Quarterly Report

Financial statement Q4 2020

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SpareBank 1 NORD-NORGE

Index

Group financial highlights and key figures

(Amounts in NOK million and in % of average assets)	Note	31.12.20	%	31.12.19	%	31.12.18	%
From the profit and loss account							
Net interest income		**2 068**	**1,77 %**	2 097	1,92 %	1 896	1,86 %
Net fee- and other operating income		**1 299**	**1,11 %**	1 116	1,02 %	1 057	1,04 %
Net income from financial investments		**693**	**0,59 %**	911	0,84 %	463	0,45 %
Total income		**4 060**	**3,48 %**	4 124	3,78 %	3 416	3,35 %
Total costs		**1 626**	**1,39 %**	1 640	1,50 %	1 474	1,45 %
Result before losses		**2 434**	**2,08 %**	2 484	2,28 %	1 942	1,91 %
Losses		**332**	**0,28 %**	11	0,01 %	22	0,02 %
Result before tax		**2 102**	**1,80 %**	2 473	2,27 %	1 920	1,89 %
Tax		**360**	**0,31 %**	409	0,38 %	374	0,37 %
Defecit non-current assets held for sale		**0**	**0,00 %**	2	0,00 %	4	0,00 %
Result after tax		**1 742**	**1,49 %**	2 062	1,89 %	1 542	1,51 %
Interest hybrid capital		**33**		28		20	
Result after tax ex. interest hybrid capital		**1 709**		2 034		1 522	
Profitability							
Return on equity capital	1	**12,6 %**		15,9 %		13,0 %	
Interest margin	2	**1,77 %**		1,92 %		1,86 %	
Cost/income	3	**40,0 %**		39,8 %		43,1 %	
Balance sheet figures and liquidity							
Total assets		**117 298**		111 524		106 156	
Average assets	4	**116 810**		108 989		101 855	
Liquidity Coverage Ratio (LCR)		**142**		156		172	
Solidity							
Common Tier I Capital ratio		**17,5 %**		17,2 %		14,5 %	
Tier I Capital ratio		**18,9 %**		18,8 %		16,0 %	
Total regulatory Capital ratio		**20,9 %**		20,6 %		18,1 %	
Common Tier I Capital		**12 019**		11 472		10 334	
Tier I capital		**12 991**		12 496		11 396	
Total eligible capital		**14 366**		13 726		12 904	
Adjusted risk-weighted assets base		**68 588**		66 609		71 167	
Leverage Ratio		**7,6 %**		7,7 %		7,2 %	
Branches and full-time employees							
Branches		**36**		38		38	
Manyears		**897**		904		841	

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 decucted 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

	4Q20	2019	2018	2017	2016	2015	2014	2013	2012	2011
1) NONG Quoted/market price (NOK)	**74,60**	78,50	62,80	62,25	52,25	36,70	39,90	35,50	24,70	28,90
2) Number of Equity Certificates (EC) issued (mill)	**100,40**	100,40	100,40	100,40	100,40	100,40	100,40	100,40	74,40	74,00
3) Quoted/market price EC issued (NOK mill)	**7.490**	7.881	6.305	6.250	5.246	3.685	4.006	3.564	1.837	2.139
4) Quoted/market price total equity (mill)	**16.156**	17.000	13.600	13.481	11.315	7.948	8.464	7.530	4.418	5.083
5) Allocated dividend per EC (NOK)	**3,9**	4,00	4,00	4,00	3,45	2,00	1,90	1,10	1,02	1,25
Paid-out dividend per EC (NOK)	**4,00**	4,00	4,00	3,45	2,00	1,90	1,10	1,02	1,25	1,81
6) Dividend yield	**5,2 %**	7,0 %	6,4 %	6,4 %	6,6 %	5,4 %	4,8 %	3,1 %	4,1 %	4,3 %
7) Total yearly return	**25,2 %**	31,4 %	7,3 %	25,7 %	47,8 %	-3,3 %	15,5 %	47,9 %	-10,2 %	-18,7 %
Total equity capital Parent bank (NOK mill)	**13.505**	13.065	11.312	10.617	9.336	8.198	7.735	7.200	5.589	5.264
Total equity capital Group (NOK mill)	**15.022**	14.172	13.058	12.299	11.011	9.961	9.343	8.502	6.832	6.408
8) Equity capital per EC Group (NOK)	**65,76**	61,84	56,70	54,34	50,84	46,00	44,05	40,08	38,19	36,43
9) Result per EC Group, adjusted for interest hybrid capital (NOK)	**7,89**	9,39	7,03	6,60	5,54	5,10	4,64	4,14	4,01	2,72
10) Totalresult per EC Group, adjusted for interests hybrid capital (NOK)	**7,89**	9,26	6,80	6,95	5,79	4,11	5,17	4,13	3,36	2,75
11) P/E (Price/Earnings per EC Group) (NOK)	**9,45**	8,36	8,94	9,43	9,03	8,93	7,72	8,59	7,34	10,51
12) P/B (Price/Book Value per EC Group) (NOK)	**1,13**	1,27	1,11	1,15	1,03	0,80	0,91	0,89	0,65	0,79
13) Pay-out ratio Group	**49,4 %**	58,6 %	56,9 %	60,5 %	59,6 %	48,7 %	36,8 %	26,6 %	11,8 %	19,7 %
EC ratio overall as at 31.12.	**46,36 %**	46,36 %	46,36 %	46,36 %	46,36 %	46,36 %	47,33 %	47,33 %	41,59 %	42,07 %
EC ratio overall as at 01.01. used for allocaton of result	**46,36 %**	46,36 %	46,36 %	46,36 %	46,36 %	47,33 %	47,33 %	42,91 %	42,07 %	38,74 %

1) Quoted/market price ajusted 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

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(Figures in brackets are for the same period/date in 2019, unless otherwise specified).

Highlights

NOK mill	4Q20	3Q20	Change	31.12.20	31.12.19	Change
Operating costs	432	398	34	1.626	1.640	-14
Profit after tax	374	497	-123	1.742	2.062	-320
Return on equity *)	10,2 %	14,5 %	-4,2 %	12,6 %	15,9 %	-3,3 %
Earnings per equity certificate	1,66	2,28	-0,61	7,89	9,39	-1,50
Common tier 1 capital ratio**)	17,5 %	17,2 %	0,3 %	17,5 %	17,2 %	0,3 %
Loan losses	73	58	15	332	11	321
Lending growth***)	1,9 %	6,5 %	-4,6 %	4,4 %	6,7 %	-2,2 %
Growth in deposits***)	8,2 %	-7,6 %	15,8 %	7,5 %	6,3 %	1,2 %

**) 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 decucted from equity, and profit after tax are adjusted for NOK 32 million interests on hybrid tier 1 securities at 4q 20.
***) Calculated common tier 1 capital ratio including profit, excl. dividend.*
****) Annualized*

Macroeconomic trends

Global

Coordinated global attempts to limit the outbreak of covid-19 and the highly restrictive measures that have followed have had a major impact on overall growth in the global economy in 2020. The drop in economic activity was particularly deep and dramatic in 2Q. Although growth improved significantly in the latter part of the year, overall global growth for the year was negative. The industrialised countries were hit hardest. Highly expansive fiscal and monetary policy measures were quickly implemented across the world in order to remedy the real economic consequences of the virus outbreak, which included rising unemployment, falling investment and weaker capacity utilisation. Many of the world's central banks, including Norway's, cut their policy rates to zero. At the same time, strong long-term measures were introduced that have contributed to ample access to capital and good liquidity in the financial services market. At the start of the New Year, global interest rates are at a very low level. This situation is expected to continue, although the trend may have changed since long-term interest rate and inflation expectations have risen a bit following clarification of the presidential election in the USA.

National debt levels in Europe and the USA have risen from already high levels. The debt was issued successively in order to finance various packages of measures intended to ensure liquidity for both households and those sectors of business that have experienced, and that to some extent are still experiencing, a dramatic drop in their earnings base. The US authorities have gone as far as directly transferring cash to the general public, the last round of which was approved at the very end of the year. Preliminary estimates from the IMF indicate annual global growth was -4.4 % in 2020. In the USA and our most important trading partners in the eurozone, annual growth was negative to the tune of around -3.7 % and -7.5 %, respectively (figures from SpareBank 1 Markets). Although some strict measures, especially in Europe, appear to be slowing economic recovery, positive vaccine news underpins the belief in growth bouncing back in 2021. The IMF is forecasting annual global growth of 5.2 % in 2021, although a great deal of uncertainty surrounds the estimates.

The Norwegian economy

Activity in the Norwegian economy was heavily impacted by infection control measures in 2020. As a small, open, export-oriented economy, we are also affected by lower economic activity internationally. Total value creation in Mainland Norway fell sharply in 2Q (by around 8 % according to figures from the national accounts) and although growth picked up significantly in the latter part of the year, preliminary estimates indicate total GDP growth of -3.5 % in 2020. The reduction in activity in the Norwegian economy also had major consequences for the real economy. Unemployment, which has been low and stable for several years, rose to more than 10 %, primarily driven by furloughs. Unemployment has fallen in line with the gradual reopening of the economy. Fewer people are furloughed now compared with the spring, although unemployment (4.2 % according to NAV) is still significantly higher than before the pandemic. One cannot exclude the possibility that prolonged restrictions, including those linked to tourism and the licensed trade, could have some permanent consequences.

After many years of strong growth, somewhat weaker growth was expected in 2020 compared with previous years even before the pandemic. This was primarily due to expectations concerning lower investments in the petroleum industry. Oil prices have at times fallen to very low levels during the year due to strong demand and supply shocks (global lockdown and overproduction, respectively) and at the time of writing are about 15 % lower than at the beginning of the year. It is possible that lower oil prices and a greater focus on sustainability could put further pressure on profitability and the willingness to invest on the Norwegian Continental Shelf. Were a global recovery to result in higher oil process, this could pull in the opposite direction.

Falling oil prices and greater uncertainty have historically produced a poor climate for the Norwegian kroner (NOK), and 2020 has been no exception. A weak NOK is positive for exporters but results in some imported inflation. If very low electricity prices are ignored, inflation has risen somewhat during 2020. Core inflation (inflation less energy prices), which is Norges Bank's preferred measure of inflation, was around 2.9 % measured at the end of November. This is somewhat higher than the inflation target and would in normal circumstances be an argument in favour of higher interest rates. However, 2020 has been anything but a normal year and Norges Bank therefore reacted quickly and cut its policy rate to 0 %. At the same time, zero interest rates are indicated for a long time to come (until 3Q 2022 according to the monetary report 4/20). Meanwhile, from experience we know that forecasts change quickly in line with economic developments and the market appears to be assuming increased interest rates from as early as autumn 2021.

The low rates appear to have provided good support for the Norwegian housing market. The activity has been high and the growth in prices the same. According to figures from Real Estate Norway, at the end of December house prices were 8.7 % higher than twelve months ago. This means further pressure on households' debt burden, which has increased over a long time. Norwegian retail sales also provided a positive surprise during the autumn and indicate a shift away from service to product consumption. Price inflation in the housing market and strong retail sales may indicate that many households did not see their income significantly reduced in 2020.

The northern Norwegian economy

A high level of activity in export-oriented industries has contributed to stronger growth in Northern Norway. Continued high demand for northern Norwegian raw materials, combined with a large public sector, lower oil exposure and low local infection spread have contributed to Northern Norway, to date, being less directly impacted by the virus outbreak than the rest of the country. For example, unemployment has generally been lower in the north during the entire pandemic. Figures from NAV show the lowest unemployment in Nordland (3.0 % as at December 2020), although Troms and Finnmark (3.2 %) also have lower unemployment rates than the national average of 4.2 %. However, there is still some concern about demographic trends in the region as far as the big picture is concerned. Population decline in large parts of the region and at the same time only half of young adults believe the region provides good career opportunities (Barometer 2020, KBNN.no). Paradoxically, business leaders in Northern Norway say they face challenges recruiting the right skills. This structural contradiction is therefore a long-term challenge for Northern Norway.

Another key the region faces is in relation to the climate and sustainability. Climate change is particularly visible in the northern regions, and the Intergovernmental Panel on Climate Change's report on oceans and polar regions states that the world's oceans are absorbing the majority of the excess energy caused by global warming. This could impact marine ecosystems and, implicitly, fisheries and the aquaculture industry, which are very important for Northern Norway. In which direction though it is impossible to say. Climate change could go both ways, and could also provide new opportunities in the north, both within fisheries and aquaculture. It is also possible that the increased use of Arctic trade routes could have positive ripple effects for the region. In this context, please also refer to the Economic Barometer for Northern Norway (KBNN.no) with regards to climate risk, which was conducted in 2020.

A significant proportion of Norwegian seafood exports originate from our region. The weak NOK exchange rate has helped to keep profitability up, both in this and other export industries in 2020. The total value of seafood exports from the north is approx. 20% lower per 30.11.20 than it was at the same time in 2019. Lower demand from important export markets in Europe, and especially the HORECA segment which consists of the hotel and restaurant industry is a significant reason for this. However, it is worth mentioning that 2019 was a record year and that the total value of exports as at November 2020 exceeded the total value for 2018. In other words, demand has remained at a high level.

The tourism industry has seen strong growth and become more professional in recent years. Strict travel restrictions resulted in sharp declines for many tourism operators, for both winter and summer tourism. Although many Norwegians spent their summer holidays in the north this year, with Nordland in particular seeing good visitor numbers, figures from the Economic Barometer (KBNN.no) show a sharp drop in air and cruise traffic, as well as reductions in the use of hotel and other accommodation capacity. Employees from these segments also top the furlough statistics in the north (KBNN.no).

Northern Norwegian housing prices have risen by 8.4 % in the past 12 months (as at 31.12.20). This is slightly below the national average, although growth in the largest cities (Bodø and Tromsø) has been strong. Bodø (incl. Fauske) topped the growth statistics with 11.1 %, while prices in Tromsø have risen by 7.4 %. Tromsø is the only northern Norwegian city with higher housing prices than the national average (measured in terms of price per square metre). The strong growth may indicate that the coronavirus was not a significant factor for many households when they were considering buying their next home. Most northern Norwegian households have generally healthy finances, with a lower debt burden than the average for Norway.

In spite of challenging macroeconomic conditions in 2020, both nationally and internationally, there are signs that Northern Norway has fared well during the crisis. We have a large public sector, as well as a number of commodity-based industries, which have largely kept activity levels up. The weak NOK has also sustained export earnings.

Internationally, there is a great deal of economic uncertainty. Covid-19 will still be with us in 2021 and could still have a negative impact on the northern Norwegian economy. However, SpareBank 1 Nord-Norge basically remains optimistic about the underlying power of the northern Norwegian economy and we see good opportunities for continued growth and positive development in the region, to which the largest and most important institution can contribute – for Northern Norway.

Covid-19 and SpareBank 1 Nord-Norge

A low infection level in summer 2020 contributed to good activity in parts of the tourism industry, and many businesses experienced a surprisingly good summer season. Increasing infection pressure during the autumn, no activity in the course and conference market, and no foreign tourists resulted in a very poor autumn for tourism and transport. New restrictive measures after New Year have put further pressure on a hard-hit licensed trade and restaurant industry, and as long as the vaccination programme progresses slowly and we face the constant threat of a mutated or more transmissible virus, the outlook for these industries is also poor for winter 2021. In spite of this, the direct impact of the pandemic on other industries in Northern Norway has been limited. High infection pressure and lockdowns abroad, especially in important markets for Norwegian seafood, are resulting in increased uncertainty in the seafood sector for winter 2021. There is hope that vaccination will have positive effects on the outbreak of the disease, both nationally and internationally, during the spring and early summer 2021. If this proves to be the case, there is reason to expect that important industries in Northern Norway will come through the pandemic okay and that SpareBank 1 Nord-Norge's losses will be manageable. Should this not happen, and the pandemic becomes prolonged and further impacts the real economy, this could have negative effects for several industries. Initially, this would likely manifest itself in the form of higher losses but could over time impact both growth and the top line.

The level of losses in the portfolio remains moderate. 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 a great deal of 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. See Note 2 in the quarterly report for further details.

As at 31.12.20, losses of MNOK 332 had been recognised as costs. Most of these (MNOK 204) are included in the ECL calculation pursuant to IFRS 9, as a direct consequence of the covid-19 outbreak, and are explained by, among other things, downwards adjusted macroscenarios, changes to model parameters, forbearance marking and negative migration in the portfolio. A post model adjustment (PMA) amounting to MNOK 78 has also be conducted in connection with expected negative migration and changes in PD and LGD, etc. in 2021. Individual losses remain at a low level and amounted to MNOK 38 for 2020. The scope of individual losses going forward will depend on the future course 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.

During 2020, the Bank assisted customers with liquidity and financing in order to get them through a difficult period. We can see that many of the companies that experienced challenges in March/April are now in a much better situation and we experienced good growth during 2020 in both the retail and corporate markets. In our assessment of the situation, the greatest risk remains linked to tourism and transport, especially if vaccination takes a long time and we do not see something approaching normalisation from summer 2021. These are, therefore, industries to which we pay extra attention.

The risk of further negative effects due to covid-19 is thus great if we see a new wave of infections and/or the vaccine rollout is delayed further, or if the vaccine does not work as foreseen.

There is nothing so far to suggest that the pandemic will call for additional capital injections to safeguard the Group's holdings or have a significant long-term effect on the Bank's financial strength, but this could change if, contrary to expectations, the crisis lasts longer than thought.

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 2020.

Sustainability

As one of the world's most northerly financial groups, SpareBank 1 Nord-Norge is obliged to take into account factors that impact 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 Financial 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	4Q20	3Q20	Change	31.12.20	31.12.19	Change
Total income	958	1.070	-112	4.060	4.124	-64
Total costs	432	398	34	1.626	1.640	-14
Losses	73	58	15	332	11	321
Tax	79	117	-38	360	409	-49
Defecit non-current assets held for sale	-	-		-	2	-2
Profit after tax	374	497	-123	1.742	2.062	-320

The income statement shows a profit after tax of MNOK 374 (MNOK 249) for 4Q 2020 and MNOK 1,742 (MNOK 2,062) for the full year 2020. This represents a return on equity capital of 12.6 % (15.9 %). The profit for the year is characterised as good.

The Group's profitability target is a return on equity that is among the best for comparable financial groups, which is currently 12 % or higher.

The results for 2020 include a gain of MNOK 340 (MNOK 460) from the second part of the insurance merger between SpareBank 1 Forsikring AS and DNB Forsikring AS. This is described in more detail in the 'Financial investments' section below. The return on equity capital in 2020 exclusive of this gain was 10.1 % (12.3 %).

Net interest income

Net interest income amounted to MNOK 2,068 in 2020 (MNOK 2,097).

Net interest income represented 1.77 % (1.92 %) of average total assets.

Income from the loan portfolio transferred to SpareBank 1 Boligkreditt (SB1BK) and SpareBank 1 Næringskreditt (SB1NK) totalled MNOK 114 in 4Q 2020 (MNOK 72) and is booked as commission income.

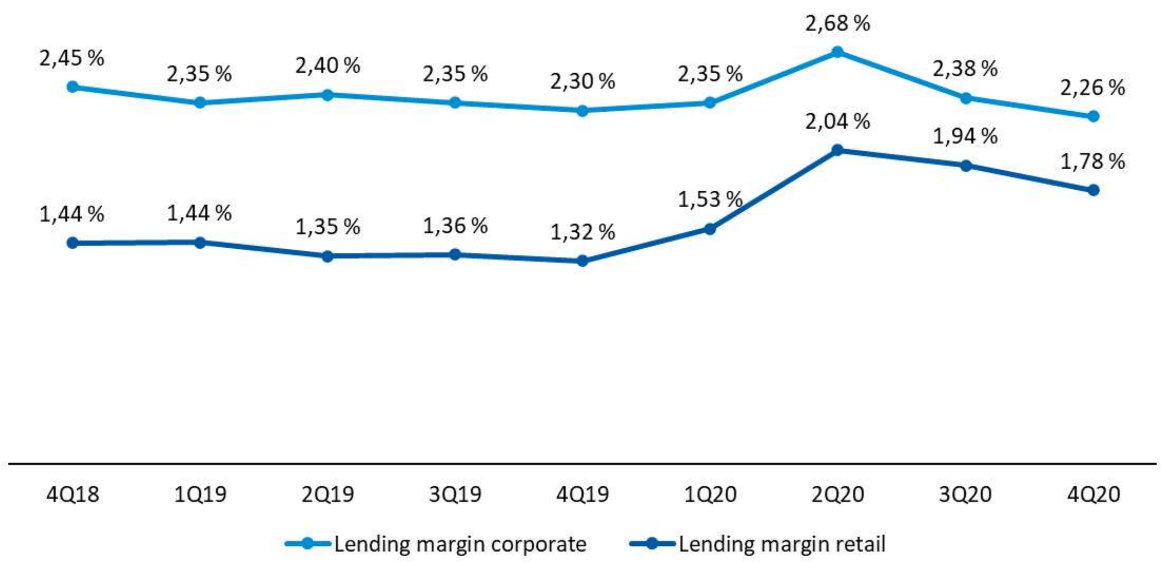
Compared with 3Q 2020, the changes in net interest income, including commission income from the transferred loan portfolio but excluding fees for the deposit guarantee fund and emergency initiatives fund (formerly known as the Guarantee Fund), were as follows in 4Q 2020:

Net interest income incl. comission transferred loans	Chance last quarter NOK mill
Effect of days	0
Margin effects	-16
Effect volume	6
Other effects	6
Total effects	-4

Development of deposit and lending margins (measured against average three-month NIBOR)

Norges Bank reduced its policy rate by 0.50 percentage points on 13.03.20, 0.75 percentage points on 20.03.20, and a further 0.25 percentage points to zero from 07.05.20, a total of 1.50 percentage points in 1H 2020. No changes to the policy rate have been made since then. The Bank reduced its mortgage and deposit rates by up to 0.85 percentage points from 03.04.20 and a further 0.40 percentage points from 25.05.20, a total of 1.25 percentage points this year.

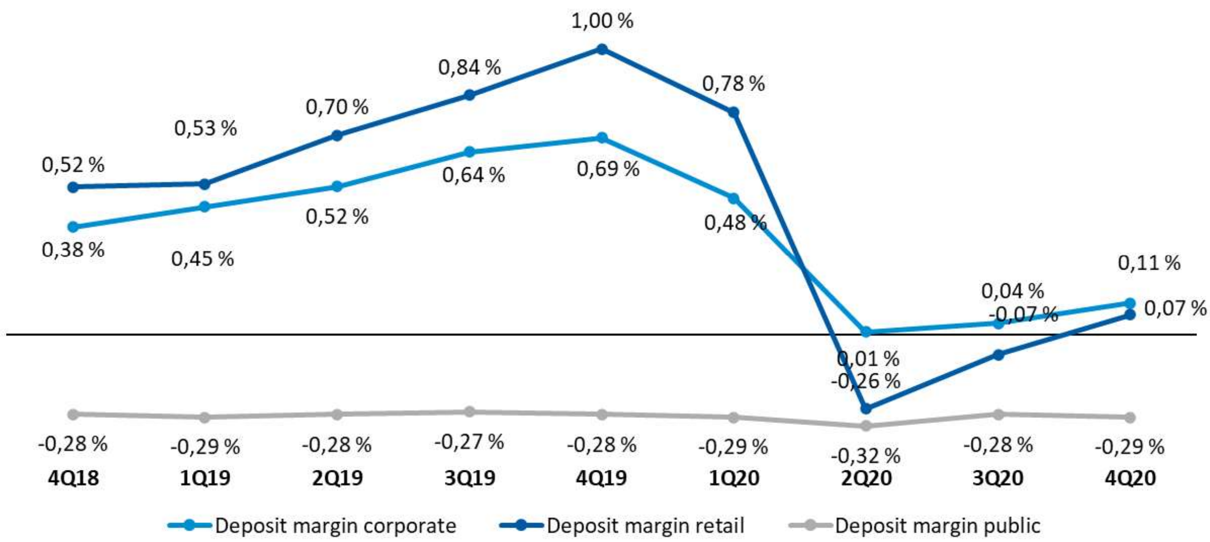
Development of lending margin versus three-month NIBOR



The ongoing pandemic is presenting economic challenges for both private individuals and companies in Northern Norway. The authorities cut interest rates in order to reduce the economic burden on businesses and households. The fact that the margin has fallen more in the corporate market (CM) than in the retail market (RM) is due to the fact that a large proportion of the loans in the CM are directly linked to NIBOR interest rate developments. The Bank has managed to maintain a slightly higher margin in the RM, but the competition within prices for well-collateralised mortgage loans is significant, which is making it difficult to maintain the lending margin over time.

The future uncertainty in relation to higher unemployment, the development of the northern Norwegian economy, and the Bank's borrowing costs in the capital market mean that the Bank will monitor developments closely going forward.

Development of deposit margin versus three-month NIBOR



The drop in the deposit margin in 1H was primarily due to the drop in the NIBOR rate, which decreased significantly more than then average customer rate for deposits during 2020. The margin improved somewhat during 3Q and 4Q, although the low policy rate will also present challenges for the deposit margin going forward.

Net fee, commission and other operating income

Net fee, commission and other operating income was MNOK 29 lower for 4Q than for 3Q. This was due to a reduction in income from payment transfers attributable to both the coronavirus and seasonal variations, where 3Q is typically the best quarter of the year.

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

Financial Investments – income and events in the accounting period

Share results NOK mill	Sharehold	4Q20	3Q20	Change	31.12.20	31.12.19	Change
SpareBank 1 Gruppen	19,50 %	87	115	-28	534	712	-178
SpareBank 1 Boligkreditt	18,14 %	-3	10	-13	16	22	-6
SpareBank 1 Næringskreditt	8,60 %	1	1	0	5	7	-2
SpareBank 1 Kreditt	17,08 %	1	1	0	2	13	-11
SpareBank 1 Betaling	18,57 %	1	-1	2	-1	3	-4
BN Bank	9,99 %					28	-28
Other companies	20,00 %	4	-1	5	4	-4	8
Sale of Group company		-6	0	0	-6	34	-40
Total income associated companies		85	125	-34	554	815	-261
Share dividend		29	2	27	44	12	32
Net change value of equities		5	25	-20	50	75	-25
Net change value of bonds, currency and derivatives		-4	40	-44	42	5	37
Net change value loans at fair value, included hedging		-3	0	-3	3	4	-1
Net income from financial investments		112	192	-74	693	911	-218

SpareBank 1 Gruppen's booked profit after tax for 2020 amounted to MNOK 1,405 (MNOK 1,291) for the controlling interest's share.

Personal risk products from SpareBank 1 Forsikring AS and DNB Livsforsikring AS, as well as the employer-funded personal risk cover from SpareBank 1 Forsikring AS, were transferred to Fremtind Livsforsikring AS on 01.01.20. The merger of the personal risk products on 01.01.20 resulted in increased equity for SpareBank 1 Gruppen at a group level. The controlling interests (the SpareBank 1 banks and the Norwegian Confederation of Trade Unions (LO)) share of this increase was approximately BNOK 1.7. SpareBank 1 Nord-Norge's share of this increase (19.5 %) amounted to around MNOK 340, which was recognised through profit or loss in 1Q 2020 (the corresponding gain from the first part of the merger in 2019 was MNOK 460).

SpareBank 1 Nord-Norge's total income from SpareBank 1 Gruppen in 2020 thus amounted to MNOK 535 and consisted of the result contribution of MNOK 195 plus the addition of the above-mentioned MNOK 340 gain from the merger (MNOK 712).

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 Gjeldsinformasjon AS, SpareBank 1 Mobilitet AS and Betr AS.

The company Betr AS was sold in 4Q 2020. MNOK 5.8 was recognised as a realised loss on securities in connection with this.

The Group's equities portfolio

As at 31.12.20, the Group's equities portfolio amounted to MNOK 714 (MNOK 791). The portfolio has seen a positive change in value of MNOK 30 in the last quarter. Of this, MNOK 4.6 was due to an increase in the value of the stakes in BN Bank AS and Visa. In December

2020, Visa C preference shares were converted to Visa A shares. SpareBank 1 Nord-Norge owns this type of share through two companies: VN Norge (which is jointly owned with other Norwegian banks) and Visa Pref C (directly owned by SpareBank 1 Nord-Norge). Half of the holdings of both companies were converted and could therefore be sold. A decision was made to sell the newly converted A shares in both companies and in December the Bank received proceeds/a dividend of MNOK 29.2 for the part held by VN Norge AS. The gain/dividend for the other part amounted to MNOK 15.5 and was received in January 2021. As at 31.12.20, the total value of the shares related to Visa amounted to MNOK 182.

Certificates, bonds, currency and derivatives
As at 31.12.20, the Group's holdings of certificates and bonds amounted to MNOK 18,079, compared with MNOK 15,837 at the same time last year.

Total net changes in value for 4Q 2020 in this bond portfolio represent a net unrealised loss of MNOK -4 (MNOK 40), consisting of a positive change in value for the portfolio reduced by credit premiums (spread contraction), as well as negative changes in value in the currency and money markets in the period up to the end of the year.

A summary of the Group's derivatives as at 31.12.20 is provided in Note 10 in the quarterly report.
Movements in the currency and money markets had a heavy negative impact on the fair value of these securities at the beginning of the year. This improved significantly during the course of the year.

Subsidiaries and second tier subsidiaries
The Group's subsidiaries achieved a combined profit before tax of MNOK 235 for 2020 (MNOK 204), 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 for 2020 compared with 2019:

NOK mill	**31.12.20**	31.12.19	Change
SpareBank 1 Finans Nord-Norge AS	**132**	124	8
SpareBank 1 Regnskapshuset Nord-Norge AS	**19**	17	2
EiendomsMegler 1 Nord-Norge AS	**30**	13	17
Other subsidiaries	**- 3**	- 3	0
Total	**178**	151	27

SpareBank 1 Finans Nord-Norge AS sold its MNOK 135 portfolio of consumer financing to the alliance company SpareBank 1 Kreditt AS in 4Q 2020.

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

Operating costs
The Group's costs for 2020 were MNOK 1,626 (MNOK 1,640), 1 % lower than in 2019. This was due to a MNOK 45 reduction in costs in the Parent Bank, while the Group's subsidiaries

saw an increase in costs totalling MNOK 31, largely due to acquisitions in SpareBank 1 Regnskapshuset Nord-Norge and a high level of activity in EiendomsMegler 1 Nord-Norway. The Group's costs for 4Q seen in isolation decreased by MNOK 34 compared with 3Q 2020.

As a consequence of the Group's profitability project, which was approved in December 2019, a series of cost cutting decisions were made and the measures 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 have their full effect during 2021. The announced closure of 16 branches 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 as at the end of 2021. As a consequence of the cost-cutting measures, the profitability project set a maximum target for cost growth of 2 % for 2020 and 0 % or lower for 2021. The trend in 2020 with a decrease of 1 % is thus within the target range.

The Group's long-term target is a cost/income ratio of 40 % or lower.
As at 31.12.20, this ratio was 40.0 % (39.8 %) for the Group and 37.7 % (28.8 %) for the Parent Bank. Adjusted for the aforementioned gain from the Fremtind merger and the aforementioned restructuring costs, the cost/income ratio was 43.7 % (42.9 %) for the Group and 35.5 % (29.5 %) for the Parent Bank. The cost/income ratio for basic operations in the Group (excluding income from financial investments and provisions for restructuring costs) was 3 % higher at the end of 4Q than for the same period last year.

The Group had 897 FTEs as at 31.12.20 (904). Compared with 30.09.20, this was twelve FTEs fewer (13 fewer in the Parent Bank and one more in subsidiaries). The Parent Bank had 565 FTEs as at 31.12.20 (584). On 01.01.21, a further 18 FTEs joined the Group. 16 of them joined the Parent Bank and two the subsidiaries.

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 in 2020 amounted to MNOK 332 (MNOK 11): MNOK 9 (MNOK 14) from the retail market and MNOK 316 (MNOK -3) from the corporate market. Other losses of MNOK 7 were also established in connection with a subordinate loan from the subsidiary SpareBank 1 Portfolio to a part-owned company in SpareBank 1 Portfolio.

As at 31.12.20, total loss provisions on loans and guarantees came to MNOK 823, which is MNOK 303 higher than at the end of the previous year. Loss provisions for loans amounted to 0.91 % (0.60 %) of the Group's total gross lending, and 0.64 % (0.42 %) of gross lending to customers inclusive of intermediary loans.

As at 31.12.20, the Group's total loss provisions for loans and guarantees classified as Stage 3 amounted to MNOK 167 (MNOK 152). This equates to a loss provision ratio of 45 % (43 %) of non-performing and doubtful commitments. Overall the provisions were MNOK 2 lower than in the previous quarter: MNOK 13 higher in the Parent Bank, but MNOK 15 lower in the subsidiary SNN Finans after it sold its portfolio of consumer financing as mentioned above.

As at 31.12.20, loss provisions for loans and guarantees classified as Stage 1 and Stage 2 amounted to MNOK 656 (MNOK 368), MNOK 57 higher than at the end of the previous quarter. The increase was largely attributable to the manual transfer of commitments from Stage 1 to Stage 2 in the ECL calculation to take account of the expected negative migration in the portfolio due to covid-19.

Please refer in particular to Note 2 in the quarterly report, which describes the Group's assessments concerning factors affecting loss provisions as at 31.12.20. Please also see Notes 7 and 8 in the quarterly report. Note 7 provides an overview of total loss provisions as at 31.12.20, 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	**31.12.20**	31.12.19	Change	30.09.20	Change
Retail lending	**88.712**	86.287	2,8 %	88.413	0,3 %
Corporate lending	**38.410**	35.446	8,4 %	38.109	0,8 %
Total lending customers incl. intermediary l	**127.122**	121.733	4,4 %	126.522	0,5 %
Total lending customers excl. intermediary	**88.977**	85.692	3,8 %	89.210	-0,3 %
Deposits retail	**40.363**	36.489	10,6 %	40.163	0,5 %
Deposits corporate [1)]	**32.795**	31.541	4,0 %	31.524	4,0 %
Total deposits	**73.158**	68.030	7,5 %	71.687	2,1 %
Deposits as % of lending excl. intermediary	**82,2 %**	79,4 %	2,8 %	80,4 %	1,9 %
Total assets	**117.298**	111.524	5,2 %	119.021	-1,4 %

[1)] *Incl. government market*

Lending

As at 31.12.20, loans totalling BNOK 38 (BNOK 36) 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. However, comments that deal with the growth in lending also include these intermediary loans.

In 4Q 2020, the Group saw lending growth (not annualised) in the retail market of 0.3 %, and 0.8 % in the corporate market. Due to the coronavirus situation, the level of uncertainty surrounding future developments is unusually high. If the coronavirus wave we are currently seeing in Europe and internationally does not have a negative impact on the northern Norwegian economy, we expect continued good lending growth next year, albeit somewhat weaker than we have seen in the past few years.

In 2020, the Bank implemented measures in connection with the coronavirus situation in the form of granting customers interest-only instalment holidays and offering government guaranteed liquidity loans. By the end of 2020, MNOK 343 had been paid out in government guaranteed liquidity loans to around 160 customers.

The competition is strong, especially in the mortgage market, but the Group is competitive and is taking market shares. Initially, following the interest rate hikes in autumn 2019, underlying market growth was expected to fall slightly in 2020. Given the coronavirus situation, it is difficult to assess future developments with certainty, but we anticipate lending growth of 2-5 % in the RM and 4-6 % in the CM for the full year 2021. The growth forecasts incorporate a greater range of potential outcomes than normal because of the covid-19 pandemic and how it may develop.

The retail market accounted for 70 % of total loans as at 31.12.20 (71 %).

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 31.12.20, the deposit coverage rate (excluding intermediary loans) was 82 % (79 %). 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 31.12.20, the liquidity coverage ratio (LCR) was 142 % (156 %). As at 31.12.20, the net stable funding ratio (NSFR) was 118 % (118 %).

Please refer also to Note 16 in the quarterly report on liquidity risk.

SNN Rating 31.12.20	Moody's	Fitch
Senior preferred rating	Aa3	A+
Senior non-perferred rating	A3	A

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',[2] etc. This reduced the risk-weighted calculation basis for Norwegian IRB banks, including SpareBank 1 Nord-Norge. As a consequence of this, the Norwegian authorities worked on changes linked to other capital requirements throughout 2020. The changes were adopted in December 2020 and entail the following:

- The systemic risk buffer requirement increases from 3 to 4.5 %. The requirement applies from the end of 2020 for Norwegian AIRB banks (including SpareBank 1 Nord-Norge) and from the end of 2022 for other banks. SpareBank 1 Nord-Norge has commitments in a number of other countries that have a lower/no buffer requirement. This means that the weighted institution-specific systemic risk buffer is 4.21 %.

- However, minimum requirements (floors) are being introduced for average risk weightings for mortgage loans and commercial property loans of 20 % and 35 %, respectively. The ratios have not been actualised for SpareBank 1 Nord-Norge at this point in time.

The countercyclical capital buffer increased from 2.0 % to 2.5 % in Norway on 31.12.19. As a consequence of covid-19, the countercyclical capital buffer requirement was reduced from 2.5 % to 1 % with effect from 13.03.20. Norges Bank is expected to advise increasing the buffer requirement during 2021. When a decision is made to increase the buffer requirement, the implementation date is normally 12 months after the decision has been made. Norges Bank envisages the buffer returning to 2.5 % in the long term. SpareBank 1 Nord-Norge exceeds the threshold of 2 % international exposure and has calculated the Group's countercyclical capital buffer to be 0.98 %.

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

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

	Q420	Q320	Q120	Q419
Minimum requirments CET1	4,5 %	4,5 %	4,5 %	4,5 %
Systemic risk buffer	4,2 %	3,0 %	3,0 %	3,0 %
Counter cyclical buffer	1,0 %	1,0 %	1,0 %	2,5 %
Capital conservation buffer	2,5 %	2,5 %	2,5 %	2,5 %
Lower limit Pillar 2	1,5 %	1,5 %	1,5 %	1,5 %
Total regulatory minimum requirements	13,7 %	12,5 %	12,5 %	14,0 %
Internal capital buffer target	1,0 %	1,0 %	1,0 %	1,0 %
SNN internal capital target	14,7 %	13,5 %	13,5 %	15,0 %

SpareBank 1 Nord-Norge aims to maintain incontestable financial strength and satisfy the regulatory minimum requirements for capital adequacy at all times. The Group has a target for its core Tier 1 capital ratio of 1.0 percentage point above the regulatory minimum requirement, which resulted in a target core Tier 1 capital ratio of 14.7 per cent by the end of 2020.

	31.12.2020	31.12.2019	Change	30.09.2020	Change
Common tier 1 capital ratio	**17,5 %**	17,2 %	0,3 %	17,2 %	0,3 %
Tier 1 capital ratio	**18,9 %**	18,8 %	0,2 %	18,6 %	0,3 %
Capital adequacy ratio	**20,9 %**	20,6 %	0,3 %	20,5 %	0,4 %
Leverage ratio	**7,6 %**	7,7 %	-0,1 %	7,5 %	0,1 %

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 AS.

The Group's core Tier 1 capital (incl. share of the profit) has increased by MNOK 114, or 1 %, since the previous quarter. This was mainly due to the profit from 4Q 2020, after taking into account dividend provisions, as well as higher deductions for significant assets in other financial institutions.

The total calculation basis (risk-weighted assets (RWA)) has decreased by around MNOK 644 in 4Q 2020, of which MNOK 445 occurred in the Parent Bank. This mainly consists of a decrease in weighted exposure in derivatives (credit value adjustment (CVA supplement)). The remaining decrease in the calculation basis comes from consolidated associated companies, as well as an increase in RWA after the annual adjustment of operation risk.

Also see Note 5 in the quarterly report.

Proposed profit allocation

On 20.01.21, the Ministry of Finance published the following:

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

The Ministry of Finance expects that Norwegian banks which, after a careful assessment and based on the ESRB's recommendation, find grounds for distributing profits, will keep total distributions within a maximum of 30 % of cumulative annual profits for the years 2019 and 2020, until 30 September 2021. This is conveyed in a letter that the Ministry today has sent to Finanstilsynet [the Financial Supervisory Authority of Norway]*, in response to Finanstilsynet's proposal for such a threshold of 25 %.*

The proposed distribution of the profit for 2020 is in line with the expectations of the Norwegian authorities. The dividend calculation is based on the Group's profit after tax, adjusted for accrued interest on issued hybrid Tier 1 instruments. After this, the profit after tax is distributed between the equity certificate holders and the Bank's community-owned capital in accordance with the relative distribution of equity capital between the owner groups in the Parent Bank as at 01.01.20, 46.36 % and 53.64 %, respectively. Based on this, the Board proposes the following allocation of the profit to the Bank's Supervisory Board for 2020:

NOK mill	**31.12.2020**	31.12.2019	Change
Parent Bank's profit after tax	**1.742**	2.062	- 320
Interests hybrid capital	**32**	28	4
Profit to allocate	**1.710**	2.034	- 324
Cash dividend per ECC (NOK)	**3,90**	4,00	1,50
Allocated to cash dividend	**392**	402	- 10
Allocated to dividend equalisation fund	**401**	541	- 140
Total to the equity certificate holders	**793**	943	- 150
Share of profit	***46,36 %***	*46,36 %*	*0,00 %*
Allocated to donations	**453**	464	- 11
Allocated to the Saving Banks Fund	**464**	627	- 163
Total to the Bank's community-owned capital	**917**	1.091	- 174
Share of profit	***53,64 %***	*53,64 %*	*0,00 %*
Total allocated	**1.710**	2.034	- 324
Withheld share of Group result	**50,6 %**	57,4 %	6,8 %
Withheld share of Parent Bank result	**36,6 %**	67,4 %	30,8 %
Payout ratio Group	**49,4 %**	42,6 %	-6,8 %
Payout ratio Parent Bank	**63,4 %**	32,6 %	-30,8 %

The allocation of the profit entails an equal payout ratio for the Bank's equity certificate holders and community-owned capital. The payout ratio amounts to a total 49.4 % % (42.6 %) of the Group's profit. The provision is in line with the Group's dividend policy.

In determining the proposed dividend, thorough assessments of the Group's financial strength, liquidity and financial performance were carried out, including stress tests showing the consequences of negative scenarios. These assessments indicate that the proposed dividend is prudent. As at 31.12.20, capital adequacy, after the proposed dividend, is significantly higher than both the regulatory requirement and the internal target. This means that our loss-absorbing capacity is high. Nevertheless, please note that the Financial Supervisory Authority of Norway can, when considerations regarding the financial institution's financial strength indicates it is appropriate, instruct a bank not to distribute a dividend or to distribute less that what has been proposed by the Board or approved by the Supervisory Board.

The Bank will continue to emphasise providing a competitive direct return for the Bank's owners. Nonetheless, the future payout rate will have to take into account the Group's capital adequacy and opportunities for future profitable growth.

In line with the Ministry of Finance's aforementioned recommendation, the following process is proposed for the distribution of the dividend in 2021:

The proportion of the proposed dividend in line with the authorities' recommendation will be paid out to those equity certificate holders registered as owners as at 25.03.21. The Bank's equity certificates will be traded ex dividend as at 26.03.21. The Board will be authorised to assess payment of the remainder of the approved dividend in 4Q 2021.

NOK mill	**31.12.20**	31.12.19	Change
Allocated to cash dividend	**392**	402	10
Allocated to dividend equalisation fund	**453**	464	11
Total allocated dividend	**845**	866	21
Maximum dividend according to Ministry of Finance			
after desission of the Bank's Supervisory Board			
(30 % of cumulative annual profits for the years 2019 and 2020)	**275**		
Payment of the remainder dividend after 30.09.21	**570**		
Total proportion of dividend payment	**845**		

The equity certificate holders' proportion of the equity (ownership fraction) has not changed and was calculated as 46.36 % as of 01.01.21.

The Bank's equity certificate holders

NOK mill	**31.12.2020**	31.12.2019	Change	30.09.2020	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	**9.786**	9.201	585	10.086	-300
Proportion of northern Norwegian holders	**19 %**	19 %	1 %	20 %	0 %
Proportion of foreign holders	**49 %**	36 %	13 %	49 %	0 %
Market price NOK	**74,60**	78,50	-3,90	64,20	10,40
Market value	**16.156**	17.000	-845	13.903	2.252
Earnings per equity certificate	**7,89**	9,39	-1,50	6,23	1,66
Price/Earnings	**9,5**	8,4	1,1	10,3	-0,9
Price/Book value	**1,1**	1,3	-0,1	1,0	0,1

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

Concluding remarks and outlook

During the years, the northern Norwegian economy has proved to be robust and ready for growth, and ever since the financial crisis Northern Norway has generally been in a better macroeconomic situation than the rest of Norway. Nevertheless, at the start of 2020 there was an expectation that the macroeconomic conditions would weaken a bit relative to the rest of the country and the strong growth we have seen in the past few years.

Since the pandemic hit Norway and the world in the middle of March, the northern Norwegian economy appears to have been less directly affected by the situation than the rest of the country. Unemployment in Northern Norway has been lower than the average for Norway throughout the year. Excluding tourism and transport, which make up a relatively smaller part of the northern Norwegian economy than they do of the Norwegian national economy, the northern Norwegian economy has coped well. The public sector in Northern Norway is larger than in the rest of the country and oil-related activities account for a very small proportion of the northern Norwegian economy. The development of oil prices thus has very little direct effect on the northern Norwegian economy but will of course have an indirect impact via a weaker Norwegian economy. If the vaccines work and are rolled out as foreseen, there is reason to believe that the region will see positive economic growth in 2021.

House prices and sales have held up well and low interest rates and a weak NOK exchange rate are contributing to further positive development in the northern Norwegian economy. Meanwhile, the risk of a negative setback is higher than it was in the period before 2020. Although expectations regarding 2021 are better, 2021 is also expected to be affected by the negative impact of the coronavirus. Nevertheless, in the opinion of the Board, SpareBank 1 Nord-Norge is financially strong, has held up well during the coronavirus crisis and will strengthen its position further during 2021.

The Group's market and financial positions are good. The Group is financially very strong and has, thanks to cost cutting, reorganisation and significantly reduced distribution costs, achieved greater competitiveness. The low level of interest rates is a challenge in the short term, but SpareBank 1 Nord-Norge is well-positioned and will, by focusing more on customers, strengthen our market position and grow further in 2021.

The Group's future prospects are considered good.

Tromsø, 10.02.21

The Board of SpareBank 1 Nord-Norge

Statement of income

Parent Bank						Group			
(Amounts in NOK million)									
31.12.19	4Q19	**4Q20**	**31.12.20**		Note	**31.12.20**	**4Q20**	4Q19	31.12.19
3 045	849	**557**	**2 639**	Interest income		**2 927**	**631**	925	3 320
1 232	349	**134**	**864**	Interest costs		**859**	**133**	347	1 223
1 813	500	**423**	**1 775**	**Net interest income**		**2 068**	**498**	578	2 097
856	218	**269**	**939**	Fee- and commission income	13	**1 161**	**323**	264	1 035
92	24	**26**	**70**	Fee- and commission costs	13	**82**	**29**	27	107
11	- 5	**6**	**11**	Other operating income	13	**220**	**54**	41	188
775	189	**249**	**880**	**Net fee- and other operating income**		**1 299**	**348**	278	1 116
12	1	**29**	**44**	Dividend		**44**	**29**	1	12
1 289	0	**- 4**	**351**	Income from investments		**554**	**85**	- 22	815
382	5	**- 2**	**95**	Net gain from investments in securities		**95**	**- 2**	5	84
1 683	6	**23**	**490**	**Net income from financial investments**		**693**	**112**	- 16	911
4 271	695	**695**	**3 145**	**Total income**		**4 060**	**958**	840	4 124
580	157	**151**	**590**	Personnel costs	14	**869**	**228**	225	834
458	170	**93**	**391**	Administration costs	14	**461**	**111**	190	524
92	23	**22**	**94**	Ordinary depreciation	14	**109**	**27**	32	120
101	38	**45**	**111**	Other operating costs	14,23	**187**	**66**	55	162
1 231	388	**311**	**1 186**	**Total costs**		**1 626**	**432**	502	1 640
3 040	307	**384**	**1 959**	**Result before losses**		**2 434**	**526**	338	2 484
- 2	- 1	**68**	**290**	Losses	2,7,8	**332**	**73**	- 2	11
3 042	308	**316**	**1 669**	**Result before tax**		**2 102**	**453**	340	2 473
355	77	**67**	**304**	Tax		**360**	**79**	91	409
0	0	**0**	**0**	Defecit non-current assets held for sale		**0**	**0**	0	2
2 687	231	**249**	**1 365**	**Result after tax**		**1 742**	**374**	249	2 062
				Result per Equity Certificate					
12,28	1,03	**1,15**	**6,22**	Result per Equity Certificate, adjusted for interests hybrid capital		**7,89**	**1,66**	1,12	9,39

Other comprehensive income

Parent Bank					Group			
(Amounts in NOK million)								
31.12.19	4Q19	**4Q20**	**31.12.20**		**31.12.20**	**4Q20**	4Q19	31.12.19
2.687	231	**249**	**1.365**	Result after tax	**1.742**	**374**	249	2.062
				Items that will not be reclassified to profit/loss				
0	0	**0**	**0**	Share of other comphrehensive income from investment in assosiated companies	**17**	**6**	21	13
-53	-53	**2**	**2**	Actuarial gains (losses) on benefit-based pension schemes	**-1**	**-1**	-50	-50
13	13	**0**	**0**	Tax	**0**	**0**	12	12
-40	-40	**2**	**2**	**Total**	**16**	**0**	0	-25
				Items that will be reclassified to profit/loss				
0	0	**-27**	**-27**	Net change in fair market value of financial assets available for sale	**-27**	**-27**	0	0
0	0	**0**	**0**	Share of other comphrehensive income from investment in assosiated companies	**10**	**9**	0	-3
0	0	**0**	**0**	Tax	**0**	**0**	0	0
0	0	**-27**	**-27**	**Total**	**-17**	**0**	0	-3
2.647	191	**224**	**1.340**	**Total comprehensive income for the period**	**1.741**	**374**	249	2.034
12,09	0,85	**1,03**	**6,10**	Total result per Equity Certificate, adjusted for interests hybrid capital	**7,89**	**1,66**	1,12	9,26

SpareBank 1 NORD-NORGE

Statement of financial position

Parent Bank | **Group**

(Amounts in NOK million)

31.12.19	**31.12.20**		Notes	**31.12.20**	31.12.19
		Assets			
1 471	**360**	Cash and balances with central banks		**360**	1 471
84 712	**88 269**	Net loans	6,7,16	**89 748**	86 289
781	**705**	Shares	16	**714**	791
15 837	**18 079**	Certificates and bonds	16	**18 079**	15 837
1 110	**1 777**	Financial derivatives	11,16	**1 777**	1 110
1 403	**1 413**	Investments in Group Companies	16		
3 373	**3 541**	Investments in assosiated companies and joint ventures		**4 810**	4 257
473	**570**	Property, plant and equipment	24	**975**	1 016
		Non current assets held for sale		**0**	22
		Deduction for entangible assets		**113**	105
636	**551**	Other assets	15,18	**722**	626
109 796	**115 265**	**Total assets**		**117 298**	111 524
		Liabilities			
564	**1 274**	Deposits from credit institutions		**1 272**	563
68 074	**73 220**	Deposits from customers	20	**73 158**	68 030
24 786	**23 167**	Debt securities in issue	21	**23 167**	24 786
763	**1 356**	Financial derivatives	11,15	**1 356**	763
1 430	**1 335**	Other liabilities	7,15,19,24	**1 818**	2 000
64	**358**	Deferred tax liabilities		**455**	160
1 050	**1 050**	Subordinated loan capital	21	**1 050**	1 050
96 731	**101 760**	**Total liabilities**		**102 276**	97 352
		Equity			
1 807	**1 807**	Equity Certificate capital	22	**1 807**	1 807
843	**843**	Equity Certificate premium reserve		**843**	843
780	**780**	Hybrid capital		**780**	780
3 035	**3 253**	Dividend Equalisation Fund		**3 253**	3 035
5 990	**6 254**	The Savings Bank's Fund		**6 254**	5 990
585	**573**	Donations		**573**	585
42	**15**	Fair value reserve		**15**	42
- 17	**- 20**	Other equity capital		**1 497**	1 090
13 065	**13 505**	**Total equity**		**15 022**	14 172
109 796	**115 265**	**Total liabilities and equity**		**117 298**	111 524

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 equity
Group										
Equity at 01.01.19	1 807	843	780	2 200	5 024	585	42	1 777		13 058
Total comprehensive income for the period										
Period result				1 246	976	465		- 625		2 062
Other comprehensive income:										
Share of other comprehensive income from investment in assosiated companies								10		10
Net change in fair market value of financial assets available for sale										
Actuarial gains (losses) on benefit-based pension schemes								- 50		- 50
Tax on other comprehensive income								12		12
Total other comprehensive income								- 28		- 28
Total comprehensive income for the period				1 246	976	465		- 653		2 034
Transactions with owners										
Set aside for dividend payments				- 402						- 402
Reversal of dividend payments				402						402
Dividend paid				- 402						- 402
Other transactions				- 9	- 10			- 34		- 53
Changes in minority interests										
Payments from Donations Fund						- 465				- 465
Total transactions with owners				- 411	- 10	- 465		- 34		- 920
Equity at 31.12.19	**1 807**	**843**	**780**	**3 035**	**5 990**	**585**	**42**	**1 090**		**14 172**
Equity at 01.01.20	1 807	843	780	3 035	5 990	585	42	1 090		14 172
Total comprehensive income for the period										
Period result				633	279	453		377		1 742
Other comprehensive income:										
Share of other comprehensive income from investment in assosiated companies								27		27
Net change in fair market value of financial assets available for sale							- 27			- 27
Actuarial gains (losses) on benefit-based pension schemes								- 1		- 1
Tax on other comprehensive income										
Total other comprehensive income							- 27	26		- 1
Total comprehensive income for the period				633	279	453	- 27	403		1 741
Transactions with owners										
Set aside for dividend payments				- 309						- 309
Reversal of dividend payments				309						309
Dividend paid				- 402						- 402
Other transactions								9		9
Interests hybrid capital				- 13	- 15			- 5		- 33
Payments from Donations Fund						- 465				- 465
Total transactions with owners				- 415	- 15	- 465		4		- 891
Equity at 31.12.20	**1 807**	**843**	**780**	**3 253**	**6 254**	**573**	**15**	**1 497**		**15 022**

ECC ratio overall

Parent Bank

(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
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

SpareBank 1 NORD-NORGE

Cash Flow Statement

Parent Bank 31.12.19	Parent Bank 31.12.20	*Amounts in NOK million*	Group 31.12.20	Group 31.12.19
3 042	**1 669**	Profit before tax	**2 102**	2 473
92	**94**	+ Ordinary depreciation	**109**	120
0	**0**	+ Write-downs, gains/losses fixed assets	**0**	0
- 2	**290**	+ Losses on loans and guarantees	**332**	11
355	**304**	- Tax/Result non-current assetes held for sale	**360**	409
2 777	**1 749**	**Provided from the year's operations**	**2 183**	2 195
206	**807**	Change in sundry liabilities: + increase/ - decrease	**765**	348
335	**- 582**	Change in various claims: - increase/ + decrease	**- 749**	472
-4 325	**-3 847**	Change in gross lending to and claims on customers: - increase/ + decrease	**-3 791**	-4 666
-3 718	**-2 166**	Change in short term-securities: - increase/ + decrease	**-2 165**	-3 716
4 069	**5 146**	Change in deposits from and debt owed to customers: + increase/ - decrease	**5 128**	4 045
376	**710**	Change in debt owed to credit institutions: + increase/ - decrease	**709**	376
- 280	**1 817**	**A. Net liquidity change from operations**	**2 080**	- 946
-349	**- 191**	- Investment in fixed assets	**- 68**	-637
0	**0**	+ Sale of fixed assets	**0**	0
- 561	**- 240**	Payments to group companies and assosiated companies	**- 240**	- 551
319	**62**	Payment from/Change in values of group companies and assosiated companies	**- 313**	1 284
- 591	**- 369**	**B. Liquidity change from investments**	**- 621**	96
- 26	**- 33**	Interest to hybrid capital owners	**- 33**	- 26
- 52	**- 40**	Payments to leases	**- 51**	- 73
- 867	**- 867**	- Dividend paid on Ecs/distributions	**- 867**	- 867
-1 422	**-6 699**	Decrease in borrowings through the issuance of securities	**-6 699**	-1 422
1 073	**5 080**	Increase in borrowings through the issuance of securities	**5 080**	1 073
- 350	**0**	Decrease in PCC/subordinated loan capital	**0**	- 350
200	**0**	Increase in PCC/subordinated loan capital	**0**	200
-1 444	**-2 559**	**C. Liquidity change from financing**	**-2 570**	-1 465
-2 315	**-1 111**	A + B + C. Total change in liquidity	**-1 111**	-2 315
3 786	**1 471**	+ Liquid funds at the start of the period	**1 471**	3 786
1 471	**360**	**= Liquid funds at the end of the period**	**360**	1 471

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

Reconciliation of movements of liabilites to cash flows arising from financing activities

Amounts in NOK million	Debt securities	Sub-ordinated liabilites
Balance at 01.01.20	**24 786**	**1 050**
Changes from financing cash flows:		
Proceeds from issue	4 981	
Redeemed	-2 558	
Due excl. redeemed	-3 716	
Total changes from financing cash flows	**-1 293**	**0**
The effect of changes in foreign exchange rates	99	
Changes in fair value	- 401	
Changes in accrued interest	- 24	
Balance at 31.12.20	**23 167**	**1 050**

SpareBank 1 NORD-NORGE

Result from the Group's quarterly accounts

(Amounts in NOK million)		31.12.20	31.12.19	Change	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19	1Q19	4Q18
Interest income		**2 927**	3 320	- 393	**631**	636	738	922	925	856	797	742	749
Interest costs		**859**	1 223	- 364	**133**	133	223	370	347	316	291	269	253
Net interest income		**2 068**	2 097	- 29	**498**	503	515	552	578	540	506	473	496
Fee- and commission income		**1 161**	1 035	126	**323**	333	250	255	264	280	260	231	257
Fee- and commission costs		**82**	107	- 25	**29**	14	17	22	27	30	24	26	26
Other operating income		**220**	188	32	**54**	56	50	60	41	40	56	51	47
Net fee- and other operating income		**1 299**	1 116	183	**348**	375	283	293	278	290	292	256	278
Dividend		**44**	12	32	**29**	2	12	1	1	2	8	1	1
Income from investments		**554**	815	- 261	**85**	125	148	196	- 22	44	249	544	112
Net gain from investments in securities		**95**	84	11	**- 2**	65	103	- 71	5	24	11	44	- 33
Net income from financial investments		**693**	911	- 218	**112**	192	263	126	- 16	70	268	589	80
Total income		**4 060**	4 124	- 64	**958**	1 070	1 061	971	840	900	1 066	1 318	854
Personnel costs		**869**	834	35	**228**	217	209	215	225	212	204	193	200
Administration costs		**461**	524	- 63	**111**	119	110	121	190	112	116	106	106
Ordinary depreciation		**109**	120	- 11	**27**	27	27	28	32	30	29	29	15
Other operating costs		**187**	162	25	**66**	35	46	40	55	33	40	34	66
Total costs		**1 626**	1 640	- 14	**432**	398	392	404	502	387	389	362	387
Result before losses		**2 434**	2 484	- 50	**526**	672	669	567	338	513	677	956	467
Losses		**332**	11	321	**73**	58	82	119	- 2	15	15	- 17	- 6
Net gain from sale of financial fixed assets		**0**	0	0	**0**	0	0	0	0	0	0	0	0
Result before tax		**2 102**	2 473	- 371	**453**	614	587	448	340	498	662	973	473
Tax		**360**	409	- 49	**79**	117	100	64	91	109	105	104	102
Defecit non-current assets held for sale		**0**	2	- 2	**0**	0	0	0	0	0	2	0	0
Result after tax		**1 742**	2 062	- 320	**374**	497	487	384	249	389	555	869	371
Interest hybrid capital		**33**	28	5	**0**	4	7	8	7	8	6	7	7
Result after tax ex. interest hybrid capital		**1 709**	2 034	- 325	**374**	493	480	376	242	381	549	862	364
Profitability		0											
Return on equity capital	1	**12,6 %**	15,9 %	-3,3 %	**10,2 %**	14,5 %	14,6 %	11,4 %	7,3 %	11,7 %	17,5 %	28,1 %	12,0 %
Interest margin		**1,77 %**	1,92 %	-0,15 %	**1,71 %**	1,70 %	1,74 %	1,92 %	2,13 %	1,96 %	1,86 %	1,77 %	1,89 %
Cost/income	2	**40,0 %**	39,8 %	0,3 %	**45,1 %**	37,2 %	36,9 %	41,6 %	59,8 %	43,0 %	36,5 %	27,5 %	45,3 %
Balance sheet figures		0,0 %											
Loans and advances excl. commision loans		**90 511**	86 771	3 740	**90 511**	90 603	88 874	86 745	86 771	86 395	85 240	82 899	82 145
-of which loans and advances to financial institutitons		**1 534**	1 079	455	**1 534**	1 393	1 686	1 384	1 079	1 158	1 885	1 366	1 282
-of which loans and and advances to customers		**88 977**	85 692	3 285	**88 977**	89 210	87 188	85 361	85 692	85 237	83 355	81 533	80 863
Total lending incl. intermediary loans		**127 122**	121 733	5 389	**127 122**	126 522	124 498	122 764	121 733	119 961	117 579	115 379	114 117
Growth in loans and advances to cust. incl. commision loans past 12 months		**4,4 %**	6,7 %	-2,2 %	**4,4 %**	5,5 %	5,9 %	6,4 %	6,7 %	5,5 %	6,0 %	7,6 %	8,2 %
Deposits from customers		**73 158**	68 030	5 128	**73 158**	71 687	73 081	70 609	68 030	65 257	67 726	64 183	63 985
Growth in deposits from customers past 12 months		**7,5 %**	6,3 %	1,2 %	**7,5 %**	9,9 %	7,9 %	10,0 %	6,3 %	6,2 %	6,2 %	8,7 %	10,6 %
Deposits as a percentage of gross lending	4	**82,2 %**	79,4 %	2,8 %	**82,2 %**	80,4 %	83,8 %	82,7 %	79,4 %	76,6 %	81,3 %	78,7 %	79,1 %
Deposits as a percentage of gross lending including commission loans	5	**57,5 %**	55,9 %	1,7 %	**57,5 %**	56,7 %	58,7 %	57,5 %	55,9 %	54,4 %	57,6 %	55,6 %	56,1 %
Average assets	3	**116 810**	108 989	7 821	**116 810**	116 688	115 910	114 704	108 989	108 356	108 014	106 731	101 855
Total assets		**117 298**	111 524	5 774	**117 298**	119 021	118 322	117 884	111 524	109 380	110 580	107 306	106 156
Losses on loans and commitments in default		0											
Losses on loans to customers as a percentage of total lending incl. intermediary loans		**0,26 %**	0,01 %	0,25 %	**0,26 %**	0,20 %	0,16 %	0,10 %	0,01 %	0,01 %	0,00 %	-0,01 %	0,02 %
Net comm. in default and at risk of loss as a per. of total lending incl. intermediary loans		**0,16 %**	0,16 %	0,00 %	**0,16 %**	0,23 %	0,22 %	0,22 %	0,16 %	0,29 %	0,26 %	0,22 %	0,23 %
Solidity		0											
Common Tier I Capital ratio		**17,5 %**	17,2 %	0,3 %	**17,5 %**	17,2 %	16,9 %	16,7 %	17,2 %	15,5 %	15,3 %	14,6 %	14,5 %
Tier I Capital ratio		**18,9 %**	18,8 %	0,2 %	**18,9 %**	18,6 %	18,4 %	18,2 %	18,8 %	16,9 %	16,7 %	16,1 %	16,0 %
Total regulatory Capital ratio		**20,9 %**	20,6 %	0,3 %	**20,9 %**	20,5 %	20,2 %	20,0 %	20,6 %	18,6 %	18,4 %	18,1 %	18,1 %
Common Tier I Capital		**12 019**	11 472	547	**12 019**	11 905	11 788	11 575	11 472	11 215	11 052	10 655	10 334
Tier I capital		**12 991**	12 496	495	**12 991**	12 881	12 812	12 599	12 496	12 229	12 072	11 716	11 396
Total eligible capital		**14 366**	13 726	640	**14 366**	14 213	14 105	13 833	13 726	13 470	13 316	13 191	12 904
Adjusted risk-weighted assets base		**68 588**	66 609	1 980	**68 588**	69 233	69 699	69 214	66 609	72 492	72 402	72 768	71 167

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 lendring incl. intermediary loans

Note 1 – Accounting policies

The Group's financial statements for 2020 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.

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 costs. Note 3 in last year's annual financial statements provides a fuller explanation of the items subject to important estimates and judgements.

As also stated in Note 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 recognised as a loss. Individual assessments of commitments subject to these are based on expected future cash flows. In the calculations as at 31.12.19, no factors related to the outbreak of the coronavirus pandemic in 2020 had been taken into account.

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

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

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

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

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

Industries and the development of individual customers will also be monitored closely using a so-called watchlist at a customer commitment level, as well as by flagging customers with forbearance (payment relief).
All commitments categorised as high-risk are on the watchlist.
As at 30.06.20, all tourism-related commitments of more than MNOK 10 were placed on a watchlist and manually transferred from Stage 1 to Stage 2. In 3Q and 4Q, all tourism-related commitments of less than MNOK 10 were placed on a watchlist and manually transferred from Stage 1 to Stage 2. In addition, all customers granted government guaranteed liquidity loans have been transferred from Stage 1 to Stage 2. In total, these manual transfers amount to MNOK 59 in increased loss provisions. The resale values of the security pledged for these commitments have also been assessed and adjusted downwards, which resulted in increased ECL provisions.

As at 31.12.20, SpareBank 1 Nord-Norge has granted general interest-only instalment holidays for loans of up to six months both to retail customers and customers in the corporate market that have been affected by the coronavirus situation. Many of the interest-only instalment holidays granted in March and April have expired, while some have been extended. Interest-only instalment holidays due to Covid-19 and of up to six months duration are currently not automatically considered forbearance in the ECL calculation given that there are no other factors that indicate that the credit risk has significantly increased

(SICR). Customers that require interest-only instalment holidays of longer than six months undergo special assessment and if the result is that payment problems may be expected, these are regarded as exposures with payment relief, with the appropriate transfer from Stage 1 to Stage 2. The proportion of customers granted forbearance continued to fall in 3Q and 4Q.

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

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

A series of assessments that underpin the level of the post model adjustment (PMA) has been conducted. As a consequence of the continued uncertainty, the Bank has chosen to maintain the temporary adjustment through PMA from previous quarters in 2020 (MNOK 78).

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

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

Percentage of provisions in the various stages:

Parent bank	31.12.19	31.03.20	30.06.20	30.09.20	31.12.20
Step 1	44 %	54 %	46 %	53 %	45 %
Step 2	29 %	24 %	33 %	28 %	35 %
Step 3	27 %	22 %	21 %	19 %	20 %
Total	100 %	100 %	100 %	100 %	100 %

Group	31.12.19	31.03.20	30.06.20	30.09.20	31.12.20
Step 1	42 %	50 %	44 %	48 %	43 %
Step 2	29 %	25 %	33 %	30 %	37 %
Step 3	29 %	25 %	23 %	22 %	20 %
Total	100 %	100 %	100 %	100 %	100 %

Changes to the different factors PD, LGD and the weighting of the macroeconomic scenarios affect the outcomes for expected loss. A sensitivity analysis for the Parent Bank is provided below, based on figures as at 31.12.20, and shows how much ECL increases as a result of both an increase in PD, due to percentage changes to the factors, and scenario weightings:

	10 % increase PD-factor	**10 % increase LGD-factor**	**10 % increase in stress-scenario**	**100 % stress-scenario***	**20 % increase in PD****
Retail market	4,80 %	5,70 %	3,50 %	82,20 %	16,40 %
Corporate market	5,70 %	6,80 %	3,50 %	82,70 %	15,20 %
Total	5,60 %	6,60 %	3,50 %	82,60 %	15,40 %

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

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

The losses in the above stress tests will still be at a manageable level.

Notes 3 – Changes to group structure

There were no changes to the Group’s structure in 4Q 2020.

Note 4 - Business Areas

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

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

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

Group **31.12.20**
(Amounts in NOK million)

	Retail banking	SMB banking	Corporate banking	Markets	SpareBank 1 Regnskaps-huset Nord-Norge	Eiendoms-Megler 1 Nord-Norge	SpareBank 1 Finans Nord-Norge	Unspecified/ Eliminations	**Total**
Net interest income	927	496	228	8	0	1	291	116	**2 068**
Net fee- and other operating income	763	97	22	12	211	228	9	- 44	**1 299**
Net income from financial investments	6	18	17	66	0	0	0	586	**693**
Total costs	959	149	21	42	186	191	90	- 11	**1 626**
Result before losses	737	463	247	45	25	39	211	669	**2 434**
Losses	16	71	125	0	0	0	34	86	**332**
Result before tax	721	392	122	45	25	39	176	583	**2 102**
Total lending	49 360	17 918	13 439	0	0	0	6 962	2 832	**90 511**
Loss provision	- 100	- 257	- 210	0	0	0	- 104	- 92	**- 764**
Other assets	0	4 658	0	0	246	109	96	22 443	**27 551**
Total assets per business area	49 260	22 318	13 228	0	246	109	6 954	25 183	**117 298**
Deposits from customers	43 898	22 318	4 523	0	0	0	0	2 419	**73 158**
Other liabilities and equity capital	5 363	0	8 705	0	246	109	6 954	22 764	**44 140**
Total equity and liabilities per business area	49 260	22 318	13 228	0	246	109	6 954	25 183	**117 298**

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

	Retail banking	SMB banking
Total lending	5 400	1 300
Deposits from customers	2 800	1 200

31.12.19

	Retail banking	SMB banking	Corporate banking	Markets	SpareBank 1 Regnskaps-huset Nord-Norge	Eiendoms-Megler 1 Nord-Norge	SpareBank 1 Finans Nord-Norge	Unspecified/ Eliminations	Total
Net interest income	992	468	217	8	- 2	- 1	285	129	2 097
Net fee- and other operating income	691	82	18	17	188	204	6	- 90	1 116
Net income from financial investments	5	6	6	36	0	0	0	857	911
Total costs	1 004	136	21	35	164	187	109	- 16	1 640
Result before losses	685	420	220	26	22	17	182	912	2 484
Losses	7	28	- 31	0	0	0	16	- 8	11
Result before tax	678	392	251	26	22	17	166	921	2 473
Total lending	48 916	16 418	12 350	0	0	0	6 611	2 476	86 771
Loss provision	- 86	- 194	- 111	0	0	0	- 84	- 7	- 482
Other assets	0	6 900	0	0	205	112	59	17 960	25 235
Total assets per business area	48 831	23 124	12 239	0	205	112	6 586	20 428	111 524
Deposits from customers	39 879	23 124	3 200	0	0	0	0	1 827	68 030
Other liabilities and equity capital	8 952	0	9 039	0	205	112	6 586	18 601	43 494
Total equity and liabilities per business area	48 831	23 124	12 239	0	205	112	6 586	20 428	111 524

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

Regulatory capital requirements
As at 31.12.20, the regulatory minimum requirement for the Group's core Tier 1 capital ratio was 13.69 per cent. This included the minimum requirement of 4.5 per cent, the total buffer requirement of 7.69 per cent, and the Pillar 2 requirement of 1.5 per cent.

Capital target
SpareBank 1 Nord-Norge's goal is to maintain indisputable financial strength and satisfy the regulatory minimum requirements for capital adequacy at all times. The Group has a target for its core Tier 1 capital ratio of 1.0 percentage point above the regulatory minimum requirement, which currently results in a target core Tier 1 capital ratio of 14.69 per cent.

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

*The systemic risk buffer requirement increases from 3 to 4.5 per cent. The requirement applies from the end of 2020 for Norwegian AIRB banks (including SpareBank 1 Nord-Norge) and from the end of 2022 for other banks. SpareBank 1 Nord-Norge has commitments in a number of other countries that have a lower/no buffer requirement. As at 31.12.20, the systemic risk buffer is calculated using differentiated rates. The rate has increased from 3 per cent to 4.5 per cent for credit commitments in Norway. For commitments in other countries, the systemic risk buffer rate determined by the authorities of the country concerned is used. If a country has not set a rate, 0 per cent is used, unless the Ministry of Finance sets another rate. For parent companies and groups, institution-specific systemic risk buffer rates of 4.28 per cent and 4.21 per cent, respectively, are calculated.

*However, minimum requirements (floors) are being introduced for average risk weightings 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.

The countercyclical capital buffer increased from 2.0 per cent to 2.5 per cent in Norway on 31.12.19. As a consequence 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. Norges Bank is expected to advise increasing the buffer requirement during 2021. When a decision is made to increase the buffer requirement, the implementation date is normally 12 months after the decision has been made. Norges Bank envisages the buffer returning to 2.5 per cent in the long term. SpareBank 1 Nord-Norge exceeds the threshold of 2 per cent international exposure. In these circumstances the countercyclical capital buffer is calculated using differentiated rates. For commitments in other countries, the countercyclical capital buffer rate determined by the authorities of the country concerned is used. If a country has not set a rate, the same rate as the one for commitments in Norway is used, unless the Ministry of Finance sets another rate. As at 31.12.20, the Parent Bank is below the exemption limit, meaning that the Norwegian rate is used for relevant commitments. For groups, an institution-specific countercyclical capital buffer rate of 0.98 per cent has been calculated.

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

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

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

Parent Bank (Amounts in NOK million) | **Group**

31.12.18	31.12.19	**31.12.20**		**31.12.20**	31.12.19	31.12.18
1 807	1 807	**1 807**	Equity certificates	**1 807**	1 807	1 807
843	843	**843**	Premium reserve	**843**	843	843
2 200	3 035	**3 253**	Equalisation reserve	**3 253**	3 035	2 200
5 024	5 990	**6 254**	Savings bank's reserve	**6 254**	5 990	5 024
585	585	**573**	Endowment fund	**573**	585	585
42	42	**15**	Deduction Fund for urealised gains available for sale	**15**	42	42
31	- 17	**- 20**	Other equity	**1 497**	1 090	1 777
780	780	**780**	Hybrid capital	**780**	780	780
11 312	13 065	**13 505**	**Total equity**	**15 022**	14 172	13 058
0	0	**0**	Period result	**0**	0	0
- 780	- 780	**- 780**	Hybrid capital	**- 780**	- 780	- 780
			Additional Tier 1 Capital (AT 1 Capital)			
- 866	- 866	**- 844**	Deduction for allocated dividends	**- 845**	- 866	- 866
0	0	**0**	Adjusted Tier 1 Capital from consolidated financial institutions	**- 29**	- 38	- 100
0	0	**0**	Deduction for entangible assets	**- 130**	- 134	- 113
- 25	- 29	**- 33**	Adjustments to CET 1 due to prudential filters	**- 28**	- 32	- 28
- 144	- 122	**- 136**	Deduction defined benefit pension fund assets gross amounts	**- 148**	- 134	- 154
- 4	- 109	**0**	IRB shortfall of credit risk adjustments to expected losses	**0**	- 128	- 49
0	0	**0**	CET1 instruments of financial sector entities where the institution has significant investment	**- 900**	- 443	- 511
- 137	- 156	**- 157**	CET1 instruments of financial sector entities where the institution does not have significant investment	**- 143**	- 145	- 123
9 356	11 003	**11 555**	**Common equity Tier 1 Capital (CET 1 Capital)**	**12 019**	11 472	10 334
780	780	**780**	Hybrid Tier 1 capital bonds	**972**	1 024	1 062
10 136	11 783	**12 335**	**Additional Tier 1 Capital (AT 1 Capital)**	**12 991**	12 496	11 396
			Tier 2 Capital (T2 Capital)			
1 200	1 050	**1 050**	Nonperpetual subordinated capital	**1 359**	1 366	1 644
0	0	**179**	Expected losses on IRB, net of writedowns	**150**	0	0
- 136	- 136	**- 134**	Deduction for subordinated capital in other financial institutions with a significant investment	**- 134**	- 136	- 136
1 064	914	**1 095**	**Tier 2 Capital (T2 Capital)**	**1 375**	1 230	1 508
11 200	12 697	**13 430**	**Total eligible capital**	**14 366**	13 726	12 904
			Minimum requirements subordinated capital, Basel I I			
936	1 050	**1 155**	Specialised lending exposure	**1 207**	1 104	1 042
72	59	**56**	Other corporations exposure	**59**	62	77
363	410	**430**	SME exposure	**443**	423	380
1 026	1 205	**1 166**	Property retail mortage exposure	**1 658**	1 681	1 496
66	66	**63**	Other retail exposure	**65**	68	63
441	506	**501**	Equity investments	**0**	0	2
2 903	3 296	**3 371**	**Total credit risk**	**3 432**	3 338	3 059
652	803	**841**	Credit risk standardised approach	**1 430**	1 392	1 280
5	6	**6**	Debt risk	**6**	6	5
8	8	**0**	Equity risk	**0**	8	8
368	429	**445**	Operational risk	**533**	504	417
21	14	**18**	Credit Value Adjustment	**86**	81	86
0	0	**0**	Transitional arrangements	**0**	0	838
3 957	4 556	**4 681**	**Minimum requirements subordinated capital**	**5 487**	5 329	5 693
49 467	56 949	**58 511**	RWA (Risk weighted assets)	**68 588**	66 609	71 167
			Total regulatory Capital			
22,6 %	22,3 %	**23,0 %**	Total regulatory Capital	**20,9 %**	20,6 %	18,1 %
20,5 %	20,7 %	**21,1 %**	Tier 1 Capital	**18,9 %**	18,8 %	16,0 %
2,2 %	1,6 %	**1,9 %**	Tier 2 Capital	**2,0 %**	1,8 %	2,1 %
18,9 %	19,3 %	**19,7 %**	Common Tier I Capital	**17,5 %**	17,2 %	14,5 %
9,5 %	10,4 %	**10,5 %**	Leverage Ratio	**7,6 %**	7,7 %	7,2 %

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 have been made to the discount rate as at 31.12.20. 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 31.12.20 would impact the result by approximately MNOK -18,9 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)				
31.12.19	**31.12.20**	Loans broken down by method of measurement	**31.12.20**	31.12.19
		Loans at fair value through profit and loss		
8 570	**7 600**	Loans to customers at fixed interest rates	**7 614**	8 591
4 137	**3 917**	Mortgages to customers for sale, housing credit company	**3 917**	4 137
12 707	**11 517**	**Total loans at fair value through profit and loss**	**11 531**	12 728
		Loans at amortised cost		
72 403	**77 411**	Other loans	**78 980**	74 043
72 403	**77 411**	**Total loans at amortised cost**	**78 980**	74 043
85 110	**88 928**	**Total gross loans**	**90 511**	86 771
		Commission loans		
35 625	**37 735**	Loans transrered to SpareBank1 Boligkreditt	**37 735**	35 625
417	**410**	Loans transfered to SpareBank1 Næringskreditt	**410**	416
36 042	**38 145**	Total intermediary loans	**38 145**	36 041
121 152	**127 073**	**Total gross loans included intermediary loans**	**128 656**	122 812
		Provision for credit losses - reduction in assets		
- 166	**- 285**	Provision for credit losses - stage 1	**- 310**	- 189
- 116	**- 232**	Provision for credit losses - stage 2	**- 283**	- 142
- 116	**- 142**	Provision for credit losses - stage 3	**- 169**	- 151
84 712	**88 269**	**Net loans**	**89 748**	86 289

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 31.12.20

(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	14.285	-183	-114	-42	41	13.987
Finanicial and insurance activities	8.551	-15	-4	0	0	8.532
Fishing and aquaculture	6.834	-24	-16	-1	25	6.818
Manufacturing	1.519	-6	-23	-28	11	1.473
Agriculture and forestry	1.223	-1	-2	-12	38	1.246
Power and water supply and construction	2.460	-7	-5	-10	32	2.470
Government	42	0	0	0	0	42
Service industries	1.710	-9	-7	-5	77	1.766
Transportation	2.200	-5	-12	-4	52	2.231
Commodity trade, hotel and restaurant industry	1.843	-9	-21	-9	21	1.825
Corporate market	40.667	-259	-203	-111	297	40.390
Retail market	36.744	-26	-29	-31	11.220	47.878
Loans and advances to customers	77.411	-285	-232	-142	11.517	88.269

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	1.573	-29	-6	0	-35
Finanicial and insurance activities	354	-1	0	0	-1
Fishing and aquaculture	1.209	-6	0	0	-6
Manufacturing	623	-1	-3	0	-4
Agriculture and forestry	99	0	0	0	0
Power and water supply and construction	834	-2	-4	0	-6
Government	419	0	0	0	0
Service industries	465	-1	-2	0	-3
Transportation	796	-1	-1	0	-2
Commodity trade, hotel and restaurant industry	535	-2	-2	0	-4
Corporate market	6.907	-43	-18	0	-61
Retail market	1.742	0	0	0	0
Loans and advances to customers	8.649	-43	-18	0	-61

Group 31.12.2020

(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	14.384	-184	-114	-42	41	14.084
Finanicial and insurance activities	3.162	-15	-4	0	0	3.143
Fishing and aquaculture	7.417	-30	-19	-1	25	7.392
Manufacturing	1.964	-9	-32	-28	11	1.906
Agriculture and forestry	1.344	-2	-3	-13	38	1.364
Power and water supply and construction	3.324	-10	-14	-15	32	3.317
Government	59	0	0	0	0	59
Service industries	2.201	-11	-9	-10	77	2.248
Transportation	3.084	-8	-24	-5	67	3.114
Commodity trade, hotel and restaurant industry	2.283	-12	-28	-12	21	2.252
Corporate market	39.222	-280	-247	-127	312	38.880
Retail market	39.758	-31	-36	-43	11.220	50.868
Loans and advances to customers	78.979	-310	-283	-169	11.531	89.748

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	1.538	-29	-6	0	-35
Finanicial and insurance activities	65	-1	0	0	-1
Fishing and aquaculture	1.261	-6	0	0	-6
Manufacturing	713	-1	-3	0	-4
Agriculture and forestry	101	0	0	0	0
Power and water supply and construction	834	-2	-4	0	-6
Government	467	0	0	0	0
Service industries	575	-1	-2	0	-3
Transportation	914	-1	-1	0	-2
Commodity trade, hotel and restaurant industry	722	-2	-2	0	-4
Corporate market	7.189	-43	-18	0	-61
Retail market	1.757	0	0	0	0
Loans and advances to customers	8.947	-43	-18	0	-61

Loans broken down by sector/industry

Parent Bank 31.12.19
(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	13.189	-83	-35	-21	97	13.148
Finanicial and insurance activities	8.014	-13	-1	0	2	8.002
Fishing and aquaculture	4.921	-16	-4	0	73	4.973
Manufacturing	1.737	-8	-18	-33	11	1.689
Agriculture and forestry	1.255	-1	-2	-14	0	1.238
Power and water supply and construction	2.292	-7	-7	-11	47	2.314
Government	264	0	0	0	0	264
Service industries	1.455	-4	-7	-5	86	1.526
Transportation	2.311	-6	-7	-2	24	2.320
Commodity trade, hotel and restaurant industry	1.598	-10	-6	-6	17	1.593
Corporate market	37.038	-147	-87	-92	355	37.067
Retail market	35.365	-19	-29	-24	12.352	47.645
Loans and advances to customers	72.403	-166	-116	-116	12.707	84.712

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	1.041	-17	0	0	-17
Finanicial and insurance activities	491	-2	0	0	-2
Fishing and aquaculture	565	-1	0	0	-1
Manufacturing	593	-2	-1	0	-3
Agriculture and forestry	99	0	0	0	0
Power and water supply and construction	625	-2	-6	0	-7
Government	252	0	0	0	0
Service industries	615	-2	-1	0	-3
Transportation	701	0	-1	0	-1
Commodity trade, hotel and restaurant industry	467	-2	-1	0	-3
Corporate market	5.449	-26	-10	0	-37
Retail market	1.946	0	0	-1	-1
Loans and advances to customers	7.395	-27	-10	-1	-38

Group 31.12.19
(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	13.238	-84	-36	-20	97	13.195
Finanicial and insurance activities	3.104	-13	-1	0	2	3.092
Fishing and aquaculture	5.456	-20	-5	0	73	5.503
Manufacturing	2.027	-10	-21	-33	11	1.974
Agriculture and forestry	1.400	-2	-2	-15	0	1.381
Power and water supply and construction	3.017	-7	-11	-19	47	3.027
Government	281	0	0	0	0	281
Service industries	1.985	-8	-8	-6	107	2.070
Transportation	3.264	-7	-10	-5	24	3.266
Commodity trade, hotel and restaurant industry	1.959	-13	-7	-6	17	1.950
Corporate market	35.733	-164	-102	-105	376	35.738
Retail market	38.310	-25	-40	-46	12352	50.551
Loans and advances to customers	74.043	-189	-142	-151	12728	86.289

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	1.035	-17	0	0	-17
Finanicial and insurance activities	195	-2	0	0	-2
Fishing and aquaculture	571	-1	0	0	-1
Manufacturing	691	-2	-1	0	-3
Agriculture and forestry	101	0	0	0	0
Power and water supply and construction	640	-2	-6	0	-7
Government	252	0	0	0	0
Service industries	623	-2	-1	0	-3
Transportation	728	0	-1	0	-1
Commodity trade, hotel and restaurant industry	560	-2	-1	0	-3
Corporate market	5.396	-26	-10	0	-37
Retail market	1.958	0	0	-1	-1
Loans and advances to customers	7.354	-27	-10	-1	-38

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 31.12.20

Parent Bank / **Group**

(Amounts in NOK million)

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:				
1019	-1 010	- 9	**0**	to (-from) stage 1	**0**	- 11	-1 225	1 236
-3 819	3 829	- 10	**0**	to (-from) stage 2	**0**	- 23	4 489	-4 465
- 60	- 93	153	**0**	to (-from) stage 3	**0**	202	- 127	- 75
6 279	- 575	- 11	**5 693**	Net increase/(decrease) balance existing loans	**4 783**	- 31	- 754	5 568
36 198	1 985	35	**38 218**	Originated or purchased during the period	**40 756**	68	2 432	38 256
-37 208	- 315	- 126	**-37 649**	Loans that have been derecognised	**-39 010**	- 183	-1 893	-36 934
77 236	8 449	375	**86 060**	Total loan commitments to amortised cost	**87 927**	373	8 449	79 104
			11 517	Loans at fair value through profit and loss	**11 531**			
77 236	8 449	375	**97 577**	Total loan commitments as at 31.12.20	**99 458**	373	8 449	79 104
-7 121	-1 519	- 9	**-8 649**	Off-balance sheet	**-8 947**	- 9	-1 504	-7 434
70 115	6 930	366	**88 928**	Gross loans	**90 511**	364	6 945	71 670
- 285	- 232	- 142	**- 659**	Provision for credit losses - reduction in assets	**- 762**	- 169	- 283	- 310
69 830	8 449	375	**88 269**	**Net loans**	**89 748**	195	6 662	71 360

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 31.12.19

Parent Bank / **Group**

Stage 1	Stage 2	Stage 3	Total		Total	Stage 3	Stage 2	Stage 1
72 095	5 191	383	**77 669**	Total loan commitments to amortised cost 01.01.19	**78 852**	432	5 759	72 661
				Changes in the period due to loans migrated between the stages:				
1 832	-1 811	- 21	**0**	to (-from) stage 1	**0**	- 21	-1 878	1 899
-2 307	2 319	- 12	**0**	to (-from) stage 2	**0**	- 15	2 472	-2 457
- 49	- 59	108	**0**	to (-from) stage 3	**0**	131	- 71	- 59
-7 432	- 289	6	**-7 715**	Net increase/(decrease) balance existing loans	**-8 064**	- 49	- 321	-7 694
34 503	792	59	**35 354**	Originated or purchased during the period	**39 800**	82	1 439	38 279
-23 815	-1 515	- 180	**-25 510**	Loans that have been derecognised	**-29 191**	- 207	-1 873	-27 111
74 827	4 628	343	**79 798**	Total loan commitments to amortised cost	**81 397**	352	5 527	75 518
			12 707	Loans at fair value through profit and loss	**12 728**			
74 827	4 628	343	**92 505**	Total loan commitments as at 31.12.19	**94 125**	352	5 527	75 518
-6 540	- 528	- 19	**-7 395**	Off-balance sheet	**-7 354**	- 12	- 528	-6 506
68 287	4 100	324	**85 110**	Gross loans	**86 771**	340	4 999	69 012
- 166	- 116	- 116	**- 398**	Provision for credit losses - reduction in assets	**- 482**	- 151	- 142	- 189
68 121	3 984	208	**84 712**	**Net loans**	**86 289**	189	4 857	68 823

Note 7 - Loss provision

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 calculated expected loss. While credit models are used for capital adequacy purposes, the model used for loss provisions is a 'point-in-time' model and unbiased at a point in time.

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

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

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

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

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
-193	-126	-117	**-436**	Loss provisions at 01.01.20	**-520**	-152	-152	-216
			-398	Of which presented as a reduction of the assets	**-482**			
			-38	Of which presented as other debt	**-38**			
				Changes in the period due to loans migrated between the stages:				
-22	21	1	**0**	to (-from) stage 1	**0**	1	26	-27
25	-26	1	**0**	to (-from) stage 2	**0**	4	-34	30
1	2	-3	**0**	to (-from) stage 3	**0**	-4	3	1
-83	-103	-32	**-218**	Net increase/decrease excisting loans	**-223**	-26	-117	-80
-109	-53	-5	**-167**	New issued or purchased loan	**-198**	-6	-72	-120
54	34	13	**101**	Loans that have been derecognised	**118**	16	44	58
-327	-251	-142	**-720**	**Total loss provisions at 31.12.20**	**-823**	-167	-302	-354
				Loss provisions allocated to markets				
-26	-29	-15	**-70**	Retail market	**-94**	-27	-36	-31
-301	-222	-127	**-650**	Corporate market	**-729**	-140	-266	-323
-327	-251	-142	**-720**	**Total loss provisions at 31.12.20**	**-823**	-167	-302	-354
			-659	Of which presented as a reduction of the assets	**-762**			
			-61	Of which presented as other debt	**-61**			

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

Parent Bank | *Loans at amortised cost* | **Group**

(Amounts in NOK million)

Stage 1	Stage 2	Stage 3	Total	Changes in lending loss provisions	Total	Stage 3	Stage 2	Stage 1
-188	-149	-168	**-505**	Loss provisions at 01.01.19	**-546**	-166	-172	-208
			-470	Of which presented as a reduction of the assets	**-511**			
			-35	Of which presented as other debt	**-35**			
				Changes in the period due to loans migrated between the stages:				
-57	56	1	**0**	to (-from) stage 1	**0**	1	57	-58
11	-14	3	**0**	to (-from) stage 2	**0**	3	-15	12
0	1	-1	**0**	to (-from) stage 3	**0**	-2	2	0
83	-40	31	**74**	Net increase/decrease excisting loans	**36**	-1	-43	80
-92	-12	-3	**-107**	New issued or purchased loan	**-144**	-23	-29	-92
50	32	20	**102**	Loans that have been derecognised	**134**	36	48	50
-193	-126	-117	**-436**	**Total loss provisions at 31.12.19**	**-520**	-152	-152	-216
				Loss provisions allocated to markets				
-20	-26	-27	**-73**	Retail market	**-112**	-48	-39	-25
-173	-100	-90	**-363**	Corporate market	**-408**	-104	-113	-191
-193	-126	-117	**-436**	**Total loss provisions at 31.12.19**	**-520**	-152	-152	-216
			-398	Of which presented as a reduction of the assets	**-482**			
			-38	Of which presented as other debt	**-38**			

Note 8 - Losses

Losses incorporated in the accounts

Parent Bank | **Group**

(Amounts in NOK million)

31.12.18	31.12.19	**31.12.20**		**31.12.20**	31.12.19	31.12.18
- 111	- 64	**286**	Period's change in lending provisions	**306**	- 59	- 116
149	71	**14**	Period's confirmed losses	**37**	85	162
- 7	- 9	**- 10**	Recoveries, previously confirmed losses	**- 11**	- 15	- 24
31	- 2	**290**	**Total losses**	**332**	11	22

Losses broken down by sector and industry

Parent Bank | **Group**

(Amounts in NOK million)

31.12.18	31.12.19	**31.12.20**		**31.12.20**	31.12.19	31.12.18
10	12	**224**	Real estate	**224**	10	5
34	- 25	**4**	Finanicial and insurance activities	**4**	- 25	34
7	1	**25**	Fishing and aquaculture	**29**	5	6
- 77	5	**6**	Manufacturing	**12**	5	- 76
2	- 3	**- 1**	Agriculture and forestry	**0**	- 3	3
10	- 2	**- 4**	Power and water supply and construction	**- 1**	- 3	11
9	6	**- 1**	Service industries	**3**	4	- 5
4	- 3	**7**	Transportation	**14**	2	3
15	0	**20**	Commodity trade, hotel and restaurant industry	**31**	2	16
14	- 9	**280**	Total corporate market	**316**	- 3	- 3
17	7	**10**	Total retail market	**9**	14	25
0	0	**0**	Other losses corporate market	**7**	0	0
31	- 2	**290**	**Total losses**	**332**	11	22

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 31.12.20 the obligation on a consolidated level amounts to NOK 0 million for SpareBank 1 Boligkreditt and NOK 0 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.

SpareBank 1 NORD-NORGE

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	**31.12.20**	31.12.19
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value hedging	**- 437**	**- 308**
Total gain from hedging objects relating to the hedged risk	**430**	**286**
Total fair value hedging transactions	**- 7**	**- 22**

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		**31.12.20**			31.12.19	
		Fair value			Fair value	
Foreign currency instruments	**Contract**	**Assets**	**Liabilites**	Contract	Assets	Liabilites
Foreign exchange financial derivatives (forwards)	1 567	49	- 20	1 911	16	16
Currency swaps	16 220	246	- 299	21 840	307	294
Currency options						
Total non-standardised contracts	17 787	295	- 319	23 751	323	310
Standardised foreign currency contracts (futures)						
Total foreign currency instruments	17 787	295	- 319	23 751	323	310
Interest rate instruments						
Interest rate swaps (including cross currency)	36 507	1 021	- 991	29 869	612	348
Short,-term interest rate swaps (FRA)						
Other interest rate contracts	327	34	- 30	375	17	42
Total non-standardised contracts	36 834	1 055	-1 021	30 244	629	390
Standardised interest rate contracts (futures)						
Total interest rate instruments	36 834	1 055	-1 021	30 244	629	390
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)	14 900	428	- 16	18 729	158	63
Short-term interest rate swaps (FRA)						
Other interest rate contracts						
Total, non-standardised contracts	14 900	428	- 16	18 729	158	63
Standardised interest rate contracts (futures)						
Total interest rate instruments	14 900	428	- 16	18 729	158	63
Total interest rate instruments	51 734	1 483	-1 037	48 973	787	453
Total foreign currency instruments	17 787	295	- 319	23 751	323	310
Total	69 521	1 777	-1 356	72 724	1 110	763

Note 11 - Net accounting of financial derivates 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 31.12.20 the net figures were:

Category/counterpart (Amounts in NOK million)	Gross amount	Offset amount	Net amount	Net amount to be posted at bankruptcy or default	**Net credit exposure**
	A	B	C=A-B	D	**E=C-D**
Financial derivatives - assets	17.119	16.638	481	602	**-121**
Financial derivatives - liabilities	32.880	32.370	510	423	**87**

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 3.1 years as of 31.12.20.
The short-term liquidity risk measurement, liquidity coverage ratio (LCR), was 142 % as of the end of the quarter.

SpareBank 1 NORD-NORGE

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

Parent bank | **Group**

(Amounts in mill NOK)

4Q19	**4Q20**	31.12.19	**31.12.20**		**31.12.20**	31.12.19	**4Q20**	4Q19
72	**114**	264	**347**	Provision commission loans	**347**	264	**114**	72
76	**73**	312	**288**	Payment facilities	**288**	312	**73**	76
42	**46**	166	**180**	Sales provision insurance products	**180**	166	**46**	42
7	**9**	27	**33**	Guarantee commissions	**33**	27	**9**	7
				Real estate broking	**172**	141	**53**	32
9	**17**	36	**54**	Portfolio commissions	**54**	36	**17**	9
3	**4**	14	**14**	Credit commision	**14**	14	**4**	3
9	**6**	37	**23**	Other commisions	**73**	75	**7**	23
218	**269**	856	**939**	Total commission income	**1 161**	1 035	**323**	264
24	**27**	92	**71**	Commission costs	**82**	107	**29**	27
194	**242**	764	**868**	Net fee- and commission income	**1 079**	928	**294**	237
				Accounting services	**207**	187	**42**	41
- 5	**7**	11	**12**	Other operating income	**13**	1	**12**	0
189	**249**	775	**880**	Net fee- and other operating income	**1 299**	1 116	**348**	278
27 %	**37 %**	30 %	**33 %**	Percent of net core earnings	**39 %**	35 %	**41 %**	32 %

Note 14 Expenses

Parent Bank					Group			
(Amounts in NOK million)								
4Q19	**4Q20**	31.12.19	**31.12.20**		**31.12.20**	31.12.19	**4Q20**	4Q19
119	**115**	436	**443**	Personel expenses	**690**	661	**183**	180
8	**10**	33	**43**	Pension costs 1)	**54**	46	**12**	10
30	**26**	111	**104**	Social costs	**125**	127	**33**	35
157	**151**	580	**590**	Total personnel costs	**869**	834	**228**	225
60	**61**	235	**264**	IT expenses	**287**	257	**68**	76
110	**32**	223	**127**	Administrative expenses	**174**	267	**43**	114
23	**22**	92	**94**	Ordinary depreciation	**109**	120	**27**	32
6	**5**	26	**24**	Operating costs properties	**25**	28	**5**	7
32	**40**	75	**87**	Other operating expenses	**162**	134	**61**	48
388	**311**	1 231	**1 186**	**Total costs**	**1 626**	1 640	**432**	502

1) Costs related to the defined benefit pension scheme as at 31.12.2020 amounted to approximately MNOK 4.6 (MNOK 5,4). IAS 19 pension calculations are adjusted according to actuarial calculations as at 31.12.20.

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 31.12.20				
Shares	152	12	549	**714**
Bonds	13 258	4 821		**18 079**
Financial derivatives		1 777		**1 777**
Loans to customers with fixed rate			7 614	**7 614**
Loans to customers for sale			3 917	**3 917**
Total assets	13 410	6 610	12 080	**32 100**
Liabilities at 31.12.20				
Financial derivatives		1 356		**1 356**
Total liabilities		1 356		**1 356**
Assets at 31.12.19				
Shares	185	58	548	791
Bonds	10 903	4 934		15 837
Financial derivatives		1 110		1 110
Loans to customers with fixed rate			8 591	8 591
Loans to customers for sale			4 137	4 137
Total assets	11 088	6 102	13 276	30 466
Liabilities at 31.12.19				
Financial derivatives		763		763
Total liabilities		763		763

Changes in instruments at fair value, level 3:	Financial assets		
(Amounts in NOK million)	Shares	Loans to customers with fixed rate	Loans to customers for sale
Carrying amount at 31.12.19	548	8 591	4 137
Net gains on financial instruments	1	124	
Additions/acquisitions		1 081	2 396
Sales			-1 301
Matured		-2 182	-1 316
Carrying amount at 31.12.20	549	7 614	3 917

Note 16 - Subsidiaries

(Amounts in NOK thousand)

		Profit from ordinary operations before tax			Equity		
	Share of Eq. %	**31.12.20**	31.12.19	31.12.18	**31.12.20**	31.12.19	31.12.18
SpareBank 1 Finans Nord-Norge AS	100	**176 339**	165 934	175 041	**1 107 763**	1 102 546	1114 334
SpareBank 1 Nord-Norge Portefølje AS	100	**-6 740**	146	- 791	**5 857**	10 829	12 455
EiendomsMegler 1 Nord-Norge AS	100	**38 791**	16 595	14 074	**61 811**	49 002	43 111
SpareBank 1 Regnskapshuset Nord-Norge AS	100	**24 900**	21 944	22 366	**109 377**	80 188	52 911
Fredrik Langesg 20 AS	100	**1 921**	- 756	- 276	**346 737**	346 549	27 147
Total		**235 211**	203 863	210 414	**1 631 545**	1 589 114	1 249 958

Note 17 - Other assets

(Amounts in NOK million)

Parent bank			Group	
31.12.19	**31.12.20**		**31.12.20**	31.12.19
6	**5**	Repossessed assets	**5**	6
0	**0**	Accrued income	**55**	50
199	**224**	Overfunding of pension liabilities	**239**	215
225	**73**	Prepayments	**91**	72
206	**249**	Other assets 1)	**332**	283
636	**551**	**Total other assets**	**722**	626

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	
31.12.19	**31.12.20**		**31.12.20**	31.12.19
883	**1 109**	Other liabilities	**1 254**	1 425
96	**165**	Costs incurred	**503**	498
36	**61**	Provisioning against incurred liabilities and costs 1)	**61**	77
1 015	**1 335**	**Total other liabilities**	**1 818**	2 000
38	61	1) Of which off balance loss provision	61	38
		Specification of other liabilities:		
266	393	Lease liabilites 2)	443	422
455	28	Accrued tax	56	467
21	23	Tax deductions	32	33
147	72	Creditors	86	164
252	251	Agreed payments from Donations Fund	251	252
36	42	Defined benefit pension scheme (IAS 19)	42	34
17	300	Miscellaneous liabilities	344	53
1 194	1 109	Other liabilites	1 254	1 425

2) See note 23 regarding IFRS 16

Note 19 - Deposits broken down by sector and industry

(Amounts in NOK m

Parent Bank			Group	
31.12.18	**31.12.20**		**31.12.20**	31.12.18
3 416	**3 781**	Real estate	**3 781**	3 416
1 342	**2 392**	Finanicial and insurance activities	**2 392**	1 342
1 727	**2 917**	Fishing and aquaculture	**2 917**	1 727
1 252	**1 103**	Manufacturing	**1 103**	1 252
478	**518**	Agriculture and forestry	**518**	478
2 021	**2 627**	Power and water supply and construction	**2 627**	2 021
4 885	**6 850**	Service industries	**6 788**	4 866
1 902	**2 168**	Transportation	**2 168**	1 902
2 208	**2 795**	Commodity trade, hotel and restaurant industry	**2 795**	2 208
19 231	**25 151**	**Public market**	**25 089**	19 212
34 180	**40 363**	Total retail market	**40 363**	34 179
10 594	**7 706**	Total government	**7 706**	10 594
64 005	**73 220**	**Total deposits**	**73 158**	63 985

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

Parent Bank and Group

(Amounts in NOK million)

Securities issued

	31.12.19	**31.12.20**
Certificates and other short-term borrowings		
Bond debt	24 786	**23 167**
Total debt securities in issue	24 786	**23 167**

Changes in securities issued	Statement of financial position 31.12.20	Issued 31.12.20	Matured or redeemed 31.12.20	Exchange rate movements 31.12.20	changes and accrued interest 31.12.20	**Statement of financial position 31.12.20**
Certificates and other short-term borrowings						
Bond debt	24 786	4 981	-6 274	99	- 424	**23 167**
Total debt securities issued	24 786	4 981	-6 274	99	- 424	**23 167**

	31.12.19	**31.12.20**
Subordinated loan capital	1 050	**1 050**
Total subordinated loan capital	1 050	**1 050**

Changes in subordinated loan capital	Statement of financial position 31.12.20	Issued 31.12.20	Matured or redeemed 31.12.20	Exchange rate movements 31.12.20	Fair value changes and accrued interest 31.12.20	**Statement of financial position 31.12.20**
Subordinated loan capital with definite maturities	1 050					**1 050**
Total subordinated loan capital	1 050					**1 050**

	31.12.19	31.12.20
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 loans are included in the Bank's tier 1 capital for capital adequacy purposes.

Note 21 - Equity Certificates (ECs)

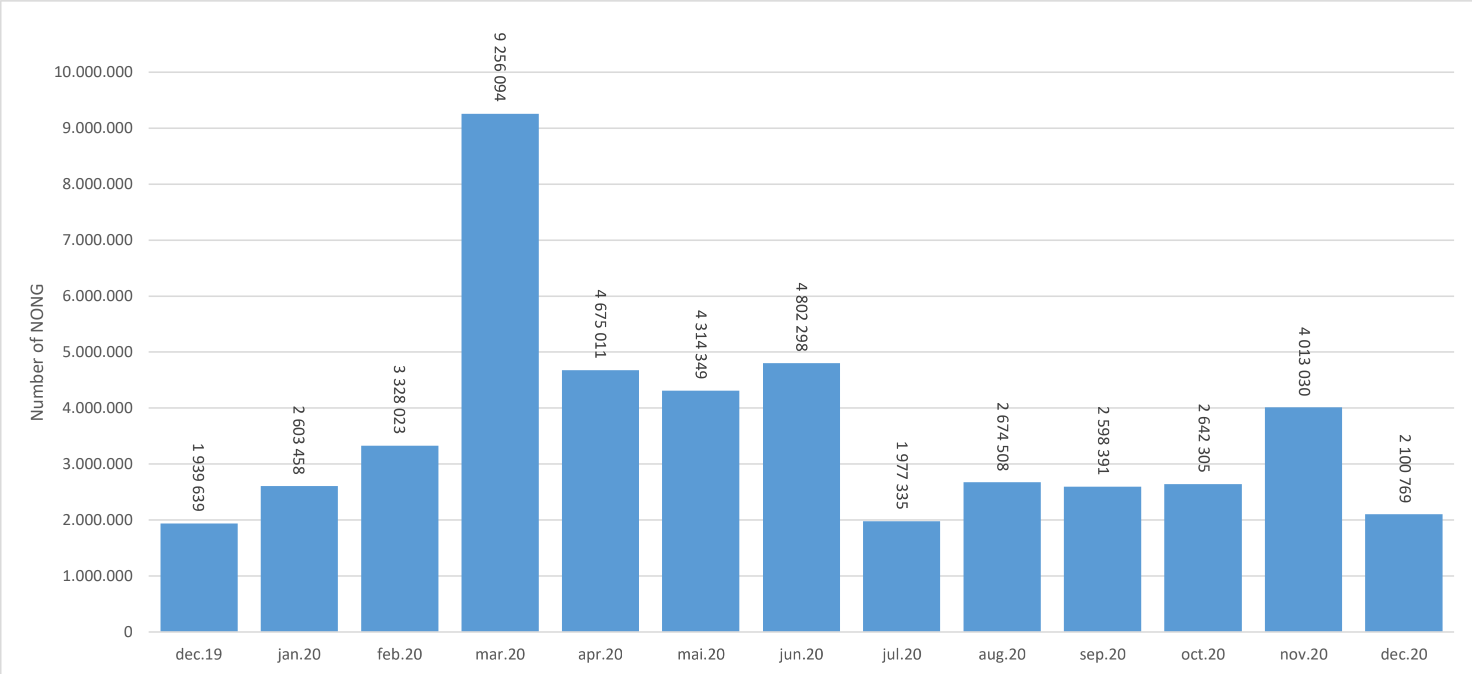
The 20 largest EC holders at **31.12.20**

EC Holders	Number of Ecs	Share of EC Capital
PARETO INVEST AS	3.416.933	3,40%
PARETO AKSJE NORGE VERDIPAPIRFOND	3.309.231	3,30%
State Street Bank and Trust Comp	2.938.258	2,93%
The Northern Trust Comp, London Br	2.814.607	2,80%
GEVERAN TRADING CO LTD	2.790.356	2,78%
VPF EIKA EGENKAPITALBEVIS	2.508.226	2,50%
MP PENSJON PK	2.444.322	2,43%
Brown Brothers Harriman & Co.	2.196.486	2,19%
FORSVARETS PERSONELLSERVICE	1.621.830	1,62%
METEVA AS	1.614.670	1,61%
SPAREBANKSTIFTELSEN SPAREBANK 1 NO	1.411.606	1,41%
Landkreditt Utbytte	1.250.000	1,25%
Morgan Stanley & Co. Int. Plc.	1.164.000	1,16%
State Street Bank and Trust Comp	1.138.791	1,13%
Euroclear Bank S.A./N.V.	1.010.361	1,01%
The Bank of New York Mellon SA/NV	790.249	0,79%
J.P. Morgan Bank Luxembourg S.A.	768.488	0,77%
CLEARSTREAM BANKING S.A.	749.878	0,75%
Brown Brothers Harriman & Co.	735.389	0,73%
VERDIPAPIRFONDET EIKA SPAR	729.222	0,73%
Total	**35.402.903**	**35,26%**

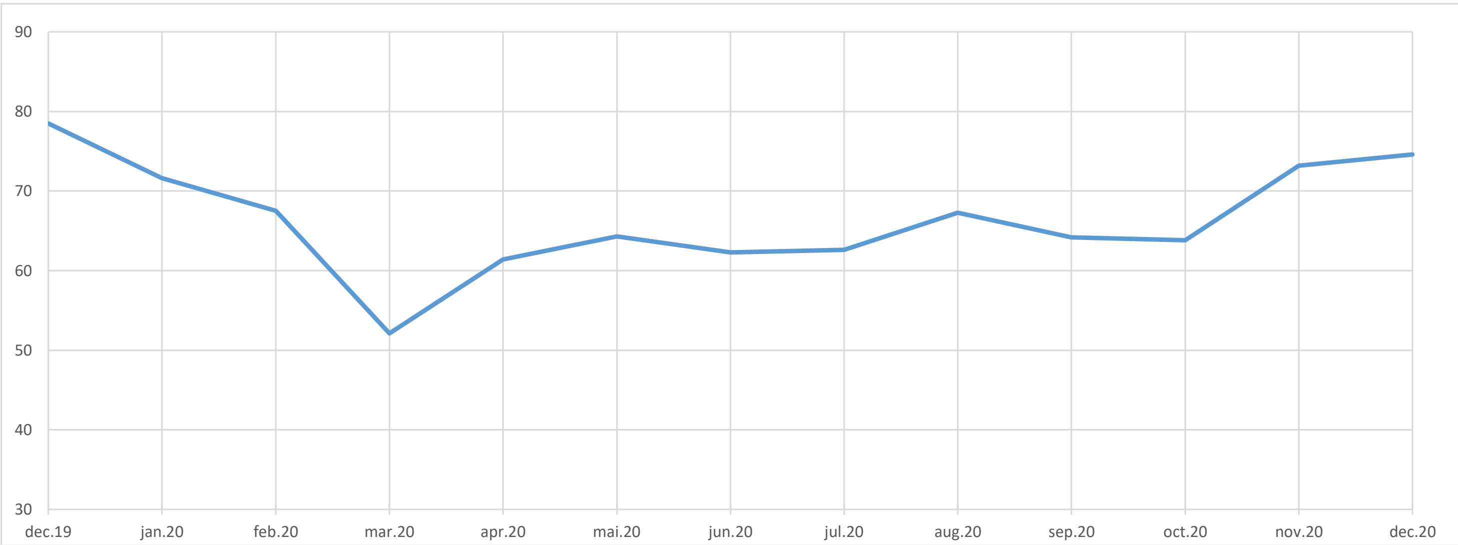
Dividend policy

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 occuring after the end of the quarter

No further information has come to light about important events that have occurred between the balance sheet date, and the Board's final consideration of the financial statements.

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.

(Amounts in NOK million)

Parent bank			Group	
31.12.19	31.12.20	Right to use asset	31.12.20	31.12.19
341	**264**	Carrying amount 1 January	**417**	482
0	**164**	Additions	**65**	0
0	**0**	-Derecognition	**0**	0
-34	**2**	Other changes	**-3**	-5
307	**430**	Carrying amountat the end of the period	**479**	477
43	**42**	Depreciation in the period	**44**	60
264	**388**	**Carrying amount of right to use asset at the end of the period**	**435**	417

31.12.19	31.12.20	Lease liability	31.12.20	31.12.19
341	**266**	Carrying amount 1 January	**422**	482
0	**163**	Additions	**64**	0
-45	**-40**	Lease payments in the period	**-51**	-63
7	**9**	Interest	**10**	10
-37	**-5**	Other changes	**-2**	-7
266	**393**	**Lease liability at the end of the period**	**443**	422

31.12.19	31.12.20	Profit and loss	31.12.20	31.12.19
43	**42**	Depreciation	**44**	60
7	**9**	Interest	**10**	10
50	**51**	**Total lease expence**	**54**	70

31.12.19	31.12.20	Undiscounted lease liabilities and maturity of cash outflows	31.12.20	31.12.19
29	**40**	Less than 1 year	**43**	45
23	**39**	1-2 years	**42**	38
22	**32**	2-3 years	**39**	36
21	**32**	3-4 years	**36**	34
20	**31**	4-5 years	**36**	32
195	**222**	More than 5 years	**312**	305
310	**396**	**Total**	**508**	490

Alternative performance measures

SpareBank 1 Nord-Norge's alternative performance measures (APMs), provide relevant additional information to what is otherwise shown in the quarterly financial statements. These key figures are not defined through IFRS and cannot be directly compared with equivalent figures for other companies unless the same definition is used.

The alternative performance measures are not meant to replace any measurements/key figures under IFRS. The performance targets provide additional insight into the Group's operations and represent important targets in management's control of the Group's various business areas. Non-financial data or key figures governed by IFRS or other regulations, e.g. CRR/CRD, are not defined as APMs. The APMs are presented on a separate page in the quarterly accounts, and show comparable figures for the corresponding period last year.

Profitability	**Definition**	**Relevance**
Return on equity	Profit in relation to average equity. Calculated per the end of each quarter, along with opening and closing balances for the year. The return on equity for the period is reported on an annualised basis.	Return on equity is the Group's strategic target for profitability. The return on equity is a measure of profitability on the Group's performance factors.
Cost/income ratio	Total costs in relation to total income.	The cost/income ratio is a measure of the profitability of the Group's ongoing operations.
Interest margin	Net interest income in relation to average total assets. Average total assets are calculated as at the end of each quarter, along with opening and closing balances.	The interest margin shows the trend in the ratio between the sale price of products and lending costs from period to period. The interest margin measures the profitability of the Group's loan products.

Deposits

Deposit-to-loan ratio	Total deposits are divided by total lending excluding intermediary loans.	The ratio shows the proportion of the Group's total lending financed through customer deposits, and the need for financing from external lenders.
Deposit-to-loan ratio incl. intermediary loans	Total deposits are divided by total lending including intermediary loans.	The ratio shows how much of the Group's total lending including intermediary loans has been funded through customers' deposits.
Growth in deposits	Deposit growth is measured quarterly as the percentage change in the Bank's deposits in the last 12 months.	Measures both customer growth and changes in the financing situation.

Lending

Growth in lending (%)	Growth in lending excl. intermediary loans is measured quarterly as the percentage change in the Bank's customer loans in the last 12 months.	Shows the growth in the Bank's core area, customer lending. The calculation does not include liquidity portfolio/loans to credit institutions.
Growth in lending, incl. intermediary loans (%).	Growth in lending incl. intermediary loans is measured quarterly as the percentage change in the Bank's customer loans in the last 12 months.	Shows the growth in the Bank's core area, including intermediary loans.
Proportion of loans deducted	Measured as the percentage of loans deducted in relation to gross lending.	A not insignificant part of the bank's lending is transferred to SpareBank1 Boligkreditt or SpareBank1 Næringskreditt as intermediary loans and deducted from the balance. This key figure shows the percentage of loans in this category.
Proportion of loans deducted, retail market	Measured as the percentage of loans deducted in relation to gross lending to the retail market.	Deducted portion of the retail market. The bulk of deducted loans are in the retail market segment.

Losses and non-performing loans		
Loan losses (%)	Total posted losses year to date in relation to total lending volume incl. intermediary loans.	Measures the relative importance of losses set against the rest of the portfolio of loans. Relevant for estimating future expected losses and the Group's credit risk.
Commitments in default (%)	Percentage of overdue commitments (over 90 days) in relation to total lending volume incl. intermediary loans.	Measures the relative importance of non-performing loans set against the rest of the portfolio of loans. Relevant for estimating future expected defaults and the Group's credit risk.
Doubtful commitments (%)	Percentage of impaired commitments in relation to total lending volume incl. intermediary loans	Measures the relative importance of non-performing loans set against the rest of the portfolio of loans. Relevant for estimating future expected defaults and the Group's credit risk.
Net defaulted and doubtful commitments (%)	Defaulted and doubtful commitments are adjusted for individual loss write-downs and expressed as a proportion of gross lending incl. intermediary loans.	Defaulted and doubtful commitments are netted off against loss provisions in Stage 3.
Loss provision ratio	Ratio between total loss provisions and non-performing and impaired commitments.	Shows the percentage of losses and non-performing loans that have been raised in Stage 3 of loss provisions.

APM (Alternative Performance Measures) Group

(Amounts in NOK million)	**31.12.20**	31.12.19
Profit for the period	**1 742**	2 062
Deduct interest hybrid tier 1 capital	**33**	28
Profit for the period incl. interest hybrid tier 1 capital	**1 709**	2 034
Total Equity	**15 022**	14 172
Deducting hybrid Tier 1 capital	**780**	780
Equity excl. hybrid Tier 1 capital	**14 242**	13 392
Equity excl. hybrid tier 1 capital 01.01.	**12 278**	12 278
Equity excl. hybrid tier 1 capital 31.03.	**12 914**	12 266
Equity excl. hybrid tier 1 capital 30.06.	**13 401**	12 820
Equity excl. hybrid tier 1 capital 30.09.	**13 884**	13 194
Equity excl. hybrid tier 1 capital 31.12.	**14 242**	13 392
Average equity excl. hybrid tier 1 capital	**13 566**	12 790
Profit for the period, annualised incl. interest hybrid tier 1 capital	**1 709**	2 034
Average equity excl. hybrid tier 1 capital	**13 566**	12 790
Return on Equity	**12,6 %**	15,9 %
Total operating expenses	**1 626**	1 640
Total income	**4 060**	4 124
Cost-income ratio	**40,0 %**	39,8 %
Net interest income	**2 068**	2 097
Average total assets	**116 810**	108 989
Interest margin	**1,77 %**	1,92 %
Deposits from customers	**73 158**	68 030
Total lending incl. intermediary loans at the end of period	**127 122**	121 733
Deposits as a percentage of total lending incl. intermediary loans	**57,5 %**	55,9 %
Deposits from customers	**73 158**	68 030
Gross loans to customers	**88 977**	85 692
Deposits as a percentage of gross lending	**82,2 %**	79,4 %

APM (Alternative Performance Measures) Group (cont.)	**31.12.20**	31.12.19
Total lending incl. intermediary loans at the end of period	**127 122**	121 733
Total lending incl. intermediary loans at the end of same period last year	**121 733**	114 117
Lending growth last 12 months incl. intermediary loans	**5 389**	7 616
Lending growth last 12 months incl. intermediary loans	**4,4 %**	6,7 %
Total lending at the end of period	**88 977**	85 692
Total lending at the end of same period last year	**85 692**	80 863
Lending growth last 12 months	**3 285**	4 829
Lending growth last 12 months	**3,8 %**	6,0 %
Total intermediary loans at the end of the period	**38 145**	36 041
Total lending incl. intermediary loans at the end of period	**127 122**	121 733
Share of intermediatry loans	**30,0 %**	29,6 %
Intermediary loans SpareBank 1 Boligkreditt	**37 735**	35 625
Total retail lending end of period	**88 712**	86 287
Share of intermediary loans of total retail lending	**42,5 %**	41,3 %
Intermediary loans SpareBank 1 Næringskreditt	**410**	416
Total corporate lending end of period	**39 943**	36 525
Share of intermediary loans of total corporate lending	**1,0 %**	1,1 %
Deposits from customers end of period	**73 158**	68 030
Deposits from customers end of same period last year	**68 030**	63 985
Growth in deposits from customers past 12 months	**5 128**	4 045
Growth in deposits from customers past 12 months	**7,5 %**	6,3 %
Losses on loans and guarantees	**332**	11
Losses on loans and guarantees, annualised	**332**	11
Total lending incl. intermediary loans at the end of period	**128 656**	122 812
Losses on loans to customers as a percentage of total lending incl. intermediary loans	**0,26 %**	0,01 %
Gross loans in stage 3	**373**	352
Loss provisions stage 3	**- 167**	- 152
Net commitments in default	**206**	200
Total lending incl. intermediary loans at the end of period	**128 656**	122 812
Net comm. in default and at risk of loss as a per. of total lending incl. intermediary loans	**0,2 %**	0,2 %
Non-performing commitments	**373**	352
Loss provisions stage 3	**- 167**	- 152
Loan loss provision ratio	**44,8 %**	43,2 %

Statement from the Board of Directors and Chief Executive Officer

Today the Board of Directors and the Chief Executive Officer have considered and adopted the financial report and the consolidated financial statements of SpareBank 1 Nord-Norge for the period from 1 January to 31 December 2020.
We confirm to the best of our knowledge that the interim financial statements for the period from 1 January to 31 December 2020 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the group taken as a whole. We also confirm that the interim financial report gives a true and fair view of important events during the accounting period and their influence on the interim financial statements, the most important elements of risk and uncertainty that the group faces in the next accounting period, and a description of related parties' material transactions.

Tromso, 10.02.21
The Board of Directors of SpareBank 1 Nord-Norge