

Report of the Board of Directors

Third quarter 2022

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

- Pre-tax profit: NOK 788m (849m)
- Post-tax profit: NOK 617m (675m)
- Return on equity: 10.9 per cent (12.4 per cent)
- CET1 ratio: 19.2 per cent (18.1 per cent)
- Growth in lending: 1.7 per cent (1.6 per cent), in deposits a decline of 2.6 per cent (decline of 0.4 per cent)
- Lending to personal customers rose 1.3 per cent in the quarter (2.0 per cent), 1.5 percentage point lower growth than in the second quarter. Lending to corporates rose 2.4 per cent (0.7 per cent) which was 0.5 percentage point lower than in the second quarter.
- Deposits from personal customers declined 1.9 per cent (decline of 0.5 per cent), compared with growth of 6.6 per cent in the second quarter. Deposits from corporate clients declined 3.1 per cent (decline of 0.3 per cent) compared with growth of 9.9 per cent in the second quarter
- Net result of ownership interests: NOK 109m (179m)
- Net result of financial instruments (incl. dividends): NOK 39m (69m)
- Losses on loans and guarantees: NOK 22m (31m), 0.04 per cent of gross outstanding loans (0.07 per cent)
- Earnings per equity certificate (EC): NOK 2.89 (3.22). Book value per EC: NOK 107.19 (103.57)

Year to 30 September 2022

- Pre-tax profit: NOK 2,536m (2,685m)
- Post-tax profit: NOK 2,017m (2,199m)
- Return on equity: 12.0 per cent (13.8 per cent)
- Growth in lending: 8.8 per cent (7.0 per cent) and in deposits: 9.9 per cent (15.0 per cent) in the last 12 months.
- Growth in lending to personal customers was 7.3 per cent (6.8 per cent) in the last 12 months. Growth in lending to corporate customers was 12.0 per cent (7.5 per cent) in the last 12 months
- Lending to retail customers accounts for 67 per cent (68 per cent) of total lending
- Deposits from personal customers rose 8.4 per cent (8.4 per cent) in the last 12 months. Deposits from corporate customers rose 10.9 per cent (19.8 per cent) in the last 12 months.
- Net result of ownership interests: NOK 248m (519m)
- Net result of financial instruments (incl. dividends): NOK 179m (289m)
- Net recovery of losses on loans and guarantees: NOK 26m (loss of 129m), minus 0.02 per cent (0.09 per cent) of gross outstanding loans
- Earnings per equity certificate (EC): NOK 9.29 (10.11)

Events in the quarter

Rising interest rates and inflation, but signs of easing pressures in the economy

Norges Bank hiked its base rate to 1.75 per cent in August and further to 2.25 per cent in September. Like other banks, SpareBank 1 SMN has raised its interest rates on mortgages and deposits. Base rates have been raised in several countries, and further increases are expected.

Inflation has risen rapidly and has been higher than expected, also when energy prices are excluded. The labour market is tight, but there are clear signs that the economy is cooling. Easing pressures in the economy are expected to contribute to lower price growth.

Businesses and households alike experience tighter finances when prices rise in tandem with interest rate hikes. Rapid interest rate increases in the second half of 2022 are expected to reduce the risk of inflation stabilising at an excessively high level. If this is borne out, there will be less need for subsequent base rate hikes by Norges Bank (Norway's central bank). Norges Bank's forecasts assume an increase in the base rate to about 3 per cent over the course of the winter. However, much uncertainty attends the forecasts for inflation and the wider economy, and this will be decisive for interest rate decisions ahead.

For SpareBank 1 SMN's part the risk trend in the corporate portfolio is acceptable. Continued improvement is in evidence in the offshore segment, but increased risk is noted in the wider business sector due to high inflation and higher interest rates. Industries viewed as more exposed than others are construction, retail trade and commercial property. That said, SpareBank 1 SMN is well placed as a driver in a geographical area not affected by high energy costs.

Merger of SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre adopted by the banks' boards of directors

An agreement of intent to merge SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre was signed in June. At meetings of the boards of directors on 3 October the banks adopted a merger plan. Implementation of the plan requires a final decision to be taken by the supervisory boards and general meetings of the respective banks in week 45, and is also conditional on public authority approvals.

The overarching aim of the merged bank is take its place as the leading banking actor in Sunnmøre and in Fjordane. A merged bank will provide greater competitive power, an increased presence and will be attractive to customers, staff and shareholders alike.

The aim is to implement the merger at the start of the second quarter of 2023.

Rating

Moody's retained SpareBank 1 SMN's A1 credit rating in October 2022, changing the outlook from stable to positive. Confirmation of the positive outlook reflects SpareBank 1 SMN's solid capital position combined with sound, profitable operations, an improved risk profile and reduced dependence on market funding.

Results in the third quarter 2022

The third quarter net profit was NOK 617m (675m) and return on equity was 10.9 per cent (12.4 per cent). The third quarter profit is NOK 85m lower than in the second quarter of 2022 and is essentially down to weaker results among the subsidiaries in the summer months. The decline compared with last year's third quarter is related to weaker results posted by the insurance companies in SpareBank 1 Gruppen and lower return on financial investments.

Earnings per equity certificate were NOK 2.89 (3.22) and the EC's book value was NOK 107.19 (103.57). In the second quarter of 2022 earnings per EC were NOK 3.20.

Net interest income totalled NOK 811m (707m), which is NOK 10m higher than in the second quarter and NOK 104m better than in the third quarter of 2021. Market interest rates have risen substantially, and NIBOR was 105 points higher in the third quarter of 2022 than in the preceding quarter and 200 points higher than in the third quarter of 2021. This has resulted in lower margins on lending and higher margins on deposits. Increased lending volume and higher return on equity have strengthened net interest income.

Net commission and other income were reduced from the preceding quarter by NOK 205m to NOK 540m (623m). The reduction is essentially due to lower income from securities services after the high income recorded in both the first and second quarter. Estate agency services and accounting services showed, as expected, reduced income in the summer months of July and August.

The group's share of the results of related companies was NOK 109m (179m). The second quarter's profit share was NOK 77m. The decline from the third quarter of 2021 is down to weaker results posted by the insurance companies in SpareBank 1 Gruppen. Part of the insurers' profit impairment relates to losses on securities in an unsettled market.

Return on financial instruments (incl. dividends) amounted to NOK 39m (69m), and in the second quarter to minus NOK 32m.

Operating expenses were NOK 688m (698m) compared with NOK 758m in the second quarter. The decline from the second quarter is mainly attributable to lower variable remuneration at SpareBank 1 Markets following a strong second quarter. Expenses at the bank rose from the second to the third quarter as a result of new staff appointments and the year's pay settlement.

Losses on loans and guarantees came to NOK 22m (31m) in the third quarter, as compared with a net recovery of NOK 48m in the second quarter.

Good growth is noted in lending and deposits in the last 12 months, although deposits showed some decline in the third quarter. Overall lending rose 8.8 per cent (7.0 per cent) and deposits rose 9.9 per cent (15.0 per cent) in the last 12 months. In the third quarter lending growth was 1.7 (1.6) per cent and deposit growth minus 2.6 per cent (minus 0.4 per cent). Growth in lending to personal customers was 1.3 per cent, down from the previous quarter, while lending to corporate customers rose 2.4 per cent, also slightly down from the second quarter. Deposits were reduced in the third quarter both in the personal market and corporate market following high growth in the second quarter.

As at 30 September 2022 the CET1 ratio was 19.2 per cent (18.1 per cent), an increase of 0.4 percentage points from the previous quarter. The bank's CET1 target ratio is 17.2 per cent.

The price of the bank's equity certificate (MING) at quarter-end was NOK 111.40 (129.80).

Net interest income

Norges Bank raised its base rate to 1.75 per cent in August and further to 2.25 per cent in September. Market rates in terms of NIBOR have risen substantially and stood at 2.80 per cent at the end of September. The bank has raised its mortgage and deposit rates in step with the changes in the base rate. After the base rate hike in August, rate increases were carried out with effect from 4 October, and, following the base rate hike in September, increases were announced with effect from 10 November. NIBOR climbed 105 points from the second to third quarter and has risen 200 points since the third quarter of 2021.

Net interest income totalled NOK 811m (707m) compared with NOK 801m in the second quarter. Lags in interest rate adjustments related to the required period of notice of rate changes to customers resulted in reduced lending margins in the third quarter at the same time as deposit margins rose.

An increased deposit margin, growth in lending and higher return on equity strengthened net interest income in the third quarter while reduced lending margins pulled in the opposite direction. This is also the key reason for the change compared with the same quarter of 2021.

Norges Bank has signalled a further increase in the base rate, and the central bank's own forecast indicates a base rate of 3.0 per cent in the course of the winter. Quickening inflation is the chief contributor to higher base rates. Many factors are involved, and the forecasts for the economy and inflation are uncertain.

Commission income and other operating income

Commission income and other operating income totalled NOK 540m (623m) compared with NOK 745m in the second quarter of 2022.

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

Commission income (NOKm)	3Q 22	2Q 22	3Q 21
Payment transfers	83	72	61
Creditcard	16	15	14
Saving products	9	10	17
Insurance	60	59	54
Guarantee commission	15	8	13
Real estate agency	105	125	107
Accountancy services	115	167	114
Markets	57	198	110
Other commissions	12	9	7
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	473	664	497
Commissions SB1 Boligkreditt	63	77	123
Commissions SB1 Næringskreditt	4	4	3
Total commissions	540	745	623

Commission income on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt altogether totalled NOK 67m (126m). In the second quarter of 2022 commissions came to NOK 81m. The decline from last year is down to reduced margins on loans sold to SpareBank 1 Boligkreditt.

Other commission income amounted to NOK 473m (497m) compared with NOK 664m in the second quarter. The decline of NOK 191m from the second quarter refers mainly to reduced income from securities services at SpareBank 1 Markets following a good second quarter, and a decline in real estate agency and accounting services due to seasonally low income in the summer months. Income from payment services has picked up in 2022 after the pandemic.

Return on financial investments

Overall return on financial investments in the third quarter came to NOK 31m (68m), and in the second quarter 2022 to minus NOK 36m. A decline of NOK 66m in share values was noted (gain of NOK 36m), referring largely to shareholdings at SpareBank 1 SMN Invest. Financial instruments, including bonds and CDs, showed a gain of NOK 41m in the third quarter (gain of NOK 14m) ascribable to gains on derivatives in connection with the bank's funding, and losses due to increased credit margins on the bank's liquidity portfolio. Income of NOK 30m (16m) from forex transactions refers to income from currency trading at SpareBank 1 Markets. Gains on shares and share derivatives at SpareBank 1 Markets totalled NOK 26m (2m).

Return on financial investments (NOKm)	3Q 22	2Q 22	3Q 21
Capital gains/losses shares	-66	-35	36
Gain/(loss) on financial instruments	41	-82	14
Foreign exchange gain/(loss)	30	29	16
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	26	52	2
Net return on financial instruments	31	-36	68

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 109m (179m). In the second quarter the figure was NOK 77m.

Income from investment in associated companies (NOKm)	3Q 22	2Q 22	3Q 21
SpareBank 1 Gruppen (19.5%)	17	16	83
SpareBank 1 Boligkreditt (20.9%)	10	-4	11
SpareBank 1 Næringskreditt (14.9%)	0	2	-1
BN Bank (35.0 %)	53	47	40
SpareBank 1 Kreditt (18.7 %)	3	3	10
SpareBank 1 Betaling (20.8%)	-3	0	0
SpareBank 1 Forvaltning (19.6%)	10	11	13
Other companies	19	2	23
Income from investment in associated companies	109	77	179

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, and 65 per cent of Fremtind Forsikring. The remaining shares of Fremtind are held by DNB.

SpareBank 1 Gruppen's profit after tax for the third quarter 2022 was NOK 207m (621m), and in the second quarter 2022 NOK 142m. Of the post-tax profit of NOK 207m, NOK 89m (425m) accrues to the owner banks in SpareBank 1 Gruppen. The group's share of SpareBank 1 Gruppen's profit was NOK 17m (83m), and in the second quarter 2022 NOK 16m.

Fremtind Group posted a third quarter profit of NOK 390m (559m) after tax. The quarter's underwriting result was NOK 559m (690m) yielding a claims ratio for the quarter of 61.6 per cent (57.2 per cent) and a

cost ratio of 24.1 per cent (23.5 per cent). The increase in the claims ratio is largely due to higher travel activity and a negative outcome for retail market car insurance. Financial income was minus NOK 51m (512m) in the third quarter due to a weak equity market and higher interest rates.

SpareBank 1 Forsikring reported a third quarter 2022 result of minus NOK 105m (72m) after tax. The risk result came to NOK 40m (32m). The administration result was minus NOK 44m (minus 32m). Insurance fee income in the third quarter was NOK 16m lower than in the same quarter last year, due mainly to the introduction of a pension account. The quarter's interest result was minus NOK 462m (99m). Property value adjustment made a negative contribution, and net financial income in the collective portfolio was minus NOK 353m. Return on financial assets in the company portfolio was minus NOK 17m in the third quarter.

SpareBank 1 Factoring earned a profit after tax of NOK 17m (12m). Overall net income came to NOK 44m (29m) corresponding to an increase of 52 per cent measured against the same quarter last year. Activity levels among clients affected by the pandemic have picked up again, bringing an increase in the volume of factoring loans.

Modhi Finance posted a pre-tax profit in the third quarter of minus NOK 3m (15m) and minus NOK 1m (plus 11m) after tax. The result reflects a write-down of portfolio values in the third quarter, whereas last year saw a write-up of portfolio values in the third quarter. The third quarter result also reflects one-time costs related to the merger with the debt collection company Kredinor.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks making up SpareBank 1-alliansen to draw benefit from the market for covered bonds. The banks sell well-secured residential mortgages to the company and achieve reduced funding costs.

As at 30 September 2022 the bank had sold residential mortgages totalling NOK 57.1bn (46.7bn) to SpareBank 1 Boligkreditt, corresponding to 40.6 per cent (35.7 per cent) of the bank's overall lending to retail customers.

The bank's share of the company's profit was NOK 10m (11m).

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 30 September 2022, commercial loans worth NOK 1.6bn (1.3bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's share of the profit was NOK 0m (-1m).

SpareBank 1 Forvaltning

SpareBank 1 Forvaltning Group consists of Odin Forvaltning, SpareBank 1 Kapitalforvaltning, SpareBank 1 SR Forvaltning and SpareBank 1 Verdipapirservice. The aim is to be market leader in bank distribution of savings services and products. The group posted a profit in third quarter of NOK 49m (54m). SpareBank 1 SMN's profit share in the third quarter was NOK 10m (13m) and in the second quarter NOK 11m. The result is satisfactory in an unsettled market.

SpareBank 1 Kreditt

SpareBank 1 Kreditt recorded a third-quarter profit of NOK 21.5m (70.4m). The decline is attributable to a substantial reversal of loss write-downs last year. The company's overall portfolio as at 30 September 2022 was NOK 7.2bn (5.7bn). The growth refers in all essentials to refinancing loans.

SpareBank 1 SMN's share of the third quarter 2022 profit was NOK 2.9m (10.1m), and its share of the portfolio is NOK 1,229m (998m).

BN Bank

While BN Bank's personal market business is nationwide in scope, the bank's largest customer base is Oslo and south-eastern Norway. In the corporate market the bank is a pure real estate specialist, with the Oslo region as its market area. BN Bank shows good growth in lending to the personal segment with 12.1 per cent in the last 12 months (14.2 per cent) and growth of 2.3 per cent (3.2 per cent) in the third quarter. Growth in lending to corporate customers was 9.9 per cent in the last 12 months (1.1 per cent) and 2.7 per cent in the last quarter (decline of 2.7 per cent). Outstanding loans total NOK 55bn (50bn).

BN Bank recorded a profit of NOK 154m (117m) in the third quarter, providing a return on equity of 12.5 per cent (9.5 per cent). Lower losses are the main reason for the profit growth. SpareBank 1 SMN's share of BN Bank's profit is NOK 53m (40m).

SpareBank 1 Betaling

SpareBank 1 Betaling is the SpareBank 1 banks' parent company in Vipps AS. On 30 June 2021 Vipps signed an agreement to merge Vipps' mobile payments arm with Danish MobilePay and Finnish Pivo, thus opening the way for cross-border mobile payments. In the third quarter 2022, it became known that the merger will take place without Pivo after the European Commission raised concerns related to the consolidation of mobile wallets in Finland. During the quarter, a formal application was submitted to the European Commission and the companies hope to receive approval in the fourth quarter of 2022. In parallel with the merger, BankAxept and BankID are to be spun off from Vipps to become a new Norwegian-owned company which will remain 100 per cent owned by the Norwegian banks.

SpareBank1 Betaling recorded a profit of minus NOK17m (minus 2m), and SpareBank 1 SMN's profit share is minus NOK 3m (0m) in the third quarter.

Operating expenses

Overall group expenses came to NOK 688m (698m), a decline of NOK 10m, or 1.4 per cent, compared with the same period of 2021. Overall expenses in the second quarter 2022 were NOK 758m.

Operating expenses (NOKm)	3Q 22	2Q 22	3Q 21
Staff costs	417	490	423
IT costs	95	93	85
Marketing	18	26	19
Ordinary depreciation	32	34	56
Operating expenses, real properties	18	9	14
Purchased services	63	54	60
Other operating expense	45	52	41
Total operating expenses	688	758	698

The decline in group expenses in the third quarter refers in all essentials to lower variable remuneration at SpareBank 1 Markets. The company showed a decline in income compared with the preceding quarter and the same quarter last year and thus reduced variable remuneration.

Compared with the third quarter 2021, some cost growth is noted at SpareBank 1 Regnskapshuset SMN related to company acquisitions, and at the bank as a result of the year's pay settlement and new staff appointments. The same factors underlie cost growth at the bank from the second quarter.

The cost-income ratio for the group was 46 per cent (44 per cent), and 36 per cent (37 per cent) for the parent bank.

Continued low losses

Loan losses were NOK 22m (31m) and the second quarter saw a net recovery of NOK 48m. Losses in the quarter measure 0.04 per cent of gross lending (0.07 per cent).

Impairment losses (NOKm)	3Q 22	2Q 22	3Q 21
RM	17	-4	3
CM	5	-44	28
Total impairment losses	22	-48	31

Losses on loans to personal customers were NOK 17m (3m), while losses on loans to corporates came to NOK 5m (28m).

The effects of the Covid pandemic on defaults and losses proved substantially smaller than expected, due in part to the actions taken by public authorities. The bank accordingly decided to reverse the Covid-related add-ons in the baseline scenario in the third quarter 2021 for the retail market and in the first quarter 2022 for the corporate market. In the second and third quarters of 2022, changes have been made to model assumptions to take account of increased risk as a result of increased interest rates, increased expected defaults and lower property values.

In the third quarter of 2022 the weighting of the downside scenario was also increased at the subsidiary SpareBank 1 SMN Finans Midt-Norge from 10 to 25 per cent for the corporate business and from 10 to 15 per cent for the retail business. See note 2 for further details of the changed assumptions.

Overall write-downs on loans and guarantees total NOK 1,199m (1,680m).

Problem loans (Stage 3) amount to NOK 2,139m (3,448m) corresponding to 1.02 per cent (1.80 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. A significant portion of the decline is due to the fact that a large offshore exposure has completed its quarantine period, and to the downscaling of the bank's exposure in another offshore commitment due to vessel sales. This took place in the second quarter of 2022.

Total assets of NOK 219bn

The group's total assets amounted to NOK 219bn (200bn), having risen by NOK 19bn, or 9.4 per cent, in the past year. Total assets have risen as a result of higher lending volumes and a higher liquidity holding.

Loans totalling NOK 59bn (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 to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Lending

Total outstanding loans rose in the last 12 months by NOK 16.9bn (12.6bn), or 8.8 per cent (7.0 per cent), to reach NOK 208.9bn (192.0bn). Growth in the third quarter was 1.7 per cent (1.6 per cent).

- Lending to personal customers rose in the last 12 months by NOK 9.6bn (8.3bn) to NOK 140.4bn (130.8bn). Growth in that period was 7.3 per cent (6.8 per cent). Third-quarter growth was 1.3 per cent (2.0 per cent)
- Lending to corporate clients rose in the last 12 months by NOK 7.3bn (4.3bn) to NOK 68.5bn (61.1bn). Growth in that period was 12.0 per cent (7.5 per cent). Third quarter growth was 2.4 per cent (0.7 per cent)
- Lending to personal customers accounted for 67 per cent (68 per cent) of total lending to customers.

Good, but somewhat receding, growth is noted in lending to personal customers. The growth in lending over time has exceeded the growth in credit to households (C2), and the group is strengthening its market position. The growth in lending to corporate clients is mainly 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 sector, [see note 5](#)).

Deposits

Customer deposits rose in in the last 12 months by NOK 10.9bn (14.3bn) to NOK 120.6bn (109.7bn). This represents a growth of 9.9 per cent (15.0 per cent). Growth in the third quarter was minus 2.6 per cent (decline of 0.4 per cent).

- Personal deposits rose by NOK 3.7bn (3.4bn), or by 8.4 per cent (8.4 per cent), to NOK 47.7bn (44.0 m). In the third quarter growth was minus 1.9 per cent (minus 0.5 per cent)
- Corporate deposits rose by NOK 7.2bn (10.9bn), or by 10.9 per cent (19.8 per cent), to NOK 72.9bn (65.7bn). In the third quarter growth was minus 3.1 per cent (decline of 0.3 per cent)
- The deposit-to-loan ratio including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 58 per cent (57 per cent).

Deposit growth has been very high in the last two years owing to the pandemic but has normalised in 2022. Decline in deposits from private customers are mainly due to increased consumption in the summer months. Deposits from business customers has also decreased in the third quarter, and is considered to be within normal fluctuations. The bank has made plans to strengthen deposit growth within the retail market. Deposit coverage within the retail market is lower than desired, while deposits are an important source of funding for the bank.

(For distribution by sector, [see note 9](#)).

Personal customers

The Personal Banking Division and EiendomsMegler 1 Midt-Norge offer private individuals a broad range of financial services. Constant improvement of the coordination between the bank and the real estate agency business affords customers an enhanced service offering and contributes to increased growth and profitability for the group.

Result before tax (NOKm)	3Q 22	2Q 22	3Q 21
Personal market	322	329	311
EiendomsMegler 1	12	38	8
Total	335	367	319

The **Personal Banking Division** achieved a pre-tax profit of NOK 322m (311m), and NOK 329m in the previous quarter. Return on capital employed was 14.7 per cent (13.8 per cent) in the quarter.

Loans granted by the Personal Banking Division total NOK 145bn (135bn) and deposits total NOK 54bn (50bn). These are loans to and deposits from wage earners, agricultural customers and sole proprietorships.

Overall operating income came to NOK 575m (539m), and to NOK 541 in the previous quarter. Net interest income accounted for NOK 367m (300m) and for NOK 335m in the second quarter.

Net interest income rose compared with the third quarter of 2021 as a result of growth, a strengthened deposit margin and increased return on the personal market's share of the group's equity capital, while lower margins on lending have weakened net interest income. Commission income was NOK 208m (239m) and NOK 206m in the previous quarter. Incomes have declined compared with the third quarter of 2021 due to lower commissions from SpareBank 1 Boligkreditt, while there is increased income from insurance and payment services.

The lending margin was 0.39 per cent (1.57 per cent), and in the second quarter of 2022 1.08 per cent. The deposit margin was 1.67 per cent (0.06 per cent), and 0.78 per cent in the previous quarter (measured against three-month NIBOR). The market interest rate (measured against three-month NIBOR) rose from the second quarter of 2022 by 105 points, thereby weakening the lending margin but strengthening the deposit margin in the third quarter.

Growth in lending to and deposits from retail customers was 7.5 per cent (6.6 per cent) and 9.1 per cent (4.9 per cent) respectively in the last 12 months. In the third quarter growth in lending and deposits was 1.3 per cent (1.8 per cent) and minus 2.5 per cent (minus 2.7 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. Loan losses of NOK 11m in the third quarter (loss of minus 1m) are due mainly to write-downs in the agriculture segment of the portfolio.

Profit and loss account (NOKm)	3Q 22	2Q 22	3Q 21
Net interest	367	335	300
Comission income and other income	208	206	239
Total income	575	541	539
Total operating expenses	241	215	230
Ordinary operating profit	334	326	310
Loss on loans, guarantees etc.	11	-2	-1
Result before tax including held for sale	322	329	311
Balance			
Loans and advances to customers	145,433	143,544	135,344
Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-57,299	-55,464	-46,687
Deposits to customers	54,458	55,829	49,909
Key figures			
Return on equity per quarter ¹⁾	14.7 %	13.5 %	13.8 %
Lending margin	0.39 %	1.08 %	1.57 %
Deposit margin	1.67 %	0.78 %	0.06 %

1) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital in accordance with the capital plan.

EiendomsMegler 1 Midt-Norge is the market leader in Trøndelag and in Møre and Romsdal. Operating income totalled NOK 107m (108m) and operating expenses NOK 95m (100m). EiendomsMegler 1 Midt-Norge's pre-tax profit was NOK 12m (8m). The number of dwelling units on the market has increased since the summer, and as per September is higher than at the same point last year. At the same time there are signs that inflation and increased mortgage interest rates are affecting the demand side. When adjusted for seasonal variations, the price change in September was minus 0.5 per cent in Trondheim and minus 0.6 per cent on a nationwide basis. Activity levels ahead are a matter of much uncertainty viewed in light of a continuing rise in interest rates and what affect this will have on the market.

1,761 dwelling units were sold in the third quarter (1,919). New assignments numbered 1,956 – 38 fewer than in the third quarter of 2021. The company's market share as at 30 September 2022 was 36 per cent (36 per cent).

EiendomsMegler 1 Midt-Norge (87%)	3Q 22	2Q 22	3Q 21
Total income	107	134	108
Total operating expenses	95	96	100
Result before tax (NOKm)	12	38	8
Operating margin	11 %	28 %	8 %

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 banking and capital market services. Interaction between the business lines has a high priority and part of the growth achieved is ascribed to this focus.

Result before tax (NOKm)	3Q 22	2Q 22	3Q 21
Corporate banking	322	361	200
SpareBank 1 Regnskapshuset SMN (88.7%)	22	30	21
SpareBank 1 Finans Midt-Norge (56.5%)	44	50	33
SpareBank 1 Markets (66.7%)	0	79	23
Total	388	521	277

The **Corporate Banking Division** achieved a pre-tax profit of NOK 322m (NOK 200m), and NOK 361m in the second quarter of 2022. The profit growth from last year is attributable to increased income and low losses. Return on capital employed was 18.4 per cent (11.6 per cent).

Outstanding loans to the bank's corporate customers total NOK 52bn (47bn) and deposits total NOK 63bn (59bn) as at 30 September 2022. This is a diversified portfolio of loans to and deposits from corporate clients in Trøndelag and Møre and Romsdal.

Operating income came to NOK 436m (334m), and NOK 420m in the second quarter of 2022. Net interest income was NOK 361m (273m), and NOK 356m in the second quarter. A high proportion of the loans are linked to three-month NIBOR, thereby contributing to a stable margin trend over time. Margins on these loans taken as a whole will however fluctuate between quarters given differing times of interest rate adjustment on the loans. An increase in NIBOR brought reduced lending margins in the quarter, but

increased deposit margins. Increased loan and deposit volumes have strengthened the earnings base at the same time as increased return on the business line's share of the equity capital has strengthened net interest income both from the second to third quarter and compared with last year's third quarter.

Commission income totalled NOK 75m (61m) compared with NOK 64m in the second quarter, and income from guarantees and payment services has risen from the previous quarter.

Loan and deposit margins were 2.05 per cent (2.60 per cent) and minus 0.27 per cent (minus 0.31 per cent) respectively. Lending rose 11.1 per cent (7.2 per cent) and deposits 6.2 per cent (27.2 per cent) in the last 12 months. Lending growth was 1.7 per cent (minus 0.2 per cent) while deposit growth was minus 2.8 per cent (growth of 2.3 per cent) in the quarter.

Losses on loans to the bank's corporate customers were NOK 1m (25m), and a net recovery of NOK 51m was recorded in the second quarter.

SpareBank 1 SMN and SpareBank 1 Regnskapshuset SMN each have a large proportion of businesses in the market area as customers. Developing the customer offering so as to encourage customers to see the benefits of utilising the services of both entities is given priority.

As a result of the strengthened focus on SMEs, many new customers have opted for SpareBank 1 SMN as their bank in 2022 and 2021. Corporate customers have strong links with the bank and customer churn is extremely low.

Profit and loss account (NOKm)	3Q 22	2Q 22	3Q 21
Net interest	361	356	273
Commission income and other income	75	64	61
Total income	436	420	334
Total operating expenses	114	109	109
Ordinary operating profit	322	311	225
Loss on loans, guarantees etc.	1	-51	25
Result before tax including held for sale	322	361	200
Balance			
Loans and advances to customers	52,047	51,193	46,857
Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-1,354	-1,359	-1,237
Deposits to customers	62,638	64,415	59,006
Key figures			
Return on equity per quarter ¹⁾	18.4 %	18.5 %	11.6 %
Lending margin	2.05 %	2.53 %	2.60 %
Deposit margin	-0.27 %	-0.05 %	-0.31 %

1) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital in accordance with the capital plan.

SpareBank 1 Regnskapshuset SMN recorded a pre-tax profit of NOK 22m (21m).

Operating income was NOK 125m (122m) and expenses were NOK 103m (101m). Three company acquisitions were carried through in 2022.

Increased organic customer growth has a high priority, and good results have been achieved in 2022. Customer recruitment has risen, at the same time as the company has succeeded in reducing customer churn. The company seeks to create a broader income platform beyond the traditional production of accounts.

Digitalisation and use of new technological solutions in business and industry places heavy requirements on the accounting industry in terms of readjustment and adaptability. This applies both as regards increasing the individual employee's skills and achieving greater breadth in the service offering to customers.

Income from advisory services has risen by 19 per cent in the last 12 months while 600 companies have relocated to modern, cloud-based accounting systems as of 30 September 2022.

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

SpareBank 1 Regnskapshuset SMN (88.7%)	3Q 22	2Q 22	3Q 21
Total income	125	177	122
Total operating expenses	103	147	101
Result before tax (NOKm)	22	30	21
Operating margin	17 %	17 %	18 %

SpareBank 1 Finans Midt-Norge delivered a pre-tax profit of NOK 44m (33m). The company's focal areas are leasing to SMEs, car loans to personal customers and invoice purchases from small businesses.

The company's income totalled NOK 83m (89m). Income is weakened due to margin pressures in the corporate and personal market alike. Costs in the third quarter of 2022 were NOK 28m (49m). The decrease compared to the third quarter of 2021 is mainly due to the write-down of IT systems carried out last year. Losses totalled NOK 10m (7m).

The company has leasing agreements with and loans to corporate customers worth NOK 4.9bn (4.1bn) and car loans worth NOK 6.8bn (5.9bn).

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 2,500 cars and is the market leader in Norway.

SpareBank 1 Finans Midt-Norge (56.5%)	3Q 22	2Q 22	3Q 21
Total income	83	81	89
Total operating expenses	28	26	49
Loss on loans, guarantees etc.	10	5	7
Result before tax (NOKm)	44	50	33

SpareBank 1 Markets is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. It employs 163 FTEs.

SpareBank 1 Markets' pre-tax profit was NOK 0m (23m).

Activity levels in the business areas were lower than at the start of the year. Public issue management business was very quiet in the quarter due to market turbulence, resulting in lower income for Investment Banking and stockbroking. Income from fixed income and forex activities and debt capital was stable. Overall income came to NOK 110m (139m). Operating expenses totalled NOK 110m (115m).

SpareBank 1 Markets has developed into one of the largest Norwegian brokerages with a strong position in a number of product areas, and is the leading capital markets unit in SpareBank 1 SMN's market area. The foreshadowed transaction entailing the merger of the capital markets units of SpareBank 1 Markets,

SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge is expected to contribute to a higher and more diversified income base. The merger is currently scheduled for 1 March 2023, but this is dependent on the authorities' process.

SpareBank 1 Markets (66.7%)	3Q 22	2Q 22	3Q 21
Total income	110	257	139
Total operating expenses	110	178	115
Result before tax (NOKm)	0	79	23
Operating margin	0 %	31 %	17 %

SpareBank 1 SMN Invest

This 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 604m (606m) as at 30 September 2022.

The company's pre-tax profit in the third quarter of 2022 was minus NOK 30m (plus 61m), and in the second quarter minus NOK 29m. The third quarter result – as in the second quarter – is down to net unrealised losses in the equity portfolio.

Year to 30 September

Good performance

SpareBank 1 SMN reports a post-tax profit of NOK 2,017m (2,199m), and a return on equity of 12.0 per cent (13.8 per cent). This result is NOK 182m weaker than in the same period of 2021, mainly due to profit impairments among the insurers in SpareBank 1 Gruppen and lower return on financial investments. Increased income from the business lines and reduced losses helped to strengthen the result. Earnings per equity certificate were NOK 9.29 (10.11).

Net interest income was NOK 2,370m (2,073m). Norges Bank raised the base rate to 1.75 per cent in August and further to 2.25 per cent in September. The market interest rate in terms of NIBOR was 200 points higher on 30 September than on the same date in 2021, which has substantially raised the bank's funding costs. Lending margins have weakened and deposit margins have concurrently strengthened compared with last year, at the same time as return on the bank's equity capital has risen. Both lending and deposit volumes have increased, contributing to strengthened net interest income. From the second half of last year the bank has raised mortgage and deposit rates on a general basis on six occasions, including an announced increase effective from 10 November.

Net commission income was NOK 1,921m (2,161m). The decline is ascribable to lower commission on loans sold to SpareBank 1 Boligkreditt and reduced income from securities services. A positive trend is noted in income from payment services, insurance and accounting services.

Return on financial investments (including dividends) was NOK 179m (289m). The decline refers to unrealised losses on shares and negative return on the bank's liquidity portfolios due to changed credit margins.

The result from related companies was NOK 248m (519m). Both Fremtind Forsikring and SpareBank 1 Forsikring report impaired profit, while profit growth was noted at BN Bank.

Operating expenses came to NOK 2,208m (2,228m). Expenses are down at SpareBank 1 Markets and EiendomsMegler 1 Midt-Norge but have risen at the bank and at SpareBank 1 Regnskapshuset SMN. Expenses at the bank have risen as a result of pay growth and new staff appointments, at Regnskapshuset as a result of acquisitions and investments in technology.

A net recovery of NOK 26m was recorded on loan losses (loss of NOK 129m) as at 30 September. A net recovery of NOK 39m was noted on losses on loans to the group's corporate customers (132m), while NOK 14m, net, was recovered on loan losses to personal customers (net recovery of NOK 3m).

Lending growth was 6.9 per cent (5.0 per cent). Growth in lending to retail customers was 5.7 per cent (5.1 per cent). Lending to corporate customers rose 9.6 per cent (4.8 per cent).

Deposits rose 8.3 per cent (12.5 per cent). Deposits from personal customers rose 6.9 per cent (8.3 per cent). Deposits from corporate customers rose 9.3 per cent (15.5 per cent).

Personal customers

Result before tax (NOKm)	Jan-Sep 2022	Jan-Sep 2021
Personal market	924	880
EiendomsMegler 1	64	71
Total	989	951

The bank's **personal banking** arm recorded a pre-tax profit of NOK 924m (880m) as at 30 September 2022. Return on capital employed in the retail segment was 14.0 per cent (13.0 per cent).

Overall operating income totalled NOK 1,631m (1,542m). Net interest income came to NOK 1,015m (859m) and commission income to NOK 616m (684m). Net interest income has risen with increased deposit margins, growth in lending and deposits and increased return on the business line's share of the equity capital. Reduced margins on loans have reduced net interest income. Commission income is down mainly as a result of lower commissions from SpareBank 1 Boligkreditt.

Lending and deposit growth in this business line were 7.5 per cent (6.6 per cent) and 9.1 per cent (4.9 per cent) respectively in the last 12 months.

The lending margin was 0.83 per cent (1.63 per cent) while the deposit margin was 1.06 per cent (0.02 per cent) measured against three-month NIBOR.

There was a net loss of NOK 2m (net recovery of NOK 11m).

EiendomsMegler 1 Midt-Norge. Operating income was NOK 336m (353m), while operating expenses came to NOK 271m (282m). EiendomsMegler 1 Midt-Norge's pre-tax profit was NOK 64m (71m). Activity in 2022 reflects a housing market with few dwellings available, which has pushed up both the turnover rate and prices. The consequence is a lower sales volume for EiendomsMegler 1 Midt-Norge so far this year, i.e. 5,400 as against 5,995 in the same period of 2021.

Corporate customers

Result before tax (NOKm)	Jan-Sep 2022	Jan-Sep 2021
Corporate banking	959	566
SpareBank 1 Regnskapshuset SMN (88.7%)	76	82
SpareBank 1 Finans Midt-Norge (56.5%)	141	151
SpareBank 1 Markets (66.7%)	119	203
Total corporate customers	1,295	1,002

The bank's corporate banking arm achieved a pre-tax profit of NOK 959m (566m) as at 30 September 2022. The profit growth is attributable to increased net interest income and lower losses. Return on capital employed for the corporate segment was 18.6 per cent (11.1 per cent).

Operating income totalled NOK 1,260m (1,016m), of which net interest income accounted for 1,047m (828m) and commission income (incl. income from forex business) for NOK 213m (188m). Growth in lending and deposits, an increased deposit margin and increased return on the banking arm's share of the equity capital have strengthened net interest income, while a lower lending margin pulls in the opposite direction. Increased commission income is noted on guarantees and payments.

Lending grew 11.1 per cent (8.7 per cent) and deposits 6.2 per cent (27.2 per cent) in the last 12 months.

Margins on lending and deposits were 2.32 per cent (2.69 per cent) and 0.05 per cent (minus 0.32 per cent) respectively.

There was an overall net recovery of NOK 47m on losses in the bank's corporate segment (loss of NOK 125m).

SpareBank 1 Finans Midt-Norge report a pre-tax profit of NOK 141m (151m).

The company's income totalled NOK 243m (271m). Expenses in the year to 30 September 2022 were NOK 83m (106m). Losses amounted to NOK 20m (13m).

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 76m (82m). Operating income was NOK 468m (439m) while expenses came to NOK 392m (357m).

SpareBank 1 Markets' pre-tax profit was NOK 119m (203m). High activity in the business lines has yielded high earnings and good profit performances both in 2021 and 2022.

So far this year the company's income amounts to NOK 545m (689m), NOK 144m lower than the same period in 2021.

Ample liquidity

Price growth continued to quicken both in Norway and elsewhere in the third quarter. Central banks in a number of countries raised their base rates and signalled a speedier rate increase ahead. Uncertain growth and inflation prospects internationally have contributed to substantial fluctuations in financial markets. Credit spreads have widened.

The bank has ample liquidity and access to funding. 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 calculated at 180 per cent as at 30 September 2022 (163 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 30 September 2022, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 58 per cent (57 per cent).

The bank's funding sources and products are well diversified.

SpareBank 1 Boligkreditt and Næringskreditt are important funding sources for the bank, and loans totalling NOK 59bn (48bn) had been sold to these mortgage companies as at 30 September 2022. Thus far in 2022 residential mortgages totalling NOK 10.4bn have been sold to SpareBank 1 Boligkreditt.

In the third quarter the bank issued a senior green bond worth EUR 0.5bn and senior non-preferred debt (MREL) worth NOK 1.6bn.

As at 30 September 2022 SpareBank 1 SMN had issued senior non-preferred debt (MREL) in an amount of NOK 7.1bn. SpareBank 1 SMN will meet the MREL requirements by the end of 2023.

Rating

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

Financial soundness

The CET1 ratio at 30 September 2022 was 19.2 per cent (18.1 per cent). The requirement is 14.9 per cent, including combined buffer requirements and a Pillar 2 requirement of 1.9 per cent. Finanstilsynet (Norway's FSA) set a new Pillar 2 requirement for SpareBank 1 SMN on 30 April 2022. The rate of 1.9 per cent is unchanged, but the bank is subject to a temporary add-on of 0.7 per cent to its Pillar 2 requirement pending consideration of its application for adjustment of its IRB models.

Finanstilsynet has decided that SpareBank 1 SMN is to be subject to a Pillar 2 guidance of 1.25 per cent over and above its overall capital requirement. The bank's long-term CET1 target ratio is accordingly raised to 17.2 per cent.

The CET1 ratio showed a 0.4 percentage point increase from the second quarter. Risk weighted assets rose 1.4 per cent in the third quarter. A good profit performance and basis swap effects from SpareBank 1 Boligkreditt are the main explanation for the 3.7 per cent increase in CET1 capital. Value changes on base swaps i SpareBank 1 Boligkreditt will reverse over the term of the derivative. A payout ratio of 50 per cent of the group' net profit for 2022 is assumed.

A leverage ratio of 7.3 per cent (6.9 per cent) shows the bank to be very solid.

Sustainability

Sustainability is one of five strategic priorities in the group strategy, and the group's sustainability strategy stands firm.

Over the course of the quarter SpareBank 1 SMN has elucidated the content of the group's long-term climate ambition. This has involved clarifying work processes and frameworks, and the drawing up of plans for the transition to net zero emissions at industry level with a view to making an active contribution to an organised readjustment to a low-emissions society. In order to realise the ambition, milestones are drawn up. This and the status of transition plans will be communicated during the fourth quarter.

Calculating the loan portfolio's emissions is still a matter of much uncertainty. This is mainly due to data quality and access to relevant data from our customers. The uncertainty is naturally greater the longer the time perspective we apply. The group has nonetheless estimated emission paths for the period to 2050 utilising Science Based Target Initiatives as a basis for setting sectoral emissions reduction targets for the path towards net zero emissions in 2050.

The group will continue its work to develop data and methodology and will revise the group's materiality analysis in the fourth quarter.

The bank's equity certificate (MING)

The book value of the equity certificate (EC) as at 30 September 2022 was NOK 107.19 (103.57), and earnings per EC were NOK 9.29 (10.11).

The Price / Income ratio was 9.00 (9.62) and the Price / Book ratio was 1.04 (1.25).

Outlook

SpareBank 1 SMN delivered a good performance as per 30 September 2022 with a return on equity of 12 per cent and good capitalisation. This is viewed as satisfactory in a situation of much market unrest. The business lines have performed well and the group has a solid basis on which to attain its ambitions for growth and profitability. The ROE objective of a minimum of 12 per cent and other key financial targets stand firm.

Rising market interest rates and price growth impact the personal and corporate market alike and contribute to increased uncertainty. The risk trend in the loan portfolio is acceptable, and loan losses are low. The offshore segment continues to improve, although there are signs of increased risk elsewhere in business and industry. The region enjoys low energy prices and unemployment remains very low.

Greater uncertainty attends house prices and expectations of receding credit growth. Interest rate hikes and growth in prices will reduce households' purchasing power and consumption. Thus far there are few signs of increased risk in the personal customer portfolio, but the expectation is that more customers will be in need of flexible solutions and financial advice in the period ahead. The bank is well prepared to handle this situation through its customer relationship concept and physical presence in Trøndelag and in Møre and Romsdal.

SpareBank 1 SMN is a full-fledged finance centre, it leads the field in its market area and has a broad-based product platform with profitable subsidiaries and product companies. Good results have been achieved in 2022 along with broad growth and a strengthened market position. However, macroeconomic prospects are uncertain. The ambition to further strengthen the group's market position nonetheless stands firm. This is underpinned by a modern, customer-oriented and effective distribution system. The merger with SpareBank 1 Søre Sunnmøre has been approved by both banks' boards of directors and presented for a final decision by the banks' general meetings and supervisory boards in November. The merger will make for an improved customer offering and a stronger presence in Sunnmøre and in Fjordane.

SpareBank 1 SMN has set itself the goal of achieving net zero carbon emissions from the group's customer portfolios and day-to-day operations by 2050 at the latest. The bank has started work on establishing

transitional plans for reduced emissions from the group's customer portfolios as well as plans for reduction of its own emissions. In addition priority is given to developing competence, data quality and climate reporting.

The uncertainty in the economy is greater than for a long time both nationally and internationally. A strong capital position, ample liquidity and access to funding put SpareBank 1 SMN in an good position to manage the uncertainty.

Trondheim, 27. October 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

Inge Lindseth
(employee rep.)

Christina Straub
(employee rep.)

Jan-Frode Janson
(Group CEO)