



## 2Q 2021

Tromsø, 12 August 2021

Liv B. Ulriksen, CEO

Bengt Olsen, CFO

## 1 Highlights

## 2 Outlook

## 3 Financial status

## A Appendix



# Highlights first half 2021

Pre-tax profit		ROE	
1 293 MNOK (1 035)		14,2 % (12,9 %)	
CET-1 ratio		C/I ratio	
18,0 % (16,9 %)		39,1 % (39,2 %)	
		Loan losses	
		-76 MNOK (201)	

## The obvious choice for people and businesses

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

Main bank retail **35 %**

Main bank SME **36 %**

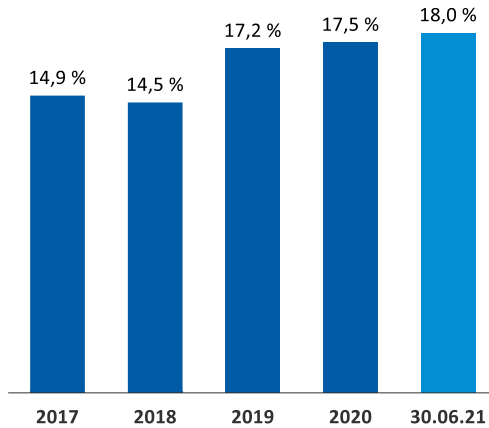
Real estate agency **36 %**

Accounting **20 %**

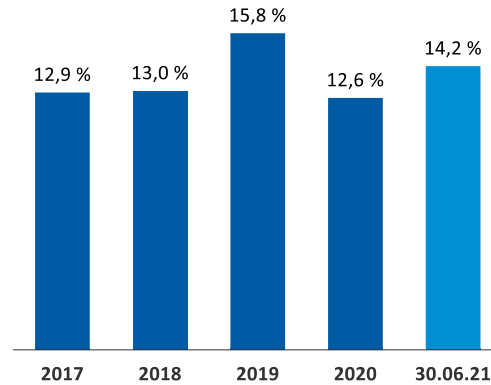
Secured financing **21,5 %**

# A good first half

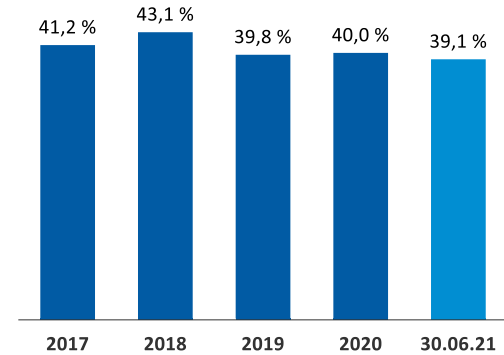
CET 1



Return on equity capital



Cost/income Group



# Subsidiaries – results before tax

	30.06.2021	30.06.2020
SpareBank 1 Finans Nord-Norge AS	107 811	62 505
SpareBank 1 Regnskapshuset Nord-Norge AS	25 606	19 316
EiendomsMegler 1 Nord-Norge AS	30 104	19 807
<b>Subsidiaries core operations</b>	<b>163 521</b>	<b>101 628</b>
Other subsidiaries	799	1 381
<b>Total</b>	<b>164 320</b>	<b>103 009</b>

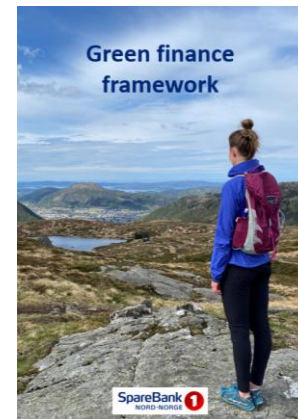
# From Product to Finance Framework

## Accessing capital markets

- SNN's **Green Product Framework** has a focus on greenifying SNN's loan asset base. 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
- SNN's **Green Finance Framework** will leverage on the experience with the Product Framework and enhance transparency and accountability through the liability side



Asset side



Funding side

# From the retail side

- Overview of credit cards and consumer loans from other banks, so that customers get an overview of their entire finances
- Launched new tool for pension savings. Provides customers with an overview of their future pension and the opportunity for better planning of retirement
- Implementation of a new business model and pricing in the savings area. Solution for stock trading with new layout and with new functionality



89%

of all mortgage  
applications starts  
digitally



97%

of all agreements  
regarding savings are  
established digitally



59%

of all credit cards are  
sold digitally

# From the corporate side

- 18 percent of all new Norwegian companies are started in SpareBank 1's digital solution, called “Starting a Business”
- National launch of Bank + Accounting. Increased traffic and more comprehensive customer journey through data-driven development. Used by 14 per cent of those who start a business at SpareBank 1
- 16 percent increase in the number of mobile banking users for companies, compared with the start of the year



**Bank + Regnskap = tid til  
å gjøre det du er best på.**

Hverdagen blir enklere med  
bank og regnskap på samme sted.

Se flere fordeler med Bank + Regnskap >



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# Emerging optimism within the SME's





















# Public sector characterized by tight finances



Access to labor –  
the main hurdle?



# Status and outlook in Northern Norway

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

# Ambitions for growth and increased market share

Expected growth for SpareBank 1 Nord-Norge in 2021

**Retail market:            3-6 %**

**Corporate market:    5-7 %**

Corporate growth within companies and industries with an expected low negative impact of Coronavirus.



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# Group financial highlights and key figures

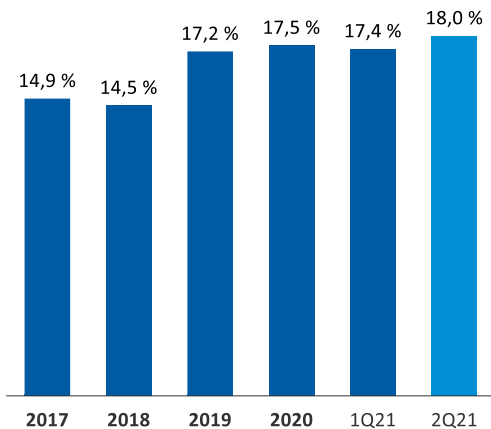
(Amounts in NOK million and in % of average assets)

	30.06.2021	%	30.06.2020	%	31.12.2020	%
Net interest income	975	1,6 %	1 067	1,9 %	2 068	1,8 %
Net fee- and other operating income	714	1,2 %	576	1,0 %	1 299	1,1 %
Net income from financial investments	309	0,5 %	389	0,7 %	693	0,6 %
Total income	1 998	3,3 %	2 032	3,6 %	4 060	3,5 %
Total costs	781	1,3 %	796	1,4 %	1 626	1,4 %
<b>Result before losses</b>	<b>1 217</b>	<b>2,0 %</b>	<b>1 236</b>	<b>2,2 %</b>	<b>2 434</b>	<b>2,1 %</b>
Losses	- 76	-0,1 %	201	0,4 %	332	0,3 %
<b>Result before tax</b>	<b>1 293</b>	<b>2,2 %</b>	<b>1 035</b>	<b>1,8 %</b>	<b>2 102</b>	<b>1,8 %</b>
Tax	245	0,4 %	164	0,3 %	360	0,3 %
Defecit non-current assets held for sale	0	0,0 %	0	0,0 %	0	0,0 %
<b>Result after tax</b>	<b>1 041</b>	<b>1,7 %</b>	<b>871</b>	<b>1,5 %</b>	<b>1 742</b>	<b>1,5 %</b>
Interest hybrid capital	14		19		33	
<b>Result after tax ex. interest hybrid capital</b>	<b>1 034</b>		<b>852</b>		<b>1 709</b>	
<b>Profitability</b>						
Return on equity capital	14,2 %		12,9 %		12,6 %	
Interest margin	1,6 %		1,9 %		1,8 %	
Cost/income	39,1 %		39,2 %		40,0 %	

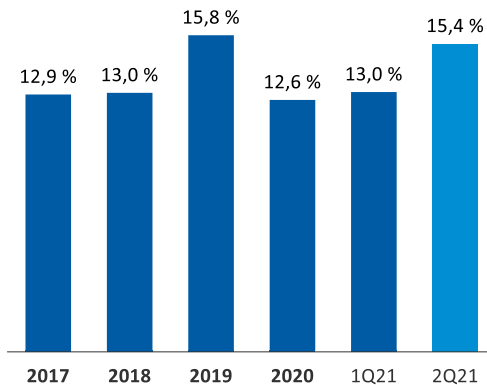


# Quarterly development

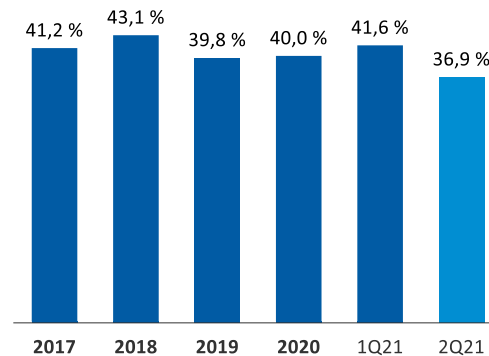
CET 1



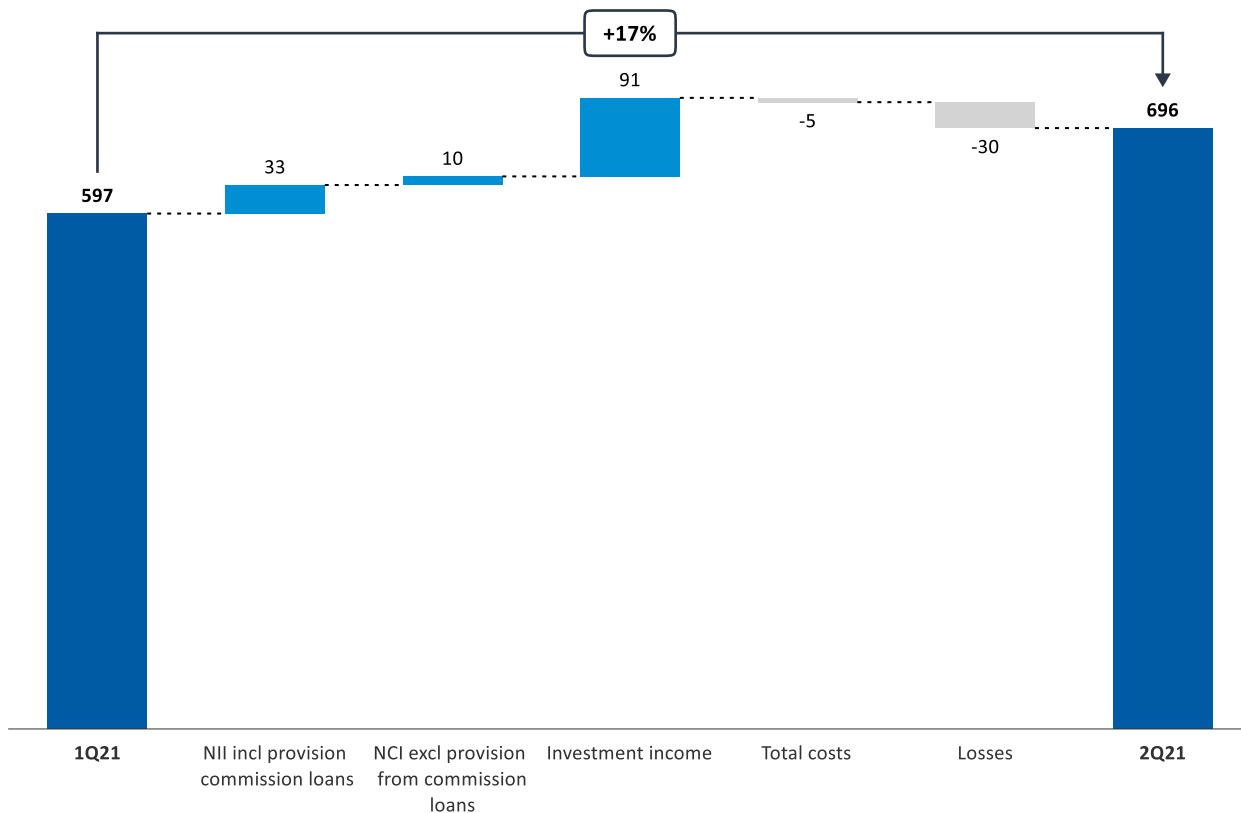
Return on equity capital



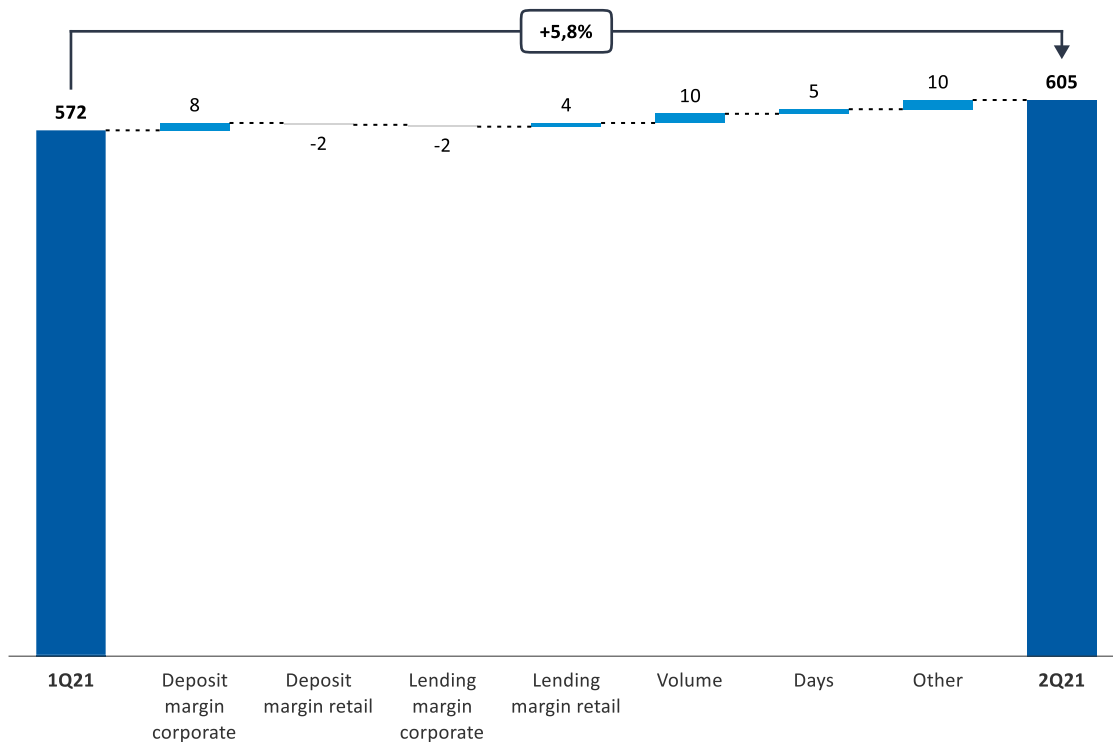
Cost/income Group



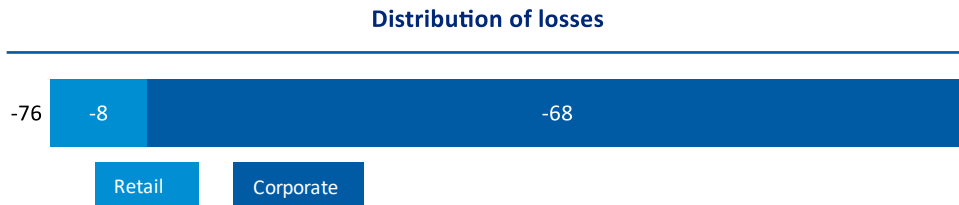
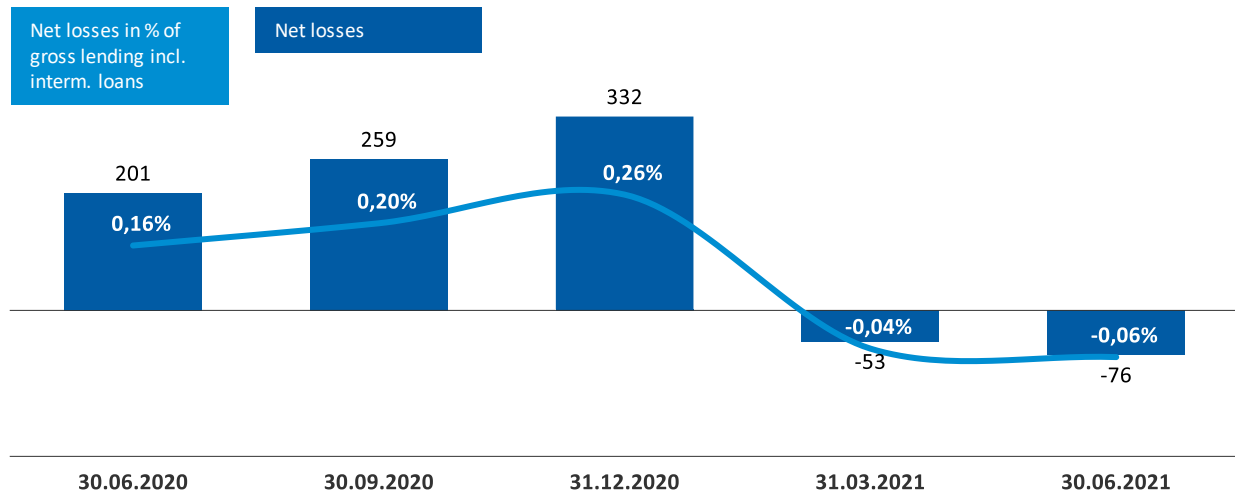
# Result before tax - last quarter



# Net interest income - Group

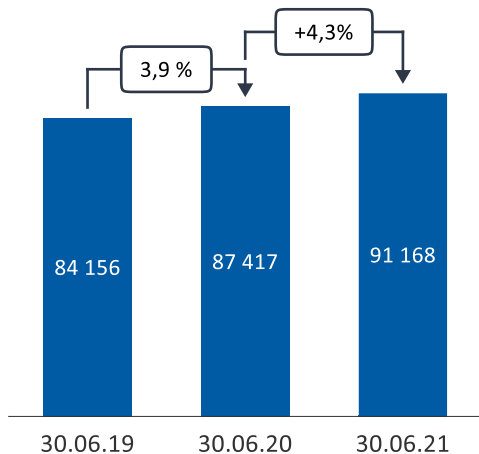


# Low losses

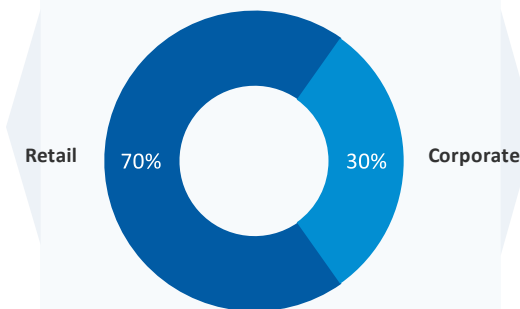


# Lending growth

**Retail marked** (incl.commission loans)



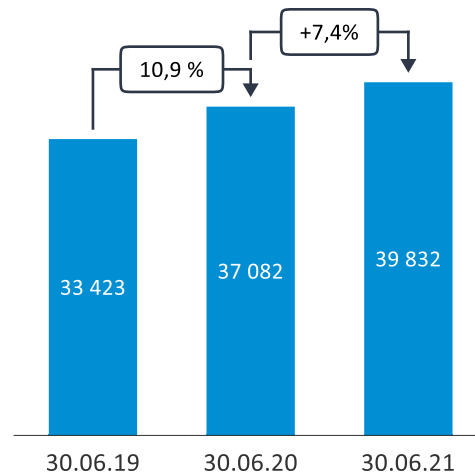
**Gross lending** (incl.commission loans)



**Gross lending** (excl.commission loans)

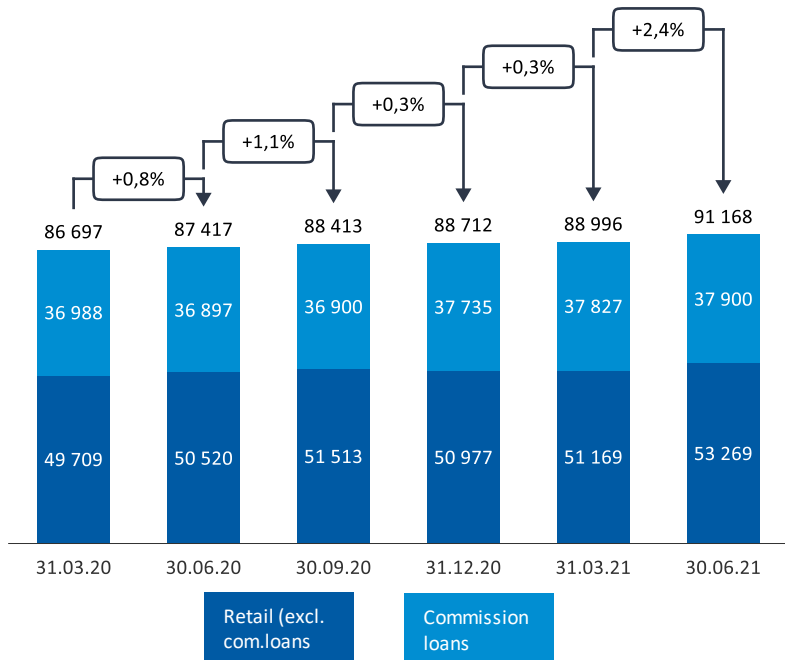


**Corporate Banking** (incl.commission loans)

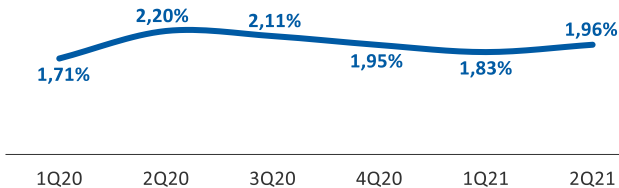


# Retail Market

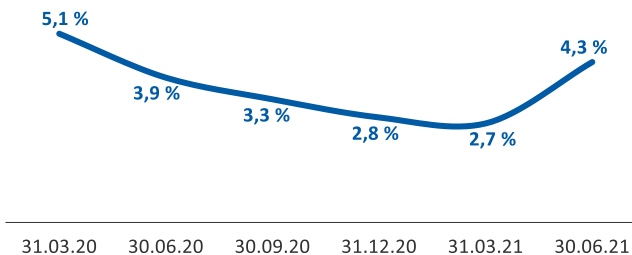
Lending growth



Development in lending margin (ISO)

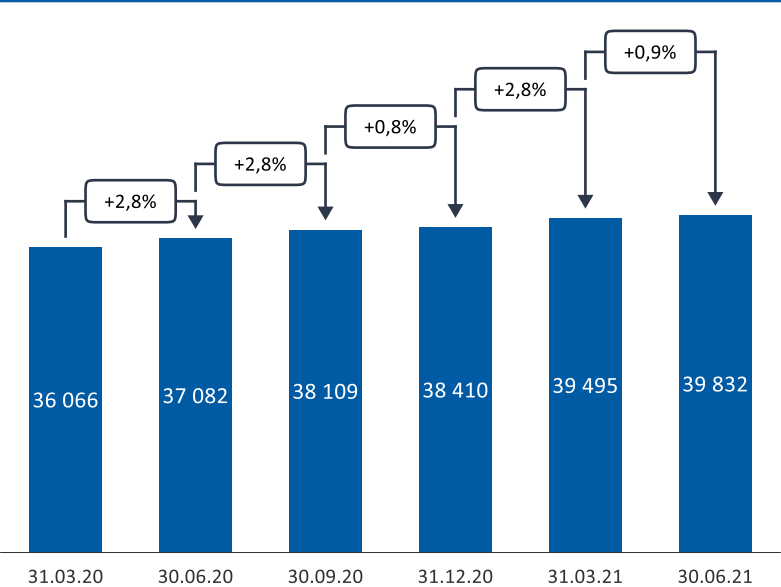


Lending growth (YTD)

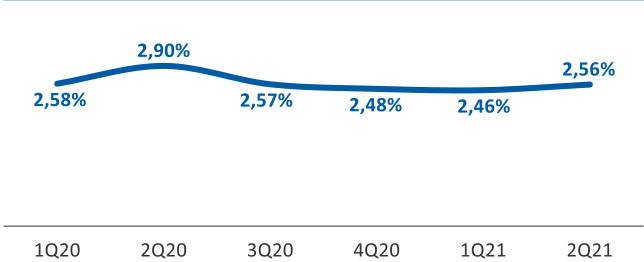


# Corporate Banking

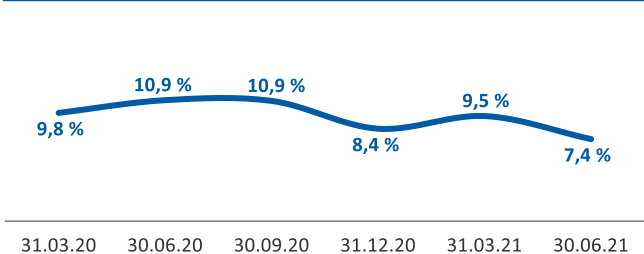
Lending growth



Development in lending margin (ISO)

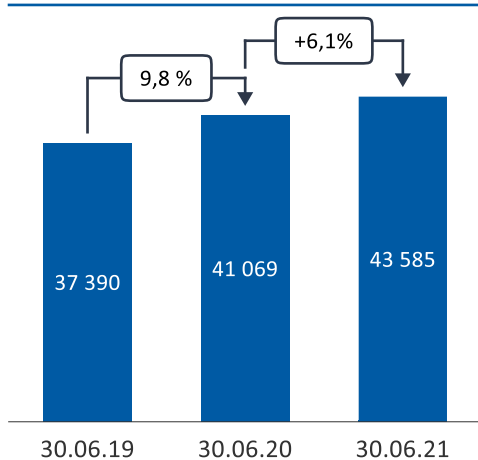


Lending growth (YTD)

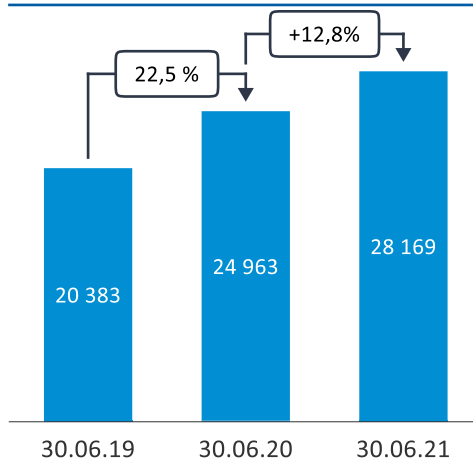


# Deposit growth

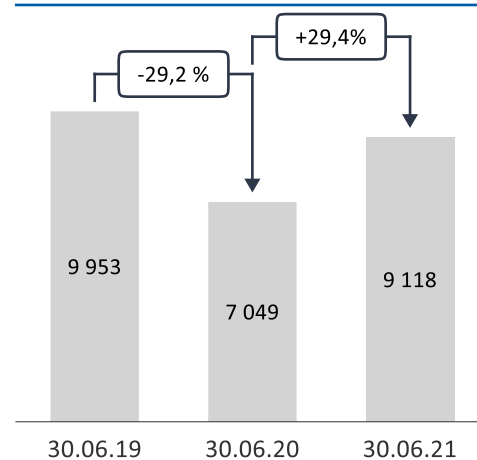
Retail Market



Corporate Banking



Public Market

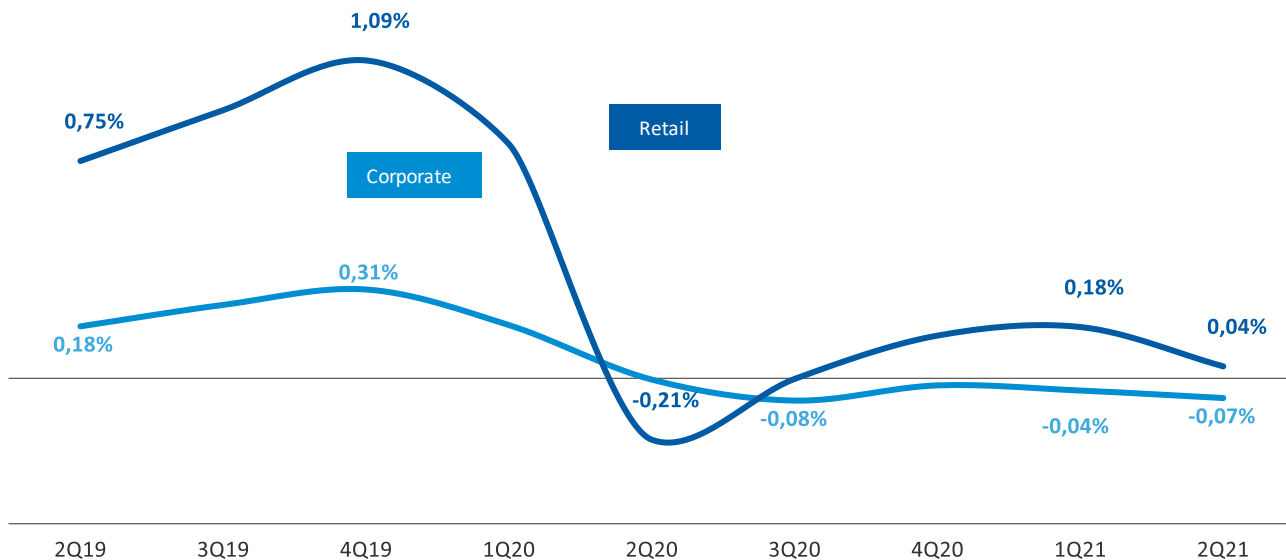


Deposits gross





# Development in deposit margins



# Long term financial targets

> 12 %  
ROE

< 40 %  
C/I ratio

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> 50 %  
Dividend payout ratio

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15 %  
CET-1

# Financial outlook

## NRI

- A lower average Nibor in Q2 has had a positive effect on lending margins, but weakened an already low deposit margin. Low centralbank rate and though competition on the retail market continues to put a pressure on margins
- The combination of Nibor changes, the extra businessdays and good growth has led to a positiv effect on the NII in this quarter

## ROE >12 %

- The current rate level combined with the overcapitalization makes the ROE-target demanding. Other income and cost measures will however make a positive contribution, while development in loan losses, and the way out of the pandemic will be important factors
- The target ROE > 12 % still stands

## CET-1 Ratio: 15 %

- Targeted CET-1 ratio is one percentage point above the regulatory minimum requirement
- The bank is very well capitalized, and none of the expected changes/tightening of regulatory requirements will not be a challenge for the bank

## C/I < 40 %

- C/I within the targeted level the last quarter. A somewhat weakened NII based on low rates makes it demanding to achive our long term goal. Cost control will be key and the effect from our profitability measures will contribute in a positive direction

## Pay out ratio > 50 %

- The targeted dividend pay out ratio of > 50 % still stands
- The authorities have imposed temporary restrictions on the industry, but a good solvency and strong earnings provide a good basis for future dividends

# Why invest in SpareBank 1 Nord-Norge

#1

- Market leader in a resourceful region

ROE

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



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

# Contacts

## Management



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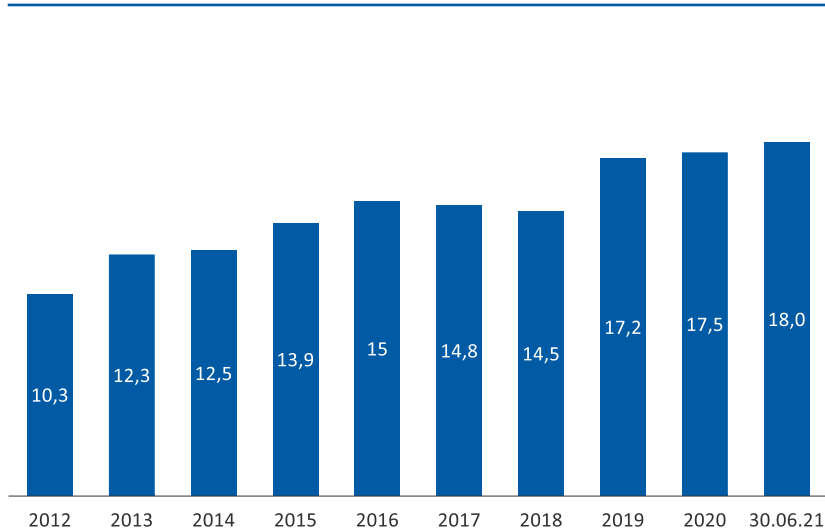
3 Financial status

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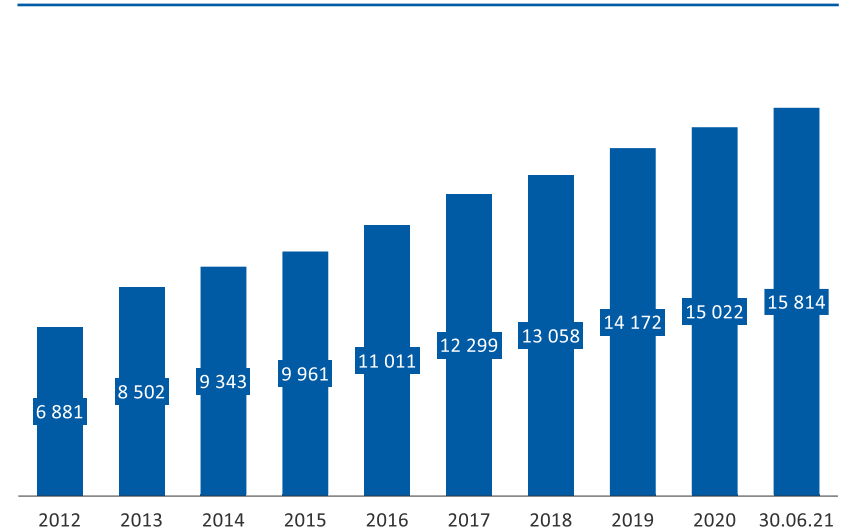


# A solid bank for Northern Norway

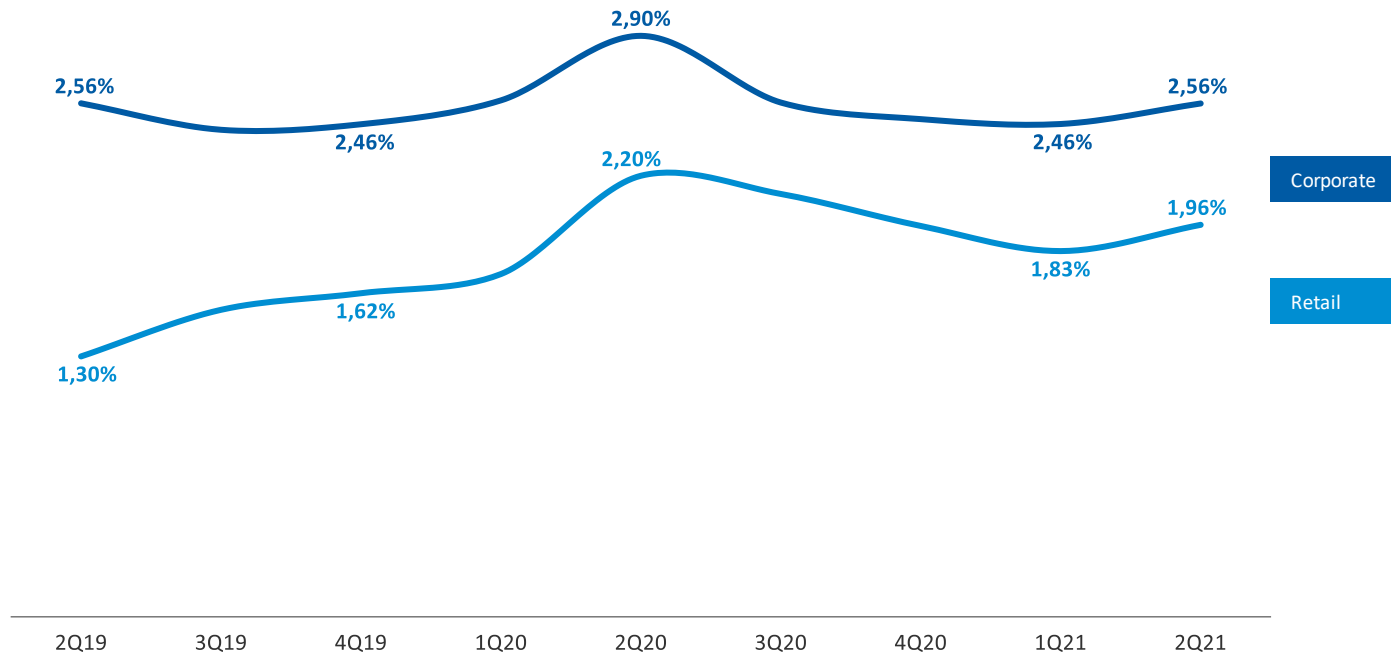
CET-1 (%)



Total equity (mNOK)



# Development in lending margins





# Company structure

## Associated companies and joint ventures

**SpareBank 1 Gruppen AS**  
19,5 % | Financial services

**SpareBank 1 Boligkreditt AS**  
18,14 % | Covered Bond company

**SpareBank 1  
Næringskreditt AS**  
8,45 % | Funding/property

**SpareBank 1 Utvikling**  
17,74 % | System development

**SpareBank 1 Kreditt AS**  
18,37 % | Credit card

**SpareBank 1 Betaling AS**  
18,57 % | Vipps/mobile payment

**SpareBank 1  
Gjeldsinformasjon AS**  
14,53 % | Investment company

**SpareBank 1 Bank og  
Regnskap AS**  
25 % | Innovation

**SpareBank 1 Mobilitet AS**  
33,33 % | System development

**SpareBank 1 Forvaltning AS**  
19,5 % | Investment company

**SpareBank 1 Kundepleie AS**  
33,33 % | System development

## Subsidiaries

**SpareBank 1 Finans Nord-  
Norge AS**  
Loan/consumer finance/leasing

**Eiendomsmegler 1 Nord-  
Norge AS**  
Real estate brokerage

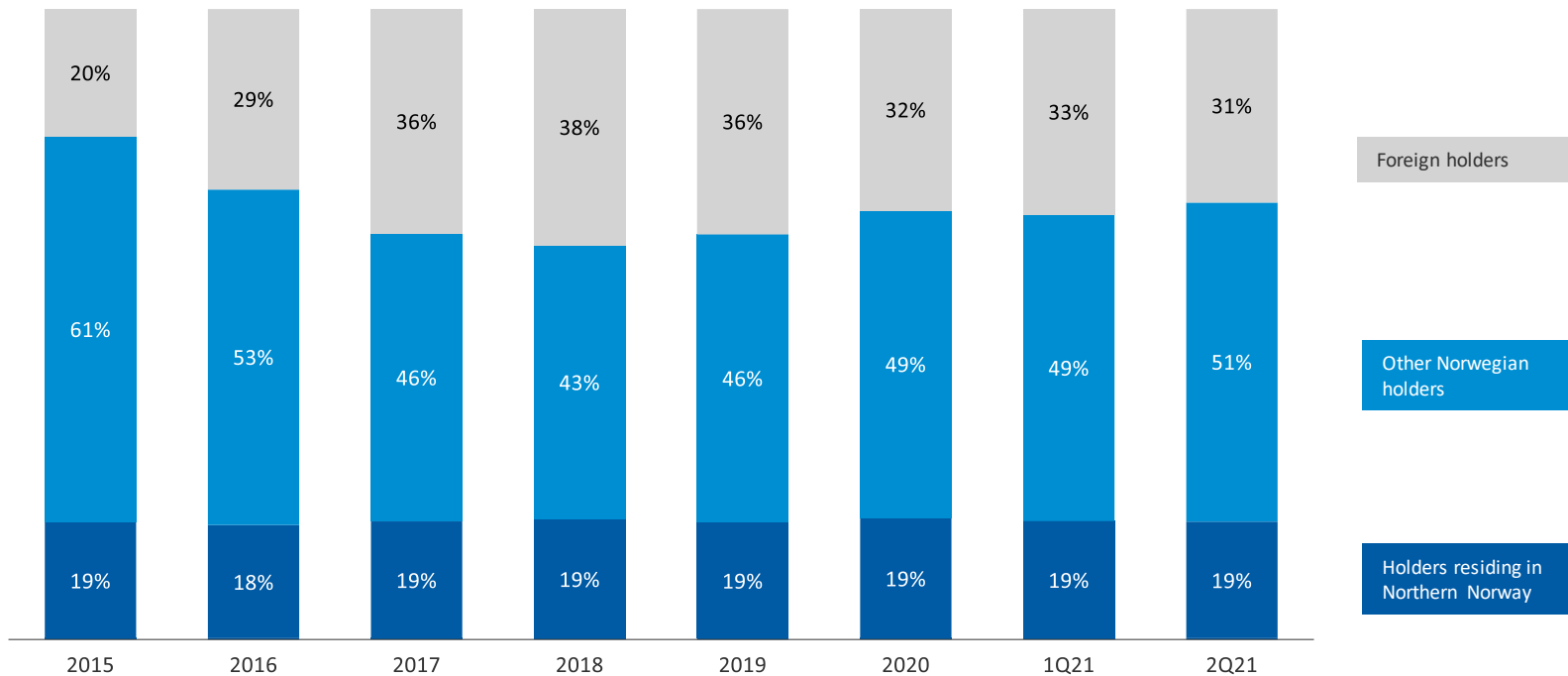
**Fredrik Langesgt 20 AS**  
Commercial building

**SpareBank 1 Regnskaps-  
huset Nord-Norge AS**  
Accounting

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

**Rødbanken Holding AS\***  
Investment company

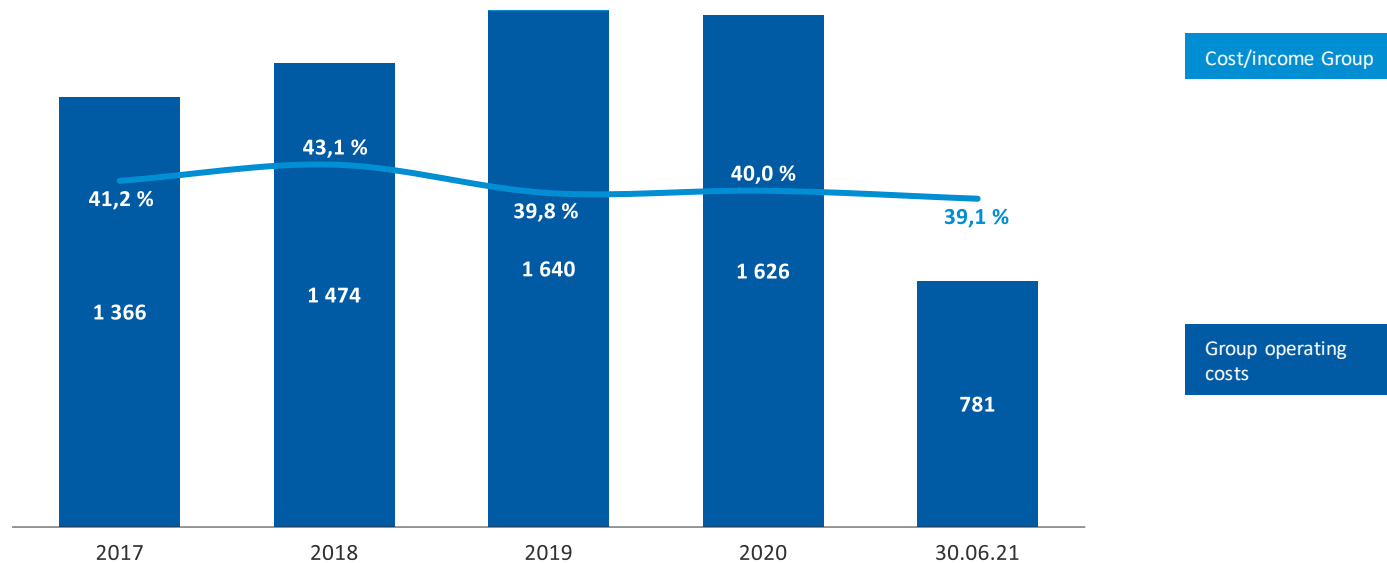
# Geographical distribution of ownership



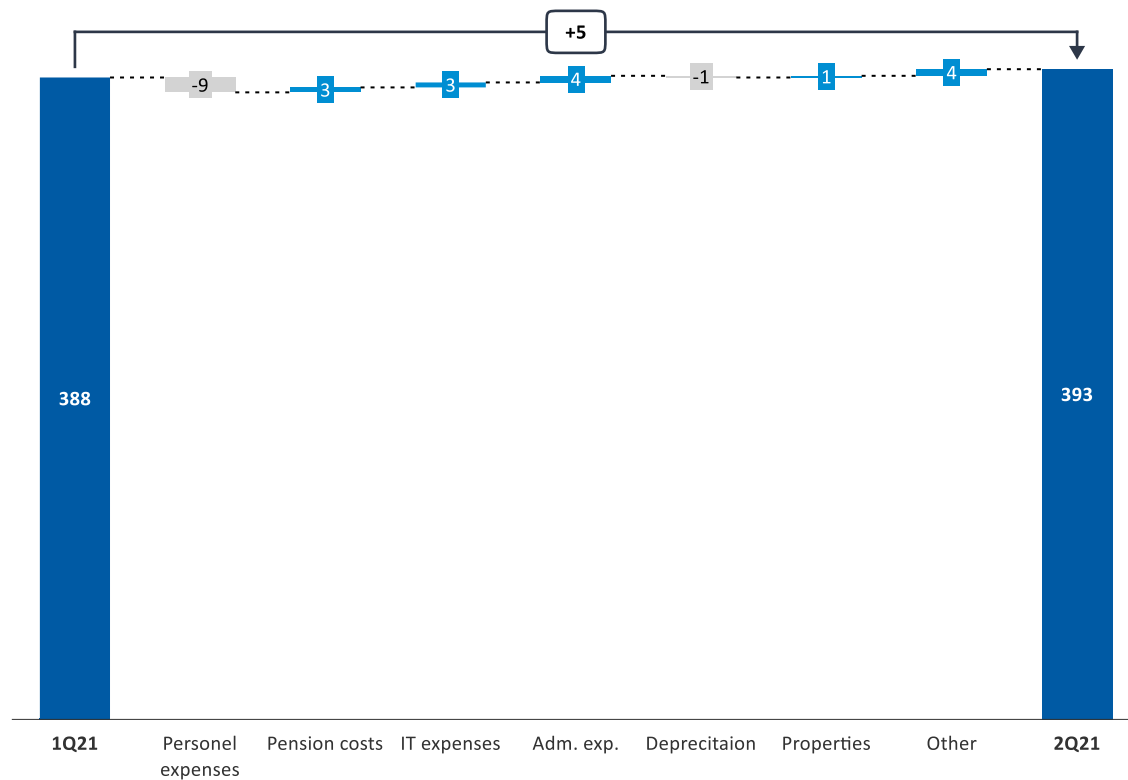
# The 20 largest EC holders

EC Holders	Number of Ecs	Share of EC Capital
PARETO INVEST AS	3,5M	3,5 %
PARETO AKSJE NORGE VERDIPAPIRFOND	3,3M	3,3 %
The Northern Trust Comp, London Br	3,2M	3,1 %
GEVERAN TRADING CO LTD	2,8M	2,8 %
VPF EIKA EGENKAPITALBEVIS	2,7M	2,7 %
MP PENSJON PK	2,4M	2,4 %
State Street Bank and Trust Comp	2,3M	2,3 %
Brown Brothers Harriman & Co.	2,1M	2,1 %
FORSVARETS PERSONELLSERVICE	1,7M	1,7 %
Landkreditt Utbytte	1,5M	1,5 %
SPAREBANKSTIFTELSEN SPAREBANK 1 NO	1,4M	1,4 %
SPESIALFONDET BOREA UTBYTTE	1,2M	1,2 %
State Street Bank and Trust Comp	992K	1,0 %
Morgan Stanley & Co. Int. Plc.	880K	0,9 %
Euroclear Bank S.A./N.V.	768K	0,8 %
CLEARSTREAM BANKING S.A.	752K	0,7 %
Brown Brothers Harriman & Co.	735K	0,7 %
The Bank of New York Mellon SA/NV	722K	0,7 %
J.P. Morgan Bank Luxembourg S.A.	704K	0,7 %
The Bank of New York Mellon SA/NV	649K	0,6 %
Total	34.312.517	34,2 %

# Cost development - Group



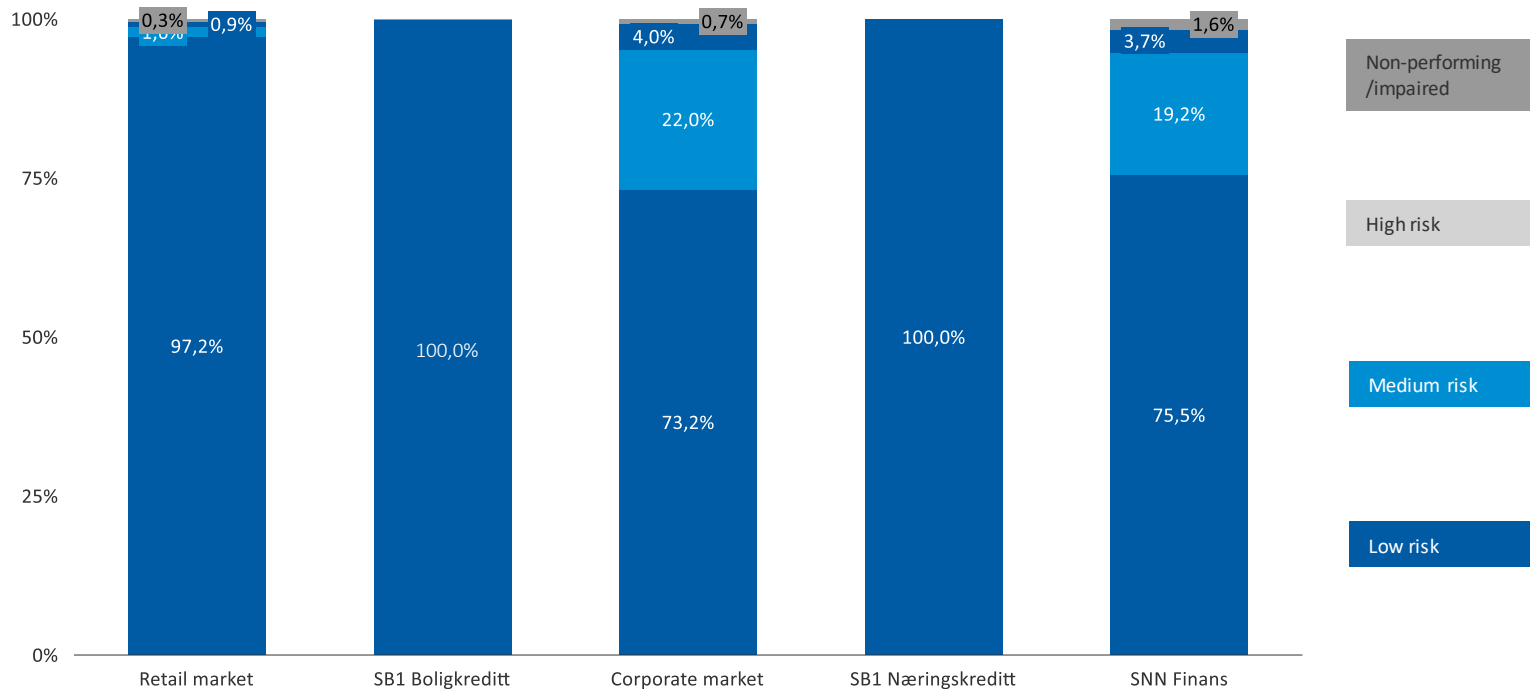
# Operating expenses - Group



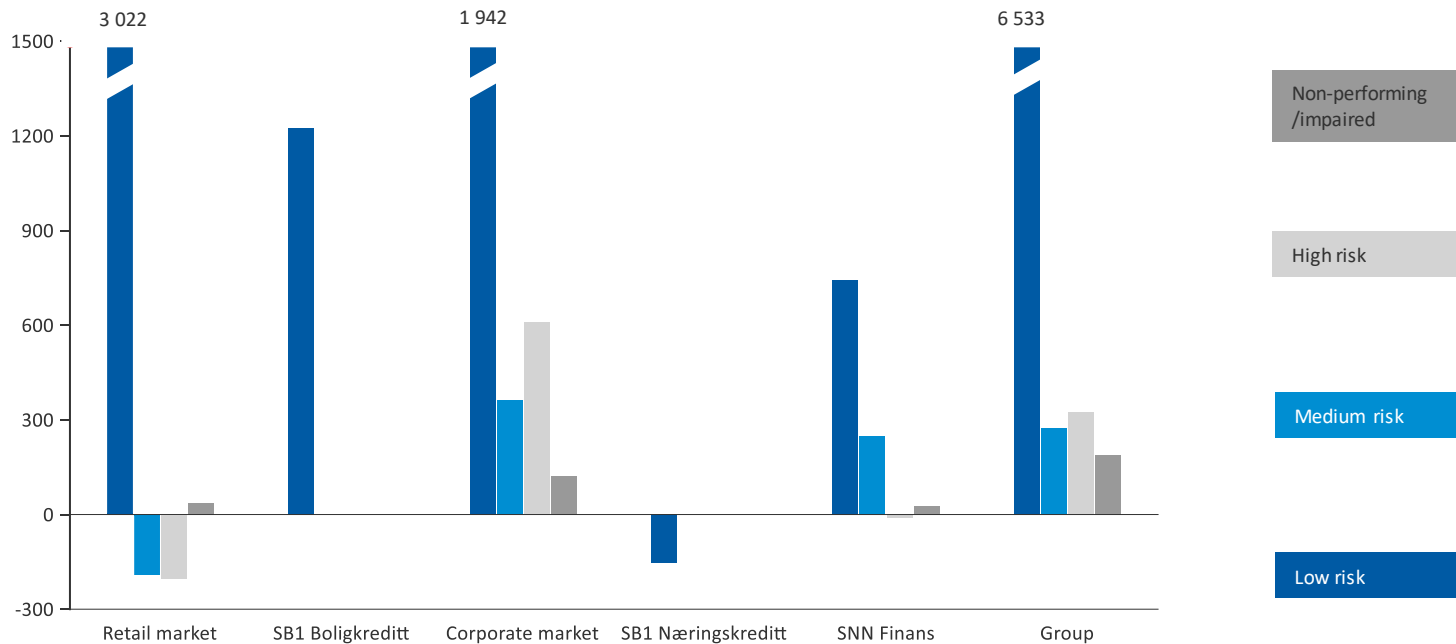
# Net fee- and other operating income - Group

(Amounts in NOK million)	2Q21	1Q21	4Q20	3Q20	2Q20
Payment facilities	53	61	73	74	68
Sales provision insurance products	51	49	46	47	44
Guarantee commissions	8	7	9	9	8
Real estate broking	29	40	53	49	40
Portfolio commissions	17	14	17	14	11
Other commissions	71	29	11	27	27
<b>Commissions excl. commission loan</b>	<b>229</b>	<b>200</b>	<b>209</b>	<b>220</b>	<b>198</b>
Commission loans	103	99	114	113	52
<b>Total commission income</b>	<b>332</b>	<b>299</b>	<b>323</b>	<b>333</b>	<b>250</b>
Commission costs	24	21	29	14	17
Accounting services	54	64	42	55	50
Other operating income	2	8	12	1	0
<b>Total commissions and other income</b>	<b>56</b>	<b>72</b>	<b>54</b>	<b>56</b>	<b>50</b>
<b>Net fee- and other operating income</b>	<b>364</b>	<b>350</b>	<b>348</b>	<b>375</b>	<b>283</b>

# Risk exposure - Group

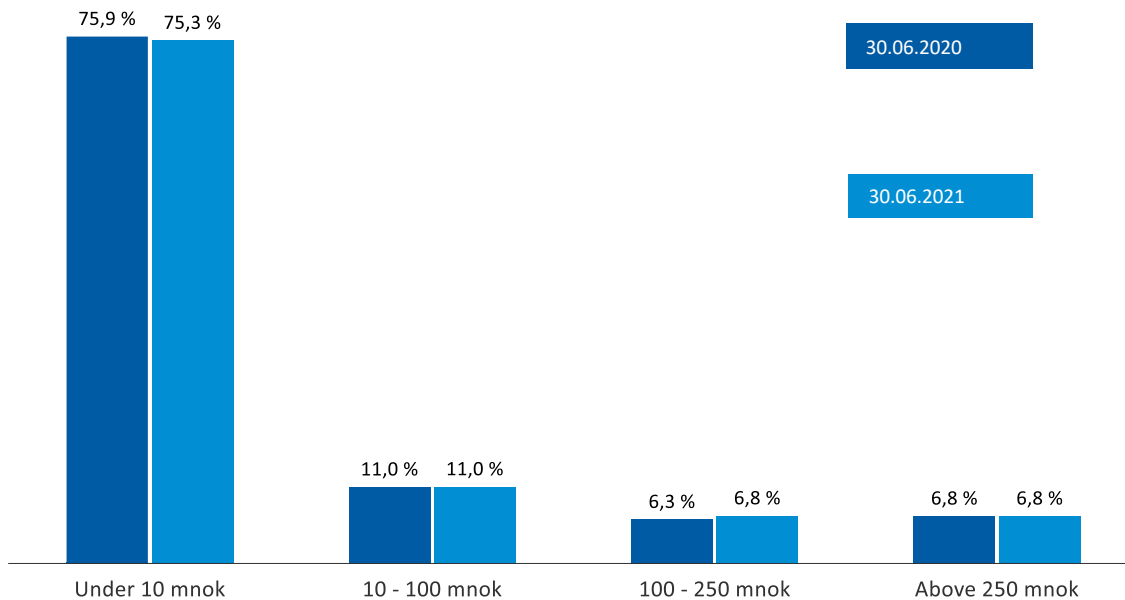


# Changes in exposure last 12 months - Group

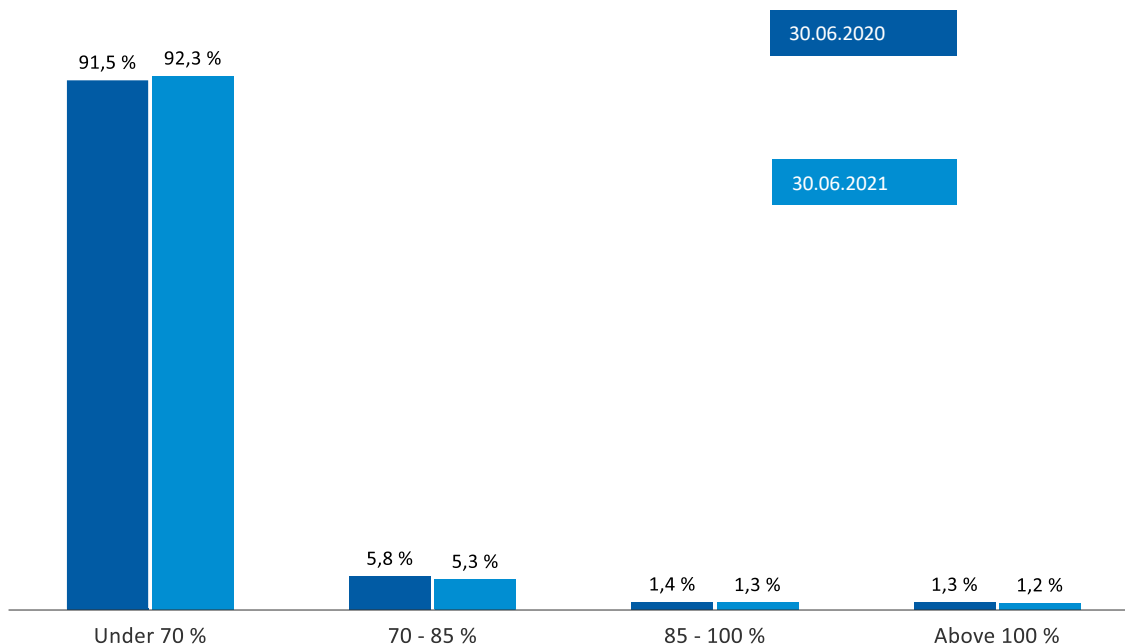




# Exposure distributed by size\*



# LTV mortgage loans

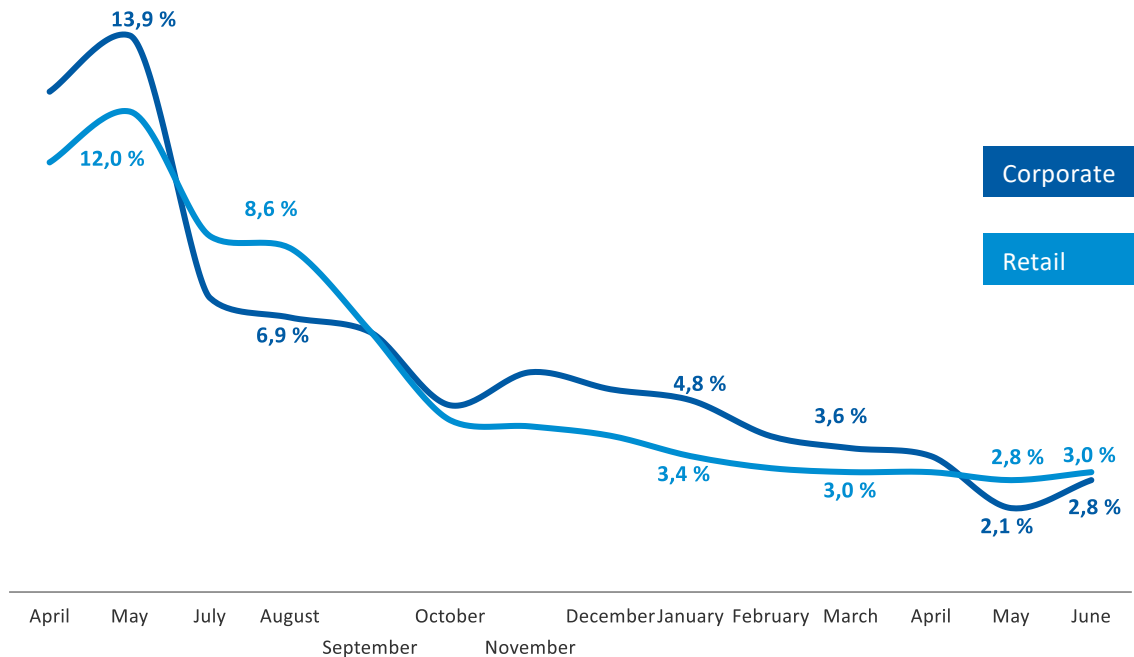


LTV is distributed by balance and is based on the market value of the collateral:

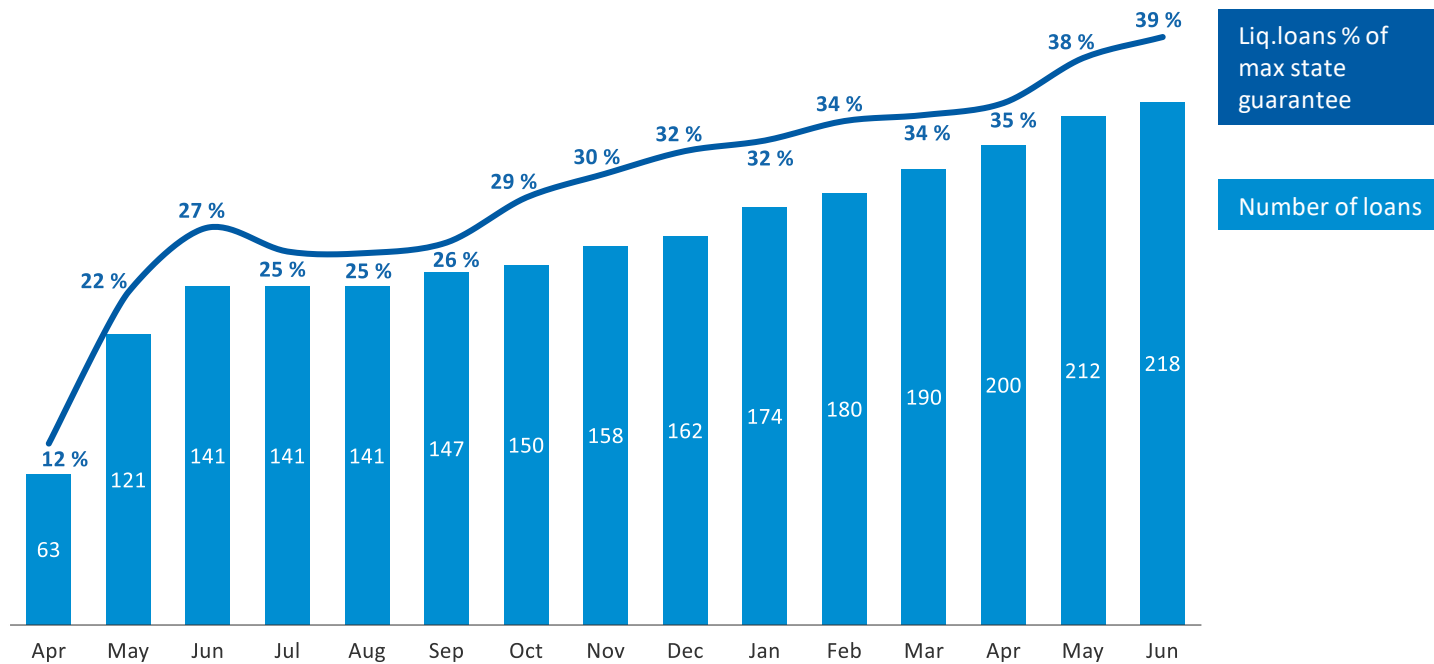
- 97.6 % of the gross exposure is within 85 % of the collateral market value
- Only 1.1 % of the gross exposure is higher than 100 % of the collateral market value
- Very small changes in LTV last 12 months
- The figures include the portfolio in SB1 Boligkreditt

# Reduced use of interest-only loans

Share of interest-only loans due to Covid-19

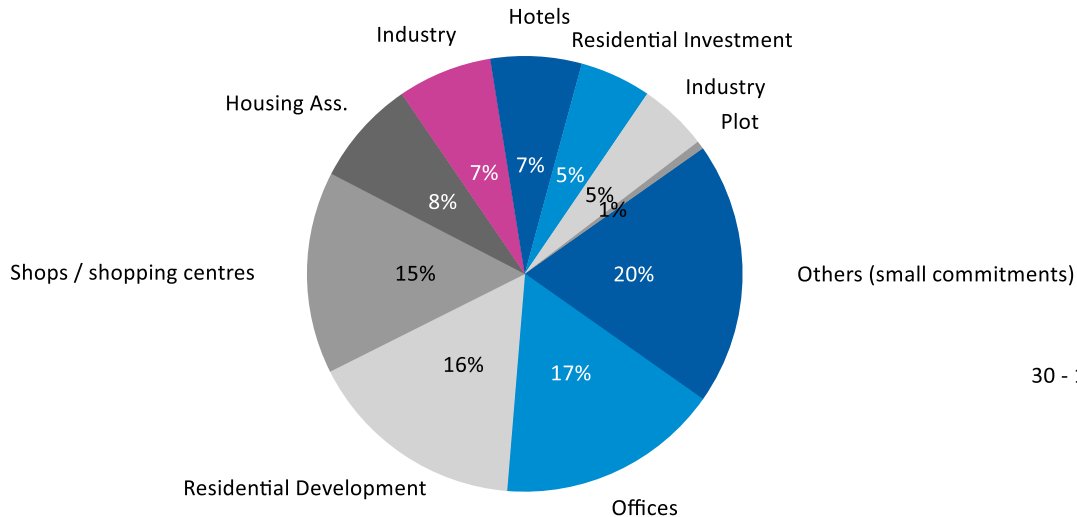


# Declining demand for liquidity loans with state guarantee

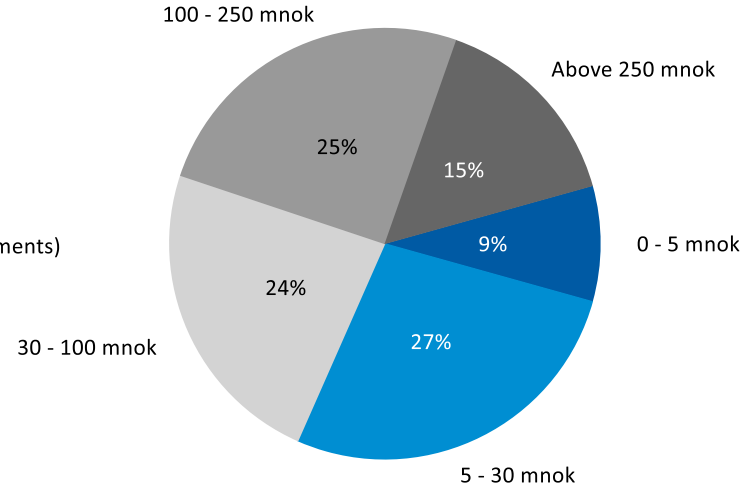


# Diversified portfolio in commercial real estate

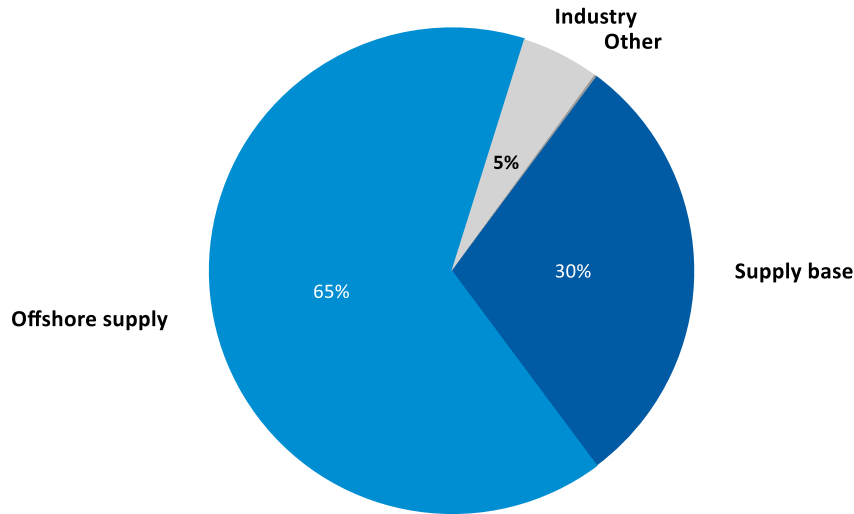
Portfolio distribution



Size of commitments



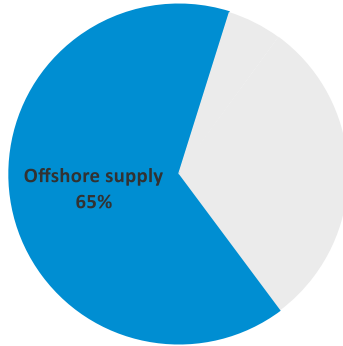
# Still low oil related exposure



Oil related exposure amounts to NOK 873 mill

- The exposure represents 0.61 % of total exposure including covered bond companies
- Average weighted probability of default 1.93 %
- A total of NOK 43 mill are non-performing or impaired commitments
- The activity within oil and offshore consists of a small customer portfolio handled by a small group of advisors

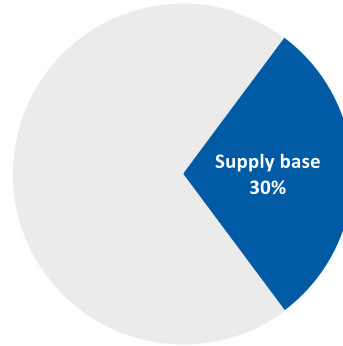
# Oil related portfolio



**Offshore Supply Vessels**

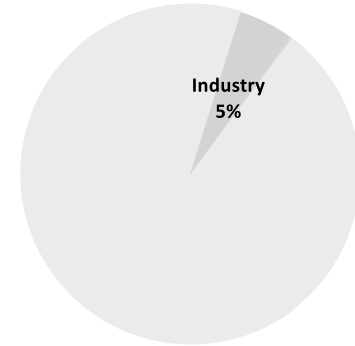
- Exposure amounts to NOK 568 mill
- Average weighted probability of default 2.62 %
- Total amount of 7 vessels\*
- Weighted age 9.4 years\*
- Average weighted contract length 2.7 years\*
- SNN is participant in syndicates on 6 vessels

\*Exclusive of barges



**Supply base**

- Exposure amounts to NOK 259 mill
- Average weighted probability of default is 0.235%
- Customers with long term contracts with solid and strong partners gives good cash flows in the short and long term



**Industry and other**

- Exposure amounts to NOK 47 mill. including Industry NOK 46 mill and Other NOK 1 mill
- Average weighted probability of default:
  - “Industry” 1.01 %
  - “Other” 0.44 %
- A total of NOK 43 mill non-performing or impaired commitments

# Loan losses - Group

	2Q21	1Q21	31.12.2020	4Q20	3Q20	2Q20	1Q20
Individual losses Corporate market	7,3	(1,1)	32,4	7,5	9,9	10,5	4,5
Individual losses Retail market	(3,5)	0,2	5,4	0,0	0,7	1,5	3,3
Collective losses and other value change items	(26,8)	(51,7)	286,6	58,2	47,1	70,1	111,1
<b>Total losses on loans and guarantees</b>	<b>(23,0)</b>	<b>(52,6)</b>	<b>324,4</b>	<b>65,7</b>	<b>57,7</b>	<b>82,1</b>	<b>118,9</b>

The Group's annualized losses is -0.11 % (annualized) of gross lending including loans transferred to covered bond companies

Commitments in step 3: 0.56 % of total exposure, Expected loss share: 36.85 %

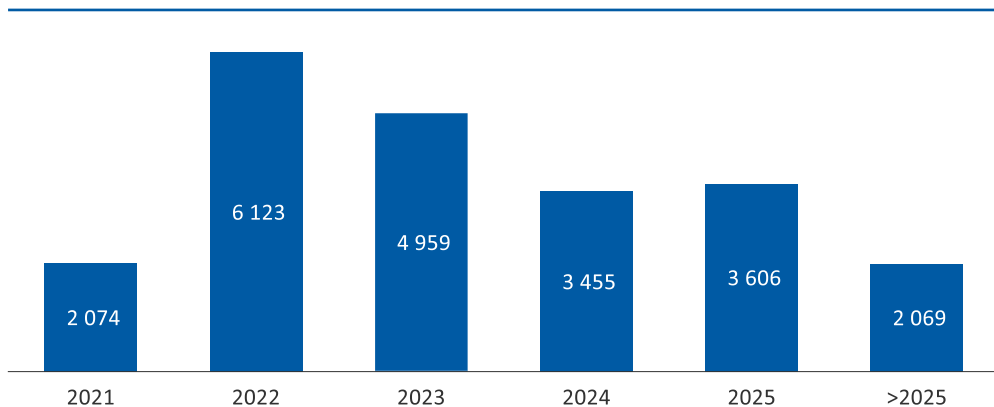
Commitments in step 2: 8.93 % of total exposure, Expected loss share: 3.73 %

Commitments in step 1: 90.51 % of total exposure, Expected loss share: 0.28 %



# Funding

**Maturity profile** (mNOK)

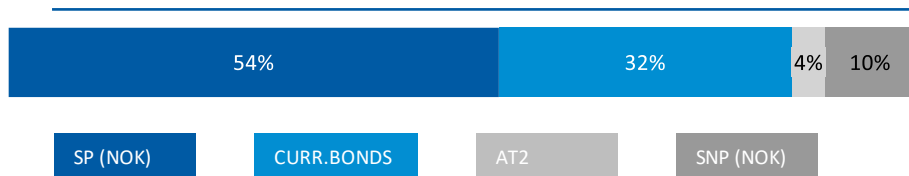


NOK 23 035 mill in capital market funding exclusive of SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is important funding sources. In total NOK 38 307 mill had been transferred as of 30.06.21

Amount of gross maturities of capital market funding next 12 months is NOK 5 424 mill

**Distribution of capital market funding** (mNOK)



# Ambitious goals for climate risk and sustainability



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

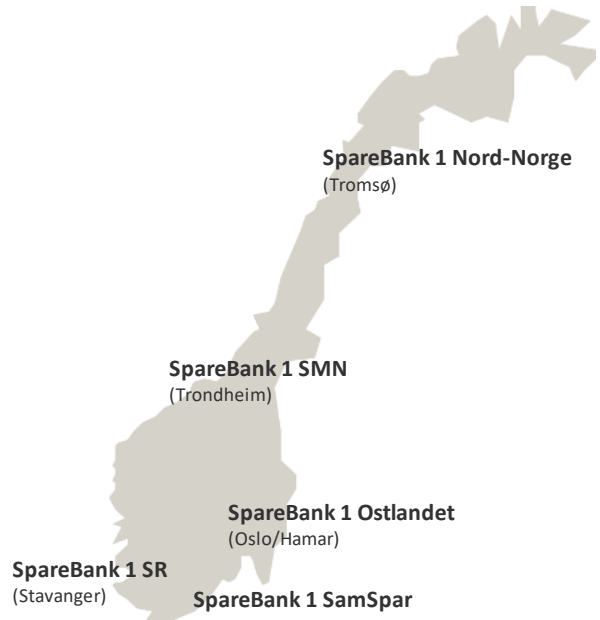
A framework for the link between green lending and green capital market funding has been developed. The framework is based on important business sectors in the north, including fisheries, aquaculture, real estate, transport and renewable energy

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

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

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

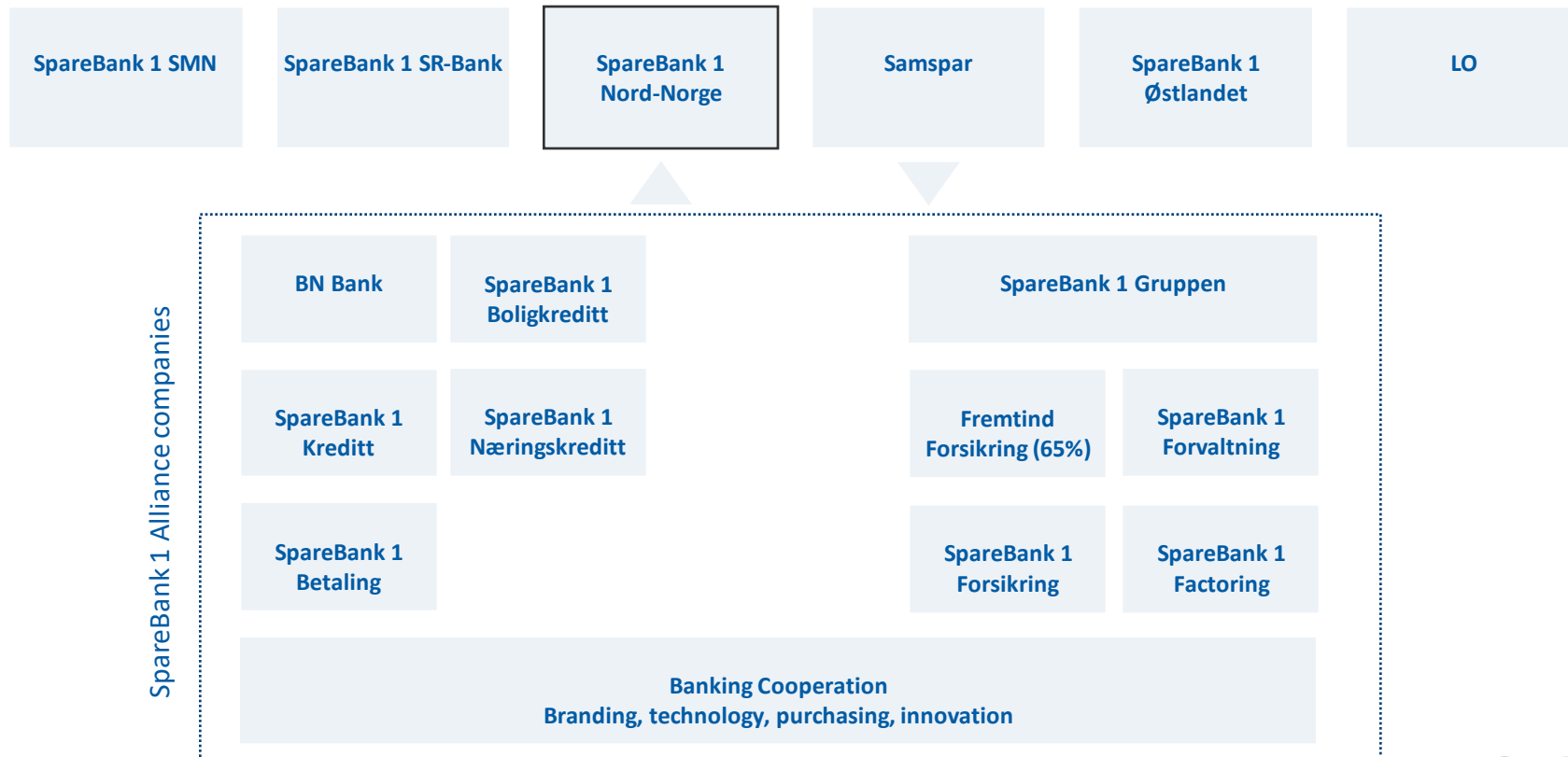
# SpareBank 1 Alliance



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

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

# SpareBank 1 Alliance



An aerial photograph showing two kayakers on a sandy beach. One kayak is orange and the other is white with black accents. A person in a red jacket is standing near the white kayak. The ocean waves are visible on the left side of the frame.

**SpareBank**  
NORD-NORGE

