

# Report of the Board of Directors

## First quarter 2022

*(Consolidated figures. Figures in parenthesis refer to the same period of 2021 unless otherwise stated)*

- Net profit: NOK 698m (768m)
- Return on equity: 12.5 per cent (14.8 per cent)
- CET1 ratio: 18.3 per cent (18.0 per cent )
- Growth in lending: 2.4 per cent (1.4 per cent ) and in deposits: 2.5 per cent (growth of 5.0 per cent )
- Lending to personal customers rose by 1.6 per cent in the quarter (0.8 per cent), the same growth as in the fourth quarter. Lending to corporate clients rose by 4.0 per cent (2.6 per cent) which was 1.9 percentage points higher than in the fourth quarter of 2021
- Deposits from personal customers rose by 2.2 per cent (1.8 per cent ), 0.8 percentage point higher than in the fourth quarter. Deposits from corporate clients rose by 2.6 per cent (7.3 per cent ), 0.9 percentage point higher than in the fourth quarter of 2021
- Net result of ownership interests: NOK 62m (128m)
- Net result of financial instruments (incl. dividends): NOK 173m (161m)
- Losses on loans and guarantees: NOK 0m (59m), 0.00 per cent of gross lending (0.13 per cent)
- Earnings per equity certificate (EC): NOK 3.20 (3.40). Book value per EC: NOK 99.55 (96.70)

## Events in the quarter

### **The upturn in the Norwegian economy is expected to continue despite the war in Ukraine**

Norges Bank raised its base rate to 0.75 in March. Like other banks, SpareBank 1 SMN has increased its interest rates on mortgages and deposits.

Activity levels in the Norwegian economy continued to rise following the removal of infection protection measures this winter. Unemployment has been further reduced and there is very high utilisation of the capacity in the economy. The war in Ukraine creates uncertainty, but a continued recovery in the Norwegian economy is in prospect. Wage and price growth has been higher than anticipated. Increased expectations as to wage growth along with higher prices of imported goods are likely to bring higher inflation ahead.

The war and ensuing sanctions along with changed behaviour abroad and at home affect the Norwegian economy both directly and indirectly. The war reduces trade between the countries involved and the rest of the world, causing a shortage of goods and higher prices of energy, food and other commodities. As would be expected, financial markets are experiencing increased disquiet and volatility, resulting in wider credit spreads in the bond market. Despite this, the impact on the Norwegian economy is not expected to be dramatic, with employment remaining high and a limited decline in expected GDP growth. For SpareBank 1 SMN's part, the corporate portfolio is so far little affected by the repercussions of the pandemic or by the war in Ukraine. It is emphasised that there are many uncertainties in both the international and Norwegian economies in the first part of 2022. The conditions in the economy can change rapidly, and thus also the economic outlook.

Norges Bank signals further, relatively frequent changes in the base rate ahead, and the forecast following the interest rate decision in March 2022 indicates a base rate of 2.50 per cent at the end of 2023. The main rationale for this is the need to slow the inflation resulting from capacity constraints in the economy and rising wage and price growth.

### Results for the first quarter of 2022

The first quarter net profit was NOK 698m (768m) and return on equity was 12.5 per cent (14.8 per cent). The profit is NOK 5m lower than in the fourth quarter. The profit decline compared with last year's first quarter is largely down to weaker performances by the insurance companies in SpareBank 1 Gruppen.

Earnings per equity certificate (EC) were NOK 3.20 (3.40) and the EC's book value was NOK 99.55 (96.70). In the fourth quarter of 2021 earnings per EC were NOK 3.20.

Net interest income totalled NOK 758m (668m), which is NOK 35m higher than in the fourth quarter and NOK 89m better than in the first quarter of last year. The market interest rate in terms of NIBOR, which is an important component of the banks' funding costs, was about 40 points higher in the first quarter of 2022 than in the fourth quarter and about 70 points higher than in the first quarter of 2021. This has resulted in lower margins on loans and higher margins on deposits. Increased lending and deposit volumes have strengthened net interest income.

Net commission and other income declined from the previous quarter by NOK 34m to NOK 637m (790m). The change from the fourth quarter is largely due to reduced incomes from securities services at SpareBank 1 Markets and lower commission incomes from SpareBank 1 Boligkreditt. The substantial decline from the same quarter of 2021 relates mainly to securities services at SpareBank 1 Markets which posted very high revenues in the first quarter of 2021.

The group's share of the result of ownership interests and related companies was NOK 62m (128m). The fourth quarter's profit share was NOK 186m. The decline is mainly attributable to weak results posted by the insurance companies in SpareBank 1 Gruppen in the first quarter.

Return on financial instruments (incl. dividends) was NOK 173m (161m), and in the fourth quarter NOK 33m. High returns in both the first quarter of 2022 and 2021 refer to gains on shares at SpareBank 1 SMN Invest.

Operating expenses came to NOK 762m (796m). In the fourth quarter operating expenses totalled NOK 765m. The bank reports increased costs compared with the first quarter of 2021, while overall costs at the subsidiaries have fallen.

Net losses on loans and guarantees were NOK 0m (59m) in the first quarter, and in the fourth quarter NOK 32m. The low losses are ascribable to improved prospects in the oil and offshore industry and sound finances among households and the business sector in general.

Good growth is noted in lending and deposits. Overall lending grew by 7.9 per cent (8.5 per cent) and deposits by 11.4 per cent (16.2 per cent) in the last 12 months. In the first quarter lending growth was 2.4 (1.4) per cent and deposit growth 2.5 per cent (5.0 per cent).

As at 31 March 2022 the CET1 ratio was 18.3 per cent (18.0 per cent), an increase of 0.3 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. From 30 April 2022, SpareBank 1 SMN has received a new Pillar 2 requirement. The rate of 1.9 per cent is unchanged, but the bank must have an additional 0.7 per cent in Pillar 2 requirements until the application for adjusted IRB-models has been processed.

The financial supervisory authority has decided that SpareBank 1 SMN shall have a pillar 2 guidance of 1.25 per cent above total capital requirements. With this, the bank's long-term target for common equity tier 1 capital adequacy has been increased to 17.2 per cent

Earnings per EC were NOK 3.20 (3.40). The book value was NOK 99.55 (96.70) per EC. In the first quarter a cash dividend of NOK 7.50 was paid for the year 2021 (4.40).

The price of the bank's equity certificate (MING) at quarter-end was NOK 141.20 (107.40).

### Increased net interest income

In March 2022 Norges Bank, as expected, raised its base rate further to 0.75 per cent. Market rates in terms of NIBOR have also risen and, partly as a result of low market liquidity, have risen more than the base rate. The bank has increased its mortgage and deposit rates following the changes in the base rate, and has announced a further increase of up to 25 points as from 13 May 2022.

Net interest income totalled NOK 758m (668m) compared with NOK 723m in the fourth quarter of 2021. Market rates rose from the fourth to the first quarter, and margins on residential mortgages 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 base rate in 2022 in view of the relatively good prospects for the economy and higher inflation. This could bring residential mortgage margins under further pressure while margins on deposits and return on equity will rise.

### Commission income and other operating income

Commission income and other operating income totalled NOK 637m (790m) compared with NOK 671m in the fourth 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)	1Q 22	4Q 21	1Q 21
Payment transfers	60	72	49
Creditcard	16	14	14
Saving products	9	13	15
Insurance	57	55	52
Guarantee commission	18	22	14
Real estate agency	94	100	103
Accountancy services	156	114	148
Markets	124	158	275
Other commissions	14	17	5
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	549	565	675
Commissions SB1 Boligkreditt	84	102	112
Commissions SB1 Næringskreditt	4	3	4
<b>Total commissions</b>	<b>637</b>	<b>671</b>	<b>790</b>

Commission income on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt altogether totalled NOK 88m (116m). In the fourth quarter of 2021 commissions came to NOK 105m. The decline in

the first quarter of 2022 is due to lower margins on loans sold to SpareBank 1 Boligkreditt. Margins are down since the company's funding costs related to NIBOR have risen faster than the bank has adjusted its customer interest rates.

Other commission income totalled NOK 549m (675m) compared with NOK 565m in the fourth quarter. The decline of NOK 16m from the fourth quarter relates mainly to securities services at SpareBank 1 Markets and payments incomes. Incomes from accounting services rose in keeping with seasonal variations.

In the first quarter of 2021 high issuance activity spurred very high incomes from securities services at SpareBank 1 Markets.

### Return on financial investments

Return on financial investments in the first quarter was NOK 172m (158m), and in the fourth quarter NOK 32m. Gains of NOK 137m (102m) were noted, mainly on shareholdings at SpareBank 1 SMN Invest. Financial instruments, including bonds and CDs, showed a capital loss of NOK 10m (gain of NOK 20m) ascribable to changed credit margins on the bank's liquidity holdings. Income of NOK 7m (15m) from forex transactions is income from currency trading at SpareBank 1 Markets.

Return on financial investments (NOKm)	1Q 22	4Q 21	1Q 21
Capital gains/losses shares	137	15	102
Gain/(loss) on financial instruments	-10	-9	20
Foreign exchange gain/(loss)	7	24	15
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	37	1	20
<b>Net return on financial instruments</b>	<b>172</b>	<b>32</b>	<b>158</b>

### 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 62m (128m). In the fourth quarter the figure was NOK 186m.

Income from investment in associated companies	1Q 22	4Q 21	1Q 21
SpareBank 1 Gruppen (19.5%)	13	173	67
SpareBank 1 Boligkreditt (20.9%)	-5	-2	4
SpareBank 1 Næringskreditt (14.9%)	0	0	3
SpareBank 1 Kreditt (19.2%)	3	2	0
BN Bank (35%)	49	42	40
SpareBank 1 Betaling (21.5%)	-5	-9	-1
SpareBank 1 Forvaltning (19.3%)	8	12	0
Other companies	-1	-32	14
<b>Income from investment in associated companies</b>	<b>62</b>	<b>186</b>	<b>128</b>

### SpareBank 1 Gruppen

This company owns 100 per cent of the shares of SpareBank 1 Forsikring, SpareBank 1 Factoring, SpareBank 1 Spleis and Modhi Finance. SpareBank 1 Gruppen is the majority owner (65 per cent) of the non-life insurer Fremtind.

SpareBank 1 Gruppen's profit after tax for the first quarter of 2022 was NOK 95m (507m) and in the fourth quarter of 2021 NOK 1,079m. NOK 67m of the post-tax profit of NOK 95m accrues to the majority owners of SpareBank 1. Return on equity in the first quarter of 2022 was 2.5 per cent. The poor performance is down to weak results posted by the insurers Fremtind Forsikring and SpareBank 1 Forsikring.

Fremtind Forsikring posted a first quarter profit of NOK 79m (466m) after tax. The profit impairment is due to a weak equity market and a negative value trend on the insurers' fixed income portfolio, and a poor underwriting result. The quarter's underwriting result was NOK 162m (467m) and the claims ratio 70.1 per cent (63.7 per cent). The claims ratio in the first quarter showed an increase due to an unusually large element of natural damage. Financial incomes were minus NOK 38m (plus 158m) in the first quarter.

SpareBank 1 Forsikring reported a first quarter 2022 profit of NOK 3m (minus 17m) after tax. A weak securities market impaired the return on financial assets, while increased incomes on pension products helped strengthen the profit performance.

The debt collection company Mohdi Finance posted a first quarter profit of NOK 37m after tax (56m). The company's incomes rose as a result of new income flows from portfolios acquired in 2021. A good performance in in the first quarter of 2021 was largely a result of portfolio revaluation.

Modhi and the debt collection company Kredinor have signed an agreement of intent to merge their operations to become a leading company in the field of debt collection and debt servicing with the Nordic region as its home market. Kredinor is somewhat larger than Modhi, but the intention is that the parties should end up with equal stakes in the company.

SpareBank 1 Factoring recorded a first-quarter profit of NOK 17m (11m), and is on a positive trend following the pick-up in customer activity after the pandemic.

The group's profit share from SpareBank 1 Gruppen was NOK 13m (67m) and in the fourth quarter of 2021 NOK 173m.

### **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 19.3 per cent of the company, and its profit share in the first quarter was NOK 8m and in the fourth quarter NOK 12m. The result is satisfactory taking into account a number of start-up costs still affecting the 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 March 2022 the bank had sold loans totalling NOK 51.2bn (46.3bn) to SpareBank 1 Boligkreditt, corresponding to 38.0 per cent (36.9 per cent) of the bank's overall lending to personal borrowers.

The bank's stake in the company is 20.9 per cent, and the share of the company's profit was minus NOK 5m (plus 4m). The negative result is due to increased credit margins on the company's liquidity portfolio.

### **SpareBank 1 Næringskreditt**

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 31 March 2022, loans worth NOK 1.7bn (1.6bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN share of the profit was NOK 0m (3m). SpareBank 1 SMN's stake in the company is 14.9 per cent.

### **SpareBank 1 Kreditt**

SpareBank 1 SMN's share of the first quarter profit was NOK 3m (0m). SpareBank 1 SMN's customers' portfolio of credit cards and consumer loans totalled NOK 1,076m (893m) and it holds a 19.2 per cent stake. A substantial portion of the growth of NOK 183m in the last 12 months refers to refinancing loans.

### **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 14.4 per cent in lending to personal customers in the last 12 months (9.4 per cent) and growth of 2.3 per cent in the first quarter (1.7 per cent). Growth in lending to corporate clients was 5.0 per cent in the last 12 months (11.8 per cent) and 4.2 per cent in the first quarter (5.5 per cent). Total outstanding loans come to NOK 53bn (48bn).

BN Bank recorded a profit of NOK 143m (117m) in the first quarter, providing a return on equity of 11.6 per cent (10.5 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 49m (40m).

### **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 which opens the way for cross-border mobile payments. BankAxept and BankID are concurrently to be spun off from Vipps to become a Norwegian-owned company with its own management. This company will continue to be 100 per cent owned by the Norwegian banks.

SpareBank 1 SMN stake in the company is 21.5 per cent and its profit share was minus NOK 5m (minus 1m) in the first quarter.

### **Operating expenses**

Overall expenses in the first quarter came to NOK 762m (796m), a decline of NOK 34m compared with the same period of 2021. Overall expenses in the fourth quarter of 2021 were NOK 765m.

Expenses reported by the subsidiaries are down compared with the fourth quarter, mainly as a result of somewhat lower activity at SpareBank 1 Markets. This also essentially explains the decline from the first quarter of 2021 when SpareBank 1 Markets posted extremely high incomes and expenses. The remaining subsidiaries report no increase in expenses.

In the bank, the costs were NOK 389m (344m) and in the previous quarter NOK 368m. Cost increase of NOK 45m from the first quarter of 2021 is mainly increased costs for anti-money laundering, technology development and customer-oriented activity. In addition, some costs in 2022 came earlier in the year than in 2021. Cost growth is expected to slow over the year.

The cost-income ratio was 47 per cent (46 per cent) for the group, 39 per cent (36 per cent) for the parent bank.

## Low losses

Losses on loans totalled NOK 0m (59m) and in the fourth quarter NOK 32m.

Impairment losses	1Q 22	4Q 21	1Q 21
RM	-5	4	-7
CM	5	27	65
<i>Of which offshore</i>	-12	-27	56
<b>Total impairment losses</b>	<b>-0</b>	<b>32</b>	<b>59</b>

A loss of NOK 5m (65m) was recorded on loans to corporates, including a net recovery of NOK 12m (loss of NOK 56m) in the offshore portfolio and increased losses of NOK 17m on other business and industry distributed evenly across a number of customers and segments.

A net recovery of NOK 5m was recorded on losses to personal customers (recovery of 7m).

In the first quarter of 2022 the increase in the trajectories for PD in the base scenario as a result for the pandemic has been removed from the loss model. At the same time the downside scenario weighting was increased further in the agriculture and 'other corporate' (corporate exc. offshore and hotels/tourism) portfolios to 25 per cent to take into account increased uncertainty due to the war in Ukraine and generally greater uncertainty with regard to future economic growth. See note 2 for a more detailed description of changed assumptions in the loss model.

Losses on loans were substantially reduced and appear to have stabilised at a relatively low level. The outlook in the offshore industry has brightened and the risk picture as regards lending to other business and industry and personal customers reflects a healthy trend in financial positions in the region, both in business and industry and among households.

Overall write-downs on loans and guarantees total NOK 1,351m (1,665m).

Problem loans (Stage 3) amount to NOK 3,243m (3,073m) corresponding to 1.62 per cent (1.66 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

## Total assets of NOK 207bn

The bank's total assets were NOK 207bn (194bn), having risen as a result of higher lending volumes.

Loans totalling NOK 53bn (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 the last 12 months by NOK 14.6bn (14.6bn), corresponding to 7.9 per cent (8.5 per cent), and stood at NOK 200.0bn (185.3bn) at year-end. Growth in the first quarter was 2.4 per cent (1.4 per cent).

- Lending to personal customers rose in the last 12 months by NOK 9.5bn (8.5bn) to NOK 135.0bn (125.5bn). Growth in the period was 7.6 per cent (7.3 per cent). In the first quarter growth was 1.6 per cent (0.8 per cent)
- Lending to corporate clients rose in the last 12 months by NOK 5.1bn (6.1bn) to NOK 65.0bn (59.8bn). Growth in the period was 8.6 per cent (11.3 per cent). In the first quarter growth was 4.0 per cent (2.6 per cent)

- Lending to personal customers accounted for 68 per cent (68 per cent) of total outstanding loans to customers.

The group reports 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](#)).

### Deposits

Customer deposits rose in in the last 12 months by NOK 11.7bn (14.2bn) to NOK 114.1bn (102.4bn). This represents a growth of 11.4 per cent (16.2 per cent). Growth in the first quarter was 2.5 per cent (5.0 per cent).

- Personal deposits rose by NOK 4.3bn (4.1bn) to NOK 45.6bn (41.3bn), corresponding to 10.3 per cent (11.1 per cent). In the first quarter growth was 2.2 per cent (1.8 per cent)
- Corporate deposits rose by NOK 7.4bn (10.1bn) to NOK 68.5bn (61.1bn), corresponding to 12.1 per cent (19.8 per cent). In the first quarter growth was 2.6 per cent (7.3 per cent)
- The deposit-to-loan ratio including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 57 per cent (55 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.

The **Personal Banking Division** achieved a pre-tax profit of NOK 274m (280m), and NOK 288m in the previous quarter.

Loans granted by the Personal Banking Division total NOK 140bn (130bn) and deposits total NOK 52bn (48bn). These are loans to and deposits from wage earners, agricultural customers and sole proprietorships.

Operating income posted by the division totalled NOK 515m (496m) and NOK 531 in the previous quarter. Net interest income accounted for NOK 313m (276m) and NOK 306m in the fourth quarter. Commission income totalled NOK 202m (219m) and NOK 225m in the previous quarter. Net interest income rose compared with the fourth quarter of 2021 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 1.04 per cent (1.59 per cent) and in the fourth quarter of 2021 1.25 per cent. The deposit margin was 0.73 per cent (0.08 per cent) and 0.43 per cent in the previous quarter.



Growth in lending to and deposits from personal customers was 7.3 per cent (7.4 per cent) and 8.0 per cent (10.2 per cent) respectively in the last 12 months. In the first quarter growth in lending and deposits was 1.5 per cent (0.9 per cent) and 3.2 per cent (2.0 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 7m on losses (12m) in the first quarter.

<b>Profit and loss account (NOKm)</b>	<b>1Q 22</b>	<b>4Q 21</b>	<b>1Q 21</b>
Net interest	313	306	276
Comission income and other income	202	225	219
Total income	515	531	496
Total operating expenses	248	244	228
Loss on loans, guarantees etc.	-7	0	-12
<b>Result before tax</b>	<b>274</b>	<b>288</b>	<b>280</b>
<b>Balance</b>			
Loans and advances to customers	139,759	137,672	130,296
Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-51,477	-46,821	-46,611
Deposits to customers	52,321	50,691	48,439
<b>Key figures</b>			
Return on equity per quarter <sup>1)</sup>	13.0 %	13.3 %	12.5 %
Lending margin	1.04 %	1.25 %	1.59 %
Deposit margin	0.73 %	0.43 %	0.08 %

**Eiendomsmegler 1 Midt-Norge** is the market leader in Trøndelag and in Møre and Romsdal.

Operating income totalled NOK 95m (114m) and expenses NOK 81m (93m) in the first quarter, and the pre-tax profit was NOK 14m (21m).

Activity in the housing market at the start of 2022 was somewhat lower than at the end of 2021. Few dwelling units on the market are the main reason for this, but demand has been high and prices and the turnover rate have risen. There was a close focus on the number of new assignments in the first quarter amidst intense competition. 1,606 dwelling units were sold in the first quarter (1,848). New assignments numbered 2,037, slightly higher than in the first quarter of 2021. The company's market share at 31 March 2022 was 37 per cent (36 per cent).

<b>EiendomsMegler 1 Midt-Norge (87%)</b>	<b>1Q 22</b>	<b>4Q 21</b>	<b>1Q 21</b>
Total income	95	100	114
Total operating expenses	81	100	93
<b>Result before tax</b>	<b>14</b>	<b>1</b>	<b>21</b>
Operating margin	15 %	0 %	18 %

### 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 provide business and industry with a complete range of accounting, banking and capital market services. Interaction between the business areas has a high priority and part of the growth achieved is attributed to this.

The **Corporate Banking Division** achieved a pre-tax profit of NOK 277m (NOK 167m) and NOK 229m in the fourth quarter of 2021. Lower losses strengthen the profit performance.

Outstanding loans to corporates total NOK 50bn (46bn) and deposits total NOK 60bn (53bn). This is a diversified portfolio of loans to and deposits from corporate clients in Trøndelag and Møre and Romsdal.

Operating income came to NOK 404m (337m) and NOK 370m in the fourth quarter. Net interest income was NOK 330m (273m) and NOK 291m in the fourth quarter. Commission income totalled NOK 74m (64m) compared with NOK 78m in the fourth 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 2.38 per cent (2.68 per cent) and the deposit margin was minus 0.05 per cent (minus 0.29 per cent). Lending growth in the last 12 months was 9.5 per cent (13.0 per cent) while deposits rose 11.9 per cent (24.6 per cent). Lending growth in the quarter was 5.2 per cent (3.2 per cent) and deposit growth was minus 0.1 per cent (7.7 per cent).

Net loan losses to the bank's corporate clients came to NOK 3m (62m) and to NOK 20m in the fourth 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 2022 and 2021. Corporate customers have strong links with the bank and customer turnover is extremely low.

<b>Profit and loss account (NOKm)</b>	<b>1Q 22</b>	<b>4Q 21</b>	<b>1Q 21</b>
Net interest	330	291	273
Comission income and other income	74	78	64
Total income	404	370	337
Total operating expenses	124	120	107
Loss on loans, guarantees etc.	3	20	62
<b>Result before tax</b>	<b>277</b>	<b>229</b>	<b>167</b>
<b>Balance</b>			
Loans and advances to customers	49,764	47,585	46,190
Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-1,465	-1,231	-1,360
Deposits to customers	59,541	59,619	53,200
<b>Key figures</b>			
Return on equity per quarter <sup>1)</sup>	15.4 %	11.5 %	9.6 %
Lending margin	2.38 %	2.39 %	2.68 %
Deposit margin	-0.05 %	-0.16 %	-0.29 %

**SpareBank 1 Regnskapshuset SMN** posted a pre-tax profit of NOK 23m (27m).

Operating income was NOK 166m (155m) and expenses were NOK 143m (128m). The expense growth in the first quarter compared with the same quarter of 2021 is down to business acquisitions along with investments in new services and a new IT platform.

Increased customer growth has a high priority, and good results have been achieved in the first quarter of 2022. Customer recruitment has increased, at the same time as the company has succeeded in reducing customer turnover. 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 new income flows.

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

<b>SpareBank 1 Regnskapshuset SMN (88,7%)</b>	<b>1Q 22</b>	<b>4Q 21</b>	<b>1Q 21</b>
Total income	166	123	155
Total operating expenses	143	120	128
<b>Result before tax</b>	<b>23</b>	<b>3</b>	<b>27</b>
Operating margin	14 %	2 %	17 %

**SpareBank 1 Finans Midt-Norge** delivered a pre-tax profit of NOK 47m (55m). The company provides leasing and invoice purchasing services to businesses and car loans to personal customers.

The company's incomes totalled NOK 86m (91m). Costs in the first quarter of 2022 totalled NOK 28m (29m). Losses totalled NOK 4m (7m).

The company has leasing agreements with and loans to corporate customers worth NOK 4.3bn (3.9bn) and car loans worth NOK 6.2bn (5.5bn). Growth in in the last 12 months was 10.6 per cent and 13.0 per cent respectively. The invoice sales portfolio from SpareBank 1 Spire Finans was included in the company as from 2021 and invoices worth NOK 154m were purchased in the first quarter of 2022.

SpareBank 1 Finans Midt-Norge and other SpareBank 1 banks own 47 per cent of the shares of the car subscription company Fleks. This company offers flexible car subscription solutions. The car subscription system along with electrification of the car population make for reduced emissions. Fleks currently has 2,400 cars and is the market leader in Norway.

<b>SpareBank 1 Finans Midt-Norge (56,5%)</b>	<b>1Q 22</b>	<b>4Q 21</b>	<b>1Q 21</b>
Total income	86	87	91
Total operating expenses	28	30	29
Loss on loans, guarantees etc.	4	9	7
<b>Result before tax</b>	<b>47</b>	<b>45</b>	<b>55</b>

**SpareBank 1 Markets'** pre-tax profit for the first quarter was NOK 39m (118m). Activity levels in the business areas were high, but lower than in the first quarter of 2021. SpareBank 1 Markets has facilitated a number of sizeable transactions in the quarter. Earnings from the fixed income and forex business were somewhat lower than in the same quarter last year, and lower activity in the market for debt capital brought reduced earnings. Overall incomes came to NOK 177m (335m). Operating expenses totalled NOK 138m (217m).

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.

<b>SpareBank 1 Markets (66,7%)</b>	<b>1Q 22</b>	<b>4Q 21</b>	<b>1Q 21</b>
Total income	177	212	335
Total operating expenses	138	160	217
<b>Result before tax</b>	<b>39</b>	<b>51</b>	<b>118</b>
Operating margin	22 %	24 %	35 %

**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 will be scaled down. The company's shares are worth NOK 686m (548m) as at 31 March 2022.

The pre-tax profit was NOK 132m (109m) and in the previous quarter minus NOK 4m. A good profit performance in the first quarter of both 2022 and 2021 is down to upward adjustment of the values of a minority of shares in the portfolio.

**Good funding and liquidity**

The war in Ukraine has prompted increased uncertainty as to the outlook for growth and inflation internationally and has led to substantial financial market fluctuations. The bank expects the uncertainty to persist for a period.

Credit spreads have narrowed somewhat but are wider than prior to the outbreak of the war. The bank has ample liquidity and the markets for the bank's financial instruments are functioning satisfactorily.

The bank has a conservative liquidity strategy, 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 is 155 per cent as at 31 March 2022 (190 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 31 March 2022 was 57 per cent (55 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 is 89 per cent (83 per cent).

SpareBank 1 Boligkreditt and Næringskreditt are the bank's most important funding sources, and loans totalling NOK 53bn (48bn) had been sold to these mortgage companies as at 31 March 2022.

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

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

**Rating**

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

**Financial soundness**

The CET1 ratio at 31 March 2022 was 18.3 per cent (18.0 per cent). The CET1 requirement is 14.4 per cent, including combined buffer requirements and a Pillar 2 requirement of 1.9 per cent. From 30 April

2022, SpareBank 1 SMN has received a new Pillar 2 requirement. The rate of 1.9 per cent is unchanged, but in addition the bank must have an additional 0.7 per cent in Pillar 2 requirements until the application for adjusting IRB-models has been processed.

The financial supervisory authority has decided that SpareBank 1 SMN shall have a pillar 2 guidance of 1.25 per cent above total capital requirements. With this, the bank's long-term target for common equity tier 1 capital adequacy has been increased to 17.2 per cent. In connection with the introduction of CRD V / CRR 2, the SME rebate will be extended from 30 June 2022. The estimated effect of this is a strengthening of common equity tier 1 capital adequacy by 0.4 percentage points.

The CET1 ratio showed a 0.3 percentage point increase from the fourth quarter. Risk weighted assets grew 1.2 per cent in the first quarter at the same time as CET1 capital increased by 2.4 per cent. A payout ratio of 50 per cent of the group's net profit for 2022 is assumed.

A leverage ratio of 7.0 per cent (7.0 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 target areas of innovation, customer offering, climate footprint, competencies and diversity.

A climate account for 2021 for SpareBank 1 SMN's own business activities has been presented using Klimakost (an environmentally extended input-output model). Work on calculating the loan portfolio's climate burden continued in the first quarter. SpareBank 1 SMN entered the Partnership for Carbon Accounting Financials (PCAF) to that end.

The effort to improve the estimation of the loan portfolio's climate contribution could provide new insights requiring the group to adjust and concretise its climate targets within the framework of the Paris Agreement's objectives.

SpareBank 1 SMN will in 2022 continue to stimulate innovation and competence development in the sustainability field in the region. SpareBank 1 SMN has in collaboration with Sintef established an innovation programme in which 15 companies are participating. The programme aims to create business models that support the green transition.

SpareBank 1 SMN has also become the first external contributor to Sintef's Global Climate Fund. The Fund is to finance research with regard to climate-positive measures.

SpareBank 1 SMN has signed up to the Women in Finance Charter and to the charter's binding goals and mode of working. Women in Finance is a voluntary initiative that will contribute to a greater gender balance in the financial industry.

The bank has had a good development in sales of new green mortgages, and has sold loans totaling NOK 1.3 billion per 31. March 2022.

SpareBank 1 Regnskapshuset SMN assists both small and large business customers with the preparation of energy and climate accounting and sustainability reporting. The ambition is to further develop the services and competence within sustainability reporting and consulting.

**The bank's equity certificate (MING)**

The market price of the equity certificate (EC) as at 31 March 2022 was NOK 141.20 (107.40), the book value was NOK 99.55 (96.70), and earnings per EC were NOK 3.20 (3.40). A total cash dividend of NOK 7.50 was paid per EC in 2022 for the year 2021 (4.40).

The Price / Income ratio was 11.05 (7.91) and the Price / Book ratio was 1.42 (1.11).

**Outlook**

SpareBank 1 SMN delivered a good performance in the first quarter of 2022 with a return on equity of 12.5 per cent and a strong financial position. All business lines are performing well in a demanding market, thus providing a solid basis on which to attain the group's ambitions as to growth and profitability.

Society has reopened and activity is back to the level in effect prior to the pandemic. However, the war in Ukraine and ensuing sanctions are impacting the Norwegian economy and business and industry both directly and indirectly. Trade between affected countries and the rest of the world is reduced, bringing goods shortages and weakened supply lines. The upshot is higher prices on energy and other commodities. There is also increased disquiet in the financial markets. Despite this, continued growth is expected in Norway's economy.

For SpareBank 1 SMN's part, the corporate portfolio is so far little affected by the repercussions of the pandemic or by the war in Ukraine. Loan losses have been substantially reduced since 2020, and the risk picture in the business sector in general and among personal customers reflects sound finances in the region. Given rising inflation and expectations of further – and relatively frequent – interest rate hikes from Norges Bank, it is uncertain how credit growth to households and businesses will pan out. There are many uncertainties and the conditions in the economy can change rapidly, and thus also the economic outlook.

SpareBank 1 SMN aspires to growth in excess of market growth. Data-driven innovation and a modern, customer-oriented and efficient distribution system will ensure that the group achieves the growth it aspires to.

SpareBank 1 SMN has a diversified earnings platform with profitable subsidiaries and product companies which make for increased sales and an expanding customer base. This provides robustness, in particular in periods of market turbulence.

The fight against economic and financial crime is an important societal responsibility. The anti-money laundering effort and sanctions compliance are the focus of much attention. The war in Ukraine has intensified the need to be alert to money laundering, and in the first quarter the bank expended much effort on living up to the sanctions that have been put in place.

The first-quarter figures show return in excess of the target level. Market uncertainties have grown, but SpareBank 1 SMN is well positioned to handle them.

Trondheim, 5. May 2022  
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal  
(chair)

Christian Stav  
(deputy chair)

Morten Loktu

Mette Kamsvåg

Tonje Eskeland Foss

Eli Skrøvset

Freddy Aursø

Christina Straub  
(employee rep.)

Inge Lindseth  
(employee rep.)

Jan-Frode Janson  
(Group CEO)