

Report of the Board of Directors

Second quarter 2021

(Consolidated figures. Figures in parenthesis refer to the same period of 2020 unless otherwise stated)

- Pre-tax profit: NOK 942m (840m)
- Post-tax profit: NOK 755m (719m)
- Return on equity: 14.3% (15.1%)
- CET1 ratio: 18.3% (17.2%)
- Growth in lending: 2.0% (2.5%) and in deposits: 7.6% (7.0%)
- Lending to personal customers increased by 2.2% in the quarter (2.4%), 1.4 percentage point higher growth than in the first quarter. Lending to corporate clients increased by 1.5% (2.7%) which was 0.9 percentage point lower growth than in the first quarter
- Deposits from personal customers increased by 6.9% (10.2%), 5.1% higher growth than in the first quarter. Deposits from corporate customers increased by 8.0% (4.6%), 0.7 per cent higher growth than in the first quarter
- Net result of ownership interests: NOK 212m (177m)
- Net result of financial instruments (incl. dividends): NOK 59m (271m)
- Losses on loans and guarantees: NOK 39m (170m), 0.08% of gross loans (0.39%)
- Earnings per equity certificate (EC): NOK 3.51 (3.27). Book value per EC: NOK 100.18 (90.37)

First half 2021

- Pre-tax profit: NOK 1,836m (1,195m)
- Post-tax profit: NOK 1,523m (1,008m)
- Return on equity: 14.5% (10.3%)
- Growth in lending: 7.9% (7.0%) and in deposits: 16.8% (8.9%) in the last 12 months. In the first half-year growth in lending was 3.4% (4.4%) and in deposits 12.9% (9.7%)
- Growth in lending to personal customers was 7.0% (7.9%) in the last 12 months. In the first half-year growth was 3.1% (4.2%). Growth in lending to corporate clients was 9.9% (5.2%) in the last 12 months; in the first half-year growth was 4.1% (4.7%)
- Loans to retail customers account for 68% (68%) of total lending
- Deposits from personal customers increased by 7.8% (13.2%) in the last 12 months, in the first half-year by 8.8% (14.9%). Deposits from corporate customers increased by 23.7% (5.9%) in the last 12 months, in the first half-year by 15.9% (6.1%).
- Net result of ownership interests: NOK 340m (394m)
- Net result of financial instruments (incl. dividends): NOK 220m (155m)
- Losses on loans and guarantees: NOK 98m (478m), 0.11% (0.56%) of gross loans
- Earnings per equity certificate (EC): NOK 6.90 (4.53).

Events in the quarter

Vaccination programme proceeding broadly as planned, and uncertainty in the economy receding

Economic developments are closely tied to the expected path and management of the Covid-19 pandemic. For Norway, full vaccination of the adult section of the population is now expected over the course of autumn 2021. In tandem with this, the government's plan for the reopening of society moves ahead. The most sweeping national infection protection measures will likely be removed in the course of September, although there is some uncertainty due to the spread of the Delta variant. But the pandemic is not over, and further mutations and infection waves cannot be ruled out.

The Confederation of Norwegian Enterprise (NHO) puts growth in Mainland (non-oil) Norway's GDP at 3.25 per cent for 2021 and 3.5 per cent for 2022, implying a return of the economy to its pre-crisis level in the third quarter of 2021. This also implies a continued decline in unemployment, although it will take time for unemployment to fall as low as the level in effect prior to the crisis.

At its interest rate meeting in June 2021 – at which the base rate was kept unchanged – Norges Bank (Norway's central bank) noted that underlying inflation has now fallen below the 2 per cent target, but that quickening price growth and higher inflationary expectations internationally make for uncertainty as to price trend ahead. Norges Bank also noted that house prices have risen markedly since last spring, but that the rate of increase has subsided somewhat of late. Norges Bank signals a higher base rate from autumn 2021 onwards.

Agreement to merge Vipps, Danish MobilePay and Finnish Pivo brings together 11 million users in a single mobile wallet

On 30 June 2021 Vipps signed an agreement with Danish MobilePay and Finnish Pivo to merge the three companies in order to create one, common digital wallet. The merger paves the way for mobile payments across national borders and even better solutions for users and companies in Denmark, Finland and Norway. The positive effects for the SpareBank 1 banks are also substantial.

The new common wallet will have a total of 11 million users, more than 700 million annual transactions and 330,000 corporate clients across Finland, Denmark and Norway, making it one of the largest digital wallets in Europe.

It is the mobile payments arm ('the digital wallet') of Vipps that is involved in the merger. The merger of the three companies entails hiving off BankAxept and Bank ID from Vipps to form a new Norwegian-owned company with its own management. This company will remain wholly owned by the Norwegian SpareBank 1 banks.

The merger requires approval by the relevant authorities. Vipps expects the approval process to last up to one year. Vipps will continue to operate as previously until approval is granted.

Fleks – SpareBank 1 to focus on car subscriptions

SpareBank 1 Finans Midt-Norge is to take up an ownership role in the car subscription company Fleks along with SpareBank 1 Nord-Norge and SpareBank 1 Finans Østlandet with an overall stake of 47.2 per cent. Bertel O Stein will hold a corresponding stake. Car subscription is growing apace and will be a natural

aspect of car ownership and everyday finances in the future. SpareBank 1 SMN will take a position in this market through Fleks AS.

Everyday work practices after the pandemic

With the broad-based involvement of group employees, SpareBank 1 SMN has sought to define necessary adjustments to everyday work practices in the group after the pandemic. Office premises will continue to be the main workplace. This is important with a view to building a culture and relations between customers and colleagues. However, there will be greater flexibility in terms of working from home. Necessary adjustments are being made to the office premises at the same time as moves are made to make working from home a natural aspect of everyday work.

SpareBank 1 SMN to establish an economic crime department

Combating money laundering and other economic/financial crime is an important part of the bank's corporate social responsibility. This area is subject to stringent statutory requirements and there is an ongoing need to further develop systems and processes. A new unit is accordingly being established in the group which, in addition to being responsible for the group's anti-money laundering effort, will also assure a strengthened focus on combating fraud and corruption.

Excellent result for the second quarter of 2021

A net profit of NOK 755m (719m), and a return on equity of 14.3 per cent (15.1 per cent), were posted in the second quarter. The second quarter figure is NOK 12m lower than in the first quarter of 2021. The profit improvement compared with last year's second quarter is largely related to lower loan losses.

Earnings per equity certificate (EC) were NOK 3.51 (3.27) and the book value per EC was NOK 100.18 (90.37). Earnings per EC in the first quarter of 2021 were NOK 3.40.

Net interest income came to NOK 698m (665m), which is NOK 29m higher than the first quarter and NOK 33m better than the second quarter of 2020. NIBOR was about 20 points lower in the second quarter of 2021 than in both the first quarter of 2021 and the second quarter of 2020. This has brought increased margins on loans and reduced margins on deposits from the first to the second quarter of the current year. Lower market interest rates yield lower return on equity. Increased loan and deposit volumes have strengthened net interest income.

Commission and other income was reduced from the preceding quarter by NOK 43m to NOK 748m (595m). The reduction is largely due to lower incomes from securities services after the particularly high incomes in the first quarter. Beyond this, the largest increase in income was from estate agency services. Compared with the same quarter of 2020, increased incomes from securities services and estate agency services account for the bulk of the income growth.

The group's profit share from owner interests and related companies was NOK 212m (177m). The profit share in the first quarter was NOK 128m. The profit growth recorded by Fremtind and SpareBank 1 Forsikring explains the majority of the increase compared with both the first quarter and second quarter of last year.

Return on financial instruments (including dividends) was NOK 59m (271m) in the second quarter of 2021 and NOK 161m in the first quarter of 2021. The first quarter of 2021 brought capital gains of NOK 102m. The

second quarter of last year was marked by a substantial reversal of Covid-related securities losses recorded in the first quarter.

Operating expenses totalled NOK 735m (699m) compared with operating expenses of NOK 796m in the first quarter of 2020. The decline from the first quarter is largely down to lower variable remuneration at SpareBank 1 Markets with a lower result in the second quarter compared with an excellent first quarter. Compared with the second quarter of 2020, costs were higher among the subsidiaries due to high activity levels.

Losses on loans and guarantees totalled NOK 39m (170m) in the second quarter and NOK 59m in the first quarter. Lower losses compared with the second quarter of last year are attributable to improved prospects in the oil and offshore sector and hence reduced losses.

Good growth was seen in loans and deposits. Overall lending increased by 7.9 per cent (7.0 per cent) and deposits by 16.8 per cent (8.9 per cent) in the last 12 months. In the second quarter, lending grew by 2.0 (2.5) per cent and deposits by 7.6 (7.0) per cent. Growth in lending to personal customers increased from the first to the second quarter, and good growth was noted in deposits from corporate clients again in the second quarter.

The CET1 ratio as at 30 June 2021 was 18.3 per cent (17.2 per cent). The targeted CET1 ratio is 16.9 per cent. At the turn of 2021 the CET1 ratio stood at 18.3 per cent.

The price of the bank's equity certificate (MING) at quarter-end was NOK 119.20 (78.30). A cash dividend of NOK 4.40 (5.00) was declared for 2020. Of this, a dividend of NOK 1.30 per EC was paid for 2020 in light of the Ministry of Finance's recommendation. The board of directors is authorised to pay out all or parts of the remaining dividend and community dividend after 30 September 2021 if conditions permit.

Increased net interest income

In spring 2020 Norges Bank lowered its base rate from 1.50 per cent to zero, with ensuing rate cuts on residential mortgages and on deposits. Since the start of 2020 NIBOR has been reduced by about 160 points.

Net interest income came to NOK 698m (665m) compared with NOK 668m in the first quarter of 2021. The NOK 29m increase in net interest income compared with the first quarter is mainly ascribable to higher margins on residential mortgages and loans to corporates alike due to a reduced NIBOR in the quarter along with growth in lending and deposits. At the same time the lower NIBOR weakens net interest income through lower return on equity. Deposit margins were somewhat reduced in the second quarter.

Norges Bank retains an unchanged base rate but has signalled an increase as from September 2021. Thereafter Norges Bank anticipates a gradual increase in the base rate as conditions in the economy normalise.

Commission and other operating income

Commission income and other operating income totalled NOK 748m (595m) compared with NOK 790m in the first quarter of 2021.

A high proportion of multi-product customers is important for SpareBank 1 SMN. It makes for high customer satisfaction and a diversified income flow for the group.

Commission income (NOKm)	2Q 21	1Q 21	2Q 20
Payment transfers	56	49	51
Creditcard	13	14	15
Saving products	14	15	16
Insurance	53	52	48
Guarantee commission	14	14	15
Real estate agency	131	103	105
Accountancy services	154	148	141
Markets	182	275	129
Other commissions	14	5	17
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	631	675	536
Commissions SB1 Boligkreditt	113	112	57
Commissions SB1 Næringskreditt	4	4	2
Total commissions	748	790	595

Commission income on loans sold to the mortgage companies SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt totalled NOK 117m (59m). In the first quarter of 2021 commissions totalled NOK 116m. The increase from last year is due to increased margins on loans sold to SpareBank 1 Boligkreditt.

The increase of NOK 95m in other commission income compared with the second quarter of 2020 is mainly a result of growth of NOK 53m in income from securities services and an increase of NOK 25m in income from estate agency services. Compared with the preceding quarter, incomes from securities services were NOK 93m lower after an extraordinary first quarter. Estate agency incomes also rose compared with the first quarter.

Return on financial investments

Overall return on financial investments in the second quarter came to NOK 42m (269m) and in the first quarter of 2021 to NOK 158m. This breaks down as follows compared with last year's second quarter:

- Capital gains on shares came to NOK 23m (36m) and are mainly unrealised gains on shareholdings in SpareBank 1 SMN Invest. Unrealised gains on shares in SpareBank 1 SMN Invest also featured in the first quarter.
- Financial instruments, including bonds and CDs, showed losses of NOK 4m in the second quarter (gain of 222m). The second quarter of 2020 was heavily marked by the reversal of Covid-related losses recorded in the first quarter.
- Income of NOK 15m (4m) from forex transactions comprises income from currency trading at SpareBank 1 Markets
- Capital gains on shares and derivatives of shares at SpareBank 1 Markets totalled NOK 8m (7m)

Return on financial investments (NOKm)	2Q 21	1Q 21	2Q 20
Capital gains/losses shares	23	102	36
Gain/(loss) on financial instruments	-4	20	222
Foreign exchange gain/(loss)	15	15	4
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	8	20	7
Net return on financial instruments	42	158	269

Product companies and other related companies

The product companies provide the SpareBank 1 banks with a broader product range and commission incomes, as well as return on invested capital. The overall profit share from the product companies and other related companies was a net profit of NOK 212m (177m). This compares with a net profit of NOK 128m in the first quarter of 2021.

Income from investment in associated companies	2Q 21	1Q 21	2Q 20
SpareBank 1 Gruppen (19.5 %)	148	67	109
SpareBank 1 Boligkreditt (22.4 %)	3	4	41
SpareBank 1 Næringskreditt (31 %)	4	3	7
SpareBank 1 Kreditt (19.2 %)	1	0	2
BN Bank (35 %)	42	40	27
SpareBank 1 Betaling (19.5 %)	-5	-1	1
SpareBank 1 Forvaltning (23.4 %)	8	0	0
Other companies	11	14	-9
Income from investment in associated companies	212	128	177

SpareBank 1 Gruppen

This company owns 100 per cent of the shares of SpareBank 1 Forsikring and SpareBank 1 Gruppen Finans, and 65 per cent of Fremtind Forsikring. DNB owns the remaining shares of Fremtind.

SpareBank 1 Gruppen's post-tax profit in the second quarter of 2021 was NOK 1,043m (797m) and in the first quarter of 2021 NOK 506m. Of the profit of NOK 1,043m, NOK 758m accrues to SpareBank 1 Gruppen's owner banks and NOK 295m to DNB.

Fremtind Forsikring recorded a post-tax profit of NOK 811m (700m) in the second quarter with a good underwriting result and high financial income. The quarter's underwriting result was NOK 850m (463m) and the claims ratio was 49.7 per cent (61.4 per cent). The low claims ratio is due among other things to low travel activity and lower claims payments to personal customers. Financial income was NOK 192m (394m) in the second quarter.

SpareBank 1 Forsikring recorded a profit of NOK 199m (91m) after tax. Most of the company's profit components have shown a positive trend compared with the second quarter of 2020.

The group's profit share from SpareBank 1 Gruppen was NOK 148m (109m) and in the first quarter of 2021 NOK 67m.

SpareBank 1 Forvaltning was established to strengthen SpareBank 1-alliansen's competitive power in the savings market. The new company comprises ODIN Forvaltning, SpareBank 1 Kapitalforvaltning and SpareBank 1 verdipapirservice alongside a new management. The aim is to be best in terms of distribution of savings services and products through banks.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks making up SpareBank 1-alliansen to draw benefit from the market for covered bonds. The banks sell well-secured residential mortgages to the company and achieve reduced funding costs.

As at 30 June 2021 the bank had sold loans totalling NOK 45.7bn (43.1bn) to SpareBank 1 Boligkreditt, corresponding to 35.6 per cent (35.9 per cent) of the bank's overall lending to retail customers.

The bank's share of the company's profit was NOK 3m (41m).

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 30 June 2021, loans worth NOK 1.4bn (1.4bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's share of the company's profit for the second quarter of 2021 was NOK 4m (7m). The bank's stake reflects the bank's relative share of sold commercial real estate loans and the bank's stake in BN Bank.

SpareBank 1 Kreditt

SpareBank 1 SMN's share of the profit for the second quarter of 2021 was NOK 1.0m (1.5m), and its share of the portfolio is NOK 1,022m (882m). The results for the second quarter of 2021 show an improvement on preceding quarters.

BN Bank

BN Bank specialises in residential mortgages and commercial real estate loans, and its main market is Oslo and south-eastern Norway. BN Bank has achieved good growth in lending, with 12.7 per cent growth in lending to retail customers and 9.4 per cent growth in lending to corporate clients in the last 12 months.

BN Bank's profit was NOK 121m (81m), yielding a return on equity of 10.6 per cent (7.7 per cent). The profit growth is mainly attributable to lower losses. SpareBank 1 SMN's share of BN Bank's profit was NOK 42m (27m).

SpareBank 1 Betaling

SpareBank 1 Betaling is the SpareBank 1 banks' parent company for Vipps' payment solutions. On 30 June 2021 Vipps signed an agreement to merge Vipps' mobile payments arm with Danish MobilePay and Finnish Pivo. The merger will enable mobile payments across the national borders and even better solutions for users and companies in Denmark, Finland and Norway. BankAxept and BankID will concurrently be hived off from Vipps to become a new Norwegian-owned company with its own management. This company will remain wholly owned by the Norwegian banks.

SpareBank 1 SMN's share of the deficit amounts to NOK 5m (profit of 1m).

Operating expenses

Overall group operating expenses came to NOK 735m (699m), an increase of NOK 36m compared with the same period of 2020, corresponding to 5.1 per cent. In the first quarter of 2021 costs totalled NOK 796m.

Operating expenses	2Q 21	1Q 21	2Q 20
Staff costs	465	531	445
IT costs	90	87	85
Marketing	17	20	16
Ordinary depreciation	40	53	39
Operating expenses, real properties	15	18	15
Purchased services	61	46	54
Other operating expense	46	41	44
Total operating expenses	735	796	699

At the parent bank, costs came to NOK 338m (339m) and in the first quarter of 2021 to NOK 344m. The decline in group costs in the second quarter refers in all essentials to lower variable remuneration at SpareBank 1 Markets. In the second quarter the company recorded a decline in incomes after an extraordinarily good first quarter and hence a reduced provision for variable remuneration. Variable remuneration in the first quarter was NOK 119m and in the second quarter NOK 18m.

Compared with the second quarter of 2020, there was some growth in costs at SpareBank 1 Regnskapshuset SMN related to company acquisitions and at EiendomsMegler 1 Midt-Norge related to very high activity in the housing market in 2021.

The group's cost-income ratio was 43 per cent (41 per cent) while the parent bank's cost-income ratio was 23 per cent (26 per cent).

Reduced losses

Loan losses of NOK 39n (170m) and in the first quarter NOK 59m.

Impairment losses	2Q 21	1Q 21	2Q 20
RM	0	-7	2
CM	38	65	168
<i>Of which: Offshore</i>	12	56	125
Total impairment losses	39	59	170

Losses of NOK 38m (168m) were recorded on loans to the group's corporate clients, of which NOK 12m refers to clients in the offshore portfolio. Net loan losses measure 0.08 per cent (0.39 per cent) of total lending.

Overall losses on loans to retail customers totalled NOK 0m (2m). In the previous quarter there was a net recovery of NOK 7m.

Write-downs on loans and guarantees totalled NOK 1,680m (1,415m) as at 30 June 2021.

Problem loans (stage 3) amount to NOK 3,537m (2,375m), corresponding to 1.87 per cent (1.35 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The increase in problem loans relates essentially to the implementation of a new default definition as from 1 January 2021. See the description in note 1.

The new default definition has not altered the group's assessment of credit risk attending the individual exposures, and thus has no significant effect on the group's losses in the second quarter.

No changes are made in scenario weighting or other assumptions in the group's loss model.

A small proportion of the bank's overall loan exposure is in sectors affected by the Covid crisis and the oil crisis, and only 5 per cent of the overall exposure is to sectors regarded as highly exposed – oil, offshore, wholesale and retail trade, hotels and service industries.

Total assets of NOK 200bn

The bank's assets totalled NOK 200bn (190bn) as at end-June 2021, having risen by NOK 10bn, or 5.2 per cent, in the last 12 months. Total assets have risen as a result of higher lending volume and higher liquidity reserves.

As at 30 June 2021 loans worth a total of NOK 47bn (44bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and to SpareBank 1 Næringskreditt. These loans are not recognised as loans in the bank's balance sheet. The comments covering lending growth do however take account of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Lending

Total outstanding loans increased in the last 12 months by NOK 13.9bn (11.5bn) to reach NOK 189.0bn (175.1bn) as at 30 June 2021. This corresponds to growth of 7.9 per cent (7.0 per cent). Growth in the second quarter was 2.0 per cent (2.5 per cent).

- Lending to personal customers rose in the last 12 months by NOK 8.4bn (8.7bn) to NOK 128.3bn (119.9bn). Growth in the period was 7.0 per cent (7.9 per cent). Growth in the second quarter was 2.2 per cent (2.4 per cent).
- Lending to corporate clients rose in the last 12 months by NOK 5.5bn (2.7bn) to NOK 60.7bn (55.2bn). Growth in the period was 9.9 per cent (5.2 per cent). Growth in the second quarter was 1.5 per cent (2.7 per cent).
- Lending to personal customers accounted for 68 per cent (69 per cent) of total outstanding loans to customers as at 30 June 2021.

The group shows good growth in loans to personal customers and is strengthening its market position. A substantial portion of the growth is in the LO (Norwegian Trade Union Confederation) segment. The growth in lending to corporate customers is mainly to small and medium-sized businesses over the entire market area. The growth is distributed across various sectors and there is a major focus on avoiding a build-up of sectoral or single name concentrations.

(For distribution by sector, see note 5).

Deposits

Customer deposits increased in the last 12 months by NOK 15.8bn (7.7bn) to NOK 110.1bn (94.3bn). This represents a growth of 16.8 per cent (8.9 per cent). Growth in the second quarter was 7.6 per cent (7.0 per cent).

- Personal deposits rose by NOK 3.2bn (4.8bn), or 7.8 per cent (13.2 per cent), to reach NOK 44.2bn. Growth in the second quarter was 6.9 per cent (10.2 per cent).
- Corporate deposits rose by NOK 12.6bn (2.9bn), or 23.7 per cent (5.9 per cent), to reach NOK 66.0bn. Growth in the second quarter was 8.0 per cent (4.6 per cent).
- The deposit-to-loan ratio including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 58 per cent (54 per cent).

Growth in personal deposits was very high in 2020 due to reduced consumption. 2021 has seen very high growth in corporate deposits. The City of Trondheim's choice of SpareBank 1 SMN as its main bank brought a substantial increase in deposit volumes in the second quarter. Growth in deposits from other public sector and corporate clients is also noted across the entire market area.

(For distribution by sector, see note 5).

Personal customers

The Personal Banking Division and EiendomsMegler 1 offer private individuals a broad range of financial services. Continual improvement of the interaction between the banking and estate agency arms is aimed to provide customers with a better service offering and to promote increased growth for the group.

Result before tax	2Q 21	1Q 21	2Q 20
Personal market	290	280	219
EiendomsMegler 1 Midt-Norge (87%)	41	21	30

The **Personal Banking Division** achieved a pre-tax profit of 290m (219m) and NOK 280m in the first quarter of 2021. Return on capital employed was 12.8 per cent (10.9 per cent) in the quarter.

Overall lending by the division stands at NOK 133bn (124bn) and deposits total NOK 51bn (48bn) as at 30 June 2021. These are loans to and deposits from wage earners, agricultural customers and sole proprietorships. Loans and deposits as at 31 March 2021 were NOK 130bn and NOK 48bn respectively.

Operating income totalled NOK 507m (442m) and NOK 496m in the first quarter of 2021. Net interest income accounted for NOK 283m (268m) and NOK 276m in the first quarter. Commission income came to NOK 223m (173m) and to NOK 219m in the first quarter. Net interest income rose due to growth and increased lending margin in the quarter, while lower return on the division's share of the group's equity capital and a reduced deposit margin have contributed to a weakening of net interest income.

Commission income is reduced as a result of lower commissions from SpareBank 1 Boligkreditt. Commission income has increased compared with the second quarter of 2020 as a result of increased margins on loans sold to SpareBank 1 Boligkreditt.

The lending margin was 1.73 per cent (1.99 per cent), and in the first quarter of 2021 1.59 per cent. The deposit margin was minus 0.07 per cent (minus 0.47 per cent) and 0.08 per cent in the first quarter of 2021 (measured against three-month NIBOR). The market interest rate in terms of three-month NIBOR was reduced from the first quarter of 2021 by about 20 points, which has improved the lending margin but impaired the deposit margin in the second quarter.

Lending to and deposits by retail customers increased by 7.0 per cent (7.9 per cent) and 7.8 per cent (13.2 per cent) respectively in the last 12 months. In the second quarter the growth was 2.1 per cent (2.4 per cent) and 5.9 per cent (9.4 per cent).

Lending to personal customers consistently carries low direct risk, as reflected in continued low losses. The loan portfolio is largely secured by residential property. A net loss NOK 2m was recorded in the second quarter of 2021 (recovery of 2m).

Adjustments as regards organisation and distribution structure continued in the second quarter. This is a demanding process, and it takes time to reap the gains of the work done. Customer recruitment, sales

efficiencies and gains resulting from increased interaction between the personal banking business and EiendomsMegler 1 will all be strengthened.

Eiendomsmegler 1 Midt-Norge is the market leader in Trøndelag and in Møre and Romsdal. Operating income totalled NOK 131m (105m), while operating expenses were NOK 90m (75m). EiendomsMegler 1 recorded a pre-tax profit of NOK 42m (30m). Activity in the housing market has been very high in 2021, and property sales totalled 2,249 compared with 1,909 in the same period of 2020. This has brought substantial income growth but also an appurtenant – but lower – growth in costs. The company's market share as at 30 June 2020 was 36 per cent (37.0 per cent)

Corporate customers

The corporate banking business at SpareBank 1 SMN comprises the bank's corporate banking arm, SpareBank 1 Regnskapshuset SMN, SpareBank 1 Finans Midt-Norge and SpareBank 1 Markets. These entities provide business and industry in the region with a complete range of banking and capital market services. There is a particular potential for additional growth in clientele that are customers of both the bank's corporate banking arm and SpareBank 1 Regnskapshuset SMN.

Result before tax	2Q 21	1Q 21	2Q 20
Corporate banking	199	167	116
SpareBank 1 Regnskapshuset SMN (88,7%)	33	27	40
SpareBank 1 Finans Midt-Norge (61,2%)	63	55	41
SpareBank 1 Markets (66,7%)	62	118	65

The bank's corporate banking arm achieved a pre-tax profit of NOK 199m (116m) and NOK 167m in the first quarter of 2021. The profit growth is due to lower losses. Return on capital employed was 11.4 per cent (3.7 per cent).

Outstanding loans to corporate customers total NOK 47bn (42bn) and deposits total NOK 58bn (45bn) as at 30 June 2021. Loans and deposits as at 31 March 2021 were NOK 46bn and NOK 53bn respectively. This is a diversified portfolio of loans to and deposits from corporate clients in Trøndelag and in Møre and Romsdal.

Operating income totalled NOK 345m (374m) and NOK 337m in the first quarter of 2021. Net interest income came to NOK 283m (311m) and NOK 273 in the first quarter. Commission income was NOK 60m (59m) compared with NOK 59m in the first quarter. A reduced NIBOR brought increased lending margins but somewhat reduced deposit margins from the first to second quarter of the current year. Reduced return on the business line's share of the group's equity capital has weakened net interest income from the first to second quarter. Increased lending and deposits have strengthened the earnings base.

The lending margin was 2.80 per cent (3.10 per cent) and the deposit margin was minus 0.37 per cent (minus 0.26 per cent). Lending increased by 9.9 per cent (7.9 per cent) and deposits by 24.0 per cent (5.8 per cent) in the last 12 months. Lending growth was 1.4 per cent (3.5 per cent) and deposit growth was 8.5 per cent (4.7 per cent).

Losses on loans to the corporate segment amounted to NOK 37m (153m).

SpareBank 1 SMN and SpareBank 1 Regnskapshuset SMN each have a large share of businesses in the market area as customers. Developing the customer offering to encourage customers to avail themselves to a greater degree of the services of both entities has a high priority. The aim is to substantially increase the proportion of shared customers in 2021.

2021 has seen good recruitment of new customers both in the branch network and in digital channels. This is a result of a heightened focus on the SMB segment. Corporate customers have strong links to the bank, and customer turnover is very low.

SpareBank 1 Finans Midt-Norge delivered a pre-tax profit of NOK 63m (34m). In the first quarter SpareBank 1 Finans Midt-Norge was merged with SpareBank 1 Spire Finans. SpareBank 1 Finans Midt-Norge's focal areas are accordingly leasing to SMB customers, car loans to personal customers and invoice purchases from small businesses. Last year's figures include SpareBank 1 Spire Finans.

The company has shown good income growth with incomes totalling NOK 91m (94m). Cost gains were achieved by the merger, and costs in the second quarter of 2021 were NOK 28m (40m). A net recovery of NOK 1m on losses was recorded in the second quarter of 2021 (loss of 20m).

As at 30 June 2021 the company managed leases worth NOK 4.1bn (3.8bn) and car loans worth NOK 5.8bn (5.3bn).

By way of a private placing, SpareBank 1 Finans Midt-Norge is to take up an ownership role in the car subscription company Fleks alongside SpareBank 1 Nord-Norge and SpareBank 1 Finans Østlandet with an overall stake of 47.2 per cent. Bertel O Stein is to own a corresponding holding, while investors Strømstangen and NWT Media are also participants in the merger. This is a strategic project by SpareBank 1: car subscriptions and the sharing economy concept are gaining ground. Electrification of the car population is at centre stage, and both this and the car subscription system will help to reduce emissions.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 33m (40m). Operating income was NOK 162m (147m) and expenses were NOK 129m (108m). The growth in expenses in the second quarter is down to the acquisition of two companies along with some growth in IT costs.

SpareBank 1 Regnskapshuset SMN works continuously to achieve efficiency gains in order to increase operating income per person-year, while at the same time maintaining a strong focus on costs to keep the underlying cost trend well under control. The company can point to growth and profitability in excess of the industry average. In addition, the company is working to create new income flows beyond the traditional accounting industry.

The company has a market share of 25 per cent in Trøndelag, Møre and Romsdal and Gudbrandsdal.

SpareBank 1 Markets is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. It employs 143 FTEs.

SpareBank 1 Markets wholly owns SpareBank 1 Kapitalforvaltning. That company has aggregate assets of NOK 20bn under management and 21 FTEs. The company is to be sold to SpareBank 1 Forvaltning in the third quarter of 2021 and is presented as held for sale as from the second quarter of 2021. Historical figures are restated.

SpareBank 1 Markets' pre-tax profit was NOK 62m (65m). High activity in several business areas has yielded higher incomes than in a normal second quarter. SpareBank 1 Markets has lead managed many stock issues and stock exchange introductions which have brought high earnings from investment banking and the equity / high yield area. Earnings from fixed income and forex business have declined from the same quarter of last year. Earnings in the case of debt capital have also declined inasmuch as the second quarter of 2020 was marked by large capital gains on securities which had sustained large capital losses in the first

quarter. Overall group incomes came to NOK 216m (226m). Operating expenses totalled NOK 154m (161m).

SpareBank 1 Markets is the leading capital market unit in SpareBank 1 SMN's market area.

Sparebank 1 SMN Invest invests in shares, mainly in regional businesses. In the second quarter of 2021 the company posted a pre-tax profit of NOK 21m (7m) and in the first quarter NOK 109m. The profit in the second quarter – as in the first quarter – is down to unrealised capital gains in the share portfolio.

The company holds shares worth NOK 561m (418m) as at 30 June 2021.

Investing in shares is no longer a part of the group's strategy, and SpareBank 1 SMN is therefore winding up SpareBank 1 SMN Invest in its present form. The share portfolio will be managed together with other long-term shareholdings of the bank and will be scaled back over time.

Other business

Other business comprises the property companies SpareBank 1 SMN Kvartalet, SpareBank 1 Bygget Steinkjer and St. Olavs plass in Ålesund.

First half 2021

Good result for the first half-year

SpareBank 1 SMN reports a net profit of NOK 1,523m (1,008m), and a return on equity of 14.5 per cent (10.3 per cent). The net profit is NOK 515m better than in the first half of 2020 due to increased incomes and reduced losses. Earnings per equity certificate (EC) are NOK 6.90 (4.53).

The operating profit after losses was NOK 1,276m (646m) and NOK 630m better than in the first half of 2020, due to increased incomes, no cost growth at the bank and reduced losses.

Net interest income came to NOK 1,366m (1,376m). Norges Bank has kept its base rate at zero, and NIBOR was 70 points lower in the first half of 2021 than in the first half of 2020. Due to the low interest rate level, lending and deposit margins are somewhat down compared with the first half of last year and return on the bank's equity capital is also reduced. An increase in both lending and deposits has contributed to a strengthening of net interest income.

Net commission income was NOK 1,538m (1,153m). This is mainly explained by increased income from securities services and estate agency services, and by increased commission income from loans sold to SpareBank 1 Boligkreditt.

Return on financial investments (incl. dividends) was NOK 220m (155m). The increase is largely a result of an unrealised gain on the share portfolio of SpareBank 1 SMN Invest in the first quarter of 2021.

The result from related companies was NOK 340m (394m). The result for the first half-year is positively affected above all by good results at both Fremtind Forsikring and SpareBank 1 Forsikring.

Operating expenses totalled NOK 1,531m (1,405m). The greater part of the growth took place at SpareBank 1 Markets which saw high activity followed by increased costs, especially in the first quarter.

Loan losses were NOK 98m (478m). Losses on loans to the group's corporate clients amounted to NOK 104m (427m). As regards loans to personal customers, a net recovery of NOK 6m was recorded on losses in the first half-year (loss of NOK 51m).

Growth in lending was 3.4 per cent (4.4 per cent). Growth in lending to retail customers in 2020 was 3.1 per cent (4.2 per cent). Lending to corporate clients increased by 4.1 per cent (4.7 per cent).

Deposits climbed 12.9 per cent (9.7 per cent). Deposits from personal customers increased by 8.8 per cent (14.9 per cent). Deposits from corporate clients increased by 15.9 per cent (6.1 per cent).

Personal customers

Result before tax	First half 2021	First half 2020
Personal market	569	478
EiendomsMegler 1 Midt-Norge (87%)	62	30

The **bank's personal banking arm** achieved a pre-tax profit of NOK 569m (478m). Return on capital employed in the retail segment was 13.0 per cent (11.4 per cent).

Overall operating income came to NOK 1,003m (992m). Net interest income accounted for NOK 559m (622m) and commission income for NOK 442m (371m). Commission income rose mainly as a result of higher commissions from SpareBank 1 Boligkreditt.

Growth in lending to and deposits from the retail segment was 3.1 per cent (4.0 per cent) and 8.8 per cent (15.5 per cent) respectively.

The lending margin was 1.66 per cent (1.81 per cent), while the deposit margin was 0.01 per cent (0.02 per cent) measured against three-month NIBOR.

A net recovery of NOK 9m on losses was recorded (loss of 42m).

EiendomsMegler 1 Midt-Norge. Operating income was NOK 245m (188m), while operating expenses were NOK 183m (158m). EiendomsMegler 1 Midt-Norge's pre-tax profit was NOK 62m (30m). Activity levels in the housing market were high in the first half-year, and property sales (residential and commercial) totalled 4,080 compared with 3,409 in the first half of 2020.

Corporate customers

Result before tax	First half 2021	First half 2020
Corporate banking	366	119
SpareBank 1 Regnskapshuset SMN (88,7%)	60	67
SpareBank 1 Finans Midt-Norge (61,2%)	118	81
SpareBank 1 Markets (66,7%)	179	48

The bank's **corporate banking arm** achieved a pre-tax profit of NOK 366m (119m). The profit growth is due to lower losses. Return on capital employed for the corporate segment was 10.4 per cent (4.1 per cent).

Operating income was NOK 682m (747m). Net interest income came to NOK 556m (619m) and commission income to NOK 119m (113m).

Lending increased by 4.1 per cent (6.8 per cent) and deposits by 15.9 per cent (4.5 per cent) in the first half-year. Part of deposit growth is explained by the City of Trondheim's choice of SpareBank 1 SMN as its main bank.

The lending and deposit margins were 2.74 per cent (2.88 per cent) and minus 0.32 per cent (minus 0.10 per cent) respectively.

Net overall losses in the corporate segment amount to NOK 100m (410m).

SpareBank 1 Finans Midt-Norge reported a pre-tax profit of NOK 118m (81m). These figures include SpareBank 1 Spire Finans.

The company's earnings totalled NOK 182m (170m). The merger with Spire yielded cost gains, and costs in the first half of 2021 were NOK 57m (64m). Losses were NOK 6m (25m).

SpareBank 1 Regnskapshuset SMN achieved a pre-tax profit of NOK 60m (67m). Operating income was NOK 317m (304m) and expenses were NOK 257m (237m).

SpareBank 1 Markets' pre-tax profit was NOK 179m (48m). High activity in the business lines has generated high incomes and a very satisfactory performance, especially in the first quarter of 2021.

So far in the current year the group has recorded incomes of NOK 550m, which is NOK 234m higher than in the same period of 2020. The pre-tax profit was NOK 179m (48m).

Satisfactory funding and good liquidity

The bank has a conservative liquidity strategy, with liquidity reserves that ensure the bank's survival for 12 months of ordinary operation without need of fresh external funding.

The government authorities require all credit institutions to maintain sufficient liquidity buffers to withstand periods of limited access to market funding. The liquidity coverage ratio (LCR) measures the size of banks' liquid assets relative to net liquidity outflow 30 days ahead given a stressed situation.

The LCR is calculated at 184 per cent as at 30 June 2021 (163 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 30 June 2021, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 58 per cent (54 per cent).

The bank's funding sources and products are amply diversified. At end-June 2021 the proportion of the bank's overall money market funding in excess of one year's maturity was 89 per cent (75 per cent).

SpareBank 1 Boligkreditt and Næringskreditt are the bank's most important funding source, and loans totalling NOK 47bn (44bn) had been sold to these mortgage companies as at 30 June 2021.

SpareBank 1 SMN has established and published a framework for issuing green bonds. The framework is approved by the rating agency Sustainalytics.

SpareBank 1 SMN issued in February 2021 a senior green bond of EUR 500m with a 7-year maturity. More than 100 investors participated. The issuance supports the bank's ESG strategy, provides a broader investor base and reduces the bank's funding risk in euros.

Rating

The bank has a rating of A1 (stable outlook) with Moody's.

Financial soundness

The CET1 ratio at 30 June 2021 was 18.3 per cent (17.2 per cent). The CET1 requirement is 14.4 per cent, including combined buffer requirements, and a Pillar 2 requirement of 1.9 per cent. Finanstilsynet (Norway's FSA) will set new Pillar 2 requirements for SpareBank 1 SMN in the course of 2021.

SpareBank 1 SMN aims for a management buffer of about 1 per cent over and above the combined Pillar 1 and Pillar 2 requirements with a view to absorbing fluctuations in risk weighted assets and in the group's financial results.

The group includes a full countercyclical buffer in its capital planning and aims for a CET1 ratio of 16.9 per cent.

The CET1 ratio rose by 0.3 percentage point to 18.3 per cent in the second quarter of 2021. Risk weighted assets increased by 0.6 percentage point in the second quarter of 2021. CET1 capital rose by 2.2 percentage points in the second quarter due to good quarterly results and dividend from SpareBank 1 Gruppen. A payout ratio of 50 per cent of the period's net profit is assumed.

A leverage ratio of 7.0 per cent (6.9 per cent) indicates a strong financial position. Work on capital efficiency and effectiveness will continue with a view to strengthening profitability and financial soundness.

Sustainability

The group will stimulate sustainable development by being a driver for the green transition, a partner for the inclusive development of society and a guide to building a responsible business culture.

The group prioritises five key areas for 2021 as a first step in its transition plan for the period to 2030:

Innovation. Create green growth and business development through collaboration and partnerships. The group will engage customers and partners in the development of innovative local communities.

Customer Offering. Offer products and services that stimulate customers' transition and digitalisation. A target of ten per cent annual increase in loans to projects that qualify for green bond financing has been set.

Climate footprint. Reduce the climate imprint across the entire value chain. To achieve a halving of the group's climate footprint to 2030, a target of eight per cent annual reduction has been set. (reference year: 2019)

Competence. Strengthen (climate risk) competence and reporting. The group will offer a competence-building programme for both customers and employee.

Diversity. Contribute to diversity and a fair transition. The group will work to strengthen equal opportunities in working life, everyday life and business and industry.

Work is in progress on a broad front across all the group's business lines to concretise key results within the framework of a new, holistic group standard for sustainability.

The bank's equity certificate (MING)

The book value of the equity certificate (EC) at 30 June 2021 was NOK 100.18 (90.37), and earnings per EC in the first half-year were NOK 6.90 (4.53).

The Price / Income ratio was 8.64 (8.65) and the Price / Book ratio was 1.19 (0.87).

Outlook

Norway's population will soon be fully vaccinated. The majority of infection protection measures can be reduced and society can return to normal, with a positive effect on the Norwegian economy. Norges Bank signals an interest rate hike in September, which is expected to increase the bank's net interest income. Unemployment has fallen from a high level, and a further fall is anticipated.

Infection-protection measures have created challenges for some industries. Covid-related loan losses at SpareBank 1 SMN have been low. The bank has low exposure to the most exposed industries but is following these closely with a view to possible measures. Loan losses are substantially reduced in 2021.

Good results across all business lines have again provided a very high return on equity in the second quarter of 2021 and confirm the value of a broad based product offering to customers.

Implementation of One SMN has contributed to good growth and a strong profit in the quarter. The board of directors expects improved interaction between the business lines to continue to boost customer recruitment, increase cross-sales, improve the customer offering and reduce costs.

Investment in a Nordic digital wallet via Vipps, and a national platform for car subscriptions, Fleks, are initiatives that lay a basis for future earnings. The establishment of SpareBank 1 Finans Midt-Norge represents a renewed focus on the savings area.

At the end of the second quarter the bank has a strong market position, is very solid, and has ample liquidity. This provides the scope for action needed to achieve the group's ambitions. The group's financial goals stand firm.

Of the dividend of NOK 4.40 set aside for 2020, NOK 1.30 has been paid per equity certificate. The board of directors is authorised to decide on the payout of the remaining dividend and community dividend and assumes, barring dramatic changes in the company's situation or signals given by the government authorities, that dividend payout will take place in the fourth quarter.

Trondheim, 11 August 2021
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Christian Stav
(deputy chair)

Morten Loktu

Mette Kamsvåg

Tonje Eskeland Foss

Janne Thyø Thomsen

Freddy Aursø

Inge Lindseth
(employee rep.)

Christina Straub
(employee rep.)

Jan-Frode Janson
(Group CEO)