

Report of the Board of Directors

Third quarter 2021

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

- Pre-tax profit: NOK 849m (619m)
- Post-tax profit: NOK 675m (519m)
- Return on equity: 12.4 per cent (10.5 per cent)
- CET1 ratio: 18.1 per cent (17.6 per cent)
- Growth in lending: 1.6 per cent (2.5 per cent) and decline in deposits of 0.4 per cent (growth of 1.2 per cent)
- Lending to personal customers increased by 2.0 per cent in the quarter (2.2 per cent), 0.2 percentage point lower growth than in the second quarter. Lending to corporate clients increased by 0.7 per cent (3.0 per cent) which was 0.8 percentage point lower than in the second quarter
- Deposits from personal customers were reduced by 0.5 per cent (decline of 1.1 per cent), compared with growth of 6.9 per cent in the second quarter. Deposits from corporate customers were reduced by 0.3 per cent (2.9 per cent), compared with growth of 8.0 per cent in the second quarter
- Net result of ownership interests: NOK 179m (170m)
- Net result of financial instruments (incl. dividends): NOK 69m (34m)
- Losses on loans and guarantees: NOK 31m (231m), 0.07 per cent of gross loans (0.52 per cent)
- Earnings per equity certificate (EC): NOK 3.22 (2.35). Book value per EC: NOK 103.57 (92.73)

First nine months 2021

- Pre-tax profit: NOK 2,685m (1,814m)
- Post-tax profit: NOK 2,199m (1,528m)
- Return on equity: 13.8 per cent (10.4 per cent)
- Growth in lending: 7.0 per cent (8.5 per cent) and in deposits: 15.0 per cent (14.0 per cent) in the last 12 months
- Growth in lending to personal customers was 6.8 per cent (8.7 per cent) in the last 12 months. Growth in lending to corporate clients was 7.5 per cent (8.1 per cent) in the last 12 months
- Loans to retail customers account for 68 per cent (68 per cent) of total lending
- Deposits from personal customers increased by 8.4 per cent (14.7 per cent) in the last 12 months. Deposits from corporate customers increased by 19.8 per cent (13.6 per cent) in the last 12 months
- Net result of ownership interests: NOK 519m (564m)
- Net result of financial instruments (incl. dividends): NOK 289m (189m)
- Losses on loans and guarantees: NOK 129m (709m), 0.09 per cent (0.55 per cent) of gross loans
- Earnings per equity certificate (EC): NOK 10.11 (6.88)

Events in the quarter

Reopening of society as from 25 September; 86 per cent of the population aged over 18 are fully vaccinated

Falling infection rates have had a positive effect on the Norwegian economy. The gradual reopening of the economy after the summer and removal of national infection protection measures as from 25 September have contributed to a further pick-up in activity levels. Increased optimism is in evidence in business and industry, and payment problems and bankruptcy fears are considerably reduced. Unemployment rates and other indicators confirm the rise in activity levels. At the end of August unemployment measured 2.7 per cent, a mere 0.4 per cent above the level in August 2019. Households increased their saving rate substantially through the pandemic, but an increase in consumption is now expected in the period ahead.

The economic upturn is expected to continue but although pressures are growing, Norges Bank (Norway's central bank) states that this is not likely to challenge the inflation target of 2 per cent. Indeed it is one of the arguments supporting Norges Bank's base rate hike from zero to 0.25 per cent in September with clear signals of a gradual increase in the base rate in the years ahead.

Community dividend worth NOK 100 million allocated to the reopening of Mid-Norway

After a year and a half of restrictions and lockdown, SpareBank 1 SMN has allocated NOK 100 million to the reopening of the region. Culture, sports clubs, the voluntary sector and parts of business and industry have all been hit hard as a result of the restrictions imposed during the pandemic. A large portion of the NOK 100 million was allotted to sizeable 'reopening festivities' throughout Mid-Norway. One result of this has been a three-week-long reopening celebration in Trondheim where close to 300 events large and small were launched over the course of October, thanks to financial support and other assistance provided by SpareBank 1 SMN and partners such as Trondheim Municipality, Midtbyen Management, Visit Trondheim and Næringsforeningen i Trondheimsregionen, the region's industry association. In addition, more than 1500 clubs and organisations have received support enabling them to restart recruitment and activities once again.

Good result for the third quarter of 2021

A net profit of NOK 675m (519m), and a return on equity of 12.4 per cent (10.5 per cent), were posted in the third quarter. The third quarter figure is NOK 80m lower than in the second quarter of 2021. The profit reduction compared with the preceding quarter is essentially due to weaker commission earnings at the subsidiaries. The profit growth compared with last year's third quarter is largely related to lower loan losses.

Earnings per equity certificate (EC) were NOK 3.22 (2.35) and the book value per EC was NOK 103.57 (92.73). Earnings per EC in the second quarter of 2021 were NOK 3.51.

Net interest income came to NOK 707m (695m), which is NOK 9m higher than in the second quarter and NOK 12m better than the third quarter of 2020. NIBOR was about 12 points higher in the third quarter of 2021 than in the second quarter of 2021 and 10 points higher than in the third quarter of 2020. This has resulted in lower margins on loans and increased margins on deposits from the second to the third quarter of the current year. Increased loan volumes have strengthened net interest income.

Net commission and other income were reduced from the preceding quarter by NOK 124m to NOK 623m (625m). The reduction is largely due to lower incomes from securities services after the particularly high incomes recorded in both the first and second quarter. This aside, reduced incomes were as expected posted on estate agency and accounting services in the summer months of July and August. Incomes are at the same level as in the same quarter of 2020 and there are no major changes in income composition.

The group's profit share from owner interests and related companies was NOK 179m (170m). In the second quarter the profit share was NOK 212m.

Return on financial instruments (including dividends) was NOK 69m (34m) and in the second quarter NOK 59m.

Operating expenses totalled NOK 698m (675m) compared with operating expenses of NOK 735m in the second quarter. The decline from the second quarter is largely due to lower variable remuneration at SpareBank 1 Markets. Higher activity at the subsidiaries entails cost growth compared with the same quarter of last year. Costs have risen from the second to the third quarter as a result of new appointments, salary growth and use of substitutes in the summer months.

Losses on loans and guarantees totalled NOK 31m (231m) in the third quarter and NOK 39m in the second quarter. Lower losses compared with the third quarter of last year are attributable to improved prospects in the oil and offshore sector.

Good growth is noted in loans and deposits in the last 12 months, but some decline is deposits in the third quarter. Overall lending increased by 7.0 per cent (8.5 per cent) and deposits by 15.0 per cent (14.0 per cent) in the last 12 months. In the third quarter, lending grew by 1.6 (2.5) per cent and deposits by minus 0.4 per cent (growth of 1.2 per cent). Growth in lending to personal customers was at the same level as in the preceding quarter. Deposits were reduced in the third quarter both in the personal market and the corporate market following high growth in the second quarter.

The CET1 ratio as at 30 September 2021 was 18.1 per cent (17.6 per cent), down 0.2 per cent from the preceding quarter. The targeted CET1 ratio is 16.9 per cent.

The price of the bank's equity certificate (MING) at quarter-end was NOK 129.80 (84.30). A cash dividend of NOK 4.40 (5.00) was declared for 2020. In light of the Ministry of Finance's recommendation, a dividend of NOK 1.30 per EC was paid for 2020. The board of directors has determined that the remaining dividend of NOK 3.10 and community dividend of NOK 226m will be paid in November 2021.

Stable net interest income

In spring 2020 Norges Bank lowered its base rate from 1.50 per cent to zero per cent, with ensuing rate cuts on residential mortgages and deposits. In September 2021 Norges Bank, as expected, set its base rate at 0.25 per cent and market rates rose by the same margin. The bank has announced a rate increase on mortgages and deposits of up to 25 points as from mid-November as a result of Norges Bank's base rate hike.

Net interest income came to NOK 707m (695m) compared with NOK 698m in the second quarter of 2021. Market rates climbed from the second to the third quarter, and margins on lending declined somewhat while margins on deposits increased. Growth in lending in the quarter strengthened net interest earnings.

Norges Bank has signalled an increase in the base rate in December 2021 and expects further hikes in the period ahead due to brighter prospects for the economy.

Commission and other operating income

Commission income and other operating income totalled NOK 623m (625m) compared with NOK 748m in the second quarter of 2021.

A high proportion of multi-product customers makes for high customer satisfaction and a diversified income flow for the group.

Commission income (NOKm)	3Q 21	2Q 21	2Q 21
Payment transfers	61	56	54
Creditcard	14	13	15
Saving products	17	14	14
Insurance	54	53	49
Guarantee commission	13	14	14
Real estate agency	107	131	111
Accountancy services	114	154	105
Markets	110	182	122
Other commissions	7	14	9
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	497	631	494
Commissions SB1 Boligkreditt	123	113	128
Commissions SB1 Næringskreditt	3	4	4
Total commissions	623	748	625

Commission income on loans sold to the mortgage companies SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt totalled NOK 126m (132m). In the second quarter of 2021 commissions totalled NOK 117m.

Other commission income totalled NOK 497m (494m) compared with NOK 631m in the second quarter. The decline of NOK 134m from the second quarter relates mainly to reduced securities services at SpareBank 1 Markets after a good second quarter, and reduced estate agency and accounting services as a result of seasonally lower incomes in the summer months.

Return on financial investments

Overall return on financial investments in the third quarter came to NOK 68m (32m) and in the second quarter of 2021 to NOK 42m. This breaks down as follows compared with last year's third quarter:

- Capital gains on shares came to NOK 36m (4m)
- Financial instruments, including bonds and CDs, showed a gain of NOK 14m in the third quarter (gain of 13m)
- Income of NOK 16m (11m) on forex transactions comprises income from currency trading at SpareBank 1 Markets
- Gains on shares and derivatives of shares at SpareBank 1 Markets totalled NOK 2m (5m)

Return on financial investments (NOKm)	3Q 21	2Q 21	2Q 21
Capital gains/losses shares	36	23	4
Gain/(loss) on financial instruments	14	-4	13
Foreign exchange gain/(loss)	16	15	11
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	2	8	5
Net return on financial instruments	68	42	32

Product companies and other related companies

The product companies provide the SpareBank 1 banks with a broad product range and commission incomes, as well as return on invested capital. The overall profit share from the product companies and other related companies came to NOK 179m (170m). This compares with NOK 212m in the second quarter.

Income from investment in associated companies	3Q 21	2Q 21	2Q 20
SpareBank 1 Gruppen (19.5%)	83	148	114
SpareBank 1 Boligkreditt (22.4%)	11	3	11
SpareBank 1 Næringskreditt (14.5%)	-1	4	5
SpareBank 1 Kreditt (19.2%)	10	1	-0
BN Bank (35%)	40	42	34
SpareBank 1 Betaling (19.5%)	-0	-5	-1
SpareBank 1 Forvaltning (23.4%)	13	8	-
Other companies	23	11	8
Income from investment in associated companies	179	212	170

SpareBank 1 Gruppen

This company owns 100 per cent of the shares of SpareBank 1 Forsikring, SpareBank 1 Factoring, Modhi Finance and SpareBank 1 Spleis. SpareBank 1 Gruppen own 65 per cent of Fremtind Forsikring.

SpareBank 1 Gruppen's post-tax profit in the third quarter of 2021 was NOK 621m (778m) and in the second quarter of 2021 NOK 1,043m. Of the profit of NOK 621m, NOK 425m accrues to the majority owners in SpareBank 1.

Fremtind Forsikring achieved a post-tax profit of NOK 621m (778m) in the third quarter with a good underwriting result and high financial income. The quarter's underwriting result was NOK 691m (598m) and the claims ratio was 57.2 per cent (59.8 per cent). The low claims ratio is due to continued low travel activity and a positive development in car insurance in the personal market and liability insurance. Financial income was NOK 51m (140m) in the third quarter. An interest rate increase in this quarter contributes to lower market values for bonds.

SpareBank 1 Forsikring recorded a profit of NOK 72m (203m) after tax. The profit decline compared with the same quarter of last year is due in all essentials to lower net interest income of NOK 99m (296m). The return on the share portfolio was 0.6 per cent, while return on the fixed income portfolio was 0.2 per cent. Return on financial assets in the corporate portfolio was NOK 32m (56m). The risk result was NOK 32m (44m).

The debt collection company Modhi Finance posted a pre-tax profit in the third quarter of 2021 of NOK 15m (27m) and a post-tax profit of NOK 11m (19m). SpareBank 1 Factoring recorded a pre-tax profit of NOK 16m for the third quarter of 2021 which is on a par with the third quarter of 2020.

The group's profit share from SpareBank 1 Gruppen was NOK 83m (114m) and in the second quarter of 2021 NOK 148m.

SpareBank 1 Forvaltning was established to strengthen SpareBank 1-alliansen's competitive power in the savings market. The SpareBank 1 Forvaltning Group comprises ODIN Forvaltning, SpareBank 1 Kapitalforvaltning and SpareBank 1 verdipapirservice. Their aim is to be best in terms of distribution of savings services and products through banks. SpareBank 1 SMN's profit share for the third quarter was NOK 13m (0m) and in the second quarter NOK 8m. On 15 September 2021 an agreement was signed to acquire SpareBank 1 SR Forvaltning. The transaction will be carried out once the requisite authorisations from Finanstilsynet (Norway's financial supervisory authority) are in place.

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 September 2021 the bank had sold loans totalling NOK 46.7bn (44.2bn) to SpareBank 1 Boligkreditt, corresponding to 35.7 per cent (36.0 per cent) of the bank's overall lending to retail customers.

The bank's share of the company's profit was NOK 11m (11m).

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 30 September 2021, loans worth NOK 1.3bn (1.6bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's profit share was NOK 5m (5m). SpareBank 1 SMN's stake was reduced from 31.0 per cent to 14.5 per cent in the third quarter of 2021. BN Bank has become a co-owner of SpareBank 1 Næringskreditt based on BN Bank's share of loans to commercial property. BN Bank's shares were previously held by the owner banks on behalf of BN Bank. The changes were made in order to achieve a more well-ordered group structure. The divestment had a profit effect of minus 6 million in the third quarter.

SpareBank 1 Kreditt

SpareBank 1 SMN's share of the profit for the third quarter was NOK 10m (0m), and its share of the portfolio (credit cards and consumer loans) was NOK 997m (856m). The results for the third quarter show an improvement on preceding quarters. This is essentially down to loss reversals.

BN Bank

BN Bank gives priority to residential mortgages and commercial real estate loans, and its main market is Oslo and south-eastern Norway. BN Bank shows good growth, 14.2 per cent, in lending to personal customers over the last 12 months and growth of 3.2 per cent in the third quarter. Growth in lending to corporate clients was 1.1 per cent in the last 12 months along with a decline of 2.7 per cent in the last quarter. Overall outstanding loans total NOK 50bn (46bn).

BN Bank's profit was NOK 117m (100m) in the third quarter, yielding a return on equity of 9.5 per cent (8.9 per cent). The profit growth is mainly attributable to lower losses. SpareBank 1 SMN's share of BN Bank's profit is NOK 40m (34m).

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 paves the way for 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 0m (minus1m) in the third quarter.

Other companies

Grilstad Marina is an extensive housing project that is part-owned by SpareBank 1 SMN Invest. In the third quarter SpareBank 1 SMN Invest received a profit share of NOK 25m (0m) following the sale of a completed section of the project.

Operating expenses

Overall group operating expenses came to NOK 698m (675m), an increase of NOK 23m compared with the same period of 2020, corresponding to 3.4 per cent. In the second quarter of 2021 costs totalled NOK 735m.

Operating expenses	3Q 21	2Q 21	2Q 21
Staff costs	423	465	415
IT costs	85	90	81
Marketing	19	17	18
Ordinary depreciation	56	40	40
Operating expenses, real properties	14	15	16
Purchased services	60	61	56
Other operating expense	41	46	48
Total operating expenses	698	735	675

At the bank, costs came to NOK 345m (346m) and in the previous quarter to NOK 338m. Staffing has been cut back and reductions have been achieved in other operating expenses after measures taken under 'One SMN'. From the second to the third quarter, costs at the bank grew NOK 7m due to pay settlement effects and the use made of substitutes in the holiday period.

The decline in group costs in the third quarter refers in all essentials to lower variable remuneration at SpareBank 1 Markets. The company recorded a decline in incomes compared with preceding quarters and hence a reduction in variable remuneration.

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

The group's cost-income ratio was 44 per cent (44 per cent) while the parent bank's cost-income ratio was 37 per cent (36 per cent).

Reduced losses

Loan losses came to NOK 31m (231m), and in the second quarter to NOK 39m.

Impairment losses	3Q 21	2Q 21	2Q 21
RM	3	0	21
CM	28	38	210
<i>Of which Offshore</i>	15	12	125
Total impairment losses	31	39	231

Losses of NOK 28m (210m) were recorded on loans to corporate clients, of which NOK 15m (125m) refers to clients in the offshore portfolio. Loan losses measure 0.07 per cent (0.52 per cent) of total lending.

Losses on loans to retail customers amount to NOK 3m (21m). In the previous quarter no losses were recorded on loans to retail customers.

Write-downs on loans and guarantees total NOK 1,680m (1,630m).

Problem loans (stage 3) amount to NOK 3,448m (2,332m), corresponding to 1.84 per cent (1.30 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 the credit risk attending the individual exposures, and thus has no significant effect on the group's losses.

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

Loan losses have been considerably reduced in 2021 and appear to have stabilised at a lower level. This is due to lower losses in the offshore portfolio. Most exposures in the offshore portfolio have been restructured and a large portion are already written down. The risk picture as regards loans to other business and industry and personal market customers is stable and reflects a healthy trend in the region.

Total assets of NOK 200bn

The bank's assets totalled NOK 200bn (187bn), having risen by NOK 13bn, or 6.9 per cent, over the last year. Total assets have risen as a result of higher lending volume and higher liquidity reserves.

Loans totalling NOK 48bn (46bn) have been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and to SpareBank 1 Næringskreditt. These loans do not appear as loans in the bank's balance sheet. The comments covering lending growth do however take account of loans sold.

Lending

Total outstanding loans increased in the last 12 months by NOK 12.6bn (14.0bn), corresponding to 7.0 per cent (8.5 per cent), to reach a total of NOK 192.0bn (179.4bn). Growth in the third quarter was 1.6 per cent (2.5 per cent).

- Lending to personal customers rose in the last 12 months by NOK 8.3bn (9.8bn) to NOK 130.8bn (122.5bn). Growth in the period was 6.8 per cent (8.7 per cent). Growth in the third quarter was 2.0 per cent (2.2 per cent)
- Lending to corporate clients rose in the last 12 months by NOK 4.3bn (4.3bn) to NOK 61.1bn (56.9bn). Growth in the period was 7.5 per cent (8.1 per cent). Growth in the third quarter was 0.7 per cent (3.0 per cent)
- Lending to personal customers accounted for 68 per cent (68 per cent) of total outstanding loans to customers

Good growth is noted in lending to personal customers, and the group is strengthening its market position. A substantial portion of the growth is to LO (Norwegian Trade Union Confederation) customers. The growth in lending to corporate customers is mainly to small and medium-sized businesses across the entire market area. The growth is distributed across a variety of 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 14.3bn (11.8bn) to NOK 109.7bn (95.4bn). This is equivalent to growth of 15.0 per cent (14.0 per cent). Growth in the third quarter was minus 0.4 per cent (growth of 1.2 per cent).

- Personal deposits rose by NOK 3.4bn (5.2bn), or 8.4 per cent (14.7 per cent), to reach NOK 44.0bn (40.6bn). Growth in the third quarter was minus 0.5 per cent (minus 1.1 per cent)
- Corporate deposits rose by NOK 10.9bn (4.3bn), or 19.8 per cent (13.6 per cent), to reach NOK 65.7bn (54.8bn). Growth in the third quarter was minus 0.3 per cent (growth of 2.9 per cent)
- The deposit-to-loan ratio including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 57 per cent (53 per cent)

Growth in personal deposits was very high in 2020 due to reduced consumption in the pandemic. In the third quarter personal deposits were reduced, partly as a result of an expected increase in consumption. Very high growth has been seen in corporate deposits over the course of the pandemic. The decline in the third quarter is a natural variation both for the private business sector and public sector clients.

(For distribution by sector, see note 9).

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 designed to provide customers with a better service offering and to promote increased growth and profitability for the group.

Result before tax	3Q 21	2Q 21	2Q 20
Personal market	311	290	295
EiendomsMegler 1 Midt-Norge (87%)	8	41	19

The **Personal Banking Division** achieved a pre-tax profit of 311m (295m) and NOK 290m in the previous quarter. Return on capital employed was 14.1 per cent (15.0 per cent) in the quarter.

Overall lending by the division stands at NOK 135bn (127bn) and deposits total NOK 50bn (48bn). These are loans to and deposits from wage earners, agricultural customers and sole proprietorships.

Operating income totalled NOK 539m (544m) and NOK 507m in the previous quarter. Net interest income accounted for NOK 300m (304m) and NOK 283m in the second quarter. Commission income came to NOK 239m (240m) and to NOK 225m in the previous quarter. Net interest income rose compared with the third quarter of 2020 due to growth and a strengthened deposit margin, while lower margins on lending have weakened net interest income. Commission income has risen compared with the third quarter of 2020 due to increased incomes from savings products, insurance and payment services alike.

The lending margin was 1.57 per cent (1.87 per cent), and in the second quarter of 2021 1.73 per cent. The deposit margin was 0.06 per cent (minus 0.19 per cent) and minus 0.07 per cent in the previous quarter

(measured against three-month NIBOR). The market interest rate in terms of three-month NIBOR increased from the second quarter of 2021 by about 12 points, which has impaired the lending margin but strengthened the deposit margin in the third quarter.

Lending to and deposits by retail customers increased by 6.6 per cent (8.6 per cent) and 4.9 per cent (14.2 per cent) respectively in the last 12 months. In the third quarter the growth in lending and deposits was 1.8 per cent (2.2 per cent) and minus 2.7 per cent (minus 1.1 per cent) respectively.

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 (recovery of 2m).

Adjustments as regards organisation and distribution structure continued in the third 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 108m (113m), while operating expenses were NOK 100m (92m). EiendomsMegler 1 recorded a pre-tax profit of NOK 9m (20m). The housing market was very strong in the second half of 2020, and the company achieved high sales combined with increased house prices. Activity in the housing market has again been high in 2021, but slightly calmer in the third quarter compared with 2020 and the first half of 2021, bringing a somewhat weaker result than in the same quarter of 2020. The number of properties sold in the third quarter totalled 1,915 compared with 2,089 in the same period of 2020. The company's market share as at 30 September 2021 was 36 per cent (36 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 business lines 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 SMN Regnskapshuset.

Result before tax	3Q 21	2Q 21	2Q 21
Corporate banking	200	199	25
SpareBank 1 Regnskapshuset SMN (88.7%)	21	33	21
SpareBank 1 Finans Midt-Norge (61.2%)	35	63	52
SpareBank 1 Markets (66.7%)	23	62	31

The **Corporate Banking Division** achieved a pre-tax profit of NOK 200m (25m) and NOK 199m in the second quarter of 2021. The profit growth from last year is attributable to lower losses. Return on capital employed was 12.4 per cent (2.1 per cent).

Outstanding loans to corporate customers of the bank total NOK 47bn (44bn) and deposits total NOK 59bn (46bn) as at 30 September 2021. This is a diversified portfolio of loans to and deposits from corporate clients in Trøndelag and in Møre and Romsdal.

Operating income totalled NOK 334m (332m) and NOK 345m in the second quarter of 2021. Net interest income came to NOK 273m (277m) and NOK 283 in the second quarter. Commission income was NOK 61m

(56m) compared with NOK 62m in the second quarter. A reduced NIBOR brought reduced lending margins in the quarter but increased deposit margins. Increased lending and deposits have strengthened the earnings base.

The lending margin was 2.60 per cent (2.85 per cent) and the deposit margin was minus 0.31 per cent (minus 0.24 per cent). Lending increased by 9.3 per cent (10.4 per cent) and deposits by 26.9 per cent (14.5 per cent) in the last 12 months. Lending growth in the quarter was 1.0 per cent (3.3 per cent) and deposit growth was 2.3 per cent (3.8 per cent).

The bank's losses on loans to the corporate segment amounted to NOK 25m (204m) and NOK 37m in the second quarter.

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 very good recruitment of new customers both in the branch network and in digital channels. This results from 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 35m (71m). The company's focal areas are leasing to SMB customers, car loans to personal customers and invoice purchases from small businesses.

The company's income totalled NOK 93m (97m). Costs in the third quarter of 2021 came to NOK 51m (33m). The increase is mainly due to impairment of IT-systems. Losses of NOK 7m (12m) were recorded.

The company manages leases and loans to corporate customers worth NOK 4.1bn (3.9bn) and car loans worth NOK 5.9bn (5.4bn).

By way of a private placing, SpareBank 1 Finans Midt-Norge has acquired an overall stake of 47.2 per cent in the car subscription company Fleks together with SpareBank 1 Finans Nord-Norge and SpareBank 1 Finans Østlandet. Bertel O Steen owns a corresponding holding. Car subscriptions and the sharing economy concept are gaining ground. Electrification of the car population and the car subscription system will contribute to reduced emissions.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 21m (21m). Operating income was NOK 122m (112m) and expenses were NOK 101m (91m). The growth in expenses in the third quarter is down to business acquisitions along with investments in the IT platform.

SpareBank 1 Regnskapshuset SMN strives continuously for 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. At centre-stage of the strategy ahead is the generation of new income flows beyond the traditional production of accounts.

The company's market share in Trøndelag, Møre and Romsdal and Gudbrandsdal is 25 per cent, and rising.

SpareBank 1 Markets is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. It employs 152 FTEs.

SpareBank 1 Markets sold SpareBank 1 Kapitalforvaltning in the third quarter. The company was presented as held for sale as from the second quarter of 2021. Historical figures are restated.

SpareBank 1 Markets' pre-tax profit was NOK 24m (32m). Activity levels in the business areas were normal in the quarter. SpareBank 1 Markets has performed a number of advisory assignments, but activity has been somewhat lower in the case of stock issues. Earnings from fixed income and forex business have been stable compared with the same quarter of last year. Earnings in the case of debt capital have also declined due to lower activity in the market. Overall incomes came to NOK 139m (157m). Operating expenses totalled NOK 115m (125m).

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

Sparebank 1 SMN Invest owns and manages a portfolio consisting mainly of shares in regional businesses. The portfolio is managed together with other long-term shareholdings of the bank and will be scaled back over time since investing in shares is no longer a part of the group's strategy.

The pre-tax profit was NOK 61m (loss of 3m) and in the previous quarter NOK 21m. The profit in the third quarter largely comprises the result from the company's stake in Grilstad Marina.

The company holds shares worth NOK 606m (420m) as at 30 September 2021.

First nine months 2021

Good profit

SpareBank 1 SMN reports a net profit of NOK 2,199m (1,528m), and a return on equity of 13.8 per cent (10.4 per cent). The net profit is NOK 671m better than in the same period of 2020 due to increased incomes and reduced losses. Earnings per equity certificate (EC) were NOK 10.11 (6.88).

The operating profit after losses was NOK 1,877m (1,060m) and NOK 827m better than in the same period of 2020, due to increased incomes, no cost growth at the bank and reduced losses.

Net interest income came to NOK 2,073m (2,071m). Norges Bank has increased the base rate to 0,25 present in september. NIBOR was 45 points lower at 30 September 2021 compared to same period in 2020. Due to the low interest rate level, lending and deposit margins are somewhat down in 2021 compared to 2020 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 2,161m (1,779m). This is mainly explained by increased income from securities services, estate agency services and sales of insurance, as well as increased commission income from loans sold to SpareBank 1 Boligkreditt.

Return on financial investments (incl. dividends) was NOK 289m (189m). The increase is largely a result of an unrealised gain on the share portfolio of SpareBank 1 Invest in the first quarter of 2021.

The result from related companies was NOK 519m (564m). The result is positively affected by good results at both Fremtind Forsikring and SpareBank 1 Forsikring, but also by a good result at BN Bank and the profit share from Grilstad Marina. The first quarter of 2020 includes a gain of NOK 340m from Fremtind Forsikring.

Operating expenses totalled NOK 2,228m (2,080m), with the bulk of the growth accounted for by SpareBank 1 Markets which saw high activity with ensuing increased costs, especially in the first quarter.

Loan losses were NOK 129m (709m). Losses on loans to the group's corporate clients amounted to NOK 132m (637m). As regards loans to personal customers, a net recovery of NOK 11m was recorded on losses (loss of NOK 58m).

Lending grew 5.0 per cent (6.9 per cent). Growth in lending to retail customers was 5.1 per cent (6.5 per cent). Lending to corporate clients increased by 4.8 per cent (7.9 per cent).

Deposits climbed 12.5 per cent (11.0 per cent). Deposits from personal customers rose 8.3 per cent (13.7 per cent). Deposits from corporate clients rose 15.5 per cent (9.1 per cent).

Personal customers

Result before tax	Jan-Sept 2021	Jan-Sept 2020
Personal market	880	773
EiendomsMegler 1 Midt-Norge (87%)	70	50

The **bank's personal banking arm** achieved a pre-tax profit of NOK 880m (773m) as at 30 September 2021. Return on capital employed in the retail segment was 13.4 per cent (12.6 per cent).

Overall operating income came to NOK 1,542m (1,536m). Net interest income accounted for NOK 859m (926m) and commission income for NOK 684m (609m). Commission income has risen mainly as a result of higher commissions from SpareBank 1 Boligkreditt.

Growth in lending to and deposits from the retail segment was 6.6 per cent (8.6 per cent) and 4.9 per cent (14.2 per cent) respectively in the last 12 months.

The lending margin was 1.63 per cent (1.83 per cent), while the deposit margin was 0.02 per cent (0.04 per cent) measured against three-month NIBOR.

A net recovery of NOK 11m was recorded on losses (loss of 58m).

EiendomsMegler 1 Midt-Norge. Operating income was NOK 353m (300m), while operating expenses were NOK 282m (251m). EiendomsMegler 1 Midt-Norge's pre-tax profit was NOK 71m (50m). Activity levels in the housing market have been high as from the second half of 2020, and property sales (residential and commercial) totalled 5,995 compared with 5,498 in the same period of 2020.

Corporate customers

Result before tax	Jan-Sept 2021	Jan-Sept 2020
Corporate banking	566	144
SpareBank 1 Regnskapshuset SMN (88.7%)	82	88
SpareBank 1 Finans Midt-Norge (61.2%)	153	133
SpareBank 1 Markets (66.7%)	203	80

The bank's **corporate banking arm** achieved a pre-tax profit of NOK 566m (144m) as at 30 September 2021. The profit growth is due to lower losses. Return on capital employed for the corporate segment was 11.1 per cent (3.4 per cent).

Operating income was NOK 1,016m (1,097m). Net interest income came to NOK 828m (896m) and commission income (including income from forex business) to NOK 188m (183m).

Lending increased by 8.7 per cent (9.1 per cent) and deposits by 27.2 per cent (14.5 per cent) in the last 12 months. Part of deposit growth is explained by Trondheim Municipality's choice of SpareBank 1 SMN as its main bank.

The lending and deposit margins were 2.65 per cent (2.78 per cent) and minus 0.32 per cent (minus 0.13 per cent) respectively.

Net overall losses in the bank's corporate segment amounted to NOK 125m (614m).

SpareBank 1 Finans Midt-Norge reported a pre-tax profit of NOK 153m (133m). The comparable figures have been restated to include SpareBank 1 Spire Finans, which have been merged from 1 January 2021.

The company's earnings totalled NOK 273m (255m). Costs as at 30 September 2021 came to NOK 106m (67m). Losses were NOK 13m (36m).

SpareBank 1 Regnskapshuset SMN achieved a pre-tax profit of NOK 82m (88m). Operating income was NOK 439m (415m) and expenses were NOK 357m (327m).

SpareBank 1 Markets' pre-tax profit was NOK 203m (80m). High activity in the business lines has generated high incomes and a very satisfactory profit, in particular in the first half of 2021.

So far in the current year the group has recorded incomes of NOK 689m (474m), which are NOK 215m higher than in the same period of 2020.

Good funding and 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 163 per cent as at 30 September 2021 (140 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 30 September 2021, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 57 per cent (53 per cent).

The bank's funding sources and products are amply diversified. At end-September 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 48bn (46bn) had been sold to these mortgage companies as at 30 September 2021.

SpareBank 1 SMN has established and published a framework for the issuance of green bonds. The framework has been verified 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. SpareBank 1 SMN issued NOK 1 billion in subordinated senior debt (MREL) in third quarter 2020, NOK 1.5 billion in first quarter 2021 and NOK 1,0 billion in third quarter 2021.

Rating

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

Financial soundness

The CET1 ratio at 30 September 2021 was 18.1 per cent (17.6 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 of 18.1 per cent is down 0.2 per cent from the second to third quarter. Risk weighted assets increased by 2.8 percentage point in the third quarter at the same time as CET1 capital rose by 1.5 percentage point due to good quarterly results. A payout ratio of 50 per cent of the period's net profit is assumed.

A leverage ratio of 6.9 per cent (7.1 per cent) shows a strong financial position. Work on capital efficiency and effectiveness will continue with a view to strengthening profitability and financial soundness.

Sustainability

A broad-based effort is ongoing in the group's business lines to concretise key results within the framework of an overall group standard for sustainability. At the end of the third quarter the following is worth highlighting:

- SpareBank 1 SMN issued in February 2021 a senior green bond of EUR 500m with a 7-year maturity
- SpareBank 1 SMN has launched 'My Climate Track', a solution on the internet bank and mobile bank providing customers with an overview of and insight into their personal climate footprint by translating purchases of products and services into a climate footprint
- A new policy on business travel has been introduced designed to ensure that business trips take place in a sustainable and effective manner for employees of SpareBank 1 SMN. It incorporates limited travel activity and, not least, fewer journeys by air
- Support for the green transition. Financial support for expert assistance from SINTEF and SpareBank 1 SMN is being made available to help small and medium-sized businesses to digitalise, automate and become more sustainable

- Purchase of homes in green housing projects with attractive mortgage terms and broker fees is established as a concept by a collaboration between the bank and EiendomsMegler 1
- SpareBank 1 SMN has launched a new product offering for green agricultural loans
- The model for evaluation of sustainability in significant industries and customers in the corporate loan portfolio has been further refined
- Sustainability is an integral part of the credit process as regards corporate loans, and employee competencies are being developed on a continual basis

The bank's equity certificate (MING)

The book value of the equity certificate (EC) at 30 September 2021 was NOK 103.57 (92.73), and earnings per EC were NOK 10.11 (6.88).

The Price / Income ratio was 9.62 (9.19) and the Price / Book ratio was 1.25 (0.91).

Outlook

Norway's population will soon be fully vaccinated. The remaining infection protection measures were brought to an end on 25 September, activity has picked up and there is increased optimism in the economy. Norges Bank raised its base rate in September and has signalled further hikes in the period ahead. This is expected to increase the bank's net interest income. Unemployment has fallen from a high level and in June was a mere 0.4 per cent above the level in effect in August 2019. Unemployment is expected to decline further.

Loan losses are substantially reduced in 2021 and appear to have stabilised at a lower level. This is due to lower losses in the offshore portfolio where the majority of exposures have been restructured and a large portion are already written down. The risk picture as regards loans to other business and industry and personal market customers is stable and reflects a healthy trend in the region.

SpareBank 1 SMN is profitable and financially very solid and has large developmental power by virtue of the SpareBank 1 collaboration. The group has strengthened its standing and market position in 2021. The board of directors expects continued strong growth and good profitability in all business lines. Improved interaction between the business lines along with new customers offerings will bring more competitive power, more customers and more products per customer.

Of the dividend of NOK 4.40 declared for 2020, NOK 1.30 has so far been paid per equity certificate. The board of directors has decided the payout of the remaining dividend and community dividend, and this will take place on 9 November 2021.

Trondheim, 28. October 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)