

Report of the Board of Directors

First quarter 2024

(Consolidated figures. Figures for the former SpareBank 1 Søre Sunnmøre are included as from the second quarter of 2023. Figures in parenthesis refer to the same period of 2023 unless otherwise stated. Growth figures adjusted for the merger are referred to under 'loans' and 'deposits')

- Pre-tax profit NOK 1,353m (946m)
- Net profit NOK 1,084m (778m)
- Return on equity 16.0% (13.0%)
- CET1 ratio 18.5% (18.2%)
- Growth in lending 0.8% (1.3%) and in deposits 1.1% (1.2%)
- Lending to the bank's retail customers rose 0.6% in the quarter (0.6%), 0.2 percentage points lower growth than in the fourth quarter. Lending to the bank's corporate clients rose 1.5% (2.7%) which was 0.5 percentage points higher growth than in the fourth quarter
- Deposits from retail customers rose 1.6% (1.9%), 0.5 percentage points higher growth than in the fourth quarter. Deposits from corporate clients climbed 2.5% (1.2%). This is 12.5 percentage points higher growth than in the fourth quarter, which was impacted by a reduction in public sector deposits
- The net result of ownership interests was NOK 194m (125m)
- The net result of financial instruments (incl. dividends) was NOK 87m (minus 97m)
- Losses on loans and guarantees: NOK 24m (minus 71m)
- Earnings per equity certificate (EC): NOK 4.68 (3.51)
- Book value per EC was NOK 113.24 (105.63) and the price of the bank's EC (MING) was NOK 137.80 (123.60)

Events in the quarter

Merger of the insurance arms of Fremtind and Eika approved by the Competition Authority

In January 2024, the transaction agreement to amalgamate the insurance businesses of Fremtind and Eika was signed. The agreement is contingent on approval from the Competition Authority and Finanstilsynet (Norway's Financial Supervisory Authority). The Competition Authority's approval for the merger of Fremtind Forsikring and Eika Forsikring was granted on 1 March 2024. Finanstilsynet's approval is expected in the second quarter of 2024.

SpareBank 1 SMN owns 19.5 per cent of the shares of the SpareBank 1 Group, which upon completion of the transaction will own 51.44 per cent of the shares of Fremtind Holding.

Insurance settlement in the embezzlement affair

In the first quarter SpareBank 1 SMN reached a settlement in the embezzlement affair whereby the insurance company disbursed NOK 30 million to the bank. The embezzlement was first reported on in the first quarter of 2023.

Unchanged base rate and inflation above target

Norges Bank kept the base rate unchanged at 4.50 per cent in March and reiterated its signal that the base rate would stay at its present level for much of 2024.

The 12-month rate of growth in the consumer price index (CPI) was 3.9 per cent at the end of the first quarter of 2024. Underlying inflation in the same period in terms of the consumer price index adjusted for changes in indirect taxes and excluding energy products (CPI-ATE) was 4.5 per cent. The wholly unemployed share of the labour force remains at a very low level, but is expected to rise somewhat through 2024. In Trøndelag and in Møre and Romsdal the wholly unemployed share is 1.5 and 1.7 per cent respectively. For Norway as a whole the share is 2.0 per cent.

Growth in credit to households and non-financial undertakings fell further in the first quarter of 2024. As at March the national twelve-month rate of growth in credit to households and non-financial undertakings was 3.0 and 2.7 per cent respectively.

The regional indicator in Norges Bank's regional network survey for Mid Norway showed a small improvement in the first quarter of 2024, but remains on a slightly negative trend.

Såkorn 1 Midt

The board of SpareBank 1 SMN decided in spring 2023 to allocate up to NOK 150 million from the bank's community dividend for sustainable early-stage investments in Mid-Norway. The funds will be allocated to the foundation Såkorn 1 Midt, which will carry out the fund's investments. The bank's contribution was expected to constitute a maximum of 50 percent of committed capital. An additional NOK 100 million in capital has now been raised in addition to the contribution from SpareBank 1 SMN, which means that a total of NOK 200 million has been raised in the first subscription round. There is a goal to raise further capital through a new subscription round towards the end of 2024.

Results for the first quarter

The first quarter of 2024 is marked by good results across the entire group. High net interest income at the bank, good commission income from the subsidiaries and strong profit contributions from ownership interests make for an overall net profit of NOK 1,084m and a return of 16.0 per cent on equity.

The bank made a general interest rate change in the first quarter, with some effect noted in the quarter. After a long period of interest rate hikes by the central bank, all announced rate hikes have now been carried out. Dampened credit growth and growing competition in the retail market impacted lending growth in the quarter, but implemented interest rate changes and stable market rates bring increased net interest income adjusted for the one-time event in the previous quarter.

Seasonal variations and higher market shares at SpareBank 1 Regnskapshuset SMN and EiendomsMegler 1 Midt-Norge provide increased commission income. In the first quarter the bank increased the share of residential mortgages transferred to the captive residential mortgage company, SpareBank 1 Boligkreditt. This, together with stable market interest rates and higher lending rates, brought increased commission income from the mortgage company.

The result from related companies shows a substantial increase compared with the previous quarter. The insurance companies in the SpareBank 1 Group performed well in the first quarter, and BN Bank continues to deliver creditable results. A value increase in SpareBank 1 SMN Invest's portfolio and capital gain on financial instruments also provide positive profit contributions in the quarter.

The group's operating expenses are reduced compared with the fourth quarter. Reduced IT expenses, recovery of operational losses and one-time events in the fourth quarter explain the bulk of the decline in expenses.

Loan losses in the first quarter are at a low level. The loss picture is again marked by recoveries in the offshore segment and higher loss provisioning in other sectors.

The CET1 ratio is 18.5 per cent at quarter-end, which is well above the group's own target and regulatory requirements.

Net interest income

Market interest rates in terms of NIBOR were stable through the first quarter, with three-month NIBOR averaging 4.71 per cent in the quarter. The bank carried out a general interest rate increase for retail customers with effect from 9 March 2024.

Net interest income totalled NOK 1,306m (1,035m) compared with NOK 1,312m in the fourth quarter. When adjusted for a one-time effect of NOK 59m in the fourth quarter of 2023, this corresponds to an increase of 4.2 per cent from the previous quarter. Implemented interest rate changes and stable market rates have brought wider lending margins and narrower deposit margins, thus contributing to higher net interest income.

Volume transferred to SpareBank 1 Boligkreditt was increased by NOK 2.5bn in the first quarter of 2024. Net interest income including commissions from the captive mortgage companies was NOK 33m higher than in the fourth quarter. Adjusted for the one-time effect in the previous quarter, the increase measures NOK 92m, corresponding to 7.3 per cent.

Commission income and other operating income

SpareBank 1 SMN's strategy of exploiting the breadth present in the group and expanding interaction across the respective business lines stands firm. A high proportion of multi-product customers contributes to a capital-efficient, diversified income flow and high customer satisfaction.

Commission income (NOKm)	1Q 24	4Q 23	1Q 23
Payment transfers	77	101	72
Creditcard	18	14	17
Saving products	11	11	10
Insurance	63	61	61
Guarantee commission	15	16	16
Real estate agency	115	98	105
Accountancy services	200	152	188
Other commissions	11	23	11
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	510	475	480
Commissions SB1 Boligkreditt	59	19	57
Commissions SB1 Næringskreditt	4	4	3
Total commissions	572	498	541

Compared with fourth quarter, commissions from payments services are reduced while income from accounting services and estate agency services shows a substantial increase. This is primarily due to

seasonal variations. Commission income excluding mortgage companies rose by NOK 35m from the previous quarter and by NOK 30m from the same quarter of 2023.

Measured against the same quarter of last year, commission income excluding mortgage companies rose 6 per cent. The fine development is driven in particular by income from estate agency and accounting services. EiendomsMegler 1 Midt-Norge has increased its market share from 37.7 per cent in the first quarter 2023 to 38.7 per cent in the first quarter 2024. SpareBank 1 Regnskapshuset SMN has strengthened its advisory capacity and its focus on digitalisation to good effect. This has brought increased organic growth and reinforced customer loyalty. At the same time acquisitions are contributing higher commission income.

In the case of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, the bank receives a commission corresponding to the loan interest less the funding and operating expenses of those companies. The increased commission income from SpareBank 1 Boligkreditt in the first quarter is mainly down to higher lending rates.

Return on financial investments

Return on financial investments in the first quarter was NOK 84m (minus 99m). Capital gains of NOK 42m are driven by an increase in the value of SpareBank 1 SMN Invest's share portfolio.

Financial instruments, including bonds and CDs, showed a capital gain of NOK 20m (capital loss of 105m) while income from foreign exchange transactions declined by NOK 5m from the preceding quarter to NOK 22m (NOK 23m). The fourth quarter of 2023 included a gain of NOK 414m related to disinvestment from SpareBank 1 Markets. The first quarter of 2023 was marked by wider credit margins and interest rate turbulence which brought losses on financial instruments.

Return on financial investments (NOKm)	1Q 24	4Q 23	1Q 23
Capital gains/losses shares	42	472	-17
Gain/(loss) on financial instruments	20	-8	-105
Foreign exchange gain/(loss)	22	27	23
Net return on financial instruments	84	491	-99

Related companies

SpareBank 1 SMN has a broad and well-diversified income platform. The group offers its customers a broad product range through various product companies, both directly owned companies and companies in the SpareBank 1 Group, which provide commission income along with return on invested capital.

The overall profit share from the product companies and other related companies was NOK 194m (125m) in the quarter. In the fourth quarter of 2023 the corresponding figure was NOK 90m.

Income from investment in associated companies (NOKm)	1Q 24	4Q 23	1Q 23
SpareBank 1 Gruppen (19.5 %)	40	-51	34
SpareBank 1 Boligkreditt (23.7 %)	33	30	33
SpareBank 1 Næringskreditt (14.8 %)	4	1	2
BN Bank (35.0 %)	84	73	62
SpareBank 1 Markets (39.9 %)	25	19	0
SpareBank 1 Kreditt (18.6 %)	-4	-3	-4
SpareBank 1 Betaling (21.9 %)	-12	-8	-8
SpareBank 1 Forvaltning (21.5 %)	10	12	8
Other companies	13	16	-3
Income from investment in associated companies	194	90	125

SpareBank 1 Alliance

The SpareBank 1 Alliance is a collaboration between the SpareBank 1 banks. The collaboration is designed to provide economies of scale and to ensure the owner banks access to competitive financial services and products. The Alliance collaboration is driven through its ownership of the SpareBank 1 Group which owns and manages several of the product companies, and its participation in SpareBank 1 Utvikling which develops and delivers joint products and services.

SpareBank 1 Gruppen

SpareBank 1 Gruppen posted a net profit of NOK 271m (272m) in the first quarter, of which SpareBank 1 SMN's share of the controlling interest's net profit was NOK 40m (34m).

The most important companies in SpareBank 1 Gruppen (SpareBank 1 Gruppen's holding):

- **Fremtind Forsikring (65 per cent)** offers non-life and personal insurance coverage and is headquartered in Oslo. The company posted a profit of NOK 206m (274m) after tax in the first quarter.
- **SpareBank 1 Forsikring (100 per cent)** is a pension company headquartered in Oslo. The company mainly offers contribution-based occupational pensions, collective disability insurance and private pension saving. SpareBank 1 Forsikring reported a profit of NOK 112m (44m) after tax in the first quarter.
- **SpareBank 1 Factoring (100 per cent)** offers financial and administrative factoring services. The company is headquartered in Ålesund. The company posted a profit of NOK 19m (18m) after tax in the first quarter.
- **Related companies** in SpareBank 1 Gruppen posted a contribution of NOK 7m (0m) to SpareBank 1 Gruppen's profit. **Kredinor (50 per cent)** is Norway's largest debt collection company, and is a related company in SpareBank 1 Gruppen. As from 25 April 2024, SpareBank 1 Gruppen has the controlling interest in Kredinor with a holding of 68.64 per cent.

SpareBank 1 Forvaltning delivers products and services to a broad range of clients in the field of capital management and securities services. SpareBank 1 SMN's profit share in the quarter was NOK 10m (8m).

SpareBank 1 Boligkreditt is a mortgage company that issues covered bonds secured by residential mortgages with a view to achieving stable financing and low financing costs. SpareBank 1 SMN's profit share was NOK 33m (33m) in the first quarter.

SpareBank 1 Næringskreditt is a mortgage company that issues covered bonds secured by commercial mortgages with a view to achieving stable financing and low financing costs. SpareBank 1 SMN's profit share was NOK 4m (2m) in the quarter.

SpareBank 1 Kreditt offers unsecured finance to retail customers. SpareBank 1 SMN's profit share in the fourth quarter was minus NOK 4m (minus 4m).

BN Bank offers residential mortgages and loans to commercial property and its main market is south-eastern Norway. SpareBank 1 SMN's share of BN Bank's profit was NOK 84m (62m) in the quarter.

SpareBank 1 Markets is a leading Norwegian investment firm. The company offers services in the fields of equity and credit analysis, equity and bond trading and services in the corporate finance area. SpareBank 1 SMN's share of SpareBank 1 Markets' profit in the first quarter was NOK 25m.

SpareBank 1 Betaling is the SpareBank 1 banks' parent company in Vipps AS. SpareBank 1 SMN's profit share was minus NOK 12m (minus 8m) in the first quarter.

Other companies

The net profit of NOK 13m in the quarter was driven in all essentials by the profit share from Grilstad Marina.

Operating expenses

The group aims for a cost-income ratio below 40 per cent at the bank and below 85 per cent at EiendomsMegler 1 Midt-Norge and SpareBank 1 Regnskapshuset SMN. The cost-income ratio is defined as the ratio of operating expenses to net interest income and commission and other income.

The bank's cost-income ratio was 33.9 per cent in the quarter (40.0 per cent). The corresponding figures for EiendomsMegler 1 and Regnskapshuset were 83.0 (83.2) and 83.9 (78.1) per cent respectively.

NOKm	1Q 24	4Q 23	1Q 23
Staff costs	482	476	398
IT costs	110	132	106
Marketing	26	21	23
Ordinary depreciation	41	47	29
Operating expenses, real properties	13	11	16
Purchased services	74	71	31
Merger expenses	-	18	22
Other operating expense	36	90	104
Total operating expenses	782	866	728

Compared with the fourth quarter of 2023, expenses are reduced by NOK 84m. The reduction is mainly due to the expensing of capital tax in the fourth quarter and recovery of operational losses along with lower IT expenses in the first quarter of 2024.

Overall group expenses rose by NOK 54m from the first quarter of 2023, of which NOK 33m of the increase refers to the subsidiaries. Price and wage growth along with acquisitions made by SpareBank 1 Regnskapshuset SMN are the chief driver behind the subsidiaries' expense growth.

The bank's expenses have risen by NOK 21m compared with the first quarter of 2023. The first quarter of 2023 featured expensing of the embezzlement affair and merger costs of NOK 15m. Expenses in the first quarter of 2024 are reduced as a result of the insurance settlement in connection with the embezzlement, while the quarter also contains the former SpareBank 1 Søre Sunnmøre's cost base.

Investments in technology development, competence and growth initiatives in selected geographical locations through 2023 are reflected in the bank's growth in costs.

Losses on loans and guarantees

The group's losses on loans and guarantees in the fourth quarter of 2023 came to NOK 24m (recovery of a loss of NOK 71m) in the first quarter of 2024.

Impairment losses (NOKm)	1Q 24	4Q 23	1Q 23
RM	8	-8	11
CM	16	28	-82
Total impairment losses	24	20	-71

Losses in the quarter break down to minus NOK 13m in Stage 1 and 2 and NOK 37m in Stage 3. Losses in the period measured 0.04 per cent of total outstanding loans (minus 0.13 per cent).

Overall impairment write-downs on loans and guarantees as at 31 March amount to NOK 1,011m (1,101m).

The group's loan portfolio is of good credit quality. The portfolio comprises NOK 167,362m (151.116m) in Stages 1 and 2 respectively, corresponding to 99.18 per cent. Problem loans (Stage 3) total NOK 1,964m (2,065m), corresponding to 0.82 per cent (0.96 per cent) of gross outstanding loans, including loans sold to the captive mortgage companies.

Recoveries are noted in the quarter in the offshore segment due continued improvement in that segment. However, increased loss provisioning is seen in other industries, related in particular to fishery.

Business lines

In SpareBank 1 SMN the business lines are Retail Banking and Corporate Banking along with significant subsidiaries.

SpareBank 1 SMN's strategy of exploiting the breadth present in the group and expanding interaction across the respective business lines stands firm.

The **Retail Banking Division** achieved a pre-tax profit of NOK 499m in the first quarter of 2024 (372m). Return on capital employed was 17.7 per cent (16.3 per cent). The retail banking portfolio consists of wage earners, agricultural customers and sole proprietorships.

Profit and loss account (NOKm)	1Q 24	4Q 23	1Q 23
Net interest	628	626	524
Commission income and other income	187	167	181
Total income	814	794	706
Total operating expenses	304	373	325
Ordinary operating profit	510	421	381
Loss on loans, guarantees etc.	11	-2	9
Result before tax including held for sale	499	423	372
Balance			
Loans and advances to customers	167,736	166,713	148,294
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-67,418	-64,892	-59,306
Deposits to customers	65,640	64,601	55,948
Key figures			
Return on equity per quarter *)	22.4 %	16.3 %	15.8 %
Lending margin	0.91 %	0.68 %	0.93 %
Deposit margin	1.88 %	2.14 %	1.82 %

*) Regulatory capital with reference to the capital target underlies the calculation of capital employed in Retail Banking and Corporate Banking.

Lending growth in the quarter was 0.6 per cent and deposit growth 1.6 per cent. The corresponding figures for the first quarter of 2023 were 0.6 and 1.9 per cent respectively.

A general interest rate increase on loans and deposits was implemented in the course of the first quarter. Income from the payments area is reduced compared with the fourth quarter owing to seasonal variations. A higher transfer share and increased margins on loans sold to SpareBank 1 Boligkreditt provide higher net commission and other income measured against the previous quarter and the same period last year.

The loan portfolio is largely secured by residential property. Lending to personal customers consistently carries low risk, as reflected in continued low losses.

The Retail Banking Division prioritises balanced growth. A focus on deposits and savings in advisory services to customers enables the bank to deliver robust earnings and heightens customers' financial security in the form of increased buffer capital. The net subscription in SpareBank 1 Forvaltning has increased significantly compared to last year.

The distribution model is enhanced by the introduction of co-location in finance centres and a transition from personal advisers to customer teams. Increased use of data and insights enables a closer interplay between the physical and digital advisory channels, providing customers with improved and more efficient advice.

EiendomsMegler 1 Midt-Norge is the market leader in Trøndelag and in Møre and Romsdal. The pre-tax profit was NOK 20m (18m) in the first quarter.

EiendomsMegler 1 Midt-Norge (92.4%)	1Q 24	4Q 23	1Q 23
Total income	117	98	107
Total operating expenses	97	106	89
Result before tax (NOKm)	20	-7	18
Operating margin	17 %	-7 %	17 %

Higher mortgage rates dampened activity in the housing market through autumn 2023. Fewer properties remain unsold at the start of 2024, and prospects that the base rate peak has been reached and low building activity could lead to increased sales volume and higher prices. EiendomsMegler 1 Midt-Norge continues to gain market shares, at the same time as income per sale shows a positive development.

1,648 properties were sold in the first quarter (1,587), and new assignments totalled 2,090 (2,046). The company's market share at 31 March was 38.7 per cent, up from 37.7 per cent in the same period of last year.

The **Corporate Banking Division** achieved a pre-tax profit of NOK 483m (NOK 500m). Return on capital employed was 26.3 per cent.

CM, Profit and loss account (NOKm)	1Q 24	4Q 23	1Q 23
Net interest	570	659	474
Comission income and other income	72	90	63
Total income	642	749	541
Total operating expenses	148	168	127
Ordinary operating profit	494	581	413
Loss on loans, guarantees etc.	10	-25	-86
Result before tax including held for sale	484	606	500
Balance			
Loans and advances to customers	58,071	57,191	53,245
Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-1,526	-1,576	-1,481
Deposits to customers	64,532	62,988	63,644
Key figures			
Return on equity per quarter ^{*)}	34.9 %	33.1 %	28.6 %
Lending margin	2.69 %	2.90 %	2.64 %
Deposit margin	0.47 %	0.63 %	0.27 %

^{*)} Regulatory capital with reference to the capital target underlies the calculation of capital employed in Retail Banking and Corporate Banking.

The Corporate Banking Division's loan volume increased by 1.5 per cent in the quarter (2.7 per cent) while the deposit volume rose by 2.5 per cent (1.2 per cent).

For customers with loan and deposit products not tied to interbank rates, a general interest rate increase was implemented in the first quarter. When adjusted for the one-time effect in the fourth quarter of 2023, the lending margin widened compared with the previous quarter.

The credit quality of the loan portfolio is good. The bankruptcy rate in the region has risen, but so far with limited impact on the loan portfolio.

A strengthened input of resources in Trondheim and increased coordination with SpareBank 1 Regnskapshuset contribute to Corporate Banking's acquisition of market shares in Mid Norway. The establishment of a presence in Oslo is expected to stimulate lending growth in selected segments where SpareBank 1 SMN offers competencies and experience.

SpareBank 1 Regnskapshuset SMN is the market leader in Trøndelag and in Møre and Romsdal. The company posted a pre-tax profit of NOK 35m (44m).

SpareBank 1 Regnskapshuset SMN (93.3%)	1Q 24	4Q 23	1Q 23
Total income	217	167	202
Total operating expenses	182	159	158
Result before tax (NOKm)	35	8	44
Operating margin	16 %	5 %	22 %

Operating income climbed NOK 15m from the first quarter of 2023, driven by increased incomes from advisory and accounting services. There were three fewer working days in the first quarter of 2024 than in the same quarter of last year. The cost increase is in all essentials driven by higher personnel costs due to staff additions, wage growth and acquisitions.

Substantial sums have been invested in developing the company's competitive power. This is producing results ranging from strengthened advisory competencies and capacity to a greater focus on digitalisation and new income flows. Cloud-based solutions that simplify matters for the company, along with enhanced insights and improvements in the customer process, are at centre stage. This has spurred organic customer growth and reinforced the loyalty of existing customers.

SpareBank 1 Finans Midt-Norge's focal areas are leasing, vendor's liens, inventory financing and invoice purchasing services to businesses and vendor's liens to personal customers. SpareBank 1 Finans Midt-Norge recorded a pre-tax profit of NOK 66m (53m).

SpareBank 1 Finans Midt-Norge (56.5%)	1Q 24	4Q 23	1Q 23
Total income	108	85	90
Total operating expenses	39	26	30
Loss on loans, guarantees etc.	3	47	7
Result before tax (NOKm)	66	12	53

The company has in recent years developed new distribution channels with a special focus on the car dealer channel. More than 25 per cent of vendor's liens to personal customers came directly from car dealers in the first quarter of 2024. SpareBank 1 Finans Midt-Norge has a market share of about 10 per cent in vendor's liens in the counties where parent banks are represented.

SpareBank 1 SMN Invest owns shares and units in regional growth companies and funds. The portfolio is managed together with other long-term shareholdings of the bank and will be scaled down over time. The company's securities portfolio is worth NOK 561m (487m) as at 31 March 2024.

The company's pre-tax profit in the first quarter of 2024 was NOK 33m (minus 30m). The quarter's result is ascribable to an increase in the value of the securities portfolio.

Balance sheet, financing and liquidity

Total assets of NOK 236bn

The bank's total assets as at the first quarter of 2024 were NOK 236bn (228bn), having risen by NOK 8bn, or 3.3 per cent, over the last 12 months. Total assets have grown as a result of the merger with the former SpareBank 1 Søre Sunnmøre along with lending growth.

As at 31 March 2024 loans totalling NOK 69bn (61bn) had been sold from SpareBank 1 SMN to the captive mortgage companies SpareBank 1 Boligkreditt and 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 the two mortgage companies.

Loans

Total outstanding loans rose in the last 12 months by NOK 24.3bn (14.0bn), corresponding to 11.4 per cent (7.0 per cent), and stood at NOK 238.3bn (214.0bn) at the end of the first quarter. Lending growth in the quarter was 0.8 per cent (1.3 per cent).

Lending to the bank's retail customers increased by NOK 1.0bn in the quarter (0.9bn). This corresponds to a lending growth of 0.6 per cent (0.6 per cent). Lending growth in the last 12 months was 13.1 per cent (6.1 per cent), of which the merger with the former SpareBank 1 Søre Sunnmøre accounts for 9.0 percentage point. Total lending to the bank's retail customers came to NOK 167.7bn (148.3bn) at the end of the first quarter of 2024.

Lending to the bank's corporate segment rose by NOK 0.9bn in the quarter (1.4bn), corresponding to 1.5 per cent (2.7 per cent). Growth in lending in the last 12 months was 9.1 per cent (7.0 per cent), of which the merger accounts for 6.4 percentage points. Overall lending to the bank's corporate customers came to NOK 58.1bn (53.2bn) as at 31 March 2024.

SpareBank 1 Finans' gross loan volume was NOK 12.8bn (12.6bn) at the end of the first quarter 2024. This corresponds to a growth of 2.3 per cent in the last 12 months.

(Distributed by sector – see note 5).

Deposits

Customer deposits rose in the last 12 months by NOK 10.9bn (9,5bn) to NOK 134.4bn (123.5bn), corresponding to a growth of 8.8 per cent (8.3 per cent). Growth in the first quarter was 1.1 per cent (1.2 per cent).

Personal deposits rose NOK 1.0bn in the quarter (1.0bn), corresponding to deposit growth of 1.6 per cent (1.9 per cent). Deposit growth in the last 12 months was 17.3 per cent (6.9 per cent), of which the merger accounts for 12.7 percentage points. Total deposits from personal customers came to NOK 65.6bn (55.9bn) at the end of the first quarter.

Deposits from the bank's corporate segment climbed NOK 1.5bn in the quarter (increase of 0.7bn), corresponding to 2.5 per cent (1.2 per cent). Deposit growth in the last 12 months was 1.4 per cent (6.9 per cent). When adjusted for the merger with SpareBank 1 Søre Sunnmøre, growth in deposits from the bank's corporate segment would have been minus 5.5 per cent. The decline is attributable to growing competition for public sector deposits towards the end of 2023. Total deposits from the bank's corporate segment were NOK 64.5bn (63.6bn) as at 31 March 2024.

(Distributed by sector – see note 9).

Funding and liquidity

SpareBank 1 SMN has ample liquidity and access to funding. The bank follows a conservative liquidity strategy, with liquidity reserves that ensure the bank's survival for 12 months of ordinary operation without need of fresh external funding.

The bank is required to maintain sufficient liquidity buffers to withstand periods of limited access to market funding. The liquidity coverage ratio (LCR) measures the size of banks' liquid assets relative to net liquidity outflow 30 days ahead given a stressed situation. The LCR was calculated at 160 per cent as at 31 March 2024 (194 per cent). The Net Stable Funding Ratio (NSFR) at the end of the first quarter of 2024 was 130 per cent (126 per cent).

The group's deposit-to-loan ratio at 31 March 2024, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 56 per cent (57 per cent).

The bank's funding sources and products are amply diversified. The share of the bank's overall money market funding with a maturity above one year was 96 per cent (76 per cent) at 31 March 2024.

SpareBank 1 Boligkreditt and Næringskreditt are important funding sources for the bank, and loans totalling NOK 69bn (61bn) had been sold to these captive mortgage companies as at 31 March 2024.

Senior non-preferred (SNP) debt denominated in Japanese yen worth the equivalent of NOK 0.4 bn was issued in the first quarter. At the end of the quarter SpareBank 1 SMN held NOK 12.7bn in SNP debt instruments. MREL debt measured 36.7 per cent as at 31 March 2024, and SpareBank 1 SMN meets the MREL requirements by an ample margin.

The bank has a rating of Aa3 (stable outlook) with Moody's.

Financial soundness

The CET1 ratio at 31 March 2024 was 18.5 per cent (18.2 per cent) compared with 18.8 per cent as at 31 December 2023.

SpareBank 1 SMN received a new Pillar 2 requirement in the fourth quarter. The requirement was reduced to 1.7 percentage point and must be met with a minimum of 56.25 per cent CET1 capital. In view of this change the group's long-term CET1 target is revised to 16.3 per cent, including Pillar 2 guidance. The bank

is subject to a provisional add-on of 0.7 per cent to its Pillar 2 requirement until its application for adjustment of IRB models has been processed. The provisional add-on of 0.7 per cent is not included in the bank's long-term capital target.

A leverage ratio of 7.1 per cent (6.9 per cent) shows the bank to be very solid. See note 4 for details.

The bank's equity certificate (MING)

The book value per equity certificate (EC) at 31 March 2024 was NOK 113.24 (105.63) and earnings per equity certificate in the first quarter of 2024 were NOK 4.68 (3.51).

The Price / Income ratio was 7.36 (8.79) and the Price / Book ratio was 1.22 (1.17).

At the end of the first quarter of 2024, owners of the bank's equity certificates total 17,845, of whom 38.3 per cent are domiciled in Mid Norway. 22.6 per cent of the bank's equity certificates are held by foreign investors.

Sustainability

SpareBank 1 SMN has over the course of the quarter engaged in a broad-based stakeholder dialogue with a view to updating the group's dual materiality analysis. Key sustainability factors have been mapped and priorities assigned in line with the requirements of the Corporate Sustainability Reporting Directive (CSRD).

Corporate Banking has focused on the transition plan for shipping to be published in the second quarter. Retail Banking has established a collaboration with other regional banks in the Alliance to develop net-zero transition plans for households. Adviser tools are being developed to strengthen advisory power in this process. Regnskapshus has in the course of the quarter piloted a new service, *Klimasjekken*, which is a tool for companies and local authorities to identify climate challenges in their work with sustainable development.

The effort to develop science-based climate targets, both for the group's and the bank's own operations and financed emissions, is following the planned path. As part of this process, SMN will draw up the group's climate transition plan as a superstructure for all work involved in achieving our climate goals. Part of the solution concerns circular transition. A circular economy framework has accordingly been established, and SMN is currently piloting bounded projects within its own operations in order to learn and to create awareness among its own employees.

The group's focus is on contributing to sustainable development through credible targets and action plans while at the same time realising growth, competitive margins and necessary cost reductions.

Outlook

SpareBank 1 SMN delivered a good performance in the first quarter featuring strong profitability and financial soundness. Operating profit was satisfactory, at the same time as the result from ownership interests increased return on equity. Uncertainty still attends the economy in terms of reduced household purchasing power and slowing credit growth. SpareBank 1 SMN's ambition to expand market shares stands firm, and will be realised through initiatives taken in selected geographical locations and industries.

Norges Bank kept the base rate unchanged at 4.50 per cent in March and concurrently signalled an initial base rate reduction towards the end of 2024. In view of international developments featuring continued high price growth, along with a weakened krone exchange rate, market expectations of a base rate reduction have now been deferred. The central bank reiterated its signal that the current base rate level would apply

for much of 2024. SpareBank 1 SMN has raised mortgage and deposit rates in step with Norges Bank's rate changes in recent years, and has from March 2024 effectuated the latest interest rate hike by the central bank, which will gain full effect in the second quarter of 2024.

The group saw strong cost growth through 2023 due to investments in technology development, growth initiatives and competencies. In 2024 the cost trend in the group will be in particular focus, and the group's cost growth is expected to normalise.

The risk picture in SpareBank 1 SMN's loan portfolio is satisfactory, although higher interest rates and lower activity levels in the economy have prompted increased uncertainty. However, there are few indications of any deterioration of the portfolio's credit quality, as reflected in continued low losses.

The group's liquidity and capital position is robust. At the end of the first quarter the group had a CET1 ratio of 18.5 per cent and is thus well positioned to fulfil its growth aspirations.

SpareBank 1 SMN aspires to be among the best-performing financial institutions in the Nordic region, and the group's overriding financial goal is to deliver a return on equity of at least 13 per cent over time. The board of directors is pleased with results achieved in the year's first quarter and expects 2024 to be a good year for the group.

Trondheim, 7. May 2024
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Christian Stav
(deputy chair)

Mette Kamsvåg

Freddy Aursø

Nina Olufsen

Ingrid Finboe Svendsen

Kristian Sætre

Christina Straub
(employee rep.)

Inge Lindseth
(employee rep.)

Jan-Frode Janson
(Group CEO)