Financial results

Report of the Board of Directors

Macroeconomic conditions

Another turbulent year
In 2022 the international economy saw the highest inflation in several decades. The larger central banks tightened monetary policy more rapidly and forcefully than forecasts indicated at the start of the year. Russia's invasion of Ukraine brought further supply problems and contributed to higher energy and food prices. China's Covid restrictions have, in isolation, led to lower demand for raw materials and reduced global growth and inflation.

In 2022, the Norwegian economy reflected high activity, low unemployment, high electricity prices and inflation far above the central bank's operative target. Value creation in the mainland (non-oil) economy climbed 3.8 per cent over the course of the year and the wholly unemployed share of the labour force fell from 2.2 per cent to 1.6 per cent. Wage growth ended 2022 at 4.4 per cent.

Price growth quickened through 2022, but slowed somewhat towards year-end. The consumer price index (CPI) rose 5.8 per cent from 2021 to 2022, its highest level since the 1980s. Adjusted for taxes and excluding energy, price growth was 3.9 per cent. Norges Bank signalled at end-2021 that the base rate would be raised to just over 1 percentage point towards the end of 2022. The vigorous growth in prices prompted a more rapid and forceful tightening, with a base rate of 2.75 per cent at year-end. The banks have raised mortgage rates in step with Norges Bank's base rate hikes.

Credit growth to households (C2) declined from 5.0 per cent in 2021 to 4.2 per cent in 2022. The government resolved in December 2022 to continue the current lending regulations with moderate relaxations, but credit growth to households is expected to continue to slow in 2023.

Norges Bank's monetary policy report as of December 2022 indicated a base rate of 3 per cent in 2023. Subsequent economic key figures suggest a base rate rising above 3 per cent in 2023.

Prospects for 2023 are uncertain. Inflation is expected to fall both internationally and in Norway. The IMF expects global growth to slow from 3.4 to 2.9 per cent in 2023. Moreover, great uncertainty attends the economic effects of central banks' monetary policy tightening and the war in Ukraine.

Regional: Trøndelag and Møre and Romsdal
Activity levels and optimism were high in the aftermath of the pandemic. Unemployment has continued to fall in step with national unemployment to record-low levels. The wholly unemployed share of the labour force was 1.2 and 1.5 per cent respectively in Trøndelag and in Møre and Romsdal at the end of 2022.

Mid-Norway has, to a large degree, been shielded from the high electricity prices affecting Europe, but the region experienced abnormally high electricity prices in December. After a long period of upturn, house prices subsided somewhat in the second half of 2022.

According to SpareBank 1 SMN's economic barometer, Mid-Norwegian businesses' expectations for the future are at a low level. The risk trend in the Bank's corporate portfolio is nonetheless acceptable. Continued improvement is in evidence in the offshore segment, but increased risk is noted in the wider business sector due to high inflation and higher interest rates. Industries viewed as more exposed than others are construction and commercial property.

Accounts 2022

(Consolidated figures. Figures in parenthesis refer to the same period of 2021 unless otherwise stated)

- Profit before tax and business held for sale: NOK 3,324m (3,266m)
- Net profit: NOK 2,758m (2,902m)
- Return on equity: 12.3% (13.5%)
- Growth in lending: 8.1% (6.9%) and in deposits: 9.6% (14.1%)
- Growth in lending to personal customers: 6.7% (6.8%) and in lending to corporate customers: 11.1% (7.1%)
- Lending to retail customers accounts for 67% (68%) of total lending
- Deposits from personal customers rose 8.4% (9.8%), and deposits from corporate customers by 10.5% (17.2%)
- Net result of ownership interests: NOK 442m (705m)
- Net result of financial instruments (incl. dividends): minus NOK 61m (gain of NOK 134m)
- NOK 7m, net, was recovered on losses on loans and guarantees (loss of NOK 161m), 0% (0.09%) of gross lending
- Earnings per equity certificate (EC): NOK 12.82 (13.31)
- The board of directors recommends a cash dividend of NOK 6.50 per equity certificate (NOK 7.50) representing 50.7 per cent of the net profit, and an allocation of NOK 474m (547m) to community dividend.

SpareBank 1 Markets
As from the fourth quarter of 2022, the subsidiary SpareBank 1 Markets is classified for accounting purposes as held for sale. The company's income and expenses are reclassified to the line 'Result investment held for sale' in the income statement accordingly. The group's profit remains unchanged. Historical figures are restated.

On 22 June 2022, SpareBank 1 SMN reported SpareBank 1 Markets' move to strengthen its focus on the capital market. SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge are to transfer their capital markets business to SpareBank 1 Markets, and in addition buying into the company in the form of a cash payment. After completion of the transaction, SpareBank 1 SMN will own 39.4 per cent and SpareBank 1 Markets will be treated as an affiliate. The transaction is dependent on approval from Finanstilsynet (Financial Supervisory Authority) and the Competition Authority, and is scheduled to go ahead in the second quarter of 2023.

Event after 31 December 2022: Gross embezzlement of SpareBank 1 SMN's funds
On 19 January 2023, SpareBank 1 SMN reported a hired replacement employee to the police after falling victim to gross embezzlement. No customers are impacted. The police have arrested and charged the suspect, and the bank is actively contributing to the ongoing investigation. The bank became aware of the offence itself and reported the matter to the Police and to Økokrim (National Authority for Investigation and Prosecution of Economic and Environmental Crime).

The police investigation and the bank's own enquiries show that the embezzlement totals NOK 75m. The accused returned about NOK 9m to SpareBank 1 SMN before his arrest. The net amount taken out of SpareBank 1 SMN is accordingly just over NOK 66m. Of this sum, NOK 15m has been secured. Based on the information now known to the police and the bank, about NOK 50m of the embezzled amount has been lost. Although the amount is substantial, it does not impact the bank's financial situation. The bank has insurance cover against economic crime including embezzlement. The insurance policy carries a deductible of NOK 5m. The board of directors of SpareBank 1 SMN has decided that the matter is to be scrutinised by an external expert body.

Good profit

SpareBank 1 SMN delivered a net profit of NOK 2,785m (2,902m), and a return on equity of 12.3 per cent (13.5 per cent). The profit is NOK 117m lower than in 2021 due to SpareBank 1 Gruppen's profit impairment and weaker return on financial investments. Increased operating income and lower losses strengthen the result. Earnings per equity certificate were NOK 12.82 (13.31).

Net interest income came to NOK 3,339m (2,805m). The bank's funding cost in terms of NIBOR rose substantially over the course of 2022, bringing changes in margins on loans and deposits. Return on equity rose.

Net commission income was NOK 2,042m (2,141m). The income decline of NOK 99m is due to lower margins on loans sold to SpareBank 1 Boligkreditt and reduced income from estate agency services, whereas income from banking and accounting services showed an increase.

Return on financial investments (incl. dividends) was minus NOK 61m (134m). The decline is largely due to reduced return on the equity portfolio of SpareBank 1 Invest.

The result from related companies was NOK 442m (705m). Fremtind Forsikring and SpareBank 1 Forsikring both reported weak results in 2022.

Operating expenses totalled NOK 2,443m (2,360m), an increase of NOK 83m or 3.5 per cent. The bank's expenses rose by NOK 107m, largely as a result of wage and price growth. In addition, there are higher IT costs and costs of purchased services, of which NOK 22m refers to costs of the planned merger with SpareBank 1 Søre Sunnmøre. Falling costs were noted in the subsidiaries as a result of reduced depreciation.

A net recovery of NOK 7m was recorded on losses on loans (loss of NOK 161m). Losses are low due to reversals in the offshore segment, continued low losses in other business and industry and the personal market.

Lending and deposits showed good growth in 2022 as previously. Lending grew by 8.1 per cent (6.9 per cent) and deposits by 9.6 per cent (14.1 per cent).

As at 31 December 2022, the CET1 ratio was 18.9 per cent (18.0 per cent). The CET1 ratio target is 17.2 per cent.

The book value per EC was NOK 109.86 (103.48) including the proposed cash dividend for 2022 of NOK 6.50 (NOK 7.50).

The market price of the bank's EC (MING) at year end was NOK 127.40 (149.00).

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, that comprise the basis for distribution of the net profit for the year, and 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 12.82. In keeping with the bank's dividend policy, the board of directors recommends the bank's supervisory board to declare a cash dividend of NOK 6.50 per EC, altogether totalling NOK 840m. This makes for a payout ratio of 50.7 per cent. The board of directors further recommends an allocation of NOK 474m to community dividend.

Of this amount, NOK 230m is to be transferred to non-profit causes and NOK 244m to the foundation Sparebankstiftelsen SMN. NOK 781m and NOK 440m are to be transferred to the dividend equalisation fund and the ownerless capital respectively.

Difference between Group - Parent Bank	**2022**	**2021**
Profit for the year, Group	**2,785**	**2,902**
Interest hybrid capital (after tax)	-60	-48
Profit for the year excl interest hybrid capital, group	**2,725**	**2,854**
Profit, subsidiaries	-479	-693
Dividend, subsidiaries	422	309
Profit, associated companies	-443	-705
Dividend, associated companies	224	418
Group eliminations	-15	11
Profit for the year excl interest hybrid capital, Parent bank	**2,434**	**2,194**

Distribution of profit	**2022**	**2021**
Profit for the year excl interest hybrid capital, Parent bank	2,434	2,194
Transferred to/from revaluation reserve	101	68
Profit for distribution	**2,535**	**2,262**
Dividends	840	970
Equalisation fund	781	476
Saving Bank's fund	440	268
Gifts	474	547
Total distributed	**2,535**	**2,262**

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.

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 net annual profit for distribution reflects changes of NOK 101m in the unrealised gains reserve.

The total amount for distribution is accordingly NOK 2,535m.

After distribution of the profit for 2022, the ratio of EC capital to total equity remains 64.0 per cent.

Net interest income

Net interest income totalled NOK 3,339m (2,805m). NIBOR rose about 240 points over the course of 2022, and was 160 points higher on average than the previous year. Margins on lending in terms of NIBOR declined by just over 65 points while margins on deposits rose by 75 points. Both lending and deposit volumes rose contributing, along with increased return on equity, to a strengthening of net interest income.

Norges Bank hiked the base rate several times in 2022, most recently in December, to 2.75 per cent. The bank raised mortgage and deposit rates in step with Norges Bank's base rate changes in 2022, most recently with effect from 1 February 2023 following Norges Bank's base rate change on 15 December 2022.

Commission income and other operating income

A high proportion of multi-product customers makes for customer satisfaction and a diversified income flow for the group.

Commission and other income (NOKm)	2022	2021	Change
Payment transmission income	329	283	46
Credit cards	62	41	21
Commissions savings and asset mgmt	40	59	-18
Commissions insurance	236	214	22
Guarantee commissions	70	67	3
Estate agency	418	441	-23
Accountancy services	564	529	34
Other commissions	51	43	8
Commissions ex. Bolig/Næringskreditt	**1,770**	**1,677**	**93**
Commissions Boligkreditt (cov. bonds)	256	450	-194
Commissions Næringskreditt (cov. bonds)	16	14	2
Total commission income	**2,042**	**2,141**	**-99**

Income growth was recorded in 2022 on payment services, credit cards, insurance and accounting services, whereas income from savings products and estate agency services declined. Increased consumption after the pandemic impacted positively on income from payment and credit card services.

Net interest income from loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is recognised as commission income. Commission income totalled NOK 272m (464m), showing a decline as a result of reduced margins on loans sold to SpareBank 1 Boligkreditt.

Return on financial investments

Return on financial investments (excluding dividends) was minus NOK 94m (gain of 112m). The decline is largely the result of reduced return on the equity portfolio of SpareBank 1 SMN Invest. Financial instruments, including bonds and CDs, showed a loss of NOK 126m (loss of 58m), the decline being ascribable to changed credit margins on the bank's liquidity holding. Income of NOK 19m (1m) from forex transactions refers to corporate clients' currency trading and agio on the bank's funding in foreign currencies.

Return on financial instruments (NOKm)	2022	2021	Change
Net gain/(loss) on stocks	13	169	-156
Net gain/(loss) on financial instruments	-126	-58	-68
Net gain/(loss) on forex	19	1	18
Net return on financial instruments	**-94**	**112**	**-206**

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 was NOK 442m (705m).

Income from investment in associated companies (NOKm, SMN's share in parentheses)	2022	2021	Change
SpareBank 1 Gruppen (19.5 %)	175	471	-296
SpareBank 1 Boligkreditt (22.6 %)	1	16	-16
SpareBank 1 Næringskreditt (16.3 %)	3	7	-4
BN Bank (35.0 %)	203	164	39
SpareBank 1 Kreditt (18.7 %)	9	13	-4
SpareBank 1 Betaling (20.8 %)	13	-15	28
SpareBank 1 Forvaltning (19.6%)	33	32	1
Other companies	5	17	-11
Total associated companies	**442**	**705**	**-263**

SpareBank 1 Gruppen

The company owns 100 per cent of the shares of SpareBank 1 Forsikring, SpareBank 1 Factoring and SpareBank 1 Spleis. SpareBank 1 Gruppen is the majority owner (65 per cent) of the non-life insurer Fremtind. The company also owns 50 per cent of Kredinor.

SpareBank 1 Gruppen's profit after tax in 2022 was NOK 1,196m (3,250m). Of the profit, NOK 895m (2,415 m) accrues to the majority owners of SpareBank 1. Return on equity in 2022 was 8.0 per cent (21.9 per cent).

The group's profit share from SpareBank 1 Gruppen was NOK 175m (471m).

Fremtind Forsikring posted a profit of NOK 859m (2,386m) after tax in 2022. The profit impairment is due to both a weaker underwriting result and financial result. The underwriting result was NOK 1,263m (2,457 m), a weakening of NOK 1,193m compared with 2021. The claims ratio in 2022 was 65.5 per cent compared with 57.6% in 2021. The rise in the claims ratio relates to fires both early in the year and in December, and a higher claims ratio in retail car and travel insurance. Net financial income was minus NOK 106m (618m), NOK 724m lower than in 2021. The financial result is negatively impacted by a weak trend in equity markets and weaker interest yield due to higher interest rates and credit margins, along with impairment of investment properties.

SpareBank 1 Forsikring reported a profit of NOK 53m (778m) after tax. The underwriting risk result was NOK 219m (143m), an improvement of NOK 76m. An improvement is noted in the claims-incurred ratio for disability risk and dependants, which thus far this year amounts to 77.1 per cent.

The administration result was minus NOK 137m (plus 205m), a deterioration of NOK 342m from 2021. A capitalisation of reserves of NOK 270m was undertaken in 2021.

Weak financial results were also recorded at SpareBank 1 Forsikring, for the same reason as Fremtind Forsikring.

Modhi and Kredinor

On 30 September 2022, Finanstilsynet gave permission for Modhi and Kredinor to merge with effect from 1 October 2022. As of the same date SpareBank 1 Gruppen made an in-kind contribution of Modhi valued at

NOK 1.7bn and in addition participated in a stock issue of NOK 117m. This entailed SpareBank 1 Gruppen acquiring 50 per cent of the shares of the newly merged Kredinor. Modhi is accordingly no longer a subsidiary of SpareBank 1 Gruppen. The derecognition of Modhi brought a gain of NOK 382m. Kredinor, for accounting purposes, is treated as a joint venture as from 1 October 2022.

The debt collection company Mohdi Finance posted a profit of NOK 130m in 2022 (20m), due in part to portfolio value adjustments.

SpareBank 1 Factoring recorded a profit of NOK 54m (53m) in 2022.

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 19.6 per cent of the company, and its profit share in 2022 was NOK 33m (32m).

The group's profit after tax as at 31 December 2022 was NOK 171.2m. The profit for 2022 was affected by lower incomes inasmuch as market uncertainty reduced average capital under management, and by somewhat higher expenses.

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 2022, the bank had sold loans totalling NOK 56.9bn (46.7bn) to SpareBank 1 Boligkreditt, corresponding to 40.1 per cent (35.1 per cent) of the bank's overall lending to retail borrowers.

The bank's share of the company's profit was NOK 1m (16m).

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 2022, loans worth NOK 1.7bn (1.4bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's share of the profit was NOK 3m (7m).

SpareBank 1 Kreditt

SpareBank 1 SMN's share of this company's profit for 2022 was NOK 9m (13m). SpareBank 1 SMN customers' portfolio of credit cards and consumer loans totalled NOK 1,248m (998m) and its stake was 18.7 per cent.

As at 31 December 2022 the company's overall portfolio was worth NOK 7.3bn (5.8bn). The growth is in all essentials ascribable to refinancing loans.

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 10.0 per cent in lending to personal customers in 2022 (13.8 per cent) and growth of 10.3 per cent in lending to corporate clients in 2022 (6.3 per cent). Total outstanding loans come to NOK 57bn (52bn).

BN Bank recorded a profit of NOK 595m (478m) in 2022, and a return on equity of 11.7 per cent (10.0 per cent). Increased net interest income is the main reason for the profit growth. SpareBank 1 SMN's share of BN Bank's profit was NOK 203m (164m).

SpareBank 1 Betaling
SpareBank 1 Betaling is the SpareBank 1 banks' parent company in Vipps AS. On 30 June 2021, Vipps entered an agreement to merge Vipps' mobile payments arm with Danish MobilePay and Finnish Pivo which opens the way for cross-border mobile payments. In the third quarter 2022, it became clear that the merger would proceed without Pivo after the European Commission raised concerns about the consolidation of mobile wallets in Finland.

The companies received the European Commission's approval in the fourth quarter 2022, but the merger is still pending. In parallel with the merger, BankAxept and BankID will be spun off from Vipps to become a new Norwegian-owned company which will remain under full ownership of the Norwegian banks.

A gain of NOK 140m was recognised on the merger in the fourth quarter of 2022. SpareBank 1 Betaling posted a profit of NOK 65m in 2022, of which SpareBank 1 SMN's profit share was NOK 13m (minus NOK 15m).

Operating expenses
Operating expenses came to NOK 2,443m (2,360m), an increase of NOK 83m or 3.5 per cent. Expenses at the bank rose by NOK 107m while expenses among the subsidiaries were reduced by NOK 24m.

Increased price and wage growth bring, in isolation, growth in costs at the bank and the subsidiaries respectively of about NOK 78m and NOK 50m. There was also some increase in technological costs, use of consultants and consumption-related costs. Costs at the bank include NOK 22m related to the planned merger with SpareBank 1 Søre Sunnmøre. Reduced expenses at the subsidiaries are due above all to write-down of IT systems at SpareBank 1 Finans Midt-Norge in 2021.

Operating expenses (NOKm)	**2022**	**2021**	**Change**
Personnel expenses	1,406	1,378	27
IT costs	355	320	35
Marketing	86	75	11
Ordinary depreciation	117	170	-53
Operating expenses, real properties	55	53	2
Purchased services	195	173	22
Merger expenses	22	0	22
Other operating expense	208	192	17
Total operating expenses	**2,443**	**2,360**	**83**

The cost-income ratio was 42 per cent (41 per cent) for the group, 33 per cent (33 per cent) for the parent bank.

Reduced losses

A net recovery of NOK 7m was recorded on losses on loans (loss of NOK 161m). Loan losses measure 0.00 per cent (0.09 per cent) of total loans.

Impairment losses	2022	2021	Change
RM	44	1	43
CM	-51	159	-211
Total impairment losses	**-7**	**161**	**-168**

A net recovery of NOK 51m was recorded on losses on loans to corporates (loss of NOK 159m), including a net recovery of NOK 159m (net recovery of NOK 27m) in the offshore portfolio and increased losses of NOK 108m on loans to other business and industry. The losses are distributed across a wide range of customers and segments due to the risk trend in the portfolio.

A net loss of NOK 44m was recorded on loans to personal customers (1m), breaking down to NOK 28m on agricultural customers and NOK 16m on SpareBank 1 Finans Midt-Norge.

In light of improved market prospects for the offshore industry, a higher level of freight rates is employed in our impairment simulations for the offshore portfolio, and, in addition, the downside scenario weighting is reduced in the case of supply and subsea. This contributes significantly to lower impairments. Furthermore, the distinctive treatment of clients in the hotel/tourism industry in connection with the pandemic no longer applies. In the case of other corporates and personal customers no changes are made in scenario weights. The PD path for other corporates is raised early in the simulation period in the downside scenario, contributing to somewhat larger impairment write-downs.

Overall impairment write-downs on loans and guarantees total NOK 1,188m (1,520m).

Problem loans (Stage 3) come to NOK 2,044m (3,290m) corresponding to 0.97 per cent (1.68 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Much of the decline is due to the fact that a large offshore exposure completed its quarantine period in the second quarter 2022.

Total assets of NOK 223bn

The bank's total assets were NOK 223bn (199bn), having risen as a result of higher lending and higher liquidity holdings.

Loans totalling NOK 59bn (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 2022 by NOK 15.9bn (12.6bn), corresponding to 8.1 per cent (6.9 per cent), and stood at NOK 211.2bn (195.4bn) at year-end.

- Lending to personal customers rose by NOK 8.9bn (8.4bn) to NOK 141.8bn (132.9bn) in the last 12 months. Growth in the period was 6.7 per cent (6.8 per cent).
- Lending to corporate clients rose by NOK 7.0bn (4.1bn) to NOK 69.4bn (62.5bn) in the last 12 months. Growth in the period was 11.1 per cent (7.1 per cent).

- Lending to personal customers accounted for 67 per cent (68 per cent) of total outstanding loans to customers.

Good, albeit somewhat diminishing, growth is noted in lending to personal customers. Growth has over time exceeded credit growth to households (C2), and the group is strengthening its market position. The growth is distributed across a number of segments, and industry and single name concentrations are avoided.

(For distribution by sector, see note 8).

Deposits

Customer deposits rose in 2022 by NOK 10.7bn (13.8bn) to NOK 122.0bn (111.3bn). This represents a growth of 9.6 per cent (14.1 per cent).

- Personal deposits rose by NOK 3.7bn (4.0bn) to NOK 48.3bn (44.6bn), corresponding to 8.4 per cent (9.8 per cent).
- Corporate deposits rose by NOK 7.0bn (9.8bn) to NOK 73.7bn (66.7bn), corresponding to 10.5 per cent (17.2 per cent).
- The deposit-to-loan ratio including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 58 per cent (57 per cent).

Deposit growth was very high during the pandemic, but normalised in 2022. Deposits are an important funding source for the bank, and the bank has made plans to strengthen deposit growth in the personal market.

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 (NOKm)	2022	2021
Personal market	1,296	1,167
EiendomsMegler 1 Midt-Norge (87%)	58	71

The **Personal Banking Division** achieved a pre-tax profit of NOK 1,296m (1,167m) in 2022. Return on capital employed in the retail segment was 13.6 per cent (13.4 per cent).

Operating income posted by the division totalled NOK 2,283m (2,074m) of which net interest income accounted for NOK 1,491m (1,165m) and commission income for NOK 792m (908m). Reduced lending margins lowered net interest income, while growth in lending and deposits, wider deposit margins and higher return on personal customers' share of total equity strengthened net interest income. Commission income declined as a result of lower margins on loans sold to SpareBank 1 Boligkreditt, while increased incomes are noted from payment and insurance services.

At the turn of the year, loans granted by the Personal Banking Division totalled NOK 147bn (138bn) and deposits total NOK 55bn (51bn). These are loans to and deposits from wage earners, agricultural customers and sole proprietorships. Growth in retail lending and deposits respectively was 7.1 per cent (6.6 per cent) and 8.4 per cent (6.8 per cent) in 2022.

The lending margin was 0.72 per cent (1.53 per cent), while the deposit margin was 1.34 per cent (0.13 per cent) measured against three-month NIBOR. Lending margins were reduced by 83 points in 2022 while deposit margins increased by 121 points. Norges Bank's base rate increased several times in 2022, and NIBOR rose substantially over the course of the year. Interest changes were made in 2022 in step with Norges Bank’s base rate hikes.

Lending to personal customers consistently carries low risk, as reflected in continued low losses. The loan portfolio is largely secured by residential property. Loan losses of NOK 29m were recorded in 2022 (net recovery of NOK 10m).

Eiendomsmegler 1 Midt-Norge is the market leader in Trøndelag and in Møre and Romsdal. Operating income totalled NOK 429m (453m), while operating expenses totalled NOK 371m (382m). EiendomsMegler 1 Midt-Norge’s pre-tax profit was NOK 58m (71m).

Slight fall in house prices due to higher mortgage interest rates were a feature of the second half of 2022 in which the transaction volume also fell slightly compared with the previous year. Somewhat lower activity in 2022 resulted in 6,887 property sales compared with 7,771 in 2021. The company’s market share at 31 December 2022 was 37 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 and SpareBank 1 Finans Midt-Norge. These business lines provide business and industry with a complete range of accounting, banking and capital market services.

Result before tax (NOKm)	2022	2021
Corporate banking	1,403	795
SpareBank 1 Regnskapshuset SMN (88.7%)	96	86
SpareBank 1 Finans Midt-Norge (56.5%)	191	198

The **Corporate Banking Division** achieved a pre-tax profit of NOK 1,403m (NOK 795m) in 2022. The profit growth is mainly attributable to increased net interest income and lower losses. Return on capital employed for the corporate segment was 20.8 per cent (11.5 per cent).

Outstanding loans to the bank’s corporate clients totalled NOK 52bn (46bn) and deposits totalled NOK 63bn (60bn) as at 31 December 2022. The portfolio is diversified, comprising loans to and deposits from corporate clients in Trøndelag and in Møre and Romsdal.

Lending rose by 8.9 per cent (6.1 per cent) and deposits by 5.5 per cent (20.6 per cent) in 2022. The growth is fairly evenly distributed across market areas and industries.

Operating income came to NOK 1,804m (1,386m). Net interest income was NOK 1,505m (1,120m). Net interest income climbed as a result of growth in lending and deposits, increased deposit margins and higher return on the banking arm’s share of equity capital. Interest rates on loans and deposits were adjusted in step with Norges Bank’s changes in the base rate. Commission income (including income from forex transactions) totalled NOK 299m (266m).

The lending margin was 2.31 per cent (2.61 per cent) and the deposit margin was 0.15 per cent (minus 0.29 per cent). Lending margins were reduced by 30 points in 2022 while deposit margins increased by 44 points.

A net recovery of NOK 66m was recorded on losses on loans to the bank's corporate clients (loss of 145m), the decline being largely due to reversal of earlier write-downs on the offshore portfolio in 2022.

SpareBank 1 SMN and SpareBank 1 Regnskapshuset SMN each have a large proportion of businesses in the market area as customers. Development of the customer offering aims to ensure that customers see the value of utilising the services of both.

As a result of the strengthened focus on SMBs, many new customers have opted for SpareBank 1 SMN as their bank in 2022 and 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 191m (198m), including a negative profit share of NOK 23m from its stake in the car subscription company Fleks.

The company's incomes totalled NOK 329m (364m). Costs as at 31 December 2022 totalled NOK 108m (141m), the reduction being mainly attributable to a write-down of the IT system in 2021. Losses totalled NOK 30m (25m).

The company has leasing agreements with and loans to corporate customers worth a total of NOK 5.2bn (4.2bn) and car loans worth NOK 7.0bn (6.0bn). Growth in 2022 was 23.8 per cent and 16.7 per cent respectively.

SpareBank 1 Finans Midt-Norge and other SpareBank 1 banks own 47 per cent of the shares of the car subscription company Fleks. Fleks offers flexible car subscription solutions. Electrification of the car population and the car subscription system contribute to reduced emissions. Fleks currently has 3,000 cars and is the market leader in Norway.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 96m (86m).

Operating income was NOK 607m (562m) and expenses were NOK 511m (476m).

The company is making a considerable change to its business model involving digitalisation and a revamp of its organisation. Modern cloud-based subscription solutions are offered along with a broad range of accounting advisory services.

The company acquired five accountancy firms in 2022 with a view to expanding its presence in the company's catchment area, and achieved organic turnover growth of 8 per cent.

Customer recruitment has risen, accompanied by a reduction in customer turnover. Income from advisory services rose 22 per cent in 2022 and a large number of companies had switched to modern cloud-based accounting systems as at 31 December 2022.

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

SpareBank 1 Markets is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. It employs 160 FTEs.

SpareBank 1 Markets' pre-tax profit was NOK 206m (254m). The company's incomes in 2022 came to NOK 780m (901m), costs were NOK 574m (633m). High activity levels in the business lines have brought high incomes and good results in both 2021 and 2022.

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

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 will be scaled down.

The pre-tax profit was NOK 52m (187m), of which the profit share from the company's stake in Grilstad Marina was NOK 22m.

The company's shares are valued at NOK 580m (592m) as at 31 December 2022.

Good funding and liquidity
Price growth accelerated through 2022. Central banks raised base rates substantially in a short span of time and signalled further rate hikes. Rapid price growth and rising interest rates have dampened economic activity. There are now signs that price growth has peaked in many countries. Towards year-end, activity in the Norwegian economy remained high and the labour market was tight. Many businesses anticipate lower activity ahead. Uncertainty as to growth and inflation prospects and the geopolitical situation has contributed to substantial fluctuations in financial markets over the year. Credit spreads have widened significantly, but narrowed somewhat towards the end of the year.

The bank is in a good liquidity position and has ample access to long-term funding.

The bank pursues 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 239 per cent as at 31 December 2022 (138 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 31 December 2022 was 58 per cent (57 per cent).

The bank's funding sources and products are amply diversified.

SpareBank 1 Boligkreditt and Næringskreditt are the bank's most important funding sources, and loans totalling NOK 59bn (48bn) had been sold to these mortgage companies as at 31 December 2022.

As at 31 December 2022, SpareBank 1 SMN held NOK 7.1bn in senior non-preferred debt (MREL), SpareBank 1 SMN will meet the MREL requirements by the end of 2023.

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

Financial soundness

The CET1 ratio at 31 December 2022 was 18.9 per cent (18.0 per cent). The CET1 ratio requirement is 15.4 per cent, including combined buffer requirements and a Pillar 2 requirement of 1.9 per cent. Finanstilsynet set a new Pillar 2 requirement for SpareBank 1 SMN on 30 April 2022. The 1.9 per cent rate is unchanged, but the bank is subject to a provisional add-on of 0.7 per cent to its Pillar 2 requirement until its application for adjustment of IRB models has been processed. The provisional add-on of 0.7 per cent is not included in the Bank's long term target.

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

The CET1 ratio climbed 0.9 percentage points in 2022. Risk weighted assets grew 6.1 per cent. A good profit performance for the year strengthened the bank's financial position. A payout ratio of 50.7 per cent of the group' net profit for 2022 is assumed.

A leverage ratio of 7.1 per cent (6.9 per cent) shows the bank to be extremely solid. See note 5 for further details.

Sustainability

SpareBank 1 SMN has finalised its calculations for 2022 of greenhouse gas emissions from the loan portfolio and from its own operations. According to the figures, the loan portfolio represents a greenhouse gas emission of 1.1 million tonnes of CO_2 in 2022, about 98 per cent of the group's total emissions. Emissions increased by 5.6 per cent from the previous year, mainly due to a higher lending volume. The group's emissions from its own operations amount to about 20,000 tonnes of CO_2 equivalents in 2022. The increase of about 8,000 tonnes from 2021 is due to a change in calculation methodology.

The work on drawing up transition plans for the bank's loan segments has been intensified. This, together with good underlying data, will be an important foundation for the group's effort to achieve its objective of net zero emissions by 2050.

The group's materiality analysis was updated at year-end. In keeping with best practice, a double materiality analysis was performed which takes the environment, social materiality and financial materiality into account. The analysis shows that several of the expectations from the previous materiality analysis stand firm, but that the group should do more to contribute to regional development, circular economy and public health.

The chapter titled sustainability and corporate social responsibility gives a further account of the group's work on sustainability in 2022.

The bank's equity certificate (MING)

The market price of the equity certificate (EC) as at 31 December 2022 was NOK 127.40 (149.00), and the book value per EC was NOK 109.86 (103.48). Earnings per EC were NOK 12.82 (13.31). A cash dividend of NOK 7.50 was paid per EC in 2022.

The Price / Income ratio was 9.94 (11.19) and the Price / Book ratio was 1.16 (1.44).

SpareBank 1 SMN's articles of association contain 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.

Outlook ahead

SpareBank 1 SMN delivered a very good profit performance in 2022, and achieved its goals in terms of profitability and capitalisation. The business lines performed well and the group's market position is strengthened.

At the start of 2023 uncertainty in the economy persists with reduced household purchasing power and increased pessimism in business and industry. Unemployment nonetheless remains extremely low in Mid-Norway, at the same time as there are signs that inflation is levelling off and expectations that the base rate is close to peaking.

The risk trend in SpareBank 1 SMN's loan portfolio is satisfactory. There is continued improvement in the offshore segment, but signs of increased risk in commercial real estate and construction. At the same time the business sector signals increased pessimism. This has not yet affected observed defaults in the loan portfolio. The trend in house prices and decreasing demand for residential mortgages are a matter of uncertainty. A number of customers are in dialogue with the bank for financial advice, and some increase is noted in enquiries about mortgage payment holidays. The bank's advisers are skilled in the field of personal finances, are close to the customer and are present throughout Trøndelag and Møre and Romsdal.

SpareBank 1 SMN has a broad product platform and profitable subsidiaries and product companies which are expected to deliver good results, also in a situation of lower economic growth. In the second quarter of 2023 SpareBank 1 Markets is to merge with the capital market units in SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge, thereby creating the footing for a larger and more diversified income base.

SpareBank 1 SMN is one of the country's largest savings banks. This position will be further reinforced through organic and structural growth. The merger with SpareBank 1 Søre Sunnmøre is important in this context and is expected to reach completion at the start of May 2023.

The board of directors will recommend the supervisory board to set a cash dividend of NOK 6.50 per equity certificate (NOK 7.50) representing 50.7 per cent of the net profit, and to allocate NOK 474m (547m) to community dividend. The community dividend contributes to strengthening the region and the bank's market position. The proposed distribution is in line with the group's dividend policy.

The return expected by market participants has risen as a result of among other things higher interest rates and a general rise in banks' earnings. SpareBank 1 SMN aspires to be among the best performers in the Nordic region. The board of directors has resolved to raise the group's profitability target to 13 per cent return on equity, while at the same time adjusting the cost target to support the targeted return. SpareBank 1 SMN's group strategy stands firm on achieving sustainable and profitable growth, further efficiency gains and good risk management. The board of directors is well pleased with results achieved for 2022, and expects 2023 to be another good year for SpareBank 1 SMN.

Trondheim, 1 March 2023
The Board of Directors of SpareBank 1 SMN

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

SpareBank 1 SMN

Income statement

Parent bank 2021	Parent bank 2022	(NOKm)	Note	Group 2022	Group 2021
3,067	4,740	Interest income effective interest method	17	5,207	3,521
395	*724*	*Other interest income*	17	*720*	392
1,109	2,583	Interest expenses	17	2,588	1,107
2,353	**2,880**	**Net interest**	4	**3,339**	**2,805**
1,306	1,192	Commission income	18	1,446	1,586
97	90	Commission expenses	18	186	177
47	55	Other operating income	18	781	731
1,256	**1,156**	**Commission income and other income**	4	**2,042**	**2,141**
733	677	Dividends	19,44	33	22
-	-	Income from investment in related companies	19,39	442	705
-53	-123	Net return on financial investments	19	-94	112
680	**554**	**Net return on financial investments**	4	**380**	**840**
4,289	**4,590**	**Total income**		**5,760**	**5,786**
650	661	Staff costs	20,22	1,406	1,378
745	841	Other operating expenses	21,31,32,33	1,038	981
1,395	**1,502**	**Total operating expenses**	4	**2,443**	**2,360**
2,895	**3,088**	**Result before losses**		**3,317**	**3,426**
134	-37	Loss on loans, guarantees etc.	4,10	-7	161
2,760	**3,125**	**Result before tax**		**3,324**	**3,266**
518	631	Tax charge	23	718	563
-	-	Result investment held for sale, after tax	39	179	200
2,242	**2,494**	**Net profit**		**2,785**	**2,902**
48	60	Attributable to additional Tier 1 Capital holders		63	50
1,403	1,557	Attributable to Equity capital certificate holders		1,658	1,722
791	877	Attributable to the saving bank reserve		934	971
		Attributable to non-controlling interests		130	160
2,242	**2,494**	**Net profit**		**2,785**	**2,902**
		Profit/diluted profit per ECC		12.82	13.31

Other comprehensive income

Parent bank				Group	
2021	**2022**	(NOKm)	Note	**2022**	**2021**
2,242	2,494	Net profit		2,785	2,902
		Items that will not be reclassified to profit/loss			
-49	177	Actuarial gains and losses pensions	22	177	-49
12	-44	Tax		-44	-12
-	-	Share of other comprehensive income of associates and joint venture		4	4
-37	**133**	**Total**		**137**	**-33**
		Items that will be reclassified to profit/loss			
-	-	Fair value change on financial assets through other comprehensive income		-	-
-1	9	Value changes on loans measured at fair value		9	-1
-	-	Share of other comprehensive income of associates and joint venture		113	21
-1	**9**	**Total**		**122**	**20**
-38	**142**	**Net other comprehensive income**		**259**	**-13**
2,204	**2,636**	**Total comprehensive income**		**3,044**	**2,889**
48	60	Attributable to additional Tier 1 Capital holders		63	50
1,379	1,647	Attributable to Equity capital certificate holders		1,823	1,714
777	929	Attributable to the saving bank reserve		1,028	966
		Attributable to non-controlling interests		130	160
2,204	**2,636**	**Total comprehensive Income**		**3,044**	**2,889**

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

SpareBank 1 SMN

Statement of Financial Position

Parent bank				Group	
31.12.21	**31.12.22**	(NOKm)	Note	**31.12.22**	**31.12.21**
		ASSETS			
1,252	1,171	Cash and receivables from central banks	12,24	1,171	1,252
13,190	21,972	Deposits with and loans to credit institutions	7,12,13,24,26	11,663	4,704
135,766	139,550	Net loans to and receivables from customers	4,8,9,10,11,12,13,24,25,26	151,549	145,890
30,762	38,072	Fixed-income CDs and bonds	12,24,25,28,29	38,073	30,762
3,192	6,804	Derivatives	12,24,25,28,29	6,804	3,224
402	417	Shares, units and other equity interests	24,25,30	840	2,654
4,590	5,063	Investment in related companies	39,40,41,44	8,075	7,384
2,374	2,379	Investment in group companies	39,41	-0	-
98	98	Investment held for sale	30,39	1,919	59
458	467	Intangible assets	31	663	853
1,082	2,092	Other assets	12,22,23,24,26,32,33	2,555	2,062
193,165	**218,085**	**Total assets**	**14,15**	**223,312**	**198,845**
		LIABILITIES			
14,342	14,636	Deposits from credit institutions	7,24,26	14,636	15,065
112,028	122,699	Deposits from and debt to customers	4,24,26,35	122,010	111,286
40,332	47,474	Debt created by issue of securities	24,26,29,36	47,474	40,332
3,500	8,307	Derivatives	24,25,28,29	8,307	3,909
1,855	2,067	Other liabilities	22,23,24,25,26,37	2,725	3,215
-	-	Investment held for sale	39	1,093	1
1,753	2,015	Subordinated loan capital	5,24,26,38	2,058	1,796
173,809	**197,199**	**Total liabilities**	**16**	**198,303**	**175,603**
		EQUITY			
2,597	2,597	Equity capital certificates	43	2,597	2,597
-0	-0	Own holding of ECCs	43	-11	-9
895	895	Premium fund		895	895
7,007	7,877	Dividend equalisation fund		7,828	6,974
970	840	Recommended dividends		840	970
547	474	Provision for gifts		474	547
5,918	6,408	Ownerless capital		6,408	5,918
171	70	Unrealised gains reserve		70	171
-	-0	Other equity capital		3,142	2,896
1,250	1,726	Additional Tier 1 Capital	5,38	1,769	1,293
		Non-controlling interests		997	989
19,356	**20,887**	**Total equity capital**	**5**	**25,009**	**23,241**
193,165	**218,085**	**Total liabilities and equity**	**14,15**	**223,312**	**198,845**

Trondheim, 1 March 2023
The Board of Directors of SpareBank 1 SMN

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

Statement of Changes in Equity

Accounting Policy

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.

Parent Bank	Issued equity		Earned equity						
(NOKm)	EC capital	Premium fund	Owner-less capital	Equali-sation fund	Dividend and gifts	Un-realised gains reserve	Other equity	Additional Tier 1 Capital	Total equity
Equity at 1 January 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									
Financial assets through OCI	-	-	-	-	-	-	-1	-	-1
Actuarial gains (losses), pensions	-	-	-	-	-	-	-37	-	-37
Other comprehensive income	-	-	-	-	-	-	-38	-	-38
Total 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
Additional Tier 1 Capital	-	-	-	-	-	-	-	-	-
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**
Equity at 1 January 2022	**2,597**	**895**	**5,918**	**7,007**	**1,517**	**171**	**-**	**1,250**	**19,356**
Net profit	-	-	440	781	1,314	-101	-	60	2,494
Other comprehensive income									
Value changes on loans measured at fair value	-	-	-	-	-	-	9	-	9
Actuarial gains (losses), pensions	-	-	-	-	-	-	133	-	133
Other comprehensive income	-	-	-	-	-	-	142	-	142
Total comprehensive income	-	-	440	781	1,314	-101	142	60	2,636
Transactions with owners									
Dividend declared for 2021	-	-	-	-	-970	-	-	-	-970
To be disbursed from gift fund	-	-	-	-	-547	-	-	-	-547
Additional Tier 1 Capital	-	-	-	-	-	-	-	476	476
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-60	-60
Purchase and sale of own ECCs	0	-	-	-0	-	-	-	-	-0
Direct recognitions in equity	-	-	50	88	-	-	-142	-	-3
Total transactions with owners	0	-	50	88	-1,517	-	-142	416	-1,105
Equity at 31 December 2022	**2,597**	**895**	**6,408**	**7,877**	**1,314**	**70**	**0**	**1,726**	**20,887**

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 Interest	Total equity
Equity at 1 January 2021	**2,588**	**895**	**5,664**	**6,536**	**890**	**239**	**2,366**	**1,293**	**838**	**21,310**
Net profit	-	-	268	476	1,517	-68	501	50	160	2,904
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 comprehensive income	-	-	268	476	1,517	-68	488	50	160	2,891
Transactions with owners										
Dividend declared for 2020	-	-	-	-	-569	-	-	-	-	-569
To be disbursed from gift fund	-	-	-	-	-321	-	-	-	-	-321
Additional Tier 1 Capital issued	-	-	-	-	-	-	-	-	-	-
Buyback Additional Tier 1 Capital issued	-	-	-	-	-	-	-	-	-	-
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	-	-	48	-	-	9
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	-	41	-50	-9	-960
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

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 Interest	Total equity
Equity at 1 January 2022	**2,588**	**895**	**5,918**	**6,974**	**1,517**	**171**	**2,896**	**1,293**	**989**	**23,241**
Net profit	-	-	440	781	1,314	-101	158	63	130	2,785
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	117	-	-	117
Value changes on loans measured at fair value	-	-	-	-	-	-	9	-	-	9
Actuarial gains (losses), pensions	-	-	-	-	-	-	133	-	-	133
Other comprehensive income	-	-	-	-	-	-	259	-	-	259
Total comprehensive income	-	-	440	781	1,314	-101	417	63	130	3,044
Transactions with owners										
Dividend declared for 2021	-	-	-	-	-970	-	-	-	-	-970
To be disbursed from gift fund	-	-	-	-	-547	-	-	-	-	-547
Additional Tier 1 capital issued	-	-	-	-	-	-	-	476	-	476
Buyback additional Tier 1 Capital issued	-	-	-	-	-	-	-	-	-	-
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-63	-	-63
Purchase and sale of own ECCs	0	-	-	-0	-	-	-	-	-	-0
Own ECC held by SB1 Markets*)	-2	-	-	-16	-	-	-2	-	-	-21
Direct recognitions in equity	-	-	50	88	-	-	-149	-	-	-11
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-19	-	-	-19
Change in non-controlling interests	-	-	-	-	-	-	-	-	-122	-122
Total transactions with owners	-2	-	50	72	-1,517	-	-170	413	-122	-1,276
Equity at 31 December 2022	**2,586**	**895**	**6,408**	**7,828**	**1,314**	**70**	**3,142**	**1,769**	**997**	**25,009**

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

Cash Flow Statement

Parent Bank			Group	
2021	2022	(NOK million)	2022	2021
2,242	2,494	Net profit	2,785	2,902
95	77	Depreciations and write-downs on fixed assets	117	186
134	-37	Losses on loans and guarantees	-7	161
-419	-324	Adjustments for undistributed profits of associated companies and joint ventures	-443	-705
-2,422	-2,420	Other adjustments	-2,436	-2,574
-370	**-210**	**Net cash increase from ordinary operations**	**16**	**-30**
3,842	-4,626	Decrease/(increase) other receivables	-4,193	4,400
-2,993	5,155	Increase/(decrease) short term debt	5,136	-3,174
-11,686	-3,739	Decrease/(increase) loans to customers	-5,643	-12,920
-288	-8,782	Decrease/(increase) loans credit institutions	-6,959	387
13,862	10,672	Increase/(decrease) deposits to customers	10,724	13,757
-290	294	Increase/(decrease) debt to credit institutions	-429	-32
-4,077	-7,310	Increase/(decrease) in short term investments	-7,311	-4,156
-	-	Increase/(decrease) in shares held for trading	-	-59
-2,001	**-8,546**	**A) Net cash flow from operations**	**-8,658**	**-1,825**
-75	-71	Increase in tangible fixed assets	-89	-145
60	-18	Decrease in tangible fixed assets	276	4
-	-	Cash flows from losing control of subsidiaries or other businesses	-6	99
-73	-5	Cash flows used in obtaining control of subsidiaries or other businesses	-	-
419	324	Dividends received from investments in related companies	324	419
548	6	Other cash receipts from sales of interests in joint ventures	6	544
-204	-479	Other cash payments to acquire interests in joint ventures	-492	-307
672	813	Other cash receipts from sales of equity or debt instruments of other entities	849	737
-766	-835	Other cash payments to acquire equity or debt instruments of other entities	-846	-826
581	**-265**	**B) Net cash flow from investments**	**33**	**526**
-	1,000	Increase in subordinated loan capital	1,000	-
-	-750	Decrease in subordinated loan capital	-750	-
-0	-0	Increase in treasury shares	-21	-5
-	-	Decrease in treasury shares	-	-
-569	-970	Dividend cleared	-970	-569
-	-	Dividend to non controlling interests	-162	-113
-321	-547	Disbursed from gift fund	-547	-321
-	476	Additional Tier 1 Capital issued	476	-
-48	-60	Interest payments additional Tier 1 capital	-63	-50
7,867	16,194	Increase in other long term loans	16,194	7,867
-7,021	-6,613	Decrease in other long term loans	-6,613	-7,021
-92	**8,729**	**C) Net cash flow from financial activities**	**8,544**	**-212**
-1,512	**-81**	**A) + B) + C) Net changes in cash and cash equivalents**	**-81**	**-1,512**
2,764	1,252	Cash and cash equivalents at 1.1	1,252	2,764
1,252	1,171	Cash and cash equivalents at end of the year	1,171	1,252
-1,512	**-81**	**Net changes in cash and cash equivalents**	**-81**	**-1,512**

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 2022 were approved by the Board of Directors on 1 March 2023.

Note 2 - Accounting principles

Basis for preparing the consolidated annual accounts
The Group accounts for 2022 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 exception of financial assets measured at fair value as described in note 24. The accounts are presented based on IFRS standards and interpretations mandatory for accounts presented as at 31 December 2022.

Principal accounting Policies
SpareBank 1 SMN has described the accounting policies under each note to the annual accounts. The following accounting policies has been assessed by management as principal accounting policies:

- Accounting Policies for Loans to customers (note 8) and Losses on loans (note 10)
- Accounting Policies for Net interest income (note 17) and Net commision income (note 18)
- Accounting Policies for Debt securities (note 36) and Hedge accounting (note 29)

General accounting Policies

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.

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.

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.

Changes in accounting Policies
The group has assessed the impact of amended accounting standards and interpretations (IFRSs) issued by the IASB and IFRSs approved by the EU with effect from 1 January 2022 or later. The group has assessed that the application of these has not had a significant impact on the group accounts for 2022.

Furthermore, the group has assessed the impact of new or changed accounting standards and interpretations (IFRS) issued by the IASB which have not yet been effective. The group does not expect any significant impact on future periods from the adoption of these changes, with the following exceptions:

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. The work in SpareBank 1 Gruppen has not been completed, and the implementation effect will be commented in first quarter 2023.

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, the bank changed the model assumptions due to increased uncertainty related to the pandemic. The change consisted of increased loss expectations in the base scenario both for retail and corporate portfolio. These changes were reversed in 2021 for retail customers and in first quarter of 2022 for corporate market portfolio. In addition, the bank's exposure to hotels and tourism in stage 1 was included in stage 2 and this change was reversed in fourth quarter of 2022.

In 2022, increased macroeconomic uncertainty as a result of the war in Ukraine, strong increases in energy and raw material prices, challenges in the supply chains and the prospect of permanently higher inflation and interest rates have led to an increased probability of a low scenario for the corporate market excl. offshore. Future loss expectations have been increased by increased PD and LGD for both the personal market and the corporate market, excl. offshore in the base scenario. The bank has focused on the expected long-term effects of the crisis. For the offshore portfolio, during 2022, as a result of significant improvement in the market and market prospects, increased earnings assumptions have been used in the simulations and the weight for low scenarios has been reduced for supply and subsea.

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		**2022**			**2021**	
	Base Case	**Worst Case**	**Best Case**	**Base Case**	**Worst Case**	**Best Case**
Retail Market	70 %	15 %	15 %	70 %	15 %	15 %
Corporate excl. Agriculture and offshore	60 %	25 %	15 %	65 %	20 %	15 %
Agriculture	60 %	25 %	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 2022, this would have entailed an increase in loss provisions of NOK 315 million for the parent bank and NOK 346 million for the group.

	CM (excl offshore and agriculture)	RM	Offshore	Tourism	Agriculture	Total parent	SB 1 Finans MN, CM	SB 1 Finans MN, RM	Group
ECL base case	465	80	236	10	47	839	42	22	903
ECL worst case	1,240	268	482	32	191	2,214	89	78	2,381
ECL best case	353	30	195	6	28	612	29	14	654
ECL with scenario weights used 60/25/15	642	-	-	-	81	723	44	-	767
ECL with scenario weights used 65/20/15	-	-	279	-	-	279	-	-	279
ECL with scenario weights used 60/30/10	-	-	-	15	-	15	-	-	15
ECL with scenario weights used 70/15/15	-	100	-	-	-	100	-	29	129
Total ECL used	**642**	**100**	**279**	**15**	**81**	**1,117**	**44**	**29**	**1,190**
ECL alternative scenario weights 35/50/15	836	-	-	-	117	952	64	-	1,016
ECL alternative scenario weights 45/40/15	-	-	328	-	-	328	-	-	328
ECL alternative scenario weights 30/60/10	-	-	-	23	-	23	-	-	23
ECL alternative scenario weights 55/30/15	-	129	-	-	-	129	-	37	166
Total ECL alternative weights	**836**	**129**	**328**	**23**	**117**	**1,432**	**64**	**37**	**1,533**
Change in ECL if alternative weights were used	**194**	**28**	**49**	**8**	**36**	**315**	**20**	**8**	**343**

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 30 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 31.12.2022 and up to the Board's consideration of the accounts on 1 March 2023. 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 common equity 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

Accounting Policy

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. 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 2022

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

Group 31 December 2021

Profit and loss account (NOKm)	RM	CM	EM 1	SB 1 Finans MN	SB 1 Regnskaps-huset SMN	Other	Uncollated	Total
Net interest	1,128	1,106	2	450	0	-	120	2,805
Interest from allocated capital	37	14	-	-	-	-	-52	-
Total interest income	**1,165**	**1,120**	**2**	**450**	**0**	**-**	**68**	**2,805**
Comission income and other income	906	251	441	-90	562	-	70	2,141
Net return on financial investments **)	2	15	10	4	-	701	107	840
Total income	**2,074**	**1,386**	**453**	**364**	**562**	**701**	**246**	**5,786**
Total operating expenses	**916**	**446**	**382**	**141**	**476**	**-**	**-1**	**2,360**
Ordinary operating profit	**1,157**	**940**	**71**	**223**	**86**	**701**	**247**	**3,426**
Loss on loans, guarantees etc.	-10	145	-	25	-	-	1	161
Result before tax	**1,167**	**795**	**71**	**198**	**86**	**701**	**246**	**3,266**
Return on equity *)	**13.4%**	**11.5%**						

*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 17.2 percent to be in line with the capital plan

**) Specification of other (NOKm)	31 Dec 22	31 Dec 21
SpareBank 1 Gruppen	175	471
SpareBank 1 Boligkreditt	1	16
SpareBank 1 Næringskreditt	3	7
BN Bank	203	164
SpareBank 1 Kreditt	9	13
SpareBank 1 Betaling	13	-15
SpareBank 1 Forvaltning	33	32
Other companies	29	13
Income from investment in associates and joint ventures	**466**	**701**
SpareBank 1 Mobilitet Holding	-23	4
Net income from investment in associates and joint ventures	**442**	**705**

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 2022 the overall minimum requirement on CET1 capital is 13.5 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 2.0 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 2.5 per cent with effect from 31 March 2023.

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 2022 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 2022 the effective rate for the parent bank and for the group is accordingly 4.5 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 2022 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 2021	**31 Dec 2022**	(NOKm)	**31 Dec 2022**	**31 Dec 2021**
19,356	20,887	Total book equity	25,009	23,241
-1,250	-1,726	Additional Tier 1 capital instruments included in total equity	-1,769	-1,293
-458	-467	Deferred taxes, goodwill and other intangible assets	-947	-961
-1,517	-1,314	Deduction for allocated dividends and gifts	-1,314	-1,517
-	-	Non-controlling interests recognised in other equity capital	-997	-989
-	-	Non-controlling interests eligible for inclusion in CET1 capital	784	568
-41	-72	Value adjustments due to requirements for prudent valuation	-89	-56
-495	-194	Positive value of adjusted expected loss under IRB Approach	-279	-560
-	-	Cash flow hedge reserve	-4	3
-202	-281	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-619	-648
15,393	**16,833**	**Common equity Tier 1 capital**	**19,776**	**17,790**
1,250	1,726	Additional Tier 1 capital instruments	2,106	1,581
-48	-47	Deduction for significant investments in financial institutions	-47	-48
16,595	18,512	Tier 1 capital	21,835	19,322
		Supplementary capital in excess of core capital		
1,750	2,000	Subordinated capital	2,523	2,226
-214	-210	Deduction for significant investments in financial institutions	-210	-214
1,536	1,790	Additional Tier 2 capital instruments	2,312	2,011
18,130	**20,301**	**Total eligible capital**	**24,147**	**21,333**

	Minimum requirements subordinated capital			
1,049	1,148	Specialised enterprises	1,351	1,248
1,016	901	Corporate	923	1,030
1,400	1,379	Mass market exposure, property	2,559	2,384
93	98	Other mass market	100	95
1,000	1,249	Equity positions IRB	-	1
4,558	**4,774**	**Total credit risk IRB**	**4,933**	**4,758**
3	6	Central government	6	4
106	82	Covered bonds	139	133
398	403	Institutions	276	299
1	187	Local and regional authorities, state-owned enterprises	207	29
188	143	Corporate	385	432
7	7	Mass market	662	466
25	27	Exposures secured on real property	109	128
279	90	Equity positions	504	521
92	97	Other assets	162	142
1,098	**1,042**	**Total credit risk standardised approach**	**2,450**	**2,154**
35	27	Debt risk	29	36
-	-	Equity risk	10	34
-	-	Currency risk and risk exposure for settlement/delivery	1	1
433	458	Operational risk	853	817
26	30	Credit value adjustment risk (CVA)	101	93
6,150	**6,331**	**Minimum requirements subordinated capital**	**8,377**	**7,893**
76,873	**79,140**	**Risk weighted assets (RWA)**	**104,716**	**98,664**
3,459	3,561	Minimum requirement on CET1 capital, 4.5 per cent	4,712	4,440
		Capital Buffers		
1,922	1,978	Capital conservation buffer, 2.5 per cent	2,618	2,467
3,459	3,561	Systemic risk buffer, 4.5 per cent	4,712	4,440
769	1,583	Countercyclical buffer, 2.0 per cent (1.0 per cent)	2,094	987
6,150	**7,123**	**Total buffer requirements on CET1 capital**	**9,424**	**7,893**
5,784	**6,149**	**Available CET1 capital after buffer requirements**	**5,639**	**5,457**
		Capital adequacy		
20.0 %	21.3 %	Common equity Tier 1 capital ratio	18.9 %	18.0 %
21.6 %	23.4 %	Tier 1 capital ratio	20.9 %	19.6 %
23.6 %	25.7 %	Capital ratio	23.1 %	21.6 %
		Leverage ratio		
191,697	210,227	Balance sheet items	302,617	269,857
10,782	6,234	Off-balance sheet items	7,744	11,341
-1,042	-1,061	Regulatory adjustments	-1,985	-2,110
201,437	215,400	Calculation basis for leverage ratio	308,376	279,088
16,595	18,512	Core capital	21,835	19,322
8.2 %	**8.6 %**	**Leverage Ratio**	**7.1 %**	**6.9 %**

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 limited in accordance with the vedtatt risikoapetitt. For further details see the Group's Pillar III reporting which is available on the Parent Bank's website.

The group has incorporated ESG risk into governing documents, such as the risk management policy, credit strategy and credit policy. In 2022, most customers in the fisheries industry with over 50 million in financing will be analysed through the ESG model for fisheries. For concessions in other industries, the customer is ESG-assessed by an adviser and from autumn 2022 assessed in a simplified ESG form. From and including January 2023, all credit matters over NOK 10 million for corporate market will be assessed with the SpareBank 1 Alliance's joint ESG model.

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 through credit strategic limits distributed 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 to ensure diversification between industries among the twenty largest exposures.

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's exposure to climate risk is mapped in 2022 through qualitative assessments of physical risk and transition risk. In addition, the bank has estimated greenhouse gas emissions from the bank's lending customers. The analyses show that many of the bank's lending customers have to go through a green transition. The board has adopted a strategy for the bank to be a driving force behind the green transition, and transition plans towards a low-emission society are therefore being drawn up for all significant industries in the bank, of which agriculture has been published in 2022. The transition plans communicate requirements and expectations to our customers, and guide the companies to make future-oriented investments. Risk management strategies according to risk management policy will be regularly assessed to ensure that measures against climate risk in the lending portfolio are sufficient in accordance with risk appetite. In 2022, the bank has not used the exclusion of industries/customer groups as a means of limiting climate risk.

The Group uses credit models for risk classification, risk pricing and portfolio management. The entire IRB model fleet has been revised in recent years to satisfy the EBA's guidelines. Application for the use of the revised models are being processed by the Norwegian Financial Supervisory Authority.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.

SpareBank 1 Markets clears ordinary share trades carried out on Oslo Børs through CCP settlement. The company is a Direct Clearing Member at SIX-X-Clear. The company provides cash as security for the daily margining. Clearing of Norwegian listed derivatives takes place at LCH.

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.

The Group has not identified investments particularly exposed for climate risk. The risk of losses due to climate risk under market risk is therefore small.

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-2022 the Group's ratio of deposits to loans was 58 per cent, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, compared with 57 per cent at end-2021 (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 2022.

Authority requirements and investors' preferences will in future pull in the direction of green investments. The group has issued green bonds for NOK 21,9 billion and aims to increase the proportion of loans that qualify for green bonds. The group has an effective framework for green bonds, which helps to reduce our refinancing risk related to climate risk.

The Group's liquidity situation as of 31 December 2022 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 daily operations, risk assessments show that the group has no significant exposure to climate risk.

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 13: Maximum credit risk exposure
Note 14: Financial instruments and offsetting
Note 16: Market risk related to interest rate risk
Note 17: Market risk related to currency exposure

Note 7 - Credit institutions - loans and advances

Parent Bank			Group	
31 Dec 21	31 Dec 22	Loans and advances to credit institutions (NOK million)	31 Dec 22	31 Dec 21
11,344	15,280	Loans and advances without agreed maturity or notice of withdrawal	4,971	2,859
1,846	6,692	Loans and advances with agreed maturity or notice of withdrawal	6,692	1,846
13,190	**21,972**	**Total**	**11,663**	**4,704**
		Specification of loans and receivables on key currencies		
11	15	CAD	15	11
8	22	CHF	22	8
1,324	3,069	EUR	3,069	1,299
195	335	GBP	335	195
9	14	JPY	14	9
11,400	18,338	NOK	8,029	2,948
147	13	SEK	13	143
82	141	USD	141	78
13	25	Other	25	13
13,190	**21,972**	**Total**	**11,663**	**4,704**
1.0 %	2.3 %	Average rate credit institutions	2.8 %	0.6 %

31 Dec 21	31 Dec 22	Deposits from credit institutions (NOK million)	31 Dec 22	31 Dec 21
10,340	11,225	Deposits without agreed maturity or notice of withdrawal	11,225	11,063
4,001	3,411	Deposits with agreed maturity or notice of withdrawal	3,411	4,001
14,340	**14,636**	**Total**	**14,636**	**15,063**
		Specification of deposits on key currencies		
1,640	1,289	EUR	1,289	1,640
2	-	GBP	-	2
3	15	JPY	15	3
12,626	13,330	NOK	13,330	13,349
69	0	SEK	0	69
0	1	USD	1	0
0	0	Other	0	0
14,340	**14,636**	**Total**	**14,636**	**15,063**
0.2 %	1.3 %	Average rate credit institutions	1.3 %	0.2 %

31 Dec 21	31 Dec 22	Other commitments to credit institutions (NOK million)	31 Dec 22	31 Dec 21
0	0	Unutilised credits	0	0
55	55	Financial guarantees	55	55
55	**55**	**Total**	**55**	**55**

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

Accounting Policy
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.

Parent Bank			Group	
31 Dec 2021	**31 Dec 2022**	**(NOK million)**	**31 Dec 2022**	**31 Dec 2021**
137,113	140,549	Gross Loans	152,629	147,301
1,348	999	Write-downs for expected credit losses	1,081	1,410
135,766	**139,550**	**Net loans to and advances to customers**	**151,549**	**145,890**
		Additional information		
46,650	56,876	Loans sold to SpareBank 1 Boligkreditt	56,876	46,650
578	718	- Of which loans to employees	1,349	1,106
1,402	1,739	Loans sold to SpareBank 1 Næringskreditt	1,739	1,402
78	78	Subordinated loan capital other financial institutions	-	-
1,261	1,394	Loans to employees 1)	2,450	2,173

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 2021	**31 Dec 2022**	**Loans and commitments specified by type (NOK million)**	**31 Dec 2022**	**31 Dec 2021**
		Gross loans and advances		
-	-	Financial lease	3,728	3,392
11,460	12,236	Bank overdraft and operating credit	12,236	11,549
4,173	3,825	Construction loans	3,825	4,173
121,480	124,488	Amortizing loan	132,841	128,187
137,113	140,549	Total gross loans to and receivables from customers	152,629	147,301
		Other commitments		
4,549	6,067	Financial guarantees, of which:	6,067	4,549
924	1,493	Payment guarantees	1,493	924
1,282	1,177	Performance guarantees	1,177	1,282
894	712	Loan guarantees	712	894
67	62	Guarantees for taxes	62	67
1,383	2,624	Other guarantee commitments	2,624	1,383
1,175	1,047	Unutilised guarantee commitments	1,047	1,175
13,570	12,143	Unutilised credits	12,459	13,788
6,435	4,745	Loans approvals (not discounted)	4,950	6,584
19	5	Documentary credits	5	19
25,747	24,007	Total other commitments	24,527	26,115
162,860	**164,556**	**Total loans and commitments**	**177,157**	**173,415**

Loans and other commitments specified by sector and industry

Parent Bank (NOK million)	31 Dec 2022 Gross loans	31 Dec 2022 Other commitments	31 Dec 2022 Total loans and commitments	31 Dec 2021 Gross loans	31 Dec 2021 Other commitments	31 Dec 2021 Total loans and commitments
Wage earners	77,965	7,273	85,239	80,178	8,153	88,331
Public administration	1	692	694	2	944	945
Agriculture and forestry	10,707	955	11,662	9,433	864	10,297
Fisheries and hunting	7,047	902	7,949	5,853	1,904	7,756
Sea farming industries	2,324	1,145	3,469	1,926	1,680	3,606
Manufacturing	2,563	2,201	4,765	2,151	1,958	4,109
Construction, power and water supply	4,370	2,741	7,111	3,169	2,132	5,301
Retail trade, hotels and restaurants	2,976	1,719	4,695	2,572	1,562	4,134
Maritime sector and offshore	5,382	548	5,929	4,715	1,121	5,836
Property management	16,983	2,433	19,416	15,522	2,119	17,641
Business services	3,561	860	4,421	4,497	952	5,449
Transport and other services provision	5,327	1,551	6,878	5,714	1,376	7,089
Other sectors	1,343	986	2,329	1,383	982	2,365
Total	**140,549**	**24,007**	**164,556**	**137,113**	**25,747**	**162,860**

Group (NOK million)	31 Dec 2022 Gross loans	31 Dec 2022 Other commitments	31 Dec 2022 Total loans and commitments	31 Dec 2021 Gross loans	31 Dec 2021 Other commitments	31 Dec 2021 Total loans and commitments
Wage earners	84,957	7,572	92,529	86,244	8,370	94,614
Public administration	35	694	729	34	945	979
Agriculture and forestry	11,140	974	12,114	9,783	877	10,659
Fisheries and hunting	7,075	904	7,979	5,870	1,904	7,774
Sea farming industries	2,656	1,159	3,814	2,176	1,689	3,865
Manufacturing	3,150	2,226	5,376	2,766	1,980	4,746
Construction, power and water supply	5,526	2,790	8,317	4,124	2,166	6,289
Retail trade, hotels and restaurants	3,632	1,747	5,380	2,966	1,576	4,541
Maritime sector and offshore	5,382	548	5,929	4,715	1,121	5,836
Property management	17,101	2,438	19,538	15,643	2,124	17,766
Business services	4,312	893	5,206	4,990	972	5,961
Transport and other services provision	6,375	1,595	7,970	6,667	1,409	8,076
Other sectors	1,288	987	2,275	1,325	983	2,308
Total	**152,629**	**24,527**	**177,157**	**147,301**	**26,115**	**173,415**

Loans and other commitments specified by geographic area

	31 Dec 2022			31 Dec 2021		
Parent Bank (NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**	**Gross loans**	**Other commitments**	**Total loans and commitments**
Trøndelag	91,519	14,931	106,449	91,521	14,788	106,309
Møre og Romsdal	29,612	5,341	34,953	27,698	7,558	35,256
Nordland	1,056	44	1,101	1,051	62	1,113
Oslo	7,087	2,051	9,138	6,322	1,437	7,759
Rest of Norway	10,935	1,609	12,543	10,271	1,875	12,146
Abroad	340	31	371	250	27	277
Total	**140,549**	**24,007**	**164,556**	**137,113**	**25,747**	**162,860**

	31 Dec 2022			31 Dec 2021		
Group (NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**	**Gross loans**	**Other commitments**	**Total loans and commitments**
Trøndelag	95,640	15,111	110,751	95,160	14,923	110,083
Møre og Romsdal	31,946	5,441	37,387	29,509	7,623	37,131
Nordland	1,317	55	1,372	1,263	69	1,333
Oslo	7,512	2,069	9,581	6,524	1,444	7,968
Rest of Norway	15,875	1,820	17,695	14,594	2,029	16,623
Abroad	340	31	371	250	27	277
Total	**152,629**	**24,527**	**177,157**	**147,301**	**26,115**	**173,415**

Gross loans sold to SpareBank 1 Boligkreditt

	31 Dec 2022			31 Dec 2021		
(NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**	**Gross loans**	**Other commitments**	**Total loans and commitments**
Trøndelag	36,923	1,676	38,599	31,440	1,819	33,259
Møre og Romsdal	8,631	384	9,015	6,855	392	7,247
Nordland	341	8	349	244	5	249
Oslo	3,248	57	3,304	2,598	58	2,656
Rest of Norway	7,693	104	7,796	5,404	95	5,499
Abroad	40	0	40	110	2	112
Total	**56,876**	**2,229**	**59,104**	**46,650**	**2,371**	**49,021**

Gross loans sold to SpareBank 1 Næringskreditt

(NOK million)	31 Dec 2022 Gross loans	Other commitments	Total loans and commitments	31 Dec 2021 Gross loans	Other commitments	Total loans and commitments
Trøndelag	1,430	0	1,430	1,018	0	1,018
Møre og Romsdal	53	0	53	54	0	54
Nordland	0	0	0	0	0	0
Oslo	256	0	256	285	0	285
Rest of Norway	0	0	0	44	0	44
Abroad	0	0	0	0	0	0
Total	**1,739**	**0**	**1,739**	**1,402**	**0**	**1,402**

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

Group (NOK million)	31 Dec 2022	31 Dec 2021
Gross advances related to financial leasing		
- Maturity less than 1 year	113	106
- Maturity more than 1 year and less than 5 years	2,377	2,176
- Maturity more than 5 years	1,169	1,014
Total gross claims	**3,658**	**3,296**
Received income related to financial leasing, not yet earned	105	95
Net investments related to financial leasing	3,728	3,392
Net investments in financial leasing can be broken down as follows:		
- Maturity less than 1 year	127	119
- Maturity more than 1 year and less than 5 years	2,450	2,244
- Maturity more than 5 years	1,151	1,028
Total net claims	**3,728**	**3,392**

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 10 losses on loans and guarantees for a further description of these commitments.

Parent Bank 31 Dec 22 (NOK million)	Neither default or credit impaired: Lowest risk	Low risk	Medium risk	High risk	Highest risk	Default and credit impaired	Total
Gross Loans							
Fair value through OCI	**71,072**	**6,518**	**2,488**	**635**	**925**	**372**	**82,010**
Stage 1	70,927	5,671	963	229	188	-	77,978
Stage 2	144	848	1,525	406	737	-	3,660
Stage 3	-	-	-	-	-	372	372
Amortised cost	**26,194**	**11,451**	**12,497**	**1,553**	**633**	**1,502**	**53,830**
Stage 1	24,784	10,085	10,195	913	167	-	46,144
Stage 2	1,410	1,365	2,302	640	467	-	6,184
Stage 3	-	-	-	-	-	1,502	1,502
Fair value through Profit and Loss	**3,962**	**595**	**99**	**11**	**38**	**4**	**4,709**
Total Gross Loans	**101,227**	**18,564**	**15,083**	**2,200**	**1,597**	**1,878**	**140,549**
Other Commitments	**14,300**	**5,910**	**3,009**	**520**	**96**	**173**	**24,007**
Stage 1	14,238	5,771	2,555	75	24	-	22,663
Stage 2	62	139	454	445	71	-	1,171
Stage 3	-	-	-	-	-	173	173
Total loans and other commitments	**115,527**	**24,473**	**18,093**	**2,719**	**1,693**	**2,051**	**164,556**

Parent Bank 31 Dec 21 (NOK million)	Neither default or credit impaired: Lowest risk	Low risk	Medium risk	High risk	Highest risk	Default and credit impaired	Total
Gross Loans							
Fair value through OCI	**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**

Group 31 Dec 22 (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	**71,072**	**6,518**	**2,488**	**635**	**925**	**372**	**82,010**
Stage 1	70,927	5,671	963	229	188	-	77,978
Stage 2	144	848	1,525	406	737	-	3,660
Stage 3	-	-	-	-	-	372	372
Amortised cost	**27,250**	**13,973**	**19,084**	**2,605**	**1,403**	**1,673**	**65,989**
Stage 1	25,840	12,598	16,471	1,535	167	-	56,611
Stage 2	1,410	1,375	2,612	1,071	1,236	-	7,705
Stage 3	-	-	-	-	-	1,673	1,673
Fair value through Profit and Loss	**3,884**	**595**	**99**	**11**	**38**	**4**	**4,631**
Total Gross Loans	**102,206**	**21,086**	**21,670**	**3,252**	**2,366**	**2,049**	**152,629**
Other Commitments	**14,300**	**5,910**	**3,530**	**520**	**96**	**173**	**24,527**
Stage 1	14,238	5,771	2,827	75	24	-	22,934
Stage 2	62	139	703	445	71	-	1,420
Stage 3	-	-	-	-	-	173	173
Total loans and other commitments	**116,505**	**26,996**	**25,200**	**3,772**	**2,462**	**2,222**	**177,157**

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**

Gross loans and commitments sold to SpareBank 1 Boligkreditt

(NOK million)	31 Dec 2022 Gross loans	Other commitments	Total loans and commitments	31 Dec 2021 Gross loans	Other commitments	Total loans and commitments
Lowest risk	48,752	2,217	50,969	39,955	2,363	42,318
Low risk	6,261	7	6,268	4,972	4	4,976
Medium risk	1,259	4	1,263	1,121	3	1,125
High risk	327	0	327	297	1	298
Highest risk	220	-	220	279	0	279
Default and written down	58	0	58	24	0	24
Total	**56,876**	**2,229**	**59,104**	**46,650**	**2,491**	**49,021**

Gross loans and commitments sold to SpareBank 1 Næringskreditt

(NOK million)	31 Dec 2022 Gross loans	Other commitments	Total loans and commitments	31 Dec 2021 Gross loans	Other commitments	Total loans and commitments
Lowest risk	1,496	-	1,496	1,402	-	1,402
Low risk	147	-	147	-	-	-
Medium risk	96	-	96	-	-	-
High risk	-	-	-	-	-	-
Highest risk	-	-	-	-	-	-
Default and written down	-	-	-	-	-	-
Total	**1,739**	**-**	**1,739**	**1,402**	**-**	**1,402**

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 22.60 per cent as of 31 December 2022 (20.94 per cent as of 31 December 2021). 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 2022 mortgage loans were bought and sold to a net value of NOK 10.2bn (0.4bn in 2021) to SpareBank 1 Boligkreditt. In total, mortgage loans to SpareBank 1 Boligkreditt were derecognised in an amount of NOK 56.9bn at the end of the financial year (NOK 46.7 bn in 2021).

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 22.2per cent own funds, of which about 19.9 per cent is core capital. Viewed in light of the mortgage company's very low risk profile, the Bank considers it unlikely that capital will be called up under this agreement and has opted not to maintain reserves to that end.

SpareBank 1 Næringskreditt
SpareBank 1 Næringskreditt AS is owned by savings banks in the SpareBank 1 Alliance. The Bank has a stake of 16.30 per cent as at 31.12.2022 (12.78 per cent as at 31.12.2021). 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 increased by NOK 337m in 2022 (reduced by NOK 138m in 2021). In total, mortgage loans to SpareBank 1 Næringskreditt were derecognised in an amount of NOK 1.7bn by the end of the financial year (NOK 1,4bn in 2021).

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

Accounting Policy

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.

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.

Losses on loans and guarantees		**2022**			**2021**	
Parent Bank (NOKm)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Change in provision for expected credit losses	29	-97	-68	-11	39	27
Actual loan losses on commitments exceeding provisions made	7	38	45	10	107	117
Recoveries on commitments previously written-off	-7	-7	-14	-9	-1	-10
Losses for the period on loans and guarantees	**29**	**-66**	**-37**	**-10**	**145**	**134**

Group (NOKm)	2022 RM	2022 CM	2022 Total	2021 RM	2021 CM	2021 Total
Change in provision for expected credit losses	38	-86	-48	-20	50	30
Actual loan losses on commitments exceeding provisions made	13	45	58	30	112	142
Recoveries on commitments previously written-off	-7	-10	-17	-9	-3	-12
Losses for the period on loans and guarantees	**44**	**-51**	**-7**	**1**	**159**	**161**

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

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

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

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

Accrual for losses on loans

	31 Dec 2022				31 Dec 2021			
Parent Bank (NOKm)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Retail market								
Opening balance	39	82	36	156	35	97	47	180
Transfer to (from) stage 1	18	-18	-0	-	20	-20	-0	-
Transfer to (from) stage 2	-2	2	-0	-	-2	2	-0	-
Transfer to (from) stage 3	-0	-6	6	-	-1	-6	7	-
Net remeasurement of loss allowances	-24	20	7	4	-22	24	-3	-1
Originations or purchases	17	24	4	45	19	17	1	37
Derecognitions	-12	-24	-3	-39	-12	-32	-4	-48
Changes due to changed input assumptions	9	13	-2	20	1	-0	-	1
Actual loan losses	0	0	-5	-5	-	-	-12	-12
Closing balance	46	93	42	181	39	82	36	156
Corporate Market								
Opening balance	84	268	871	1,223	88	387	823	1,299
Transfer to (from) stage 1	75	-74	-1	-	15	-15	-	-
Transfer to (from) stage 2	-5	97	-92	-	-5	5	-	-
Transfer to (from) stage 3	-1	-3	4	-	-2	-26	28	-
Net remeasurement of loss allowances	-67	-35	-66	-168	-26	26	38	39
Originations or purchases	49	34	4	87	32	21	100	153
Derecognitions	-33	-31	-24	-88	-20	-145	-1	-166
Changes due to changed input assumptions	37	41	4	83	1	14	-	15
Actual loan losses	-	-	-278	-278	-	-	-117	-117
Closing balance	138	298	421	**858**	84	268	871	1,223
Total accrual for loan losses	**184**	**391**	**463**	**1,039**	**123**	**350**	**907**	**1,379**

Group (NOKm)	31 Dec 2022 Stage 1	Stage 2	Stage 3	Total	31 Dec 2021 Stage 1	Stage 2	Stage 3	Total
Retail market								
Opening balance	45	89	40	174	42	107	58	207
Transfer to (from) stage 1	20	-20	-0	-	22	-22	-0	-
Transfer to (from) stage 2	-3	3	-1	-	-2	3	-0	-
Transfer to (from) stage 3	-0	-7	7	-	-1	-7	8	-
Net remeasurement of loss allowances	-24	25	8	9	-23	26	-1	2
Originations or purchases	22	30	4	56	22	20	1	43
Derecognitions	-13	-26	-4	-43	-14	-37	-9	-60
Changes due to changed input assumptions	8	13	-3	18	-0	-2	-4	-5
Actual loan losses	-	-	-5	-5	-	-	-12	-12
Closing balance	55	107	47	209	45	89	40	174
Corporate Market								
Opening balance	94	278	896	1,268	98	399	845	1,342
Transfer to (from) stage 1	77	-76	-1	-	20	-20	-0	-
Transfer to (from) stage 2	-7	99	-92	-	-7	7	-0	-
Transfer to (from) stage 3	-2	-3	4	-	-2	-27	29	-
Net remeasurement of loss allowances	-68	-30	-47	-145	-29	31	42	44
Originations or purchases	55	35	5	95	35	23	112	169
Derecognitions	-34	-33	-26	-93	-21	-146	-2	-169
Changes due to changed input assumptions	35	40	-8	67	-2	12	-2	9
Actual loan losses	-	-	-280	-280	-	-	-128	-128
Closing balance	151	311	450	**912**	94	278	896	1,268
Total accrual for loan losses	**206**	**418**	**497**	**1,121**	**138**	**367**	**936**	**1,442**

Accrual for losses on guarantees and unused credit lines

Parent Bank and Group (NOKm)	31 Dec 2022 Stage 1	Stage 2	Stage 3	Total	31 Dec 2021 Stage 1	Stage 2	Stage 3	Total
Opening balance	19	55	5	79	27	50	4	81
Transfer to (from) stage 1	16	-16	-0	-	6	-6	-0	-
Transfer to (from) stage 2	-1	1	-0	-	-7	7	-	-
Transfer to (from) stage 3	-0	-0	1	-	-0	-1	1	-
Net remeasurement of loss allowances	-16	-3	3	-15	-9	4	0	-4
Originations or purchases	12	6	0	18	7	4	0	11
Derecognitions	-4	-12	-0	-16	-6	-5	-0	-11
Changes due to changed input assumptions	-3	3	0	1	0	2	-	2
Actual loan losses	-	-	-	-	-	-	-	-
Closing balance	**24**	**34**	**9**	**67**	**19**	**55**	**5**	**79**
Of which								
Retail market				1				3
Corporate Market				66				79

Provision for credit losses specified by industry

	31 Dec 2022				31 Dec 2021			
Parent Bank (NOKm)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Agriculture and forestry	4	38	18	60	2	31	6	39
Fisheries and hunting	11	12	0	23	6	7	0	13
Sea farming industries	3	1	1	5	1	0	0	2
Manufacturing	9	47	2	58	5	36	15	56
Construction, power and water supply	26	22	11	59	13	16	14	43
Retail trade, hotels and restaurants	16	14	1	32	8	28	11	46
Maritime sector	19	117	184	320	14	118	555	687
Property management	34	55	28	117	20	50	36	105
Business services	13	24	177	214	13	12	222	247
Transport and other services	9	11	16	36	7	6	17	30
Public administration	0	-	-	0	0	-	-	0
Other sectors	0	0	-	0	0	0	-	0
Wage earners	1	50	25	75	2	47	30	79
Total provision for losses on loans	144	391	463	999	91	350	907	1,348
loan loss allowance on loans at FVOCI	40			40	31			31
Total loan loss allowance	**184**	**391**	**463**	**1,039**	**123**	**350**	**907**	**1,379**

	31 Dec 2022				31 Dec 2021			
Group (NOKm)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Agriculture and forestry	5	40	19	64	3	33	7	42
Fisheries and hunting	11	12	0	23	6	7	0	13
Sea farming industries	4	1	4	9	1	1	1	3
Manufacturing	11	50	8	70	7	38	21	66
Construction, power and water supply	30	25	16	71	16	19	18	53
Retail trade, hotels and restaurants	17	15	2	34	9	28	16	53
Maritime sector	19	117	184	320	14	118	555	687
Property management	35	55	29	118	20	50	36	106
Business services	15	25	184	224	14	14	227	255
Transport and other services	12	16	21	49	8	7	22	37
Public administration	0	-	-	0	0	-	0	0
Other sectors	0	0	0	0	0	0	-	0
Wage earners	8	61	29	99	7	53	34	95
Total provision for losses on loans	166	418	497	1,081	107	367	936	1,410
loan loss allowance on loans at FVOCI	40			40	31			31
Total loan loss allowance	**206**	**418**	**497**	**1,121**	**138**	**367**	**936**	**1,442**

Parent Bank (NOKm)	31 Dec 2022 Stage 1	Stage 2	Stage 3	Total	31 Dec 2021 Stage 1	Stage 2	Stage 3	Total
Retail Market								
Opening balance	82,299	3,892	444	86,636	73,297	4,430	381	78,108
Transfer to stage 1	1,075	-1,060	-15	-	1,007	-1,002	-6	-
Transfer to stage 2	-1,403	1,411	-8	-	-1,325	1,332	-7	-
Transfer to stage 3	-32	-119	150	-	-61	-87	148	-
Net increase/decrease amount existing loans	-2,501	-106	-15	-2,623	-2,513	-102	-15	-2,630
New loans	38,691	1,418	120	40,229	43,464	1,198	118	44,780
Derecognitions	-37,136	-1,473	-137	-38,746	-31,569	-1,876	-156	-33,601
Financial assets with actual loan losses	0	-1	-11	-12	-0	-1	-20	-21
Closing balance	80,994	3,962	527	85,484	82,299	3,892	444	86,636
Corporate Market								
Opening balance	38,359	5,186	2,656	46,201	35,587	5,979	1,702	43,268
Transfer to stage 1	1,839	-1,820	-19	-	647	-647	-0	-
Transfer to stage 2	-1,699	2,606	-908	-	-1,434	1,434	-	-
Transfer to stage 3	-67	-72	139	-	-43	-593	637	-
Net increase/decrease amount existing loans	-731	-257	-3	-990	-1,202	-196	-39	-1,437
New loans	17,124	1,661	86	18,872	13,125	-550	1,074	13,649
Derecognitions	-11,697	-1,415	-514	-13,625	-8,320	-236	-524	-9,081
Financial assets with actual loan losses	-3	-8	-91	-102	-1	-4	-193	-199
Closing balance	43,127	5,883	1,346	50,356	38,359	5,186	2,656	46,201
Fixed interest loans at FV	4,709			4,709	4,276			4,276
Total gross loans at the end of the period	**128,830**	**9,845**	**1,874**	**140,549**	**124,934**	**9,079**	**3,100**	**137,113**

Group (NOKm)	31 Dec 2022 Stage 1	Stage 2	Stage 3	Total	31 Dec 2021 Stage 1	Stage 2	Stage 3	Total
Retail Market								
Opening balance	87,577	4,612	531	92,721	78,206	5,208	453	83,867
Transfer to stage 1	1,278	-1,261	-17	-	1,227	-1,221	-6	-
Transfer to stage 2	-1,771	1,784	-13	-	-1,598	1,609	-11	-
Transfer to stage 3	-40	-151	190	-	-74	-132	206	-
Net increase/decrease amount existing loans	-2,177	-170	-25	-2,372	-2,599	-154	-28	-2,782
New loans	41,570	1,801	129	43,500	46,190	1,465	125	47,781
Derecognitions	-39,465	-1,714	-150	-41,329	-33,775	-2,161	-189	-36,125
Financial assets with actual loan losses	-0	-1	-11	-12	-0	-1	-20	-21
Closing balance	86,972	4,901	635	92,508	87,577	4,612	531	92,721
Corporate Market								
Opening balance	41,855	5,768	2,759	50,382	38,107	6,587	1,802	46,496
Transfer to stage 1	2,090	-2,045	-45	-	879	-876	-2	-
Transfer to stage 2	-2,042	2,959	-917	-	-1,795	1,797	-1	-
Transfer to stage 3	-97	-88	185	-	-57	-626	683	-
Net increase/decrease amount existing loans	-761	-329	-13	-1,104	-652	-257	-53	-963
New loans	19,085	1,751	109	20,945	14,533	-455	1,085	15,164
Derecognitions	-12,507	-1,546	-577	-14,629	-9,159	-397	-561	-10,117
Financial assets with actual loan losses	-3	-8	-91	-102	-1	-4	-193	-199
Closing balance	47,621	6,460	1,410	55,491	41,855	5,768	2,759	50,382
Fixed interest loans at FV	4,631			4,631	4,198			4,198
Total gross loans at the end of the period	**139,224**	**11,361**	**2,044**	**152,629**	**133,630**	**10,381**	**3,290**	**147,301**

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 2016-2022.

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 2022	Collateral class	Lower limit	Upper limit
A	0.00 %	0.10 %	Aaa-A3	0.02 %	0.03 %	1	120	
B	0.10 %	0.25 %	Baa1-Baa2	0.04 %	0.04 %	2	100	120
C	0.25 %	0.50 %	Baa3	0.09 %	0.11 %	3	80	100
D	0.50 %	0.75 %	Ba1	0.31 %	0.20 %	4	60	80
E	0.75 %	1.25 %	Ba2	0.56 %	0.84 %	5	40	60
F	1.25 %	2.50 %		1.20 %	1.44 %	6	20	40
G	2.50 %	5.00 %	Ba2-B1	2.02 %	1.42 %	7	0	20
H	5.00 %	10.00 %	B1-B2	4.68 %	5.01 %			
I	10.00 %	99.99 %	B3-Caa3	13.82 %	14.26 %			
J	Default							
K	Problem loans							

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

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

Parent Bank (NOK million)	Averaged unhedged exposure 31 Dec 2022	Total exposure 31 Dec 2022	Averaged unhedged exposure 31 Dec 2021	Total exposure 31 Dec 2021
Lowest risk	0.9 %	115,527	0.9 %	113,799
Low risk	1.3 %	24,473	3.4 %	26,476
Medium risk	1.7 %	18,093	4.2 %	15,017
High risk	3.0 %	2,719	5.0 %	2,854
Highest risk	2.2 %	1,693	2.2 %	1,503
Default and/or problem loans	10.0 %	2,051	14.5 %	3,212
Total		**164,556**		**162,860**

Group (NOK million) (NOK million)	Averaged unhedged exposure 31 Dec 2022	Total exposure 31 Dec 2022	Averaged unhedged exposure 31 Dec 2021	Total exposure 31 Dec 2021
Lowest risk	0.6 %	116,505	0.9 %	114,237
Low risk	1.2 %	26,996	3.2 %	28,449
Medium risk	2.2 %	25,200	2.9 %	21,756
High risk	3.6 %	3,772	4.1 %	3,536
Highest risk	2.9 %	2,462	1.6 %	2,035
Default and/or problem loans	10.9 %	2,222	13.7 %	3,402
Total		**177,157**		**173,415**

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 22 (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	1,159	-	-	-	-	1,159
Loans and advances to credit institutions	21,972	-	-	-	-	21,972
Loans and advances to customers at fair value through profit or loss	4,709	-	4,541	26	32	110
Loans and advances to customers at amortised cost	53,830	890	27,568	2,785	20,996	1,591
Loans and advances to customers at fair value through OCI	82,010	109	80,954	38	444	464
Securities and bonds	38,072	-	-	-	10,482	27,590
Derivatives	6,804	-	-	-	3,909	2,894
Earned income, not yet recieved	87	-	-	-	-	87
Accounts receivable, securities	262	-	-	-	-	262
Total assets	**208,904**	**999**	**113,064**	**2,850**	**35,862**	**56,130**
Liabilities						
Guarantee commitments and documentary credits	7,174	29	-	-	-	7,145
Unutilised credits and Loan approvals	16,888	37	3,095	50	255	13,451
Other exposures	4,461	-	-	-	-	4,461
Total liabilities	28,524	67	3,095	50	255	25,057
Total credit risk exposure	**237,428**					**81,187**

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**

Group

31 Dec 22 (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	1,159	-	-	-	-	1,159
Loans and advances to credit institutions	11,663	-	-	-	-	11,663
Loans and advances to customers at fair value through profit or loss	4,631	-	4,541	26	32	32
Loans and advances to customers at amortised cost	65,989	950	27,568	2,785	31,255	3,431
Loans and advances to customers at fair value through OCI	82,010	109	80,954	38	444	464
Securities and bonds	38,073	-	-	-	10,482	27,591
Derivatives	6,804	-	-	-	3,909	2,894
Earned income, not yet recieved	104	-	-	-	-	104
Accounts receivable, securities	262	-	-	-	-	262
Total assets	**210,693**	**1,059**	**113,064**	**2,850**	**46,121**	**47,600**
Liabilities						
Guarantee commitments and documentary credits	7,174	29	-	-	-	7,145
Unutilised credits and loan approvals	17,408	37	3,095	50	255	13,971
Other exposures	4,505	-	-	-	-	4,505
Total liabilities	29,088	67	3,095	50	255	25,621
Total credit risk exposure	**239,781**					**73,221**

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**

*) 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.

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. See note 37, Other debt and liabilities, for a closer description of NASDAQ.

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 2022 the Bank has about 38 (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.

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						
31 Dec 2022 (NOK million)	Notes	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**	**Defaulted or credit impared**	**Total**
Loans to and claims on credit institutions	7	**21,972**	**-**	**-**	**-**	**-**	**-**	**21,972**
Loans to and claims on customers	8							
Retail market		77,371	7,432	3,025	711	1,046	531	**90,116**
Corporate market		23,857	11,132	12,058	1,488	551	1,346	**50,433**
Total		**101,227**	**18,564**	**15,083**	**2,200**	**1,597**	**1,878**	**140,549**
				-	-	-	-	
Financial investments	27							
Quoted government and government guaranteed bonds		9,167	-	-	-	-	-	**9,167**
Quoted other bonds		14,496	429	197	-	-	-	**15,121**
Unquoted government and government guaranteed bonds		4,378	-	-	-	-	-	**4,378**
Unquoted other bonds		9,404	2	-	-	-	-	**9,406**
Total		**37,445**	**430**	**197**	**-**	**-**	**-**	**38,072**
Total		**160,644**	**18,994**	**15,280**	**2,200**	**1,597**	**1,878**	**200,593**

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

Group

31 Dec 2022 (NOK million)	Notes	Neither defaulted nor written down Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or credit impared	Total
Loans to and claims on credit institutions	7	**11,663**	-	-	-	-	-	**11,663**
Loans to and claims on customers	8							
Retail market		77,932	9,096	7,035	1,090	1,391	595	**97,140**
Corporate market		24,273	11,990	14,635	2,162	976	1,454	**55,490**
Total		**102,206**	**21,086**	**21,670**	**3,252**	**2,366**	**2,049**	**152,629**
				-	-	-	-	
Financial investments	27							
Quoted government and government guaranteed bonds		9,167	-	-	-	-	-	**9,167**
Quoted other bonds		14,496	429	197	-	-	-	**15,121**
Unquoted government and government guaranteed bonds		4,378	-	-	-	-	-	**4,378**
Unquoted other bonds		9,405	2	-	-	-	-	**9,407**
Total		**37,446**	**430**	**197**	**-**	**-**	**-**	**38,073**
Total		**151,315**	**21,517**	**21,867**	**3,252**	**2,366**	**2,049**	**202,365**

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

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)	**2022**	**2021**
Currency		
NOK	- 48	- 22
EUR	6	0
USD	- 3	- 5
CHF	- 1	1
GBP	1	0
Other	0	0
Total interest rate risk, effect on result before tax	**- 45**	**- 27**

Total interest rate risk suggest that the Bank will have losses from an increase in the interest rate in 2022. This is the same effect as 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)	**2022**	**2021**
Maturity		
0 - 2 month	- 11	- 16
2 - 3 months	- 4	10
3 - 6 months	- 10	- 19
6 - 12 months	- 5	- 1
1 - 2 years	- 9	2
2 - 3 years	2	- 12
3 - 4 years	- 3	22
4 - 5 years	3	- 27
5 - 8 years	- 6	7
8 - 15 years	- 3	7
Total interest rate risk, effect on result before tax	**- 45**	**- 27**

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**	
2021	**2022**	(NOK million)	**2022**	**2021**
4	-5	EUR	-5	4
1	4	USD	4	1
3	4	SEK	4	3
-0	-0	GBP	0	0
-	-3	Other	-3	0
8	**1**	**Total**	**1**	**8**
0.2	0.5	Result effect of 3% change	0.5	0.2

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 2022 (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	11,180	1,194	161	2,125	26	14,685
Deposits from and debt to customers	89,936	19,376	7,480	5,217	-	122,010
Debt created by issue of securities	-	951	8,442	41,837	1,746	52,977
Derivatives - contractual cash flow out	-	798	8,532	26,947	1,655	37,932
Other liabilities	-	1,361	787	386	258	2,792
Subordinated loan capital [1)]	-	16	824	1,459	-	2,299
Total cash flow, liabilities	**101,116**	**23,696**	**26,226**	**77,972**	**3,684**	**232,694**
Derivatives net cash flows						
Contractual cash flows out	-	798	8,532	26,947	1,655	37,932
Contractual cash flows in	-	-622	-8,176	-25,412	-1,633	-35,843
Net contractual cash flows	**-**	**176**	**356**	**1,535**	**21**	**2,089**

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)]						
Debt to 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 issuance 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**

Does not include value adjustments for financial instruments at fair value

[1)] For subordinated debt 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

Accounting Policy

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.

Parent Bank			Group	
2021	**2022**	(NOKm)	**2022**	**2021**
		Interest Income		
128	400	Interest income from loans to and claims on central banks and credit institutions (amortised cost)	177	33
1,654	2,461	Interest income from loans to and claims on customers (amortised cost)	3,129	2,167
1,285	1,879	Interest income from loans to and claims on customers (Fair value over OCI)	1,879	1,300
116	125	Interest income from loans to and claims on customers (Fair value over Profit and loss)	125	116
279	599	Interest income from money market instruments, bonds and other fixed income securities (Fair value over Profit and loss)	595	276
-	-	Other interest income	22	21
3,462	**5,463**	**Total interest income**	**5,927**	**3,913**
		Interest expense		
51	260	Interest expenses on liabilities to credit institutions	260	51
547	1,524	Interest expenses relating to deposits from and liabilities to customers	1,508	534
395	647	Interest expenses related to the issuance of securities	647	395
33	66	Interest expenses on subordinated debt	68	35
16	11	Other interest expenses	30	25
67	75	Guarantee fund levy	75	67
1,109	**2,583**	**Total interest expense**	**2,588**	**1,107**
2,353	**2,880**	**Net interest income**	**3,339**	**2,805**

Note 18 - Net commission income and other income

Accounting Policy

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.

Parent Bank			Group	
2021	**2022**	*(NOK million)*	**2022**	**2021**
		Commission income		
76	77	Guarantee commission	77	76
-	-	Broker commission	267	291
63	44	Portfolio commission, savings products	44	63
450	256	Commission from SpareBank 1 Boligkreditt	256	450
14	16	Commission from SpareBank 1 Næringskreditt	16	14
413	475	Payment transmission services	471	409
214	236	Commission from insurance services	236	214
77	88	Other commission income	80	69
1,306	**1,192**	**Total commission income**	**1,446**	**1,586**
		Commission expenses		
84	80	Payment transmission services	80	85
13	11	Other commission expenses	105	91
97	**90**	**Total commission expenses**	**186**	**177**
		Other operating income		
27	30	Operating income real property	32	26
-	-	Property administration and sale of property	151	150
-	-	Securities trading	-	-
-	-	Accountant's fees	564	529
21	25	Other operating income	34	26
47	**55**	**Total other operating income**	**781**	**731**
1,256	**1,156**	**Total net commision income and other operating income**	**2,042**	**2,141**

SpareBank 1 SMN

Note 19 - Net return on financial investments

Parent Bank			Group	
2021	2022	(NOKm)	2022	2021
		Valued at fair value through profit/loss		
-433	-428	Value change in interest rate instruments	-427	-433
		Value change in derivatives/hedging		
-6	-10	Net value change in hedged bonds and derivatives*	-10	-6
12	-38	Net value change in hedged fixed rate loans and derivatives	-38	12
301	275	Other derivatives	275	301
		Income from equity instruments		
-	-	Income from owner interests	442	705
726	646	Dividend from owner instruments	-	-
8	4	Value change and gain/loss on owner instruments	4	13
6	30	Dividend from equity instruments	33	22
-4	-19	Value change and gain/loss on equity instruments	9	156
610	**461**	**Total net income from financial assets and liabilities at fair value through profit/(loss)**	**287**	**770**
		Valued at amortised cost		
-2	-0	Value change in interest rate instruments held to maturity	-0	-2
-2	**-0**	**Total net income from financial assets and liabilities at amortised cost**	**-0**	**-2**
72	**93**	**Total net gain from currency trading**	**93**	**72**
680	**554**	**Total net return on financial investments**	**380**	**840**
		*** Fair value hedging**		
-664	-2,155	Changes in fair value on hedging instrument	-2,155	-664
657	2,145	Changes in fair value on hedging item	2,145	657
-6	**-10**	**Net Gain or Loss from hedge accounting**	**-10**	**-6**

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	
2021	**2022**	(NOK million)	**2022**	**2021**
562	568	Wages	1,227	1,221
60	54	Pension costs (Note 22)	99	101
27	39	Social costs	81	56
650	**661**	**Total personnel expenses**	**1,406**	**1,378**
670	675	Average number of employees	1,549	1,627
646	664	Number of man-labour years as at 31 December	1,432	1,340
662	688	Number of employees as at 31 December	1,498	1,449

Note 21 - Other operating expenses

Parent Bank			Group	
2021	2022	*(NOK million)*	2022	2021
265	304	IT costs	355	320
10	11	Postage and transport of valuables	14	14
53	59	Marketing	86	75
95	77	Ordinary depreciation (note 31,32 and 33)	117	170
44	46	Operating expenses, real properties	55	53
143	188	Purchased services	217	173
134	156	Other operating expense	195	178
745	**841**	**Total other operating expenses**	**1,038**	**981**
		Audit fees (NOK 1000)		
758	688	Financial audit	1,350	1,580
409	811	Other attestations	851	575
0	-	Tax advice	0	0
301	244	Other non-audit services	1,174	1,221
1,467	**1,742**	**Total incl. value added tax**	**3,375**	**3,376**

Note 22 - Pension

Defined benefit scheme

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 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. This arrangement was terminated from 1 January 2017. Employees on this scheme was transferred to the defined contribution scheme and received 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.

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).

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.

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.

Økonomiske forutsetninger	2022 Kostnader	2022 Forpliktelser	2021 Kostnader	2021 Forpliktelser
Diskonteringsrente	1.6 %	3.0 %	1.5 %	1.6 %
Forventet avkastning på midlene	1.6 %	3.0 %	1.5 %	1.6 %
Forventet fremtidig lønnsutvikling	2.25 %	3.25 %	2.00 %	2.25 %
Forventet G-regulering	2.25 %	3.25 %	2.00 %	2.25 %
Forventet pensjonsregulering	0%/2,0%	0%/2,0%	0%/2,0%	0%/2,0%
Arbeidsgiveravgift	19.1 %	19.1 %	19.1 %	19.1 %
Forventet frivillig avgang før/etter 50 år	2/0 %	2/0 %	2/0 %	2/0 %
Forventet AFP-uttak fra 62/64 år	25/50 %	25/50 %	25/50 %	25/50 %
Dødelighetstabell	K2013BE			
Uførhet	IR73			

Parent Bank 2021	Parent Bank 2022	Net pension liability in the balance sheet (NOK million). Financial position 1 Jan.	Group 2022	Group 2021
640	645	Net present value of pension liabilities in funded schemes	645	640
-743	-701	Estimated value of pension assets	-701	-743
-104	-56	Net pension liability in funded schemes	-56	-104
2	1	Employer's contribution	1	2
-102	**-54**	**Net pension liability in the balance sheet**	**-54**	**-102**

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

Group	2022 Funded	2022 Unfunded	2022 Total	2021 Funded	2021 Unfunded	2021 Total
Present value of pension liability in funded schemes	639	7	645	631	8	640
Fair value of pension assets	-701	-	-701	-743	0	-743
Opening balance adjustment	0	0	0	0	0	0
Net pension liability in the balance sheet before employer's contribution	-62	7	-56	-112	8	-104
Employer's contribution	0	1	1	0	2	2
Net pension liability in the balance sheet after employer's contribution	-62	8	-54	-112	10	-102

2021	2022	Pension cost for the year	2022	2021
0	0	Present value of pension accumulated in the year	0	0
-2	-1	Interest cost of pension liabilities	-1	-2
-1	-1	Net defined-benefit pension cost without employer's contribution	-1	-1
0	0	Employer's contribution - subject to accrual accounting	0	0
-1	-1	Net pension cost related to defined benefit plans *	-1	-1
8	9	Early retirement pension scheme, new arrangement	16	14
54	46	Cost of defined contribution pension	84	89
60	**54**	**Total pension cost**	**99**	**101**

Other comprehensive income for the period	2022 Unfunded	2022 Funded	2022 Total	2021 Unfunded	2021 Funded	2021 Total
Change in discount rate	-0	-111	-111	0	-9	-9
Change in other economic assumptions	-	0	-	0	0	0
Change in mortality table	-	0	-	0	0	0
Change in other demographic assumptions	-	0	-	0	0	0
Changing other factors, DBO	-0	65	64	-2	33	32
Change in other factors, pension assets	-	-130	-130	0	27	27
Other comprehensive income for the period	**-1**	**-177**	**-177**	**-2**	**51**	**49**

2021	2022	Movement in net pension liability in the balance sheet	2022	2021
-96	-54	Net pension liability in the balance sheet 1.1	-54	-96
49	-177	Actuarial gains and losses for the year	-177	49
-1	-1	Net defined-benefit costs in profit and loss account incl. Curtailment /settlement	-1	-1
-1	-1	Paid-in pension premium, defined-benefit schemes	-1	-1
-49	**-234**	**Net pension liability in the balance sheet 31.12**	**-234**	**-49**

2021	2022	Financial status 31.12	2022	2021
645	577	Pension liability	577	645
-701	-812	Value of pension assets	-812	-701
-56	-235	Net pension liability before employer's contribution	-235	-56
1	1	Employer's contribution	1	1
-54	**-234**	**Net pension liability after employer's contribution**	**-234**	**-54**

* Presented gross in the Group accounts

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

Group	31.12.2022			31.12.2021		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	572	5	577	639	7	645
Value of pension assets	-812	-	-812	-701	0	-701
Net pension liability before employer's contribution	**-240**	**5**	**-235**	**-62**	**7**	**-56**
Employer's contribution	0	1	1	0	1	1
Net pension liability after employer's contribution	**-240**	**6**	**-234**	**-62**	**8**	**-54**

Fair value of pension liability, Group	31.12.2022	31.12.2021
OB pension liability (PBO)	645	640
Present value of pension accumulated in the year	0	0
Payout/release from scheme	-32	-27
Interes costs of pension liability	10	9
Curtailment/ Settlement		0
Actuarial gain or loss	-47	23
CB pension liability (PBO)	**577**	**645**

Fair value of pension assets, Group	31.12.2022	31.12.2021
OB pension assets	701	743
Paid in	1	1
Payout/release from fund	-32	-27
Expected retur	11	11
Curtailment/ Settlement	0	0
Actuarial changes	130	-27
CB market value of pension assets	**812**	**701**

Sensitivity, Group	Discount rate + 1 pp	Discount rate - 1 pp	Salary adjustment +1 pp	Salary adjustment - 1 pp	Pension adjustment + 1 pp
2022					
Change in accumulated pension rights in course of year	0	0	0	0	0
Change in pension liability	-62	76	0	0	77
2021					
Change in accumulated pension rights in course of year	0	0	0	0	0
Change in pension liability	-89	110	0	0	111

2021	2022	Members	2022	2021
728	726	Numbers of persons included in pension scheme	726	728
220	218	of which active	218	220
508	508	of which retirees and disabled	508	508

Investment and pension assets in the pension fund	2022	2021
Current bonds	38 %	38 %
Bonds held to maturity	5 %	5 %
Money market	21 %	21 %
Equities	29 %	29 %
Real estate	7 %	7 %
Other	0 %	0 %
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

Accounting Policy

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.

Parent Bank			Group	
2021	**2022**	(NOK million)	**2022**	**2021**
2,760	3,125	Result before tax	3,353	3,247
-689	-456	+/- permanent differences	-722	-620
45	-315	+/- change in temporary differences as per specification	-313	116
-	-	+ deficit carried forward	-4	-140
2,116	**2,354**	**Year's tax base/taxable income**	**2,313**	**2,603**
529	612	Tax payable on profit for the year	699	593
-12	-15	Taxes on interest hybrid capital	-15	-13
-4	15	Excess/too little tax accrued previous year	21	3
513	**612**	**Total taxes payable in statement of financial position**	**705**	**583**
-	-		-	0
529	612	Tax payable on profit for the year	699	593
1	34	+/- change in deferred tax	35	-17
-12	-15	Taxes on interest hybrid capital	-15	-13
518	**631**	**Tax charge for the year**	**718**	**563**
		Change in net deferred tax liability		
-1	-34	Deferred tax shown through profit/loss	-35	-17
12	-44	Deferred tax shown through equity	-44	-13
		Deferred tax reclassified to discontinued operations	-81	
0	3	Too little taxes accrued previous year	3	-3
11	**76**	**Total change in net deferred tax liability**	**-156**	**-32**

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

2021	2022	Composition of deferred tax carried in the balance sheet (NOK Million)	2022	2021
		Temporary differences:		
		- Business assets	27	25
-	-	- Leasing items	273	257
54	234	- Pension liability	236	56
52	202	- Securities	202	52
154	2,154	- Hedge derivatives	2,154	154
-	-	- Other temporary differences	4	3
260	**2,590**	**Total tax-increasing temporary differences**	**2,896**	**546**
65	**648**	**Deferred tax**	**723**	**136**
-	-			
-	-	Temporary differences:		
-12	-27	- Business assets	-38	-25
-	-	- Pension liability	-	-2
-93	-75	- Securities	-75	-83
-136	-2,185	- Hedge derivatives	-2,185	-136
-33	-13	- Other temporary differences	-107	-135
-	-	- Deficit carried forward	-1	-306
-273	**-2,301**	**Total tax-decreasing temporary differences**	**-2,407**	**-685**
-68	**-575**	**Deferred tax asset**	**-602**	**-170**
-3	**72**	**Net deferred tax (-asset)**	**122**	**-34**

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:

	2022	2021
Tax benefit recorded 31 Dec	**5**	90
Deferred tax recorded 31 Dec	**-127**	-56

2021	2022	Reconciliation of tax charge for the period recognised against profit and loss to profit before tax	2022	2021
690	781	25 % of profit before tax	882	816
-172	-114	Non-taxable profit and loss items (permanent differences) *	-129	-219
		Tax effect of costs reflected in equity	-44	-
		Too little taxes accrued previous year	8	0
		Change in tax assets not recognised	-	-34
518	**667**	**Tax for the period recognised in the income statement**	**718**	**563**
17 %	**20 %**	**Effective tax rate**	**21 %**	**17 %**

* Includes non-deductible costs and 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

Shares, sertificates, bonds and derivatives are classified 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 assets held for trading purposes are characterised by the fact that instruments in the portfolio are traded frequently and that positions are established with the aim of short-term gain. Other such financial assets at fair value through profit or loss are investments which, on initial recognition, are designated at fair value through profit or loss.

Financial derivatives are presented as assets when fair value is positive, and as liabilities when fair value is negative.

Group	Financial instruments at fair value through profit or loss					
31 Dec 2022 (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	-	-	-	-	1,171	1,171
Deposits with and loans to credit institutions	-	-	-	-	11,663	11,663
Loans to and receivables from customers	4,708	-	-	81,901	64,940	151,549
Shares, units and other equity interests	-	700	140	-	-	840
Fixed-income CDs and bonds	-	38,073	-	-	-	38,073
Derivatives	294	-	6,510	-	-	6,804
Earned income not yet received	-	-	-	-	104	104
Accounts receivable, securities	-	-	-	-	262	262
Total financial assets	**5,002**	**38,773**	**6,649**	**81,901**	**78,140**	**210,465**
Liabilities						
Deposits from credit institutions	-	-	-	-	14,636	14,636
Deposits from and debt to customers	-	-	-	-	122,010	122,010
Debt created by issue of securities	-	-	-	-	47,474	47,474
Derivatives	2,368	-	5,939	-	-	8,307
Subordinated loan capital	-	-	-	-	2,058	2,058
Equity instruments	-	-	-	-	-	-
Lease liabilities	-	-	-	-	339	339
Debt from securities	-	-	-	-	176	176
Total financial liabilities	**2,368**	**-**	**5,939**	**-**	**186,693**	**195,000**

Group	Financial instruments at fair value through profit or loss			Financial instruments at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
31 Dec 2021 (NOKm)	Designated as such upon initial recognition	Mandatorily	Held for trading			
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**

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 22:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	-	6,804	-	6,804
- Bonds and money market certificates	3,721	34,352	-	38,073
- Equity instruments	140	130	570	840
- Fixed interest loans	-	78	4,630	4,708
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	81,901	81,901
Total assets	**3,861**	**41,363**	**87,101**	**132,325**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	-	8,307	-	8,307
- Equity instruments	-	-	-	-
Total liabilities	**-**	**8,307**	**-**	**8,307**

The following table presents the Group's assets and liabilities measured at fair value at 31 December 21:

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 changes in the instruments classified in level 3 as at 31 December 22:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	564	4,198	83,055	87,817
Investment in the period	17	1,355	36,461	37,834
Disposals in the period	-2	-752	-37,604	-38,358
Expected credit loss	-	-	-20	-20
Gain or loss on financial instruments	-8	-171	9	-171
Closing balance 31 December 22	**570**	**4,630**	**81,901**	**87,101**

The following table presents the changes in the instruments classified in level 3 as at 31 December 21:

(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 21	**563**	**4,198**	**83,055**	**87,817**

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 6 million.

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

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

Equity instruments (level 3)

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 501 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank SMN 1 Invest. The valuations are in all essentials based on reporting from managers of the funds who utilise cash flow based models or multiples when determining fair value. The Group does not have full access to information on all the elements in these valuations and is therefore unable to determine alternative assumptions.

Financial derivatives (level 2)

Financial derivatives at level 2 include for the most part currency futures and interest rate and exchange rate swaps. Valuation is based on observable interest rate curves. In addition the item includes derivatives related to FRAs. These are valued with a basis in observable prices in the market. Derivatives classified to level 2 also include equity derivatives related to SpareBank 1 Markets' market-making activities. The bulk of these derivatives refer to the most sold shares on Oslo Børs, and the valuation is based on the price of the actual /underlying share and observable or calculated volatility.

Sensitivity analyses, level 3 as at 31 December 22:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumtions
Fixed interest loans	4,630	-13
Equity instruments through profit/loss*	570	-
Loans at fair value through other comprehensive income	81,901	-6

* 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. 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 collectively assessed 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.

Bonds held to maturity

Change to fair value is calculated by reference to a theoretical valuation of market value based on interest rate and spread curves.

Loans to and claims on credit institutions, Debt to credit institutions and debt to customers

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 2022		31 Dec 2021	
(NOKm)	**Level 1)**	**Book value**	**Fair Value**	**Book value**	**Fair Value**
Assets					
Loans to and claims on credit institutions	2	21,972	21,972	13,190	13,190
Loans to and claims on customers at amortised cost	2	52,941	53,085	48,434	48,525
Earned income not yet received	2	87	87	152	152
Accounts receivable, securities	2	262	262	20	20
Total financial assets at amortised cost		**75,262**	**75,406**	**61,796**	**61,887**
Liabilities					
Debt to credit institutions	2	14,636	14,636	14,340	14,340
Deposits from and debt to customers	2	122,699	122,699	112,028	112,028
Securities debt at amortised cost	2	11,679	11,605	8,871	8,870
Securities debt, hedging	2	35,868	35,867	31,461	31,460
Subordinated debt at amortised cost	2	2,015	2,014	1,753	1,752
Subordinated debt, hedging	2	-	-	-	-
Lease liabilities	2	233	233	262	262
Debt from securities	2	176	176	157	157
Total financial liabilities at amortised cost		**187,306**	**187,231**	**168,872**	**168,871**

Group

(NOKm)		31 Dec 2022 Book value	31 Dec 2022 Fair Value	31 Dec 2021 Book value	31 Dec 2021 Fair Value
Assets					
Loans to and claims on credit institutions	2	11,663	11,663	4,704	4,704
Loans to and claims on customers at amortised cost	2	65,018	65,184	58,637	58,744
Earned income not yet received	2	104	104	186	186
Accounts receivable, securities	2	262	262	300	300
Total financial assets at amortised cost		**77,046**	**77,212**	**63,828**	**63,935**
Liabilities					
Debt to credit institutions	2	14,636	14,636	15,063	15,063
Deposits from and debt to customers	2	122,010	122,010	111,286	111,286
Securities debt at amortised cost	2	11,679	11,605	8,871	8,870
Securities debt, hedging		35,868	35,867	31,461	31,460
Subordinated debt at amortised cost	2	2,058	2,058	1,796	1,796
Subordinated debt, hedging	2	-	-	-	-
Lease liabilities	2	339	339	476	476
Debt from securities	2	176	176	351	351
Total financial liabilities at amortised cost		**186,765**	**186,690**	**169,304**	**169,302**

[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 at fair value through profit/loss at 31 December 2022.

Parent Bank			Group	
31 Dec 2021	**31 Dec 2022**	Money market certificates and bonds by issuer sector (NOKm)	**31 Dec 2022**	**31 Dec 2021**
		State		
2,723	4,575	Nominal value	4,575	2,723
5,237	7,940	Book value	7,940	5,237
		Other public sector		
10,898	17,424	Nominal value	17,424	10,898
10,975	17,419	Book value	17,419	10,975
		Financial enterprises		
12,776	11,390	Nominal value	11,390	12,776
13,830	12,525	Book value	12,525	13,830
		Non-financial enterprises		
80	10	Nominal value	10	80
619	9	Book value	10	619
26,477	**33,399**	**Total fixed income securities, nominal value**	**33,399**	**26,477**
100	178	Accrued interest	178	100
30,762	**38,072**	**Total fixed income securities, booked value**	**38,073**	**30,762**

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 2022**			**31 Dec 2021**		
	Contract	Fair value		Contract	Fair value	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities
Foreign exchange derivatives (forwards)	5,026	71	-96	6,834	98	-79
Currency swaps	14,488	242	-118	10,027	205	-154
FX-options	29	-1	0	58	1	-1
Total currency instruments	19,542	312	-214	16,919	304	-235
Interest rate instruments						
Interest rate swaps (including cross currency)	328,963	5,160	-4,566	252,753	1,776	-1,866
Short-term interest rate swaps (FRA)	4,500	-	-1	-	-	-
Total interest rate instruments	333,463	5,160	-4,566	252,753	1,776	-1,866
Commodity-related contracts						
Stock-exchange-traded standardised forwards and futures contracts	1,055	1,164	-1,164	814	190	-190
Total commodity-related contracts	1,055	1,164	-1,164	814	190	-190
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	43,666	294	-2,368	36,895	353	-511
Total interest rate instruments	43,666	294	-2,368	36,895	353	-511
Total						
Total interest rate instruments	377,129	5,454	-6,934	289,649	2,129	-2,376
Total currency instruments	19,542	312	-214	16,919	304	-235
Total commodity-related contracts	1,055	1,164	-1,164	814	190	-190
Accrued interest	-	-127	5	-	569	-699
Total financial derivatives	**397,726**	**6,804**	**-8,307**	**307,382**	**3,192**	**-3,500**

Group

Fair value through profit and loss (NOKm)	31 Dec 2022			31 Dec 2021		
	Contract	Fair value		Contract	Fair value	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities
Foreign exchange derivatives (forwards)	5,026	71	-96	6,834	98	-79
Currency swaps	14,488	242	-118	10,027	205	-154
FX-options	29	-1	0	58	1	-1
Total currency instruments	19,542	312	-214	16,919	304	-235
Interest rate instruments						
Interest rate swaps (including cross currency)	328,963	5,160	-4,566	252,753	1,776	-1,866
Short-term interest rate swaps (FRA)	4,500	-	-1	-	-	-
Total interest rate instruments	333,463	5,160	-4,566	252,753	1,776	-1,866
Equity instruments						
Equity options	-	-	-	69	32	-25
Equity forwards/futures	-	-	-	1,329	0	-384
Total equity instruments	-	-	-	1,397	33	-409
Commodity-related contracts						
Stock-exchange-traded standardised forwards and futures contracts	1,055	1,164	-1,164	814	190	-190
Total commodity-related contracts	1,055	1,164	-1,164	814	190	-190
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	43,666	294	-2,368	36,895	353	-511
Total interest rate instruments	43,666	294	-2,368	36,895	353	-511
Total						
Total interest rate instruments	377,129	5,454	-6,934	289,649	2,129	-2,376
Total currency instruments	19,542	312	-214	16,919	304	-235
Total equity instruments	-	-	-	1,397	33	-409
Total commodity-related contracts	1,055	1,164	-1,164	814	190	-190
Accrued interest	-	-127	5	-	569	-699
Total financial derivatives	**397,726**	**6,804**	**-8,307**	**308,779**	**3,224**	**-3,909**

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

Accounting Policy

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.

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 2022			**Nominal amount 31 Dec 2021**		
Group (NOK million)	**Hedging instrument**	**Hedging object**	**Ineffectivity**	**Hedging instrument**	**Hedging object**	**Ineffectivity**
Accounting line in Balance Sheet	Derivatives	Debt createdby issuanceof securities		Derivatives	Debt createdby issuanceof securities	
Debt at fixed interest	*Interest swap*			*Interest swap*		
Nominal NOK	11,200	11,200	-	8,025	8,025	-
Debt in currency at fixed interest	*Interest andcurrency swap*			*Interest andcurrency swap*		
Nominal EUR	23,120	23,120	0	21,902	21,738	-164
Nominal SEK	-	-	-	-	-	0
Nominal CHF	3,737	3,737	-	1,690	1,690	-
	Book value 31 Dec 2022			**Book value 31 Dec 2021**		
	Hedging instrument	**Hedging object**	**Ineffectivity in PL**	**Hedging instrument**	**Hedging object**	**Ineffectivity in PL**
Recorded amount Assets	294			353		
Recorded amount Liabilities	2,368	35,868		511	31,461	
Accumulated value changes ending balance	-2,185	-2,233		- 30	- 88	
Accumulated value changes opening balance	-30	-88		634	570	
Change in fair value	**-2155**	**-2145**	**-10** -	**-664**	**- 657**	**- 6**
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**
EURIBOR 3M	-	17,169	- 17,169
EURIBOR 6M	-	273	- 273
OIBOR 3M	-	13,542	- 13,542
USDLIB 3M	-	1,478	- 1,478
Total	**-**	**32,462**	**- 32,462**

Note 30 - Shares, units and other equity interest

Parent bank			Group	
31 Dec 2021	31 Dec 2022	Shares and units (NOK million)	31 Dec 2022	31 Dec 2021
217	**210**	**At fair value through profit or loss**	**710**	**2,547**
130	140	Listed	140	162
86	70	Unlisted	571	564
-	-	Sparebank 1 Markets' trading activity	0	1,821
217	**210**	**Total shares and units**	**710**	**2,547**
		Subordinated bond		
95	123	Listed	123	95
90	85	Unlisted	7	12
185	**207**	**Total subordinated bond**	**130**	**106**
		Business held for sale - of which shares		
98	98	Unlisted	1,919	59
98	**98**	**Total shares held for sale (see note 39)**	**1,919**	59
225	263	Total listed companies	263	257
275	252	Total unlisted companies	2,496	634

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-aksjer		36,561	-	1,291
Visa Inc. C-aksjer		63,536	6,750	129,890
Total quoted shares			**6,750**	**131,181**
SpareBank 1 Nordvest		69,423	7,455	8,678
Total quoted credit institutions			**7,455**	**8,678**
Unlisted companies				
VN Norge AS - SMN - oppgitt i milliard aksjer		26,373,402	37,338	15,439
Eksportfinans		1,857	12,888	34,258
Visa C preferanseaksje		1,298	2,607	8,890
Molde Kunnskapspark		2,000	2,030	2,083
Sparebankmateriell (Spama)		2,305	-	1,563
Swift EUR		44	855	1,588
Diverse selskap			1,039	941
Total unquoted shares and units			**56,758**	**64,762**
SpareBank 1 Søre Sunnmøre		48,070	4,999	5,071
Total unquoted credit institutions			**4,999**	**5,071**
SpareBank 1 Gruppen			48,750	47,108
Skagerrak Sparebank			12,024	12,012
Landkreditt Bank			8,050	8,016
Sparebanken Vest			7,999	8,006
Jæren Sparebank			7,615	7,519
BN Bank			5,435	5,325
Sparebanken Øst			5,018	5,019
Askim & Spydeberg Sparebank			5,000	5,011
Sparebank 1 SR-Bank			4,528	4,517
Pareto Bank			3,028	3,013
Sogn Sparebank			3,090	3,011
Diverse			14,292	14,317
Total quoated subordinated bonds			**124,828**	**122,874**
SpareBank 1 Finans Midt-Norge			77,496	77,488
DNB Bank			7,023	7,035
Total unquoated subordinated bonds			**84,519**	**84,523**
Total shares, units and equity capital certificates, parent bank			**285,309**	**417,089**

Specification of Group

Unlisted companies	Stake over 10 %	Our holding (no.)	Acquisition cost (NOK 1000)	Market value/book value (NOK 1000)
SIGNORD AS (Tidligere Viking Venture III)	16.8 %	955,039	34,745	201,513
Salvesen & Thams AS		27,564	45,733	151,602
Crayo Nano AS		1,140,683	12,586	19,962
Sintef Venture V		9,000	13,695	17,831
Sintef Venture IV		18,101	13,833	15,151
Sonoclear AS (tidl BrainImage AS)	12.4 %	1,417,982	6,988	14,180
Novelda AS		19,980	7,163	11,548
Proventure Seed III AS		11,541,177	9,810	10,502
Proventure Seed II AS		16,003,806	13,154	9,122
Signord Klasse E		46,476	4,704	7,759
Novela Kapital AS		300,000	6,240	6,240
Vectron Biosolutions AS		220,000	6,000	6,140
Way AS (tidl Trafikkselskapet AS)		997,435	6,593	5,486
Diverse selskap			50,581	23,631
Total unquoted shares and units			**231,825**	**500,668**
Elimination of subordinated bond SpareBank 1 Finans Midt-Norge			-77,496	-77,488
Total shares, units and equity capital certificates, Group			**439,638**	**840,268**

Note 31 - Intangible assets

Accounting Policy

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.

Amounts recorded on the Bank's 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.

2022

Parent Bank				Group		
Other intangible assets	**Goodwill**	**Total**	**(NOK million)**	**Total**	**Goodwill**	**Other intangible assets**
24	447	470	Cost of acquisition at 1 January	1.017	842	175
14	-	14	Additions	29	13	16
-	-	-	Disposals subsidiary*	-258	-183	-75
38	447	485	Cost of acquisition at 31 December	788	672	116
-	-	-		-	-	-
13	-	13	Accumulated depreciation and write-downs as at 1 January	164	34	130
5	-	5	Current period's depreciation	7	-	7
-	-	-	Current period's write-down	0	0	-
-	-	-	Disposals subsidiary*	-46	-	-46
18	-	18	Accumulated depreciation and write-down as at 31 December	125	34	91
20	**447**	**467**	**Book value as at 31 December**	**663**	**638**	**25**

* As from fourth quarter 2002 the subsidiary SpareBank1 Markets have been reclassified to investment held for sale. The effect has been presented as disposals.

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**

Note 32 - Property, plant and equipment

Accounting Policy

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.

2022

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**
104	133	237	Cost of acquisition at 1 January	546	236	310
26	30	56	Additions	60	34	26
-9	-3	-12	Disposals	-12	-3	-9
-	-	-	Disposals Subsidiaries*	-31	-24	-8
122	160	282	Cost of acquisition at 31 December	563	243	320
73	79	151	Accumulated depreciation and write-downs as at 1 January	334	163	170
8	15	23	Current period's depreciation	34	19	15
-	-0	-0	Current period's write-down	-0	-0	-
-9	-2	-10	Disposals	-10	-2	-9
-	-	-	Disposals Subsidiaries*	-26	-20	-7
73	92	165	Accumulated depreciation and write-down as at 31 December	331	162	170
49	**68**	**117**	**Book value as at 31 December**	**232**	**81**	**150**

* As from fourth quarter 2002 the subsidiary SpareBank1 Markets have been reclassified to investment held for sale. The effect has been presented as disposals.

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**

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.

Acquisition cost of depreciated assets

The acquisition cost of fully depreciated assets still in use in the Bank in 2022 is NOK 107 million (NOK 180 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 2022.

Note 33 - Leases

Accounting Policy
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

Parent Bank			Group	
2021	**2022**	**Right-of-use assets**	**2022**	**2021**
397	398	Acquisition cost 1 January	568	636
2	14	Addition of right-of-use assets	54	115
-2	0	Disposals	2	-79
1	4	Transfers and reclassifications	5	9
398	417	Acquisition cost 31 December	629	681
0	0			
99	146	Accumulated depreciation and impairment 1 January	214	166
52	49	Depreciation	90	93
-6	0	Disposals	0	-38
146	194	Accumulated depreciation and impairment 31 December	304	221
0	0			
253	**223**	**Carrying amount of right-of-use assets 31 December**	**325**	**460**

Lease liabilities

2021	**2022**	**Undiscounted lease liabilities and maturity of cash outflows**	**2022**	**2021**
55	58	Less than 1 year	88	99
52	49	1-2 years	75	92
44	47	2-3 years	69	78
42	44	3-4 years	59	73
40	40	4-5 years	56	68
207	182	More than 5 years	289	290
440	**421**	**Total undiscounted lease liabilities at 31 December**	**604**	**698**
0				
0				
0	**0**	**Summary of the lease liabilities**	**2022**	**2021**
303	262	At initial application 01.01.2019	368	480
6	18	New lease liabilities recognised in the year	58	86
-46	-48	Cash payments for the principal portion of the lease liability	-87	-89
-8	-7	Cash payments for the interest portion of the lease liability	-9	-7
8	7	Interest expense on lease liabilities	9	7
0	0	Other changes	1	-2
262	**233**	**Total lease liabilities at 31 December**	**338**	**476**
50	50	Current lease liabilities (note 37)	56	59
213	183	Non-current lease liabilities (note 37)	282	416
-45	-48	Total cash outflows for leases	-96	-86
0				
0				
		Summary of other lease expenses recognised in profit or loss		
15	17	Variable lease payments expensed in the period	20	26
4	2	Operating expenses in the period related to short-term leases (including short-term low value assets)	5	7
0	0	Operating expenses in the period related to low value assets (excluding short-term leases included above)	0	0
19	**19**	**Total lease expenses included in other operating expenses**	**25**	**33**

Note 34 - Other assets

Parent Bank			Group	
31 Dec 2021	**31 Dec 2022**	**(NOKm)**	**31 Dec 2022**	**31 Dec 2021**
3	3	Deferred tax asset	9	90
84	117	Fixed assets	232	210
253	223	Right to use assets	325	460
152	87	Earned income not yet received	104	186
20	262	Accounts receivable, securities	262	300
62	240	Pension assets	240	62
508	1,164	Other assets	1,387	752
1,082	**2,095**	**Total other assets**	**2,558**	**2,062**

Note 35 - Deposits from and liabilities to customers

Accounting Policy

Customer deposits are recognised at amortised cost

Parent Bank			Group	
31 Dec 2021	**31 Dec 2022**	**Deposits from and liabilities to customers (NOKm)**	**31 Dec 2022**	**31 Dec 2021**
84,984	88,068	Deposits from and liabilities to customers without agreed maturity	87,380	84,244
27,044	34,632	Deposits from and liabilities to customers with agreed maturity	34,630	27,042
112,028	**122,699**	**Total deposits from and liabilities to customers**	**122,010**	**111,286**
0.5 %	1.3 %	Average interest rate	1.3 %	0.5 %

Fixed interest deposits account for 4.0 per cent (2.2 per cent) of total deposits.

31 Dec 2021	31 Dec 2022	Deposits specified by sector and industry	31 Dec 2022	31 Dec 2021
44,589	48,316	Wage earners	48,316	44,589
16,826	21,690	Public administration	21,690	16,826
1,958	2,159	Agriculture and forestry	2,159	1,958
991	1,366	Fisheries and hunting	1,366	991
1,050	644	Sea farming industries	644	1,050
2,562	2,881	Manufacturing	2,881	2,562
5,535	5,534	Construction, power and water supply	5,534	5,535
6,649	6,065	Retail trade, hotels and restaurants	6,065	6,649
1,006	1,198	Maritime sector	1,198	1,006
5,692	5,645	Property management	5,577	5,635
11,469	13,036	Business services	13,036	11,469
9,247	9,364	Transport and other services provision	8,856	8,750
4,453	4,800	Other sectors	4,687	4,267
112,028	**122,699**	**Total deposits from customers broken down by sector and industry**	**122,010**	**111,286**

31 Dec 2021	31 Dec 2022	Deposits specified by geographic area	31 Dec 2022	31 Dec 2021
73,210	77,655	Trøndelag	77,047	72,550
18,396	19,425	Møre og Romsdal	19,425	18,396
1,446	1,894	Nordland	1,894	1,446
8,989	9,431	Oslo	9,349	8,908
9,247	11,621	Other counties	11,621	9,247
740	2,673	Abroad	2,673	740
112,028	**122,699**	**Total deposits broken down by geographic area**	**122,010**	**111,286**

Note 36 - Debt securities in issue

Accounting Policy

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

Parent Bank			Group	
31 Dec 2021	**31 Dec 2022**	**(NOK million)**	**31 Dec 2022**	**31 Dec 2021**
-	-	Money market instrument and other short-term borrowings	-	-
36,824	40,392	Bond debt	40,392	36,824
3,508	7,082	Senior non preferred	7,082	3,508
40,332	**47,474**	**Total debt securities in issue**	**47,474**	**40,332**
0.3 %	0.0 %	Average interest, money market certificates	0.0 %	0.3 %
0.9 %	1.3 %	Average interest, bond debt	1.3 %	0.9 %
1.3 %	2.7 %	Average interest, senior non preferred	2.7 %	1.3 %

31 Dec 2021	31 Dec 2022	Securities debt specified by maturity[1] [2]	31 Dec 2022	31 Dec 2021
6,395	-	2022	-	6,395
9,069	8,807	2023	8,807	9,069
3,600	4,497	2024	4,497	3,600
2,750	8,512	2025	8,512	2,750
9,230	9,512	2026	9,512	9,230
2,000	6,424	2027	6,424	2,000
5,129	9,649	2028	9,649	5,129
500	505	2029	505	500
100	105	2030	105	100
299	316	2031	316	299
249	263	2032	263	249
299	316	2033	316	299
149	158	2034	158	149
259	274	2035	274	259
279	295	2044	295	279
17	-93	Currency agio	-93	17
-169	-2,344	Premium and discount, market value of structured bonds	-2,344	-169
178	280	Accrued interest	280	178
40,332	**47,474**	**Total securities debt**	**47,474**	**40,332**

[1] Maturity is final maturity, not call date

[2] Less own bonds. Total nominal own holding in 2022 comes to NOK 73 m (at year-end 2021 there is no own holding)

31 Dec 2021	31 Dec 2022	Securities debt distributed on significant currencies	31 Dec 2022	31 Dec 2021
15,769	21,554	NOK	21,554	15,769
22,871	22,255	EUR	22,255	22,871
1,692	3,665	Other	3,665	1,692
40,332	**47,474**	**Total securities debt**	**47,474**	**40,332**

Parent Bank and Group

Change in securities debt	31 Dec 2022	Issued	Fallen due/ redeemed	Other changes	31 Dec 2021
Money market instrument	-	-	-	-	-
Bond debt	42,532	12,594	6,613	-254	36,805
Senior non preferred	7,100	3,600	-	-	3,500
Adjustments	-2,438	-	-	-2,286	-152
Accrued interest	280	-	-	102	178
Total	**47,474**	**16,194**	**6,613**	**-2,438**	**40,332**

Change in securities debt	31 Dec 2021	Issued	Fallen due/ redeemed	Other changes	31 Dec 2019
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**

Note 37 - Other debt and liabilities

Parent Bank			Group	
31 Dec 21	31 Dec 22	Other debt and recognised liabilities (NOK million)	31 Dec 22	31 Dec 21
-	72	Deferred tax	127	56
513	611	Payable tax	705	583
12	13	Capital tax	13	12
118	97	Accruals	388	774
347	427	Provisions	427	347
78	66	Tapsavsetninger garantier	66	78
8	6	Pension liabilities	6	8
262	233	Lease liabilities	339	476
84	97	Drawing debt	97	84
92	73	Creditors	116	150
157	176	Debt from securities	176	351
-	-	Equity instruments	0	31
185	196	Other	265	266
1,855	**2,067**	**Total other debt and recognised liabilities**	**2,725**	**3,215**
		Other liabilities, not recognised		
3,467	4,461	Credit limits, trading	4,461	3,484
-	-	Other commitments	44	240
3,467	**4,461**	**Total other commitments**	**4,505**	**3,723**
5,322	**6,529**	**Total commitments**	**7,230**	**6,938**

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 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.

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.

Parent Bank				Group		
Cash deposit	Securities	Total	Securities pledged	Total	Securities	Cash deposit
3,089	-	3,089	Securities pledged 31 December 2022	3,089	-	3,089
3,811	-	3,811	Relevant liabilities 31 December 2022	3,811	-	3,811
888	-	888	Securities pledged 31 December 2021	2,373	-	2,373
1,918	-	1,918	Relevant liabilities 31 December 2021	2,746	-	2,746

Ongoing lawsuits

The Group is not involved in legal disputes that are considered to be of substantial significance for the Group's financial position. It can nevertheless be mentioned that SpareBank 1 SMN is indirectly in dispute with Tieto Evry regarding remuneration for deliveries. No provision for loss has been made as of 31 December 2022.

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 corporate social responsibility.

Parent Bank/Group (NOK million)	Pension liabilities	Restructuring provision	Gifts
Provisions at 1 January 2022	8	33	314
Additional provisions in the period	-	-	250
Amounts used in the period	-	-31	-139
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 2022	**6**	**1**	**425**

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**

Note 38 - Subordinated debt and hybrid capital issue

Accounting Policy

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.

Parent bank			**Group**	
31 Dec 2021	**31 Dec 2022**	(NOKm)	**31 Dec 2022**	**31 Dec 2021**
		Dated subordinated debt		
-	-	2026 SpareBank 1 Finans Midt-Norge 16/26	43	43
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
-	1,000	2032 floating rate NOK (Call 2027)	1,000	-
3	15	Accrued interest	16	3
1,003	2,015	Total dated subordniated debt	2,058	1,046
1.9 %	**3.2 %**	**Average rate NOK**	**3.2 %**	**1.9 %**
		Additional Tier 1 Capital		
0	0	5/99 SpareBank 1 Finans Midt-Norge floating rate NOK (Call 2022)	43	43
300	76	**5/99 floating rate NOK (Call 2023)**	76	300
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
200	200	7/99 fixed rate 5.0 % NOK (Call 2025)*)	200	200
0	500	5/99 floating rate NOK (Call 2027)	500	-
0	200	5/99 floating rate NOK (Call 2027)	200	-
1,250	**1,726**	**Total additional Tier 1 Capital**	**1,769**	**1,293**
3.8 %	4.6 %	Average rate NOK	4.6 %	3.8 %

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

Group

Changes in subordinated debt and hybrid equity issue	31 Dec 2022	Issued	Fallen due/ redeemed	Other changes	31 Dec 2021
Ordinary subordinated debt, NOK	2,043	1,000	750	-	1,793
Accrued interest	16	-	-	13	3
Total subordinated debt and hybrid equity issue	**2,058**	**1,000.00**	**750.00**	**13**	**1,796**

Changes in additional Tier 1 Capital	31 Dec 2022	Issued	Fallen due/ redeemed	Other changes	31 Dec 2021
Additional Tier 1 Capital, NOK	1,769	700	224	-	1,293
Total subordinated debt and hybrid equity issue	**1,769**	**700**	**224**	**-**	**1,293**

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
Adjustments	-	-	-	-	-
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**

Note 39 - Investments in owner interests

Accounting Policy

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.

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.

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.

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	54.3
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
Shares owned by subsidiaries and sub-subsidiaries			
GMA Invest	994469096	Trondheim	100.0
Sentrumsgården	975856828	Leksvik	35.3
Aqua Venture	891165102	Trondheim	37.6
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
Leksvik Regnskapskontor	980491064	Leksvik	50.0
Info-Regnskap	843551882	Trondheim	100.0
Lom Regnskap	929019679	Lom	100.0
Regnskapsforum	964276390	Trondheim	50.0
SpareBank 1 Mobilitet Holding	927249960	Hamar	30.7
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	22.6
BN Bank	914864445	Trondheim	35.0
SpareBank 1 Næringskreditt	894111232	Stavanger	16.3
SpareBank 1 Kreditt	975966453	Trondheim	18.7
SpareBank 1 Betaling	919116749	Oslo	20.8
SpareBank 1 Gjeldsinformasjon	924911719	Oslo	16.9
SpareBank 1 Forvaltning	925239690	Oslo	19.6
SpareBank 1 Kundepleie	927467380	Trondheim	26.7
Investment in companies held for sale			
Mavi XV	890899552	Trondheim	100.0
Mavi XXIX	827074462	Trondheim	100.0
Byscenen Kongensgt 19	992237899	Trondheim	94.0
Bjerkeløkkja	998534976	Oppdal	95.0
SpareBank 1 Markets	992999101	Oslo	66.7
SpareBank 1 Markets Prosjekt 1	918280227	Oslo	100.0
SPG Corporate Finance	995654377	Oslo	25.0
SpareBank 1 Capital Markets		New York	100.0

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.

2022 (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	1,050,000	57,015	18.4	12,198	10,728	1,470	617	353	212	140	62	671
Total investments in credit institutions												**671**
EiendomsMegler 1 Midt-Norge	105,960	4,788	22	420	162	258	34	429	382	47	6	189
SpareBank 1 SMN Kvartalet	30,200	30,200	1	104	18	86	-	18	14	4	-	126
SpareBank 1 Regnskapshuset SMN	20,349	211	96	635	196	438	50	547	472	75	9	298
SpareBank 1 Invest	457,280	914,560	1	750	29	721	-	53	2	51	-	540
SpareBank 1 Bygget Steinkjer	1,000	100	10	36	0	36	-	0	- 1	1	-	40
St. Olavs Plass	1,000	100,000	0	53	1	52	-	3	2	1	-	50
SpareBank 1 Bilplan	5,769	41,206	0	8	0	8	-	0	0	- 0	-	9
Total investments in other subsidiaries												**1,252**
Total investments in Group companies, Parent Bank												**1,924**

*) Non-controlling interests

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

Dividends from subsidiaries

(NOK million)	2022	2021
SpareBank 1 Finans Midt-Norge	102	76
EiendomsMegler 1 Midt-Norge	49	34
SpareBank 1 Markets	139	100
SpareBank 1 Regnskapshuset SMN	57	74
SpareBank 1 SMN Invest	-	18
SpareBank 1 SMN Kvartalet	3	4
St. Olavs Plass 1 SMN	-	2
Sparebank 1 Bygget Steinkjer	1	1
Total dividends	**350**	**309**

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	
2021	2022	(NOK million)	2022	2021
4,933	4,590	As at 1 January	7,384	7,324
-341	473	Acquisition/sale	487	-228
-2	0	Write-down	0	-30
-	-	Equity capital changes	59	25
-	-	Profit share	442	711
-	-	Dividend paid	-297	-418
4,590	**5,063**	**Book value as at 31 December**	**8,075**	**7,384**

Specification of year's change, Group	Additions/ disposal	Equtiy change
SpareBank 1 Gruppen	-	-5
SpareBank 1 Boligkreditt	196	103
SpareBank 1 Næringskreditt	71	-4
SpareBank 1 Kreditt	71	6
Sparebank 1 Betaling	79	1
BN Bank	-	1
SpareBank 1 Forvaltning	55	-3
Other companies	15	-39
Sum	**487**	**59**

Profit share from associates and joint ventures is specified in the table below. Badwill and amortisation effects related to acquisitions are included in the profit share.

Dividends from investments in associates and joint ventures

(NOK million)	2022	2021
SpareBank 1 Gruppen	137	366
SpareBank 1 Boligkreditt	16	18
BN Bank	70	0
SpareBank 1 Næringskreditt	1	20
SpareBank 1 Kreditt	-	14
SpareBank 1 Forvaltning	72	0
Total income from associates and joint ventures	**297**	**418**

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.

2022 (NOK million)	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12	No. of shares
SpareBank 1 Gruppen	121,397	106,592	19,319	18,123	175	2,208	420,498
SpareBank 1 Boligkreditt	287,957	275,138	107	62	1	2,696	17,635,629
SpareBank 1 Næringskreditt	11,615	9,565	47	27	3	333	2,640,198
SpareBank 1 Kreditt	7,159	5,890	351	304	9	283	751,377
Sparebank 1 Betaling	1,251	0	-	3	13	260	5,711,159
BN Bank	44,998	39,499	1,128	533	203	1,812	4,943,072
SpareBank 1 Forvaltning	1,523	696	709	538	33	162	722,575
Other companies					4	322	
Total					**442**	**8,075**	

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**	

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.

From fourth quarter 2022, the subsidiary SpareBank 1 Markets is classified as held for sale. On 22 June 2022, SpareBank 1 SMN announced that SpareBank 1 Markets is strengthening its investment within the capital market and SpareBank1 SR-Bank and SpareBank 1 Nord-Norge will be its majority owners. SpareBank1 SR-Bank and SpareBank 1 Nord-Norge will transfer their markets business to SpareBank 1 Markets, and also buy into the company in the form of a cash consideration. After completion of the transaction, SpareBank 1 SMN will own 39.4% and SpareBank 1 Markets will be treated as an associated company. The transaction is dependent on approval from the Norwegian Financial Supervisory Authority and the Norwegian Competition Authority, and is planned to be completed in second quarter 2023.

2022 (NOK Million)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS Group	75	30	12	11	-0	100 %
SpareBank 1 Markets	1,844	1,063	780	601	179	67 %
Total Held for sale	**1,919**	**1,093**	**791**	**612**	**179**	

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

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)	**2022**	**2021**	**2022**	**2021**
Outstanding loans as at 1.1	8,670	8,508	4,622	4,643
Loans issued in the period	1,703	1,014	332	98
Repayments	23	852	332	111
Outstanding loans as at 31.12	**10,350**	**8,670**	**4,622**	**4,629**
Interest rate income	235	108	48	6
Bonds and subordinated loans as at 31.12	155	157	945	614
Deposits (NOK million)				
Deposits as at 1.1	1,426	1,445	1,225	2,037
Contribution received during the period	52,956	51,267	78,579	425,269
Withdrawals	52,340	51,286	78,694	426,062
Deposits as at 31.12	**2,042**	**1,426**	**1,110**	**1,244**
Interest rate expenses	22	9	21	3
Securities trading	134	148	-	-
Commission income SpareBank 1 Boligkreditt	-	-	255	449
Commission income SpareBank 1 Næringskreditt	-	-	16	14
Issued guarantees and amount guaranteed	6	6	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 of 31 December 2022 there was 17 007 ECC holders (14 754 as of 31 December 2021).

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	1009781700	10,097,817
2005	Split	-	1009781700	40,391,268
2005	Rights issue	252,445,425	1262227125	50,489,085
2007	Dividend issue	81,752,950	1343980075	53,752,203
2007	Employee placing	5,420,000	1349400075	53,976,003
2008	Dividend issue	90,693,625	1440093700	57,603,748
2008	Employee placing	6,451,450	1446545150	57,861,806
2009	Bonus issue	289,309,025	1735854175	69,434,167
2010	Employee placing	12,695,300	1748549475	69,941,979
2010	Rights issue	624,082,675	2372632150	94,905,286
2011	Rights issue	625,000	2373257150	94,930,286
2012	Reduction in nominal value	-474.651.430	1898605720	94,930,286
2012	Rights issue	569,543,400	2468149120	123407456
2012	Employee placing	16,220,200	2484369320	124218466
2012	Placing	112,359,540	2596728860	129836443

20 largest ECC holders at 30 June 2020	No. Of ECCs	Holding
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,188,662	2.46 %
VPF Alfred Berg Gambak	2,987,707	2.30 %
State Street Bank and Trust Comp	2,903,393	2.24 %
VPF Pareto Aksje Norge	2,761,418	2.13 %
Danske Invest Norske aksjer institusjon II.	2,738,645	2.11 %
State Street Bank and Trust Comp	2,555,343	1.97 %
J. P. Morgan Chase Bank, N.A., London	2,540,860	1.96 %
VPF Eika Egenkapitalbevis	2,335,792	1.80 %
VPF Nordea Norge	2,310,642	1.78 %
Forsvarets personellservice	2,124,217	1.64 %
Pareto Invest AS	2,025,266	1.56 %
The Bank of New York Mellon SA/NV	2,014,446	1.55 %
J. P. Morgan Bank Luxembourg S.A.	1,802,526	1.39 %
J. P. Morgan Bank Luxembourg S.A.	1,789,621	1.38 %
MP pensjon PK	1,527,586	1.18 %
Spesialfondet Borea utbytte	1,352,771	1.04 %
VPF Nordea avkastning	1,262,576	0.97 %
VPF Alfred Berg Norge	1,185,237	0.91 %
J. P. Morgan Bank Luxembourg S.A.	1,166,605	0.90 %
The 20 largest ECC holders in total	**44,538,704**	**34.30 %**
Others	85,297,739	65.70 %
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)	2022	2021
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	2,592	2,692
Allocated to ECC Owners 2)	1,658	1,722
Issues Equity Captial Certificates adjusted for own certificates	129,316,131	129,339,665
Earnings per Equity Captial Certificate	**12.82**	**13.31**

1) Adjusted Net Profit	2022	2021
Net Profit for the group	2,785	2,902
adjusted for non-controlling interests share of net profit	-130	-160
Adjusted for Tier 1 capital holders share of net profit	-63	-50
Adjusted Net Profit	**2,592**	**2,692**

2) Equity capital certificate ratio (parent bank) (NOKm)	31 Dec 2022	31 Dec 2021
ECC capital	2,597	2,597
Dividend equalisation reserve	7,877	7,007
Premium reserve	895	895
Unrealised gains reserve	45	109
Other equity capital	-	-
A. The equity capital certificate owners' capital	**11,413**	**10,609**
Ownerless capital	6,408	5,918
Unrealised gains reserve	25	62
Other equity capital	-	-
B. The saving bank reserve	**6,433**	**5,980**
To be disbursed from gift fund	474	547
Dividend declared	840	970
Equity ex. profit	**19,161**	**18,106**
Equity capital certificate ratio A/(A+B)	**64.0 %**	**64.0 %**
Equity capital certificate ratio for distribution	**64.0 %**	**64.0 %**

Note 44 - Events after the balance sheet date

Accounting Policy

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.

SpareBank 1 SMN reported to the police on Thursday 19 January a hired replacement employee for gross embezzlement. The relationship was uncovered through the bank's own control functions. The police's investigation, which corresponds to the bank's own investigations, shows that the embezzlement totals just under NOK 75 million. Because the accused returned part of the amount to SpareBank 1 SMN before the arrest, the net amount withdrawn from the bank is in excess of NOK 66 million. The police have secured just over NOK 15 million in Sweden. Based on the information that is now known, more than NOK 50 million of the embezzled amount has been lost.

SpareBank 1 SMN has insurance that covers financial crime, including embezzlement. The insurance has a deductible of NOK 5 million. Most of the embezzlement occurred within a short time before it was discovered and reported to the police. The funds have been transferred to bank accounts in other banks in Norway, and further out of the country. There, they have mainly been invested in securities and financial instruments with a very high risk.

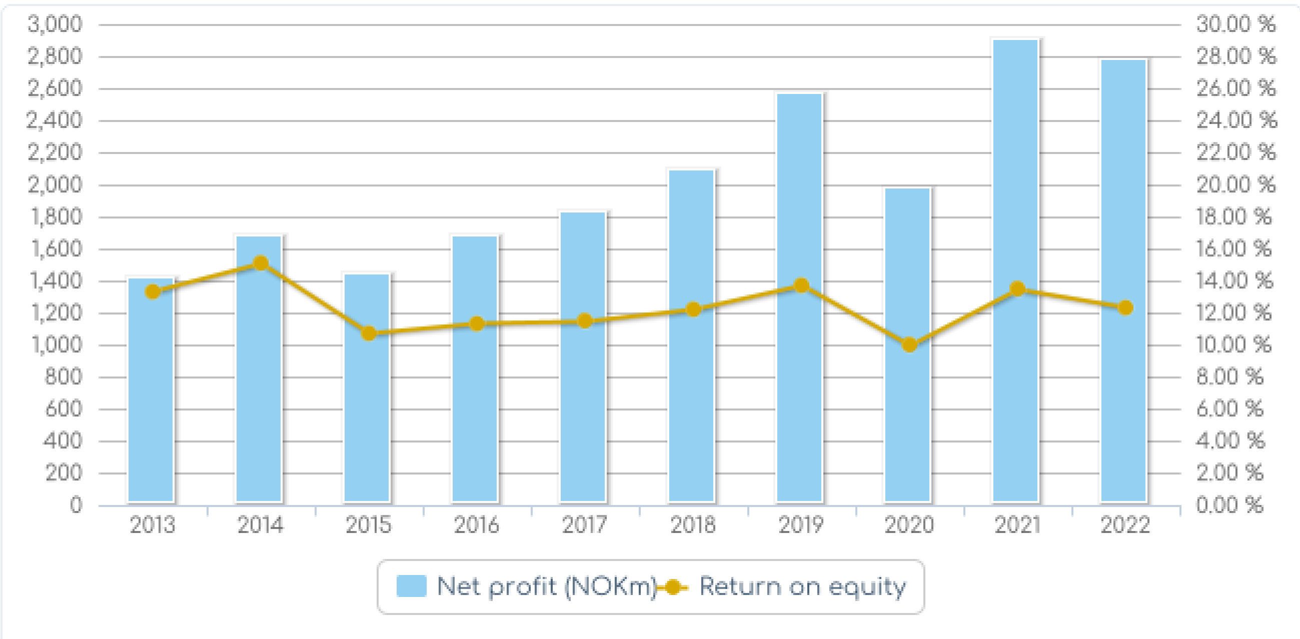
Financial summary (Group)

Income statement NOKm [1)]	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Interest income	5,927	3,913	4,197	4,626	4,057	3,825	3,597	4,031	4,265	4,118
Interest expenses	2,588	1,107	1,439	1,939	1,655	1,600	1,668	2,111	2,424	2,483
Net interest and credit comissionincome	**3,339**	**2,805**	**2,759**	**2,687**	**2,403**	**2,225**	**1,929**	**1,920**	**1,841**	**1,635**
Commision and fee income	2,042	2,141	2,572	2,290	2,177	2,005	1,674	1,545	1,512	1,463
Income from investment in relatedcompanies	442	705	681	879	423	437	423	448	527	355
Return on financial investements	-61	134	269	322	334	322	521	11	193	147
Total income	**5,760**	**5,786**	**6,281**	**6,178**	**5,337**	**4,989**	**4,547**	**3,924**	**4,073**	**3,599**
Salaries, fees and otherpersonnel costs	1,406	1,378	1,883	1,699	1,584	1,426	1,159	1,093	1,002	914
Other operating expenses	1,038	981	1,069	1,098	1,040	943	844	838	787	807
Total costs	**2,443**	**2,360**	**2,952**	**2,797**	**2,624**	**2,369**	**2,003**	**1,931**	**1,789**	**1,722**
Operating profit before losses	**3,317**	**3,426**	**3,329**	**3,380**	**2,713**	**2,621**	**2,544**	**1,993**	**2,284**	**1,877**
Losses on loans and guarantees	-7	161	951	299	263	341	516	169	89	101
Operating profit	**3,324**	**3,266**	**2,378**	**3,081**	**2,450**	**2,279**	**2,029**	**1,824**	**2,195**	**1,776**
Taxes	718	563	400	518	509	450	352	383	376	393
Result investment Held for sale	179	200	1	0	149	- 1	4	- 1	-	30
Profit of the year	**2,785**	**2,902**	**1,978**	**2,563**	**2,090**	**1,828**	**1,681**	**1,441**	**1,819**	**1,413**
Dividend	**840**	**970**	**569**	**840**	**661**	**571**	**389**	**292**	**292**	**227**
Balance sheet NOKm										
Cash and loans to and claims on credit institutions	12,834	5,956	7,856	2,871	5,957	7,527	4,207	5,677	5,965	5,984
CDs, bonds and other interest-bearing securities	53,792	44,024	43,522	35,508	32,438	31,672	29,489	30,282	27,891	26,358
Loans before loss provisions	1,081	147,301	134,648	126,277	120,473	112,071	102,325	93,974	90,578	80,548
- Loan loss impairments/ Specified Loan loss provisions	0	1,410	1,517	998	744	765	632	183	172	173
- Unspecified loan loss provisions	0	0	0	0	0	347	339	376	295	295
Other assets	5,137	2,974	3,403	3,004	2,581	3,096	3,030	2,540	2,080	2,938
Total assets	**233,312**	**198,845**	**187,912**	**166,662**	**160,704**	**153,254**	**138,080**	**131,914**	**126,047**	**115,360**
Debt to credit institutions	14,636	15,063	13,095	8,853	9,214	9,607	10,509	8,155	9,123	6,581
Deposits from and debt to customers	122,010	111,286	97,529	85,917	80,615	76,476	67,168	64,090	60,680	55,927
Debt created by issuance of securities	55,781	44,241	51,098	46,541	47,251	45,537	40,390	40,569	39,254	36,806
Other debt and accrued expences etc.	3,818	3,217	3,085	2,841	2,671	1,924	1,532	1,734	1,095	1,485
Subordinated debt	2,057	1,796	1,795	2,090	2,268	2,201	2,228	2,509	2,417	2,365
Total equity	25,009	23,241	21,310	20,420	18,686	17,510	16,253	14,258	13,478	12,197
Total liabilities and equity	**223,312**	**198,845**	**187,912**	**166,662**	**160,704**	**153,254**	**138,080**	**131,914**	**126,047**	**115,360**
Key figures										
Total assets	223,312	198,845	187,912	166,662	160,704	153,254	138,080	131,914	126,047	115,360
Average total assets	213,112	196,229	183,428	165,154	156,992	145,948	137,060	128,355	117,794	111,843
Gross loans to customers	152,629	147,301	134,648	126,277	120,473	112,071	102,325	93,974	90,578	80,548
Gross loans to customers incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	211,244	195,353	182,801	167,777	160,317	148,748	137,535	127,378	120,435	112,283
Gross loans in retail market	141,833	132,894	124,461	115,036	108,131	98,697	89,402	80,725	74,087	68,591
Gross loans in corporate market	69,411	62,458	58,340	52,740	52,186	50,087	48,133	46,653	46,348	43,692
Deposits from and debt to customers	122,010	111,286	97,529	85,917	80,615	76,476	67,168	64,090	60,680	55,927
Deposits from retail market	48,316	44,589	40,600	35,664	33,055	31,797	29,769	28,336	26,496	23,891
Deposits from corporate market	73,693	66,697	56,928	50,253	47,561	44,678	37,398	35,754	34,184	32,036
Ordinary lending financed by ordinary deposits	80 %	76 %	72 %	68 %	67 %	68 %	66 %	68 %	67 %	69 %
Ordinary lending incl. SpareBank 1 Boligkreditt and SpareBank 1										

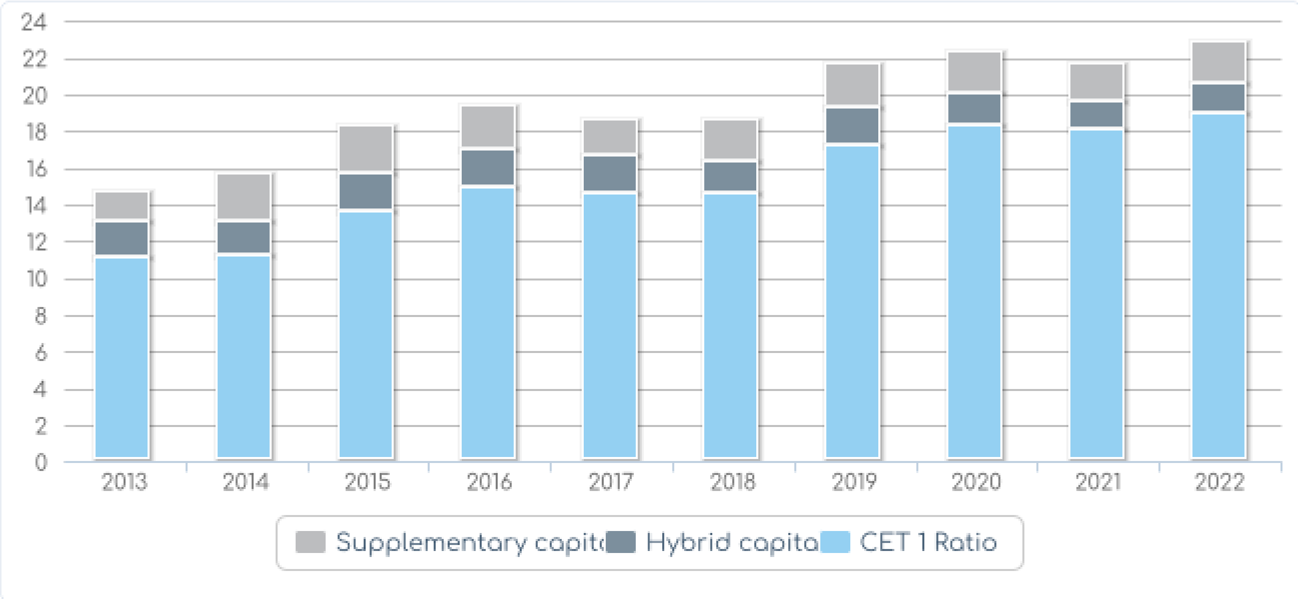
Næringskreditt financed by ordinary deposits	58 %	57 %	53 %	51 %	50 %	51 %	49 %	50 %	50 %	50 %
Capital adequacy										
CET1 Capital	19,776	17,790	17,041	15,830	14,727	17,041	13,229	12,192	10,679	9,374
Core capital	21,835	19,322	18,636	17,742	16,472	18,636	15,069	13,988	12,382	10,989
Primary capital	24,147	21,333	20,759	19,854	18,743	20,759	17,185	16,378	14,937	12,417
Risk weighted volume	104,716	98,664	93,096	91,956	101,168	93,096	88,788	89,465	95,317	84,591
CET 1 Ratio	18.9 %	18.0 %	18.3 %	17.2 %	14.6 %	20.0 %	14.9 %	13.6 %	11.2 %	11.1 %
Core capital ratio	20.9 %	19.6 %	20.0 %	19.3 %	16.3 %	22.3 %	16.9 %	15.6 %	12.9 %	12.9 %
Capital ratio	23.1 %	21.6 %	22.3 %	21.6 %	18.5 %	7.1 %	19.4 %	18.3 %	15.6 %	14.7 %
Leverage ratio	7.1 %	6.9 %	7.1 %	7.5 %	7.4 %		7.4 %	6.7 %	6.0 %	
Cost/income ratio	42 %	45 %	47 %	45 %	49 %	47 %	44 %	50 %	44 %	48 %
Losses on loans	0.00 %	0.09 %	0.54 %	0.18 %	0.17 %	0.23 %	0.39 %	0.14 %	0.08 %	0.09 %
ROE	12.3 %	13.5 %	10.0 %	13.7 %	12.2 %	11.5 %	11.3 %	10.7 %	15.1 %	13.3 %
Growth in lending (gross)	8.1 %	6.9 %	9.0 %	4.7 %	7.8 %	8.2 %	8.0 %	5.8 %	7.3 %	7.0 %
Growth in deposits	9.6 %	14.1 %	13.5 %	6.6 %	5.4 %	13.9 %	4.8 %	5.6 %	8.5 %	7.0 %
Number of staff [1)]	1 498	1 449	1 653	1 634	1 588	1 482	1 328	1 298	1 273	1 238
Number of FTEs [1)]	1 432	1 340	1 560	1 509	1 493	1 403	1 254	1 208	1 192	1 159
Number of branches	40	40	45	46	48	48	48	49	49	50

[1)]Comparable figures for 2021 have been restated due to the reclassification of the subsidiary SpareBank 1 Markets to held for sale from Q4 2022. See further information in note 3. Prior year figures have not been restated. The number of staff and FTE's have been restated for years 2022 and 2021.

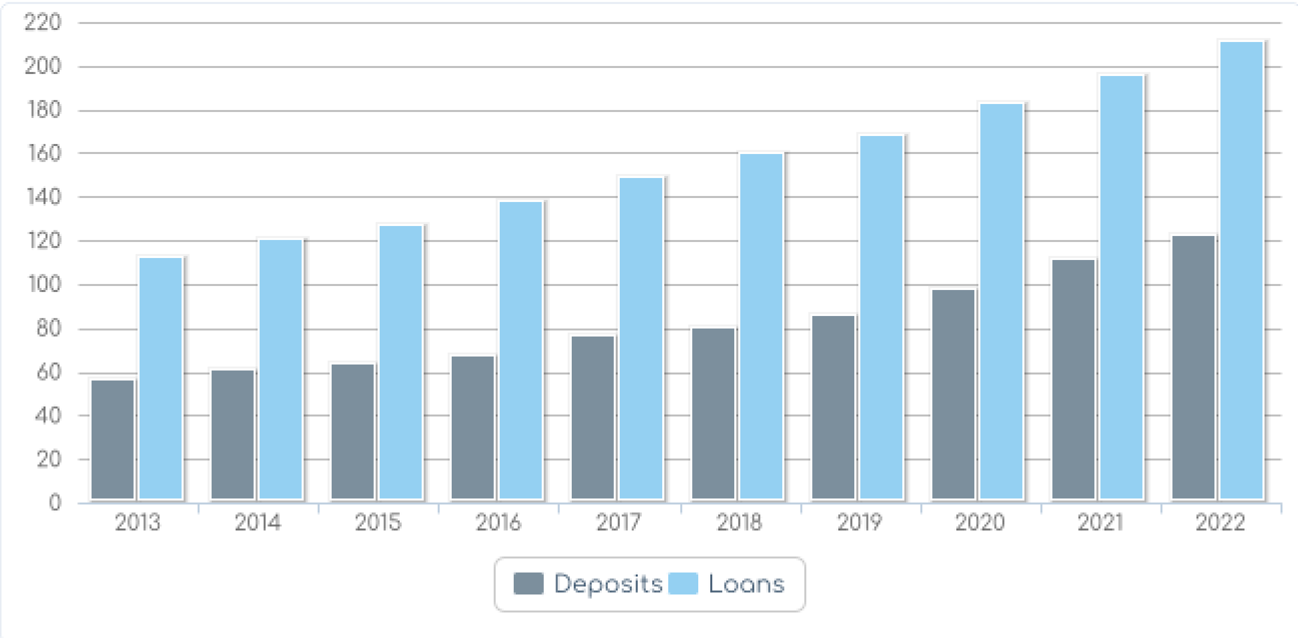
Net profit and return on equity



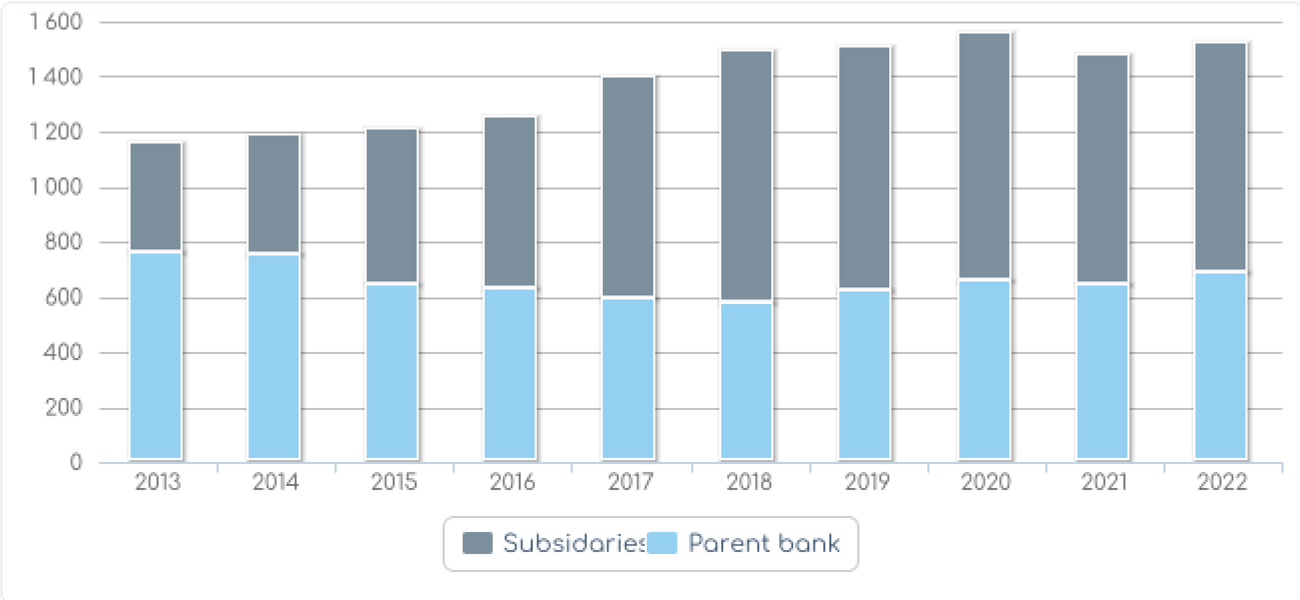
Capital ratio



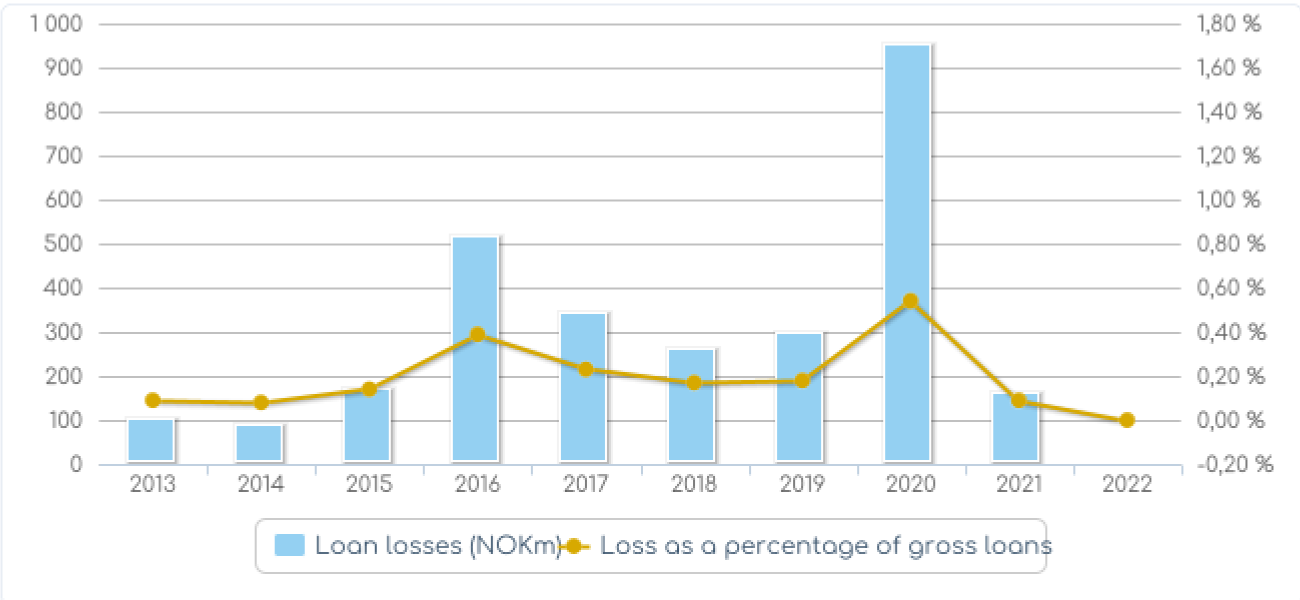
Loans and deposits (NOKbn)



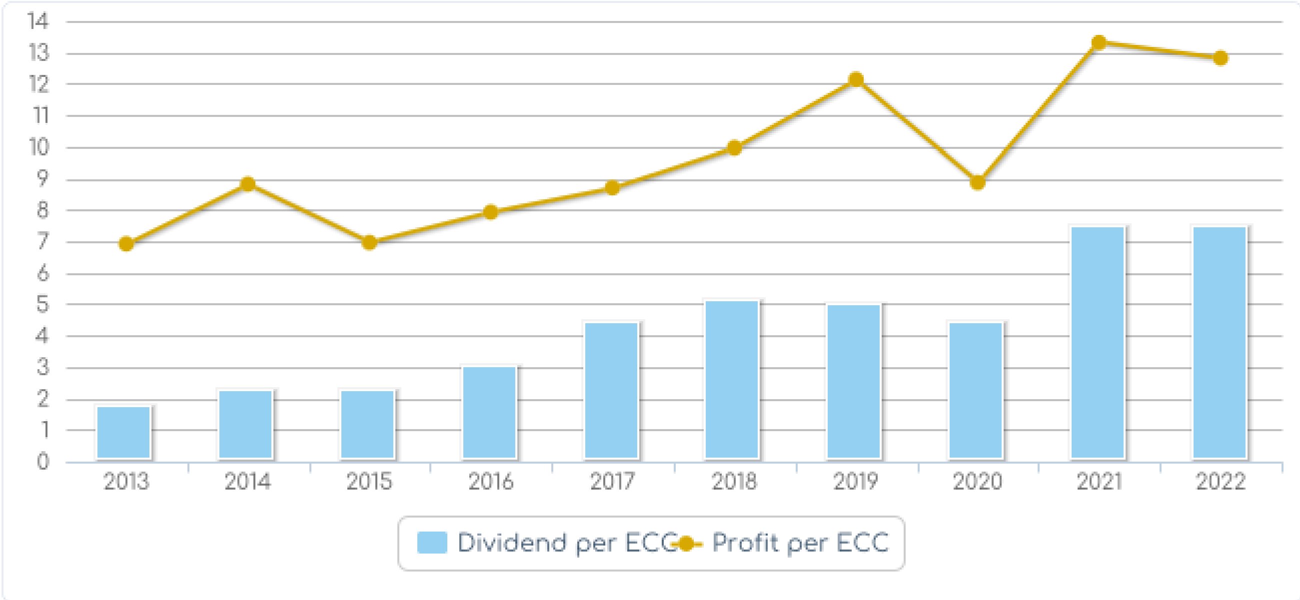
FTEs



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 2022 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, 1 March 2023
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal (chair)	Christian Stav (deputy chair)	Morten Loktu
Mette Kamsvåg	Tonje Eskeland Foss	Eli Skrøvset
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

Report on the Audit of the Financial Statements

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 statement of financial position as at 31 December 2022, the income statement, statement of changes in equity and cash flow statement 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 statement of financial position as at 31 December 2022, the income statement, statement of changes in equity and cash flow statement 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 2022, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, 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 relevant laws and regulations in Norway 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.

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 4 years from the election by the supervisory board 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 2022. 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 area of focus in 2022.

Key Audit Matters	How our audit addressed the Key Audit Matter
The value of loans to customers	
Loans to customers represent a considerable part of 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, 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; • Identification of loans with a significant increase in credit risk; • The categorization of loans into stages; and • The parameters such as the probability of default, 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. The assessments require management to use judgement.	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. Our work included tests of the company's 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 were performed according to expectations, hereunder interest calculations and mortifications. The testing included the integrity of data, changes of and access to the systems.

Please refer to note 3, 6, 8 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.

To assess whether we could rely on the work performed by other auditors, we satisfied ourselves regarding the auditors' competence 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. It is explained in the annual report that the decrease in loan losses mainly is within the offshore portfolio. The main part of individual engagements selected for testing are from the offshore portfolio. We have for the selected engagements assessed the material factors in the model, such as rates, utilization and realization value. 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 appear 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 statutory 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 scepticism 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 and 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's 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 Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of SpareBank 1 SMN, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name SB1SMN-2022-12-31-nb, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities
Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities
For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Trondheim, 1 March 2023
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.