

## Statement by the Group CEO

We have been here through ups and downs for almost 200 years

2020 was one of the most singular years in our lifetime. Covid-19 also left its imprint on us at SpareBank 1 SMN. At the same time it is good to see that the organisation has maintained a high level of activity thanks to new ways of working. Indeed we have turned the crisis to account by gaining market shares and evolving further.

Banking and finance are used to economic fluctuations, but a pandemic that affects the entire society with the fear and the restrictions we are now witnessing is fortunately a very rare phenomenon. The goals we set for 2020 were accompanied by optimism and strong faith in the future. In mid-March we had to put all our plans aside and gear up for an emergency situation that no one could have planned for. With one exception: we were already under way, prior to the coronavirus pandemic, on a sizeable reorganisation project designed to give customers an even better experience of seamless offerings from all business lines in Central Norway's largest, and leading, finance house.

Having long-term owners and a loyal and motivated workforce with a thorough knowledge of people, businesses and local communities throughout Central Norway is of inestimable value in times of crisis. At the start of the year we were in an excellent financial position. The common equity Tier 1 ratio stood at over 15 per cent after many years spent building up equity capital through profitable operations and capital efficiencies.

When Norway went into lockdown, my message to the organisation was that we should tackle the crisis with a cool head and a warm heart. This was a continuation of an almost 200 year long tradition of standing by people, businesses, towns and local communities through crises as well as good times.

As in previous crises, we have shown that sharing our fate with the region in which we live and work is more than mere words. When Norway came to an abrupt halt in mid-March, record numbers were laid off and many lost their jobs. Several decades have elapsed since we last saw unemployment on the same scale in our region. While waiting for the government to process the large number of applications for unemployment benefit, we, as the first bank in the country to do so, put in place an arrangement to provide advance payments of unemployment benefit to those laid off. SpareBank 1 SMN was also the first bank in the country to issue a loan under the new governmental guarantee scheme. It is in times of crisis that the value of a management team with a local presence and very short decision paths truly comes into its own.

Businesses and individuals are not the only ones to have felt the crisis to the core this time round. The voluntary sector also stopped in its tracks. As a savings bank, the community is our largest single owner. SpareBank 1 SMN is still almost 40 per cent owned by the Central Norwegian community, supplemented by solid equity certificate holders via the Oslo Stock Exchange. This means that a corresponding share of dividends goes back to towns and local communities in our region. Thanks to good profit performances and a good financial position, the supervisory board was able to declare a substantial dividend payout to our owners, of which as much as NOK 200 million was to be distributed as community dividend. Of this, we earmarked 100 million solely needed kroner to the voluntary sector for collective Covid response efforts. Never before in our almost 200 year long history have we received so many applications from arts, culture, sports, outdoor recreation and charitable organisations. And never before have so many had a share in the community dividend.

The pandemic will also leave its mark on much of 2021. Fortunately the vaccines arrived earlier than expected, and are now being distributed across the entire world in a logistics operation the like of which has never previously been witnessed. Hence there is cause to hope that 2021 will prove better than the previous year. And even though the pandemic has had major consequences for individuals, businesses, communities, countries and the world economy alike, it seems that the landing may in economic terms be far softer than feared. Thus, despite the tough year now behind us, we have, this year too, achieved good earnings and built added solidity. However, the Ministry of Finance has imposed stringent limits to dividend payouts by Norwegian banks until the pandemic is over. This limits our scope to pay out dividends to our owners in the first three quarters of the current year.

At SpareBank 1 SMN we have utilised the crisis to take offensive action. We have implemented considerable changes to the organisation, integrating Regnskapshuset, EiendomsMegler 1 Midt-Norge, SpareBank 1 Markets and SpareBank 1 SMN Finans Midt-Norge more closely with the banking operation. This provides economies of scale and an improved customer offering. With one of the country's strongest development entities in the shape of SpareBank 1 Alliansen, we aim to be the obvious choice for people and businesses throughout our catchment area. SpareBank 1 SMN has strengthened its position over and above market growth in all business lines, thereby consolidating its position as the leading finance house in the region.

An example I will draw attention to is Trondheim municipality, which just before the turn of 2021 opted to enter an agreement with us on both the banking and real estate agency side. This is one of the most important signal customers in Central Norway. Particularly gratifying is that one of the chief criteria for choosing us was our efforts with regard to sustainability and corporate social responsibility. The agreement with Trondheim municipality shows that sustainability has acquired major significance for customers' choice of bank. Moreover, sustainability has become an important criterion for our ability to raise funding on competitive terms. This year our work on sustainability is described closely in this annual report, with a summary in a GRI index enclosed. We will also be reporting on a on our sustainability effort more ongoing basis on the group's internet pages.

We are now all looking forward to the pandemic loosening its grip and to living a normal life once more. I look forward to being able to travel round Central Norway again, to meeting clients, employees and owners. And soon, very soon, we can all do so again. 2021 I hope will be an *annus mirabilis* – a wonderful year.

SpareBank 1 SMN is better equipped than ever to continue to grow and to accompany people, businesses and local communities through their ups and downs, as we have done for almost 200 years.

Jan-Frode Janson  
Group CEO at SpareBank 1 SMN