SpareBank 1 SMN
Bank
Eiendom
Regnskap

Financial results

Report of the Board of Directors

Macroeconomic conditions

A year marked by inflation and higher market interest rates
In 2023 the international economy was marked by high, but subsiding, inflation. The larger central banks continued their monetary policy tightening through the year. The Norwegian economy was again, in 2023, marked by high activity, low unemployment and inflation far above the central bank's operating target. There are signs that industries such as building and construction and commercial property have been impacted by the high interest rate level, concurrent with a slight increase in unemployment over the year. Value creation in the mainland (non-oil) economy rose 0.7 per cent against 2022 and the wholly unemployed share of the labour force climbed from 1.6 per cent to 1.9 per cent. Wage growth ended 2023 at 5.3 per cent.

Price growth in Norway, in terms of the consumer price index (CPI), slowed through much of 2023. The annual rate of CPI growth was 5.5 per cent in 2023, a decline of 0.3 percentage point from 2022. Annual growth in the consumer price index adjusted for taxes and excluding energy (CPI-JAE) rose from 3.9 per cent in 2022 to 6.2 per cent in 2023. Growth in the CPI-JAE subsided through 2023, but not by the same margin as the CPI.

At the end of 2022, Norges Bank signalled a hike of about 3 percentage points in the base rate towards the end 2023. The vigorous rise in prices led to a more rapid and forceful tightening, with a base rate of 4.5 per cent at year-end. The bank has raised interest rates in step with Norges Bank's base rate hikes.

Twelve-month growth in credit to households (C2) declined from 4.2 per cent in 2022 to 3.1 per cent in 2023. Norges Bank anticipates a further decline in 2024.

Prospects for 2024 are uncertain. Norges Bank's monetary policy report of December 2023 indicated a base rate of about 4.25 per cent in the fourth quarter of 2024. A further reduction in inflation is anticipated internationally and in Norway.

The IMF expects global growth to remain stable at about 3 per cent in 2024, at the same time pointing out that risk present in the global economy is lower than previously.

Regional: Trøndelag and Møre and Romsdal
Unemployment edged up through 2023, from record-low levels. The wholly unemployed share of the labour force was 1.7 and 1.5 per cent respectively in Trøndelag and in Møre and Romsdal at the end of 2023.

SpareBank 1 SMN's economic barometer shows that Mid-Norwegian businesses' expectations for the future are at a very low level. The risk trend in the 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 2023

(Consolidated figures. Figures for the former SpareBank 1 Søre Sunnmøre are included as from the second quarter of 2023. Figures in parenthesis refer to the same period of last year unless otherwise stated. Growth figures adjusted for the merger are referred to under 'loans' and 'deposits')

- Profit before tax: NOK 4,484m (3,324m)
- Net profit: NOK 3,688m (2,785m)
- Return on equity: 14.4% (12.3%)
- Growth in lending: 11.9% (8.1%) and in deposits: 8.9% (growth of 9.6%) in the last 12 months
- Growth in lending to the bank's retail customers: 13.1% (7.1%) in the last 12 months. Growth in lending to corporate customers: 10.4% (8.9%) in the last 12 months
- Lending to wage-earners accounts for 68% (67%) of total lending
- Deposits from retail customers rose 17.6% (8.4%) in the last 12 months. Deposits from corporate customers rose 0.1% (5.5%) in the last 12 months
- Net result of ownership interests: NOK 297m (442m)
- Net result of financial instruments (incl. dividends): NOK 502m (minus 61m)
- Losses on loans and guarantees of NOK 14m (net recovery of NOK 7m), 0.01% (-0.00%) of gross lending
- Earnings per equity certificate (EC) were NOK 16.88 (12.82)
- The book value of the bank's EC was NOK 120.48 (109.86) and the market price of the EC (MING) was NOK 141.80 (127.40)
- The board of directors recommends a cash dividend of NOK 12.00 per equity certificate (NOK 6.50) representing 74 per cent of the net profit, and an allocation of NOK 860m (474m) to community dividend.

Good profit

SpareBank 1 SMN delivered a net profit of NOK 3,688m (2,785m), and a return on equity of 14.4 per cent (12.3 per cent). The profit for 2023 is higher than in 2022 due to increased net interest income and a gain on the disinvestment from SpareBank 1 Markets.

Net interest income came to NOK 4,632m (3,339m). The bank has implemented general interest rate increases in step with Norges Bank's base rate hikes. Lending margins in the retail market have weakened while deposit margins have concurrently strengthened compared with 2022, and return on the bank's equity capital has risen.

Lending growth in the group was 11.9 per cent (8.1 per cent) in 2023. Growth in lending to the bank's retail segment was 13.1 per cent (7.1 per cent). Lending to the bank's corporate customers rose 10.4 per cent (8.9 per cent).

Deposits rose 8.9 per cent (9.6 per cent). Personal deposits climbed 17.6 per cent (8.4 per cent). Corporate deposits rose 0.1 per cent (5.5 per cent).

Net commission income was NOK 2,084m (2,042m). Income from accounting services rose by NOK 97m measured against 2022. Income from insurance products and estate agency services also rose. Net commission income, excluding the captive mortgage companies, rose NOK 145m from 2022. Lower margins on loans sold to SpareBank 1 Boligkreditt have reduced commissions from that mortgage company by NOK 101m.

The result from related companies was NOK 297m (442m). A weaker profit share from SpareBank 1 Gruppen and a negative result at SpareBank 1 Mobilitet Holding are the main explanation for the decline.

The net result from financial instruments rose from minus NOK 94m in 2022 to NOK 476m in 2023. The increase is driven by the disinvestment from SpareBank 1 Markets, which produced a gain of NOK 414m in the fourth quarter of 2023.

The group's operating expenses came to NOK 3,017m (2,443m). Expenses are impacted by wage and price growth as well as merger costs and expensing of an operational loss of NOK 51m in the first quarter. The bank's cost-income ratio, measured as costs as a share of net interest income and commission income was 37.7 per cent (37.2).

As at 31 December, loan losses amount to NOK 14m (net recovery of 7m). Losses on loans to the group's corporate customers total NOK 6m in 2023 (net recovery of NOK 55m). The corresponding figure for personal customers is a loss of 8m (44m).

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 74 per cent of the distributed profit. Earnings per equity certificate were NOK 16.88. Given the bank's solid capitalisation, but also its prospects for profitable operation in the period ahead, the board of directors recommends a cash dividend of NOK 12.00 per equity certificate (EC). This makes for a payout ratio of 71 per cent. The bank's long-term dividend policy is to distribute about 50 per cent of distributable profit.

The board of directors further recommends an allocation of NOK 860m to community dividend. Of this amount, NOK 250m is to be transferred to non-profit causes and NOK 610m to the foundation Sparebankstiftelsen SMN. NOK 621m and NOK 308m are to be transferred to the dividend equalisation fund and the ownerless capital respectively.

	2023	2022
Profit for the year, Group	3,688	2,785
Interest hybrid capital (after tax)	-122	-60
Profit for the year excl interest hybrid capital, group	**3,566**	**2,725**
Profit, subsidiaries	-408	-479
Dividend, subsidiaries	302	422
Profit, associated companies	-297	-443
Dividend, associated companies	391	224
Group eliminations	2	-15
Profit for the year excl interest hybrid capital, Parent bank	**3,557**	**2,434**

Distribution of profit	**2023**	**2022**
Profit for the year excl interest hybrid capital, Parent bank	3,557	2,434
Transferred to/from revaluation reserve	-37	101
Profit for distribution	**3,520**	**2,535**
Dividends	1,731	840
Equalisation fund	621	781
Saving Bank's fund	308	440
Gifts	860	474
Total distributed	**3,520**	**2,535**

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 37m in the unrealised gains reserve. The total amount for distribution is accordingly NOK 3,520m. After distribution of the net profit for 2023, the ratio of EC capital to total equity remains 66.8 per cent.

Net interest income

Net interest income totalled NOK 4,632m (3,339m). Norges Bank raised the base rate to 4.50 per cent in December 2023. At the end of the fourth quarter 2022, the base rate stood at 2.75 per cent. This has brought a considerable increase in banks’ financing costs. NIBOR rose about 150 points over the course of 2023, and was 209 points higher on average than in 2022.

Compared with 2022, average margins on lending were approximately unchanged while margins on deposits rose. Growth in lending and deposits, driven partly by the merger with SpareBank 1 Søre Sunnmøre, has contributed to an increase in net interest income. In addition, a higher interest rate level has positively impacted return on equity. For retail customers a further interest rate hike has been announced with effect in the first quarter of 2024.

Commission income and other operating income

SpareBank 1 SMN's strategy of exploiting the breadth present in the group and of expanding interaction across the respective business lines stands firm. A high proportion of multi-product customers contributes to a capital-efficient, diversified income flow and high customer satisfaction.

Commission and other income (NOKm)	2023	2022	Change
Payment transmission income	330	329	-
Credit cards	61	61	-
Commissions savings and asset mgmt	43	40	2
Commissions insurance	253	236	16
Guarantee commissions	60	70	-10
Estate agency	432	418	13
Accountancy services	661	564	97
Other commissions	76	51	26
Commissions ex. Bolig/Næringskreditt	**1,915**	**1,770**	**145**
Commissions Boligkreditt (cov. bonds)	155	256	-101
Commissions Næringskreditt (cov. bonds)	15	16	-1
Total commission income	**2,084**	**2,042**	**43**

Commission income excluding the captive mortgage companies rose 8.2 per cent, to NOK 1,915m (1,770 m). The trend in commission income is driven in particular by incomes from accounting services.

For loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt the bank receives a commission corresponding to the loan interest less the funding and operating expenses of those companies. The reduced commission income from these companies in 2023 is mainly due to higher funding costs.

Return on financial investments

Return on financial investments was NOK 476m (minus 94m). Capital gains of NOK 464m include NOK 414m related to the disinvestment from SpareBank 1 Markets. Other capital gains are related to SpareBank 1 SMN's share portfolio.

Financial instruments, including bonds and CDs, showed a capital loss of NOK 96m (capital loss of 198m) while income from foreign exchange transactions rose by NOK 17m from 2022, to NOK 108m (91m).

Return on financial instruments (NOKm)	2023	2022	Change
Net gain/(loss) on stocks	464	13	451
Net gain/(loss) on financial instruments	-96	-198	102
Net gain/(loss) on forex	108	91	17
Net return on financial instruments	**476**	**-94**	**570**

Related companies

SpareBank 1 SMN has a broad and well-diversified income platform. The group offers its customers a broad product range through a number of product companies which provide commission income along with return on invested capital.

The overall profit share from the product companies and other related companies was NOK 297m (443m) in 2023.

Income from investment in associated companies (NOKm, SMN's share in parentheses)	2023	2022	Change
SpareBank 1 Gruppen (19.5 %)	-34	175	-208
SpareBank 1 Boligkreditt (23.9 %)	98	1	97
SpareBank 1 Næringskreditt (14.8 %)	10	3	7
BN Bank (35.0 %)	257	203	54
SpareBank1 Markets (39.9 %)	19	-	19
SpareBank 1 Kreditt (19.2 %)	-13	9	-22
SpareBank 1 Betaling (21.9 %)	-37	13	-51
SpareBank 1 Forvaltning (21.5 %)	35	33	1
Other companies	-36	6	-42
Total associated companies	**297**	**443**	**-145**

SpareBank 1 Alliance

The SpareBank 1 Alliance is a collaboration between the SpareBank 1 banks. The Alliance's mission is to offer competitive financial services and products, and to exploit economies of scale. The Alliance collaboration is driven through its ownership of and participation in SpareBank 1 Utvikling DA, which develops and delivers shared products and services, and through SpareBank 1 Gruppen, as owner of the product companies.

SpareBank 1 Gruppen

SpareBank 1 Gruppen posted a net profit of NOK 213m (1,796m) in 2023, of which SpareBank 1 SMN's share of the controlling interest's net profit was minus NOK 34m (175m).

The most important companies in SpareBank 1 Gruppen (SpareBank 1 Gruppen's holding):

- **Fremtind Forsikring (65 per cent)** offers non-life and personal insurance coverage and is headquartered in Oslo. The company posted a profit of NOK 1,200m (1,169m) after tax.
- **SpareBank 1 Forsikring (100 per cent)** is a pension company headquartered in Oslo. The company mainly offers contribution-based occupational pensions, collective disability insurance and private pension saving. SpareBank 1 Forsikring reported a profit of NOK 208m (minus 21m) after tax.
- **SpareBank 1 Factoring (100 per cent)** offers financial and administrative factoring services. The company is headquartered in Ålesund. The company posted a net profit of NOK 81m (73m) in 2023.
- **Related companies** in SpareBank 1 Gruppen posted a negative contribution of NOK 180m (minus 33m) to SpareBank 1 Gruppen's net profit.
- **Kredinor (50 per cent)** is Norway's largest debt collection company, and is a related company in SpareBank 1 Gruppen. Write-downs of NOK 769m were made in the shares of Kredinor in the fourth quarter.

SpareBank 1 Forvaltning delivers products and services to a broad range of clients in the field of capital management and securities services. SpareBank 1 SMN's profit share in 2023 was NOK 35m (33m).

SpareBank 1 Boligkreditt is a mortgage company that issues covered bonds secured by residential mortgages with a view to stable financing with low financing costs. SpareBank 1 SMN's profit share was NOK 98m (1m) in 2023.

SpareBank 1 Næringskreditt is a mortgage company that issues covered bonds secured by commercial mortgages with a view to stable financing with low financing costs. SpareBank 1 SMN's profit share was NOK 10m (3m).

SpareBank 1 Kreditt offers unsecured finance to retail customers. SpareBank 1 SMN's profit share was minus NOK 13m (9m).

BN Bank offers residential mortgages and loans to commercial property and its main market is south-eastern Norway. SpareBank 1 SMN's share of BN Bank's profit was NOK 257m (203m).

SpareBank 1 Markets is a leading Norwegian investment firm. The company offers services in the fields of equity and credit analysis, equity and bond trading and services in corporate finance. SpareBank 1 SMN's share of SpareBank 1 Markets' net profit in December 2023 was NOK 19m. Other profit share from SpareBank 1 Markets in 2023 is recognised as profit share from business held for sale.

SpareBank 1 Betaling is the SpareBank 1 banks' parent company in Vipps AS. SpareBank 1 SMN's profit share was minus NOK 37m (13m) in 2023.

Other companies

The net profit of minus NOK 36m (6m) is driven by SpareBank 1 Mobilitet Holding's write-down of its equity interest in the car subscription company Flex. Like the new car market, car subscriptions have experienced weaker demand in 2023.

Operating expenses

The group aims for a cost-income ratio below 40 per cent at the bank and below 85 per cent at EiendomsMegler 1 Midt-Norge and SpareBank 1 Regnskapshuset SMN. The cost-income ratio is defined as the ratio of operating expenses to net interest income and commission and other income.

The parent bank's cost-income ratio was 38 per cent in 2023 (37 per cent). The corresponding figures for EiendomsMegler 1 and Regnskapshuset were 91 (86) and 85 (84) per cent respectively.

Operating expenses (NOKm)	2023	2022	Change
Personnel expenses	1,691	1,406	286
IT costs	413	355	58
Marketing	93	86	7
Ordinary depreciation	153	117	37
Operating expenses, real properties	57	55	2
Purchased services	238	195	43
Merger expenses	64	22	42
Other operating expense	309	208	100
Total operating expenses	**3,017**	**2,443**	**574**

Overall group expenses rose by NOK 574m compared with 2022, of which NOK 106m of the increase refers to the subsidiaries. Price and wage growth along with acquisitions made by SpareBank 1 Regnskapshuset SMN are the chief driver behind the subsidiaries' expense growth.

The growth of NOK 468m in the bank's costs relates primarily to inflation, inclusion of the former SpareBank 1 Søre Sunnmøre's cost base, and expensing of the embezzlement affair in the first quarter of 2023. Costs are also impacted by the merger, celebration of the bank's 200th anniversary, and new projects and initiatives.

Losses on loans and guarantees

The group's losses on loans and guarantees came to NOK 14m in 2023 (net recovery of NOK 7m).

Losses over the course of the year break down to NOK 8m to retail customers and NOK 6m to corporate customers. At the bank, there was a net recovery of NOK 72m on losses (net recovery of NOK 37m) and at SpareBank 1 Finance, a loss of NOK 86m was recognised (30m).

Losses in 2023 break down to a recovery of NOK 28m in Stage 1 and 2 and losses of NOK 42m in Stage 3. Losses over the course of the year measured 0.01 per cent of total outstanding loans (0.00 per cent).

Losses	**2023**	**2022**	**Change**
RM	8	44	-36
CM	6	-51	57
Total impairment losses	**14**	**-7**	**21**

Overall impairment write-downs on loans and guarantees as at 31 December 2023 amount to NOK 995m (1,188m).

The bank's loan portfolio is of good credit quality. The portfolio comprises NOK 167,777m (150.585m) in Stages 1 and 2 respectively, corresponding to 99.12 per cent. Problem loans (Stage 3) total NOK 2,085m (2,044m), corresponding to 0.88 per cent (0.97 per cent) of gross outstanding loans, including loans sold to the captive mortgage companies.

Total assets of NOK 233bn

The bank's total assets at the end of 2023 were NOK 233bn (223bn), having risen by NOK 10bn, or 4.2 per cent. Total assets have grown as a result of the merger and lending growth.

As at 31 December 2023 loans totalling NOK 66bn (59bn) had been sold from SpareBank 1 SMN to the captive mortgage companies, SpareBank 1 Boligkreditt and 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 to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Loans

In 2023 total outstanding loans rose by NOK 25.1bn (15.9bn), corresponding to 11.9 per cent (8.1 per cent), and stood at NOK 236.3bn (211.2bn) at the end of the year.

Lending to the bank's retail customers climbed 13.1 per cent (7.1 per cent), of which the merger with the former SpareBank 1 Søre Sunnmøre accounted for 8.3 percentage points. Total lending to the bank's retail customers came to NOK 166.7bn (147.4bn) at the end of 2023.

Growth in lending to the bank's corporate segment in 2023 was 10.4 per cent (8.9 per cent), of which the merger accounted for 3.5 percentage points. Overall lending to the bank's corporate clients came to NOK 57.2bn (51.8bn) as at 31 December 2023.

SpareBank 1 Finans' gross loan volume was NOK 12.6bn (12.1bn) at the end of 2023. This corresponds to growth of 4.5 per cent.

Deposits

Customer deposits rose by NOK 10.9bn (10.7bn) over the course of the year to NOK 132.9bn (122.0bn). This corresponds to growth of 8.9 per cent (9.6 per cent).

Personal deposits rose by 17.6 per cent (8.4 per cent), of which the merger accounts for 10.7 percentage points. Total deposits from personal customers were NOK 64.6bn (54.9bn) at the end of the fourth quarter.

Deposits from the bank's corporate segment climbed 0.1 per cent (5.5 per cent). When adjusted for the merger with SpareBank 1 Søre Sunnmøre, growth in deposits from the bank's corporate segment would have been minus 6.8 per cent. The weak growth in deposits is related to a decline of 10 per cent in the fourth quarter, which is attributable to increasing competition for deposits from public sector customers. Total deposits from the bank's corporate segment came to NOK 63.0bn (62.9bn) as at 31 December 2023.

The **Retail Banking Division** achieved a pre-tax profit of NOK 1,770m (1,297m). Return on capital employed was 22.2 per cent (13.6 per cent). The retail banking portfolio consists of wage earners, agricultural customers and sole proprietorships.

Lending to the bank's retail customers rose 13.1 per cent (7.1 per cent), of which the merger with the former SpareBank 1 Søre Sunnmøre accounted for 8.3 percentage points. Total lending to the bank's retail customers came to NOK 166.7bn (147.4bn) at the end of 2023. Personal deposits rose 17.6 per cent (8.4 per cent), of which the merger accounts for 10.7 percentage points. Total personal deposits were NOK 64.6 bn (54.9bn) at the end of the fourth quarter.

The Retail Banking Division implemented general interest rate increases on loans and deposits in step with Norges Bank's base rate hikes, with a further rate increase announced for the first quarter 2024.

Lending to personal customers consistently carries low risk, as reflected in continued low losses. The loan portfolio is largely secured by residential property, and risk weights employed in the portfolio are below the regulatory floor of 20 per cent.

The Retail Banking Division prioritises balanced growth. A focus on deposits in advisory services to customers enables the bank to deliver robust earnings and heightens customers' financial security in the form of increased buffer capital.

The distribution model is enhanced by the introduction of co-location in finance centres and a transition from personal advisers to customer teams. Increased use of data and insights enables a closer interplay between the physical and digital advisory channels, providing customers with improved and more efficient advice.

Eiendomsmegler 1 Midt-Norge is the market leader in Trøndelag and in Møre and Romsdal. The pre-tax profit was NOK 40m (58m) in 2023.

EiendomsMegler 1 Midt-Norge (92.4%)	2023	2022
Total revenues	435	429
Total operating expenses	395	371
Pre-tax profit (NOKm)	**40**	**58**
Operating margin	9 %	14 %

Higher mortgage rates have dampened activity in the housing market and the sales volume was somewhat down from the previous year. EiendomsMegler 1 Midt-Norge is winning market shares, thereby compensating to some extent for the fall in sales volume. Higher incomes per sale make for increased turnover compared with 2022.

6,651 properties were sold in 2023 (6,881), and new assignments totalled 7,474 (7,450). The company's market share at year-end was 37.3 per cent, up from 36.5 per cent at end-2022.

The **Corporate Banking Division** achieved a pre-tax profit of NOK 1,955m (1,403m). Return on capital employed was 36.3 per cent (20.8 per cent).

Growth in lending to the bank's corporate customers in 2023 was 10.4 per cent (8.9 per cent), of which the merger accounted for 3.5 percentage points. Total lending to the bank's corporate customers came to NOK 57.2bn (51.8bn) as at 31 December 2023.

Deposits from the bank's corporate customers climbed 0.1 per cent (5.5 per cent) in 2023. When adjusted for the merger with SpareBank 1 Søre Sunnmøre, growth in deposits from the bank's corporate segment would have been minus 6.8 per cent. The weak growth in deposits is related to a decline of 10 per cent in the fourth quarter, which is attributable to increasing competition for deposits from public sector customers. Total deposits from the bank's corporate customers were NOK 63.0bn (62.9bn) as at 31 December 2023.

The division's result is positively impacted by the recognition of unrecognised interest on an exposure acquired at a discount and by a net recovery of losses.

For customers with lending and deposit products unrelated to interbank rates, two general interest rate increases were carried out in step with Norges Bank's base rate hikes.

The credit quality of the loan portfolio is good. The bankruptcy rate in the region has risen, but so far with limited impact on the loan portfolio.

A strengthened input of resources in Trondheim and greater coordination with SpareBank 1 Regnskapshuset spur Corporate Banking's acquisition of market shares in Mid-Norway. The establishment of a presence in Oslo in 2024 is expected to stimulate lending growth in selected segments where SpareBank 1 SMN offers competencies and experience.

SpareBank 1 Regnskapshuset SMN is the market leader in Trøndelag and in Møre and Romsdal. The company posted a pre-tax profit of NOK 108m (96m).

SpareBank 1 Regnskapshuset SMN (93.3%)	2023	2022
Total revenues	720	607
Total operating expenses	612	511
Pre-tax profit (NOKm)	**108**	**96**
Operating margin	15 %	16 %

Operating income climbed NOK 103m from 2022, driven by increased incomes from advisory and accounting services. The cost increase is in all essentials driven by higher personnel costs due to wage growth and acquisitions.

Substantial sums have been invested in developing the company's competitive power. This is producing results ranging from strengthened advisory competencies and capacity to a greater focus on digitalisation and new income flows. Cloud-based solutions that simplify matters for the company, along with enhanced insights and improvements in the customer process, are at centre stage. This has spurred customer growth and reinforced existing customers' loyalty.

SpareBank 1 Finans Midt-Norge's focal areas are leasing and invoice purchasing services to businesses and car loans to personal customers. SpareBank 1 Finans Midt-Norge recorded a pre-tax profit of NOK 111m (191m).

SpareBank 1 Finans Midt-Norge (56.5%)	2023	2022
Total revenues	311	329
Total operating expenses	115	108
Losses on loans and guarantees	86	30
Pre-tax profit (NOKm)	**111**	**191**

The company has in recent years developed new distribution channels with a special focus on the car dealer channel. More than 20 per cent of vendor's liens to personal customers now come directly from car dealers. SpareBank 1 Finans Midt-Norge has a share of about 10 per cent of the market for vendor's liens in the counties where parent banks are represented.

SpareBank 1 Finans Midt-Norge and other SpareBank 1 banks own, through SpareBank 1 Mobilitet Holding, 47.2 per cent of the car subscription company Flex, which leads the car subscription market in Norway. Like the new car market, car subscriptions have experienced weaker demand in 2023, and SpareBank 1 Mobilitet Holding wrote down its stake in Flex in the third quarter of 2023. The write-down is presented as net return on financial investments and is included in overall incomes in the segment information.

SpareBank 1 SMN Invest

This company owns shares in regional growth companies and funds. The portfolio is managed together with other long-term shareholdings of the bank and will be scaled down over time. The company's portfolio was worth NOK 608m (584m) as at 31 December 2023.

The company's pre-tax profit in 2023 was NOK 68m (52m).

Good funding and liquidity

SpareBank 1 SMN has ample liquidity and access to funding. The bank follows 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 calculated at 175 per cent as at 31 December 2023 (239 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 31 December 2023, including the captive mortgage companies SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 56 per cent (58 per cent).

The bank's funding sources and products are amply diversified. The share of the bank's overall money market funding with a maturity above one year was 89 per cent (90 per cent) at 31 December 2023.

SpareBank 1 Boligkreditt and Næringskreditt are important funding sources for the bank, and loans totalling NOK 66bn (59bn) had been sold to these mortgage companies as at 31 December 2023.

At the end of 2023, SpareBank 1 SMN held NOK 12.4bn in senior non-preferred debt (MREL) and meets the MREL requirements.

Rating

The bank has a rating of Aa3 (stable outlook) with Moody's.

Financial soundness

The CET1 ratio at 31 December 2023 was 18.8 per cent (18.9 per cent) compared with 19.7 per cent as at 30 September 2023.

SpareBank 1 SMN received a new Pillar 2 requirement in the fourth quarter. The requirement was reduced to 1.7 percentage points and must be met with a minimum of 56.25 per cent CET1 capital. As a result of this change the group's long-term CET1 target is revised to 16.3 per cent, including a Pillar 2 guidance. 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 capital target.

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

Sustainability

The group's strategies and objectives stand firm, and our effort to engage our customers and partners through our advisory capabilities, transition plans and product development will be strengthened ahead.

We have over the course of the year actively sought to further develop our understanding of the group's ESG risk and opportunities. The Retail Banking Division has launched transition plans for fishery and commercial property, and has established monitoring of ESG factors as part of its credit process. During the year, the division has strengthened the credit department by hiring a sustainability manager who is part of the group's sustainability team.

Retail Customer Division has taken a step further by estimating energy labeling of the loan portfolio, providing a basis for product development and customer dialogue. The division has also established a financial health team as part of its customer offering. The financial health team is a pilot project designed to assist customers experiencing acute stress and crisis responses to unmanageable debt or financial problems.

In our work on the climate account, we face a number of challenges related in particular to data quality and measurement uncertainty. An area to which we have devoted special attention is the availability of reliable, updated data. Moreover, calculation methodology and standards are under constant development, which may lead to inconsistency as to how emissions are calculated and reported over time. This affects the reliability of the group's climate account.

The climate account shows a decline in our emissions which is not necessarily due to a decline in economic activity or to more climate-efficient operations, but we are aware of these challenges and of the uncertainties present in our climate account. Integrating sustainability into the group's corporate governance remains an important task.

The focus on innovation of the customer offering has resulted in a new sustainability unit at SpareBank 1 Regnskapshuset SMN. A 'department of sustainability reporting and advisory services' has been launched, receiving an excellent response in the market. Corporate Banking, Retail Banking and Technology and Development are all in the process of exploring new business opportunities in the ESG sphere.

With a view to strengthening efforts to develop transition plans at industry level, SpareBank 1 SMN has, in 2023, signed and endorsed the Science Based Targets initiative (SBTi). The SBTi is a framework for corporate net-zero target setting in line with climate science, and the bank's commitment is a natural follow-up to the group's strategic objective of net zero emissions by 2050. The validation process is expected to take at least 2 years, and SpareBank 1 Regnskapshuset SMN will perform an advisory role in the process.

In the fourth quarter of 2023 SpareBank 1 SMN started preparations for updating its double materiality analysis. This work complies with the requirements of the new Corporate Sustainability Reporting Directive (CSRD), and will involve a broad range of our stakeholders. The work will be ongoing in the first half of 2024.

The chapter Our sustainability effort gives further details of the group's work on sustainability.

The bank's equity certificate (MING)

The market price of the equity certificate (EC) as at 31 December 2023 was NOK 120.48 (109.86), and earnings per EC were NOK 16.88 (12.82). A cash dividend of NOK 6.50 was paid per EC in 2023.

The Price / Income ratio was 8.40 (9.94) and the Price / Book ratio was 1.17 (1.16).

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 employee 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 performance in 2023 reflecting strong profitability and financial soundness. Operating profit was satisfactory while the gain from disinvestment in SpareBank 1 Markets strengthened return on equity.

At the start of 2024 uncertainty continues to affect the economy, with reduced household purchasing power and decreasing credit growth. Inflation remains above target, although having slowed. Norges Bank raised the base rate to 4.50 per cent at its interest rate meeting in December, and the base rate may now have peaked. The further path of interest rates will in any case depend on economic developments. Unemployment remains low in Mid-Norway, but showed a weak rising trend through 2023 and Norges Bank's regional network survey indicates a negative trend for the region.

SpareBank 1 SMN's ambition to expand its market shares stands firm. The bank's growth aspirations will be realised through initiatives taken in selected geographical locations and industries. Work on strengthening synergies across the group's business lines continues, along with a reinforced focus on deposits and saving. At the same time the board of directors sees growth opportunities through ongoing structural changes in Norway's financial industry. Investments in technology development and competence are reflected in the bank's cost growth in 2023. Effects of the efforts made are expected to strengthen earnings in 2024 and beyond, and the group's market position and efficiency in the longer term. There will be a tight focus in 2024 on the trend in costs across the group.

The risk picture in SpareBank 1 SMN's corporate loan portfolio is satisfactory, although higher interest rates and price growth have increased uncertainty above all in commercial property, building and construction and retail trade. Bankruptcies in the region are increasing in number, but remain at a lower level than prior to the pandemic. Parts of the business sector are flourishing and the bank has not observed an increase in defaults in the corporate portfolio. So far there are few indications of any deterioration of the portfolio's credit quality, as reflected in continued low losses.

In view of changes in regulatory requirements set by Finanstilsynet in November 2023, the group's long-term CET1 target is lowered from 17.2 per cent to 16.3 per cent with effect from the fourth quarter of 2023.

The group's long-term dividend policy requiring about one half of net profit to be disbursed as dividends stands firm. When setting the size of the annual dividend payout, account is taken of the group's need for capital, prospects for profitable growth and strategic plans. The board of directors has recommended the bank's supervisory board to set a cash dividend of NOK 12.00 per equity certificate (NOK 6.50) which is equivalent to 74 per cent of the net profit, and a community dividend of NOK 860m (474m). The size of the dividend for 2023 should be viewed in light of the group's solidity, which at the end of 2023 remains well above regulatory requirements and the group's long-term target.

SpareBank 1 SMN aspires to be among the best performers in the Nordic region, and the group's overriding financial goal is to deliver a return on equity of 13 per cent over time. The group's strategy stands firm, and the focus is on implementation and realisation of desired effects. The board of directors is pleased with results achieved in 2023. The group is well positioned to strengthen its market position with an efficient distribution of products and services. The board of directors expects 2024 to be another good year for the group.

Trondheim, 29 february 2024
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal (chair)	Christian Stav (deputy chair)	Mette Kamsvåg
Tonje Eskeland Foss	Ingrid Finboe Svendsen	Kristian Sætre
Freddy Aursø	Christina Straub (employee rep.)	Inge Lindseth (employee rep.)
		Jan-Frode Janson (Group CEO)

Income statement

Parent bank				Group	
2022	**2023**	(NOKm)	Note	**2023**	**2022**
4,740	9,219	Interest income effective interest method	17	9,721	5,207
724	1,548	Other interest income	17	1,542	720
2,583	6,622	Interest expenses	17	6,631	2,588
2,880	**4,144**	**Net interest**	4	**4,632**	**3,339**
1,192	1,117	Commission income	18	1,370	1,446
90	114	Commission expenses	18	199	186
55	73	Other operating income	18	913	781
1,156	**1,076**	**Commission income and other income**	4	**2,084**	**2,042**
677	711	Dividends	19,44	26	33
-	-	Income from investment in related companies	19,39	297	442
-123	464	Net return on financial investments	19	476	-94
554	**1,176**	**Net return on financial investments**	4	**799**	**380**
4,590	**6,396**	**Total income**		**7,515**	**5,760**
661	849	Staff costs	20,22	1,691	1,406
841	1,121	Other operating expenses	21,31,32, 33	1,326	1,038
1,502	**1,969**	**Total operating expenses**	4	**3,017**	**2,443**
3,088	**4,426**	**Result before losses**		**4,498**	**3,317**
-37	-72	Loss on loans, guarantees etc.	4,1	14	-7
3,125	**4,498**	**Result before tax**		**4,484**	**3,324**
631	820	Tax charge	23	904	718
-	-	Result investment held for sale, after tax	39	108	179
2,494	**3,678**	**Net profit**		**3,688**	**2,785**
60	122	Attributable to additional Tier 1 Capital holders		125	63
1,557	2,376	Attributable to Equity capital certificate holders		2,331	1,658
877	1,181	Attributable to the saving bank reserve		1,159	934
-	-	Attributable to non-controlling interests		74	130
2,494	**3,678**	**Net profit**		**3,688**	**2,785**
		Profit/diluted profit per ECC		16.88	12.82

Other comprehensive income

Parent bank				Group	
2022	**2023**	(NOKm)	Note	**2023**	**2022**
2,494	3,678	Net profit		3,688	2,785
		Items that will not be reclassified to profit/loss			
177	-27	Actuarial gains and losses pensions	22	-27	177
-44	7	Tax		7	-44
-	-	Share of other comprehensive income of associates and joint venture		6	4
133	**-20**	**Total**		**-14**	**137**
		Items that will be reclassified to profit/loss			
9	-5	Value changes on loans measured at fair value		-5	9
-	-	Share of other comprehensive income of associates and joint venture		-140	113
9	**-5**	**Total**		**-145**	**122**
142	**-25**	**Net other comprehensive income**		**-158**	**259**
2,636	**3,653**	**Total comprehensive income**		**3,530**	**3,044**
60	122	Attributable to additional Tier 1 Capital holders		125	63
1,647	2,359	Attributable to Equity capital certificate holders		2,225	1,823
929	1,173	Attributable to the saving bank reserve		1,106	1,028
-	-	Attributable to non-controlling interests		74	130
2,636	**3,653**	**Total comprehensive Income**		**3,530**	**3,044**

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

Statement of Financial Position

Parent bank				Group	
31 Dec 2022	**31 Dec 2023**	(NOKm)	Noter	**31 Dec 2023**	**31 Dec 2022**
		ASSETS			
1,171	1,172	Cash and receivables from central banks	12,24	1,172	1,171
21,972	19,241	Deposits with and loans to credit institutions	7,12,13,24,26	8,746	11,663
139,550	156,464	Net loans to and receivables from customers	4,8,9,10,11,12,13,24,25,26	168,955	151,549
38,072	34,163	Fixed-income CDs and bonds	12,13,24,25,27	34,163	38,073
6,804	6,659	Derivatives	12,24,25,28,29	6,659	6,804
417	731	Shares, units and other equity interests	24,25,30	1,137	840
5,063	6,270	Investment in related companies	39,40,41,44	8,695	7,873
1,924	2,090	Investment in group companies	39,41	0	0
553	98	Investment held for sale	30,39	112	1,919
467	812	Intangible assets	31	1,228	663
2,092	1,321	Other assets	4,12,22,23,24,26,32,33,34	1,849	2,555
218,085	**229,020**	**Total assets**	**14,15**	**232,717**	**223,110**
		LIABILITIES			
14,636	13,160	Deposits from credit institutions	7,24,26	13,160	14,636
122,699	133,462	Deposits from and debt to customers	4,24,26,35	132,888	122,01
47,474	45,830	Debt created by issue of securities	24,26,29,36	45,830	47,474
8,307	6,989	Derivatives	24,26,27,30	6,989	8,307
2,067	2,262	Other liabilities	22,23,24,25,26,37	3,005	2,725
-	-	Investment held for sale	39	1	1,093
2,015	2,169	Subordinated loan capital	5,24,26,38	2,247	2,058
197,199	**203,871**	**Total liabilities**	**16**	**204,120**	**198,303**
		EQUITY			
2,597	2,884	Equity capital certificates	43	2,884	2,597
0	0	Own holding of ECCs	43	0	-11
895	2,422	Premium fund		2,409	895
7,877	8,482	Dividend equalisation fund		8,482	7,828
840	1,730	Recommended dividends		1,730	840
474	860	Provision for gifts		860	474
6,408	6,865	Ownerless capital		6,865	6,408
70	106	Unrealised gains reserve		106	70
-	0	Other equity capital		2,690	2,940
1,726	1,800	Additional Tier 1 Capital	5,38	1,903	1,769
-	-	Non-controlling interests		666	997
20,887	**25,150**	**Total equity capital**	**5**	**28,597**	**24,807**
218,085	**229,020**	**Total liabilities and equity**	**14,15**	**232,717**	**223,110**

Trondheim, 29 february 2024
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal (chair)	Christian Stav (deputy chair)	Mette Kamsvåg
Tonje Eskeland Foss	Ingrid Finboe Svendsen	Kristian Sætre
Freddy Aursø	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 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**

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 2023	**2,597**	**895**	**6,408**	**7,877**	**1,314**	**70**	**0**	**1,726**	**20,887**
Net profit	-	-	299	602	2,591	37	27	122	3,678
Other comprehensive income									
Value changes on loans measured at fair value	-	-	-	-	-	-	-5	-	-5
Actuarial gains (losses), pensions	-	-	-	-	-	-	-20	-	-20
Other comprehensive income	-	-	-	-	-	-	-25	-	-25
Total comprehensive income	-	-	299	602	2,591	37	3	122	3,653
Transactions with owners									
Dividend declared for 2022	-	-	-	-	-840	-	-	-	-840
To be disbursed from gift fund	-	-	-	-	-474	-	-	-	-474
Additional Tier 1 Capital	-	-	-	-	-	-	-	416	416
Buyback Additional Tier 1 Capital issued	-	-	-	-	-	-	-	-342	-342
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-122	-122
Purchase and sale of own ECCs	-0	-	-	3	-	-	-	-	2
Merger SpareBank 1 Søre Sunnmøre	288	1,526	158	-	-	-	-	-	1,972
Direct recognitions in equity	-	-	-	-	-	-	-3	-	-3
Total transactions with owners	287	1,526	158	3	-1,314	-	-3	-48	610
Equity at 31 December 2023	**2,884**	**2,422**	**6,865**	**8,482**	**2,591**	**106**	**0**	**1,800**	**25,150**

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	NCI	Total equity
Equity at 1 January 2022	**2,588**	**895**	**5,918**	**6,974**	**1,517**	**171**	**2,896**	**1,293**	**989**	**23,241**
Implementation effect of IFRS 17 in SpareBank 1 Gruppen [2)]	-	-	-	-	-	-	-234	-	-	-234
Equity at 1 January 2022	**2,588**	**895**	**5,918**	**6,974**	**1,517**	**171**	**2,662**	**1,293**	**989**	**23,007**
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 [1)]	-2	-	-	-16	-	-	-2	-	-	-21
Direct recognitions in equity	-	-	50	88	-	-	-149	-	-	-11
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	13	-	-	13
Change in non-controlling interests	-	-	-	-	-	-	-	-	-122	-122
Total transactions with owners	-2	-	50	72	-1,517	-	-138	413	-122	-1,244
Equity at 31 December 2022	**2,586**	**895**	**6,408**	**7,828**	**1,314**	**70**	**2,940**	**1,769**	**997**	**24,807**

(NOKm)	EC capital	Premium fund	Owner-less capital	Equali-sation fund	Dividend and gifts	Un-realised gains reserve	Other equity	Additional Tier 1 Capital	NCI	Total equity
	Attributable to parent company equity holders									
	Issued equity		Earned equity							
Equity at 1 January 2023	**2,586**	**895**	**6,408**	**7,828**	**1,314**	**70**	**2,940**	**1,769**	**997**	**24,807**
Net profit	-	-	299	602	2,591	37	-40	125	74	3,688
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-133	-	-	-133
Value changes on loans measured at fair value	-	-	-	-	-	-	-5	-	-	-5
Actuarial gains (losses), pensions	-	-	-	-	-	-	-20	-	-	-20
Other comprehensive income	-	-	-	-	-	-	-158	-	-	-158
Total comprehensive income	-	-	299	602	2,591	37	-198	125	74	3,530
Transactions with owners										
Dividend declared for 2022	-	-	-	-	-840	-	-	-	-	-840
To be disbursed from gift fund	-	-	-	-	-474	-	-	-	-	-474
Additional Tier 1 capital issued	-	-	-	-	-	-	-	519	-	519
Buyback additional Tier 1 Capital issued	-	-	-	-	-	-	-	-385	-	-385
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-125	-	-125
Purchase and sale of own ECCs	-0	-	-	3	-	-	-	-	-	2
Own ECC held by SB1 Markets [1)]	11	-	-	49	-	-	10	-	-	70
Merging with SpareBank 1 Søre Sunnmøre	288	1,513	158	-	-	-	-	-	-93	1,866
Direct recognitions in equity	-	-	-	-	-	-	110	-	-	110
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-3	-	-	-3
Other transactions from associates and joint ventures	-	-	-	-	-	-	-169	-	-	-169
Change in non-controlling interests	-	-	-	-	-	-	-	-	-312	-312
Total transactions with owners	298	1,513	158	52	-1,314	-	-52	10	-405	260
Equity at 31 December 2023	**2,884**	**2,409**	**6,865**	**8,482**	**2,591**	**106**	**2,690**	**1,903**	**666**	**28,597**

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

2) The change in principle as a result of the implementation of IFRS 17 is described in Note 2 Accounting Principles

Cash Flow Statement

Parent Bank			Group	
2022	2023	(NOK million)	2023	2022
2,494	3,678	Net profit	3,688	2,785
77	111	Depreciations and write-downs on fixed assets	153	117
- 37	- 72	Losses on loans and guarantees	14	- 7
- 324	- 413	Adjustments for undistributed profits of associated companies and joint ventures	- 297	- 443
-2,420	1,924	Other adjustments	1,958	-2,436
- 210	**5,228**	**Net cash increase from ordinary operations**	**5,516**	**16**
-4,626	1,035	Decrease/(increase) other receivables	1,000	-4,193
5,155	-1,289	Increase/(decrease) short term debt	-2,245	5,136
-3,739	-6,502	Decrease/(increase) loans to customers	-7,080	-5,643
-8,782	4,333	Decrease/(increase) loans credit institutions	4,519	-6,959
10,672	769	Increase/(decrease) deposits to customers	885	10,724
294	-1,485	Increase/(decrease) debt to credit institutions	-1,485	- 429
-7,310	4,115	Increase/(decrease) in short term investments	4,115	-7,311
-8,546	**6,204**	**A) Net cash flow from operations**	**5,227**	**-8,658**
-	35	Cash and cash equivalents from aquisition	35	-
- 71	- 60	Increase in tangible fixed assets	- 95	- 89
- 18	-	Decrease in tangible fixed assets	-	276
- 5	- 69	Cash flows from losing control of subsidiaries or other businesses	79	6
324	413	Dividends received from investments in related companies	413	324
6	100	Other cash receipts from sales of interests in joint ventures	100	6
- 479	- 190	Other cash payments to acquire interests in joint ventures	- 198	- 492
813	1 424	Other cash receipts from sales of equity or debt instruments of other entities	2,319	849
- 835	1 487	Other cash payments to acquire equity or debt instruments of other entities	-1,509	- 846
- 265	**166**	**B) Net cash flow from investments**	**1,145**	**33**
1,000	750	Increase in subordinated loan capital	784	1,000
- 750	- 750	Decrease in subordinated loan capital	- 750	- 750
0	-	Increase in treasury shares	-	- 21
-	2	Decrease in treasury shares	72	-
- 970	- 840	Dividend cleared	- 840	- 970
-	-	Dividend to non controlling interests	- 121	- 162
- 547	- 474	Disbursed from gift fund	- 474	- 547
476	416	Additional Tier 1 Capital issued	478	476
0	- 342	Repayments Tier 1 Capital	- 385	0
- 60	- 122	Interest payments additional Tier 1 capital	- 125	- 63
16,194	5,280	Increase in other long term loans	5,280	16,194
-6,613	-10,291	Decrease in other long term loans	-10,291	-6,613
8,729	**-6,370**	**C) Net cash flow from financial activities**	**-6,371**	**8,544**
- 81	**1**	**A) + B) + C) Net changes in cash and cash equivalents**	**1**	**- 81**
1,252	1,171	Cash and cash equivalents at 1.1	1,171	1,252
1,171	1,172	Cash and cash equivalents at end of the year	1,172	1,171
- 81	**1**	**Net changes in cash and cash equivalents**	**1**	**- 81**
		Additional information about cash flows		
6,263	10,224	Interest received	10,710	6,716
3,598	6,177	Interest paid	6,184	3,603

Notes

Note 1 - General information

Description of the business
See “This is SpareBank 1 SMN” 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 2023 were approved by the Board of Directors on 29 February 2024.

Note 2 - Accounting principles

Basis for preparing the annual accounts

The Bank and Group accounts for 2023 for SpareBank 1 SMN have been prepared in conformity with International Financial Reporting Standards IFRS®Accounting Standards as approved by the EU (IFRS). These include interpretations from the International Financial Reporting Interpretations. Committee (IFRIC) and its predecessor, the Interpretations Committee. 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 2023.

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 2023 or later. The group has assessed that the application of these has not had a significant impact on the group accounts for 2023, 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.

The effect on equity as a result of the associated company SpareBank 1 Gruppen implementing this standard as of 1 January 2022 is NOK 234 million in reduced equity. The result for 2022 from SpareBank 1 Gruppen, after adapting IFRS 17/IFRS 9, has been adjusted by NOK 32 million. As such the effect on equity as of 1 January 2023 is NOK 202 million. The group's result for 2022 and other key figures have not been restated.

IFRS 17 effects for the Group	**NOK million**
Implementation of IFRS 17/IFRS 9 as of 1 January 2022	-234
Restated results from SpareBank 1 Gruppen for 2022 as a result of implementing IFRS 17/IFRS 9	32
Implementation effect on equity as of 1 January 2023	**-202**

Restatement of comparable figures	**As at 31.12.2022**
Group's share of recognised profit from SpareBank 1 Gruppen	175
Effects of implementing IFRS 17/IFRS 9	24
Group's restated results from SpareBank 1 Gruppen	**199**

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.

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.

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 2023, an upgraded loss model was used, which provides proposals for key assumptions when using regression analysis and simulation. Future default level (PD) is predicted based on the expected development in money market interest rates and unemployment. With SpareBank 1 SMN's assumptions in the upgraded model, write-downs are to a greater extent than previously allocated to industries with large interest-bearing debt such as property, shipping and fisheries. Norges Bank's Monetary Policy Report has been chosen as the main source for the explanatory variables interest rate and unemployment as well as the expected price development of residential property. Management's estimates and discretionary assessments of the expected development of default and loss levels (PD and LGD) were largely based on macro forecasts from Monetary Policy report (PPR) 4/23. For the worst case scenario the bank has applied the same input assumptions as Finanstilsynet stress scenario used in macro forecasts in June 2023. This implies a lower interest rate level and lower unemployment level than the bank previously applied, leading to lower impairment levels. The building and construction industry is considered to have increased credit risk and the customers in this industry have as previous quarter been classified in stage 2 or 3.

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.

From 2023 the model write-downs for the offshore portfolio is calculated with the same assumptions as for the corporate market in general. Expected credit loss (ECL) per 31 December 2023 was calculated as a combination of 80 per cent expected scenario, 10 per cent downside scenario and 10 percent upside scenario (80/10/10 percent). This results in lower impairment levels compared to previous periods where the weighting was 75/15/10 for corporate market and 70/15/15 for the retail market.

The effect of the change in input assumptions in 2023 is shown as "Effect of changed assumptions in the ECL model" in note 8. The write-downs are increased in parts of the corporate market and retail market due to significantly increased interest rates and price growth is expected to increase future levels of PD and LGD. Changes in scenario weights as described above reduces write-downs.In total, this amounts to NOK 4 million for the Bank and NOK 29 million for the Group in reduced write-downs.

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	**2023**			**2022**		
	Base Case	**Worst Case**	**Best Case**	**Base Case**	**Worst Case**	**Best Case**
Retail Market	80 %	10 %	10 %	70 %	15 %	15 %
Corporate excl. Agriculture and offshore	80 %	10 %	10 %	60 %	25 %	15 %
Agriculture	80 %	10 %	10 %	60 %	25 %	15 %

Sensitivities

The first part of the table below show total calculated expected credit loss as of 31 December 2023 in each of the three scenarios, distributed in the portfolios retail market (RM) corporate market (CM), 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 2023, this would have entailed an increase in loss provisions of NOK 108 million for the parent bank and NOK 126 million for the group.

	CM	RM	Agriculture	**Total parent**	SB 1 Finans MN, CM	SB 1 Finans MN, RM	**Total group**
ECL base case	624	85	68	**777**	39	21	**838**
ECL worst case	1,366	253	243	**1,862**	158	82	**2,102**
ECL best case	376	44	32	**452**	18	12	**482**
ECL with scenario weights used 80/10/10	673	98	82	**853**	49	26	**928**
ECL alternative scenario weights 70/20/10	748	115	99	**962**	61	32	**1,055**
Total ECL used	**74**	**17**	**18**	**108**	**12**	**6**	**126**

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 60 per cent of the ECL in the expected scenario. The downside scenario gives more than double the ECL than in the expected scenario. Applied scenario weighting gives about 10 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 31.12.2023 and up to the Board's consideration of the accounts on 29 February 2024. 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 13 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.

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 SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge will be its majority owners. SpareBank 1 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 39.9 per cent and SpareBank 1 Markets will be treated as an associated company. The transaction is approved from the Norwegian Financial Supervisory Authority and the Norwegian Competition Authority, and was completed in December 2023.

Profit from SpareBank 1 Markets has been reclassified as shown:

	2023	2022
Net interest	-8	8
Commission income and other income	-352	-515
Net return on financial investments	-342	-273
Total income	**-702**	**-780**
Total operating expenses	-577	-574
Result before tax	**-125**	**-206**
Tax charge	18	27
Net profit for investment held for sale	**108**	**179**

See also note 39 on investments in owner interests.

Sale of loan portfolios

In the sale of loan portfolios to 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.

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 2023

Profit and loss account (NOKm)	RM	CM	Sunnmøre og Fjordane	EM 1	SB 1 Finans MN	SB 1 Regnskaps-huset SMN	Other	Uncollated	Total
Net interest	1,824	1,335	598	2	490	4	-	379	4,632
Interest from allocated capital	328	195	112	-	-	-	-	-634	-
Total interest income	**2,151**	**1,530**	**709**	**2**	**490**	**4**	**-**	**-255**	**4,632**
Comission income and other income	652	234	110	432	-97	716	-	37	2,084
Net return on financial investments **)	1	6	7	1	-82	-	379	488	799
Total income	**2,804**	**1,770**	**826**	**435**	**311**	**720**	**379**	**270**	**7,515**
Total operating expenses	**1,078**	**407**	**315**	**395**	**115**	**612**	**-**	**97**	**3,017**
Ordinary operating profit	**1,726**	**1,363**	**512**	**40**	**196**	**108**	**379**	**173**	**4,498**
Loss on loans, guarantees etc.	1	45	-118	-	86	-	-	-0	14
Result before tax	**1,725**	**1,318**	**629**	**40**	**111**	**108**	**379**	**173**	**4,484**
Return on equity *)	**18.2 %**	**24.3 %**	**19.6 %**						**14.4 %**

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%**						**12.3%**

*) Regulatory capital in line with the bank's capital target have been used as basis for calculating capital used in the Retail and Corporate market.

**) Specification of other (NOKm)	31 Dec 23	31 Dec 22
SpareBank 1 Gruppen	-34	175
SpareBank 1 Boligkreditt	98	1
SpareBank 1 Næringskreditt	10	3
BN Bank	257	203
SpareBank 1 Markets	19	-
SpareBank 1 Kreditt	-13	9
SpareBank 1 Betaling	-37	13
SpareBank 1 Forvaltning	35	33
Other companies	46	29
Income from investment in associates and joint ventures	**379**	**466**
SpareBank 1 Mobilitet Holding	-82	-23
Net income from investment in associates and joint ventures	**297**	**442**

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 2023 the overall minimum requirement on CET1 capital is 14.0 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 2.5 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 for SpareBank 1 SMN. From 31 December 2023 the reqirement is 1,7 per cent, and must be met with a minimum of 56.25 per cent CET1 capital. In addition the bank must have an additional 0.7 per cent in Pillar 2 requirements until the application for modeling has been processed.

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 2023 an adjustment was made in the parent bank 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 2023 the effective rate is 4.3 per cent for the group.

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 2023 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 2022	**31 Dec 2023**	**(NOKm)**	**31 Dec 2023**	**31 Dec 2022**
20,887	**25,150**	**Total book equity**	**28,597**	**25,009**
-1,726	-1,800	Additional Tier 1 capital instruments included in total equity	-1,903	-1,769
-467	-812	Deferred taxes, goodwill and other intangible assets	-1,625	-947
-1,314	-2,591	Deduction for allocated dividends and gifts	-2,591	-1,314
-	-	Non-controlling interests recognised in other equity capital	-666	-997
-	-	Non-controlling interests eligible for inclusion in CET1 capital	679	784
-	-	Net profit	-	-
-	-	Year-to-date profit included in core capital (50 per cent (50 per cent) pre tax of group profit)	-	-
-72	-53	Value adjustments due to requirements for prudent valuation	-72	-89
-194	-412	Positive value of adjusted expected loss under IRB Approach	-546	-279
-	-	Cash flow hedge reserve	-4	-4
-281	-350	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-278	-619
16,833	**19,131**	**Common equity Tier 1 capital**	**21,589**	**19,776**
1,726	1,800	Additional Tier 1 capital instruments	2,252	2,106
-47	-48	Deduction for significant investments in financial institutions	-48	-47
18,512	**20,883**	**Tier 1 capital**	**23,793**	**21,835**
		Supplementary capital in excess of core capital		
2,000	2,150	Subordinated capital	2,822	2,523
-210	-216	Deduction for significant investments in financial institutions	-216	-210
1,790	**1,934**	**Additional Tier 2 capital instruments**	**2,606**	**2,312**
20,301	**22,817**	**Total eligible capital**	**26,399**	**24,147**

		Minimum requirements subordinated capital		
1,148	1,256	Specialised enterprises	1,538	1,351
901	904	Corporate	931	923
1,379	1,569	Mass market exposure, property	2,907	2,559
98	124	Other mass market	126	100
1,249	1,485	Equity positions IRB	-	-
4,774	**5,338**	**Total credit risk IRB**	**5,502**	**4,933**
6	3	Central government	5	6
82	95	Covered bonds	153	139
403	373	Institutions	280	276
187	110	Local and regional authorities, state-owned enterprises	146	207
143	248	Corporate	506	385
7	4	Mass market	703	662
27	37	Exposures secured on real property	126	109
90	63	Equity positions	465	504
97	112	Other assets	178	162
1,042	**1,046**	**Total credit risk standardised approach**	**2,561**	**2,450**
27	22	Debt risk	22	29
-	-	Equity risk	7	10
-	-	Currency risk and risk exposure for settlement/delivery	2	1
458	545	Operational risk	924	853
30	38	Credit value adjustment risk (CVA)	153	101
6,331	**6,988**	**Minimum requirements subordinated capital**	**9,171**	**8,377**
79,140	**87,354**	**Risk weighted assets (RWA)**	**114,633**	**104,716**
3,561	3,931	Minimum requirement on CET1 capital, 4.5 per cent	5,159	4,712
		Capital Buffers		
1,978	2,184	Capital conservation buffer, 2.5 per cent	2,866	2,618
3,561	3,896	Systemic risk buffer, 4.5 per cent	5,081	4,712
1,583	2,184	Countercyclical buffer, 1.0 per cent	2,866	2,094
7,123	**8,264**	**Total buffer requirements on CET1 capital**	**10,813**	**9,424**
6,149	**6,937**	**Available CET1 capital after buffer requirements**	**5,618**	**5,639**
		Capital adequacy		
21.3 %	21.9 %	Common equity Tier 1 capital ratio	18.8 %	18.9 %
23.4 %	23.9 %	Tier 1 capital ratio	20.8 %	20.9 %
25.7 %	26.1 %	Capital ratio	23.0 %	23.1 %
		Leverage ratio		
210,227	221,334	Balance sheet items	323,929	302,617
6,234	7,559	Off-balance sheet items	8,984	7,744
-1,061	-513	Regulatory adjustments	-666	-1,985
215,400	228,380	Calculation basis for leverage ratio	332,247	308,376
18,512	20,883	Core capital	23,793	21,835
8.6 %	**9.1 %**	**Leverage Ratio**	**7.2 %**	**7.1 %**

Note 6 - Risk factors

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

The bank's three lines of defence against financial loss or impaired reputation comprise:

1. Prudent risk limits which reduce the probability of a bank-specific event, and a good internal control function which ensure compliance with the limits.
2. The period's financial result, a buffer to absorb volatility and loss within the adopted risk appetite, and which allows time to make adjustments in business plans/risk profile.
3. Sufficient liquidity and equity capital to manage unexpected events and crises.

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 seriously detrimental to the group's financial position
- Exploiting synergies and diversification effects

The group's risk is quantified inter alia by calculating expected loss and the need for risk-adjusted capital (economic capital) 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 of directors 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 that limit loss risk in accordance with the adopted risk appetite. For further details see the group's Pillar III reporting which is available on the bank's website.

The group has incorporated ESG in steering documents, including risk management policy, credit strategy and credit policy. ESG risk, including climate risk, is considered a driver of financial risk and reputational risk.

The group's overall risk exposure and risk trend are monitored on a continual basis. Status and development are reported on by way of periodic risk reports to the administration and the board of directors. Overall risk monitoring and reporting are performed by Risk Management which is independent of the group's business lines.

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 risk area with the highest requirement as to capital, both under internal assessments and capital requirement calculations under the CRR.

Through its annual review of the bank's credit strategy, the board of directors concretises the group's risk appetite by establishing thresholds and limits for the bank's credit portfolio. The limits define the lending activity's boundaries. Deviations with respect to thresholds obliges the credit manager to comment on the deviation to the board of directors and in most cases to prepare action plans in order to reduce risk. The bank's credit strategy and credit policy are derived from the bank's main strategy, and contain guidelines for the risk profile, including credit quality and concentration risk.

Concentration risk is managed by distribution between Retail Banking and Corporate Banking, limits on the size of loan and loss ratio on single exposures, limits on maximum exposure for the twenty largest grouped exposures, limits on maximum exposure within industries and a limit that ensures industry diversification among the 20 largest customers.

Compliance with credit strategy and thresholds and limits adopted by the board of directors is monitored on a continual basis by the Group Credit Committee and reported quarterly to the board of directors by way of the risk report.

The board of directors delegates lending authorisation to the group CEO. The group CEO can further delegate authorisations below divisional director level. Lending authorisations are graded in relation to exposure size and risk profile.

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 bank has a department 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 bank's exposure to climate risk is mapped by means of qualitative assessments of physical risk and transition risk at industry level, and through the requirement of ESG scoring of all credit cases above NOK 10m for corporate customers. In addition, the bank has estimated greenhouse gas emissions from the bank's loan customers. The board of directors has adopted a strategy requiring the bank to be a driver for green transition, and transition plans are accordingly prepared towards a low emissions society for all significant industries in the bank. Transition plans for agriculture, commercial property and fishery were published in 2023. The transition plans communicate expectations and requirements we place on our customers. Strategies and policies are regularly assessed to ensure that measures against climate risk in the loan portfolio are adequate with reference to risk appetite. The bank has in 2023 not applied exclusion of industries or customer groups as a tool to curb climate risk.

The bank's risk classification system was developed to quantify credit risk, and thus to enable management of the bank's loan portfolio in keeping with the bank's credit strategy and to measure risk-adjusted return.

The bank has approval to use internal models in its risk management and capital calculation (IRB) with respect to loans and guarantees to the mass market and undertakings. Approval to use the advanced IRB approach was given by Finanstilsynet in 2015. The bank uses IRB models for risk classification, capital allocation, risk pricing and portfolio management.

In 2022 the bank package, including CRR2, was introduced in Norwegian law. The bank package contains comprehensive requirements and guidelines for the development, application and validation of the IRB models. In June 2022 an application to apply the revised models was delivered to Finanstilsynet. The process is still ongoing.

The risk classification system (IRB) 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 internal and external 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.

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 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.

The bank has also developed a cashflow-based PD model used for exposures to commercial property lease. The bank has applied to Finanstilsynet for permission to use this model in its capital calculation (IRB).

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, a government-determined CF is used to estimate what portion of issued guarantees will be brought to bear upon default. The CF is validated monthly for drawing rights in the retail market and corporate market. The bank's EAD model takes account of differences both between products and customer types.

3. **Loss Given Default (LGD)**

The bank estimates the loss ratio for each loan based on expected recovery rate, realisable value (RE 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 allow for a future economic contraction. Given limited data from economic contractions, the bank has incorporated substantial safety margins in its estimates 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 and regulatory capital.

Counterparty risk

Counterparty risk in derivatives trading is managed through ISDA and CSA contracts set up with financial institutions that are the bank's largest 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 bank will continue to enter CSA contracts with financial counterparties to manage counterparty risk. See note 12 for a 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.

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 bank's investments in bonds, CDs and shares, including funding. SpareBank 1 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 bank's balance sheet, also affect the bank'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 market risk 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 bank'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 across the entire interest rate curve on 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, including EVE and NII for interest rate risk in the banking book. 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 bank has a separate limit for overall spread risk and for the business lines. The bank 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. Limits are set for the various portfolios as well as limits for total equity risk. Shares in subsidiaries and shares forming part of a consolidated or strategic assessment are not included.

Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or unable to finance increases in its assets.

The bank's most important source of finance is customer deposits. At end-2023 the group's ratio of deposits to loans was 56 per cent, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, compared with 58 per cent at end-2022 (group figures).

The bank 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 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, but breached limits can be reported on an ongoing basis. The group manages its liquidity on an overall basis by assigning responsibility for funding both the 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.

The bank shall have a holding of liquid assets sufficient to cover a minimum of 12 months' ordinary operation without access to external funding and to withstand a house price fall of 30 per cent. The bank shall in addition have an adequate liquidity buffer consisting of assets that meet the LCR requirements, and which in volume at all times ensures that the bank is above the minimum requirement. Access to funding has been satisfactory in 2023.

Government requirements and investor's preferences will pull in the direction of green investments ahead. The group has issued green bonds worth NOK 22.46bn and its objective is to increase the share of loans that qualify for green bonds.

The group's liquidity situation as of 31 December 2023 is considered satisfactory.

Operational risk

Operational risk can be defined as the risk of loss resulting from:

- People: Breaches of procedures/guidelines, inadequate competence, unclear policy, strategy or procedures, internal malpractices
- Systems: Failure of ICT or 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 procedures 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.

The management views the undertaking's IT systems as central to operations, to accounting for and to the reporting of executed transactions, as well as to providing a basis for important estimates and calculations. The IT systems are mainly standardised, and their management and operation are largely outsourced to service suppliers.

Process and risk analyses are carried out in all material areas of activity in the bank. In these analyses a risk assessment is made at process level to obtain an overview of the largest operational risks related to the bank's business and support processes.

Upon the introduction of new products, services, systems or processes a risk assessment and quality assurance are undertaken. A number of the bank's specialist areas are involved in this process. They include risk management, compliance, legal affairs, data protection officer, AML and information security. This risk assessment contributes to keeping operational risk related to new products, services, systems and processes to an acceptable level.

The bank uses a Governance, Risk and Compliance (GRC) system as a tool to improve the monitoring of risk, events and areas for improvement. An important area is event registration where these are employed for learning and improvement purposes. A structured process has been established involving follow-up of events with the responsible areas. Personnel with quality responsibilities and specialist responsibilities are involved to identify the need for measures such as process improvements, procedural changes and training needs. The system is also an important tool for registering and following up on areas for improvement that are identified by controls performed by the first and second line, as well as areas for improvement pointed out in reviews by the internal auditor.

Operational losses are reported periodically 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 of directors considers operational risk in the undertaking to be moderate, including the risk related to the accounting and reporting process.

For further information see the bank's Pillar 3 reporting which is available at https://www.sparebank1.no/nb/smn/om-oss/investor/finansiell-info/kapitaldekning.html and the following notes:

Note 12: Maximum credit risk exposure
Note 13: Credit quality per class of financial assets
Note 14: Market risk related to interest rate risk
Note 15: Market risk related to currency exposure

Note 7 - Credit institutions - loans and advances

Parent Bank			Group	
31 Dec 22	**31 Dec 23**	**Loans and advances to credit institutions (NOK million)**	**31 Dec 23**	**31 Dec 22**
15,280	14,191	Loans and advances without agreed maturity or notice of withdrawal	3,696	4,971
6,692	5,050	Loans and advances with agreed maturity or notice of withdrawal	5,050	6,692
21,972	**19,241**	**Total**	**8,746**	**11,663**
		Specification of loans and receivables on key currencies		
15	14	CAD	14	15
22	18	CHF	18	22
3,069	1,735	EUR	1,735	3,069
335	305	GBP	305	335
14	3	JPY	3	14
18,338	17,062	NOK	6,567	8,029
13	3	SEK	3	13
141	74	USD	74	141
25	26	Other	26	25
21,972	**19,241**	**Total**	**8,746**	**11,663**
2.3 %	4.5 %	Average rate credit institutions	3.6 %	2.8 %

31 Dec 22	**31 Dec 23**	**Deposits from credit institutions (NOK million)**	**31 Dec 23**	**31 Dec 22**
11,225	11,028	Deposits without agreed maturity or notice of withdrawal	11,028	11,225
3,411	2,132	Deposits with agreed maturity or notice of withdrawal	2,132	3,411
14,636	**13,160**	**Total**	**13,160**	**14,636**
		Specification of deposits on key currencies		
1,289	621	EUR	621	1,289
-	14	GBP	14	-
15	1	JPY	1	15
13,330	12,503	NOK	12,503	13,330
0	15	SEK	15	0
1	0	USD	0	1
0	6	Other	6	0
14,636	**13,160**	**Total**	**13,160**	**14,636**
1.3 %	3.2 %	Average rate credit institutions	3.2 %	1.3 %

31 Dec 22	**31 Dec 23**	**Other commitments to credit institutions (NOK million)**	**31 Dec 23**	**31 Dec 22**
0	2,304	Unutilised credits	2,304	0
55	20	Financial guarantees	20	55
55	**2,324**	**Total**	**2,324**	**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 2022	**31 Dec 2023**	**(NOK million)**	**31 Dec 2023**	**31 Dec 2022**
140,549	157,240	Gross Loans	169,862	152,629
999	776	Write-downs for expected credit losses	907	1,081
139,550	**156,464**	**Net loans to and advances to customers**	**168,955**	**151,549**
		Additional information		
56,876	64,719	Loans sold to SpareBank 1 Boligkreditt	64,719	56,876
718	894	- Of which loans to employees	1,609	1,349
1,739	1,749	Loans sold to SpareBank 1 Næringskreditt	1,749	1,739
78	102	Subordinated loan capital other financial institutions	0	0
1,394	2,000	Loans to employees [1)]	3,250	2,450

[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 2022	**31 Dec 2023**	**Loans and commitments specified by type (NOK million)**	**31 Dec 2023**	**31 Dec 2022**
		Gross loans and advances		
-	-	Financial lease	3,788	3,728
12,236	13,891	Bank overdraft and operating credit	13,891	12,236
3,825	4,211	Construction loans	4,211	3,825
124,488	139,138	Amortizing loan	147,971	132,841
140,549	157,240	Total gross loans to and receivables from customers	169,862	152,629
		Other commitments		
6,067	4,946	Financial guarantees, of which:	4,946	6,067
1,493	*979*	*Payment guarantees*	*979*	*1,493*
1,177	*1,341*	*Performance guarantees*	*1,341*	*1,177*
712	*670*	*Loan guarantees*	*670*	*712*
62	*79*	*Guarantees for taxes*	*79*	*62*
2,624	*1,877*	*Other guarantee commitments*	*1,877*	*2,624*
1,047	995	Unutilised guarantee commitments	995	1,047
12,143	12,660	Unutilised credits	12,883	12,459
4,745	7,629	Loans approvals (not discounted) 1)	7,817	4,950
5	10	Documentary credits	10	5
24,007	26,240	Total other commitments	26,652	24,527
164,556	**183,481**	**Total loans and commitments**	**196,514**	**177,157**

1) The increase in approved loan commitments is due to financing certificates, which previously have not been included due to error. History has not been received.

Loans and other commitments specified by sector and industry

Parent Bank (NOK million)	31 Dec 2023 Gross loans	31 Dec 2023 Other commitments	31 Dec 2023 Total loans and commitments	31 Dec 2022 Gross loans	31 Dec 2022 Other commitments	31 Dec 2022 Total loans and commitments
Wage earners	87,992	9,895	97,887	77,965	7,273	85,239
Public administration	2	643	645	1	692	694
Agriculture and forestry	12,021	1,016	13,037	10,707	955	11,662
Fisheries and hunting	5,459	756	6,215	7,047	902	7,949
Sea farming industries	2,218	1,806	4,024	2,324	1,145	3,469
Manufacturing	3,170	2,245	5,415	2,563	2,201	4,765
Construction, power and water supply	6,111	2,251	8,362	4,370	2,741	7,111
Retail trade, hotels and restaurants	2,845	1,597	4,442	2,976	1,719	4,695
Maritime sector and offshore	6,030	1,574	7,604	5,382	548	5,929
Property management	19,539	1,561	21,101	16,983	2,433	19,416
Business services	4,239	910	5,149	3,561	860	4,421
Transport and other services provision	5,396	1,043	6,438	5,327	1,551	6,878
Other sectors	2,220	943	3,163	1,343	986	2,329
Total	**157,240**	**26,240**	**183,481**	**140,549**	**24,007**	**164,556**

Group (NOK million)	31 Dec 2023 Gross loans	31 Dec 2023 Other commitments	31 Dec 2023 Total loans and commitments	31 Dec 2022 Gross loans	31 Dec 2022 Other commitments	31 Dec 2022 Total loans and commitments
Wage earners	95,058	10,123	105,181	84,957	7,572	92,529
Public administration	39	644	683	35	694	729
Agriculture and forestry	12,489	1,031	13,520	11,140	974	12,114
Fisheries and hunting	5,488	757	6,245	7,075	904	7,979
Sea farming industries	2,473	1,814	4,287	2,656	1,159	3,814
Manufacturing	3,757	2,264	6,021	3,150	2,226	5,376
Construction, power and water supply	7,353	2,291	9,644	5,526	2,790	8,317
Retail trade, hotels and restaurants	3,777	1,627	5,404	3,632	1,747	5,380
Maritime sector and offshore	6,030	1,574	7,604	5,382	548	5,929
Property management	19,651	1,565	21,216	17,101	2,438	19,538
Business services	5,148	941	6,088	4,312	893	5,206
Transport and other services provision	6,459	1,077	7,536	6,375	1,595	7,970
Other sectors	2,140	943	3,084	1,288	987	2,275
Total	**169,862**	**26,652**	**196,514**	**152,629**	**24,527**	**177,157**

Loans and other commitments specified by geographic area

Parent Bank (NOK million)	31 Dec 2023 Gross loans	31 Dec 2023 Other commitments	31 Dec 2023 Total loans and commitments	31 Dec 2022 Gross loans	31 Dec 2022 Other commitments	31 Dec 2022 Total loans and commitments
Trøndelag	95,331	15,593	110,924	91,519	14,931	106,449
Møre og Romsdal	37,194	6,441	43,635	29,612	5,341	34,953
Nordland	1,109	343	1,453	1,056	44	1,101
Oslo	9,794	2,061	11,855	7,087	2,051	9,138
Rest of Norway	13,483	1,762	15,244	10,935	1,609	12,543
Abroad	329	40	369	340	31	371
Total	**157,240**	**26,240**	**183,481**	**140,549**	**24,007**	**164,556**

Group (NOK million)	31 Dec 2023 Gross loans	31 Dec 2023 Other commitments	31 Dec 2023 Total loans and commitments	31 Dec 2022 Gross loans	31 Dec 2022 Other commitments	31 Dec 2022 Total loans and commitments
Trøndelag	99,368	15,727	115,096	95,640	15,111	110,751
Møre og Romsdal	40,038	6,533	46,571	31,946	5,441	37,387
Nordland	1,374	352	1,726	1,317	55	1,372
Oslo	10,211	2,074	12,285	7,512	2,069	9,581
Rest of Norway	18,541	1,925	20,466	15,875	1,820	17,695
Abroad	329	40	369	340	31	371
Total	**169,862**	**26,652**	**196,514**	**152,629**	**24,527**	**177,157**

Gross loans sold to SpareBank 1 Boligkreditt

(NOK million)	31 Dec 2023 Gross loans	31 Dec 2023 Other commitments	31 Dec 2023 Total loans and commitments	31 Dec 2022 Gross loans	31 Dec 2022 Other commitments	31 Dec 2022 Total loans and commitments
Trøndelag	55,192	2,357	57,549	36,923	1,676	38,599
Møre og Romsdal	7,392	7	7,399	8,631	384	9,015
Nordland	1,349	7	1,355	341	8	349
Oslo	457	0	457	3,248	57	3,304
Rest of Norway	274	0	274	7,693	104	7,796
Abroad	53	0	53	40	0	40
Total	**64,717**	**2,371**	**67,088**	**56,876**	**2,229**	**59,104**

Gross loans sold to SpareBank 1 Næringskreditt

(NOK million)	31 Dec 2023 Gross loans	31 Dec 2023 Other commitments	31 Dec 2023 Total loans and commitments	31 Dec 2022 Gross loans	31 Dec 2022 Other commitments	31 Dec 2022 Total loans and commitments
Trøndelag	1,562	-	1,562	1,430	-	1,430
Møre og Romsdal	94	-	94	53	-	53
Nordland	93	-	93	-	-	-
Oslo	-	-	-	256	-	256
Rest of Norway	-	-	-	-	-	-
Abroad	-	-	-	-	-	-
Total	**1,749**	**-**	**1,749**	**1,739**	**-**	**1,739**

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

Group (NOK million)	31 Dec 2023	31 Dec 2022
Gross advances related to financial leasing		
- Maturity less than 1 year	140	113
- Maturity more than 1 year and less than 5 years	2,418	2,377
- Maturity more than 5 years	1,162	1,169
Total gross claims	**3,719**	**3,658**
Received income related to financial leasing, not yet earned	103	105
Net investments related to financial leasing	3,788	3,728
Net investments in financial leasing can be broken down as follows:		
- Maturity less than 1 year	153	127
- Maturity more than 1 year and less than 5 years	2,491	2,450
- Maturity more than 5 years	1,145	1,151
Total net claims	**3,788**	**3,728**

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

Parent Bank 31 Dec 23 (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	**79,502**	**7,751**	**2,854**	**647**	**1,098**	**526**	**92,377**
Stage 1	79,314	6,791	1,147	187	236	-	87,675
Stage 2	188	960	1,707	459	862	-	4,175
Stage 3	-	-	-	-	-	526	526
Amortised cost	**27,706**	**12,092**	**15,553**	**1,498**	**1,069**	**1,363**	**59,281**
Stage 1	27,445	9,856	11,834	886	532	-	50,553
Stage 2	261	2,236	3,719	613	536	-	7,366
Stage 3	-	-	-	-	-	1,363	1,363
Fair value through Profit and Loss	**4,738**	**609**	**163**	**44**	**20**	**7**	**5,582**
Total Gross Loans	**111,946**	**20,452**	**18,570**	**2,189**	**2,186**	**1,897**	**157,240**
Other Commitments	**16,850**	**4,917**	**3,963**	**199**	**118**	**193**	**26,240**
Stage 1	16,209	4,585	3,080	67	35	-	23,976
Stage 2	641	331	883	133	84	-	2,071
Stage 3	-	-	-	-	-	193	193
Total loans and other commitments	**128,796**	**25,369**	**22,533**	**2,389**	**2,305**	**2,090**	**183,481**

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

Group 31 Dec 23 (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	**79,502**	**7,751**	**2,854**	**647**	**1,098**	**526**	**92,377**
Stage 1	79,314	6,791	1,147	187	236	-	87,675
Stage 2	188	960	1,707	459	862	-	4,175
Stage 3	-	-	-	-	-	526	526
Amortised cost	**28,043**	**14,748**	**22,971**	**2,853**	**1,833**	**1,557**	**72,004**
Stage 1	27,782	12,177	18,328	1,797	532	-	60,616
Stage 2	261	2,571	4,642	1,056	1,301	-	9,832
Stage 3	-	-	-	-	-	1,557	1,557
Fair value through Profit and Loss	**4,636**	**609**	**163**	**44**	**20**	**7**	**5,480**
Total Gross Loans	**112,181**	**23,108**	**25,988**	**3,544**	**2,951**	**2,091**	**169,862**
Other Commitments	**16,850**	**4,917**	**4,374**	**199**	**118**	**193**	**26,652**
Stage 1	16,209	4,585	3,293	67	35	-	24,189
Stage 2	641	331	1,081	133	84	-	2,270
Stage 3	-	-	-	-	-	193	193
Total loans and other commitments	**129,031**	**28,025**	**30,362**	**3,743**	**3,069**	**2,284**	**196,514**

Group 31 Dec 22 (NOK million)	Neither default or credit impaired					Default and credit impaired	Total
	Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Gross Loans							
Fair value through OCI	**71,072**	**6,518**	**2,488**	**635**	**925**	**372**	**82,010**
Stage 1	70,927	5,671	963	229	188	-	77,978
Stage 2	144	848	1,525	406	737	-	3,660
Stage 3	-	-	-	-	-	372	372
Amortised cost	**27,250**	**13,973**	**19,084**	**2,605**	**1,403**	**1,673**	**65,989**
Stage 1	25,840	12,598	16,471	1,535	167	-	56,611
Stage 2	1,410	1,375	2,612	1,071	1,236	-	7,705
Stage 3	-	-	-	-	-	1,673	1,673
Fair value through Profit and Loss	**3,884**	**595**	**99**	**11**	**38**	**4**	**4,631**
Total Gross Loans	**102,206**	**21,086**	**21,670**	**3,252**	**2,366**	**2,049**	**152,629**
Other Commitments	**14,300**	**5,910**	**3,530**	**520**	**96**	**173**	**24,527**
Stage 1	14,238	5,771	2,827	75	24	-	22,934
Stage 2	62	139	703	445	71	-	1,420
Stage 3	-	-	-	-	-	173	173
Total loans and other commitments	**116,505**	**26,996**	**25,200**	**3,772**	**2,462**	**2,222**	**177,157**

Gross loans and commitments sold to SpareBank 1 Boligkreditt

(NOK million)	31 Dec 2023 Gross loans	31 Dec 2023 Other commitments	31 Dec 2023 Total loans and commitments	31 Dec 2022 Gross loans	31 Dec 2022 Other commitments	31 Dec 2022 Total loans and commitments
Lowest risk	37,570	1,518	39,088	48,752	2,217	50,969
Low risk	13,153	597	13,750	6,261	7	6,268
Medium risk	-	-	-	1,259	4	1,263
High risk	3,960	81	4,042	327	0	327
Highest risk	7,619	143	7,762	220	-	220
Default and written down	2,414	32	2,446	58	0	58
Total	**64,717**	**2,371**	**67,088**	**56,876**	**2,229**	**59,104**

Gross loans and commitments sold to SpareBank 1 Næringskreditt

(NOK million)	31 Dec 2023 Gross loans	31 Dec 2023 Other commitments	31 Dec 2023 Total loans and commitments	31 Dec 2022 Gross loans	31 Dec 2022 Other commitments	31 Dec 2022 Total loans and commitments
Lowest risk	1,311	-	1,311	1,496	-	1,496
Low risk	188	-	188	147	-	147
Medium risk	-	-	-	96	-	96
High risk	250	-	250	-	-	-
Highest risk	-	-	-	-	-	-
Default and written down	-	-	-	-	-	-
Total	**1,749**	**-**	**1,749**	**1,739**	**-**	**1,739**

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 23.85 per cent as of 31 December 2023 (22.62 per cent as of 31 December 2022). 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 2023 mortgage loans were bought and sold to a net value of NOK 7.8bn (10.2bn in 2022) to SpareBank 1 Boligkreditt. In total, mortgage loans to SpareBank 1 Boligkreditt were derecognised in an amount of NOK 64.7bn at the end of the financial year (NOK 56.9bn in 2022).

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 14.80 per cent as at 31.12.2023 (16.30 per cent as at 31.12.2022). SpareBank 1 Næringskreditt AS acquires loans secured on dwellings and issues covered bonds within the applicable rules that were established in 2007. Loans sold to SpareBank 1 Næringskreditt are secured on commercial property at up to 60 per cent of property valuation. Sold loans are legally owned by SpareBank 1 Næringskreditt and the Bank has, over and above the right to be responsible for management and receipt of commission, and the right to take over written-down loans in whole or in part, no right to make use of the loans. The Bank is responsible for management of the sold loans and receives commission based on the net of the return on the loans that the Bank has sold and the mortgage company costs.

Commercial property loans sold to SpareBank 1 Næringskreditt were reduced by NOK 90m in 2023 (increased by NOK 337m in 2022). In total, mortgage loans to SpareBank 1 Næringskreditt were derecognised in an amount of NOK 1.6bn by the end of the financial year (NOK 1,7bn in 2022).

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.

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.

Parent Bank (NOKm)	2023 RM	2023 CM	2023 Total	2022 RM	2022 CM	2022 Total
Change in provision for expected credit losses	4	-59	-55	29	-97	-68
Actual loan losses on commitments exceeding provisions made	11	146	157	7	38	45
Recoveries on commitments previously written-off	-21	-153	-174	-7	-7	-14
Losses for the period on loans and guarantees	**-6**	**-66**	**-72**	**29**	**-66**	**-37**

Group (NOKm)	2023 RM	2023 CM	2023 Total	2022 RM	2022 CM	2022 Total
Change in provision for expected credit losses	1	-7	-6	38	-86	-48
Actual loan losses on commitments exceeding provisions made	47	168	215	13	45	58
Recoveries on commitments previously written-off	-40	-155	-195	-7	-10	-17
Losses for the period on loans and guarantees	**8**	**6**	**14**	**44**	**-51**	**-7**

In 2023, the Group has written off NOK 296 million, which are still subject to enforcement activities, the corresponding figure for 2022 was NOK 193 million.

Parent Bank (NOKm)	1 Jan 23	Merge Søre Sunnmøre	Change in provision	Net write-offs /recoveries	31 Dec 23
Loans as amortised cost- CM	921	32	-101	-181	671
Loans as amortised cost- RM	35	11	2	-5	43
Loans at fair value over OCI- RM	147	-	-10	-	137
Loans at fair value over OCI- CM	2	-	11	-	13
Provision for expected credit losses on loans and guarantees	**1,106**	**43**	**-99**	**-186**	**864**
Presented as					
Provision for loan losses	999	41	-77	-186	776
Other debt- provisons	67	2	-16	-	53
Other comprehensive income - fair value adjustment	40	-	-5	-	36

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

Group (NOKm)	1 Jan 2023	Merge Søre Sunnmøre	Change in provision	Net write-offs /recoveries	31 Dec 2023
Loans as amortised cost- CM	976	32	-44	-181	777
Loans as amortised cost- RM	63	11	-1	-5	68
Loans at fair value over OCI- RM	147	-	-10	-	137
Loans at fair value over OCI- CM	2	-	11	-	13
Provision for expected credit losses on loans and guarantees	**1,188**	**43**	**-44**	**-186**	**995**
Presented as					
Provision for loan losses	1,081	41	-23	-186	907
Other debt- provisons	67	2	-16	-	53
Other comprehensive income - fair value adjustment	40	-	-5	-	36

Group (NOKm)	1 Jan 2022	Change in provision	Net write-offs /recoveries	31 Dec 2022
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

Accrual for losses on loans

	31 Dec 2023				31 Dec 2022			
Parent Bank (NOKm)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Retail market								
Opening balance	46	93	42	181	39	82	36	156
Transfer to (from) stage 1	18	-18	-0	-	18	-18	-0	-
Transfer to (from) stage 2	-3	3	-0	-	-2	2	-0	-
Transfer to (from) stage 3	-0	-8	9	-	-0	-6	6	-
Net remeasurement of loss allowances	-26	19	-5	-12	-24	20	7	4
Originations or purchases	15	20	3	37	17	24	4	45
Derecognitions	-14	-31	-4	-49	-12	-24	-3	-39
Changes due to changed input assumptions	3	16	8	27	9	13	-2	20
Actual loan losses	0	0	-5	-5	-	-	-5	-5
Closing balance	38	95	45	179	46	93	42	181
Corporate Market								
Opening balance	138	298	421	858	84	268	871	1,223
Transfer to (from) stage 1	59	-59	-0	-	75	-74	-1	-
Transfer to (from) stage 2	-14	24	-10	-	-5	97	-92	-
Transfer to (from) stage 3	-1	-5	6	-	-1	-3	4	-
Net remeasurement of loss allowances	-58	11	9	-38	-67	-35	-66	-168
Originations or purchases	90	35	37	163	49	34	4	87
Derecognitions	-52	-68	-15	-136	-33	-31	-24	-88
Changes due to changed input assumptions	-2	31	-62	-33	37	41	4	83
Actual loan losses	-	-	-181	-181	-	-	-278	-278
Closing balance	160	267	205	**633**	138	298	421	858
Total accrual for loan losses	**198**	**363**	**251**	**812**	**184**	**391**	**463**	**1,039**

Group (NOKm)	31 Dec 2023 Stage 1	Stage 2	Stage 3	Total	31 Dec 2022 Stage 1	Stage 2	Stage 3	Total
Retail market								
Opening balance	55	107	47	209	45	89	40	174
Transfer to (from) stage 1	21	-20	-1	-	20	-20	-0	-
Transfer to (from) stage 2	-4	5	-1	-	-3	3	-1	-
Transfer to (from) stage 3	-1	-10	11	-	-0	-7	7	-
Net remeasurement of loss allowances	-28	25	-6	-9	-24	25	8	9
Originations or purchases	19	25	3	47	22	30	4	56
Derecognitions	-17	-34	-7	-58	-13	-26	-4	-43
Changes due to changed input assumptions	-0	14	7	21	8	13	-3	18
Actual loan losses	-	-	-5	-5	-	-	-5	-5
Closing balance	46	111	46	204	55	107	47	209
Corporate Market								
Opening balance	151	311	450	912	94	278	896	1,268
Transfer to (from) stage 1	63	-63	-0	-	77	-76	-1	-
Transfer to (from) stage 2	-18	28	-10	-	-7	99	-92	-
Transfer to (from) stage 3	-1	-6	7	-	-2	-3	4	-
Net remeasurement of loss allowances	-59	22	60	23	-68	-30	-47	-145
Originations or purchases	96	46	38	181	55	35	5	95
Derecognitions	-54	-70	-16	-140	-34	-33	-26	-93
Changes due to changed input assumptions	-5	29	-75	-51	35	40	-8	67
Actual loan losses	-	-	-186	-186	-	-	-280	-280
Closing balance	172	299	268	**739**	151	311	450	912
Total accrual for loan losses	**218**	**410**	**314**	**943**	**206**	**418**	**497**	**1,121**

Accrual for losses on guarantees and unused credit lines

Parent Bank and Group (NOKm)	31 Dec 2023 Stage 1	Stage 2	Stage 3	Total	31 Dec 2022 Stage 1	Stage 2	Stage 3	Total
Opening balance	24	34	9	67	19	55	5	79
Transfer to (from) stage 1	6	-6	-0	-	16	-16	-0	-
Transfer to (from) stage 2	-2	2	-0	-	-1	1	-0	-
Transfer to (from) stage 3	-0	-1	1	-	-0	-0	1	-
Net remeasurement of loss allowances	-13	-4	2	-15	-16	-3	3	-15
Originations or purchases	9	4	0	13	12	6	0	18
Derecognitions	-6	-8	-1	-15	-4	-12	-0	-16
Changes due to changed input assumptions	0	5	-3	2	-3	3	0	1
Actual loan losses	-	-	-	-	-	-	-	-
Closing balance	**18**	**27**	**8**	**53**	**24**	**34**	**9**	**67**
Of which								
Retail market				1				1
Corporate Market				51				66

Provision for credit losses specified by industry

	31 Dec 2023				31 Dec 2022			
Parent Bank (NOKm)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Agriculture and forestry	3	44	10	57	4	38	18	60
Fisheries and hunting	6	33	-	39	11	12	0	23
Sea farming industries	5	0	0	5	3	1	1	5
Manufacturing	15	31	13	59	9	47	2	58
Construction, power and water supply	46	25	28	99	26	22	11	59
Retail trade, hotels and restaurants	8	13	1	23	16	14	1	32
Maritime sector	7	54	103	164	19	117	184	320
Property management	44	92	22	159	34	55	28	117
Business services	17	16	24	57	13	24	177	214
Transport and other services	10	6	13	29	9	11	16	36
Public administration	0	-	-	0	0	-	-	0
Other sectors	1	0	-	1	0	0	-	0
Wage earners	1	47	35	83	1	50	25	75
Total provision for losses on loans	163	363	251	776	144	391	463	999
loan loss allowance on loans at FVOCI	36			36	40			40
Total loan loss allowance	**198**	**363**	**251**	**812**	**184**	**391**	**463**	**1,039**

	31 Dec 2023				31 Dec 2022			
Group (NOKm)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Agriculture and forestry	4	46	10	60	5	40	19	64
Fisheries and hunting	6	33	0	39	11	12	0	23
Sea farming industries	6	0	0	6	4	1	4	9
Manufacturing	18	36	13	68	11	50	8	70
Construction, power and water supply	46	42	33	121	30	25	16	71
Retail trade, hotels and restaurants	11	15	2	28	17	15	2	34
Maritime sector	7	54	103	164	19	117	184	320
Property management	45	93	22	160	35	55	29	118
Business services	19	18	78	114	15	25	184	224
Transport and other services	12	11	16	39	12	16	21	49
Public administration	0	-	-	0	0	-	-	0
Other sectors	1	0	-	1	0	0	0	0
Wage earners	8	62	36	106	8	61	29	99
Total provision for losses on loans	183	410	314	907	166	418	497	1,081
loan loss allowance on loans at FVOCI	36			36	40			40
Total loan loss allowance	**218**	**410**	**314**	**943**	**206**	**418**	**497**	**1,121**

Parent Bank (NOKm)	31 Dec 2023 Stage 1	Stage 2	Stage 3	Total	31 Dec 2022 Stage 1	Stage 2	Stage 3	Total
Retail Market								
Opening balance	80,994	3,962	527	85,484	82,299	3,892	444	86,636
Transfer to stage 1	895	-868	-27	-	1,075	-1,060	-15	-
Transfer to stage 2	-1,538	1,557	-18	-	-1,403	1,411	-8	-
Transfer to stage 3	-38	-156	194	-	-32	-119	150	-
Net increase/decrease amount existing loans	-2,305	-95	-6	-2,406	-2,501	-106	-15	-2,623
New loans	42,690	1,549	222	44,460	38,691	1,418	120	40,229
Derecognitions	-29,797	-1,395	-149	-31,342	-37,136	-1,473	-137	-38,746
Financial assets with actual loan losses	0	0	-18	-18	-0	-1	-11	-12
Closing balance	90,901	4,553	725	96,178	80,994	3,962	527	85,484
Corporate Market								
Opening balance	43,127	5,883	1,346	50,356	38,359	5,186	2,656	46,201
Transfer to stage 1	1,026	-1,021	-5	-	1,839	-1,820	-19	-
Transfer to stage 2	-2,669	2,670	-1	-	-1,699	2,606	-908	-
Transfer to stage 3	-72	-44	116	-	-67	-72	139	-
Net increase/decrease amount existing loans	-1,099	-485	-10	-1,594	-731	-257	-3	-990
New loans	17,922	816	351	19,089	17,124	1,661	86	18,872
Derecognitions	-10,901	-828	-335	-12,064	-11,697	-1,415	-514	-13,625
Financial assets with actual loan losses	-7	-2	-298	-307	-3	-8	-91	-102
Closing balance	47,327	6,988	1,165	55,480	43,127	5,883	1,346	50,356
Fixed interest loans at FV	5,582	-	-	5,582	4,709	-	-	4,709
Total gross loans at the end of the period	**143,809**	**11,541**	**1,890**	**157,240**	**128,830**	**9,845**	**1,874**	**140,549**

Group (NOKm)	31 Dec 2023 Stage 1	Stage 2	Stage 3	Total	31 Dec 2022 Stage 1	Stage 2	Stage 3	Total
Retail Market								
Opening balance	86,972	4,901	635	92,508	87,577	4,612	531	92,721
Transfer to stage 1	1,138	-1,108	-30	-	1,278	-1,261	-17	-
Transfer to stage 2	-1,955	1,978	-23	-	-1,771	1,784	-13	-
Transfer to stage 3	-59	-219	277	-	-40	-151	190	-
Net increase/decrease amount existing loans	-2,272	-165	-20	-2,457	-2,177	-170	-25	-2,372
New loans	45,658	1,781	231	47,670	41,570	1,801	129	43,500
Derecognitions	-32,519	-1,694	-227	-34,440	-39,465	-1,714	-150	-41,329
Financial assets with actual loan losses	-0	-0	-18	-18	-0	-1	-11	-12
Closing balance	96,963	5,474	825	103,263	86,972	4,901	635	92,508
Corporate Market								
Opening balance	47,621	6,460	1,410	55,491	41,855	5,768	2,759	50,382
Transfer to stage 1	1,207	-1,199	-8	-	2,090	-2,045	-45	-
Transfer to stage 2	-3,639	3,655	-17	-	-2,042	2,959	-917	-
Transfer to stage 3	-101	-80	180	-	-97	-88	185	-
Net increase/decrease amount existing loans	-1,103	-692	-23	-1,818	-761	-329	-13	-1,104
New loans	19,159	1,339	368	20,866	19,085	1,751	109	20,945
Derecognitions	-11,811	-949	-354	-13,114	-12,507	-1,546	-577	-14,629
Financial assets with actual loan losses	-7	-2	-297	-306	-3	-8	-91	-102
Balance at 31 December	51,327	8,533	1,259	61,119	47,621	6,460	1,410	55,491
Closing balance								
Fixed interest loans at FV	5,480	-	-	5,480	4,631	-	-	4,631
Total gross loans at the end of the period	**153,770**	**14,007**	**2,085**	**169,862**	**139,224**	**11,361**	**2,044**	**152,629**

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 2014-2023.

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 %	0.04 %	1	120	
B	0.10 %	0.25 %	Baa1-Baa2	0.04 %	0.05 %	2	100	120
C	0.25 %	0.50 %	Baa3	0.09 %	0.12 %	3	80	100
D	0.50 %	0.75 %	Ba1	0.30 %	0.20 %	4	60	80
E	0.75 %	1.25 %	Ba2	0.63 %	1.10 %	5	40	60
F	1.25 %	2.50 %		1.30 %	1.99 %	6	20	40
G	2.50 %	5.00 %	Ba2-B1	2.11 %	2.74 %	7	0	20
H	5.00 %	10.00 %	B1-B2	4.75 %	5.17 %			
I	10.00 %	99.99 %	B3-Caa3	14.59 %	19.97 %			
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 2023	Total exposure 31 Dec 2023	Averaged unhedged exposure 31 Dec 2022	Total exposure 31 Dec 2022
Lowest risk	1.1 %	128,796	0.9 %	115,527
Low risk	2.4 %	25,369	1.3 %	24,473
Medium risk	3.5 %	22,533	1.7 %	18,093
High risk	2.1 %	2,389	3.0 %	2,719
Highest risk	3.5 %	2,305	2.2 %	1,693
Default and/or problem loans	5.7 %	2,090	10.0 %	2,051
Total		**183,481**		**164,556**

Group (NOK million) (NOK million)	Averaged unhedged exposure 31 Dec 2023	Total exposure 31 Dec 2023	Averaged unhedged exposure 31 Dec 2022	Total exposure 31 Dec 2022
Lowest risk	1.2 %	129,031	0.6 %	116,505
Low risk	2.2 %	28,025	1.2 %	26,996
Medium risk	2.6 %	30,362	2.2 %	25,200
High risk	1.4 %	3,743	3.6 %	3,772
Highest risk	2.6 %	3,069	2.9 %	2,462
Default and/or problem loans	5.3 %	2,284	10.9 %	2,222
Total		**196,514**		**177,157**

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 23 (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	1,147	-	-	-	-	1,147
Loans and advances to credit institutions	19,241	-	-	-	-	19,241
Loans and advances to customers at fair value through profit or loss	5,582	-	5,387	26	30	139
Loans and advances to customers at amortised cost	59,281	659	32,438	2,912	20,313	2,959
Loans and advances to customers at fair value through OCI	92,377	117	91,080	71	471	638
Securities and bonds	34,163	-	-	-	11,884	22,278
Derivatives	6,659	-	-	-	3,849	2,810
Earned income, not yet recieved	136	-	-	-	-	136
Accounts receivable, securities	66	-	-	-	-	66
Total assets	**218,651**	**776**	**128,904**	**3,010**	**36,548**	**49,413**
Liabilities						
Guarantee commitments and documentary credits	5,972	19	-	-	-	5,953
Unutilised credits and Loan approvals	22,592	34	3,030	448	424	18,656
Other exposures	5,354	-	-	-	-	5,354
Total liabilities	**33,919**	**53**	**3,030**	**448**	**424**	**29,964**
Total credit risk exposure	**252,570**					**79,377**

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**

Group

31 Dec 23 (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	1,147	-	-	-	-	1,147
Loans and advances to credit institutions	8,746	-	-	-	-	8,746
Loans and advances to customers at fair value through profit or loss	5,480	-	5,387	26	30	37
Loans and advances to customers at amortised cost	72,004	531	32,438	2,912	33,065	3,059
Loans and advances to customers at fair value through OCI	92,377	117	91,080	71	471	638
Securities and bonds	34,163	-	-	-	11,884	22,279
Derivatives	6,659	-	-	-	3,849	2,810
Earned income, not yet recieved	153	-	-	-	-	153
Accounts receivable, securities	66	-	-	-	-	66
Total assets	**220,796**	**648**	**128,904**	**3,010**	**49,300**	**38,934**
Liabilities						
Guarantee commitments and documentary credits	5,972	19	-	-	-	5,953
Unutilised credits and loan approvals	23,003	34	3,030	448	424	19,067
Other exposures	5,404	-	-	-	-	5,404
Total liabilities	**34,380**	**53**	**3,030**	**448**	**424**	**30,425**
Total credit risk exposure	**255,176**					**69,359**

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**

*) Other collateral includes cash, movables, ship and guarantees received. For covered bonds the cover pool comprises loans to customers in the company that has issued the bond.

For derivatives, cash has been provided as collateral, in addition to bilateral ISDA agreements on netting of derivatives.

The Bank's maximum credit exposure is shown in the above table. SpareBank 1 SMN provides wholesale banking services to BN Bank and the Samspar banks. In this connection a guarantee agreement has been established which assures full settlement for exposures connected to these agreements.

For retail and corporate customers, use is made of framework agreements requiring provision of collateral. Customers furnish cash deposits and/or assets as collateral for their trade in power and salmon derivatives at NASDAQ OMX Oslo ASA and Fish Pool ASA.

SpareBank 1 SMN enters into standardised and mainly bilateral ISDA agreements on netting of derivatives with financial institutions as counterparties. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with the most central counterparties. As of 31 December 2023 the Bank has about 40 (38) active ISDA agreements. As from 1 March 2017 the Bank was required under EMIR to have in place a CSA with daily exchange of margin collateral etc. with all financial counterparties with which the bank deals domiciled (inter alia) in an EU meber state. The Bank only enters into agreements with cash as collateral. The Bank has delegated responsibility for handling these agreements to SEB Prime Collateral Services which handles margin requirements on behalf of the Bank. More about collateral and encumbrances in note 37 Other debt and liabilities.

The collateral is measured at fair value, limited to maximum credit exposure for the individual counterparty.

The Group has NOK 230 million exposures in stage 3 where no impairment charge has been made due to value of collateral, for 2022 the same amount was NOK 213 million.

Note 13 - Credit quality per class of financial assets

The Bank handles the credit quality of financial assets by means of its internal guidlines for credit ratings. See section entitled credit risk under Note 6 Risk factors. The table below shows credit quality per class of assets for loan-related assets in the balance sheet, based on the Bank's own credit rating system.The entire loan exposure is included when parts of the exposure are defaulted. Non-performance is defined in the note as default of payment of NOK 1,000 or more for more than 90 days.

Parent Bank

		Neither defaulted nor written down						
31 Dec 2023 (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	**19,241**	**-**	**-**	**-**	**-**	**-**	**19,241**
Loans to and claims on customers	8							
Retail market		86,719	8,702	3,488	818	1,197	731	**101,655**
Corporate market		25,227	11,750	15,083	1,371	989	1,165	**55,585**
Total		**111,946**	**20,452**	**18,570**	**2,189**	**2,186**	**1,897**	**157,240**
Financial investments	27							
Quoted government and government guaranteed bonds		8,546	-	-	-	-	-	**8,546**
Quoted other bonds		16,566	440	5	-	-	-	**17,011**
Unquoted government and government guaranteed bonds		5,323	-	-	-	-	-	**5,323**
Unquoted other bonds		3,282	-	-	-	-	-	**3,282**
Total		**33,717**	**440**	**5**	**-**	**-**	**-**	**34,163**
Total		**164,904**	**20,893**	**18,575**	**2,189**	**2,186**	**1,897**	**210,644**

		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**

Group

31 Dec 2023 (NOK million)	Notes	Neither defaulted nor written down Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or credit impared	Total
Loans to and claims on credit institutions	7	**8,746**	**-**	**-**	**-**	**-**	**-**	**8,746**
Loans to and claims on customers	8							
Retail market		86,721	10,255	8,029	1,308	1,596	831	**108,740**
Corporate market		25,460	12,853	17,959	2,236	1,355	1,259	**61,122**
Total		**112,181**	**23,108**	**25,988**	**3,544**	**2,951**	**2,091**	**169,862**
Financial investments	27							
Quoted government and government guaranteed bonds		8,546	-	-	-	-	-	**8,546**
Quoted other bonds		16,566	440	5	-	-	-	**17,011**
Unquoted government and government guaranteed bonds		5,323	-	-	-	-	-	**5,323**
Unquoted other bonds		3,283	-	-	-	-	-	**3,283**
Total		**33,718**	**440**	**5**	**-**	**-**	**-**	**34,163**
Total		**154,644**	**23,548**	**25,993**	**3,544**	**2,951**	**2,091**	**212,771**

31 Dec 2022 (NOK million)	Notes	Neither defaulted nor written down Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or credit impared	Total
Loans to and claims on credit institutions	7	**11,663**	**-**	**-**	**-**	**-**	**-**	**11,663**
Loans to and claims on customers	8							
Retail market		77,932	9,096	7,035	1,090	1,391	595	97,140
Corporate market		24,716	11,990	14,635	2,162	976	1,454	55,932
Total		**102,648**	**21,086**	**21,670**	**3,252**	**2,366**	**2,049**	**153,072**
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		**151,757**	**21,517**	**21,867**	**3,252**	**2,366**	**2,049**	**202,808**

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 point	
Basis risk Group (NOK million)	**2023**	**2022**
Currency		
NOK	- 32	- 48
EUR	7	6
USD	- 1	- 3
CHF	0	- 1
GBP	0	1
Other	0	0
Total interest rate risk, effect on result before tax	**- 27**	**- 45**

Total interest rate risk suggest that the Bank will have losses from an increase in the interest rate in 2023. This is the same effect as in 2022.

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 point	
Interest rate curve risk, Group (NOK million)	**2023**	**2022**
Maturity		
0 - 2 month	8	- 11
2 - 3 months	- 30	- 4
3 - 6 months	- 13	- 10
6 - 12 months	6	- 5
1 - 2 years	- 4	- 9
2 - 3 years	5	2
3 - 4 years	- 4	- 3
4 - 5 years	- 3	3
5 - 8 years	2	- 6
8 - 15 years	7	- 3
Total interest rate risk, effect on result before tax	**- 27**	**- 45**

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**	
2022	**2023**	(NOK million)	**2023**	**2022**
-5	20	EUR	20	-5
4	2	USD	2	4
4	5	SEK	5	4
-0	-1	GBP	-1	0
-3	-0	Other	0	-3
1	**26**	**Total**	**26**	**1**
0,5	0,9	Result effect of 3% change	0,9	0,5

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 2023 (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	10,399	90	344	1,938	20	12,792
Deposits from and debt to customers	89,914	23,961	10,120	8,894	-	132,888
Debt created by issue of securities	-	3,164	2,513	44,528	1,295	51,499
Derivatives - contractual cash flow out	-	1,130	4,101	26,309	1,397	32,937
Other liabilities	-	1,004	1,207	551	269	3,031
Subordinated loan capital 1)	-	38	505	2,180	-	2,723
Total cash flow, liabilities	**100,313**	**29,386**	**18,790**	**84,401**	**2,981**	**235,871**
Derivatives net cash flows						
Contractual cash flows out	-	1,130	4,101	26,309	1,397	32,937
Contractual cash flows in	-	-805	-3,331	-24,630	-1,360	-30,126
Net contractual cash flows	**-**	**325**	**770**	**1,679**	**37**	**2,811**

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)						
Debt to 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 issuance 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**

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	
2022	**2023**	(NOKm)	**2023**	**2022**
435	887	Interest income from loans to and claims on central banks and credit institutions (amortised cost)	380	212
2,814	4,716	Interest income from loans to and claims on customers (amortised cost)	5,701	3,483
1,879	3,616	Interest income from loans to and claims on customers (Fair value over OCI)	3,616	1,879
125	165	Interest income from loans to and claims on customers (Fair value over Profit and loss)	165	125
599	1,382	Interest income from money market instruments, bonds and other fixed income securities (Fair value over Profit and loss)	1,377	595
-	-	Other interest income	24	22
5,852	**10,767**	**Total interest income**	**11,262**	**6,315**
260	559	Interest expenses on liabilities to credit institutions	559	260
1,524	3,780	Interest expenses relating to deposits from and liabilities to customers	3,748	1,508
1,035	2,056	Interest expenses related to the issuance of securities	2,057	1,035
66	129	Interest expenses on subordinated debt	132	68
7	9	Other interest expenses	45	26
79	90	Guarantee fund levy	90	79
2,972	**6,622**	**Total interest expense**	**6,631**	**2,977**
2,880	**4,144**	**Net interest income**	**4,632**	**3,339**

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	
2022	**2023**	*(NOK million)*	**2023**	**2022**
		Commission income		
77	68	Guarantee commission	68	77
-	-	Broker commission	265	267
44	47	Portfolio commission, savings products	47	44
256	155	Commission from SpareBank 1 Boligkreditt	155	256
16	15	Commission from SpareBank 1 Næringskreditt	15	16
475	496	Payment transmission services	493	471
236	253	Commission from insurance services	253	236
88	83	Other commission income	74	80
1,192	**1,117**	**Total commission income**	**1,370**	**1,446**
		Commission expenses		
80	102	Payment transmission services	102	80
11	12	Other commission expenses	96	105
90	**114**	**Total commission expenses**	**199**	**186**
		Other operating income		
30	38	Operating income real property	41	32
-	-	Property administration and sale of property	166	151
-	-	Securities trading	-	-
-	-	Accountant's fees	661	564
25	34	Other operating income	45	34
55	**73**	**Total other operating income**	**913**	**781**
1,156	**1,076**	**Total net commision income and other operating income**	**2,084**	**2,042**

Note 19 - Net return on financial investments

Parent Bank			Group	
2022	**2023**	(NOKm)	**2022**	**2021**
		Valued at fair value through profit/loss		
-428	17	Value change in interest rate instruments	17	-427
		Value change in derivatives/hedging		
-10	2	Net value change in hedged bonds and derivatives*	2	-10
-38	5	Net value change in hedged fixed rate loans and derivatives	5	-38
275	-118	Other derivatives	-118	275
		Income from equity instruments		
-	-	Income from owner interests	297	442
646	693	Dividend from owner instruments	-	-
4	32	Value change and gain/loss on owner instruments	-5	4
30	18	Dividend from equity instruments	26	33
-19	421	Value change and gain/loss on equity instruments	469	9
461	**1,069**	**Total net income from financial assets and liabilities at fair value through profit/(loss)**	**692**	**287**
		Valued at amortised cost		
-0	-2	Value change in interest rate instruments held to maturity	-2	-0
-0	**-2**	**Total net income from financial assets and liabilities at amortised cost**	**-2**	**-0**
93	**108**	**Total net gain from currency trading**	**108**	**93**
554	**1,175**	**Total net return on financial investments**	**799**	**380**
		*** Fair value hedging**		
-2,155	896	Changes in fair value on hedging instrument	896	-2,155
2,145	-894	Changes in fair value on hedging item	-894	2,145
-10	**2**	**Net Gain or Loss from hedge accounting**	**2**	**-10**

Note 20 - Personnel expenses

For detailed information on emoluments to top management 2023, please see The executive pay report published on smn.no

Parent Bank			Group	
2022	2023	(NOK million)	2023	2022
568	722	Wages	1,455	1,227
54	67	Pension costs (Note 25)	117	99
39	60	Social costs	119	81
661	**849**	**Total personnel expenses**	**1,691**	**1,406**
675	776	Average number of employees	1,618	1,549
664	798	Number of man-labour years as at 31 December	1,545	1,432
688	863	Number of employees as at 31 December	1,737	1,498

Remuneration of Directors
(thousands of NOK)

Name of director, position	Year	Fixed remuneration: Base salary[1)]	Fixed remuneration: Fringe benefits[2)]	Extra-ordinary items[3)]	Pension expense[4)]	Total re-muneration	Loan 5)	No. Of equity capital certificates 6)
Jan-Frode Janson, Group CEO	2023	5,300	317		1,241	6,859	-	49,166
	2022	5,078	295		1,229	6,601	1	45,805
Trond Søraas, Executive director - Finance and Strategy	2023	2,387	193	100	314	2,994	3,323	10,267
	2022	1,891	292	150	278	2,611	3,942	10,000
Nelly Maske, Executive director - Retail Banking	2023	2,797	204		382	3,383	5,898	21,876
	2022	2,680	204	100	374	3,358	3,927	21,783
Vegard Helland, Executive director - Corporate Banking	2023	2,927	193		355	3,475	100	36,202
	2022	2,786	190	150	348	3,473	551	35,842
Stig Brautaset, Executive director - Sunnmøre og Fjordane regions[7)]	2023	1,771	144		435	2,351	-	1,407
	2022				-			
Astrid Undheim, Executive director - Technology and Development	2023	2,385	220		362	2,968	5,787	744
	2022	2,285	177	100	216	2,778	6,666	384
Ola Neråsen, Executive director - Risk Management	2023	2,439	171		274	2,884	-	43,764
	2022	2,280	181		272	2,733	120	43,404
Rolf Jarle Brøske, Executive director - Communications and Brand	2023	2,281	208	150	274	2,912	9,771	15,713
	2022	2,175	195		276	2,646	9,629	10,853
Arne Nypan, CEO SpareBank 1 Regnskapshuset SMN[8)]	2023	2,594	235		254	3,083	4,903	33,948
	2022	2,434	299		252	2,984	10,559	29,958
Kjetil Reinsberg, CEO EiendomsMegler 1 Midt-Norge[9)]	2023	3,076	468		391	3,934	10,995	29,141
	2022	3,114	429		378	3,921	5,138	16,358
Kjell Fordal, Executive director - Finance and Strategy[10)]	2023				-	-		
	2022	2,086	119		117	2,322	12,525	221,753

1) None of the directors receive variable remuneration, only fixed remuneration. Fixed remuneration equals base salary, salary for vacation, deduction from salary for vacation, pension compenasation,
additional pension, tax compenasation for 12G-pension and other fixed additions.
2) Fringe benefits includes compensation for electronic communications, fixed car allowance, company car, mileage allowance, accident-/ treatment-/ occupational-/other injury-/
travel and group life insurance, as well as the benefit of low-interest loans. Additionally, this includes reported benefits for issued equity certificates at a discount in a voluntary saving plan which senior employees participate
on the same conditions as all the employees.
3) Extraordinary items is paid out in special cases to senior employees who have had an extraordinary workload
4) Pension expense inkludes occupational pension and pension account for salaries over 12G
5) Loan includes loan to directors and loan to their related persons. All directors has the same loan conditions as all the employees.
6) Number of equity capital sertificates also inkludes certificates owned by related persons and companies in wich one has significant influence
7) Stig Brautaset was the CEO of SpareBank 1 Sunnmøre, which merged with SpareBank 1 SMN May 2nd 2023. After the merge he took up his position as
Executive director Sunnmøre and Fjordane regions. Pension expense is related to the comany-owned pension account for salaries over 12G and regular occupational pension.
8) Arne Nypan is CEO SpareBank 1 Regnskapshuset SMN (SB1 RH) - total remuneration and pension expense is related to SB1 RH
9) Kjetil Reinsberg is CEO EiendomsMegler 1 Midt-Norge (EM1) - total remunertaion and pension expense is retaled to EM1
10) Kjell Fordal resigned from his position 31.8.2022

Emoluments to the Board of Directors
(thousands of NOK)

Name	Title	Year	Fee	Fees to nomination-/ audit-/ risk and remuneration committee	Other benefits	Loans as of 31 December	No. Of equity capital certificates
Kjell Bjordal	Board chairman	2023	595	40	19	-	130,000
		2022	573	40	3	-	130,000
Christian Stav	Deputy chair	2023	313	129	4	-	35,000
		2022	301	120	-	-	30,000
Mette Kamsvåg	Board member	2023	273	134	15	3,951	5,600
		2022	261	128	1	-	5,600
Tonje Eskeland Foss	Board member	2023	273	47	11	12,606	-
		2022	261	49	-	-	-
Kristian Sætre1)	Board member	2023	206	20	1	1,421	-
Ingrid Finnboe Svendsen1)	Board member	2023	206	106	-	-	1,150
Morten Loktu	Board member	2023	66	7	15	-	15,000
		2022	261	27	-	-	15,000
Freddy Aursø	Board member	2023	273	20	64	-	-
		2022	261	23	-	-	-
Christina Straub	Board member, employee representative2)	2023	273	-	925	5,620	1,083
		2022	261	-	818	-	971
Inge Lindseth	Board member, employee representative2)	2023	273	27	965	3,956	10,913
		2022	261	27	916	-	7,353

1) Was selected in 2023
2) Other emoluments include salary in employment relationships

Fees to the Supervicory Board
(thousands of NOK)

Name	Year	Fee
Knut Solberg, Supervisory Board Chair	2023	95
	2022	100
Other members	2023	270
	2022	405

Note 21 - Other operating expenses

Parent Bank			Group	
2022	2023	*(NOK million)*	2023	2022
304	404	IT costs	461	355
11	12	Postage and transport of valuables	15	14
59	71	Marketing	93	86
77	111	Ordinary depreciation (note 31, 32 and 33)	153	117
46	50	Operating expenses, real properties	57	55
188	222	Purchased services	254	217
156	251	Other operating expense	294	195
841	**1,121**	**Total other operating expenses**	**1,326**	**1,038**
		Audit fees (NOK 1000)		
975	3,362	Financial audit	4,905	3,142
879	1,191	Other attestations	1,339	984
0	-	Tax advice	29	27
244	1,075	Other non-audit services	1,075	311
2,098	**5,628**	**Total incl. value added tax**	**7,348**	**4,464**

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.

Actuarial assumptions	2023 Costs	2023 Commitment	2022 Costs	2022 Commitment
Discount rate	3.0 %	3.2 %	1.6 %	3.0 %
Expected rate of return on plan assets	3.0 %	3.2 %	1.6 %	3.0 %
Expected future wage and salary growth	3.25 %	3.25 %	2.25 %	3.25 %
Expected adjustment of basic amount (G)	3.25 %	3.25 %	2.25 %	3.25 %
Expected increase in current pension	0%/2.0%	0%/2.0%	0%/2.0%	0%/2.0%
Employers contribution	19.1 %	19.1 %	19.1 %	19.1 %
Expected voluntary exit before/after 50 yrs	2/0 %	2/0 %	2/0 %	2/0 %
Estimated early retirement outtake at age 62/64	25/50 %	25/50 %	25/50 %	25/50 %

Mortality base table	K2013BE
Disability	IR73

Parent Bank 2022	Parent Bank 2023	Net pension liability in the balance sheet (NOK million). Financial position 1 Jan.	Group 2023	Group 2022
645	577	Net present value of pension liabilities in funded schemes	577	645
-701	-812	Estimated value of pension assets	-812	-701
-56	-235	Net pension liability in funded schemes	-235	-56
1	1	Employer's contribution	1	1
-54	**-234**	**Net pension liability in the balance sheet**	**-234**	**-54**

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

Group	2023 Funded	2023 Unfunded	2023 Total	2022 Funded	2022 Unfunded	2022 Total
Present value of pension liability in funded schemes	572	5	577	639	7	645
Fair value of pension assets	-812	-	-812	-701	0	-701
Net pension liability in the balance sheet before employer's contribution	-240	5	-235	-62	7	-56
Employer's contribution	0	1	1	0	1	1
Net pension liability in the balance sheet after employer's contribution	**-240**	**6**	**-234**	**-62**	**8**	**-54**

Parent Bank 2022	Parent Bank 2023	Pension cost for the year	Group 2023	Group 2022
0	0	Present value of pension accumulated in the year	-	0
-1	-7	Interest cost of pension liabilities	-7	-1
-1	-7	Net defined-benefit pension cost without employer's contribution	-7	-1
0	0	Employer's contribution - subject to accrual accounting	0	0
-1	-7	Net pension cost related to defined benefit plans *	-7	-1
9	10	Early retirement pension scheme, new arrangement	17	16
46	64	Cost of defined contribution pension	107	84
54	**67**	**Total pension cost**	**117**	**99**

Other comprehensive income for the period	2023			2022		
	Unfunded	Funded	Total	Unfunded	Funded	Total
Change in discount rate	-	-13	-13	0	-111	-111
Changing other factors, DBO	0	11	11	0	65	64
Change in other factors, pension assets	-	29	29	-	-130	-130
Other comprehensive income for the period	**0**	**26**	**27**	**-1**	**-177**	**-177**

Parent Bank			Group	
2022	2023	Movement in net pension liability in the balance sheet	2023	2022
-54	-234	Net pension liability in the balance sheet 1.1	-234	-54
-177	27	Actuarial gains and losses for the year	27	-177
-1	-7	Net defined-benefit costs in profit and loss account incl. Curtailment /settlement	-7	-1
-1	-3	Paid-in pension premium, defined-benefit schemes	-3	-1
-234	**-217**	**Net pension liability in the balance sheet 31.12**	**-217**	**-234**

2022	2023	Financial status 31.12	2023	2022
577	558	Pension liability	558	577
-812	-776	Value of pension assets	-776	-812
-235	-217	Net pension liability before employer's contribution	217	-235
1	1	Employer's contribution	1	1
-234	**-217**	**Net pension liability after employer's contribution*)**	**-217**	**-234**

* Presented gross in the Group accounts

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

Group	31.12.2023			31.12.2022		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	555	3	558	572	5	577
Value of pension assets	-776	-	-776	-812	0	-812
Net pension liability before employer's contribution	**-221**	**3**	**-217**	**-240**	**5**	**-235**
Employer's contribution	0	1	1	0	1	1
Net pension liability after employer's contribution	**-221**	**4**	**-217**	**-240**	**6**	**-234**

Fair value of pension liability, Group	31.12.2023	31.12.2022
OB pension liability (PBO)	577	645
Present value of pension accumulated in the year	-	-
Payout/release from scheme	-33	-32
Interes costs of pension liability	17	10
Curtailment/ Settlement	-	-
Actuarial gain or loss	-2	-47
CB pension liability (PBO)	**558**	**577**

Fair value of pension assets, Group	31.12.2023	31.12.2022
OB pension assets	812	701
Paid in	2	1
Payout/release from fund	-33	-32
Expected retur	24	11
Curtailment/ Settlement	-	-
Actuarial changes	-29	130
CB market value of pension assets	**776**	**812**

Sensitivity, Group	Discount rate + 1 pp	Discount rate - 1 pp	Salary adjustment +1 pp	Salary adjustment - 1 pp	Pension adjustment + 1 pp
2023					
Change in accumulated pension rights in course of year	-	-	-	-	-
Change in pension liability	-58	70	-	-	72
2022					
Change in accumulated pension rights in course of year	-	-	-	-	-
Change in pension liability	-62	76	-	-	77

Parent Bank 2022	Parent Bank 2023	Members	Group 2023	Group 2022
726	741	Numbers of persons included in pension scheme	741	726
218	230	of which active	230	218
508	511	of which retirees and disabled	511	508

Investment and pension assets in the pension fund	2023	2022
Current	55 %	43 %
Money market	14 %	21 %
Equities	25 %	29 %
Real estate	6 %	7 %
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	
2022	**2023**	(NOK million)	**2023**	**2022**
3,125	4,498	Result before tax	3,688	3,353
-456	-1,099	+/- permanent differences	-632	-722
-315	-216	+/- change in temporary differences as per specification	-227	-313
-	-	+ deficit carried forward	-0	-4
2,354	**3,183**	**Year's tax base/taxable income**	**2,829**	**2,313**
612	803	Tax payable on profit for the year	885	699
-15	-30	Taxes on interest hybrid capital	-31	-15
15	8	Excess/too little tax accrued previous year	14	21
612	**781**	**Total taxes payable in statement of financial position**	**868**	**705**
612	803	Tax payable on profit for the year	885	699
34	47	+/- change in deferred tax	50	35
-15	-30	Taxes on interest hybrid capital	-31	-15
631	**820**	**Tax charge for the year**	**904**	**718**
		Change in net deferred tax liability		
-34	47	Deferred tax shown through profit/loss	50	-35
-44	7	Deferred tax shown through equity	7	-44
-	41	Change in deferred tax arising from business combination	41	-81
3	11	Too little taxes accrued previous year	-9	3
76	**106**	**Total change in net deferred tax liability**	**89**	**-156**

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

2022	2023	Composition of deferred tax carried in the balance sheet (NOK Million)	2023	2022
		Temporary differences:		
-	13	- Business assets	44	27
-	-	- Leasing items	310	273
234	212	- Pension liability	216	236
202	544	- Securities	544	202
2,154	1,337	- Hedge derivatives	1,337	2,154
-	128	- Other temporary differences	128	4
2,590	**2,233**	**Total tax-increasing temporary differences**	**2,578**	**2,896**
648	**558**	**Deferred tax**	**644**	**723**
		Temporary differences:		
-27	-	- Business assets	-12	-38
-	-	- Pension liability	-	-
-75	-48	- Securities	-48	-75
-2,185	-1,471	- Hedge derivatives	-1,471	-2,185
-13	-2	- Other temporary differences	-117	-107
-	-	- Deficit carried forward	-	-1
-2,301	**-1,521**	**Total tax-decreasing temporary differences**	**-1,648**	**-2,407**
-575	**-380**	**Deferred tax asset**	**-411**	**-602**
72	**178**	**Net deferred tax (-asset)**	**231**	**122**

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:

	2023	2022
Tax benefit recorded 31 Dec	**6**	5
Deferred tax recorded 31 Dec	**-236**	-127

2022	2023	Reconciliation of tax charge for the period recognised against profit and loss to profit before tax	2023	2022
781	1,125	25 % of profit before tax	1,190	882
-114	-275	Non-taxable profit and loss items (permanent differences)	-257	-129
-44	-30	Tax effect of costs reflected in equity	-31	-44
8	-	Too little taxes accrued previous year	2	8
631	**820**	**Tax for the period recognised in the income statement**	**904**	**718**
20 %	**18 %**	**Effective tax rate**	**25 %**	**21 %**

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			Financial instruments at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
31 Dec 2023 (NOKm)	Designated as such upon initial recognition	Mandatorily	Held for trading			
Assets						
Cash and receivables from central banks	-	-	-	-	1,172	1,172
Deposits with and loans to credit institutions	-	-	-	-	8,746	8,746
Loans to and receivables from customers	5,582	-	-	92,263	71,110	168,955
Shares, units and other equity interests	-	774	363	-	-	1,137
Fixed-income CDs and bonds	-		34,163	-	-	34,163
Derivatives	744	-	5,915	-	-	6,659
Earned income not yet received	-	-	-	-	153	153
Accounts receivable, securities	-	-	-	-	66	66
Total financial assets	**6,326**	**774**	**40,441**	**92,263**	**81,247**	**221,051**
Liabilities						
Deposits from credit institutions	-	-	-	-	13,160	13,160
Deposits from and debt to customers	-	-	-	-	132,888	132,888
Debt created by issue of securities	-	-	-	-	45,830	45,830
Derivatives	1,630	-	5,359	-	-	6,989
Subordinated loan capital	-	-	-	-	2,247	2,247
Lease liabilities	-	-	-	-	403	403
Debt from securities	-	-	-	-	-15	-15
Total financial liabilities	**1,630**	**-**	**5,359**	**-**	**194,512**	**201,501**

Group 31 Dec 2022 (NOKm)	Financial instruments at fair value through profit or loss 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
Lease liabilities	-	-	-	-	339	339
Debt from securities	-	-	-	-	176	176
Total financial liabilities	**2,368**	**-**	**5,939**	**-**	**186,693**	**195,000**

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 2023:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	-	6,659	-	6,659
- Bonds and money market certificates	2,879	31,284	-	34,163
- Equity instruments	363	152	622	1,137
- Fixed interest loans	-	102	5,480	5,582
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	92,263	92,263
Total assets	**3,242**	**38,197**	**98,365**	**139,804**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	-	6,989	-	6,989
Total liabilities	**-**	**6,989**	**-**	**6,989**

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2022:

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
Total liabilities	**-**	**8,307**	**-**	**8,307**

The following table presents the changes in the instruments classified in level 3 as at 31 December 2023:

(NOKm)	Equity instruments through profit /loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	570	4,630	81,901	87,101
Investment in the period	38	1,814	40,578	42,430
Disposals in the period	-25	-977	-30,210	-31,212
Expected credit loss	-	-	2	2
Gain or loss on financial instruments	38	14	-7	45
Closing balance 31 December 23	**622**	**5,480**	**92,263**	**98,365**

The following table presents the changes in the instruments classified in level 3 as at 31 December 2022:

(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**

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 2 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 531 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 2023:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumtions
Fixed interest loans	5,480	-15
Equity instruments through profit/loss*	622	-
Loans at fair value through other comprehensive income	92,263	-2

* 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.

Loans to and claims on credit institutions, Earned income not received, Debt to credit institutions and deposits from customers and debt from securities

For loans to and claims on credit institutions, as well as debt to credit institutions and deposits from customers, fair value is estimated equal to amortised cost.

Securities debt and subordinated debt

The calculation of fair value in level 2 is based on observable market values such as on interest rate and spread curves where available.

Parent Bank

		31 Dec 2023		31 Dec 2022	
(NOKm)	**Level [1)]**	**Book value**	**Fair Value**	**Book value**	**Fair Value**
Assets					
Loans to and claims on credit institutions	2	19,241	19,241	21,972	21,972
Loans to and claims on customers at amortised cost	2	58,522	58,685	52,941	53,085
Earned income not yet received	2	136	136	87	87
Accounts receivable, securities	2	66	66	262	262
Total financial assets at amortised cost		**77,965**	**78,128**	**75,262**	**75,406**
Liabilities					
Debt to credit institutions	2	13,160	13,160	14,636	14,636
Deposits from and debt to customers	2	133,462	133,462	122,699	122,699
Securities debt at amortised cost	2	13,260	13,182	11,679	11,605
Securities debt, hedging	2	32,637	32,639	35,868	35,867
Subordinated debt at amortised cost	2	2,169	2,168	2,015	2,014
Subordinated debt, hedging	2	-	-	-	-
Lease liabilities	2	260	260	233	233
Debt from securities	2	-15	-15	176	176
Total financial liabilities at amortised cost		**194,933**	**194,857**	**187,306**	**187,231**

Group

(NOKm)		31 Dec 2023 Book value	31 Dec 2023 Fair Value	31 Dec 2022 Book value	31 Dec 2022 Fair Value
Assets					
Loans to and claims on credit institutions	2	8,746	8,746	11,663	11,663
Loans to and claims on customers at amortised cost	2	71,115	71,298	65,018	65,184
Earned income not yet received	2	153	153	104	104
Accounts receivable, securities	2	66	66	262	262
Total financial assets at amortised cost		**80,080**	**80,263**	**77,046**	**77,212**
Liabilities					
Debt to credit institutions	2	13,160	13,160	14,636	14,636
Deposits from and debt to customers	2	132,888	132,888	122,010	122,010
Securities debt at amortised cost	2	13,260	13,182	11,679	11,605
Securities debt, hedging		32,637	32,639	35,868	35,867
Subordinated debt at amortised cost	2	2,247	2,246	2,058	2,058
Subordinated debt, hedging	2	-	-	-	-
Lease liabilities	2	403	403	339	339
Debt from securities	2	-15	-15	176	176
Total financial liabilities at amortised cost		**194,580**	**194,504**	**186,765**	**186,690**

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 2023.

Parent Bank			Group	
31 Dec 2022	**31 Dec 2023**	Money market certificates and bonds by issuer sector (NOKm)	**31 Dec 2023**	**31 Dec 2022**
		State		
8,079	7,972	Nominal value	7,972	8,079
7,940	7,823	Book value	7,823	7,940
		Other public sector		
17,424	12,614	Nominal value	12,614	17,424
17,419	12,630	Book value	12,630	17,419
		Financial enterprises		
12,336	13,026	Nominal value	13,026	12,336
12,525	13,483	Book value	13,483	12,525
		Non-financial enterprises		
10	7	Nominal value	7	10
9	7	Book value	8	10
37,849	**33,620**	**Total fixed income securities, nominal value**	**33,620**	**37,849**
178	218	Accrued interest	218	178
38,072	**34,163**	**Total fixed income securities, booked value**	**34,163**	**38,073**

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 2023			31 Dec 2022		
	Contract	Fair value		Contract	Fair value	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities
Foreign exchange derivatives (forwards)	14,863	72	-241	11,510	71	-96
Currency swaps	36,719	556	-116	27,459	242	-118
FX-options	326	-3	3	41	-1	0
Total currency instruments	**51,907**	**625**	**-354**	**39,010**	**312**	**-214**
Interest rate instruments						
Interest rate swaps (including cross currency)	245,023	4,919	-4,478	256,905	5,160	-4,566
Short-term interest rate swaps (FRA)	-	4	-2	-	-	-1
Total interest rate instruments	**245,023**	**4,923**	**-4,480**	**256,905**	**5,160**	**-4,566**
Commodity-related contracts						
Stock-exchange-traded standardised forwards and futures contracts	2,091	158	-158	1,055	1,164	-1,164
Total commodity-related contracts	**2,091**	**158**	**-158**	**1,055**	**1,164**	**-1,164**
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	34,643	744	-1,630	38,401	294	-2,368
Total interest rate instruments	**34,643**	**744**	**-1,630**	**38,401**	**294**	**-2,368**
Total						
Total interest rate instruments	279,666	5,666	-6,110	295,306	5,454	-6,934
Total currency instruments	51,907	625	-354	39,010	312	-214
Total commodity-related contracts	2,091	158	-158	1,055	1,164	-1,164
Accrued interest	-	211	-367	-	-127	5
Total financial derivatives	**333,664**	**6,659**	**-6,989**	**335,371**	**6,803**	**-8,307**

Group

Fair value through profit and loss (NOKm)	31 Dec 2023			31 Dec 2022		
	Contract	Fair value		Contract	Fair value	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities
Foreign exchange derivatives (forwards)	14,863	72	-241	11,510	71	-96
Currency swaps	36,719	556	-116	27,459	242	-118
FX-options	27	-3	3	41	-1	0
Total currency instruments	**51,907**	**625**	**-354**	**39,010**	**312**	**-214**
Interest rate instruments						
Interest rate swaps (including cross currency)	245,023	4,919	-4,478	256,905	5,160	-4,566
Short-term interest rate swaps (FRA)	-	4	-2	-	-	-1
Total interest rate instruments	**245,023**	**4,923**	**-4,480**	**256,905**	**5,160**	**-4,566**
Commodity-related contracts						
Stock-exchange-traded standardised forwards and futures contracts	2,091	158	-158	1,055	1,164	-1,164
Total commodity-related contracts	**2,091**	**158**	**-158**	**1,055**	**1,164**	**-1,164**
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	34,643	744	-1,630	38,401	294	-2,368
Total interest rate instruments	**34,643**	**744**	**-1,630**	**38,401**	**294**	**-2,368**
Total						
Total interest rate instruments	279,666	5,666	-6,110	295,306	5,454	-6,934
Total currency instruments	51,907	625	-354	39,010	312	-214
Total commodity-related contracts	2,091	158	-158	1,055	1,164	-1,164
Accrued interest	-	211	-367	-	-127	5
Total financial derivatives	**333,664**	**6,659**	**-6,989**	**335,371**	**6,803**	**-8,307**

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

Accounting Principle

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. See note 6 Risk factors for more information. 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 2023			**Nominal amount 31 Dec 2022**		
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	13,079	12,164	- 915	11,200	11,200	-
	Interest and currency swap			Interest and currency swap		
Debt in currency at fixed interest						
Nominal EUR	19,011	19,011	-	23,120	23,120	-
Nominal JPY	719	719	-	-	-	-
Nominal CHF	2,118	2,118	-	3,737	3,737	-

	Book value 31 Dec 2023			**Book value 31 Dec 2022**		
	Hedging instrument	**Hedging object**	**Ineffectivity in PL**	**Hedging instrument**	**Hedging object**	**Ineffectivity in PL**
Recorded amount Assets	744			294		
Recorded amount Liabilities	1,630	29,624		2,368	35,868	
Accumulated value changes ending balance	-1,259	-1,251		-2,185	-2,233	
Accumulated value changes opening balance	-2,155	-2,145		-30	-88	
Change in fair value	**896**	**894**	**2**	**-2,155**	**-2,145**	**-10**
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	-	14,985	- 14,985
EURIBOR 6M	-	293	- 293
OIBOR 3M	-	19,254	- 19,254
Total	**-**	**34,532**	**- 34,532**

Note 30 - Shares, units and other equity interest

Parent bank			Group	
31 Dec 2022	**31 Dec 2023**	**Shares and units (NOK million)**	**31 Dec 2023**	**31 Dec 2022**
210	**454**	**At fair value through profit or loss**	**985**	**710**
140	363	Listed	363	140
70	92	Unlisted	623	571
210	**454**	**Total shares and units**	**985**	**710**
		Subordinated bond		
123	220	Listed	96	123
85	56	Unlisted	56	7
207	**276**	**Total subordinated bond**	**152**	**130**
		Business held for sale - of which shares		
98	98	Unlisted	112	1,919
98	**98**	**Total shares held for sale (see note 39)**	**112**	**1,919**
263	583	Total listed companies	459	263
252	246	Total unlisted companies	791	2,496

Specification of Parent Bank

Listed companies	Org.no	Stake over 10 %	Our holding (no.)	Acquisition cost (NOK 1000)	Market value/book value (NOK 1000)
Visa Inc. C-aksjer			63,536	6,750	167,566
Total quoted shares				**6,750**	**167,566**
SpareBank 1 Nordmøre	937899408		69,423	7,455	8,678
Total quoted credit institutions				**7,455**	**8,678**
DNB Global Treasury	880109162		118,592	112,276	107,729
Holberg OMF	997454790		649,728	64,491	68,143
DNB European Covered Bonds	880109162		15,180	12,585	10,613
Total quoted securities				**189,352**	**186,486**
Unlisted companies					
Eksportfinans	816521432		2,153	16,651	39,975
VN Norge AS - billion shares	821083052		28,688,772	37,338	20,125
Visa C preference shares			1,298	2,607	10,932
Eiendomskreditt AS	979391285		44,000	4,502	9,329
Sparebank 1 Bank og Regnskap AS	917143501		308	2,487	3,388
Runde Miljøbygg AS	989736027		40,000	2,500	2,500
Misc companies				2,955	5,302
Total unquoted shares and units				**69,040**	**91,550**
SpareBank 1 Finans Midt-Norge	938521549			124,300	124,310
Sparebanken Sogn og Fjordane	946670081			14,624	14,695
Flekkefjord Sparebank	937894627			12,153	12,239
Sparebanken Øst	937888937			9,632	9,656
SpareBank 1 Sørøst-Norge	944521836			8,572	8,585
SpareBank 1 Nord-Norge	952706365			7,400	7,433
Hegra Sparebank	937903235			5,683	5,690
Aurskog Sparebank	937885644			5,003	5,025
DNB Bank	984851006			4,168	4,205
Sparebanken Sør	937894538			4,010	4,018
SpareBank 1 SR-Bank	937895321			4,012	4,017
Other				20,173	20,227
Total quoted subordinated bonds				**219,730**	**220,098**
SpareBank 1 Gruppen	975966372			48,750	48,088
DNB Bank	984851006			8,033	8,117
Total unquoted subordinated bonds				**56,783**	**56,205**
Total shares, units and equity capital certificates, parent bank				**549,110**	**730,584**

Specification of Group

Unlisted companies	Org.no	Stake over 10 %	Our holding (no.)	Acquisition cost (NOK 1000)	Market value/book value (NOK 1000)
SIGNORD AS (Tidligere Viking Venture III)	992229667	16.8 %	955,039	34,745	240,736
Salvesen & Thams AS	999104428		27,564	45,733	141,514
Crayo Nano AS	998682525		1,689,279	20,266	19,427
Sintef Venture V	920749984		9,000	16,636	19,111
Proventure Seed III AS	924111895		18,600,001	15,810	17,298
Sonoclear AS (prev BrainImage AS)	917956146	12.4 %	1,517,982	7,988	15,180
Sintef Venture IV	912844889		18,101	11,653	13,840
Novelda AS	987361719		19,980	7,163	11,548
Signord Klasse E	992229667		46,476	4,704	9,292
Proventure Seed II AS	913391136		16,076,187	11,688	8,681
Vectron Biosolutions AS	992779837		220,000	6,000	6,140
Novela Kapital AS	922061017		624,000	6,240	4,430
Sintef Venture IV B	927177021		15,000	3,705	3,603
Other companies				36,882	20,190
Total unquoted shares and units				**229,215**	**530,990**
Elimination of subordinated bond SpareBank 1 Finans Midt-Norge				-124,300	-124,310
Total shares, units and equity capital certificates, Group				**654,025**	**1,137,264**

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.

2023

Parent Bank				Group		
Other intangible assets	**Goodwill**	**Total**	**(NOK million)**	**Total**	**Goodwill**	**Other intangible assets**
38	447	485	Cost of acquisition at 1 January	796	680	116
12	-	12	Additions	176	31	145
133	219	352	Additions as a result of business combinations*	219	219	0
-1	-	-1	Disposals	-1	-	-1
-	-	-	Disposal subsidiary**	183	183	-
182	665	847	Cost of acquisition at 31 December	1,373	1,113	260
18	-	18	Accumulated depreciation and write-downs as at 1 January	125	34	91
18	-	18	Current period's depreciation	20	-	20
-1	-	-1	Disposals	-1	-	-1
35	-	35	Accumulated depreciation and write-down as at 31 December	144	34	110
147	**665**	**812**	**Book value as at 31 December**	**1,229**	**1,079**	**150**

* Additions as a result of business combinations shows the effect of the merger with SpareBank 1 Søre Sunnmøre

** As from fourth quarter 2022 the subsidiary SpareBank 1 Markets have been reclassified to investment held for sale. The effect has been presented as disposals.

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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	Addition	36	21	16
-	-	-	Disposal subsidiary*	-258	-183	-74
38	447	485	Cost of acquisition at 31 December	795	680	116
13	-	13	Accumulated depreciation and write-downs as at 1 January	164	34	130
5	-	5	Current period's depreciation	7	-	7
-	-	-	Disposal 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**	**670**	**646**	**25**

*As from fourth quarter 2002 the subsidiary SpareBank 1 Markets have been reclassified to investment held for sale. The effect has been presented as disposals.

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.

2023

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**
122	160	282	Cost of acquisition at 1 January	563	243	320
23	23	46	Additions	50	25	25
65	21	86	Additions as a result of business combinations*	87	21	65
-10	-18	-28	Disposals	-28	-18	-10
200	186	386	Cost of acquisition at 31 December	672	272	400
73	92	165	Accumulated depreciation and write-downs as at 1 January	331	162	170
31	19	50	Accumulated depreciations as a result of business combinations*	50	19	31
12	19	31	Current period's depreciation	41	22	19
-1	-	-1	Current period's write-down	-1	-	-1
-9	-17	-26	Disposals	-26	-17	-9
107	113	219	Accumulated depreciation and write-down as at 31 December	396	186	210
93	**74**	**167**	**Book value as at 31 December**	**276**	**86**	**190**

* Additions as a result of business combinations shows the effect of the fusion with Sparebank1 Søre Sunnmøre

2022

Parent Bank: Buildings and other real property	Parent Bank: Machinery, inventory and vehicles	Parent Bank: Total	(NOK million)	Group: Total	Group: Machinery, inventory and vehicles	Group: Buildings and other real property
104	133	237	Cost of acquisition at 1 January	546	236	310
26	30	56	Additions	60	34	26
-8	-3	-11	Disposals	-12	-3	-9
-	-	-	Disposals Subsidiaries*	-31	-24	-7
122	160	282	Cost of acquisition at 31 December	563	243	320
73	79	152	Accumulated depreciation and write-downs as at 1 January	334	163	170
8	15	23	Current period's depreciation	34	19	15
-8	-2	-10	Disposals	-10	-2	-9
-	-	-	Disposals Subsidiaries*	-26	-20	-7
73	92	165	Accumulated depreciation and write-down as at 31 December	332	162	170
49	**68**	**117**	**Book value as at 31 December**	**232**	**81**	**150**

* As from fourth quarter 2002 the subsidiary SpareBank 1 Markets have been reclassified to investment held for sale. The effect has been presented as disposals.

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 2023 is NOK 138 million (NOK 107 million). 29 milion is due to the effect of the fusion with SpareBank 1 Søre Sunnmøre.

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 2023.

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 2023.

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	
2022	**2023**	**Right-of-use assets**	**2023**	**2022**
398	417	Acquisition cost 1 January	627	568
14	57	Addition of right-of-use assets	136	54
0	0	Disposals	-17	2
4	33	Transfers and reclassifications	40	5
417	507	Acquisition cost 31 December	786	629
146	194	Accumulated depreciation and impairment 1 January	307	214
49	61	Depreciation	92	90
0	0	Disposals	-3	0
194	256	Accumulated depreciation and impairment 31 December	396	304
223	**251**	**Carrying amount of right-of-use assets 31 December**	**390**	**325**

Lease liabilities

Parent Bank			Group	
2022	**2023**	**Undiscounted lease liabilities and maturity of cash outflows**	**2023**	**2022**
58	41	Less than 1 year	77	88
49	39	1-2 years	70	75
47	38	2-3 years	60	69
44	35	3-4 years	53	59
40	31	4-5 years	51	56
182	124	More than 5 years	289	290
421	**308**	**Total undiscounted lease liabilities at 31 December**	**531**	**604**

2022	2023	Summary of the lease liabilities	2023	2022
262	233	At initial application 01 January	336	368
18	84	New lease liabilities recognised in the year	123	58
-48	-56	Cash payments for the principal portion of the lease liability	-83	-87
-7	-9	Cash payments for the interest portion of the lease liability	-12	-9
7	9	Interest expense on lease liabilities	12	9
0	0	Other changes	28	1
233	**260**	**Total lease liabilities at 31 December**	**403**	**339**
50	54	Current lease liabilities (note 37)	59	56
183	207	Non-current lease liabilities (note 37)	344	282
-48	-56	Total cash outflows for leases	-97	-96

2022	2023	Summary of other lease expenses recognised in profit or loss	2023	2022
17	14	Variable lease payments expensed in the period	17	20
2	1	Operating expenses in the period related to short-term leases (including short-term low value assets)	5	5
0	0	Operating expenses in the period related to low value assets (excluding short-term leases included above)	0	0
19	**15**	**Total lease expenses included in other operating expenses**	**23**	**25**

Note 34 - Other assets

Parent Bank			Group	
31 Dec 2022	**31 Dec 2023**	(NOK million)	**31 Dec 2023**	**31 Dec 2022**
-	-	Deferred tax asset	6	5
117	167	Fixed assets	276	232
223	251	Right to use assets	390	325
87	136	Earned income not yet received	153	104
262	66	Accounts receivable, securities	66	262
240	221	Pensions	221	240
1,164	479	Other assets	737	1,387
2,092	**1,321**	**Total other assets**	**1,849**	**2,555**

Note 35 - Deposits from and liabilities to customers

Accounting Policy

Customer deposits are recognised at amortised cost

Parent Bank			Group	
31 Dec 2022	**31 Dec 2023**	**Deposits from and liabilities to customers (NOKm)**	**31 Dec 2023**	**31 Dec 2022**
88,068	87,652	Deposits from and liabilities to customers without agreed maturity	87,081	87,380
34,632	45,810	Deposits from and liabilities to customers with agreed maturity	45,808	34,630
122,699	**133,462**	**Total deposits from and liabilities to customers**	**132,888**	**122,010**
1.3 %	2.9 %	Average interest rate	2.9 %	1.3 %

Fixed interest deposits account for 7.1 per cent (4.0 per cent) of total deposits.

31 Dec 2022	31 Dec 2023	Deposits specified by sector and industry	31 Dec 2023	31 Dec 2022
48,316	57,874	Wage earners	57,874	48,316
21,690	19,437	Public administration	19,437	21,690
2,159	2,460	Agriculture and forestry	2,460	2,159
1,366	1,588	Fisheries and hunting	1,588	1,366
644	1,157	Sea farming industries	1,157	644
2,881	2,671	Manufacturing	2,671	2,881
5,534	5,251	Construction, power and water supply	5,251	5,534
6,065	5,996	Retail trade, hotels and restaurants	5,996	6,065
1,198	1,132	Maritime sector	1,132	1,198
5,645	5,867	Property management	5,787	5,577
13,036	13,413	Business services	13,413	13,036
9,364	11,164	Transport and other services provision	10,698	8,856
4,800	5,452	Other sectors	5,425	4,687
122,699	**133,462**	**Total deposits from customers broken down by sector and industry**	**132,888**	**122,010**

31 Dec 2022	31 Dec 2023	Deposits specified by geographic area	31 Dec 2023	31 Dec 2022
77,655	79,421	Trøndelag	78,847	77,047
19,425	26,081	Møre og Romsdal	26,081	19,425
1,894	1,336	Nordland	1,336	1,894
9,431	11,431	Oslo	11,431	9,349
11,621	12,561	Other counties	12,561	11,621
2,673	2,633	Abroad	2,633	2,673
122,699	**133,462**	**Total deposits broken down by geographic area**	**132,888**	**122,010**

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 2022	**31 Dec 2023**	**(NOK million)**	**31 Dec 2023**	**31 Dec 2022**
40,392	33,417	Bond debt	33,417	40,392
7,082	12,412	Senior non preferred	12,412	7,082
47,474	**45,830**	**Total debt securities in issue**	**45,830**	**47,474**
1.3 %	2.1 %	Average interest, bond debt	2.1 %	1.3 %
2.7 %	4.5 %	Average interest, senior non preferred	4.5 %	2.7 %

31 Dec 2022	31 Dec 2023	Securities debt specified by maturity [1)]	31 Dec 2023	31 Dec 2022
8,807	-	2023	-	8,807
4,497	3,438	2024	3,438	4,497
9,080	9,648	2025	9,648	9,080
9,512	11,520	2026	11,520	9,512
6,424	8,068	2027	8,068	6,424
9,649	10,722	2028	10,722	9,649
505	2,513	2029	2,513	505
105	113	2030	113	105
316	338	2031	338	316
263	281	2032	281	263
316	338	2033	338	316
158	169	2034	169	158
-93	-134	Currency agio	-134	-93
-2,344	-1,490	Premium and discount, market value of structured bonds	-1,490	-2,344
280	306	Accrued interest	306	280
47,474	**45,830**	**Total securities debt**	**45,830**	**47,474**

[1)] Maturity is final maturity, not call date

31 Dec 2022	31 Dec 2023	Securities debt distributed on significant currencies	31 Dec 2023	31 Dec 2022
21,554	24,231	NOK	24,231	21,554
22,255	18,784	EUR	18,784	22,255
3,665	2,814	Other	2,814	3,665
47,474	**45,830**	**Total securities debt**	**45,830**	**47,474**

Parent Bank and Group

Change in securities debt	**31 Dec 2023**	**Issued**	**Fallen due/ redeemed**	**Other changes**	**31 Dec 2022**
Bond debt	34,767	-	10,291	2,526	42,532
Senior non preferred	12,344	5,280	-	-36	7,100
Adjustments	-1,588	-	-	850	-2,438
Accrued interest	306	-	-	26	280
Total	**45,830**	**5,280**	**10,291**	**3,366**	**47,474**

Change in securities debt	**31 Dec 2022**	**Issued**	**Fallen due/ redeemed**	**Other changes**	**31 Dec 2021**
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**

Note 37 - Other debt and liabilities

Parent Bank			Group	
31 Dec 22	31 Dec 23	Other debt and recognised liabilities (NOK million)	31 Dec 23	31 Dec 22
72	178	Deferred tax	236	127
611	793	Payable tax	880	705
13	22	Capital tax	22	13
97	140	Accruals	442	388
427	533	Provisions	533	427
66	52	Loss provision guarantees	52	66
6	9	Pension liabilities	9	6
233	260	Lease liabilities	403	339
97	9	Drawing debt	9	97
73	132	Creditors	191	116
176	-15	Debt from securities	-15	176
196	148	Other	243	265
2,067	**2,262**	**Total other debt and recognised liabilities**	**3,005**	**2,725**
		Other liabilities, not recognised		
4,461	5,354	Credit limits, trading	5,354	4,461
-	-	Other commitments	50	44
4,461	**5,354**	**Total other commitments**	**5,404**	**4,505**
6,529	**7,616**	**Total commitments**	**8,410**	**7,230**

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.

Parent Bank				Group		
Cash deposit	Securities	Total	Securities pledged	Total	Securities	Cash deposit
1,268	-	1,268	Securities pledged 31 December 2023	1,268	-	1,268
1,685	-	1,685	Relevant liabilities 31 December 2023	1,685	-	1,685
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

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 has a case concerning embezzlement for the period December 2022 to January 2023, and we will follow up claims with a basis on this case. Furthermore, a case where SpareBank 1 SMN is indirectly in dispute with Tieto Evry regarding remuneration for deliveries is currently unclear, as the appeal period follow the district court's decision in Tieto Evry's disfavor has not expired. No loss provision has been made as at 31 December 2023.

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 2023	6	1	425
Additional provisions in the period	-	-	230
Amounts used in the period	-3	0	-198
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	0	-	-
Provisions at 31 December 2023	**4**	**2**	**456**

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	-1	-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	-1	-	-
Provisions at 31 December 2022	**6**	**1**	**425**

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 2022	**31 Dec 2023**	(NOKm)	**31 Dec 2023**	**31 Dec 2022**
		Dated subordinated debt		
-	-	2026 SpareBank 1 Finans Midt-Norge 23/34	76	43
250	-	2028 floating rate NOK (Call 2023)	-	250
500	-	2028 floating rate NOK (Call 2023)	-	500
250	250	2029 floating rate NOK (Call 2024)	250	250
-	150	2029 floating rate NOK (Call 2024)	150	-
1,000	1,000	2032 floating rate NOK (Call 2024)	1,000	1,000
-	750	2033 floating rate NOK (Call 2024)	750	-
15	19	Accrued interest	21	16
2,015	**2,169**	**Total dated subordniated debt**	**2,247**	**2,058**
3.2 %	5.8 %	Average rate NOK	5.8 %	3.2 %
		Additional Tier 1 Capital		
-	-	5/99 SpareBank 1 Finans Midt-Norge floating rate NOK (Call 2023)	103	43
76	-	5/99 floating rate NOK (Call 2023)	-	76
300	-	5/99 floating rate NOK (Call 2023)	-	300
200	-	5/99 floating rate NOK (Call 2023)	-	200
250	250	5/99 floating rate NOK (Call 2024)	250	250
500	500	5/99 floating rate NOK (Call 2024)	500	500
-	50	5/99 floating rate NOK (Call 2024)	50	-
-	300	5/99 floating rate NOK (Call 2024)	300	-
-	150	5/99 floating rate NOK (Call 2024)	150	-
200	200	7/99 fixed rate 5.0% NOK (Call 2025)*	200	200
200	200	7/99 fixed rate 7.12% NOK (Call 2027)*	200	200
-	150	7/99 fixed rate 7.04% NOK (Call 2029)*	150	-
1,726	**1,800**	**Total additional Tier 1 Capital**	**1,903**	**1,769**
4.6 %	7.4 %	Average rate NOK	7.4 %	4.6 %

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

Group

Changes in subordinated debt and hybrid equity issue	31 Dec 2023	Issued	Fallen due/ redeemed	Other changes	31 Dec 2022
Ordinary subordinated debt, NOK	2,226	934	750	-	2,043
Accrued interest	21	-	-	5	16
Total subordinated debt and hybrid equity issue	**2,247**	**934**	**750**	**5**	**2,058**

Changes in additional Tier 1 Capital	31 Dec 2023	Issued	Fallen due/ redeemed	Other changes	31 Dec 2022
Additional Tier 1 Capital, NOK	1,903	711	576	-	1,769
Total subordinated debt and hybrid equity issue	**1,903**	**711**	**576**	**-**	**1,769**

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	-	-	-	16
Total subordinated debt and hybrid equity issue	**2,058**	**1,000**	**750**	**-**	**1,808**

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**

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.

Subsidiaries, associates, joint ventures and companies held for sale

Company	Company number	Registered office	Stake in per cent
Investment in significant subsidiaries			
EiendomsMegler 1 Midt-Norge	936159419	Trondheim	92.4
SpareBank 1 Regnskapshuset SMN	936285066	Trondheim	93.3
SpareBank 1 Invest	990961867	Trondheim	100.0
SpareBank 1 Finans Midt-Norge	938521549	Trondheim	56.5
SpareBank 1 SMN Kvartalet	990283443	Trondheim	100.0
SpareBank 1 Bygget Steinkjer	934352718	Trondheim	100.0
St. Olavs Plass	999263380	Trondheim	100.0
SpareBank 1 Bilplan	979945108	Trondheim	100.0
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	35.0
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
Kvidal Regnskap AS	993787663	Børsa	100.0
Brattberg Regnskap AS	977203058	Overhalla	100.0
Askus AS	965056238	Lillehammer	100.0
Askus Nord AS	931931008	Hammerfest	100.0
Askus Nord 2 AS	932681266	Lillehammer	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	23.9
BN Bank	914864445	Trondheim	35.0
SpareBank 1 Næringskreditt	894111232	Stavanger	14.8
SpareBank 1 Kreditt	975966453	Trondheim	19.2
SpareBank 1 Betaling	919116749	Oslo	21.9
SpareBank 1 Gjeldsinformasjon	924911719	Oslo	18.9
SpareBank 1 Forvaltning	925239690	Oslo	21.5
SpareBank 1 Markets	992999101	Oslo	39.9
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

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.

2023 (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	1,200,000	57,015	21.0	12,636	10,987	1,648	618	404	380	24	28	792
Total investments in credit institutions												**792**
EiendomsMegler 1 Midt-Norge	105,960	4,788	22	409	166	32	18	435	403	32	3	201
SpareBank 1 SMN Kvartalet	30,200	30,200	1	110	18	10	-	25	15	10	-	126
SpareBank 1 Regnskapshuset SMN	20,349	211	96	708	260	84	30	633	549	84	7	331
SpareBank 1 Invest	457,280	914,560	1	811	24	66	-	69	3	66	-	540
SpareBank 1 Bygget Steinkjer	1,000	100	10	37	1	1	-	0	- 1	1	-	40
St. Olavs Plass	1,000	100,000	0	53	2	0	-	4	4	0	-	50
SpareBank 1 Bilplan	5,769	41,206	0	8	0	- 0	-	0	0	- 0	-	9
Total investments in other subsidiaries												**1,298**
Total investments in Group companies, Parent Bank												**2,090**

*) Non-controlling interests

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

Dividends from subsidiaries

(NOK million)	2023	2022
SpareBank 1 Finans Midt-Norge	78	102
EiendomsMegler 1 Midt-Norge	40	49
SpareBank 1 Markets	108	139
SpareBank 1 Regnskapshuset SMN	70	57
SpareBank 1 SMN Invest	-	-
SpareBank 1 SMN Kvartalet	4	3
St. Olavs Plass 1 SMN	1	-
Sparebank 1 Bygget Steinkjer	1	1
Total dividends	**302**	**350**

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	
2022	**2023**	**(NOK million)**	**2023**	**2022**
4,590	5,063	As at 1 January	8,075	7,384
473	916	Acquisition/sale	760	487
0	-20	Write-down	-23	0
-	312	Equity capital changes	-22	59
-	-	Profit share	297	442
-	-	Dividend paid	-391	-297
5,063	**6,270**	**Book value as at 31 December**	**8,695**	**8,075**

Specification of year's change, Group	Additions/ disposal	Equtiy change
SpareBank 1 Gruppen	-	-150
SpareBank 1 Boligkreditt	-28	44
SpareBank 1 Næringskreditt	-61	30
SpareBank 1 Kreditt	64	19
Sparebank 1 Betaling	-	53
BN Bank	-	-1
SpareBank 1 Forvaltning	70	11
Sparebank 1 Markets	707	-
Other companies	8	-27
Sum	**760**	**-22**

Dividends from investments in associates and joint ventures

(NOK million)	2023	2022
SpareBank 1 Gruppen	287	137
SpareBank 1 Boligkreditt	-	16
BN Bank	70	70
SpareBank 1 Næringskreditt	3	1
SpareBank 1 Forvaltning	31	72
Total dividend from associates and joint ventures	**391**	**297**

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.

2023 (NOK million)	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12	No. of shares
SpareBank 1 Gruppen	132,113	119,812	17,648	17,402	-34	1,737	420,498
SpareBank 1 Boligkreditt	320,465	307,788	680	201	98	2,809	18,595,136
SpareBank 1 Næringskreditt	10,634	8,547	111	54	10	309	2,402,572
SpareBank 1 Kreditt	9,746	7,903	493	562	-13	354	975,378
Sparebank 1 Betaling	1,256	0	-	2	-37	275	6,849,205
BN Bank	47,961	41,933	1,347	583	257	1,997	4,943,072
SpareBank 1 Forvaltning	1,718	570	890	722	35	247	985,722
Other companies					-18	242	
Total					**297**	**7,970**	

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**	

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.

2023 (NOK Million)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV Group	80	26	15	15	1	100 %
Total Held for sale	**80**	**26**	**15**	**15**	**1**	

2022 (NOK Million)	Assets	Liabilities	Revenue	Exspenses	Profit	Ownership
Mavi XV 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**	

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 2023 acquired Askus AS, Kvidal Regnskap AS and Brattberg Regnskap AS. The companies will be merged and fully integrated into SpareBank 1 Regnskapshuset SMN AS in 2024. Lom Regnskap AS, Regnskapsforum AS and Info-Regnskap AS has been integrated into SpareBank 1 Regnskapshuset SMN AS in 2023.

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.

Merger with SpareBank 1 Søre Sunnmøre on May 2nd 2023
The merger of SpareBank 1 Søre Sunnmøre and SpareBank 1 SMN was carried out on 2 May 2023 with accounting effect from the same date. SpareBank 1 SMN is the acquiring entity and the merger is accounted for using the acquisition method of accounting in accordance with IFRS 3.

On 20 June 2022 the boards of directors of the two banks entered into an agreement of intent on a merger between SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre. The rationale for the merger was the banks' joint desire to create a larger and more dynamic bank, increasingly attractive to customers, investors and shareholders, employees and local communities in the region.

The overarching goal of the merged bank is to take its place as the leading banking player in Sunnmøre and in Fjordane. A merged bank makes for greater competitive power, an enhanced presence and increased attractiveness to customers, employees, investors and shareholders alike.

The merger plan was approved by the boards of both banks on 3 October 2022, and was finally approved by the respective general meetings of the banks on 9 November 2022. The requisite authorisations were received from Finanstilsynet on 17 March 2023 and the merger completion date was set at 2 May 2023.

In the final merger plan the conversion ratio was set at 93.4 per cent for SpareBank 1 SMN and 6.6 per cent for SpareBank 1 Søre Sunnmøre.

Payment for acquisition of the business activity of SpareBank 1 Søre Sunnmøre will be in the form of new equity certificates (ECs) in SpareBank 1 SMN.

In connection with the merger, the equity certificate capital is raised by NOK 288 million through the issuance of 14,379,147 new equity certificates of which 1,407,923 ECs go to previous EC holders in SpareBank 1 Søre Sunnmøre and 12,971,224 ECs go to the foundation Sparebankstiftinga Søre Sunnmøre. This entails the conversion of one SpareBank 1 Søre Sunnmøre EC for every 1.4079 SpareBank 1 SMN ECs.

These equity certificates are issued at a nominal value of NOK 20 per EC and a subscription price of NOK 103.36 per EC, corresponding to the latest calculated book value per EC on 30 April 2023. After the issuance of new equity certificates the total issued EC capital will amount to 2,884,311,800 distributed on 144,215,590 ECs with a nominal value of NOK 20 per EC.

The fair value of the 14,379,147 ECs issued as payment to EC holders in SpareBank 1 Søre Sunnmøre and the foundation Sparebankstiftinga Søre Sunnmøre is NOK 137.10 per EC, corresponding to the latest market price quoted on 2 May 2023 for SpareBank 1 SMN's EC. The difference between the fair value of the payment made to SpareBank 1 Søre Sunnmøre's EC holders prior to the merger and their share of net equity capital for the purposes of the acquisition analysis constitutes goodwill, and is recognised in the balance sheet on the completion date in accordance with IFRS 3.

The table below shows the merger payment, the fair value of assets and liabilities from SpareBank 1 Søre Sunnmøre and the calculation of goodwill as at 2 May 2023 (merger completion date).

Merger payment	Number	Price (NOK)	Payment (NOKm)
Issued EC capital - SpareBank 1 Søre Sunnmøre	1,407,923	103	146
Issued EC capital - Sparebankstiftinga Søre Sunnmøre	12,971,224	103	1,341
Total payment	**14,379,147**		**1,486**

Fair value of identifiable assets and liabilities	Book value 30 April 2023	Excess Values	Fair value 2 May 2023
(NOKm)			
Cash and receivables from central banks	35	-	35
Deposits with and loans to credit institutions	1,602	-	1,602
Net loans to and receivables from customers	10,345	20	10,365
Fixed-income CDs and bonds	206	-	206
Shares, units and other equity interests	566	23	589
Investment in related companies	163	107	270
Deferred tax asset	2	-	2
Fixed assets	48	15	63
Other assets	43	-	43
Intangible assets (customer relationship)	-	133	133
Total assets	**13,009**	**299**	**13,307**
Deposits from credit institutions	9	-	9
Deposits from and debt to customers	9,994	-	9,994
Debt created by issue of securities	1,240	-	1,240
Deferred tax	-	42	42
Other liabilities	52	-	52
Provision for accrued expenses and commitments	19	-	19
Subordinated loan capital	150	-	150
Total liabilities	**11,463**	**42**	**11,505**
Additional Tier 1 Capital	50		50
Net assets	**1,496**		**1,753**
Goodwill			219
Calculated equity capital based on the latest market price quoted on 2 May 2023 NOK 137.10, and a conversion ratio set at 93.4 per cent for SpareBank 1 SMN and 6.6 per cent for SpareBank 1 Søre sunnmøre			**1,971**

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 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)	**2023**	**2022**	**2023**	**2022**
Outstanding loans as at 1.1	10,350	8,670	4,526	4,622
Loans issued in the period	207	1,703	-4,577	332
Repayments	-2	23	-776	332
Outstanding loans as at 31.12	**10,559**	**10,350**	**725**	**4,622**
Interest rate income	518	235	23	48
Bonds and subordinated loans as at 31.12	226	155	1,018	945
Deposits (NOK million)				
Deposits as at 1.1	1,263	1,426	1,831	2,037
Contribution received during the period	27,411	52,956	344,438	78,579
Withdrawals	27,634	52,340	344,966	78,694
Deposits as at 31.12	**1,040**	**2,042**	**1,303**	**1,923**
Interest rate expenses	45	22	60	21
Securities trading	203	134	-	-
Commission income SpareBank 1 Boligkreditt	-	-	154	255
Commission income SpareBank 1 Næringskreditt	-	-	16	16
Issued guarantees and amount guaranteed	-	6	26	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 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 2,884,311,800 distributed on 144,215,590 equity capital certificates (ECCs), each with a face value of NOK 20. As of 31 December 2023 there was 17,348 ECC holders (17,007 as of 31 December 2022).

ECC capital has been raised by the following means:

Year	Change	Change in ECC capital (NOK)	Total ECC capital (NOK)	No. of ECCs
1991	Placing	525,000,000	525,000,000	5,250,000
1992	Placing	75,000,000	600,000,000	6,000,000
2000	Employee placing	5,309,900	605,309,900	6,053,099
2001	Employee placing	4,633,300	609,943,200	6,099,432
2002	Employee placing	4,862,800	614,806,000	6,148,060
2004	Bonus Issue	153,701,500	768,507,500	7,685,075
2005	Placing	217,424,200	985,931,700	9,859,317
2005	Employee placing	23,850,000	1,009,781,700	10,097,817
2005	Split	-	1,009,781,700	40,391,268
2005	Rights issue	252,445,425	1,262,227,125	50,489,085
2007	Dividend issue	81,752,950	1,343,980,075	53,752,203
2007	Employee placing	5,420,000	1,349,400,075	53,976,003
2008	Dividend issue	90,693,625	1,440,093,700	57,603,748
2008	Employee placing	6,451,450	1,446,545,150	57,861,806
2009	Bonus issue	289,309,025	1,735,854,175	69,434,167
2010	Employee placing	12,695,300	1,748,549,475	69,941,979
2010	Rights issue	624,082,675	2,372,632,150	94,905,286
2011	Rights issue	625,000	2,373,257,150	94,930,286
2012	Reduction in nominal value	-474,651,430	1,898,605,720	94,930,286
2012	Rights issue	569,543,400	2,468,149,120	123,407,456
2012	Employee placing	16,220,200	2,484,369,320	124,218,466
2012	Placing	112,359,540	2,596,728,860	129,836,443
2023	Fusion	287,582,940	2,884,311,800	144,215,590

20 largest ECC holders at 31 December 2023	No. Of ECCs	Holding
Sparebankstiftinga Søre Sunnmøre	12,971,224	8.99 %
Sparebankstiftelsen SMN	5,463,847	3.79 %
Kommunal Landspensjonskasse Gjensidige	4,222,118	2.93 %
Pareto Aksje Norge VPF	3,870,618	2.68 %
State Street Bank and Trust Company	3,421,466	2.37 %
Pareto Invest Norge AS	2,938,362	2.04 %
VPF Eika Egenkapitalbevis	2,743,094	1.90 %
JP Morgan Chase Bank, N.A., London	2,651,780	1.84 %
Danske Invest Norske Institutt II.	2,375,940	1.65 %
The Northern Trust Company, London Br	2,232,500	1.55 %
VPF Alfred Berg Gambak	2,201,532	1.53 %
VPF Holberg Norge	2,150,000	1.49 %
State Street Bank and Trust Company	2,143,675	1.49 %
VPF Odin Norge	2,016,474	1.40 %
Forsvarets Personellservice	2,014,446	1.40 %
J.P. Morgan SE	1,870,630	1.30 %
VPF Nordea Norge Verdi	1,847,635	1.28 %
RBC Investor Services Trust	1,786,001	1.24 %
Spesialfondet Borea Utbytte	1,550,642	1.08 %
MP Pensjon PK	1,352,771	0.94 %
Sum 20 største eiere	**61,824,755**	**42.87 %**
Øvrige eiere	82,390,835	57.13 %
Utstedte egenkapitalbevis	**144,215,590**	**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)	2023	2022
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	3,489	2,592
Allocated to ECC Owners 2)	2,331	1,658
Issues Equity Captial Certificates adjusted for own certificates	138,106,331	129,316,131
Earnings per Equity Captial Certificate	**16.88**	**12.82**

1) Adjusted Net Profit	2023	2022
Net Profit for the group	3,688	2,785
adjusted for non-controlling interests share of net profit	-74	-130
Adjusted for Tier 1 capital holders share of net profit	-125	-63
Adjusted Net Profit	**3,489**	**2,592**

2) Equity capital certificate ratio (parent bank) (NOKm)	31 Dec 2023	31 Dec 2022
ECC capital	2,884	2,597
Dividend equalisation reserve	8,482	7,877
Premium reserve	2,422	895
Unrealised gains reserve	71	45
Other equity capital	-	-
A. The equity capital certificate owners' capital	**13,859**	**11,413**
Ownerless capital	6,865	6,408
Unrealised gains reserve	35	25
Other equity capital	-	-
B. The saving bank reserve	**6,900**	**6,433**
To be disbursed from gift fund	860	474
Dividend declared	1,730	840
Equity ex. profit	**23,350**	**19,161**
Equity capital certificate ratio A/(A+B)	**66.8 %**	**64.0 %**
Equity capital certificate ratio for distribution	**66.8 %**	**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.

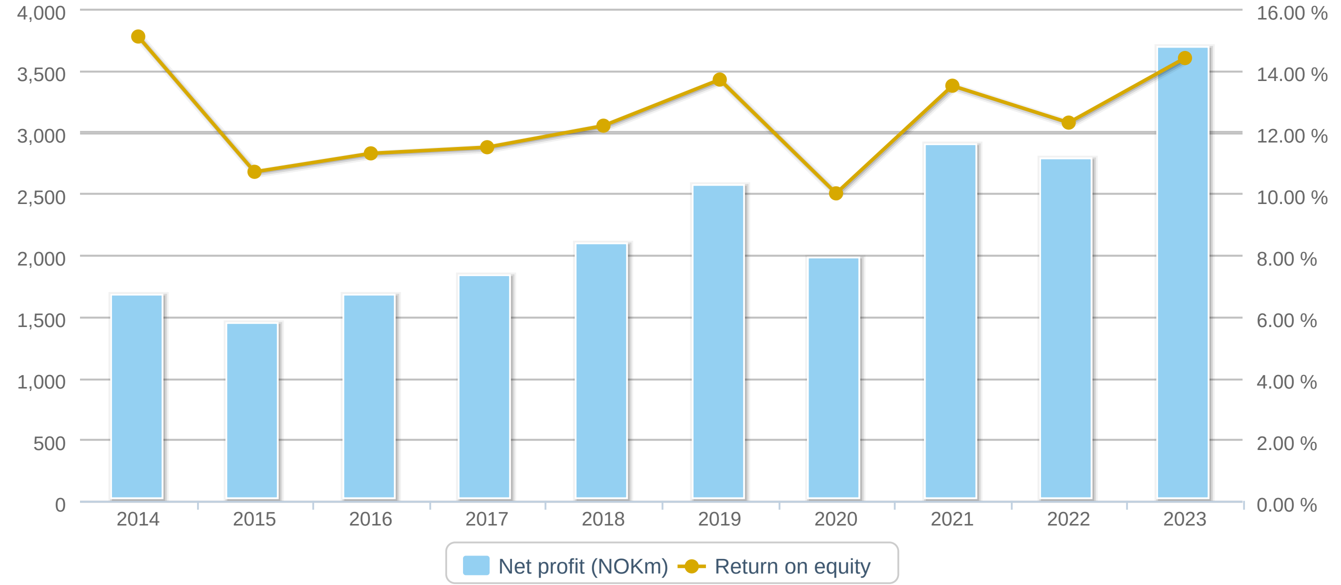
Financial summary (Group)

Income statement NOKm 1)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Interest income	11,262	5,927	6,315	4,197	4,626	4,057	3,825	3 597	4 031	4 265
Interest expenses	6,631	2,588	2,977	1,439	1,939	1,655	1,600	1 714	2 159	2 475
Net interest and credit comissionincome	**4,632**	**3,339**	**3,339**	**2,759**	**2,687**	**2,403**	**2,225**	**1 883**	**1 872**	**1 790**
Commision and fee income	2,084	2,042	2,042	2,572	2,290	2,177	2,005	1 674	1 545	1 512
Income from investment in relatedcompanies	297	442	442	681	879	423	443	423	448	527
Return on financial investements	502	-61	-61	269	322	334	317	521	11	193
Total income	**7,515**	**5,760**	**5,760**	**6,281**	**6,178**	**5,337**	**4,989**	**4 502**	**3 876**	**4 021**
Salaries, fees and otherpersonnel costs	1,691	1,406	1,406	1,883	1,699	1,584	1,426	1 159	1 093	1 002
Other operating expenses	1,326	1,038	1,038	1,069	1,098	1,040	943	844	838	787
Total costs	**3,017**	**2,443**	**2,443**	**2,952**	**2,797**	**2,624**	**2,369**	**2 003**	**1 931**	**1 789**
Operating profit before losses	**4,498**	**3,317**	**3,317**	**3,329**	**3,380**	**2,713**	**2,621**	**2 499**	**1 945**	**2 232**
Losses on loans and guarantees	14	-7	-7	951	299	263	341	516	169	89
Operating profit	**4,484**	**3,324**	**3,324**	**2,378**	**3,081**	**2,450**	**2,279**	**1 983**	**1 776**	**2 143**
Taxes	904	718	718	400	518	509	450	341	370	362
Result investment Held for sale	108	179	179	1	0	149	-1	4	- 1	0
Profit of the year	**3,688**	**2,785**	**2,785**	**1,978**	**2,563**	**2,090**	**1,828**	**1 647**	**1 406**	**1 782**
Dividend	**1,730**	**840**	**840**	**569**	**840**	**661**	**571**	**389**	**292**	**292**
Balance sheet NOKm										
Cash and loans to and claims on credit institutions	9,917	12,834	5,956	7,856	2,871	5,957	7,527	4,207	5,677	5,965
CDs, bonds and other interest-bearing securities	50,655	53,792	44,024	43,522	35,508	32,438	31,672	29,489	30,282	27,891
Loans before loss provisions	169,862	152,629	147,301	134,648	126,277	120,473	112,071	102,325	93,974	90,578
- Loan loss provisions	907	1,081	1,410	1,517	998	744	1,113	971	559	467
Other assets	3,189	5,137	2,974	3,403	3,004	2,581	3,096	3,030	2,540	2,080
Total assets	**232,717**	**223,312**	**198,845**	**187,912**	**166,662**	**160,705**	**153,254**	**138,080**	**131,914**	**126,047**
Debt to credit institutions	13,160	14,636	15,063	13,095	8,853	9,214	9,607	10,509	8,155	9,123
Deposits from and debt to customers	132,888	122,010	111,286	97,529	85,917	80,615	76,476	67,168	64,090	60,680
Debt created by issuance of securities	52,818	55,781	44,241	51,098	46,541	47,251	45,537	40,390	40,569	39,254
Other debt and accrued expences etc.	3,007	3,818	3,217	3,085	2,841	2,671	1,924	1,532	1,734	1,095
Subordinated debt	2,247	2,058	1,796	1,795	2,090	2,268	2,201	3,182	3,463	3,371
Total equity	28,597	25,009	23,241	21,310	20,420	18,686	17,510	15,299	13,904	12,524
Total liabilities and equity	**232,717**	**223,312**	**198,845**	**187,912**	**166,662**	**160,705**	**153,254**	**138,080**	**131,914**	**126,047**
Key figures										
Total assets	232,717	223,312	198,845	187,912	166,662	160,704	153,254	138,080	131,914	126,047
Average total assets	235,303	213,112	196,229	183,428	165,154	156,992	145,948	137,060	128,355	117,794
Profit as a percentage of total assets	1.6 %	1.2 %	1.4 %	1.1 %	1.5 %	1.3 %	1.2 %	1.2 %	1.1 %	1.4 %
Gross loans to customers	169,862	152,629	147,301	134,648	126,277	120,473	112,071	102,325	93,974	90,578
Gross loans to customers incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	236,329	211,244	195,353	182,801	167,777	160,317	148,784	137,535	127,378	120,435
Gross loans in retail market	159,777	141,833	132,894	124,461	115,036	108,131	98,697	89,402	80,725	74,087
Gross loans in corporate market	76,553	69,411	62,458	58,340	52,740	52,186	50,087	48,133	46,653	46,348
Deposits from and debt to customers	132,888	122,010	111,286	97,529	85,917	80,615	76,476	67,168	64,090	60,680
Deposits from retail market	57,874	48,316	44,589	40,600	35,664	33,055	31,797	29,769	28,336	26,496
Deposits from corporate market	75,015	73,693	66,697	56,928	50,253	47,561	44,678	37,398	35,754	34,184
Ordinary lending financed by ordinary deposits	78 %	80 %	76 %	72 %	68 %	67 %	68 %	66 %	68 %	67 %
Ordinary lending incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt financed by ordinary deposits	56 %	58 %	57 %	53 %	51 %	50 %	51 %	49 %	50 %	50 %

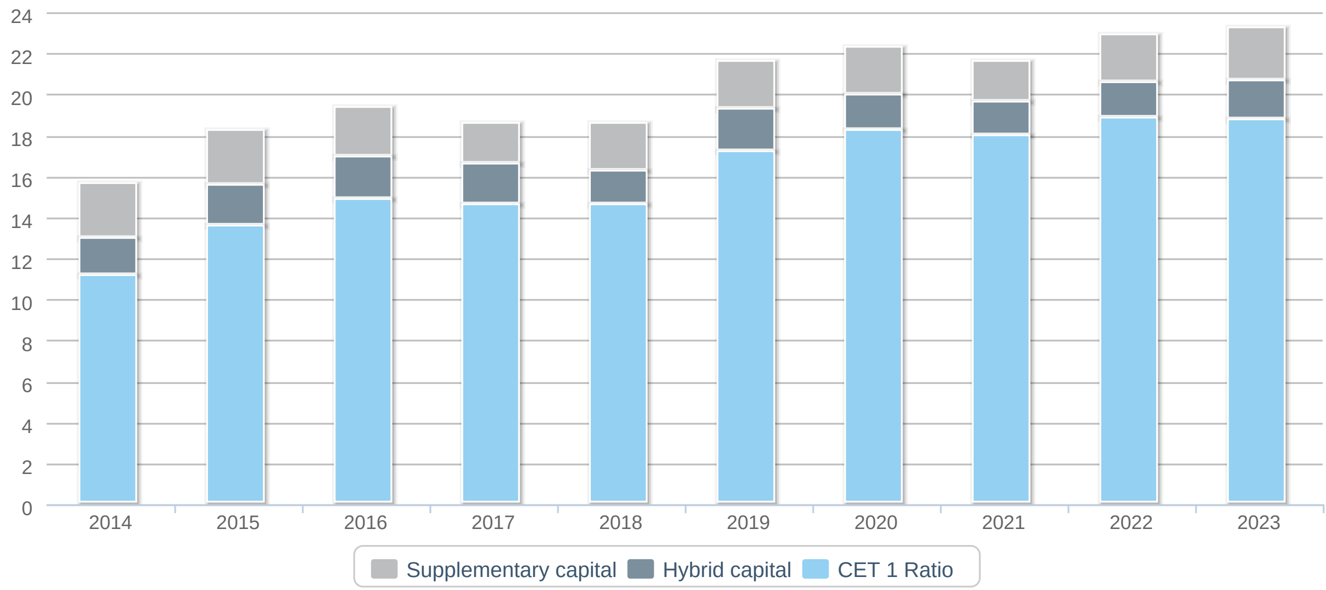
Capital adequacy										
CET 1 Capital	21,589	19,776	17,790	17,041	15,830	14,727	13,820	13,229	12,192	10,679
Core capital	23,793	21,835	19,322	18,636	17,742	16,472	15,707	15,069	13,988	12,382
Primary capital	26,399	24,147	21,333	20,759	19,854	18,743	17,629	17,185	16,378	14,937
Risk weighted volume	114,633	104,716	98,664	93,096	91,956	101,168	94,807	88,788	89,465	95,317
CET 1 Ratio	18.8 %	18.9 %	18.0 %	18.3 %	17.2 %	14.6 %	14.6 %	14.9 %	13.6 %	11.2 %
Core capital ratio	20.8 %	20.9 %	19.6 %	20.0 %	19.3 %	16.3 %	16.6 %	17.0 %	15.6 %	13.0 %
Capital ratio	23.0 %	23.1 %	21.6 %	22.3 %	21.6 %	18.5 %	18.6 %	19.4 %	18.3 %	15.7 %
Leverage ratio	7.2 %	7.1 %	6.9 %	7.1 %	7.5 %	7.4 %	7.2 %	7.4 %	6.7 %	6.0 %
Cost/income ratio	45 %	42 %	45 %	47 %	45 %	49 %	47 %	44 %	50 %	44 %
Losses on loans	0.01 %	0.00 %	0.09 %	0.54 %	0.18 %	0.17 %	0.23 %	0.39 %	0.14 %	0,08 %
ROE	14.4 %	12.3 %	13.5 %	10.0 %	13.7 %	12.2 %	11.5 %	11.3 %	10.7 %	15.1 %
Growth in lending (gross)	11.9 %	8.1 %	6.9 %	9.0 %	4.7 %	7,8 %	8.2 %	8.0 %	5.8 %	7.3 %
Growth in deposits	8.9 %	9.6 %	14.1 %	13.5 %	6.6 %	5.4 %	13.9 %	4.8 %	5.6 %	8.5 %
Number of staff [1)]	1,737	1,498	1,449	1,653	1,634	1,588	1,482	1,328	1,298	1,273
Number of FTEs [1)]	1,545	1,432	1,432	1,560	1,509	1,493	1,403	1,254	1,208	1,192
Number of branches	46	40	40	45	46	48	48	48	49	49

[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.

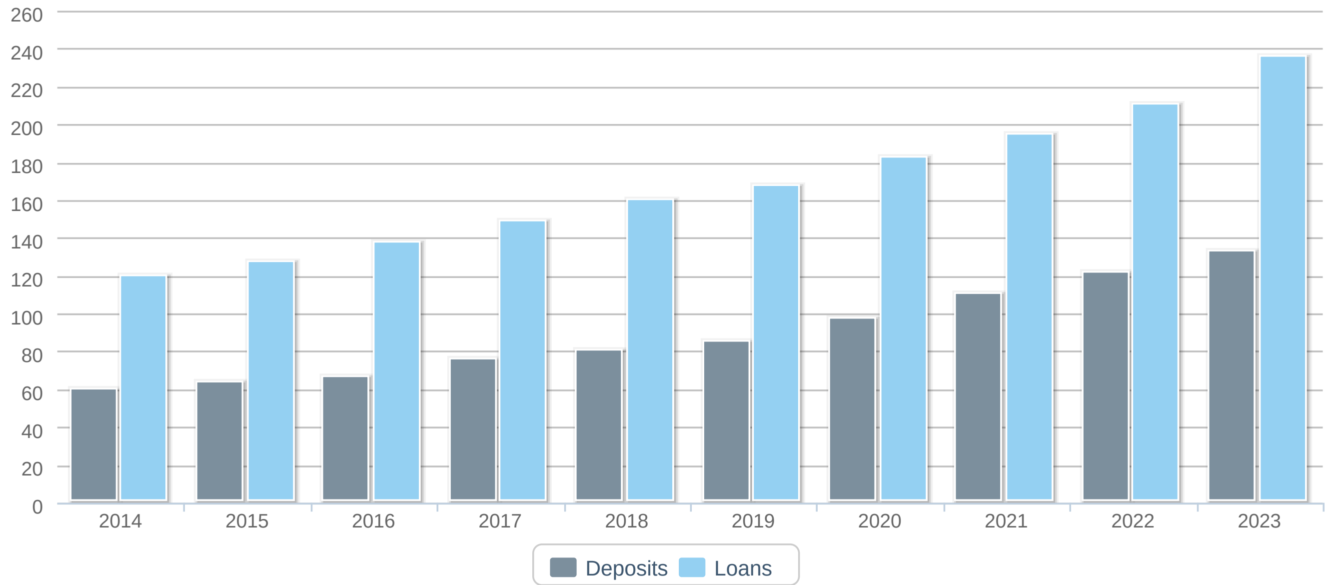
Net profit and return on equity



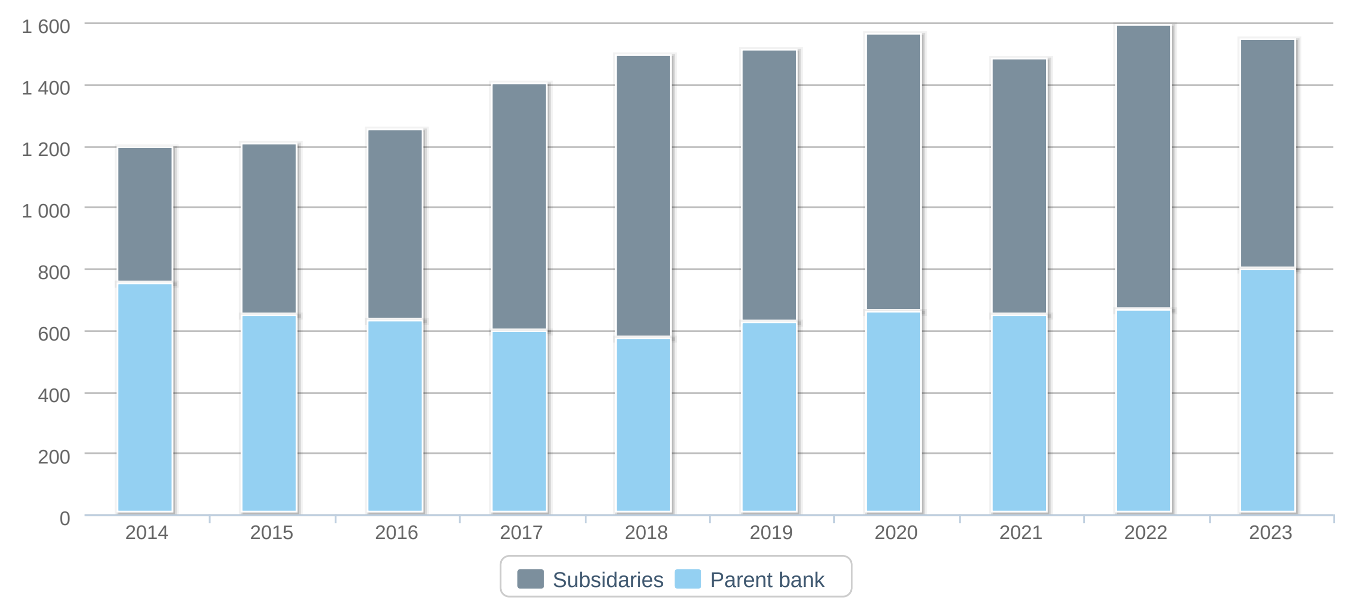
Capital ratio



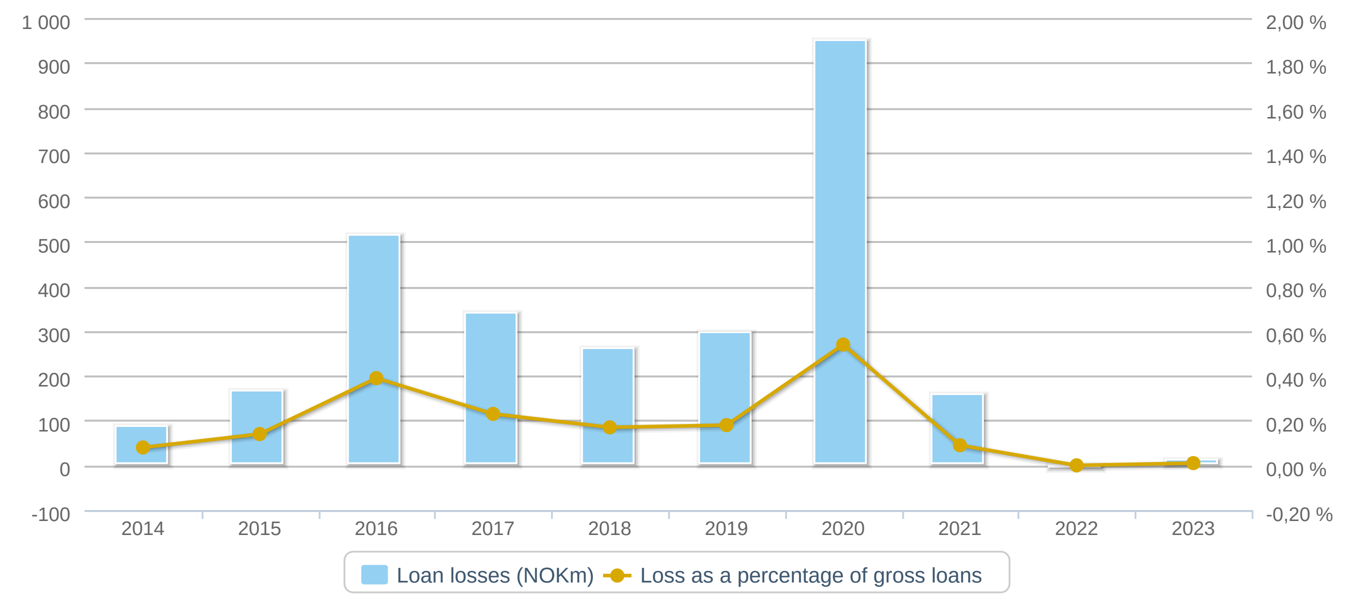
Loans and deposits (NOKbn)



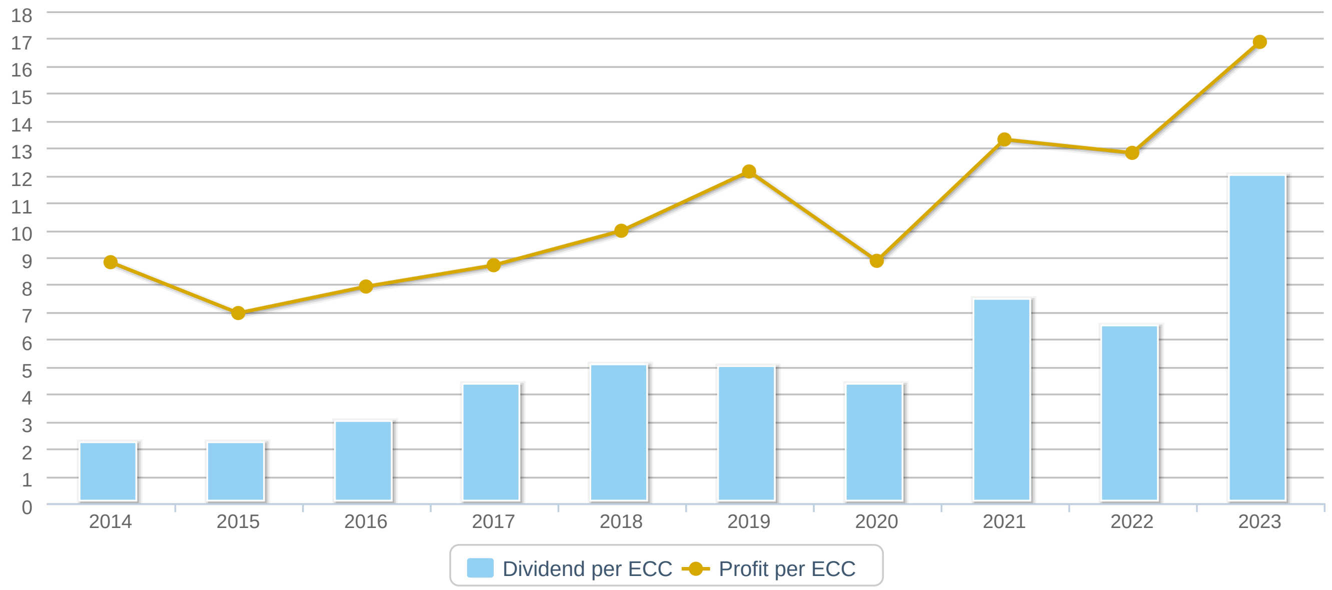
FTEs



Loan losses



Dividend and profit per ECC (NOK)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2
1
0
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
Dividend per ECC
Profit per ECC

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 2023 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, 29 February 2024
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal (chair)	Christian Stav (deputy chair)	Mette Kamsvåg
Tonje Eskeland Foss	Ingrid Finboe Svendsen	Kristian Sætre
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 2023, the income statement, other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, 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 2023, the income statement, total comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 5 years from the election by the Supervisory Board on 22 November 2018 for the accounting year 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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.

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.

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.

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. The result of the testing showed that management's assumptions in the calculation of impairment amounts were reasonable.

We have read the notes and found that the information provided was sufficient.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable 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 IFRS Accounting 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, actions taken to eliminate threats or safeguards applied.

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-2023-12-31-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, 29 February 2024
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant
Note: This translation from Norwegian has been prepared for information purposes only.

Equity capital certificate

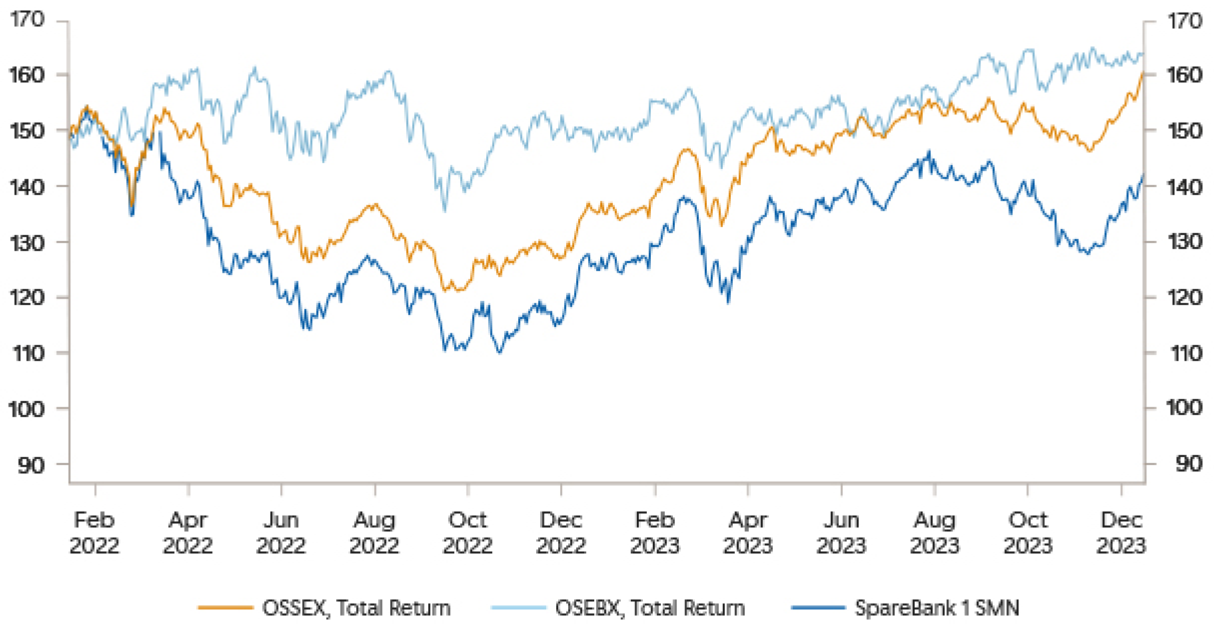
At end-2023 the market price of SpareBank 1 SMN's EC (MING) was NOK 141.80. At end-2022 it was NOK 127.40

At the end of 2023 SpareBank 1 SMN's equity certificate (EC) capital totalled NOK 2,884m distributed on 144,215.590 ECs with a nominal value of NOK 20 each. At the turn of the year the group had a treasury holding of ECs totalling 11,745 ECs.

Equity Certificates (EC)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Quoted price	141.80	127.40	149.00	97.60	100.20	84.20	82.25	64.75	50.50	58.50
No. of ECs issued, million	144.20	129.29	129.39	129.39	129.30	129.62	129.38	129.83	129.83	129.83
Market value (NOKm)	20,448	16,471	19,279	12,629	12,956	10,914	10,679	8,407	6,556	7,595
Dividend per EC	12.00	6.50	7.50	4.40	6.50	5.10	4.40	3.00	2.25	2.25
Book value per EC	120.48	109.86	103.48	94.71	90.75	83.87	78.81	73.26	67.65	62.04
Profit per EC	16.88	12.82	13.31	8.87	12.14	9.97	8.71	7.91	7.02	8.82
Price-Earnings Ratio	8.40	9.94	11.19	11.01	8.26	8.44	9.44	8.19	7.19	6.63
Price-Book Value Ratio	1.18	1.16	1.44	1.03	1.10	1.00	1.04	0.88	0.75	0.94
Payout ratio	71.0 %	50.5 %	56.3 %	50 %	54 %	51 %	50 %	38 %	25 %	25 %
EC fraction	66.8 %	64.0 %	64.0 %	64.0 %	64.0 %	64.0 %	64 %	64.0 %	64.0 %	64.6 %

Stock price compared with OSEBX and OSEEX

1 Jan 2022 to 31 Dec 2023

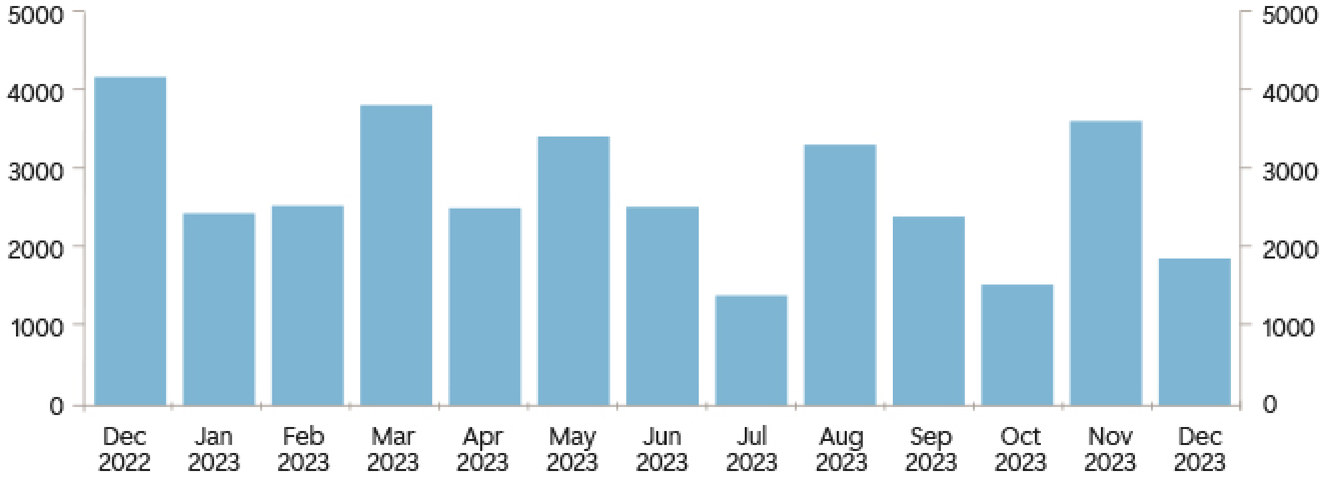


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 Dec 2022 to 31 Dec 2023



Total number of ECs traded (1000)

20 largest ECC holders	No. Of ECCs	Holding
Sparebankstiftinga Søre Sunnmøre	12,971,224	8.99 %
Sparebankstiftelsen SMN	5,463,847	3.79 %
KLP	4,222,118	2.93 %
Pareto Aksje Norge VPF	3,870,618	2.68 %
State Street Bank and Trust Comp	3,421,466	2.37 %
Pareto Invest Norge AS	2,938,362	2.04 %
VPF Eika Egenkapitalbevis	2,743,094	1.90 %
J. P. Morgan Chase Bank, N.A., London	2,651,780	1.84 %
Danske Invest Norske Aksjer Institusjon II.	2,375,940	1.65 %
The Northern Trust Comp	2,232,500	1.55 %
VPF Alfred Berg Gamba	2,201,532	1.53 %
VPF Holberg Norge	2,150,000	1.49 %
State Street Bank and Trust Comp	2,143,675	1.49 %
VPF Odin Norge	2,016,474	1.40 %
Forsvarets personellservice	2,014,446	1.40 %
J. P. Morgan SE	1,870,630	1.30 %
VPF Nordea Norge	1,847,635	1.28 %
RBC Investor Services Trust	1,786,001	1.24 %
Spesialfondet Borea Utbytte	1,550,642	1.08 %
MP Pensjon PK	1,352,771	0.94 %
The 20 largest ECC holders in total	61,824,755	42.87 %
Others	82,390,835	57.13 %
Total issued ECCs	**144,215,590**	**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.