2021

ANNUAL REPORT

SpareBank 1 SMN

Contents

About the group

Statement by the Group CEO

2021 proved to be another unusual year. We grew used to the pandemic, acquired vaccines and learned to live with uncertainty. The climate challenge reigns at the very top of the global political agenda. In Norway a new government has taken office, while Norwegian banks have had to meet ever stricter government and regulatory requirements.

Handling these changes has been high on the agenda of the board of directors and management team of SpareBank 1 SMN, and we have once again demonstrated that our savings bank model and organisation are eminently suited to rapid adaptations. The crux is being close to our customers and the region, keeping a cool head and local decision making.

In addition we have devoted much time to business development, not least in terms of establishing closer links between the business lines. It goes under the name “One SMN”, which means developing a fully-fledged finance centre physically and digitally. For our customers the upshot will be better access to broader expertise and a wider array of better integrated services. For our employees we will become an even more attractive workplace with greater emphasis on skills development and more diverse career opportunities. For our owners and shareholders it means we are taking the group’s robust revenue income platform yet a step further.

The mobilisation of energies makes for high growth in all business lines and strengthens the group’s market position. This is especially true for Corporate Banking, where growth in lending and deposits is higher than for many years. In addition, SpareBank 1 Markets delivered a very strong 2021, at the same time that Regnskapshuset continues to expand. Retail Banking similarly shows good growth and profit figures for the bank, combined with a record year for EiendomsMegler 1 Midt-Norge. The year 2021 was quite simply a good year for SpareBank 1 SMN.

The good year is also reflected in the price performance of the bank’s equity certificate (EC). Prior to the pandemic the peak quotation was around NOK 105, while at the turn of 2022 it reached around NOK 150. We have moreover paid dividends of NOK 4.40 per EC over the course of the year.

An important strategy tool for SpareBank 1 SMN is cooperation. Much of this involves SpareBank 1-alliansen which includes strong product companies and a leading developer of digital solutions. A particularly important product company is the non-life insurer Fremtind, of which DNB is co-owner. This company reports a strong trend and excellent profits for 2021. Another joint venture is Vipps which in 2021 communicated its readiness for the Nordic markets by virtue of its merger with Danish Mobilepay and Finnish Pivo. The latest joint venture of which SpareBank 1 SMN is now a part is the car subscription company Fleks, of which Bertel O. Steen is co-owner.

Cooperation also characterises our approach to sustainability. Besides our substantial intragroup effort, we invite customers and organisations to join us in dialogue and cooperation. A pertinent example is our development, in collaboration with technology companies in Trondheim, of the tool *“My Climate Track”* which helps customers become more aware of the sustainability of their shopping habits though a dedicated internet bank and mobile bank function.

Our ownership model ensures that good performances by the bank also benefit the community. Knowledge of this model, and probably also its positive effect on the bank’s position, have grown. Not least, much interest has focused on the support given to cultural activities, the voluntary sector and local business and industry in the various phases of the pandemic.

The latest lockdown has increased economic uncertainty globally and nationally. The situation in Ukraine contributes to further uncertainty. Even so, we believe that 2022 will show high activity levels, low unemployment and a good economic trend in Mid-Norway and the rest of the country alike. That promises good framework conditions for a continued positive trend for SpareBank 1 SMN. At the same time a solid capital situation puts us in a position to manage uncertainty while concurrently seeking profitable growth.

The macroeconomic outlook is good, although international apprehensions and sanctions imposed on Russia cloud the picture. The board of directors and the management team are aware of threats and challenges the group may encounter. On the risk side, cybercrime and the transition risk posed by climate change figure prominently. Where challenges are concerned, a major effort is being made both to adapt to government requirements and to assure the required green innovativeness. Changes in the Norwegian savings bank structure are also on our agenda.

At the threshold of 2022 we have learned to live with the pandemic and its restrictions. We have also learned what we are missing. I personally look forwards to travelling round Mid-Norway to meet customers, employees and shareholders. As we state in our vision: it is together that we make things happen.

Jan-Frode Janson
Group CEO at SpareBank 1 SMN

Important events in 2021

Q1

- **Pre-tax profit**: NOK 901m
- **New sustainability strategy** implemented. SpareBank 1 SMN issued a senior green bond worth NOK 500m and launched My Climate Track
- **Stable net interest income** despite margin pressure. Good customer and volume growth, in particular in the corporate area
- **Strong profit performance by SpareBank 1 Markets**, good return on financial investments and other ownership interests
- **Streamlined distribution and operating model** established, contributing to low cost growth

Q2

- **Pre-tax profit**: NOK 942m
- **Good profits from subsidiaries, product companies and financial investments**. Particularly good market conditions in the estate agency, securities services and insurance areas
- **Loan losses substantially reduced** and SpareBank 1 SMN' residential and corporate portfolios both show good credit quality
- **SpareBank 1 SMN establishes an economic crime department** to meet increased risk along with a strong, coherent specialist unit
- **SpareBank 1 Finans Midt-Norge** joins the car subscription company Fleks in an ownership role

Q3

- **Pre-tax profit**: NOK 849m
- **Increased optimism in the Norwegian economy**. As the market leader in Mid-Norway, SpareBank 1 SMN has excellent prospects for further growth and development
- **Losses established at a lower level** due to a positive trend for the business sector in Mid-Norway
- **Dividend payout of NOK 3.10**. Dividend of NOK 4.40 declared for 2020, of which NOK 3.10 was disbursed on 9 November 2021
- **Reopening of society as from 25 September.** 86 per cent of the population aged over 18 are fully vaccinated. **SpareBank 1 SMN allocates NOK 100m** of the community dividend to the voluntary sector, culture, sports and local celebrations across the entire region

Q4

- **Pre-tax profit**: NOK 703m
- **SpareBank 1-alliansen reached the age of 25 in November**. The alliance collaborates on a shared platform and brand, and now comprises 14 independent, solid and profitable savings banks across the entire country
- **SpareBank 1 Regnskapshuset SMN entered a nationwide agreement with the LO** (Norway's trade unions confederation) in which SpareBank 1 Regnskapshuset SMN is to be the sole provider of accounting and advisory services to the self-employed through the 'LO-selvstendig' benefits programme.

- **The year's economic barometer for business and industry in the region** was presented in November 2021, including the sustainability barometer. The economic barometer confirms a positive trend for the region and generally high optimism, at the same time as the sustainability barometer shows that a green transition in the Mid-Norwegian business sector is not under way – yet.
- **The equity fund ODIN Bærekraft was launched.** As an actively managed and sustainable equity fund, ODIN Bærekraft invests in high-quality companies throughout the world.

This is SpareBank 1 SMN

The story of SpareBank 1 SMN extends back to 1823 when 44 of Trondheim's better-off men paid a total of 1,596 speciedaler to found a savings bank. The men wished to develop their community, and they saw that the community needed a bank.

The bank's founders wanted the community to own the bank, and as early as in 1840 Trondhjems sparebank began to devote parts of its net profit to supporting projects that would benefit the local populace. Over the next hundred years savings banks were founded across the entire region. Since the 1990s many of these savings banks have been amalgamated with what was once Trondhjems sparebank, and now make up SpareBank 1 SMN.

The set of values dating from 1823 have been part of SpareBank 1 SMN's DNA for almost 200 years and the main objective is to provide good financial advice to secure the everyday finances of people and businesses, in good and bad times alike. Hard times are when people show what they are made of, and through almost two years of a Covid pandemic the bank's focus has been precisely on safeguarding customers' finances and helping them through the crisis.

Today SpareBank 1 SMN is far more than a bank. It is the region's leading finance centre and offers customers a full range of products and services in the banking, accounting and estate agency areas. In keeping with the wishes of the bank's founders, the local community is still the group's largest stakeholder and each year receives its rightful share of the net profit through the *community dividend*.

Vision and values

"Together we make things happen" is the vision of SpareBank 1 SMN, supported by the following values: *wholehearted, responsible, likeable* and *capable*.

The companies making up the SpareBank 1 SMN group currently embrace differing visions and values. The group's ambition is to assemble all companies under the same vision and values ahead of the anniversary year 2023.

Strategic direction towards 2023

SpareBank 1 SMN is the leading financial services group in Mid-Norway, and among the best performers in the Nordic region. SpareBank 1 SMN aims to create financial value, build the regional community and assume its share of the responsibility for sustainable development.

The group has clear-cut objectives in terms of profitability, financial position and efficiency:

- **Profitable**, with a 12 per cent return on equity
- **Financially solid**, with a CET1 ratio of 16.9 per cent. Payout ratio about 50 per cent
- **Efficient**. Annual cost growth in the group limited to 2.0 per cent within existing business
- **Strengthened market position**. Ambition to be number 1 in the group's business lines
- **Increase in satisfied customers**. Ambition to have the most satisfied customers in all business lines and market areas

- **Proud and committed employees**. Ambition to have the most committed staff in the financial industry in Norway
- **Quality** in all our work

With strong customer relationships and high return over time, SpareBank 1 SMN has a good foundation on which to build further.

In 2020 five strategic priorities were highlighted as particularly important in the run-up to 2023. Work on all five priorities is well under way.

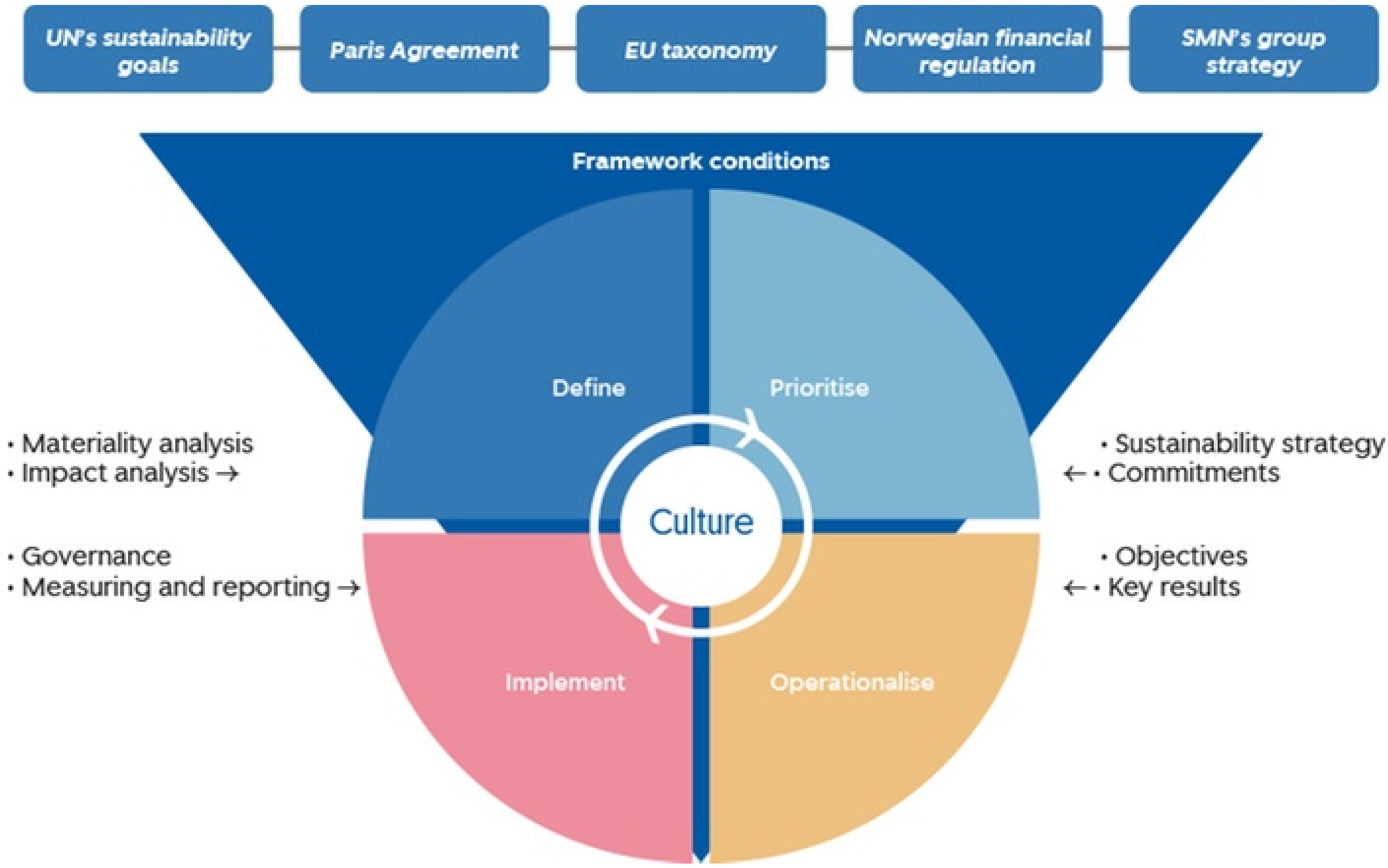
The five strategic priorities are:

1. **Create 'One SMN'** through improved interaction between support functions, business lines and subsidiaries
2. **Increase digitalisation and use of insight** to ensure relevant and future-oriented solutions
3. **Take a leading role in the development of Norway's savings banks** by challenging partners and competitors alike and exploiting the developmental power present in SpareBank 1-alliansen
4. **Integrate sustainability into the business** and stimulate sustainable development of Mid-Norway by being a driver for the green transition, a partner for the inclusive development of society and a guide for responsible business culture.
5. **Exploit the power inherent in the ownership model** to instil pride and commitment among employees and people in general through contributing to the region's development and value creation.

Sustainability

Overall group standard
As the region's largest financial services group, SpareBank 1 SMN aims to stimulate the sustainable development of Mid-Norway. Sustainability is one of five strategic priorities in the group's business strategy, and the means of working towards sustainability are concretised in the sustainability strategy adopted by the board of directors. The strategy builds on the materiality and impact analyses carried out in autumn 2020 and is operationalised through objectives and key results in all business lines. Coordination and development of an overall group standard for sustainability rests with the group's steering committee for sustainability.

SpareBank 1 SMN has systematised sustainability, taking the UN Principles for Responsible Banking as its basis. More information on these principles is available at https://www.unepfi.org/banking/bankingprinciples. The group shares and publishes reports, certifications, guidelines and other relevant documents emanating from this work in an open, accessible sustainability library at smn.no/barekraft.



Sustainability systematised in the SpareBank 1 SMN group

Focus on value creation – Possibilities and risk

SpareBank 1 SMN develops its business models and risk management framework on a continuous basis, both to support its own growth ambitions and the EU's six environmental goals (see ec.europa.eu) and to comply with applicable laws and regulations. The development work has a bearing on the group's customer offering and aims to:

- Increase customer value by providing value-based advice and customer offerings that accelerate the green transition among people and businesses in general
- Increase employee value by attracting and retaining committed employees that deliver the best customer experience
- Increase shareholder value by achieving goals for profitable growth with minimal cost to the climate

Next step – Goals and measures in 2022

Central goals and measures in the group's work plan for 2022 are to:

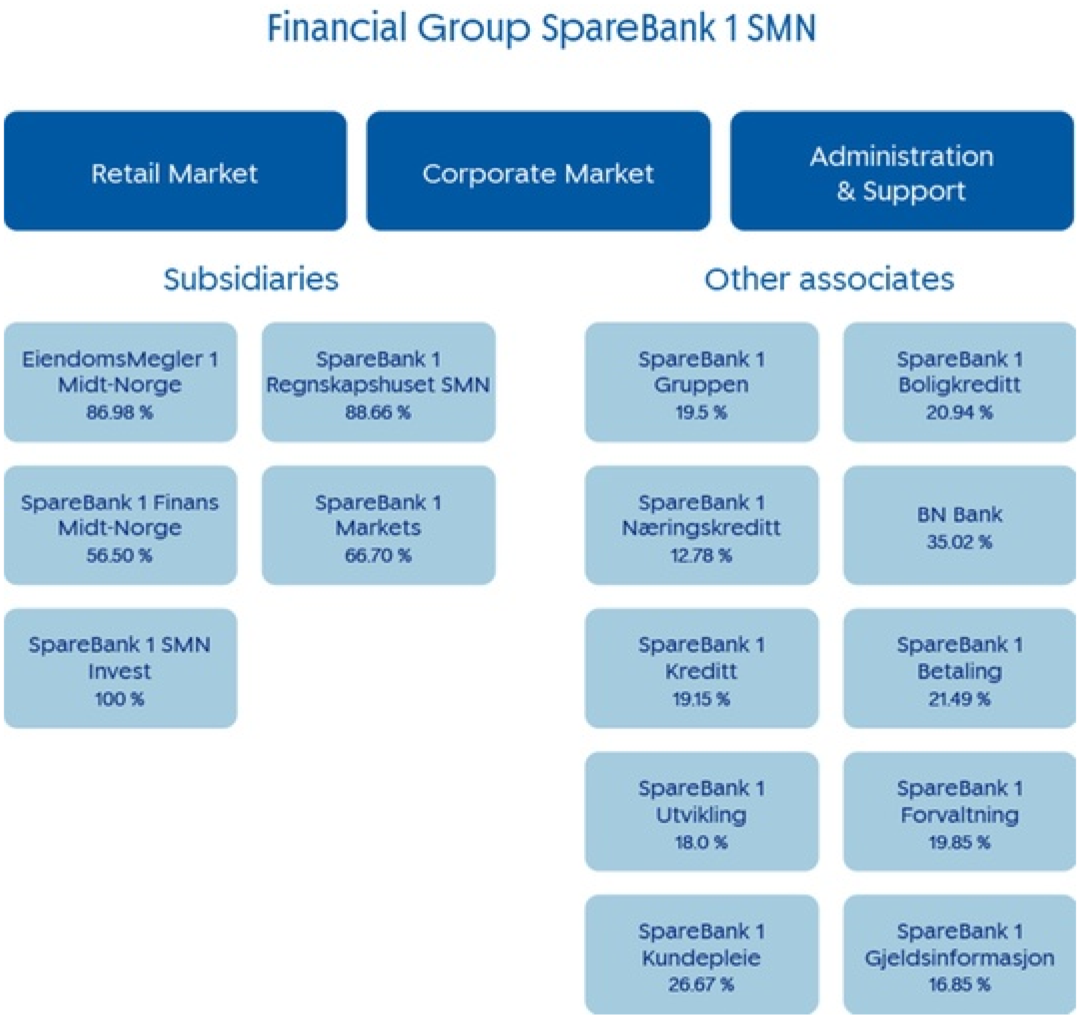
- Increase the proportion of loans/turnover that qualify as sustainable economic activity (Green Asset Ratio, GAR)
- Measure and report on the trend in contributions to climate change for existing and new customers in the portfolio
- Reduce the group's direct climate footprint by 8 per cent through digitalisation, electrification and reuse
- Strengthen social rights and equal opportunity for all in the group's customer offering
- Stimulate innovation and competence development in the group's market areas

Read more about SpareBank 1 SMN's sustainability effort at smn.no/sustainability

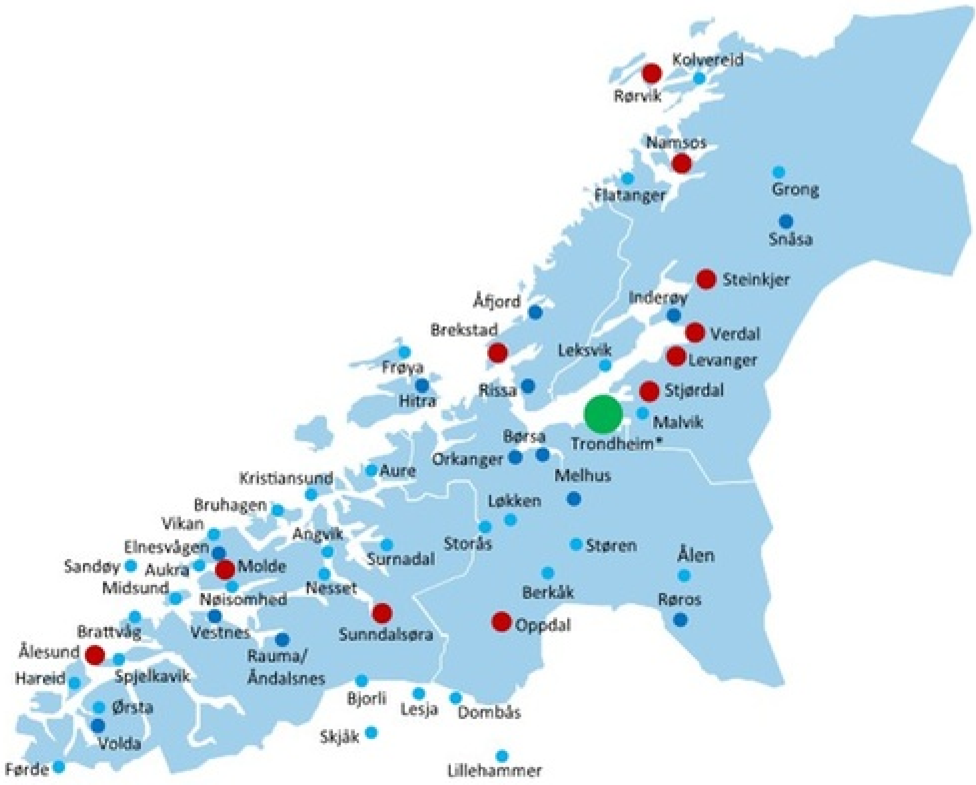
SpareBank 1 SMN's organisational set-up

SpareBank 1 SMN is an independent regional savings bank with a local footing and one of six owners of SpareBank 1-alliansen. Through the SpareBank 1 Alliance and its own subsidiaries, SpareBank 1 SMN offers competitive products in the fields of financing, savings and investment, insurance and payment services along with estate agency, leasing, accounting and capital market services.

SpareBank 1 SMN is organised under the following structure:



SpareBank 1 SMN is the region's leading financial services group and caters to both the retail and corporate market. It is headquartered in Trondheim and the group has some 65 offices across the region. 14 of these are finance centres in which banking, accounting and estate agency businesses are present in the same location. With its subsidiaries included, the group has about 1,650 employees.



- *The group's head office is located in Trondheim plus a number of offices offering banking, accounting and estate agency services separately or on a co-located basis*
- *Locations marked with red dots are finance centres*
- *At locations marked with dark blue dots, two offices are co-located*
- *In addition to the above office locations, SpareBank 1 Markets has an office in Oslo*

Subsidiaries

EiendomsMegler 1 Midt-Norge

EiendomsMegler 1 Midt-Norge is a wholly-owned subsidiary of SpareBank 1 SMN, SpareBank 1 Nordmøre and SpareBank 1 Sunnmøre. EiendomsMegler 1 Midt-Norge owns Brauten Eiendom and is part of EiendomsMegler 1-alliansen, the country's largest provider of estate agency services. The company has more than 300 employees distributed across more than 30 offices throughout Trøndelag and Møre and Romsdal, and offers commercial property, new construction, rental and agricultural brokerage services.

SpareBank 1 Regnskapshuset SMN

SpareBank 1 Regnskapshuset SMN is a subsidiary of SpareBank 1 SMN, SpareBank 1 Søre Sunnmøre, SpareBank 1 Gudbrandsdal and SpareBank 1 Lom og Skjåk. SpareBank 1 SMN is the largest owner and the company has some 500 employees dispersed across more than 40 locations in Trøndelag, Møre og Romsdal and Innlandet. The company is a fully fledged finance and technology centre and is one of the three largest operators in the accounting industry in Norway. In addition to traditional accounting services and systems the company offers services in the fields of pay, human resources, taxes and duties, transfer of ownership and IT. In cooperation with the bank they also offer the service 'Banking+Accounts' which enables a business to manage its entire finances in one place.

SpareBank 1 Markets
SpareBank 1 SMN Markets AS is an investment firm offering a complete range of products. The company's aspires to be a leading Norwegian capital market institution able in collaboration with its parent banks to deliver all capital market services. Advisory services and facilitation of external and equity financing for clients are important service areas. Client trading and proprietary trading in shares and derivatives, fixed income and currency instruments along with bonds is also undertaken. SpareBank 1 SMN holds a 66.70 per cent stake in the company.

In 2021 the company strengthened its market position and posted considerable income growth. 2021 brought increased incomes in particular in investment banking and stockbroking. Collaboration with the parent banks was good, generating incomes in all business areas. SpareBank 1 Markets has acquired a substantial position for raising capital for technology companies and companies that contribute to a sustainable economy. In total, the company participated in stock issues in a nominal amount of NOK 35bn, and a bond issue worth a nominal NOK 6.9bn in these sectors. At the end of 2021 the company had 169 employees.

SpareBank 1 Finans Midt-Norge
SpareBank 1 Finans Midt-Norge offers leasing, vendor's lien and invoice sale services to about 35,000 retail customers and 5,000 corporate clients. The company markets its products through parent banks, car dealers and to some extent makes direct sales. SpareBank 1 Finans Midt-Norge has total assets of NOK 10bn and is represented in the counties of Trøndelag, Møre and Romsdal, Vestland, Vestfold and Telemark, Innlandet and Viken.

The proportion of financed objects with electric or hybrid transmissions is growing strongly in the case of leasing and vendor's liens alike. A good 11 per cent of the portfolio comprises electric or hybrid transmissions, and the share is rising in both the retail and corporate market. SpareBank 1 Finans Midt-Norge aims to offer competitive products through green financing and is also co-owner of the car subscription company Fleks. The company's credit policy sets clear guidelines as to various requirements on businesses, products and sectors. Moreover, particular account is taken of sustainability both as regards objects and customers, and ESG is an important aspect of the templates employed in the company's credit assessments.

SpareBank 1 SMN Invest
SpareBank 1 SMN Invest' strategy has been to invest in regional seedcorn, venture and private equity funds, and directly in growth companies with national and international potential. The company holds shares worth NOK 592m at the end of 2021. Investing in shares is no longer part of the group's strategy, and the focus ahead will be on managing the current portfolio together with other long-term shareholdings of the bank.

SpareBank 1-alliansen's companies
SpareBank 1-alliansen consists of 15 independent savings banks that collaborate on a shared platform and brand. The collaboration is organised through the jointly-owned companies SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA with subsidiaries, in addition to a number of directly owned companies of the SpareBank 1 banks.

SpareBank 1 SMN's has a stake of 19.5 per cent in SpareBank 1 Gruppen. SpareBank 1 Gruppen wholly owns SpareBank 1 Forsikring AS, SpareBank 1 Factoring AS, Modhi Finance AS and SpareBank 1 Spleis

AS. SpareBank 1 Gruppen holds a 65 per cent stake in Fremtind Forsikring AS. In addition, SpareBank 1 SMN, together with other SpareBank1 banks, directly owns SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, SpareBank 1 Kreditt AS, SpareBank 1 Betaling AS, SpareBank 1 Forvaltning AS and BN Bank ASA.

SpareBank 1 SMN's stakeholders and memberships

Stakeholders

The group's significant stakeholders were identified as part of the stakeholder analysis conducted in 2020. An overview of the most significant stakeholders is shown in the figure below, and the stakeholder analysis is published in its entirety at smn.no/sustainability.

Memberships

SpareBank 1 SMN supports or has given its endorsement to the following external initiatives, charters or principles in the economic, environmental or societal area:

- UNEPFIs Principles for Responsible Banking
- UN Global Compact
- Environmental Lighthouse

See the enclosed overview of SpareBank 1 SMN's memberships in industry, lobby and other Norwegian and international organisations.

The business

Retail Banking

Increased market shares and good results

SpareBank 1 SMN leads the market both in real estate agency and banking services for retail customers. 2021 was a good year for Retail Banking with increased market shares for the bank and increased sales and incomes for the real estate agency business.

Co-location in a number of localities in the region has yielded positive results. The group is building strong specialist entities and enhancing the quality of customer deliveries. Real estate agents and banking advisers work closer together and are able to provide customers looking to buy or sell a home with a more coherent offering.

Co-location also opens the way for improved interaction in the agricultural segment. Agricultural clients often need estate agency, banking and accounting services, and the group can now offer these in several locations. The support that SpareBank 1 SMN is able to provide for the succession process in family businesses is a good example of how the group's breadth strengthens the customer offering.

The co-location process progressed through the year and SpareBank 1 SMN expects 2022 to show clearer results of the changes made.

Increased efficiency

Retail Banking underwent major changes over the course of the year. Financial advisers took on more specialised roles and are working more on a team basis.

"2021 was a good year for Retail Banking even though we have undergone major changes. We saw a positive trend in all market areas and gained market shares in most localities. We also raised our FTE efficiency through significant improvements, including in the lending process", says Nelly Maske, executive director at Retail Banking.

SpareBank 1 SMN has in particular shown good growth in Sunnmøre where several new staff members were appointed in 2021.

The director highlights the particular success of their targeted focus on data and analysis. This contributed to good customer experiences through digital communication and proactive advice. The customer journey enables a customer to view SpareBank 1 SMN as more relevant. Targeted initiatives and a strong focus on good customer experiences have fostered customer loyalty and reduced customer loss.

Moreover, the digital bank was further developed to cater to the individual customer's needs. 'My vehicles' was launched as a pilot and provides the customer with an overview of expenses and services related to car ownership. 'My vehicles' was developed in conjunction with SpareBank 1 Finans, SpareBank 1 Utvikling, Fremtind Forsikring and Fleks AS.

A broad-based focus on saving and investment produced good results over the year. SpareBank 1 SMN notes that customers largely use digital services to start a savings account. Digital sales of savings accounts topped the previous year's figure by far more than 100 per cent, both in number and volume. Over the year the bank launched several data-driven customer programmes giving customers a better overview of their savings and offering tips and advice on the subject.

Banking operations were at times affected by the Covid pandemic over the year, but to a lesser extent than in 2020.

“Many customers have changed behaviour as a result of the pandemic, getting in touch to a greater degree by telephone and digitally. Customer call centres noted heavy traffic which was taxing at times”, says Nelly Maske.

We also see an increase in the proportion of digital sales. At the end of 2021 as much as 71 per cent of sales were digital or initiated on digital channels. Disregarding mutual funds, the share is 43 per cent.

One of the best years ever
For EiendomsMegler 1 Midt-Norge 2021 was one of their best years ever, and they consolidated their position in the market across all segments. The market share for existing dwellings moved sideways and is rising in the agricultural, commercial property and new dwelling segments. Sharp income growth is noted on the commercial front in particular.

“In Trondheim we established property rental services for consumers and professional clients. Property rentals supplement our sales of new and existing dwellings and make a full array of services available to our customers, in conjunction with the parent bank and insurance arm. The venture proved to be goal-fulfilling as a new business segment, in addition to offering a major potential for interaction”, says Kjetil Reinsberg, CEO of EiendomsMegler 1 Midt-Norge.

Since summer 2020 the company has noted a positive effect of the pandemic on the dynamic in the housing market, in particular with regard to sales of recreational properties and new dwellings, as well as the commercial property market. We expect both the recreational property market and the newbuild market, especially in Trondheim, to be in good shape next year too.

Over the course of the year EiendomsMegler 1 Midt-Norge ran several good lean projects involving employees from estate agency, commercial property and newbuild services. These projects are expected to contribute to good results in 2022. The most important takeaways from the lean projects are an understanding of what internal and external customers actually need, what they are willing to wait and pay for, and how we as a finance centre can deliver this customer value as efficiently as possible. To that end all employees are put in a position, and given authority and responsibility, to engage in continuous improvement of their personal workplace and working day.

Sustainable interaction
SpareBank 1 SMN wishes to make it simpler to opt for sustainable solutions, and Retail Banking’s green portfolio is steadily expanding. In 2021 SpareBank 1 SMN launched new green mortgage loans in the young customer segment along a green agricultural loan, in addition to the service My Climate Track at the digital bank.

All mutual funds offered by SpareBank 1 SMN are accompanied by a sustainability rating. November saw the launch of the mutual fund ODIN Bærekraft which complies with the most stringent sustainability reporting and makes it even simpler for customers to choose sustainable saving.

A growing focus on sustainability is also noted at EiendomsMegler 1 Midt-Norge and their industry.

“We note an increasing number of new build assignments featuring green finance in addition to more and more assignments to sell environmental buildings”, says Kjetil Reinsberg.

A large potential for interaction exists between the banking and estate agency arms and other specialist entities in the group and efforts are under way to exploit this potential to an even greater degree in coming years.

Further growth next year

Expectations for 2022 are a more normalised housing market, higher consumption and a somewhat lower saving rate. The bank and real estate agency both expect and aspire to further growth next year.

“Our ambition is 10 per cent growth next year. We aim to take market share through increased recruitment of new customers, reduced customer loss and a proactive effort to expand the number of multi-product customers. We will in particular strengthen the growth in Sunnmøre and Trondheim and take a larger share of national LO (Norwegian Trade Unions Confederation) customers”, says Nelly Maske.

“We delivered turnover growth in 2021 and aim for further growth next year. The market is volatile and we are very much driven by the market, but the property market in our region is good and stable. All segments are positive and no dark clouds loom”, says Kjetil Reinsberg.

Core figures for Retail Banking and EiendomsMegler 1

Retail Banking	2021	2020
Deposits	50.17 bn	47.5 bn
Loan	137.6 bn	129.1 bn
No. of customers	249,482	245,697
No. of FTEs	360	369
Profit before tax	1,167bn	1,093 bn

EiendomsMegler 1	2021	2020
No. of properties sold	7,763	7,164
No. of FTEs	233	227
Profit before tax	71 m	52 m

Corporate Banking

Closest ever cooperation

2021 was a good year for Corporate Banking, but a year to a large extent still marked by the Covid pandemic. Internal reorganisation processes led to closer and better interaction between SpareBank 1 SMN and SpareBank 1 Regnskapshuset SMN.

After struggling for several years, the bank's corporate banking arm sees improved prospects in the oil and offshore industry. The outlook in the commercial property segment is also brighter, while fisheries and aquaculture remain on a stable good level. The bank saw good performances particularly in the SMB market as a result of a focused effort to attract new customers.

SpareBank 1 Regnskapshuset SMN consolidated their position as market leader in part through the acquisition of two companies. A third company was also acquired in 2021. They have come a long way on their journey from accounting firm to full-fledged accounting consultancy, and have spent time fitting out the business and 'assembling the team'.

As a sparring partner, and not just an accountant, they can do more to streamline administrative processes, and to assist customers by highlighting where to focus more and conversely less effort in order for the business to become more profitable and to grow.

Putting new technology to use has enabled them to offer new, modern accounting systems that enhance the efficiency of their customers' finance functions.

In 2021 they also launched the innovative 'HR Services', a customer-oriented, flexible service to support businesses' everyday HR activities and to assist for example in attracting candidates, regulatory compliance and staff development.

Towards the end of the year SpareBank 1 Regnskapshuset SMN was selected as national provider of accounting services to LO Selvstendig – a collaboration between unions affiliated to the Norwegian Trades Union Confederation that organises the self-employed.

The pandemic has been demanding
The corporate market is still affected by the pandemic and in some cases stringent restrictions, and the year posed substantial challenges for many customers in a number of segments.

The bank has gained a good overview of risks and hard-hit industries and has good control of the risk posed by Covid 19. That risk has been managed in a good manner and we are unlikely to see any appreciable losses as a result of the pandemic.

“More so than the preceding year, 2021 made clear who have been most affected. We are comfortable in a crisis situation, and in that sense we differ from other banks. We have been there, supporting business and industry the whole way, and have witnessed tremendous growth in customers and market share alike”, says Vegard Helland, executive director at Corporate Banking.

SpareBank 1 Regnskapshuset SMN have spent much time managing the Covid situation and in particular the various compensation arrangements put in place by the government.

“Here we have played a key role for many customers by getting to grips with the rules in order to advise customers on the opportunities available. We have performed an important control function by checking that the basis for compensation sought by customers has been correct. This has been a wide-ranging task, but at the same time a natural role for us to play as the individual business’s closest sparring partner”, says Arne Nypan, CEO at SpareBank 1 Regnskapshuset SMN.

Co-location yields results

Co-locating business lines in finance centres at several locations across the region has made it simpler to provide a more coherent offering. In contrast to many other institutions, SpareBank 1 SMN can offer corporate clients both banking and accounting services.

Over the year advisers have focused on making the entire array of products available to their customers. The breadth of the product range is a competitive advantage and it is crucial that customers see the value of our coherent, overall approach.

“Co-location of offices has resulted in closer cooperation between the bank and the accounting arm. We have got to know each other better, we work more closely than ever and we have become more customer oriented. This simplifies everyday life for our customers who feel that they benefit from better advice and a more coherent offering”, says Vegard Helland.

“Together we have developed the concept ‘Bank+Accounts’, and additional novel customer concepts will be launched in the period ahead. We are making every effort to offer banking services through the accounting systems already in use by customers today and we continually embrace new technology,” says Arne Nypan.

Co-location is also a feature of the digital channel inasmuch as SpareBank 1 Regnskapshuset SMN’s web pages are now part of smn.no.

Sustainability on the agenda

“We devote much effort to sustainability and its significance for business and industry and the bank. We have done much to map the sustainability picture in a number of segments in order to better understand what it means for our customers”, says Vegard Helland.

The results from SpareBank 1 SMN’s sustainability barometer show that the crisis is larger than much of business and industry’s understanding of it. The focus ahead will accordingly be on enhancing competence within the group so that advisers are better able to help clients in their green transition.

In addition SpareBank 1 SMN, in collaboration with SINTEF, an independent research institute, has launched a support scheme for SMBs in Mid-Norway that wish to readjust to become greener, smarter and more innovative. The support scheme is funded by the group's community dividend.

In 2020 the SpareBank 1 SMN group delivered its first energy and climate account. This was prepared by SpareBank 1 Regnskapshuset SMN. They were the only accounting firm in Norway to draw up an energy and acclimate account that year and already view this as a growth area.

"This year we are already invoicing several major clients for sustainability reporting. Next year we will do more to realise this potential", says Arne Nypan.

Big ambitions

Both the bank and the accounting business have big ambitions for 2022.

"Our ambition for next year is to achieve substantial growth both in the number of customers and business volume. We will further reduce losses and continue to acquire new customers", says Vegard Helland.

"We will remain on the lookout for good partners that can strengthen the team going forward. We already hold substantial market shares in northern Trøndelag, Trondheim and Møre, and will continue to do so. We aim to win market shares in other areas where we are in a challenger position," says Arne Nypan.

Corporate Banking also has ambitions to develop new customer offerings and services for all corporate clients, both separately at the bank and Regnskapshuset and, not least, jointly.

Core figures for Corporate Banking and Regnskapshuset

Corporate Banking	2021	2020
Deposits	59.6 bn	49.4 bn
Loans	47.6 bn	44.8 bn
No. of customers	17,727	15,564
No. of FTEs	165	156
Profit before tax	795 m	113 m

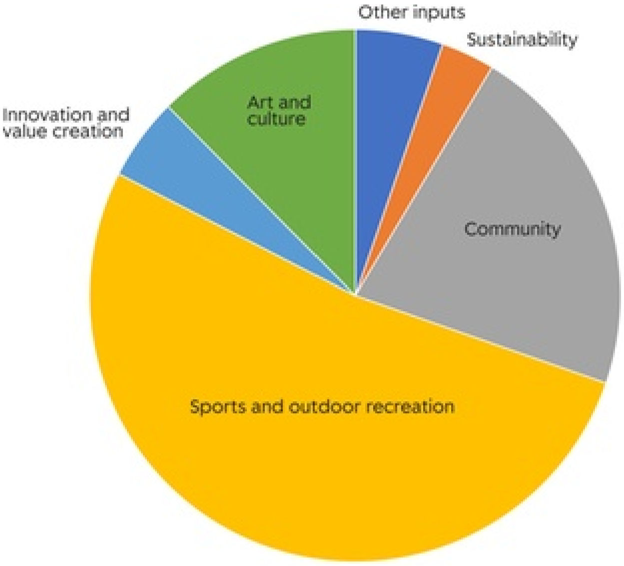
SpareBank 1 SMN Regnskapshuset	2021	2020
No. of customers	11,249	10,712
No. of FTEs	457	443
Profit before tax	85 m	110 m

Community dividend

Community dividend raised to a new level

The Mid-Norwegian community is the largest single owner of SpareBank 1 SMN. The community's share of the bank's net profit is termed the community dividend. The dividend funds go to supporting good projects that build and develop Mid-Norway and make the region a better place to live and work.

More than 10,000 suggestions on how the community dividend should be invested
In 2021 the community dividend totalled NOK 323m. Of this, NOK200m was allocated to investments in various projects in the region. A further NOK 123m was transferred to the foundation Sparebankstiftelsen SMN, which is the community's 'savings box'. This represents a substantial strengthening of the ability to support local communities in Mid-Norway. A new strategy has been formulated for how the dividend moneys should be deployed in order to ensure the greatest value for the regional community.



10,124 persons and more than 100 key individuals and partners voiced their opinion

In spring 2021, as a step in this process, SpareBank 1 SMN asked the Mid-Norwegian community for inputs. Individuals and organisations got the chance say how they thought the community dividend should be invested. A good 10,000 responses from individuals and more than 100 from meetings with organisations and resource persons provided valuable direction.

"As expected, the sports and outdoor recreation category drew much support. There was also a clear recommendation to contribute to living local communities, to work to ensure equal rights and opportunities for children and young people, and to contribute to green innovation and value creation. The inputs received will underlie the choice of measures and direction for the community dividend in the next few years," says Eli Arnstad, bank manager at Community Dividend.

Community response to Covid-19 and reopening of society

When the pandemic broke out 2020, community dividend worth NOK 100m was earmarked for Covid-related support to the voluntary sector, cultural life and local communities. SpareBank 1 SMN called this the 'communal Covid response effort'.

Through various support schemes the funds were directed at initiatives that eased the situation for organisation, cultural life and local communities. The goal was to secure the voluntary sector and bolster solidarity and activity during an abnormal period. This work carried on in 2021 when Covid continued to create uncertainty for cultural life, clubs and organisations.

When the outlook brightened and reopening approached, NOK 100m was allocated to help the community get up to speed again. In autumn 2021 support was provided to several hundred activities in a bid to invigorate our local communities and help actors that had faced the toughest challenges during the pandemic to find work once again.

The initiatives were met with immense commitment and sparked great activity. Activity was greatest in Trondheim where more than 115,000 persons participated in almost 300 events large and small.

At the end of 2021 the group is again prepared to be a mainstay should new mutations of the corona virus pose challenges for local communities in Mid-Norway.

SpareBank 1 SMN's public input campaign and support arrangements achieved a broad outreach in the communal Covid response effort, in traditional and social media alike. For the group this type of visibility is important in building awareness and knowledge of the significance of the community dividend and of the power intrinsic to the ownership model.

Other major activities in 2021:

- **Establishment of a sustainability programme with SINTEF**
  Over the course of 2021 a programme was initiated in collaboration with SINTEF designed to assist Mid-Norwegian businesses' green transition. Together we shall help established small and medium-sized businesses (SMBs) in Mid-Norway to digitalise, automate and become more sustainable. This is a unique opportunity to draw benefit from SINTEF's expertise at the same time that the community dividend covers half the participation fee for businesses, thereby giving more SMBs the chance to take part.

- **SpareBank 1 SMN Talent Grants**
  NOK 1.2m was handed out in grants to talented individuals. This sum was distributed among 30 young talents in the fields of culture, sports, and business and social development in Mid-Norway.

- **Summer jobs for young people**
  SpareBank 1 SMN contributed financial support for 633 summer jobs for young people in another summer marked by Covid restrictions. The summer-job project was carried through in collaboration with the foundation Sparebankstiftelsen SMN.

- **Community portal launched**
  In 2021 the group launched a webpage providing an overview of all projects that have received support

from Community Dividend. In the first instance the story extends back to 2007. The plan is to develop the overview further to provide a virtually complete overview of all awards made throughout the bank's history in time for the anniversary in 2023. See the community portal at samfunnsutbytte.smn.no.

Over the course of 2021 SpareBank 1 SMN received 2,934 applications for support, of which 1,293 were granted. The total amount applied for was NOK 286,924,715, and the total amount of support awarded from the bank's community dividend came to NOK 163,866,599.

Together we make things happen

"By virtue of our ownership model we have close and tight links to the community around us which have endured for close to 200 years. The community dividend enables us to invest non-profit funds in a way that builds and develops our region into a better place. We look forward to continue to do so ahead, together with enthusiasts, competence institutions and everyone else who makes things happen in Mid-Norway," says Eli Arnstad.

People and organisation

Salary and bonus arrangements

Salary and bonus arrangements are further described in the report on remuneration to senior employees.

Change and reorganisation

Any organisation needs to adapt continuously to changes in its environment. In autumn 2020 SpareBank 1 SMN made a major change to its organisation set-up. The change programme was termed ‘One SMN’. Its object is to assure an even more effective group, and to enable it to deliver even better services to its customers.

In 2021 SpareBank 1 SMN worked on incorporating the new organisation set-up, new interfaces and on ensuring that the organisation functions to the best possible extent in keeping with the objective of One SMN. Many staff members have acquired new roles, new colleagues and new tasks. This has been a demanding process in a period of pandemic in which many employees have worked from home for much of the year.

In spite of this, the group saw gains over the course of 2021 in terms of greater efficiency, along with group functions comprising strong specialist teams that deliver high-quality services to all business lines.

Competence development and recruitment

SpareBank 1 SMN most important resource is its employees. In order to deliver the best customer experiences and to assure relevance to the customer both today and in the years ahead, the group needs employees who wish to evolve and to expand their capabilities. Attracting the right people and laying the basis for them to develop their expertise is therefore a priority if the group is to ensure its relevance and competitiveness in the years ahead.

In 2021 all financial advisers and real estate agents in the group underwent training in ‘advisory value sales’. The core of advisory value selling is to enable the customer, through good meetings and advice, to see added value beyond the actual product or service purchased.

Digitalisation, sustainability and ethics were focal areas for competence development in the group in 2021.

Over the course of the year 23 staff members started a training programme in digital transformation at master’s level, developed by the NTNU. Effective use of new digital coordination tools was also much in focus in the field of digital competence in 2021.

The precept of sustainability permeates all activities at SpareBank 1 SMN, and the group aspires to be a driver of green transition in the region. For this ambition to succeed, all staff members must be well versed in sustainability. In 2021 all employees were given the opportunity to undergo basic coaching in sustainability which included game-based learning as part of the competence path.

In 2021 an ethics week was held with the focus on the group's ethical guidelines. All staff members received a learning sequence designed to impart increased knowledge and awareness on each day of that week. This type of learning will continue on an annual basis to ensure that employees maintain a high level of awareness and a high ethical standard. This is absolutely crucial if the group is to maintain the required trust and confidence of the community at large.

Financial advisers, both in Retail Banking and Corporate Banking, underwent a series of training programmes and updates as regards professional skills, products, advisory activities and ethics in 2021. The object is to ensure high quality, and to inspire confidence and trust when dealing with customers. All employees also underwent training programmes in data and information security along with mandatory courses in personal data protection and anti-money laundering.

SpareBank 1 SMN is an attractive employer, and a survey of students conducted by Universum in 2021 ranked SpareBank 1 as the second most attractive employer for economics students. SpareBank 1 SMN actively approaches universities and colleges with a view to attracting the right skills. In addition to participating at career days and company presentations, the group has annual summer internships and a programme offering students skills development and an experienced mentor as a sparring partner with regard to choice of course of study and career.

SpareBank 1 SMN has many highly competent candidates for the great majority of open positions. The group has a clear ambition to continue to be an attractive place to work in the future and will seek to strengthen its approach to people and institutions that can provide us with important technological and digital competencies.

The group also has a major focus on internal mobility and sets the stage for good career and development opportunities for its employees. In 2021, 38 staff members moved to new positions within the group while 183 persons were recruited externally.

Management and employeeship

A belief that employees perform better if they experience a feeling of coping, trust and autonomy, and have a meaningful working day, is an important governance principle at SpareBank 1 SMN. This belief also underlies the management platform and the group's principles of management.

2021 saw regular digital and also physical seminars with managers in the group. Management's role in a hybrid working day, and what managers can do to enable team and individuals to achieve effective interaction and good deliveries in such a context, were important themes at these seminars.

SpareBank 1 SMN have decided to implement a career programme for young employees in the first half of 2022 whose theme will be "How to be a colleague others want to team up with" In this programme, as in other development programmes in the group, importance will be attached to an even gender balance among the participants.

In its development programme for managers and managerial talents, the group has set a target of a minimum of 50 per cent female participants.

Commitment and staff development

SpareBank 1 SMN aims to be an attractive employer with a committed and competent staff who experience a good balance between work and leisure. The stage is set for such a balance through flexible working hour arrangements and a life phase policy which accommodates staff members' need to adapt to their life situation.

In 2021 a pilot was conducted on the use of a new tool for organisation measurement – Winningtemp. The pilot demonstrated that the tool, through frequent measurements of performance tailored to the respective teams, provides very useful information and will lend itself well to evolving the organisation in the years ahead. One of the companies in the group introduced the tool in its entirety in the course of 2021 while the others will do so in the first quarter of 2022.

Diversity and equal status

SpareBank 1 SMN attaches great importance to inclusion and diversity. All employees in the group should feel that they belong, and are an important part of the team. Diversity makes for added perspectives and a more exciting, broadening and dynamic work environment. All employees have a responsibility for promoting inclusion, thereby enabling them personally and their colleagues to grow.

The group makes an active effort to assure equal status and to avoid discrimination in all aspects of the employment relationship, from vacancy announcement to termination of the employment relationship. The workforce should reflect the community of which SpareBank 1 SMN is a part. This applies to cultural background, gender, age, ethnicity and sexual orientation. No instances of discrimination were reported in 2021.

Recruitment
SpareBank 1 SMN made an active effort in 2021 to ensure a wide diversity among applicants for posts in the group, among candidates invited for interview and among actual appointees.

Among the steps taken by the group to ensure a diversity of applicants was to scrutinise the texts employed in vacancy announcements. An analysis of such texts showed a preponderance of terms and characteristics that increased the likelihood of male applicants and reduced the likelihood of female applicants. Against this background, scrutiny of each new vacancy announcement was introduced to ensure a balanced use of terms and a description of the position and the desired qualities that encourages more females to apply for positions at SpareBank 1 SMN.

Over the course of 2021 the group also made information about its stance on, and efforts to promote, diversity more readily accessible in the application process for those thinking of applying for posts. Moreover, new photos and images were taken into use to better reflect workforce diversity.

SpareBank 1 SMN's objective is that both women and men should be among the shortlisted candidates ahead of the final decision on who is to be offered an open position. In 2021 this objective was achieved in a large majority of employment processes.

In 2021 the group recruited 183 new personnel to various roles in the group. Of these, 91 are women and 93 are men. 19 new employees were recruited to managerial positions, 12 of whom are women and 7 are men.

Salary and employment conditions

SpareBank 1 SMN has focused on equal pay for women and men in recent years. Through the introduction of a ‘women’s pay-equalisation fund’ the group has attained its objective of equal pay for comparable positions.

Where women’s share of men’s pay across the group is concerned, the picture is less favourable. In the group as a whole this share stands at 77 per cent, and for the parent bank 90 per cent. The main reason for this disparity is the substantial preponderance of men high up in the job hierarchy and in weightier managerial positions, not that there are significant pay differences between women and men in comparable positions.

The group uses the Hay salary system for job classification purposes and to ensure consistency and equal treatment when fixing and evaluating salaries. A review of pay levels for women and men in the various pay grades shows that equal pay prevails at a number of position levels.

Promotions

A good gender balance is sought at all levels of the organisation, and the proportion of women in managerial positions with personnel responsibilities in 2021 was 42 per cent. The group management team now comprises nine persons, two of whom are women.

SpareBank 1 SMN has signed the Women in Finance Charter. In so doing the group has committed to setting targets for gender balance at managerial level. The object is that women should account for a minimum of 45 per cent of managerial positions, and a clear ambition is to increase the share of women in weightier managerial positions.

The executive director of Technology and Development at SpareBank 1 SMN has a dedicated responsibility for monitoring the work to promote equal status and diversity in general and the Women in Finance Charter in particular. The group will publish the current status and progress of this effort on a regular basis.

Combination of work and family life

SpareBank 1 SMN aims to be a workplace where employees experience a good balance between work and leisure. The group’s life phase policy is designed to accommodate employees in all phases of life. Arrangements involving flexible working hours and working from home are available, enabling employees to adapt their working day to their family situation.

In 2021 a start was made to improving arrangements for maternity leave, other leaves of absence and real estate agents’ sick leave. New arrangements will ensure that employees do not refrain from taking leave of absence for financial reasons.

Ethical guidelines

The group's employees and elected officers are expected to maintain, and be recognised for, their high ethical standard. All, regardless of role and position, are expected to display conduct which inspires confidence, and is honest and fair and square. The ethical guidelines embody four overarching key principles: the duty of confidentiality, financial independence, loyalty and personal integrity. Conduct and actions must underpin the group's role as a responsible and central social actor, with goals and strategies for corporate social responsibility and sustainability.

All customer treatment and advice must conform to the industry's requirements as to good practices. Customers' needs and interests must be safeguarded through good information and advice that enables them to make conscious and well-informed choices.

The group has drawn up a set of guidelines specifically to prevent bribery and corruption. The ethical guidelines also emphasise that group staff members may in no circumstance receive financial benefits in any form from the group's customers or suppliers.

Persons with managerial responsibility have an obligation to familiarise their staff members with the ethical guidelines of SpareBank 1 SMN. New staff members receive a thorough introduction to the guidelines at an early stage of the employment relationship.

In 2022 the group will continue its task of instilling awareness of the ethical guidelines and will consider new methods to intensify managers' and staff members' focus in this area. The group's ethical guidelines are revised annually.

Whistleblower programme

SpareBank 1 SMN has internal guidelines on whistleblowing. Employees are urged to report censurable circumstances of which they become aware or personally experience. Staff can report via a number of internal channels, including their immediate superior, the HR manager and legal services director. An external reporting channel has also been established for a whistleblower to report anonymously if he or she so wishes.

Information on employees' right and obligation to report censurable circumstances is readily accessible on SpareBank 1 SMN's intranet pages. No reports were registered in 2021.

Worker rights

SpareBank 1 SMN respects and takes account of international worker and human rights. A policy document has been drawn up and published on the group's web pages that specifies the conventions, frameworks and policies by which the group's companies abide.

The right to organise is important. A substantial proportion of our employees are members of a trade union, and the group attaches much importance to good cooperation with the unions. The proportion of employees in the group who were covered by a collective bargaining agreement in 2021 was 71 per cent.

Health and physical activity

SpareBank 1 SMN wishes to lay a basis for employees to stay in good physical shape.

Substantial resources were invested in the Better Shape programme in 2021. The programme encourages individuals and departments to keep fit by organising competitions, by subsidising fitness centre membership and through keep-fit activities in connection with work.

We also encourage employees to spend their journey time to and from work keeping fit, and at the Head Office a bicycle garage with a workshop and bicycle wash station, along with fully equipped changing rooms, have been made available to that end.

It is well documented that physical activity helps to reduce sickness absence. As a party to the Inclusive Employment Agreement, SpareBank 1 SMN considers it very important for employees on sick leave to stay in touch with their work colleagues, thereby making it as easy as possible to make a rapid return to work. In collaboration with the Norwegian Labour and Welfare Administration (NAV), the group accepts employees in need job training.

Sickness absence in the group totalled 4 per cent in 2021. This figure is weighted sickness absence based on figures and proportion of employees working at the parent bank, SpareBank 1 Regnskapshuset SMN, EiendomsMegler 1 Midt-Norge, SpareBank 1 Finans and SpareBank 1 Markets respectively.

Staffing

Group	**2021**
No. of FTEs, incl. subsidiaries [1)]	1,482
No. of FTEs, parent company	656
Sickness absence	4.00 %
Share of women	52 %
Share of women in management positions	42 %
Women’s share of men’s pay	77 %
Average age	42.4 år
Average time of employment	8.6 år
No. of recruitments, internal	38
No. of recruitments, external	183
Turnover	9.8 %
Share of employees covered by collective bargaining agreement	71 %

1) Number of FTE's has been adjusted for vacancy rate

Age groups’ gender distribution

The figures refer to employees of the SpareBank 1 SMN group, and represent the number of employees in respect of whom the SpareBank 1 SMN group has obligations.

Includes trainees and temporary employees.

18-29	**336**
Women	147
Men	189
30-39	**399**
Women	213
Men	186
40-49	**372**

Women	198
Men	174
50-59	**358**
Women	206
Men	152
60-70	**183**
Women	93
Men	90
Total	**1.648**

Distribution of new employees

In 2021 there was a total of 183 new employees, of which 91 were women and 92 men (permanent employees).

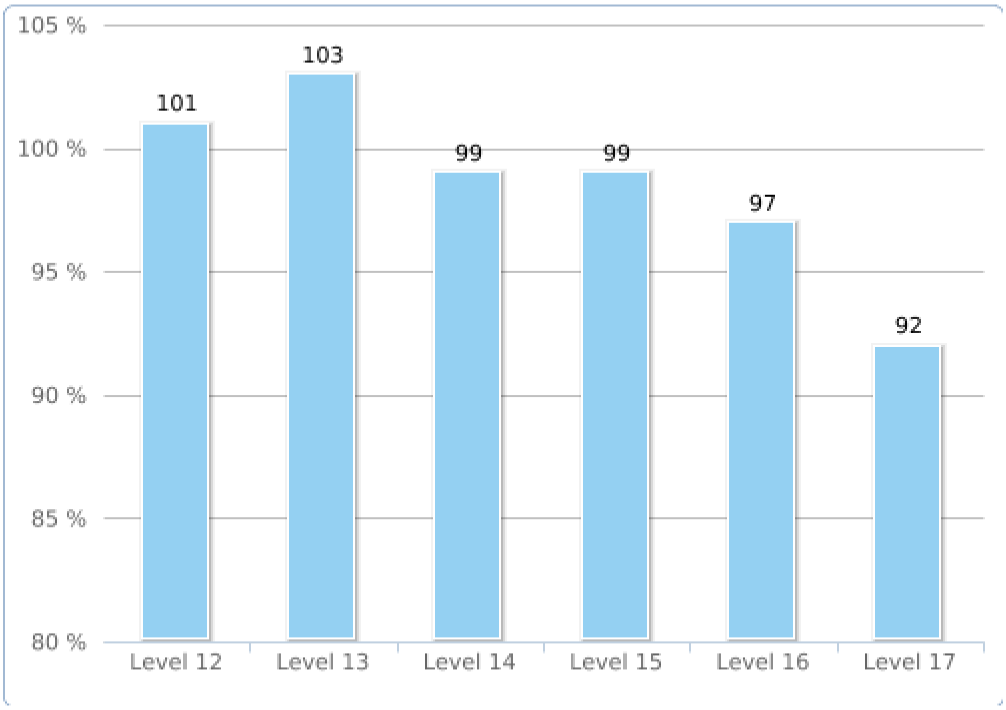
Women	**91**
18-29	39
30-39	28
40-49	16
50-59	6
60-69	2
Men	**92**
18-29	45
30-39	22
40-49	18
50-59	5
60-69	2
Total	**183**

Distribution by employee type and gender

Permanent	**1,574**
Women	827
Men	748
Temporary[1)]	**32**
Women	15
Men	17
Apprentice[2)]	**8**
Women	3
Men	5
Trainee EiendomsMegler 1 Midt-Norge[3)]	**34**
Women	12
Men	22
Total	**1,648**

The figures refer to the SpareBank 1 SMN group and represent the number of employees in respect of whom the SpareBank 1 SMN group has an obligation.

1) Temporary employees have a time-limited employment contract with SpareBank 1 SMN
2) Apprentices on a two-year training programme, culminating in a trade examination
3) Trainees are employed on a temporary basis for up to three years as part of a training programme while completing a bachelor's degree.



Women’s share of men’s pay by position level

Responsible operations and management

A wide-ranging corporate social responsibility is important for ensuring SpareBank 1 SMN's position as the preferred choice for its customers, employees and shareholders. That is why the group integrates CSR into all governance, internal steering documents, relevant policies and guidelines. All relevant documentation for the group's CSR and sustainability effort is assembled in the sustainability library at smn.no/barekraft. This library is updated on a continual basis.

The group's performance in corporate social responsibility and sustainability is reported under the globally recognised Global Reporting Initiative (GRI) standards.

Responsible investments

Investments at SpareBank 1 SMN can be grouped into three categories:

- Its own direct investments
- Investments by administrative services mediated through the group
- Investments of funds from the community dividend and SpareBank 1 SMN Utvikling

At the end of 2021 the group's investments in **certificate and bonds** came to NOK 30.8bn. In 2021 SpareBank 1 SMN increased the portion invested in ESG-rated bonds, which are in all essentials bonds issued by multinational organisations and covered bonds.

Investments by administrative services mediated through the bank
SpareBank 1 SMN is concerned to offer mutual funds with high ambitions in sustainability. The mutual fund offering is built up through ODIN, which SpareBank 1 SMN indirectly co-owns, and mutual funds from other fund managers.

Assessment of the bank's overall offering is by way of periodical product revisions in collaboration with the other SpareBank 1 banks. This revision also takes in criteria such as environment, social conditions and governance (ESG). As part of the process of selecting and approving new mutual funds, the respective providers are required to satisfy the bank's guidelines for sustainable distribution and recommendation of such funds.

The bank's selection of mutual funds is reviewed at minimum annually to compare the funds' investments and guidelines with the bank's guidelines in order to guard against possible breaches. As recently as October 2021 one of the funds on SpareBank 1 SMN's mutual fund platform was closed to new subscription due to guideline breaches.

Recent years have seen growing interest in sustainable and green funds in Norway. SpareBank 1 SMN wishes to make it simple for customers to choose the most sustainable mutual fund available. To that end SpareBank 1 SMN maps on an annual basis, together with the other SpareBank 1 banks and through a collaboration with The Governance Group, the sustainability performance of all mutual funds on the trading platform.

The criteria by which the funds are ranked conform to SpareBank 1 SMN's own guidelines on sustainable distribution. The funds receive a point score based on how well they meet expectations as to negative screening, positive screening and active ownership. Each fund's total score is then translated into a rating which is visible in the client's digital bank. You can read more about sustainability labelling of mutual funds at smn.no.

SpareBank 1 SMN has various mutual fund recommendations designed to suit a variety of customer preferences. Common to all recommendations is the criterion that all funds included in a recommendation have received a good rating under SpareBank 1 SMN's sustainability labelling.

ODIN Forvaltning AS has a focus on sustainable investments. This management company was the first asset manager in Norway to sign up to the UN principles for responsible investments in 2012. The company is a member of the Norwegian Forum for Responsible and Sustainable Investments (NORSIF), the Norwegian Corporate Governance Board (NUES) and Sweden's Sustainable Investment Forum (SWESIF). Sustainability considerations are an integral element of their investment philosophy, termed the 'ODIN model', and external rating agencies such as Sustainalytics are employed to conduct objective assessments of all companies in which ODIN invests. The upshot was that all ODIN's equity funds received the next best rating, 'B', in SpareBank 1 SMN's fund sustainability labelling system.

Investments by SpareBank 1 SMN Utvikling, and community dividend

The mission of the foundation SpareBank 1 SMN Utvikling is to invest and manage donations to business and development projects for the common good, seedcorn activities or other non-profit causes that involve an ownership role and that stimulate innovation and value creation in SMN's market area. SpareBank 1 SMN Utvikling has ownership positions with a book value of NOK 31.9m.

Community dividend is the community's rightful share of the annual dividend on SpareBank 1 SMN's net profit. The community's share of total equity is just under 40 per cent, and the same share of the annual dividend is accordingly earmarked for non-profit causes. Priority is given to projects in the field of innovation and business development, art and culture, sports and outdoor recreation, sustainability and the environment along with humanitarian causes that strengthen the regional community.

The funds are held in an account with SpareBank 1 SMN, and the provision for distribution in 2021 was NOK 200m, of which NOK 100m was earmarked for activities and initiatives to set the stage for the reopening of society in connection with the relaxation of Covid guidelines in autumn 2021. The allocation is normally distributed relatively evenly between grassroots sports, culture and business development. See samfunnsutbytte.smn.no for an overview of allocations.

The mission of SpareBank 1 SMN Utvikling og samfunnsutbytte is to underpin sustainable investments and allocations, and reporting will be in accordance with that mission.

Sustainable mutual fund products

SpareBank 1 SMN offers its customers several so-called green mutual fund products through various providers. They note growing demand for this type of product, and through ODIN Forvaltning AS expanded their range of green products as recently as December 2021 with the introduction of ODIN Bærekraft ('ODIN Sustainability'). Through ODIN Bærekraft, customers will have access to sustainable high-quality companies throughout the world that contribute to a more sustainable future.

Framework for issuance of green bonds

In keeping with the group's strategy for corporate social responsibility, SpareBank 1 SMN has prepared a framework for the issuance of green bonds (Green Bond Framework). The framework was drawn up in keeping with ICMA Green Bond Principles and supports the UN Sustainability Goals. You can read more at fn.no.

Qualified loans are grouped in categories:

- Green dwellings and commercial buildings
- Environment-friendly and circular economy adapted products, production technologies and processes with selected sustainability certifications
- Electric vehicles
- Renewable energy
- Sustainable agriculture/forestry

SpareBank 1 SMN has designated Multiconsult as adviser to identify the most energy-efficient residential and commercial properties, electric vehicles and renewable energy. Sustainalytics has undertaken an independent assessment of the framework.

As at 31 December 2021 SpareBank 1 SMN had issued green bonds worth NOK 14.3bn.

Responsible credit practices - Retail Banking

SpareBank 1 SMN's credit strategy is adopted by the board of directors. The basic principle of sustainable lending to retail customers is enshrined in the bank's sustainability strategy. The requirements are operationalised by means of Retail Banking's credit policy and a credit manual which explains the bank's specific requirements with regard to procedures for the lending business.

Together with the bank's product policy, the credit procedures set the framework for sustainability in lending. The framework aims to ensure that the bank for example avoids imposing debt commitments that are counter to good advisory practices or prudent lending practices. The bank also advises customers against taking out loans where the purpose of the loan is considered unwarrantable. This applies for example to customers intending to borrow in order to send money to unknown recipients, to free up lottery winnings or an inheritance, or other typical types of fraud. Moreover, borrowing is disadvised in the case of customers with low debt-servicing ability. Persons who mortgage property as a guarantee for another's debt payment are disadvised on the same basis as borrowers.

In materiality analyses Retail Banking is considered to have greatest bearing on the themes of property and agriculture. Retail Banking has for example the opportunity to positively impact the housing situation. This may apply to its role as a driver of the inclusion of low-paid individuals and families in the housing market and offering other financial services with a positive effect on vulnerable groups in the community. It may also apply where raising the social profile of the customer offering is concerned. Retail Banking has in addition a role as driver in the construction and real estate industry in terms of its influence on property developers and its collaboration with EiendomsMegler 1 Midt-Norge with a view to a partnership able to exert a positive climate impact on construction projects and promote sustainable housing standards.

Retail Banking also works purposively to further develop concepts and products that lay a basis for the green transition:

- A broader offering of green products
- Coordination with EiendomsMegler 1 Midt-Norge to provide incentives for sustainable home purchases and provision of green financing for the refurbishment or upgrading of older dwellings.
- Coordination with government authorities, developers and EiendomsMegler 1 Midt-Norge to ensure that housing developers take account of house buyers' sustainability preferences and develop green products

The credit manager at Retail Banking, SpareBank 1 SMN, has operative responsibility for developing financing products and for ensuring the required focus on sustainability in this dimension. Retail Banking focuses on sustainability and the green transition through concept and product development, targeted customer initiatives and collaboration within the group and with partners.

The portfolio of green loan products is well established and was extended in 2021. Energy classification of objects has been implemented making it possible in future to measure and monitor the loan portfolio's climate footprint. Through its collaboration with EiendomsMegler 1 Midt-Norge, Retail Banking has developed concepts with a view to encouraging developers and consumers to take green initiatives and make green choices. A successful collaboration along similar lines has been established with SpareBank 1 Kreditt with a view to offering appropriate counselling and solutions for customers in financial difficulties.

In the agricultural sector Retail Banking wishes to be a driver for the success of Landbrukets klimaplan ('climate action plan for agriculture'). Product development and advice supporting sustainable management of natural resources, sustainable production on farms and cooperation with business and industry will work to that end. The bank will by that means encourage customers and business connections to size up the current sustainability of their business and to consider how to adapt for the green transition. The stewardship precept is a mainstay: a farm property should be passed on in a better state than when the present holder took it over. This creates the basis for a long-term perspective, investment and environment-friendly management. With a view to strengthening financial advisory capabilities, the agricultural sector has established closer collaboration with SpareBank 1 Regnskapshuset SMN which offers both specialised banking and accounting competencies in agriculture.

Responsible credit practices – Corporate Banking

In 2021 SpareBank 1 SMN took its systematic work on responsible lending to corporate clients a stage further, and the board of directors adopted a new sustainability strategy. Work continues on new credit policy rules that impose expectations and requirements with regard to clients' ESG standards and when financing investments.

Mapping of ESG and environment standards at major loan clients is well under way on a sector by sector basis. Work is also ongoing to implement a tool to simplify mapping of all types of businesses regardless of sector. Credit policy rules and mapping are based on the EU taxonomy. In sectors where the taxonomy currently does not provide guidelines, the group's industry experts are consulted.

The supply of relevant information is to some extent limited, due both to the absence of government reporting requirements and to wide variation in customer awareness. For the time being SpareBank 1 SMN relies on urging businesses to compile and share information and data. On a positive note, the bank sees a gradual increase in customer awareness through the dialogue that arises in connection with information gathering.

All those involved in granting credit to businesses, or in investment decisions related to the bank's or SpareBank 1-alliansen's investment decisions, are required to be familiar with the bank's principles. To that end all credit staff undergo continual training, and those principles guide the purposes for which money may be lent. The principles also guide how the bank is to conduct itself and influence joint financing decisions in instances where the bank itself is not in a dominating position.

SpareBank 1 SMN does not wish to finance businesses or projects that do not operate in keeping with the bank's requirements, and existing corporate clients are expected to take steps to rectify any circumstances that breach those requirements. The bank is bound by loan covenants with existing clients, but any failure to take steps to act to comply with the bank's requirements does entail increased risk. This could result in new pricing being imposed on the borrower. Green deposits have also been introduced, and the establishment of green purpose-based loan products is being considered.

In smaller credit cases, standard credit tools are employed. Where larger credit cases and exposures reviewed by the credit committees are concerned, standard questions on the client's sustainability status and progress are employed. Work is also ongoing to integrate a more detailed mapping and assessment of sustainability into the credit tool itself through control points linked to the theme. The authorisation system quality assures documentation of sustainability assessments. It is in above all when the credit committees come into play that these assessments receive attention and are quality assured.

Documentation of sustainability assessments is a theme of the internal audit, along with reviews of the ESG models and regular reviews of the quality of credit procedures. Credit strategy and guidelines, also with regard to sustainability, are reviewed at minimum annually.

Responsible marketing of products and services

Providing sound, responsible advice in all life phases to private individuals and firms is absolutely central to SpareBank 1 SMN's customer offering and thus also to its marketing. The object is to enable clients to make good financial choices in the short and long term alike. To that end, SpareBank 1 SMN is illuminating a variety of financial themes in the corporate market, retail market and real estate agency spheres. Content articles in blogs, social media and traditional media are important means of projecting information to customers. In addition, our webpages aim to be informative both as regards the product itself and in terms of advice to ensure that the customer makes the right choices in the purchasing process.

In 2021, the Bedriftsløftet ('boost to businesses') and Bank+Accounts concepts were an important aspect of SpareBank 1 SMN's catering towards the corporate market. Both concepts aim to make it easier for firms to succeed, whether in the start-up phase or after a period of operation. The group contributes efficient administrative processes along with products and advisory services that help firms to grow in a profitable and responsible manner.

2021 saw a major focus on advisory services to the personal market both through advertising and the development of interdisciplinary teams at the branches, which in sum makes the best advice available to the customers all according to their needs. For personal customers there was also a focus on their ability to make responsible decisions as regards green borrowing. In addition, SpareBank 1 SMN launched Mitt klimaspor (‘my climate track’) in the digital bank which allows customers to view their climate footprint based on their consumption and transactions.

In the field of digital marketing the bank put greater emphasis on information and tips to customers in existing customer relationships in 2021. This may be tips on how to make smarter use of the bank, on the qualities of products and services of which the customer may not be aware, and which may help to improve the customer’s financial situation in the short or long term.

Before SpareBank 1 SMN launches or distributes products or services, it assesses them for their impact on the target group concerned. Based on a systematic risk appraisal, independent assessments are obtained in relation to law, data privacy, security, ethics and intelligibility for the target group. In addition, all marketing activities are quality assured under data privacy and GDPR requirements.

Our policy on responsible marketing is available in our sustainability library at smn.no/sustainability.

SpareBank 1 SMN recorded no breaches of, or complaints regarding, marketing activities in 2021.

Personal data protection

Large volumes of personal data are managed, processed and owned through the group’s services, which imposes strict requirements on the application and observance of key principles of personal data protection such as confidentiality, integrity and accessibility. SpareBank 1 SMN’s obligations are described in detail at smn.no/personvern and are enshrined in our data privacy policy.

A designated data protection officer assists the group CEO in meeting requirements as to treatment of personal data. The data protection officer also prepares an annual report directly to the board of directors of SpareBank 1 SMN. The report covers the areas on which the data protection officer has focused, the observations made and risk areas to be included in the further work on personal data protection.

In 2021 the group sought to strengthen and improve its data privacy effort and to build a robust data privacy setup internally and in interaction with SpareBank 1 Utvikling which is our most important data processor. The ambition for 2022 is to continue the implementation of the new data privacy setup, conduct training programmes and continue efforts to close identified gaps.

SpareBank 1 SMN has a low threshold for reporting breaches of personal data security to the Data Inspectorate. The group received two complaints from customers related to personal data security in 2021, and reported nine deviations classified as leaks or loss of personal data to the Data Inspectorate. The group received no penalty charges or injunctions from the Data Inspectorate in 2021.

Information security

In 2021 SpareBank 1 SMN, like the financial industry in general, noted an increase in malicious attacks on our infrastructure and services. The group also continues to experience instances of malicious players ‘phishing’ in particular for card and electronic customer identification details (BankID) in order to misuse them for their own gain. Security architecture and new security solutions geared to new threats have high priority. SpareBank 1 SMN accordingly participates in SpareBank 1-alliansen’s work on security strategy.

The increased capacity needed to provide the requisite security, high business continuity and reliable customer services is now in place. Information security in the context of open banking, coordination and cloud services has a particular priority.

SpareBank 1-alliansen's information security policy is the basic governing document for all information processing. The group operates a policy for the outsourcing of IT services as well as a joint security strategy for the entire alliance. Outsourcing of critical or important services is considered by the board of directors and reported to Finanstilsynet (Norway's Financial Supervisory Authority). Continual monitoring of the bank' s systems is delivered by the department for operative information security in SpareBank 1-alliansen.

Regulations on the use of information and communication technology (ICT) guide the work on information security, and SpareBank 1 SMN is regularly audited by the internal and external audit functions alike under those regulations.

Responsibility for data and cyber security rests with the IT and Security Department at SpareBank 1 SMN. The department comprises 19 FTEs. With formal responsibility for the data and cyber security area, the department also largely performs the operative tasks. Parts of these tasks are outsourced to partners and suppliers. The department's own employees control access to systems and data and are responsible for basic server security and correct access level for employees, software to protect systems and services against unauthorised access and for backup of locally stored data.

In addition, the department cooperates closely with SpareBank 1 Utvikling as executing partner in a number of areas, including cyber security and round-the-clock security monitoring and incident reporting. TietoEvry delivers a shared, basic client-server platform to SpareBank 1-alliansen. This ensures that recent versions of operative systems are in use and that the systems are supported by security updates at least once a month.

SpareBank 1 SMN has established a number of technical security measures with regard to information security in which training and awareness-raising are at centre stage. The bank's competence and attitude-moulding programme for information security, Passopp, contributes to strengthening the security culture across the entire organisation. Based on the results from Passopp, the group conducts analyses and prioritises focal areas for future competence and attitude-moulding courses.

Customers find tips and advice on safe and secure use of the bank's services at smn.no.

Preventing economic crime

Economic crime related to money laundering and terrorist financing threatens world security and the global economy and has become a societal problem that undermines established systems in democratic and well-functioning welfare societies like Norway. Attempts to commit money laundering and fraud against the bank' s customers are ever more sophisticated and increasingly carried out by criminals operating digitally across national borders. This, in combination with a growing number of financial actors, cross-border transactions and new products and services, has led to a non-transparent market and has had major consequences for local communities, individuals and businesses.

SpareBank 1 SMN is under a mandatory obligation to implement measures to prevent and expose money laundering and terrorist financing under the legislation and international standards in force at any time. In order to adapt to the changes, the group made a considerable effort in 2021 to identify and assess the bank's risk of money laundering and terrorist financing and adjusted its procedures and process descriptions accordingly. Transactions are monitored on a continuous basis, and ongoing and extended customer due diligence is carried out with a basis in a risk-based approach designed to uncover unusual or suspicious transactions. Anti-corruption forms part of the anti-money laundering effort.

In addition internal controls are conducted in the business lines along with compliance controls to verify that the risk assessment is satisfactorily geared and documented to the risk in question. Deviations and improvement measures are continuously assessed and reported quarterly to the board of directors of SpareBank 1 SMN.

In addition to the law requirements mentioned, SpareBank 1 SMN recognises its dependence on customers' confidence in the bank's ability to handle matters related to economic crime in an effective and orderly manner. In order to further strengthen efforts in this area, the Economic Crime Department was established in November 2021. SpareBank 1 SMN will in 2022 continue the work done in 2021 and will seek through a closer focus on data and analysis to secure technological solutions and processes that strengthen the group in its fight against fraud, money laundering and terrorist financing in the future.

Staffing was strengthened through the year and in 2021 a total of 61,117 transactions were identified for further checks by the transaction monitoring function. 257 cases were reported to the *National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) and 20 cases were taken in for analysis by Økokrim.*

Strategic basis

SpareBank 1 SMN has clear procedures and a governing document designed to assure compliance with the anti-money laundering legislation, including an anti-corruption policy. The head of Economic Crime reports quarterly to the board of directors.

Responsibility for the area

The anti-money laundering officer and the head of Economic Crime hold overarching responsibility the bank's handling of matters related to economic crime.

Objective of the area

The objective is to guard against and prevent misuse of the financial system for money laundering and terrorist financing purposes, to safeguard the bank's customers against exposure to fraud, to prevent the bank's customers exposing others to fraud, and to prevent fraud against the bank itself.

Training

SpareBank 1 SMN worked continuously in 2021 on training and attitude-moulding measures for all managers and employees. Efforts are also ongoing to put in place a structured, overall training plan.

Statistics

61,117 transactions were identified for further checks in 2021 and 257 cases were reported to Økokrim. 20 cases were taken in for analysis by Økokrim.

Anti-corruption

Corruption is a form of economic crime that is destructive for society as a whole and undermines lawful business activity and honest competition. As a financial services group, SpareBank 1 SMN acknowledges its dependence on the trust and confidence of its customers and the market, and its aim is that the bank should be recognised for the high ethical standard of its staff members and elected officers.

Zero tolerance of any form of corruption is enshrined in the group's ethical guidelines.

"Corruption is not tolerated, whether in the group or among our partners. Staff members who are involved in bribery or other forms of corruption may be reported to the police and held personally liable."

Risk assessment is central to all development of products and services at SpareBank 1 SMN. The risk of corruption is invariably assessed (sustainability/ESG risk). The most significant corruption risks that have been identified relate to the financing process. One such risk may be in the form of irregularities/corruption related to the approval of credit exposures. This applies to financing of retail and corporate customers alike. Our ethical guidelines make clear that employees must avoid entering a relationship of dependence on the group's clients or suppliers, and that employees shall maintain a conscious alertness to attempted corruption and any form of facilitation payment.

When SpareBank 1 SMN purchases products from other suppliers, clear requirements are imposed on the supplier with regard to anti-corruption. These are formulated in a supplier declaration which is a standard annex to all contracts and is signed upon entry into a contract.

All employees are familiarised with the guidelines regarding anti-corruption through various training and attitude-moulding programmes. Should the guidelines nonetheless be breached, sanctions will be imposed on the individuals concerned. The bank operates an anti-corruption policy which describes the most important elements of the work of preventing and combating corruption and unethical conduct. These include adequate procedures and systems for whistleblowing and exceptions handling in connection with corruption.

There were no reports of corruption or suspected corruption at SpareBank 1 SMN in 2021.

Strategic basis
Ethical guidelines and an anti-corruption policy which defines corruption, the group's stance on corruption, how corruption is to be followed up and who has responsibility in the respective areas.

Responsibility for the area
The executive director of Technology and Development has overarching responsibility for the group's anti-corruption effort.

Objective of the area
The group has zero tolerance of any form of corruption and works proactively to make this known to employees, customers, partners and shareholders. Corruption is also combated through the anti-money laundering effort.

Training
SpareBank 1 SMN provides training and guidance to all employees to enable them to assess the risk picture for corruption, recognise indicators of corruption or attempts at corruption, and on how they should fulfil their obligations in accordance with policy. In autumn 2021 all employees attended an ‘ethics week’ in which e-learning and reflection tasks related to corruption were part of the programme.

Compliance

SpareBank 1 SMN shall ensure that the body of rules and regulations governing its activities is identified, implemented, complied with and monitored. In the bank it is the compliance function that is responsible for uncovering and preventing risk related to compliance with external and internal rules. Its task is to perform risk assessments, to monitor and test compliance with rules and regulations, and to implement training activities and provide advice and guidance to the organisation in relation to rules and regulations.

The compliance function submits a quarterly report to the group CEO, the risk committee and board of directors. The report contains an overview of new statutory requirements, a summary and review of controls carried out and proactive measures taken, instances of non-compliance, as well as complaints and correspondence with public authorities.

The regulatory framework applying to banking and finance is wide ranging and continually changing, so too in 2021. In 2021 there was a particular focus on compliance with the regulatory framework governing anti-money laundering, personal data protection and saving. This will continue into 2022, in tandem with continual monitoring of the regulatory picture to capture new developments necessitating follow-up by the group, such as the implementation of a new financial contracts act and new requirements in the sustainability sphere.

The bank’s compliance function is also responsible for ensuring that the respective subsidiaries have in place functions that provide satisfactory internal controls pursuant to applicable requirements.

Sustainability in property and procurement

Property
SpareBank 1 SMN collaborates closely with Kjeldsberg Eiendomsforvaltning (KEF) in the fields of property management and energy and environmental monitoring of the group’s business. As part of this collaboration KEF gathers energy and environmental data for the building stock at a number of SpareBank 1 SMN’s locations, and building operators can be rapidly called out to the locations to repair any faults. The collaboration represents a unique duality in the management of the group’s properties inasmuch as energy-intensive faults are rapidly uncovered and repaired without need of bureaucratic paperwork. Moreover, absolutely clear requirements are set in the collaboration between SpareBank 1 SMN and Kjeldsberg Eiendomsforvaltning in terms of annual energy reduction targets for the property portfolio which support the group’s sustainable development strategy.

One energy efficiency initiative was implemented at the Head Office in Søndre gate in 2020/2021. This was in collaboration with building owner Entro and with support from Enova, a state-owned enterprise working for Norway's transition to a low emission society. This initiative yielded an energy reduction of about 20 per cent compared with the reference year 2019.

SpareBank 1 SMN has for several years used 'Environmental Lighthouse' as a tool for reporting sustainability parameters at area level. In 2021 it strengthened the tool's relevance and utility for the group. This was achieved by restructuring the oversight of the branch network and ensuring that banking and finance requirements that govern the bank's loan and investment portfolio are included in the follow-up performed through Environmental Lighthouse. The bank has accordingly decided on the establishment of a number of measuring points reflecting what portion of the portfolio can be classified as green/sustainable. The required reporting and follow-up at the local level has been well received among the bank's employees in their work with Environmental Lighthouse and will serve to boost internal awareness of and motivation with regard to the core business's sustainability. Furthermore, an 'Environmental Lighthouse index' has been devised in connection with the banking and finance criteria to show how the bank applies the criteria, and also to provide an easy-to-grasp tool to navigate relevant documentation. The index is available in our sustainability library at smn.no/sustainability

An aim of SpareBank 1 SMN is to encourage customers and employees to make conscious, personal and professional choices that contribute to make the group and the group's products more sustainable. A measure being planned through the ongoing processes is to actively turn SpareBank 1 SMN's procurement role to account by supplementing invoice details with questions on suppliers' climate and environmental profile. The bank seeks by this means to actively encourage suppliers to obtain their own environmental certifications and climate accounts, and set other objectives in keeping with the Paris Agreement.

Procurement

SpareBank 1 SMN's procurement policy requires all purchase contracts to include documentation of corporate social responsibility. Suppliers shall at minimum meet and abide by the requirements of local, national and international laws, rules and principles (including provisions regulating matters such as remuneration, working time, health, environment, safety and anti-corruption). Where invitations to tender or bid are concerned, SpareBank 1 SMN requires offerors to document approved environmental certification.

Suppliers have a notification obligation, and SpareBank 1 SMN is entitled to conduct inspections and audits. Suppliers undertake to act in an ethically correct manner in connection with production and contracts for deliveries to SpareBank 1 SMN. The same requirements apply to the supplier's sub-suppliers and partners associated with any contract for delivery to SpareBank 1 SMN.

Any breach of the provisions governing corporate social responsibility is deemed to be a breach of contract and may give grounds to void the contract. A standard enclosure on SpareBank 1 SMN's corporate social responsibility shall be a part of all contracts underlying SpareBank 1 SMN's purchases.

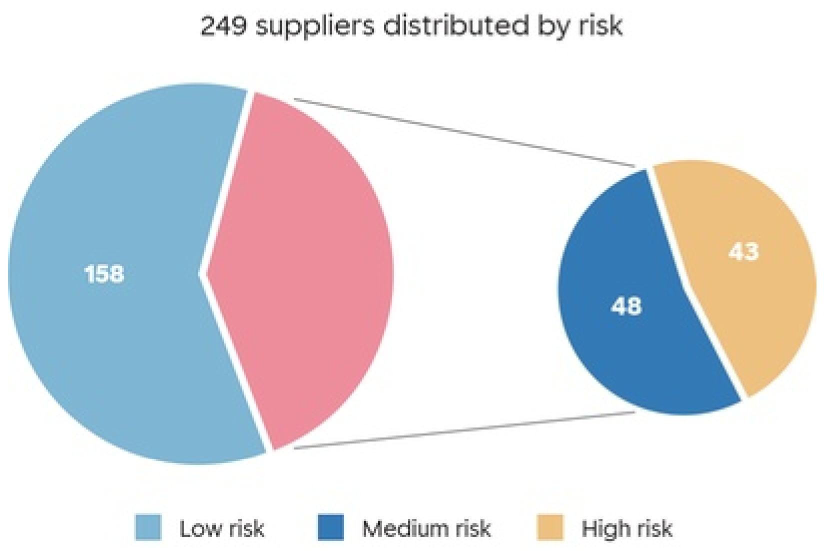
SpareBank 1 SMN is a substantial purchaser of goods and services, both locally and as an alliance bank. Sustainability in the group's purchases involves promoting suppliers' awareness of their supplier chain and of the effort they make to reduce negative impacts on the environment, social conditions and ethical business activity throughout their supplier chain. SpareBank 1 requires suppliers to have in place guidelines on sustainability, which must be translated into action.

Sustainability in procurement has become an integral part of the process at SMN, the alliance banks and suppliers. This means that thorough ESG assessments have been established in all procurement practice. In order to perform ESG assessments of suppliers, all purchasing standards were revised in 2019 in cooperation with all banks in SpareBank 1-alliansen. New guidelines for sustainability in procurement, supplier declarations and contract enclosures were also formulated.

Follow-up of suppliers with an increased risk of negative impact

In 2019 a risk assessment was performed of 249 suppliers distributed by category. This revealed that 91 suppliers posed an increased risk of negative impact on the environment, social conditions or ethical business practices.

These 91 suppliers have now received closer attention and been asked to report their guidelines as to the environment, social conditions and ethical business practices in their trading. They were also asked to provide documentation of their environmental management system, and which factors they had identified as having the largest negative impact on the environment and social conditions. 43 of these 91 suppliers were then identified for further follow-up:



158 suppliers considered to pose low risk are not being followed up
48 suppliers considered to pose medium risk are not being followed up
43 suppliers considered to pose increased risk are being followed up

Of 43 suppliers, three main categories were selected for closer follow up:

- IT-related procurements: IT equipment
- Administrative procurements: Furniture
- Largest suppliers: IT services and consultants

In autumn 2021 an internal audit project was conducted in the procurement area. The object of the project was to evaluate the bank's procedures for entry into contracts, authorisations, along with its ongoing management of existing agreements. In addition, an assessment was performed of the quality of internal controls related to the establishment of new suppliers. Once the final report becomes available its findings will be incorporated in the continuing improvement effort in the procurement area in 2022.

Conduct and results of the surveys
Two in-depth surveys were conducted in 2021 in two of the above procurement areas: IT equipment and IT services. The suppliers were asked to document their overarching guidelines, action plans and actual risk as regards sustainability in the supplier chain. All suppliers had guidelines in place whereas fewer had action plans. SpareBank 1 SMN received little information from the suppliers as regards *actual risk*.

Seeing which *specific* areas the individual supplier ought to focus on in order to reduce risk also proved to be a challenge.

Based on the survey findings, a focal area of the action plans both of SpareBank 1 SMN and SpareBank 1-alliansen in 2022 will accordingly be to follow up on and collaborate with the suppliers to identify actual risk in the supplier chains.

In addition, new surveys will be conducted of further suppliers and categories.

Goals for 2021	Results 2021	Goals for 2022	Goals for 2022-2024
Finalise action plan and follow up on certain categories in Q1	Action plan finalised	Compliance with the Transparency Act	Evaluate and further develop the work on sustainability in procurement
Follow up on other suppliers Q2 – Q4	Certain categories followed up on in Q2-Q4	Follow-up of certain categories	Improve systems and follow-up of suppliers
Introduce system support in the sustainability effort	System support introduced	Work with new suppliers	

Circular approach
Inasmuch as SpareBank 1 SMN forged closer links with the subsidiaries in 2020/2021 as part of its group strategy, it is natural for the group to operate under the same sustainability regime when entering into new purchasing agreements. This enables the group to put substantial weight behind its requirements for sustainable solutions. Among the procurements resulting from the new group strategy in 2021 is Loopfront – a database promoting reuse. SpareBank 1 SMN uses the system to reallocate fixtures and fittings across the branch network instead of purchasing anew.

100% definition
In parallel with SpareBank 1 SMN's work in the alliance, the group has, in line with the requirements as to environmental lighthouse certification, carried out a review of its own operating suppliers. Work on identifying suppliers that are environmentally certified under the ISO 14001, EMAS or Environmental Lighthouse schemes started in 2019.

As a result of the group's survey and follow-up of its suppliers, 95 per cent of the group's operating suppliers were environmentally certified as at 31 December 2021. Follow-up is an ongoing activity and SpareBank 1 SMN's aim is for 100 per cent of its operating suppliers to be environmentally certified by the end of 2022.

SpareBank 1 SMN's work on climate risk

SpareBank 1 SMN's work on climate risk builds on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the group's risk management principles. The group defines climate risk as the risk of financial loss or weakened reputation which can either be related directly to climate changes (physical risk) or is a consequence of adjustments to a low-carbon economy (transition risk).

Management

Responsibility for managing climate risk follows the ordinary responsibility structure in the group, in accordance with the group's risk management policy.

The board of directors of SpareBank 1 SMN has overarching responsibility for climate risk management through its approval of governing documents and follow-up of risk reporting. The risk and audit committee follows up the group's work on climate risk and submits its recommendations to the board of directors. Climate risk is reported on to the board of directors at least quarterly.

The group strategy defines sustainability as one of five main priorities in the period 2020-2023. As a step in the process of incorporating sustainability into the entire business, the group's sustainability strategy was adopted in 2021. The strategic guide for the group's work on climate risk is its role as driver of green transition among customers, partners and the business sector in the group's market area.

Identification and management of climate risk will be integrated into ordinary operations. A continuous effort is under way to incorporate climate risk in the group's strategies, policies, analyses, work procedures and in employee training.

Climate risk in the credit business

Sustainability and climate risk are at centre stage of the credit strategy, which concretises ambitions related to the identification, measurement, management and follow-up of climate risk. The objectives will be attained through prioritised activities in the group and in collaboration with the banks making up SpareBank 1-alliansen. Work done in 2021 included:

- Assessment of sustainability and climate risk integrated into all sector analyses. For 2021 agriculture and commercial property were updated.
- Sustainability document for agriculture: the group's action plan for the transition to sustainable agriculture.
- Development of ESG classification tools for fisheries, commercial property and offshore.
- ESG classification of significant clients in the fishery and commercial property sectors. This is under way for offshore.
- Favourably priced green financing products for customers that meet climate requirements:
  - Green mortgages
  - Green house-building loans
  - Green agricultural loans

In the case of corporate clients, sustainability will be appraised in all credit cases, and is a control point applied by the group's credit committee. An ESG report is included in finalised credit cases.

The group's work on climate risk continues in 2022. Both progress made and challenges faced in this process are to be reported to the board of directors on a regular basis.

Greenhouse gas emissions

The group is in the process of transitioning its own business in line with the goals of the Paris Agreement, with the aim of reducing greenhouse gas emissions from its own business by 8 per cent per year, and reports on this in its energy and climate account for 2021. This year the quality of measurement is boosted by use of the Klimakost model from Klimakost.no (an environmentally extended input-output model). The group's direct emissions are relatively small but the symbolic value is important and helps the group to impose ESG requirements on suppliers and customers.

The group wishes to reduce its customers' greenhouse gas emissions. In 2021 the group accordingly joined the Partnership for Carbon Accounting Financials (PCAF). This is a global collaboration between financial institutions that is working to harmonise assessments and information on greenhouse gas emissions and is funded by loans and investments. The collaboration provides access to a framework, data, guidance and partners that enable the group to estimate greenhouse gas emissions in the loan portfolio under the applicable industry standard. Internally the estimates will be used to establish emission targets and to prioritise activities in the green transition effort. The information will also strengthen risk management by indicating customers' vulnerability to transition risk. SpareBank 1 SMN will publish the estimates of greenhouse gas emissions in the loan portfolio once the quality of the analysis is adequate to that end. The loan portfolio's climate burden is significantly larger than the group's own emissions.

SpareBank 1 SMN's energy and climate account

As part of SMN continual effort to reduce emissions of greenhouse gases, the group has prepared an energy and climate account for 2021, based on the 'Klimakost' methodology. (See Klimakost.no for more information on the methodology.) The energy and climate account shows overall emissions of greenhouse gases from the group's business, converted to CO_2 equivalents and stated in tonnes of CO_2 equivalents. The sum of all emissions is termed the organisation's climate footprint.

The energy and climate account is drawn up under the GHG Protocol Corporate Accounting and Reporting Standard and the GHG Protocol's Corporate Value Chain (Scope 3) Standard, and covers recorded emissions from the SpareBank 1 SMN group.

Direct and indirect emissions

The climate account builds on three scopes comprising direct and indirect emissions. Scope 1 represents emission sources related to business assets owned by the group or over which it has operational control. Scope 2 refers to indirect emissions stemming from purchased energy consumed by the organisation. Scope 3 refers to indirect emissions stemming from purchased goods or services. These are emissions which can be linked indirectly to the organisation's activities but which are not directly owned or controlled by the organisation.

Calculations of the group's CO_2 emissions, both overall and per scope, are this year based on the Klimakost model developed by Asplan Viak. The model utilises an environmentally extended input-output model for the Norwegian economy to calculate a life cycle emission factor for the purchase of 1 NOK's worth of goods or services from a given sector. Based on this methodology an emission factor is computed per NACE sector which is then used to calculate the group's CO_2 equivalents per cost account.

Second time at group level

When consolidating the group's energy and climate account, the equity share method is employed, entailing that emissions from SpareBank 1 SMN's subsidiaries are recognised based on percentage of ownership. An energy and climate account was prepared for the first time at group level for the 2020 annual report. The group is working in a systematic and targeted manner to comprehend its influence on its surroundings.

In order to strengthen the knowledge base for our action plans, we have revised the methodology used to calculate the group's direct and indirect climate footprint. The group's energy and climate account for 2021 is prepared with a basis in Asplan Viak's Klimakost tool. The methodology is used by all companies in the group and will provide a more detailed picture of the group's significant emission sources. By utilising audited accounting information (and volume data) the method will help to streamline working processes and to follow up existing control systems. Data for jointly controlled businesses and related companies is not included. This is due to the level of difficulty involved in assembling correct data. In the longer term, related companies and jointly controlled businesses will also be included.

Consumption and drivers of climate footprint

The 2021 energy and climate account shows that SpareBank 1 SMN's total climate footprint amounted to 12,364.66 tonnes of CO_2 equivalents. The group's consumption relates mainly to consumption of energy, purchased goods and services, depreciation and business travel.

A complete energy and climate account for both the parent bank and the group is appended to this annual report.

Governance

Group Management

Jan-Frode Janson (1969)

Group CEO

Ph.D. in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU). Master of Science in Business from the Graduate School of Business in Bodø (1992).

Group CEO of SpareBank 1 SMN as from 1 May 2019. Previously Group CEO of SpareBank 1 Nord-Norge and deputy managing director of Fokus Bank/Danske Bank. Has also held senior positions with Orkla and ABB.

Board chairman at SpareBank 1 SMN's subsidiaries EiendomsMegler 1 Midt-Norge and SpareBank 1 Regnskapshuset SMN. Board positions with SpareBank 1 Gruppen and SpareBank 1 Utvikling, Vipps and Fremtind Forsikring.

Kjell Fordal (1957)

Executive director Group CFO, deputy CEO

Business economist from the Norwegian School of Management (1981) and Master of Management from the same institution (2004).

Joined SpareBank 1 SMN in 1982.

Chairman of BN bank, SpareBank 1 Pensjonskasse, SpareBank 1 Næringskreditt, SpareBank 1 Boligkreditt, Prøven Eiendom and Trondhjems Turistforening. Board member of SpareBank 1 Markets.

Vegard Helland (1975)

Executive director – Corporate Banking

Business economist from the Bodø Graduate School of Business (1999), and authorised financial analyst (AFA) from the Norwegian School of Economics and Business Administration (2007).

Joined SpareBank 1 SMN in 2003, and has focused primarily on major clients. Head of Corporate Banking since August 2010. Has chaired SpareBank 1 SMN's group credit committee since 2007. Previously with KPMG (aquaculture and fisheries).

Chairman of SpareBank 1 Finans Midt-Norge. Board member of SpareBank 1 Markets, SpareBank 1 Factoring, SpareBank 1 Regnskapshuset SMN, Modhi Finance, and Mavi XV.

Nelly S. Maske (1975)

Executive director – Retail Banking

Master of Science from South Bank University in London 2000, Bachelor's degree in business and administration from Sør-Trøndelag University College (previously TØH) 1998.

Joined SpareBank 1 SMN in 2013. Executive director at Organisation and Development 2015-2018, assistant executive director at Retail Banking 2013-2015. Prior broad experience from the professional services firm Ernst & Young, latterly as director at Ernst & Young Advisory from 2010 to 2013.

Chair of SpareBank 1 Gjeldsinformasjon. Board member of EiendomsMegler 1 Midt-Norge.

Rolf Jarle Brøske (1980)

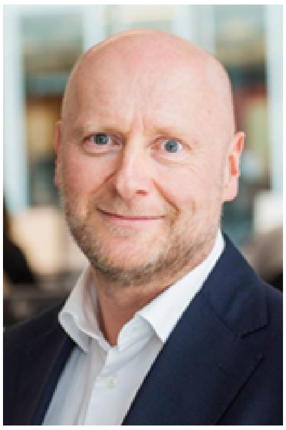
Executive director – Communications and Brand

Studies in political science and history at Molde University College and the Norwegian University of Science and Technology (NTNU).

Joined SpareBank 1 SMN in October 2016.

Previously industrial policy director at Det norske Oljeselskap, and on the management team of Danske Bank (Fokus Bank). Adviser to the Minister of Trade and Industry, Børge Brende, and to the Mayor of Trondheim. Has held a number of political positions.

Boardmember of Spleis and deputy board chair of Stiftelsen UNI Board. Member of the county board of the Trøndelag conservative party and member of Trondheim city council.



Ola Neråsen (1965)

Executive director – Risk Management

Business economist from the BI Norwegian School of Management (1977), state authorised public accountant from the Norwegian School of Economics and Business Administration (1994).

Joined SpareBank 1 SMN in 1997.

Previously with Deloitte.

Kjetil Reinsberg (1961)

CEO of Eiendomsmegler 1 Midt-Norge.

Graduate in real estate brokerage from BI Norwegian Business School (2008).

Took up duties as CEO of Eiendomsmegler 1 Midt-Norge in 1999. Previously employed by Storebrand Bank, Notar and Bedre Råd. Also has several years' experience from the construction industry.

Board chair at Brauten Eiendom. Board member of EiendomsMegler 1 Norge, Eiendom Norge and Agri Eiendom.

Arne Nypan (1970)

CEO of SpareBank 1 Regnskapshuset SMN.

Master of Business Administration (MBA) from Lund University, Sweden (1997). Bachelor in Business Administration (B,Sc.) from Copenhagen Business School, Denmark (1995), Officer training from the Norwegian Military Academy (1992).

CEO of SpareBank 1 Regnskapshuset SMN since june 2020. Previously CEO of SpareBank 1 Finans Midt-Norge, head of Customer Concept and executive director at SpareBank 1 SMN. Was also employed by Innovation Strategic Consulting and Fokus Bank (Danske Bank).

Astrid Undheim (1980)

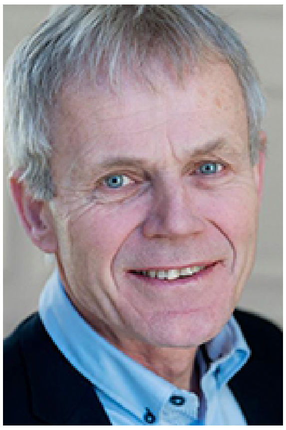
Executive director of Technology and Development

PhD in Communications Technology from the Norwegian University of Science and Technology (NTNU). Master of Science in Communications Technology from NTNU (2004).

Joined SpareBank 1 SMN in 2020, long experience from Telenor, latterly as head of the Analytics & AI research department.

Board member of Trondheim Tech Port, member of the Council of Statistics Norway. Member of the committee mandated to consider long-term perspectives for the Government Pension Fund Global (Norway's oil fund). Prior experience from a number of public committees.

Board of Directors



Kjell Bjordal (1953) Board chair

Business economist from the Norwegian School of Economics and Business Administration NHH (1976), law studies and Advanced Management Program at Wharton Business School (1989).

Board member since 2007 and board chair since 2013. Member of the remuneration committee since 2012 and committee chair since 2013.

Self-employed.

Experience as CEO of EWOS Group and head of Cermaq's fish food division. CEO of NorAqua, finance director and CEO of the Glamox Group and director at Trøndelag Theatre.

Board chairman Nordlaks Group, Axio, Norsk Forskningsråd HAV and Norsk Landbrukskjemi. Deputy board chair of Entra Eiendom.

Attended 17 of 17 meetings of the Board of Directors in 2021.

Christian Stav (1968) Deputy board chair

Business economist from the Norwegian School of Economics and Business Administration NHH (1991), Master of Accounting NHH (1992), state authorised public accountant (1994), Master of Business Administration NHH (2003), Certified European Financial Analyst (AFA) NHH (2003).

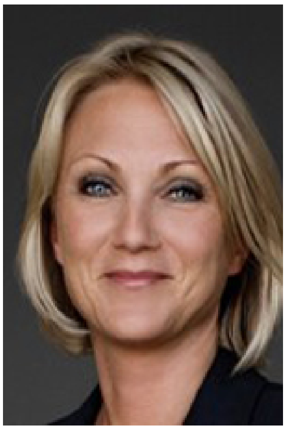
Board member since 2019. Member of the internal audit committee and the risk committee since 2019. Head of the internal audit committee.

Group CEO at Nord-Trøndelag Elektrisitetsverk (NTE, a publicly owned power company serving northern Trøndelag).

Experience from accounting and advisory services, partner at EY Transaction Advisory Services, financial director at NTE.

Board chair at NTE Energi AS, NTE Marked AS og NTE Elektro AS.

Attended 16 of 17 meetings of the Board of Directors in 2021.



Mette Kamsvåg (1971)

Business economist from the BI Norwegian School of Management (1994).

Board member since 2018. Member of the audit and risk committee as from 2018.

Self-employed. Fifteen years' experience from IT and payment systems through various management positions with the Norwegian banks' payment and clearing house (BBS) and NETS. CEO at NETS from 2011 to 2014.

Board chair at Maritech Systems AS, Norkart AS and WebMed AS. Board member of Wordline SA. Industry adviser to Ferd AS.

Attended 17 of 17 meetings of the board of directors in 2021.

Tonje Eskeland Foss (1971)

Post graduate degree in petroleum economics (1996).

Board member since 2018. Member of the remuneration committee as from 2018.

CEO Frøygruppen AS from 2022.

Prior experience as director of strategy at Enova (2020-2021) and as regional director, Nord, at Atea. Nineteen years' experience in the petroleum industry in various positions and companies, including with AkerBP ASA.

Attended 16 of 17 meetings of the board of directors in 2021.

Morten Loktu (1960)

Master of Science, Norwegian University of Science and Technology (1984).

Board member since 2013. Member of the remuneration committee since 2013.

Vice President Corportate Strategy at Statoil.

Joined Equinor (Statoil) in 1985 and has held various posts including in research and development. Executive director in charge of Equinor's technology organisation (2000-2002). Senior Vice President, research and development at Equinor (2005-2010). Area director, Equinor's production and development activity off Mid-Norway and North Norway (2011-2016). Group CEO, SINTEF Group (2002-2004).

Board member of Mariculture AS, Salmar Aker Ocean AS og Ocean Farming AS.

Attended 10 of 17 meetings of the Board of Directors in 2021.

Janne T. Thomsen (1957)

Cand. Jur. (law) degree, University of Copenhagen (1981). Graduate Diploma in Business Administration, Copenhagen Business School (1986).

Board member since 2014. Member of the audit and risk committee since 2014. Head of the risk committee since 2019.

Consultant and owner at JT Targeting in Denmark.

Previously Senior Vice President at Moody's rating agency (1997–2012). Prior to that with Yamaichi International (Europe) Limited (1987–1995), with the Ministry of Finance, Government Debt Office (1984–1987) and with the Export Credit Council, Ministry of Industry (1981–1984).

Board member of Nordic Credit Rating.

Attended 16 of 17 meetings of the Board of Directors in 2021.

Freddy Aursø (1972)

Engineer from NTNU (1998). MBA from Newcastle Graduate School of Business, Australia.

Board member since 2021.

Founder and CEO at Lighthouse8.

Broad international managerial experience in the digitalisation of sales and marketing, along with robotisation and artificial intelligence. Has founded several international media/technology companies, including Global Media, Bigmouth media, LBi, Digitas, G4S Ventures and InvoiceClub.

Chairman of Lighthouse8 AS, Lighthouse8 Pte Ltd, Lighthouse8 Pty Ltd, Lighthouse8 Ltd and InvoiceClub AS. Previously board member of Global Media AS/AB/S.r.l, Bigmouthmedia AS/AB, G4S Ventures Pty Ltd and InvoiceClub Pty Ltd.

Attended 11 of 17 meetings of the Board of Directors in 2021.

Inge Lindseth (1963)

Graduate in IT Management from Sør-Trøndelag University College (HiST) and in Project Management from BI Norwegian Business School.

Board member since 2019. Boardmember of Finansforbundet region Trøndelag from 2020.

Employee-elected chief union representative as from 2019.

Previously employee representative on the supervisory board. Previously specialist-in-charge / service desk manager in the technology, operations and security areas. Employed by SpareBank 1 SMN since 1982 in various positions and functions.

Attended 17 of 17 board meetings in 2021.

Christina Straub (1974)

Upper secondary school. Bankakademiet stage 1 and Insurance. Deputy head of the Finance Sector Union's branch at SpareBank 1 SMN from 2019.

Board member since 2019.

Employed at Vår Bank & Forsikring (part of SpareBank 1 SMN from 2000) from 1998 to 2001, and at Evry from 2001 to 2006. Has held various functions in SpareBank 1 SMN since 2006, in recent years as brand manager (payments) and staff representative on various committees.

Four years' experience as pre-school director at Saxenborg Barnehage.

Attended 16 of 17 board meetings in 2021.

Elected officers

Members elected by the equity certificate holders	Residence	No. of equity certificates held*
Lars Bjarne Tvete	Trondheim	5 000
Olav Sem Austmo	Trondheim	3 965 391
Knut Solberg (chair)	Trondheim	2 762
Therese Bjørstad Karlsen	Trondheim	170
Nina Kleven	Trondheim	1 100
Nils Martin Williksen	Rørvik	32 449
Berit Tiller	Trondheim	2 350
Frithjof Anderssen	Trondheim	156 405
Åsmund Skår	Nesbru	2200
Frode Hassel	Trondheim	28 122
Ingrid Finboe Svendsen	Trondheim	1 150
Helge Moen	Stjørdal	1 000

Members elected by the depositors	Residence	No. of equity certificates held*
Per Olav Tyldum (deputy)	Overhalla	0
Vegard Forbord	Steinkjer	0
Marit Dille	Abelvær	0
Anne Rita Bakken	Stjørdal	2 915
Randi Bakken	Trondheim	0
Anne Peggy Møller	Steinkjer	0
Geir Hagen	Trondheim	0
Elin Hagerup	Trondheim	92
Line Melkild	Sunndalsøra	0

Members elected by the county councils	Residence	No. of equity certificates held*
Rasmus Skålholt	Fanrem	0
Stig Klomsten	Bosberg	0
Lilly Gunn Nyheim	Kvanne	0

Members elected by the employees	Residence	No. of equity certificates held*
Linda Renate Linmo	Grong	3 491
Anders Skrove	Inderøy	3 817
Bjørn Larsen	Trondheim	4 616
Anne Valstad-Aalmo	Trondheim	2 005
Geir Tore Mathisen	Trondheim	4 525
Rolf Bratlie	Melhus	2 120
Johan Olav Valseth Lian	Levanger	1 863
Erik Gunnes	Trondheim	1 393

Board of Directors	Residence	No. of equity certificates held*
Kjell Bjordal (board chair)	Molde	130 000
Christian Stav (deputy board chair)	Steinkjer	20 000
Morten Loktu	Trondheim	15 000
Janne Thyø Thomsen	Danmark	3 000
Tonje Eskeland Foss	Trondheim	0
Mette Kamsvåg	Molde	5 600
Freddy Aursø	Hommelvik	0
Inge Lindseth	Trondheim	9 213
Christina Straub	Trondheim	835
Karin Norli (deputy member)	Molde	3 424

Valgkomiteen	Residence	No. of equity certificates held*
Lars Bjarne Tvete	Trondheim	5 000
Ingrid Finboe Svendsen	Trondheim	1 150
Marit Dille	Abelvær	0
Lilly Gunn Nyheim	Kvanne	0
Rolf Bratlie	Melhus	2 120

* No. of equity certificates held*

Corporate governance

SpareBank 1 SMN provides below an overall account of the institution's corporate governance policies and practice in conformity with the Accounting Act (Regnskapsloven) and the Norwegian Code of Practice for Corporate Governance (NUES). SpareBank 1 SMN reports its compliance for each point of the Code of Practice. Where the Code of Practice is not followed, a justification for the deviation is given and the institution's arrangements are explained.

Accounting Act, section 3-3b, second subsection

The following explains how the Accounting Act section 3-3b, second subsection, is complied with at SpareBank 1 SMN.

The numbering shows the numbering in the subsection concerned.

1. A statement of recommendations and rules for corporate governance which apply to the undertaking or which it chooses to follow.
Policies and practice for corporate governance at SpareBank 1 SMN are based on Norwegian law. The group follows the Norwegian Code of Practice for Corporate Governance. Reference is made to point 1 of the Code of Practice below.

2. Information on where recommendations and rules as mentioned in no. 1 are publicly available.
The Code of Practice for Corporate Governance is available at nues.no.

3. A justification for any deviation from recommendations and rules as mentioned in no. 1.
Any deviations from the recommendation receive comment under the report on compliance with the Code of Practice below.

4. A description of the main elements in the undertaking's and – for entities that are under the obligation to maintain accounting records and that prepare consolidated accounts – in the event also the group's systems for internal control and risk management associated with the financial reporting process.
See the report regarding point 10 of the Code of Practice below.

5. Provisions of articles of association which in whole or in part expand or diverge from the provisions of the Public Limited Companies Act chapter 5.
See the report regarding point 6 of the Code of Practice below.

6. The composition of the board of directors, corporate assembly, supervisory board and control committee; any working committees for these bodies, and a description of the main elements of applicable instructions and guidelines for the work of these bodies and any committees.
See the report regarding points 6, 7 and 8 of the Code of Practice below.

7. Provisions of articles of association which regulate the appointment and replacement of board members.
See the report regarding point 8 of the Code of Practice below.

8. Provisions of articles of association and authorisations which empower the board of directors to decide that the company shall repurchase or issue treasury shares or equity certificates.
See the report regarding point 3 of the Code of Practice below.

Norwegian Code of Practice for Corporate Governance

The following explains how the 15 points set out in the current Norwegian Code of Practice for Corporate Governance of 14 October 2021 are complied with at SpareBank 1 SMN.

Point 1: Report on corporate governance
There are no significant divergences between the Code of Practice and compliance with the Code of Practice at SpareBank 1 SMN.

The Code of Practice applies to the extent appropriate to savings banks with equity certificates. Any deviations are explained under the point concerned.

SpareBank 1 SMN has a distinct corporate governance policy and will further develop this policy within the framework of applicable laws and in keeping with recommendations emanating from influential sources.

Through its corporate governance policy the bank aims to assure sound management of its assets and to give added assurance that its stated goals and strategies will be realised. Good corporate governance encompasses the values, goals and overarching policies by which the bank is governed and controlled with a view to securing the interests of EC holders, depositors and other stakeholder groups in the bank. The bank adheres to the “Norwegian Code of Practice for Corporate Governance” to the extent appropriate to savings banks with equity certificates. The Code of Practice is available at nues.no.

Through its corporate governance the bank gives special emphasis to:

- a structure assuring targeted and independent management and control
- systems assuring monitoring and accountability
- effective risk management
- full information and effective communication
- non-discrimination of EC holders and a balanced relationship with other stakeholders
- compliance with laws, rules and ethical standards

The staff must be recognised for their high ethical standards. To this end they must display a conduct that is perceived to be confidence inspiring, honest and trustworthy and in compliance with the norms, rules and statutes by which the society is governed. The ethical rules deal inter alia with legal (in)capacity; relationships to customers, suppliers and competitors; securities trading; insider rules and relevant financial circumstances of the individual. This body of rules applies to all employees and elected officers in governing bodies.

All staff and elected officers are obliged to regard knowledge of the group's or a customer's circumstances as confidential. This duty of confidentiality applies not only in respect of third parties but also towards colleagues who have no need for the information in question in their work. Further, no SMN staff member may, via computer systems or by any other means, retrieve information about other colleagues or customers that is not necessary for their work. The bank's ethical rules stipulate that a staff member must immediately inform his/her superior or other contact persons if he/she learns of circumstances that breach applicable statutes and rules or constitute significant violations of internal provisions.

Deviations from point 1 of the Code of Practice: None

Point 2: Operations
SpareBank 1 SMN's activities are made clear in the company's articles of association. SpareBank 1 SMN's object is to carry on business as a bank and to pursue and participate in activities that the savings bank is entitled to engage in under licences held and legislation in force at any and all times. The articles of association can be found in extenso on the bank's website, and SpareBank 1 SMN's goals and main strategies are set out in the annual report.

Long-range target rates of return are set for the business with a basis in adopted strategies and objectives. These are determinative for the bank's concrete goals, risk limits and capital management framework, budgets etc. Where it is natural to do so, risk-adjusted targets are set and the required rate of return reflects the various risks incurred by the bank. Assessments of risk and capital are an integral part of the bank's management process and value creation.

Guidelines and various measurement variables have been developed by which the business units are monitored and managed in order to achieve the business goals. Forecasting and budget management are also utilised as effective tools for attaining the strategic objectives.

SpareBank 1 SMN wishes to promote a sustainable development of society through responsible business operations, which includes giving due consideration to ethics, the environment and social matters. A distinct strategy for managing the bank's corporate social responsibility (CSR) has been established.

Corporate social responsibility is an integral part of the bank's business activity and is given expression through strategies, measures and activities. Corporate social responsibility is reflected in the way resources are managed and through dialogue with the employees, shareholders, customers, local communities and other stakeholders. Furthermore, a purchasing strategy has been established which describes the bank's ethical framework, requirements on suppliers and the criteria applied when making purchases and procurements.

See also the webpages on sustainability and the group's sustainability strategy in the sustainability library (bærekraftsbiblioteket) at smn.no/sustainability.

Deviations from point 2 of the Code of Practice: None

Point 3: EC capital and dividends
The board of directors continuously assesses the capital situation in light of the group's goals, strategy and desired risk profile. As at 31 December 2021 SpareBank 1 SMN's common equity tier 1 (CET1) ratio was 18.0 per cent, and its total capital ratio was 21.6 per cent.

For detailed information on capital adequacy, see the relevant note in the annual report. For a further account of the rules governing capital adequacy and the principles on which SpareBank 1 SMN bases its assessment of capital need, see the Pillar 3 report published at smn.no.

Dividends

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

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

SpareBank 1 SMN's intention is that about one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that about one half of the ownerless capital's share of the net profit for the year should be utilised for distribution to non-profit causes or transferred to the foundation Sparebankstiftelsen SMN.

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. The bank's supervisory board sets the annual dividend payout based on the board of directors' recommendation. The dividend policy is published on the bank's website.

Acquisition of treasury equity certificates

SpareBank 1 SMN's board of directors are authorised to buy treasury ECs for up to 5 per cent of the bank's owner capital, and such purchases shall be made by trading on the securities market via the Oslo Stock Exchange. The total volume of ECs held by the bank and/or in which it has a consensual security interest may not exceed 5 per cent of the bank's owner capital. Each EC may be bought at prices between NOK 1 and NOK 200. The authorisation is valid for 15 months as from the adoption of the resolution at the supervisory board's meeting on 26 March 2021.

Increase of capital

Authorisations to the board of directors to increase the bank's EC capital are given for specific and defined purposes. As at 31 December 2021 no authorisation is available to the board of directors to increase the capital of SpareBank 1 SMN.

Deviations from point 3 of the Code of Practice: None

Point 4: Non-discrimination of shareholders

SpareBank 1 SMN has one class of ECs. Through the articles of association, and in the work of the board of directors and management team, emphasis is given to equal treatment of all EC holders and equal opportunity for them to exercise influence. All ECs confer an identical voting right. The bank abides by provisions of the Financial Institutions Act regulating holdings and voting rights insofar as these provisions apply to a savings bank with equity certificates.

In the event of an increase of owner capital, existing EC holders have pre-emptive rights unless special circumstances call for deviation from this rule. Any such deviation will be explained. SpareBank 1 SMN has at irregular intervals launched private placings with the employees, and such increases of capital have been designed to strengthen employees' ownership of the bank and interest in the bank's capital instrument. Any exercise of the board of directors' authorisation to acquire treasury certificates shall be by trading on the securities market via the Oslo Stock Exchange.

In order to strengthen the equity certificate as an attractive financial instrument and to increase investors' influence over decisions affecting the owner capital, the supervisory board voted in 2017 to amend the bank' s articles of association such that a qualified majority of the representatives of the equity certificate holders must vote in favour of amendments concerning the owner capital in addition to a qualified majority of the supervisory board. A list of the matters to which this applies is set out in article 10-1 of the bank's articles of association which can be found on the bank's website.

Deviations from point 4 of the Code of Practice: None

Point 5: Shares and transferability

The bank's equity certificate is quoted on the Oslo Stock Exchange under the MING ticker symbol and is freely transferable. The articles of association contain no restrictions on transferability.

Deviations from point 5 of the Code of Practice: None

Point 6: General meeting

Supervisory board

The governance structure and the composition of the governing bodies of a savings bank differ somewhat from those of public limited liability companies; see the Financial Institutions Act's requirements as to what bodies a savings bank is required to have. The bank's highest body is the supervisory board comprising EC holders, customers, employees and representatives of the public authorities.

The supervisory board shall see to it that the bank operates in line with its mission and in conformity with law, its articles of association and decisions of the supervisory board.

The supervisory board has 32 members and 30 alternates with the following representation:

- EC holders: 12 members and 10 alternates
- the county councils of Trøndelag
- and of Møre and Romsdal: 3 members and 3 alternates
- customers: 9 members and 9 alternates
- employees: 8 members and 8 alternates

The supervisory board approves the group's annual financial statements and management report, including application of the profit for the year/distribution of dividend, considers the board of directors' declaration regarding the determination of pay and other remuneration to senior employees, and considers the report on good corporate governance. The supervisory board's tasks are further described in the bank's articles of association which are available at smn.no.

The members of the board of directors, the group CEO and the auditor are also summoned to meetings of the supervisory board. They may participate in the proceedings but are not entitled to vote. The supervisory board chair presides over the meeting or, in the latter's absence, the deputy chair.

Notice of meetings of the supervisory board is sent to its members and is available on the bank's website at least 21 days ahead of the meeting. The intention is that proposals for resolutions and case documents that are dispatched should be sufficiently detailed to enable the members of the supervisory board to take a position on the matters to be considered. Minutes of the meetings of the supervisory board are made available on the bank's website.

A list of supervisory board members can be found at smn.no.

Deviations from point 6 of the Code of Practice: Where the composition of the bank's bodies is concerned, SpareBank 1 SMN abides by laws and provisions that regulate financial institutions.

Point 7: Election committee

The bank shall have an election committee consisting of five members and five alternates who are elected by the supervisory board for a two-year term. The election committee shall mirror the composition of members of the supervisory board and be composed as follows:

- Two members with two alternates shall be elected from among the members elected by the representatives of the equity certificate holders
- One member with one alternate shall be elected from among the members elected by the representatives of the customers
- One member with one alternate shall be elected from among the members elected by the representatives of the county councils
- One member with one alternate shall be elected from among the members elected by the representatives of the employees

The supervisory board establishes further instructions for the holding of the elections.

The election committee shall prepare the customers' and the equity certificate holders' election of members and alternates to the supervisory board.

The election committee shall also prepare the election of:

- the chair and deputy chair of the supervisory board
- the chair, deputy chair and other members of the board of directors
- the chair, members and alternates to the election committee as dealt with in this chapter

The directors with alternates to be elected from among the employees shall be nominated solely by the employee representatives on the election committee.

The election committee shall give grounds for its nominations.

The election committee proposes fees for members of the respective bodies.

Deviations from point 7 of the Code of Practice: All members of the election committee for the supervisory board are appointed from among the groups represented on the supervisory board, in accordance with provisions of the articles of association.

Point 8: Board of directors, composition and independence

See point 6 for information about the supervisory board. As of 31 December 2021 the board of directors consists of nine regularly attending members of whom two are employee representatives. Four of the nine members of the board of directors are women. Members of the board of directors are appointed for two years at a time and can hold office for a maximum of 20 years, but not more than 12 years continuously in the same position. The group CEO is not a member of the board of directors. None of the members of the board of directors appointed by the supervisory board, with the exception of the two employee representatives, are in any employment relationship or independent contractor relationship with the group beyond their posts as elected officers. The board members' independence has been assessed by the election committee and the board members are deemed to be independent, with the exception of the board members elected by the employees. The chair and deputy chair are elected by the supervisory board at separate elections for a two-year term.

The composition of the board of directors shall be based on the bank's articles of association. In the election of board members the criteria of competence, capacity and diversity are in focus. The individual director's background is described in the annual report. The board of directors meets at least 11 times each year, and the members' attendance at meetings of the board is described in the annual report. The directors are encouraged to own the bank's equity certificates, and their respective holdings of ECs in SpareBank 1 SMN are shown under the presentation of the board of directors in the annual report and on the bank's website.

Deviations from point 8 of the Code of Practice: None

Point 9: Work of the board of directors

The board of directors' work and procedures are regulated by board instructions, and annual plans are prepared for the work of the board. The board of directors manages the bank's operations in compliance with laws, articles of association and resolutions of the supervisory board. The board of directors is responsible for ensuring that the assets at the bank's disposal are managed in a safe and appropriate manner. The board of directors is also required to ensure that accounting and asset management are subject to satisfactory control. In addition the board of directors adopts the bank's strategy, budget, market and organisational objectives and risk profile. It is the board of directors that appoints and dismisses the group CEO.

The board of directors receives reports on profit performance and market developments, and on the status regarding the group's risk picture. The board of directors conducts an annual evaluation of its work and its competence. It reviews its working method, case handling, meeting structure and prioritising of tasks, and this provides a basis for any changes and measures needed.

Independent consideration

Under instructions in force for the board of directors, a director is barred from participating in the consideration of, or decision in, any matter whose significance to him/herself or to any related party is such that the director is to be regarded as having, directly or indirectly, a personal, financial or other vested interest in that matter. The same follows from the group's ethical guidelines. Each director is obliged to personally verify that he or she is not disqualified from participating in the consideration of a matter.

Any agreement between the bank and a director or the group CEO must be approved by the board of directors, as must any agreement between the bank and a third party in which a director or the group CEO has a particular interest. Directors are required to disclose on their own initiative any interest the individual or related party concerned may have. Unless the director him/herself opts to step back from the consideration of or decision in a matter, the board of directors shall decide whether or not the director shall step back. The board's assessments of legal (in)capacity must be duly recorded.

Agreements of substantial financial significance between the bank and other group companies shall be presented to the board of directors for consideration.

Board committees

The board of directors has established a compensation committee, an audit committee, a risk committee and a technology committee consisting of members of the bank's board of directors. The members are appointed for a two-year term. The committees are preparatory and advisory working committees to the board of directors, and it is the board of directors that establishes the committees' mandates.

Audit committee

Pursuant to the Financial Institutions Act, section 8-19 subsection (2), the audit committee's tasks are to:

- prepare the board of directors' follow-up of the financial reporting process,
- monitor the internal control and risk management systems and the bank's internal audit
- issue an opinion on the election of the auditor,
- have ongoing contact with the bank's appointed auditor regarding the audit of the annual accounts,
- assess and monitor the auditor's independence and objectivity

The audit committee meets at least five times yearly ahead of the board of directors' consideration of the quarterly and annual reports.

Risk committee

The risk committee's tasks are regulated in the Financial Institutions Act section 13-6(4) and the Financial Institutions Regulations section 13-2. The risk committee shall contribute to ensuring that risk and capital management support the group's strategic development and goal attainment, and at the same time ensure financial stability and sound asset management. The risk committee shall contribute to ensuring that the group's management and control arrangements are appropriate to the risk level and scale of the business.

The committee shall inter alia:

- ensure that risk management is in keeping with best practice and the board of directors' level of ambition
- review risk management strategies and policies as preparation for consideration by the board of directors
- contribute to ensuring that the group's capital adequacy is satisfactory in terms of the adopted group strategy
- contribute to ensuring that laws and regulations and internal rules that regulate the group are identified, implemented, complied with and overseen.

The risk committee meets at least five times yearly.

Compensation committee

The board of directors has established a compensation committee which shall consist of at least three directors. In addition, the board of directors appoints a representative for the employees. The board chair is a permanent member of the committee and also chairs the committee. The committee members are appointed for two years at a time by the board of directors.

The committee shall be preparatory body for the board in cases relating to the design and practice of the guidelines and framework for the group's compensation policy. The policy shall contribute to promote sound management and control of the group's risk, discourage excessive risk taking, encourage a long-term perspective, help to avoid conflicts of interest and be in compliance with applicable law and regulations.

The committee shall make a recommendation to the board of directors regarding compensation policy for the group and regarding terms and conditions applying to the group CEO. The committee shall also be available as an advisory body to the group CEO when establishing terms and conditions for the group management.

The committee meets when convened by the chair, but at least once yearly and otherwise as and when required. The attendance of at least two members of the committee is required.

The board of directors has established the compensation committee's mandate.

Technology committee
In 2021 the bank established a technology committee as a preparatory body for the board of directors in matters related to the group's strategic investments in technology.

The technology committee consists of at least two directors that are not employed in the SpareBank 1 SMN group. The board of directors shall also appoint the chair of the Technology Committee.

The committee shall inter alia:

- Ensure adequate strategic investment in the field of technology and digitalisation
- Ensure that strategic technology investments yield the desired value creation
- Assist the group management team to ensure adequate innovation scope and innovation tempo
- Monitor and evaluate existing and future trends in technology/manufacturing which may influence the group's strategic plans

The committee meets when convened by the chair, but at least four times per year (once per quarter) and otherwise as and when required.

The bank will conduct an evaluation of whether the committee shall be made permanent.

Deviations from point 9 of the Code of Practice: None

Point 10: Risk management and internal control
Sound risk and capital management are central to SpareBank 1 SMN long-term value creation. Internal control shall contribute to ensuring efficient operation and proper management of risks of significance to the attainment of business goals.

The group's report on capital requirements and risk management, the Pillar 3 Report, contains a description of risk management, capital management and capital calculation. The report is available at smn.no.

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 bank's financial position. The bank's risk profile is quantified through targets for rating, risk-adjusted return, expected loss, necessary economic capital and regulatory capital adequacy.

The board of directors reviews the group's development in the main risk areas on a quarterly basis and reviews the internal control system on an annual basis. The board of directors has the main responsibility for setting limits to, and monitoring, the group's risk exposure. The bank's risks are measured and reported in accordance with the principles and policy adopted by the board of directors.

Risk management underpins the group's strategic development and goal attainment. Managements at the various companies in the group are responsible for risk management and internal control with the aim of ensuring:

- targeted, safe, high-quality and cost-effective operations
- reliable and timely reporting
- compliance with applicable laws and regulations as well as internal procedures and policies

The board of directors receives annually, from the internal auditor and external auditor, an independent assessment of the group's risk and internal control function. The board monitors compliance with adopted frameworks, principles, and quality and risk objectives through:

- quarterly reports from the group CEO and the risk management department
- quarterly reports from the compliance function
- quarterly reports/annual report from the internal auditor

SpareBank 1 SMN utilises the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) framework and the Control Objectives for Information and Related Technology (CobiT) framework as a basis for its internal control and risk management policies.

Risk management is an integral part of the management's decision processes, and a central element in regard to organisation, procedures and systems. A risk management department has been established at SpareBank 1 SMN.

The risk management department is organised independently of the business units and reports directly to the group CEO. The department is responsible for the group's risk models and for further developing effective risk management systems. The department is responsible for independent risk assessment, risk reporting and overall risk monitoring in the group and reports periodically to the group CEO and the board of directors.

The bank's most important profit objective is to achieve a competitive return on equity. This is done inter alia through increased focus on risk pricing and risk-adjusted return. Principles and framework for internal control and risk management are enshrined in a separate policy. This policy sets out guidelines for the group's overall approach to risk management and is designed to ensure that the group has an effective and appropriate process to that end.

Compliance

The compliance function is organised independently of the business units. The function assesses the undertaking's policies, procedures and systems to ensure regulatory compliance, and provides advice to the management and other relevant personnel on measures to be initiated to ensure compliance with the prevailing body of rules. The function shall also establish guidelines and processes for managing compliance risk and ensure that compliance is monitored and tested through a structured and well-defined monitoring programme. The head of the compliance function reports periodically to the group CEO and the board of directors. Compliance reports are prepared on a quarterly basis.

The compliance function has established a specific responsibility for monitoring compliance with the Anti-Money Laundering Act and the Personal Data Act.

Business lines and support functions along with subsidiaries are required to attend to compliance by operationalising the policy for compliance and identified compliance risks adopted by the board of directors.

Internal control in relation to financial reporting
The board of directors of SpareBank 1 SMN has issued guidelines for the group's financial reporting. They conform to the current requirements imposed by the authorities and are designed to ensure relevant, reliable, timely and identical information to the bank's EC holders and the securities market in general. Group Finance is headed by the CFO and is organised independently of the business lines. The unit attends to financial reporting at both parent-bank and group level, and establishes guidelines for monthly, quarterly and annual reporting from the various business lines and subsidiaries. The CFO assesses the business lines' financial results and goal achievement on a continuous basis and sees to it that all entities perform in keeping with the group's overall financial objectives. The CFO reports directly to the group CEO.

The bank's Accounts Department and Finance Department are organised under Group Finance and prepare financial reports for the group. The departments see to it that reporting takes place in conformity with applicable legislation, accounting standards, the group's accounting policies and the board of directors' guidelines.

Group Finance has established processes to ensure that financial reporting is quality assured and that any errors and deficiencies are followed up on and rectified as and when they occur. A number of control measures have been established to ensure that all financial reporting is correct, valid and complete.

Each quarter the external auditor conducts a limited audit of the group's interim financial statements. In addition a full audit is conducted of the group's annual financial statements.

For further information on risk management and internal control, see note 6 in the annual report concerning financial risk management and the group's report on capital requirements and risk management, the Pillar 3 report, which is available at smn.no.

Internal audit
The internal audit function is a tool used by the board of directors and the administration to oversee that the risk management process is targeted, effective and functions as intended. Internal audit services are delivered by KPMG and these services cover the parent bank and subsidiaries that are subject to the risk management and internal control regulations.

The internal audit function's main task is to confirm that the established internal control system functions as intended, and to ensure that risk management measures are adequate to the bank's risk profile. The internal audit function reports quarterly to the board of directors and the internal audit's reports and recommendations are reviewed and improvements implemented on a continuous basis.

The board of directors adopts annual plans and budgets for the internal audit function.

The internal audit function carries out the operational audit of units and business lines; it does not conduct a financial audit of the group. Annual audit plans are prepared which are discussed with the group management, considered by the risk committee and approved by the board of directors. The audit function’s risk assessments determine which areas are to be reviewed. Separate audit reports are prepared containing results and proposed improvement measures which are presented to the responsible manager and the group management team. A summary of the reports is sent on a quarterly basis to the risk committee and the board of directors. Any consultancy services are provided within the scope of standards and recommendations applying to internal auditors (Institute of Internal Auditors Norway).

Ethics and whistleblowing

Ethical guidelines have been drawn up for the group and its employees, and ethics is a standard topic at seminars for all new staff members. This helps to ensure that the group’s values and ethical guidelines are properly communicated and made known throughout the organisation. Clear-cut guidelines have been established for internal communication should any member of staff learn of circumstances that breach external or internal regulatory provisions or of other circumstances which are likely to harm the group’s reputation or financial situation.

Deviations from point 10 of the Code of Practice: None

Point 11: Remuneration to the board of directors

The board members’ fees that are recommended by the election committee and adopted by the supervisory board are not performance-related, and no options are issued to the directors. The board of directors’ chair and deputy chair are remunerated separately, and directors participating in board committees receive additional remuneration for doing so. None of the directors appointed by the supervisory board perform any task for the group beyond that of serving on the board of directors. Further information on compensation to the board of directors and board committees is shown in the report on management pay.

Deviations from point 11 of the Code of Practice: None

Point 12: Remuneration to senior employees

The group has established a remuneration policy that is in accordance with the group’s overarching objectives, risk tolerance and long-term interests. This policy is designed to promote and incentivise good management and control of the group’s risk, to counter excessive or undesired risk-taking, to help pre-empt conflicts of interest and to be in accordance with applicable law and regulations. See the requirements of the Regulations on remuneration schemes at financial institutions, investment firms and fund management companies. The remuneration policy has special rules for senior employees. These rules also apply to other employees and elected officers performing tasks of material significance for the group's risk exposure and to employees and elected officers with control tasks.

The board of directors has appointed a compensation committee which acts as a preparatory body for the board in cases relating to the assessment of, and compensation to, the group CEO. The committee also recommends to the board of directors guidelines for remuneration to senior employees (the group management). See also the account of the board of directors’ compensation committee under point 9.

A description of remuneration to the group CEO and senior employees is given in the report on management pay. A further description of the bank's remuneration scheme is available on the bank's home page.

Deviations from point 12 of the Code of Practice: None

Point 13: Information and communication

The bank's information policy is designed to underpin the relationship of trust between the bank's EC holders, board of directors and management, and to ensure that the bank's stakeholders are at all times able to evaluate and deal with the bank. The bank's information policy is based on active dialogue in which openness, predictability and transparency are at centre stage.

The open information practice is in conformity with the bank's internal and external guidelines, with such limitations as follow from the duty of confidentiality and stock exchange rules in effect at any and all times.

Correct, relevant and timely information on the bank's progress and performance aims to instil investor market confidence. Information is communicated to the market via quarterly investor presentations, an investor relations area on the bank's website and stock exchange notices. The group's financial calendar is published on the bank's website.

Presentations for international partners, lenders and investors are also arranged on a regular basis. The board of directors has adopted a communications strategy indicating who can make statements on behalf of SpareBank 1 SMN and in what areas.

Deviations from point 13 of the Code of Practice: None

Point 14: Takeover

SpareBank 1 SMN's equity capital consists of owner capital, ownerless capital and earned equity. The ownerless capital represents a 'self-owning' part of the savings bank which cannot be taken over by others through acquisition. A bank's ownership structure is also regulated by law such that approval is required for any acquisition entailing that a holding will represent 10 per cent or more of the bank's capital or voting rights. A list of the SpareBank 1 SMN's 20 largest EC holders is available on the bank's website at smn.no.

Deviations from point 14 of the Code of Practice: Statutory limit on equity holdings

Point 15: External auditor

An external auditor is appointed by the supervisory board upon the recommendation of the audit committee and nomination by the board of directors, and the auditor is identical for all companies in the group. The external auditor performs the statutory confirmation of the financial information provided by the companies in their public financial statements. The external auditor presents each year the principal aspects of a plan for the conduct of the audit. The external auditor attends meetings of the board of directors at which the annual accounts are reviewed and also meetings of the audit committee where the accounts are reviewed.

The board of directors holds at least one meeting each year with the external auditor without the group CEO or others from the day-to-day management team being present. Guidelines have been established for the day-to day management team's right to utilise the external auditor for non-audit services. Any such services from the external auditor must at all times be within the scope of the Auditors Act. The board of directors informs the supervisory board of the external auditor's remuneration for the audit and any other services.

The external auditor provides the audit committee with a description of the main elements of the audit, including whether any significant weaknesses have been identified in the bank's internal control related to the financial reporting process. In addition the auditor confirms his independence and discloses whether any services other than statutory audit have been delivered to the group over the course of the accounting year.

Deviations from point 15 of the Code of Practice: None

MING

Equity capital certificate

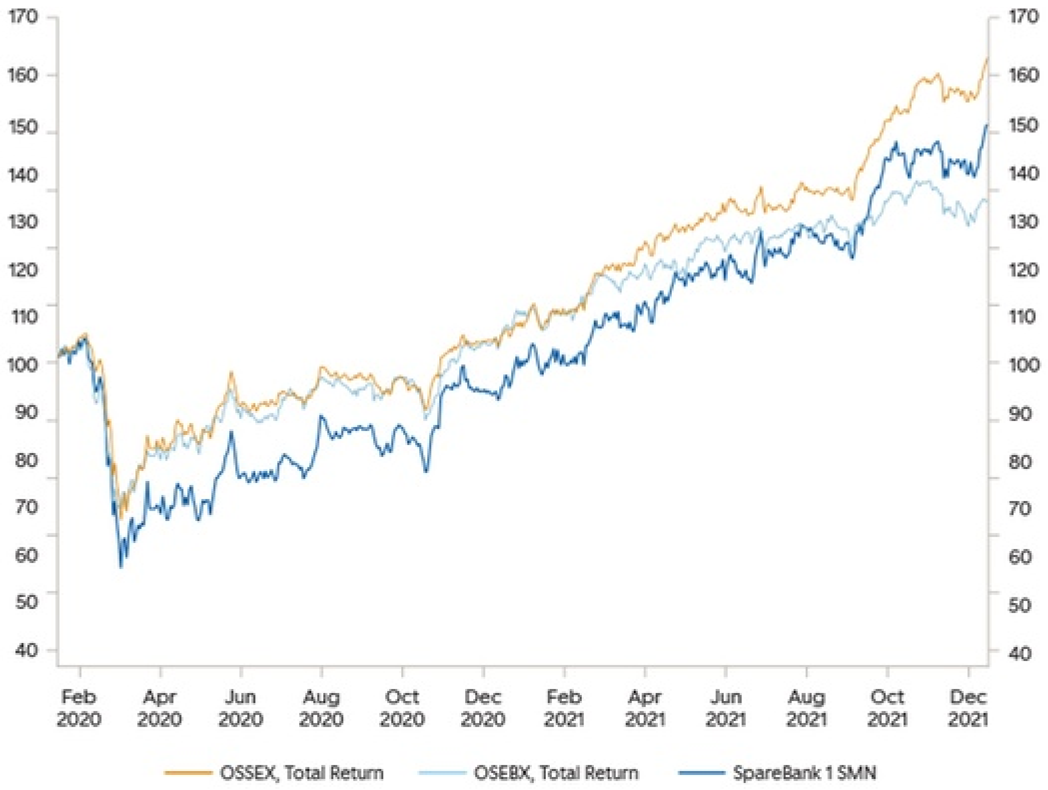
At end-2021 the market price of SpareBank 1 SMN's EC (MING) was NOK 149,0. With a cash dividend of NOK 7.5 for 2021, the direct return on the EC is 60.3 per cent.

At the end of 2021 SpareBank 1 SMN's equity certificate (EC) capital totalled NOK 2,597m distributed on 129,387.801 ECs with a nominal value of NOK 20 each. At the turn of the year the group had a treasury holding of ECs totalling NOK 14m distributed on 448,642 ECs.

Equity Certificates (EC)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Quoted price	149.00	97.60	100.20	84.20	82.25	64.75	50.50	58.50	55.00	34.80
No. of ECs issued, million	129.39	129.39	129.30	129.62	129.38	129.83	129.83	129.83	129.83	129.83
Market value (NOKm)	19,279	12,629	12,956	10,914	10,679	8,407	6,556	7,595	7,141	4,518
Dividend per EC	7.50	4.40	5.00	5.10	4.40	3.00	2.25	2.25	1.75	1.50
Book value per EC	103.48	94.71	90.75	83.87	78.81	73.26	67.65	62.04	55.69	50.09
Profit per EC	13.31	8.87	12.14	9.97	8.71	7.91	7.02	8.82	6.92	5.21
Price-Earnings Ratio	11.19	11.01	8.26	8.44	9.44	8.19	7.19	6.63	7.95	6.68
Price-Book Value Ratio	1.44	1.03	1.10	1.00	1.04	0.88	0.75	0.94	0.99	0.69
Payout ratio	56.3	50 %	54 %	51 %	50 %	38 %	25 %	25 %	25 %	29 %
EC fraction	64.0 %	64.0 %	64.0 %	64.0 %	64 %	64.0 %	64.0 %	64.6 %	64.6 %	64.6 %

Stock price compared with OSEBX and OSEEX

1 Jan 2020 to 31 Dec 2021



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

Dividend policy

A new act and regulations on equity certificates, which came into force on 1 July 2009, bring savings banks' ECs more into line with shares. The new legislation entails greater equality of treatment of savings banks' various owner groupings and minimises previous concerns related to dilution of EC holders upon payment of cash dividends.

In response to the new legislation, the following dividend policy was established in December 2009, adjusted in 2017:

- SpareBank 1 SMN aims to manage the Group's resources in such a way as to provide EC 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 EC holders) and the ownerless capital in accordance with their respective shares of the Bank's total equity capital.
- SpareBank 1 SMN's intention is that about one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that about one half of the ownerless 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, of external framework conditions and of any need for CET1 capital.

Investor policy

The bank attaches importance to correct, relevant and timely information on the bank's progress and financial performance as a means of instilling investor market confidence. Information is communicated to the market via quarterly investor presentations and press releases. Presentations for international partners, lenders and investors are also arranged on a regular basis.

Updated information for investors, the press and brokers is available at all times at smn.no.

Ownership

SpareBank 1 SMN aims for good EC liquidity and to achieve a good spread across EC holders representing customers, regional investors and Norwegian and foreign institutions.

Financial results

Report of the Board of Directors

Macroeconomic conditions

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

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

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

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

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

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

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

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

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

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

Regional: Trøndelag and Møre and Romsdal

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

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

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

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

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

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

Annual accounts 2021

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

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

Good profit

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

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

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

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

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

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

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

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

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

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

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

Proposed distribution of net profit

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

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

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

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

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

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

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

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

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

Net interest income

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

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

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

Commission income and other operating income

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

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

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

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

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

Return on financial investments

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

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

Product companies and other related companies

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

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

SpareBank 1 Gruppen

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

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

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

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

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

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

SpareBank 1 Forvaltning

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

SpareBank 1 Boligkreditt

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

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

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

SpareBank 1 Næringskreditt

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

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

SpareBank 1 Kreditt

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

BN Bank

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

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

SpareBank 1 Betaling

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

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

Operating expenses

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

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

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

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

Reduced losses

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

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

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

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

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

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

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

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

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

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

Total assets of NOK 199bn

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

Loans totalling NOK 48bn (48bn) have been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and to SpareBank 1 Næringskreditt. These loans do not figure as loans in the bank's balance sheet. The comments covering lending growth take into account loans sold.

Lending

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

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

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

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

(For distribution by sector, see note 8)

Deposits

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

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

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

Personal customers

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

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

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

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

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

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

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

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

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

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

Corporate customers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SpareBank 1 SMN Invest

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

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

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

Good funding and liquidity

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

The bank is required to maintain sufficient liquidity buffers to withstand periods of limited access to market funding. The liquidity coverage ratio (LCR) measures the size of banks' liquid assets relative to net liquidity outflow 30 days ahead given a stressed situation.

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

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

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

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

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

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

Rating

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

Financial soundness

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

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

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

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

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

Sustainability

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

The following progress in the sustainability effort may be highlighted:

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

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

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

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

The bank’s equity certificate (MING)

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

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

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

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

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

See also the chapter Corporate Governance.

Insurance policy for board members and the CEO

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

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

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

Outlook

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

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

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

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

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

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

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

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

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

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

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

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

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

Income statement

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

Other comprehensive income

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

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

Statement of Financial Position

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

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

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

Statement of Changes in Equity

Parent Bank

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

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

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

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

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

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

Cash Flow Statement

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

Notes

Note 1 - General information

Description of the business

See “Business description” presented in the annual report.

The SpareBank 1 SMN Group

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

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

Note 2 - Accounting principles

Basis for preparing the consolidated annual accounts

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

Implemented accounting standards and other relevant rule changes in 2021

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

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

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

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

The Phase 2 amendments mainly consist of the following:

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

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

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

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

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

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

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

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

Definition of default

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Loans and loan losses

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

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

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

Loan impairment write-downs

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

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

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

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

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

Stage 1:

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

Stage 2:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases

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

The Group as a lessee
Separating components in the lease contract
For contracts that constitute, or contain a lease, the Group separates lease components if it benefits from the use of each underlying

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

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

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

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

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

The lease payments included in the measurement comprise of:

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

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

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

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

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

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

The Group as a lessor

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Transactions and holdings in foreign currency

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

Hedge accounting

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

Income taxes

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

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

Deposits from customers

Customer deposits are recognised at amortised cost.

Debt created by issuance of securities

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

Subordinated debt and hybrid capital

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

Financial guarantees issued

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

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

Loan commitments

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

Pensions

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

Defined contribution scheme

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

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

Early retirement pension scheme ("AFP")

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

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

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

Segment reporting

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

Dividends and gifts

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

Events after the balance sheet date

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

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

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

New or revised accounting standards approved but not implemented in 2021

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

IFRS 17 Insurance contracts

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

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

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

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

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

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

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

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

The amendments clarify:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Classification of financial instruments

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

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

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

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

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

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

Losses on loans and guarantees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fair value of financial derivatives and other financial instruments

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

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

Goodwill

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

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

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

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

Acquisitions

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

Companies held for sale

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

Sale of loan portfolios

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

Classification of hybrid capital

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

Note 4 - Segment information

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

Group 31. December 2021

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

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

Group 31. December 2020

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

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

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

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

Note 5 - Capital adequacy and capital management

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

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

Under the CRR/CRDIV regulations the average risk weighting of exposures secured on residential property in Norway cannot be lower than 20 per cent. As of 31 December 2021 an adjustment was made in both the parent bank and the group to bring the average risk weight up to 20 per cent. This is presented in the note together with 'mass market exposure, property' under 'credit risk IRB'.

The systemic risk buffer stands at 4.5 per cent for the Norwegian exposures. For exposures in other countries, the particular country's systemic buffer rate shall be employed. As of 31 December 2021 the effective rate for the parent bank and for the group is accordingly 4.4 per cent.

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

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

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

Note 6 - Risk factors

Risk Management

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

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

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

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

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

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

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

Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liquidity risk

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

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

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

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

Governance is based in the Group's overall liquidity strategy which is reviewed and adopted by the board at least once each year. The liquidity strategy reflects the Group's moderate risk profile. As a part of the strategy, emergency plans have been drawn up both for the Group and the SpareBank 1 Alliance to handle the liquidity situation in periods of turbulent capital markets. These take into account periods of both bank-specific and system-related crisis scenarios as well as a combination of the two.

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

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

Operational risk

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

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

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

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

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

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

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

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

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

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

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

Note 7 - Credit institutions - loans and advances

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

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

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

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

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

Note 8 - Loans and advances to customers

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

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

Loans and commitments specified by type

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

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

Loans and other commitments specified by sector and industry

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

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

Loans and other commitments specified by geographic area

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

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

Gross loans sold to SpareBank 1 Boligkreditt

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

Gross loans sold to SpareBank 1 Næringskreditt

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

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

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

Loans and other commitments to customers specified by risk group

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

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

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

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

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

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

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

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

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

Group 31 Dec 20 (NOK million)	Neither default or credit impaired					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 23.7per cent own funds, of which about 21.2 per cent is core capital. Viewed in light of the mortgage company's very low risk profile, the Bank considers it unlikely that capital will be called up under this agreement and has opted not to maintain reserves to that end.

SpareBank 1 Næringskreditt

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

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

Liquidity facility

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

Financial strength

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

Note 10 - Losses on loans and guarantees

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

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

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

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

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

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

Accrual for losses on loans

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

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

Accrual for losses on guarantees and unused credit lines

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

Provision for credit losses specified by industry

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

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

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

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

Note 11 - Credit risk exposure for each internal risk rating

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

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

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

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

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

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

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

Group (NOK million) (NOK million)	**Averaged unhedged exposure** **31 Dec 2021**	**Total exposure** **31 Dec 2021**	**Averaged unhedged exposure** **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 spesified in the table below, see note 24 Categories of financial assets and financial liabilities.

Parent Bank

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

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

Group

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

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

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

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

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

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

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

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

Note 13 - Credit quality per class of financial assets

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

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

Parent Bank

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

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

Group

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

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

Note 14 - Market risk related to interest rate risk

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

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

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

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

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

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

Note 15 - Market risk related to currency exposure

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

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

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

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

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 commision income and other operating income**	**2,832**	**2,516**

Note 19 - Net return on financial investments

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

Note 20 - Personnel expenses

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

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

Note 21 - Other operating expenses

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

Note 22 - Pension

Defined benefit scheme

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

Paid-up policies are managed by the pension fund, which becomes a paid-up pension fund as from 1 January 2017. A framework agreement has been established between SpareBank 1 SMN and the pension fund which covers funding, asset management etc. In view of the responsibility still held by SpareBank 1 SMN, future liabilities will need to be incorporated in the accounts. At yearend 2021 the scheme is overfunded by NOK 54 million.

The board of the pension fund is required to be composed of representatives from the Group and participants in the pension schemes in accordance with the articles of association of the pension fund.

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

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

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

Mortality base table	K2013BE
Disability	IR73

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

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

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

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

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

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

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

* Presented gross in the Group accounts

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

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

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

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

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

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

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

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

Note 23 - Income tax

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

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

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

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

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

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

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

Note 24 - Categories of financial assets and financial liabilities

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

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

Note 25 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

Level 1: Valuation based on quoted prices in an active market
Fair value of financial instruments that are traded in the active markets is based on market price on the balance sheet date. A market is considered active if market prices are easily and regularly available from a stock exchange, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length. This category also includes quoted shares and Treasury bills.

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

Level 3: Valuation based on other than observable data
If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

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

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

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

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

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

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

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

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

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

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

Valuation method

The valuation method applied is adapted to each financial instrument, and is intended to utilise as much of the information that is available in the market as possible.

The method for valuation of financial instruments in level 2 and 3 is described in the following:

Fixed interest loans to customers (level 3)

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

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

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

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

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

Equity instruments (level 3)

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 477 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank SMN 1 Invest. The valuations are in all essentials based on reporting from managers of the funds who utilise cash flow based models or multiples when determining fair value. The Group does not have full access to information on all the elements in these valuations and is therefore unable to determine alternative assumptions.

SpareBank 1 SMN

Financial derivatives (level 2)

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

Sensitivity analyses, level 3 as at 31 December 2021:

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

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

Note 26 - Fair value of financial instruments at amortised cost

Financial instruments measured at amortised cost

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

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

Loans to and claims on customers

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

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

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

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

Securities debt and subordinated debt

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

Parent Bank

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

Group

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

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

Note 27 - Money market certificates and bonds

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

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

Note 28 - Financial derivatives

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

The contract amount shows absolute values for all contracts.

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

Parent Bank

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

Group

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

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

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

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

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

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

IBOR reform

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

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

Note 30 - Shares, units and other equity interest

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

Specification of Parent Bank

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

Specification of Group

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

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

Note 31 - Intangible assets

2021

Parent Bank				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 acqusition of companies	-	-	-
24	447	470	Cost of acquisition at 31 December	1,017	842	175
156	-	156	Accumulated depreciation and write-downs as at 1 January	274	34	241
23	-	23	Current period's depreciation	32	-	32
-0	-	-0	Current period's write-down	31	-	31
-166	-	-166	Disposals	-173	-	-173
-	-	-	Addition from acqusition of companies	-	-	-
13	-	13	Accumulated depreciation and write-down as at 31 December	164	34	130
11	**447**	**458**	**Book value as at 31 December**	**853**	**808**	**45**

2020

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

2020

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

Depreciation

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

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

Collateral

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

Acquisition cost of depreciated assets

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

Gross value of non-current assets temporarily out of operation

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

Note 33 - Leases

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

Lease liabilities

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

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

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

Note 34 - Other assets

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

Note 35 - Deposits from and liabilities to customers

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

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

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

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

Note 36 - Debt securities in issue

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

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

1) Maturity is final maturity, not call date

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

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

Parent Bank and Group

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

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

Note 37 - Other debt and liabilities

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

Collateral

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

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

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

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

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

Ongoing lawsuits

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

Provisions

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

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

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

Note 38 - Subordinated debt and hybrid capital issue

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

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

Group

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

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

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

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

Note 39 - Investments in owner interests

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

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

Shares in subsidiaries, Parent Bank

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

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

*) Non-controlling interests

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

*) Non-controlling interests

Shares in associates and joint ventures

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

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

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

Dividends from investments in associates and joint ventures

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

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

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

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

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

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

Companies held for sale

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

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

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

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

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

Note 40 - Business acquisitions/business combinations

General

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

Acquisition of accounting firms

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

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

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

Note 41 - Significant transactions with related companies

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

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

Loans and deposits

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

Securities trading

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

Other transactions

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

Note 42 - ECC capital and ownership structure

ECC capital

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

ECC capital has been raised by the following means:

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

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

Dividend policy

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

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

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

Note 43 - Earnings per ECC

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

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

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

2) Equity capital certificate ratio (parent bank)

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

Note 44 - Dividends from subsidiaries

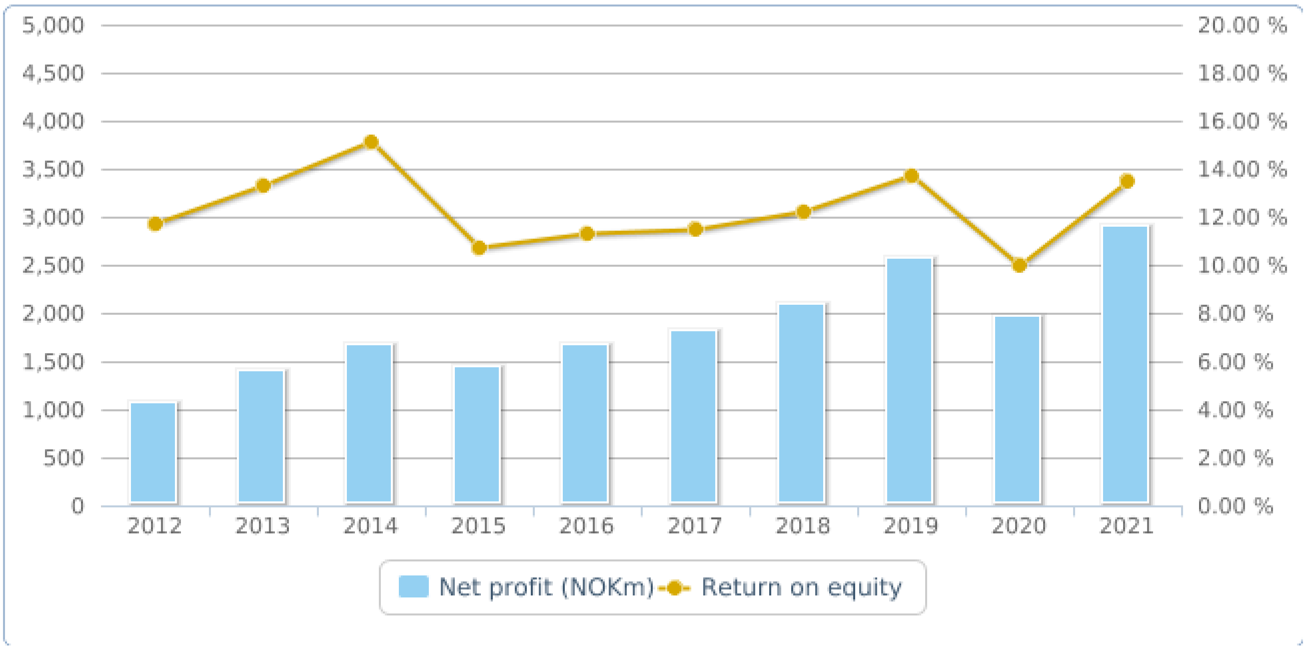
Dividends (NOKm)	2021	2020
SpareBank 1 Finans Midt-Norge	76	65
EiendomsMegler 1 Midt-Norge	34	-
SpareBank 1 Markets	100	-
SpareBank 1 Regnskapshuset SMN	74	74
SpareBank 1 SMN Invest	18	70
SpareBank 1 SMN Kvartalet	4	7
St. Olavs Plass 1 SMN	2	3
Sparebank 1 Bygget Steinkjer	1	1
Total dividends	**309**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

Financial summary (Group)

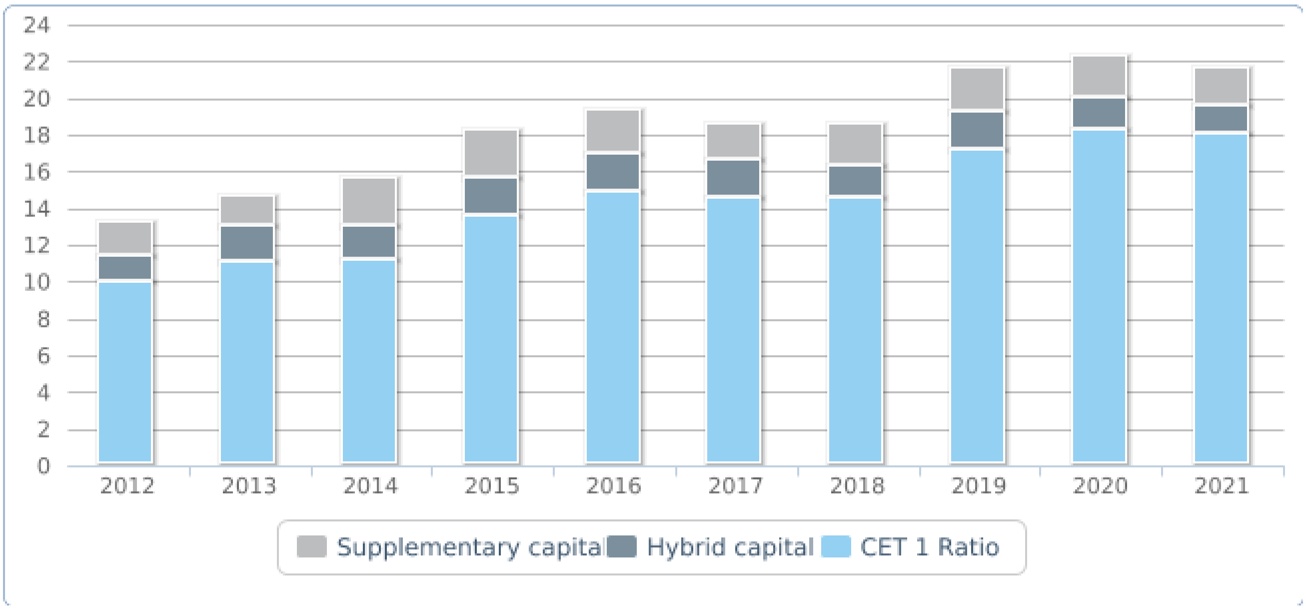
Income statement NOKm	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Interest income	3,916	4,197	4,626	4,057	3,825	3,597	4,031	4,265	4,118	3,928
Interest expenses	1,120	1,439	1,939	1,655	1,600	1,668	2,111	2,424	2,483	2,451
Net interest and credit comissionincome	**2,796**	**2,759**	**2,687**	**2,403**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

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

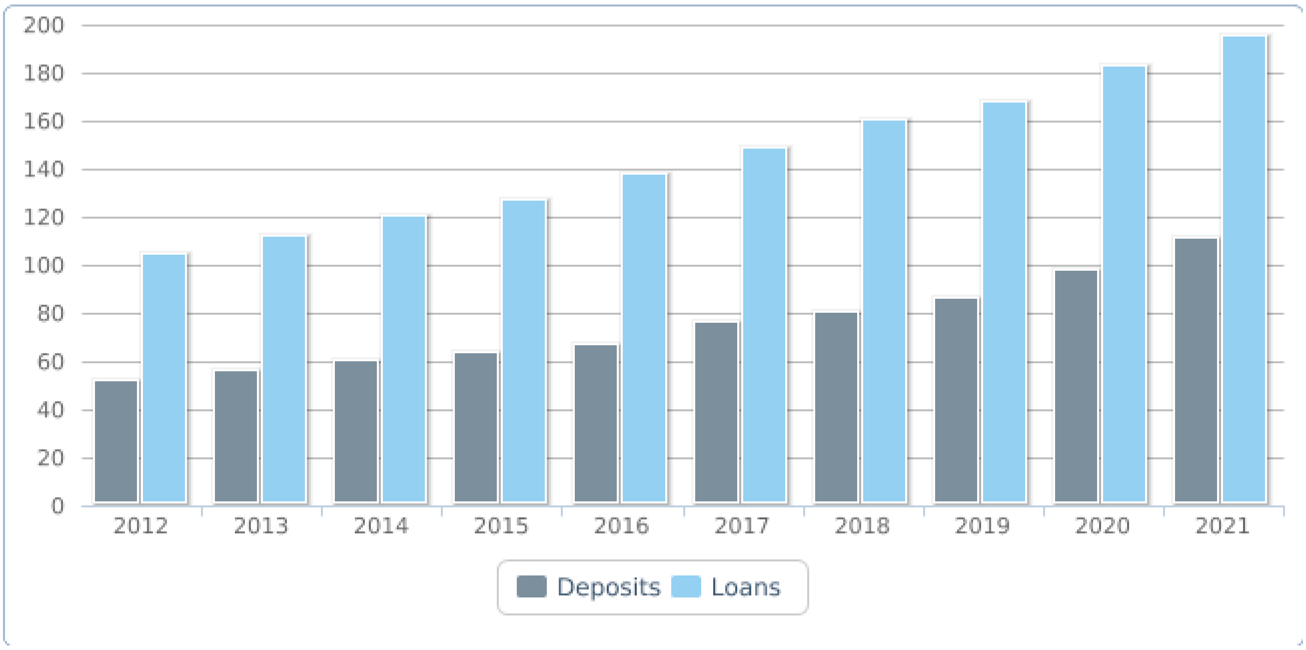
Net profit and return on equity



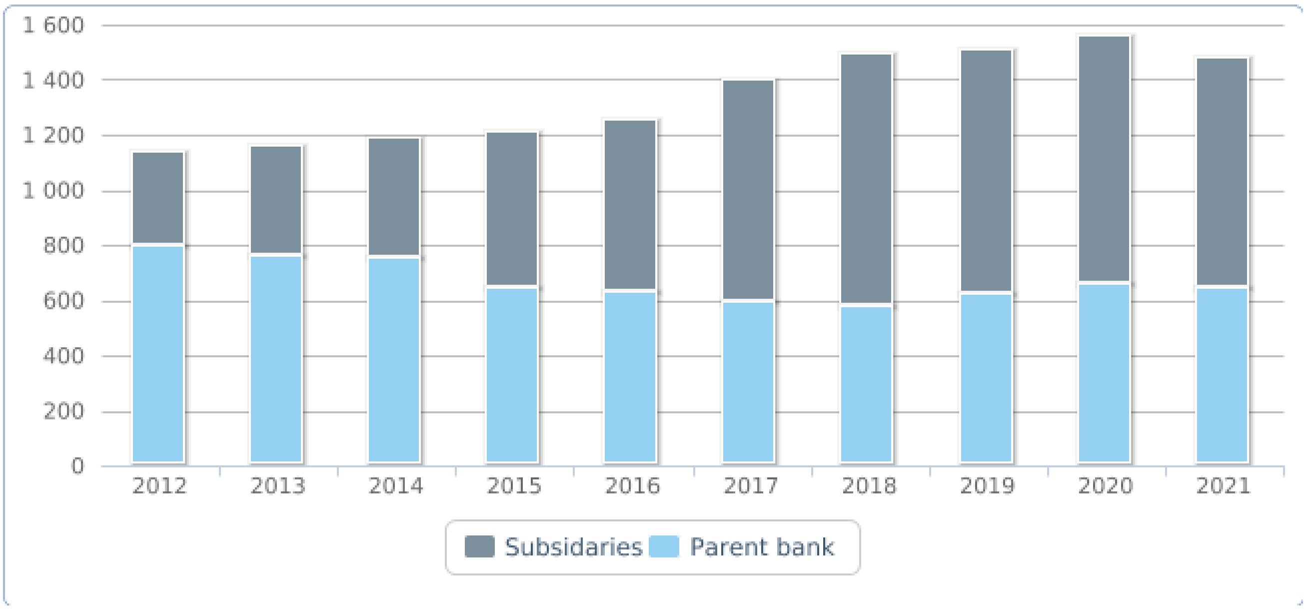
Capital ratio



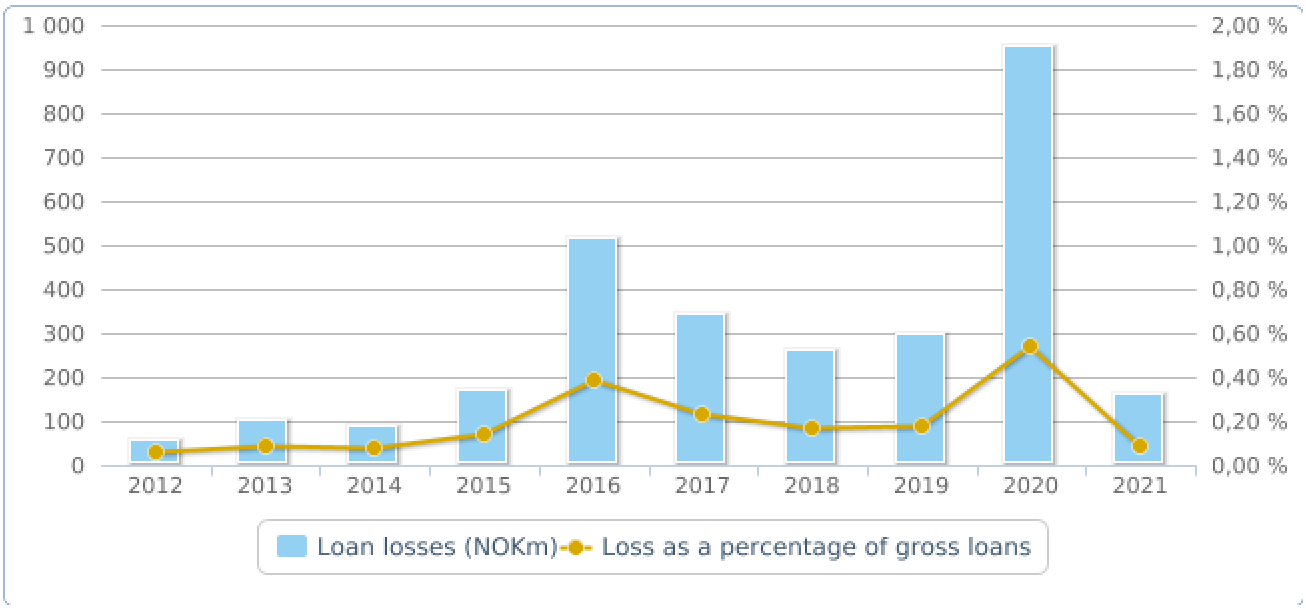
Loans and deposits (NOKbn)



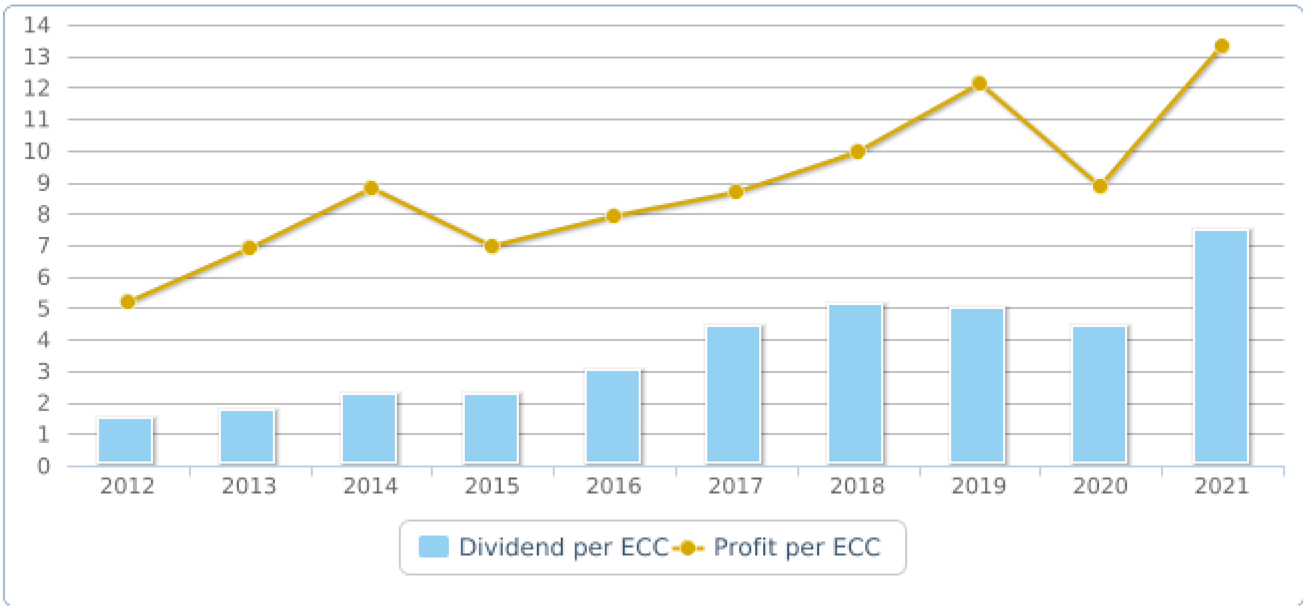
FTEs



Loan losses



Dividend and profit per ECC (NOK)



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

Statement by the Board of Directors and the Group CEO

We hereby declare that to the best of our knowledge

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

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

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

To the Supervisory Board of SpareBank 1 SMN

Independent Auditor's Report

Opinion

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

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

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

In our opinion:

- the financial statements comply with applicable statutory requirements,

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

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

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

Basis for Opinion

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

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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

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

Key Audit Matters

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

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

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

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

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

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

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

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

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

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

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

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

Other Information

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

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

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Opinion

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

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

Management's Responsibilities

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

Auditor's Responsibilities

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

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

Trondheim, 3 March 2022
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

(This document is signed electronically)

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

Attachments

Carbon Accounting Report 2021

SpareBank 1 SMN

The purpose of carbon accounting is to provide an overview of the organization's greenhouse gas (GHG) emissions, which is an integrated part of the Sparebank 1 SMN Group's overarching climate strategy[1]. Carbon accounting is an important tool in identifying and implementing tangible actions to reduce both direct and indirect GHG emissions. An annual carbon accounting report enables the organization to benchmark GHG-emissions, including performance indicators (KPI's), and evaluate the effect of its actions over time.

The report covers the total GHG emissions of SpareBank 1 SMN in 2021.

The input data used in the carbon accounting report stems from both internal and external sources, which are converted into CO_2-equivalents (CO_2e) according to the GWP-values in IPCC AR5[2]. The report is prepared in accordance with «GHG Protocol Corporate Accounting and Reporting Standard» and the GHG-protocol's scope 3-standard «The Corporate Value Chain (Scope 3) Accounting and Reporting Standard». The GHG-protocol is the preferred reporting standard because of its wide application and international recognition, ensuring truthful, comparable and understandable reporting.

1) https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html

2) https://ghgprotocol.org/sites/default/files/ghgp/Global-Warming-Potential-Values%20%28Feb%2016%202016%29_1.pdf

Annual GHG Emissions

Emission source *(numbers in tCO_2e)*	**2021**	**2020**
Energy consumption	668,87	885,06
Scope 2	**668,87**	**885,06**
Purchased goods and services	7 995,19	7 919,78
Capital goods	579,16	682,23
Transportation and distribution	260,26	367,34
Waste generated in operations	36,38	22,78
Business travel[3]	488,24	593,39
Upstream emissions	**9 359,23**	**9 585,52**
Scope 3	**9 359,23**	**9 585,52**
Total GHG emissions	**10 028,10**	**10 470,59**

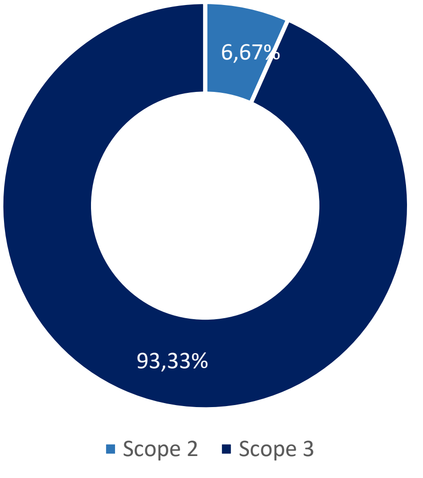
SpareBank 1 SMN's GHG emissions totaled 10 028,10 ton CO_2-equivalents (tCO_2e) in 2021. This is a reduction of 4,23 % compared to 2020.

The GHG emissions had the following distribution:

Scope 2: 6,67 % (668,87 tCO_2e)

Scope 3: 93,33 % (9 359,23 tCO_2e)

The organization employed 646 full-time equivalents during 2021. This constitutes an emission of 15,52 tCO_2e per full-time equivalent. Compared to 2020, where employment was 660 full-time equivalents, emissions are reduced by 0,34 tCO_2e per full-time equivalent.



Scope 2:

Scope 2 consists in its entirety of energy consumption, including electricity and heating, in SpareBank 1 SMN's offices. The emissions related to energy consumption amounted to 668,87 tCO_2e in 2021, a reduction of 24,43 % compared to 2020. The reduced emissions are partly explained by energy efficiency improvements at the headquarter offices in Søndre

3) Costs related to the organization's vehicles is included in *business travel*. See «Application of the GHG protocol».

Gate 4-10 which SpareBank 1 SMN rents from EC Dahls Eiendom AS, and other offices owned by SpareBank 1 SMN.

The GHG emissions in scope 2 are calculated based on sectoral emission data with a two-year time lag[4], meaning emissions in 2021 are calculated based on emission data from 2019, and emissions in 2020 are based on emission data from 2018. If emissions in 2021 had been calculated based on emission data from 2018, scope 2 would have amounted to 678,88 tCO_2e, an increase of 1,5 %.

Scope 3:

Purchased goods and services constitutes the majority of Sparebank 1 SMN's GHG emissions in 2021 (7 995,19 tCO_2e). The GHG emissions in this category are related to marketing, labor costs, IT-operations and equipment, sponsorship and rent/maintenance of SpareBank 1 SMN's offices and premises. This is an increase of 0,95 % compared to 2020.

SpareBank 1 SMN has *capital goods* in terms of fixed installations in its offices, properties, furniture and other types of office equipment, software and machinery. The GHG emissions related to consumption (e.g. deterioration, obsolescence) of fixed capital amounts to 579,16 tCO_2e. This is a reduction of 15,11 % compared to 2020.

GHG emissions related to *transportation and distribution* includes value-transport (transportation of cash to ATM's), as well as postage and freight of miscellaneous goods (260,26 tCO_2e). Compared to 2020 this is a reduction of 29,15 %, mainly explained by the reduction in transportation of cash.

The GHG emissions from *waste generated in operations* includes all forms of waste management (residual waste, paper, glass, plastic) in Sparebank 1 SMN's offices (36,38 tCO_2e). Compared to 2020, this is an increase of 59,72 %.

Business travels includes flights and distance-based allowance to employees for work-related travel using privately owned vehicles (488,24 tCO_2e). This is a reduction of 17,72 % compared to 2020, and is a result of reduced traveling during the Covid-19 pandemic, as well as a change in the group's travel policy.

4) https://www.ssb.no/statbank

SpareBank 1 SMN has no GHG emissions from *employee commuting* in 2021. In 2020 the organization had a total emission of 1,17 tCO_2e from employee commuting. The emissions related to employee commuting is included in *business travels.*

The GHG emissions in scope 3 are calculated similarly as scope 2; based on sectoral emission data with a two-year time lag. If emissions in 2021 had been calculated based on emission data from 2018, scope 3 emissions would have amounted to 9 060,74 tCO_2e, a reduction of 3,19 %.

Explanation of the applied methodology

Klimakost is a tool used to calculate the direct and indirect climate impact of organizations, companies, projects etc. This tool combines accounting information (and quantities for some inputs) with an emission model estimating total life cycle emissions associated with the various inputs and goods/services consumed.

Klimakost uses a «Environmentally Extended Input-Output Analysis» (EEIOA). EEIOA is relatively generalizing and suited for «top-down»-analysis' to determine which parts of the organization have the highest emission intensity. This enables a screening of the organization's «footprint» with a consistent methodology. The model also enables analysis of an entire nation's «footprint», including import of goods from other countries (so-called multiregional EEIO models).

Since the model include all types of economic activity, it does not suffer the same limitations as other carbon accounting methods. However, this completeness and simplicity comes at the expense of specificity, meaning the evaluation of some actions and trends might require more specific data and methods.

Klimakost has been utilized to prepare carbon accounting reports for a large number of Norwegian municipalities, companies and organizations. Multiple universities and colleges have also used the tool, and a former analysis conducted on behalf of NTNU has been published in an international journal. The underlying models has also been used to calculate the carbon footprint of Norwegian public procurement and the carbon footprint of Norwegian households. See klimakost.no for more detailed information about the methodology.

Application of the GHG protocol

The Greenhouse Gas Protocol (GHG-protocol) is developed by the «World Resources Institute» (WRI) and «World Business Council for Sustainable Development» (WBCSD)[5]. The carbon accounting report is prepared in accordance with «GHG Protocol Corporate Accounting and Reporting Standard» and «Corporate Value Chain (Scope 3) Accounting and Reporting Standard». The standard includes the following greenhouse gases, all converted into CO_2-equivalents: CO_2, CH_4, N_2O, SF_6, HFK and PFK. The GHG emissions from SpareBank 1 SMN constitutes solely of CO_2.

The standard differentiates between two approaches to calculate an organization's total greenhouse gas emissions: operational control and financial control. Using the operational control-method, the organization account for 100 % of the emissions from operations over which it controls, but not necessarily owns.

As a result, emissions from sources the organization owns but does not control, will not be included in the organizations total GHG emissions (for example in a tenancy where the tenant has mandate to decide measures in the property owned by the organization). This is the case at the organization's main offices in Søndre Gate 4-10 where SpareBank 1 SMN decides energy efficiency improvement-measures in the property owned by EC Dahls Eiendom AS.

Using the financial control-method, the organization account for 100 % of the emissions from operations where the organization has the right to the majority of benefits from the operation, or retains the majority of the risk associated with the operation.

The annual GHG-emissions of SpareBank 1 SMN is disclosed in accordance with the operational control-method. This method defines which assets is to be included in the carbon accounting report, and categorizes emissions in various scopes.

The annual GHG emissions is divided into 3 scopes which consists of both direct and indirect emission sources.

5) https://ghgprotocol.org/about-us

Scope 1 disclosure is mandatory, and includes all emissions from assets which the organization controls. This includes combustion of all fossil fuels related to both owned, leased or rented assets. It also includes any direct process emissions from e.g. chemical processes, industrial gases, direct methane emissions etc. All emissions from the organization's vehicles are disclosed combined under scope 3. Because Sparebank 1 SMN's emissions from combustion of fossil fuels are considered immaterial, these emissions are not separated in scope 1.

Scope 2 disclosure is also mandatory, including all indirect emissions related to energy purchased; electricity or heating/cooling. This applies to properties the organization controls, regardless of ownership if operational control is present. In January 2015, the GHG Protocol released new guidelines for calculating emissions from energy consumption. Primarily two methods are used to allocate the GHG emissions created by energy consumption.

Location-based method: The location-based method is based on statistical emissions information related to energy consumption within a defined geographical boundary. Within this geographical boundary, the different energy producers utilize a mix of energy resources, where the use of fossil fuels (coal, oil, gas) result in direct GHG emissions. The emission factors used in Klimakost related to energy and electricity is based on sectoral emissions data with a two-year time lag.

Market-based method: The choice of emissions factor when using this method is determined by whether the business acquires GoOs/RECs or not. When selling GoOs or RECs, the supplier certifies that the electricity is produced exclusively by renewable sources, which has an emission factor of 0 grams per CO_2e per kWh.

In practice, organizations disclosing GHG emissions must highlight both actual emissions from electricity production, as well as market-based emissions related to purchased GoOs/RECs. The purpose of this revised guideline is firstly to show the effect of energy efficiency measures, and secondly to show the effect of purchasing renewable energy through GoOs/RECs. This «dual reporting» highlights the effect of different measures the organization can implement related to energy consumption.

The carbon accounting report of Sparebank 1 SMN discloses the energy consumption related to the location-based method in scope 2, but not the market-based method.

Exclusion of the market-based method is mainly explained by the Klimakost methodology, which solely discloses the location-based method in scope 2. Klimakost was chosen as the preferred methodology because of, among other things, SpareBank 1 SMN not purchasing any GoOs/RECs, and location based-method being the most relevant method to monitor and further improve the organization's energy efficiency measures.

The reasoning is further based on geographical boundaries. SpareBank 1 SMN's offices are located in the middle of Norway, meaning Sparebank 1 SMN's offices are generally consuming electricity from the same grids and suppliers. This further proves the location-based method to be most relevant for SpareBank 1 SMN.

Scope 3 disclosure is voluntary, and includes all indirect emissions from purchased goods and services. This includes emissions indirectly related to the organization's activities, not controlled by the company. Scope 3 is further divided into two main categories: upstream and downstream emissions. Upstream emissions are indirect emissions related to purchased goods and services. Downstream emissions are indirect emissions related to selling goods and services. SpareBank 1 SMN's registered scope 3-emissions are exclusively upstream. Calculation of Sparebank 1 SMN's downstream emissions is an ongoing process.

As most of Sparebank 1 SMN's emissions are indirect and therefore disclosed in scope 3, SpareBank 1 SMN chose to include scope 3 disclosure as a part of the annual GHG emissions, even though this is voluntary. This is done to make the carbon accounting report useful as a decision-making tool both for Sparebank 1 SMN's management and external stakeholders.

Carbon Accounting Report 2021

The SpareBank 1 SMN Group

The purpose behind carbon accounting is to provide an overview of the organization's greenhouse gas (GHG) emissions, which is an integrated part of the Sparebank 1 SMN-group's overarching climate strategy[1]. Carbon accounting is an important tool in identifying and implementing tangible actions to reduce both direct and indirect GHG emissions. An annual carbon accounting report enables the organization to benchmark GHG-emissions, including performance indicators (KPI's), and evaluate the effect of its actions over time.

The report covers the total GHG emissions of the SpareBank 1 SMN Group in 2021.

The input data used in the carbon accounting report stems from both internal and external sources, which are converted into CO_2-equivalents (CO_2e) according to the GWP-values in IPCC AR5[2]. The report is prepared in accordance with «GHG Protocol Corporate Accounting and Reporting Standard» and the GHG-protocol's scope 3-standard «The Corporate Value Chain (Scope 3) Accounting and Reporting Standard». The GHG-protocol is the preferred reporting standard because of its wide application and international recognition, ensuring truthful, comparable and understandable reporting.

1) https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html

2) https://ghgprotocol.org/sites/default/files/ghgp/Global-Warming-Potential-Values%20%28Feb%2016%202016%29_1.pdf

Consolidated Annual GHG Emissions

The group's annual GHG emissions are based on Klimakost[3] combined with financial data from Eiendomsmegler 1 Midt-Norge AS, SpareBank 1 Regnskapshuset SMN AS, SpareBank 1 Finans Midt-Norge AS, SpareBank 1 Markets AS and SpareBank 1 SMN. The remaining subsidiaries and affiliated companies are not consolidated as they are considered immaterial, and the challenges related to providing reliable data.

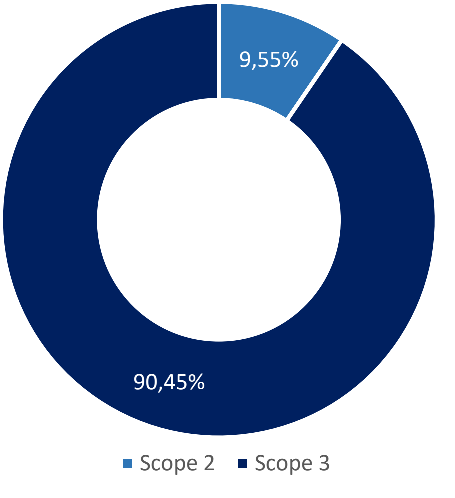
Emission source *(numbers in tCO_2e)*	**2021**	**2020**
Energy consumption	1 180,95	1 641,69
Scope 2	**1 180,95**	**1 641,69**
Purchased goods and services	9 330,04	9 061,77
Capital goods	602,84	703,65
Transportation and distribution	314,51	420,62
Waste generated in operations	28,75	6,66
Business travel[4]	907,56	1 029,37
Upstream emissions	**11 183,71**	**11 222,06**
Scope 3	**11 183,71**	**11 222,06**
Total GHG emissions after eliminations	**12 364,66**	**12 863,74**

In the consolidated annual GHG emissions, a total of 667,11 tCO_2e is eliminated. The SpareBank 1 SMN Group's GHG emissions totaled 12 364,66 ton CO_2-equivalents (tCO_2e) in 2021. This is a reduction of 3,88 % compared to 2020.

The GHG emissions had the following distribution:

Scope 2: 9,55 % (1 180,95 tCO_2e)

Scope 3: 90,45 % (11 183,71 tCO_2e)



3) See «Explanation of the applied methodology».

4) Costs related to the group's vehicles is included in *business travel*.
See «Application of the GHG protocol».

The SpareBank 1 SMN group employed 1 478 full-time equivalents during 2021. This constitutes an emission of 8,37 tCO_2e per full-time equivalent. Compared to 2020, where employment was 1 552 full-time equivalents, emissions are increased by 0,08 tCO_2e per full-time equivalent[5].

Scope 2:

Scope 2 consists in its entirety of energy consumption, including electricity and heating, in the SpareBank 1 SMN group's offices. The emissions related to energy consumption amounted to 1 180,95 tCO2e in 2021, a reduction of 28,07 % compared to 2020. The reduced emissions are explained by energy efficiency improvements at the group's owned and rented offices. Among other locations, the group's headquarters in Søndre Gate 4-10, rented from EC Dahls Eiendom AS, where the majority of the group's employees are located.

The GHG emissions in scope 2 are calculated based on sectoral emission data with a two-year time lag[6], meaning emissions in 2021 are calculated based on emission data from 2019, and emissions in 2020 are based on emission data from 2018. If emissions in 2021 had been calculated based on emission data from 2018, scope 2 would have amounted to 1 198,61 tCO_2e, an increase of 1,5 %.

Scope 3:

Purchased goods and services constitutes the majority of the Sparebank 1 SMN Group's GHG emissions in 2021 (9 330,04 tCO_2e). The GHG emissions are related to marketing and branding of the group in different channels, labor costs, IT-operations and equipment, other operating agreements and rent/maintenance of the SpareBank 1 SMN Group's offices and premises. This is an increase of 2,96 % compared to 2020.

The SpareBank 1 SMN Group has *capital goods* in terms of fixed installations in its offices, properties, furniture and other types of office equipment, software and machinery. The GHG emissions related to consumption (e.g. deterioration, obsolescence) of fixed capital amounts to 602,84 tCO_2e. This is a reduction of 14,33 % compared to 2020.

5) This is the total full-time equivalents of the parent and consolidated subsidiaries.
6) https://www.ssb.no/statbank

GHG emissions related to *transportation and distribution* includes value-transport (transportation of cash to ATM's), as well as postage and freight of miscellaneous goods (314,51 tCO_2e). Compared to 2020 this is a reduction of 25,23 %, mainly explained by the reduction in transportation of cash.

The GHG emissions from *waste generated in operations* includes all forms of waste management (residual waste, paper, glass, plastic) in Sparebank 1 SMN's offices (28,75 tCO_2e). The major increase in emissions from waste generated in operations compared to 2020 is a result of the group's colocation-projects conducted in 2021.

Business travels includes flights and distance-based allowance to employees for work-related travel using privately owned vehicles (907,56 tCO_2e). This is a reduction of 11,83 % compared to 2020. This is a result of specific measures implemented across the Sparebank 1 SMN Group. The pandemic has proven that most tasks can be solved by employees working from home. Based on this insight, a new flexible workplace model has been introduced called «den nye arbeidshverdagen». In addition to this, an update to the group's travelling policy and the group's distinctive focus on sustainability has led to a change in the employees' travel behavior which directly affects emissions.

SpareBank 1 SMN has no GHG emissions from *employee commuting* in 2021. In 2020 the organization had a total emission of 1,17 tCO_2e from employee commuting. The emissions generated from employee commuting is included in *business travels*.

The GHG emissions in scope 3 are calculated similarly as scope 2; based on sectoral emission data with a two-year time lag. If emissions in 2021 had been calculated based on emission data from 2018, scope 2 would have amounted to 11 487,08 tCO_2e, an increase of 2,71 %.

Explanation of the applied methodology

Klimakost is a tool used to calculate the direct and indirect climate impact of organizations, companies, projects etc. This tool combines accounting information (and quantities for some inputs) with an emission model estimating total life cycle emissions associated with the various inputs and goods/services consumed.

Klimakost uses a «Environmentally Extended Input-Output Analysis» (EEIOA). EEIOA is relatively generalizing and suited for «top-down»-analysis' to determine which parts of the organization have the highest emission intensity. This enables a screening of the organization's «footprint» with a consistent methodology. The model also enables analysis of an entire nation's «footprint», including import of goods from other countries (so-called multiregional EEIO models).

Since the model include all types of economic activity, it does not suffer the same limitations as other carbon accounting methods. However, this completeness and simplicity comes at the expense of specificity, meaning the evaluation of some actions and trends might require more specific data and methods.

Klimakost has been utilized to prepare carbon accounting reports for a large number of Norwegian municipalities, companies and organizations. Multiple universities and colleges have also used the tool, and a former analysis done on behalf of NTNU has been published in an international journal. The underlying models has also been used to calculate the carbon footprint of Norwegian public procurement and the carbon footprint of Norwegian households. See klimakost.no for more detailed information about the methodology.

Application of the GHG protocol

The Greenhouse Gas Protocol (the GHG protocol) was developed by the «World Resources Institute» (WRI) and «World Business Council for Sustainable Development» (WBCSD)[7]. The carbon accounting report is prepared in accordance with «GHG Protocol Corporate Accounting and Reporting Standard» and «Corporate Value Chain (Scope 3) Accounting and Reporting Standard». The standard includes the following greenhouse gases, all converted into CO_2-equivalents: CO_2, CH_4, N_2O, SF_6, HFK and PFK. The GHG-emissions from the SpareBank 1 SMN Group constitutes solely of CO_2.

The Sparebank 1 SMN Group's annual GHG emissions has been consolidated in accordance with the «equity share»-method with the intent of displaying a complete and truthful picture of the group's GHG emissions. Using the equity share-method means that emissions from the group's parent company is included in full, while emissions from the subsidiaries are included based on the group's stake in the subsidiary.

7) https://ghgprotocol.org/about-us

The standard differentiates between two approaches to calculate an organization's total greenhouse gas emissions: operational control and financial control. Using the operational control-method, the organization account for 100 % of the emissions from operations over which it controls, but not necessarily owns.

As a result, emissions from sources the organization owns but does not control, will not be included in the organizations total GHG emissions (for example in a tenancy where the tenant has mandate to decide measures in the property owned by the organization). This is the case at the group's headquarters in Søndre Gate 4-10 where the parent company (SpareBank 1 SMN) decides energy efficiency improvement-measures in the property owned by EC Dahls Eiendom AS.

Using the financial control-method, the organization account for 100 % of the emissions from operations where the organization has the right to the majority of benefits from the operation, or retains the majority of the risk associated with the operation.

The annual GHG emissions of the consolidated subsidiaries is disclosed in accordance with the operational control-method. This method defines which assets is to be included in the carbon accounting report, and categorizes emissions in various scopes. This is done because a few of the group's subsidiaries own subsidiaries in which the group's subsidiaries control themselves.

The annual GHG emissions is divided into 3 scopes which consists of both direct and indirect emission sources.

Scope 1 disclosure is mandatory, and includes all emissions from assets which the organization controls. This includes combustion of all fossil fuels related to both owned, leased or rented assets. It also includes any direct process emissions from e.g. chemical processes, industrial gases, direct methane emissions etc. All emissions from the Group's vehicles are disclosed combined under scope 3. Because the Sparebank 1 SMN group's emissions from combustion of fossil fuels are considered immaterial, these emissions are not separated in scope 1.

Scope 2 disclosure is also mandatory, including all indirect emissions related to energy purchased; electricity or heating/cooling. This applies to properties the organization controls, regardless of ownership, if operational control is present.

In January 2015, the GHG Protocol released new guidelines for calculating emissions from energy consumption.Primarily two methods are used to allocate the GHG emissions created by energy consumption.

Location-based method: The location-based method is based on statistical emissions information related to energy consumption within a defined geographical boundary. Within this geographic boundary, the different energy producers utilize a mix of energy resources, where the use of fossil fuels (coal, oil, gas) result in direct GHG emissions. The emission factors used in Klimakost related to energy and electricity is based on sectoral emissions data with a two-year time lag.

Market-based method: The choice of emissions factor when using this method is determined by whether the business acquires GoOs/RECs or not. When selling GoOs or RECs, the supplier certifies that the electricity is produced exclusively by renewable sources, which has an emission factor of 0 grams CO_2e per kWh.

In practice, organizations disclosing GHG emissions must highlight both actual emissions from electricity production, as well as market-based emissions related to purchased GoOs/RECs. The purpose of this revised guideline is firstly to show the effect of energy efficiency measures, and secondly to show the effect of purchasing renewable energy through GoOs/RECs. This type of «dual reporting» highlights the effect of different measures the organization can implement related to energy consumption.

The carbon accounting report of the Sparebank 1 SMN Group discloses the energy consumption related to the location-based method in scope 2, but not the market-based method. Exclusion of the market-based method is mainly explained by the Klimakost methodology, which solely discloses the location-based method in scope 2. Klimakost was chosen as the preferred methodology because of, among other things, the group not purchasing any GoOs/RECs, and location based-method being the most relevant method to monitor and further improve the organization’s energy efficiency measures.

The reasoning is further based on the group’s geographical boundaries. The SpareBank 1 SMN Group’s offices are located in the middle of Norway, meaning the group’s offices are generally consuming electricity from the same grids and suppliers. This further proves the location-based method to be most relevant for the SpareBank 1 SMN Group.

Scope 3 disclosure is voluntary, and includes all indirect emissions from purchased goods and services. This includes emissions indirectly related to the organization's activities, not controlled by the organization. Scope 3 is further divided into two main categories: upstream and downstream emissions. Upstream emissions are indirect emissions related to purchased goods and services. Downstream emissions are indirect emissions related to selling goods and services. The SpareBank 1 SMN Group's registered scope 3-emissions are exclusively upstream. Calculation of Sparebank 1 SMN's downstream emissions is an ongoing process.

As most of the group's emissions are indirect and therefore disclosed in scope 3, the SpareBank 1 SMN Group chose to include scope 3 disclosure as a part of the consolidated annual GHG emissions, even though this is voluntary. This is done to make the carbon accounting report useful as a decision-making tool both for the group's management and external stakeholders.

GRI Index

The table shows SpareBank 1 SMN's reporting for 2021 with reference to the GRI Standard's core requirements from GRI Standards 2016.

GRI indicator	Name of indicator	Reply/Source
General information		
Organisational profile		
102-1	Name of the organisation	SpareBank 1 SMN
102-2	Activities, brands, products, and services	Annual report - Organisation of SpareBank 1 SMN
102-3	Location of headquarters	Trondheim, Norway
102-4	Location of operations	Norway
102-5	Ownership and legal form	Savings bank based on equity certificates
102-6	Markets served	Mid Norway
102-7	Scale of organisation	Annual report - Organisation of SpareBank 1 SMN, People and organisation
102-8	Information on employees and other workers	Annual report - People and organisation
102-9	Supply chain	Annual report - Sustainability in property and procurement
102-10	Significant changes to the organisation and its supply chain	No significant changes
102-11	Precautionary Principle or approach	Annual report - Corporate Governance
102-12	External initiatives	Webpage smn.no/about us/sustainability/strategy for sustainability
102-13	Membership of associations	Annual report - Stakeholders and memberships
Strategy		
102-14	Statement from senior decision maker	Annual report - Statement by the group CEO
Ethics and integrity		
102-16	Values, standards, principles and norms	Annual report - People and organisation
Governance		
102-18	Governance structure	Annual report - Corporate governance
Stakeholder dialogue		
102-40	List of stakeholder groups	Webpage smn.no/about us/sustainability/stakeholder analysis
102-41	Collective bargaining agreements	Annual report - People and organisation
102-42	Identifying and selecting stakeholders	Webpage smn.no/about us/sustainability/stakeholder dialogue at SpareBank 1 SMN
102-43	Approach to stakeholder engagement	Webpage smn.no/about us/sustainability/stakeholder dialogue at SpareBank 1 SMN
102-44	Key topics and concerns raised	Webpage smn.no/about us/sustainability/stakeholder dialogue at SpareBank 1 SMN
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Annual report - This is SpareBank 1 SMN
102-46	Defining report content and topic boundaries	Webpage smn.no/about us/sustainability/the group's impact analysis
102-47	List of material topics	Webpage smn.no/about us/sustainability/materiality analysis
102-48	Restatements of information	The group has revised its method for calculating total greenhouse gas emissions. An environmentally extended input-output analysis (the Klimakost model) is used to measure emissions from the group's own operations, and the PCAF framework is used to measure emissions from the group's loan and investment portfolio. Annual report - SpareBank 1's energy and climate account
102-49	Changes in reporting	No changes were made in the group's materiality analysis in 2021
102-50	Reporting period	Financial year 2021
102-51	Date of previous report	4 March 2021
102-52	Reporting cycle	Annual
102-53	Contact point	Jan-Eilert Nilsen

102-54	Claims of reporting in accordance with the GRI Standards	Core requirements
102-55	GRI content index	GRI Index
102-56	External assurance	Shown in the auditor's report. PwC

SPECIFIC INFORMATION

Driver of the green transition

Green transition of own operations

103-1	Explanation of the material topic and its boundary	Webpage smn.no/about us/sustainability/energy and climate account
103-2	The management approach and its components	Webpage smn.no/about us/sustainability/energy and climate account
103-3	Evaluation of the management approach	Webpage smn.no/about us/sustainability/energy and climate account
305-1	Direct GHG emissions (Scope 1)	Webpage smn.no/about us/sustainability/energy and climate account
305-2	Indirect GHG emissions (Scope 2)	Webpage smn.no/about us/sustainability/energy and climate account
305-3	Other indirect GHG emissions (Scope 3)	Webpage smn.no/about us/sustainability/energy and climate account

Stimulating green transition

103-1	Explanation of the material topic and its boundary	Annual report/Corporate banking Annual report/Retail banking
103-2	The management approach and its components	Annual report/Corporate banking Annual report/Retail banking
103-3	Evaluation of the management approach	Annual report/Corporate banking Annual report/Retail banking
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Retail market: loans under today's product hierarchy in VA report Green construction loans: NOK 58,100,000 Green mortgages: NOK 937,000,000 Green loans for energy initiatives: NOK 9,300,000 Loans under green bonds: Retail market: NOK 19,457,605,606 Corporate market and Finans: NOK 10,585,000,000
GRI-FS10	Percentage and number of companies in the institution's portfolio with which the reporting organisation has interacted on environmental issues	As at 31.12.2021, ESG assessment of clients with an exposure of NOK 50m or more had been conducted in the following industries: Fisheries: 12 clients representing 53% of the portfolio Property Rental: 23 clients representing 52% of the portfolio Offshore: 1 client representing 2% of the portfolio
MRKT-1	Number of companies / volume of transactions arranged within renewable energy / with a green profile in investment banking and debt capital (Markets)	Investment banking NOK 8,562,000,000 12 issues lead managed at 12 companies within renewable energy / with a green profile Debt capital NOK 6,916,000,000 6 issues lead managed at 5 companies within renewable energy / with a green profile

Competence boost for companies and own clients

103-1	Explanation of the material topic and its boundary	Annual report/Community dividend
103-2	The management approach and its components	Annual report/Community dividend
103-3	Evaluation of the management approach	Annual report/Community dividend
SMN-3	Competence programs for sustainability	Annual report/Community dividend Annual report - People and organisation https://www.sparebank1.no/nb/smn/about-us/community-dividend/support-for-green-transition.html

Partner for the inclusive development of society

Competence development for own employees

103-1	Explanation of the material topic and its boundary	Annual report – People and organisation
103-2	The management approach and its components	The competence portal 'Utsikt' administers courses and training programmes, and enables retrieval of reports on completed courses
103-3	Evaluation of the management approach	The competence portal is developed in cooperation with the system provider as and when the organisation changes and new skills and modes of learning are introduced
404-2	Programs for upgrading employee skills and transition assistance programs	Annual report – People and organisation

Diversity and equal opportunity

	Explanation of the material topic and its	

103-1	boundary	Annual report - People and organisation
103-2	The management approach and its components	Annual report - People and organisation
103-3	Evaluation of the management approach	Annual report - People and organisation
405-1	Diversity of governance bodies and employees	Annual report - People and organisation
405-2	Ratio of basic salary and remuneration of women to men	Annual report - People and organisation
406-1	Incidents of discrimination and corrective actions taken	Annual report - People and organisation

Strengthening social rights in products and services

103-1	Explanation of the material topic and its Boundary	Annual report/Responsible credit practices - Corporate Banking
103-2	The management approach and its components	Annual report/Responsible credit practices - Corporate Banking
103-3	Evaluation of the management approach	Annual report/Responsible credit practices - Corporate Banking
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation as interacted on social issues	38 clients (40 cases). 100% of clients with approved construction loans above NOK 10m. Additional to this are clients listed under GRI-FS10

Stimulating innovation and sustainable economic growth

103-1	Explanation of the material topic and its boundary	Annual report/Responsible credit practices - Retail Banking
103-2	The management approach and its components	An overall corporate governance model has been established. A new sustainability strategy has been drawn up and significant improvements made in the document structure both for the group as a whole and for the Retail Banking Division. Sustainability is incorporated as an overall theme of RB credit policy. RB has a sustainability document in place, the same is true for agriculture and for sustainability in investments. In autumn 2021 the first measurement was conducted of greenhouse gas emissions from the loan portfolio of RB and agriculture.
103-3	Evaluation of the management approach	Methodology and classification standards relevant to our economic activities will be put into use as and when enacted in Norwegian legislation. Our internal control system will be developed to assure quality and compliance. Energy labelling of objects via Eiendomsverdi was established in 2021. Measurement of greenhouse gas emissions from the loan portfolio lays the basis for measures to be put in place. Credit procedures are evaluated and adapted in line with new requirements and strengthened due diligence checks on the sources of funds in the lending context.
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	First-home mortgages: NOK 18,400,000,000 Safe and secure house purchase: NOK 2,000,000,000
FS14	Measures to improve access to financial services for particularly vulnerable groups	Co-financing (emergency financial assistance and refinancing - a new product). Volume NOK 80,000,000
SMN-1	Digital measures to improve efficiency and sustainable development of products and services	95% of all loan applications at SMN are digital. This provides an annual saving of NOK 9m. 70% of all property settlements are digital. A 60% increase from the previous year. This provides an annual saving of NOK 5m.
MRKT-2	Number of companies / volume of transactions arranged within technology in investment banking and debt capital	Investment banking NOK 26,105,000,000. 17 issues lead-managed at 14 companies within technology

Guide for responsible business culture

Ethical standards

103-1	Explanation of the material topic and its boundary	Annual report - People and organisation
103-2	The management approach and its components	Annual report - People and organisation
103-3	Evaluation of the management approach	Annual report - People and organisation
205-2	Communication and training about anti-corruption policies and procedures	Annual report - People and organisation

SpareBank 1 SMN

Data- and cybersecurity

103-1	Explanation of the material topic and its boundary	Annual report - Information security, personal data protection
103-2	The management approach and its components	Annual report - Information security, personal data protection
103-3	Evaluation of the management approach	Annual report - Information security, personal data protection
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Annual report - Personal data protection

Standards for purchasing and responsible marketing

103-1	Explanation of the material topic and its boundary	Annual report - Sustainability in property and procurement, Responsible marketing of products and services
103-2	The management approach and its components	Annual report - Sustainability in property and procurement, Responsible marketing of products and services
103-3	Evaluation of the management approach	Annual report - Sustainability in property and procurement, Responsible marketing of products and services
308-1	Percentage of new suppliers that were screened using environmental criteria	No new suppliers were screened in 2021
308-2	Negative environmental impacts in the supply chain and actions taken	Annual report - Sustainability in property and procurement. No new suppliers were excluded in 2021
414-1	Percentage of new suppliers that were screened using social criteria	No new suppliers were screened in 2021
414-2	Negative social impacts in the supply chain and actions taken	Annual report - Sustainability in property and procurement. No new suppliers were excluded in 2021
417-2	Incidents of non-compliance concerning product and service information and labeling	Annual report - Responsible marketing of products and services
417-3	Incidents of non-compliance concerning marketing communications	Annual report - Responsible marketing of products and services

Economic crime and corruption

103-1	Explanation of the material topic and its boundary	Annual report - Prevention of economic crime
103-2	The management approach and its components	Annual report - Prevention of economic crime
103-3	Evaluation of the management approach	Annual report - Prevention of economic crime
SMN-1	Number of transactions flagged as suspicious, investigated and reported	Annual report - Prevention of economic crime
205-3	Confirmed incidents of corruption and actions taken	Annual report - Anti-corruption

To: Board of Directors in SpareBank 1 SMN

Independent statement regarding SpareBank 1 SMN's sustainability reporting

We have examined whether SpareBank 1 SMN has developed GRI Index and measurements and reporting of key performance indicators for sustainability (sustainability reporting) for the calendar year 2021.

> SpareBank 1 SMN's GRI Index is an overview of which principles, aspects and indicators from The Global Reporting Initiative guidelines that SpareBank 1 SMN use to measure and report on sustainability; together with a reference to where material sustainability information is reported. SpareBank 1 SMN's GRI Index 2021 is part of SpareBank 1 SMN's annual report for 2021. We have examined whether SpareBank 1 SMN has developed a GRI Index for 2021 and whether disclosures are presented according to the Standards published by The Global Reporting Initiative (www.globalreporting.org/standards) (criteria).
>
> Key performance indicators for sustainability are indicators for sustainability performance that SpareBank 1 SMN's GRI Index refer to, and that SpareBank 1 SMN measure and control. Key performance indicators for sustainability are available and included in SpareBank 1 SMN's annual report 2021. SpareBank 1 SMN has prepared the key performance indicators. We have examined the basis for the measurements, checked the calculations of the measurements, and examined whether key performance indicators are presented according to the Standards published by The Global Reporting Initiative (www.globalreporting.org/standards) (criteria).

Tasks and responsibilities of management

Management is responsible for SpareBank 1 SMN's sustainability reporting and that the reporting is developed in accordance with the Standards published by The Global Reporting Initiative. Their responsibility includes developing, implementing and maintaining internal controls that ensure the reporting of the GRI Index and key performance indicators for sustainability.

Our independence and quality control

We are independent of the company in accordance with applicable laws and regulations and the Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our independent statement, and we have fulfilled our ethical obligations in accordance with these requirements and IESBA Code. We use ISQC 1 - Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and maintains a comprehensive quality control system including documented policies and procedures of the ethical standards, professional standards and applicable legal and regulatory claim.

The Auditors responsibilities

Our responsibility is to express an opinion on the subject matter based on our control. We have performed our work and will issue our statement with limited assurance in accordance with the

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Standard on Assurance Engagements ISAE 3000: “Assurance engagements other than audits or review of historical financial information".

Our work involves performing procedures to obtain evidence that SpareBank 1 SMN’s sustainability reporting is developed in accordance with the Standards published by The Global Reporting Initiative. The procedures selected depend on our judgement, including assessments of the risks that the sustainability reporting as a whole is free from material misstatement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the subject matter. Therefore, we design procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our control also includes an assessment of whether the applied criteria are appropriate and an assessment of the overall presentation of the subject matter.

Our controls include meetings with representatives from SpareBank 1 SMN that are responsible for the key areas covered by the sustainability reporting, to evaluate internal controls and procedures related to sustainability reporting; collecting and reviewing relevant information that supports the presentation of key performance indicators; evaluating the completeness and accuracy of the key performance indicators; and controlling the calculations of key performance indicators based on an assessment of the risk that the key performance indicators contain information that is incorrect.

In our opinion, sufficient evidence has been obtained and we consider that our work provides an appropriate basis to form our conclusion.

Conclusion

Based on our control and evidence we have obtained, we have not become aware of circumstances that would give us reason to believe that

> SpareBank 1 SMN’s GRI Index is not, in all material respects, developed and presented in accordance with the requirements of the Standards published by The Global Reporting Initiative; and
>
> Key performance indicators for sustainability, for the calendar year 2021 are not, in all material aspects, developed, measured and reported in accordance with the requirements of the Standards published by The Global Reporting Initiative.

Trondheim, 2. March 2022
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State authorized public accountant

(This translation from Norwegian has been made for information purposes only)

SpareBank 1 SMN's memberships

ACI Norge
Arti7 bedriftsnettverk Trondheim
Aukra næringsforum
Den norske advokatforening
Den norske dataforening
Econa
Eiendom Norge
European Region of Gastronomy 2022
Finans Norge
Finansieringsselskapenes Forening
Fosnavåg shippingklubb
Framtiden i Våre Hender
Framtidslaben Ålesund
Frøya Handelsstand
Frøya nye næringsforening
Frøya Næringsforum
Førde industri- og næringssamskipnad
Haram næring- og innovasjonsforum
Hitra Næringsforening
HR Norge
Hustadvika næringsforum
Håndverkerforeningen i Trondheim
ICC Norge
Impello rapporten Trønderske teknologiselskaper (via Impello)
Industrinavet Verdal
InnoCamp Steinkjer
KID Næringslivs nettverket
Knytte bedriftsnettverk Trondheim
Kristiansund og Nordmøre næringsforum
Lean forum Midt-Norge
Lean forum Nordvest
Levanger Næringsforum
Maritimt forum Nordvest
Midsund næringsforum
Molde Næringsforum
Molde sentrum
Namdal Næringsforening
Namdalskysten Næringsforening
Namsos næringsforening
NCE Finance Innovation
NCE ikuben Molde
Newton-rom (via selskapet First Scandinavia)
NiTr Malvik
Nordic arena nettverk Møre AS
Nordic Future Innovation AS
Norges Eiendomsmeglerforbund
Norsk institutt for styremedlemmer
Norsk kommunikasjonsforening
Norsk nettverk for næringseiendom
Norsk Petroleumsforening
Norske Finansanalytikeres Forening
NTNU Partnerskap Innovasjon og verdiskapning
Næringsforeningen i Levanger
Næringsforeningen i Trondheimsregionen
Næringsforeningen i Værnesregionen
Næringsforeningen i Ålesundsregionen
Næringslivets sikkerhetsråd
Oppdal Næringsforening
Orkland næringsforening
Partnership for Carbon Accounting Financials (PCAF)
Rauma næringslag
Rennebu næringsforening
Regnskap Norge
Romsdal reiseliv
Samarbeidsgruppen Midtbyen Trondheim
Shippingklubben Ålesund
Skift - næringslivets klimaledere
Skogmo Industripark Overhalla
Sparebankforeningen
Steinkjer næringsforum
Stjørdal næringsforening
Sunndal næringsforening
Surnadal næringsforening
Sykkylven industri- og næringslag
Tequity Cluster
Thams Klyngen Orkanger
todalen.no
Trollheimsporten AS
Trondheim markedsforening
Trondheim Tech Port (Tidligere Technoport)
Trøndelag HR-forum
Trøndersk matfestival
Ungt Entreprenørskap
United Nations (USCH5)
Verdal Næringsforum
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