

Note 3 - Merger with SpareBank 1 Søre Sunnmøre on 2 May 2023

The merger of SpareBank 1 Søre Sunnmøre and SpareBank 1 SMN was carried out on 2 May 2023 with accounting effect from the same date. SpareBank 1 SMN is the acquiring entity and the merger is accounted for using the acquisition method of accounting in accordance with IFRS 3.

On 20 June 2022 the boards of directors of the two banks entered into an agreement of intent on a merger between SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre. The rationale for the merger was the banks' joint desire to create a larger and more dynamic bank, increasingly attractive to customers, investors and shareholders, employees and local communities in the region.

The overarching goal of the merged bank is to take its place as the leading banking player in Sunnmøre and in Fjordane. A merged bank makes for greater competitive power, an enhanced presence and increased attractiveness to customers, employees, investors and shareholders alike.

The merger plan was approved by the boards of both banks on 3 October 2022, and was finally approved by the respective general meetings of the banks on 9 November 2022. The requisite authorisations were received from Finanstilsynet on 17 March 2023 and the merger completion date was set at 2 May 2023.

In the final merger plan the conversion ratio was set at 93.4 per cent for SpareBank 1 SMN and 6.6 per cent for SpareBank 1 Søre Sunnmøre.

Payment for acquisition of the business activity of SpareBank 1 Søre Sunnmøre will be in the form of new equity certificates (ECs) in SpareBank 1 SMN.

In connection with the merger, the equity certificate capital is raised by NOK 288 million through the issuance of 14,379,147 new equity certificates of which 1,407,923 ECs go to previous EC holders in SpareBank 1 Søre Sunnmøre and 12,971,224 ECs go to the foundation Sparebankstiftinga Søre Sunnmøre. This entails the conversion of one SpareBank 1 Søre Sunnmøre EC for every 1.4079 SpareBank 1 SMN ECs.

These equity certificates are issued at a nominal value of NOK 20 per EC and a subscription price of NOK 103.36 per EC, corresponding to the latest calculated book value per EC on 30 April 2023. After the issuance of new equity certificates the total issued EC capital will amount to 2,884,311,800 distributed on 144,215,590 ECs with a nominal value of NOK 20 per EC.

The fair value of the 14,379,147 ECs issued as payment to EC holders in SpareBank 1 Søre Sunnmøre and the foundation Sparebankstiftinga Søre Sunnmøre is NOK 137.10 per EC, corresponding to the latest market price quoted on 2 May 2023 for SpareBank 1 SMN's EC. The difference between the fair value of the payment made to SpareBank 1 Søre Sunnmøre's EC holders prior to the merger and their share of net equity capital for the purposes of the acquisition analysis constitutes goodwill, and is recognised in the balance sheet on the completion date in accordance with IFRS 3.

The table below shows the merger payment, the fair value of assets and liabilities from SpareBank 1 Søre Sunnmøre and the calculation of goodwill as at 2 May 2023 (merger completion date). The purchase price allocation is not final.

| Merger payment | Number | Price (NOK) | Payment (NOKm) |
|--|-------------------|-------------|----------------|
| Issued EC capital - SpareBank 1 Søre Sunnmøre | 1,407,923 | 103 | 146 |
| Issued EC capital - Sparebankstiftinga Søre Sunnmøre | 12,971,224 | 103 | 1,341 |
| Total payment | 14,379,147 | | 1,486 |

| Fair value of identifiable assets and liabilities | Book value 30 April 2023 | Excess Values | Fair value 2 May 2023 |
|---|---|--------------------------|--|
| (NOKm) | | | |
| Cash and receivables from central banks | 35 | - | 35 |
| Deposits with and loans to credit institutions | 1,602 | - | 1,602 |
| Net loans to and receivables from customers | 10,345 | 20 | 10,365 |
| Fixed-income CDs and bonds | 206 | - | 206 |
| Shares, units and other equity interests | 566 | 23 | 589 |
| Investment in related companies | 163 | 107 | 270 |
| Deferred tax asset | 2 | - | 2 |
| Fixed assets | 48 | 15 | 63 |
| Other assets | 43 | - | 43 |
| Intangible assets (customer relationship) | - | 133 | 133 |
| Total assets | 13,009 | 299 | 13,307 |
| Deposits from credit institutions | 9 | - | 9 |
| Deposits from and debt to customers | 9,994 | - | 9,994 |
| Debt created by issue of securities | 1,240 | - | 1,240 |
| Deferred tax | - | 42 | 42 |
| Other liabilities | 52 | - | 52 |
| Provision for accrued expenses and commitments | 19 | - | 19 |
| Subordinated loan capital | 150 | - | 150 |
| Total liabilities | 11,463 | 42 | 11,505 |
| Additional Tier 1 Capital | 50 | | 50 |
| Net assets | 1,496 | | 1,753 |
| Goodwill | | | 219 |
| Calculated equity capital based on the latest market price quoted on 2 May 2023 NOK 137.10, and a conversion ratio set at 93.4 per cent for SpareBank 1 SMN and 6.6 per cent for SpareBank 1 Søre sunnmøre | | | 1,971 |