

Report of the Board of Directors

Third quarter 2024

(Consolidated figures. Figures in parenthesis refer to the same period of 2023 unless otherwise stated)

- Pre-tax profit NOK 1,693m (996m)
- Net profit NOK 1,441m (740m)
- Return on equity 21.0 per cent (11.1 per cent)
- A gain of NOK 452m related to the merger between Fremtind and Eika Forsikring was recognised in the third quarter. Without this one-time gain the net profit would have been NOK 989m, and return on equity would have been 14.4 per cent.
- CET1 ratio 18.2 per cent (19.7 per cent)
- Growth in group lending 2.2 per cent (1.0 per cent) in the third quarter
- Lending to the bank's retail customers rose 1.3 per cent in the quarter (1.6 per cent), 0.3 percentage point lower growth than in the previous quarter. Lending to the bank's corporate clients rose 4.6 per cent (minus 0.8 per cent) which was 2.9 percentage points higher growth than in the previous quarter
- Reduction in deposits of 1.2 per cent (reduction of 1.4 per cent) in the third quarter
- Deposits from retail customers declined 0.9 per cent (reduction of 0.8 per cent). Deposits from corporate clients declined 0.8 per cent (reduction of 3.0 per cent)
- The net result of ownership interests was NOK 685m (minus NOK 2m), including the gain from the merger between Fremtind and Eika Forsikring
- The net result of financial instruments (incl. dividends) was minus NOK 14m (64m)
- Losses on loans and guarantees: NOK 75m (35m)
- Earnings per equity certificate (EC): NOK 6.42 (3.28)
- Book value per EC was NOK 124.05 (116.39) and the price of the bank's EC (MING) was NOK 153.46 (137.20) at the end of the quarter

First nine months 2024

- Pre-tax profit NOK 4,342m (2,988m)
- Net profit NOK 3,540m (2,441m)
- Return on equity 17.4 per cent (13.0 per cent)
- Without the gain of NOK 452m related to the merger between Fremtind and Eika Forsikring the net profit so far this year would have been NOK 3,088, and return on equity would have been 15.2 per cent
- CET1 ratio 18.2 per cent (19.7 per cent)
- Growth in lending 5.5 per cent (12.2 per cent), and in deposits minus 0.1 per cent (14.7 per cent) in the last 12 months
- Lending to the bank's retail customers rose 4.3 per cent in the last 12 months. Lending to the bank's corporate customers rose 9.0 per cent in the same period
- Deposits from retail customers rose 7.3 per cent and deposits from corporate customers were reduced by 2.8 per cent in the last 12 months
- The net result of ownership interests was NOK 1,027m (207m)
- The net result of financial instruments (incl. dividends) was NOK 47m (minus 47m)

- Losses on loans and guarantees: NOK 146m (net recovery of 6m)
- Earnings per equity certificate (EC): NOK 15.57 (11.14)

Events in the quarter

SpareBank 1 SMN has recognised a gain of NOK 452m as a result of the merger between the insurance arms of Fremtind and Eika

The transaction entailed an increase in equity capital for SpareBank 1 Gruppen. The majority's (i.e. the SpareBank 1 banks' and LO Norway's) share of this increase was NOK 2.3bn. SpareBank 1 SMN's share of this increase amounted to NOK 452m which was recognised in the third quarter of 2024.

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

Changes in organisational set-up and group management team

The group is strengthening its focus on "One SMN" and, with a view to ensuring further synergies, changes are being made to the organisational structure. After the changes the bank will have two business lines, Retail Banking and Corporate Banking, with agriculture forming part of Corporate Banking. Development efforts across the business lines are assembled in the division for "Technology and Development". A new division with responsibility for quality and operational efficiency enhancements is also being established. The organisational changes will take effect on 1 January 2025.

Executive director of the Personal Banking Division, Nelly Maske, will leave the group management team on 1 November 2024. She will be replaced by Monica Haftorn Iversen who departs her position as director of market areas in the same division. Executive director of the Sunnmøre and Fjordane Division, Stig Brautaset, will as from year-end switch to an advisory position with the group management team.

Fleks Green Fleet 01

The board of directors of Fleks filed for bankruptcy on 13 May 2024. SpareBank 1 SMN 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, which was previously a subsidiary of Fleks.

In the second quarter of 2024 this company was consolidated into SpareBank 1 SMN's group accounts based on preliminary assessments of the agreements which had been entered into between the previous owners. Over the course of the third quarter 2024 new assessments were made which concluded that consolidation of this company was not correct under the provisions of IFRS 10. As from the third quarter the company is accordingly not consolidated but treated as a company under joint ownership in accordance with the equity method. Historical figures for the second quarter of 2024 are restated.

Extension of agreement with LO Norway

SpareBank 1 SMN has extended its loyalty programme agreement for the country's LO members. The agreement covers both mortgage loans and savings products, and is part of the loyalty programme LO Favør.

Macroeconomic developments

Norges Bank kept the base rate unchanged at 4.5 per cent in September. The central bank's own forecasts indicate a gradual reduction in the base rate as from the first quarter of 2025.

The 12-month rate of growth in the consumer price index (CPI) rose slightly in the quarter to 3.0 per cent at the end of the third 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 3.1 per cent. The wholly unemployed share of the labour force remains at a low level. In Trøndelag and in Møre and Romsdal the wholly unemployed share is 1.7 and 1.6 per cent respectively. For Norway as a whole the share is 2.0 per cent.

After a period of reduced, but positive, growth in credit to households, the 12-month rate of growth in credit to households has increased to 3.5 per cent as at August 2024. The corresponding figure for non-financial undertakings is 2.5 per cent. Norges Bank expects debt growth among households to be just below 3 per cent in 2025.

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 September 2024. For Region North-West 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 third quarter

The third quarter proved to be another creditable quarter for the group. The net profit of NOK 1,441 is driven by continued strong net interest income and recognition of the gain from the insurance merger between Fremtind and Eika. Return on equity in the quarter was 21.0 per cent. Without the one-time gain, return on equity would have been 14.4 per cent.

After a long period of interest rate hikes from the central bank, all announced rate hikes have now been implemented. Lending growth and an extra interest day made for growth in net interest income in the quarter.

Seasonal variations at SpareBank 1 Regnskapshuset SMN and EiendomsMegler 1 Midt-Norge brought lower commission income in the quarter. Commission income from the captive residential mortgage company declined as a result of lower margins on loans sold.

The result from related companies is up on the previous quarter due to recognition of the gain from the insurance merger. The underlying trend among related companies is good, and their overall profit contribution is higher than in the previous quarter and the same quarter last year.

The group's operating expenses showed a slight increase from the previous quarter. Higher personnel costs at the bank are offset by reduced costs at SpareBank 1 Regnskapshuset SMN.

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

The CET1 ratio is 18.2 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 4.74 per cent. Net interest income totalled NOK 1,355m (1,226m) compared with NOK 1,310m in the second quarter.

Net interest income is up as a result of a higher average loan volume and an extra interest day compared with the previous quarter.

Net interest income and commission from the captive mortgage companies as a whole rose by NOK 37m from the second quarter of 2024, corresponding to an increase of 2.7 per cent. When adjusted for an extra interest day the increase is 1.5 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) | 3Q 24 | 2Q 24 | 3Q 23 |
|--|------------|------------|------------|
| Payment transfers | 79 | 91 | 79 |
| Creditcard | 18 | 17 | 16 |
| Saving products | 13 | 12 | 10 |
| Insurance | 67 | 65 | 67 |
| Guarantee commission | 16 | 17 | 15 |
| Real estate agency | 127 | 151 | 110 |
| Accountancy services | 145 | 228 | 138 |
| Other commissions | 13 | 19 | 20 |
| Commissions ex SB1 Boligkreditt and SB1 Næringskreditt | 478 | 599 | 455 |
| Commissions SB1 Boligkreditt | 71 | 78 | 25 |
| Commissions SB1 Næringskreditt | 3 | 4 | 4 |
| Total commissions | 553 | 680 | 484 |

Compared with the second quarter, commission income excluding the captive mortgage companies showed a reduction of NOK 121m. Income from accounting and estate agency services in particular is reduced owing to seasonal variations.

Measured against the same quarter of last year, commission income excluding mortgage companies rose by NOK 23m. The increase is driven above all by income from estate agency services. EiendomsMegler 1 Midt-Norge has increased its market share by 0.3 percentage point compared with last year, at the same time as activity levels in the housing market have picked up compared with 2023. SpareBank 1 Regnskapshuset SMN has strengthened its advisory capacity and its focus on digitalisation to good effect.

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. Commission income from SpareBank 1 Boligkreditt is down compared with the second quarter of 2024 due to higher funding costs and some decline in the lending rate.

Return on financial investments

Return on financial investments was minus NOK 22m (48m) in the third quarter.

Financial instruments, including bonds and CDs, showed a capital loss of NOK 45m (capital gain of 12m) while income from foreign exchange transactions came to NOK 24m (NOK 20m).

| Return on financial investments (NOKm) | 3Q 24 | 2Q 24 | 3Q 23 |
|--|------------|-----------|-----------|
| Capital gains/losses shares | -1 | 4 | 17 |
| Gain/(loss) on financial instruments | -45 | -17 | 12 |
| Foreign exchange gain/(loss) | 24 | 11 | 20 |
| Net return on financial instruments | -22 | -1 | 48 |

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 685m (minus 2m) in the quarter. In the second quarter of 2024 the corresponding figure was NOK 148m.

| Income from investment in associated companies (NOKm) | 3Q 24 | 2Q 24 | 3Q 23 |
|---|------------|------------|-----------|
| SpareBank 1 Gruppen (19.5 %) | 86 | 1 | -13 |
| Gevinst forsikringsfusjon Fremtind/Eika | 452 | - | - |
| SpareBank 1 Boligkreditt (23.7 %) | 37 | 35 | 5 |
| SpareBank 1 Næringskreditt (14.8 %) | 3 | 3 | 4 |
| BN Bank (35.0 %) | 77 | 73 | 64 |
| SpareBank 1 Markets (39.9 %) | 20 | 26 | 0 |
| SpareBank 1 Kreditt (18.6 %) | -3 | 1 | -3 |
| SpareBank 1 Betaling (21.9 %) | -1 | -2 | -10 |
| SpareBank 1 Forvaltning (21.5%) | 13 | 13 | 6 |
| Other companies | 1 | -3 | -55 |
| Income from investment in associated companies | 685 | 148 | -2 |

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 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 825m (minus 64m) in the third quarter. The controlling interest's share of the net profit was NOK 442m (minus 147m). SpareBank 1 SMN's share was NOK 86m (minus 13m). The merger between Fremtind Forsikring and Eika Forsikring yielded an accounting gain of NOK 452m in the quarter. The overall profit contribution from SpareBank Gruppen in the third quarter was accordingly NOK 538m.

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

- **Fremtind Forsikring (51.44 per cent)** offers non-life and personal insurance coverage and is headquartered in Oslo. The company posted a profit of NOK 825m (8m) after tax in the third 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 125m (69m) after tax in the third 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 22m (19m) in the third 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 result of minus NOK 76m (minus 274m) in the third quarter. Write-down of intangible assets made a negative contribution of NOK 85m in the 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 (6m).

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 37m (5m) in the third 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 (4m) in the quarter.

SpareBank 1 Kreditt offers unsecured finance to retail customers. SpareBank 1 SMN's profit share in the third quarter of 2024 was minus NOK 3m (minus 3m).

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 77m (64m) 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 third quarter was NOK 20m.

SpareBank 1 Betaling is the SpareBank 1 banks' parent company in Vipps AS. SpareBank 1 SMN's profit share was minus NOK 1m (minus 10m) in the quarter.

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 33.7 per cent in the quarter (34.9 per cent). The corresponding figures for EiendomsMegler 1 and SpareBank 1 Regnskapshuset SMN were 93.6 (100.9) and 104.4 (92.2) per cent respectively.

| Operating expenses (NOKm) | 3Q 24 | 2Q 24 | 3Q 23 |
|-------------------------------------|------------|------------|------------|
| Staff costs | 498 | 484 | 435 |
| IT costs | 108 | 109 | 93 |
| Marketing | 23 | 25 | 24 |
| Ordinary depreciation | 44 | 44 | 43 |
| Operating expenses, real properties | 14 | 12 | 15 |
| Purchased services | 61 | 66 | 62 |
| Merger expenses | - | - | 14 |
| Other operating expense | 62 | 62 | 56 |
| Total operating expenses | 810 | 801 | 741 |

Group expenses increased by NOK 9m compared with the second quarter of 2024. Expenses at the bank were NOK 18m higher than in the previous quarter, driven by increased personnel costs. The number of FTEs in the bank has increased compared with the second quarter, at the same time as personnel costs in the previous quarter were reduced due to holiday pay disbursements in June.

Expenses at SpareBank 1 Regnskapshuset SMN are down as a result of lower activity in the quarter. Expenses at other subsidiaries have increased.

Overall group expenses rose by NOK 69m from the third quarter of 2023, corresponding to cost growth of 9.3 per cent. Just under 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 38m compared with the same quarter of 2023. The bank's expense growth measured against last year is down to investments in technology development, competence and growth initiatives in selected geographical locations through 2023 – alongside general price and wage growth.

Losses on loans and guarantees

The group's losses on loans and guarantees came to NOK 75m (35m) in the third quarter of 2024.

| Impairment losses (NOKm) | 3Q 24 | 2Q 24 | 3Q 23 |
|--------------------------------|-----------|-----------|-----------|
| RM | 14 | 9 | 1 |
| CM | 49 | 30 | 27 |
| SpareBank 1 Finans Midt-Norge | 12 | 7 | 6 |
| Total impairment losses | 75 | 47 | 35 |

Losses in the quarter break down to NOK 12m in stage 1 and 2 and NOK 63m in stage 3. Annualised losses in the quarter measured 0.12 per cent of total outstanding loans (0.06 per cent). The bank's corporate market losses refer mainly to stage 3.

Overall impairment write-downs on loans and guarantees as at 30 September amount to NOK 1,054m (1,174m).

The bank's loan portfolio is of good credit quality. The portfolio comprises NOK 177,330m (166,651m) in stages 1 and 2 respectively, corresponding to 99.09 per cent. Problem loans (stage 3) total NOK 2,260m (2,289m), corresponding to 0.91 per cent (0.98 per cent) of gross outstanding loans, including loans sold to the captive mortgage companies.

Business lines' performance

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 519m in the third quarter of 2024 (481m). Return on capital employed was 17.5 per cent (18.9 per cent). The retail banking portfolio consists of wage earners, agricultural customers and sole proprietorships.

| Profit and loss account (NOKm) | 3Q 24 | 2Q 24 | 3Q 23 |
|--|--------------|--------------|--------------|
| Net interest | 672 | 655 | 632 |
| Commission income and other income | 205 | 215 | 165 |
| Total income | 877 | 870 | 797 |
| Total operating expenses | 344 | 330 | 315 |
| Ordinary operating profit | 533 | 540 | 482 |
| Loss on loans, guarantees etc. | 14 | 9 | 1 |
| Result before tax including held for sale | 519 | 531 | 481 |
| Balance | | | |
| Loans and advances to customers | 172,581 | 170,366 | 165,454 |
| Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt | -66,144 | -66,960 | -63,873 |
| Deposits to customers | 68,532 | 69,167 | 63,878 |
| Key figures | | | |
| Return on equity per quarter *) | 17.5 % | 18.0 % | 18.9 % |
| Lending margin | 0.97 % | 1.01 % | 0.33 % |
| Deposit margin | 1.73 % | 1.74 % | 2.58 % |

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

Lending growth in the quarter was 1.3 per cent and deposit growth minus 0.9 per cent. Corresponding figures for the second quarter were 1.6 and 5.4 per cent respectively.

No general interest rate increases were implemented in the quarter. Towards the end of the first quarter a strong increase was seen in demand for and granting of fixed interest loans. Interest rate exposure is hedged for fixed rate agreements.

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 and Romsdal. A pre-tax profit of NOK 8m (minus 1m) was recorded in the third quarter.

| EiendomsMegler 1 Midt-Norge (92.4%) | 3Q 24 | 2Q 24 | 3Q 23 |
|--|--------------|--------------|--------------|
| Total income | 128 | 154 | 110 |
| Total operating expenses | 120 | 111 | 111 |
| Result before tax (NOKm) | 8 | 43 | -1 |
| Operating margin | 6 % | 28 % | -1 % |

Continued high activity is noted for EiendomsMegler 1 Midt-Norge, which sold 150 more residential properties than in the same quarter last year. This, combined with good cost control, makes for increased profitability compared with last year.

High availability of unsold properties in the market leads to a somewhat longer sale period and to more properties being sold below the asking price.

1,781 properties were sold in the third quarter (1,631), and new assignments totalled 1,986 (1,939). The company's market share at 30 September was 37.3 per cent, up from 37.0 per cent in the same period last year.

Corporate Banking

The **Corporate Banking Division** achieved a pre-tax profit of NOK 497m (452m). Return on capital employed was 26.4 per cent (24.3 per cent) in the quarter.

| CM, Profit and loss account (NOKm) | 3Q 24 | 2Q 24 | 3Q 23 |
|---|--------------|--------------|--------------|
| Net interest | 611 | 580 | 537 |
| Comission income and other income | 87 | 86 | 77 |
| Total income | 698 | 666 | 614 |
| Total operating expenses | 153 | 143 | 135 |
| Ordinary operating profit | 546 | 523 | 480 |
| Loss on loans, guarantees etc. | 49 | 30 | 27 |
| Result before tax including held for sale | 497 | 493 | 452 |
| Balance | | | |
| Loans and advances to customers | 61,693 | 59,007 | 56,605 |
| Adv.of this sold to SB1 Boligkredditt and SB1 Næringskredditt | -1,415 | -1,432 | -1,503 |
| Deposits to customers | 68,032 | 68,580 | 70,011 |
| Key figures | | | |
| Return on equity per quarter *) | 26.4 % | 26.3 % | 24.3 % |
| Lending margin | 2.64 % | 2.67 % | 2.33 % |
| Deposit margin | 0.39 % | 0.35 % | 0.60 % |

*) 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 4.6 per cent in the quarter. Growth in the quarter is distributed across a number of segments including commercial property, fishery, aquaculture and manufacturing. The deposit volume was reduced by 0.8 per cent. In the first quarter the corresponding figures were 1.6 and 6.3 per cent respectively.

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 has boosted lending growth, primarily in the commercial property segment.

SpareBank 1 Regnskapshuset SMN is the market leader in Trøndelag and in Møre and Romsdal. The company posted a pre-tax profit of NOK 7m (11m).

| SpareBank 1 Regnskapshuset SMN (93.3%) | 3Q 24 | 2Q 24 | 3Q 23 |
|---|--------------|--------------|--------------|
| Total income | 164 | 248 | 153 |
| Total operating expenses | 171 | 194 | 141 |
| Result before tax (NOKm) | -7 | 54 | 11 |
| Profit margin | -4 % | 22 % | 8 % |

A positive trend in operating income is noted with a 6.9 per cent increase from the third quarter of 2023. Income from advisory services shows a 25 per cent increase, reflecting the development seen by the company. The third quarter has brought slower activity due to seasonal variations.

At the same time costs are heavily impacted by acquisitions and major change initiatives which are expected to yield positive returns in the longer term. Substantial resources have been expended on new technology in the form of new cloud-based solutions, in combination with the development of advisory competencies for the future. The transition to a new price model in the form of subscription solutions gives the customer more predictability while providing more stable earnings for the company.

The development initiatives have spurred a good customer growth rate and reinforced customer loyalty. The company's market share has risen from 15 to 16 per cent over 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 68m (4m).

| SpareBank 1 Finans Midt-Norge (57.3%) | 3Q 24 | 2Q 24 | 3Q 23 |
|--|--------------|--------------|--------------|
| Total income | 112 | 111 | 40 |
| Total operating expenses | 32 | 27 | 30 |
| Loss on loans, guarantees etc. | 12 | 7 | 6 |
| Result before tax (NOKm) | 68 | 76 | 4 |

SpareBank 1 Finans Midt-Norge has stable earnings owing to stable borrowing costs and no central interest rate changes in the quarter. As from 1 October, sales via SpareBank 1 Sørøst-Norge will no longer form part of SpareBank 1 Finans Midt-Norge. As already mentioned, Fleks Green Fleet 01 AS is not consolidated from and including the third quarter, and historical figures have been restated.

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 564m (485m) as at 30 September 2024.

The company's pre-tax profit in the third quarter of 2024 was minus NOK 12m (37m). The result is due to a negative development in the value of the securities portfolio.

First nine months of 2024

SpareBank 1 SMN posted a net profit NOK 3,540m (2,441m), and a return on equity of 17.4 per cent (13.0 per cent) in the first nine months of 2024. Earnings per equity certificate (EC) were NOK 15.57 (11.14).

Net interest income came to NOK 4,001m (3,386m). Norges Bank raised its base rate to 4.50 per cent in December 2023, and has kept it unchanged through 2024. The central bank's rate hikes have increased the bank's funding costs at the same time as return on the bank's equity has risen. In the first half of 2024, margins on the bank's loans and deposits have reflected interest rate changes made in response to base rate changes in the fourth quarter of 2023. The margin picture has stabilised in the third quarter.

Net commission and other income was NOK 1,812m (1,586m). Income from accounting and estate agency services has risen by NOK 64m and 59m respectively measured against the first nine months 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 71m thus far in the current year.

The net result from ownership interests was NOK 1,027m (207m). The increased profit from ownership interests is mainly attributable to the recognition of NOK 452m related to the merger between Fremtind and Eika Forsikring and to strong profit contributions from BN Bank and the reclassification of SpareBank 1 Markets as a related company. The net result from financial instruments and dividends climbed from minus NOK 47m to NOK 47m so far this year.

The group's expenses were NOK 2,399m (2,152m) thus far in 2024. The expenses picture in 2023 was impacted by merger costs and expensing of the embezzlement affair. 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.

Losses on loans and guarantees were NOK 146m so far this year (net recovery of NOK 6m). Losses on loans to the group's corporate customers came to NOK 109m (net recovery of NOK 22m) in the year's first nine months. Corresponding figures for retail customers are NOK 37m (16m), driven primarily by the bank's agriculture portfolio.

Lending growth in the group was 5.5 per cent (12.2 per cent) in the last 12 months. Growth in lending to the bank's retail segment was 4.3 per cent (13.8 per cent) in the last 12 months. Lending to the bank's corporate customers rose 9.0 per cent (8.8 per cent) in the same period.

Deposits were reduced by 0.1 per cent (increase of 14.7 per cent) in the last 12 months. Deposits from personal customers increased by 7.3 per cent (17.3 per cent). Deposits from corporate customers were reduced by 2.8 per cent (increase of 11.8 per cent).

Balance sheet, financing and liquidity

Total assets of NOK 246bn

The bank's total assets as at the third quarter of 2024 were NOK 246.0bn (243.5bn), having increased by NOK 2.5bn, corresponding to 1.0 per cent, over the last 12 months.

As at 30 September 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 12.8bn, corresponding to 5.5 per cent, and amounted to NOK 247.1bn (234.3bn) at the end of the third quarter. Lending growth in the quarter was 2.2 per cent.

Lending to the bank's retail customers increased by NOK 2.2bn in the quarter (2.6bn). This corresponds to a lending growth of 1.3 per cent (1.6 per cent). Lending growth in the last 12 months was 4.3 per cent (13.8 per cent). Total lending to the bank's retail customers came to NOK 172.6bn (165.5bn) at the end of the third 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 2.7bn in the quarter (minus 0.5bn), corresponding to 4.6 per cent (minus 0.8 per cent). Growth in lending in the quarter is broad based with growth noted in commercial property, fishery, aquaculture and manufacturing. Growth in the last 12 months was 9.0 per cent (8.8 per cent). Overall lending to the bank's corporate customers came to NOK 61.7bn (56.6bn) as at 30 September 2024. Last year's total reflects the merger with the former SpareBank 1 Søre Sunnmøre.

SpareBank 1 Finans' gross loan volume was NOK 13.2bn (12.7bn) at the end of the third quarter of 2024. This corresponds to a growth of 4.4 per cent in the last 12 months.

(Distributed by sector – see note 5).

Deposits

Customer deposits totalled NOK 138.0bn (138.2bn) at the end of the third quarter 2024. Deposit growth in the quarter was minus 1.2 per cent.

Personal deposits were reduced by NOK 0.6bn in the quarter (minus 0.5bn), corresponding to deposit growth of minus 0.9 per cent (minus 0.8 per cent). Deposit growth in the last 12 months was 7.3 per cent (17.3 per cent). Total deposits from personal customers came to NOK 68.6bn (56.6bn) at the end of the quarter.

Deposits from the bank's corporate segment were reduced by NOK 0.5bn in the quarter (reduction of 2.2 bn), corresponding to a growth of minus 0.8 per cent (minus 3 per cent). Deposit growth in the last 12

months was minus 2.8 per cent (11.8 per cent). The decline noted in the last 12 months is attributable to growing competition for public sector deposits. Total deposits from the bank's corporate segment were NOK 68.0bn (70.0bn) as at 30 September 2024.

(Distributed by sector – see note 9).

Funding and liquidity

SpareBank 1 SMN has good liquidity and good 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 172 per cent (173 per cent) as at 30 September 2024.

The group's deposit-to-loan ratio, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 56 per cent (59 per cent) at 30 September 2024.

The bank's funding sources and products are amply diversified between various funding sources and products. The share of the bank's overall money market funding with a maturity above one year was 93 per cent (90 per cent) at the end of the third quarter.

SpareBank 1 Boligkreditt and Næringskreditt are important funding sources for the bank, and loans totalling NOK 68bn (65bn) had been sold to these captive mortgage companies as of 30 September 2024.

In the third quarter SpareBank 1 SMN issued EUR 700m in senior non-preferred debt (SNP), NOK 400m in subordinated debt and NOK 450m in hybrid securities. At the end of the quarter SpareBank 1 SMN held NOK 13.2bn in SNP debt instruments. SNP debt measured 36.6 per cent as at 30 September 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 September 2024 was 18.2 per cent (19.7 per cent) compared with 18.5 per cent as at 30 June 2024. In line with regulatory requirements, the calculation assumes that 27 per cent of the year's earnings is recognised in retained capital. Given 50 per cent retained profit in 2024, the CET1 ratio would have been 18.9 per cent.

The reduction in the CET1 ratio from the previous quarter is attributable to lending growth, an increase in expected losses and increased deduction of goodwill in CET1 capital as a result of the Fremtind transaction.

SpareBank 1 SMN received a new Pillar 2 requirement in the fourth quarter of 2023. 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 6.9 per cent (7.3 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 September 2024 was NOK 124.05 (116.39) and earnings per equity certificate in the third quarter of 2024 were NOK 6.42 (3.28).

The Price / Income ratio in the third quarter was 5.97 (10.47) and the Price / Book ratio was 1.24 (1.18) as at 30 September 2024.

At the end of the third quarter of 2024, holders of the bank's equity certificates number 18,346. 27 per cent of the bank's ECs are held by foreign investors. 28 per cent of the ECs are held by investors in Mid Norway.

Sustainability

Work on adapting the business to the requirements of the Corporate Sustainability Reporting Directive (CSRD) continues. Drawing up the group's transition plan for the shift to a low-emissions society is an important aspect of this work. The process needs to maintain a balance between a structured realignment and the group's goal of sustainable growth and profitability.

An important part of the transition plan is to establish science-based climate goals at industry level. In the third quarter the main focus has been on revising the transition plan for agriculture. Further, SpareBank 1 SMN has participated in joint projects within the SpareBank 1 Alliance to develop a framework for sustainable financing, quality assurance of requirements and criteria for transition financing along with competency development for employees.

Outlook

SpareBank 1 SMN posted a solid performance in the third quarter featuring strong underlying profitability and financial soundness. Continued strong net interest income and good contributions from related companies are noted. 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 September and reiterated its signal that the earliest base rate reduction would be some time in coming, probably next year. 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 strong 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 losses on loans and guarantees rose in the quarter. The credit quality of the bank's loan portfolio is considered to be good and the group's liquidity and capital position is strong. At the end of the third quarter the group had a CET1 ratio of 18.2 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, 30 October 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

Inge Lindseth
(employee rep.)

Christina Straub
(employee rep.)

Jan-Frode Janson
(Group CEO)