

Report of the Board of Directors

Second 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)

- Pre-tax profit NOK 1,296m (1,045m)
- Net profit NOK 1,015m (923m)
- Return on equity 15.4 per cent (15.1 per cent)
- CET1 ratio 18.5 per cent (19.1 per cent)
- Growth in group lending 1.5 per cent (8.5 per cent) in the second quarter
- Lending to the bank's retail customers rose 1.6 per cent in the quarter (9.8 per cent), 1.0 percentage point higher growth than in the previous quarter. Lending to the bank's corporate clients rose 1.6 per cent (6.8 per cent) which was 0.1 percentage point higher growth than in the previous quarter
- Growth in deposits was 3.9 per cent (13.5 per cent) in the second quarter
- Deposits from retail customers rose 5.4 per cent (15.1 per cent), 3.8 percentage points higher growth than in the first quarter. Deposits from corporate clients climbed 6.3 per cent (13.4 per cent), 3.8 percentage points higher growth than in the previous quarter
- The net result of ownership interests was NOK 148m (85m)
- The net result of financial instruments (incl. dividends) was NOK 5m (2m)
- Losses on loans and guarantees: NOK 47m (29m)
- Earnings per equity certificate (EC): NOK 4.43 (4.21)
- Book value per EC was NOK 117.31 (112.81) and the price of the bank's EC (MING) was NOK 151.12 (141.00)

First half 2024

- Pre-tax profit NOK 2,469m (1,991m)
- Net profit NOK 2,098m (1,701m)
- Return on equity 15.6 per cent (13.9 per cent)
- CET1 ratio 18.5 per cent (19.1 per cent)
- Growth in lending 4.2 per cent (12.9 per cent), and in deposits minus 0.4 per cent (13.2 per cent) in the last 12 months
- Lending to the bank's retail customers rose 4.6 per cent in the last 12 months (13.4 per cent). Lending to the bank's corporate customers rose 3.4 per cent (11.5 per cent) in the same period
- Deposits from retail customers rose 7.4 per cent (15.4 per cent) and deposits from corporate customers were reduced by 5.0 per cent (12.1 per cent increase) in the last 12 months
- The net result of ownership interests was NOK 342m (209m)
- The net result of financial instruments (incl. dividends) was NOK 62m (minus 110m)
- Losses on loans and guarantees: NOK 70m (net recovery of 42m)
- Earnings per equity certificate (EC): NOK 9.14 (7.82)

Events in the quarter

Merger of the insurance arms of Fremtind and Eika approved by the Financial Supervisory Authority (Finanstilsynet)

Finanstilsynet approved the merger between Fremtind Forsikring AS and Eika Forsikring AS on 27 June 2024. The transaction was carried through on 1 July, and the two companies will be sister companies in Fremtind Holding up to the planned merger resolution and subsequent completion of the merger on 1 October 2024.

Based on figures as at 31 December 2023 and pro forma consolidated accounts, the transaction will entail an increase of about NOK 7bn in the SpareBank 1 Gruppen's equity capital. The majority's (i.e. the SpareBank 1 banks' and LO Norway's) share of this increase is NOK 2.6bn. SpareBank 1 SMN's share of this increase is about NOK 510m.

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

Change in Kredinor's ownership structure

The SpareBank 1 Gruppen became the controlling interest in Kredinor in April 2024 with an equity interest of 68.6 per cent. The background to the change in equity interest is the increase of capital resulting from the conversion of a convertible loan. Kredinor's equity capital after the conversion was valued at NOK 1,913m. In light of this, the SpareBank 1 Gruppen has written down its shareholding in Kredinor by NOK 234m in the second quarter of 2024.

Car subscription company Fleks AS bankrupt

The board of directors of Fleks filed for bankruptcy on 13 May 2024. SpareBank 1 Finans Midt-Norge and other SpareBank 1 banks owned, through SpareBank 1 Mobilitet Holding, 47.2 per cent of the company. With a view to ensuring a controlled disposal of the business, SpareBank 1 Finans Midt-Norge took over Fleks Green Fleet 01 AS (hereafter termed Fleks GF), which was previously a subsidiary of Fleks. In connection with bankruptcy, loss provisions were taken which are considered sufficient given the market conditions. As from the second quarter of 2024 this company has been consolidated into SpareBank 1 SMN's group accounts.

Historic collaboration on artificial intelligence (AI)

In June 2024 SpareBank 1 SMN and the Norwegian University of Science and Technology, Trondheim (NTNU) initiated a collaboration to strengthen the university's work on artificial intelligence. SpareBank 1 SMN is to be a full partner in the AI Lab, and over the next five years NOK 40m of the bank's community dividend will be allocated to research in this field. The collaboration with the NTNU will support innovation in AI systems and enhance AI competencies through education, research and public relations activities.

Macroeconomic developments

Norges Bank kept the base rate unchanged at 4.50 per cent in June and reiterated in June's monetary policy report its signal that the base rate would remain at its current level for some time ahead.

The 12-month rate of growth in the consumer price index (CPI) fell further in the quarter and was 2.6 per cent at the end of the second 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 3.4 per cent. The unemployment rate remains at a very low level. In Trøndelag and in Møre og Romsdal the wholly unemployed share is 1.6 and 1.7 per cent respectively. For Norway as a whole the share is 1.9 per cent.

Growth in credit to households and non-financial undertakings fell further in the second quarter of 2024. Growth in credit to household picked up somewhat compared to the previous quarter, but is still at a low level. As at June the national twelve-month rate of growth in credit to households and non-financial undertakings was 2.3 and 3.3 per cent respectively.

The regional indicator in Norges Bank's regional network survey continues to show improvement for Mid Norway, but remains on a slightly negative trend as at June 2024. For North West Norway the indicator is positive. The negative trend in the building and construction industry and the positive trend in segments exposed to energy production are highlighted as the main explanations for the regional differences in SpareBank 1 SMN's catchment area.

Results for the second quarter

All business lines in the group have delivered solid performances in the second quarter. High net interest income, increased commission income from the subsidiaries and strong profit contributions from ownership interests make for an overall net profit of NOK 1,015m and a return on equity of 15.4 per cent.

After a long period of interest rate hikes from the central bank, all announced rate hikes have now been implemented and had full effect in the second quarter. Dampened credit growth and growing competition in the personal market continue to impact lending growth, but implemented interest rate changes and stable market interest rates continue to make for strong net interest income.

Seasonal variations and expanded market shares at SpareBank 1 Regnskapshuset SMN and EiendomsMegler 1 Midt-Norge provided very strong commission income in the second quarter. Higher lending rates and a higher average lending volume have brought a further increase in commission income from the captive residential mortgage company.

The result from related companies is down compared to the first quarter due to a lower profit share from the SpareBank 1 Gruppen resulting from the write-down at Kredinor. Good results by other companies made a positive contribution in the quarter.

When adjusted for the first quarter's insurance settlement, the group's operating expenses were stable measured against the first quarter. The bank has reduced its expenses at the same time as a high activity among the subsidiaries contributed to increased expenses in the quarter.

Loan losses in the second quarter rose compared with the first quarter, driven mainly by increased write-downs in stage 3.

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 quarter, with three-month NIBOR averaging 4.72 per cent. Net interest income totalled NOK 1,310m (1,110m) compared with NOK 1,336m in the first quarter.

A general interest rate increase was carried out in the first quarter which gained full effect in the second quarter of 2024. This brought wider lending margins and narrower deposit margins in the quarter. The weighted lending and deposit margin, the total margin, at the bank is reduced due to lower deposit margins. Net interest income is further reduced as a result an increase in issued debt.

Net interest income and commission from the captive mortgage companies as a whole were reduced by NOK 8m from the first quarter of 2024, corresponding to a decline of 0.5 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. This is done in part by co-locating multiple entities in finance centres. A high proportion of multi-product customers contributes to a capital-efficient, diversified income flow and high customer satisfaction.

| Commission income (NOKm) | 2Q 24 | 1Q 24 | 2Q 23 |
|--|------------|------------|------------|
| Payment transfers | 91 | 77 | 77 |
| Creditcard | 17 | 18 | 15 |
| Saving products | 12 | 11 | 12 |
| Insurance | 65 | 63 | 65 |
| Guarantee commission | 17 | 15 | 13 |
| Real estate agency | 151 | 115 | 119 |
| Accountancy services | 228 | 200 | 182 |
| Other commissions | 37 | 11 | 22 |
| Commissions ex SB1 Boligkreditt and SB1 Næringskreditt | 617 | 510 | 504 |
| Commissions SB1 Boligkreditt | 78 | 59 | 53 |
| Commissions SB1 Næringskreditt | 4 | 4 | 4 |
| Total commissions | 698 | 572 | 561 |

Compared with the first quarter, commission income excluding captive mortgage companies showed an increase of NOK 107m, corresponding to 21 per cent. Commission income in the second quarter reflects both EiendomsMegler 1 Midt-Norge's and SpareBank 1 Regnskapshuset SMN's acquisition of market shares in a quarter of high activity and a seasonally strong quarter for payments income. SpareBank 1 Finans Midt-Norge's takeover of Fleks GF brings an increase in other commission income.

Measured against the same quarter of last year, commission income excluding mortgage companies rose by NOK 113m. 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 36.9 per cent in the first half of 2023 to 37.5 per cent thus far in the current year. At the same time activity levels in the housing market have picked up compared with the same quarter of last year. SpareBank 1 Regnskapshuset SMN has strengthened its advisory capacity and its focus on digitalisation to good effect. This has increased organic growth and reinforced customer loyalty. At the same time acquisitions are helping to boost 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 increased volume and higher lending rates resulting from the full effect of interest rate changes carried out in the first quarter.

Return on financial investments

Return on financial investments in the first quarter was minus NOK 1m (minus 16m).

Financial instruments, including bonds and CDs, showed a capital loss of NOK 17m (capital loss of 46m) while income from foreign exchange transactions came to NOK 11m (NOK 38m).

| Return on financial investments (NOKm) | 2Q 24 | 1Q 24 | 2Q 23 |
|--|-----------|-----------|------------|
| Capital gains/losses shares | 4 | 42 | -7 |
| Gain/(loss) on financial instruments | -17 | -11 | -46 |
| Foreign exchange gain/(loss) | 11 | 22 | 38 |
| Net return on financial instruments | -1 | 54 | -16 |

Related companies

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

The overall profit share from the product companies and other related companies was NOK 148m (85m) in the quarter. In the first quarter of 2024 the corresponding figure was NOK 194m.

| Income from investment in associated companies (NOKm) | 2Q 24 | 1Q 24 | 2Q 23 |
|---|------------|------------|-----------|
| SpareBank 1 Gruppen (19.5 %) | 1 | 40 | -5 |
| SpareBank 1 Boligkreditt (23.7 %) | 35 | 33 | 29 |
| SpareBank 1 Næringskreditt (14.8 %) | 3 | 4 | 3 |
| BN Bank (35.0 %) | 73 | 84 | 58 |
| SpareBank 1 Markets (39.9 %) | 26 | 25 | 0 |
| SpareBank 1 Kreditt (18.6 %) | 1 | -4 | -2 |
| SpareBank 1 Betaling (21.9 %) | -2 | -12 | -11 |
| SpareBank 1 Forvaltning (21.5 %) | 13 | 10 | 8 |
| Other companies | -3 | 13 | 5 |
| Income from investment in associated companies | 148 | 194 | 85 |

SpareBank 1 Alliance

The SpareBank 1 Alliance is Norway's second largest financial grouping. The collaboration, on banking and products, is designed to provide the Alliance banks with economies of scale and access to competitive financial services and products. The Alliance collaboration is driven through its ownership of SpareBank 1 Gruppen 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 145m (minus 21m) in the second quarter. The controlling interest's share of the net profit was NOK 5m (minus 24m), heavily impacted by the write-down of the shareholding in Kredinor. SpareBank 1 SMN's share was NOK 1m (minus 5m).

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 388m (7m) after tax in the second 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 78m (35m) after tax in the second quarter.
- **SpareBank 1 Factoring (100 per cent)** offers financial and administrative factoring services. The company is headquartered in Ålesund. The company posted a net profit of NOK 23m (36m) in the second quarter.
- **Kredinor (69 per cent)** is Norway's largest debt collection company and has offices in Norway, Sweden, Denmark and Finland. The company posted a profit of NOK 1.7m in the second quarter.

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 13m (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 35m (29m) in the second 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 3m (3m) in the quarter.

SpareBank 1 Kreditt offers unsecured finance to retail customers. SpareBank 1 SMN's profit share in the second quarter of 2024 was NOK 1m (minus 2m).

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 73m (58m) 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 second quarter was NOK 26m.

SpareBank 1 Betaling is the SpareBank 1 banks' parent company in Vipps AS. SpareBank 1 SMN's profit share was minus NOK 2m (minus 11m) in the quarter. In July 2024 an agreement was entered into between the EU and Apple under which Apple facilitates third parties' use of NFC technology, which enables contactless payments from iPhones, free of charge. Vipps hopes to launch a solution enabling contactless payments in shops in the course of 2024.

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 33.0 per cent in the quarter (34.0 per cent). The corresponding figures for EiendomsMegler 1 Midt-Norge and SpareBank 1 Regnskapshuset SMN were 71.8 (74.5) and 78.4 (77.5) per cent respectively.

| Operating expenses (NOKm) | 2Q 24 | 1Q 24 | 2Q 23 |
|-------------------------------------|------------|------------|------------|
| Staff costs | 484 | 482 | 383 |
| IT costs | 109 | 110 | 92 |
| Marketing | 25 | 26 | 25 |
| Ordinary depreciation | 44 | 41 | 35 |
| Operating expenses, real properties | 12 | 13 | 14 |
| Purchased services | 66 | 74 | 57 |
| Merger expenses | - | - | 18 |
| Other operating expense | 79 | 36 | 59 |
| Total operating expenses | 818 | 782 | 683 |

Compared with the first quarter of 2024, group expenses increased by NOK 37m. Personnel expenses at the bank were NOK 20m lower than in the previous quarter, but seasonally high activity among the subsidiaries brings a NOK 2m increase for the group. Other operating expenses rose as a result of the consolidation of Fleks GF and an expense reduction of NOK 30m in the first quarter in connection with the insurance settlement. When adjusted for the insurance settlement, the bank's expenses are reduced and the group's expenses are increased by NOK 7m compared with the previous quarter.

Overall group expenses rose by NOK 136m from the second quarter of 2023. About half of the increase refers to the subsidiaries. Good market conditions and a higher market share make for higher variable remuneration at EiendomsMegler 1 Midt-Norge. SpareBank 1 Regnskapshuset SMN's expense growth is driven by the strengthening of advisory competencies, digitalisation and acquisitions.

The bank's expenses have risen by NOK 65m compared with the same quarter of 2023. Investments in technology development, competence and growth initiatives in selected geographical locations through 2023 are reflected in the bank's expense growth. The second quarter of 2023 included the former SpareBank 1 Søre Sunnmøre's expense base for two months.

Losses on loans and guarantees

The group's losses on loans and guarantees came to NOK 47m (29m) in the second quarter of 2024.

| Impairment losses (NOKm) | 2Q 24 | 1Q 24 | 2Q 23 |
|--------------------------------|-----------|-----------|-----------|
| RM | 9 | 11 | -14 |
| CM | 30 | 10 | 18 |
| SpareBank 1 Finans Midt-Norge | 7 | 3 | 25 |
| Total impairment losses | 47 | 24 | 29 |

Losses in the quarter break down to minus NOK 17m in stage 1 and 2 and NOK 65m in stage 3. Losses in the period measured 0.08 per cent of total outstanding loans (0.05 per cent). The parent bank's retail market losses refer primarily to the agriculture portfolio.

Overall impairment write-downs on loans and guarantees as at 30 June amount to NOK 1,034m (1,154m).

The bank's loan portfolio is of good credit quality. The portfolio comprises NOK 171,552m (164,528m) in stages 1 and 2 respectively, corresponding to 99.22 per cent. Problem loans (stage 3) total NOK 1,888m (2,291m), corresponding to 0.78 per cent (0.96 per cent) of gross outstanding loans, including loans sold to the captive mortgage companies.

Business lines

The business lines Retail Banking and Corporate Banking along with subsidiaries are highly important in the SpareBank 1 SMN Group. SpareBank 1 SMN's strategy of exploiting the breadth present in the group and expanding interaction across the respective business lines stands firm.

Retail Banking

The **Retail Banking Division** achieved a pre-tax profit of NOK 531m in the second quarter of 2024 (493m). Return on capital employed was 18.0 per cent (20.3 per cent). The retail banking portfolio consists of wage earners, agricultural customers and sole proprietorships.

| Profit and loss account (NOKm) | 2Q 24 | 1Q 24 | 2Q 23 |
|---|------------|------------|------------|
| Net interest | 655 | 628 | 570 |
| Comission income and other income | 215 | 187 | 190 |
| Total income | 870 | 814 | 760 |
| Total operating expenses | 330 | 304 | 281 |
| Ordinary operating profit | 540 | 510 | 479 |
| Loss on loans, guarantees etc. | 9 | 11 | -14 |
| Result before tax including held for sale | 531 | 499 | 493 |
| Balance | | | |
| Loans and advances to customers | 170,366 | 167,736 | 162,822 |
| Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt | -66,960 | -67,418 | -63,769 |
| Deposits to customers | 69,167 | 65,640 | 64,398 |
| Key figures | | | |
| Return on equity per quarter ^{*)} | 18.0 % | 17.7 % | 20.3 % |
| Lending margin | 1.01 % | 0.91 % | 0.57 % |
| Deposit margin | 1.74 % | 1.88 % | 2.20 % |

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

Lending growth in the quarter was 1.6 per cent and deposit growth 5.4 per cent. Corresponding figures for the first quarter were 0.6 and 1.6 per cent respectively.

A general interest rate increase on loans and deposits was implemented in the course of the first quarter, gaining full effect in the second quarter. Increased income from the payments area along with a higher average volume 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 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 distribution model is enhanced by co-location of multiple entities 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 og Romsdal. A pre-tax profit of NOK 43m (31m) was recorded in the second quarter.

| EiendomsMegler 1 Midt-Norge (92.4%) | 2Q 24 | 1Q 24 | 2Q 23 |
|--|--------------|--------------|--------------|
| Total income | 154 | 115 | 120 |
| Total operating expenses | 111 | 97 | 89 |
| Result before tax (NOKm) | 43 | 20 | 31 |
| Operating margin | 28 % | 17 % | 26 % |

Activity in the housing market is good, and EiendomsMegler 1 Midt-Norge has created a unique position in the market. The number of new assignments in the market rose by 10 per cent compared with the same quarter last year. EiendomsMegler 1 Midt-Norge continues to gain market shares, at the same time as income per sale shows a positive development.

2,178 properties were sold in the second quarter (2,037), and new assignments totalled 2,402 (2,180). The company's market share at 30 June was 37.5 per cent, up from 36.9 per cent in the same period of last year.

Corporate Banking

The **Corporate Banking Division** achieved a pre-tax profit of NOK 493m (420m). Return on capital employed was 26.3 per cent (23.0 per cent) in the quarter.

| CM, Profit and loss account (NOKm) | 2Q 24 | 1Q 24 | 2Q 23 |
|---|--------------|--------------|--------------|
| Net interest | 580 | 570 | 483 |
| Comission income and other income | 86 | 72 | 57 |
| Total income | 666 | 642 | 540 |
| Total operating expenses | 143 | 150 | 125 |
| Ordinary operating profit | 523 | 493 | 415 |
| Loss on loans, guarantees etc. | 30 | 10 | 15 |
| Result before tax including held for sale | 493 | 483 | 400 |
| Balance | | | |
| Loans and advances to customers | 59,007 | 58,071 | 57,077 |
| Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt | -1,432 | -1,526 | -1,512 |
| Deposits to customers | 68,580 | 64,532 | 72,180 |
| Key figures | | | |
| Return on equity per quarter ^{*)} | 26.3 % | 26.3 % | 22.0 % |
| Lending margin | 2.67 % | 2.69 % | 2.40 % |
| Deposit margin | 0.35 % | 0.47 % | 0.37 % |

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

The Corporate Banking Division's loan volume increased by 1.6 per cent in the quarter while the deposit volume rose by 6.3 per cent. In the first quarter the corresponding figures were 1.5 and 2.5 per cent respectively.

For customers with loan and deposit products not tied to interbank rates, a general interest rate increase was implemented in the first quarter which gained full effect in the second quarter. Despite this, both the lending margin and deposit margin narrowed 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 SMN 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 og Romsdal. The company posted a pre-tax profit of NOK 54m (45m).

| SpareBank 1 Regnskapshuset SMN (93.3%) | 2Q 24 | 1Q 24 | 2Q 23 |
|---|--------------|--------------|--------------|
| Total income | 248 | 217 | 198 |
| Total operating expenses | 194 | 182 | 154 |
| Result before tax (NOKm) | 54 | 35 | 45 |
| Operating margin | 22 % | 16 % | 22 % |

Operating income climbed NOK 49m from the second quarter of 2023, driven by increased income from advisory and accounting services. Two extra working days in the second quarter of 2024 compared with the same quarter last year made a positive contribution. The expense growth is largely driven by higher personnel costs due to competency enhancements, staff additions, wage growth and acquisitions.

SpareBank 1 Regnskapshuset SMN continues to invest in future competitive power in a segment marked by major changes. New cloud-based solutions, along with increased use of data, offer major opportunities for

SpareBank 1 Regnskapshuset SMN as the customer's closest sparring partner. For customers the upshot is greater insight and increased productivity in their administrative processes. Substantial resources have been expended on new technology in collaboration with customers and on developing advisory competencies. This has spurred a good customer growth rate and strengthened customer loyalty, contributing to an increase in market share from 15.0 to 16.1 per cent in the last 12 months.

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 posted a pre-tax profit of NOK 76m (43m).

| SpareBank 1 Finans Midt-Norge (57.3%) | 2Q 24 | 1Q 24 | 2Q 23 |
|--|--------------|--------------|--------------|
| Total income | 129 | 108 | 96 |
| Total operating expenses | 45 | 39 | 29 |
| Loss on loans, guarantees etc. | 7 | 3 | 25 |
| Result before tax (NOKm) | 76 | 66 | 43 |

The board of directors of Fleks AS filed for bankruptcy on 13 May 2024. SpareBank 1 Finans Midt-Norge and other SpareBank 1 banks owned, through SpareBank 1 Mobilitet Holding, 47.2 per cent of the company. To facilitate a controlled disposal of the business, SpareBank 1 Finans Midt-Norge took over Fleks Green Fleet 01 AS, which was previously a subsidiary of Fleks. As from the second quarter of 2024 this company has been consolidated into SpareBank 1 Finans Midt-Norge's group accounts.

In the first quarter of 2024 SpareBank 1 Finans Midt-Norge and Sparebanken Møre initiated a collaboration on the distribution of vendor's liens and leasing to retail customers. The collaboration between SpareBank 1 Finans Midt-Norge and Sparebanken Møre has proven highly successful, with substantial volume growth in the quarter. 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

This company 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 577m (464m) as at 30 June 2024. The increase of NOK 16m from the previous quarter refers to a stock issue in an investment company.

The company's pre-tax profit in the second quarter of 2024 was minus NOK 13m (minus 4m). While the value of the securities portfolio showed no change, a correction of the profit for 2023 at Grilstad Marina brings a negative result for SpareBank 1 SMN Invest in the second quarter.

First half 2024

SpareBank 1 SMN posted a net profit NOK 2,098m (1,701m), and a return on equity of 15.6 per cent (13.9 per cent) in the first half of 2024. Earnings per equity certificate (EC) were NOK 9.14 (7.82).

Net interest income came to NOK 2,645m (2,160m). Norges Bank raised its base rate to 4.50 per cent in December 2023, and kept it unchanged in the first half of 2024. At the end of first half of 2023 the base rate was 3.75 per cent. This has increased the bank's funding costs concurrently with an increase in return on the bank's equity. Margins on the bank's loans and deposits have in the first half of 2024 been impacted by interest rate changes made in response to base rate changes in the fourth quarter of 2023.

Net commission and other income was NOK 1,270m (1,102m). Income from accounting and estate agency services has risen by NOK 58m and 42m respectively measured against the first half of 2023. A higher transfer volume to the captive residential mortgage company SpareBank 1 Boligkreditt and higher margins on the appurtenant mortgages have raised commission from this mortgage company by NOK 27m compared with the first half of 2023.

The net result from related companies was NOK 342m (209m) in the first half-year. The profit growth from related companies is mainly attributable to stronger profit contributions from BN Bank and reclassification of SpareBank 1 Markets as a related company. The net result from financial instruments and dividends climbed from minus NOK 110m in the first half of 2023 to NOK 62m thus far in the current year. The increase is down to a positive trend in the securities portfolio of SpareBank 1 SMN Invest and lower losses on financial instruments than in the first half of 2023, which was impacted by increased credit margins and interest rate turbulence.

The group's expenses were NOK 1,600m (1,411m) in the first half of 2024. Of the increase in costs of NOK 189 million, NOK 85 million is in the Bank. The expenses in the first half of 2023 was impacted by merger costs and expensing of the embezzlement affair in the Bank. So far this year expenses have risen as a result of initiatives and investments made through 2023, but the insurance settlement in connection with the embezzlement affair reduces expenses by NOK 30m in the Bank. The expense level in the group is otherwise affected by acquisitions made in SpareBank 1 Regnskapshuset SMN, a high activity level and the consolidation of Fleks GF.

Losses on loans and guarantees remain at a moderate level of NOK 70m thus far in the current year (net recovery of NOK 42m). Losses on loans to the group's corporate customers came to NOK 35m (net recovery of NOK 54m) in the first half-year. Corresponding figures for retail customers are NOK 12m (12m), driven primarily by the bank's agriculture portfolio.

A tax charge NOK 71m below the correct level was calculated for the second quarter of 2023. This was corrected in the following quarter.

Lending growth in the group was 4.2 per cent (12.9 per cent) in the last 12 months. Growth in lending to the bank's retail segment was 4.6 per cent (13.4 per cent) in the last 12 months. Lending to corporate customers rose 3.4 per cent (11.5 per cent) in the same period.

Deposits were reduced by 0.4 per cent (increase of 13.2 per cent). Deposits from personal customers increased by 7.4 per cent (15.4 per cent). Deposits from corporate customers were reduced by 5.0 per cent (increase of 12.1 per cent).

Balance sheet, financing and liquidity

Total assets of NOK 243bn

The bank's total assets as at the second quarter of 2024 were NOK 243.4bn (248.8bn), having declined by NOK 5.4bn, or minus 2.2 per cent, over the last 12 months. Total assets are reduced as a result of increased transfers to SpareBank 1 Boligkreditt amounting to NOK 3.3bn in the last 12 months, and a lower holding of liquid funds at the end of the second quarter.

As at 30 June 2024 loans totalling NOK 68bn (65bn) 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 9.7bn (14.0bn), or 4.2 per cent (7.0 per cent), and stood at NOK 241.8bn (232.1bn) at the end of the second quarter. Lending growth in the quarter was 1.5 per cent.

Lending to the bank's retail customers increased by NOK 2.6bn in the quarter (14.5bn). This corresponds to a lending growth of 1.6 per cent (9.8 per cent). Lending growth in the last 12 months was 4.6 per cent (13.4 per cent). Total lending to the bank's retail customers came to NOK 170.3bn (162.8bn) at the end of the second quarter of 2024. Last year's total reflects the merger with the former SpareBank 1 Søre Sunnmøre.

Lending to the bank's corporate segment rose by NOK 0.9bn in the quarter (3.8bn), corresponding to 1.6 per cent (7.2 per cent). Growth in lending in the last 12 months was 3.4 per cent (11.5 per cent). Overall lending to the bank's corporate customers came to NOK 59.0bn (57.0bn) as at 30 June 2024. Last year's total reflects the merger with the former SpareBank 1 Søre Sunnmøre.

SpareBank 1 Finans Midt-Norge's gross loan volume was NOK 13.0bn (12.6bn) at the end of the second quarter of 2024. This corresponds to a growth of 3.2 per cent in the last 12 months.

(Distributed by sector – see note 5).

Deposits

Customer deposits totalled NOK 140bn (140bn) as at 30 June 2024. Deposit growth in the second quarter was 3.9 per cent.

Personal deposits rose NOK 3.5bn in the quarter (8.5bn), corresponding to deposit growth of 5.4 per cent (15.1 per cent). Deposit growth in the last 12 months was 7.4 per cent (15.4 per cent). Total deposits from personal customers came to NOK 69.1bn (64.4bn) at the end of the first quarter.

Deposits from the bank's corporate segment climbed NOK 4.0bn in the quarter (8.5bn), corresponding to deposit growth of 6.3 per cent (13.4 per cent). Deposit growth in the last 12 months was minus 5.0 per cent (12.1 per cent). The decline in the last 12 months is attributable to growing competition for public sector deposits towards the end of 2023. Total deposits from the bank's corporate segment were NOK 68.6bn (72.2 bn) as at 30 June 2024. As part of the bank's liquidity management, deposits in the Treasury have been reduced during the quarter.

(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 188 per cent as at 30 June 2024 (188 per cent). The Net Stable Funding Ratio (NSFR) at the end of the second quarter of 2024 was 132 per cent (130 per cent).

The group's deposit-to-loan ratio at 30 June 2024, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 57.8 per cent (60.4 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 94 per cent (90 per cent) at the end of the second quarter.

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are important funding sources for the bank, and loans totalling NOK 67bn (64bn) had been sold to these captive mortgage companies as at 30 June 2024.

In the second quarter SpareBank 1 SMN issued EUR 500m in ordinary senior debt (SP) and NOK 300m in senior non-preferred debt (SNP). At the end of the quarter SpareBank 1 SMN held NOK 12.9bn in SNP debt instruments (MREL). SNP debt measured 36.4 per cent as at 30 June 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 30 June 2024 was 18.5 per cent (19.1 per cent) compared with 18.5 per cent as at 31 March 2024. In line with regulatory requirements, the calculation assumes that 27 per cent of the year's earnings is recognised in retained capital.

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 (7.2 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 30 June 2024 was NOK 117.31 (112.81) and earnings per equity certificate in the second quarter of 2024 were NOK 4.43 (4.21).

The Price / Income ratio in the second quarter was 8.53 (8.38) and the Price / Book ratio was 1.29 (1.25) as at 30 June 2024.

At the end of the second quarter of 2024, holders of the bank's equity certificates total 18,050. 23 per cent of the bank's ECs are held by foreign investors. 27 per cent of the ECs are held by investors in Mid Norway.

Sustainability

SpareBank 1 SMN has over the course of the quarter completed its update of the group's dual materiality analysis, and has started the attestation process to meet requirements of the Corporate Sustainability Reporting Directive (CSRD).

Work on transition plans continues. In the latest quarter a transition plan for the shipping portfolio has been drawn up and published. The document describes how SpareBank 1 SMN performs its role as a driver of the green transition for the offshore, offshore wind, shipping and aquaculture-related shipping segments. This transition plan will contribute to lower greenhouse gas emissions and reduce customers' vulnerability to climate change in general and to the transition to a low-emissions society in particular.

The group has moreover quality assured and updated its statement on due diligence assessments in keeping with the requirements of the Transparency Act. This includes a thorough review of processes and practice for ensuring that fundamental human rights and decent working conditions are promoted and protected, both in the group's own activities and in the supplier chain.

The year's Sustainability Barometer shows that small and medium-sized enterprises (SMEs) are still struggling to get started on the green transition. SpareBank 1 SMN has therefore launched a support scheme to help SMEs in the region to qualify for Eco-Lighthouse certification through the Eco-Lighthouse Foundation. The object of the scheme is to make it simpler for SMEs to get started on the transition process and thereby strengthen their competitiveness in the period ahead.

Outlook

SpareBank 1 SMN posted a solid performance in the second quarter featuring strong profitability and financial soundness. Continued strong net interest income and a particularly fine trend in commission income show the breadth present in the group. 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 June and reiterated its signal that the earliest base rate reduction would be some time in coming. Since the base rate decision was announced, inflation figures have been lower than expected along with a volatile krone exchange rate, which increases the uncertainty surrounding the base rate's further path. SpareBank 1 SMN has raised lending rates and deposit rates in step with Norges Bank's rate hikes in recent years, and the changes have had full effect as from the second quarter of 2024.

The group saw expense growth through 2023 due to one-time effects and investments in technology development, growth initiatives and competencies. In 2024 the cost trend in the group is in particular focus, and the group's expense growth will be normalised.

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

moderate losses. The group's liquidity and capital position is robust. At the end of the second 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 thus far in 2024 and expects 2024 to be a good year for the group.

Trondheim, 7. august 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)