

# First quarter 2022

6<sup>th</sup> of May 2022



# Q1 2022

## Solid profitability in an unstable market

- **Pandemic followed by war in Europe** – uncertainty in global growth as a result of instability in commodity markets, high inflation and increased interest rates abroad – but the Norwegian economy still looks good
- **Strong results in Q1** – high activity in the Norwegian economy after the pandemic. SMN delivers solid growth in new customers, loans and product sales
- **Hike in key policy rate to 0.75 in March** – SMN has raised its rates on mortgage loans with effect from May, but increased money market rates lowers the lending margins
- **Weak results from insurance in SB1 Gruppen** – strong returns from financial assets and stable cost development in the group
- **Low losses and a robust loan portfolio**, with improved outlook in the offshore sector
- **SMN with a strengthened position as the leading finance house in the region**



# Q1 2022

## Net profit

NOK 698m (768)

## Return on equity

12.5% (14.8)

## CET1 ratio

18.3% (18.0)

## Lending growth

2.4% (1.4) in Q1 and 7.9% (8.5) YoY

## Deposit growth

2.5% (5.0) in Q1 and 11.4% (16.2) YoY

Loan losses NOK 0m (NOK 59m)

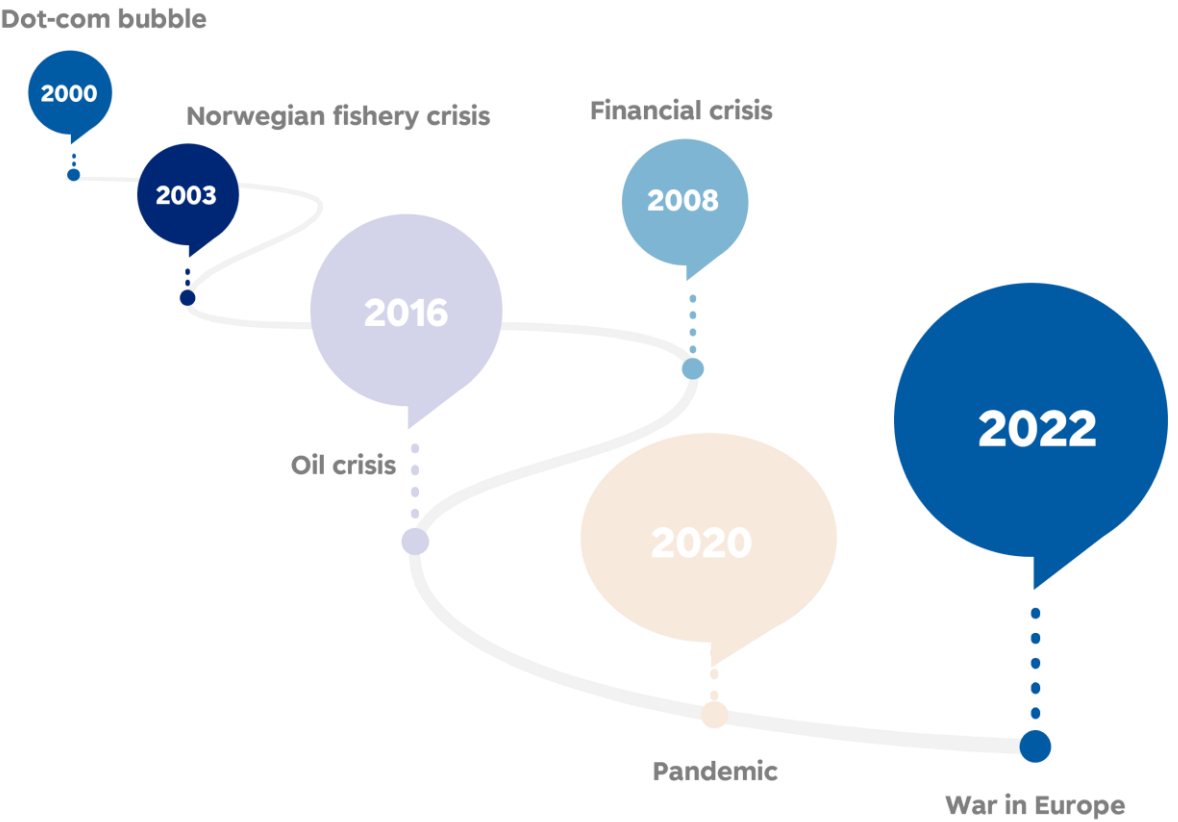
Book value per EC NOK 99.55 (96.70)

Result per EC NOK 3.20 (3.40)



# SMN is used to handling crises

Pandemic followed by war in Europe



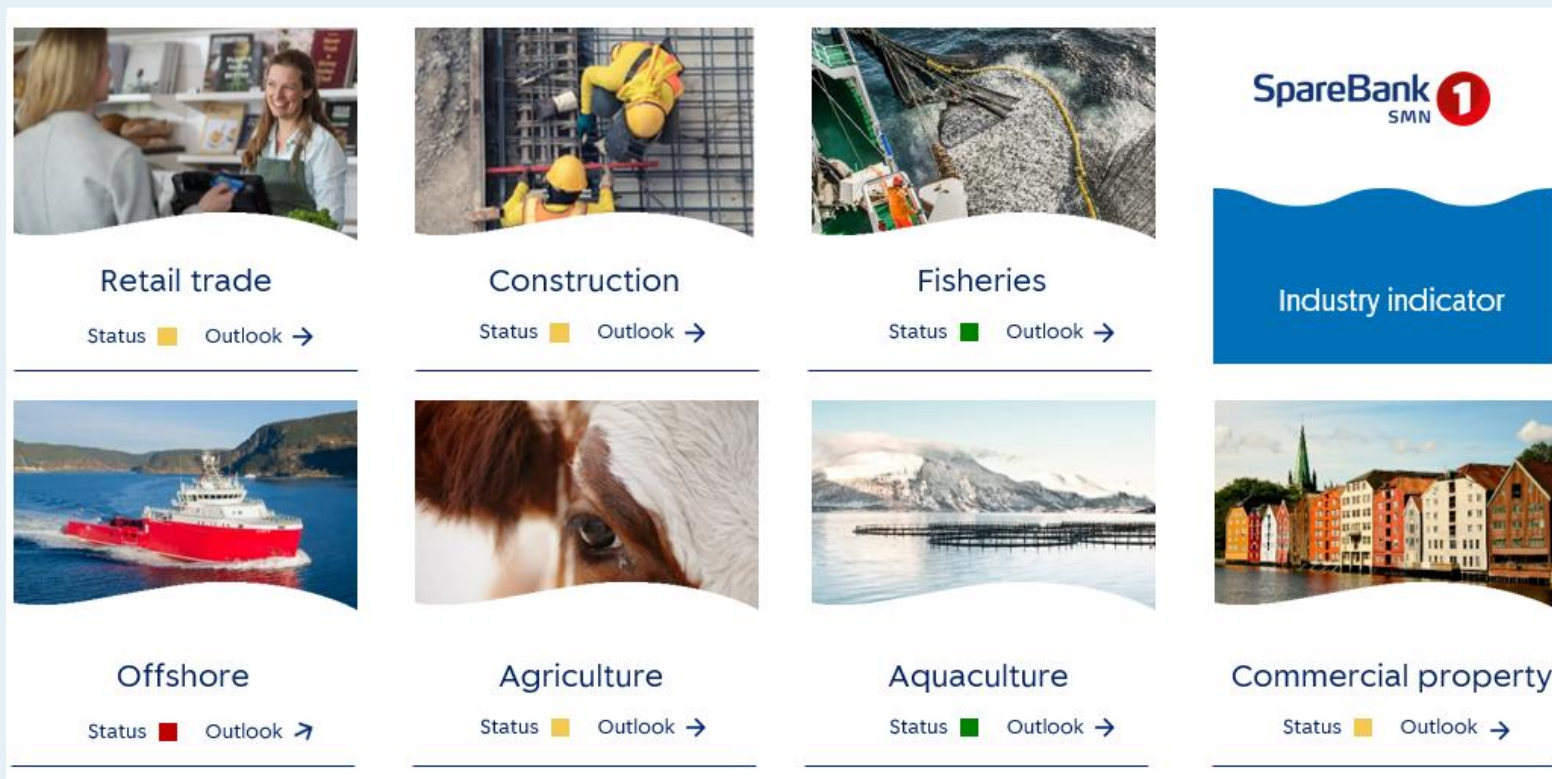
SMN establishes task force – but maintains normal banking and ambitious plans of growth in all business areas



Task force with experienced credit advisors who share information and gets increased authority when needed

# The economy in Mid-Norway is still robust

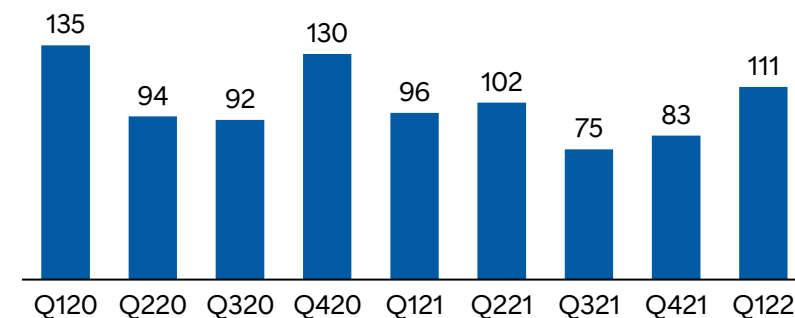
## Increased activity in oil, gas and offshore wind



Source: Industry Indicator SMN 1. half 2022

## Normalized level of bankruptcies

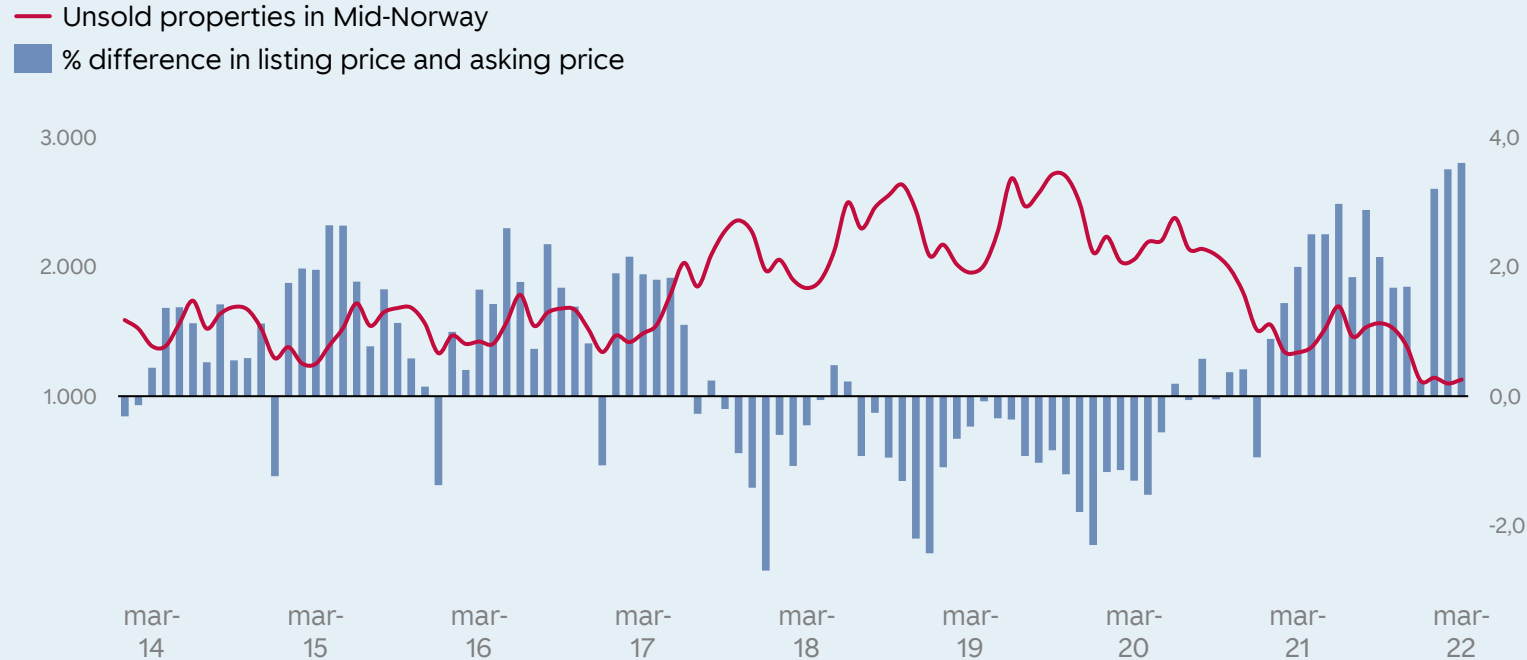
Number of bankruptcies in Trøndelag, Møre og Romsdal



- An increase in the number of bankruptcies in Q122 suggest that normalization is ahead
- Construction and service industry had the most bankruptcies in Q122
- SMN's share of bankruptcies is 10.2 per cent last 12 months

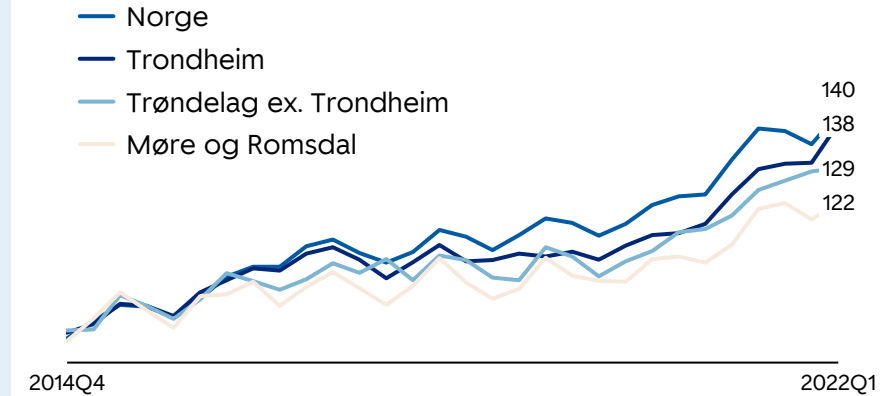
# Housing market is changing

## Reduced supply in the housing market

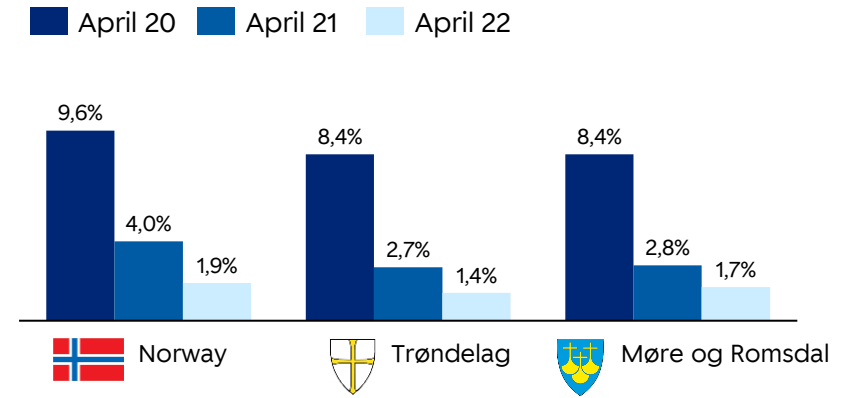


- Historically low number of properties for sale in Mid-Norway in first quarter
- Demand has somewhat decreased towards the end of first quarter, driven by increased interest rates and living costs, but a shortage in supply keeps the prices up and objects are selling fast
- The outlook is uncertain – expecting a more moderate development in the housing market

## Increased housing prices



## Low unemployment

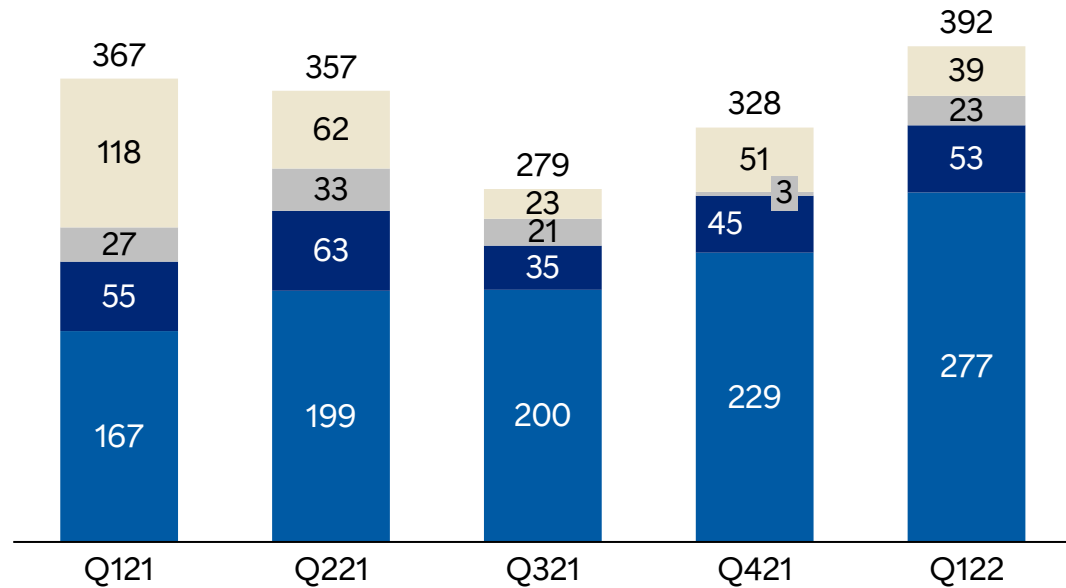


# Strengthened position in the corporate market

## Corporate Banking

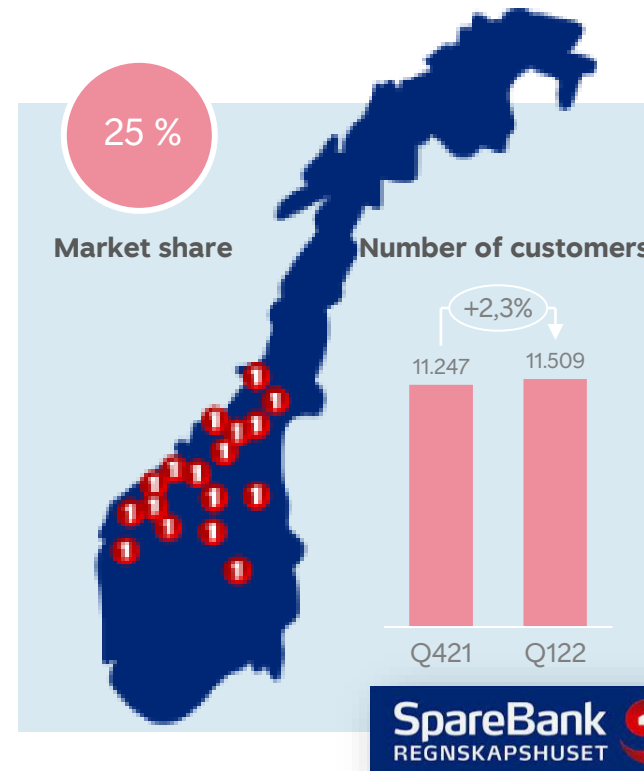
Result before tax (NOKm)

- SB1 Markets
- Regnskapshuset
- SMN Finans
- NL



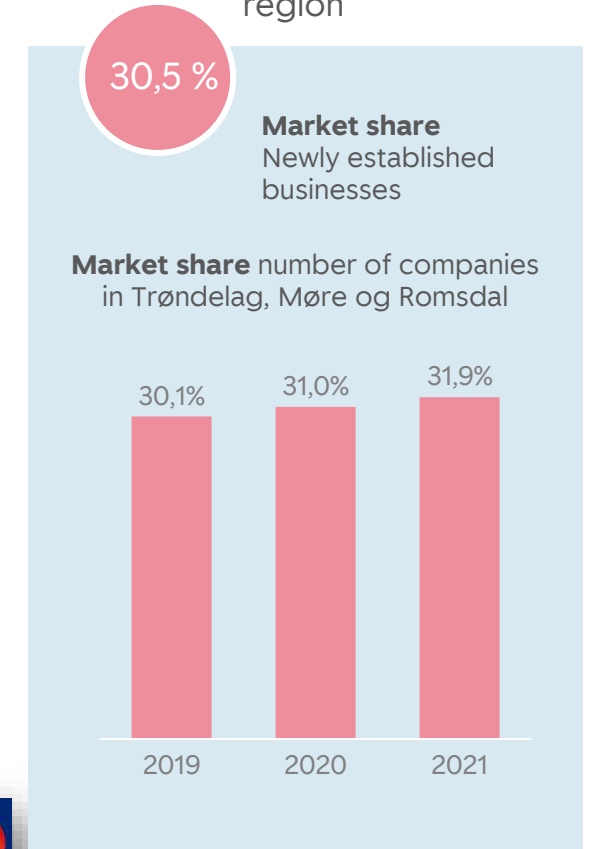
## Regnskapshuset SMN

Increased organic growth - many new customers combined with reduced churn



## Corporate Banking

Historically high market share amongst newly established businesses and market leader in the region

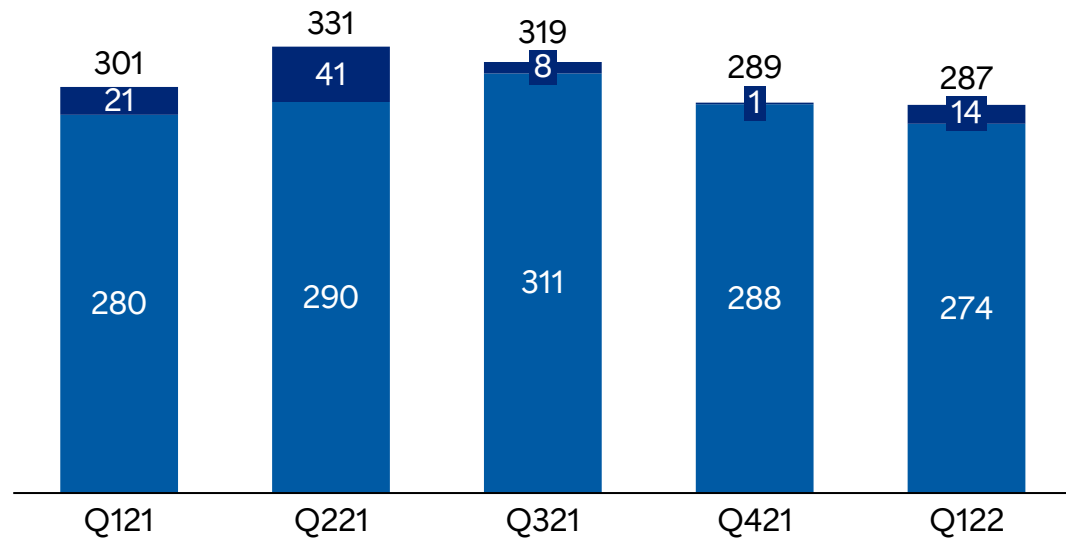


# High activity and strong sale in the private market

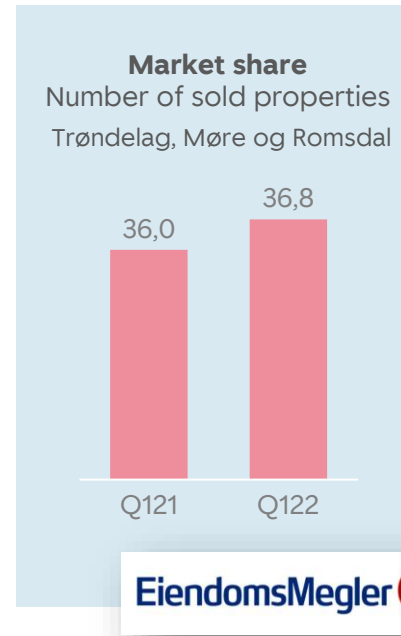
## Personal Banking

Result before tax (NOKm)

EM1 PM

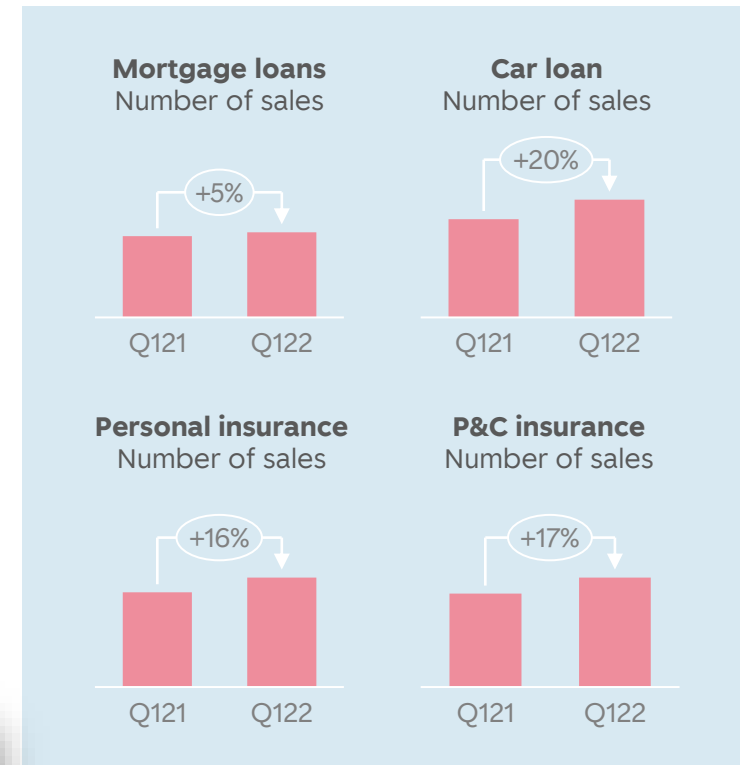


## EiendomsMegler 1 Midt-Norge Strengthened market position



## Personal Banking

With a good development in new sales

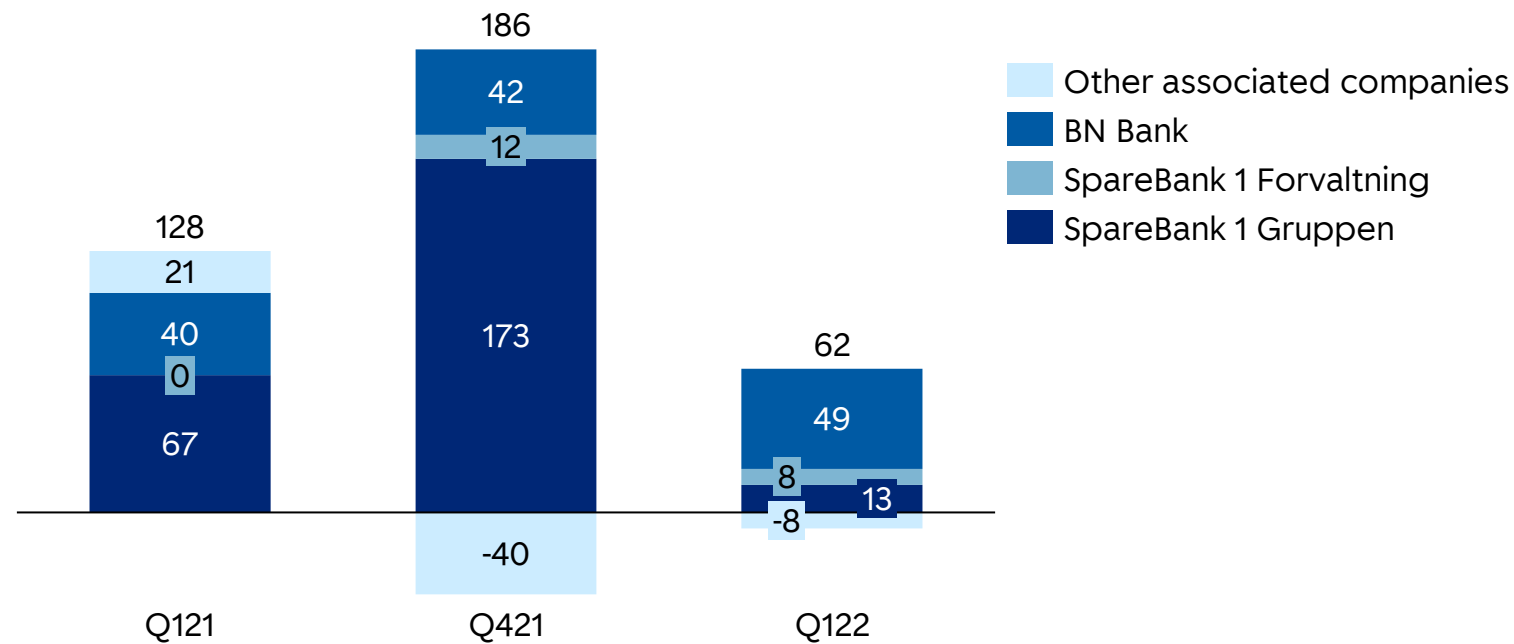




# Broad product range and considerable contributions from ownership interests

## Ownership interests

Profits after tax (NOKm)



## Strong brands



### SpareBank 1 Gruppen

Alliance collaboration on products under a joint brand, including Fremtind and SpareBank 1 Forsikring

### 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

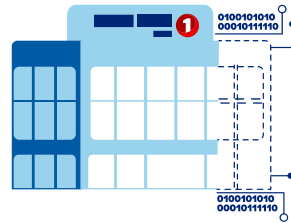
### Mortgage companies

SpareBank 1 Boligkreditt  
SpareBank 1 Næringskreditt

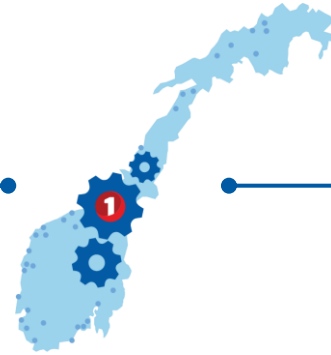
# SpareBank 1 SMN's strategic priorities



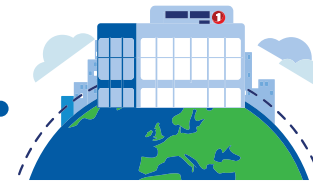
Create 'One SMN'



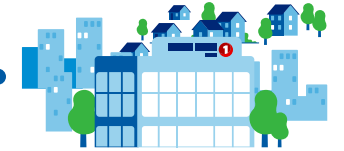
Increase digitalisation and use of insight



Head up the development of Norway's savings bank system



Integrate sustainability into the business



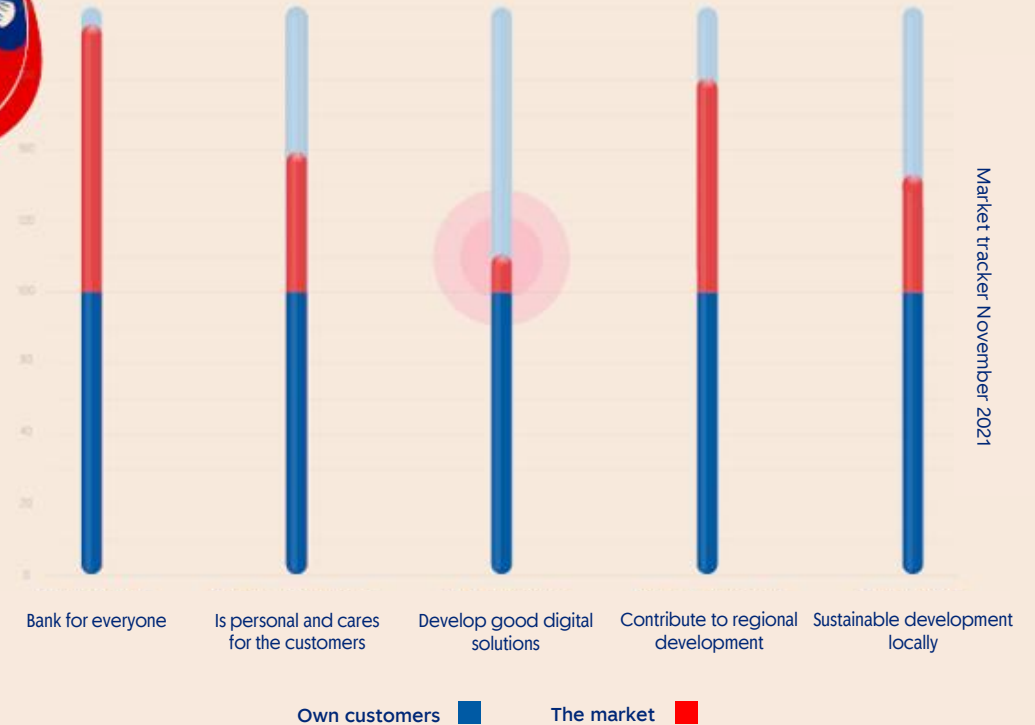
Exploit the power in our ownership model

## Norway's most personal mobile bank

With support from SpareBank 1 Utvikling, SpareBank 1 shall take the position as **the banks that develop the best digital solutions. And the best evidence is the mobile bank**

The position survey concludes that SpareBank 1 has the best mobile bank in the Norwegian market, but it is too little known outside SpareBank 1's own customer base

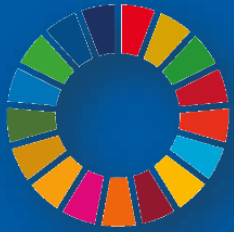
- **It's SpareBank1's best *unknown* product**



We are not better than our weakest link and the current situation is a paradox when we know that the digital bank is one of our best products!

Source: Kantar Survey June 2021. The results are indexed according to the bank's main bank shares, so a score of 100 is equivalent to a result equal to the main bank share.

# Sustainability in Q1



Næringsdriv with sustainability on the agenda

Signed Women in Finance Charter

SMN becomes first depositor in SINTEF's climate fund

Næringsdriv is a series of conferences for local businesses throughout the region

## SINTEF-fund supports new climate change mitigation technologies



### Support from a large bank

«By being first-mover into the climate fund, we in SpareBank 1 SMN hope to show the way and to bring along many other companies both in Mid-Norway and nationwide. Look at it as a challenge»

CEO Jan-Frode Janson





## We care about the local community

Each year the community dividend contributes to non-profit purposes that makes Mid-Norway better and more sustainable

**The community dividend is invested into**  
community – sports and outdoor life– art and  
culture – innovation and value creation –  
sustainability

### Activities in Q122

#### **Record high distribution of the talent scholarship**

Recognition of 40 young, Mid Norwegian talents within culture, sports and business

#### **Creates meeting spots in 100 neighborhoods**

Through providing benches, flower boxes and lean-to shelters

#### **Together for the Ukrainian people**

Aid scheme for contributing to integrate refugees in Mid-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

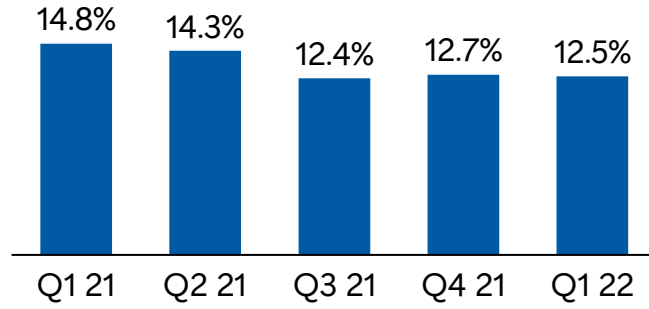
**Well positioned in regards to consolidation** among Norwegian savings banks

# Financial information

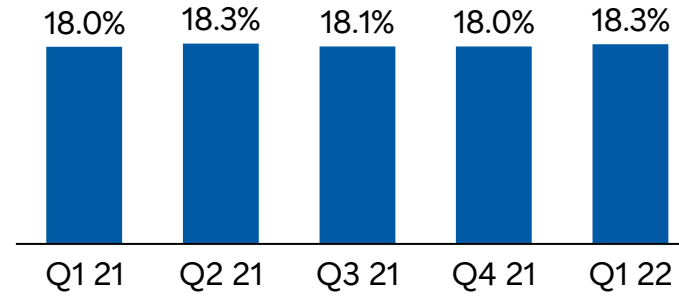


# Profitable and solid

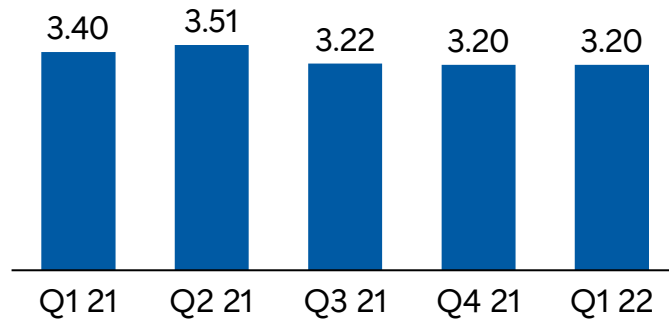
Return on equity



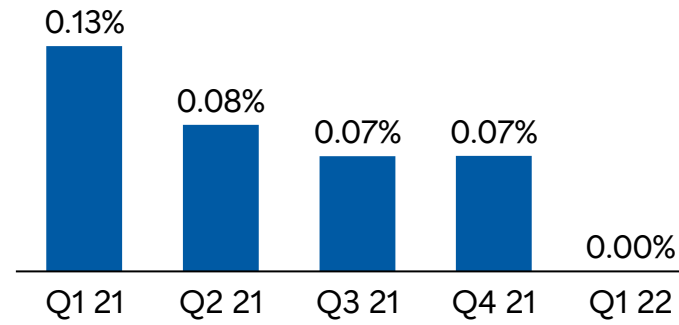
CET1 ratio



Earnings per equity certificate



Loan losses in per cent of total lending



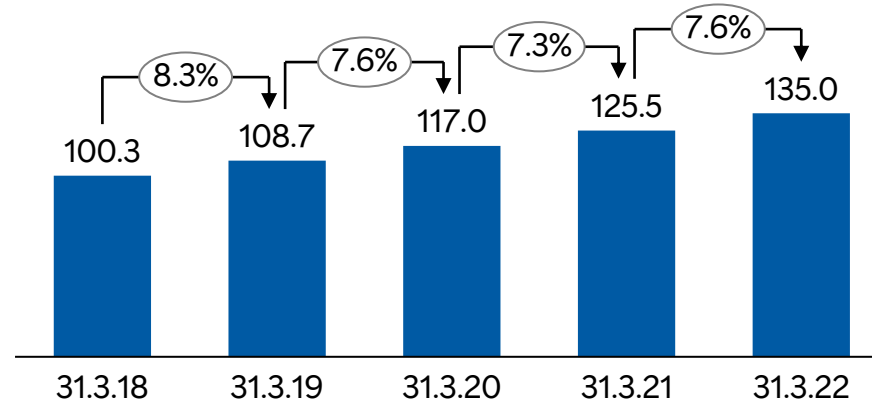
# Lending

Total loans NOK 200bn,  
YoY growth of 7.9 per cent

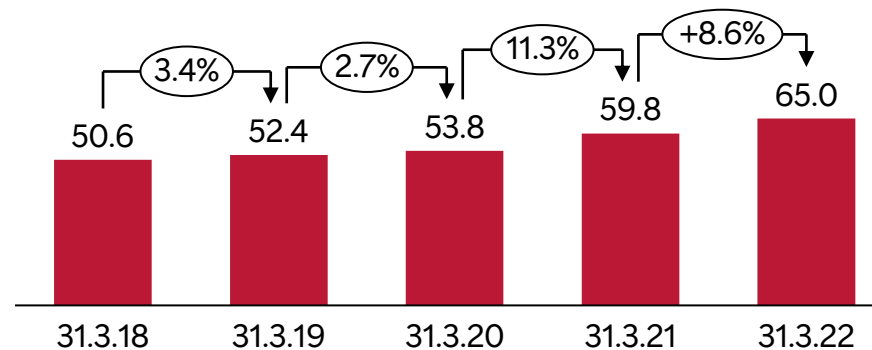
Market growth in mortgages  
5.0 per cent (C2) last 12 months  
(February 2022)

Good growth spread both  
geographically and across a  
wide range of customers

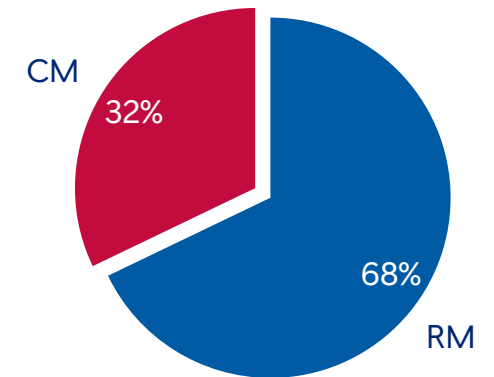
### Lending growth RM 7.7% (CAGR)



### Lending growth CM 6.4% (CAGR)



### Share of lending, CM and RM



# Lending margins

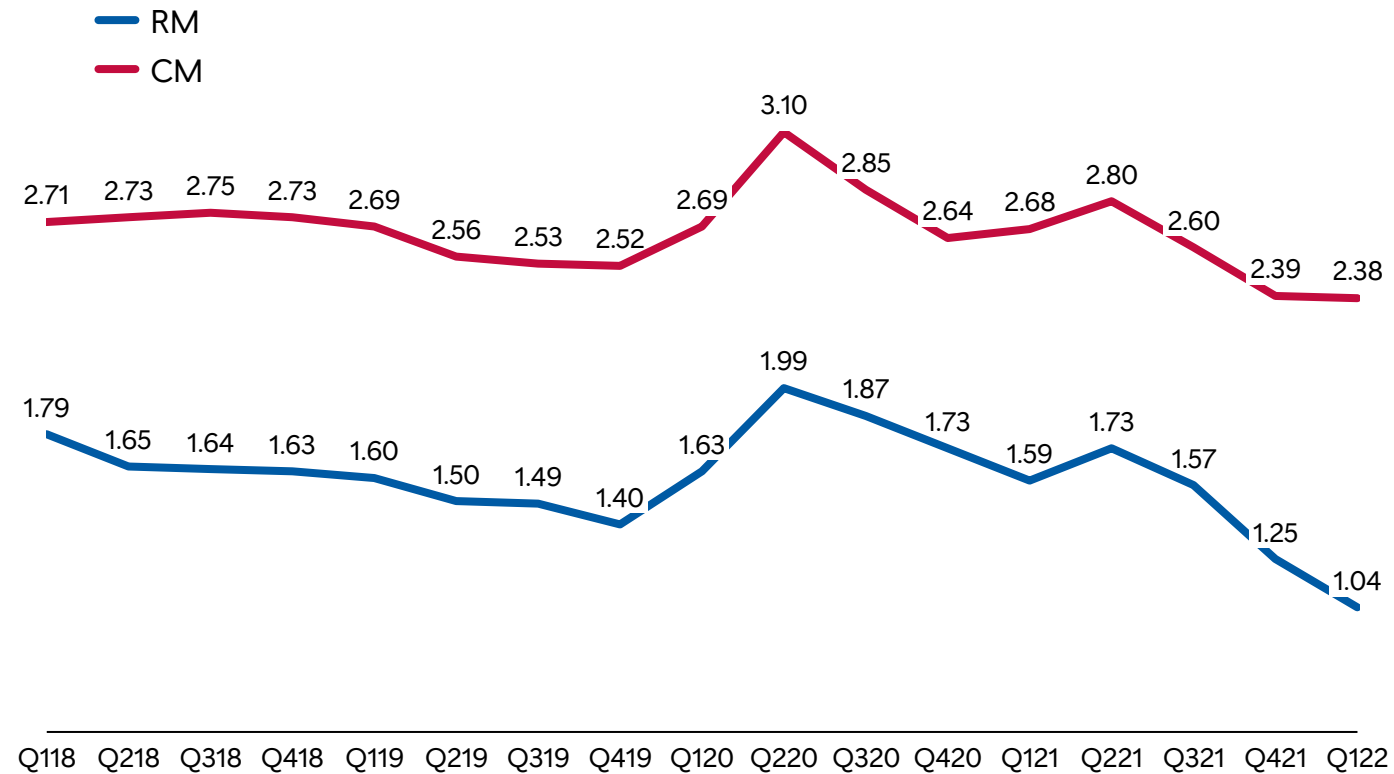
Norges Bank increased the key policy rate to 0.75 % in March 2022

Repricing of mortgages with effect from mid-November 2021, February 2022 and May 2022

Increased NIBOR from the second half of 2021 has weakened margins

Norges Bank has signalled further rate hikes

## Lending margins versus 3M NIBOR





# Deposits

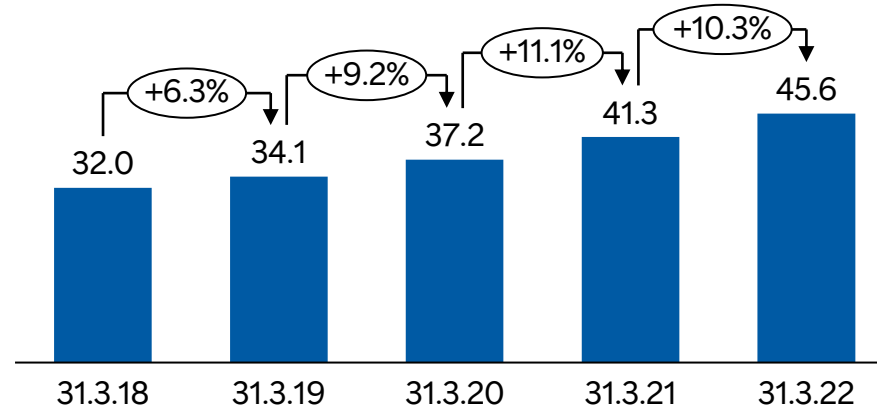
Total deposits of NOK 114bn, growth of 11.4 per cent YOY

Good growth in deposits by retail customers and corporate customers alike.

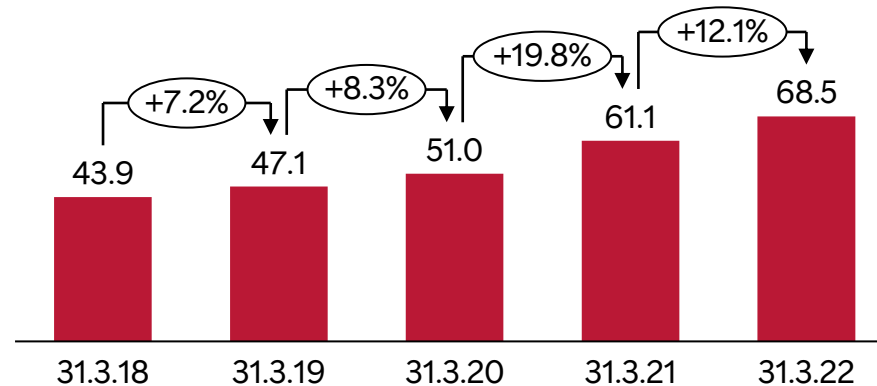
High growth in deposits by corporates, both from public sector customers and private businesses

Deposit-to-loan ratio 57 per cent (55 per cent)

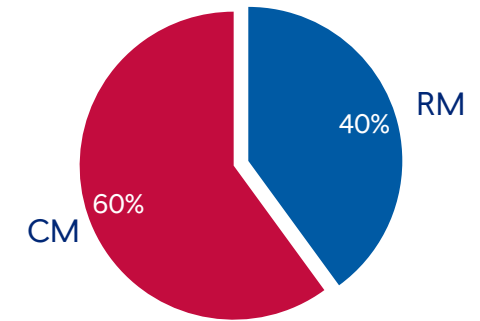
### Deposit growth RM 9.2% (CAGR)



### Deposit growth CM 11.7% (CAGR)



### Share of deposits, CM and RM

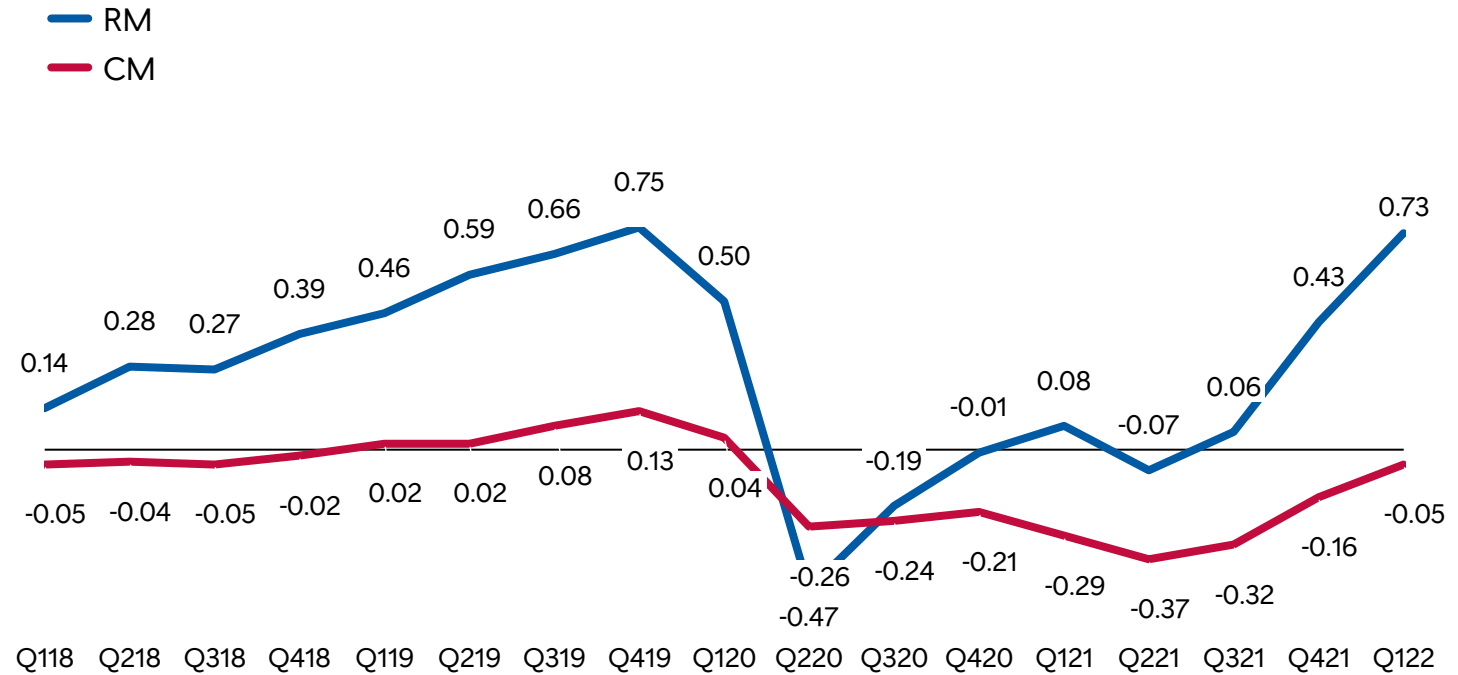


# Deposit margins

Increased NIBOR strengthened deposit margins

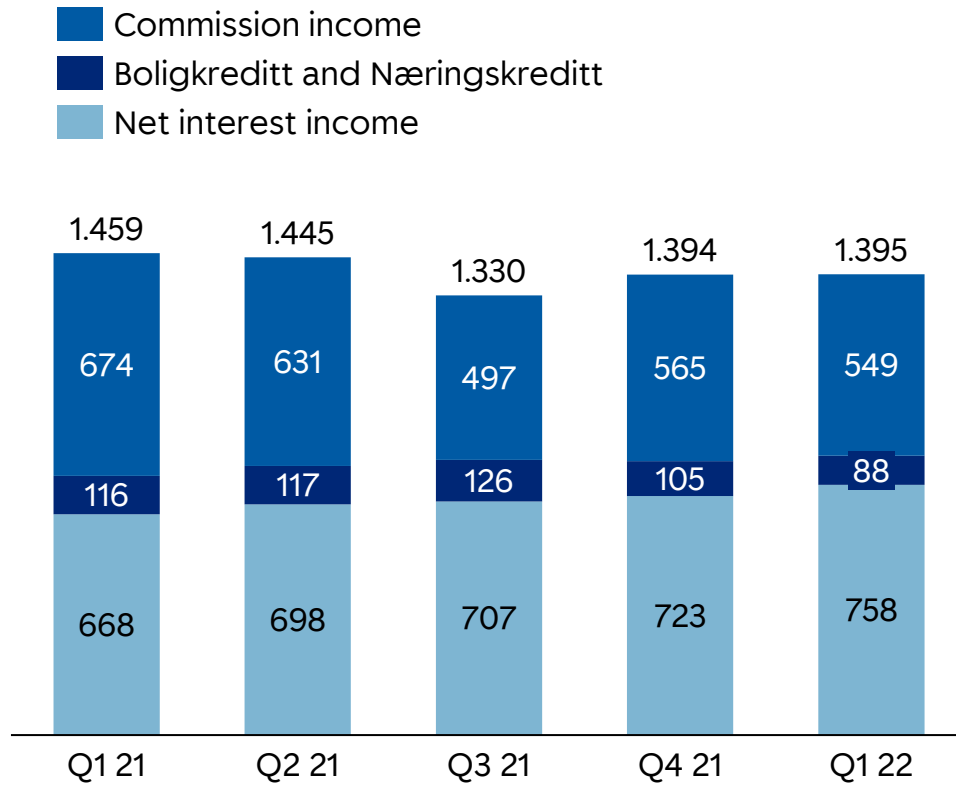
Deposit rates increased following Norges Banks rate hikes

## Deposit margins versus 3M NIBOR



# Robust income platform

## Net interest income and other income



## Commission income

<i>NOK mill</i>	Q1 22	Q4 21	Q3 21	Q2 21	Q1 21
Payment transmission income	60	72	61	56	49
Credit cards	16	14	14	13	14
Commissions savings and asset mgmt	9	13	17	14	15
Commissions insurance	57	55	54	53	52
Guarantee commissions	18	22	13	14	14
Estate agency	94	100	107	131	103
Accountancy services	156	114	114	154	148
Securities	124	158	110	182	275
Other commissions	14	17	7	14	5
<b>Commissions ex. Bolig/Næringskreditt</b>	<b>549</b>	<b>565</b>	<b>497</b>	<b>631</b>	<b>675</b>
Commissions Boligkreditt (cov. bonds)	84	102	123	113	112
Commissions Næringskreditt (cov. bonds)	4	3	3	4	4
<b>Total commission income</b>	<b>637</b>	<b>671</b>	<b>623</b>	<b>748</b>	<b>790</b>

# Costs

Costs on same level in first quarter 22 as in fourth quarter 21

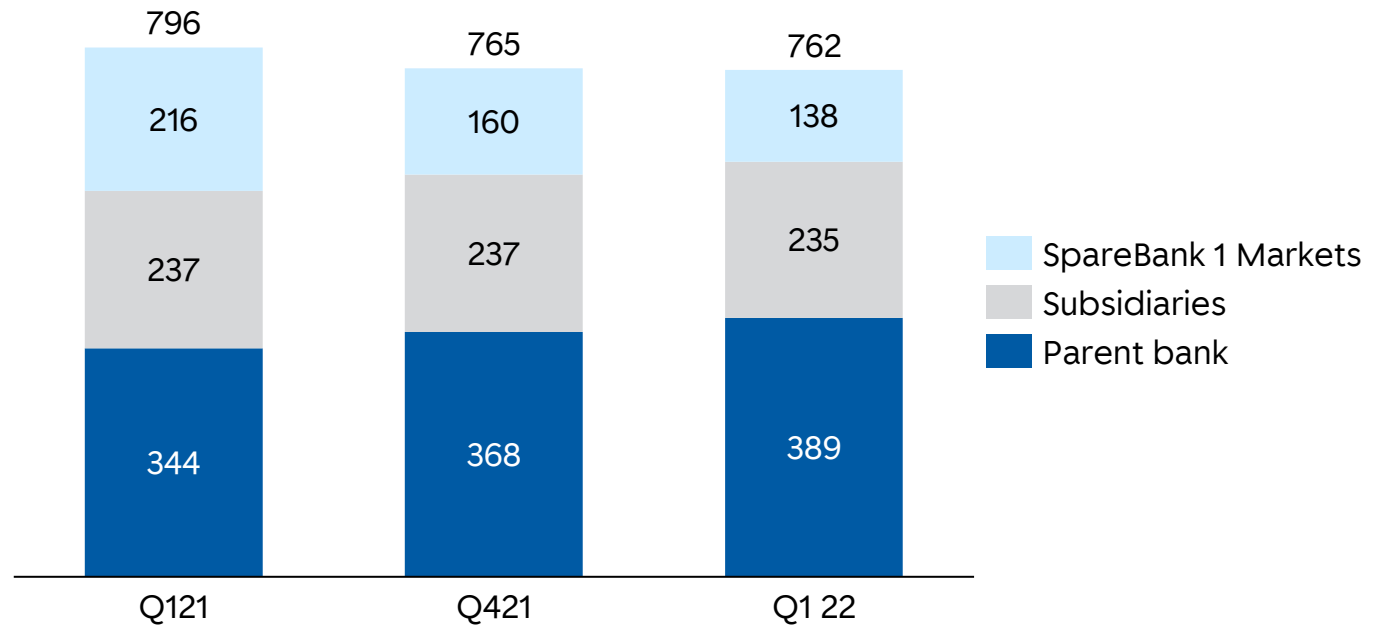
SpareBank 1 Markets has lower costs in the quarter with an equivalent normalized income. Stable costs in other subsidiaries.

The costs has increased in the bank. Compared to first quarter of 2021, the main cost increase relates to

- Technology development
- Anti-Money Laundering
- Customer related activities

In addition, some costs has been posted earlier in 2022 than in 2021

Total quarterly costs (NOK mill)



# Reduced losses

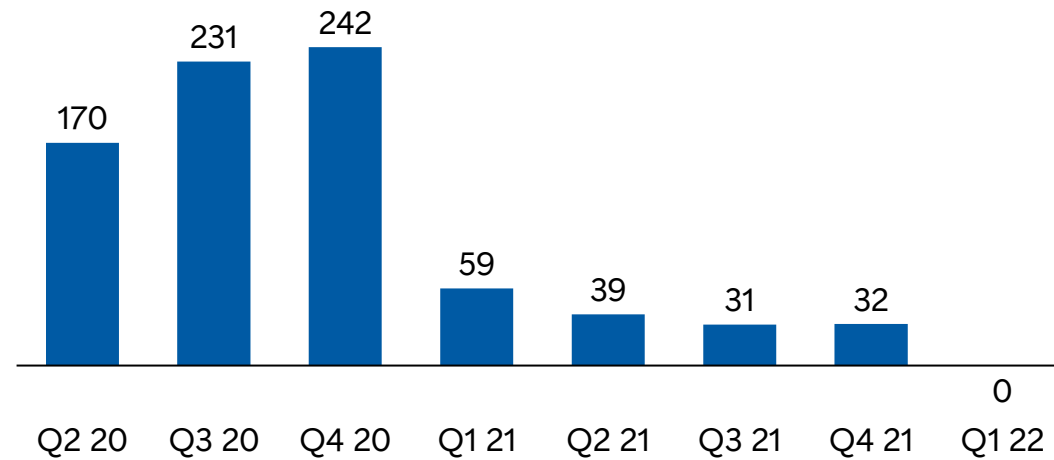
Zero losses in first quarter of 2022

An improvement of the offshore portfolio. Zero losses from offshore last 12 months and a significantly reduction in other write-downs

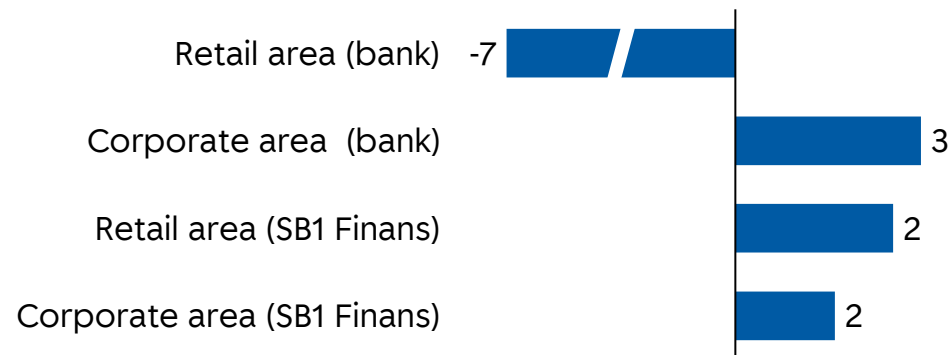
The portfolio is not very affected by the after-math of the pandemic or by the war in Ukraine

Small number of bankruptcies in Mid-Norway in 2021 and so far into 2022. The number of bankruptcies in 2021 was down by 21 per cent compared to 2020 and 41 per cent lower than in 2019

Loan losses (NOKm)



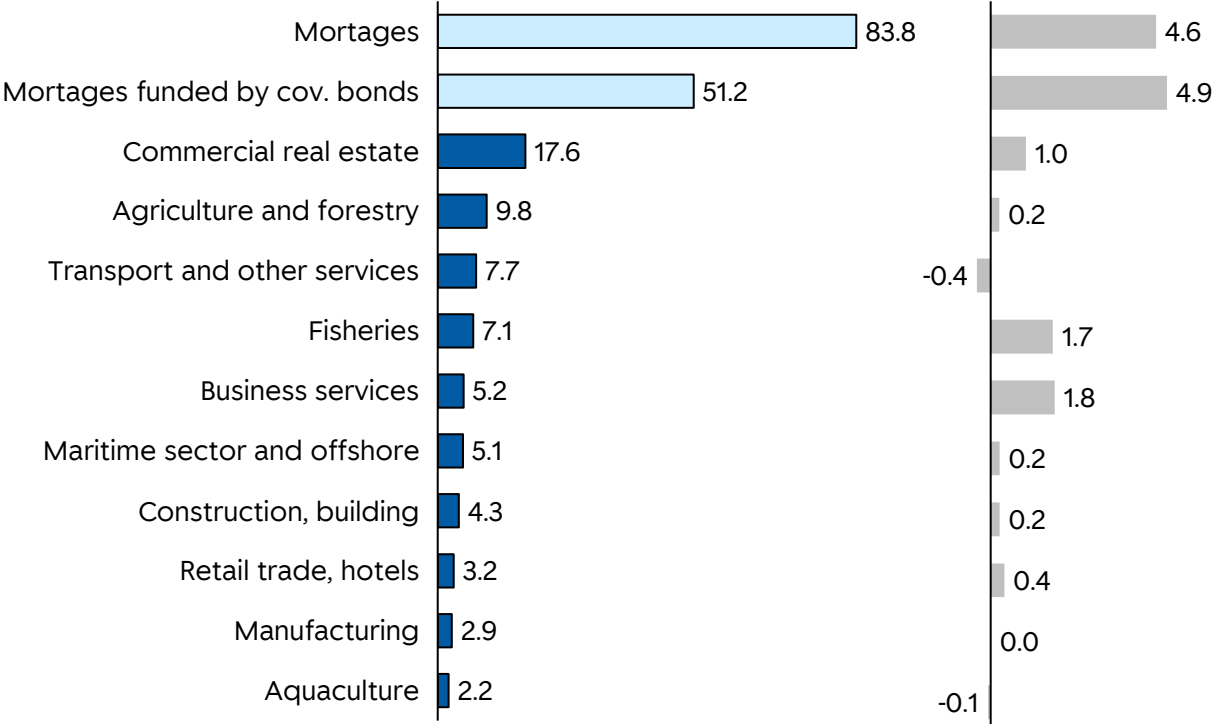
Distribution of losses (NOKm)





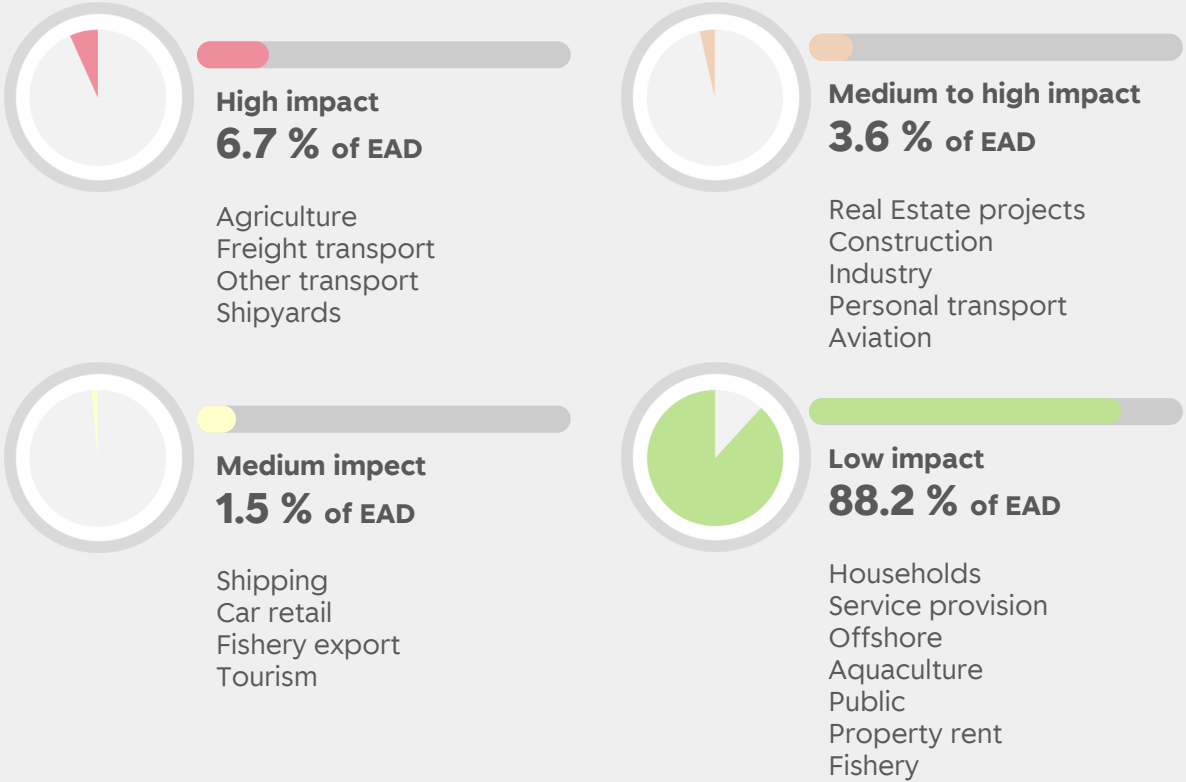
# Robust loan portfolio

Lending per 31.3.22 and change YoY (NOKbn)



The portfolio is dominated by mortgages, and the corporate portfolio reflects the composition of Mid-Norway's business sector

The loan portfolio is not particularly affected by uncertainty linked to the pandemic and war in Europe



# New target CET1 17.2%

With effect from 30th of April 2022, SpareBank 1 SMN has received a new Pillar 2 requirement

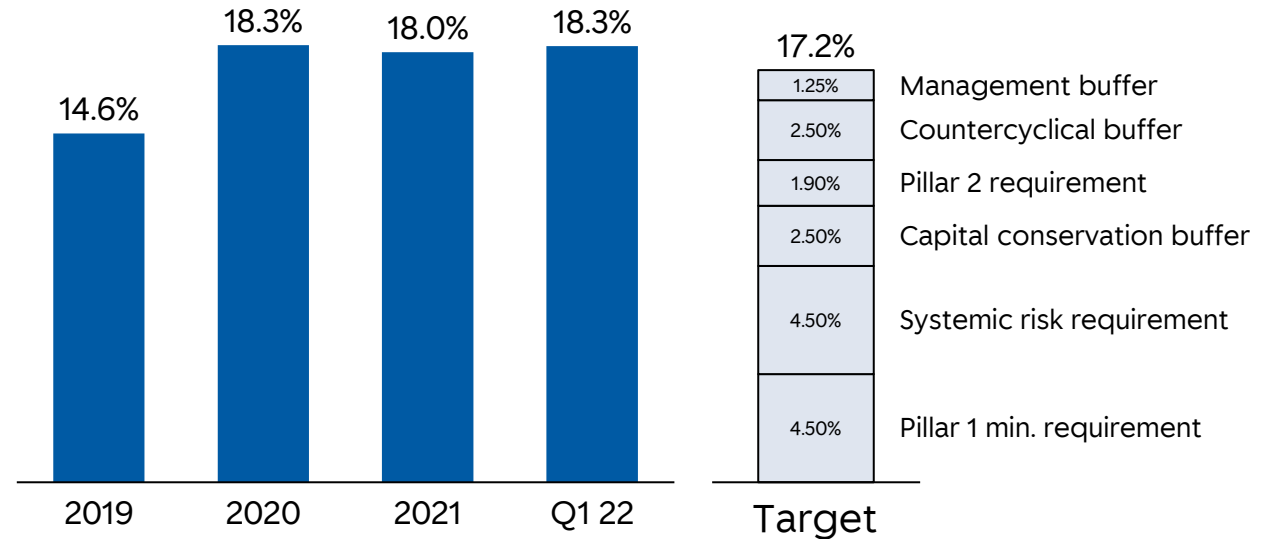
The 1.9 per cent requirement is unchanged, but SMN is required to have an additional 0.7 per cent in Pillar 2 requirement until the FSA has approved adjustments of the IRB-models

The FSA has decided that SpareBank 1 SMN shall have a pillar 2 guidance of 1.25 per cent above total capital requirements.

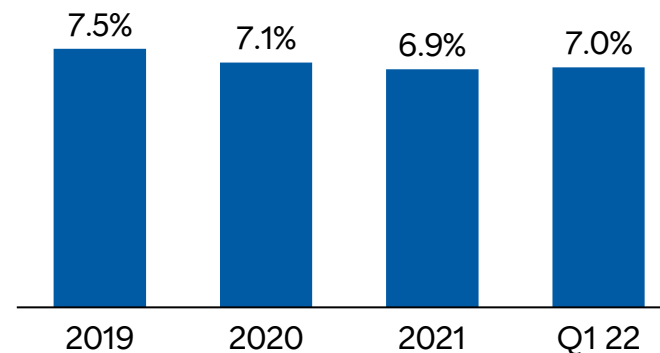
The group plans with a full countercyclical buffer and has a revised long-term goal of a CET1 of at least 17.2 per cent.

In connection with the introduction of CRD V / CRR 2, the SME rebate will be extended from 30 June 2022. The estimated effect of this is a strengthening of CET1 adequacy by 0.4 percentage points.

## CET1



## Leverage ratio



# Funding and liquidity

The war in Ukraine has increased uncertainty and led to volatility in financial markets.

Credit spreads are somewhat higher than before the war. The bank has ample liquidity and the markets for the bank's financial instruments are functioning satisfactorily.

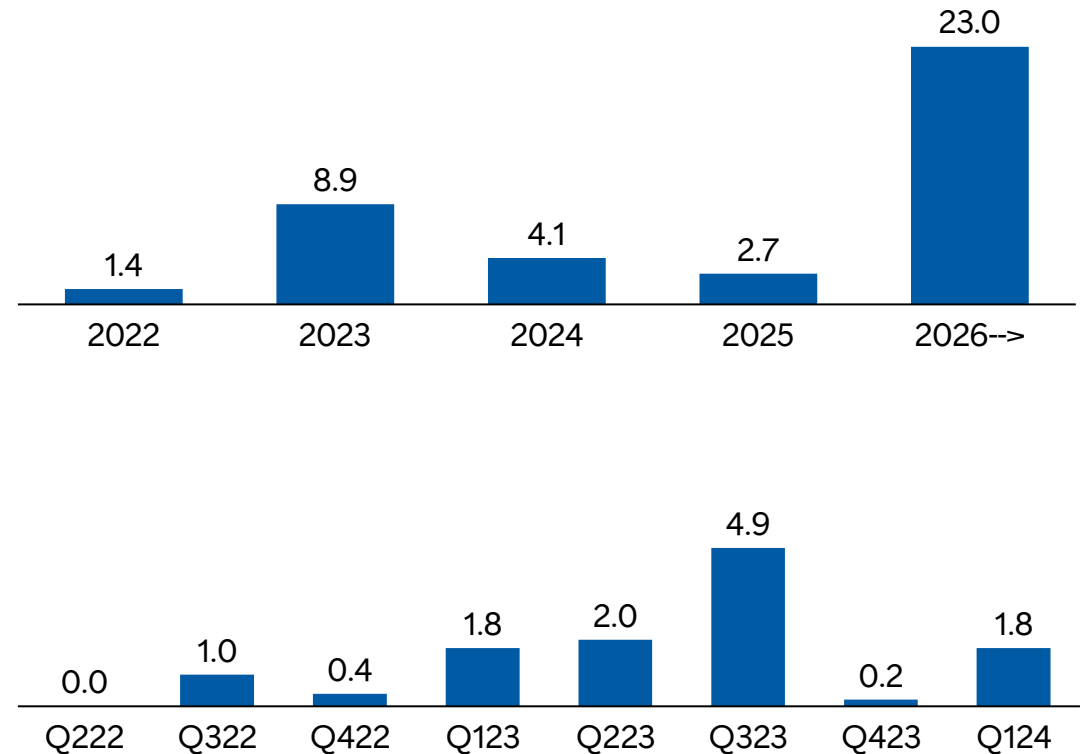
The bank has a conservative liquidity strategy. The LCR is 155 per cent as at 31 March 2022 (190 per cent).

The bank's funding sources and products are well diversified. SpareBank 1 Boligkreditt and Næringskreditt are important funding sources. Loans totalling NOK 53bn (48bn) had been sold to these mortgage companies as at 31 March 2022

In the first quarter SpareBank 1 SMN issued a senior bond of NOK 2.8bn with a five-year maturity and MREL funding of NOK 0.5bn.

As at 31 March 2022 SpareBank 1 SMN held NOK 4.0bn in senior non-preferred debt (MREL). SpareBank 1 SMN will meet the MREL requirements by the end of 2023.

Maturity structure as at March 31 2022 (NOKbn)



# 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%

17.2%

## Solid

CET1 ratio 17.2%

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



# SpareBank 1 SMN

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# Appendix



# Profits

## Quarterly numbers

NOK mill	Q1 22	Q4 21	Q3 21	Q2 21	Q1 21
Net interest income	758	723	707	698	668
Commission income and other income	637	671	623	748	790
<b>Operating income</b>	<b>1.395</b>	<b>1.394</b>	<b>1.330</b>	<b>1.445</b>	<b>1.459</b>
Total operating expenses	762	765	698	735	796
<b>Pre-loss result of core business</b>	<b>632</b>	<b>629</b>	<b>633</b>	<b>711</b>	<b>663</b>
Losses on loans and guarantees	0	32	31	39	59
<b>Post-loss result of core business</b>	<b>632</b>	<b>597</b>	<b>601</b>	<b>672</b>	<b>604</b>
Related companies	62	186	179	212	128
Securities, foreign currency and derivatives	173	33	69	59	161
<b>Result before tax</b>	<b>868</b>	<b>816</b>	<b>849</b>	<b>942</b>	<b>893</b>
Tax	169	112	175	191	131
Result investment held for sale	-1	0	1	4	6
<b>Net profit</b>	<b>698</b>	<b>703</b>	<b>675</b>	<b>755</b>	<b>768</b>
<b>Return on equity</b>	<b>12,5 %</b>	<b>12,7 %</b>	<b>12,4 %</b>	<b>14,3 %</b>	<b>14,8 %</b>

# Commission income

Quarterly numbers

<i>NOK mill</i>	<b>Q1 22</b>	<b>Q4 21</b>	<b>Q3 21</b>	<b>Q2 21</b>	<b>Q1 21</b>
Payment transmission income	60	72	61	56	49
Credit cards	16	14	14	13	14
Commissions savings and asset mgmt	9	13	17	14	15
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# Product companies in SpareBank 1-alliansen

Quarterly numbers

Profit share after tax

<b>NOK mill, SMN's share in parentheses</b>	<b>Q1 22</b>	<b>Q4 21</b>	<b>Q3 21</b>	<b>Q2 21</b>	<b>Q1 21</b>
SpareBank 1 Gruppen (19.5%)	13	173	83	148	67
SpareBank 1 Boligkreditt (20.9%)	-5	-2	11	3	4
SpareBank 1 Næringskreditt (12.8%)	0	0	-1	4	3
BN Bank (35.0%)	49	42	40	42	40
SpareBank 1 Kreditt (19.2%)	3	2	10	1	0
SpareBank 1 Betaling (21.5%)	-5	-9	0	-5	-1
SpareBank 1 Forvaltning (19.9%)	8	12	13	8	0
Other companies	-1	-32	-2	11	14
<b>Sum associated companies</b>	<b>62</b>	<b>186</b>	<b>179</b>	<b>212</b>	<b>128</b>

# Subsidiaries

Quarterly numbers

Profit before tax

<b>NOK mill, SMN's share in parentheses</b>	<b>Q1 22</b>	<b>Q4 21</b>	<b>Q3 21</b>	<b>Q2 21</b>	<b>Q1 21</b>
EiendomsMegler 1 Midt-Norge (87 %)	14	1	8	41	21
SpareBank 1 Regnskapshuset SMN (89 %)	23	3	21	33	27
SpareBank 1 Finans Midt-Norge (56,5 %)	47	45	35	63	55
SpareBank 1 Markets (67 %)	39	51	23	62	118
SpareBank 1 SMN Invest (100%)	132	-4	61	21	109
Other companies	1	0	1	2	1
<b>Subsidiaries</b>	<b>257</b>	<b>97</b>	<b>149</b>	<b>223</b>	<b>330</b>



# Return on financial investments

Quarterly numbers

<i>NOK mill</i>	<b>Q1 22</b>	<b>Q4 21</b>	<b>Q3 21</b>	<b>Q2 21</b>	<b>Q1 21</b>
Net gain/(loss) on stocks	137	15	36	23	102
Net gain/(loss) on financial instruments	-10	-9	14	-4	20
Net gain/(loss) on forex	37	1	2	8	20
Net gain/(loss) on stocks and stock derivatives SB1 Markets	172	32	68	42	158
<b>Net return on financial instruments</b>	<b>172</b>	<b>32</b>	<b>68</b>	<b>42</b>	<b>158</b>

# Equity certificate, key figures

<b>Key figures</b>	<b>Q1 22</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
ECC ratio	64,0 %	64,0 %	64,0 %	64,0 %	64,0 %
Total issued ECCs (mill)	129,39	129,39	129,39	129,30	129,62
ECC price	141,20	149,00	97,60	100,20	84,20
Market value (NOKm)	18.270	19.279	12.629	12.956	10.914
Booked equity capital per ECC	99,55	103,48	94,71	90,75	83,87
Post-tax earnings per ECC, in NOK	3,20	13,31	8,87	12,14	9,97
Dividend per ECC		7,50	4,40	6,50	5,10
P/E	11,05	11,19	11,01	8,26	8,44
Price / Booked equity capital	1,42	1,44	1,03	1,10	1,00

# Change in net interest income

## Change from Q4 21 to Q1 2022

Net interest Q1 22	758
Net interest Q4 21	723
<b>Change</b>	<b>35</b>

### Obtained as follows:

Fees on lending	10
Lending volume	5
Deposit volume	0
Lending margin	-45
Deposit margin	59
Equity capital	23
Funding and liquidity buffer	-17
Subsidiaries	-1
<b>Change</b>	<b>35</b>

## Change from Q1 2021 to Q1 2022

Net interest Q1 22	758
Net interest Q1 21	668
<b>Change</b>	<b>89</b>

### Obtained as follows:

Fees on lending	14
Lending volume	52
Deposit volume	-1
Lending margin	-154
Deposit margin	118
Equity capital	35
Funding and liquidity buffer	12
Subsidiaries	14
<b>Change</b>	<b>89</b>

# Balance sheet

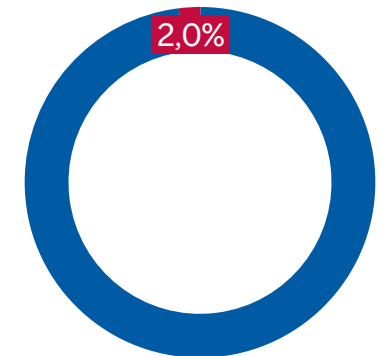
	31.3.22	31.3.21	31.3.20
Funds available	42,7	40,4	35,5
Net loans	145,8	135,9	126,1
Securities	2,6	2,1	1,4
Investment in related companies	7,5	7,4	6,7
Goodwill	0,9	0,9	0,9
Other assets	7,6	7,2	14,6
<b>Total Assets</b>	<b>207,0</b>	<b>193,8</b>	<b>185,2</b>
Capital market funding	56,6	59,4	62,5
Deposits	114,1	102,4	88,2
Other liabilities	12,2	8,5	12,9
Subordinated debt	1,8	1,8	2,1
Equity ex hybrid bonds	21,2	20,5	18,3
Hybrid bonds	1,3	1,3	1,3
<b>Total liabilities and equity</b>	<b>207,0</b>	<b>193,8</b>	<b>185,2</b>
In addition loans sold to Boligkreditt and Næringskreditt	52,9	47,9	43,5

# Offshore supply vessels constitutes a decreasing part of total exposure

EAD per segment (mill NOK)



Offshore share of overall EAD



Distribution	EAD	Loans	Stage 3	Stage 1/2	Total impairments	Share of EAD
Low risk	483	655		1	1,1	0,2 %
Medium risk	1.536	1.094		105	105	6,8 %
High risk	488	471		53	53	10,8 %
Obligors with impairments/defaulted	1.670	1.406	373		373	22,4 %
	<b>4.178</b>	<b>3.626</b>	<b>373</b>	<b>159</b>	<b>532</b>	<b>12,7 %</b>

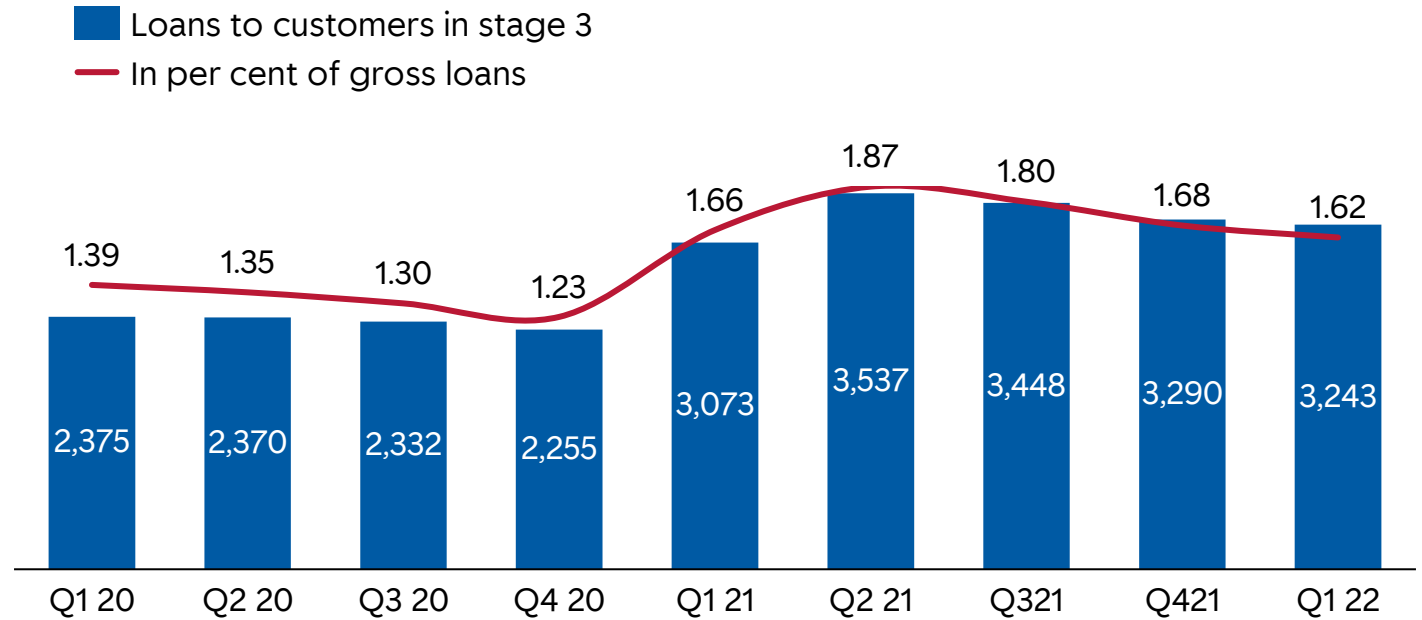


# Potential problem loans

New regulatory definition of default increased stage 3 loans from 2021

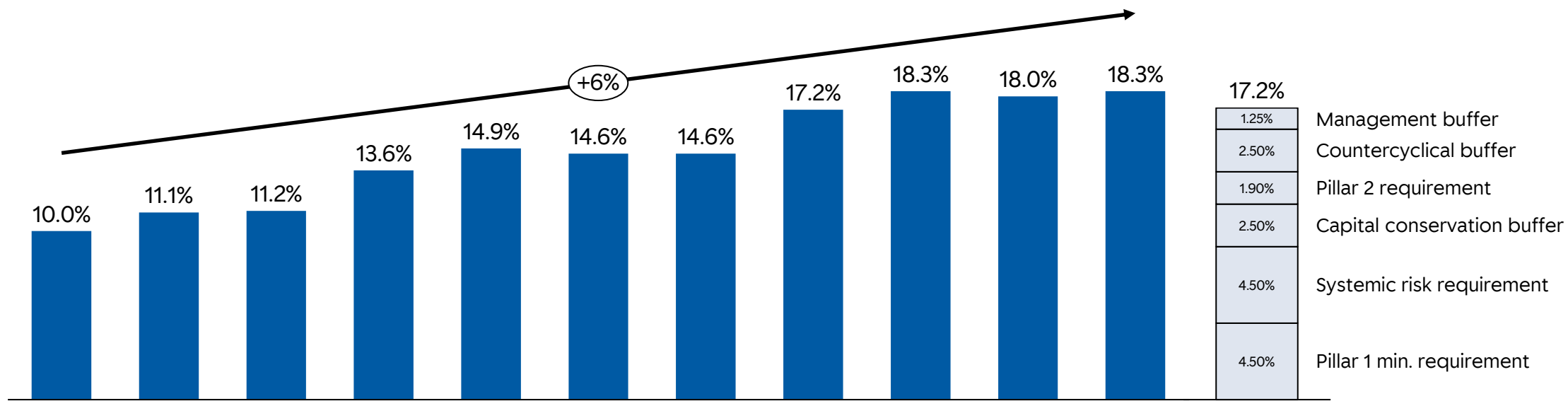
Stable numbers last quarters

## Loans to customers in stage 3



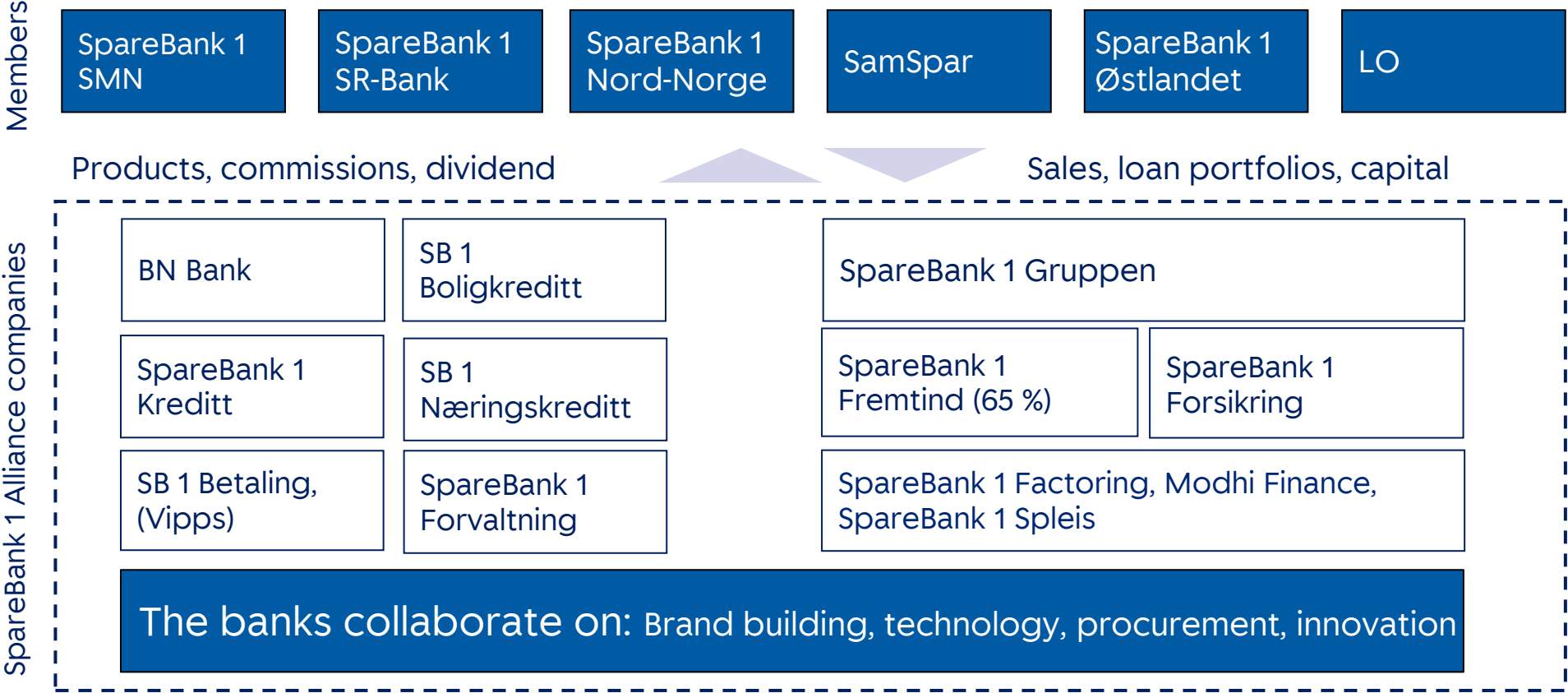
# Development in CET1 capital and capital adequacy

CET1 ratio in per cent



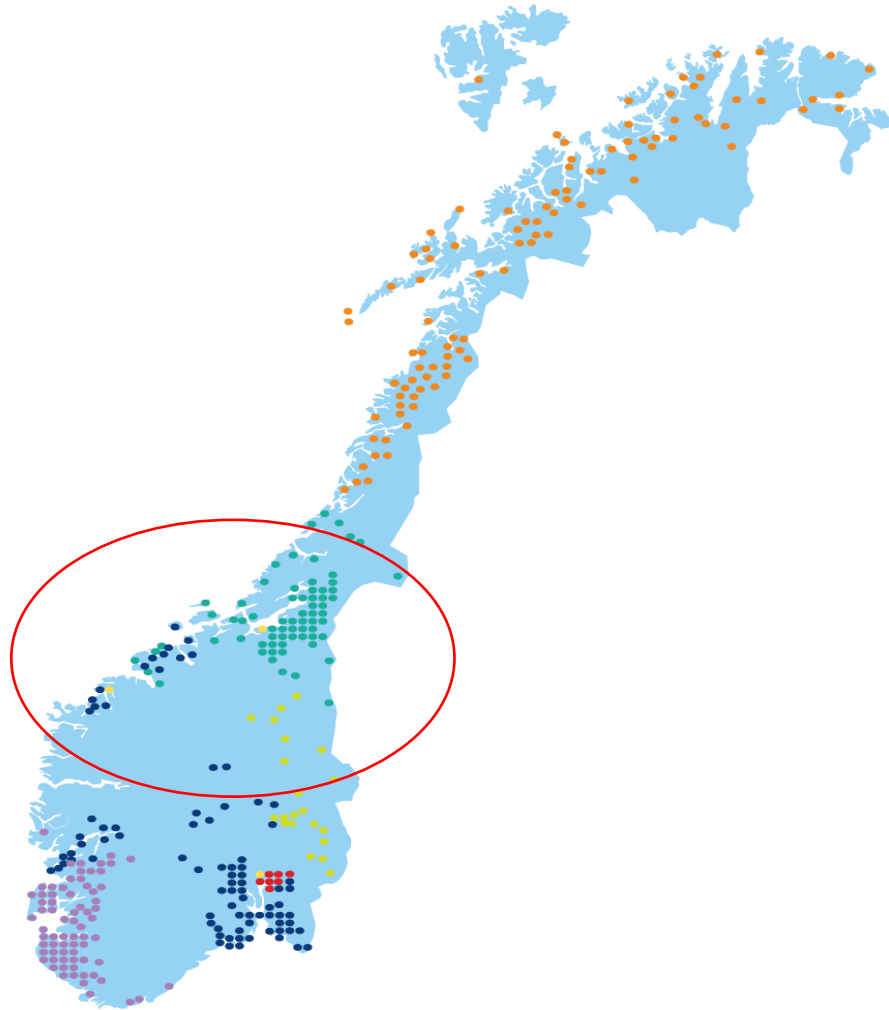
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q1 22
CET1	8.254	9.374	10.679	12.192	13.223	13.820	14.727	15.830	17.041	17.790	18.229
ROE	11.7%	13.3%	15.1%	10.7%	11.3%	11.5%	12.2%	13.7%	10.0%	13,5 %	12,5 %
RWA	82.450	84.591	95.322	89.465	88.786	94.807	101.168	91.956	93.096	98.664	99.847

# The SpareBank 1 Alliance



# The SpareBank 1 Alliance

Strong position nationally, regional focus



- SpareBank 1-alliansen consists of 15 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