266	393	Lease liability at the end of the period	443	422
Profit and loss				
43	42	Depreciation	44	60
7	9	Interest	10	10
50	51	Total lease expence	54	70
Undiscounted lease liabilities and maturity of cash outflows				
29	40	Less than 1 year	43	45
23	39	1-2 years	42	38
22	32	2-3 years	39	36
21	32	3-4 years	36	34
20	31	4-5 years	36	32
195	222	More than 5 years	312	305
310	396	Total	508	490

NOTE 33 INTANGIBLE ASSETS

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
		Goodwill	109	100
		Other intangible assets	4	5
		Total intangible assets	113	105

Goodwill is primarily attributable to the acquisition of SpareBank 1 Regnskapshuset Nord-Norge AS and acquisition/merger with subordinate accounting firms.

Goodwill and licence items are assessed for impairment each year, and the values are written down if there is a basis for this.

Please see note 3 for a more detailed description.

NOTE 34 OTHER ASSETS

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
75	75	Capital contribution to the SpareBank 1 Nord-Norge Pension Fund	75	75
199	224	Pension assets	239	215
10	135	Other debtors	135	10
63	62	Prepaid expenses	91	72
162	10	Dividends receivable from subsidiaries		
78	6	Internal accounts	6	78
		Client account – property brokerage	86	78
48	39	Other assets	90	98
636	551	Total other assets	722	626
6	5	Hereof acquired assets listed for sale 1)	6	6

1) The acquired assets listed for sale include three apartments and four properties.

NOTE 35 DEPOSITS FROM CUSTOMERS

SpareBank 1 Nord-Norge classifies deposits from customers to amortised cost. For more information please see note 19 regarding interest cost for deposits.

PARENT BANK				GROUP					
31.12.19		31.12.20		AMOUNTS IN NOK MILLION		31.12.20		31.12.19	
PROPOR-TION	DEPOSITS	PROPOR-TION	DEPOSITS	PROPOR-TION	PROPOR-TION	DEPOSITS	PROPOR-TION	DEPOSITS	
90%	61,584	91%	66,779	Deposits from and liabilities to customers, without agreed maturity		91%	66,717	90%	61,540
10%	6,490	9%	6,441	Deposits from and liabilities to customers, with agreed maturity		9%	6,441	10%	6,490
100%	68,074	100%	73,220	Total deposits		100%	73,158	100%	68,030
	1.01%		0.62%	Average interest rate 1)			0.62%		1.01%

Deposits broken down by sector and industry

6%	3,867	5%	3,781	Real estate	5%	3,781	6%	3,867
3%	1,729	3%	2,392	Financial and insurance activities	3%	2,392	3%	1,729
3%	2,020	4%	2,917	Fishing and aquaculture	4%	2,917	3%	2,020
2%	1,293	2%	1,103	Manufacturing	2%	1,103	2%	1,293
1%	505	1%	518	Agriculture and forestry	1%	518	1%	505
4%	2,610	4%	2,627	Power and water supply and construction	4%	2,627	4%	2,610
9%	6,135	9%	6,850	Service industries	9%	6,788	9%	6,091
3%	1,968	3%	2,168	Transportation	3%	2,168	3%	1,968
3%	2,041	4%	2,795	Commodity trade, hotel and restaurant industry	4%	2,795	3%	2,041
33%	22,168	34%	25,151	Total public market	34%	25,089	33%	22,124
54%	36,489	55%	40,363	Total retail market	55%	40,363	54%	36,489
14%	9,417	11%	7,706	Total government	11%	7,706	14%	9,417
100%	68,074	100%	73,220	Total gross lending to customers	100%	73,158	100%	68,030

Deposits broken down by geographical area

56%	38,281	56%	40,998	Troms og Finnmark, incl. Svalbard	56%	40,936	56%	38,237
38%	25,864	37%	27,045	Nordland	37%	27,045	38%	25,864
4%	2,835	5%	3,897	Other regions	5%	3,897	4%	2,835
2%	1,094	2%	1,280	International	2%	1,280	2%	1,094
100%	68,074	100%	73,220	Total deposits broken down by geographical areas	100%	73,158	100%	68,030

1) Average interest rate is calculated as annual total interest / average volume.

NOTE 36 DEBT SECURITIES IN ISSUE

As is evident from note 2, SpareBank 1 Nord-Norge has financial debt securities in issue with floating or fixed interest rate. Variable rate funding is recorded at amortised cost. Funding with fixed interest rate is also recorded at amortised cost, but with fair value hedging. Fixed rate funding is hedged through interest rate swaps.

The recorded value is reported in accordance with the fair value of the interest rate hedge. The fair value of the interest rate hedge does not include credit risk. The Group applies the rules for IAS 39 when assessing interest rate hedges.

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
15,593	13,842	Bond debt with fixed interest rate	13,842	15,593
9,193	9,325	Bond debt determinable interest rate	9,325	9,193
24,786	23,167	Total debt securities in issue	23,167	24,786
1.79%	1.20%	Average interest rate for bond debt 1)	1.20%	1.79%
Bond debt broken down by maturities				
3,966		2020		3,966
4,307	3,456	2021	3,456	4,307
4,749	5,600	2022	5,600	4,749
4,879	4,590	2023	4,590	4,879
6,709	3,246	2024	3,246	6,709
	5,138	2025 or later	5,138	
176	1,137	Impact from recalculation to market value of bonds - hedging-related accounting	1,137	176
		Own bonds		
24,786	23,167	Bond debt and other long-term borrowings	23,167	24,786
Broken down by the most important foreign currencies				
14,811	14,618	NOK	14,618	14,811
3,554	2,576	CHF	2,576	3,554
441		USD		441
5,980	5,973	EUR	5,973	5,980
24,786	23,167	Total liabilities broken down by major currencies	23,167	24,786

- 1) Average interest is calculated on the basis of actual interest cost for the year, including any interest rate- and currency swaps, as a percentage of the average securities portfolio.

CHANGES IN SECURITIES ISSUED

PARENT BANK AND GROUP	STATE- MENT OF FINANCIAL POSITION	ISSUED	MATURED/ REDEEMED	EXCHANGE-RATE MOVEMENTS	OTHER ADJUST- MENTS	STATE- MENT OF FINANCIAL POSITION
AMOUNTS IN NOK MILLION	31.12.19	2020	2020	2020	2020	31.12.20
Certificates and other short-term borrowings						
Bond debt	24,786	4,981	-6,274	99	-425	23,167
Total	24,786	4,981	-6,274	99	-425	23,167

NOTE 37 OTHER LIABILITIES

PARENT BANK			GROUP	
31.12.19	31.12.20	AMOUNTS IN NOK MILLION	31.12.20	31.12.19
1,194	1,107	Other liabilities	1,254	1,425
198	167	Incurred costs / prepaid income	503	498
38	61	Provision for incurred costs / obligations 1)	61	77
1,430	1,335	Total other liabilities	1,818	2,000
38	61	1) Off balance sheet loss provisions under IFRS 9	61	38
Other liabilities:				
266	392	Lease liability under IFRS 16 (see note 32)	443	422
455	28	Accrued tax	80	467
21	23	Tax deductions	36	33
147	110	Creditors	125	164
252	251	Agreed payments from Donations Fund	252	252
34	42	Pensionliabilities (IAS 19)	42	34
19	261	Miscellaneous liabilities	276	53
1,194	1,107	Total other liabilities	1,254	1,425
Incurred costs / prepaid income:				
122	75	Incurred costs / prepaid income 2)	151	194
		Accrued income financial leases	248	218
76	92	Incurred personnel costs	104	86
198	167	Total incurred costs / prepaid income	503	498
2) Including provision for restructuring costs				
Provision of accrued expenses / obligations				
		Provision of accrued expenses / obligations		39
38	61	Off balance sheet loss provisions under IFRS 9	61	38
38	61	Total provision of accrued expenses / obligations	61	77

Strategic and forward looking commitment with Helgeland Sparebank

SpareBank 1 Nord-Norway (SNN) and Helgeland Sparebank (HSB) are establishing a strategic and forward-looking cooperation. SNN will become a long-term owner of HSB with 19.99% of the equity certificates. In connection with this, HSB will acquire SNN's banking activities associated with its branches in Helgeland. For technical and practical reasons, the transfer of SNN's activities in Helgeland and HSB's joining of SpareBank 1-alliansen will be conducted in a number of stages over the course of 2021.

- HSB will become a co-owner of EiendomsMegler 1 Nord-Norge AS and Regnskapshuset Nord-Norge AS on 1 March 2021 and will at this time purchase 15% of the shares in the companies.
- SNN's activities in Helgeland will be transferred in mid-October 2021. At the same time, SNN will acquire 19.99% of the shares in HSB.

Ongoing lawsuits:

As at 31.12.20, The Group has not been sued in any law cases. The Bank is not involved in legal disputes that entail a litigation risk of significance to the Bank's operations.

Provision for accrued costs/liabilities

Classified as liabilities pursuant to IFRS 9. See note 13.

NOTE 38 SUBORDINATED LOAN CAPITAL AND HYBRID CAPITAL

The maturity and interest rates for subordinated loan capital are shown in the table below. All of the amounts are measured at amortised cost. Interest is recognised as interest costs.

MATURITY STRUCTURE

PARENT BANK		AMOUNTS IN NOK MILLION	GROUP	
31.12.19	31.12.20		31.12.20	31.12.19
Subordinated capital with definite maturity				
500	500	2027 3m NIBOR + 1.54% (Call option 2022)	500	500
350	350	2028 3m NIBOR + 1.40% (Call option 2023)	350	350
200	200	2029 3m NIBOR + 1.40% (Call option 2024)	200	200
1,050	1,050	Total subordinated capital with definite maturity	1,050	1,050
3.00%	2.39%	Average interest subordinated capital	2.39%	3.00%

The contract terms and conditions for hybrid Tier 1 instruments mean that they are included in the Bank's Tier 1 capital for capital adequacy purposes, see note 5. Hybrid Tier 1 instruments are classified as equity and presented on the line hybrid Tier 1 instruments under equity. They are subsequently measured at amortised cost. This means that the interest is not presented on the line for interest costs but is recognised directly against equity.

Perpetual hybrid Tier 1				
350	350	2099 3m NIBOR + 3.30% (Call option 2022)	350	350
180	180	2099 3m NIBOR + 3.15% (Call option 2022)	180	180
250	250	2099 3m NIBOR + 3.30% (Call option 2023)	250	250
780	780	Total perpetual hybrid Tier 1	780	780
4.80%	3.26%	Average interest perpetual hybrid Tier 1	3.26%	4.80%
3.77%	2.76%	Average interest subordinated and hybrid capital	2.76%	3.77%

NOTE 39 BUSINESS ACQUISITIONS/MERGERS

Acquisitions/merger of accounting office

During 2020, SpareBank 1 Nord-Norge AS (RH) acquired 100% of the shares in Tromsø Regnskap AS. The company provides accounting services.

During 2020, the company was merged into RH. The merger took place with accounting and tax continuity and accounting and tax effect from 1 January 2020.

Acquisition analyses have been prepared in line with IFRS 3, where identifiable assets and liabilities are stated at fair value at the time of acquisition. The difference between The Group's acquisition cost and the book value of the net assets is allocated as goodwill.

FAIR VALUE RECOGNIZED AT ACQUISITION

(NOK MILLION)

Total assets	6
Total liabilities	6
Net identifiable assets and liabilities	0
Goodwill at aquisition	9
Aquisition cost	9

NOTE 40 RELATED PARTIES

PARENT BANK	SUBSIDIARIES	JOINT VENTURES/ ASSOCIATED COMPANIES
SpareBank 1 Nord-Norge	SpareBank 1 Finans Nord-Norge AS	SpareBank 1 Gruppen AS
	EiendomsMegler 1 Nord-Norge AS	SpareBank 1 Boligkreditt AS
	SpareBank 1 Nord-Norge Portefølje AS	SpareBank 1 Utvikling DA
	SpareBank 1 Regnskapshuset Nord-Norge AS	SpareBank 1 Næringskreditt AS
	Fredrik Langes gate 20 AS	SpareBank 1 Betaling AS
	Rødbanken Holding AS 1)	SpareBank 1 Kreditt AS
		SpareBank 1 Bank og Regnskap AS
		SpareBank 1 Gjeldsinformasjon AS
		SpareBank 1 Mobilitet AS

Share of equity is specified in note 30.

1) Ideal organisations are not consolidated in The Group accounts.

TRANSACTIONS WITH SUBSIDIARIES

AMOUNTS IN NOK MILLION	2020	2019
Income items - Parent Bank:		
Interest and similar income from loans and claims from subsidiaries	72	93
Deposit interest income from subsidiaries	5	12
Share dividend	139	152
Accrued commissions from lien loans	12	25
Other fees and commissions	2	4
Refunded operating costs (adm services, IT ect)	16	13
Refunded rental cost (posted in the balance sheet, under IFRS 16)	16	13
Balance sheet items - Parent Bank		
Loans	5,302	4,913
Subordinated loan capital	101	101
Hybrid Tier 1 Capital bonds	84	84
Deposits	1,006	593
Other receivables	0	162

As at 31.12.20, lien-based loans and leasing arranged for SpareBank 1 Finans totalled NOK 6,322 million.

TRANSACTIONS WITH JOINT VENTURES/ASSOCIATED COMPANIES

AMOUNTS IN NOK MILLION	2020	2019
Income items - Parent Bank		
Interest and similar income received from loans and claims from joint ventures	45	86
Deposit interest income from joint ventures	0	2
Share dividends	217	697
Balance sheet items - Parent Bank		
Loans and advances to joint ventures	1,086	1,195
Deposits from and liabilities to joint ventures	70	62
Bonds	45	100
Guarantees	4	4

Being a participant in the SpareBank 1-alliance, several transactions between the Parent Bank and joint ventures are carried out. All transactions entered into are completed on commercial terms as a part of ordinary business and at market prices.

THE MOST IMPORTANT TRANSACTIONS ARE AS FOLLOWS:

AMOUNTS IN NOK MILLION	2020	2019
a) Purchase of management- and information technology, and development services from SpareBank 1 Utvikling DA	149	148
b) Commissions from sale of insurance- and savings products with an insurance element for SpareBank 1 Gruppen AS	182	166
c) Loans sold to SpareBank 1 Boligkreditt AS (as at 31.12)	37,735	35,625
Accrued commission from SpareBank 1 Boligkreditt AS	343	260
Receivables SpareBank 1 Boligkreditt AS (as at 31.12)	0	0
d) Loans sold to SpareBank 1 Næringskreditt AS (as at 31.12)	410	417
Accrued commission from SpareBank 1 Næringskreditt AS	4	5

NOTE 41 EQUITY CERTIFICATES (EC) AND OWNERSHIP STRUCTURE

According to the statutes § 2-2 the Bank's EC-capital amounts to NOK 1,807,164,288 made up of 100,398,016 certificates, each of a nominal value of NOK 18. The voting rights associated with an equity certificate are held by the person who is registered as owner in the Norwegian Central Securities Depository (VPS).

The Supervisory Board can decide to issued equity certificates that are negotiable and entitle the holder to dividend under the Act of 10 June 1988 No. 40 relating to financial services and financial institutions (Financial Institutions Act). Equity certificate holders must be registered with the Norwegian Central Securities Depository (VPS).

As of 31.12.20, the Bank had 9,786 EC-holders (9,200 at 31.12.19).

CHANGE IN THE BANK'S EC-CAPITAL AND TOTAL CERTIFICATES:

YEAR	CHANGE	CHANGE IN EC CAPITAL	TOTAL EC CAPITAL	TOTAL NUMBER OF CERTIFICATES
2000	Issue earmarked for staff	10,453 101	659,701 800	6,597 018
2001			659,701 800	6,597 018
2002			659,701 800	6,597 018
2003			659,701 800	6,597 018
2004			659,701 800	6,597 018
2005	Bonus issue	131,940 500	791,642 200	7,916 422
2005	EC split		791,642 200	15,832 844
2006			791,642 200	15,832 844
2007	Dividend issue	49,055 400	840,697 600	16,813 952
2008	Dividend issue	54,906 050	895,603 650	17,912 073
2009			895,603 650	17,912 073
2010			895,603 650	17,912 073
2011	EC split and issues	759,621 025	1,655 224,675	66,208 987
2012			1,655 224,675	66,208 987
2013	Rights issue and private placement for employees	750,029 552	1,807 164,288	100,398 016
2014			1,807 164,288	100,398 016
2015			1,807 164,288	100,398 016
2016			1,807 164,288	100,398 016
2017			1,807 164,288	100,398 016
2018			1,807 164,288	100,398 016
2019			1,807 164,288	100,398 016
2020			1,807 164,288	100,398 016

THE 20 LARGEST EC-HOLDERS

EQUITY CERTIFICATE HOLDERS	NUMBER OF ECS	SHARE	CHANGE IN NUMBER
	31.12.2020	31.12.2020	OF ECS 2020
PARETO INVEST AS	3,416 933	3.40%	391,059
PARETO AKSJE NORGE VERDIPAPIRFOND	3,309 231	3.30%	-46,484
State Street Bank and Trust Comp	2,938 258	2.93%	-721,599
The Northern Trust Comp, London Br	2,814 607	2.80%	719,859
GEVERAN TRADING CO LTD	2,790 356	2.78%	97,076
VPF EIKA EGENKAPITALBEVIS	2,508 226	2.50%	727,301
MP PENSJON PK	2,444 322	2.43%	175,000
Brown Brothers Harriman & Co.	2,196 486	2.19%	-76,811
FORSVARETS PERSONELLSERVICE	1,621 830	1.62%	154,200
METEVA AS	1,614 670	1.61%	0
SPAREBANKSTIFTELSEN SPAREBANK 1 NO	1,411 606	1.41%	0
Landkreditt Utbytte	1,250 000	1.25%	50,000
Morgan Stanley & Co. Int. Plc.	1,164 000	1.16%	-800,238
State Street Bank and Trust Comp	1,138 791	1.13%	243,548
Euroclear Bank S.A./N.V.	1,010 361	1.01%	-7,763
The Bank of New York Mellon SA/NV	790,249	0.79%	0
J.P. Morgan Bank Luxembourg S.A.	768,488	0.77%	-237,751
CLEARSTREAM BANKING S.A.	749,878	0.75%	-6,320
Brown Brothers Harriman & Co.	735,389	0.73%	376,702
VERDIPAPIRFONDET EIKA SPAR	729,222	0.73%	98,274
20 largest EC-holders	35,402 903	35.26%	1,136 053
Other EC-holders	64,995 113	64.74%	
ECs issued	100,398 016	100.00%	

EC RATIO

The result for the accounting year is divided between the EC-holders and the Bank according to the EC-ratio fixed as at 01.01, adjusted for any issues during the accounting year. Excluding set aside for dividends payment and donations as at 31.12.

AMOUNTS IN NOK MILLION	01.01.21	01.01.20
Parent Bank		
Equity Certificates	1,807	1,807
Premium Fund	843	843
Dividend Equalisation Fund, excluding fund for unrealised gains	2,861	2,633
Other equity	- 2	14
A. Equity attributable to EC holders of the Bank	5,509	5,297
Saving Bank's Fund, excluding fund for unrealised gains	6,254	5,990
Donations	120	120
Other equity	- 3	11
B. Total Saving Bank's Fund	6,371	6,121
Total equity, excluding hybrid capital	11,880	11,418
EC ratio (A/ (A+B))	46.36%	46.36%

Reconciliation Balance Sheet

Total equity, excluding hybrid capital	11,880	11,418
Hybrid capital	780	780
Set aside for dividends payment	392	402
Set aside for donations	453	465
Total equity, Parent Bank	13,505	13,065

RESULT PER EC

2019	2020		2020	2019
2,687	1,365	Result for the year	1,742	2,062
- 28	- 33	*Net interests hybrid capital	- 33	- 28
2,659	1,332	Adjusted resultat for the year	1,709	2,034
1,233	618	EC-holders share of result for the year (46.36%)	792	943
12,28	6,22	Result per EC	7,89	9,39
2,647	1,340	Total comprehensive income	1,741	2,034
- 28	- 33	*Net interests hybrid capital	- 33	- 28
2,619	1,307	Adjusted total comprehensive income	1,708	2,006
1,214	606	EC-holders share of result for the year (46.36%)	792	930
12,09	6,10	Total comprehensive income per EC	7,89	9,26

* Interest on tier 1 capital instruments that are classified as equity was recognised directly against equity in the amount of NOK 33 (28) million, reduced by a tax effect of NOK 0 (7) million.

NOTE 42 PROFIT DISTRIBUTION

AMOUNTS IN NOK MILLION	2020	2019
Result for the year (group)	1,742	2,062
Result from subsidiaries	-174	-151
Dividends from subsidiaries	143	156
Result from associated companies/joint ventures	-554	-815
Dividends/gains from associated companies/joint ventures	208	1,133
Reclassification from equity method to fair value through profit and loss	0	299
Group eliminations	0	3
Result for the year (parent bank)	1,365	2,687
Interest hybrid capital	-33	-28
Result for the year distributable (parent bank)	1,332	2,659
Distribution		
Cash dividend to EC holders	392	402
Dividend Equalization Fund	226	831
Donations	453	464
Saving Bank's Fund	261	962
Result for the year distributed	1,332	2,659
To EC holders (amount)	618	1,233
To EC holders (per cent)	46.36%	46.36%
To community owned capital (amount)	714	1,426
To community owned capital (per cent)	53.64%	53.64%
Payout rate for the result for the Parent Bank ex interest hybrid capital	63.4%	32.6%
Payout rate for the result for The Group ex interest hybrid capital	49.4%	42.6%
Dividend per equity certificate	3,90	4,00

Dividends will be distributed to registered equity certificate holders as at 25 March 2021.

The Bank's equity certificates will be traded ex dividend as of 26 March 2021.

Dividends will be paid out on 14 April 2021.

(EC = Equity Certificates)

Also see note 43 on the authorities' recommendations regarding the distribution of dividends for 2020.

Three tier 1 capital instruments issued by the Bank are not covered by the IFRS regulations' definition of debt and are therefore classified as equity. Based on this, accrued interest on the hybrid tier 1 capital has not been recognised as a cost in the income statement but has been charged directly against equity. When calculating key figures for equity and the equity certificates, accrued interest on hybrid tier 1 capital is thus deducted from the accounting result.

At the same time, hybrid tier 1 capital is deducted from the equity on the balance sheet. This ensures that the key figures relevant to the Bank's owners are calculated on the basis of the result and the equity that actually belong to the owners.

NOTE 43 EVENTS OCCURRING AFTER THE END OF THE YEAR

The proposed distribution of a cash dividend from the profit of the year is 392 MNOK to the equity capital certificate holders in SpareBank 1 Nord-Norge and 453 MNOK as donations to community-owned capital. This proposal has not been declared as at the date of the balance sheet, and has therefore not been recognised as a liability on the balance sheet. It is still included in the equity.

In line with the Ministry of Finance's recommendations, the following process is proposed for the distribution of the dividend in 2021: The proportion of the proposed dividend in line with the authorities' recommendations (MNOK 162 in dividends and MNOK 187 in community dividends) will be paid out to those equity certificate holders registered as such as at 25 March 2021. The Bank's equity certificates will be traded ex dividend as at 26 March 2021. The Board will be granted special authorisation to consider paying the remaining part of the dividend in the fourth quarter of 2021 if the financial situation permits this.



Photo: Marius Fiskum



GROUP CEO, WORKING FROM HOME

Group CEO Liv Ulriksen has also in periods headed up the group from her office at home. «It's been fine, but I've missed colleagues», says Ms Ulriksen.

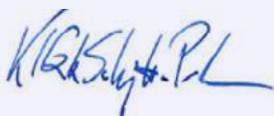
STATEMENT BY THE BOARD OF DIRECTORS AND THE GROUP CEO

Today The Board of Directors and the Chief Executive Officer have considered and adopted the annual report and the consolidated annual financial statements of SpareBank 1 Nord-Norge for the period 1 January to 31 December 2020.

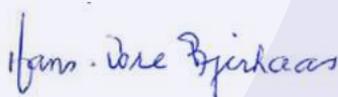
We confirm to the best of our knowledge that the financial statements for the period 1 January to 31 December 2019 have been prepared in accordance with current accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of The Group taken as a whole. We also confirm that the quarterly report gives a true and fair view of important events during the accounting period and their influence on the quarterly financial statements, the most important elements of risk and uncertainty that The Group faces in the next accounting period, and of related parties' material transactions.

Tromsø, 25 February 2021

The Board of Directors of SpareBank 1 Nord-Norge



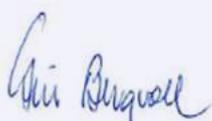
Karl Eirik Schjøtt Pedersen
(Chair)



Hans-Tore Bjerkaas
(Deputy chair)



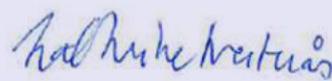
Kjersti Terese Stormo



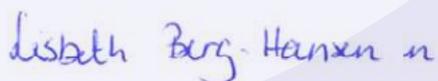
Geir Bergvoll



Kim Daniel Arthur



Kathrine Tveiterås



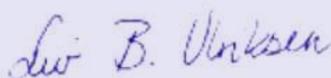
Lisbeth Berg-Hansen



Kjetil Berntsen
(Employee elected)



Vivi Ann Pedersen
(Employee elected)



Liv Bortne Ulriksen
(Acting CEO)

ALTERNATIVE PERFORMANCE MEASURES

SpareBank 1 Nord-Norge's alternative performance measures (APMs), provide relevant additional information to what is otherwise shown in the quarterly financial statements. These key figures are not defined through IFRS and cannot be directly compared with equivalent figures for other companies unless the same definition is used.

The alternative performance measures are not meant to replace any measurements/key figures under IFRS. The performance targets provide additional insight into The Group's operations and represent important targets in management's control of The Group's various business areas. Non-financial data or key figures governed by IFRS or other regulations, e.g. CRR/CRD, are not defined as APMs. The APMs are presented on a separate page in the quarterly accounts, and show comparable figures for the corresponding period last year.

PROFITABILITY	DEFINITION	RELEVANCE
Return on equity	Profit in relation to average equity. Calculated per the end of each quarter, along with opening and closing balances for the year. The return on equity for the period is reported on an annualised basis.	Return on equity is The Group's strategic target for profitability. The return on equity is a measure of profitability on The Group's performance factors.
Cost/income ratio	Total costs in relation to total income.	The cost/income ratio is a measure of the profitability of The Group's ongoing operations.
Interest margin	Net interest income in relation to average total assets. Average total assets are calculated as at the end of each quarter, along with opening and closing balances.	The interest margin shows the trend in the ratio between the sale price of products and lending costs from period to period. The interest margin measures the profitability of The Group's loan products.
Deposits		
Deposit-to-loan ratio	Total deposits are divided by total lending excluding intermediary loans.	The ratio shows the proportion of The Group's total lending financed through customer deposits, and the need for financing from external lenders.
Deposit-to-loan ratio incl. intermediary loans	Total deposits are divided by total lending including intermediary loans.	The ratio shows how much of The Group's total lending including intermediary loans has been funded through customers' deposits.
Growth in deposits	Deposit growth is measured quarterly as the percentage change in the Bank's deposits in the last 12 months.	Measures both customer growth and changes in the financing situation.
Lending		
Growth in lending (%)	Growth in lending excl. intermediary loans is measured quarterly as the percentage change in the Bank's customer loans in the last 12 months.	Shows the growth in the Bank's core area, customer lending. The calculation does not include liquidity portfolio/loans to credit institutions.
Growth in lending, incl. intermediary loans (%)	Growth in lending incl. intermediary loans is measured quarterly as the percentage change in the Bank's customer loans in the last 12 months.	Shows the growth in the Bank's core area, including intermediary loans.
Proportion of loans deducted	Measured as the percentage of loans deducted in relation to gross lending.	A not insignificant part of the bank's lending is transferred to SpareBank1 Boligkreditt or SpareBank1 Næringskreditt as intermediary loans and deducted from the balance. This key figure shows the percentage of loans in this category.
Proportion of loans deducted, retail market	Measured as the percentage of loans deducted in relation to gross lending to the retail market.	Deducted portion of the retail market. The bulk of deducted loans are in the retail market segment.
Losses and non-performing loans		
Loan losses (%)	Total posted losses year to date in relation to total lending volume incl. intermediary loans.	Measures the relative importance of losses set against the rest of the portfolio of loans. Relevant for estimating future expected losses and The Group's credit risk.
Commitments in default (%)	Percentage of overdue commitments (over 90 days) in relation to total lending volume incl. intermediary loans.	Measures the relative importance of non-performing loans set against the rest of the portfolio of loans. Relevant for estimating future expected defaults and The Group's credit risk.
Doubtful commitments (%)	Percentage of impaired commitments in relation to total lending volume incl. intermediary loans	Measures the relative importance of non-performing loans set against the rest of the portfolio of loans. Relevant for estimating future expected defaults and The Group's credit risk.
Net defaulted and doubtful commitments (%)	Defaulted and doubtful commitments are adjusted for individual loss write-downs and expressed as a proportion of gross lending incl. intermediary loans.	Defaulted and doubtful commitments are netted off against loss provisions in Stage 3.
Loss provision ratio	Ratio between total loss provisions and non-performing and impaired commitments.	Shows the percentage of losses and non-performing loans that have been raised in Stage 3 of loss provisions.

APM (ALTERNATIVE PERFORMANCE MEASURES) GROUP

AMOUNTS IN NOK MILLION	31.12.20	31.12.19
Profit for the period	1,742	2,062
Deduct interest hybrid tier 1 capital	33	28
Profit for the period incl. interest hybrid tier 1 capital	1,709	2,034
Total Equity	15,022	14,172
Deducting hybrid Tier 1 capital	780	780
Equity excl. hybrid Tier 1 capital	14,242	13,392
Equity excl. hybrid tier 1 capital 01.01.	13,392	12,278
Equity excl. hybrid tier 1 capital 31.03.	12,911	12,266
Equity excl. hybrid tier 1 capital 30.06.	13,401	12,820
Equity excl. hybrid tier 1 capital 30.09.	13,884	13,194
Equity excl. hybrid tier 1 capital 31.12.	14,242	13,392
Average equity excl. hybrid tier 1 capital	13,566	12,790
Profit for the period, annualised incl. interest hybrid tier 1 capital	1,709	2,034
Average equity excl. hybrid tier 1 capital	13,566	12,790
Return on Equity	12.6%	15.9%
Total operating expenses	1,626	1,640
Total income	4,060	4,124
Cost-income ratio	40.0%	39.8%
Net interest income	2,068	2,097
Average total assets	116,810	108,989
Interest margin	1.77%	1.92%
Deposits from customers	73,158	68,030
Total lending incl. intermediary loans at the end of period	127,122	121,733
Deposits as a percentage of total lending incl. intermediary loans	57.5%	55.9%
Deposits from customers	73,158	68,030
Gross loans to customers	88,977	85,692
Deposits as a percentage of gross lending	82.2%	79.4%

APM (ALTERNATIVE PERFORMANCE MEASURES) GROUP

AMOUNTS IN NOK MILLION	31.12.20	31.12.19
Total lending incl. intermediary loans at the end of period	127,122	121,733
Total lending incl. intermediary loans at the end of same period last year	121,733	114,117
Lending growth last 12 months incl. intermediary loans	5,389	7,616
Lending growth last 12 months incl. intermediary loans	4.4%	6.7%
Total lending at the end of period	88,977	85,692
Total lending at the end of same period last year	85,692	80,863
Lending growth last 12 months	3,285	4,829
Lending growth last 12 months	3.8%	6.0%
Total intermediary loans at the end of the period	38,145	36,041
Total lending incl. intermediary loans at the end of period	127,122	121,733
Share of intermediary loans	30.0%	29.6%
Intermediary loans SpareBank 1 Boligkreditt	37,735	35,625
Total retail lending end of period	88,712	86,287
Share of intermediary loans of total retail lending	42.5%	41.3%
Intermediary loans SpareBank 1 Næringskreditt	410	416
Total corporate lending end of period	39,943	36,525
Share of intermediary loans of total corporate lending	1.0%	1.1%
Deposits from customers end of period	73,158	68,030
Deposits from customers end of same period last year	68,030	63,985
Growth in deposits from customers past 12 months	5,128	4,045
Growth in deposits from customers past 12 months	7.5%	6.3%
Losses on loans and guarantees	332	11
Losses on loans and guarantees, annualised	332	11
Total lending incl. intermediary loans at the end of period	128,656	122,812
Losses on loans to customers as a percentage of total lending incl. intermediary loans	0.26%	0.01%
Gross loans in stage 3	373	352
Loss provisions stage 3	- 167	- 152
Net commitments in default	206	200
Total lending incl. intermediary loans at the end of period	128,656	122,812
Net comm. in default and at risk of loss as a per. of total lending incl. intermediary loans	0.2%	0.2%
Non-performing commitments	373	352
Loss provisions stage 3	- 167	- 152
Loan loss provision ratio	44.8%	43.2%



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To the Supervisory Board of SpareBank 1 Nord-Norge

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SpareBank 1 Nord-Norge, which comprise:

- The financial statements of the parent company SpareBank 1 Nord-Norge (the Company), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of SpareBank 1 Nord-Norge and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserede revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund

1. Expected credit loss allowance on loans and advances in the corporate market

Reference is made to Note 3 Critical estimates and assessments regarding the use of accounting principles, Note 7 Credit exposure for each internal risk rating, Note 8 Maximum credit exposure, Note 9 Credit quality per class of financial assets, Note 11 Loans and advances to customers, Note 13 Losses on loans and guarantees and the Board's annual report, section losses and defaults on loans and sections on credit risk.

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Expected credit loss allowance on loans and advances that are not impaired amounts to MNOK 655 for the Group, of which MNOK 588 relates to expected credit losses in the corporate market. Expected credit loss allowance on credit impaired loans and advances amounts to MNOK 170 for the Group, of which MNOK 127 relates to expected credit losses in the corporate market.</p> <p>IFRS 9 requires the Group to calculate expected credit loss (ECL) over the next 12 months for loans and advances that have no significant increase in credit risk (stage 1), and lifetime ECL for loans and advances that have significant increase in credit risk (stage 2). The Group uses models for calculating ECL in stage 1 and 2. The model-based calculations are complex and process a high volume of data. Further, there are management judgement involved with determination of estimate parameters, including:</p> <ul style="list-style-type: none"> • definition of significant increase in credit risk (SICR), • probability of default (PD), • loss given default (LGD), • exposure at default (EAD), • probability weightings applied to future economic scenarios <p>SpareBank 1 Nord-Norge has developed internal rating based models (IRB) for calculation of PD, LGD and EAD. Further, the Group has developed their own model for calculation of expected credit losses based on these IRB-models.</p> <p>Impaired loans and advances, where credit risk has increased significantly and where there is objective evidence of default, are subject to individual assessments to estimate lifetime ECL (stage 3). To calculate the ECL, management is required to make estimates and assumptions, including:</p> <ul style="list-style-type: none"> • timely identification of impaired loans and advances, • the expected future cash flows including the value of underlying collateral. 	<p>We have formed an understanding of the Group's definitions, methods and internal control for recognition and measurement of expected credit loss allowance for the corporate market.</p> <p>We have also formed an understanding of how the Group has considered the increased estimation uncertainty as a consequence of Covid-19.</p> <p>We involved our specialist to assess the Group's methods and policies for internal validation of the IRB-models, as well as to evaluate the internal validation's results to assess possible deviations and consequences for our audit.</p> <p>We have obtained assurance reports with reasonable assurance (ISAE 3000) from an independent auditor who has considered:</p> <ul style="list-style-type: none"> • whether PD, LGD and EAD included in the model are correctly calculated, • whether the data used in the calculations is correct, and • whether the model calculates ECL in accordance with the requirements of IFRS 9. <p>We have evaluated the independent auditor's competence and objectivity, as well as evaluated the reports to assess possible deviations and consequences for our audit. We have performed additional procedures over the data used in the ECL model.</p> <p>We have assessed the Group's definition of SICR by comparison against information available for similar banks. For other relevant assumptions made by management, we have performed stress tests and evaluated the Group's future economic scenarios against external macro-economic reports.</p> <p>We have assessed the reasonableness of the adjustments made by management as a result of the impact of Covid-19.</p> <p>The Group has established controls to ensure that loans and advances with objective evidence of default are individually assessed for expected</p>

<p>As a result of the Covid-19 pandemic, there is a higher inherent risk due to the increased estimation uncertainty when measuring expected credit losses.</p> <p>Based on the size of gross lending, inherent credit risk, the complexity of the models' calculations and the degree of management judgement when preparing the estimates, we consider the expected credit loss allowance in the corporate market to be a key audit matter.</p>	<p>loss. We have tested that a key control operates as intended.</p> <p>For a selection of loans and advances in stage 3, we have reperformed the calculation of expected credit loss, and assessed the projected cash flows against historical financial results, budgets and external valuations of collaterals where applicable.</p> <p>In order to challenge management whether there should have been other loans and advances under individual loss assessment, we have, based on various criteria, tested a selection of high-risk loans and advances. This included loans and advances within industries that are impacted by Covid-19.</p> <p>We have assessed whether the disclosures related to IFRS 9 and ECL are sufficient and in accordance with IFRS 7.</p>
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2. IT systems and application controls

Reference is made to Note 6 section on operational risk and the Board's annual report, section for operational risk

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>SpareBank 1 Nord-Norge is dependent on the IT infrastructure in the Group is functioning as intended.</p> <p>The Group uses a standard core system delivered and operated by an external service provider. Sound governance and control over the IT systems is critical to ensure accurate, complete and reliable financial reporting.</p> <p>Furthermore, the IT systems support regulatory compliance for financial reporting to authorities, which is central to licensed businesses.</p> <p>The system calculates interest on borrowing and lending and the Group's internal control systems are based on system-generated reports.</p> <p>Due to the importance of the IT systems for the Group's operations, the IT environment supporting the financial reporting process is considered a key audit matter.</p>	<p>In connection with our audit of the Group's IT-system, we have gained an understanding of the control environment and tested that selected general IT controls are functioning as intended and support important application controls. In our control testing, we have focused on access management controls.</p> <p>The independent auditor of the external service provider has assessed and tested the effectiveness of internal controls related to the IT systems outsourced to external service provider. We have obtained the attestation report (ISAE 3402) from the independent auditor to evaluate whether the external service provider has satisfactory internal control in areas of significant importance to SpareBank 1 Nord-Norge. We have assured ourselves of the independent auditor's competence and objectivity, as well as evaluated the report in order to assess possible deviations and consequences for our audit.</p> <p>We have requested the independent auditor at the service provider to test a selection of standard reports and key functionalities in the core-system to assess whether:</p> <ul style="list-style-type: none"> • selected standard system reports contain all relevant data, and

	<ul style="list-style-type: none"> the key functionalities, including controls related to interest rate-, annuity- and fee calculations, work as intended. <p>We have inquired management for their evaluation and follow-up of the independent auditor's report for the external service provider to ensure that any findings are appropriately followed up.</p> <p>We have used our IT audit specialist in the work to understand the control environment, test controls and examine the reports.</p>
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Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The

risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial*



Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Tromsø, 25 February 2021
KPMG AS

Stig-Tore Richardsen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.



Operations

SpareBank 1 Nord-Norge is the region's bank with 15 branches in Northern Norway.



Photo: Marius Fiskum



DIGITAL BANK

Customers are changing the way they bank. Almost 50 million mobile banking logins in 2020 underscore this fact. Digital interaction will be even more important in the period ahead. But the group will also retain a focus on physical presence. The significance of everyday financial services, such as 'Min økonomi' ('my finances') and 'Min oversikt' ('my overview') has increased sharply over the past

year. Together with various forms of payment, these services are the main driver of mobile and internet banking traffic. The services are under continual development based on customers' patterns of use and customer responses. In the App Store, SpareBank 1 Nord-Norge is rated one of the country's most used and best liked mobile banks for private individuals.

Group Management team

The Group Management team is The Group CEO's collegiate body for the overall management of SpareBank 1 Nord-Norge. All important decisions are made in consultation with The Group Management team.



GROUP CEO

LIV BORTNE ULRIKSEN

Education

Master's degree in fisheries and aquaculture, with specialisation in economics.

Experience

Ms Ulriksen is a former bank manager at Fokus Bank/Danske Bank, and has management experience from the Norwegian Institute of Fisheries and Aquaculture Research and Nofima AS.

She has held several positions in SpareBank 1 Nord-Norge's Group Management team, most recently as executive director of Credit and Risk.

Number of equity certificates: 85,585



EXECUTIVE DIRECTOR,
FINANCE (CFO)

BENGT OLSEN

Education

Bachelor's degree in economics and business administration. Master's degree in international finance.

Experience

Mr Olsen has been employed by KPMG, Nordlandsbanken and Catch Communications, and as CFO and deputy CEO of DIPS AS. He has held several board positions, including three years as a board member of SpareBank 1 Nord-Norge.

Number of equity certificates: 45,422



EXECUTIVE DIRECTOR,
CREDIT AND RISK
MANAGEMENT (CRO)

MARIUS NILSEN

Education

Master's degree in economics and business administration (financial accounting).

Experience

Mr Nilsen has been employed at EY (Ernst & Young) as an internal auditor and consultant. At SpareBank 1 Nord-Norge he held positions as program manager for the internal audit function and as head of risk management.

Number of equity certificates: 0



EXECUTIVE DIRECTOR,
TECHNOLOGY (CTO)

GEIR ANDREASSEN

Education

Bachelor's degree in auditing.

Experience

Mr Andreassen was previously an auditor with Noraudit. He has held a number of positions at SpareBank 1 Nord-Norge, including that of finance manager, audit manager and head of risk management.

Number of equity certificates: 78,641



EXECUTIVE DIRECTOR,
CHIEF OF STAFF (COS)

TURID ASPENES

Education

Teacher training and management

Experience

Ms Aspenes has taught in lower secondary school and has managerial experience from SpareBank 1-alliansen and Ibis IKT AS. She was previously HR Manager at SpareBank 1 Nord-Norge.

Number of equity certificates: 1,916



EXECUTIVE DIRECTOR, SALES
AND CUSTOMER RELATIONSHIPS
(CCO)

RONNI MØLLER PETTERSEN

Education

Master's degrees in fisheries economics and business administration

Experience

Mr Pettersen is a former managing director of the Nordlys newspaper and a partner at Industrifinans Kapitalforvaltning. He has also been CEO of Formuesforvaltning Norge and sales director at Storebrand.

Number of equity certificates: 36,115



EXECUTIVE DIRECTOR, COMMUNICATIONS AND SOCIETY (CIO)

STEIN VIDAR LOFTÅS

Education

Apprenticeship certificate in engineering technology, bachelor's degree in management and training in informatics and journalism/rhetoric. Currently taking a master's degree in innovation and digital transformation.

Experience

Mr Loftås has been a technical officer, engineer and IT manager in the Royal Norwegian Navy, senior engineer/programmer and regional director at Telenor, and chief municipal executive in Tromsø municipality. He has also held the position of head of communications at SpareBank 1 Nord-Norge.

Number of equity certificates: 5,549



EXECUTIVE DIRECTOR,
RETAIL BANKING

LASSE HAGERUPSEN

Education

Master's degree in management.

Experience

Mr Hagerupsen is a former bank manager for the retail market at both SpareBank 1 Nord-Norge and Postbanken. He has also been managing director of Interkraft Capital Management, and risk manager and stockbroker at Norse Securities. At SpareBank 1 Nord-Norge he has been executive director for the Helgeland region.

Number of equity certificates: 79,786



EXECUTIVE DIRECTOR,
CORPORATE BANKING

TRUDE GLAD

Education

Master's degree in economics and business administration and a master's degree in management.

Experience

Ms Glad previously headed investor relations at Rieber & Søn ASA, and was assistant manager at Norgeskreditt/Vestenfjelske Bykreditt. At SpareBank 1 Nord-Norge, she has headed corporate banking in Salten and held the position of executive director for the Helgeland and Salten region.

Number of equity certificates: 79,835

Board of Directors

The Board of Directors of SpareBank 1 Nord-Norge is The Group's supreme governing body and ensures the proper organisation of the business via the CEO. The Board of Directors has three permanent subcommittees: the risk committee, audit committee and the remuneration committee. In 2020, The Board appointed a committee tasked with recruiting a new CEO. This process was headed by the Board chair.



BOARD CHAIR

KARL EIRIK SCHJØTT-PEDERSEN

Education

Cand.mag. degree in social sciences and an MBA.

Experience

Mr Schjøtt-Pedersen has long political experience from the Norwegian Prime Minister's Office as chief of staff and cabinet minister, and has been both finance minister and fisheries minister. He is currently a partner at Menon Economist. Mr Schjøtt-Pedersen has been board chair since 2015 and heads The Board's remuneration committee.

Number of equity certificates: 7,427



DEPUTY CHAIR

HANS-TORE BJERKAAS

Education

Cand.mag. degree.

Experience

Mr Bjerkaas has a long and wide-ranging career in the media industry behind him in which he has been a TV presenter, journalist, regional editor, head of public television and director-general of the Norwegian Broadcasting Corporation. Mr Bjerkaas has been a board member since 2013 and The Board's deputy chair since 2016. He is a member of The Board's risk committee and The Board's audit committee.

Number of equity certificates: 19,637



BOARD MEMBER

KJERSTI THERESE STORMO

Education

Master's degree in economics and business administration.

Experience

Ms Stormo is the director of the Port of Bodø and has previously been a director at BE Kraft Sales AS and finance manager at Bodø Energi AS, Østbø AS and Nordland Psychiatric Hospital. She has long and broad experience on various boards.

Number of equity certificates: 1,756



BOARD MEMBER

GEIR BERGVOLL

Education

Master's degree in economics.

Experience

Mr Bergvoll has had a long career both nationally and internationally. He has been CEO and chairman of Eksportfinans, and has held in various senior positions with DNB and Sparebanken NOR. He has been a board member since 2019 and heads The Board's risk committee.

Number of equity certificates: 2,360



BOARD MEMBER

KIM DANIEL ARTHUR

Education

Apprenticeship certificate in computing and electronics.

Experience

Mr Arthur was part of building up two international gaming companies, and was CTO in Asia and Europe for Glu Mobile and co-founder of Playfish. He was instrumental in establishing the business incubator Flow Coworking and has been active as an angel investor in business startups. He currently runs the furniture company Ekte. Mr Arthur was elected to The Board in March 2020 and is a member of The Board's remuneration committee.

Number of equity certificates: 0



BOARD MEMBER

KATHRINE TVEITERÅS

Education

Master's degree in marine management, doctoral degree in organisation and management.

Experience

Ms Tveiterås has been head of department at the Norwegian College of Fishery Science, a board member of Sintef Nord and a board member of Troms Kraft. She holds the position of dean of the Faculty of Biosciences, Fisheries and Economics at the Arctic University of Norway. She was elected to The Board of Directors in March 2020.

Number of equity certificates: 0



BOARD MEMBER

LISBETH BERG-HANSEN

Education

Dental secretary

Experience

Ms Berg-Hansen has been state secretary, minister of fisheries and coastal affairs, member of parliament, political adviser and CEO at Bindalssmolt AS. She has broad board experience and is currently on the staff of Kruse Larsen.

Ms Berg-Hansen was elected to The Board of Directors in March 2020 and is a member of The Board's remuneration committee.

Number of equity certificates: 0



EMPLOYEE REPRESENTATIVE

KJETIL BERNTSEN

Education

Cand.mag. degree

Experience

He has broad experience in financial consulting from SpareBank 1 SR-Bank and in his current position as a financial adviser at Retail Banking at SpareBank 1 Nord-Norge. He is also regional representative for Troms of the Finance Sector Union of Norway. He has been a board member since 2017.

Number of equity certificates: 1,208



EMPLOYEE REPRESENTATIVE

VIVI ANN PEDERSEN

Education

Bank trained

Experience

Ms Pedersen has worked in various departments in The Group over many years. She is currently chief union representative of the Finance Sector Union of Norway at SpareBank 1 Nord-Norge, she has been the employees' representative on The Board of Directors since 2004 and is a member of The Board's remuneration committee.

Number of equity certificates: 25,125

Governing bodies

SUPERVISORY BOARD

Board chair Roar Dons, Tromsø, (chair)	2019/2020
Dagny Valaker, Longyearbyen, (deputy chair)	2020/2021

MEMBERS ELECTED FROM THE BANK'S DEPOSITORS

Lawyer Charlotte Ringkjøb, Bodø	2020/2023
Finance manager Odd Levy Harjo, Alta	2020/2023
Ass. clinic manager Gro-Marith Karlsen, Stokmarknes	2020/2023
Finance consultant Johanne Marie Olausen, Storslett	2020/2023
General manager Dagny Valaker, Longyearbyen	2019/2022
General manager Rita Myrvang, Rossfjordstraumen	2019/2022
Shop/company owner Mona Abelsen, Tromsø	2018/2021
Artist Marit Hætta Øverli, Alta	2018/2021
CEO Bjørn-Ronald Olsen, Honningsvåg	2018/2021
Head of unit Lisa Friborg, Tromsdalen	2018/2021

SUBSTITUTE MEMBERS ELECTED FROM THE BANK'S DEPOSITORS

Self-employed John Isak Sara, Kautokeino	2018/2021
Organisation employee Henning A. P. Bråten, Bjørnevatn	2020/2023
Finance and personnel officer Kjetil Fjellgaard, Lovund	2019/2022
General manger Pål Blix-Johansen, Hammerfest	2019/2022
Manager Maria Utsi, Tromsø	2020/2023

MEMBERS ELECTED FROM COUNTY COUNCILS

Deputy mayor/operations manager Kurt Jenssen, Nordland	2020/2023
Marketing and communications manager Beate Bø Nilsen, Nordland	2020/2023
County council representative Kristin Rajala, Troms og Finnmark	2020/2023
Politician Kristian Eilertsen, Troms og Finnmark	2020/2023

SUBSTITUTE MEMBERS ELECTED BY COUNTY COUNCILS

Nurse/project manager Hilde Holand, Nordland	2020/2023
Politician Dagfinn Olsen, Nordland	2020/2023
Deputy mayor Marlene Bråthen, Troms og Finnmark	2020/2023
Manager Benjamin Furuly, Troms og Finnmark	2020/2023

MEMBERS ELECTED BY EC HOLDERS

CEO Trond Mohn, Bergen	2020/2023
Board chair Roar Dons, Tromsø	2018/2021
General manager Håkon Løbach Willumsen, Tromsø	2020/2023
Trainee lawyer Ane Engel Røger, Oslo	2018/2021
Finance staff member Linn Knudsen, Alta	2020/2023
Board chair Kjell Kolbeinsen, Tromsø	2018/2021
Executive director Erling Dalberg, Tromsø	2018/2021
Goldsmith Elin Wintervold, Tromsø	2018/2021
Director Odd Erik Hansen, Tromsø	2018/2021
CEO Lars Martin Lunde, Oslo	2018/2021
Board chair/owner Birger Dahl, Bodø	2018/2021
Financial analyst Tom Rømer Svendsen, Oslo	2019/2022
Finance manager Gry-Janne Rugås, Fauske	2019/2022
Optician Sissel Ditlefsen, Tromsø	2019/2022
Self-employed Rigmor S. Berntsen, Tromsø	2019/2022
CEO Svein Ove Haugland, Tromsø	2020/2023

SUBSTITUTE MEMBERS ELECTED FROM THE BANK'S EC HOLDERS

General manager John-Oskar Nyvoll, Tromsø	2018/2021
General manager Hallgeir Angell, Sørreisa	2018/2021
CEO Rita Karlsen, Husøy i Senja	2018/2021
General manager Erik Tostrup, Bodø	2019/2022
Lecturer Solveig Klærbo Reitan, Trondheim	2020/2023
Head of section Linda Solbakken, Tromsø	2020/2023

MEMBERS ELECTED FROM THE BANK'S EMPLOYEES

Adviser Kjetil Ask Olsen, Krokeldalen	2018/2021
Head of department Tor Magne Oppheim, Tromsdalen	2018/2021
Business adviser Eivind Bergmo, Storslett	2018/2021
Authorised financial adviser Dag Inge Lund, Sortland	2018/2021
Business adviser Svein Borhaug, Finnsnes	2018/2021
Authorised financial adviser Kenneth Normann, Brønnøysund	2020/2023
Authorised financial adviser Aud Skaret, Meløy	2020/2023
Purchasing manager Øyvind Pallesen, Tromsø	2020/2023
Chief safety representative Irina S. Møllersen, Kirkenes	2020/2023
Authorised financial adviser Ann Kirsten Larsen, Tromsdalen	Død 2020

SUBSTITUTE MEMBERS ELECTED FROM THE BANK'S EMPLOYEES

Bank manager Siri Lund, Finnsnes	2018/2022
Insurance specialist Cecilie Wirkola, Tromsø	2020/2023
Adviser Ove Eivind Hagen, Hammerfest	2020/2023
Business adviser Kjetil Hallen, Storslett	2020/2023
Business adviser Vidar Neeraas Bratland, Mo i Rana	2018/2021

THE SUPERVISORY BOARD'S ELECTION COMMITTEE

Members

Lawyer Charlotte Ringkjøb, Bodø (chair) - depositor elected	2020/2021
Board chair Kjell Kollbeinsen, Tromsø - EC holder elected	2020/2021
Beate Bø Nilsen, Sortland - county council elected	2020/2021
Business adviser Svein Borhaug, Finnsnes - employee elected	2019/2020
Optician Sissel Ditlefsen, Tromsø - EC holder elected	2019/2020
Authorised financial adviser Ann Kirsten Larsen, Tromsdalen	Deceased 2020

Substitute members

General manager Rita Myrvang, Rossfjordstraumen - depositor elected	2020/2021
Goldsmith Elin Wintervold, Tromsø - EC holder elected	2020/2021
Deputy mayor/operations manager Kurt Jenssen, Tengelfjord - county council elected	2020/2021
CEO Trond Mohn, Bergen - EC holder elected	2019/2020

BOARD OF DIRECTORS

Members

CEO Karl Eirik Schjøtt-Pedersen, Hosle (chair)	2019/2020
Retiree Hans-Tore Bjerkaas, Tromsø (deputy chair)	2019/2020
Port director Kjersti Terese Stormo, Bodø	2018/2019
Retiree Geir Bergvoll, Oslo	2019/2020
Cabinet maker Kim Daniel Arthur, Tromsø	2020/2021
Dean Kathrine Tveiterås, Tromsø	2020/2021
General manager Lisbeth Berg Hansen, Bindal	2020/2021
Senior employee representative Vivi Ann Pedersen, Tromsø - employee elected	2019/2020
Authorised financial adviser Kjetil Berntsen, Tromsø - employee elected	2019/2020

Substitute members

Employee representative May Britt Nilsen, Storslett - employee elected	2019/2020
Authorised financial adviser Leif Gunnar Kristiansen, Tromsø - employee elected	2019/2020
Business analyst Monica Dønlad, Tromsø - employee elected	2019/2020
Business adviser Eivind Bergmo, Storslett	Stepped down April 2020



SpareBank 1 Nord-Norge's Group Management.

MEETINGS ATTENDED IN 2020

BODY	NO. OF MEETINGS	NO. OF ATTENDEES	NO. OF TIMES FULL ATTENDANCE	NO. OF MEETINGS WITH ABSENCES
Board of directors	24	9	17	7
Supervisory board	1	40	0	1
Supervisory board's nomination committee	7	5	6	1

Corporate governance

The Group Management team and Board of Directors conduct an annual review of the corporate governance policies and how they function in The Group. SpareBank 1 Nord-Norge issues a statement on the policies and practice of corporate governance in accordance with Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance of 17 October 2018.

SECTION 3-3B OF THE ACCOUNTING ACT

(report on corporate governance)

The following explains how section 3-3b, second subsection, of the Norwegian Accounting Act is complied with at Sparebank 1 Nord-Norge. The numbering shows the numbering of the subsection concerned.

1. Reference to the Code of Practice followed by SpareBank 1 Nord-Norge, information about where the Code of Practice is available, and a justification for any deviation from the Code of Practice.

SpareBank 1 Nord-Norge's corporate governance structure is based on regulatory requirements and government expectations. SpareBank 1 Nord-Norge complies with the Norwegian Code of Practice for Corporate Governance, issued by the Norwegian Corporate Governance Board (NUES).

2. Information about where the Code of Practice and regulations mentioned in no 1 are publicly available.

The Code of Practice for Corporate Governance is available at nues.no.

3. A justification for any deviation from the Code of Practice and rules as mentioned in no 1.

Any deviations from the Code of Practice receive comment in the report on compliance with the Code of Practice in the chapter entitled 'Corporate governance at SpareBank 1 Nord-Norge.'

4. Description of the main elements of SpareBank 1 Nord-Norge's systems for internal control and risk management associated with the financial reporting process.

See point 10 of the Norwegian Code of Practice for Corporate Governance for a description of internal control and risk management associated with the financial reporting process.

5. Provisions of articles of association which in whole or in part expand or diverge from chapter 5 of the Public Limited Liability Companies Act. SpareBank 1 Nord-Norge abides by the Financial Institutions Act.

Reference is made to point 6 of the Code of Practice for an account of SpareBank 1 Nord-Norge's compliance.

6. The composition of governing bodies and a description of the main elements of applicable instructions and guidelines for the work these bodies and any committees.

See points 6, 7, 8 and 9 of the Code of Practice.

7. Provisions of articles of association which regulate the appointment and replacement of board members.

See the report regarding point 8 of the Code of Practice.

8. Provisions of articles of association and authorisations which empower the board of directors to decide to repurchase or issue the bank's treasury equity certificates (ECs).

See point 3 of the Code of Practice.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

The following explains how the 15 points of the Norwegian Code of Practice for Corporate Governance of 17 October 2018 are complied with by SpareBank 1 Nord-Norge.

OVERVIEW OF THE CODE OF PRACTICE AND DEVIATIONS

CODE OF PRACTICE	DEVIATIONS
1 Implementation and reporting on corporate governance	None
2 Business	None
3 Equity and dividends	None
4 Non-discrimination of shareholders and transactions with related parties	None
5 Shares and transferability	None
6 General meetings	Where the composition of the bank's bodies is concerned, SpareBank 1 SMN abides by the provisions of the Financial Institutions Act.
7 Nomination committee	All members of the nomination committee for the supervisory board are elected from The Groups represented on the supervisory board.
8 Supervisory board and board of directors: composition and independence	None
9 The work of The Board of Directors	None
10 Risk management and internal control	None
11 Remuneration of The Board of Directors	The Board of Directors participates in The Group's savings scheme for ECs.
12 Remuneration of executive personnel	None
13 Information and communications	None
14 Takeovers	Statutory limit on equity holdings.
15 Auditor	None

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

(Point 1 of the Code of Practice 1)

There are no significant divergences between the Code of Practice and compliance with the Code of Practice at SpareBank 1 Nord-Norge.

The Code of Practice applies to the extent appropriate to savings banks with equity certificates ECs. Any deviations are explained below.

Corporate governance at SpareBank 1 Nord-Norge is defined as the goals and overarching policies by which the bank is governed and controlled for the purpose of safeguarding the interests of equity certificate (EC) holders, depositors and other stakeholder groups in the bank. The bank's corporate governance policies are accordingly designed to ensure sound asset management, and to give added assurance that its stated goals and strategies will be realised and achieved.

The bank adheres to the Norwegian Code of Practice for Corporate Governance.

nues.no

Based on the three main pillars – openness, predictability and transparency – the bank has defined the following main policies:

- A structure which ensures targeted and independent management and control
- Systems ensuring monitoring and accountability
- Effective risk management
- Full disclosure and effective communication to underpin the trust between EC holders, The Board of Directors and The Group management team.
- Non-discrimination between EC holders and a balanced relationship with other stakeholder groups
- Compliance with laws, rules, and ethical standards

Deviations from point 1 of the Code of Practice: None

2. BUSINESS

(Point 2 of the Code of Practice)

SpareBank 1 Nord-Norge is an independent financial services group within the alliance SpareBank 1-alliansen.

The bank's stated purpose is:

«The objective of the savings bank is to provide those services that are customary or natural for banks to perform under the legislation governing savings banks and the licences granted at any time.»

The bank's corporate vision is: *For North Norway*

See also the section entitled 'Strategic Compass' in this annual report for more information on the bank's vision, business concept and overarching financial objectives.

The Board of Directors adopts clear objectives, strategies and risk profile for the business. This is to ensure that the bank creates value for its EC holders and investors.

The bank's corporate governance rules were last approved by The Board of Directors at its meeting

on 10 February 2020. SpareBank 1 Nord-Norge's staff must be recognised for their high ethical standards. To this end they must display a conduct that is confidence inspiring, honest and trustworthy and in compliance with the norms, rules and laws by which society is governed. The bank has therefore produced an ethics handbook entitled 'SNN Code of Conduct – Ethical Guidelines'. This addresses topics such as impartiality and disqualification; relationships to customers, suppliers and competitors; securities trading; insider rules and relevant financial circumstance of the individual. This body of rules applies to all employees and elected officers on governing bodies. The undertaking's code of conduct is available on the undertaking's website.

All employees and elected officers are required by law and internal policies to regard knowledge of The Group's or a customer's circumstances to which they become privy in their work as confidential. This duty of confidentiality applies not only in respect of third parties but also towards colleagues who have no need for the information in question in their work

No staff member may, via computer systems or by any other means, actively seek information about other colleagues or customers that is not necessary for their work.

SpareBank 1 Nord-Norge has its own whistleblowing procedure for employees who learn of circumstances that contravene applicable laws and regulations or of material breaches of internal rules. Employees who in accordance with internal procedures report censurable circumstances shall not be subjected to any reprisals due to their reports. It is also possible to report anonymously, and to an external whistleblowing channel.

SpareBank 1 Nord-Norge's corporate social responsibility is an integral part of the business and covers economic, social, and environmental considerations. It also covers our social mission as a savings bank

with a substantial responsibility for value creation and development of the region. It does so through our services as a financial group, our distribution of community dividends and our wider social commitment. Corporate social responsibility is also expressed in the way in which we manage the resources at our disposal and in our dialogue with employees, EC holders, customers, suppliers, local communities and other stakeholders. The undertaking has dedicated websites for sustainability and corporate social responsibility. See also the chapter on corporate social responsibility in this annual report.

The Board of Directors evaluates objectives, strategies and risk profile at least once a year.

Deviations from point 2 of the Code of Practice: None

3. EQUITY AND DIVIDENDS

(Point 3 of the Code of Practice)

The Board of Directors continuously assesses The Group's capital level and composition in light of its objectives, strategy and desired risk profile.

The SpareBank 1 Nord-Norge group's common equity Tier 1 (CET1) ratio was 17,5%. The bank and The Group are viewed as financially very sound.

The bank's principal targets, including its financial strength target, are communicated via the bank's website, periodic presentations of its accounts and in the bank's annual report (see also the previous point). The bank also conducts periodic reviews of the bank's risk exposure and need for capital. These are summarised in a yearly report (ICAAP) which is submitted to the bank's board of directors.

For further information on equity, see the chapter entitled 'Risk management and internal control'.

DIVIDENDS

The Board of Directors has formulated a dividend policy as the basis for the distribution of dividends proposed to the supervisory board. The dividend policy is published on the bank's website, in periodic presentations of the accounts and in the annual report.

Each year the supervisory board determines the share of post-tax profit to be distributed as

dividends to EC holders and the ownerless capital based on their respective shares of total equity. The share allocated to the ownerless capital is normally disbursed as community dividend.

See further information in The Board of Directors' management report.

PURCHASE OF TREASURY ECS

To permit flexibility when selling ECs to employees and elected officers, the supervisory board has previously authorised The Board of Directors to buy back or issue treasury ECs. To this end, The Board of Directors was on 21 March 2019 granted authorisation by the supervisory board to purchase and establish a security interest in the bank's treasury ECs within the bounds set by law and regulations. The total volume of ECs held by bank, and/or in which it has a consensual security interest, may not exceed 5% of the bank's equity share capital. The lowest price payable per EC is NOK 12.50 and the highest is NOK 100.

The ECs are to be purchased on the securities market via the Oslo Stock Exchange. Disposal shall take place in the same market, or as placements with employees and elected officers in accordance with applicable laws and regulations. Granting of a security interest is done by agreement with the customer in conjunction with the credit process, and any

realisation of the security interest shall take place on the securities market via the Oslo Stock Exchange. The authorisation is valid until 22 May 2021.

DEFICITS

Any deficit is to be covered by proportionate transfers from the ownerless capital, including the donations fund, and EC holders' capital in excess of the stipulated EC holders' capital, including the dividend equalisation fund. Deficits that are not so covered are to be covered by proportional transfers from the premium reserve and compensation reserve, thereafter by reduction of the stipulated EC holders' capital.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

(Point 4 of the Code of Practice)

The bank shall, through an ongoing dialogue, ensure that EC holders and other stakeholder groups are given an opportunity to express their views on the bank's strategic and business-related position and development. The bank must maintain a profile that ensures its credibility and predictability on the equity capital market.

Through the articles of association and in the work of The Board of Directors and Group Management team, emphasis is given to equal treatment of all EC holders and equal opportunity for them to exercise influence. All ECs confer an equal voting right. The bank is compliant with the provisions of the Financial Institutions Act regulating holdings and voting rights insofar as these provisions apply to EC-based savings banks.

In the event of an increase of EC holders' capital, existing EC holders have pre-emptive rights, unless special circumstances call for deviation from this rule. Any such deviation will be explained.

SpareBank 1 Nord-Norge has for several years carried out sales of ECs and/or private placings with the employees involving discounts and lock-in periods. Such transactions are designed to strengthen the employees' ownership of their place of work, their interest in the bank's profitability and future, and the bank's capital instrument.

In 2020, employees were invited to purchase ECs via contracts to save NOK 500, NOK 1,000, NOK 1,500 or NOK 2,000 per month, to be deducted from their pay. Each quarter, ECs are purchased for the amount saved. Every second EC purchased by the employee via the savings scheme qualifies for one further EC free of charge from SpareBank 1 Nord-Norge.

INCREASE OF CAPITAL

Board authorisations for increases of capital are granted on the basis of concrete, defined purposes. As at 31 December 2020, The Board of Directors has granted no authorisations to increase the capital of SpareBank 1 Nord-Norge. No stock issues were implemented in 2020. No subordinated loans were taken out in 2020 to increase The Group's own funds (capital adequacy).

Deviations from point 3 of the Code of Practice: None

The "bonus ECs" are awarded two years after the employee initiates saving and are contingent on the employee retaining ownership of the originally saved ECs and remaining an employee of The Group. Board members are also entitled to participate in the savings programme.

A total of 499 employees availed themselves of the offer in 2020. The average amount saved was about NOK 1,600 per month.

TRANSACTIONS WITH RELATED PARTIES

The instructions to The Board of Directors of SpareBank 1 Nord-Norge stipulate that board members shall not take part in discussions of or decisions in matters of such great importance to the member or a related party that the member must be deemed to have a personal financial interest in the matter. Members are themselves under obligation to ensure that they are not disqualified.

The Board of Directors must approve agreements between the bank and board members. The same applies to agreements between the bank and a third party where a board member, senior employee or a related party might have a vested interest. An exemption applies in the case of credit agreements within the bank's ordinary activities.

Agreements between the bank and a board member, group CEO, an EC holder or their parent company must, with certain exceptions, be presented to the supervisory board for approval if a payment from the bank has a fair value of more than one twentieth of the sum of the ownerless capital and the EC holders' capital in the bank.

Deviations from point 4 of the Code of Practice: None

5. SHARES AND NEGOTIABILITY

(Point 5 of the Code of Practice)

The bank's equity certificate is quoted on the Oslo Stock Exchange and is freely transferable. The articles of association contain no restrictions on transferability.

Deviations from point 5 of the Code of Practice: None

6. GENERAL MEETINGS

(Point 6 of the Code of Practice)

General meeting (supervisory board)

The bank is a savings bank and its management structure and the composition of its management bodies differ from those of a private limited company; see chapter 8 of the Financial Institutions Act on general meetings, governing and control bodies, etc. SpareBank 1 Nord-Norge accordingly has the following bodies: the general meeting (supervisory board), board of directors, general manager (CEO), internal audit, auditor, audit committee, remuneration committee and risk committee.

The bank's supreme body, the supervisory board, comprises EC holders, depositors, employees and representatives of the public authorities.

The elected members shall collectively reflect Sparebanken's customer structure and other stakeholder groups, and its societal functions.

The supervisory board shall see to it that the bank operates in line with its mission and in conformity with law, its articles of association and the decisions of the supervisory board.

The supervisory board has the following main tasks:

- Overseeing The Board's management of the undertaking
- Approving the annual financial statements and management report
- Electing members of the bank's board of directors, control committee and election committee
- Appointing the bank's responsible auditor and fixing the auditor's remuneration
- Distributing the amount which, according to section 10-17 of the Financial Institutions Act, may be donated to non-profit causes
- Raising subordinated loan capital

The bank shall ensure that all members of the supervisory board receive at least 21 days' notice in writing of supervisory board meetings and access to agenda documents, including the election committee's recommendation. The documents shall be available on the bank's website at least 21 days in advance of such meetings. The supervisory board cannot make decisions on any matters other than those stated in the notice of the meeting.

The supervisory board consists of 40 members and 20 substitute members with the following representation:

- EC holders: 16 members and 6 alternate members
- Depositors: 10 members and 5 substitute members
- Employees: 10 members and 5 substitute members
- Troms and Finnmark county council: 2 members and 2 substitute members
- Nordland county council: 2 members and 2 substitute members

The supervisory board normally meets once a year.

The supervisory board has substitute members. EC holders can thus not be represented by a proxy.

Deviations from the point 6 of the Code of Practice:

The supervisory board consists of 40 members, with the EC holders accounting for 16 out of 40 votes. The reason for this deviation from the Code is that SpareBank 1 Nord-Norge abides by the provisions of the Financial Institutions Act with respect to the composition of corporate bodies of savings banks.

7. NOMINATION COMMITTEE

(Point 7 of the Code of Practice)

Nomination committee for the supervisory board

The nomination committee comprises five members and five substitute members, with representatives from all four groups represented on the supervisory board. The nomination committee is appointed by the supervisory board to prepare for the election of members to the supervisory board, The Board of Directors and the nomination committee itself, excluding the employee representatives. The nomination committee is also tasked with reviewing and proposing any changes in the fee structure for the undertaking's elected officers.

Guidelines for the nomination committee are established by the bank's supervisory board.

The nomination committee comprises 5 members and 5 substitute members with the following composition:

- 2 members and 2 substitute members from those elected by the equity certificate holders
- 1 member and 1 substitute member from those elected by the depositors
- 1 member and 1 substitute member from those elected by the employees
- 1 member and 1 substitute member from those elected by the county councils

When preparing the various elections, the committee attaches importance to experience, expertise, gender, industry and geography.

Depositors' election

The supervisory board's nomination committee shall prepare the depositors' election of members and substitute members to the supervisory board. The actual election is done electronically by the depositors. Representatives from the county councils are appointed by the county councils themselves.

EC holders' election

An annual election meeting is held for the EC holders at which representatives to the supervisory board are elected and the undertaking's financial situation is presented. The EC holders are summoned to the election meeting at least 14 days before the meeting is held. Notice of the meeting includes the nomination committee's recommendations for representatives to the supervisory board and other relevant supporting documents.

The voting rights attached to ECs are held by the person provably registered with the Norwegian central securities depository (VPS).

The chair of the nomination committee, or whoever he/she authorises, presents the recommendations to the election meeting, including an account of the nomination committee's work. All those entitled to vote may submit proposals to the election meeting. Separate elections shall be held for members and substitute members. The order in which the substitute members are elected shall be determined at the election.

Votes shall be cast in writing unless all attendees at the meeting agree on a different method. The person(s) who receives the most votes shall be elected. In the case of a tied vote, lots shall be drawn.

Nomination committee for the employees' election

Pursuant to the Financial Institutions Act, the election shall be organised by a nomination committee containing representatives appointed by The Board of Directors. The nomination committee must comprise at least 3 members and both the employees and management must be represented.

Deviations from point 7 of the Code of Practice: All members of the nomination committee for the supervisory board are elected from The Groups represented on the supervisory board. This is in keeping the Financial Institutions Act's rules regulating savings banks.

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

(Point 8 of the Code of Practice)

Reference is made to point 6 for information on the general meeting/supervisory board.

In 2020 The Board of Directors comprised 9 regularly attending members, 7 of whom were elected by the supervisory board and 2 were elected by the employees. 4 of The Board of Directors' 9 members were women, 3 of whom were elected by the supervisory board and 1 by the employees. The nine members are elected for a term of 2 years.

The CEO is not a member of The Board of Directors. None of The Board members elected by the supervisory board have any employee or contractor relationship with The Group beyond their positions as elected officers. In 2020 The Board chair served as working chairman of The Board for 79 hours.

The Board members' independence has been assessed by the nomination committee and they are deemed to be independent. However, the employee-elected board members are not subject to such assessment.

The chair and deputy chair are elected by the supervisory board at separate elections for a term of 2 years.

The composition of The Board of Directors follows from the articles of association. The nomination committee shall ensure that the composition of The Board of Directors is such that the qualifications of its members fulfil the provisions of the Financial Institutions Act on suitability, and fulfil the ESMA/EBA recommendations.

The Board of Directors has 12 fixed meetings per year, and the members' participation in board meetings is described in the annual report. Their holdings of ECs of SpareBank 1 Nord-Norge are disclosed in the notes to the accounts, under the presentation of The Board of Directors in the annual report and on the bank's website. Each board member's background is also described in the annual report and on the bank's website, snn.no.

Deviations from point 8 of the Code of Practice: None

9. THE WORK OF THE BOARD OF DIRECTORS

(Point 9 of the Code of Practice)

The Board of Directors' function

The Board of Directors manages the bank's operations in accordance with applicable law, regulatory requirements, articles of association and other guidelines issued by the supervisory board. The Board of Directors is responsible for ensuring that the resources disposed over by the bank are managed in a prudent and appropriate manner. The Board also has an obligation to ensure that all accounting and asset management are subject to satisfactory controls.

In addition, The Board has the following main responsibilities:

- To appoint the CEO
- To establish instructions for the day-to-day management of the bank
- To determine the bank's strategy, budget and market-related and organisational goals

The Board of Directors appoints and dismisses the manager of the internal audit function.

The Board of Directors normally holds twelve meetings a year. In 2020, The Board met 24 times.

Significant interests

The instructions to The Board of Directors provide that a board member may not participate in the consideration of or decision in matters of significance for him or her or for any related party.

Board members shall disclose, unsolicited, any interest the individual senior employee or a related party may have in the decision in a matter under consideration by The Board of Directors. This applies regardless of whether it can be regarded as a vested interest that disqualifies them under the previous point.

Unless The Board member him/herself opts to withdraw from the consideration of the matter, The Board shall determine whether not the person concerned shall withdraw. In such an assessment, weight must be given to any and all forms of personal financial and other interests of the member and to the need

for public trust in The Board of Directors' decisions and the bank's activities. The Board of Directors' assessment of the question of (dis)qualification must be recorded in the minutes.

Board members are defined as primary insiders and must abide by the bank's rules governing acquisition of equity ECs of the bank and banks in SpareBank 1-alliansen.

In the case of discussions concerning commitments involving companies in which a board member holds a position or has an interest, the member concerned

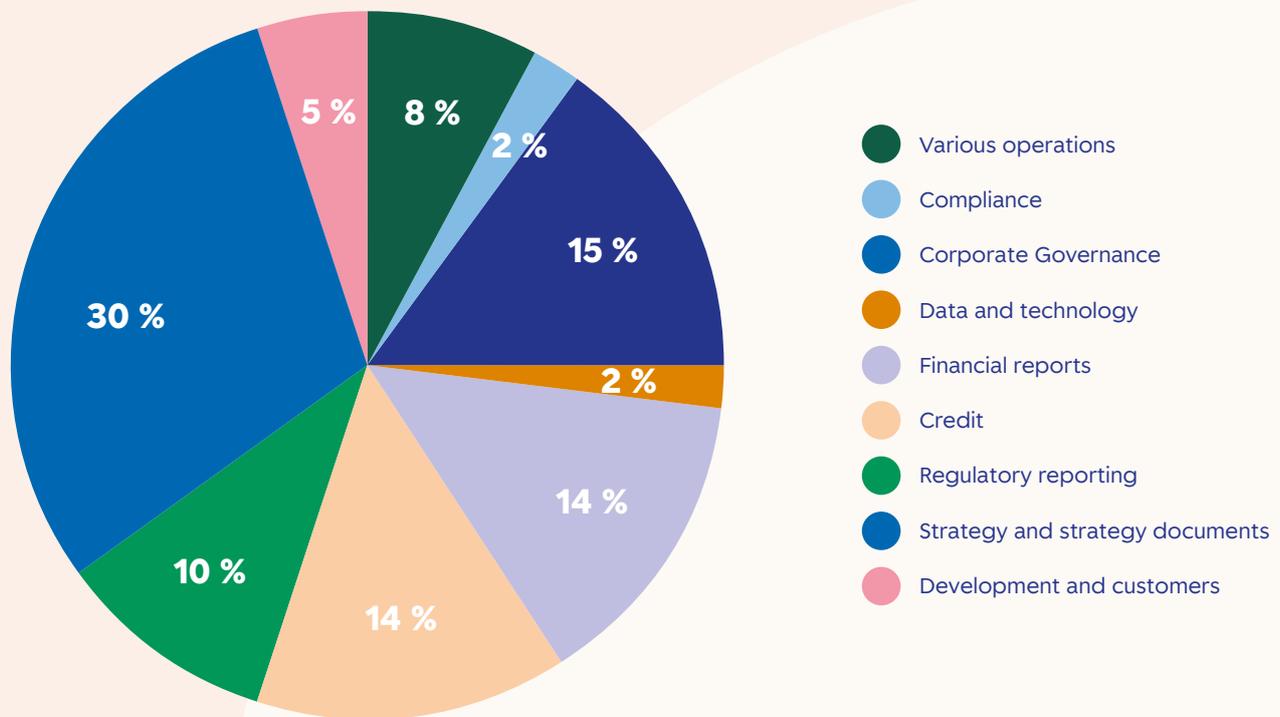
shall declare himself/herself disqualified and withdraw from the meeting. Board members and senior employees shall also inform The Board of Directors if they, directly or indirectly, have a significant interest in an agreement entered into by the bank.

Evaluation of The Board of Directors

Each year The Board of Directors conducts a self-evaluation of its work with regard to competence, working methods, administrative procedures, meeting structure and prioritising of tasks. The evaluation is submitted to the nomination committee as a tool in the recruitment of new board members.

BOARD OF DIRECTORS' RESOURCE USE IN SIGNIFICANT AREAS

The Board of Directors' resource use is illustrated as follows:



REMUNERATION COMMITTEE

Members:

- Chairman of The Board and three board members, one of whom represents the employees
- The secretarial functions are performed by corporate governance

The remuneration committee is identical for all companies in The Group that are covered by the Financial Institutions Regulations.

The Board of Directors has established the remuneration committee's mandate. The committee meets as and when the committee itself considers it necessary, but at least once a year.

Mandate:

- To prepare and present matters to The Board of Directors concerning the remuneration arrangements, including:
 - a. The remuneration policy
 - b. The report on the implementation of the remuneration system
 - c. The Board of Directors' statement on the fixing of salaries and other remuneration of senior employees that is presented to the supervisory board
 - d. Establishment of a variable remuneration framework
 - e. The remuneration committee considers,

and makes a recommendation on, the variable remuneration of senior personnel covered by the Financial Institutions Regulations

- f. Control function
- g. Group CEO's remuneration

AUDIT COMMITTEE

The audit committee is a preparatory and advisory working committee to The Board of Directors tasked with carrying out in-depth assessments of selected areas.

The audit committee shall:

- a. inform The Board of Directors of the outcome of the statutory audit and explain how the audit contributed to integrity in the financial reporting, and the audit committee's role in that process,
- b. prepare The Board of Directors' follow-up of the financial reporting process and offer recommendations or proposals to assure its integrity,
- c. insofar as the undertaking's financial reporting is concerned, monitor the systems for internal control, risk management and the undertaking's internal audit without thereby impinging on the audit committee's independent role,
- d. maintain ongoing contact with the bank's elected auditor regarding the auditing of the annual financial statements, including in particular monitoring the conduct of the audit in light of matters to which the Financial Supervisory Authority has drawn attention under Article 26(6) of the Audit Regulation, cf. Section 12-1 of the Auditors Act,
- e. evaluate and monitor the auditor's independence under Chapter 8 of the Auditors Act and Article 6 of the Audit Regulation, in particular that non-audit services are delivered in conformity with Article 5 of the Audit Regulation, cf. Section 12-1 of the Auditors Act,
- f. be responsible for preparing the undertaking's appointment of the auditor and to make its recommendation in conformity with Article 16 of the Audit Regulation, cf. Section 12-1 of the Auditors Act.

The audit committee shall address the following areas, processes and documents :

- Annual
 - Annual report, including relevant attachments.
 - Sustainability report (where the scope of the reporting is further expanded).
- Quarterly
 - Quarterly report, including relevant attachments (loss report etc.).

- Ongoing
 - Prepare The Board of Directors' follow-up of the financial reporting process
 - Maintain ongoing contact with the undertaking's appointed auditor regarding the audit of the annual financial statements
 - Evaluate and monitor the auditor's independence and objectivity, especially the degree to which non-audit services that are delivered by the auditor may affect the auditor's independence and objectivity
 - Examine the statutory audit of the annual financial statements and the consolidated financial statements, including reviewing and assessing The Group's quarterly and annual financial reports with a particular focus on:
 - Changes in accounting policies and practice
 - Significant discretionary valuations and estimates
 - Substantial adjustments resulting from the auditor's requirements and recommendations
 - Compliance with laws, regulations and accounting standards
 - Internal control in the process of preparing the financial statements
 - Review and discuss points where the auditor disagrees with the management and/or where a large degree of uncertainty has been pointed out by the auditor and/or other matters which the auditor wishes to discuss.
 - Correspondence with the Financial Supervisory Authority relating to areas covered by the audit committee.
 - Assess other matters as determined by The Board of Directors and/or the audit committee itself, or which the external auditor wishes to discuss.
- Periodically
 - Assess and make recommendations to The Board on the choice of external auditor and the latter's remuneration.

The audit committee shall comprise three members of The Board of Directors. They shall be independent pursuant to the definition in the Code of Practice for Corporate Governance.

The audit committee may not consist of members of any other board committee, with the following exceptions/clarifications:

- The members of the audit committee may be members of the risk committee.
- The chair of the audit committee may not also chair the risk committee.

The audit committee must at all times have the necessary competence to discharge its tasks. At least one member of the audit committee must have relevant accounting and auditing skills and experience.

The audit committee meets as often as the committee itself deems it necessary, but at least four times a year.

The audit committee's mandate will be updated in the first quarter of 2021 in keeping with the new Auditors Act, in force from 1 January onwards.

RISK COMMITTEE

The risk committee is a preparatory and advisory working committee to The Board tasked with carrying out in-depth assessments of selected areas.

The risk committee shall address the following areas, processes and documents :

- Annual
 - Self-assessment of risk and capital needs (ICAAP)
 - Validation of the IRB system
 - Risk strategy
 - Capital strategy
 - Recovery plan
 - Pilar 3 report
 - Governing documents in the credit area
 - Liquidity strategy
 - Market risk strategy
 - Other relevant governing documents in the various risk areas
 - Manager confirmation
 - Risk analysis, money laundering
 - Annual report, compliance
 - Annual plan for the internal audit function
- Quarterly/tertiary
 - Risk report from credit and risk management
 - Compliance report from the compliance function
 - Status reports from the internal audit function
- Ongoing
 - New strategic priorities
 - Correspondence with the Financial Supervisory Authority relating to areas covered by the risk committee.
 - Changes to the IRB system (model changes etc.)
 - Significant new products, processes and systems, outsourcing arrangements etc.
 - Risk pricing

- Ensuring that the IRB system is well integrated into the organisation and that it satisfactorily calculates risk levels and capital needs.
- Ensuring that the bank has adequate systems for internal control, risk management, compliance and the internal audit, and that they that function satisfactorily.
- Assessing other matters as determined by The Board of Directors and/or the risk committee itself, or that the internal auditor wishes to discuss.
- Periodically
 - Assessing and making recommendations to The Board of Directors concerning the election of the internal auditor.
 - Instructions to the internal audit function

The risk committee shall comprise 3 members of The Board of Directors. They shall be independent under the definition in the Code of Practice for Corporate Governance.

The risk committee may not consist of members of any other board committee, with the following exceptions/clarifications:

- The members of the risk committee may be members of the audit committee.
- The chair of the risk committee may not also chair the audit committee.

The risk committee must at all times have the necessary competence to discharge its tasks. When appointing the committee members, importance must be attached to the members' possession, individually or collectively, of sufficient competence, experience and expertise in risk and capital management.

The risk committee meets as often as the committee itself finds necessary, but at least four times a year.

REPORTING

The Board of Directors receives periodic reports on the following:

- Financial performance
- Market developments
- Management, personnel and organisational development
- Changes in the risk picture and risk exposure of the bank, including the status with respect to risk limits and targets adopted by The Board, and the status with respect to recovery indicators etc.

In addition to the above, there are periodic presentations of the bank's scorecard containing financial, organisational, market-related and quality-related targets.

Central business and other related areas are reviewed at least once a year, with evaluation and determination of limits and guidelines.

INTERNAL AUDIT

The internal audit function is a tool employed by The Board of Directors and Group Management team to ensure that the risk management process is targeted, efficient and functions as intended. EY delivers internal audit services to The Group. The internal audit covers The Group's entire business. This also includes material activities that are outsourced, as well as subsidiaries that are subject to the regulations on risk management and internal control or that engage in activity considered to be of material significance for The Group. The internal audit's main task is to confirm that the established internal controls function as intended, and to ensure that established risk management measures are adequate in relation to the bank's risk profile.

The internal audit function reports every four months to The Board of Directors, which adopts annual plans and budgets for the internal audit. Reports and recommendations issued by the audit function concerning improvements to the bank's risk management are reviewed and implemented on a continuous basis.

An audit plan is prepared and is discussed with The Group Management team, considered by the risk committee and approved by The Board of Directors. The internal audit's risk assessments determine which areas are to be reviewed.

Separate audit reports are prepared, containing results and recommended improvements. These are presented to the responsible manager and The Group Management team. A summary of the reports is submitted on a four-monthly basis to the risk committee and The Board of Directors. Any consultancy work is carried out in keeping with the standards and recommendations applying to internal auditors (IIA/NIRF).

RISK MANAGEMENT FUNCTION

This function is independent of the business lines and has overall responsibility for overall and coherent risk management and internal controls, including responsibility for The Group's risk models and the further development of effective risk management systems.

COMPLIANCE FUNCTION

The compliance function is independent of the business lines and is responsible for overseeing compliance with regulatory requirements and internal policies.

The head of the compliance function is responsible for:

- Overseeing that The Group has policies and procedures to identify compliance risk,
- Overseeing that preventive measures and procedures are implemented to curtail risk,
- Considering on a regular basis whether the policies, procedures and measures are sufficiently effective, and assessing the effectiveness of measures put in place to mitigate non-compliance with the body of rules,
- Coordination and contact with the Financial Supervisory Authority and other relevant authorities regarding matters of compliance,
- Ongoing monitoring of regulatory developments and assessing how regulatory changes affect the business and seeing to it that requisite steps are taken to assure compliance when new requirements are given effect,
- Ensuring that internal rules are reviewed and updated on a regular basis. If there is a need for adjustments of internal policies, the compliance department shall support each document owner in their work of preparing written recommendations for changes,
- Ensuring that internal policies are made available to The Board of Directors and the employees,
- To advise in the preparation of training material,
- Informing the risk management department about compliance risks and how they are handled,
- Heading the compliance committee.

The compliance function in the investment firm is attended to by The Group's compliance department.

A job description exists for the head of compliance.

This covers the investment firm's responsibility for compliance.

Deviations from point 9 of the Code of Practice: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

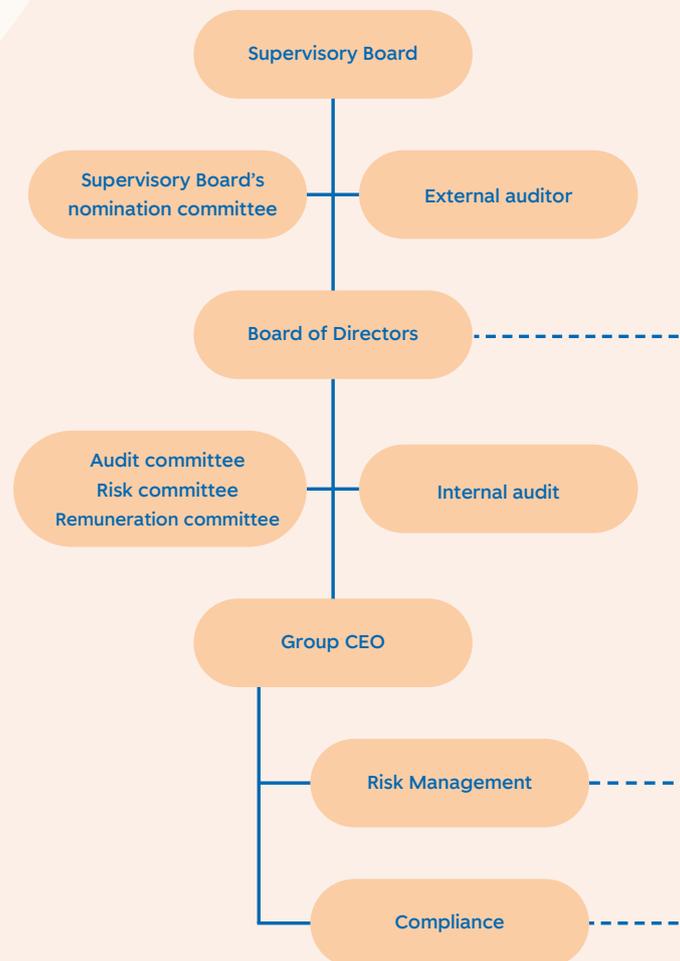
(Point 10 of the Code of Practice)

The bank's management structure is based on the bank's vision, established objectives, strategies and core values. It is designed to ensure goal-oriented and independent management and control that covers all processes and control measures implemented by the bank's management to ensure efficient business operations and implementation of the bank's strategies.

A number of independent control bodies have been established, see the figure below, that are intended to ensure that EC holders and other stakeholder groups receive correct information about business-related

and financial matters. The control bodies have differing tasks and purposes. Their roles and responsibilities at the highest level are defined through regulatory requirements and internal steering documents.

Effective management by objectives and budget limits is a prerequisite for the ability to gauge the bank's strategic goal attainment on a continuous basis. The bank uses scorecards, rolling forecasts and the accounts as management tools. Accountability is ensured by clearly communicating business plans and agreed targets to the employees. This is operational-



ised through clearly defined roles, responsibilities and expectations, and managers who are held accountable for achieving targets within the various areas of responsibility.

The Group's principles and limits for internal control and risk management are contained in a distinct risk strategy, which is reviewed annually by The Board of Directors. The Group's overarching governing

documents are its business strategy and risk strategy. All other strategy documents and policies are derived from these. The risk management policy and compliance policy constitute The Group's internal framework for good management and control. The policies provide guidelines for The Group's overall approach to risk management and are intended to ensure that The Group has an effective and appropriate process to that end. Risk management is an integral part of

the management's decision-making processes, and a key element as regards organisation, procedures and systems.

The Board of Directors follows up adopted frameworks, principles and quality and risk targets through:

- Monthly reports from the CEO
- Quarterly reports from the risk management department
- Quarterly reports from the compliance department
- Annual report from compliance department
- Tertiary reports from the internal auditor

The bank's internal control and risk management systems also include guidelines on how the bank is to take the world at large into account in its value creation.

Each manager is required to submit confirmation on an annual basis that frameworks, policies and procedures are abided by ('manager confirmation'), and that he/she makes active use of systems to follow up his/her profit centre.

SpareBank 1 Nord-Norge's board of directors bears the main responsibility for monitoring and setting limits to The Group's risk exposure. SpareBank 1 Nord-Norge's risks are measured and reported in accordance with the principles and policies adopted by The Board of Directors.

The overarching aim is to ensure that The Group's overall risk level is low to moderate and within the limits set by The Group's own funds. The Group aims to achieve stable and predictable earnings and profit performance through good risk management.

Significant risks are analysed, managed and followed up through the bank's ongoing risk management process. This is to ensure that the bank operates in accordance with the adopted risk profile and adopted strategies. The Board of Directors and Group Management team review at least once a year the bank's risk profile with a basis in strategic, operational and transaction-related factors. Developments in the risk picture are periodically reported to The Group CEO and The Board of Directors.

Every year The Board of Directors receives an independent report from the internal auditor and the statutory auditor. This contains an assessment of The Group's risk and whether the internal control system functions properly and is adequate.

INTERNAL CONTROL – FINANCIAL REPORTING

The Group complies with applicable regulatory requirements and contributes to ensuring relevant, reliable, timely and identical information to the bank's EC holders and the securities market as a whole. This also applies in relation to The Group's contact with investors outside the supervisory board. The unit is headed by the chief financial officer (CFO) and organised independently of the business lines. The finance

function is responsible for financial reporting at both parent bank and group level. The function sets guidelines for monthly, quarterly and annual reporting from all business lines and most of the subsidiaries based on internal and external requirements. The CFO continuously assesses the business lines' financial results and goal attainment, and ensures that all the units perform in line with The Group's overall financial objectives. The CFO reports directly to The Group CEO.

The Group's administration and finance department prepares financial reports for the SpareBank 1 Nord-Norge group. The department ensures that the reporting is compliant with applicable legislation, accounting standards, The Group's accounting policies and The Board of Directors' guidelines.

The administration and finance department has established processes that ensure that financial reporting is quality assured and that any errors and deficiencies are immediately followed up and rectified. Control measures have been established for all financial reporting. This is to ensure correct, valid and complete reporting. The measures include reasonableness and probability controls in each individual centre within the business lines and on an aggregated level. In addition, detailed reconciliation checks are carried out on a daily and monthly basis. The Group has established good measurement systems for all business lines in The Group, where the most important target figures for each area are followed up. Each business line is responsible for such monthly financial reporting and follow-up, and works closely with administration and finance on developing and improving measurement systems. The design and effectiveness of the established control activities are regularly evaluated.

The external auditor conducts a full annual audit of The Group's annual financial statements.

ETHICS AND WHISTLEBLOWING

A code of conduct has been drawn up for The Group and its employees. The core values and ethical values are well communicated and known throughout the organisation. Clear guidelines have been established for internal communication should an employee learn of circumstances that are in breach of external or internal provisions or other circumstances that could harm The Group's reputation or financial situation.

A whistleblower can also report anonymously, and an external reporting channel has also been established.

More information about risk management and internal control can be found in the chapter entitled 'Risk management and internal control'.

Deviations from point 10 of the Code of Practice: None

11. REMUNERATION OF THE BOARD OF DIRECTORS

(Point 11 of the Code of Practice)

The members of The Board of Directors receive a fixed annual remuneration. Remuneration is not performance related. The Board chair is remunerated separately and board members who participate in board committees receive payment accordingly. None of The Board members elected by the supervisory board perform work for the undertaking beyond their directorships.

Ad hoc committees may be established and are remunerated on a separate basis.

Some board members have enrolled in The Group's savings scheme. The scheme is identical to the one in 2018 and involves agreements to save NOK 500, NOK 1,000, NOK 1,500 or NOK 2,000 per month. Every second EC purchased via the savings scheme qualifies for one further EC free of charge from SpareBank 1 Nord-Norge. The "bonus ECs" are awarded two years after the employee initiates saving and are contingent on the employee retaining ownership of the originally saved ECs.

Deviations from point 11 of the Code of Practice: equity certificate savings scheme.

12. REMUNERATION OF EXECUTIVE PERSONNEL

(Point 12 of the Code of Practice)

The Group has established a remuneration policy that conforms to The Group's overall goals, risk tolerance and long-term interests. It is intended to help promote, and provide incentives for, good management and control of The Group's risk, discourage excessive or unwanted risk taking, avoid conflicts of interest and ensure compliance with applicable laws and regulations. The policy is approved by The Board of Directors and presented to the supervisory board.

The Group's remuneration policy includes special rules for senior personnel, other employees and elected officers with tasks of material significance for The Group's risk exposure. The same applies to employees and elected officers with control tasks; see requirements of the regulations on remuneration arrangements in financial institutions, investment firms and management companies for securities funds.

The Board of Directors has established a remuneration committee as a preparatory body for matters relating to the assessment and fixing of The Group CEO's remuneration. The committee shall also make recommendations to The Board of Directors on guidelines for the remuneration of senior personnel (Group Management team). The remuneration committee's mandate is set by The Board of Directors. The guidelines are submitted to the supervisory board. The Board of Directors' statement on managerial pay constitutes a separate case document to the supervisory board. The notes to the annual accounts state the remuneration of the CEO and senior personnel.

Matters previously disclosed in The Board of Directors' statement on managerial pay are now disclosed in the notes.

See also the account of The Board of Directors' remuneration committee under point 9

The following principles are applied when determining any variable remuneration to senior personnel:

1. There should be an appropriate balance between fixed and variable remuneration. The fixed component of the employee's remuneration should be sufficiently high to allow the undertaking the possibility of paying no variable component at all.
2. For employees covered by the Financial Institutions Act, variable remuneration may not total more than 100% of the fixed remuneration. The supervisory board of the bank, and the annual general meeting in subsidiaries, may decide that the limit can be increased to 200% if the requirements for inclusion in the undertaking's governing bodies etc. are met.
3. Any variable remuneration shall not constitute more than 50% of the fixed salary for The Group CEO and Group Management team of the bank.
4. The basis for variable remuneration related the department's results must be a period of at least two years. Variable remuneration may however be earned annually, based on assessments of financial and non-financial performance over at least two years.
5. The determination of variable remuneration must be based on an assessment of the person's performance, as well as the results of the business unit

and The Group as a whole. When measuring risk, all risks arising from the operations of the financial undertaking must be taken into account, including the cost of capital and liquidity needed by the undertaking.

6. At least half of the variable remuneration shall be paid in the form of ECs of SpareBank 1 Nord-Norge. The right of disposal over such ECs shall be accrued pro rata over a period of 3 years from the time the variable remuneration was determined. During this period, the ECs may not be freely disposed by the employee. The period shall take account of the underlying business cycle of the undertaking and the risk in the undertaking. Such part of the variable remuneration will be reduced if either the undertaking's performance or subsequent results call for this to be done.
7. The variable remuneration must not limit The Group's ability to strengthen its own funds.
8. Any individual, variable bonus scheme shall be reduced on a krone-to-krone basis by the amount of any profit share (group or company bonus).
9. Variable remuneration is not paid in the form of

ownership interests in associates (internal companies), or in any other way which might entail circumvention of the undertaking's remuneration policy.

10. Senior personnel may not have agreements or insurance that protect against the non-payment of performance-related remuneration.
11. Remuneration of employees with control responsibilities shall be independent of the results of the business line that they control.

The Group CEO, or whomever he designates, is responsible for submitting each year a presentation to the remuneration committee in connection with the granting of variable remuneration to senior personnel. The remuneration committee submits the matter to The Board of Directors.

The presentation shall be submitted prior to the planned distribution of variable remuneration so as to enable any corrections to be made.

Deviations from point 12 of the Code of Practice: None

13. INFORMATION AND COMMUNICATIONS

(Point 13 of the Code of Practice)

Information and effective communication underpin the relationship of trust between EC holders, The Board of Directors and The Group Management team, and ensure that the bank's stakeholder groups have the opportunity at any time to assess and relate to the bank. The bank's information policy therefore attaches importance to an active dialogue with the bank's various stakeholder groups, in which the focus is on openness, predictability and access.

The bank also emphasises the importance of correct, relevant and timely information on the bank's development and performance in terms of inspiring confidence on the part of the investor

market. Information is communicated to the market through the bank's quarterly investor presentations, website, stock exchange notices and press releases. Regular presentations are also arranged for the bank's international partners, lenders, investors and other stakeholder groups.

The open information practices conform to the non-disclosure rules in force at any and all times. SpareBank 1 Nord-Norge's financial calendar is published on the bank's website.

Deviations from point 13 of the Code of Practice: None

14. TAKE-OVERS

(Point 14 of the Code of Practice)

Any party intending to make an acquisition that will entail becoming the owner of a qualifying holding in a savings bank must send advance notice thereof to the Financial Supervisory Authority of Norway; see section 6-1 of the Financial Institutions Act. The same applies to acquisitions entailing that a qualifying holding will increase to or exceed 20, 30 or 50%, respectively, of the capital or votes of a financial institution, or that the holding will enable a determin-

ing influence in the financial institution as mentioned in Section 1-3 of the Public Limited Liability Companies Act.

An overview of the 20 largest EC holders in SpareBank 1 Nord-Norge can be found in the notes to the accounts and on the bank's website.

Deviations from point 14 of the Code of Practice: Statutory limit on equity holdings.

15. AUDITOR

(Point 15 of the Code of Practice)

EXTERNAL AUDITOR

The external auditor is appointed by the supervisory board based on the recommendation of the audit committee. The bank's auditor is identical to the auditor of all of the subsidiaries.

The external auditor presents an annual plan to the audit committee containing the main features of the execution of the audit engagement.

The auditor participates in board meetings at which the annual accounts are discussed and in the audit committee's meetings where the accounts are discussed. In addition, The Group's internal control function is reviewed, including identification of weaknesses and recommendations for improvements.

The Board of Directors holds at least one meeting with the auditor a year without The Group CEO or others from The Group Management team being present.

The external auditor presents a report on these matters to the bank's supervisory board. Guidelines have been established for The Group Management team's right to use the auditor for non-audit services.

The supervisory board sets the auditor's fees.

Deviations from point 15 of the Code of Practice:
None



Photo: Frank Rune Isaksen



AQUACULTURE

The aquaculture industry is far to the fore in terms of digitalisation. At NRS Farming's control centre in Alta, operations technicians manage all processes – from feeding the stock to monitoring the cages. They can check directly on screen that the salmon in Kobbefjorden, Dønnesfjord and Mortensnes, Årøya, are in good shape and growing as intended.

Risk management and internal control

SpareBank 1 Nord-Norge's risk and capital management are intended to support The Group's strategic development and target attainment, while ensuring financial stability and sound asset management.

This will be achieved through:

- A healthy risk culture characterised by a high awareness of risk and capital management.
- A good understanding of what risks drive earnings.
- Pricing products, to the extent possible, in keeping with the underlying risk.
- Striving to achieve optimal allocation of capital under the adopted business strategy.
- Exploiting synergy and diversification effects.
- Ensuring that no single event will seriously impair The Group's financial position.

SpareBank 1 Nord-Norge will run the business at all times in accordance with regulatory requirements and internal policies.

RISK STRATEGY

Purpose

The risk strategy guides the work on risk management and internal control at SpareBank 1 Nord-Norge. It defines the risk The Group is willing to assume in order to achieve its strategic objectives, as well as how risk is to be managed and monitored. The purpose of the risk strategy is summarised in the table below.

TOPIC	DESCRIPTION OF PURPOSE
Overview	To provide a comprehensive and balanced overview of The Group's risks.
Risk capacity	Specifies The Group's risk capacity.
Risk appetite	Defines the risk The Group is willing to assume to achieve strategic goals as they are defined in the business strategy.
Management and control	Defines how risk is to be managed and monitored.
Roles and responsibilities	Defines roles and responsibilities.

DETERMINATION

The following concepts are used to determine The Group's risk strategy:

CONCEPT	DEFINITION/DESCRIPTION
Risk capacity	<p>The total risk exposure The Group can withstand before entering a recovery situation requiring it to:</p> <ul style="list-style-type: none"> • Initiate significant corrective and/or containment measures. • Implement an undesired change of business model.
Risk willingness	<ul style="list-style-type: none"> • The maximum desired risk exposure from an earnings and loss perspective. • Risk willingness is lower than risk capacity. • Risk willingness can apply to both aggregate risk exposure and individual risks.

SCOPE

The risk strategy covers the entire group, including the parent bank, subsidiaries, associates and joint ventures, where appropriate and relevant.

FOLLOW-UP

Risikostrategien følges opp løpende. Krav til og føringer knyttet til oppfølging er nærmere definert i risikostrategien, herunder blant annet:

- Roles and responsibilities.
- Action in the event of negative developments related to risk limits and target figures.
- Managing breaches of risk limits.
- Reporting.

RISK WILLINGNESS

The Group's risk willingness is defined both from a qualitative and quantitative perspective . Risk willingness is further defined both for a normal scenario and a stress scenario, where the latter represents lower risk willingness (quantitative) in particular as regards credit risk. The scenario by which The Group is to be managed at any time is decided by The Board of Directors. At the start of 2020 The Group's management approach was based on risk willingness for a normal scenario. In view of Covid-19, The Group decided in the first half of 2020 to take a basis in risk willingness for a stress scenario. This stance was retained through 2020. The Group's qualitative risk willingness is shown in the following table.

#	RISK AREA	RISK WILLINGNESS, NORMAL SCENARIO	RISK WILLINGNESS, STRESS SCENARIO
1	Business risk (incl. strategic risk)	Low	Low
2	Credit risk	Low	Low
3	Market risk	Low ¹	Low ¹
4	Liquidity and funding risk	Low	Low
5	Owner risk	Low to moderate	Low to moderate
6	Operational risk (incl. related risks)	Low	Low
7	Insurance risk	Low to moderate	Low to moderate
8	Pension risk	Externally given	Externally given
9	Systemic risk	Externally given	Externally given
10	Excessive debt accumulation	Low	Low
11	Climate risk	Low to moderate	Low to moderate
OVERALL RISK WILLINGNESS		LOW TO MODERATE	LOW TO MODERATE

¹ The Group's liquidity portfolio is the biggest driver of The Group's market risk. Regulatory requirements (LCR, NSFR) help guide the composition of the liquidity portfolio. The Group's risk willingness is low in terms of given regulatory requirements.

The overall risk willingness is low to moderate, unchanged from the previous year. The qualitatively defined risk willingness is operationalised through quantitatively defined risk limits and targets. This provides further direction for underlying governing documents.

ORGANISATION, IMPLEMENTATION AND FOLLOW-UP

SpareBank 1 Nord-Norge has for several years, both under its own auspices and through collaboration within SpareBank 1-alliansen, devoted substantial resources to developing effective processes to identify, measure and manage risk.

The Group's organisational set-up aims to underpin, and conform to, regulatory requirements and internal ambitions related to risk management and internal control. A model incorporating three lines of defence has been developed. This is further illustrated and described below

The Board of Directors of SpareBank 1 Nord-Norge is responsible for adopting a prudent risk profile, yield targets, overall risk and capital management frameworks, including the IRB system, and risk models in general. The Board is also responsible for adopting risk frameworks and authorisations as well as the ICAAP (Internal Capital Adequacy Assessment

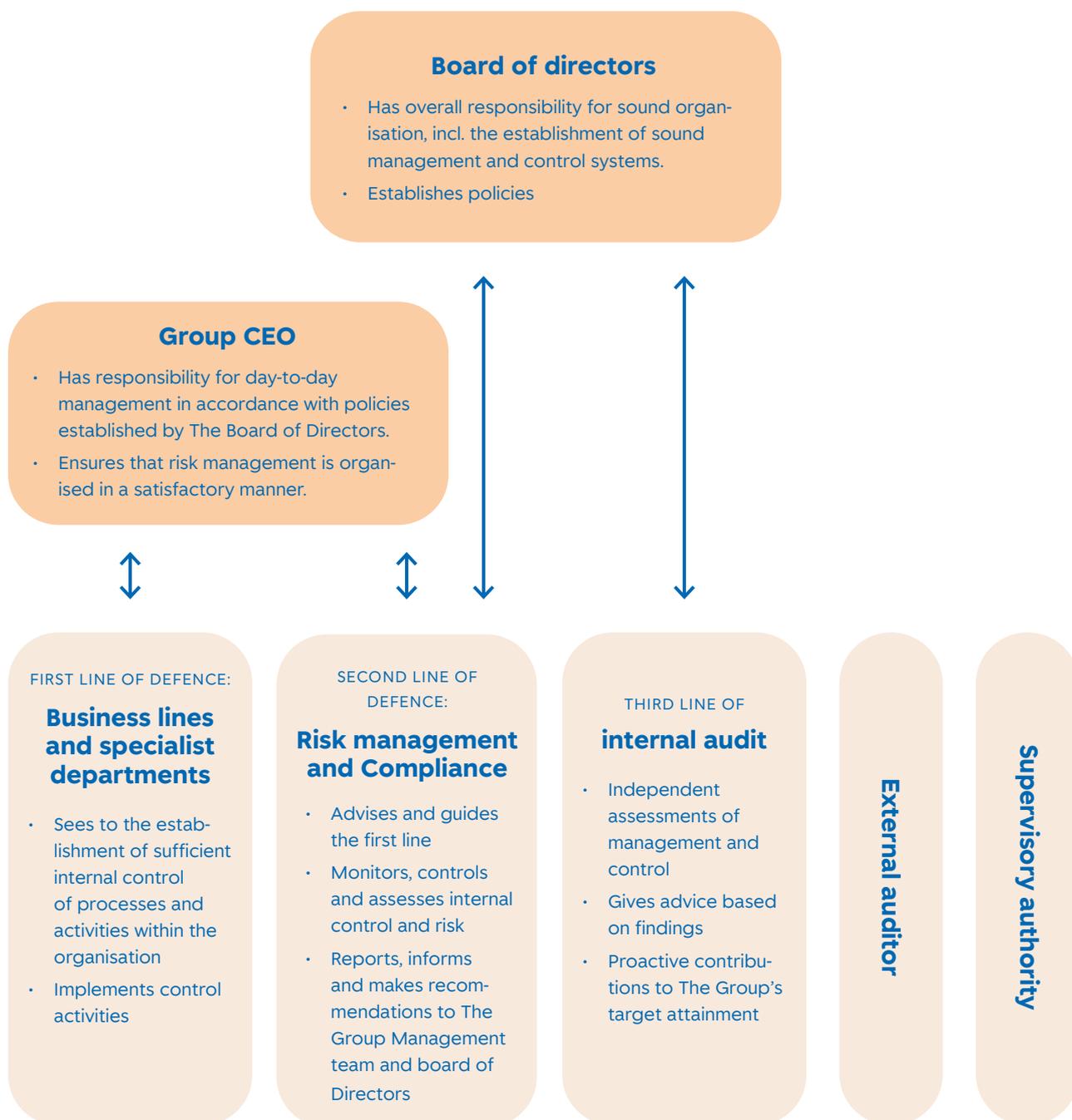
Process) with the associated assessment of prudent solvency and liquidity seen in relation to The Group's risk profile and regulatory requirements.

The Board must ensure that the framework is sufficiently communicated and implemented throughout The Group. The Board must also ensure that the framework is followed up with sufficient authority and resources.

The Board's tasks are formalised in a separate annual plan which is revised each year. This ensures that The Board can devote sufficient time and focus to key tasks.

The risk committee, one of The Board's working committees, is responsible for the initial consideration of matters related to risk management, capital management and internal control et al. prior to final board consideration and approval. This includes the ICAAP, IRB validation, risk strategy and risk reports.

The Group CEO is responsible for overall risk management. The CEO is accordingly responsible for the implementation of effective risk management systems in The Group and for the monitoring of risk exposure. The Group CEO is also responsible for delegating authorisations and reporting to The Board.



Managers of business lines and specialist departments, and employees, are responsible for day-to-day risk management within their areas of responsibility. The managers must at all times ensure that risk management and risk exposure comply with the limits and general management principles determined by The Board of Directors or group CEO.

Risk management is organised independently of the business units and reports directly to The Group CEO. The general manager of credit and risk management can also report directly to The Board if called for in extraordinary situations. The department is responsible for further development and management of the framework for risk management, capital management and internal control, including risk models and risk

management systems. The department is also responsible for the ongoing monitoring and reporting of The Group's risk exposure to The Board.

Compliance is an independent function which identifies, assesses, advises on, monitors and reports on the company's compliance risk. The compliance function at SpareBank 1 Nord-Norge covers all business units, specialist departments and subsidiaries in matters of compliance with regulatory requirements and internal policies. The department is independent and collaborates with other specialists/departments where necessary. This applies particularly to risk management, the legal department and internal audit, as well as to compliance officers at subsidiaries etc.

Credit is The Group's central department in the credit area, responsible for the preparation and maintenance of goals, strategies, policies and procedures, operational management, and monitoring of The Group's credit operations and credit risk management. The department has a stand-alone role in relation to the business lines and local banks.

The credit committees are responsible for making independent recommendations to authorisation holders. In the recommendation, the credit committees make an assessment of loan and credit applications in accordance with the current credit policy, appropriation rules and credit management procedures. The credit committees put special emphasis on detecting risks associated with each application, and make an individual, independent assessment of credit risk in each case.

The asset and liability committee for risk and capital management (RIKAP) handles the overall follow-up of The Group's balance sheet, risk profile, funding, liquidity and financial soundness and ensures that The Group complies with regulatory requirements in this area. RIKAP also handles the

ICAAP, IRB validation, credit models, risk strategy, capital plan and stress tests. The asset and liability committee has broad-based composition, drawing senior employees from the business units and the departments responsible for risk and capital management.

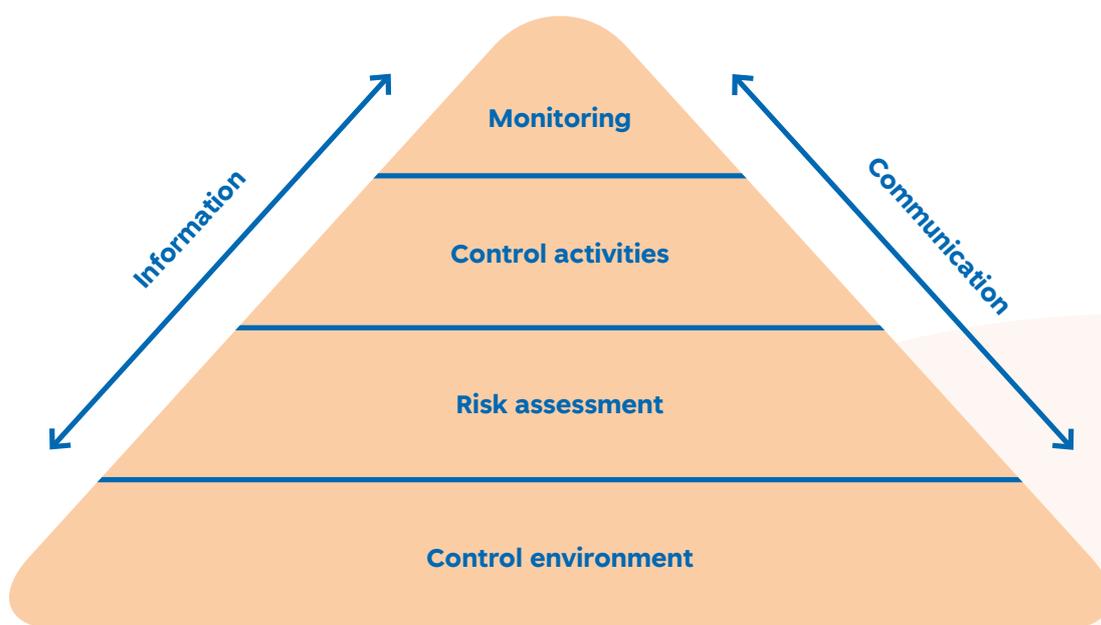
The compliance committee identifies and assesses new and changed regulatory requirements that apply to the business. This includes an assessment of the requirements' impact on the business, and ensuring that necessary adjustments are implemented. The committee also considers changes in the risk picture, including breaches of regulatory requirements and internal policies, as well as identified flaws in internal controls related to compliance, and sees to it that any measures required are taken.

Internal audit ensures that the risk management process is targeted, effective and functions as intended. The internal audit function reports to The Board. The internal audit's reports and recommendations for improvements are to be acted on by the organisation. The Group's internal audit function is provided by EY.

INTERNAL CONTROL AND MANAGER VERIFICATION

The internal control is based on the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission), which has five levels:

1. **Control environment:** includes the people in the institution, their individual qualities and integrity, ethical values, attitudes and competence, as well as how the business is organised. Management philosophy, leadership style and mode of operation are also included in the control environment.
2. **Risk assessment:** assessment of internal and external factors that affect target attainment.
3. **Control activities:** policies and procedures to ensure that risks are minimised and managed effectively.
4. **Information and communication:** processes that ensure that relevant information is identified and communicated in a timely manner.
5. **Monitoring:** processes to ensure that internal control is appropriately defined and implemented, and that it is effective and adaptable.



The five levels are intended to assist The Group in attaining its strategic goals through sound risk and business management. The COSO framework has been established in keeping with The Group's other risk and capital management principles, where continuous improvement, operational efficiency, reliable financial reporting and compliance with laws and regulations are important aspects.

Directors, bank managers, specialist managers and departmental heads report upwards in the organisation on how risk management within their areas of responsibility has been implemented in relation to approved frameworks and risk exposure. This gives the CEO and The Board a basis for overseeing that risk management is handled properly. Manager verification (internal control reporting) is carried out once a year. This work is coordinated by risk management.

The purpose of the annual manager verification is to:

- Summarise the implementation of internal control and risk management.
- Map The Group's strengths and weaknesses in the area of internal control and risk management so that necessary improvement measures can be implemented.
- Lay the groundwork for active involvement in and understanding of internal control and risk management among managers at every level in The Group.

The reporting is actively utilised in a manager development process so as to promote a better understanding of the importance of good risk management and quality.

The information technology (IT) area uses the Control Objectives for Information and Related Technology (COBIT) framework as its basis for internal control and risk management.

The COBIT framework is designed to ensure holistic management and control in three key areas:

- Internal and regulatory requirements and controls.
- Technical issues and challenges.
- IT risk.

Business goals and strategic objectives are connected to IT goals in these areas. Good management is ensured through ongoing calculations and follow-up of goals and performances, and through the accountability of process owners within the business lines and the IT area. The framework unites acknowledged IT standards and best practices with other overall and strategic objectives.

Ownership

THE BANK'S EQUITY – OWNERSHIP BREAKDOWN

SpareBank 1 Nord-Norge has two groups of owners: holders of its quoted equity certificates (ECs) and the community-owned capital. At year-end, ECs accounted for 46.36% of the bank's total equity, with 53.64% in community ownership (the equity capital ratio). SpareBank 1 Nord-Norge's EC holders' capital totals MNOK 1,807, divided into 100,398,016 ECs each with a nominal value of NOK 18. The bank's equity certificate is quoted on the Oslo Stock Exchange, and the number of EC holders at 31 December 2020 was 9,786. At the end of 2019, EC holders numbered 9,201, so the bank gained 585 new holders over the past year.

North Norwegian EC holders increased from 2,761 to 3,150 at the end of 2020. They accounted for 19.25% of the total EC holders' capital, compared with 18.55% a year ago. The bank's continuing aim is to increase the number and proportion of North Norwegian EC holders in the future. To that end The Board of Directors has decided to retain the savings scheme based on equity certificates. All employees are invited to invest up to NOK 2,000 in ECs each month. If they fulfil saving requirement, employees will after two years receive one free EC for every two they have purchased.

The proportion of ECs in foreign ownership decreased somewhat over the past year, from 35.75% at the turn of 2020 to 32.02% at year-end.

GEOGRAPHICAL DISTRIBUTION OF EQUITY CERTIFICATE HOLDERS (IN PER CENT)



BREAKDOWN OF EQUITY CERTIFICATE HOLDERS

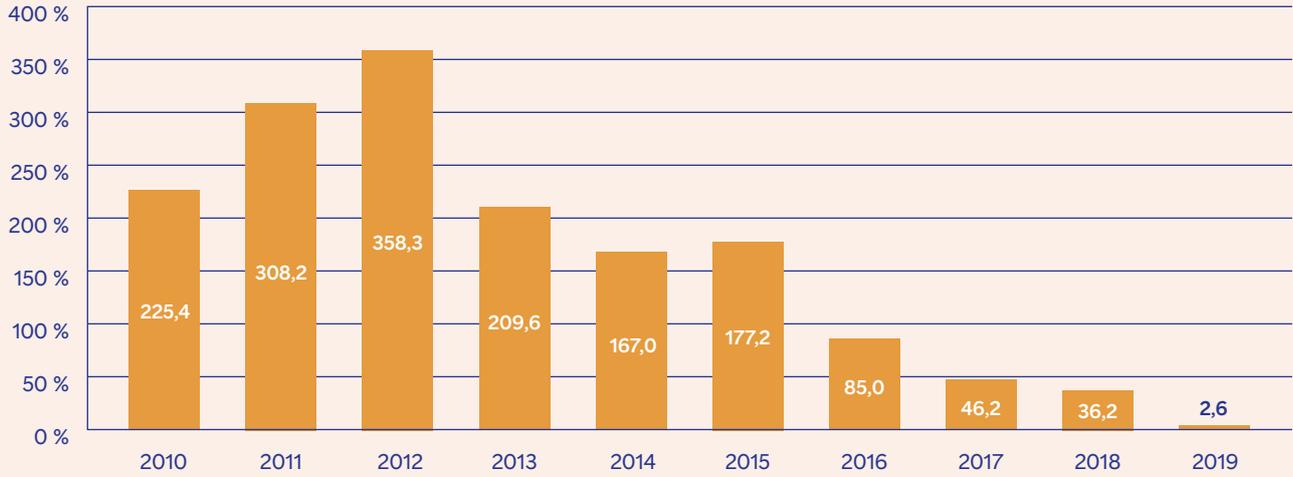
Note 22 includes a summary of ECs held by the bank's managers and elected officers. The table below shows details of the 20 largest holders and changes in their holdings over the past year.

HOLDERS	31.12.2020	31.12.2019	CHANGES OVER THE PAST YEAR
PARETO INVEST AS	3,416 933	3,025 874	391,059
PARETO AKSJE NORGE VERDIPAPIRFOND	3,309 231	3,355 715	-46,484
State Street Bank and Trust Comp A/C Client Omnibus F, Ref: Om06	2,938 258	3,659 857	-721,599
The Northern Trust Comp, London Br	2,814 607	2,094 748	719,859
GEVERAN TRADING CO LTD	2,790 356	2,693 280	97,076
VPF EIKA EGENKAPITALBEVIS	2,508 226	1,780 925	727,301
MP PENSJON PK	2,444 322	2,269 322	175,000
Brown Brothers Harriman & Co. - Princ All Sec Stock	2,196 486	2,273 297	-76,811
FORSVARETS PERSONELLSERVICE	1,621 830	1,467 630	154,200
METEVA AS	1,614 670	1,614 670	0
SPAREBANKSTIFTELSEN SPAREBANK 1 NO	1,411 606	1,411 606	0
Landkreditt Utbytte	1,250 000	1,200 000	50,000
Morgan Stanley & Co. Int. Plc.	1,164 000	1,964 238	-800,238
State Street Bank and Trust Comp A/C Client Omnibus F, Ref: Om04	1,138 791	895,243	243,548
Euroclear Bank S.A./N.V.	1,010 361	1,018 124	-7,763
The Bank of New York Mellon SA/NV	790,249	0	790,249
J.P. Morgan Bank Luxembourg S.A.	768,488	1,006 239	-237,751
CLEARSTREAM BANKING S.A.	749,878	756,198	-6,320
Brown Brothers Harriman & Co. - Pear Tree Polaris FRGN	735,389	0	735,389
VERDIPAPIRFONDET EIKA SPAR	729,222	630,948	98,274
TOTAL 20 LARGEST HOLDERS	35,402 903	33,117 914	2,284 989

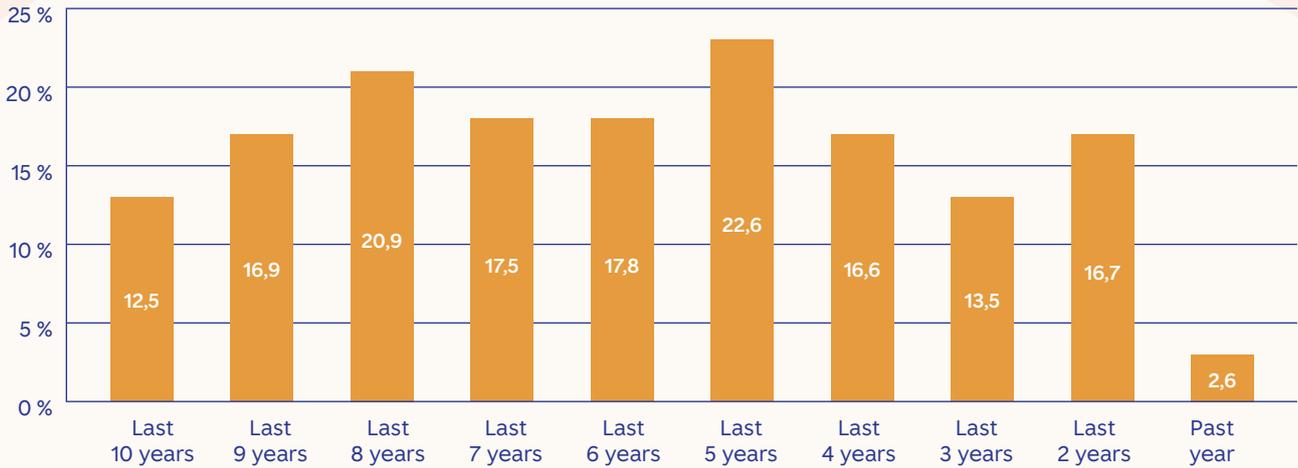
The bank's ownership and dividend policy is designed to promote equity certificates as an attractive and liquid financial instrument. The aim is to manage The Group's resources so as to achieve a good, competitive long-term return on the bank's equity in relation to comparable investments and given the bank's risk profile. For the bank's EC holders, the return will be in the form of a cash dividend and a change in value of the EC.

The bank's dividend policy calls for a minimum of 50% of The Group's net profit to be paid out to the owners. The proposed payout ratio for 2020 is 49.4%, against 42.6% for 2019. The payout ratio is identical for both owner groups, and the equity capital ratio is unchanged.

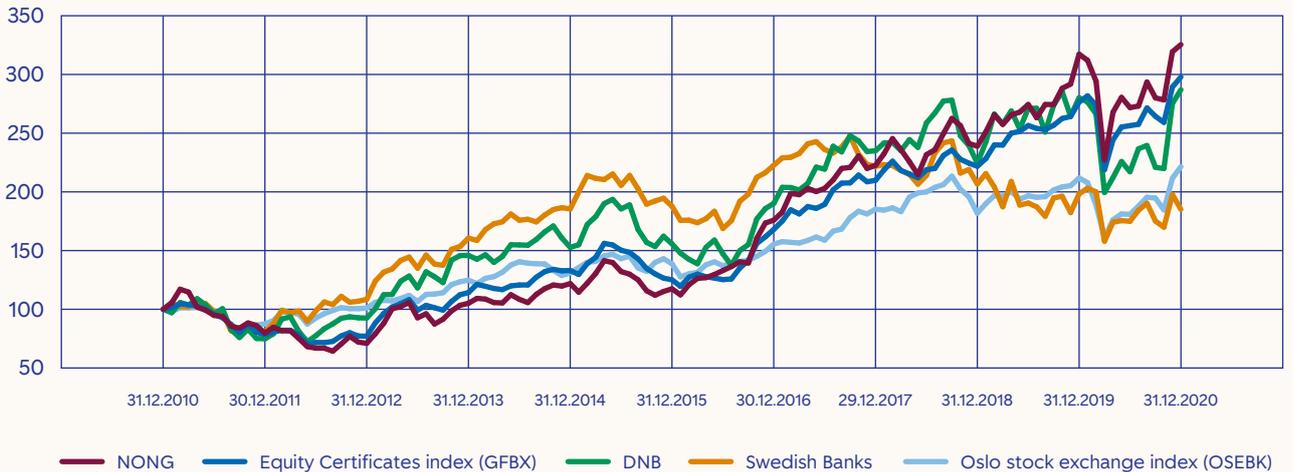
CUMULATIVE TOTAL RETURNS (%) UP TO 31/12/20, UPON PURCHASE OF THE BANK'S ECS AT EACH YEAR-END



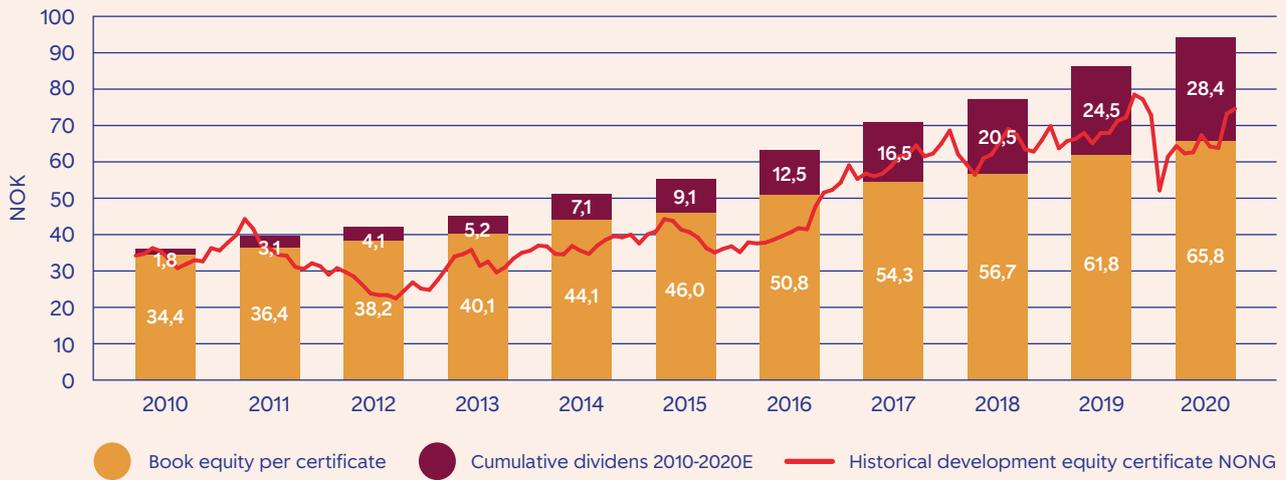
ANNUALISED TOTAL RETURNS FOR INVESTORS AS AT 31/12/20 (ASSUMING REINVESTMENT OF DIVIDENDS)



TOTAL RETURN FOR THE LAST 10 YEARS AGAINST COMPARABLE INDICES (31/12/10 = 100)



ACCUMULATED VALUE CREATION OVER THE LAST YEARS BASED ON BOOK VALUES AND ACCUMULATED DIVIDENDS PER EC, AND PRICE PERFORMANCE ON NONG IN THE SAME PERIOD



CHANGE IN PAYOUT RATIO AND DIVIDENDS OVER THE LAST YEARS.



CHANGE IN THE RATIO OF MARKET VALUE OF THE EC TO BOOK VALUE OVER THE LAST YEARS (P/B)



CHANGE IN REPORTED RETURN ON BOOK EQUITY OVER THE LAST YEARS



CHANGE IN THE RATIO OF MARKET VALUE OF THE EC TO EARNINGS PER EC OVER THE YEARS (P/E)



OWNERSHIP AND DIVIDEND POLICY

The bank aims to set the stage to continue as a savings bank with a significant share of community ownership. A further aim is to ensure equal treatment of the two owner groups, in line with the intentions of current legislation. The bank will accordingly seek to avoid undesired concentration and dilution effects that would result from discriminating between the two groups.

SpareBank1 Nord-Norge's articles of association contain special ownership rights that protect the interests of equity certificate holders. These stipulate that a number of resolutions of the bank's supervisory board, including resolutions on equity issues, require the support of two-thirds of the EC holders in order to be passed.

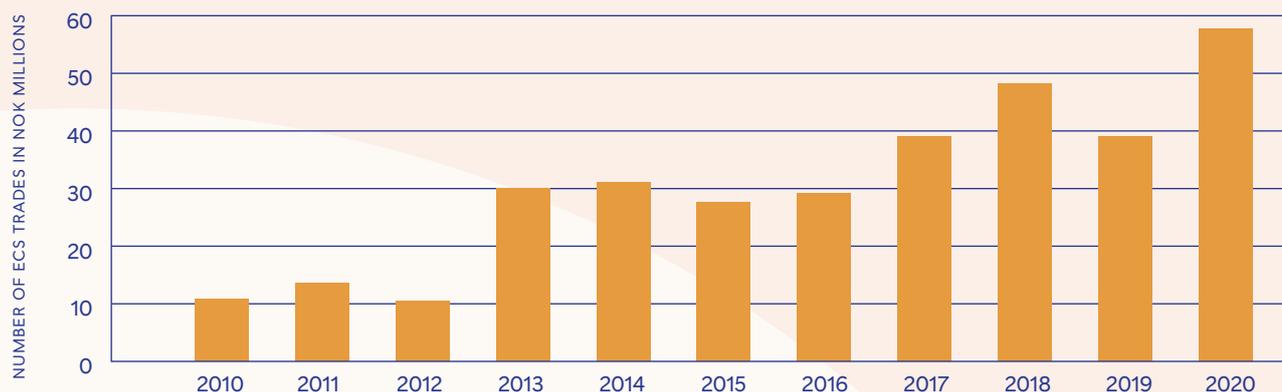
Each year's net profit is divided between The Groups of owners according to their relative share of the bank's overall equity. Dividends will as far as possible be set such that each owner group receives an equally large relative share of the net profit as dividends. These will consist of cash dividends to EC holders and community dividends to non-profit causes.

Sparebankstiftelsen SpareBank 1 Nord-Norge is a charitable foundation, and is also one of the bank's largest EC holders. The foundation's main object is to be a long-term, stable owner of SpareBank 1 Nord-Norge, and it has for a number of years been allocated funds from the bank through shares of the cash dividend going to community capital.

The dividend to the community is designed to support a sustainable development of North Norway. This is addressed in part through Samfunnsløftet, with MNOK 453 earmarked for the community in 2020. The community-owned capital allows The Group to contribute significantly to sustainable value creation and sustainable development of the region.

Over the course of 2020, which proved to be a year of sizeable fluctuations on the world's stock exchanges, the EC traded at between NOK 46.35 and 81.0, and 58 million ECs were traded on the stock exchange, compared with 39 million in 2019.

OVERVIEW OF THE NUMBER OF ECS TRADED ON THE STOCK EXCHANGE OVER THE PAST YEARS, AND THE ANNUAL HIGHEST AND LOWEST PRICE.



Highest price	38,08	44,22	31,05	37,40	40,70	45,00	53,75	65,75	70,00	79,00	81,00
Lowest price	28,40	26,84	21,30	24,34	32,40	33,20	31,50	51,25	55,90	61,00	46,35

SpareBank 1 Markets has furnished a liquidity guarantee (market making) for the equity certificate since the start of 2017.

In The Board of Directors' assessment, the bank's ownership model supports The Group's business model, which entails that SpareBank 1 Nord-Norge is to be a North Norwegian financial group with a strong local footing. The financial group shall be partly community-owned, and the ownership model is not replicable.

Community ownership also entails a community dividend (cash dividend) which is considered to represent an important marketing tool for The Group, while at the same time promoting growth and the desire to live in the region. Experience thus far with an ownership model featuring partially exchange-listed equity suggests that this is not a limiting factor in terms of access to borrowing or other equity in capital markets.

The equity certificate comes across as attractive to a steadily expanding investor base. The relative liquidity of the EC is good both for SpareBank 1 Nord-Norge and other large EC-based banks. The size of The Group – more than the EC as an instrument – is what is primarily viewed as a limiting factor with respect to access to some larger, foreign investors.

The pricing of shares and equity certificates is seen to depend primarily on the companies' earnings and profitability. Measured in terms of the key ratio P/B (Price/Book – the ratio between the EC's market value and its book value), the price in recent years has stabilised at above Price/Book = 1. Pricing measured in P/B terms has furthermore been on a par with comparable banks – both share-based banks and EC-based banks.

The Board of Directors and the management have confidence in the benefits of the current ownership model for both groups of owners and, against this background, there are currently no plans to revise the model.

Operations

SpareBank 1 Nord-Norge is Northern Norway's largest financial group and offers a full range of financial services, as well as securities trading, real estate brokerage and accounting services to people and businesses in Northern Norway. The Group's market area is primarily the counties of Troms, Finnmark and Nordland. Services are offered through 15 branches, digital interfaces and an efficient call centre. SpareBank 1 Nord-Norge's overarching goal is to create the best customer experience and meet its financial targets, with the most enthusiastic employees in the market.

The Group saw good growth in the retail and corporate markets alike in 2020. In terms of lending to personal and corporate borrowers, and all other product and business areas, growth was noted in customer numbers and volume alike. Growth was particularly strong in the saving area where the number of unique customers that save climbed 7% through the year. The growth in terms of volume saved is also 7%, as is growth in vendor's liens (second-hand car loans).

The financial industry and society are constantly changing, and new technology and digitalisation have opened up opportunities that were inconceivable just a few years ago. The focus on development of new digital products and self-service solutions is keener than ever.

Through 2020 The Group saw strong growth in the use of The Group's digital services. The Group's retail mobile bank had about 45.6 million logons in 2020, averaging 345 logons for each of the bank's 134,883 mobile banking customers. Growth in the use of self-service solutions was considerable through 2020 and is expected to quicken further in the years ahead.

The Group has reduced the number of branches over the year to 15 to adapt to changed customer needs and operating environment. The Group benefits from economies of scale in IT and product development through the collaboration under SpareBank 1-alliansen. This alliance, comprising 14 banks and a number of jointly owned companies, is Norway's largest financial grouping and, with a small number of geographical exceptions, is represented throughout the country.

But 2020 was also the year in which the Covid-19 outbreak brought major changes for employees, personal customers and the business sector alike. Over the year The Group provided customers with liquidity, payment holidays and funding to help them get through a difficult period. The Group's focus on digitalisation and automation, both internally and in its outreach to customers, has enabled The Group's employees to work periodically from home. Customers have nonetheless been serviced in an efficient and secure manner and rate the bank highly in ongoing customer surveys.

RETAIL MARKET

SpareBank 1 Nord-Norge heads up the retail market in Northern Norway, with 268,656 customers. Despite intense competition for customers, The Group recorded lending growth of 2.7% in 2020. SpareBank 1 Nord-Norge has thereby retained its solid number 1 position in the market for residential mortgages in Northern Norway. The Group notes customer growth in all product areas in 2020¹. The combination of an extensive branch network, first-class digital services and an efficient and modern customer service centre provides customers with quick and easy access to financial services in the customer's preferred channel.

SpareBank 1 Nord-Norge saw particularly growth in customers' saving in the wake of the Covid-19 outbreak. The number of customers actively saving in saving contracts and mutual funds rose by 7.2% over the course of the year.

¹ The main products are non-life insurance, personal insurance, savings and investment, credit cards and car financing.

CORPORATE MARKET

The Group posted lending growth of 8.9% to corporate borrowers, thereby strengthening its position, particularly in the market for small and medium-sized businesses. 39% of all newly established companies in Northern Norway opened accounts with SpareBank 1 Nord-Norge. The Group saw good growth in unique customers and in sales of non-life insurance and pensions over the year.

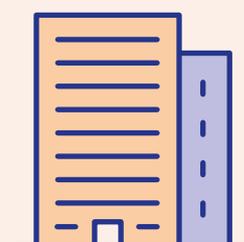


NO. OF CUSTOMERS,
PERSONAL MARKET
IN 2019

261,908

NO. OF CUSTOMERS,
PERSONAL MARKET
IN 2020

268,656



NO. OF CORPORATE
CUSTOMERS IN 2019

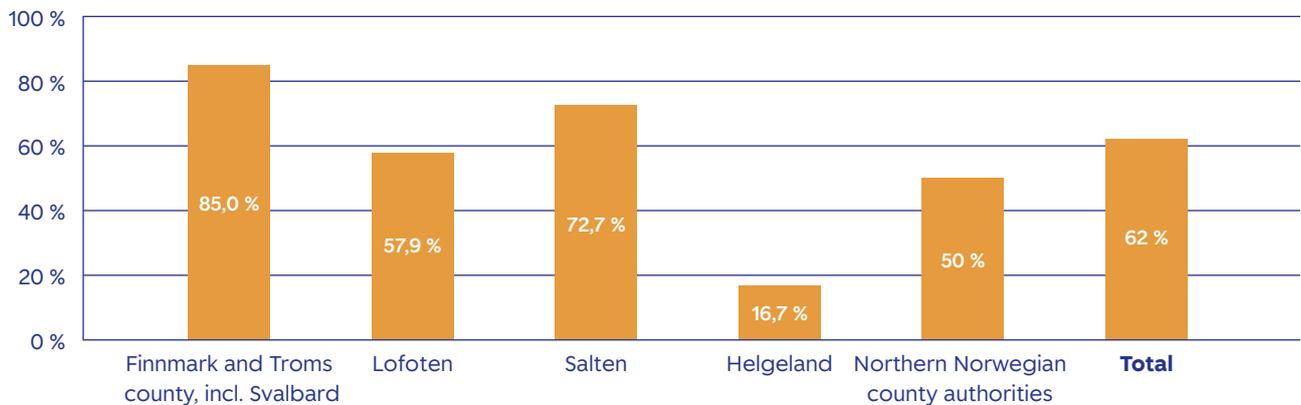
25,867

NO. OF CORPORATE
CUSTOMERS IN 2020

26,223

PUBLIC SECTOR MARKED

MARKET SHARES



CAPITAL MARKETS

SpareBank 1 Nord-Norge Markets is the region's leading bank-run capital markets unit, providing services to retail and corporate clients alike. The business includes trading on behalf of customers and on own account in fixed income and forex

instruments, equities and bonds, as well as advisory services and loan and equity financing. This unit's participation in The Group's customer team in the corporate market makes an important contribution to The Group's overall customer offering.

BUSINESS DEVELOPMENT AND INNOVATION

The market for banking services is ever changing. Changed customer expectations, new regulatory requirements and stiffer competition from existing and new actors require SpareBank 1 Nord-Norge to work and to prioritise in new ways. If it is to consolidate and expand SpareBank 1 Nord-Norge's leading position, The Group must at all times understand customers' challenges and needs, and actively develop solutions that meet customers' expectations. In a step towards attaining its goal of delivering the best customer experience, SpareBank 1 Nord-Norge therefore conducted in 2020 extensive customer surveys to provide a basis on which to develop and transform the existing business model. Technology and data, and partnerships, have been at centre-stage in this effort.

An important change in working method has involved getting to grips with 'AS IS customer journey mapping' in order to understand the customer's experiences of specific situations, products or services, and to use the insight gained to improve our products and services. At the same time, access to data and new analysis methods provide us with entirely new opportunities to make products and services available to customers when they most need them.

"My finances" is a pertinent example of helping customers gain better control and management of their finances, in this instance by means of transaction classification and categorisation. Customers have wholeheartedly embraced this service since its launch in spring 2020.

What did we do in 2020?

BEST FOR CUSTOMER SERVICE IN TNS KANTAR'S RANKING

In recent years SpareBank 1 Nord-Norge has had a keen focus on strengthening its customer orientation with a view to improving the customer experience. In 2020 this effort paid off with a top three placing in TNS Kantar's national customer service award in the banking sector. In an increasingly homogeneous market, SpareBank 1 Nord-Norge has defined the customer experience as an important target area and a differentiating factor.

A customer- and insight-based approach has been employed with the main focus on reducing waiting time, increase the resolution rate at the first contact point and respond to incoming enquiries with



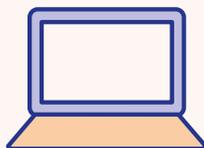
relevant initiatives based on the customer's needs. The most important success criteria have been to organise Direktbanken's¹ cross-functional team, develop specialist and customer competence, and apply customer insight and traffic patterns to ensure that we are at all times equipped to resolve the customer's needs rapidly and effectively. The Group's investment in the automation of manual work processes in recent years has also yielded substantial gains in the form of increased efficiency and an improved customer experience. Making the grade in such rankings is motivating for The Group's employees and inspires continued efforts to create the market's best customer experience.

¹ Direktbanken' is the term applied to SpareBank 1 Nord-Norge's customer service centre.

SPAREBANK 1 NORD-NORGE IN A DATA-DRIVEN FUTURE

In extensive customer surveys, customers have unequivocally reported a desire for dialogue and offerings based on the insight The Group's insight into them. Effective, innovative business and resolution development presupposes an excellent knowledge of customer work and business processes alike. An increased focus on developing The Group's data-driven skills in the form of new competence and new tools was accordingly a priority area in 2020.

In 2020 a feasibility study was conducted to establish a more data-driven approach both in market operations and in internal processes, for example



credit assessments. Work on realising gains from the study is well under way. A cross-functional team has completed the technical clarification process for a developmental learning loop, which it has duly tested. In 2021 this methodology will be scaled to enable ongoing optimisation of recurring activities. The work is systematic and structured, and viewed against control groups and earlier results.

Development of The Group's data-driven skills is accompanied by a heavy focus on data security, compliance and GDPR, which was stepped up over the course of 2020.

THE MOBILE BANK HAS BECOME THE MOST IMPORTANT CONTACT POINT BETWEEN SPAREBANK 1 NORD-NORGE AND THE CUSTOMER

The significance of everyday business services, such as "My finances" and "My overview" increased sharply over the past year. Along with various modes of payment, these services are driver no. 1 for mobile-bank and internet-bank



traffic. The app store ranks SpareBank 1 Nord-Norge as one of the country's most used and liked mobile banks for private individuals.

BANKING + ACCOUNTS

The blurring of industry boundaries has increased competition for customer interface supremacy, above all in the SMB segment. To meet market developments and the competition, DNB and the 14 banks making up SpareBank 1-alliance have joined forces to undertake a strategic acquisition of Uni Micro. Uni Micro is one of Norway's leading actors in ERP and business systems. The object of the acquisition is to gain a stronger position as the SMB customer's principal partner by offering banking and accounting as an integrated service via



the internet and mobile banking. Collating data flows from the accounting systems and banking systems permits the development of relevant and valuable financial products and advisory capabilities, enabling banking and accounting to progress from a 'hygiene' function to that of a value-creating partner for businesses. SpareBank 1 Nord-Norge is well placed for competition through its position as the leading banking and accounting entity in the SMB segment in Northern Norway. The service is to be fully scaled in the course of 2021.

SAVING AND INVESTMENT

The Norwegian market for saving and investment has undergone strong growth in recent years, and saving is referred to as a megatrend by many observers. To meet this trend, SpareBank 1 Nord-Norge along with the other 13 SpareBank 1 banks have joined forces to establish a company which will bring together all joint activity in the area of saving. The



company will deliver products and services to a broad range of customers, ranging from small savers to wealthy and institutional investors. Customer orientation, economies of scale and exploitation of the SpareBank 1 banks' distributive power are at centre-stage of this initiative whose object is to gain market shares and to strengthen market position.

NEW SERVICES

A key aim of creating a new and improved customer experience is to establish collaboration with innovative partners. In 2020, particular mention may be made of two such partners:

MINNA SUBSCRIPTION SERVICE

SpareBank 1 Nord-Norge established a cooperation agreement with Minna Technologies in 2020. Minna Technologies specialises in assembling and maintaining an overview of the customer's various subscriptions and memberships, making it a simple matter to terminate no-longer needed services via the mobile and internet bank.

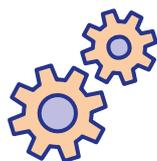


JUSTIFY

SpareBank 1 Nord-Norge established a cooperation agreement with the company Justify in 2020. Under the agreement, The Group's customers have access to digital tools needed to set up legal contracts such as cohabitation contracts, wills and power of attorney for the future.

NEW 'WORKBENCH' FOR ALL ADVISERS AS FROM Q1,2021

Through 2019 and 2020 work has been under way on a new CRM system for the bank. This builds on the Microsoft Dynamics 365 platform, and is based on a solution used by SpareBank 1 Nord-Norge. Our new CRM system is being developed under the auspices of SpareBank 1 Utvikling, and is in the first instance a collaboration between SpareBank 1 SMN, SpareBanken 1 Østlandet and SpareBank 1 Nord-Norge.



a case stands at all times, and that the processes that impel a solution to customer cases are transparent at all times. This applies both to cases attended to by advisers but also to those carried out by customers themselves using our self-service solutions. The system ensures that no cases 'fall between stools' or are subject to time slippage. The CRM system will also be integrated with Eiendomsmegler 1, SNN Finans and SNN Regnskapshuset – to ensure that coordination between those legal entities takes place in a consistent manner.

The intention behind our new CRM system is to deliver an even better customer experience, and thereby achieve higher customer satisfaction. In essence, the new CRM system moves us from a traditional portfolio orientation to a more task and case orientation – with our data-driven marketing rig at base. The CRM system binds together our channels and operators at a case and customer level, which ensures that 'everyone' knows where

For the first time, all advisers and case handlers in the bank will have a shared platform that encompasses all support systems and channels – and that utilises our analytical marketing rig. We expect this to contribute markedly to more satisfied customers, improved interaction internally, improved productivity and increased customer portfolio value.

SPAREBANK 1 NORD-NORGE'S WORK TO COMBAT FINANCIAL CRIME

SpareBank 1 Nord-Norge regards the fight against financial crime as highly important and acknowledges being an important contributor to that effort. Financial crime is a threat both to the individual and to the development of a healthy business and industry sector. In the longer term it may pose a threat to the welfare society.



Most of our customers have noted that we regularly update our information about them. This may involve obtaining new ID credentials or asking customers how they intend to use our services. These are important measure in combating financial crime.

We live in a globalised and digitalised world in which money is moved more simply and speedily than previously. This simplifies everyday life for everyone, but at the same time provides criminals with tools used for fraudulent and money laundering purposes. We work on a daily basis to develop systems and other measures designed to prevent, identify and report circumstances related to financial crime.

Actors engaged in financial crime need to conceal their proceeds and make them appear to be part of the legal economy. This is known as money laundering. The overall strategy has an international footing. SpareBank 1 Nord-Norge is subject to a number of obligations designed to prevent and identify such crime.

The object throughout is to reduce the range of possibilities available to criminals and the consequences for the individual. This is achieved by developing technology and expertise that is put to use every day in the fight against criminal elements.



**NUMBER OF HOMES SOLD THROUGH
SPAREBANK 1 NORD-NORGE
EIENDOMSMEGLING IN 2020**

3,717

Corresponding to an increase of 10% over 2019. All bids are handled digitally by the customer. About 90% of all purchase contracts were signed digitally in 2020.



**NUMBER OF TELEPHONE CALLS
RECEIVED BY DIREKTEBANKEN**

Personal customers

270,577

Corporate customers

27,588



**SHARE OF MORTGAGE
APPLICATIONS RECEIVED DIGITALLY**

82,91%



**NUMBER OF CHATS
RECEIVED BY DIREKTEBANKEN**

Live chat (+ 16%)

59,747

Chatbot (+ 52%)

314,774

2020 in numbers



NUMBER OF LOGONS TO THE INTERNET AND MOBILE BANK

Mobile bank

46,5 million

Internet bank

5,6 million



SAVING CONTRACTS

Number of customers with saving contracts in equity funds

45,475

Number of new saving contracts in mutual funds

14,804



NUMBER OF UNIQUE USERS

Mobile bank (+ 7.4%)

134,883

Internet bank (-11.6%)

92,265



SELF-SERVICE SOLUTIONS

Self-service customer establishment RM

97%

Self-service customer establishment CM

75%

Self-service mortgage supplement RM

100%



NUMBER OF CUSTOMERS HAVING RECEIVED STUDY LOAN VIA INTERNET AND MOBILE BANK

34,673

SpareBank 1 Nord-Norge Capital Markets

In 2010, The Board of SpareBank 1 Nord-Norge decided to establish SpareBank 1 Nord-Norge Markets (SNN Markets) as a department of the bank. In 2020 the department was merged with SpareBank 1 Nord-Norge's investment advisory services department. The resulting division is named SpareBank 1 Nord-Norge Capital Markets (SNN Capital Markets). The new division comprises the same business lines as those previously under SNN Markets along with the investment advisory services department. Its main focus is on investment advisory services to wealthy clients (private banking) and risk advisory and investment banking services to the corporate segment. In addition, the division offers high-quality securities investment solutions to relevant client categories. The main market area is Northern Norway. The head of SNN Capital Markets reports directly to The Group CEO of SpareBank 1 Nord-Norge.

ORGANISATION OF THE INVESTMENT FIRM

The division's customer-facing activity comprises the following focal areas:

- Investment advice to wealthy individuals (private banking)
- Risk advice to corporate clients
- Hedging transactions and trading in fixed-income and forex instruments
- Hedging transactions in the commodity derivatives market, mainly bunkers and fuel oil
- Sale of Norwegian bonds and certificates, and participation in bond issues
- Purchase and sale of equity shares and fund units
- Order-driven trading of securities and investment advice
- Investment banking services delivered by a separate corporate finance division

The division works closely with The Group's other customer-facing operations, especially in the corporate client segment and the private banking segment.

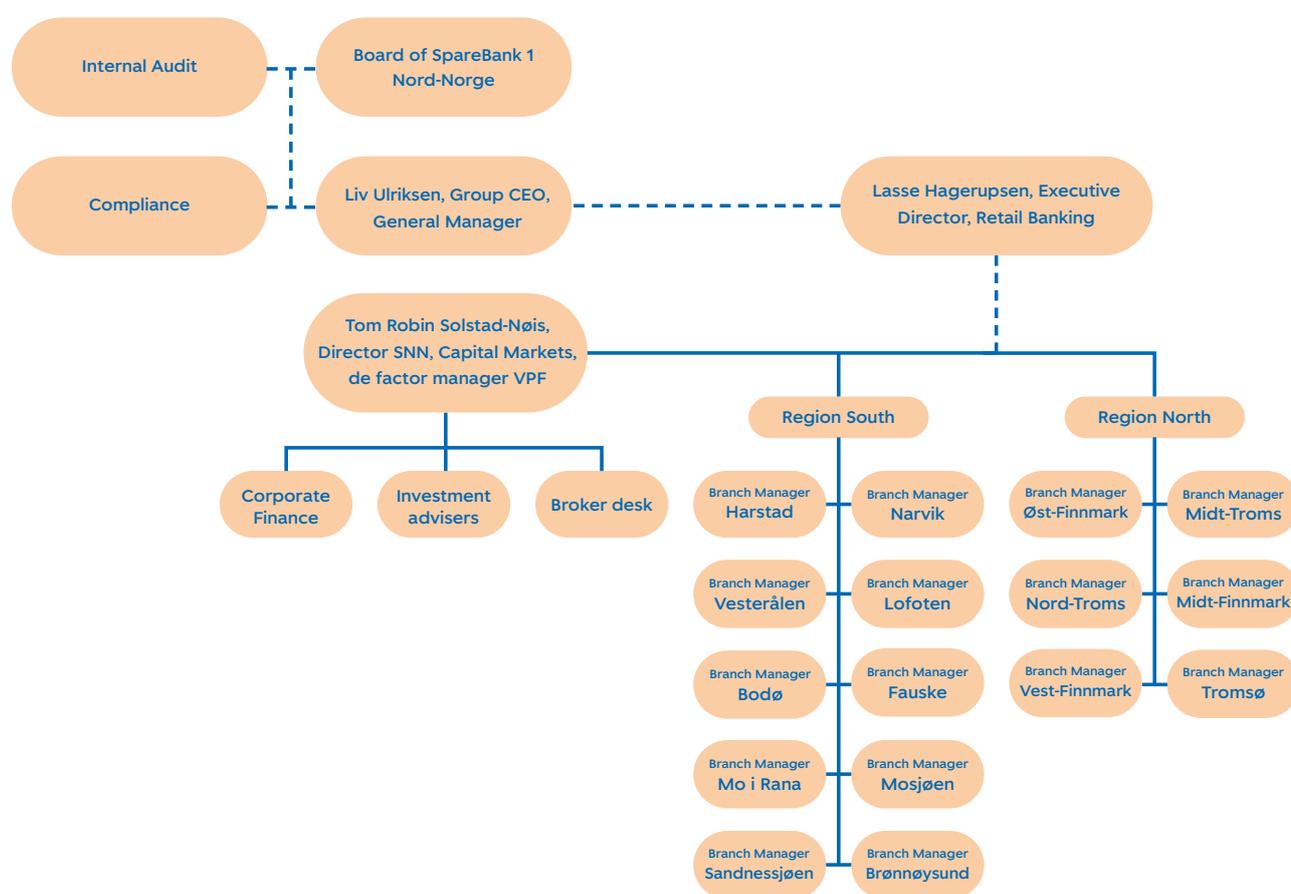
All settlement and controller functions are provided by Operations Support Capital Markets, which is also responsible for support and controller functions for Treasury. Operations Support Capital Markets is organised as a separate department from SNN Capital Markets.

The reorganisation of SpareBank 1 Nord-Norge over the course of 2020 is expected to reinforce the focus on SNN Capital Markets' business lines. Moreover, the investment firm has acquired a stronger role and additional focus on risk management and control. The division of responsibilities between SNN Capital Markets and the regional offices' investment services has been clarified. At

the same time, the establishment of Operations Support Capital Markets and the appointment of de facto managers and setting-up of an independent compliance function have strengthened the division of responsibilities and internal control. SNN Capital Markets collaborates with SpareBank 1 Markets on trading systems, equity and fixed income trading, and securities and macroeconomic analysis. For more information about SpareBank 1 Markets, see comments in the report of The Board of Directors.

In 2011, the Financial Supervisory Authority of Norway approved the organisation of the investment services business as an investment firm. Tom Robin Solstad-Nøis has been the director of SpareBank 1 Nord-Norge Markets, now SNN Capital Markets, since June 2013, and has operational responsibility for the investment firm's licensed investment services. The Financial Supervisory Authority was informed of the organisational change on 5 June 2020. The investment firm's new organisational setup is shown in the figure below.

FIGURE 1: ORGANISATION OF THE INVESTMENT



The investment firm follows the Policy for Sustainability and Social Responsibility in SpareBank 1 Nord-Norge. There is a stronger focus on operationalising this policy in 2021. In the course of 2019 a labelling scheme was launched for all mutual funds offered on SpareBank 1's platform. The labelling scheme indicates to the customer how fund providers perform based on sustainability screening designed by an external third party. 291 mutual funds have been screened and assigned a grading from A to F. Only funds labelled A-B or C will qualify for recommendation by SpareBank 1 Nord-Norge.

Targets for The Group's financial instruments are linked to UN Sustainable Development Goals 13.3 and 16.4, including:

- Integrating ESG risk into investment mandates and liquidity strategy and contributing to a greener securities market.
- Limiting negative ESG risk through negative screening
- Including the requirements of the EU Disclosure Regulation as to disclosure of sustainability information to customers and investors

Summary of MiFID II for 2020 in the investment firm: MiFID II came into force on 1 January 2018 and was implemented by SpareBank 1 Nord-Norge in the same year. There was a particular focus in the latest accounting year on monitoring compliance with new regulations. To that end we have strengthened the organisation of the investment firm, introduced new first-line controls and revised/prepared new procedures and set of agreements for the entire securities area.

FINANCIAL PROFIT PERFORMANCE FOR SNN CAPITAL MARKETS

Despite a very demanding 2020, the division as a whole delivered a historically strong financial performance. Most business lines saw strong growth in earnings and contribution to profit. The increase was particularly marked in the risk advisory services

business line which includes fixed-income, forex and commodity derivatives. The investment advisory services business line also achieved substantial growth in 2020, both as regards long-term management solutions and trading in the secondary share market. The investment banking services area posted no increase in turnover through 2020, but laid a sound basis for growth in the coming year.

The division's contribution to SpareBank 1 Nord-Norge's profit has been stable over the past five years. Last year's trend was particularly positive, however, as shown in the table below. This is primarily a result of the division's long-term, targeted focus on its market area. In addition, market-related factors, including increased uncertainty and substantial fluctuations in asset prices, have spurred greater interest in the division's products.

PROFIT TREND

	2016	2017	2018	2019	2020
Total revenues	54	47	48	76	107
Total expenses	21	23	21	41	47
PROFIT	34	24	26	35	60

The table shows SNN Capital Markets' profit trend for the period 2016-2020. The investment advisory services area became part of the division in 2020. Comparatives taking account of investment advisory services are included for 2019.

On the investment side, the investment advisers contributed to a substantial increase in capital under management through 2020. Overall capital under management increased by just over BNOK 1.3 (22.16%), amounting to BNOK 7.3 at year-end.

Profitability in this area is expected to be somewhat negatively impacted in the short term by the transition to a new business model with the introduction of direct payments and removal of soft commissions.

SpareBank 1-alliansen

SpareBank 1-alliansen was formed in 1996. In the alliance the SpareBank 1 banks work together through the two jointly owned companies SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA.

SpareBank 1-alliansen comprises 14 independent savings banks that collaborate on a shared platform and brand. All are full-fledged providers of financial products and services to private individuals, businesses and organisations. The following banks make up the alliance:

THESE 14 INDEPENDENT BANKS MAKE UP SPAREBANK 1-ALLIANSEN



We want our customers to view SpareBank 1-alliansen as the best in terms of proximity, a local footing, and expertise. The alliance employs around 7,000 staff. About 1,200 of these work for SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA or their subsidiaries. They constitute what is known as the alliance partnership. The vision of the alliance partnership is to be *attractive to customers and the banks and its core values are close at hand and capable*.

SPAREBANK 1 GRUPPEN AS

SpareBank 1 Gruppen AS is the parent company of seven subsidiaries, all of which develop and deliver products to the alliance banks. SpareBank 1 Gruppen AS has the following subsidiaries:

SpareBank 1 Gruppen AS has the following subsidiaries:

- SpareBank 1 Forsikring AS (pension insurance)
- Fremtind Forsikring AS (65%, non-life and personal risk insurance)
- ODIN Forvaltning AS (fund management)
- SpareBank 1 Factoring AS (factoring)
- Modhi Finance AS (portfolio purchase and debt collection)
- SpareBank 1 Spleis AS (crowdfunding)
- LOfavør AS (SpareBank 1 Gruppen owns 49%. The LO owns 51%)

SpareBank 1 Gruppen AS is wholly owned by the SpareBank 1 banks and the LO, with the following stakes:

- SpareBank 1 SR-Bank ASA (19.5%)
- SpareBank 1 Nord-Norge (19.5%)
- SpareBank 1 SMN (19.5%)
- Samarbeidende SpareBanker AS (19.5%)
- SpareBank 1 Østlandet (12.4%)
- The LO and affiliated trade unions (9.6%).

SPAREBANK 1 UTVIKLING DA

SpareBank 1 Utvikling DA has administrative responsibility for collaboration processes and provision of services to SpareBank 1-alliansen. The company delivers business platforms and joint management and development services to the alliance banks. The company contributes to joint activities that provide the banks with economies of scale and expertise.

The company also owns and manages the alliance's intellectual property rights under the shared brand name: SpareBank 1.

For its part, SpareBank 1 Utvikling DA is wholly owned by the SpareBank 1 banks and SpareBank 1 Gruppen AS, with the following stakes:

- SpareBank 1 SR-Bank ASA (18%)
- SpareBank 1 SMN (18%)
- SpareBank 1 Nord-Norge (18%)
- Samarbeidende Sparebanker Utvikling AS (18%)
- SpareBank 1 Østlandet (18%)
- SpareBank 1 Gruppen AS (10%)

SpareBank 1 Utvikling Da owns 100% of the shares of the following subsidiaries:

- EiendomsMegler 1 Norge AS
- SpareBank 1 Kundesenter AS
- SpareBank 1 Verdipapirer AS

THE SPAREBANK 1-BANKS OWN THE FOLLOWING COMPANIES DIRECTLY, WITH THE FOLLOWING STAKES:

JOINTLY OWNED COMPANIES OUTSIDE THE ALLIANCE	SPAREBANK 1 SR BANK	SPAREBANK 1 SMN	SPAREBANK 1 NORD-NORGE	SPAREBANK 1 SAMSPAR	SPAREBANK 1 ØSTLANDET	BN BANK ASA/OTHERS
SpareBank 1 Betaling AS	19,77%	21,49%	18,60%	20,00%	18,74%	1,40%
SpareBank 1 Kreditt AS	17,67%	17,46%	17,00%	25,50%	20,87%	1,47%
SpareBank 1 Boligkreditt AS	-	22,36%	18,60%	30,29%	22,45%	6,3%
SpareBank 1 Næringskreditt AS	15,63%	31,01%	12,20%	25,70%	15,50%	-
SpareBank 1 Markets AS	5,56%	66,70%	12,20%	9,55%	-	5,99%
BN Bank ASA	35,02%	35,02%	9,99%	9,99%	9,99%	-
Betr AS	-	20,00%	20,00%	20,00%	20,00%	-
SMB Lab AS	20,00%	20,00%	20,00%	20,00%	20,00%	-

OWNERSHIP AND COMPANY STRUCTURE IN SPAREBANK 1-ALLIANSEN

OWNERS AND ALLIANCE PARTNERS

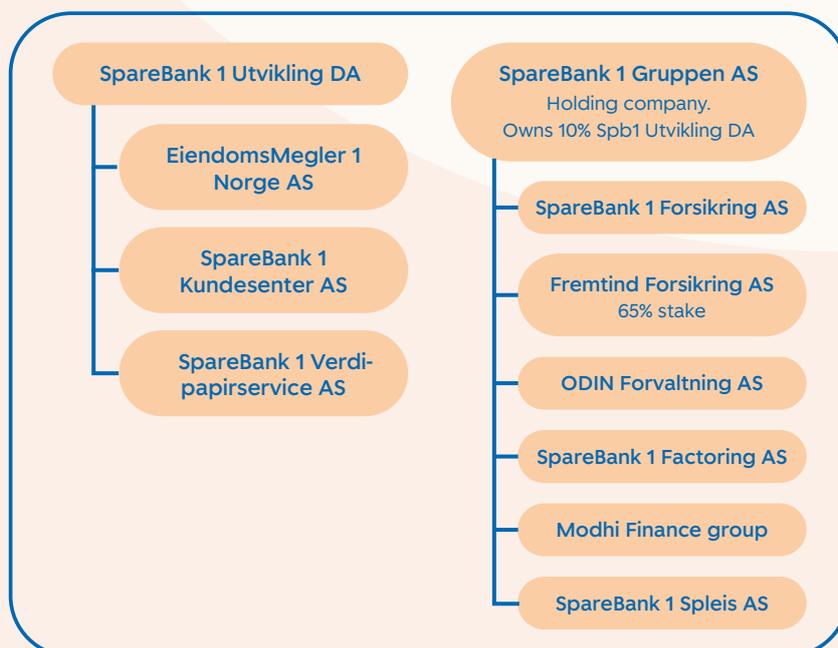


Stakes: Spb1 Utvikling DA / Spb1 Gruppen

Jointly owned companies outside the alliance



Owners and alliance partners





The foundations

SPAREBANKSTIFTELSEN SPAREBANK 1 NORD-NORGE

SpareBank 1 Nord-Norge established Sparebankstiftelsen SpareBank 1 Nord-Norge in 2011. The foundation's primary purpose is to exercise long-term, stable ownership of SpareBank 1 Nord-Norge, including the management of equity certificates that were transferred to the foundation upon its establishment and, as far as possible, to participate in SpareBank 1 Nord-Norge's equity issues in the future.

The foundation also makes donations to non-profit causes from the returns on the capital it manages.

The background to establishment was the passage of the new Financing Activity Act in 2009. The Act provided for equal treatment of the two groups of shareholders in savings banks: the community and equity certificate holders. Savings banks could now apply the same dividend rate to both categories

of owner, as opposed to previously when dividend payouts to the community were to a larger degree limited. Previous issues related to "dilution" of the equity certificate holders were now largely resolved. On this basis, the bank adopted a dividend policy stating that the two groups of shareholders should be treated equally, with an equal share of the profits being distributed to equity certificate holders and the community alike. This could, however, have led to very large payouts of community dividend (previously donations) to an owner who could not participate in future equity issues. Over time, this could have led to erosion of the bank's community ownership, which was not deemed to be in the interests of either the bank or the community in its capacity as owner. SpareBank 1 Nord-Norge's intention is accordingly to ensure that parts of the community dividends are distributed to the foundation. This will enable the foundation to build up capital that can be used in connection with future equity issues by the bank.



Since its creation, the foundation has received several allocations from the bank. The foundation managed a total of BNOK 1.1 as at 31 December 2020.

DONATIONS

According to its articles of association, the foundation can make donations to non-profit causes in SpareBank 1 Nord-Norge's market area. Donations totalling MNOK 21.4 were made to 148 projects in 2020. Measures targeting children and youngsters along with outdoor activities were prioritised and were awarded a total of MNOK 9.7 over the course of the year. The foundation has become more widely known in the community of late, and is seeing an increasing number of applications for support.

Sparebankstiftelsen's website, Facebook page and Instagram page are updated regularly with current news: [snnstiftelsene.no](https://www.snnstiftelsene.no). There is also information about all gift allocations.

Sparebankstiftelsen has two part-time employees: a business manager in a 20% position and an office manager in a 90% position

SPAREBANK 1 NORD-NORGE'S KUNSTSTIFTELSE

SpareBank 1 Nord-Norge's Kunststiftelse was established in 2007 by the bank's board of directors. The foundation's main purpose is to develop and manage a collection of works of art that are of significance to the region. The works are displayed at the bank's premises or deposited with public institutions. The collection now comprises 835 works, of which 131 were purchased after its creation.

The foundation has no employees.

Organisation and HR

The year 2020 was marked by organisational changes at all levels. In the top management, Liv Bortne Ulriksen was appointed new group CEO in the first quarter. Two new directors were also appointed; Marius Nilsen as executive director of credit and risk management and Stein Vidar Loftås as executive director of communications and society.

The reorganisation assembled the four earlier regions, the direct channels and The Group customer department into two new strong units – a retail banking division and a corporate banking division. Lasse Hagerupsen, previously di-

rector of region Hålogaland, became new executive director of retail banking, while Trude Glad, previously director of region Helgeland and Salten became new executive director of corporate banking.

HELGELAND

The year was marked early on by a strategic collaboration in Helgeland. An agreement was entered into between SpareBank 1 Nord-Norge and Helgeland Sparebank entailing transfer of the business of SpareBank 1 Nord-Norge's four branches and their portfolio to Helgeland Sparebank. Helgeland Spare-

bank was concurrently to join SpareBank 1-alliansen, and become SpareBank 1 Helgeland. SpareBank 1 Nord-Norge was to buy into the new bank, acquiring a 19% stake. The need for a staff adjustment of about 30 FTEs is under consideration to ensure the success of this transaction.

DOWNSTAFFING

The need for fewer employees also applied to the wider group, in particular the banking side of the business. Customer behaviour, the evolution of the banking industry and the cost trend brought a need for change in the physical distribution structure and for staff adjustments. A staff cutback of the order of 70-100 FTEs was planned at an early stage – in close consultation with the employee representa-

tives. Severance packages designed to encourage voluntary downstaffing were offered. Two open rounds of severance packages resulted in a total of 89 signed severance agreements. It is sad to see so many skilled members of staff depart, and at the same time a great relief to know that forced staff cuts were not needed.

BRANCH CLOSURES

Our customers' use of The Group's products and services is increasingly digital, well assisted by an aberrant year of Covid. During the year an adjustment of the branch structure was decided upon, entailing the closure of 18 branches. Staff at the locations concerned were offered severance pack-

ages or the opportunity to remain in The Group's employment at another place of work. About half of 42 affected employees opted to remain with The Group from another office location, while the other half opted for a severance package.

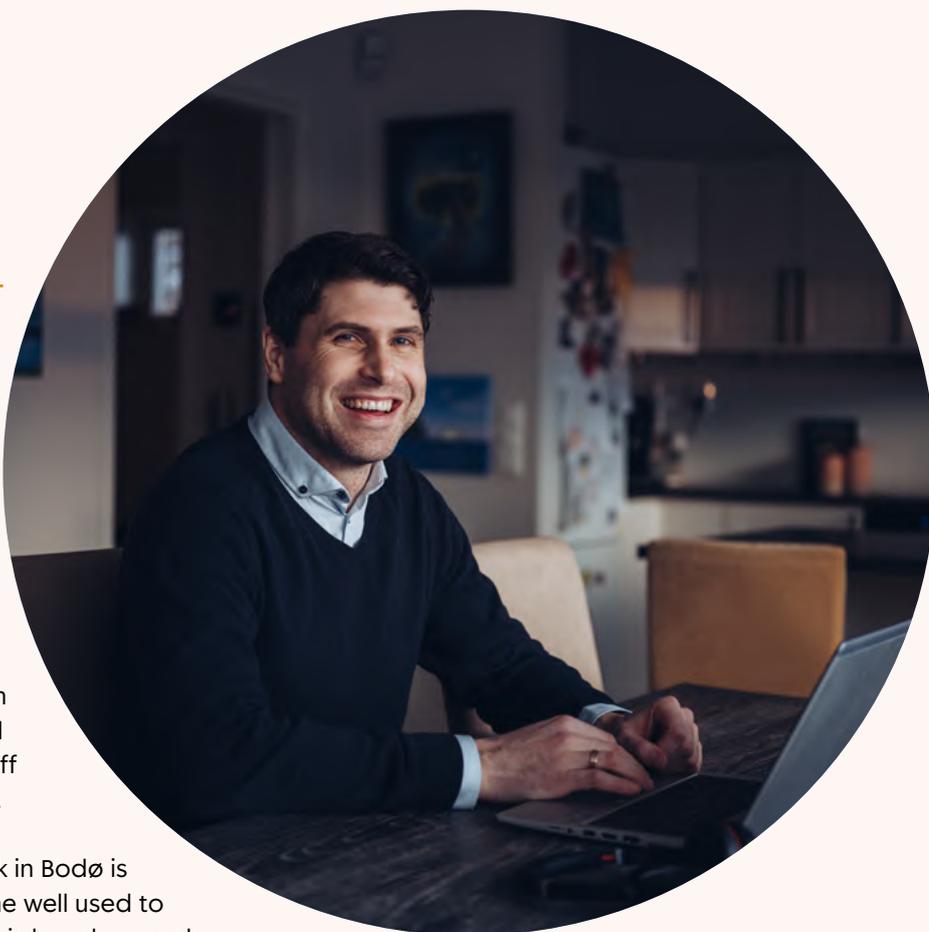
WORKING FROM HOME



The great majority of SpareBank 1 Nord-Norge's staff worked from home at some point in 2020. Due to Covid-19, the authorities recommended that everyone able to do so should work from home.

In some periods, local infection outbreaks or stringent national measures led to virtually all staff being told to work from home.

Bank manager Kristian Haubakk in Bodø is among those that have become well used to working from home. He feels it is largely unproblematic, but he misses meeting colleagues face to face. The greatest benefits of working from home, according to Kristian, are short travel time to work and good coffee.



COVID-19

Almost all activity was affected by the virus pandemic that hit the country. Covid-19 led to the suspension of group meetings, and of almost all other physical activity. A crisis team established at an early stage to tackle the situation remains operative and necessary. Scenarios and a traffic light model have been devised to enable predictable and safe decision-making, even when the operating environment and national and local conditions and guidelines are ever changing. The situation has imposed substantial demands on The Group's managers, which they have in large measure addressed in a highly competent manner.

The Group had landed a sizeable digital workplace project just before the Covid-19 pandemic hit us, giving us an edge when society virtually came under lockdown in March. All functions could be readily steered from home offices, and we were able to operate the entire group with very few staff present in our physical channels. A survey conducted of employees' experience of working from home showed that 80% of our staff agreed in full or in part that they performed their tasks equally well from home. The greatest challenge was the dividing line between work and leisure, with 47% of staff reporting that it was in whole or in part more difficult to separate one from the other when working from home.

COMPETENCE

The employees' competence and skills contribute to the organisation's uniqueness, and management and development of the organisation are a prioritised task for SpareBank 1 Nord-Norge.

The Group's introductory programme – developed to introduce The Group, our culture and strategic framework – was carried out digitally for the first time due to the pandemic. All new employees

undergo compulsory e-learning courses in data protection, sustainability and anti-money laundering.

For advisers serving the retail market, a structured learning process has been established which hooks advisers up to the requisite competence and subsequent authorisation needed to do a good job as advisers at SpareBank 1 Nord-Norge.

CERTIFICATIONS

Our customers must throughout be assured of meeting qualified advisers, regardless of where the customer contacts us. Through its affiliation to the financial sector's authorisation schemes for the retail market, SpareBank 1 Nord-Norge can point to a total of 252 authorised financial advisers in the saving and investment field, 241 advisers certified in non-life insurance, 213 certified as credit advisers in the retail market and 198 advisers certified in personal insurance.

In 2020 three new authorisation schemes were established in the sector: personal and non-life insurance for the business community, and certification of information advisers. These schemes will be implemented in 2021. All certifications require updating on an annual basis.

OTHER LEARNING ACTIVITIES

SpareBank 1 Nord-Norge has decided that its focus on sustainability is to permeate our entire business and our entire conduct. Our foremost ambassadors in this respect are our employees, all of whom have undergone e-learning in this field in 2020. All staff members with credit authorisations in the retail and corporate markets acquired and documented their knowledge of the bank's management authorisations for 2020. In addition, staff members completed, also in 2020, shorter courses in various topics in the security field (nano learning). A total of 781 staff members completed two courses entitled 'sustainable finance' and 'sustainability'. The course in data protection at SpareBank 1 Nord-Norge was developed by the alliance's personal data officers and attended by 848 staff members.

'Teams' was introduced in February 2020; about 75% of all employees attended digital courses in February and March. Extra drop-in courses were arranged for employees desiring a further run-through. The courses were presented using Teams, so attendance figures are not entirely precise. Further Teams

courses will be held in 2021 and will be managed through the course platform 'Utsikt'.

Fifteen staff members attended continuing education programmes with employer support provided through SpareBank 1 Nord-Norge's grant scheme. In 2020 more applications were submitted, and approval received, by men than women. Should the number of applications stretch the budget, women will have priority over men in the manager development area.

Education grants in 2020 were allocated to three women and twelve men, ranging from age 26 to age 52. A total of NOK 702,000 was apportioned among seven group entities. The range of subjects covered by the completed study programmes spans the entire spectrum from authorised accountants, fixed-income and finance analysis, economics, manager development and project management to digitalisation.

Covid-19 provided an unintended positive inducement to a more sustainable working day featuring increased reliance on digital meetings and reduced travel activity. At the same time, however, restrictions requiring social distancing brought fewer opportunities for physical activity in the company of others. The challenge in 2021 will be to retain some of the favourable Covid-19 effects created by the situation, by holding down travel and by, for example, relying on digital meetings.

The organisation's HR area contains activities which naturally fit in with the UN sustainability goals of quality education, gender equality and good health and well-being.

The object is to identify the organisation's activity in terms of the UN sustainability goals, which will in turn help to increase the focus on those activities that promote sustainability.

The following goals are set under the above three sustainability goals for the HR department:



- SpareBank 1 Nord-Norge shall have the right number of qualified staff in the right place at the right time.
- SpareBank 1 Nord-Norge shall provide equal opportunities for women and men as regards education grants, and competence development in general for women and men.



- SpareBank 1 Nord-Norge shall have a minimum 40% share of women in management positions.
- There shall be no gender-based pay differences that cannot be substantiated.
- SpareBank 1 Nord-Norge shall facilitate diversity in the workplace.



- SpareBank 1 Nord-Norge shall contribute to an active life for its employees.
- SpareBank 1 Nord-Norge shall facilitate a healthy and varied diet at work.
- SpareBank 1 Nord-Norge has zero tolerance of substance use in working hours.

The work on sustainability goals serves to mark out a direction for the work of HR. With movement in most areas, as indicated in the following.

GENDER EQUALITY AND DIVERSITY

Increased gender equality and diversity contribute to innovation and increased competitive power and are anchored in our recruitment policy, which gives emphasis to gender equality and diversity and in which discrimination is not accepted.

SpareBank 1 Nord-Norge has achieved its goal of a 40% female share on The Board of Directors, and on The Boards of the subsidiaries. Women continue to outnumber men in The Group (53% to 47%) whereas men outnumber women in management positions (62% to 38%). This matches the situation in 2019, and is accordingly evidence that changes need to be made if our objectives are to be attained. Our ambition is a women's share of management positions of at least 40% at SpareBank 1 Nord-Norge. Pay equality is enshrined in our remuneration policy

and is an important aspect both of the payroll process and in the recruitment effort. Each year payroll analyses are carried out which are reviewed in cooperation with the employee representatives. The year's payroll analyses show that our efforts are successful, and we find no generalised gender-based pay differences between women and men. The analyses do however show a specific pay difference between women and men inasmuch as men hold a larger share of the weightiest specialist positions which accordingly leads to a pay differential between the genders. In the period ahead it will be important to proactively set the stage for female applicants to weightier positions, both internally and externally.

SICKNESS ABSENCE

2020 showed a declining trend in sickness absence (self-declared and doctor-certified), from 3.98% to 3.51% for The Group. This is a creditable result compared with the national average, which was 6.2% for the third quarter (Statistics Norway). Sickness absence is down in all group companies apart from SNN Finans which saw a marginal increase. In the bank, where downstaffing has had the greatest impact, sickness absence is down from 3.40% in 2019 to 2.8%

in 2020. Traditionally sickness absence is assumed to be lower in years of staff cuts, as was seen during the previous period of downstaffing (2015). Even so, we see that sickness absence has remained relatively low in the period between 2015 and today, below 4%. The HR department devotes a continuous effort to follow-up and reporting of sickness absence. Other adjustments are shown in the table below.

SICKNESS ABSENCE IN PER CENT FOR THE PERIOD 2018-2020



Sickness absence by gender shows a picture similar to the country as a whole with a preponderance of sickness absence for women (5.15%) compared with men (1.69%). Previous surveys at SpareBank 1 Nord-

Norge have pointed to pregnancy-related illnesses as one of several factors that increase women's sickness absence. This will be in focus in HR's follow-up work ahead in 2021.

	2018		2019		2020	
	PER CENT	DAYS	PER CENT	DAYS	PER CENT	DAYS
SICKNESS ABSENCE, DOCTOR-CERTIFIED AND SELF-DECLARED						
The Group	4%	7781,8	3,98%	8069	3,51%	7330
SpareBank 1 Nord-Norge	4,70%	5913,5	3,40%	4407	2,85%	3762
EiendomsMegler 1 Nord-Norge	3,30%	669,90	4,99%	946	4,07%	829
SpareBank 1 Finans Nord-Norge	1,85%	168,8	2,38%	216	2,48%	225
SpareBank 1 Regnskapshuset Nord-Norge	2,78%	1029,6	5,71%	2500	5,30%	2514

	ABSENCE% FOR WOMEN	ABSENCE% FOR MEN	ABSENCE%, TOTAL
The Group	5,15%	1,69%	3,51%
SpareBank 1 Nord-Norge	4,62%	1,33%	2,85%
EiendomsMegler 1 Nord-Norge	5,32%	2,62%	4,07%
SpareBank 1 Finans Nord-Norge	3,53%	1,49%	2,48%
SpareBank 1 Regnskapshuset Nord-Norge	6,25%	2,96%	5,30%

RECRUITMENT AND CAREERS

SpareBank 1 Nord-Norge is an attractive employer in the region. In 2020, Universum's survey of attractive employers in Norway ranked SpareBank 1 in fourth place among economics students, and as a good no. 23 for IT students, indicating the brand's excellent standing in the market. This is confirmed by an increased number of applications to advertised positions in 2020. SpareBank 1 Nord-Norge received 1,565 applications for vacancies advertised by The Group, breaking down to 847 men and 715 women. This is an increase of more than 200 from 2019, to which the Covid-19 situation is assumed to have contributed through its impact

on the labour market. Challenges remain in finding staff for The Group's smaller locations.

Kreaton (formerly Hackaton) was arranged in Narvik for students over the theme 'industry of the future'. Kreaton targets students and other young people in the region and challenges them to resolve problems of the future on a team basis. Familiar methods such as Google Sprint and Lean Value are employed to imbue creative ideas development among the students. Covid-19 unfortunately prevented the subsequent establishment of internships which have otherwise followed on from previous arrangements.

MANAGEMENT

Managers have a particular responsibility for developing staff and the unit they preside over. Manager profiles have been drawn up imposing expectations on the role of manager at SpareBank 1 Nord-Norge. Management workshops are arranged and management and other education programmes are offered by way of BI Norwegian Business School. Weekly management webinars are held at which

themes of relevance to managers are addressed, and opportunities for one-to-one follow-up are available.

In view of the Covid-19 situation in 2020 the majority of competence and development initiatives involving physical gatherings have been cancelled, including the graduate programme in developmental management and the alumni programme.

HEALTH, ENVIRONMENT AND SAFETY

A sustainable and engaging work environment contributes to well-being and good performance among The Group's employees. An important contributor to this effort is the collaboration with our employee representatives and The Group's safety service. In 2020 new procedures for safety rounds were drawn up, a survey of staff perceptions of home working was conducted, along with an extended staff survey related to Covid-19.

In a year of Covid-19, reorganisation, downstaffing and 18 branch closures, the work environment was severely put to the test. Thanks to good collaboration and use of voluntary severance packages, the downstaffing objective was met. However, it is always sad to bid farewell to so many splendid members of staff. The employee survey conducted just after this process showed strong support (92%), and continued enthusiasm (80%). This is to be considered a good outcome, and in line with The Group's objective. Most gratifying was the rating of the work environment (up from 73 to 76%).

Working from home reached extreme levels in 2020 – being so much more extensive than previously due to the national Covid-19 measures. This required closer oversight of staff by managers, and the establishment of additional digital arenas, including for work breaks.

A separate survey of home working was conducted

after the summer to ascertain whether the work environment in the home sphere was adequate. The results showed that over 80% of employees agreed in full or in part that they were able to perform their tasks equally well when working from home. They similarly experienced having access to the equipment and systems needed to work efficiently and effectively. The greatest challenge was to separate working time from leisure time, a distinction which to a greater degree was seen to be blurred. Managers were asked to be particularly aware of this in their follow-up ahead.

The Working Environment Act requires employers to consider measures to promote physical activity among their employees, which The Group has done for seven years through its comprehensive diet and keep-fit concept, SNN Spor. More than 80% of The Group's employees participated in 2020, and, with an average of almost 11 hours of documented exercise per month, The Group more than complies with the recommendations of the Norwegian Directorate of Health as regards physical activity.

Since the financial industry's working day is largely sedentary, SNN Spor also makes a contribution to a sustainable healthy life.

No accidents involving personal injury were recorded in 2020.

KEY FIGURES AS AT DECEMBER 2020

*All figures are based on employees in a permanent position or serving a probationary period

NO. OF STAFF IN:	2019		2020	
	NO.	FTES	NO.	FTES
The Group	945	902,6	941	887,5
SpareBank 1 Nord-Norge	612	583	595	554,9
EiendomsMegler 1 Nord-Norge	92	91,3	92	91,5
SpareBank 1 Finans Nord-Norge	40	39,6	38	37,5
SpareBank 1 Regnskapshuset Nord-Norge	201	188,7	216	203,6

RECRUITMENT	2019	2020
	NO.	NO.
New employees, group	136	82
SpareBank 1 Nord-Norge	74	42
EiendomsMegler 1 Nord-Norge	10	8
SpareBank 1 Finans Nord-Norge	5	2
SpareBank 1 Regnskapshuset Nord-Norge	47	30

RESIGNATIONS	2019	2020
	NO.	NO.
No. of resignations, group	69	101*
Turnover, group*	7,30	10,73

MANAGEMENT AT SPAREBANK 1 NORD-NORGE	2019		2020	
	NO.	W/M	NO	W/M
Group Management team	10	3/7	9	3/6
Other management personnel in the bank	63	21/42	66	21/45
EiendomsMegler 1 Nord-Norge	17	5/12	17	4/13
SpareBank 1 Finans Nord-Norge	6	5/1	6	4/2
SpareBank 1 Regnskapshuset Nord-Norge	21	11/10	27	15/12
TOTAL	117	45/72	125	47/78
Percentage breakdown	100	38/62%	100	38/62%

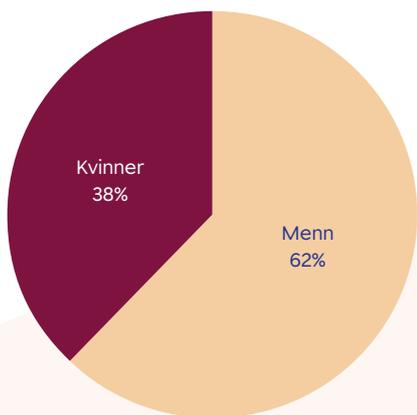
*W/M = Women or Men

AGE COMPOSITION:	AVERAGE AGE 2017	AVERAGE AGE 2018	AVERAGE AGE 2019	AVERAGE AGE 2020
The Group	44,5	44,0	43,7	43,5
SpareBank 1 Nord-Norge	45,2	44,8	44,2	43,6
EiendomsMegler 1 Nord-Norge	39,3	39,0	38,7	39,7
SpareBank 1 Finans Nord-Norge	38,9	39,8	40,2	41,3
SpareBank 1 Regnskapshuset Nord-Norge	46,5	44,9	45,1	45,5

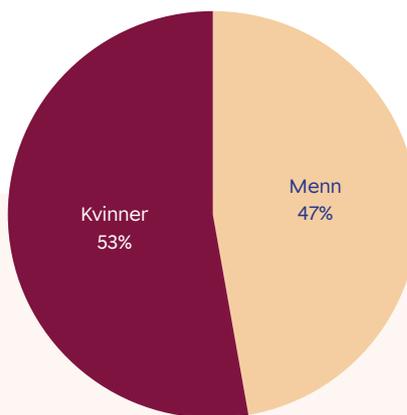
*Not including employees who have signed a severance agreement with termination date after 31.12.20

*No. of terminations divided by number of employees

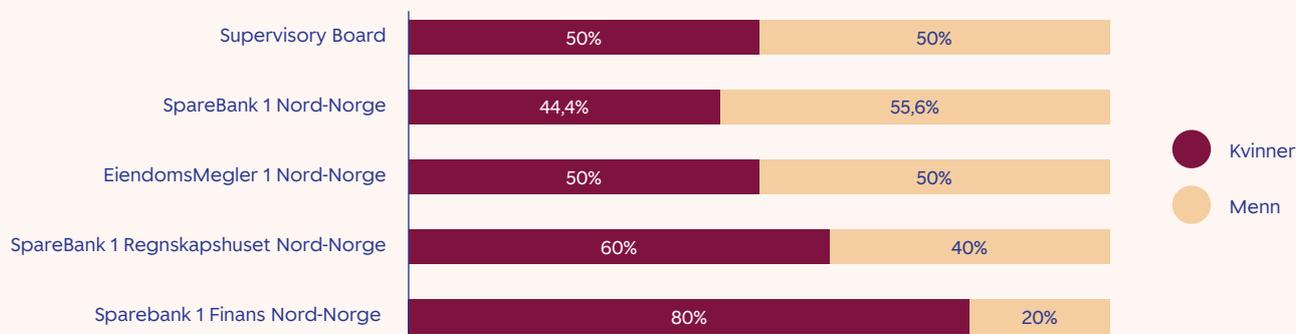
MANAGER'S GENDER DISTRIBUTION, GROUP 2020



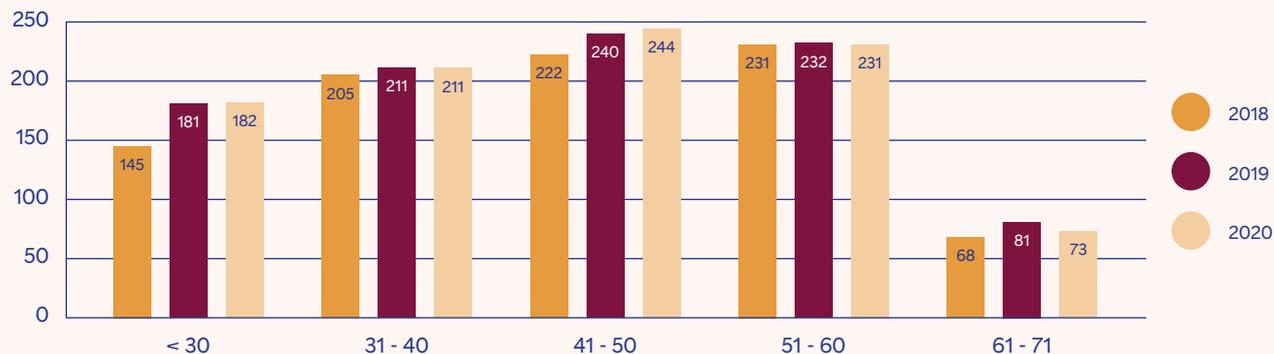
OVERALL GENDER DISTRIBUTION, GROUP 2020



GENDER DISTRIBUTION 2020, BOARD OF DIRECTORS AND SUPERVISORY BOARD



AGE COMPOSITION 2018 - 2020 GROUP



AGE COMPOSITION 2018 - 2020 SPAREBANK 1 NORD-NORGE





Corporate social responsibility

SpareBank 1 Nord-Norge contributes to value creation and to sustainable development in the region.



SKI SLOPES FOR EVERYONE

Ten family-friendly ski parks in North Norwegian local communities received financial support from 'Samfunnsløftet' in 2020. The parks are open to everyone, and will be fine places to meet family and friends – with skis or without skis.

The project is also creating other spin-offs. After a demanding half-year for North Norwegian business and industry, Samfunnsløftet will devote NOK 8.7 million to ski parks, thereby generating work for local businesses.

Sustainability at SpareBank 1 Nord-Norge

SpareBank 1 Nord-Norge is the region's bank, and its vision is: *For Northern Norway*. As the world's northernmost financial group, SpareBank 1 Nord-Norge is particularly concerned with matters that affect Arctic areas. An important precept for The Group is to encourage sustainable development and economic growth by contributing to the transition to a low-emission society in North Norwegian business and industry. Indeed the desire to support sustainable development of the region underlies The Group's business model, ownership model and local presence.

Climate risk affects financial stability across the world, and the financial industry has a key role to play in the private sector's handling of climate risk and the sustainability challenges facing the world. Public authorities and a united financial industry have given increasing focus to this matter in recent years. Internationally, a number of initiatives have been launched to commit and motivate the business community to work more system-

atically on this issue. In 2020 the EU's sustainable investment taxonomy and its bearing on the financial sector and investments in business and industry was in particular focus. The EU's taxonomy efforts form a basis for Norwegian government authorities' requirements on the financial industry, and SpareBank 1 Nord-Norge is gearing up to respond to new reporting requirements ahead.



«Northern Norway has many nature-given advantages. Growth in value creation has for a number of years been higher in the North than elsewhere in Norway. This will likely continue, but it is highly important that all value creation should build on shared knowledge and sustainability. The financial industry will play a key role in the fight against climate change. This is a responsibility that SpareBank 1 Nord-Norge takes with the utmost seriousness. We must win the climate struggle together – no single actor can do so alone. Liv Ulriksen, Group CEO.»

Liv Ulriksen, Group CEO

A RESPONSIBLE FINANCIAL ACTOR

The world faces major climate-related changes that will affect financial stability. One is the fact that the climate is changing, with the consequences this has for The Group's assets and liabilities. The other is the commitments made by the global community through the Paris Agreement which affect policies and government requirements on the financial industry and other industries in Northern Norway. Norway aims to be part of the transition to a low-emission society. All aspects of SpareBank 1 Nord-Norge business will be affected. Hence The Group is both directly and indirectly exposed to climate risk. Sustainability and climate risk are accordingly embedded in The Group's business and risk strategy, which is reviewed on a regular basis by The Board of Directors and supervisory board. In 2020 the main focus was on putting place a framework to link The Group's lending to green customers to green funding in the capital market (green product framework).

Sustainability and climate risk are incorporated in The Group's overarching governing documents and core processes, including financing (credit), liquidity management and corporate governance, distribution of mutual funds and products, procurement, and guidelines for our employees. In 2020 The Group continued its work on the six principles for responsible banking developed by UNEP FI (United Nations Environment Programme Finance Initiative) and reports on the UN Global Compact's ten principles for corporate sustainability. In order to ensure an improved internal overview and transparency in relation to external stakeholders, The Group reports under the Global Reporting Initiative (GRI) standard. Climate risk is reported under the reporting framework developed by the Task Force for Climate-related Financial Disclosures (TCFD).

Internal training and knowledge in the field of sustainability in the financial industry was an important priority in 2020. A digital training course was mandatory for all employees, and The Group's authorisation scheme included sustainability as required reading for all authorised advisers. In addition, The Group formulated a 'green curriculum' describing how training in sustainability and the green transition for all employees should be organised.



UNEP FI:

SpareBank 1 Nord-Norge has endorsed the UN's ten principles for responsible banking, UNEP FI, and are working on integrating the principles into its operations. The impact analysis tool described in principle 2 was under development in 2020.



GLOBAL COMPACT:

SpareBank 1 Nord-Norge has endorsed the UN Global Compact Strategy, the world's greatest initiative for corporate social responsibility.



ECO-LIGHTHOUSE:

SpareBank 1 Nord-Norge is eco-certified, and is compliant with the obligations implicit in the scheme.



KLIMAPARTNERE

CLIMATE PARTNER:

Troms SpareBank 1 Nord-Norge participates in Klimapartnere Nordland, Troms og Finnmark along with 47 other enterprises in the region.

SUSTAINABILITY OBJECTIVES

The UN 17 Sustainable Development Goals are the world's shared working plan to eradicate poverty, combat inequalities and halt climate change. SpareBank 1 Nord-Norge intends, together with its largest owner, the Northern Norwegian community, to play its part in achieving all 17 UN Sustainable Development Goals. To that end, all applicants for support from 'Samfunnsløftet' need to state how their activity promotes one or more sustainability goals. This is reported on in the sustainability annex to this annual report.

The Group has selected three sustainability goals for particular attention:



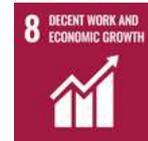
«Take urgent action to combat climate change and its impacts»

TARGET 13.2



«Conserve and sustainably use the oceans, seas and marine resources for sustainable development»

TARGET 14.1 AND 14.3



«Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all»

TARGET 8.6

SNN' OBJECTIVES:

- To contribute to a greener securities market (liquidity management)
- To make it simpler for the customer to make sustainable choices (products)
- To work for a more sustainable loan portfolio (credit)
- To reduce The Group's greenhouse gas emissions by 40% from 2016 to 2026

RESULTS:

- Green product framework established
- Qualified green assets of >NOK 720m in the CM portfolio
- Green mortgages of >NOK 78m to retail borrowers
- ESG labelling of mutual funds on SpareBank 1's saving platform
- 54% reduction of greenhouse gases in group operations
- 75% of all employees completed training in sustainability and climate risk
- Group recertified as an eco-lighthouse (head office and 7 of 15 finance centres)
- 81 environment-related projects supported by Samfunnsløftet

SNN'S OBJECTIVES:

- To contribute to a greener securities market (liquidity management)
- To make it simpler for the customer to make sustainable choices
- To ensure training in climate risk and sustainability standards for The Group's advisers in the aquaculture and fishery industries (training)

RESULTS:

- Green product framework with criteria specific to fisheries and aquaculture
- Training in climate risk for 41 advisers
- Kunnskapsbanken's (kbnn.no) focus on knowledge of climate risk in the aquaculture sector through articles and podcasts over the year

SNN'S OBJECTIVES:

- To make available factual, unbiased knowledge that helps the region to see the same picture
- To maximise the effect of knowledge-based, sustainable value creation for the region
- To strengthen business and industry, the public sector, education sector and decision-makers through relevant knowledge and facts

RESULTS:

- 43 reports and information notes published at kbnn.no
- kbnn.no with 168,215 unique users
- Report on climate risk in North Norway in the seafood, tourism, construction and property sectors
- 34 podcasts on North Norway in the world produced, with about 5,000 listeners per episode. Five episodes dealt with climate risk in North Norwegian industries
- Facebook group set up: «Women in the North, for the North, about the North». The Group is administered by Kunnskapsbanken and has 11,000 members



THIS IS HOW SUSTAINABILITY AND CLIMATE RISK ARE INCORPORATED INTO SPAREBANK 1 NORD-NORGE'S GOVERNANCE SYSTEM:



MATERIALITY ANALYSIS

The Group's materiality analysis identifies sustainability themes of key significance for SpareBank 1 Nord-Norge to which priority is given in reports on sustainability and corporate social responsibility. The materiality analysis was established based on inputs from external stakeholders and The Group's own specialist units in 2018, and has been revised annually in line with developments in this field. Reporting on the identified themes remains essential in 2020, with *climate risk*, *green products* and *responsible financing* in particular focus.

<ul style="list-style-type: none"> • Negative screening and exclusion • Requirements on financial providers • Responsible financing (credit) 	<ul style="list-style-type: none"> • Ethics and anti-corruption • Personal data protection and information security • Local business development • Climate risk • Green products and innovation
<ul style="list-style-type: none"> • Supply chain monitoring • Marketing of products and services 	<ul style="list-style-type: none"> • Banking practice • Development of employees • Support to local communities

The most important themes are highlighted at the top right and are further addressed in this annual report and the GRI index. Other themes are also touched on in this sustainability report. The materiality analysis will be renewed in 2021.

THE GROUP'S KEY STAKEHOLDERS

A number of SpareBank 1 Nord-Norge's stakeholders are involved in and influence The Group's work on sustainability. The most central stakeholders are shown in the model below. The stakeholder analysis is available in the annex covering the sustainability report.



Climate risk (TCFD)

Climate risk is defined as the risk of events that affect society due to changes in the climate and in climate policy. The term covers physical risk, transition risk and liability risk. For more information on climate risk, see note 6 to the annual accounts.

WORK ON CLIMATE RISK AT SPAREBANK 1 NORD-NORGE

In 2020 SpareBank 1 Nord-Norge focused closely on adding climate risk to the agenda both internally and externally.

This includes:

- Further integrating climate risk into The Group's governance and control framework.
- Increasing The Group's competence on climate risk
- Increasing the North Norwegian community's awareness and understanding of climate risk
- Identifying the sources of SpareBank 1 Nord-Norge's and North Norwegian business and industry's exposure to climate risk.

An important priority in 2020 was to establish a green product framework (GPF) enabling climate risk in The Group's business to be included in the line between lending to customers and funding from the capital market. Moreover, climate risk is a part of The Group's risk strategy, with quarterly reporting to The Board of Directors and group management team. Through its assessments of climate risk in its own business and in sectors funded by The Group, SpareBank

1 Nord-Norge will contribute to achieving the UN Sustainable Development Goals. This applies in particular to target 13.3: «Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning». Assessments related to climate risk are made in conjunction with financing, liquidity management and corporate governance, procurement and in the distribution of mutual funds.

CORPORATE GOVERNANCE

The Board of Directors' knowledge of climate-related risks and opportunities

The board is well aware of climate-related risks and opportunities through its strategic discussions and its approval of steering documents making reference to climate risk. The board also receives various quarterly and annual reports that include assessments of The Group's climate risk exposure. The Group's risk strategy defines The Group's risk appetite in various risk areas, including climate risk. The Group's climate risk appetite is low to moderate, in line with overall risk appetite for The Group's operations. The risk strategy is updated annually.

Management's role in assessing and managing climate-related risks and opportunities

In 2020, the management expanded its competence on climate-related risks and opportunities through strategic and operational discussions, and by producing governing documents that cover climate risk. In 2020 particular priority was given to a green product framework (GPF) as one of the tools for incorporating climate risk, and related risks, in The Group's portfolios in a better manner. Clear roles and responsibilities in relation to climate risk exposure have been established in the administration, and relevant personnel report quarterly on climate risk exposure to The Group Management team and The Board of Directors within their defined area. The executive director of credit and risk management is responsible for overseeing that The Group establishes adequate management and control in relation to climate risk.

STRATEGY

Climate-related risks and opportunities identified by The Group in the short, medium and long term

SpareBank 1 Nord-Norge is exposed to climate risk both via transition risk and physical risk as an underlying risk driver for other risk types. This includes above all credit risk, market risk, liquidity and funding risk, insurance risk/ownership risk, as well as operational and reputational risk. Hence both risks and opportunities, in the short, medium and long term, are associated with lending, borrowing and investment in the capital markets etc.

The issues to be considered include:

- Which industries The Group should or should not finance.
- Which objects The Group should or should not finance.
- Which products The Group should or should not offer.
- Which markets The Group should or should not be exposed to.
- Climate risk and sustainability also present some business opportunities. The Group's updated strategy accordingly establishes sustainability as one of three governing principles, alongside 'insight' and 'quality', which are to be reflected in all activities of The Group.

Description of the impact of climate-related risks and opportunities on business operations, strategy and financial planning

The Group's operations, strategy and financial planning are affected by external and internal factors alike. Climate risk is a key external factor that The Group takes into account both in drawing up its strategy and in its operational activities. A priority in 2020 was to enhance knowledge of climate risk in The Group and among customers, as well as an awareness of associated opportunities and challenges. To that end procedures were established to assess climate risk in all credit cases. Efforts in this area will have priority in 2021 too.

A key climate-related risk is stranded assets. The term refers to situations in which The Group's investments and collateral for loans etc. fall sharply in value or become valueless. This risk is particularly pertinent in industries in The Group's portfolio which are exposed to transition risk (see note 6). In 2020 The Group took steps to control this risk, and will continue this effort in 2021.

In 2020, for the first time, The Group is reporting on carbon exposure in the loan portfolio. The analysis gives an indication of The Group's exposure to the most emission-intensive industries in Northern Norway (based on data from Statistics Norway). The analysis shows inter alia that The Group's exposure to the most emission-intensive industries is low. For more information on the analysis and the method employed, see the annex to the sustainability report.

Potential impact of various scenarios on business operations, strategy and financial planning, including a 2°C scenario

The annual ICAAP report assesses The Group's overall risk exposure and capital needs. From 2019 onwards, climate risk has been included in this assessment. Specifically, the ICAAP includes stress tests for negative trends, external and internal, and how those trends would affect The Group's financial position. The financial implications emerging from the stress tests outline potential consequences of external factors such as climate risk. This area is under ongoing development.

SpareBank 1 Nord-Norge's Kunnskapsbank ('knowledge bank') published in 2020 several

reports dealing with climate risk and central North Norwegian industries such as seafood, tourism, construction and the real estate industry, along with the public sector. The reports describe physical risk and transition risk to which these sectors are exposed, and measures that should be initiated to counter such risk.

Based on the above, SpareBank 1 Nord-Norge has identified The Group's exposure to climate risk in the loan portfolio, including in relation to:

- Industries
- Physical risk
- Transitional risk
- Emission intensity

The insight gained is turned to account in the management and control of climate risk.

RISK MANAGEMENT

Processes for identifying, assessing and managing climate-related risks

Climate risks are identified, assessed and managed at different levels and by different methods, including:

- At the overall level, through the ICAAP, risk strategy, other governing documents etc.
- At a granular level, through assessments made in connection with granting of credit, investment decisions, product development etc.
- Ongoing monitoring and quarterly reporting by the administration to The Board of Directors and senior management.
- Through the green product framework (GPF), which aims to make clear how large a portion of the loan portfolio is green in line with international requirements on green investments

SpareBank 1 Nord-Norge plans to carry out the following work in this area in 2020:

- Further developing a methodology to measure carbon-related exposure in the loan portfolio.
- Further developing scenario analyses.
- Performing an impact analysis in keeping with the principles of UNEP FI.
- Introducing reporting procedures in accordance with the EU's sustainable investment taxonomy
- Implementing a 'green curriculum' for The Group's employees.

How processes for identifying, assessing and handling climate-related risk are integrated into the undertaking's overall risk management:

Climate risk is an integral part of The Group's risk and capital management. For further details of The Group's risk and capital management, see references elsewhere in this annual report.

OBJECTIVES

Objectives and indicators used by the undertaking to assess climate-related risks and opportunities, in keeping with strategy and risk management processes

The Group's appetite for climate risk is low to moderate, in line with overall risk appetite for The Group's operations. This defines the level of risk The Group is willing to take in the area.

It includes:

- The target set in the internal risk strategy for the share of assets in safekeeping that are exposed to risk as stranded assets.
- The target set in the internal risk strategy for qualified loans under the green product framework (GPF).
- The target set in the internal risk strategy for compliance with The Group's policy for sustainability and corporate social responsibility.
- The objective set for the portion of the Liquidity Coverage Ratio (LCR) portfolio to be allocated to securities that actively address ESG.
- The objective set for the number of employees completing mandatory training in this area (100%).
- The objective of a 40% reduction in greenhouse gas emissions from The Group's operations from 2016-2026, with a minimum 5% reduction per year.

The climate account reports on greenhouse gas emissions from The Group's operations, broken down on Scope 1, Scope 2 and Scope 3. See a separate section on the environment in this report's chapter on sustainability. In 2020 The Group achieved a 54% reduction in emissions. This is mainly due to reduced business travel as a result of Covid-19. Business travel is also expected to be considerably reduced through 2021.

FACTS:

<p>Responsible unit in The Group:</p> <ul style="list-style-type: none"> • Risk management • Credit • Treasury • Knowledge and initiatives • Sustainability 	<p>Governing documents and processes addressing climate risk:</p> <ul style="list-style-type: none"> • Risk strategy • Business risk • Policy for sustainability and corporate social responsibility • Green product framework • Credit policy • Guidelines for sustainable financing • Guidelines for sustainability in liquidity management and corporate governance • - ICAAP 	<p>Measurement parameter:</p> <p>GRI 201-2</p>
		<p>Link to UN Sustainable Development Goals::</p> <ul style="list-style-type: none"> • 13:3 • Link to UNEP FI • Principle 2: Negative and positive impacts

RESPONSIBLE FINANCING OF BUSINESSES

SpareBank 1 Nord-Norge mainly finances businesses that work in and for Northern Norway. Responsible financing of businesses is one of The Group’s key areas of business and the area in which The Group has greatest leverage for sustainable development of the region and the transition to a low emission society. This area in The Group has the highest exposure to climate risk and other sustainability risks such as breaches of worker and human rights, financial crime and poor corporate governance. Assessments of factors related to climate risk and ESG are accordingly an integral part of the customer dialogue and the financing process.

In 2020, priority was given to putting in place the green product framework which links financing of green assets to the access to green capital in the funding market. The framework was designed to include climate risk in The Group’s governance system and concurrently to promote a transition in Norwegian business and industry. A further important priority in 2020 was operationalisation and training with regard to the theme of climate risk.

In 2021 a key ambition is to put in place a system to achieve a more systematic assessment of climate risk in each individual financing case, and to include the requirements that are expected ahead under the European Banking Authority’s guidelines and the EU’s taxonomy.

In keeping with the recommendations of Finance Norway’s roadmap for green competitiveness, SpareBank 1 Nord-Norge performed in 2020 an analysis of carbon exposure in the credit portfolio (see annex to the sustainability section of this annual report. The analysis takes a basis in industries’ direct greenhouse gas emissions and measures them against SpareBank 1 Nord-Norge’s share of loan financing to the industry is in question. The analysis gives an indication of greenhouse gas emissions in the most important industries to which SpareBank 1 Nord-Norge is exposed, and shows that The Group’s exposure to the most emission-intensive industries is low. Both the methodology applied in the analysis and the trend in industries’ emissions will be subject to close follow-up in 2021.

COVID-19 HAS IMPACTED THE FUNDING NEEDS OF NORTHERN NORWEGIAN BUSINESS AND INDUSTRY

Many Northern Norwegian businesses were affected by Covid-19 in 2020. SpareBank 1 Nord-Norge has considered it important to go the extra mile in advising and assisting corporate clients over the year.

A number of measures were initiated to assist retail and corporate customers alike, including:

- Mortgage payment holidays: the proportion of mortgages on which payment holidays were granted reached 12.2% at its highest
- Extensive contact with customers in the most demanding period following lockdown on 12 March
- Newsletters and information about government compensation and support arrangements
- Webinar for business and industry: 'Management in a demanding period'

Government schemes facilitated by the financial industry:

- Government-guaranteed liquidity loans to small and medium-sized businesses able to document impacts of Covid-19 totalled NOK 350 million.

Status:

- *Establishment of the green product framework; corporate banking portfolio assets qualifying as green totalled NOK 720 million in 2020.*
- *Training in how climate risk affects business and industry for The Group's specialists and managers in aquaculture and fisheries (41 participants)*

FACTS:

Responsible unit in The Group: <ul style="list-style-type: none"> • Credit • Corporate banking 	Governing Documents: <ul style="list-style-type: none"> • Credit Policy CM • Guidelines for sustainable financing 	Measurement parameter: GRI FS8 og FS7
		Link to UN Sustainable Development Goals: 8.3, 13.3, 14.1, 16.4

ETHICS AND ANTI-CORRUPTION

SpareBank 1 Nord-Norge must be recognised for its high ethical standard as regards ethics, sustainability and anti-corruption. Advice will not be given or services rendered to customers seeking to evade tax, launder money, finance terrorism, or commit other types of financial crime. Both givers and receivers of such benefits are liable to punishment. Measures against financial crime are applied in all business relationships. A report on the current status of this effort is submitted to The Board of Directors annually.

SpareBank 1 Nord-Norge aims to assist the effort to eliminate forced labour, child labour and discrimination in employment and to take the environment, climate, ethics and social conditions into account throughout The Group's activities. The same requirements apply in relation to The Group's customers and suppliers, products and services, and investment and credit decisions. SpareBank 1 Nord-Norge respects internationally recognised human rights standards including the International Labour Organization's eight core convention «ILO-con-

vention» sand shall ensure that The Group does not contribute to any breach thereof.

Ethics and anti-corruption receive further attention in The Group's own code of practice, 'the SNN Code'. All employees have received instruction in The Group's procedures through introductory courses for new appointments and mandatory e-learning. This also applies to The Board of Directors of The Group.

Status:

- No breach of the SNN Code was noted in 2020
- The following courses and instruction were completed over the course of the year
 - E-learning course 'Anti-money laundering' (Completion rate 68%)
 - E-learning course 'Ethics and good practices' (Completion rate 42%)
 - E-learning course 'Data protection at SNN' and Training Cards (Completion rate 91%)
 - E-learning course 'Sustainable finance': (Completion rate 75%)

FACTS:

<p>Responsible unit in The Group:</p> <ul style="list-style-type: none"> • Compliance • HR • Personvernombud • Antihvitvasking 	<p>Governing documents:</p> <ul style="list-style-type: none"> • Policy on anti-money laundering and terrorist financing • The SNN Code • Policy on whistleblowing and non-conformance 	<p>Measurement parameter:</p> <p>GRI 205-2, 205-3</p> <hr/> <p>Link to UN Sustainable Development Goals:</p> <p>16.4</p>
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PERSONAL DATA PROTECTION AND INFORMATION SECURITY

SpareBank 1 Nord-Norge processes a good deal of personal data which should not go astray or be misused. Customer's confidence is important for The Group, and all applicable requirements and legislation must be complied with. The Group implements a number of measures to ensure that employees have the necessary knowledge and expertise in the field of data protection. The status as regards The Group's compliance with the body of rules, including any deviations, is reported to The Board of Directors and group management team every quarter. Manager and staff training in the rules governing personal data protection was a priority in 2020.

Status:

- 43 customer complaints were received, none of which were registered as breaches of data privacy.
- 67 cases involving breaches of personal data protection were registered internally at SNN. All cases were handled under standard procedure. Six of these cases were reported to the Data Inspectorate.
- No complaints related to breaches of personal data protection were made against the supervisory authorities in 2020.

FACTS:

Responsible unit in The Group: <ul style="list-style-type: none"> • Data protection officer 	Governing documents: <ul style="list-style-type: none"> • Data protection policy • Employee data protection policy 	Measurement parameter: GRI 418-1
		Link to UN Sustainable Development Goals: 16.4

LOCAL BUSINESS DEVELOPMENT

Growth and development of Northern Norwegian business and industry are an important factor for value creation and employment, and sustainable development is crucial to the region's future. Local business and industry are therefore an important aspect of SpareBank 1 Nord-Norge's aspect of SpareBank 1 Nord-Norge's activities. Through 15 branches and unique knowledge of and proximity to the region, SpareBank 1 Nord-Norge is an important partner for the development of business and industry in the North.

In 2020 The Group posted lending growth of 8.9% to corporate borrowers, thereby strengthening its position, in particular in the market for small and medium-sized businesses. Of all new start-ups in Northern Norway, 39.6% have opted to become clients of SpareBank 1 Nord-Norge.

In 2020 SpareBank 1 Nord-Norge reorganised The Group's business activity into two strong units:

a division for the retail market and a division for the corporate market. For corporate clients this brings a stronger focus on their needs through development and modification of offerings and services. A pertinent example is the new concept Banking + Accounts to be launched in 2021, which brings together banking and accounting services in a single customer interface. The solution is based on market surveys showing this to be desired and preferred by small and medium-sized businesses. It provides a broader and more coherent offering designed to simplify the customer's everyday life. The Group has two wholly-owned subsidiaries which provide tailored solutions to business and industry, SNN Finans (leasing and seller financing) and Regnskapshuset.

In 2020 the business sector in the North has naturally been impacted by the Covid-19 situation. When the crisis broke in March, SpareBank 1 Nord-Norge's priority was to maintain a close

dialogue with customers in a new and demanding situation, and to implement measures to alleviate the effects of the pandemic. A significant share of The Group's corporate clients were telephoned by their advisers and offered advice in the situation in which the business found itself. Moreover, 'Samfunnsløftet' earmarked NOK 10 million for a Covid-19 response effort which amongst others went to clubs and associations, humanitarian organisations and students. Read more under the chapter on 'Samfunnsløftet'.

The Group's loans, credits and guarantees to business and industry aim to promote sustainable development by creating robust businesses, contributing to growth and efficiency gains, and to new jobs. 'Kunnskapsbanken' is also an important source of knowledge to drive the development of business and industry in the region.

In 2020 The Group launched a new business strategy which gives clear direction to how The Group is to develop and adapt to changing behaviour and needs on the part of its customers, both personal and corporate. For the corporate banking division the focus is on strengthening and developing the offering to corporates through relevant service concepts. For 2021 the priority will be to take this effort a step further. The ambition is to set a better stage for innovation in the region by providing advice and offerings to start-ups and growth businesses. This will be achieved both through The Group's efforts vis-a-vis the corporate segment, and through 'Samfunnsløftet's' focus on entrepreneurs and innovation.

LAB NORD-NORGE

In 2020 Lab Nord-Norge focused, together with Bakehuset Nord-Norge AS, on a project to reduce food waste. It is all based on using big data and

machine learning to predict how many loaves of bread will be sold the following day.

KREATON

Kreaton was arranged in Narvik for students with the theme 'Industry of the future', using familiar methodologies such as Google Sprint and Lean Value. Attendees were 19 students and other young people in and from the region.

SAMI AREAS

SpareBank 1 Nord-Norge's market area is part of the Sapmi/Sami areas. The Group is concerned to maintain a presence in the Sami local communities, and to be a good business associate for Sami business and industry and Sami personal customers. Telephone banking and advice in the Northern Sami language are available to customers. SpareBank 1 Nord-Norge wishes to bolster the Sami language by reinforcing Sami-language services in banking and finance. Much insight was gained in dialogue with Sami speakers in 2020 and will be turned to account in 2021.

Status:

- Lending growth of 8.9%
- 39.6% of recent start-ups in Northern Norway are customers of SpareBank 1 Nord-Norge
- 'Samfunnsløftet' contributed a total of NOK 168 million distributed across 1,207 projects, of which NOK 10 million was earmarked for Covid-19 response actions
- 'Samfunnsløftet' contributed support to 56 business development projects, in a total approved amount of NOK 16.8 million

Read more in the chapter on 'Samfunnsløftet' in this annual report

FACTS:

<p>Responsible unit in The Group:</p> <ul style="list-style-type: none"> • Corporate banking • Communications and society 	<p>Governing documents:</p> <ul style="list-style-type: none"> • Credit policy • Guidelines for sustainable finance • Guidelines for sustainability in 'Samfunnsløftet' 	<p>Measurement parameter:</p> <p>GRI 201-1</p>
		<p>Link to UN Sustainable Development Goals:</p> <p>14.1, 7, 8, 9, 12</p>

GREEN PRODUCTS AND GREEN INNOVATION

SpareBank 1 Nord-Norge has set itself the goal of contributing to a greener securities market. The Group's key instruments to this end are green lending and liquidity management. A green product framework was developed in 2020 which takes a basis in industries of particular importance to the region, and links The Group's loans to potential green funding from the capital market. The framework was developed with a basis in criteria set by Green Bond Principles, Green Loan Principles and the Climate Bond Initiative and other established market standards. The EU's sustainable investment taxonomy is also included in the set of criteria, based on the information emerging from the taxonomy in 2020. The framework was established to strengthen The Group's work on climate risk in the portfolio, its conformance with new regulation and requirements, and to play a part in assisting Northern Norwegian business and industry to achieve a green transition.

The object of SpareBank 1 Nord-Norge's green framework for 2021 is to:

- Profile green exposures in the existing portfolio
- Set the stage for new green investments in The Group's customer portfolio
- Actively seek new customers with a basis in the framework

The sectors included in the product framework are shown in table 1.

TABLE 1:

SECTOR
Aquaculture
Fishery
Agriculture
Forestry
Property
Land transport
Maritime transport
Renewable energy



CICERO
Shades of
Green



CICERO Centre for International Climate and Environmental Research has assessed the framework under its 'Shades of green' methodology. Cicero assigned the framework its top score of 'Excellent'.

GREEN PRODUCTS TO THE RETAIL MARKET

In 2020 SpareBank 1 Nord-Norge launched for the first time green products for the personal segment. This is an important instrument for customers wishing to make green choices to do so on favourable terms.

Loans are available for the following purposes:

- Homes with an energy rating in band A or B
- Renovations covered by Enova's grant schemes
- Purchase of wholly electric cars

For 2021 the ambition is to further develop existing products and to offer more green products to personal and corporate customers alike. This will be done in keeping with requirements and recommendations arising from the EU's taxonomy.

SOCIAL PRODUCTS

SpareBank 1 Nord-Norge also offers a number of products with a social profile that provide an economic benefit:

- Boliglån ung and LOfavør Boliglån ung are discounted products designed to help young home buyers enter the housing market
- Førstehjemslån and LOfavør Førstehjemslån are The Group's most reasonably priced mortgage loans to first-home buyers, regardless of age
- LOfavør Forskudd lønnsgaranti is a loan offered at a standard mortgage rate should the customer's employer goes bankrupt, pending disbursement from the wage guarantee fund
- LOfavør konfliktlån is a loan

offered at a standard mortgage rate to customers who find themselves in a long-lasting labour dispute arising during collective bargaining.

RESULTS 2020

The chief priority in 2020 was to put in place the green product framework and to ensure instruction and training for group staff in assessing green customers and assets in the financing process. The Group appointed an ESG team to assess objects under the framework each quarter, and to update the framework on a continual basis.

In 2018 SpareBank 1 Boligkreditt (Spabol) issued the first green covered bond from a Norwegian covered-bond-issuing institution. In 2020 the company issued two new green bonds, of EUR 1,000 million and SEK 8,500 million respectively. Spabol is SpareBank 1-alliansen's jointly owned covered bond issuer and at the end of 2019 SpareBank 1 Nord-Norge held a 18.65% stake in the company and had transferred qualifying green bonds worth about NOK 5,900 million to that company. SpareBank 1 Nord-Norge and

Nordic Investment Bank signed in 2018 a loan agreement totalling NOK 1 billion. These funds are earmarked for small and medium-sized businesses, as well as environmental projects in Northern Norway.

SpareBank 1 Nord-Norge offers green loan products on favourable terms to retail borrowers. In 2020, green loans were granted in an amount totalling NOK 78 million.

Status:

- SpareBank 1 Nord-Norge is a partner in CICERO's Sustainable Edge project which has developed a methodology to achieve greater transparency for investors and profile the 'greenness' of a company's investments.
- In 2020, NOK 720 million qualified for the green product framework
- ESG bonds accounted for 6% of the bank's total liquidity portfolio in 2020 (compared with 4% in 2019)

FACTS:

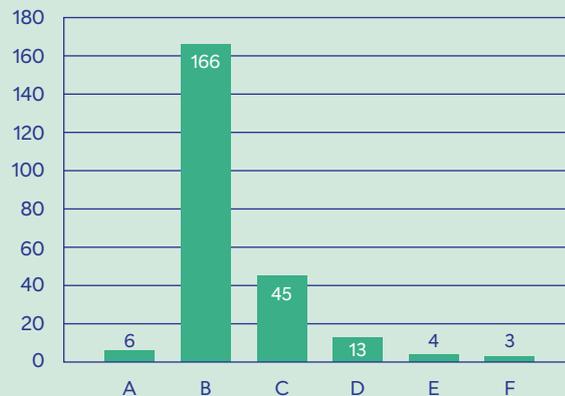
Responsible unit in The Group: <ul style="list-style-type: none"> • Treasury • Concepts 	Governing documents: <ul style="list-style-type: none"> • Market risk strategy • Guidelines for sustainability in liquidity management and corporate governance 	Measurement parameter: GRI FS8
		Link to UN Sustainable Development Goals: 13.3, 14 and 16

RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE

SpareBank 1 Nord-Norge’s own investments are subject to The Group’s guidelines for sustainability in liquidity management and corporate governance. The investments are in the main directed at the Norwegian and Nordic markets, largely the bond market.

The Group does not carry out its own fund management but distributes mutual funds from other fund managers. In 2020, SpareBank 1-alliansen developed new guidelines for sustainable mutual funds to ensure that the fund offering reflects SpareBank 1’s sustainability ambitions. Based on these guidelines, a comprehensive ESG analysis of all fund providers was carried out to assess the sustainability effort. The analysis was conducted by an external third party (The Governance Group) and was launched in December 2020. The analysis prompted an entirely new labelling scheme making it easier for the customer to choose between funds that set sustainability requirements. 284 funds offered on SpareBank 1’s platform have been reviewed under this labelling scheme, of which 10 failed to respond to the analysis and were automatically assigned a score of F. Labelling will promote greater transparency for the customer and ensure closer ESG monitoring of fund managers. As from 2021 the scheme will include requirements under the EU Disclosure Regulation defining The Group’s disclosure obligation to customers and investors in the securities market when it comes to sustainability and ESG.

The review of 284 mutual funds yielded the following grade distribution:



Grading under the labelling scheme reflects the fund’s employment of active ownership, positive screening and negative screening. A fund can achieve a maximum of five points and is thereafter assigned a grade from A to F. A fund scoring A or B is considered more sustainable than a fund with a lower grade.

STRATEGY	MAX. POINTS
Negative screening	2
Positive screening	1
Active ownership	2
TOTAL	5

**The assumption underlying negative screening is that all funds exclude companies that invest in controversial weapons, that contribute to serious environmental damage or human rights breaches, that are involved in corruption or that cause unacceptable levels of greenhouse gases*

ACTIVE OWNERSHIP/FOLLOW-UP OF SUBSIDIARIES

SpareBank 1 Nord-Norge's policies and guidelines also apply to The Group's wholly owned subsidiaries, EiendomsMegler 1 Nord-Norge, SpareBank 1 Regnskapshuset Nord-Norge, and SpareBank 1 Finans Nord-Norge. The Group Management is represented on the boards of all subsidiaries, which are managed according to the same guidelines as apply to the rest of The Group.

When prioritising the work on corporate social responsibility and sustainable governance, SpareBank 1 Nord-Norge attaches importance to the following parameters:

- The risk of negative impacts on people, the environment, economy and society
- The holding's size and importance
- Level of influence

The Group also owns holdings in companies in SpareBank 1-alliansen. These are owned together with other alliance banks. SpareBank 1 Nord-

Norge owns in addition the insurance company Fremtind together with other alliance banks and DNB. Sustainability is high on the agenda of all companies in SpareBank 1-alliansen, with the following ambition: We shall deliver well on sustainability ratings and maintain our position among consumers as the banks that are seen as the most sustainable.

ODIN Forvalting is a provider of mutual funds and a subsidiary of SpareBank 1 Gruppen. The company operates a sustainability policy for its fund management.

Status:

- SpareBank 1 Nord-Norge has investments worth NOK 800 million in development banks.
- The ESG profile of 284 mutual funds reviewed and labelled
- SpareBank 1 ranked 'the most sustainable bank' on the Sustainable Brand Index in 2020

FACTS:

<p>Responsible unit in The Group</p> <ul style="list-style-type: none"> • Treasury • The investment firm • Saving and investment committee 	<p>Governing documents</p> <ul style="list-style-type: none"> • Market risk strategy • Guidelines for sustainability in governance and liquidity management • Guidelines for sustainability in the distribution and recommendation of mutual funds 	<p>Måleparameter: GRI FS11, FS10</p> <hr/> <p>Link to UN Sustainable Development Goals: 13.3, 14 og 16</p>
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SUPPLIER MONITORING

SpareBank 1 Nord-Norge accounts for a significant volume of procurement in a Norwegian and Northern Norwegian context. Purchasing power is an important instrument towards a green transition, and SpareBank 1 Nord-Norge will use this volume as leverage to encourage suppliers to operate in a more sustainable manner.

The bulk of the purchasing is by SpareBank 1 Utvikling. This company's procurement guidelines set requirements on suppliers in terms of the environment, social conditions and human rights, as well as ethical business practices. All the largest suppliers are subject to risk assessment. Suppliers assessed to pose an increased risk of negative impact are monitored to ensure that they work in a systematic and concrete manner on sustainability.

In 2019 SpareBank 1 carried out risk assessments of 294 suppliers, as a result of which 91 were classified as posing an increased risk of negative impact on the environment, social conditions and ethical business practices. These suppliers were subject to further follow-up in 2020,

being questioned about their guidelines for the environment, social conditions and ethical business practices in their trading and their documentation of the environment management system, and what factors they had identified as having the greatest negative impact on the environment and social conditions. 43 of them were identified for further follow-up. An important priority in 2021 is to improve systems and the monitoring of suppliers.

SpareBank 1 Nord-Norge made purchases totalling NOK 756 million from 1,514 different suppliers. Among the largest procurement categories are joint spending on systems in the alliance and new technology. About 70 per cent of the suppliers are located in Northern Norway.

Status:

- 10 of the largest suppliers in Northern Norway are eco-certified (or the equivalent)
- 249 of SpareBank 1-alliansen's largest suppliers have been risk assessed, of which 43 will be subject to further monitoring

FACTS:

Responsible unit in The Group: <ul style="list-style-type: none"> • Procurement at Spare-Bank 1 Utvikling • Facilities management at SpareBank 1 Nord-Norge 	Governing documents: <ul style="list-style-type: none"> • Guidelines for supplier sustainability 	Measurement parameter: GRI 102-9
		Link to UN Sustainable Development Goals: 13.3 og 16.4

ENVIRONMENT AND GREENHOUSE GAS EMISSIONS

Why is this theme important for SpareBank 1 Nord-Norge?

SpareBank 1 Nord-Norge has set itself the target of reducing climate gas emissions by 40 per cent from 2016 to 2026, with a minimum 5 per cent reduction annually. This target was set under the Paris Agreement and will help The Group assume responsibility for addressing global warming. In 2020 The Group continued its effort to become an even more resource-conserving and eco-efficient organisation. An important endeavour in 2020 was to gain recertification as an eco-lighthouse under the certification scheme's new criteria for banking and finance. The head office and seven finance centres were certified over the course of the year. All employees of The Group are expected to maintain a conscious awareness of consumption, travel, waste management and energy consumption in general. A focus on sustainability is also a personal responsibility at work.

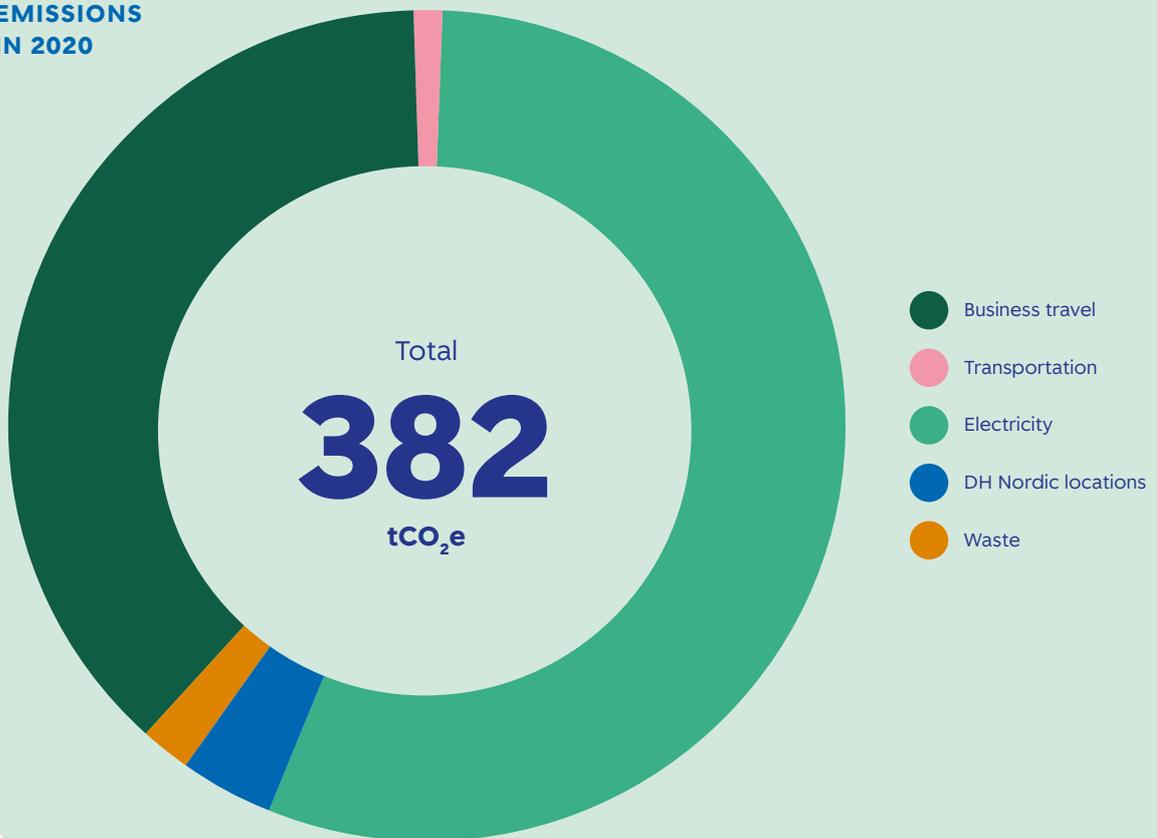
The following branches were recertified as eco-lighthouses in 2020. Other branches will be certified in 2021.

- Tromsø (head office)
- Bodø
- Finnsnes
- Harstad
- Leknes
- Narvik
- Svolvær
- Alta

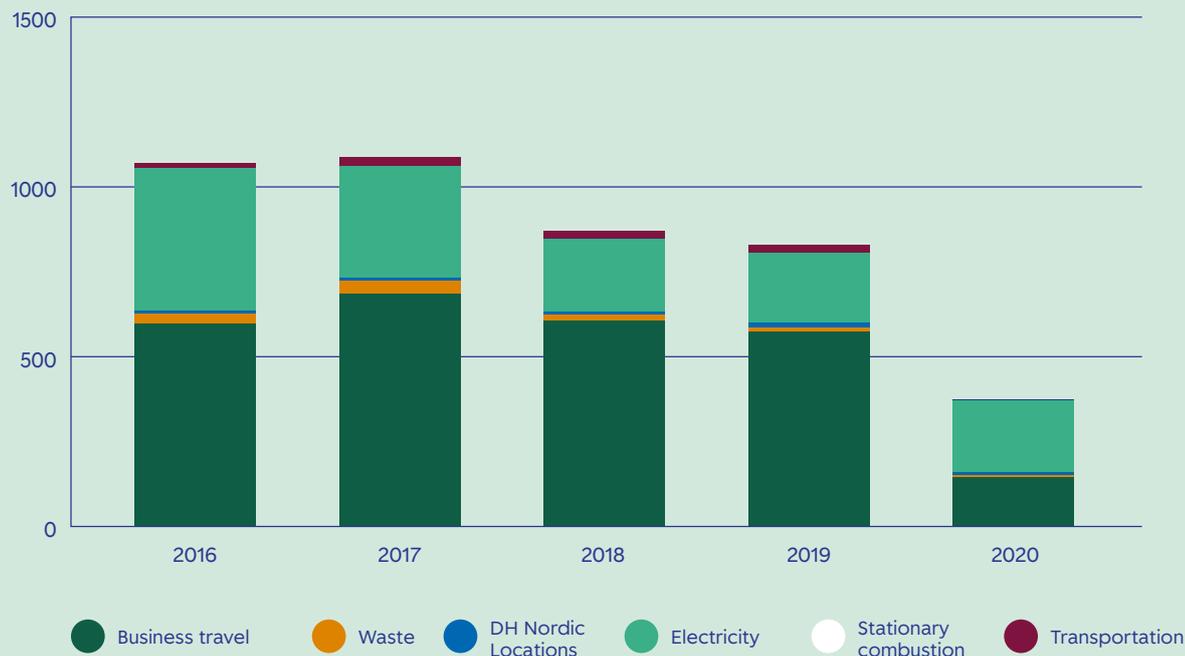


SpareBank 1 Nord-Norge prepares an energy and climate account. This account is compliant with international standards in the Greenhouse Gas Protocol and ISO 14064-1. The energy and climate account for 2020 shows greenhouse gas emissions totalling 381.62 tonnes of CO2 equivalents (tCO2e) for SpareBank 1 Nord-Norge. This represents a total reduction of 54% in terms of tCO2e compared with 2019 and is largely a result of Covid-19, and of lower waste volumes and electricity consumption due to extended working from home during parts of the year.

STATUS EMISSIONS IN 2020



EMISSIONS 2016-2020



- SpareBank 1 Nord-Norge was recertified as an eco-lighthouse in 2020 (head office and 7 finance centres)
- 54% reduction in greenhouse gases, of which reduced business travel due to Covid-19 accounts for 72%

FACTS:

<p>Responsible unit in The Group:</p> <ul style="list-style-type: none"> • Facilities management • HR 	<p>Governing documents:</p> <ul style="list-style-type: none"> • Policy for sustainability and corporate social responsibility 	<p>Measurement parameter::</p> <p>GRI FS11, FS10</p>
		<p>Link to UN Sustainable Development Goals Goals:</p> <p>13.3</p>

ANNEX:

1. GRI Index
2. Emission in the credit portfolio
3. Stakeholder engagement
4. 'Samfunnsløftet' and UN sustainability goals
5. Energy and climate account

ANNEX 1 GLOBAL REPORTING INITIATIVE (GRI) INDEX

REQUIRED INDICATORS

GRI-INDICATOR	DESCRIPTION	LOCATION IN REPORT	REPORTING DIRECTLY IN INDEX	UNEP FI – LINK TO THE 6 PRINCIPLES																					
ORGANISATION PROFILE																									
102-1	Name of the organisation		SpareBank 1 Nord-Norge	PRB 3																					
102-2	The most important products and/or services	Operations (210)																							
102-3	Location of headquarters		SpareBank 1 Nord-Norge's headquarters are located in Tromsø.																						
102-4	Number of countries in which the institution operates	SpareBank 1 Nord-Norge – Our presence (22) Annual accounts – Notes (1, 8)		PRB 3																					
102-5	Ownership and legal form		SpareBank 1 Nord-Norge is a savings bank owned by the Northern Norwegian community (53.6%) and by equity certificate holders via Oslo Stock Exchange (46%).																						
102-6	Markets served	Operations (210)		PRB 3																					
102-7	Scale of the organisation	Operations – (210) Annual accounts 2019 – Note 23 (130) SpareBank 1 Nord-Norge – Annual accounts (18)																							
102-8	Total number of employees by type of employment, employment contract and region, distributed by gender		<table border="1"> <thead> <tr> <th></th> <th>WOMEN</th> <th>MEN</th> </tr> </thead> <tbody> <tr> <td>Permanent employees</td> <td>495</td> <td>446</td> </tr> <tr> <td>Temporary employees</td> <td>22</td> <td>13</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <th></th> <th>WOMEN</th> <th>MEN</th> </tr> <tr> <td>Full-time</td> <td>442</td> <td>424</td> </tr> <tr> <td>Part-time</td> <td>75</td> <td>35</td> </tr> </tbody> </table> <p>No work is done at SpareBank 1 Nord-Norge by personnel who are not employed.</p>		WOMEN	MEN	Permanent employees	495	446	Temporary employees	22	13					WOMEN	MEN	Full-time	442	424	Part-time	75	35	
	WOMEN	MEN																							
Permanent employees	495	446																							
Temporary employees	22	13																							
	WOMEN	MEN																							
Full-time	442	424																							
Part-time	75	35																							
102-9	Supply chain	Sustainability at SpareBank 1 Nord-Norge (253)																							

GRI-INDICATOR	DESCRIPTION	LOCATION IN REPORT	REPORTING DIRECTLY IN INDEX	UNEP FI – LINK TO THE 6 PRINCIPLES
102-10	Significant changes in the reporting period to the organisation's size, structure or ownership		Due to new strategic priorities and changing customer needs, 18 local branches were closed over the course of the year. A voluntary downstaffing process was also carried through as a result of which 89 persons received severance packages.	
102-11	Precautionary principle or approach	Sustainability at SpareBank 1 Nord-Norge (237)	SNN is a member of Global Compact and has accordingly undertaken to abide by the 'precautionary principle'.	PRB 2
102-12	External initiatives, charters or principles for the economic, environmental or societal area which the organisation supports or has endorsed	Sustainability at SpareBank 1 Nord-Norge (237)		
102-13	Membership of trade organisations or other associations, and national/international lobby organisations	Sustainability at SpareBank 1 Nord-Norge (237)	NHO, Finans Norge and AEC.	

STRATEGY AND ANALYSIS

102-14	Statement from CEO	From the CEO (8)		
102-15	Key impacts, risks and opportunities	Sustainability at SpareBank 1 Nord-Norge (52 og 251 TCFD)	See also Kunnskapsbanken, analysis of climate risk in important Northern Norwegian industries kbnn.no/klimarisiko	The Group will complete its impact analysis in 2021 in acc. with PRB 2

ETHICS AND INTEGRITY

102-16	Values, principles, standards and norms of behaviour	Strategic compass page 10 and 11. Sustainability at SpareBank 1 Nord-Norge (215)	Global Compact's 10 principles and UNEP FI guide The Group's sustainability work	
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GOVERNANCE

102-18	Governance structure, including highest governance body and committees responsible for decisions on economic, environmental and societal topics	Corporate governance page 180. Corporate social responsibility – Sustainability at SpareBank 1 Nord-Norge (239)		PRB 5
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STAKEHOLDER ENGAGEMENT

102-40	Stakeholder groups with which the organisation is in dialogue	Sustainability at SpareBank 1 Nord-Norge (240, 264)		PRB 4
102-41	The basis for identifying and selecting shareholders with whom to engage		100% in the Parent Bank, 100% in The Group.	

GRI-INDICATOR	DESCRIPTION	LOCATION IN REPORT	REPORTING DIRECTLY IN INDEX	UNEP FI – LINK TO THE 6 PRINCIPLES
102-42	The basis for identifying and selecting shareholders with whom to engage	Sustainability at SpareBank 1 Nord-Norge (240, 264) and the annex.	The Group's work on sustainability is based on a stakeholder survey which started in 2018 and was further developed in 2020. It includes an overview of key stakeholders and their views on sustainability	
102-43	Approach to stakeholder engagement, including how often stakeholders are engaged with, distributed by type and stakeholder group	Sustainability at SpareBank 1 Nord-Norge (264)		PRB 4
102-44	Key topics and concerns raised through dialogue with stakeholders and the organisation's response	Sustainability at SpareBank 1 Nord-Norge (264)		PRB 4
REPORTING PRACTICE				
102-45	All entities included in the consolidated financial statements or equivalent documents	Report of the Board of Directors (37)		
102-46	Process for defining report content and topic boundaries, and implementation of the reporting principles	Sustainability at SpareBank 1 Nord-Norge (240)	In the sustainability report we aim to convey correct and understandable information in a way that enables stakeholders to make decisions. Both positive and negative aspects of The Group's impact on society and the environment shall be reported and shall be of high quality and materiality.	PRB 6 As from 2021 the impact analysis will be included in materiality assessments
102-47	List of all topics identified as material	Sustainability at SpareBank 1 Nord-Norge (240)		
102-48	Restatements of historical data from previous reports		None.	
102-49	Material changes from the previous report in terms of content scope, boundaries or measuring techniques		None.	
102-50	Reporting period		01.01.20-31.12.20	
102-51	Date of most recent report		This is the third GRI report from SpareBank 1 Nord-Norge.	
102-52	Reporting cycle		Annual	
102-53	Contact point for questions regarding the report or its content		Ragnhild Dalheim Eriksen	
102-54	Claims of reporting in accordance with the GRI Standards		This report has been prepared in accordance with the GRI Standards: Core option.	
102-55	GRI content index	Annual report (256)		
102-56	Current practice as to external assurance of the report		The report is not subject to external assurance.	

INFORMATION SPECIFIC TO SPAREBANK 1 NORD-NORGE

GRI-INDICATOR	DESCRIPTION	LOCATION IN REPORT	REPORTING DIRECTLY IN INDEX
ECONOMIC PERFORMANCE			
103-1	Explanation of the material topic and its boundary	Report of The Board of Directors (28-59)	
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
201-1	Direct economic value generated and is distributed	Annual accounts 2019 (60)	<p>Income: NOK 4,079 million Personnel costs: NOK 590 million Other operating expenses: NOK 596 million Interest expenses: NOK 864 million Commission expenses: NOK 70 million Loss: NOK 290 million Tax: NOK 304 million Dividends: NOK 845 million Retained profit: NOK 487 million</p> <p>See also note 1 and 42 for further information on dividends</p>
201-2	Financial implications and other risks and opportunities due to climate change	Sustainability at SpareBank 1 Nord-Norge (52 og 251 TCFD)	
ANTI-CORRUPTION			
103-1	Explanation of the material topic and its boundary	Sustainability at SpareBank 1 Nord-Norge (Note 6 side 90, 240)	
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
205-2	Communication and training about anti-corruption policies and procedures	Sustainability at SpareBank 1 Nord-Norge (246)	
205-3	Confirmed incidents of corruption and actions taken		No confirmed cases in 2020
TRAINING AND EDUCATION			
103-1	Explanation of the material topic and its boundary	Organisation and HR (226)	
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
404-1	Average hours of training per year per employee by category of position		Partially reported. A total of 6,077 course were completed in 2020 by The Group's employees distributed over Retail Banking, Corporate Banking and specialist departments. See information on courses, (212)
404-2	Programmes for upgrading employee skills and transition assistance programmes	Organisation and HR (228)	<ul style="list-style-type: none"> The annual career development review covers this topic. All aged over 60 are enrolled in the pension association.
404-3	Percentage of employees receiving regular performance and career development reviews		All employees attend an annual appraisal review. In addition, about 30% are offered quarterly reviews.

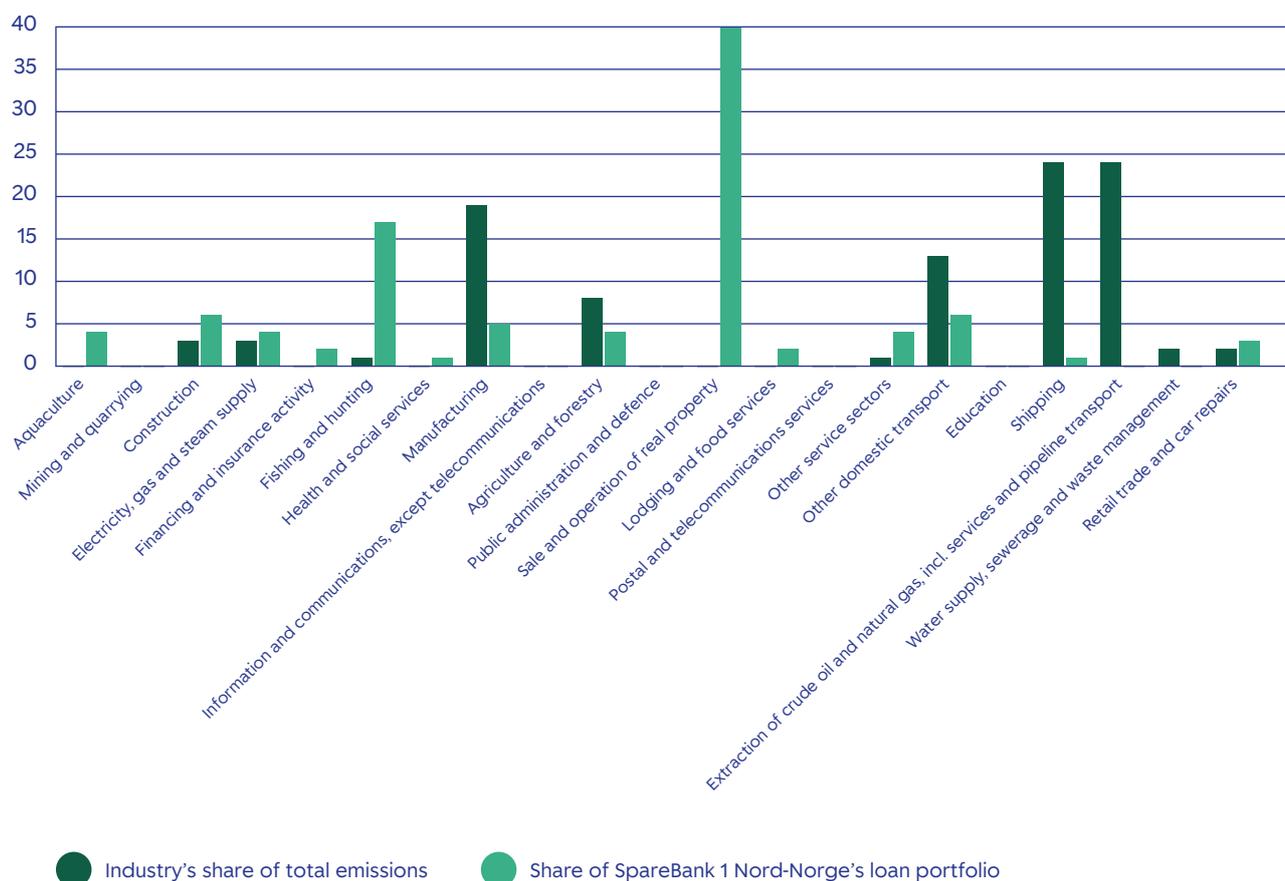
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405-1	Diversity of governance bodies and employees																																																			

GRI-INDICATOR	DESCRIPTION	LOCATION IN REPORT	REPORTING DIRECTLY IN INDEX
NON-DISCRIMINATION			
103-1	Explanation of the material topic and its boundary	Organisation and HR (229)	
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
406-1	Incidents of discrimination and corrective actions taken		No cases of discrimination were reported in 2020.
PERSONAL DATA PROTECTION			
103-1	Explanation of the material topic and its boundary	Sustainability at SpareBank 1 Nord-Norge (247)	
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability at SpareBank 1 Nord-Norge (247)	43 customer complaints. None involve protection of personal data
RESPONSIBLE CREDIT			
103-1	Explanation of the material topic and its boundary	Sustainability at SpareBank 1 Nord-Norge (244)	
103-2	The management approach and its components	(239)	
103-3	Evaluation of the management approach	(239)	
FS8	Monetary value of products and services designed to deliver a specific environmental benefit	Sustainability at SpareBank 1 Nord-Norge (249)	
RESPONSIBLE INVESTMENTS AND REQUIREMENTS ON FINANCIAL PROVIDERS			
103-1	Explanation of the material topic and its boundary	Sustainability at SpareBank 1 Nord-Norge (249, 251, 252)	
103-2	The management approach and its components	(239)	
103-3	Evaluation of the management approach	(239)	
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues.	Sustainability at SpareBank 1 Nord-Norge (244)	SpareBank 1 Nord-Norge's policies and procedures apply to and are communicated to The Group's wholly-owned subsidiaries.
FS11	Percentage of assets subject to positive and negative environmental or social screening	Sustainability at SpareBank 1 Nord-Norge (251)	Mutual fund investments: 100% ESG risk is assessed in credit processes and liquidity portfolio, for example by using the green product framework.
TCFD	11 questions for reporting on climate risk in the area of governance and management, strategy, risk management objectives and methods	SpareBank 1 Nord-Norge TCFD (241)	

ANNEX 2

CARBON EXPOSURE IN THE CREDIT PORTFOLIO

SECTOR	SECTOR'S SHARE OF TOTAL EMISSIONS	SHARE OF LOAN PORTFOLIO SNN
Aquaculture	0%	4%
Mining and quarrying	0%	0%
Construction	3%	6%
Electricity, gas and steam supply	3%	4%
Financing and insurance activity	0%	2%
Fishing and hunting	1%	17%
Health and social services	0%	1%
Manufacturing	19%	5%
Information and communications, except telecommunications	0%	0%
Agriculture and forestry	8%	4%
Public administration and defence	0%	0%
Sale and operation of real property	0%	40%
Lodging and food services	0%	2%
Postal and telecommunications services	0%	0%
Other service sectors	1%	4%
Other domestic transport	13%	6%
Education	0%	0%
Shipping	24%	1%
Extraction of crude oil and natural gas, incl. services and pipeline transport	24%	0%
Water supply, sewerage and waste management	2%	0%
Retail trade and car repairs	2%	3%



Industry's share of total emissions



Share of SpareBank 1 Nord-Norge's loan portfolio

SOURCES:

<https://www.ssb.no/statbank/table/09288/>

SNN Annual accounts 2019

The following are included in Manufacturing:

- Food, beverage and tobacco industry
- Textile, clothing and leather industry
- Timber, wood products and paper products industry
- Printing and reproduction of recorded media
- Refined petroleum, chemical and pharmaceutical industry
- Rubber and plastics products, mineral products
- Production of metals
- Production of metal goods, electrical equipment and machinery
- Shipbuilding industry and other means of transport industry
- Manufacture of furniture and other manufacturing
- Repair and installation of machinery and equipment

METHOD

The calculation is based on SpareBank 1 Nord-Norge's share of all Norwegian banks' and financial institutions' lending to the respective sectors. This share is then multiplied by the total emission (CO₂ equivalents) from the particular industry. Lending figures are obtained from the parent bank and do not include figures from SNN Finans.

WEAKNESSES OF THE METHOD

Each sector's borrowing need is distributed equally across the country. Hence the model does not take account of the regional differences as regards borrowing needs and emission intensity. SpareBank 1 Nord-Norge will therefore both over- and underestimate in some sectors.

Emissions are based on the sectors' direct emissions and therefore do not show the complete emission picture from a sector.

APPLICATION

The model provides a rough estimate of carbon-related credit exposure in the industries to which SMN has granted loans. The method is not sufficiently precise to be used for comparison with other banks, or as an absolute tool for understanding emissions in Northern Norwegian business and industry.

ANNEX 3 STAKEHOLDER ANALYSIS 2020

SpareBank 1 Nord-Norge has an extensive dialogue with its stakeholders. Relevant meeting points are presented in the overview below, along with key themes for each stakeholder group.

STAKEHOLDERS	MEETING POINT FOR DIALOGUE	KEY THEMES	MEASURES LINKED TO THEMES
Customers	Customer and market surveys in the personal and corporate market Position survey	Measures how the business is viewed by its customers Customers needing assistance with products and services Sustainability, presence through local branches and ATMs, response to marketing	Development of strategy, products, communication and customer follow-up Covid-19 response measures Increased reporting of sustainability and focus on transparency Development of services and products to the corporate market. For example Banking+ Accounts
	Customer communication at local branch, by chat, telephone, e-mail, internet bank and social media Customer events	Events tailored to the customer's life situation or present needs	3 seminar/webinar om kvinner, økonomi og investeringer i 2020 Seminar om 'Boligdrømmen' for kunder av konsernet og EM1
	'Forventningsbarometeret' (kbnn.no) which annually measures the business sector and the public sector's expectations as regards developments in Northern Norway		Developing content at kbnn.no
Staff	Organisation survey twice yearly Work environment committee in all companies in The Group. Monthly meetings between employee representatives and HR department.	Work environment, competence development, gender equality, involvement in processes and projects	Involving employees in development of the The Group Recruitment policy with a focus on diversity and equal opportunity
Owners	Supervisory board meeting and election of the EC holders' members to the supervisory board	Annual accounts and application of the net profit, and other corporate actions as the case may be. Election of members to The Board of Directors Dividend payout and discussion about the supervisory authority's recommendation to require banks to withhold dividend	SpareBank 1 Nord-Norge opted to pay out dividend in April 2020. This was in part to ensure that the voluntary sector, clubs and associations would not suffer in a demanding period due to Covid
	Stock exchange notices and quarterly reports	Accounting profit and target achievement, return, briefing on trends in the Northern Norwegian economy and financial markets	
	Investor presentations	Profit trend and sustainability/ESG	Increased reporting on sustainability

Authorities	Ongoing contact with control and supervisory authorities (financial supervisory authority et al.) over the year	Management and control, operation and security	Increased focus on compliance with laws and rules
The Northern Norwegian community	<p>Following up of SNN's «Perspectives Report» has triggered an extensive dialogue with young voices through the year</p> <p>Dialogue with the ministry of foreign affairs on the use of young voices in the work on a policy for the North</p> <p>Organiser of an input meeting for young voices together UiT, Troms and Finnmark county, Nordland and Tromsø municipality</p>	Surveys and insight work to better understand young adults' positive and negative expectations and future prospects for life in Northern Norway	<p>Barometer 2020x which relates how young people view prospects for the future in the North.</p> <p>The Nye Stemmer report is mentioned in Ungdommens nordområdemelding – as a concrete recommendation to the Government about processes that are a good example for others</p>
	Kunnskapsbanken kbnn.no has extensive cooperation with knowledge providers in Northern Norway	Sharing knowledge about the international macro-economic environment, the Norwegian economy and Northern Norwegian conditions	<ul style="list-style-type: none"> • Evolving kbnn.no • 43 reports and information notes • 35 podcasts «Nord-Norge i verden» • 168,215 unique users
	<p>Over 2,700 different actors are in contact with 'Samfunnsløftet' in the course of one year</p> <p>Among them are:</p> <ul style="list-style-type: none"> • Voluntary clubs and associations • Organisations engaged in business development and entrepreneurs • National and local authorities • Knowledge producers 	Insight in clubs, associations and other organisations' activities in the region	<p>Support through 'Samfunnsløftet', sponsor agreements and banking services</p> <p>Developing a strategy for 'Samfunnsløftet'</p>
	Dialogue with local authorities, municipal executives and other public figures and entities	Theme revolving around closure of 16 local branches	Developing good offerings for the populace and businesses even where the branch channel is no longer in use
Interest organisations	Talks with 'Framtiden i våre hender' and the Consumer Council in connection with 'Etisk Bankguide' and other case studies	<p>Exercising SpareBank 1 Nord-Norge's position and ownership influence to make the investment market more sustainable</p> <p>Responsible investment, credit business, transparency, trust, local presence</p>	<p>More extensive communication of our own social responsibility</p> <p>New guidelines for mutual funds</p> <p>ESG labelling of mutual funds on SpareBank 1's savings platform. New requirements on the financing of businesses</p>
	Participation in Finance Norway's technical committee for sustainable finance	Climate risk and regulation in the field of sustainable finance	Increased focus on the theme in The Group as well as in business and industry and society through kbnn.no
	Ongoing collaboration with the LO through 'LO favør' and various projects in the region through the year		

ANNEX 4 'SAMFUNNSLØFTET'S' CONTRIBUTION TO THE UN SUSTAINABILITY GOALS

SpareBank 1 Nord-Norge's ambition is to report on all the UN sustainability goals. This owes itself to The Group's ownership model in which parts of the dividend is returned to the community through the strategy Samfunnsløftet.

As from September 2020, applicants must state which UN sustainability goal(s) their project supports. The method will be further developed in 2021.

SUSTAINABILITY GOAL	APPROVED AMOUNT	NO. OF APPLICATIONS
1. No poverty	80.000	6
2. Zero hunger	-	0
3. Good health and well-being	7.261.966	67
4. Quality education	3.420.000	11
5. Gender equality	3.071.000	9
6. Clean water and sanitation	250.000	1
7. Affordable and clean energy	-	0
8. Decent work and economic growth	600.000	5
9. Industry, innovation and infrastructure	1.962.500	10
10. Reduced inequality	1.208.000	16
11. Sustainable cities and communities	3.581.575	41
12. Responsible consumption and production	176.000	3
13. Climate action	60.000	2
14. Life below water	164.500	4
15. Life on land	20.000	1
16. Peace, justice and strong institutions	90.000	3
17. Partnerships to achieve the goal	5.130.300	26
SUM	27.075.841	205

About the figures:

Applicants have themselves selected the UN sustainability goal(s) their project supports. They are free to select more goals. The new requirement was introduced in September 2020, and is not yet included in all application forms.



TALENT

Samfunnsløftet's talent award goes to young talents between the ages of 18 and 34, and is designed to help develop, lift up and attract talented young North Norwegians.

Among the award recipients in 2020 is the wrestler Morten Thoresen (23) from Bodø; an overview of all recipients is available at snn.no/talent.

Through its focus on young people, Samfunnsløftet supports a variety of projects that help to lift up the expertise, belief in the future and capabilities of the region's young people.

Samfunnsløftet across all Northern Norway

‘Samfunnsløftet’ is SpareBank 1 Nord-Norge’s strategy on how the community dividend can contribute to strengthening Northern Norway. In 2020, the strategy identified 1,207 new projects which were allocated a total of NOK 168 million.

The strategy was created in the wake of 10,000 inputs from people in the northern counties in 2018. Areas that singled themselves out were the development of arenas, innovation, young people, knowledge and Northern Norwegian local communities. Since then, the volume of applications has grown steeply, and in 2020 Samfunnsløftet received 2,725 applications totalling NOK 812 million. All applications are processed by a forum comprising group employees who focus above all on the particular project’s benefit to the community, the ability to carry the project through and the quality of the application. Applications in excess of NOK 1 million are decided by the executive director, in excess of NOK 3 million by The Group CEO, while applications in excess of NOK 10 million are decided by The Board of Directors of SpareBank 1 Nord-Norge.

Each year a theme is adopted by The Board of Directors, and in 2020 NOK 10 million was earmarked for local responses to Covid-19. The money went inter alia to clubs and associations that made a collective contribution related to the national day celebrations on 17 May, humanitarian organisations which contributed food or other assistance in the most acute phase, and sponsor organisations - which faced challenges in enabling new students to find their place when society went into lockdown. A total of 256 projects received support from the Covid-19 response fund.

KNOWLEDGE AND INSIGHT

Samfunnsløftet and SpareBank 1 Nord-Norge contribute, through Kunnskapsbanken (kbnn.no), to knowledge of the region for decision-makers, inves-

IN 2020, SAMFUNNSLØFTET CONTRIBUTED SUPPORT ENABLING...

65

NEW MEETING PLACES

to be equipped with ‘gapahuk’ shelters, benches, fire pans and plant boxes

20

NORTH NORWEGIAN TALENTS

to receive Samfunnsløftet’s talent award

500

YOUNG PEOPLE

to provide, through Barometer 2020x, insight into young people’s views on the region and the future here

57

PROJECTS

working to enhance local and regional business development

22

NORTH NORWEGIAN STREETS

with new lighting decorated for Christmas

tors and young adults alike. A collaboration with knowledge producers in Northern Norway affords us insight and figures through reports, memos, podcasts and statistics. Konjunkturbarometeret ('economic barometer') for North Norway has for more than 20 years provided knowledge of developments in the region. Forventningsbarometeret ('business cycle barometer') shows how managers in the private and public sector view year ahead, and their perception of the economy over the past three months. Barometer 2020x shows what young people in the north think of Northern Norway and the future here. Statistics and information notes on the region are presented at Telleren, kbnn.no.

WHY DO WE DISTRIBUTE MONEY?

At some banks all the net profit goes directly to investors and shareholders on the stock exchange. That is not the case at SpareBank 1 Nord-Norge. We were made by, are owned by, and exist for the community. As our largest owner, the region receives the largest share of the net profit. This is the community dividend, which goes to projects and initiatives that can move the region forwards. A large number of us are accordingly involved with Samfunnsløftet.

43 43 reports and information notes have been published

168.215 168,215 unique users of kbnn.no

34 34 podcasts on 'North Norway in the world' have been produced, drawing around 500 listeners

644

PROJECTS

emanating from local commitment and collective effort

10

NEW FACILITIES

for skiing and winteractivities in the region

24

SPORTS FACILITIES

has been developed/ improved

384

CULTURE PROJECTS LARGE AND SMALL

has been supported

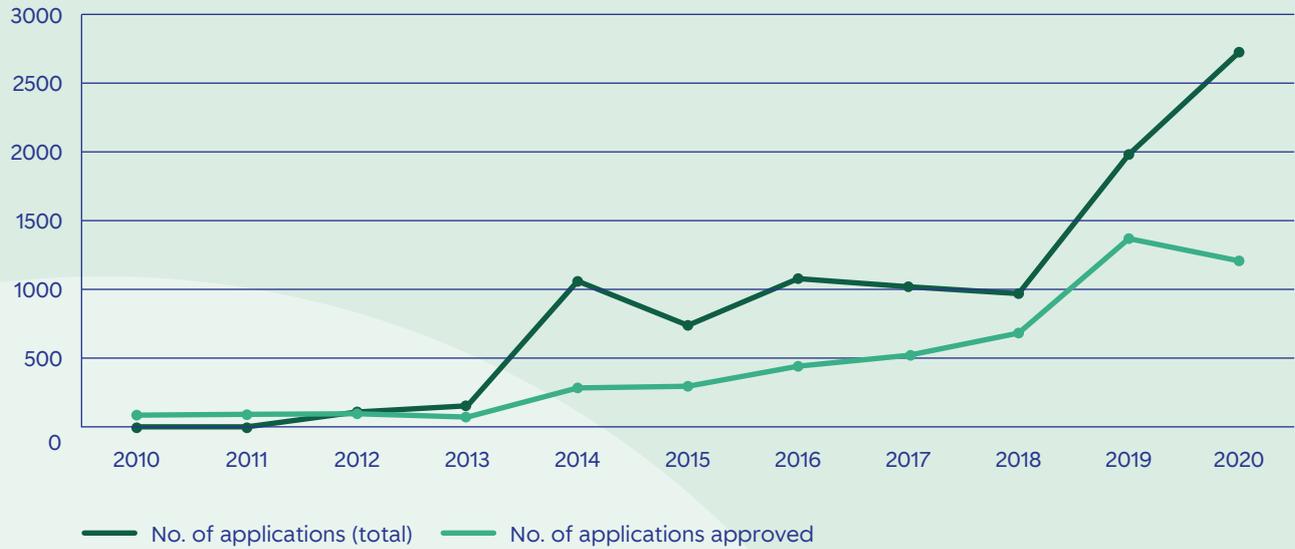
81

PROJECTS

focusing on the environment and sustainability has been supported

COMMUNITY DIVIDEND OVER THE LAST ELEVEN YEARS

NO. OF APPLICATIONS



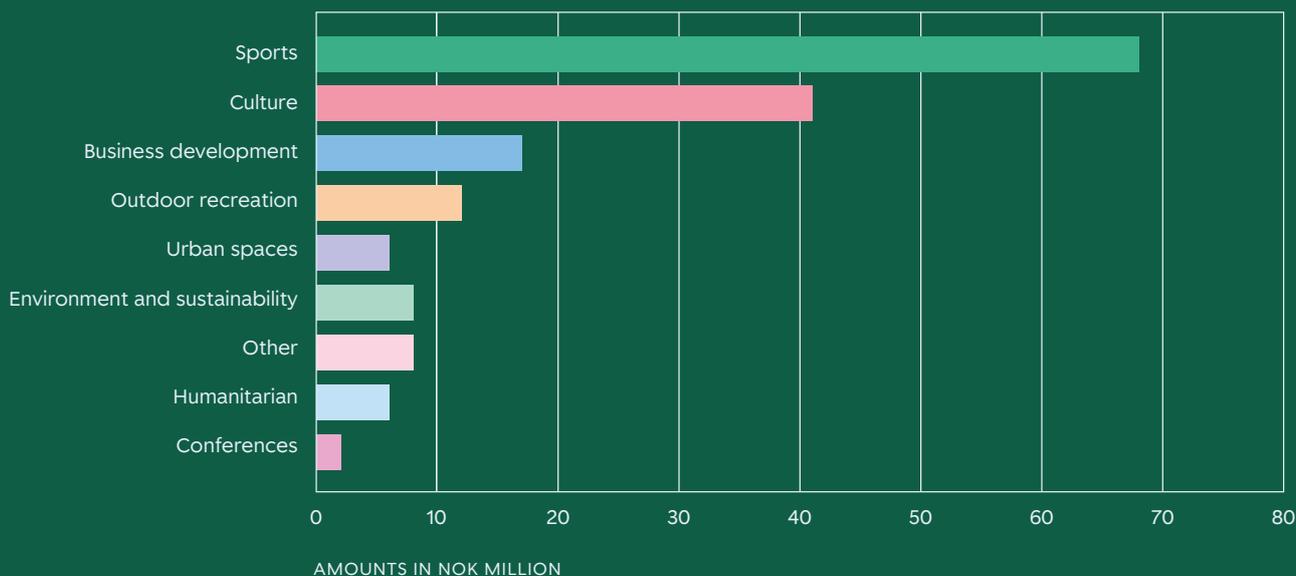
Since the Samfunnsløftet strategy was launched in 2018 the number of applications has risen steeply. The graph shows the number of applications received (in total) and the number of applications approved. For 2010 and 2011 only figures for approved applications are available.

AMOUNTS APPLIED FOR AND APPROVED



The graph shows the total amount applied for each year distributed on all applications received, and the amount allocated by Samfunnsløftet. For 2010 and 2011 only figures for amounts approved are available.

ALLOCATED AMOUNT BY CATEGORY



The graph shows the total amount allocated from Samfunnsløftet distributed on the various categories in 2020. In autumn 2020 we introduced a choice of sustainability goals for all projects. 2021 will be the first full year for which we can report on the contribution made by the projects under Samfunnsløftet to sustainable development in the region.

1,207 PROJECTS RECEIVED SUPPORT FROM SAMFUNNSLØFTET IN 2020. EXAMPLES FOLLOW BELOW:

- Harstad Cykleklubb's (cycling club) project 'Harstad sykkelpark' received NOK 9 million
- Nye Skarmoen alpinpark (alpine ski park) at Bodø skiklubb alpinor received NOK 5.5 millioner
- 'Become a pilot in a Boeing 737' at the Norwegian Aviation Museum received NOK 2 millioner
- The International Sami Film Institute received NOK 2 million to develop the first Sami feature film for children and adolescents
- Vesterålen turlag's (trekking association) chalet received NOK 1 million after enthusiastic local involvement
- Refurbishing of the hall and stage at Kulturfabrikken Meløy received NOK 920,000
- The 'Lagspill i nord' project at Arctic Philharmonic received NOK 900,000
- Filmveksthuset Tvibit in Tromsø received NOK 2.4 million for a three-year talent development programme preparing for the film industry
- Investment on women's side in Tromsø at sports clubs IF Fløya and Tromsø IL received NOK 2.8 million over two years
- NFF Finnmark received NOK 1 million for a three-year programme to upgrade soccer coaches in Finnmark
- The project 'Fra ALF til Mester' at Ungt Entreprenørskap Nordland received NOK 800,000
- IK Grand Bodø received NOK 500,000 to hold SNN Jenteakademi (soccer school for girls)
- Narvik Ishockeyklubb (ice hockey club) received NOK 300,000 for a cooperation project with Narvik upper secondary school
- Stage artist Katma Strøm received NOK 100,000 for Utsikt – a Covid-friendly show for day care centres, primary schools and nursing homes
- NæringsHUB Indre Finnmark at Sápmi næringsshage received NOK 500,000 kroner
- Mosjøen Næringsforening (chamber of commerce) received NOK 300,000 to create an arena for innovation and growth in Vefsn and surrounding municipalities
- Development of the virtual spaceship Aurora at Narom received NOK 1.3 millioner.
- Med musikkhuset inn i fremtiden at Kabelvåg musikkforening received NOK 250,000
- Blåfrostfestivalen and SommerBlå Barnefestival received NOK 300,000 kroner
- Norges taxiforbund avdeling Finnmark received NOK 295,000 for defibrillators installed in taxis
- The student union in Bodø (SOB) received NOK 250,000 for Engasjer-deg-uka

All allocations from Samfunnsløftet can be found at snn.no/samfunn.



Photo: Trym Ivar Bergsmo | Design: Riktig Spor

SpareBank 
NORD-NORGE

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