

Second Quarter Report 2022



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Main figures

From the income statement (NOKm)	Second quarter		First half		2021
	2022	2021	2022	2021	
Net interest	801	698	1,559	1,366	2,796
Net commission income and other income	745	748	1,382	1,538	2,832
Net return on financial investments	44	270	279	560	1,026
Total income	1,590	1,716	3,220	3,464	6,655
Total operating expenses	758	735	1,520	1,531	2,993
Results before losses	832	981	1,700	1,933	3,662
Loss on loans, guarantees etc	-48	39	-48	98	161
Results before tax	880	942	1,748	1,836	3,501
Tax charge	178	191	348	322	609
Result investment held for sale, after tax	0	4	-1	10	10
Net profit	702	755	1,400	1,523	2,902
Interest Tier 1 Capital	12	10	33	30	50
Net profit excl. Interest Tier 1 Capital	690	745	1,367	1,493	2,852

Balance sheet figures	30 June 2022	30 June 2021	31 Dec 2021
Gross loans to customers	148,681	141,935	147,301
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	205,504	189,015	195,353
Deposits from customers	123,812	110,133	111,286
Average total assets	211,254	194,053	196,229
Total assets	217,458	200,426	198,845

Key figures	Second quarter		First half		2021
	2022	2021	2022	2021	
Profitability					
Return on equity ¹⁾	12.9 %	14.3 %	12.6 %	14.5 %	13.5 %
Cost-income ratio ¹⁾	48 %	43 %	47 %	44 %	45 %
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	83 %	78 %	83 %	78 %	76 %
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt ¹⁾	60 %	58 %	60 %	58 %	57 %
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt) ¹⁾	2.8 %	2.0 %	8.7 %	7.9 %	6.9 %
Growth in deposits last 12 months	8.6 %	7.6 %	12.4 %	16.8 %	14.1 %
Losses in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt					
Impairment losses ratio ¹⁾	-0.09 %	0.08 %	-0.05 %	0.11 %	0.09 %
Stage 3 as a percentage of gross loans ¹⁾	1.08 %	1.87 %	1.08 %	1.87 %	1.68 %

Solidity	30 June 2022	30 June 2021	31 Dec 2021
Capital ratio	22.7 %	22.2 %	21.6 %
Tier 1 capital ratio	20.4 %	20.0 %	19.6 %
Common equity Tier 1 capital ratio	18.8 %	18.3 %	18.0 %
Tier 1 capital	20,547	19,011	19,322
Total eligible capital	22,910	21,105	21,333
Liquidity Coverage Ratio (LCR)	204 %	184 %	138 %
Leverage Ratio	6.9 %	7.0 %	6.9 %

Branches and staff			
Number of branches	40	42	40
No. Of full-time positions	1,579	1,526	1,548

¹⁾ Defined as alternative performance measures, see attachment to quarterly report

Key figures ECC	30 June 2022	30 June 2021	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018
ECC ratio	64.0 %	64.0 %	64.0 %	64.0 %	64.0 %	64.0 %
Number of certificates issued, millions ¹⁾	129.31	129.36	129.39	129.39	129.30	129.62
ECC share price at end of period (NOK)	115.80	119.20	149.00	97.60	100.20	84.20
Stock value (NOKM)	14,974	15,420	19,279	12,629	12,956	10,914
Booked equity capital per ECC (including dividend) ¹⁾	102.91	100.18	103.48	94.71	90.75	83.87
Profit per ECC, majority ¹⁾	6.39	6.90	13.31	8.87	12.14	9.97
Dividend per ECC	0.00	0.00	7.50	4.40	6.50	5.10
Price-Earnings Ratio ¹⁾	9.06	8.64	11.19	11.01	8.26	8.44
Price-Book Value Ratio ¹⁾	1.13	1.19	1.44	1.03	1.10	1.00

¹⁾ Defined as alternative performance measures, see attachment to quarterly report

Report of the Board of Directors

Second quarter 2022

(Consolidated figures. Figures in parenthesis refer to the same period of 2021 unless otherwise stated)

- Pre-tax profit: NOK 880m (942m)
- Post-tax profit: NOK 702m (755m)
- Return on equity: 12.9% (14.3%)
- CET1 ratio: 18.8% (18.3%)
- Growth in lending: 2.8% (2.0%) and in deposits: 8.6% (7.6%)
- Lending to personal customers rose 2.7% in the quarter (2.2%), 1.1 percentage point higher growth than in the first quarter. Lending to corporate clients rose 2.9% (1.5%) which was 1.1 percentage point lower than in the first quarter.
- Deposits from personal customers rose 6.6% (6.9%), 4.4 percentage points higher than in the first quarter. Deposits from corporate clients rose 9.9% (8.0%), 7.3 percentage points higher than in the first quarter
- Net result of ownership interests: NOK 77m (212m)
- Net result of financial instruments (incl. dividends): minus NOK 32m (59m)
- Losses on loans and guarantees with a net recovery of NOK 48m (loss of 39m)
- Earnings per equity certificate (EC): NOK 3.20 (3.51)
- Book value per EC: NOK 102.91 (100.18)

First half 2022

- Pre-tax profit: NOK 1,748m (1,836m)
- Post-tax profit: NOK 1,400m (1,523m)
- Return on equity: 12.6% (14.5%)
- Growth in lending: 8.7% (7.9%) and in deposits: 12.4% (16.8%) in the last 12 months. In the first half-year growth in lending was 5.2 per cent (3.4 per cent) and in deposits 11.3 per cent (12.9 per cent)
- Growth in lending to personal customers was 8.1 per cent (7.0 per cent) in the last 12 months. In the first half-year growth was 4.3 per cent (3.1 per cent). Growth in lending to corporate clients was 10.1 per cent (9.9 per cent) in the last 12 months, in the first half-year 7.0 per cent (4.1 per cent)
- Lending to retail clients accounts for 68 per cent (68 per cent) of total lending
- Deposits from personal customers rose 10.0% (7.8%) in the last 12 months. In the first half 9.0 per cent (8.8 per cent). Deposits from corporate clients rose 14.1% (23.7%) in the last 12 months. In the first half-year 12.8 per cent (15.9 per cent)
- Net result of ownership interests: NOK 139m (340m)
- Net result of financial instruments (incl. dividends): NOK 141m (220m)
- Losses on loans and guarantees with a net recovery of NOK 48m (loss of 98m), -0.10 per cent (0.11 per cent) of gross lending
- Earnings per equity certificate (EC): NOK 6.39 (6.90)

Events in the quarter

High activity, little idle capacity in the Norwegian economy and increasing price and wage growth

Norges Bank raised its base rate to 1.25 per cent in March. Like other banks, SpareBank 1 SMN has given notice of interest rates increases on mortgages and deposits. Central banks in several countries have also raised their base rates and signalled a quicker rise in base rates ahead. Uncertainty with regard to growth and inflation prospects internationally has contributed to substantial fluctuations in financial markets, and credit spreads in the bond market have widened.

Unemployment has fallen more than expected, and price growth has risen more quickly than estimated. Quickening wage growth and higher growth in prices of imported goods suggest persistent high price inflation. This is also the situation internationally, and high energy prices combined with high demand and supply side constraints have prompted considerable price growth. The war in Ukraine contributes to the continuing high level of energy and food prices.

Activity levels in the Norwegian economy are high, but there are prospects of growth subsiding somewhat ahead. Higher price growth and increased interest rates will likely dampen the growth in household consumption. Activity in the housing market has been high in 2022, and house prices have risen more than expected in recent months. Growth in credit to households has been slightly lower than expected.

SpareBank 1 SMN has achieved good results in all business areas in both the first and second quarter of 2022. The group has strengthened its market position both within the personal and corporate market. There has been a good influx of new customers, particularly within the SME segment

For SpareBank 1 SMN's part the corporate portfolio is little affected by repercussions of the pandemic or of the war in Ukraine. Improved earnings and better prospects are noted in the oil and offshore industry. Credit quality elsewhere in the bank's corporate portfolio is good, and low losses were again recorded in the second quarter. Nonetheless many uncertain factors are in evidence in both the international and Norwegian economies in 2022. Framework conditions can change rapidly, and hence also the economic outlook.

Norges Bank has revised the interest rate path upward since the last base rate hike in March, and signals a continued increase in the base rate ahead, starting in August. The forecast following the interest rate decision in June 2022 indicates a base rate of 3.00 per cent for summer 2023. The main argument for this is to slow price and wage growth and the substantial capacity challenges facing the economy.

SpareBank 1 SMN has entered into an agreement of intent with SpareBank 1 Søre Sunnmøre regarding a merger

SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre have drawn up an agreement of intent to merge the two banks. The goal is to build and even stronger regional bank with clear-cut growth ambitions in Sunnmøre and in Fjordane. The agreement of intent to merge SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre was adopted unanimously by the boards of both banks on 20 June 2022. The banks have agreed to start negotiations with a view to formalising a merger agreement. A final decision on the merger is planned for November 2022.

SpareBank 1 Søre Sunnmøre is a solid local bank with good relations, skilled advisers who know the region's dynamics, and a bank that enjoys high trust and confidence from its customers. As per Q1 2022 the bank had loans totalling NOK 13.6bn, deposits worth NOK 8.9bn, a CET1 ratio of 18.4 per cent and a workforce of 65 FTEs. Of its outstanding loans, NOK 11.5bn are to personal customers and NOK 2.1bn to corporate customers. Of its deposits, NOK 5.2bn are from personal customers and NOK 3.7bn from corporates.

SpareBank 1 Markets strengthens its position in the capital market and acquires greater regional ownership

SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge are to transfer their capital markets business to SpareBank 1 Markets, and are also buying into the company through a cash payment. After completion of the transaction SpareBank 1 SR-Bank will own 33.4 per cent, SpareBank 1 SMN 39.4 per cent and SpareBank 1 Nord-Norge 18.1 per cent, as the company's three largest owners.

Now that the SpareBank 1 banks are joining forces in the capital market area, they are creating larger and more robust capital market units in Oslo, Tromsø, Trondheim and Stavanger.

SpareBank 1 Markets will thereby strengthen its local-level competence to be close to its customers. A larger, consolidated organisation will enable competence sharing and employee development, along with a shared services value proposition to customers and business development in the market.

The transaction is dependent on approval from the Financial Supervisory Authority and the Competition Authority, and also requires an application for tax relief for the transaction to be granted by the Ministry of Finance. In addition, all shareholders in SpareBank 1 Markets must accept a new shareholder agreement.

Assuming the required approvals are given, the transaction will go ahead on 1 January 2023.

Second quarter of 2022

The second quarter net profit was NOK 702m (755m) and return on equity was 12.9 per cent (14.3 per cent). The second quarter profit is NOK 4m better than in the first quarter 2022. The profit decline compared with last year's second quarter is largely down to lower return on financial assets and a weaker performance by SpareBank 1 Gruppen.

Earnings per equity certificate (EC) were NOK 3.20 (3.51) and the EC's book value was NOK 102.91 (100.18). In the first quarter 2022 earnings per EC were also NOK 3.20.

Net interest income totalled NOK 801m (698m), which is NOK 44m higher than in the first quarter and NOK 104m better than in the second quarter 2021. NIBOR was 15 points higher in the second quarter 2022 than in the first quarter 2022 and 106 points higher than in the second quarter 2021. Mortgage rate increases resulted in higher margins on lending from the first to second quarter of this year. Increased market interest rates bring higher return on equity. Growth in lending and deposit volumes has strengthened net interest income.

Net commission and other income rose from the preceding quarter by NOK 107m to NOK 745m (748m). The growth from the previous quarter is largely due to increased incomes from securities services at

SpareBank 1 Markets. This aside, the largest increase in incomes was from estate agency services. Compared with the same quarter of 2021 a NOK 33m increase is noted in incomes from securities services and accounting services and a NOK 36m reduction in commissions from SpareBank 1 Boligkreditt.

The group's share of the result of ownership interests and related companies was NOK 77m (212m). The first quarter's profit share was NOK 62m. Weaker results posted by the insurance companies in SpareBank 1 Gruppen explain the majority of the decline compared with last year's second quarter.

Return on financial instruments (incl. dividends) was negative at NOK 32m (plus 59m), and in the first quarter 2022 NOK 174m. Gains of NOK 102m were recorded on shares in the first quarter 2022.

Operating expenses came to NOK 758m (735m). In the first quarter 2022 operating expenses were NOK 762m. The decline from the first quarter is attributable to reduced expenses at the bank at the same time as higher expenses were seen at SpareBank 1 Markets due to increased variable remuneration with a strong performance in the second quarter.

A net recovery of NOK 48m (NOK 39m) was recorded on losses on loans and guarantees in the second quarter, and in the first quarter NOK 0m. Increased earnings and improved prospects in the oil and offshore industry brought reversals of earlier loss write-downs.

Good growth is noted in lending and deposits. Overall lending rose 8.7 per cent (7.9 per cent) and deposits rose 12.4 per cent (16.8 per cent) in the last 12 months. In the second quarter lending growth was 2.8 (2.0) per cent and deposit growth 8.6 per cent (7.6 per cent). Growth in lending to personal customers rose from the first to second quarter, and good growth was again seen in deposits from corporate clients in the second quarter.

As at 30 June 2022 the CET1 ratio was 18.8 per cent (18.3 per cent). SpareBank 1 SMN has received a new Pillar 2 requirement, effective from 30 April 2022. The rate of 1.9 per cent is unchanged, but the bank is subject to a provisional addition of 0.7 per cent to its Pillar 2 requirement up until its application for adjustment of its IRB models has been considered. Finanstilsynet has also decided that SpareBank 1 SMN will be subject to a Pillar 2 guidance of 1.25 per cent over and above its overall capital requirement. The bank's long-term CET1 target ratio is accordingly raised to 17.2 per cent.

The price of the bank's equity certificate (MING) at quarter-end was NOK 115.80 (119.20). A dividend of NOK 7.50 has been paid for the year 2021 (4.40).

Increased net interest income

In June 2020 Norges Bank raised its base rate a further 50 points to 1.25 per cent. Market rates in terms of NIBOR continued to rise and stood at 1.46 per cent at the end of June. The bank raised its mortgage and deposit rates following the previous change in the base rate with effect from 13 May 2022 and has announced a further increase of up to 50 points effective from 10 August 2022.

Net interest income totalled NOK 801m (698m) compared with NOK 758m in the first quarter. Lending margins rose in the second quarter following the rate hike in May, while deposit margins maintained approximately the same level.

Growth in lending and deposits in the quarter, along with increased return on equity, strengthened net interest income. This is also the chief reason for the increase compared with the same quarter of 2021.

Norges Bank has signalled further increases in the base rate, and the central bank's own forecast suggests a base rate of 3.0 per cent in the run-up to summer 2023. The interest rate path is revised upward mainly as a result of high price pressures and little idle capacity in the Norwegian economy. This could exert continued pressure on banks' residential mortgage margins while margins on deposits and return on equity will rise.

Commission income and other operating income

SpareBank 1 SMN is a finance centre with a broad product range, a good customer offering and a high proportion of multi-product customers, all contributing to a diversified income flow and high customer satisfaction rates.

Commission income and other operating income totalled NOK 745m (748m) compared with NOK 637m in the first quarter of 2022.

Commission income (NOKm)	2Q 22	1Q 22	2Q 21
Payment transfers	72	60	56
Creditcard	15	16	13
Saving products	10	9	14
Insurance	59	57	53
Guarantee commission	8	18	14
Real estate agency	125	94	131
Accountancy services	167	156	154
Markets	198	124	182
Other commissions	9	14	14
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	664	549	631
Commissions SB1 Boligkreditt	77	84	113
Commissions SB1 Næringskreditt	4	4	4
Total commissions	745	637	748

Commission income on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt altogether totalled NOK 81m (117m). In the first quarter of 2022 commissions came to NOK 88m. The decline from last year is down to reduced margins on loans sold to SpareBank 1 Boligkreditt.

An increase of NOK 115m in other commission income compared with the first quarter is mainly a result of income growth of NOK 74m on securities services at SpareBank 1 Markets and a seasonally based increase of NOK 31m in income from estate agency services. Income from accounting services has risen as a result of net organic customer growth and the full effect of company acquisitions, and from payment services as a result of increased travel activity.

Return on financial investments

Return on financial investments in the second quarter came to minus NOK 36m (plus 42m), and in the first quarter to NOK 172m. A decline of NOK 35m in share values was noted (gain of NOK 23m), referring largely to shareholdings at SpareBank 1 SMN Invest. A large gain was posted on shares at SpareBank 1 SMN Invest in the first quarter. Financial instruments, including bonds and CDs, showed a capital loss of NOK 82m (loss of NOK 4m) ascribable to increased credit margins on the bank's liquidity holdings. Income of NOK 29m (15m) from forex transactions refers to income from currency trading at SpareBank 1 Markets. Gains on shares and share derivatives at SpareBank 1 Markets altogether totalled NOK 52m (8m).

Return on financial investments (NOKm)	2Q 22	1Q 22	2Q 21
Capital gains/losses shares	-35	137	23
Gain/(loss) on financial instruments	-82	-10	-4
Foreign exchange gain/(loss)	29	7	15
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	52	37	8
Net return on financial instruments	-36	172	42

Product companies and other related companies

The product companies provide SpareBank 1 SMN with a broader product range and commission income along with return on invested capital. The overall profit share from the product companies and other related companies was NOK 77m (212m). In the first quarter 2022 the figure was NOK 62m.

Income from investment in associated companies (NOKm)	2Q 22	1Q 22	2Q 21
SpareBank 1 Gruppen (19,5%)	16	13	148
SpareBank 1 Boligkreditt (20,9%)	-4	-5	3
SpareBank 1 Næringskreditt (14,9%)	2	0	4
BN Bank (35,0 %)	47	49	42
SpareBank 1 Kreditt (18,7 %)	3	3	1
SpareBank 1 Betaling (21,5%)	0	-5	-5
SpareBank 1 Forvaltning (19,6%)	11	8	8
Other companies	2	-1	11
Income from investment in associated companies	77	62	212

SpareBank 1 Gruppen

This company owns 100 per cent of the shares of SpareBank 1 Forsikring and SpareBank 1 Factoring, Modhi Finance, SpareBank 1 Spleis, and 65 per cent of Fremtind Forsikring. The remaining shares of Fremtind are held by DNB.

SpareBank 1 Gruppen's profit after tax for the second quarter 2022 was NOK 142m (1,042m), and in the first quarter 2022 NOK 95m. NOK 83m of the post-tax profit of NOK 142m accrues to the owner banks of SpareBank 1 Gruppen.

The group's share of SpareBank 1 Gruppen's profit was NOK 16m (148m), and in the first quarter 2022 NOK 13m.

Fremtind Forsikring posted a second quarter profit of NOK 171m (811m) after tax. The quarter's underwriting result of NOK 462m (850m) was largely down to a higher claims ratio of 59.0 per cent (49.7 per cent). The increase in the claims ratio is largely due to higher travel activity and increased claims payments on retail market car insurance. Financial incomes were minus NOK 232m (plus 192m) in the second quarter due to weak equity markets and higher interest rates.

SpareBank 1 Forsikring reported a first quarter 2022 deficit of NOK 18m (surplus of NOK 199m) after tax. The result is heavily impacted by a weak interest performance due to negative return on the share portfolio and higher interest rates, while the operating profit also shows a decline.

SpareBank 1 Factoring recorded a second-quarter profit of NOK 25m (20m), and **SpareBank 1 Spleis** a profit of minus NOK 3m (minus 2m).

Modhi Finance posted a profit of NOK 9m (34m). The profit decline is due to write-down of portfolio values along with one-time costs related to merger with the debt collection company Kredinor.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks making up SpareBank 1-alliansen to draw benefit from the market for covered bonds. The banks sell well-secured residential mortgages to the company and achieve reduced funding costs.

As at 30 June 2022 the bank had sold loans totalling NOK 55.2bn (45.7bn) to SpareBank 1 Boligkreditt, corresponding to 39.8 per cent (35.6 per cent) of the bank's overall lending to retail customers.

The bank holds a 20.9 per cent stake in the company and its share of the company's profit was minus NOK 4m (plus 3m). The negative profit is attributable to increased credit margins on the company's liquidity portfolio.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 30 June 2022, loans worth NOK 1.6bn (1.4bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's share of the profit was NOK 2m (4m). SpareBank 1 SMN's stake in the company is 14.9 per cent.

SpareBank 1 Kreditt

SpareBank 1 Kreditt recorded a second-quarter profit of NOK 19.8m (6.3m). The profit growth is ascribable to increased net interest income and reversal of loss write-downs. The company's overall portfolio as at 30 June 2022 was NOK 6.6bn (5.3bn). The growth refers in all essentials to refinancing loans.

SpareBank 1 SMN's share of the second quarter 2022 profit was NOK 3.0m (1.0m), and its share of the portfolio is NOK 1,137m (937m).

BN Bank

BN Bank offers residential mortgage loans and loans to commercial property and its main market is Oslo and south-eastern Norway. Over time BN Bank has shown good growth in lending. Growth in lending to personal customers was 11.6 per cent (12.7 per cent), and to corporate customers 9.1 per cent (9.4 per cent), in the last 12 months.

BN Bank recorded a profit of NOK 139m (121m), providing a return on equity of 11.0 per cent (10.6 per cent). Increased net interest income is the main reason for the profit growth. SpareBank 1 SMN's share of BN Bank's profit is NOK 47m (42m).

SpareBank 1 Betaling

SpareBank 1 Betaling is the SpareBank 1 banks' parent company in Vipps AS. On 30 June 2021 Vipps entered an agreement to merge Vipps' mobile payments arm with Danish MobilePay and Finnish Pivo, thus opening the way for cross-border mobile payments. The merger requires the European Commission's approval. According to the Commission's preliminary feedback on the application, which was submitted on 24 June 2022, some adjustments to the body of agreements underlying the application are needed. Final

approval of the merger cannot be expected until the fourth quarter 2022. BankAxept and BankID are concurrently to be spun off from Vipps to become a new Norwegian-owned company which will remain 100 per cent owned by the Norwegian banks.

SpareBank 1 SMN stake in the company is 21.5 per cent and its profit share was NOK 0m (minus 5m) in the second quarter.

SpareBank 1 Forvaltning

The company was established in 2021 to strengthen the SpareBank 1 banks' competitive power in the savings market. Odin Forvaltning, SpareBank 1 Kapitalforvaltning, SpareBank 1 SR Forvaltning and SpareBank 1 Verdipapirservice make up the SpareBank 1 Forvaltning group. SpareBank 1 SMN owns 19.6 per cent of the company, and its profit share in the second quarter was NOK 11m and in the first quarter NOK 8m. The result is satisfactory and shows income growth despite an unsettled market.

Operating expenses

Overall group expenses in the first quarter came to NOK 758m (735m), an increase of NOK 23m, or 3.1 per cent, compared with the same period of 2021. Overall expenses in the first quarter 2022 were NOK 762m.

Operating expenses (NOKm)	2Q 22	1Q 22	2Q 21
Staff costs	490	476	465
IT costs	93	98	90
Marketing	26	21	17
Ordinary depreciation	34	34	40
Operating expenses, real properties	9	24	15
Purchased services	54	61	61
Other operating expense	52	46	46
Total operating expenses	758	762	735

The bank recorded expenses of NOK 328m (338m), and in the first quarter NOK 389m. The decline from the first quarter was expected and was attributable to the first quarter's high outlays related to regulatory matters and technological development. Expenses at the subsidiaries totalled NOK 430m (397m) in the second quarter and NOK 373m in the first quarter. Expense growth is noted at SpareBank 1 Markets and EiendomsMegler 1 Midt-Norge due to increased customer activity and variable remuneration. Compared with last year, growth is shown at SpareBank 1 SMN Regnskapshuset due in part to the effect of company acquisitions in 2021, and at SpareBank 1 Markets for the same reason as the expense growth in the first quarter.

The second quarter's cost-income ratio for the group was 48 per cent (43 per cent), and 24 per cent (23 per cent) for the parent bank.

Net recovery of losses

A net recovery of NOK 48m was recorded on losses (loss of NOK 39m) in the second quarter, and of NOK 0m and in the first quarter.

Impairment losses (NOKm)	2Q 22	1Q 22	2Q 21
RM	-4	-5	0
CM	-44	5	38
<i>Of which: offshore</i>	-54	-12	12
Total impairment losses	-48	-0	39

A net sum of NOK 44m (38m) was taken to income on loans to the group's corporate clients as a result of reversals worth NOK 54m of previous write-downs in the offshore portfolio. In addition, losses in other segments are low.

A net recovery of NOK 4m (0m) was recorded on losses to retail customers. The previous quarter saw a net recovery of NOK 5m.

In the first quarter of 2022 the weighting of the downside scenario in the portfolios 'agriculture' and 'other corporate market' (excluding offshore and the hotels/hospitality industry) was revised to 25 per cent to take account of the increased uncertainty stemming from the war in Ukraine and the growing uncertainty with regard to future economic growth. This weighting is retained in the second quarter. The bank's assumption is that the interest rates will rise from their present level. This could have a negative impact on property values and the default rate. The bank has accordingly incorporated rising PD and LGD paths in its baseline scenario for 'other corporate market' and 'retail market'. See note 2 for a closer description of changes to assumptions employed in the loss model.

Losses on loans are reduced. The outlook in the offshore industry has brightened and the risk picture as regards lending to other business and industry and personal customers reflects sound finances in the region, both in the business sector and among households.

Overall write-downs on loans and guarantees as at 30 June 2022 total NOK 1,181m (1,669m).

Problem loans (Stage 3) amount to NOK 2,229m (3,357m) corresponding to 1.08 per cent (1.87 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. A significant portion of the decline is due to the fact that a large offshore exposure has completed its quarantine period, and to the downscaling of the bank's exposure in another offshore commitment due to vessel sales.

Total assets of NOK 217bn

The bank's total assets as per the second quarter were NOK 217bn (200bn), having risen NOK 17bn, or 8.5 per cent, in the past year. Total assets have risen as a result of higher lending volumes and a higher liquidity holding.

As at 30 June 2022, loans totalling NOK 57bn (47bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and to 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 SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Lending

Total outstanding loans rose in the last 12 months NOK 16.5bn (13.9bn), or 8.7 per cent (7.9 per cent), to reach NOK 205.5bn (189.0bn) at 30 June 2022. Growth in the second quarter was 2.8 per cent (2.0 per cent).

- Lending to personal customers rose in the last 12 months NOK 10.4bn (8.4bn) to NOK 138.7bn (128.3 bn). Growth in that period was 8.1 per cent (7.0 per cent). Second-quarter growth was 2.7 per cent (2.2 per cent)

- Lending to corporate clients rose in the last 12 months NOK 6.1bn (5.5bn) to NOK 66.8bn (60.7bn). Growth in that period was 10.1 per cent (9.9 per cent). Second quarter growth was 2.9 per cent (1.5 per cent)
- Lending to personal customers accounted for 68 per cent (68 per cent) of total lending to customers as at 30 June 2022.

Good growth is noted in lending to personal customers and the group is strengthening its market position. A substantial portion of the growth is to the LO (Norwegian Trade Unions Confederation) segment. Most of the growth in lending to corporate clients is to small and medium-sized businesses throughout the market area. The growth is distributed across a number of industries, and industry and single-name concentrations are sought to be avoided.

(For distribution sector, [see note 5](#)).

Deposits

Customer deposits rose in in the last 12 months NOK 13.7bn (15.8bn) to NOK 123.8bn (110.1bn). This represents a growth of 12.4 per cent (16.8 per cent). Growth in the second quarter was 8.6 per cent (7.6 per cent).

- Personal deposits rose NOK 4.4bn (3.2bn), or 10.0 per cent (7.8 per cent), to NOK 48.6bn. In the second quarter growth was 6.6 per cent (6.9 per cent)
- Corporate deposits rose NOK 9.3bn (12.6bn), or 14.1 per cent (23.7 per cent), to NOK 75.2bn. In the second quarter growth was 9.9 per cent (8.0 per cent)
- The deposit-to-loan ratio including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 60 per cent (58 per cent).

Deposit growth has been very high in the last two years owing to the pandemic.

(For distribution by sector, [see note 9](#)).

Personal customers

The Personal Banking Division and EiendomsMegler 1 Midt-Norge offer a broad range of financial services. Improved coordination between the bank and the real estate agency business affords customers a better service offering and contributes to increased growth and profitability.

Result before tax (NOKm)	2Q 22	1Q 22	2Q 21
Personal market	329	274	290
EiendomsMegler 1	38	14	41
<i>Total</i>	<i>367</i>	<i>287</i>	<i>331</i>

The **Personal Banking Division** achieved a pre-tax profit of NOK 329m (290m), and NOK 274m in the first quarter 2022. Return on capital employed was 14.9 per cent (13.1 per cent) in the quarter.

Loans granted by the Personal Banking Division total NOK 144bn (133bn) and deposits total NOK 56bn (51bn) as at 30 June 2022. These are loans to and deposits from wage earners, agricultural customers and sole proprietorships. Loans and deposits as at 31 March 2022 totalled NOK 140bn and NOK 52bn respectively.

Overall operating income posted by the division came to NOK 541m (507m), and to NOK 515 in the first quarter 2022. Net interest income accounted for NOK 335m (283m) and for NOK 313m in the first quarter.

Mortgage and deposit rates were raised on a general basis with effect from 13 May following the base rate hike in March. Net interest income rose from the first quarter as a result of growth, higher lending and deposit margins, and higher return on the division's share of the group's equity capital.

Commission income totalled NOK 206m (225m), and NOK 202m in the first quarter. Incomes from payment services and savings products are higher compared with the first quarter. As from the second quarter 2021 commission income rose as a result of higher incomes from payment services and insurance products, at the same time as incomes from loan sold to SpareBank 1 Boligkreditt were reduced due to lower margins on such loans.

The lending margin was 1.09 per cent (1.73 per cent), and in the first quarter 2022 1.04 per cent. The deposit margin was 0.78 per cent (minus 0.07 per cent), and 0.73 per cent in the first quarter 2022 (measured against three-month NIBOR).

Growth in lending to and deposits from personal customers was 7.9 per cent (7.0 per cent) and 8.8 per cent (7.8 per cent) respectively in the last 12 months. In the second quarter growth in lending and deposits was 2.7 per cent (2.1 per cent) and 6.7 per cent (5.9 per cent) respectively.

Lending to personal customers consistently carries low risk, as reflected in continued low losses. The loan portfolio is largely secured by residential property. There was a net recovery of NOK 2m on losses (loss of 2m) in the second quarter 2022.

Profit and loss account (NOKm)	2Q 22	1Q 22	2Q 21
Net interest	335	313	283
Commission income and other income	206	202	225
Total income	541	515	507
Total operating expenses	215	248	216
Ordinary operating profit	326	266	292
Loss on loans, guarantees etc.	-2	-7	2
Result before tax including held for sale	329	274	290

Balance

Loans and advances to customers	143,544	139,759	132,992
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-55,464	-51,477	-45,922
Deposits to customers	55,829	52,321	51,312

Key figures

Return on capital employed per quarter *)	14.9 %	13.5 %	13.1 %
Lending margin	1.09 %	1.04 %	1.73 %
Deposit margin	0.78 %	0.73 %	-0.07 %

*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital in accordance with the capital plan.

Eiendomsmegler 1 Midt-Norge is the market leader in Trøndelag and in Møre and Romsdal.

Operating income totalled NOK 134m (131m) and expenses NOK 96m (90m) in the second quarter, and the pre-tax profit was NOK 38m (41m).

Activity in the housing market at the start of 2022 was somewhat lower than at the end of 2021. Few dwelling units on the market are the main reason for this, and demand and the turnover rate have risen. This development continued in the second quarter, and as yet there is no sign that higher mortgage rates are negatively impacting demand. Winning new assignments has high priority amidst intense competition.

2,035 dwelling units were sold in the second quarter (2,228). New assignments numbered 2,099, 224 fewer than in the second quarter 2021. The company's market share at 30 June 2022 was 36 per cent (36 per cent).

EiendomsMegler 1 Midt-Norge (87%)	2Q 22	1Q 22	2Q 21
Total income	134	95	131
Total operating expenses	96	81	90
Result before tax (NOKm)	38	14	41
Operating margin	28 %	15 %	32 %

Corporate customers

The corporate business at SpareBank 1 SMN consists of the bank's corporate banking arm, SpareBank 1 Regnskapshuset SMN, SpareBank 1 Finans Midt-Norge and SpareBank 1 Markets. These business lines provide business and industry with a complete range of banking and capital market services. The interaction between the business lines has high priority and part of the growth achieved is ascribed to this.

Result before tax (NOKm)	2Q 22	1Q 22	2Q 21
Corporate banking	361	277	199
SpareBank 1 Regnskapshuset SMN (88,7%)	30	23	33
SpareBank 1 Finans Midt-Norge (56,5%)	50	47	63
SpareBank 1 Markets (66,7%)	79	39	62
Total corporate customers	521	386	357

The **Corporate Banking Division** achieved a pre-tax profit of NOK 361m (NOK 199m), and NOK 277m in the first quarter 2022. The profit growth is attributable to lower losses and a strengthened trend in earnings. Return on capital employed was 20.4 per cent (11.3 per cent).

Outstanding loans to corporates total NOK 51bn (47bn) and deposits total NOK 64bn (58bn) as at 30 June 2022. Loans and deposits as at 30 June 2021 were NOK 50bn and NOK 60bn respectively. This is a diversified portfolio of loans to and deposits from corporate clients in Trøndelag and Møre and Romsdal.

Operating income came to NOK 420m (345m), and NOK 404m in the first quarter 2022.

Net interest income was NOK 356m (283m), and NOK 330m in the first quarter. NIBOR also increased in the second quarter. Lending margins rose from the first quarter. A high proportion of the loans are linked to three-month NIBOR, thereby contributing to a stable margin trend over time. Margins on these loans taken as a whole will however fluctuate between quarters given differing times of interest rate adjustment on the loans. Deposit margins remained at the same level as in the first quarter of the current year. Increased loan and deposit volumes have strengthened the earnings base at the same time as increased return on the business line's share of equity capital has strengthened net interest income both from the first to second quarter and compared with last year's second quarter. Lending margins are reduced and deposit margins widened compared with last year's second quarter. Part of the decline in lending margins from last year's second quarter relates to particularly high margins on syndicated loans and foreign currency loans in the second quarter 2021.

Commission income totalled NOK 64m (62m) compared with NOK 74m in the first quarter. Commissions are reduced from the first quarter due to lower guarantee commissions, which were particularly high in the first quarter.

Loan and deposit margins were 2.53 per cent (2.80 per cent) and minus 0.05 per cent (minus 0.37 per cent) respectively. Lending rose 9.0 per cent (9.9 per cent) and deposits 11.7 per cent (24.0 per cent) in the last

12 months. Lending growth was 2.9 per cent (1.4 per cent) while deposits rose 8.2 per cent (8.5 per cent) in the second quarter.

A net recovery of NOK 51m was recorded on losses to corporate customers (loss of 37m) as a result of reversals of earlier write-downs on exposures in the offshore portfolio, at the same time as low losses are seen on exposures in other segments.

SpareBank 1 SMN and SpareBank 1 Regnskapshuset SMN each have a large proportion of businesses in the market area as customers. Development of the customer offering aims to ensure that customers see the added value of being a customer of both the bank and Regnskapshuset.

As a result of the strengthened focus on SMEs, many new customers have opted for SpareBank 1 SMN as their bank in 2022 and 2021. Corporate customers have strong links with the bank and customer turnover is extremely low.

Profit and loss account (NOKm)	2Q 22	1Q 22	2Q 21
Net interest	356	330	283
Comission income and other income	64	74	62
Total income	420	404	345
Total operating expenses	109	124	109
Ordinary operating profit	311	280	236
Loss on loans, guarantees etc.	-51	3	37
Result before tax including held for sale	361	277	199
Balance			
Loans and advances to customers	51,193	49,764	46,956
Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-1,359	-1,465	-1,259
Deposits to customers	64,415	59,541	57,691
Key figures			
Return on equity per quarter *)	20.4 %	15.4 %	11.3 %
Lending margin	2.53 %	2.38 %	2.80 %
Deposit margin	-0.05 %	-0.05 %	-0.37 %

*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital in accordance with the capital plan.

SpareBank 1 Regnskapshuset SMN recorded a pre-tax profit of NOK 30m (33m).

Operating income was NOK 177m (162m) and expenses were NOK 147m (129m). The expense growth seen in the second quarter compared with the same quarter 2021 is partly down to the full effect of business acquisitions in 2021 and to investments in new services and a new IT platform.

Increased organic customer growth has a high priority, and good results have been achieved in 2022. Customer recruitment has risen, at the same time that the company has succeeded in reducing customer turnover. The company seeks to create a broader income platform beyond the traditional production of accounts.

Digitalisation and use of new technological solutions in business and industry places heavy requirements on the accounting industry in terms of readjustment and adaptability. This applies both as regards increasing the individual employee's skills and achieving greater breadth in the service offering to customers.

Over the course of 2021 the company invested heavily to ensure continued development of its competitive power. This is starting to produce results in the form of strengthened advisory competence and capacity, an

increased focus on digitalisation and new income flows. Cloud-based solutions that simplify matters for the company and provide greater insight and procedural enhancements for the customer are at centre stage.

The company's market share in Trøndelag, Møre and Romsdal and Gudbrandsdal is 25 per cent.

SpareBank 1 Regnskapshuset SMN (88.7%)	2Q 22	1Q 22	2Q 21
Total income	177	166	162
Total operating expenses	147	143	129
Result before tax (NOKm)	30	23	33
Operating margin	17 %	14 %	21 %

SpareBank 1 Finans Midt-Norge delivered a pre-tax profit of NOK 50m (63m). The company's focal areas are leasing and invoice purchasing services to businesses and car loans to personal customers.

The company's incomes totalled NOK 82m (91m). Incomes are weakened due to margin pressures in the corporate and personal market alike. Costs in the second quarter 2022 totalled NOK 26m (28m). Losses totalled NOK 5m (net recovery of 1m).

The company has leasing agreements with and loans to corporate customers worth NOK 4.6bn (4.1bn) and car loans worth NOK 6.5bn (5.8bn). Growth in the last 12 months was 12.5 per cent and 12.7 per cent respectively. Compared with the same period of 2021, the company showed growth of 14.4 per cent in the number of car loans in a period when changes of ownership fell 3.7 per cent. Invoice sales were included as a new product in the company as from 2021 and invoices worth NOK 174m were purchased in the second quarter 2022 resulting in growth of 12.9 per cent compared with the first quarter.

SpareBank 1 Finans Midt-Norge and other SpareBank 1 banks own 47 per cent of the shares of the car subscription company Fleks. This company offers flexible car subscription solutions. The car subscription system along with electrification of the car population make for reduced emissions. Fleks currently has 2,400 cars and is the market leader in Norway.

SpareBank 1 Finans Midt-Norge (56.5%)	2Q 22	1Q 22	2Q 21
Total income	81	86	91
Total operating expenses	26	28	28
Loss on loans, guarantees etc.	5	4	-1
Result before tax (NOKm)	50	47	63

SpareBank 1 Markets is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. It employs 143 FTEs.

SpareBank 1 Markets' pre-tax profit was NOK 79m (62m).

High activity in several of the business areas produced higher incomes in the second quarter than the first quarter. SpareBank 1 Markets has arranged several large transactions in the quarter that generate high income for Investment Banking and stock broking. Income from fixed interest and forex business has been stable, while lower activity in the market for debt capital brought reduced earnings. Overall income came to NOK 257m (216m). Operating expenses totalled NOK 178m (154m).

SpareBank 1 Markets has developed into one of the largest Norwegian brokerages with a strong position in a number of product areas and is the leading capital markets unit in SpareBank 1 SMN's market area. The foreshadowed transaction entailing the merger of the capital markets units of SpareBank 1 Markets, SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge is expected to contribute to higher and more diversified incomes. The merger will strengthen overall organisation through acquisition of skilled and

experienced employees, enable greater interaction with the SpareBank 1 banks, strengthen the company's operational platform and bring it closer to its customers.

SpareBank 1 Markets (66.7%)	2Q 22	1Q 22	2Q 21
Total income	257	177	198
Total operating expenses	178	138	154
Result before tax (NOKm)	79	39	62
Operating margin	31 %	22 %	29 %

SpareBank 1 SMN Invest

This company owns shares in regional businesses. The portfolio is managed together with other long-term shareholdings of the bank and will be scaled down. The company's shares are worth NOK 658m (561m) as at 30 June 2022.

The company's pre-tax profit in the second quarter 2022 was minus NOK 29m (21m), and in the first quarter NOK 132m. The second quarter performance – like the first quarter – is down to adjusted values in the share portfolio.

First half 2022

Good first-half performance

SpareBank 1 SMN reports a post-tax profit of NOK 1,400m (1,523m), and a return on equity of 12.6 per cent (14.5 per cent). This result is weaker than in the first half of 2021 owing to reduced profit shares from the insurance businesses in SpareBank 1 Gruppen and lower return on financial investments. Increased incomes from the business areas and reduced losses have helped to strengthen the performance. Earnings per equity certificate were NOK 6.39 (6.90).

Net interest income was NOK 1,559m (1,366m). Norges Bank raised the based rate to 1.25 per cent in June 2022 – at the end of the first half of 2021 the base rate was zero. This has brought a considerable increase in banks' funding costs. Lending margins have weakened and deposit margins have strengthened compared with the first half of last year, at the same time as return on the bank's equity capital has also risen. Both lending and deposit volumes have increased, contributing to strengthened net interest income. From the second half of last year the bank has raised mortgage and deposit rates on a general basis on four occasions, including the announced increase effective from 10 August.

Net commission income was NOK 1,382m (1,538m). The decline is mainly ascribable to reduced incomes from SpareBank 1 Markets and from commissions on loans sold to SpareBank 1 Boligkreditt. A positive trend is noted in incomes from payment services, insurance and accounting services.

Return on financial investments (including dividends) was NOK 141m (220m). The decline is largely ascribable to changed credit margins on the bank's liquidity portfolio.

The result from related companies was NOK 139m (340m). Their performance is impaired mainly by weak results at Fremtind Forsikring and SpareBank 1 Forsikring.

Operating expenses came to NOK 1,520m (1,531m). Expenses are down at SpareBank 1 Markets and EiendomsMegler 1 Midt-Norge but have risen at the bank and SpareBank 1 Regnskapshuset SMN.

A net recovery of NOK 48m was recorded on loan losses (loss of NOK 98m). The net recovery on losses on loans to the group's corporate customers in the first half-year was NOK 44m (net recovery of 104m), while the net amount recovered on losses on loans to personal customers was NOK 4m (net recovery of NOK 6m). Losses recovered on loans to corporate customers are reversals of previous losses in the offshore segment.

Lending growth was 5.2 per cent (3.4 per cent). Growth in lending to retail customers was 4.3 per cent (3.1 per cent). Lending to corporate customers rose 7.0 per cent (4.1 per cent).

Deposits rose 11.3 per cent (12.9 per cent). Deposits from personal customers rose 9.0 per cent (8.8 per cent). Deposits from corporate customers rose 12.8 per cent (15.9 per cent).

Personal customers

Result before tax (NOKm)	First half 2022	First half 2021
Personal Banking	602	569
EiendomsMegler 1 Midt-Norge	52	62

The bank's **personal banking** arm recorded a pre-tax profit of NOK 602m (569m). Return on capital employed in the retail segment was 13.5 per cent (13.0 per cent).

Overall operating income totalled NOK 1,056m (1,003m). Net interest income came to NOK 648m (559m) and commission income to NOK 408m (442m). Net interest income has risen with increased deposit margins, growth in lending and deposits and increased return on the business line's share of equity capital. Lower margins on loans have reduced net interest income. Commission income is down mainly as a result of lower commissions from SpareBank 1 Boligkreditt.

Lending and deposit growth in this business line were 4.3 per cent (3.0 per cent) and 10.1 per cent (8.1 per cent) respectively.

The lending margin was 1.06 per cent (1.66 per cent) while the deposit margin was 0.75 per cent (0.01 per cent) measured against three-month NIBOR.

There was a net recovery of NOK 10m on losses (net recovery of NOK 9m).

EiendomsMegler 1 Midt-Norge

Operating income was NOK 229m (245m), while operating expenses came to NOK 177m (183m).

EiendomsMegler 1 Midt-Norge's pre-tax profit was NOK 52m (62m). The first half-year saw high demand in the housing market with fewer dwellings for sale, and sales (residential and commercial) numbered 3,641 compared with 4,076 in the first half of 2021.

Corporate customers

Result before tax (NOKm)	First half 2022	First half 2021
Corporate banking	638	366
SpareBank 1 Regnskapshuset SMN (88.7%)	54	60
SpareBank 1 Finans Midt-Norge (56.5%)	104	118
SpareBank 1 Markets (66.7%)	118	179

The bank's corporate banking arm achieved a pre-tax profit of NOK 638m (366m). The profit growth is attributable to increased net interest income and lower losses. Return on capital employed for the corporate segment was 18.4 per cent (10.4 per cent).

Operating income totalled NOK 824m (682m), of which net interest income accounted for 686m (556m) and commission income for NOK 138m (126m). Growth in lending and deposits, an increased deposit margin and increased return on the banking arm's share of equity capital have strengthened net interest income, while a lower lending margin pulls in the opposite direction.

Lending grew 8.1 per cent (4.6 per cent) and deposits 8.0 per cent (16.7 per cent) in the first half-year.

Margins on lending and deposits were 2.45 per cent (2.74 per cent) and minus 0.06 per cent (minus 0.32 per cent) respectively.

There was an overall net recovery of NOK 48m on losses in the corporate segment (loss of NOK 100m).

SpareBank 1 Finans Midt-Norge report a pre-tax profit of NOK 104m (118m).

The company's income totalled NOK 168m (182m). Expenses in the first half of 2022 were NOK 54m (57m). Losses amounted to NOK 9m (6m).

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 54m (60m). Operating income was NOK 343m (317m) while expenses came to NOK 289m (257m).

SpareBank 1 Markets' pre-tax profit was NOK 118m (179m). High activity in the business areas has yielded high earnings and a satisfactory profit performance, albeit lower than in the first half of 2021.

So far this year the company's incomes amount to NOK 434m (550m) and expenses to NOK 316m (371m).

Ample funding and liquidity

Price growth continued to quicken both in Norway and elsewhere in the second quarter. Central banks in a number of countries raised their base rates and signalled a speedier rate increase ahead. Uncertain growth and inflation prospects internationally have contributed to substantial fluctuations in financial markets. Credit spreads have widened.

The bank has ample liquidity and access to funding. The bank has 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 is estimated at 204 per cent as at 30 June 2022 (184 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 30 June 2022, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 60 per cent (58 per cent).

The bank's funding sources and products are well diversified. The proportion of the bank's overall money market funding in excess of one year's maturity was 88 per cent (89 per cent) as at 30 June 2022.

SpareBank 1 Boligkreditt and Næringskreditt are important funding sources for the bank, and loans totalling NOK 57bn (47bn) had been sold to these mortgage companies as of 30 June 2022. Thus far in 2022 residential mortgages totalling NOK 8.6bn have been sold to SpareBank 1 Boligkreditt.

In the second quarter SpareBank 1 SMN issued a five-year senior green bond worth NOK 1.8bn and NOK 1.5bn in MREL funding.

As at 30 June 2022 SpareBank 1 SMN held NOK 5.5bn in senior non-preferred debt (MREL). SpareBank 1 SMN will meet the MREL requirements by the end of 2023.

Rating

The bank has a rating of A1 (stable outlook) with Moody's.

Financial soundness

The CET1 ratio at 30 June 2022 was 18.8 per cent (18.3 per cent). The requirement is 14.9 per cent, including combined buffer requirements and a Pillar 2 requirement of 1.9 per cent. Finanstilsynet (Norway's FSA) set a new Pillar 2 requirement for SpareBank 1 SMN on 30 April 2022. The rate of 1.9 per cent is unchanged, but the bank is subject to a temporary add-on of 0.7 per cent to its Pillar 2 requirement pending consideration of its application for adjustment of its IRB models.

Finanstilsynet has decided that SpareBank 1 SMN is to be subject to a Pillar 2 guidance of 1.25 per cent over and above its overall capital requirement. The bank's long-term CET1 target ratio is accordingly raised to 17.2 per cent. In connection with the introduction of CRD V / CRR 2, the 'SME discount' is to be expanded as from 30 June 2022.

The CET1 ratio showed a 0.5 percentage point increase from the first quarter. Risk weighted assets rose 1.1 per cent in the second quarter, and reflect the introduction of an expanded SME discount and a new method for calculating counterparty risk. A good profit performance, dividend payment from SpareBank 1 Gruppen, and a clean bill of health for a sizeable exposure are the main explanation for the 4.1 per cent increase in CET1 capital. A payout ratio of 50 per cent of the group's net profit for 2022 is assumed.

A leverage ratio of 6.9 per cent (7.0 per cent) shows the bank to be very solid.

Sustainability

Sustainability is one of five strategic priorities in the group strategy. Target areas in the sustainability strategy are innovation, customer offering, climate footprint, competencies and diversity. In the first half-year work continued on measuring the loan portfolio's climate burden. SpareBank 1 SMN's objective is to achieve zero emissions in customer portfolios and in its own operations by 2050 at the latest. Interim goals are drawn up in order to realise this ambition. This, and the status as regards transitional plans, will be communicated in the course of the second half of the current year.

SpareBank 1 SMN makes an active effort to stimulate innovation and competence development in the sustainability field in the region. In the first half-year, in collaboration with Sintef, it carried out an innovation programme in which 15 companies participated. A seedcorn fund worth NOK 160m was established for green investments, and SpareBank 1 SMN has become the first external contributor to Sintef's Global Climate Fund. The fund is to finance research into climate-positive solutions.

The bank has seen a good trend in sales of new green mortgages. Mortgages worth a total of NOK 1.4bn have been sold as at 30 June 2022.

The bank's equity certificate (MING)

The book value of the equity certificate (EC) as at 30 June 2022 was NOK 102.91 (100.18), and earnings per EC in the first half-year were NOK 6.39 (6.90).

The Price / Income ratio was 9.06 (8.64) and the Price / Book ratio was 1.13 (1.19).

Outlook

SpareBank 1 SMN delivered a good performance in the second quarter 2022 with a return on equity of 12.9 per cent and a strong financial position. All business lines are performing well and the group has a solid basis on which to attain its ambitions for growth and profitability. The ROE objective of a minimum of 12 per cent stands firm.

Rising market interest rates and price growth impact the personal and corporate market alike and contribute to an uncertain macro situation. The risk trend in the loan portfolio is well under control and loan losses are low. Earnings have risen and the outlook in oil and offshore is good. The region has low energy prices and low unemployment.

SpareBank 1 SMN is a full-fledged finance centre and leads the field in its market area. SpareBank 1 SMN has developed a broad product platform with profitable subsidiaries and product companies. Good results has been achieved in the first half with increased sales, more customers and larger market shares. It aspires to further strengthen its market position through continued growth in all business lines. A modern, customer-oriented and effective distribution system underpins its growth aspirations. A merger with SpareBank 1 Søre Sunnmøre will provide an improved customer offering and a stronger presence in Sunnmøre and in Fjordane.

SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge are transferring their capital market services to SpareBank 1 Markets. The SpareBank 1 banks are pooling their efforts in the capital market area to create larger, more robust capital market units in Oslo, Tromsø, Trondheim and Stavanger.

It is SpareBank 1 SMN's ambition to take a leading role in the development of Norway's savings bank system.

In keeping with obligations under the Paris Agreement, the board of directors of SpareBank 1 SMN has set a goal of reaching net zero carbon emissions from the group's customer portfolios and day-to-day operations by 2050 at the latest. Interim targets towards the overall goal will be communicated in the second half-year.

A strong financial position, ample liquidity and access to funding put SpareBank 1 SMN in an excellent position to handle possible impacts of macroeconomic uncertainty.

Trondheim, 10 August 2022
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Christian Stav
(deputy chair)

Morten Loktu

Mette Kamsvåg

Tonje Eskeland Foss

Eli Skrøvset

Freddy Aursø

Inge Lindseth
(employee rep.)

Christina Straub
(employee rep.)

Jan-Frode Janson
(Group CEO)

Income statement

Parent bank					(NOKm)	Note	Group				
Second quarter		First half		First half			Second quarter				
2021	2021	2022	2021	2022			2022	2021	2022	2021	2021
3,067	743	1,022	1,472	1,943	Interest income effective interest method		2,172	1,702	1,137	859	3,524
395	100	145	196	269	Other interest income		267	195	144	99	392
1,109	258	475	525	872	Interest expenses		880	531	480	260	1,120
2,353	586	692	1,144	1,340	Net interest	10	1,559	1,366	801	698	2,796
1,306	319	303	629	603	Commission income		734	774	377	400	1,583
97	21	21	42	41	Commission expenses		104	98	54	48	207
47	13	2	22	19	Other operating income		752	863	421	395	1,456
1,256	312	285	609	581	Commission income and other income	11	1,382	1,538	745	748	2,832
733	598	518	711	581	Dividends		5	21	4	17	22
-	-	-	-	-	Income from investment in related companies	3	139	340	77	212	705
-53	-9	-102	-28	-121	Net return on financial investments	13	136	199	-36	42	299
680	588	416	684	459	Net return on financial investments		279	560	44	270	1,026
4,289	1,486	1,393	2,436	2,381	Total income		3,220	3,464	1,590	1,716	6,655
650	152	145	318	326	Staff costs		966	996	490	465	1,882
745	186	183	364	391	Other operating expenses	12	553	534	268	269	1,111
1,395	338	328	682	717	Total operating expenses		1,520	1,531	758	735	2,993
2,895	1,147	1,065	1,754	1,664	Result before losses		1,700	1,933	832	981	3,662
134	40	-53	90	-57	Loss on loans, guarantees etc.	6,7	-48	98	-48	39	161
2,760	1,108	1,118	1,664	1,721	Result before tax	3	1,748	1,836	880	942	3,501
518	126	134	231	278	Tax charge		348	322	178	191	609
-	-	-	-	-	Result investment held for sale, after tax	2,3	-1	10	0	4	10
2,242	982	984	1,433	1,443	Net profit		1,400	1,523	702	755	2,902
48	10	12	29	32	Attributable to additional Tier 1 Capital holders		33	30	12	10	50
1,403	622	622	898	902	Attributable to Equity capital certificate holders		827	892	413	453	1,722
791	351	351	506	508	Attributable to the saving bank reserve		466	503	233	255	971
					Attributable to non-controlling interests		74	98	44	36	160
2,242	982	984	1,433	1,443	Net profit		1,400	1,523	702	755	2,902
					Profit/diluted profit per ECC	19	6.39	6.90	3.20	3.51	13.31

Total comprehensive income

Parent bank					(NOKm)	Group				
Second quarter		First half				First half		Second quarter		
2021	2021	2022	2021	2022		2022	2021	2022	2021	2021
2,242	982	984	1,433	1,443	Net profit	1,400	1,523	702	755	2,902
Items that will not be reclassified to profit/loss										
-49	-	-	-	-	Actuarial gains and losses pensions	-	-	-	-	-49
12	-	-	-	-	Tax	-	-	-	-	12
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	7	2	6	-	4
-37	-	-	-	-	Total	7	2	6	-	-33
Items that will be reclassified to profit/loss										
-	-	-	-	-	Fair value change on financial assets through other comprehensive income	-	-	-	-	-
-1	0	1	-0	-0	Value changes on loans measured at fair value	-0	-0	1	0	-1
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	91	-41	17	-13	21
-	-	-	-	-	Tax	-	-	-	-	-
-1	0	1	-0	-0	Total	91	-42	18	-13	20
-38	0	1	-0	-0	Net other comprehensive income	98	-40	24	-13	-13
2,204	983	985	1,432	1,443	Total comprehensive income	1,498	1,484	726	743	2,889
48	10	12	29	32	Attributable to additional Tier 1 Capital holders	33	30	12	10	50
1,379	622	623	897	902	Attributable to Equity capital certificate holders	889	867	429	445	1,714
777	351	351	506	508	Attributable to the saving bank reserve	501	489	242	251	966
					Attributable to non-controlling interests	74	98	44	36	160
2,204	983	985	1,432	1,443	Total comprehensive Income	1,498	1,484	726	743	2,889

Balance sheet

Parent bank			(NOKm)	Note	Group		
31 Dec 2021	30 June 2021	30 June 2022			30 June 2022	30 June 2021	31 Dec 2021
1,252	1,170	5,684	Cash and receivables from central banks		5,684	1,170	1,252
13,190	20,192	20,441	Deposits with and loans to credit institutions		11,136	12,184	4,704
135,766	131,190	136,812	Net loans to and receivables from customers	5	147,602	140,379	145,890
30,762	28,454	32,893	Fixed-income CDs and bonds	17	32,893	28,376	30,762
3,192	4,233	5,964	Derivatives	17	6,170	4,317	3,224
402	320	376	Shares, units and other equity interests	17	2,437	1,998	2,654
4,590	5,058	4,676	Investment in related companies		7,468	7,346	7,384
2,374	2,374	2,374	Investment in group companies		-	-	-
98	98	98	Investment held for sale	2	111	109	59
458	504	456	Intangible assets		853	897	853
1,082	1,339	1,735	Other assets	14	3,103	3,650	2,062
193,165	194,931	211,509	Total assets		217,458	200,426	198,845
14,342	15,992	15,713	Deposits from credit institutions		16,543	16,292	15,065
112,028	110,753	124,366	Deposits from and debt to customers	9	123,812	110,133	111,286
40,332	41,645	41,052	Debt created by issue of securities	16	41,052	41,645	40,332
3,500	3,739	6,386	Derivatives	17	6,661	3,895	3,909
1,855	1,819	2,672	Other liabilities	15	4,277	4,253	3,215
-	-	-	Investment held for sale	2	1	32	1
1,753	1,752	2,075	Subordinated loan capital	16	2,118	1,795	1,796
173,809	175,700	192,263	Total liabilities		194,465	178,044	175,603
2,597	2,597	2,597	Equity capital certificates		2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs		-11	-9	-9
895	895	895	Premium fund		895	895	895
7,007	6,556	7,007	Dividend equalisation fund		6,958	6,520	6,974
970	401	-	Recommended dividends		-	401	970
547	226	-	Provision for gifts		-	226	547
5,918	5,664	5,918	Ownerless capital		5,918	5,664	5,918
171	239	171	Unrealised gains reserve		171	239	171
-	-1	-3	Other equity capital		2,912	2,235	2,896
1,250	1,221	1,218	Additional Tier 1 Capital		1,259	1,262	1,293
	1,433	1,443	Profit for the period		1,400	1,523	
			Non-controlling interests		894	829	989
19,356	19,231	19,245	Total equity capital		22,993	22,382	23,241
193,165	194,931	211,509	Total liabilities and equity		217,458	200,426	198,845

Cash flow statement

Parent bank				Group		
First half				First half		
2021	2021	2022	(NOKm)	2022	2021	2021
2,242	1,433	1,443	Net profit	1,400	1,523	2,902
95	49	38	Depreciations and write-downs on fixed assets	69	93	186
134	90	-57	Losses on loans and guarantees	-48	98	161
-418	-418	-252	Adjustments for undistributed profits of related companies	-139	-340	-705
-2,423	-1,581	-1,035	Other adjustments	-1,127	-1,679	-2,574
-369	-426	136	Net cash increase from ordinary operations	155	-305	-31
3,843	2,562	-3,423	Decrease/(increase) other receivables	-3,966	1,702	4,387
-2,993	-2,751	3,702	Increase/(decrease) short term debt	3,814	-2,083	-3,159
-11,686	-7,066	-989	Decrease/(increase) loans to customers	-1,664	-7,346	-12,920
-288	-7,290	-7,251	Decrease/(increase) loans credit institutions	-6,432	-7,103	387
13,862	12,587	12,339	Increase/(decrease) deposits to customers	12,526	12,604	13,757
-290	1,361	1,371	Increase/(decrease) debt to credit institutions	1,478	1,196	-32
-4,077	-1,770	-2,131	Increase/(decrease) in short term investments	-2,132	-1,769	-4,156
-	-	-	Increase/(decrease) in shares held for trading	255	464	-59
-1,999	-2,792	3,754	A) Net cash flow from operations	4,035	-2,639	-1,826
-75	-35	-42	Increase in tangible fixed assets	-93	-119	-145
60	-	-	Proceeds from sales of property, plant and equipment	-	-	4
-	-	-	Cash flows from losing control of subsidiaries or other businesses	-	-12	99
-73	-73	-0	Cash flows used in obtaining control of subsidiaries or other businesses	-53	-	-
418	418	252	Dividends received from investments in related companies	252	419	419
548	30	6	Other cash receipts from sales of interests in associates and joint ventures	6	19	544
-204	-154	-92	Other cash payments to acquire interests in associates and joint ventures	-117	-154	-307
672	241	266	Other cash receipts from sales of equity instruments of other entities	302	256	737
-766	-244	-239	Other cash payments to acquire equity instruments of other entities	-246	-255	-826
580	184	151	B) Net cash flow from investments	52	155	526
-	-	1,000	Increase in subordinated loan capital	1,000	-	-
-	-	-684	Decrease in subordinated loan capital	-684	-	-
-0	-0	-0	Purchase of treasury shares	-18	-	-5
-	-	-	Proceeds from sale or issue of treasury shares	-	-	-
-569	-168	-970	Dividend cleared	-970	-168	-569
-	-	-	Dividends paid to non-controlling interests	-162	-113	-113
-321	-95	-547	Disbursed from gift fund	-547	-95	-321
-48	-29	-32	Interest payments Additional Tier 1 Capital	-33	-30	-50
7,867	6,867	6,720	Increase in other long term loans	6,720	6,867	7,867
-7,021	-5,561	-4,961	Decrease in other long term loans	-4,961	-5,561	-7,021
-93	1,013	527	C) Net cash flow from financial activities	345	890	-212
-1,512	-1,595	4,432	A) + B) + C) Net changes in cash and cash equivalents	4,432	-1,595	-1,512
2,764	2,764	1,252	Cash and cash equivalents at 1.1	1,252	2,764	2,764
1,252	1,170	5,684	Cash and cash equivalents at end of quarter	5,684	1,170	1,252
-1,512	-1,595	4,432	Net changes in cash and cash equivalents	4,432	-1,595	-1,512

Change in equity

Parent Bank	Issued equity		Earned equity						
(NOKm)	EC capital	Premium fund	Owner-less capital	Equali-sation fund	Dividend and gifts	Un-realised gains reserve	Other equity	Additional Tier 1 Capital	Total equity
Equity at 1 January 2021	2,597	895	5,664	6,556	890	239	-	1,250	18,092
Net profit	-	-	268	476	1,517	-68	-	48	2,242
Other comprehensive income									
Financial assets through OCI	-	-	-	-	-	-	-1	-	-1
Actuarial gains (losses), pensions	-	-	-	-	-	-	-37	-	-37
Other comprehensive income	-	-	-	-	-	-	-38	-	-38
Total comprehensive income	-	-	268	476	1,517	-68	-38	48	2,204
Transactions with owners									
Dividend declared for 2020	-	-	-	-	-569	-	-	-	-569
To be disbursed from gift fund	-	-	-	-	-321	-	-	-	-321
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-48	-48
Purchase and sale of own ECCs	0	-	-	-0	-	-	-	-	-0
Direct recognitions in equity	-	-	-14	-25	-	-	38	-	-2
Total transactions with owners	0	-	-14	-25	-890	-	38	-48	-940
Equity at 31 December 2021	2,597	895	5,918	7,007	1,517	171	-	1,250	19,356

Parent Bank (NOKm)	Issued equity		Earned equity						
	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity	Additional Tier 1 Capital	Total equity
Equity at 1 January 2022	2,597	895	5,918	7,007	1,517	171	-	1,250	19,356
Net profit	-	-	-	-	-	-	1,443	-	1,443
Other comprehensive income									
Value changes on loans measured at fair value	-	-	-	-	-	-	-0	-	-0
Other comprehensive income	-	-	-	-	-	-	-0	-	-0
Total comprehensive income	-	-	-	-	-	-	1,443	-	1,443
Transactions with owners									
Dividend declared for 2021	-	-	-	-	-970	-	-	-	-970
To be disbursed from gift fund	-	-	-	-	-547	-	-	-	-547
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-32	-32
Purchase and sale of own ECCs	0	-	-	-0	-	-	-	-	-0
Direct recognitions in equity	-	-	-	-	-	-	-3	-	-3
Total transactions with owners	0	-	-	-0	-1,517	-	-3	-32	-1,553
Equity at 30 June 2022	2,597	895	5,918	7,007	-	171	1,439	1,218	19,245

Group	Attributable to parent company equity holders									
	Issued equity		Earned equity							
(NOKm)	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity	Additional Tier 1 Capital	NCI	Total equity
Equity at 1 January 2021	2,588	895	5,664	6,536	890	239	2,366	1,293	838	21,310
Net profit	-	-	268	476	1,517	-68	499	50	160	2,902
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	26	-	-	26
Value changes on loans measured at fair value	-	-	-	-	-	-	-1	-	-	-1
Actuarial gains (losses), pensions	-	-	-	-	-	-	-38	-	-	-38
Other comprehensive income	-	-	-	-	-	-	-13	-	-	-13
Total comprehensive income	-	-	268	476	1,517	-68	486	50	160	2,889
Transactions with owners										
Dividend declared for 2020	-	-	-	-	-569	-	-	-	-	-569
To be disbursed from gift fund	-	-	-	-	-321	-	-	-	-	-321
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-50	-	-50
Purchase and sale of own ECCs	0	-	-	-0	-	-	-	-	-	-0
Own ECC held by SB1 Markets*)	-0	-	-	-13	-	-	7	-	-	-5
Direct recognitions in equity	-	-	-14	-25	-	-	50	-	-	11
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-14	-	-	-14
Change in non-controlling interests	-	-	-	-	-	-	-	-	-9	-9
Total transactions with owners	-0	-	-14	-38	-890	-	43	-50	-9	-958
Equity at 31 December 2021	2,588	895	5,918	6,974	1,517	171	2,896	1,293	989	23,241

*) Holding of own equity certificates as part of SpareBank 1 Markets' trading activity

(NOKm)	Attributable to parent company equity holders									
	Issued equity		Earned equity							
	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity	Additional Tier 1 Capital	NCI	Total equity
Equity at 1 January 2022	2,588	895	5,918	6,974	1,517	171	2,896	1,293	989	23,241
Net profit	-	-	-	-	-	-	1,326	-	74	1,400
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	98	-	-	98
Value changes on loans measured at fair value	-	-	-	-	-	-	-0	-	-	-0
Other comprehensive income	-	-	-	-	-	-	98	-	-	98
Total comprehensive income	-	-	-	-	-	-	1,424	-	74	1,498
Transactions with owners										
Dividend declared for 2021	-	-	-	-	-970	-	-	-	-	-970
To be disbursed from gift fund	-	-	-	-	-547	-	-	-	-	-547
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-33	-	-33
Purchase and sale of own ECCs	0	-	-	-0	-	-	-	-	-	-0
Own ECC held by SB1 Markets*)	-2	-	-	-17	-	-	-	-	-	-18
Direct recognitions in equity	-	-	-	-	-	-	-8	-	-	-8
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	1	-	-	1
Change in non-controlling interests	-	-	-	-	-	-	-	-	-170	-170
Total transactions with owners	-2	-	-	-17	-1,517	-	-7	-33	-170	-1,746
Equity at 30 June 2022	2,586	895	5,918	6,958	-	171	4,312	1,259	893	22,993

*) Holding of own equity certificates as part of SpareBank 1 Markets' trading activity

Notes

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Note 1 - Accounting principles

Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2021. The Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts.

Note 2 - Critical estimates and assessment concerning the use of accounting principles

When it prepares the consolidated accounts the management team makes estimates, discretionary assessments and assumptions which influence the application of accounting principles. This accordingly affects recognised amounts for assets, liabilities, revenues and expenses. Last year's annual accounts give a closer explanation of significant estimates and assumptions in Note 3 Critical estimates and assessments concerning the use of accounting principles.

Pensions

Sparebank1 SMN Group has one pension arrangement; defined contribution plan. For a further description of the pension scheme, see note 22 in the 2021 annual report.

The group's pension liabilities are accounted for under IAS 19R. Estimate variances are therefore directly reflected in equity capital and are presented under other comprehensive income.

It was decided to terminate the defined benefit scheme at a board meeting on 21 October 2016. Employees on this scheme transferred to the defined contribution scheme from 1 January 2017, and received a paid-up policy showing rights accumulated under the defined benefit scheme. Paid-up policies are managed by the pension fund, which has been a paid-up pension fund as from 1 January 2017. A framework agreement has been established between SpareBank 1 SMN and the pension fund which covers funding, asset management etc. In view of the responsibility still held by SpareBank 1 SMN, future liabilities will need to be incorporated in the accounts. The board of the pension fund is required to be composed of representatives from the Group and participants in the pension schemes in accordance with the articles of association of the pension fund.

A new calculation of the Group's pension liabilities has not been carried out as per 30 June 2022.

Investment held for sale

SpareBank 1 SMN's strategy is that ownership due to defaulted exposures should at the outset be of brief duration, normally not longer than one year. Investments are recorded at fair value in the Parent Bank's accounts, and is classified as investment held for sale.

	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS Group	111	1	5	-6	-1	100 %
Total Held for sale	111	1	5	-6	-1	

Losses on loans and guarantees

For a detailed description of the Bank's model for expected credit losses, refer to note 2 and 3 in the annual accounts for 2021.

In 2020 and 2021 a number of changes were made to the input in the credit loss model in light of the increased uncertainty triggered by the Covid-19 situation. In first half of 2022, increased macroeconomic uncertainty due to the war in Ukraine, a strong increase in energy and commodity prices, supply chain challenges and prospects of lasting higher inflation and interest rate levels have made the assessments extra demanding. The bank has been focusing on the expected long-term effects of the crisis.

In 2020, the bank revised its assumptions for the base scenario in a negative direction. This was continued through 2021. The bank's exposure to hotels and tourism, including commercial real estate with the income mainly towards this industry, is separated into a separate portfolio with its own assessments of PD and LGD courses as well as special scenarios and weighting of these to reflect this portfolio's exposure to the effects of corona. In addition, this entire portfolio is included in stage 2 or 3.

The central drivers of expected losses in the individual scenarios are projections of trajectories for the probability of default (PD) and loss given default (LGD). In addition, the expected loss will be affected by the probability weighting for the individual scenario.

In the assessments for 2020/2021, expected effects of the Covid pandemic were linked to debtors who were in a demanding position prior to the crisis – typically debtors in stage 2. We therefore chose to increase the trajectories for PD and LGD as well as reduce expected payments in the baseline scenario especially for year 2 onwards since this will mainly affect expected losses for stage 2 debtors. To allow for migration to stage 2, the PD and LGD estimates were also increased in the first year. In addition, an assumption of no first-year repayments is made for all portfolios in the downside scenario. However, experience shows the effects of the Covid pandemic to be significantly smaller than expected owing to the government measures put in place, and we no longer see a basis for add-ons to the baseline trajectories due to the Covid pandemic.

The scenario weighting applied was also revised in 2020 to reflect a further increase in uncertainty. For business and industry including offshore, along with agriculture, the downside scenario was revised from a 10 per cent probability weighting to a weighting of 20 per cent probability. For the personal market the weighting of the downside scenario was revised from 10 to 15 per cent. In the first quarter of 2022 the downside scenario weighting was increased further in the agriculture and 'other corporate' (corporate exc. offshore and hotels

/tourism) portfolios to 25 per cent to take into account increased uncertainty due to the war in Ukraine and generally greater uncertainty with regard to future economic growth. The applied weighting has been continued in the second quarter 2022.

The effect of the revision of assumptions in 2022 is shown in the line "Changes due to changed input assumptions in the credit loss model" in note 7.

Removal of the add-on in the baseline scenario for the corporate portfolio (with the exception of hotels/tourism and offshore where special assumptions are employed) pulls in the direction of reduced write-downs, while increased weight given to a low scenario pulls in the opposite direction. Altogether this amounts to NOK 43 million for the bank and NOK 57 million for the group in terms of reduced write-downs.

Sensitivity

The first part of the table below show total calculated expected credit loss as of 30 June 2022 in each of the three scenarios, distributed in the portfolios Retail Market, Corporate Market and offshore, tourism and agriculture, which adds up to parent bank. In addition the subsidiary SpareBank 1 Finans Midt-Norge is included. ECL for the parent bank and the subsidiary is summed up in the column "Group".

The second part of the table show the ECL distributed by portfolio using the scenario weight applied, in addition to a alternative weighting where downside scenario weight has been doubled.

If the downside scenario's probability were doubled at the expense of the baseline scenario at the end of June 2022, this would have entailed an increase in loss provisions of NOK 261 million for the parent bank and NOK 269 million for the group.

	CM (excl offshore and agriculture)	RM	Offshore	Tourism	Agriculture	Total parent	SB 1 Finans MN	Group
ECL base case	427	68	276	22	32	825	51	876
ECL worst case	994	251	517	80	128	1,969	133	2,103
ECL best case	357	30	162	9	17	575	34	609
	-	-	-	-	-	-	-	-
ECL with weights used 80/10/10	-	-	-	-	-	-	58	58
ECL with weights used 60/25/15	558	-	-	-	54	612	-	612
ECL with weights used 65/20/15	-	-	306	-	-	306	-	306
ECL with weights used 60/30/10	-	-	-	38	-	38	-	38
ECL with weights used 70/15/15	-	89	-	-	-	89	-	89
Total ECL used	558	89	306	38	54	1,045	58	1,103
ECL alternative weights 70/20/10	-	-	-	-	-	-	66	66
ECL alternative weights 35/50/15	700	-	-	-	78	778	-	778
ECL alternative weights 45/40/15	-	-	355	-	-	355	-	355
ECL alternative weights 30/60/10	-	-	-	56	-	56	-	56
ECL alternative weights 55/30/15	-	117	-	-	-	117	-	117
Total ECL alternative weights	700	117	355	56	78	1,306	66	1,372
Change in ECL if alternative weights were used	142	28	49	18	24	261	8	269

The table reflects that there are some significant differences in underlying PD and LGD estimates in the different scenarios and that there are differentiated levels and level differences between the portfolios. At group level, the ECL in the upside scenario, which largely reflects the loss and default picture in recent years, is about 70 per cent of the ECL in the expected scenario. The downside scenario gives more than double the ECL than in the expected scenario. Applied scenario weighting gives about 26 percent higher ECL than in the expected scenario.

Note 3 - Account by business line

For the subsidiaries the figures refer to the respective company accounts, while for joint ventures incorporated by the equity method the Group's profit share is stated, after tax, as well as book value of the investment at group level.

Group First half 2022

Profit and loss account (NOKm)	RM	CM	SB1 Markets	EM 1	SB 1	SB 1	Other*	Uncollated	Total
					Finans MN	Regnskaps- huset SMN			
Net interest	597	644	1	2	222	0	-	92	1,559
Interest from allocated capital	51	42	-	-	-	-	-	-93	-
Total interest income	648	686	1	2	222	0	-	-1	1,559
Comission income and other income	411	134	380	219	-49	343	-	-57	1,382
Net return on financial investments *)	-3	4	53	8	-13	-	152	79	279
Total income	1,056	824	434	229	160	343	152	20	3,220
Total operating expenses	464	234	316	177	54	289	-	-14	1,520
Ordinary operating profit	593	590	118	52	106	54	152	35	1,700
Loss on loans, guarantees etc.	-10	-48	-	-	9	-	-	-0	-48
Result before tax	602	638	118	52	97	54	152	35	1,748

Group First half 2021

Profit and loss account (NOKm)	RM	CM	SB1 Markets	EM 1	SB 1	SB 1	Other*	Uncollated	Total
					Finans MN	Regnskaps- huset SMN			
Net interest	547	554	-7	1	227	-0	-	45	1,366
Interest from allocated capital	12	2	-	-	-	-	-	-14	-
Total interest income	559	556	-7	1	227	-0	-	31	1,366
Comission income and other income	442	119	500	234	-45	317	-	-29	1,538
Net return on financial investments *)	2	7	58	10	-	-	340	143	560
Total income	1,003	682	550	245	182	317	340	144	3,464
Total operating expenses	443	216	371	183	57	257	-	3	1,531
Ordinary operating profit	560	466	179	62	125	60	340	141	1,933
Loss on loans, guarantees etc.	-9	100	-	-	6	-	-	1	98
Result before tax	569	366	179	62	118	60	340	140	1,836

Group 2021

Profit and loss account (NOKm)	RM	CM	SB1 Markets	EM 1	SB 1	SB 1	Other*	Uncollated	Total
					Finans MN	Regnskaps- huset SMN			
Net interest	1,128	1,106	-7	2	450	0	-	117	2,796
Interest from allocated capital	37	14	-	-	-	-	-	-52	-
Total interest income	1,165	1,120	-7	2	450	0	-	66	2,796
Comission income and other income	906	251	782	441	-90	562	-	-20	2,832
Net return on financial investments *)	2	15	126	10	4	-	705	164	1,026
Total income	2,074	1,386	901	453	364	562	705	210	6,655
Total operating expenses	916	446	647	382	141	477	-	-16	2,993
Ordinary operating profit	1,157	940	254	71	224	85	705	226	3,662
Loss on loans, guarantees etc.	-10	145	-	-	25	-	-	1	161
Result before tax	1,167	795	254	71	198	85	705	225	3,501

*) Specification of other (NOKm)	First half 2022	First half 2021	2021
SpareBank 1 Gruppen	29	215	471
SpareBank 1 Boligkreditt	-8	7	16
SpareBank 1 Næringskreditt	2	7	7
BN Bank	96	82	164
SpareBank 1 Kreditt	6	1	13
SpareBank 1 Betaling	-6	-4	-15
SpareBank 1 Forvaltning	18	8	32
Other companies	14	24	13
Income from Other businesses	152	340	701
SpareBank 1 Mobilitet Holding (incl in SB 1 Finans MN)	-13	-	4
Net income from investmen in associates and joint ventures	139	340	705

Note 4 - Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU capital requirements regulations for banks and investment firms (CRR/CRD IV). SpareBank 1 SMN utilises the Internal Rating Based Approach (IRB) for credit risk. Advanced IRB Approach is used for the corporate portfolios. Use of IRB imposes wide-ranging requirements on the bank's organisational set-up, competence, risk models and risk management systems.

As of 30 June 2022 the overall minimum requirement on CET1 capital is 13.0 per cent. The capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement for Norwegian IRB-banks is 4.5 per cent and the Norwegian countercyclical buffer is 1.5 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital. In addition the financial supervisory authority has set a Pillar 2 requirement of 1.9 per cent for SpareBank 1 SMN, however not below NOK 1,794 million in monetary terms. From 30 April 2022, SpareBank 1 SMN has received a new Pillar 2 requirement. The rate of 1.9 per cent is unchanged, but in addition the bank must have an additional 0.7 per cent in Pillar 2 requirements until the application for adjusting IRB-models has been processed. The Norwegian countercyclical buffer will rise to 1.5 per cent with effect from 30 June 2022, and to 2.0 per cent from 31 December 2022.

Under the CRR/CRDIV regulations the average risk weighting of exposures secured on residential property in Norway cannot be lower than 20 per cent. As of 30 June 2022 an adjustment was made in both the parent bank and the group to bring the average risk weight up to 20 per cent. This is presented in the note together with 'mass market exposure, property' under 'credit risk IRB'.

The systemic risk buffer stands at 4.5 per cent for the Norwegian exposures. For exposures in other countries, the particular country's systemic buffer rate shall be employed. As of 30 June 2022 the effective rate for the parent bank and for the group is accordingly 4.4 per cent.

The countercyclical buffer is calculated using differentiated rates. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. For the second quarter of 2022 both the parent bank and the group is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures.

Parent Bank				Group		
31 Dec 2021	30 June 2021	30 June 2022	(NOKm)	30 June 2022	30 June 2021	31 Dec 2021
19,356	19,231	19,245	Total book equity	22,993	22,382	23,241
-1,250	-1,221	-1,218	Additional Tier 1 capital instruments included in total equity	-1,259	-1,262	-1,293
-458	-504	-456	Deferred taxes, goodwill and other intangible assets	-954	-1,000	-961
-1,517	-627	-	Deduction for allocated dividends and gifts	-	-627	-1,517
-	-	-	Non-controlling interests recognised in other equity capital	-894	-829	-989
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	637	505	568
-	-1,433	-1,443	Net profit	-1,400	-1,523	-
-	657	727	Year-to-date profit included in core capital (50 per cent (50 per cent) pre tax of group profit)	684	747	-
-41	-39	-51	Value adjustments due to requirements for prudent valuation	-71	-54	-56
-495	-585	-196	Positive value of adjusted expected loss under IRB Approach	-258	-617	-560
-	-	-	Cash flow hedge reserve	-4	7	3
-202	-187	-219	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-496	-312	-648
15,393	15,292	16,390	Common equity Tier 1 capital	18,977	17,416	17,790
1,250	1,250	1,250	Additional Tier 1 capital instruments	1,616	1,594	1,581
-48	-	-46	Deduction for significant investments in financial institutions	-46	-	-48
16,595	16,542	17,594	Tier 1 capital	20,547	19,011	19,322
-	-	-	Supplementary capital in excess of core capital	-	-	-
1,750	1,750	2,067	Subordinated capital	2,571	2,250	2,226
-214	-155	-209	Deduction for significant investments in financial institutions	-209	-155	-214
1,536	1,595	1,858	Additional Tier 2 capital instruments	2,362	2,095	2,011
18,130	18,137	19,452	Total eligible capital	22,910	21,105	21,333

Minimum requirements subordinated capital						
1,049	1,132	1,068	Specialised enterprises	1,269	1,309	1,248
1,016	919	1,003	Corporate	1,026	930	1,030
1,400	1,415	1,347	Mass market exposure, property	2,396	2,207	2,384
93	98	122	Other mass market	125	101	95
1,000	1,083	1,201	Equity positions IRB	-	1	1
4,558	4,647	4,741	Total credit risk IRB	4,816	4,549	4,758
3	3	3	Central government	4	5	4
106	105	113	Covered bonds	156	149	133
398	493	395	Institutions	292	396	299
1	-	128	Local and regional authorities, state-owned enterprises	148	27	29
188	33	153	Corporate	361	283	432
7	15	10	Mass market	568	496	466
25	16	34	Exposures secured on real property	108	120	128
279	272	90	Equity positions	495	441	521
92	97	70	Other assets	143	157	142
1,098	1,034	995	Total credit risk standardised approach	2,274	2,074	2,154
35	47	45	Debt risk	47	47	36
-	-	-	Equity risk	23	20	34
-	-	-	Currency risk and risk exposure for settlement/delivery	4	3	1
433	421	433	Operational risk	810	772	817
26	34	28	Credit value adjustment risk (CVA)	98	149	93
6,150	6,183	6,241	Minimum requirements subordinated capital	8,073	7,613	7,893
76,873	77,288	78,018	Risk weighted assets (RWA)	100,910	95,167	98,664
3,459	3,478	3,511	Minimum requirement on CET1 capital, 4.5 per cent	4,541	4,283	4,440
			Capital Buffers			
1,922	1,932	1,950	Capital conservation buffer, 2.5 per cent	2,523	2,379	2,467
3,459	3,478	3,511	Systemic risk buffer, 4.5 per cent	4,541	4,283	4,440
769	773	1,170	Countercyclical buffer, 1.0 per cent	1,514	952	987
6,150	6,183	6,632	Total buffer requirements on CET1 capital	8,577	7,613	7,893
5,784	5,631	6,248	Available CET1 capital after buffer requirements	5,859	5,520	5,457
Capital adequacy						
20.0 %	19.8 %	21.0 %	Common equity Tier 1 capital ratio	18.8 %	18.3 %	18.0 %
21.6 %	21.4 %	22.6 %	Tier 1 capital ratio	20.4 %	20.0 %	19.6 %
23.6 %	23.5 %	24.9 %	Capital ratio	22.7 %	22.2 %	21.6 %
Leverage ratio						
191,697	186,273	200,857	Balance sheet items	287,881	264,565	269,857
10,782	9,313	8,904	Off-balance sheet items	7,908	10,028	11,341
-1,042	-1,128	-51	Regulatory adjustments	-67	-1,822	-2,110
201,437	194,457	209,710	Calculation basis for leverage ratio	295,722	272,770	279,088
16,595	16,542	17,594	Core capital	20,547	19,011	19,322
8.2 %	8.5 %	8.4 %	Leverage Ratio	6.9 %	7.0 %	6.9 %

Note 5 - Distribution of loans by sector/industry

Parent Bank			(NOKm)	Group		
31 Dec 2021	30 June 2021	30 June 2022		30 June 2022	30 June 2021	31 Dec 2021
9,433	9,313	9,709	Agriculture and forestry	10,104	9,654	9,783
5,853	5,264	6,892	Fisheries and hunting	6,914	5,283	5,870
1,926	2,127	2,705	Sea farming industries	2,969	2,398	2,176
2,151	2,085	2,068	Manufacturing	2,653	2,729	2,766
3,169	3,271	3,719	Construction, power and water supply	4,817	4,191	4,124
2,572	2,325	2,776	Retail trade, hotels and restaurants	3,285	2,628	2,966
4,715	5,023	5,064	Maritime sector	5,064	5,023	4,715
16,924	16,393	17,543	Property management	17,647	16,500	17,044
4,497	4,179	4,742	Business services	5,151	3,969	4,990
5,714	5,445	5,854	Transport and other services provision	6,811	6,386	6,667
2	2	1	Public administration	32	32	34
1,383	1,914	1,456	Other sectors	1,401	1,923	1,325
58,337	57,341	62,531	Gross loans in Corporate market	66,848	60,716	62,458
126,828	122,424	132,120	Wage earners	138,657	128,299	132,894
185,165	179,765	194,650	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	205,504	189,015	195,353
46,650	45,707	55,218	of which SpareBank 1 Boligkreditt	55,218	45,707	46,650
1,402	1,374	1,605	of which SpareBank 1 Næringskreditt	1,605	1,374	1,402
137,113	132,684	137,827	Gross loans in balance sheet	148,681	141,935	147,301
1,250	1,393	929	- Loan loss allowance on amortised cost loans	993	1,454	1,313
97	101	86	- Loan loss allowance on loans at FVOCI	86	101	97
135,766	131,190	136,812	Net loans to and receivables from customers	147,602	140,379	145,890

Note 6 - Losses on loans and guarantees

Parent Bank (NOKm)	First half						Second quarter						2021		
	2022			2021			2022			2021			2021		
	RM	CM	Total	RM	CM	Total	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in provision for expected credit losses for the period	-7	-75	-82	-11	78	67	-1	-62	-64	1	16	17	-11	39	27
Actual loan losses on commitments exceeding provisions made	1	32	33	5	22	27	0	14	14	3	21	24	10	107	117
Recoveries on commitments previously written-off	-4	-5	-8	-3	-0	-3	-1	-2	-3	-2	0	-2	-9	-1	-10
Losses for the period on loans and guarantees	-10	-48	-57	-9	100	90	-2	-51	-53	2	37	39	-10	145	134

Group (NOKm)	First half						Second quarter						2021		
	2022			2021			2022			2021			2021		
	RM	CM	Total	RM	CM	Total	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in provision for expected credit losses for the period	-4	-77	-81	-21	77	57	0	-65	-64	-9	16	7	-20	50	30
Actual loan losses on commitments exceeding provisions made	4	37	41	17	27	44	2	18	20	11	23	34	30	112	142
Recoveries on commitments previously written-off	-4	-5	-8	-3	-0	-3	-1	-2	-3	-2	0	-1	-9	-3	-12
Losses for the period on loans and guarantees	-4	-44	-48	-6	104	98	1	-49	-48	0	38	39	1	159	161

Note 7 - Losses

Parent Bank (NOKm)	1 Jan 22	Change in provision	Net write-offs / recoveries	30 June 22
Loans as amortised cost- CM	1,298	-75	-254	969
Loans as amortised cost- RM	31	4	-4	30
Loans at fair value over OCI- RM	128	-11	-	117
Loans at fair value over OCI- CM	1	-0	-	1
Provision for expected credit losses on loans and guarantees	1,458	-82	-258	1,117
Presented as				
Provision for loan losses	1,348	-74	-258	1,015
Other debt- provisions	79	-8	-	71
Other comprehensive income - fair value adjustment	31	-0	-	31

Parent Bank (NOKm)	1 Jan 21	Change in provision	Net write-offs / recoveries	30 June 21
Loans as amortised cost- CM	1,377	77	-10	1,445
Loans as amortised cost- RM	35	3	-8	30
Loans at fair value over OCI- RM	147	-14	-	132
Loans at fair value over OCI- CM	0	0	-	1
Provision for expected credit losses on loans and guarantees	1,559	66	-17	1,608
Presented as				
Provision for loan losses	1,446	66	-17	1,495
Other debt- provisions	81	1	-	81
Other comprehensive income - fair value adjustment	32	-0	-	32

Parent Bank (NOKm)	1 Jan 21	Change in provision	Net write-offs / recoveries	31 Dec 21
Loans as amortised cost- CM	1,377	38	-117	1,298
Loans as amortised cost- RM	35	8	-12	31
Loans at fair value over OCI- RM	147	-19	-	128
Loans at fair value over OCI- CM	0	1	-	1
Provision for expected credit losses on loans and guarantees	1,559	27	-129	1,458
Presented as				
Provision for loan losses	1,446	30	-129	1,348
Other debt- provisions	81	-2	-	79
Other comprehensive income - fair value adjustment	32	-1	-	31

Group (NOKm)	1 Jan 22	Change in provision	Net write-offs / recoveries	30 June 22
Loans as amortised cost- CM	1,343	-76	-254	1,012
Loans as amortised cost- RM	49	7	-4	51
Loans at fair value over OCI- RM	128	-11	-	117
Loans at fair value over OCI- CM	1	-0	-	1
Provision for expected credit losses on loans and guarantees	1,520	-81	-259	1,181
Presented as				
Provision for loan losses	1,410	-73	-259	1,079
Other debt- provisions	79	-8	-	71
Other comprehensive income - fair value adjustment	31	-0	-	31

Group (NOKm)	1 Jan 21	Change in provision	Net write-offs / recoveries	30 June 21
Loans as amortised cost- CM	1,421	78	-11	1,488
Loans as amortised cost- RM	62	-6	-8	48
Loans at fair value over OCI- RM	147	-14	-	132
Loans at fair value over OCI- CM	0	0	-	1
Provision for expected credit losses on loans and guarantees	1,630	57	-18	1,669
Presented as				
Provision for loan losses	1,517	57	-18	1,555
Other debt- provisions	81	1	-	81
Other comprehensive income - fair value adjustment	32	-0	-	32

Group (NOKm)	1 Jan 21	Change in provision	Net write-offs / recoveries	31 Dec 21
Loans as amortised cost- CM	1,421	50	-128	1,343
Loans as amortised cost- RM	62	-1	-12	49
Loans at fair value over OCI- RM	147	-19	-	128
Loans at fair value over OCI- CM	0	1	-	1
Provision for expected credit losses on loans and guarantees	1,630	30	-140	1,520
Presented as				
Provision for loan losses	1,517	33	-140	1,410
Other debt- provisions	81	-2	-	79
Other comprehensive income - fair value adjustment	32	-1	-	31

Accrual for losses on loans

Parent Bank (NOKm)	30 June 2022				30 June 2021				31 Dec 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail market												
Opening balance	39	82	36	156	35	97	47	180	35	97	47	180
Transfer to (from) stage 1	19	-19	-0	-	19	-19	-0	-	20	-20	-0	-
Transfer to (from) stage 2	-2	2	-0	-	-2	2	-0	-	-2	2	-0	-
Transfer to (from) stage 3	-0	-5	5	-	-0	-4	4	-	-1	-6	7	-
Net remeasurement of loss allowances	-24	12	2	-10	-19	20	-6	-5	-22	24	-3	-1
Originations or purchases	12	5	0	18	9	5	1	15	19	17	1	37
Derecognitions	-7	-14	-2	-23	-7	-17	-2	-26	-12	-32	-4	-48
Changes due to changed input assumptions	2	8	-2	8	3	6	-	9	1	-0	-	1
Actual loan losses	0	0	-4	-4	-	-	-8	-8	0	0	-12	-12
Closing balance	39	72	34	144	38	90	36	165	39	82	36	156
Corporate Market												
Opening balance	84	268	871	1,223	88	387	823	1,299	88	387	823	1,299
Transfer to (from) stage 1	27	-26	-0	-	9	-9	-0	-	15	-15	-	-
Transfer to (from) stage 2	-4	95	-91	-	-2	2	-	-	-5	5	-	-
Transfer to (from) stage 3	-1	-2	3	-	-2	-73	75	-	-2	-26	28	-
Net remeasurement of loss allowances	29	-0	-44	-15	-18	5	36	24	-26	26	38	39
Originations or purchases	33	11	5	49	19	12	112	143	32	21	100	153
Derecognitions	-10	-17	-24	-50	-10	-87	-2	-99	-20	-145	-1	-166
Changes due to changed input assumptions	-52	-3	4	-50	1	4	-	6	1	14	-	15
Actual loan losses	-	-	-254	-254	-	-	-10	-10	-	-	-117	-117
Closing balance	106	326	470	902	85	242	1,034	1,362	84	268	871	1,223
Total accrual for loan losses	145	398	504	1,046	123	333	1,071	1,527	123	350	907	1,379

Group (NOKm)	30 June 2022				30 June 2021				31 Dec 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail market												
Opening balance	45	89	40	174	42	107	58	207	42	107	58	207
Transfer to (from) stage 1	20	-20	-0	-	23	-23	-0	-	22	-22	-0	-
Transfer to (from) stage 2	-2	2	-0	-	-2	3	-0	-	-2	3	-0	-
Transfer to (from) stage 3	-0	-5	5	-	-0	-5	5	-	-1	-7	8	-
Net remeasurement of loss allowances	-25	15	3	-6	-21	21	-2	-1	-23	26	-1	2
Originations or purchases	14	6	0	21	11	6	1	18	22	20	1	43
Derecognitions	-7	-15	-3	-25	-8	-18	-2	-28	-14	-37	-9	-60
Changes due to changed input assumptions	1	7	-3	6	1	4	-2	3	-0	-2	-4	-5
Actual loan losses	-	-	-4	-4	-	-	-8	-8	-	-	-12	-12
Closing balance	46	80	39	165	46	96	49	190	45	89	40	174
Corporate Market												
Opening balance	94	278	896	1,268	98	399	845	1,342	98	399	845	1,342
Transfer to (from) stage 1	28	-28	-0	-	10	-10	-0	-	20	-20	-0	-
Transfer to (from) stage 2	-4	96	-91	-	-3	3	-0	-	-7	7	-0	-
Transfer to (from) stage 3	-1	-2	3	-	-2	-74	76	-	-2	-27	29	-
Net remeasurement of loss allowances	29	2	-37	-6	-18	7	39	28	-29	31	42	44
Originations or purchases	35	12	5	52	21	14	114	148	35	23	112	169
Derecognitions	-10	-17	-25	-53	-12	-90	-11	-113	-21	-146	-2	-169
Changes due to changed input assumptions	-53	-3	-4	-61	0	3	-1	3	-2	12	-2	9
Actual loan losses	-	-	-254	-254	-	-	-10	-10	-	-	-128	-128
Closing balance	116	337	492	945	94	251	1,052	1,398	94	278	896	1,268
Total accrual for loan losses	163	416	531	1,110	140	347	1,101	1,587	138	367	936	1,442

Accrual for losses on guarantees and unused credit lines

Parent Bank and Group (NOKm)	30 June 2022				30 June 2021				31 Dec 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance	19	55	5	79	27	50	4	81	27	50	4	81
Transfer to (from) stage 1	2	-1	-0	-	4	-4	-0	-	6	-6	-0	-
Transfer to (from) stage 2	-0	0	-0	-	-6	6	-	-	-7	7	-	-
Transfer to (from) stage 3	-0	-0	0	-	-0	-1	1	-	-0	-1	1	-
Net remeasurement of loss allowances	-6	-5	1	-9	-7	5	-0	-3	-9	4	0	-4
Originations or purchases	7	3	0	10	5	3	0	8	7	4	0	11
Derecognitions	-1	-6	-0	-7	-1	-3	-0	-4	-6	-5	-0	-11
Changes due to changed input assumptions	-1	0	0	-1	0	1	-	1	0	2	-	2
Actual loan losses	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	18	46	7	71	22	57	3	81	19	55	5	79
Of which												
Retail market				3				2				2
Corporate Market				68				79				76

Provision for credit losses specified by industry

Parent Bank (NOKm)	30 June 2022				30 June 2021				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Agriculture and forestry	2	29	7	39	10	26	2	39	2	31	6	39
Fisheries and hunting	9	12	0	21	3	0	0	4	6	7	0	13
Sea farming industries	2	0	1	3	0	0	0	1	1	0	0	2
Manufacturing	5	31	6	42	6	22	13	41	5	36	15	56
Construction, power and water supply	14	15	7	36	13	8	38	59	13	16	14	43
Retail trade, hotels and restaurants	9	27	3	40	8	26	16	50	8	28	11	46
Maritime sector	19	175	200	394	14	122	717	853	14	118	555	687
Property management	25	46	29	101	18	49	34	101	20	50	36	105
Business services	16	16	209	241	10	15	207	233	13	12	222	247
Transport and other services	8	6	16	30	7	7	9	23	7	6	17	30
Public administration	0	-	-	0	0	-	-	0	0	0	0	0
Other sectors	0	0	-	0	0	1	-	1	0	0	0	0
Wage earners	3	40	26	68	2	54	34	90	2	47	30	79
Total provision for losses on loans	113	398	504	1,015	91	333	1,071	1,495	91	350	907	1,348
loan loss allowance on loans at FVOCI	31			31	32			32	31			31
Total loan loss allowance	145	398	504	1,046	123	333	1,071	1,527	123	350	907	1,379

Group (NOKm)	30 June 2022				30 June 2021				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Agriculture and forestry	4	30	8	42	11	28	3	42	3	33	7	42
Fisheries and hunting	9	12	0	21	3	0	0	4	6	7	0	13
Sea farming industries	3	0	4	7	1	1	0	2	1	1	1	3
Manufacturing	7	33	10	50	8	23	18	49	7	38	21	66
Construction, power and water supply	18	18	12	48	16	10	41	67	16	19	18	53
Retail trade, hotels and restaurants	10	28	6	44	9	27	18	54	9	28	16	53
Maritime sector	19	175	200	394	14	122	717	853	14	118	555	687
Property management	26	46	29	101	19	50	34	102	20	50	36	106
Business services	17	18	212	247	11	17	211	239	14	14	227	255
Transport and other services	10	8	20	38	9	9	21	38	8	7	22	37
Public administration	0	-	-	0	0	-	-	0	0	0	0	0
Other sectors	0	0	-	0	0	1	-	1	0	0	0	0
Wage earners	9	47	30	86	7	60	38	105	7	53	34	95
Total provision for losses on loans	131	416	531	1,079	108	347	111	1,556	107	367	936	1,410
loan loss allowance on loans at FVOCI	31			31	32			32	31			31
Total loan loss allowance	163	416	531	1,110	140	347	111	1,587	138	367	936	1,442

Note 8 - Gross loans

Parent Bank (NOKm)	30 June 2022				30 June 2021				31 Dec 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail Market												
Opening balance	82,299	3,892	444	86,636	73,297	4,430	381	78,108	73,297	4,430	381	78,108
Transfer to stage 1	1,149	-1,132	-17	-	1,180	-1,176	-4	-	1,007	-1,002	-6	-
Transfer to stage 2	-1,083	1,090	-7	-	-949	953	-4	-	-1,325	1,332	-7	-
Transfer to stage 3	-25	-88	113	-	-42	-78	119	-	-61	-87	148	-
Net increase/decrease amount existing loans	-1,794	-73	-15	-1,881	-1,736	-79	-10	-1,826	-2,513	-102	-15	-2,630
New loans	23,988	403	49	24,439	25,651	449	63	26,163	43,464	1,198	118	44,780
Derecognitions	-24,746	-943	-86	-25,774	-18,368	-1,061	-99	-19,528	-31,569	-1,876	-156	-33,601
Financial assets with actual loan losses	0	0	-6	-6	-0	-1	-11	-12	-0	-1	-20	-21
Closing balance	79,789	3,150	474	83,413	79,009	3,440	434	82,883	82,299	3,892	444	86,636
Corporate Market												
Opening balance	38,359	5,186	2,656	46,201	35,612	5,975	1,702	43,289	35,587	5,979	1,702	43,268
Transfer to stage 1	574	-572	-3	-	391	-391	-0	-	647	-647	-0	-
Transfer to stage 2	-1,082	1,953	-871	-	-455	455	-	-	-1,434	1,434	-	-
Transfer to stage 3	-64	-72	136	-	-42	-813	856	-	-43	-593	637	-
Net increase/decrease amount existing loans	929	-188	88	829	-266	-81	-541	-888	-1,202	-196	-39	-1,437
New loans	9,329	766	132	10,227	6,717	372	1,089	8,179	13,125	-550	1,074	13,649
Derecognitions	-5,986	-849	-503	-7,337	-4,166	-679	-191	-5,036	-8,320	-236	-524	-9,081
Financial assets with actual loan losses	-2	-4	-59	-66	0	0	-11	-11	-1	-4	-193	-199
Closing balance	42,057	6,221	1,577	49,855	37,790	4,838	2,904	45,533	38,359	5,186	2,656	46,201
Fixed interest loans at FV	4,559			4,559	4,268			4,268	4,276	-	-	4,276
Total gross loans at the end of the period	126,405	9,371	2,051	137,827	121,067	8,279	3,338	132,684	124,934	9,079	3,100	137,113

Group (NOKm)	30 June 2022				30 June 2021				31 Dec 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail Market												
Opening balance	87,577	4,612	531	92,721	78,206	5,208	453	83,867	78,206	5,208	453	83,867
Transfer to stage 1	1,321	-1,303	-18	-	1,343	-1,339	-4	-	1,227	-1,221	-6	-
Transfer to stage 2	-1,348	1,358	-11	-	-1,152	1,159	-7	-	-1,598	1,609	-11	-
Transfer to stage 3	-29	-112	141	-	-48	-124	172	-	-74	-132	206	-
Net increase/decrease amount existing loans	-1,541	-99	-18	-1,658	-1,755	-99	-17	-1,871	-2,599	-154	-28	-2,782
New loans	25,877	501	61	26,439	27,231	550	64	27,845	46,190	1,465	125	47,781
Derecognitions	-26,335	-1,083	-93	-27,512	-19,676	-1,246	-114	-21,036	-33,775	-2,161	-189	-36,125
Financial assets with actual loan losses	-	-	-6	-6	-0	-1	-11	-12	-0	-1	-20	-21
Closing balance	85,522	3,875	587	89,984	84,149	4,108	536	88,794	87,577	4,612	531	92,721
Corporate Market												
Opening balance	41,855	5,768	2,759	50,382	38,107	6,587	1,802	46,496	38,107	6,587	1,802	46,496
Transfer to stage 1	722	-714	-7	-	570	-570	-0	-	879	-876	-2	-
Transfer to stage 2	-1,233	2,115	-882	-	-549	553	-4	-	-1,795	1,797	-1	-
Transfer to stage 3	-70	-85	155	-	-51	-836	887	-	-57	-626	683	-
Net increase/decrease amount existing loans	760	-208	86	638	-333	-94	-547	-973	-652	-257	-53	-963
New loans	9,961	805	144	10,910	7,456	399	1,089	8,944	14,533	-455	1,085	15,164
Derecognitions	-6,157	-938	-553	-7,647	-4,583	-784	-216	-5,583	-9,159	-397	-561	-10,117
Financial assets with actual loan losses	-2	-4	-59	-66	0	0	-11	-11	-1	-4	-193	-199
Balance at 31 December	45,834	6,740	1,643	54,216	40,618	5,255	3,000	48,873	41,855	5,768	2,759	50,382
Closing balance												
Fixed interest loans at FV	4,481			4,481	4,268			4,268	4,198			4,198
Total gross loans at the end of the period	135,837	10,615	2,229	148,681	129,035	9,363	3,537	141,935	133,630	10,381	3,290	147,301

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank				Group		
31 Dec 2021	30 June 2021	30 June 2022 (NOKm)		30 June 2022	30 June 2021	31 Dec 2021
1,958	2,587	2,329	Agriculture and forestry	2,329	2,587	1,958
991	1,090	1,337	Fisheries and hunting	1,337	1,090	991
1,050	1,414	1,219	Sea farming industries	1,219	1,414	1,050
2,562	1,963	2,431	Manufacturing	2,431	1,963	2,562
5,535	4,766	3,508	Construction, power and water supply	3,508	4,766	5,535
6,649	4,985	5,411	Retail trade, hotels and restaurants	5,411	4,985	6,649
1,006	982	916	Maritime sector	916	982	1,006
5,692	6,369	6,152	Property management	6,092	6,313	5,635
11,469	10,094	12,825	Business services	12,825	10,094	11,469
9,247	9,354	9,572	Transport and other services provision	9,123	8,950	8,750
16,826	17,644	24,614	Public administration	24,614	17,644	16,826
4,453	5,328	5,464	Other sectors	5,419	5,169	4,267
67,439	66,575	75,778	Total	75,224	65,955	66,697
44,589	44,178	48,588	Wage earners	48,588	44,178	44,589
112,028	110,753	124,366	Total deposits	123,812	110,133	111,286

Note 10 - Net interest income

Parent bank					(NOKm)	Group				
Second quarter		First half		First half		Second quarter				
2021	2021	2022	2021	2022		2022	2021		2022	2021
					Interest income					
128	29	72	64	124	Interest income from loans to and claims on central banks and credit institutions (amortised cost)	47	17	29	6	33
1,654	400	555	785	1,055	Interest income from loans to and claims on customers (amortised cost)	1,350	1,041	707	529	2,169
1,285	314	395	624	763	Interest income from loans to and claims on customers (FVOCI)	763	631	395	318	1,300
116	29	31	59	59	Interest income from loans to and claims on customers (FVPL)	59	59	31	29	116
279	70	114	138	210	Interest income from money market instruments, bonds and other fixed income securities	209	136	113	70	276
-	-	-	-	-	Other interest income	12	12	7	6	23
3,462	843	1,167	1,669	2,212	Total interest income	2,439	1,897	1,281	958	3,916
					Interest expense					
51	7	45	23	75	Interest expenses on liabilities to credit institutions	81	25	48	8	55
547	117	269	242	494	Interest expenses relating to deposits from and liabilities to customers	488	239	265	115	540
395	102	124	201	233	Interest expenses related to the issuance of securities	233	202	124	102	395
33	8	16	16	27	Interest expenses on subordinated debt	28	17	17	9	35
8	2	2	4	4	Other interest expenses	11	10	6	5	20
75	21	19	38	39	Guarantee fund levy	39	38	19	21	75
1,109	258	475	525	872	Total interest expense	880	531	480	260	1,120
2,353	586	692	1,144	1,340	Net interest income	1,559	1,366	801	698	2,796

Parent bank					Group					
Second quarter			First half			First half		Second quarter		
2021	2021	2022	2021	2022	(NOKm)	2022	2021	2022	2021	2021
					Commission income					
76	16	12	34	32	Guarantee commission	29	33	10	16	73
-	-	-	-	-	Broker commission	140	152	78	85	291
63	16	11	31	21	Portfolio commission, savings products	21	31	11	16	63
450	113	77	225	161	Commission from SpareBank 1 Boligkreditt	161	225	77	113	450
14	4	4	8	8	Commission from SpareBank 1 Næringskreditt	8	8	4	4	14
413	96	114	187	217	Payment transmission services	214	185	112	94	409
214	53	59	105	116	Commission from insurance services	116	105	59	53	214
77	22	27	39	48	Other commission income	44	36	25	20	69
1,306	319	303	629	603	Total commission income	734	774	377	400	1,583
					Commission expenses					
84	18	18	36	36	Payment transmission services	52	53	26	25	115
13	2	3	6	4	Other commission expenses	52	46	28	23	92
97	21	21	42	41	Total commission expenses	104	98	54	48	207
					Other operating income					
26	12	0	18	13	Operating income real property	13	18	1	12	27
-	-	-	-	-	Property administration and sale of property	79	82	46	46	150
-	-	-	-	-	Securities trading	322	452	197	177	719
-	-	-	-	-	Accountant's fees	323	301	167	154	529
21	2	2	4	6	Other operating income	14	10	10	7	31
47	13	2	22	19	Total other operating income	752	863	421	395	1,456
1,256	312	285	609	581	Total net commission income and other operating income	1,382	1,538	745	748	2,832

Note 12 - Operating expenses

Parent bank					(NOKm)	Group				
Second quarter			First half			First half		Second quarter		
2021	2021	2022	2021	2022		2022	2021	2022	2021	2021
265	67	70	130	146	IT costs	191	177	93	90	359
10	3	3	5	6	Postage and transport of valuables	7	6	3	4	14
53	12	16	26	29	Marketing	47	37	26	17	77
95	25	19	49	38	Ordinary depreciation	69	93	34	40	189
44	10	4	23	25	Operating expenses, real properties	33	33	9	15	57
143	39	37	69	80	Purchased services	115	108	54	61	224
134	31	34	61	67	Other operating expense	91	81	48	43	190
745	186	183	364	391	Total other operating expenses	553	534	268	269	1,111

Note 13 - Net return on financial investments

Parent Bank					Group				
		2Q	First half		(NOKm)	First half		2Q	
2021	2021	2022	2021	2022		2022	2021	2022	2021
					Valued at fair value through profit/loss				
-433	-71	-177	-199	-379	Value change in interest rate instruments	-321	-121	-142	-39
					Value change in derivatives/hedging				
-6	2	-1	-9	-1	Net value change in hedged bonds and derivatives*	-1	-9	-1	2
12	2	-33	12	-36	Net value change in hedged fixed rate loans and derivatives	-36	12	-33	2
301	31	94	137	265	Other derivatives	354	165	147	39
					Income from equity instruments				
					Income from owner interests	139	340	84	212
726	597	514	709	574	Dividend from owner instruments				705
8	-2	1	-5	4	Value change and gain/loss on owner instruments	4	-2	1	-2
6	1	4	3	7	Dividend from equity instruments	5	21	3	17
-4	14	-14	8	-11	Value change and gain/loss on equity instruments	98	126	-35	24
610	574	387	654	422	Total net income from financial assets and liabilities at fair value through profit/(loss)	241	531	23	256
					Valued at amortised cost				
-2	-0	-0	-2	-0	Value change in interest rate instruments held to maturity	-0	-2	-0	0
-2	-0	-0	-2	-0	Total net income from financial assets and liabilities at amortised cost	-0	-2	-0	0
72	15	29	31	38	Total net gain from currency trading	39	31	30	15
680	588	416	684	459	Total net return on financial investments	279	560	53	270
					* Fair value hedging				
-664	-61	-538	-354	-1,363	Changes in fair value on hedging instrument	-1,363	-354	-538	-61
657	63	537	344	1,362	Changes in fair value on hedging item	1,362	344	537	63
-6	2	-1	-9	-1	Net Gain or Loss from hedge accounting	-1	-9	-1	2

Note 14 - Other assets

Parent Bank			(NOKm)	Group		
31 Dec 2021	30 June 2021	30 June 2022		30 June 2022	30 June 2021	31 Dec 2021
3	-	3	Deferred tax asset	72	98	90
84	84	100	Fixed assets	224	209	210
253	278	243	Right to use assets	470	470	460
152	98	77	Earned income not yet received	124	157	186
20	296	978	Accounts receivable, securities	1,479	1,841	300
62	112	62	Pension assets	62	112	62
508	471	271	Other assets	671	763	752
1,082	1,339	1,735	Total other assets	3,103	3,650	2,062

Note 15 - Other liabilities

Parent Bank			(NOKm)	Group		
31 Dec 2021	30 June 2021	30 June 2022		30 June 2022	30 June 2021	31 Dec 2021
-	8	-	Deferred tax	56	81	56
513	195	456	Payable tax	503	266	583
12	11	12	Capital tax	12	11	12
118	54	83	Accrued expenses and received, non-accrued income	633	633	774
347	336	513	Provision for accrued expenses and commitments	513	336	347
78	81	71	Losses on guarantees and unutilised credits	71	81	78
8	10	8	Pension liabilities	8	10	8
262	285	253	Lease liabilities	486	481	476
84	78	68	Drawing debt	68	78	84
92	108	11	Creditors	149	183	150
157	276	922	Debt from securities	1,316	1,515	351
-	-	-	Equity Instruments	56	87	31
185	376	274	Other liabilities	406	491	266
1,855	1,819	2,672	Total other liabilities	4,277	4,253	3,215

Note 16 - Debt created by issue of securities and subordinated debt

Group

	31 Dec 2021	Issued	Fallen due/ Redeemed	Other changes	30 June 2022
Change in securities debt (NOKm)					
Certificate, nominal value	-	-	-	-	-
Bond debt, nominal value	36,805	4,670	4,961	429	36,944
Senior non preferred, nominal value	3,500	2,050	-	-20	5,530
Value adjustments	-152	-	-	-1,414	-1,566
Accrued interest	178	-	-	-35	143
Total	40,332	6,720	4,961	-1,040	41,052

	31 Dec 2021	Issued	Fallen due/ Redeemed	Other changes	30 June 2022
Change in subordinated debt and hybrid equity (NOKm)					
Ordinary subordinated loan capital, nominal value	1,793	1,000	684	-	2,109
Hybrid equity, nominal value	-	-	-	-	-
Value adjustments	-	-	-	-	-
Accrued interest	3	-	-	6	9
Total	1,796	1,000	684	6	2,118

Note 17 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

Level 1: Valuation based on quoted prices in an active market

Fair value of financial instruments that are traded in the active markets is based on market price on the balance sheet date. A market is considered active if market prices are easily and regularly available from a stock exchange, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length. This category also includes quoted shares and Treasury bills.

Level 2: Valuation based on observable market data

Level 2 consists of instruments that are valued by the use of information that does not consist in quoted prices, but where the prices are directly or indirectly observable for the assets or liabilities concerned, and which also include quoted prices in non-active markets.

Level 3: Valuation based on other than observable data

If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2022:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	1	6,170	-	6,170
- Bonds and money market certificates	3,300	28,151	-	31,451
- Equity instruments	1,701	77	659	2,437
- Fixed interest loans	-	-	4,481	4,481
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	79,690	79,690
Total assets	5,002	34,398	84,829	124,228
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	5	6,656	-	6,661
- Equity instruments	56	-	-	56
Total liabilities	62	6,656	-	6,717

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2021:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	2	4,316	-	4,317
- Bonds and money market certificates	2,375	26,001	-	28,376
- Equity instruments	1,458	14	526	1,998
- Fixed interest loans	-	43	4,226	4,268
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	79,691	79,691
Total assets	3,834	30,373	84,443	118,651
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	1	3,894	-	3,895
- Equity instruments	87	-	-	87
Total liabilities	88	3,894	-	3,982

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2021:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	4	3,221	-	3,224
- Bonds and money market certificates	2,377	28,385	-	30,762
- Equity instruments	1,984	106	564	2,654
- Fixed interest loans	-	-	4,198	4,198
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	83,055	83,055
Total assets	4,364	31,712	87,817	123,893
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	0	3,909	-	3,909
- Equity instruments	31	-	-	31
Total liabilities	31	3,909	-	3,940

The following table presents the changes in the instruments classified in level 3 as at 30 June 2022:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	564	4,198	83,055	87,817
Investment in the period	6	889	21,714	22,610
Disposals in the period	-2	-430	-25,090	-25,522
Expected credit loss	-	-	11	11
Gain or loss on financial instruments	90	-177	-0	-86
Closing balance	659	4,481	79,690	84,829

The following table presents the changes in the instruments classified in level 3 as at 30 June 2021:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	432	4,242	74,761	79,435
Investment in the period	11	555	23,838	24,404
Disposals in the period	-2	-523	-18,918	-19,443
Expected credit loss	-	-	9	9
Gain or loss on financial instruments	85	-48	1	38
Closing balance 30 June 21	526	4,226	79,691	84,443

The following table presents the changes in the instruments classified in level 3 as at 31 December 2021:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	432	4,242	74,761	79,435
Investment in period	26	1,201	40,891	42,118
Disposals in the period	-12	-1,150	-32,615	-33,778
Expected credit loss	-	-	19	19
Gain or loss on financial instruments	118	-95	-1	22
Closing balance 31 December	564	4,198	83,055	87,817

Valuation method

The valuation method applied is adapted to each financial instrument, and is intended to utilise as much of the information that is available in the market as possible. The method for valuation of financial instruments in level 2 and 3 is described in the following:

Fixed interest loans to customers (level 3)

The loans consist for the most part of fixed interest loans denominated in Norwegian kroner. The value of the fixed interest loans is determined such that agreed interest flows are discounted over the term of the loan by a discount factor that is adjusted for margin requirements. The discount factor is raised by 10 points when calculating sensitivity.

Loans at fair value through other comprehensive income (level 3)

Property Loans at floating interest classified at fair value over other comprehensive income is valued based on nominal amount reduced by expected credit loss. Loans with no significant credit risk deterioration since first recognition is assessed at nominal amount. For loans with a significant increase in credit risk since first recognition or objective evidence of loss, the calculation of expected credit losses over the life of the asset is in line with loan losses for loans at amortised cost. Estimated fair value is the nominal amount reduced by expected lifetime credit loss. If the likelihood of the worst case scenario in the model is doubled, fair value is reduced by NOK 7 million.

Short-term paper and bonds (level 2 and 3)

Valuation on level 2 is based for the most part on observable market information in the form of interest rate curves, exchange rates and credit margins for the individual credit and the bond's or certificate's characteristics. For paper valued under level 3 the valuation is based on indicative prices from a third party or comparable paper.

Equity instruments (level 3)

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 571 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank SMN 1 Invest. The valuations are in all essentials based on reporting from managers of the funds who utilise cash flow based models or multiples when determining fair value. The Group does not have full access to information on all the elements in these valuations and is therefore unable to determine alternative assumptions.

Financial derivatives (level 2)

Financial derivatives at level 2 include for the most part currency futures and interest rate and exchange rate swaps. Valuation is based on observable interest rate curves. In addition the item includes derivatives related to FRAs. These are valued with a basis in observable prices in the market. Derivatives classified to level 2 also include equity derivatives related to SpareBank 1 Markets' market-making activities. The bulk of these derivatives refer to the most sold shares on Oslo Børs, and the valuation is based on the price of the actual /underlying share and observable or calculated volatility.

Sensitivity analyses, level 3 as at 30 June 2022:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumptions
Fixed interest loans	4,481	-13
Equity instruments through profit/loss*	659	-
Loans at fair value through other comprehensive income	79,690	-7

* As described above, the information to perform alternative calculations are not available

Note 18 - Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or to finance asset increases. Liquidity risk management starts out from the group's overall liquidity strategy which is reviewed and adopted by the board of directors at least once each year. The liquidity strategy reflects the group's moderate risk profile.

The group reduces its liquidity risk through guidelines and limits designed to achieve a diversified balance sheet, both on the asset and liability side. Preparedness plans have been drawn up both for the group and the SpareBank 1 Alliance to handle the liquidity situation in periods of turbulent capital markets. The bank's liquidity situation is stress tested on a monthly basis using various maturities and crisis scenarios: bank-specific, for the financial market in general or a combination of internal and external factors. The group's objective is to survive twelve months of ordinary operations without access to fresh external funding while housing prices fall 30 per cent. In the same period minimum requirements to LCR shall be fulfilled.

The average residual maturity on debt created by issue of securities at the end of the first half 2022 was 3.7 years. The overall LCR at the same point was 204 per cent. The LCR in Norwegian kroner and euro at quarter-end was 155 and 932 per cent respectively. The average overall LCR in the first half was 176 per cent.

Note 19 - Earnings per Equity Capital Certificate

ECC owners share of profit have been calculated based on net profit allocated in accordance to the average number of certificates outstanding in the period. There is no option agreements in relation to the Equity Capital Certificates, diluted net profit is therefore equivalent to Net profit per ECC.

(NOKm)	First half		2021
	2022	2021	
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	1.293	1.395	2.692
Allocated to ECC Owners 2)	827	892	1.722
Issues Equity Capital Certificates adjusted for own certificates	129.360.409	129.324.795	129.339.665
Earnings per Equity Capital Certificate	6,39	6,90	13,31

1) Adjusted Net Profit	First half		2021
	2022	2021	
Net Profit for the group	1.400	1.523	2.902
adjusted for non-controlling interests share of net profit	-74	-98	-160
Adjusted for Tier 1 capital holders share of net profit	-33	-30	-50
Adjusted Net Profit	1.293	1.395	2.692

2) Equity capital certificate ratio (parent bank) (NOKm)	30 June 2022	30 June 2021	31 Dec 2021
ECC capital	2,597	2,597	2,597
Dividend equalisation reserve	7,007	6,556	7,007
Premium reserve	895	895	895
Unrealised gains reserve	109	153	109
Other equity capital	-2	-0	-
A. The equity capital certificate owners' capital	10,606	10,201	10,609
Ownerless capital	5,918	5,664	5,918
Unrealised gains reserve	62	86	62
Other equity capital	-1	-0	-
B. The saving bank reserve	5,978	5,750	5,980
To be disbursed from gift fund	-	401	547
Dividend declared	-	226	970
Equity ex. profit	16,585	16,578	18,106
Equity capital certificate ratio A/(A+B)	64.0 %	64.0 %	64.0 %
Equity capital certificate ratio for distribution	64.0 %	64.0 %	64.0 %

Results from quarterly accounts

Group (NOKm)	2Q 2022	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020
Interest income effective interest method	1,281	1,158	1,047	973	958	939	945	972	1,031
Interest expenses	480	400	324	266	260	271	258	277	365
Net interest	801	758	723	707	698	668	688	695	666
Commission income	377	357	404	405	400	374	393	399	316
Commission expenses	54	50	55	54	48	51	54	50	44
Other operating income	421	331	322	272	395	468	399	277	323
Commission income and other income	745	637	671	623	748	790	738	625	595
Dividends	4	2	1	1	17	4	27	2	2
Income from investment in related companies	77	62	186	179	212	128	117	170	177
Net return on financial investments	-36	172	32	68	42	158	53	32	269
Net return on financial investments	44	235	219	248	270	289	197	205	448
Total income	1,590	1,630	1,613	1,578	1,716	1,748	1,622	1,525	1,709
Staff costs	490	476	463	423	465	531	553	415	445
Other operating expenses	268	286	302	275	269	265	271	261	254
Total operating expenses	758	762	765	698	735	796	824	675	699
Result before losses	832	868	848	880	981	952	798	850	1,010
Loss on loans, guarantees etc.	-48	-0	32	31	39	59	242	231	170
Result before tax	880	868	816	849	942	893	556	619	840
Tax charge	178	169	112	175	191	131	105	102	124
Result investment held for sale, after tax	0	-1	-0	1	4	6	-0	2	3
Net profit	702	698	703	675	755	768	450	519	719

Key figures from quarterly accounts

Group (NOKm)	2Q 2022	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020
Profitability									
Return on equity per quarter ¹⁾	12.9%	12.5%	12.7%	12.4%	14.3%	14.8%	8.9%	10.5%	15.1%
Cost-income ratio ¹⁾	48 %	47 %	47 %	44 %	43 %	46 %	51 %	45 %	41 %
Balance sheet figures									
Gross loans to customers	148,681	147,023	147,301	143,972	141,935	137,471	134,648	133,640	130,627
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	205,504	199,965	195,353	191,976	189,015	185,342	182,801	179,423	175,100
Deposit from customers	123,812	114,053	111,286	109,691	110,133	102,390	97,529	95,391	94,289
Total assets	217,458	207,027	198,845	200,124	200,426	193,822	187,912	186,900	190,484
Quarterly average total assets	212,243	202,936	199,492	200,275	197,124	190,867	187,406	188,692	187,833
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months ¹⁾	2.8 %	2.4 %	1.8 %	1.6 %	2.0 %	1.4 %	1.9 %	2.5 %	2.5 %
Growth in deposits last 12 months	8.6 %	2.5 %	1.5 %	-0.4 %	7.6 %	5.0 %	2.2 %	1.2 %	7.0 %
Losses in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio ¹⁾	-0.09 %	0.00 %	0.07 %	0.07 %	0.08 %	0.13 %	0.54 %	0.52 %	0.39 %
Stage 3 as a percentage of gross loans ¹⁾	1.08 %	1.62 %	1.68 %	1.80 %	1.87 %	1.66 %	1.23 %	1.30 %	1.35 %
Solidity									
Common equity Tier 1 capital ratio	18.8 %	18.3 %	18.0 %	18.1 %	18.3 %	18.0 %	18.3 %	17.6 %	17.2 %
Tier 1 capital ratio	20.4 %	19.8 %	19.6 %	19.7 %	20.0 %	19.7 %	20.0 %	19.2 %	18.9 %
Capital ratio	22.7 %	21.9 %	21.6 %	21.8 %	22.2 %	21.9 %	22.3 %	21.4 %	21.1 %
Tier 1 capital	20,547	19,797	19,322	19,265	19,011	18,636	18,636	18,290	18,182
Total eligible capital	22,910	21,839	21,333	21,338	21,105	20,741	20,759	20,373	20,266
Liquidity Coverage Ratio (LCR)	204 %	155 %	138 %	163 %	184 %	190 %	171 %	140 %	163 %
Leverage Ratio	6.9 %	7.0 %	6.9 %	6.9 %	7.0 %	7.0 %	7.1 %	7.1 %	6.9 %
Key figures ECC									
ECC share price at end of period (NOK)	115.80	141.20	149.00	129.80	119.20	107.40	97.60	84.30	78.30
Number of certificates issued, millions ¹⁾	129.31	129.39	129.39	129.39	129.36	129.22	129.39	129.44	129.39
Booked equity capital per ECC (incl. dividend) ¹⁾	102.91	99.55	103.48	103.57	100.18	96.70	94.71	92.73	90.37
Profit per ECC, majority ¹⁾	3.20	3.20	3.20	3.22	3.51	3.40	1.99	2.35	3.27
Price-Earnings Ratio ¹⁾	9.06	11.05	11.65	10.09	8.50	7.91	12.28	8.96	5.98
Price-Book Value Ratio ¹⁾	1.13	1.42	1.44	1.25	1.19	1.11	1.03	0.91	0.87

¹⁾ Defined as alternative performance measures, see attachment to the quarterly report

Statement in compliance with the securities trading act, section 5-6

Statement by the Board of Directors and CEO

We hereby declare that to the best of our knowledge the half-yearly financial statements for the period 1 January to 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting, and that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the bank and the group taken as a whole.

We also declare that to the best of our knowledge the half-yearly management report gives a fair review of important events in the reporting period and their impact on the financial statements, the principal risks and uncertainties facing the business in the next reporting period, and significant transactions with related parties.

Trondheim, 10 August 2022
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Christian Stav
(deputy chair)

Morten Loktu

Mette Kamsvåg

Tonje Eskeland Foss

Eli Skrøvset

Freddy Aursø

Inge Lindseth
(employee rep.)

Christina Straub
(employee rep.)

Jan-Frode Janson
(Group CEO)

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 July 2020 to 30 June 2022

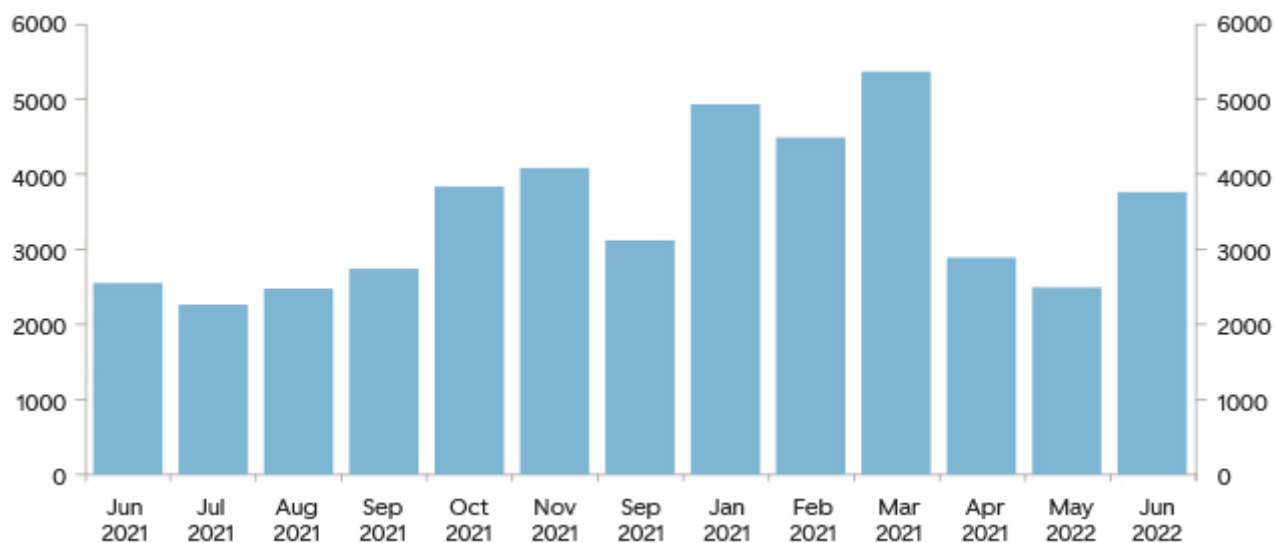


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 June 2021 to 30 June 2022



Total number of ECs traded (1000)

20 largest ECC holders	No. Of ECCs	Holding
Sparebankstiftelsen SMN	3,965,391	3.05 %
State Street Bank and Trust Comp	2,919,508	2.25 %
Pareto Aksje Norge VPF	2,797,593	2.15 %
VPF Eika Egenkapitalbevis	2,788,933	2.15 %
VPF Alfred Berg Gamba	2,703,934	2.08 %
VPF Odin Norge	2,574,707	1.98 %
J. P. Morgan Chase Bank, N.A., London	2,555,343	1.97 %
State Street Bank and Trust Comp	2,376,076	1.83 %
Pareto Invest Norge AS	2,158,771	1.66 %
Danske Invest Norske Aksjer Institusjon II	2,153,568	1.66 %
Spesialfondet Borea Utbytte	2,078,153	1.60 %
Forsvarets personellservice	2,014,446	1.55 %
KLP	1,958,343	1.51 %
The Bank of New York Mellon SA/NV	1,925,449	1.48 %
J. P. Morgan SE	1,850,331	1.43 %
VPF Nordea Norge	1,573,914	1.21 %
MP Pensjon PK	1,352,771	1.04 %
RBC Investor Services Trust	1,352,413	1.04 %
J. P. Morgan SE	1,345,273	1.04 %
J. P. Morgan SE	1,329,700	1.02 %
The 20 largest ECC holders in total	43,774,617	33.72 %
Others	86,061,826	66.28 %
Total issued ECCs	129,836,443	100.00 %

Dividend policy

SpareBank 1 SMN aims to manage the Group's resources in such a way as to provide equity certificate holders with a good, stable and competitive return in the form of dividend and a rising value of the bank's equity certificate.

The net profit for the year will be distributed between the owner capital (the equity certificate holders) and the ownerless capital in accordance with their respective shares of the bank's total equity capital.

SpareBank 1 SMN's intention is that about one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that about one half of the owner capital's share of the net profit for the year should be disbursed as gifts or transferred to a foundation. This is on the assumption that capital adequacy is at a satisfactory level. When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, external framework conditions and the need for tier 1 capital.



To the Board of Directors of Sparebank 1 SMN

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying consolidated interim balance sheet of Sparebank 1 SMN as of 30 June 2022, the statement of changes in equity and the cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of the entity as at 30 June 2022, and its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Trondheim, 10 August 2022
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.