

About the group



Statement by the Group CEO

2021 proved to be another unusual year. We grew used to the pandemic, acquired vaccines and learned to live with uncertainty. The climate challenge reigns at the very top of the global political agenda. In Norway a new government has taken office, while Norwegian banks have had to meet ever stricter government and regulatory requirements.

Handling these changes has been high on the agenda of the board of directors and management team of SpareBank 1 SMN, and we have once again demonstrated that our savings bank model and organisation are eminently suited to rapid adaptations. The crux is being close to our customers and the region, keeping a cool head and local decision making.

In addition we have devoted much time to business development, not least in terms of establishing closer links between the business lines. It goes under the name "One SMN", which means developing a fully-fledged finance centre physically and digitally. For our customers the upshot will be better access to broader expertise and a wider array of better integrated services. For our employees we will become an even more attractive workplace with greater emphasis on skills development and more diverse career opportunities. For our owners and shareholders it means we are taking the group's robust revenue income platform yet a step further.

The mobilisation of energies makes for high growth in all business lines and strengthens the group's market position. This is especially true for Corporate Banking, where growth in lending and deposits is higher than for many years. In addition, SpareBank 1 Markets delivered a very strong 2021, at the same time that Regnskapshuset continues to expand. Retail Banking similarly shows good growth and profit figures for the bank, combined with a record year for EiendomsMegler 1 Midt-Norge. The year 2021 was quite simply a good year for SpareBank 1 SMN.

The good year is also reflected in the price performance of the bank's equity certificate (EC). Prior to the pandemic the peak quotation was around NOK 105, while at the turn of 2022 it reached around NOK 150. We have moreover paid dividends of NOK 4.40 per EC over the course of the year.

An important strategy tool for SpareBank 1 SMN is cooperation. Much of this involves SpareBank 1-alliansen which includes strong product companies and a leading developer of digital solutions. A particularly important product company is the non-life insurer Fremtind, of which DNB is co-owner. This company reports a strong trend and excellent profits for 2021. Another joint venture is Vipps which in 2021 communicated its readiness for the Nordic markets by virtue of its merger with Danish Mobilepay and Finnish Pivo. The latest joint venture of which SpareBank 1 SMN is now a part is the car subscription company Fleks, of which Bertel O. Steen is co-owner.

Cooperation also characterises our approach to sustainability. Besides our substantial intragroup effort, we invite customers and organisations to join us in dialogue and cooperation. A pertinent example is our development, in collaboration with technology companies in Trondheim, of the tool "*My Climate Track*" which helps customers become more aware of the sustainability of their shopping habits through a dedicated internet bank and mobile bank function.

Our ownership model ensures that good performances by the bank also benefit the community. Knowledge of this model, and probably also its positive effect on the bank's position, have grown. Not least, much

interest has focused on the support given to cultural activities, the voluntary sector and local business and industry in the various phases of the pandemic.

The latest lockdown has increased economic uncertainty globally and nationally. The situation in Ukraine contributes to further uncertainty. Even so, we believe that 2022 will show high activity levels, low unemployment and a good economic trend in Mid-Norway and the rest of the country alike. That promises good framework conditions for a continued positive trend for SpareBank 1 SMN. At the same time a solid capital situation puts us in a position to manage uncertainty while concurrently seeking profitable growth.

The macroeconomic outlook is good, although international apprehensions and sanctions imposed on Russia cloud the picture. The board of directors and the management team are aware of threats and challenges the group may encounter. On the risk side, cybercrime and the transition risk posed by climate change figure prominently. Where challenges are concerned, a major effort is being made both to adapt to government requirements and to assure the required green innovativeness. Changes in the Norwegian savings bank structure are also on our agenda.

At the threshold of 2022 we have learned to live with the pandemic and its restrictions. We have also learned what we are missing. I personally look forwards to travelling round Mid-Norway to meet customers, employees and shareholders. As we state in our vision: it is together that we make things happen.

Jan-Frode Janson

Group CEO at SpareBank 1 SMN

Important events in 2021

Q1

- **Pre-tax profit:** NOK 901m
- **New sustainability strategy** implemented. SpareBank 1 SMN issued a senior green bond worth NOK 500m and launched My Climate Track
- **Stable net interest income** despite margin pressure. Good customer and volume growth, in particular in the corporate area
- **Strong profit performance by SpareBank 1 Markets**, good return on financial investments and other ownership interests
- **Streamlined distribution and operating model** established, contributing to low cost growth

Q2

- **Pre-tax profit:** NOK 942m
- **Good profits from subsidiaries, product companies and financial investments.** Particularly good market conditions in the estate agency, securities services and insurance areas
- **Loan losses substantially reduced** and SpareBank 1 SMN' residential and corporate portfolios both show good credit quality
- **SpareBank 1 SMN establishes an economic crime department** to meet increased risk along with a strong, coherent specialist unit
- **SpareBank 1 Finans Midt-Norge** joins the car subscription company Fleks in an ownership role

Q3

- **Pre-tax profit:** NOK 849m
- **Increased optimism in the Norwegian economy.** As the market leader in Mid-Norway, SpareBank 1 SMN has excellent prospects for further growth and development
- **Losses established at a lower level** due to a positive trend for the business sector in Mid-Norway
- **Dividend payout of NOK 3.10.** Dividend of NOK 4.40 declared for 2020, of which NOK 3.10 was disbursed on 9 November 2021
- **Reopening of society as from 25 September.** 86 per cent of the population aged over 18 are fully vaccinated. **SpareBank 1 SMN allocates NOK 100m** of the community dividend to the voluntary sector, culture, sports and local celebrations across the entire region

Q4

- **Pre-tax profit:** NOK 703m
- **SpareBank 1-alliansen reached the age of 25 in November.** The alliance collaborates on a shared platform and brand, and now comprises 14 independent, solid and profitable savings banks across the entire country
- **SpareBank 1 Regnskapshuset SMN entered a nationwide agreement with the LO** (Norway's trade unions confederation) in which SpareBank 1 Regnskapshuset SMN is to be the sole provider of accounting and advisory services to the self-employed through the 'LO-selvstendig' benefits programme.

- **The year's economic barometer for business and industry in the region** was presented in November 2021, including the sustainability barometer. The economic barometer confirms a positive trend for the region and generally high optimism, at the same time as the sustainability barometer shows that a green transition in the Mid-Norwegian business sector is not under way – yet.
- **The equity fund ODIN Bærekraft was launched.** As an actively managed and sustainable equity fund, ODIN Bærekraft invests in high-quality companies throughout the world.

This is SpareBank 1 SMN

The story of SpareBank 1 SMN extends back to 1823 when 44 of Trondheim's better-off men paid a total of 1,596 speciedaler to found a savings bank. The men wished to develop their community, and they saw that the community needed a bank.

The bank's founders wanted the community to own the bank, and as early as in 1840 Trondhjems sparebank began to devote parts of its net profit to supporting projects that would benefit the local populace. Over the next hundred years savings banks were founded across the entire region. Since the 1990s many of these savings banks have been amalgamated with what was once Trondhjems sparebank, and now make up SpareBank 1 SMN.

The set of values dating from 1823 have been part of SpareBank 1 SMN's DNA for almost 200 years and the main objective is to provide good financial advice to secure the everyday finances of people and businesses, in good and bad times alike. Hard times are when people show what they are made of, and through almost two years of a Covid pandemic the bank's focus has been precisely on safeguarding customers' finances and helping them through the crisis.

Today SpareBank 1 SMN is far more than a bank. It is the region's leading finance centre and offers customers a full range of products and services in the banking, accounting and estate agency areas. In keeping with the wishes of the bank's founders, the local community is still the group's largest stakeholder and each year receives its rightful share of the net profit through the *community dividend*.

Vision and values

"Together we make things happen" is the vision of SpareBank 1 SMN, supported by the following values: *wholehearted, responsible, likeable and capable*.

The companies making up the SpareBank 1 SMN group currently embrace differing visions and values. The group's ambition is to assemble all companies under the same vision and values ahead of the anniversary year 2023.

Strategic direction towards 2023

SpareBank 1 SMN is the leading financial services group in Mid-Norway, and among the best performers in the Nordic region. SpareBank 1 SMN aims to create financial value, build the regional community and assume its share of the responsibility for sustainable development.

The group has clear-cut objectives in terms of profitability, financial position and efficiency:

- **Profitable**, with a 12 per cent return on equity
- **Financially solid**, with a CET1 ratio of 16.9 per cent. Payout ratio about 50 per cent
- **Efficient**. Annual cost growth in the group limited to 2.0 per cent within existing business
- **Strengthened market position**. Ambition to be number 1 in the group's business lines
- **Increase in satisfied customers**. Ambition to have the most satisfied customers in all business lines and market areas

- **Proud and committed employees.** Ambition to have the most committed staff in the financial industry in Norway
- **Quality** in all our work

With strong customer relationships and high return over time, SpareBank 1 SMN has a good foundation on which to build further.

In 2020 five strategic priorities were highlighted as particularly important in the run-up to 2023. Work on all five priorities is well under way.

The five strategic priorities are:

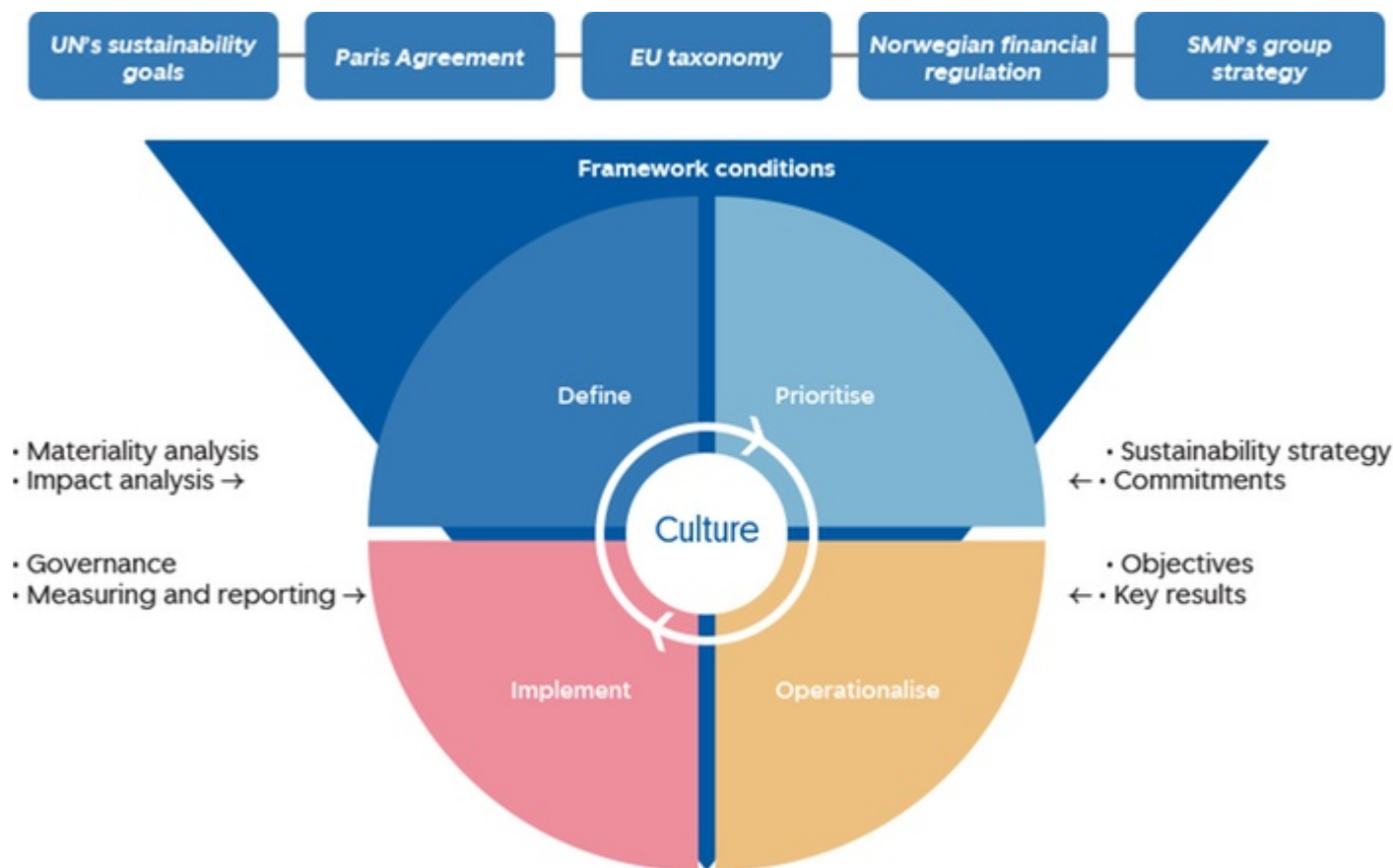
1. **Create 'One SMN'** through improved interaction between support functions, business lines and subsidiaries
2. **Increase digitalisation and use of insight** to ensure relevant and future-oriented solutions
3. **Take a leading role in the development of Norway's savings banks** by challenging partners and competitors alike and exploiting the developmental power present in SpareBank 1-alliansen
4. **Integrate sustainability into the business** and stimulate sustainable development of Mid-Norway by being a driver for the green transition, a partner for the inclusive development of society and a guide for responsible business culture.
5. **Exploit the power inherent in the ownership model** to instil pride and commitment among employees and people in general through contributing to the region's development and value creation.

Sustainability

Overall group standard

As the region's largest financial services group, SpareBank 1 SMN aims to stimulate the sustainable development of Mid-Norway. Sustainability is one of five strategic priorities in the group's business strategy, and the means of working towards sustainability are concretised in the sustainability strategy adopted by the board of directors. The strategy builds on the materiality and impact analyses carried out in autumn 2020 and is operationalised through objectives and key results in all business lines. Coordination and development of an overall group standard for sustainability rests with the group's steering committee for sustainability.

SpareBank 1 SMN has systematised sustainability, taking the UN Principles for Responsible Banking as its basis. More information on these principles is available at <https://www.unepfi.org/banking/bankingprinciples>. The group shares and publishes reports, certifications, guidelines and other relevant documents emanating from this work in an open, accessible sustainability library at smn.no/barekraft.



Sustainability systematised in the SpareBank 1 SMN group

Focus on value creation – Possibilities and risk

SpareBank 1 SMN develops its business models and risk management framework on a continuous basis, both to support its own growth ambitions and the EU's six environmental goals (see ec.europa.eu) and to comply with applicable laws and regulations. The development work has a bearing on the group's customer offering and aims to:

- Increase customer value by providing value-based advice and customer offerings that accelerate the green transition among people and businesses in general
- Increase employee value by attracting and retaining committed employees that deliver the best customer experience
- Increase shareholder value by achieving goals for profitable growth with minimal cost to the climate

Next step – Goals and measures in 2022

Central goals and measures in the group's work plan for 2022 are to:

- Increase the proportion of loans/turnover that qualify as sustainable economic activity (Green Asset Ratio, GAR)
- Measure and report on the trend in contributions to climate change for existing and new customers in the portfolio
- Reduce the group's direct climate footprint by 8 per cent through digitalisation, electrification and reuse
- Strengthen social rights and equal opportunity for all in the group's customer offering
- Stimulate innovation and competence development in the group's market areas

Read more about SpareBank 1 SMN's sustainability effort at smn.no/sustainability

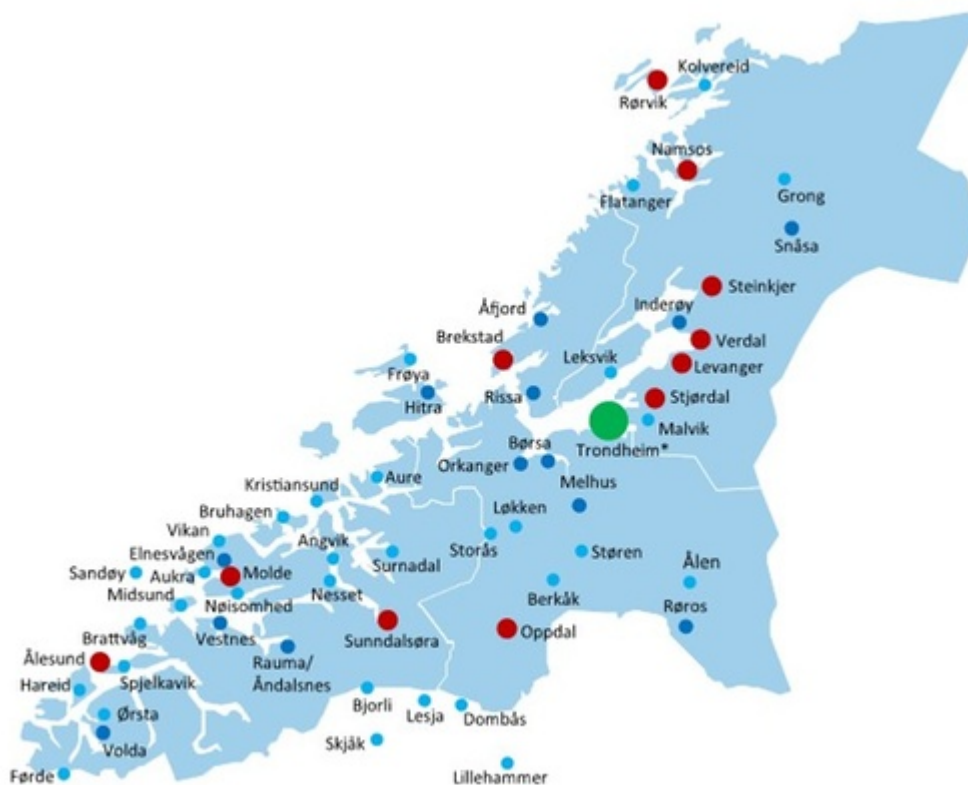
SpareBank 1 SMN's organisational set-up

SpareBank 1 SMN is an independent regional savings bank with a local footing and one of six owners of SpareBank 1-alliansen. Through the SpareBank 1 Alliance and its own subsidiaries, SpareBank 1 SMN offers competitive products in the fields of financing, savings and investment, insurance and payment services along with estate agency, leasing, accounting and capital market services.

SpareBank 1 SMN is organised under the following structure:



SpareBank 1 SMN is the region's leading financial services group and caters to both the retail and corporate market. It is headquartered in Trondheim and the group has some 65 offices across the region. 14 of these are finance centres in which banking, accounting and estate agency businesses are present in the same location. With its subsidiaries included, the group has about 1,650 employees.



- *The group's head office is located in Trondheim plus a number of offices offering banking, accounting and estate agency services separately or on a co-located basis*
- *Locations marked with red dots are finance centres*
- *At locations marked with dark blue dots, two offices are co-located*
- *In addition to the above office locations, SpareBank 1 Markets has an office in Oslo*

Subsidiaries

EiendomsMegler 1 Midt-Norge

EiendomsMegler 1 Midt-Norge is a wholly-owned subsidiary of SpareBank 1 SMN, SpareBank 1 Nordmøre and SpareBank 1 Sunnmøre. EiendomsMegler 1 Midt-Norge owns Brauten Eiendom and is part of EiendomsMegler 1-alliansen, the country's largest provider of estate agency services. The company has more than 300 employees distributed across more than 30 offices throughout Trøndelag and Møre and Romsdal, and offers commercial property, new construction, rental and agricultural brokerage services.

SpareBank 1 Regnskapshuset SMN

SpareBank 1 Regnskapshuset SMN is a subsidiary of SpareBank 1 SMN, SpareBank 1 Søre Sunnmøre, SpareBank 1 Gudbrandsdal and SpareBank 1 Lom og Skjåk. SpareBank 1 SMN is the largest owner and the company has some 500 employees dispersed across more than 40 locations in Trøndelag, Møre og Romsdal and Innlandet. The company is a fully fledged finance and technology centre and is one of the three largest operators in the accounting industry in Norway. In addition to traditional accounting services and systems the company offers services in the fields of pay, human resources, taxes and duties, transfer of ownership and IT. In cooperation with the bank they also offer the service 'Banking+Accounts' which enables a business to manage its entire finances in one place.

SpareBank 1 Markets

SpareBank 1 SMN Markets AS is an investment firm offering a complete range of products. The company's aspires to be a leading Norwegian capital market institution able in collaboration with its parent banks to deliver all capital market services. Advisory services and facilitation of external and equity financing for clients are important service areas. Client trading and proprietary trading in shares and derivatives, fixed income and currency instruments along with bonds is also undertaken. SpareBank 1 SMN holds a 66.70 per cent stake in the company.

In 2021 the company strengthened its market position and posted considerable income growth. 2021 brought increased incomes in particular in investment banking and stockbroking. Collaboration with the parent banks was good, generating incomes in all business areas. SpareBank 1 Markets has acquired a substantial position for raising capital for technology companies and companies that contribute to a sustainable economy. In total, the company participated in stock issues in a nominal amount of NOK 35bn, and a bond issue worth a nominal NOK 6.9bn in these sectors. At the end of 2021 the company had 169 employees.

SpareBank 1 Finans Midt-Norge

SpareBank 1 Finans Midt-Norge offers leasing, vendor's lien and invoice sale services to about 35,000 retail customers and 5,000 corporate clients. The company markets its products through parent banks, car dealers and to some extent makes direct sales. SpareBank 1 Finans Midt-Norge has total assets of NOK 10bn and is represented in the counties of Trøndelag, Møre and Romsdal, Vestland, Vestfold and Telemark, Innlandet and Viken.

The proportion of financed objects with electric or hybrid transmissions is growing strongly in the case of leasing and vendor's liens alike. A good 11 per cent of the portfolio comprises electric or hybrid transmissions, and the share is rising in both the retail and corporate market. SpareBank 1 Finans Midt-Norge aims to offer competitive products through green financing and is also co-owner of the car subscription company Fleks. The company's credit policy sets clear guidelines as to various requirements on businesses, products and sectors. Moreover, particular account is taken of sustainability both as regards objects and customers, and ESG is an important aspect of the templates employed in the company's credit assessments.

SpareBank 1 SMN Invest

SpareBank 1 SMN Invest' strategy has been to invest in regional seedcorn, venture and private equity funds, and directly in growth companies with national and international potential. The company holds shares worth NOK 592m at the end of 2021. Investing in shares is no longer part of the group's strategy, and the focus ahead will be on managing the current portfolio together with other long-term shareholdings of the bank.

SpareBank 1-alliansen's companies

SpareBank 1-alliansen consists of 15 independent savings banks that collaborate on a shared platform and brand. The collaboration is organised through the jointly-owned companies SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA with subsidiaries, in addition to a number of directly owned companies of the SpareBank 1 banks.

SpareBank 1 SMN's has a stake of 19.5 per cent in SpareBank 1 Gruppen. SpareBank 1 Gruppen wholly owns SpareBank 1 Forsikring AS, SpareBank 1 Factoring AS, Modhi Finance AS and SpareBank 1 Spleis

AS. SpareBank 1 Gruppen holds a 65 per cent stake in Fremtind Forsikring AS. In addition, SpareBank 1 SMN, together with other SpareBank1 banks, directly owns SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, SpareBank 1 Kreditt AS, SpareBank 1 Betaling AS, SpareBank 1 Forvaltning AS and BN Bank ASA.

SpareBank 1 SMN's stakeholders and memberships

Stakeholders

The group's significant stakeholders were identified as part of the stakeholder analysis conducted in 2020. An overview of the most significant stakeholders is shown in the figure below, and the stakeholder analysis is published in its entirety at smn.no/sustainability.



Memberships

SpareBank 1 SMN supports or has given its endorsement to the following external initiatives, charters or principles in the economic, environmental or societal area:

- UNEPFIs Principles for Responsible Banking
- UN Global Compact
- Environmental Lighthouse

See the enclosed overview of SpareBank 1 SMN's memberships in industry, lobby and other Norwegian and international organisations.