



**SpareBank**  
SMN



**1<sup>st</sup> half 2020**  
**2<sup>nd</sup> quarter 2020**

**11. August 2020**

# Profits 1<sup>st</sup> half 2020

## Net profit

NOK 1,008m (1,729)

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## ROE

10.3 % (19.0)

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## CET1

17.2 % (15.0)

Pre loss result of core business NOK 1,131 (1,066)  
Loan losses NOK 478 m (126)

Gain Fremtind NOK 340m (460)

Leverage ratio 6.9 % (7.5)

Growth in lending RM 7.9 % (6.7) CM 5.2% (3.6)  
Growth in deposits 8.9 % (7.7)

Booked equity capital per ECC NOK 90.37 (87.04)  
Profit per ECC NOK 4.53 (8.23)



## COVID 19: Smaller-than-expected impact on the accounts and on activity level

**The Norwegian economy has picked up more quickly than expected.** A controlled reopening of society has brought increased activity levels and reduced unemployment in Q2. A positive oil price movement and a stronger Norwegian krone are also in evidence.

**SMN delivers good financial results in Q2,** far less affected by corona than expected in the spring. Quickening growth is noted in lending along with good incomes on a range of products, losses are down from the first quarter and return on financial investments is excellent. SMN is well capitalised and solvent.

**Our business model gives us strength in times of crisis.** We apply local knowledge, are close to our customers and show social commitment.

**Great global and national uncertainty as to the effects of the pandemic.** Our ambitions and strategies stand firm - SMN intends to strengthen its market position and to be among the best performing banks in the Nordic region.

**The savings bank model shows strength, closeness to the customer and commitment in times of crisis**

**The community is the bank's largest owner, and gets its due share of SpareBank 1 SMN's net profit.**

NOK 100m of community's share of the dividend payout, goes to helping local communities and the voluntary sector through the corona crisis.



Supporting voluntary sector



Enabling national day celebrations



Supporting summer activities for children



Grants for cultural life



Summer jobs for 750 youngsters



Heartwarming 4 concerts







## Strategy 2020-2023

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

12%

## Long-term financial ambition is retained

### Profitable

Return on equity 12%

15.4%

### Financially sound

CET1 ratio 15.4%

Payout ratio approx. 50%

< 2%

### Efficient

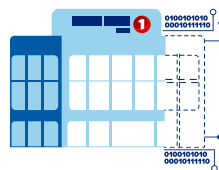
Annual cost growth in the group to be limited to 2% in existing business. For 2020 the aim is to keep cost growth below 2%

# Five strategic priorities for 2020-2023



## Create 'One SMN'

- Strengthen the customer offering and distribution
- Simplifications and efficiencies
- Attractive jobs



## Increase digitalisation and use of insight

- Ensure relevance
- New digital solutions
- New income flows
- Improved efficiency



## Head up the development of Norway's savings bank system

- Collaboration as a competitive advantage
- Growth



## Integrate sustainability into the business

- Sustainable development
- Reduce risk
- Realise business opportunities



## Exploit the power in our ownership model

- The region's development and value creation
- Pride and commitment
- Strengthened position

# One SMN

Pre-tax profit as at Q2

**SpareBank**  
REGNSKAPSHUSET **1**

NOK 67m (62)

Regnskapshus is expanding its operations, and is consolidating and digitalising the accounting industry. Strong income growth both as a result of acquisitions and of organic growth

**EiendomsMegler** **1**

NOK 30m (31)

Marked leader in Trøndelag and in Møre and Romsdal. Contributing to growth in mortgage lending. Excellent property sales figures in the second quarter

**SpareBank**  
FINANS MIDT-NORGE **1**

NOK 93m (74)

Leasing to SMBs and car loans to retail customers. Solid market position and strong growth on both corporate and retail fronts

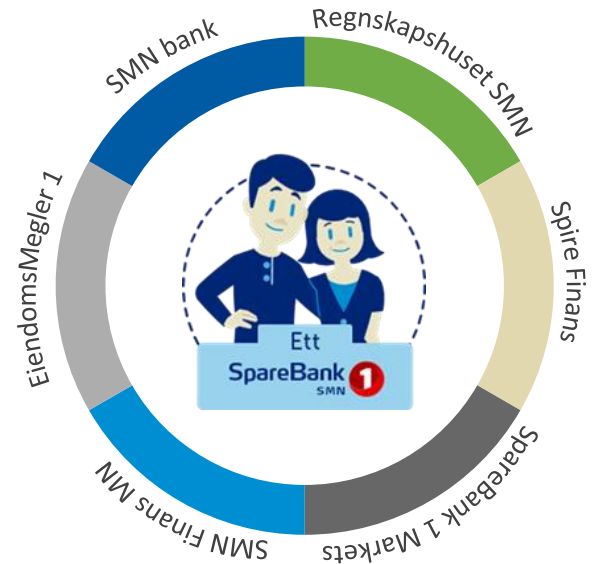
**SpareBank**  
MARKETS **1**

NOK 55m (29)

Complete range of capital market services. High activity in most business lines made for strong income growth in the second quarter

# One SMN will deliver increased incomes, cost efficiencies and improved capital utilisation across the entire group

- Profitable growth in all market areas and business lines
- Group-oriented business model with adjustments made to the group management team
- Strengthened efficiency through customer-oriented and simplified distribution, with a greater degree of digital sales and service
- SpareBank 1 SMN will retain its local presence. Customer service offices promote customer acquisition and strengthen market position
- Staff and support functions' efficiency to improve across the entire group
- Improved pricing models and increased application of analytical insight will boost incomes, sales and customer acquisition
- **Measures targeting a profit enhancement of NOK 400 million have been identified, about half of which will derive from cost reductions. The remainder will derive from increased sales to existing customers, improved pricing and increased synergy gains across the group**

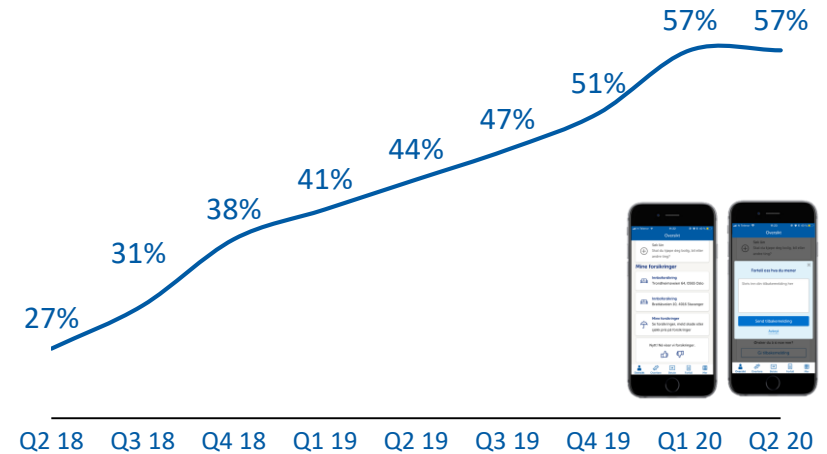




## Digitalisation and insight: effective tools for increasing sales to existing customers

- Changes in digital behaviour can be exploited
- Common focus on data analysis, increased use of data to improve the customer experience and increase the number of multi-product customers
- Development and distribution of products and services across the business lines
- Efficient operations and increased competitive power

Share of digital sales (%) PM



# Digital transformation and customer-driven innovation

Increased automation and self-service

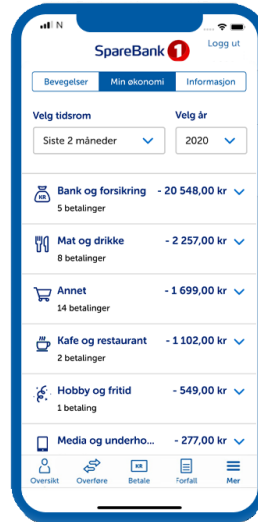
# 50%

of applications for payment deferment processed digitally

Chatbot 'Anne' launched on mobile banking platform



Digital advice service - new functionality on mobile banking platform



My finances

Innovation together with local and national partners

610 millioner kroner til forskning og innovasjon i norske bedrifter

Bærekraftig omstilling, grønt skifte og digitalisering er gjennomgående i mange av prosjektene som nå får støtte.

Pressemelding · Publisert 02 jul 2020

Del < Last ned >

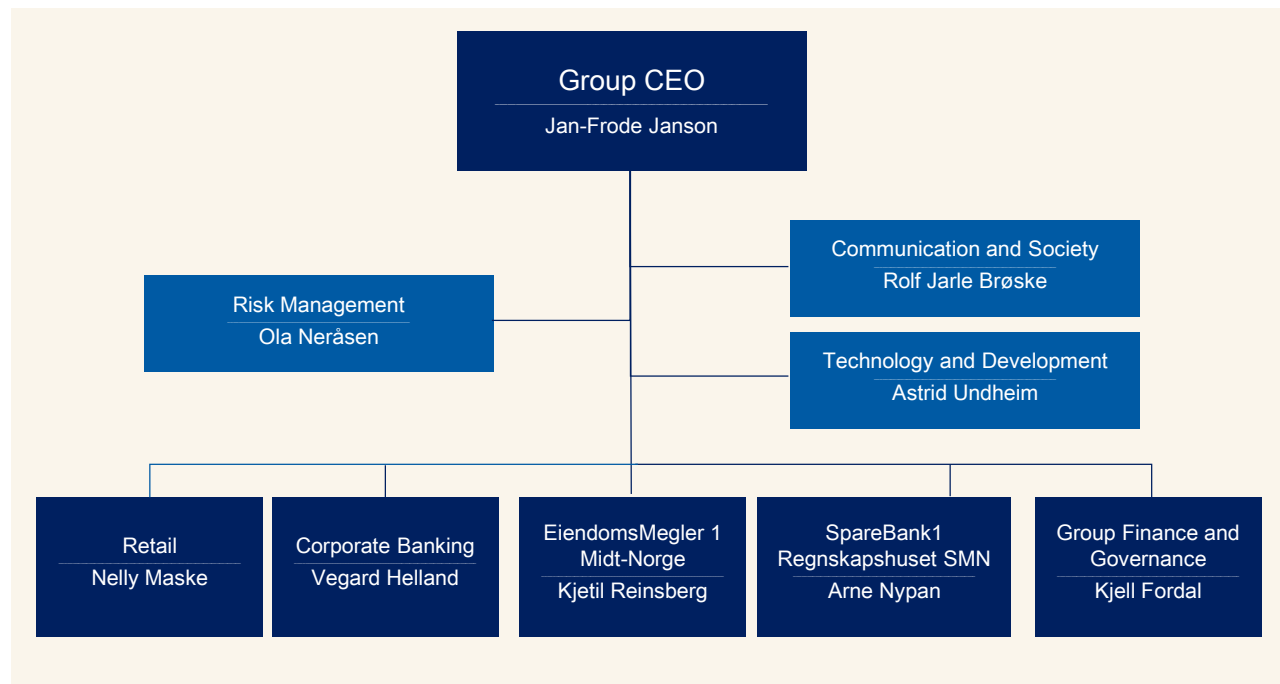


SFI Norwegian Center for Research-Based Artificial Intelligence Innovation (CRAI)



Foto: Geir Mogen/NTNU

## New group management team signals business orientation and breadth



- Additional parts of the business represented on the group management team – increased focus on the customer and the business, and closer collaboration between the business lines
- New group-wide units created – increased power to strategic focal areas and efficiency gains across the group companies
- Transition from management anchored in the bank to management anchored in the group, from emphasis on staff to emphasis on the business
- A better and more cost-efficient organisation – further elaboration of the organisation in keeping with «One SMN» over past half-year

## SpareBank 1 SMN (MING) an attractive investment – also in an uncertain world

- 1 High return over time and solid capitalisation. **Efficient** banking operations and unrealised income and cost synergies within the group. Shareholder-friendly dividend policy
- 2 Strong **position** and good **growth** in an attractive region and across all business lines. Diversified customer portfolio and income base
- 3 Good **brand** with development potential based on ownership model, local presence and sustainability
- 4 Substantial **underlying assets** through ownership in and outside the SpareBank1-alliance
- 5 Well positioned through **consolidation** of Norwegian savings banks



**SpareBank**  
SMN 

## Financial information

Kjell Fordal, CFO



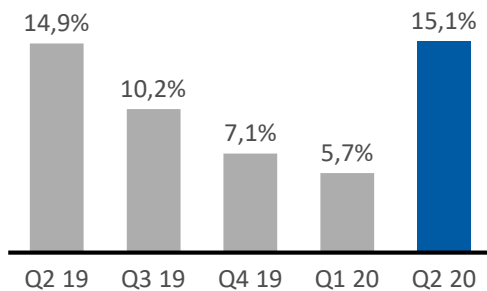


## Profit improvement in second quarter 2020 «One SMN» lays basis for further improved profits

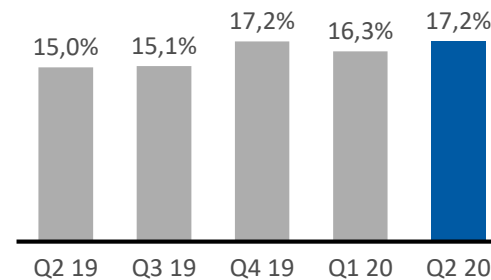
- Good sales across all business lines in the quarter made for strong growth and increased incomes. Record high share of sales is digital
- The group strengthened its market position among retail customers and small businesses
- Base rate reductions quickly followed by mortgage lending rate cuts weakened net interest income in the quarter.
- Good return on financial investments, and losses on financial investments in the first quarter as a result of the corona crisis were largely reversed in the second quarter
- Reduced losses in the quarter; SpareBank 1 SMN is well capitalised and solvent
- The profitability enhancement project One SMN had an intense period in the second quarter. A number of small and larger steps will be taken to increase earnings and reduce costs across the group

# Good profits in second quarter and strong capitalization

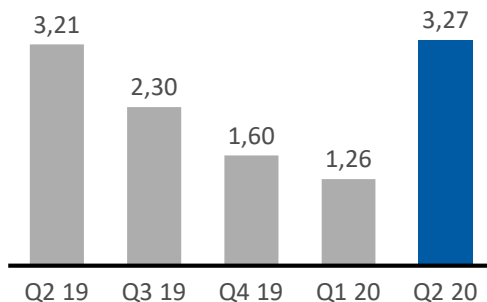
## ROE



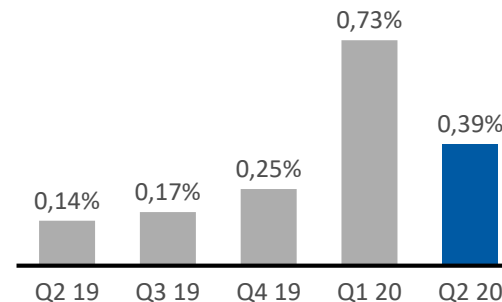
## CET1



## Profit per ECC



## Loan losses as a percentage of total loans



## Profits

NOK mill	2019	2018	Change	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19
Net interest	1.376	1.313	63	666	710	697	678	664
Commission income and other income	1.177	1.157	20	607	570	579	554	606
<b>Operating income</b>	<b>2.553</b>	<b>2.470</b>	<b>83</b>	<b>1.273</b>	<b>1.280</b>	<b>1.276</b>	<b>1.232</b>	<b>1.271</b>
Total operating expenses	1.422	1.404	18	706	716	720	673	701
<b>Pre-loss result of core business</b>	<b>1.131</b>	<b>1.066</b>	<b>65</b>	<b>567</b>	<b>564</b>	<b>556</b>	<b>559</b>	<b>570</b>
Losses on loans and guarantees	478	126	351	170	308	103	71	59
<b>Post-loss result of core business</b>	<b>653</b>	<b>940</b>	<b>-287</b>	<b>397</b>	<b>256</b>	<b>453</b>	<b>487</b>	<b>511</b>
Related companies	54	326	-272	177	-123	8	85	231
Gain Fremtind	340	460	-120		340			
Securities, foreign currency and derivatives	155	277	-122	271	-116	9	36	105
<b>Result before tax</b>	<b>1.202</b>	<b>2.003</b>	<b>-801</b>	<b>845</b>	<b>357</b>	<b>469</b>	<b>609</b>	<b>848</b>
Tax	193	274	-81	126	67	123	121	165
<b>Net profit</b>	<b>1.008</b>	<b>1.729</b>	<b>-720</b>	<b>719</b>	<b>289</b>	<b>346</b>	<b>488</b>	<b>682</b>
<b>Return on equity</b>	<b>10,3 %</b>	<b>19,0 %</b>		<b>15,1 %</b>	<b>5,7 %</b>	<b>7,1 %</b>	<b>10,2 %</b>	<b>14,9 %</b>



## One SMN: diversified income platform and further potential for increased earnings

### Profit before tax

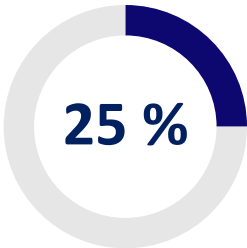
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Retail market	NOK 478 (606)
Corporate market	NOK 119m (382)
Sparebank 1 Finans Midt-Norge	NOK 93m (74)
SpareBank 1 Regnskapshuset SMN	NOK 67m (62)
EiendomsMegler 1 Midt-Norge	NOK 30m (31)
SpareBank 1 Markets	NOK 55m (29)

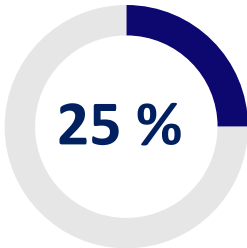
# Number 1 in financial services in Central Norway

## Market shares

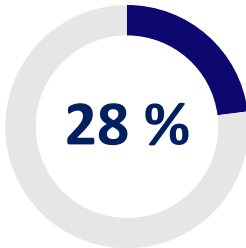
Parent bank retail



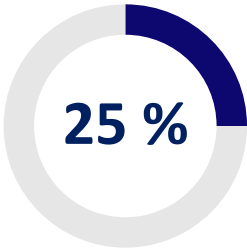
Parent bank SMB



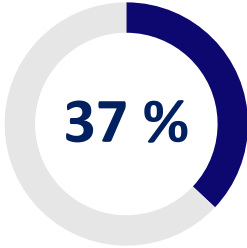
Collateral, residential mortgages



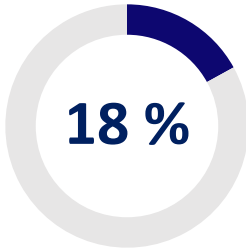
Accounts



Estate agency



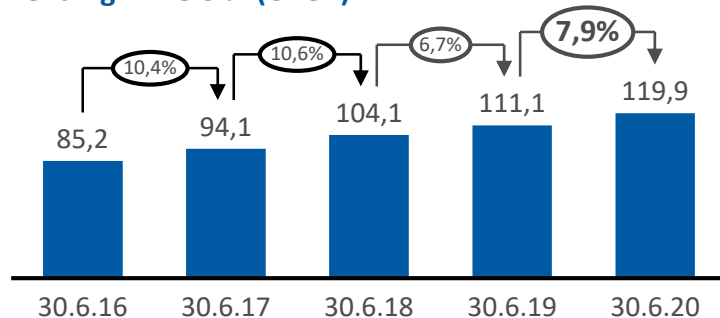
Vendor's liens



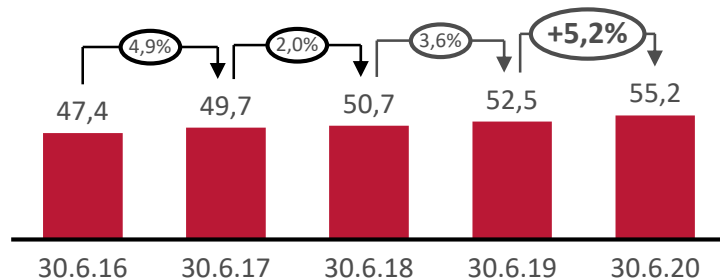


## Total growth lending 7.0 % last 12 months

### Lending RM 8.9 % (CAGR)



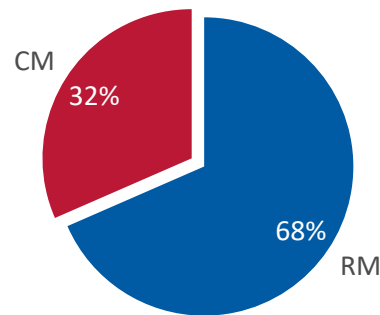
### Lending CM + 4.0 % (CAGR)



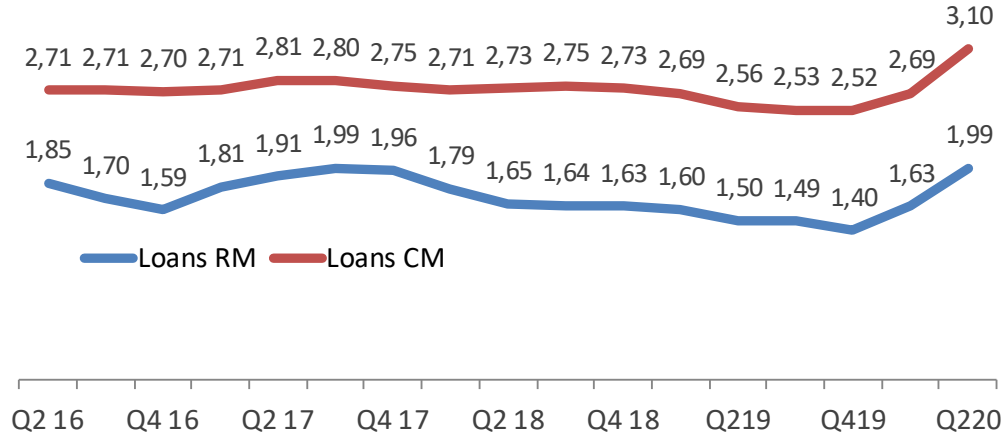
## High growth in home mortgage lending

- Residential mortgage market growth of about 4.4 % (C2) last 12 months (May 2020)
- Growth in retail lending, specially in the LO segment
- Increased growth to SMEs
- Share of loans to personal borrowers up from 61 to 68 per cent in last four years

## Share of lending



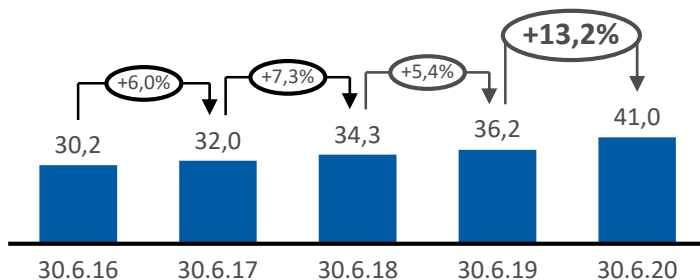
## Increasing lending margins in 2020



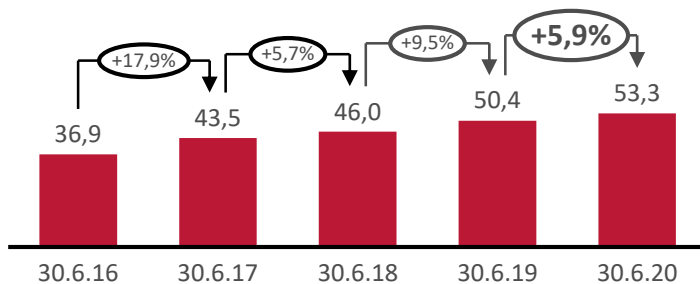
- Base rate down to 0 in June, and a 120 point fall in NIBOR in 2020 has strengthened margins in the first half of 2020
- Two mortgage rate cuts carried out in the second quarter of 2020, the latest with effect from 22 May 2020

## Total growth of 8.9% in deposits in last 12 months

### Deposits RM + 7.9 % (CAGR)



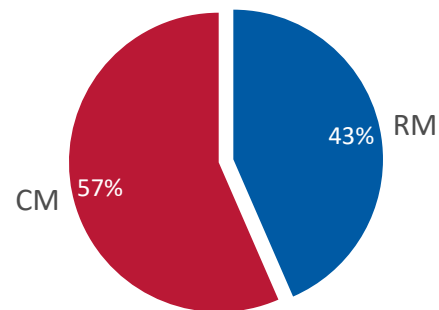
### Deposits CM + 9.6 % (CAGR)



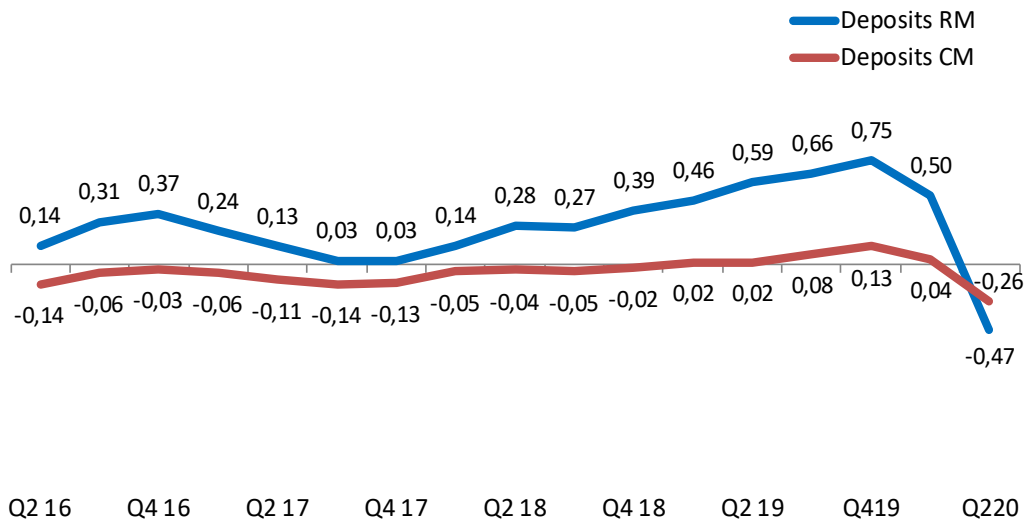
### Good growth in deposits

- Stable and good growth in deposits from both retail customers and corporate customers. Reduced retail consumption from March onwards has brought increased retail customer deposits
- Deposit-to-loan ratio 69% (68%), including loans sold to Bolig- and Næringskreditt 52% (50%)
- Of the corporate market deposits, 25% are from the public sector

### Share of deposits



## Deposit margins Retail and Corporate



- Considerable decrease in NIBOR in 2020 weakened margins in first half
- Interest rate reduction also on deposits
- To be carried out later than the mortgage rate cuts; the last deposit rate cut was on 12 July 2020

## Change in net interest income

### Change 1<sup>st</sup> quarter 2020 – 2<sup>nd</sup> quarter 2020

Net interest this quarter	666
<u>Net interest previous quarter</u>	<u>710</u>
<b>Change</b>	<b>-44</b>

#### **Obtained as follows:**

Fees on lending	-17
Lending volume	9
Deposit volume	3
Lending margin	116
Deposit margin	-155
Equity capital	-49
Funding and liquidity buffer	61
<u>Subsidiaries</u>	<u>-13</u>
<b>Change</b>	<b>-44</b>

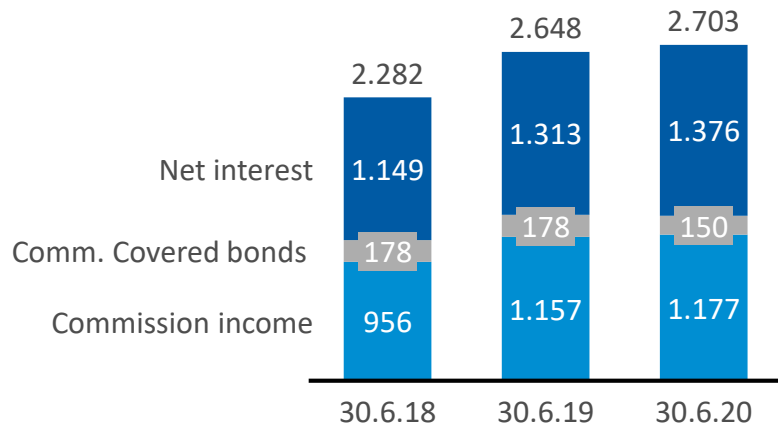
### Net interest income down from first quarter

- Norges Bank has lowered the base rate from 1.50 til 0 since 13 March 2020.
- SpareBank 1 SMN cut its mortgage lending rate on 5 April 2020 and from 22 May 2020.
- Deposit rates were cut as from fra 22 May and 12 July.
- NIBOR has been reduced by 150 points in 2020.
- Market interest rates and the pricing of loans and deposits have thus not been in step with each other, impacting negatively on net interest income in the quarter



# Robust income platform and increased commission income

## Net interest and other income



## Commissions 1<sup>st</sup> half 2020 and 1<sup>st</sup> half 2019

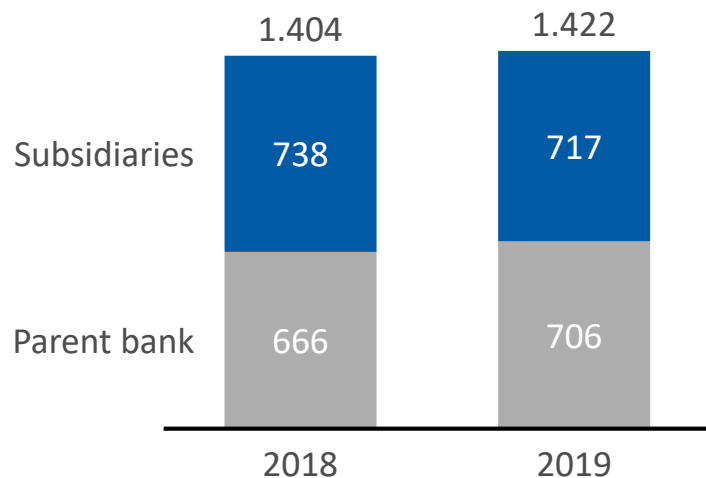
<i>mill kr</i>	<b>2020</b>	<b>2019</b>	<b>Change</b>
Payment transmission income	109	103	7
Creditcards	31	29	1
Commissions savings and asset management	50	45	5
Commissions insurance	95	89	5
Guarantee commissions	28	25	3
Estate agency	188	199	-11
Accountancy services	290	278	11
Securities	210	187	22
Other commissions	27	24	3
<b>Commissions ex. Bolig/Næringskreditt</b>	<b>1.027</b>	<b>980</b>	<b>47</b>
Commissions Boligkreditt (cov. bonds)	144	169	-25
Commissions Næringskreditt (cov. bonds)	6	8	-2
<b>Total commission income</b>	<b>1.177</b>	<b>1.157</b>	<b>20</b>

- Robust income platform
- A wide range of products both from the parent bank, the subsidiaries, and the SpareBank 1 Group

# Cost growth of 1.3 per cent over last 12 months

But underlying cost growth higher than desired

## Costs 1<sup>st</sup> half 2019 and 1<sup>st</sup> half 2020



A higher no. of FTEs in 2020 than in 2019 is the main reason for excessive underlying cost growth in the bank

Lower costs among the subsidiaries due to the disposal of BN Bolig. The subsidiaries apart from BN Bolig show cost growth

SpareBank 1 SMN aims to limit cost growth to 2%

‘One SMN’ includes measures designed to produce short and long-term effects:

- Efficient distribution
- Group-oriented organisation of the group
- Reduction of operating and IT expenses across all business lines

## Return on financial investments

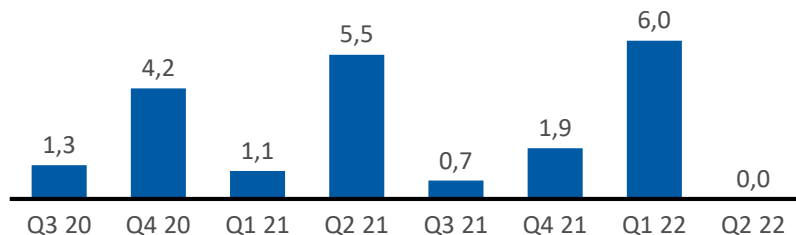
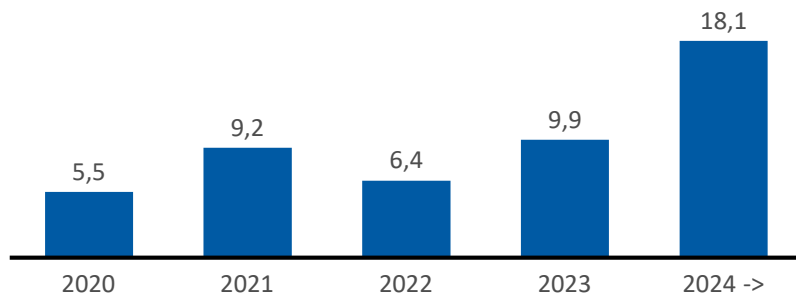
<b>NOKm</b>	<b>2020</b>	<b>2019</b>	<b>Change</b>	<b>Q2 20</b>	<b>Q1 20</b>	<b>Q4 19</b>	<b>Q3 19</b>	<b>Q2 19</b>
Shares	-6	107	-113	36	-42	11	1	23
Sertificates and bonds	174	47	127	124	50	-42	-26	15
Derivatives	-97	63	-160	51	-148	40	29	40
Financial instruments related to hedging	-3	-5	2	2	-6	-8	4	-1
Other financial instruments at fair value	-11	6	-17	45	-57	-2	4	-4
Foreign exchange	68	23	45	4	65	-10	10	14
Shares and share derivatives at SpareBank 1 Markets	21	23	-2	7	14	17	13	8
<b>Net return on financial instruments</b>	<b>145</b>	<b>265</b>	<b>-118</b>	<b>269</b>	<b>-124</b>	<b>7</b>	<b>35</b>	<b>95</b>

## Balance sheet

	30.6.20	30.6.19	30.6.18
Funds available	38,3	26,0	25,1
Net loans	129,4	125,3	114,7
Securities	1,7	3,0	2,5
Investment in related companies	6,8	6,5	5,8
Goodwill	0,9	0,9	0,8
Other assets	13,4	5,1	10,6
<b>Total Assets</b>	<b>190,5</b>	<b>166,7</b>	<b>159,6</b>
Capital market funding	60,0	51,9	53,1
Deposits	94,3	85,9	80,3
Other liabilities	14,1	6,4	5,9
Subordinated debt	1,8	2,1	2,2
Equity ex hybrid bonds	19,1	19,1	16,8
Hybrid bonds	1,3	1,3	1,1
<b>Total liabilities and equity</b>	<b>190,5</b>	<b>166,7</b>	<b>159,6</b>
in addition loans sold to Boligkreditt and Næringskreditt	44,5	41,7	41,5

# Satisfying access to capital market funding

## Funding maturity 30. June 2020 (NOK bn)

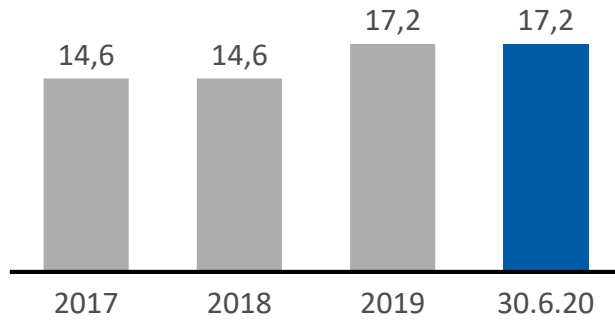


## Comments

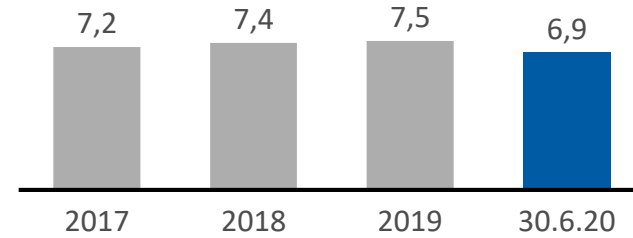
- SpareBank 1 Boligkreditt is the main funding source through covered bonds. NOK 43 billion transferred as of 30. June 2020
- Maturities next two years NOK 20,7 bn:
  - NOK 5.5 bn in 2020
  - NOK 9.2 bn in 2021
  - NOK 6.0 bn in Q1 2022
- LCR 163 % as at 30. June 2020
- MREL (minimum requirement for own funds and eligible liabilities) introduced as from 2019. The bank will fulfil the MREL requirement by 2022 within the framework of ordinary maturities

# Capitalization

## CET1



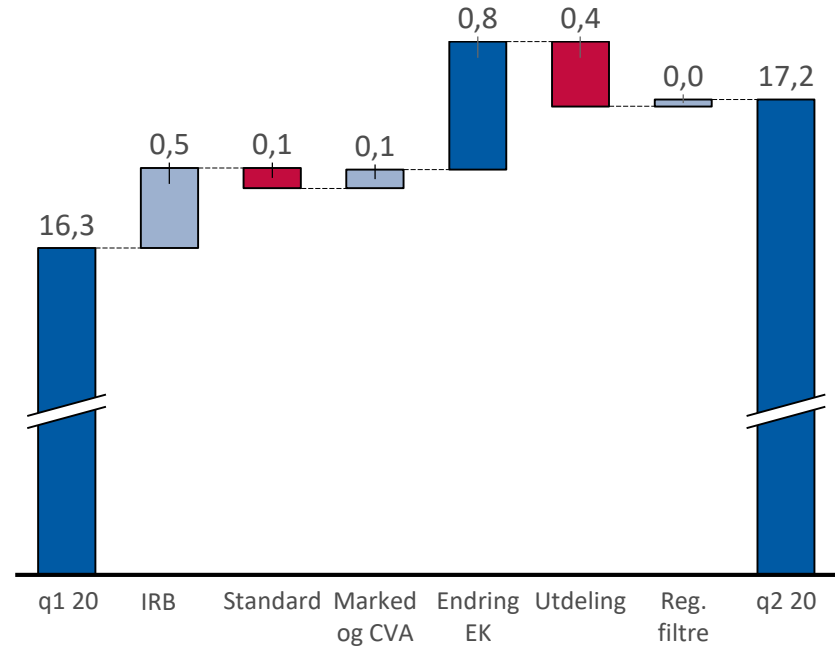
## Leverage ratio



# The group's CET1 ratio ended at 17.2% at 30 June 2020

## Target 15.4%

- Change in risk weighted assets strengthens CET1 ratio by 0.5 per cent
- Increase in equity capital strengthens CET1 ratio by 0.8 per cent; 50 per cent the quarter's profit to be paid as dividends to EC holders
- Increased deduction as co-owner of SpareBank 1 Gruppen offset by reduced deduction for expected losses





**SpareBank**  
SMN 

## Credit risk

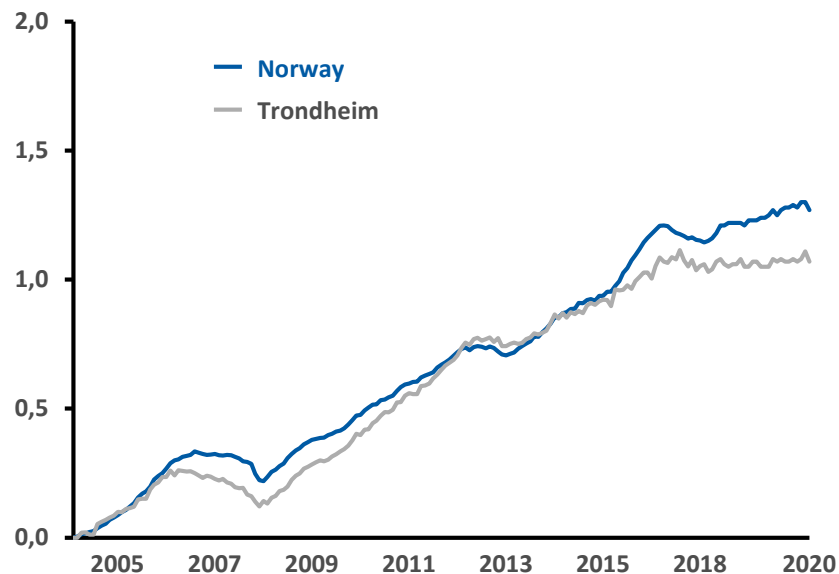
Vegard Helland,

Executive director – Corporate Banking



# House prices levelling out

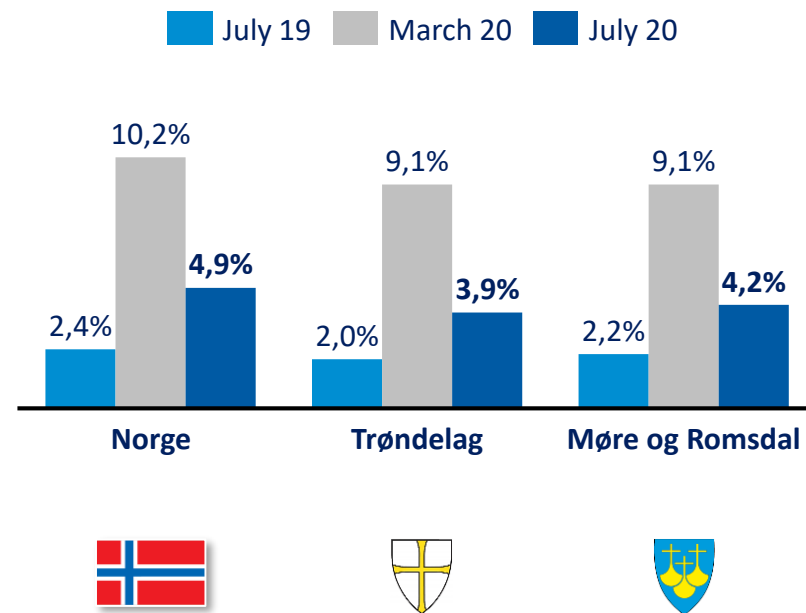
House prices 2005 – 30. June 2020



1st half 2020

# Significant increase in unemployment in 2020, but decrease during Q2 2020

Monthly figures July 2019, March 2020 and July 2020



Sources: Statistics Norway for house prices, unemployment from NAV

# Corona pandemic leaving its mark, and offshore sector affected by oil price development



**Retail**

Status ■ Outlook →



**Construction**

Status ■ Outlook ↘



**Fishery**

Status ■ Outlook →



**Maritime industry**

Status ■ Outlook ↘



**Offshore**

Status ■ Outlook →



**Agriculture**

Status ■ Outlook →



**Aquaculture**

Status ■ Outlook →

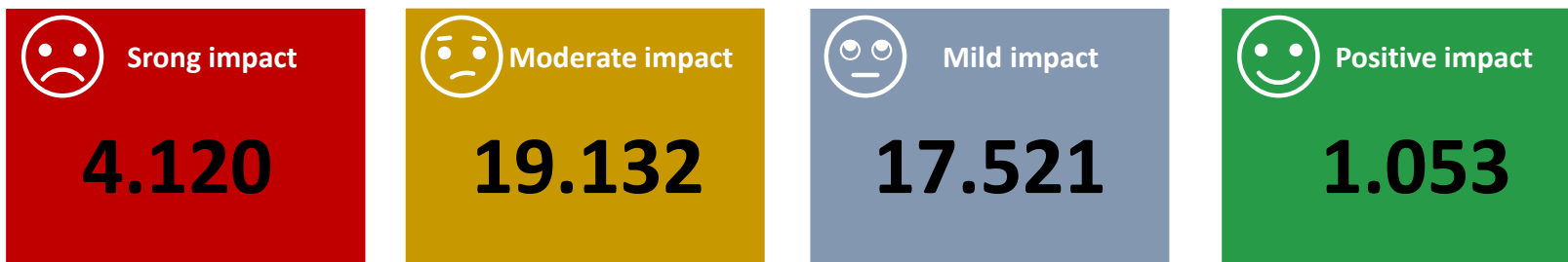


**Commercial real estate**

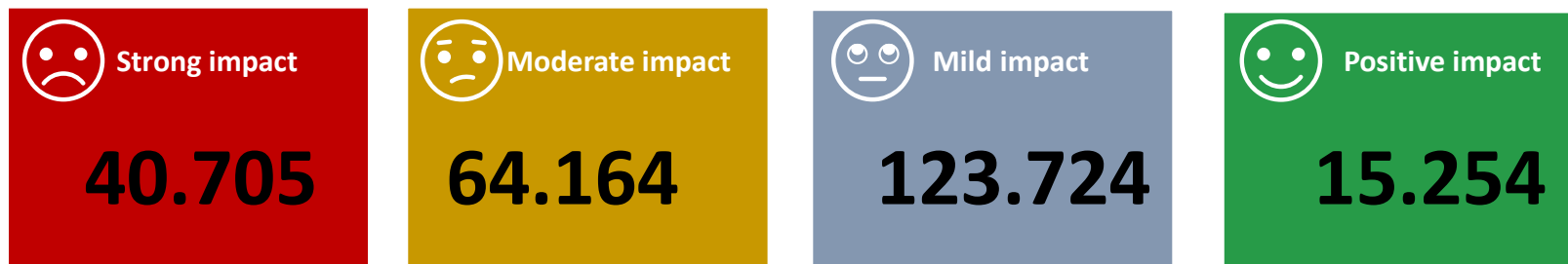
Status ■ Outlook ↘

# Number of companies and employees and degree of corona impact (Trøndelag and Møre og Romsdal)

## Number of companies



## Number of employees



# Crisis impacts – sectoral overview

## Strong impact

Tourist industry  
Hotels  
Culture  
Civil aviation  
Sports  
Education  
Personal hygiene  
Bars and restaurants  
Canteens and catering  
Fitness centres  
Travel agents  
Physiotherapists and chiropractors  
Dentists  
Hairdressers and beauty salons  
Labour hire  
Other personal services

## Moderate impact

Carriage of passengers  
Retail trade  
Building industry  
Serving establishments  
Manufacturing  
Commercial real estate  
Security services  
Car dealers  
Fish exporters  
Wholesale/agency business exc food  
Plant nurseries  
Motorhome dealers  
Boat dealers  
Financing and insurance services  
Media companies/newspapers  
Offshore and oil-related  
Other business services

## Mild impact

Freight transport  
Construction  
Agriculture  
Auditing, accounting and business advisory services  
Shipyards  
Food production  
Craftsmen  
Energy companies  
Fishfarming/aquaculture  
Fisheries  
Fish processing  
Mining and extraction  
Water supply and sewerage  
Information and communication technology  
Public sector  
Health and social services  
Shipping  
Other transport-related activity  
Housing cooperatives  
Day care centres

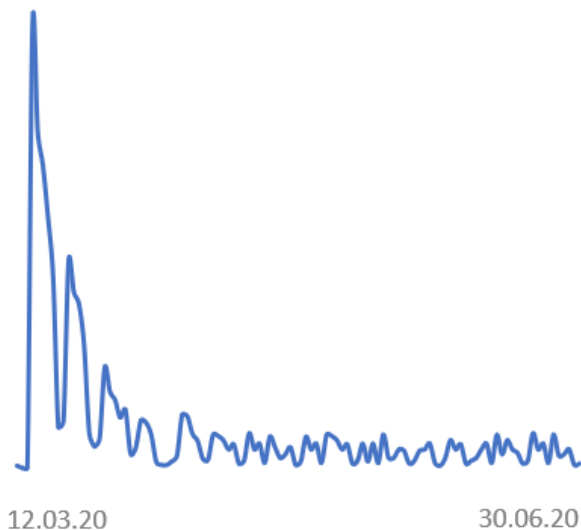
## Positive impact

Grocery trade  
Pharmacies  
Streaming services  
Telecommunications companies  
Doctor's offices  
Wholesale/agency business, foodstuffs

# Payment holidays, retail market

No. of applications for payment holiday

Retail market



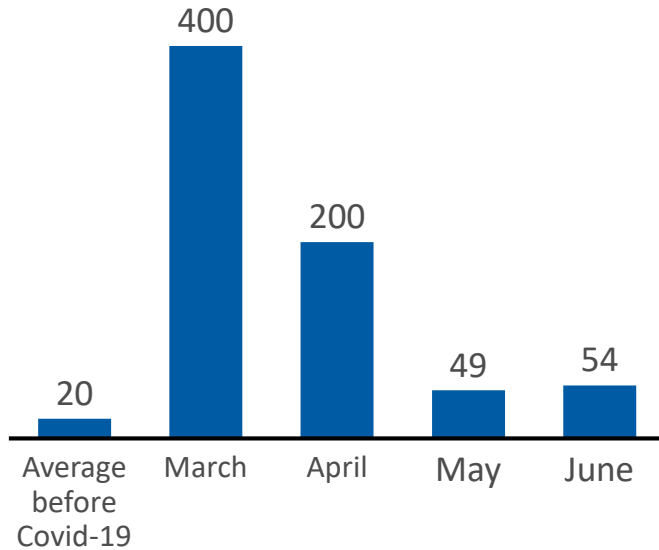
1. halvår 2020

- Strong growth in applications for payment holidays as a result of lay-offs in March
- No. of applications normalised in the course of April
- Applications relate in all essentials to exposures in the lowest risk categories This indicates that the measures taken benefit customers who in a normal situation have the ability to pay, but where one or more household members become uncertain payers due to coronavirus

# Payment deferments, corporates

## No. of payment deferments

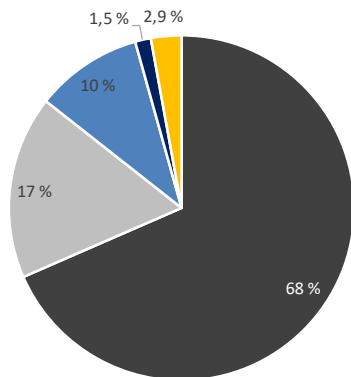
### Corporates



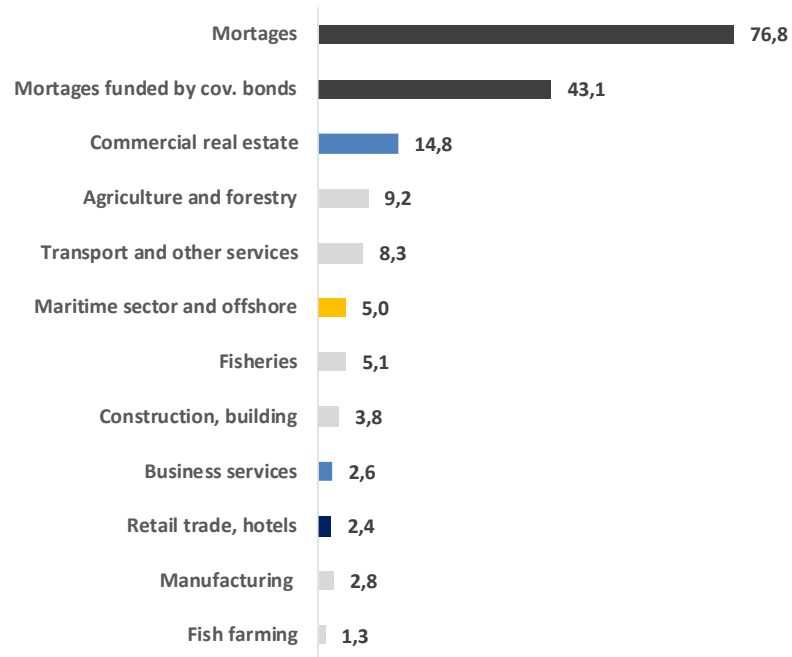
- A large number of payment deferments were granted in March and April, thereafter declining to more normal levels. Very few of the customers who were granted a mortgage payment holiday in Q1 needed to extend it
- SpareBank 1 SMN has utilised NOK 416 million of a borrowing limit of NOK 1.75 billion (23.5%) of which 90% is under central government guarantee (figures as at 01.07.20)
- 582 credit customers of SMN with an overall EAD of NOK 1.5 billion have received support under the compensation arrangement. The overall compensation amount granted is NOK 105.7 million. In addition, 601 purely deposit customers have received compensation. A majority of the customers are in retail trade and in the hotel, restaurant and hospitality sectors (figures as at 31.07.2020)

# Robust loan portfolio of which 68 per cent of loans are to wage earners. Retail trade, hotels and business services are vulnerable industries, while oil-related sectors are affected by the oil price fall

Total loans NOK 175 bn



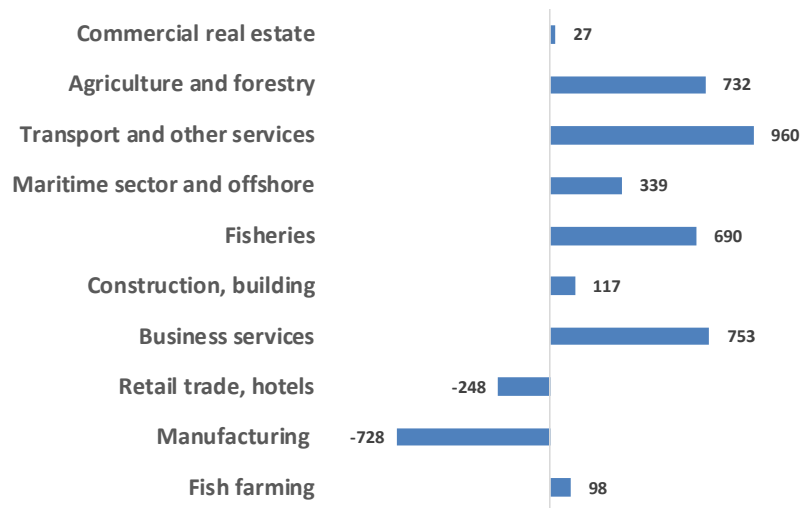
- Mortgages
- Mild impact
- Moderate impact
- Strong impact
- Maritime sector and offshore



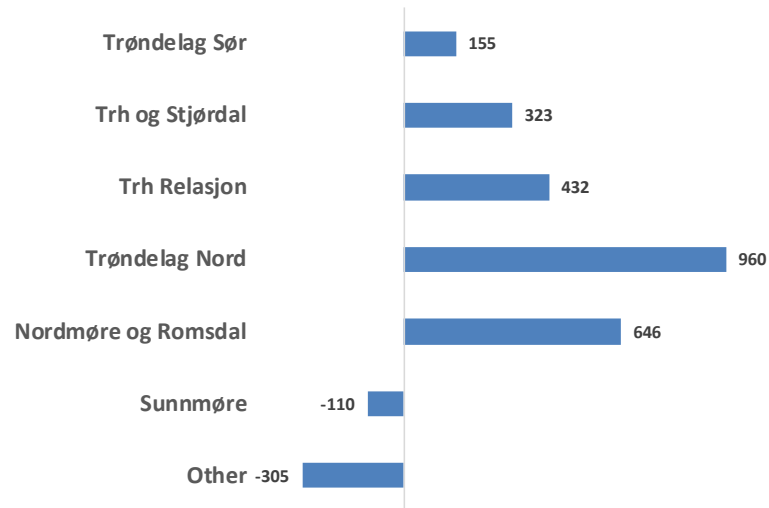
1. halvår 2020

# Corporate Banking – increased market shares, without heavy concentration of lending to individual customers or individual industries

Lending growth last 12 months by sector  
(NOK millions, group)



Lending growth last 12 months by geography  
(NOK millions, banking arm)

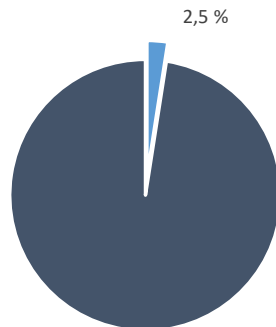




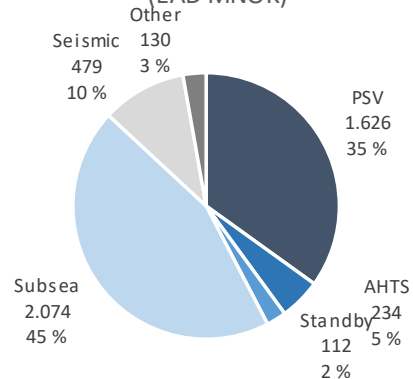
# Offshore\* constitutes a small share of total credit risk (2.5 per cent)

## Impairment level corresponds to 16.5 per cent of the offshore portfolio

Offshore constitutes a small share of the total credit risk (EAD share)



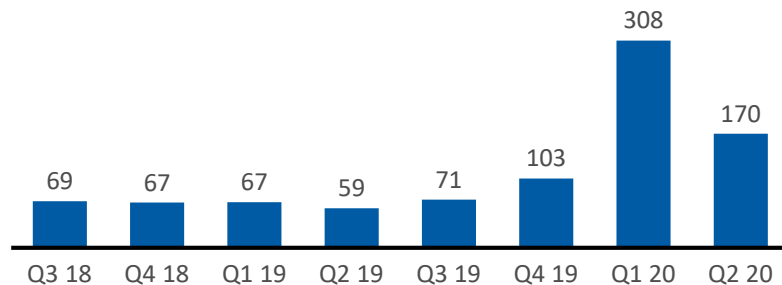
Subsea and PSV largest segments (EAD MNOK)



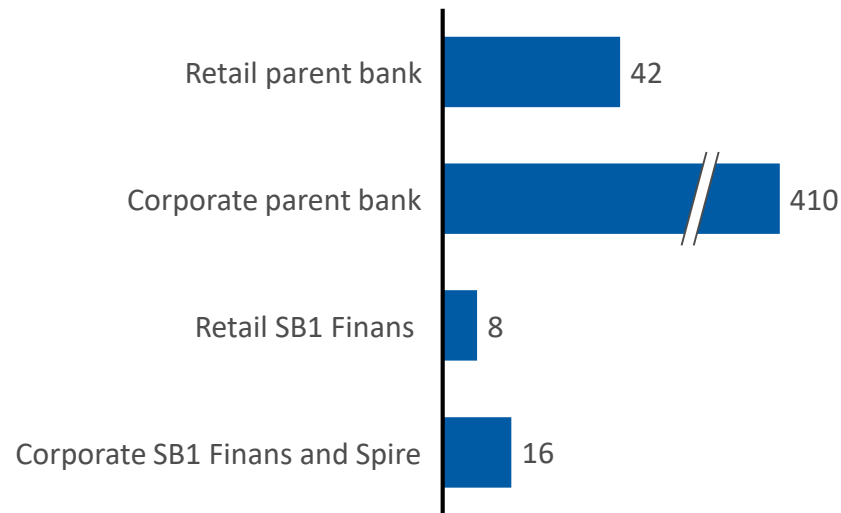
mill kr	EAD	Loans	Individual	Total impair- IFRS 9	ments	Share of EAD
5% Low risk	225	210	0	0	0,2	0,1%
48% Medium risk	2.241	1.787	0	125	125	5,6%
17% High risk	797	485	0	58	58	7,2%
30% Obligors with impairments / defaulted	1.394	1.224	585	0	585	41,9%
100% Total	<b>4.657</b>	<b>3.706</b>	<b>585</b>	<b>183</b>	<b>768</b>	<b>16,5%</b>

## Increased losses in 2020, largely as a result of the corona crisis and oil service NOK 163m of the losses in 1st half refer to a single exposure

Losses per quarter, NOKm

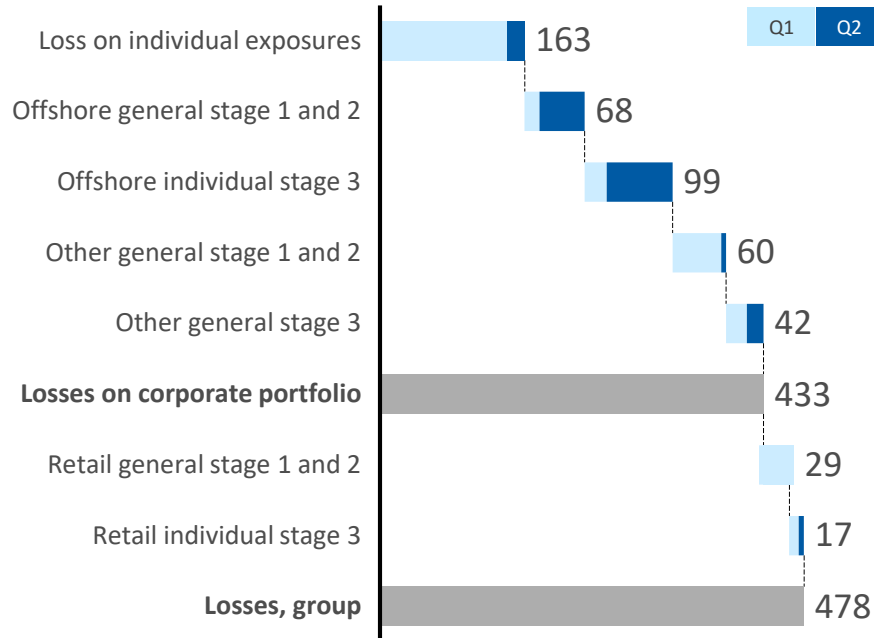


Distribution loan losses 1<sup>st</sup> half 2020



Loan losses including collective loss provisions 0.56 % (0.16 %) of gross lending as of 30.6.2020

## Increased losses in 2020 due to corona, the uncertain position of the offshore sector and a single exposure

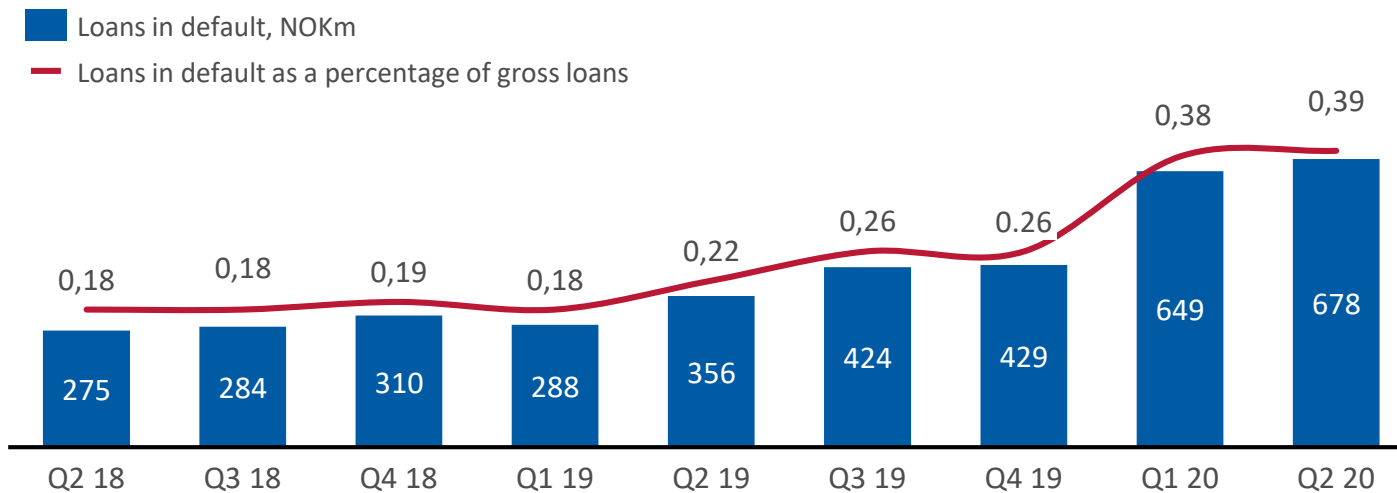


- **Losses of NOK 170 million in Q2, down from NOK 308 million in Q1**
- Total losses come to NOK 478 million so far this year, of which NOK 433 million refers to the group's corporate portfolio
- NOK 163 million are losses on a single exposure, mainly in the first quarter
- The offshore portfolio shows losses of NOK 167 million, the bulk of this in the second quarter
- Losses on the retail portfolio relate mainly to general writedowns in the first quarter
- Assumptions employed in the loss models were revised in the first quarter due to downscaled expectations of the Norwegian economy. There has been no change in this respect in the second quarter

## Increased payment defaults in 2020, 0.39 per cent of gross lending

### Retail customers show the largest increase in defaults in 2019 and 2020

#### Last two years, per quarter



## SpareBank 1 SMN

### 7467 TRONDHEIM



#### CEO Jan-Frode Janson

Tel +47 909 75 183

E-mail [jan-frode.janson@smn.no](mailto:jan-frode.janson@smn.no)

#### CFO Kjell Fordal

Tel +47 905 41 672

E-mail [kjell.fordal@smn.no](mailto:kjell.fordal@smn.no)

#### SpareBank 1 SMN

Tel +47 915 07 300



#### Internet addresses:

SMN homepage og internet bank:

[www.smn.no](http://www.smn.no)



#### Financial calendar 2020

Q2 20 11. August 2020

Q3 20 30. October 2020

# Appendix

1st half 2020





**Finance house offering  
a wide range of products**

**Retail customers  
230 500**

**Corporate customers  
15 375**

**Loan volume  
175 bn**

**Norway's largest equity-certificate-issuing bank**

**Market leader in the region  
Co-owner of SpareBank 1 Alliance**





## History through almost 200 years Strong financial results over time

1823 Established

1985 Sparebanken Midt-Norge

1994 Listed on Oslo Børs

1996 SpareBank 1 Alliance

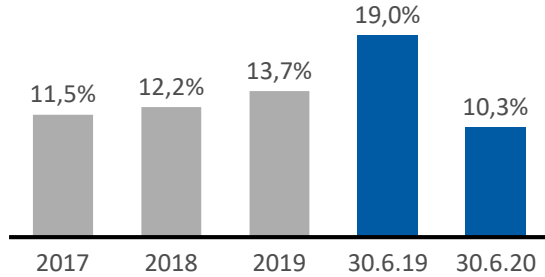
2005 Acquired Romsdals Fellesbank

2009 Acquired BN Bank/Sunnmøre

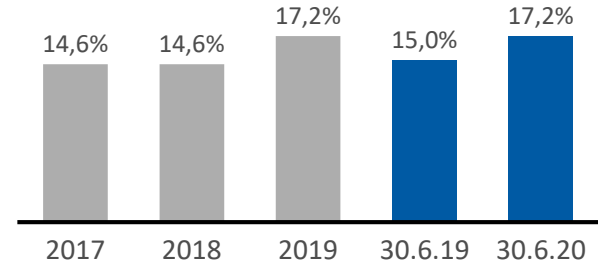


# Profits weakened in 2020, at a high degree due to increased loan losses

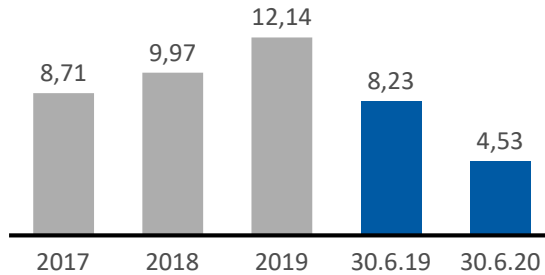
### ROE



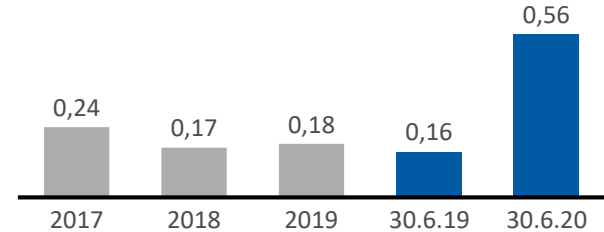
### CET1



### Earnings per ECC



### Loan losses as a percentage of total loans



## Change in net interest income

### 1<sup>st</sup> half 2020 compared with 1<sup>st</sup> half 2019

Net interest 30.6.20	1.376
Net interest 30.6.19	1.313
<b>Change</b>	<b>63</b>
<b>Obtained as follows:</b>	
Fees on lending	-8
Lending volume	57
Deposit volume	10
Lending margin	155
Deposit margin	-138
Equity capital	-16
Funding and liquidity buffer	-17
Subsidiaries	20
<b>Change</b>	<b>63</b>

### Net interest income strengthened by growth and increased lending margin

- Net interest income strengthened by increased lending volume
- Margins on mortgages strengthened by decrease in NIBOR in 2020, but deposit margins have been weakened
- Two general reductions in mortgage interest carried out in second quarter 2020, with effect from 30. April and 25. May
- Net interest income weakened by lower interest on equity

# Subsidiaries

## Pre tax profit subsidiaries

mNOK, SMN's share in parentheses	2020	2019	Change	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19
EiendomsMegler 1 Midt-Norge (87 %)	30	31	-1	30	0	1	0	31
BN Bolig (subsidiary of EM1)	0	-17	17	0	0	-7	-7	-8
SpareBank 1 Regnskapshuset SMN (89 %)	67	62	5	40	27	27	20	41
SpareBank 1 Finans Midt-Norge (61 %)	93	74	18	46	47	35	41	35
SpareBank 1 Markets (67 %)	55	29	27	71	-15	4	11	26
SpareBank 1 SMN Invest (100%)	-12	47	-59	7	-19	4	-3	21
DeBank (100%)	-12	-8	-4	-5	-8	-6	-5	-3
Other companies	5	8	-3	2	3	4	3	4
<b>Subsidiaries</b>	<b>226</b>	<b>226</b>	<b>0</b>	<b>191</b>	<b>36</b>	<b>62</b>	<b>59</b>	<b>147</b>

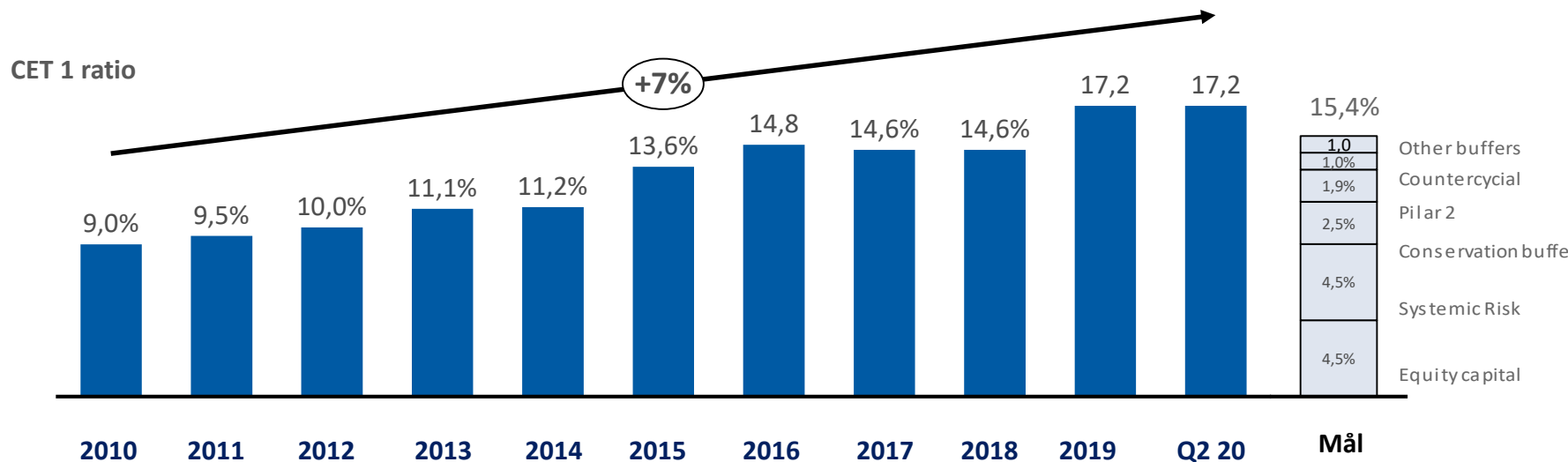
*The results refer to the respective company accounts*

## Associated companies

### Profit shares after tax

mNOK, SMN's share in parentheses	2020	2019	Change	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19
SpareBank 1 Gruppen (19,5 %)	-7	224	-230	109	-115	-12	40	186
Gain Fremtind	340	460	-120	0	340	0	0	0
SpareBank 1 Boligkreditt (20,9 %)	10	22	-12	41	-31	0	3	8
SpareBank 1 Næringskreditt (31,0 %)	9	10	-1	7	2	6	5	2
BN Bank (35,0 %)	50	51	-1	27	23	28	33	27
Companies owned by SpareBank 1 SMN Invest	-1	-4	3	-1	0	0	0	0
SpareBank 1 Kreditt (17,3 %)	2	8	-6	2	0	0	5	5
SpareBank 1 Betaling (19,5 %)	-2	10	-12	1	-2	-5	-2	-2
Other companies	-9	1	-10	-9	0	-10	-4	5
<b>Associated companies</b>	<b>394</b>	<b>786</b>	<b>-393</b>	<b>177</b>	<b>217</b>	<b>8</b>	<b>81</b>	<b>231</b>

## Strong development in CET 1 (capital and ratio)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q2 20
CET1 capital	6.177	6.687	8.254	9.374	10.679	12.192	13.233	13.820	14.727	15.830	16.547
ROE	14,6 %	12,8 %	11,7 %	13,3 %	15,1 %	10,7 %	11,3 %	11,5 %	12,2%	13,7%	10,3 %
RWA	66.688	75.337	82.450	84.591	95.322	89.465	88.786	94.807	101.168	91.956	96.181

1st half 2020

52

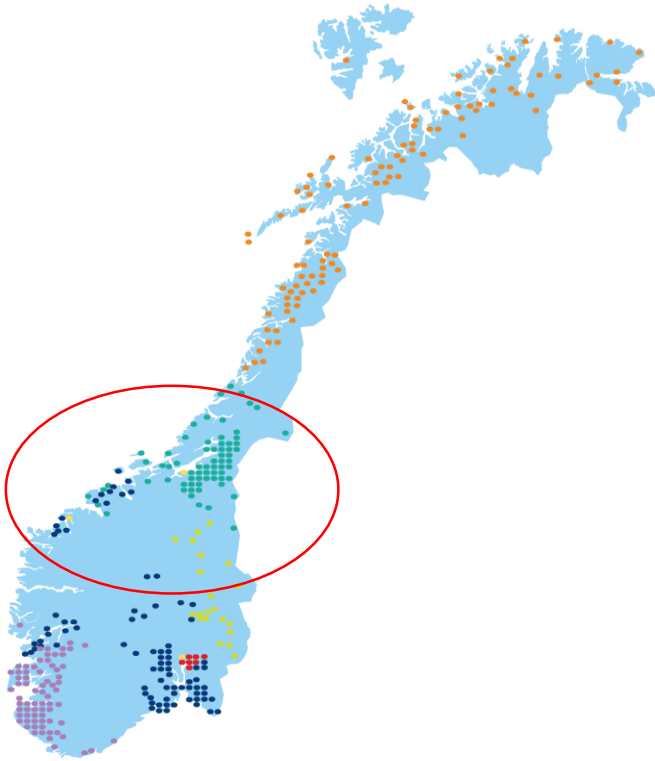
## Key figures

	<b>30.6.20</b>	<b>30.6.19</b>	<b>30.6.18</b>
CET 1 ratio	17,2 %	15,0 %	15,0 %
Core capital ratio	18,9 %	16,6 %	17,0 %
Capital adequacy	21,1 %	18,8 %	19,0 %
<b>Leverage ratio</b>	<b>6,9 %</b>	<b>7,5 %</b>	<b>7,4 %</b>
Growth in loans (incl.Boligkreditt and Næringskreditt)	7,0 %	5,7 %	7,6 %
Growth in deposits	8,9 %	7,7 %	6,3 %
Deposit-to-loan ratio	72 %	71 %	69 %
RM share loans	68 %	68 %	67 %
Cost-income ratio	45,9 %	39,7 %	47,0 %
Return of equity	10,3 %	19,0 %	14,4 %
Impairment losses ratio	0,56 %	0,16 %	0,17 %

## Key figures ECC

	<b>30.6.20</b>	<b>30.6.19</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
ECC ratio	64,0 %	64,0 %	64,0 %	64,0 %	64,0 %	64,0 %
Total issued ECCs (mill)	129,39	129,66	129,30	129,62	129,38	129,64
ECC price	78,30	97,70	100,20	84,20	82,25	64,75
Market value (NOKm)	10.131	12.668	12.956	10.914	10.679	8.407
Booked equity capital per ECC	90,37	87,04	90,75	83,87	78,81	73,35
Post-tax earnings per ECC, in NOK	4,53	8,23	12,14	9,97	8,71	7,93
Dividend per ECC			6,50	5,10	4,40	3,00
P/E	8,65	5,94	8,26	8,44	9,44	8,17
Price / Booked equity capital	0,87	1,12	1,10	1,00	1,04	0,88

## SpareBank 1 Alliance: National champion, regional focus



- The SpareBank 1-alliance consists of 14 banks
- Operate exclusively in Norway – Norway’s most extensive branch network with approx. 350 branches
- SpareBank 1-banks are at the forefront of technological innovation
- Operate as independent banks in each their respective Norwegian region
- Market leaders in their core regional markets
- The largest banks (~ 80% of total assets) have the following ratings:

Sr. Unsec. Ratings	Moody’s
SpareBank 1 SMN	A1 / P-1
SpareBank 1 SR	A1 / P-1
SpareBank 1 SNN	A1 / P-1
SpareBank 1 Østlandet	A1 / P-1



# Spare Bank 1 Alliance

