2022
ANNUAL REPORT

SpareBank 1 SMN

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Statement by the Group CEO

SpareBank 1 SMN's 200th anniversary – on a steady course with the wind in its sails

I often reflect on the legacy managed by SpareBank 1 SMN and the responsibility we hold. On the one hand it's about continuing our DNA – about maintaining our presence, local-level decision making and active social commitment. On the other it's about evolving to meet a world in rapid change and more uncertain than for a long time.

The vision of the 44 persons who founded Trondhjems sparebank on 26 May 1823 was clear. They wished to make the city and the region a better place for those that lived and worked here. More people should save money in order to get established, start businesses and provide for their families. The founders invested their own funds in the bank, relinquishing ownership, and any future profit was to be shared with the local community.

Little did the founders know that their efforts would form the basis for the region's largest, and leading, finance centre which today counts just short of 1,700 employees. And although SpareBank 1 SMN is a large stock exchange listed company, the Mid-Norwegian community remains its largest owner. En route we have stood by people and businesses through thick and thin, in good times as in bad. Lately through a global pandemic, followed by war in Europe. On this occasion too we have gained market share in increasingly uncertain times.

2022 has been an unusually active and eventful year in the history of the bank. In the first quarter we reached a lending volume of NOK 200bn for the first time ever. An important and symbolic milestone at the start of the year in which the bank celebrates its 200^{th} anniversary. The retail segment continues to account for the largest share of lending volume. However, the bank has seen a change in its pace of growth in the corporate market. Looking at the profit figures, the group's overall profit for business-oriented activities exceeds the corresponding figure for the retail market.

Much effort has been given to improving the interaction between business lines in recent years. This is what we call "One SMN". An important aspect of this effort involves the co-location of enterprises. Another has been to coordinate development and support functions to build better processes and customer journeys. This is a journey we shall continue to work on in 2023.

SpareBank 1 SMN has for many years been a driver for the development of collaboration in SpareBank 1-alliansen. It is therefore a matter of pride for SpareBank 1 Markets to be taking over the capital market activities of both SpareBank 1 SR-bank and SpareBank 1 Nord-Norge. The process involves an increase in the two banks' holdings in the company, while SpareBank 1 Markets is to switch from being a subsidiary of SpareBank 1 SMN to become a jointly controlled entity in true alliance spirit. The transaction is to reach completion in the second quarter of 2023.

Another jointly controlled entity is Vipps. This company has changed Norwegians' payment habits through innovation. In 2022 the company reached a new milestone. The merger with MobilePay united the leading digital wallets in Norway, Denmark and Finland. The new company has from the outset 11 million retail customers and 400,000 corporate customers. This makes Vipps the market leader in the Nordic region and a contender on the European stage.

SpareBank 1 SMN also aspires to play an active role in the anticipated consolidation among Norwegian savings banks. The approval in November of the merger between SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre was accordingly a historical milestone. The merged entity will hold a strong market position, and a fine basis for offensive growth in Sunnmøre and in Fjordane.

In recent years the bank has substantially ramped up its ambitions and the volume of its community dividend. Last year we allocated more than half a billion kroner to community dividend, of which half went to the foundation Sparebankstiftelsen SMN while the remainder was distributed among projects small and large. Never before have so many known about our ownership model, and never before have so many received community dividend grants. In 2022 we received more than 4,000 applications, and almost half were approved.

We have set ourselves the goal of being a driver for green transition in Mid-Norway, and the group has substantially raised its ambitions in the sustainability sphere. Regnskapshuset now offers sustainability competencies in demand from more and more customers, and the bank is financing ever more of its funding by way of green bonds. Last autumn we conducted a double materiality analysis as basis for prioritising our efforts in the sustainability sphere. Indeed, as from this year, the annual report is structured along the same lines as the materiality analysis.

Our 200th anniversary will be commemorated throughout the year. Our planning started out from the founders' vision of creating a brighter future for coming generations in their local community. Hence a solid dose of history will permeate the anniversary year, at the same time as the future will remain in focus. The latter involves activities for young people, and a clear footing in sustainability. Among the activities is an excursion for the future aboard the training ship Statsraad Lehmkuhl – symbolising a savings bank on a steady course into the future and with the wind in its sails.

Jacob Roll and the other founders would no doubt also have been proud to witness the fruits of the small savings bank they established on a day in May early in the 1800s. At the same time they, like us, would probably have been concerned by the turbulence in the world around us. So it is reassuring to know that we have a 200-year-old tradition of handling change, with a cool head and a warm heart.

Jan-Frode Janson
Group CEO at SpareBank 1 SMN

Important events in 2022

First quarter 2022

- Net Profit of NOK 698m and a return on equity of 12.5%.
- SpareBank 1 SMN reaches a historic milestone with a loan volume of NOK 200bn.
- We made our first payment to the SINTEF Climate Fund.
- In February we launched the year's focal theme for community dividend – *Living Neighbourhoods*. Through this focus we wish to contribute to good neighbourly communities and a better living environment in neighbourhoods throughout the region.
- When war broke out in Europe, we set aside NOK 2m of our community dividend to alleviate the humanitarian catastrophe caused by the war in Ukraine.

Second quarter 2022

- Net Profit of NOK 702m and a return on equity of 12.9%.
- SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre reached an agreement of intent to merge the two banks. The goal is to build an even stronger regional bank, with clear growth aspirations in Sunnmøre and in Fjordane.
- On 22 June 2022 SpareBank 1 SMN announced that SpareBank 1 Markets intention to strengthen its capital market focus. SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge are to transfer their capital market business to SpareBank 1 Markets, and are in addition buying into the company in the form of a cash payment. Upon completion of the transaction SpareBank 1 SMN's stake will be 39.4% and SpareBank 1 Markets will be treated as an affiliated enterprise. The transaction requires approval by the Financial Supervisory Authority and the Competition Authority, and is scheduled for completion in March 2023.

Third quarter 2022

- Net Profit of NOK 617m and a return on equity of 10.9%.
- Merger of SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre approved by the board of directors of both banks.
- In October 2022 the rating agency Moody's upheld our A1 credit rating and revised our outlook from stable to positive. Moody's confirmation and the positive outlook reflected SpareBank 1 SMN's solid capital position along with sound and profitable operations, improved risk profile and reduced dependence on market funding.

Fourth quarter 2022

- Net Profit of NOK 768 and a return on equity of 13.1%.
- The year's economic barometer for the business sector in the region was presented in November 2022. It put pessimism at its highest level since the financial crisis.
- The merger was approved by the general meeting of SpareBank 1 Søre Sunnmøre and the supervisory board of SpareBank 1 SMN in the year's final quarter.
- The specialist department "Sustainability Reporting and Advisory Services" at SpareBank 1 Regnskapshuset SMN was established to help businesses navigate the green transition by providing advice in the reporting, energy and climate accounting areas.

This is SpareBank 1 SMN

The first savings banks in Norway saw the light of day in the 1820s, and our history extends 200 years back in time to the founding of Trondhjems sparebank in 1823.

A group of Trondheim's better-off men paid a total of 1,596 speciedaler to set up a local savings bank. The bank they founded was named Trondhjems sparebank. Little did those men know that this was to be the start of a long and proud history.

Between the 1820s and far into the 1900s new savings banks were established across the entire region. In the 1990s and subsequently, many of them were amalgamated with what was once Trondhjems sparebank. It is these banks that now make up SpareBank 1 SMN. The men who back in the day founded Trondhjems sparebank aspired to build their community and to play a part in helping the less well-off to accumulate savings. They wanted the community to own the bank, and as early as 1840 Trondhjems sparebank started to devote parts of its net profit to supporting projects that would benefit the local populace.

Now that we are entering the anniversary year 2023 to celebrate a 200-year history, we are much more than a bank. We are the region's leading financial services group and can offer our customers a comprehensive and coherent range of products and services in the banking, accounting and estate agency spheres.

The set of values dating from 1823 has been with us throughout our history and stands firm to this day. Our main objective is, and has always been, to provide good financial advice to people and businesses in good and bad times. The community is still the group's largest stakeholder and each year receives its rightful share of the net profit through the community dividend fund.

We have a big heart for the local communities across our region, and an unwavering belief that *Together we make things happen*.

Goals and strategic priorities

SpareBank 1 SMN's aspires to be the leading financial services group in Mid-Norway, and among the best performers in the Nordic region. We aim to create financial value, to build the regional community and to assume our share of the responsibility for a sustainable development.

With our strong customer relationships and high return over time, we have a good foundation on which to build further. We have clear-cut objectives in terms of profitability, financial position and efficiency. In relation to the fourth quarter 2022 the goal related to return on equity was increased, and the annual cost-goal was revised. Our goals for the coming period are:

- **Profitable**, with a 13 per cent return on equity
- **Financially solid**, with a CET1 ratio of 17.2 per cent. Payout ratio about 50 per cent
- **Efficient**. Annual goal of a cost-income ratio below 40 per cent at the parent bank, and below 85 per cent at subsidiaries
- **Responsible**. Achieve net zero emissions by 2050
- **Strengthened market position**. Ambition to be number 1 in the group's areas of business
- **Increase in satisfied customers**. Ambition to have the most satisfied customers in all business lines and market areas

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

Our five most important priorities

In 2020 five strategic priorities were highlighted as particularly important for the group. These areas have subsequently laid the basis for our strategic priorities and will continue to do so in 2023.

The five priorities are:

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

SpareBank 1 SMN's organisational set-up

We are an independent regional savings bank and the region's leading financial services group. Together with our subsidiaries and affiliates, we are a complete financial centre catering to both the retail and the corporate market. With subsidiaries included, we have about 1,650 employees at the end of 2022.

SpareBank 1 SMN is one of six owners of SpareBank 1-alliansen. Through this alliance we offer competitive products in the fields of financing, savings and investment, insurance and payment services along with estate agency, leasing, accounting services and capital market services.

SpareBank 1 SMN is organised under the following structure:

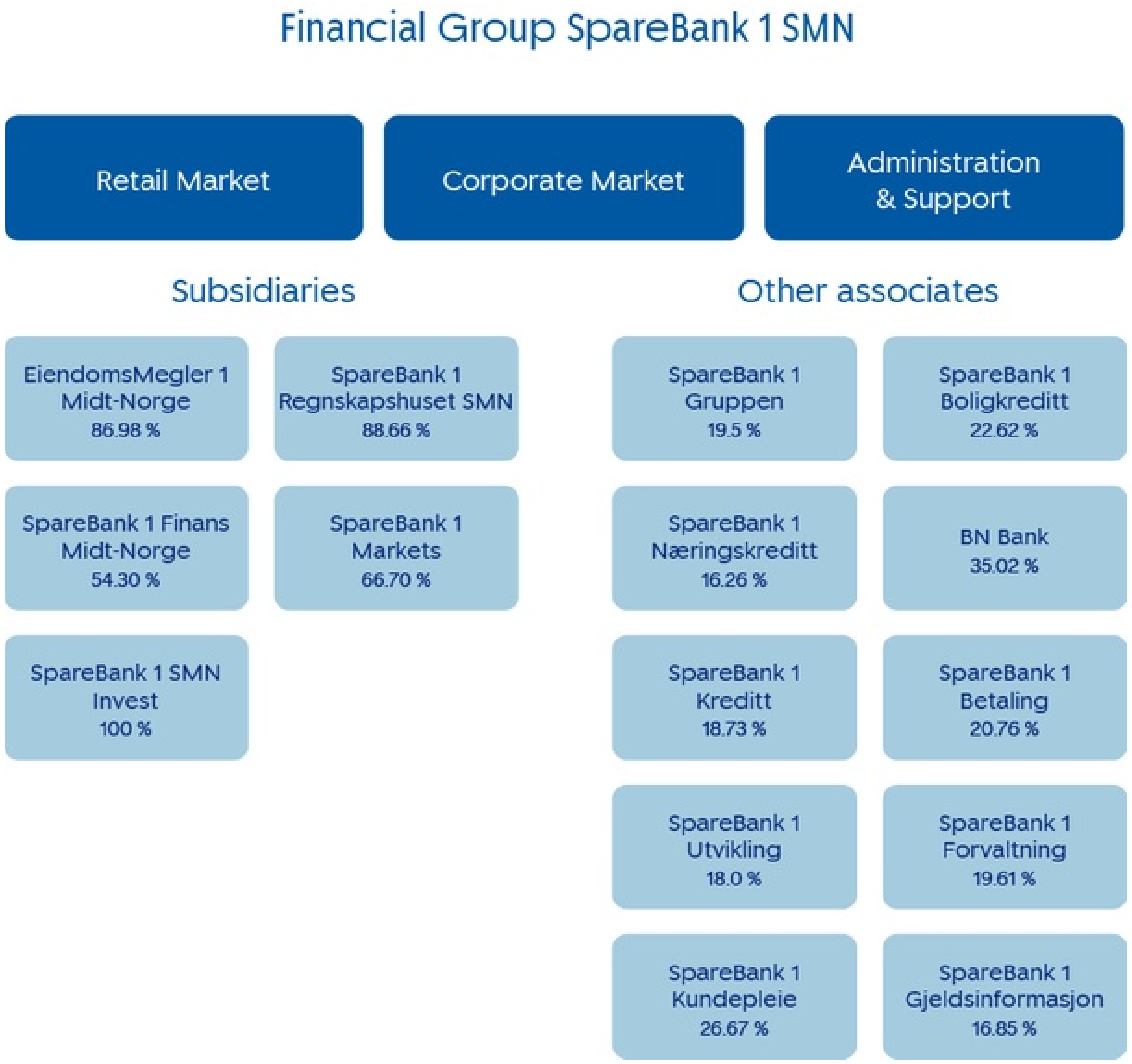


Figure 1: Overview of business lines in SpareBank 1 SMN

Our head office is located in Trondheim and the group has altogether 68 offices across the region.

Some of these offices are stand-alone and in many localities two business lines are co-located under the same roof. 15 offices are what we term finance centres in which banking, accounting and estate agency businesses are present in one and the same location.

Where to find us:

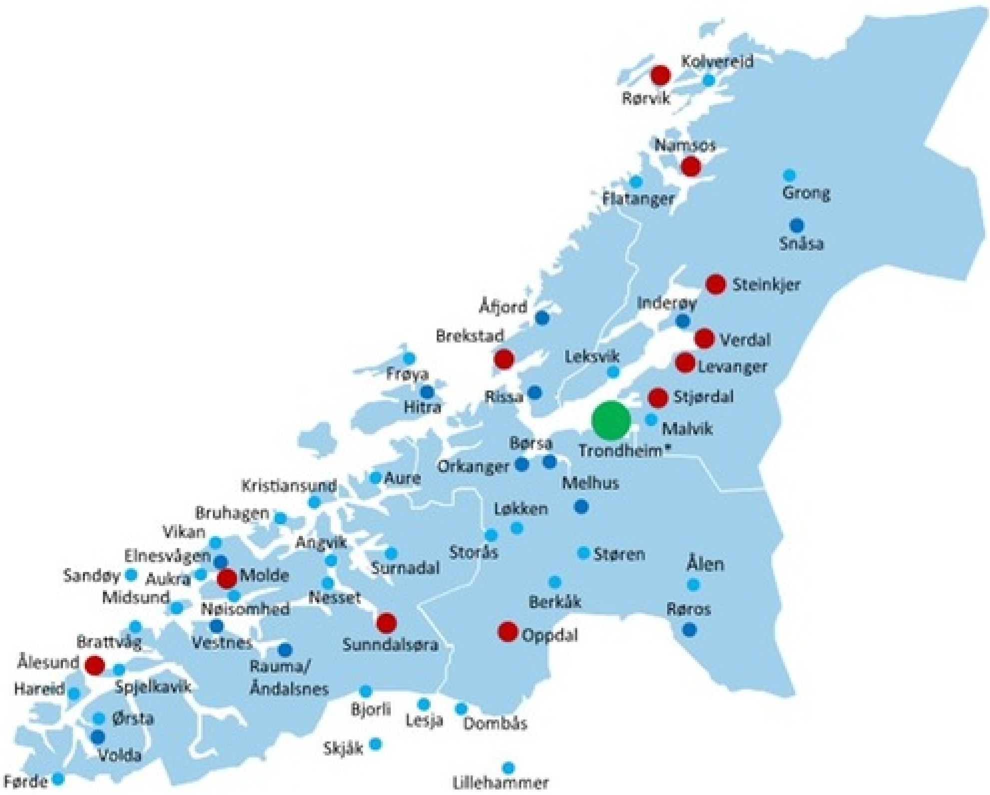


Figure 2: Overview of SpareBank 1 SMN´s offices

- *The group's head office is located in Trondheim along with a number of offices offering banking, accounting and estate agency services on a stand-alone or co-located basis.*
- *Locations marked with red dots offer banking, estate agency and accounting services.*
- *Locations marked with dark blue dots offer two business lines under the same roof.*
- *At locations marked with pale blue dots, offices are stand-alone.*
- *SpareBank 1 Markets and SpareBank 1 Regnskapshuset SMN also have offices in Oslo.*

Subsidiaries

EiendomsMegler 1 Midt-Norge

EiendomsMegler 1 Midt-Norge is a subsidiary of SpareBank 1 SMN. Other owners are SpareBank 1 Nordmøre and SpareBank 1 Sunnmøre. EiendomsMegler 1 Midt-Norge owns Brauten Eiendom and is part of EiendomsMegler 1-alliansen, the country's largest provider of estate agency services. The company has more than 270 employees distributed across more than 30 offices throughout Trøndelag and Møre and Romsdal, and offers services as regards second-hand homes, commercial property and new builds along with rental and agricultural brokerage services.

SpareBank 1 Regnskapshuset SMN

SpareBank 1 Regnskapshuset SMN is a subsidiary of SpareBank 1 SMN. Other owners are SpareBank 1 Søre Sunnmøre, SpareBank 1 Gudbrandsdal and SpareBank 1 Lom og Skjåk. SpareBank 1 SMN is the largest owner and the company has some 520 employees dispersed across 42 locations in Trøndelag, Møre og Romsdal and Innlandet. The company is a fully fledged finance and technology centre and is one of the three largest operators in the accounting industry in Norway. In addition to traditional accounting services and systems the company offers services in the fields of sustainability reporting, HR, transfer of ownership, taxes and duties, and IT. In cooperation with SpareBank 1 SMN it also offers the service 'Banking+Accounts' which enables a business to manage its entire finances in one place.

SpareBank 1 Finans Midt-Norge

SpareBank 1 Finans Midt-Norge is a subsidiary of SpareBank 1 SMN. Other owners are Sparebanken Sogn & Fjordane, SpareBank 1 Sørøst-Norge, SpareBank 1 Østfold-Akershus, SpareBank 1 Nordmøre, SpareBank 1 Søre Sunnmøre, SpareBank 1 Hallingdal Valdres, SpareBank 1 Gudbrandsdal and SpareBank 1 Lom og Skjåk. The company offers leasing, corporate loans, vendor's lien and invoice sale services to about 37,500 retail customers and 5,800 corporate clients. The company markets its products through parent banks, car dealers and direct sales. SpareBank 1 Finans Midt-Norge has total assets of NOK 12bn and is represented in the counties of Trøndelag, Møre and Romsdal, Vestland, Vestfold and Telemark, and Innlandet and Viken.

The proportion of financed objects with electric transmissions is growing strongly in the retail and corporate market alike. The company's credit policy sets clear guidelines for various requirements on businesses, products and sectors and takes particular account of sustainability so as to set the stage for customers to go for more sustainable options when procuring new objects.

SpareBank 1 SMN Invest

SpareBank 1 SMN Invest is a wholly owned subsidiary of SpareBank 1 SMN, and holds shares and units in regional growth companies and funds. Activity in the company has been reduced, and it will not be making new investments. The portfolio will accordingly be scaled back over time. The company holds shares worth NOK 506m at the end of 2022.

SpareBank 1 Markets

SpareBank 1 Markets is at the end of the reporting period a subsidiary of SpareBank 1 SMN. On 22 June 2022 SpareBank 1 SMN announced that SpareBank 1 Markets was to strengthen its focus on the capital market. SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge were to transfer their capital market business to SpareBank 1 Markets, and in addition buy into the company in the form of a cash payment. Upon completion of the transaction SpareBank 1 SMN will hold 39.4 per cent and SpareBank 1 Markets will be treated as an affiliated enterprise. The transaction requires approval by the Financial Supervisory Authority and the Competition Authority, and is scheduled to go ahead in second quarter of 2023.

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

SpareBank 1 Markets strengthened its market position in 2022. The year brought high incomes in particular in investment banking and stockbroking. Collaboration with the parent banks was good, generating incomes in all business areas. SpareBank 1 Markets has acquired a substantial position for raising capital for technology companies and companies that contribute to a sustainable economy. In total, the company participated in stock issues in a nominal amount of NOK 11.6bn (35bn), and bond issues worth a nominal NOK 8.4bn (6.9bn) in these sectors. At the end of 2022 the company had 168 employees.

SpareBank 1-alliansen's companies

SpareBank 1-alliansen consists of 13 independent savings banks that collaborate on a shared platform and brand. The collaboration is organised through the jointly owned companies SpareBank 1 Gruppen and SpareBank 1 Utvikling with subsidiaries, in addition to a number of companies directly owned by the SpareBank 1 banks.

SpareBank 1 SMN's has a stake of 19.5 per cent in SpareBank 1 Gruppen. SpareBank 1 Gruppen wholly owns SpareBank 1 Forsikring, SpareBank 1 Factoring and SpareBank 1 Spleis. SpareBank 1 Gruppen holds a 65 per cent stake in Fremtind Forsikring and 50 per cent of Kredinor. In addition, SpareBank 1 SMN, together with other SpareBank1 banks, directly owns SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt, SpareBank 1 Kreditt, SpareBank 1 Betaling, SpareBank 1 Forvaltning and BN Bank.

The business

Sustainability and corporate social responsibility

Sustainability is an integral part of our group strategy and is incorporated into all business lines and support functions including day-to-day operations, customer offering and distribution of community dividend.

We view sustainability as a financial risk and a business opportunity. Members of the group management team bear responsibility for achieving strategic goals for sustainability in their respective areas of responsibility. The work on sustainable development is regularly reviewed by the bank's board of directors and by the management boards of the group's subsidiaries. Relevant steering documents are publicly available in our Sustainability Library at smn.no/barekraft.

The operational work on sustainability is divided into three areas:

- Day-to-day operations
- Customer offering
- Community dividend

We conduct a continuous stakeholder dialogue with an ever growing network of stakeholders. This is part of our endeavour to ensure a coherent and long-term approach to how we are to create value for equity certificate holders, customers, employees and the community. A summary of the most significant stakeholders is shown below. More information is available in the document *Stakeholder Dialogue* in the sustainability library at smn.no/barekraft.

Figure 3: Overview of SpareBank 1 SMN's stakeholders

The dialogue with stakeholders is in the form of in-depth interviews, digital questionnaire surveys and direct dialogue. We also attach importance to information gained from other interaction with stakeholders, for example general meetings, customer surveys and meetings, participation in committees and initiatives addressing a broad range of societal issues.

In addition to the continuous stakeholder dialogue we perform a materiality analysis, updated every two years, in which we map environmental, social and financial materiality. Our framework conditions change in step with the development of society, and this analysis helps us to achieve conformance between our business's goals and focal areas, and the expectations placed on us by stakeholders.

The materiality analysis is prepared in terms of double materiality, and defines which financial risks and opportunities we and our stakeholders perceive to be most crucial for our ability to attain our long-term strategic goals*. It also helps us to identify those UN sustainability goals where our impact is greatest. Our analyses are publicly available in the Sustainability Library, and the matrix below summarises our double materiality analysis.

* See more about climate-related risks and opportunities under "Securing long-term profitability and competitiveness".

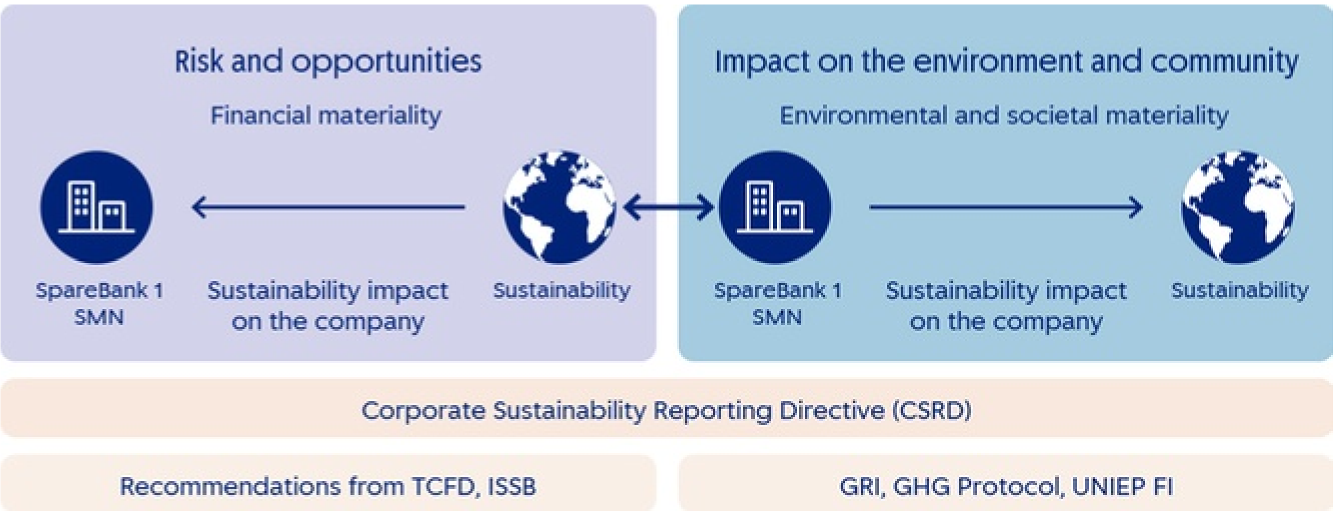


Figure 4: Double materiality analysis

Obligations

The group supports the following national and international agreements in the work on integrating sustainability into our business:

- UN's sustainability goals
- Paris Agreement
- ILO Conventions 100 and 111
- International Covenant on Economic, Social and Cultural Rights
- Working Environment Act
- Equality and Anti-Discrimination Act

We have signed and/or endorse the following principles and standards:

- UN Principles for Responsible Banking
- UN Global Compact
- Partnership for Carbon Accounting Financials (PCAF)
- Task Force on Climate Related Financial Disclosure (TCFD)

- Global Reporting Initiative (GRI)
- Eco-Lighthouse Foundation
- Guide Against Greenwashing

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

Four focal areas

The latest update of the materiality analysis showed that many of the expectations from 2020 still apply at the same time as new themes have come to the fore. Based on the year's analysis we have identified four focal areas with associated themes:

- Responsible lending and investments
- Advisory services and customer offering
- Sustainable transition of Mid-Norway
- Sustainable transition at SpareBank 1 SMN

Based on the updated materiality analysis, we have revised our key figures in order to identify drivers which can boost the group's transition. New key figures require new tools and processes, and some figures were unavailable at the time of reporting. These are marked "Not available" in the table below. In the coming year we will give priority to collecting data on key figures which were unavailable at the time of reporting. The overview below summarises key figures for each focal area with appurtenant themes.

Responsible lending and investments	Results 2022	Target 2023
Losses due to fraud	4,234,401	< 10,000,000
Share of managers and employees having completed e-learning course in AML and anti-terrorist financing	73 %	100 %
Corporate loan volumes with ESG score	11 %	75 %
Retail loan volumes with ESG score	0 %	20 %
Share of loans that meet requirements for green bonds	19.9 %[1)]	In process[2)]
Reduction of total CO_2 emissions from loan portfolios	1,077 (1000 tCO_2e)	1,000 (1000 tCO_2e)
Reduction of total CO_2 emissions in day-to-day operations	20 (1000 tCO_2e)	16.4 (1000 tCO_2e)
Share of homes in the loan portfolio with energy rating	51 %	90 %
Share of commercial properties in the loan portfolio (>1,000m^2) with energy rating	Not available	75 %
Advisory services and customer offering		
Sales volume of products and services with an environmental benefit	1,003,000,000	2,000,000,000
Sales volume of products and services with a social benefit	0	
Category score for sustainability in Winningtemp[3)]	7.3	7.4
Share of managers and employees in the group having completed e-learning course in ethics	92 %	100 %
No. of documented complaints of breaches of data privacy or loss of customer data	3	0
Sustainable transition of Mid-Norway		
No. of participants in meeting places and innovation activities	0	7,000 participants 250 'youth enterprises'
No. of participants in competence and development programmes	31	50-100
Share of large corporate customers with credit commitments who have carbon accounting reports[4)]	Not available	25 %
Sustainable transition in SpareBank 1 SMN		
Share of group's significant purchases (> NOK 100,000) from suppliers with carbon accounting reports	Not available	50 %
Share of managers and employees having completed e-learning course in information security	93,2 %	100 %
Category score for diversity, inclusion and equality in Winningtemp	7.6	8

1) Based on existing framework as per 31.12.22

2) In accordance with EU Taxonomy Climate Delegated Act, buildings constructed on 1. January 2021 or later shall fulfill the criteria "NZEB -10%". In Norway, NZEB-definitions was announced 31. January 2023. A practical method of identifying NZEB -10% is not available, and access to reliable data is necessary to ensure a robust approach.

3) At the start of 2022 we introduced a new employee development tool, Winningtemp.

4) Large corporate costumers exceed two out of three following criterias: turnover, > MNOK 400, balance sheet total > MNOK 200 and number of employees > 250

Table 1: Focal areas with Key Performance Indicators

Responsible lending and investments

Lending to households and businesses is the group's core business. It is a consistent expectation from our stakeholders that lending and investment activities should stimulate local, sustainable business development and value creation. Four material themes feature in this focal area:

Material themes	Objective	Key figures	Responsibility
Prevent and combat economic crime and corruption	Ensure compliance with laws and regulations through updated risk assessments and effective combating of economic crime	▪ Losses due to fraud ▪ Share of managers and employees having completed e-learning course in anti-money laundering and terrorist financing	Exec. director, Technology and Development
Secure long-term profitability and competitiveness	Strengthen the group's growth and profitability through differentiated pricing of climate risk and active portfolio management	▪ Loan volume to corporate and retail customers with ESG score ▪ Share of loans that meet the requirements for green bonds	Exec. director, Corporate Banking Exec. director, Retail Banking
Reduce carbon footprint in day-to-day operations and loan portfolios	Reduce the group's financial risk by integrating climate and natural impact into advisory services, risk management and credit models	▪ Reduction of total CO_2 emissions in the group's loan portfolios in line with transition plans towards net zero by 2050 ▪ 8% annual reduction of CO_2 emissions from day-to-day operations	Exec. director, Group Finance Governance Exec. director, Risk Management
Stimulate green transition for retail customers and corporate customers	Actively promote reduction of customers' energy consumption through advice, product development and courses offered	▪ Share of homes in the loan portfolio with an energy rating ▪ Share of commercial properties in the loan portfolio (>1,000m^2) with an energy rating	Exec. director, Corporate Banking Exec. director, Retail Banking Man. director, EiendomsMegler 1 Midt-Norge

Table 2: Responsible lending and investments – material themes

Preventing and combating economic crime and corruption

Our approach to the theme

Economic crime impacts individuals, businesses, clubs and associations and has major consequences for the economy. We recognise that combating and preventing economic crime is important for maintaining confidence in our products and services in a local, national and international perspective.

Anti-fraud

Swindle and digital fraud have largely replaced the classical crime of gain in society, and cases of fraud have risen sharply in number in recent years. In keeping with the steadily growing digital integration of society and its financial infrastructure, various forms of swindle and fraud are expected to continue at a high level or to increase in the years ahead.

The fraud sphere is wide ranging. From the classical types such as investment fraud and love scams to bank ID fraud and internet bank fraud, hacking of email, social media and telephones, to manipulation of documents and information. A growing proportion of fraud is carried out by means of social manipulation of the victim. This can be via direct human contact (e.g. phone scams involving seniors, so-called ‘Olga’ fraud), via falsified phone numbers, web pages or other information making it more difficult to uncover the perpetrator. The bank also comes across “mules” – persons and accounts used to move funds stemming from fraud between Norwegian and foreign accounts. A large proportion of the money in circulation from fraud ends up in foreign payment services and cryptocurrency.

In 2022 an average of 380 approaches to the bank’s customer service centre are categorised as fraud without further specification. Eighty-two cases of defrauded amounts being returned to customers were recorded, altogether totalling NOK 4,324,000. A number of fraud cases involve money laundering, with funds stemming from fraud being passed on to other persons and accounts in Norway and abroad.

By the end of 2022 we had reported a total of 140 cases of fraud to Økokrim (National Authority for Investigation and Prosecution of Economic and Environmental Crime). About 30 per cent of these involved phishing where the victim was tricked into revealing bank ID codes, user name and/or password to their internet bank.

In 2023 our main priority in the anti-fraud sphere will be to put in place preventive measures to reduce the extent of fraud.

Anti-money laundering (AML) and terrorist financing

We are under a statutory obligation to implement measures to prevent and detect money laundering and terrorist financing.

The extent and complexity of economic crime have increased in 2021 and 2022, as reflected in tighter requirements for compliance with the AML legislation. We have stepped up efforts and initiated preventive measures to ensure that we have the framework, procedures and competence needed to carry out our social mission and to comply with government requirements. Several intermediate goals under UN sustainable development goal 16 “Peace, justice and strong institutions” play a part in our work and will guide the bank’s priorities ahead.

The bank’s board of directors has adopted overarching guidelines and risk assessment for the area. In 2022 thematic analyses were performed and procedures and internal control activities were further developed on an ongoing basis along with improvements to systems and processes. The number of staff dedicated to the anti-money laundering and terrorist financing effort has risen, and machine learning models for detecting the risk of money laundering and terrorist financing have been further developed with positive results in terms of accuracy. The internal audit function has conducted two anti-money laundering and terrorist financing audits – and the Compliance Department has provided ongoing feedback on improvement measures and compliance gaps, and run checks and controls on an ongoing basis.

Russia’s invasion of Ukraine has prompted an augmented effort in complying with the sanctions rules. The bank was a part of the Finanstilsynet’s thematic inspection in February of banks’ compliance with the obligation to screen persons subject to international sanctions.

In 2023 our chief priorities in the AML sphere will be to continually improve current processes and procedures, ensure compliance in connection with the merger with SpareBank 1 Søre Sunnmøre and to equip ourselves for the future by acquiring the next generation of AML solutions.

Strategic accountability

We have in place ethical guidelines, an anti-corruption policy and whistleblowing procedures that explain the group's stance on corruption, how corruption is to be followed up and who has responsibility in the respective areas. Moreover, corruption risk is described in the statutory risk assessment of money laundering and terrorist financing.

Responsibility for the area

The head of the anti-economic crime department is the bank's anti-money laundering officer and has operative responsibility for the bank's handling of matters related to economic crime.

Objective

To prevent and guard against misuse of the financial system for money laundering and terrorist financing purposes, and to facilitate the prevention, detection and implementation of measures to reduce the extent of fraud against customers, employees and the bank.

Training

We engaged in coaching and attitude-moulding work among all managers and employees in the group in 2022. Group employees underwent compulsory e-learning courses related to anti-money laundering and terrorist financing. In addition "classroom tuition" was provided in this field, tailored to the respective employee groups. A number of employees gained certification in anti-money laundering and terrorist financing, and this will remain in focus in 2023.

Statistics

A total of 26,164 transactions were identified for further checks by the bank's transaction monitoring system. 500 cases were reported to Økokrim's financial intelligence unit (FIU).

Anti-corruption

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

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

"Corruption is not tolerated, whether in the group or among our partners. Staff members who are involved in bribery or other forms of corruption may be reported to the police and held personally liable." The bank's stance accords with UN sustainable development goal 16.5, and is about the importance of reducing the extent of corruption and bribery as a prerequisite for sustainable development.

The anti-corruption policy was revised and considered by the board of directors. The policy provides guides for the group's attitude to and work on preventing corruption.

The most significant corruption risks that have been identified relate to the funding process and approval of new suppliers and purchases.

The risk of irregularities/corruption upon approval of credit exposures applies in connection with the financing of retail and corporate customers alike. Our ethical guidelines make clear that employees must avoid entering a relationship of dependence on the group's clients or suppliers. Employees' positions shall be registered and approved by HR.

All employees are familiarised with the guidelines regarding anti-corruption through various training and attitude-moulding programmes. Should the guidelines nonetheless be breached, sanctions will be imposed on the individuals concerned.

The bank has whistleblowing procedures to ensure employees' right to report censurable circumstances. The whistleblowing procedures also apply in the event of corruption or other financial malpractices and describe how a disclosure is to be made, to whom and how such disclosures are to be handled. In 2022 zero cases of corruption or financial malpractice were reported.

Strategic accountability

We have in place ethical guidelines, an anti-corruption policy and whistleblowing procedures that explain the group's stance on corruption, how corruption is to be followed up and who has responsibility in the respective areas. Moreover, corruption risk is described in a statutory document entitled 'risk assessment, anti-money laundering and terrorist financing'.

Responsibility for the area

The executive director, Technology and Development, has overarching responsibility for the group's anti-corruption work.

Objective for the area

The group has zero tolerance of any form of corruption.

Training

In December 2022 we arranged an 'ethics week', a three-tiered training programme presenting various ethical dilemmas. The programme was designed to enable employees to assess corruption risk and to recognise indicators of corruption or attempts at corruption. 92 per cent of employees of the parent bank, SpareBank 1 Regnskapshuset SMN and EiendomsMegler 1 Midt-Norge completed the programme.

Relevant steering documents

The following steering documents are at centre stage in this theme:

- Ethical guidelines
- Policy on measures to combat money laundering and terrorist financing
- Anti-corruption policy
- Whistleblowing procedure
- Bank card refund

Ensuring long-term profitability and competitiveness

Our approach to the theme

Sustainability represents both a financial risk and new business opportunities for SpareBank 1 SMN. The group's growth strategy will be realised through responsible lending and investment with differentiated pricing of climate risk and active portfolio management as strategic instruments. ESG scoring of corporate clients is in place, and corresponding tools are under assessment for retail customers. With a view to assuring long-term profitability, our lending will to an ever increasing extent fulfil the requirements imposed on green bond funding.

Retail Banking

Our credit strategy is adopted by the bank's board of directors. The scope for sustainable lending is established in this forum and is operationalised through the bank's credit policy and framework for the lending business. The framework aims to ensure that the bank for example avoids imposing debt commitments that are counter to good advisory practices or prudent lending practices. The bank is obliged to consider refusing loan applications where the purpose of the loan is unwarrantable, and in the case of customers with low debt-servicing ability.

In the group's updated materiality analysis, Retail Banking is considered to have greatest impact on the themes of households and agriculture. Funding granted to personal customers can have a positive impact on housing conditions, for example through the bank's role as a driver for the inclusion of low-income families in the housing market, and through offering other financial services with a positive effect on vulnerable groups in society.

Retail Banking also has a driver role in the construction industry. This is through its influence on property developers and collaboration with estate agents to form partnerships which can have a positive climate impact on construction projects and encourage an even more sustainable housing standard. Retail Banking also focuses on further developing its offering of green products, on coordinating with EiendomsMegler 1 Midt-Norge on concepts in the housing development sphere, and on coordinating with developers, estate agencies and public authorities to ensure that housing developers take account of house buyers' preferences as regards sustainability and by that means drive a green transition.

Integrating sustainability into the business was a prioritised development task in 2022. Work on a transition plan for the residential mortgage portfolio has started, and a transition plan for the agriculture portfolio is under implementation. Agriculture in the bank belongs under Retail Banking's portfolio, and includes the following segments: farming, forestry, animal husbandry, further processing of raw materials and provision of various services to farms. This is an important industry for us and is the bank's second largest industry portfolio. Our role under our agriculture policy is to assist in developing the region's agriculture. This implies a role in the evolution of the farm sector that is larger than merely being a supplier of capital.

We see ourselves as an important partner for agriculture at the local and regional level, but also nationally through good collaboration with the other banks in SpareBank 1-alliansen. Our ambition is to assist agriculture in achieving its goals set out in the Climate Agreement between agriculture and the government, and will offer favourable financing of initiatives that accord with the agricultural sector's Climate Plan.

SpareBank 1 SMN will support the sustainable management of natural resources and sustainable production on farms, and will collaborate with customers and relevant agricultural industry players to strengthen financial advice to that end. We have in addition established closer cooperation with SpareBank 1 Regnskapshuset SMN to offer specialist agricultural competencies in banking and accounting.

We will by that means incentivise customers and business connections to weigh up the current sustainability of their own business and how they can adapt to the green transition. We will in brief make it more attractive to opt for good, sustainable measures and solutions across our business lines. This will create the basis for long-term investments and environment-friendly management, and is in line with the stewardship precept: a farm property should be passed on in a better condition than when the present holder took it over.

The portfolio of green residential mortgages expanded in 2022. Energy classification of objects is now offered by Eiendomsverdi and we are working on solutions to put this information in place through labelling of objects in the bank's depository. This enables us to measure and develop the portfolio. Our collaboration with EiendomsMegler 1 Midt-Norge, under which we actively induce developers and consumers to make green choices, has borne fruit. We are cooperating more closely with SpareBank 1 Kreditt to progress our work with customers in financial difficulties. 2022 was a demanding year for our customers coping with higher housing and living expenses, and this work is therefore all the more important. Exposure monitoring was accordingly a priority area.

Corporate Banking

SpareBank 1 SMN has developed a comprehensive set of rules to ensure responsible and consistent lending practice. The aim is both to ensure low loan losses for the bank and to prevent customers from assuming obligations they cannot be expected to service. The rules are based on experience, analyses (including industry analyses), macroeconomic conditions and best practice. The framework is largely incorporated in the credit tool, thus ensuring that assessments and documentation of the framework are secured. An appropriate authorisation structure is in place to ensure thorough processing of loan applications. Regular training of credit officers is provided to ensure compliance with the rules and sound analysis of the customer's risk and servicing ability.

Risk related to sustainability has become an ever more important element of credit assessments. In 2022 we continued and further developed our systematic effort to ensure responsible lending to corporates, the bank's board of directors adopted a new policy on sustainability, and the first transition plans at industry level are under preparation. Work is ongoing to shape credit policy rules that impose requirements and expectations on customers' sustainability standards and in connection with financing of investments.

Mapping the sustainability and environment of major borrowers continues on an industry by industry basis. We have developed a new tool to simplify the mapping of all types of enterprise, independently of industry. This tool will be implemented in the credit process at the start of 2023. Credit policy rules and mapping are based on the EU taxonomy. In the absence of good guidance in the taxonomy within some segments, the group's and SpareBank 1-alliansen's industry experts are consulted. As and when data from various external sources become available, the aim is to automate data capture. All data will be assembled in a database to support reporting, analyses and further development of guidelines.

In our experience, access to relevant information remains limited. This is both because customers are not required by the authorities to report and because customer awareness varies widely. Until further notice we rely on challenging enterprises to compile and share information and data. Through this customer dialogue we note a steadily growing awareness and commitment on the part of customers. Awareness and commitment are now markedly increasing in strength, particularly among the somewhat larger enterprises. This is reflected in practical action in the shape of deliberate environmental choices made by customers in connection with new investments. The bank also increasingly gives priority to customers and investments that meet the highest standard in the market.

Familiarity with our principles is required of all who are involved in lending to the business sector or in investment decisions related to the bank's or SpareBank 1-alliansen's investment decisions. For that reason continuous training is provided to all credit staff, and the principles imparted determine the projects to which the bank lends money. Those principles also govern how we conduct ourselves and exert influence in joint funding decisions where the bank itself is not in a dominant position.

The authorisation structure quality assures documentation of sustainability assessments.

The credit committees, in particular, focus attention on and quality assure those assessments.

Documentation of qualitative and quantitative sustainability assessments is a theme addressed by the internal audit function in the shape of a review of the ESG models and regular reviews of the quality of the lending process. Credit strategy and guidelines, including for sustainability, are revised at minimum on an annual basis.

Investments at SpareBank 1 SMN

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

- Own direct investments
- Investments by administrative services mediated through the bank
- Investments of funds from the community dividend fund and SpareBank 1 SMN Utvikling

Own direct investments

With regard to management of the group's liquidity risk, we have a portfolio consisting of liquid securities of high credit quality. The portfolio's composition and size are in conformance with steering documents for the liquidity area approved by the board of directors and with statutory requirements on liquidity management. In addition guidelines have been drawn up for sustainability in liquidity management. The group's investments in CDs and bonds total NOK 38bn at the end of 2022. In the course of 2022 we increased the portion invested in ESG-rated bonds. These are in all essentials issued by multinational organisations and covered bonds.

SpareBank 1 SMN Invest AS owns shares and units in regional enterprises and funds. Activity in this company is reduced, and the company will not be making investments in new individual companies. The portfolio will therefore be scaled back over time. The portfolio is worth NOK 580m at the end of 2022.

Investments made by administrative services mediated through the bank

We concerned to offer mutual funds with high ambitions in terms of sustainability. The mutual fund offering is built up through ODIN, which SpareBank 1 SMN indirectly co-owns through SpareBank 1 Forvaltning, and mutual funds from other fund managers.

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

The bank's selection of mutual funds is reviewed at minimum annually to compare the funds' investments and guidelines with the bank's guidelines in order to guard against possible breaches.

Recent years have seen growing interest in sustainable and green funds in Norway. We wish to make it simple for customers to choose the most sustainable mutual fund available. To that end we map on an annual basis, together with the other SpareBank 1 banks, the sustainability performance of all mutual funds on the trading platform.

The criteria by which the funds are ranked conform to our own guidelines on sustainable distribution of mutual funds. The funds receive a point score based on how well they meet expectations as to negative screening, positive screening and active ownership. Each fund's total score is then translated into a rating which is visible in the client's internet and mobile bank. You can read more about sustainability labelling of mutual funds at smn.no. We have various mutual fund recommendations designed to suit a variety of customer preferences. Common to all recommendations is the criterion that all funds included in a recommendation have received a sustainability rating of C or higher under our sustainability labelling scheme.

SpareBank 1 Forvaltning was established in 2021 with a mission to increase saving and investment in the community. The company represents a concentration of competence in the saving and investment sphere and a significant strengthening of the customer offering for the entire SpareBank 1-alliansen. The company is directly owned by SpareBank 1-alliansen and LO Norway. SpareBank 1 Forvaltning assumes its social responsibility by contributing to a sustainable transition of society, and will be open about ESG performance and social responsibility. ESG considerations are an integral part of the management of all the company's investment products, and are reflected in internal processes that impact the environment, people and society. SpareBank 1 Forvaltning is licensed as an investment firm and wholly owns the shares of its subsidiary ODIN Forvaltning. At the end of 2022 the group had a total of 120 employees and just over NOK 125bn under management.

Our part-owned management company, ODIN Forvaltning AS, has a focus on sustainable investments. This management company was the first asset manager in Norway to sign up to the UN principles for responsible investments in 2012. The company is a member of the Norwegian Forum for Responsible and Sustainable Investments (NORSIF), the Norwegian Corporate Governance Board (NUES) and Sweden's Sustainable Investment Forum (SWESIF). Sustainability considerations are an integral element of their investment philosophy, termed the 'ODIN model', and external rating agencies such as Sustainalytics are employed to conduct objective assessments of all companies in which ODIN invests. The upshot for 2022 is that one of ODIN's funds has the best rating, 'A', while all ODIN's other funds have the next best rating, 'B', under our fund sustainability labelling scheme.

Our offering of mutual funds with the best sustainability rating has been extended in recent years and consists of funds with both global mandates and sector-based and regional mandates.

Investments by SpareBank 1 SMN Utvikling and of community dividend
This receives further attention in the subchapter *Stimulating innovation and sustainable economic growth* and *Community dividend*.

Framework for issuance of green bonds
We have prepared a framework for the issuance of green bonds (Green Bond Framework). The framework was drawn up in keeping with ICMA Green Bond Principles and supports the UN Sustainable Development Goals.

Qualified loans are grouped in categories:

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

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

As at 31 December 2022 we had issued green bonds worth NOK 22.46bn.

Climate risk and opportunities
Board of directors' involvement in climate-related risks and opportunities
Climate risk responsibilities follow the group's ordinary responsibility structure, in conformance with the group's risk management policy. The board of directors of SpareBank 1 SMN has overarching responsibility for climate risk management through its approval of steering documents and follow-up of reporting from the administration. The risk and audit committee monitors the group's work on climate risk and submits its recommendations to the board of directors. Climate risk is reported on to the board of directors at least quarterly, including through the quarterly reporting, the annual report and as a routine item in the quarterly risk report.

The board of directors has approved, and will ahead revise, steering documents designed to manage climate risk, such as those entitled Sustainability strategy, Sustainability policy, Climate risk strategy and Credit strategy. Integrating climate risk into all steering documents, and revision, is a continuous process.

In autumn 2022 the board of directors held three consecutive meetings with a focus on sustainability, in particular on greenhouse gas emissions from our customers. The board has adopted an ambition to reach net zero emissions by 2050, recognised climate risk as a strategic opportunity and threat, and adopted a framework for the group's effort to help ensure that our customers are equipped for the future. This includes industry-by-industry transition plans, where transition plans for fishery and agriculture were discussed at the board's strategy gathering. The above three meetings provided updates for the board members and brought into relief the fact that the choices made by the group today could have major business consequences for us in the short, medium and long term alike.

Management of climate-related risks and opportunities

The group management team has set a clear direction for the work on climate risk by designating sustainability as one of five priorities of the group's strategy. The group strategy was adopted in 2019 and has boosted the pace of the group's work on climate risk.

Day-to-day operations follow the ordinary lines-of-defence structure and responsibilities. Roles and responsibilities in the climate risk effort, as part of the overall work on sustainability, are described in the document Sustainability policy.

Inasmuch as climate risk is included in all steering documents, responsibility for climate risk management is an integral aspect of the group's business. In 2022 SpareBank 1 SMN strengthened its effort with the establishment of the Sustainability strategy and Sustainability policy.

The group's ESG committee will contribute to the development and implementation of an overall methodology, process and group standard for sustainability at SpareBank 1 SMN. Climate risk management is a part of this effort. All business lines in the group have a representative on the committee who is designated by the director of the business line or the head of the subsidiary concerned. The committee's mission is to:

- be a driver and facilitator of the further development, intensification and integration of the work on sustainability in all business lines.
- be a driver and facilitator of sustainable development among our customers, suppliers and the wider community.
- coordinate activities and standards in the group and among jointly owned companies in SpareBank 1-alliansen.
- Develop competencies, frameworks, governance structures and culture.

Climate-related risks and opportunities in the short, medium and long term

We update annually a detailed mapping of climate risk using the TCFD template. Possible events are identified and risk is assessed over time. With regard to the group's lending activity, significant industries are reviewed jointly by the industry officer, the Credit Department and Risk Management.

The results of the analysis show that climate risk is primarily a risk through customers that we finance. The group, including the industries we finance, poses relatively low physical risk. The exception is fishery and aquaculture where the risk is moderate as a result of rising sea temperatures. Transition risk is more differentiated, The group is exposed to agriculture and ship-related segments, which in our analyses have high estimated greenhouse gas emissions that attract public attention. These industries have a conscious awareness of the issue and are making an active effort to reduce greenhouse gas emissions. The high emissions nonetheless render such industries vulnerable in a disorderly transition scenario pending reduction of the emissions. Our customers' transition risk is a climate-related opportunity for the group's business lines in terms of products and advisory services.

Demand for green loans is rising. This is particularly true of large companies, although green loans are also in demand by smaller businesses and residential mortgage borrowers. This product offers both an opportunity for increased sales and a motivation for our customers to make green investments. Green investments will help to reduce customers' vulnerability to climate risk.

Consequences for operations, strategy and financial planning
The results from the mapping of climate risk are used to assign priorities in the work ahead, to establish new policy rules as a framework for the lending business and to progress the work on transition plans towards net zero. Implementation places emphasis on supporting the sustainability strategy's goal of being a driver for green transition.

The results are used as an input to credit strategy. The aim is that priorities with regard to growth and adjustment of credit limits should help to ensure that climate risk is in line with the board's risk appetite.

We issue green bonds and have established a programme to ensure that the funds are utilised as intended. Moreover, Boligkreditt has funded its operations using green bonds.

The group offers green residential mortgages, construction loans and agricultural loans. This funding is offered in order to incentivise a green transition and thus reduced climate risk.

Climate scenarios' potential impact on operations, strategy and financial planning
SpareBank 1 SMN utilises the Network for Greening the Financial System (NGFS) scenarios to analyse the consequences of climate changes for the group's activities. We focus on the three scenarios "orderly transition", "disorderly transition" and "hot world". The group is developing transition plans to contribute to an orderly transition, but is preparing the business to be able to handle the other two scenarios. The qualitative analysis that has been carried out focuses on the two downside scenarios.

Quantitative analyses have also been carried out on the portfolio with a basis in the scenarios. In the case of transition risk we have examined how increased carbon prices in the NGFS scenarios impact the annual results of our corporate clients given estimated greenhouse gas emissions per client. The results confirm that if the polluter pays for its emissions, industries with high greenhouse gas emissions will face substantial costs.

Our assessment is that a disorderly transition will present the greatest challenge within the analysis horizon to 2050. We are therefore actively working to impose requirements and expectations on our customers to ensure that a green transition reduces vulnerability to a disorderly switch to a low emissions society.

Risk management
Identifying climate risk
We have several processes for the identification of climate risk. The bulk of our work on climate risk focuses on the lending business since it is here that we consider the risk to be greatest.

Mapping climate risk using the TCFD template provides a thorough analysis of events that can impact our customers, assessed at industry level. The process involves several departments with a view to ensuring all risks are assessed. Based on the results we consider a choice of risk management strategies.

Risk may vary within an industry. All corporate clients with a volume above NOK 10m (ERS6) are assessed using an ESG module developed by SpareBank 1-alliansen. The ESG score is the result of a joint alliance project whose mission is to provide good, updated assessments and to ensure good data capture. The longer-term ambition is to include ESG scoring in our credit models. In the case of fishery, the group has for several years produced a comprehensive ESG score using its own developed model, with assessments on a per-financed-vessel basis. Detailed scoring will continue in this segment.

Climate risk is an explicit assessment item for all loan applications sent to the Group Credit Committee. The adviser concerned must therefore make a separate assessment in addition to the ESG score.

Managing climate risk
The group's strategy on management of climate risk is primarily involves driving a green transition. We do this by providing advice and finance for transition. The group's own transition plans for the respective industries impose clear requirements and expectations on our customers, designed to assist management of the customer's climate risk. Together with business and industry we seek good solutions, and through our financing activity we foster transition.

Good policy rules contribute to effective defence against risk and set a clear boundary for our business. Where financing of commercial property is concerned, we apply stricter loan-to-value requirements to buildings that are old or energy-inefficient. This because we anticipate a need to upgrade to a modern energy standard in order to attract tenants and comply with public requirements.

Integrating climate risk into the risk management framework
Climate risk has to be integrated in the group's corporate governance. Climate risk accordingly needs to be included in all group strategies, policies and procedures. In addition to the Sustainability Strategy, Sustainability Policy and Climate Strategy, climate risk is fully integrated into the traditional risk management framework. The three documents mentioned above have functioned as guides for how other steering documents should integrate climate risk.

EBA guidelines impose comprehensive requirements on our climate risk effort, e.g. EBA GL 2020-06. Projects to ensure compliance contribute to an increased focus and quality of the work.

Climate risk is assessed through the ICAAP process. Our assessment in 2022 was that climate risk does not require a capital add-on, but rather a substantial focus on identifying and managing climate risk before losses are incurred.

Climate risk is a regular and distinct theme in the quarterly risk report. This is to ensure sufficient focus pending adequate integration into traditional risk categories.

Goals and method
Methods used to asses climate-related risks and opportunities, in line with strategy and risk management processes
The qualitative TCFD analyses of climate risk are conducted on significant activities in the group, with a focus on the largest industries in our loan portfolio. We consider each event separately and events as a whole per transition/physical risk on a scale from low to high risk. The risk assessment is also performed along a short, medium and long (2030+) time dimension.

Our analyses have identified greenhouse gas emissions as a risk to customers in our loan portfolio. This prompted the group to join the Partnership for Carbon Accounting Financials (PCAF) and in 2022 the group sought to improve the quality of its estimates. While the estimates are still subject to much uncertainty, they nonetheless serve as a guide in our strategy work. A detailed description of calculations and assumptions is provided in the document reporting the group's scope 3 downstream emissions.

Reporting of greenhouse gas emissions scope 1, 2 and 3
See the enclosure entitled Energy and Climate Account (scope 1, 2 and 3 upstream and downstream), and the chapter “Reducing the carbon footprint in day-to-day operations and loan portfolios”.

Goal of the work on managing climate-related risks and opportunities
The group aspires to contribute to net zero by 2050. This applies both to our own emissions and to emissions resulting from our activities. Efforts towards this goal will also contribute to a significant reduction in the group’s exposure to climate risk.

Our strategies related to climate risk are designed to ensure long-term, good profitability for the group. We are a major actor in the region and are thus dependent on the region’s successful transition to a low emissions society. We are therefore working to exploit the full capability of our group to contribute to the transition, through our subsidiaries and our dividend contribution to the regional community.

Relevant steering documents
The following steering documents are key to this theme:

- Guidelines on sustainable lending to retail customers
- Transition plan for sustainable agriculture
- Guidelines on sustainable lending to corporate customers
- Guidelines on sustainable distribution and recommendation of mutual funds
- Guidelines on sustainable governance
- Guidelines on sustainable liquidity management
- Green bonds framework
- SpareBank 1 Boligkreditt’s green bond framework
- Allocation report
- Green bond impact report
- Sustainalytics’ second party opinion
- Multiconsult’s report: SpareBank 1 SMN green portfolio impact assessment 2022

Reducing the carbon footprint in day-to-day operations and loan portfolios

Our approach to the theme
The banking and finance industry has negligible direct emissions, and our climate impact is in the main a consequence of the capital we manage through loans and investments. The climate impact of our loans and investments constitutes a considerable financial risk for us as a group. We recognise that SpareBank 1 SMN must as a major actor go to the fore and set an example in order for our customers to readjust, and avail themselves of our services in the future. In setting a good example we will reduce greenhouse gas emissions in our day-to-day operations, actively induce our customers to readjust, and integrate sustainability into our corporate governance, risk management and credit models. The PCAF, transition plans at industry level towards net zero by 2050 and internal governance tools are descriptive of how we have evolved in this area, and of how we will to a greater degree be in a position to follow up on and reduce our negative impact.

Greenhouse gas emissions from the group's loan portfolios

In the fourth quarter 2021 we committed to joining the Partnership for Carbon Accounting Financials (PCAF), a global collaboration between financial institutions working to harmonise and estimate greenhouse gas emissions financed by loans and investments. This commitment and partnership afford us access to among other things a methodology approved by the GHG Protocol to estimate greenhouse gas emissions from customers in our loan portfolio.

The PCAF estimates have a basis in three emission categories (scopes) consisting of direct and indirect emissions. Scope 1 represents emission sources related to business assets owned or controlled by the customer. Scope 2 represents indirect emissions stemming from the customer's consumption of energy, including electricity and district heating. Scope 3 represents indirect emissions which can be linked to the customer's activities but which are not directly owned or controlled by the customer. Scope 3 emissions are related either to the purchase of goods and services (upstream) or the sale of goods and services (downstream).

We assume that greenhouse gas emissions in our customers' scope 1 and scope 2 are to be included in the group's scope 3 downstream emissions. The PCAF has become the industry standard in banking and finance for estimating and reporting greenhouse gas emissions caused by the loan portfolio. The PCAF's foundation wall consists of estimated emissions based on income- or loan-based emission factors per industry. Our objective is to replace simple estimates either with emissions reported by the customer itself or with activity-based estimates.

The data quality of estimated greenhouse gas emissions, referred to by the PCAF as "data quality score", extends from 1 (based on the customer's own reported greenhouse gas emissions) to 5 (factor-based emissions). A low score denotes high data quality.

The table below shows estimated greenhouse gas emissions from our financing activity, i.e. the loan portfolio of the group including loans transferred to Boligkreditt. The estimated greenhouse gas emissions have a low score on data quality and a high level of uncertainty. Our objective to replace simple estimates with reported emissions and activity-based estimates has the potential to substantially change the figures.

	Lending balance	**Estimated greenhouse gas emissions** (1000 tonnes CO2e)		**Emission intensity** (tonnes CO2e per NOKm loaned)		**PCAF data quality score**
	(NOKbn)	**Scope 1 and 2**	**Scope 3**	**Scope 1 and 2**	**Scope 3**	
Agriculture and forestry	10.7	544	258	51	24	3.4
Fishery	7.0	38	75	5	11	4.2
Aquaculture	2.3	15	29	6	13	4.0
Manufacturing and mining	2.5	28	170	11	69	4.0
Construction, power and water supply	4.4	9	127	2	29	4.3
Wholesale and retail trade, hotels and restaurants	2.8	22	36	8	13	4.1
Shipping and offshore	5.4	219	92	41	17	4.2
Property management	18.6	6	24	0.3	1	4.2
Business services	3.4	16	29	5	8	4.3
Transport and other services	5.3	135	103	25	19	4.1
Public administration	0	0	0	1	13	5.0
Other sectors	1.1	5	4	5	4	4.3
Wage earners[1]	134.9	16		0.1		3.0
Total parent bank incl. Bolig- and Næringskreditt[2]	**198.3**	**1,054**		**5.3**		**3.3**
Lending/leasing fossil-fuel cars (SB1 Finans)[3]	**6.8**	**42.5**		**6.3**		**4.0**

1) Wage earners (residential mortgages) are estimated based on financed buildings. Scope 3 not established

2) Loan balance is a little lower than in note 8. Accrued non-capitalised interest of NOK 462m and gross positions for cashpool accounts of NOK 428m are not included above.

3) Only 6.8bn of NOK12.1bn of the loan portfolio of SpareBank 1 Finans Midt-Norge AS is included. Refers to loan/leasing, fossil-fuel cars.

Table 3: Estimated emissions from the loan portfolio

Our estimates in the above table indicate that greenhouse gas emissions in the loan portfolio are concentrated on a small number of sectors, and a limited share of our loan volume. The graph below shows that four industries account for a mere 13.83% of lending but as much as 86.94 % greenhouse gas emissions. These industries are agriculture and forestry (50.55 %), shipping and offshore (20.36 %), transport and other services (12.50 %) and fishery (3.54 %).

We are in the process of preparing transition plans per industry that we finance. Based on the analysis (see graph below), the preparation of transition plans will be prioritised with reference to each industry's emissions intensity. The transition plans will contribute to our effort to reduce financed greenhouse gas emissions and at the same time reduce our customers' vulnerability to climate changes, in particular transition risk. In 2022 we finalised transition plans for agriculture, and are drawing up transition plans for fishery, shipping, offshore and commercial property.

As Norway's second largest bank for agriculture, we have a substantial bearing on this industry in our region. In 2022 our estimates of greenhouse gas emissions from the agriculture portfolio were of improved quality and we developed a transition plan to support the realisation of the agricultural sector's climate plan.

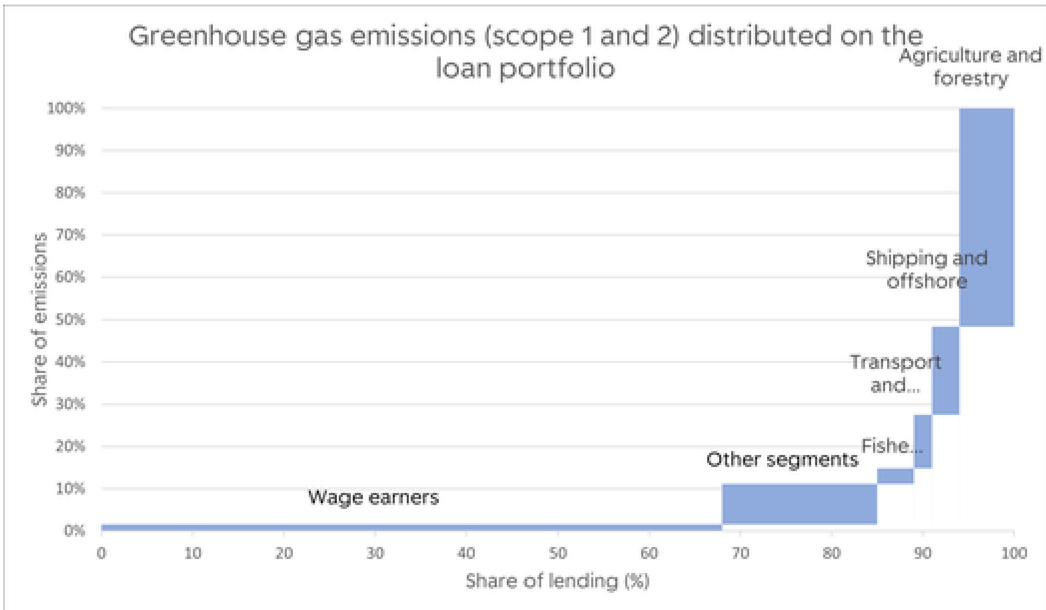


Figure 5: Distribution of the loan portfolio's greenhouse gas emissions

This is the first version of our estimated greenhouse gas emissions from the loan portfolio. The figures are attested by PWC with a moderate degree of certainty, but the calculations remain uncertain and must be treated accordingly. The figures indicate a direction for our work and for our future priorities, but we are cautious when it comes to taking strategic decisions given the substantial uncertainty. When, in future, we measure changes in greenhouse gas emissions over time, historical figures will be revised to ensure that reported changes as far as possible reflect changes in actual greenhouse gas emissions, and not merely technical adjustments to the method of measurement.

Reported greenhouse gas emissions in table 3 will for all customers be calculated as our financed portion of the customer's assets. If SpareBank 1 SMN finances 5 per cent of a customer's assets, we take in 5 per cent of that customer's greenhouse gas emissions.

We have estimated the majority of our loan portfolio by using either an input factor or output factor. Currently a minority of our customers report their own greenhouse gas emissions and, for those that do report, the figures are not yet in the public domain, which impedes data collection. An overview of assumptions employed in estimating greenhouse gas emissions of industries from which we have obtained primary data follows below.

Fishery

For the fishery portfolio we have collected data on ship fuel consumption of our largest customers for a number of years. The figures are used to estimate greenhouse gas emissions of relatively good quality from the fishery portfolio. In 2021 this portfolio has the best data quality, 2.7, in the analysis. However, the data source has a one-year lag, and ship fuel consumption for 2022 is not available at the time of reporting. This reduces the fishery portfolio's data quality compared with previous years. We will update our emissions estimate in 2022 for internal purposes as soon the information becomes available.

Wage earners (residential mortgage loans)

For the residential mortgage portfolio we have estimated greenhouse gas emissions based on information on financed and mortgaged dwellings. Only 9 per cent of the dwellings lack information, and for as much as 47 per cent of dwellings we know floor area, construction year and energy rating. This information is used to estimate energy consumption. Greenhouse gas emissions are estimated using emission factors based on a physical production mix with an emission of 11 grammes of CO_2 per kWh. A large span is seen up to the European residual mix of 405 grammes of CO_2 per kWh and the Nordic electricity mix of 124 grammes of CO_2 per kWh.

Property management

The factor-based emissions for the property management portfolio indicate that a physical production mix is used, which supports choice of factor to ensure consistency in reporting. Indeed Norway's Energy Regulatory Authority (NVE) notes that the European residual mix is not suited to reporting greenhouse gas emissions:

"Using the CO_2 factor to calculate climate footprint would give the erroneous impression that electricity use in Norway is associated with high emissions. This could also give the misleading impression that reducing electricity consumption would bring substantial reductions in greenhouse gas emissions."

We have not included wood burning in our estimates, which would have raised estimated greenhouse gas emissions.

Fossil-fuel vehicles

For SpareBank 1 Finans Midt-Norge, greenhouse gas emissions are only estimated for NOK 6.8bn of NOK 12.1bn of financing for vehicles with petrol or diesel engines. We have employed an average mileage of 12,000 kilometres for all cars.

Agriculture and forestry

The first estimates of greenhouse gas emissions for the agriculture portfolio were based on emission factors per krone loaned. This yielded a total financed emission of 1.2 million tonnes of CO_2e for the agriculture portfolio. Given our market share and loan-to-value ratios, this is a substantially higher emission than that reported by Statistics Norway for Norway. In order to increase the level of precision, we have in 2022, in conjunction with Asplan Viak, estimated the greenhouse gas emissions of each farm based the information present in the agricultural grants register. The register provides an overview of livestock numbers, production and area managed. Recently we have also had access to Statistics Norway's basic data, enabling us to break down Statistics Norway's reported figures on a farm-by-farm basis.

Estimated greenhouse gas emissions are culled from our collaboration with Asplan Viak, while estimated emissions using Statistics Norway's basic data yield almost the same level of estimated greenhouse gas emissions. To convert methane and nitrous oxide emissions to CO_2e we have utilised GWP100 from the latest IPCC report. Due to the complexity of the calculations we have assumed a loan-to-value ratio of 75 per cent for all loans to agriculture. This is a conservative estimate, causing estimated greenhouse gas emissions from agriculture to be higher than they in fact are.

While the data quality of estimated greenhouse gas emissions for agriculture has improved, substantial uncertainty still attends the figures. We are still unable to measure the difference between good as opposed to poor agronomy. We expect our customers to take Agriculture's climate calculator into use and that this will improve our estimates of greenhouse gas emissions per farm and provide input to our plan for reduction of greenhouse gas emissions ahead.

In 2022 an analysis was made of the volume of carbon capture to which SpareBank 1 SMN contributes through its financing activity. The analysis is detached from the PCAF emission calculations, but is nonetheless an important aspect of what we fund. Carbon storage by woodland has risen sharply in Norway as a result of increased forestation in the period 1955-1992. Annual carbon storage in woodland has however fallen since 2009 due to low investment in silviculture, increased tree felling and a rising proportion of old woodland (https://www.skogbruk.nbio.no/klimagassregnskapet-for-norske-skoger).

SpareBank 1 SMN finances forest operations, and we have calculated our financed carbon storage based on our financed share. Our financed carbon storage is presented in Table 4.

	2021	2022
Forest area (decares)	1 484 753	1 519 291
Financed carbon storage (tCO_2e)	202 582	206 739

Table 4: Financed carbon storage

Energy and climate account

The energy and climate account for 2022 shows that our total climate footprint came to 1 097 527.78 tCO_2e. The group's upstream emissions are mainly related to consumption of electricity (783.05 tCO_2e), purchased goods and services (15 872.21 tCO_2e), business travel (2 382.82 tCO_2e) and capital goods (1 490.44 tCO_2e). The group's downstream emissions are caused mainly by lending to agriculture and forestry (544 194.41 tCO_2e), shipping and offshore (219 144.30 tCO_2e), transport and other services (134 548.53 tCO_2e) and fishery (38 158.43 tCO_2e).

A complete energy and climate account for both the parent bank and the group is attached to the annual report. It describes key figures, methodology, assumptions and limitations in detail.

Property management

SpareBank 1 SMN collaborates closely with Kjeldsberg Eiendomsforvaltning (KEF) in the field of property management and in energy and environmental follow-up of the group's activities. As part of this collaboration, KEF collects energy and environmental data on the building stock at a number of our offices, and building operators are ready to turn our rapidly to rectify faults. Moreover, clear requirements are imposed on our collaboration with the KEF in terms of annual reduction of energy from the property portfolio and active efforts to reduce the climate footprint, which all contribute to realising the group's sustainability strategy. A choice has been made to the effect that all electrical power purchased by the bank shall be 100 per cent renewable, which is assured through purchase of guarantees of origin.

Energy efficiency measures have been implemented at our head office in Trondheim with the support of Enova. For the period 1.1.2020 to 31.12.2022, total energy consumption was reduced by almost 1.2 million kWh, i.e. by 19 per cent compared with the reference year 2019.

We focus on sustainability when it comes to changes in office structure. One example is our finance centre in Molde which on 1 January 2024 is to relocate to a refurbished building in the town centre and aspires to certification under the BREEAM In-Use Excellent scheme.

We have for several years used Eco-Lighthouse as an environment management tool. In 2022 we continued our work to integrate this tool into our corporate governance model. Internal structures, procedures and processes underwent further improvement and monitoring tools were refined. In addition to the head office, three of the bank's finance centres were recertified on banking and finance criteria under the Eco-Lighthouse scheme. All finance centres will in the course of 2023/2024 be reviewed for recertification and assessed against banking and finance criteria under this scheme.

Reporting, follow-up and evaluation of the above have been well received by our staff. We are in the process of developing a governance system that will provide climate data at department level. This will help raise awareness and motivation in-house as regards sustainability in our core business, and will have utility value for all customers and partners of the bank. Work is also under way on an internet-based, interactive training system for all employees that addresses sustainability and the environment. Where the banking and finance criteria are concerned, the *Eco-Lighthouse index* has been developed to show how the bank implements the criteria, and to provide a straightforward tool to navigate relevant documentation. The index is available in our sustainability library at smn.no/barekraft.

Relevant steering documents

The following steering documents are central to this theme:

- Guidelines on sustainable lending to retail customers
- Guidelines on sustainable lending to corporate customers
- Guidelines for sustainable agriculture
- Transition plan for net zero emissions in agriculture
- Climate risk strategy
- Climate strategy
- Energy and climate account 2022, the Group

- Energy and climate account 2022, SpareBank 1 SMN
- Guidelines on sustainable procurement
- Policy on business trips

Stimulating green transition for retail customers and corporate customers

Our approach to the theme

Existing housing properties have low CO_2 emissions given the use of Norwegian location-based renewable electricity. Consumption of electricity, on the other hand, is high. Potential transition risks directly for our customers, and indirectly for us, include higher electricity prices, declining attractiveness and a value trend affecting mortgage size and risk/interest rate on residential mortgages. Risk increases in step with diminishing efficiency of buildings. The group’s role in society is to stimulate sustainable development of Mid-Norway, and energy consumption is a central key figure in that transition. It means inter alia that we should actively promote reduction of customers’ energy consumption through advice, product development and course offerings.

Retail Banking

With its large loan volume to households and the agriculture sector, Retail Banking has the potential to exert substantial influence on customers they are in close proximity to in their day-to-day business. In 2022 we developed a transition plan for the agriculture industry, and are currently drawing up a transition plan towards net zero for households. Putting our financial advisers in a position to be drivers of the green transition requires good tools, which is why we are developing an ESG tool to strengthen the quality of the credit process. Strategic goals for Retail Banking are revised in the group’s materiality analysis, and we will develop plans to actively bring about a reduction in customers’ energy consumption through advice, product development and course offerings in 2023.

Corporate Banking

Close to 50 per cent of our financed emissions arise from lending to corporates. In 2022 we developed a tool to simplify ESG mapping of all enterprises irrespective of sector, which will be implemented in all credit processes at the start of 2023. In addition to mitigating financial risk, this tool will enable us to identify relevant products and advice from which our corporate customers can benefit in collaboration with the group’s other business lines and subsidiaries.

Key figures and results in 2022

Reponsible lending and investments	Results 2022	Target 2023
Losses due to fraud	4,234,401	< 10,000,000
Share of managers and employees having completed e-learning course in AML and anti-terrorist financing	73 %	100 %
Corporate loan volumes with ESG score	11 %	75 %
Retail loan volumes with ESG score	0	20 %
Share of loans that meet requirements for green bonds	19.9 %[1)]	In process[2)]
Reduction of total CO2 emissions from loan portfolios	1,077 (1000 tCO2e)	1,000 (1000 tCO2e)
Reduction of total CO2 emissions in day-to-day operations	20 (1000 tCO2e)	16.4 (1000 tCO2e)
Share of homes in the loan portfolio with energy rating	51 %	90 %
Share of commercial properties in the loan portfolio (>1,000m2) with energy rating	Not available	75 %

1) Based on existing framework as per 31.12.22

2) In accordance with EU Taxonomy Climate Delegated Act, buildings constructed on 1. January 2021 or later shall fulfill the criteria “NZEB -10%”. In Norway, NZEB-definitions was announced 31. January 2023. A practical method of identifying NZEB -10% is not available, and access to reliable data is necessary to ensure a robust approach.

Table 5: Responsible lending and investments - key figures and results

Advisory services and customer offering

Good advice is a key aspect of the group’s core competence. A typical expectation on the part of our stakeholders is that our customer offering should stimulate innovation and sustainable economic growth. Four material themes feature in this focal area:

Material themes	Objectives	KPI	Responsibility
Expand the commercial offering of climate-friendly and social products and services	Create new, sustainable revenue flows through taxonomy-aligned product and service development	▪ Sales volume of products and services developed to deliver an environment- and/or nature-related benefit ▪ Sales volume of products and services developed to deliver a social benefit	Director, Corporate Banking Director, Retail Banking Managing Directors of relevant subsidiaries
Strengthen role-based competence-enhancing programme with a focus on ESG for own staff	Continuously develop motivated, competent and responsible staff who contribute to sustainable value creation for the group, our customers and local communities in Mid-Norway	▪ Category score of at least 7.4 for sustainability in the employee development tool Winningtemp (WT)	Director, Technology and Development
Maintain ethical standards	Ensure high awareness of and compliance with the group’s ethical precepts in everyday business	▪ Proportion of managers and employees in the group having completed e-learning course in ethics	Director, Technology and Development
Comply with requirements and obligations on processing of personal data	Build and preserve stakeholders’ trust and confidence in the group through responsible use and protection of data in digital customer solutions	▪ No. of documented complaints related to breaches of data privacy or loss of customer data	Director, Technology and Development

Table 6: Advisory services and customer offering – material themes

Expanding the commercial offering of climate-friendly and social products and services

Our approach to the theme

Developing new, sustainable revenue flows is a part of the group's growth strategy. With a view to assuring long-term profitability and competitive power, we are working to expand our commercial offering by means of a taxonomy-aligned development of products and services. This is an important step in complying with the demands and expectations we meet from customers, public authorities and other stakeholders. Our updated materiality analysis shows there is a need for products and services offering climate, natural and social benefits. We have strengthened our work on innovation to adapt business models and create new customer offerings that will help our customers succeed in their transition.

Retail Banking

We wish to incentivise our retail customers to opt for sustainability by offering attractive products. We offer green mortgages to customers who buy a new house with an A or B energy rating, who build a new house with an A or B energy rating, or refurbish an older house to an A, B or C energy rating. In order to qualify for a green mortgage, the customer must have an energy certificate as documentation. We also offer mortgages to young people and first-home mortgages, products offering equal opportunities to all.

We also offer green loans to energy-oriented initiatives under Enova's support arrangements. The object is to enable customers to implement energy-efficient measures secured on their own property. In conjunction with the energy supplier NTE we also offer finance on favourable terms to customers wishing to acquire a solar cell installation.

In addition we offer green deposits. This a savings product for those who wish to be certain that their savings will contribute to reducing greenhouse gas emissions. Green deposits carry somewhat lower interest rates than other products, but on the other hand are used to finance green loans. We can accept green deposits matching our volume of green loans. We also offer green mutual fund products and green agricultural loans.

Corporate Banking

We do not wish to finance businesses or projects that do not meet our requirements, and existing business customers are expected to take steps to rectify any circumstances that breach those requirements. We are bound by loan agreements with existing customers, but failure to observe the bank's requirements does entail increased financial risk. This may result in new terms imposed on the borrower. Green deposits have also been established and green, purpose-based, loan products are under consideration. We consciously seek to prioritise loans that meet the requirements set for green bonds. Terms and conditions for financing new investments are influenced by risk related to ESG (loan-to-value ratio, repayment period and possibly pricing).

SpareBank 1 Regnskapshuset SMN

SpareBank 1 Regnskapshuset SMN has since 2018 worked to make sustainability a profitable business line. In the last quarter of 2022 the process was brought to completion and the specialist department "Sustainability reporting and advice" was established.

The department will offer interdisciplinary assistance on the preparation of, and advice concerning, energy and climate accounts, the transparency act, the EU taxonomy and recognised sustainability standards and frameworks. The department will be the company's most interdisciplinary department with staff trained in legal, economic and engineering disciplines, and will, with this mix of competencies, be equipped to meet present and future demand from customers in all segments with a variety of needs.

EiendomsMegler 1 Midt-Norge

The Nybygg ('New Build') department has since 2019 focused on assisting developers who wish to erect housing projects under green auspices. It is highly important that we, as Norway's largest provider of estate agency services in respect of new builds, play our part in facilitating sustainable new homes projects. Through close cooperation with Retail Banking and Corporate Banking we can offer financing solutions to developers and retail customers alike who wish to buy into the projects concerned. In addition, we set the stage for estate agent fees on better terms for customers who make use of BREEAM or Powerhouse.

In its communication with and advice to professional real estate actors, EiendomsMegler 1 Midt-Norge highlights sustainability as a crucial criterion for all actors intending to operate in the property sector ahead. This was why sustainability was the theme chosen for the 2022 annual customer conference 'Knutepunkt', a seminar for property owners and developers.

Insights regarding energy efficiency and sustainability also feature in market reports and customer seminars. For example, in spring 2023 we will focus on green financing and climate-certified property development projects.

Through competency enhancements targeting the company's own employees and customers, we will focus more closely on lowering the costs of printed media and printed marketing materials. These will be replaced with more profitable and sustainable digital solutions.

SpareBank 1 Markets

SpareBank 1 Markets is a major participant on the Oslo Stock Exchange when it comes to raising capital for "green" companies. In 2021 and 2022 share capital worth NOK 29bn and 2.8bn respectively was raised. For borrowers, NOK 3.3bn and 4.7bn was also raised in 2021 and 2022 respectively in green bonds. The company's analysis department also assesses companies in relation to ESG factors when performing analyses of companies listed on the Oslo Stock Exchange. For investors, a customer's preferences, or absence of such, as regards investments in terms of a green profile, will be part of the customer's profile ahead.

SpareBank 1 Finans Midt-Norge

SpareBank 1 Finans Midt-Norge has offered green car loans to retail customers since 2018, and electric cars now account for 23 per cent of the company's private car portfolio. The company's manifestly largest climate impact is via its loan portfolio, and it is here that the largest measurable climate effects can be achieved. SpareBank 1 Finans Midt-Norge's strategy was updated in 2022 to incentivise corporate customers to choose equipment with a limited or positive climate impact rather than equipment with a negative climate impact. As part of this strategy, financing of objects with an unacceptable climate impact is not offered, typically older objects with outdated technology which should be taken out of circulation in a safe and secure manner.

Strengthening role-Based competence-enhancing programmes with a focus on ESG for our own staff

Our approach to the theme

By far our most important resource is our employees. If we are to succeed in delivering the best customer experiences today and ahead, we need staff who want to evolve and acquire new knowledge. The focus on competence in 2022 has been to create a strong learning culture, to ensure that the group's competency needs are met through targeted and effective measures, and to make it simpler to learn in everyday work. We have set up a dedicated learning portal to make it simpler to gain an overview of the group's learning programmes and to impart increased knowledge of our focus on competence. In 2022 sustainability, digital competence and ethics were at centre stage.

We intend to be a driver for green transition, and in 2022 sustainability became more integrated into the group's business models and employees' working day. Last autumn all employees took part in the Climate Competition in collaboration with Ducky. We are in addition running an ongoing innovation and business development programme together with Æra Strategic Innovation, and a course in BREEAM certification is planned for employees working with real estate under the auspices of EiendomsMegler 1 Midt-Norge.

In collaboration with the Norwegian University of Science and Technology (NTNU), 27 staff members are attending the study programme "Digital transformation and sustainability in the financial sector". The programme comprises a number of themes: artificial intelligence, the digital economy, block chains and cryptocurrency, transformation and sustainability.

Financial advisers, both in Retail Banking and Corporate Banking, underwent a series of training programmes and updates as regards professional skills, products, advisory activities and ethics in 2022. The object is to ensure high quality, and to inspire confidence and trust when dealing with customers. With a view to meeting the requirements of the Insurance Mediation Act and the Financial Institutions Act as to 15 hours' continuing education, all authorised advisers at the bank underwent comprehensive learning programmes in the following themes: good business practice, tools and measures for customers in financial straits, sustainability, ethics, anti-money laundering, anti-terrorist financing, and professional and product updating.

All employees also underwent training programmes in data and information security along with mandatory courses in personal data protection and anti-money laundering. Further, the group applied a structured approach to raising awareness of our ethical guidelines. Through e-learning, ethical reflection and casework, employees gained an insight into various ethical dilemmas and how to manage them, by practising the principle of freedom of information and equality. The ethics week also focused on raising employees' awareness of the group's guidelines on corruption and on our role of maintaining a professional relationship with our customers, suppliers, competitors and the world at large.

We are keen that our employees should see the value of development and learning, and we urge all employees of the group to provide feedback on themes about which they wish to learn more, or less, and an evaluation of the training paths offered. This feedback is valuable in that it enables us to adjust training paths so that employees experience professional and personal development.

Read more about jobs and careers with SpareBank 1 SMN on our website, smn.no.

Relevant steering documents
The following steering documents are central to this theme:

- Description of Competency programme in sustainability

Maintaining ethical standards

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

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

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

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

Relevant steering documents
The following steering documents are central to this theme:

- Ethical guidelines

Complying with requirements and obligations on the processing of personal data

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

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

In 2022 the group sought to strengthen and improve its data privacy effort by raising awareness across the organisation of the requirements on personal data processing, and in interaction with SpareBank 1 Utvikling which is our most important data processor. The ambition for 2023 is to continue our work on training programmes and to continue efforts to close identified gaps.

We have a low threshold for reporting breaches of personal data security to the Data Inspectorate. The group received three complaints from customers related to personal data security in 2022, and reported ten deviations classified as leaks or loss of personal data to the Data Inspectorate. We received no penalty charges or injunctions from the Data Inspectorate in 2022.

Relevant steering documents

The following steering documents are central to this theme:

- Personal data protection policy at SpareBank 1 SMN
- Declaration on personal data protection

Key figure and results in 2022

Advisory services and customer offering	Results 2022	Target 2023
Sales volume of products and services with an environmental benefit	1,003,000,000	2,000,000,000
Sales volume of products and services with a social benefit	0	
Category score for sustainability in Winningtemp[1)]	7.3	7.4
Share of managers and employees in the group having completed e-learning course in ethics	92 %	100 %
No. of documented complaints of breaches of data privacy or loss of customer data	3	0

[1)] At the start of 2022, we introduced a new employee development tool, Winningtemp

Table 7: Advisory services and customer offering – key figures and results

Sustainable transition of Mid-Norway

One of our social roles is to stimulate a sustainable development of Mid-Norway. The financial sector is dependent on the trust and confidence of customers and the market. As a financial services group we play and important part in stimulating a sustainable development of our region. Our customers, partners and the community at large have a clear expectation that the company’s day-to-day operations, customer offering and community dividend make an active contribution to that development. We must take the lead and set a good example, and two material themes feature in the focal area.

Material themes	Objectives	KPIs	Responsibility
Stimulate innovation and sustainable economic growth	As an arena builder we shall create local meeting places and stimulate cooperation. As an innovator we shall support innovation by laying development paths for talented individuals, entrepreneurs, growth businesses, spin-offs and established R&D entities. We shall collaborate with various specialist entities on competence-raising and development programmes for green innovation in business and industry, in particular SMBs	▪ No. of participants at meeting places and innovation activities under group auspices ▪ No. of participants in competence-raising and development programmes	Director, Communications and Brand
Contribute to strengthen transition efforts at businesses in Mid-Norway	Help businesses in Mid-Norway to succeed in their transition to a low-emissions society, through effective customer solutions and new partnerships	▪ Share of large corporate ccustomers with credit commitments who have carbon accounting reports	Director, Corporate Banking Managing director, SpareBank 1 Regnskapshuset SMN

Table 8: Sustainable transition of Mid-Norway – material themes

Stimulating innovation and sustainable economic growth

Our approach to the theme

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

The funds are held in an account with SpareBank 1 SMN, and the provision for distribution in 2022 is NOK 250m. The allocation is normally distributed relatively evenly between the community, grassroots sports, culture and business development. See samfunnsutbytte.smn.no for an overview of allocations.

As a driver for green transition we have in 2022 invested in initiatives aimed at assisting business and industry with their green transition. We worked with the independent research institute SINTEF and organised innovation courses in conjunction with Æra Strategic Innovation. For further information see the chapter on community dividend.

The mission of the foundation SpareBank 1 SMN Utvikling is to invest and manage donations to business and development projects for the common good, seedcorn activities or other non-profit causes that involve an ownership role and that stimulate innovation and value creation in our market area. SpareBank 1 SMN Utvikling has ownership positions with a book value of NOK 41m.

Relevant steering documents

The following steering documents are central to this theme:

- Strategy on community dividend
- Description of the innovation course "Green transition driver"

Helping to strengthen transition efforts in businesses in Mid-Norway

Our approach to the theme

The work on green transition in Mid-Norway is marked by differences between industries and by businesses' size. Our knowledge base shows that industries in our region differ in terms of how well they are prepared for society's expectations as to sustainable transition. Read more about this in our sustainability barometer for 2021 in the sustainability library at smn.no. The primary industries lead the field in the private sector. Transition risk is highest among the smallest companies in Mid-Norway. The smallest businesses are at risk of failing to meet the largest companies', and the local authorities', expectations as regards systematic sustainability efforts. A failure to transition on the part of small and medium-size businesses could increase the number of bankruptcies and diminish their earnings, and impact our financial risk. This is a new material theme in the updated materiality analysis, and our plans will be deepened and introduced in 2023.

Key figures and results in 2022

Sustainable transition of Mid-Norway	Results 2022	Target 2023
No. of participants in meeting places and innovation activities	0	7,000 participants 250 'youth enterprises'
No. of participants in competence and development programmes	31	50-100
Share of large corporate customers with credit commitments who have carbon accounting reports[1)]	Not available	25 %

1) Large corporate costumers exceed two out of three following criterias: turnover > MNOK 400, balance sheet total > MNOK 200 and number of employees > 250

Table 9: Sustainable transition of Mid-Norway – key figures and results

Sustainable transition in SpareBank 1 SMN

Transition under our own auspices is a prerequisite for achieving credibility and trust in helping our customers to succeed in their transition. Three material themes feature in this focal area:

Material themes	Objectives	KPIs	Responsibility
Stimulate responsible resource use in the bank's value and supplier chains	The group shall lead the way in setting a good example by reducing resource use and waste volumes through prevention, reduction, recycling and re-use	▪ Share of the group's material purchases (>NOK 100,000) from suppliers with an energy and climate account	Director, Group Finance and Governance
Strengthen data protection and cybersecurity	Ensure a systematic and risk-based approach in order to protect information values and avoid data going astray	▪ Share of managers and employees in the group having completed the competence-raising and attitude-moulding programme for information security (Passopp)	Director, Technology and Development
Promote diversity, inclusion and equality	Lead the way as an inclusive employer with equal opportunities for all	▪ Category score of at least 8 for diversity, inclusion and equality in WT	Director, Technology and Development

Table 10: Sustainable transition of SpareBank 1 SMN –material themes

Stimulating responsible resource use in our own value and supplier chains

One of our goals is to induce customers and employees to make conscious, personal and professional choices that contribute to making the group and the group's products more sustainable. One measure is to actively use our role as purchaser by enriching invoice information with questions about various suppliers' climate and environment profile. We seek by this means to actively induce suppliers to establish their own environmental certifications and climate accounts, and other goals in line with the Paris Agreement.

Our "Standard for Procurement" concretises a clearly defined framework with respect to purchases with a view to accommodating growing statutory requirements, as well as the aim of being a local and regional driver of the green transition. This standard contributes to strengthened internal control throughout the procurement process, and addresses in particular:

- Professionalisation of supplier management
- Sustainable procurement

Supplier management

We require suppliers to have in place guidelines in the sustainability sphere, and to translate them into action.

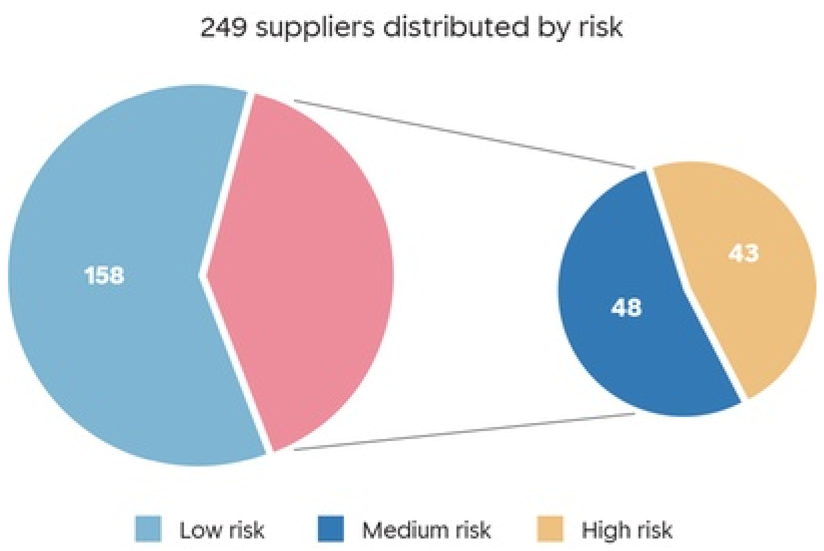
Suppliers shall, at minimum, observe and abide by local, national and international law, rules and principles (including provisions on matters such as wages, working hours, health, environment, security and corruption). As regards invitations to tender/purchase, we require offerors to document approved environmental certification.

Suppliers undertake to act in an ethically correct manner in connection with production and contracts to deliver to SpareBank 1 SMN. They have a duty to warn, and it is enshrined in the contract documents that we a right of inspection and revision. The same requirements apply to the supplier's sub-supplier and any partner connected to a contract for delivery to us; see the Transparency Act. Any breach of the corporate social responsibility provisions is considered a breach of contract and may be a basis for cancelling the agreement or contract.

We are a substantial purchaser of goods and services, both locally and as part of the alliance SpareBank 1-alliansen. Allianseinnkjøp, the SpareBank 1 banks' central procurement entity, enters supplier agreements on commission from the banks, and follows up sustainability risk related to them. These agreements represent our most significant agreements. *Sustainability in procurement* is an integral aspect of the process at SpareBank 1 SMN and Allianseinnkjøp. Thorough ESG assessments are accordingly established in all purchasing practice.

Risk-based mapping of suppliers

Allianseinnkjøp's follow-up of suppliers in the sustainability sphere started in 2019 with a risk-based mapping of 249 existing suppliers. That review showed that 91 suppliers had some, or increased, risk of negatively impacting environmental, social and business-ethical matters. In 2020, 91 suppliers were subject to closer follow-up, and 43 were identified as relevant for additional follow-up. See the diagram below.



- 158 suppliers assessed as low risk
- 48 suppliers assessed as medium risk – not subject to follow-up
- 43 suppliers assessed as high risk – subject to additional follow-up

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

In 2021 Allianseinnkjøp prepared, in conjunction with the banks, an "Action Plan for Sustainability in Procurement 2021-2022." This shows how the banks are to proceed with supplier follow-up in the field of sustainability.

Three procurement categories singled themselves out: Administrative procurements, IT-related procurements and Purchase volume (the largest suppliers). The following factors were given emphasis when prioritising categories and selecting individual suppliers:

- Greatest risk of negative impact on environmental, social and business-ethical issues
- Largest turnover volume
- Core business
- Greatest opportunity to reduce the risk of negative impact on environmental, social and business-ethical issues

In the subsequent follow-up it was considered expedient to examine the individual supplier chains in depth rather than address the portfolio in breadth. This meant that 12 individual suppliers in the following purchase areas were selected and prioritised for follow-up in 2021-2022:

- Office furniture
- IT systems
- IT hardware
- Consultancy firms and staffing agencies

Transparency Act

The Transparency Act entered into force on 1 July 2022. As a result, Allianseinnkjøp (of which SpareBank 1 SMN forms part) shifted the focus of its follow-up of the 12 suppliers to the latter's compliance with the Act and to their work on fundamental human rights and decent working conditions in their own supplier chains. The follow-up process was carried out as a combination of written in-depth surveys and one-on-one meetings. In order to form an overall picture of the same among the remainder of the suppliers with higher risk, an in-breadth survey of 36 suppliers was initiated.

In-depth surveys

Suppliers of IT hardware and IT systems initially received surveys in the CEMAsys ESG Survey module. These were subsequently followed by one-on-one meetings on Teams. One-on-one meetings were held with suppliers of office furniture and consultancy firms and staffing agencies since this had proven most effective and useful. Ahead of the meetings the suppliers received questions which we expected to be answered at the meetings. Not all suppliers managed to comply, and follow-up meetings were arranged with several of them.

The following questions were asked with appurtenant findings.

Questions to suppliers	Findings
Goal of and strategy for sustainability effort?	All suppliers had goals and strategies in place
Process for supplier follow-up?	The majority had processes for supplier follow-up
Practical action vis-à-vis suppliers, incl. any finding of actual risk?	Fewer presented action plans/findings of actual risk in a readily accessible manner
Work on the Transparency Act?	The majority had started work, while some had little or no knowledge of the Act

Results from the in-depth surveys are presented in the table below.

Measurement parameter for 12 suppliers	Goal: all replies satisfactory	Result at survey	Result after agreed improvement
Goal of and strategy for sustainability	12	11	12
Process for supplier follow-up	12	10	12
Practical supplier follow-up	12	8	12
Work initiated on Transparency Act	12	6	12

Table 11: In-depth survey, material suppliers

Result after follow-up:

- Substantial improvement in work done on the Transparency Act for several suppliers
- Several strengthened their practical supplier follow-up
- Several suppliers reported that the follow-up yielded knowledge and motivation to work on sustainability

In-breadth survey

The in-breadth survey was conducted in the CEMAsys ESG Survey module in which 36 suppliers were asked whether they had in place a strategy and goal for the company’s sustainability effort, and guidelines for their suppliers, and if they had worked on the Transparency Act. Replies were received from 18 suppliers. Suppliers from which no reply was received will be followed up in 2023.

The replies from the in-breadth survey show that the majority have in place a strategy and goals for the company’s work on sustainability, and somewhat fewer have processes for supplier follow-up. Just over half of the suppliers who replied have carried out or started work on due diligence assessments.

The table below shows the results of the in-breadth survey.

No.	Question	Reply Yes	No	In part
1	Do you have a strategy and goal for the company's sustainability effort?	17	1	NA
2	Have you established a process for sustainability follow-up of the company's sub-suppliers, incl. an exceptions handling procedure?	13	5	NA
3	Does the Transparency Act apply to your business?	17	1	NA
4	Have you performed a due diligence assessment in accordance with the Transparency Act?	3	7	8

Table 12: Result from in-breadth survey

Our supplier follow-up from 2019 to end-2022 is summarised in the table below.

Measurement parameter 249 existing suppliers	Target	Result 2019	2020	2021	2022
Risk assessment of suppliers	249	249			
Follow-up of suppliers with increased risk	91	16	91		
Suppliers for additional follow-up	43 (48)				
In-depth surveys, no. of suppliers	12			6	12
Suppliers with agreed improvement	NA				6
Suppliers with terminated agreement	0				0
In-breadth survey, suppliers who responded	36				18

Table 13: Supplier follow-up 2019-2022

Circular thinking

Inasmuch as SpareBank 1 SMN in 2020 and 2021 forged closer links with the subsidiaries as part of its group strategy, it is natural for the group to operate under a shared sustainability standard. We have co-located the parent company and subsidiaries in several locations. The group's procurement of the logistics system Loopfront, a database for reuse, enables us to reallocate fixtures and furniture in the office network instead of purchasing anew. Our furniture supplier has switched from being a pure furniture supplier to being an adviser on reuse and repair of used furniture, and to acting as Loopfront administrator.

100% definition

In parallel with our work in SpareBank 1-alliansen, we have, in line with the requirements as to environmental lighthouse certification, carried out a review of our own operating suppliers. Work on identifying suppliers that are environmentally certified under the ISO 14001, EMAS or Environmental Lighthouse schemes started in 2019. Our objective is that 100 per cent of our own operating suppliers should be environmentally certified by the end of 2022. The objective has been achieved, but this is a continuous ongoing process.

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

Relevant steering documents

The following steering documents are central to this theme:

- Standard for procurement
- Guidelines for sustainability in procurement
- Supplier declaration on sustainability
- Standard contract appendix on sustainability
- Due diligence assessments at SpareBank 1 SMN (Transparency Act)
- Policy on business travel

Strengthening data and cybersecurity

2022 was marked by geopolitical turbulence resulting from Russia’s invasion of Ukraine. The invasion prompted a significant strengthening of measures to ensure resilience to digital attacks. Risk assessments had been prepared prior to the invasion, and war was among the scenarios assessed against the background of the tense situation in Ukraine. Once the invasion materialised, the measures described in that scenario were rapidly put in place.

The greatest concern was that one of the warring parties might launch attacks targeting our services or shared financial structure. This concern grew as economic sanctions intensified. A further major concern was that malware intended for other targets could go astray and inadvertently strike us. Moreover, it was expected that criminals and other malicious elements would exploit the highly turbulent situation to launch digital attacks on us and others.

In June 2022 SpareBank 1-alliansen experienced a denial-of-service attack on our shared infrastructure which caused some minor operational disruptions, but together with our partners we succeeded in minimising the impact of the attack. In the aftermath it was concluded that those behind the attack sympathised with Russia and that the attack could thus be linked to the invasion.

Otherwise we, like the financial industry as a whole, have witnessed malicious attempted attacks on our infrastructure and services. We continue to see malicious actors phishing for bank card and bank ID information that can be misused for personal gain. High priority is given to security architecture and new security solutions geared to new threats. SpareBank 1 SMN accordingly participates in SpareBank 1-alliansen’s work on security strategy, and in 2022, together with the rest of the alliance, we reinforced the competence, and clarified the mandate, of our joint security committee. The committee members are drawn from the banks making up the alliance.

We have high capacity to provide the requisite security, high business continuity and reliable customer services. Information security in the context of open banking, coordination and cloud services has a particular priority.

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

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

Responsibility for data and cyber security rests with the IT and Security Department at SpareBank 1 SMN. The department employs 18 FTEs. With formal responsibility for the data and cyber security area, the department also largely performs the operative tasks. Parts of these tasks are outsourced to partners and suppliers. The department's own employees control access to systems and data and are responsible for basic server security and correct access level for employees, software to protect systems and services against unauthorised access and for backup of locally stored data.

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

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

Customers find tips and advice on safe and secure use of our services at smn.no.

Relevant steering documents
The following steering documents are central to this theme:

- Information security policy

Promoting diversity, inclusion and equality

Our approach to the theme
We work purposefully to ensure diversity, inclusion and equality in our development initiatives, recruitment processes, salary structure, and in the event of reorganisation measures and role changes. We believe that diversity makes for added perspectives and a more exciting, broadening and dynamic work environment. All employees in the group should feel that they belong and are treated equally throughout the employment relationship. The group makes an active effort to assure equal status and to avoid discrimination in all aspects of the employment relationship, from vacancy announcement to termination of the employment relationship.

SpareBank 1 SMN has signed the Women in Finance Charter. In so doing the group has committed to setting targets for gender balance at managerial level. The object is that women should account for a minimum of 40 per cent of managerial positions, and a clear ambition is to increase the share of women in weightier managerial positions. A good gender balance is sought at all levels of the organisation, and the proportion of women in managerial positions with personnel responsibilities in 2022 was 43 per cent, an increase of 1 per cent since 2021. The group management team now comprises nine persons, two of whom are women. The executive director of Technology and Development has a dedicated responsibility for monitoring the work to promote equal status and is our representative in the Women in Finance Charter.

SpareBank 1 SMN has established a forum for diversity, inclusion and equality. In 2022 the focus was on defining objectives and framework and to highlight the group's efforts in this area. In 2023 the forum's work will be prioritised and measures put in place. Diversity, inclusion and equal treatment are a long-term process, requiring a continuous effort at all levels of the organisation.

As a party to the Inclusive Employment Agreement, we commit to facilitating good dialogue and a relationship of trust between managers and staff with a view to reducing sickness absence. In 2022 our managers' support for follow-up of staff during sick leave was improved. Procedures for inclusive follow-up of staff upon falling ill were also improved, and guides and supporting materials have been established.

This year we marked World Mental Health Day by sharing tips each day for a week, inviting participation in a webinar through the Finance Sector Union of Norway and by reminding employees of the opportunities for support that are available to them through the employer should the need arise.

Relevant steering documents

The following steering documents are central to this theme:

- Mandate for the MIL forum
- Non-discrimination policy
- Report on "Women in Finance Charter"

Key figure and results in 2022

Sustainable transition of SpareBank 1 SMN	Results 2022	Target 2023
Share of the group's significant purchases (> NOK 100,000) from suppliers with a carbon accounting report	Not available	50 %
Share of managers and employees having completed e-learning in information security	93.2 %	100 %
Category score for diversity, inclusion and equality in Winningtemp	7.6	8

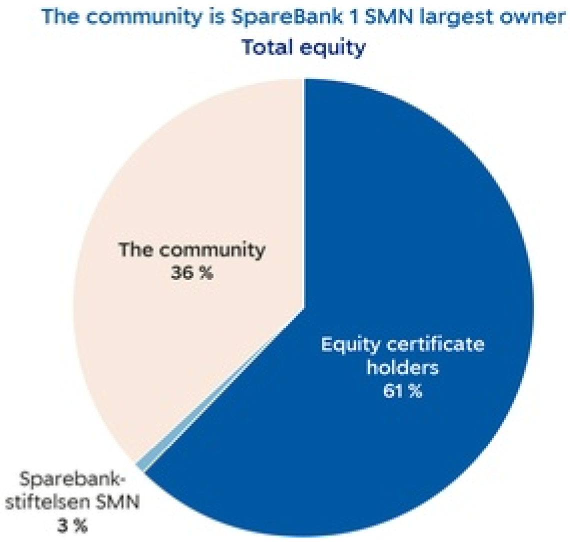
Table 14: Sustainable transition of SpareBank 1 SMN – key figures and results

Community dividend

The Mid-Norwegian community is our largest single owner, and local communities' share of our net profit is termed the community dividend. Community dividend has long traditions; ever since 1847 parts of the net profit have gone to non-profit and charitable causes which build and develop the region.

As the region's leading financial services group we live in close proximity to the people in the region of which we are a part. We are passionately devoted to the development of the entire region, from Rørvik in the north to Førde in the south, and have a big heart for the local communities. We applaud all the wonderful things happening around us – ranging from voluntary sector activities, fostering of talented individuals and cultural events, to creating an attractive place to live and caring for the community.

In particular we attach much importance to future generations and, for that reason, to initiatives and activities that benefit children and young people.



The community dividend moneys go to supporting worthy projects that build and develop Mid-Norway and make the region a better place to live and work.

We aim to strengthen social and business development through building knowledge, an innovation culture and capital. That will enable new investments to be made and a basis for new jobs to be laid.

One of the largest private contributors in our region
In 2022 the community dividend totalled NOK 547m. Of this, NOK 250m was allocated to investments in various projects in the region. A further NOK 297m was transferred to the foundation Sparebankstiftelsen SMN, which is the community's 'savings box', representing a substantial strengthening of our ability to support Mid-Norway's local communities.

In December 2021 a new interim strategy was adopted for the community dividend in which the regional community, sports and outdoor recreation, art and culture along with innovation and value creation were defined as focal areas in their own right.

The aim of the new interim strategy is to contribute to Mid-Norway leading role in sustainable innovation and green transition. Four strategic roles are defined – as arena builder, innovator, investor and driver of green transition.

In 2022 we sought good partners and relevant initiatives, bringing both strengthened and new collaborations. In the period ahead we will become an even larger and more important actor for entrepreneurs in Mid-Norway – ranging from budding entrepreneurs at upper secondary school to more established entrepreneurial entities in Ålesund, Molde, Åndalsnes, Trondheim, Verdal and Steinkjer. In addition, we collaborate closely with business associations and similar organisations throughout the region. This will all help to ensure that Mid-Norway has ample, and good, workplaces in the future.

People in Mid-Norway wished for living neighbourhoods
In 2021 we received a good 10,000 responses on how people thought the community dividend should be invested. Many were as expected preoccupied with the voluntary sector and recreational and cultural offerings, but we also received clear feedback on the importance of more informal community activities. In 2022 we therefore wanted to create further warm meeting places, with an increased focus on the neighbourhoods in which people live. We termed this venture “Living Neighbourhoods”, and conceived a number of support schemes enabling housing cooperatives, residents associations and organisations to apply for financial support for their neighbourhoods. Through collaboration with EiendomsMegler 1 Midt-Norge we also issued invitations to neighbourhood parties across the entire region.

One hundred neighbourhoods were supplied with specially developed ‘gapahuk’ shelters, fire pans and/or flower cribs and benches (429 applied for these equipment packs).

- In addition we received 553 applications for monetary support. More than NOK 16m was granted to causes focused on stimulating activity and wellbeing in local neighbourhoods.
- 2,000 people participated in neighbourhood events under our auspices.

Larger initiatives in 2022:

- **Young voices**
  In collaboration with the LO and the NHO we have established a programme for talented young people in the region. We wish to help to build, develop and ensure a diversity of talented young managers and employee representatives in the region, with the aim that more of them will contribute to the social debate on the business and industry of the future, and make their voices heard in national arenas. Fifteen young people from various industries attended the first round of the programme.

- **Talent scholarships**
  NOK 2m was distributed in talent scholarships to 40 talented young people in the fields of culture, sports and business and social development in Mid-Norway.

- **Summer jobs for young people**
  We granted wage subsidies to small and medium size businesses to take on youngsters in summer jobs. The subsidies totalled NOK 4m and enabled SMBs to employ a total of 633 youngsters in the summer months.

- **Heart-warming initiatives**
  We are concerned with caring about other people, especially in demanding times. That is why in the spring we donated NOK 1m to four different organisations for their work in war-torn Ukraine, at the same time as we established a support scheme for those wishing to take positive action for refugees in our region. Ahead of Christmas we engaged employees in the concept of “Christmas heartwarming” where we devoted NOK 1.5m to help organisations that do good deeds for the poorly off and/or those facing challenges related to social exclusion and mental health. We also set up a ‘Spleis’ (a digital fundraising service) in favour of UNICEF’s work for children in Ukraine where we matched the sum donated by private individuals. A total of just under NOK 400,000 was raised for UNICEF’s work for children in Ukraine.

- **Competence as the key to green transition**
  The green transition is here, and we wish to invest community dividend in causes that help to hasten the transition in Mid-Norway. As a driver of green transition for business and industry, we wish to collaborate with competence and development entities on competence-building measures for small and medium size businesses. In 2022, two sizeable collaborations were in focus:
  - **Collaboration with SINTEF on offering expert assistance to companies intending to develop green ideas**
    This collaboration was launched in autumn 2021, and was wound up a year later after an evaluation. We wish to continue our collaboration with SINTEF in other fields, but will focus initiatives on more concrete issues and industries aspiring to green transition.
  - **Collaboration with Æra on an innovation course for SMBs in Mid-Norway**
    The innovation course was launched in January, and so far 32 businesses in Trøndelag and in Sunnmøre have participated. The course comprises four seminars and offers an introduction to strategic innovation methodology as a tool for identifying growth potentials in the green transition. This initiative continues in 2023.

Applications and allocations
Allocations of community dividend increased from NOK 200m in 2021 to NOK 250m in 2022. A total of 4,143 applications were processed in 2022, amounting in all to NOK 360m. Of these, 2,042 applications were granted. NOK 168m was allocated to non-profit causes in 2022.

People and organisation

At the start of 2022 we completed our HR strategy which clarifies the direction, goals and framework for our efforts in the field of ‘people and organisation’. Our staff are the group’s most important resource, and in order to deliver the best possible customer experiences SpareBank 1 SMN is dependent on a diversity of staff that are committed, competent, enquiring and development-oriented. The HR strategy defines clear goals and measures along the dimensions of organisation, people, management and culture.

The strategy was shaped with a basis in business goals and strategies for both the group and the business lines, along with relevant drivers and regulatory requirements. In 2022 the hybrid working day during and after the Covid pandemic has been among the most important focal areas. It brings new habits and requirements, an increased pace of change and digitalisation, which in its turn requires new competencies. In addition, recruiting the best minds and raising competencies in sustainability have been important focal areas in 2022. Organisational analyses of each of the group’s business lines identified key focal areas and a need to ramp up the group’s plans for further development of people and the organisation alike.

Organisation

Goal: See to it that the organisational set-up, structures, systems and processes underpin the group’s business needs and ensure goal attainment and development

Salary and bonus arrangements
Salary and bonus arrangements are further described in the report on remuneration of senior employees published at smn.no/barekraft.

Processes
In 2022 we focused on further developing cooperation models and synergies across customer-facing activities and specialist departments, in continuation of the organisation change termed “One SMN” in 2020 and 2021. In 2022 we see a number of benefits of bringing together business lines under the same roof. Its provides a basis for stronger specialist teams, even clearer ownership of the workplace and increased staff satisfaction.

Succession planning, which is about securing the staffing plan in the short and long term for key roles in the group, was put on a more systematic basis in 2022. This has reduced short term risk by identifying and building competencies of persons able to step into central positions upon sudden lapse of their incumbents. It has in addition set the stage for the group’s long-term plan to develop staff able to assume central roles in the future.

Where employee development and motivation is concerned, predictability in terms of requirements and expectations on the particular role are important. In 2022 we enhanced role descriptions in order to clarify responsibilities, expectations and mandates. This set the stage for a more targeted approach to employee and manager development across the group. The work will continue in 2023.

Hybrid working day and everyday balance

SpareBank 1 SMN aims to be a workplace where employees experience a good balance between work and leisure. The group's life phase policy is designed to accommodate employees in all phases of life. Arrangements involving flexible working hours and working from home are available, enabling employees to adapt their working day to their family situation. Hybrid work schedules were revised in 2022 to ensure that they accommodate employees' expectations and needs, revised regulations on work performed in the employee's home, and the value and utility of a hybrid working day. The group has refurbished workplace premises to facilitate hybrid modes of cooperation. There was also a focus on making the office more attractive and motivating staff to work from the office through various social initiatives and universal design.

New tool for employee development

Committed and contented employees who experience a feeling of mastery, job satisfaction and personal development are crucial for our success. At the start of 2022 we introduced a new employee development tool, Winningtemp, which has provided regular measurements of employees' satisfaction. The insights gained have made it simpler for the group management team, other managers and staff members in the group to focus on and apply measures to specific areas with a view to strengthening and developing. Staff satisfaction was accordingly more in focus at manager workshops, general staff meetings, department meetings and employee appraisal interviews. The results are integrated into the group's business goals and the respective management groups. At year-end we focused on how to share knowledge and experience with best practice between managers to ensure quality for all employees.

Whistleblower programme

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

Information on employees' right and obligation to report censurable circumstances is readily accessible on SpareBank 1 SMN's intranet pages. Three reports were registered in 2022.

The employee development tool also circulates questions on themes such as discrimination, equal treatment and harassment. Where an employee responds with a low score, HR are immediately alerted (anonymously) and they follow up the matter via an anonymised dialogue facility built into the tool.

Worker rights

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

The right to organise is important. A substantial proportion of our employees are members of a trade union, and the group attaches much importance to good cooperation with the unions. Employees all have a choice of being organised or not, and the group does not discriminate employees who choose to not organise themselves in a trade union. The proportion of employees in the group who were covered by a collective bargaining agreement in 2022 was 77 per cent.

Salary and employment conditions

We aspire to competitive remuneration models, and a continuous effort is made to that end. Fixed remuneration is the largest single element of overall remuneration followed by pension benefits, collective benefits and insurances.

In order to ensure consistency and equal treatment in the determination and assessment of salaries, we employ Korn Ferry's method of job evaluation to define position levels.

We have for several years worked for equal pay for women and men. In 2022 women's share of men's pay was 90 per cent across the group. Women's share men's pay for managers in the group was 93 per cent. There are variations within the various subsidiaries, position levels and management levels.

Health and physical activity

A systematic effort is made in terms of health, environment and safety, primarily in dialogue with the health and safety officer, HR and line management. We wish to lay a basis for employees to keep fit. The group operates a programme, entitled Better Shape, in which measures, activities and initiatives are coordinated and systematised. This programme encourages individuals and departments to keep fit by organising competitions, by subsidising fitness centre membership and through keep-fit activities in connection with work.

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

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

Sickness absence in the group was 4.8 per cent in 2022. This is an increase of 0.8 per cent from 2021.

Management

Goal: To ensure that our managers are secure and capable in the exercise of their management role and have relevant management support and tools

In 2022 the group sought to clarify our management platform and management principles. Our management workshops focused on shared expectations on the group's managers, and the latter's significance in the culture sphere as ambassadors, facilitators and role models. The group's managers underwent management training and coaching in integrating Winningtemp into the business in order to induce commitment, strengthening and improvement. Some management groups have undergone more targeted management development to instil a sense of confidence and capability in their exercise of the management role.

In autumn 2022 a digital portal for managers in the group was launched. The portal aims to improve the structure and availability of relevant tools. All managers in the group have also participated in a pilot providing access to an external portal for video courses and digital learning. Structured learning paths with dedicated learning groups and facilitators were implemented as part of the pilot.

People

Goal: To ensure that we attract, develop and retain the best and the right employees

A belief that employees perform better if they experience a sense of mastery, confidence and autonomy, and have a meaningful working day, is an important governance principle for us.

Recruitment and employer branding

In 2022 we appointed about 200 persons to various roles in the group. This includes internal candidates and processes where employees may have transferred between departments or companies within the group.

Our objective is that both women and men should be among the shortlisted candidates ahead of the final decision on who is to be offered an open position. In 2022 this objective was achieved in a large majority of appointment processes. The group makes an active effort to ensure a wide diversity of applicants for posts in the group, of candidates invited for interview and of actual appointees.

In 2021 an evaluation was performed of texts and terms employed in vacancy announcements, and steps were taken to ensure that the language used and characteristics sought did not increase the likelihood of attracting one gender at the expense of the other. The focus on quality of language in vacancy announcements continued in 2022. The gender distribution of applicants shows that we do have a gender balance and that a relatively identical share of men and women apply to our positions. The same picture is reflected in appointments in 2022, i.e. a gender balance, albeit with a marginally higher share of women appointed than men. In the recruitment process the emphasis is on objective and fair selection criteria, as well as on use of objective tests.

We also see the need to be visible and to be an attractive employer for candidates from a wider range of disciplines and fields of study. An active effort is being made to increase the diversity of applicants through vacancy announcements, collaboration across more fields of study and visibility across a broad selection of education institutions and disciplines.

We will in 2023 continue our systematic effort to evaluate and improve the recruitment process in order to ensure a focus on diversity, inclusion and equality in recruitment. We will in the course of the first four months clarify our employer branding strategy and consider on a continuous basis what steps we can take to ensure that the group attracts and appoints persons with a diversified background.

Competencies and ethical guidelines are described under the section “Strengthening role-based competence-enhancing programmes with a focus on ESG for our own staff” in the chapter entitled Sustainability and corporate social responsibility.

Culture

Goal: To develop a shared "One SMN" culture that contributes to customer growth, continuous improvement and that makes SpareBank 1 SMN the region's best place to work

The group's ambitions for a shared culture
In 2022 an effort was made to involve staff in the preparation of shared cultural ambitions for the entire group. The need to create shared characteristics and ambitions for all employees was important in strengthening the group model after the organisation change in 2020/2021. A digital survey of workplace culture was conducted drawing participation by the entire workforce.

The results were presented and discussed in various assemblies in the group. The group management team has followed the project group closely, and in autumn 2022 shared ambitions for group culture were presented to the entire group. *To create customer value, shape the future and be a team player shall be our shared cultural ambitions across the business lines.* Through a number of initiatives, digital and physical, arenas have been created in order to define, and instil an awareness of the substance of, these ambitions. The work has generated commitment, a sense of belonging and a strengthening of the work environment. The insights gained from the employee survey also show a positive trend in terms of workplace culture and job satisfaction.

Workplace culture aspirations will be further reinforced when the group is to commemorate and celebrate its 200th anniversary in 2023.

Staffing

Group	2022	2021
No. of FTEs, incl. subsidiaries 1)	1 592	1 482
No. of FTEs, parent company 2)	664	646
Sickness absence 3)	4,8 %	4,0 %
Share of women 4)	56 %	52 %
Share of women in management positions 5)	43 %	42 %
Women's share of men's pay 6)	90 %	77 %
Average age	42.4	42.4
Average length of employment	8.70	8.60
No. of recruitments, internal 7)	21	22
No. of recruitments, external	208	183
Staff turnover 8)	10.7 %	9 %
Share of employees covered by collective bargaining agreement	77 %	67%

1) No. of staff adjusted for FTE percentage
2) Figures taken from the FTE application and showing FTE obligation
3) Sickness absence in the bank
4) Applies to permanent staff
5) Includes basic salary to permanent staff. Applies to internal recruitment at the bank
6) Applies only to parent company employees distributed by position level
7) Applies to internal recruitment at the parent company
8) Includes employees who have quit their position and left the group.

Table 16: Staffing, Group

Age groups' gender distribution

Age	Women	Men	Total
18-29	121	161	282
30-39	215	192	407
40-49	199	183	382
50-59	207	143	350
60-69	94	91	185
70-79	0	2	2
Total	**836**	**772**	**1 608**

Table 17: Age and gender distribution

Distribution, staffing agency

FTEs are calculated under same assumptions as other staffing, and convey FTEs (parent company) in the total staffing overview.

FTEs through staffing agency	2022	2021
Retail Banking	42.40	38.40
Corporate Banking	5.70	14
Other	1	0
FTEs (staffing agency)	49.10	52.40
FTEs (parent company)	664	646.10
FTEs (staffing agency) in % of FTEs in parent	7.39 %	8.11 %

Table 18: FTEs through staffing agency

Distribution of new employees

In 2022 new employees totalled 223, of which 121 were women and 102 men (permanent staff).

Age	Women	Men	Total
18-29	44	48	92
30-39	41	36	77
40-49	18	12	30
50-59	17	3	20
60-69	1	3	4
Total	**121**	**102**	**223**

Table 19: Distribution of new employees

Distribution by employee type and gender

Employee type	Women	Men	Total
Permanent	772	750	1 515
Part-time	67	26	93
Temporary 1)	8	5	13
Trainee EM1 2)	17	21	38
Total	**864**	**802**	**1 666**

1) Temporary employees have a time-limited employment contract with SpareBank 1 SMN

2) Trainees are employed on a temporary basis for up to three years as part of a training programme while completing a bachelor' s degree.

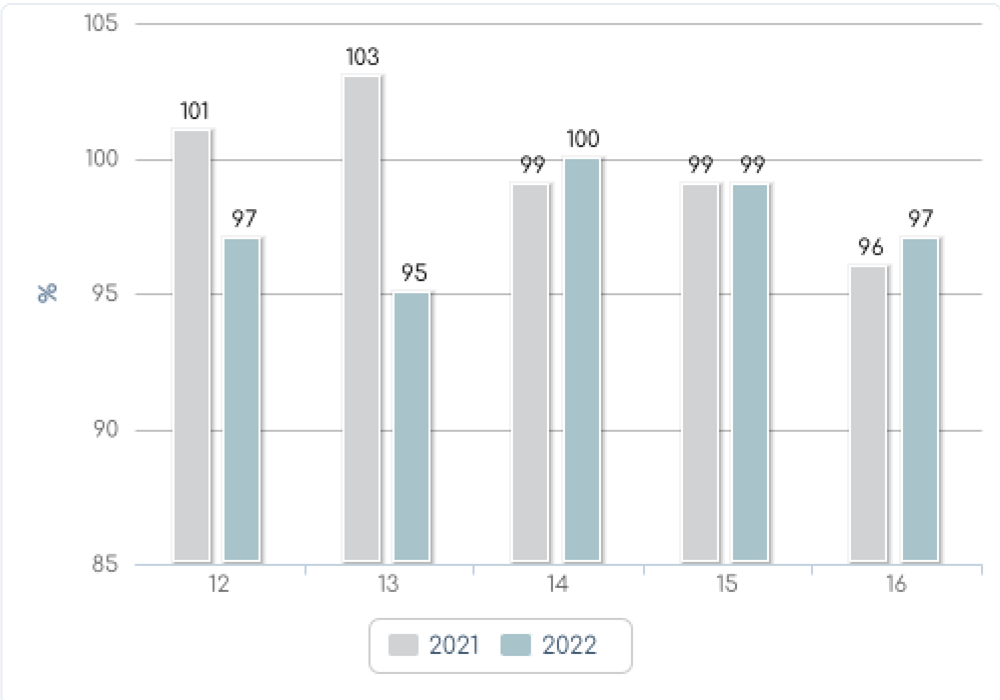
Table 20: Distribution by employment type and gender

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

Women's share of men's pay per subsidiary

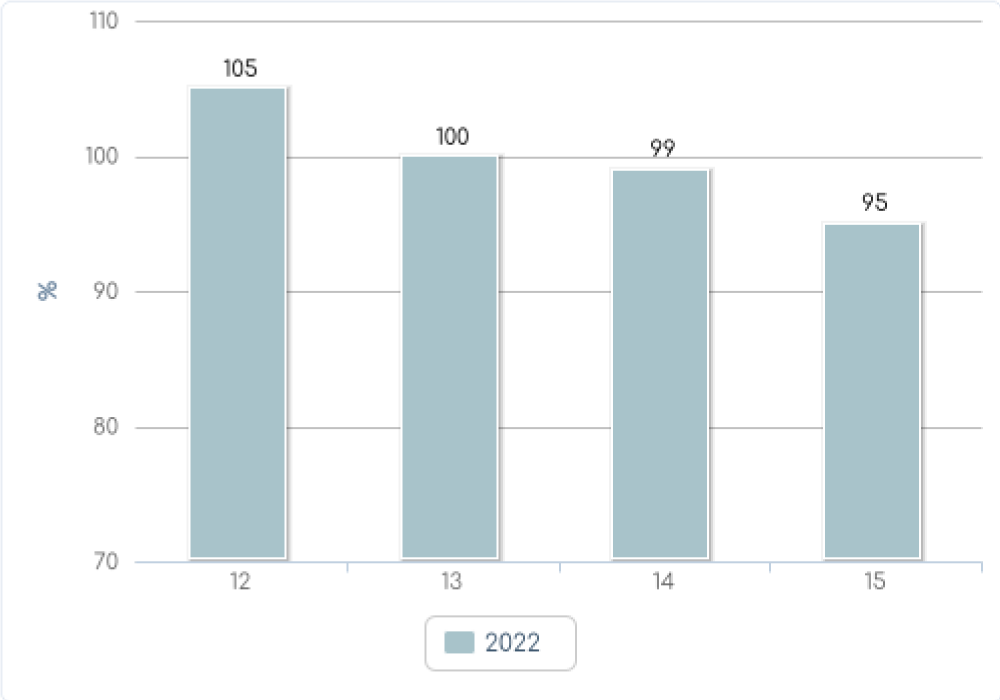
*EiendomsMegler 1 Midt-Norge is not included in the figures since the wage model with commission earnings does not provide a correct overview

Women's share of men's pay by position level in the bank

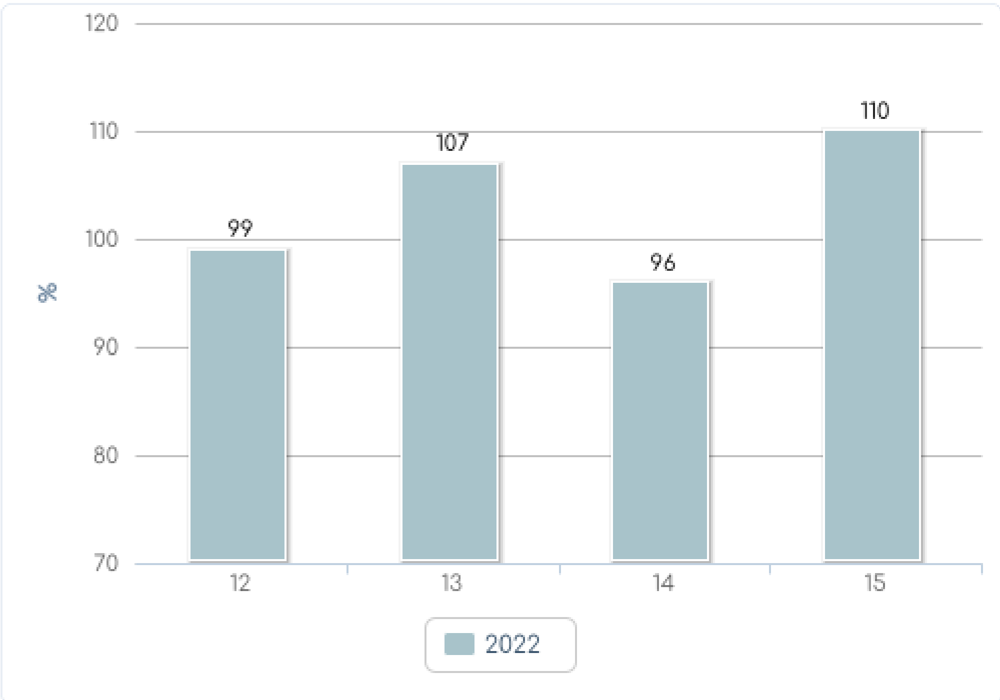


Position levels 12 to 16 are only defined in the bank

Women's share of men's pay by position level, Regnskapshuset

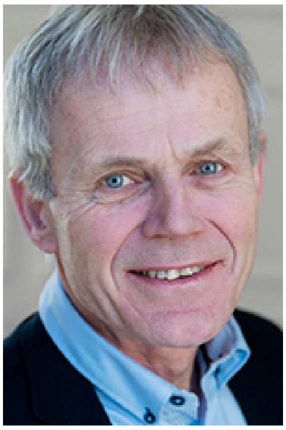


Women's share of men's pay by management level in the bank



Governance

Board of Directors



Kjell Bjordal (1953) Board chair

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

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

Own business.

Experience as CEO of EWOS Group and head of Cermaq's fish food division. CEO of NorAqua, finance director and CEO of the Glamox Group and director at Trøndelag Theatre. Board chair of the Nordlaks aquaculture group, Axio, the Research Council of Norway's oceans portfolio and Norsk Landbrukskjemi.

Attended 24 of 24 board meetings in 2022.

Holds 130,000 ECs in SpareBank 1 SMN as at 31 December 2022 (including any ECs held by related parties).

Christian Stav (1968) Deputy board chair

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

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

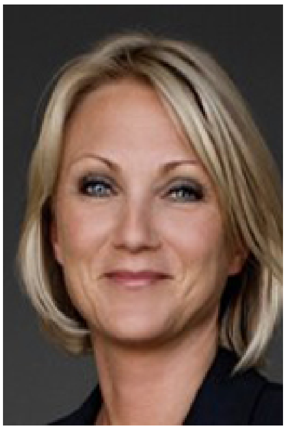
Group CEO at Nord-Trøndelag Elektrisitetsverk (NTE)

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

Chair of NTE Energi AS, NTE Marked AS, NTE Elektro AS and NTE Telekom AS

Attended 21 of 24 board meetings in 2022

Holds 30,000 ECs in SpareBank 1 SMN as at 31 December 2022 (including any ECs held by related parties).



Mette Kamsvåg (1971)

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

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

Self-employed.

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

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

Attended 24 of 24 board meetings in 2022.

Holds 5,600 ECs in SpareBank 1 SMN as at 31 December 2022 (including any ECs held by related parties).

Tonje Eskeland Foss (1971)

Post graduate degree in petroleum economics (1996).

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

CEO at Frøy ASA.

Prior experience as director of strategy at Enova 2020-2022 and as regional director, Nord, at Atea. Nineteen years' experience in the petroleum industry in various positions and companies, including with AkerBP ASA.

Attended 18 of 24 board meetings in 2022.

Holds no ECs in SpareBank 1 SMN as at 31 December 2022 (including any ECs held by related parties).

Morten Loktu (1960)

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

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

Own business.

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

Attended 21 of 24 board meetings in 2022.

Holds 15,000 ECs in SpareBank 1 SMN as at 31 December 2022 (including any ECs held by related parties).

Eli Skrøvset (1965)

Business economist from the Norwegian School of Economics and Business Administration NHH (1990), AMP from Harvard Business School (2008).

Board member since 2022. Chair of the risk committee and member of the internal audit committee from 2022.

Director, Internal Audit, Bane NOR SF.

Previous experience as exec. director/CFO at Statkraft AS and Bane NOR SF, and exec. director /CFO at Export Credit Norway.

Board chair at Akershus Energi AS and deputy board chair at Veas AS.

Previously board member and head of the internal audit committee of several companies.

Attended 18 of 24 board meetings in 2022.

Holds no ECs in SpareBank 1 SMN as at 31 December 2022 (including any ECs held by related parties).

Freddy Aursø (1972)

Electronics engineer from the Norwegian University of Science and Technology (NTNU, 1998), MBA from Newcastle Graduate School of Business (2003).

Board member since 2022.

CEO at Lighthouse8.

Background as managing director of Global Media, Bigmouthmedia and LBi.

Chairman of Lighthouse8 AS, Lighthouse8 Pte Ltd, Lighthouse8 Pty Ltd and Lighthouse8 Ltd. Previously chair and board member of several companies in and outside Norway.

Attended 19 of 24 board meetings in 2022.

Holds no ECs in SpareBank 1 SMN as at 31 December 2021 (including any ECs held by related parties).

Inge Lindseth (1963)

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

Board member since 2019. Board member of the Finance Sector Union, region Trøndelag, as from 2020. Regularly attending deputy representative to the national executive of the Finance Sector Union.

Employee-elected chief union representative as from 2019.

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

Attended 24 of 24 board meetings in 2022.

Holds 9,553 ECs in SpareBank 1 SMN as at 31 December 2022 (including any ECs held by related parties).

Christina Straub (1974)

Upper secondary school. Bankakademiet stage 1 and Insurance.

Board member since 2019.

Deputy head of the Finance Sector Union's branch at SpareBank 1 SMN from 2019. Employed at Vår Bank & Forsikring (part of SpareBank 1 SMN from 2000) from 1998 to 2001, and at TietoEvry from 2001 to 2006. Has held various functions at SpareBank 1 SMN since 2006, in recent years as brand manager (payments) and staff representative on various committees.

Four years' experience as pre-school director at Saxenborg Barnehage. Board position at Strindheim Håndball since 2015.

Attended 23 of 24 board meetings in 2022.

Holds 835 ECs as at 31 December 2022 (including any ECs held by related parties).

Group Management

Jan-Frode Janson (1969)

Group CEO

Ph.D. in Industrial Economics and Technology Management from the Norwegian University of Science and Technology NTNU (1996). Master of Science in Business from the Graduate School of Business in Bodø (1992).

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

Chairman of SpareBank 1 Betaling AS, Mavi XV AS and of SpareBank 1 SMN's subsidiaries EiendomsMegler 1 Midt-Norge AS and SpareBank 1 Regnskapshuset SMN AS. Board member of SpareBank 1 Gruppen AS, SpareBank 1 Utvikling DA, Vipps AS, VIPPS Holding AS, BankID BankAxept AS, Fremtind Forsikring AS and NTNU. Chair of Sector Committee, Banking and Capital Markets (BBK).

Holds 45,806 ECs as at 31 December 2022 (including any ECs held by related parties).

Trond Søraas (1968)

Executive director – Group Finance and Governance

Business economist from NHH Norwegian School of Economics, and authorised financial analyst (AFA) from the same institution (2006).

Joined SpareBank 1 SMN in February 2022. Previous experience from KLP Banken AS and BN Bank ASA, latterly as director, Economy and Finance, BN Bank ASA.

Chairman of SpareBank 1 SMN Invest AS and Gma Invest AS. Deputy chair of SpareBank 1 Markets AS. Board member of SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS.

Holds 10,000 ECs as at 31 December 2022 (including any ECs held by related parties).

Astrid Undheim (1980)

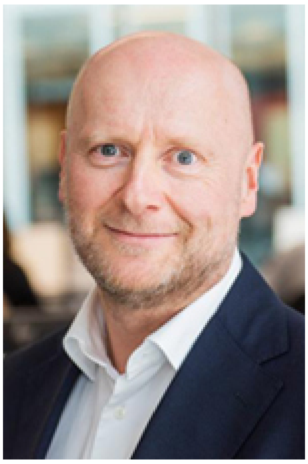
Executive director – Technology and Development

PhD in Communications Technology from the Norwegian University of Science and Technology (NTNU) (2009). Master of Science in Communications Technology from NTNU (2004).

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

Member of the Council of Statistics Norway. Member of the 'Norway towards 2025 Commission' (2020-2021). Previous experience from several public committees.

Holds 384 ECs as at 31 December 2022 (including any ECs held by related parties).



Ola Neråsen (1965)

Executive director – Risk Management

Business economist from the BI Norwegian School of Management (1990), state authorised public accountant from NHH School of Economics and Business Administration (1994).

Joined SpareBank 1 SMN in 1997; executive director, Risk Management, since 2009. Previously with Deloitte and the Norwegian Armed Forces.

No board positions.

Holds 43,404 ECs as at 31 December 2022 (including any ECs held by related parties).

Rolf Jarle Brøske (1980)

Executive director – Communications and Brand

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

Joined SpareBank 1 SMN in 2016. Previously industrial policy director at Det norske Oljeselskap, and on the management team of Danske Bank (Fokus Bank). Adviser to earlier Minister of Trade and Industry, Børge Brende, and to the Mayor of Trondheim. Has held a number of political positions.

Board chairman of Brøske & Bianchi Wine Import AS. Board member of SpareBank 1 Spleis AS, Trøndelag Høyre, Sør-Trøndelag Høyre and the Nidaros Cathedral Boys Choir.

Holds 10,853 ECs as at 31 December 2022 (including any ECs held by related parties).

Vegard Helland (1975)

Executive director – Corporate Banking

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

Joined SpareBank 1 SMN in 2003, and has focused primarily on the corporate market. Executive director of Corporate Banking since 2010. Previously internal audit staff member and adviser with KPMG and as an analyst with Fontiera AS.

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

Holds 35,842 ECs as at 31 December 2022 (including any ECs held by related parties).

Nelly S. Maske (1975)

Executive director – Retail Banking

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

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

Chair of SpareBank 1 Gjeldsinformasjon AS. Board member of EiendomsMegler 1 Midt-Norge, SpareBank 1 Forvaltning AS and Julmas AS.

Holds 21,783 ECs as at 31 December 2022 (including any ECs held by related parties).

Arne Nypan (1970)

CEO – SpareBank 1 Regnskapshuset SMN

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

CEO of SpareBank 1 Regnskapshuset SMN since June 2020. Previously CEO of SpareBank 1 Finans Midt-Norge (2013-2020), head of Customer Concept at SpareBank 1 SMN (2013), general manager at SpareBank 1 SMN (2003-2012. Previously with Innovation Strategic Consulting and Fokus Bank (Danske Bank).

Board member at SpareBank 1 Kreditt AS.

Holds 29,958 ECs as at 31 December 2022 (including any ECs held by related parties).

Kjetil Reinsberg (1961)

CEO – Eiendomsmegler 1 Midt-Norge

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

CEO of Eiendomsmegler 1 Midt-Norge since 1999. Previously with Storebrand Bank, Notar and Bedre Råd, and several years' experience from the construction industry.

Chairman of Brauten Eiendom AS. Board member of Eiendomsmegler 1 Norge, Agri Eiendom AS, Eiendom Norge Holding AS and Eiendom Norge.

Holds 16,358 ECs as at 31 December 2022 (including any ECs held by related parties).

Corporate governance

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

Accounting Act, section 3-3b, second subsection

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

The numbering shows the numbering in the subsection concerned.

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

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

3. A justification for any deviation from recommendations and rules as mentioned in point 1.
Any deviations from the recommendation receive comment under the report on compliance with the Code of Practice below.

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

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

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

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

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

Norwegian Code of Practice for Corporate Governance

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

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

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

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

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

Through its corporate governance the bank gives special emphasis to:

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

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

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

Deviations from point 1 of the Code of Practice: None

Point 2: Operations

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

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

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

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

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

See also the webpages on sustainability and the CSR strategy in the Sustainability Library at smn.no/barekraft.

Deviations from point 2 of the Code of Practice: None

Point 3: EC capital and dividends
The board of directors continuously assesses the capital situation in light of the group's goals, strategy and desired risk profile. As at 31 December 2022 SpareBank 1 SMN's common equity tier 1 (CET1) ratio was 18.9 per cent, and its total capital ratio was 23.1 per cent.

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

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

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

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

When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, external framework conditions and the need for tier 1 capital. The bank's supervisory board sets the annual dividend payout based on the board of directors' recommendation. The dividend policy is published on the bank's website.

Acquisition of treasury equity certificates
SpareBank 1 SMN's board of directors are authorised to buy treasury ECs for up to 5 per cent of the bank's owner capital. Such purchases shall be made by trading on the securities market via the Oslo Stock Exchange. The total volume of ECs held by the bank and/or in which it has a consensual security interest may not exceed 5 per cent of the bank's owner capital. Each EC may be bought at prices between NOK 1 and NOK 300. The authorisation is valid for 18 months as from the adoption of the resolution at the supervisory board's meeting on 25 March 2022.

Increase of capital
Authorisations to the board of directors to increase the bank's EC capital are given for specific and defined purposes. As at 31 December 2022 the supervisory board has authorised the board of directors to increase the capital of SpareBank 1 SMN in connection with the planned merger with SpareBank 1 Søre Sunnmøre, in keeping with the merger agreement entered into.

Deviations from point 3 of the Code of Practice: None

Point 4: Non-discrimination of shareholders
SpareBank 1 SMN has one class of equity certificates (ECs). Through the articles of association, and in the work of the board of directors and management team, emphasis is given to equal treatment of all EC holders and equal opportunity for them to exercise influence. All ECs confer an identical voting right. The

bank abides by provisions of the Financial Institutions Act regulating holdings and voting rights insofar as these provisions apply to a savings bank with equity certificates.

In the event of an increase of the EC capital, existing EC holders have pre-emptive rights unless special circumstances call for deviation from this rule. Any such deviation will be substantiated. Any exercise of the board of directors' authorisation to acquire treasury certificates shall be by trading on the securities market via the Oslo Stock Exchange.

In 2022 the employees were invited to purchase ECs under savings agreements of NOK 500, 1,000, 1,500 or 2,000 per month, to be deducted from salary. Each quarter ECs are purchased for the amount saved. SpareBank 1 SMN awards one bonus EC for every two ECs purchased through the arrangement. Allocation of bonus ECs takes place two years after commencement of saving and presupposes that the employee still owns the originally saved ECs and is still employed by the group. 1,062 employees availed themselves of the offer in 2022. They saved an average of about NOK 1,728 per month.

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

Deviations from point 4 of the Code of Practice: None

Point 5: Shares and transferability
The bank's equity certificate is quoted on the Oslo Stock Exchange under the MING ticker symbol and is freely transferable. The articles of association contain no restrictions on transferability.

Deviations from point 5 of the Code of Practice: None

Point 6: General meeting

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

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

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

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

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

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

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

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

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

Point 7: Election committee

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

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

The supervisory board establishes further instructions for the holding of the elections. The election committee's instructions clarify requirements on the board of directors as a collegiate body in terms of ensuring that the board of directors meets the bank's need for competence, capacity and diversity, as well as the individual board member's suitability.

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

The election committee shall also prepare the election of:

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

The election committee shall give grounds for its nominations.

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

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

Point 8: Board of directors, composition and independence

See point 6 for information about the supervisory board. As of 31 December 2022 the board of directors consists of nine regularly attending members of whom two are employee representatives. Four of the nine members of the board of directors are women. Members of the board of directors are appointed for two years at a time and can hold office for a maximum of 20 years, but not more than 12 years continuously in the same position. The group CEO and other senior employees cannot be members of the board of directors. None of the members of the board of directors appointed by the supervisory board, with the exception of the two employee representatives, are in any employment relationship or independent contractor relationship with the group beyond their posts as elected officers. The board members' independence has been assessed by the election committee and are deemed to be independent, with the exception of the board members elected by the employees. The chair and deputy chair are elected by the supervisory board at separate elections for a two-year term.

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

Deviations from point 8 of the Code of Practice: None

Point 9: Work of the board of directors

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

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

Independent consideration

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

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

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

Board committees

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

Audit committee

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

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

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

Risk committee

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

The committee shall inter alia:

- ensure that risk management is in keeping with best practice and the board of directors' level of ambition

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

The risk committee meets at least five times yearly.

Remuneration committee

The board of directors has established a remuneration committee which shall consist of at least three directors, one of whom shall be elected by the employees. The board chair is a permanent member of the committee and also chairs the committee. The committee members are appointed for two years at a time by the board of directors.

The committee prepares and presents matters to the board relating to the group's compensation policy, including:

- Remuneration policy
- Report on the implementation of remuneration arrangements
- Declaration regarding the determination of pay and other emoluments to senior employees that is submitted to the supervisory board
- Remuneration of the group CEO

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

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

Technology committee

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

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

The committee shall inter alia:

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

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

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

Deviations from point 9 of the Code of Practice: None

Point 10: Risk management and internal control

Sound risk and capital management are central to SpareBank 1 SMN's long-term value creation. Internal control shall help to ensure efficient operations and proper management of risks of significance to the attainment of business goals.

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

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

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

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

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

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

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

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

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

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

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

Compliance

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

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

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

Internal control in relation to financial reporting

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

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

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

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

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

Internal audit

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

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

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

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

Ethics and whistleblowing

Ethical guidelines have been drawn up for the group and its employees, and ethics is a standard topic at seminars for all new staff members. This helps to ensure that the group's values and ethical guidelines are properly communicated and made known throughout the organisation. Clear-cut guidelines have been established for reporting should any member of staff learn of circumstances that breach external or internal regulatory provisions or of other circumstances which are likely to harm the group's reputation or financial situation. How a report is to be handled is decided by the recipient of the report, in consultation with the HR manager and legal services director. The bank has an agreement with KPMG which ensures that a whistleblower can report anonymously.

No reports were received by KPMG in 2022.

Deviations from point 10 of the Code of Practice: None

Point 11: Remuneration to the board of directors

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

Deviations from point 11 of the Code of Practice: None

Point 12: Remuneration to senior employees

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

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

A description of remuneration to the group CEO and senior employees is given in the report on management pay which is published at smn.no. Further details of the bank's remuneration scheme are available on the bank's home page.

Deviations from point 12 of the Code of Practice: None

Point 13: Information and communication

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

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

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

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

Deviations from point 13 of the Code of Practice: None

Point 14: Takeover

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

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

Point 15: External auditor

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

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

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

Deviations from point 15 of the Code of Practice: None

MING

Equity capital certificate

At end-2022 the market price of SpareBank 1 SMN's EC (MING) was NOK 127.4. At end-2021 it was NOK 149.00

At the end of 2022 SpareBank 1 SMN's equity certificate (EC) capital totalled NOK 2,597m distributed on 129,387.801 ECs with a nominal value of NOK 20 each. At the turn of the year the group had a treasury holding of ECs totalling NOK 11m distributed on 550,785 ECs.

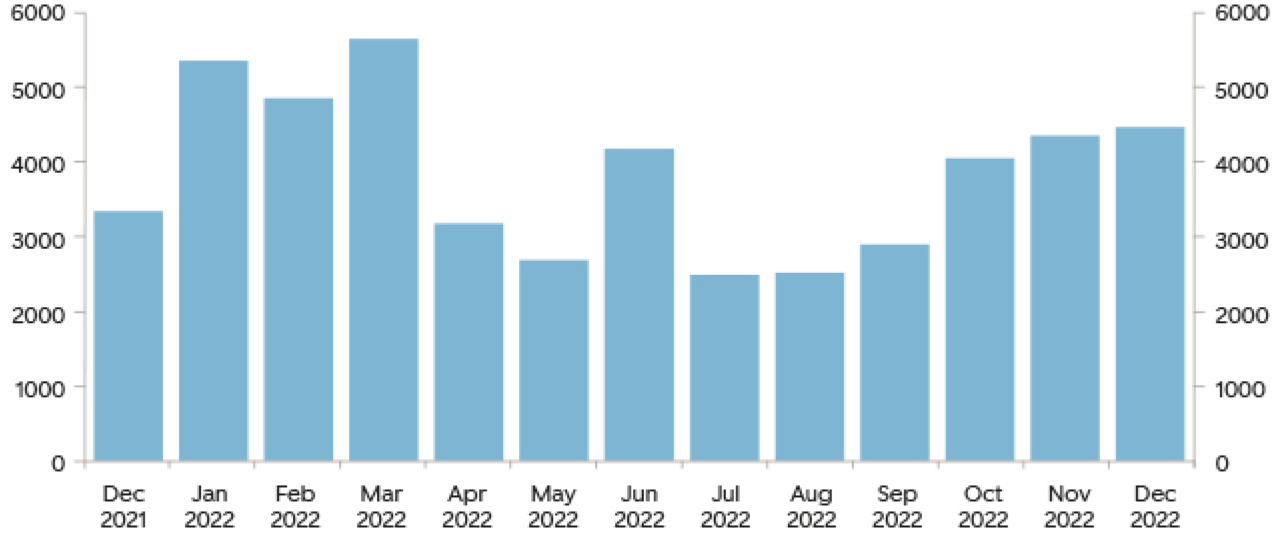
Equity Certificates (EC)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Quoted price	127.40	149.00	97.60	100.20	84.20	82.25	64.75	50.50	58.50	55.00
No. of ECs issued, million	129.29	129.39	129.39	129.30	129.62	129.38	129.83	129.83	129.83	129.83
Market value (NOKm)	16,471	19,279	12,629	12,956	10,914	10,679	8,407	6,556	7,595	7,141
Dividend per EC	6.50	7.50	4.40	6.50	5.10	4.40	3.00	2.25	2.25	1.75
Book value per EC	109.86	103.48	94.71	90.75	83.87	78.81	73.26	67.65	62.04	55.69
Profit per EC	12.82	13.31	8.87	12.14	9.97	8.71	7.91	7.02	8.82	6.92
Price-Earnings Ratio	9.94	11.19	11.01	8.26	8.44	9.44	8.19	7.19	6.63	7.95
Price-Book Value Ratio	1.16	1.44	1.03	1.10	1.00	1.04	0.88	0.75	0.94	0.99
Payout ratio	53.6	53.6	50 %	54 %	51 %	50 %	38 %	25 %	25 %	25 %
EC fraction	64.0 %	64.0 %	64.0 %	64.0 %	64.0 %	64 %	64.0 %	64.0 %	64.6 %	64.6 %

Stock price compared with OSEBX and OSEEX

1 Jan 2021 to 31 Dec 2022

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

Trading statistics
1 Dec 2021 to 31 Dec 2022



Total number of ECs traded (1000)

20 largest ECC holders	No. Of ECCs	Holding
Sparebankstiftelsen SMN	3,965,391	3.05 %
State Street Bank and Trust Comp	3,188,662	2.46 %
VPF Odin Norge	2,987,707	2.30 %
Pareto Aksje Norge VPF	2,903,393	2.24 %
Pareto Invest Norge AS	2,761,418	2.13 %
KLP	2,738,645	2.11 %
J. P. Morgan Chase Bank, N.A., London	2,555,343	1.97 %
VPF Eika Egenkapitalbevis	2,540,860	1.96 %
State Street Bank and Trust Comp	2,335,792	1.80 %
Danske Invest Norske Aksjer Institusjon II.	2,310,642	1.78 %
VPF Alfred Berg Gamba	2,124,217	1.64 %
VPF Nordea Norge	2,025,266	1.56 %
Forsvarets personellservice	2,014,446	1.55 %
J. P. Morgan SE	1,802,526	1.39 %
Spesialfondet Borea Utbytte	1,789,621	1.38 %
RBC Investor Services Trust	1,527,586	1.18 %
MP Pensjon PK	1,352,771	1.04 %
J. P. Morgan SE	1,262,576	0.97 %
VPF Nordea Avkastning	1,185,237	0.91 %
VPF Holberg Norge	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	100.00 %

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

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	2022	(NOKm)	Note	Group 2022	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

SpareBank 1 SMN

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.

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**

	Attributable to parent company equity holders									
Group	**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

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
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**

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
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

(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
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	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
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					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	**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					Default and credit impaired	Total
	Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Gross Loans							
Fair value through OCI	**71,241**	**7,516**	**2,455**	**785**	**851**	**304**	**83,152**
Stage 1	71,130	6,739	996	211	203	-	79,280
Stage 2	111	777	1,458	574	648	-	3,568
Stage 3	-	-	-	-	-	304	304
Amortised cost	**23,283**	**12,471**	**9,438**	**1,239**	**458**	**2,796**	**49,685**
Stage 1	22,751	10,258	7,569	634	166	-	41,378
Stage 2	532	2,213	1,868	605	292	-	5,511
Stage 3	-	-	-	-	-	2,796	2,796
Fair value through Profit and Loss	**3,686**	**426**	**117**	**25**	**15**	**6**	**4,276**
Total Gross Loans	**98,211**	**20,413**	**12,010**	**2,049**	**1,325**	**3,106**	**137,113**
Other Commitments	**15,588**	**6,063**	**3,007**	**805**	**178**	**106**	**25,747**
Stage 1	15,399	5,726	2,467	355	38	-	23,985
Stage 2	189	336	541	450	140	-	1,655
Stage 3	-	-	-	-	-	106	106
Total loans and other commitments	**113,799**	**26,476**	**15,017**	**2,854**	**1,503**	**3,212**	**162,860**

Group 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	**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: 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	**23,800**	**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

Parent Bank (NOKm)	31 Dec 2022 Stage 1	Stage 2	Stage 3	Total	31 Dec 2021 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**

Group (NOKm)	31 Dec 2022 Stage 1	Stage 2	Stage 3	Total	31 Dec 2021 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**

	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	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**

	31 Dec 2022				31 Dec 2021			
Group (NOKm)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**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					Defaulted or credit impared	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
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					Defaulted or credit impared	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	7	**4,704**	-	-	-	-	-	4,704
Loans to and claims on customers	8							
Retail market		77,595	9,598	6,868	1,158	1,161	537	96,916
Corporate market		21,054	12,788	11,514	1,573	696	2,759	50,384
Total		**98,649**	**22,386**	**18,381**	**2,731**	**1,857**	**3,296**	**147,301**
				-	-	-	-	
Financial investments	27							
Quoted government and government guaranteed bonds		8,821	-	-	-	-	-	8,821
Quoted other bonds		13,725	325	220	-	-	-	14,269
Unquoted government and government guaranteed bonds		3,456	-	-	-	-	-	3,456
Unquoted other bonds		4,155	61	-	-	-	-	4,216
Total		**30,157**	**385**	**220**	**-**	**-**	**-**	**30,762**
Total		**133,510**	**22,771**	**18,601**	**2,731**	**1,857**	**3,296**	**182,767**

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**

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

Parent Bank 2021	Parent Bank 2022	Pension cost for the year	Group 2022	Group 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**

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

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**

SpareBank 1 SMN

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.

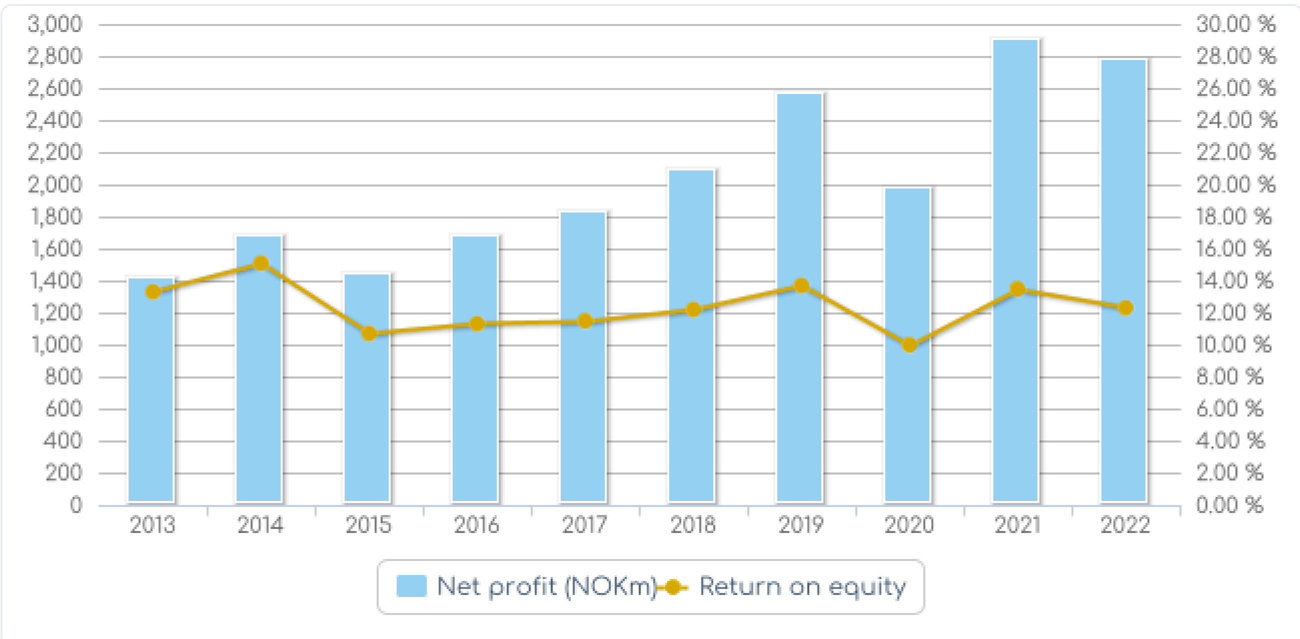
Financial summary (Group)

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										

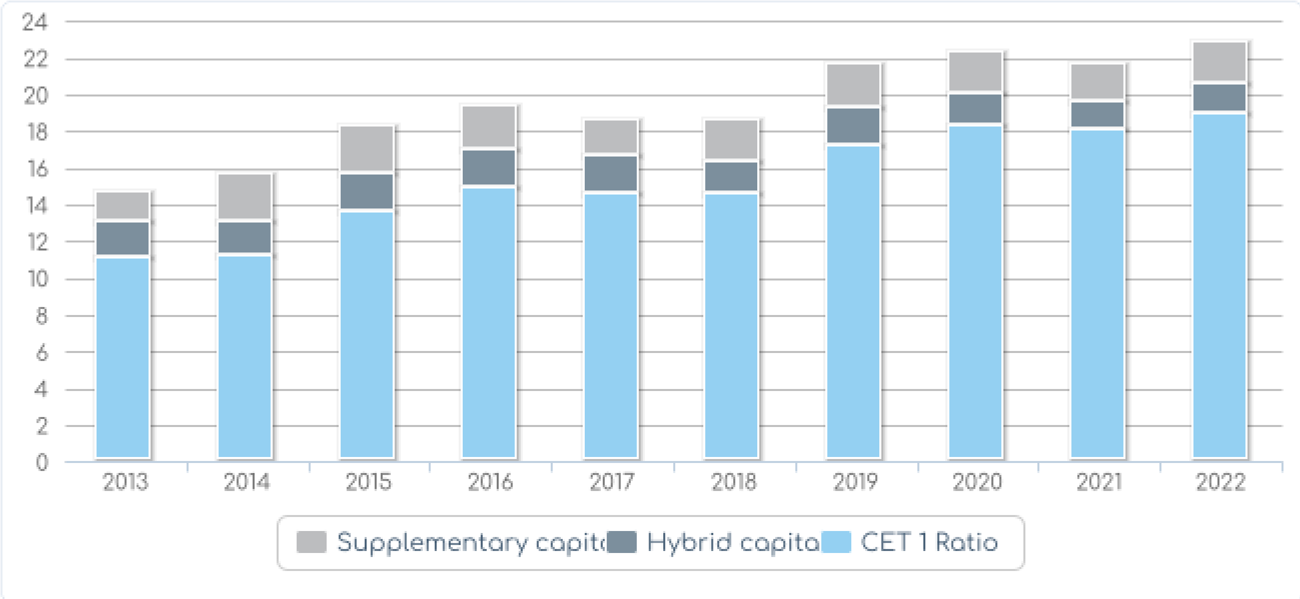
Næringskreditt financed by ordinary deposits	58 %	57 %	53 %	51 %	50 %	51 %	49 %	50 %	50 %	50 %
Capital adequacy										
CET1 Capital	19,776	17,790	17,041	15,830	14,727	17,041	13,229	12,192	10,679	9,374
Core capital	21,835	19,322	18,636	17,742	16,472	18,636	15,069	13,988	12,382	10,989
Primary capital	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.

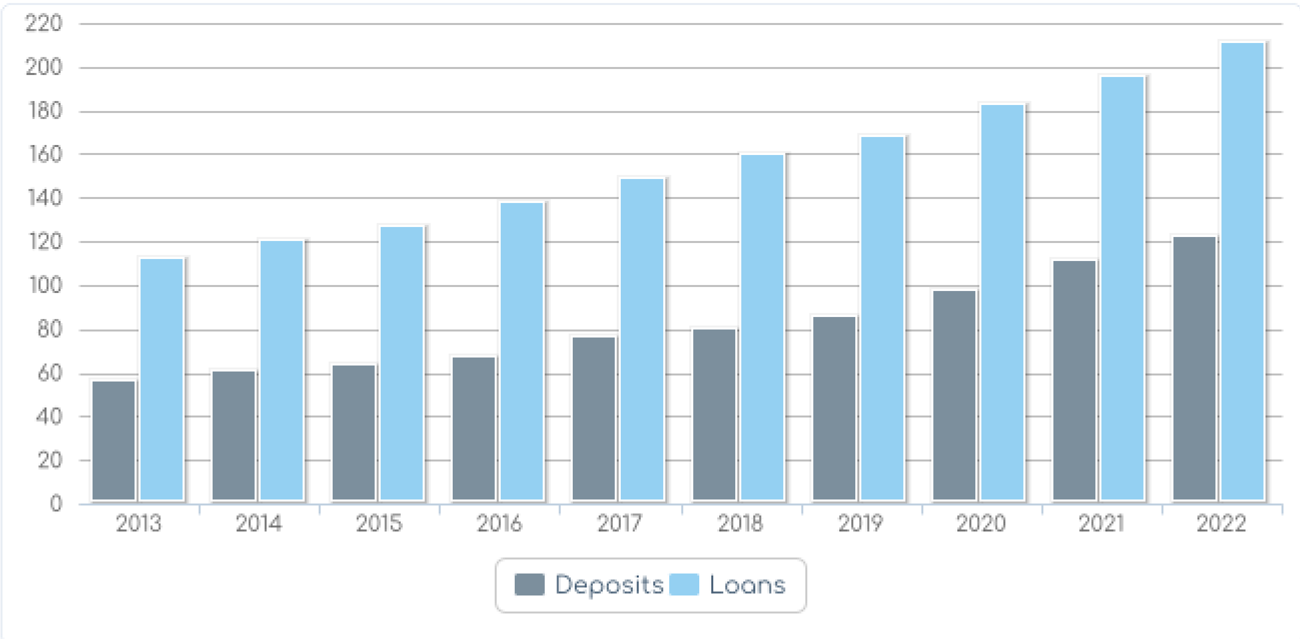
Net profit and return on equity



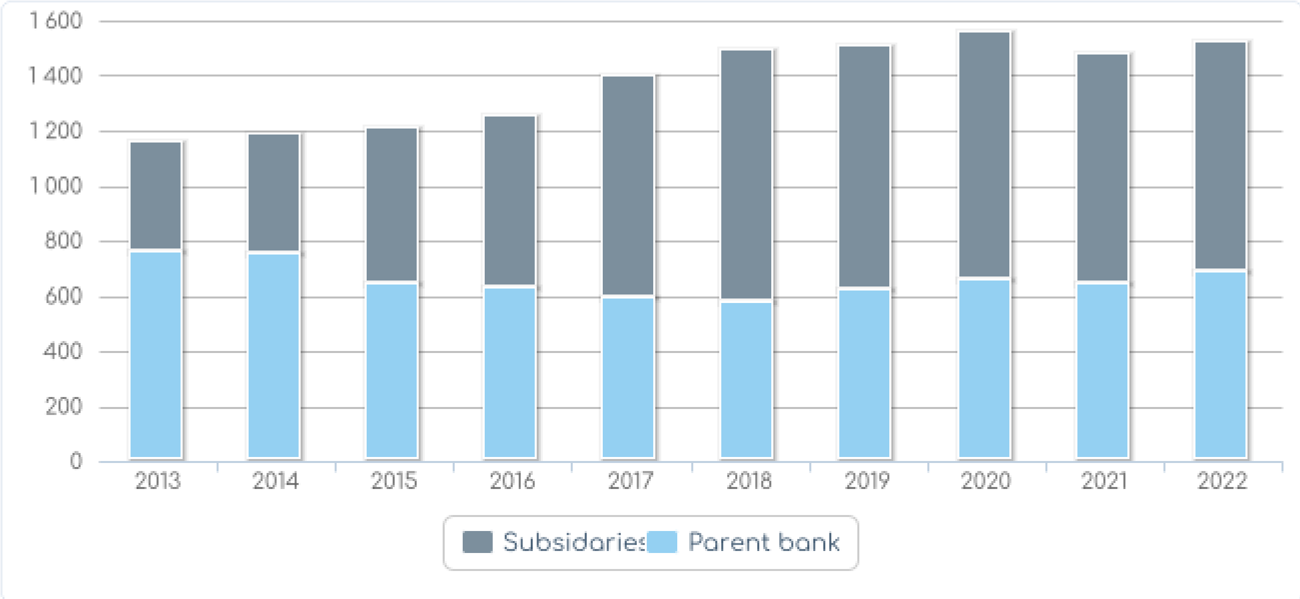
Capital ratio



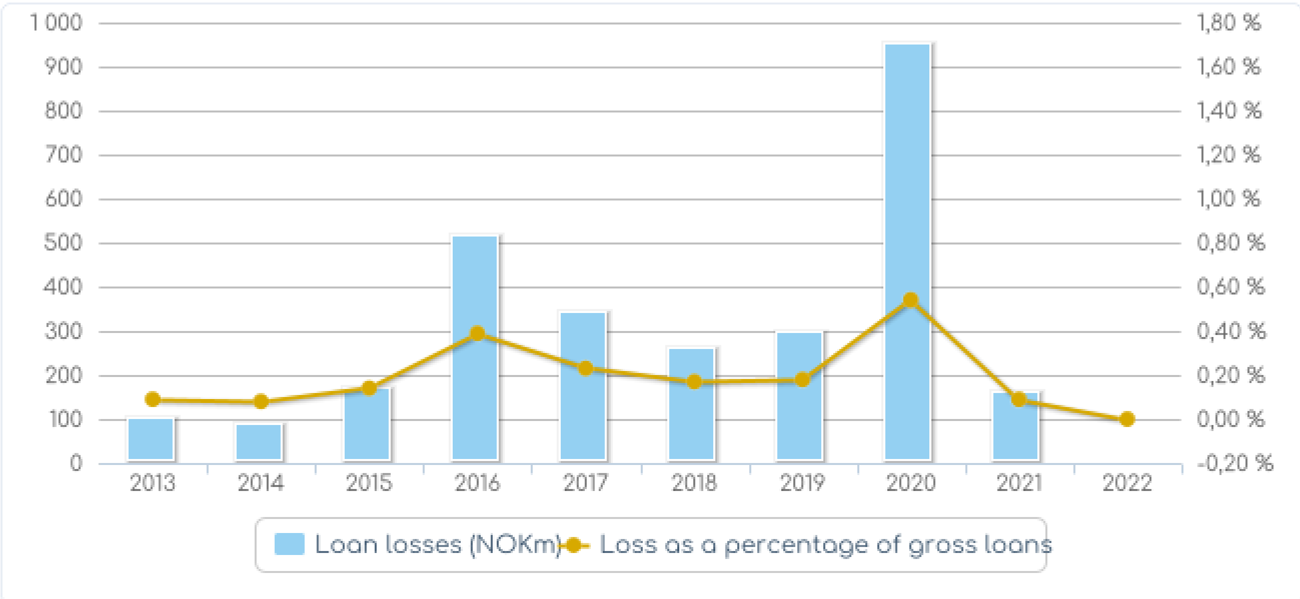
Loans and deposits (NOKbn)



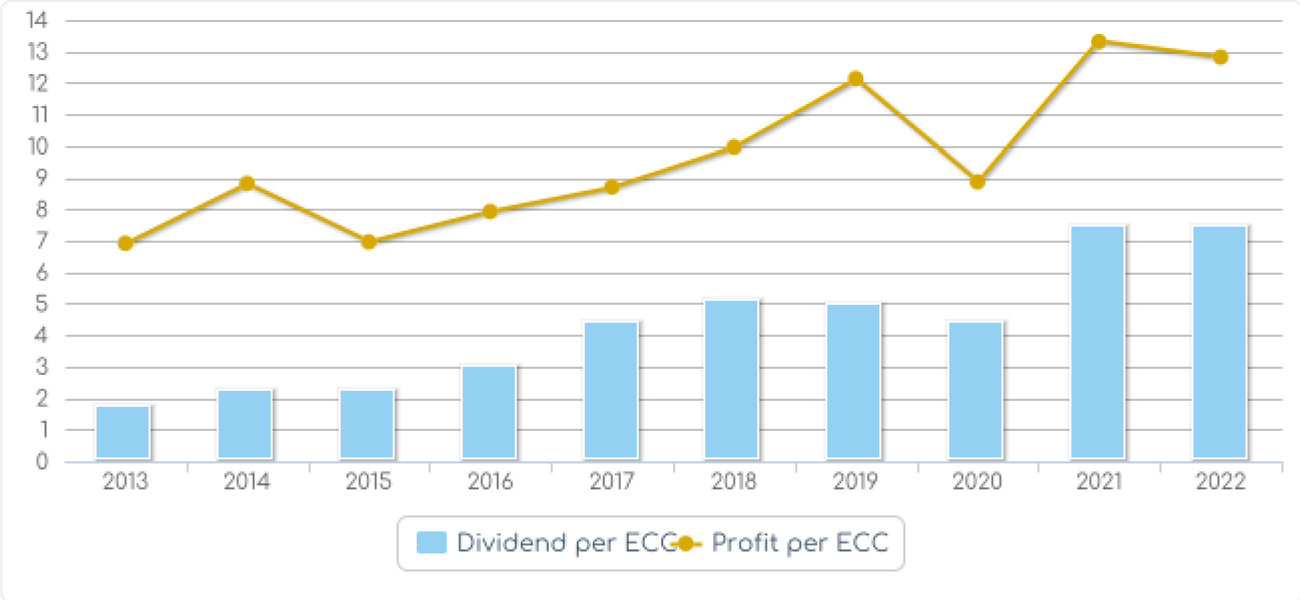
FTEs



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.

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

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.

Attachments

SpareBank 1 SMN

Energy- and climate accounts 2022

Our motivation and development

Our group has a social responsibility, and a part of our social responsibility is to stimulate a sustainable development of Mid-Norway. That entails being a driver for green transition and a guide for responsible business culture. The group's long-term goal is to achieve net zero emissions by 2050 and to halve our climate footprint by 2030. This equates to an emission reduction of 8 per cent per year in day-to-day operations. For the loan portfolio we are in the process of establishing transition plans at industry level showing estimated emissions towards 2050. SpareBank 1 SMN is an important contributor to attaining the group's long-term reduction objective.

Through annual reporting we aim to put our stakeholders in a position to understand our impact and give them an opportunity to compare transparent and reliable information across companies and reporting years. We map GHG-emissions, including key performance indicators, in real time by means of our internal management system, enabling us to evaluate the effect of our measures on a continuous basis.

Our reporting aims to give our stakeholders an overview of our GHG-emissions, stated in tonnes of CO_2 equivalents (tCO_2e), and is an integral aspect of our sustainability strategy[1]. The energy and climate account, and the underlying data, have for several years been our most important tool in identifying significant emission sources, initiating concrete measures to reduce GHG-emissions and in measuring the result of those measures over time. The banking and finance industry per se has limited direct emissions, and we acknowledge that our contribution to a low emissions society will be through reducing our own emissions, but also through exerting active influence on our customers and suppliers.

We have improved our reporting since 2019. In 2022, for the first time, we have prepared a 'energy and climate account' which includes GHG-emissions linked to our loan portfolio. In addition to utilising in-house competencies, we have this year again opted to collaborate with our subsidiary SpareBank 1 Regnskapshuset SMN AS and Asplan Viak AS as contributors to the preparation of the energy and climate account. This combination of high competency and knowledge of SpareBank 1 SMN is designed to ensure precise estimates and consistency in the calculation of our total climate impact. The combination of competency and knowledge will also enable us to utilise underlying data and the energy and climate account as inputs to corporate governance and internal processes for continuous development and measurement.

1. https://www.sparebank1.no/content/dam/SB1/bank/smn/om-oss/Barekraft/barekraftsstrategi-smn-2021-ENG.pdf

Underlying data and reporting standard

Data employed in the energy and climate account stems from both internal and external sources, and are converted to tCO_2e in accordance with the GWP values in IPCC AR5. The energy and climate account has been drawn up in accordance with the GHG-Protocol (GHG-protocol), its standards, recommendations and guidances. The standards applied are the overarching reporting standard "GHG Protocol Corporate Accounting and Reporting Standard", and the guidances for Scope 2 and Scope 3, respectively "GHG Protocol Scope 2 Guidance" and "The Corporate Value Chain (Scope 3) Accounting and Reporting Standard". The GHG protocol is chosen as reporting standard in light of its international standing and its contribution to ensuring relevant, truthful, comparable and understandable information about our GHG-emissions.

The GHG Protocol also has precedence among the standards for reporting GHG-emissions (European Sustainability Reporting Standards (ESRS)), now adopted by the EU Commission, and drawn up by the European Financial Reporting Advisory Group (EFRAG). In order to prepare for future reporting requirements resulting from incorporation of the Corporate Sustainability Reporting Directive (CSRD), and the reporting requirements of ISRS that become applicable to stock exchange listed institutions in 2024, we have this year sought to comply with several of the requirements in the draft version of "ESRS E1 - Climate Change" in this year's report[2].

2. Corporate Sustainability Reporting Directive was adopted by the EU Q4 2022. It's **expected** that Norway will follow EU's timeline when incorporating CSRD through the EEA-agreement.

Energi- og klimaregnskap

The changes in GHG-emissions can be summarised in five points:

1. We gathered primary data on electricity in 2022
2. Our activity in 2022 has increased compared with 2021
3. We estimated our loan portfolio with reference to the PCAF in 2022
4. We have included and estimated additional accounting accounts[5]
5. We have changed our calculation methodology

As a step in our improvement, we have in 2022 implemented a model change from Klimakost EU28 to Klimakost FIGARO. The model change involves substantial emission increases in Scope 3 upstream, and we have split the changes into "Actual emission changes" and "Emission changes arising from model change".[4]

The basis year (2019) is calculated using the same assumptions as for the reporting year in order to allow consistent comparison at all times.

SpareBank 1 SMN	Base-year (2019)	Previous year (2021)	Reporting period (2022)	Change 2022 / 2021	Target 2030	Change 2022 / 2019
Scope 1 GHG-emissions	Klimakost (FIGARO)[2]	Klimakost (EU28)[1]	Klimakost (FIGARO)[2]			
Total net Scope 1 GHG-emissions (tCO_2e)	**0**	**0**	**0**	**0**	**0**	**0**
Scope 2 GHG-emissions						
Net megawatt-hours (mWh) consumed	2 371,02	2 669,24	2 762,18	3,48 %	947,55	16,50 %
Total net location-based Scope 2 GHG-emissions (tCO_2e)	**322,46**	**363,02**	**375,66**	**3,48 %**	**193,48**	**16,50 %**
Total net market-based Scope 2 GHG-emissions (tCO_2e)	**938,92**	**1 081,04**	**684,89**	**-36,65 %**	**563,35**	**-27,06 %**
Scope 3 GHG-emissions						
Total net Scope 3 upstream GHG-emissions (tCO_2e)	**15 474,67**	**9 359,23**	**14 764,22**	**57,75 %**	**6 184,26**	**-4,59 %**
Purchased goods and services	11 151,17	7 995,19	11 876,13	48,54 %	4 456,42	6,50 %
Capital goods	1 319,96	579,16	1 034,13	78,56 %	527,50	-21,65 %
Transport and distribution	670,89	260,26	317,22	21,89 %	268,11	-52,72 %
Waste from operations	51,36	36,38	35,69	-1,90 %	20,52	-30,50 %
Business travel	2 281,30	488,24	1 501,04	207,44 %	1 368,78	-34,20 %
Total net Scope 3 downstream GHG-emissions (tCO_2e)	**N/A**	**1 000 703,76**	**1 053 525,68**	**5,28 %**	**N/A**	**N/A**
Financied emissions	N/A	1 000 703,76	1 053 525,68	5,28 %	N/A	N/A
Agriculture and forestry	N/A	478 168,46	544 194,41	13,81 %	N/A	N/A
Fishery	N/A	59 324,31	38 158,43	-35,68 %	N/A	N/A
Aquaculture	N/A	14 340,68	14 842,38	3,50 %	N/A	N/A
Manufacturing and mining	N/A	28 355,77	28 228,29	-0,45 %	N/A	N/A
Construction, power and water supply	N/A	6 132,46	9 387,96	53,09 %	N/A	N/A
Wholesale and retail trade, hotels and restaurants	N/A	18 498,17	21 740,27	17,53 %	N/A	N/A
Shipping and offshore	N/A	157 741,22	219 144,30	38,93 %	N/A	N/A
Property management	N/A	5 885,08	6 411,93	8,95 %	N/A	N/A
Business services	N/A	16 465,73	16 175,59	-1,76 %	N/A	N/A
Transport and other services	N/A	192 935,52	134 548,53	-30,26 %	N/A	N/A
Public administration	N/A	1,86	1,25	-32,98 %	N/A	N/A
Other sectors	N/A	6 487,93	5 126,77	-20,98 %	N/A	N/A
Wage earners (Retail loans)[3]	N/A	16 366,56	15 565,56	-4,89 %	N/A	N/A
Total GHG-emissions						
Total GHG-emissions (location-based) (tCO_2e)	**N/A**	**1 010 426,00**	**1 068 665,55**	**5,76 %**	**N/A**	**N/A**
Total GHG-emissions (market-based) (tCO_2e)	**N/A**	**1 011 144,03**	**1 068 974,79**	**5,72 %**	**N/A**	**N/A**

1. See page 9 for an explanation of the Klimakost FIGARO-modell
2. See page 9 for an explanation of the Klimakost EU28-modell
3. Wage earners' (retail loans) GHG-emissions is estimated based on financied buildings.
4. See page 6 for a matrix explaining actual emissions changes and emission changes arising from model change.
5. New estimated financial accounts has net reduced emissions (upstream) 98,78 tCO_2e in 2022.

Calculation methodlogy and assumptions

We work in a systematic and targeted manner to understand the impact of our financial activities on our local and international surroundings. As a part of this targeted effort the SpareBank 1 SMN group introduced in 2021 Klimakost[1] as a new method of calculating the company's direct and indirect GHG-emissions. In 2022 we took an extra step forward in understanding our overall climate impact. At the end of 2021 SpareBank 1 SMN joined the Partnership for Carbon Accounting Financials (PCAF), a global collaboration between financial institutions to harmonise estimation, measurement and information about GHG-emissions linked to their loan portfolios. Membership commits us to estimate and publish our financed GHG-emissions within three years. In 2022 – one year after our commitment – we estimated and published our downstream emissions caused by our loan portfolio in an amount of NOK 185 billion in 2021 and NOK 199,6 billion in 2022.

Parts of our loan portfolio (measured in NOK) are included in the accounting account arrangement Cashpool. The emission effect of Cashpool is zero but produces a deviation in loan volume compared with our financial reporting due to differing treatment.

Estimation of GHG-emissions linked to our financed emissions is based on the PCAF's methodology, a methodology recognised by the GHG Protocol, and the data quality of the estimates ranges from 1 (based on the customer's own data) to 5 (based on pure estimates. We seek continuously to enhance the data quality of our emission estimates, but are limited by poor access to reliable data. We are under way on developing transition plans towards zero net emissions for industries we finance, with priority given to the most emissions-intensive industries.

Primary data is obtained for ship fuel consumption in our fishery portfolio for 2021, which substantially increases the data quality of the estimates. Information on ship fuel consumption for 2022 is not yet available, and any reduction of GHG-emissions does not necessarily reflect an actual reduction, but a result of lower data quality.

Agriculture and forestry are the industry that accounts for the largest share of GHG-emissions in our loan portfolio (47.78 per cent in 2021, 51.65 per cent in 2022). In 2022 we performed, in conjunction with Asplan Viak, thoroughgoing analyses with a view to increasing the level of precision in these estimates, in which we estimated the GHG-emissions of each farm using data from the agricultural grants register. This register contains data on livestock numbers, production and area managed.

Collection of primary data from other financed industries to increase the data quality are under way. See the table below for a complete overview of the estimates' data quality.

	PCAF data quality score			PCAF data quality score	
	2021	2022		2021	2022
Agriculture and forestry	3,3	3,4	Property management	4,2	4,2
Fishery	2,6	4,2	Business services	4,4	4,3
Aquaculture	4,0	4,0	Transport and other services	4,1	4,1
Manifacturing and mining	4,0	4,0	Public administration	5,0	5,0
Construction, power and water supply	4,2	4,3	Other sectors	4,2	4,3
Wholesale, retail trade, hotels and restaurants	4,1	4,1	Wage earners	3,0	3,0
Shipping and offshore	4,1	4,2			

Table 1: Data quality of PCAF-estimates

In order to calculate direct and indirect GHG-emissions which do not include financed downstream emissions, we have again utilised Klimakost, a scientific calculation tool developed by Asplan Viak. This calculation tool is utilised to calculate GHG-emissions for the basis year, previous year and current reporting year. The basis year for comparison is set at 2019 and is calculated using the same assumptions as for the reporting year.

All upstream emissions in 2021 are calculated using Klimakost based on EU data, and Klimakost applies a simplification whereby all purchases outside the EU are calculated as if originating in EU technology. In order to increase the underlying data's level of precision we have this year calculated emissions outside the EU using Asplan Viak's FIGARO model[2]. FIGARO calculates goods and services originating outside the EU using its appurtenant technology and points out areas in which we have an opportunity to reduce our indirect and emissions and initiate appropriate action plans. A further distinction is drawn between "Genuine change" and "Model change" to highlight whether an emission increase or emission reduction is the result of improvement or an estimate change. KPI calculations linked to our emissions can be found on page 7.

1. See page 9 for an explanation of Klimakost.

2. See page 9 for an explanation of FIGARO.

Calculation methodlogy and assumptions, cont.

Klimakost is employed by all companies in the group and aims to provide a detailed picture of our significant emissions sources. In order to raise the precision level, indirect emissions are calculated bottom up using primary data from suppliers. In the case of emission sources where primary data is difficult to come by, GHG-emissions are cost estimated by means of a spend-based method. The combination of primary data and cost-based estimates is intended to form a complete picture of our GHG-emissions, while at the same time enabling concrete measures to be addressed to the most significant sources of GHG-emissions.

GHG-emissions in Scope 2 are calculated using primary data from electricity meters at the company's locations. At the few locations where kWh data has been difficult to come by, we have applied an average calculation of kWh/m^2 for those locations for which we have obtained kWh data as a proxy. This calculated average is multiplied by the location's m^2 to arrive at the kWh figure at unmeasured locations. Of total kWh consumption in 2021, 80.98 per cent is actually measured while 19.2 per cent is assessed based on weighted averages of measured consumption. Of total kWh consumption in 2022, 80.92 per cent comprises measured kWh data, and 19.08 per cent is assessed based on weighted averages of measured consumption.

We resolved in 2022 that all purchased energy should be 100 per cent renewable, and accordingly purchased guarantees of origin (GoOs) from Fjordkraft for 38.78 per cent of our kWh consumption in 2022 (1,071,074 kWh). The location-based emissions linked to these guarantees is identical to the market-based emissions (0 tCO_2e).

Location-based emissions in Scope 2 are calculated based on a climate declaration in respect of physically delivered electricity in accordance with NS3720. NS3720 distinguishes between v1 and v2 energy mix where v1 is the estimated average EU mix in the period 2015-2075. We recognise that Norway is linked up to several countries in the electricity system, and have for that reason chosen to utilise v2, subsidiarily the "Nordic supply mix", to estimate the probable climate effect of our energy-saving measures. Location-based emissions are calculated using a factor yielding an emission of 136 gCO2e/kWh. Market-based emissions in Scope 2 are calculated based on product declarations from the Norwegian Energy Regulatory Authority (NVE)[1], yielding an emission factor of 396 gCO2e/kWh for 2019, and 405 gCO2e/kWh for 2021 and 2022.

When calculating GHG-emissions from capital goods, the capital good's total emissions are divided by the capital good's lifetime. The rationale for such a calculation is to prevent fluctuations between reporting years as a result of substantial investments.

Changes since last year's report

With a view to ensuring comparability between reporting years in the energy and climate account, we have implemented the following changes to the GHG-emissions in 2021:

Physical data on electricity

Last year was the first year of transition to a new calculation methodology, and no physical data on kWh consumption was obtained at the company's locations. This year we have culled physical data on kWh consumption at the company's locations for 2021 and 2022, and the energy and climate account on page 3 is in 2021 updated using physical data, and GHG-emissions in Scope 2 are restated. This reduces GHG-emissions in 2021 by 305.86 tCO_2e, location-based, and increases GHG-emissions by 412.17 tCO2e, market-based.

Estimation of GHG-emissions in the loan portfolio under PCAF

Our membership of the PCAF commits us to estimate the loan portfolio's GHG-emissions. We have performed an estimation of the loan portfolio for both 2021 and 2022, and have, for 2021 too, included financed GHG-emissions in the energy and climate account. GHG-emissions in 2021 increased by 1,000,703.76 tCO_2e as a result of the change.

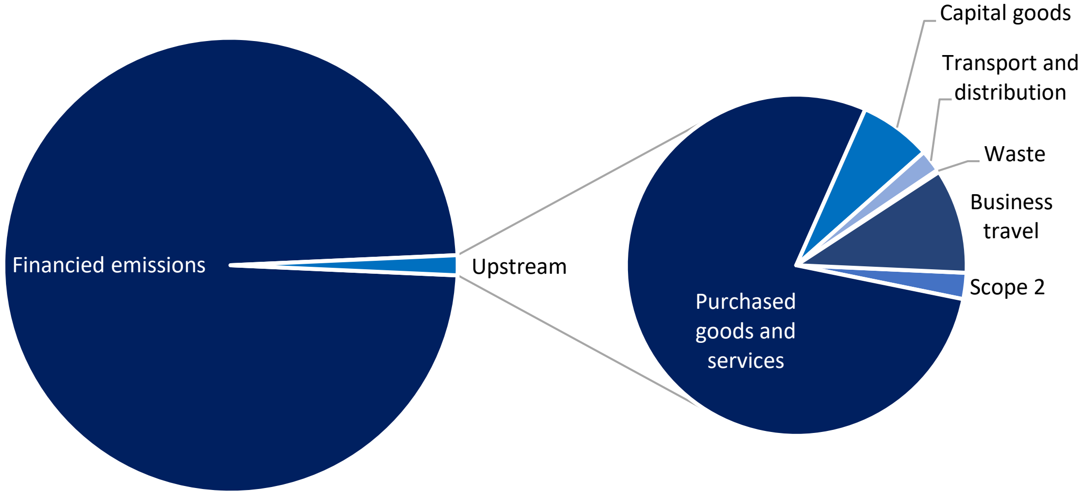
Inclusion of additional accounting accounts in emission estimation upstream

This year we have carried out a revision of which accounting accounts were included in and excluded from our emission estimations. Based on our findings, we have included further accounting accounts in the year's emissions calculation. In order to avoid significant adjustments to attested figures in 2021, we have not adjusted last year with new accounts. Had the adjustment been made, Scope 3 upstream would have been reduced by a net value of 35.07 tCO_2e.

1. https://www.nve.no/energy-supply/electricity-disclosure/

Key figures

We have in 2022 a location-based GHG-emission of 1,068,665.55 tCO_2e, representing an increase of 58,239.55 tCO_2e (5.76 per cent) compared with 2021. Of this increase, 597,26 tCO_2e stems from an **actual emission increase** within the company, 4,820.37 tCO_2e from model changes and 52,821.92 tCO_2e from an increase in financed emissions. The GHG-emissions were distributed as follows:



The GHG-emissions were distributed as follows:

Scope 2: 0,04 per cent (375,66 tCO_2e)

Scope 3 (oppstrøm): 1,38 per cent (14 764,22 tCO_2e)

Scope 3 (nedstrøm): 98,58 per cent (1 053 525,68 tCO_2e)

Scope 1

Banking and finance have negligible direct GHG-emissions, and we are no exception. In our garage we have two fossil-fuel cars. Their diesel consumption is not obtained, on materiality grounds, nor is it pointed up in Scope 1. The emissions of the cars are nonetheless included, but under business travel in Scope 3.

Scope 2

Indirect GHG-emissions refer to the consumption of purchased energy, including electricity or district heating/cooling in our office premises. Of the bank's office premises, the largest locations dominate kWh consumption. Upon moving office premises, an ambition is that the premises should have an 'A' or 'B' energy rating. Our kWh consumption in 2022 was 2,762,180.14 kWh, with an average of 125.65 kWh/m^2. Compared with 2021 this is an increase of 92,937.79 kWh, and an increase of 4.23 kWh/m^2. Read more about the assumptions employed when measuring kWh on page 5.

GHG-emissions in Scope 2 are split into location- and market-based emissions respectively. Location-based emissions came to 375.66 tCO_2e in 2022, an increase of 3.48 per cent compared with 2021. Market-based emissions came to 684.89 tCO_2e in 2022, a reduction of 36.65 per cent compared with 2021. The reduction of our market-based emissions is attributable to purchase of guarantees of origin[2]. In 2022 this reduced our market-based Scope 2 emissions by 433.80 tCO_2e.

Scope 3

A switch from EU28 to FIGARO means that large portions of the increased emissions are linked to change of model. In the table below the share of actual emission changes and the share of emission changes arising from model change is highlighted.

Estimate matrix (tCO2e)	Changes in emissions	Actual emission changes	in %	Changes arising from model change	in %
Scope 2	**12,64**	**12,64**	**100,00 %**	**0,00**	**0,00 %**
Scope 3	**5 405,00**	**584,62**	**10,82 %**	**4 820,37**	**89,18 %**
Purchased goods and services	3 880,95	185,94	4,79 %	3 695,00	95,21 %
Capital goods	454,97	-172,77	-37,97 %	627,74	137,97 %
Transport and distribution	56,96	-3,58	-6,29 %	60,55	106,29 %
Waste	-0,69	-15,66	N/A	14,97	N/A
Business travel	1 012,81	590,69	58,32 %	422,12	41,68 %
TOTAL	**5 417,64**	**597,26**	**11,02 %**	**4 820,37**	**88,98 %**

Table 2: Emission changes EU28/FIGARO

Purchased goods and services account for the majority of the GHG-emissions (upstream) of SpareBank 1 SMN in 2022 (11,876.13 tCO_2e). The emissions refer inter alia to purchases of IT-related services, personnel expenses, lease of premises, cleaning and marketing. Compare with 2021, this represents an **actual increase** in emissions of 185.94 tCO_2e, and an increase in emissions as a result of model changes of 3,695 tCO_2e. Compared with 2021, emissions have risen by 48.54 per cent.

1. See page 5.

Scope 3, cont.

SpareBank 1 SMN has *capital goods* in the form of fixed installations in buildings, property, furniture and fixtures, other fittings, software, and machines. In 2022, capital depreciation of these goods generated 1,034.13 tCO_2e. Compared with 2021 there is an **actual emission reduction** of 172.77 tCO_2e and an increase in emissions of 627.74 tCO_2e as a result of estimate changes. All things considered, emissions have risen by 78.56 per cent compared with 2021.

GHG-emissions linked to *transport and distribution* comprise transport of valuables, postage and haulage of various goods, totalling 317.22 tCO_2e in 2022. Compared with 2021 there is an **actual emissions reduction** of 3.58 tCO_2e, due mainly to a decline in transport of valuables and an increase in postage as a result of a higher level of activity in the company. Estimate changes comprise 60.55 tCO_2e and, all things considered, emissions have risen by 21.89 per cent.

GHG-emissions from *waste* include all forms of waste management (residual waste, paper, glass, plastic), and total 35.69 tCO_2e in 2022. Compared with 2021, GHG-emissions have **in real terms been reduced** by 15.66 tCO_2e, where estimate changes increase emissions by 14.97 tCO_2e. All things considered, emissions have been reduced by 1.9 per cent.

Business travel includes air travel and mileage allowance to employees who use their private car for business purposes, amounts to 1,501.04 tCO_2e in 2022. We see an **actual emissions increase** of 590.69 tCO_2e as a result of higher activity levels, and the increase is in keeping with our expectations inasmuch as 2021 was a year impacted by the Covid pandemic. The model change accounts for an increase of 422.12 tCO_2e, and, viewed overall, emissions have tripled compared with 2021.

Financed emissions include our total portfolio of loans to retail and corporate customers. In 2022 we leant NOK 199.6 billion to our customers[1], which equates to GHG-emissions of 1,053,525.68 tCO_2e, an increase of 5.28 per cent compared with 2021. The increase in GHG-emissions stems from a higher lending volume, and not from an increase in emissions intensity in the industries to which we lend money.

	Lent amount (in NOK 1000)			GHG-intensity (scope 1 og 2)		
Sector	2021	2022	Change (%)	2021	2022	Change (%)
Agriculture and forestry	9 422 675	10 690 164	13,45 %	50,75	50,91	0,31 %
Fishery	5 837 722	7 000 028	19,91 %	10,16	5,45	-46,36 %
Aquaculture	1 925 302	2 311 619	20,07 %	7,45	6,42	-13,80 %
Manufacturing and mining	1 994 151	2 467 579	23,74 %	14,22	11,44	-19,55 %
Construction, power and water supply	3 158 469	4 356 261	37,92 %	1,94	2,16	10,99 %
Wholesale, retail trade, hotels and restaurants	2 441 048	2 768 196	13,40 %	7,58	7,85	3,64 %
Shipping and offshore	4 665 123	5 364 358	14,99 %	33,81	40,85	20,82 %
Property management	16 819 854	18 628 543	10,75 %	0,35	0,34	-1,63 %
Business services	4 457 030	3 428 219	-23,08 %	3,69	4,72	27,72 %
Transport and other services	5 613 045	5 294 939	-5,67 %	34,37	25,41	-26,07 %
Public administration	1 540	1 041	-32,39 %	1,21	1,20	-0,88 %
Other sectors	1 354 254	1 058 059	-21,87 %	4,79	4,85	1,14 %
Wage earners	127 032 721	134 905 091	6,20 %	0,13	0,12	-10,43 %

Table 3: Lent amount and GHG-intensity per industry

Agriculture and forestry, fishery, shipping and offshore, and transport and other services makes up 13.83 per cent of our loan portfolio measured in NOK, but 88.85 per cent of our loan portfolio measured in tCO_2e. Of the four most emissions-intensive industries, emissions intensity approximately 0 or reduced[2], with the exception of shipping and offshore (28.2 per cent increase). We work on a continuous basis to reduce our customers' emissions through insight-building and advisory activities, and it is through that work that we as a bank aspire to a driver for green transition.

1. For SpareBank 1 SMN the financial accounts' note 8 includes accured, non-capitalised interests amounting to MNOK 462, and gross positions for cash pool-accounts amounting to MNOK 428. In table 3 this is not included, and causes a deviation in total lent amount.

2. Fishery's GHG-intensity is reduced by 46,36 %, but the data quality of the estimates are also reduced. Reduced data quality affects the GHG-intensity, and the GHG-intensity is thus not reprenstative. See page 4 for an explanation of the estimates' data quality.

Other key figures

In order to make use of the energy and climate account in developing action plans, and to monitor the trend in emissions, activity level and emission intensities, we measure various key figures in the table below.

GHG-intensity per NOK 1000	Base-year (2019)	Previous year (2021)	Reporting period (2022)	Change 2022 / 2021	Change 2022 / 2019
Total net turnover (in NOK 1000)	**3 386 279**	**3 561 722**	**4 036 282**	**13,32 %**	**19,20 %**
Operating income	3 356 615	3 514 309	3 981 464	13,29 %	18,62 %
Other operating income	29 664	47 412	54 818	15,62 %	84,80 %
Total GHG-emissions (location-based) per 1000 NOK ($kgCO_2e$ / total turnover)	N/A	283,690340	300,041857	5,76 %	N/A
Total GHG-emissions (market-based) per 1000 NOK ($kgCO_2e$ / total turnover)	N/A	283,891935	300,128678	5,72 %	N/A
GHG-intensity per NOK 1000 lent amount	Base-year (2019)	Previous year (2021)	Reporting period (2022)	Change 2022 / 2021	Change 2022 / 2019
Total lent amount (in NOK 1000)	**159 574 000**	**185 157 000**	**199 637 000**	**7,82 %**	**25,11 %**
GHG-intensity scope 1 + 2 ($kgCO_2e$ / NOK 1000 lent amount)	0,0020207	0,0019606	0,0018817	-4,02 %	-6,88 %
GHG-intensity scope 3 upstream ($kgCO_2e$ / NOK 1000 lent amount)	0,0969749	0,0505475	0,0739553	46,31 %	-23,74 %
GHG-intensity scope 3 downstream ($kgCO_2e$ / NOK 1000 lent amount)	N/A	5,4046229	5,2772065	-2,36 %	N/A
GHG-intensity per man-year	Base-year (2019)	Previous year (2021)	Reporting period (2022)	Change 2022 / 2021	Change 2022 / 2019
Amount of man-years	**619**	**646**	**664**	**2,79 %**	**7,27 %**
GHG-intensity scope 1 + 2 ($kgCO_2e$ / man-years)	520,94	561,95	565,75	0,68 %	8,60 %
GHG-intensity scope 1 +2 + 3 (upstream) ($kgCO_2e$ / man-years)	24 999,46	14 487,97	22 235,27	53,47 %	-11,06 %
GHG-intensity business travel ($kgCO_2e$ / man-years)	3 685,45	755,79	2 260,61	199,11 %	-38,66 %

Table 4: Other key figures

Explanation of models

Klimakost

Klimakost is a tool used to calculate the direct and indirect climate impact of organisations, companies, projects etc. This tool combines accounting information (and quantities for some inputs) with an emission model estimating total life cycle emissions associated with the various inputs and goods/services consumed.

Klimakost employs an environmentally extended input-output analysis (EEIOA). EEIOA is relatively rough-hewn and suited to top-down analyses capable of rapidly producing estimates of what is significant and insignificant for an organisation's footprint. This enables speedy screening of the overall climate footprint with a consistent methodology. The model also enables analysis of an entire nation's footprint, including import of goods from other countries (so-called multiregional models).

In 2022 Klimakost was extended in order to perform more detailed analyses also of countries outside Europe. The new calculation model is referred to as FIGARO (**F**ull **I**nternational and **G**lobal **A**ccounts for **R**esearch in input-**O**utput analysis). FIGARO takes in emissions from 46 regions, of which 31 are European countries, 14 are outside Europe and one is an assortment covering the rest of the world. Businesses that purchase goods and services from countries outside the EU will experience larger indirect GHG-emissions.

Since the model include all types of economic activity, including services production, it does not suffer the same system limitations as other carbon accounting methods. However, this completeness and simplicity comes at the expense of specificity, such that evaluating some actions and trends might require more specific data and methods in addition.

Klimakost has been utilised to prepare carbon accounting reports for a large number of Norwegian municipalities, companies and organizations. Multiple universities and colleges have also used the tool, and an early analysis performed for the NTNU has been published in an international journal. The underlying models have also been used to calculate the carbon footprint of Norwegian government procurements and the carbon footprint of Norwegian households.

Partnership for Carbon Accounting Financials (PCAF)

See the PCAF's webpages for a detailed explanation of the methodology.

Specific application of the GHG Protocol

The GHG Protocol requires organisational boundaries to be set for the recognition of GHG-emissions in the consolidated energy and climate account, but also in company-specific energy and climate accounts. The boundary selected should be the one that makes for a complete picture of the company's GHG-emissions, and which in the best possible manner reflects commercial reality. A choice may be made between the equity share approach and the financial/operational control approach. In some cases, a combination of approaches will be needed in which one approach is applied for consolidation purposes and one approach for recognition.

The operational control approach is employed to define which GHG-emissions are to be included in the energy and climate account of companies' business assets and what emissions are to be classified into the various scopes. Under the operational control approach, emissions are included from activities over which the organisation exerts significant control.

In January 2015 the GHG Protocol Scope 2 Guidance was published, accompanied by a dual requirement to report emissions from energy consumption: location-based and market-based.

Location-based approach: This emission factor is based on actual emissions linked to energy consumption within defined geographical areas. Within this area there are various energy producers that utilise a mix of energy bearers where fossil energy bearers (coal, gas and oil) entail direct emissions of greenhouse gases. In Norway, electricity derives mainly from renewable energy sources, and the location-based emission factor is grounded in the AIB's calculations for Nordic mix.

Market-based approach: When a guarantee of origin is purchased, the electricity supplier provides documentary proof that purchased energy stems exclusively from renewable sources with an emission factor of 0 grammes of CO_2e per kWh. Electricity sold without guarantees of origin is based on a European residual mix, and has a high share of fossil fuel. This means that the market-based emission factor is far higher than the location-based factor.

SpareBank 1 SMN-Group

Energy- and climate accounts 2022

SpareBank 1 SMN

Our motivation and development

One of our societal roles is to stimulate a sustainable development of Mid-Norway. That entails being a driver for green transition and a guide for responsible business culture. The group's long-term goal is to achieve net zero emissions by 2050 and to halve our climate footprint by 2030. This equates to an emission reduction of 8 per cent per year in day-to-day operations. For the loan portfolio we are in the process of establishing transition plans at industry level showing estimated emissions towards 2050, which will have a large bearing on how SpareBank 1 SMN and SpareBank 1 Finans Midt-Norge AS conduct their financing activities.

Through annual reporting we aim to put our stakeholders in a position to understand our impact, and give them an opportunity to compare transparent and reliable information across companies and reporting years. In our group we map GHG-emissions, including key performance indicators, in real time by means of our internal management system, enabling us to evaluate the effect of our measures on a continuous basis.

In 2022 a number of solutions were developed to make the business lines aware of their GHG-emissions and to enable them to implement measures. One such measure is the development of a climate solution in EiendomsMegler 1 Midt-Norge's financial management tools which puts department heads in a position to follow the department's GHG-emissions month by month.

Our reporting aims to give our stakeholders an overview of our GHG-emissions, stated in tonnes of CO_2 equivalents (tCO_2e), and is an integral aspect of our sustainability strategy . The carbon accounting report, and the underlying data, have for several years been our most important tool in identifying significant emission sources, initiating concrete measures to reduce GHG-emissions and in measuring the result of those measures over time. The banking and finance industry per se has limited direct emissions, and we acknowledge that our contribution to a low emissions society will be through reducing our own emissions, but also through exerting active influence on our customers and suppliers.

We have improved our reporting of GHG-emissions since 2019. In 2022, for the first time, we have prepared an 'energy and climate account' which includes GHG-emissions linked to our loan portfolio. In addition to utilising in-house competencies, we have this year again opted to collaborate with our subsidiary SpareBank 1 Regnskapshuset SMN AS and Asplan Viak AS as contributors to the preparation of the energy and climate account. This combination of high competency and knowledge of SpareBank 1 SMN is designed to ensure precise estimates and consistency in the calculation of our total climate impact. The combination of competency and knowledge will also enable us to utilise underlying data and the energy and climate account as inputs to corporate governance and internal processes for continuous development and measurement.

1. https://www.sparebank1.no/content/dam/SB1/bank/smn/om-oss/Barekraft/barekraftsstrategi-smn-2021-ENG.pdf

Underlying data and reporting standard

Data employed in the energy and climate account stems from both internal and external sources, and is converted to tCO_2e using the GWP values in IPCC AR5. The energy and climate account has been drawn up in accordance with the Greenhouse Gas Protocol (GHG Protocol), its standards, recommendations and guidances. The standards employed are the overarching reporting standard "GHG Protocol Corporate Accounting and Reporting Standard", and the guidances for Scope 2 and Scope 3, respectively "GHG Protocol Scope 2 Guidance" and "The Corporate Value Chain (Scope 3) Accounting and Reporting Standard". The GHG protocol is chosen as reporting standard in light of its international standing and its contribution to ensuring relevant, truthful, comparable and understandable information about our GHG-emissions.

The GHG Protocol also has precedence among the standards for reporting GHG-emissions (European Sustainability Reporting Standards (ESRS)), now adopted by the EU Commission, and drawn up by the European Financial Reporting Advisory Group (EFRAG). In order to prepare for future reporting requirements resulting from incorporation of the Corporate Sustainability Reporting Directive (CSRD), and the reporting requirements of ISRS that address stock-exchange-listed institutions in 2024, we have this year sought to comply with several of the requirements in the draft version of "ESRS E1 -Climate Change" in this year's report[2].

2. Corporate Sustainability Reporting Directive was adopted by the EU Q4 2022. It's **expected** that Norway will follow EU's timeline when incorporating CSRD through the EEA-agreement.

Energy- and climate accounts

The changes in GHG-emissions can be summarised in five points:

1. We have gathered primary data on electricity in 2022
2. Our activity in 2022 has increased compared with 2021
3. In 2022 we estimated our loan portfolio with reference to the PCAF
4. We have included and estimated further accounting accounts[6]
5. We have changed our calculation methodology

As a step in our improvement, we have in 2022 implemented a model change from Klimakost EU28 to Klimakost FIGARO. The model change involves substantial emission increases in Scope 3 upstream, and w have split the changes into “Actual emission changes” and “Emission changes arising from model change”[5].

The basis year (2019) is calculated using the same assumptions as for the reporting year in order to allow consistent comparison at all times.

SpareBank 1 SMN-group	Base-year (2019)	Previous year (2021)	Reporting period (2022)	Change 2022 / 2021	Target 2030	Change 2022 / 2019
Scope 1 GHG-emissions	Klimakost (FIGARO)[2]	Klimakost (EU28)[1]	Klimakost (FIGARO)[2]			
Total net Scope 1 GHG-emissions (tCO_2e)	**0**	**0**	**0**	**0**	**0**	**0**
Scope 2 GHG-emissions						
Net megawatt-hours (mWh) consumed	5 707,10	5 650,03	5 757,74	1,91 %	2280,77	0,89 %
Total net location-based Scope 2 GHG-emissions (tCO_2e)	**776,2**	**768,40**	**783,05**	**1,91 %**	**310,18**	**0,89 %**
Total net market-based Scope 2 GHG-emissions (tCO_2e)	**2 260,0**	**2 288,26**	**1 898,09**	**-17,05 %**	**903,19**	**-16,01 %**
Scope 3 GHG-emissions						
Total net Scope 3 upstream GHG-emissions (tCO_2e)	**22 127,03**	**11 294,67**	**20 145,35**	**78,36 %**	**8842,79**	**-8,96 %**
Purchased goods and services	15 408,39	9 423,58	15 872,21	68,43 %	6157,77	3,01 %
Capital goods	1 913,61	620,26	1 490,44	140,29 %	764,75	-22,11 %
Transport and distribution	761,80	314,51	364,19	15,80 %	304,45	-52,19 %
Waste from operations	29,13	28,75	35,69	24,12 %	11,64	22,51 %
Business travel	4 014,09	907,56	2 382,82	162,55 %	1604,18	-40,64 %
Total net Scope 3 downstream GHG-emissions (tCO_2e)	**N/A**	**1 020 051,62**	**1 076 599,37**	**5,54 %**	**N/A**	**N/A**
Financied emissions	N/A	1 020 051,62	1 076 599,37	5,54 %	N/A	N/A
Agriculture and forestry	N/A	478 168,46	544 194,41	13,81 %	N/A	N/A
Fishery	N/A	59 324,31	38 158,43	-35,68 %	N/A	N/A
Aquaculture	N/A	14 340,68	14 842,38	3,50 %	N/A	N/A
Manufacturing and mining	N/A	28 355,77	28 228,29	-0,45 %	N/A	N/A
Construction, power and water supply	N/A	6 132,46	9 387,96	53,09 %	N/A	N/A
Wholesale and retail trade, hotels and restaurants	N/A	18 498,17	21 740,27	17,53 %	N/A	N/A
Shipping and offshore	N/A	157 741,22	219 144,30	38,93 %	N/A	N/A
Property management	N/A	5 885,08	6 411,93	8,95 %	N/A	N/A
Business services	N/A	16 465,73	16 175,59	-1,76 %	N/A	N/A
Transport and other services	N/A	192 935,52	134 548,53	-30,26 %	N/A	N/A
Public administration	N/A	1,86	1,25	-32,98 %	N/A	N/A
Other sectors	N/A	6 487,93	5 126,77	-20,98 %	N/A	N/A
Wage earners (Retail loans)[3]	N/A	16 366,56	15 565,56	-4,89 %	N/A	N/A
Loan/leasing - fossil cars[4]	N/A	19 347,86	23 073,70	19,26 %	N/A	N/A
Total GHG-emissions						
Total GHG-emissions (location-based) (tCO_2e)	**N/A**	**1 032 114,69**	**1 097 527,78**	**6,34 %**	**N/A**	**N/A**
Total GHG-emissions (market-based) (tCO_2e)	**N/A**	**1 033 634,55**	**1 098 642,81**	**6,29 %**	**N/A**	**N/A**

1. See page 9 for an explanation of the Klimakost FIGARO-model
2. See page 9 for an explanation of the Klimakost EU28-model.
3. Wage earners’ (retail loans) GHG-emissions is estimated based on financied buildings.
4. NOK 6,8bn of 12,1bn of SpareBank 1 Finans Midt-Norge AS' loan portfolio is included. The portfolio includes loans/leasing of fossil cars.
5. See page 6 for a matrix explaining actual emissions changes and emission changes arising from model change.
6. New estimated financial accounts has net increased GHG-emissions (upstream) 2 077,38 tCO_2e in 2022.

Calculation methodology and assumptions

The energy and climate account is based on Klimakost combined with primary data from suppliers and financial data from SpareBank 1 SMN, SpareBank 1 Finans Midt-Norge, SpareBank 1 Regnskapshuset SMN AS, EiendomsMegler 1 Midt-Norge AS, SpareBank 1 Markets AS, SpareBank 1 SMN Kvartalet AS, SpareBank 1 Bygget Steinkjer AS and St. Olavs Plass 1 SMN AS.[1] These companies are recognised using the equity share approach in order to form a consolidated energy and climate account for the group.

We work in a systematic and targeted manner to understand the impact of our financial activities on our local and international surroundings. As a part of this targeted effort the SpareBank 1 SMN group introduced in 2021 Klimakost as a new method of calculating the company's direct and indirect GHG-emissions. In 2022 we took an extra step forward in understanding our overall climate impact. At the end of 2021 SpareBank 1 SMN joined the Partnership for Carbon Accounting Financials (PCAF), a global collaboration between financial institutions to harmonise estimation, measurement and information about GHG-emissions linked to their loan portfolios. Membership commits us to estimate and publish our financed GHG-emissions within three years. In 2022 – one year after our commitment – we estimated and published our downstream emissions caused by our loan portfolio in an amount of NOK 196 billion in 2021 and NOK 212 billion in 2022.

NOK 5.3 billion of the portfolio of SpareBank 1 Finans Midt-Norge AS is not included due to absence of data. Parts of our loan portfolio (measured in NOK) are included in the group account arrangement Cashpool. The emission effect of Cashpool is zero, but a deviation in loan volume is produced compared with our financial reporting due to differing treatment.

Estimation of GHG-emissions linked to our financed emissions is based on the PCAF's methodology, a methodology recognised by the GHG Protocol, and the data quality of the estimates ranges from 1 (based on the customer's own data) to 5 (based on pure estimates). We seek continuously to enhance the data quality of our emission estimates, but are limited by poor access to reliable data. We are under way on developing transition plans towards zero net emissions for industries we finance, with priority given to the most emissions-intensive industries.

Primary data is obtained for ship fuel consumption in our fishery portfolio for 2021, which substantially increases the data quality of the estimates. Information on ship fuel consumption for 2022 is not yet available, and any reduction of GHG-emissions does not necessarily reflect an actual reduction, but a result of lower data quality.

Agriculture and forestry are the industry that accounts for the largest share of GHG-emissions in our loan portfolio (46.88 per cent in 2021, 50.55 per cent in 2022). In 2022 we performed, in conjunction with Asplan Viak, thoroughgoing analyses with a view to increasing the level of precision in these estimates, in which we estimated the GHG-emission of each farm using data from the agricultural grants register. This register contains data on livestock numbers, production and area managed.

We are under way on gathering primary data on other industries in order to increase data quality. See the table below for a complete overview of the estimates' data quality.

	PCAF data quality score			PCAF data quality score	
	2021	2022		2021	2022
Agriculture and forestry	3,3	3,4	Property management	4,2	4,2
Fishery	2,6	4,2	Business services	4,4	4,3
Aquaculture	4,0	4,0	Transport and other services	4,1	4,1
Manifacturing and mining	4,0	4,0	Public administration	5,0	5,0
Construction, power and water supply	4,2	4,3	Other sectors	4,2	4,3
Wholesale, retail trade, hotels and restaurants	4,1	4,1	Wage earners	3,0	3,0
Shipping and offshore	4,1	4,2	Loan/leasing - fossil cars	5,0	4,3

Table 1: Data quality of PCAF-estimates

In order to calculate direct and indirect GHG-emissions which do not include financed downstream emissions, we have again utilised Klimakost, a scientific calculation tool developed by Asplan Viak. This calculation tool is utilised to calculate GHG-emissions for the basis year, previous year and current reporting year. The basis year for comparison is set at 2019, and is calculated using the same assumptions as for the reporting year.

All upstream emissions in 2021 are calculated using Klimakost based on EU data, and we apply a simplification whereby all purchases outside the EU are calculated as if originating in EU technology. In order to increase the underlying data's level of precision we have this year calculated emissions outside the EU using Asplan Viak's FIGARO model[2]. FIGARO calculates goods and services originating outside the EU using its appurtenant technology, and points out areas in which we have an opportunity to reduce our indirect and emissions and initiate appropriate action plans. A further distinction is drawn between "Actual change" and "Model change" to highlight whether an emission increase or emission reduction is the result of an improvement or of an estimate change. KPI calculations linked to our emissions can be found on page 6, 7 and 8.

1. Challenges attached to estimating the GHG-emissions of SpareBank 1 SMN Invest AS' investment portfolio has led to us setting estimation, and inclusion, of the subsidiary's GHG-emission (upstream and downstream) as a target for 2023.

2. See page 9 for an explanation of FIGARO.

Calculation methodology and assumptions, cont.

Klimakost is employed by all companies in the group, and aims to provide a detailed picture of our significant emission sources. In order to raise the precision level, indirect emissions are calculated bottom-up using primary data from suppliers. In the case of emission sources where primary data are difficult to come by, GHG-emissions are cost estimated by means of a spend-based method. The combination of primary data and cost-based estimates is intended to form a complete picture of our GHG-emissions, while at the same time enabling concrete measures to be directed to the most significant sources of GHG-emissions.

GHG-emissions in Scope 2 are calculated using primary data from electricity meters at the group's locations. At the few locations where kWh data has been difficult to come by, we have applied an average calculation of kWh/m2 for those locations for which we have obtained kWh data as a proxy. This calculated average is multiplied by the location's m2 to arrive at the kWh figure at unmeasured locations. Of total kWh consumption in 2021, 80.98 per cent is actually measured while 19.2 per cent is assessed based on weighted averages of measured consumption. Of total kWh consumption in 2022, 80.92 per cent comprises measured kWh data, and 19.08 per cent is assessed based on weighted averages of measured consumption.

We resolved in 2022 that all purchased energy should be 100 per cent renewable, and have accordingly purchased guarantees of origin (GoOs) from Fjordkraft for 18.60 per cent of our kWh consumption in 2022 (1,071,074 kWh). The location-based emissions linked to these guarantees is identical to the market-based emissions (0 tCO_2e).

Location-based emissions in Scope 2 are calculated based on a climate declaration in respect of physically delivered electricity in accordance with NS3720. NS3720 distinguishes between v1 and v2 energy mix where v1 is the estimated average for Norwegian mix in the period 2015-2075 and v2 is the estimated average for EU mix in the period 2015-2075. We recognise that Norway is linked up to several countries in the electricity system, and have for that reason chosen to utilise v2, subsidiarily the "Nordic supply mix", to estimate the probable climate effect of our energy-saving measures. Location-based emissions are calculated using a factor yielding an emission of 136 gCO2e/kWh. Market-based emissions in Scope 2 are calculated based on product declarations from the Norwegian Energy Regulatory Authority (NVE)[1], yielding an emission factor of 396 gCO2e/kWh for 2019, and 405 gCO2e/kWh for 2021 and 2022.

When calculating GHG-emissions from capital goods, the capital good's total emissions are divided by the capital good's lifetime. The rationale for such a calculation is to prevent fluctuations between reporting years as a result of substantial investments.

1. https://www.nve.no/energy-supply/electricity-disclosure/

Changes since last year's report

With a view to ensuring comparability between reporting years in the energy and climate account, we have implemented the following changes to the GHG-emissions in 2021:

Physical data on electricity

Last year was the first year of transition to a new calculation methodology, and no physical data on kWh consumption was obtained at the company's locations. This year we have culled physical data on kWh consumption at the company's locations for 2021 and 2022, and the energy and climate account on page 3 is in 2021 updated using physical data, and GHG-emissions in Scope 2 are restated. This reduces GHG-emissions in 2021 by 477.96 tCO_2e, location-based, and increases GHG-emissions by 1,041.90 tCO_2e, market-based.

Estimation of GHG-emissions in the loan portfolio under PCAF

Our membership of the PCAF commits us to estimate the loan portfolio's GHG-emissions. We have performed an estimation of the loan portfolio for both 2021 and 2022, and have, for 2021 too, included financed GHG-emissions in the energy and climate account. GHG-emissions in 2021 increased by 1,020,051.62 tCO_2e as a result of the change.

Inclusion of other subsidiaries

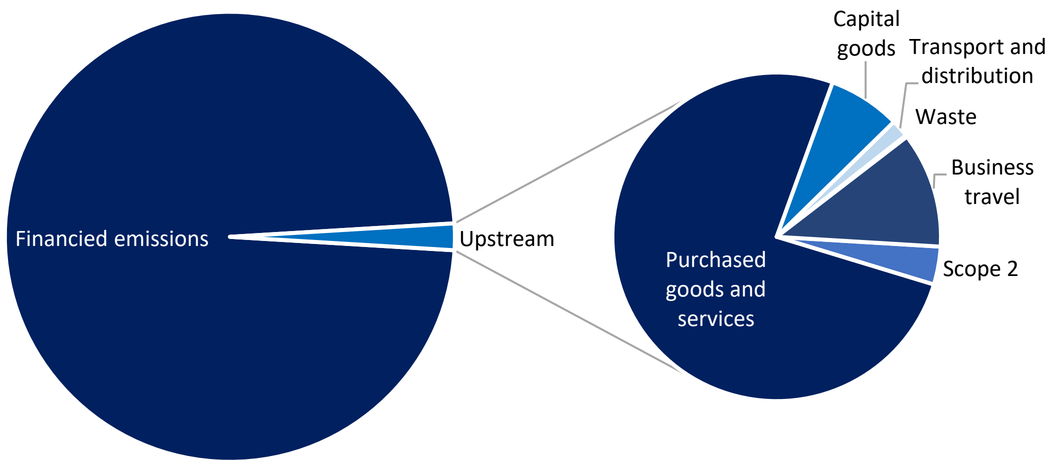
Following last year's submission, energy and climate accounts were prepared for SpareBank 1 SMN Kvartalet AS, St. Olavs Plass 1 SMN and SpareBank 1 Bygget Steinkjer AS. By including these companies based on holding in the figures for 2021, total emissions have increased by 165.50 tCO_2e – by, respectively, 54.54 tCO_2e in location-based scope 2 and 110.96 tCO_2e in scope 3.

Inclusion of additional accounting accounts in emission estimation upstream

This year we have carried out a revision of accounting accounts that were included in, and excluded from, our emission estimations. Based on our findings, we have included further accounting accounts in the year's emissions calculation. In order to avoid significant adjustments to attested figures in 2021, we have not adjusted last year with new accounts. Had the adjustment been made, Scope 3 upstream would have increased by 995.21 tCO_2e.

Key figures

We have in 2022 a location-based GHG-emission of 1,097,527.78 tCO_2e, representing an increase of 65,533.98 tCO_2e (6.35 per cent) compared with 2021. Of this increase, 647.54 tCO_2e stems from a net actual emission increase within the company, 8,217.79 tCO_2e from model changes and 56,547.75 tCO_2e from an increase in financed emissions. The GHG-emissions were distributed as follows:



Scope 2: 0,07 per cent (783,05 tCO_2e)

Scope 3 (upstream): 1,84 per cent (20 145,35 tCO_2e)

Scope 3 (downstream): 98,09 per cent (1 076 599,37 tCO_2e)

Scope 1

Banking and finance have negligible direct GHG-emissions, and we are no exception. In our garage at the group's head office at Søndre Gate no. 4, we have two fossil-fuel cars. Their diesel consumption has not been ascertained, on materiality grounds, nor is it pointed up in Scope 1. The emissions of the cars are nonetheless included, but under *business travel* in Scope 3.

Scope 2

Indirect GHG-emissions refer to the consumption of purchased energy, including electricity or district heating/cooling in the group's office premises. Among the group's office premises, the largest locations dominate kWh consumption. When moving office premises, an ambition is that the premises should have an 'A' or 'B' energy rating. Our kWh consumption in 2022 was 5,757,375.55 kWh, at an average of 125.79 kWh/m^2. Compared with 2021 this is an increase of 107,700.85 kWh, and an increase of 2.35 kWh/m^2. Read more about the assumptions employed when measuring kWh on page 5.

GHG-emissions in Scope 2 are split into location- and market-based emissions respectively. Location-based emissions came to 783.05 tCO_2e in 2022, an increase of 1.91 per cent compared with 2021. Market-based emissions came to 1,898.09 tCO_2e in 2022, a reduction of 17.05 per cent compared with 2021. The reduction in our market-based emissions is attributable to purchase of guarantees of origin . In 2022 this reduced our market-based Scope 2 emissions by 433.80 tCO_2e.

Scope 3

Large portions of the increased emissions are linked to the model change from EU28 to FIGARO. means that large portions of the increased emissions are linked to change of model. In the table below, the share of actual emission change, and the share of emissions arising from model change, are highlighted.

Estimate matrix (tCO2e)	Changes in emissions	Actual emission changes	in %	Changes arising from model changes	in %
Scope 2	**14,65**	**14,65**	**100,00 %**	**0,00**	**0,00 %**
Scope 3	**8 850,68**	**632,89**	**7,15 %**	**8 217,79**	**92,85 %**
Purchased goods and services	6 448,63	240,50	3,73 %	6 208,13	96,27 %
Capital goods	870,18	-367,02	-42,18 %	1 237,20	142,18 %
Transport and distribution	49,68	-16,19	-32,60 %	65,87	132,60 %
Waste	6,94	-3,49	N/A	10,42	N/A
Business travel	1 475,26	779,09	52,81 %	696,17	47,19 %
SUM	**8 865,33**	**647,54**	**7,30 %**	**8 217,79**	**92,70 %**

Table 2: Emission changes EU28/FIGARO

Purchased goods and services account for the majority of the GHG-emissions (upstream) of the group in 2022 (15,864.38 tCO_2e). The emissions refer inter alia to purchases of IT-related services, personnel expenses, lease of premises, cleaning and marketing. Compare with 2021, this represents an **actual increase** in emissions of 240.50 tCO_2e, and an increase in emissions resulting from model changes of 6,208.13 tCO_2e. Compared with 2021, emissions have risen by 68.43 per cent.

1. See page 5

Scope 3 forts.

SpareBank 1 SMN has *capital goods* in the form of fixed installations in buildings, property, furniture and fixtures, other fittings, software, and machines. In 2022, capital depreciation of these goods generated 1,490.44 tCO_2e. Compared with 2021 there is an **actual emissions reduction** of 367.02 tCO_2e, and an increase of 1,237.20 tCO_2e in emissions resulting from model changes. All things considered, emissions have risen by 140.29 per cent compared with 2021.

GHG-emissions linked to *transport and distribution* comprise transport of valuables, postage and haulage of various goods, totalling 364.19 tCO_2e in 2022. Compared with 2021 there is an **actual emissions reduction** of 16.19 tCO_2e, due mainly to a decline in transport of valuables owing to less use of cash, and an increase in postage as a result of a higher level of activity in the group. Estimate changes represent an increase of 65.87 tCO_2e and, all things considered, emissions have risen by 15.80 per cent.

GHG-emissions from *waste* include all forms of waste management (residual waste, paper, glass, plastic), and total 35.69 tCO_2e in 2022. Compared with 2021, GHG-emissions have in **real terms been reduced** by 3.49 tCO_2e, where estimate changes increase emissions by 10.42 tCO_2e. All things considered, emissions have been reduced by 24.12 per cent.

Business travel includes air travel and mileage allowance to employees who use their private car for business purposes, and amounts to 2,382.82 tCO_2e in 2022. We see an **actual emissions increase** of 779.09 tCO_2e as a result of higher activity levels, and the increase is in keeping with our expectations. The model change accounts for an increase of 696.17 tCO_2e, and, viewed overall, emissions have risen by 162.55 per cent compared with 2021.

Financed emissions include the group's total portfolio of loans to retail and corporate customers[1]. In 2022 we have outstanding loans to our customers worth NOK 212 billion[2], which equates to GHG-emissions of 1,076,599.37 tCO_2e, an increase of 5.54 per cent compared with 2021. The increase in GHG-emissions stems from a higher lending volume, and not from an increase in GHG-intensity in the industries to which we lend money.

	Lent amount (in NOK 1000)			GHG-intensity (scope 1 og 2)		
Sector	2021	2022	Change (%)	2021	2022	Change (%)
Agriculture and forestry	9 422 675	10 690 164	13,45 %	50,75	50,91	0,31 %
Fishery	5 837 722	7 000 028	19,91 %	10,16	5,45	-46,36 %
Aquaculture	1 925 302	2 311 619	20,07 %	7,45	6,42	-13,80 %
Manufacturing and mining	1 994 151	2 467 579	23,74 %	14,22	11,44	-19,55 %
Construction, power and water supply	3 158 469	4 356 261	37,92 %	1,94	2,16	10,99 %
Wholesale, retail trade, hotels and restaurants	2 441 048	2 768 196	13,40 %	7,58	7,85	3,64 %
Shipping and offshore	4 665 123	5 364 358	14,99 %	33,81	40,85	20,82 %
Property management	16 819 854	18 628 543	10,75 %	0,35	0,34	-1,63 %
Business services	4 457 030	3 428 219	-23,08 %	3,69	4,72	27,72 %
Transport and other services	5 613 045	5 294 939	-5,67 %	34,37	25,41	-26,07 %
Public administration	1 540	1 041	-32,39 %	1,21	1,20	-0,88 %
Other sectors	1 354 254	1 058 059	-21,87 %	4,79	4,85	1,14 %
Wage earners	127 032 721	134 905 091	6,20 %	0,13	0,12	-10,43 %
Loan/leasing - fossil cars	4 400 000	6 764 000	53,73 %	7,78	6,28	-19,28 %

Table 3: Lent amount and GHG-intensity per industry

Agriculture and forestry, fishery, transport and other services along with shipping and offshore, make up 13.51 per cent of our loan portfolio measured in NOK, but 86.94 per cent of our loan portfolio measured in CO_2e. In the four most emissions-intensive industries, emissions intensity is reduced[3] with the exception of shipping and offshore (20.82 per cent increase). The group works on a continuous basis to reduce our customers' emissions through insight-building and advisory activities, and it is through that work that we as a bank aspire to be a driver for green transition.

1. Loan portfolio includes SpareBank 1 SMN (Retail and corporate) and SpareBank 1 Finans Midt-Norge AS.

2. For SpareBank 1 SMN the financial accounts' note 8 includes accured, non-capitalised interests amounting to MNOK 462, and gross positions for cash pool-accounts amounting to MNOK 428. In table 3 this is not included, and causes a deviation in total lent amount. NOK 5,3bn of SpareBank 1 Finans Midt-Norge AS' portfolio is not included due to lack of reliable data.

3. Fishery's GHG-intensity is reduced by 46,36 %, but the data quality of the estimates are also reduced. Reduced data quality affects the GHG-intensity, and the GHG-intensity is thus not reprenstative. See page 4 for an explanation of the estimates' data quality.

Other key figures

In order to make use of the energy and climate account in developing action plans, and to observe the trend in emissions, activity level and emission intensities, we measure various key figures in the table below.

GHG-intensity per NOK 1000	Base-year (2019)	Previous year (2021)	Reporting period (2022)	Change 2022 / 2021	Change 2022 / 2019
Total net turnover (in NOK 1000)[1]	**4 599 365**	**5 125 583**	**5 635 675**	**9,95 %**	**22,53 %**
Operating income	3 757 180	3 989 969	4 398 754	10,25 %	17,08 %
Other operating income	842 186	1 135 614	1 236 922	8,92 %	46,87 %
Total GHG-emissions (location-based) per 1000 NOK (kgCO_2e / total turnover)	N/A	201,37	194,75	-3,29 %	N/A
Total GHG-emissions (market-based) per 1000 NOK (kgCO_2e / total turnover)	N/A	201,66	194,94	-3,33 %	N/A
GHG-intensity per NOK 1000 lent amount	Base-year (2019)	Previous year (2021)	Reporting period (2022)	Change 2022 / 2021	Change 2022 / 2019
Total lent amount (in NOK 1000)	**158 966 000**	**196 115 000**	**212 614 000**	**8,41 %**	**33,75 %**
GHG-intensity scope 1 + 2 (kgCO_2e / NOK 1000 lent amount)	0,0048826	0,0039181	0,0036830	-6,00 %	-24,57 %
GHG-intensity scope 3 upstream (kgCO_2e / NOK 1000 lent amount)	0,1391935	0,0575921	0,0947508	64,52 %	-31,93 %
GHG-intensity scope 3 downstream (kgCO_2e / NOK 1000 lent amount)	N/A	5,2012932	5,0636335	-2,65 %	N/A
GHG-intensity per man-year	Base-year (2019)	Previous year (2021)	Reporting period (2022)	Change 2022 / 2021	Change 2022 / 2019
Amount of man-years	**1 509**	**1 482**	**1 592**	**7,42 %**	**5,50 %**
GHG-intensity scope 1 + 2 (kgCO_2e / man-years)	514,36	518,49	491,87	-5,14 %	-4,37 %
GHG-intensity scope 1 +2 + 3 (upstream) (kgCO_2e / man-years)	14 663,37	7 621,23	12 654,11	66,04 %	-13,70 %
GHG-intensity business travel (kgCO_2e / man-years)	2 660,10	612,39	1 496,75	144,41 %	-43,73 %

Table 4: Key figures

1. Total net turnover is recognised based on the ownership share the Group has in the companies included in the energy- and climate accounts. See page 4.

Explanation of models

Klimakost

Klimakost is a tool used to calculate the direct and indirect climate impact of organisations, companies, projects etc. This tool combines accounting information (and quantities for some inputs) with an emission model estimating total life cycle emissions associated with the various inputs and goods/services consumed.

Klimakost employs an environmentally extended input-output analysis (EEIOA). EEIOA is relatively rough-hewn and suited to top-down analyses capable of rapidly producing estimates of what is significant and insignificant for an organisation's footprint. This enables speedy screening of the overall climate footprint with a consistent methodology. The model also enables analysis of an entire nation's footprint, including import of goods from other countries (so-called multiregional models).

In 2022 Klimakost was extended in order to perform more detailed analyses also of countries outside Europe. The new calculation model is referred to as FIGARO (**F**ull **I**nternational and **G**lobal **A**ccounts for **R**esearch in input-**O**utput analysis). FIGARO takes in emissions from 46 regions, of which 31 are European countries, 14 are outside Europe and one is an assortment covering the rest of the world. Businesses that purchase goods and services from countries outside the EU will experience larger indirect GHG-emissions.

Since the model include all types of economic activity, including services production, it does not suffer the same system limitations as other carbon accounting methods. However, this completeness and simplicity comes at the expense of specificity, such that evaluating some actions and trends might require more specific data and methods in addition.

Klimakost has been utilised to prepare carbon accounting reports for a large number of Norwegian municipalities, companies and organizations. Multiple universities and colleges have also used the tool, and an early analysis performed for the NTNU has been published in an international journal. The underlying models have also been used to calculate the carbon footprint of Norwegian government procurements and the carbon footprint of Norwegian households.

Partnership for Carbon Accounting Financials (PCAF)

See the PCAF's webpages for a detailed explanation of the methodology.

Specific application of the GHG Protocol

The GHG Protocol requires organisational boundaries to be set for the recognition of GHG-emissions in the consolidated energy and climate account, but also in company-specific energy and climate accounts. The boundary selected should be the one that makes for a complete picture of the company's GHG-emissions, and which in the best possible manner reflects commercial reality. A choice may be made between the equity share approach and the financial/operational control approach. In some cases, a combination of approaches will be needed in which one approach is applied for consolidation purposes and one approach for recognition.

The operational control approach is employed to define which GHG-emissions are to be included in the energy and climate account of companies' business assets and what emissions are to be classified into the various scopes. Under the operational control approach, emissions are included from activities over which the organisation exerts significant control.

In January 2015 the GHG Protocol Scope 2 Guidance was published, accompanied by a dual requirement to report emissions from energy consumption: location-based and market-based.

Location-based approach: This emission factor is based on actual emissions linked to energy consumption within defined geographical areas. Within this area there are various energy producers that utilise a mix of energy bearers where fossil energy bearers (coal, gas and oil) entail direct emissions of greenhouse gases. In Norway, electricity derives mainly from renewable energy sources, and the location-based emission factor is grounded in the AIB's calculations for Nordic mix.

Market-based approach: When a guarantee of origin is purchased, the electricity supplier provides documentary proof that purchased energy stems exclusively from renewable sources with an emission factor of 0 grammes of CO_2e per kWh. Electricity sold without guarantees of origin is based on a European residual mix, and has a high share of fossil fuel. This means that the market-based emission factor is far higher than the location-based factor.

GRI Index

The table shows SpareBank 1 SMN's reporting for 2022 with reference to the GRI Universal Standards 2021.

GRI-indicator	Name	Description of the indicator	Response in annual report	Source
GENERAL INFORMATION				
Organisation profile				
2-1	Organizational details	Name of the organization	SpareBank 1 SMN	
2-6	Activities and workers	Activities, product and services provided by the organization	This is SpareBank 1 SMN - Subsidiaries	
2-1	Organizational details	Location of the organization's headquarters	Søndre Gate 4, 7011 TRONDHEIM	
2-1	Organizational details	The organization's countries of operations	Norway	
2-1	Organizational details	Ownership and legal form	SpareBank 1 SMN's organisational set-up	
2-6	Activities and workers	Sector(s) in which the organization is active	This is SpareBank 1 SMN - Subsidiaries	
2-6	Activities and workers	Scope and size of the organization	This is SpareBank 1 SMN - SpareBank 1 SMN's organisational set-up People and organisation	
2-7	Employees	Total number of employees (permanent and temporary) and a breakdown by gender and region	People and organisation	
2-8	Workers who are not employees	Total number of workers who are not employees and whose work is controlled by the organization	People and organisation	
2-6	Activities and workers	Supply chain	Stimulating responsible resource use in our own value and supplier chains	Website: Guidelines for sustainability in procurement
2-6	Activities and workers	Significant changes in sector(s) which the organization is active and other relevant business relationships compared to the previous reporting period	Important events in 2022 - Second quarter 2022	
2-23	Policy Commitments	Policy commitsments for responsible business conduct and respect of human rights	Corporate governance	
2-28	Membership associations	Industry associations, other memberships associations, and national or international advocacy organization in which it praticipates in a significant role	Sustainability and corporate social responsibility - Obligations	See attachment: SpareBank 1 SMN's memberships
Strategy, policies and practices				
2-22	Statement on sustainable development strategy	Statement from the highest governance body or most senior executive of the organization about the relevance of sustainable development and its strategy for contributing to this	Sustainability and corporate social responsibility	Sustainability is an integral part of our group strategy and is incorporated into all business lines and support functions including day-to-day operations, customer offering and distribution of community dividend. Website: Sustainability strategy
2-23	Policy Commitments	Describe the organization's values, principals, standards and norms of behavior	People and organisation	Website: Sustainability policy
2-24	Embedding policy commitments	Describe how policies for responsible business conduct are embedded in the organzation's activities and business relationships	Stimulating responsible resource use in our own value and supplier chains	Website: Sustainability policy

2-25	Processes to remediate negative impacts	Describe the organization's commitments and approach has for remedation of negative impacts it has directly or indirectly caused or contributed to	Stimulating responsible resource use in our own value and supplier chains	Group Impact Analysis 2022
2-26	Mechanisms for seeking advice and raising concerns	Mechanisms for individuals to seek advice on implementing the organization's policies and practices for responsible business conduct, and raise concerns about the organization's business conduct	People and organisation	Whistleblowing procedure
2-27	Compliance with laws and regulation	Total number of significant instances of non-compliance with laws and regulations during the reporting period, and instance where fines or non-monetary fines were incurred	Corporate governance - point 1	Zero violations, zero fines.

Governance

2-9	Governance structure and composition	Governance structure, including commitees of the highest governance body that are responsible for decision-making on and overseeing the management of the organization's impacts on the economy, environment, and people.	Corporate governance	
2-10	Nomination and selection of the highest governance body	Criteria used for nominating and selecting highest governances body members, including whether and how views of stakeholders, diversity, independence and competencies relevant to the impacts of the organization are considered.	Corporate governance - point 7	
2-11	Chair of the highest governance body	Describe whether the chair of the highest governance body is also a senior executive of the organization, and if so, explain their function, the reasons of such an arrangement and how conflicts of interested are prevented and mitigated.	Corporate governance - point 8	
2-12	Role of the highest gonvernance body in overseeing the management of impacts	Describe the role of the highest governance body and its senior executives in developing, approving and updating the organization's purpose, values, mission statement, strategies, policies and goals related to sustainable development.	Ensuring long-term profitability and competitiveness Climate risk- and opportunities	
2-12	Role of the highest gonvernance body in overseeing the management of impacts	Describe the role of the highest governance body in overseeing the organizations's due diligence and other processes to identify and manage the organization's impact of the economy, environment, and people		Webpage: Stakeholder dialogue
2-13	Delegation of responsibility for managing impacts	Describe how the highest governance body delegates responsibilities for managing the organization's impacts on economy, environment and people.	Ensuring long-term profitability and competitiveness Climate risk- and opportunities	
2-14	Role of the highest governance body in sustainability reporting	If the highest governance body is responsible reviewing and approving the reported information, describe the process.	Corporate governance	Representantskapets oppgaver
2-15	Conflict of interest	Processes meant to prevent and mitigate conflicts of interest in the highest governance body.	Corporate governance - point 9	
2-16	Communcation of critical concerns	Whether and how critical concerns are communicated to the highest governance body, and the nature and number of critical concerns reported during the reporting period.	Corporate governance - point 10	

2-17	Collective knowledge of the highest governance body	Measures taken to advance the collective knowledge, skills, and experience of the highest governance body on sustainable development.	Ensuring long-term profitability and competitiveness Climate risk- and opportunities	Website: Sustainability policy
2-18	Evaluation of the performance of the highest governance body	Independent and internal processes to evaluate the performance of the highest governance body in overseeing the management of the organization's impact on the economy, environment and people. Describe actions taken in response to the evaluations.	Corporate governance - point 9	
2-19	Remuneration policies	Remuneration policies for members of the highest governance body and senior executives, and how the remuneration policies for relate to their objectives and performance in relation to the management of the organization's impacts on the economy, environment and people	Corporate governance	Webpage: Remuneration and emoluments to senior personell
2-20	Process to determine remuneration	Process for designing its remuneration policies and for determining remuneration	Corporate governance	Webpage: Remuneration and emoluments to senior personell
2-21	Annual total compensation ratio	Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual), represented as amount and percentage	Corporate governance	Webpage: Remuneration and emoluments to senior personell
Stakeholder engagement				
2-21	Approach to stakeholder engagement	The categories of stakeholders the organization engages with		Webpage: Stakeholder dialogue
2-30	Collective bargaining agreements	Percentage of total employees covered by collective bargaining agreements	People and organisation	
2-29	Approach to stakeholder engagement	Description of how the organization identifies stakeholders	-	Webpage: Stakeholder dialogue
2-29	Approach to stakeholder engagement	Approach to engaging with stakeholders, and how often the organization includes different stakeholders	-	Webpage: Stakeholder dialogue
			-	-
Reporting practices				
2-2a	Entities included in the organization's sustainability reporting	Entities included in its sustainability reporting	SpareBank 1 SMN, SpareBank 1 Regnskapshuset SMN AS, EiendomsMegler 1 Midt-Norge AS, SpareBank 1 Finans Midt-Norge AS, SpareBank 1 Markets AS, SpareBank 1 SMN Invest AS.	
2-2b	Entities included in the organization's sustainability reporting	Specify the differences between the list of entities included in its financial reporting and the list included in its sustainability reporting	No differences	
2-2c	Entities included in the organization's sustainability reporting	Explain the approach used for consolidating information	Material subsidaries are included in the annual report See "Important events in 2022".	
3-1a	Process to determine material topics	Describe the process the organization has followed to determine its material topics	Global Reporting Initiative 2021.	Group Materiality Analysis 2022
	Stakeholders whose views	Specify the stakeholders and experts		

3-1b	have informed the process of determining material topics	whose views have informed the process of determining its material topics		Webpage: Stakeholder dialogue
3-2	List of materials topics	List the organzation's material topics	Sustainability and corporate social responsibility Four focal areas	Group Materiality Analysis 2022
2-4	Restatements of information	Report restatements of information from previous reporting periods	Reducing the carbon footprint in day-to-day operations and loan portfolios	Webpage: Climate accounting report 2022
3-2	List of materials topics	Report changes to the list of material topics compared to the previous reporting period	Sustainability and corporate social responsibility	Group Materiality Analysis 2022
2-3	Reporting period, frequency and contact point	Reporting period for, and the frequency of, the organization's sustainability reporting, publication date and contact point for questions about the report	Date of publishing: 07.03.2023 Reporting period: 2022 Reporting frequency: Yearly Contact point: Jan-Eilert Nilsen	E-mail: jan-eilert.nilsen@smn.no
2-5	External assurance	External assurance of the organization's sustainability report	Auditor's report	Website: Auditor's report

SPECIFIC INFORMATION

Focal area 1: Responsible lending and investments

1.1 Preventing and combating economic crime and corruption

3-3	Management of material topics	Description and definition of material topics	Preventing and combating economic crime and corruption	Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Preventing and combating economic crime and corruption	Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Preventing and combating economic crime and corruption	Group Materiality Analysis 2022
404-2	Program for upgrading employee skills	Share of managers and employees who have completed e-learning courses in AML and anti-terrorist financing	Result 2022: 73% Target 2023: 100%	
SMN-1	N/A	Losses due to fraud	Result 2022: NOK 4 234 401 Target 2023: < NOK 10 000 000	

1.2 Ensuring long-term profitability and competitiveness

3-3	Management of material topics	Description and definition of material topics	Ensuring long-term profitability and competitiveness	Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Ensuring long-term profitability and competitiveness	Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Ensuring long-term profitability and competitiveness	Group Materiality Analysis 2022
FS8	N/A	Corporate loan volumes with ESG-score	Result 2022: 11% Target 2023: 75%	
FS8	N/A	Retail loan volumes with ESG-score	Result 2022: 0% Target 2023: 20%	
FS8	N/A	Share of loans that meets the requirements of green bonds	Result 2022: 19,9 % Target 2023: In process	

1.3 Reducing the carbon footprint in day-to-day operations and loan portfolios

3-3	Management of material topics	Description and definition of material topics	Reducing the carbon footprint in day-to-day operations and loan portfolios	Group Materiality Analysis 2022

3-3	Management of material topics	Description of policies regarding the material topics	Reducing the carbon footprint in day-to-day operations and loan portfolios	Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Reducing the carbon footprint in day-to-day operations and loan portfolios	Group Materiality Analysis 2022
305-1	Direct (Scope 1) GHG emissions	Direct (Scope 1) GHG emissions	Reducing the carbon footprint in day-to-day operations and loan portfolios	Webpage: Climate accounting report 2022
305-2	Energy indirect (Scope 2) GHG emissions	Energy indirect (Scope 2) GHG emissions	Reducing the carbon footprint in day-to-day operations and loan portfolios	Webpage: Climate accounting report 2022
305-3	Other indirect (Scope 3) GHG emissions	Other indirect (Scope 3) GHG emissions	Reducing the carbon footprint in day-to-day operations and loan portfolios	Webpage: Climate accounting report 2022
305-5	Reduction of GHG emissions	Reduction of total CO2 emissions from day-to-day-operations	Result 2022: 20 (1000 tCO2e) Target 2023: 16.4 (1000 tCO2e)	Webpage: Climate accounting report 2022
305-5	Reduction of GHG emissions	Reduction of total CO2 emissions from loan portfolios	Result 2022: 1 077 (1000 tCO2e) Target 2023: 1 000 (1000 tCO2e)	Webpage: Climate accounting report 2022
				-

1.4 Stimulating green transition for retail customers and corporate customers

3-3	Management of material topics	Description and definition of material topics	Stimulating green transition for retail customers and corporate customers	Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Stimulating green transition for retail customers and corporate customers	Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Stimulating green transition for retail customers and corporate customers	Group Materiality Analysis 2022
SMN-3	N/A	Share of homes in loan portfolios with energy rating	Result 2022: 51 % Target 2023: 90 %	
SMN-3	N/A	Share of commercial properties in corporate loan portfolio (>1.000m2) with energy rating	Result 2022: Not available Target 2023: 75 %	

Focal area 2: Advisory services and customer offering

2.1 Expanding the commercial offering of climate-friendly and social products and services

3-3	Management of material topics	Description and definition of material topics	Expanding the commercial offering of climate-friendly and social products and services	Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Expanding the commercial offering of climate-friendly and social products and services	Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Expanding the commercial offering of climate-friendly and social products and services	Group Materiality Analysis 2022
FS8	N/A	Sales volume of products and services with an environmental benefit	Result environmental benefit 2022: MNOK 1.003	
FS7	N/A	Sales volume of products and services with a social benefit	Result social benefit 2022: NOK 0 Overall target 2023: MNOK 2 000	

2.2 Strengthening role-based competence-enhancing programmes with a focus on ESG for our own staff

3-3	Management of material topics	Description and definition of material topics	Strengthening role-based competence-enhancing programmes with a focus on ESG for our own staff	Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Strengthening role-based competence-enhancing programmes with a focus on ESG for our own staff	Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Strengthening role-based competence-enhancing programmes with a focus on ESG for our own staff	Group Materiality Analysis 2022
SMN-2	N/A	Category-score for sustainability in Winningtemp	Result 2022: 7,3 Target 2023: 7,4	

2.3 Maintaining ethical standards

3-3	Management of material topics	Description and definition of material topics	Maintaining ethical standards	Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Maintaining ethical standards	Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Maintaining ethical standards	Group Materiality Analysis 2022
404-2a	Program for upgrading employee skills	Share of managers and employees who have completed e-learning course in ethics	Result 2022: 92 % Target 2023: 100 %	
404-2b	Program for upgrading employee skills	Assistance for employees who intendes to retire, resigning or change work tasks	Frequency of employees resigning, retiring or changing work tasks doesn't occur beyond what is pervieced as normal, and assistance to such transiations are not described in further detail	

2.4 Complying with requirements and obligations on the processing of personal data

3-3	Management of material topics	Description and definition of material topics	Complying with requirements and obligations on the processing of personal data	Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Complying with requirements and obligations on the processing of personal data	Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Complying with requirements and obligations on the processing of personal data	Group Materiality Analysis 2022
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No. of documented complaints of breaches of data privacy or loss of customer data	Result 2022: 3 Target 2023: 0	

Focal area 3: Sustainable transition of Mid-Norway

3.1 Stimulating innovation and sustainable economic growth

3-3	Management of material topics	Description and definition of material topics	Stimulating innovation and sustainable economic growth	Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Stimulating innovation and sustainable economic growth	Group Materiality Analysis 2022

3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Stimulating innovation and sustainable economic growth	Group Materiality Analysis 2022
413-1	Operations with local community engagement, impact assessments, and development programs	No. of participants in meeting places and innovation activities led by SpareBank 1 SMN	Result 2022: 0 stk Target 2023: 7 000 participants and 250 'youth enterprises'	
413-1	Operations with local community engagement, impact assessments, and development programs	No. of participants in competence- and development programmes led by SpareBank 1 SMN	Result 2022: 31 Target 2023: 50-100	

3.2 Helping to strengthen transition efforts in businesses in Mid-Norway

3-3	Management of material topics	Description and definition of material topics	Helping to strengthen transition efforts in businesses in Mid-Norway	Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Helping to strengthen transition efforts in businesses in Mid-Norway	Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Helping to strengthen transition efforts in businesses in Mid-Norway	Group Materiality Analysis 2022
SMN-3	N/A	Share of large corporate customers with credit engagements who has carbon accounting reports	Result 2022: Not available Target 2023: 25%	

Focal area 4: Sustainable transition in SpareBank 1 SMN

4.1 Stimulating responsible resource use in our own value and supplier chains

3-3	Management of material topics	Description and definition of material topics	Stimulating responsible resource use in our own value and supplier chains	Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Stimulating responsible resource use in our own value and supplier chains	Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Stimulating responsible resource use in our own value and supplier chains	Group Materiality Analysis 2022
SMN-4	N/A	Share of the Group's material procurement (> NOK 100 000) from suppliers with carbon accounting reports	Result 2022: Not available Target 2023: 50 %	

4.2 Strengthening data and cybersecurity

3-3	Management of material topics	Description and definition of material topics	Strengthening data and cybersecurity	Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Strengthening data and cybersecurity	Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Strengthening data and cybersecurity	Group Materiality Analysis 2022
404-2	Program for upgrading employee skills	Share of managers and employees who have completed digital learning courses in cyber security	Result 2022: 93,2 % Target 2023: 100 %	

4.3 Promoting diversity, inclusion and equality

3-3	Management of material topics	Description and definition of material topics	Promoting diversity, inclusion and equality	Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Promoting diversity, inclusion and equality	Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Promoting diversity, inclusion and equality	Group Materiality Analysis 2022
SMN-5	N/A	Minimum category-score Winningtemp on diversity, inclusion and equality: 8	Result 2022: 7,6 Target 2023: 8	

To the Board of Directors of Sparebank 1 SMN

Independent statement regarding Sparebank 1 SMN's sustainability reporting

We have undertaken a limited assurance engagement on Sparebank 1 SMN's GRI Index for 2022 and of key performance indicators for sustainability (sustainability reporting) at 31 December 2022. Our statement provides limited assurance.

> Sparebank 1 SMN's GRI index for 2022 is an overview of which sustainability topics Sparebank 1 SMN considers material to its business and which key performance indicators Sparebank 1 SMN uses to measure and report its sustainability performance, together with a reference to where material sustainability information is reported. Sparebank 1 SMN's GRI Index for 2022 is available and included in Attachment to Sparebank 1 SMN's annual report for the year 2022. We have examined whether Sparebank 1 SMN has provided a GRI Index for 2022 and whether mandatory disclosures are presented according to the Standards published by the Global Reporting Initiative (www.globalreporting.org/standards) (criteria).
>
> Sparebank 1 SMN uses key performance indicators for sustainability to measure and control their sustainability results. The key performance indicators are available and included in Sparebank 1 SMN's annual report for the period ending 31 December 2022. The indicators that have been subject to our limited assurance procedures are "Results 2022" included in "Table 1: Focal areas with Key Performance Indicators" in the chapter "Sustainability and corporate social responsibility", the tables under heading "Staffing" in the chapter "People and organization", and column "Reporting period (2022)" in table "Carbon Accounting Report" for both Sparebank 1 SMN Parent Bank and the Group included in Attachment to the Annual Report. Sparebank 1 SMN has defined their key performance indicators and explained how they are measured in notes to the tables that are available and included in the chapters "Sustainability and corporate social responsibility", "People and organization" and in Attachement "Energy- and climate accounts SpareBank 1 SMN" and "Energy- and climate accounts SpareBank 1 SMN Group" (criteria).

Management's responsibility

Management is responsible for Sparebank 1 SMN's sustainability reporting and for ensuring that it is prepared in accordance with criteria as described above. The responsibility includes designing, implementing and maintaining an internal control that ensures the development and reporting of the GRI Index and key performance indicators for sustainability.

Our independence and quality control

We are independent of the company in accordance with the law and regulations applicable, 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 ethical obligations in accordance with these requirements. We use ISQM 1 - Quality management for audit firms that perform audits and simplified audit of accounts as well as other certification assignments and related services and maintain a comprehensive system of quality control including documented guidelines and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory claims.

Auditor's responsibilities

Our task is to express a limited assurance conclusion on Sparebank 1 SMN's sustainability reporting based on the procedures we have performed and the evidence we have obtained. We conducted our work in accordance with the Standard on Assurance Engagements ISAE 3000: "Assurance engagements other than audits or review of historical financial information". A limited assurance engagement in accordance with ISAE 3000 involves assessing the suitability in the circumstances of management's use of the Criteria as the basis for the preparation of the sustainability reporting, assessing the risks of material misstatement of the sustainability reporting whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the sustainability reporting. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and, among others, included an assessment of whether the criteria used are appropriate, as well as an assessment of the overall presentation of the sustainability reporting. Our procedures include meetings with representatives from Sparebank 1 SMN who are responsible for the material sustainability topics covered by the sustainability reporting; review of internal control and routines for reporting key performance indicators for sustainability; obtaining and reviewing relevant information that supports the preparation of key performance indicators for sustainability; assessment of completeness and accuracy of selected key performance indicators for sustainability; and controlling the calculations of key performance indicators for sustainability based on an assessment of the risk of error.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the sustainability reporting has been prepared, in all material respects, in accordance with the Criteria.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that

> Sparebank 1 SMN's GRI Index for 2022 is not, in all material respects, developed and presented in accordance with the requirements of the Standards published by The Global Reporting Initiative; and
>
> Sparebank 1 SMN's key performance indicators are not, in all material aspects, developed, measured and reported in accordance with the definitions and explanations provided in relation to each table containing the key performance indicators in chapters "Bærekraft", "Mennesker og organisasjon" and in Appendix "Energi- og klimaregnskap Sparebank 1 SMN" and "Energi- og klimaregnskap konsernet" .

Trondheim, 2 March 2023
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorized Public Accountant.

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

SpareBank 1 SMN's memberships

ACI Norge
Agritech Cluster
Arti7 bedriftsnettverk Trondheim
Aukra næringsforum
Den norske advokatforening
Den norske dataforening
Econa
Eiendom Norge
Finans Norge
Finansieringsselskapenes Forening
Fosnavåg shippingklubb
Framtiden i Våre Hender
Framtidslaben Ålesund
Frøya Handelsstand
Frøya nye næringsforening
Frøya Næringsforum
Førde industri- og næringssamskipnad
Haram næring- og innovasjonsforum
Hitra Næringsforening
HR Norge
Hustadvika næringsforum
Håndverkerforeningen i Trondheim
ICC Norge
iKuben Molde
Industrinavet Verdal
Innherred Næringsforening
InnoCamp Steinkjer
KID Næringslivs nettverket
Knytte bedriftsnettverk Trondheim
Kommunikasjonsforeningen
Kristiansund og Nordmøre næringsforum
Kvinner i Finans charteret
Lean forum Midt-Norge
Lean forum Nordvest
Maritimt forum Nordvest
Midsund næringsforum
Miljøfyrtårn
Molde Næringsforum
Molde sentrum
Namdal Næringsforening
Namdalskysten Næringsforening
Namsos næringsforening
NCE Finance Innovation
NCE Finance Innovation
NCE ikuben Molde
Newton-rom (via selskapet First Scandinavia)
NiTr Fosen
NiTr Malvik
NiTr Melhus
NiTr Midtre Gauldal
Nordic arena nettverk Møre AS
Nordic Future Innovation AS
Norges Eiendomsmeglerforbund
Norsk institutt for styremedlemmer
Norsk kommunikasjonsforening
Norsk nettverk for næringseiendom
Norsk Petroleumsforening
Norske Finansanalytikeres Forening
NorwAI
NTNU Partnerskap Innovasjon og verdiskapning
Næringsforeningen i Trondheimsregionen
Næringsforeningen i Værnesregionen
Næringsforeningen i Ålesundsregionen
Næringslivets sikkerhetsråd
Oppdal Næringsforening
Orkland næringsforening
Partnership for Carbon Accounting Financials (PCAF)
ProtoMore Molde
Rauma næringslag
Regnskap Norge
Renergy
Rennebu næringsforening
Romsdal reiseliv
Samarbeidsgruppen Midtbyen Trondheim
Shippingklubben Ålesund
Skift - næringslivets klimaledere
Skogmo Industripark Overhalla
Sparebankforeningen
Startuplab Fintech Industriprogram
Steinkjer næringsforum
Sunndal næringsforening
Surnadal næringsforening
Sykkylven industri- og næringslag
Thams Klyngen Orkanger
todalen.no
Trollheimsporten AS
Trondheim markedsforening
Trondheim Tech Port (Tidligere Technoport)
Trøndelag HR-forum
Trøndersk matfestival
UN Global Compact Norge
UNEPFIs Principles for Responsible Banking
Ungt Entreprenørskap
United Nations (USCH5)
Verdipapirforetakenes forbund
Verdipapirforetakenes forening
Vestnes næringsforum
Vestnes sentrumsforening
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