

Quarterly report



Financial statement Q3 2021

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SpareBank
NORD-NORGE 

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Group financial highlights and key figures

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

	30.09.21	%	30.09.20	%	31.12.20	%
From the profit and loss account						
Net interest income	1 480	1,64 %	1 570	1,81 %	2 068	1,79 %
Net fee- and other operating income	1 080	1,19 %	951	1,10 %	1 299	1,12 %
Net income from financial investments	449	0,50 %	581	0,67 %	693	0,60 %
Total income	3 009	3,33 %	3 102	3,59 %	4 060	3,51 %
Total costs	1 176	1,30 %	1 194	1,38 %	1 626	1,40 %
Result before losses	1 833	2,03 %	1 908	2,21 %	2 434	2,10 %
Losses	- 123	-0,14 %	259	0,30 %	332	0,29 %
Result before tax	1 956	2,16 %	1 649	1,91 %	2 102	1,82 %
Tax	376	0,42 %	281	0,32 %	360	0,31 %
Defecit non-current assets held for sale	0	0,00 %	0	0,00 %	0	0,00 %
Result after tax	1 572	1,74 %	1 368	1,58 %	1 742	1,51 %
Interest hybrid capital	21		26		33	
Result after tax ex. interest hybrid capital	1 559		1 342		1 709	

Profitability						
Return on equity capital	1	14,0 %	13,4 %		12,6 %	
Interest margin	2	1,64 %	1,81 %		1,79 %	
Cost/income	3	39,1 %	38,5 %		40,0 %	

Balance sheet figures and liquidity						
Total assets		122 080	119 021		117 298	
Average assets	4	120 535	115 346		115 736	
Liquidity Coverage Ratio (LCR)		141	152		142	

Solidity						
Common Equity Tier 1 Capital Ratio		18,6 %	17,2 %		17,5 %	
Tier 1 Capital ratio		20,0 %	18,6 %		18,9 %	
Total Capital Ratio		21,7 %	20,5 %		20,9 %	
Common Equity Tier 1 Capital		13 048	11 905		12 019	
Tier 1 Capital		14 020	12 881		12 991	
Own Funds		15 229	14 213		14 366	
Adjusted risk-weighted assets base		70 240	69 233		68 588	
Leverage Ratio		7,8 %	7,5 %		7,6 %	

Branches and full-time employees						
Branches		19	36		36	
Manyears		874	909		897	

- 1 The profit after tax in relation to average equity, calculated as a quarterly average of equity and at 01.01.
The Bank's hybrid 1 capital issued are classified as equity in the financial statements. However, when calculating the return on equity, hybrid tier 1 capital are deducted from equity, and result after tax are adjusted for interests on hybrid tier 1 capital.
- 2 Net total interests as a percentage of average total assets
- 3 Total costs as a percentage of total net income
- 4 Average assets are calculated as average assets each quarter and at 01.01.

Key figures ECC

	3Q21	2020	2019	2018	2017	2016	2015	2014	2013	2012
1) NONG Quoted/market price (NOK)	95,60	74,60	78,50	62,80	62,25	52,25	36,70	39,90	35,50	24,70
2) Number of Equity Certificates (EC) issued (mill)	100,40	100,40	100,40	100,40	100,40	100,40	100,40	100,40	100,40	74,40
3) Quoted/market price EC issued (NOK mill)	9.598	7.490	7.881	6.305	6.250	5.246	3.685	4.006	3.564	1.837
4) Quoted/market price total equity (mill)	20.703	16.156	17.000	13.600	13.481	11.315	7.948	8.464	7.530	4.418
5) Allocated dividend per EC (NOK)	-	3,90	4,00	4,00	4,00	3,45	2,00	1,90	1,10	1,02
Paid-out dividend per EC (NOK)	-	4,00	4,00	4,00	3,45	2,00	1,90	1,10	1,02	1,25
6) Dividend yield	0,0%	5,2%	5,1%	6,4%	6,4%	6,6%	5,4%	4,8%	3,1%	4,1%
7) Total yearly return	0,0%	25,2%	31,4%	7,3%	25,7%	47,8%	-3,3%	15,5%	47,9%	-10,2%
Total equity capital Parent bank (NOK mill)	14.942	13.505	13.065	11.312	10.617	9.336	8.198	7.735	7.200	5.589
Total equity capital Group (NOK mill)	16.361	15.022	14.172	13.058	12.299	11.011	9.961	9.343	8.502	6.832
8) Equity capital per EC Group (NOK)	71,95	65,76	61,84	56,70	54,34	50,84	46,00	44,05	40,08	38,19
9) Result per EC Group, adjusted for interest hybrid capital (NOK)	7,16	7,89	9,39	7,02	6,61	5,54	5,10	4,64	4,14	4,01
10) Totalresult per EC Group, adjusted for interests hybrid capital (NOK)	7,19	7,89	9,26	6,80	6,95	5,79	4,11	5,17	4,13	3,36
11) P/E (Price/Earnings per EC Group) (NOK)	10,01	9,45	8,36	8,94	9,43	9,03	8,93	7,72	8,59	7,34
12) P/B (Price/Book Value per EC Group) (NOK)	1,33	1,13	1,27	1,11	1,15	1,03	0,80	0,91	0,89	0,65
13) Pay-out ratio Group	0,0%	49,4%	42,6%	56,9%	60,5%	59,6%	48,7%	36,8%	26,6%	11,8%
EC ratio overall as at 31.12.	46,36%	46,36%	46,36%	46,36%	46,36%	46,36%	46,36%	47,33%	47,33%	41,59%
EC ratio overall as at 01.01. used for allocaton of result	46,36%	46,36%	46,36%	46,36%	46,36%	46,36%	47,33%	47,33%	42,91%	42,07%

- 1) Quoted/market price adjusted for equity issues, fund issues, dividend issues and splits
- 2) Number of certificates issued
- 3) Market price * number of ECs
- 4) Market price * number of ECs/EC ratio overall
- 5) Allocated dividend
- 6) Allocated dividend/Market price EC as at 31.12
- 7) (Market price EC 31.12 - market price EC 31.12 previous year + paid dividend)/Market price EC 31.12
- 8) Equity excl. hybrid capital Group*EC ratio overall/Number of EC
- 9) Result after tax Consern*EC ratio overall/Number of EC
- 10) Total result after tax Consern*EC ratio overall/Number of EC
- 11) Market price/Result per EC Group adjusted for interests hybrid capital
- 12) Market price/Book value per EC Group
- 13) Dividend per EC/Result per EC Group

Quarterly Report for SNN – 3Q 2021

(Figures in brackets are for the same period/date in 2020, unless otherwise specified).

Highlights

NOK mill	3Q21	2Q21	Change	30.09.21	30.09.20	Change
Operating costs	395	393	2	1.176	1.194	-18
Profit after tax	532	575	-43	1.580	1.368	212
Return on equity *)	13,7 %	15,4 %	-1,7 %	14,0 %	13,4 %	0,7 %
Earnings per equity certificate	2,42	2,60	-0,18	7,16	6,20	0,97
Common tier 1 capital ratio**)	18,6 %	18,0 %	0,6 %	18,6 %	17,2 %	1,4 %
Losses	-47	-23	-24	-123	259	-382
Lending growth***)	5,6 %	7,8 %	-2,2 %	5,0 %	5,5 %	-0,5 %
Growth in deposits***)	-13,1 %	27,3 %	-40,4 %	9,1 %	16,6 %	-7,5 %

*) The Bank's hybrid tier 1 securities issued are classified as equity in the financial statements.

However, when calculating the return on equity, hybrid tier 1 securities NOK 780 million are deducted from equity, and profit after tax are adjusted for NOK 21 million interests on hybrid tier 1 securities at 3q 21.

***) Calculated common tier 1 capital ratio including profit, excl. dividend.

***) Annualized

Macroeconomic trends

Global developments

Despite a strong start to the year, global growth was somewhat subdued in 1H 2021. Covid-19 continued to impact many of our trading partners' economic activity and the situation was worst for a number of emerging economies. The much-discussed Delta variant has been particularly troublesome, and strict infection control measures were still required in some places in Asia. Infection rates were low in large parts of the West and even where the pressure from infections was high, hospital admissions were low. This resulted in the pace of growth picking up in earnest in the latter part of the summer and early autumn. Major international companies report above-trend growth and most service sectors have now reopened, while mobility is increasing in Europe. This could result in further growth impetus going forward. GDP growth of around 5.7 per cent is expected in the US and 5.1 per cent in our main trading partners in the eurozone.

A rapid recovery in goods consumption and business investment after Covid-19 has resulted in pressure on metal prices and several factor inputs in manufacturing sectors. Many companies are still struggling with long delivery times, although the price pressure on commodities and freight appears to have diminished to some extent, despite having contributed to higher inflation in the last couple of months. Parts of this inflation may be temporary in nature, although there is also some likelihood that many of our trading partners will experience prolonged higher inflation. There are capacity challenges on the demand side and in the labour market, in the US and the UK, that may drive inflation going forward. The governments' crisis management has resulted in substantial fiscal and

monetary relief in the last six months. This has provided solid support for economic growth and will continue to do so in the months ahead. However, in line with the normalisation of economic activity, some central banks have considered reducing stimulus measures. Global interest rates have consequently risen somewhat in the last few months, especially interest rates with longer terms to maturity. That being said, they remain at historic low levels.

The Norwegian economy

Like the overall global economy, the Norwegian economy recovered strongly in the last quarter. A high vaccination rate (around 75 per cent) has spared us from serious illness and permitted the total reopening of society. This has been longed for by many of the country's service industries, especially culture, entertainment, accommodation, food service and transport. Unemployment has fallen sharply and was 2.4 per cent at the end of September, which is marginally higher than before the pandemic. We expect unemployment to continue falling in line with the increased activity in the aforementioned service industries, although we cannot rule out the possibility that the pandemic has resulted in some permanent changes in employment. At the same time as unemployment is falling, the Norwegian Labour and Welfare Administration (NAV) is reporting a record number of unfilled positions and an increasing number of companies in Norges Bank's regional network are reporting challenges in recruiting qualified labour. This is in addition to other capacity challenges due to international bottlenecks and high commodity prices.

The level of activity in the Norwegian economy is now higher than it was prior to the pandemic, and total mainland GDP growth of 3.9 per cent is projected for 2021. The high level of activity combined with falling unemployment and rising employment were also some of the main arguments when Norges Bank raised its key policy rate from 0 per cent to 0.25 per cent in September. The central bank has also been clear that monetary policy will gradually be normalised and that the next interest rate increase is likely to come as early as December. Inflation, excluding energy prices, which is the central bank's preferred inflation target, fell over the summer and is now some way away from the inflation target of 2 per cent. However, rising electricity prices, as well as other energy prices, resulted in total inflation, measured as year-on-year growth, being around 4.1 per cent at the end of September.

The Norwegian krone exchange rate, as measured by the import weighted I44 index, strengthened in the past month. This was primarily due to increased economic activity, higher oil prices and an interest rate differential in relation to our trading partners. The Norwegian krone is now stronger than before the pandemic, after having fallen to record lows during the market turbulence last spring. If the interest rate differential continues to increase, this may further strengthen the Norwegian krone. The aforementioned oil prices have risen significantly recently, primarily driven by energy shortages and no production increases in OPEC countries.

Norwegian house prices have risen sharply over the past year and a half. Figures from Real Estate Norway indicate year-on-year growth of about 8 per cent at the end of September. Low interest rates have unquestionably supported the growth in prices and the communicated normalisation of monetary policy may have influenced the nominal price

growth in September, which was negative. Further interest rate rises may contribute to keeping the growth in prices at a lower level than has been the case during the pandemic.

The northern Norwegian economy

The barometer of expectations for Northern Norway for 2021 (kbnn.no) indicated that northern Norwegian business leaders were more optimistic about the level of economic activity than was the case prior to the pandemic striking. All of the main sectors expected stable economic growth. Bearing in mind the pandemic, high demand for northern Norwegian commodities, a large public sector and low local infection rates, at times, contributed to the fact that Northern Norway was generally less impacted than the rest of the country.

Unemployment has generally been lower in the north during the pandemic and the latest figures from NAV (at the end of September) show that this remains the case. Unemployment in both Nordland, Troms and Finnmark is 1.7 per cent, which is well below the national average.

The fisheries and aquaculture sector is becoming increasingly important for economic activity in Northern Norway. A significant share of Norwegian seafood exports comes from Northern Norway. At the end of August, seafood exports from Northern Norway totalled BNOK 23.3, which is about 15 per cent more than at the same time last year. The fisheries and aquaculture sector is the sector that is taking climate risk most seriously. About half of businesses assess climate risk when making their investments (kbnn.no). The report also shows that for many actors, both in fisheries and other sectors, the company's focus on the climate is being driven by external pressure.

Northern Norwegian housing prices have risen by 8.8 per cent in the past 12 months (at the end of September), which is just above the national average. The rise in prices in the largest cities (Bodø and Tromsø) has varied to some degree, with prices in Tromsø rising by 5.6 per cent, which is somewhat below the average. On the other hand, the growth in prices in Bodø (including Fauske) ranked among the very top with 12-month growth of 14.7 per cent. Meanwhile, Tromsø is the only northern Norwegian city with an average price above the national average. Even though most northern Norwegian households have healthy finances and a lower debt burden than the national average, the sharp rise in house prices might result in higher debt burdens for households.

One of SpareBank 1 Nord-Norge's most important roles is to ensure that good projects receive funding. Our destiny is tied to that of the region and we, therefore, seek to use our expertise and capacity to help ensure that the region can implement measures and investments that improve value creation. We expect demand for northern Norwegian commodities to remain high in the coming period and for activity in tourism, transport and accommodations to increase further. We are thus optimistic about the region's macroeconomic development.

The underlying level of losses in the portfolio remains low. This is attributable to the Group's systematic work on reducing risk in the loan portfolio in recent years, and the established monitoring of the loan portfolio during Covid-19. Furthermore, the Group's loan portfolio is

characterised by mortgage loans and industries on which Covid-19 has a limited impact. The Norwegian authorities have also established extensive financial support schemes. Nevertheless, there is some uncertainty about how the economy will develop going forward.

The Bank's loss assessments are conducted in line with the regulatory requirements of IFRS 9 (ECL). Consequently, the assessments take into account the uncertainty surrounding economic developments. The model for loss assessments has changed somewhat since the turn of the year. The weighting of the macro scenarios and PD and LGD curves has been adjusted such that previous post model adjustments (PMA) have been incorporated into the model, resulting in more expectation-oriented loss provisions. Also see Note 2 in the quarterly report for further details.

Confirmed losses remain at a low level and amounted to MNOK 42 for 3Q 2021. The scale of individual losses going forward will depend in part on the consequences of the pandemic. See the section on 'Losses and non-performing loans' below, as well as Notes 7 and 8 in the quarterly report, for further details.

In 2020 and the year to date 2021, the Bank assisted customers with liquidity and financing in order to get them through a difficult period. Many of the companies that experienced challenges last year are clearly now in a much better situation and we enjoyed good growth during 2020 in both the retail and corporate markets. This has continued in 2021. In our assessment of the situation, tourism and transport still face the greatest risks. Many may experience a challenging time now that the government measures have been or will be ended, unless travel patterns normalise within a relatively short period of time. We are therefore paying greater attention to these industries and assume that the authorities will give careful consideration to when it would be appropriate to discontinue the measures in the sector.

Please see Note 2 on important accounting estimates and discretionary judgements in the quarterly report, which provides more detailed information about the assessment conducted of the situation and loss provisions made in 2021.

Sustainability

As one of the world's most northerly financial groups, SpareBank 1 Nord-Norge wants, to the best of its ability, to contribute to sustainable development in the Arctic. This means that sustainability is a key part of SpareBank 1 Nord-Norge's business.

Sustainability is one of the guiding principles in our new business strategy, and the risks posed by climate change are incorporated into the Group's risk strategy and must be reported to the Board on a quarterly basis. In September 2020, SpareBank 1 Nord-Norge launched a new green framework. This framework is based on key sectors in the region and for SpareBank 1 Nord-Norge and links our lending to potential green funding in the capital market. This framework will govern the Group's work in relation to climate risks and help us adapt to new regulatory requirements, while also helping northern Norwegian industry to adjust to the green shift. SpareBank 1 Nord-Norge has signed up to the UNEP FI (United Nations Environment Programme Finance Initiative) Principles for Responsible Banking and

the UN Global Compact and publishes an annual report in relation to its sustainability work based on the GRI standard.

Financial performance

NOK mill	3Q21	2Q21	Change	30.09.21	30.09.20	Change
Total income	1.011	1.066	-55	3.009	3.102	-93
Total costs	395	393	2	1.176	1.194	-18
Losses	- 47	- 23	-24	- 123	259	-382
Tax	131	121	10	376	281	95
Profit after tax	532	575	-43	1.580	1.368	212

At the end of 3Q 2021, the income statement showed a profit after tax of MNOK 1,559 (MNOK 1,342). This represents a return on equity of 14.0 per cent (13.4 per cent). The Group's profitability target is a return on equity that is among the best for comparable financial services groups.

Net interest income

Norges Bank kept its key policy rate at zero from 07.05.20 until 24.09.21 when it raised it by 0.25 percentage points. The Bank has not changed its mortgage and deposit rates in the corresponding period, although it announced an increase in lending rates of 0.25 percentage points from 28.09.21. Deposit rates will remain unchanged for the time being.

Net interest income was MNOK 3 higher in 3Q 2021 than in the previous quarter. At the end of 3Q 2021, net interest income amounted to MNOK 1,480 (MNOK 1,570). The reduction in net interest income compared with the same time last year was largely due to reduced deposit margins resulting from the low policy rate in the past year.

Net interest income represented 1.64 per cent (1.81 per cent) of average total assets.

Income from the loan portfolio transferred to SpareBank 1 Boligkreditt (SB1BK) and SpareBank 1 Næringskreditt (SB1NK) totalled MNOK 103 for 3Q 2021 (MNOK 112) and was booked as commission income. This growth has compensated somewhat for a reduced deposit margin.

Compared with 2Q 2021, the changes in net interest income, including commission income from the transferred loan portfolio, but excluding fees for the deposit guarantee fund and emergency initiatives fund, were as follows in 3Q 2021:

Net interest income incl. comission transferred loans	Chance last quarter NOK mill
Effect of days	4
Margin effects	1
Effect volume	8
Other effects	-1
Total effects	12

Net fee, commission and other operating income

Net fee, commission and other operating income in 3Q 2021 was MNOK 2 higher than in 2Q 2021, but MNOK 9 lower than in the same period last year.

Net fee, commission and other operating income for the year to date was MNOK 132 higher than last year.

See Note 13 in the quarterly report for a more detailed specification of net fee, commission and other operating income.

Developments in market divisions

In 2020, the Group changed its internal monitoring and reporting structure from divisions based on geographical region to two market divisions for the retail and corporate markets, respectively.

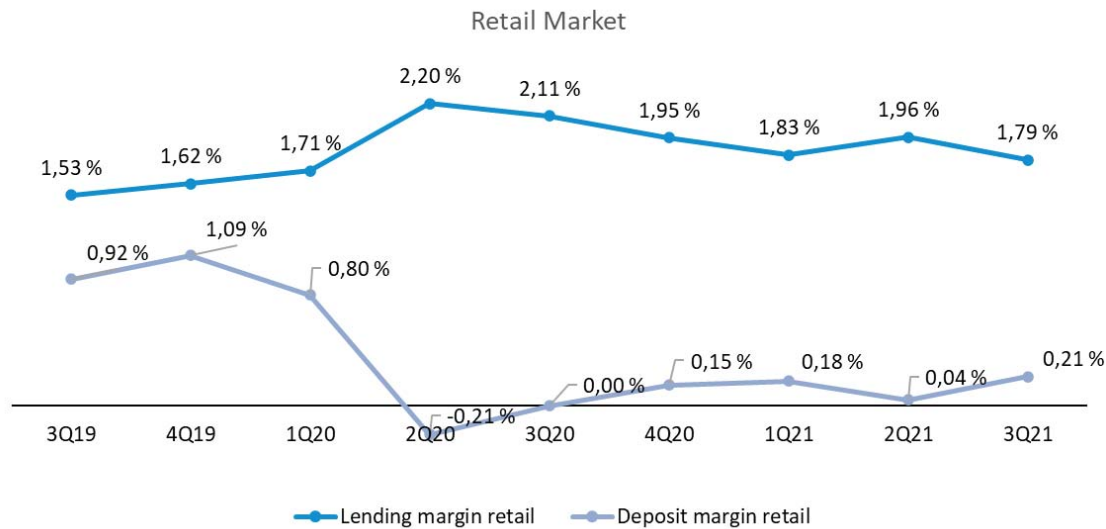
In 2021, the Group will therefore build up experience and more expertise through both analyses and operational reports within these two market divisions.

Retail market

Net interest income for 3Q 2021 amounted to MNOK 206, compared with MNOK 203 in the previous quarter. Net fee, commission and other operating income was MNOK 208, compared with MNOK 186 in the previous quarter. Income was higher than in same period last year, partly as a result of increased commission income from the mortgage loan company.

The Covid-19 pandemic has presented some customers with financial challenges. The authorities cut interest rates in order to reduce the economic burden on households. The effect for banks was a sharp fall in deposit margins.

Margin development in the retail market versus average 3-month NIBOR:



Margin analyses are presented in a slightly different way since the reorganisation into divisions. The lending margin in the retail market fell somewhat in 3Q due to higher funding costs. The competition within prices for well-collateralised mortgage loans remains significant, which is making it difficult to maintain the lending margin over time.

The lending margin in the last quarter measured against the average 3-month NIBOR fell by 0.17 percentage points due to the rising NIBOR. There have been no adjustments to customer interest rates during the period.

In recent years, 1Q has proved to be a challenging quarter when it comes to realising significant growth in retail market lending, and this was also the case this year. On the other hand, the development in 2Q and 3Q was positive with lending growth in the last quarter (including intermediary loans, excluding the Helgeland portfolio) of 3.6 per cent. Annualised, this represents annual growth of 14.4 per cent, while the actual growth over the past 12 months has been 7.6 per cent. The total lending volume as at 30.09.21 was MNOK 45,888.

The drop in the deposit margin in 1H 2020 was due to the NIBOR rate, which decreased significantly more than the average customer rate for deposits during 2020. The margin improved somewhat in autumn 2020 due to the rising NIBOR. NIBOR remained relatively stable in 1Q 2021, fell slightly in 2Q 2021 and then rose again the last part of 3Q 2021. The margin has, therefore, increased again somewhat at the end of the last quarter. A continued low key policy rate presents challenges for the deposit margin going forward as well, although further future interest changes by Norges Bank could improve the situation.

The growth in deposits in the retail market (excluding the Helgeland portfolio) in 3Q in isolation was -1.6 per cent. The growth in the past 12 months was 0.7 per cent.

Total operating costs in the division amounted to MNOK 184 in 3Q, MNOK 5 lower than in the previous quarter.

Following the closure of 16 branches in 2020, the Parent Bank employed 247 FTEs in the retail division as at 30.09.21, two more than in the previous quarter.

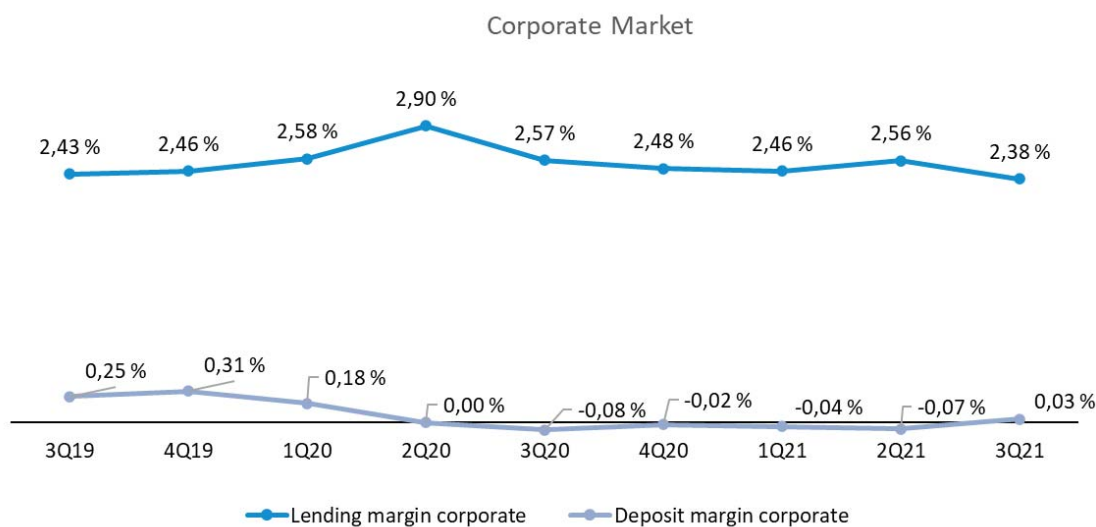
Recognised losses (retail market in the Parent Bank excluding the Helgeland portfolio) in 3Q 2021 amounted to MNOK -7 (reversals) compared with MNOK -15 (reversals) in 2Q.

Corporate market

Net interest income for 3Q 2021 amounted to MNOK 204, compared with MNOK 201 in the previous quarter.

Net fee, commission and other operating income was MNOK 35, MNOK 2 lower in the previous quarter.

Margin development in the corporate market versus average 3-month NIBOR:



The Covid-19 pandemic has presented financial challenges for some companies in Northern Norway.

The lending margin measured against average 3-month NIBOR fell by 0.18 percentage points in the last quarter. The margin in the corporate market is directly linked to the development of the NIBOR rate.

Lending growth in the past quarter (excluding the Helgeland portfolio) was 2.3 per cent, which represents annualised growth of 9.2 per cent. Actual growth in the past 12 months was 9.1 per cent. The total lending volume as at 30.09.21 was MNOK 33,793.

The growth in deposits in the corporate market measured against 3-month NIBOR was negative in the first two quarters of 2021. After NIBOR rose in the past quarter, the margin is again barely positive.

Seen in isolation, the growth in deposits in the last quarter was 4.2 per cent in the corporate market (excluding the Helgeland portfolio). The growth in the past 12 months amounted to 26.4 per cent, inclusive of the public sector market.

Total operating costs in the division amounted to MNOK 93, MNOK 5 lower than in the previous quarter. As at 30.09.21, the Parent Bank had 94 FTEs in the corporate market division, five fewer than at the end of the previous quarter.

Recognised losses (corporate market excluding the Helgeland portfolio) for 3Q 2021 amounted to MNOK -79 (receipts) compared with MNOK -3 in the previous quarter. As stated in Note 2 in the quarterly report, adjustments have been made to the loss model that reduce loss provisions slightly in relation to 31.12.20. This is in line with the more positive outlook in relation to the development of the pandemic. Nonetheless, there remains uncertainty going forward in relation to higher unemployment, the development of the northern Norwegian economy, and the Bank's borrowing costs in the capital market, which means that the Bank will have to monitor developments closely going forward.

Financial Investments – income and events in the accounting period

Share results NOK mill	Sharehold	3Q21	2Q21	Change	30.09.21	30.09.20	Change
SpareBank 1 Gruppen	19,50 %	82	149	-67	298	447	-149
SpareBank 1 Forvaltning	16,68 %	8	6	2	14	0	14
SpareBank 1 Betaling	18,57 %	0	-4	4	-5	-3	-2
SpareBank 1 Kreditt	18,37 %	10	1	9	11	2	9
SpareBank 1 Boligkreditt	18,14 %	9	3	6	15	19	-4
SpareBank 1 Næringskreditt	4,07 %	0	1	-1	2	4	-2
Other companies		-2	-2	0	-3	0	-3
Sale of Group company		11	0	11	11	0	11
Total income associated companies		118	154	-36	343	469	-126
Share dividend		1	20	-19	35	15	20
Net change value of equities		17	32	-15	59	45	14
Net change value of bonds		-3	-8	5	8	-10	18
Net change value of currency and derivatives		6	2	4	0	56	-56
Net change value loans at fair value		1	0	1	4	6	-2
Net income from financial investments		140	200	-60	449	581	-132

SpareBank 1 Gruppen's booked profit after tax at the end of 3Q 2021 totalled MNOK 1,527 (MNOK 549) for the controlling interest's share. SpareBank 1 Nord-Norge's share amounted to MNOK 297 (MNOK 215). SpareBank 1 Nord-Norge's profit for 3Q 2020 included a gain of MNOK 340 from the merger.

The result was mainly influenced by a good result in Fremtind Forsikring due to continued low claims rates for travel insurance and damage to cars in the year to date compared with last year.

The SpareBank 1 Forvaltning AS group was established in 01.05.21. At the same time, ODIN Forvaltning AS was demerged from SpareBank 1 Gruppen AS and merged with SpareBank 1 Forvaltning AS based on continuity. At the time of the transfer, SpareBank 1 Forvaltning AS had the same owners and ownership interests as SpareBank 1 Gruppen AS. The assets in SpareBank 1 Forvaltning AS were rebalanced on 27.09.21.

On 01.07.21, SpareBank 1 Forvaltning AS acquired SpareBank 1 Kapitalforvaltning AS and SpareBank 1 Verdipapirservice AS. On 15.09.21, an agreement was signed to acquire SpareBank 1 SR Forvaltning. In accounting terms, this will not occur until the required permits are issued by the Financial Supervisory Authority of Norway, and no earlier than 01.12.21.

Profit before tax at the end of 3Q in the SpareBank 1 Forvaltning AS group was MNOK 114. The profit from ODIN Forvaltning AS and SpareBank 1 Forvaltning AS was included as at 01.05.21, and the profit from SpareBank 1 Kapitalforvaltning AS and SpareBank 1 Verdipapirservice AS was included as at 01.07.21. The return on equity after tax as at 30.09.21 was calculated as 16.9 per cent. The combined total assets in the SpareBank 1 Forvaltning AS group as at 30.09.21 amounted to MNOK 938.

As at 30.06.21, SpareBank owned 1 Nord-Norge 19.5 per cent of the shares in SpareBank 1 Forvaltning AS. In 3Q, the Bank reduced its stake to 16.68 per cent with a recognised gain of MNOK 11.

The profit contribution 'Other' consists of the profit contributions from the companies SpareBank 1 Utvikling DA, SpareBank 1 Bank og Regnskap (formerly SMB Lab AS), SpareBank 1 Mobilitet Holding AS, SpareBank 1 Kundepleie AS and SpareBank 1 Gjeldsinformasjon AS.

The Group's equities portfolio

As at 30.09.21, the Group's equities portfolio amounted to MNOK 823 (MNOK 767). The portfolio saw a positive change in value of MNOK 17 in the last quarter, which was largely due to the MNOK 12 increase in the value of the stake in BN Bank AS. The value of other equities also increased, as did the value of hybrid Tier 1 instruments classified as equities, by a total of MNOK 5.

On 15.03.21, by agreement, SpareBank 1 Nord-Norge sold 15 per cent of its stakes in the subsidiaries SpareBank 1 Regnskapshuset Nord-Norge and EiendomsMegler 1 Nord-Norge to SpareBank 1 Helgeland, with a total gain of MNOK 50, which appeared in the Parent Bank's results for 1Q 2021. Divestment in subsidiaries is only recognised in equity and does not result in corresponding gains in the consolidated accounts, since gains are calculated in relation to the equity in the subsidiary as it was recognised in the consolidated accounts.

Certificates, bonds, currency and derivatives

As at 30.09.21, the Group's holdings of certificates and bonds amounted to MNOK 17,480, compared with MNOK 18,441 at the same time last year.

Total net changes in value for 3Q 2021 in this bond portfolio represent a net unrealised gain of MNOK 3 (MNOK 40), consisting of a positive change in value for the portfolio (spread contraction), a negative effect for coupon rates, as well as a negative change in value for foreign currency items in the period.

A summary of the Group's derivatives as at 30.09.21 is provided in Note 10 in the quarterly report.

Subsidiaries and second tier subsidiaries

At the end 3Q 2021, the Group's subsidiaries had a combined profit before tax of MNOK 226 (MNOK 171), which has been fully consolidated in the consolidated financial statements.

The largest subsidiaries, which operate within the Group's core business, showed the following profit after tax:

NOK 1.000	3Q21	2Q21	Change	30.09.21	30.09.20	Change
SpareBank 1 Finans Nord-Norge AS	35.572	39.757	- 4.185	116.430	77.972	38.458
SpareBank 1 Regnskapshuset Nord-Norge AS	6.159	7.017	- 858	26.132	24.228	1.904
EiendomsMegler 1 Nord-Norge AS	4.436	14.868	- 10.432	27.917	26.659	1.258
Ohter subsidiaries	265	803	- 538	888	1.579	- 691
Total result after tax	46.432	62.445	- 16.013	171.367	130.438	40.929

As mentioned above, SpareBank 1 Nord-Norge sold 15 per cent of its stakes in SpareBank 1 Regnskapshuset Nord-Norge and EiendomsMegler 1 Nord-Norge to SpareBank 1 Helgeland in March.

The individual subsidiaries' results are presented in Note 16 in the quarterly report.

Operating costs

The Group's costs for 3Q 2021 amounted to MNOK 395 (MNOK 398), which is MNOK 2 higher than for the previous quarter.

The Group's costs at the end of 3Q 2021 were MNOK 18 lower than at the end of 3Q 2020.

A number of cost-cutting measures were approved and implemented in 2020. The coronavirus situation caused some delays in implementation, although all of the measures have now been implemented and we expect them to take full effect in 2021. The announced closure of 16 branches from the turn of the year is an important part of the measures and will be fully implemented in 2021. It is anticipated that the overall impact of the profitability drive (income and costs) will be MNOK 200 at the end of 2021. As a consequence of the cost-cutting measures in the profitability project, the Group has set a maximum target for cost growth of 0 per cent or lower for 2021.

The Group's long-term target is a cost/income ratio of 40 per cent or lower.

As at 30.09.21, this ratio was 39.1 per cent (38.5 per cent) for the Group and 30.3 per cent (35.7 per cent) for the Parent Bank. The cost/income ratio for basic operations in the Group (excluding income from financial investments) was 1.4 per cent lower at the end of 3Q 2021 than for the same period last year.

The Group had 874 FTEs as at 30.09.21 (909). Compared with 31.12.20, this is 23 fewer FTEs (26 fewer in the Parent Bank). The Parent Bank had 539 FTEs as at 30.09.21 (577).

The costs are specified by main category compared with previous periods in Note 14 in the quarterly accounts.

Losses and non-performing loans

The Group's net losses on loans and guarantees to customers at the end of 3Q 2021 amounted to MNOK -47 (MNOK 58): MNOK -11 (MNOK 1) from the retail market and MNOK -36 (MNOK 57) from the corporate market.

As at 30.09.21, net losses on loans and guarantees amounted to MNOK -123 (MNOK 259): MNOK -19 (MNOK 13) in the retail market and MNOK -104 (MNOK 246) in the corporate market.

As at 30.09.21, total loss provisions on loans and guarantees came to MNOK 665 (MNOK 768), which was MNOK 72 lower than at the end of the previous quarter. Loss provisions for loans amounted to 0.69 per cent (0.86 per cent) of the Group's total gross lending, and 0.50 per cent (0.61 per cent) of gross lending to customers inclusive of intermediary loans.

As at 30.09.21, the Group's total loss provisions for loans and guarantees classified as Stage 1 and Stage 2 amounted to MNOK 505 (MNOK 599), MNOK 40 lower than at the end of the previous quarter.

As at 30.09.21, the loss provisions for loans and guarantees classified as Stage 3 amounted to MNOK 160 (MNOK 169). This equates to a loss provision ratio of 42 per cent (37 per cent) of non-performing and doubtful commitments. Overall, the provisions were MNOK 32 lower than at the end of the previous quarter: MNOK 28 lower in the Parent Bank and MNOK 4 lower in the subsidiary SNN Finans.

Please refer in particular to Note 2 in the quarterly report, which describes the Group's assessments concerning factors affecting loss provisions as at 30.09.21. Please also see Notes 7 and 8 in the quarterly report. Note 7 provides an overview of total loss provisions as at 30.09.21, including off-balance sheet items.

In the opinion of the Board, the quality of the Group's loan portfolio is good, and the Group is doing high quality work in connection with non-performing and impaired commitments. There will continue to be a strong focus on this work going forward.

Balance sheet performance

NOK mill	3Q21	2Q21	Change	30.09.20	Change
Retail lending ²⁾	92.763	91.168	7,0 %	88.413	4,9 %
Corporate lending ²⁾	40.067	39.832	2,4 %	38.109	5,1 %
Total lending customers incl. intermediary loans ²⁾	132.831	131.001	5,6 %	126.522	5,0 %
Total lending customers excl. intermediary loans ²⁾	94.541	92.694	8,0 %	89.210	6,0 %
Deposits retail ²⁾	42.899	43.585	-6,3 %	40.163	6,8 %
Deposits corporate ¹⁾²⁾	35.324	37.287	-21,1 %	31.524	12,1 %
Total deposits	78.223	80.872	-13,1 %	71.687	9,1 %
Deposits as % of lending excl. intermediary loans	82,7 %	87,2 %	-4,5 %	80,4 %	2,4 %
Total assets	122.080	123.975	-1,5 %	119.021	2,6 %

¹⁾ Incl. government market

²⁾ Calculated change is annualized

Lending

As at 30.09.21, loans totalling BNOK 38 (BNOK 37) had been transferred to SpareBank 1 Boligkreditt, and BNOK 0.4 (BNOK 0.4) to SpareBank 1 Næringskreditt. These loans do not appear as lending on the Bank's balance sheet. Nevertheless, the comments on the growth in lending also cover these intermediary loans.

In 3Q 2021, the Group saw lending growth (not annualised) in the retail market of 1.7 per cent, and 0.6 per cent in the corporate market. On an annualised basis, this represents annual growth of 7.0 per cent and 2.4 per cent. Actual growth over the past 12 months was 4.9 per cent in the retail market and 5.1 per cent in the corporate market. None of these figures have been adjusted for the portfolio that was transferred to SpareBank 1 Helgeland during the third quarter.

During 3Q 2021, some corporate market commitments totalling around MNOK 400 were transferred to SpareBank 1 Helgeland. Actual growth in the corporate market, excluding this transfer, would have represented actual annual growth of 6.4 per cent.

The competition is strong, especially in the mortgage loan market, although the Group is competitive and is taking market shares. For the year 2021 we anticipate lending growth of 3-6 per cent in the retail market and 5-7 per cent in the corporate market. The growth forecasts incorporate a greater range of potential outcomes than normal because of the Covid-19 pandemic.

The Bank has implemented measures in connection with the coronavirus situation in the form of granting customers interest-only instalment holidays and offering government guaranteed liquidity loans. As at 30.09.21, MNOK 365 has been paid out in government guaranteed liquidity loans, MNOK 26 less than at the end of the previous quarter.

The retail market accounted for 70 per cent of total lending as at 30.09.21 (70 per cent).

An overview of the Group's lending is provided in Note 6 in the quarterly report.

In the case of new loans, particular importance is attached to customers' ability to service and repay their outstanding loans, and a satisfactory level of collateral and other security to ensure that credit risk is kept at an acceptable level.

Liquidity

Customer deposits are the Group's most important source of funding and Note 19 in the quarterly report provides an overview of the Bank's deposits.

As at 30.09.21, the deposit coverage rate (excluding intermediary loans) was 83 per cent (80 per cent). The Bank's remaining funding, apart from equity and subordinated capital and deposits from customers, is mainly long-term funding from the capital markets. The Bank's access to liquidity and the key figures for liquidity are satisfactory. The Bank's strategic aim is to keep overall liquidity risk at a low level. As at 30.09.21, the liquidity coverage ratio (LCR) was 141 per cent (152 per cent). As at 30.09.21, the net stable funding ratio (NSFR) was 116,4 per cent (115,9 per cent).

Please refer also to Note 12 on liquidity risk in the quarterly report.

SNN Rating	30.09.21	Moody's
Senior preferred rating		Aa3
Senior non-preferred rating		A2

Financial strength and capital adequacy

CRR/CRD IV (Basel III) was fully implemented in Norway from 31.12.19, which included elimination of the 'Basel I floor' and implementation of the 'SME discount', etc. This reduced the risk-weighted calculation basis for Norwegian IRB institutions, including SpareBank 1 Nord-Norge.

As a consequence of these changes, the Norwegian authorities spent 2020 working on changes linked to other capital requirements for financial groups operating in Norway. The following changes were approved in December 2020:

- The systemic risk buffer requirement increased from 3 to 4.5 per cent. The requirement applies from the end of 2020 for Norwegian AIRB institutions (including SpareBank 1 Nord-Norge) and from the end of 2022 for other institutions.
- Minimum requirements (floors) were introduced for average risk weights for mortgage loans and commercial property loans of 20 per cent and 35 per cent, respectively. The ratios have not been actualised for SpareBank 1 Nord-Norge at this point in time.

No other Nordic country has yet recognised the systemic risk buffer requirement. Sweden has recognised the risk weight floor requirements.

As a result of Covid-19, the countercyclical capital buffer requirement was reduced from 2.5 per cent to 1 per cent with effect from 13.03.20. On 17.06.21, in keeping with the advice from Norges Bank, the Ministry of Finance decided that the countercyclical capital buffer requirement for banks will be increased to 1.5 per cent from 30.06.22. In September 2021, Norges Bank's Monetary Policy and Financial Stability Committee decided to maintain this requirement. At the same time, the committee communicated that the buffer rate will be increased to 2.0 per cent in December 2021, effective from 31.12.22.

The Group's Pillar 2 requirement from 2016 of 1.5 per cent still applies. A new Pillar 2 decision is expected to be in place at the end of 2021 or start of 2022.

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

CRR2/CRD5 came into force in the EU on 28.06.21. However, the regulations have still not been incorporated into the EEA Agreement and, therefore, did not come into effect in Norway on the same date. In cooperation with the other EEA/EFTA states, Norway is working to ensure that such incorporation will take place as soon as possible. CRR2/CRD5 is expected to come into effect in Norway in 2Q 2022. Key changes from the current regulations include a higher SME discount and a new method for calculating counterparty risk (SA CCR).

Basel IV was supposed to be implemented in the EU from 2022 onwards, with transitional rules until 2027. As a result of Covid-19, the timing has been postponed until 2023, with transitional rules until 2028. The timing of its implementation in Norway has not been clarified yet, although implementation is not expected until 2023 at the earliest.

	3Q21	2Q21	1Q21	Q420	Q320	Q120	Q419
Minimum requirements CET1	4,5 %	4,5 %	4,5 %	4,5 %	4,5 %	4,5 %	4,5 %
Systemic risk buffer	4,5 %	4,5 %	4,5 %	4,5 %	3,0 %	3,0 %	3,0 %
Counter cyclical buffer	1,0 %	1,0 %	1,0 %	1,0 %	1,0 %	1,0 %	2,5 %
Capital conservation buffer	2,5 %	2,5 %	2,5 %	2,5 %	2,5 %	2,5 %	2,5 %
Lower limit Pillar 2	1,5 %	1,5 %	1,5 %	1,5 %	1,5 %	1,5 %	1,5 %
Total regulatory minimum requirements	14,0 %	14,0 %	14,0 %	14,0 %	12,5 %	12,5 %	14,0 %
Internal capital buffer target	1,0 %	1,0 %	1,0 %	1,0 %	1,0 %	1,0 %	1,0 %
SNN internal capital target	15,0 %	15,0 %	15,0 %	15,0 %	13,5 %	13,5 %	15,0 %

Note that the real systemic risk buffer is somewhat lower than 4.5 per cent due to differentiated systemic risk buffer rates (different buffer rates from country to country).

SpareBank 1 Nord-Norge aims to maintain its indisputable financial strength and satisfy the regulatory minimum requirements for capital adequacy at all times. The Group has a target Common Equity Tier 1 capital ratio of 1 percentage point above the regulatory minimum requirement, which results in a target Common Equity Tier 1 capital ratio of 15.0 per cent as at 30.09.21.

	3Q21	2Q21	Change	30.09.20	Change
Common Equity Tier 1 Capital Ratio	18,6 %	18,0 %	0,6 %	17,2 %	1,4 %
Tier 1 Capital Ratio	20,0 %	19,4 %	0,6 %	18,6 %	1,4 %
Capital Adequacy Ratio	21,7 %	21,2 %	0,5 %	20,5 %	1,2 %
Leverage Ratio	7,8 %	7,7 %	0,1 %	7,5 %	0,4 %

The Group uses proportional consolidation for its capital adequacy reporting for the stakes in SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, SpareBank 1 Kreditt AS and BN Bank ASA.

The Group's Common Equity Tier 1 capital (incl. share of the profit) has increased by MNOK 175, or 0.65 per cent, since the previous quarter. This was mainly due to the profit from 3Q 2021, as well as higher deductions for significant assets in other financial institutions due to the higher values of such stakes.

The total risk exposure amount (risk-weighted assets) has decreased by around MNOK 1,288 in 3Q 2021, of which MNOK 1,301 occurred in the Parent Bank. This primarily consists of a reduced weighted calculation basis for lending because of reduced risk in the portfolio. Also see Note 5 in the quarterly report.

The Bank's equity certificate holders

NOK mill	3Q21	2Q21	Change	30.09.20	Change
Equity certificate capital	1.807	1.807	0	1.807	0
ECC Ownership fraction	46,36 %	46,36 %	0 %	46,36 %	0 %
Number of holders	11.032	10.800	232	10.086	946
Proportion of northern Norwegian	19 %	19 %	0 %	20 %	-1 %
Proportion of foreign holders	29 %	31 %	-1 %	32 %	-2 %
Market price NOK	95,60	85,30	10,30	64,20	31,40
Market value	20.703	18.473	2.231	13.903	6.800
Earnings per equity certificate	7,16	4,74	2,42	6,20	0,97
Price/Earnings	10,0	9,0	1,0	7,8	2,2
Price/Book value	1,3	1,2	0,1	1,0	0,3

A summary of the Bank's 20 largest equity certificate holders is provided in Note 22 in the quarterly report.

SpareBank 1 Nord-Norge followed the Ministry of Finance's expectation to exercise restraint with regards to dividend payments for 2020. On 25.03.21, the Supervisory Board approved payment of just part of the total proposed dividend for 2020 in 2Q 2021 and, at the same time, gave the Board authority to approve payment of the remaining dividend after 30.09.21, totalling MNOK 569.2. This is contingent on the Group's financial situation, including financial strength, liquidity and financial development, indicating that this is prudent. The Board has now approved payment of the remaining dividend, totalling MNOK 263.9 (NOK 2.63 per equity certificate) to those equity certificate holders registered as holders as at 03.11.21. It also approved MNOK 305.3 for the community-owned part.

The Bank's equity certificate will be traded ex-dividend on 04.11.21 and it will be paid out on 11.11.21.

Payment of the second part of the dividend for 2020 will, in isolation, improve the return on equity by 0.2 percentage points.

SpareBank 1 Nord-Norge and SpareBank 1 Helgeland (SPH) have, as previously published, established a strategic and future-oriented cooperation. This means, among other things, that SPH has acquired SpareBank 1 Nord-Norge's banking operations in Helgeland. The transfer was successfully completed on 15-17.10.21 and the vast majority of SpareBank 1 Nord-Norge's customers in this area are now customers of SpareBank 1 Helgeland. A small number of customers chose to opt out of switching banks and have remained customers of SpareBank 1 Nord-Norge.

On 12.10.21, SpareBank 1 Nord-Norge sold 15 per cent of the shares in its fully owned subsidiary SpareBank 1 Finans Nord-Norge AS to SpareBank 1 Helgeland.

In October, SpareBank 1 Nord-Norge acquired 19.99 per cent of the shares in SpareBank 1 Helgeland and the aforementioned transaction has been completed at the time of writing, although it will first appear in the accounts as per 4Q 2021.

Please also refer to the earlier stock exchange report dated 20.01.21, which discusses the transactions.

In a judgement from Borgarting Court of Appeal, SpareBank 1 Finans Nord-Norge was awarded MNOK 112.9 in damages plus late payment interest. The judgement has been appealed by the other part to the Supreme Court. The amount will not be recognised through profit or loss before any judgement is legally enforceable. Reference is made to the stock exchange report dated 25.06.21.

The northern Norwegian economy has developed well for more than 10 years and, to some extent, better than the national average. The northern Norwegian economy also proved resilient and ready for growth during the pandemic.

This was due to both good underlying growth and development, as well as the fact that the pandemic had less of a direct impact on the northern Norwegian economy than on the rest of the country. Unemployment in Northern Norway is, and has always been, lower than the national average despite the fact that tourism and transport have been hit hard by the pandemic. The major northern Norwegian sectors fared relatively well during the pandemic. We are now seeing record figures for seafood exports and the biggest challenge is not markets or prices but a lack of labour.

The housing market developed well both during the pandemic and recently. Low interest rates and good northern Norwegian macro factors have made a positive contribution to this. The interest rate has been raised once and the market expects more rate changes over the next year. SpareBank1 Nord-Norge expects this to dampen the growth in house prices and that this, overall, will contribute to a more balanced development of the economy going forward. The Bank expects continued good economic growth in the region. The Group's market and financial positions are very good. The Group is financially very strong, and it has, thanks to cost cutting, reorganisation and significantly reduced distribution costs, improved its competitiveness. The low level of interest rates is a challenge in the short term, although the coming rate changes will make a positive contribution. SpareBank 1 Nord-Norge is well-positioned and will, by focusing more on customers, strengthen our market position and grow further in 2021 and 2022.

The Group's future prospects are considered good.

Tromsø, 27.10.21

The Board of SpareBank 1 Nord-Norge

Statement of income

Parent Bank					Group						
(Amounts in NOK million)											
31.12.20	3Q20	3Q21	30.09.20	30.09.21		Note	30.09.21	30.09.20	3Q21	3Q20	31.12.20
2 639	561	551	2 082	1 651	Interest income		1 860	2 296	621	636	2 927
864	134	119	730	384	Interest costs		380	726	116	133	859
1 775	427	432	1 352	1 267	Net interest income		1 480	1 570	505	503	2 068
	0	0									
939	266	273	670	776	Fee- and commission income	13	966	838	335	333	1 161
70	14	17	44	50	Fee- and commission costs	13	66	53	21	14	82
11	1	5	5	18	Other operating income	13	180	166	52	56	220
880	253	261	631	744	Net fee- and other operating income		1 080	951	366	375	1 299
	0	0									
44	2	1	15	35	Dividend		35	15	1	2	44
351	1	20	355	656	Income from investments		343	469	118	125	554
95	65	20	97	70	Net gain from investments in securities		71	97	21	65	95
490	68	41	467	761	Net income from financial investments		449	581	140	192	693
	0	0									
3 145	748	734	2 450	2 772	Total income		3 009	3 102	1 011	1 070	4 060
	0	0									
590	142	144	439	430	Personnel costs	14	643	641	217	217	869
391	93	95	298	283	Administration costs	14	322	350	109	119	461
94	24	19	72	61	Ordinary depreciation	14	73	82	22	27	109
111	23	23	66	68	Other operating costs	14, 23	138	121	47	35	187
1 186	282	281	875	842	Total costs		1 176	1 194	395	398	1 626
	0	0									
1 959	466	453	1 575	1 930	Result before losses		1 833	1 908	616	672	2 434
	0	0									
290	47	- 48	222	- 111	Losses	2, 7, 8	- 123	259	- 47	58	332
1 669	419	501	1 353	2 041	Result before tax		1 956	1 649	663	614	2 102
	0	0									
304	98	116	237	322	Tax		376	281	131	117	360
0	0	0	0	0	Defecit non-current assets held for sale		0	0	0	0	0
1 365	321	385	1 116	1 719	Result after tax		1 580	1 368	532	497	1 742
					Attributable to:						
					Controlling interests		1 572		531		
					Non-controlling interests		8		1		
					Result per Equity Certificate						
6,15	1,45	1,75	5,03	7,84	Result per Equity Certificate, adjusted for interests hybrid capital		7,16	6,20	2,42	2,26	7,89

Other comprehensive income

Parent Bank					Group						
(Amounts in NOK million)											
31.12.20	3Q20	3Q21	30.09.20	30.09.21			30.09.21	30.09.20	3Q21	3Q20	31.12.20
1 365	321	385	1 116	1 719	Result after tax		1 580	1 368	532	497	1 742
					<i>Items that will not be reclassified to profit/loss</i>						
0	0	0	0	0	Share of other comprehensive income from investment in associated companies		2	11	0	14	17
2	0	0	0	30	Actuarial gains (losses) on benefit-based pension schemes		30	0	0	0	-1
0	0	0	0	-8	Tax		-8	0	0	0	0
2	0	0	0	22	Total		24	11	0	14	16
					<i>Items that will be reclassified to profit/loss</i>						
-27	0	0	0	-15	Net change in fair market value of financial assets available for sale		-15	0	0	0	-27
0	0	0	0	0	Share of other comprehensive income from investment in associated companies		-12	1	21	- 21	10
0	0	0	0	0	Tax		0	0	0	0	0
-27	0	0	0	-15	Total		-27	1	21	-21	-17
1 340	321	385	1 116	1 726	Total comprehensive income for the period		1 577	1 380	553	490	1 741
6,04	1,45	1,75	5,03	7,87	Total result per Equity Certificate, adjusted for interests hybrid capital		7,19	6,25	2,52	2,23	7,89

Statement of financial position

Parent Bank
Group

(Amounts in NOK million)

31.12.20	30.09.20	30.09.21		Notes	30.09.21	30.09.20	31.12.20
Assets							
360	522	606	Cash and balances with central banks		606	522	360
6 923	6 915	7 281	Net loans and advances to credit institutions	6,7	1 172	1 393	1 534
81 346	81 588	86 336	Net loans to customers	2,6,7,15	93 931	88 518	88 214
705	758	813	Shares	15	823	767	714
18 079	18 441	17 480	Certificates and bonds	15	17 480	18 441	18 079
1 777	2 669	1 090	Financial derivatives	10,15	1 090	2 669	1 777
1 413	1 413	1 399	Investments in Group Companies	16			
3 541	3 607	3 722	Investments in associated companies and joint ventures		4 890	4 762	4 810
570	575	539	Property, plant and equipment	23	939	985	975
			Non current assets held for sale		0	0	0
			Goodwill and other intangible assets		117	112	113
551	665	860	Other assets	17	1 032	852	722
115 265	117 153	120 126	Total assets		122 080	119 021	117 298
Liabilities							
1 274	1 256	1 024	Deposits from credit institutions		1 024	1 255	1 272
73 220	71 737	78 301	Deposits from customers	19	78 223	71 687	73 158
23 167	25 943	18 568	Debt securities in issue	20	18 568	25 943	23 167
1 356	1 752	746	Financial derivatives	10,15	746	1 752	1 356
1 335	2 056	1 627	Other liabilities	7,18,23	2 129	2 509	1 818
358	64	358	Deferred tax liabilities		469	161	455
1 050	1 050	4 560	Senior non-preferred and other subordinated debt	20	4 560	1 050	1 050
101 760	103 858	105 184	Total liabilities		105 719	104 357	102 276
Equity							
1 807	1 807	1 807	Equity Certificate capital	21	1 807	1 807	1 807
843	843	843	Equity Certificate premium reserve		843	843	843
780	780	780	Hybrid capital		780	780	780
3 253	2 620	2 846	Dividend Equalisation Fund		2 846	2 620	3 253
0	0	264	Set aside dividend		264	0	0
6 254	5 975	6 236	The Savings Bank's Fund		6 236	5 975	6 254
573	120	425	Donations		425	120	573
15	42	0	Fair value reserve		0	42	15
- 20	- 8	22	Other equity capital		1 553	1 109	1 497
	1 116	1 719	Result after tax		1 580	1 368	
			Non-controlling interests		27		
13 505	13 295	14 942	Total equity		16 361	14 664	15 022
115 265	117 153	120 126	Total liabilities and equity		122 080	119 021	117 298

Changes in equity

(Amounts in NOK million)	PCC capital	Premium Fund	Hybrid capital	Dividend Equalisation Fund	Saving Bank's Fund	Donations Fund	Fair value reserve	Other equity	Period result	Total controlling interests	Non-controlling interests	Total equity
Group												
Equity at 01.01.20	1 807	843	780	3 035	5 990	585	42	1 090		14 172		14 172
Total comprehensive income for the period												
Period result				633	279	453		377		1 742		1 742
<i>Other comprehensive income:</i>												
Share of other comprehensive income from investment in associated companies								27		27		27
Net change in fair market value of financial assets available for sale							- 27			- 27		- 27
Actuarial gains (losses) on benefit-based pension schemes								- 1		- 1		- 1
Tax on other comprehensive income												
Total other comprehensive income							- 27	26		- 1		- 1
Total comprehensive income for the period				633	279	453	- 27	403		1 741		1 741
Transactions with owners												
Set aside for dividend payments				- 392						- 392		- 392
Reversal of dividend payments				392						392		392
Dividend paid				- 402						- 402		- 402
Other transactions								9		9		9
Changes in minority interests												
Approved distributed from Donations Fund						- 465				- 465		- 465
Total transactions with owners				- 415	- 15	- 465		4		- 891		- 891
Equity at 31.12.20	1 807	843	780	3 253	6 254	573	15	1 497		15 022		15 022
Equity at 01.01.21	1 807	843	780	3 253	6 254	573	15	1 497		15 022		15 022
Total comprehensive income for the period												
Period result									1 572	1 572	8	1 580
<i>Other comprehensive income:</i>												
Share of other comprehensive income from investment in associated companies								- 10		- 10		- 10
Net change in fair market value of financial assets available for sale							- 15			- 15		- 15
Actuarial gains (losses) on benefit-based pension schemes								30		30		30
Tax on other comprehensive income								- 8		- 8		- 8
Total other comprehensive income							- 15	- 10	22	- 3		- 3
Total comprehensive income for the period							- 15	- 10	1 594	1 569	8	1 577
Transactions with owners												
Changes in controlling interests								46		46	18	64
Dividend paid				- 128						- 128		- 128
Other transactions								- 6		- 6	1	- 5
Interests hybrid capital - last year				- 15	- 18			33				
Interests hybrid capital - this year								- 21		- 21		- 21
Approved distributed from Donations Fund						- 148				- 148		- 148
Total transactions with owners				- 143	- 18	- 148		52		- 257	19	- 238
Equity at 30.09.21	1 807	843	780	3 110	6 236	425		1 539	1 594	16 334	27	16 361

ECC ratio overall

(Amounts in NOK million)	31.12.20	31.12.19	adjusted for IFRS 9 effects 31.12.18	01.01.18	31.12.17	31.12.16	31.12.15
Parent Bank							
Equity Certificate capital	1 807	1 807	1 807	1 807	1 807	1 807	1 807
Equity Certificate premium reserve	843	843	843	843	843	843	843
Dividend Equalisation Fund	2 861	2 483	1 798	1 567	1 579	1 310	960
Set aside dividend	392	552	402	402	402	347	201
Share Fund Fair Value Options and other equity	- 2	11	39	46	46	22	69
A. Equity attributable to Equity Certificate holders of the Bank	5 901	5 696	4 889	4 665	4 677	4 329	3 880
The Savings Bank's Fund	6 254	5 816	5 024	4 757	4 770	4 460	4 055
Allocated dividends to ownerless capital	453	639	465	465	465	400	60
Donations	120	120	120	120	120	120	120
Share Fund Fair Value Options and other equity	- 3	14	34	55	55	29	83
B. Total ownerless capital	6 824	6 589	5 643	5 397	5 410	5 009	4 318
Equity Certificate Ratio overall (A/(A+B))	46,36 %	46,36 %	46,36 %	46,36 %	46,36 %	46,36 %	47,33 %
Hybrid capital	780	780	780	530	530		
Total equity	13 505	13 065	11 312	10 592	10 617	9 338	8 198

Cash Flow Statement

Parent Bank			Group	
31.12.20	30.09.21	Amounts in NOK million	30.09.21	31.12.20
1 669	2 041	Profit before tax	1 956	2 102
94	61	+ Ordinary depreciation	73	109
0	- 12	+ Write-downs, gains/losses fixed assets	- 12	0
290	- 111	+ Losses on loans and guarantees	- 123	332
304	322	- Tax/Result non-current assetes held for sale	376	360
1 749	1 657	Provided from the year's operations	1 518	2 183
807	- 266	Change in sundry liabilities: + increase/ - decrease	- 234	765
- 582	378	Change in various claims: - increase/ + decrease	373	- 749
-3 847	-5 237	Change in gross lending to and claims on customers: - increase/ + decrease	-5 232	-3 791
-2 166	491	Change in short term-securities: - increase/ + decrease	490	-2 165
5 146	5 081	Change in deposits from and debt owed to customers: + increase/ - decrease	5 065	5 128
710	- 250	Change in debt owed to credit institutions: + increase/ - decrease	- 248	709
1 817	1 854	A. Net liquidity change from operations	1 732	2 080
-191	-30	- Investment in fixed assets	- 37	- 68
0	12	+ Sale of fixed assets	12	0
-240	-275	Payments to group companies and associated companies	- 275	- 240
62	108	Payment from/Change in values of group companies and associated companies	195	- 313
- 369	- 185	B. Liquidity change from investments	- 105	- 621
- 33	- 21	Interest to hybrid capital owners	- 21	- 33
- 40	- 37	Payments to leases	- 41	- 51
- 867	- 276	- Dividend paid on Ecs/approved distributions	- 276	- 867
-6 699	-4 598	Decrease in borrowings through the issuance of securities	-4 598	-6 699
5 080	0	Increase in borrowings through the issuance of securities	0	5 080
0	3 509	Increase in PCC/subordinated loan capital	3 509	0
		Payment from non-controlling interests	46	
-2 559	-1 423	C. Liquidity change from financing	-1 381	-2 570
-1 111	246	A + B + C. Total change in liquidity	246	-1 111
1 471	360	+ Liquid funds at the start of the period	360	1 471
360	606	= Liquid funds at the end of the period	606	360

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	Subordinated debt	Senior non-preferred debt
Balance at 01.01.21	22 166	1 000	1 050
Changes from financing cash flows:			
Proceeds from issue		2 505	500
Redeemed	-1 028		
Due excl. redeemed	-2 025		- 500
Total changes from financing cash flows	-3 053	2 505	0
The effect of changes in foreign exchange rates	- 314		
Changes in fair value	- 203		
Changes in accrued interest	- 28	4	1
Balance at 30.09.21	18 568	3 509	1 051

Result from the Group's quarterly accounts

(Amounts in NOK million)	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	
Interest income	621	623	616	631	636	738	922	925	856	
Interest costs	116	121	143	133	133	223	370	347	316	
Net interest income	505	502	473	498	503	515	552	578	540	
Fee- and commission income	335	332	299	323	333	250	255	264	280	
Fee- and commission costs	21	24	21	29	14	17	22	27	30	
Other operating income	52	56	72	54	56	50	60	41	40	
Net fee- and other operating income	366	364	350	348	375	283	293	278	290	
Dividend	1	20	14	29	2	12	1	1	2	
Income from investments	118	154	71	85	125	148	196	- 22	44	
Net gain from investments in securities	21	26	24	- 2	65	103	- 71	5	24	
Net income from financial investments	140	200	109	112	192	263	126	- 16	70	
Total income	1 011	1 066	932	958	1 070	1 061	971	840	900	
Personnel costs	217	210	216	228	217	209	215	225	212	
Administration costs	109	110	103	111	119	110	121	190	112	
Ordinary depreciation	22	25	26	27	27	27	28	32	30	
Other operating costs	47	48	43	66	35	46	40	55	33	
Total costs	395	393	388	432	398	392	404	502	387	
Result before losses	616	673	544	526	672	669	567	338	513	
Losses	- 47	- 23	- 53	73	58	82	119	- 2	15	
Net gain from sale of financial fixed assets	0	0	0	0	0	0	0	0	0	
Result before tax	663	696	597	453	614	587	448	340	498	
Tax	131	121	124	79	117	100	64	91	109	
Defecit non-current assets held for sale	0	0	0	0	0	0	0	0	0	
Result after tax	532	575	473	374	497	487	384	249	389	
Interest hybrid capital	7	7	7	7	7	9	10	7	9	
Result after tax ex. interest hybrid capital	525	568	466	367	490	478	374	242	380	
Profitability										
Return on equity capital	1	13,7 %	15,4 %	13,0 %	10,4 %	14,4 %	14,5 %	11,9 %	7,2 %	11,7 %
Interest margin		1,64 %	1,65 %	1,60 %	1,72 %	1,70 %	1,74 %	1,97 %	2,13 %	1,96 %
Cost/income	2	39,1 %	36,9 %	41,6 %	45,1 %	37,2 %	36,9 %	41,6 %	59,8 %	43,0 %
Balance sheet figures										
Loans and advances excl. commission loans	95 713	94 355	91 556	90 511	90 603	88 874	86 745	86 771	86 395	
-of which loans and advances to financial institutitons	1 172	1 661	1 299	1 534	1 393	1 686	1 384	1 079	1 158	
-of which loans and and advances to customers	94 541	92 694	90 257	88 977	89 210	87 188	85 361	85 692	85 237	
Total lending incl. intermediary loans	132 831	131 001	128 493	127 122	126 522	124 498	122 764	121 733	119 961	
Growth in loans and advances to cust. incl. commission loans past 12 months	5,0 %	5,2 %	4,7 %	4,4 %	5,5 %	5,9 %	6,4 %	6,7 %	5,5 %	
Deposits from customers	78 223	80 872	75 710	73 158	71 687	73 081	70 609	68 030	65 257	
Growth in deposits from customers past 12 months	9,1 %	10,7 %	7,2 %	7,5 %	9,9 %	7,9 %	10,0 %	6,3 %	6,2 %	
Deposits as a percentage of gross lending	4	82,7 %	87,2 %	83,9 %	82,2 %	80,4 %	83,8 %	82,7 %	79,4 %	76,6 %
Deposits as a percentage of gross lending including commission loans	5	58,9 %	61,7 %	58,9 %	57,5 %	56,7 %	58,7 %	57,5 %	55,9 %	54,4 %
Average assets	3	120 535	120 019	118 042	115 736	115 346	114 121	112 020	108 989	108 356
Total assets	122 080	123 975	118 785	117 298	119 021	118 322	117 884	111 524	109 380	
Losses on loans and commitments in default										
Losses on loans to customers as a percentage of total lending incl. intermediary loans		-0,09 %	-0,06 %	-0,04 %	0,26 %	0,20 %	0,16 %	0,10 %	0,01 %	0,01 %
Net comm. in default and at risk of loss as a per. of total lending incl. intermediary loans		0,17 %	0,25 %	0,23 %	0,16 %	0,23 %	0,22 %	0,22 %	0,16 %	0,29 %
Solidity										
Common Equity Tier 1 Capital Ratio		18,6 %	18,0 %	17,4 %	17,5 %	17,2 %	16,9 %	16,7 %	17,2 %	15,5 %
Tier 1 Capital ratio		20,0 %	19,4 %	18,7 %	18,9 %	18,6 %	18,4 %	18,2 %	18,8 %	16,9 %
Total Capital Ratio		21,7 %	21,2 %	20,6 %	20,9 %	20,5 %	20,2 %	20,0 %	20,6 %	18,6 %
Common Equity Tier 1 Capital		13 048	12 877	12 206	12 019	11 905	11 788	11 575	11 472	11 215
Tier 1 Capital		14 020	13 849	13 178	12 991	12 881	12 812	12 599	12 496	12 229
Own Funds		15 229	15 145	14 508	14 366	14 213	14 105	13 833	13 726	13 470
Adjusted risk-weighted assets base		70 240	71 528	70 359	68 588	69 233	69 699	69 214	66 609	72 492

1) The profit after tax in relation to average equity, calculated as a quarterly average of equity at 1 January and end quarterly equity. The Bank's hybrid tier 1 capital issued are classified as equity in the financial statements. However, when calculating the return on equity, hybrid tier 1 capital is treated as a liability and the associated interest costs are adjusted for in the result.

2) Total costs as a percentage of total net income

3) Average assets are calculated as average assets each quarter and at 01.01. and 31.12.

4) Deposits from customers as a percentage of gross lending

5) Deposits from customers in percentage of total lending incl. intermediary loans

Note 1 – Accounting policies

The Group's financial statements for 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU, including IAS 34 – Interim Financial Reporting. The quarterly accounts do not include all information required in full annual accounts and should be read in conjunction with the annual accounts for 2020.

There are no standards or interpretations that have not entered into force that are expected to have a significant impact on the Group's accounts.

The capital adequacy rules specify criteria for identifying commitments in default. A commitment will be deemed to be in default if the claim is more than 90 days past and the amount is substantial (payment default), or it is likely that the borrower will not meet its obligations (unlikeliness to pay).

The criteria for a default were further clarified in the EBA's Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 (EBA/GL/2016/07). The EBA's guidelines include rules concerning quarantine periods for when commitments in default can be declared no longer in default, specify a 90-day limit, and include rules regarding the criteria that must as a minimum be assessed for defining "unlikeliness to pay". The EBA's guidelines apply from 01.01.21.

The Ministry of Finance has set limits for what must be regarded as a substantial amount in assessing payment defaults (CRR/CRD IV Regulation, section 7). The amount limits must not exceed NOK 1,000 and NOK 2,000, respectively, for mass market commitments and other commitments, while the relative limit must not exceed 1 per cent of the total capitalized commitment for all commitments. The rules concerning the limits for "substantial" apply from 31.12.20.

The Financial Supervisory Authority of Norway has issued rules via a circular concerning the "quarantine period", i.e. how long a commitment will remain in default after it is first marked as being in default.

If the payment default is remedied and it is likely that the counterparty will meet its obligations, the commitment can be regarded as no longer in default after a quarantine period of 90 days. In the event of partial debt forgiveness or changes to the loan's terms and conditions, the quarantine period will be at least 12 months.

The circular also specifies that if one of the loans to the customer is marked as being in default, all loans to the customer must be deemed to be in default (default propagation). This also applies to associated counterparties. For mass market commitments, defaults can be assessed per loan, i.e. default propagation does not automatically apply. The Bank must assess whether default on a loan is significant for the customer to be able to fulfill its obligations with regard to other loans. The Financial Supervisory Authority of Norway believes that in the case of mass market commitments, a default should propagate between commitments in the same category. The Financial Supervisory Authority of Norway provides an example in which if a customer defaults on an unsecured loan, then all unsecured loans to that customer must be marked as being in default. Furthermore, all commitments should be deemed to be in default if the loan that constitutes a substantial part of the total exposure is in default.

The Group has chosen to implement these new policies for statutory defaults as well as accounting defaults from 01.01.21, which results in an increased volume defined as in default in Stage 3, ref. Note 6.

Note 2 - Important accounting estimates and discretionary judgements

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 expenses. 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 7, 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 recognized as a loss. Individual assessments of commitments subject to these are based on expected future cash flows.

Assumptions:

The Bank uses weighted scenarios to calculate expected credit loss. As mentioned in previous quarterly reports this year, the Bank has made adjustments to the methodology for determining factors and scenario weighting for 2021.

Three different macroeconomic scenarios are still used to project expected LGD and PD curves 5 years into the future. All three scenarios have been made further expectation-oriented, with scenario 1 (SC1) representing the most likely outcome. SC2 and SC3 represent outcomes that are somewhat more negative and positive than SC1, respectively. The above adjustment to the methodology means that the sensitivity related to determining the scenario weighting will be less than with the previous methodology (ref. sensitivity analysis below).

Both the determination of LGD and PD curves and weighting of the scenarios are carried out by the Group's ECL Committee. The committee assesses the curves and weighting based on a fixed structure based on assessments of factors such as global and national PMI, interest rates, national and regional unemployment, capacity utilization, and developments in national and local property prices.

As at 31.12.19, the Bank considered the macroeconomic outlook to be good, although there was some uncertainty about the current interest rate peak, flattening growth in Northern Norway, and a stabilized 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 per cent), the stress scenario the second greatest (19 per cent), and the strong economic expansion scenario the least (0 per cent) – 81/19/0).

As at 31.03.20, based on the uncertainty associated with the coronavirus situation, 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 per cent) with a corresponding increase in the stress scenario (to 30 per cent). The committee monitored developments very closely throughout the year, and even though the macro picture improved somewhat at the turn of the year, the Covid-19 situation was still creating uncertainty. The committee thus concluded that no adjustments would be made to the macroscenario weighting as at 31.12.20 – (70/30/0).

As at 30.09.21, there is still some uncertainty surrounding the effects of the Covid-19 pandemic, although society is now reopening and there is less uncertainty in the macro picture, and the base scenario has become more expectations-oriented. The scenario weights have, therefore, been changed to 75/10/15.

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-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 30.09.21.

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 categorized 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 2020, 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 amounted to MNOK 59 in increased loss provisions. The resale values of the security pledged for such commitments were assessed and adjusted downwards, which resulted in increased ECL provisions. As at 30.09.21, no changes have been made to these assessments.

As at 30.09.21, SpareBank 1 Nord-Norge has granted general interest-only instalment holidays for loans of up to 6 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 last year have expired, while some have been extended. Interest-only instalment holidays due to Covid-19 and of up to 6

months duration are 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 who require interest-only periods beyond 6 months are dealt with separately. If they are regarded as having financial problems, they are regarded as exposures with forbearance, with the corresponding migration from Stage 1 to Stage 2. The proportion of customers granted forbearance fell in 3Q 2021.

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 31.12.20, the Parent Bank carried out a MNOK 78 post model adjustment (PMA). In the above modified methodology for determining scenario weighting, as well as the adjustments made to LGD and PD curves, previous provisions like PMA are now incorporated into ECL provision as at 31.03.21.

Sensitivity analysis

Below follows a sensitivity analysis for the Parent Bank, based on figures as at 30.09.21. By changing PD, LGD and scenario weights in isolation, the following change is seen in expected credit loss:

Segment	10% increase PD-factor	10 % increase LGD-factor	20% increase PD-factor*)	Weighting of scenarios**)		
				SC1=100 % SC2=0 % SC3=0 %	SC1=0% SC2=100% SC3=0%	SC1=0% SC2=0% SC3=100%
Retail market	5,4 %	6,1 %	21,0 %	-1,9 %	42,0 %	-18,6 %
Corporate market	7,0 %	7,7 %	15,5 %	-1,4 %	36,2 %	-17,0 %
Total	6,8 %	7,5 %	16,3 %	-1,5 %	37,0 %	-17,3 %

*) 20% increase PD-factor on all loan engagements. Step migration as a result of increased PD, is taken into account in the sensitivity analysis.

***) Effect of going from the current weighting of 75%, 10% and 15% for scenario 1, 2 og 3.

Notes 3 – Changes to group structure

There were no significant changes to the Group's structure in 3Q 2021.

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 11 in Annual report.

Group		30.09.21								
(Amounts in NOK million)		Retail banking	Corporate banking	Markets	SpareBank 1 Regnskaps- huset Nord-Norge	Eiendoms- Megler 1 Nord-Norge	SpareBank 1 Finans Nord-Norge	Sparebank 1 Helgeland	Unspecified/ Eliminations	Total
Net interest income		608	590	9	0	2	211	78	-18	1.480
Net fee- and other operating income		579	102	30	165	191	9	63	-59	1.080
Net income from financial investments		0	9	17	0	0	0	0	423	449
Total costs		553	288	35	132	156	77	20	-85	1.176
Result before losses		634	413	20	34	36	144	122	431	1.833
Losses		-5	-79	0	0	0	-12	-25	-2	-123
Result before tax		640	492	20	34	36	155	147	433	1.956
Total lending		45.888	33.793	0	0	0	7.660	5.689	2.685	95.713
Loss provision		-67	-447	0	0	0	-85	-11	0	-611
Other assets		103	6.762	580	247	144	97	8	19.034	26.975
Total assets per business area		45.924	40.107	580	247	144	7.672	5.686	21.719	122.078
Deposits from customers		40.634	33.581	0	0	0	0	3.171	837	78.223
Other liabilities and equity capital		5.290	6.527	580	247	144	7.672	2.515	20.882	43.857
Total equity and liabilities per business area		45.924	40.107	580	247	144	7.672	5.686	21.719	122.080

During 2021, SpareBank 1 Nord-Norge will sell its portfolio of local banks in Helgeland to SpareBank 1 Helgeland. Following the sale, SpareBank 1 Nord-Norge will own 19.99% of SpareBank 1 Helgeland. This stake will be incorporated into the consolidated financial statement.

		30.09.20								
Net interest income		478	500	5	0	1	217	67	302	1.570
Net fee- and other operating income		501	84	9	165	176	5	50	-40	951
Net income from financial investments		5	30	53	0	0	0	0	493	581
Total costs		540	94	33	134	142	81	35	134	1.194
Result before losses		444	520	35	31	34	141	82	621	1.908
Losses		6	141	0	0	0	37	1	75	259
Result before tax		439	380	35	31	34	104	81	546	1.649
Total lending		42.634	30.967	0	0	0	7.034	6.837	3.132	90.604
Loss provision		-73	-381	0	0	0	115	-44	-309	-692
Other assets		97	6.164	1.276	249	117	87	13	21.107	29.109
Total assets per business area		42.658	36.750	1.276	249	117	7.236	6.807	23.929	119.021
Deposits from customers		40.364	26.574	0	0	0	0	3.916	833	71.687
Other liabilities and equity capital		2.294	10.176	1.276	249	117	7.236	2.890	23.097	47.334
Total equity and liabilities per business area		42.658	36.750	1.276	249	117	7.236	6.807	23.929	119.021

Note 5 - Capital Adequacy

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 authorized to use IRB models to calculate capital requirements for credit risk. In February 2015, the Bank was also authorized to use the advanced IRB method for the corporate portfolio. The use of IRB places great demands on the Bank's organization, competence, risk models and risk management systems.

Regulatory capital requirements

As at 30.09.21, the regulatory minimum requirement for the Group's Common Equity Tier 1 capital ratio is 14.0 %. This includes the minimum requirement of 4.5 %, the total buffer requirement of 8.0 %, and the Pillar 2 requirement of 1.5 %. The actual buffer requirement is slightly lower than 8.0 % since the systemic risk buffer and countercyclical capital buffer are calculated using differentiated rates.

Capital target

SpareBank 1 Nord-Norge's goal is to maintain indisputable financial strength, in addition to always satisfy the regulatory minimum requirements for capital adequacy. The Group has a target Common Equity Tier 1 capital ratio of 1.0 percentage point above the regulatory minimum requirement. As at 30.09.21, this results in a target Common Equity Tier 1 capital ratio of 15.0 %.

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. In accordance with the decision of the Ministry of Finance, the stake in SpareBank 1 Betaling is deducted in its entirety from CET1 capital. The stake in SpareBank 1 Gruppen is treated as a significant investment in a financial sector entity, where the amount greater than 10 % of CET1 capital is deducted from the CET1 capital, pursuant to the applicable capital adequacy regulations.

Parent Bank

(Amounts in NOK million)

Group

31.12.20	30.09.20	30.09.21		30.09.21	30.09.20	31.12.20
1 807	1 807	1 807	Equity certificates	1 807	1 807	1 807
843	843	843	Premium reserve	843	843	843
3 253	2 620	2 846	Equalisation reserve	2 846	2 620	3 253
6 254	5 975	6 236	Savings bank's reserve	6 236	5 975	6 254
0	0	264	Allocated to dividend	264	0	0
573	120	425	Donations Fund	425	120	573
15	42	0	Fair value reserve	0	42	15
- 20	- 8	22	Other equity	1 553	1 109	1 497
780	780	780	Hybrid capital	780	780	780
0	1 116	1 719	Period result	1 580	1 368	0
0	0	0	Minority interests	27	0	0
13 505	13 295	14 942	Total equity	16 361	14 664	15 022
0	- 558	- 860	Period result	- 790	- 685	0
- 780	- 780	- 780	Hybrid capital	- 780	- 780	- 780
- 844	0	- 569	Deduction for allocated dividends	- 569	0	- 845
0	0	0	Minority interests not eligible as CET1 capital	- 27	0	0
0	0	0	Adjusted Tier 1 capital from consolidated financial institutions	- 35	- 43	- 29
0	0	0	Goodwill and other intangible assets	- 133	- 132	- 130
- 33	- 33	- 28	Adjustments to CET1 due to prudential filters	- 29	- 25	- 28
- 136	- 122	- 137	Deduction for defined benefit pension fund assets gross amounts	- 148	- 134	- 148
0	0	0	Deduction for significant investments in financial sector entities	- 661	- 817	- 900
- 157	- 157	- 158	Deduction for non-significant investments in financial sector entities	- 141	- 143	- 143
11 555	11 645	12 411	Common Equity Tier 1 Capital	13 048	11 905	12 019
780	780	780	Hybrid capital	972	976	972
12 335	12 425	13 191	Tier 1 Capital	14 020	12 881	12 991
1 050	1 050	1 050	Non-perpetual subordinated capital	1 348	1 366	1 359
179	129	49	Expected losses on IRB, net of writedowns	26	100	150
- 134	- 135	- 164	Deduction for subordinated capital in other financial institutions with a significant investment	- 165	- 134	- 134
1 095	1 044	935	Tier 2 Capital	1 209	1 332	1 375
13 430	13 469	14 126	Own Funds	15 229	14 213	14 366
			Minimum requirements own funds			
1 155	1 141	1 115	Specialised lending exposure	1 166	1 194	1 207
56	55	54	Other corporations exposure	57	58	59
430	442	420	SME exposure	433	455	443
1 166	1 153	1 150	Property retail mortgage exposure	1 631	1 637	1 658
63	64	58	Other retail exposure	60	67	65
501	520	575	Equity investments	0	0	0
3 371	3 374	3 372	Total credit risk IRB	3 347	3 411	3 432
841	896	949	Credit risk standardised approach	1 629	1 492	1 430
6	8	11	Debt risk	11	8	6
0	0	0	Equity risk	0	0	0
445	429	445	Operational risk	533	504	533
18	22	23	Credit Value Adjustment	100	123	86
4 681	4 729	4 800	Minimum requirements own funds	5 619	5 539	5 487
58 511	59 111	60 003	Total risk exposure amount	70 240	69 233	68 588
			Capital Adequacy Ratios			
19,7 %	19,7 %	20,7 %	Common Equity Tier 1 Capital Ratio	18,6 %	17,2 %	17,5 %
23,0 %	22,8 %	23,5 %	Total Capital Ratio	21,7 %	20,5 %	20,9 %
21,1 %	21,0 %	22,0 %	Tier 1 Capital	20,0 %	18,6 %	18,9 %
1,9 %	1,8 %	1,6 %	Tier 2 Capital	1,7 %	1,9 %	2,0 %
10,5 %	10,4 %	10,4 %	Leverage Ratio	7,8 %	7,5 %	7,6 %

Note 6 Loans

Loans at fair value

Mortgages to customers for sale, housing credit company

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

Actual value is determined by the loans' actual cash flows 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 to the margin requirement have been made as at 30.09.21. Value changes on loans are included in full in the result of the line - net value changes on financial assets. The sensitivity to discounting as at 30.09.21 would impact the result by approximately MNOK -15,3 per +10 basis points of change in the discount rate.

Loans at amortised cost

For all loans at amortised cost there has been calculated expected losses and provisions according to IFRS 9. Please also see note 7.

Parent Bank			Group			
(Amounts in NOK million)						
31.12.20	30.09.20	30.09.21	Loans broken down by method of measurement	30.09.21	30.09.20	31.12.20
Loans at fair value through profit and loss						
7 600	7 837	6 570	Loans to customers at fixed interest rates	6 583	7 851	7 614
3 917	3 556	2 317	Mortgages to customers for sale, housing credit company	2 317	3 556	3 917
11 517	11 393	8 887	Total loans at fair value through profit and loss	8 901	11 407	11 531
Loans at amortised cost						
77 411	77 688	85 254	Other loans	86 812	79 196	78 980
77 411	77 688	85 254	Total loans at amortised cost	86 812	79 196	78 980
88 928	89 081	94 141	Total gross loans	95 713	90 604	90 511
Commission loans						
37 735	36 900	37 884	Loans transferred to SpareBank1 Boligkreditt	37 884	36 900	37 735
410	412	406	Loans transferred to SpareBank1 Næringskreditt	406	412	410
38 145	37 312	38 290	Total intermediary loans	38 290	37 312	38 145
127 073	126 393	132 431	Total gross loans included intermediary loans	134 004	127 916	128 656
Provision for credit losses - reduction in assets						
- 285	- 287	- 147	Provision for credit losses - stage 1	- 175	- 316	- 310
- 232	- 162	- 251	Provision for credit losses - stage 2	- 284	- 207	- 283
- 142	- 129	- 128	Provision for credit losses - stage 3	- 152	- 169	- 169
88 269	88 503	93 615	Net loans	95 102	89 911	89 748

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.

In order to calculate the expected credit losses according to IFRS 9, the loans 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 30.09.21

(Amounts in NOK million)

Loans broken down by sector/industry	Total commitments to amortised cost	Ledning provision Stage 1	Lending provision Stage 2	Lending provision Stage 3	Lending at fair value	Net loans
Real estate	14.630	-68	-139	-45	37	14.414
Financial and insurance activities	9.463	-10	-2	0	0	9.451
Fishing and aquaculture	7.225	-20	-9	0	23	7.219
Manufacturing	1.435	-5	-7	-31	16	1.408
Agriculture and forestry	1.103	-1	-3	-3	41	1.137
Power and water supply and construction	2.695	-5	-15	-9	21	2.688
Government	95	0	0	0	0	95
Service industries	1.746	-6	-9	-6	65	1.791
Transportation	2.384	-6	-32	-2	51	2.395
Commodity trade, hotel and restaurant industry	1.660	-5	-15	-7	21	1.653
Corporate market	42.436	-126	-230	-102	275	42.252
Retail market	42.818	-21	-21	-25	8.613	51.363
Loans and advances to customers	85.254	-147	-251	-128	8.887	93.615

Financial commitments broken down by sector/industry	Financial commitments to amortised cost	Ledning provision classified as debt Stage 1	Lending provision classified as debt Stage 2	Lending provision classified as debt Stage 3	Total lending provision classified as debt
Real estate	1.172	-8	-22	-5	-35
Financial and insurance activities	166	0	0	0	0
Fishing and aquaculture	823	-1	0	0	-2
Manufacturing	544	-1	-1	0	-2
Agriculture and forestry	118	0	0	0	0
Power and water supply and construction	631	-1	-1	0	-3
Government	355	0	0	0	0
Service industries	530	0	-4	0	-5
Transportation	1.124	-1	-2	0	-2
Commodity trade, hotel and restaurant industry	495	-1	-1	-3	-5
Corporate market	5.958	-14	-31	-8	-54
Retail market	1.770	0	0	0	0
Loans and advances to customers	7.728	-15	-31	-8	-54

Group 30.09.21

(Amounts in NOK million)

Loans broken down by sector/industry	Total commitments to amortised cost	Ledning provision Stage 1	Lending provision Stage 2	Lending provision Stage 3	Lending at fair value	Net loans
Real estate	14.740	-68	-140	-46	37	14.523
Financial and insurance activities	3.355	-10	-2	0	0	3.343
Fishing and aquaculture	7.841	-26	-14	0	23	7.824
Manufacturing	1.945	-8	-10	-32	16	1.910
Agriculture and forestry	1.230	-2	-4	-3	41	1.263
Power and water supply and construction	3.593	-7	-20	-12	21	3.576
Government	112	0	0	0	0	112
Service industries	2.316	-9	-12	-11	65	2.349
Transportation	3.289	-10	-39	-3	65	3.302
Commodity trade, hotel and restaurant industry	2.124	-9	-19	-8	21	2.109
Corporate market	40.547	-150	-258	-115	288	40.312
Retail market	46.267	-25	-26	-37	8.613	54.792
Loans and advances to customers	86.814	-175	-284	-152	8.901	95.102

Financial commitments broken down by sector/industry	Financial commitments to amortised cost	Ledning provision classified as debt Stage 1	Lending provision classified as debt Stage 2	Lending provision classified as debt Stage 3	Total lending provision classified as debt
Real estate	1.127	-8	-22	-5	-35
Financial and insurance activities	76	0	0	0	0
Fishing and aquaculture	854	-1	0	0	-2
Manufacturing	567	-1	-1	0	-2
Agriculture and forestry	119	0	0	0	0
Power and water supply and construction	745	-1	-1	0	-3
Government	355	0	0	0	0
Service industries	979	0	-4	0	-5
Transportation	1.260	-1	-2	0	-2
Commodity trade, hotel and restaurant industry	710	-1	-1	-3	-5
Corporate market	6.793	-14	-31	-8	-54
Retail market	1.810	0	0	0	0
Loans and advances to customers	8.603	-15	-31	-8	-54

In order to calculate the expected credit losses according to IFRS 9, the loans 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.

Total loan commitments broken down by stage of the credit risk assessment at 30.09.21

Morbank				Konsern				
(Beløp i mill kroner)								
Stage 1	Stage 2	Stage 3	Total	Total	Stage 3	Stage 2	Stage 1	
77 236	8 449	375	86 060	Total loan commitments to amortised cost 01.01.21	87 927	373	8 449	79 104
Changes in the period due to loans migrated between the stages								
1 419	-1 416	- 3	0	to (-from) stage 1	0	- 9	-1 819	1 828
-2 444	2.452	- 7	0	to (-from) stage 2	0	- 16	2 786	-2 770
- 56	- 60	116	0	to (-from) stage 3	0	216	- 139	- 77
-4 011	- 194	- 21	-4 225	Net increase/(decrease) balance existing loans	-4 903	- 50	- 330	-4 523
31 760	1 293	38	33 091	Originated or purchased during the period	35 369	44	1 457	33 868
-19 807	-1 985	- 153	-21 944	Loans that have been derecognised	-22 976	- 175	-2 191	-20 610
84 098	8 539	344	92 982	Total loan commitments to amortised cost	95 417	384	8 213	86 820
				Loans at fair value through profit and loss	8 901			
84 098	8 539	344	101 869	Total loan commitments as at 30.06.21	104 318	384	8 213	86 820
-6 110	-1 596	- 22	-7 728	Off-balance sheet ¹⁾	-8 603	- 22	-1 596	-6 985
77 988	6 944	322	94 141	Gross loans	95 713	362	6 618	79 834
- 147	- 251	- 128	- 526	Provision for credit losses - reduction in assets	- 611	- 152	- 284	- 175
77 841	6 693	194	93 615	Net loans ²⁾	95 102	210	6 334	79 659

1) Off balance consists of unused limits of loans and credits, entered into guarantee agreements and committed loans that have not been disbursed.

2) Net loans as assets in Balance sheet

Explanation of the table:

- * The conditions for migrating between the stages and a specification of IFRS 9 are set out in note 7. 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 or a decrease in ECL.
- * 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

Total loan commitments broken down by stage of the credit risk assessment at 30.09.20

Morbank				Konsern				
(Beløp i mill kroner)								
Stage 1	Stage 2	Stage 3	Total	Total	Stage 3	Stage 2	Stage 1	
74 827	4 628	343	79 798	Total loan commitments to amortised cost 01.01.20	81 397	352	5 527	75 518
Changes in the period due to loans migrated between the stages								
1 020	-1 013	- 7	0	to (-from) stage 1	0	- 9	-1 232	1 241
-3 105	3.117	- 12	0	to (-from) stage 2	0	- 25	3 662	-3 637
- 53	- 71	124	0	to (-from) stage 3	0	173	- 104	- 69
-4 478	- 395	- 12	-4 885	Net increase/(decrease) balance existing loans	-5 652	- 22	- 532	-5 098
28 668	1 055	29	29 752	Originated or purchased during the period	31 833	69	1 303	30 461
-17 977	- 147	- 108	-18 232	Loans that have been derecognised	-19 120	- 70	- 497	-18 553
78 902	7 174	357	86 433	Total loan commitments to amortised cost	88 458	468	8 127	79 863
				Loans at fair value through profit and loss	11 407			
78 902	7 174	357	97 826	Total loan commitments as at 31.12.20	99 865	468	8 127	79 863
-7 297	-1 432	- 16	-8 745	Off-balance sheet ¹⁾	-9 262	- 16	-1 417	-7 829
71 605	5 742	341	89 081	Gross loans	90 603	452	6 710	72 034
- 287	- 162	- 129	- 578	Provision for credit losses - reduction in assets	- 692	- 169	- 207	- 316
71 318	5 580	212	88 503	Net loans ²⁾	89 911	283	6 503	71 718

1) Off balance consists of unused limits of loans and credits, entered into guarantee agreements and committed loans that have not been disbursed.

2) Net loans as assets in Balance sheet

Note 7 - Loss provision

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. A new definition of default for statutory defaults has also been implemented for accounting defaults from 01.01.21, ref. Note 1. This means that quarantine periods have been introduced for commitments in default, and that rules have been introduced regarding customers' "unlikeliness to pay" and propagation effects from subsidiaries.

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 per cent. PD must also be higher than 0.60 per cent.

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.

Changes in lending loss provisions

(Amounts in NOK million)

Parent Bank				Loans at amortised cost		Group			
Stage 1	Stage 2	Stage 3	Total	Changes in lending loss provisions		Total	Stage 3	Stage 2	Stage 1
-327	-251	-142	-720	Loss provisions at 01.01.21		-823	-167	-302	-354
			-659	Of which presented as a reduction of the assets		-762			
			-61	Of which presented as other debt		-61			
Changes in the period due to loans migrated between the stages:									
-33	33	0	0	to (-from) stage 1		0	1	44	-45
19	-20	1	0	to (-from) stage 2		0	1	-24	23
0	4	-4	0	to (-from) stage 3		0	-8	8	0
184	-49	2	137	Net increase/decrease existing loans		157	5	-47	199
-49	-49	-3	-101	New issued or purchased loan		-115	-3	-53	-59
44	50	10	104	Loans that have been derecognised		116	11	59	46
-162	-282	-136	-580	Total loss provisions at 30.09.21		-665	-160	-315	-190
Loss provisions allocated to markets									
-23	-27	-15	-65	Retail market		-77	-16	-33	-28
-139	-255	-121	-515	Corporate market		-588	-144	-282	-162
-162	-282	-136	-580	Total loss provisions at 30.09.21		-665	-160	-315	-190
			-526	Of which presented as a reduction of the assets		-611			
			-54	Of which presented as other debt		-54			

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.

Parent Bank				Loans at amortised cost		Group			
Stage 1	Stage 2	Stage 3	Total	Changes in lending loss provisions		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:									
-23	22	1	0	to (-from) stage 1		0	1	27	-28
19	-20	1	0	to (-from) stage 2		0	4	-27	23
0	3	-3	0	to (-from) stage 3		1	-4	5	0
-83	-67	-18	-168	Net increase/decrease existing loans		-187	-27	-80	-80
-104	-22	-4	-130	New issued or purchased loan		-153	-4	-35	-114
41	28	11	80	Loans that have been derecognised		91	13	35	43
-343	-182	-129	-654	Total loss provisions at 30.09.20		-768	-169	-227	-372
Loss provisions allocated to markets									
-26	-30	-23	-79	Retail market		-120	-47	-41	-32
-317	-152	-106	-575	Corporate market		-648	-122	-186	-340
-343	-182	-129	-654	Total loss provisions at 30.09.20		-768	-169	-227	-372
			-578	Of which presented as a reduction of the assets		-692			
			-76	Of which presented as other debt		-76			

Note 8 - Losses

Losses incorporated in the accounts

Parent Bank

(Amounts in NOK million)

Group

31.12.20	2Q20	2Q21	30.09.20	30.09.21		30.09.21	30.09.20	2Q21	2Q20	31.12.20
286	46	- 69	219	- 139	Period's change in lending provisions	- 158	249	- 73	53	306
14	4	22	11	33	Period's confirmed losses	42	18	27	8	37
- 10	- 3	- 1	- 8	- 5	Recoveries, previously confirmed losses	- 7	- 8	- 1	- 3	- 11
290	47	- 48	222	- 111	Total losses	- 123	259	- 47	58	332

Losses broken down by sector and industry

Parent Bank

(Amounts in NOK million)

Group

31.12.20	2Q20	2Q21	30.09.20	30.09.21		30.09.21	30.09.20	2Q21	2Q20	31.12.20
224	27	- 20	160	- 75	Real estate	- 75	160	- 20	27	224
4	3	- 6	5	- 7	Financial and insurance activities	- 7	5	- 6	3	4
25	14	- 5	25	- 15	Fishing and aquaculture	- 13	27	- 3	16	29
6	9	- 14	15	- 11	Manufacturing	- 14	19	- 16	11	12
- 1	1	- 2	- 1	- 2	Agriculture and forestry	- 3	0	- 3	1	0
- 4	1	6	- 5	3	Power and water supply and construction	- 3	- 3	3	2	- 1
- 1	- 9	- 2	- 2	2	Service industries	4	2	1	- 7	3
7	4	8	8	20	Transportation	18	14	9	1	14
20	- 2	- 2	14	- 9	Commodity trade, hotel and restaurant industry	- 11	22	- 1	3	31
280	48	- 37	219	- 94	Total corporate market	- 104	246	- 36	57	316
10	- 1	- 11	3	- 17	Total retail market	- 19	13	- 11	1	9
0	0	0	0	0	Other losses corporate market	0	0	0	0	7
290	47	- 48	222	- 111	Total losses	- 123	259	- 47	58	332

Note 9 - SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

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.

SpareBank 1 Nord-Norge has, together with the other owners of SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, signed an agreement on the establishment of liquidity facilities for these companies. This entails an obligation on the part of the banks to buy bonds, limited to the combined value of the amount due in 12 months in these companies. In principle, each owner is liable for its share of the need or alternatively twice the primary responsibility under the same agreement. The bonds can be deposited in Norges Bank and thus result in no material increase in risk for the Bank.

As of 30.09.21 the obligation on a consolidated level amounts to NOK 173,5 million for SpareBank 1 Boligkreditt and NOK 4,3 million for SpareBank 1 Næringskreditt.

For more information about the accounting treatment of the agreements see note 2 and note 13 in the annual financial statements.

Note 10 - Financial derivatives

Parent Bank and Group

(Amounts in NOK million)

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 at a rate of exchange which has been agreed in advance

Currency swaps:

Agreements relating to the swapping of currency- and interest rate terms and conditions, periods and amounts having been agreed in advance.

Interest rate- and currency swap agreements:

Agreements involving 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.

SpareBank 1 Nord-Norge enters into hedging contracts with respected Norwegian and foreign banks in order to reduce its own risk. Financial derivatives transactions are related to ordinary banking operations and are done in order to reduce the risk relating to the Bank's activity in the financial markets, and in order to cover and reduce risk relating to customer-related activities. Only hedges associated with the bank's funding activities are defined as fair value hedging pursuant to IFRS 9. Other hedging is defined as ordinary hedge accounting. The Bank does not utilise cash flow hedging.

Fair value hedging transactions

Net loss charged to the statement of comprehensive income in respect of

hedging instruments in connection with actual value hedging	336	- 507
Total gain from hedging objects relating to the hedged risk	- 322	506
Total fair value hedging transactions	14	- 1

The Bank's main Board of Directors has determined limits for maximum risk for the Bank's interest rate positions. Routines have been established to ensure that positions are maintained within these limits.

(Amounts in NOK million)

Fair value through statement of comprehensive income

	30.09.21			30.09.20		
	Contract	Fair value		Contract	Fair value	
Foreign currency instruments		Assets	Liabilities		Assets	Liabilities
Foreign exchange financial derivatives (forwards)	1 538	13	16	1 764	49	32
Currency swaps	15 683	140	137	22 050	609	274
Currency options						
Total non-standardised contracts	17 222	154	153	23 813	658	306
Standardised foreign currency contracts (futures)						
Total foreign currency instruments	17 222	154	153	23 813	658	306
Interest rate instruments						
Interest rate swaps (including cross currency)	34 842	717	533	37 766	1 406	1 335
Short-term interest rate swaps (FRA)						
Other interest rate contracts	135	18	17	560	92	86
Total non-standardised contracts	34 977	735	549	38 326	1 497	1 421
Standardised interest rate contracts (futures)						
Total interest rate instruments	34 977	735	549	38 326	1 497	1 421
Hedging of funding loans						
Foreign currency instruments						
Foreign exchange financial derivatives (forwards)						
Currency swaps						
Total, non-standardised contracts						
Standardised foreign currency contracts (futures)						
Total foreign currency instruments						
Interest rate instruments						
Interest rate swaps (including cross currency)	14 723	202	44	16 103	514	25
Short-term interest rate swaps (FRA)						
Other interest rate contracts						
Total, non-standardised contracts	14 723	202	44	16 103	514	25
Standardised interest rate contracts (futures)						
Total interest rate instruments	14 723	202	44	16 103	514	25
Total interest rate instruments	49 700	936	594	54 430	2 011	1 446
Total foreign currency instruments	17 222	154	153	23 813	658	306
Total	66 921	1 090	746	78 243	2 669	1 752

Note 11 - Net accounting of financial derivatives and related set-off agreements

Financial derivatives are presented as gross on the balance sheet. As a result of ISDA agreements that have been entered into with contracting parties with regard to financial derivatives transactions, set-off rights are obtained if the contracting party defaults on the cash flow.

At 30.09.21 the net figures were:

Category/counterpart	Gross amount	Offset amount	Net amount	Net amount to be posted at bankruptcy or default	Net credit exposure
(Amounts in NOK million)	A	B	C=A-B	D	E=C-D
Financial derivatives - assets	28 814	28 367	447	405	42
Financial derivatives - liabilities	18 953	18 793	160	231	-71

Note 12 - 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.

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 3.04 years as of 30.09.21.

The short-term liquidity risk measurement, liquidity coverage ratio (LCR), was 141 % as of the end of the quarter.

Note 13 - Net fee-, commission- and other operating income

Parent bank					Group					
(Amounts in mill NOK)										
31.12.20	3Q20	3Q21	30.09.20	30.09.21		30.09.21	30.09.20	3Q21	3Q20	31.12.20
347	112	112	233	314	Provision commission loans	314	233	112	113	347
288	74	62	215	176	Payment facilities	176	215	62	74	288
180	47	50	134	150	Sales provision insurance products	150	134	50	47	180
33	9	9	24	24	Guarantee commissions	23	24	8	9	33
					Real estate broking	101	89	32	19	118
54	14	18	37	49	Portfolio commissions	49	37	18	14	54
14	4	17	10	41	Credit commision	41	10	17	4	14
23	6	5	17	22	Other commisions	112	96	36	53	127
939	266	273	670	776	Total commission income	966	838	335	333	1 161
70	14	17	44	50	Commission costs	66	53	21	14	82
869	252	256	626	726	Net fee- and commission income	900	785	314	319	1 079
					Accounting services	165	165	47	55	207
11	1	5	5	18	Other operating income	15	1	5	1	13
880	253	261	631	744	Net fee- and other operating income	1 080	951	366	375	1 299
33 %	37 %	38 %	32 %	37 %	Percent of net core earnings	42 %	38 %	42 %	43 %	39 %

Note 14 Expenses

Parent bank

Group

(Amounts in mill NOK)

31.12.20	3Q20	3Q21	30.09.20	30.09.21		30.09.21	30.09.20	3Q21	3Q20	31.12.20
443	107	109	328	321	Personel expenses	506	507	171	173	690
43	12	11	33	29	Pension costs 1)	39	42	16	13	54
104	23	24	78	80	Social costs	98	92	30	31	125
590	142	144	439	430	Total personnel costs	643	641	217	217	869
264	66	67	203	201	IT expenses	218	219	73	70	287
127	27	28	95	82	Administrative expenses	104	131	36	49	174
94	24	19	72	61	Ordinary depreciation	73	82	22	27	109
24	6	6	19	16	Operating costs properties	16	20	5	8	25
87	17	17	47	52	Other operating expenses	122	101	42	27	162
1 186	282	281	875	842	Total costs	1 176	1 194	395	398	1 626

1) Costs related to the defined benefit pension scheme as at 30.09.2021 amounted to MNOK 4.451

Note 15 Classification of financial instruments stated at fair value

Financial instruments at fair value are classified at different levels:

Level 1 covers financial instruments that are valued using listed prices in active markets for identical assets and liabilities. This level includes listed equities, units, commercial paper and bonds that are traded in active markets.

Level 2 covers instruments valued using directly or indirectly observable prices, published by reputable third-party vendors such as Refinitiv and Bloomberg. Instruments categorized in level 2 are not exchange-traded, and traded in illiquid markets only

Level 3 covers instruments that are valued in manner other than on the basis of observable market data. This includes instruments in which credit margins constitute a material part of the basis for adjusting market value.

Group

(Amounts in NOK million)

	Level 1	Level 2	Level 3	Total
Assets at 30.09.21				
Shares	148	82	593	823
Bonds	13 414	4 067		17 480
Financial derivatives		1 090		1 090
Loans to customers with fixed rate			6 583	6 583
Loans to customers for sale			2 317	2 317
Total assets	13 562	5 239	9 494	28 294

Liabilities at 30.09.21

Financial derivatives		746		746
Total liabilities		746		746

Assets at 30.09.20

Shares	157	43	567	767
Bonds	13 068	5 373		18 441
Financial derivatives		2 669		2 669
Loans to customers with fixed rate			7 851	7 851
Loans to customers for sale			3 556	3 556
Total assets	13 224	8 086	11 973	33 283

Liabilities at 30.09.20

Financial derivatives		1 752		1 752
Total liabilities		1 752		1 752

Changes in instruments at fair value, level 3:

(Amounts in NOK million)	Financial assets		
	Shares	Loans to customers	Loans to customers
		with fixed rate	for sale
Carrying amount at 30.09.20	567	7 851	3 556
Net gains on financial instruments	26	242	
Additions/acquisitions		755	1 089
Sales			-1 674
Matured		-2 265	- 654
Carrying amount at 30.09.21	593	6 583	2 317

Note 16 - Subsidiaries

(Amounts in NOK thousand)

	Share of Eq. %	Profit from ordinary operations before tax			Equity		
		30.09.21	30.09.20	31.12.20	30.09.21	30.09.20	31.12.20
SpareBank 1 Finans Nord-Norge AS	100	155 240	103 963	176 339	1 081 049	1 053 628	1 107 763
SpareBank 1 Nord-Norge Portefølje AS	100	469	- 596	-6 740	4 773	10 650	5 857
EiendomsMegler 1 Nord-Norge AS	85	35 791	34 178	38 791	60 710	59 606	61 811
SpareBank 1 Regnskapshuset Nord-Norge AS	85	33 503	31 061	24 900	116 087	114 180	109 377
Fredrik Langes Gate 20 AS	100	669	2 621	1 921	346 885	347 283	346 737
Total		225 672	171 227	235 211	1 609 504	1 585 347	1 631 545

Note 17 - Other assets

(Amounts in NOK million)

Parent bank				Group		
31.12.20	30.09.20	30.09.21		30.09.21	30.09.20	31.12.20
5	6	4	Repossessed assets	4	6	5
0	0	0	Accrued income	47	52	55
224	196	265	Overfunding of pension liabilities	279	210	239
73	79	130	Prepayments	127	100	91
249	384	461	Other assets 1)	575	484	332
551	665	860	Total other assets	1 032	852	722

1) Of which 75 NOK million is capital contribution to the SpareBank 1 Nord-Norge Pension Fund

Note 18 - Other liabilities

(Amounts in NOK million)

Parent bank				Group		
31.12.20	30.09.20	30.09.21		30.09.21	30.09.20	30.09.21
1 109	1 828	1 443	Other liabilities	1 585	1 963	1 254
165	153	130	Costs incurred	490	484	503
61	75	54	Provisioning against incurred liabilities and costs 1)	54	62	61
1 335	2 056	1 627	Total other liabilities	2 129	2 509	1 818
61	76	54	1) Of which off balance loss provision	54	76	61
			Specification of other liabilities:			
393	402	387	Lease liabilities 2)	441	444	443
28	372	323	Accrued tax	376	400	56
23	14	14	Tax deductions	24	23	32
72	59	66	Creditors	85	73	86
251	380	287	Agreed payments from Donations Fund	287	380	251
42	37	43	Defined benefit pension scheme (IAS 19)	43	37	42
300	563	323	Miscellaneous liabilities	329	606	344
1 109	1 827	1 443	Other liabilities	1 585	1 963	1 254

2) See note 23 regarding IFRS 16

Note 19 - Deposits broken down by sector and industry

(Amounts in NOK million)

Parent Bank			Group			
31.12.20	30.09.20	30.09.21		30.09.21	30.09.20	31.12.20
3 781	3 946	4 503	Real estate	4 503	3 946	3 781
2 392	2 311	2 708	Financial and insurance activities	2 708	2 311	2 392
2 917	3 068	3 037	Fishing and aquaculture	3 037	3 068	2 917
1 103	1 021	1 223	Manufacturing	1 223	1 021	1 103
518	524	542	Agriculture and forestry	542	524	518
2 627	2 454	2 444	Power and water supply and construction	2 444	2 454	2 627
6 850	6 874	7 711	Service industries	7 633	6 824	6 788
2 168	2 010	2 000	Transportation	2 000	2 010	2 168
2 795	2 824	3 322	Commodity trade, hotel and restaurant industry	3 322	2 824	2 795
25 151	25 032	27 490	Public market	27 412	24 982	25 089
40 363	40 163	42 899	Total retail market	42 899	40 163	40 363
7 706	6 542	7 912	Total government	7 912	6 542	7 706
73 220	71 737	78 301	Total deposits	78 223	71 687	73 158

Note 20 - Securities issued and subordinated loan capital and hybrid Tier 1 instruments classified as equity

Parent Bank and Group

(Amounts in NOK million)

	Statement of financial position 31.12.20	Issued	Matured or redeemed	Exchange rate movements	Fair value changes	Accrued interest	Statement of financial position 30.09.21
Changes in securities issued							
Certificates and other short-term borrowings							
Senior bonds	22 166		-3 053	- 314	- 203	- 29	18 568
Total debt securities issued	22.166		-3 053	- 314	- 203	- 29	18.568
	31.12.20						30.09.21
Subordinated loan capital	1 050	500	- 500			1	1 051
Senior non-preferred	1 000	2 505				4	3 509
Subordinated loan capital and other senior non-preferred	2 050	3.005	- 500			5	4.560
Tier 1 instruments classified as equity	31.12.20	30.09.21					
Tier 1 instruments	780	780					
Total Tier 1 instruments	780	780					

Hybrid Tier 1 instruments

SpareBank 1 Nord-Norge has three outstanding perpetual hybrid tier 1 capital loans for NOK 350 million and NOK 180 million, and NOK 250 million respectively. One loan issued on 4 April 2017 for NOK 350 million is subject to interest of 3-month NIBOR + 330 bp. The second loan issued on 10 October 2017 for NOK 180 million is subject to interest of 3-month NIBOR + 315 bp. The third loan issued on 29 August 2018 for NOK 250 million is subject to interest of 3-month NIBOR + 330 bp. All loans are classified as equity and presented on the line tier 1 capital instruments under equity.

This means that the interest is not presented on the line for interest costs but is recognised directly against equity. The contract terms for both hybrid tier 1 capital loans mean that the

Note 21 - Equity Certificates (ECs)

The 20 largest EC holders at

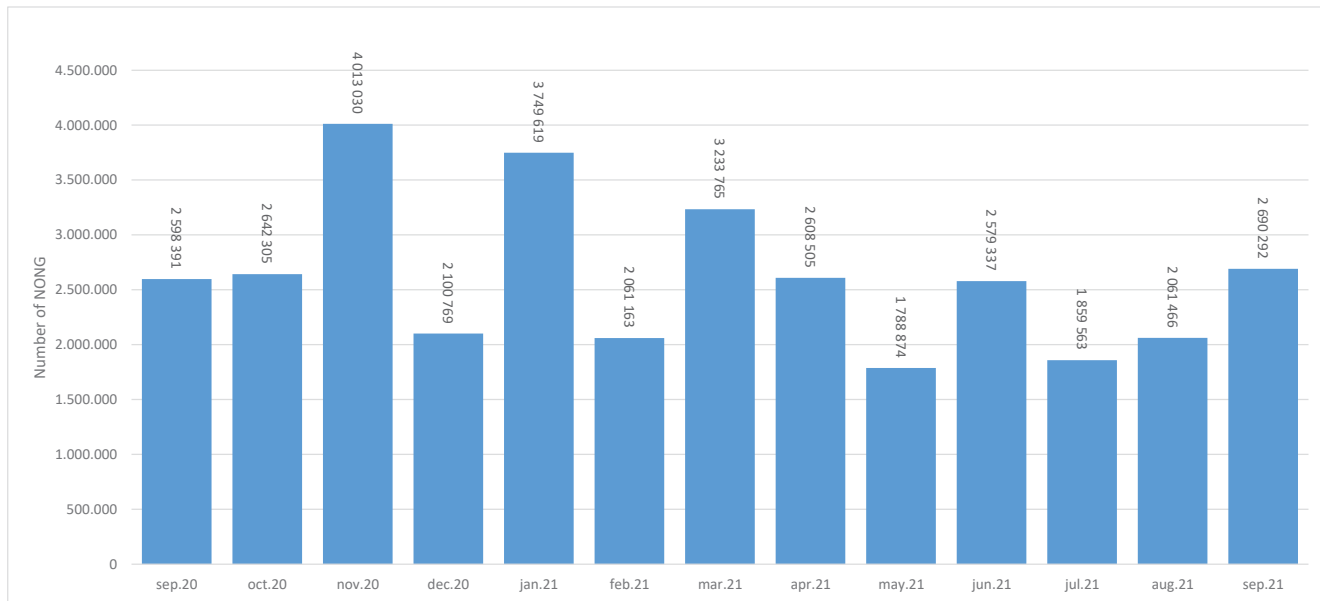
30.09.21

EC Holders	Number of Ecs	Share of EC Capital
PARETO INVEST AS	3.595.865	3,58%
PARETO AKSJE NORGE VERDIPAPIRFOND	3.291.316	3,28%
VPF EIKA EGENKAPITALBEVIS	2.947.283	2,94%
GEVERAN TRADING CO LTD	2.790.356	2,78%
The Northern Trust Comp, London Br	2.566.761	2,56%
MP PENSJON PK	2.444.322	2,43%
State Street Bank and Trust Comp	2.149.610	2,14%
Brown Brothers Harriman & Co.	1.994.553	1,99%
FORSVARETS PERSONELLSERVICE	1.666.230	1,66%
SPESIALFONDET BOREA UTBYTTE	1.575.466	1,57%
Landkreditt Utbytte	1.500.000	1,49%
SPAREBANKSTIFTELSEN SPAREBANK 1 NO	1.411.606	1,41%
Morgan Stanley & Co. Int. Plc.	983.528	0,98%
State Street Bank and Trust Comp	951.408	0,95%
Euroclear Bank S.A./N.V.	766.283	0,76%
J.P. Morgan Bank Luxembourg S.A.	755.267	0,75%
CLEARSTREAM BANKING S.A.	742.931	0,74%
Brown Brothers Harriman & Co.	735.389	0,73%
The Bank of New York Mellon SA/NV	649.249	0,65%
The Bank of New York Mellon SA/NV	648.154	0,65%
Total	34.165.577	34,03%

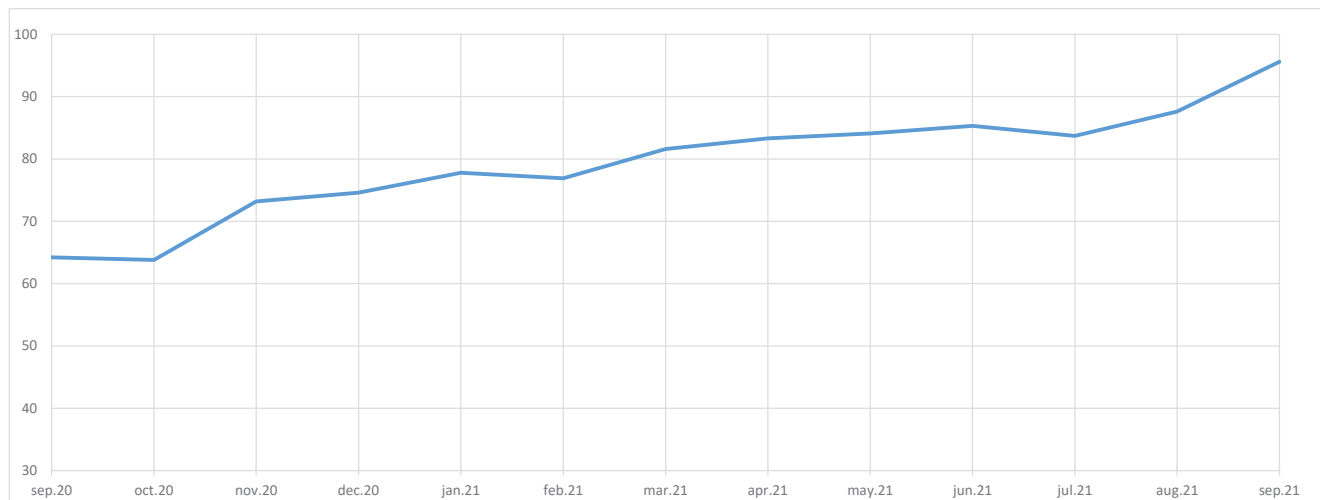
Dividend policy

The Bank's dividend policy states that the Bank aims to provide a competitive direct return for the Bank's owners. The target dividend rate is at minimum 50%. The future distribution rate will also take into account the group's capital coverage and future growth.

Trading statistics



Price trend NONG



Note 22 - Events occurring after the end of the quarter

SpareBank 1 Nord-Norge (SNN) and Helgeland Sparebank (HSB) have, as previously published, established a strategic and future-oriented cooperation. This means, among other things, that HSB has acquired SNN's banking operations in Helgeland. The transfer will be completed in the middle of October 2021. At the same time, SNN will acquire 19.99 per cent of the shares in HSB. At the beginning of October, SNN sold 15 per cent of the shares in its wholly owned subsidiary SpareBank 1 Finans Nord-Norge AS to HSB.

Please also refer to the earlier stock exchange reports discussing the transactions and timetable.

In a judgement from Borgarting Court of Appeal, SpareBank 1 Finans Nord-Norge was awarded MNOK 112.9 in damages plus late payment interest. The judgement has been appealed to the Supreme Court. The amount will not be recognised through profit or loss before any judgement is legally enforceable. Reference is made to the stock exchange report dated 25.06.21.

Note 23 - 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 per cent.

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.

(Amounts in NOK million)

Parent bank				Group		
31.12.20	30.09.20	30.09.21	Right to use asset	30.09.21	30.09.20	31.12.20
264	264	388	Carrying amount 1 January	435	417	417
164	164	21	Additions	25	56	65
0	-5	-7	-Derecognition	-7	0	0
2	5	4	Other changes	5	0	-3
430	428	406	Carrying amount at the end of the period	458	473	479
42	31	27	Depreciation in the period	29	36	44
388	397	379	Carrying amount of right to use asset at the end of the period	429	437	435
31.12.20	30.09.20	30.09.21	Lease liability	30.09.21	30.09.20	31.12.20
266	266	393	Carrying amount 1 January	443	422	422
163	163	21	Additions	25	54	64
-40	-34	-31	Lease payments in the period	-34	-40	-51
9	7	6	Interest	7	7	10
-5	0	-2	Other changes	0	1	-2
393	402	387	Lease liability at the end of the period	441	444	443
31.12.19	30.09.20	30.09.21	Profit and loss	30.09.21	30.09.20	31.12.19
43	31	27	Depreciation	29	36	44
7	7	6	Interest	7	7	10
50	38	33	Total lease expence	36	43	54
31.12.20	30.09.20	30.09.21	Undiscounted lease liabilities and maturity of cash outflows	30.09.21	30.09.20	31.12.20
40	-3	6	Less than 1 year (this year)	6	-7	43
39	40	44	1-2 years	48	43	42
32	39	38	2-3 years	46	42	39
32	32	37	3-4 years	42	39	36
31	32	35	4-5 years	40	36	36
222	253	248	More than 5 years	346	350	312
396	393	408	Total	528	503	508

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)	30.09.21	30.09.20	31.12.20
Profit for the period	1 580	1 368	1 742
Deduct interest hybrid tier 1 capital	21	26	33
Profit for the period incl. interest hybrid tier 1 capital	1 559	1 342	1 709
Total Equity	16 361	14 664	15 022
Deducting hybrid Tier 1 capital	780	780	780
Equity excl. hybrid Tier 1 capital	15 581	13 884	14 242
Equity excl. hybrid tier 1 capital 01.01.	14 242	13 392	13 392
Equity excl. hybrid tier 1 capital 31.03.	14 453	12 911	12 911
Equity excl. hybrid tier 1 capital 30.06.	15 034	13 401	13 401
Equity excl. hybrid tier 1 capital 30.09.	15 581	13 884	13 884
Equity excl. hybrid tier 1 capital 31.12.	0	0	14 242
Average equity excl. hybrid tier 1 capital	14 828	13 397	13 566
Profit for the period, annualised incl. interest hybrid tier 1 capital	2 079	1 789	1 709
Average equity excl. hybrid tier 1 capital	14 828	13 397	13 566
Return on Equity	14,0 %	13,4 %	12,6 %
Total operating expenses	1 176	1 194	1 626
Total income	3 009	3 102	4 060
Cost-income ratio	39,1 %	38,5 %	40,0 %
Net interest income	1 480	1 570	2 068
Average total assets	120 535	115 346	115 736
Interest margin	1,64 %	1,81 %	1,79 %
Deposits from customers	78 223	71 687	73 158
Total lending incl. intermediary loans at the end of period	132 831	126 522	127 122
Deposits as a percentage of total lending incl. intermediary loans	58,9 %	56,7 %	57,5 %
Deposits from customers	78 223	71 687	73 158
Gross loans to customers	94 541	89 210	88 977
Deposits as a percentage of gross lending	82,7 %	80,4 %	82,2 %

APM (Alternative Performance Measures) Group (cont.)	30.09.21	30.09.20	31.12.20
Total lending incl. intermediary loans at the end of period	132 831	126 522	127 122
Total lending incl. intermediary loans at the end of same period last year	126 522	119 961	121 733
Lending growth last 12 months incl. intermediary loans	6 309	6 561	5 389
Lending growth last 12 months incl. intermediary loans	5,0 %	5,5 %	4,4 %
Total lending at the end of period	94 541	89 210	88 977
Total lending at the end of same period last year	89 210	85 237	85 692
Lending growth last 12 months	5 331	3 973	3 285
Lending growth last 12 months	6,0 %	4,7 %	3,8 %
Total intermediary loans at the end of the period	38 290	37 312	38 145
Total lending incl. intermediary loans at the end of period	132 831	126 522	127 122
Share of intermediary loans	28,8 %	29,5 %	30,0 %
Intermediary loans SpareBank 1 Boligkreditt	37 884	36 900	37 735
Total retail lending end of period	92 763	88 413	88 712
Share of intermediary loans of total retail lending	40,8 %	41,7 %	42,5 %
Intermediary loans SpareBank 1 Næringskreditt	406	412	410
Total corporate lending end of period	41 241	39 503	39 943
Share of intermediary loans of total corporate lending	1,0 %	1,0 %	1,0 %
Deposits from customers end of period	78 223	71 687	73 158
Deposits from customers end of same period last year	71 687	65 257	68 030
Growth in deposits from customers past 12 months	6 536	6 430	5 128
Growth in deposits from customers past 12 months	9,1 %	9,9 %	7,5 %
Losses on loans and guarantees	- 123	259	332
Losses on loans and guarantees, annualised	- 164	345	332
Total lending incl. intermediary loans at the end of period	134 004	127 916	128 656
Losses on loans to customers as a percentage of total lending incl. intermediary loans	-0,1 %	0,3 %	0,3 %
Gross loans in stage 3	384	468	373
Loss provisions stage 3	- 160	- 169	- 167
Net commitments in default	224	299	206
Total lending incl. intermediary loans at the end of period	134 004	127 916	128 656
Net comm. in default and at risk of loss as a per. of total lending incl. intermediary loans	0,2 %	0,2 %	0,2 %
Non-performing commitments	384	468	373
Loss provisions stage 3	- 160	- 169	- 167
Loan loss provision ratio	41,7 %	36,1 %	44,8 %