

# Second quarter 2021

12. August 2021

Jan-Frode Janson  
CEO

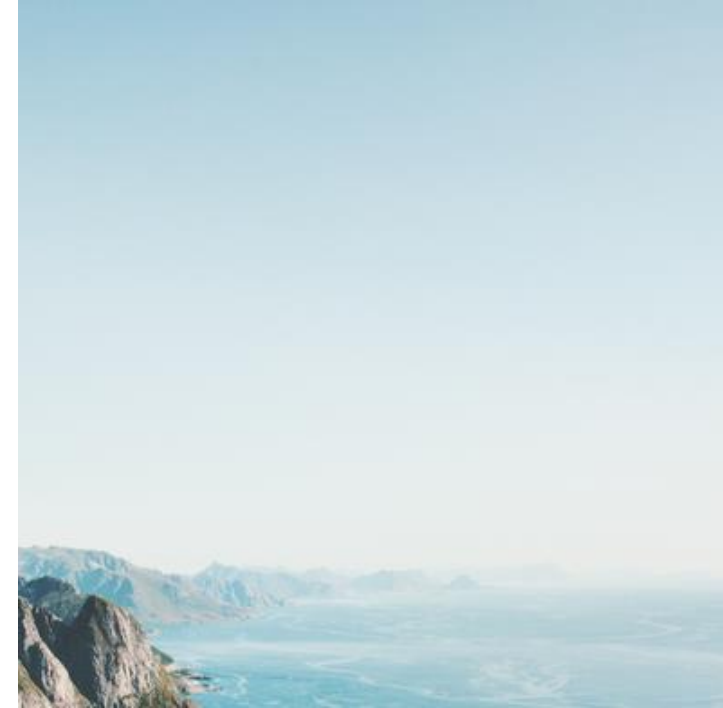
Kjell Fordal  
CFO



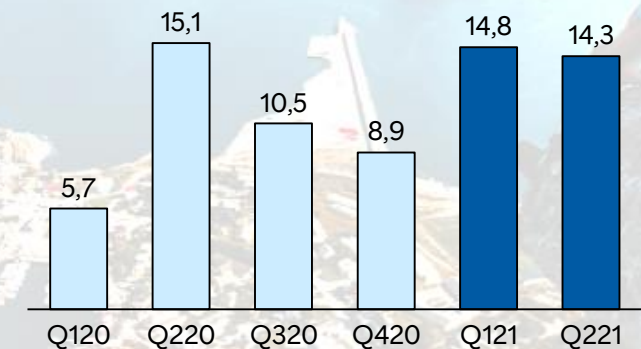
# Q2 2021

## Another strong quarter

- **Return on equity of 14,3 % in Q2** – a highly satisfactory result driven by sound revenue development, cost control and low loan losses
- **Strong contributions from subsidiaries, product companies and financial investments.** Particularly good market conditions within real estate broking, securities and insurance
- **Loan losses substantially reduced** and the credit quality is sound both within the mortgage and corporate portfolios
- **SMN is solidly capitalised**, positioned for continued growth and has good dividend capacity
- **On the way to realising SMNs financial ambitions** through implementation of the strategies in One SMN



Return on equity per quarter (%)



# Q2 2021

## Net profit

NOK 755m (719) in Q2  
NOK 1 523m (1 008) YTD

## Return on equity

14.3% (15.1) in Q2  
14.5% (10.3) YTD

## CET1 ratio

18.3% (17.2)

Pre-loss result of core business NOK 711m (561)  
Losses NOK 39m (170)

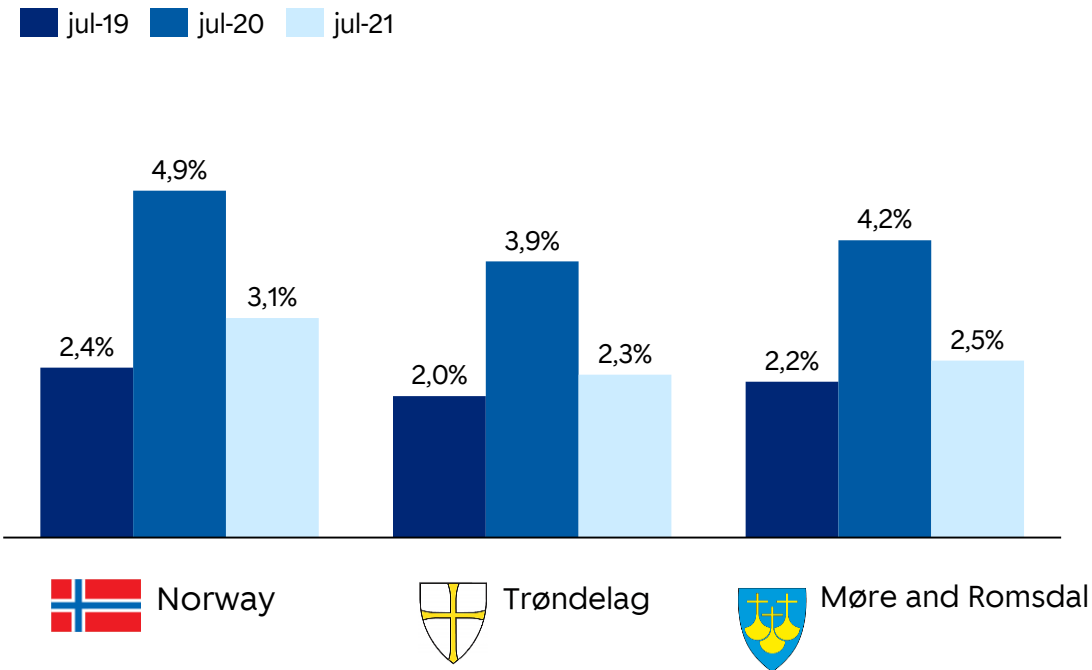
Lending growth 2.0% (2.5) in Q2 and 3.4% (4.4) YTD  
Deposit growth 7.6% (7.0) in Q2 and 12.9% (9.7) YTD

Book value per EC NOK 100.18 (90.37)  
Earnings per EC NOK 3.51 (3.27)

# Reduced unemployment and the housing market is still in good condition

## Unemployment almost at pre-covid levels

Wholly unemployed as a share of the labour force (NAV), monthly figures

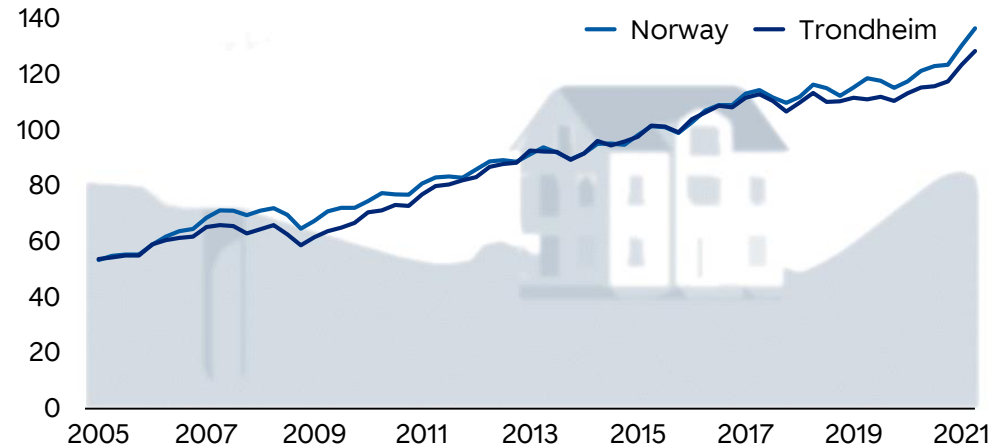


## The housing market set to normalise

Housing prices

The housing market in Central Norway has seen a price surge since the spring of 2020

The expectation is a «soft landing» and a normal – but still good – housing market in the years ahead



Source: SSB

# Positive outlook for businesses in Central Norway

## Industry indicator per May 2021



Retail trade

Status ■ Outlook →



Construction

Status ■ Outlook →



Fisheries

Status ■ Outlook →



Maritime industry

Status ■ Outlook →



Offshore

Status ■ Outlook →



Agriculture

Status ■ Outlook →



Aquaculture

Status ■ Outlook →

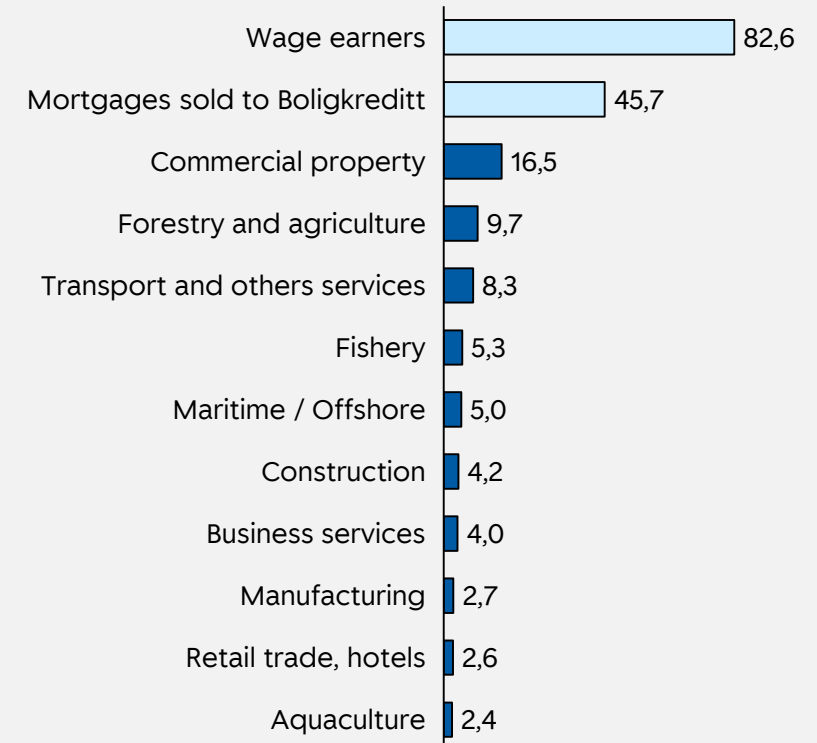


Commercial property

Status ■ Outlook →

Robust loan portfolio: 68 % exposure towards wage-earners

Loan portfolio per 30.06.2021 (bNOK)

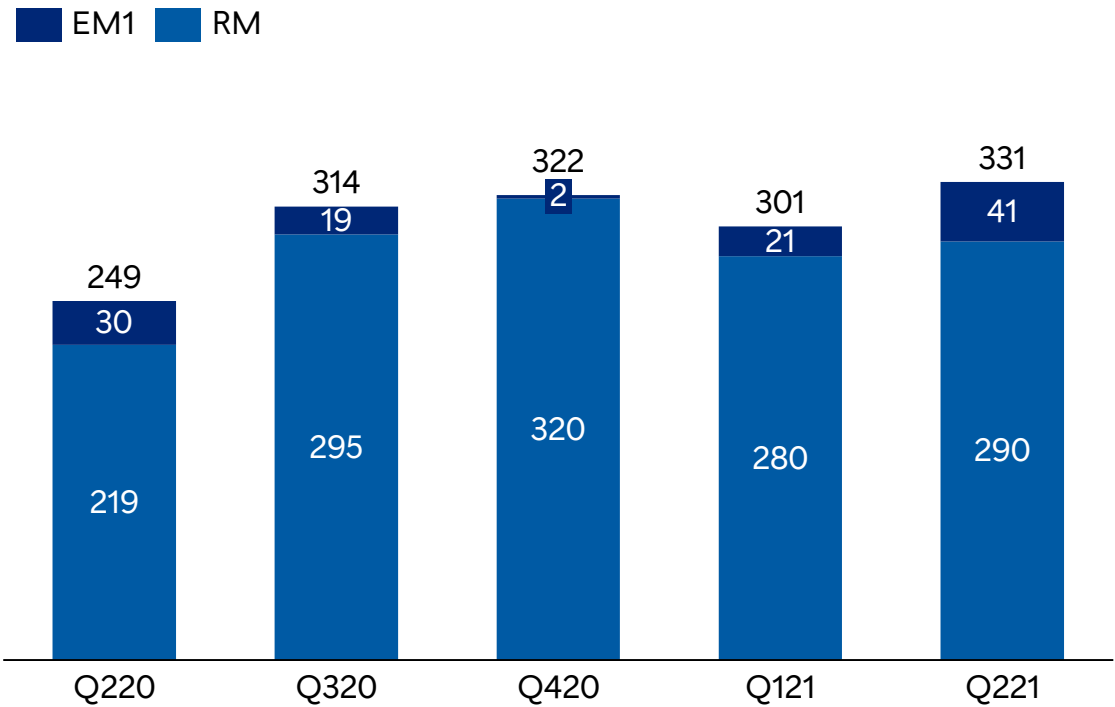


Source: SpareBank 1 SMN

# High activity in the retail market with growth in lending and number of homes sold

## Personal Banking

Profit before tax (NOKm)



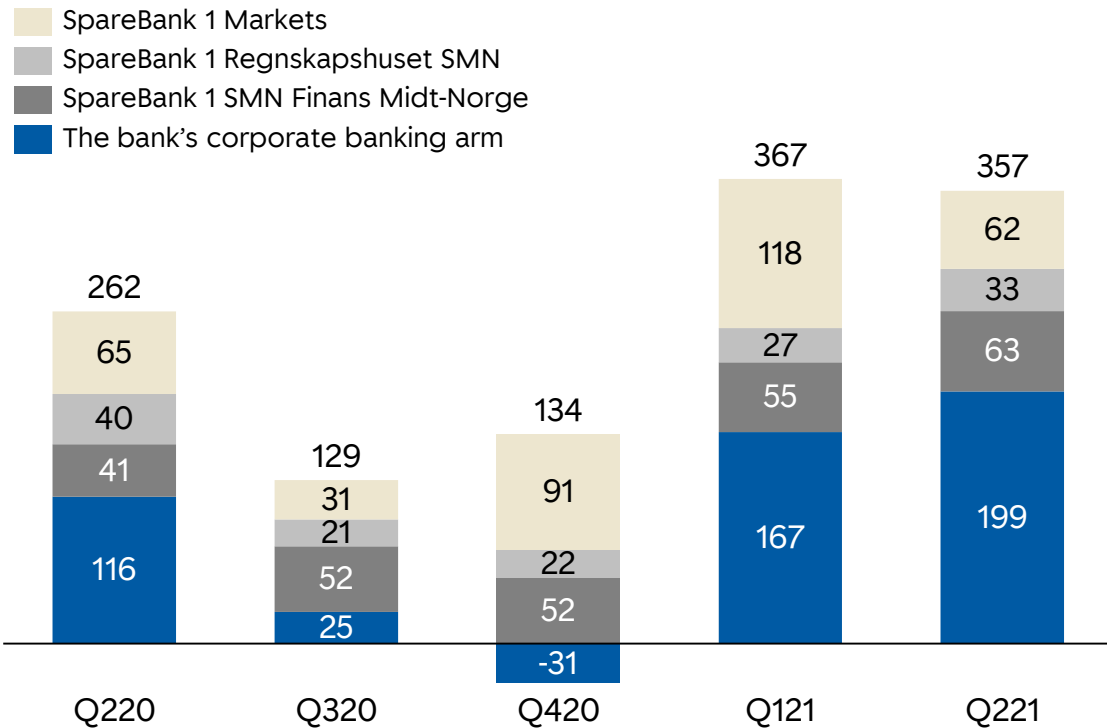
High number of sales of residential and leisure homes through EiendomsMegler 1 so far this year



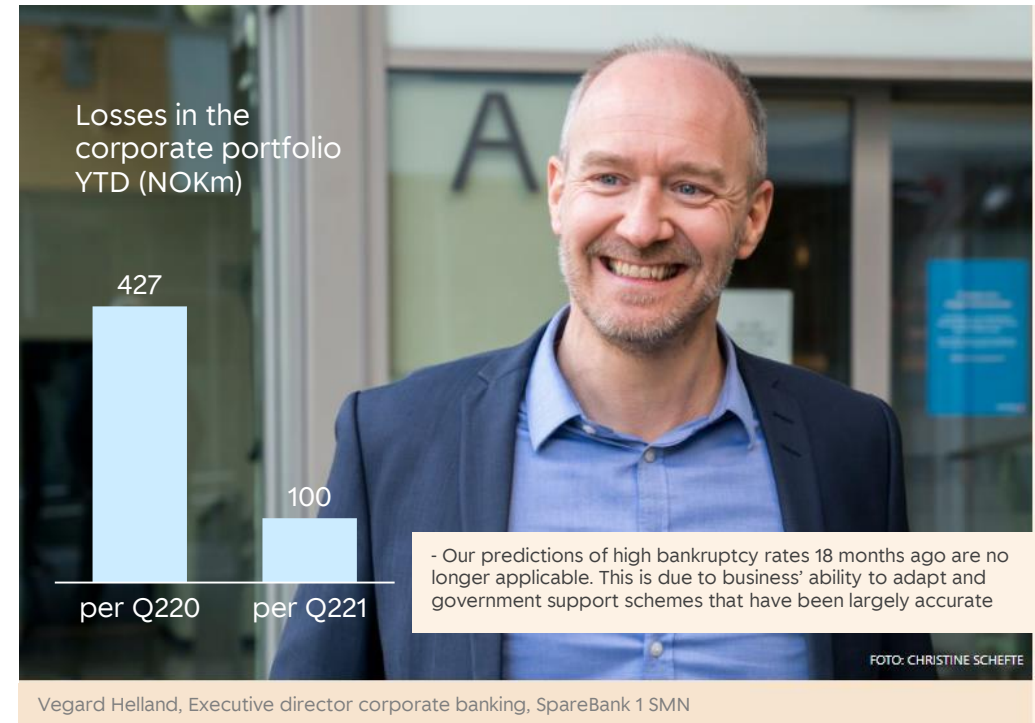
# Increased customer base and good results from corporate banking

## Corporate Banking

Profit before tax (NOKm)



Substantially reduced loan losses from last year and a healthy risk profile in the corporate segment

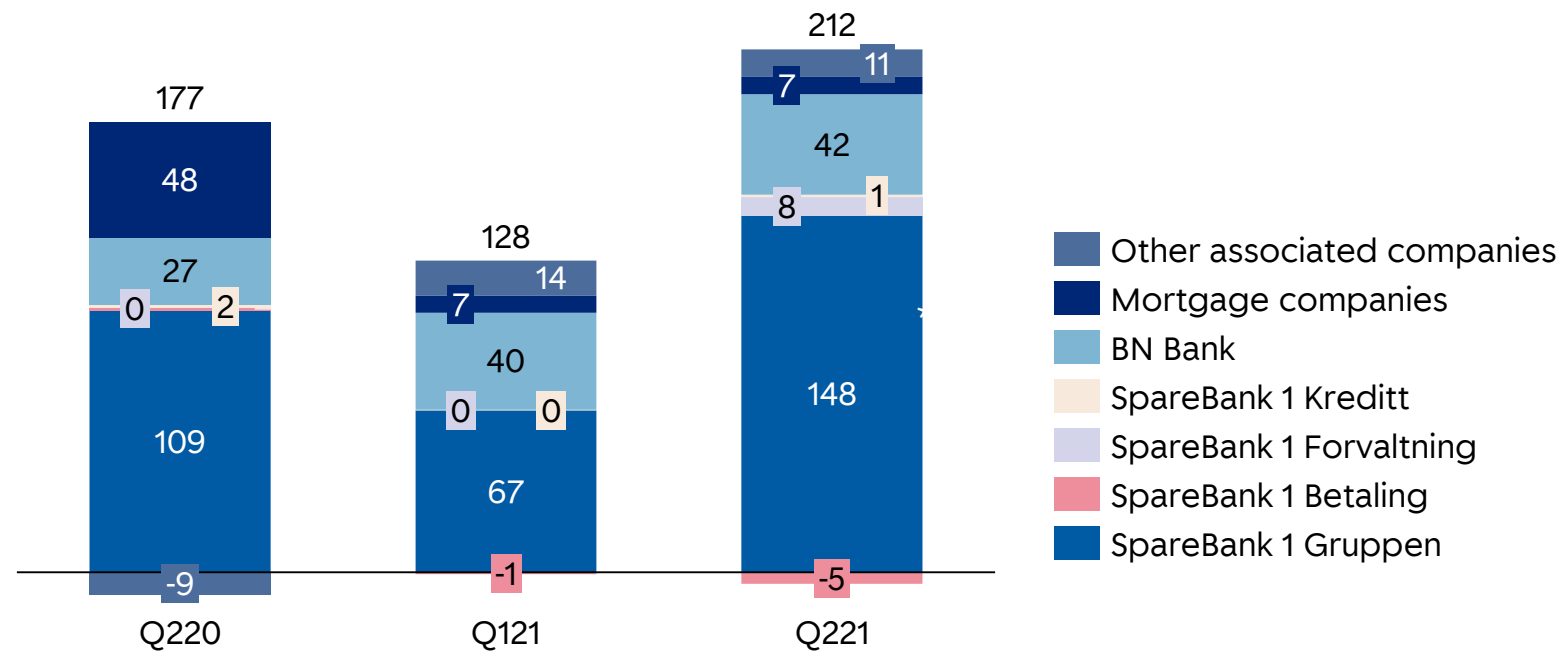


Source: NA24

# Increased results from Fremtind Forsikring and SpareBank 1 Forsikring in Q2

Broad product range, commission income and return on ownership interests

Results from ownership interests (NOKm)



Strong brands



## SpareBank 1 Gruppen

Alliance collaboration on products under a joint brand

## SpareBank 1 Forvaltning

ODIN Forvaltning  
SpareBank 1 Kapitalforvaltning

## SpareBank 1 Kreditt

## SpareBank 1 Betaling

SpareBank 1's holding company for their share of Vipps payment solutions

## BN Bank

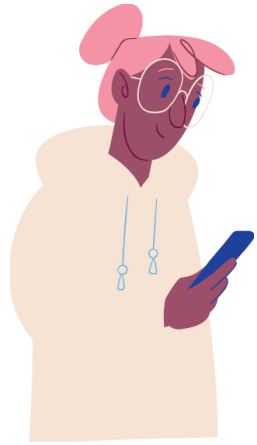
Nationwide bank in the retail and corporate market

## Mortgage companies

SpareBank 1 Boligkreditt  
SpareBank 1 Næringskreditt

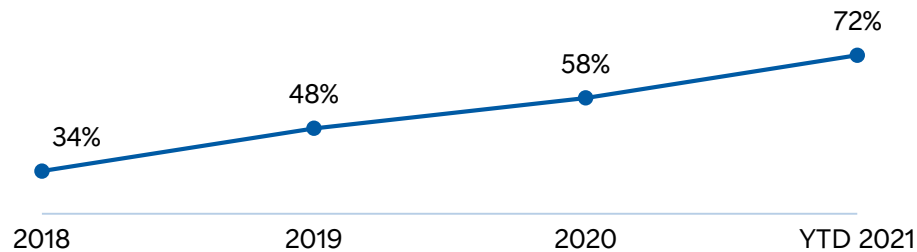


# Digital transition and increased attractiveness



## Increased digital sales to personal customers

Share of digital sales to personal customers



## Increasingly the bank of choice

The share of bank customers that look to SMN as their primary bank has risen by 4 percentage points since 2019

Source: Kantar survey, June 2021

## Physically present and digital leader



### NYHET! Bank+Regnskap

Med bank, regnskapssystem og regnskapsfører på ett sted sparer du både tid og penger.

Les alt om Bank+Regnskap

# Cooperation set to boost development and market position

## Vipps is going international

Vipps, Danish MobilePay and Finnish Pivo will combine 11 million users with one digital wallet.

Over 700 million annual transactions and 330 000 vendors across the Nordics.



## Fleks – focus on car subscription

SpareBank 1 Finans Midt-Norge is to become an owner of Fleks AS alongside SpareBank 1 Nord-Norge and SpareBank 1 Finans Østlandet.

Car subscription services are growing rapidly and will be a natural alternative to the traditional car ownership model. SB1 SMN is set to position itself in this market through Fleks AS.

fleks.



# Goals

SpareBank 1 SMN aims to be the leading finance house in Central Norway and among the best performers in the Nordic region

12%

## Profitable

Return on equity 12%

16.9%

## Solid

CET1 ratio 16.9%

Payout ratio approx. 50%

< 2%

## Efficient

Annual growth in group costs limited to 2% within existing business

↓ 50%

## Responsible

Aims to halve the group's climate footprint by 2030  
Reduction of 8% per year



## We were there when society locked down and we are there for the reopening

Over **10 000 members of the community** in Central Norway have voiced an opinion on how the community dividend should be turned to account. A clear message is that people want the funds to help speed up the reopening of society – and so be it!

**NOK 100m of the community's share of the net profit goes to local activities and celebrations to help regain momentum in local communities throughout Central Norway.**



# SpareBank 1 SMN (MING) - an attractive investment

1

**High return over time** and solidly capitalised. Efficient banking operations and unrealised income and cost synergies in the group. Shareholder-friendly dividend policy

2

**Strong position and good growth** in an attractive region and in all business lines. Diversified customer portfolio and income base

3

**A good brand** with development potential based on ownership model, presence and sustainability

4

**Substantial underlying value** through ownership positions in and outside SpareBank 1-alliansen

5

**Well positioned as regards to consolidation** among Norwegian savings banks

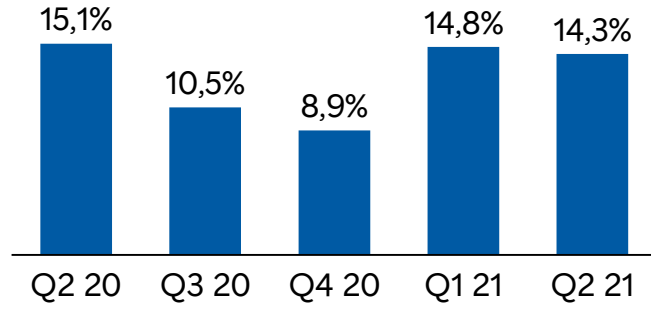
# Financial information

Kjell Fordal  
CFO

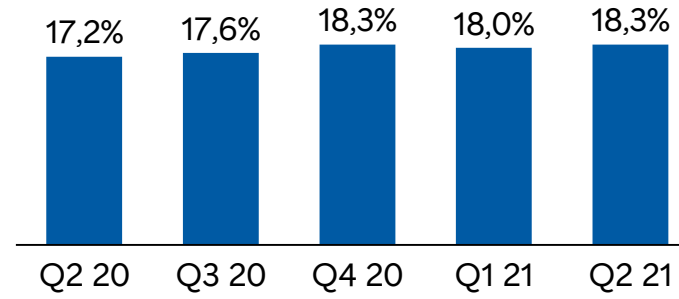


# Profitable and solid with reduced losses

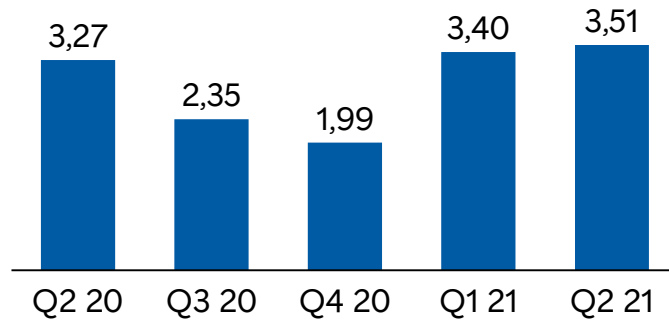
## Return on equity



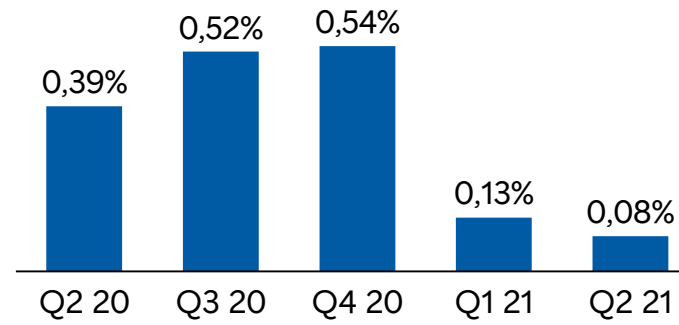
## CET1 ratio



## Earnings per equity certificate



## Loan losses in per cent of total lending



# Good results

Strong quarterly results and 14.3 per cent return on equity

Pre-loss result of core business is strengthened and losses are reduced

Good results from Fremtind Forsikring and SpareBank 1 Forsikring

NOK mill	2021	2020	Change	Q2 21	Q1 21	Q4 20	Q3 20	Q2 20
Net interest income	1 366	1 376	-10	698	668	688	695	665
Commission income and other income	1 538	1 153	385	748	790	738	625	595
<b>Operating income</b>	<b>2 904</b>	<b>2 529</b>	<b>375</b>	<b>1 445</b>	<b>1 459</b>	<b>1 425</b>	<b>1 321</b>	<b>1 260</b>
Total operating expenses	1 531	1 405	126	735	796	824	675	699
<b>Pre-loss result of core business</b>	<b>1 374</b>	<b>1 124</b>	<b>250</b>	<b>711</b>	<b>663</b>	<b>601</b>	<b>645</b>	<b>561</b>
Losses on loans and guarantees	98	478	-380	39	59	242	231	170
<b>Post-loss result of core business</b>	<b>1 276</b>	<b>646</b>	<b>630</b>	<b>672</b>	<b>604</b>	<b>359</b>	<b>414</b>	<b>391</b>
Related companies	340	54	285	212	128	117	170	177
Gain Fremtind	0	340	-340					
Securities, foreign currency and derivatives	220	155	65	59	161	80	34	271
<b>Result before tax</b>	<b>1 836</b>	<b>1 195</b>	<b>640</b>	<b>942</b>	<b>893</b>	<b>556</b>	<b>619</b>	<b>839</b>
Tax	322	193	129	191	131	105	102	124
Result investment held for sale	10	7	3	4	6	0	2	3
<b>Net profit</b>	<b>1 523</b>	<b>1 008</b>	<b>515</b>	<b>755</b>	<b>768</b>	<b>450</b>	<b>519</b>	<b>718</b>
<b>Return on equity</b>	<b>14,5 %</b>	<b>10,3 %</b>		<b>14,3 %</b>	<b>14,8 %</b>	<b>8,9 %</b>	<b>10,5 %</b>	<b>15,1 %</b>



# Lending growth

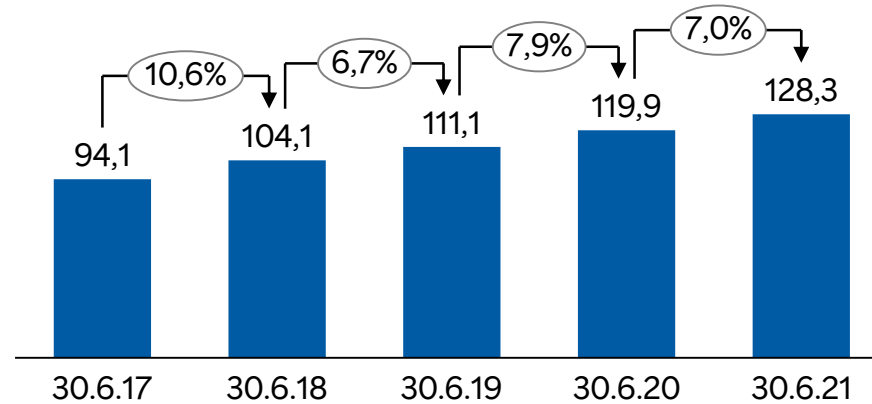
Total loans NOK 189bn,  
12 month growth of 7.9 per  
cent

Market growth in mortgages  
5.2 per cent (C2) last 12 months

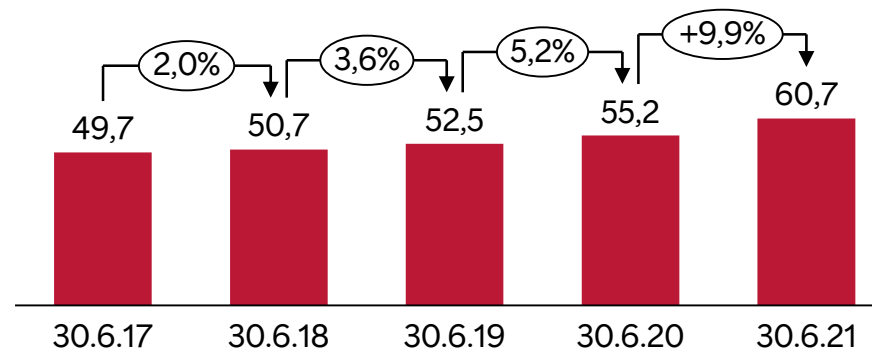
Good 12 month growth in  
residential mortgages

High business banking lending,  
growth spread both  
geographically and across a  
wide range of customers

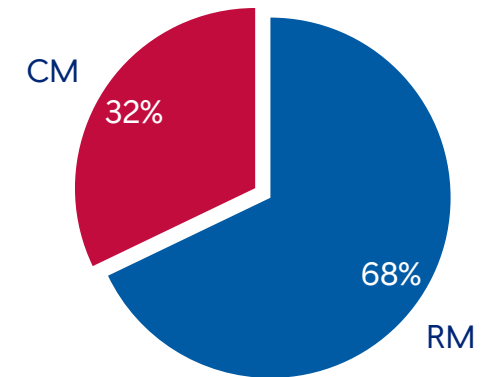
### Lending growth RM 8.1% (CAGR)



### Lending growth CM 5.1% (CAGR)



### Share of lending, CM and RM

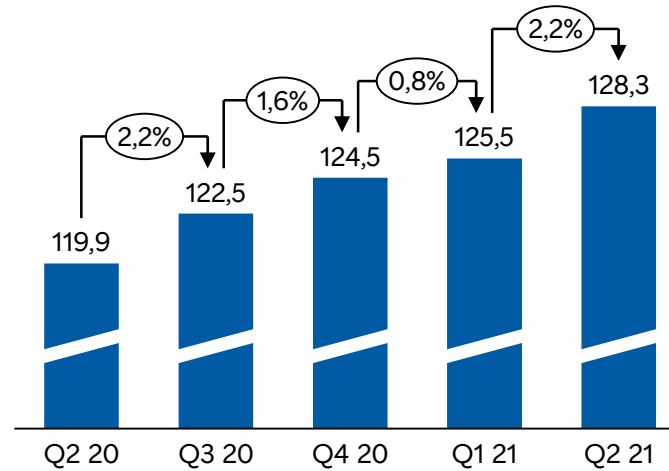


# Lending per quarter

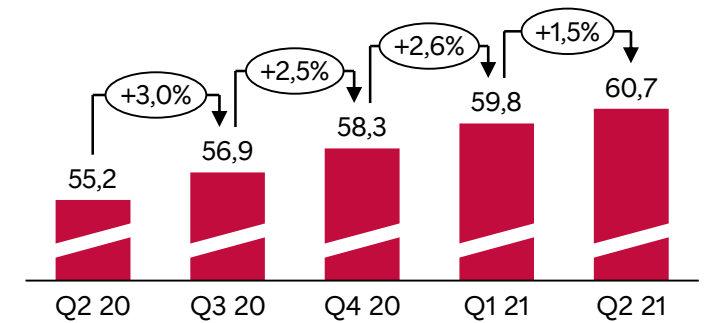
Relatively stable growth in retail and corporate markets last quarters

The growth in RM picked up in Q2 after a somewhat weak Q1

## Retail Market



## Corporate Market



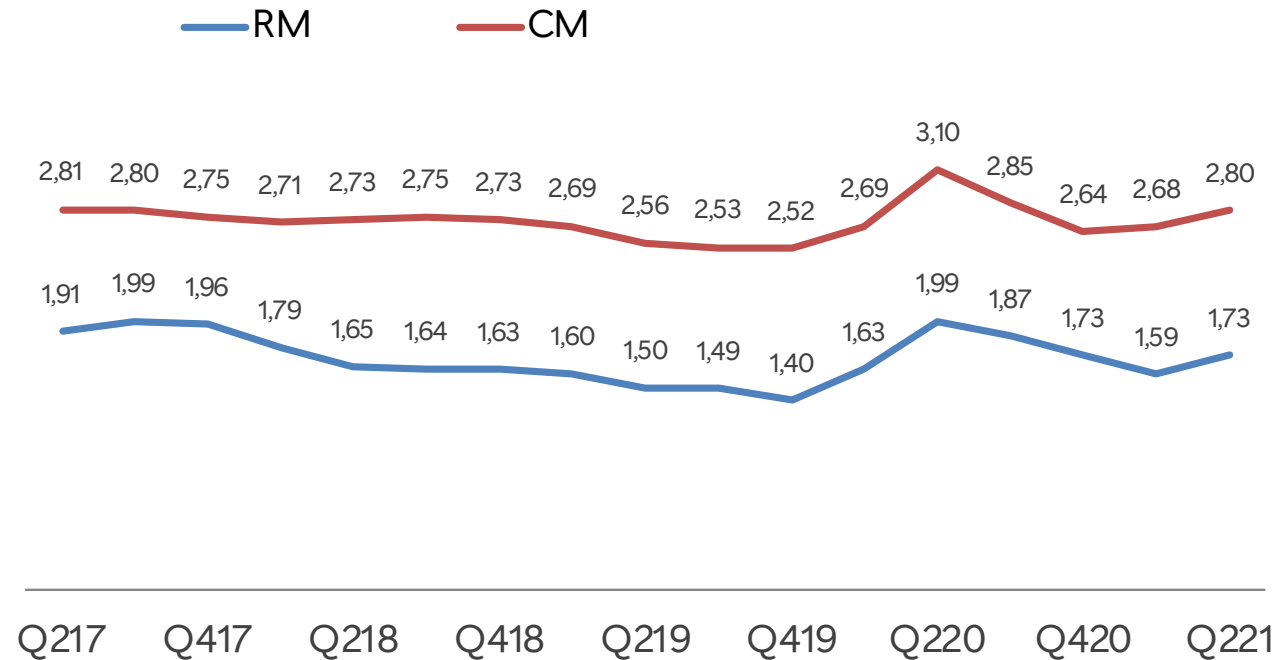
# Lending margins

Norges Bank's base rate down to zero in June 2020 and two mortgage rate cuts carried out in 2020

Reduced NIBOR increased margins in Q2

Norges Bank retains an unchanged base rate, but has signaled a hike in september 2021

## Lending margins versus 3M NIBOR



# Deposit growth

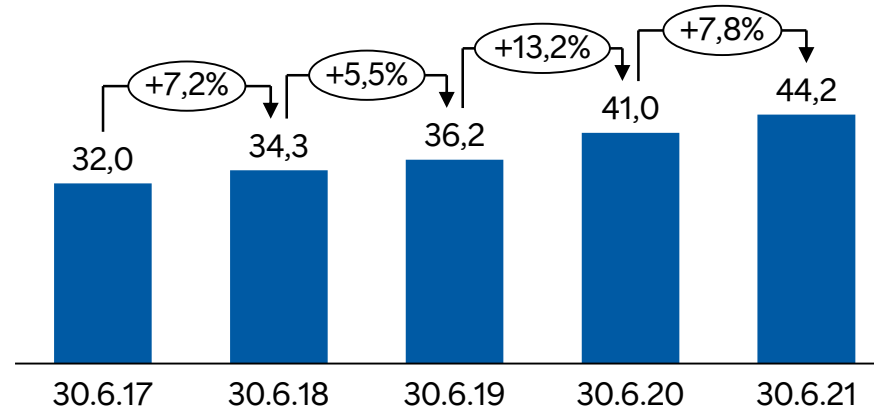
Total deposits of NOK 110bn, growth of 16.8 per cent over last 12 months

Good growth in deposits by retail customers and corporate customers alike. Reduced private consumption has brought increased deposits from retail customers from 2020

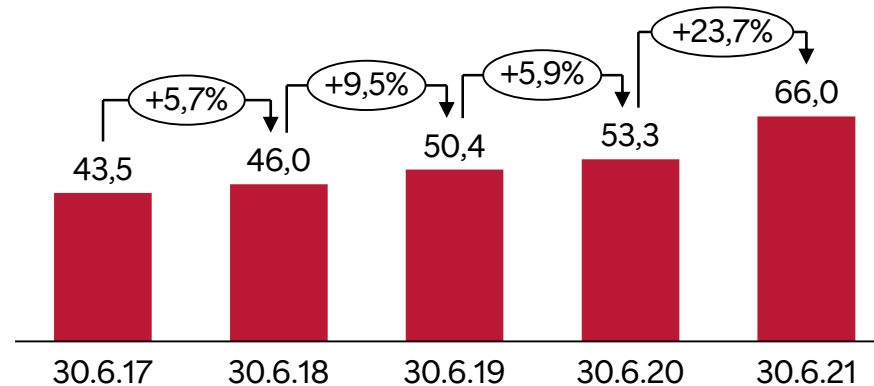
High growth in deposits by corporates, both from public sector customers and private businesses

Deposit-to-loan ratio 58 per cent (54 per cent)

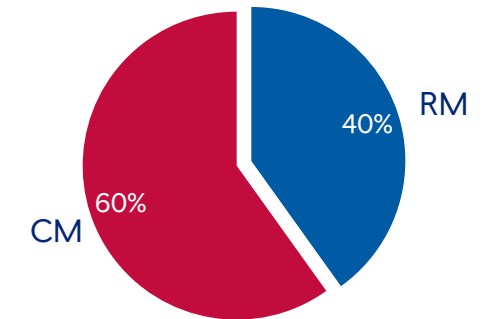
Deposit growth RM 8.4% (CAGR)



Deposit growth CM 11.0% (CAGR)



Share of deposits, CM and RM

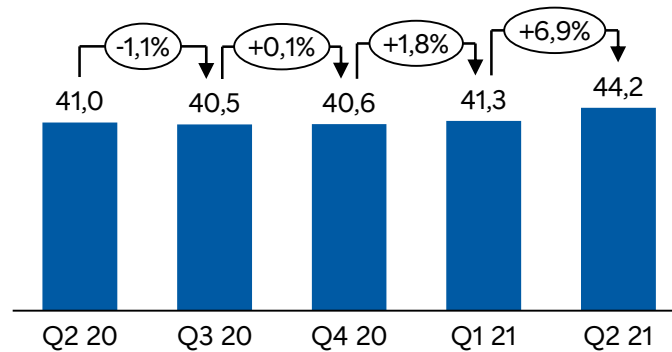


# Deposits per quarter

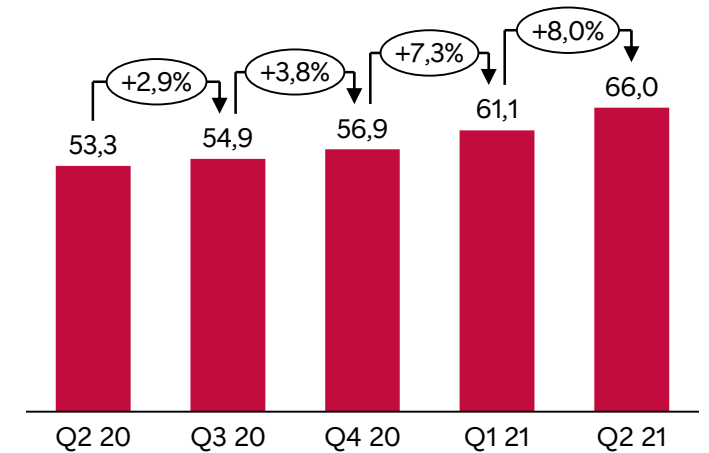
High RM deposit growth in Q2, holiday pay being the main cause

Substantial growth in CM in Q1 and Q2 2021. Trondheim Municipality with noticeable deposits in Q2

## Retail Market



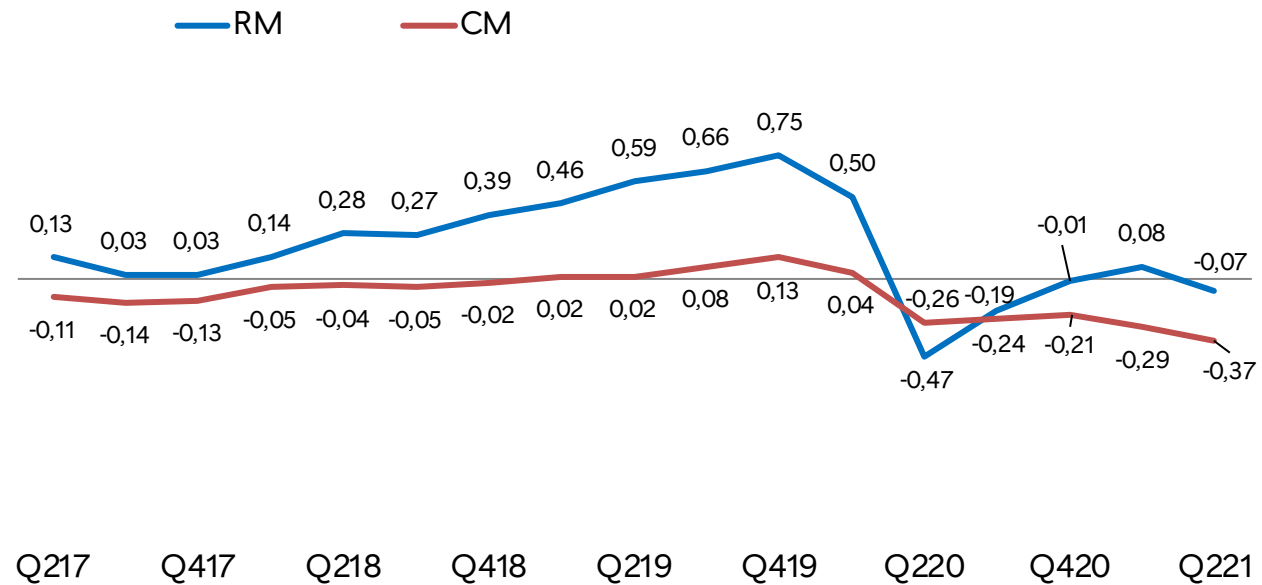
## Corporate Market



# Deposit margins

Reduced NIBOR in Q2 weakened deposit margins in the quarter

## Deposit margins versus 3M NIBOR



# Change in net interest income

Growth and increased lending margins strengthened NII

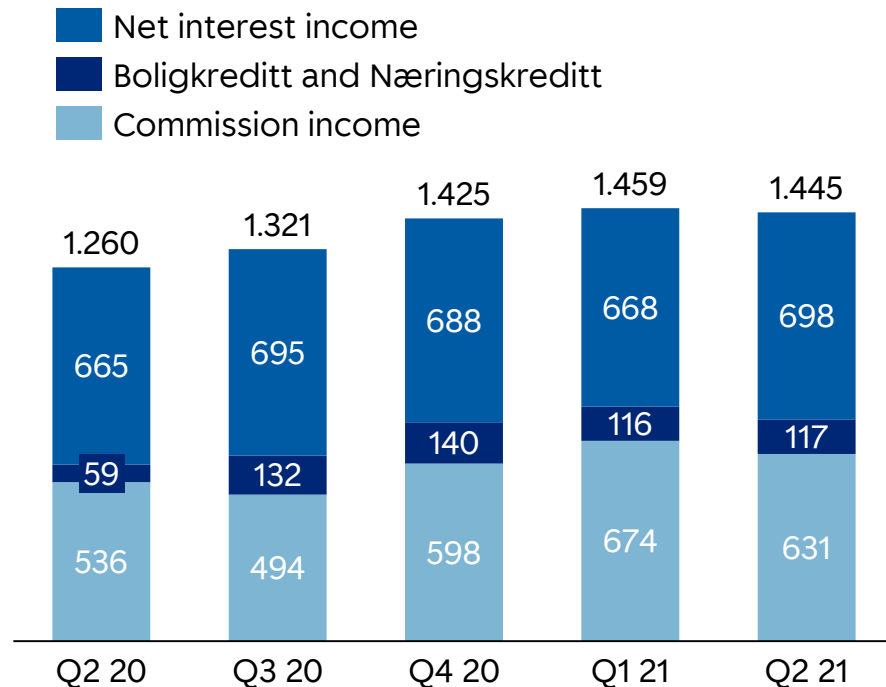
Deposit margins and return on equity capital reduced in tandem with NIBOR in Q2

## Change from Q1 to Q2 2021

Net interest this quarter	698
Net interest previous quarter	668
<b>Change</b>	<b>29</b>
<b>Obtained as follows:</b>	
Fees on lending	-1
Lending volume	17
Deposit volume	-1
Lending margin	42
Deposit margin	-34
Equity capital	-9
Funding and liquidity buffer	13
Subsidiaries	2
<b>Change</b>	<b>29</b>

# Robust income platform and increased commission income

## Net interest income and other income



## Commission income

<i>NOK mill</i>	Q2 21	Q1 21	Q2 20
Payment transmission income	56	49	51
Credit cards	13	14	15
Commissions savings and asset mgmt	14	15	16
Commissions insurance	53	52	48
Guarantee commissions	14	14	15
Estate agency	131	103	105
Accountancy services	154	148	141
Securities	182	275	129
Other commissions	14	5	17
<b>Commissions ex. Bolig/Næringskreditt</b>	<b>631</b>	<b>675</b>	<b>536</b>
Commissions Boligkreditt (cov. bonds)	113	112	57
Commissions Næringskreditt (cov. bonds)	4	4	2
<b>Total commission income</b>	<b>748</b>	<b>790</b>	<b>595</b>



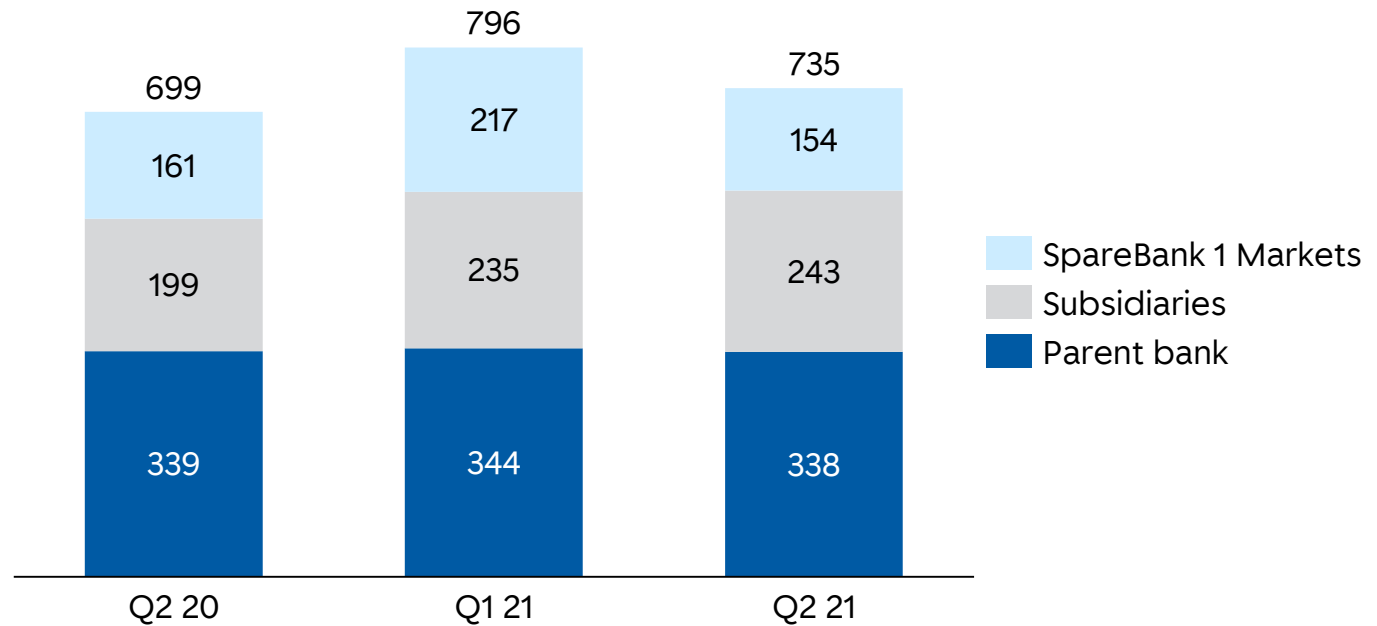
# Cost development

Reduced costs in the parent bank in Q2 due to downstaffing and other efficiency measures (One SMN)

Growth in subsidiaries compared to Q220 due to high activity and acquisitions by the accountancy subsidiary Sparebank 1 Regnskapshuset

The high Q1-cost in SpareBank 1 Markets must be seen in relation to variable remuneration owing to extraordinary high revenues that quarter

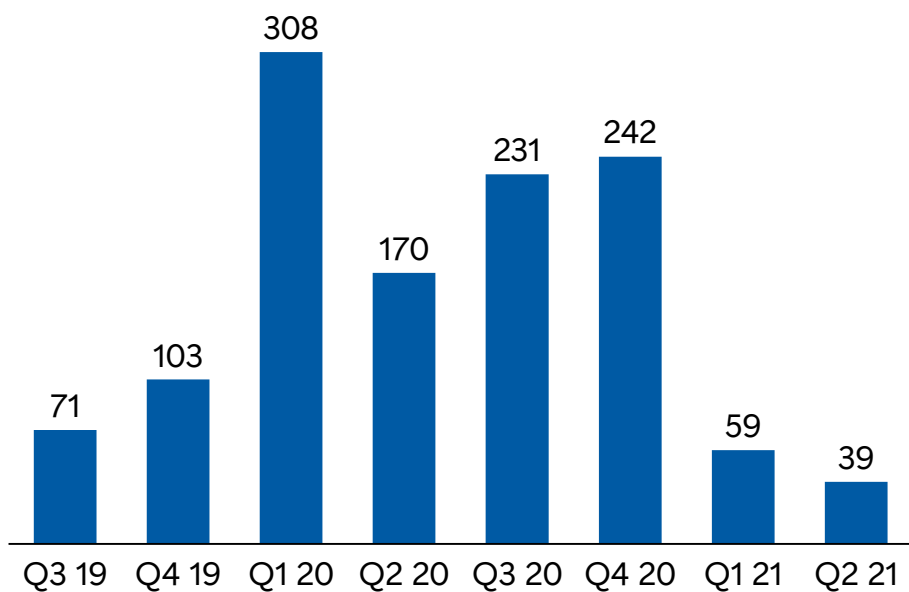
Total quarterly costs (NOK mill)



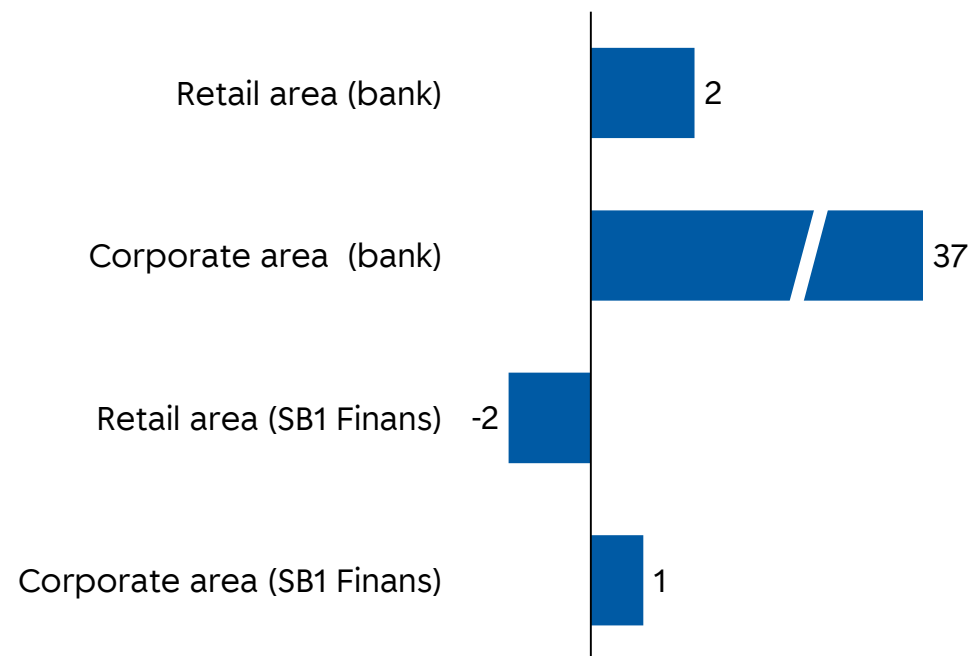
# Reduced losses in 2021

Loan losses measured 0.08% (annualised) of gross loans in the second quarter of 2021

Loan losses per quarter, NOK mill



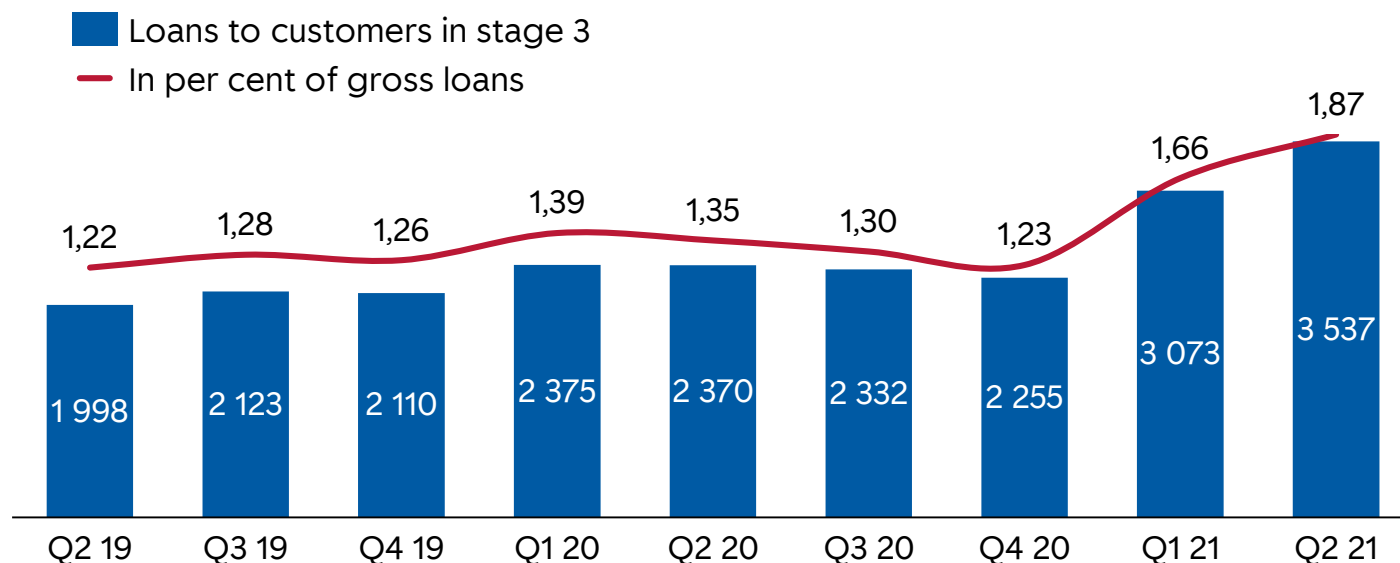
Distribution of losses Q221



# Potential problem loans

## Loans to customers in stage 3

Loans (million NOK and % of gross loans)



New regulatory definition of default increases stage 3 loans from 2021

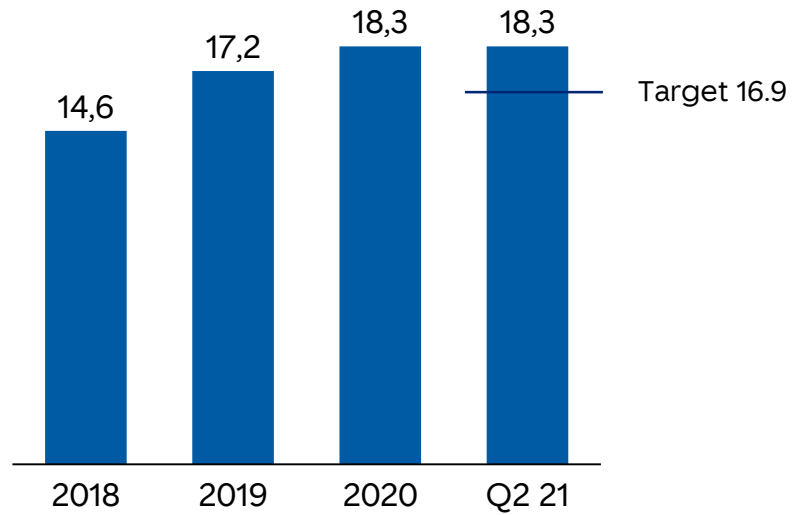
The new definition has not changed the groups assessment of its credit risk exposure, hence it has no material effect on losses in 2021

The increase in potential problem loans this year is due to exposures that previously exited non-performing status, but is classified as on probation according to the new regulatory definition of default

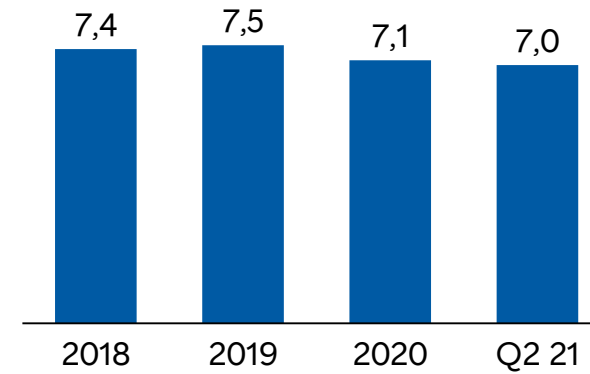
The change in Q2 is mostly related to exposures that have been restructured and are on probation as of 30. June 2021.

# Strong capitalisation

CET1 ratio



Leverage ratio



# SpareBank 1 SMN

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Financial calendar 2021

Q3 29. October 2021

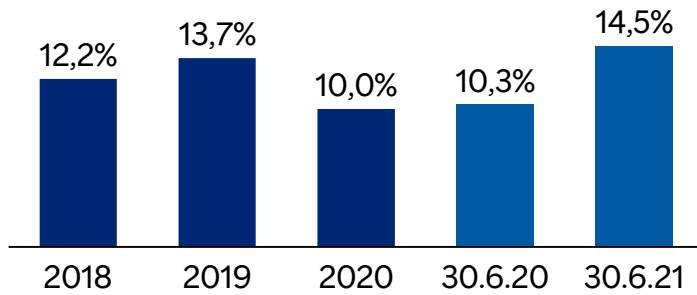


# Appendix

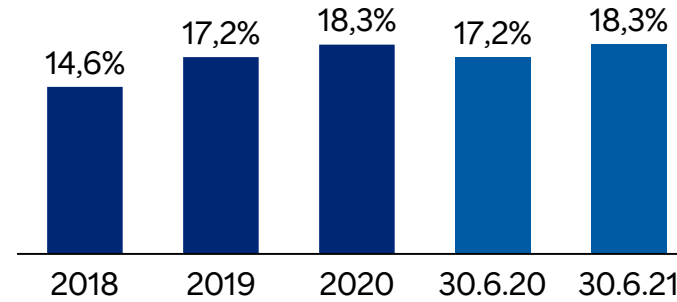


# Good quarterly performance and reduced losses

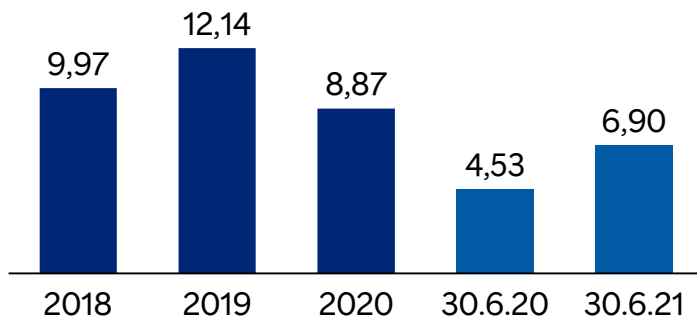
## Return on equity



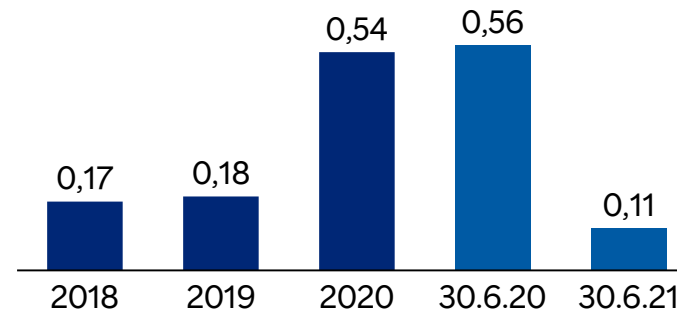
## CET1 ratio



## Earnings per equity certificate



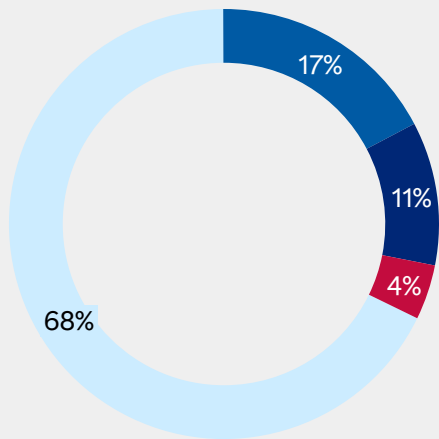
## Losses in per cent of total lending



# Robust loan portfolio: 68% to wage-earners

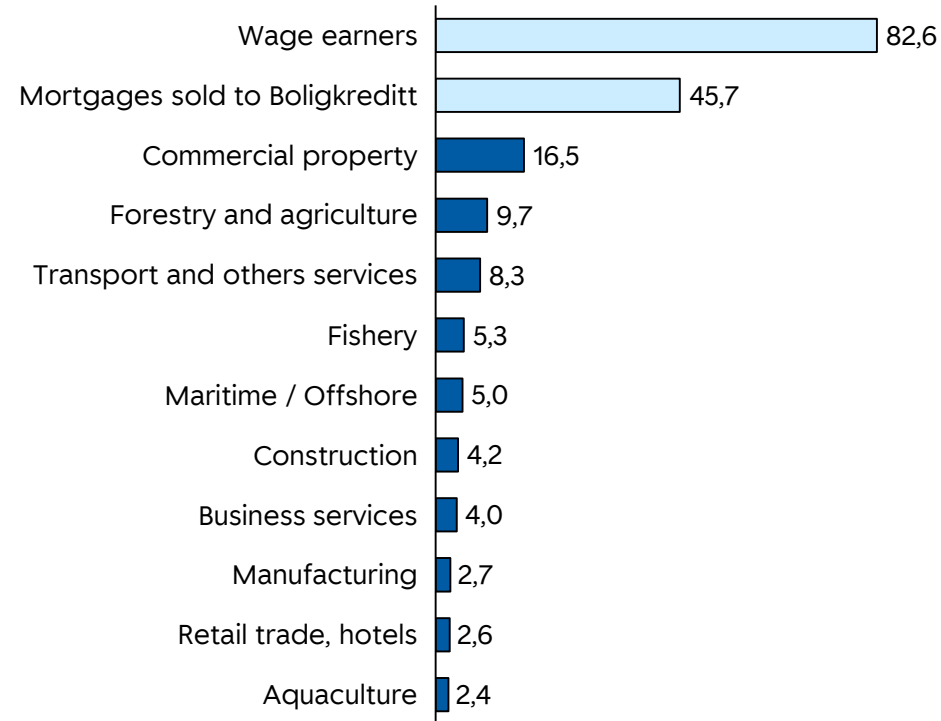
Low exposure towards the hardest hit sectors

Loan distribution

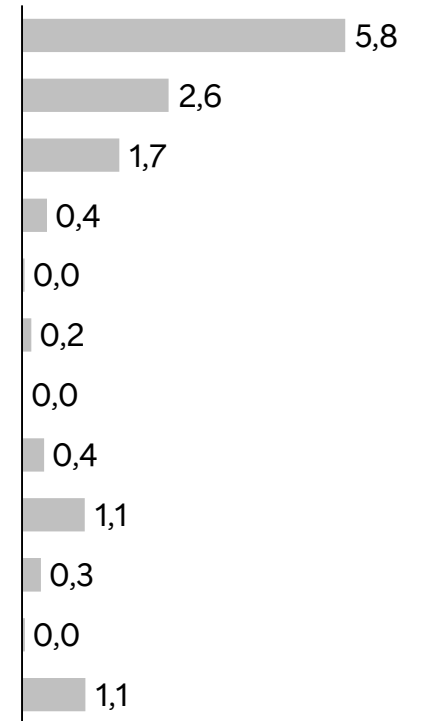


- Wage-earners
- Weak effect
- Moderate effect
- Strong effect

Loan portfolio per 31.06.21 (bNOK)



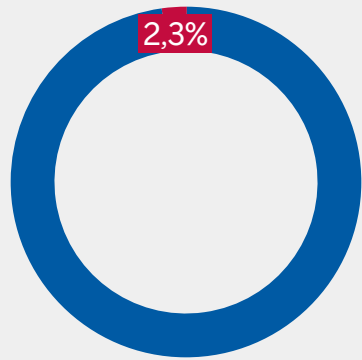
Changes last 12 months (bNOK)





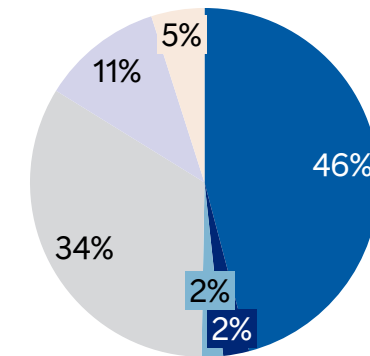
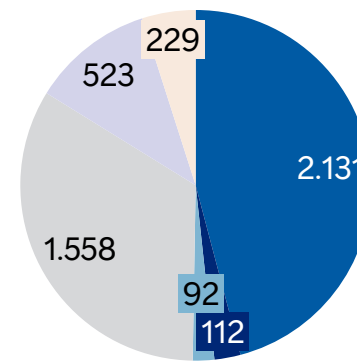
# Offshore only 2.3% of total exposure. 18.5% of the offshore portfolio written down

Offshore share of overall EAD



EAD per segment (mill NOK)

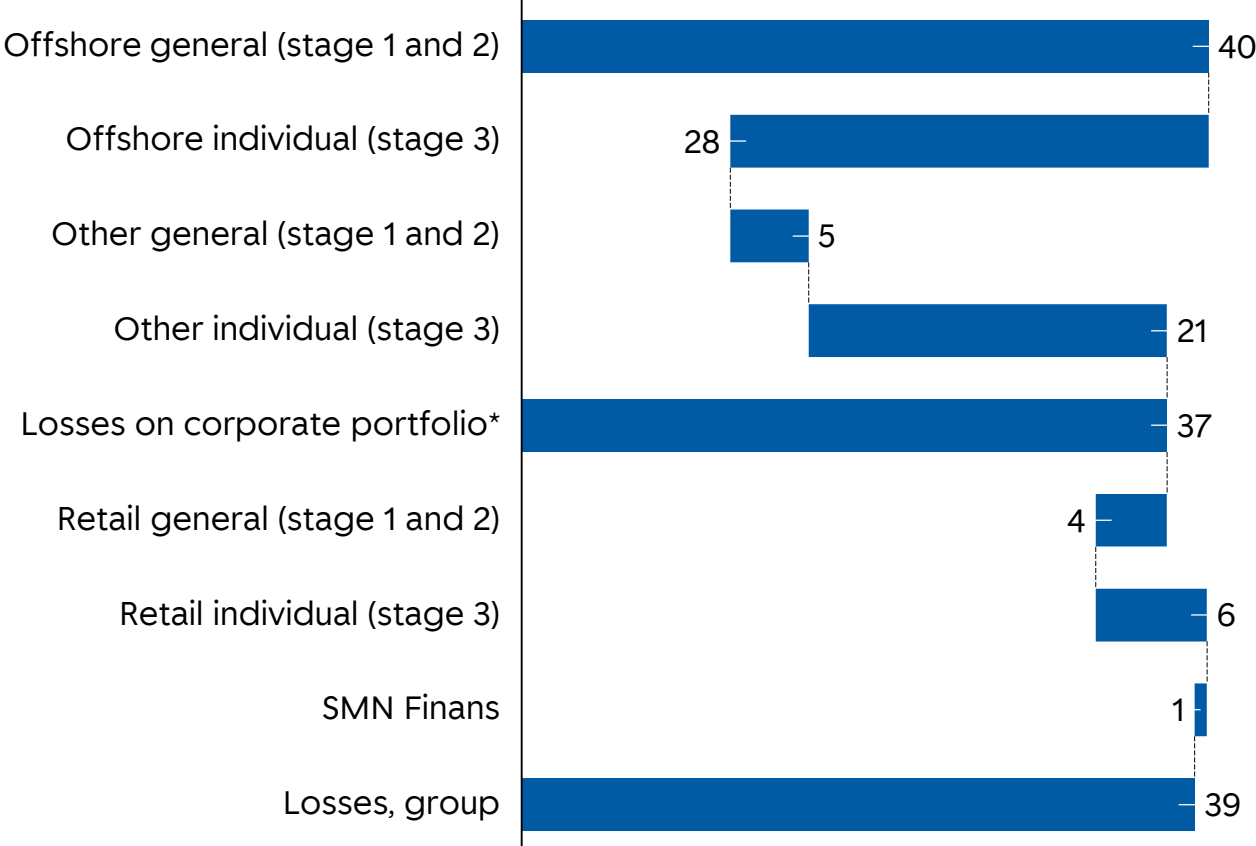
- Subsea
- Standby
- AHTS
- PSV
- Seismic
- Other



Distribution	EAD	Loans	Stage 3	Stage 1/2	Total impairments	Share of EAD
Low risk	177	146			0,3	0,2 %
Medium risk	2 097	1 588		136	136	6,5 %
High risk	788	546		46	46	5,8 %
Obligors with impairments/defaulted	1 584	1 584	680		680	42,9 %
	<b>4 645</b>	<b>3 863</b>	<b>680</b>	<b>182</b>	<b>862</b>	<b>19,7 %</b>

# Reduced losses compared to last year

## Distribution of losses Q2 2021 (NOKm)

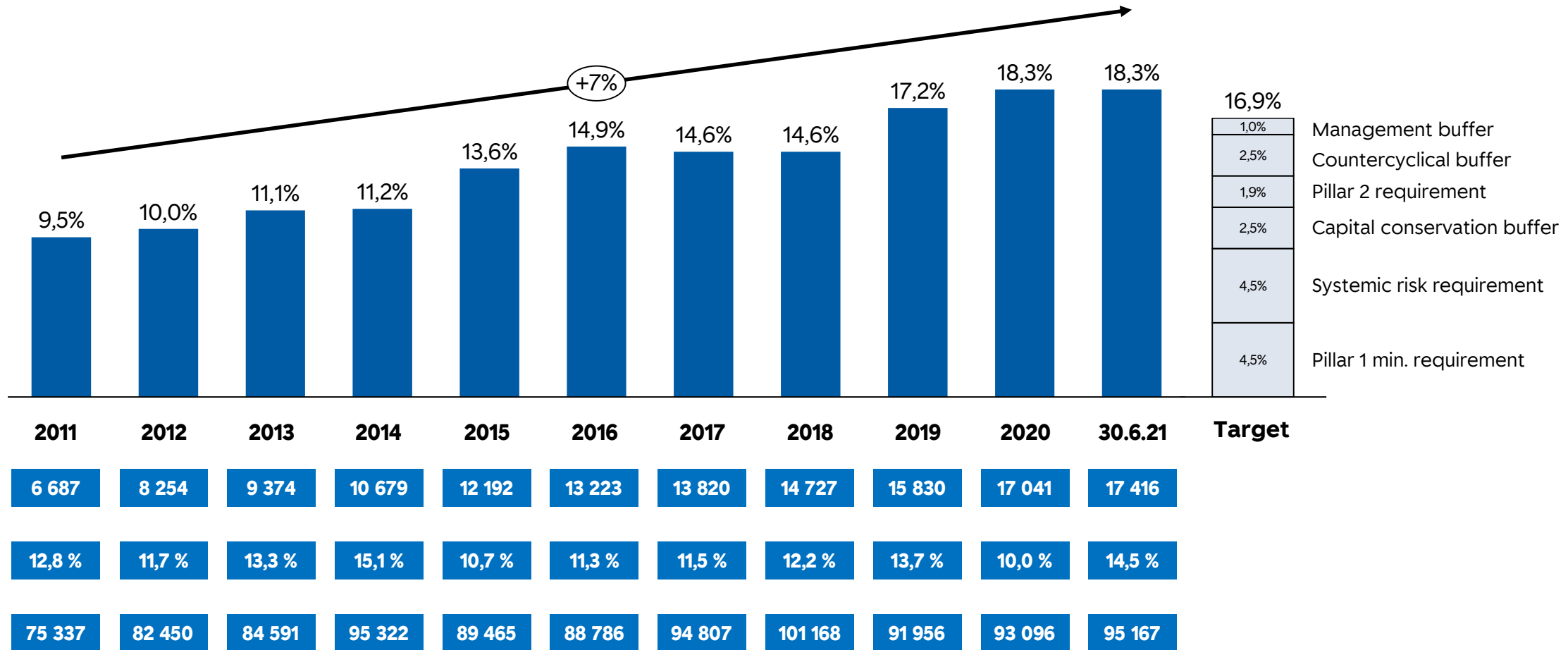


\* Incl. agriculture portfolio

Loan losses substantially reduced compared to last year. SMNs credit quality is sound in both the mortgage and the corporate portfolio

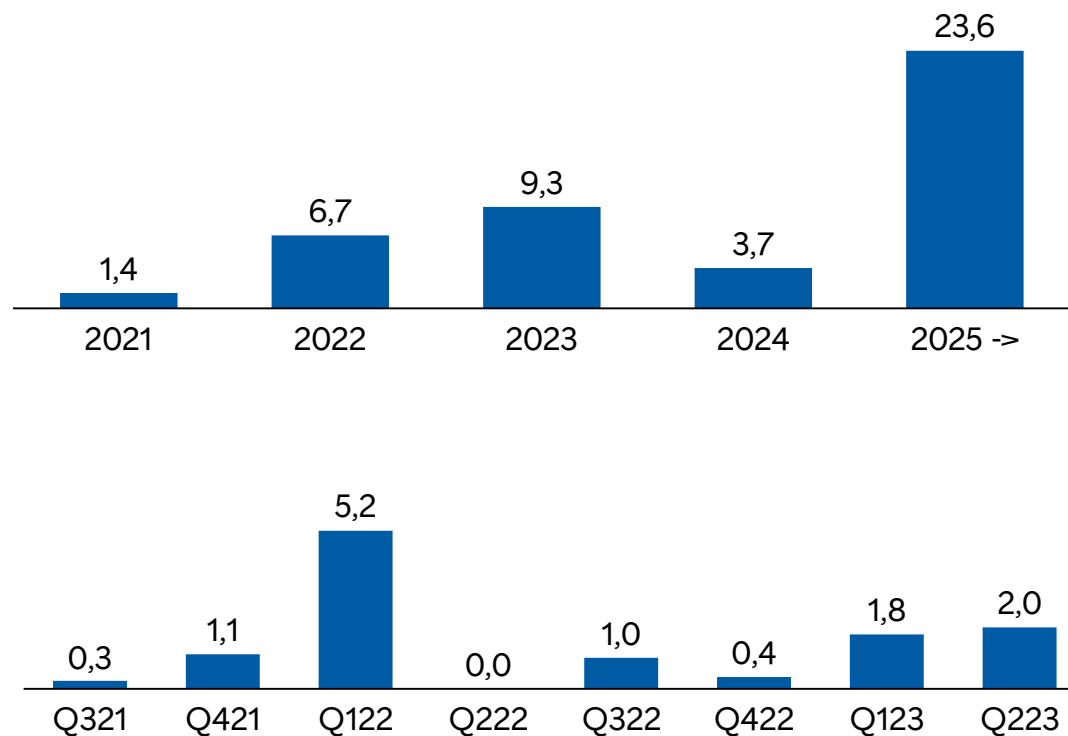
# Strong trend in CET1 capital and capital adequacy

CET1 ratio in per cent



# Good access to capital market financing

Maturity structure as at June 30 2021 (NOKb)



## Comments

- Boligkreditt is a significant source of funding; mortgages totalling NOK 47bn sold as at 30 June 2021
- Total maturing over next 2 years NOK 11.8bn:
  - NOK 1.4bn in 2021
  - NOK 6.7bn in 2022
  - NOK 3.8bn in Q1 23
- LCR 184% as at 30 June 2021, well within the target in the liquidity strategy
- SpareBank 1 SMN issued senior non-preferred debt (MREL) worth NOK 1bn in September 2020 and NOK 1.5bn in January 2021
- SpareBank 1 SMN issued in February 2021 a green senior bond of EUR 500m with a 7-year maturity

# Commission income

Year to date and quarterly numbers

<i>NOK mill</i>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>Q2 21</b>	<b>Q1 21</b>	<b>Q4 20</b>	<b>Q3 20</b>	<b>Q2 20</b>
Payment transmission income	105	109	-4	56	49	56	54	51
Credit cards	27	31	-3	13	14	14	15	15
Commissions savings and asset mgmt	29	26	3	14	15	13	14	16
Commissions insurance	105	95	10	53	52	51	49	48
Guarantee commissions	29	28	1	14	14	6	14	15
Estate agency	234	188	46	131	103	93	111	105
Accountancy services	301	290	12	154	148	111	105	141
Securities	457	210	247	182	275	245	122	129
Other commissions	19	27	-8	14	5	9	9	17
<b>Commissions ex. Bolig/Næringskreditt</b>	<b>1 306</b>	<b>1 003</b>	<b>303</b>	<b>631</b>	<b>675</b>	<b>598</b>	<b>494</b>	<b>536</b>
Commissions Boligkreditt (cov. bonds)	225	144	80	113	112	136	128	57
Commissions Næringskreditt (cov. bonds)	8	6	2	4	4	4	4	2
<b>Total commission income</b>	<b>1 538</b>	<b>1 153</b>	<b>385</b>	<b>748</b>	<b>790</b>	<b>738</b>	<b>625</b>	<b>595</b>

# Product companies in SpareBank 1-alliansen

Year to date and quarterly numbers

Share of profits after tax

NOK mill, SMN's share in parentheses	2021	2020	Change	Q2 21	Q1 21	Q4 20	Q3 20	Q2 20
SpareBank 1 Gruppen (19.5%)	215	-7	222	148	67	87	114	109
Gain Fremtind	0	340	-340	0	0	0	0	0
SpareBank 1 Boligkreditt (22.4%)	7	10	-3	3	4	-4	11	41
SpareBank 1 Næringskreditt (31.0%)	7	9	-2	4	3	5	5	7
BN Bank (35.0%)	82	50	31	42	40	36	34	27
SpareBank 1 Kreditt (19.2%)	1	2	-1	1	0	0	0	2
SpareBank 1 Betaling (19.5%)	-6	-2	-4	-5	-1	1	-1	1
SpareBank 1 Forvaltning (23.4%)	8	0	8	8	0	0	0	0
Other companies	16	-9	25	11	5	-9	10	-9
<b>Sum associated companies</b>	<b>330</b>	<b>394</b>	<b>-63</b>	<b>212</b>	<b>119</b>	<b>117</b>	<b>172</b>	<b>177</b>

# Subsidiaries

Year to date and quarterly numbers

## Profit before tax

<b>NOK mill, SMN's share in parentheses</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>Q2 21</b>	<b>Q1 21</b>	<b>Q4 20</b>	<b>Q3 20</b>	<b>Q2 20</b>
EiendomsMegler 1 Midt-Norge (87 %)	62	30	31	41	21	2	19	30
SpareBank 1 Regnskapshuset SMN (89 %)	60	67	-7	33	27	22	21	40
SpareBank 1 Finans Midt-Norge (61 %)	118	81	38	63	55	52	52	41
SpareBank 1 Markets (67 %)	179	48	132	62	118	91	31	65
SpareBank 1 SMN Invest (100%)	130	-12	142	21	109	21	-3	7
Other companies	3	5	-2	2	1	2	1	2
<b>Subsidiaries</b>	<b>553</b>	<b>219</b>	<b>334</b>	<b>223</b>	<b>330</b>	<b>190</b>	<b>122</b>	<b>185</b>

# Return on financial investments

Year to date and quarterly numbers

<i>NOK mill</i>	2021	2020	Change	Q2 21	Q1 21	Q4 20	Q3 20	Q2 20
Net gain/(loss) on stocks	125	-6	130	23	102	-3	4	36
Net gain/(loss) on financial instruments	16	62	-45	-4	20	61	13	222
Net gain/(loss) on forex	31	68	-38	15	15	3	11	4
Net gain/(loss) on stocks and stock derivatives SB1 Markets	28	21	7	8	20	2	5	7
<b>Net return on financial instruments</b>	<b>199</b>	<b>145</b>	<b>55</b>	<b>42</b>	<b>158</b>	<b>53</b>	<b>32</b>	<b>269</b>



# Balance sheet

	30.6.21	30.6.20	30.6.19
Funds available	41,7	38,3	29,8
Net loans	140,4	129,4	121,0
Securities	2,0	1,7	2,2
Investment in related companies	7,3	6,8	6,4
Goodwill	0,9	0,9	0,9
Other assets	8,1	13,4	7,0
<b>Total Assets</b>	<b>200,4</b>	<b>190,5</b>	<b>167,3</b>
Capital market funding	57,9	60,0	51,4
Deposits	110,1	94,3	86,6
Other liabilities	8,1	14,1	7,7
Subordinated debt	1,8	1,8	2,3
Equity ex hybrid bonds	21,1	19,1	18,4
Hybrid bonds	1,3	1,3	1,0
<b>Total liabilities and equity</b>	<b>200,4</b>	<b>190,5</b>	<b>167,3</b>
In addition loans sold to Boligkreditt and Næringskreditt	47,1	44,5	41,7

# Equity certificate, key figures

<b>Key figures</b>	<b>30.6.21</b>	<b>30.6.20</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
ECC ratio	64,0 %	64,0 %	64,0 %	64,0 %	64,0 %	64,0 %
Total issued ECCs (mill)	129,36	129,39	129,39	129,30	129,62	129,38
ECC price	119,20	78,30	97,60	100,20	84,20	82,25
Market value (NOKm)	15 420	10 131	12 629	12 956	10 914	10 679
Booked equity capital per ECC	100,18	90,37	94,71	90,75	83,87	78,81
Post-tax earnings per ECC, in NOK	6,90	4,53	8,87	12,14	9,97	8,71
Dividend per ECC			4,40	5,00	5,10	4,40
P/E	8,64	8,65	11,01	8,26	8,44	9,44
Price / Booked equity capital	1,19	0,87	1,03	1,10	1,00	1,04

# Sustainability

## Goals and key targets

# First step towards sustainable development

## Innovation

Create green growth and business development through cooperation and partnerships

Engage customers and partners in the development of innovative local communities

## Customer offering

Offer products and services which encourage customers' green transition and digitalisation

↑ 10%

10% annual increase qualifying for green bond financing

## Climate footprint

Reduce the climate footprint across the entire value chain

↓ 50%

Halve the group's climate footprint by 2030. Reduction of 8% per year

## Competence

Strengthen climate risk competence and reporting

Offer competence programme for customers and employees

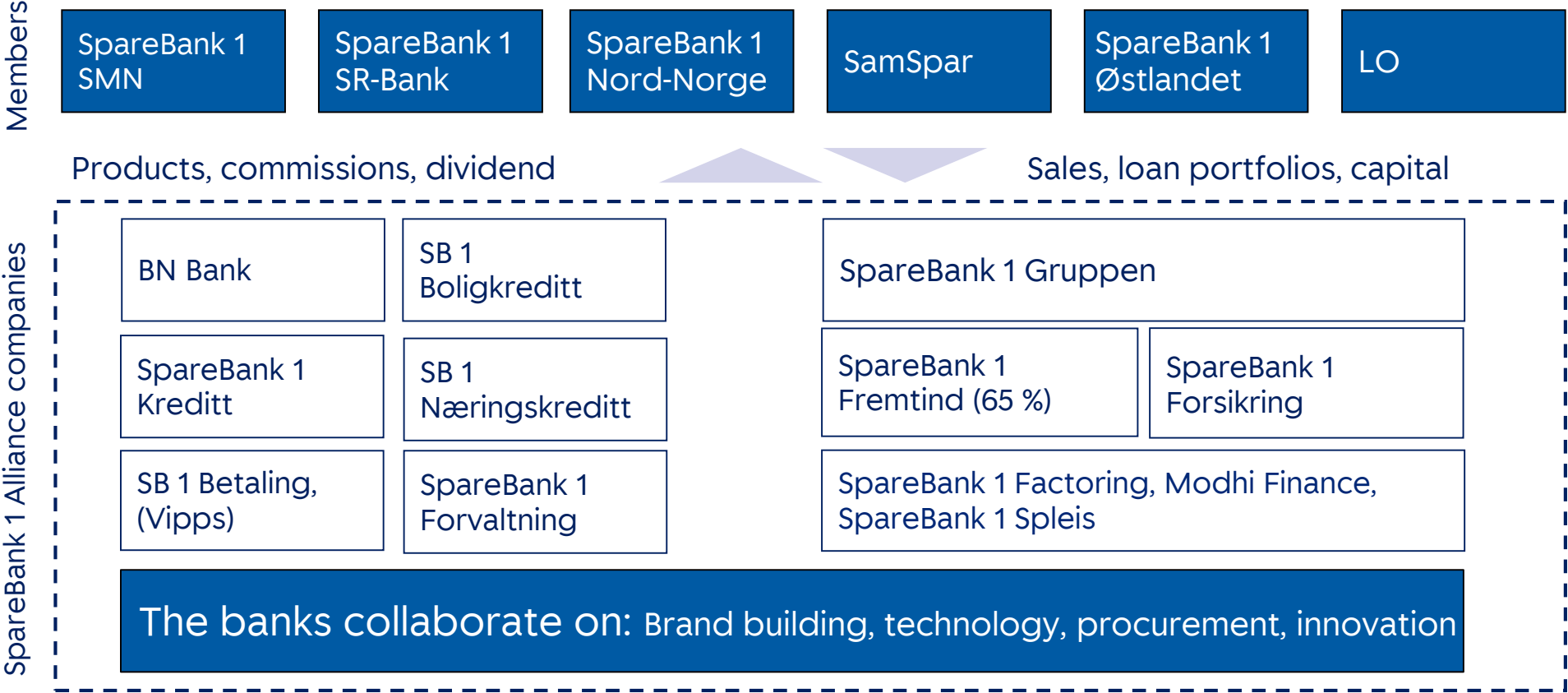
## Diversity

Contribute to diversity and a fair transition

Strengthen equal opportunities in working life, everyday life and business

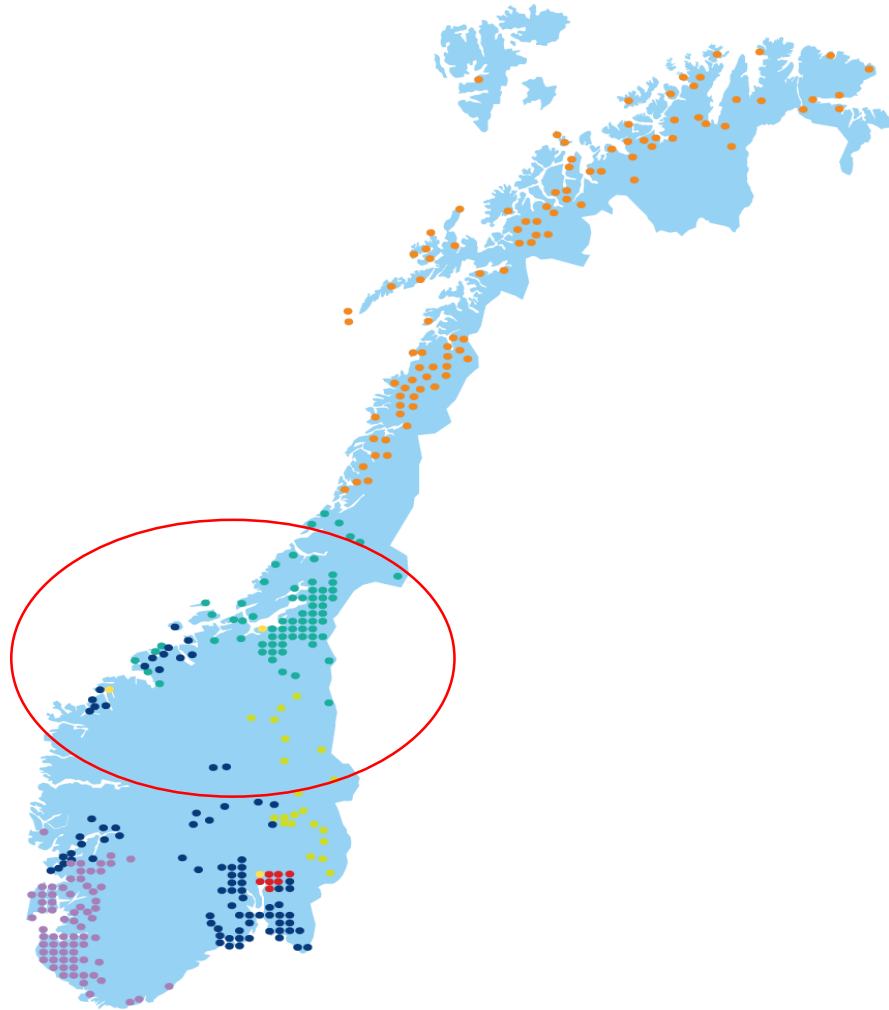


# The SpareBank 1 Alliance



# The SpareBank 1 Alliance

Strong position nationally, regional focus



- SpareBank 1-alliansen consists of 14 banks
- Operates exclusively in Norway
- The bank grouping in Norway with the most bank branches
- The SpareBank 1 banks are on the forefront of digitalisation and technological development
- The SpareBank 1 banks are independent banks in their respective regions
- They are market leaders in their most important regional market areas
- The largest of them (~ 80% of total assets) have the following rating:

Sr. unsec. ratings	Moody's
SpareBank 1 SMN	A1 / P-1
SpareBank 1 SR	A1 / P-1
SpareBank 1 SNN	Aa3 / P-1
SpareBank 1 Østlandet	Aa3 / P-1