# Financial results

# Report of the Board of Directors

## Macroeconomic conditions

**Rapid recovery in the Norwegian economy, despite high infection rates**
The virus outbreaks in the first half of 2021 were met with new containment measures. The impacts on the economy were far smaller than during the first outbreaks in 2020. Parts of the services sector were compelled to curb activity, but the decline in overall employment was moderate. The containment measures were eased through the second quarter and activity levels in the economy picked up rapidly. Mainland (non-oil) GDP climbed more than 6 per cent from the trough in March to year-end. Employment also rose sharply, and at year-end was 2.2 per cent higher than prior to the pandemic. The employment rate was the highest for almost ten years, and unemployment dropped to 2 per cent. That is lower than prior to the pandemic and clearly lower than the average level. Concurrently firms face a challenge in terms of an unusually large number of job vacancies.

Value creation in the mainland economy increased by 4.2 per cent in 2021 and at year-end GDP was 3.4 per cent above the level at the end of 2019. Sectors most affected by Covid faced considerable challenges again in 2021. Activity levels picked up rapidly in these sectors after infection protection measures were eased in the second quarter, up to the point where the omicron variant created new challenges in the second half of December. Given considerable relaxation of infection restrictions at the start of 2021 these sectors will in all likelihood rapidly approach normal activity through the first quarter of 2022.

Retail trade has been at a very high level throughout the pandemic, although volumes declined somewhat over the course of 2021. Further normalisation must be expected once consumption increases and travel abroad resumes. Housing investments have remained at a high level. Business investments have been more moderate, both in mainland Norway and in the oil and gas sector. Mainland firms' investments rose in the second half-year.

A strong increase in oil and gas prices has created substantial surpluses for Norway and for firms in that sector. Higher electricity prices have strengthened power producers whereas electricity consumers in southern Norway saw large price increases in the fourth quarter of 2021 and into the first quarter of 2022.

At the start of 2021 wage growth was forecast at about 2 per cent but ended at 3.4 per cent. A very tight labour market featuring high employment, low joblessness and very many job vacancies suggests that wage growth will continue as the signs are in other countries, in particular the United States.

Price growth quickened through 2021, reaching an overall 3.5 per cent. Wage growth was at the same level, and real wages remained unchanged after growth in both 2019 and 2020. In Mid and North Norway, price growth was lower, and here real wages increased also in 2021.

Overall credit growth was fairly stable through 2021, even though interest rates were very low. Firms' and household debt both increased by about 5 per cent. Lending regulation is still contributing to hold down the growth in household debt. House prices rose rapidly from April 2020 to February 2021. Thereafter price growth has slowed to about 5 per cent, even though very few dwellings are on the market. A policy rate hike by Norges Bank and expectations of further hikes have probably dampened demand somewhat.

Norges Bank signalled as early as at the end of 2020 that a policy rate of zero was a crisis measure that would fairly rapidly be dispensed with. In September the policy rate was raised to 0.25 per cent and in December to 0.50 per cent. Norges Bank's interest rate path indicates three to four policy rate increases through 2022. Three-month money market rates rose from 0.50 per cent at the start of 2021 to 1.0 per cent at year-end. The banks have raised their mortgage rates following Norges Bank's policy rate hike.

Prospects for 2022 are mixed. Norway is emerging from the pandemic in boom conditions. The upturn in the Norwegian economy continued through the autumn. Unemployment looks to remain lower than previously forecast. At the same time, Russia's invasion of Ukraine at the end of February 2022 has given rise to considerable challenges and uncertainty, both for the Norwegian and the international economy. The economic sanctions imposed on Russia are very far-reaching and their likely impact is highly uncertain, but Norwegian exports to Russia are modest.

Increased energy and commodity prices are negative for our trading partners and therefore also for us, in isolation. At the same time, higher energy prices are an advantage for Norway – and the Treasury. Norway is probably the country in Europe that is least vulnerable to potential, negative economic consequences of the war in Ukraine.

**Regional: Trøndelag and Møre and Romsdal**

The Covid crisis impacted the economy of Mid Norway somewhat less than the country as a whole. Unemployment in Mid Norway rose sharply in spring 2020 but fell rapidly as and when most businesses opened up. At the end of 2021 unemployment stood at 2.1 per cent, together with Nordland county the lowest level in the country. Unemployment is thus at the same level as prior to the pandemic.

Most businesses have managed well through the pandemic. The number of bankruptcies in the bank's market area fell 25 per cent in 2021 compared with 2019, and a sharp decline is noted in both counties: 28 per cent in Trøndelag and 21 per cent in Møre and Romsdal. While the reduction in investments in the oil sector has affected some businesses, in general manufacturing has managed well. At the same time many businesses in the services sector have faced major challenges in terms of unstable activity as a result of infection protection measures.

The housing market in Mid Norway has by and large followed the house price trend elsewhere in the country through the pandemic. In 2021 prices rose 8 per cent in Trondheim, by a slightly higher margin than the national average of 5 per cent. In Ålesund prices rose 3 per cent.

Population growth in Trøndelag picked up somewhat in 2021 thanks to net immigration from abroad towards the end of the year. Population figures rose about 0.6 per cent, up from 0.5 per cent in 2020. Growth was nonetheless clearly lower than in the years prior to 2018 when it was just short of 1 per cent per year. In Møre and Romsdal the population rose by a mere 0.1 per cent in 2021 following zero growth in 2020. Here too, immigration from abroad picked up slightly towards the end of the year.

Møre and Romsdal are more dependent than the rest of the country on oil-related and shipbuilding activities. Here prospects remain uncertain, although the tax reform for the oil companies and a higher oil price have improved the outlook for investments in the oil sector. Many businesses are nonetheless orienting themselves towards new markets with far better long-term growth prospects. Trøndelag is more diversified, but the construction industry could be negatively impacted by lower population growth and lower earnings than in previous years.

The bank's own business outlook survey showed that optimism was back in business and industry in autumn 2021. Increased infection rates and the introduction of stringent measures later in the autumn dampened optimism around the turn of the year, but the situation in the region's business and industry is viewed as good after the removal of infection protection measures at the start of 2022.

## Annual accounts 2021

*(Consolidated figures. Figures in parenthesis refer to the year 2020 unless otherwise stated)*

- Net profit: NOK 2,902m (1,978m)
- Return on equity: 13.5% (10.0%)
- CET1 ratio: 18.0 per cent (18.3 per cent)
- Growth in lending: 6.9% (9.0%) and in deposits: 14.1% (13.5%)
- Lending to personal customers rose 6.8% (8.2%) in the last 12 months. Lending to corporate clients rose 7.1% (10.6%)
- Lending to personal customers accounts for 68% (68%) of total lending
- Deposits from personal customers rose by 9.8% (13.8%). Deposits from corporate clients rose 17.2% (13.3%)
- Net result of ownership interests: NOK 705m (681m)
- Net result of financial instruments (incl. dividends): NOK 321m (269m)
- Losses on loans and guarantees: NOK 161m (951m), 0.09% (0.54%) of gross lending
- Earnings per EC: NOK 13.31 (8.87)
- The board of directors proposes a cash dividend of NOK 7.50 per EC (NOK 4.40) which is 56.3% of the net profit, and a community dividend of NOK 547m (321m)

**Good profit**

SpareBank 1 SMN delivered a net profit of NOK 2,902m (1,978m), and a return on equity of 13.5 per cent (10.0 per cent). The profit growth of NOK 924m compared with 2020 is a result of increased incomes and reduced losses. Earnings per equity certificate were NOK 13.31 (8.87).

Net interest income came to NOK 2,796m (2,759m). Banks' funding cost in terms of NIBOR rose substantially over the course of 2021, bringing changes in their margins on loans and deposits.

Net commission income was NOK 2,832m (2,516m). Of the increase of NOK 316m, NOK 108m refers to the bank and NOK 208m to the subsidiaries.

Return on financial investments (incl. dividends) was NOK 321m (269m). The increase is largely the result of a gain on the equity portfolio of SpareBank 1 Invest.

The result from related companies was NOK 705m (681m). The result was positively affected by good results at Fremtind Forsikring, SpareBank 1 Forsikring and BN Bank alike. The 2020 figures include a gain of NOK 340m from SpareBank 1 Forsikring.

Operating expenses totalled NOK 2,993m (2,904m) entailing an increase of NOK 89m or 3.1 per cent. High activity in the subsidiaries increased expenses by NOK 169m. The bank's expenses were reduced by NOK 82m. Expenses in 2020 include a provision of NOK 80m for reorganisation. When the reorganisation costs are adjusted for, growth in expenses at the bank in 2021 was zero.

Loan losses were NOK 161m (951m). The reduction in losses refers largely to the offshore segment.

Lending and deposits showed good growth in 2021 as in the previous year. Lending grew by 6.9 per cent (9.0 per cent) and deposits by 14.1 per cent (13.5 per cent).

As at 31 December 2021 the CET1 ratio was 18.0 per cent (18.3 per cent). The CET1 ratio target is 16.9 per cent.

The book value per EC was NOK 103.48 (94.71) including the proposed cash dividend for 2021 of NOK 7.50 (NOK 4.40).

The market price of the bank's EC (MING) at year end was NOK 149.00 (97.60).

**Proposed distribution of net profit**

It is the group's results exclusive of interest on hybrid capital and non-controlling ownership interests' share of the profit which comprise the basis for distribution of the net profit for the year; the distribution is done at the parent bank.

The net profit is distributed between the ownerless capital and the equity certificate (EC) capital in proportion to their relative shares of the bank's total equity, such that dividends and the allocation to the dividend equalisation fund constitute 64.0 per cent of the distributed profit.

Earnings per equity certificate were NOK 13.31. In keeping with the bank's dividend policy, the board of directors recommends the bank's supervisory board to set a payout ratio of 56.3 per cent. This makes for a cash dividend of NOK 7.50 per EC, altogether totalling NOK 970m. The board of directors further recommends an allocation of NOK 547m to community dividend. Of this amount it is proposed that NOK 250m be transferred to non-profit causes and NOK 297m to the foundation Sparebankstiftelsen SMN. NOK 476m and NOK 268m are to be transferred to the dividend equalisation fund and the ownerless capital respectively.

| **Difference between Group - Parent Bank** | **2021** | **2020** |
|---|---|---|
| **Profit for the year, Group** | **2,902** | **1,978** |
| Interest hybrid capital (after tax) | -48 | -56 |
| **Profit for the year excl interest hybrid capital, group** | **2,854** | **1,922** |
| Profit, subsidiaries | -693 | -427 |
| Dividend, subsidiaries | 309 | 220 |
| Profit, associated companies | -705 | -681 |
| Dividend, associated companies | 418 | 272 |
| Group eliminations | 11 | -6 |
| **Profit for the year excl interest hybrid capital, Parent bank** | **2,194** | **1,300** |

| **Distribution of profit** | **2021** | **2020** |
|---|---|---|
| Profit for the year excl interest hybrid capital, Parent bank | 2,194 | 1,300 |
| Transferred to/from revaluation reserve | 68 | -50 |
| **Profit for distribution** | **2,262** | **1,250** |
| Dividends | 970 | 569 |
| Equalisation fund | 476 | 230 |
| Saving Bank's fund | 268 | 130 |
| Gifts | 547 | 321 |
| **Total distributed** | **2,262** | **1,250** |

Subsidiaries are fully consolidated in the group accounts, whereas profit shares from related companies and joint ventures are consolidated using the equity method. Dividends are accordingly not included in the group results. The parent bank's disposable profit includes dividends received from subsidiaries, related companies and joint ventures, and is adjusted for interest expenses on hybrid capital after tax.

The net annual profit for distribution reflects changes of NOK 68m in the unrealised gains reserve.

The total amount for distribution is accordingly NOK 2,262m.

After distribution of the profit for 2021, the ratio of EC capital to total equity remains 64.0 per cent.

**Net interest income**

Net interest income totalled NOK 2,796m (2,759m). NIBOR rose about 50 points over the course of 2021 but was even so 20 points lower on average than the previous year. Margins on lending declined just over 20 points in 2021 while margins on deposits in total in 2021 were at about the same level as in 2020. Both lending and deposit volumes rose somewhat, contributing to strengthen net interest income.

In spring 2020 Norges Bank lowered its policy rate from 1.5 to 0.0 per cent with ensuing interest rate reductions on loans and deposits. In autumn 2021 Norges Bank, as expected, raised its policy rate to 0.50 per cent, with an ensuing increase in market interest rates. As from mid-November the bank raised its rates on loans and deposits by up to 25 points and a corresponding increase is due as from February 2022.

Norges Bank has signalled further increases in the policy rate in 2022 in view of brighter prospects for the economy and increased inflation. This could exert further pressure on residential mortgage margins, while margins on deposits and return on equity will increase.

**Commission income and other operating income**

Net commission income and other operating income totalled NOK 2,832m (2,516m).

Income growth of NOK 316m is largely explained by increased incomes from securities services at SpareBank 1 Markets. Good growth was also noted in incomes from real estate agency, insurance, guarantee commissions, accounting services and payments.

Net interest income from loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is recognised as commission income. Commission income totalled NOK 464m in 2021 (421m), showing an increase as a result of total average balance on loans sold to SpareBank 1 Boligkreditt being higher in 2021 than in 2020.

Good customer offerings and a high proportion of multi-product customers make for customer satisfaction and a diversified income flow for the group.

| Commission and other income (NOKm) | 2021 | 2020 | Change |
|---|---|---|---|
| Payment transmission income | 238 | 219 | 19 |
| Credit cards | 56 | 59 | -3 |
| Commissions savings and asset mgmt | 59 | 53 | 6 |
| Commissions insurance | 214 | 195 | 19 |
| Guarantee commissions | 64 | 48 | 16 |
| Estate agency | 441 | 392 | 49 |
| Accountancy services | 529 | 506 | 24 |
| Securities | 725 | 577 | 148 |
| Other commissions | 43 | 45 | -3 |
| **Commissions ex. Bolig/Næringskreditt** | **2.368** | **2.094** | **274** |
| Commissions Boligkreditt (cov. bonds) | 450 | 408 | 41 |
| Commissions Næringskreditt (cov. bonds) | 14 | 13 | 1 |
| **Total commission income** | **2.832** | **2.516** | **316** |

### Return on financial investments

Return on financial investments (including dividends) was NOK 299m (23m). The increase is largely the result of a gain on the equity portfolio of SpareBank 1 SMN Invest. Financial instruments, including bonds and CDs, showed a gain of NOK 21m (125m), the decline being ascribable to changed credit margins on the bank's liquidity holding. Income of NOK 70m (82m) from forex transactions refers to currency trading at SpareBank 1 Markets.

| Return on financial investments (NOKm) | 2021 | 2020 | Change |
|---|---|---|---|
| Net gain/(loss) on stocks | 176 | -4 | 180 |
| Net gain/(loss) on financial instruments | 21 | 125 | -104 |
| Net gain/(loss) on forex | 70 | 82 | -12 |
| Net gain/(loss) on stocks and stock derivatives SB1 Markets | 31 | 28 | 4 |
| **Net return on financial instruments** | **299** | **230** | **69** |

### Product companies and other related companies

The product companies provide SpareBank 1 SMN with a broad product range and commission income along with return on invested capital. The overall profit share from the product companies and other related companies amounted to NOK 705m (681m). The 2020 figure includes a gain of NOK 340m in connection with the transfer of personal risk products from SpareBank 1 Forsikring to Fremtind Livsforsikring.

| Income from investment in associated companies (NOKm, SMN's share in parentheses | 2021 | 2020 | Change |
|---|---|---|---|
| SpareBank 1 Gruppen (19.5%) | 471 | 194 | 277 |
| Gain SpareBank 1 Forsikring | 0 | 340 | -340 |
| SpareBank 1 Boligkreditt (20.9%) | 16 | 18 | -2 |
| SpareBank 1 Næringskreditt (12.8%) | 7 | 18 | -11 |
| BN Bank (35.0%) | 164 | 120 | 44 |
| SpareBank 1 Kreditt (19.2%) | 13 | 2 | 11 |
| SpareBank 1 Betaling (21.5%) | -15 | -2 | -13 |
| SpareBank 1 Forvaltning (19.9%) | 32 | 0 | 32 |
| Other companies | 17 | -10 | 27 |
| **Total associated companies** | **705** | **681** | **24** |

### SpareBank 1 Gruppen

The company owns 100 per cent of the shares of SpareBank 1 Forsikring, SpareBank 1 Factoring, SpareBank 1 Spleis and Modhi Finance. SpareBank 1 Gruppen is majority owner of the non-life insurer Fremtind with a stake of 65 per cent.

SpareBank 1 Gruppen's profit after tax in 2021 was NOK 3,249m (1,393m). Of the profit, NOK 2,414m accrues to the majority owners of SpareBank 1. Return on equity in 2021 was 21.9 per cent (11.0 per cent).

Fremtind Forsikring posted a profit of NOK 2,386m (1,168m) after tax in 2021, with a considerably improved underwriting result and financial result than in 2020. The underwriting result rose due to a lower claims ratio and recognition of reserves from DNB Liv's portfolio. Financial incomes rose with higher return on the company's equity portfolios.

SpareBank 1 Forsikring showed a profit of NOK 778m (234m) after tax in 2021. Property value adjustments and capitalisation of reserves are the main reasons for the substantial profit growth in 2021.

The debt collection company Mohdi Finance posted a profit of NOK 130m in 2021 (20m), due in part to portfolio value adjustments. SpareBank 1 Factoring recorded a profit of NOK 54m (53m).

The group's profit share from SpareBank 1 Gruppen was NOK 471m (194m).

**SpareBank 1 Forvaltning**

The company was established in 2021 to strengthen the SpareBank 1 banks' competitive power in the savings market. Odin Forvaltning, SpareBank 1 Kapitalforvaltning, SpareBank 1 SR Forvaltning and SpareBank 1 verdipapirservice make up the SpareBank 1 Forvaltning group. SpareBank 1 SMN owns 19.9 per cent of the company, and the profit share in 2021 was NOK 32m.

**SpareBank 1 Boligkreditt**

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

As at 31 December 2021 the bank had sold loans totalling NOK 46.7bn (46.6bn) to SpareBank 1 Boligkreditt, corresponding to 35.1 per cent (37.5 per cent) of the bank's overall lending to personal customers.

The bank's share of the company's profit was NOK 16m (18m).

**SpareBank 1 Næringskreditt**

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 31 December 2021, loans worth NOK 1.4bn (1.5bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's share of the profit was NOK 7m (18m). In 2021 SpareBank 1 SMN's stake in the company was reduced from 31.0 per cent to 12.8 per cent after ownership rebalancing. BN Bank has become an owner of SpareBank 1 Næringskreditt, with a stake reflecting BN Bank's share of loans to commercial property. The shares were previously held by the parent banks on behalf of BN Bank. The changes were made in order to achieve a more well-ordered group structure.

**SpareBank 1 Kreditt**

SpareBank 1 SMN's share of this company's profit for 2021 was NOK 13m (2m). SpareBank 1 SMN customers' portfolio of credit cards and consumer loans totalled NOK 998m (946m) and its stake was 19.2 per cent.

### BN Bank

BN Bank offers residential mortgage loans and loans to commercial property and its main market is Oslo and south-eastern Norway. BN Bank showed good growth of 13.8 per cent in lending to personal customers in 2021 (8.7 per cent). The growth in lending to corporate clients was 6.3 per cent in 2021 (11.3 per cent). Outstanding loans total NOK 52bn (47bn).

BN Bank recorded a profit of NOK 478m (354m) in 2021, and a return on equity of 10.0 per cent (8.2 per cent). Increased net interest income and commission income, along with reduced losses, explain the profit growth. SpareBank 1 SMN's share of BN Bank's profit is NOK 164m (120m).

### SpareBank 1 Betaling

SpareBank 1 Betaling is the SpareBank 1 banks' parent company for Vipps payments solutions. On 30 June 2021 Vipps signed an agreement to merge Vipps' mobile payments arm with Danish MobilePay and Finnish Pivo. The merger opens the way for cross-border mobile payments and even better solutions for users and businesses across Denmark, Finland and Norway. BankAxept and BankID will concurrently be spun off from Vipps to become a Norwegian-owned company with its own management. This company will remain 100 per cent owned by the Norwegian banks.

SpareBank 1 SMN's share of the deficit was minus NOK 15m (minus 2m) in 2021.

### Operating expenses

Operating expenses came to NOK 2,993m (2,904m), an increase of NOK 89m or 3.1 per cent. Expenses in 2020 include a provision of NOK 80m for reorganisation at the bank. Disregarding this provision the bank's expenses were unchanged in 2021.

SpareBank 1 Markets achieved excellent incomes in 2021 with an ensuing increase in expenses. High activity at EiendomsMegler 1 along with acquisitions and technology investments at SpareBank 1 SMN Regnskapshuset also produced expense growth. SpareBank 1 Finans Midt-Norge recorded a one-time expense on an IT system write-down.

| Operating expenses (NOKm) | 2 021 | 2 020 | Change |
|---|---:|---:|---:|
| Personnel expenses | 1 883 | 1 850 | 32 |
| IT costs | 359 | 334 | 25 |
| Marketing | 77 | 73 | 4 |
| Ordinary depreciation | 186 | 164 | 22 |
| Operating expenses, real properties | 60 | 62 | - 2 |
| Purchased services | 224 | 217 | 7 |
| Other operating expense | 204 | 205 | - 1 |
| **Total operating expenses** | **2 993** | **2 905** | **88** |

The cost-income ratio was 47 per cent (51 per cent) for the group, 37 per cent (36 per cent) for the parent bank.

### Reduced losses

Losses on loans totalled NOK 161m (951m), are considerably reduced and appear to have stabilised at a lower level.

A loss of NOK 159m (873m) was recorded on loans to corporates. Lower losses in the offshore segment of NOK 159m (873m) in 2021 and loss incurred on a single exposure in 2020 explain much of the reduction.

Losses to other business and industry totalled NOK 104m, distributed across a wide range of customers and segments.

A net loss of NOK 1m was recorded on loans to personal customers (78m).

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

The outlook in the offshore industry has brightened, and a large proportion of the exposures have been written down. The risk picture in lending to other business sector and personal customers is stable, reflecting a healthy trend in the region at the start of 2022.

| **Impairment losses** | **2021** | **2020** |
|---|---|---|
| RM | 1 | 78 |
| CM | 159 | 873 |
| Of which: Offshore | 55 | 455 |
| **Total impairment losses** | **161** | **951** |

Overall write-downs on loans and guarantees total NOK 1,520m (1,630m).

Problem loans (Stage 3) come to NOK 3,290m (2,255m) corresponding to 1.68 per cent (1.23 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The increase in problem loans refers essentially to the implementation of a new default definition as from 1 January 2021. See the description in note 1.

The new default definition has not altered the group's assessment of the credit risk associated with the individual exposures, and the effect of the new definition on the group's losses is marginal.

**Total assets of NOK 199bn**

The bank's total assets were NOK 199bn (188bn), having risen as a result of higher lending volumes and higher liquidity holdings.

Loans totalling NOK 48bn (48bn) have 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.

**Lending**

Total outstanding loans rose in 2021 by NOK 12.6bn (14.0bn), corresponding to 6.9 per cent (9.0 per cent), and stood at NOK 195.4bn (182.8bn) at year-end.

- Lending to personal customers rose in the last 12 months by NOK 8.4bn (9.4bn) to NOK 132.9bn (124.5bn). Growth in the period was 6.8 per cent (8.2 per cent).
- Lending to corporate clients rose in the last 12 months by NOK 4.1bn (5.6bn) to NOK 62.5bn (58.3bn). Growth in the period was 7.1 per cent (10.6 per cent).
- Lending to personal customers accounted for 68 per cent (68 per cent) of total outstanding loans to customers.

The group shows good growth in lending to personal customers and is strengthening its market position. A substantial portion of the growth is to the LO (Norwegian Trade Unions Confederation) segment. The growth in lending to corporate clients is largely to small and medium-sized businesses throughout the market area.

The growth is distributed across a number of industries, and industry and single name concentrations are avoided.

(For distribution by sector, see note 8)

**Deposits**

Customer deposits rose in 2021 by NOK 13.8bn (11.6bn) to NOK 111.3bn (97.5bn). This represents a growth of 14.1 per cent (13.5 per cent).

- Personal deposits rose by NOK 4.0bn (4.9bn) to NOK 44.6bn (40.6bn), corresponding to 9.8 per cent (13.8 per cent).
- Corporate deposits rose by NOK 9.8bn (6.7bn) to NOK 66.7bn (56.9bn), corresponding to 17.2 per cent (13.3 per cent).
- The deposit-to-loan ratio, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 57 per cent (53 per cent).

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

**Personal customers**

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

| Result before tax | 2021 | 2020 |
|---|---|---|
| Personal market | 1,167 | 1,093 |
| EiendomsMegler 1 Midt-Norge (87%) | 71 | 52 |

The **Personal Banking Division** achieved a pre-tax profit of NOK 1,167m (1,093m) in 2021. Return on capital employed in the personal segment was 13.4 per cent (13.4 per cent).

Loans granted by the Personal Banking Division total NOK 138bn (129bn) and deposits total NOK 51bn (47bn). These are loans to and deposits from wage earners, agricultural customers and sole proprietorships.

Operating income posted by the division totalled NOK 2,074m (2,078m) of which net interest income accounted for NOK 1,165m (1,213m) and commission income for NOK 908m (865m). Commission income rose mainly as a result of higher commissions from SpareBank 1 Boligkreditt, but increased incomes are also noted from payments services and savings products.

Growth in lending and deposits in the retail market was respectively 6.6 per cent (8.2 per cent) and 6.8 per cent (14.0) in the last 12 months.

The lending margin was 1.53 per cent (1.80 per cent), while the deposit margin was 0.13 per cent (minus 0.03 per cent) measured against three-month NIBOR. Lending margins were reduced by about 27 basis points in 2021 while deposit margins increased by 16 basis points. There were large fluctuations in NIBOR both in 2020 and 2021.

Lending to personal customers consistently carries low risk, as reflected in continued low losses. The loan portfolio is largely secured by residential property. There was a net recovery of NOK 10m on losses (loss of 56m) in 2021.

**Eiendomsmegler 1 Midt-Norge** is the market leader in Trøndelag and in Møre and Romsdal. Operating income totalled NOK 453m (394m), while operating expenses totalled NOK 382m (342m). EiendomsMegler 1 Midt-Norge's pre-tax profit was NOK 71m (52m).

The housing market showed high activity in the second half of 2020, and the company saw increased sales along with rising house prices. Sales (residential and commercial) totalled 7,763 in 2021 compared with 7,164 in 2020. The company's market share at 31 December 2021 was 36 per cent (36 per cent).

### Corporate customers

The corporate business at SpareBank 1 SMN consists of the bank's corporate banking arm, SpareBank 1 Regnskapshuset SMN, SpareBank 1 Finans Midt-Norge and SpareBank 1 Markets. These business lines service business and industry with a complete range of accounting, banking and capital market services. There is  considerable potential for interaction between the business lines.

| Result before tax | 2021 | 2020 |
|---|---|---|
| Corporate banking | 795 | 113 |
| SpareBank 1 Regnskapshuset SMN (88.7%) | 85 | 110 |
| SpareBank 1 Finans Midt-Norge (56.5%) | 198 | 184 |
| SpareBank 1 Markets (66.7%) | 254 | 169 |

The **Corporate Banking Division** achieved a pre-tax profit of NOK 795m (NOK 113m) in 2021. The profit growth is attributable to lower losses. Return on capital employed for the corporate segment was 11.5 per cent (2.1 per cent).

Outstanding loans to corporates totalled NOK 48bn (45bn) and deposits totalled NOK 60bn (49bn) as at 31 December 2021. The portfolio is diversified, comprising loans to and deposits from corporate clients in Trøndelag and Møre and Romsdal.

Operating income came to NOK 1,386m (1,381m). Net interest income was NOK 1,120m (1,149m). Commission income (including income from forex transactions) totalled NOK 266m (232m), showing an increase in the payment services and guarantee commission areas.

Lending rose by 7.4 per cent (12.7 per cent) and deposits by 20.6 per cent (15.6 per cent) in 2021. Deposit growth was high and is fairly evenly distributed across market areas and industries.

The lending margin was 2.61 per cent (2.79 per cent) and the deposit margin was minus 0.29 per cent (minus 0.15 per cent). Lending margins were reduced by 17 points in 2021 while deposit margins were reduced by14 points.

Net overall loan losses to the bank's corporate clients came to NOK 145m (846m), the decline being attributable to lower losses on the offshore portfolio in 2021 and a substantial loss on a single exposure in 2020.

SpareBank 1 SMN and SpareBank 1 Regnskapshuset SMN each have a large proportion of businesses in the market area as customers. The customer offering is developed with a view to ensuring that customers see the added value of being a customer of both the bank and Regnskapshuset.

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

**SpareBank 1 Finans Midt-Norge** delivered a pre-tax profit of NOK 198m (184m). Comparatives are restated to include SpareBank 1 Spire Finans which was merged into the company as from 1 January 2021.

The company's incomes totalled NOK 364m (364m). Expenses as at 31 December 2021 totalled NOK 141m (131m), the growth resulting from an IT system write-down. Losses totalled NOK 25m (49m).

The company has leasing agreements with and loans to corporate customers worth a total of NOK 4.2bn (3.9bn) and car loans worth NOK 6.0bn (5.5bn). Growth in 2021 was 8.2 per cent and 10.1 per cent respectively. The invoice sales portfolio from SpareBank 1 Spire Finans is included in the company as from 2021 and invoices totalling NOK 613m were purchased in 2021.

SpareBank 1 Finans Midt-Norge and other SpareBank 1 banks own 47 per cent of the shares of the car subscription company Fleks. Bertel O Stein holds a corresponding stake. Customer needs change rapidly and the sharing economy is expanding. Fleks offers flexible car subscription solutions. Electrification of the car population and the car subscription system contribute to emission reductions. Fleks currently has 1,700 cars and plans to expand to 6,000 cars by 2024.

**SpareBank 1 Regnskapshuset SMN** achieved a pre-tax profit of NOK 85m (110m). Operating income was NOK 562m (533m) and expenses were NOK 476m (423m). Relatively high cost growth compared to income growth is attributable to the costs of developing new services and a new technology platform.

The company aims to create a broader income platform beyond the traditional production of accounts. Over the course of 2021 the company invested heavily to ensure continued development of its competitive power. The investment programme covered everything from advisory competence and capacity to increased digitalisation and generation of new income flows.

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

**SpareBank 1 Markets'** pre-tax profit for 2021 was NOK 254m (169m). Incomes totalled NOK 901m (759m) in 2021 while costs came to NOK 647m (590m).

Activity levels were particularly high in the business lines Investment Banking and Aksjemegling (stockbroking). SpareBank 1 Markets facilitated a number of major transactions over the course of the year. Earnings from fixed income and forex business were on a par with the previous year, while Fremmedkapital (debt capital) shows somewhat reduced incomes. Overall incomes increased strongly in 2021, and the year's profit performance is the best in the company's history.

SpareBank 1 Markets is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. SpareBank 1 Markets is the leading capital market unit in SpareBank 1 SMN's market area.

**SpareBank 1 SMN Invest**

The company owns shares in regional businesses. The portfolio is managed together with other long-term shareholdings of the bank and is due to be scaled down.

The pre-tax profit was NOK 187m (6m). The company's portfolio profit was NOK 163m and the profit share from the company's stake in Grilstad Marina was NOK 24 million. The portfolio profit includes an unrealised gain of NOK 90m due to upward adjustment of the value of a single share.

The company held shares worth NOK 592m (430m) as at 31 December 2021.

### Good funding and liquidity

The bank has a conservative liquidity strategy, with liquidity reserves that ensure the bank's survival for 12 months of ordinary operation without need of fresh external funding.

The 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 138 per cent as at 31 December 2021 (171 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 31 December 2021 was 57 per cent (53 per cent).

The bank's funding sources and products are amply diversified. The proportion of the bank's overall money market funding in excess of one year's maturity is 89 per cent (83 per cent).

SpareBank 1 Boligkreditt and Næringskreditt are the bank's most important funding sources, and loans totalling NOK 48bn (48bn) had been sold to these mortgage companies as at 31 December 2021.

SpareBank 1 SMN has established and published a framework for the issuance of green bonds. The framework is verified by the rating agency Sustainalytics. In 2021 SpareBank 1 SMN issued a senior green bond of EUR 500m with a seven year maturity.

As at 31 December 2021 SpareBank 1 SMN held NOK 3.5bn in senior non-preferred debt (MREL).

### Rating

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

### Financial soundness

The CET1 ratio at 31 December 2021 was 18.0 per cent (18.3 per cent). The CET1 requirement is 14.4 per cent, including combined buffer requirements and a Pillar 2 requirement of 1.9 per cent. Finanstilsynet (Norway's FSA) will set new Pillar 2 requirements for SpareBank 1 SMN with effect from the first quarter of 2022.

SpareBank 1 SMN aims for a management buffer of about 1 per cent over and above the combined capital requirements with a view to absorbing fluctuations in risk weighted assets and in the group's profits. That target will be evaluated once Finanstilsynet has announced its Pillar 2 guidance.

The group includes a full countercyclical buffer in its capital planning, and at the end of 2021 aims for a CET1 ratio of 16.9 per cent.

The CET1 ratio showed a 0.3 percentage point decline in 2021. Risk weighted assets grew 6.0 per cent in 2021 and CET1 capital by 4.4 per cent. A payout ratio of 56.3 per cent of the group' net profit for 2021 is assumed.

A leverage ratio of 6.9 per cent (7.1 per cent) shows the bank to be very solid.

**Sustainability**
Sustainability is one of five strategic priorities in the overall group strategy. SpareBank 1 SMN is in the process of implementing the sustainability strategy in the five target areas of innovation, customer offering, climate footprint, competence and diversity.

The following progress in the sustainability effort may be highlighted:

- An A- rating achieved in the report "Bærekraft på Børs" (*How the largest 100 companies on the Oslo Stock Exchange report on ESG*). This means that SpareBank 1 SMN reports in keeping with best practice and standards underpinned by a clear strategy with well-defined objectives
- SpareBank 1 SMN issued in February 2021 a senior green bond of EUR 500m with a seven year maturity
- The launch of an offer of financial support for expert assistance from SINTEF and SpareBank 1 SMN. This helps small and medium-sized businesses to digitalise, automate and become more sustainable
- 'Purchase of homes in green housing projects' with attractive mortgage terms and broker fees is established as a concept by the bank and EiendomsMegler 1
- Strong growth in the proportion of green residential mortgages in 2021. New mortgages have increased by NOK 0.5bn
- New product offering launched for green agricultural loans
- 'Guide against greenwashing' endorsed by SpareBank 1 SMN
- Sustainability an integral part of the credit process for corporate loans
- Mandatory training package in sustainability completed by group employees
- Improved procedures and charges introduced for customer relationships for refugees as part of the work on financial inclusion
- The Sustainability Barometer for Trøndelag and Møre and Romsdal presented for the third year running as part of SpareBank 1 SMN's Economic Barometer

2021 saw the start of a programme to revise the methodology employed in the energy and climate account and in the calculation of the loan portfolio's climate burden.

- Preliminary project on the calculation of the loan portfolio's greenhouse gas burden now completed
- Partnership established with Partnership for Carbon Accounting Financials (PCAF)
- The methodology for calculating the group's direct and indirect greenhouse gas emissions is improved by the use of Klimakost (an environmentally extended input-output model)

In 2022 the group is to introduce a new method for measuring and controlling the group's climate risk. Improved estimation of the loan portfolio's greenhouse gas burden, as well as the group's own direct and indirect greenhouse gas emissions, will provide the basis for an energy and climate account of better quality and relevance. New insight gained could call for adjustment and concretisation of the group's climate objectives within the framework of the Paris Agreement goals. SpareBank 1 SMN will continue to stimulate innovation and competence development among the group's customers in the sustainability sphere.

**The bank's equity certificate (MING)**
The market price of the equity certificate (EC) as at 31 December 2021 was NOK 149.0 (97.60), the book value was NOK 103.48 (94.71), and earnings per EC were NOK 13.31 (8.87). A total cash dividend of NOK 4.40 was paid per EC in 2021.

The Price / Income ratio was 11.19 (11.01) and the Price / Book ratio was 1.44 (1.03).

SpareBank 1 SMN's articles of association include no restrictions on the transferability of equity certificates.

With regard to placings with employees, the latter are invited to participate under given guidelines. In placings where discounts are granted, a lock-in period applies before any sale can take place. The rights to ECs issued in placings with employees cannot be transferred.

SpareBank 1 SMN is not aware of any agreements between EC holders that limit the opportunity to trade ECs or to exercise voting rights attached to ECs.

See also the chapter Corporate Governance.

**Insurance policy for board members and the CEO**

A liability insurance policy has been taken out for board members and the CEO.

The policy covers insured persons' liability for any economic loss that is the subject of a claim brought in the insured period as the result of an alleged tortious act or omission. In addition to covering the economic loss proper, the policy covers the cost of necessary proceedings to decide the question of compensatory damages provided that the claim for damages is covered by the policy. The policy also covers necessary and reasonable expenses on advisers in the event of public investigation. Such expenses will be expenses incurred by the insured person before a claim is brought against that person.

Furthermore, the policy covers any claim directed at an insured party by, or on behalf of, an employee as a result of discrimination, harassment or other illegality committed during the duration of employment, or failure to introduce or implement an adequate personnel policy or procedures. The policy has been taken out with Willis Towers Watson.

**Outlook**

In 2021 SpareBank 1 SMN achieved its best results ever. All business lines performed well and strengthened their market position. This provides a good basis on which to attain the group's ambitions.

Despite high infection rates the outlook for the Norwegian economy is good. The Omicron variant of the virus brings high infection rates but few hospital admissions, and infection protection measures have been considerably relaxed. Unemployment has been further reduced and a general optimism is in evidence in the business sector in the Norwegian and regional economies. However, labour shortages in some sectors pose a challenge and may curb growth.

A problematic situation in the relationship between Russia and Ukraine and high energy prices are factors liable to create uncertainty.

Norges Bank has raised its policy rate to 0.50 per cent and further increases are expected ahead. The policy rate increase reflects the improvement in the economy. The bank is well positioned to draw benefit from the rate hike.

Improved prospects in the offshore segment brought substantially lower loan losses in 2021. Losses have stabilised at a lower level and the outlook in the industry is brighter. The risk picture in other business and industry and among personal customers is stable, reflecting a healthy trend in the region. SpareBank 1 SMN has low exposure to the industries hardest hit by Covid.

SpareBank 1 SMN is profitable and very solid. The entire organisation has been substantially revamped. This, together with an intensified focus on data-driven innovation, has enabled a modern, customer-oriented and efficient distribution system. With profitable subsidiaries and product companies, SpareBank 1 SMN has developed a broad product platform designed to increase sales, attract more customers and expand market shares, both in Mid-Norway and the country as a whole.

SpareBank 1 SMN has an implicit market value of NOK 30bn and is the country's second largest savings bank. This position will be strengthened through organic and structural growth.

In 2021 SpareBank 1 SMN focused on initiatives under the five target areas of the sustainability strategy. The work on sustainability will require intensified effort and innovation in interaction with the customers.

The fight against economic and financial crime is an important societal responsibility requiring ever increasing efforts on the part of SpareBank 1 SMN.

The board of directors will recommend the supervisory board to set a cash dividend of NOK 7.50 per equity certificate (NOK 4.40) representing 56.3 per cent of the net profit, and to allocate NOK 547m (321m) to community dividend. The community dividend contributes to strengthening the region, and the bank's market position.

The board of directors is highly pleased with 2021. The results were excellent, at a time when a demanding reorganisation process was reaching completion. SpareBank 1 SMN has a good starting point, good market prospects and numerous ongoing development initiatives. The directors expect the favourable trend to continue, but the uncertainty surrounding the situation that has recently arisen in Ukraine may impact the Norwegian economy and thus also SpareBank 1 SMN's results.

Trondheim, 2 March 2022
The Board of Directors of SpareBank 1 SMN

| | | |
|---|---|---|
| Kjell Bjordal<br>(chair) | Christian Stav<br>(deputy chair) | Janne T. Thomsen |
| Mette Kamsvåg | Tonje Eskeland Foss | Morten Loktu |
| Freddy Aursø | Christina Straub<br>(employee rep.) | Inge Lindseth<br>(employee rep.) |
| | | Jan-Frode Janson<br>(Group CEO) |

# Income statement

| Parent Bank | | | | Group | |
|---|---|---|---|---|---|
| **2020** | **2021** | (NOK million) | Notes | **2021** | **2020** |
| 3,274 | 3,067 | Interest income effective interest method | 17 | 3,524 | 3,722 |
| 478 | 395 | Other interest income | 17 | 392 | 475 |
| 1,423 | 1,109 | Interest expenses | 17 | 1,120 | 1,439 |
| **2,329** | **2,353** | **Net interest** | 4 | **2,796** | **2,759** |
| 1,205 | 1,306 | Commission income | 18 | 1,583 | 1,443 |
| 97 | 97 | Commission expenses | 18 | 207 | 196 |
| 41 | 47 | Other operating income | 18 | 1,456 | 1,269 |
| **1,149** | **1,256** | **Commission income and other income** | | **2,832** | **2,516** |
| 528 | 733 | Dividends | 19,44 | 22 | 39 |
| - | - | Income from investment in related companies | 19 ,39 | 705 | 681 |
| 14 | -53 | Net return on financial investments | 19 | 299 | 230 |
| **542** | **680** | **Net return on financial investments** | 4 | **1,026** | **951** |
| **4,019** | **4,289** | **Total income** | | **6,655** | **6,225** |
| 732 | 650 | Staff costs | 20,22 | 1,882 | 1,850 |
| 744 | 745 | Other operating expenses | 21,31,32,33 | 1,111 | 1,054 |
| **1,477** | **1,395** | **Total operating expenses** | 4 | **2,993** | **2,904** |
| **2,543** | **2,895** | **Result before losses** | | **3,662** | **3,321** |
| 902 | 134 | Loss on loans, guarantees etc. | 4 ,10 | 161 | 951 |
| **1,641** | **2,760** | **Result before tax** | | **3,501** | **2,370** |
| 284 | 518 | Tax charge | 23 | 609 | 400 |
| - | - | Result investment held for sale, after tax | 39 | 10 | 9 |
| **1,356** | **2,242** | **Profit for the year** | | **2,902** | **1,978** |
| 56 | 48 | Attributable to additional Tier 1 Capital holders | | 50 | 59 |
| 831 | 1,403 | Attributable to Equity capital certificate holders | | 1,722 | 1,147 |
| 469 | 791 | Attributable to the saving bank reserve | | 971 | 646 |
| | | Attributable to non-controlling interests | | 160 | 126 |
| **1,356** | **2,242** | **Profit for the year** | | **2,902** | **1,978** |
| | | Profit/Diluted profit per ECC | | 13.31 | 8.87 |

# Other comprehensive income

| Parent Bank | | | | Group | |
|---|---|---|---|---|---|
| **2020** | **2021** | (NOK million) | | **2021** | **2020** |
| 1,356 | 2,242 | Net profit | | 2,902 | 1,978 |
| | | **Items that will not be reclassified to profit/loss** | | | |
| -34 | -49 | Actuarial gains and losses pensions | 22 | -49 | -34 |
| 8 | 12 | Tax | | 12 | 8 |
| - | - | Share of other comprehensive income of associates and joint venture | | 4 | 15 |
| **-25** | **-37** | **Total** | | **-33** | **-11** |
| | | **Items that will be reclassified to profit/loss** | | | |
| 9 | -1 | Value changes on loans measured at fair value | | -1 | 9 |
| - | - | Share of other comprehensive income of associates and joint venture | | 21 | 16 |
| **9** | **-1** | **Total** | | **20** | **25** |
| **-16** | **-38** | **Net other comprehensive income** | | **-13** | **15** |
| **1,340** | **2,204** | **Total other comprehensive income** | | **2,889** | **1,993** |
| 56 | 48 | Attributable to additional Tier 1 Capital holders | | 50 | 59 |
| 821 | 1,379 | Attributable to Equity capital certificate holders | | 1,714 | 1,156 |
| 463 | 777 | Attributable to the saving bank reserve | | 966 | 652 |
| | | Attributable to non-controlling interests | | 160 | 126 |
| **1,340** | **2,204** | **Total other comprehensive income** | | **2,889** | **1,993** |

Other comprehensive income comprise items reflected directly in equity capital that are not transactions with owners, cf. IAS 1.

# Statement of Financial Position

| Parent Bank | | | | Group | |
|---|---|---|---|---|---|
| 31 Dec 2020 | 31 Dec 2021 | (NOK million) | Notes | 31 Dec 2021 | 31 Dec 2020 |
| | | **ASSETS** | | | |
| 2,764 | 1,252 | Cash and receivables from central banks | 12,24 | 1,252 | 2,764 |
| 12,901 | 13,190 | Deposits with and loans to credit institutions | 7,12,13,24,26 | 4,704 | 5,091 |
| 124,214 | 135,766 | Net loans to and receivables from customers | 4,8,9,10,11,12,13,24,25,26 | 145,890 | 133,131 |
| 26,684 | 30,762 | Fixed-income CDs and bonds | 12,13,24,25,27 | 30,762 | 26,606 |
| 7,175 | 3,192 | Derivatives | 12,24,25,28,29 | 3,224 | 7,226 |
| 319 | 402 | Shares, units and other equity interests | 24,25,30 | 2,654 | 2,366 |
| 4,933 | 4,590 | Investments in related companies | 39,40,41,44 | 7,384 | 7,324 |
| 2,317 | 2,374 | Investment in group companies | 39,41 | - | - |
| 82 | 98 | Investment held for sale | 30,39 | 59 | 41 |
| 515 | 458 | Intangible assets | 31 | 853 | 905 |
| 963 | 1,082 | Other assets | 4,12,22,23,24,26,32,33,34 | 2,062 | 2,457 |
| **182,870** | **193,165** | **Total assets** | **14,15** | **198,845** | **187,912** |
| | | **LIABILITIES** | | | |
| 14,629 | 14,340 | Deposits from credit institutions | 7,24,26 | 15,063 | 15,094 |
| 98,166 | 112,028 | Deposits from and debt to customers | 4,24,26,35 | 111,286 | 97,529 |
| 41,920 | 40,332 | Debt created by issue of securities | 24,26,29,36 | 40,332 | 41,920 |
| 6,845 | 3,500 | Derivatives | 24,25,28,29 | 3,909 | 7,179 |
| 1,466 | 1,857 | Other liabilities | 22,23,24,25,26,37 | 3,217 | 3,084 |
| - | - | Investment held for sale | 39 | 1 | 1 |
| 1,752 | 1,753 | Subordinated loan capital | 5,24,26,38 | 1,796 | 1,795 |
| **164,778** | **173,809** | **Total liabilities** | **16** | **175,603** | **166,602** |
| | | **EQUITY** | | | |
| 2,597 | 2,597 | Equity capital certificates | 43 | 2,597 | 2,597 |
| -0 | -0 | Own holding of ECCs | 43 | -9 | -9 |
| 895 | 895 | Premium fund | | 895 | 895 |
| 6,556 | 7,007 | Dividend equalisation fund | | 6,974 | 6,536 |
| 569 | 970 | Allocated to dividends | | 970 | 569 |
| 321 | 547 | Allocated to gifts | | 547 | 321 |
| 5,664 | 5,918 | Ownerless capital | | 5,918 | 5,664 |
| 239 | 171 | Unrealised gains reserve | | 171 | 239 |
| - | - | Other equity capital | | 2,896 | 2,366 |
| 1,250 | 1,250 | Additional Tier 1 Capital | 5,38 | 1,293 | 1,293 |
| | | Non-controlling interests | | 989 | 838 |
| **18,092** | **19,356** | **Total equity** | **5** | **23,241** | **21,310** |
| **182,870** | **193,165** | **Total liabilities and equity** | **14,15** | **198,845** | **187,912** |

Trondheim, 2 March 2022
The Board of Directors of SpareBank 1 SMN

| | | |
|---|---|---|
| Kjell Bjordal<br>(chair) | Christian Stav<br>(deputy chair) | Janne T. Thomsen |
| Mette Kamsvåg | Tonje Eskeland Foss | Morten Loktu |
| Freddy Aursø | Christina Straub<br>(employee rep.) | Inge Lindseth<br>(employee rep.) |
| | | Jan-Frode Janson<br>(Group CEO) |

# Statement of Changes in Equity

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

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

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

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

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

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

# Cash Flow Statement

| Parent Bank | | | Group | |
|---|---|---|---|---|
| 2020 | 2021 | (NOK million) | 2021 | 2020 |
| 1,356 | 2,242 | Net profit | 2,902 | 1,978 |
| 102 | 95 | Depreciations and write-downs on fixed assets | 186 | 166 |
| 902 | 134 | Losses on loans and guarantees | 161 | 951 |
| -272 | -419 | Adjustments for undistributed profits of related companies | -705 | -681 |
| 1,576 | -2,422 | Other adjustments | -2,574 | 1,578 |
| **3,664** | **-370** | **Net cash increase from ordinary operations** | **-30** | **3,992** |
| -4,095 | 3,842 | Decrease/(increase) other receivables | 4,400 | -4,684 |
| 3,558 | -2,993 | Increase/(decrease) short term debt | -3,174 | 3,871 |
| -8,075 | -11,686 | Decrease/(increase) loans to customers | -12,920 | -8,795 |
| -3,721 | -288 | Decrease/(increase) loans credit institutions | 387 | -2,981 |
| 12,295 | 13,862 | Increase/(decrease) deposits to customers | 13,757 | 12,611 |
| 5,045 | -290 | Increase/(decrease) debt to credit institutions | -32 | 4,242 |
| -3,490 | -4,077 | Increase/(decrease) in short term investments | -4,156 | -3,491 |
| - | - | Increase/(decrease) in shares held for trading | -59 | 584 |
| **5,181** | **-2,001** | **A) Net cash flow from operations** | **-1,825** | **5,348** |
| -38 | -75 | Investments in tangible fixed assets | -145 | -136 |
| 0 | 60 | Proceeds from sales of property, plant and equipment | 4 | 0 |
| 89 | - | Cash flows from losing control of subsidiaries or other businesses | 99 | 4 |
| -97 | -73 | Cash flows used in obtaining control of subsidiaries or other businesses | - | - |
| 272 | 419 | Dividends received from investments in related companies | 419 | 272 |
| 20 | 548 | Other cash receipts from sales of interests in joint ventures | 544 | 23 |
| -431 | -204 | Other cash payments to acquire interests in joint ventures | -307 | -436 |
| 370 | 672 | Other cash receipts from sales of equity or debt instruments of other entities | 737 | 385 |
| -337 | -766 | Other cash payments to acquire equity or debt instruments of other entities | -826 | -387 |
| **-152** | **581** | **B) Net cash flow from investments** | **526** | **-276** |
| -295 | 0 | Increase/(decrease) in subordinated loan capital | 0 | -295 |
| 3 | -0 | Increase/(decrease) in equity | -5 | 14 |
| -647 | -569 | Dividend cleared | -569 | -647 |
| - | - | Dividends paid to non-controlling interests | -113 | -51 |
| -364 | -321 | Disbursed from gift fund | -321 | -364 |
| - | - | Additional Tier 1 Capital issued | - | - |
| -56 | -48 | Interest payments additional Tier 1 capital | -50 | -59 |
| 8,386 | 7,867 | Increase in other long term loans | 7,867 | 8,386 |
| -10,053 | -7,021 | Decrease in other long term loans | -7,021 | -10,053 |
| **-3,026** | **-92** | **C) Net cash flow from financial activities** | **-212** | **-3,069** |
| **2,003** | **-1,512** | **A) + B) + C) Net changes in cash and cash equivalents** | **-1,512** | **2,003** |
| 761 | 2,764 | Cash and cash equivalents at 1.1 | 2,764 | 761 |
| 2,764 | 1,252 | Cash and cash equivalents at end of the year | 1,252 | 2,764 |
| **2,003** | **-1,512** | **Net changes in cash and cash equivalents** | **-1,512** | **2,003** |

SpareBank 1 SMN

# Notes

# Note 1 - General information

**Description of the business**

See "Business description" presented in the annual report.

**The SpareBank 1 SMN Group**

SpareBank 1 SMN's head office is in Trondheim, no. 4 Søndre gate. The Bank's market areas are essentially Trøndelag and Nordvestlandet.

The Group accounts for 2021 were approved by the Board of Directors on 2 March 2022.

# Note 2 - Accounting principles

**Basis for preparing the consolidated annual accounts**

The Group accounts for 2021 for SpareBank 1 SMN have been prepared in conformity with International Financial Reporting Standards (IFRS) which have been given effect in Norway. These include interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC). The measurement base for both the parent bank and group accounts is historical cost with the modifications described below. The accounts are presented based on IFRS standards and interpretations mandatory for accounts presented as at 31 December 2021.

**Implemented accounting standards and other relevant rule changes in 2021**

The applied accounting principles are consistent with the principles applied in the preceding accounting period, with the exception of those changes to IFRS which have been implemented by the group in the current accounting period. Below is a list of amendments to IFRS with effect for the 2021 accounts that have been relevant, and the effect they have had on the group's annual accounts.

*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2*

In August 2020, the IASB issued Phase 2 of its project which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. Phase 2 finalizes the Board's response to the ongoing reform of interbank offer rates (IBOR) and other interest rate benchmarks.

The amendments complement Phase 1 issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.

The Phase 2 amendments mainly consist of the following:

- Practical expedient for particular changes to contractual cash flows
- Relief from specific hedge accounting requirements
- Disclosure requirements

The changes in phase 2 only apply if you have financial instruments or hedging relationships that include a reference rate that will change as a result of the reform. The changes apply for accounting periods beginning on or after 1 January 2021. Early adoption is permitted.

SMN chose to early adopt the changes in phase 1 in the 2019 accounts. This choice means that the Bank's hedging relationships continues unaffected by the IBOR reform. The IBOR reform is an ongoing process where interest rate benchmark rates used in receivables, loans and derivates are replaced by new interest rates. Additional qualitative and quantitative information about the hedges have been included in note 29 Hedge accounting for debt created by issue of securities.

*Amendment to IFRS 16 - Covid-19-Related Rent Concessions*

In March 2021, the IASB issued Covid-19-Related Rent Concessions beyond 30 June 2021 to extend the relief period by another year. The International Accounting Standards Board amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not affect lessors.

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022.

Lessees must apply the practical amendment retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied. The extension of the amendment is effective for annual periods beginning on or after 30 June 2021, but earlier application is permitted. The Group has chosen to early adopt this amendment.

The amendment has not had any effect on the SpareBank 1 SMN accounts.

*Definition of default*

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

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

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

1. Payment default is defined as material payment arrears or overdrafts of more than 90 days' duration. Threshold values for material arrears or overdrafts are set out in the Norwegian CRR/CRD IV regulations.
2. Default resulting from manual default marking is based to a larger degree on individual credit assessments, and to a lesser degree on automatic mechanisms. Events included in this category are provision for loss on a customer loan, bankruptcy/debt restructuring, forbearance assessments, deferment of interest and instalment payments for more than 180 days, or other indications suggesting considerable doubt as to whether the borrower will perform his obligations.

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

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

The group has with effect from 1 January 2021 also applied the new default definition for accounting purposes for transfer of loans to stage 3. Loan volume in stage 3 has increased in 2021 by NOK 1,017 million, primarily as a result of the new definition. However, there was no significant change in the underlying credit risk over the course of 2021. Comparatives have not been restated.

**Presentation currency**

The presentation currency is the Norwegian krone (NOK), which is also the bank's functional currency. All amounts are stated in millions of kroner unless otherwise specified.

**Consolidation**

The consolidated accounts include the Bank and all subsidiaries which are not due for divestment in the near future and are therefore to be classified as held for sale under IFRS 5. All undertakings controlled by the Bank, i.e. where the Bank has the power to control the undertaking's financial and operational principles with the intention of achieving benefits from the undertaking's activities, are regarded as subsidiaries. Subsidiaries are consolidated from the date on which the Bank has taken over control, and are deconsolidated as of the date on which the Bank relinquishes control. Mutual balance sheet items and all significant profit elements are eliminated.

Upon takeover of control of an enterprise (business combination), all identifiable assets and liabilities are recognised at fair value in accordance with IFRS 3. A positive difference between the fair value of the consideration and the fair value of identifiable assets and liabilities is recorded as goodwill, while any negative difference is taken to income upon purchase. Accounting for goodwill after first-time recognition is described under the section on intangible assets.

All intra-group transactions are eliminated in the preparation of the consolidated accounts. The non-controlling interests' share of the group result is to be presented on a separate line under profit after tax in the income statement. In the statement of changes in equity, the non-controlling interests' share is shown as a separate item.

**Associated companies**

Associates are companies in which the Bank has substantial influence. As a rule, influence is substantial where the Bank has an ownership interest of 20 per cent or more. Associates are accounted for by the equity method in the consolidated accounts. The investment is initially recognised at acquisition cost and subsequently adjusted for the change in the Bank's share of the associated undertaking's net assets. The Bank recognises its share of the profit of the associated undertaking in its income statement. Associates are accounted for in the parent bank accounts by the cost method. See also note 39 Investments in owner interests.

**Joint arrangements**

Under IFRS 11 investments in Joint arrangements shall be classified as Joint operations or joint ventures depending on the right and obligations in the contractual arrangement for each investor. SpareBank 1 SMN has assessed its joint arrangements and concluded that they are joint ventures. Jointly controlled ventures are accounted for using the equity method in the group and the cost method in the parent bank.

When the equity method is used joint ventures are recognised at their original acquisition cost. The carrying amount is thereafter adjusted to recognise the share of the results after the acquisition and the share of comprehensive income. When the group's share of a loss in a joint venture exceeds the capitalized amount (including other long-term investments that are in reality part of the group's net investment in the venture), no further loss is recognized unless liabilities have been assumed or payments have been made on behalf of the joint venture. Unrealized gains on transactions between the group and its joint ventures are eliminated according to the ownership interest in the business. Unrealized losses are also eliminated unless the transaction gives evidence of a fall in value on the transferred asset. Amounts reported from joint ventures are, if necessary, restated to ensure they correspond with the accounting policies of the group. See also note 39 Investments in owner interests.

**Loans and loan losses**

Loans held in “hold to collect” business model are measured at amortised cost. Amortised cost is acquisition cost less repayments of principal, plus or minus cumulative amortisation resulting from the effective interest rate method, with deductions for loss provisions. The effective interest rate is the interest rate which precisely discounts estimated future cash in- or out-payments over the financial instrument’ s expected lifetime.

The Bank sells only parts of the loans qualified for transfer to SpareBank 1 Boligkreditt. Loans included in business models (portfolios) with loans qualifying for transfer are therefore held both to collect cash flows and for sales. The Bank therefore classify all residential mortgages at fair value over other comprehensive income. Fair value on such loans at initial recognition are measured at the transaction price, without reduction for 12 month expected credit loss.

Fixed interest loans to customers are recognised at fair value. Gains and losses due to changes in fair value are recognised in the income statement as fair value changes. Accrued interest and premiums/discounts are recognised as interest. Interest rate risk on fixed interest loans is managed through interest rate swaps which are recognised at fair value. It is the group’s view that recognising fixed interest loans at fair value provides more relevant information on carrying values.

*Loan impairment write-downs*

Loan loss provisions are recognised based on expected credit loss (ECL). The general model for provisions for loss of financial assets in IFRS 9 applies to both financial assets measured at amortised cost and to financial assets at fair value with changes in value through profit or loss, which are not impaired when purchased or issued. In addition, unused credit, loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss are also included.

Measurement of the provision for expected loss depends on whether credit risk has increased significantly since first- time recognition. Upon first-time recognition, and when credit risk has not increased significantly since first-time recognition, provision shall be made for expected loss occuring due to defaults that occur within 12 months.

If credit risk has risen significantly, provision shall be made for expected loss across the entire life. Loss estimates are prepared quarterly, and build on data in the data warehouse which has historical accounting and customer data for the entire credit portfolio. The bank uses three macroeconomic scenarios to take into account non-linear aspects of expected losses. The various scenarios are used to adjust relevant parameters for calculating expected losses, and a probability-weighted average of expected losses under the respective scenarios is recognised as a loss

Loss estimates are computed based on 12-month and lifelong probability of default (PD), loss given default (LGD) and exposure at default (EAD). The data warehouse contains historical data for observed PD and observed LGD. This forms the basis for estimating future values for PD and LGD.

In keeping with IFRS 9 the bank groups its loans in three stages.

Stage 1:

This is the starting point for all financial assets covered by the general loss model. All assets that do not have significantly higher credit risk than at first-time recognition receive a loss provision corresponding to 12 months’ expected loss. All assets that are not transferred to stage 2 or 3 reside in this category.

Stage 2:

Stage 2 of the loss model encompasses assets that show a significant increase in credit risk since first-time recognition, but where objective evidence of loss is not present. For these assets a provision for expected loss over the entire lifetime is to be made. In this group we find accounts with a significant degree of credit deterioration, but which at the balance sheet date belong to customers classified as performing. As regards delineation against stage 1, the bank defines ‘significant degree of credit deterioration’ by taking a basis in whether the exposure’s calculated probability of default shows a significant increase. SpareBank 1 SMN has decided to utilise both absolute and relative changes in PD as criteria for transfer to stage 2. The most important factor for a significant change in credit risk is the quantitative change in PD on the period end compared to the PD at first time recognition. A change in PD by more than 150 per cent is considered to be a significant change in credit risk. The change will have to be over 0.6 percentage points. In addition, customers with payments 30 days past due will be transferred to stage 2. A qualitative assessment is also done when engagements have been put on watch list or given forbearance.

The thresholds for movement between Stage 1 and Stage 2 are symmetrical. After a financial asset has transferred to Stage 2, if its credit risk is no longer considered to have significantly increased relative to its initial recognition, the financial asset will move back to Stage 1. The same applies to assets in stage 3, if the basis for the placement in stage 3 is no longer present, the asset will be migrated to stage 1 or 2.

Stage 3:
Stage 3 of the loss model encompasses assets that show a significant increase in credit risk since loan approval and where there is objective evidence of loss at the balance sheet date. For these assets a provision shall be made for expected loss over the entire lifetime. These are assets which under previous rules were defined as defaulted and written down.

Impairment must be a result of one or more events occurring after first-time recognition (a loss event), and it must be possible to measure the result of the loss event(s) reliably. Objective evidence of impairment of a financial asset includes observable data which come to the group's knowledge on the following loss events:

- significant financial difficulties on the part of the issuer or borrower
- a not insignificant breach of contract, such as failure to pay instalments and interest
- the group grants the borrower special terms in light of financial or legal aspects of the borrower's situation
- the debtor is likely to start debt negotiation or other financial restructuring

The group assesses first whether individual objective evidence exists that individually significant financial assets have suffered impairment. Where there is objective evidence of impairment, the size of the impairment is measured as the difference between the asset' s carrying value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced through a provision account and the loss is recognised in the income statement.

**Defaulted or non-performing loans**
Default is defined in two categories: 1) payment default or 2) default based on manual default marking.

1. Payment default is defined as material payment arrears or overdrafts of more than 90 days' duration. Threshold values for material arrears or overdrafts are set out in the Norwegian CRR/CRD IV regulations.
2. Default resulting from manual default marking is based to a larger degree on individual credit assessments, and to a lesser degree on automatic mechanisms. Events included in this category are provision for loss on a customer loan, bankruptcy/debt restructuring, forbearance assessments, deferment of interest and instalment payments for more than 180 days, or other indications suggesting considerable doubt as to whether the borrower will perform his obligations.

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

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

**Actual loan losses**
Write-down for actual losses (derecognition of book value) are made when the bank has no reasonable expectations to recover the asset in its whole or partially. Criteria for write-down are as follows:

- Closed bankruptcy in limited liability companies
  Confirmed chord / debt negotiations
  Settlement for other companies with limited liability
  Ended living at death
  By lawful judgment
  Collateral is realized

The commitment will normally be placed on long-term monitoring in case the debtor should again become solvent and suable.

**Write-downs**
Amounts recorded on the Bank's non-financial assets are reviewed on the balance sheet date for any indications of value impairment. Should such indications be present, an estimate is made of the asset's recoverable amount. Each year on the balance sheet date recoverable amounts on goodwill, assets with unlimited useful lifetime, and intangible assets not yet available for use, are computed. Write-downs are undertaken when the recorded value of an asset or cash-flow-generating entity exceeds the recoverable amount. Write-downs are recognised in profit/loss. Write-down of goodwill is not reversed. In the case of other assets, write-downs are reversed where there is a change in the estimates used to compute the recoverable amount.

**Repossessed assets**

As part of its treatment of defaulted loans and guarantees, the Bank in a number of cases takes over assets furnished as collateral for such exposures. Upon repossession the assets are valued at their presumed realisable value. Any deviation from the carrying value of a defaulted or written down exposure upon takeover is classified as a loan write-down. Repossessed assets are carried according to type. Upon final disposal, the deviation from carrying value is reported in profit or loss in accordance with the type of asset as per the accounts.

**Non-current assets held for sale and discontinued operations**

Assets which the board of directors of the bank has decided to sell are dealt with under IFRS 5 if it is highly likely that the asset will be sold within 12 months. This type of asset comprises for the most part assets taken over in connection with bad loans, and investments in subsidiaries held for sale. In the case of depreciable assets, depreciation ceases when a decision is taken to sell, and the asset is measured at fair value in accordance with IFRS 5. The result of such activity and appurtenant assets and liabilities are presented on a separate line as held for sale.

**Securities and derivatives**

Securities and derivatives comprise shares and units, money market instruments and bonds, and derivative currency, fixed income and equity instruments. Shares and units are classified at fair value through profit/loss. Money market instruments and bonds are classified at fair value through profit/loss. Derivatives are recognised at fair value through profit/loss.

All financial instruments classified at fair value through profit/loss are measured at fair value, and any change in value from the opening balance is recognised as gain or losses from other financial investments. Financial derivatives are presented as assets when fair value is positive, and as liabilities when fair value is negative.

**Intangible assets**

Intangible assets mainly comprise goodwill in the SpareBank 1 SMN Group. Other intangible assets will be recognised once the conditions for entry in the balance sheet are present. Goodwill arises as the difference between the fair value of the consideration upon purchase of a business and the fair value of identifiable assets and liabilities; see description under Consolidation. Goodwill is not amortised, but is subject to an annual depreciation test with a view to revealing any impairment, in keeping with IAS 36. Testing for value impairment is done at the lowest level at which cash flows can be identified.

Intangible assets acquired separately are carried at cost. Useful economic life is either finite or infinite. Intangible assets with a finite economic life are depreciated over their economic life and tested for impairment upon any indication of impairment. The depreciation method and period are assessed at least once each year.

**Property, plant and equipment**

Property, plant and equipment along with property used by the owner are accounted for under IAS 16. The investment is initially recognised at its acquisition cost and is thereafter depreciated on a linear basis over its expected useful life. When establishing a depreciation plan, the individual assets are to the necessary extent split up into components with differing useful life, with account being taken of estimated residual value. Property, plant and equipment items which individually are of little significance, for example computers and other office equipment, are not individually assessed for residual value, useful lifetime or value loss, but are assessed on a group basis. Property used by the owner, according to the definition in IAS 40, is property that is mainly used by the Bank or its subsidiary for its own use.

Property, plant and equipment which are depreciated are subject to a depreciation test in accordance with IAS 36 when circumstances so indicate.

Property held in order to earn rentals or for capital appreciation is classified as investment property and is measured at fair value in accordance with IAS 40. The group has no investment properties.

**Leases**

*Identifying a lease*

At the inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*The Group as a lessee*

Separating components in the lease contract

For contracts that constitute, or contain a lease, the Group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The Group then accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

Recognition of leases and exemptions
At the lease commencement date, the Group recognises a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Group recognises the lease payments as other operating expenses in the statement of profit or loss when they incur.

Lease liabilities
The lease liability is recognised at the commencement date of the lease. The Group measures the lease liability at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option either to extend or to terminate the lease when the Group is reasonably certain to exercise this option.

The lease payments included in the measurement comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option, if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The Group does not include variable lease payments in the lease liability. Instead, the Group recognises these variable lease expenses in profit or loss.
The Group presents its lease liabilities as separate line items in the statement of financial position.

Right-of-use assets
The Group measures the right-of use asset at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability recognised
- Any lease payments made at or before the commencement date, less any incentives received
- Any initial direct costs incurred by the Group.
- An estimate of the costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset.
The Group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

*The Group as a lessor*

Separating components in the lease contract
For a contract that contains a lease component and one or more additional lease or non-lease components, The Group allocates the consideration in the contract applying the principles in IFRS 15 Revenue from Contracts with Customers.

Recognition of leases and income
For contracts where the Group acts as a lessor, it classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

The group as a lessor does not have any finance leases.

*Operating* leases
For operating leases, the Group recognises lease payments as other income, mainly on a straight-line basis, unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The Group recognises costs incurred in earning the lease income in other operating expenses. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognises those costs as an expense over the lease term on the same basis as the rental income.

*Recognition and discount rate*
IFRS 16 refers to two different methods of determining the discount rate for lease payments:

- The rate implicit in the lease
- The lessee's incremental rate of borrowing, if the implicit rate is not readily determined

Lease contracts covered by IFRS 16 vary as regards term and option structure. Moreover, assumptions must be made as to the opening value of the underlying assets. Both of these items make an implicit interest calculation more complicated than an incremental borrowing rate calculation.

SpareBank 1 SMN has a framework for transfer pricing that is designed to provide as correct a picture as possible of how various balance sheet items, business lines, segments or regions in the bank contribute to the bank's profitability. The starting point for the transfer pricing rates is the bank's historical cost of funding. The Group's cost of funding can be split up into a cost related to senior unsecured debt and a cost related to capital (hybrid capital and subordinated loan capital). The latter cost of funding shall, like other equity, be distributed on assets based on risk weights. The cost related to own funds (hybrid capital and subordinated loan capital) then appears as a further transfer price addition to the loan accounts.

The bank also has indirect liquidity costs related to liquidity reserves. These are reserves that the bank is required to hold by the authorities along with reserves of surplus liquidity held by the bank for shorter periods. The liquidity reserves have a substantial negative return measured against the bank's cost of funding. This cost is distributed on balance sheet items that create a need for liquidity reserves, and appear as a reduction from the transfer price interest for deposits and an addition as regards loans.

*Transfer Price rate = cost of funding + addition for liquidity reserve cost + addition for cost of capital*

In the transfer pricing the bank's liquidity cost or cost of funding is distributed on assets and liabilities, and is actively utilised in the internal account. The transfer price is accordingly a well-established tool in the governance of the bank, and is regularly updated. The transfer price interest rate for an asset with the corresponding underlying, in this case commercial property, will therefore be a good representation of the incremental borrowing rate. This discount rate will include the material additions to the cost of funding, giving a more correct picture of the opportunity cost for the bank. This interest rate have been used as the discount rate for the Group's leases coming under IFRS 16. A discount rate of 2.05 per cent has been used in 2021.

Right-of-use assets are classified as non-current assets in the balance sheet whereas the lease liability is classified as other debt. The Group's lease liability relates in all essentials to lease agreements for offices. Detailed information about the leases are included in note 33 Leases.

**Interest income and expenses**
Interest income and expenses related to assets and liabilities which are measured at amortised cost or fair value over OCI are recognised in profit/loss on an ongoing basis using the effective interest rate method. Charges connected to interest-bearing funding and lending are included in the computation of effective interest rate and are amortised over expected lifetime. For debt instruments assets at amortised cost which have been written down as a result of objective evidence of loss, interest is recognised as income based on the net capitalised amount.

In the case of interest-bearing instruments measured at fair value in profit or loss, the market value will be classified as income from other financial investments.

**Commission income and expenses**
Commission income and expenses are generally accrued in step with the provision of the service. Charges related to interest-bearing instruments are not entered as commission, but are included in the calculation of effective interest and recognised in profit/loss accordingly. Consultancy fees accrue in accordance with a consultancy agreement, usually in step with the provision of the service. The same applies to ongoing management services. Fees and charges in connection with the sale or mediation of financial instruments, property or other investment objects which do not generate balance sheet items in the Bank's accounts are recognised in profit/loss when the transaction is completed. The Bank receives commission from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

corresponding to the difference between the interest on the loan and the funding cost achieved by SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. This shows as commission income in the Bank's accounts.

**Transactions and holdings in foreign currency**

Transactions in foreign currency are converted to Norwegian kroner at the transaction exchange rate. Gains and losses on executed transactions or on conversion of holdings of monetary items on the balance sheet date are recognised in profit/loss. Gains and losses on conversion of items other than monetary items are recognised in the same way as the appurtenant balance sheet item.

**Hedge accounting**

The Bank evaluates and documents the effectiveness of a hedge in accordance with IAS 39. The Bank employs fair value hedging to manage its interest rate risk. In its hedging operations the Bank protects against movements in the market interest rate. Changes in credit spread are not taken to account when measuring hedge effectiveness. In the case of fair value hedging, both the hedging instrument and the hedged object are recorded at fair value, and changes in these values from the opening balance are recognised in profit/loss.

**Income taxes**

Tax recorded in the income statement comprises tax in the period (payable tax) and deferred tax. Period tax is tax calculated on the taxable profit for the year. Deferred tax is accounted for by the liability method under IAS 12. Calculation of deferred tax is done using the tax rate in effect at any time. Liabilities or assets are calculated on temporary differences i.e. the difference between balance-sheet value and tax-related value of assets and liabilities. However, liabilities or assets are not calculated in the case of deferred tax on goodwill for which there is no deduction for tax purposes, nor on first-time-recognised items which affect neither the accounting nor the taxable profit.

A deferred tax asset is calculated on a tax loss carryforward. Deferred tax assets are recognised only to the extent that there is expectation of future taxable profits that enable use of the tax asset. Withholding tax is presented as period tax. Wealth tax is presented as an operating expense in the group accounts under IAS 12.

**Deposits from customers**

Customer deposits are recognised at amortised cost.

**Debt created by issuance of securities**

Issued securities debt (senior loans) are measured at amortised cost or as financial liabilities specifically accounted for at fair value with changes in value recognised in profit or loss. As a general rule, hedge accounting (fair value hedging) is used when issuing bond debt with a fixed interest rate. In hedging, there is a clear, direct and documented connection between changes in the value of the hedged item (loan) and the hedging instrument (interest rate derivative). For the hedged item, changes in fair value related to the hedged risk are accounted for as a addition or deduction in capitalised securities debt and are recognised in the income statement under «Net return on financial investments». The hedging instruments are measured at fair value and the changes in fair value are recognised in the income statement on the same profit line as the hedging objects. Debt when issuing securities is presented including accrued interest. See note 29 for a more detailed description of hedge accounting

**Subordinated debt and hybrid capital**

Subordinated debt are measured at amortised cost like other long-term loans. Subordinated debt ranks behind all other debt. Hybrid capital denotes bonds with a nominal interest rate, but the Bank is not obliged to pay interest in a period in which no dividend is paid, nor does the investor subsequently have a right to interest that has not been paid, i.e. the interest does not accumulate. Hybrid Capital have been classified as equity since these do not satisfy the definition of a financial liabiltiy in IAS 32. The bond is perpetual and SpareBank 1 SMN has the right to not pay interest to the investors. The interest will not be presented as an interest expense in the income statement, but as a reduction to equity. See also note 3 for a closer description. The treatment of subordinated debt and hybrid capital in the calculation of the group's capital adequacy is described in note 5 Capital adequacy and capital management.

**Financial guarantees issued**

Financial guarantees are contracts that require the bank to reimburse the holder for a loss due to a specific debtor failure to pay in accordance with the terms is classified as issued financial guarantees. On initial recognition of issued financial guarantees, the guarantees are recognised in the balance sheet at the received consideration for the guarantee. Subsequent measurement assesses issued financials

guarantees to the highest amount of the loss provision and the amount that was recognised at initial recognition less any cumulative income recognised in the income statement. When issuing financial guarantees, the consideration for the guarantee is recognised under "Other liabilities" in the balance sheet. Revenue from issued financial guarantees and costs related to purchased financial guarantees is amortised over the duration of the instrument and presented as "Commission income" or "Commission expenses". Changes in expected credit losses are included in the line «Losses on loans and guarantees» in the income statement.

**Loan commitments**

Expected credit losses are calculated for loan commitments and presented as "Other liabilities" in the balance sheet. Changes in the provision for expected losses are presented in the line «Losses on loans and guarantees» in the income statement. For instruments that have both a drawn portion and an unutilised limit, expected credit losses are distributed pro-rata between provisions for loan losses and provisions in the balance sheet based on the relative proportion of exposure.

**Pensions**

The SpareBank 1 SMN Group has a pension scheme for its staff that meet the requirements set for mandatory occupational pensions. SpareBank 1 SMN had a defined benefit scheme previously. This was terminated from 1 January 2017.

*Defined contribution scheme*

Under a defined contribution pension scheme the group does not provide a future pension of a given size; instead the group pays an annual contribution to the employees' collective pension savings. The future pension will depend on the size of the contribution and the annual return on the pension savings. The group has no further obligations related to employees' labour contribution after the annual contribution has been paid. There is no allocation for accrued pension obligations under such schemes. Defined contribution schemes are directly expensed. Any pre-paid contributions are recognised as an asset (pension assets) to the extent the contribution can be refunded or reduce future inpayments.

The contributions are made to the pension fund for full-time employees, and the contribution is from 7 per cent from 0-7,1 G and 15 per cent from 7.1 – 12 G. The premium is expensed as incurred. See also note 22 Pensions.

*Early retirement pension scheme ("AFP")*

The banking and financial industry has established an agreement on an early retirement pension scheme ("AFP"). The scheme covers early retirement pension from age 62 to 67. The Bank pays 100 per cent of the pension paid from age 62 to 64 and 60 per cent of the pension paid from age 65 to age 67. Admission of new retirees ceased with effect from 31 December 2010. The Act on state subsidies in respect of employees who take out contractual pension in the private sector (AFP Subsidies Act) entered into force on 19 February 2010. Employees who take out AFP with effect in 2011 or later will receive benefits under the new scheme. The new AFP scheme represents a lifelong add-on to National Insurance and can be taken out from age 62. Employees accumulate AFP entitlement at an annual rate of 0.314 per cent of pensionable income capped at 7.1G up to age 62. Accumulation under the new scheme is calculated with reference to the employee's lifetime income, such that all previous working years are included in the qualifying basis.

For accounting purposes the new AFP scheme is regarded as a defined benefit multi-employer scheme. This entails that each employer accounts for its pro rata share of the scheme's pension obligation, pension assets and pension cost. If no calculations of the individual components of the scheme and a consistent and reliable basis for allocation are available, the new AFP scheme will be accounted for as a defined-contribution scheme. At the present time no such basis exists, and the new AFP scheme is accordingly accounted for as a defined-contribution scheme. The new AFP scheme will only be accounted for as a defined-benefit scheme once reliable measurement and allocation can be undertaken. Under the new scheme, one-third of the pension expenses will be funded by the State, two-thirds by the employers. The employers' premium will be fixed as a percentage of salary payments between 1G and 7.1G.

In keeping with the recommendation of the Norwegian Accounting Standards Board, no provision was made for the group's de facto AFP obligation in the accounting year. This is because the office that coordinates the schemes run by the main employer and trade union organisations has yet to perform the necessary calculations.

**Segment reporting**

SpareBank 1 SMN has Retail Banking and Corporate Banking, along with the most important subsidiaries and associates as its primary reporting segments. The group presents a sectoral and industry distribution of loans and deposits as its secondary reporting format. The group's segment reporting is in conformity with IFRS 8.

**Dividends and gifts**

Proposed dividends on equity certificates and gifts are recognised as equity capital in the period to the declaration of dividends by the bank's supervisory board.

**Events after the balance sheet date**

The annual accounts are regarded as approved for publication once they have been considered by the board of directors. The supervisory board and regulatory authorities can thereafter refuse to approve the accounts, but not to change them. Events up to the time at which the accounts are approved for publication, and which relate to circumstances already known on the balance sheet date, will be included in the information base for accounting estimates and thus be fully reflected in the accounts. Events concerning circumstances that were not known on the closing date will be illuminated if significant.

The accounts are presented on the going-concern assumption. In the view of the board of directors this assumption was met at the time the accounts were approved for presentation.

The board of directors' proposal for dividends is set out in the directors' report and in the statement of changes in equity.

**New or revised accounting standards approved but not implemented in 2021**

Those standards and interpretations that have been adopted up to the date of presentation of the consolidated accounts, but whose entry into force is scheduled for a future date, are set out below. The group's intention is to implement the relevant changes at the time of their entry into force, on the proviso that the EU approves the changes before presentation of the consolidated accounts.

*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.

An effect on equity is expected as a result of the associated company SpareBank 1 Gruppen implementing this standard. SpareBank 1 SMN owns 19.5 per cent of SpareBank 1 Gruppen. As of 31 December 2021, information on quantitative effects is not available from SpareBank 1 Gruppen.

*Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current*

The International Accounting Standards Board has issued amendments to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments clarify:

- The meaning of right to defer settlement
- That the right to defer must exist at the end of the reporting period
- That classification is not affected by the probability that an entity will exercise its deferral right
- That the terms of a liability would not impact its classification, only if an embedded derivative is an equity instrument itself.

The amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2023. The Group does not intend to early adopt the amendments.

It is not expected that the amendments will have significant effects for the group.

*Amendments to IAS 37 - Onerous Contracts, Costs of Fulfilling a Contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs (e.g., the costs of direct labour and materials) of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contract activities (e.g., depreciation of equipment used to fulfil the contract, as well as costs of contract management and supervision). Costs that do not relate directly to a contract (e.g., general and administration costs) shall not be included unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2022, but earlier application is permitted. The Group has not early adopted this amendment. It is not expected that the amendments will have significant effects for the group.

*Amendments to IAS 8 - Definition of Accounting Estimates*
IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual periods beginning on or after 1 January 2023, but earlier application is permitted. The Group does not intend to early adopt the amendments.

It is not expected that the amendments will have significant effects for the group.

*Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting policies*
Following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed, IASB has issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual periods beginning on or after 1 January 2023, but earlier application is permitted as long as this fact is disclosed. The Group does not intend to early adopt the amendments.

It is expected that the amendments may have effect on the scope of information in Note 2 Accounting Principles

*Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

IAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, regulated in IAS 12.15 and IAS 12.24, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations - transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual periods beginning on or after 1 January 2023.

It is expected that the amendments may have the following effects:  When implementing this change, the group will account for deferred tax and deferred tax assets on the right of use and lease obligation. The recognition will result in a deferred tax and deferred tax asset of approximately NOK 120 million.

**Annual Improvements 2018-2020 Cycle (Issued May 2020)**
*IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter*
The amendment permits a subsidiary that uses the exemption in IFRS 1.D16 (a) to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent date of transition to IFRS. This election is also available to an associate or joint venture that uses the exemption in IFRS 1.D16 (a).

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. It is not expected that the amendments will have significant effects for the group.

*IFRS 9 Financial Instruments - Fees in the ’10 per cent’ test for derecognition of financial liabilities*
The amendment clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. In determining those fees paid net of fees received, a borrower

includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. No similar amendment has been proposed for IAS 39.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. It is not expected that the amendments will have significant effects for the group.

## Note 3 - Critical estimates and assessments concerning the use of accounting principles

In the preparation of the Group accounts the management makes accounting estimates, discretionary assessments and assumptions that bear on the effect of the application of the accounting principles and hence the amounts booked for assets, liabilities, income and expenses. Estimates and discretionary assessments are evaluated continuously and are based on empirical experience and expectations of events which, as of the balance sheet date, are deemed likely to occur in the future.

**Classification of financial instruments**

Financial assets are classified either at fair value through other comprehensive income (OCI), at amortised cost or at fair value through profit and loss. The bank determines the classification based on characteristics of the asset's contractual cash flows and the business model under which the asset is managed.

In order to classify a financial asset the bank must determine whether the contractual cash flows from the asset are exclusively payment of interest and principal on the outstanding amount.

Principal is measured at fair value of the asset upon first-time recognition. Interest consists of payment for the time value of money, for credit risk associated with outstanding principal in a particular period, and for other loan risks and costs, in addition to a profit margin. If the bank establishes that the contractual cash flows from an asset are not exclusively payment for interest and principal, the asset shall be classified as measured at fair value through profit and loss.

When classifying financial assets, the bank establishes the business model utilised for each portfolio of assets that are managed collectively to achieve the same business objective. The business model reflects how the bank manages its financial assets and the degree to which the cash flows are generated through collection of the contractual cash flows, sale of financial assets or both. The bank establishes the business model through use of scenarios that can with reasonable likelihood be expected to occur. Establishment of the business model requires the application of discretionary judgement and an assessment of all available information at the point in time in question.

A portfolio of financial assets is classified in a “hold to collect” business model where the bank's primary aim is to hold these assets in order to collect their contractual cash flows rather than to sell them. Where the bank's objective is obtained through both collecting and selling the assets, the assets will be classified in a “hold to collect and sell” business model. In such a business model, both collection of contractual cash flows and sale of assets will be integral elements for achieving the bank's objective for the portfolio concerned.

Financial assets are measured at fair value through profit and loss if they do not fall within either a “hold to collect” business model or a “hold to collect or sell” business model.

**Losses on loans and guarantees**

The Bank rescores its loan portfolio monthly. Customers showing objective evidence of loss due to payment default, impaired creditworthiness or other objective criteria are subject to individual assessment and calculation of loss. Should the Bank's calculations show that the present value of the discounted cash flow based on the effective interest rate at the time of estimation is below the book value of the loan, the loan is assigned to stage 3 and a write-down is performed for the calculated loss. A high degree of discretionary judgement is required in order to assess evidence of loss, and the estimation of amounts and timing of future cash flows with a view to determining a calculated loss is affected by this judgement. Changes in these factors could affect the size of the provision for loss. In cases where collateral values are tied to specific objects or industries that are in crisis, collateral will have to be realised in illiquid markets, and in such cases assessment of collateral values may be encumbered with considerable uncertainty.

For loans in stage 1 and 2 a calculation is made of the expected credit loss using the bank's loss model based on estimates of probability of default (PD) and loss given default (LGD), as well as exposure (EAD). The bank uses the same PD model as in IRB, but with unbiased calibration, i.e. without safety margins, as a basis for assessment of increased credit risk. The PD estimate represents a 12-month probability.

Write-downs for exposures in stage 1 will be calculation of one-year's expected loss, while for exposures in stage 2, loss is calculated over lifetime.

The most important input factors in the bank's loss model that contribute to significant changes in the loss estimate and are subject to a high degree of discretionary judgement are the following:

- Use of forward-looking information and projection of macroeconomic variables for multiple scenarios on a probability-weighted basis
- Establishing what constitutes a significant increase in credit risk for a loan.

*Use of forward-looking information*
Measurement of expected credit loss for each stage requires both information on events and current conditions as well as expected events and future economic conditions. Estimation and use of forward-looking information requires a high degree of discretionary judgement. Each macroeconomic scenario that is utilised includes a projection for a five-year period. Our estimate of expected credit loss in stage I and 2 is a probability-weighted average of three scenarios: base case, best case and worst case.  The base scenario have been developed with a starting point in observed defaults and losses over the past three years, adjusted to a forward-looking estimate of the development that is slightly above the observed defaults and losses over the past 3 years.

The development in the Upside and Downside scenario is prepared with the help of adjustment factors where the development in economic situation is projected with the help of assumptions regarding how much the probability of default (PD) or loss given default (LGD) will increase or be reduced compared with the baseline scenario over a five-year period. A basis is taken in observations over the past 15 years, where Downside reflects the expected default and loss level in a crisis situation with PD and LGD levels that are applied in conservative stressed scenarios for other purposes in the bank's credit management.

In 2020 and 2021 some changes have been made in the input to the credit loss model as a result of changed expectations due to the corona situation. The crisis and the significant increase in macroeconomic uncertainty have made the assessments extra demanding.The regulators have emphasized the importance of focusing on the expected long-term effects of the crisis and this has also been the bank's focus.

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

The development in the base scenario is prepared using adjustment factors where the development in the business cycle is projected by assumptions about how much the probability of default (PD) or loss of default (LGD) will increase or decrease compared to the base scenario in a five-year period. We expect increased losses related to debtors that have a demanding starting point before the crisis - typically debtors in stage 2. We have therefore chosen to increase the trajectories for PD and LGD as well as reduce expected repayments in the base scenario, especially from year 2 onwards, since this will affect expected losses mainly for debtors in stage 2. To adjust for migration into stage 2, PD and LGD estimates are also increased in the first year. No first year repayments are assumed for all portfolios in the downside scenario.

The scenarios are weighted with a basis in our best estimate of the probability of the various outcomes represented. The estimates are updated quarterly and were as follows as per the estimates at 31 December:

| **Portfolio** | **2021** | | | **2020** | | |
|---|---|---|---|---|---|---|
| | **Base Case** | **Worst Case** | **Best Case** | **Base Case** | **Worst Case** | **Best Case** |
| Retail Market | 70 % | 15% | 15% | 70 % | 20 % | 10 % |
| Corporate excl. Agriculture and offshore | 65 % | 20 % | 15 % | 65 % | 20 % | 15 % |
| Agriculture | 65 % | 20 % | 15 % | 65 % | 20 % | 15 % |
| Offshore | 65 % | 20 % | 15 % | 65 % | 20% | 15 % |
| Tourism | 60 % | 30 % | 10 % | 60 % | 30 % | 10 % |

For the offshore portfolio, separate assessments are made with regard to probability of default under various scenarios and associated realisation values. In these assessments the various offshore segments – supply, subsea and seismic – have different scenario weights. Consistent assumptions are used with regard to expected developments in rates, utilisation levels and realisation values for vessels in the various scenarios where the vessels' current and expected contractual situation is assessed.

**Sensitivities**
The first part of the table below show total calculated expected credit loss as of 31 December 2021 in each of the three scenarios, distributed in the portfolios retail market (RM) corporate market (CM), and offshore, travel and agriculture which adds up to parent bank. In addition the subsidiary SB 1 Finans Midt-norge is included. ECL for the parent bank and the subsidiary is summed up in th coloumn "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 worst case have been doubled.

If the downside scenario's probability were doubled at the expense of the baseline scenario at the end of December 2021, this would have entailed an increase in loss provisions of NOK 319 million for the parent bank and NOK 326 million for the group.

| | CM (excl offshore and agriculture) | RM | Offshore | Agriculture | Tourism | Total parent | SB 1 Finans MN | Group |
|---|---|---|---|---|---|---|---|---|
| ECL base case | 437 | 71 | 559 | 39 | 35 | 1,142 | 51 | 1,193 |
| ECL worst case | 1,061 | 298 | 1,190 | 91 | 128 | 2,768 | 119 | 2,887 |
| ECL best case | 362 | 37 | 471 | 10 | 19 | 899 | 36 | 935 |
| | | | | | | | | |
| ECL with scenario weights used 80/10/10 | - | - | - | - | - | - | 56 | 56 |
| ECL with scenario weights used 65/25/15 | 551 | - | 672 | 52 | - | 1,275 | - | 1,275 |
| ECL with scenario weights used 60/30/10 | - | - | - | - | 51 | 51 | - | 51 |
| ECL with scenario weights used 70/15/15 | - | 100 | - | - | - | 100 | - | 100 |
| **Total ECL used** | **551** | **100** | **672** | **52** | **51** | **1,426** | **56** | **1,482** |
| | | | | | | | | |
| ECL alternative scenario weights 70/20/10 | - | - | - | - | - | - | 63 | 63 |
| ECL alternative scenario weights 45/40/15 | 676 | - | 798 | 68 | - | 1,541 | - | 1,541 |
| ECL alternative scenario weights 30/60/10 | - | - | - | - | 70 | 70 | - | 70 |
| ECL alternative scenario weights 55/30/15 | - | 134 | - | - | - | 134 | - | 134 |
| **Total ECL alternative weights** | **676** | **134** | **798** | **68** | **70** | **1,745** | **63** | **1,808** |
| **Change in ECL if alternative weights were used** | **125** | **34** | **126** | **16** | **19** | **319** | **7** | **326** |

The Tourism portfolio includes commercial real estate with more than 50% of the income from hotels and tourism companies.

The table reflects that there are some significant differences in underlying PD and LGD estimates in the different scenarios and that there are differentiated levels and level differences between the portfolios. At group level, the ECL in the upside scenario, which largely reflects the loss and default picture in recent years, is about 80 per cent of the ECL in the expected scenario. The downside scenario gives about double the ECL than in the expected scenario. Applied scenario weighting gives about 20 percent higher ECL than in the expected scenario.

*Determination of significant increase in credit risk:*
The assessment of what constitutes a significant increase in credit risk requires a large degree of discretionary judgement. Movements between stage 1 and stage 2 are based on whether the instrument's credit risk on the balance sheet date has increased significantly relative to the date of first-time recognition. This assessment is done with a basis in the instrument's lifetime PD, and not expected losses.

The assessment is done for each individual instrument. Our assessment is performed at least quarterly, based on three factors:

- The bank uses both absolute and relative changes in PD as criteria for removal to stage 2. A change of more than 150% in PD is considered to be a significant change in credit risk. In addition, the PD must at minimum be more than 0.6 percentage points.
- An additional quantitative assessment is made based on whether the exposure has a significantly increased credit risk if it is subject to special monitoring or forbearance.
- In addition, customers with payments between 30-90 days overdue will in all cases be moved to stage 2.

If any of the above factors indicate that a significant increase in credit risk has occurred, the instrument is moved from stage 1 to stage 2.

See also note 2 on accounting principles and note 6 on risk factors.

**Fair value of equity interests**
Assets recognised at fair value through profit and loss will mainly be securities traded in an active market. An active market is defined as a market where homogeneous products are traded, where willing buyers and sellers are normally present at all times, and where prices are accessible to the general public. Shares quoted in a regulated market place fit in with the definition of an active market. A market with a large spread between bid and ask prices and where trading is quiet may pose a challenge. Some key shares will be based on in-house valuations, transaction prices or external analyses of the company. Such shares are valued using acknowledged valuation techniques. These include the use of discounted cash flows or comparative pricing where similar, listed, companies are used (multiple pricing) to determine the value of the unlisted company. Such valuations may be encumbered with uncertainty.

Any changes in assumptions may affect recognised values. Investments in private equity funds made in the subsidiary SpareBank 1 SMN Invest are valued based on net asset value (NAV) reported from the funds. The group uses the «fair value option» for investments in private equity funds. Fair value is calculated based on valuation principles set out in IFRS 13 and guidelines for valuation in accordance with International Private Equity and Venture Capital (IPEV), see www.privateequityvaluation.com.

Management has based its assessments on the information available in the market combined with best judgment. No new information has emerged on significant matters that had occurred or already existed on the balance sheet date as of 31.12.2021 and up to the Board's consideration of the accounts on 2 March 2022. See also note 30 for specification of shares and equity interests.

**Fair value of financial derivatives and other financial instruments**

Fair value of derivatives is usually determined using valuation models where the price of the underlying, for example interest rates or exchange rates, is obtained in the market. When measuring financial instruments for which observable market data are not available, the Group makes assumptions regarding what market participants would use as the basis for valuing similar financial instruments. The valuations require extensive use of discretionary judgement inter alia when calculating liquidity risk, credit risk and volatility. Changes in these factors will affect the estimated fair value of the Group's financial instruments. For further information, see note 27 Measurement of fair value of financial instruments.

For options, volatilities will either be observed implicit volatilities or estimated volatilities based on historical movements in the price of the underlying instrument. In cases where the Bank's risk position is approximately neutral, middle rates will be used. "Neutral risk position" means for example that interest rate risk within a maturity band is virtually zero. Where market prices that are obtained are based on transactions with lower credit risk, this will be taken into account by amortising the original price difference measured against such transactions over the period to maturity.

**Goodwill**

The Group conducts tests to assess possible impairment of goodwill annually or in the event of indications of impairment. Assessment is based on the Group's value in use. The recoverable amount from cash-flow-generating units is determined by calculating discounted future cash flows. The cash flows are based on historical earnings and expectations of future factors and include suppositions and estimates of uncertain factors. The outcome of the impairment tests depends on estimates of discount rates which are set discretionarily based on information available on the balance sheet date.

Regarding goodwill related to Romsdals Fellesbank, the portfolio is regarded as integrated in the Bank's other lending and deposit operations, and, the lowest level for the cash generating unit is the segments Retail Market and Corporate Market. Goodwill has been allocated to the segments based on their share of the loan portfolio. A net cash flow is estimated based on earnings in the Bank's loan and deposit portfolio. A five-year cash flow prognosis have been developed using expected growth, and a terminal value without growth thereafter. Cash flows are discounted with a discount rate (before tax rate) of 1.3 per cent.

Calculations show that the value of discounted cash flows exceeds recognised goodwill by an ample margin.

Other goodwill in the Group is calculated based on average earnings in the market area and is discounted at the risk-free interest rate + the risk premium for similar businesses (12-14 per cent).

**Acquisitions**

Acquisition of another company is accounted for by the acquisition method. This method requires a full purchase price allocation (PPA) in which the purchase price is allocated to identified assets and liabilities in the acquired company. Excess values beyond those allocated to identified assets and liabilities are booked as goodwill. Any deficit values are, after careful assessment, recognised as income through profit/loss in the year of the acquisition (badwill). The analyses contain both concrete calculations and use of best judgement in arriving at the fairest possible value of the acquired companies at the time of acquisition. While some uncertainty invariably attends estimation items, they are supported by determinations of expected cash flows, comparable transactions in previous periods etc. See also note 40 on business acquisitions/business combinations.

**Companies held for sale**

SpareBank 1 SMN's strategy is that ownership resulting from defaulted exposures should at the outset be of brief duration, normally not longer than one year. Work on selling such companies is continuously ongoing, and for accounting purposes they are classified as held for sale. See also note 39 on investments in owner interests.

**Sale of loan portfolios**

In the sale of loan portfolios to Eksportfinans, SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, the Group considers whether the criteria for derecognition under IAS 39 are met. At the end of the accounting year all transferred portfolios were derecognised from the parent bank's balance sheet. See also note 9 on derecognition of financial assets.

**Classification of hybrid capital**

Sparebank 1 SMN has issued two hybrid capital instruments where the terms satisfy the requirements of CRD IV for inclusion in tier 1 capital. As from 2017 these instruments are classified as equity in the financial statements since they do not meet the definition of financial liabilities under IAS 32. The instruments are perpetual and SpareBank 1 SMN is entitled not to pay interest to the investors. The interest is not presented as an expense in the income statement, but as a reduction in equity.

# Note 4 - Segment information

For the subsidiaries the figures refer to the respective company accounts, while for associates and 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 31. December 2021**

| Profit and loss account (NOKm) | RM | CM | SB1 Markets | EM 1 | SB 1 Finans MN | SB 1 Regnskaps-huset SMN | SB1 Gruppen | BN Bank | Uncollated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Net interest | 1,128 | 1,106 | -7 | 2 | 450 | 0 | - | - | 117 | 2,796 |
| Interest from allocated capital | 37 | 14 | - | - | - | - | - | - | -52 | - |
| **Total interest income** | **1,165** | **1,120** | **-7** | **2** | **450** | **0** | **-** | **-** | **66** | **2,796** |
| Comission income and other income | 906 | 251 | 782 | 441 | -90 | 562 | - | - | -20 | 2,832 |
| Net return on financial investments **) | 2 | 15 | 126 | 10 | 4 | - | 471 | 164 | 234 | 1,026 |
| **Total income** | **2,074** | **1,386** | **901** | **453** | **364** | **562** | **471** | **164** | **280** | **6,655** |
| **Total operating expenses** | **916** | **446** | **647** | **382** | **141** | **477** | **-** | **-** | **-15** | **2,993** |
| **Ordinary operating profit** | **1,157** | **940** | **254** | **71** | **224** | **85** | **471** | **164** | **294** | **3,662** |
| Loss on loans, guarantees etc. | -10 | 145 | - | - | 25 | - | - | - | 1 | 161 |
| **Result before tax including held for sale** | **1,167** | **795** | **254** | **71** | **198** | **85** | **471** | **164** | **293** | **3,501** |
| **Post-tax-return on equity *)** | **13.4 %** | **11.5 %** | | | | | | | | **13.5 %** |
| | | | | | | | | | | |
| **Balance** | | | | | | | | | | |
| Loans and advances to customers | 137,672 | 47,585 | - | - | 10,321 | - | - | - | -225 | 195,353 |
| Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt | -46,821 | -1,231 | - | - | - | - | - | - | 0 | -48,052 |
| Allowance for credit loss | -125 | -1,223 | - | - | -60 | - | - | - | -3 | -1,410 |
| Other assets | 123 | 18,526 | 2,820 | 436 | 111 | 625 | 2,177 | 1,488 | 26,649 | 52,954 |
| **Total assets** | **90,850** | **63,656** | **2,820** | **436** | **10,372** | **625** | **2,177** | **1,488** | **26,422** | **198,845** |
| | | | | | | | | | | |
| Deposits to customers | 50,691 | 59,619 | - | - | - | - | - | - | 977 | 111,286 |
| Other liabilites and equity | 40,159 | 4,037 | 2,820 | 436 | 10,372 | 625 | 2,177 | 1,488 | 25,445 | 87,559 |
| **Total liabilities and equity** | **90,850** | **63,656** | **2,820** | **436** | **10,372** | **625** | **2,177** | **1,488** | **26,422** | **198,845** |

*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 16.9 percent to be in line with the capital plan

**Group 31. December 2020**

| Profit and loss account (NOKm) | RM | CM | SB1 Markets | EM 1 | SB 1 Finans MN | SB 1 Regnskaps-huset SMN | SB1 Gruppen | BN Bank | Uncollated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Net interest | 1,112 | 1,085 | -13 | 2 | 387 | 1 | - | - | 186 | 2,759 |
| Interest from allocated capital | 101 | 63 | - | - | - | - | - | - | -165 | - |
| **Total interest income** | **1,213** | **1,149** | **-13** | **2** | **387** | **1** | **-** | **-** | **21** | **2,759** |
| Comission income and other income | 867 | 211 | 636 | 392 | -22 | 533 | - | - | -101 | 2,516 |
| Net return on financial investments **) | -2 | 21 | 137 | - | - | - | 194 | 120 | 481 | 951 |
| **Total income** | **2,078** | **1,381** | **759** | **394** | **364** | **533** | **194** | **120** | **401** | **6,225** |
| **Total operating expenses** | **929** | **422** | **590** | **342** | **131** | **423** | **-** | **-** | **68** | **2,904** |
| **Ordinary operating profit** | **1,149** | **959** | **169** | **52** | **234** | **110** | **194** | **120** | **333** | **3,321** |
| Loss on loans, guarantees etc. | 56 | 846 | - | - | 49 | - | - | - | 1 | 951 |
| **Result before tax including held for sale** | **1,093** | **113** | **169** | **52** | **184** | **110** | **194** | **120** | **333** | **2,370** |
| **Post-tax-return on equity *)** | **13.4 %** | **2.1 %** | | | | | | | | **10.0 %** |
| | | | | | | | | | | |
| **Balance** | | | | | | | | | | |
| Loans and advances to customers | 129,149 | 44,845 | - | - | 9,622 | - | - | - | -815 | 182,801 |
| Adv. of this sold to SpareBank 1 Boligkreditt | -46,899 | -1,354 | - | - | - | - | - | - | 100 | -48,153 |
| Allowance for credit losses | -148 | -1,298 | - | - | -66 | - | - | - | -5 | -1,517 |
| Other assets | 156 | 10,471 | 3,265 | 357 | 66 | 592 | 2,151 | 1,514 | 36,210 | 54,781 |
| **Total assets** | **82,258** | **52,663** | **3,265** | **357** | **9,623** | **592** | **2,151** | **1,514** | **35,490** | **187,912** |
| | | | | | | | | | | |
| Deposits to customers | 47,478 | 49,420 | - | - | - | - | - | - | 631 | 97,529 |
| Other liabilites and equity | 34,780 | 3,244 | 3,265 | 357 | 9,623 | 592 | 2,151 | 1,514 | 34,859 | 90,383 |
| **Total liabilities and equity** | **82,258** | **52,663** | **3,265** | **357** | **9,623** | **592** | **2,151** | **1,514** | **35,490** | **187,912** |

*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 15.4 percent to be in line with the capital plan

| **) Specification of net return on financial investments (NOKm) | 31 Dec 21 | 31 Dec 20 |
|---|---|---|
| **Dividends** | **22** | **39** |
| Capital gains/losses shares | 176 | -4 |
| Gain/(loss) on sertificates and bonds | -285 | 103 |
| Gain/(loss) on derivatives | 301 | 32 |
| Gain/(loss) on financial instruments related to hedging | -6 | 1 |
| Gain/(loss) on other financial instruments at fair value (FVO) | 12 | -11 |
| Foreign exchange gain/(loss) | 70 | 82 |
| Gain/(loss) on shares and share derivatives at SpareBank 1 Markets | 31 | 28 |
| **Net return on financial instruments** | **299** | **230** |
| SpareBank 1 Gruppen | 471 | 194 |
| Gain Fremtind | - | 340 |
| SpareBank 1 Boligkreditt | 16 | 18 |
| SpareBank 1 Næringskreditt | 7 | 18 |
| BN Bank | 164 | 120 |
| SpareBank 1 Kreditt | 13 | 2 |
| SpareBank 1 Betaling | -15 | -2 |
| SpareBank 1 Forvaltning | 32 | - |
| Other companies | 17 | -10 |
| **Income from investment in associates and joint ventures** | **705** | **681** |
| **Total net return on financial investments** | **1,026** | **951** |

| **Fair value hedging** | | |
|---|---|---|
| Changes in fair value on hedging instrument | -664 | 467 |
| Changes in fair value on hedging item | 657 | -465 |
| **Net Gain or Loss from hedge accounting** | **-6** | **1** |

# Note 5 - Capital adequacy and capital management

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 Apporoach 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 31 December 2021 the overall minimum requirement on CET1 capital is 12.5 per cent. The capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement for Norwegian IRB-banks is 4.5 per cent and the Norwegian countercyclical buffer is 1.0 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital. In addition the financial supervisory authority has set a Pillar 2 requirement of 1.9 per cent for SpareBank 1 SMN, however not below NOK 1,794 million in monetary terms. The Norwegian countercyclical buffer will rise to 1.5 per cent with effect from 30 June 2022, and to 2.0 per cent from 31 December 2022.

Under the CRR/CRDIV regulations the average risk weighting of exposures secured on residential property in Norway cannot be lower than 20 per cent. As of 31 December 2021 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 31 December 2021 the effective rate for the parent bank and for the group is accordingly 4.4 per cent.

The countercyclical buffer is calculated using differentiated rates. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. As of 31 December 2021 both the parent bank and the group is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures.

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **31 Dec 2020** | **31 Dec 2021** | **(NOKm)** | **31 Dec 2021** | **31 Dec 2020** |
| **18,092** | **19,356** | **Total book equity** | **23,241** | **21,310** |
| -1,250 | -1,250 | Additional Tier 1 capital instruments included in total equity | -1,293 | -1,293 |
| -515 | -458 | Deferred taxes, goodwill and other intangible assets | -961 | -1,044 |
| -890 | -1,517 | Deduction for allocated dividends and gifts | -1,517 | -890 |
| - | - | Non-controlling interests recognised in other equity capital | -989 | -838 |
| - | - | Non-controlling interests eligible for inclusion in CET1 capital | 568 | 488 |
| -43 | -41 | Value adjustments due to requirements for prudent valuation | -56 | -56 |
| -47 | -495 | Positive value of adjusted expected loss under IRB Approach | -560 | -74 |
| - | - | Cash flow hedge reserve | 3 | 10 |
| -186 | -202 | Deduction for common equity Tier 1 capital in significant investments in financial institutions | -648 | -572 |
| **15,160** | **15,393** | **Common equity Tier 1 capital** | **17,790** | **17,041** |
| 1,250 | 1,250 | Additional Tier 1 capital instruments | 1,581 | 1,595 |
| - | -48 | Deduction for significant investments in financial institutions | -48 | - |
| **16,410** | **16,595** | **Tier 1 capital** | **19,322** | **18,636** |
| | | | | |
| | | **Supplementary capital in excess of core capital** | | |
| 1,750 | 1,750 | Subordinated capital | 2,226 | 2,262 |
| -139 | -214 | Deduction for significant investments in financial institutions | -214 | -139 |
| **1.611** | **1,536** | **Additional Tier 2 capital instruments** | **2,011** | **2,123** |
| **18,020** | **18,130** | **Total eligible capital** | **21,333** | **20,759** |

| | | | | |
|---|---|---|---|---|
| | | **Minimum requirements subordinated capital** | | |
| 1,053 | 1,049 | Specialised enterprises | 1,248 | 1,240 |
| 920 | 1,016 | Corporate | 1,030 | 930 |
| 1,511 | 1,400 | Mass market exposure, property | 2,384 | 2,261 |
| 107 | 93 | Other mass market | 95 | 110 |
| 1,026 | 1,000 | Equity positions IRB | 1 | 1 |
| **4,617** | **4,558** | **Total credit risk IRB** | **4,758** | **4,541** |
| | | | | |
| 1 | 3 | Central government | 4 | 2 |
| 93 | 106 | Covered bonds | 133 | 142 |
| 441 | 398 | Institutions | 299 | 332 |
| - | 1 | Local and regional authorities, state-owned enterprises | 29 | 27 |
| 32 | 188 | Corporate | 432 | 281 |
| 20 | 7 | Mass market | 466 | 476 |
| 11 | 25 | Exposures secured on real property | 128 | 136 |
| 272 | 279 | Equity positions | 521 | 408 |
| 99 | 92 | Other assets | 142 | 159 |
| **970** | **1,098** | **Total credit risk standardised approach** | **2,154** | **1,962** |
| | | | | |
| 30 | 35 | Debt risk | 36 | 31 |
| - | - | Equity risk | 34 | 18 |
| - | - | Currency risk and risk exposure for settlement/delivery | 1 | 3 |
| 421 | 433 | Operational risk | 817 | 770 |
| 25 | 26 | Credit value adjustment risk (CVA) | 93 | 123 |
| **6,063** | **6,150** | **Minimum requirements subordinated capital** | **7,893** | **7,448** |
| **75,785** | **76,873** | **Risk weighted assets (RWA)** | **98,664** | **93,096** |
| 3,410 | 3,459 | Minimum requirement on CET1 capital, 4.5 per cent | 4,440 | 4,189 |
| | | | | |
| | | Capital Buffers | | |
| 1,895 | 1,922 | Capital conservation buffer, 2.5 per cent | 2,467 | 2,327 |
| 3,410 | 3,459 | Systemic risk buffer, 4.5 per cent | 4,440 | 4,189 |
| 758 | 769 | Countercyclical buffer, 1.0 per cent | 987 | 931 |
| **6,063** | **6,150** | **Total buffer requirements on CET1 capital** | **7,893** | **7,448** |
| **5,687** | **5,784** | **Available CET1 capital after buffer requirements** | **5.457** | **5,404** |
| | | | | |
| | | **Capital adequacy** | | |
| 20.0 % | 20.0 % | Common equity Tier 1 capital ratio | 18.0 % | 18.3 % |
| 21.7 % | 21.6 % | Tier 1 capital ratio | 19.6 % | 20.0 % |
| 23.8 % | 23.6 % | Capital ratio | 21.6 % | 22.3 % |
| | | | | |
| | | **Leverage ratio** | | |
| 178,219 | 191,697 | Balance sheet items | 269,857 | 256,978 |
| 6,190 | 10,782 | Off-balance sheet items | 11,341 | 7,514 |
| -606 | -1,042 | Regulatory adjustments | -2,110 | -1,577 |
| 183,803 | 201,437 | Calculation basis for leverage ratio | 279,088 | 262,915 |
| 16,410 | 16,595 | Core capital | 19,322 | 18,636 |
| **8.9 %** | **8.2 %** | **Leverage Ratio** | **6.9 %** | **7.1 %** |

# Note 6 - Risk factors

**Risk Management**
SpareBank 1 SMN aims to maintain a moderate risk profile and to apply risk monitoring of such high quality that no single event will seriously impair the Group's financial position. The Group's risk profile is quantified through targets for rating, concentration, risk-adjusted return, loss ratios, expected loss, necessary economic capital, regulatory capital adequacy, and known and expected liquidity related regulatory requirements.

The principles underlying SpareBank 1 SMN's Risk Management are laid down in the risk management policy. The Group gives much emphasis to identifying, measuring, managing and monitoring central risks in such a way that the Group progresses in line with its adopted risk profile and strategies.

Risk management within the Group is intended to support the Group's strategic development and target attainment. The risk management regime is also designed to ensure financial stability and prudent asset management. This will be achieved through:

- A strong organisation culture featuring high risk-management awareness
- A sound understanding of the risks that drive earnings and risk costs, thereby creating a better basis for decision-making
- Striving for an optimal use of capital within the adopted business strategy
- Avoiding unexpected negative events which could be detrimental to the Group's operations and reputation in the market

The Group's risk is quantified by calculating expected loss and the need for risk-adjusted capital (economic capital) needed to meet unexpected losses.

Expected loss is the amount which statistically can be expected to be lost in a 12-month period. Risk-adjusted capital is the volume of capital the Group considers it needs to meet the actual risk incurred by the Group. The board has decided that the risk-adjusted capital should cover 99.9 per cent of all possible unexpected losses. Statistical methods are employed to compute expected loss and risk-adjusted capital, but the calculation requires expert assessments in some cases. In the case of risk types where no recognised methods of calculating capital needs are available, the Group defines risk management limits to ensure that the likelihood of an event occurring is extremely low. For further details see the Group's Pillar III reporting which is available on the Parent Bank's website.

The Group's overall risk exposure and risk trend are followed up through periodic risk reports to the administration and the board of directors. Overall risk monitoring and reporting are carried out by Risk Management which is independent of the Group's business areas.

**Credit risk**
Credit risk is the risk of loss resulting from the inability or unwillingness of customers or counterparties to honour their commitments to the Group.

The Group is exposed to credit risk through all customer and counterparty receivables. The main exposure is through ordinary lending and leasing activities, but the Group's credit risk also has a bearing on the liquidity reserve portfolio through counterparty risk arising from interest rate and foreign exchange derivatives.

Credit risk associated with the Group's lending activity is the largest area of risk facing the Group.

Through its annual review of the Parent Bank's credit strategy, the Board of Directors concretises the Group's risk appetite by establishing objectives and limits for the Parent Bank's credit portfolio. The Parent Bank's credit strategy and credit policy are derived from the Parent Bank's main strategy, and contain guidelines for the risk profile, including maximum expected loss (EL) for the retail market and corporate market divisions respectively, maximum portfolio default probability (PD) and maximum regulatory capital (UL) allocated to the credit business.

Concentration risk is managed by distribution between Retail Banking and Corporate Banking, limits on the size of loan and loss ratio on single exposures, limits on maximum exposure for the twenty largest grouped exposures, limits on maximum exposure to sectors, and limits on regulatory risk weighted assets for Retail Banking and Corporate Banking.

Compliance with credit strategy and limits adopted by the Board of Directors is monitored on a continual basis by Risk Management and reported quarterly to the Board of Directors.

The Parent Bank has approval to use internal models in its risk management and capital calculation (IRB), and in February 2015 was given permission to apply the advanced IRB approach.

The Parent Bank's risk classification system is designed to enable the Parent Bank's loan portfolio to be managed in conformity with the Parent Bank's credit strategy and to secure the risk-adjusted return. The Board of Directors delegates lending authorisation to the Group CEO. The Group CEO can further delegate authorisations to levels below executive director level. Lending authorisations are graded by size of commitment and risk profile.

The Parent Bank has a division dedicated to credit support which assists in or takes over dealings with customers who are clearly unable, or are highly likely to become unable, to service their debts unless action is taken beyond ordinary follow-up.

The Group uses credit models for risk classification, risk pricing and portfolio management. The risk classification system builds on the following main components:

**1. Probability of Default (PD)**
The Group's credit models are based on statistical computations of probability of default. The calculations are based on scoring models that take into account financial position and behavioural data. The models are partly point-in-time oriented, and reflect the probability of default in the course of the next 12 months under current economic conditions. The Bank has also developed a cashflow based PD-model used for exposures in rental of commercial property. The Bank has applied Finanstilsynet to use this model in the calculation of capital requirements (IRB).

Customers are assigned to one of nine risk classes based on PD, in addition to two risk classes for exposures in default and/or subject to individual impairment write down.

The models are validated on an ongoing basis and at least once per year both with respect to their ability to rank customers and to estimate PD levels. The validation results confirm that the models' accuracy meets internal criteria and international recommendations.

**2. Exposure at Default (EAD)**
EAD is an estimation of the size of an exposure in the event of, and at the time of, a counterparty's default. For drawing rights, a conversion factor (CF) is used to estimate how much of the present unutilised credit ceiling will have been utilised at a future default date. For guarantees, CF is used to estimate what portion of issued guarantees will be brought to bear upon default. CF is validated monthly for drawing rights in the retail market and corporate market. The Group's EAD model takes account of differences both between products and customer types.

**3. Loss Given Default (LGD)**
The Group estimates the loss ratio for each loan based on expected recovery rate, realisable value of the underlying collateral, recovery rate on unsecured debt, as well as direct costs of recovery. Values are determined using standard models, and actual realised values are validated to test the models' reliability.

Estimated loss ratio shall take into account possible economic downturn. With limited downturn data, the Bank has entered significant margins in its calculations to ensure conservative estimates when calculating capital requirements.

The three above-mentioned parameters (PD, EAD and LGD) underlie the Group's portfolio classification and statistical calculation of expected loss (EL) and need for economic capital/risk-adjusted capital (UL).

**Counterparty risk**
Counterparty risk in derivatives trading is managed through ISDA and CSA contracts set up with financial institutions that are the Group's most used counterparties. ISDA contracts regulate settlements between financial counterparties. The CSA contracts limit maximum exposure through market evaluation of the portfolio and margin calls when the change in portfolio value exceeds the maximum agreed limit or threshold amount. The Group will continue to enter CSA contracts with financial counterparties to manage counterparty risk. See note 12 for further description of these contracts.

Counterparty risk for customers is hedged through use of cash depots or other collateral which, at all times, have to exceed the market value of the customer's portfolio. Specific procedures have been established for calling for further collateral or to close positions if market values exceed 80 per cent of the collateral.

For securities and derivatives traded on the Oslo Stock Exchange, the subsidiary SpareBank 1 Markets uses DNB ASA as a clearing agent vis-à-vis Oslo Clearing. Any margin collateral is paid into an account in DNB. DNB operates as an agent between SpareBank 1 Markets and Oslo Clearing. This means that Oslo Clearing is SpareBank 1's counterpart.

**Market risk**
Market risk is a generic term for the risk of loss and reduction of future incomes as a result of changes in observable rates or prices of financial instruments. Market risk arises at SpareBank 1 SMN mainly in connection with the Group's investments in bonds, CDs and

shares, including funding. SpareBank 1 SMN has outsourced customer trading in fixed income and foreign currency instruments to SpareBank 1 Markets. This customer activity, and SpareBank 1 Markets' use of the Parent Bank's balance sheet, also affect the Group's market risk.

Market risk is managed through limits for investments in shares, bonds and positions in the fixed income and currency markets. The Group's strategy for market risk lays the basis for management reporting, control and follow-up of compliance with limits and guidelines.

The Group defines limits on exposure to equity instruments with a basis in stress tests employed in Finanstilsynet's (Financial Supervisory Authority of Norway) models. Limits are reviewed at least once a year and adopted yearly by the Group's Board of Directors. Compliance with the limits is monitored by Risk Management and exposures relative to the adopted limits are reported monthly.

Interest rate risk is the risk of loss due to changes in interest rates in financial markets. The risk on all interest rate positions can be viewed in terms of the change in value of interest rate instruments resulting from a rate change of 1 percentage point on the yield curve for all balance sheet items. The Group utilises analyses showing the effect of this change for various maturity bands, with separate limits applying to interest rate exposure within each maturity band and across all maturity bands as a whole. Interest rate lock-ins on the Group' s instruments are essentially short, and the Group's interest rate risk is low to moderate.

Spread risk is the risk of loss as a result of changes in market value/fair value of bonds due to general changes in credit spreads. The bond portfolio is managed based on an evaluation of the individual issuers. In addition, the Group has a separate limit for overall spread risk for all bonds. The Group calculates spread risk based on Finanstilsynet's module for market and credit risk. The loss potential for the individual credit exposure is calculated with a basis in rating and duration.

Exchange rate risk is the risk of loss resulting from exchange rate movements. The Group measures exchange rate risk on the basis of net positions in the various currencies. Limits on exchange rate risk are expressed in limits for the maximum aggregate foreign exchange position in individual currencies.

Equity risk is the risk of loss on positions as a result of changes in share prices. This risk is linked to positions in equity instruments as the underlying. Shares in subsidiaries and shares forming part of a consolidated or strategic assessment are not included.

**Liquidity risk**
Liquidity risk is the risk that the Group will be unable to refinance its debt or unable to finance increases in its assets.

The Group's most important source of finance is customer deposits. At end-2021 the Group's ratio of deposits to loans was 57 per cent, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, compared with 53per cent at end-2020 (Group).

The Group reduces its liquidity risk by diversifying funding across a variety of markets, funding sources, maturities and instruments, and by employing long-term funding. Excessive concentration of maturities heightens vulnerability with regard to refinancing. The Group seeks to mitigate such risk by applying defined limits.

The Parent Bank's finance division is responsible for the Group's financing and liquidity management. Compliance with limits is monitored by Risk Management which reports monthly to the Board of Directors. The Group manages it liquidity on an overall basis by assigning responsibility for funding both the Parent Bank and the subsidiaries to the finance division.

Governance is based in the Group's overall liquidity strategy which is reviewed and adopted by the board at least once each year. The liquidity strategy reflects the Group's moderate risk profile. As a part of the strategy, emergency 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. These take into account periods of both bank-specific and system-related crisis scenarios as well as a combination of the two.

An aim of the Group is to survive for 12 months of ordinary operation without fresh external funding. This assumes that the Parent Bank can continue to sell eligible loans to SpareBank 1 Boligkreditt, and that there will at all times be sufficient capacity in the stock of loans to cover a house price fall of up to 30 per cent and thus to maintain funding through the mortgage credit company. It also intends to succeed in surviving for 30 days under the most extreme crisis scenario. In such a scenario only the Parent Bank's holding of highly liquid assets may be utilised. Access to capital has been satisfactory throughout 2021.

The Group's liquidity situation as of 31 December 2021 is considered satisfactory.

**Operational risk**
Operational risk can be defined as the risk of loss resulting from:

- People: Breaches of routines/guidelines, inadequate competence, unclear policy, strategy or routines, internal irregularities
- Systems: Failure of IT- and other systems
- External causes: Criminality, natural disaster, other external causes

Operational risk is a risk category that captures the great majority of costs associated with quality lapses in the Group’s current activity.

Management of operational risk has acquired increased importance in the financial industry in recent years. Contributory factors are internationalisation, strong technological development and steadily growing demands from customers, public authorities and other interest groups. Many substantial loss events in the international financial industry have originated in failures in this risk area.

Identification, management and control of operational risk are an integral part of managerial responsibility at all levels of SpareBank 1 SMN. Managers’ most important aids in this work are professional insight and leadership skills along with action plans, control routines and good follow-up systems. A systematic programme of risk assessments also contributes to increased knowledge and awareness of current needs for improvement in one’s own unit. Any weaknesses and improvements are reported to higher levels in the organisation.

SpareBank 1 SMN attaches importance to authorisation structures, good descriptions of procedures and clear definition of responsibilities in supply contracts between the respective divisions as elements in a framework for handling operational risk.

Management consider the Bank’s IT –systems to be central for the operation, accounting and reporting of transactions in addition to providing the support for important estimates and calculations. The IT- systems are mainly standardised, and the management and operation has been outsourced to a service provider.

The Parent Bank has put to use a registration and monitoring tool (Risk Information System) for better structure and follow up of risk, events and areas for improvement in the Group.

Operational losses are reported to the Board of Directors. The Board of Directors receives each year from the internal audit and the statutory auditor an independent assessment of the Group’s risk and of whether the internal control functions in an appropriate and adequate manner. The Board's assessement of the operational risk is moderate, including the risk related to the accounting and reporting process.

For further information see the Bank’s Pilar III-report available at https://www.sparebank1.no/en/smn/about-us/investor/financial-info/capital-adequacy.html and notes:

Note 12: Maximum credit risk exposure
Note 13: Credit quality per class of financial assets
Note 14: Market risk related to interest rate risk
Note 15: Market risk related to currency exposure

# Note 7 - Credit institutions - loans and advances

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **31 Dec 20** | **31 Dec 21** | **Loans and advances to credit institutions (NOK million)** | **31 Dec 21** | **31 Dec 20** |
| 10,375 | 11,344 | Loans and advances without agreed maturity or notice of withdrawal | 2,859 | 2,565 |
| 2,526 | 1,846 | Loans and advances with agreed maturity or notice of withdrawal | 1,846 | 2,527 |
| **12,901** | **13,190** | **Total** | **4,704** | **5,091** |
| | | | | |
| | | **Specification of loans and receivables on key currencies** | | |
| 25 | 11 | CAD | 11 | 25 |
| 30 | 8 | CHF | 8 | 30 |
| 815 | 1,324 | EUR | 1,299 | 793 |
| 154 | 195 | GBP | 195 | 154 |
| 8 | 9 | JPY | 9 | 8 |
| 11,768 | 11,400 | NOK | 2,948 | 3,975 |
| 40 | 147 | SEK | 143 | 40 |
| 39 | 82 | USD | 78 | 43 |
| 23 | 13 | Other | 13 | 23 |
| **12,901** | **13,190** | **Total** | **4,704** | **5,091** |
| | | | | |
| 1.6 % | 1.0 % | Average rate credit institutions | 0.6 % | 1.1 % |

| 31 Dec 20 | 31 Dec 21 | Deposits from credit institutions (NOK million) | 31 Dec 21 | 31 Dec 20 |
|---|---|---|---|---|
| 10,404 | 10,340 | Deposits without agreed maturity or notice of withdrawal | 11,063 | 10,869 |
| 4,226 | 3,999 | Deposits with agreed maturity or notice of withdrawal | 3,999 | 4,226 |
| **14,629** | **14,340** | **Total** | **15,063** | **15,094** |
| | | | | |
| | | **Specification of deposits on key currencies** | | |
| 1,716 | 1,640 | EUR | 1,640 | 1,716 |
| 38 | 2 | GBP | 2 | 38 |
| 8 | 3 | JPY | 3 | 8 |
| 12,847 | 12,626 | NOK | 13,349 | 13,312 |
| - | 69 | SEK | 69 | - |
| 21 | 0 | USD | 0 | 21 |
| 1 | 0 | Other | 0 | 1 |
| **14,629** | **14,340** | **Total** | **15,063** | **15,094** |
| | | | | |
| 0.4 % | 0.2 % | Average rate credit institutions | 0.2 % | 0.4 % |

| 31 Dec 20 | 31 Dec 21 | Other commitments to credit institutions (NOK million) | 31 Dec 21 | 31 Dec 20 |
|---|---|---|---|---|
| 191 | - | Unutilised credits | - | 191 |
| 95 | 55 | Financial guarantees | 55 | 95 |
| **286** | **55** | **Total** | **55** | **286** |

Deposits from and loans to credit institutions with mainly floating interest.

The average interest rate is calculated based on the interest income/expense of the holding accounts' average balance for the given year. This is, however, limited to holdings in NOK denominated accounts.

# Note 8 - Loans and advances to customers

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **31 Dec 2020** | **31 Dec 2021** | **(NOK million)** | **31 Dec 2021** | **31 Dec 2020** |
| 125,660 | 137,113 | Gross Loans | 147,301 | 134,648 |
| 1,446 | 1,348 | Write-downs for expected credit losses | 1,410 | 1,516 |
| **124,214** | **135,766** | **Net loans to and advances to customers** | **145,890** | **133,131** |
| | | | | |
| | | **Additional information** | | |
| 46,613 | 46,650 | Loans sold to SpareBank 1 Boligkreditt | 46,650 | 46,613 |
| 760 | 578 | - Of which loans to employees | 1,106 | 1,380 |
| 1,540 | 1,402 | Loans sold to SpareBank 1 Næringskreditt | 1,402 | 1,540 |
| | | | | |
| 43 | 78 | Subordinated loan capital other financial institutions | - | 43 |
| 1,027 | 1,261 | Loans to employees [1)] | 2,173 | 1,907 |

[1)] Interest rate subsidies on loans to employees are included in net interest income. The lending rate for employees is 75 per cent of the best mortgage rate for other customers

**Loans and commitments specified by type**

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **31 Dec 2020** | **31 Dec 2021** | **(NOK million)** | **31 Dec 2021** | **31 Dec 2020** |
| | | | | |
| | | **Gross loans and advances** | | |
| - | - | Financial lease | 3,392 | 3,365 |
| 10,592 | 11,460 | Bank overdraft and operating credit | 11,549 | 10,042 |
| 3,976 | 4,173 | Construction loans | 4,173 | 3,976 |
| 111,093 | 121,480 | Amortizing loan | 128,187 | 117,265 |
| 125,660 | 137,113 | Total gross loans to and receivables from customers | 147,301 | 134,648 |
| | | | | |
| | | **Other commitments** | | |
| 3,915 | 4,549 | *Financial* guarantees, *of which:* | 4,549 | 3,915 |
| *1,151* | *924* | *Payment guarantees* | *924* | *1,151* |
| *1,238* | *1,282* | *Performance guarantees* | *1,282* | *1,238* |
| *980* | *894* | *Loan guarantees* | *894* | *980* |
| *119* | *67* | *Guarantees for taxes* | *67* | *119* |
| *427* | *1,383* | *Other guarantee commitments* | *1,383* | *427* |
| | | | | |
| 992 | 1,175 | Unutilised guarantee commitments | 1,175 | 992 |
| 13,173 | 13,570 | Unutilised credits | 13,788 | 13,189 |
| 1,019 | 6,435 | Loans approvals (not discounted) [1)] | 6,584 | 1,136 |
| 12 | 19 | Documentary credits | 19 | 12 |
| 19,110 | 25,747 | Total other commitments | 26,115 | 19,244 |
| | | | | |
| **144,770** | **162,860** | **Total loans and commitments** | **173,415** | **153,892** |

1) Increase in loan approvals is due to letters of credit, which were not included previously. Comparables have not been restated.

**Loans and other commitments specified by sector and industry**

| Parent Bank (NOK million) | 31 Dec 2021 Gross loans | 31 Dec 2021 Other commitments | 31 Dec 2021 Total loans and commitments | 31 Dec 2020 Gross loans | 31 Dec 2020 Other commitments | 31 Dec 2020 Total loans and commitments |
|---|---|---|---|---|---|---|
| Wage earners | 80,178 | 8,153 | 88,331 | 72,101 | 5,476 | 77,577 |
| Public administration | 2 | 944 | 945 | 9 | 411 | 420 |
| Agriculture and forestry | 9,433 | 864 | 10,297 | 9,160 | 839 | 9,999 |
| Fisheries and hunting | 5,853 | 1,904 | 7,756 | 5,243 | 301 | 5,544 |
| Sea farming industries | 1,926 | 1,680 | 3,606 | 1,704 | 1,704 | 3,409 |
| Manufacturing | 2,151 | 1,958 | 4,109 | 2,234 | 2,076 | 4,309 |
| Construction, power and water supply | 3,169 | 2,132 | 5,301 | 3,195 | 2,184 | 5,379 |
| Retail trade, hotels and restaurants | 2,572 | 1,562 | 4,134 | 2,289 | 1,938 | 4,227 |
| Maritime sector and offshore | 4,715 | 1,121 | 5,836 | 4,537 | 839 | 5,376 |
| Property management | 15,522 | 2,119 | 17,641 | 13,887 | 819 | 14,706 |
| Business services | 4,497 | 952 | 5,449 | 3,644 | 761 | 4,405 |
| Transport and other services provision | 5,714 | 1,376 | 7,089 | 6,032 | 1,378 | 7,409 |
| Other sectors | 1,383 | 982 | 2,365 | 1,626 | 385 | 2,010 |
| **Total** | **137,113** | **25,747** | **162,860** | **125,660** | **19,110** | **144,770** |

| Group (NOK million) | 31 Dec 2021 Gross loans | 31 Dec 2021 Other commitments | 31 Dec 2021 Total loans and commitments | 31 Dec 2020 Gross loans | 31 Dec 2020 Other commitments | 31 Dec 2020 Total loans and commitments |
|---|---|---|---|---|---|---|
| Wage earners | 86,244 | 8,370 | 94,614 | 77,848 | 5,546 | 83,394 |
| Public administration | 34 | 945 | 979 | 33 | 411 | 445 |
| Agriculture and forestry | 9,783 | 877 | 10,659 | 9,591 | 844 | 10,435 |
| Fisheries and hunting | 5,870 | 1,904 | 7,774 | 5,259 | 301 | 5,560 |
| Sea farming industries | 2,176 | 1,689 | 3,865 | 2,100 | 1,709 | 3,809 |
| Manufacturing | 2,766 | 1,980 | 4,746 | 2,646 | 2,081 | 4,726 |
| Construction, power and water supply | 4,124 | 2,166 | 6,289 | 4,077 | 2,195 | 6,271 |
| Retail trade, hotels and restaurants | 2,966 | 1,576 | 4,541 | 2,586 | 1,958 | 4,543 |
| Maritime sector and offshore | 4,715 | 1,121 | 5,836 | 4,537 | 839 | 5,376 |
| Property management | 15,643 | 2,124 | 17,766 | 13,969 | 820 | 14,789 |
| Business services | 4,990 | 972 | 5,961 | 3,423 | 766 | 4,189 |
| Transport and other services provision | 6,667 | 1,409 | 8,076 | 6,942 | 1,389 | 8,331 |
| Other sectors | 1,325 | 983 | 2,308 | 1,638 | 385 | 2,022 |
| **Total** | **147,301** | **26,115** | **173,415** | **134,648** | **19,244** | **153,892** |

**Loans and other commitments specified by geographic area**

| Parent Bank (NOK million) | 31 Dec 2021 Gross loans | 31 Dec 2021 Other commitments | 31 Dec 2021 Total loans and commitments | 31 Dec 2020 Gross loans | 31 Dec 2020 Other commitments | 31 Dec 2020 Total loans and commitments |
|---|---|---|---|---|---|---|
| Trøndelag | 91,521 | 14,788 | 106,309 | 82,308 | 12,477 | 94,785 |
| Møre og Romsdal | 27,698 | 7,558 | 35,256 | 25,481 | 5,097 | 30,579 |
| Nordland | 1,051 | 62 | 1,113 | 1,024 | 41 | 1,065 |
| Oslo | 6,322 | 1,437 | 7,759 | 7,127 | 554 | 7,680 |
| Rest of Norway | 10,271 | 1,875 | 12,146 | 9,391 | 923 | 10,314 |
| Abroad | 250 | 27 | 277 | 329 | 18 | 347 |
| **Total** | **137,113** | **25,747** | **162,860** | **125,660** | **19,110** | **144,770** |

| Group (NOK million) | 31 Dec 2021 Gross loans | Other commitments | Total loans and commitments | 31 Dec 2020 Gross loans | Other commitments | Total loans and commitments |
|---|---|---|---|---|---|---|
| Trøndelag | 95,160 | 15,156 | 110,316 | 85,762 | 12,611 | 98,373 |
| Møre og Romsdal | 29,509 | 7,558 | 37,067 | 27,191 | 5,097 | 32,289 |
| Nordland | 1,263 | 62 | 1,325 | 1,183 | 41 | 1,224 |
| Oslo | 6,524 | 1,437 | 7,961 | 6,700 | 554 | 7,254 |
| Rest of Norway | 14,594 | 1,875 | 16,469 | 13,482 | 923 | 14,404 |
| Abroad | 250 | 27 | 277 | 329 | 18 | 347 |
| **Total** | **147,301** | **26,115** | **173,415** | **134,648** | **19,244** | **153,892** |

**Gross loans sold to SpareBank 1 Boligkreditt**

| (NOK million) | 31 Dec 2021 Gross loans | Other commitments | Total loans and commitments | 31 Dec 2020 Gross loans | Other commitments | Total loans and commitments |
|---|---|---|---|---|---|---|
| Trøndelag | 31,440 | 1,819 | 33,259 | 33,338 | 1,899 | 35,237 |
| Møre og Romsdal | 6,855 | 392 | 7,247 | 6,629 | 404 | 7,033 |
| Nordland | 244 | 5 | 249 | 186 | 6 | 192 |
| Oslo | 2,598 | 58 | 2,656 | 2,246 | 71 | 2,317 |
| Rest of Norway | 5,404 | 95 | 5,499 | 4,144 | 109 | 4,253 |
| Abroad | 110 | 2 | 112 | 70 | 2 | 72 |
| **Total** | **46,650** | **2,371** | **49,021** | **46,613** | **2,491** | **49,105** |

**Gross loans sold to SpareBank 1 Næringskreditt**

| (NOK million) | 31 Dec 2021 Gross loans | Other commitments | Total loans and commitments | 31 Dec 2020 Gross loans | Other commitments | Total loans and commitments |
|---|---|---|---|---|---|---|
| Trøndelag | 1,018 | - | 1,018 | 1,032 | - | 1,032 |
| Møre og Romsdal | 54 | - | 54 | 58 | - | 58 |
| Nordland | - | - | - | - | - | - |
| Oslo | 285 | - | 285 | 404 | - | 404 |
| Rest of Norway | 44 | - | 44 | 47 | - | 47 |
| Abroad | - | - | - | - | - | - |
| **Total** | **1,402** | **-** | **1,402** | **1,540** | **-** | **1,540** |

**Loans to and claims on customers related to financial leases (NOK million)**

| Group (NOK million) | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Gross advances related to financial leasing | | |
| - Maturity less than 1 year | 106 | 212 |
| - Maturity more than 1 year and less than 5 years | 2,176 | 2,705 |
| - Maturity more than 5 years | 1,014 | 543 |
| **Total gross claims** | **3,296** | **3,460** |
| | | |
| Received income related to financial leasing, not yet earned | 95 | 95 |
| Net investments related to financial leasing | 3,392 | 3,365 |
| | | |
| Net investments in financial leasing can be broken down as follows: | | |
| - Maturity less than 1 year | 119 | 163 |
| - Maturity more than 1 year and less than 5 years | 2,244 | 2,662 |
| - Maturity more than 5 years | 1,028 | 540 |
| **Total net claims** | **3,392** | **3,365** |

**Loans and other commitments to customers specified by risk group**

The Bank calculates default probabilities for all customers in the loan portfolio at the loan approval date. This is done on the basis of key figures on earnings, financial strength and behaviour. Default probability is used as a basis for risk classification of the customer. Further, risk classification is used to assign each customer to a risk group. See note 11 on credit risk exposure for each internal risk rating.

Customers are rescored in the Bank's portfolio system on a monthly basis.

Other commitments include guarantees, unutilised credit lines and letters of credit.

Exposures are monitored with a basis in the exposure's size, risk and migration. Risk pricing of business exposures is done with a basis in expected loss and economic capital required for each exposure.

The Bank uses macro-based stress tests to estimate write-downs required as a result of objective events that were not reflected in portfolio quality at the time of measurement.

Risk group default and written down consist of customers default by over 90 days and or objetive evidence of impairment leading to reduced cash flows from the customer. See note 2 Accounting principles for further description of such exposures.

| | Neither default or credit impaired | | | | | | |
|---|---|---|---|---|---|---|---|
| **Parent Bank 31 Dec 21 (NOK million)** | **Lowest risk** | **Low risk** | **Medium risk** | **High risk** | **Highest risk** | **Default and credit impaired** | **Total** |
| **Gross Loans** | | | | | | | |
| **Fair value through OCI** | **71,241** | **7,516** | **2,455** | **785** | **851** | **304** | **83,152** |
| Stage 1 | 71,130 | 6,739 | 996 | 211 | 203 | - | 79,280 |
| Stage 2 | 111 | 777 | 1,458 | 574 | 648 | - | 3,568 |
| Stage 3 | - | - | - | - | - | 304 | 304 |
| **Amortised cost** | **23,283** | **12,471** | **9,438** | **1,239** | **458** | **2,796** | **49,685** |
| Stage 1 | 22,751 | 10,258 | 7,569 | 634 | 166 | - | 41,378 |
| Stage 2 | 532 | 2,213 | 1,868 | 605 | 292 | - | 5,511 |
| Stage 3 | - | - | - | - | - | 2,796 | 2,796 |
| **Fair value through Profit and Loss** | **3,686** | **426** | **117** | **25** | **15** | **6** | **4,276** |
| **Total Gross Loans** | **98,211** | **20,413** | **12,010** | **2,049** | **1,325** | **3,106** | **137,113** |
| **Other Commitments** | **15,588** | **6,063** | **3,007** | **805** | **178** | **106** | **25,747** |
| Stage 1 | 15,399 | 5,726 | 2,467 | 355 | 38 | - | 23,985 |
| Stage 2 | 189 | 336 | 541 | 450 | 140 | - | 1,655 |
| Stage 3 | - | - | - | - | - | 106 | 106 |
| **Total loans and other commitments** | **113,799** | **26,476** | **15,017** | **2,854** | **1,503** | **3,212** | **162,860** |

| Parent Bank 31 Dec 20 (NOK million) | Neither default or credit impaired | | | | | Default and credit impaired | Total |
|---|---|---|---|---|---|---|---|
| | Lowest risk | Low risk | Medium risk | High risk | Highest risk | | |
| **Gross Loans** | | | | | | | |
| **Fair value through OCI** | **61,617** | **8,152** | **2,957** | **864** | **1,001** | **284** | **74,876** |
| Stage 1 | 61,542 | 7,241 | 1,218 | 263 | 232 | - | 70,496 |
| Stage 2 | 75 | 911 | 1,739 | 601 | 769 | - | 4,096 |
| Stage 3 | - | - | - | - | - | 284 | 284 |
| **Amortised cost** | **21,035** | **12,498** | **9,306** | **1,311** | **551** | **1,798** | **46,500** |
| Stage 1 | 19,784 | 10,260 | 7,336 | 763 | 245 | - | 38,388 |
| Stage 2 | 1,251 | 2,238 | 1,970 | 548 | 306 | - | 6,313 |
| Stage 3 | - | - | - | - | - | 1,798 | 1,798 |
| **Fair value through Profit and Loss** | **3,597** | **465** | **135** | **48** | **39** | **2** | **4,285** |
| **Total Gross Loans** | **86,250** | **21,115** | **12,398** | **2,222** | **1,592** | **2,084** | **125,660** |
| **Other Commitments** | **10,560** | **4,144** | **3,572** | **539** | **185** | **111** | **19,110** |
| Stage 1 | 10,306 | 3,941 | 2,649 | 401 | 46 | - | 17,343 |
| Stage 2 | 253 | 203 | 923 | 138 | 139 | - | 1,656 |
| Stage 3 | - | - | - | - | - | 111 | 111 |
| **Total loans and other commitments** | **96,809** | **25,258** | **15,970** | **2,761** | **1,777** | **2,195** | **144,770** |

| Group 31 Dec 21 (NOK million) | Neither default or credit impaired | | | | | Default and credit impaired | Total |
|---|---|---|---|---|---|---|---|
| | Lowest risk | Low risk | Medium risk | High risk | Highest risk | | |
| **Gross Loans** | | | | | | | |
| **Fair value through OCI** | **71,241** | **7,516** | **2,455** | **785** | **851** | **304** | **83,152** |
| Stage 1 | 71,130 | 6,739 | 996 | 211 | 203 | - | 79,280 |
| Stage 2 | 111 | 777 | 1,458 | 574 | 648 | - | 3,568 |
| Stage 3 | - | - | - | - | - | 304 | 304 |
| **Amortised cost** | **23,800** | **14,444** | **15,809** | **1,921** | **991** | **2,986** | **59,950** |
| Stage 1 | 23,268 | 12,227 | 13,454 | 1,032 | 166 | - | 50,147 |
| Stage 2 | 532 | 2,217 | 2,355 | 888 | 825 | - | 6,818 |
| Stage 3 | - | - | - | - | - | 2,986 | 2,986 |
| **Fair value through Profit and Loss** | **3,608** | **426** | **117** | **25** | **15** | **6** | **4,198** |
| **Total Gross Loans** | **98,649** | **22,386** | **18,381** | **2,731** | **1,857** | **3,296** | **147,301** |
| **Other Commitments** | **15,588** | **6,063** | **3,375** | **805** | **178** | **106** | **26,115** |
| Stage 1 | 15,399 | 5,726 | 2,680 | 355 | 38 | - | 24,199 |
| Stage 2 | 189 | 336 | 695 | 450 | 140 | - | 1,809 |
| Stage 3 | - | - | - | - | - | 106 | 106 |
| **Total loans and other commitments** | **114,237** | **28,449** | **21,756** | **3,536** | **2,035** | **3,402** | **173,415** |

| Group 31 Dec 20 (NOK million) | Neither default or credit impaired: Lowest risk | Low risk | Medium risk | High risk | Highest risk | Default and credit impaired | Total |
|---|---|---|---|---|---|---|---|
| **Gross Loans** | | | | | | | |
| **Fair value through OCI** | **61,617** | **8,152** | **2,957** | **864** | **1,001** | **284** | **74,876** |
| Stage 1 | 61,542 | 7,241 | 1,218 | 263 | 232 | - | 70,496 |
| Stage 2 | 75 | 911 | 1,739 | 601 | 769 | - | 4,096 |
| Stage 3 | - | - | - | - | - | 284 | 284 |
| **Amortised cost** | **20,593** | **14,401** | **15,311** | **2,113** | **1,097** | **1,971** | **55,487** |
| Stage 1 | 19,342 | 12,159 | 12,901 | 1,164 | 245 | - | 45,811 |
| Stage 2 | 1,251 | 2,243 | 2,410 | 949 | 852 | - | 7,705 |
| Stage 3 | - | - | - | - | - | 1,971 | 1,971 |
| **Fair value through Profit and Loss** | **3,597** | **465** | **135** | **48** | **39** | **2** | **4,285** |
| **Total Gross Loans** | **85,808** | **23,018** | **18,402** | **3,025** | **2,138** | **2,257** | **134,648** |
| **Other Commitments** | **10,562** | **4,171** | **3,657** | **550** | **193** | **111** | **19,244** |
| Stage 1 | 10,309 | 3,967 | 2,728 | 401 | 46 | - | 17,452 |
| Stage 2 | 253 | 203 | 929 | 149 | 147 | - | 1,681 |
| Stage 3 | - | - | - | - | - | 111 | 111 |
| **Total loans and other commitments** | **96,370** | **27,189** | **22,059** | **3,575** | **2,331** | **2,368** | **153,892** |

**Gross loans and commitments sold to SpareBank 1 Boligkreditt**

| (NOK million) | 31 Dec 2021: Gross loans | Other commitments | Total loans and commitments | 31 Dec 2020: Gross loans | Other commitments | Total loans and commitments |
|---|---|---|---|---|---|---|
| Lowest risk | 39,955 | 2,363 | 42,318 | 40,790 | 2,481 | 43,271 |
| Low risk | 4,972 | 4 | 4,976 | 4,320 | 7 | 4,327 |
| Medium risk | 1,121 | 3 | 1,125 | 967 | 3 | 970 |
| High risk | 297 | 1 | 298 | 302 | 0 | 302 |
| Highest risk | 279 | 0 | 279 | 218 | 0 | 218 |
| Default and written down | 24 | 0 | 24 | 16 | - | 16 |
| **Total** | **46,650** | **2,491** | **49,021** | **46,613** | **2,491** | **49,105** |

**Gross loans and commitments sold to SpareBank 1 Næringskreditt**

| (NOK million) | 31 Dec 2021: Gross loans | Other commitments | Total loans and commitments | 31 Dec 2020: Gross loans | Other commitments | Total loans and commitments |
|---|---|---|---|---|---|---|
| Lowest risk | 1,402 | - | 1,402 | 1,455 | - | 1,455 |
| Low risk | - | - | - | 85 | - | 85 |
| Medium risk | - | - | - | | | - |
| High risk | - | - | - | | | - |
| Highest risk | - | - | - | | | - |
| Default and written down | - | - | - | | | - |
| **Total** | **1,402** | **-** | **1,402** | **1,540** | **-** | **1,540** |

## Note 9 - Derecognition of financial assets

In its ordinary business the Bank undertakes transactions that result in the sale of financial assets. The Bank transfers such financial assets mainly through sales of customers' home mortgage loans to SpareBank 1 Boligkreditt or commercial property loans to SpareBank 1 Næringskreditt.

Payment received for loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt corresponds to book value and is deemed to equal the loans' fair value at the time of sale.

In accordance with the management agreement with the above mortgage companies, the Bank is responsible for management of the loans and maintains customer contact. The Bank receives payment in the form of commission for the obligations ensuing from management of the loans.

The above mortgage companies can sell the loans bought from the Bank, while the Bank's right to service the customers and receive commission continues to apply. Should the Bank be unable to service customers, its right to service and commission may lapse. The Bank may have the option to repurchase the loans under given conditions.

If the mortgage companies incur losses on purchased loans, they have a certain right to settle such loss against commissions from all banks that have sold the loans. Hence a limited residual involvement exists related to sold loans in the event of a possible limited settlement of loss against commission. However, this opportunity of settlement is not considered to be of such a nature as to alter the conclusion that the great majority of risk and advantages is transferred. The Bank's maximum exposure to loss is represented by the highest amount reimbursable under the agreements.

The Bank has considered the accounting implications such that great majority of risk and advantages related to the sold loans is transferred to the mortgage companies. This entails full derecognition of sold loans. The Bank recognises all right and obligations that are created or retained in connection with the sale separately as assets or liabilities.

**SpareBank 1 Boligkreditt**
SpareBank 1 Boligkreditt AS is owned by savings banks participating in the SpareBank 1 Alliance. The Bank has a stake of 20.94 per cent as of 31 December 2021 (22.36 per cent as of 31 December 2020). SpareBank 1 Boligkreditt AS acquires loans secured on dwellings and issues covered bonds within the applicable rules that were established in 2007. Loans sold to SpareBank 1 Boligkreditt are secured on dwellings at up to 75 per cent of property valuation. Sold loans are legally owned by SpareBank 1 Boligkreditt and the Bank has, over and above the right to be responsible for management and receipt of commission, and the right to take over written-down loans in whole or in part, no right to make use of the loans. The Bank is responsible for management of the sold loans and receives commission based on the net of the return on the loans that the Bank has sold and the mortgage company costs.

In 2021 mortgage loans were bought and sold to a net value of NOK 0.4bn (6.8bn in 2020) to SpareBank 1 Boligkreditt. In total, mortgage loans to SpareBank 1 Boligkreditt were derecognised in an amount of NOK 46.7bn at the end of the financial year (NOK 46.6bn in 2020).

*Liquidity facility*
SpareBank 1 SMN has, together with the other owners of SpareBank 1 Boligkreditt, entered an agreement for the establishment of a liquidity facility for SpareBank 1 Boligkreditt. Under this agreement the Banks undertake to purchase covered bonds issued by the mortgage company limited to the overall value of amounts falling due over the next 12 months at SpareBank 1 Boligkreditt.

The liability is limited to the mortgage company's obligation to redeem issued covered bonds after the company's own holding of liquidity at the due date is subtracted. Each owner is liable principally for its share of the need, subsidiarily for twice the primary liability under the same agreement. The bonds may be deposited in Norges Bank and therefore entail no significant increase in risk for the Bank. Under its liquidity strategy, SpareBank 1 Boligkreditt holds liquidity in compliance with the Net Stable Funding Ratio requirements. This liquidity reserve is taken into account in assessing the Banks' liability. Hence it is only in cases where the company no longer has sufficient liquidity to meet amounts falling due over the next 12 months that the Bank will report any exposure in this regard.

*Financial strength*
Together with the other owners of SpareBank 1 Boligkreditt, SpareBank 1 SMN has also entered an agreement to ensure that SpareBank 1 Boligkreditt has at all times a common equity Tier 1 capital ratio of at least 9 per cent. The shareholders are required to supply sufficient core capital within 3 months of receiving a written request to do so, unless other initiatives are taken to reduce the capital need.

The shareholders' undertaking to supply such core capital is on a pro rata rather than a solitary basis, and is based on each shareholder's pro rata portion of the shares of SpareBank 1 Boligkreditt. Each owner is liable principally for its share of the need, subsidiarily for twice the primary liability under the same agreement. At year-end the company has about 23.7per cent own funds, of which about 21.2 per cent is core capital. Viewed in light of the mortgage company's very low risk profile, the Bank considers it unlikely that capital will be called up under this agreement and has opted not to maintain reserves to that end.

**SpareBank 1 Næringskreditt**

SppareBank 1 Næringskreditt AS is owned by savings banks in the SpareBank 1 Alliance. The Bank has a stake of 12.78 per cent as at 31.12.2021 (31.01 per cent as at 31.12.2020). SpareBank 1 Næringskreditt AS acquires loans secured on dwellings and issues covered bonds within the applicable rules that were established in 2007. Loans sold to SpareBank 1 Næringskreditt are secured on commercial property at up to 60 per cent of property valuation. Sold loans are legally owned by SpareBank 1 Næringskreditt and the Bank has, over and above the right to be responsible for management and receipt of commission, and the right to take over written-down loans in whole or in part, no right to make use of the loans. The Bank is responsible for management of the sold loans and receives commission based on the net of the return on the loans that the Bank has sold and the mortgage company costs.

Commercial property loans sold to SpareBank 1 Næringskreditt were reduced by NOK 138m in 2021 (reduced by NOK 127m in 2020). In total, mortgage loans to SpareBank 1 Næringskreditt were derecognised in an amount of NOK 1.4bn by the end of the financial year (NOK 1,5bn in 2020).

*Liquidity facility*

As described above with regard to SpareBank 1 Boligkreditt, a similar agreement has been entered with SpareBank 1 Næringskreditt.

*Financial strength*

An agreement to secure a core capital ratio of at least 9 per cent at SpareBank 1 Næringskreditt has been similarly entered into. See the above account concerning SpareBank 1 Boligkreditt.

## Note 10 - Losses on loans and guarantees

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Parent Bank (NOKm)** | **RM** | **CM** | **Total** | **RM** | **CM** | **Total** |
| Change in provision for expected credit losses for the period | -11 | 39 | 27 | 49 | 666 | 715 |
| Actual loan losses on commitments exceeding provisions made | 10 | 107 | 117 | 14 | 197 | 212 |
| Recoveries on commitments previously written-off | -9 | -1 | -10 | -7 | -18 | -25 |
| **Losses for the period on loans and guarantees** | **-10** | **145** | **134** | **56** | **846** | **902** |

In 2021, the Bank has written off NOK 184 million, which are still subject to enforcement activities, the corresponding figure for 2020 was NOK 116 million.

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| **Group (NOKm)** | **RM** | **CM** | **Total** | **RM** | **CM** | **Total** |
| Change in provision for expected credit losses for the period | -20 | 50 | 30 | 48 | 681 | 729 |
| Actual loan losses on commitments exceeding provisions made | 30 | 112 | 142 | 55 | 213 | 268 |
| Recoveries on commitments previously written-off | -9 | -3 | -12 | -25 | -21 | -46 |
| **Losses for the period on loans and guarantees** | **1** | **159** | **161** | **78** | **873** | **951** |

In 2021, the Group has written off NOK 200 million, which are still subject to enforcement activities, the corresponding figure for 2020 was NOK 130 million.

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

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

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

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

**Accrual for losses on loans**

| Parent Bank (NOKm) | 31 Dec 2021 Stage 1 | Stage 2 | Stage 3 | Total | 31 Dec 2020 Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|---|---|---|---|
| **Retail market** | | | | | | | | |
| Opening balance | 35 | 97 | 47 | 180 | 25 | 73 | 45 | 143 |
| Transfer to (from) stage 1 | 20 | -20 | -0 | - | 14 | -13 | -0 | - |
| Transfer to (from) stage 2 | -2 | 2 | -0 | - | -1 | 2 | -0 | - |
| Transfer to (from) stage 3 | -1 | -6 | 7 | - | -0 | -3 | 3 | - |
| Net remeasurement of loss allowances | -22 | 24 | -3 | -1 | -17 | 12 | 9 | 5 |
| Originations or purchases | 19 | 17 | 1 | 37 | 13 | 13 | 0 | 26 |
| Derecognitions | -12 | -32 | -4 | -48 | -8 | -23 | -2 | -33 |
| Changes due to changed input assumptions | 1 | -0 | - | 1 | 10 | 38 | 2 | 50 |
| Actual loan losses | 0 | 0 | -12 | -12 | - | - | -11 | -11 |
| Closing balance | 39 | 82 | 36 | 156 | 35 | 97 | 47 | 180 |
| **Corporate Market** | | | | | | | | |
| Opening balance | 88 | 387 | 823 | 1,299 | 66 | 210 | 540 | 816 |
| Transfer to (from) stage 1 | 15 | -15 | - | - | 14 | -14 | -0 | - |
| Transfer to (from) stage 2 | -5 | 5 | - | - | -4 | 4 | -0 | - |
| Transfer to (from) stage 3 | -2 | -26 | 28 | - | -0 | -1 | 1 | - |
| Net remeasurement of loss allowances | -26 | 26 | 38 | 39 | -2 | 72 | 486 | 556 |
| Originations or purchases | 32 | 21 | 100 | 153 | 45 | 99 | 1 | 144 |
| Derecognitions | -20 | -145 | -1 | -166 | -30 | -96 | -1 | -127 |
| Changes due to changed input assumptions | 1 | 14 | - | 15 | -0 | 113 | 2 | 115 |
| Actual loan losses | - | - | -117 | -117 | - | - | -206 | -206 |
| Closing balance | 84 | 268 | 871 | **1,223** | 88 | 387 | 823 | 1,299 |
| **Total accrual for loan losses** | **123** | **350** | **907** | **1,379** | **123** | **484** | **870** | **1,478** |

| Group (NOKm) | 31 Dec 2021 Stage 1 | Stage 2 | Stage 3 | Total | 31 Dec 2020 Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|---|---|---|---|
| **Retail market** | | | | | | | | |
| Opening balance | 42 | 107 | 58 | 207 | 32 | 84 | 56 | 172 |
| Transfer to (from) stage 1 | 22 | - 22 | - 0 | - | 14 | - 13 | - 0 | - |
| Transfer to (from) stage 2 | - 2 | 3 | - 0 | - | 0 | - 0 | - 0 | - |
| Transfer to (from) stage 3 | - 1 | - 7 | 8 | - | - 1 | - 2 | 3 | - |
| Net remeasurement of loss allowances | - 23 | 26 | - 1 | 2 | - 17 | 11 | 11 | 5 |
| Originations or purchases | 22 | 20 | 1 | 43 | 12 | 15 | 5 | 31 |
| Derecognitions | - 14 | - 37 | - 9 | - 60 | - 6 | - 20 | 1 | - 25 |
| Changes due to changed input assumptions | - 0 | - 2 | - 4 | - 5 | 7 | 33 | - 6 | 35 |
| Actual loan losses | - | - | - 12 | - 12 | - | - | - 11 | - 11 |
| Closing balance | 45 | 89 | 40 | 174 | 42 | 107 | 58 | 207 |
| **Corporate Market** | | | | | | | | |
| Opening balance | 98 | 399 | 845 | 1,342 | 71 | 218 | 560 | 849 |
| Transfer to (from) stage 1 | 20 | - 20 | - 0 | - | 14 | - 14 | - 0 | - |
| Transfer to (from) stage 2 | - 7 | 7 | - 0 | - | - 2 | 2 | - 0 | - |
| Transfer to (from) stage 3 | - 2 | - 27 | 29 | - | - 1 | 0 | 1 | - |
| Net remeasurement of loss allowances | - 29 | 31 | 42 | 44 | - 2 | 72 | 484 | 555 |
| Originations or purchases | 35 | 23 | 112 | 169 | 46 | 103 | 3 | 151 |
| Derecognitions | - 21 | - 146 | - 2 | - 169 | - 26 | - 93 | 10 | - 109 |
| Changes due to changed input assumptions | - 2 | 12 | - 2 | 9 | - 2 | 111 | - 4 | 106 |
| Actual loan losses | - | - | - 128 | - 128 | - | - | - 209 | - 209 |
| Closing balance | 94 | 278 | 896 | **1,268** | 98 | 399 | 845 | 1,342 |
| **Total accrual for loan losses** | **138** | **367** | **936** | **1,442** | **140** | **507** | **902** | **1,549** |

### Accrual for losses on guarantees and unused credit lines

| | 31 Dec 2021 | | | | 31 Dec 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **Parent Bank and Group (NOKm)** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Opening balance | 27 | 50 | 4 | 81 | 14 | 29 | 57 | 100 |
| Transfer to (from) stage 1 | 6 | -6 | -0 | - | 2 | -2 | -0 | - |
| Transfer to (from) stage 2 | -7 | 7 | - | - | -0 | 0 | -0 | - |
| Transfer to (from) stage 3 | -0 | -1 | 1 | - | -0 | -0 | 0 | - |
| Net remeasurement of loss allowances | -9 | 4 | 0 | -4 | 2 | 16 | -54 | -36 |
| Originations or purchases | 7 | 4 | 0 | 11 | 11 | 8 | 0 | 19 |
| Derecognitions | -6 | -5 | -0 | -11 | -5 | -13 | -0 | -19 |
| Changes due to changed input assumptions | 0 | 2 | - | 2 | 3 | 12 | 0 | 16 |
| Actual loan losses | - | - | - | - | - | - | - | - |
| **Closing balance** | **19** | **55** | **5** | **79** | **27** | **50** | **4** | **81** |
| Of which | | | | | | | | |
| Retail market | | | | 2 | | | | 2 |
| Corporate Market | | | | 76 | | | | 79 |

### Provision for credit losses specified by industry

| | 31 Dec 2021 | | | | 31 Dec 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **Parent Bank (NOKm)** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Agriculture and forestry | 2 | 31 | 6 | 39 | 2 | 34 | 5 | 41 |
| Fisheries and hunting | 6 | 7 | 0 | 13 | 6 | 2 | - | 8 |
| Sea farming industries | 1 | 0 | 0 | 2 | 2 | 0 | 3 | 5 |
| Manufacturing | 5 | 36 | 15 | 56 | 8 | 25 | 2 | 35 |
| Construction, power and water supply | 13 | 16 | 14 | 43 | 11 | 27 | 17 | 55 |
| Retail trade, hotels and restaurants | 8 | 28 | 11 | 46 | 10 | 30 | 17 | 58 |
| Maritime sector | 14 | 118 | 555 | 687 | 10 | 180 | 614 | 804 |
| Property management | 20 | 50 | 36 | 105 | 20 | 56 | 38 | 114 |
| Business services | 13 | 12 | 222 | 247 | 12 | 56 | 142 | 210 |
| Transport and other services | 7 | 6 | 17 | 30 | 8 | 10 | 2 | 19 |
| Public administration | 0 | - | - | 0 | 0 | - | - | 0 |
| Other sectors | 0 | 0 | - | 0 | 0 | 0 | - | 0 |
| Wage earners | 2 | 47 | 30 | 79 | 2 | 65 | 31 | 97 |
| Total provision for losses on loans | 91 | 350 | 907 | 1,348 | 91 | 484 | 870 | 1,446 |
| Loan loss allowance on loans at FVOCI | 31 | | | 31 | 32 | | | 32 |
| **Total loan loss allowance** | **123** | **350** | **907** | **1,379** | **123** | **484** | **870** | **1,478** |

| | 31 Dec 2021 | | | | 31 Dec 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **Group (NOKm)** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Agriculture and forestry | 3 | 33 | 7 | 42 | 3 | 36 | 5 | 44 |
| Fisheries and hunting | 6 | 7 | 0 | 13 | 6 | 2 | - | 8 |
| Sea farming industries | 1 | 1 | 1 | 3 | 3 | 1 | 3 | 6 |
| Manufacturing | 7 | 38 | 21 | 66 | 10 | 27 | 7 | 44 |
| Construction, power and water supply | 16 | 19 | 18 | 53 | 13 | 31 | 20 | 64 |
| Retail trade, hotels and restaurants | 9 | 28 | 16 | 53 | 12 | 31 | 19 | 62 |
| Maritime sector | 14 | 118 | 555 | 687 | 10 | 180 | 614 | 804 |
| Property management | 20 | 50 | 36 | 106 | 20 | 56 | 39 | 115 |
| Business services | 14 | 14 | 227 | 255 | 13 | 57 | 143 | 213 |
| Transport and other services | 8 | 7 | 22 | 37 | 10 | 12 | 10 | 32 |
| Public administration | 0 | - | 0 | 0 | 0 | - | - | 0 |
| Other sectors | 0 | 0 | - | 0 | 0 | 0 | 2 | 2 |
| Wage earners | 7 | 53 | 34 | 95 | 7 | 73 | 41 | 122 |
| Total provision for losses on loans | 107 | 367 | 936 | 1,410 | 108 | 507 | 902 | 1,517 |
| Loan loss allowance on loans at FVOCI | 31 | | | 31 | 32 | | | 32 |
| **Total loan loss allowance** | **138** | **367** | **936** | **1,442** | **140** | **507** | **902** | **1,549** |

| Parent Bank (NOKm) | 31 Dec 2021 Stage 1 | Stage 2 | Stage 3 | Total | 31 Dec 2020 Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|---|---|---|---|
| **Retail Market** | | | | | | | | |
| Opening balance | 73,297 | 4,430 | 381 | 78,108 | 69,045 | 5,129 | 487 | 74,661 |
| Transfer to stage 1 | 1,007 | -1,002 | -6 | - | 1,050 | -1,019 | -31 | - |
| Transfer to stage 2 | -1,325 | 1,332 | -7 | - | -1,433 | 1,470 | -38 | - |
| Transfer to stage 3 | -61 | -87 | 148 | - | -30 | -47 | 77 | - |
| Net increase/decrease amount existing loans | -2,513 | -102 | -15 | -2,630 | -2,093 | -136 | -7 | -2,237 |
| New loans | 43,464 | 1,198 | 118 | 44,780 | 49,001 | 1,464 | 111 | 50,575 |
| Derecognitions | -31,569 | -1,876 | -156 | -33,601 | -42,243 | -2,429 | -196 | -44,867 |
| Financial assets with actual loan losses | 0 | -1 | -20 | -21 | -1 | -2 | -22 | -24 |
| Closing balance | 82,299 | 3,892 | 444 | 86,636 | 73,297 | 4,430 | 381 | 78,108 |
| **Corporate Market** | | | | | | | | |
| Opening balance | 35,587 | 5,979 | 1,702 | 43,268 | 33,190 | 3,971 | 1,470 | 38,632 |
| Transfer to stage 1 | 647 | -647 | -0 | - | 521 | -521 | -0 | - |
| Transfer to stage 2 | -1,434 | 1,434 | - | - | -2,605 | 2,614 | -9 | - |
| Transfer to stage 3 | -43 | -593 | 637 | - | -70 | -685 | 754 | - |
| Net increase/decrease amount existing loans | -1,202 | -196 | -39 | -1,437 | -1,541 | -208 | 38 | -1,711 |
| New loans | 13,125 | -550 | 1,074 | 13,649 | 17,141 | 1,672 | 328 | 19,141 |
| Derecognitions | -8,320 | -236 | -524 | -9,081 | -11,046 | -753 | -862 | -12,662 |
| Financial assets with actual loan losses | -1 | -4 | -193 | -199 | -2 | -111 | -19 | -132 |
| Closing balance | 38,359 | 5,186 | 2,656 | 46,201 | 35,587 | 5,979 | 1,702 | 43,268 |
| | | | | | | | | |
| Fixed interest loans at FV | 4,276 | | | 4,276 | 4,285 | | | 4,285 |
| **Total gross loans at the end of the period** | **124,934** | **9,079** | **3,100** | **137,113** | **113,169** | **10,409** | **2,083** | **125,660** |

| Group (NOKm) | 31 Dec 2021 Stage 1 | Stage 2 | Stage 3 | Total | 31 Dec 2020 Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|---|---|---|---|
| **Retail Market** | | | | | | | | |
| Opening balance | 78,206 | 5,208 | 453 | 83,867 | 73,675 | 5,924 | 570 | 80,169 |
| Transfer to stage 1 | 1,227 | -1,221 | -6 | - | 1,260 | -1,225 | -35 | - |
| Transfer to stage 2 | -1,598 | 1,609 | -11 | - | -1,731 | 1,785 | -54 | - |
| Transfer to stage 3 | -74 | -132 | 206 | - | -44 | -89 | 133 | - |
| Net increase/decrease amount existing loans | -2,599 | -154 | -28 | -2,782 | -2,136 | -196 | -15 | -2,346 |
| New loans | 46,190 | 1,465 | 125 | 47,781 | 51,383 | 1,702 | 119 | 53,204 |
| Derecognitions | -33,775 | -2,161 | -189 | -36,125 | -43,512 | -2,624 | -239 | -46,375 |
| Financial assets with actual loan losses | -0 | -1 | -20 | -21 | -689 | -70 | -25 | -784 |
| Closing balanse | 87,577 | 4,612 | 531 | 92,721 | 78,206 | 5,208 | 453 | 83,867 |
| **Corporate Market** | | | | | | | | |
| Opening balance | 38,107 | 6,587 | 1,802 | 46,496 | 35,466 | 4,426 | 1,539 | 41,431 |
| Transfer to stage 1 | 879 | -876 | -2 | - | 693 | -690 | -4 | - |
| Transfer to stage 2 | -1,795 | 1,797 | -1 | - | -2,897 | 2,909 | -11 | - |
| Transfer to stage 3 | -57 | -626 | 683 | - | -107 | -695 | 801 | - |
| Net increase/decrease amount existing loans | -652 | -257 | -53 | -963 | -1,589 | -265 | 34 | -1,819 |
| New loans | 14,533 | -455 | 1,085 | 15,164 | 18,238 | 1,875 | 349 | 20,462 |
| Derecognitions | -9,159 | -397 | -561 | -10,117 | -11,287 | -815 | -883 | -12,985 |
| Financial assets with actual loan losses | -1 | -4 | -193 | -199 | -410 | -159 | -24 | -593 |
| Balance at 31 December | 41,855 | 5,768 | 2,759 | 50,382 | 38,107 | 6,587 | 1,802 | 46,496 |
| Closing balanse | | | | | | | | |
| Fixed interest loans at FV | 4,198 | | | 4,198 | 4,285 | | | 4,285 |
| **Total gross loans at the end of the period** | **133,630** | **10,381** | **3,290** | **147,301** | **120,598** | **11,794** | **2,255** | **134,648** |

# Note 11 - Credit risk exposure for each internal risk rating

The Bank uses a special classification system for monitoring credit risk in the portfolio. Risk classification is based on each individual exposure's probability of default. In the table below this classification is collated with corresponding rating classes at Moody's.

Historical default data are Parent Bank figures showing the default ratio (DR) per credit quality step. The figures are an unweighted average of customers with normal scores in the period 2015-2021.

Collateral cover represents the expected realisation value (RE value) of underlying collaterals. The value are determined using fixed models, and actual realisation value are validated to test their reliability of the model. In accordance with the capital requirements regulations the estimates are downturn estimates. Based on the collateral cover (RE value / EAD) the exposure is classified to one of seven classes, the best of which has a collateral cover above 120 per cent, and the lowest has a collateral cover below 20 per cent.

| | Probability of default | | | | | Collateral cover | | |
|---|---|---|---|---|---|---|---|---|
| Credit quality step | From | To | Moody's | Historical default | Default 2021 | Collateral class | Lower limit | Upper limit |
| A | 0.00 % | 0.10 % | Aaa-A3 | 0.01 % | 0.00 % | 1 | 120 | |
| B | 0.10 % | 0.25 % | Baa1-Baa2 | 0.04 % | 0.02 % | 2 | 100 | 120 |
| C | 0.25 % | 0.50 % | Baa3 | 0.08 % | 0.09 % | 3 | 80 | 100 |
| D | 0.50 % | 0.75 % | Ba1 | 0.31 % | 0.15 % | 4 | 60 | 80 |
| E | 0.75 % | 1.25 % | Ba2 | 0.52 % | 0.40 % | 5 | 40 | 60 |
| F | 1.25 % | 2.50 % | | 1.08 % | 0.87 % | 6 | 20 | 40 |
| G | 2.50 % | 5.00 % | Ba2-B1 | 2.14 % | 2.06 % | 7 | 0 | 20 |
| H | 5.00 % | 10.00 % | B1-B2 | 4.54 % | 3.44 % | | | |
| I | 10.00 % | 99.99 % | B3-Caa3 | 13.49 % | 13.06 % | | | |
| J | Default | | | | | | | |

The Bank's exposures are classified into risk groups based on credit quality step.

| Credit quality step | Risk groups |
|---|---|
| A - C | Lowest risk |
| D - E | Low risk |
| F - G | Medium risk |
| H | High risk |
| I | Highest risk |
| J - K | Default and credit impaired |

| Parent Bank | Averaged unhedged exposure | Total exposure | Averaged unhedged exposure | Total exposure |
|---|---|---|---|---|
| (NOK million) | 31 Dec 2021 | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2020 |
| Lowest risk | 3.5 % | 113,794 | 3.5 % | 96,809 |
| Low risk | 7.4 % | 26,482 | 4.6 % | 25,258 |
| Medium risk | 6.4 % | 15,016 | 13.9 % | 15,970 |
| High risk | 9.7 % | 2,854 | 10.4 % | 2,761 |
| Highest risk | 5.4 % | 1,503 | 12.5 % | 1,777 |
| Default and/or problem loans | 26.6 % | 3,211 | 25.2 % | 2,195 |
| **Total** | | **162,860** | | **144,770** |

| Group (NOK million) | Averaged unhedged exposure | Total exposure | Averaged unhedged exposure | Total exposure |
|---|---|---|---|---|
| (NOK million) | 31 Dec 2021 | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2020 |
| Lowest risk | 3.5 % | 114,237 | 3.6 % | 96,370 |
| Low risk | 7.3 % | 28,449 | 5.1 % | 27,189 |
| Medium risk | 6.8 % | 21,756 | 12.1 % | 22,059 |
| High risk | 9.3 % | 3,536 | 11.1 % | 3,575 |
| Highest risk | 6.8 % | 2,035 | 13.0 % | 2,331 |
| Default and/or problem loans | 26.3 % | 3,402 | 25.9 % | 2,368 |
| **Total** | | **173,415** | | **153,892** |

The realisation value of furnished collateral is determined such that they, on a conservative assessment, reflect the presumed realisation value in an economic downturn.

## Note 12 - Maximum credit risk exposure

The table below shows maximum exposure to credit risk for balance sheet components, including derivatives. Exposures are shown on a gross basis before collateral and permitted set-offs.

For disclosure of classes of financial instruments where this is not spesified in the table below, see note 24 Categories of financial assets and financial liabilities.

**Parent Bank**

| 31 Dec 21 (NOK million) | Maximum exposure to credit risk, gross | Provision for expected credit losses | Collateral in property | Collateral in securities | Other collateral and netting agreements *) | Maximum exposure to credit risk, net |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Balances with central banks | 1,238 | - | - | - | - | 1,238 |
| Loans and advances to credit institutions | 13,190 | - | - | - | - | 13,190 |
| Loans and advances to customers at fair value through profit or loss | 4,276 | - | 4,090 | 27 | 11 | 148 |
| Loans and advances to customers at amortised cost | 49,685 | 1,250 | 26,178 | 2,245 | 17,868 | 2,143 |
| Loans and advances to customers at fair value through OCI | 83,152 | 97 | 81,958 | 60 | 423 | 613 |
| Securities and bonds | 30,762 | - | - | - | 11,350 | 19,412 |
| Derivatives | 3,192 | - | - | - | 2,029 | 1,163 |
| Earned income, not yet recieved | 152 | - | - | - | - | 152 |
| Accounts receivable, securities | 20 | - | - | - | - | 20 |
| **Total assets** | **185,666** | **1,348** | **112,226** | **2,333** | **31,681** | **38,078** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Guarantee commitments and documentary credits | 5,798 | 57 | - | - | - | 5,741 |
| Unutilised credits and Loan approvals | 20,004 | 22 | 3,624 | 356 | 206 | 15,796 |
| Other exposures | 3,467 | - | - | - | - | 3,467 |
| **Total liabilities** | 29,269 | 79 | 3,624 | 356 | 206 | 25,003 |
| | | | | | | |
| **Total credit risk exposure** | **214,934** | | | | | **63,081** |

| 31 Dec 20 (NOK million) | Maximum exposure to credit risk, gross | Provision for expected credit losses | Collateral in property | Collateral in securities | Other collateral and netting agreements *) | Maximum exposure to credit risk, net |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Balances with central banks | 2,725 | - | - | - | - | 2,725 |
| Loans and advances to credit institutions | 12,901 | - | - | - | - | 12,901 |
| Loans and advances to customers at fair value through profit or loss | 4,285 | - | 4,017 | 27 | 15 | 226 |
| Loans and advances to customers at amortised cost | 46,500 | 1,331 | 22,816 | 2,122 | 18,158 | 2,072 |
| Loans and advances to customers at fair value through OCI | 74,876 | 115 | 73,650 | 46 | 429 | 635 |
| Securities and bonds | 26,684 | - | - | - | 11,848 | 14,836 |
| Derivatives | 7,175 | - | - | - | 4,755 | 2,420 |
| Earned income, not yet recieved | 135 | - | - | - | - | 135 |
| Accounts receivable, securities | 11 | - | - | - | - | 11 |
| **Total assets** | **175,293** | **1,446** | **100,483** | **2,195** | **35,206** | **35,962** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Guarantee commitments and documentary credits | 5,014 | 55 | - | - | - | 4,959 |
| Unutilised credits and loan approvals | 18,299 | 26 | 3,432 | 498 | 308 | 14,035 |
| Other exposures | 3,408 | - | - | - | - | 3,408 |
| **Total liabilities** | 26,720 | 81 | 3,432 | 498 | 308 | 22,402 |
| | | | | | | |
| **Total credit risk exposure** | **202,013** | | | | | **58,364** |

Group

| 31 Dec 21 (NOK million) | Maximum exposure to credit risk, gross | Provision for expected credit losses | Collateral in property | Collateral in securities | Other collateral and netting agreements *) | Maximum exposure to credit risk, net |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Balances with central banks | 1,238 | - | - | - | - | 1,238 |
| Loans and advances to credit institutions | 4,704 | - | - | - | - | 4,704 |
| Loans and advances to customers at fair value through profit or loss | 4,276 | - | 4,090 | 27 | 11 | 148 |
| Loans and advances to customers at amortised cost | 59,872 | 1,310 | 26,178 | 2,245 | 28,127 | 2,011 |
| Loans and advances to customers at fair value through OCI | 83,152 | 97 | 81,958 | 60 | 423 | 613 |
| Securities and bonds | 30,762 | - | - | - | 11,350 | 19,412 |
| Derivatives | 3,224 | - | - | - | 2,029 | 1,196 |
| Earned income, not yet recieved | 186 | - | - | - | - | 186 |
| Accounts receivable, securities | 300 | - | - | 53 | 228 | 20 |
| **Total assets** | **187,716** | **1,408** | **112,226** | **2,386** | **42,168** | **29,528** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Guarantee commitments and documentary credits | 5,798 | 57 | - | - | - | 5,741 |
| Unutilised credits and loan approvals | 20,372 | 22 | 3,624 | 408 | 206 | 16,112 |
| Other exposures | 3,723 | - | - | - | - | 3,723 |
| **Total liabilities** | 29,893 | 79 | 3,624 | 408 | 206 | 25,576 |
| | | | | | | |
| **Total credit risk exposure** | **217,608** | | | | | **55,104** |

| 31 Dec 20 (NOK million) | Maximum exposure to credit risk, gross | Provision for expected credit losses | Collateral in property | Collateral in securities | Other collateral and netting agreements *) | Maximum exposure to credit risk, net |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Balances with central banks | 2,725 | - | - | - | - | 2,725 |
| Loans and advances to credit institutions | 5,091 | - | - | - | 14 | 5,077 |
| Loans and advances to customers at fair value through profit or loss | 4,285 | - | 4,017 | 27 | 15 | 226 |
| Loans and advances to customers at amortised cost | 55,487 | 1,262 | 22,825 | 2,122 | 27,824 | 1,455 |
| Loans and advances to customers at fair value through OCI | 74,876 | 115 | 73,650 | 46 | 429 | 635 |
| Securities and bonds | 26,606 | - | - | - | 11,848 | 14,758 |
| Derivatives | 7,226 | - | 51 | - | 4,755 | 2,420 |
| Earned income, not yet recieved | 185 | - | - | - | - | 185 |
| Accounts receivable, securities | 678 | - | 43 | 624 | - | 11 |
| **Total assets** | **177,159** | **1,377** | **100,586** | **2,820** | **44,885** | **27,492** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Guarantee commitments and documentary credits | 5,014 | 55 | - | - | - | 4,959 |
| Unutilised credits and loan approvals | 18,432 | 26 | 3,516 | 498 | 441 | 13,951 |
| Other exposures | 3,698 | - | - | - | - | 3,698 |
| **Total liabilities** | 27,144 | 81 | 3,516 | 498 | 441 | 22,608 |
| | | | | | | |
| **Total credit risk exposure** | **204,304** | | | | | **50,100** |

*) Other collateral includes cash, movables, ship and guarantees received. For covered bonds the cover pool comprises loans to customers in the company that has issued the bond. For derivatives, cash has been provided as collateral, in addition to bilateral ISDA agreements on netting of derivatives.

The Bank’s maximum credit exposure is shown in the above table. SpareBank 1 SMN provides wholesale banking services to BN Bank and the Samspar banks. In this connection a guarantee agreement has been established which assures full settlement for exposures connected to these agreements.

For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. Customers furnish cash deposits and/or assets as collateral for their trade in power and salmon derivatives at NASDAQ OMX Oslo ASA and Fish Pool ASA.

SpareBank 1 SMN enters into standardised and mainly bilateral ISDA agreements on netting of derivatives with financial institutions as counterparties. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with the most central counterparties. As of 31 December 2021 the Bank has about 40 (45) active ISDA agreements. As from 1 March 2017 the Bank was required under EMIR to have in place a CSA with daily exchange of margin collateral etc. with all financial counterparties with which the bank deals domiciled (inter alia) in an EU meber state. The Bank only enters into agreements with cash as collateral. The Bank has delegated responsibility for handling these agreements to SEB Prime Collateral Services which handles margin requirements on behalf of the Bank. More about collateral and encumbrances in note 37 Other debt and liabilities.

The collateral is measured at fair value, limited to maximum credit exposure for the individual counterparty.

The Group has NOK 299 million exposures in stage 3 where no impairment charge has been made due to value of collateral, for 2020 the same amount was NOK 82 million.

## Note 13 - Credit quality per class of financial assets

The Bank handles the credit quality of financial assets by means of its internal guidlines for credit ratings. See section entitled credit risk under Note 6 Risk factors.

The table below shows credit quality per class of assets for loan-related assets in the balance sheet, based on the Bank's own credit rating system. The entire loan exposure is included when parts of the exposure are defaulted. Non-performance is defined in the note as default of payment of NOK 1,000 or more for more than 90 days.

**Parent Bank**

| | | **Neither defaulted nor written down** | | | | | **Defaulted or credit impared** | |
|---|---|---|---|---|---|---|---|---|
| **31 Dec 2021 (NOK million)** | Notes | **Lowest risk** | **Low risk** | **Medium risk** | **High risk** | **Highest risk** | | **Total** |
| Loans to and claims on credit institutions | 7 | 13,190 | - | - | - | - | - | **13,190** |
| | | | | | | | | |
| **Loans to and claims on customers** | 8 | | | | | | | |
| Retail market | | 77,289 | 8,252 | 2,970 | 907 | 963 | 450 | **90,831** |
| Corporate market | | 20,922 | 12,160 | 9,040 | 1,142 | 362 | 2,656 | **46,282** |
| **Total** | | **98,211** | **20,413** | **12,010** | **2,049** | **1,325** | **3,106** | **137,113** |
| | | | | - | - | - | - | |
| **Financial investments** | 27 | | | | | | | |
| Quoted government and government guaranteed bonds | | 8,821 | - | - | - | - | - | **8,821** |
| Quoted other bonds | | 13,725 | 325 | 220 | - | - | - | **14,269** |
| Unquoted government and government guaranteed bonds | | 3,456 | - | - | - | - | - | **3,456** |
| Unquoted other bonds | | 4,155 | 61 | - | - | - | - | **4,216** |
| **Total** | | **30,157** | **385** | **220** | **-** | **-** | **-** | **30,762** |
| | | | | | | | | |
| **Total** | | **141,558** | **20,798** | **12,229** | **2,049** | **1,325** | **3,106** | **181,065** |

| | | **Neither defaulted nor written down** | | | | | **Defaulted or credit impared** | |
|---|---|---|---|---|---|---|---|---|
| **31 Dec 2020 (NOK million)** | Notes | **Lowest risk** | **Low risk** | **Medium risk** | **High risk** | **Highest risk** | | **Total** |
| Loans to and claims on credit institutions | 7 | 12,901 | - | - | - | - | - | **12,901** |
| | | | | | | | | |
| **Loans to and claims on customers** | 8 | | | | | | | |
| Retail market | | 67,453 | 8,954 | 3,423 | 1,029 | 1,138 | 383 | 82,380 |
| Corporate market | | 18,797 | 12,161 | 8,974 | 1,193 | 454 | 1,702 | 43,280 |
| **Total** | | **86,250** | **21,115** | **12,398** | **2,222** | **1,592** | **2,084** | **125,660** |
| | | | | - | - | - | - | |
| **Financial investments** | 27 | | | | | | | |
| Quoted government and government guaranteed bonds | | 9,298 | - | - | - | - | - | 9,298 |
| Quoted other bonds | | 9,724 | 3,713 | 473 | 328 | - | - | 14,239 |
| Unquoted government and government guaranteed bonds | | - | - | - | - | - | - | - |
| Unquoted other bonds | | 82 | 3,066 | - | - | - | - | 3,147 |
| **Total** | | **19,104** | **6,779** | **473** | **328** | **-** | **-** | **26,684** |
| | | | | | | | | |
| **Total** | | **118,255** | **27,894** | **12,871** | **2,550** | **1,592** | **2,084** | **165,246** |

**Group**

| 31 Dec 2021 (NOK million) | Notes | Neither defaulted nor written down | | | | | Defaulted or credit impared | Total |
|---|---|---|---|---|---|---|---|---|
| | | Lowest risk | Low risk | Medium risk | High risk | Highest risk | | |
| Loans to and claims on credit institutions | 7 | 4,704 | - | - | - | - | - | **4,704** |
| **Loans to and claims on customers** | 8 | | | | | | | |
| Retail market | | 77,595 | 9,598 | 6,868 | 1,158 | 1,161 | 537 | **96,916** |
| Corporate market | | 21,054 | 12,788 | 11,514 | 1,573 | 696 | 2,759 | **50,384** |
| **Total** | | **98,649** | **22,386** | **18,381** | **2,731** | **1,857** | **3,296** | **147,301** |
| | | | | - | - | - | - | |
| **Financial investments** | 27 | | | | | | | |
| Quoted government and government guaranteed bonds | | 8,821 | - | - | - | - | - | **8,821** |
| Quoted other bonds | | 13,725 | 325 | 220 | - | - | - | **14,269** |
| Unquoted government and government guaranteed bonds | | 3,456 | - | - | - | - | - | **3,456** |
| Unquoted other bonds | | 4,155 | 61 | - | - | - | - | **4,216** |
| **Total** | | **30,157** | **385** | **220** | **-** | **-** | **-** | **30,762** |
| **Total** | | **133,510** | **22,771** | **18,601** | **2,731** | **1,857** | **3,296** | **182,767** |

| 31 Dec 2020 (NOK million) | Notes | Neither defaulted nor written down | | | | | Defaulted or credit impared | Total |
|---|---|---|---|---|---|---|---|---|
| | | Lowest risk | Low risk | Medium risk | High risk | Highest risk | | |
| Loans to and claims on credit institutions | 7 | 5,091 | - | - | - | - | - | **5,091** |
| **Loans to and claims on customers** | 8 | | | | | | | |
| Retail market | | 67,560 | 10,196 | 7,233 | 1,323 | 1,374 | 455 | 88,139 |
| Corporate market | | 18,248 | 12,823 | 11,169 | 1,702 | 764 | 1,802 | 46,509 |
| **Total** | | **85,808** | **23,018** | **18,402** | **3,025** | **2,138** | **2,257** | **134,648** |
| | | | | - | - | - | - | |
| **Financial investments** | 27 | | | | | | | |
| Quoted government and government guaranteed bonds | | 9,298 | - | - | - | - | - | 9,298 |
| Quoted other bonds | | 9,724 | 3,713 | 473 | 328 | - | - | 14,239 |
| Unquoted government and government guaranteed bonds | | - | - | - | - | - | - | - |
| Unquoted other bonds | | 3 | 3,066 | - | - | - | - | 3,069 |
| **Total** | | **19,026** | **6,779** | **473** | **328** | **-** | **-** | **26,606** |
| **Total** | | **109,925** | **29,797** | **18,875** | **3,353** | **2,138** | **2,257** | **166,346** |

SpareBank 1 SMN

## Note 14 - Market risk related to interest rate risk

This note is a sensitivity analysis based on relevant balance sheet items as of 31 December and thereafter for the year concerned. The Bank's interest rate risk is calculated by simulating a parallel interest rate shift for the entire interest rate curve of one percentage point on all balance sheet items.

For further details regarding interest rate risk, see Note 6 Risk Factors.

| | Interest rate risk, change 1 percentage piont | |
|---|---|---|
| **Basis risk Group (NOK million)** | **2021** | **2020** |
| *Currency* | | |
| NOK | - 22 | - 8 |
| EUR | 0 | 0 |
| USD | - 5 | 3 |
| CHF | 1 | 0 |
| GBP | 0 | - 1 |
| Other | 0 | - 1 |
| **Total interest rate risk** | **- 27** | **- 7** |

Total interest rate risk suggest that the Bank will have losses from an increase in the interest rate in 2021.

The table below shows the effect of an interest rate curve shift on various time intervals and the associated gains or losses within the respective maturities.

| | Interest rate risk, change 1 percentage piont | |
|---|---|---|
| **Interest rate curve risk, Group (NOK million)** | **2021** | **2020** |
| Maturity | | |
| 0 - 2 month | - 16 | - 16 |
| 2 - 3 months | 10 | 12 |
| 3 - 6 months | - 19 | - 14 |
| 6 - 12 months | - 1 | 6 |
| 1 - 2 years | 2 | - 6 |
| 2 - 3 years | - 12 | - 9 |
| 3 - 4 years | 22 | 21 |
| 4 - 5 years | - 27 | 3 |
| 5 - 8 years | 7 | - 10 |
| 8 - 15 years | 7 | 8 |
| **Total interest rate risk** | **- 27** | **- 7** |

## Note 15 - Market risk related to currency exposure

Foreign exchange risk arises when there are differences between the Group's assets and liabilities in a given currency. Currency trading must at all times be conducted within adopted limits and authorisations. The Group's limits define quantitative measures for maximum net foreign currency exposure, measured in Norwegian kroner.

The Group has established limits for net exposure (expressed as the highest of the sum of long and short positions). Overnight exchange rate risk for spot trading in foreign currency must not, exceed NOK 150 million on an aggregate basis.

Foreign exchange risk has been low throughout the year. For further details see note 6 on risk factors.

| Parent Bank | | **Net foreign exchange exposure NOK** | Group | |
|---|---|---|---|---|
| **2020** | **2021** | (NOK million) | **2021** | **2020** |
| 12 | 4 | EUR | 4 | 12 |
| -1 | 1 | USD | 1 | -1 |
| -1 | 3 | SEK | 3 | -1 |
| 0 | 0 | GBP | 0 | 0 |
| 0 | 0 | Other | 0 | 0 |
| **10** | **8** | **Total** | **8** | **10** |
| 0.4 | 0.2 | Result effect of 3 per cent change | 0.2 | 0.4 |

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# Note 16 - Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or unable to finance increases in its assets. See note 6 on risk factors for a detailed description.

| **Group**<br>**At 31 Dec 2021 (NOKm)** | **On demand** | **Below 3 months** | **3-12 months** | **1 - 5 yrs** | **Above 5 yrs** | **Total** |
|---|---|---|---|---|---|---|
| **Cash flows related to liabilities [2]** | | | | | | |
| Deposit from credit institutions | 11,204 | 1,175 | 684 | 2,074 | 31 | 15,167 |
| Deposits from and debt to customers | 86,753 | 16,958 | 3,462 | 4,113 | - | 111,286 |
| Debt created by issue of securities | - | 5,188 | 1,626 | 28,143 | 6,852 | 41,810 |
| Derivatives - contractual cash flow out | - | 7,181 | 1,288 | 13,478 | 6,186 | 28,132 |
| Other liabilities | - | 1,622 | 849 | 479 | 329 | 3,280 |
| Subordinated loan capital [1] | - | 11 | 816 | 1,025 | - | 1,852 |
| **Total cash flow, liabilities** | **97,957** | **32,134** | **8,724** | **49,313** | **13,399** | **201,527** |
| | | | | | | |
| **Derivatives net cash flows** | | | | | | |
| Contractual cash flows out | - | 7,181 | 1,288 | 13,478 | 6,186 | 28,132 |
| Contractual cash flows in | - | -7,014 | -1,153 | -12,785 | -6,110 | -27,062 |
| **Net contractual cash flows** | **-** | **166** | **135** | **692** | **77** | **1,070** |

| **Group**<br>**At 31 Dec 2020 (NOKm)** | **On demand** | **Below 3 months** | **3-12 months** | **1 - 5 yrs** | **Above 5 yrs** | **Total** |
|---|---|---|---|---|---|---|
| **Cash flows related to liabilities [2]** | | | | | | |
| Deposits from credit institutions | 11,325 | 1,737 | 15 | 2,072 | 36 | 15,185 |
| Deposits from and debt to customers | 76,601 | 13,486 | 2,944 | 4,497 | - | 97,529 |
| Debt created by issue of securities | - | 1,174 | 6,509 | 33,396 | 1,804 | 42,884 |
| Derivatives - contractual cash flow out | - | 2,090 | 10,254 | 20,957 | 1,036 | 34,337 |
| Other liabilities | - | 1,582 | 715 | 468 | 260 | 3,025 |
| Subordinated loan capital [1] | - | 9 | 68 | 1,798 | - | 1,874 |
| **Total cash flow, liabilities** | **87,926** | **20,079** | **20,505** | **63,188** | **3,136** | **194,834** |
| | | | | | | |
| **Derivatives net cash flows** | | | | | | |
| Contractual cash flows out | - | 2,090 | 10,254 | 20,957 | 1,036 | 34,337 |
| Contractual cash flows in | - | -1,693 | -10,240 | -21,048 | -1,182 | -34,163 |
| **Net contractual cash flows** | **-** | **397** | **14** | **-92** | **-146** | **174** |

Does not include value adjustments for financial instruments at fair value

[1] For subordinated loan capital the call date is used for cash settlement

[2] Contractual cash-flows include calculated interest and the total amount therefore deviate from recognised liabilities

## Note 17 - Net interest income

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **2020** | **2021** | (NOKm) | **2021** | **2020** |
| | | **Interest Income** | | |
| 171 | 128 | Interest income from loans to and claims on central banks and credit institutions (amortised cost) | 33 | 42 |
| 1,584 | 1,654 | Interest income from loans to and claims on customers (amortised cost) | 2,169 | 2,120 |
| 1,519 | 1,285 | Interest income from loans to and claims on customers (Fair value over OCI) | 1,300 | 1,534 |
| 129 | 116 | Interest income from loans to and claims on customers (Fair value over Profit and loss) | 116 | 129 |
| 349 | 279 | Interest income from money market instruments, bonds and other fixed income securities (Fair value over Profit and loss) | 276 | 346 |
| - | - | Other interest income | 23 | 27 |
| **3,752** | **3,462** | **Total interest income** | **3,916** | **4,197** |
| | | **Interest expense** | | |
| 84 | 51 | Interest expenses on liabilities to credit institutions | 55 | 92 |
| 731 | 547 | Interest expenses relating to deposits from and liabilities to customers | 540 | 719 |
| 484 | 395 | Interest expenses related to the issuance of securities | 395 | 484 |
| 48 | 33 | Interest expenses on subordinated debt | 35 | 50 |
| 8 | 8 | Other interest expenses | 20 | 25 |
| 67 | 75 | Guarantee fund levy | 75 | 67 |
| **1,423** | **1,109** | **Total interest expense** | **1,120** | **1,439** |
| **2,329** | **2,353** | **Net interest income** | **2,796** | **2,759** |

# Note 18 - Net commission income and other income

| Parent Bank | | | Group | |
|---|---|---|---|---|
| 2020 | 2021 | (NOK million) | 2021 | 2020 |
| | | **Commission income** | | |
| 59 | 76 | Guarantee commission | 73 | 58 |
| - | - | Broker commission | 291 | 251 |
| 56 | 63 | Portfolio commission, savings products | 63 | 56 |
| 408 | 450 | Commission from SpareBank 1 Boligkreditt | 450 | 408 |
| 13 | 14 | Commission from SpareBank 1 Næringskreditt | 14 | 13 |
| 393 | 413 | Payment transmission services | 409 | 390 |
| 195 | 214 | Commission from insurance services | 214 | 195 |
| 80 | 77 | Other commission income | 69 | 71 |
| **1,205** | **1,306** | **Total commission income** | **1,583** | **1,443** |
| | | **Commission expenses** | | |
| 83 | 84 | Payment transmission services | 115 | 111 |
| 14 | 13 | Other commission expenses | 92 | 84 |
| **97** | **97** | **Total commission expenses** | **207** | **196** |
| | | **Other operating income** | | |
| 22 | 26 | Operating income real property | 27 | 21 |
| - | - | Property administration and sale of property | 150 | 142 |
| - | - | Securities trading | 719 | 583 |
| - | - | Accountant's fees | 529 | 506 |
| 19 | 21 | Other operating income | 31 | 18 |
| **41** | **47** | **Total other operating income** | **1,456** | **1,269** |
| **1,149** | **1,256** | **Total net commision income and other operating income** | **2,832** | **2,516** |

# Note 19 - Net return on financial investments

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **2020** | **2021** | **(NOKm)** | **2021** | **2020** |
| | | **Valued at fair value through profit/loss** | | |
| -74 | -433 | Value change in interest rate instruments | -283 | 103 |
| | | Value change in derivatives/hedging | | |
| 1 | -6 | Net value change in hedged bonds and derivatives | -6 | 1 |
| -11 | 12 | Net value change in hedged fixed rate loans and derivatives | 12 | -11 |
| 32 | 301 | Other derivatives | 332 | 59 |
| | | Income from equity instruments | | |
| - | - | Income from owner interests | 705 | 681 |
| 492 | 726 | Dividend from owner instruments | - | - |
| -15 | 8 | Value change and gain/loss on owner instruments | 13 | -9 |
| 36 | 6 | Dividend from equity instruments | 22 | 39 |
| -1 | -4 | Value change and gain/loss on equity instruments | 163 | 5 |
| **460** | **610** | **Total net income from financial assets and liabilities at fair value through profit/(loss)** | **959** | **868** |
| | | **Valued at amortised cost** | | |
| -6 | -2 | Value change in interest rate instruments | -2 | -6 |
| **-6** | **-2** | **Total net income from financial assets and liabilities at amortised cost** | **-2** | **-6** |
| **89** | **72** | **Total net gain from currency trading** | **70** | **89** |
| **542** | **680** | **Total net return on financial investments** | **1,026** | **951** |

# Note 20 - Personnel expenses

For detailed information on emoluments to top management 2021, please see The executive pay report published on smn.no

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **2020** | **2021** | (NOK million) | **2021** | **2020** |
| 644 | 562 | Wages | 1,703 | 1,685 |
| 56 | 60 | Pension costs (Note 22) | 115 | 105 |
| 32 | 27 | Social costs | 64 | 60 |
| **732** | **650** | **Total personnel expenses** | **1,882** | **1,850** |
| | | | | |
| 668 | 670 | Average number of employees | 1,627 | 1,644 |
| 660 | 646 | Number of man-labour years as at 31 December | 1,482 | 1,560 |
| 678 | 662 | Number of employees as at 31 December | 1,600 | 1,653 |

## Note 21 - Other operating expenses

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **2020** | **2021** | (NOK million) | **2021** | **2020** |
| 246 | 265 | IT costs | 359 | 334 |
| 15 | 10 | Postage and transport of valuables | 14 | 19 |
| 52 | 53 | Marketing | 77 | 73 |
| 102 | 95 | Ordinary depreciation (note 31,32 and 33) | 189 | 164 |
| 39 | 44 | Operating expenses, real properties | 57 | 62 |
| 150 | 143 | Purchased services | 224 | 217 |
| 140 | 134 | Other operating expense | 190 | 186 |
| **744** | **745** | **Total other operating expenses** | **1,111** | **1,054** |
| | | | | |
| | | **Audit fees (NOK 1000)** | | |
| 823 | 758 | Financial audit | 1,580 | 2,313 |
| 706 | 409 | Other attestations | 575 | 843 |
| - | - | Tax advice | - | 91 |
| 556 | 301 | Other non-audit services | 1.221 | 940 |
| **2,085** | **1,467** | **Total incl. value added tax** | **3,376** | **4,187** |

# Note 22 - Pension

**Defined benefit scheme**

This pension scheme is administered by a pension fund conferring entitlement to specific future pension benefits from age 67. The schemes include children's pension and disability pension under further rules. The Group's defined benefit pension scheme assures the majority of employees a pension of 68 percent of final salary up to 12G. The defined benefit scheme is closed to new members. It was decided to terminate the defined benefit scheme at a board meeting on 21 October 2016. Employees on this scheme will transfer to the defined contribution scheme as from 1 January 2017, and will receive a paid-up policy showing rights accumulated under the defined benefit scheme. The termination resulted in reduced pension obligations, which has been treated  as a settlement gain and reduced the pension expense for 2016.

Paid-up policies are managed by the pension fund, which becomes 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.  At yearend 2021 the scheme is  overfunded by NOK 54 million.

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.

In addition to the pension obligations coveredd by the pension fund, the group has unfunded pension liabilities which can not be funded by the assets in the collective arrangements. The obligations entails employees not registered as member of the pension fund, additional  pensions above 12 G, early retirement pension schemes and contractual early retirement schemes in new arrangement (AFP Subsidies Act).

For further details of the Group's pension schemes see Note 2 on accounting principles and Note 20 on personnel expenses.

| | **2021** | | **2020** | |
|---|---|---|---|---|
| Actuarial assumptions | Costs | Commitment | Costs | Commitment |
| Discount rate | 1.5 % | 1.5 % | 2.3 % | 1.5 % |
| Expected rate of return on plan assets | 1.5 % | 1.5 % | 2.3 % | 1.5 % |
| Expected future wage and salary growth | 2.00 % | 2.25 % | 2.00 % | 2.00 % |
| Expected adjustment of basic amount (G) | 2.00 % | 2.25 % | 2.00 % | 2.00 % |
| Expected increase in current pension | 0%/2.0% | 0%/2.0% | 0%/2.0% | 0%/2.0% |
| Employers contribution | 19.1 % | 19.1 % | 19.1 % | 19.1 % |
| Expected voluntary exit before/after 50 yrs | 2/0 % | 2/0 % | 2/0 % | 2/0 % |
| Estimated early retirement outtake at age 62/64 | 25/50 % | 25/50 % | 25/50 % | 25/50 % |

| | |
|---|---|
| Mortality base table | K2013BE |
| Disability | IR73 |

| **Parent Bank** | | | **Group** | |
|---|---|---|---|---|
| **2020** | **2021** | **Net pension liability in the balance sheet (NOK million). Financial position 1 Jan.** | **2021** | **2020** |
| 608 | 640 | Net present value of pension liabilities in funded schemes | 640 | 608 |
| -743 | -743 | Estimated value of pension assets | -743 | -743 |
| -135 | -104 | Net pension liability in funded schemes | -104 | -135 |
| 3 | 2 | Employer's contribution | 2 | 3 |
| **-132** | **-102** | **Net pension liability in the balance sheet** | **-102** | **-132** |

**Distribution of liability between unfunded and funded pension scheme, Group 1.1**

| Group | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Funded | Unfunded | Total | Funded | Unfunded | Total |
| Present value of pension liability in funded schemes | 631 | 8 | 640 | 595 | 13 | 608 |
| Fair value of pension assets | -743 | - | -743 | -743 | - | -743 |
| Opening balance adjustment | - | - | - | - | - | - |
| Net pension liability in the balance sheet before employer's contribution | -112 | 8 | -104 | -148 | 13 | -135 |
| Employer's contribution | - | 2 | 2 | - | 3 | 3 |
| Net pension liability in the balance sheet after employer's contribution | -112 | 10 | -102 | -148 | 16 | -132 |

| 2020 | 2021 | Pension cost for the year | 2021 | 2020 |
|---|---|---|---|---|
| 0 | 0 | Present value of pension accumulated in the year | 0 | 0 |
| -3 | -2 | Interest cost of pension liabilities | -2 | -3 |
| -3 | -1 | Net defined-benefit pension cost without employer's contribution | -1 | -3 |
| 0 | 0 | Employer's contribution - subject to accrual accounting | 0 | 0 |
| -3 | -1 | Net pension cost related to defined benefit plans * | -1 | -3 |
| 8 | 8 | Early retirement pension scheme, new arrangement | 14 | 12 |
| 51 | 54 | Cost of defined contribution pension | 102 | 96 |
| **56** | **60** | **Total pension cost** | **115** | **105** |

| Other comprehensive income for the period | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Unfunded | Funded | Total | Unfunded | Funded | Total |
| Change in discount rate | -0 | -9 | -9 | 1 | 74 | 75 |
| Change in other economic assumptions | - | - | - | - | - | - |
| Change in mortality table | - | - | - | - | - | - |
| Change in other demographic assumptions | - | - | - | - | - | - |
| Changing other factors, DBO | -2 | 33 | 32 | -7 | -18 | -25 |
| Change in other factors, pension assets | - | 27 | 27 | - | -16 | -16 |
| **Other comprehensive income for the period** | **-2** | **51** | **49** | **-6** | **40** | **34** |

| 2020 | 2021 | Movement in net pension liability in the balance sheet | 2021 | 2020 |
|---|---|---|---|---|
| -132 | -96 | Net pension liability in the balance sheet 1.1 | -96 | -132 |
| 34 | 49 | Actuarial gains and losses for the year | 49 | 34 |
| -3 | -1 | Net defined-benefit costs in profit and loss account incl. Curtailment/settlement | -1 | -3 |
| -1 | -1 | Paid-in pension premium, defined-benefit schemes | -1 | -1 |
| **-102** | **-49** | **Net pension liability in the balance sheet 31.12** | **-49** | **-102** |

| 2020 | 2021 | Financial status 31.12 | 2021 | 2020 |
|---|---|---|---|---|
| 640 | 645 | Pension liability | 645 | 640 |
| -743 | -701 | Value of pension assets | -701 | -743 |
| -104 | -56 | Net pension liability before employer's contribution | -56 | -104 |
| 2 | 1 | Employer's contribution | 1 | 2 |
| **-102** | **-54** | **Net pension liability after employer's contribution*** | **-54** | **-102** |

* Presented gross in the Group accounts

Distribution of financial status between unfunded and funded pension scheme, Group

| Group | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Funded | Unfunded | Total | Funded | Unfunded | Total |
| Pension liability | 639 | 7 | 645 | 631 | 8 | 640 |
| Value of pension assets | -701 | - | -701 | -743 | - | -743 |
| **Net pension liability before employer's contribution** | **-62** | **7** | **-56** | **-112** | **8** | **-104** |
| Employer's contribution | - | 1 | 1 | - | 2 | 2 |
| **Net pension liability after employer's contribution** | **-62** | **8** | **-54** | **-112** | **10** | **-102** |

| Fair value of pension liability, Group | 2021 | 2020 |
|---|---|---|
| OB pension liability (PBO) | 640 | 608 |
| Present value of pension accumulated in the year | 0 | 0 |
| Payout/release from scheme | -27 | -27 |
| Interes costs of pension liability | 9 | 14 |
| Curtailment/ Settlement | - | - |
| Actuarial gain or loss | 23 | 45 |
| **CB pension liability (PBO)** | **645** | **640** |

| Fair value of pension assets, Group | 2021 | 2020 |
|---|---|---|
| OB pension assets | 743 | 743 |
| Paid in | 1 | 1 |
| Payout/release from fund | -27 | -27 |
| Expected retur | 11 | 17 |
| Curtailment/ Settlement | - | - |
| Actuarial changes | -27 | 10 |
| **CB market value of pension assets** | **701** | **743** |

| | Discount rate | | Salary adjustment | | Pension adjustment |
|---|---|---|---|---|---|
| **Sensitivity, Group** | **+ 1 pp** | **- 1 pp** | **+1 pp** | **- 1 pp** | **+ 1 pp** |
| 2021 | | | | | |
| Change in accumulated pension rights in course of year | - | - | - | - | - |
| Change in pension liability | -89 | 110 | 0 | 0 | 111 |
| 2020 | | | | | |
| Change in accumulated pension rights in course of year | - | - | - | - | - |
| Change in pension liability | -93 | 117 | 1 | -1 | 116 |

| 2020 | 2021 | Members | 2021 | 2020 |
|---|---|---|---|---|
| 740 | 728 | Numbers of persons included in pension scheme | 728 | 740 |
| 233 | 220 | of which active | 220 | 233 |
| 507 | 508 | of which retirees and disabled | 508 | 507 |

| Investment and pension assets in the pension fund | 2021 | 2020 |
|---|---|---|
| Current bonds | 38 % | 40 % |
| Bonds held to maturity | 5 % | 5 % |
| Money market | 21 % | 18 % |
| Equities | 29 % | 28 % |
| Real estate | 7 % | 7 % |
| Other | 0 % | 1 % |
| **Total** | **100 %** | **100 %** |

The pension scheme arrangement is located in its own pension fund, which has a long-term horizon on the management of its capital. The pension fund seeks to achieve as high a rate of return as possible by composing an investment portfolio that provides the maximum risk-adjusted return. The pension fund seeks to spread its investments on various issuers and asset classes in order to reduce company-specific and market-specific risk. The portfolio thus comprises equity investments in Norwegian and foreign shares. The bond portfolio is essentially invested in Norwegian bonds. Bank deposits are placed in Norwegian Banks.

## Note 23 - Income tax

| Parent Bank | | | Group | |
|---|---|---|---|---|
| 2020 | 2021 | (NOK million) | 2021 | 2020 |
| 1,629 | 2,760 | Result before tax | 3,501 | 2,299 |
| -436 | -689 | +/- permanent differences | -691 | -522 |
| 161 | 45 | +/- change in temporary differences as per specification | 99 | 142 |
| - | - | + deficit carried forward | -307 | -118 |
| **1,355** | **2,116** | **Year's tax base/taxable income** | **2,603** | **1,800** |
| | | | | |
| 339 | 529 | Tax payable on profit for the year | 593 | 422 |
| -14 | -12 | Taxes on interest hybrid capital | -13 | -14 |
| -3 | -4 | Excess/too little tax accrued previous year | 3 | - |
| **322** | **513** | **Total taxes payable in statement of financial position** | **583** | **408** |
| | | | | |
| 339 | 529 | Tax payable on profit for the year | 593 | 422 |
| -40 | 1 | +/- change in deferred tax | 29 | -8 |
| -14 | -12 | Taxes on interest hybrid capital | -13 | -14 |
| **284** | **518** | **Tax charge for the year** | **609** | **400** |
| | | | | |
| | | **Change in net deferred tax liability** | | |
| -14 | -1 | Deferred tax shown through profit/loss | 29 | -8 |
| 6 | 12 | Deferred tax shown through equity | -13 | -8 |
| - | - | Too little taxes accrued previous year* | -3 | - |
| **-8** | **11** | **Total change in net deferred tax liability** | **13** | **-16** |

* Due to changes in temporary differences between annual accounts and final tax papers.

| 2020 | 2021 | Composition of deferred tax carried in the balance sheet (NOK Million) | 2021 | 2020 |
|---|---|---|---|---|
| | | Temporary differences: | | |
| - | - | - Business assets | 25 | 14 |
| - | - | - Leasing items | 257 | 321 |
| 102 | 54 | - Pension liability | 56 | 104 |
| 43 | 52 | - Securities | 52 | 45 |
| 604 | 154 | - Hedge derivatives | 154 | 604 |
| - | - | - Other temporary differences | 3 | 5 |
| **749** | **260** | **Total tax-increasing temporary differences** | **546** | **1,093** |
| **187** | **65** | **Deferred tax** | **136** | **273** |
| | | | | |
| | | Temporary differences: | | |
| -17 | -12 | - Business assets | -25 | -24 |
| - | - | - Pension liability | -2 | - |
| - | -93 | - Securities | -83 | -1 |
| -617 | -136 | - Hedge derivatives | -136 | -617 |
| -83 | -33 | - Other temporary differences | -135 | -181 |
| - | - | - Deficit carried forward | -306 | -470 |
| **-718** | **-273** | **Total tax-decreasing temporary differences** | **-685** | **-1,294** |
| **-179** | **-68** | **Deferred tax asset** | **-170** | **-320** |
| **8** | **-3** | **Net deferred tax (-asset )** | **-34** | **-47** |

The above table comprises temporary differences from all consolidated companies shown gross. At the company level tax-increasing and tax-reducing temporary differences are shown net. At the group level recognition is on a gross basis in conformity with IAS 12 with each company being presented separately in the calculation of the Group's tax benefit and deferred tax:

| | 2021 | 2020 |
|---|---|---|
| **Tax benefit recorded 31 Dec** | 90 | 129 |
| **Deferred tax recorded 31 Dec** | -56 | -81 |

| 2020 | 2021 | Reconciliation of tax charge for the period recognised against profit and loss to profit before tax | 2021 | 2020 |
|---|---|---|---|---|
| 407 | 690 | 25 % of profit before tax | 880 | 546 |
| -109 | -172 | Non-taxable profit and loss items (permanent differences) * | -236 | -124 |
| -14 | - | Tax effect of costs reflected in equity | - | -14 |
| - | - | Too little taxes accrued previous year | 0 | -0 |
| - | - | Change in tax assets not recognised | -34 | -8 |
| **284** | **518** | **Tax for the period recognised in the income statement** | **609** | **400** |
| **17 %** | **19 %** | **Effective tax rate** | **17 %** | **17 %** |

* Includes non-deductible costs and deduction for profit share related to associates and joint ventures (profit shares are taken out having already been taxed at the respective companies).

## Note 24 - Categories of financial assets and financial liabilities

| Group | Financial instruments at fair value through profit or loss | | | | | |
|---|---|---|---|---|---|---|
| 31 Dec 2021 (NOKm) | Designated as such upon initial recognition | Mandatorily | Held for trading | Financial instruments at fair value through other comprehensive income | Financial instruments measured at amortised cost | Total |
| **Assets** | | | | | | |
| Cash and receivables from central banks | - | - | - | - | 1,252 | 1,252 |
| Deposits with and loans to credit institutions | - | - | - | - | 4,704 | 4,704 |
| Loans to and receivables from customers | 4,198 | - | - | 83,055 | 58,637 | 145,890 |
| Shares, units and other equity interests | - | 670 | 1,984 | - | - | 2,654 |
| Fixed-income CDs and bonds | - | 30,762 | - | - | - | 30,762 |
| Derivatives | 353 | - | 2,871 | - | - | 3,224 |
| Earned income not yet received | - | - | - | - | 186 | 186 |
| Accounts receivable, securities | - | - | - | - | 300 | 300 |
| **Total financial assets** | **4,551** | **31,432** | **4,855** | **83,055** | **65,081** | **188,974** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Deposits from credit institutions | - | - | - | - | 15,063 | 15,063 |
| Deposits from and debt to customers | - | - | - | - | 111,286 | 111,286 |
| Debt created by issue of securities | - | - | - | - | 40,332 | 40,332 |
| Derivatives | 511 | - | 3,398 | - | - | 3,909 |
| Subordinated loan capital | - | - | - | - | 1,796 | 1,796 |
| Equity instruments | - | - | 31 | - | - | 31 |
| Lease liabilities | - | - | - | - | 476 | 476 |
| Debt from securities | - | - | - | - | 351 | 351 |
| **Total financial liabilities** | **511** | **-** | **3,429** | **-** | **169,304** | **173,244** |

| Group | Financial instruments at fair value through profit or loss | | | | | |
|---|---|---|---|---|---|---|
| 31 Dec 2020 (NOK million) | Designated as such upon initial recognition | Mandatorily | Held for trading | Financial instruments at fair value through other comprehensive income | Financial instruments measured at amortised cost | Total |
| **Assets** | | | | | | |
| Cash and receivables from central banks | - | - | - | - | 2,764 | 2,764 |
| Deposits with and loans to credit institutions | - | - | - | - | 5,091 | 5,091 |
| Loans to and receivables from customers | 4,285 | - | - | 74,761 | 54,086 | 133,131 |
| Shares, units and other equity interests | - | 438 | 1,928 | - | - | 2,366 |
| Fixed-income CDs and bonds | - | 26,606 | - | - | - | 26,606 |
| Derivatives | 921 | - | 6,305 | - | - | 7,226 |
| Earned income not yet received | - | - | - | - | 185 | 185 |
| Accounts receivable, securities | - | - | - | - | 678 | 678 |
| **Total financial assets** | **4,285** | **27,045** | **9,153** | **74,761** | **62,804** | **178,048** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Deposits from credit institutions | - | - | - | - | 15,094 | 15,094 |
| Deposits from and debt to customers | - | - | - | - | 97,529 | 97,529 |
| Debt created by issue of securities | - | - | - | - | 41,920 | 41,920 |
| Derivatives | 48 | - | 7,131 | - | - | 7,179 |
| Subordinated loan capital | - | - | - | - | 1,795 | 1,795 |
| Equity instruments | - | - | - | - | - | - |
| Lease liabilities | - | - | - | - | 479 | 479 |
| Debt from securities | - | - | - | - | 568 | 568 |
| **Total financial liabilities** | **48** | **-** | **7,131** | **-** | **157,385** | **164,564** |

# Note 25 - 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 31 December 2021:**

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

| Liabilities | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial liabilities through profit/loss | | | | |
| - Derivatives | 0 | 3,909 | - | 3,909 |
| - Equity instruments | 31 | - | - | 31 |
| **Total liabilities** | **31** | **3,909** | **-** | **3,940** |

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

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

| Liabilities | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial liabilities through profit/loss | | | | |
| - Derivatives | 2 | 7,177 | - | 7,179 |
| - Equity instruments | - | - | - | - |
| **Total liabilities** | **2** | **7,177** | **-** | **7,179** |

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

| (NOKm) | Equity instruments through profit/loss | Fixed interest loans | Loans at fair value through OCI | Total |
|---|---|---|---|---|
| Opening balance 1 January | 432 | 4,242 | 74,761 | 79,435 |
| Investment in the period | 26 | 1,201 | 40,891 | 42,118 |
| Disposals in the period | -12 | -1,150 | -32,615 | -33,778 |
| Expected credit loss | - | - | 19 | 19 |
| Gain or loss on financial instruments | 118 | -95 | -1 | 22 |
| **Closing balance 31 December** | **563** | **4,198** | **83,055** | **87,817** |

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

| (NOKm) | Equity instruments through profit/loss | Fixed interest loans | Loans at fair value through OCI | Total |
|---|---|---|---|---|
| Opening balance 1 January | 405 | 4,636 | 71,336 | 76,377 |
| Investment in the period | 48 | 731 | 47,183 | 47,962 |
| Disposals in the period | -14 | -1,206 | -43,754 | -44,973 |
| Expected credit loss | - | - | -13 | -13 |
| Gain or loss on financial instruments | -7 | 81 | 9 | 83 |
| **Closing balance 31 December** | **432** | **4,242** | **74,761** | **79,435** |

**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 detoriation since first recognition is assessed at nominal amount. For loans with a significant increase in credit risk since first recognition or objective evidence of loss, the calculation of expected credit losses over the life of the asset is in line with loan losses for loans at amortised cost. Estimated fair value is the nominal amount reduced by expected lifetime credit loss. If the likelihood of the worst case scenario in the model is doubled, fair value is reduced by NOK 7 million.

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

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

*Equity instruments (level 3)*

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 477 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 31 December 2021:**

| (NOKm) | Book value | Effect from change in reasonable possible alternative assumtions |
|---|---|---|
| Fixed interest loans | 4,246 | -12 |
| Equity instruments through profit/loss* | 559 | - |
| Loans at fair value through other comprehensive income | 83,055 | -7 |

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

## Note 26 - Fair value of financial instruments at amortised cost

**Financial instruments measured at amortised cost**

Financial instruments that are not measured at fair value are recognised at amortised cost or are in a hedging relationship. For further details, see note 2 Accounting principles. Amortised cost entails valuing balance sheet items after initially agreed cash flows, adjusted for impairment. Amortised cost will not always be equal to the values that are in line with the market assessment of the same financial instruments. This is due to different perceptions of market conditions, risk and discount rates.

Methods underlying the determination of fair value of financial instruments that are measured at amortised cost are described below:

*Loans to and claims on customers*

Current-rate loans are exposed to competition in the market, indicating that possible excess value in the portfolio will not be maintained over a long period. Fair value of current-rate loans is therefore set to amortised cost. The effect of changes in credit quality in the portfolio is accounted for through model-based impairment write-downs, therefore giving a good expression of fair value in that part of the portfolio where individual write-down assessments have not been made.

Individual write-downs are determined through an assessment of future cash flow, discounted by effective interest rate. Hence the discounted value gives a good expression of the fair value of these loans.

*Loans to and claims on credit institutions, Earned income not yet received, Accounts receivable, securities, Debt to credit institutions, Deposits from and debt to customers and Debt from securities*

For loans to and claims on credit institutions, as well as debt to credit institutions and deposits from customers, fair value is estimated equal to amortised cost.

*Securities debt and subordinated debt*

The calculation of fair value in level 2 is based on observable market values such as on interest rate and spread curves where available.

**Parent Bank**

| | | 31 Dec 2021 | | 31 Dec 2020 | |
|---|---|---|---|---|---|
| (NOKm) | **Level 1)** | **Book value** | **Fair Value** | **Book value** | **Fair Value** |
| **Assets** | | | | | |
| Loans to and claims on credit institutions | 2 | 13,190 | 13,190 | 12,901 | 12,901 |
| Loans to and claims on customers at amortised cost | 2 | 48,434 | 48,525 | 45,169 | 45,260 |
| Earned income not yet received | 2 | 152 | 152 | 135 | 135 |
| Accounts receivable, securities | 2 | 20 | 20 | 11 | 11 |
| **Total financial assets at amortised cost** | | **61,796** | **61,887** | **58,216** | **58,307** |
| | | | | | |
| **Liabilities** | | | | | |
| Debt to credit institutions | 2 | 14,340 | 14,340 | 14,629 | 14,629 |
| Deposits from and debt to customers | 2 | 112,028 | 112,028 | 98,166 | 98,166 |
| Securities debt at amortised cost | 2 | 8,871 | 8,870 | 8,619 | 8,619 |
| Securities debt, hedging | 2 | 31,461 | 31,460 | 33,301 | 33,300 |
| Subordinated debt at amortised cost | 2 | 1,753 | 1,752 | 1,752 | 1,752 |
| Subordinated debt, hedging | 2 | - | - | - | - |
| Lease liabilities | 2 | 262 | 262 | 303 | 303 |
| Debt from securities | 2 | 157 | 157 | 13 | 13 |
| **Total financial liabilities at amortised cost** | | **168,871** | **168,870** | **156,915** | **156,783** |

**Group**

| (NOKm) | Level 1) | 31 Dec 2021 Book value | 31 Dec 2021 Fair Value | 31 Dec 2020 Book value | 31 Dec 2020 Fair Value |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Loans to and claims on credit institutions | 2 | 4,704 | 4,704 | 5,091 | 5,091 |
| Loans to and claims on customers at amortised cost | 2 | 58,637 | 58,744 | 54,086 | 54,193 |
| Earned income not yet received | 2 | 186 | 186 | 185 | 185 |
| Accounts receivable, securities | 2 | 300 | 300 | 678 | 678 |
| **Total financial assets at amortised cost** | | **63,828** | **63,935** | **60,040** | **60,147** |
| | | | | | |
| **Liabilities** | | | | | |
| Debt to credit institutions | 2 | 15,063 | 15,063 | 15,094 | 15,094 |
| Deposits from and debt to customers | 2 | 111,286 | 111,286 | 97,529 | 97,529 |
| Securities debt at amortised cost | 2 | 8,871 | 8,870 | 8,619 | 8,619 |
| Securities debt, hedging | 2 | 31,461 | 31,460 | 33,301 | 33,300 |
| Subordinated debt at amortised cost | 2 | 1,796 | 1,796 | 1,795 | 1,795 |
| Subordinated debt, hedging | 2 | - | - | - | - |
| Lease liabilities | 2 | 476 | 476 | 479 | 479 |
| Debt from securities | 2 | 351 | 351 | 568 | 568 |
| **Total financial liabilities at amortised cost** | | **169,304** | **169,302** | **157,517** | **157,385** |

1) Fair value is determined by using different methods in three levels. See note 25 for a definition of the levels

## Note 27 - Money market certificates and bonds

Bonds and money market instruments are classified in the category fair value through profit/loss at 31 December 2021.

| Parent Bank | | | Group | |
|---|---|---|---|---|
| 31 Dec 2020 | 31 Dec 2021 | Money market certificates and bonds by issuer sector (NOKm) | 31 Dec 2021 | 31 Dec 2020 |
| | | **State** | | |
| 2,460 | 2,723 | Nominal value | 2,723 | 2,460 |
| 4,838 | 5,237 | Book value | 5,237 | 4,838 |
| | | **Other public sector** | | |
| 7,638 | 10,898 | Nominal value | 10,898 | 7,638 |
| 7,764 | 10,975 | Book value | 10,975 | 7,764 |
| | | **Financial enterprises** | | |
| 13,590 | 12,776 | Nominal value | 12,776 | 13,513 |
| 13,982 | 13,830 | Book value | 13,830 | 13,904 |
| | | **Non-financial enterprises** | | |
| 10 | 80 | Nominal value | 80 | 10 |
| 22 | 619 | Book value | 619 | 22 |
| **23,698** | **26,477** | **Total fixed income securities, nominal value** | **26,477** | **23,621** |
| 78 | 100 | Accrued interest | 100 | 78 |
| **26,684** | **30,762** | **Total fixed income securities, booked value** | **30,762** | **26,606** |

# Note 28 - Financial derivatives

All derivatives are booked at fair value through profit and loss. Gains are carried as assets and losses as liabilities in the case of all interest rate derivatives. This applies both to derivatives used for hedging purposes and held for trading purposes. The Bank does not employ cash flow hedging.

The contract amount shows absolute values for all contracts.

For a description of counterparty risk and market risk, see note 6 on risk factors. For further details concerning market risk linked to interest rate risk, see note 14 on market risk related to interest rate risk, and for market risk related to currency exposure, see note 15 on market risk related to currency exposure.

**Parent Bank**

| **Fair value through profit and loss (NOKm)** | **31 Dec 2021** | | | **31 Dec 2020** | | |
|---|---|---|---|---|---|---|
| | Contract | Fair value | | Contract | Fair value | |
| **Currency instruments** | amount | Assets | Liabilities | amount | Assets | Liabilities |
| Foreign exchange derivatives (forwards) | 6,834 | 98 | -79 | 4,947 | 72 | -143 |
| Currency swaps | 10,027 | 205 | -154 | 9,376 | 295 | -51 |
| FX-options | 58 | 1 | -1 | 132 | 1 | -2 |
| Total currency instruments | 16,919 | 304 | -235 | 14,455 | 368 | -196 |
| | | | | | | |
| **Interest rate instruments** | | | | | | |
| Interest rate swaps (including cross currency) | 252,753 | 1,776 | -1,866 | 249,493 | 4,924 | -5,535 |
| Short-term interest rate swaps (FRA) | - | - | - | 2,000 | 7 | -7 |
| Total interest rate instruments | 252,753 | 1,776 | -1,866 | 251,493 | 4,931 | -5,542 |
| | | | | | | |
| **Commodity-related contracts** | | | | | | |
| Stock-exchange-traded standardised forwards and futures contracts | 814 | 190 | -190 | 1,549 | 83 | -83 |
| Total commodity-related contracts | 814 | 190 | -190 | 1,549 | 83 | -83 |
| | | | | | | |
| **Hedging** | | | | | | |
| **Interest rate instruments** | | | | | | |
| Interest rate swaps (including cross currency) | 36,895 | 353 | -511 | 37,771 | 921 | -48 |
| Total interest rate instruments | 36,895 | 353 | -511 | 37,771 | 921 | -48 |
| | | | | | | |
| **Total** | | | | | | |
| Total interest rate instruments | 289,649 | 2,129 | -2,376 | 289,265 | 5,852 | -5,590 |
| Total currency instruments | 16,919 | 304 | -235 | 14,455 | 368 | -196 |
| Total commodity-related contracts | 814 | 190 | -190 | 1,549 | 83 | -83 |
| Accrued interest | | 569 | -699 | | 872 | -977 |
| **Total financial derivatives** | **307,382** | **3,192** | **-3,500** | **305,269** | **7,175** | **-6,845** |

SpareBank 1 SMN

**Group**

| Fair value through profit and loss (NOKm) | 31 Dec 2021 | | | 31 Dec 2020 | | |
|---|---|---|---|---|---|---|
| | Contract | Fair value | | Contract | Fair value | |
| **Currency instruments** | amount | Assets | Liabilities | amount | Assets | Liabilities |
| Foreign exchange derivatives (forwards) | 6,834 | 98 | -79 | 4,947 | 72 | -143 |
| Currency swaps | 10,027 | 205 | -154 | 9,376 | 295 | -51 |
| FX-options | 58 | 1 | -1 | 132 | 1 | -2 |
| Total currency instruments | 16,919 | 304 | -235 | 14,455 | 368 | -196 |
| | | | | | | |
| **Interest rate instruments** | | | | | | |
| Interest rate swaps (including cross currency) | 252,753 | 1,776 | -1,866 | 249,493 | 4,924 | -5,535 |
| Short-term interest rate swaps (FRA) | - | - | - | 2,000 | 7 | -7 |
| Total interest rate instruments | 252,753 | 1,776 | -1,866 | 251,493 | 4,931 | -5,542 |
| | | | | | | |
| **Equity instruments** | | | | | | |
| Equity options | 69 | 32 | -25 | 21 | 9 | -12 |
| Equity forwards/futures | 1,329 | 0 | -384 | 1,393 | 42 | -322 |
| Total equity instruments | 1,397 | 33 | -409 | 1,414 | 51 | -334 |
| | | | | | | |
| **Commodity-related contracts** | | | | | | |
| Stock-exchange-traded standardised forwards and futures contracts | 814 | 190 | -190 | 1,549 | 83 | -83 |
| Total commodity-related contracts | 814 | 190 | -190 | 1,549 | 83 | -83 |
| | | | | | | |
| **Hedging** | | | | | | |
| **Interest rate instruments** | | | | | | |
| Interest rate swaps (including cross currency) | 36,895 | 353 | -511 | 37,771 | 921 | -48 |
| Total interest rate instruments | 36,895 | 353 | -511 | 37,771 | 921 | -48 |
| | | | | | | |
| **Total** | | | | | | |
| Total interest rate instruments | 289,649 | 2,129 | -2,376 | 289,265 | 5,852 | -5,590 |
| Total currency instruments | 16,919 | 304 | -235 | 14,455 | 368 | -196 |
| Total equity instruments | 1,398 | 33 | -409 | 1,414 | 51 | -334 |
| Total commodity-related contracts | 814 | 190 | -190 | 1,549 | 83 | -83 |
| Accrued interest | | 569 | -699 | | 872 | -977 |
| **Total financial derivatives** | **308,779** | **3,224** | **-3,909** | **306,683** | **7,226** | **-7,179** |

## Note 29 - Hedge Accounting for Debt created by issue of securities

The bank has established hedge accounting in order to achieve accounting treatment that reflects how interest rate risk and foreign exchange risk are managed in the case of large long-term borrowings. The hedged objects consist exclusively of debt created by the issuance of financial instruments and are implemented in conformity with IFRS 9 by fair value hedging. For those debt instruments that are included in the hedging portfolio, separate interest rate and exchange rate swaps are entered into with corresponding principle and maturity structure. Inefficiency may nonetheless arise as a result of random market variations in the evaluation of object and instrument.

The hedging instruments (interest rate and exchange rate swaps) are recognised at fair value, whereas the hedged objects are recognised at fair value in respect of the risks that are hedged (interest rate risk and exchange rate risk). Hedge inefficiency, defined as the difference between the value adjustment of the hedging instruments and the value adjustment of the hedged risks in the objects is recognised through profit/loss on an ongoing basis.

| | **Nominal amount 31 Dec 2021** | | | **Nominal amount 31 Dec 2020** | | |
|---|---|---|---|---|---|---|
| **Group (NOK million)** | **Hedging instrument** | **Hedging object** | **Ineffectivity** | **Hedging instrument** | **Hedging object** | **Ineffectivity** |
| Accounting line in Balance Sheet | Derivatives | Debt created by issuance of securities | | Derivatives | Debt created by issuance of securities | |
| *Debt at fixed interest* | *Interest swap* | | | *Interest swap* | | |
| Nominal NOK | 8,025 | 8,025 | - | 7,943 | 7,550 | - 393 |
| *Debt in currency at fixed interest* | *Interest and currency swap* | | | *Interest and currency swap* | | |
| Nominal EUR | 21,902 | 21,738 | - 164 | 22,658 | 22,644 | -13 |
| Nominal SEK | - | - | - | 626 | 600 | -26 |
| Nominal CHF | 1,690 | 1,690 | - | 1,696 | 1,696 | - |

| | **Book value 31 Dec 2021** | | | **Book value 31 Dec 2020** | | |
|---|---|---|---|---|---|---|
| | **Hedging instrument** | **Hedging object** | **Ineffectivity in PL** | **Hedging instrument** | **Hedging object** | **Ineffectivity in PL** |
| Recorded amount Assets | 353 | | | 921 | | |
| Recorded amount Liabilities | 511 | 31,461 | | 48 | 33,301 | |
| Accumulated value changes ending balance | -30 | -88 | | 634 | 570 | |
| Accumulated value changes opening balance | 634 | 570 | | 167 | 104 | |
| **Change in fair value** | **-664** | **-657** | **-6** | **467** | **465** | **1** |
| Accounting line in profit and loss | | | Net return on financial investments | | | Net return on financial investments |

**IBOR reform**

In recent years, reform of and alternatives to IBOR rates have become a priority area for governments across the world. However, there is uncertainty as to the timing and method for any changes. All SpareBank 1 SMN's interest rate derivatives have IBOR rates as their benchmark, and thus could be affected by changes. The most significant positions are held in EURIBOR and NIBOR. The bank follows market developments closely, and participates in several projects in order to monitor and facilitate any changes. The table below shows exposure and nominal amount for derivatives in hedge relationships that may be affected by the IBOR reform, split on the IBOR rate in question.

| | Nominal amount | | |
|---|---|---|---|
| **Interest- and currency instrument (NOK million)** | **Hedging object** | **Hedging instrument** | **Net Exposure** |
| CHFLIB 3M | - | 241 | 241 |
| EURIBOR 3M | - | 16,265 | 16,265 |
| EURIBOR 6M | - | 259 | 259 |
| OIBOR 3M | - | 13,542 | 13,542 |
| USD LIBOR 3M | - | 1,317 | 1,317 |
| **Total** | **-** | **31,624** | **31,624** |

## Note 30 - Shares, units and other equity interest

| Parent bank | | | Group | |
|---|---|---|---|---|
| 31 Dec 2020 | 31 Dec 2021 | Shares and units (NOK million) | 31 Dec 2021 | 31 Dec 2020 |
| **234** | **217** | **At fair value through profit or loss** | **2,547** | **2,360** |
| 131 | 130 | Listed | 162 | 165 |
| 103 | 86 | Unlisted | 564 | 432 |
| - | - | Sparebank 1 Markets' trading activity | 1,821 | 1,762 |
| **234** | **217** | **Total shares and units** | **2,547** | **2,360** |
| | | | | |
| | | **Subordinated bond** | | |
| - | 95 | Listed | 95 | - |
| 85 | 90 | Unlisted | 12 | 6 |
| **85** | **185** | **Total subordinated bond** | **106** | **6** |
| | | | | |
| | | **Business held for sale - og which shares** | | |
| 82 | 98 | Unlisted | 59 | 41 |
| 82 | **98** | **Total shares held for sale (see note 39)** | **59** | 41 |
| 131 | 225 | Total listed companies | 257 | 165 |
| 269 | 275 | Total unlisted companies | 634 | 479 |

**Specification of Parent Bank**

| Listed companies | Stake over 10 % | Our holding (no.) | Acquisition cost (NOK 1000) | Market value/book value (NOK 1000) |
|---|---|---|---|---|
| Solstad Farstad, A-shares | | 46,344 | 151 | 253 |
| Visa Inc. C-shares | | 63,536 | 6,750 | 120,960 |
| **Total quoted shares** | | | **6,901** | **121,213** |
| SpareBank 1 Nordvest | | 69,423 | 7,455 | 9,164 |
| **Total quoted credit institutions** | | | **7,455** | **9,164** |
| **Unlisted companies** | | | | |
| VN Norge AS | | 26,373,402,000 | 37,338 | 24,416 |
| Eksportfinans | | 1,857 | 12,888 | 35,723 |
| Visa C Preference shares | | 1,298 | 5,215 | 14,877 |
| Molde Kunnskapspark | | 2,000 | 2,030 | 2,083 |
| Sparebankmateriell (Spama) | | 2,305 | - | 1,563 |
| Swift EUR | | 44 | 855 | 1,503 |
| Other companies | | | 1,039 | 941 |
| **Total unquoted shares and units** | | | **59,365** | **81,107** |
| SpareBank 1 Søre Sunnmøre | | 48,070 | 4,999 | 5,071 |
| **Total unquoted credit institutions** | | | **4,999** | **5,071** |
| SpareBank 1 Gruppen | | | 48,750 | 48,449 |
| Jæren Sparebank | | | 6,614 | 6,606 |
| BN Bank | | | 5,429 | 5,427 |
| Andebu Sparebank | | | 4,615 | 4,582 |
| Sogn Sparebank | | | 3,090 | 3,065 |
| Landkreditt Bank | | | 3,046 | 3,044 |
| Bien Sparebank | | | 3,041 | 3,035 |
| OBOS-banken | | | 3,023 | 3,020 |
| Totens Sparebank | | | 2,079 | 2,055 |
| Nidaros Sparebank | | | 2,063 | 2,040 |
| Sparebanken Vest | | | 2,022 | 2,015 |
| Other | | | 11,442 | 11,343 |
| **Total quoated subordinated bonds** | | | **95,214** | **94,681** |
| SpareBank 1 Finans Midt-Norge | | | 77,496 | 78,604 |
| Åfjord Sparebank | | | 11,803 | 11,738 |
| **Total unquoated subordinated bonds** | | | **89,299** | **90,342** |
| **Total shares, units and equity capital certificates, parent bank** | | | **263,233** | **401,579** |

**Specification of Group**

| Listed companies | Stake over 10 % | Our holding (no.) | Acquisition cost (NOK 1000) | Market value/book value (NOK 1000) |
|---|---|---|---|---|
| Okea | | 1,071,368 | 20,920 | 27,106 |
| Havila | | 1,190,813 | 12,940 | 4,930 |
| **Total quoted shares** | | | **33,860** | **32,036** |
| | | | | |
| **Unlisted companies** | | | | |
| SIGNORD | 17.0 % | 955,039 | 34,745 | 186,233 |
| Salvesen & Thams | | 27,564 | 45,733 | 115,493 |
| Crayo Nano | | 1,140,683 | 12,586 | 31,939 |
| Novelda | | 19,980 | 7,163 | 15,984 |
| Sintef Venture IV | | 18,101 | 13,195 | 13,251 |
| Sonoclear | 12.4 % | 1,282,982 | 5,468 | 12,830 |
| Proventure Seed II | | 15,848,705 | 13,190 | 11,026 |
| Norsk Innovasjonskapital III | | 600 | 7,950 | 10,147 |
| Proventure Seed III | 10.7 % | 11,541,177 | 9,810 | 9,810 |
| Sintef Venture V | | 9,000 | 9,949 | 8,740 |
| Signord Klasse E | | 46,476 | 4,704 | 6,646 |
| Vectron Biosolutions | | 220,000 | 6,000 | 6,600 |
| Way | | 545,530 | 5,202 | 6,437 |
| Novela Kapital | | 300,000 | 6,240 | 6,240 |
| Numascale | | 4,530,117 | 7,620 | 5,889 |
| Happybites | | 15,412 | 1,746 | 5,533 |
| Other companies | | | 25,311 | 24,705 |
| **Total unquoted shares and units** | | | **216,614** | **477,503** |
| | | | | |
| Holding of shares as part of SpareBank 1 Markets' trading activity* | | | 1,846,486 | 1,821,343 |
| Elimination of subordinated bond SpareBank 1 Finans Midt-Norge | | | -77,496 | -78,604 |
| **Total shares, units and equity capital certificates, Group** | | | **2,282,697** | **2,653,857** |

* This holding relatees to futures trading carried out by SpareBank 1 Markets. These exposures represent no share price risk for SpareBank 1 Markets or for SpareBank 1 SMN. It is the purchaser of share futures that carries the entire share price risk on the underlying shares. Moreover, customers provide collateral in the form of cash, and margin payments on customers' accounts are made on a daily basis to ensure that no open credit risk arises in connection with futures trading.

## Note 31 - Intangible assets

**2021**

| Parent Bank: Other intangible assets | Parent Bank: Goodwill | Parent Bank: Total | (NOK million) | Group: Total | Group: Goodwill | Group: Other intangible assets |
|---|---|---|---|---|---|---|
| 225 | 447 | 671 | Cost of acquisition at 1 January | 1,179 | 790 | 389 |
| 32 | - | 32 | Additions | 89 | 52 | 36 |
| -233 | - | -233 | Disposals | -251 | - | -251 |
| - | - | - | Addition from acqusition of companies | - | - | - |
| 24 | 447 | 470 | Cost of acquisition at 31 December | 1,017 | 842 | 175 |
| 156 | - | 156 | Accumulated depreciation and write-downs as at 1 January | 274 | 34 | 241 |
| 23 | - | 23 | Current period's depreciation | 32 | - | 32 |
| -0 | - | -0 | Current period's write-down | 31 | - | 31 |
| -166 | - | -166 | Disposals | -173 | - | -173 |
| - | - | - | Addition from acqusition of companies | - | - | - |
| 13 | - | 13 | Accumulated depreciation and write-down as at 31 December | 164 | 34 | 130 |
| **11** | **447** | **458** | **Book value as at 31 December** | **853** | **808** | **45** |

**2020**

| Parent Bank: Other intangible assets | Parent Bank: Goodwill | Parent Bank: Total | (NOK million) | Group: Total | Group: Goodwill | Group: Other intangible assets |
|---|---|---|---|---|---|---|
| 194 | 447 | 640 | Cost of acquisition at 1 January | 1,106 | 767 | 338 |
| 32 | - | 32 | Additions | 76 | 22 | 54 |
| -1 | - | -1 | Disposals | -6 | - | -6 |
| - | - | - | Addition from acquisition of companies | 3 | - | 3 |
| 225 | 447 | 671 | Cost of acquisition at 31 December | 1,179 | 790 | 389 |
| 128 | - | 128 | Accumulated depreciation and write-downs as at 1 January | 233 | 34 | 199 |
| 28 | - | 28 | Current period's depreciation | 44 | - | 44 |
| 0 | - | 0 | Current period's write-down | 0 | - | 0 |
| -1 | - | -1 | Disposals | -5 | - | -5 |
| - | - | - | Addition from acquisition of companies | 3 | - | 3 |
| 156 | - | 156 | Accumulated depreciation and write-down as at 31 December | 274 | 34 | 241 |
| **69** | **447** | **515** | **Book value as at 31 December** | **905** | **756** | **149** |

# Note 32 - Property, plant and equipment

**2021**

| Parent Bank | | | | Group | | |
|---|---|---|---|---|---|---|
| **Buildings and other real property** | **Machinery, inventory and vehicles** | **Total** | **(NOK million)** | **Total** | **Machinery, inventory and vehicles** | **Buildings and other real property** |
| 110 | 168 | 278 | Cost of acquisition at 1 January | 574 | 260 | 314 |
| 3 | 39 | 42 | Additions | 55 | 50 | 5 |
| -9 | -74 | -83 | Disposals | -85 | -75 | -9 |
| - | - | - | Addition from acquisition of companies | 1 | 1 | - |
| 104 | 133 | 237 | Cost of acquisition at 31 December | 546 | 236 | 310 |
| 71 | 139 | 210 | Accumulated depreciation and write-downs as at 1 January | 380 | 219 | 160 |
| 8 | 13 | 20 | Current period's depreciation | 32 | 18 | 14 |
| 0 | -0 | -0 | Current period's write-down | 1 | 0 | 1 |
| -5 | -73 | -79 | Disposals | -80 | -75 | -5 |
| - | - | - | Addition from acquisition of companies | 1 | 1 | - |
| 73 | 79 | 151 | Accumulated depreciation and write-down as at 31 December | 334 | 163 | 170 |
| **31** | **54** | **86** | **Book value as at 31 December** | **212** | **72** | **139** |

**2020**

| Parent Bank | | | | Group | | |
|---|---|---|---|---|---|---|
| **Buildings and other real property** | **Machinery, inventory and vehicles** | **Total** | **(NOK million)** | **Total** | **Machinery, inventory and vehicles** | **Buildings and other real property** |
| 119 | 165 | 284 | Cost of acquisition at 1 January | 580 | 255 | 325 |
| 3 | 7 | 9 | Additions | 19 | 11 | 8 |
| -11 | -5 | -16 | Disposals | -28 | -8 | -19 |
| - | - | - | Addition from acquisition of companies | 2 | 2 | - |
| 110 | 168 | 278 | Cost of acquisition at 31 December | 574 | 260 | 314 |
| 71 | 128 | 199 | Accumulated depreciation and write-downs as at 1 January | 358 | 204 | 154 |
| 9 | 14 | 23 | Current period's depreciation | 36 | 20 | 16 |
| -0 | 0 | 0 | Current period's write-down | 0 | 0 | -0 |
| -9 | -3 | -12 | Disposals | -16 | -7 | -9 |
| - | - | - | Addition from acquisition of companies | 2 | 2 | - |
| 71 | 139 | 210 | Accumulated depreciation and write-down as at 31 December | 380 | 219 | 160 |
| **39** | **28** | **67** | **Book value as at 31 December** | **194** | **41** | **153** |

**Depreciation**

With a basis in acquisition cost less any residual value, assets are depreciated on a straight-line basis over expected lifetime as follows:

- Machinery 3-5 years
- Fixtures 5-10 years
- Technical installations 5-10 years
- Means of transport 10 years
- Buildings and other real property 25 years

**Collateral**

The Group has not provided security or accepted any other infringements on its right of disposal of its fixed tangible assets with the exception of SpareBank 1 Markets which has pledged inter alia business assets to DNB in connection with banking services related to the securities settlement.

**Acquisition cost of depreciated assets**

The acquisition cost of fully depreciated assets still in use in the Bank in 2021 is NOK 180 million (NOK 119 million).

**Gross value of non-current assets temporarily out of operation**

The Group has no significant non-current assets out of operation as at 31 December 2021.

SpareBank 1 SMN

## Note 33 - Leases

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **2020** | **2021** | **Right-of-use assets** | **2021** | **2020** |
| 392 | 397 | Acquisition cost 1 January | 636 | 581 |
| - | 2 | Addition of right-of-use assets | 115 | 43 |
| - | -2 | Disposals | -79 | - |
| 5 | 1 | Transfers and reclassifications | 9 | 13 |
| 397 | 398 | Acquisition cost 31 December | 681 | 636 |
| | | | | |
| 49 | 99 | Accumulated depreciation and impairment 1 January | 166 | 82 |
| 50 | 53 | Depreciation | 93 | 84 |
| - | -6 | Disposals | -38 | -1 |
| 99 | 146 | Accumulated depreciation and impairment 31 December | 221 | 166 |
| | | | | |
| **298** | **253** | **Carrying amount of right-of-use assets 31 December** | **460** | **470** |

**Lease liabilities**

| 2020 | 2021 | Undiscounted lease liabilities and maturity of cash outflows | 2021 | 2020 |
|---|---|---|---|---|
| 42 | 55 | Less than 1 year | 99 | 82 |
| 37 | 52 | 1-2 years | 92 | 71 |
| 36 | 44 | 2-3 years | 78 | 66 |
| 28 | 42 | 3-4 years | 73 | 54 |
| 53 | 40 | 4-5 years | 68 | 77 |
| 170 | 207 | More than 5 years | 289 | 230 |
| **366** | **440** | **Total undiscounted lease liabilities at 31 December** | **698** | **579** |

| 2020 | 2021 | Summary of the lease liabilities | 2021 | 2020 |
|---|---|---|---|---|
| 347 | 303 | At initial application 1 January | 480 | 505 |
| - | 6 | New lease liabilities recognised in the year | 86 | 52 |
| -44 | -46 | Cash payments for the principal portion of the lease liability | -89 | -76 |
| -9 | -8 | Cash payments for the interest portion of the lease liability | -7 | -13 |
| 9 | 8 | Interest expense on lease liabilities | 7 | 13 |
| - | - | Other changes | -2 | -2 |
| **303** | **262** | **Total lease liabilities at 31 December** | **476** | **479** |
| 41 | 50 | Current lease liabilities (note 37) | 59 | 63 |
| 263 | 213 | Non-current lease liabilities (note 37) | 416 | 416 |
| -45 | -45 | Total cash outflows for leases | -86 | -79 |

| 2020 | 2021 | Summary of other lease expenses recognised in profit or loss | 2021 | 2020 |
|---|---|---|---|---|
| 10 | 15 | Variable lease payments expensed in the period | 26 | 20 |
| 1 | 4 | Operating expenses in the period related to short-term leases (including short-term low value assets) | 7 | 7 |
| - | - | Operating expenses in the period related to low value assets (excluding short-term leases included above) | - | 1 |
| **11** | **19** | **Total lease expenses included in other operating expenses** | **33** | **28** |

## Note 34 - Other assets

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **31 Dec 2020** | **31 Dec 21** | (NOK million) | **31 Dec 21** | **31 Dec 20** |
| - | 3 | Deferred tax asset | 90 | 129 |
| 67 | 84 | Fixed assets | 210 | 194 |
| 298 | 253 | Right to use assets | 460 | 470 |
| 135 | 152 | Earned income not yet received | 186 | 185 |
| 11 | 20 | Accounts receivable, securities | 300 | 678 |
| 112 | 62 | Pensions | 62 | 112 |
| 340 | 508 | Other assets | 752 | 690 |
| **963** | **1,082** | **Total other assets** | **2,062** | **2,457** |

# Note 35 - Deposits from and liabilities to customers

| Parent Bank | | | Group | |
|---|---|---|---|---|
| 31 Dec 2020 | 31 Dec 2021 | Deposits from and liabilities to customers (NOKm) | 31 Dec 2021 | 31 Dec 2020 |
| 74,542 | 84,984 | Deposits from and liabilities to customers without agreed maturity | 84,244 | 73,906 |
| 23,624 | 27,044 | Deposits from and liabilities to customers with agreed maturity | 27,042 | 23,622 |
| **98,166** | **112,028** | **Total deposits from and liabilities to customers** | **111,286** | **97,529** |
| | | | | |
| 0.8 % | 0.5 % | Average interest rate | 0.5 % | 0.8 % |

Fixed interest deposits account for 2.2 per cent (3.4 per cent) of total deposits.

| 31 Dec 2020 | 31 Dec 2021 | Deposits specified by sector and industry | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|---|---|
| 40,600 | 44,589 | Wage earners | 44,589 | 40,600 |
| 12,711 | 16,826 | Public administration | 16,826 | 12,711 |
| 2,269 | 1,958 | Agriculture and forestry | 1,958 | 2,269 |
| 1,210 | 991 | Fisheries and hunting | 991 | 1,210 |
| 1,305 | 1,050 | Sea farming industries | 1,050 | 1,305 |
| 1,796 | 2,562 | Manufacturing | 2,562 | 1,796 |
| 3,799 | 5,535 | Construction, power and water supply | 5,535 | 3,799 |
| 5,461 | 6,649 | Retail trade, hotels and restaurants | 6,649 | 5,461 |
| 1,182 | 1,006 | Maritime sector | 1,006 | 1,182 |
| 5,821 | 5,692 | Property management | 5,635 | 5,750 |
| 9,286 | 11,469 | Business services | 11,469 | 9,286 |
| 8,930 | 9,247 | Transport and other services provision | 8,750 | 8,518 |
| 3,795 | 4,453 | Other sectors | 4,267 | 3,641 |
| **98,166** | **112,028** | **Total deposits from customers broken down by sector and industry** | **111,286** | **97,529** |

| 31 Dec 2020 | 31 Dec 2021 | Deposits specified by geographic area | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|---|---|
| 64,599 | 73,210 | Trøndelag | 72,550 | 64,019 |
| 16,450 | 18,396 | Møre og Romsdal | 18,396 | 16,450 |
| 801 | 1,446 | Nordland | 1,446 | 801 |
| 7,212 | 8,989 | Oslo | 8,908 | 7,155 |
| 8,393 | 9,247 | Other counties | 9,247 | 8,393 |
| 710 | 740 | Abroad | 740 | 710 |
| **98,166** | **112,028** | **Total deposits broken down by geographic area** | **111,286** | **97,529** |

## Note 36 - Debt securities in issue

| Parent Bank | | | Group | |
|---|---|---|---|---|
| 31 Dec 2020 | 31 Dec 2021 | (NOK million) | 31 Dec 2021 | 31 Dec 2020 |
| 341 | - | Money market instrument and other short-term borrowings | - | 341 |
| 40,580 | 36,824 | Bond debt | 36,824 | 40,580 |
| 999 | 3,508 | Senior non preferred | 3,508 | 999 |
| **41,920** | **40,332** | **Total debt securities in issue** | **40,332** | **41,920** |
| | | | | |
| 0.3 % | 0.3 % | Average interest, money market certificates | 0.3 % | 0.3 % |
| 1.0 % | 0.9 % | Average interest, bond debt | 0.9 % | 1.0 % |
| 1.0 % | 1.3 % | Average interest, senior non preferred | 1.3 % | 1.0 % |

| 31 Dec 2020 | 31 Dec 2021 | Securities debt specified by maturity[1) 2)] | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|---|---|
| 7,278 | - | 2021 | - | 7,278 |
| 7,162 | 6,395 | 2022 | 6,395 | 7,162 |
| 9,297 | 9,069 | 2023 | 9,069 | 9,297 |
| 4,445 | 3,600 | 2024 | 3,600 | 4,445 |
| 1,251 | 2,750 | 2025 | 2,750 | 1,251 |
| 9,500 | 9,230 | 2026 | 9,230 | 9,500 |
| - | 2,000 | 2027 | 2,000 | - |
| - | 5,129 | 2028 | 5,129 | - |
| 505 | 500 | 2029 | 500 | 505 |
| 105 | 100 | 2030 | 100 | 105 |
| 315 | 299 | 2031 | 299 | 315 |
| 263 | 249 | 2032 | 249 | 263 |
| 315 | 299 | 2033 | 299 | 315 |
| 158 | 149 | 2034 | 149 | 158 |
| 273 | 259 | 2035 | 259 | 273 |
| 294 | 279 | 2044 | 279 | 294 |
| 43 | 17 | Currency agio | 17 | 43 |
| 525 | -169 | Premium and discount, market value of structured bonds | -169 | 525 |
| 191 | 178 | Accrued interest | 178 | 191 |
| **41,920** | **40,332** | **Total securities debt** | **40,332** | **41,920** |

1) Maturity is final maturity, not call date

2) Less own bonds. At year-end 2021 there is no own holding (nominal own holding NOK 126 m)

| 31 Dec 2020 | 31 Dec 2021 | Securities debt distributed on significant currencies | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|---|---|
| 15,015 | 15,769 | NOK | 15,769 | 15,015 |
| 24,257 | 22,871 | EUR | 22,871 | 24,257 |
| 2,647 | 1,692 | Other | 1,692 | 2,647 |
| **41,920** | **40,332** | **Total securities debt** | **40,332** | **41,920** |

**Parent Bank and Group**

| Change in securities debt | 31 Dec 2021 | Issued | Fallen due/ redeemed | Other changes | 31 Dec 2020 |
|---|---|---|---|---|---|
| Money market instrument | - | - | 368 | 28 | 341 |
| Bond debt | 36,805 | 5,367 | 6,653 | -1,727 | 39,819 |
| Senior non preferred | 3,500 | 2,500 | - | - | 1,000 |
| Adjustments | -152 | - | - | -721 | 569 |
| Accrued interest | 178 | - | - | -13 | 191 |
| **Total** | **40,332** | **7,867** | **7,021** | **-2,434** | **41,920** |

| Change in securities debt | 31 Dec 2020 | Issued | Fallen due/ redeemed | Other changes | 31 Dec 2019 |
|---|---|---|---|---|---|
| Money market instrument | 341 | 368 | - | -28 | - |
| Bond debt | 39,819 | 7,018 | 10,053 | 1,132 | 41,722 |
| Senior non preferred | 1,000 | 1,000 | - | - | - |
| Adjustments | 569 | - | - | 495 | 74 |
| Accrued interest | 191 | - | - | -27 | 218 |
| **Total** | **41,920** | **8,386** | **10,053** | **1,572** | **42,015** |

## Note 37 - Other debt and liabilities

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **31 Dec 2020** | **31 Dec 2021** | **Other debt and recognised liabilities (NOK million)** | **31 Dec 2021** | **31 Dec 2020** |
| 8 | - | Deferred tax | 56 | 81 |
| 322 | 513 | Payable tax | 583 | 408 |
| 11 | 12 | Capital tax | 12 | 11 |
| 101 | 120 | Accruals | 776 | 671 |
| 301 | 347 | Provisions | 347 | 301 |
| 81 | 78 | Tapsavsetninger garantier | 78 | 81 |
| 10 | 8 | Pension liabilities | 8 | 10 |
| 303 | 262 | Lease liabilities | 476 | 479 |
| 74 | 84 | Drawing debt | 84 | 74 |
| 78 | 92 | Creditors | 150 | 129 |
| 13 | 157 | Debt from securities | 351 | 568 |
| - | - | Equity instruments | 31 | 0 |
| 164 | 185 | Other | 266 | 271 |
| **1,466** | **1,857** | **Total other debt and recognised liabilities** | **3,217** | **3,084** |
| | | | | |
| | | **Other liabilities, not recognised** | | |
| 3,408 | 3,467 | Credit limits, trading | 3,484 | 3,585 |
| - | - | Other commitments | 240 | 113 |
| **3,408** | **3,467** | **Total other commitments** | **3,723** | **3,698** |
| | | | | |
| **4,874** | **5,324** | **Total commitments** | **6,940** | **6,783** |

**Collateral**

As from 1 March 2017 the bank is required under the European market infrastructure regulation (EMIR) to have in place a CSA with daily exchange of margin collateral etc. with all financial counterparties with which the bank deals domiciled (inter alia) in an EU member state.

The Emir regulation regulates OTC derivatives and entails inter alia that SpareBank 1 SMN will be entitled to clear certain derivatives transactions through a central counterparty. This mainly applies to interest rate derivatives in euro and Norwegian kroner. Derivatives are cleared through London Clearing House as central counterparty where cash is the only collateral at present. SpareBank 1 SMN is not a direct member of London Clearing House, but has entered an agreement with Commerzbank and SEB as clearing broker. The liabilities are presented gross in the table below.

SpareBank 1 Markets clears ordinary share trades executed at Oslo Børs through CCP settlements. The company is a direct clearing member of SIX X-Clear. The company furnishes cash as collateral for the daily margin payments. Clearing of Norwegian listed derivatives takes place at LCH.

SpareBank 1 SMN is registered as a GCM member of NASDAQ OMX Clearing AB. The bank offers customers clearing representation related to their trade in electricity and salmon derivatives on NASDAQ OMX Oslo ASA and Fish Pool ASA. Clearing representation entails that the bank substitutes itself in the place of the client as counterparty to NASDAQ OMX Clearing AB and takes on the obligation towards NASDAQ to furnish margin collateral and to execute settlement of contracts and pay charges. For the bank's exposure as a GCM, clients will furnish collateral in the form of a deposit of cash and/or encumbrance of other assets.

| Parent Bank | | | | Group | | |
|---|---|---|---|---|---|---|
| **Cash deposit** | **Securities** | **Total** | **Securities pledged** | **Total** | **Securities** | **Cash deposit** |
| 888 | - | 888 | Securities pledged 31 December 2021 | 2,373 | - | 2,373 |
| 1,918 | - | 1,918 | Relevant liabilities 31 December 2021 | 2,746 | - | 2,746 |
| | | | | | | |
| 1,446 | - | 1,446 | Securities pledged 31 December 2020 | 2,386 | - | 2,386 |
| 3,992 | - | 3,992 | Relevant liabilities 31 December 2020 | 4,512 | - | 4,512 |

**Ongoing lawsuits**

The Group is not involved in legal disputes considered to be of substantial significance for the Group's financial position. No provision for loss has been made as of 31 December 2021.

**Provisions**

The group has made provisions for pension liabilities, see note 22, specified losses on guarantees, see note 10, restructuring and gifts. The provision for restructuring is made based on the downsizing plan. Provision on gifts is the part of previous year's profit to be allocated to non-profit causes. More on this topic in the section Comunity dividend.

| Parent Bank/Group (NOK million) | Pension liabilities | Restructuring provision | Gifts |
|---|---|---|---|
| Provisions at 1 January 2021 | 10 | 83 | 217 |
| Additional provisions in the period | - | - | 200 |
| Amounts used in the period | - | -50 | -103 |
| Amounts unused reversed in the period | - | - | - |
| The increase during the period in the discounted amount that occurs over time, and the effect of any changes in the discount rate | - | - | - |
| Other | -2 | - | - |
| **Provisions at 31 December 2021** | **8** | **33** | **314** |

| Parent Bank/Group (NOK million) | Pension liabilities | Restructuring provision | Gifts |
|---|---|---|---|
| Provisions at 1 January 2020 | 16 | 6 | 121 |
| Additional provisions in the period | - | 83 | 200 |
| Amounts used in the period | -1 | -6 | -104 |
| Amounts unused reversed in the period | - | - | - |
| The increase during the period in the discounted amount that occurs over time, and the effect of any changes in the discount rate | -6 | - | - |
| **Provisions at 31 December 2020** | **10** | **83** | **217** |

## Note 38 - Subordinated debt and hybrid capital issue

| Parent bank | | | Group | |
|---|---|---|---|---|
| 31 Dec 2020 | 31 Dec 2021 | (NOKm) | 31 Dec 2021 | 31 Dec 2020 |
| | | **Dated subordinated debt** | | |
| - | - | 2026 SpareBank 1 Finans Midt-Norge 16/26 | 43 | 43 |
| 150 | 150 | 2027 floating rate NOK (Call 2022) | 150 | 150 |
| 600 | 600 | 2027 floating rate NOK (Call 2022) | 600 | 600 |
| 250 | 250 | 2028 floating rate NOK (Call 2023) | 250 | 250 |
| 500 | 500 | 2028 floating rate NOK (Call 2023) | 500 | 500 |
| 250 | 250 | 2029 floating rate NOK (Call 2024) | 250 | 250 |
| 2 | 3 | Accrued interest | 3 | 3 |
| **1,752** | **1,753** | **Total dated subordniated debt** | **1,796** | **1,795** |
| 2.4 % | 1.9 % | Average rate NOK | 1.9 % | 2.4 % |
| | | **Additional Tier 1 Capital** | | |
| - | - | 5/99 SpareBank 1 Finans Midt-Norge floating rate NOK (Call 2022) | 43 | 43 |
| 300 | 300 | 5/99 floating rate NOK (Call 2023) | 300 | 300 |
| 200 | 200 | 7/99 fixed rate 5.0 % NOK (Call 2025)*) | 200 | 200 |
| 300 | 300 | 5/99 floating rate NOK (Call 2023) | 300 | 300 |
| 200 | 200 | 5/99 floating rate NOK (Call 2023) | 200 | 200 |
| 250 | 250 | 5/99 floating rate NOK (Call 2024) | 250 | 250 |
| **1,250** | **1,250** | **Total additional Tier 1 Capital** | **1,293** | **1,293** |
| 4.5 % | 3.8 % | Average rate NOK | 3.8 % | 4.5 % |

*) Fixed rate funding changed to floating rate by means of interest rate swaps

**Group**

| Changes in subordinated debt and hybrid equity issue | 31 Dec 2021 | Issued | Fallen due/ redeemed | Other changes | 31 Dec 2020 |
|---|---|---|---|---|---|
| Ordinary subordinated debt, NOK | 1,793 | - | - | - | 1,793 |
| Accrued interest | 3 | - | - | 0 | 3 |
| **Total subordinated debt and hybrid equity issue** | **1,796** | **-** | **-** | **0** | **1,795** |

| Changes in additional Tier 1 Capital | 31 Dec 2021 | Issued | Fallen due/ redeemed | Other changes | 31 Dec 2020 |
|---|---|---|---|---|---|
| Additional Tier 1 Capital, NOK | 1,293 | - | - | - | 1,293 |
| **Total subordinated debt and hybrid equity issue** | **1,293** | **-** | **-** | **-** | **1,293** |

| Changes in subordinated debt and hybrid equity issue | 31 Dec 2020 | Issued | Fallen due/ redeemed | Other changes | 31 Dec 2019 |
|---|---|---|---|---|---|
| Ordinary subordinated debt, NOK | 1,793 | - | - | - | 1,793 |
| Hybrid capital loan, NOK | - | - | 287 | - | 287 |
| Adjustments | - | - | - | -1 | 1 |
| Accrued interest | 3 | - | - | -7 | 10 |
| **Total subordinated debt and hybrid equity issue** | **1,795** | **-** | **287** | **-8** | **2,090** |

| Changes in additional Tier 1 Capital | 31 Dec 2020 | Issued | Fallen due/ redeemed | Other changes | 31 Dec 2019 |
|---|---|---|---|---|---|
| Additional Tier 1 Capital, NOK | 1,293 | - | - | - | 1,293 |
| **Total subordinated debt and hybrid equity issue** | **1,293** | **-** | **-** | **-** | **1,293** |

## Note 39 - Investments in owner interests

Subsidiaries, associates, joint ventures and companies held for sale.

| Company | Company number | Registered office | Stake in per cent |
|---|---|---|---|
| **Investment in significant subsidiaries** | | | |
| EiendomsMegler 1 Midt-Norge | 936159419 | Trondheim | 87.0 |
| SpareBank 1 Regnskapshuset SMN | 936285066 | Trondheim | 88.7 |
| SpareBank 1 Invest | 990961867 | Trondheim | 100.0 |
| SpareBank 1 Finans Midt-Norge | 938521549 | Trondheim | 56.5 |
| SpareBank 1 SMN Kvartalet | 990283443 | Trondheim | 100.0 |
| SpareBank 1 Bygget Steinkjer | 934352718 | Trondheim | 100.0 |
| St. Olavs Plass | 999263380 | Trondheim | 100.0 |
| SpareBank 1 Bilplan | 979945108 | Trondheim | 100.0 |
| SpareBank 1 Markets | 992999101 | Oslo | 66.7 |
| | | | |
| **Shares owned by subsidiaries and sub-subsidiaries** | | | |
| GMA Invest | 994469096 | Trondheim | 100.0 |
| Sentrumsgården | 975856828 | Leksvik | 35.3 |
| Aqua Venture | 891165102 | Trondheim | 37.5 |
| Omega-3 Invest | 996814262 | Namsos | 33.6 |
| Tjeldbergodden Utvikling | 979615361 | Aure | 23.0 |
| Grilstad Marina | 991340475 | Trondheim | 35.0 |
| GMN 6 | 994254707 | Trondheim | 30.0 |
| GMN 51 | 996534316 | Trondheim | 30.0 |
| GMN 52 | 996534413 | Trondheim | 30.0 |
| GMN 53 | 996534502 | Trondheim | 30.0 |
| Grilstad N8 AS | 926281070 | Trondheim | 35.0 |
| Brauten Eiendom | 917066221 | Trondheim | 100.0 |
| Mavi XXIX AS | 827074462 | | 100.0 |
| SpareBank 1 Capital Markets | | New York | 100.0 |
| Leksvik Regnskapskontor | 980491064 | Leksvik | 50.0 |
| SpareBank 1 Mobilitet Holding | 927249960 | Hamar | 33.0 |
| | | | |
| **Investment in joint ventures** | | | |
| SpareBank 1 Gruppen | 975966372 | Tromsø | 19.5 |
| SpareBank 1 Utvikling | 986401598 | Oslo | 18.0 |
| | | | |
| **Investment in associates** | | | |
| SpareBank 1 Boligkreditt | 988738387 | Stavanger | 20.9 |
| BN Bank | 914864445 | Trondheim | 35.0 |
| SpareBank 1 Næringskreditt | 894111232 | Stavanger | 12.8 |
| SpareBank 1 Kreditt | 975966453 | Trondheim | 19.2 |
| SpareBank 1 Betaling | 919116749 | Oslo | 21.5 |
| SpareBank 1 Gjeldsinformasjon | 924911719 | Oslo | 16.9 |
| SpareBank 1 Forvaltning | 925239690 | Oslo | 19.9 |
| SpareBank 1 Kundepleie | 927467380 | Trondheim | 26.7 |
| | | | |
| **Investment in companies held for sale** | | | |
| Mavi XV | 890899552 | Trondheim | 100.0 |
| Byscenen Kongensgt 19 | 992237899 | Trondheim | 94.0 |
| Bjerkeløkkja | 998534976 | Oppdal | 95.0 |

### Shares in subsidiaries, Parent Bank

Recorded at acquisition cost in the Parent Bank. Full consolidation in the Group accounts. Total costs include tax charge. The booked value of subsidiaries in the tables below is the Parent Bank's booked value. Profit or loss show the company's net profil.

| 2021 (NOK million) | Company's share capital (NOK 000's) | No. Of shares | Nominal value (NOK 000's) | Assets | Liabilities | Equity | NCI of equity *) | Total income | Total expenses | Profit or loss | NCI of profit or loss *) | Book value 31.12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SpareBank 1 Finans Midt-Norge AS | 1,000,000 | 56,300 | 17.8 | 10,372 | 8,893 | 1,479 | 595 | 364 | 179 | 185 | 81 | 666 |
| **Total investments in credit institutions** | | | | | | | | | | | | **666** |
| EiendomsMegler 1 Midt-Norge | 105,960 | 4,788 | 22.1 | 436 | 168 | 267 | 35 | 453 | 396 | 58 | 8 | 189 |
| SpareBank 1 SMN Kvartalet | 30,200 | 30,200 | 1.0 | 101 | 16 | 85 | - | 9 | 6 | 3 | - | 126 |
| SpareBank 1 Regnskapshuset SMN | 20,349 | 211 | 96.4 | 625 | 198 | 428 | 48 | 522 | 456 | 66 | 8 | 298 |
| SpareBank 1 Invest | 457,280 | 914,560 | 0.5 | 717 | 47 | 670 | - | 194 | 6 | 188 | - | 540 |
| SpareBank 1 Bygget Steinkjer | 1,000 | 100 | 10.0 | 36 | 1 | 36 | - | 0 | - 1 | 1 | - | 40 |
| St. Olavs Plass | 1,000 | 100,000 | 0.0 | 51 | 0 | 51 | - | 2 | 3 | 0 | - | 50 |
| SpareBank 1 Bilplan | 5,769 | 41,206 | 0.1 | 8 | 0 | 8 | - | 0 | 0 | 0 | - | 9 |
| SpareBank 1 Markets | 529,221 | 2,113,736 | 0.3 | 2,820 | 1,881 | 994 | 313 | 887 | 679 | 208 | 69 | 456 |
| **Total investments in other subsidiaries** | | | | | | | | | | | | **1,708** |
| **Total investments in Group companies, Parent Bank** | | | | | | | | | | | | **2,374** |

*) Non-controlling interests

| 2020 (NOK million) | Company's share capital (NOK 000's) | No. Of shares | Nominal value (NOK 000's) | Assets | Liabilities | Equity | NCI of equity *) | Total income | Total expenses | Profit or loss | NCI of profit or loss *) | Book value 31.12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SpareBank 1 Finans Midt-Norge AS | 922,590 | 56,262 | 16.4 | 9,598 | 8,263 | 1,335 | 474 | 349 | 218 | 131 | 60 | 666 |
| **Total investments in credit institutions** | | | | | | | | | | | | **666** |
| EiendomsMegler 1 Midt-Norge | 66,611 | 4,788 | 13.9 | 357 | 148 | 210 | 27 | 394 | 354 | 41 | 5 | 155 |
| SpareBank 1 SMN Kvartalet | 30,200 | 30,200 | 1.0 | 117 | 24 | 93 | - | 9 | 5 | 4 | - | 126 |
| SpareBank 1 Regnskapshuset SMN | 19,992 | 211 | 94.7 | 592 | 172 | 420 | 48 | 533 | 446 | 86 | 10 | 276 |
| SpareBank 1 Invest | 457,280 | 914,560 | 0.5 | 538 | 38 | 500 | - | 4 | - 2 | 6 | - | 540 |
| SpareBank 1 Bygget Steinkjer | 1,000 | 100 | 10.0 | 38 | 2 | 36 | - | 4 | 3 | 1 | - | 40 |
| St. Olavs Plass | 1,000 | 100,000 | 0.0 | 56 | 3 | 53 | - | 6 | 5 | 2 | - | 50 |
| SpareBank 1 Bilplan | 5,769 | 41,206 | 0.1 | 9 | 0 | 9 | - | 0 | 1 | 0 | - | 9 |
| SpareBank 1 Markets | 529,221 | 2,113,736 | 0.2 | 3,265 | 2,395 | 870 | 290 | 830 | 676 | 154 | 51 | 456 |
| **Total investments in other subsidiaries** | | | | | | | | | | | | **1,652** |
| **Total investments in Group companies, Parent Bank** | | | | | | | | | | | | **2,317** |

*) Non-controlling interests

### Shares in associates and joint ventures

Associates and joint ventures are recorded at acquisition cost in the Parent Bank. Group figures are presented by the equity method.

| Parent Bank | | | Group | |
|---|---|---|---|---|
| 31 Dec 2020 | 31 Dec 2021 | (NOK million) | 31 Dec 2021 | 31 Dec 2020 |
| 4,525 | 4,933 | As at 1 January | 7,324 | 6,467 |
| 423 | -341 | Acquisition/sale | -228 | 430 |
| -15 | -2 | Write-down | -30 | -12 |
| - | - | Equity capital changes | 25 | 30 |
| - | - | Profit share | 711 | 681 |
| - | - | Dividend paid | -418 | -272 |
| **4,933** | **4,590** | **Book value as at 31 December** | **7,384** | **7,324** |

| Specification of year's change, Group | Additions/ disposal | Equtiy change |
|---|---|---|
| SpareBank 1 Gruppen | - | -95 |
| SpareBank 1 Boligkreditt | -166 | 15 |
| SpareBank 1 Næringskreditt | -375 | - |
| SpareBank 1 Kredittkort | 17 | 8 |
| Sparebank 1 Betaling | 16 | 0 |
| BN Bank | - | 0 |
| Other companies | 280 | 96 |
| **Total income from associates and joint ventures** | **-228** | **25** |

**Dividends from investments in associates and joint ventures**

| (NOK million) | 2021 | 2020 |
|---|---|---|
| SpareBank 1 Gruppen | 366 | 195 |
| SpareBank 1 Boligkreditt | 18 | 19 |
| BN Bank | - | 37 |
| SpareBank 1 Næringskreditt | 20 | 21 |
| SpareBank 1 Kredittkort | 14 | 0 |
| **Total dividends from associates and joint ventures** | **418** | **272** |

**Company information on the Group's stakes in associates and joint ventures**

The tables below contain company or Group accounting figures on a 100 per cent share basis, except for profit share which is stated as the SMN Group’s share. Badwill and amortisation effects related to acquisitions are included in the profit share. Booked value is the consolidated value in the SMN Group.

| 2021 (NOK million) | Assets | Liabilities | Total income | Total costs | Profit share | Book value 31.12 | No. of shares |
|---|---|---|---|---|---|---|---|
| SpareBank 1 Gruppen | 124,215 | 109,076 | 38,441 | 35,192 | 471 | 2,175 | 420,498 |
| SpareBank 1 Boligkreditt | 258,239 | 245,820 | 155 | 48 | 16 | 2,412 | 16,325,637 |
| SpareBank 1 Næringskreditt | 11,473 | 9,399 | 69 | 24 | 7 | 265 | 2,074,836 |
| SpareBank 1 Kredittkort | 5,855 | 4,826 | 438 | 371 | 13 | 197 | 553,058 |
| SpareBank 1 Betaling | 778 | 3 | - | 69 | -15 | 167 | 4,298,503 |
| BN Bank | 41,875 | 36,859 | 899 | 421 | 164 | 1,678 | 4,943,072 |
| Other companies | | | | | 49 | 491 | |
| **Total** | | | | | **705** | **7,384** | |

| 2020 (NOK million) | Assets | Liabilities | Total income | Total costs | Profit share | Book value 31.12 | No. of shares |
|---|---|---|---|---|---|---|---|
| SpareBank 1 Gruppen | 108,461 | 93,894 | 24,580 | 23,176 | 534*) | 2,164 | 420,498 |
| SpareBank 1 Boligkreditt | 271,286 | 258,919 | 260 | 92 | 18 | 2,564 | 17,431,133 |
| SpareBank 1 Næringskreditt | 12,000 | 9,911 | 92 | 30 | 18 | 648 | 2,496,504 |
| SpareBank 1 Kredittkort | 5,831 | 4,839 | 438 | 473 | 2 | 173 | 504,277 |
| SpareBank 1 Betaling | 772 | 3 | - | 8,550 | -2 | 165 | 4,012,753 |
| BN Bank | 35,767 | 31,219 | 768 | 441 | 120 | 1,514 | 4,943,072 |
| Other companies | | | | | -11 | 96 | |
| **Total** | | | | | **680** | **7,324** | |

[1)] Incl earnings sale ownership interest to DNB in Fremtind Forsikring NOK 340 million

**Companies held for sale**

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

SpareBank 1 Kapitalforvaltning, subsidiary of SpareBank 1 Markets, has been presented as Investment held for sale from second quarter 2021 due to the agreement of sale to SpareBank 1 Forvaltning in third quarter of 2021. The result for the first half of the year is included on the line held for sale. Comparables have been restated.

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

| 2021 (NOK Million) | Assets | Liabilities | Revenue | Exspenses | Profit | Ownership |
|---|---|---|---|---|---|---|
| Mavi XV AS Group | 59 | 1 | 10 | 11 | -1 | 100 % |
| SpareBank 1 Kapitalforvaltning | - | - | 36 | 26 | 10 | |
| Total Held for sale | 59 | 1 | 46 | 37 | 10 | |

| 2020 (NOK milion) | Assets | Liabilities | Revenue | Exspenses | Profit | Ownership |
|---|---|---|---|---|---|---|
| Mavi XV AS Group | 41 | 1 | 4 | 4 | 1 | 100% |
| SpareBank 1 Kapitalforvaltning | - | - | 67 | 59 | 8 | |
| Total Held for sale | 41 | 1 | 71 | 63 | 9 | |

# Note 40 - Business acquisitions/business combinations

**General**

Upon acquisition of businesses a purchase price analysis is prepared in accordance with IFRS 3 where identifiable assets and liabilities are recognised at fair value on the acquisition date.

**Acquisition of accounting firms**

SpareBank 1 Regnskapshuset SMN AS has in 2021 acquired Kjeøy Regnskap AS, Experto Credite Holding AS and Lesjar Regnskap og Rådgivning AS. The companies will be merged and fully integrated into SpareBank 1 Regnskapshuset SMN AS in 2022.

Skjåk Regnskap AS, Orion Regnskap AS and Orkla Økonomi AS has been integrated into SpareBank 1 Regnskapshuset SMN AS in 2021.

Purchase price allocations have been prepared in accordance with IFRS 3 in which identifiable assets and liabilities are recognised at fair value on the acquisition date. The difference between the group's acquisition cost and book value of net assets is allocated to goodwill.

## Note 41 - Significant transactions with related companies

In this context ‘related parties’ means subsidiaries, associated companies, joint ventures and companies held for sale over which the Bank exercises substantial influence, as well as SpareBank 1 SMN Pensjonskasse (pension fund) and companies owned by the Bank’s personal related parties. The Bank’s outstanding accounts with employees and members of the Board of Directors are shown in note 8 on loans and advances to customers and The executive pay report published on smn.no. The opening balance may differ from the previous year's closing balance as the opening balance includes companies that during the fiscal year have been classified as related partied of the Bank.

| | **Subsidiaries** | | **Other related companies** | |
|---|---|---|---|---|
| **Loans (NOK million)** | **2021** | **2020** | **2021** | **2020** |
| Outstanding loans as at 1.1 | 8,508 | 7,850 | 4,643 | 4,581 |
| Loans issued in the period | 1,014 | 619 | 98 | 5 |
| Repayments | 852 | 0 | 111 | 3 |
| **Outstanding loans as at 31.12** | **8,670** | **8,468** | **4,629** | **4,582** |
| | | | | |
| Interest rate income | 108 | 147 | 6 | 6 |
| | | | | |
| Bonds and subordinated loans as at 31.12 | 157 | 157 | 614 | 1,509 |
| | | | | |
| **Deposits (NOK million)** | | | | |
| Deposits as at 1.1 | 1,445 | 1,547 | 2,037 | 961 |
| Contribution received during the period | 51,267 | 46,949 | 425,269 | 290,229 |
| Withdrawals | 51,286 | 47,032 | 426,062 | 289,255 |
| **Deposits as at 31.12** | **1,426** | **1,464** | **1,244** | **1,934** |
| | | | | |
| Interest rate expenses | 9 | 14 | 3 | 8 |
| | | | | |
| Securities trading | 73 | 8 | - | - |
| Commission income SpareBank 1 Boligkreditt | - | - | 449 | 408 |
| Commission income SpareBank 1 Næringskreditt | - | - | 14 | 13 |
| Issued guarantees and amount guaranteed | 6 | 110 | 20 | 20 |

**Loans and deposits**
All loans and deposits for related parties are booked in the Parent Bank.

**Securities trading**
SpareBank 1 SMN's treasury department and subsidiary Sparebank 1 Markets, through outsourced business, carry out a large number of transactions with the Bank's related companies. Transactions are executed on a ongoing basis in the fixed income and forex area, payments transmission, bond trading etc. These transactions are part of ordinary bank operations and all agreements are contracted on market terms. Numbers above includes  net investmens in derivatives, bond transactions and deposits.

**Other transactions**
SpareBank 1 SMN has signed supply agreements with several related companies in order to safeguard ordinary banking operations and further development of the SpareBank 1 Alliance. This includes development of data-technical solutions for alliance collaboration, commission from insurance and savings and investment products, administrative services, leasing of premises etc. The agreements are considered to be on market terms. In addition the Bank participates in increases of capital in related companies; see note 39 on investment in owner interests.

# Note 42 - ECC capital and ownership structure

**ECC capital**

The Bank's ECC capital totals NOK 2,596,728,860 distributed on 129,836,443 equity capital certificates (ECCs), each with a face value of NOK 20. As at 31 December 2021 there was 14 754 ECC holders (12 379 as at 31 December 2020).

ECC capital has been raised by the following means:

| Year | Change | Change in ECC capital (NOK) | Total ECC capital (NOK) | No. of ECCs |
|---|---|---|---|---|
| 1991 | Placing | 525,000,000 | 525,000,000 | 5,250,000 |
| 1992 | Placing | 75,000,000 | 600,000,000 | 6,000,000 |
| 2000 | Employee placing | 5,309,900 | 605,309,900 | 6,053,099 |
| 2001 | Employee placing | 4,633,300 | 609,943,200 | 6,099,432 |
| 2002 | Employee placing | 4,862,800 | 614,806,000 | 6,148,060 |
| 2004 | Bonus Issue | 153,701,500 | 768,507,500 | 7,685,075 |
| 2005 | Placing | 217,424,200 | 985,931,700 | 9,859,317 |
| 2005 | Employee placing | 23,850,000 | 1,009,781,700 | 10,097,817 |
| 2005 | Split | - | 1,009,781,700 | 40,391,268 |
| 2005 | Rights issue | 252,445,425 | 1,262,227,125 | 50,489,085 |
| 2007 | Dividend issue | 81,752,950 | 1,343,980,075 | 53,752,203 |
| 2007 | Employee placing | 5,420,000 | 1,349,400,075 | 53,976,003 |
| 2008 | Dividend issue | 90,693,625 | 1,440,093,700 | 57,603,748 |
| 2008 | Employee placing | 6,451,450 | 1,446,545,150 | 57,861,806 |
| 2009 | Bonus issue | 289,309,025 | 1,735,854,175 | 69,434,167 |
| 2010 | Employee placing | 12,695,300 | 1,748,549,475 | 69,941,979 |
| 2010 | Rights issue | 624,082,675 | 2,372,632,150 | 94,905,286 |
| 2011 | Rights issue | 625,000 | 2,373,257,150 | 94,930,286 |
| 2012 | Reduction in nominal value | -474,651,430 | 1,898,605,720 | 94,930,286 |
| 2012 | Rights issue | 569,543,400 | 2,468,149,120 | 123,407,456 |
| 2012 | Employee placing | 16,220,200 | 2,484,369,320 | 124,218,466 |
| 2012 | Placing | 112,359,540 | 2,596,728,860 | 129,836,443 |

| 20 largest ECC holders at 31 December 2021 | No. Of ECCs | Holding |
|---|---|---|
| Sparebankstiftelsen SMN | 3,965,391 | 3.05 % |
| VPF Odin Norge | 3,342,919 | 2.57 % |
| VPF Alfred Berg Gambak | 3,253,934 | 2.51 % |
| State Street Bank and Trust Comp | 3,233,788 | 2.49 % |
| VPF Pareto Aksje Norge | 2,888,391 | 2.22 % |
| Danske Invest Norske aksjer institusjon II. | 2,482,168 | 1.91 % |
| State Street Bank and Trust Comp | 2,369,206 | 1.82 % |
| J. P. Morgan Chase Bank, N.A., London | 2,356,443 | 1.81 % |
| VPF Eika Egenkapitalbevis | 2,247,536 | 1.73 % |
| VPF Nordea Norge | 2,036,248 | 1.57 % |
| Forsvarets personellservice | 1,973,646 | 1.52 % |
| Pareto Invest AS | 1,957,702 | 1.51 % |
| The Bank of New York Mellon SA/NV | 1,529,058 | 1.18 % |
| J. P. Morgan Bank Luxembourg S.A. | 1,479,700 | 1.14 % |
| J. P. Morgan Bank Luxembourg S.A. | 1,374,065 | 1.06 % |
| MP pensjon PK | 1,352,771 | 1.04 % |
| Spesialfondet Borea utbytte | 1,295,225 | 1.00 % |
| VPF Nordea avkastning | 1,249,111 | 0.96 % |
| VPF Alfred Berg Norge | 1,205,659 | 0.93 % |
| J. P. Morgan Bank Luxembourg S.A. | 1,197,153 | 0.92 % |
| **The 20 largest ECC holders in total** | **42,790,114** | **32.96 %** |
| Others | 87,046,329 | 67.04 % |
| **Total issued ECCs** | **129,836,443** | **100 %** |

**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 around one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that around 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.

## Note 43 - Earnings per ECC

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) | 2021 | 2020 |
|---|---|---|
| Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1) | 2,692 | 1,793 |
| Allocated to ECC Owners 2) | 1,722 | 1,147 |
| Issues Equity Captial Certificates adjusted for own certificates | 129,339,665 | 129,358,537 |
| **Earnings per Equity Captial Certificate** | **13.31** | **8.87** |

| 1) Adjusted Net Profit | 2021 | 2020 |
|---|---|---|
| Net Profit for the group | 2,902 | 1,978 |
| adjusted for non-controlling interests share of net profit | -160 | -126 |
| Adjusted for Tier 1 capital holders share of net profit | -50 | -59 |
| **Adjusted Net Profit** | **2,692** | **1,793** |

**2) Equity capital certificate ratio (parent bank)**

| (NOKm) | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| ECC capital | 2,597 | 2,597 |
| Dividend equalisation reserve | 7,007 | 6,556 |
| Premium reserve | 895 | 895 |
| Unrealised gains reserve | 109 | 153 |
| Other equity capital | - | - |
| **A. The equity capital certificate owners' capital** | **10,609** | **10,201** |
| Ownerless capital | 5,918 | 5,664 |
| Unrealised gains reserve | 62 | 86 |
| Other equity capital | - | - |
| **B. The saving bank reserve** | **5,980** | **5,750** |
| To be disbursed from gift fund | 547 | 321 |
| Dividend declared | 970 | 569 |
| **Equity ex. profit** | **18,106** | **16,842** |
| **Equity capital certificate ratio A/(A+B)** | **64.0 %** | **64.0 %** |
| | | |
| **Equity capital certificate ratio for distribution** | **64.0 %** | **64.0 %** |

## Note 44 - Dividends from subsidiaries

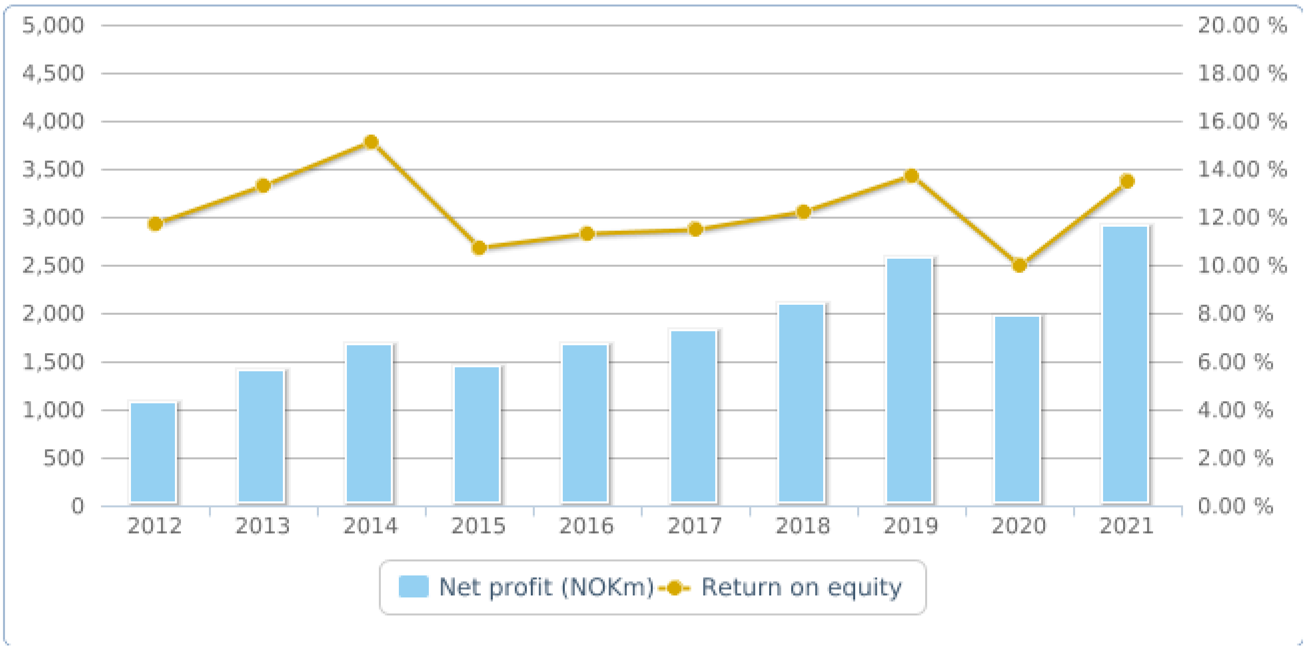
| Dividends (NOKm) | 2021 | 2020 |
|---|---|---|
| SpareBank 1 Finans Midt-Norge | 76 | 65 |
| EiendomsMegler 1 Midt-Norge | 34 | - |
| SpareBank 1 Markets | 100 | - |
| SpareBank 1 Regnskapshuset SMN | 74 | 74 |
| SpareBank 1 SMN Invest | 18 | 70 |
| SpareBank 1 SMN Kvartalet | 4 | 7 |
| St. Olavs Plass 1 SMN | 2 | 3 |
| Sparebank 1 Bygget Steinkjer | 1 | 1 |
| **Total dividends** | **309** | **220** |

# Financial summary (Group)

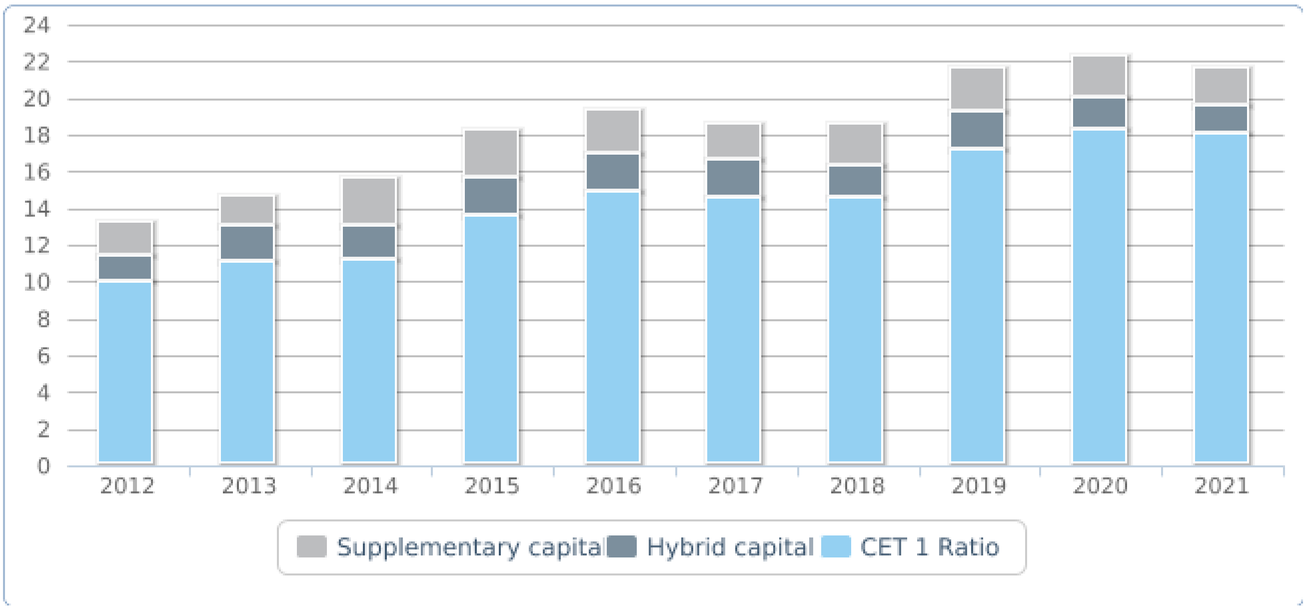
| Income statement NOKm | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Interest income | 3,916 | 4,197 | 4,626 | 4,057 | 3,825 | 3,597 | 4,031 | 4,265 | 4,118 | 3,928 |
| Interest expenses | 1,120 | 1,439 | 1,939 | 1,655 | 1,600 | 1,668 | 2,111 | 2,424 | 2,483 | 2,451 |
| **Net interest and credit comissionincome** | **2,796** | **2,759** | **2,687** | **2,403** | **2,225** | **1,929** | **1,920** | **1,841** | **1,635** | **1,477** |
| Commision and fee income | 2,832 | 2,572 | 2,290 | 2,177 | 2,005 | 1,674 | 1,545 | 1,512 | 1,463 | 1,139 |
| Income from investment in relatedcompanies | 705 | 681 | 879 | 423 | 437 | 423 | 448 | 527 | 355 | 244 |
| Return on financial investements | 321 | 269 | 322 | 334 | 322 | 521 | 11 | 193 | 147 | 207 |
| **Total income** | **6,655** | **6,281** | **6,178** | **5,337** | **4,989** | **4,547** | **3,924** | **4,073** | **3,599** | **3,067** |
| Salaries, fees and otherpersonnel costs | 1,882 | 1,883 | 1,699 | 1,584 | 1,426 | 1,159 | 1,093 | 1,002 | 914 | 924 |
| Other operating expenses | 1,111 | 1,069 | 1,098 | 1,040 | 943 | 844 | 838 | 787 | 807 | 730 |
| **Total costs** | **2,993** | **2,952** | **2,797** | **2,624** | **2,369** | **2,003** | **1,931** | **1,789** | **1,722** | **1,654** |
| **Operating profit before losses** | **3,662** | **3,329** | **3,380** | **2,713** | **2,621** | **2,544** | **1,993** | **2,284** | **1,877** | **1,413** |
| Losses on loans and guarantees | 161 | 951 | 299 | 263 | 341 | 516 | 169 | 89 | 101 | 58 |
| **Operating profit** | **3,501** | **2,378** | **3,081** | **2,450** | **2,279** | **2,029** | **1,824** | **2,195** | **1,776** | **1,355** |
| Taxes | 609 | 400 | 518 | 509 | 450 | 352 | 383 | 376 | 393 | 295 |
| Held for sale | 10 | 1 | 0 | 149 | - 1 | 4 | - 1 | - | 30 | 16 |
| **Profit of the year** | **2,902** | **1,978** | **2,563** | **2,090** | **1,828** | **1,681** | **1,441** | **1,819** | **1,413** | **1,077** |
| | | | | | | | | | | |
| **Dividend** | **970** | **569** | **840** | **661** | **571** | **389** | **292** | **292** | **227** | **195** |
| | | | | | | | | | | |
| **Balance sheet NOKm** | | | | | | | | | | |
| Cash and loans to and claims on credit institutions | 5,956 | 7,856 | 2,871 | 5,957 | 7,527 | 4,207 | 5,677 | 5,965 | 5,984 | 4,091 |
| CDs, bonds and other interest-bearing securities | 44,024 | 43,522 | 35,508 | 32,438 | 31,672 | 29,489 | 30,282 | 27,891 | 26,358 | 25,614 |
| Loans before loss provisions | 147,301 | 134,648 | 126,277 | 120,473 | 112,071 | 102,325 | 93,974 | 90,578 | 80,548 | 74,943 |
| - Loan loss impairments/ Specified Loan loss provisions | 1,410 | 1,517 | 998 | 744 | 765 | 632 | 183 | 172 | 173 | 144 |
| - Unspecified loan loss provisions | - | - | - | - | 347 | 339 | 376 | 295 | 295 | 295 |
| Other assets | 2,974 | 3,403 | 3,004 | 2,581 | 3,096 | 3,030 | 2,540 | 2,080 | 2,938 | 3,766 |
| **Total assets** | **198,845** | **187,912** | **166,662** | **160,704** | **153,254** | **138,080** | **131,914** | **126,047** | **115,360** | **107,975** |
| | | | | | | | | | | |
| Debt to credit institutions | 15,063 | 13,095 | 8,853 | 9,214 | 9,607 | 10,509 | 8,155 | 9,123 | 6,581 | 7,410 |
| Deposits from and debt to customers | 111,286 | 97,529 | 85,917 | 80,615 | 76,476 | 67,168 | 64,090 | 60,680 | 55,927 | 52,252 |
| Debt created by issuance of securities | 44,241 | 51,098 | 46,541 | 47,251 | 45,537 | 40,390 | 40,569 | 39,254 | 36,806 | 33,121 |
| Other debt and accrued expences etc. | 3,217 | 3,085 | 2,841 | 2,671 | 1,924 | 1,532 | 1,734 | 1,095 | 1,485 | 2,070 |
| Subordinated debt | 1,796 | 1,795 | 2,090 | 2,268 | 2,201 | 2,228 | 2,509 | 2,417 | 2,365 | 3,040 |
| Total equity | 23,241 | 21,310 | 20,420 | 18,686 | 17,510 | 16,253 | 14,258 | 13,478 | 12,197 | 10,082 |
| **Total liabilities and equity** | **198,845** | **187,912** | **166,662** | **160,704** | **153,254** | **138,080** | **131,914** | **126,047** | **115,360** | **107,975** |
| | | | | | | | | | | |
| **Key figures** | | | | | | | | | | |
| Total assets | 198,845 | 187,912 | 166,662 | 160,704 | 153,254 | 138,080 | 131,914 | 126,047 | 115,360 | 107,919 |
| Average total assets | 196,229 | 183,428 | 165,154 | 156,992 | 145,948 | 137,060 | 128,355 | 117,794 | 111,843 | 105,500 |
| Gross loans to customers | 147,301 | 134,648 | 126,277 | 120,473 | 112,071 | 102,325 | 93,974 | 90,578 | 80,548 | 74,943 |
| Gross loans to customers incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt | 195,353 | 182,801 | 167,777 | 160,317 | 148,748 | 137,535 | 127,378 | 120,435 | 112,283 | 104,925 |
| Gross loans in retail market | 132,894 | 124,461 | 115,036 | 108,131 | 98,697 | 89,402 | 80,725 | 74,087 | 68,591 | 62,587 |
| Gross loans in corporate market | 62,458 | 58,340 | 52,740 | 52,186 | 50,087 | 48,133 | 46,653 | 46,348 | 43,692 | 42,322 |
| Deposits from and debt to customers | 111,286 | 97,529 | 85,917 | 80,615 | 76,476 | 67,168 | 64,090 | 60,680 | 55,927 | 52,252 |
| Deposits from retail market | 44,589 | 40,600 | 35,664 | 33,055 | 31,797 | 29,769 | 28,336 | 26,496 | 23,891 | 22,279 |
| Deposits from corporate market | 66,697 | 56,928 | 50,253 | 47,561 | 44,678 | 37,398 | 35,754 | 34,184 | 32,036 | 29,973 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Ordinary lending financed by ordinary deposits | 76 % | 72 % | 68 % | 67 % | 68 % | 66 % | 68 % | 67 % | 69 % | 70 % |
| Ordinary lending incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt financed by ordinary deposits | 57 % | 53 % | 51 % | 50 % | 51 % | 49 % | 50 % | 50 % | 50 % | 50 % |
| | | | | | | | | | | |
| **Capital adequacy** | | | | | | | | | | |
| CET1 Capital | 17,790 | 17,041 | 15,830 | 14,727 | 17,041 | 13,229 | 12,192 | 10,679 | 9,374 | 8,254 |
| Core capital | 19,322 | 18,636 | 17,742 | 16,472 | 18,636 | 15,069 | 13,988 | 12,382 | 10,989 | 9,357 |
| Primary capital | 21,333 | 20,759 | 19,854 | 18,743 | 20,759 | 17,185 | 16,378 | 14,937 | 12,417 | 10,943 |
| Risk weighted volume | 98,664 | 93,096 | 91,956 | 101,168 | 93,096 | 88,788 | 89,465 | 95,317 | 84,591 | 82,446 |
| CET 1 Ratio | 18.0 % | 18.3 % | 17.2 % | 14.6 % | 20.0 % | 14.9 % | 13.6 % | 11.2 % | 11.1 % | 10.0 % |
| Core capital ratio | 19.6 % | 20.0 % | 19.3 % | 16.3 % | 22.3 % | 16.9 % | 15.6 % | 12.9 % | 12.9 % | 11.3 % |
| Capital ratio | 21.6 % | 22.3 % | 21.6 % | 18.5 % | 7.1 % | 19.4 % | 18.3 % | 15.6 % | 14.7 % | 13.3 % |
| Leverage ratio | 6.9 % | 7.1 % | 7.5 % | 7.4 % | | 7.4 % | 6.7 % | 6.0 % | | |
| | | | | | | | | | | |
| Cost/income ratio | 45 % | 47 % | 45 % | 49 % | 47 % | 44 % | 50 % | 44 % | 48 % | 54 % |
| Losses on loans | 0.09 % | 0.54 % | 0.18 % | 0.17 % | 0.23 % | 0.39 % | 0.14 % | 0.08 % | 0.09 % | 0.06 % |
| ROE | 13.5 % | 10.0 % | 13.7 % | 12.2 % | 11.5 % | 11.3 % | 10.7 % | 15.1 % | 13.3 % | 11.7 % |
| Growth in lending (gross) | 6.9 % | 9.0 % | 4.7 % | 7.8 % | 8.2 % | 8.0 % | 5.8 % | 7.3 % | 7.0 % | 10.2 % |
| Growth in deposits | 14.1 % | 13.5 % | 6.6 % | 5.4 % | 13.9 % | 4.8 % | 5.6 % | 8.5 % | 7.0 % | 9.2 % |
| Number of staff | 1 600 | 1 653 | 1 634 | 1 588 | 1 482 | 1 328 | 1 298 | 1 273 | 1 238 | 1 216 |
| Number of FTEs | 1 482 | 1 560 | 1 509 | 1 493 | 1 403 | 1 254 | 1 208 | 1 192 | 1 159 | 1 135 |
| Number of branches | 40 | 45 | 46 | 48 | 48 | 48 | 49 | 49 | 50 | 51 |

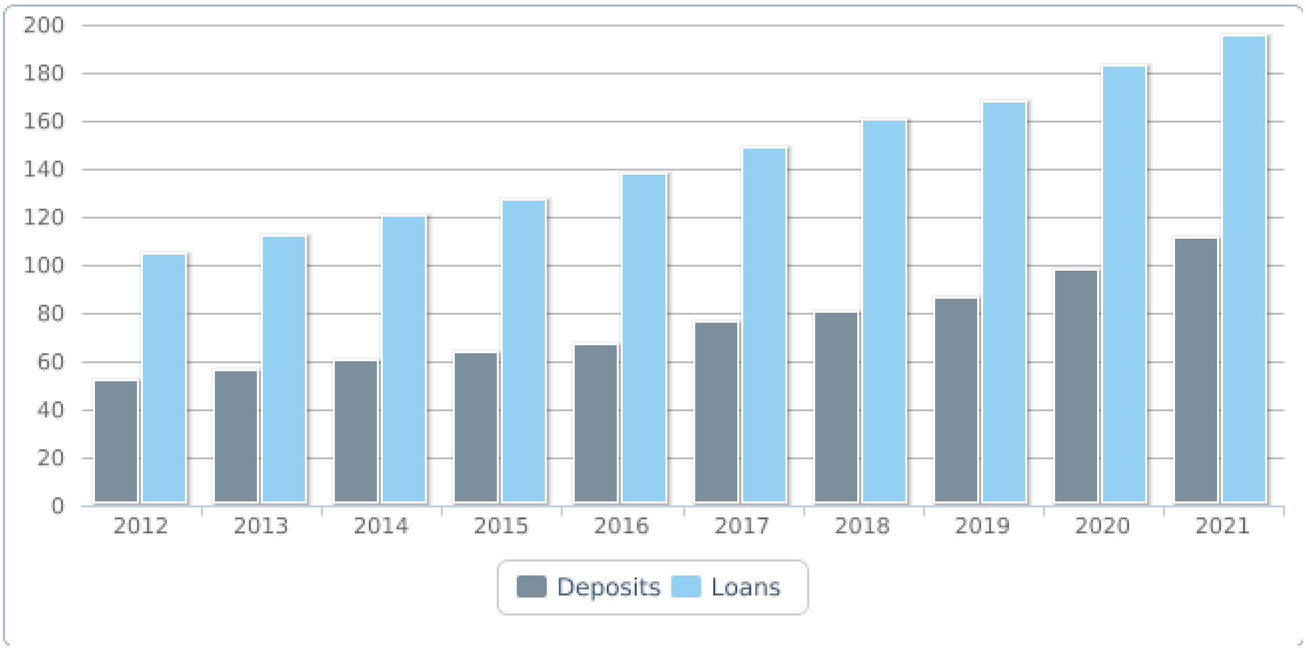
### Net profit and return on equity



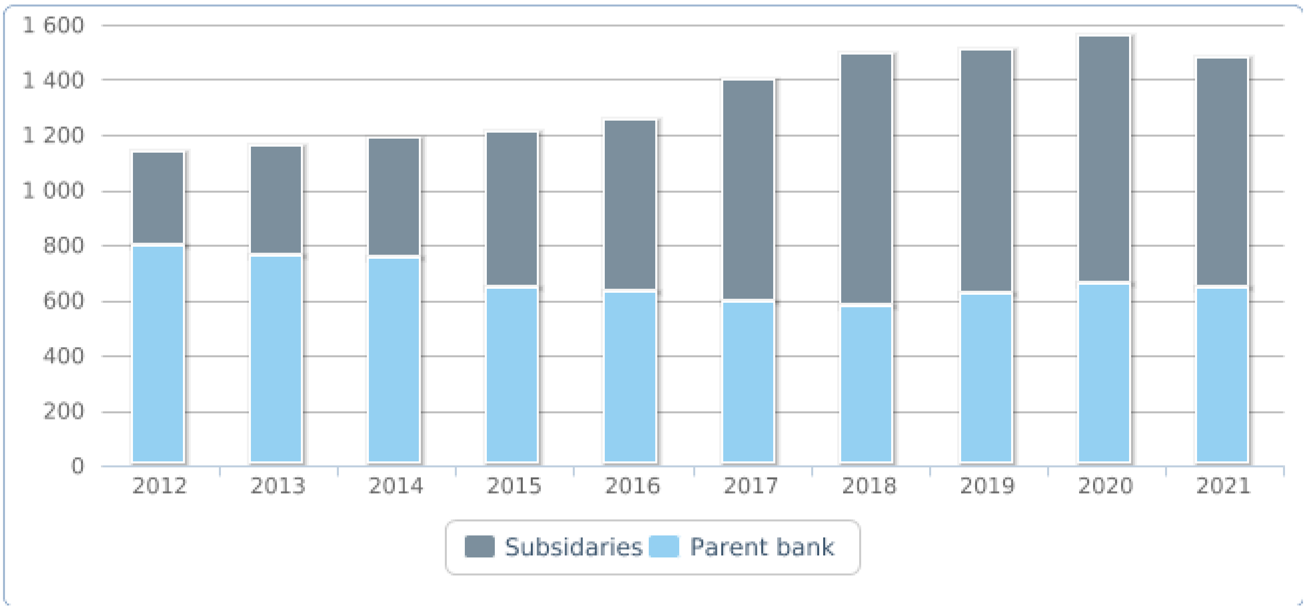
### Capital ratio



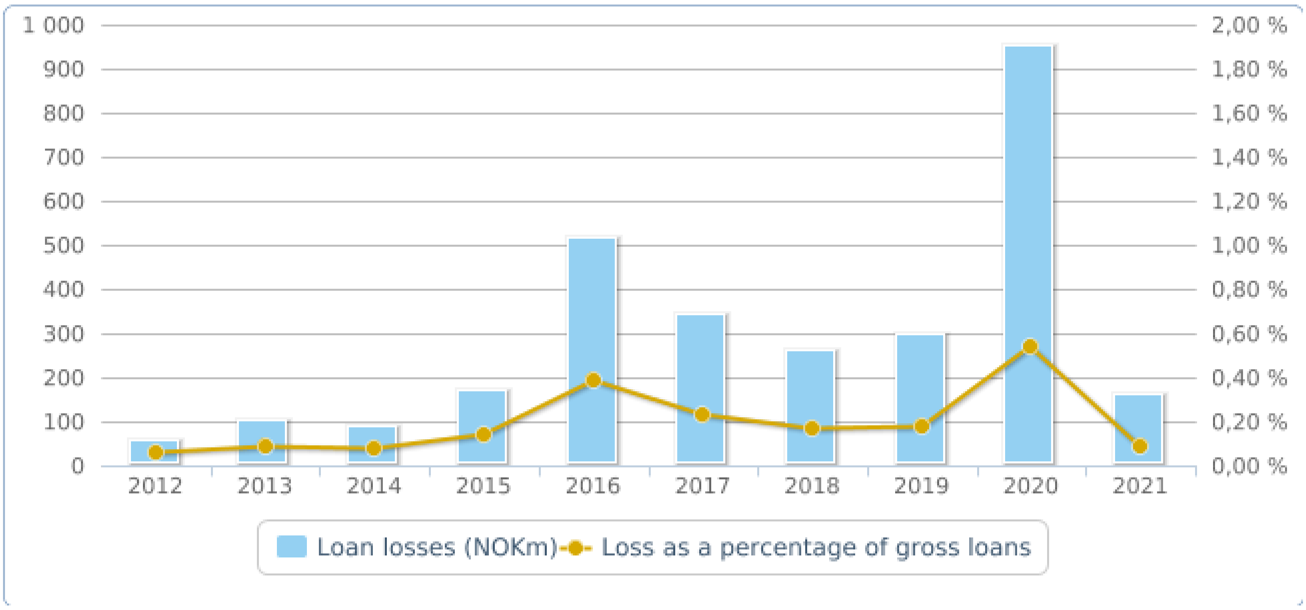

### Loans and deposits (NOKbn)



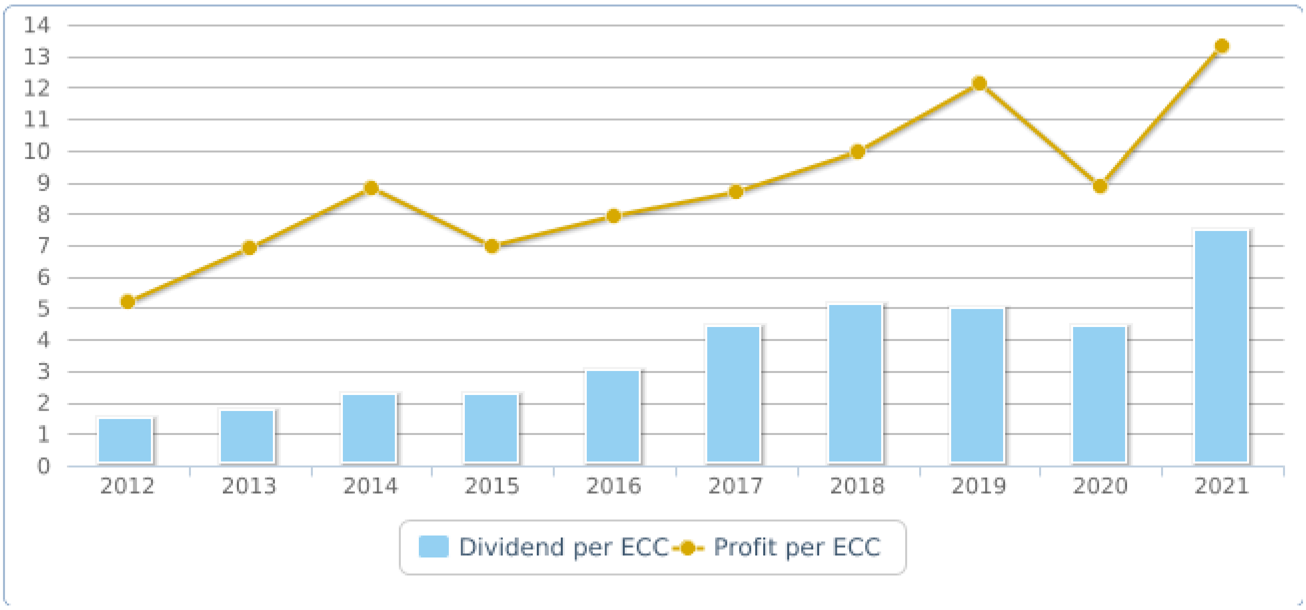
**FTEs**




**Loan losses**



**Dividend and profit per ECC (NOK)**



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

**Statement by the Board of Directors and the Group CEO**

We hereby declare that to the best of our knowledge

- the financial statements for 2021 for the Parent Bank and the Group have been prepared in conformity with IFRS as determined by the EU, with such additional information as required by the Accounting Act.
- the accounting information gives a true and fair view of the assets, liabilities, financial position and profit /loss of the Parent Bank and the Group taken as a whole, and that
- the Directors' report gives a fair review of developments, profit/loss and position of the Parent Bank and the Group, together with a description of the principal risks and uncertainties facing the Group

Trondheim, 2 March 2022
The Board of Directors of SpareBank 1 SMN

| | | |
|---|---|---|
| Kjell Bjordal<br>(chair) | Christian Stav<br>(deputy chair) | Janne T. Thomsen |
| Mette Kamsvåg | Tonje Eskeland Foss | Morten Loktu |
| Freddy Aursø | Christina Straub<br>(employee rep.) | Inge Lindseth<br>(employee rep.) |
| | | Jan-Frode Janson<br>(Group CEO) |

To the Supervisory Board of SpareBank 1 SMN

# Independent Auditor's Report

## Opinion

We have audited the financial statements of SpareBank 1 SMN, which comprise:

- The financial statements of the parent company SpareBank 1 SMN (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of SpareBank 1 SMN and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,

- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and

- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*PricewaterhouseCoopers AS, Brattørkaia 17B, Postboks 6365 Torgard, NO-7492 Trondheim*
*T: 02316, org. no.: 987 009 713 MVA,* www.pwc.no
*Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap*

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 3 years from the election by the general meeting of the shareholders on 22 November 2018 for the accounting year 2019.

## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The business activities have in general been unchanged compared to the previous year. There has not been any regulatory changes, transactions or other events with material impact that have lead to new focus areas. Value of loans to customers has the same characteristics and risks this year as last year, and has been an important areas of focus have also in 2021.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| *The value of loans to customers* | |
| Loans to customers represent a considerable part of the company's total assets. The assessment of loan loss provisions is a model-based framework which includes assessments with elements of management judgment. The framework, is complex, includes considerable volumes of data and judgmental parameters.<br><br>We focused on this area due to the significance of the impairment considerations for the value of loans in the financial statements, and the fact that the use of judgement has a potential to affect the profit for the period. Furthermore, there is an inherent risk of errors because of the complexity and quantity of data involved in the modelling.<br><br>The use of models to determine expected credit losses entails judgement, specifically with respect to:<br><br>• classification of the various credit portfolios by risk and asset type; | In our audit of expected loss allowance, we evaluated and tested the design and effectiveness of controls for quality assurance relating to the applied assumptions and models used in the calculations. Furthermore, we tested the input used in the model-based calculation of allowances as well as the individually calculated allowances.<br><br>For loans considered on a collective basis the calculation is based on a framework model. We tested the model and considered the relevance and the reasonableness of important assumptions used in the calculation.<br><br>We obtained a detailed understanding of the process and tested relevant controls directed at ensuring:<br><br>• Calculations and the applied method;<br>• That the applied model is designed according to the framework, and working as planned;<br>• The reliability and accuracy of the data used in the model.<br><br>Our controls testing gave no indication of material misstatements in the model, or deviations from IFRS 9.<br><br>The effects of the pandemic, including the effect on individual impairment calculations and model impairment calculations, were discussed with management. Our work included tests of the company's |

- identification of impaired loans or loans presenting a significant increase in credit risk;
- the categorization of loans into stages; and
- the parameters such as the probability of default and loss given default and loss scenarios.

In the case of loans where there is objective evidence of impairment, an individual allowance for credit loss is recognized. For the offshore portfolio, separate assessments are made with regard to probability of default under various scenarios and associated realization values. The assessments require management to use judgement.

Please refer to note 2, 3, 6 and 10 in the annual report for a description of the company's impairment model and how the company estimates their expected credit losses using IFRS 9.

financial reporting systems relevant to financial reporting. The company uses external service providers to operate some of the important IT systems. The auditor at the relevant service organization are used to evaluate the design and efficiency of the established control systems, and tests the controls designed to ensure the integrity of the IT system that are relevant to financial reporting. The auditor have issued a report that included testing of whether central calculations performed by core systems was performed according to expectations, hereunder interest calculations and mortifications. The testing included the integrity of data, changes of and access to the systems.

To assess whether we could rely on the work performed by other auditors, we satisfied ourselves regarding the auditors' competence, capacity and objectivity and examined the reports received and assessed potential weaknesses and remediation initiatives. Our assessments showed that we could rely on the data handled and calculations performed within the IT systems that are relevant to financial reporting.

For loans with objective evidence of impairment and where the impairment amounts were individually calculated, we tested a sample by assessing the estimated future cash flows used by management to substantiate the impairment calculation. We challenged management's assumptions by interviewing key credit personnel and management both to assess the information received from customers and to assess how the reliability of the information were evaluated. We compared the assumptions made by management to external documentation when available.

We obtained a detailed understanding of the scenario modelling for the offshore portfolio and the calculation methodology used. It is explained in the annual report that the decrease in other doubtful loans mainly is within the offshore portfolio. We assessed the assumptions for loss provisions under the different scenarios and challenged management and credit personnel about these. We made our own sensitivity analyses. Further, we tested important factors in the model, such as rates and utilization, towards external sources.

In addition, we tested the appropriateness of the classification within the model and evaluated the reasonableness of the total allowance for credit losses. The result of the testing showed that management's assumptions in the calculation of impairment amounts were reasonable.

We have read the notes and found that the information provided was sufficient.

## *Other Information*

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

## *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the pwc

key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## *Report on compliance with Regulation on European Single Electronic Format (ESEF)*

### *Opinion*

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name sb1smn-2021-12-31AR have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

### *Management's Responsibilities*

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

### *Auditor's Responsibilities*

Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Trondheim, 3 March 2022
**PricewaterhouseCoopers AS**

Rune Kenneth S. Lædre
State Authorised Public Accountant

(This document is signed electronically)

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