

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

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

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

Group (NOK million)	Nominal amount 31 Dec 2021			Nominal amount 31 Dec 2020		
	Hedging instrument	Hedging object	Ineffectivity	Hedging instrument	Hedging object	Ineffectivity
Accounting line in Balance Sheet	Derivatives	Debt created by issuance of securities		Derivatives	Debt created by issuance of securities	
<i>Debt at fixed interest</i>	<i>Interest swap</i>			<i>Interest swap</i>		
Nominal NOK	8,025	8,025	-	7,943	7,550	- 393
<i>Debt in currency at fixed interest</i>	<i>Interest and currency swap</i>			<i>Interest and currency swap</i>		
Nominal EUR	21,902	21,738	- 164	22,658	22,644	-13
Nominal SEK	-	-	-	626	600	-26
Nominal CHF	1,690	1,690	-	1,696	1,696	-
	Book value 31 Dec 2021			Book value 31 Dec 2020		
	Hedging instrument	Hedging object	Ineffectivity in PL	Hedging instrument	Hedging object	Ineffectivity in PL
Recorded amount Assets	353			921		
Recorded amount Liabilities	511	31,461		48	33,301	
Accumulated value changes ending balance	-30	-88		634	570	
Accumulated value changes opening balance	634	570		167	104	
<b>Change in fair value</b>	<b>-664</b>	<b>-657</b>	<b>-6</b>	<b>467</b>	<b>465</b>	<b>1</b>
Accounting line in profit and loss			Net return on financial investments			Net return on financial investments

### IBOR reform

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

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