

Notes

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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 derivatives 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 classifies 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 occurring 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 liability 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 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 rescors 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 1 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 the column "Group".

The second part of the table show the ECL distributed by portfolio using the scenario weight applied, in addition to a alternative weighting where 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		SB 1	SB 1	SB1	BN	Uncollated	Total
			Markets	EM 1	Finans	Regnskaps-				
					MN	huset SMN	Gruppen	Bank		
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	-46,821	-1,231	-	-	-	-	-	-	0	-48,052
Næringskreditt										
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 liabilities 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		SB 1	SB 1	SB1	BN	Uncollated	Total
			Markets	EM 1	Finans	Regnskaps- huset SMN				
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 liabilities 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 certificates 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 Approach is used for the corporate portfolios. Use of IRB imposes wide-ranging requirements on the bank's organisational set-up, competence, risk models and risk management systems.

As of 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 53 per 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 its 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 assessment of the operational risk is moderate, including the risk related to the accounting and reporting process.

For further information see the Bank's Pillar 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 %
Deposits from credit institutions (NOK million)				
31 Dec 20	31 Dec 21		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 %
Other commitments to credit institutions (NOK million)				
31 Dec 20	31 Dec 21		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			31 Dec 2020		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	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			31 Dec 2020		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	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			31 Dec 2020		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	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			31 Dec 2020		
	Gross loans	Other commitments	Total loans and commitments	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			31 Dec 2020		
	Gross loans	Other commitments	Total loans and commitments	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			31 Dec 2020		
	Gross loans	Other commitments	Total loans and commitments	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 objective evidence of impairment leading to reduced cash flows from the customer. See note 2 Accounting principles for further description of such exposures.

Parent Bank 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	23,283	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					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	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			31 Dec 2020		
	Gross loans	Other commitments	Total loans and commitments	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			31 Dec 2020		
	Gross loans	Other commitments	Total loans and commitments	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 23.7 per 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

SpareBank 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

Parent Bank (NOKm)	2021			2020		
	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.

Group (NOKm)	2021			2020		
	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- provisions	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- provisions	100	-19	-	81
Other comprehensive income - fair value adjustment	23	9	-	32

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

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

Accrual for losses on loans

Parent Bank (NOKm)	31 Dec 2021				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail market								
Opening balance	35	97	47	180	25	73	45	143
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				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail market								
Opening balance	42	107	58	207	32	84	56	172
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

Parent Bank and Group (NOKm)	31 Dec 2021				31 Dec 2020			
	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

Parent Bank (NOKm)	31 Dec 2021				31 Dec 2020			
	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

Group (NOKm)	31 Dec 2021				31 Dec 2020			
	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				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail Market								
Opening balance	73,297	4,430	381	78,108	69,045	5,129	487	74,661
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				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail Market								
Opening balance	78,206	5,208	453	83,867	73,675	5,924	570	80,169
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 balance	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 balance								
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.

Credit quality step	Probability of default		Historical default	Default 2021	Collateral class	Collateral cover		
	From	To Moody's				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 (NOK million)	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure
	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) (NOK million)	Averaged unhedged exposure		Averaged unhedged exposure	
	31 Dec 2021	Total exposure 31 Dec 2021	31 Dec 2020	Total exposure 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 specified in the table below, see note 24 Categories of financial assets and financial liabilities.

Parent Bank	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
31 Dec 21 (NOK million)						
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 received	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)						
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 received	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	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
31 Dec 21 (NOK million)						
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 received	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

	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
31 Dec 20 (NOK million)						
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 received	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 member 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 guidelines 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.

31 Dec 2021 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or credit impaired	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
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

31 Dec 2020 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or credit impaired	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
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 impaired	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 impaired	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

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.

Basis risk Group (NOK million)	Interest rate risk, change 1 percentage point	
	2021	2020
<i>Currency</i>		
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 curve risk, Group (NOK million)	Interest rate risk, change 1 percentage point	
	2021	2020
<i>Maturity</i>		
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 (NOK million)	Group	
2020	2021		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

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 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 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 commission 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 covered 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.

Actuarial assumptions	2021		2020	
	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
-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

Sensitivity, Group	Discount rate		Salary adjustment		Pension adjustment
	+ 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			Financial instruments at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
	Designated as such upon initial recognition	Mandatorily	Held for trading			
31 Dec 2021 (NOKm)						
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			Financial instruments at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
	Designated as such upon initial recognition	Mandatorily	Held for trading			
31 Dec 2020 (NOK million)						
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 deterioration since first recognition is assessed at nominal amount. For loans with a significant increase in credit risk since first recognition or objective evidence of loss, the calculation of expected credit losses over the life of the asset is in line with loan losses for loans at amortised cost. Estimated fair value is the nominal amount reduced by expected lifetime credit loss. If the likelihood of the worst case scenario in the model is doubled, fair value is reduced by NOK 7 million.

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

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

Equity instruments (level 3)

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 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 assumptions
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

(NOKm)	Level 1)	31 Dec 2021		31 Dec 2020	
		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		31 Dec 2020	
		Book value	Fair Value	Book value	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		Money market certificates and bonds by issuer sector (NOKm)	Group	
31 Dec 2020	31 Dec 2021		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 amount	Fair value		Contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Currency instruments						
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

Group

Fair value through profit and loss (NOKm)	31 Dec 2021			31 Dec 2020		
	Contract amount	Fair value Assets	Liabilities	Contract amount	Fair value Assets	Liabilities
Currency instruments						
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.

Group (NOK million)	Nominal amount 31 Dec 2021			Nominal amount 31 Dec 2020		
	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	
<i>Debt at fixed interest</i>	<i>Interest swap</i>			<i>Interest swap</i>		
Nominal NOK	8,025	8,025	-	7,943	7,550	- 393
<i>Debt in currency at fixed interest</i>	<i>Interest and currency swap</i>			<i>Interest and currency swap</i>		
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.

Interest- and currency instrument (NOK million)	Nominal amount		
	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		Shares and units (NOK million)	Group	
31 Dec 2020	31 Dec 2021		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
Sparebankmaterieell (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 quoted subordinated bonds			95,214	94,681
SpareBank 1 Finans Midt-Norge			77,496	78,604
Åfjord Sparebank			11,803	11,738
Total unquoted subordinated bonds			89,299	90,342
Total shares, units and equity capital certificates, parent bank			263,233	401,579

Specification of Group

	Stake over 10 %	Our holding (no.)	Acquisition cost (NOK 1000)	Market value/book value (NOK 1000)
Listed companies				
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 relates 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				Group		
Other intangible assets	Goodwill	Total	(NOK million)	Total	Goodwill	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 acquisition 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 acquisition 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				Group		
Other intangible assets	Goodwill	Total	(NOK million)	Total	Goodwill	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)		Machinery, inventory and vehicles	Buildings and other real property	
			Total			
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)		Machinery, inventory and vehicles	Buildings and other real property	
			Total			
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.

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		(NOK million)	Group	
31 Dec 2020	31 Dec 21		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 Community 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 subordinated 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		(NOK million)	Group	
31 Dec 2020	31 Dec 2021		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	Equity 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 due to defaulted exposures should at the outset be of brief duration, normally not longer than one year. Investments are recorded at fair value in the Parent Bank's accounts, and is classified as investment held for sale.

SpareBank 1 Kapitalforvaltning, subsidiary of SpareBank 1 Markets, has been presented as Investment held for sale from second quarter 2021 due to the agreement of sale to SpareBank 1 Forvaltning 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	Expenses	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 million)	Assets	Liabilities	Revenue	Expenses	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 parties of the Bank.

Loans (NOK million)	Subsidiaries		Other related companies	
	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 an 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 investments 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 Capital Certificates adjusted for own certificates	129,339,665	129,358,537
Earnings per Equity Capital 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