

Second Quarter Report 2023



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Main figures

From the income statement (NOKm) ²⁾	Second Quarter		First half		
	2023	2022	2023	2022	2022
Net interest	1,094	803	2,129	1,563	3,339
Net commission income and other income	561	555	1,102	1,077	2,042
Net return on financial investments	103	-43	131	132	380
Total income	1,757	1,316	3,361	2,772	5,760
Total operating expenses	683	585	1,411	1,214	2,443
Results before losses	1,074	731	1,950	1,558	3,317
Loss on loans, guarantees etc	29	-48	-42	-48	-7
Results before tax	1,045	779	1,991	1,606	3,324
Tax charge	159	164	365	329	718
Result investment held for sale, after tax	37	87	74	123	179
Net profit	923	702	1,701	1,400	2,785
Interest Tier 1 Capital	26	12	60	33	63
Net profit excl. Interest Tier 1 Capital	897	690	1,641	1,367	2,722

Balance sheet figures	30 Jun 2023	30 Jun 2022	31 Dec 2022
Gross loans to customers	166,819	148,681	152,629
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	232,100	205,504	211,244
Deposits from customers	140,164	123,812	122,010
Average total assets	233,442	207,777	213,112
Total assets	248,806	217,458	223,110

Key figures	Second Quarter		First half		
	2023	2022	2023	2022	2022
Profitability¹⁾					
Return on equity	15.1 %	12.9 %	13.9 %	12.6 %	12.3 %
Cost-income ratio ²⁾	39 %	44 %	42 %	44 %	42 %
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	84 %	83 %	84 %	83 %	80 %
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt	60 %	60 %	60 %	60 %	58 %
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt)	8.5 %	2.8 %	12.9 %	8.7 %	8.1 %
Growth in deposits last 12 months	13.5 %	8.6 %	13.2 %	12.4 %	9.6 %
Losses in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt ¹⁾					
Impairment losses ratio	0.05 %	-0.09 %	-0.04 %	-0.05 %	0.00 %
Stage 3 as a percentage of gross loans	0.99 %	1.08 %	0.99 %	1.08 %	0.97 %

Solidity	30 Jun 2023	30 Jun 2022	31 Dec 2022
	Capital ratio	23.5 %	22.7 %
Tier 1 capital ratio	21.0 %	20.4 %	20.9 %
Common equity Tier 1 capital ratio	19.1 %	18.8 %	18.9 %
Tier 1 capital	24,192	20,547	21,835
Total eligible capital	27,106	22,910	24,147
Liquidity Coverage Ratio (LCR)	188 %	204 %	239 %
Leverage Ratio	7.2 %	6.9 %	7.1 %

Branches and staff	30 Jun 2023	30 Jun 2022	31 Dec 2022
	Number of branches	46	40
No. Of full-time positions ²⁾	1,497	1,436	1,432

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

²⁾ Historical numbers are restated after the reclassification of the subsidiary SpareBank 1 Markets to Investment held for sale. For more information see note 2.

Key figures ECC	First half 2023	First half 2022	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
ECC ratio	67 %	64 %	64 %	64 %	64 %	64 %
Number of certificates issued, millions ¹⁾	143.80	129.31	129.29	129.39	129.39	129.30
ECC share price at end of period (NOK)	141.00	115.80	127.40	149.00	97.60	100.20
Stock value (NOKM)	20,275	14,974	16,471	19,279	12,629	12,956
Booked equity capital per ECC (including dividend) ¹⁾	112.81	102.91	109.86	103.48	94.71	90.75
Profit per ECC, majority ¹⁾	7.82	6.39	12.82	13.31	8.87	12.14
Dividend per ECC			6.50	7.50	4.40	6.50
Price-Earnings Ratio ¹⁾	9.01	9.06	9.94	11.19	11.01	8.26
Price-Book Value Ratio ¹⁾	1.25	1.13	1.16	1.44	1.03	1.10

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

Report of the Board of Directors

Second quarter 2023

(Consolidated figures. Figures for the former SpareBank 1 Søre Sunnmøre are included as from the second quarter of 2023. Figures in parenthesis refer to the same period of 2022 unless otherwise stated. Growth adjusted for the merger is commented under lending and deposits)

- Pre-tax profit NOK 1,045m (779m)
- Net profit NOK 923m (702m)
- Return on equity 15.1 per cent (12.9 per cent)
- CET1 ratio 19.1 per cent (18.8 per cent)
- Growth in lending 8.5 per cent (2.8 per cent) and in deposits 13.5 per cent (8.6 per cent)
- Lending to retail customers rose 9.8 per cent in the quarter (2.7 per cent), 9.2 percentage points higher growth than in the first quarter. Lending to corporates rose 6.8 per cent (2.9 per cent) which was 4.0 percentage points higher than in the first quarter
- Deposits from retail customers rose 15.1 per cent (6.7 per cent), 13.3 per cent higher growth than in the first quarter. Deposits from corporate clients rose 13.4 per cent (8.2 per cent), 12.3 percentage points higher than in the first quarter
- Net result of ownership interests NOK 85m (77m)
- Net result of financial instruments (incl. dividends) NOK 18m (minus 120m)
- Losses on loans and guarantees NOK 29m (net recovery of NOK 48m)
- Earnings per equity certificate (EC) NOK 4.21 (3.20)
- Book value per EC NOK 112.81 (102.91)

First half 2023

- Pre-tax profit NOK 1,991m (1,606m)
- Net profit NOK 1,701m (1,400m)
- Return on equity 13.9 per cent (12.6 per cent)
- Growth in lending 12.9 per cent (8.7 per cent) and in deposits 13.2 per cent (12.4 per cent) in the last 12 months. In the first half-year growth in lending was 9.9 per cent (5.2 per cent) and in deposits 14.9 per cent (11.3 per cent)
- Lending to personal customers rose 13.4 per cent (7.9 per cent) in the last 12 months. In the first half-year growth was 10.4 per cent (4.3 per cent). Growth in lending to corporates was 11.0 per cent (9.0 per cent) in the last 12 months, in the first half-year 9.7 per cent (7.6 per cent)
- Loans to retail customers account for 70 per cent (70 per cent) of total outstanding loans
- Deposits from personal customers rose 15.4 per cent (8.8 per cent) in the last 12 months, In the first half-year 17.2 per cent (10.1 per cent). Deposits from corporate clients rose 12.1 per cent (11.7 per cent) in the last 12 months. In the first half-year 14.7 per cent (5.2 per cent)
- Net result of ownership interests NOK 209m (139m)
- Net result of financial instruments (incl. dividends) minus NOK 79m (minus 7m)
- Losses on loans and guarantees: a net recovery of NOK 42m (net recovery of NOK 48m), -0.04 per cent (-0.05 per cent) of gross outstanding loans

- Earnings per equity certificate (EC) NOK 7.82 (6.39).

Events in the quarter

Inflationary pressures make for further increase in the base rate

Norges Bank raised its base rate from 3.00 per cent in the first quarter to 3.25 per cent at the beginning of May and to 3.75 per cent in June. The base rate is now at its highest level since autumn 2008. SpareBank 1 SMN has like other banks raised mortgage interest rates and deposit rates. At its interest rate meeting in June the central bank indicated a further base rate hike in August, and forecasts suggest a base rate peak of about 4.25 per cent in the course of the fourth quarter of 2023.

The 12-month rate of growth in the consumer price index (CPI) was 6.4 per cent at the end of the quarter, and Norges Bank expects the CPI to remain above the target level of 2 per cent for the remainder of the forecasting period. Underlying inflation over the last 12 months in terms of the consumer price index adjusted for changes in indirect taxes and excluding energy products (CPI-ATE) was 7.0 per cent. The central bank points to the need for higher interest rates to avert rapidly rising wages and prices and entrenched inflation.

The labour market in Norway remains tight, and activity levels in the Norwegian economy are high, but edging down. Growth in credit to households (C2) has slowed by 0.9 percentage points over the past year, and stood at 3.7 per cent at the end of the second quarter. Lower purchasing power among households is expected to impact firms' activity levels in the period ahead. More customers are turning to the bank for financial advice and mortgage payment holidays, but the number of such approaches remains low. No significant increase in loan defaults is so far in evidence.

Merger completed

SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre merged on 2 May 2023 with accounting effect from the same date. The merger will help build a stronger regional bank with clear-cut growth ambitions in Sunnmøre and in Fjordane. The ratio of equity certificate (EC) capital to total equity increased from 64.0 to 66.8 per cent in connection with the merger.

As from the second quarter of 2023 'Sunnmøre and Fjordane' becomes a division in its own right on a par with Retail Banking and Corporate Banking. The division comprises the portfolio of the former SpareBank 1 Søre Sunnmøre along with SpareBank 1 SMN's portfolio in Sunnmøre and Vestland, and caters to personal and corporate customers alike. The division is headed by former CEO of SpareBank 1 Søre Sunnmøre, Stig Brautaset. The lending and deposit portfolio in SpareBank 1 Søre Sunnmøre amounted to NOK 10.4 bn and NOK 10 bn respectively at the time of the merger. Reference is made to note 3 for further information on the merger.

200th anniversary

SpareBank 1 SMN celebrates its 200th anniversary in 2023. The anniversary is commemorated across all Mid Norway throughout the year. As part of the anniversary celebration, resources from the bank's community dividend fund were granted to projects that aim to create lasting value in the region.

September will see a youth conference and sailing trip aboard the three-masted tall ship Statsraad Lehmkuhl together with the United Nations Assembly of Norway and young people from all over the world.

Såkorn 1 Midt

SpareBank 1 SMN has established a seedcorn fund named 'Såkorn 1 Midt'. With NOK 150 million at the fund's disposal, this is the largest-ever investment of community dividend monies. Fund resources are earmarked for Mid-Norwegian entrepreneurs and business startups, above all in the field of green innovation. The object is to contribute to an attractive business sector in the region.

Good result for the quarter

The second quarter of 2023 was a good quarter for SpareBank 1 SMN with a return on equity of 15.1 per cent, 2.1 percentage points above the target level for the group. Measured against the first quarter 2023 and the second quarter of 2022, this represents an increase of 2.0 and 2.2 percentage points respectively.

Net interest income has increased as a result of the merger and the full effect of interest rate changes carried out in the first quarter along with the partial effect of two rate changes made in the course of the second quarter. A further rate increase of up to 0.5 percentage points has been announced with effect in the third quarter. Average three-month NIBOR was 0.6 percentage points higher than in the first quarter and market credit spreads have widened, which altogether has increased the bank's funding costs.

Commission income earned by the subsidiaries is seasonally strong in the second quarter. Increased organic growth and an expanded product range have brought 9 percentage higher commission income from accounting services than in the second quarter of 2022. Activity in the housing market has been high despite increased interest rates and living expenses. The number of houses sold is on a par with the previous year, but commission income is somewhat reduced.

Results posted by related companies were reduced in the quarter, mainly due to a negative performance by SpareBank 1 Gruppen where insurance activities in particular are affected by higher interest rates and inflation. These companies' fixed income and commercial property portfolios are negatively impacted by higher interest rates. At the same time a higher insurance claim frequency and higher costs bring lower underwriting results. A sluggish transaction market has normalised the results posted by SpareBank 1 Markets. BN Bank delivers good results with a return on equity above 12 per cent.

The group delivered a cost-income ratio of 39 per cent in the second quarter. The cost base has expanded due to the merger with SpareBank 1 Søre Sunnmøre. Costs are in addition impacted by merger costs and increased incurred by SpareBank 1 Utvikling. Underlying cost growth in the parent bank is in line with the general price growth over the last 12 months.

Losses on loans and guarantees came to NOK 29m in the quarter. About half of the losses relate to the disposal of a portfolio in default at SpareBank 1 Finans Midt-Norge. Changes have been made in the loss model to reflect increased credit risk in selected segments. The portfolio's credit quality remains good.

The CET1 ratio at the end of the second quarter was 19.1 per cent, 1.9 percentage points above the group's long-term target. Capital efficiency gains in connection with the merger, including the IRB effect on the

former SpareBank 1 Søre Sunnmøre's portfolio and a lower owner deduction in related companies, bring in isolation a higher Tier 1 ratio in the quarter. Moreover, Tier 1 capital is boosted by the increase of capital in connection with the merger and by a good profit performance.

A net profit of NOK 923m and a return on equity of 15.1 per cent in a quarter reflecting costs related to the merger and a negative result from SpareBank 1 Gruppen provides a good basis for delivering on financial objectives in 2023.

Net interest income

In June 2023 Norges Bank raised its base rate by a further 50 points to 3.75 per cent. Market interest rates in terms of NIBOR continued upwards to reach 4.37 per cent at the end of June. The bank raised its mortgage and deposit rates following prior changes in the base rate with effect from 11 May and 23 June 2023, and has announced a further hike of up to 50 points with effect from 9 August.

Net interest income totalled NOK 1,094m (803m) compared with NOK 1,035m in the first quarter, an increase of 5.7 per cent. Increased market rates through the quarter brought lower margins on loans and higher margins on deposits. Increased lending and deposit volumes, along with higher return on equity, strengthened net interest income.

At its interest rate meeting in June the central bank signalled a further increase in the base rate in August. Norges Bank's forecast suggest a base rate peak of about 4.25 per cent in the course of the fourth quarter 2023.

Commission income and other operating income

An important aspect of SpareBank 1 SMN's strategy is to exploit the breadth present in the group and expand interaction across the respective business lines. A high proportion of multi-product customers makes for a capital efficient, diversified income flow and high customer satisfaction.

Commission income (NOKm)	2Q 23	1Q 23	2Q 22
Payment transfers	77	72	79
Creditcard	15	17	15
Saving products	12	10	10
Insurance	65	61	59
Guarantee commission	13	16	10
Real estate agency	119	105	125
Accountancy services	182	188	167
Other commissions	22	11	9
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	504	480	475
Commissions SB1 Boligkreditt	53	57	77
Commissions SB1 Næringskreditt	4	3	4
Total commissions	561	541	555

Commission income excluding the captive mortgage companies rose NOK 29m from the second quarter of 2022. This is primarily due to increased income from accounting services and other commissions, including foreign exchange earnings.

In the case of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt the bank receives a commission corresponding to the lending rate less the funding and operating expenses of those companies. The reduced commission income in the second quarter is mainly down to higher funding costs.

Return on financial investments

Return on financial investments in the second quarter was NOK 1m (minus NOK 123m). The group's shareholdings showed a capital loss of NOK 7m as a result of value losses at SpareBank 1 SMN Invest. Financial instruments, including bonds and CDs, showed a capital loss of NOK 30m (loss of 117m) while income from foreign exchange transactions increased from NOK 29m in the second quarter 2022 to NOK 38m in the quarter.

Return on financial investments (NOKm)	2Q 23	1Q 23	2Q 22
Capital gains/losses shares	-7	-17	-35
Gain/(loss) on financial instruments	-30	-105	-117
Foreign exchange gain/(loss)	38	23	29
Net return on financial instruments	1	-99	-123

Product companies and other related companies

SpareBank 1 SMN has a broad and well-diversified income platform. The group offers its customers a broad product range through various product companies which provide commission income along with return on invested capital. The overall profit share from the product companies and other related companies was NOK 85m (77m). In the first quarter the figure was NOK 125m.

Income from investment in associated companies (NOKm)	2Q 23	1Q 23	2Q 22
SpareBank 1 Gruppen (19.5 %) ^{*)}	-5	34	16
SpareBank 1 Boligkreditt (24.1 %)	29	33	-4
SpareBank 1 Næringskreditt (17.8 %)	3	2	2
BN Bank (35.0 %)	58	62	47
SpareBank 1 Kreditt (19.2 %)	-2	-4	3
SpareBank 1 Betaling (21.9 %)	-11	-8	-0
SpareBank 1 Forvaltning (20.9 %)	8	8	11
Other companies	5	-3	2
Income from investment in associated companies	85	125	77

^{*)} SpareBank 1 Gruppen has implemented IFRS 17 from 1 January 2023, comparison figures have not been reinstated but information about the effect is shown in Note 1

SpareBank 1 Gruppen

This company owns 100 per cent of the shares of SpareBank 1 Forsikring, SpareBank 1 Factoring and SpareBank 1 Spleis. SpareBank 1 Gruppen also owns 65 per cent of the shares of Fremtind Forsikring and 50 per cent of the shares of Kredinor.

Fremtind Forsikring posted a profit of NOK 6m (232m) after tax in the second quarter. The quarter's underwriting result was NOK 19m (599m). The combined ratio was 100.3 per cent (84.4 per cent), primarily due to a substantial natural damage event, increased travel activity and increased claim payments to personal customers.

The net result of investments was minus NOK 271m (minus 453m). The negative result is down to a negative trend in the value of fixed-income securities and investment properties in the quarter. The net underwriting-related financial result was NOK 286m (262m) in the quarter as a result of the interest rate increase from the previous quarter.

SpareBank 1 Forsikring reported a profit of NOK 35m (minus 45m) after tax in the second quarter. The underwriting result and net financial result were respectively NOK 25m and NOK 83m higher than in the same quarter last year.

SpareBank 1 Factoring posted a second-quarter profit of NOK 23m (18m) after tax.

Kredinor is for the SpareBank 1 Gruppen a joint venture in which it holds a 50 per cent stake. The company recorded a deficit of NOK 54m in the quarter. Portfolio write-downs of NOK 51m were recorded in the quarter, mainly a result of a lower-than-expected recovery rate.

SpareBank 1 Forvaltning

This company was established in 2021 to strengthen the SpareBank 1 banks' competitive power in the savings market. Odin Forvaltning, SpareBank 1 Kapitalforvaltning, SpareBank 1 SR Forvaltning and SpareBank 1 Verdipapirservice make up the SpareBank 1 Forvaltning group.

SpareBank 1 SMN's profit share in the second quarter was NOK 8m (11m).

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt is a mortgage company established by the banks making up the SpareBank 1 Alliance 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 2023 the bank had sold loans totalling NOK 63.5bn (55.2bn) to SpareBank 1 Boligkreditt, corresponding to 39.2 per cent (38.6 per cent) of the bank's overall lending to retail borrowers.

The company's performance reflects an increase in interest income earned on the liquidity portfolio. SpareBank 1 SMN's profit share was NOK 29m (minus NOK 4m) in the second quarter.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt is a mortgage company established along the same lines and with the same administration as SpareBank 1 Boligkreditt.

As at 30 June 2023, loans worth NOK 1.8bn (1.6bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's profit share was NOK 3m (2m).

SpareBank 1 Kreditt

The company recorded a result of minus NOK 8m (14.8m) in the second quarter. The company's overall portfolio at quarter-end was NOK 8.3bn (6.6bn). The growth refers essentially to consumer loans and refinancing loans.

SpareBank 1 SMN's share of the second quarter net profit was minus NOK 2m (3m). and its share of the portfolio is NOK 1,426m (1,137m).

BN Bank

BN Bank offers residential mortgages and loans to commercial property and its main market is south-eastern Norway. At the end of the second quarter outstanding loans totalled NOK 59bn (54bn), of which NOK 37bn (35bn) is loans to personal borrowers.

BN Bank showed growth in lending to personal customers and corporate customers of, respectively, 5.7 per cent (13.1 per cent) and 12.1 per cent (6.0 per cent).

BN Bank recorded a net profit of NOK 172m (139m), providing a return on equity of 12.3 per cent (11.0 per cent). The profit growth is mainly down to increased net interest income. SpareBank 1 SMN's share of BN Bank's profit is NOK 58m (47m).

SpareBank 1 Betaling

SpareBank 1 Betaling is the SpareBank 1 banks' parent company in Vipps AS. SpareBank 1 SMN's profit share was minus NOK 11m (0m) in the second quarter.

Operating expenses

The group aims for a cost-income ratio below 40 per cent at the parent bank (exc. finance) and below 85 per cent at the subsidiaries.

The parent bank's cost-income ratio was 34.5 per cent in the quarter (33.5 per cent). The corresponding figures for EiendomsMegler 1 and Regnskapshuset were 74.5 (71.5) and 77.5 (82.9) per cent respectively.

Operating expenses (NOKm)	2Q 23	1Q 23	2Q 22
Staff costs	383	398	350
IT costs	25	106	82
Marketing	25	23	26
Ordinary depreciation	35	29	29
Operating expenses, real properties	14	16	7
Purchased services	49	38	42
Merger expenses	13	15	0
Other operating expense	59	104	48
Total operating expenses	683	728	585

Overall group expenses increased by NOK 98m from last year's second quarter. The growth refers entirely to the parent bank and is essentially due to the inclusion of the former SpareBank 1 Søre Sunnmøre's cost base, and costs related to implementation of the merger. The Alliance's focus on technology through SpareBank 1 Utvikling has involved increased costs while the second quarter of 2022 featured one-time events. When adjustment is made for the latter, the cost growth in the quarter comes to about 5.6 per cent measured against last year's second quarter.

EiendomsMegler 1 Midt-Norge's costs were reduced by NOK 7m from the second quarter of last year. SpareBank 1 Regnskapshuset SMN's costs increased by NOK 7m, corresponding to 4.6 per cent measured against last year. Costs at SpareBank 1 Finans Midt-Norge increased by NOK 3m from the second quarter of 2022.

Losses on loans and guarantees

The group's losses on loans and guarantees in the second quarter of 2023 came to NOK 29m. Of this figure, NOK 15m refers to a loss on the disposal of a portfolio of defaults in SpareBank 1 Finans Midt-Norge.

Losses in the second quarter break down to NOK 2m in Stage 1 and Stage 2, and NOK 27m in Stage 3. Losses in the period measured 0.05 per cent of total outstanding loans (-0.09 per cent).

Impairment losses (NOKm)	2Q 23	1Q 23	2Q 22
RM	-14	9	-2
CM	18	-86	-51
SpareBank 1 Finans Midt-Norge	25	7	5
Total impairment losses	29	-71	-48

In the second quarter of 2023 SpareBank 1 SMN made adjustments to the expected credit loss calculation model. Under the adjusted model's assumptions, impairment write-downs are to a greater degree allocated to capital-intensive segments with high interest-bearing debt. The bank's macro forecasts at the end of the second quarter were relatively stable and had no significant impact on the portfolio.

Overall impairment write-downs on loans and guarantees as at 30 June came to NOK 1,154m (1,181m).

The bank's loan portfolio is robust with NOK 164,528m (146,452m) in Stage 1 and Stage 2, corresponding to 99.01 per cent. Problem loans (Stage 3) total NOK 2,291m (2,229m), corresponding to 0.99 per cent (1.08 per cent) of gross outstanding loans, including loans sold to the captive mortgage companies.

Total assets of NOK 249bn at quarter-end

The bank's total assets as of the second quarter of 2023 were NOK 249bn (217bn), having risen by NOK 31bn, or 14.4 per cent, over the past year. Total assets have grown as a result of the merger, lending growth and higher liquidity holdings.

As at 30 June 2023 loans totalling NOK 65bn (57bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and to SpareBank 1 Næringskreditt. These loans do not figure as loans in the bank's balance sheet. The comments covering lending growth take into account loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Lending

Total outstanding loans rose in the last 12 months by NOK 26.6bn (16.5bn), corresponding to 12.9 per cent (8.7 per cent), and stood at NOK 232.1bn (205.5bn) at the end of the second quarter. Lending growth in the quarter was 8.5 per cent (2.8 per cent).

Lending to retail customers rose by NOK 14.5bn in the quarter (3.8bn). This corresponds to lending growth of 9.8 per cent (2.7 per cent), of which the merger with SpareBank 1 Søre Sunnmøre accounts for 8.3 percentage points. Lending growth in the last 12 months was 13.4 per cent (7.9 per cent). Parent bank loans to retail customers totalled NOK 162.8bn (143.5bn) at the end of the second quarter.

Parent bank lending to corporate clients rose by NOK 3.6bn in the quarter (1.4bn), corresponding to 6.8 per cent (2.9 per cent). The merger increased the lending volume by NOK 1.8bn and accounted for 3.4

percentage points of the growth in the quarter. Growth in lending in the last 12 months was 11.0 per cent (9.0 per cent). Overall lending by the parent bank to corporates came to NOK 56.8bn (51.2bn) as at 30 June 2023.

SpareBank 1 Finans Midt-Norge's loan volume was NOK 12.6bn (11.1bn) at the end of the second quarter 2023.

Deposits

Customer deposits rose in the last 12 months by NOK 16.3bn (13.7bn) to NOK 140.1bn (123.8bn), corresponding to a growth of 13.2 per cent (12.4 per cent). Growth in the second quarter was 13.5 per cent (8.6 per cent).

Personal deposits rose by NOK 8.5bn in the quarter (3.5bn), corresponding to deposit growth of 15.1 per cent (6.7 per cent), of which the merger with SpareBank 1 Søre Sunnmøre accounts for 10.5 percentage points. Deposit growth in the last 12 months was 15.4 per cent (8.8 per cent). Total deposits by personal customers came to NOK 64.4bn (55.8bn) at the end of the second quarter.

Deposits by corporate customers of the bank rose by NOK 8.5bn in the quarter (4.9bn), corresponding to 13.4 per cent (8.2 per cent). The merger increased the loan volume by NOK 4.4bn and accounted for 6.9 percentage points of the quarter's growth. Deposit growth in the last 12 months was 12.1 per cent (11.7 per cent). Overall corporate deposits with the parent bank were NOK 72.2bn (64.4bn) as at 30 June 2023.

Retail Market

The **Retail Banking Division** achieved a pre-tax profit of NOK 493m in the second quarter of 2023 (329m). Return on capital employed was 20.3 per cent (13.5 per cent), an increase of 4.5 percentage points from the first quarter. The retail banking portfolio consists of wage earners, agricultural customers and sole proprietorships.

Profit and loss account (NOKm)	2Q 23	1Q 23	2Q 22
Net interest	570	524	335
Comission income and other income	190	181	206
Total income	760	706	541
Total operating expenses	281	325	215
Ordinary operating profit	479	381	326
Loss on loans, guarantees etc.	-14	9	-2
Result before tax including held for sale	493	372	329
Balance			
Loans and advances to customers	162,822	148,294	143,544
Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-63,769	-59,306	-55,464
Deposits to customers	64,398	55,948	55,829
Key figures			
Return on equity per quarter ^{*)}	20.3 %	15.8 %	13.5 %
Lending margin	0.57 %	0.93 %	1.09 %
Deposit margin	2.20 %	1.82 %	0.78 %

^{*)} Regulatory capital is used as a basis for calculating capital used in retail market (RM) and corporate market (CM).

Lending growth in the quarter was 9.8 per cent, of the which the merger with SpareBank 1 Søre Sunnmøre accounted for 8.3 percentage points. The corresponding figures for deposits were 15.1 per cent and 10.5 per cent respectively.

Two general interest rate increases on loans and deposits were carried out in the course of the quarter, with a further rate increase announced for the third quarter. Net interest income rose from the first quarter as a result of volume growth, an increased deposit margin along with higher return on the division's share of the group's equity.

Increased income from insurance, payments and savings products are noted compared with the first quarter. Compared with the second quarter of 2022, increased income from payments and insurance are noted, but reduced lending margins on loans sold to SpareBank 1 Boligkreditt bring a decline in net commission income and other incomes measured against the previous year.

Lending to personal customers consistently carries low risk, as reflected in continued low losses. The loan portfolio is largely secured by residential property, and risk weights employed in the portfolio are below the regulatory floor of 20 per cent.

The Retail Banking Division prioritises balance growth. A focus on deposits in advisory services to customers enables the bank to deliver robust earnings and increases customers' financial security in the form of increased buffer capital.

Since the launch of the One SMN project in 2020, Retail Banking has revised its distribution model, introducing co-location in finance centres and a transition from personal advisers to customer teams. Increased use of data and insight enables a closer interplay between the physical and digital advisory channels which in the longer run will provide customers with improved, and more efficient, advice.

EiendomsMegler 1 Midt-Norge is the market leader in Trøndelag and in Møre og Romsdal. Operating income came to NOK 120m (134m) and operating expenses in the second quarter totalled NOK 89m (96m), bringing a pre-tax profit of NOK 31m (38m).

EiendomsMegler 1 Midt-Norge (92.4%)	2Q 23	1Q 23	2Q 22
Total income	120	107	134
Total operating expenses	89	89	96
Result before tax (NOKm)	31	18	38
Profit margin	26 %	17 %	28 %

Good activity has been noted in the housing market through the first half of 2023 despite increased mortgage interest rates and living expenses. 2,037 properties were sold in the second quarter (2,032). New assignments totalled 2,196, 93 more than in the second quarter of 2022. The company's market share at 30 June 2023 was 36.9 per cent (36.4 per cent). A lower activity level is expected in the second half-year due to a higher level of interest rates.

Corporate Market

The **Corporate Banking Division** achieved a pre-tax profit of NOK 420m (361m). This is NOK 80m lower than in the previous quarter NOK 58m higher than in the second quarter of 2022. Return on capital employed was 23.0 per cent (18.4 per cent).

CM, Profit and loss account (NOKm)	2Q 23	1Q 23	2Q 22
Net interest	500	474	356
Comission income and other income	61	67	64
Total income	561	541	420
Total operating expenses	124	127	109
Ordinary operating profit	438	413	311
Loss on loans, guarantees etc.	18	-86	-51
Result before tax including held for sale	420	500	361
Balance			
Loans and advances to customers	56,846	53,245	51,193
Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-1,512	-1,481	-1,359
Deposits to customers	72,180	63,644	64,415
Key figures			
Return on equity per quarter ^{*)}	23.0 %	28.4 %	18.4 %
Lending margin	2.42 %	2.64 %	2.53 %
Deposit margin	0.37 %	0.27 %	-0.05 %

^{*)} Regulatory capital is used as a basis for calculating capital used in retail market (RM) and corporate market (CM)

The Corporate Banking Division's loan volume increased by 6.8 per cent (2.9 per cent) in the quarter, of which the merger accounted for 3.4 percentage points. Lending growth in the last 12 months was 11.0 per cent (9.0 per cent).

Deposits from the bank's corporate customers increased by NOK 8.2bn in the quarter (4.9bn), corresponding to 13.4 per cent (8.2 per cent). The merger increased the loan volume by NOK 4.4bn and accounted for 6.9 percentage points of the growth in the quarter. Deposit growth in the last 12 months was 12.1 per cent (11.7 per cent).

Increased market interest rates in the quarter reduced the lending margin and increased the deposit margin. For customers with lending and deposit products unrelated to interbank rates, two general interest rate increases were carried out in the course of the second quarter, with a further rate increase announced for the third quarter.

The credit quality of the loan portfolio is good. While the bankruptcy rate in the region has risen, this has negligible impact on the corporate portfolio.

A strengthened input of resources in Trondheim and greater coordination with SpareBank 1 Regnskapshuset is helping the division to acquire market shares in Mid-Norway. The establishment of an office in Oslo is expected to enable further growth in selected segments where SpareBank 1 SMN offers competencies and experience.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 45m (30m).

SpareBank 1 Regnskapshuset SMN (93.3%)	2Q 23	1Q 23	2Q 22
Total income	198	202	177
Total operating expenses	154	158	147
Result before tax (NOKm)	45	44	30
Profit margin	22 %	22 %	17 %

Operating income increased by NOK 21m from the second quarter of 2022, driven by increased incomes from advisory and accounting services.

Increased organic customer growth has a high priority, and good result have been achieved in the second quarter of 2023. Customer recruitment has risen at the same time as the company has managed to reduce customer turnover. This is the principal driver of increased accounting incomes.

Substantial sums were invested in 2022 on continued development of the company's competitive power. This is starting to produce results, and covers issues ranging from strengthened advisory competencies and capacity to an increased focus on digitalisation and new income flows. Cloud-based solutions that simplify matters for the company, along with enhanced insights and process improvement for the customer, are at centre stage.

SpareBank 1 Regnskapshuset SMN is the market leader in Trøndelag and Møre og Romsdal.

SpareBank 1 Finans Midt-Norge's focal areas are leasing and invoice purchasing services to businesses and car loans to personal customers. SpareBank 1 Finans Midt-Norge achieved a pre-tax profit of NOK 43m (50m).

SpareBank 1 Finans Midt-Norge (58.0%)	2Q 23	1Q 23	2Q 22
Total income	96	90	81
Total operating expenses	29	30	26
Loss on loans, guarantees etc.	25	7	5
Result before tax (NOKm)	43	53	50

The company has in recent years developed new distribution channels with a special focus on the car dealer channel. More than 20 per cent of vendor's liens to personal customers now come directly from car dealers. In 2021 the company acquired its first customers on a new self-service, digital stock financing solution for second-hand car dealers. Since then the product has seen strong growth and is now an important element in SpareBank 1 Finans Midt-Norge's focus on the corporate segment and on car dealers.

SpareBank 1 Finans Midt-Norge has a market share of about 10 per cent in vendor's liens in counties where parent banks are represented.

In the second quarter the company sold off parts of its portfolio of defaults and realised a loss of NOK 15m for that reason.

SpareBank 1 Finans Midt-Norge and other SpareBank 1 banks own, through SpareBank 1 Mobilitet Holding, 47 per cent of the shares of the car subscription company Fleks. Fleks is the market leader in Norway with regard to car subscriptions. Like the market for new cars, car subscriptions have seen a slow start to 2023, and in the second quarter SpareBank 1 Finans Midt-Norge recognised a profit share from Fleks of minus NOK 7m (minus 8m).

SpareBank 1 Markets is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. It employs 168 FTEs.

SpareBank 1 Markets' pre-tax profit was NOK 41m (101m) in second quarter.

Revenues from advisory services and for management of stock issues is reduced compared with the same quarter of 2022. Earnings from the fixed income and forex business and debt capital have been higher than

same quarter of 2022. Overall income came to NOK 206m (276m). Operating expenses totalled NOK 164m (173m).

SpareBank 1 Markets has developed into one of the largest Norwegian brokerages with a strong position in several product areas, and is the leading capital market unit in SpareBank 1 SMN's market area. The announced amalgamation of the capital market units of SpareBank 1 Markets, SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge is under preparation and is expected to contribute to higher and more diversified earnings. The merger is currently scheduled for the second half of 2023, but this is dependent on the government authorities' process.

SpareBank 1 SMN Invest

This company owns shares in regional growth companies and funds. The portfolio is managed together with other long-term shareholdings of the bank and will be scaled down over time. The company's portfolio is worth NOK 545m (658m) as at 30 June 2023.

The company's pre-tax result in the second quarter of 2023 was minus NOK 4m (minus 29m) and in the first quarter minus NOK 31m. The second quarter result is ascribable to value adjustments in the equity portfolio.

First half 2023

Good first-half result

SpareBank 1 SMN posted a net profit NOK 1,701m (1,400m), and a return on equity of 13.9 per cent (12.6 per cent). The result is higher than in the first half of 2022 due to increased net interest income. Earnings per equity certificate (EC) were NOK 7.82 (6.39).

Net interest income came to NOK 2,129m (1,563m). Norges Bank raised its base rate to 3.75 per cent in June 2023. At the end of first half of 2022 the base rate was 1.25 per cent. This has brought a substantial increase in the bank's funding costs. Lending margins have narrowed concurrent with a widening of deposit margins compared with the first half of last year, at the same time as return on the bank's equity has increased.

Both loan and deposit volumes have risen, in part due the merger with SpareBank 1 Søre Sunnmøre, which has served to further strengthen net interest income. As from the second half of last year the bank has implemented general interest rate increases on mortgages and deposits in line with Norges Bank's base rate hikes. A further base rate hike has been announced, effective in the third quarter.

Net commission income was NOK 1,102m (1,077m). Income from accounting services has risen by NOK 48m measured against the first half of 2022. Incomes from insurance products, estate agency services and other commissions has increased concurrently. Net commission income excluding the captive mortgage companies has increased by NOK 76m compared with last year. Lower margins on loans sold to SpareBank 1 Boligkreditt have reduced commissions from this mortgage company by NOK 51m.

The profit from related companies was NOK 209m (139m). The profit growth from related companies is mainly down to stronger profit contributions from SpareBank 1 Boligkreditt and BN Bank.

The group's operating expenses were NOK 1,411m (1,214m). Expenses are impacted by wage and price growth along with merger-related work and expensing of the embezzlement affair in the first quarter.

A net recovery of NOK 42m was recorded on loan losses (48m) in the first half-year. The net amount recovered on losses on loans to the group's corporate customers in the first half-year was NOK 54m (net recovery of 44m). A loss of NOK 12m was recorded on loans to personal customers (net recovery of NOK 4m).

Lending growth in the group was 9.9 per cent (5.2 per cent). Growth in lending to the retail segment was 10.4 per cent (4.3 per cent). Lending to corporate customers rose 9.7 per cent (7.6 per cent).

Deposits increased by 14.9 per cent (11.3 per cent). Deposits from personal customers increased by 17.2 per cent (10.1 per cent). Deposits from corporate customers increased by 14.2 per cent (8.0 per cent).

Good funding and liquidity

Price growth continued to accelerate in the second quarter. The central banks of several countries raised their base rates and credit spreads have widened. SpareBank 1 SMN has ample liquidity and access to funding. The bank has a conservative liquidity strategy, with liquidity reserves that ensure the bank's survival for 12 months of ordinary operation without need of fresh external funding.

The bank is required to maintain sufficient liquidity buffers to withstand periods of limited access to market funding. The liquidity coverage ratio (LCR) measures the size of banks' liquid assets relative to net liquidity outflow 30 days ahead given a stressed situation. The LCR was 188 per cent as at 30 June 2023 (204 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 30 June 2023, including the mortgage companies SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 60 per cent (60 per cent).

The bank's funding sources and products are amply diversified. The share of the bank's overall money market funding with a maturity above one year was 91 per cent (88 per cent).

SpareBank 1 Boligkreditt and Næringskreditt are important funding sources for the bank, and loans totalling NOK 65bn (57bn) had been sold to these mortgage companies as of 30 June 2023.

In the second quarter the bank issued hybrid equity worth NOK 300m, subordinated debt worth NOK 750m and MREL worth NOK 1,150m. At the end of the second quarter SpareBank 1 SMN held NOK 9.0bn in senior non-preferred debt (MREL) and will meet the MREL requirements by the end of 2023.

Rating

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

Financial soundness

The CET1 ratio at 30 June 2023 was 19.1 per cent (18.8 per cent) compared with 18.2 per cent as at 31 March 2023. The CET1 requirement is 15.9 per cent, including combined buffer requirements and a Pillar 2 requirement of 1.9 per cent. Finanstilsynet set a new Pillar 2 requirement for SpareBank 1 SMN on 30 April 2022. The 1.9 per cent rate is unchanged, but the bank is subject to a provisional add-on of 0.7 per cent to its Pillar 2 requirement until its application for adjustment of IRB models has been processed. The provisional add-on of 0.7 per cent is not included in the bank's long-term target.

Finanstilsynet has resolved that SpareBank 1 SMN is to have a Pillar 2 guidance of 1.25 per cent over and above overall capital requirements. This brings the bank's long-term CET1 ratio target to 17.2 per cent.

The CET1 ratio shows a 0.9 percentage point increase in the first quarter. Risk weighted assets grew 5.3 per cent in the second quarter. The merger with SpareBank 1 Søre Sunnmøre accounts for about half of this increase. In addition, lending growth brings a continued increase in risk weighted assets.

CET1 capital increased by 10.5 per cent in the first quarter. Equity capital increased by NOK 1,971m in connection with the merger. This, along with a strong profit performance, has contributed to a clear strengthening of CET1 capital. A payout ratio of 50 per cent of the group' net profit for 2023 is assumed.

A leverage ratio of 7.2 per cent (6.9 per cent) shows the bank to be very solid. See note 5 for details.

Sustainability

SpareBank 1 SMN has over the course of the quarter actively sought to enhance its understanding of the group's ESG risks and opportunities. Corporate Banking has launched transition plans for fisheries and commercial property, and has incorporated monitoring of ESG factors into its credit process and quarterly reviews. Retail Banking has taken a further step in as regards energy labelling of the loan portfolio as a basis for product development and customer dialogue. Moreover, the group has established its first version of climate reporting on day-to-day operations with a view to identifying drivers and behavioural changes needed to achieve the ambition of total net zero emissions by 2050. The work of integrating sustainability into the group's governance will continue to be a key task in the period ahead.

The focus on innovation of the customer offering has brought into being a new sustainability unit at SpareBank 1 Regnskapshuset SMN. The department of sustainability reporting and consulting has been launched, and is receiving an excellent response in the market. Further, the green bond framework is under revision, and a new Green Bond Committee has already been appointed as part of this effort. Corporate Banking, Retail Banking and Technology and Development are all under way on exploring new business opportunities in the ESG field.

The group's strategies and objectives stand firm and we will strengthen our effort ahead to engage our customers and partners through our advisory capabilities, transition plans and product development.

The bank's equity certificate (MING)

The book value per EC at 30 June 2023 was NOK 112.81 (102.91) and earnings per EC in the first half-year were NOK 7.82 (6.39).

The Price / Income ratio was 9.01 (9.06) and the Price / Book ratio was 1.25 (1.13).

Outlook ahead

SpareBank 1 SMN delivered another good profit performance in the second quarter of 2023, and is on target in terms of profitability, efficiency and capitalisation. The group's market position is strengthened through the merger with SpareBank 1 Søre Sunnmøre and through good performances on the part of the bank's business lines and subsidiaries.

Inflation remains above target both in Norway and a number of other countries. Central banks are responding by raising base rates, and Norges Bank raised its base rate by 0.5 at its interest rate meeting in June. The further path of interest rates will depend on economic developments but, at the end of the second quarter, further interest rate increases are not anticipated. That said, activity in the Norwegian economy remains high and the labour market is tight. The latest report from Norges Bank's regional network indicates

that activity levels are expected to continue to rise ahead, but there are regional and industry differences and economic uncertainties have grown.

Growth in credit to households and non-financial enterprises alike has slowed over the past year, but SpareBank 1 SMN's ambition to increase market shares stands firm. The growth ambition will be realised through a prioritisation of segments and industries in the group's market area, a continued strengthening of synergies in the group's business lines, and an increased focus on deposits and saving and investment. The legal merger with SpareBank 1 Søre Sunnmøre was completed in the beginning of May, and the group's market position will be further strengthened through profitable growth and expanded market shares in Sunnmøre and in Fjordane. At the same time the group sees good opportunities for growth as a result of structural changes in Norway's banking industry.

The risk trend in SpareBank 1 SMN's loan portfolio is satisfactory. Higher interest rates entail uncertainty as to the trend in commercial property and construction. Bankruptcies in the region are increasing in number, but the bank has so far not seen a significant increase in defaults in the corporate portfolio. Enquiries from personal customers regarding payment holidays have risen in the past quarter, but the number of enquiries is no higher than at the same time last year and gives no indication of any deterioration of credit quality in the portfolio.

SpareBank 1 SMN aspires to be among the best performers in the Nordic region, and the group's overriding financial goal is deliver a return on equity of 13 per cent over time. Together with a strong contribution from all parts of the group and good cost control, further repricings resulting from expected interest rate changes will help to achieve that goal.

The group aims for a CET1 ratio of 17.2 per cent in the longer term. At the end of the second quarter the CET1 ratio was 19.1 per cent which meets both the group's own objective and regulatory expectations. The group's dividend policy requiring about one half of net profit to be disbursed as dividends stands firm. When setting the size of the annual dividend payment, account is taken of the group's need for capital, prospects for profitable growth and strategic plans.

The group continues its endeavour to put in place transition plans at industry level. It will by this means ensure that sustainability is incorporated into all business lines in the group. Transition plans are an important tool in the effort to secure long-term profitability and to reduce the group's emissions. They will ensure that the group confronts the challenges to which stakeholders have drawn attention in the group's materiality analysis and are an important precondition for achieving the goal of net zero emissions by 2050.

The board of directors is well pleased with the work done to implement the group strategy and with results achieved in the second quarter and first half of 2023. Although the economic uncertainties have grown, 2023 is expected to be another good year for SpareBank 1 SMN.

Trondheim, 9 August 2023
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Christian Stav
(deputy chair)

Mette Kamsvåg

Freddy Aursø

Tonje Eskeland Foss

Ingrid Finboe Svendsen

Kristian Sætre

Christina Straub
(employee rep.)

Inge Lindseth
(employee rep.)

Jan-Frode Janson
(Group CEO)

Income statement

Parent bank					Group						
Second Quarter		First half			First half		Second Quarter				
2022	2022	2023	2022	2023	(NOKm)	Note	2023	2022	2023	2022	2022
5,128	1,089	2,117	2,081	4,006	Interest income effective interest method		4,263	2,306	2,249	1,202	5,596
724	145	390	269	744	Other interest income		742	267	389	144	720
2,972	542	1,542	1,010	2,873	Interest expenses		2,876	1,011	1,544	543	2,977
2,880	692	966	1,340	1,877	Net interest	11	2,129	1,563	1,094	803	3,339
1,192	303	292	603	573	Commission income		709	736	367	378	1,446
90	21	28	41	54	Commission expenses		101	88	51	46	186
55	2	19	19	35	Other operating income		494	429	245	223	781
1,156	285	283	581	554	Commission income and other income	12	1,102	1,077	561	555	2,042
677	518	585	581	589	Dividends		20	5	18	4	33
-	-	-	-	-	Income from investment in related companies	4	209	139	85	77	442
-123	-102	20	-121	-46	Net return on financial investments	14	-98	-12	1	-123	-94
554	416	605	459	543	Net return on financial investments		131	132	103	-43	380
4,590	1,393	1,853	2,381	2,973	Total income		3,361	2,772	1,757	1,316	5,760
661	145	181	326	370	Staff costs		781	725	383	350	1,406
841	183	250	391	529	Other operating expenses	13	630	489	300	235	1,038
1,502	328	430	717	899	Total operating expenses		1,411	1,214	683	585	2,443
3,088	1,065	1,423	1,664	2,074	Result before losses		1,950	1,558	1,074	731	3,317
-37	-53	4	-57	-73	Loss on loans, guarantees etc.	7,8	-42	-48	29	-48	-7
3,125	1,118	1,419	1,721	2,147	Result before tax	4	1,991	1,606	1,045	779	3,324
631	134	129	278	305	Tax charge		365	329	159	164	718
-	-	-	-	-	Result investment held for sale, after tax	2, 4	74	123	37	87	179
2,494	984	1,290	1,443	1,843	Net profit		1,701	1,400	923	702	2,785
60	12	25	32	58	Attributable to additional Tier 1 Capital holders		60	33	26	12	63
1,557	622	845	902	1,192	Attributable to Equity capital certificate holders		1,050	827	575	413	1,658
877	351	420	508	592	Attributable to the saving bank reserve		522	466	286	233	934
					Attributable to non-controlling interests		70	74	36	44	130
2,494	984	1,290	1,443	1,843	Net profit		1,701	1,400	923	702	2,785
					Profit/diluted profit per ECC	20	7.82	6.39	4.21	3.20	12.82

Total comprehensive income

Parent bank					Group					
Second Quarter		First half			(NOKm)	First half		Second Quarter		
2022	2023	2022	2023	2023		2022	2023	2022	2023	
2,494	984	1,290	1,443	1,843	Net profit	1,701	1,400	923	702	2,785
Items that will not be reclassified to profit/loss										
177	-	-	-	-	Actuarial gains and losses pensions	-	-	-	-	177
-44	-	-	-	-	Tax	-	-	-	-	-44
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	1	7	1	6	4
133	-	-	-	-	Total	1	7	1	6	137
Items that will be reclassified to profit/loss										
9	-	-	-	-	Fair value change on financial assets through other comprehensive income	-	-	-	-	9
-	1	-	-0	-1	Value changes on loans measured at fair value	-1	-0	-7	1	-
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	-11	91	5	17	113
-	-	-	-	-	Tax	-	-	-	-	-
9	1	-	-0	-1	Total	-12	91	-1	18	122
142	1	-	-0	-1	Net other comprehensive income	-11	98	-1	24	259
2,636	985	1,290	1,443	1,841	Total comprehensive income	1,690	1,498	922	726	3,044
60	12	25	32	58	Attributable to additional Tier 1 Capital holders	60	33	26	12	63
1,647	623	845	902	1,191	Attributable to Equity capital certificate holders	1,042	889	574	429	1,823
929	351	420	508	592	Attributable to the saving bank reserve	518	501	286	242	1,028
-	-	-	-	-	Attributable to non-controlling interests	70	74	36	44	130
2,636	985	1,290	1,443	1,841	Total comprehensive Income	1,690	1,498	922	726	3,044

Balance sheet

Parent bank			(NOKm)	Note	Group		
31 Dec 2022	30 Jun 2022	30 Jun 2023			30 Jun 2023	30 Jun 2022	31 Dec 2022
1,171	5,684	619	Cash and receivables from central banks		619	5,684	1,171
21,972	20,441	31,005	Deposits with and loans to credit institutions		20,402	11,136	11,663
139,550	136,812	153,407	Net loans to and receivables from customers	6	165,767	147,602	151,549
38,072	32,893	38,129	Fixed-income CDs and bonds	18	38,130	32,893	38,073
6,804	5,964	9,255	Derivatives	18	9,255	6,170	6,804
417	376	683	Shares, units and other equity interests	18	1,062	2,437	840
5,063	4,676	5,397	Investment in related companies		8,048	7,468	7,873
2,379	2,374	2,032	Investment in group companies		-	-	-
98	98	554	Investment held for sale	2	2,484	111	1,919
467	456	850	Intangible assets		1,053	853	663
2,092	1,735	1,382	Other assets	15	1,987	3,103	2,555
218,085	211,509	243,314	Total assets		248,806	217,458	223,110
14,636	15,713	14,702	Deposits from credit institutions		14,702	16,543	14,636
122,699	124,366	140,649	Deposits from and debt to customers	10	140,164	123,812	122,010
47,474	41,052	49,697	Debt created by issue of securities	17	49,697	41,052	47,474
8,307	6,386	9,953	Derivatives	18	9,953	6,661	8,307
2,067	2,672	2,342	Other liabilities	16	3,064	4,277	2,725
-	-	-	Investment held for sale	2	1,604	1	1,093
2,015	2,075	2,604	Subordinated loan capital	17	2,648	2,118	2,058
197,199	192,263	219,947	Total liabilities		221,832	194,465	198,303
2,597	2,597	2,884	Equity capital certificates		2,884	2,597	2,597
-0	-0	-0	Own holding of ECCs		-8	-11	-11
895	895	2,422	Premium fund		2,409	895	895
7,877	7,007	7,879	Dividend equalisation fund		7,843	6,958	7,828
840	-	-	Recommended dividends		-	-	840
474	-	-	Provision for gifts		-	-	474
6,408	5,918	6,566	Ownerless capital		6,566	5,918	6,408
70	171	70	Unrealised gains reserve		70	171	70
(0)	-3	-4	Other equity capital		2,860	2,801	2,940
1,726	1,218	1,708	Additional Tier 1 Capital		1,744	1,259	1,769
	1,443	1,843	Profit for the period		1,701	1,400	
			Non-controlling interests		906	1,005	997
20,887	19,245	23,367	Total equity capital		26,975	22,993	24,807
218,085	211,509	243,314	Total liabilities and equity		248,806	217,458	223,110

Cash flow statement

Parent bank			Group			
First half			First half			
2022	2022	2023	(NOKm)	2023	2022	2022
2,494	1,443	1,843	Net profit	1,701	1,400	2,785
77	38	71	Depreciations and write-downs on fixed assets	63	58	117
-37	-57	-73	Losses on loans and guarantees	-42	-48	-7
-324	-252	-360	Adjustments for undistributed profits of related companies	-209	-139	-443
-2,420	-1,035	741	Other adjustments	773	-1,127	-2,436
-210	136	2,222	Net cash increase from ordinary operations	2,286	144	16
-4,626	-3,423	-1,605	Decrease/(increase) other receivables	-1,818	-3,966	-4,193
5,155	3,702	1,964	Increase/(decrease) short term debt	2,407	3,814	5,136
-3,739	-989	-3,440	Decrease/(increase) loans to customers	-3,833	-1,664	-5,643
-8,782	-7,251	-7,432	Decrease/(increase) loans credit institutions	-7,138	-6,432	-6,959
10,672	12,339	7,956	Increase/(decrease) deposits to customers	8,160	12,526	10,724
294	1,371	57	Increase/(decrease) debt to credit institutions	57	1,478	-429
-7,310	-2,131	149	Increase/(decrease) in short term investments	149	-2,132	-7,311
-	-	-	Increase/(decrease) in shares held for trading	-	-	1,821
-8,546	3,754	-129	A) Net cash flow from operations	271	3,769	-6,837
-	-	35	Increase in cash and cash equivalents by merging	35	-	-
-71	-42	-24	Increase in tangible fixed assets	-142	-82	-89
-18	-	-	Proceeds from sales of property, plant and equipment	-	-	276
-	-	-	Cash flows from losing control of subsidiaries or other businesses	-	-	-
-5	-0	-	Cash flows used in obtaining control of subsidiaries or other businesses	-	202	-1,815
324	252	360	Dividends received from investments in related companies	360	252	324
6	6	-	Other cash receipts from sales of interests in associates and joint ventures	3	6	6
-479	-92	-88	Other cash payments to acquire interests in associates and joint ventures	-88	-117	-492
813	266	942	Other cash receipts from sales of equity instruments of other entities	940	302	849
-835	-239	-974	Other cash payments to acquire equity instruments of other entities	-979	-246	-846
-265	151	251	B) Net cash flow from investments	130	317	-1,788
1,000	1,000	995	Increase in subordinated loan capital	995	1,000	1,000
-750	-684	-558	Decrease in subordinated loan capital	-558	-684	-750
-0	-0	-	Purchase of treasury shares	-206	-18	-21
-	-	2	Proceeds from sale or issue of treasury shares	-	-	-
-970	-970	-840	Dividend cleared	-840	-970	-970
-	-	-	Dividends paid to non-controlling interests	-65	-162	-162
-547	-547	-474	Disbursed from gift fund	-474	-547	-547
-	-	116	Additional Tier 1 capital issued	111	-	-
476	-	-76	Repayments of Additional Tier 1 Capital	-76	-	476
-60	-32	-58	Interest payments Additional Tier 1 Capital	-60	-33	-63
16,194	6,720	2,270	Increase in other long term loans	2,270	6,720	16,194
-6,613	-4,961	-2,051	Decrease in other long term loans	-2,051	-4,961	-6,613
8,729	527	-674	C) Net cash flow from financial activities	-953	345	8,544
-81	4,432	-553	A) + B) + C) Net changes in cash and cash equivalents	-553	4,432	-81
1,252	1,252	1,171	Cash and cash equivalents at 1.1	1,171	1,252	1,252
1,171	5,684	619	Cash and cash equivalents at end of quarter	619	5,684	1,171
-81	4,432	-553	Net changes in cash and cash equivalents	-553	4,432	-81

Change in equity

Parent Bank (NOKm)	Issued equity		Earned equity						Additional Tier 1 Capital	Total equity
	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity			
Equity at 1 January 2022	2,597	895	5,918	7,007	1,517	171	-	1,250	19,356	
Net profit	-	-	440	781	1,314	-101	-	60	2,494	
Other comprehensive income										
Financial assets through OCI	-	-	-	-	-	-	9	-	9	
Actuarial gains (losses), pensions	-	-	-	-	-	-	133	-	133	
Other comprehensive income	-	-	-	-	-	-	142	-	142	
Total comprehensive income	-	-	440	781	1,314	-101	142	60	2,636	
Transactions with owners										
Dividend declared for 2021	-	-	-	-	-970	-	-	-	-970	
To be disbursed from gift fund	-	-	-	-	-547	-	-	-	-547	
Additional Tier 1 Capital	-	-	-	-	-	-	-	476	476	
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-60	-60	
Purchase and sale of own ECCs	0	-	-	-0	-	-	-	-	-0	
Direct recognitions in equity	-	-	50	88	-	-	-142	-	-3	
Total transactions with owners	0	-	50	88	-1,517	-	-142	416	-1,105	
Equity at 31 December 2022	2,597	895	6,408	7,877	1,314	70	0	1,726	20,887	

Parent Bank (NOKm)	Issued equity		Earned equity						Total equity
	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity	Additional Tier 1 Capital	
Equity at 1 January 2023	2,597	895	6,408	7,877	1,314	70	0	1,726	20,887
Net profit	-	-	-	-	-	-	1,843	-	1,843
Other comprehensive income									
Value changes on loans measured at fair value	-	-	-	-	-	-	-1	-	-1
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-1	-	-1
Total comprehensive income	-	-	-	-	-	-	1,841	-	1,841
Transactions with owners									
Dividend declared for 2022	-	-	-	-	-840	-	-	-	-840
To be disbursed from gift fund	-	-	-	-	-474	-	-	-	-474
Additional Tier 1 Capital	-	-	-	-	-	-	-	116	116
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-76	-76
Purchase and sale of own ECCs	-	-	-	-	-	-	-	-58	-58
Direct recognitions in equity	-0	-	-	2	-	-	-	-	2
Total transactions with owners	-0	-	-	2	-1,314	-	-	-18	-1,330
Equity at 30 June 2023	2,596	895	6,408	7,879	-	70	1,841	1,708	21,398

Group	Attributable to parent company equity holders										
	Issued equity		Earned equity							Additional Tier 1 Capital	NCI
(NOKm)	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity				
Equity at 1 January 2022	2,588	895	5,918	6,974	1,517	171	2,896	1,293	989	23,241	
Implementation effect of IFRS 17 in SpareBank 1 Gruppen ²⁾	-	-	-	-	-	-	-234	-	-	-234	
Equity at 1 January 2022	2,588	895	5,918	6,974	1,517	171	2,662	1,293	989	23,007	
Net profit	-	-	440	781	1,314	-101	158	63	130	2,785	
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	117	-	-	117	
Value changes on loans measured at fair value	-	-	-	-	-	-	9	-	-	9	
Actuarial gains (losses), pensions	-	-	-	-	-	-	133	-	-	133	
Other comprehensive income	-	-	-	-	-	-	259	-	-	259	
Total comprehensive income	-	-	440	781	1,314	-101	417	63	130	3,044	
Transactions with owners											
Dividend declared for 2021	-	-	-	-	-970	-	-	-	-	-970	
To be disbursed from gift fund	-	-	-	-	-547	-	-	-	-	-547	
Additional Tier 1 Capital issued	-	-	-	-	-	-	-	476	-	476	
Buyback Additional Tier 1 Capital issued	-	-	-	-	-	-	-	-	-	-	
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-63	-	-63	
Purchase and sale of own ECCs	0	-	-	-0	-	-	-	-	-	-0	
Own ECC held by SB1 Markets ¹⁾	-2	-	-	-16	-	-	-2	-	-	-21	
Direct recognitions in equity	-	-	50	88	-	-	-149	-	-	-11	
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	13	-	-	13	
Change in non-controlling interests	-	-	-	-	-	-	-	-	-122	-122	
Total transactions with owners	-2	-	50	72	-1,517	-	-138	413	-122	-1,244	
Equity at 31 December 2022	2,586	895	6,408	7,828	1,314	70	2,940	1,769	997	24,807	

Equity at 1 January 2023	2,586	895	6,408	7,828	1,314	70	2,940	1,769	997	24,807
Net profit	-	-	-	-	-	-	1,631	-	70	1,701
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-10	-	-	-10
Value changes on loans measured at fair value	-	-	-	-	-	-	-1	-	-	-1
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-11	-	-	-11
Total comprehensive income	-	-	-	-	-	-	1,620	-	70	1,690
Transactions with owners										
Dividend declared for 2022	-	-	-	-	-840	-	-	-	-	-840
To be disbursed from gift fund	-	-	-	-	-474	-	-	-	-	-474
Additional Tier 1 capital issued	-	-	-	-	-	-	-	111	-	111
Buyback additional Tier 1 Capital issued	-	-	-	-	-	-	-	-76	-	-76
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-60	-	-60
Purchase and sale of own ECCs	-0	-	-	2	-	-	-	-	-	2
Own ECC held by SB1 Markets ¹⁾	3	-	-	12	-	-	-0	-	-	16
Merging with SpareBank 1 Søre Sunnmøre	288	1,513	158	-	-	-	-	-	-96	1,863
Direct recognitions in equity	-	-	-	-	-	-	-3	-	-	-3
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	3	-	-	3
Change in non-controlling interests	-	-	-	-	-	-	-	-	-65	-65
Total transactions with owners	291	1,513	158	15	-1,314	-	0	-24	-160	478
Equity at 30 June 2023	2,876	2,409	6,566	7,843	-	70	4,561	1,744	907	26,975

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

²⁾ The change in principle as a result of the implementation of IFRS 17 is described in Note 1 Accounting Principles

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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 2022. 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 of the implementation of IFRS 17 in the associated company SpareBank 1 Gruppen, as described below.

IFRS 17 Insurance contracts

IFRS 17 Insurance contracts replace IFRS 4 Insurance Contracts and specify principles for recognition, measurement, presentation and disclosure of insurance contracts. The purpose of the new standard is to eliminate inconsistent practices in accounting for insurance contracts and the core of the new model are as follows:

- An estimate of the present value of future cash flows for a group of insurance contracts. Future cash flows include future premium payments and payments of insurance settlements, claims and other payments to policyholders. The estimate shall take an explicit adjustment for risk into account and the estimates shall be based on the balance sheet date.
- A contractual service margin, which is equal to the one-day gain in the estimate of the present value of future cash flows from a group of insurance contracts. This corresponds to the profit element of the insurance contracts that will be recognised over the period of service, ie over the cover period of the insurance.
- Certain changes in the estimate of the present value of future cash flows are adjusted against the contract margin, and thereby recognised in the result over the remaining period covered by the relevant contracts.
- The effect of change in discount rate shall, as a choice of accounting principle, be presented either in in profit or loss or in other comprehensive income.

IFRS 17 shall, as a starting point, be used retrospectively, but it has been opened for a modified retrospective application or use based on fair value at the time of transition if retrospective use is impracticable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted.

The effect on equity as a result of the associated company SpareBank 1 Gruppen implementing this standard as of 1 January 2022 is NOK 234 million in reduced equity. The result for 2022 from SpareBank 1 Gruppen, after adapting IFRS 17/IFRS 9, has been adjusted by NOK 32 million. As such the effect on equity as of 1 January 2023 is NOK 202 million. The group's result for 2022 and other key figures have not been restated.

IFRS 17 effects for the Group	
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	First half 2022
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Effects of implementing IFRS 17/IFRS 9	45
Group's restated results from SpareBank 1 Gruppen	74

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

Sparebank 1 SMN Group has one pension arrangement; defined contribution plan. For a further description of the pension scheme, see note 22 in the 2022 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 2023.

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.

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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.

From fourth quarter 2022, the subsidiary SpareBank 1 Markets is classified as held for sale. On 22 June 2022, SpareBank 1 SMN announced that SpareBank 1 Markets is strengthening its investment within the capital market and SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge will be its majority owners. SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge will transfer their markets business to SpareBank 1 Markets, and also buy into the company in the form of a cash consideration. After completion of the transaction, SpareBank 1 SMN will own 39.4 per cent and SpareBank 1 Markets will be treated as an associated company. The transaction is dependent on approval from the Norwegian Financial Supervisory Authority and the Norwegian Competition Authority, and is planned to be completed in second half of 2023.

Profit from SpareBank 1 Markets has been reclassified as shown:

	Second quarter 2023	Second quarter 2022	First half 2023	First half 2022
Income Statement (NOKm)				
Net interest	-6	2	-14	4
Commission income and other income	-164	-189	-322	-304
Net return on financial investments	-36	-87	-78	-148
Total income	-206	-276	-414	-448
Total operating expenses	-164	-173	-328	-306
Result before losses	-41	-101	-86	-142
Loss on loans, guarantees etc.	-	-	-	-
Result before tax	-41	-101	-86	-142
Tax charge	6	15	13	18
Net profit for investment held for sale	37	87	74	-124

January - June 2023 (NOK Million)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS Group	80	26	8	7	1	100 %
SpareBank 1 Markets	2,404	1,577	414	341	74	67 %
Total Held for sale	2,484	1,604	422	349	74	

Losses on loans and guarantees

For a detailed description of the Bank's model for expected credit losses, refer to note 10 in the annual accounts for 2022.

In the second quarter of 2023, an upgraded loss model was used for the first time, which provides proposals for key assumptions when using regression analysis and simulation. Future default level (PD) is predicted based on the expected development in money market interest rates and unemployment. Future level of loss (LGD) is simulated based on collateral values and expectations of price development for collateral objects in various industries. With SpareBank 1 SMN's assumptions in the new model, write-downs are to a greater extent than previously allocated to industries with large interest-bearing debt such as property, shipping and fisheries. Norges Bank's Monetary Policy Report has been chosen as the main source for the explanatory variables interest rate and unemployment as well as the expected price development of residential property. Management's estimates and discretionary assessments of the expected development of default and loss levels (PD and LGD) were largely based on macro forecasts from Monetary Policy report (PPR) 2/23. In PPR 2/23, rising unemployment and increased interest rates are expected. The bank assessed as of 30 June 2023 that the changes in the macro forecasts, compared to the equivalent as of 31 March 2023, overall called for marginally higher default levels and approximately equal degree of loss in case of default. The scenario weighting is subject to ongoing assessment based on available information. In 2022, the probability of a low scenario for corporate market excl. offshore increased for several reasons - increased macroeconomic uncertainty as a result of the war in Ukraine, strong increases in energy and raw material prices, challenges in supply chains and prospects for permanently higher inflation and interest rates. Future loss expectations were increased both in 2022 and in the first quarter of 2023 in that PD and LGD pave the way for both the personal market and the corporate market excl. offshore was raised in the base scenario. The bank has focused on the expected long-term effects of a higher interest rate and weaker economic growth. For offshore portfolio, in the course of 2022, as a result of a significant improvement in the market and market prospects, increased earnings assumptions in the simulations and weight for the low scenario were reduced for supply and subsea. From the first quarter of 2023 is the model write-downs for the offshore portfolio calculated with the same assumptions as for the corporate market in general. Expected credit loss (ECL) per 30 June 2023 was calculated as a combination of 75 per cent expected scenario, 15 per cent downside scenario and 10 per cent upside scenario (75/15/10 percent) for the business market including agriculture, and 70 percent expected scenario, 15 percent downside scenario and 15 per cent upside scenario (70/15/15 per cent) for the retail market.

The effect of the revision of assumptions in 2023 is shown in the line "Changes due to changed input assumptions in the credit loss model" in note 8. Write-downs are increasing for both the corporate and retail market portfolios as a result of significantly increased interest rates and inflation expected to increase future levels for PD and LGD. In total, this amounts to NOK 60 million for the bank and NOK 48 million for the group in increased write-downs.

Sensitivity

The first part of the table below show total calculated expected credit loss as of 30 June 2023 in each of the three scenarios, distributed in the portfolios Retail Market, Corporate Market and agriculture, which adds up to parent bank. In addition the subsidiary SpareBank 1 Finans Midt-Norge is included. ECL for the parent bank and the subsidiary is summed up in the column "Group".

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

If the downside scenario's probability were doubled at the expense of the baseline scenario at the end of June 2023, this would have entailed an increase in loss provisions of NOK 192 million for the parent bank and NOK 214 million for the group.

	CM	RM	Agriculture	Total parent	SB 1 Finans MN, CM	SB 1 Finans MN, RM	Total group
ECL base case	752	101	48	901	37	24	963
ECL worst case	16,744	293	212	2,179	94	85	2,359
ECL best case	524	43	25	592	22	15	629
ECL with scenario weights used 75/15/10	867	-	71	938	-	-	987
ECL with scenario weights used 60/25/15	-	-	-	-	49	-	49
ECL with scenario weights used 70/15/15	-	121	-	121	-	32	153
Total ECL used	867	121	71	1,059	49	32	1,190
ECL alternative scenario weights 60/30/10	1,006	-	95	1,101	-	-	1,101
ECL alternative scenario weights 35/50/15	-	-	-	-	64	-	64
ECL alternative scenario weights 55/30/15	-	150	-	150	-	40	190
Total ECL alternative weights	1,006	150	95	1,251	64	40	1,355
Change in ECL if alternative weights were used	138	29	25	192	14	8	214

The table reflects that there are some significant differences in underlying PD and LGD estimates in the different scenarios and that there are differentiated levels and level differences between the portfolios. At group level, the ECL in the upside scenario, which largely reflects the loss and default picture in recent years, is about 70 per cent of the ECL in the expected scenario. The downside scenario gives more than double the ECL than in the expected scenario. Applied scenario weighting gives about 24 percent higher ECL than in the expected scenario.

Note 3 - Merger with SpareBank 1 Søre Sunnmøre on 2 May 2023

The merger of SpareBank 1 Søre Sunnmøre and SpareBank 1 SMN was carried out on 2 May 2023 with accounting effect from the same date. SpareBank 1 SMN is the acquiring entity and the merger is accounted for using the acquisition method of accounting in accordance with IFRS 3.

On 20 June 2022 the boards of directors of the two banks entered into an agreement of intent on a merger between SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre. The rationale for the merger was the banks' joint desire to create a larger and more dynamic bank, increasingly attractive to customers, investors and shareholders, employees and local communities in the region.

The overarching goal of the merged bank is to take its place as the leading banking player in Sunnmøre and in Fjordane. A merged bank makes for greater competitive power, an enhanced presence and increased attractiveness to customers, employees, investors and shareholders alike.

The merger plan was approved by the boards of both banks on 3 October 2022, and was finally approved by the respective general meetings of the banks on 9 November 2022. The requisite authorisations were received from Finanstilsynet on 17 March 2023 and the merger completion date was set at 2 May 2023.

In the final merger plan the conversion ratio was set at 93.4 per cent for SpareBank 1 SMN and 6.6 per cent for SpareBank 1 Søre Sunnmøre.

Payment for acquisition of the business activity of SpareBank 1 Søre Sunnmøre will be in the form of new equity certificates (ECs) in SpareBank 1 SMN.

In connection with the merger, the equity certificate capital is raised by NOK 288 million through the issuance of 14,379,147 new equity certificates of which 1,407,923 ECs go to previous EC holders in SpareBank 1 Søre Sunnmøre and 12,971,224 ECs go to the foundation Sparebankstiftinga Søre Sunnmøre. This entails the conversion of one SpareBank 1 Søre Sunnmøre EC for every 1.4079 SpareBank 1 SMN ECs.

These equity certificates are issued at a nominal value of NOK 20 per EC and a subscription price of NOK 103.36 per EC, corresponding to the latest calculated book value per EC on 30 April 2023. After the issuance of new equity certificates the total issued EC capital will amount to 2,884,311,800 distributed on 144,215,590 ECs with a nominal value of NOK 20 per EC.

The fair value of the 14,379,147 ECs issued as payment to EC holders in SpareBank 1 Søre Sunnmøre and the foundation Sparebankstiftinga Søre Sunnmøre is NOK 137.10 per EC, corresponding to the latest market price quoted on 2 May 2023 for SpareBank 1 SMN's EC. The difference between the fair value of the payment made to SpareBank 1 Søre Sunnmøre's EC holders prior to the merger and their share of net equity capital for the purposes of the acquisition analysis constitutes goodwill, and is recognised in the balance sheet on the completion date in accordance with IFRS 3.

The table below shows the merger payment, the fair value of assets and liabilities from SpareBank 1 Søre Sunnmøre and the calculation of goodwill as at 2 May 2023 (merger completion date). The purchase price allocation is not final.

Merger payment	Number	Price (NOK)	Payment (NOKm)
Issued EC capital - SpareBank 1 Søre Sunnmøre	1,407,923	103	146
Issued EC capital - Sparebankstiftinga Søre Sunnmøre	12,971,224	103	1,341
Total payment	14,379,147		1,486

Fair value of identifiable assets and liabilities	Book value 30 April 2023	Excess Values	Fair value 2 May 2023
(NOKm)			
Cash and receivables from central banks	35	-	35
Deposits with and loans to credit institutions	1,602	-	1,602
Net loans to and receivables from customers	10,345	20	10,365
Fixed-income CDs and bonds	206	-	206
Shares, units and other equity interests	566	23	589
Investment in related companies	163	107	270
Deferred tax asset	2	-	2
Fixed assets	48	15	63
Other assets	43	-	43
Intangible assets (customer relationship)	-	133	133
Total assets	13,009	299	13,307
Deposits from credit institutions	9	-	9
Deposits from and debt to customers	9,994	-	9,994
Debt created by issue of securities	1,240	-	1,240
Deferred tax	-	75	75
Other liabilities	52	-	52
Provision for accrued expenses and commitments	19	-	19
Subordinated loan capital	150	-	150
Total liabilities	11,463	-	11,537
Additional Tier 1 Capital	50	-	50
Net assets	1,496	224	1,720
Goodwill			251
Calculated equity capital based on the latest market price quoted on 2 May 2023 NOK 137.10, and a conversion ratio set at 93.4 per cent for SpareBank 1 SMN and 6.6 per cent for SpareBank 1 Søre sunnmøre			1,971

Note 4 - Account by business line

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

Group First half 2023

Profit and loss account (NOKm)	Sunnmøre og Fjordane				SB 1	SB 1	Other	Uncollated	Total
	RM	CM	EM 1	Finans MN	Regnskaps-huset SMN				
Net interest	863	622	246	1	252	2	-	142	2,129
Interest from allocated capital	143	84	44	-	-	-	-	-271	-
Total interest income	1,006	706	290	1	252	2	-	-128	2,129
Comission income and other income	348	120	45	224	-53	398	-	20	1,102
Net return on financial investments **)	3	-3	10	1	-13	-	223	-90	131
Total income	1,356	823	345	226	186	400	223	-198	3,361
Total operating expenses	510	185	106	178	59	312	-	61	1,411
Ordinary operating profit	846	638	239	48	127	89	223	-259	1,950
Loss on loans, guarantees etc.	-5	23	-91	-	32	-	-	-0	-42
Result before tax	851	615	329	48	95	89	223	-259	1,991
Return on equity *)	18.4 %	23.2 %	17.6 %						13.9 %

Group First half 2022

Profit and loss account (NOKm)				SB 1	SB 1	Other	Uncollated	Total
	RM	CM	EM 1	Finans MN	Regnskaps-huset SMN			
Net interest	597	644	2	222	0	-	97	1,563
Interest from allocated capital	51	42	-	-	-	-	-93	-
Total interest income	648	686	2	222	0	-	4	1,563
Comission income and other income	411	134	219	-49	343	-	19	1,077
Net return on financial investments **)	-3	4	8	-13	-	152	-16	132
Total income	1,056	824	229	160	343	152	7	2,772
Total operating expenses	464	234	177	54	289	-	-4	1,214
Ordinary operating profit	593	590	52	106	54	152	11	1,558
Loss on loans, guarantees etc.	-10	-48	-	9	-	-	-0	-48
Result before tax	602	638	52	97	54	152	11	1,606
Return on equity *)	13.5 %	18.4 %						12.6 %

Group 2022

Profit and loss account (NOKm)				SB 1	SB 1	Other	Uncollated	Total
	RM	CM	EM 1	Finans MN	Regnskaps-huset SMN			
Net interest	1,328	1,380	3	459	2	-	167	3,339
Interest from allocated capital	163	125	-	-	-	-	-288	-
Total interest income	1,491	1,505	3	459	2	-	-121	3,339
Comission income and other income	796	290	418	-106	605	-	39	2,042
Net return on financial investments **)	-4	9	8	-23	-	466	-76	380
Total income	2,283	1,804	429	329	607	466	-158	5,760
Total operating expenses	958	467	371	108	511	-	28	2,443
Ordinary operating profit	1,325	1,337	58	221	96	466	-186	3,317
Loss on loans, guarantees etc.	29	-66	-	30	-	-	-0	-7
Result before tax	1,296	1,403	58	191	96	466	-186	3,324
Return on equity *)	13.6 %	20.8 %						12.3 %

*) Regulatory capital is used as a basis for calculating capital used in the Private market and Business. This capital has been grossed up

to 17.2 per cent to be in line with the bank's capital target.

**) Specification of other (NOKm)	First half 2023	First half 2022	2022
SpareBank 1 Gruppen	30	29	175
SpareBank 1 Boligkreditt	63	-8	1
SpareBank 1 Næringskreditt	5	2	3
BN Bank	119	96	203
SpareBank 1 Kreditt	-6	6	9
SpareBank 1 Betaling	-20	-6	13
SpareBank 1 Forvaltning	16	18	33
Other companies	16	14	29
Income from investment in associates and joint ventures	223	152	466
SpareBank 1 Mobilitet Holding	-13	-13	-23
Net income from investment in associates and joint ventures	209	139	442

Note 5 - 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 2023 the overall minimum requirement on CET1 capital is 14.0 per cent. The capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement for Norwegian IRB-banks is 4.5 per cent and the Norwegian countercyclical buffer is 2.5 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital. In addition the financial supervisory authority has set a Pillar 2 requirement of 1.9 per cent for SpareBank 1 SMN, however not below NOK 1,794 million in monetary terms. From 30 April 2022, SpareBank 1 SMN has received a new Pillar 2 requirement. The rate of 1.9 per cent is unchanged, but in addition the bank must have an additional 0.7 per cent in Pillar 2 requirements until the application for modeling has been processed.

Under the CRR/CRDIV regulations the average risk weighting of exposures secured on residential property in Norway cannot be lower than 20 per cent. As of 30 June 2023 an adjustment was made in both the parent bank and the group to bring the average risk weight up to 20 per cent. This is presented in the note together with 'mass market exposure, property' under 'credit risk IRB'.

The systemic risk buffer stands at 4.5 per cent for the Norwegian exposures. For exposures in other countries, the particular country's systemic buffer rate shall be employed. As of 30 June 2023 the effective rate for the parent bank is 4.45 per cent and for the group is 4.43 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. As of 30 June 2023 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 2022	30 Jun 2022	30 Jun 2023	(NOKm)	30 Jun 2023	30 Jun 2022	31 Dec 2022
20,887	19,245	23,367	Total book equity	26,975	22,993	24,807
-1,726	-1,218	-1,708	Additional Tier 1 capital instruments included in total equity	-1,744	-1,259	-1,769
-467	-456	-850	Deferred taxes, goodwill and other intangible assets	-1,414	-954	-947
-1,314	-	0	Deduction for allocated dividends and gifts	0	-	-1,314
-	-	-	Non-controlling interests recognised in other equity capital	-906	-894	-997
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	769	637	784
-	-1,443	-1,843	Net profit	-1,701	-1,400	-
-	727	964	Year-to-date profit included in core capital (50 per cent (50 per cent) pre tax of group profit)	821	684	-
-72	-51	-79	Value adjustments due to requirements for prudent valuation	-95	-71	-89
-194	-196	-291	Positive value of adjusted expected loss under IRB Approach	-398	-258	-279
-	-	-	Cash flow hedge reserve	-5	-4	-4
-281	-219	-305	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-257	-496	-417
16,833	16,390	19,256	Common equity Tier 1 capital	22,044	18,977	19,776
1,726	1,250	1,766	Additional Tier 1 capital instruments	2,195	1,616	2,106
-47	-46	-47	Deduction for significant investments in financial institutions	-47	-46	-47
18,512	17,594	20,975	Tier 1 capital	24,192	20,547	21,835
-	-	-	Supplementary capital in excess of core capital			
2,000	2,067	2,587	Subordinated capital	3,124	2,571	2,523
-210	-209	-210	Deduction for significant investments in financial institutions	-210	-209	-210
1,790	1,858	2,377	Additional Tier 2 capital instruments	2,913	2,362	2,312
20,301	19,452	23,351	Total eligible capital	27,106	22,910	24,147

Minimum requirements subordinated capital						
1,148	1,068	1,297	Specialised enterprises	1,542	1,269	1,351
901	1,003	1,006	Corporate	1,031	1,026	923
1,379	1,347	1,532	Mass market exposure, property	2,828	2,396	2,559
98	122	116	Other mass market	119	125	100
1,249	1,201	1,357	Equity positions IRB	-	-	-
4,774	4,741	5,308	Total credit risk IRB	5,520	4,816	4,933
6	3	3	Central government	6	4	6
82	113	99	Covered bonds	134	156	139
403	398	434	Institutions	346	292	276
187	128	147	Local and regional authorities, state-owned enterprises	164	148	207
143	153	213	Corporate	448	361	385
7	10	26	Mass market	722	568	662
27	34	48	Exposures secured on real property	141	108	109
90	90	95	Equity positions	475	495	504
97	70	69	Other assets	150	143	162
1,042	999	1,136	Total credit risk standardised approach	2,586	2,274	2,450
27	45	34	Debt risk	36	47	29
-	-	-	Equity risk	15	23	10
-	-	-	Currency risk and risk exposure for settlement/delivery	4	4	1
458	433	496	Operational risk	910	810	853
30	28	35	Credit value adjustment risk (CVA)	147	98	101
6,331	6,245	7,009	Minimum requirements subordinated capital	9,217	8,073	8,377
79,140	78,064	87,611	Risk weighted assets (RWA)	115,215	100,910	104,716
3,561	3,513	3,942	Minimum requirement on CET1 capital, 4.5 per cent	5,185	4,541	4,712
			Capital Buffers			
1,978	1,952	2,190	Capital conservation buffer, 2.5 per cent	2,880	2,523	2,618
3,561	3,513	3,899	Systemic risk buffer, 4.5 per cent	5,104	4,541	4,712
1,583	1,171	2,190	Countercyclical buffer, 1.0 per cent	2,880	1,514	2,094
7,123	6,635	8,279	Total buffer requirements on CET1 capital	10,865	8,577	9,424
6,149	6,242	7,034	Available CET1 capital after buffer requirements	5,995	5,859	5,639
			Capital adequacy			
21.3 %	21.0 %	22.0 %	Common equity Tier 1 capital ratio	19.1 %	18.8 %	18.9 %
23.4 %	22.5 %	23.9 %	Tier 1 capital ratio	21.0 %	20.4 %	20.9 %
25.7 %	24.9 %	26.7 %	Capital ratio	23.5 %	22.7 %	23.1 %
			Leverage ratio			
209,285	203,200	225,766	Balance sheet items	325,004	287,881	300,772
6,234	9,136	8,427	Off-balance sheet items	9,525	9,744	7,744
-313	-292	-369	Regulatory adjustments	-540	-376	-419
215,205	212,044	233,823	Calculation basis for leverage ratio	333,990	297,249	308,097
18,512	17,594	20,975	Core capital	24,192	20,547	21,835
8.6 %	8.3 %	9.0 %	Leverage Ratio	7.2 %	6.9 %	7.1 %

Note 6 - Distribution of loans by sector/industry

Parent Bank			(NOKm)	Group		
31 Dec 2022	30 Jun 2022	30 Jun 2023		30 Jun 2023	30 Jun 2022	31 Dec 2022
10,707	9,709	11,339	Agriculture and forestry	11,791	10,104	11,140
7,047	6,892	6,367	Fisheries and hunting	6,397	6,914	7,075
2,324	2,705	2,039	Sea farming industries	2,315	2,969	2,656
2,563	2,068	3,092	Manufacturing	3,683	2,653	3,150
4,370	3,719	6,396	Construction, power and water supply	7,534	4,817	5,526
2,976	2,776	3,044	Retail trade, hotels and restaurants	3,786	3,285	3,632
5,382	5,064	5,944	Maritime sector	5,944	5,064	5,382
18,722	17,543	20,618	Property management	20,738	17,647	18,840
3,561	4,742	4,316	Business services	5,134	5,151	4,312
5,327	5,854	5,632	Transport and other services provision	6,712	6,811	6,375
1	1	1	Public administration	33	32	35
1,343	1,456	1,450	Other sectors	1,395	1,401	1,288
64,322	62,531	70,239	Gross loans in Corporate market	75,463	66,848	69,411
134,841	132,120	149,407	Wage earners	156,637	138,657	141,833
199,163	194,650	219,647	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	232,100	205,504	211,244
56,876	55,218	63,527	of which SpareBank 1 Boligkreditt	63,527	55,218	56,876
1,739	1,605	1,754	of which SpareBank 1 Næringskreditt	1,754	1,605	1,739
140,549	137,827	154,366	Total Gross loans to and receivables from customers	166,819	148,681	152,629
890	929	843	- Loan loss allowance on amortised cost loans	936	993	972
109	86	115	- Loan loss allowance on loans at FVOCI	115	86	109
139,550	136,812	153,407	Net loans to and receivables from customers	165,767	147,602	151,549

Note 7 - Losses on loans and guarantees

Parent Bank (NOKm)	First half						Second Quarter						2022		
	2023			2022			2023			2022			RM	CM	Total
	RM	CM	Total	RM	CM	Total	RM	CM	Total	RM	CM	Total			
Change in provision for expected credit losses	12	-51	-39	-7	-75	-82	7	41	48	-1	-62	-64	29	-97	-68
Actual loan losses on commitments exceeding provisions made	8	7	15	1	32	33	3	0	4	0	14	14	7	38	45
Recoveries on commitments previously written-off	-26	-24	-50	-4	-5	-8	-24	-23	-48	-1	-2	-3	-7	-7	-14
Losses for the period on loans and guarantees	-5	-68	-73	-10	-48	-57	-14	18	4	-2	-51	-53	29	-66	-37

Group (NOKm)	First half						Second Quarter						2022		
	2023			2022			2023			2022			RM	CM	Total
	RM	CM	Total	RM	CM	Total	RM	CM	Total	RM	CM	Total			
Change in provision for expected credit losses	15	-43	-27	-4	-77	-81	7	48	56	0	-65	-64	38	-86	-48
Actual loan losses on commitments exceeding provisions made	42	15	56	4	37	41	37	6	42	2	18	20	13	45	58
Recoveries on commitments previously written-off	-45	-26	-71	-4	-5	-8	-43	-25	-69	-1	-2	-3	-7	-10	-17
Losses for the period on loans and guarantees	12	-54	-42	-4	-44	-48	1	28	29	1	-49	-48	44	-51	-7

Note 8 - Losses

Parent Bank (NOKm)	1 Jan 23	Merge Søre Sunnmøre	Change in provision	Net write- offs /recoveries	30 Jun 23
Loans as amortised cost- CM	921	32	-92	-1	861
Loans as amortised cost- RM	35	11	7	-6	47
Loans at fair value over OCI- RM	147	-	-6	-	141
Loans at fair value over OCI- CM	2	-	8	-	11
Provision for expected credit losses on loans and guarantees	1,106	43	-82	-7	1,060
Presented as					
Provision for loan losses	999	41	-75	-7	958
Other debt- provisons	67	2	-6	-	63
Other comprehensive income - fair value adjustment	40	-	-1	-	39

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

Parent Bank (NOKm)	1 Jan 22	Change in provision	Net write- offs /recoveries	31 Dec 22
Loans as amortised cost- CM	1,298	-98	-278	921
Loans as amortised cost- RM	31	10	-5	35
Loans at fair value over OCI- RM	128	19	-	147
Loans at fair value over OCI- CM	1	1	-	2
Provision for expected credit losses on loans and guarantees	1,458	-68	-284	1,106
Presented as				
Provision for loan losses	1,348	-65	-284	999
Other debt- provisons	79	-12	-	67
Other comprehensive income - fair value adjustment	31	9	-	40

Group (NOKm)	1 Jan 23	Merge Søre Sunnmøre	Change in provision	Net write-offs /recoveries	30 Jun 23
Loans as amortised cost- CM	976	32	-92	-1	924
Loans as amortised cost- RM	63	11	7	-6	78
Loans at fair value over OCI- RM	147	-	-6	-	141
Loans at fair value over OCI- CM	2	-	8	-	11
Provision for expected credit losses on loans and guarantees	1,188	43	-82	-7	1,154
Presented as					
Provision for loan losses	1,081	41	-75	-7	1,052
Other debt- provisons	67	2	-6	-	63
Other comprehensive income - fair value adjustment	40	-	-1	-	39

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

Group (NOKm)	1 Jan 22	Change in provision	Net write-offs /recoveries	31 Dec 22
Loans as amortised cost- CM	1,343	-88	-280	976
Loans as amortised cost- RM	49	19	-5	63
Loans at fair value over OCI- RM	128	19	-	147
Loans at fair value over OCI- CM	1	1	-	2
Provision for expected credit losses on loans and guarantees	1,520	-48	-285	1,188
Presented as				
Provision for loan losses	1,410	-45	-285	1,081
Other debt- provisons	79	-12	-	67
Other comprehensive income - fair value adjustment	31	9	-	40

Accrual for losses on loans

Parent Bank (NOKm)	30 Jun 2023				30 Jun 2022				31 Dec 2022			
	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	46	93	42	181	39	82	36	156	39	82	36	156
Transfer to (from) stage 1	21	-20	-0	-	19	-19	-0	-	18	-18	-0	-
Transfer to (from) stage 2	-3	3	-0	-	-2	2	-0	-	-2	2	-0	-
Transfer to (from) stage 3	-0	-6	6	-	-0	-5	5	-	-0	-6	6	-
Net remeasurement of loss allowances	-17	-13	-4	-34	-24	12	2	-10	-24	20	7	4
Originations or purchases	0	5	6	12	12	5	0	18	17	24	4	45
Derecognitions	-9	-17	-4	-30	-7	-14	-2	-23	-12	-24	-3	-39
Changes due to changed input assumptions	4	48	12	64	2	8	-2	8	9	13	-2	20
Actual loan losses	0	0	-6	-6	-	-	-4	-4	0	0	-5	-5
Closing balance	42	93	52	187	39	72	34	144	46	93	42	181
Corporate Market												
Opening balance	138	298	421	858	84	268	871	1,223	84	268	871	1,223
Transfer to (from) stage 1	42	-39	-3	-	27	-26	-0	-	75	-74	-1	-
Transfer to (from) stage 2	-14	21	-7	-	-4	95	-91	-	-5	97	-92	-
Transfer to (from) stage 3	-0	-3	3	-	-1	-2	3	-	-1	-3	4	-
Net remeasurement of loss allowances	15	-22	11	4	29	-0	-44	-15	-67	-35	-66	-168
Originations or purchases	6	6	18	30	33	11	5	49	49	34	4	87
Derecognitions	-27	-33	-6	-66	-10	-17	-24	-50	-33	-31	-24	-88
Changes due to changed input assumptions	17	-3	-29	-14	-52	-3	4	-50	37	41	4	83
Actual loan losses	-	-	-1	-1	-	-	-254	-254	-	-	-278	-278
Closing balance	177	225	408	810	106	326	470	902	138	298	421	858
Total accrual for loan losses	219	318	460	997	145	398	504	1,046	184	391	463	1,039

Group (NOKm)	30 Jun 2023				30 Jun 2022				31 Dec 2022			
	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	55	107	47	209	45	89	40	174	45	89	40	174
Transfer to (from) stage 1	22	-22	-0	-	20	-20	-0	-	20	-20	-0	-
Transfer to (from) stage 2	-4	4	-0	-	-2	2	-0	-	-3	3	-1	-
Transfer to (from) stage 3	-0	-7	8	-	-0	-5	5	-	-0	-7	7	-
Net remeasurement of loss allowances	-18	-8	-1	-26	-25	15	3	-6	-24	25	8	9
Originations or purchases	3	7	6	16	14	6	0	21	22	30	4	56
Derecognitions	-10	-19	-7	-36	-7	-15	-3	-25	-13	-26	-4	-43
Changes due to changed input assumptions	3	46	12	60	1	7	-3	6	8	13	-3	18
Actual loan losses	-	-	-6	-6	-	-	-4	-4	-	-	-5	-5
Closing balance	51	108	58	218	46	80	39	165	55	107	47	209
Corporate Market												
Opening balance	151	311	450	912	94	278	896	1,268	94	278	896	1,268
Transfer to (from) stage 1	44	-41	-3	-	28	-28	-0	-	77	-76	-1	-
Transfer to (from) stage 2	-15	22	-7	-	-4	96	-91	-	-7	99	-92	-
Transfer to (from) stage 3	-1	-3	4	-	-1	-2	3	-	-2	-3	4	-
Net remeasurement of loss allowances	16	-16	13	13	29	2	-37	-6	-68	-30	-47	-145
Originations or purchases	13	7	19	39	35	12	5	52	55	35	5	95
Derecognitions	-27	-34	-7	-68	-10	-17	-25	-53	-34	-33	-26	-93
Changes due to changed input assumptions	16	-3	-35	-23	-53	-3	-4	-61	35	40	-8	67
Actual loan losses	-	-	-1	-1	-	-	-254	-254	-	-	-280	-280
Closing balance	197	243	433	873	116	337	492	945	151	311	450	912
Total accrual for loan losses	249	351	491	1,091	163	416	531	1,110	206	418	497	1,121

Accrual for losses on guarantees and unused credit lines

Parent Bank and Group (NOKm)	30 Jun 2023				30 Jun 2022				31 Dec 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance	24	34	9	67	19	55	5	79	19	55	5	79
Transfer to (from) stage 1	3	-3	-0	-	2	-1	-0	-	16	-16	-0	-
Transfer to (from) stage 2	-2	2	-0	-	-0	0	-0	-	-1	1	-0	-
Transfer to (from) stage 3	-0	-0	0	-	-0	-0	0	-	-0	-0	1	-
Net remeasurement of loss allowances	-0	-5	-2	-7	-6	-5	1	-9	-16	-3	3	-15
Originations or purchases	2	1	-	2	7	3	0	10	12	6	0	18
Derecognitions	-3	-6	-0	-9	-1	-6	-0	-7	-4	-12	-0	-16
Changes due to changed input assumptions	0	7	3	10	-1	0	0	-1	-3	3	0	1
Actual loan losses	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	23	30	10	63	18	46	7	71	24	34	9	67
Of which												
Retail market				2				3				1
Corporate Market				61				68				66

Provision for credit losses specified by industry

Parent Bank (NOKm)	30 Jun 2023				30 Jun 2022				31 Dec 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Agriculture and forestry	3	33	18	55	2	29	7	39	4	38	18	60
Fisheries and hunting	11	26	0	38	9	12	0	21	11	12	0	23
Sea farming industries	6	2	0	9	2	0	1	3	3	1	1	5
Manufacturing	15	27	2	43	5	31	6	42	9	47	2	58
Construction, power and water supply	49	25	18	90	14	15	7	36	26	22	11	59
Retail trade, hotels and restaurants	9	9	4	23	9	27	3	40	16	14	1	32
Maritime sector	10	39	160	209	19	175	200	394	19	117	184	320
Property management	55	73	21	149	25	46	29	101	34	55	28	117
Business services	12	16	187	215	16	16	209	241	13	24	177	214
Transport and other services	10	10	15	36	8	6	16	30	9	11	16	36
Public administration	0	-	-	0	0	-	-	0	0	0	0	0
Other sectors	1	0	0	1	0	0	-	0	0	0	0	0
Wage earners	1	56	34	91	3	40	26	68	1	50	25	75
Total provision for losses on loans	180	318	460	958	113	398	504	1,015	144	391	463	999
loan loss allowance on loans at FVOCI	39			39	31			31	40			40
Total loan loss allowance	219	318	460	997	145	398	504	1,046	184	391	463	1,039

Group (NOKm)	30 Jun 2023				30 Jun 2022				31 Dec 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Agriculture and forestry	5	35	19	59	4	30	8	42	5	40	19	64
Fisheries and hunting	12	27	0	38	9	12	0	21	11	12	0	23
Sea farming industries	7	2	0	10	3	0	4	7	4	1	4	9
Manufacturing	18	31	2	51	7	33	10	50	11	50	8	70
Construction, power and water supply	51	29	30	110	18	18	12	48	30	25	16	71
Retail trade, hotels and restaurants	13	13	5	31	10	28	6	44	17	15	2	34
Maritime sector	10	39	160	209	19	175	200	394	19	117	184	320
Property management	56	73	21	150	26	46	29	101	35	55	29	118
Business services	16	18	194	228	17	18	212	247	15	25	184	224
Transport and other services	14	14	20	48	10	8	20	38	12	16	21	49
Public administration	0	-	-	0	0	-	-	0	0	0	0	0
Other sectors	1	0	0	1	0	0	-	0	0	0	0	0
Wage earners	9	69	39	117	9	47	30	86	8	61	29	99
Total provision for losses on loans	210	351	491	1,052	131	416	531	1,079	166	418	497	1,081
loan loss allowance on loans at FVOCI	39			39	31			31	40			40
Total loan loss allowance	249	351	491	1,091	163	416	531	1,110	206	418	497	1,121

Note 9 - Gross Loans

Parent Bank (NOKm)	30 Jun 2023				30 Jun 2022				31 Dec 2022			
	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	80,994	3,962	527	85,484	82,299	3,892	444	86,636	82,299	3,892	444	86,636
Transfer to stage 1	1,128	-1,113	-15	-	1,149	-1,132	-17	-	1,075	-1,060	-15	-
Transfer to stage 2	-1,142	1,150	-9	-	-1,083	1,090	-7	-	-1,403	1,411	1	-
Transfer to stage 3	-33	-123	156	-	-25	-88	113	-	-32	-119	150	-
Net increase/decrease amount existing loans	-1,578	-46	-11	-1,636	-1,794	-73	-15	-1,881	-2,501	-106	-15	-2,623
New loans	28,123	778	174	29,075	23,988	403	49	24,439	38,691	1,418	120	40,229
Derecognitions	-18,713	-814	-116	-19,643	-24,746	-943	-86	-25,774	-37,136	-1,473	-137	-38,746
Financial assets with actual loan losses	0	0	-14	-14	-	-	-6	-6	-0	-1	-11	-12
Closing balance	88,779	3,794	693	93,266	79,789	3,150	474	83,413	80,994	3,962	527	85,484
Corporate Market												
Opening balance	43,127	5,883	1,346	50,356	38,359	5,186	2,656	46,201	38,359	5,186	2,656	46,201
Transfer to stage 1	952	-930	-21	-	574	-572	-3	-	1,839	-1,820	-19	-
Transfer to stage 2	-2,226	2,284	-58	-	-1,082	1,953	-871	-	-1,699	2,606	-908	-
Transfer to stage 3	-7	-58	65	-	-64	-72	136	-	-67	-72	139	-
Net increase/decrease amount existing loans	-132	156	15	39	929	-188	88	829	-731	-257	-3	-990
New loans	10,729	425	139	11,294	9,329	766	132	10,227	17,124	1,661	86	18,872
Derecognitions	-5,713	-352	-68	-6,134	-5,986	-849	-503	-7,337	-11,697	-1,415	-514	-13,625
Financial assets with actual loan losses	0	0	-6	-6	-2	-4	-59	-66	-3	-8	-91	-102
Closing balance	46,729	7,407	1,413	55,549	42,057	6,221	1,577	49,855	43,127	5,883	1,346	50,356
Fixed interest loans at FV	5,550			5,550	4,559			4,559	4,709	-	-	4,709
Total gross loans at the end of the period	141,059	11,201	2,106	154,366	126,405	9,371	2,051	137,827	128,830	9,845	1,874	140,549

Group (NOKm)	30 Jun 2023				30 Jun 2022				31 Dec 2022			
	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	86,972	4,901	635	92,508	87,577	4,612	531	92,721	87,577	4,612	531	92,721
Transfer to stage 1	1,305	-1,289	-15	-	1,321	-1,303	-18	-	1,278	-1,261	-17	-
Transfer to stage 2	-1,520	1,533	-12	-	-1,348	1,358	-11	-	-1,771	1,784	-13	-
Transfer to stage 3	-40	-173	213	-	-29	-112	141	-	-40	-151	190	-
Net increase/decrease amount existing loans	-1,459	-77	-17	-1,552	-1,541	-99	-18	-1,658	-2,177	-170	-25	-2,372
New loans	29,980	886	176	31,042	25,877	501	61	26,439	41,570	1,801	129	43,500
Derecognitions	-20,292	-994	-181	-21,467	-26,335	-1,083	-93	-27,512	-39,465	-1,714	-150	-41,329
Financial assets with actual loan losses	-0	-0	-14	-14	-	-	-6	-6	-0	-1	-11	-12
Closing balance	94,946	4,786	785	100,517	85,522	3,875	587	89,984	86,972	4,901	635	92,508
Corporate Market												
Opening balance	47,621	6,460	1,410	55,491	41,855	5,768	2,759	50,382	41,855	5,768	2,759	50,382
Transfer to stage 1	1,041	-1,013	-28	-	722	-714	-7	-	2,090	-2,045	-45	-
Transfer to stage 2	-2,458	2,523	-64	-	-1,233	2,115	-882	-	-2,042	2,959	-917	-
Transfer to stage 3	-17	-92	109	-	-70	-85	155	-	-97	-88	185	-
Net increase/decrease amount existing loans	-145	129	11	-5	760	-208	86	638	-761	-329	-13	-1,104
New loans	11,490	489	147	12,126	9,961	805	144	10,910	19,085	1,751	109	20,945
Derecognitions	-6,267	-436	-73	-6,777	-6,157	-938	-553	-7,647	-12,507	-1,546	-577	-14,629
Financial assets with actual loan losses	0	0	-5	-5	-2	-4	-59	-66	-3	-8	-91	-102
Balance at 31 December	51,264	8,059	1,506	60,829	45,834	6,740	1,643	54,216	47,621	6,460	1,410	55,491
Closing balance												
Fixed interest loans at FV	5,473			5,473	4,481			4,481	4,631			4,631
Total gross loans at the end of the period	151,682	12,846	2,291	166,819	135,837	10,615	2,229	148,681	139,224	11,361	2,044	152,629

Note 10 - Distribution of customer deposits by sector/industry

Parent Bank			(NOKm)	Group		
31 Dec 2022	30 Jun 2022	30 Jun 2023		30 Jun 2023	30 Jun 2022	31 Dec 2022
2,159	2,329	2,658	Agriculture and forestry	2,658	2,329	2,159
1,366	1,337	1,403	Fisheries and hunting	1,403	1,337	1,366
644	1,219	1,375	Sea farming industries	1,375	1,219	644
2,881	2,431	2,985	Manufacturing	2,985	2,431	2,881
5,534	3,508	3,922	Construction, power and water supply	3,922	3,508	5,534
6,065	5,411	4,964	Retail trade, hotels and restaurants	4,964	5,411	6,065
1,198	916	1,145	Maritime sector	1,145	916	1,198
5,645	6,152	6,597	Property management	6,523	6,092	5,577
13,036	12,825	12,544	Business services	12,544	12,825	13,036
9,364	9,572	11,553	Transport and other services provision	11,165	9,123	8,856
21,690	24,614	28,373	Public administration	28,373	24,614	21,690
4,800	5,464	5,768	Other sectors	5,744	5,419	4,687
74,383	75,778	83,287	Total	82,802	75,224	73,693
48,316	48,588	57,362	Wage earners	57,362	48,588	48,316
122,699	124,366	140,649	Total deposits	140,164	123,812	122,010

Note 11 - Net interest income

Parent bank					Group				
Second Quarter		First half			First half		Second Quarter		
2022	2023	2022	2023	(NOKm)	2023	2022	2023	2022	2022
Interest income									
435	76	197	134	380	158	55	81	31	212
2,814	619	1,091	1,184	2,072	2,540	1,478	1,333	771	3,483
1,879	395	828	763	1,554	1,554	763	828	395	1,879
125	31	39	59	72	72	59	39	31	125
599	114	351	210	672	669	209	350	113	595
-	-	-	-	-	12	11	6	5	22
5,852	1,234	2,507	2,350	4,750	5,005	2,574	2,638	1,346	6,315
Interest expense									
260	45	131	75	256	256	75	131	45	260
1,524	269	874	494	1,570	1,556	488	867	265	1,508
1,035	191	483	371	945	946	371	483	191	1,035
66	16	28	27	52	54	28	29	17	68
7	2	2	4	4	20	29	10	6	26
79	19	23	39	44	44	20	23	19	79
2,972	542	1,540	1,010	2,872	2,875	1,011	1,543	543	2,977
2,880	692	967	1,340	1,878	2,130	1,563	1,095	803	3,339

Note 12 - Net commission income and other income

Parent bank					Group				
Second Quarter		First half			First half		Second Quarter		
2022	2023	2022	2023	(NOKm)	2023	2022	2023	2022	2022
Commission income									
77	12	15	32	33	33	32	15	12	77
-	-	-	-	-	141	140	78	78	267
44	11	13	21	24	24	21	13	11	44
256	77	53	161	110	110	161	53	77	256
16	4	4	8	7	7	8	4	4	16
475	114	118	217	231	229	214	117	112	471
236	59	65	116	125	125	116	65	59	236
88	27	25	48	43	39	44	23	25	80
1,192	303	292	602	573	709	736	367	378	1,446
Commission expenses									
80	18	25	36	48	49	36	25	18	80
11	3	3	4	6	53	52	26	28	105
90	21	28	41	54	101	88	51	46	186
Other operating income									
30	0	9	13	18	19	13	9	1	32
-	-	-	-	-	83	79	41	46	151
-	-	-	-	-	370	323	182	167	564
25	2	10	6	17	22	14	13	9	34
55	2	19	19	35	494	429	245	223	781
1,156	284	283	581	554	1,102	1,077	561	555	2,042

Note 13 - Operating expenses

Parent bank					(NOKm)	Group				
Second Quarter			First half			First half		Second Quarter		
2022	2022	2023	2022	2023		2023	2022	2023	2022	2022
304	70	93	146	184	IT costs	211	171	105	82	355
11	3	3	6	6	Postage and transport of valuables	8	7	4	3	14
59	16	20	29	37	Marketing	48	44	25	26	86
77	19	25	38	47	Ordinary depreciation	63	58	35	29	117
46	4	12	25	24	Operating expenses, real properties	30	29	14	7	55
188	37	55	80	98	Purchased services	115	94	62	42	217
156	34	43	67	133	Other operating expense	155	86	55	45	195
841	183	250	391	529	Total other operating expenses	630	489	300	235	1,038

Note 14 - Net return on financial investments

Parent Bank					(NOKm)	Group				
Second Quarter			First half			First half		Second Quarter		
2022	2022	2023	2022	2023		2023	2022	2023	2022	2022
Valued at fair value through profit/loss										
-428	-176	-198	-379	-231	Value change in interest rate instruments	-231	-379	-198	-176	-427
Value change in derivatives/hedging										
-10	-1	-0	-1	9	Net value change in hedged bonds and derivatives*	9	-1	-0	-1	-10
-38	-33	14	-36	-10	Net value change in hedged fixed rate loans and derivatives	-10	-36	14	-33	-38
275	94	156	265	99	Other derivatives	99	265	156	94	275
Income from equity instruments										
646	514	580	574	580	Income from owner interests	209	139	85	77	442
4	1	3	4	8	Dividend from owner instruments	1	4	-0	1	4
30	4	5	7	9	Value change and gain/loss on owner instruments	20	5	18	4	33
-19	-14	10	-11	21	Dividend from equity instruments	-25	97	-7	-36	9
Value change and gain/loss on equity instruments										
461	388	570	422	484	Total net income from financial assets and liabilities at fair value through profit/(loss)	72	93	67	-72	287
Valued at amortised cost										
-0	-0	-0	-0	-1	Value change in interest rate instruments held to maturity	-1	-0	-0	0	-0
-0	-0	-0	-0	-1	Total net income from financial assets and liabilities at amortised cost	-1	-0	-0	0	-0
93	29	35	38	59	Total net gain from currency trading	59	38	36	29	93
554	416	605	459	543	Total net return on financial investments	131	132	103	-43	380
* Fair value hedging										
-664	-538	-282	-1,363	-97	Changes in fair value on hedging instrument	-97	-1,363	-282	-538	-664
657	537	282	1,362	106	Changes in fair value on hedging item	106	1,362	282	537	657
-6	-1	-0	-1	9	Net Gain or Loss from hedge accounting	9	-1	-0	-1	-6

Note 15 - Other assets

Parent Bank			(NOKm)	Group		
31 Dec 2022	30 Jun 2022	30 Jun 2023		30 Jun 2023	30 Jun 2022	31 Dec 2022
-	3	2	Deferred tax asset	8	72	5
117	100	167	Fixed assets	280	224	232
223	243	266	Right to use assets	395	470	325
87	77	95	Earned income not yet received	122	124	104
262	978	479	Accounts receivable, securities	479	1,479	262
240	62	240	Pension assets	240	62	240
1,164	271	133	Other assets	463	671	1,387
2,092	1,735	1,382	Total other assets	1,987	3,103	2,555

Note 16 - Other liabilities

Parent Bank			(NOKm)	Group		
31 Dec 2022	30 Jun 2022	30 Jun 2023		30 Jun 2023	30 Jun 2022	31 Dec 2022
72	-	147	Deferred tax	202	56	127
611	456	414	Payable tax	504	503	705
13	12	13	Capital tax	13	12	13
97	83	93	Accrued expenses and received, non-accrued income	405	633	388
427	513	587	Provision for accrued expenses and commitments	587	513	427
66	71	63	Losses on guarantees and unutilised credits	63	71	66
6	8	11	Pension liabilities	11	8	6
233	253	276	Lease liabilities	406	486	339
97	68	90	Drawing debt	90	68	97
73	11	53	Creditors	94	149	116
176	922	343	Debt from securities	343	1,316	176
196	274	252	Other liabilities	345	462	265
2,067	2,672	2,342	Total other liabilities	3,064	4,277	2,725

Note 17 - Debt created by issue of securities and subordinated debt

Group

	31 Dec 2022	Issued	Fallen due/ Redeemed	Other changes	30 Jun 2023
Change in securities debt (NOKm)					
Certificate, nominal value	-	-	-	-	-
Bond debt, nominal value	42,532	827	2,051	2,223	43,532
Senior non preferred, nominal value	7,100	1,450	-	-18	8,532
Value adjustments	-2,438	-	-	-310	-2,748
Accrued interest	280	-	-	101	381
Total	47,474	2,277	2,051	1,996	49,697

	31 Dec 2022	Issued	Fallen due/ Redeemed	Other changes	30 Jun 2023
Change in subordinated debt and hybrid equity (NOKm)					
Ordinary subordinated loan capital, nominal value	2,043	750	313	150	2,630
Hybrid equity, nominal value	-	-	-	-	-
Value adjustments	-	-	-	-	-
Accrued interest	16	-	-	3	19
Total	2,058	750	313	153	2,648

Note 18 - 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 2023:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	-	9,255	-	9,255
- Bonds and money market certificates	4,584	33,546	-	38,130
- Equity instruments	352	159	550	1,062
- Fixed interest loans	-	82	5,467	5,549
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	89,311	89,311
Total assets	4,936	43,043	95,328	143,307
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	-	9,953	-	9,953
- Equity instruments	-	-	-	-
Total liabilities	-	9,953	-	9,953

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

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

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2022:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	-	6,804	-	6,804
- Bonds and money market certificates	3,721	34,352	-	38,073
- Equity instruments	140	130	570	840
- Fixed interest loans	-	-	4,630	4,630
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	81,901	81,901
Total assets	3,861	41,285	87,102	132,248
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	-	8,307	-	8,307
- Equity instruments	-	-	-	-
Total liabilities	-	8,307	-	8,307

The following table presents the changes in the instruments classified in level 3 as at 30 June 2023:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	570	4,630	81,901	87,101
Investment in the period	24	1,368	26,333	27,725
Disposals in the period	-4	-397	-18,920	-19,320
Expected credit loss	-	-	-3	-3
Gain or loss on financial instruments	-40	-134	-1	-176
Closing balance 30 June 2023	550	5,468	89,311	95,328

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

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	564	4,198	83,055	87,817
Investment in the period	6	889	21,714	22,610
Disposals in the period	-2	-430	-25,090	-25,522
Expected credit loss	-	-	11	11
Gain or loss on financial instruments	90	-177	-0	-86
Closing balance 30 June 2022	659	4,481	79,690	84,829

The following table presents the changes in the instruments classified in level 3 as at 31 December 2022:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	564	4,198	83,055	87,817
Investment in period	17	1,355	36,461	37,834
Disposals in the period	-2	-752	-37,604	-38,358
Expected credit loss	-	-	-20	-20
Gain or loss on financial instruments	-8	-171	9	-171
Closing balance 31 December	570	4,630	81,901	87,101

Valuation method

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

Fixed interest loans to customers (level 3)

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

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

Property Loans at floating interest classified at fair value over other comprehensive income is valued based on nominal amount reduced by expected credit loss. Loans with no significant credit risk deterioration since first recognition is assessed at nominal amount. For loans with a significant increase in credit risk since first recognition or objective evidence of loss, the calculation of expected credit losses over the life of the asset is in line with loan losses for loans at amortised cost. Estimated fair value is the nominal amount reduced by expected lifetime credit loss. If the likelihood of the worst case scenario in the model is doubled, fair value is reduced by NOK 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 501 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 2023:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumptions
Fixed interest loans	5,468	-13
Equity instruments through profit/loss ^{*)}	550	-
Loans at fair value through other comprehensive income	89,311	-6

^{*)} As described above, the information to perform alternative calculations are not available

Note 19 - 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 2023 was 3.2 years. The overall LCR at the same point was 188 per cent and the average overall LCR in the first half was 216 per cent. The LCR in Norwegian kroner and euro at quarter-end was 181 and 244 per cent respectively.

Note 20 - 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		
	2023	2022	2022
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	1,572	1,293	2,692
Allocated to ECC Owners 2)	1,050	827	1,722
Issues Equity Capital Certificates adjusted for own certificates	134,169,938	129,387,872	129,339,665
Earnings per Equity Capital Certificate	7.82	6.39	13.31

1) Adjusted Net Profit	First half		
	2023	2022	2022
Net Profit for the group	1,701	1,400	2,902
adjusted for non-controlling interests share of net profit	-70	-74	-160
Adjusted for Tier 1 capital holders share of net profit	-60	-33	-50
Adjusted Net Profit	1,572	1,293	2,692

2) Equity capital certificate ratio (parent bank) (NOKm)	30 Jun 2023	30 Jun 2022	31 Dec 2022
ECC capital	2,884	2,597	2,597
Dividend equalisation reserve	7,879	7,007	7,007
Premium reserve	2,422	895	895
Unrealised gains reserve	45	109	109
Other equity capital	-3	-	-
A. The equity capital certificate owners' capital	13,227	10,609	10,609
Ownerless capital	6,566	5,918	5,918
Unrealised gains reserve	25	62	62
Other equity capital	-1	-	-
B. The saving bank reserve	6,589	5,980	5,980
To be disbursed from gift fund	-	-	547
Dividend declared	-0	-	970
Equity ex. profit	19,816	16,588	18,106
Equity capital certificate ratio A/(A+B)	66.8 %	64.0 %	64.0 %
Equity capital certificate ratio for distribution	66.8 %	66.8 %	66.8 %

Note 21 - Proforma results from quarterly accounts

The pro forma results for the quarters is the sum of the quarterly accounts of SpareBank 1 SMN and Sparebank 1 Søre Sunnmøre. For the second quarter 2023, the pro forma figures are as the would have been if the merger had been completed before 2 may 2023.

Group (NOKm)	2Q	1Q	4Q	3Q	2Q	1Q
	2023	2023	2022	2022	2022	2022
Interest income effective interest method	2,683	2,496	2,255	1,696	1,421	1,293
Interest expenses	1,570	1,404	1,236	834	575	496
Net interest	1,113	1,092	1,018	862	846	797
Commission income	374	361	360	391	401	378
Commission expenses	52	51	47	54	47	44
Other operating income	245	250	178	175	223	207
Commission income and other income	567	560	492	512	577	542
Dividends	21	4	24	8	14	6
Income from investment in related companies	85	128	205	108	79	63
Net return on financial investments	1	-98	-41	-33	-116	115
Net return on financial investments	106	34	188	83	-23	184
Total income	1,786	1,687	1,698	1,457	1,400	1,522
Staff costs	389	418	354	368	367	392
Other operating expenses	307	352	334	253	252	270
Total operating expenses	697	769	688	621	619	662
Result before losses	1,090	917	1,010	836	781	860
Loss on loans, guarantees etc.	30	-68	29	16	-59	10
Result before tax	1,060	986	982	820	840	849
Tax charge	162	214	218	187	176	169
Result investment held for sale, after tax	37	38	46	10	87	37
Net profit	935	809	810	642	750	717

Group (NOKm)	2Q	1Q	4Q	3Q	2Q	1Q
	2023	2023	2022	2022	2022	2022
Profitability						
Return on equity per quarter	15.2%	12.7%	13.4%	10.4%	12.0%	11.8%
Cost-income ratio	39 %	46 %	41 %	43 %	44 %	44 %
Impairment losses ratio	0.05 %	-0.12%	0.05%	0.03 %	-0.11 %	0.02%
Balance sheet figures						
Gross loans to customers	166,819	163,591	163,069	160,691	158,853	156,922
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	232,100	228,242	225,553	222,999	219,352	213,539
Deposit from customers	140,164	133,309	131,135	129,439	132,877	122,973
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	84 %	81 %	80 %	81 %	84 %	78 %
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt	60 %	58 %	58 %	58 %	61 %	58 %
Total assets	248,806	241,058	235,497	231,110	229,780	219,306
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskredtt last 3 months	1.7 %	1.2 %	1.1 %	1.7 %	2.7 %	2.3 %
Growth in deposits last 3 months	5.1 %	1.7 %	1.3 %	-2.6 %	8.1 %	2.7 %

Results from quarterly accounts

Group (NOKm)	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
	2023	2023	2022	2022	2022	2022	2021	2021	2021
Interest income effective interest method	2,638	2,367	2,136	1,605	1,346	1,227	1,107	1,026	1,025
Interest expenses	1,544	1,332	1,175	791	543	468	382	318	325
Net interest	1,094	1,035	961	814	803	759	725	709	701
Commission income	367	341	340	370	378	358	405	407	401
Commission expenses	51	50	45	52	46	42	47	47	41
Other operating income	245	249	178	173	223	206	163	162	213
Commission income and other income	561	541	473	491	555	522	521	521	572
Dividends	18	2	19	8	4	2	1	1	17
Income from investment in related companies	85	125	195	108	77	62	186	179	212
Net return on financial investments	1	-99	-52	-30	-123	111	-19	37	1
Net return on financial investments	103	28	163	86	-43	175	168	217	230
Total income	1,757	1,604	1,597	1,391	1,316	1,456	1,414	1,447	1,503
Staff costs	383	398	333	348	350	375	342	341	343
Other operating expenses	300	330	314	235	235	255	267	246	235
Total operating expenses	683	728	646	583	585	629	609	586	579
Result before losses	1,074	875	951	808	731	827	805	861	924
Loss on loans, guarantees etc.	29	-71	19	22	-48	-0	32	31	39
Result before tax	1,045	946	932	785	779	827	773	830	885
Tax charge	159	206	210	179	164	166	103	174	156
Result investment held for sale, after tax	37	38	46	10	87	37	33	19	26
Net profit	923	778	768	617	702	698	703	675	755

Key figures from quarterly accounts

Group (NOKm)	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
	2023	2023	2022	2022	2022	2022	2021	2021	2021
Profitability									
Return on equity per quarter 1)	15.1%	13.0%	13.1%	10.9%	12.9%	12.6%	12.7%	12.4%	14.3%
Cost-income ratio 1)	39 %	45 %	40 %	42 %	44 %	43 %	43 %	41 %	39 %
Balance sheet figures									
Gross loans to customers	166,819	153,181	152,629	150,247	148,681	147,023	147,301	143,972	141,935
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	232,100	213,967	211,244	208,900	205,504	199,965	195,353	191,976	189,015
Deposit from customers	140,164	123,529	122,010	120,558	123,812	114,053	111,286	109,691	110,133
Total assets	248,806	228,207	223,110	218,918	217,458	207,027	198,845	200,124	200,426
Quarterly average total assets	238,507	225,759	221,115	218,188	212,243	202,936	199,492	200,275	197,124
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months 1)	8.5 %	1.3 %	1.1 %	1.7 %	2.8 %	2.4 %	1.8 %	1.6 %	2.0 %
Growth in deposits last 12 months	13.5 %	1.2 %	1.2 %	-2.6 %	8.6 %	2.5 %	1.5 %	-0.4 %	7.6 %
Losses in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio 1)	0.05 %	-0.13 %	0.04 %	0.04 %	-0.09 %	0.00 %	0.07 %	0.07 %	0.08 %
Stage 3 as a percentage of gross loans 1)	0.99 %	0.96 %	0.97 %	1.02 %	1.08 %	1.62 %	1.68 %	1.80 %	1.87 %
Solidity									
Common equity Tier 1 capital ratio	19.1 %	18.2 %	18.9 %	19.2 %	18.8 %	18.3 %	18.0 %	18.1 %	18.3 %
Tier 1 capital ratio	21.0 %	20.1 %	20.9 %	20.8 %	20.4 %	19.8 %	19.6 %	19.7 %	20.0 %
Capital ratio	23.5 %	22.2 %	23.1 %	23.0 %	22.7 %	21.9 %	21.6 %	21.8 %	22.2 %
Tier 1 capital	24,192	21,985	21,835	21,252	20,547	19,797	19,322	19,265	19,011
Total eligible capital	27,106	24,298	24,147	23,546	22,910	21,839	21,333	21,338	21,105
Liquidity Coverage Ratio (LCR)	188 %	194 %	239 %	180 %	204 %	155 %	138 %	163 %	184 %
Leverage Ratio	7.2 %	6.9 %	7.1 %	7.3 %	6.9 %	7.0 %	6.9 %	6.9 %	7.0 %
Key figures ECC									
ECC share price at end of period (NOK)	141.00	123.60	127.40	111.40	115.80	141.20	149.00	129.80	119.20
Number of certificates issued, millions 1)	143.80	129.43	129.29	129.29	129.31	129.39	129.39	129.39	129.36
Booked equity capital per ECC (NOK) 1)	112.81	105.63	109.86	107.19	102.91	99.55	103.48	103.57	100.18
Profit per ECC, majority (NOK) 1)	4.21	3.51	3.53	2.89	3.20	3.20	3.20	3.22	3.51
Price-Earnings Ratio (annualised) 1)	8.38	8.79	9.02	9.62	9.06	11.05	11.65	10.09	8.50
Price-Book Value Ratio 1)	1.25	1.17	1.16	1.04	1.13	1.42	1.44	1.25	1.19

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

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

Statement by the Board of Directors and CEO

We hereby declare that to the best of our knowledge the half-yearly financial statements for the period 1 January to 30 June 2023 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, 9 August 2023
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Christian Stav
(deputy chair)

Mette Kamsvåg

Freddy Aursø

Tonje Eskeland Foss

Ingrid Finboe Svendsen

Kristian Sætre

Christina Straub
(employee rep.)

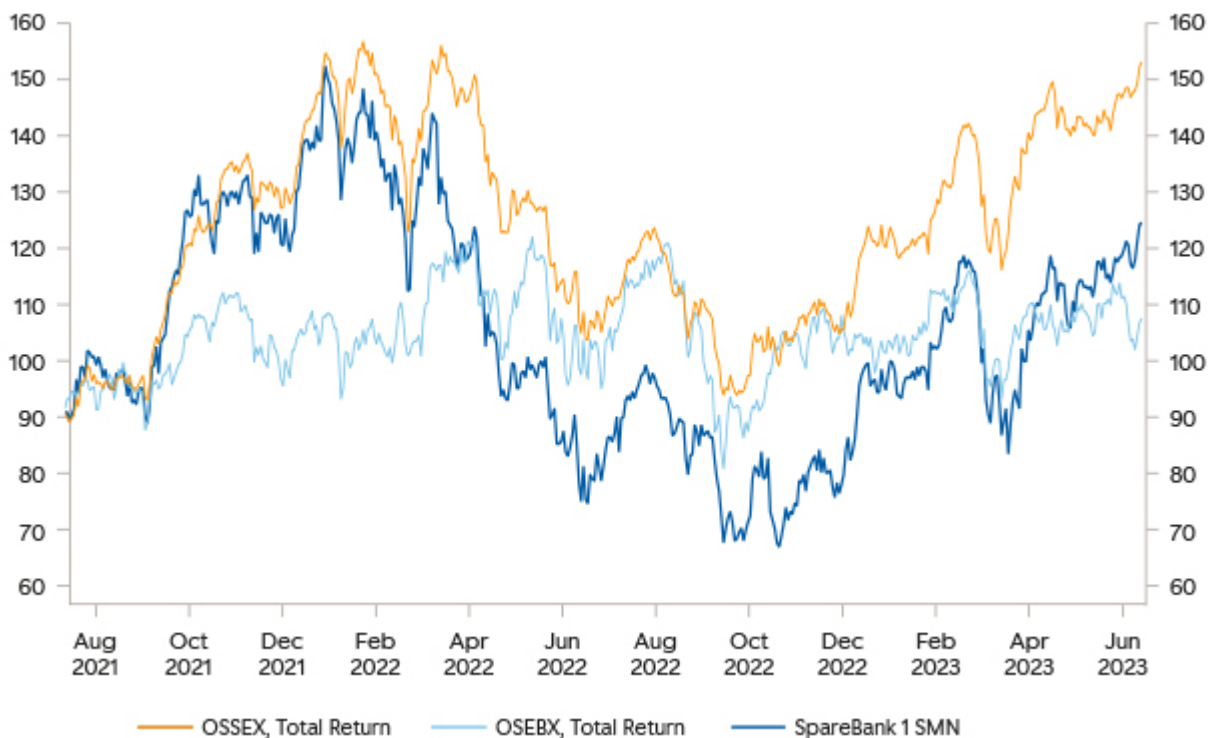
Inge Lindseth
(employee rep.)

Jan-Frode Janson
(Group CEO)

Equity capital certificates

Stock price compared with OSEBX and OSEEX

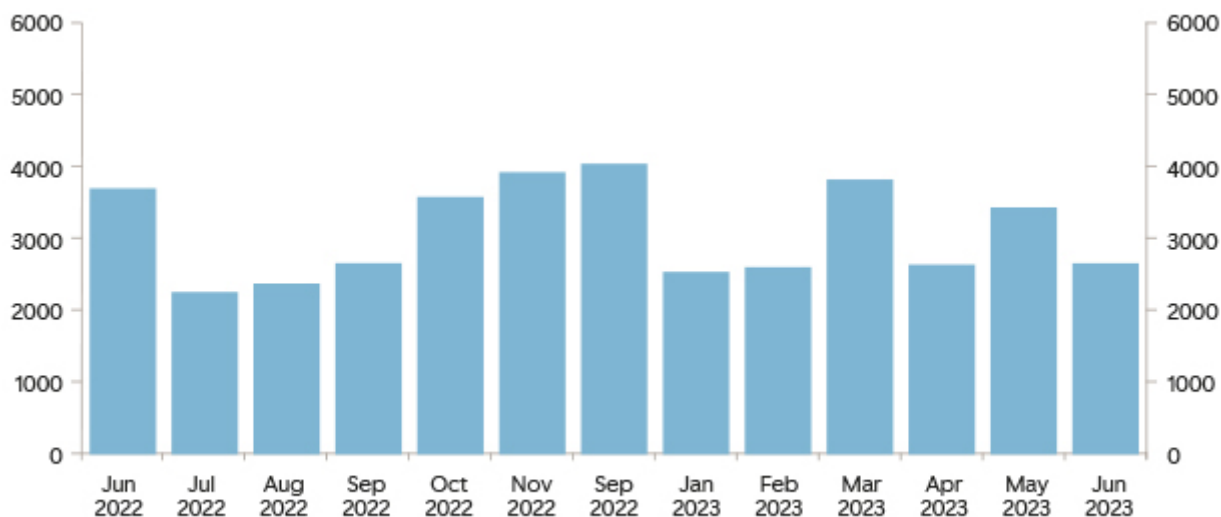
1 July 2021 to 30 June 2023



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

Trading statistics

1 June 2022 to 30 June 2023



Total number of ECs traded (1000)

20 largest ECC holders	No. Of ECCs	Holding
Sparebankstiftinga Søre Sunnmøre	12,971,224	8.99 %
Sparebankstiftelsen SMN	4,727,532	3.28 %
KLP	3,549,217	2.46 %
State Street Bank and Trust Comp	3,343,153	2.32 %
Pareto Aksje Norge VPF	3,236,418	2.24 %
VPF Odin Norge	2,969,542	2.06 %
Pareto Invest Norge AS	2,938,362	2.04 %
VPF Eika Egenkapitalbevis	2,651,321	1.84 %
J. P. Morgan Chase Bank, N.A., London	2,577,652	1.79 %
VPF Alfred Berg Gamba	2,562,032	1.78 %
State Street Bank and Trust Comp	2,472,743	1.71 %
VPF Nordea Norge	2,203,686	1.53 %
Danske Invest Norske Aksjer Institusjon II.	2,096,940	1.45 %
VPF Holberg Norge	2,050,000	1.42 %
Forsvarets personellservice	2,014,446	1.40 %
RBC Investor Services Trust	1,996,924	1.38 %
J. P. Morgan SE	1,752,526	1.22 %
The Northern Trust Comp	1,682,614	1.17 %
MP Pensjon PK	1,352,771	0.94 %
Spesialfondet Borea Utbytte	1,290,934	0.90 %
The 20 largest ECC holders in total	60,440,037	41.91 %
Others	83,775,553	58.09 %
Total issued ECCs	144,215,590	100.00 %

Dividend policy

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

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

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



To the Board of 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 2023, and the related consolidated income statement, the statement of comprehensive income, 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 of this interim financial information that gives a true and fair view 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, in all material respects, give a true and fair view of the financial position of the entity as at 30 June 2023, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Trondheim, 9 August 2023

PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

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