

Report of the Board of Directors

Preliminary annual accounts 2021

Fourth quarter 2021

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

- Net profit: NOK 703m (450m)
- Return on equity: 12.7 per cent (8.9 per cent)
- CET1 ratio: 18.0 per cent (18.3 per cent)
- Growth in lending: 1.8 per cent (1.9 per cent) and in deposits: 1.5 per cent (growth of 2.2 per cent)
- Lending to personal customers rose by 1.6 per cent in the quarter (1.6 per cent), 0.4 per cent lower growth than in the third quarter. Lending to corporate clients rose by 2.1 per cent (2.5 per cent) which was 1.4 percentage points higher than in the third quarter
- Deposits from personal customers rose by 1.4 per cent (0.1 per cent), compared with a decline of 0.5 per cent in the third quarter. Deposits from corporate clients rose by 1.5 per cent (3.8 per cent), compared with a decline of 0.3 per cent in the third quarter
- Net result of ownership interests: NOK 186m (117m)
- Net result of financial instruments (incl. dividends): NOK 33m (80m)
- Losses on loans and guarantees: NOK 32m (242m), 0.07 per cent of total lending (0.54 per cent)
- Earnings per equity certificate (EC): NOK 3.20 (1.99). Book value per EC: NOK 103.48 (94.71)

Preliminary annual accounts 2021

- Net profit: NOK 2,902m (1,978m)
- Return on equity: 13.5 per cent (10.0 per cent)
- Growth in lending: 6.9 per cent (9.0 per cent) and in deposits: 14.1 per cent (13.5 per cent)
- Lending to personal customers rose by 6.8 per cent (8.2 per cent). Lending to corporate clients rose by 7.1 per cent (10.6 per cent)
- Lending to personal customers accounts for 68 per cent (68 per cent) of total lending
- Deposits from personal customers rose by 9.8 per cent (13.8 per cent). Deposits from corporate clients rose by 17.2 per cent (13.3 per cent)
- Net result of ownership interests: NOK 705m (681m)
- Net result of financial instruments (incl. dividends): NOK 321m (269m)
- Losses on loans and guarantees: NOK 161m (951m), 0.09 per cent (0.54 per cent) of gross lending
- Earnings per EC: NOK 13.31 (8.87)
- The board of directors proposes a dividend of NOK 7.50 per EC (NOK 4.40) which is 56.3 per cent of the net profit, and NOK 547m (321m) in community dividend

Events in the quarter

Despite high infection rates the upturn in the Norwegian economy is expected to continue

Norges Bank raised its policy rate by 25 basis points in September and by a further 25 basis points in December. SpareBank 1 SMN has like most banks signalled higher mortgage interest rates.

The upturn in the Norwegian economy continued through the autumn. Towards the end of the year activity levels slowed, especially in service industries, due to high infection rates and the introduction of extensive infection protection measures. Unemployment appears to be staying lower than forecast. Support schemes introduced by the government are a contributory factor. Relaxation of infection protection measures and a comprehensive vaccination programme will likely contribute to a continuing economic upturn. Despite continued high infection rates in the period ahead, the Omicron variant is expected to cause a milder disease course than the Delta variant of coronavirus.

Higher electricity prices have brought high price growth. Underlying inflation has also risen more than expected and is now close to the inflation target. Both capacity constraints in the economy and lasting price pressures abroad could trigger further wage and price growth in Norway.

Norges Bank has signalled higher policy rates for some time, and a heightened need to stabilise inflation could call for four policy rate hikes in 2022 to 1.50 per cent by year-end.

SpareBank 1-alliansen was established on 11 November 1996 and reached age 25 in 2021. SpareBank 1-alliansen comprises 15 independent savings banks across the entire country that collaborate on a shared platform and brand identity. Today all 15 savings banks in SpareBank 1-alliansen are financially solid, enjoy consistently good profitability and hold strong positions in their market areas.

SpareBank 1 SMN is one of several key mainstays in **Trondheim Tech Port**. Trondheim Tech Port was launched in October and brings together business and industry, research and education, the public sector, government authorities, the populace, capital entities and business start-ups to increase innovative power in technology.

SpareBank 1 Regnskapshuset SMN signed in October 2021 a **national agreement with the LO** whereby Regnskapshuset will be the sole provider of accounting and consultancy services to the self-employed through the LO-selvstendig benefit programme.

Trond Søråas is appointed **new CFO** and takes up duties on 1 March 2022. He comes from a similar position with BN Bank, taking over from Kjell Fordal who is to retire.

The year's **economic barometer for business** in the region was presented in November 2021. The barometer confirms a positive development for the region and generally high optimism.

The equity fund ODIN Bærekraft was launched. As an actively managed and sustainable equity fund, ODIN Bærekraft invests in sustainable high-quality companies across the world.

SpareBank 1 SMN opens an Oslo branch

SpareBank 1 Markets has strengthened its market position in the last years. As the main shareholder and in line with the group strategy there is a large potential in leveraging relations and activities together.

SpareBank 1 SMN has a substantial number of retail and business customers with lending volume totalling NOK 6.5 bn in the Oslo area.

Physical presence will ensure that these customers will be offered the same attentiveness. Furthermore, this will enable SpareBank 1 SMN to offer the full breadth of products to new and existing customers in a large market. SpareBank 1 SMN plans to gradually build the portfolio in South-Eastern Norway with emphasis on synergies between the corporate banking arm and the capital market services in SpareBank 1 Markets, with controlled growth, limited concentration and moderate risk.

Good performance in the fourth quarter 2021

The fourth quarter net profit was NOK 703m (450m) and return on equity was 12.7 per cent (8.9 per cent). The profit is NOK 28m higher than in the third quarter. The profit growth from the previous quarter is in all essentials due to increased net interest income at the bank and profit growth in SpareBank 1 Gruppen and SpareBank 1 Markets. The profit growth compared with last year's fourth quarter is largely down to lower loan losses.

Earnings per equity certificate (EC) were NOK 3.20 (1.99) and the EC's book value was NOK 103.48 (94.71). In the third quarter of 2021 earnings per EC were NOK 3.22.

Net interest income totalled NOK 723m (688m), which is NOK 16m higher than in the third quarter and NOK 35m better than in the fourth quarter of 2020. NIBOR was about 40 points higher in the fourth quarter of 2021 than in the third quarter and also 40 points higher than in the fourth quarter of 2020. This resulted in lower margins on loans and higher margins on deposits. Increased lending and deposits have strengthened net interest income. The market rate expressed by the NIBOR reference rate is the most important component of the banks' funding costs.

Net commission and other income rose from the previous quarter by NOK 48m to NOK 671m (738m). The growth in the fourth quarter is largely due to higher incomes from securities services along with increased payments incomes and guarantee commissions. The decline from the same quarter of 2020 also relates to securities services which posted very high revenues in the fourth quarter of 2020 and the first quarter of 2021.

The group's share of the result of ownership interests and related companies was NOK 186m (117m). In the third quarter the profit share was NOK 179m. Fremtind Forsikring and SpareBank 1 Forsikring recorded a positive profit performance in the quarter.

Return on financial investments (incl. dividends) was NOK 33m (80m) and in the third quarter NOK 69m.

Operating expenses came to NOK 765m (824m) and in the third quarter to NOK 698m. Costs in the fourth quarter of 2020 included reorganisation costs of NOK 80m. The increase from the third quarter is due to increased costs at SpareBank 1 Markets as a result of high activity, and some growth at the bank after bonus payments to employees, increased technology costs and increased consumption-related costs.

Losses on loans and guarantees were NOK 32m (242m) in the fourth quarter and in the third quarter NOK 31m. Lower losses compared with last year's fourth quarter are ascribable to better prospects in the oil and offshore industry.

2021 saw good growth in lending and deposits. Overall lending grew by 6.9 per cent (9.0 per cent) and deposits by 14.1 per cent (13.5 per cent). In the fourth quarter lending growth was 1.8 (1.9) per cent and deposit growth 1.5 per cent (2.2 per cent). Personal and corporate deposits both rose in the fourth quarter after some decline in the third quarter.

As at 31 December 2021 the CET1 ratio was 18.0 per cent (18.3 per cent), a decline of 0.1 per cent from the previous quarter. The CET1 ratio target is 16.9 per cent, including a Pillar 2 requirement of 1.9 per cent. Finanstilsynet will set new Pillar 2 requirements for SpareBank 1 SMN with effect from the first quarter of 2022.

Earnings per EC were NOK 13.31 (8.87). The book value was NOK 103.48 (94.71) per EC including the proposed dividend for 2021 of NOK 7.50 (NOK 4.40).

The price of the bank's equity certificate (MING) at year-end was NOK 149.00 (97.60).

Proposed distribution of net profit

It is the group's results exclusive of interest on hybrid capital, along with non-controlling ownership interests' share of the profit, which comprise the basis for distribution of the net profit for the year; the distribution is done at the parent bank.

The net profit is distributed between the ownerless capital and the equity certificate (EC) capital in proportion to their relative shares of the bank's total equity, such that dividends and the allocation to the dividend equalisation fund constitute 64.0 per cent of the distributed profit.

Earnings per equity certificate were NOK 13.31. In keeping with the bank's dividend policy, the board of directors recommends the bank's supervisory board to set a payout ratio of 56.3 per cent. This makes for a cash dividend of NOK 7.50 per EC, altogether totalling NOK 970m. The board of directors further recommends an allocation of NOK 547m to community dividend. Of this amount it is proposed that NOK 250m be transferred to non-profit causes and NOK 297m to the foundation Sparebankstiftelsen SMN. NOK 476m and NOK 268m are to be transferred to the dividend equalisation fund and the ownerless capital respectively.

Difference between Group - Parent Bank	2021	2020
Profit for the year, Group	2,902	1,978
Interest hybrid capital (after tax)	-48	-56
Profit for the year excl interest hybrid capital, group	2,854	1,922
Profit, subsidiaries	-693	-427
Dividend, subsidiaries	309	220
Profit, associated companies	-705	-681
Dividend, associated companies	418	272
Group eliminations	11	-6
Profit for the year excl interest hybrid capital, Parent bank	2,194	1,300
Distribution of profit	2021	2020
Profit for the year excl interest hybrid capital, Parent bank	2,194	1,300
Transferred to/from revaluation reserve	68	-50
Profit for distribution	2,262	1,250
Dividends	970	569
Equalisation fund	476	230
Saving Bank's fund	268	130
Gifts	547	321
Total distributed	2,262	1,250

The parent bank's disposable profit includes dividends received from subsidiaries, related companies and joint ventures, and is adjusted for interest expenses on hybrid capital after tax.

Subsidiaries are fully consolidated in the group accounts, whereas profit shares from related companies and joint ventures are consolidated using the equity method. Dividends are accordingly not included in the group results.

The net annual profit for distribution reflects changes of NOK 68m in the unrealised gains reserve.

The total amount for distribution is accordingly NOK 2,262m.

After distribution of the profit for 2021, the ratio of EC capital to total equity remains 64.0 per cent.

Net interest income

In spring 2020 Norges Bank lowered its policy rate from 1.5 to 0.0 per cent with ensuing interest rate reductions on loans and deposits. In September 2021 Norges Bank set its policy rate to 0.25 per cent and as expected made a further hike to 0.50 per cent in December 2021, with an ensuing increase in market interest rates by the same margin. The bank raised its rates on loans and deposits by up to 25 basis points as from mid-November and has signalled a similar increase with effect from February 2022 following the policy rate hike in December 2021.

Net interest income totalled NOK 723m (688m) compared with NOK 707m in the third quarter of 2021. Market rates rose from the third to fourth quarter, and margins on lending declined while margins on deposits increased. Growth in lending and deposits in the quarter, along with increased return on equity, strengthened net interest income.

Norges Bank has signalled further increases in the policy rate in 2022 in view of brighter prospects for the economy and tendencies for higher inflation. This could exert further pressure on residential mortgage margins while margins on deposits and return on equity will increase.

Increased other income

Commission income and other operating income totalled NOK 671m (738m) compared with NOK 623m in the third quarter of 2021.

Good customer offerings and a high proportion of multi-product customers make for high customer satisfaction and a diversified income flow for the group.

Commission income (NOKm)	4Q 21	3Q 21	4Q 20
Payment transfers	72	61	56
Creditcard	14	14	14
Saving products	13	17	13
Insurance	55	54	51
Guarantee commission	22	13	6
Real estate agency	100	107	93
Accountancy services	114	114	111
Markets	158	110	245
Other commissions	17	7	9
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	565	497	598
Commissions SB1 Boligkreditt	102	123	136
Commissions SB1 Næringskreditt	3	3	4
Total commissions	671	623	738

Commission income on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt altogether totalled NOK 105m (140m). In the third quarter of 2021 commissions came to NOK 127m. The decline in the fourth quarter was due higher funding costs at SpareBank 1 Boligkreditt.

Other commission income totalled NOK 565m (598m) compared with NOK 497m in the third quarter. The increase of NOK 68m from the third quarter relates mainly to securities services at SpareBank 1 Markets, increased payments incomes and higher guarantee commissions. Very high incomes from securities services were noted in the fourth quarter of 2020.

Return on financial investments

Return on financial investments in the fourth quarter was NOK 32m (53m) and in the third quarter NOK 68m. Financial instruments, including bonds and CDs, showed a capital loss of NOK 9m (gain of NOK 51m) ascribable to changed credit margins on the bank's liquidity holdings. Income of NOK 24m (3m) from forex transactions refers to currency trading at SpareBank 1 Markets.

Return on financial investments (NOKm)	4Q 21	3Q 21	4Q 20
Capital gains/losses shares	15	36	-3
Gain/(loss) on financial instruments	-9	14	51
Foreign exchange gain/(loss)	24	16	3
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	1	2	2
Net return on financial instruments	32	68	53

Product companies and other related companies

The product companies provide SpareBank 1 SMN with a broad product range and commission income along with return on invested capital. The overall profit share from the product companies and other related companies was NOK 186m (117m) in 2020. In the third quarter the figure was NOK 179m.

Income from investment in associated companies	4Q 21	3Q 21	4Q 20
SpareBank 1 Gruppen	173	83	87
SpareBank 1 Boligkreditt	-2	11	-4
SpareBank 1 Næringskreditt	0	-1	5
SpareBank 1 Kreditt	2	10	0
BN Bank	42	40	36
SpareBank 1 Betaling	-9	-0	1
SpareBank 1 Forvaltning	12	13	-
Other companies	-32	23	-9
Income from investment in associated companies	186	179	117

SpareBank 1 Gruppen

The company owns 100 per cent of the shares of SpareBank 1 Forsikring, SpareBank 1 Factoring, SpareBank 1 Spleis and Modhi Finance. SpareBank 1 Gruppen owns 65 per cent of the non-life insurer Fremtind.

SpareBank 1 Gruppen's profit after tax for the fourth quarter of 2021 was NOK 1,079m (594m) and in the third quarter of 2021 NOK 621m. NOK 887m of the post-tax profit of NOK 1,079m accrues to the majority owners of SpareBank 1. Return on equity in 2021 was 21.9 per cent.

Fremtind Forsikring posted a fourth quarter profit of NOK 549m (443m) after tax, with a good underwriting result and high financial incomes. The quarter's underwriting result was NOK 449m (381m) and the claims ratio 60.2 per cent (64.6 per cent). The claims ratio is rising but remains low due to travel curbs and a positive trend in the products personal car insurance and personal liability insurance. Financial incomes were NOK 217m (182m) in the fourth quarter.

SpareBank 1 Forsikring reported a fourth quarter profit of NOK 524m (72m) after tax. The profit is affected by a value adjustment of NOK 712m on properties and income recognition of administration reserves in an amount of NOK 270m. Return on financial assets in the company portfolio was NOK 215m (32m) and the underwriting risk result was NOK 48m (32m).

The debt collection company Mohdi Finance posted a fourth quarter profit of NOK 40m after tax (11m), partly a result of portfolio value adjustments. SpareBank 1 Factoring recorded a profit of NOK 16m for the fourth quarter (13m).

The group's profit share from SpareBank 1 Gruppen was NOK 173m (87m) and in the third quarter of 2021 NOK 83m.

SpareBank 1 Forvaltning

The company was established in 2021 to strengthen the SpareBank 1 banks' competitive power in the savings market. Odin Forvaltning, SpareBank 1 Kapitalforvaltning, SpareBank 1 SR Forvaltning and SpareBank 1 verdipapirservice make up the SpareBank 1 Forvaltning group. SpareBank 1 SMN owns 19.9 per cent of the company, and the profit share in the fourth quarter was NOK 12m and in the third quarter NOK 13m. The result is satisfactory taking into account the start-up costs affecting the 2021 accounts.

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 31 December 2021 the bank had sold loans totalling NOK 46.7bn (46.6bn) to SpareBank 1 Boligkreditt, corresponding to 35.1 per cent (37.5 per cent) of the bank's overall lending to personal borrowers.

The bank's share of the company's profit was minus NOK 2m (minus 4m).

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 31 December 2021, loans worth NOK 1.4bn (1.5bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN share of the profit was NOK 0m (5m). In the third quarter of 2021 SpareBank 1 SMN's stake in the company was reduced from 31.0 per cent to 14.5 per cent, and in the fourth quarter of 2021 to 12.8 per cent after ownership rebalancing. BN Bank has become an owner of SpareBank 1 Næringskreditt, reflecting BN Bank's share of loans to commercial property. The stake was previously held by the parent banks on behalf of BN Bank. The changes were made in order to achieve a more well-ordered group structure.

SpareBank 1 Kreditt

SpareBank 1 SMN's share of the fourth quarter profit was NOK 2m (0m). SpareBank 1 SMN customers' portfolio of credit cards and consumer loans totalled NOK 998m (946m) and its stake was 19.2 per cent.

BN Bank

BN Bank offers residential mortgage loans and loans to commercial property and its main market is Oslo and south-eastern Norway. BN Bank showed good growth of 13.8 per cent in lending to personal customers in 2021 (8.7 per cent) and growth of 3.5 per cent in the fourth quarter (3.9 per cent). The growth in lending to corporate clients was 6.3 per cent in 2021 (11.3 per cent) and 4.5 per cent in the last quarter (decline of 0.7 per cent). Total outstanding loans come to NOK 52bn (47bn).

BN Bank recorded a profit of NOK 121m (105m) in the fourth quarter, providing a return on equity of 10.5 per cent (9.4 per cent). Increased net interest income and commission income explain the profit growth. SpareBank 1 SMN's share of BN Bank's profit is NOK 42m (36m).

SpareBank 1 Betaling

SpareBank 1 Betaling is the SpareBank 1 banks' parent company for Vipps payments solutions. On 30 June 2021 Vipps entered an agreement to merge Vipps' mobile payments arm with Danish MobilePay and Finnish Pivo. The merger opens the way for cross-border mobile payments and even better solutions for users and businesses across Denmark, Finland and Norway. BankAxept and BankID will concurrently be spun off from Vipps to become a Norwegian-owned company with its own management. This company will remain 100 per cent owned by the Norwegian banks.

SpareBank 1 SMN's share of the deficit was minus NOK 9m (1m) in the fourth quarter.

Operating expenses

Overall expenses in the fourth quarter came to NOK 765m (824m), a decline of NOK 59m compared with the same period of 2020. Overall expenses in the third quarter were NOK 698m.

Operating expenses	4Q 21	3Q 21	4Q 20
Staff costs	463	423	553
IT costs	97	85	82
Marketing	22	19	14
Ordinary depreciation	40	56	43
Operating expenses, real properties	11	14	22
Purchased services	57	60	55
Other operating expense	76	41	54
Total operating expenses	765	698	824

The bank recorded expenses of NOK 368m (426m) and in the previous quarter NOK 345m. The fourth quarter of 2020 included a provision of NOK 80m for reorganisation costs. Average FTE consumption was reduced and reductions in other operating expenses were achieved by measures under 'One SMN'. Expenses at the bank rose from the third to fourth quarter by NOK 23m – mainly as a result of bonus payments to staff, increased technology costs and higher consumption-related costs.

Where the subsidiaries are concerned, expenses at SpareBank 1 Regnskapshuset SMN rose compared with the fourth quarter due to company acquisitions and investments in new technology, and at EiendomsMegler 1 Midt-Norge due to high activity in the housing market in 2021. Reduced expenses were noted at SpareBank 1 Markets after the high expenses seen in the fourth quarter of 2020 related to very high incomes.

The cost-income ratio was 47 per cent (51 per cent) for the group, 40 per cent (47 per cent) for the parent bank.

Reduced losses

Losses on loans totalled NOK 32m (242m) and in the third quarter NOK 31m.

Impairment losses	4Q 21	3Q 21	4Q 20
RM	4	3	6
CM	27	28	236
<i>Of which Offshore</i>	-27	15	155
Total impairment losses	32	31	242

A loss of NOK 27m (236m) was recorded on loans to corporates in 2020, including a net recovery of NOK 27m (loss of NOK 155m) in the offshore portfolio and increased losses of NOK 54m on other business and industry. NOK 47m of this figure resides in the bank and is distributed across a wide number of customers and segments. Losses on loans measure 0.07 per cent (0.54 per cent) of total losses.

A loss of NOK 4m was recorded on loans to personal customers (6m).

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

Losses on loans were substantially reduced in 2021 and appear to have stabilised at a lower level. The outlook in the offshore industry has brightened and a large proportion of the exposures have already been

written down. The risk picture in lending to other business and industry and personal customers is stable reflecting a healthy trend in the region, although losses to business and industry other than offshore rose in the quarter.

Overall write-downs on loans and guarantees totalled NOK 1,520m (1,630m).

Overall problem loans (Stage 3) come to NOK 3,290m (2,255m) corresponding to 1.68 per cent (1.23 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The increase in problem loans refers 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 associated with the individual exposures, and the effect of the new definition on the group's losses is marginal.

Total assets of NOK 199bn

The bank's total assets were NOK 199bn (188bn), having risen as a result of higher lending and higher liquidity holdings.

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

Lending

Total outstanding loans rose in 2021 by NOK 12.6bn (14.0bn), corresponding to 6.9 per cent (9.0 per cent), and stood at NOK 195.4bn (182.8bn) at year-end. Growth in the fourth quarter was 1.8 per cent (1.9 per cent).

- Lending to personal customers rose by NOK 8.4bn (9.4bn) to NOK 132.9bn (124.5bn). Growth in the period was 6.8 per cent (8.2 per cent). In the fourth quarter growth was 1.6 per cent (1.6 per cent)
- Lending to corporate clients rose by NOK 4.1bn (5.6bn) to NOK 62.5bn (58.3bn). Growth in the period was 7.1 per cent (10.6 per cent). In the fourth quarter growth was 2.1 per cent (2.5 per cent)
- Lending to personal customers accounted for 68 per cent (68 per cent) of total outstanding loans to customers

The group shows good growth in lending to personal customers and is strengthening its market position. A substantial portion of the growth is to the LO (Norwegian Trade Unions Confederation) segment. The growth in lending to corporate clients is largely to small and medium-sized businesses throughout the market area. The growth is distributed across a number of industries, and industry and single name concentrations are avoided.

(For distribution by sector, see note 5)

Deposit

Customer deposits rose in 2021 by NOK 13.8 bn (11.6bn) to NOK 111.3bn (97.5bn). This represents a growth of 14.1 per cent (13.5 per cent). Growth in the fourth quarter was 1.5 per cent (2.2 per cent).

- Personal deposits rose by NOK 4.0bn (4.9bn) to NOK 44.6bn (40.6bn), corresponding to 9.8 per cent (13.8 per cent). In the fourth quarter growth was 1.4 per cent (0.1 per cent)

- Corporate deposits rose by NOK 9.8bn (6.7bn) to NOK 66.7bn (56.9bn), corresponding to 17.2 per cent (13.3 per cent). In the fourth quarter growth was 1.5 per cent (3.8 per cent)
- The deposit-to-loan ratio including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 57 per cent (53 per cent)

Deposit growth has been very high in the last two years due to the pandemic.

(For distribution by sector, see note 9).

Personal customers

The Personal Banking Division and EiendomsMegler 1 Midt-Norge offer a broad range of financial services. Improved coordination between the bank and the real estate agency business affords customers a better service offering and contributes to increased growth and profitability.

Result before tax	4Q 21	3Q 21	4Q 20
Personal market	288	311	320
EiendomsMegler 1 Midt-Norge (87%)	1	8	2

The **Personal Banking Division** achieved a pre-tax profit of NOK 288m (320m), and NOK 311m in the previous quarter.

Loans granted by the Personal Banking Division total NOK 138bn (129bn) and deposits total NOK 51bn (47bn). These are loans to and deposits from wage earners, agricultural customers and sole proprietorships.

Operating income posted by the division totalled NOK 531m (543m) and NOK 539 in the previous quarter. Net interest income accounted for NOK 306m (287m) and NOK 300m in the third quarter. Commission income totalled NOK 225m (255m) and NOK 240m in the previous quarter. Net interest income rose compared with the fourth quarter of 2020 as a result of growth and a strengthened deposit margin, while lower margins on loans have weakened net interest income and commissions from SpareBank 1 Boligkreditt.

The lending margin was 1.25 per cent (1.73 per cent) and in the third quarter of 2021 1.57 per cent. The deposit margin was 0.43 per cent (minus 0.01 per cent) and 0.06 per cent in the previous quarter (measured against three-month NIBOR). The market interest rate in terms of three-month NIBOR rose from the third quarter of 2021 by about 40 basis points which weakened the lending margin but strengthened the deposit margin in the fourth quarter.

Lending to and deposits from personal customers grew by 6.6 per cent (8.2 per cent) and 6.8 per cent (14.0 per cent) respectively in 2021. In the fourth quarter growth in lending and deposits came to 1.7 per cent (1.7 per cent) and 1.6 per cent (minus 0.2 per cent) respectively.

Lending to personal customers consistently carries low risk, as reflected in continued low losses. The loan portfolio is largely secured by residential property. There was a net recovery of NOK 10m on losses (loss of 56m) in 2021.

Eiendomsmegler 1 Midt-Norge is the market leader in Trøndelag and in Møre and Romsdal. Operating income and expenses both totalled NOK 100m in the fourth quarter (NOK 94m and 91m respectively in 2020), and the pre-tax profit was NOK 1m (2m). The housing market showed high activity in the second half of 2020, and the company achieved high sales combined with increased house prices. The housing market also saw high activity in 2021, and the fourth quarter brought higher operating incomes than the same

quarter of 2020. Costs also increased, and the operating profit was somewhat weaker than in the same quarter last year. 1,770 dwelling units were sold in the fourth quarter compared with 1,671 in the same period of 2020. The company's market share at 31 December 2021 was 36 per cent (36 per cent).

Corporate customers

The corporate business at SpareBank 1 SMN consists of the bank's corporate banking arm, SpareBank 1 Regnskapshuset SMN, SpareBank 1 Finans Midt-Norge and SpareBank 1 Markets. These business lines service business and industry with a complete range of accounting, banking and capital market services. There is considerable potential for interaction between the business lines.

Result before tax	4Q 21	3Q 21	4Q 20
Corporate banking	229	200	-31
SpareBank 1 Regnskapshuset SMN (88.7%)	3	21	22
SpareBank 1 Finans Midt-Norge (56.5%)	45	35	52
SpareBank 1 Markets (66.7%)	51	23	91

The **Corporate Banking Division** achieved a pre-tax profit of NOK 229m (minus NOK 31m) and NOK 200m in the third quarter of 2021. Lower losses strengthen the profit performance.

Outstanding loans to corporates totalled NOK 46bn (43bn) and deposits totalled NOK 60bn (49bn) as at 31 December 2021. This is a diversified portfolio of loans to and deposits from corporate clients in Trøndelag and Møre and Romsdal.

Operating income came to NOK 370m (301m) and NOK 334m in the third quarter. Net interest income was NOK 291m (253m) and NOK 273m in the third quarter. Commission income totalled NOK 78m (48m) compared with NOK 61m in the third quarter. An increase in NIBOR reduced lending margins in the quarter but increased deposit margins. Increased loan and deposit volumes have strengthened the earnings base. Strong growth in commission income is down to increased guarantee commissions and payments incomes.

The lending margin was 2.39 per cent (2.64 per cent) and the deposit margin was minus 0.16 per cent (minus 0.21 per cent). Lending growth in 2021 was 7.4 per cent (12.7 per cent) while deposits rose 20.6 per cent (15.6 per cent). Lending growth in the quarter was 1.6 per cent (2.8 per cent) and deposit growth was 1.0 per cent (6.5 per cent).

Net loan losses to the bank's corporate clients came to NOK 20m (232m) and to NOK 25m in the third quarter.

SpareBank 1 SMN and SpareBank 1 Regnskapshuset SMN each have a large proportion of businesses in the market area as customers. Development of the customer offering seeks to ensure that customers see the added value of being a customer of both the bank and Regnskapshuset.

As a result of the strengthened focus on SMBs, many new customers opted for SpareBank 1 SMN as their bank in 2021. Corporate customers have strong links with the bank and customer turnover is extremely low.

SpareBank 1 Finans Midt-Norge delivered a pre-tax profit of NOK 45m (52m). The company provides leasing and invoice purchasing services to businesses and car loans to personal customers.

The company's incomes totalled NOK 87m (98m). Costs in the fourth quarter totalled NOK 30m (33m). Losses totalled NOK 12m (12m).

The company has leasing agreements with and loans to corporate customers worth a total of NOK 4.2bn (3.9bn) and car loans worth NOK 6.0bn (5.5bn). Growth in 2021 was 8.2 per cent and 10.1 per cent respectively. The invoice sales portfolio from SpareBank 1 Spire Finans was included in the company as from 2021 and invoices worth NOK 613m were purchased in that year.

SpareBank 1 Finans Midt-Norge and other SpareBank 1 banks own 47 per cent of the shares of the car subscription company Fleks. Bertel O Stein holds a corresponding stake. Customers' needs are changing rapidly and the sharing economy is growing. Fleks offers flexible car subscription solutions. Electrification of the car population and the car subscription system make for reduced emissions. Fleks currently has 1,700 cars and plans to expand to 6,000 cars by 2024.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 3m (22m). Operating income was NOK 123m (118m) and expenses were NOK 120m (96m). The expense growth in the fourth quarter compared with the same quarter of 2020 is down to business acquisitions, investments in new services along with investments in a new IT platform.

The company wishes to create a broader income platform beyond the traditional production of accounts. Over the course of 2021 the company invested heavily to ensure continued development of its competitive power. This covered advisory competence and capacity, an increased focus on digitalisation along with generation of new income flows.

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

SpareBank 1 Markets' pre-tax profit for the fourth quarter was NOK 51m (91m). Activity levels in the business areas were high in the quarter. SpareBank 1 Markets has facilitated a number of major transactions in the quarter. Earnings from fixed income and forex business were high compared with the same quarter of last year, while lower activity in the market for debt capital led to reduced earnings. Overall incomes came to NOK 212m (285m). Operating expenses totalled NOK 160m (196m).

SpareBank 1 Markets is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. SpareBank 1 Markets is the leading capital market unit in SpareBank 1 SMN's market area.

SpareBank 1 SMN Invest

The company owns shares in regional businesses. The portfolio is managed together with other long-term shareholdings of the bank and is due to be scaled down.

The pre-tax profit was minus NOK 4m (minus 3m) and in the previous quarter NOK 61m. The company's portfolio profit was zero and the profit share from the company's stake in Grilstad Marina was minus NOK 10 million.

The company held shares worth NOK 592m (430m) as at 31 December 2021.

At 31 December 2021

Good profit

SpareBank 1 SMN reports a net profit of NOK 2,902m (1,978m), and a return on equity of 13.5 per cent (10.0 per cent). The profit is NOK 924m better than in 2020 due to increased incomes and reduced losses. Earnings per equity certificate were NOK 13.31 (8.87).

The operating profit after losses was NOK 2,475m (1,419m) and NOK 1,048m better than in 2020 due to increased incomes, no cost growth at the bank and reduced losses.

Net interest income came to NOK 2,796m (2,759m). Average NIBOR was about 20 basis points lower than the previous year. Lending rates were on average reduced by just over 20 basis points, while deposit margins in total in 2021 were at approximately the same level as in 2020. An increase in both lending and deposits has contributed to strengthen net interest income.

Net commission income was NOK 2,832m (2,516m). The income growth of NOK 316m is mainly explained by increased income from securities services, estate agency services, insurance, guarantee commissions, accounting services and payments as well as increased commission income on loans sold to SpareBank 1 Boligkreditt.

Return on financial investments (incl. dividends) was NOK 321m (269m). The increase is largely the result of a gain on the equity portfolio of SpareBank 1 Invest in the first quarter of 2021.

The result from related companies was NOK 705m (681m). The result was positively affected by good results at Fremtind Forsikring, SpareBank 1 Forsikring and BN Bank. The 2020 figures include a gain of NOK 340m from SpareBank 1 Forsikring.

Operating expenses totalled NOK 2,993m (2,904m) entailing an increase of NOK 89m or 3.1 per cent. Expenses in 2020 include a provision of NOK 80m for reorganisation at the bank.

When the reorganisation costs are adjusted for, cost growth at the bank in 2021 was zero. SpareBank 1 Markets achieved excellent incomes in 2021 with an ensuing increase in expenses. High activity at EiendomsMegler 1 Midt-Norge and acquisitions and technology investments at SpareBank 1 Regnskapshuset SMN also brought higher costs.

Loan losses were NOK 161m (951m). Losses on loans to corporate clients amounted to NOK 159m (873m). Lower losses in the offshore segment explain much of the reduction. A net loss of NOK 1m (78m) recorded on loans to personal customers.

Lending grew 6.9 per cent (9.0 per cent). Growth in lending to personal customers was 6.8 per cent (8.2 per cent). Lending to corporate clients increased by 7.1 per cent (10.6 per cent).

Deposits climbed 14.1 per cent (13.5 per cent). Deposits from personal customers rose 9.8 per cent (13.8 per cent) while deposits from corporate clients rose 17.2 per cent (13.3 per cent).

Personal customers

Result before tax	Jan- Dec 2021	Jan- Dec 2020
Personal market	1,167	1,093
EiendomsMegler 1 Midt-Norge (87%)	71	52

The bank's **personal banking arm** achieved a pre-tax profit of NOK 1,167m (1,093m) in 2021. Return on capital employed in the personal segment was 13.4 per cent (13.4 per cent).

Overall operating income came to NOK 2,074m (2,078m). Net interest income accounted for NOK 1,165m (1,213m) and commission income for NOK 908m (865m). Commission income has risen mainly as a result of higher commissions from SpareBank 1 Boligkreditt but also of increased incomes from payments services and saving products.

Growth in lending to and deposits from the personal segment was 6.6 per cent (8.2 per cent) and 6.8 per cent (14.0 per cent) respectively in the last 12 months.

The lending margin was 1.53 per cent (1.80 per cent), while the deposit margin was 0.13 per cent (minus 0.03 per cent) measured against three-month NIBOR. Lending margins were reduced by about 27 basis points in 2021 whereas deposit margins increased by 16 basis points.

A net recovery of NOK 10m was recorded on losses (loss of 56m).

EiendomsMegler 1 Midt-Norge. Operating income was NOK 453m (394m), while operating expenses were NOK 382m (342m). EiendomsMegler 1 Midt-Norge's pre-tax profit was NOK 71m (52m). Activity levels in the housing market have been high from and including the second half of 2020, and property sales (residential and commercial) totalled 7,763 compared with 7,164 in 2020.

Corporate customers

Result before tax	Jan-Dec 2021	Jan-Dec 2020
Corporate banking	795	113
SpareBank 1 Regnskapshuset SMN (88.7%)	85	110
SpareBank 1 Finans Midt-Norge (56.5%)	198	184
SpareBank 1 Markets (66.7%)	254	169

The bank's **corporate banking arm** achieved a pre-tax profit of NOK 795m (113m) in 2021. The profit growth is due to lower losses. Return on capital employed for the corporate segment was 11.5 per cent (2.1 per cent).

Operating income was NOK 1,386m (1,381m). Net interest income came to NOK 1,120m (1,149m) and commission income (including income from forex business) to NOK 266m (232m).

Lending increased by 7.4 per cent (12.7 per cent) and deposits by 20.6 per cent (15.6 per cent) 2021. Part of the deposit growth is explained by Trondheim Municipality's choice of SpareBank 1 SMN as its main bank.

The lending and deposit margins were 2.61 per cent (2.79 per cent) and minus 0.29 per cent (minus 0.15 per cent) respectively. Lending margins were reduced by 17 basis points in 2021 while deposit margins increased by 14 points.

Net overall losses in the bank's corporate segment were NOK 145m (846m).

SpareBank 1 Finans Midt-Norge reported a pre-tax profit of NOK 198m (184m). Comparatives are restated to include SpareBank 1 Spire Finans which was merged into the company as from 1 January 2021.

The company's earnings totalled NOK 364m (364m). Costs as at 31 December 2021 came to NOK 141m (131m). Losses were NOK 25m (49m).

A deficit carried forward at SpareBank 1 Spire Finans reduced the tax charge for SpareBank 1 Finans Midt-Norge by NOK 35m.

SpareBank 1 Regnskapshuset SMN achieved a pre-tax profit of NOK 85m (110m). Operating income was NOK 562m (553m) and expenses were NOK 476m (423m). Relatively high cost growth versus income growth is attributable to the costs of developing new services and a new technology platform.

SpareBank 1 Markets' pre-tax profit for 2021 was NOK 254m (169m). The company's incomes in 2021 totalled NOK 901m (759m) while expenses came to NOK 647m (590m).

Particularly high activity was noted in the business lines Investment Banking and Stockbroking. Earnings from fixed income and forex business were on a par with the previous year, while Debt Capital showed somewhat reduced earnings. Overall income is higher than the previous year, and the profit for the year is the best in the company's history.

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 bank is required 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 was 138 per cent as at 31 December 2021 (171 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 31 December 2021 was 57 per cent (53 per cent).

The bank's funding sources and products are amply diversified. The proportion of the bank's overall money market funding in excess of one year's maturity was 89 per cent (83 per cent).

SpareBank 1 Boligkreditt and Næringskreditt are the bank's most important funding sources, and loans totalling NOK 48bn (48bn) had been sold to these mortgage companies as at 31 December 2021.

SpareBank 1 SMN has established and published a framework for the issuance of green bonds. The framework is verified by the rating agency Sustainalytics. SpareBank 1 SMN issued in 2021 a senior green bond of EUR 500m with a seven year maturity.

As at 31 December 2021 SpareBank 1 SMN held NOK 3.5bn in senior non-preferred debt (MREL).

Rating

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

Financial soundness

The CET1 ratio at 31 December 2021 was 18.0 per cent (18.3 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 with effect from the first quarter of 2022.

SpareBank 1 SMN targets 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 profits. The target will be evaluated once Finanstilsynet has announced its Pillar 2 guidance.

The group includes a full countercyclical buffer in its capital planning, and at the end of 2021 aims for a CET1 ratio of 16.9 per cent.

The CET1 ratio showed a 0.1 percentage point decline from the third quarter. Risk weighted assets grew 0.8 per cent in the fourth quarter at the same time as CET1 capital increased by 0.3 per cent. A payout ratio of 56.3 per cent of the group' net profit for 2021 is assumed.

A leverage ratio of 6.9 per cent (7.1 per cent) shows the bank to be very solid.

Sustainability

Sustainability is one of five strategic priorities in the group strategy. SpareBank 1 SMN is in the process of implementing its sustainability strategy within the five key areas innovation, customer offering, climate footprint, competence and diversity.

The following may be highlighted:

- Top rating achieved in the report "Bærekraft på Børs". This means that SpareBank 1 SMN reports in keeping with best practice and standards underpinned by a clear strategy with well-defined objectives
- SpareBank 1 SMN issued in February 2021 a senior green bond of EUR 500m with a seven year maturity
- Financial support for expert assistance from SINTEF and SpareBank 1 SMN is 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 the bank and EiendomsMegler 1
- Strong growth in the proportion of green residential mortgages in 2021. New mortgages increase by NOK 0.5bn
- New product offering launched for green agricultural loans
- Guide against greenwashing endorsed by SpareBank 1 SMN
- Sustainability an integral part of the credit process for corporate loans
- Mandatory training package in sustainability completed by group employees
- Procedures and charges for establishing customer relationships for refugees have been improved as part of the financial inclusion effort
- The Sustainability Barometer for Trøndelag and Møre and Romsdal presented for the third year running as part of SpareBank 1 SMN's Economic Barometer

The fourth quarter saw the start of a programme to revise the methodology employed in the energy and climate account and to revise calculation of the loan portfolio's climate burden.

- Preliminary project on the calculation of the loan portfolio's greenhouse gas burden now completed
- Partnership entered with Partnership for Carbon Accounting Financials (PCAF)
- Improved methodology for calculation of the group's direct and indirect greenhouse gas emissions involving use of the environment management tool Klimakost (an environmentally extended input-output model)

In 2022 the group will introduce a new method for measuring and controlling the group's risk to the climate. Improved estimation of the loan portfolio's greenhouse gas burden, as well as the group's own direct and indirect greenhouse gas emissions, will provide the basis for an energy and climate account of better quality and relevance. New insight may bring a need to adjust and concretise the group's climate objectives within the framework of the Paris Agreement goals. SpareBank 1 SMN will in 2022 continue to stimulate innovation and competence development among the group's customers in the sustainability sphere.

The bank's equity certificate (MING)

The market price of the equity certificate (EC) as at 31 December 2021 was NOK 149.0 (97.60), the book value was NOK 103.48 (94.71), and earnings per EC were NOK 13.31 (8.87). A total cash dividend of NOK 4.40 was paid per EC in 2021.

The Price / Income ratio was 11.19 (11.01) and the Price / Book ratio was 1.44 (1.03).

Outlook

In 2021 SpareBank 1 SMN achieved its best results ever. All business lines performed well and strengthened their market position. This provides a good basis on which to attain the group's ambitions.

Despite high infection rates the outlook for the Norwegian economy is good. The Omicron variant of the virus brings high infection rates but few hospital admissions, and infection protection measures have been considerably relaxed. Unemployment is further reduced and a general optimism is in evidence in the business sector in the Norwegian and regional economies. However, labour shortages in some sectors pose a challenge and may curb growth.

Hostile Russia-Ukraine relations and high energy prices are factors liable to create an uncertain outlook.

Norges Bank has raised its policy rate to 0.50 per cent and further increases are expected ahead. The policy rate hike reflects the improvement in the economy. The bank is well positioned to draw benefit from the rate hike.

Improved prospects in the offshore segment brought substantially lower loan losses in 2021. Losses have stabilised at a lower level and the outlook in the industry is brighter. The risk picture in other business and industry and among personal customers is stable, reflecting a healthy trend in the region. SpareBank 1 SMN has low exposure to the industries hardest hit by Covid.

SpareBank 1 SMN is highly profitable and very solid. The entire organisation has been revamped with reinforced focus on data-driven innovation bringing modern, customer-oriented and efficient distribution. SpareBank 1 SMN has developed a broad product platform with profitable subsidiaries and product companies that will increase sales, acquire more customers and larger market shares, both in its own region and the country as a whole.

SpareBank 1 SMN has an implicit market value of NOK 30bn and is the country's second largest savings bank. This position will be strengthened through organic and structural growth.

In 2021 SpareBank 1 SMN focused on initiatives under the five priorities of the sustainability strategy. The work on sustainability will require an ever more intense effort and innovation in interaction with the customers.

The fight against economic and financial crime is an important societal responsibility requiring ever increasing efforts on the part of SpareBank 1 SMN.

The board of directors will recommend the supervisory board to set a cash dividend of NOK 7.50 per equity certificate (NOK 4.40) representing 56.3 per cent of the net profit, and to allocate NOK 547m (321m) to community dividend. The community dividend contributes to strengthening the region, and the bank's market position.

The board of directors is well pleased with 2021. The results were excellent, at the same time as a demanding reorganisation process was conducted. With a good starting point, good market prospects and many ongoing development initiatives, the board expects 2022 to be a good year.

Trondheim, 9 february 2022
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Christian Stav
(deputy chair)

Janne T. Thomsen

Mette Kamsvåg

Tonje Eskeland Foss

Morten Loktu

Freddy Aursø

Christina Straub
(employee rep.)

Inge Lindseth
(employee rep.)

Jan-Frode Janson
(Group CEO)