

Second Quarter Report 2021



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Main figures

	Second quarter		First half		2020
	2021	2020	2021	2020	
From the income statement					
Net interest	698	665	1,366	1,376	2,759
Net commission income and other income	748	595	1,538	1,153	2,516
Net return on financial investments	270	448	560	549	951
Total income	1,716	1,708	3,464	3,078	6,225
Total operating expenses	735	699	1,531	1,405	2,904
Results before losses	981	1,010	1,933	1,673	3,321
Loss on loans, guarantees etc	39	170	98	478	951
Results before tax	942	840	1,836	1,195	2,370
Tax charge	191	124	322	193	400
Result investment held for sale, after tax	4	3	10	7	9
Net profit	755	719	1,523	1,008	1,978
Interest Tier 1 Capital	10	14	30	38	59
Net profit excl. Interest Tier 1 Capital	745	705	1,493	970	1,919
Balance sheet figures			30.6.21	30.6.20	31.12.20
Gross loans to customers			141,935	130,627	134,648
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt			189,015	175,100	182,801
Deposits from customers			110,133	94,289	97,529
Average total assets			194,053	180,776	183,428
Total assets			200,426	190,484	187,912
Key figures					
Profitability					
Return on equity ¹⁾	14.3 %	15.1 %	14.5 %	10.3 %	10.0 %
Cost-income ratio ¹⁾	43 %	41 %	44 %	46 %	47 %
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	78 %	72 %	78 %	72 %	72 %
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt ¹⁾	58 %	54 %	58 %	54 %	53 %
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt) ¹⁾	2.0 %	2.5 %	7.9 %	7.0 %	9.0 %
Growth in deposits last 12 months	7.6 %	7.0 %	16.8 %	8.9 %	13.5 %
Losses in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt					
Impairment losses ratio ¹⁾	0.08 %	0.39 %	0.11 %	0.56 %	0.54 %
Stage 3 as a percentage of gross loans ¹⁾	1.87 %	1.35 %	1.87 %	1.35 %	1.23 %
Solidity					
Capital ratio	22.2 %	21.1 %	22.2 %	21.1 %	22.3 %
Tier 1 capital ratio	20.0 %	18.9 %	20.0 %	18.9 %	20.0 %
Common equity Tier 1 capital ratio	18.3 %	17.2 %	18.3 %	17.2 %	18.3 %
Tier 1 capital	19,011	18,182	19,011	18,182	18,636
Total eligible capital	21,105	20,266	21,105	20,266	20,759
Liquidity Coverage Ratio (LCR)	184 %	163 %	184 %	163 %	171 %
Leverage Ratio	7.0 %	6.9 %	7.0 %	6.9 %	7.1 %
Branches and staff			30.6.21	30.6.20	31.12.20
Number of branches			42	46	45
No. Of full-time positions			1,526	1,515	1,560

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

Key figures ECC	30 June 2021	30 June 2020	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017
ECC ratio	64.0 %	64.0 %	64.0 %	64.0 %	64.0 %	64.0 %
Number of certificates issued, millions ¹⁾	129.36	129.39	129.39	129.30	129.62	129.38
ECC share price at end of period (NOK)	119.20	78.30	97.60	100.20	84.20	82.25
Stock value (NOKM)	15,420	10,131	12,629	12,956	10,914	10,679
Booked equity capital per ECC (including dividend) 2)	100.18	90.37	94.71	90.75	83.87	78.81
Profit per ECC, majority ¹⁾	6.90	4.53	8.87	12.14	9.97	8.71
Dividend per ECC			4.40	6.50	5.10	4.40
Price-Earnings Ratio ¹⁾	8.64	8.65	11.01	8.26	8.44	9.44
Price-Book Value Ratio ¹⁾	1.19	0.87	1.03	1.10	1.00	1.04

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

Report of the Board of Directors

Second quarter 2021

(Consolidated figures. Figures in parenthesis refer to the same period of 2020 unless otherwise stated)

- Pre-tax profit: NOK 942m (840m)
- Post-tax profit: NOK 755m (719m)
- Return on equity: 14.3% (15.1%)
- CET1 ratio: 18.3% (17.2%)
- Growth in lending: 2.0% (2.5%) and in deposits: 7.6% (7.0%)
- Lending to personal customers increased by 2.2% in the quarter (2.4%), 1.4 percentage point higher growth than in the first quarter. Lending to corporate clients increased by 1.5% (2.7%) which was 0.9 percentage point lower growth than in the first quarter
- Deposits from personal customers increased by 6.9% (10.2%), 5.1% higher growth than in the first quarter. Deposits from corporate customers increased by 8.0% (4.6%), 0.7 per cent higher growth than in the first quarter
- Net result of ownership interests: NOK 212m (177m)
- Net result of financial instruments (incl. dividends): NOK 59m (271m)
- Losses on loans and guarantees: NOK 39m (170m), 0.08% of gross loans (0.39%)
- Earnings per equity certificate (EC): NOK 3.51 (3.27). Book value per EC: NOK 100.18 (90.37)

First half 2021

- Pre-tax profit: NOK 1,836m (1,195m)
- Post-tax profit: NOK 1,523m (1,008m)
- Return on equity: 14.5% (10.3%)
- Growth in lending: 7.9% (7.0%) and in deposits: 16.8% (8.9%) in the last 12 months. In the first half-year growth in lending was 3.4% (4.4%) and in deposits 12.9% (9.7%)
- Growth in lending to personal customers was 7.0% (7.9%) in the last 12 months. In the first half-year growth was 3.1% (4.2%). Growth in lending to corporate clients was 9.9% (5.2%) in the last 12 months; in the first half-year growth was 4.1% (4.7%)
- Loans to retail customers account for 68% (68%) of total lending
- Deposits from personal customers increased by 7.8% (13.2%) in the last 12 months, in the first half-year by 8.8% (14.9%). Deposits from corporate customers increased by 23.7% (5.9%) in the last 12 months, in the first half-year by 15.9% (6.1%).
- Net result of ownership interests: NOK 340m (394m)
- Net result of financial instruments (incl. dividends): NOK 220m (155m)
- Losses on loans and guarantees: NOK 98m (478m), 0.11% (0.56%) of gross loans
- Earnings per equity certificate (EC): NOK 6.90 (4.53).

Events in the quarter

Vaccination programme proceeding broadly as planned, and uncertainty in the economy receding

Economic developments are closely tied to the expected path and management of the Covid-19 pandemic. For Norway, full vaccination of the adult section of the population is now expected over the course of autumn 2021. In tandem with this, the government's plan for the reopening of society moves ahead. The most sweeping national infection protection measures will likely be removed in the course of September, although there is some uncertainty due to the spread of the Delta variant. But the pandemic is not over, and further mutations and infection waves cannot be ruled out.

The Confederation of Norwegian Enterprise (NHO) puts growth in Mainland (non-oil) Norway's GDP at 3.25 per cent for 2021 and 3.5 per cent for 2022, implying a return of the economy to its pre-crisis level in the third quarter of 2021. This also implies a continued decline in unemployment, although it will take time for unemployment to fall as low as the level in effect prior to the crisis.

At its interest rate meeting in June 2021 – at which the base rate was kept unchanged – Norges Bank (Norway's central bank) noted that underlying inflation has now fallen below the 2 per cent target, but that quickening price growth and higher inflationary expectations internationally make for uncertainty as to price trend ahead. Norges Bank also noted that house prices have risen markedly since last spring, but that the rate of increase has subsided somewhat of late. Norges Bank signals a higher base rate from autumn 2021 onwards.

Agreement to merge Vipps, Danish MobilePay and Finnish Pivo brings together 11 million users in a single mobile wallet

On 30 June 2021 Vipps signed an agreement with Danish MobilePay and Finnish Pivo to merge the three companies in order to create one, common digital wallet. The merger paves the way for mobile payments across national borders and even better solutions for users and companies in Denmark, Finland and Norway. The positive effects for the SpareBank 1 banks are also substantial.

The new common wallet will have a total of 11 million users, more than 700 million annual transactions and 330,000 corporate clients across Finland, Denmark and Norway, making it one of the largest digital wallets in Europe.

It is the mobile payments arm ('the digital wallet') of Vipps that is involved in the merger. The merger of the three companies entails hiving off BankAxept and Bank ID from Vipps to form a new Norwegian-owned company with its own management. This company will remain wholly owned by the Norwegian SpareBank 1 banks.

The merger requires approval by the relevant authorities. Vipps expects the approval process to last up to one year. Vipps will continue to operate as previously until approval is granted.

Fleks – SpareBank 1 to focus on car subscriptions

SpareBank 1 Finans Midt-Norge is to take up an ownership role in the car subscription company Fleks along with SpareBank 1 Nord-Norge and SpareBank 1 Finans Østlandet with an overall stake of 47.2 per cent. Bertel O Stein will hold a corresponding stake. Car subscription is growing apace and will be a natural

aspect of car ownership and everyday finances in the future. SpareBank 1 SMN will take a position in this market through Fleks AS.

Everyday work practices after the pandemic

With the broad-based involvement of group employees, SpareBank 1 SMN has sought to define necessary adjustments to everyday work practices in the group after the pandemic. Office premises will continue to be the main workplace. This is important with a view to building a culture and relations between customers and colleagues. However, there will be greater flexibility in terms of working from home. Necessary adjustments are being made to the office premises at the same time as moves are made to make working from home a natural aspect of everyday work.

SpareBank 1 SMN to establish an economic crime department

Combating money laundering and other economic/financial crime is an important part of the bank's corporate social responsibility. This area is subject to stringent statutory requirements and there is an ongoing need to further develop systems and processes. A new unit is accordingly being established in the group which, in addition to being responsible for the group's anti-money laundering effort, will also assure a strengthened focus on combating fraud and corruption.

Excellent result for the second quarter of 2021

A net profit of NOK 755m (719m), and a return on equity of 14.3 per cent (15.1 per cent), were posted in the second quarter. The second quarter figure is NOK 12m lower than in the first quarter of 2021. The profit improvement compared with last year's second quarter is largely related to lower loan losses.

Earnings per equity certificate (EC) were NOK 3.51 (3.27) and the book value per EC was NOK 100.18 (90.37). Earnings per EC in the first quarter of 2021 were NOK 3.40.

Net interest income came to NOK 698m (665m), which is NOK 29m higher than the first quarter and NOK 33m better than the second quarter of 2020. NIBOR was about 20 points lower in the second quarter of 2021 than in both the first quarter of 2021 and the second quarter of 2020. This has brought increased margins on loans and reduced margins on deposits from the first to the second quarter of the current year. Lower market interest rates yield lower return on equity. Increased loan and deposit volumes have strengthened net interest income.

Commission and other income was reduced from the preceding quarter by NOK 43m to NOK 748m (595m). The reduction is largely due to lower incomes from securities services after the particularly high incomes in the first quarter. Beyond this, the largest increase in income was from estate agency services. Compared with the same quarter of 2020, increased incomes from securities services and estate agency services account for the bulk of the income growth.

The group's profit share from owner interests and related companies was NOK 212m (177m). The profit share in the first quarter was NOK 128m. The profit growth recorded by Fremtind and SpareBank 1 Forsikring explains the majority of the increase compared with both the first quarter and second quarter of last year.

Return on financial instruments (including dividends) was NOK 59m (271m) in the second quarter of 2021 and NOK 161m in the first quarter of 2021. The first quarter of 2021 brought capital gains of NOK 102m. The

second quarter of last year was marked by a substantial reversal of Covid-related securities losses recorded in the first quarter.

Operating expenses totalled NOK 735m (699m) compared with operating expenses of NOK 796m in the first quarter of 2020. The decline from the first quarter is largely down to lower variable remuneration at SpareBank 1 Markets with a lower result in the second quarter compared with an excellent first quarter. Compared with the second quarter of 2020, costs were higher among the subsidiaries due to high activity levels.

Losses on loans and guarantees totalled NOK 39m (170m) in the second quarter and NOK 59m in the first quarter. Lower losses compared with the second quarter of last year are attributable to improved prospects in the oil and offshore sector and hence reduced losses.

Good growth was seen in loans and deposits. Overall lending increased by 7.9 per cent (7.0 per cent) and deposits by 16.8 per cent (8.9 per cent) in the last 12 months. In the second quarter, lending grew by 2.0 (2.5) per cent and deposits by 7.6 (7.0) per cent. Growth in lending to personal customers increased from the first to the second quarter, and good growth was noted in deposits from corporate clients again in the second quarter.

The CET1 ratio as at 30 June 2021 was 18.3 per cent (17.2 per cent). The targeted CET1 ratio is 16.9 per cent. At the turn of 2021 the CET1 ratio stood at 18.3 per cent.

The price of the bank's equity certificate (MING) at quarter-end was NOK 119.20 (78.30). A cash dividend of NOK 4.40 (5.00) was declared for 2020. Of this, a dividend of NOK 1.30 per EC was paid for 2020 in light of the Ministry of Finance's recommendation. The board of directors is authorised to pay out all or parts of the remaining dividend and community dividend after 30 September 2021 if conditions permit.

Increased net interest income

In spring 2020 Norges Bank lowered its base rate from 1.50 per cent to zero, with ensuing rate cuts on residential mortgages and on deposits. Since the start of 2020 NIBOR has been reduced by about 160 points.

Net interest income came to NOK 698m (665m) compared with NOK 668m in the first quarter of 2021. The NOK 29m increase in net interest income compared with the first quarter is mainly ascribable to higher margins on residential mortgages and loans to corporates alike due to a reduced NIBOR in the quarter along with growth in lending and deposits. At the same time the lower NIBOR weakens net interest income through lower return on equity. Deposit margins were somewhat reduced in the second quarter.

Norges Bank retains an unchanged base rate but has signalled an increase as from September 2021. Thereafter Norges Bank anticipates a gradual increase in the base rate as conditions in the economy normalise.

Commission and other operating income

Commission income and other operating income totalled NOK 748m (595m) compared with NOK 790m in the first quarter of 2021.

A high proportion of multi-product customers is important for SpareBank 1 SMN. It makes for high customer satisfaction and a diversified income flow for the group.

Commission income (NOKm)	2Q 21	1Q 21	2Q 20
Payment transfers	56	49	51
Creditcard	13	14	15
Saving products	14	15	16
Insurance	53	52	48
Guarantee commission	14	14	15
Real estate agency	131	103	105
Accountancy services	154	148	141
Markets	182	275	129
Other commissions	14	5	17
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	631	675	536
Commissions SB1 Boligkreditt	113	112	57
Commissions SB1 Næringskreditt	4	4	2
Total commissions	748	790	595

Commission income on loans sold to the mortgage companies SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt totalled NOK 117m (59m). In the first quarter of 2021 commissions totalled NOK 116m. The increase from last year is due to increased margins on loans sold to SpareBank 1 Boligkreditt.

The increase of NOK 95m in other commission income compared with the second quarter of 2020 is mainly a result of growth of NOK 53m in income from securities services and an increase of NOK 25m in income from estate agency services. Compared with the preceding quarter, incomes from securities services were NOK 93m lower after an extraordinary first quarter. Estate agency incomes also rose compared with the first quarter.

Return on financial investments

Overall return on financial investments in the second quarter came to NOK 42m (269m) and in the first quarter of 2021 to NOK 158m. This breaks down as follows compared with last year's second quarter:

- Capital gains on shares came to NOK 23m (36m) and are mainly unrealised gains on shareholdings in SpareBank 1 SMN Invest. Unrealised gains on shares in SpareBank 1 SMN Invest also featured in the first quarter.
- Financial instruments, including bonds and CDs, showed losses of NOK 4m in the second quarter (gain of 222m). The second quarter of 2020 was heavily marked by the reversal of Covid-related losses recorded in the first quarter.
- Income of NOK 15m (4m) from forex transactions comprises income from currency trading at SpareBank 1 Markets
- Capital gains on shares and derivatives of shares at SpareBank 1 Markets totalled NOK 8m (7m)

Return on financial investments (NOKm)	2Q 21	1Q 21	2Q 20
Capital gains/losses shares	23	102	36
Gain/(loss) on financial instruments	-4	20	222
Foreign exchange gain/(loss)	15	15	4
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	8	20	7
Net return on financial instruments	42	158	269

Product companies and other related companies

The product companies provide the SpareBank 1 banks with a broader product range and commission incomes, as well as return on invested capital. The overall profit share from the product companies and other related companies was a net profit of NOK 212m (177m). This compares with a net profit of NOK 128m in the first quarter of 2021.

Income from investment in associated companies	2Q 21	1Q 21	2Q 20
SpareBank 1 Gruppen (19.5 %)	148	67	109
SpareBank 1 Boligkreditt (22.4 %)	3	4	41
SpareBank 1 Næringskreditt (31 %)	4	3	7
SpareBank 1 Kreditt (19.2 %)	1	0	2
BN Bank (35 %)	42	40	27
SpareBank 1 Betaling (19.5 %)	-5	-1	1
SpareBank 1 Forvaltning (23.4 %)	8	0	0
Other companies	11	14	-9
Income from investment in associated companies	212	128	177

SpareBank 1 Gruppen

This company owns 100 per cent of the shares of SpareBank 1 Forsikring and SpareBank 1 Gruppen Finans, and 65 per cent of Fremtind Forsikring. DNB owns the remaining shares of Fremtind.

SpareBank 1 Gruppen's post-tax profit in the second quarter of 2021 was NOK 1,043m (797m) and in the first quarter of 2021 NOK 506m. Of the profit of NOK 1,043m, NOK 758m accrues to SpareBank 1 Gruppen's owner banks and NOK 295m to DNB.

Fremtind Forsikring recorded a post-tax profit of NOK 811m (700m) in the second quarter with a good underwriting result and high financial income. The quarter's underwriting result was NOK 850m (463m) and the claims ratio was 49.7 per cent (61.4 per cent). The low claims ratio is due among other things to low travel activity and lower claims payments to personal customers. Financial income was NOK 192m (394m) in the second quarter.

SpareBank 1 Forsikring recorded a profit of NOK 199m (91m) after tax. Most of the company's profit components have shown a positive trend compared with the second quarter of 2020.

The group's profit share from SpareBank 1 Gruppen was NOK 148m (109m) and in the first quarter of 2021 NOK 67m.

SpareBank 1 Forvaltning was established to strengthen SpareBank 1-alliansen's competitive power in the savings market. The new company comprises ODIN Forvaltning, SpareBank 1 Kapitalforvaltning and SpareBank 1 verdipapirservice alongside a new management. The aim is to be best in terms of distribution of savings services and products through banks.

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 2021 the bank had sold loans totalling NOK 45.7bn (43.1bn) to SpareBank 1 Boligkreditt, corresponding to 35.6 per cent (35.9 per cent) of the bank's overall lending to retail customers.

The bank's share of the company's profit was NOK 3m (41m).

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 2021, loans worth NOK 1.4bn (1.4bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's share of the company's profit for the second quarter of 2021 was NOK 4m (7m). The bank's stake reflects the bank's relative share of sold commercial real estate loans and the bank's stake in BN Bank.

SpareBank 1 Kreditt

SpareBank 1 SMN's share of the profit for the second quarter of 2021 was NOK 1.0m (1.5m), and its share of the portfolio is NOK 1,022m (882m). The results for the second quarter of 2021 show an improvement on preceding quarters.

BN Bank

BN Bank specialises in residential mortgages and commercial real estate loans, and its main market is Oslo and south-eastern Norway. BN Bank has achieved good growth in lending, with 12.7 per cent growth in lending to retail customers and 9.4 per cent growth in lending to corporate clients in the last 12 months.

BN Bank's profit was NOK 121m (81m), yielding a return on equity of 10.6 per cent (7.7 per cent). The profit growth is mainly attributable to lower losses. SpareBank 1 SMN's share of BN Bank's profit was NOK 42m (27m).

SpareBank 1 Betaling

SpareBank 1 Betaling is the SpareBank 1 banks' parent company for Vipps' payment solutions. On 30 June 2021 Vipps signed an agreement to merge Vipps' mobile payments arm with Danish MobilePay and Finnish Pivo. The merger will enable mobile payments across the national borders and even better solutions for users and companies in Denmark, Finland and Norway. BankAxept and BankID will concurrently be hived off from Vipps to become a new Norwegian-owned company with its own management. This company will remain wholly owned by the Norwegian banks.

SpareBank 1 SMN's share of the deficit amounts to NOK 5m (profit of 1m).

Operating expenses

Overall group operating expenses came to NOK 735m (699m), an increase of NOK 36m compared with the same period of 2020, corresponding to 5.1 per cent. In the first quarter of 2021 costs totalled NOK 796m.

Operating expenses	2Q 21	1Q 21	2Q 20
Staff costs	465	531	445
IT costs	90	87	85
Marketing	17	20	16
Ordinary depreciation	40	53	39
Operating expenses, real properties	15	18	15
Purchased services	61	46	54
Other operating expense	46	41	44
Total operating expenses	735	796	699

At the parent bank, costs came to NOK 338m (339m) and in the first quarter of 2021 to NOK 344m. The decline in group costs in the second quarter refers in all essentials to lower variable remuneration at SpareBank 1 Markets. In the second quarter the company recorded a decline in incomes after an extraordinarily good first quarter and hence a reduced provision for variable remuneration. Variable remuneration in the first quarter was NOK 119m and in the second quarter NOK 18m.

Compared with the second quarter of 2020, there was some growth in costs at SpareBank 1 Regnskapshuset SMN related to company acquisitions and at EiendomsMegler 1 Midt-Norge related to very high activity in the housing market in 2021.

The group's cost-income ratio was 43 per cent (41 per cent) while the parent bank's cost-income ratio was 23 per cent (26 per cent).

Reduced losses

Loan losses of NOK 39n (170m) and in the first quarter NOK 59m.

Impairment losses	2Q 21	1Q 21	2Q 20
RM	0	-7	2
CM	38	65	168
<i>Of which: Offshore</i>	12	56	125
Total impairment losses	39	59	170

Losses of NOK 38m (168m) were recorded on loans to the group's corporate clients, of which NOK 12m refers to clients in the offshore portfolio. Net loan losses measure 0.08 per cent (0.39 per cent) of total lending.

Overall losses on loans to retail customers totalled NOK 0m (2m). In the previous quarter there was a net recovery of NOK 7m.

Write-downs on loans and guarantees totalled NOK 1,680m (1,415m) as at 30 June 2021.

Problem loans (stage 3) amount to NOK 3,537m (2,375m), corresponding to 1.87 per cent (1.35 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The increase in problem loans relates essentially to the implementation of a new default definition as from 1 January 2021. See the description in note 1.

The new default definition has not altered the group's assessment of credit risk attending the individual exposures, and thus has no significant effect on the group's losses in the second quarter.

No changes are made in scenario weighting or other assumptions in the group's loss model.

A small proportion of the bank's overall loan exposure is in sectors affected by the Covid crisis and the oil crisis, and only 5 per cent of the overall exposure is to sectors regarded as highly exposed – oil, offshore, wholesale and retail trade, hotels and service industries.

Total assets of NOK 200bn

The bank's assets totalled NOK 200bn (190bn) as at end-June 2021, having risen by NOK 10bn, or 5.2 per cent, in the last 12 months. Total assets have risen as a result of higher lending volume and higher liquidity reserves.

As at 30 June 2021 loans worth a total of NOK 47bn (44bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and to SpareBank 1 Næringskreditt. These loans are not recognised as loans in the bank's balance sheet. The comments covering lending growth do however take account of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Lending

Total outstanding loans increased in the last 12 months by NOK 13.9bn (11.5bn) to reach NOK 189.0bn (175.1bn) as at 30 June 2021. This corresponds to growth of 7.9 per cent (7.0 per cent). Growth in the second quarter was 2.0 per cent (2.5 per cent).

- Lending to personal customers rose in the last 12 months by NOK 8.4bn (8.7bn) to NOK 128.3bn (119.9bn). Growth in the period was 7.0 per cent (7.9 per cent). Growth in the second quarter was 2.2 per cent (2.4 per cent).
- Lending to corporate clients rose in the last 12 months by NOK 5.5bn (2.7bn) to NOK 60.7bn (55.2bn). Growth in the period was 9.9 per cent (5.2 per cent). Growth in the second quarter was 1.5 per cent (2.7 per cent).
- Lending to personal customers accounted for 68 per cent (69 per cent) of total outstanding loans to customers as at 30 June 2021.

The group shows good growth in loans to personal customers and is strengthening its market position. A substantial portion of the growth is in the LO (Norwegian Trade Union Confederation) segment. The growth in lending to corporate customers is mainly to small and medium-sized businesses over the entire market area. The growth is distributed across various sectors and there is a major focus on avoiding a build-up of sectoral or single name concentrations.

(For distribution by sector, see note 5).

Deposits

Customer deposits increased in the last 12 months by NOK 15.8bn (7.7bn) to NOK 110.1bn (94.3bn). This represents a growth of 16.8 per cent (8.9 per cent). Growth in the second quarter was 7.6 per cent (7.0 per cent).

- Personal deposits rose by NOK 3.2bn (4.8bn), or 7.8 per cent (13.2 per cent), to reach NOK 44.2bn. Growth in the second quarter was 6.9 per cent (10.2 per cent).
- Corporate deposits rose by NOK 12.6bn (2.9bn), or 23.7 per cent (5.9 per cent), to reach NOK 66.0bn. Growth in the second quarter was 8.0 per cent (4.6 per cent).
- The deposit-to-loan ratio including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 58 per cent (54 per cent).

Growth in personal deposits was very high in 2020 due to reduced consumption. 2021 has seen very high growth in corporate deposits. The City of Trondheim's choice of SpareBank 1 SMN as its main bank brought a substantial increase in deposit volumes in the second quarter. Growth in deposits from other public sector and corporate clients is also noted across the entire market area.

(For distribution by sector, see note 5).

Personal customers

The Personal Banking Division and EiendomsMegler 1 offer private individuals a broad range of financial services. Continual improvement of the interaction between the banking and estate agency arms is aimed to provide customers with a better service offering and to promote increased growth for the group.

Result before tax	2Q 21	1Q 21	2Q 20
Personal market	290	280	219
EiendomsMegler 1 Midt-Norge (87%)	41	21	30

The **Personal Banking Division** achieved a pre-tax profit of 290m (219m) and NOK 280m in the first quarter of 2021. Return on capital employed was 12.8 per cent (10.9 per cent) in the quarter.

Overall lending by the division stands at NOK 133bn (124bn) and deposits total NOK 51bn (48bn) as at 30 June 2021. These are loans to and deposits from wage earners, agricultural customers and sole proprietorships. Loans and deposits as at 31 March 2021 were NOK 130bn and NOK 48bn respectively.

Operating income totalled NOK 507m (442m) and NOK 496m in the first quarter of 2021. Net interest income accounted for NOK 283m (268m) and NOK 276m in the first quarter. Commission income came to NOK 223m (173m) and to NOK 219m in the first quarter. Net interest income rose due to growth and increased lending margin in the quarter, while lower return on the division's share of the group's equity capital and a reduced deposit margin have contributed to a weakening of net interest income.

Commission income is reduced as a result of lower commissions from SpareBank 1 Boligkreditt. Commission income has increased compared with the second quarter of 2020 as a result of increased margins on loans sold to SpareBank 1 Boligkreditt.

The lending margin was 1.73 per cent (1.99 per cent), and in the first quarter of 2021 1.59 per cent. The deposit margin was minus 0.07 per cent (minus 0.47 per cent) and 0.08 per cent in the first quarter of 2021 (measured against three-month NIBOR). The market interest rate in terms of three-month NIBOR was reduced from the first quarter of 2021 by about 20 points, which has improved the lending margin but impaired the deposit margin in the second quarter.

Lending to and deposits by retail customers increased by 7.0 per cent (7.9 per cent) and 7.8 per cent (13.2 per cent) respectively in the last 12 months. In the second quarter the growth was 2.1 per cent (2.4 per cent) and 5.9 per cent (9.4 per cent).

Lending to personal customers consistently carries low direct risk, as reflected in continued low losses. The loan portfolio is largely secured by residential property. A net loss NOK 2m was recorded in the second quarter of 2021 (recovery of 2m).

Adjustments as regards organisation and distribution structure continued in the second quarter. This is a demanding process, and it takes time to reap the gains of the work done. Customer recruitment, sales

efficiencies and gains resulting from increased interaction between the personal banking business and EiendomsMegler 1 will all be strengthened.

Eiendomsmegler 1 Midt-Norge is the market leader in Trøndelag and in Møre and Romsdal. Operating income totalled NOK 131m (105m), while operating expenses were NOK 90m (75m). EiendomsMegler 1 recorded a pre-tax profit of NOK 42m (30m). Activity in the housing market has been very high in 2021, and property sales totalled 2,249 compared with 1,909 in the same period of 2020. This has brought substantial income growth but also an appurtenant – but lower – growth in costs. The company's market share as at 30 June 2020 was 36 per cent (37.0 per cent)

Corporate customers

The corporate banking business at SpareBank 1 SMN comprises the bank's corporate banking arm, SpareBank 1 Regnskapshuset SMN, SpareBank 1 Finans Midt-Norge and SpareBank 1 Markets. These entities provide business and industry in the region with a complete range of banking and capital market services. There is a particular potential for additional growth in clientele that are customers of both the bank's corporate banking arm and SpareBank 1 Regnskapshuset SMN.

Result before tax	2Q 21	1Q 21	2Q 20
Corporate banking	199	167	116
SpareBank 1 Regnskapshuset SMN (88,7%)	33	27	40
SpareBank 1 Finans Midt-Norge (61,2%)	63	55	41
SpareBank 1 Markets (66,7%)	62	118	65

The bank's corporate banking arm achieved a pre-tax profit of NOK 199m (116m) and NOK 167m in the first quarter of 2021. The profit growth is due to lower losses. Return on capital employed was 11.4 per cent (3.7 per cent).

Outstanding loans to corporate customers total NOK 47bn (42bn) and deposits total NOK 58bn (45bn) as at 30 June 2021. Loans and deposits as at 31 March 2021 were NOK 46bn and NOK 53bn respectively. This is a diversified portfolio of loans to and deposits from corporate clients in Trøndelag and in Møre and Romsdal.

Operating income totalled NOK 345m (374m) and NOK 337m in the first quarter of 2021. Net interest income came to NOK 283m (311m) and NOK 273 in the first quarter. Commission income was NOK 60m (59m) compared with NOK 59m in the first quarter. A reduced NIBOR brought increased lending margins but somewhat reduced deposit margins from the first to second quarter of the current year. Reduced return on the business line's share of the group's equity capital has weakened net interest income from the first to second quarter. Increased lending and deposits have strengthened the earnings base.

The lending margin was 2.80 per cent (3.10 per cent) and the deposit margin was minus 0.37 per cent (minus 0.26 per cent). Lending increased by 9.9 per cent (7.9 per cent) and deposits by 24.0 per cent (5.8 per cent) in the last 12 months. Lending growth was 1.4 per cent (3.5 per cent) and deposit growth was 8.5 per cent (4.7 per cent).

Losses on loans to the corporate segment amounted to NOK 37m (153m).

SpareBank 1 SMN and SpareBank 1 Regnskapshuset SMN each have a large share of businesses in the market area as customers. Developing the customer offering to encourage customers to avail themselves to a greater degree of the services of both entities has a high priority. The aim is to substantially increase the proportion of shared customers in 2021.

2021 has seen good recruitment of new customers both in the branch network and in digital channels. This is a result of a heightened focus on the SMB segment. Corporate customers have strong links to the bank, and customer turnover is very low.

SpareBank 1 Finans Midt-Norge delivered a pre-tax profit of NOK 63m (34m). In the first quarter SpareBank 1 Finans Midt-Norge was merged with SpareBank 1 Spire Finans. SpareBank 1 Finans Midt-Norge's focal areas are accordingly leasing to SMB customers, car loans to personal customers and invoice purchases from small businesses. Last year's figures include SpareBank 1 Spire Finans.

The company has shown good income growth with incomes totalling NOK 91m (94m). Cost gains were achieved by the merger, and costs in the second quarter of 2021 were NOK 28m (40m). A net recovery of NOK 1m on losses was recorded in the second quarter of 2021 (loss of 20m).

As at 30 June 2021 the company managed leases worth NOK 4.1bn (3.8bn) and car loans worth NOK 5.8bn (5.3bn).

By way of a private placing, SpareBank 1 Finans Midt-Norge is to take up an ownership role in the car subscription company Fleks alongside SpareBank 1 Nord-Norge and SpareBank 1 Finans Østlandet with an overall stake of 47.2 per cent. Bertel O Stein is to own a corresponding holding, while investors Strømstangen and NWT Media are also participants in the merger. This is a strategic project by SpareBank 1: car subscriptions and the sharing economy concept are gaining ground. Electrification of the car population is at centre stage, and both this and the car subscription system will help to reduce emissions.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 33m (40m). Operating income was NOK 162m (147m) and expenses were NOK 129m (108m). The growth in expenses in the second quarter is down to the acquisition of two companies along with some growth in IT costs.

SpareBank 1 Regnskapshuset SMN works continuously to achieve efficiency gains in order to increase operating income per person-year, while at the same time maintaining a strong focus on costs to keep the underlying cost trend well under control. The company can point to growth and profitability in excess of the industry average. In addition, the company is working to create new income flows beyond the traditional accounting industry.

The company has a market share of 25 per cent in Trøndelag, Møre and Romsdal and Gudbrandsdal.

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

SpareBank 1 Markets wholly owns SpareBank 1 Kapitalforvaltning. That company has aggregate assets of NOK 20bn under management and 21 FTEs. The company is to be sold to SpareBank 1 Forvaltning in the third quarter of 2021 and is presented as held for sale as from the second quarter of 2021. Historical figures are restated.

SpareBank 1 Markets' pre-tax profit was NOK 62m (65m). High activity in several business areas has yielded higher incomes than in a normal second quarter. SpareBank 1 Markets has lead managed many stock issues and stock exchange introductions which have brought high earnings from investment banking and the equity / high yield area. Earnings from fixed income and forex business have declined from the same quarter of last year. Earnings in the case of debt capital have also declined inasmuch as the second quarter of 2020 was marked by large capital gains on securities which had sustained large capital losses in the first

quarter. Overall group incomes came to NOK 216m (226m). Operating expenses totalled NOK 154m (161m).

SpareBank 1 Markets is the leading capital market unit in SpareBank 1 SMN's market area.

Sparebank 1 SMN Invest invests in shares, mainly in regional businesses. In the second quarter of 2021 the company posted a pre-tax profit of NOK 21m (7m) and in the first quarter NOK 109m. The profit in the second quarter – as in the first quarter – is down to unrealised capital gains in the share portfolio.

The company holds shares worth NOK 561m (418m) as at 30 June 2021.

Investing in shares is no longer a part of the group's strategy, and SpareBank 1 SMN is therefore winding up SpareBank 1 SMN Invest in its present form. The share portfolio will be managed together with other long-term shareholdings of the bank and will be scaled back over time.

Other business

Other business comprises the property companies SpareBank 1 SMN Kvartalet, SpareBank 1 Bygget Steinkjer and St. Olavs plass in Ålesund.

First half 2021

Good result for the first half-year

SpareBank 1 SMN reports a net profit of NOK 1,523m (1,008m), and a return on equity of 14.5 per cent (10.3 per cent). The net profit is NOK 515m better than in the first half of 2020 due to increased incomes and reduced losses. Earnings per equity certificate (EC) are NOK 6.90 (4.53).

The operating profit after losses was NOK 1,276m (646m) and NOK 630m better than in the first half of 2020, due to increased incomes, no cost growth at the bank and reduced losses.

Net interest income came to NOK 1,366m (1,376m). Norges Bank has kept its base rate at zero, and NIBOR was 70 points lower in the first half of 2021 than in the first half of 2020. Due to the low interest rate level, lending and deposit margins are somewhat down compared with the first half of last year and return on the bank's equity capital is also reduced. An increase in both lending and deposits has contributed to a strengthening of net interest income.

Net commission income was NOK 1,538m (1,153m). This is mainly explained by increased income from securities services and estate agency services, and by increased commission income from loans sold to SpareBank 1 Boligkreditt.

Return on financial investments (incl. dividends) was NOK 220m (155m). The increase is largely a result of an unrealised gain on the share portfolio of SpareBank 1 SMN Invest in the first quarter of 2021.

The result from related companies was NOK 340m (394m). The result for the first half-year is positively affected above all by good results at both Fremtind Forsikring and SpareBank 1 Forsikring.

Operating expenses totalled NOK 1,531m (1,405m). The greater part of the growth took place at SpareBank 1 Markets which saw high activity followed by increased costs, especially in the first quarter.

Loan losses were NOK 98m (478m). Losses on loans to the group's corporate clients amounted to NOK 104m (427m). As regards loans to personal customers, a net recovery of NOK 6m was recorded on losses in the first half-year (loss of NOK 51m).

Growth in lending was 3.4 per cent (4.4 per cent). Growth in lending to retail customers in 2020 was 3.1 per cent (4.2 per cent). Lending to corporate clients increased by 4.1 per cent (4.7 per cent).

Deposits climbed 12.9 per cent (9.7 per cent). Deposits from personal customers increased by 8.8 per cent (14.9 per cent). Deposits from corporate clients increased by 15.9 per cent (6.1 per cent).

Personal customers

Result before tax	First half 2021	First half 2020
Personal market	569	478
EiendomsMegler 1 Midt-Norge (87%)	62	30

The **bank's personal banking arm** achieved a pre-tax profit of NOK 569m (478m). Return on capital employed in the retail segment was 13.0 per cent (11.4 per cent).

Overall operating income came to NOK 1,003m (992m). Net interest income accounted for NOK 559m (622m) and commission income for NOK 442m (371m). Commission income rose mainly as a result of higher commissions from SpareBank 1 Boligkreditt.

Growth in lending to and deposits from the retail segment was 3.1 per cent (4.0 per cent) and 8.8 per cent (15.5 per cent) respectively.

The lending margin was 1.66 per cent (1.81 per cent), while the deposit margin was 0.01 per cent (0.02 per cent) measured against three-month NIBOR.

A net recovery of NOK 9m on losses was recorded (loss of 42m).

EiendomsMegler 1 Midt-Norge. Operating income was NOK 245m (188m), while operating expenses were NOK 183m (158m). EiendomsMegler 1 Midt-Norge's pre-tax profit was NOK 62m (30m). Activity levels in the housing market were high in the first half-year, and property sales (residential and commercial) totalled 4,080 compared with 3,409 in the first half of 2020.

Corporate customers

Result before tax	First half 2021	First half 2020
Corporate banking	366	119
SpareBank 1 Regnskapshuset SMN (88,7%)	60	67
SpareBank 1 Finans Midt-Norge (61,2%)	118	81
SpareBank 1 Markets (66,7%)	179	48

The bank's **corporate banking arm** achieved a pre-tax profit of NOK 366m (119m). The profit growth is due to lower losses. Return on capital employed for the corporate segment was 10.4 per cent (4.1 per cent).

Operating income was NOK 682m (747m). Net interest income came to NOK 556m (619m) and commission income to NOK 119m (113m).

Lending increased by 4.1 per cent (6.8 per cent) and deposits by 15.9 per cent (4.5 per cent) in the first half-year. Part of deposit growth is explained by the City of Trondheim's choice of SpareBank 1 SMN as its main bank.

The lending and deposit margins were 2.74 per cent (2.88 per cent) and minus 0.32 per cent (minus 0.10 per cent) respectively.

Net overall losses in the corporate segment amount to NOK 100m (410m).

SpareBank 1 Finans Midt-Norge reported a pre-tax profit of NOK 118m (81m). These figures include SpareBank 1 Spire Finans.

The company's earnings totalled NOK 182m (170m). The merger with Spire yielded cost gains, and costs in the first half of 2021 were NOK 57m (64m). Losses were NOK 6m (25m).

SpareBank 1 Regnskapshuset SMN achieved a pre-tax profit of NOK 60m (67m). Operating income was NOK 317m (304m) and expenses were NOK 257m (237m).

SpareBank 1 Markets' pre-tax profit was NOK 179m (48m). High activity in the business lines has generated high incomes and a very satisfactory performance, especially in the first quarter of 2021.

So far in the current year the group has recorded incomes of NOK 550m, which is NOK 234m higher than in the same period of 2020. The pre-tax profit was NOK 179m (48m).

Satisfactory funding and good liquidity

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 government authorities require all credit institutions 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 calculated at 184 per cent as at 30 June 2021 (163 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 30 June 2021, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 58 per cent (54 per cent).

The bank's funding sources and products are amply diversified. At end-June 2021 the proportion of the bank's overall money market funding in excess of one year's maturity was 89 per cent (75 per cent).

SpareBank 1 Boligkreditt and Næringskreditt are the bank's most important funding source, and loans totalling NOK 47bn (44bn) had been sold to these mortgage companies as at 30 June 2021.

SpareBank 1 SMN has established and published a framework for issuing green bonds. The framework is approved by the rating agency Sustainalytics.

SpareBank 1 SMN issued in February 2021 a senior green bond of EUR 500m with a 7-year maturity. More than 100 investors participated. The issuance supports the bank's ESG strategy, provides a broader investor base and reduces the bank's funding risk in euros.

Rating

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

Financial soundness

The CET1 ratio at 30 June 2021 was 18.3 per cent (17.2 per cent). The CET1 requirement is 14.4 per cent, including combined buffer requirements, and a Pillar 2 requirement of 1.9 per cent. Finanstilsynet (Norway's FSA) will set new Pillar 2 requirements for SpareBank 1 SMN in the course of 2021.

SpareBank 1 SMN aims for a management buffer of about 1 per cent over and above the combined Pillar 1 and Pillar 2 requirements with a view to absorbing fluctuations in risk weighted assets and in the group's financial results.

The group includes a full countercyclical buffer in its capital planning and aims for a CET1 ratio of 16.9 per cent.

The CET1 ratio rose by 0.3 percentage point to 18.3 per cent in the second quarter of 2021. Risk weighted assets increased by 0.6 percentage point in the second quarter of 2021. CET1 capital rose by 2.2 percentage points in the second quarter due to good quarterly results and dividend from SpareBank 1 Gruppen. A payout ratio of 50 per cent of the period's net profit is assumed.

A leverage ratio of 7.0 per cent (6.9 per cent) indicates a strong financial position. Work on capital efficiency and effectiveness will continue with a view to strengthening profitability and financial soundness.

Sustainability

The group will stimulate sustainable development by being a driver for the green transition, a partner for the inclusive development of society and a guide to building a responsible business culture.

The group prioritises five key areas for 2021 as a first step in its transition plan for the period to 2030:

Innovation. Create green growth and business development through collaboration and partnerships. The group will engage customers and partners in the development of innovative local communities.

Customer Offering. Offer products and services that stimulate customers' transition and digitalisation. A target of ten per cent annual increase in loans to projects that qualify for green bond financing has been set.

Climate footprint. Reduce the climate imprint across the entire value chain. To achieve a halving of the group's climate footprint to 2030, a target of eight per cent annual reduction has been set. (reference year: 2019)

Competence. Strengthen (climate risk) competence and reporting. The group will offer a competence-building programme for both customers and employee.

Diversity. Contribute to diversity and a fair transition. The group will work to strengthen equal opportunities in working life, everyday life and business and industry.

Work is in progress on a broad front across all the group's business lines to concretise key results within the framework of a new, holistic group standard for sustainability.

The bank's equity certificate (MING)

The book value of the equity certificate (EC) at 30 June 2021 was NOK 100.18 (90.37), and earnings per EC in the first half-year were NOK 6.90 (4.53).

The Price / Income ratio was 8.64 (8.65) and the Price / Book ratio was 1.19 (0.87).

Outlook

Norway's population will soon be fully vaccinated. The majority of infection protection measures can be reduced and society can return to normal, with a positive effect on the Norwegian economy. Norges Bank signals an interest rate hike in September, which is expected to increase the bank's net interest income. Unemployment has fallen from a high level, and a further fall is anticipated.

Infection-protection measures have created challenges for some industries. Covid-related loan losses at SpareBank 1 SMN have been low. The bank has low exposure to the most exposed industries but is following these closely with a view to possible measures. Loan losses are substantially reduced in 2021.

Good results across all business lines have again provided a very high return on equity in the second quarter of 2021 and confirm the value of a broad based product offering to customers.

Implementation of One SMN has contributed to good growth and a strong profit in the quarter. The board of directors expects improved interaction between the business lines to continue to boost customer recruitment, increase cross-sales, improve the customer offering and reduce costs.

Investment in a Nordic digital wallet via Vipps, and a national platform for car subscriptions, Fleks, are initiatives that lay a basis for future earnings. The establishment of SpareBank 1 Finans Midt-Norge represents a renewed focus on the savings area.

At the end of the second quarter the bank has a strong market position, is very solid, and has ample liquidity. This provides the scope for action needed to achieve the group's ambitions. The group's financial goals stand firm.

Of the dividend of NOK 4.40 set aside for 2020, NOK 1.30 has been paid per equity certificate. The board of directors is authorised to decide on the payout of the remaining dividend and community dividend and assumes, barring dramatic changes in the company's situation or signals given by the government authorities, that dividend payout will take place in the fourth quarter.

Trondheim, 11 August 2021
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Christian Stav
(deputy chair)

Morten Loktu

Mette Kamsvåg

Tonje Eskeland Foss

Janne Thyø Thomsen

Freddy Aursø

Inge Lindseth
(employee rep.)

Christina Straub
(employee rep.)

Jan-Frode Janson
(Group CEO)

Income statement

Parent bank					Group							
Second quarter		First half			(NOKm)	Note	First half		Second quarter			
2020	2020	2021	2020	2021			2021	2020	2021	2020		
3,274	786	743	1,788	1,472	Interest income effective interest method		1,702	1,996	859	894	3,722	
478	137	100	286	196	Other interest income		195	284	99	136	475	
1,423	363	258	895	525	Interest expenses		531	905	260	365	1,439	
2,329	561	586	1,179	1,144	Net interest	10	1,366	1,376	698	666	2,759	
1,205	253	319	539	629	Commission income		774	651	400	316	1,443	
97	17	21	42	42	Commission expenses		98	91	48	44	196	
41	13	13	22	22	Other operating income		863	594	395	323	1,269	
1,149	249	312	519	609	Commission income and other income	11	1,538	1,153	748	595	2,516	
528	340	598	416	711	Dividends		21	10	17	2	39	
-	-	-	-	-	Income from investment in related companies	3	340	394	212	177	681	
14	167	-9	29	-28	Net return on financial investments	3	199	145	42	269	230	
542	507	588	445	684	Net return on financial investments	13	560	549	270	448	951	
4,019	1,316	1,486	2,142	2,436	Total income		3,464	3,078	1,716	1,709	6,225	
732	154	152	330	318	Staff costs		996	883	465	445	1,850	
744	185	186	375	364	Other operating expenses		534	522	269	254	1,054	
1,477	339	338	706	682	Total operating expenses	12	1,531	1,405	735	699	2,904	
2,543	977	1,147	1,436	1,754	Result before losses		1,933	1,673	981	1,010	3,321	
902	151	40	453	90	Loss on loans, guarantees etc.	6,7	98	478	39	170	951	
1,641	826	1,108	984	1,664	Result before tax	3	1,836	1,195	942	840	2,370	
284	98	126	149	231	Tax charge		322	193	191	124	400	
-	-	-	-	-	Result investment held for sale, after tax	2	10	7	4	3	9	
1,356	729	982	835	1,433	Net profit		1,523	1,008	755	719	1,978	
56	13	10	37	29	Attributable to additional Tier 1 Capital holders		30	38	10	14	59	
831	457	622	510	898	Attributable to Equity capital certificate holders		892	585	453	423	1,147	
469	258	351	288	506	Attributable to the saving bank reserve		503	330	255	238	646	
					Attributable to non-controlling interests		98	55	36	43	126	
1,356	729	982	835	1,433	Net profit		1,523	1,008	755	719	1,978	
					Profit/diluted profit per ECC	19	6.90	4.53	3.51	3.27	8.87	

Total comprehensive income

Parent bank					Group					
Second quarter		First half			(NOKm)	First half		Second quarter		
2020	2021	2020	2021	2021		2020	2021	2020	2020	
1,356	729	982	835	1,433	Net profit	1,523	1,008	755	719	1,978
Items that will not be reclassified to profit/loss										
-34	-23	-	-62	-	Actuarial gains and losses pensions	-	-62	-	-23	-34
8	6	-	16	-	Tax	-	16	-	6	8
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	2	7	-	4	15
-25	-17	-	-47	-	Total	2	-40	-	-14	-11
Items that will be reclassified to profit/loss										
-	-	-	-	-	Fair value change on financial assets through other comprehensive income	-	-	-	-	-
9	3	0	6	-0	Value changes on loans measured at fair value	-0	6	0	3	9
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	-41	16	-13	8	16
-	-	-	-	-	Tax	-	-	-	-	-
9	3	0	6	-1	Total	-42	21	-13	11	25
-16	-14	0	-41	-1	Net other comprehensive income	-40	-19	-13	-3	15
1,340	715	983	794	1,432	Total other comprehensive income	1,484	990	743	716	1,993
56	13	10	37	29	Attributable to additional Tier 1 Capital holders	30	38	10	14	59
821	448	622	484	897	Attributable to Equity capital certificate holders	867	573	445	421	1,156
463	253	351	273	506	Attributable to the saving bank reserve	489	323	251	237	652
-	-	-	-	-	Attributable to non-controlling interests	98	55	36	43	126
1,340	715	983	794	1,432	Total other comprehensive Income	1,484	990	743	716	1,993

Balance sheet

Parent bank				Group			
31 Dec 2020	30 June 2020	30 June 2021	(NOKm)	Note	30 June 2021	30 June 2020	31 Dec 2020
2,764	4,115	1,170	Cash and receivables from central banks		1,170	4,115	2,764
12,901	12,851	20,192	Deposits with and loans to credit institutions		12,184	5,252	5,091
124,214	120,677	131,190	Net loans to and receivables from customers	5	140,379	129,360	133,131
26,684	29,034	28,454	Fixed-income CDs and bonds	17	28,376	28,955	26,606
7,175	9,927	4,233	Derivatives	17	4,317	10,069	7,226
319	456	320	Shares, units and other equity interests	17	1,998	1,673	2,366
4,933	4,724	5,058	Investment in related companies		7,346	6,810	7,324
2,317	2,406	2,374	Investment in group companies		-	-	-
82	82	98	Investment held for sale	2	109	42	41
515	501	504	Intangible assets		897	873	905
963	2,089	1,339	Other assets	14	3,650	3,335	2,457
182,870	186,862	194,931	Total assets		200,426	190,484	187,912
14,629	15,760	15,991	Deposits from credit institutions		16,291	15,845	15,094
98,166	94,871	110,753	Deposits from and debt to customers	9	110,133	94,289	97,529
41,920	44,129	41,645	Debt created by issue of securities	16	41,645	44,129	41,920
6,845	8,548	3,739	Derivatives	17	3,895	8,644	7,179
1,466	4,237	1,820	Other liabilities	15	4,254	5,459	3,084
-	-	-	Investment held for sale	2	32	1	1
1,752	1,752	1,752	Subordinated loan capital	16	1,795	1,797	1,795
164,778	169,297	175,700	Total liabilities		178,044	170,164	166,602
2,597	2,597	2,597	Equity capital certificates		2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs		-9	-9	-9
895	895	895	Premium fund		895	895	895
6,556	6,338	6,556	Dividend equalisation fund		6,520	6,320	6,536
569	-	401	Recommended dividends		401	-	569
321	-	226	Provision for gifts		226	-	321
5,664	5,541	5,664	Ownerless capital		5,664	5,541	5,664
239	189	239	Unrealised gains reserve		239	189	239
-	-44	-1	Other equity capital		2,235	1,757	2,366
1,250	1,213	1,221	Additional Tier 1 Capital		1,262	1,254	1,293
-	835	1,433	Profit for the period		1,523	1,008	-
			Non-controlling interests		829	768	838
18,092	17,565	19,231	Total equity capital		22,382	20,320	21,310
182,870	186,862	194,931	Total liabilities and equity		200,426	190,484	187,912

Cash flow statement

Parent bank				Group		
First half			(NOKm)	First half		
2020	2020	2021		2021	2020	2020
1,356	835	1,433	Net profit	1,523	1,008	1,978
102	52	49	Depreciations and write-downs on fixed assets	93	82	166
902	453	90	Losses on loans and guarantees	98	478	951
2,360	1,339	1,572	Net cash increase from ordinary operations	1,714	1,568	3,096
-4,093	-7,933	2,563	Decrease/(increase) other receivables	1,703	-8,388	-4,681
3,582	8,057	-2,751	Increase/(decrease) short term debt	-2,083	7,736	3,896
-8,075	-4,091	-7,066	Decrease/(increase) loans to customers	-7,347	-4,554	-8,795
-3,721	-3,670	-7,290	Decrease/(increase) loans credit institutions	-7,103	-3,141	-2,981
11,296	8,001	12,587	Increase/(decrease) deposits to customers	12,604	8,372	11,611
5,045	6,175	1,361	Increase/(decrease) debt to credit institutions	1,196	4,992	4,242
-3,490	-5,840	-1,770	Increase/(decrease) in short term investments	-1,769	-5,841	-3,491
2,905	2,037	-793	A) Net cash flow from operations	-1,084	743	2,896
-38	-11	-35	Increase in tangible fixed assets	-119	-34	-136
-418	-298	-197	Paid-up capital, associated companies	-181	-377	-873
37	-101	-1	Net investments in long-term shares and partnerships	368	1,280	587
-420	-409	-233	B) Net cash flow from investments	69	869	-422
-295	-295	-0	Increase/(decrease) in subordinated loan capital	-0	-294	-295
3	3	0	Increase/(decrease) in equity	-10	16	14
-647	-647	-168	Dividend cleared	-168	-647	-647
-364	-364	-95	Disbursed from gift fund	-95	-364	-364
-56	-37	-29	Increase/(decrease) in Additional Tier 1 capital	-30	-38	-59
877	3,065	-276	Increase/(decrease) in other long term loans	-276	3,068	880
-482	1,725	-568	C) Net cash flow from financial activities	-579	1,741	-470
2,003	3,354	-1,595	A) + B) + C) Net changes in cash and cash equivalents	-1,595	3,354	2,003
761	761	2,764	Cash and cash equivalents at 1.1	2,764	761	761
2,764	4,115	1,170	Cash and cash equivalents at end of quarter	1,170	4,115	2,764
2,003	3,354	-1,595	Net changes in cash and cash equivalents	-1,595	3,354	2,003

Change in equity

Parent Bank (NOKm)	Issued equity		Earned equity						Additional Tier 1 Capital	Total equity
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity			
Equity at 1 January 2020	2,597	895	5,432	6,144	1,314	189	-	1,250	17,822	
Net profit	-	-	130	230	890	50	-	56	1,356	
Other comprehensive income										
Financial assets through OCI	-	-	-	-	-	-	9	-	9	
Actuarial gains (losses), pensions	-	-	-	-	-	-	-25	-	-25	
Other comprehensive income	-	-	-	-	-	-	-16	-	-16	
Total other comprehensive income	-	-	130	230	890	50	-16	56	1,340	
Transactions with owners										
Dividend declared for 2019 To be disbursed from gift fund	-	-	-	194	-840	-	-	-	-647	
Interest payments additional Tier 1 capital	-	-	109	-	-474	-	-	-	-364	
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-56	-56	
Direct recognitions in equity	-	-	-7	-12	-	-	16	-	-3	
Total transactions with owners	-0	-	103	182	-1,314	-	16	-56	-1,070	
Equity at 31 December 2020	2,597	895	5,664	6,556	890	239	0	1,250	18,092	

Parent Bank (NOKm)	Issued equity		Earned equity						Additional Tier 1 Capital	Total equity
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity			
Equity at 1 January 2021	2,597	895	5,664	6,556	890	239	0	1,250	18,092	
Net profit	-	-	-	-	-	-	1,433	-	1,433	
Other comprehensive income										
Value changes on loans measured at fair value	-	-	-	-	-	-	-0	-	-0	
Other comprehensive income	-	-	-	-	-	-	-0	-	-0	
Total other comprehensive income	-	-	-	-	-	-	1,432	-	1,432	
Transactions with owners										
Dividend declared for 2020	-	-	-	-	-168	-	-	-	-168	
To be disbursed from gift fund	-	-	-	-	-95	-	-	-	-95	
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-29	-29	
Purchase and sale of own ECCs	0	-	-	-0	-	-	-	-	-0	
Direct recognitions in equity	-	-	-	-	-	-	-1	-	-1	
Total transactions with owners	0	-	-	-0	-263	-	-1	-29	-293	
Equity at 30 June 2021	2,597	895	5,664	6,556	627	239	1,432	1,221	19,231	

Group (NOKm)	Attributable to parent company equity holders									Total equity
	Issued equity		Earned equity						Additional Tier 1 Capital	
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity			
Equity at 1 January 2020	2,586	895	5,432	6,123	1,314	189	1,827	1,293	761	20,420
Net profit	-	-	130	230	890	50	493	59	126	1,978
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	31	-	-	31
Value changes on loans measured at fair value	-	-	-	-	-	-	9	-	-	9
Actuarial gains (losses), pensions	-	-	-	-	-	-	-25	-	-	-25
Other comprehensive income	-	-	-	-	-	-	15	-	-	15
Total other comprehensive income	-	-	130	230	890	50	508	59	126	1,993
Transactions with owners										
Dividend declared for 2019	-	-	-	194	-840	-	-	-	-	-647
To be disbursed from gift fund	-	-	109	-	-474	-	-	-	-	-364
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-59	-	-59
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-	-0
Own ECC held by SB1 Markets*)	2	-	-	2	-	-	11	-	-	14
Direct recognitions in equity	-	-	-7	-12	-	-	17	-	-	-1
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	3	-	-	3
Change in non-controlling interests	-	-	-	-	-	-	-	-	-49	-49
Total transactions with owners	2	-	103	183	-1,314	-	31	-59	-49	-1,103
Equity at 31 December 2020	2,588	895	5,664	6,536	890	239	2,366	1,293	838	21,310

*) 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	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity	Additional Tier 1 Capital	Non-controlling interests	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	-	-	-	-	-	-	1,425	-	98	1,523
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-39	-	-	-39
Value changes on loans measured at fair value	-	-	-	-	-	-	-0	-	-	-0
Other comprehensive income	-	-	-	-	-	-	-40	-	-	-40
Total other comprehensive income	-	-	-	-	-	-	1,386	-	98	1,484
Transactions with owners										
Dividend declared for 2020	-	-	-	-	-168	-	-	-	-	-168
To be disbursed from gift fund	-	-	-	-	-95	-	-	-	-	-95
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-30	-	-30
Purchase and sale of own ECCs	0	-	-	-0	-	-	-	-	-	-0
Own ECC held by SB1 Markets*)	-1	-	-	-16	-	-	7	-	-	-10
Direct recognitions in equity	-	-	-	-	-	-	-6	-	-	-6
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	5	-	-	5
Change in non-controlling interests	-	-	-	-	-	-	-	-	-107	-107
Total transactions with owners	-1	-	-	-16	-263	-	6	-30	-107	-411
Equity at 30 June 2021	2,587	895	5,664	6,520	627	239	3,758	1,262	829	22,382

*) 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 2020. The Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts with the exception noted below.

Definition of default

The group implemented a new definition of default on 1 January 2021.

The new definition is formulated in accordance with the European Banking Authority's guidelines on how banks should apply the definition of default in the Capital Requirements Regulation (CRR) and clarifications in the Norwegian CRR/CRD IV regulations.

Default is defined in two categories: 1) payment default or 2) default based on manual default marking.

1) Payment default is defined as material payment arrears or overdrafts of more than 90 days' duration. Threshold values for material arrears or overdrafts are set out in the Norwegian CRR/CRD IV regulations.

2) Default resulting from manual default marking is based to a larger degree on individual credit assessments, and to a lesser degree on automatic mechanisms. Events included in this category are provision for loss on a customer loan, bankruptcy/debt restructuring, forbearance assessments, deferment of interest and instalment payments for more than 180 days, or other indications suggesting considerable doubt as to whether the borrower will perform his obligations.

The new default definition entails the introduction of a 'waiting period' during which borrowers are categorised as still in default after the default has been rectified. The waiting period is three months or 12 months depending on the underlying cause of the default.

Furthermore, rules on default marking at group level are introduced whereby corporate customers in default to a group company (e.g. SpareBank 1 SMN Finans Midt-Norge) will also be considered to be in default to the bank. For personal customers, threshold values are specified for default contagion in the group. Where a defaulted exposure exceeds 20% of total exposure, the exposure will be considered to be in default at group level.

The group has with effect from 1 January 2021 also applied the new default definition for accounting purposes for transfer of loans to stage 3. Loan volume in stage 3 has increased in first half of 2021 by NOK 1,282 million, primarily as a result of the new definition. However, there was no significant change in the underlying credit risk over the course of the first half of 2021. Comparatives have not been restated.

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 25 in the 2020 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 2020.

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.

SpareBank 1 Kapitalforvaltning, subsidiary of SpareBank 1 Markets, has been presented as Investment held for sale from second quarter 2021 due to the agreement of sale to SpareBank 1 Forvaltning. The transaction will be carried through in third quarter of 2021. Comparables have been restated.

The company SpareBank 1 Forvaltning is owned by the SpareBank1 banks and will include the subsidiaries Odin Forvaltning, SpareBank 1 Kapitalforvaltning and SpareBank 1 Verdipapirservice.

2021 Q2 (NOKm)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS Group	38	1	3	5	-1	100 %
SpareBank 1 Kapitalforvaltning	71	31	36	26	10	100%
Total Held for sale	109	32	40	31	10	

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 2020.

In the first quarter 2020 some changes were made in the input in the credit loss model as a result of changed expectations due to the corona situation. The crisis and the significant increase in macroeconomic uncertainty have made the assessments extra demanding. We are in the early stages of the crisis and the consequences for the bank's customers and the industries we are exposed to are difficult to estimate. The regulators have emphasized the importance of focusing on the expected long-term effects of the crisis and this has also been the bank's focus.

In the first quarter 2020 the bank changed the assumptions for the base scenario in a negative direction. This has been continued for the rest of 2020 and in the first quarter of 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 development in the base scenario is prepared using adjustment factors where the development in the business cycle is projected by assumptions about how much the probability of default (PD) or loss of default (LGD) will increase or decrease compared to the base

scenario in a five-year period. We expect increased losses related to debtors that have a demanding starting point before the crisis - typically debtors in stage 2. We have therefore chosen to increase the trajectories for PD and LGD as well as reduce expected repayments in the base scenario, especially from year 2 onwards, since this will affect expected losses mainly for debtors in stage 2. To adjust for migration into stage 2, PD and LGD estimates are also increased in the first year. No first year repayments are assumed for all portfolios in the downside scenario.

The applied scenario weighting was changed in the fourth quarter of 2020 to reflect further increased uncertainty. For corporate market including offshore, as well as agriculture, the downside scenario was changed from a weighting with a 10 percent probability, to a weighting of a 20 percent probability. For retail market, the weighting of the downside scenario was changed from 10 to 15 per cent. This has been continued in first half of 2021.

The effect of changes in input assumptions is shown as "Effect of changed assumptions in ECL model" in note 7. The effect is NOK 15 million for the Bank and 7 million for the Group.

Sensitivities

The first part of the table below show total calculated expected credit loss as of 30 June 2021 in each of the three scenarios, distributed in the portfolios retail market (RM) corporate market (CM), and offshore, travel and agriculture which adds up to parent bank. In addition the subsidiary SB 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 an alternative weighting where worst case have been doubled.

If the downside scenario's probability were doubled at the expense of the baseline scenario at the end of June 2021, this would have entailed an increase in loss provisions of NOK 385 million for the parent bank and NOK 392 million for the group.

Portfolio	Corporate excl			Offshore	Agriculture	Tourism	Total parent	SB 1	Group
	offshore/ Agriculture	Retail Market	Finans MN						
ECL expected scenario	358	91	681	28	48	1,206	52	1,258	
ECL downside scenario	1,265	295	1,403	98	96	3,158	114	3,272	
ECL upside scenario	291	40	588	14	12	945	39	983	
ECL with scenario weights used 80/10/10							57	58	
ECL with scenario weights used 65/20/15	529	-	812	40		1,380		1,380	
ECL with scenario weights used 60/30/10					59	59		59	
ECL with scenario weights used 70/15/15		114				114		114	
Total ECL used	529	114	812	40	59	1,553	57	1,611	
ECL alternative scenario weights 70/20/10							63	64	
ECL alternative scenario weights 45/40/15	711		956	54		1,720	-	1,720	
ECL alternative scenario weights 30/60/10					73	73		73	
ECL alternative scenario weights 55/33/15		145				145		145	
Total ECL alternative weights (double downside)	711	145	956	54		1,938	63	2,003	
Change in ECL if alternative weights were used	182	31	145	14		385	7	392	

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 80 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 28 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 30 June 2021

Profit and loss account (NOKm)	RM	CM	SB1	SB 1	SB 1	SB1	BN	Un-	Total
			Markets	Finans	Regnskaps-				
			EM 1	MN	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	-	-	215	82	560
Total income	1,003	682	550	245	182	317	215	82	3,464
Total operating expenses	443	216	371	183	57	257	-	3	1,531
Ordinary operating profit	560	466	179	62	125	60	215	82	1,933
Loss on loans, guarantees etc.	-9	100	-	-	6	-	-	1	98
Result before tax including held for sale	569	366	179	62	118	60	215	82	1,836
Post-tax-return on equity *)	13.0 %	10.4%							14,5 %
Balance									
Loans and advances to customers	132,992	46,956	-	-	9,910	-	-	-843	189,015
Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-45,922	-1,259	-	-	-	-	-	100	-47,081
Allowance for credit loss	-128	-1,366	-	-	-58	-	-	-3	-1,555
Other assets	123	16,357	3,737	415	99	622	1,921	35,180	60,047
Total assets	87,064	60,688	3,737	415	9,951	622	1,921	34,434	200,426
Deposits to customers	51,312	57,691	-	-	-	-	-	1,130	110,133
Other liabilities and equity	35,752	2,997	3,737	415	9,951	622	1,921	33,304	90,293
Total liabilities and equity	87,064	60,688	3,737	415	9,951	622	1,921	34,434	200,426

Group 30 June 2020

Profit and loss account (NOKm)	RM	CM	SB1 Markets	EM 1	SB 1	SB 1	SB1 Gruppen	BN Bank	Un- collated	Total
					Finans	Regnskaps- huset SMN				
Net interest	537	560	-3	-0	179	-0	-	-	103	1,376
Interest from allocated capital	85	59	-	-	-	-	-	-	-144	-
Total interest income	622	619	-3	-0	179	-0	-	-	-41	1,376
Comission income and other income	371	113	234	188	-9	304	-	-	-48	1,153
Net return on financial investments (**)	-2	14	86	-	-	-	-7	50	407	549
Total income	992	747	317	188	170	304	-7	50	318	3,078
Total operating expenses	471	217	269	158	64	237	-	-	-11	1,405
Ordinary operating profit	521	530	48	30	105	67	-7	50	329	1,673
Loss on loans, guarantees etc.	42	410	-	-	25	-	-	-	-0	478
Result before tax including held for sale	478	119	48	30	81	67	-7	50	329	1,195
Post-tax-return on equity *)	11.4 %	4.1 %								10,3 %
Balance										
Loans and advances to customers	124,165	42,366	-	-	9,384	-	-	-	-742	175,100
Adv. of this sold to SpareBank 1 Boligkreditt	-43,264	-1,308	-	-	-	-	-	-	100	-44,473
Allowance for credit losses	-146	-1,057	-	-	-61	-	-	-	-2	-1,267
Other assets	199	8,518	2,267	327	42	580	1,950	1,441	45,799	61,124
Total assets	80,954	48,518	2,267	327	9,365	580	1,950	1,441	45,081	190,484
Deposits to customers	48,103	44,715	-	-	-	-	-	-	1,470	94,289
Other liabilities and equity	32,850	3,803	2,267	327	9,365	580	1,950	1,441	43,611	96,195
Total liabilities and equity	80,954	48,518	2,267	327	9,365	580	1,950	1,441	45,081	190,484

Group 31 December 2020

Profit and loss account (NOKm)	RM	CM	SB 1		SB 1		SB 1	BN	Un-	Total
			Markets	EM 1	Finans	Regnskaps				
					huset	SMN	Gruppen	Bank	collated	
Net interest	1,112	1,085	-13	2	387	1	-	-	186	2,759
Interest from allocated capital	101	63	-	-	-	-	-	-	-165	-
Total interest income	1,213	1,149	-13	2	387	1	-	-	22	2,759
Commission income and other income	867	211	636	392	-22	533	-	-	-101	2,516
Net return on financial investments (**)	-2	21	137	-	-	-	194	120	481	951
Total income	2,078	1,381	759	394	364	533	194	120	401	6,225
Total operating expenses	929	422	590	342	131	423			68	2,904
Ordinary operating profit	1,149	959	169	52	234	110	194	120	333	3,321
Loss on loans, guarantees etc.	56	846	-	-	49	-	-	-	1	951
Result before tax including held for sale	1,093	113	169	52	184	110	194	120	333	2,370
Post-tax return on equity*)	13.4 %	2.1%								10.0 %
Balance										
Loans and advances to customers	129,149	44,845	-	-	9,549	-	-	-	-742	182,801
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-46,899	-1,354	-	-	-	-	-	-	-100	-48,153
Allowance for credit losses	-148	-1,298	-	-	-67	-	-	-	-4	-1,517
Other assets	156	10,471	3,265	357	116	592	2,151	1,514	36,160	54,781
Total assets	82,258	52,663	3,265	357	9,598	592	2,151	1,514	35,514	187,912
Deposits to customers	47,478	49,420	-	-	-	-	-	-	631	97,529
Other liabilities and equity	34,780	3,244	3,265	357	9,598	592	2,151	1,514	34,883	90,383
Total liabilities and equity	82,258	52,663	3,265	357	9,598	592	2,151	1,514	35,514	187,912

**) Specification of net return on financial investments (NOKm)	30.6.21	30.6.20	31.12.20
Dividends	21	10	39
Capital gains/losses shares	125	-6	-4
Gain/(loss) on certificates and bonds	-123	174	103
Gain/(loss) on derivatives	137	-97	32
Gain/(loss) on financial instruments related to hedging	-9	-3	1
Gain/(loss) on other financial instruments at fair value (FVO)	12	-11	-11
Foreign exchange gain/(loss)	31	68	82
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	28	21	28
Net return on financial instruments	199	145	230
SpareBank 1 Gruppen	215	-7	194
Gain Fremtind Forsikring	-	340	340
SpareBank 1 Boligkreditt	7	10	18
SpareBank 1 Næringskreditt	7	9	18
BN Bank	82	50	120
SpareBank 1 Kredittkort	1	2	2
SpareBank 1 Betaling	-4	-2	-2
Other companies	31	-9	-10
Income from investment in associates and joint ventures	340	217	681
Total net return on financial investments	560	549	950
Fair value hedging			
Changes in fair value on hedging instrument	-354	492	467
Changes in fair value on hedging item	344	-495	-465
Net Gain or Loss from hedge accounting	-9	-3	1

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 2021 the overall minimum requirement on CET1 capital is 12.5 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 1.0 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.

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 2021 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 2021 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 2020	30 June 2020	30 June 2021	(NOKm)	30 June 2021	30 June 2020	31 Dec 2020
18.092	17.565	19.231	Total book equity	22.382	20.320	21.310
-1.250	-1.213	-1.221	Additional Tier 1 capital instruments included in total equity	-1.262	-1.254	-1.293
-515	-501	-504	Deferred taxes, goodwill and other intangible assets	-1.000	-1.042	-1.044
-890	-	-627	Deduction for allocated dividends and gifts	-627	-	-890
-	-	-	Non-controlling interests recognised in other equity capital	-829	-768	-838
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	505	401	488
-	-835	-1.433	Net profit	-1.523	-1.008	-
-	446	657	Year-to-date profit included in core capital (50 per cent (50 per cent) pre tax of group profit)	747	618	-
-43	-51	-39	Value adjustments due to requirements for prudent valuation	-54	-62	-56
-47	-227	-585	Positive value of adjusted expected loss under IRB Approach	-617	-248	-74
-	-	-	Cash flow hedge reserve	7	14	10
-186	-187	-187	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-312	-424	-572
15.160	14.997	15.292	Common equity Tier 1 capital	17.416	16.547	17.041
1.250	1.250	1.250	Additional Tier 1 capital instruments	1.594	1.635	1.595
16.410	16.247	16.542	Tier 1 capital	19.011	18.182	18.636
			Supplementary capital in excess of core capital			
1.750	1.750	1.750	Subordinated capital	2.250	2.240	2.262
-139	-157	-155	Deduction for significant investments in financial institutions	-155	-157	-139
1.611	1.593	1.595	Additional Tier 2 capital instruments	2.095	2.083	2.123
18.020	17.841	18.137	Total eligible capital	21.105	20.266	20.759

			Minimum requirements subordinated capital			
1.053	981	1.132	Specialised enterprises	1.309	1.166	1.240
920	1.042	919	Corporate	930	1.052	930
1.511	1.608	1.415	Mass market exposure, property	2.207	2.290	2.261
107	112	98	Other mass market	101	115	110
1.026	1.006	1.083	Equity positions IRB	1	1	1
4.617	4.748	4.647	Total credit risk IRB	4.549	4.624	4.541
1	2	3	Central government	5	5	2
93	115	105	Covered bonds	149	159	142
441	597	493	Institutions	396	504	332
-	-	-	Local and regional authorities, state-owned enterprises	27	17	27
32	34	33	Corporate	283	251	281
20	18	15	Mass market	496	465	476
11	15	16	Exposures secured on real property	120	157	136
272	279	272	Equity positions	441	394	408
99	93	97	Other assets	157	150	159
970	1.152	1.034	Total credit risk standardised approach	2.074	2.102	1.962
30	43	47	Debt risk	47	44	31
-	-	-	Equity risk	20	10	18
-	-	-	Currency risk and risk exposure for settlement/delivery	3	1	3
421	407	421	Operational risk	772	720	770
25	53	34	Credit value adjustment risk (CVA)	149	193	123
6.063	6.404	6.183	Minimum requirements subordinated capital	7.613	7.694	7.448
75.785	80.047	77.288	Risk weighted assets (RWA)	95.167	96.181	93.096
3.410	3.602	3.478	Minimum requirement on CET1 capital, 4.5 per cent	4.283	4.328	4.189
			Capital Buffers			
1.895	2.001	1.932	Capital conservation buffer, 2.5 per cent	2.379	2.405	2.327
3.410	2.401	3.478	Systemic risk buffer, 4.5 per cent (3.0 per cent)	4.283	2.885	4.189
758	800	773	Countercyclical buffer, 1.0 per cent (1.0 per cent)	952	962	931
6.063	5.203	6.183	Total buffer requirements on CET1 capital	7.613	6.252	7.448
5.687	6.192	5.631	Available CET1 capital after buffer requirements	5.520	5.968	5.404
			Capital adequacy			
20,0 %	18,7 %	19,8 %	Common equity Tier 1 capital ratio	18,3 %	17,2 %	18,3 %
21,7 %	20,3 %	21,4 %	Tier 1 capital ratio	20,0 %	18,9 %	20,0 %
23,8 %	22,3 %	23,5 %	Capital ratio	22,2 %	21,1 %	22,3 %
			Leverage ratio			
178.219	183.256	186.273	Balance sheet items	264.565	255.493	256.978
6.190	8.084	9.313	Off-balance sheet items	10.028	8.944	7.514
-606	-779	-1.128	Regulatory adjustments	-1.822	-1.603	-1.577
183.803	190.562	194.457	Calculation basis for leverage ratio	272.770	262.834	262.915
16.410	16.247	16.542	Core capital	19.011	18.182	18.636
8,9 %	8,5 %	8,5 %	Leverage Ratio	7,0 %	6,9 %	7,1 %

Note 5 - Distribution of loans by sector/industry

Parent Bank				Group		
31 Dec 2020	30 June 2020	30 June 2021 (NOKm)		30 June 2021	30 June 2020	31 Dec 2020
9,160	8,809	9,313	Agriculture and forestry	9,654	9,206	9,591
5,243	5,104	5,264	Fisheries and hunting	5,283	5,118	5,259
1,704	888	2,127	Sea farming industries	2,398	1,258	2,100
2,234	1,999	2,085	Manufacturing	2,729	2,390	2,646
3,195	2,955	3,271	Construction, power and water supply	4,191	3,795	4,077
2,289	2,244	2,325	Retail trade, hotels and restaurants	2,628	2,578	2,586
4,537	5,006	5,023	Maritime sector	5,023	5,006	4,537
15,427	14,674	16,393	Property management	16,500	14,753	15,509
3,644	3,123	4,179	Business services	3,969	2,840	3,423
6,032	5,725	5,445	Transport and other services provision	6,386	6,636	6,942
9	6	2	Public administration	32	26	33
1,626	1,610	1,914	Other sectors	1,923	1,632	1,638
55,099	52,142	57,341	Gross loans in Corporate market	60,716	55,238	58,340
118,714	114,210	122,424	Wage earners	128,299	119,861	124,461
173,814	166,353	179,765	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	189,015	175,100	182,801
46,613	43,073	45,707	of which SpareBank 1 Boligkreditt	45,707	43,073	46,613
1,540	1,400	1,374	of which SpareBank 1 Næringskreditt	1,374	1,400	1,540
125,660	121,880	132,684	Gross loans in balance sheet	141,935	130,627	134,648
1,351	1,092	1,393	- Loan loss allowance on amortised cost loans	1,454	1,154	1,421
96	111	101	- Loan loss allowance on loans at FVOCI	101	113	96
124,214	120,677	131,190	Net loans to and receivables from customers	140,379	129,360	133,131

Note 6 - Losses on loans and guarantees

Parent Bank (NOKm)	First half														
	2021			2020			2Q 21			2Q 20			2020		
	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	-11	78	67	39	297	336	1	16	17	-5	150	145	49	666	715
Actual loan losses on commitments exceeding provisions made	5	22	27	7	114	121	3	21	24	6	2	8	14	197	212
Recoveries on commitments previously written-off	-3	-0	-3	-4	-0	-4	-2	0	-2	-3	-0	-3	-7	-18	-25
Losses for the period on loans and guarantees	-9	100	90	42	410	453	2	37	39	-2	153	151	56	846	902

Group (NOKm)	First half														
	2021			2020			2Q 21			2Q 20			2020		
	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	-21	77	57	36	304	340	-9	16	7	-4	156	152	48	681	729
Actual loan losses on commitments exceeding provisions made	17	27	44	38	126	165	11	23	34	11	12	22	55	213	268
Recoveries on commitments previously written-off	-3	-0	-3	-23	-4	-27	-2	0	-1	-5	-0	-5	-25	-21	-46
Losses for the period on loans and guarantees	-6	104	98	51	427	478	0	38	39	2	168	169	78	873	951

Note 7 - Losses

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 January 2020	Change in provision	Net write-offs/ recoveries	30 June 2020
Loans as amortised cost- CM	916	371	-114	1,173
Loans as amortised cost- RM	34	11	-7	39
Loans at fair value over OCI- RM	109	30	-	139
Loans at fair value over OCI- CM	1	-1	-	1
Provision for expected credit losses on loans and guarantees	1,060	412	-121	1,352
Presented as				
Provision for loan losses	937	387	-121	1,203
Other debt- provisions	100	20	-	120
Other comprehensive income - fair value adjustment	23	6	-	29

Parent Bank (NOKm)	1 Jan 20	Change in provision	Net write-offs /recoveries	31 Dec 20
Loans as amortised cost- CM	916	667	-206	1,377
Loans as amortised cost- RM	34	12	-11	35
Loans at fair value over OCI- RM	109	38	-	147
Loans at fair value over OCI- CM	1	-1	-	0
Provision for expected credit losses on loans and guarantees	1,060	715	-217	1,559
Presented as				
Provision for loan losses	937	725	-217	1,446
Other debt- provisions	100	-19	-	81
Other comprehensive income - fair value adjustment	23	9	-	32

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 January 2020	Change in provision	Net write-offs /recoveries	30 June 2020
Loans as amortised cost- CM	948	381	-117	1,211
Loans as amortised cost- RM	63	8	-7	64
Loans at fair value over OCI- RM	109	30	-	139
Loans at fair value over OCI- CM	1	-0	-	1
Provision for expected credit losses on loans and guarantees	1,121	418	-124	1,415
Presented as				
Provision for loan losses	998	393	-124	1,267
Other debt- provisions	100	20	-	119
Other comprehensive income - fair value adjustment	23	6	-	29

Group (NOKm)	1 Jan 20	Change in provision	Net write-offs /recoveries	31 Dec 20
Loans as amortised cost- CM	948	682	-209	1,421
Loans as amortised cost- RM	63	10	-11	62
Loans at fair value over OCI- RM	109	38	-	147
Loans at fair value over OCI- CM	1	-1	-	0
Provision for expected credit losses on loans and guarantees	1,121	729	-220	1,630
Presented as				
Provision for loan losses	998	739	-220	1,517
Other debt- provisions	100	-19	-	81
Other comprehensive income - fair value adjustment	23	9	-	32

Accrual for losses on loans

Parent Bank (NOKm)	30 June 2021				30 June 2020				31 Dec 2020			
	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	35	97	47	180	25	73	45	143	25	73	45	143
Transfer to (from) stage 1	19	-19	-0	-	14	-14	-0	-	14	-13	-0	-
Transfer to (from) stage 2	-2	2	-0	-	-2	2	-0	-	-1	2	-0	-
Transfer to (from) stage 3	-0	-4	4	-	-0	-3	3	-	-0	-3	3	-
Net remeasurement of loss allowances	-19	20	-6	-5	-16	8	6	-3	-17	12	9	5
Originations or purchases	9	5	1	15	9	5	0	14	13	13	0	26
Derecognitions	-7	-17	-2	-26	-5	-13	-1	-19	-8	-23	-2	-33
Changes due to changed input assumptions	3	6	-	9	7	39	-0	46	10	38	2	50
Actual loan losses	0	0	-8	-8	-	-	-7	-7	0	0	-11	-11
Closing balance	38	90	36	165	33	96	46	175	35	97	47	180
Corporate Market												
Opening balance	88	387	823	1,299	66	210	540	816	66	210	540	816
Transfer to (from) stage 1	9	-9	-0	-	9	-9	-0	-	14	-14	-0	-
Transfer to (from) stage 2	-2	2	-	-	-4	4	-0	-	-4	4	-0	-
Transfer to (from) stage 3	-2	-73	75	-	-0	-2	2	-	-0	-1	1	-
Net remeasurement of loss allowances	-18	5	36	24	-11	36	317	342	-2	72	486	556
Originations or purchases	19	12	112	143	22	10	1	33	45	99	1	144
Derecognitions	-10	-87	-2	-99	-17	-43	-0	-60	-30	-96	-1	-127
Changes due to changed input assumptions	1	4	-	6	7	34	-	41	-0	113	2	-
Actual loan losses	-	-	-10	-10	-	-	-114	-114	-	-	-206	-206
Closing balance	85	242	1,034	1,362	104	336	745	1,057	88	387	823	1,299
Total accrual for loan losses	123	333	1,071	1,527	137	432	792	1,232	123	484	870	1,478

Group (NOKm)	30 June 2021				30 June 2020				31 Dec 2020			
	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	42	107	58	207	32	84	56	172	32	84	56	172
Transfer to (from) stage 1	23	-23	-0	-	16	-15	-0	-0	14	-13	-0	-
Transfer to (from) stage 2	-2	3	-0	-	-2	3	-1	-	0	-0	-0	-
Transfer to (from) stage 3	-0	-5	5	-	-0	-5	5	-0	-1	-2	3	-
Net remeasurement of loss allowances	-21	21	-2	-1	-17	10	10	3	-17	11	11	5
Originations or purchases	11	6	1	18	11	5	0	16	12	15	5	31
Derecognitions	-8	-18	-2	-28	-5	-14	-8	-28	-6	-20	1	-25
Changes due to changed input assumptions	1	4	-2	3	6	37	-1	43	7	33	-6	35
Actual loan losses	-	-	-8	-8	-	-	-7	-7	-	-	-11	-11
Closing balance	46	96	49	190	40	107	54	200	42	107	58	207
Corporate Market												
Opening balance	98	399	845	1,342	71	217	560	849	71	218	560	849
Transfer to (from) stage 1	10	-10	-0	-	10	-10	-0	-	14	-14	-0	-
Transfer to (from) stage 2	-3	3	-0	-	-4	4	-0	-	-2	2	-0	-
Transfer to (from) stage 3	-2	-74	76	-	-0	-2	2	-	-1	0	1	-
Net remeasurement of loss allowances	-18	7	39	28	-9	39	318	348	-2	72	484	555
Originations or purchases	21	14	114	148	24	10	1	35	46	103	3	151
Derecognitions	-12	-90	-11	-113	-18	-43	-1	-62	-26	-93	10	-109
Changes due to changed input assumptions	0	3	-1	3	7	34	-0	41	-2	111	-4	106
Actual loan losses	-	-	-10	-10	-	-	-117	-117	-	-	-209	-209
Closing balance	94	251	1,052	1,398	81	249	763	1,093	98	399	845	1,342
Total accrual for loan losses	140	347	1,101	1,587	120	356	817	1,293	140	507	902	1,549

Accrual for losses on quarantees and unused credit lines

Parent Bank and Group (NOKm)	30 June 2021				30 June 2020				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance	27	50	4	81	14	29	57	100	14	29	57	100
Transfer to (from) stage 1	4	-4	-0	-	-	-	-	-	2	-2	-0	-
Transfer to (from) stage 2	-6	6	-	-	2	-2	-0	-	-0	0	-0	-
Transfer to (from) stage 3	-0	-1	1	-	-0	0	-	-	-0	-0	0	-
Net remeasurement of loss allowances	-7	5	-0	-3	-0	-0	0	-	2	16	-54	-36
Originations or purchases	5	3	0	8	-1	17	-0	16	11	8	0	19
Derecognitions	-1	-3	-0	-4	4	0	0	4	-5	-13	-0	-19
Changes due to changed input assumptions	0	1	-	1	-2	-3	-0	-5	3	12	0	16
Actual loan losses	-	-	-	-	2	3	-0	5	-	-	-	-
Closing balance	22	57	3	81	18	45	57	120	27	50	4	81
Of which												
Retail market				2				3				2
Corporate Market				79				117				79

Allowance for losses on loans distributed by sector

Parent bank (NOKm)	30 June 2021				30 June 2020				31 Dec 2020			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Agriculture and forestry	10	26	2	39	2	25	9	36	2	34	5	41
Fisheries and hunting	3	0	0	4	4	0	-	4	6	2	0	8
Sea farming industries	0	0	0	1	1	1	-	1	2	0	3	5
Manufacturing	6	22	13	41	5	16	3	24	8	25	2	35
Construction, power and water supply	13	8	38	59	10	9	16	35	11	27	17	55
Retail trade, hotels and restaurants	8	26	16	50	10	12	5	27	10	30	17	58
Maritime sector	14	122	717	853	11	125	564	701	10	180	614	804
Property management	18	49	34	101	17	38	37	92	20	56	38	114
Business services	10	15	207	233	9	19	133	161	12	56	142	210
Transport and other services	7	7	9	23	7	7	1	16	8	10	2	19
Public administration	0	-	-	0	-	-	-	-	-	-	-	-
Other sectors	0	1	-	1	-	-	-	-	-	-	-	-
Wage earners	2	54	34	90	-	83	23	106	2	65	31	97
Total provision for losses on loans	91	333	1,071	1,495	75	336	792	1,203	91	484	870	1,446
Loan loss allowance on loans at FVOCI	32	-	-	32	29	-	-	29	32	-	-	32
Total loan loss allowance	123	333	1,071	1,527	104	336	792	1,232	123	484	870	1,478

Group (NOKm)	30 June 2021				30 June 2020				31 Dec 2020			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Agriculture and forestry	11	28	3	42	3	27	10	39	3	36	5	44
Fisheries and hunting	3	0	0	4	4	0	-	4	6	2	0	8
Sea farming industries	1	1	0	2	1	1	-	2	3	1	3	6
Manufacturing	8	23	18	49	6	19	7	32	10	27	7	44
Construction, power and water supply	16	10	41	67	12	13	17	42	13	31	20	64
Retail trade, hotels and restaurants	9	27	18	54	11	13	10	34	12	31	19	62
Maritime sector	14	122	717	853	11	125	564	701	10	180	614	804
Property management	19	50	34	102	17	38	38	93	20	56	39	115
Business services	11	17	211	239	10	20	134	164	13	57	143	213
Transport and other services	9	9	21	38	9	8	5	23	10	12	10	32
Public administration	0	-	-	0	-	-	-	-	-	-	-	-
Other sectors	0	1	-	1	-	-	-	-	-	-	2	2
Wage earners	7	60	38	105	6	92	31	129	7	73	41	122
Total provision for losses on loans	108	347	1,101	1,556	91	356	817	1,264	108	507	902	1,517
Loan loss allowance on loans at FVOCI	32	-	-	32	29	-	-	29	32	-	-	32
Total loan loss allowance	140	347	1,101	1,587	120	356	817	1,293	140	507	902	1,549

Note 8 - Gross loans

Parent Bank (NOKm)	30 June 2021				30 June 2020				31 Dec 2020			
	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	73,297	4,430	381	78,108	69,045	5,129	487	74,661	69,045	5,129	487	74,661
Transfer to stage 1	1,180	-1,176	-4	-	1,124	-1,112	-12	-	1,050	-1,019	-31	-
Transfer to stage 2	-949	953	-4	-	-1,275	1,353	-78	-	-1,433	1,470	-38	-
Transfer to stage 3	-42	-78	119	-	-40	-111	151	-	-30	-47	77	-
Net increase/decrease amount existing loans	-1,736	-79	-10	-1,826	-1,501	-97	3	-1,595	-2,093	-136	-7	-2,237
New loans	25,651	449	63	26,163	32,341	660	63	33,064	49,001	1,464	111	50,575
Derecognitions	-18,368	-1,061	-99	-19,528	-27,691	-1,485	-118	-29,294	-42,243	-2,429	-196	-44,867
Financial assets with actual loan losses	0	-1	-11	-12	-0	-1	-11	-12	-1	-2	-22	-24
Closing balance	79,009	3,440	434	82,883	72,004	4,336	485	76,825	73,297	4,430	381	78,108
Corporate Market												
Opening balance	35,612	5,975	1,702	43,289	33,190	3,971	1,470	38,632	33,190	3,971	1,470	38,632
Transfer to stage 1	391	-391	-0	-	376	-376	-	-	521	-521	-0	-
Transfer to stage 2	-455	455	-	-	-408	424	-15	-	-2,605	2,614	-9	-
Transfer to stage 3	-42	-813	856	-	-58	-42	100	-	-70	-685	754	-
Net increase/decrease amount existing loans	-266	-81	-541	-888	-1,820	3	55	-1,762	-1,541	-208	38	-1,711
New loans	6,717	372	1,089	8,179	10,100	439	172	10,712	17,141	1,672	328	19,141
Derecognitions	-4,166	-679	-191	-5,036	-6,119	-489	-47	-6,655	-11,046	-753	-862	-12,662
Financial assets with actual loan losses	0	0	-11	-11	0	-111	-11	-122	-2	-111	-19	-132
Closing balance	37,790	4,838	2,904	45,533	35,262	3,819	1,724	40,805	35,587	5,979	1,702	43,268
Fixed interest loans at FV	4,268			4,268	-			4,251	4,285			4,285
Total gross loans at the end of the period	121,067	8,279	3,338	132,684	107,265	8,155	2,209	121,881	113,169	10,409	2,083	125,660

Group (NOKm)	30 June 2021				30 June 2020				31 Dec 2020			
	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	78,206	5,208	453	83,867	73,675	5,924	570	80,169	73,675	5,924	570	80,169
Transfer to stage 1	1,343	-1,339	-4	-	1,290	-1,276	-14	0	1,260	-1,225	-35	-
Transfer to stage 2	-1,152	1,159	-7	-	-1,503	1,593	-90	0	-1,731	1,785	-54	-
Transfer to stage 3	-48	-124	172	-	-47	-150	197	-	-44	-89	133	-
Net increase/decrease amount existing loans	-1,755	-99	-17	-1,871	-1,518	-123	1	-1,640	-2,136	-196	-15	-2,346
New loans	27,231	550	64	27,845	33,695	723	66	34,483	51,383	1,702	119	53,204
Derecognitions	-19,676	-1,246	-114	-21,036	-28,293	-1,575	-150	-30,018	-43,512	-2,624	-239	-46,375
Financial assets with actual loan losses	-0	-1	-11	-12	-443	-55	-15	-513	-689	-70	-25	-784
Closing balance	84,149	4,108	536	88,794	76,855	5,061	564	82,480	78,206	5,208	453	83,867
Corporate Market												
Opening balance	38,107	6,587	1,802	46,496	35,466	4,426	1,539	41,431	35,466	4,426	1,539	41,431
Transfer to stage 1	570	-570	-0	-	445	-444	-0	-	693	-690	-4	-
Transfer to stage 2	-549	553	-4	-	-535	556	-21	-	-2,897	2,909	-11	-
Transfer to stage 3	-51	-836	887	-	-71	-65	136	-	-107	-695	801	-
Net increase/decrease amount existing loans	-333	-94	-547	-973	-1,716	-13	58	-1,671	-1,589	-265	34	-1,819
New loans	7,456	399	1,089	8,944	10,654	542	174	11,370	18,238	1,875	349	20,462
Derecognitions	-4,583	-784	-216	-5,583	-6,492	-554	-64	-7,110	-11,287	-815	-883	-12,985

Financial assets with actual loan losses	0	0	-11	-11	0	-111	-11	-122	-410	-159	-24	-593
Balance at 31 December	40,618	5,255	3,000	48,873	37,750	4,336	1,811	43,897	38,107	6,587	1,802	46,496
Closing balance												
Fixed interest loans at FV	4,268			4,268	-			4,251	4,285	-	-	4,285
Total gross loans at the end of the period	129,035	9,363	3,537	141,935	114,606	9,397	2,375	130,627	120,598	11,794	2,255	134,648

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank			(NOKm)	Group		
31 Dec 2020	30 June 2020	30 June 2021		30 June 2021	30 June 2020	31 Dec 2020
2,269	2,410	2,587	Agriculture and forestry	2,587	2,410	2,269
1,210	1,001	1,090	Fisheries and hunting	1,090	1,001	1,210
1,305	1,164	1,414	Sea farming industries	1,414	1,164	1,305
1,796	1,630	1,963	Manufacturing	1,963	1,630	1,796
3,799	3,105	4,766	Construction, power and water supply	4,766	3,105	3,799
5,461	3,789	4,985	Retail trade, hotels and restaurants	4,985	3,789	5,461
1,182	988	982	Maritime sector	982	988	1,182
5,821	5,962	6,369	Property management	6,313	5,890	5,750
9,286	8,752	10,094	Business services	10,094	8,752	9,286
8,930	8,970	9,354	Transport and other services provision	8,950	8,597	8,518
12,711	12,809	17,644	Public administration	17,644	12,809	12,711
3,795	3,311	5,328	Other sectors	5,169	3,173	3,641
57,566	53,889	66,575	Total	65,955	53,307	56,928
40,600	40,982	44,178	Wage earners	44,178	40,982	40,600
98,166	94,871	110,753	Total deposits	110,133	94,289	97,529

Note 10 - Net interest income

Parent bank					Group					
First half					First half					
2020	2Q 20	2Q 21	2020	2021	(NOKm)	2021	2020	2Q 21	2Q 20	2020
					Interest income					
171	50	29	117	64	Interest income from loans to and claims on central banks and credit institutions (amortised cost)	17	33	6	12	42
1,584	370	400	800	785	Interest income from loans to and claims on customers (amortised cost)	1,041	1,070	529	506	2,120
1,519	366	314	871	624	Interest income from loans to and claims on customers (FVOCI)	631	879	318	370	1,534
129	32	29	65	59	Interest income from loans to and claims on customers (FVPL)	59	65	29	32	129
349	105	70	221	138	Interest income from money market instruments, bonds and other fixed income securities	136	220	70	105	346
-	-	-	-	-	Other interest income	12	14	6	7	27
3,752	924	843	2,074	1,669	Total interest income	1,897	2,280	958	1,031	4,197
					Interest expense					
84	18	3	63	14	Interest expenses on liabilities to credit institutions	15	70	3	18	92
731	190	117	491	242	Interest expenses relating to deposits from and liabilities to customers	239	482	115	187	719
484	122	107	270	211	Interest expenses related to the issuance of securities	211	271	107	122	484
48	12	8	32	16	Interest expenses on subordinated debt	17	33	9	13	50
8	5	6	23	4	Other interest expenses	10	14	9	9	25
67	16	17	16	38	Guarantee fund levy	38	35	17	16	67
1,423	363	258	895	525	Total interest expense	531	905	260	365	1,439
2,329	561	586	1,179	1,144	Net interest income	1,366	1,376	698	666	2,759

Note 11 - Net commission income and other income

Parent bank						Group					
2020	2Q 20	2Q 21	First half		(NOKm)	First half			2Q 20	2020	
			2020	2021		2021	2020	2Q 21			
Commission income											
59	16	16	32	34	Guarantee commission	33	32	16	16	58	
-	-	-	-	-	Broker commission	152	118	85	66	251	
56	16	16	27	31	Portfolio commission, savings products	31	27	16	16	57	
					Commission from SpareBank 1						
408	57	113	144	225	Boligkreditt	225	144	113	57	408	
					Commission from SpareBank 1						
13	2	4	6	8	Næringskreditt	8	6	4	2	13	
393	91	96	194	187	Payment transmission services	185	193	94	91	390	
195	48	53	95	105	Commission from insurance services	105	95	53	48	195	
80	22	22	41	39	Other commission income	36	36	20	19	71	
1,205	253	319	539	629	Total commission income	774	651	400	316	1,443	
Commission expenses											
83	16	18	37	36	Payment transmission services	53	51	25	25	112	
14	2	2	5	6	Other commission expenses	46	40	23	19	84	
97	17	21	42	42	Total commission expenses	98	91	48	44	196	
Other operating income											
22	5	12	11	18	Operating income real property	18	11	12	5	21	
					Property administration and sale of						
-	-	-	-	-	property	82	70	46	39	142	
-	-	-	-	-	Securities trading	452	210	177	129	583	
-	-	-	-	-	Accountant's fees	301	290	154	141	506	
19	8	2	11	4	Other operating income	10	13	7	9	18	
41	13	13	22	22	Total other operating income	863	593	395	323	1,269	
1,149	249	312	519	609	Total net commission income and other operating income	1,538	1,153	748	595	2,516	

Note 12 - Operating expenses

Parent bank					Group					
2020	2Q 20	2Q 21	First half		(NOKm)	First half		2Q 21	2Q 20	2020
			2020	2021		2021	2020			
246	63	67	126	130	IT costs	177	170	90	85	334
15	5	3	9	5	Postage and transport of valuables	6	11	4	6	19
52	12	12	28	26	Marketing	37	41	17	16	73
102	25	25	52	49	Ordinary depreciation	93	81	40	39	164
39	10	10	17	23	Operating expenses, real properties	33	24	15	15	62
150	39	39	77	69	Purchased services	108	105	61	54	217
140	30	31	67	61	Other operating expense	81	90	43	38	186
744	185	186	375	364	Total other operating expenses	534	522	269	254	1,054

Note 13 - Net return on financial investments

Parent Bank					Group					
2020	2Q 20	2Q 21	First half		(mill kr)	First half			2Q 20	2020
			2020	2021		2021	2020	2Q 21		
Valued at fair value through profit/loss										
-74	31	-71	65	-199	Value change in interest rate instruments	-121	175	-38	123	103
1	2	2	-3	-9	Value change in derivatives/hedging Net value change in hedged bonds and derivatives	-9	-3	2	2	1
-11	45	2	-11	12	Net value change in hedged fixed rate loans and derivatives	12	-11	2	45	-11
32	51	31	-97	137	Other derivatives	165	-77	39	58	59
Income from equity instruments										
Income from owner interests										
492	338	635	411	709	Dividend from owner instruments	-	-	-	-	-
-15	-	-2	-3	-5	Value change and gain/loss on owner instruments	-2	-3	-2	0	-9
36	2	-37	5	3	Dividend from equity instruments	21	10	17	2	39
-1	33	14	11	8	Value change and gain/loss on equity instruments	126	-3	24	36	5
460	503	574	377	654	Total net income from financial assets and liabilities at fair value through profit/(loss)	531	482	256	444	868
Valued at amortised cost										
Value change in interest rate instruments										
-6	-1	-1	-5	-2	Value change in interest rate instruments held to maturity	-2	-5	-1	-1	-6
-6	-1	-1	-5	-2	Total net income from financial assets and liabilities at amortised cost	-2	-5	-1	-1	-6
89	6	15	72	31	Total net gain from currency trading	31	72	15	6	89
542	507	588	445	684	Total net return on financial investments	560	549	270	448	951

Note 14 - Other assets

Parent Bank		(NOKm)		Group		
31 Dec 2020	30 June 2020	30 June 2021		30 June 2021	30 June 2020	31 Dec 2020
-	-	-	Deferred tax asset	98	154	129
67	79	84	Fixed assets	209	213	194
298	327	278	Right to use assets	470	463	470
135	110	98	Earned income not yet received	157	148	185
11	1,169	296	Accounts receivable, securities	1,841	1,605	678
112	83	112	Pension assets	112	83	112
340	321	471	Other assets	763	668	690
963	2,089	1,339	Total other assets	3,650	3,335	2,457

Note 15 - Other liabilities

Parent Bank			(NOKm)	Group		
31 Dec 2020	30 June 2020	30 June 2021		30 June 2021	30 June 2020	31 Dec 2020
8	32	8	Deferred tax	81	98	81
322	218	195	Payable tax	266	298	408
11	10	11	Capital tax	11	10	11
			Accrued expenses and received, non-accrued			
101	-6	55	income	634	321	671
301	264	336	Provision for accrued expenses and commitments	336	264	301
81	120	81	Losses on guarantees and unutilised credits	81	120	81
10	11	10	Pension liabilities	10	11	10
303	331	285	Lease liabilities	481	468	479
74	61	78	Drawing debt	78	61	74
3	4	1	Creditors	60	62	45
13	2,668	276	Debt from securities	1,515	3,006	568
-	-	-	Equity Instruments	87	125	-
239	523	483	Other liabilities	614	615	355
1,466	4,237	1,820	Total other liabilities	4,254	5,459	3,084

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

Group

Change in securities debt (NOKm)	31 Dec 2020	Issued	Fallen due/ Redeemed	Other changes	30 June 2021
Certificate, nominal value	341	-	368	28	-
Bond debt, nominal value	39,819	5,367	5,193	-1,179	38,813
Senior non preferred, nominal value	1,000	1,500	-	-4	2,496
Value adjustments	569	-	-	-399	169
Accrued interest	191	-	-	-25	166
Total	41,920	6,867	5,561	-1,580	41,645

Change in subordinated debt and hybrid equity (NOKm)	31 Dec 2020	Issued	Fallen due/ Redeemed	Other changes	30 June 2021
Ordinary subordinated loan capital, nominal value	1,793	-	-	-	1,793
Hybrid equity, nominal value	-	-	-	-	-
Value adjustments	-	-	-	-	-
Accrued interest	3	-	-	-0	2
Total	1,795	-	-	-0	1,795

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 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 30 June 2020:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	0	10,069	-	10,069
- Bonds and money market certificates	2,635	26,320	-	28,955
- Equity instruments	1,137	113	422	1,673
- Fixed interest loans	-	43	4,214	4,256
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	73,516	73,516
Total assets	3,772	36,545	78,152	118,469
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	6	8,638	-	8,644
- Equity instruments	125	-	-	125
Total liabilities	131	8,638	-	8,769

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2020:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
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Financial assets at fair value through profit/loss				
- Derivatives	1	7,225	-	7,226
- Bonds and money market certificates	4,865	21,741	-	26,606
- Equity instruments	1,928	6	432	2,366
- Fixed interest loans	-	43	4,242	4,285
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	74,761	74,761
Total assets	6,793	29,015	79,435	115,244
Liabilities				
	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	2	7,177	-	7,179
- Equity instruments	-	-	-	-
Total liabilities	2	7,177	-	7,179

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	526	4,226	79,691	84,443

The following table presents the changes in the instruments classified in level 3 as at 30 June 2020:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	405	4,636	71,336	76,377
Investment in the period	13	216	30,795	31,025
Disposals in the period	-13	-761	-28,583	-29,357
Expected credit loss	-	-	-37	-37
Gain or loss on financial instruments	17	123	6	145
Closing balance	422	4,214	73,516	78,152

The following table presents the changes in the instruments classified in level 3 as at 31 December 2020:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	405	4,636	71,336	76,377
Investment in period	48	731	47,183	47,962
Disposals in the period	-14	-1,206	-43,754	-44,973
Expected credit loss	-	-	-13	-13
Gain or loss on financial instruments	-7	81	7	81
Closing balance 31 December	432	4,242	74,761	79,435

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 6 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 437 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 2021:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumptions
Fixed interest loans	4,226	-12
Equity instruments through profit/loss*	526	-
Loans at fair value through other comprehensive income	79,691	-6

* 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 year 2021 was 3.9 years. The overall LCR at the same point was 184 per cent and the average overall LCR in the second quarter was 181 per cent. The LCR in Norwegian kroner and euro at quarter-end was 176 and 267 per cent respectively.

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	2020	2020
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	1,395	915	1,793
Allocated to ECC Owners 2)	892	585	1,147
Issues Equity Capital Certificates adjusted for own certificates	129,324,795	129,303,137	129,347,626
Earnings per Equity Capital Certificate	6.90	4.53	8.87

1) Adjusted Net Profit	First half		
	2021	2020	2020
Net Profit for the group	1,523	1,008	1,978
adjusted for non-controlling interests share of net profit	-98	-55	-126
Adjusted for Tier 1 capital holders share of net profit	-30	-38	-59
Adjusted Net Profit	1,395	915	1,793

2) Equity capital certificate ratio (parent bank) (NOKm)	30 June 2021	30 June 2020	31 Dec 2020
ECC capital	2,597	2,597	2,597
Dividend equalisation reserve	6,556	6,338	6,556
Premium reserve	895	895	895
Unrealised gains reserve	153	121	153
Other equity capital	-0	-28	-
A. The equity capital certificate owners' capital	10,201	9,923	10,201
Ownerless capital	5,664	5,541	5,664
Unrealised gains reserve	86	68	86
Other equity capital	-0	-16	-
B. The saving bank reserve	5,750	5,593	5,750
To be disbursed from gift fund	226	-	321
Dividend declared	401	-	569
Equity ex. profit	16,578	15,517	16,842
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	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
	2021	2021	2020	2020	2020	2020	2019	2019	2019
Interest income effective interest method	958	939	945	972	1,031	1,250	1,235	1,190	1,127
Interest expenses	260	271	258	277	365	540	539	512	463
Net interest	698	668	688	695	665	710	697	678	664
Commission income	400	374	393	399	316	335	342	352	342
Commission expenses	48	51	54	50	44	47	38	45	42
Other operating income	395	468	399	277	323	271	255	235	294
Commission income and other income	748	790	738	625	595	558	559	541	594
Dividends	17	4	27	2	2	8	1	1	11
Income from investment in related companies	212	128	117	170	177	217	8	85	231
Net return on financial investments	42	158	53	32	269	-124	8	35	95
Net return on financial investments	270	289	197	204	448	101	17	121	336
Total income	1,716	1,748	1,622	1,525	1,709	1,369	1,244	1,319	1,573
Staff costs	465	531	553	415	445	438	393	398	434
Other operating expenses	269	265	271	261	254	268	305	266	259
Total operating expenses	735	796	824	675	699	706	699	664	693
Result before losses	981	952	798	850	1,010	663	574	677	901
Loss on loans, guarantees etc.	39	59	242	231	170	308	103	71	59
Result before tax	942	893	556	619	840	355	471	605	843
Tax charge	191	131	105	102	124	69	122	122	166
Result investment held for sale, after tax	4	6	-0	2	3	4	1	3	4
Net profit	755	768	450	519	719	290	346	488	683

Key figures from quarterly accounts

Group (NOKm)	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019
Profitability									
Return on equity per quarter ¹⁾	14.3%	14.8%	8.9%	10.5%	15.1%	5.7%	7.1%	10.2%	14.9%
Cost-income ratio ¹⁾	43 %	46 %	51 %	45 %	41 %	52 %	56 %	50 %	44 %
Balance sheet figures									
Gross loans to customers	141,935	137,471	134,648	133,640	130,627	127,272	126,277	123,967	121,895
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	189,015	185,342	182,801	179,423	175,100	170,771	167,777	165,380	163,627
Deposits from customers	110,133	102,390	97,529	95,391	94,289	88,152	85,917	83,641	86,553
Total assets	200,426	193,822	187,912	186,900	190,484	185,182	166,662	166,475	167,289
Quarterly average total assets	197,124	190,867	187,406	188,692	187,833	175,922	166,569	166,882	165,965
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months ¹⁾	2.0 %	1.4 %	1.9 %	2.5 %	2.5 %	1.8 %	1.4 %	1.1 %	1.6 %
Growth in deposits last 12 months	7.6 %	5.0 %	2.2 %	1.2 %	7.0 %	2.6 %	2.7 %	-3.4 %	6.7 %
Losses in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio ¹⁾	0.08 %	0.13 %	0.54 %	0.52 %	0.39 %	0.73 %	0.25 %	0.17 %	0.14 %
Stage 3 as a percentage of gross loans ¹⁾	1.87 %	1.66 %	1.23 %	1.30 %	1.35 %	1.39 %	1.26 %	1.28 %	1.22 %
Solidity ²⁾									
Common equity Tier 1 capital ratio	18.3 %	18.0 %	18.3 %	17.6 %	17.2 %	16.3 %	17.2 %	15.1 %	15.0 %
Tier 1 capital ratio	20.0 %	19.7 %	20.0 %	19.2 %	18.9 %	18.0 %	19.3 %	16.7 %	16.6 %
Capital ratio	22.2 %	21.9 %	22.3 %	21.4 %	21.1 %	20.1 %	21.6 %	18.9 %	18.8 %
Tier 1 capital	19,011	18,636	18,636	18,290	18,182	17,792	17,742	17,417	17,284
Total eligible capital	21,105	20,741	20,759	20,373	20,266	19,879	19,854	19,765	19,634
Liquidity Coverage Ratio (LCR)	184 %	190 %	171 %	140 %	163 %	185 %	148 %	181 %	165 %
Leverage Ratio	7.0 %	7.0 %	7.1 %	7.1 %	6.9 %	6.9 %	7.5 %	7.4 %	7.5 %
Key figures ECC									
ECC share price at end of period (NOK)	119.20	107.40	97.60	84.30	78.30	67.60	100.20	98.50	97.70
Number of certificates issued, millions ¹⁾	129.36	129.22	129.39	129.44	129.39	129.22	129.30	129.48	129.66
Booked equity capital per ECC (including dividend) ¹⁾	100.18	96.70	94.71	92.73	90.37	86.85	90.75	89.36	87.04
Profit per ECC, majority ¹⁾	3.51	3.40	1.99	2.35	3.27	1.26	1.60	2.30	3.21
Price-Earnings Ratio ¹⁾	8.50	7.91	12.28	8.96	5.98	13.46	15.67	10.69	7.61
Price-Book Value Ratio ¹⁾	1.19	1.11	1.03	0.91	0.87	0.78	1.10	1.10	1.12

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

2) Comparables have not been restated since revised distribution of profit for 2019

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 2021 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, 11 August 2021
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Christian Stav
(deputy chair)

Morten Loktu

Mette Kamsvåg

Tonje Eskeland Foss

Janne Thyø Thomsen

Freddy Aursø

Inge Lindseth
(employee rep.)

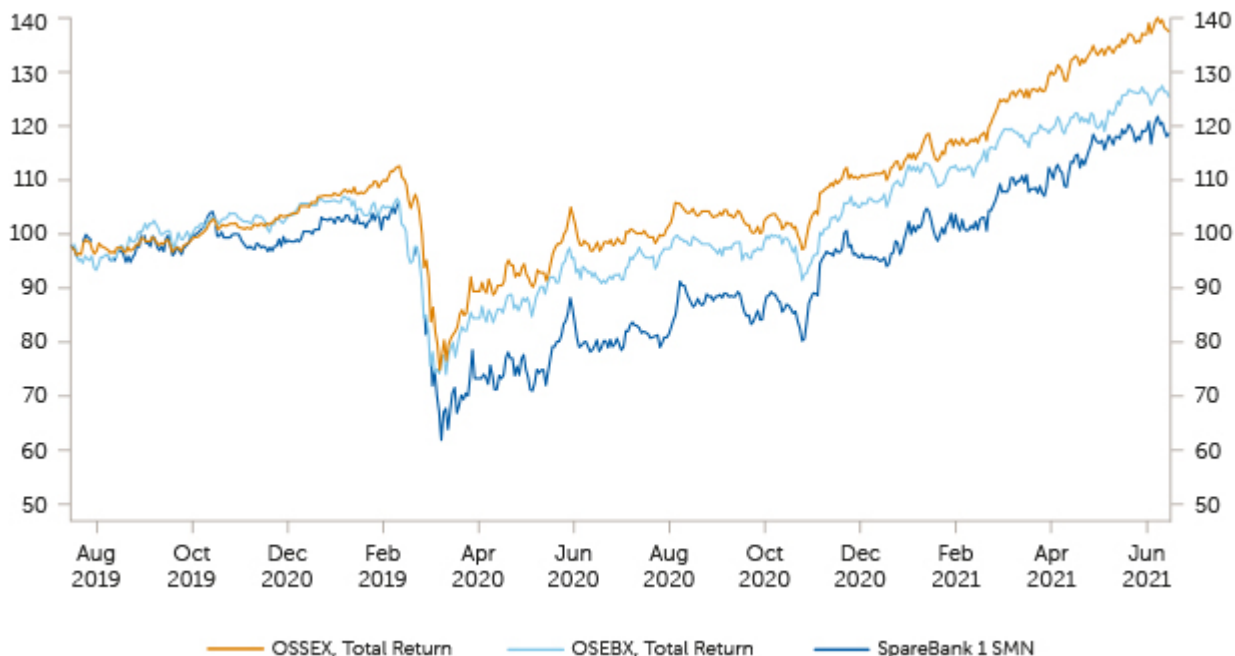
Christina Straub
(employee rep.)

Jan-Frode Janson
(Group CEO)

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 July 2019 to 30 June 2021



OSEBX = Oslo Stock Exchange Benchmark Index (rebased)
 OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 July 2020 to 30 June 2021



Total number of ECs traded (1000)

20 largest ECC holders	Number	Share
State Street Bank and Trust Comp	4,065,418	3.13 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,342,919	2.57 %
VPF Alfred Berg Gambak	3,098,178	2.39 %
Danske Invest Norske aksjer institusjon II.	2,846,114	2.19 %
VPF Nordea Norge	2,739,844	2.11 %
VPF Pareto aksje Norge	2,619,766	2.02 %
State Street Bank and Trust Comp	2,205,541	1.70 %
J.P. Morgan Chase Bank, N.A., London	2,054,066	1.58 %
VPF Eika Egenkapitalbevis	1,948,968	1.50 %
Forsvarets personellservice	1,942,946	1.50 %
Pareto Invest AS	1,821,106	1.40 %
J.P. Morgan Bank Luxembourg S.A.	1,535,950	1.18 %
J.P. Morgan Bank Luxembourg S.A.	1,424,474	1.10 %
MP pensjon PK	1,352,771	1.04 %
J.P. Morgan Bank Luxembourg S.A.	1,329,700	1.02 %
VPF Nordea kapital	1,328,941	1.02 %
Spesialfondet Borea utbytte	1,250,762	0.96 %
VPF Nordea avkastning	1,249,111	0.96 %
Danske Invest Norske aksjer institusjon	1,244,975	0.96 %
The 20 largest ECC holders in total	43,366,941	33.40 %
Others	86,469,502	66.60 %
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.

Auditor's report



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 2021, 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 2021, and its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Trondheim, 11 August 2021
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

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

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