

About the group



Statement by the Group CEO

SpareBank 1 SMN's 200th anniversary – on a steady course with the wind in its sails

I often reflect on the legacy managed by SpareBank 1 SMN and the responsibility we hold. On the one hand it's about continuing our DNA – about maintaining our presence, local-level decision making and active social commitment. On the other it's about evolving to meet a world in rapid change and more uncertain than for a long time.

The vision of the 44 persons who founded Trondhjems sparebank on 26 May 1823 was clear. They wished to make the city and the region a better place for those that lived and worked here. More people should save money in order to get established, start businesses and provide for their families. The founders invested their own funds in the bank, relinquishing ownership, and any future profit was to be shared with the local community.

Little did the founders know that their efforts would form the basis for the region's largest, and leading, finance centre which today counts just short of 1,700 employees. And although SpareBank 1 SMN is a large stock exchange listed company, the Mid-Norwegian community remains its largest owner. En route we have stood by people and businesses through thick and thin, in good times as in bad. Lately through a global pandemic, followed by war in Europe. On this occasion too we have gained market share in increasingly uncertain times.

2022 has been an unusually active and eventful year in the history of the bank. In the first quarter we reached a lending volume of NOK 200bn for the first time ever. An important and symbolic milestone at the start of the year in which the bank celebrates its 200th anniversary. The retail segment continues to account for the largest share of lending volume. However, the bank has seen a change in its pace of growth in the corporate market. Looking at the profit figures, the group's overall profit for business-oriented activities exceeds the corresponding figure for the retail market.

Much effort has been given to improving the interaction between business lines in recent years. This is what we call "One SMN". An important aspect of this effort involves the co-location of enterprises. Another has been to coordinate development and support functions to build better processes and customer journeys. This is a journey we shall continue to work on in 2023.

SpareBank 1 SMN has for many years been a driver for the development of collaboration in SpareBank 1-alliansen. It is therefore a matter of pride for SpareBank 1 Markets to be taking over the capital market activities of both SpareBank 1 SR-bank and SpareBank 1 Nord-Norge. The process involves an increase in the two banks' holdings in the company, while SpareBank 1 Markets is to switch from being a subsidiary of SpareBank 1 SMN to become a jointly controlled entity in true alliance spirit. The transaction is to reach completion in the second quarter of 2023.

Another jointly controlled entity is Vipps. This company has changed Norwegians' payment habits through innovation. In 2022 the company reached a new milestone. The merger with MobilePay united the leading digital wallets in Norway, Denmark and Finland. The new company has from the outset 11 million retail customers and 400,000 corporate customers. This makes Vipps the market leader in the Nordic region and a contender on the European stage.

SpareBank 1 SMN also aspires to play an active role in the anticipated consolidation among Norwegian savings banks. The approval in November of the merger between SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre was accordingly a historical milestone. The merged entity will hold a strong market position, and a fine basis for offensive growth in Sunnmøre and in Fjordane.

In recent years the bank has substantially ramped up its ambitions and the volume of its community dividend. Last year we allocated more than half a billion kroner to community dividend, of which half went to the foundation Sparebankstiftelsen SMN while the remainder was distributed among projects small and large. Never before have so many known about our ownership model, and never before have so many received community dividend grants. In 2022 we received more than 4,000 applications, and almost half were approved.

We have set ourselves the goal of being a driver for green transition in Mid-Norway, and the group has substantially raised its ambitions in the sustainability sphere. Regnskapshuset now offers sustainability competencies in demand from more and more customers, and the bank is financing ever more of its funding by way of green bonds. Last autumn we conducted a double materiality analysis as basis for prioritising our efforts in the sustainability sphere. Indeed, as from this year, the annual report is structured along the same lines as the materiality analysis.

Our 200th anniversary will be commemorated throughout the year. Our planning started out from the founders' vision of creating a brighter future for coming generations in their local community. Hence a solid dose of history will permeate the anniversary year, at the same time as the future will remain in focus. The latter involves activities for young people, and a clear footing in sustainability. Among the activities is an excursion for the future aboard the training ship Statsraad Lehmkuhl – symbolising a savings bank on a steady course into the future and with the wind in its sails.

Jacob Roll and the other founders would no doubt also have been proud to witness the fruits of the small savings bank they established on a day in May early in the 1800s. At the same time they, like us, would probably have been concerned by the turbulence in the world around us. So it is reassuring to know that we have a 200-year-old tradition of handling change, with a cool head and a warm heart.

Jan-Frode Janson

Group CEO at SpareBank 1 SMN

Important events in 2022

First quarter 2022

- Net Profit of NOK 698m and a return on equity of 12.5%.
- SpareBank 1 SMN reaches a historic milestone with a loan volume of NOK 200bn.
- We made our first payment to the SINTEF Climate Fund.
- In February we launched the year's focal theme for community dividend – *Living Neighbourhoods*. Through this focus we wish to contribute to good neighbourly communities and a better living environment in neighbourhoods throughout the region.
- When war broke out in Europe, we set aside NOK 2m of our community dividend to alleviate the humanitarian catastrophe caused by the war in Ukraine.

Second quarter 2022

- Net Profit of NOK 702m and a return on equity of 12.9%.
- SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre reached an agreement of intent to merge the two banks. The goal is to build an even stronger regional bank, with clear growth aspirations in Sunnmøre and in Fjordane.
- On 22 June 2022 SpareBank 1 SMN announced that SpareBank 1 Markets intention to strengthen its capital market focus. SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge are to transfer their capital market business to SpareBank 1 Markets, and are in addition buying into the company in the form of a cash payment. Upon completion of the transaction SpareBank 1 SMN's stake will be 39.4% and SpareBank 1 Markets will be treated as an affiliated enterprise. The transaction requires approval by the Financial Supervisory Authority and the Competition Authority, and is scheduled for completion in March 2023.

Third quarter 2022

- Net Profit of NOK 617m and a return on equity of 10.9%.
- Merger of SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre approved by the board of directors of both banks.
- In October 2022 the rating agency Moody's upheld our A1 credit rating and revised our outlook from stable to positive. Moody's confirmation and the positive outlook reflected SpareBank 1 SMN's solid capital position along with sound and profitable operations, improved risk profile and reduced dependence on market funding.

Fourth quarter 2022

- Net Profit of NOK 768 and a return on equity of 13.1%.
- The year's economic barometer for the business sector in the region was presented in November 2022. It put pessimism at its highest level since the financial crisis.
- The merger was approved by the general meeting of SpareBank 1 Søre Sunnmøre and the supervisory board of SpareBank 1 SMN in the year's final quarter.
- The specialist department "Sustainability Reporting and Advisory Services" at SpareBank 1 Regnskapshuset SMN was established to help businesses navigate the green transition by providing advice in the reporting, energy and climate accounting areas.

This is SpareBank 1 SMN

The first savings banks in Norway saw the light of day in the 1820s, and our history extends 200 years back in time to the founding of Trondhjems sparebank in 1823.

A group of Trondheim's better-off men paid a total of 1,596 speciedaler to set up a local savings bank. The bank they founded was named Trondhjems sparebank. Little did those men know that this was to be the start of a long and proud history.

Between the 1820s and far into the 1900s new savings banks were established across the entire region. In the 1990s and subsequently, many of them were amalgamated with what was once Trondhjems sparebank. It is these banks that now make up SpareBank 1 SMN. The men who back in the day founded Trondhjems sparebank aspired to build their community and to play a part in helping the less well-off to accumulate savings. They wanted the community to own the bank, and as early as 1840 Trondhjems sparebank started to devote parts of its net profit to supporting projects that would benefit the local populace.

Now that we are entering the anniversary year 2023 to celebrate a 200-year history, we are much more than a bank. We are the region's leading financial services group and can offer our customers a comprehensive and coherent range of products and services in the banking, accounting and estate agency spheres.

The set of values dating from 1823 has been with us throughout our history and stands firm to this day. Our main objective is, and has always been, to provide good financial advice to people and businesses in good and bad times. The community is still the group's largest stakeholder and each year receives its rightful share of the net profit through the community dividend fund.

We have a big heart for the local communities across our region, and an unwavering belief that *Together we make things happen*.

Goals and strategic priorities

SpareBank 1 SMN's aspires to be the leading financial services group in Mid-Norway, and among the best performers in the Nordic region. We aim to create financial value, to build the regional community and to assume our share of the responsibility for a sustainable development.

With our strong customer relationships and high return over time, we have a good foundation on which to build further. We have clear-cut objectives in terms of profitability, financial position and efficiency. In relation to the fourth quarter 2022 the goal related to return on equity was increased, and the annual cost-goal was revised. Our goals for the coming period are:

- **Profitable**, with a 13 per cent return on equity
- **Financially solid**, with a CET1 ratio of 17.2 per cent. Payout ratio about 50 per cent
- **Efficient**. Annual goal of a cost-income ratio below 40 per cent at the parent bank, and below 85 per cent at subsidiaries
- **Responsible**. Achieve net zero emissions by 2050
- **Strengthened market position**. Ambition to be number 1 in the group's areas of business
- **Increase in satisfied customers**. Ambition to have the most satisfied customers in all business lines and market areas

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

Our five most important priorities

In 2020 five strategic priorities were highlighted as particularly important for the group. These areas have subsequently laid the basis for our strategic priorities and will continue to do so in 2023.

The five priorities are:

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

SpareBank 1 SMN's organisational set-up

We are an independent regional savings bank and the region's leading financial services group. Together with our subsidiaries and affiliates, we are a complete financial centre catering to both the retail and the corporate market. With subsidiaries included, we have about 1,650 employees at the end of 2022.

SpareBank 1 SMN is one of six owners of SpareBank 1-alliansen. Through this alliance we offer competitive products in the fields of financing, savings and investment, insurance and payment services along with estate agency, leasing, accounting services and capital market services.

SpareBank 1 SMN is organised under the following structure:

Financial Group SpareBank 1 SMN



Figure 1: Overview of business lines in SpareBank 1 SMN

Some of these offices are stand-alone and in many localities two business lines are co-located under the same roof. 15 offices are what we term finance centres in which banking, accounting and estate agency businesses are present in one and the same location.

The map displays the following municipalities and their approximate locations:

- Red dots (Population ≥ 10,000):** Kolvereid, Rørvik, Namsos, Steinkjer, Verdal, Levanger, Stjørdal, Trondheim*, Oppdal, Sunndalsøra, Molde, Ålesund.
- Blue dots (Population < 10,000):** Grong, Snåsa, Flatanger, Inderøy, Ålfjord, Brekstad, Leksvik, Rissa, Børås, Orkanger, Melhus, Løkken, Støren, Ålen, Røros, Berkåk, Storås, Surnadal, Angvik, Bruhagen, Viken, Elnesvågen, Sandøy, Aukra, Midsund, Neisomhed, Nesset, Vestnes, Rauma/Åndalsnes, Ørsta, Volda, Fjorli, Lesja, Dombås, Lillehammer, Skjåk, Færde, Hareid, Spjelkavik.

- *The group's head office is located in Trondheim along with a number of offices offering banking, accounting and estate agency services on a stand-alone or co-located basis.*
- *Locations marked with red dots offer banking, estate agency and accounting services.*
- *Locations marked with dark blue dots offer two business lines under the same roof.*
- *At locations marked with pale blue dots, offices are stand-alone.*
- *SpareBank 1 Markets and SpareBank 1 Regnskapshuset SMN also have offices in Oslo.*

EiendomsMegler 1 Midt-Norge is a subsidiary of SpareBank 1 SMN. Other owners are SpareBank 1 Nordmøre and SpareBank 1 Sunnmøre. EiendomsMegler 1 Midt-Norge owns Brauten Eiendom and is part of EiendomsMegler 1-alliansen, the country's largest provider of estate agency services. The company has

more than 270 employees distributed across more than 30 offices throughout Trøndelag and Møre and Romsdal, and offers services as regards second-hand homes, commercial property and new builds along with rental and agricultural brokerage services.

SpareBank 1 Regnskapshuset SMN

SpareBank 1 Regnskapshuset SMN is a subsidiary of SpareBank 1 SMN. Other owners are SpareBank 1 Søre Sunnmøre, SpareBank 1 Gudbrandsdal and SpareBank 1 Lom og Skjåk. SpareBank 1 SMN is the largest owner and the company has some 520 employees dispersed across 42 locations in Trøndelag, Møre og Romsdal and Innlandet. The company is a fully fledged finance and technology centre and is one of the three largest operators in the accounting industry in Norway. In addition to traditional accounting services and systems the company offers services in the fields of sustainability reporting, HR, transfer of ownership, taxes and duties, and IT. In cooperation with SpareBank 1 SMN it also offers the service 'Banking+Accounts' which enables a business to manage its entire finances in one place.

SpareBank 1 Finans Midt-Norge

SpareBank 1 Finans Midt-Norge is a subsidiary of SpareBank 1 SMN. Other owners are Sparebanken Sogn & Fjordane, SpareBank 1 Sørøst-Norge, SpareBank 1 Østfold-Akershus, SpareBank 1 Nordmøre, SpareBank 1 Søre Sunnmøre, SpareBank 1 Hallingdal Valdres, SpareBank 1 Gudbrandsdal and SpareBank 1 Lom og Skjåk. The company offers leasing, corporate loans, vendor's lien and invoice sale services to about 37,500 retail customers and 5,800 corporate clients. The company markets its products through parent banks, car dealers and direct sales. SpareBank 1 Finans Midt-Norge has total assets of NOK 12bn and is represented in the counties of Trøndelag, Møre and Romsdal, Vestland, Vestfold and Telemark, and Innlandet and Viken.

The proportion of financed objects with electric transmissions is growing strongly in the retail and corporate market alike. The company's credit policy sets clear guidelines for various requirements on businesses, products and sectors and takes particular account of sustainability so as to set the stage for customers to go for more sustainable options when procuring new objects.

SpareBank 1 SMN Invest

SpareBank 1 SMN Invest is a wholly owned subsidiary of SpareBank 1 SMN, and holds shares and units in regional growth companies and funds. Activity in the company has been reduced, and it will not be making new investments. The portfolio will accordingly be scaled back over time. The company holds shares worth NOK 506m at the end of 2022.

SpareBank 1 Markets

SpareBank 1 Markets is at the end of the reporting period a subsidiary of SpareBank 1 SMN. On 22 June 2022 SpareBank 1 SMN announced that SpareBank 1 Markets was to strengthen its focus on the capital market. SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge were to transfer their capital market business to SpareBank 1 Markets, and in addition buy into the company in the form of a cash payment. Upon completion of the transaction SpareBank 1 SMN will hold 39.4 per cent and SpareBank 1 Markets will be treated as an affiliated enterprise. The transaction requires approval by the Financial Supervisory Authority and the Competition Authority, and is scheduled to go ahead in second quarter of 2023.

SpareBank 1 SMN Markets AS is an investment firm offering a complete range of products. The company's aspires to be a leading Norwegian capital market institution able in collaboration with its parent banks to

deliver all capital market services. Advisory services and facilitation of external and equity financing for clients are important service areas. Client trading and proprietary trading in shares and derivatives, fixed income and currency instruments along with bonds is also undertaken. SpareBank 1 SMN holds a 66.70 per cent stake in the company.

SpareBank 1 Markets strengthened its market position in 2022. The year brought high incomes in particular in investment banking and stockbroking. Collaboration with the parent banks was good, generating incomes in all business areas. SpareBank 1 Markets has acquired a substantial position for raising capital for technology companies and companies that contribute to a sustainable economy. In total, the company participated in stock issues in a nominal amount of NOK 11.6bn (35bn), and bond issues worth a nominal NOK 8.4bn (6.9bn) in these sectors. At the end of 2022 the company had 168 employees.

SpareBank 1-alliansen's companies

SpareBank 1-alliansen consists of 13 independent savings banks that collaborate on a shared platform and brand. The collaboration is organised through the jointly owned companies SpareBank 1 Gruppen and SpareBank 1 Utvikling with subsidiaries, in addition to a number of companies directly owned by the SpareBank 1 banks.

SpareBank 1 SMN's has a stake of 19.5 per cent in SpareBank 1 Gruppen. SpareBank 1 Gruppen wholly owns SpareBank 1 Forsikring, SpareBank 1 Factoring and SpareBank 1 Spleis. SpareBank 1 Gruppen holds a 65 per cent stake in Fremtind Forsikring and 50 per cent of Kredinor. In addition, SpareBank 1 SMN, together with other SpareBank1 banks, directly owns SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt, SpareBank 1 Kreditt, SpareBank 1 Betaling, SpareBank 1 Forvaltning and BN Bank.