2023

ANNUAL REPORT

SpareBank 1 SMN

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Proudly celebrating 200th anniversary while giving back to investors and the community

Our anniversary year, no less, is now behind us, a year in which SpareBank 1 SMN marked 200 years together with customers and local communities throughout Mid-Norway. The year brought a record profit performance, and has been one of most eventful in the history of the bank. We have completed a strategically important savings bank merger, agreed mergers for key jointly-owned product companies, brought in a team from Danske Bank, strengthened our finance centres and established a presence in Oslo.

The merger with SpareBank 1 Søre Sunnmøre strengthens our position in Møre and Romsdal. It also confirms our aspiration to be a leading savings bank. At the same time it provides important experience for future mergers in a Norwegian banking market in which we expect consolidation to continue.

Consolidation is also taking place among the bank-owned product companies. The year started with an important merger in the payments sphere between Vipps and MobilePay. During the autumn agreements were presented concerning a merger between SpareBank 1 Kreditt and Eika Kreditt, and between Fremtind Forsikring and Eika Forsikring. The latter merger will make Fremtind market leader in personal insurance in Norway. Moreover, SpareBank 1 Markets has merged with the capital markets activities of SpareBank 1 SR-Bank og SpareBank 1 Nord-Norge. As a result, SpareBank 1 Markets has again become a company for the entire Alliance.

In the same year as SpareBank 1 SMN celebrated its 200th anniversary, and undertook offensive investments, news broke of Danske Bank's withdrawal from the personal market in Norway. In that connection we have recruited a large team of staff in the private banking and wealth management field. This is also a segment with close ties with the corporate market. We already see a substantial influx of new personal and corporate customers.

The finance centres are at centre stage in SpareBank 1 SMN's business model. Here we have assembled a complete offering of financial services for personal customers and the business segment alike. They cover everything from financing and investment, via insurance and pension to estate agency and accounting services. In recent years the focus on accounting services has become extra important through several dozen acquisitions under Regnskapshuset's auspices. At the same time the range of services has widened from account keeping to advice provision in areas such as sustainability, tax, HR and transactions.

In the course of 2023 many of SpareBank 1 SMN's finance centres have been upgraded and modified to enable them to house all services offered by the group. In addition we have established a presence in Oslo. Both presence and visibility have accordingly been strengthened. In parallel with this, the group has invested in digital solutions, including use of artificial intelligence. The combination of physical presence and digital focus is known as the phygital model.

The result for 2023 is also historic, with a net profit of almost NOK 3.7 billion. Moreover, a CET1 ratio of 18.8 per cent places us among by far the most solid banks in the country. That enables us to handle uneasiness and uncertainty at the same time as providing capacity for continued profitable growth. It also gives leeway to offer owners and investors a record dividend of 12 kroner per equity certificate.

With our unique ownership model, more than NOK 1 billion of net profit goes back to the regional community, either by direct allocations or via the foundations. In the last five years the net profit from SpareBank 1 SMN has supplied the Mid-Norwegian community with more than NOK 2.6 billion in community dividend. This has provided the basis for allocations to projects small and large across all of Mid-Norway, many under voluntary sector auspices.

In connection with the presentation of the results for the year, the board of directors resolved to set aside NOK 50 million to support neuroscience research at the Kavli Institute in Trondheim. Nobel laureates Edvard and May Britt Moser have together built up a world-leading research centre to investigate the brain and neural functions. Perhaps the funds will help the research centre find the answer to the mystery behind the chronic disease of Alzheimer’s.

The actual anniversary celebrations have been devoted to honouring Jakob Roll and the 43 other citizens who put 1,596 spesiedaler on the table to set up a savings bank. Initially with a focus on saving, shortly afterwards combined with a credit facility.

Little did they know that they were laying the basis for a modern financial services group. A group that has tackled both upturns and downturns alike, and stood firm in headwinds and tailwinds.

The ability to handle market downturns is what we often term our ‘calm and cool’ strategy. This can come in handy in a world posing major challenges and great uncertainties. These include the climate crisis, war in Ukraine, turbulence in the Middle East and uncertainties in US politics. While this situation gives grounds for unease, it is reassuring to know that the savings bank model has stood firm for 200 years. At the start of the new year we therefore have offensive plans to further develop our position as undisputed market lead in Mid-Norway and a leading Norwegian savings bank.

We at SpareBank 1 SMN are proud of what we achieve as a team, and the close collaboration we enjoy with customers, partners and local communities. All under the vision *“Together we make things happen”*. A vision I believe those who founded the bank on a day in May in 1823 would have endorsed.

Jan-Frode Janson
Group CEO at SpareBank 1 SMN

Important events in 2023

First quarter 2023

- Profit of NOK 778m after tax and a return on equity of 13%.
- Higher margins on lending strengthen revenues from the bank, in addition to good results from the accounting and estate agency businesses
- High inflation makes for increased costs
- SpareBank 1 SMN reports a hired-in substitute in the bank to the police for gross embezzlement. The person concerned is imprisoned and charged.
- In February the community dividend fund launches a support scheme for initiatives that promote equal opportunities for children and young people. The scheme's focus is on initiatives in the sphere of social inclusion, economic outsiderness and mental health

Second quarter 2023

- Profit of NOK 923m after tax and a return on equity of 15.1%.
- Solid capitalisation and good liquidity puts us in a good position for further growth.
- A legal merger with SpareBank 1 Søre Sunnmøre is carried out and is expected to strengthen our position in Sunnmøre and Fjordane.
- High interest earnings as a result of growth and repricing.
- In May we celebrated our 200th anniversary and invited local communities throughout Mid-Norway to join our celebrations. Through our community dividend we supported a number of projects designed to create value for many years ahead.
- We make our largest ever investment of community dividend resources with a contribution of NOK 150m to the establishment of Såkorn 1 Midt, a seedcorn fund.

Third quarter 2023

- Profit of NOK 740m after tax and a return on equity of 11.1%.
- The result for the quarter is affected by seasonal variations and extraordinary events. A tax expense correction and an impairment write-down of a shareholding in SpareBank 1 Mobilitet Holding negatively impact the result, along with seasonal variations recorded by SpareBank 1 Regnskapshuset SMN, EiendomsMegler 1 Midt-Norge and SpareBank 1 Markets and a deficit at the SpareBank 1 Group in the quarter.
- The merger with SpareBank 1 Søre Sunnmøre has a positive impact on growth, revenues and financial soundness, although the result is affected by merger costs.
- We prepare for dampened demand ahead and focus our growth strategy on geographical locations, prioritised customer segments and increased synergies at the finance centres with the ambition of strengthening our market position.
- The bank is solid with a capital ratio well above regulatory requirements. Robust loan portfolios, solid capital adequacy and ample liquidity provide prospects for further growth and good dividend capacity.
- We recruit further private banking advisers from Danske Bank to our offices in Trondheim and Oslo, thereby strengthening our offering to the private banking customer segment.
- The high cost of living is starting to bite and more customers are struggling to cope with increased expenses. A financial health team is set up focusing on preventive measures to assist financially vulnerable households.

- We continue to mark our 200th anniversary with a jubilee voyage, festivities and jubilee concerts in several locations in the region. The crew for the voyage consists of intrepid young people from across the world who have participated in an eight-month-long sustainability project that we organised in collaboration with the United Nations Association of Norway and the World Federation of United Nations Associations (WFUNA).

Fourth quarter 2023

- Net profit of NOK 1,247m and a return on equity of 18.3 per cent.
- Norges Bank raised its base rate to 4.50 per cent in December and credit growth to households slowed further in the fourth quarter.
- In December 2023 the transaction whereby SpareBank 1 SR-bank and SpareBank 1 Nord-Norge joined SpareBank 1 Markets on the owner side was finalised. As a result SpareBank 1 SMN now owns 39.9 per cent of SpareBank 1 Markets while SpareBank 1 SR-bank owns 33.34 per cent and SpareBank 1 Nord-Norge owns 18.1 per cent.
- Fremtind Forsikring and Eika Forsikring enter an agreement of intent to merge. The merged company will be known as Fremtind Forsikring.
- SpareBank 1 Kreditt and Eika Kredittbank pool their credit businesses in order to strengthen competitiveness and credit practices. The merged company's business address will be in Trondheim.
- SpareBank 1 SMN received a new Pillar 2 requirement in the fourth quarter. The requirement was lowered to 1.7 percentage points and must be met with a minimum of 56.25 per cent CET1 capital. In light of the change, the group's long-term CET1 target is revised to 16.3 per cent.
- The group continued its employee savings programme in the bank's equity certificates in the fourth quarter. The programme is designed to motivate employees to become co-owners of the bank. As much as 74 per cent of the employees have now joined the programme.

This is SpareBank 1 SMN

- a community builder for 200 valuable years

Our history goes back 200 years, all the way to 1823. Wealthy, powerful merchants held financial sway in Trondheim at the time, and a majority of the town's populace were servants or day labourers. Norges Bank had already been established here in 1816 but, contrary to expectation, was little used by the business community.

Trondheim was by then Norway's third-largest city, and was popular among Norwegian and foreign newcomers alike. Among them was the 32-year-old Jacob Roll from the south-east of Norway who settled here in 1815. He was both wealthy and powerful, and assumed a prominent position in the city right from his arrival. He was to be a highly important man in the history of the city, not least in our history.

The first savings banks in Norway saw the light of day in the 1820s, and in Trondheim the need for a bank started to become apparent. The need was felt both by the business community and by ordinary townsfolk who up to now were unable to earn interest on their savings.

Five men, headed by Jacob Roll, took the initiative to set up a savings bank. They were joined by more of the city's better-off men – men who were keen to build their community and to support business. In 1823, 44 of them put 1,596 speciedaler of their personal resources on the table, just over 400.000 kroner in today's money, to provide enough capital to start a savings bank.

Little did they know that this was to be the start of a long and proud history, a history still in the writing. On 26 May 1823 Trondhjems sparebank was founded, thanks to these citizens and their 1,596 speciedaler. This was the third savings bank to be established in Norway, and it is this bank that is SpareBank 1 SMN today.

The bank was to be for ordinary people. It was established in the best interest of working people and domestics, and men and women alike could deposit small sums which earned interest. The annual report from 1824 shows that deposits with the bank were made by two public foundations, four wives and widows, eight government officials, one merchant, 18 craftsmen, 26 prosperous citizens' children, 40 servants and eleven day labourers.

Between the 1820s and far into the 1900s new savings banks were established across the entire region. Many of them were amalgamated with what was once Trondhjems Sparebank. Trondhjems Sparebank became Trondhjems og Strindens Sparebank, which in turn became SpareBank 1 Midt-Norge and, in 2008, SpareBank 1 SMN.

In the 2000s we started to look beyond Trøndelag. The acquisition of Romsdals Fellesbank in 2005 was a highly important step in the transition from a bank for Trøndelag to a bank for the whole of Mid-Norway. Then, in 2008, followed the acquisition of the failing Icelandic bank, Glitnir Bank, which had previously bought up BN Bank and Kredittbanken in Ålesund. That provided us with the basis for a solid presence in Sunnmøre. On 2 May 2023 we merged with SpareBank 1 Søre Sunnmøre which has further entrenched our position in Møre and Romsdal.

The men who founded Trondhjems Sparebank were concerned to build their community and to play a part in helping the less well-off to accumulate savings. They also wanted the community to own the bank, and as early as 1847 parts of its net profit were devoted to supporting projects that would benefit the local populace. In 1870 it was formally resolved to distribute one-tenth of actual profit to charitable causes, both social and cultural.

Over the course of 200 years both we and the community have changed. The project to which it was decided that the bank should make an annual contribution from 1847 onwards was the establishment of a forced labour institution, the public utility of which may be somewhat difficult to rally round today. What has not changed is that we still distribute parts of our net profit. Today more than 40 per cent is returned to the community each year. Known as the community dividend, it is invested mainly in five areas: art and culture, sports and outdoor recreation, innovation and value creation, community building and sustainability.

Moreover, today we are much more than a bank. We are the region's leading financial services group and can offer our customers a comprehensive and cohesive range of products and services in the banking, accounting and estate agency spheres, far beyond Trondheim.

Our head office remains in the city in which we were founded. We have kept to the same location since 1882, although the 'old bank' – which back in the day was capacious enough to house both Trondheim Art Society and a family along with the bank – has expanded along Søndre gate and now covers an entire block. Today we have offices throughout the region, from Rørvik in the north to Førde in the south and Røros in the east. In 2023 we also opened an office in Oslo.

The set of values dating from 1823 has been with us throughout our history and stands strong to this day. Our main objective is, and has always been, to provide good financial advice to people and businesses in good and bad times alike. The community remains our largest stakeholder and each year receives its rightful share of our net profit.

We have a big heart for the local communities across our region, and an unwavering belief that *Together we make things happen*. Not least, we have an unwavering belief that 'value' means far more than money. Together with people, businesses, clubs, organisations and local communities we have created value for 200 years. This we shall continue to do.

Our ambition

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

Our goals

With our strong customer relationships and high return over time, we have a good foundation on which to build further. We have clear-cut objectives in terms of profitability, financial position and efficiency.

Our goals for the coming period are:

- Profitable, with a 13 per cent return on equity
- Financially solid, with a CET1 ratio of 16.3 per cent. Payout ratio about 50 per cent

- Efficient. Annual goal of a cost-income ratio below 40 per cent at the parent bank, and below 85 per cent at subsidiaries
- Responsible. To achieve net zero emissions by 2050
- Strengthen our market position. Ambition to be number 1 in the group’s areas of business
- More and more satisfied customers. Ambition to have the most satisfied customers in all business lines and market areas
- Proud and committed employees. Ambition to have the most committed staff in the financial industry in Norway
- Quality in all our work

Strategic priorities

We highlight five strategic priorities as particularly important in achieving the group’s vision and long-term goals. These strategic priorities have been at centre stage since 2020, and will stand firm through 2024:

- Create ‘One SMN’ with a strengthened customer offering and close interaction across the bank, subsidiaries and support functions.
- Increase digitalisation and use of insights to ensure relevant advice, leading digital solutions and efficient operations.
- Head up the development of Norway’s savings banks by exploiting the developmental power present in the SpareBank 1 Alliance, in collaboration with regional and national partners in the financial industry.
- Integrate sustainability into the business in order to reduce risk, and to stimulate sustainable development of Mid-Norway.
- Exploit the power inherent in our ownership model in order to contribute to the region’s value creation, strengthen local business and industry and instil pride and commitment among employees.

SpareBank 1 SMN's organisational set-up

We are an independent regional savings bank and the region's leading financial services group. Together with our subsidiaries and affiliates, we are a complete financial centre catering to both the retail and the corporate market. With subsidiaries included, we have about 1,740 employees at the end of 2023.

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

SpareBank 1 SMN is organised under the following structure:

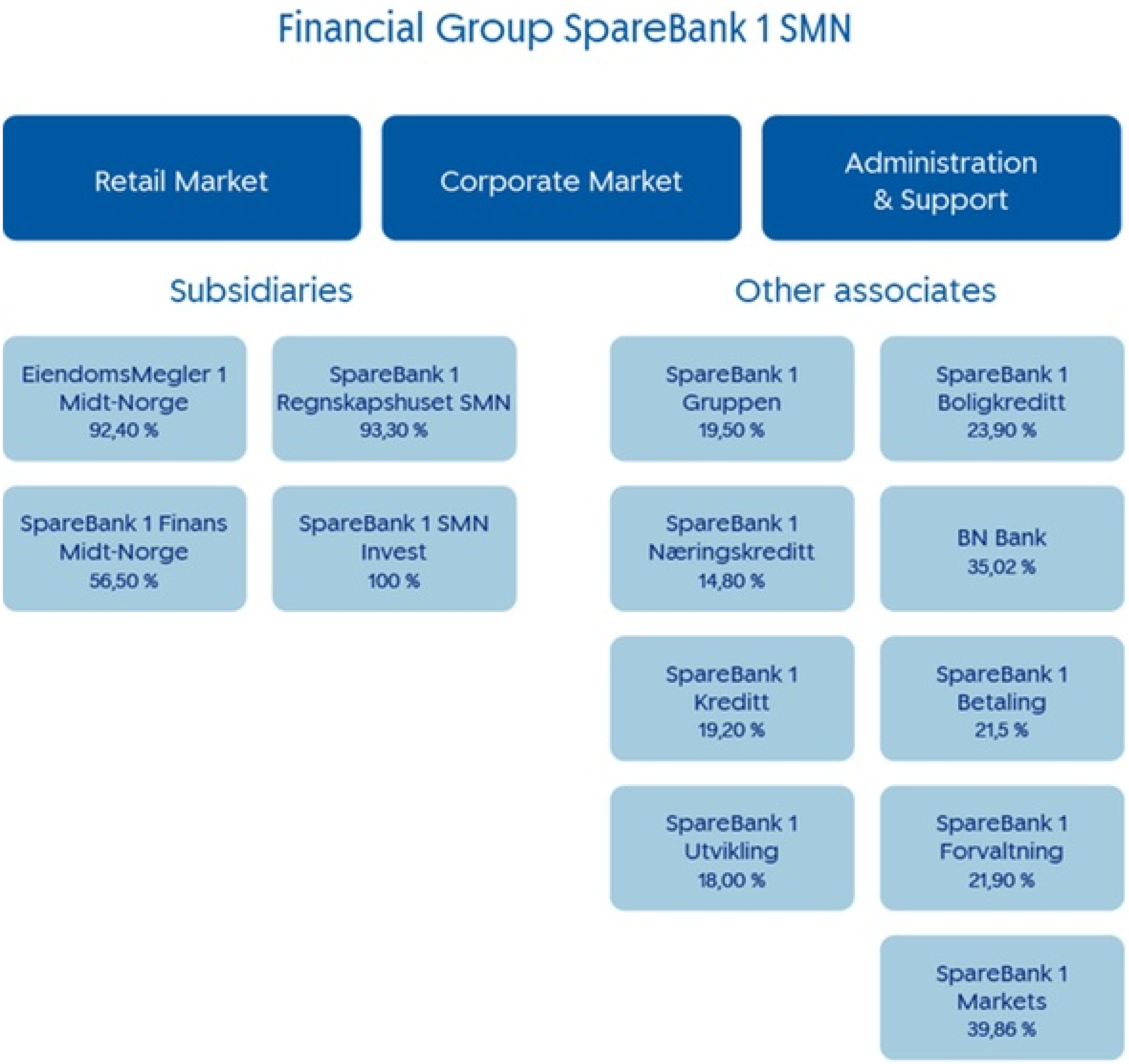


Figure 1: Overview of business lines in SpareBank 1 SMN

Our head office is located in Trondheim and the group has altogether 63 offices.

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

Where to find us:

Figure 2: Overview of SpareBank 1 SMN´s offices

The group's head office is located in Trondheim along with a number of offices offering banking, accounting and estate agency services on a stand-alone or co-located basis.

Subsidiaries

EiendomsMegler 1 Midt-Norge

EiendomsMegler 1 Midt-Norge is a subsidiary of SpareBank 1 SMN. SpareBank 1 Nordmøre is co-owner. EiendomsMegler 1 Midt-Norge owns Brauten Eiendom and is part of EiendomsMegler 1-alliansen, the country's largest provider of estate agency services. The company, including Brauten Eiendom, has approx. 260 staff distributed across some 30 offices throughout Trøndelag and Møre and Romsdal, and focuses on existing homes, commercial property, new builds, rental and agricultural brokerage services. EiendomsMegler 1 Midt-Norge celebrated its 50th anniversary in 2023.

SpareBank 1 Regnskapshuset SMN

SpareBank 1 Regnskapshuset SMN is a subsidiary of SpareBank 1 SMN. Other owners are SpareBank 1 Gudbrandsdal and SpareBank 1 Lom og Skjåk. The company has some 550 employees across 43 locations in Trøndelag, Møre og Romsdal, Innlandet and Oslo. The company is a fully fledged finance and technology centre and is one of the three largest operators in the accounting industry in Norway. In addition to traditional accounting services the company offers services in the fields of sustainability reporting, HR, transfer of ownership, taxes and duties, and IT.

SpareBank 1 Finans Midt-Norge

SpareBank 1 Finans Midt-Norge is a subsidiary of SpareBank 1 SMN. Other owners are Sparebanken Sogn og Fjordane, SpareBank 1 Sørøst-Norge, SpareBank 1 Østfold-Akershus, SpareBank 1 Nordmøre, SpareBank 1 Hallingdal Valdres, SpareBank 1 Gudbrandsdal and SpareBank 1 Lom og Skjåk. The company offers leasing, commercial loans, vendor's lien and invoice sale services to about 38,000 retail customers and 6,200 corporate clients. The company markets its products through parent banks, car dealers and direct sales. SpareBank 1 Finans Midt-Norge has total assets of NOK 12.4bn and is represented in the counties of Trøndelag, Møre and Romsdal, Vestland, Vestfold and Telemark along with Innlandet and Viken.

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

SpareBank 1 SMN Invest

SpareBank 1 SMN Invest AS is a wholly owned subsidiary of SpareBank 1 SMN, and holds shares and units in regional growth companies and funds. Activity in the company has been reduced, and it will not investing in new individual companies. The portfolio will accordingly be scaled back over time. The company' s securities portfolio is worth NOK 536m at the end of 2023.

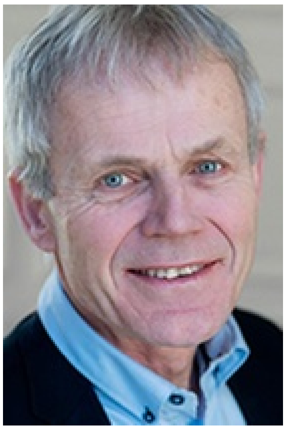
SpareBank 1 Alliance's companies

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

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

Board of Directors and Group Management

Board of Directors



Kjell Bjordal (1953), board chair

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

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

Own business.

Experience as CEO of EWOS Group and head of Cermaq's fish food division. CEO of NorAqua, finance director and group CEO of the Glamox Group. Board chair of the Nordlaks aquaculture group, Axio and Norsk Landbrukskjemi.

Attended 22 of 22 board meetings in 2023.

Holds 130,000 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Christian Stav (1968), deputy chair

Master of Business Administration from NHH (2003), Certified European Financial Analyst (AFA) NHH (2003). State authorised public accountant (1994) and business economist NHH (1991). Master of Accounting NHH (1992).

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

Group CEO at Nord-Trøndelag Elektrisitetsverk (NTE)

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

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

Attended 21 of 22 board meetings in 2023

Holds 35,000 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Mette Kamsvåg (1971)

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

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

Self-employed.

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

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

Attended 19 of 22 board meetings in 2023.

Holds 5,600 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Tonje Eskeland Foss (1971)

Post graduate degree in petroleum economics (1996).

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

CEO at Frøy AS.

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

Attended 17 of 22 board meetings in 2023.

Holds no ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Ingrid Finboe Svendsen (1961)

Business graduate from BI Norwegian Business School (1990) and training in municipal administration from the Norwegian Municipal and Social College (1983).

Board member as from 2023, chair of the risk committee and member of the internal audit committee from the same point in time.

Director of Thomas Angell Stiftelser. Experience as director of the Norwegian Labour Inspection Authority. Several public sector positions, most recently as chief executive of Trondheim Municipality, and as director at Sør-Trøndelag county authority.

Board chair of Trondheim Spektrum, board member of the Olavsfestdagene festival and board member of E.C. Dahls stiftelse.

Attended 12 of 17 possible board meetings in 2023.

Holds 300 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Kristian Sætre (1961)

Master of Science from the Norwegian Institute of Technology NTH (1987). Mechanical engineer from Ålesund Engineering College (1982),

Board member as from 2023.

Extensive prior experience from various roles with AS Volda Mekaniske Verksted/Scana Volda, including 11 years as managing director of Scana Volda AS. Managing director of Ulstein Verft AS in the period 2013-2019, subsequently CEO of A-K maskiner. Currently senior vice president at Vard Group AS.

Deputy board chair of SpareBank 1 Søre Sunnmøre in the period 2008-2014 and alternate member in the period 2022-2023.

Extensive board experience with a number of companies in Norway and elsewhere.

Attended 14 of 17 possible board meetings in 2023.

Holds 300 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Freddy Aursø (1972)

MBA from the University of Newcastle (2003). Engineer from the Norwegian University of Science and Technology (NTNU, 1998),

Board member since 2022.

CEO at Lighthouse8.

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

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

Attended 20 of 22 board meetings in 2023.

Holds no ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Inge Lindseth (1963)

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

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

Chief union representative as from 2019.

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

Attended 21 of 22 board meetings in 2023.

Holds 10,913 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Christina Straub (1974)

Bankakademiet stage 1 and Insurance.

Board member since 2019.

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

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

Attended 21 of 22 board meetings in 2023.

Holds 1,082 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

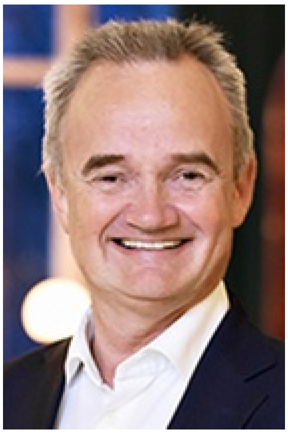
Runar Gretland (1978) Observer

Corporate adviser at SpareBank 1 SMN, previously chief union representative and board member at SpareBank 1 Søre Sunnmøre.

Attended 14 of 17 possible board meetings in 2023.

Holds 140 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Group Management



Jan-Frode Janson (1969)

Group CEO

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

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

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

Holds 49,166 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Trond Søraas (1968)

Executive director – Group Finance and Governance

Authorised financial analyst (AFA) from Norwegian School of Economics and Business Administration NHH (2006) and MBA from the same institution (1994).

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

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

Holds 10,267 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Astrid Undheim (1980)

Executive director – Technology and Development

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

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

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

Holds 744 ECs in SpareBank 1 SMN as at 31 December 2023 (including any Ecs held by related parties).

Ola Neråsen (1965)

Executive director – Risk Management

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

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

No board positions.

Holds 43,764 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Rolf Jarle Brøske (1980)

Executive director – Communications and Brand

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

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

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

Holds 15,713 in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Vegard Helland (1975)

Executive director – Corporate Banking

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

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

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

Holds 36,202 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Nelly S. Maske (1975)

Executive director – Retail Banking

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

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

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

Holds 21,876 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Stig Brautaset (1959)

Executive director – Sunnmøre og Fjordane

MBA from BI Norwegian Business School and law studies at Oslo University.

Joined SpareBank 1 SMN in May 2023. Previous experience from various management positions at DNB, Sparebanken Møre and Danske Bank. Managing director of SpareBank 1 Søre Sunnmøre from 2016 until the bank merged with SpareBank 1 SMN on 2 May 2023.

Board member of EiendomsMegler 1 Midt-Norge AS and of SpareBank 1 Regnskapshuset SMN AS.

Holds 1,407 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Arne Nypan (1970)

CEO – SpareBank 1 Regnskapshuset SMN

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

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

Board member at SpareBank 1 Kreditt AS.

Holds 33,948 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Kjetil Reinsberg (1961)

CEO – EiendomsMegler 1 Midt-Norge

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

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

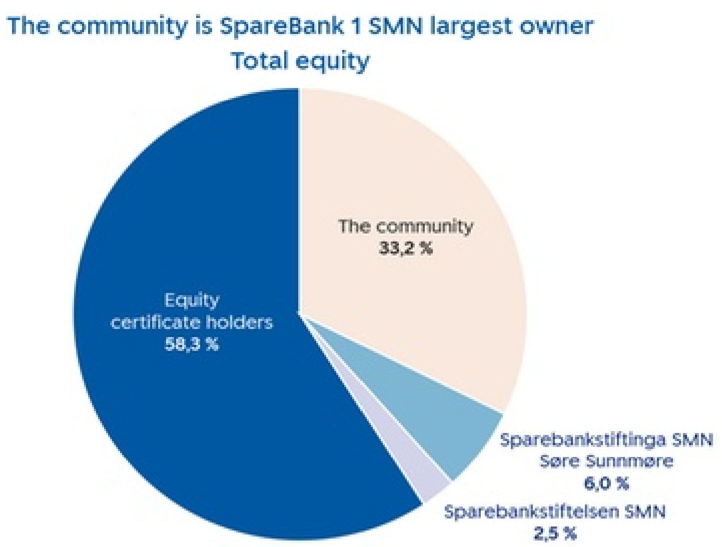
Chairman of Brauten Eiendom AS. Board member of Eiendomsmegler 1 Norge, Agri Eiendom AS, Eiendom Norge Holding AS and Eiendom Norge.

Holds 29,141 ECs in SpareBank 1 SMN as at 31 December 2023 (including any ECs held by related parties).

Community dividend

The Mid-Norwegian community is our largest single owner, and local communities' share of our net profit is known as community dividend. Community dividend has long traditions at SpareBank 1 SMN; ever since 1847 parts of the net profit have gone to non-profit and charitable causes which build and develop the region.

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



The community dividend moneys go to supporting worthy projects that build and develop Mid-Norway and make the region a better place to live and work. We aim to strengthen social and business development through building knowledge, an innovation culture and capital. That enables new investments to be made and a basis for new jobs to be laid.

One of the largest private contributors in our region

In 2023 the community dividend totalled NOK 474m. Of this, NOK 230m was allocated to investments in various projects in the region. A further NOK 244m was transferred to the foundation Sparebankstiftelsen SMN, which is the community's 'savings account'.

As a step in the merger with SpareBank 1 Søre Sunnmøre, the foundation Sparebankstiftinga Søre Sunnmøre was established with a capital of NOK 1.341m. This substantially strengthens our ability to support local communities in Mid-Norway where community ownership stands at 41.7 per cent. This is distributed on the community (33.2%) and the two savings bank foundations Sparebankstiftelsen SMN (2.5%) and Sparebankstiftelsen Søre Sunnmøre (6%).

In December 2023 the strategy for community dividend was renewed with minor changes for the period 2024-2026. The strategy defines the regional community, sports and outdoor recreation, art and culture, driving the green transition along with innovation and value creation as focal areas each in their own right. Among the changes for the new strategy period is a shift in the distribution of community dividend moneys in a more sustainable direction in order to underpin the role of driver of the green transition in Mid-Norway.

Our ambition is strengthen Mid-Norway through awards which help to:

- prevent outsiderness
- create living local communities
- make the region a leader in sustainable innovation and green transition

We have stepped up our endeavour to ensure that Mid-Norway also has plentiful, and good, workplaces in the future. We want to be an important actor for entrepreneurs in Mid-Norway – ranging from budding entrepreneurs at upper secondary school to more established entrepreneurial entities – and to heighten our commitment to the role of arena builder, innovator, investor and driver of green transition through collaboration with good partners and business associations.

200 valuable years

Trondhjems Sparebank was established on 26 May 1823 – and has progressed from being a local bank to a cornerstone institution, with projects of benefit to society demonstrating that values are more than money. In 2023 the bank has accordingly celebrated its 200th anniversary in a spirit of added commitment across the entire region and with a number of sizeable projects. Some of these are the following:

A support scheme entitled ‘Equal opportunities’: In the spring many clubs and associations received support amounting altogether to NOK 30m under the caption ‘equal opportunities’, along with larger projects creating lasting value for future generations.

Birthday and popular festival
In May we celebrated our birthday in all our offices and in market squares across Mid-Norway, creating a festival atmosphere together with people in the local community and clubs/associations. We had well over 10,000 visitors at events in September and 6,000 visitors to the tall ship Statsraad Lehmkuhl which was the base for the jubilee voyage along Norway’s coastline stopping off in Ålesund, Molde, Nærøysund, Verdal and Trondheim. In the Trondheim Spektrum arena we extended an invitation to a substance-free anniversary concert which attracted more than 8,000 visitors. All ticket revenues went exclusively to the non-profit organisations Miljøagentene, Mental helse ungdom and Livsglede for eldre.

Young people for the future
Over the course of the anniversary year we wished to enable more young people to translate words into action for a better world. In conjunction with the United Nations Association of Norway and the World Federation of United Nations Associations (WFUNA) we carried through an eight month long sustainability programme for 100 young people from all over the world. About half the participants were from Mid-Norway. They learned about sustainability and project management, and carried out projects themselves in their local communities. We assembled them all as crew aboard the Statsraad Lehmkuhl and sailed along the coast of Mid-Norway on our voyage for the future.

In our ports of call we engaged more than 3,000 school students in innovation activities for the future, together with the non-profit organisations Ungt Entreprenørskap and MOT and the United Nations Association of Norway. Among other things we extended an invitation to the youth conference ‘Action, Please’, where young people themselves were asked to find solutions to challenges as regards plastic waste, outsiderness and recycling.

Documenting the story
In order to preserve our, and the community's, 200 year long history for posterity, a magazine and a book have been produced, along with a podcast series entitled 'Bank, bank'. In addition, Sverresborg Trøndelag Folkemuseum has opened a splendid historical bank museum, supported by our community dividend.

Larger initiatives in 2023

Establishment of "Såkorn 1 Midt"
As an initiative for innovation and value creation we have established a foundation – Såkorn 1 Midt. An allocation of NOK 150m has been made for the purpose of contributing capital to green start-ups in an early phase to enable more ideas and businesses to see the light of day and become established in the region. Efforts are under way to raise a matching amount from other investors in the region.

Competence as the key to green transition
As a driver for green transition for business and industry we held a course in innovation for small and medium-sized businesses in Mid-Norway in 2022 and 2023. The course attracted a total of 60 participating firms in Trøndelag and in Sunnmøre in these two years and the initiative will continue in spring 2024.

"Dagsturhytta"
We have granted up NOK 11.4m to "Dagsturhytta" – a project to encourage more people to exercise by taking walking trips to recreational chalets in all 38 municipalities in Mid-Norway. Our object is to promote public health in the run-up to the World Ski Championships in 2025. The project is a collaboration with Trøndelag county authority, which is contributing a matching amount. Local authorities are chipping in and will engage volunteers to assist in running the project and encourage commitment at local level.

Young voices
In collaboration with the LO and the NHO we have established a programme for talented young people in the region. The object is to help to build, develop and ensure a diversity of talented young managers and employee representatives in the region, with the aim that more of them will contribute to the social debate on tomorrow's business and industry, and make their voices heard in national arenas. Based on good experience gained with 15 young participants in the pilot for 2022, we launched a new opportunity for new participants in 2023.

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

Heart-warming initiative
We are concerned with caring about other people, especially in demanding times. Ahead of Christmas we engaged employees in a "Christmas heartwarming" concept where we devoted NOK 2m to help organisations that do good deeds for the poorly off and/or those facing challenges related to outsiderness.

Applications and allocations 2023

Allocations of community dividend came to NOK 230m in 2023. A total of 4,123 applications were processed in 2023, amounting in all to NOK 614m. Of these, 1,966 applications were granted. NOK 367m was allocated to socially beneficial causes in 2023 (including NOK 150m earmarked for Såkorn 1 Midt).

Corporate governance

This statement describes how SpareBank 1 SMN complies with the 15 recommendations set out in the Norwegian Code of Practice for Corporate Governance (NUES).

The statement has been prepared in conformity with the Accounting Act section 3-3b[1)] (2) and the Norwegian Code of Practice for Corporate Governance as published on 14 October 2021. The Code of Practice is available at nues.no. There are no significant divergences from the Code of Practice.

SpareBank 1 SMN abides by provisions of the Financial Institutions Act (Finansforetaksloven[2)]) regulating the governance of financial institutions with appurtenant regulations and the issuer rules of Euronext Growth Oslo Rule Book II[3)].

SpareBank 1 SMN reports its compliance for each point of the Code of Practice. Where the Code of Practice is not followed, a justification for the deviation is given and the institution's arrangements are explained. Deviations are accounted for under point 6 and 7.

Norwegian Code of Practice for Corporate Governance

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

Point 1: Report on corporate governance
The board of directors has adopted a corporate governance policy and explains the company's corporate governance through the present document. SpareBank 1 SMN adheres to the Norwegian Code of Practice for Corporate Governance. The present document also accommodates the requirements of the Accounting Act section 3-3b.

Through its corporate governance policy the bank aims to assure sound management of its assets and to give added assurance that its stated goals and strategies will be realised. Good corporate governance encompasses the values, goals and overarching principles by which the bank is governed and controlled with a view to securing the interests of EC holders, depositors and other stakeholder groups.

Through its corporate governance the bank gives special emphasis to:

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

Deviations from point 1 of the Code of Practice: None

Point 2: Operations
SpareBank 1 SMN is a financial services group and part of the SpareBank 1 Alliance. SpareBank 1 SMN has enshrined the object of the business in article 1 of the articles of association, which is "to carry on

activity as a bank and moreover to pursue and participate in activities that the savings bank is entitled to engage in under licences held and legislation in force at any and all times.”

The group is organised with subsidiaries and related companies, as shown by the illustration below.

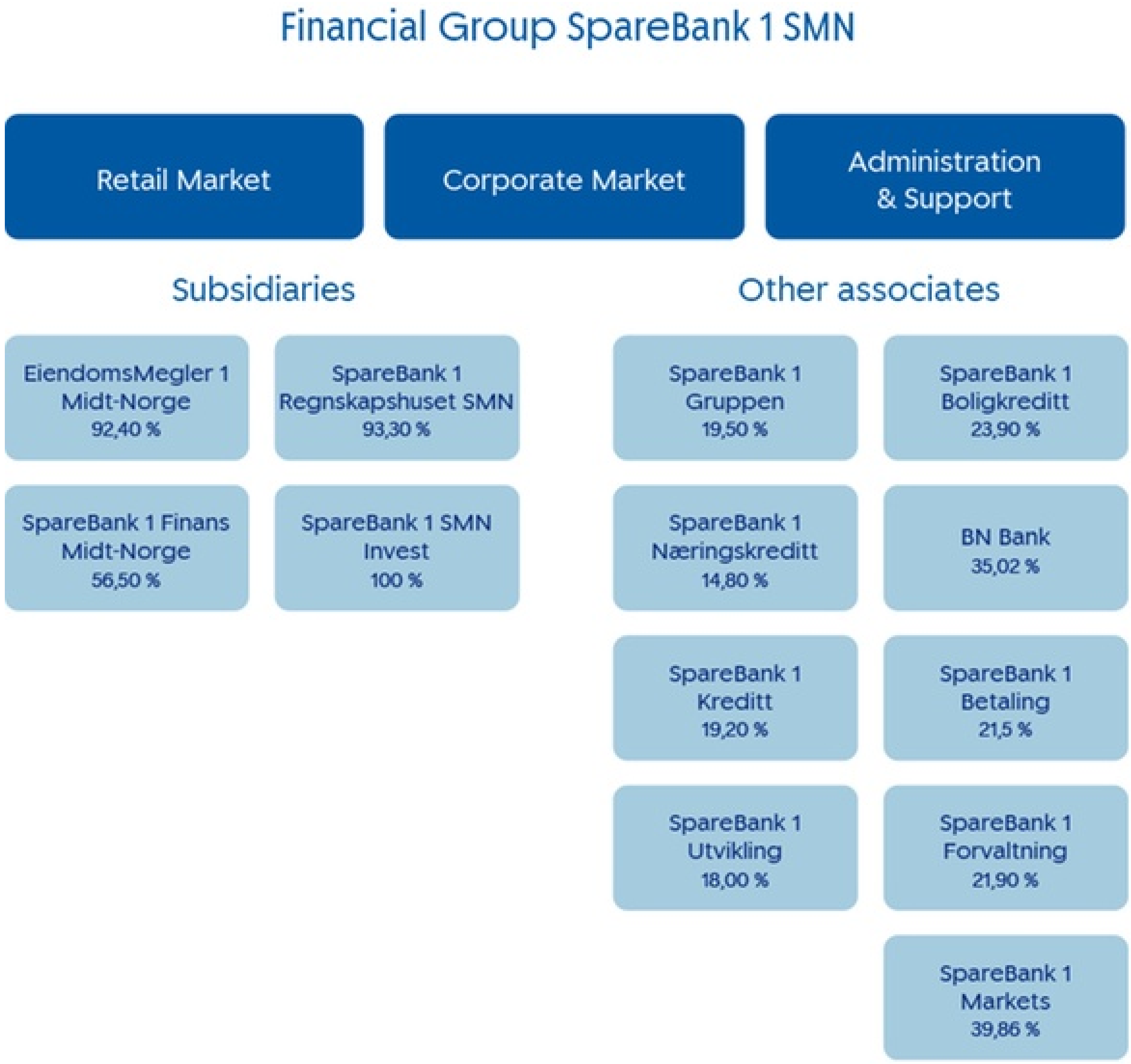


Figure 3: Overview of business lines in SpareBank 1 SMN

Vision and strategy, goals and risk profile

SpareBank 1 SMN’s vision is “together we make things happen”. The vision is about creating energy, results, change and development in collaboration with employees, customers, suppliers, partners and local interests. SpareBank 1 SMN’s values are: wholehearted, responsibly minded, likeable and capable.

SpareBank 1 SMN’s strategy is laid out in the annual report, in which the strategic priorities are also described.

SpareBank 1 SMN aspires to be among the best performing banks in the Nordic region, and its overarching financial goal is deliver a return on equity of 13 per cent over time. The long-term CET1 target is 16.3 per cent, and for the group the objective is to keep the cost-income ratio below 40.

The board of directors sets the risk appetite to be adopted by the group each year, most recently in December 2023. More information about the company's risk profile is provided in point 10.

Sustainability and corporate social responsibility

Corporate social responsible is a part of the group's DNA, and sustainability is a highly important aspect of the group's corporate social responsibility.

SpareBank 1 SMN works across the entire range of the UN sustainability goals and ESG. The group has endorsed the Science Based Targets initiative as a follow-up to the group's strategic objective of net zero emissions by 2050. The sustainability library at smn.no provides further information about the group's sustainability work.

Goals, strategies and risk profile are evaluated annually by the board of directors.

Governance structure

The group's governance structure is shown in the model below. Risk management and compliance have the opportunity to report directly to the board of directors should the need arise.

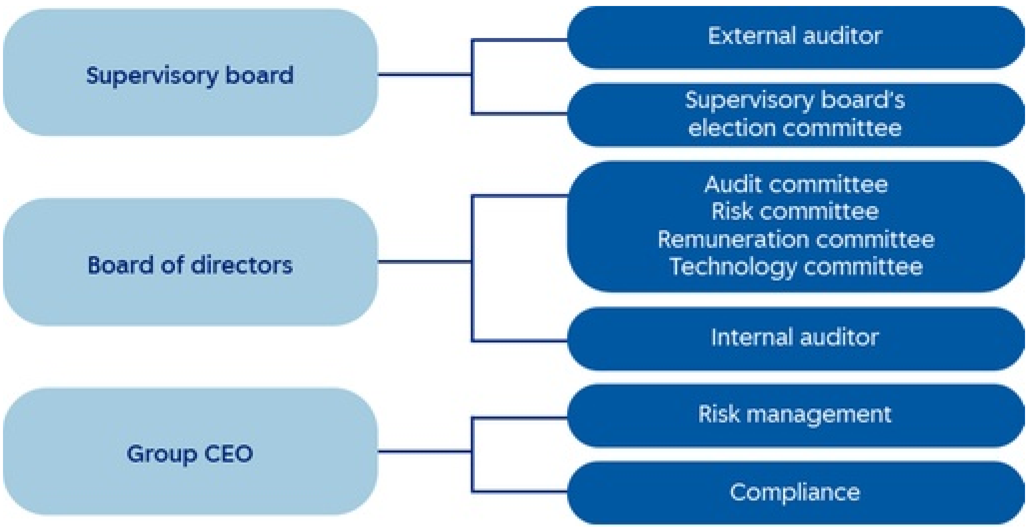


Figure 4: Goverance structure

Deviations from point 2 of the Code of Practice: None

Point 3: EC capital and dividends

The board of directors assesses the capital situation in light of the group's goals, strategy and desired risk profile. As at 31 December 2023 SpareBank 1 SMN's common equity tier 1 (CET1) ratio was 18.8 per cent, and its total capital ratio was 23.0 per cent.

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

Dividends

SpareBank 1 SMN aims to provide EC holders with a good return through dividend and a rising value of the bank's EC. The net profit for the year is distributed between the equity certificate capital (eierkapitalen) and the ownerless capital (grunnfondskapital) in accordance with their respective shares of the bank's total equity capital. About one half of the net profit for the year is disbursed in dividends while the remainder goes to non-profit causes or is transferred to the foundation Sparebankstiftelsen SMN. The dividend payout is determined by the bank's supervisory board, account being taken of the expected profit trend, external framework conditions and the need for tier 1 capital.

The dividend policy is published on the bank's website.

Acquisition of treasury equity certificates
SpareBank 1 SMN's board of directors are authorised to buy treasury ECs for up to 5 per cent of the bank's owner capital. Such purchases shall be made by trading on the securities market via the Oslo Stock Exchange. The total volume of ECs held by the bank and/or in which it has a consensual security interest may not exceed 5 per cent of the bank's owner capital. Each EC may be bought at prices between NOK 1 and NOK 300. The authorisation is valid for 18 months as from the adoption of the resolution at the supervisory board's meeting on 28 March 2023.

Increase of capital
Authorisations to the board of directors to increase the bank's EC capital are given for specific and defined purposes. As at 31 December 2023 no such authorisation had been given.

Deviations from point 3 of the Code of Practice: None

Point 4: Non-discrimination of shareholders
SpareBank 1 SMN assures equal treatment of EC holders through its articles of association and management practice. All ECs confer an identical voting right, and the bank abides by provisions of the Financial Institutions Act regulating holdings and voting rights insofar as these provisions apply to savings banks with equity certificates. SpareBank 1 SMN has one equity certificate class.

In 2023 the employees were able to purchase equity certificates through a savings programme offering a bonus for continued ownership and employment. With a view to strengthening the equity certificate the bank' s articles of association require a qualified majority for amendments concerning the owner capital (eierkapitalen).

In the event of an increase of the EC capital, existing EC holders have pre-emptive rights unless special circumstances call for deviation from this rule. Any such deviation will be substantiated in a stock exchange notice.

In 2023 the employees were invited to enter savings agreements in equity certificates involving an optional annual amount of NOK 6,000, 12,000, 24,000 or 36,000 respectively. Each quarter the group purchases ECs for the amount saved, doing so through Oslo Stock Exchange at market price. SpareBank 1 SMN awards one free EC for every two ECs purchased through the arrangement. Allocation of 'bonus ECs' takes place two years after commencement of saving on condition that the employee still owns the originally saved ECs and is still employed by the group. 1,054 employees availed themselves of the offer in 2023.

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

Deviations from point 4 of the Code of Practice: None

Point 5: Shares and transferability

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

Deviations from point 5 of the Code of Practice: None

Point 6: General meeting

For financial institutions which are not public limited companies or private limited companies, the Financial Institutions Act Section 8-1(3) permits a term other than 'general meeting' to be prescribed for the company' s highest body. According to article 3-1 of the articles of association, the bank's highest body shall be the supervisory board.

Supervisory board

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

The composition of the supervisory board is established in article 3-3 of the articles of association and shall reflect the savings bank's owners, customer structure and stakeholder groups as well as its social function.

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

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

The supervisory board's tasks are set out in article 3-10 of the articles of association.

Notice of meetings is sent to the supervisory board, the board of directors, the CEO and the auditor 21 days ahead of the meeting. The notice contains all case documents to be considered at the meeting, including proposed resolutions. The documents are published on the bank's website and by stock exchange notice, as well as by e-mail and the board portal.

Article 3-8 of the articles of association enables the savings bank to require that absence from the meeting shall be notified at least 5 days ahead of the meeting, which is considered to be the closest possible date to the meeting in terms of assuring the attendance of alternates.

Further, article 3-9 of the articles of association states that the meeting shall be presided over by the supervisory board chair or, in the latter's absence, by the deputy chair.

The minutes of the meetings are made available on the bank's website.

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

Deviations from point 6 of the Code of Practice: the supervisory board votes over the election committee's recommendation for members of the board of directors as a whole, out of consideration for the collective competence of the board of directors. This practice deviates from the NUES which recommends voting over the candidates one by one.

Point 7: Election committee

According to article 5-1 of the articles of association the bank shall have an election committee consisting of five members and five alternates who are elected by the supervisory board for a two-year term. The election committee shall mirror the composition of members of the supervisory board and be composed as follows:

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

The supervisory board elects the chair of the election committee, its members, establishes instructions for the work of the election committee and determines the election committee's remuneration.

The election committee conducts annual discussions with all members of the board of directors and the group CEO in order to ascertain the competency needs of the board, and to obtain proposals for likely candidates for board positions.

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

The election committee shall also prepare the election of:

- the chair and deputy chair of the supervisory board
- members of the board of directors
- the chair and deputy chair of the board of directors. These are elected at separate elections
- the members of the board of directors that are elected by supervisory board
- the chair, members and alternates to the election committee

The election committee shall give grounds for its nominations and the grounds given shall in each case contain information about the candidate's competence, capacity and independence, along with age, education and work experience. The grounds given should also contain any owner interests in the company, other assignments for the group and significant positions in other companies or organisations. In the event of re-election the nomination shall also provide information on the candidate's length of service with the company and their attendance at meetings.

The bank's website lists the members of the supervisory board's election committee, deadlines for submitting nominations, the date of the next election and a description of how nominations can be submitted.

The election committee proposes fees for all members of the respective bodies and submits the matter to the supervisory board for decision.

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

Point 8: Board of directors, composition and independence

According to the Financial Institutions Act section 8-6, *"The board of directors shall ensure that the requirements on the organisation of the institution and on the establishment of adequate governance and control systems are complied with".*

According to article 4-1 of the articles of association, the board of directors shall consist of seven to nine members, and two members of the board of directors shall be elected by and from among the employees, if the employees so demand. The article also establishes that the board's members and alternates shall be elected for a two-year term. Members of the board of directors are appointed for two years at a time and can hold office for a maximum of 20 years, but not more than 12 years continuously in the same position; see article 7-1 of the articles of association.

As of 31 December 2023 the board of directors consists of nine regularly attending members and an observer. Of the board of directors' nine members, two are elected by and from among the employees. There are no senior employees on the board of directors. The seven members of the board of directors that are elected by the supervisory board are independent, both of the company and of the company's largest owners. The members of the board of directors are encouraged to own the bank's equity certificates.

The composition of the board of directors shall be based on the bank's articles of association and the election committee's instructions, and the company's competency needs. The election committee attaches importance to competence, capacity and diversity when considering potential candidates for board positions. The individual director's background, participation in board meetings and their holding of equity certificates is described in the annual report and at smn.no.

The board of directors acts as a collegiate body and adopts its decisions on a joint basis.

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

Deviations from point 8 of the Code of Practice: None

Point 9: Work of the board of directors

The board of directors' work and procedures are regulated by the Financial Institutions Act, Chapter 8 II. The board of directors adopts all material strategies, including the bank's business strategies, risk management strategies and sustainability strategies. Moreover, the board of directors sets financial goals, market and organisational objectives and risk profile. It is the board of directors that appoints and dismisses the group CEO.

The board of directors has established instructions for the work of the board and the CEO, both adopted most recently on 20 June 2023. The instructions contain provisions on how agreements with related parties are to be handled. Details are given in the second paragraph under "independent consideration" below.

The board of directors receives regular reports on profit performance and market developments, the risk situation, compliance risk, on the status regarding anti-money laundering, the status regarding personal data protection and the status regarding information security in the group, as well as reports from the internal control function.

The board of directors conducts an annual evaluation of its work and of its own competence. It reviews its work format, procedures, meeting structure and prioritising of tasks, all of which in turn provides a basis for any changes and measures needed.

Independent consideration

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

Any agreement between the bank and a director or the group CEO must be approved by the board of directors, as must any agreement between the bank and a third party in which a director or the group CEO has a particular interest. Directors are required to disclose on their own initiative any interest that they personally or any related party may have. The board's assessments of legal (in)capacity issues shall be duly recorded.

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

Board committees

The board of directors prepares matters through the statutory committees – the compensation committee, audit committee and risk committee. In addition the board has a technology committee to prepare technology cases. All committees have different chairs. The members are appointed for a two-year term. The board of directors establishes the committees' mandates.

Audit committee

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

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

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

Risk committee

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

The committee shall inter alia:

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

The risk committee meets at least five times yearly.

Remuneration committee

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

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

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

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

Technology committee

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

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

The committee shall inter alia:

- Ensure adequate strategic investments in technology and digitalisation
- Ensure that strategic technology investments yield the desired value creation
- Assist the group management team in ensuring an adequate scope and pace of innovation

- Monitor and evaluate existing and future trends in technology/manufacturing which may impact the group's strategic plans

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

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

The committees are able to draw on resources within the administration, obtain advice and recommendations from sources outside the company, and they report from their proceedings to the assembled board of directors.

Deviations from point 9 of the Code of Practice: None

Point 10: Risk management and internal control
SpareBank 1 SMN has a risk management function which reports to the group CEO and is entitled to report directly to the board of directors. The group has also engaged KPMG as internal auditor.

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

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

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

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

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

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

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

Principles and boundaries for internal control and risk management are laid down in a separate policy. That policy sets out guidelines for the group's overall approach to risk management and aims to ensure that the group has an effective and appropriate process.

Managements at the various companies in the group are responsible for risk management and internal control with the aim of ensuring:

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

Compliance

The compliance function is organised independently of the business units and reports to the CEO. The function assesses the undertaking's policies, procedures and systems to ensure regulatory compliance, and provides advice on measures that should be taken to ensure compliance. The function assembles its observations in a quarterly report which is presented to the group management team and the board of directors.

The function shall also establish guidelines and processes for managing compliance risk and ensure that compliance is monitored and tested by means of a structured and well-defined monitoring programme.

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

Internal control in relation to financial reporting

The board of directors of SpareBank 1 SMN has adopted guidelines for the group's financial reporting. These conform to the current requirements imposed by the authorities and are designed to ensure relevant, reliable, timely and identical information to the bank's EC holders and the securities market in general.

Group Finance is headed by the CFO and is organised independently of the business lines. The unit attends to financial reporting at both parent-bank and group level, and establishes guidelines for monthly, quarterly and annual reporting from the various business lines and subsidiaries. The CFO assesses the business lines' financial results and goal achievement on an ongoing basis and sees to it that all entities perform in keeping with the group's overall financial objectives. The CFO reports directly to the group CEO.

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

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

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

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

Internal audit

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

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

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

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

Ethics and whistleblowing

Ethical guidelines have been drawn up for the group and its employees, and ethics is a standard topic at seminars for all new staff members. This helps to ensure that the group's values and ethical guidelines are properly communicated and made known throughout the organisation. Clear-cut guidelines have been established for reporting (whistleblowing) should any member of staff learn of circumstances that breach external or internal regulatory provisions or of other circumstances which are likely to harm the group's reputation or financial situation. How a report is to be handled is decided by the recipient of the report, in consultation with the HR manager and legal services director. The bank has an agreement with KPMG which ensures that a whistleblower can report anonymously. Whistleblowing via KPMG was utilised on three occasions in 2023.

Deviations from point 10 of the Code of Practice: None

Point 11: Remuneration to the board of directors

Remuneration to the board of directors is prepared by supervisory board's election committee with a basis in market assessments, the board of directors' responsibilities, competencies, time spent and the group's complexity. The remuneration is fixed and not performance-related and no options are issued to the directors.

The board of directors' chair, the board's deputy chair and members of board committees are remunerated separately. None of the directors appointed by the supervisory board perform any task for the group beyond that of serving on the board of directors.

Further information on compensation to the board of directors and board committees is shown in the report on remuneration of senior employees which is published at smn.no.

Deviations from point 11 of the Code of Practice: None

Point 12: Remuneration to senior employees

The group's remuneration policy is formulated in accordance with the Financial Institutions Act chapter 15 with appurtenant regulations. The board of directors' remuneration committee prepares the matter before the board of directors lays down the remuneration policy each year. The policy supports the group's overarching goals, risk tolerance and long-term interests.

The policy is moreover designed to achieve the following objectives:

- Promote prudent and effective management of risk and avoid unnecessary risk-taking
- Stimulate efficient use of capital
- Stimulate reduced risk of internal control failures

These rules also apply to other employees and senior personnel performing tasks of material significance for the group's risk exposure and to employees and senior personnel with control tasks.

The board of directors has a remuneration committee which prepares matters for the board. The remuneration committee deals with the remuneration arrangement, compensation to the group CEO and recommends guidelines for remuneration to senior employees (the group management). The remuneration policy was adopted by the board of directors most recently on 1 March 2023 and guidelines on remuneration to senior employees were adopted by the supervisory board on 28 March 2023.

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

Deviations from point 12 of the Code of Practice: None

Point 13: Information and communication

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

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

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

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

Deviations from point 13 of the Code of Practice: None

Point 14: Takeover

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

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

Point 15: External auditor

The external auditor is appointed by the supervisory board. It is the audit committee that prepares the election of the auditor for the board of directors, and the board of directors submits its recommendation to the supervisory board. The supervisory board establishes the auditor's fee. The external auditor is one and the same for all companies in the group.

The external auditor performs the statutory confirmation of the financial information provided by the companies in their public financial statements. The external auditor presents each year to the audit committee a plan for the conduct of the audit. The external auditor provides the audit committee with a description of the main elements of the audit, including whether significant weaknesses have been identified in the bank's internal control related to the financial reporting process.

Further, the external auditor attends all meetings of the audit committee at which quarterly or annual accounts are reviewed and attends the meeting of the board of directors at which the annual accounts are reviewed. The board of directors holds at least one meeting each year with the external auditor without the group CEO or others from the day-to-day management team being present.

Guidelines have been established for the day-to day management team's right to utilise the external auditor for non-audit services. Any such services from the external auditor shall at all times be within the scope of the Auditors Act.

In addition the auditor confirms his independence and discloses whether any services other than statutory audit have been delivered to the group over the course of the accounting year.

Deviations from point 15 of the Code of Practice: None

[1] Lov om årsregnskap m.v. (regnskapsloven) - Kapittel 3. Årsregnskap og årsberetning - Lovdata

[2] Lov om finansforetak og finanskonsern (finansforetaksloven) - Lovdata

[3] https://www.euronext.com/sites/default/files/2023-09/Euronext%20Growth%20Rule%20Book%20-%20Part%20II%20-%20Euronext%20Growth%20Oslo%20%28norsk%20versjon%29%20-%20ikrafttredelse%201%20oktober%202023.pdf

Our sustainability effort

Introduction

SpareBank 1 SMN aims to stimulate a sustainable development of our region. This is laid down as a strategic priority and is an integral aspect of the group strategy for the current period. The group's sustainability strategy is designed to render our financial goals achievable and to create value for our customers, owners and employees through being a:

- Driver for the green transition
- Partner for the inclusive development of society
- Guide for a responsible business culture

The strategic objective for our climate readjustment is to reduce the group's total greenhouse gas emissions by 90-95 per cent (achieve 'net zero emissions') by 2050. A key milestone in this effort is to cut emissions by 50-55 per cent by 2030. As a natural follow-up to this ambitious objective of net zero emissions, we have in 2023 committed to the Science Based Targets initiative (SBTi). Information on what our commitment entails for SpareBank 1 SMN is explained more fully in the chapter entitled "Reducing the carbon footprint in loan portfolios".

Sustainability is integrated into all business lines and support functions in the group, including day-to-day operations, customer offering and distribution of community dividend. We view sustainability both as a financial risk and a business opportunity. Members of the group management team have responsibility for achieving strategic sustainability goals in the areas for which they are responsible. The group's sustainability efforts are regularly reviewed by the bank's board of directors and by the management boards of the group's subsidiaries. Relevant steering documents are publicly available in our Sustainability Library at smn.no/barekraft and are referred to under each significant topic in this annual report.

The operational work on sustainability is divided into three areas:

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

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

Figure 5: Overview of SpareBank 1 SMN's stakeholders

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

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

The group's double materiality analysis is a foundation for achieving both the group's financial goals and its sustainability goals. In addition the analysis creates the basis for our compliance with existing and new regulatory requirements. The analysis identifies the most important themes of our impact on the environment and society, and society's financial impact on SpareBank 1 SMN. It also helps us to identify those UN sustainability goals where our impact is greatest.

Our analyses are publicly available in the Sustainability Library. Figure 4 shows the methodology underlying the preparation of our double materiality analysis.

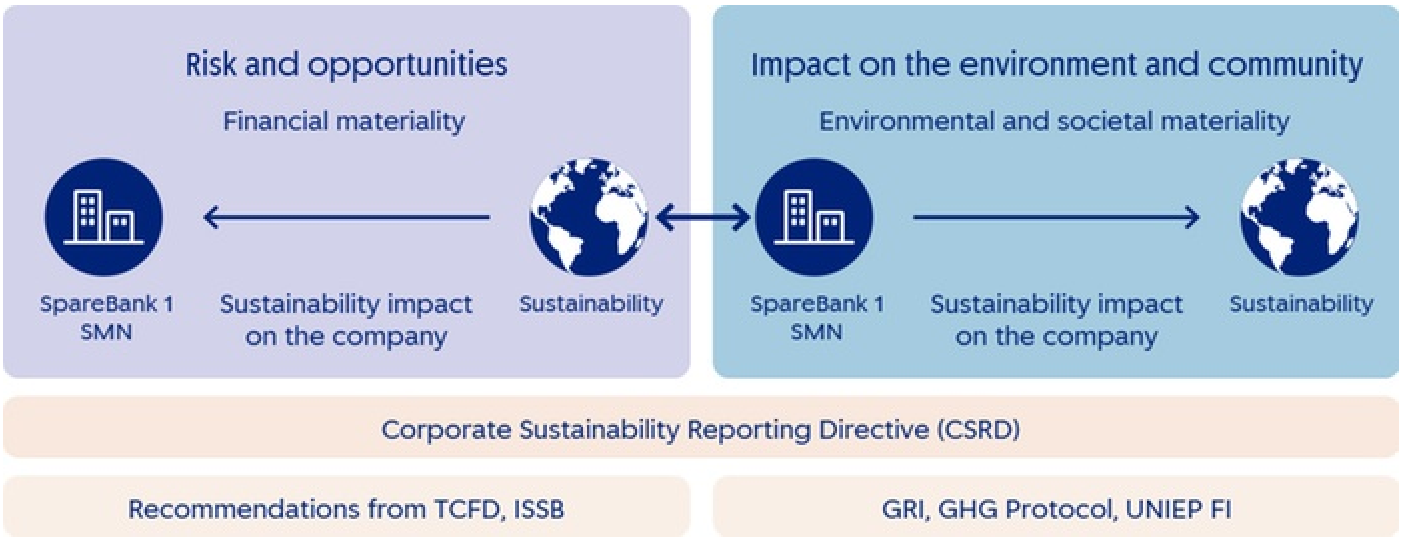


Figure 6: Double materiality analysis

Our obligations

We support the following national and international agreements in our work on integrating sustainability into the business:

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

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

- UN Principles for Responsible Banking (UNEPFI)
- UN Global Compact (UNGC Norway)
- Partnership for Carbon Accounting Financials (PCAF)
- Task Force on Climate-Related Financial Disclosure (TCFD)
- Global Reporting Initiative (GRI)
- Science Based Targets initiative (SBTi)
- Eco-Lighthouse Foundation
- Guide Against Greenwashing

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

Our focal areas

The latest update of our double materiality analysis, which was carried out in autumn 2022, showed that many of the expectations from 2020 still applied at the same time as some new themes came to the fore. Based on this analysis we identified four focal areas with associated material themes:

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

These focal areas form the basis for our key performance indicators (KPIs) which function as drivers for our transition. Goal attainment and status as regards these KPIs are reported to the group management and the bank’s board of directors on a quarterly basis.

This year we have targeted our work towards completing the KPI table. Completing the KPIs has required new tools, data points and work processes, and the work has taken somewhat longer than envisaged. The overview below summarises key figures for each focal area with appurtenant themes.

Responsible lending and investments	**Target 2023**	**Result 2023**	**Target 2024**
Losses due to fraud[10)]	< 10.000.000 NOK	15.660.000 NOK	< 22.500.000 NOK
Share of managers and employees having completed e-learning course in AML and anti-terrorist financing	100 %	97 %	100 %
Corporate loan volumes with ESG-score	75 %	87 %	90 %
Retail loan volumes with ESG-score[1)]	20 %	0 %	20 %
Share of loans that meet the requirements for green bonds	Under development[3)]	19,1 %[2)]	Under development[3)]
Total greenhouse gas emissions from loan portfolios	1.000 (1000 tCO_2e)	1.034 (1000 tCO_2e)	SBTi[4)]
Share of homes in the loan portfolio with energy performance certificates	90 %	42 %	70 %
Share of commercial properties in the loan portfolio (>1. 000 m2) with energy performance certificates	75 %	21 %	90% of new grants
Advisory services and customer offering			
Sales volume of products and services with an environmental benefit[5)]	2.000.000.000 NOK	2.516.000.000 NOK	3.000.000.000 NOK
Sales volume of products and services with a social benefit[6)]		0	
Category score for sustainability in WinningTemp[7)]	7.4	7.3	8
Share of managers and employees having completed e-learning course in ethics	100 %	94 %	100 %
No. of documented complaints of breaches of data privacy or loss of customers data	0	12	0
Sustainable transition of Mid-Norway			
No. of participants in meeting places and innovation activities	7.000 participants 250 entrepreneur- and youth enterprises	5.790 participants 300 entrepreneur- and youth enterprises	6.000 participants 250 entrepreneur- and youth enterprises
No. of participants in competence and development programmes	50-100	270	500
Share of large corporate customers with credit commitments who have carbon accounting reports[8)]	25 %	24 %	25 %
Sustainable transition in SpareBank 1 SMN			
Share of Group's significant procurements (> NOK 100,000) from suppliers with carbon accounting reports	50 %	68 %	80 %
Share of managers and employees having completed e-learning course in information security	100 %	90 %	100 %
Category score for diversity, inclusion and equality in WinningTemp[9)]	N/A	N/A	N/A
Total greenhouse gas emissions from day-to-day operations	16,4 (1000 tCO_2e)	18,5 (1000 tCO_2e)	SBTi[4)]

[1] The model for ESG-scoring of our retail loan portfolio is at the reporting date not yet developed by the SpareBank 1 Alliance.

[2] Based on existing framework per januar 2024.

[3] An official definition of the 15 % most energy effective buildings is not available, and access to reliable data is necessary to ensure a robust approach.

[4] Our targets related to greenhouse gas emissions is as of 2023 under development in conjunction with our commitment to SBTi.

[5] Products and services with an environmental benefit is defined as green products from our product hierarchy. This deviates from the EU Taxonomy. Our disclosures related to the EU Taxonomy can be found under the focal area "Responsible lending and investments".

[6] Our customers offering is a result of demands from the municipalities in our portfolio, and we have no specific products and services serving a social benefit as per 2023.

[7] Our employee development tool.

[8] "Large corporate customers" exceed two out of three following criterias: turnover > 400 MNOK, balance sheet total > MNOK 200 and number of employees > 250.

[9] We have updated the sustainability module in WinningTemp, and this key performance indicator is now a part of the key performance indicator "Category score sustainability in WinningTemp".

[10] Losses due to fraud is defined as expenses due to fraud commited to the banks customers, repaid by the bank

Up-coming statutory requirements and regulation

Financial undertakings’ reporting requirements will burgeon in the years ahead, much due to the financial sector’s important role in the transition to a low emissions economy in Norway as elsewhere. In 2023 SpareBank 1 SMN took several steps to prepare to accommodate the new regulatory requirements as and when they occur, including:

- Strengthening and co-locating the group’s specialist sustainability units.
- Rescheduling the updating of the group’s double materiality analysis to the first quarter 2024.
- Developing the first version of a group-wide framework for reporting and publishing sustainability information.
- Revising the mandate for the group’s ESG committee in which competence development as regards reporting and the reporting framework is one of several updates.
- Organising courses in how to implement up-coming reporting requirements and standards.
- Informing the audit committee about wider responsibilities and tasks imposed by new sustainability reporting requirements.

Sustainability Directive

The Corporate Sustainability Reporting Directive (CSRD) entered into force in the EU on 1 January 2023, replacing the Non-Financial Reporting Directive (NFRD) with effect from January 2024. The Securities Trading Act Committee delivered its report on implementation of the CSRD in Norwegian law, and Norway is expected to follow the same timetable as the EU. SpareBank 1 SMN will be subject to a reporting requirement for the reporting year 2024, with its first report due in 2025.

The CSRD is operationalised through a comprehensive set of reporting standards termed European Sustainability Reporting Standards (ESRS) which cover material themes within the EU’s Green Deal in the environmental, social and economic context.

As a stock-exchange-listed credit institution, we are encompassed by the first ‘wave’ of reporting for the reporting year 2024. We have launched a number of initiatives in-house to ensure our readiness to accommodate the requirements upon their entry into force in Norway.

We have in 2023 carried out a project to map and understand the consequences of up-coming statutory requirements and regulation. The working group has comprised experts from the sustainability department at SpareBank 1 Regnskapshuset SMN along with key personnel from risk management, the group accounting department and compliance. The mandate was to draw up a groupwide framework for the reporting and publishing of sustainability information.

As a part of the SpareBank 1 Alliance we also maintain a close dialogue with other banks in the SpareBank 1 Alliance in order to identify shared data needs, assess joint initiatives and create a common understanding of how the legislation affects us as banks. Several initiatives have already been launched related to understanding the ESRS and the data needs to which ESRS gives rise.

The comprehensive reporting requirements ensuing from the CSRD have introduced a need for further reorganisation and distribution of the responsibility for reporting on sustainability within the SpareBank 1 SMN Group. For us the operational aspect of sustainability has throughout been strongly imbedded in the respective specialist and business lines in the group, while reporting and structuring has belonged under Group Finance and Governance.

An ambition is to utilise the requirements of the CSRD to gear up our structures, our employees and our business model in a direction that promotes long-term sustainable value creation. The broad, complex, and to some extent radical requirements of the CSRD offer both an opportunity, but also a need, to further involve the group’s specialist and business lines in the reporting. In the course of 2024 we will to a greater degree involve key personnel in the specialist and business lines as contributors to the preparation and updating of guidelines, action plans, key figures and objectives.

Group Finance and Governance will retain overall responsibility for understanding and implementing the legislation and any changes and updates, and key personnel in the specialist and business lines will handle specific tasks related to various material themes. We believe that this type of organisation puts the group in a better position to accommodate up-coming statutory requirements and regulatory measures.

Updating of SpareBank 1 SMN’s double materiality analysis

We have since 2020, with a two-year interval for updating, prepared a materiality analysis for the group. The update helps to ensure that we always take into account changes in our stakeholders’ perspective and preferences. In 2020 we prepared a simple materiality analysis with a focus on impact materiality - how SpareBank 1 SMN impacts the climate, environment and people.

When updating the materiality analysis in late autumn 2022, we opted to broaden our perspective with the inclusion of financial materiality as a dimension of our materiality analysis. This resulted in a double materiality analysis which formed the basis for the content and structure of our reporting for 2022. This structure is retained in 2023.

A double materiality analysis will now become mandatory for the first time through the implementation of the Corporate Sustainability Reporting Directive (CSRD) in Norwegian law. The double materiality analysis forms the foundation for our reporting in keeping with the ESRS, and the process, and the result, are important for maintaining our focus in the years ahead, both in our reporting and governance. We have carried out a preliminary mapping of our present double materiality analysis in terms of topics and subtopics to identify which material themes are most likely to be relevant for us to report on when the CSRD enters into force.

Our ambition is to update the group's double materiality analysis early in 2024. With the experience and competence we gained from the process in autumn 2022, we feel well equipped to prepare a double materiality analysis in line with the new requirements of ESRS. We are bringing this work forward in 2024 to ensure that guidelines, action plans, KPIs and objectives are in line with the ESRS requirements.

EU Taxonomy

The EU Taxonomy took effect in Norway on 1 January 2023 with the first reporting due in 2024 (for the reporting year 2023). As a credit institution we are a highly important actor in the allocation of capital to sustainable economic activities, and are accordingly a part of the first wave of reporting on the Taxonomy in Norway.

The Taxonomy is the EU's classification system for identifying sustainable economic activities, and sets criteria for what economic activities are to be considered, or not considered, sustainable. The Taxonomy comprises six environmental objectives, of which the first two (climate change mitigation and climate change adaptation) apply to reporting in 2023. The four remaining environmental objectives are not expected to be incorporated in the EEA Agreement before year-end, and will only become reportable for the reporting year 2024.

Other work on the EU Taxonomy, including methodology, calculations, assumptions, challenges and opportunities are described more fully in the focal area entitled 'Responsible lending and investments'.

Responsible lending and investments

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

Material themes	Objective	Key figures	Responsibility
Prevent and combat economic crime and corruption	Ensure compliance with laws and regulations through updated risk assessments and effective combating of economic crime	▪ Losses due to fraud ▪ Share of managers and employees having completed e-learning course in anti-money laundering and terrorist financing	Director, Technology and Development
Secure long-term profitability and competitiveness	Strengthen the group's growth and profitability through differentiated pricing of climate risk and active portfolio management	▪ Loan volume to corporate and retail customers with ESG score ▪ Share of loans that meet the requirements for green bonds	Director, Corporate Banking Director, Retail Banking
Reduce carbon footprint in loan portfolios	Reduce the group's financial risk by integrating climate and natural impact into advisory services, risk management and credit models	▪ Reduction of total CO2 emissions from loan portfolios in line with transition plans towards net zero by 2050 ▪ 8% annual reduction of CO2 emissions in day-to-day operations	Director, Group Finance and Governance Director, Risk Management
Stimulate green transition for retail customers and corporate customers	Actively promote reduction of customers' energy consumption through advice, product development and courses offered	▪ Share of dwellings in the loan portfolio with an energy rating ▪ Share of commercial properties in the loan portfolio (>1,000m2) with an energy rating	Director, Corporate Banking Director, Retail Banking CEO, EiendomsMegler 1 Midt-Norge

Table 2: Responsible lending and investments – material themes

Preventing and combating economic crime and corruption

Our approach to the theme

Economic crime committed by way of banks and financial institutions is growing in scale, and the continual professionalisation of criminals means that criminal activities are increasingly complex. For us, prevention and combating of economic crime and corruption are a pivotal task. This task is required of us by law, and supports the trust and confidence placed in Norway's welfare society and financial industry both nationally and internationally. The above theme is material to all our stakeholders, and we devote considerable resources to the work involved.

Work on prevention and combating of economic crime

Economic crime signifies unlawful, profit-motivated acts that impact individuals, businesses and society, and may have negative consequences for confidence in Norway's welfare society. Moreover, it appears from various threat assessments that banking and finance are increasingly vulnerable to employees who commit criminal acts alone or through close links to criminals.

As an ‘obliged entity’ under the anti-money laundering legislation, SpareBank 1 SMN has a statutory obligation to institute measures against money laundering and terrorist financing. On 1 January 2023 a new Financial Contracts Act entered into force designed to strengthen consumer protection. The Act assigns the bank a statutory obligation to cut down processing time for complaints related to fraud.

Many measures large and small have been taken to guard against, detect and deal with economic crime in 2023.

Strategic accountability with regard to economic crime

Most important guidelines: Group policy and overarching guidelines on money laundering, terrorist financing and sanctions, policy on internal malpractices and corruption.

Responsibility for the area: The head of the anti-economic crime unit is the bank’s anti-money laundering officer. The director of Technology and Development has chief responsibility for anti-fraud and internal malpractices and corruption.

Objective: To preserve the confidence of public authorities, customers, partners and competitors through prevention, detection and handling of transactions with links to money laundering, terrorist financing and other economic crime.

Fraud

Development and trends in 2023

The bank has noted an increase in fraud and attempted fraud against our customers in 2023. Overall figures for our customer-facing activities – from customer service centre, complaints department to units combating economic crime – show a continued increase in fraud compared with previous years. This is in line with reports from public authorities and bodies as well as other financial institutions in Norway in the past year.

In 2023 a marked trend has been an increase in fraud linked to fake investments and an increase in fraud linked to digital second-hand markets. We see a continued high incidence of phone scams involving seniors (so-called ‘Olga fraud’), at the same time as our security systems have prevented and halted a considerable number of attempted phone scams in 2023, compared with 2022.

Measures and anti-fraud efforts in 2023

In 2023 we updated our risk assessments in the fraud prevention area together with other Alliance banks as part of a long-term strategic enhancement of the anti-fraud effort in the SpareBank 1 Alliance. 2023 saw several major fraud cases in which the bank took a leading initiative at the national level with regard to the police and the prosecuting authority, and where the outcome of the cases has in large measure been beneficial to society. 2023 has also been a year in which we took a visible position in the media with a fraud prevention message. In addition we held a series of talks and customer meetings at local level whose focus was on advice and guidance on how to avoid being defrauded.

Expected development in 2024

In step with a steadily growing digital integration of society and further digitalisation of payment and financial services, we expect fraud committed against the bank and our customers to remain on a high and rising level in the coming year. On a general basis, digitalisation – as a positive force in society that increases values, reduces transaction costs and realises gains – will also open the way for transnational fraud, upscaling and intensification of attacks, effective sharing of criminal knowledge and new technology, as well as rapid changes in modus and attack vectors against banks and their customers. The growth of fraud must also be viewed in the light of a changing geopolitical picture: fraud undermines and weakens trust among citizens, and the trust citizens place in society's major participants, such as banks. This can serve the purposes of criminal actors.

Money laundering and terrorist financing

SpareBank 1 SMN is under a statutory obligation to implement measures to prevent and detect money laundering and terrorist financing. In our annual report for 2022 we wrote that our chief priorities in the money laundering and terrorist financing sphere were to improve processes and procedures, ensure compliance in connection with the merger with SpareBank 1 Søre Sunnmøre, and to acquire the next generation of anti-money laundering (AML) solutions. In addition, our framework for anti-money laundering, anti-terrorist financing and sanctions has been updated. A major survey of the risk posed by various types of correspondent banking connections has been carried out, and the quality and effectiveness of 'know your customer' processes in the personal market has been improved.

Our group policy and overarching guidelines in this area set requirements for internal control and communication procedures designed to ensure compliance with the anti-money laundering legislation. A total of 27,805 transactions were identified for further checks by the bank's transaction monitoring system. 610 cases were reported as suspicious to Økokrim's financial intelligence unit (FIU).

All employees underwent training activities in 2023. 97 per cent of assigned e-learning coaching in economic crime was completed, and specific training was provided to specialist units, both on a 'classroom' basis and through tailored e-learning and certification programmes.

Internal malpractices and corruption

Internal malpractices and corruption are destructive for society as a whole and undermine lawful business activity and competition. Involvement in internal malpractices and corruption can damage the group's business and reputation, and may result in criminal punishment, loss of contract or other financial loss.

Malpractice as a concept covers both criminal and non-criminal offences and may be committed through for example embezzlement, theft, fraud, corruption, breach of confidentiality or ethical guidelines.

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

The anti-corruption policy has been revised to cover all forms of internal malpractices. It has been reviewed by the board of directors and provides guides for the group's stance and work on preventing internal malpractices and corruption.

The most significant risks of internal malpractices and corruption that have been identified are vulnerabilities related to employees, misuse of accesses and exploitation of systems. Over the year a number of measures have been devised to map vulnerabilities and implement measures to reduce the risk of internal malpractices and corruption.

Our ethical guidelines make clear that employees must avoid entering into a relationship of dependence with the group's clients or suppliers. Employees' positions shall be registered and approved by HR.

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

The bank has whistleblowing procedures to ensure employees' right to report censurable circumstances. The whistleblowing procedures also apply where there is a suspicion of internal malpractices or corruption. Whistleblowing may be done anonymously. Four cases were reported in 2023.

Training

Each year all group employees undergo a mandatory ethics update as a means of promoting ethical awareness and professional integrity. The theme for the 2023 ethics week was impartiality and conflicts of interest. To date 94 per cent of our employees have completed the programme.

Relevant steering documents

The following steering documents are central to this theme:

- Group policy and overarching guidelines on money laundering, terrorist financing and sanctions
- Policy on internal malpractices and corruption
- Ethical guidelines

Ensuring long-term profitability and competitiveness

Our approach to the theme

Our long-term profitability and competitiveness are dependent on our successful achievement of a green transition in close interaction with our customers, suppliers and business partners. To that end, ESG scoring of corporate clients forms an integral part of the credit process. Corresponding tools will also be introduced for our retail customers. We have brought in a clear differentiation of loan-to-value ratios, loan instalment profiles and dividend payment potentials for companies, depending on how we view ESG risk at customer level. Through these changes in the credit process, the group's lending business will increasingly meet the requirements imposed on green bond funding.

Retail Banking

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

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

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

Lending to agricultural customers belongs under Retail Banking's portfolio, and includes the following segments: farming, forestry, animal husbandry, further processing of raw materials and provision of various services to farms. This is an important industry for us and is the bank's second largest industry portfolio. In terms of loan volume we are the second largest bank for agriculture in Norway. Our role under our agriculture policy is to assist in developing the region's agriculture. This implies a role in the evolution of the farm sector that is larger than merely being a supplier of capital.

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

In the course of 2023 we were given the opportunity to retrieve "estimated energy labels" from Eiendomsverdi. If these energy labels are approved for use, it will enable the energy status of many properties that lack energy data to be estimated. Hence only a small proportion of properties financed by us will be left without an energy label. This lays the basis for incorporating an advisory solution and ESG in credit assessments.

2023 was a demanding year for customers with large mortgages, large dependant burdens and low incomes. Our response was to introduce a financial health team – a measure designed to address the problem of unmanageable debt in a more coherent manner with a focus both on financial challenges and health challenges, and the reciprocal effect these issues can have on one another. This initiative is expected to help those of our customers who are struggling with unmanageable debt challenges.

Corporate Banking

Risk related to sustainability is an integral part of the credit assessment of our corporate customers, and is a routine element in credit cases and risk management. This type of risk constitutes credit risk on a par with other possible risk drivers. Under our credit strategy we work purposefully to reduce both ESG risk and greenhouse gas emissions from our loan portfolio in keeping with our goal of net zero emissions in our loan portfolio by 2050. We have prepared a document entitled "Guidelines for managing risk related to ESG" as an overarching guideline for our customer advisers.

The group will work purposefully to reduce both ESG risk and greenhouse gas emissions from the loan portfolio. We set guidelines for relevant industries that address ESG-related risk, thereby ensuring that decisions are made on a solid basis and in accordance with the group's sustainability strategy.

ESG model and credit assessment

Our ESG model is a key tool in assessing our corporate customers' ESG risk. The model has been developed by the SpareBank 1 Alliance for the purpose of detecting credit risk related to ESG, where the customer is scored on a scale from 1 to 10. The questions posed in the ESG model are tailored to the segment in which the customer operates, alongside assessments concerning climate risk (physical risk and transition risk), social risk factors (e.g. worker rights and human rights), as well as governance. The ESG model is a tool available to financial advisers in the customer dialogue, partly with a view to the ESG assessment, but also with a view to discussing the risk picture for the customer's industry, and to highlighting steps the customer can take to reduce their own ESG risk.

When using our ESG model we require classification of ESG risk level in the case of all exposures of NOK 10 million or more. Risk classification is updated at least annually and in the event of significant changes. Risk level is categorised as low, medium or high.

For 2023 our aim was to assess 75 per cent of all existing and new credit exposures of NOK 10 million or more using our ESG model. As at 31 December 2023 the proportion was 87.2 per cent, i.e. well above target. For 2024 we have set a target of 90 per cent.

We will continue, together with the SpareBank 1 Alliance, to further develop the ESG model in terms of functionality, questions asked, weighting and data. For new and existing customers with credit exposures below NOK 10 million the ESG model sets no requirement as to ESG classification, although a verbal ESG assessment is required in the event of observed negative discrepancies.

Investments at SpareBank 1 SMN

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

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

Own direct investments

In managing the group's liquidity risk, we have a portfolio consisting of liquid securities of high credit quality. The portfolio's composition and size are in conformance with steering documents for the liquidity area approved by the board of directors and with statutory requirements on liquidity management. In addition, guidelines for sustainable liquidity management have been drawn up. The group's investments in CDs and bonds total NOK 34bn at the end of 2023. In the course of 2023 we have continued to build up the share of bonds that meet ESG criteria, and have considered and participated in a number of issues denominated in NOK and EUR through the year. This amounts to NOK 2.7bn for 2023. These are in all essentials bonds issued by multinational organisations and covered bonds.

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

Investments made by management services mediated through the bank

SpareBank 1 SMN is not a manager of mutual funds, but is a distributor of such funds. As a distributor, we are concerned to offer mutual funds with high ambitions in terms of sustainability. The mutual fund offering has been built up through ODIN, which SpareBank 1 SMN indirectly co-owns through SpareBank 1 Forvaltning, in addition to mutual funds from other fund managers.

Together with the other banks in the SpareBank 1 Alliance, we wish to make it simpler for our customers to invest in mutual funds that are appropriate to the customer in terms of return and risk, but also with a view to sustainability.

We have guidelines on sustainable distribution and recommendation of mutual funds. The guidelines are drawn up followed up together with the other banks in the SpareBank 1 Alliance. Through our guidelines we have defined what we encourage, expect, and demand of managers of the mutual funds that we distribute to our customers. If a manager breaches the requirements and, after dialogue with us, opts not to change their practices, we will halt distribution of the mutual fund concerned.

In addition to the above, we have established our own labelling scheme in which the various funds are given a sustainability rating based on compliance with our expectations. Briefly, we expect managers of the respective funds to be active owners and to exclude companies and sectors in order to ensure a more sustainable development for the company in isolation, but also for the community and the environment. We consider these factors important for the value created by the companies for their owners who are in turn our customers.

In light of a sizeable ongoing revision of the labelling scheme in the second half of 2023 we have deferred the process of obtaining new sustainability information from fund managers for 2023. We will ahead rely to a greater degree on the Sustainable Finance Disclosure Regulation (SFDR), and on more objective sustainability information provided by a supplier of sustainability data in the labelling arrangement, and less on information obtained directly from the fund managers. We expect the new labelling arrangement to be phased in during the first half of 2024.

The table below shows the distribution of ratings under the labelling arrangement for 2023. Only one change in rating is seen for funds in distribution in 2022.

ESG score	2023	New funds 2023
A	12	1
B	179	3
C	17	0
D	4	0
E	0	0
F	1	0
Total	**213**	**4**

Table 3: Distribution of ESG-score funds

By far the majority of funds we distribute have a B rating, and we consider these funds to have a good approach to sustainability. Revision of the labelling arrangement is partly designed to enable funds to be differentiated from one another to a greater degree, so as to reduce the concentration of funds with a B rating. Only one fund has moved from an A rating to a B rating compared with the previous ESG scoring. In order to receive an A rating, a fund must in addition to meeting all the expectations imposed, be classified as an Article 9 fund under the SFDR.

All fund managers state that they have signed up to the UN Principles for Responsible Investment and report on compliance.

Investments of moneys from the community dividend fund and SpareBank 1 SMN Utvikling
This receives further attention in the chapter 'Community dividend' and 'Stimulating innovation and sustainable economic growth'.

Framework for issuance of green bonds
In keeping with the group's sustainability strategy, SpareBank 1 SMN has drawn up a framework for the issuance of green bonds (Green Bond Framework). The framework was drawn up in keeping with ICMA Green Bond Principles. The framework supports the UN Sustainable Development Goals, and all qualified loans in the portfolio can be related to one or more of the following sustainability goals:

Qualified loans are grouped in categories:

- No. 7: Affordable and clean energy
- No. 8: Decent work and economic growth
- No. 9: Industry, innovation and infrastructure
- No. 11: Sustainable cities and communities
- No. 12: Responsible consumption and production
- No. 14: Life below water
- No. 15: Life on land

Qualified loans are grouped in categories:

- Green homes and commercial buildings
- Environment-friendly and sustainable management of living natural resources and land use
- Circular economy adapted products, production technologies and processes with selected sustainability certifications
- Clean transport
- Renewable energy

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

As at 31 December 2023 we had issued green bonds worth NOK 23.8bn.

Qualifying assets in the portfolio total NOK 34bn. Further details about the issuances can be found in the green bond allocation report published in our sustainability library at smn.no.

SpareBank 1 SMN's green bond framework – brought to completion in January 2024 – is an update of the existing framework for green bond issuance with an eye to the EU taxonomy. Some divergences from the taxonomy remain, mainly due to two items:

- Grandfathering of loans – i.e. loans which qualified at the time of granting, but where the collateral for the loan would not have qualified today.
- Sectors and certifications that are not a part of the taxonomy today such as fishery, aquaculture and Eco-Lighthouse.

For other differences between SpareBank 1 SMN's framework and the taxonomy, we refer to the description provided in the SPO from Sustainalytics, which has evaluated the framework.

Climate risk and opportunities

Climate risk denotes the risk of financial loss or impaired reputation which can be related either directly to climate change (physical risk) or as a consequence of adjustments towards a low emissions society (transition risk).

Loss as a result of climate risk will materialise through the traditional risk categories such as credit risk, market risk and operational risk. Climate risk is thus a driver of risk, not a risk category in its own right. The group considers climate risk to be a material financial risk, and until such time as climate risk is fully integrated into the traditional risk categories and the group's corporate governance, climate risk will receive added focus in our risk management.

We utilise the Task Force on Climate-Related Financial Disclosures (TCFD) framework to guide our work on, and reporting on, climate risk.

Management

Board of directors' involvement in climate-related risks and opportunities

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

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

In 2022 the board of directors adopted an ambition to achieve net zero emissions by 2050, recognised climate risk as a strategic opportunity and threat, and adopted a framework for transition plans towards net zero. In 2023 the board of directors took the net-zero ambition a step further by committing the group to the Science Based Targets initiative (SBTi). The group must, by 2025, draw up plans and emission paths towards net zero in 2050 and have them validated.

Management of climate-related risks and opportunities

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

Day-to-day operations follow the ordinary lines-of-defence structure and responsibilities, where the group CEO has highest responsibility. Roles and responsibilities in the climate risk effort, as part of the overall work on sustainability, are specified in the document Sustainability policy. Inasmuch as climate risk is included in all steering documents, responsibility for climate risk management is an integral part of the group's business.

The group's ESG committee will contribute to the development and implementation of a groupwide standard for sustainability at SpareBank 1 SMN. Climate risk management is a part of this effort. All business lines in the group have a representative on the committee who is designated by the director of the business line or the head of the subsidiary concerned. The committee's mandate was revised in October 2023 and shall inter alia:

- Monitor ESG trends and developments
- Encourage further development and intensification of the work on integrating sustainability across all parts of the group in line with applicable strategic initiatives
- Contribute to developing active impact strategies and transition plans that assist the group's customers, suppliers and business partners in achieving the necessary readjustment
- Contribute to making clear the group's ESG data needs as a basis for overall corporate governance and preparation for meeting new regulatory requirements
- Contribute to developing competencies as regards relevant frameworks and regulatory requirements

Strategy

SpareBank 1 SMN is concerned to create sustainable profitability and growth. The group's climate risk strategy shall underpin these objectives as follows:

- The long-term goal shall be reached by identifying, assessing and managing future climate risk related to the group's activities, primarily through being an active driver for the green transition.
- We shall develop and maintain knowledge, tools and methods for identifying climate risk at customer level and quantifying risk at aggregated portfolio level.
- Policy and authorisations shall be designed so as to form an effective framework for the business, with the aim of keeping the group's exposure to climate risk within the board of directors' adopted risk appetite.
- We shall actively work to reduce climate risk in the loan portfolio by providing advice, transition financing and in the final instance by turning away customers or suppliers who either fail to meet the minimum requirements as to sustainability or whose commitment to transition is inadequate.

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

The group updates annually a detailed survey of climate risk using the TCFD template. With regard to the group's lending activity, significant industries are reviewed jointly by the industry officer, the Credit Department and Risk Management. Potential threats and uncertainties are identified and risk is assessed over the short, medium and long term. Where significant financial risks are identified, the ESG model can be adapted to identify vulnerable customers. Finally, the choice of risk management strategies is considered, including development of new policy rules.

The results of the analysis show that climate risk is primarily a risk through loans to customers. Our loan portfolio poses relatively low physical risk, with the exception of fishery and aquaculture where the risk is moderate due to the expected rise in sea temperatures. Transition risk will impact most businesses in the transition towards the low emissions society. We are exposed to agriculture and ship-related segments, which in our analyses have high estimated greenhouse gas emissions that attract public attention. These industries have a conscious awareness of the issue and are making an active effort to reduce greenhouse gas emissions, for example through the climate plan for agriculture (*Landbrukets Klimaplan*) and the International Maritime Organisation (IMO).

In addition to posing a transition risk, the customer's transition presents a climate-related opportunity for the group's business lines when it comes to products and advisory services. We note a rising demand for green loans among larger companies, although green loans are also in demand by smaller businesses and residential mortgage borrowers. This product offers both an opportunity for increased sales and a motivation for our customers to make green investments. Green investments can help to reduce customers' vulnerability to climate risk, but can also pose a financial risk to the customer if the investment is too high or the choice of technology is wrong.

Consequences for operations, strategy and financial planning
The results from the mapping of climate risk are used to assign priorities in the work ahead, to establish new policy rules as a framework for the lending business and to progress the work on transition plans towards net zero. The results are also used as input in the work on credit strategy. The ambition is that priorities for growth and adjustment of credit boundaries should help ensure that climate risk is within the board of directors' risk appetite.

Implementation of measures places emphasis on supporting the sustainability strategy's goal of being a driver for green transition. In 2023 transition plans for agriculture, fishery and commercial property were brought to completion or were updated.

Climate risk is integrated into corporate governance through KPIs, as shown in the KPI table in the introduction to this annual report.

We issue green bonds and have established a programme to ensure that the funds are utilised as intended. The green bond framework was revised in 2023. In addition, Boligkreditt has funded its operations using green bonds. We offer green residential mortgages, construction loans and agricultural loans.

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

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

In 2023 the banks in the SpareBank 1 Alliance further developed the stress test model for credit risk to include climate scenarios and climate-related variables. This work continues in 2024.

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

Risk management

Identifying climate risk

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

The previously mentioned mapping of climate risk using the TCFD template provides a thorough analysis of events that can impact our customers, assessed at industry level.

Vulnerability to climate risk is likely to vary within an industry. All corporate clients with a volume above NOK 10m, along with agriculture customers, are assessed using the SpareBank 1 Alliance's shared ESG model. The model assesses customers' transition risk, physical risk, social conditions and corporate management. The model was developed with the aim of providing good, updated risk assessments and to ensure good data capture. Preliminary results from the model strengthen our assessment that transition risk poses a bigger challenge to our customers than physical risk.

Climate risk is an explicit assessment item for all loan applications submitted by corporate and agriculture customers. The adviser concerned must accordingly make a separate assessment of the customer's vulnerability to climate risk in addition to assigning an ESG score.

Managing climate risk

Our strategy on management of climate risk primarily involves driving a green transition for our customers through providing advice and finance for transition. Our transition plans for the respective industries impose clear requirements and expectations on our customers, designed to assist management of the customer's climate risk.

Good guidelines help to guard against credit risk and set clear boundaries for the lending business. Where financing of commercial property is concerned, we apply stricter loan-to-value requirements to buildings that are old or energy-inefficient. This is because we anticipate a need to upgrade to a modern energy standard in order to attract tenants and to comply with government requirements.

Integrating climate risk into the risk management framework

Integrating climate risk into corporate governance is an ongoing process, and entails the need to incorporate the effect of climate risk into all group strategies, policies and procedures. In addition to its inclusion in the Sustainability Strategy, Sustainability Policy and Climate Strategy, climate risk is integrated into the traditional risk management framework as a risk driver. The three documents mentioned above have acted as guides to how other steering documents should integrate climate risk.

EU (EBA) guidelines impose comprehensive requirements on our climate risk effort, e.g. the guidelines on loan origination and monitoring. Internal projects have been carried through to ensure compliance which in turn contributes to an increased focus and quality of the work done.

Climate risk is considered a risk driver in the bank's ICAAP.

Goals and method

Methods used to assess climate-related risks and opportunities, in line with strategy and risk management processes

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

Our analyses have identified greenhouse gas emissions as a risk to customers in our loan portfolio. This has prompted the group to join the Partnership for Carbon Accounting Financials (PCAF). In 2023 we sought to improve the quality of the estimates and to adapt the methodology to Finance Norway's guide on financed greenhouse gas emissions. While the estimates are still subject to much uncertainty, they nonetheless serve as a guide in our work on strategy. A detailed description of calculations and assumptions is provided in the chapter entitled 'Financed emissions'.

Where financed properties are concerned, Eiendomsverdi has delivered an energy performance certificate for properties holding such a certificate, and has estimated energy ratings for remaining properties. Eiendomsverdi has for all properties delivered estimates of energy consumption which are used to estimate greenhouse gas emissions. The table below shows the number of financed commercial buildings with a usable area above 1,000m^2, and dwellings, distributed by energy rating. The figures are inclusive of loans transferred to SpareBank 1 Boligkreditt/Næringskreditt.

ENERGY RATING	No. of dwellings	Share	Accumulated share	No. of commercial buildings	Share	Accumulated share
A	463	1 %	1 %	3	0 %	0 %
B	3,453	4 %	5 %	30	4 %	4 %
C	3,858	5 %	10 %	30	4 %	8 %
D	4,759	6 %	16 %	51	7 %	15 %
E	5,054	6 %	22 %	26	3 %	18 %
F	6,730	8 %	31 %	15	2 %	20 %
G	8,590	11 %	42 %	8	1 %	21 %
Energy certificate expired	4,190	5 %	47 %			
No energy certificate, but built after 2010	8,084	10 %	57 %	122	16 %	37 %
No energy certificate	34,062	43 %	100 %	484	63 %	100 %
Total no. of properties	**79,243**			**769**		

Table 4: Distribution energy rating

The table shows that many dwellings can benefit from energy efficiency upgrades. The bank offers favourably priced green construction loans or green loans for energy-efficiency measures to customers wishing to upgrade their home to a better energy rating.

Physical climate risk

Our TCFD analyses indicate that we have a degree of vulnerability to ocean warming through our customers in the fishery and aquaculture industries. Moreover, properties in unfavourable locations in terms of rising sea level, flooding or landslides will be more vulnerable in a warmer and more extreme climate.

Properties we finance through residential mortgages and commercial mortgages have been linked up to the NVE's risk maps. Data are delivered by Eiendomsverdi, and then tied in with our lending. We have chosen the following activation thresholds for flagging properties for possible physical risk.

- Sea level: 200-year storm surge, current scenario
- Flooding: 20-year flood, now-scenario or 200-year climate-adjusted scenario
- Quick clay landslide: Medium probability, current-scenario
- Mountain slide: Danger zone unstable or 100-year zone

- Snow slide: Precautionary area inspected

The table below shows total outstanding loans, including loans transferred to SpareBank 1 Boligkreditt, that are secured by real property. Agriculture customers are included under corporate customers.

NOK million	Personal customers	Corporate customers	Total loans	Share
Total loans	152,971	38,599	191,570	
- of which exposed to climate risk				
Flooding	822	1,715	2,537	1,3 %
Snow slides	2,966	1,041	4,007	2,1 %
Mountain slides	76	109	184	0,1 %
Quick clay slides	3,881	668	4,549	2,4 %
Sea level	2,122	3,345	5,467	2,9 %
Total exposed to risk[1)]	**9,362**	**6,470**	**15,832**	**8,3 %**

1) The total exposed to risk is smaller than the sum total of risk groups. This is because some properties are included in two or more risk groups.

Table 5: Exposure physical risk

The NVE's risk map shows only hits where mapping has been carried out, apart from sea level, which is modelled for all properties. Moreover, flagging gives no indication of whether safety measures have been put in place.

Municipalities showing the most hits for snow slides are Ørsta, Ålesund, Rauma and Oppdal. For quick clay slides, Trondheim municipality is overrepresented. This is both because most of the group's lending is to this municipality and because many quick clay sites have been identified.

Reporting of greenhouse gas emissions scope 1, 2 and 3
See the enclosed climate account, the chapter "Reducing the carbon footprint in day-to-day operations" and the chapter "Greenhouse gas emissions from the group's loan portfolios" for our reporting on upstream and downstream greenhouse gas emissions for 2023.

Goal of the work on managing climate-related risks and opportunities
Our goal in managing climate-related risks and opportunities refers both to our opportunity to impact our surroundings and to how our surroundings impact us. More precisely this means:

- Net zero by 2050, both as regards emissions from day-to-day operations and emissions as a result of our lending business
- Long-term sustainable profitability and growth through management of climate risk
- Successful transition of local corporate and retail customers towards a low emissions society.

We are a substantial actor in the region and we seek to use the group to contribute to the transition through the bank, our subsidiaries and our contribution to the regional community.

Relevant steering documents

The following steering documents are central to this theme:

- Guidelines on sustainable lending to retail customers
- Transition plan for sustainable agriculture
- Guidelines on sustainable lending to corporate customers
- Transition plan for commercial property

- Transition plan for fishery
- Guidelines on sustainable distribution and recommendation of mutual funds
- Guidelines on sustainable governance
- Guidelines on sustainable liquidity management
- Green bond framework
- SpareBank 1 Boligkreditt's green bond framework
- Allocation report 2023
- Green bond impact report
- Sustainalytics' second party opinion. Multiconsult's report.

Reducing the carbon footprint in loan portfolios

Our approach to the theme

The financial industry has negligible direct emissions, and our climate impact is in the main a consequence of the capital we manage through loans and investments. The carbon footprint in our loan portfolios constitutes a growing financial risk for us as a group. We recognise that SpareBank 1 SMN must as a major regional financial actor go to the fore as a driver for green transition in our region.

Our driver role entails reducing greenhouse gas emissions through exerting active influence on our customers, while at the same time continuing to integrate material sustainability factors into corporate governance, risk management and credit models. Our transition plans towards net zero emissions at industry level, changes in credit policy and commitment to SBTi are examples of our systematic effort to follow up and reduce our overall climate footprint.

Our commitment to the Science Based Targets initiative

The transition to a low emissions society is dependent on the financial industry, but preparing key performance indicators, objectives, calculations and results poses a challenge given inadequate principles and definitions to support emissions reduction and little in the way of standardised measuring and calculation methods. There is also a notable lack of definitions of what are considered to be effective emission reduction strategies. Our commitment to the Science Based Targets initiative (SBTi) will help us to resolve the problems mentioned.

The SBTi is a global, voluntary body whose mission is to assist companies, including financial institutions, in setting ambitious, science-based climate targets in line with the latest climate science. The initiative came about in response to the gap in evidence after COP21 (Paris Agreement) in 2015, when global pledges were not sufficient to prevent global warming above 1.5 degrees. The initiative is a global collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the World Wildlife Fund (WWF).

As a natural follow-up to the series of three board meetings entitled 'climate transition towards 2050', at which the group's strategic objective of net zero emissions by 2050 was adopted, the board of directors resolved in August 2023 that validated targets should be drawn up in line with the SBTi for all key sectors in the group's loan portfolio. A commitment to cut emissions in keeping with a 1.5 degree emissions path was submitted to the SBTi on 6 October 2023. The commitment entails that SpareBank 1 SMN, over the next two years, will draw up, and obtain approval of, short-term and long-term targets with appurtenant action plans for the period to 2050.

The project group, headed by the group's chief sustainability officer, comprises persons from corporate banking, retail banking, risk management, finance and group accounts with varying backgrounds, competencies and areas of responsibility in the group. The purpose of this organisational set-up is to ensure objectivity, expertise and breadth of viewpoints, discussions and results. In addition to setting up the internal project group we have identified a need to discuss calculation methods and other methodology with the SpareBank 1 Alliance and other banks during the preparation of our own targets. Involving external actors ensures additional collaboration with banks whose preparatory process is under way or that have already prepared science-based targets.

The latter part of 2023 was devoted to understanding how the framework will impact our objectives, including our understanding of the framework's definitions, principles, rules and measuring and calculation methods. Based on this understanding we shall in the course of 2024 improve our measurement of greenhouse gas emissions, identify key emission reduction measures, prepare a methodical approach and commence goal formulation. We are concerned that our stakeholders should have insight into the status of the overall effort, and will therefore be open about the progress made with the validation process. Information will in the course of the validation process (2024-2025) be shared in relevant communication channels.

Greenhouse gas emissions from the group's loan portfolios
In 2021 the group committed to the Partnership for Carbon Accounting Financials (PCAF), a global collaboration between financial institutions that seeks to harmonise and estimate greenhouse gas emissions financed by loans and investments. This commitment and partnership afford us access to a methodology approved by the GHG Protocol to estimate greenhouse gas emissions from customers in our loan portfolio. The PCAF has become the industry standard in banking and finance in terms of estimating and reporting greenhouse gas emissions produced by financed activities.

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

Our customers' scope 1 and scope 2 are included in the group's scope 3 downstream emissions. Financed greenhouse gas emissions are calculated by multiplying the customer's total greenhouse gas emissions by the financed portion of the customer's assets. If the bank finances 5 per cent of a customer's assets, we take in 5 per cent of that customer's greenhouse gas emissions.

The foundation wall of the PCAF methodology consists of estimated emissions based on income- or loan-based emission factors per industry. Our objective is to replace simple estimates either with emissions reported by the customer itself or with activity-based estimates.

The data quality of estimated greenhouse gas emissions, referred to by the PCAF as "data quality score", extends from 1 (based on the customer's own reported greenhouse gas emissions) to 5 (factor-based emissions relative to loan balance). A low score denotes high data quality. Most customers are measured using the factor-based method. Estimated greenhouse gas emissions presented below generally have a low score on data quality and a high level of uncertainty.

This year the methodology for estimating greenhouse gas emissions from the loan portfolio has been updated with a number of changes to bring it more into line with Finance Norway's "Guidelines for calculating financed greenhouse gas emissions". Emission factors are also updated* and substantially changed. The changes in measuring method are so large as to require historical figures for 2022 to be estimated anew using the updated method of measurement, with the exception of Wage earners This is to ensure that reported changes as far as possible reflect changes in actual greenhouse gas emissions, and not merely technical adjustments to the method of measurement.

* Upon the recommendation in PCAF_EXIOBASE-Methodology_2023.pdf we have switched from Norwegian emission factors to EU factors. Some extreme values have been adjusted with reference to the PCAF's recommendation. This applies in particular to oil-related activity.

The table below shows estimated greenhouse gas emissions from the group's loan portfolio including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, both for 2023 and with new calculation of the 2022 figures. A complete climate account for both the parent company and the group is enclosed with this annual report.

	Lending balance (NOKm)		**Estimated greenhouse gas emissions** (1000 tonnes CO2e)		**Emission intensity** (tonnes CO2e per NOKm loaned)		**PCAF data quality score**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Agriculture and forestry	12	11	603	518	50.4	48.4	3.3	3.4
Fishery	5	7	69	96	12.7	13.7	2.8	2.6
Aquaculture	2	2	14	18	6.3	7.6	2.5	2.9
Manufacturing and mining	3	2	62	50	21.2	20.4	4.1	3.9
Construction, power and water supply	6	4	19	14	3.2	3.3	4.2	4.3
Wholesale and retail trade, hotels and restaurants	3	3	28	25	10.8	9.0	4.1	4.1
Shipping and offshore	6	5	107	118	17.9	22.0	4.0	4.1
Property management	21	19	4	3	0.2	0.2	3.4	4.2
Business services	4	3	6	5	1.4	1.4	4.3	4.3
Transport and other services	5	5	76	69	14.1	13.0	4.2	4.1
Public administration	0	0	0	0	1.4	0.7	4.9	5.0
Other sectors	1	1	3	3	2.0	2.8	4.2	4.3
Wage earners[1)]	153	135	19	16	0.1	0.1	3.0	3.0
Total lending incl. SB1 Bolig- and Næringskreditt[2)]	**222**	**198**	**1,012**	**935**	**4.6**	**4.7**	**3.2**	**3.3**
Lending/leasing cars (SB1 Finans Midt-Norge)[3)]	**7.7**	**6.8**	**38.6**	**42.5**	**5.0**	**6.3**	**3.0**	**3.0**

[1)] Wage earners (residential mortgages) are estimated based on financed buildings. For 2022 the previous year's figures are used, i.e. new figures using the updated measuring method have not been calculated. Scope 3 not established.

[2)] The loan balance is slightly lower than in the lending note. The difference is that accrued non-capitalised interest and gross positions for cashpool accounts are not included above.

[3)] Only NOK 7.7bn of NOK 12.6bn of the loan portfolio of SpareBank 1 Finans Midt-Norge AS is included. Refers to lending/leasing, fossil-fuel cars.

Table 6: Estimated emissions from the loan portfolio

The estimates build on location-based emission intensity levels for electricity consumption (19 grammes of CO_2e per kWh for 2023). If emission intensity is changed to the European residual mix (502 grammes of CO_2e per kWh), this affects estimated emissions for wage earners and property management. Total greenhouse gas emissions would then have increased by 524 thousand CO_2e, from 1,012 thousand CO_2e (using location-based emission intensity) to 1,536 thousand CO_2e (using market-based emission intensity).

Our estimates in the above table continue to indicate that greenhouse gas emissions in the loan portfolio are concentrated on a small number of sectors, and account for a limited share of our loan volume. The graph below shows that four industries account for a mere 13% of lending but as much as 85% greenhouse gas emissions. These industries are agriculture and forestry (60%), shipping and offshore (11%), transport and other services (8%) and fishery (7%).

Greenhouse gas emissions have risen by 8%, which is less than the increase in lending. The increase in lending is attributable to the merger with SpareBank 1 Søre Sunnmøre, inflation and growth in financial assets. In the case of agriculture, activity-based emissions have increased since we have financed more of the commodities produced. For fishery, emissions are reduced due to a reduction in lending volume and fewer financed vessels.

The changes in emissions from 2022 to 2023 are small relative to measurement uncertainties. We cannot use the figures to draw a conclusion as to whether greenhouse gas emissions from lending activity have changed in the period.

Revised figures for 2022 show a decline in total greenhouse gas emissions for 2022, from 1,054 thousand CO_2e to 935 thousand CO_2e, with major differences between industries. This is mainly attributable to substantial changes in emission factors delivered by the PCAF. The group will in 2024 collaborate with other Norwegian banks to ensure greater stability in emission factors ahead.

Work on transition plans per industry is a continual process. Based on the analysis (see the graph below), the preparation of transition plans will be prioritised based on emission contributions. The transition plans will contribute to our effort to reduce financed greenhouse gas emissions and at the same time reduce our customers' vulnerability to climate change, known as transition risk. In 2023 we finalised transition plans for fishery and commercial property, whereas agriculture was finalised in 2022. A transition plan for ship-related segments and residential mortgages is in progress.

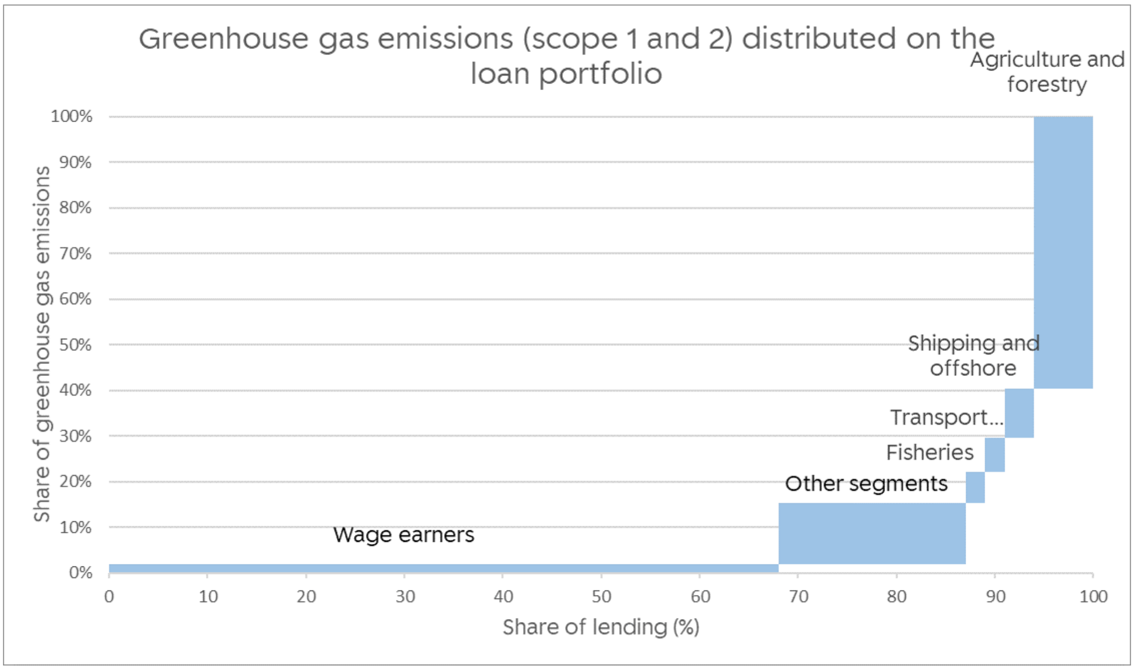


Figure 7: Distribution of the loan portfolio's greenhouse gas emissions

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

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

Fishery

For the fishery portfolio we have for a number of years collected data on ship fuel consumption of our largest customers. The figures are used to estimate greenhouse gas emissions of relatively good quality from the fishery portfolio. This portfolio has the best data quality in the analysis. However, the data source has a one-year lag, and ship fuel consumption for 2022 is used to estimate the customer's emission intensity for 2023. Where a customer's financing has risen from 2022 to 2023, estimated emissions have risen correspondingly.

Wage earners (residential mortgage loans)

In the case of the residential mortgage portfolio, estimated greenhouse gas emissions are delivered by Eiendomsverdi AS, and prepared by Simenergi AS. Greenhouse gas emissions are estimated using emission factors based on a physical production mix with an emission of 19 grammes of CO_2e per kWh. We have above also presented estimated greenhouse gas emissions based on a European residual mix, of 502 grammes of CO_2e per kWh.

Property management
Greenhouse gas emissions from financed commercial property are estimated by retrieving information on each individual building, i.e. property type, usable floor space and energy label, where this exists. Information about the building is then combined with PCAF emission factors, either per square metre or per building.

Fossil-fuel vehicles
For SpareBank 1 Finans Midt-Norge, greenhouse gas emissions are only estimated for NOK 7.7bn of NOK 12.6bn of financing used to finance vehicles with petrol or diesel engines. We have employed an average mileage of 12,000 kilometres for all cars.

Agriculture and forestry
In the annual report for 2022, estimated greenhouse gas emissions from agriculture were estimated based on emission factors from Asplan Viak which were in turn linked to information at individual farm level culled from the agricultural grants register. The register provides an overview of livestock numbers, production and area managed.

In the present report the emission factors are replaced with figures from Finance Norway's guidelines, the so-called PLATON factors. This has in isolation yielded a 50 per cent increase in emissions, although the increase is compensated for by the fact that farms with no activity recorded in the agricultural grants register are now estimated as dwellings, whereas their previously very high emissions were estimated using the factor-based method.

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

Carbon capture by woodland has risen sharply in Norway as a result of increased forestation in the period 1955-1992. Annual carbon storage in woodland has however fallen since 2009 due to low investment in silviculture, increased tree felling and a rising proportion of old woodland. (https://www.skogbruk.nbio.no/klimagassregnskapet-for-norske-skoger)

A large proportion of farms financed by the bank include forestry in their activities. A total of 1.6m decares of productive woodland are registered to our customers. Adjusted for financing rate and multiplied by a factor for area-based capture from woodland (0.2464 tCO_2e per decare), the financed portion of carbon capture in woodland is calculated at 255 thousand tCO_2e. This is a highly uncertain estimate and should not be used to offset financed emissions.

Taxonomy
The EU Taxonomy Regulation - (EU) 2020/852 - establishes a Europe-wide classification system that helps companies and investors to identify environmentally sustainable economic activities.

This classification standard aims to promote sustainable investments and economic activities by providing companies and investors with clear guidelines and criteria for assessing and reporting on sustainability aspects of their businesses and projects. The EU Taxonomy Regulation sets concrete requirements as to what activities can be considered sustainable and criteria that must be met in order for a company's activity to be regarded as sustainable.

The Act on Sustainable Finance incorporates the Taxonomy Regulation with ensuing Commission Regulations into Norwegian law. The Taxonomy Regulation entered into force in the EEA Agreement on 15 December 2022 with effect from 1 January 2023.

In order for an activity to be regarded as taxonomy-aligned, it must be considered to substantially contribute to at least one of the Taxonomy's six environmental objectives (technical screening criteria), while doing no significant harm to any of the other five objectives. The activity must moreover comply with minimum social and governance safeguards. For 2023 all six environmental objectives must be reported on.

The six overarching climate and environmental objectives are:

1. Climate change mitigation.
2. Climate change adaptation.
3. Sustainable use and protection of water and marine resources.
4. Transition to a circular economy, waste prevention and recycling.
5. Pollution prevention and control.
6. Protection and restoration of biodiversity and ecosystems.

Premises

The requirements for companies due to report on sustainability for 2023 are laid down in EU 2013/34, the Non-Financial Reporting Directive (NFRD). Institutions subject to the NFRD are both financial and non-financial large public interest entities. Where SpareBank 1 SMN is concerned, it is our financial activities that are assessed under the six climate and environmental objectives. For the reporting year 2023, mandatory reporting applies only to objectives 1 and 2. For the reporting year 2024, reporting on objectives 3 to 6 (see above) will also be mandatory.

For credit institutions, reporting in line with the taxonomy is to be on a proportional consolidation basis in line with EU 575/2013. For 2023 this means that we at SpareBank 1 SMN include reported figures from our subsidiaries, related and jointly controlled companies based on the share of capital held. For an overview of the companies involved, see note 39 in the annual report – Investments in owner interests.

Below follows an overview of exposure categories reported on for 2023:

	Reporting category	Description/definition	Taxonomy-aligned activities	Data collection
1	Financial undertakings	Financial undertakings or holdings in financial undertakings (which are not held for trading purposes)	Gross exposure to NFRD undertakings that have submitted taxonomy reports multiplied by GAR. Also includes special purpose bonds	Reporting based on the company's/customer's own reporting to SpareBank 1 SMN. Few reports submitted by the reporting date for 2023.
2	Non-financial undertakings subject to NFRD	Based on screening of our loan portfolio, our customers are essentially small/medium undertakings with no reporting obligation for 2023	None	Reporting based on the company's/customer's own reporting to SpareBank 1 SMN. No voluntary reports submitted by the reporting date.
3	Households – mortgages	This category deals with loans secured on dwellings able to meet requirements as to climate change mitigation and climate change adaptation (objectives 1 and 2)	Assessment based on construction year, energy consumption and doing no significant harm to climate adaptation	All data used in the classification are delivered by Eiendomsverdi. Specifically, energy consumption is obtained for dwellings with a valid energy certificate, and all dwellings are checked against the NVE's risk map for flooding, high water levels and landslide. Selection criteria are described below the table.
4	Households – car loans	This category deals with loans to households secured on electric cars	None	We lack information on electric car tyres. All electric car loans are therefore excluded since most car tyres lead to environmental damage.
5	Local authorities	This category deals with exposure to local and regional authorities	None	Local authorities are not subject to NFRD and no voluntary reporting submitted.
6	Non-financial, not subject to NFRD	Small and medium-sized enterprises	None	This category not to be included in the numerator when calculating GAR for 2023 due to no reporting obligation. No voluntary reporting submitted by reporting date.
7	Other assets not included in calculation of GAR	Government securities, exposures to central banks and trading portfolio	Not relevant	Not relevant
8	Off-balance-sheet assets – financial guarantees and assets under management subject to NFRD	Guarantees or assets under management	None	Reporting is based on the company's/customer's own reporting to SpareBank 1 SMN. No voluntary reporting for 2023 submitted by reporting date.

Table 7: Overview of exposure categories

For the reporting category "Households – mortgages", upper threshold values for green dwellings' energy consumption are set in cooperation with Multiconsult. For dwellings built from 2021 onwards we have utilised an adjusted "Guide on calculation of primary energy needs in buildings and energy frames for almost-zero-energy buildings", including all dwellings with energy rating 'A'. For dwellings built before 2021, the NVE's recommendation for energy consumption in "Mapping of the building stock with the EU taxonomy for environment-friendly investments in mind" is taken as a basis. This requires a valid energy certificate for the dwelling, which is a stricter criterion than that employed in our green bond framework, in which all dwellings built between 2012 and 2020 are included as green dwellings.

As regards the assessment of no significant harm to the objective of climate adaptation, dwellings exposed to physical climate risk (flooding, storm surge, rockslide and landslide) are excluded. This is the same assessment as that applied in chapter 9.2.6 (Physical climate risk).

Taxonomy-related KPIs for 2023

Under EU 2021/2178 (Disclosures Delegated Act) Annex V, we are obliged to report on a number of KPIs. KPIs we are obliged to report on for 2023 are:

1. *Green asset ratio (GAR) stock*
   Total value of sustainable exposures on the balance sheet over total assets (total assets correspond to points 1 to 6 in the table above).
2. *Green asset ratio (GAR) flow*
   Total value of new sustainable exposures in the current year over total assets.
3. *Financial Guarantees (FinGuar)*
   The share of financial guarantees for debt instruments which finance taxonomy-aligned activity over total financial guarantees (point 8 in the table)
4. *Assets under Management (AuM)*
   shows the share of assets under management belonging to undertakings that finance taxonomy-aligned economic activities over total assets under management (point 8 in the table)

Key performance indicators related to *Fees and commissions (F&C)* and *Trading Book* are not mandatory for 2023 reporting, and will not become mandatory until reporting year 2026.

Calculation of Green asset Ratio (GAR), Stock	Exposure*)	Of which taxonomy-aligned	Per cent of total assets
Financial undertakings	23,472	79	
Households	184,182	17,008	
Local authorities	1,224		
Total	**208,878**	**17,087**	**64%**
Other assets not included in numerator	91,263		28%
Total Covered assets	**300,141**		**92%**
Assets not included in GAR scope	24,441		8%
Total assets[1)]	**324,582**		
Green Asset Ratio for the group- total taxonomi aligned assets over covered assets (GAR, Stock)		**5.7 %**	

[1)] GAR is based on exposures and balance sheet in accordance with the scope of consolidation for supervisory purposes (FINREP) pursuant to part II, chapter 2, section 2 of Regulation (EU), no. 575/2013.

Table 8: Calculation of GAR

For detailed results of the year's calculations, see the Annex VI form in enclosures.

Challenges in 2023 and opportunities ahead

The main reporting challenge in 2023 has been access to data and data quality. SpareBank 1 SMN's customer portfolio consists largely of small and medium-sized undertakings which are not subject to the NFRD reporting obligation. Moreover, reporting by undertakings subject to the NFRD and any voluntary reporting from undertakings not subject to the NFRD, becomes available at a later point in time, making it a challenge to include such information in reporting for 2023.

In the years ahead more undertakings will be covered by the taxonomy. As more undertakings become subject to the reporting obligation, this type of data is expected to become available in the public domain. The same applies to an industry-wide solution for the car segment as regards tyre information, information on circular economy etc. Such solutions will simplify and improve the quality of companies' reporting in coming years.

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

- Guidelines for sustainable lending to retail customers
- Guidelines for sustainable lending to corporate customers
- Guidelines for sustainable agriculture
- Transition plan for net zero emissions for agriculture
- Transition plan for net zero emissions for commercial property
- Transition plan for net zero emissions for fishery
- Strategy for climate risk
- Climate strategy
- Climate account 2023, group
- Climate account 2023, SpareBank 1 SMN

Stimulating green transition for customers

Our approach to the theme
The group's societal role is to stimulate a sustainable development of Mid-Norway. In order to achieve a successful transition we are reliant on the success of our customers. Stimulating a green transition for our customers is accordingly a core task today and in the period ahead. Moreover, this is a clear expectation apparent in the group's stakeholder dialogue where customers large and small, companies and private individuals alike, provide feedback and demand products and services that spur necessary change. The active influence we exert employs tools such as ESG assessment at customer level, credit policy and pricing, transition plans towards net zero emissions at industry level, advisory services and customer meetings, development of green products and services, along with competency-building measures for companies in the region.

Retail Banking
With its large loan volume to households and the agriculture sector, Retail Banking has the potential to exert substantial influence on customers they interact with in their day-to-day business. In 2023 we worked on joint projects in the ESG sphere with the other banks in the SpareBank 1 Alliance. These involve customer-facing initiatives related to the advisory role, but also regulatory requirements and reporting. Work has for example been done to introduce estimated energy ratings as a basis for measuring greenhouse gas emissions from residential property.

With a basis in this work, new initiatives were launched at year-end which will be pursued into the coming year. The most important ongoing initiatives are the establishment of an ESG model for the retail market, an advisory tool for assessing climate risk, including physical risk, and making credit assessments, and a financial health team. Moreover, both Retail Banking and the unit responsible for agriculture are working on a collaborative dimension as a social actor with a view to product development aimed at offering relevant solutions to our customers.

Corporate Banking

Our credit strategy establishes boundaries and strategic guidelines for the lending business, including an ambition to achieve net zero CO_2 emissions in the loan portfolios by 2050, and a halving by 2030.

In addition to conducting a systematic ESG assessment of all corporate customers, we are well under way to establishing transition plans at industry level with a view to achieving net zero emissions. The transition plans are a central, overarching tool in our effort to steer the loan portfolio towards net zero, and aim to meet our science-based objectives towards 2050 and 2030. The plans illustrate goals, measures and key performance indicators and will support our corporate customers in their process of adapting to an emissions path towards net zero.

Transition plans will be prepared for all key industries in the loan portfolio as a step in supporting our customers' successful transition. Our transition plans sum up what we expect of our customers, and how we as a driver can support them in their work. We have published "transition plans towards net zero" for the Commercial Property and Fishery segments in our Sustainability Library at smn.no. Transition plans for further segments will be prepared and published in 2024, in the first instance for shipping.

Our most important measures in 2024 are to further develop and analyse data culled from our ESG model, to establish transition plans for further industries, to develop green products for our customers and to enhance competencies in sustainability both internally and externally.

Relevant steering documents

The following steering documents are central to this theme:

- Sustainability policy
- Climate strategy
- Sustainability strategy
- Strategy for climate risk
- Guidelines on sustainable agriculture
- Guidelines on sustainable lending to retail customers
- Guidelines on sustainable lending to corporate customers

Key figures and results 2023

Responsible lending and investments	Target 2023	Results 2023	Target 2024
Losses due to fraud	< 10,000,000 NOK	15,660,000 NOK	< 22,500,000 NOK
Share of managers and employees having completed e-learning course in anti-money laundering and anti-terrorist financing	100 %	97 %	100 %
Loan volume to corporate customers with ESG score	75 %	87 %	90 %
Loan volume to retail customers with ESG score[1)]	20 %	0 %	20 %
Share of loans that meet the requirements for green bonds	Under development	19,1 %[2)]	Under development[3)]
Total greenhouse gas emissions from loan portfolios	1,000 (1000 tCO_2e)	1,034 (1000 tCO_2e)	SBTi[4)]
Share of dwellings in the loan portfolio with an energy rating	90 %	42 %	70 %
Share of commercial properties in the loan portfolio (>1,000m^2) with an energy rating	75 %	21 %	90% of new loans granted

1) The ESG scoring model for the retail market portfolio has so far not been prepared by the SpareBank 1 Alliance.

2) Based on the existing framework as per January 2024.

3) An official definition of the 15% most energy-efficient buildings is not yet available. Access to reliable data is needed to ensure a robust approach.

4) Our objectives as regards greenhouse gas emissions are under preparation as from 2023 in connection with our commitment to SBTi.

Table 9: Responsible lending and investments - key figures and results

Advisory services and customer offering

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

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

Table 10: Advisory services and customer offering – material themes

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

Our approach to the theme

Developing new, sustainable revenue flows is a part of the group's growth strategy. In order to ensure long-term profitability and competitive power, we are giving increasing focus to expanding our commercial offering of products and services that feature climate, natural, societal and social benefits. This is an important step in complying with the demands and expectations we meet from customers, public authorities and other stakeholders. We have strengthened our work on innovation, both within the SpareBank 1 Alliance and within our own group, in order to further develop business models and create new customer offerings.

Retail Banking

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

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

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

In 2023 we established a financial health team. The object is to offer improved and more focused crisis preparedness to customers who are struggling with unmanageable debt problems. We do this by establishing an interdisciplinary team including expertise in financial advice (in the bank), debt advice (external) and psychology specialist competence (external). Research shows the reciprocal effect between financial problems and mental health problems. The team's object is provide customers facing major debt challenges with the best help they can get. By this means we shoulder an important responsibility for the particular customer, but also a social responsibility.

Corporate Banking

As part of the green transition for our customers we have set about establishing products for our corporate customers related to sustainability financing and transitional financing. We already employ repayment profiles and other loan terms and conditions that take account of a customer's sustainability profile, for example energy ratings for buildings. These are aspects of the advice given to our corporate customers with a view to reducing greenhouse gas emissions/intensity and ESG risk. We have introduced differentiation of LTV-ratios and repayment profiles and the option of paying dividend to companies that depends on how we view ESG risk at customer level. All else equal, buildings in a low energy category will be entitled to borrow less and be subject to a shorter repayment period.

Sustainability is an important aspect of the customer dialogue in general and of assessments using the ESG model. Sustainability assessments are an integral part of the credit evaluation of loan customers, but also important for awareness raising and enhancing the competency of adviser and corporate customer alike.

We have set up a sustainability area for our customer advisers in Corporate Banking to facilitate access to tools, presentations, transition plans and internal course programmes in the sustainability area.

SpareBank 1 Regnskapshuset SMN

The process of turning sustainability into a profitable business line at SpareBank 1 Regnskapshuset SMN was initiated in 2018, and at end-2022 the department "Sustainability reporting and advice" was established – at that time with only one staff member and an interim manager.

In the space of just a year the department has grown considerably: four new appointments, including manager and chief adviser, and further senior staff taking up duties in the new year. We believe that the mix of economists, jurists and engineers with varying length of service and experience will create a unique specialist entity from which SpareBank 1 SMN's customers, and the group, will draw great benefit in the years ahead given the growing pressure of regulation and expectations on the business sector.

Demand for the department's broad range of services has risen considerably in 2023 – from help in setting science-based targets to the drawing up of environmental product declarations. We note that preparation of climate accounts and compliance with the Transparency Act accounted for the bulk of the demand from our customers.

- The demand for climate accounting stems from increased regulatory pressures on large enterprises and credit institutions, as well as the increased weight given to climate and environment considerations in public procurements.
- Demand related to the Transparency Act stems from a direct statutory requirement that impacts other undertakings under the Accounting Act, and more of the group's customers are turning to the department for assistance with parts of, or with the entire, reporting process.

The factor common to these two services is that they represent a particularly important linkage with our customers – reporting is an annual recurrence, and the customer remains with SpareBank 1 Regnskapshuset SMN.

EiendomsMegler 1 Midt-Norge

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

In its communication with and advice to professional real estate actors, EiendomsMegler 1 Midt-Norge highlights sustainability as a crucial criterion for all actors intending to operate in the property sector ahead. In May 2023 EiendomsMegler 1 Midt-Norge organised a property seminar with the theme *The green transition will present challenges and an opportunity to develop both residential and commercial property*. A market report was also prepared under the theme *Sustainability* for new buildings and commercial property.

Insights regarding energy efficiency and sustainability also feature in market reports and customer seminars where we will continue to focus on green financing and climate-certified property development projects.

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

SpareBank 1 Finans Midt-Norge

SpareBank 1 Finans Midt-Norge's greatest environmental impact is via its lending business. The loan portfolio chiefly comprises financed objects such as cars, other vehicles and machines. Incentivising customers to reduce their climate footprint by opting for vehicles and equipment with limited emissions rather than an outdated car fleet or machine park will have a bearing on the group's climate impact. Green car loans make for a steadily growing share of electric cars in the portfolio. Electric cars now account for 28.7 per cent of the private car portfolio. Green financing in the business and industry sector is also more in evidence with the first electric construction machines and lorries.

Business development and innovation

We at SpareBank 1 SMN aspire to being a catalyst for sustainable growth and innovation. Exploratory innovation in the group is defined by an innovation process comprising four stages. The process starts by understanding new trends likely to impact the banking and finance sector. Those trends refer both to new technology and customer behaviour, and are evaluated in light of sustainability goals with the main focus on technology, society and industry. The next step is to explore the trends in greater depth in order to assess their relevance and potential. Based on insights from innovation exploration, concepts are developed which can transformed into new products and services. Examples of trends subject to particular exploration during the course of the year are generative artificial intelligence, digital outsiderness and the circular economy.

In 2022 we held, together with Æra, a wide-ranging course in sustainable innovation for 30 group employees. The course participants continued work on their respective areas in 2023. The department concerned has focused specifically on two growth platforms. These platforms will be part of SpareBank 1 SMN's innovation process to develop, test and implement new products and services which not only promote our business mission but also contribute to sustainable development.

Relevant steering documents

The following steering documents are central to this theme:

- Sustainability strategy

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

Our approach to the theme

In order to deliver the best customer experiences today and ahead we must be certain that our staff are updated on legislation and themes of importance for our customer service. It is our employees who operationalise sustainability at SpareBank 1 SMN, and it is our employees who speak with the customers. Our most important resource is without doubt our employees. Without skilled, motivated staff who want to evolve their competencies in sustainability, we will not succeed in transitioning our day-to-day operations, our customers or in creating new, sustainable revenue flows as part of the group's growth strategy.

Focus on competence in 2023

In 2023 we focused on creating a strong learning culture, on ensuring that the group's competency needs are met through targeted and effective measures, and on making it simpler to learn in our everyday work. Our proprietary learning portals make it simpler to gain an overview of the group's learning programmes and to familiarise our employees with our increased commitment to competence. In 2023, competence building in the field of sustainability, digitalisation and ethics was at centre stage.

We aspire to be a driver for green transition, and in 2023 sustainability become more integrated into the group's business models and employees' working day. We have sought to harness the effects of competence-building programmes in the sustainability field that were held in conjunction with Æra in 2023. We also made available a broad range of courses and learning resources linked to sustainability in general and to sustainable finance in particular.

Financial advisers, both in Retail Banking and Corporate Banking, underwent a series of training programmes and competency updates as regards professional skills, products, advisory activities and ethics in 2023. The object is to ensure high quality, and to inspire confidence and a sense of security when dealing with customers. With a view to meeting the requirement of the Insurance Mediation Act and the Financial Institutions Act as to 15 hours' continuing education, all authorised advisers at the bank underwent comprehensive programmes on the following themes: good business practice, instruments and measures for customers in financial straits, sustainability, ethics, anti-money laundering, anti-terrorist financing, as well as professional and product updating.

Moreover, all employees underwent training programmes in data and information security along with mandatory courses in personal data protection and anti-money laundering. Further, the group worked in a structured manner to raise awareness of our ethical guidelines. Through e-learning, ethical reflection and casework we put impartiality and conflicts of interest at centre stage. In addition to tuition and awareness-raising, a set of new procedures for registering offices and positions, roles and business activity was drawn up. New and improved system support for these processes was also devised, and managers and employees were given instruction in the use of these solutions.

In autumn 2023 it was decided to designate employee competence and development as one of our key focal areas in 2024. The upshot is an internal academy, to be established in 2024, that will assemble the group's competency resources and ensure increased quality of competence-building work in the years ahead.

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

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

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

- Description of Competency programme in sustainability

Maintaining ethical standards

Our approach to the theme
We are dependent on the trust and confidence of our customers, investors, business partners and public authorities. Our ethical guidelines underpin this trust and confidence. The guidelines deal with attitudes and values, and are designed to promote an awareness of and compliance with the ethical standard required of employees and employee representatives in SpareBank 1 SMN in decisions they make in their day-to-day business. Breach of, or non-compliance with, these guidelines entails a high risk of reputational loss. Integrity and trust are crucial to ensuring success as the leading financial services group in our region.

Ethical standards at SpareBank 1 SMN

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

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

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

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

Relevant steering documents

The following steering documents are central to this theme:

- Ethical guidelines

Complying with requirements and obligations on the processing of personal data

Our approach to the theme

In an increasingly data-driven world, personal data going astray poses a considerable risk to companies and private individuals alike. Large volumes of personal data are managed, processed and owned through the group's services, which imposes strict requirements on the application and observance of key principles of personal data protection such as confidentiality, integrity and accessibility. Compliance with the personal data legislation is therefore critical to the confidence enjoyed by the group and its reputation. SpareBank 1 SMN's obligations are described in detail at **smn.no** and are enshrined in our data privacy policy.

Our work on personal data protection

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

In 2023 the group continued work to strengthen and improve its data privacy effort by raising awareness across the organisation of the requirements on personal data processing, including strengthening the interaction with SpareBank 1 Utvikling – which is our most important data processor. The ambition for 2024 is to continue work on strengthening the interaction with SpareBank 1 Utvikling, training measures and strengthening the first line.

We have a low threshold for reporting breaches of personal data security to the Data Inspectorate. The group received three complaints from customers related to personal data security in 2023, and reported twelve deviations classified as leaks or loss of personal data to the Data Inspectorate. We received no penalty charges or injunctions from the Data Inspectorate in 2023.

Relevant steering documents

The following steering documents are central to this theme:

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

Key figure and results in 2023

<table>
<tr><th>Advisory services and customer offering</th><th>Target 2023</th><th>Results 2023</th><th>Target 2024</th></tr>
<tr><td>Sales volume of products with an environmental benefit[1)]</td><td rowspan="2">2,000,000,000 NOK</td><td>2,516,000,000 NOK</td><td rowspan="2">3,000,000,000 NOK</td></tr>
<tr><td>Sales volume of products with a social benefit[2)]</td><td></td></tr>
<tr><td>Category score for sustainability in WinningTemp[3)]</td><td>7.4</td><td>7.3</td><td>8</td></tr>
<tr><td>Share of managers and employees in the group having completed e-learning course in ethics</td><td>100 %</td><td>94 %</td><td>100 %</td></tr>
<tr><td>No. of documented complaints of data privacy breaches or loss of customer data</td><td>0</td><td>12</td><td>0</td></tr>
</table>

[1)] Products and services with an environmental benefit is defined as green products from our product hierarchy. This deviates from the EU Taxonomy. Our disclosures related to the EU Taxonomy can be found under the focal area "Responsible lending and investments"

[2)] Our customer offering is a result of demands from the municipalities in our portfolio, and we have no specific products and services serving a social benefit as per 2023.

[3)] Our employee development tool

Table 11: Advisory services and customer offering - key figures and results

Sustainable transition of Mid-Norway

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

Material themes	Objectives	Key figures	Responsibility
Stimulate innovation and sustainable economic growth	As an arena builder we shall create local meeting places and stimulate cooperation. As an innovator we shall support innovation by laying development paths for talented individuals, entrepreneurs, growth businesses, spin-offs and established R&D entities. We shall collaborate with various specialist entities on competence-raising and development programmes for green innovation in business and industry, in particular SMBs	▪ No. of participants at meeting places and innovation activities under group auspices ▪ No. of participants in competence-raising and development programmes under group auspices	Director, Communications and Brand
Contribute to strengthen transition efforts at businesses in Mid-Norway	Help businesses in Mid-Norway to succeed in their transition to a low-emissions society, through effective customer solutions and new partnerships	▪ Share of corporate customers with credit exposures (turnover > NOK 400m, balance sheet total > NOK 200m, no. of employees > 250) that have a climate account	Director, Retail Banking Managing director, SpareBank 1 Regnskapshuset SMN

Table 12: Sustainable transition of Mid-Norway - material themes

Stimulating innovation and sustainable economic growth

Our approach to the theme

The world's climate researchers are agreed that we cannot continue on our present path. Unsustainable patterns at society level nourish unsustainable business models and behaviour that are not compatible with an emissions-free, nature-positive and circular economy. Innovation and sustainable economic growth are therefore a prerequisite for a successful transition to a low emissions society. Our role of regional financial services group is important – as community builder, investor and requirements specifier in our work with customers.

Investment of community dividend

Community dividend is the community's rightful share of the annual dividend on SpareBank 1 SMN's net profit. The community's share of total equity is just over 33 per cent, and the same share of our annual dividend is accordingly earmarked for non-profit causes.

In December 2023 the strategy for community dividend was renewed with minor changes whereby our green-driver role, community building, sports and outdoor recreation, art and culture, as well as innovation and value creation were defined as separate focal areas, each in their own right. Community dividend resources will ahead in larger measure be distributed to green projects in order to support our role as a green driver in Mid-Norway.

The funds are held in an account with SpareBank 1 SMN, and the provision for distribution in 2023 was NOK 230m. The allocation is normally distributed relatively evenly between the community, grassroots sports, culture and business development. See samfunnsutbytte.smn.no for an overview of allocations.

As a driver for green transition we have in 2023 invested in initiatives designed to assist business and industry in their green transition. We worked with the independent research institute SINTEF and organised innovation courses in conjunction with Æra Strategic Innovation. For further information see the chapter on community dividend.

The mission of the foundation SpareBank 1 SMN Utvikling is to reinvest and manage donations from SpareBank 1 SMN to non-profit business and development projects, seedcorn activities or other non-profit causes that involve an ownership role and that stimulate innovation and value creation in our market area. At year-end SpareBank 1 SMN Utvikling holds ownership positions with a book value of NOK 42.7m.

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

- Community dividend

Helping to strengthen transition effort of small and medium-size businesses

Our approach to the theme
A failure to transition on the part of businesses in the region could diminish their earnings and increase the number of bankruptcies, whereas a successful transition could bring increased competitive power and more jobs in the region. Our financial risk will be impacted by the business segment's success, or lack of success, in this respect. Reinforcing the transition effort in the region is accordingly a prioritised task, both strategically and operationally. As referred to previously, our tools and instruments are designed to underpin this work.

Status as regards the region's transition
In order to ensure relevancy and correct priorities, we prepare each year a sustainability barometer for businesses, local authorities and the populace. This knowledge base gives us insight into the ongoing transition effort, while at the same time affording the region insight into key hypotheses underlying the work on sustainable development in Mid-Norway.

There is no unwillingness towards green transition among companies in Mid-Norway, but there is much uncertainty as to what regulatory requirements apply, what work methodology should be followed and what priorities should be assigned. The work on green transition in Mid-Norway is reflects industry differences and businesses' size. Our knowledge base shows that industries in our region differ in terms of how well they are prepared for new regulatory requirements and for society's expectations as to sustainable transition. Transition risk is highest among the smallest companies. The smallest businesses are at risk of failing to meet the largest companies', and the local authorities', expectations as regards systematic sustainability efforts. At the same time we note that risk comprehension is growing, and that more and more businesses view the sustainability effort as strategically important. Read more about this in our sustainability barometer for 2023 in the sustainability library at smn.no.

Community dividend

The Mid-Norwegian community is our largest individual stakeholder, and community's share of our net profit is termed community dividend. The profit is allocated to non-profit and charitable causes which build and develop the region. Read more about community dividend in the chapter entitled Community dividend.

The strategy for community dividend was revised in 2023, and the green driver role was highlighted as one of a number of focal areas. We have utilised resources from the community dividend fund to strengthen the transition effort of businesses in the region through:

Establishment of "Såkorn 1 Midt"

As an initiative in favour of innovation and value creation we established a foundation – Såkorn 1 Midt. An allocation of NOK 150m was made for the purpose of contributing capital to green start-ups in an early phase to enable more ideas and businesses to see the light of day and become established in the region. Efforts are under way to raise a matching amount from other investors in the region.

Competence as the key to green transition

As a driver for green transition for business and industry we held a course in innovation for small and medium-sized businesses in Mid-Norway in 2022 and 2023. The course attracted a total of 60 participating firms in Trøndelag and in Sunnmøre in these two years and the initiative will continue in spring 2024.

Young people for the future

Over the course of the anniversary year we wished to enable more young people to translate words into action for a better world. In conjunction with the United Nations Association of Norway and the World Federation of United Nations Associations (WFUNA) we organised an eight-month-long sustainability programme for 100 young people from across the world. About half the participants were from Mid-Norway. The young people learned about sustainability work and project management, and ran projects themselves in their local communities. We then assembled them all as crew aboard the tall ship Statsraad Lehmkuhl and sailed along the coast of Mid-Norway on our voyage for the future.

In our ports of call we engaged more than 3,000 school students in innovation activities for the future, together with Ungt Entreprenørskap, MOT and the United Nations Association of Norway. Among other things we extended an invitation to the youth conference 'Action, Please', where young people themselves were asked to find solutions to challenges as regards plastic waste, outsiderness and recycling.

Corporate Banking

We have in the past ten years prepared industry analyses for the most important industries in the customer portfolio. In addition we publish shorter, half-yearly industry updates (industry indicators). Knowledge of industries is an important part of the credit process in terms of insight into drivers and risk factors for each industry and how these develop over time, in addition to understanding the customer and the customer's needs. Industry analyses afford a basis for determining the further development of the portfolio and the criteria to be set for loans, including factors related to sustainability.

Our transition plans describe how we practise our role as a driver for green transition within the industries we finance. Requirements and expectations are formulated with a view to reducing the customer's climate risk, which is a financial risk driver at SpareBank 1 SMN, and will play a part in ensuring a sustainable transition and development in our region.

We wish to create greater awareness of climate risk among our customers and to motivate customers to establish action plans to reduce their own emissions. Credit exposures of NOK 10m or more receive an ESG assessment and are scored on a scale from 1-10 in our ESG model, which will be an important factor in the credit assessment of our customers.

As at 31 December 2023 we have published transition plans for the commercial property and fishery industries. Further transition plans will become available in 2024 and onwards, in the first instance for shipping. The transition plans, with requirements and expectations, are a tool on this transition effort and are an integral part of the customer dialogue and assessment.

Relevant steering documents

The following steering documents are central to the above theme:

- Sustainability barometer 2023
- Transition plan fishery
- Transition plan agriculture
- Transition plan commercial property

Key figures and results in 2023

Sustainable transition of Mid-Norway	Target 2023	Results 2023	Target 2024
No. of participants in meeting places and innovation activities	7,000 participants 250 start-up and youth enterprises	5,790 participants 300 start-up and youth enterprises	6,000 participants 250 start-up and youth enterprises
No. of participants in meeting places and innovation activities	50-100	270	500
Share of large corporate customers with credit exposure that have a climate account[1)]	25 %	24 %	25 %

[1)] Large customers exceed two of the three following criteria: turnover > NOK 200m, balance sheet total > NOK 200m, no. of employees > 250

Table 13: Sustainable transition of Mid-Norway – key figures and results

Sustainable transition of SpareBank 1 SMN

We at SpareBank 1 SMN aspire to be a driver, partner and guide in the work on sustainable development in our region. Our own transition is a prerequisite for achieving credibility and trust in helping our customers to succeed in their transition.

We have committed to integrating the UN Principles for Responsible Banking (UNEPFI) into both our business strategy and core activities, and we work on a broad front with the UN Sustainable Development Goals through our double materiality analysis. In so doing, we wish to set the standard for sustainability efforts in the financial field in our region.

Four material themes feature in this focal area:

Material themes	Objectives	Key figures	Responsibility
Stimulate responsible resource use in our own value and supplier chains	The group shall lead the way, setting a good example by considerably reducing resource use and waste volumes through prevention, reduction, recycling and re-use	Share of the group's material purchases (> NOK 100,000) from suppliers with a climate account	Director, Group Finance and Governance
Strengthen data protection and cybersecurity	Ensure a systematic and risk-based approach in order to protect information values and avoid data going astray	Share of managers and employees in the group having completed the competence-raising and attitude-moulding programme for information security (Passopp)	Director, Technology and Development
Promote diversity, inclusion and equality	Lead the way as an inclusive employer with equal opportunities for all	Category score of at least 8 for diversity, inclusion and equality in WT	Director, Technology and Development
Reduce carbon footprint in day-to-day operations	Reduce carbon footprint in line with target pathways towards net zero emissions by 2050	8% annual reduction in CO2 emissions in day-to-day operations	Director, Group Finance and Governance

Table 14: Sustainable transition of SpareBank 1 SMN – material themes

Stimulating responsible resource use in our own value and supplier chains

Our approach to the theme

Our value and supplier chains are essential for our ability to comply with our strategic initiatives and to achieve our objectives. As a major financial services group, and part of the SpareBank 1 Alliance, we are a substantial purchaser of goods and services, and our procurement practice has a bearing on transition nationally and regionally. As a financial group, we are a service-providing knowledge enterprise and have a large potential to influence for example greenhouse gas emissions, worker rights and equality through the value and supplier chains of which we are a part. We are therefore reliant on our ability to stimulate responsible resource use on the part of suppliers and business partners by setting clear requirements in the context of climate and environment, social conditions and ethical governance. We must in addition be able to point to concrete, successful transition activities in our day-to-day operations in order to heighten our credibility in our dialogue with customers.

Present status

One of our goals is to induce customers and employees to make conscious, personal and professional choices that contribute to making the group and the group's products more sustainable.

SpareBank 1 SMN's procurements are undertaken both at central level and in our market areas, and it is important for us as a purchaser to maintain a conscious awareness of resource use, and to continually strive for an overview and control over our supplier chains. Our "Standard for Procurement" concretises clear guidelines with respect to procurements with a view to accommodating growing statutory requirements, as well as the aim of being a local and regional driver of the green transition. We require:

- Suppliers, at minimum, to observe and abide by local, national and international law, rules and ethical principles (including provisions on matters such as wages, working hours, health, environment, security and corruption).
- Suppliers to have in place guidelines for sustainability which are supported by action. The standard contracts embed our right to demand insight into, and monitor compliance with, our requirements. Non-compliance is regarded as breach of contract and may provide grounds to terminate the agreement or contract. The same requirements apply to a supplier's sub-suppliers and any partner connected to a contract with us. The requirements set by us comply with the Transparency Act.
- As regards invitations to tender/purchase, we require offerors to document approved environmental certification, and to have in place, or to be planning to establish, a climate account.

We retained the following focal areas in 2023:

Professionalisation of the supplier chain

By mapping our suppliers' climate accounts we have helped to put this matter on the agenda for those who have yet to establish such an account. Our tender templates now include a climate account as a qualification requirement.

Contribute to responsible resource use and circular thinking

The logistics system Loopfront, a database for reuse, enables us to reallocate fixtures and furniture in the office network instead of purchasing anew. Our furniture supplier has switched from being a pure furniture supplier to being an adviser on reuse and repair of used furniture. In 2023 we ran two pilot projects in which activities related to re-use, repair, redesign, transport and recycling were put on a systematic basis. Through the logistics system we have access to computations that show actual savings enabled by emission reductions which provide us with insights for further improvement efforts.

100% definition

In line with the requirements as to Eco-Lighthouse certification, we have conducted a review of our own operations service providers. Work on identifying suppliers that are environmentally certified under the ISO 14001, EMAS or Eco-Lighthouse schemes started in 2019. Our objective was that 100 per cent of our own operations service providers should be environmentally certified by the end of 2022. The objective was achieved, but maintaining a 100 per cent level is a continuous ongoing process.

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

As a result of our requirement for a climate account, a new dimension has been added under the 100 per cent definition. Our long-term objective is that 100 per cent of our suppliers should have a climate account in place. In the first instance priority is given to mapping and exerting influence on suppliers from whom we purchase goods and services worth more than NOK 100,000 per year. This work continues in 2024.

At year-end we have documentation showing that nine of our ten largest suppliers have a climate account in place.

Collaboration with SpareBank 1 Utvikling
Allianseinnkjøp is the SpareBank 1 Alliance's central procurement entity and enters supplier agreements on commission from the banks. These agreements represent our most significant agreements.

Like Procurement at SpareBank 1 SMN, Allianseinnkjøp expects suppliers and business partners to have a conscious awareness of sustainability risk in their own business and supplier chain. Suppliers are required to have in place guidelines with regard to sustainability, and that these are underpinned by action. Compliance with the Transparency Act is also required along with maintaining a climate account and a plan for transition to net zero.

In 2023 we focused on six areas in our work with the supplier chain:

- Internal guidance on sustainable procurements
- Summary of the Transparency Act – how to get under way in a simple manner
- Standard contract appendix on sustainability
- EU Corporate Sustainability Reporting Directive
- Policy on supporting fundamental human rights and worker rights
- SpareBank 1 SMN's statement on due diligence assessments

Allianseinnkjøp's and SpareBank 1 SMN's work with the Transparency Act
"Sustainability in procurement", a phrase in use since 2019, means that thorough ESG assessments are a part of all purchasing practices. Supplier follow-up in the sustainability area has since 2019 been based on the OECD's guide on due diligence assessments, the same guidelines as are pivotal in the Transparency Act. Under the Transparency Act we are obligated to publish a statement on our due diligence assessments by 30 August 2023. The statement was published on 21 June 2023.

In Mid-Norway, SpareBank 1 SMN has mapped local and relatively minor suppliers. These have been asked to sign the Alliance's "Requirements on suppliers concerning sustainability and business-ethical matters". Work with due diligence assessments of minor local suppliers will continue in 2024. Through an earlier risk-based mapping of 249 existing Alliance suppliers, twelve suppliers were in 2022 selected for scrutiny of their compliance with the Transparency Act.

Below follows an extract from our due diligence assessments undertaken in 2022:

Statement on due diligence assessments in 2022				
Actual and potential negative consequences for human rights and decent working conditions are mapped and assessed in the following manner:	These suitable measures are initiated to halt, prevent or limit negative consequences:	By this means we monitor the implementation and results of measures:	By this means we have communicated to affected stakeholders and rightholders how negative consequences are handled:	By this means we ensure or collaborate on remediation and compensation where this is required
Follow-up of twelve selected suppliers in the sustainability area with in-depth surveys. The suppliers are in office furniture, IT equipment, IT services and consultancy firms and staffing agencies. They were chosen based on criteria such as risk of negative impact, risk mitigation potential, largest turnover volume and core business	Selected suppliers' failure to apply due diligence assessments in accordance with OECD guidelines was responded to with deadlines for improvement.	Deadlines for rectifying deficiencies, follow-up meetings etc., where rectification was unsatisfactory	This is described in inputs to the banks' annual reports and in quarterly meetings with the Alliance (liaison committee, purchases) where achieved improvements are reported.	Most suppliers had guidelines etc. in place, while 6 of the 12 that had not commenced due diligence pursuant to the Transparency Act have done so following feedback from Allianseinnkjøp. All suppliers have now documented their guidelines etc., and have given an account of their due diligence assessments.

Table 15: Statement on due diligence assessments in 2022 in accordance with the Transparency Act

All 12 suppliers have provided a statement on their due diligence assessments: A review of the statements shows that the suppliers attach most weight to the general description of the business's organisation, area of operation, guidelines etc. There is less information on actual negative consequences and material risk of negative consequences brought to light through their due diligence assessments.

Follow-up of the statements in 2023

Two of the suppliers have been subject to further follow-up – a sizeable supplier of IT equipment and a sizeable supplier of IT services. Both suppliers were informed that our assessment of their statements was that insufficient weight was given to information about actual negative consequences and material risk of negative consequences; see the Transparency Act, Sections 5(b) and 5(c). A response was requested. The supplier of IT equipment was in addition asked to give an account of enquiries at one of its sub-suppliers of electronic components in China.

The supplier of IT equipment has provided more specific information about actual findings in 2022 at six sub-suppliers in Asia who had 'discrepancies related to indicators of modern slavery as regards costs of recruiting, travel, medical treatment and accommodation. There was one instance of a passport and a month's pay being withheld and one case of forced overtime. The supplier also writes that they 'in collaboration with the Responsible Business Alliance (RBA) have demanded that sub-suppliers halt the unlawful practice and implement an on-site audit. Further, about USD 0.8m was reimbursed to 200 employees in 2022".

At the sub-supplier in China, whom the supplier of IT equipment was asked to make a statement on, 'discrepancies were brought to light as regards overtime work, housing allowance and national insurance contributions. This is an indication of systemic faults in control processes and is being followed up on'.

The supplier of IT services has not made the statement readily accessible on its website as required by the Transparency Act, but instead makes reference to its location in the annual report. We do not consider this sufficient. The supplier responds that "it is relevant to view the statement together with other content in our sustainability reporting, where a number of other areas are also involved in our work with fundamental human rights and decent working conditions". Here reference is made to chapters on responsible sourcing, employee experience, diversity and inclusion" and "cybersecurity & privacy".

While it may be of interest to view the supplier's statement in conjunction with other information on sustainability work, this cannot wholly or in part replace the statement which according to the Transparency Act shall be made readily accessible on their website. In addition, it should be noted that it is not easy to see what the statement in the annual report actually comprises and what is to be regarded as relevant additional information as stated by the supplier. That said, we consider this supplier's general work on sustainability to be very good.

Alliansekjøp comments

Alliansekjøp works for increased awareness, competence and compliance with sustainability in purchasing. We collaborate in particular with the sustainability and procurement entities in the banks and product companies to that end.

The banks and product companies expect SpareBank 1 Utvikling to report on the procurement area in accordance with the EU standards for 2024 (cf. CSRD). This is a collaboration where those in need of the report notify the desired reporting area to SpareBank 1 Utvikling based on their own stakeholder and materiality analysis. SpareBank 1 Utvikling's first independent reporting under the CSRD will be for the accounting year 2025.

Complete statements are published at

- SpareBank 1 SMN Statement on due diligence assessments
- SpareBank 1 Utvikling DA – Statement on due diligence assessment

Our due diligence assessments for 2023 will be published by 30 June 2024 at smn.no/bærekraft.

Relevant steering documents

The following steering documents are central to the above theme:

- Standard for procurement
- Requirements on suppliers as to sustainability and business-ethics matters
- Supplier declaration on sustainability
- Standard contract appendix on sustainability
- Policy on business travel

Strengthening data- and cyber-security

Our approach to the theme

Data- and cyber-security are closely linked to other security challenges in today's digital society, including geopolitics, global and local value and supplier chains and crisis management. Our reputation and the trust and confidence we enjoy in the market are therefore impacted by our digital defence and robustness in the face of cyberattacks and denials of service by malicious actors. Customers regard data- and cyber-security as a basic premise for their bank, and non-compliance could lead to loss of existing and new customers alike. For us, this is a continual and particularly important effort in terms of complying with current laws and regulations, maintaining confidence and credibility as a financial services group, and protecting customers' security in the best possible manner.

The threat picture in 2023

Geopolitical unrest has also been a feature of 2023, in view of ongoing wars in Ukraine and Gaza. It is a lasting concern that some warring parties in the above conflicts could endanger our services or shared financial infrastructure through targeted or arbitrary digital attacks.

We also find ourselves at a point where an economy under pressure after a number of base rate hikes, along with expensive food and electricity, bring added pressures to individuals and financial institutions. Such changes affect the threat picture in the data- and cyber-security sphere and how we seek to strengthen and maintain our digital resilience.

We have also experienced denials of service targeting the financial sector, including the SpareBank 1 Alliance. The attacks have not led to significant operational disruptions, and together with our partners we have managed to limit the effect of the attacks to a minimum. The motives for such attacks are often political, and the attacks often turn out differently from those that are financially motivated. Threat actors' objective is to sabotage or create disquiet and uncertainty around bank services' stability and availability.

Focus and priorities

Digital value chain security is an area that has come more into focus in 2023. Digital value chains are complex, can traverse national borders and include several layers of sub-suppliers. The transparency of the digital infrastructure and its components diminishes when more and more systems need to function and communicate together, at the same time as outsourcing is made use of. Criminal actors will continue to attempt to exploit supplier chains' lack of transparency ahead. Allowance must be made for this through close monitoring of suppliers' security as well as our own.

Card and bank ID information remains attractive for malicious actors intent on using the information for personal gain. We therefore give high priority to security architecture and new security solutions. Together with the rest of the Alliance we have again in 2023 reinforced competencies in the cybersecurity sphere. We exchange security-technical assessments and experience via our Alliance-wide security committee whose members are drawn from the banks making up the SpareBank 1 Alliance.

Our focus is on data- and cyber-security at the technical, human and organisational level. Alongside technical security measures, work on a good security culture is at centre stage through attitude-moulding efforts and awareness-raising and training initiatives. Our established competence-building and attitude-moulding programme for information security, Passopp, strengthens the security culture across the entire organisation. We make active use of Passopp results to plan and prioritise future competence-building and attitude-moulding courses in the security sphere.

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

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

The information security policy is the basic steering document for all information processing. The policy was updated in 2023 to accommodate changes in the threat picture, regulatory changes and new technological solutions including use of artificial intelligence. The group operates a policy for the outsourcing of IT services as well as a joint security strategy for the entire alliance. The outsourcing of critical or important services is a matter for the board of directors and is notified to Finanstilsynet (Norway's Financial Supervisory Authority). Given changes in the threat picture and the high complexity of value chains, we strengthened our capacity to follow up outsourced functions in 2023.

Regulations on the use of information and communication technology (ICT) guide the work on information security, and SpareBank 1 SMN is regularly audited by both the internal and external audit functions in accordance with those regulations. In 2023 the Storting adopted a new Act on Digital Security which will apply to providers of socially important services in the field of bank and financial market infrastructure. The act builds on the Network and Information Security Directive (NIS1), which is the EU's legislative measure to ensure a high common level network and information system security across the entire Union. For financial sector entities, the EU's Digital Operational Resilience Act (DORA) will strengthen financial institutions' digital resilience through ICT risk management. Such regulatory changes will affect our ongoing work on data- and cyber-security in the years ahead.

Responsibility for data- and cyber-security rests with the IT and Security Department at SpareBank 1 SMN. The department employs 20 FTEs. With formal responsibility for the data- and cyber-security area, the department also largely performs the operative tasks. Parts of these tasks are outsourced to partners and suppliers. The department's own employees control access to systems and data and are responsible for basic server security and correct access level for employees, software to protect systems and services against unauthorised access and for backup of locally stored data.

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

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

- Information security policy

Promoting diversity, inclusion and equality

Our approach to the theme
At SpareBank 1 SMN we work purposefully to ensure diversity, inclusion and equality in our development initiatives, recruitment processes, salary structure, and in the event of reorganisation measures and role changes. We believe that diversity and inclusiveness make for nuanced and varied views on everyday questions and issues and, by the same token, a more exciting, broadening and dynamic work environment. We strive to ensure that employees have a sense of belonging and are treated in an even-handed manner

throughout the employment relationship, and we make an active effort to assure equal status and to avoid discrimination in all aspects of the employment relationship, from vacancy announcement to termination of the employment relationship.

Present status

We have signed the Women in Finance Charter which commits us to set targets for gender balance at managerial level. The object is that women should account for a minimum of 40 per cent of managerial positions, and a clear ambition is to increase the share of women in weightier managerial positions. A good gender balance is sought at all levels of the organisation, and the proportion of women in managerial positions with personnel responsibilities in 2023 was 45 per cent, an increase of two per cent since 2022. The group management team now comprises ten persons, two of whom are women. The executive director of Technology and Development has a dedicated responsibility for monitoring the work to promote equal status and diversity, and is our representative on the Women in Finance Charter.

We have established a forum for diversity, inclusion and equal treatment. The forum follows up on action plans and initiatives scheduled for implementation. Diversity, inclusion and equal treatment are a long-term process, requiring a continuous effort at all levels of the organisation.

As a party to the Inclusive Employment Agreement, we commit to facilitating good dialogue and a relationship of trust between managers and staff with a view to reducing sickness absence. In 2023 the focus was on ensuring that procedures for inclusive follow-up of staff upon falling ill were improved, and HR is working closely with managers to ensure sound guidance and support in follow-up processes.

For this year's World Mental Health Day the theme was '#Lagplass', designed to spur a common effort against loneliness and outsiderness. We marked the day by underscoring the need to belong, generosity and inclusion, and by sharing tips on what staff and managers can do to contribute. We also provided information on opportunities for support that are available to staff through the employer should the need arise.

Relevant steering documents

The following steering documents are central to this theme:

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

Carbon footprint in day-to-day operations

Our approach to the theme

Although the financial industry has negligible direct emissions, and our climate impact is in the main an indirect consequence of the capital we manage through loans and investments, we need to readjust our day-to-day operations if we are to achieve our short-term and long-term objectives. Moreover, in order to fulfil the role of green driver for our customers we need to point to metrics, action plans and successful climate and environmental measures in our own day-to-day operations. We also believe that readjustment of our day-to-day operations instils pride and increases our employees' awareness of the theme in the customer dialogue.

Greenhouse gas emissions from day-to-day operations
Our location-based climate footprint totalled 18,553 tCO_2e in 2023, an increase/reduction of 4 per cent compared with 2022. Consumption of electricity (151 tCO_2e), goods and services purchased (14,462 tCO_2 e), business travel (2,056 tCO_2e) and capital goods (1,599 tCO_2e) are the largest drivers behind greenhouse gas emissions in our day-to-day operations, accounting for 1.8 per cent of our overall greenhouse gas emissions.The remaining 98.2 per cent stems from our financed emissions.

A complete climate account for the parent company and the group is enclosed with this annual report. It describes KPIs, methodology, assumptions and boundaries in detail.

Focus on circular economy
A more resource-efficient and circular economy is needed if we are to attain the objectives to which we have committed ourselves both at SpareBank 1 SMN but also internationally and nationally. In 2023 we set up an internal project group with resources from several business lines to develop a framework for circular transition in the group. Two stages are involved: the first focusing on the group's day-to-day operations, the second focusing on the loan portfolios.

A number of driving forces, among them regulatory requirements, obligations, public guidelines, strategic goals and results of stakeholder dialogues lead us in the direction of greater circularity within all aspects of our day-to-day operations. The switch to a more circular economy is a challenge that requires competence-building, a broad-based commitment, accountability in all parts of the group, and close collaboration with the regional community. We are under way on planning internal circular pilot projects with a view to instilling a broad-based commitment and learning on the path towards phasing more circularity into our day-to-day operations.

Circular economy is expected to be standardised and to play a substantial role in business and industry in years to come, and we wish, as a green driver, to take on our share of the responsibility for the transition.

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

We focus on sustainability when it comes to changes in office structure. One example is our finance centre in Molde which has relocated to a refurbished building in the town centre and aspires to certification under BREEAM In-Use Excellent – a project giving high priority to re-use of furniture and fixtures. Further, a pre-project has started at our building in Steinkjer, also aspiring to BREEAM In-Use Excellent certification. With support from Enova we have started work on energy mapping of buildings we own in Steinkjer, Ålesund and Volda. The energy mapping will indicate potential energy and cost savings for those properties and appropriate measures to be taken.

Against the background of the group's sustainability strategy and climate strategy with appurtenant climate goals, the focus on sustainability in day-to-day operations will be strengthened in 2024. This will be done through a structured process incorporating a long-term strategy for attaining our goals in 2030 and 2050. The focus will be on energy efficiency enhancement and certification of group properties, but also on leased office areas through dialogue with landlords with a view to implementing measures in conformance with the group's strategy for sustainability and the environment.

We have for several years used Eco-Lighthouse as an environment management tool, and in 2023 we continued our work to integrate this tool into our corporate governance. Internal structures, procedures and processes underwent further improvement and monitoring tools were refined. We have for example introduced environmental groups in all locations in order to further strengthen the local footing and follow-up. Moreover, an arena has been established for all environmental officers in the group with a view to ensuring a shared understanding of their role, knowledge/experience sharing, and a strengthened sense of belonging and ownership. In 2024 an endeavour will be made to strengthen the role of environmental officer even further. In the course of 2023 seven locations underwent a recertification process against banking and finance criteria. All finance centres will in the course of 2024 be audited for recertification and assessed against banking and finance criteria through Eco-Lighthouse. Reporting, follow-up and evaluation of the above have been well received by our staff.

We are in the process of developing a governance system that will provide climate data at branch office level. This will help to raise internal awareness of, and motivation with regard to, the sustainability of our core business, and will have utility value for all customers and partners of the bank. Work is also under way on an internet-based, interactive training system for all employees that addresses sustainability and the environment.

Relevant steering documents

The following steering documents are central to this theme:

- Climate strategy
- Energy and climate account 2023, Group
- Energy and climate account 2023, SpareBank 1 SMN
- Guidelines on sustainable procurement
- Policy on business travel

Key figures and results 2023

Sustainable transition of SpareBank 1 SMN	Target 2023	Results 2023	Target 2024
Share of the group's purchases (NOK >100,000) from suppliers with a climate account	50 %	68 %	80 %
Share of managers and employees having completed e-learning in information security	100 %	90 %	100 %
Category score for diversity, inclusion and equality in Winningtemp[1)]	I/A	I/A	I/A
Total greenhouse gas emissions from day-to-day operations	16,4 (1000 tCO_2 e)	18,5 (1000 tCO_2 e)	SBTi[2)]

[1)] We have updated the sustainability module in WinningTemp, and this key performance indicator is now a part of the key performance indicator "Category score sustainability in WinningTemp"

[2)] Our targets related to greenhouse gas emissions is as of 2023 under development in conjunction with our commitment to SBTi

Table 16: Sustainable transition of SpareBank 1 SMN – KPIs and results

People and organisation

Our HR strategy clarifies the direction, goals and framework for our efforts in the field of ‘people and organisation’. Our staff are the group’s most important resource, and in order to deliver the best possible customer experiences SpareBank 1 SMN is dependent on a diversity of staff who are committed, competent, enquiring and development oriented. Our action plans our designed to ensure this, and the HR strategy defines clear goals and measures along the dimensions of organisation, people, management and culture.

The HR strategy and action plans have a basis in business goals and strategies for both the group and the business lines, along with relevant drivers and regulatory requirements. In 2023 the merger with SpareBank 1 Søre Sunnmøre was in particular focus, and we were eager to ensure a successful merger process and a good introduction to the group for our new colleagues in Sunnmøre. It was also a year of technological development in the artificial intelligence field, and large language models achieved a breakthrough. The group worked in a structured manner to make new technology and new working tools available with a view to enhancing employees’ efficiency and effectiveness in their day-to-day work.

Organisation

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

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

Processes
In 2023 we continued work on reinforcing the effects of “One SMN”, with a focus on cooperation models and synergies across customer-facing activities and specialist departments. In 2023 we saw benefits brought by the model, and continued work on assembling business lines under the same roof at a number of locations in the region. This provides a basis for stronger specialist teams, even clearer ownership of the workplace and increased staff satisfaction.

The merger with SpareBank 1 Søre Sunnmøre was much in focus in 2023. The merger added 72 new staff members. In that connection a new division was established including employees both from SpareBank 1 Søre Sunnmøre and from SpareBank 1 SMN’s other offices in Sunnmøre and in Fjordane. A management team was established for the division, and Stig Brautaset was appointed executive director representing the division in the group management. Staff competencies were mapped, and new roles and organisational structure were drawn up. We have set much store on ensuring that our new colleagues from SpareBank 1 Søre Sunnmøre should get off to a good start with us, and a wide-ranging introduction and training programme was organised to that end.

Hybrid working day and everyday balance
SpareBank 1 SMN aims to be a workplace where employees experience a good balance between work and leisure. The group’s life phase policy is designed to accommodate employees in all phases of life.

Arrangements involving flexible working hours and working from home are available, enabling employees to adapt their working day to their family situation. We have good procedures for the hybrid working day that ensure a good, decent work environment for our employees and that our employees' needs and expectations are attended to.

Organisational and employee development

Committed and contented employees who experience a feeling of mastery, job satisfaction and personal development are crucial for our success. In 2023 we devoted much effort to the development and follow-up of Winningtemp, our tool for measuring employees' commitment, satisfaction and their experience of their working day. The insights gained from use of this tool makes it simpler for the group management team, other managers and staff members to focus on and apply measures to specific areas that we need to strengthen, develop or change. The results from these 'temperature' measurements are integrated into the group's business goals and are followed up on by the respective management groups. In 2023 we continued the work of sharing knowledge and experience of best practice between managers to ensure that the tool makes an impact on the organisation and the individual employee.

Whistleblower programme

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

Information on employees' right and obligation to report censurable circumstances is readily accessible on SpareBank 1 SMN's intranet pages. Four reports were registered in 2023.

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

Worker rights

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

The right to organise is important. A substantial proportion of our employees are members of a trade union, and the group attaches much importance to good cooperation with the unions. Joining a union is a voluntary matter, and the group does not discriminate against employees who are not organised. 77 per cent of group employees were covered by a collective bargaining agreement in 2023.

Salary and employment conditions

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

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

We have for several years worked for equal pay for women and men. In 2023 women's share of men's pay was 91 per cent across the group. Women's share of men's pay for managers in the group was 84 per cent. There are variations within the various subsidiaries, position levels and management levels.

Health and physical activity

A systematic effort is made in terms of health, environment and safety, primarily in dialogue with the health and safety officer, HR and managers at department level. We wish to lay a basis for employees to keep fit.

In 2023 'Hjertebank' was launched as a new concept to facilitate better physical and mental health, and replaces our previous programme entitled Better Shape. The Hjertebank concept will achieve full effect and become a focal area for the entire group in 2024. Its mission is to build a sense of community and culture, and to stimulate individuals and departments to keep fit through enjoyable competitions and keep-fit activities.

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

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

Sickness absence in the bank was 5.2 per cent in 2023, while for the overall group the figure was 6.3 per cent.

Management

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

In 2023 our management workshops focused on shared expectations made of the group's managers, on digitalisation and change, and on managers' role as facilitators and role models. Development processes were carried through with selected manger groups where development, improvement of group processes, and interaction were focal areas, areas that are crucial in order for manager groups to create the desired results.

Moreover, all managers in the group have had access to an external portal providing digital courses with a variety of themes of relevance in a manager's working day. We have also set up a dedicated manager portal on which management processes and management tools are available to enable our managers to master the role of manager to the best possible extent.

Our managers have also been offered a digital nanograd – a concept developed by in-house experts in technology and digitalisation in the group. About 20 managers availed themselves of this offer in 2023.

People

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

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

Recruitment and employer branding
In 2023 we appointed about 300 persons to various roles in the group. This includes internal candidates and processes where employees may have transferred between departments or companies within the group.

We recognise that we are an attractive employer, and our job vacancies attract well qualified applicants. Universum's survey of students' perception of employers ranks SpareBank 1 SMN in fourth place on the list of the most attractive employers in Norway for economics students.

We aim to be an attractive employer for a broad diversity of people, and work actively to that end in our communication and recruitment processes.

Our objective is that both women and men should be among the shortlisted candidates ahead of the final decision on who is to be offered an open position. In 2023 this objective was achieved in a majority of appointment processes. The group makes a purposeful effort to ensure a wide diversity of applicants for posts in the group, of candidates invited for interview and of appointees.

We have in recent years consciously sought to ensure that our mode of communication in recruitment processes and employer branding contributes to our standing as an attractive employer for men and women alike. Our applicants' gender distribution shows that we have a gender balance and that a relatively identical share of men and women apply to our positions. The same picture is reflected in appointments which in 2023 shows a good gender balance.

In the recruitment process the emphasis is on objective and fair selection criteria, and we employ well validated testing tools to provide a picture of candidates that is as objective as possible.

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

The group's new employer branding strategy was adopted towards the end of 2023. This, together with our continued systematic effort with regard to our recruitment processes, will reinforce our attractiveness and ensure that we attract and appoint persons with diversified backgrounds.

Enhancing our employees' competency in sustainability and our ethical guidelines is further described as material themes under the focal area “Advisory services and customer offering”.

Culture

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

The group's ambitions for a shared culture

We have in recent years made an effort to implement shared cultural ambitions for the entire group. The need to create shared characteristics and ambitions for all employees has been an important extension of strengthening the group model after the organisation change in 2020/2021. Our shared ambitions as regards workplace culture across business lines are summed up in three overarching principles:

- Creating customer value
- Shaping the future
- Being a team player

Active use was made of workplace culture aspirations in our 200th anniversary celebrations in 2023, and we made a conscious effort to create a sense of belonging and collective identity within the group. While looking back on 200 valuable years, we also look forward to size up how we can shape the future, remain relevant and create value for our customers.

Staffing

Group	2023	2022
No. of FTEs, incl. subsidiaries [1)]	1 545	1 592
No. of FTEs, parent company [2)]	798	664
Sickness absence [3)]	6.3 %	4.8%
Share of women [4)]	56 %	56 %
Share of women in management positions [5)]	45 %	43 %
Women's share of men's pay [6)]	90 %	90 %
Average age	41.2	42.4
Average length of employment	7.8	8.7
No. of recruitments, internal [7)]	13	21
No. of recruitments, external	292	208
Staff turnover [8)]	9.2 %	10.7 %
Share of employees covered by collective bargaining agreement	77 %	77%

1) No. of staff adjusted for FTE percentage
2) Figures taken from the FTE application and showing FTE obligation
3) Sickness absence, group. 2022 figure shows sickness absence, bank
4) Applies to permanent staff
5) Includes basic salary to permanent staff. Applies to internal recruitment at the bank
6) Applies only to parent company employees distributed by position level
7) Applies to internal recruitment at the parent company
8) Includes employees who have quit their position and left the group.

Table 17: Staffing, Group

Age groups' gender distribution

Age	Women	Men	Total
18-29	162	167	329
30-39	270	209	479
40-49	105	160	365
50-59	224	130	208
60-69	113	95	185
70-79	0	2	2
Total	**836**	**763**	**1 737**

Table 18: Age and gender distribution

Distribution, staffing agency

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

FTEs through staffing agency	2023	2022
Retail Banking	25.8	42.4
Corporate Banking	12.9	5.7
Other	5	1
FTEs (staffing agency)	43.7	49.1
FTEs (parent company)	798	664
FTEs (staffing agency) in % of FTEs in parent	5.48 %	7.39 %

Table 19: FTEs through staffing agency

Distribution of new employees

In 2023 new employees totalled 229, of which 179 were women and 113 men (permanent staff).

Age	Women	Men	Total
18-29	65	48	113
30-39	60	40	100
40-49	25	15	40
50-59	25	7	32
60-69	4	3	7
Total	**179**	**113**	**292**

Table 20: Distribution of new employees

Distribution by employment type and gender

Employee type	Women	Men	Total
Permanent	**960**	**747**	**1 707**
Full-time	899	723	1 622
Part-time	61	24	85
Apprentice[1)]	**7**	**12**	**19**
Full-time	7	12	19
Temporary[2)]	**6**	**2**	**8**
Full-time	1	2	3
Part-time	5	0	5
Trainee EM1[3)]	**14**	**16**	**30**
Full-time	12	15	27
Part-time	2	1	3
Total	**987**	**777**	**1 764**

1) Apprentices are employed in a training programme lasting 2 years. Upon completion of their apprenticeship they take the trade examination.
2) Temporary employees have a time-limited employment contract with SpareBank 1 SMN
3) Trainees in SpareBank 1 SMN are employed on a temporary basis for up to three years as part of a training programme while completing a bachelor's degree.

Table 21: Distribution by employment type and gender

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

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**

	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 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					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	**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					Default and credit impaired	Total
	Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Gross Loans							
Fair value through OCI	**71,072**	**6,518**	**2,488**	**635**	**925**	**372**	**82,010**
Stage 1	70,927	5,671	963	229	188	-	77,978
Stage 2	144	848	1,525	406	737	-	3,660
Stage 3	-	-	-	-	-	372	372
Amortised cost	**26,194**	**11,451**	**12,497**	**1,553**	**633**	**1,502**	**53,830**
Stage 1	24,784	10,085	10,195	913	167	-	46,144
Stage 2	1,410	1,365	2,302	640	467	-	6,184
Stage 3	-	-	-	-	-	1,502	1,502
Fair value through Profit and Loss	**3,962**	**595**	**99**	**11**	**38**	**4**	**4,709**
Total Gross Loans	**101,227**	**18,564**	**15,083**	**2,200**	**1,597**	**1,878**	**140,549**
Other Commitments	**14,300**	**5,910**	**3,009**	**520**	**96**	**173**	**24,007**
Stage 1	14,238	5,771	2,555	75	24	-	22,663
Stage 2	62	139	454	445	71	-	1,171
Stage 3	-	-	-	-	-	173	173
Total loans and other commitments	**115,527**	**24,473**	**18,093**	**2,719**	**1,693**	**2,051**	**164,556**

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

	31 Dec 2023			31 Dec 2022		
(NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**	**Gross loans**	**Other commitments**	**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

	31 Dec 2023			31 Dec 2022		
(NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**	**Gross loans**	**Other commitments**	**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

Parent Bank (NOKm)	31 Dec 2023 Stage 1	Stage 2	Stage 3	Total	31 Dec 2022 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**

Group (NOKm)	31 Dec 2023 Stage 1	Stage 2	Stage 3	Total	31 Dec 2022 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				31 Dec 2022			
	Stage 1	Stage 2	Stage 3	Total	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				31 Dec 2022			
	Stage 1	Stage 2	Stage 3	Total	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.

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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)

		Fixed remuneration						
Name of director, position	Year	Base salary[1)]	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 Sætre[1)]	Board member	2023	206	20	1	1,421	-
Ingrid Finnboe Svendsen[1)]	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 representative[2)]	2023	273	-	925	5,620	1,083
		2022	261	-	818	-	971
Inge Lindseth	Board member, employee representative[2)]	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**

	Discount rate		Salary adjustment		Pension adjustment
Sensitivity, Group	**+ 1 pp**	**- 1 pp**	**+1 pp**	**- 1 pp**	**+ 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			Group	
2022	**2023**	**Members**	**2023**	**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	Financial instruments at fair value through profit or loss: Mandatorily	Financial instruments at fair value through profit or loss: 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				Group		
Buildings and other real property	**Machinery, inventory and vehicles**	**Total**	**(NOK million)**	**Total**	**Machinery, inventory and vehicles**	**Buildings and other real property**
104	133	237	Cost of acquisition at 1 January	546	236	310
26	30	56	Additions	60	34	26
-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.

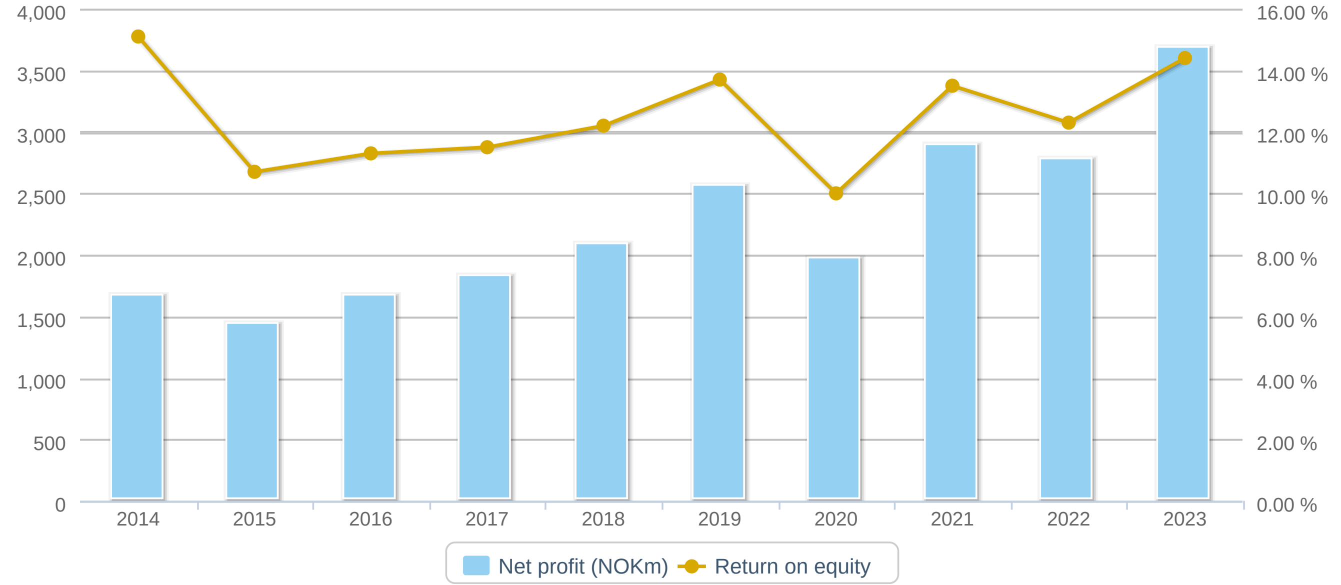
Financial summary (Group)

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 %

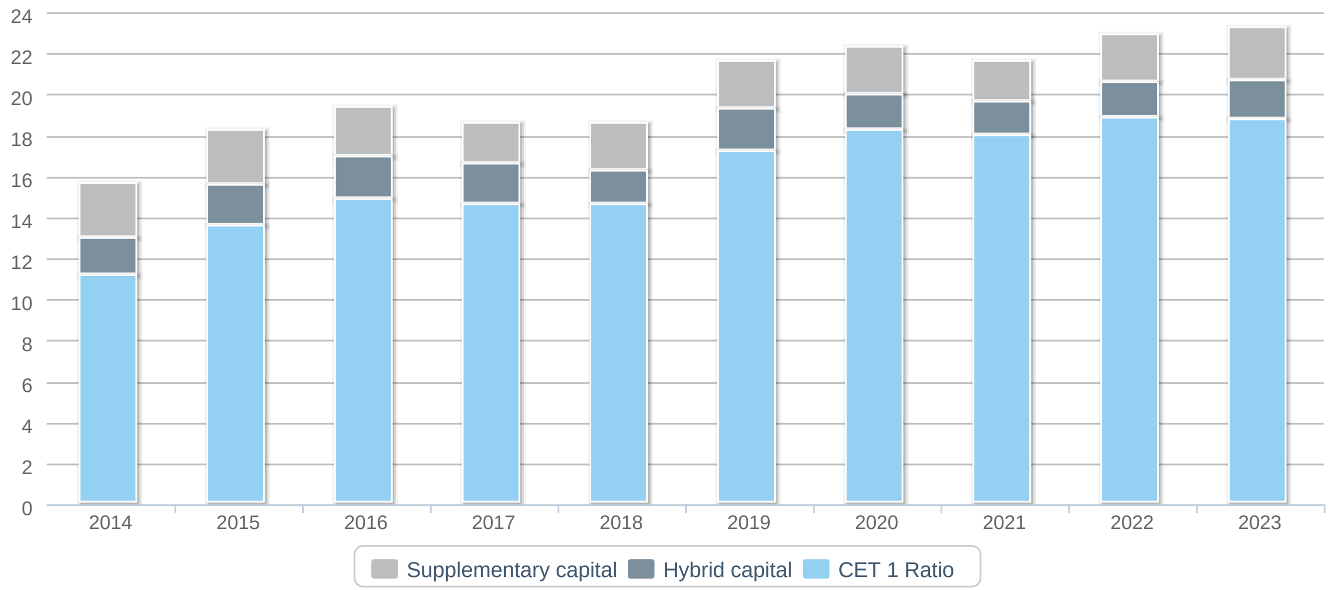
Capital adequacy										
CET 1 Capital	21,589	19,776	17,790	17,041	15,830	14,727	13,820	13,229	12,192	10,679
Core capital	23,793	21,835	19,322	18,636	17,742	16,472	15,707	15,069	13,988	12,382
Primary capital	26,399	24,147	21,333	20,759	19,854	18,743	17,629	17,185	16,378	14,937
Risk weighted volume	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.

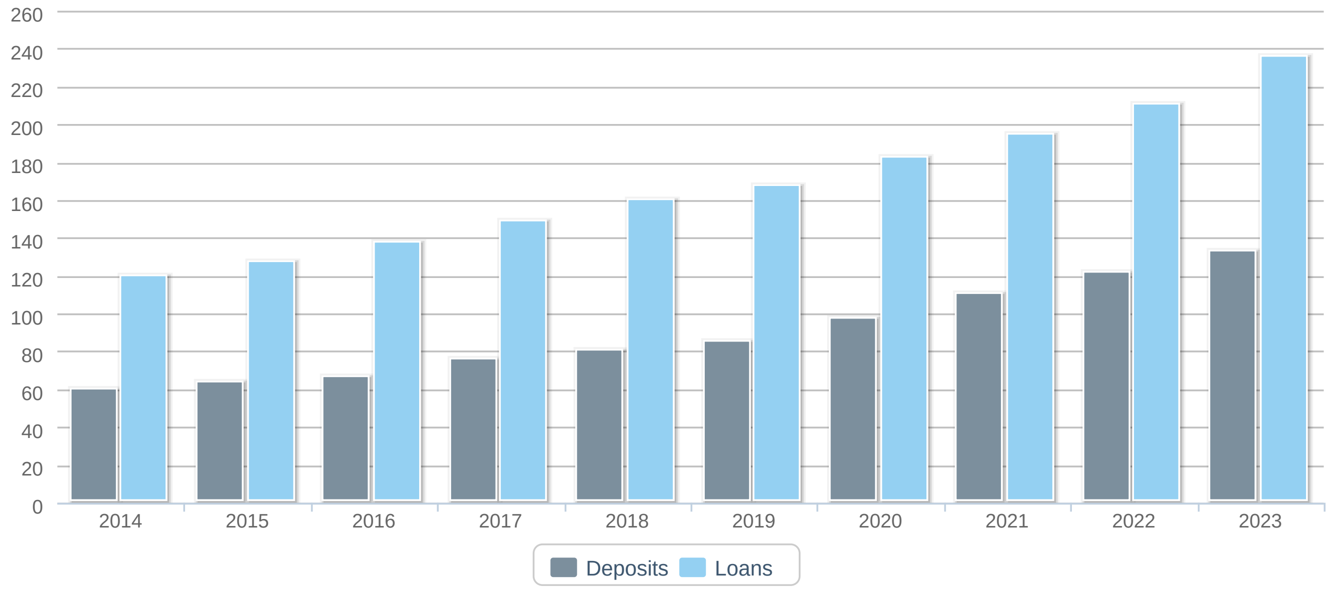
Net profit and return on equity



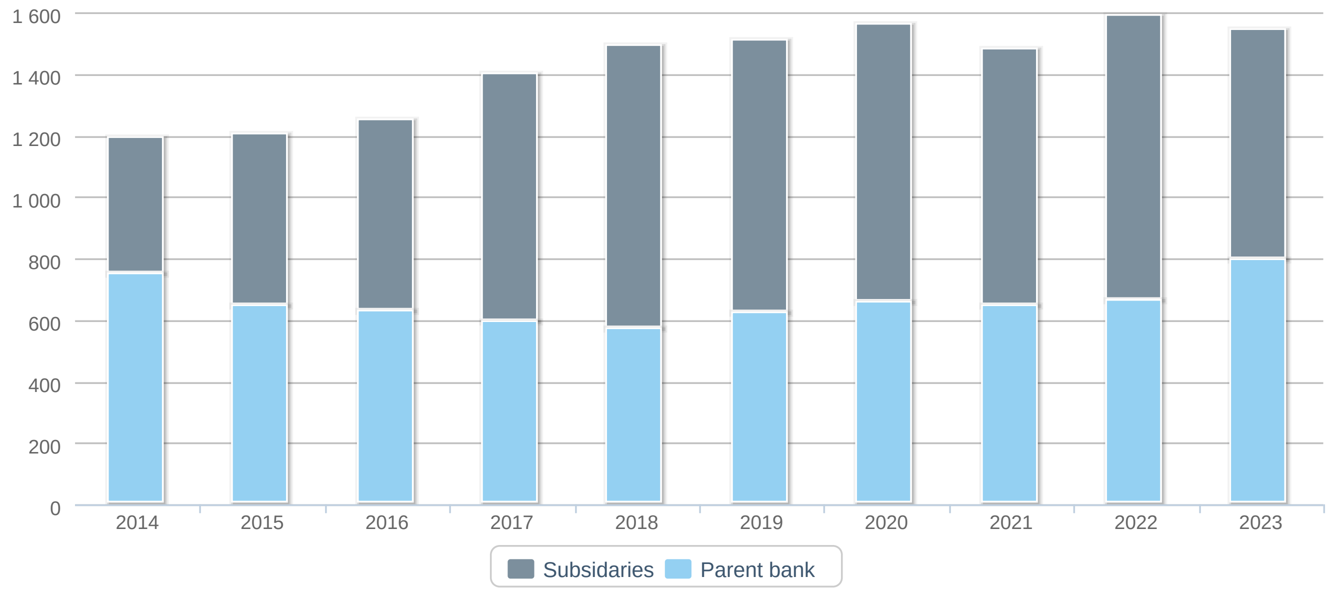
Capital ratio



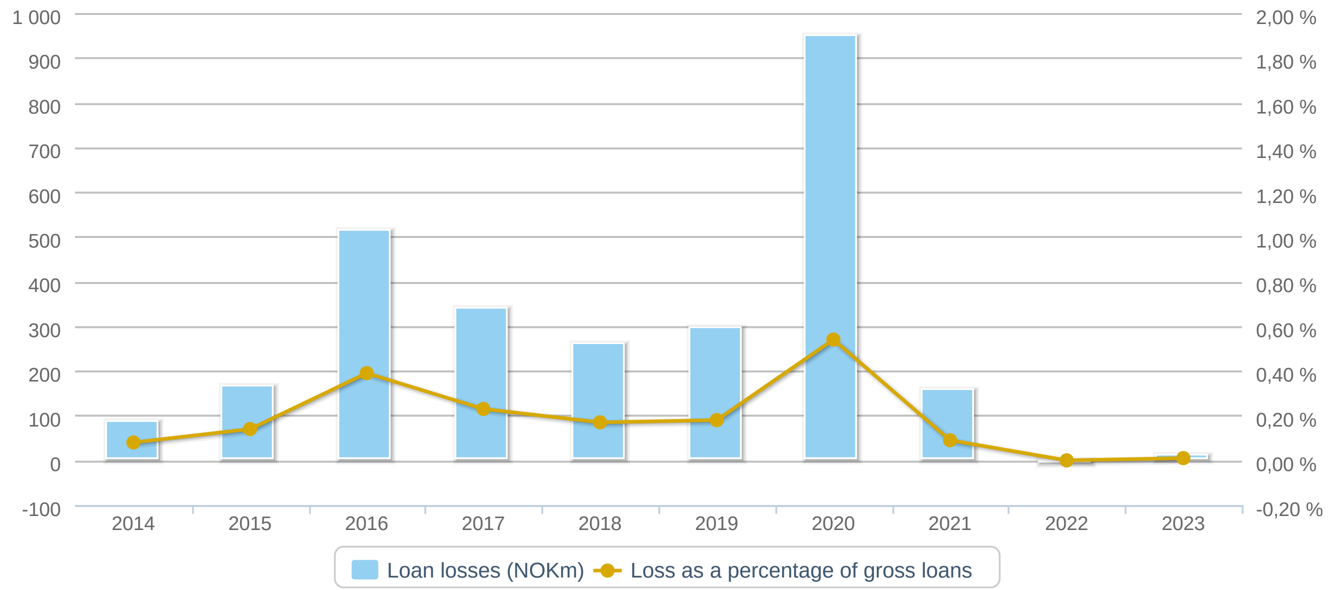
Loans and deposits (NOKbn)



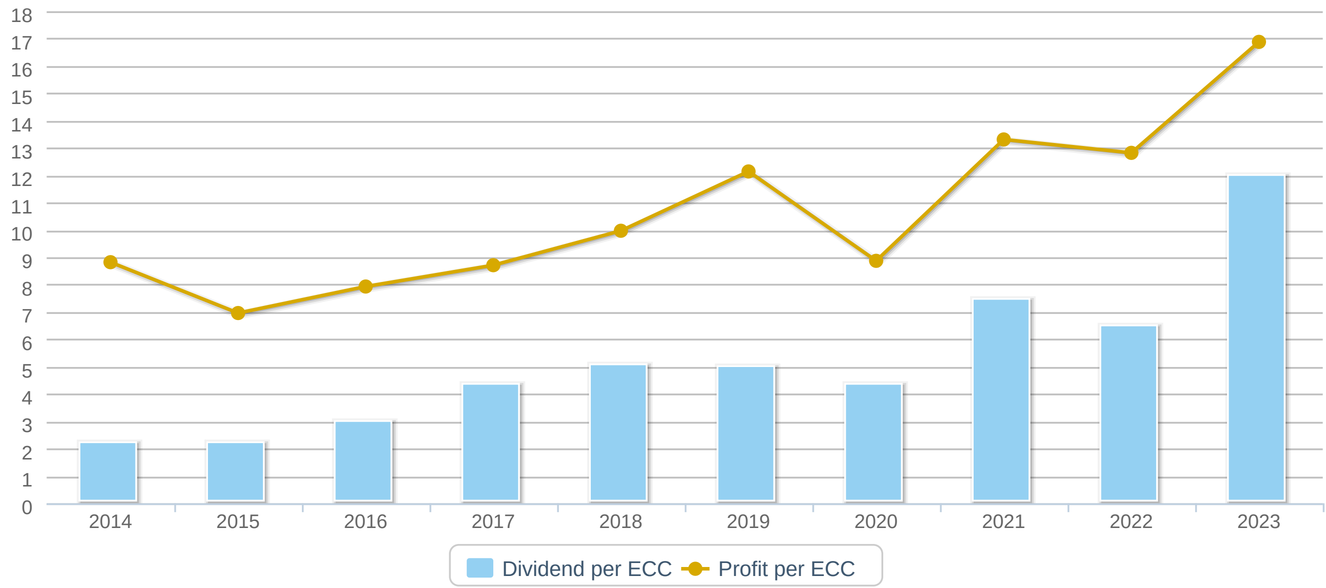
FTEs



Loan losses



Dividend and profit per ECC (NOK)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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.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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

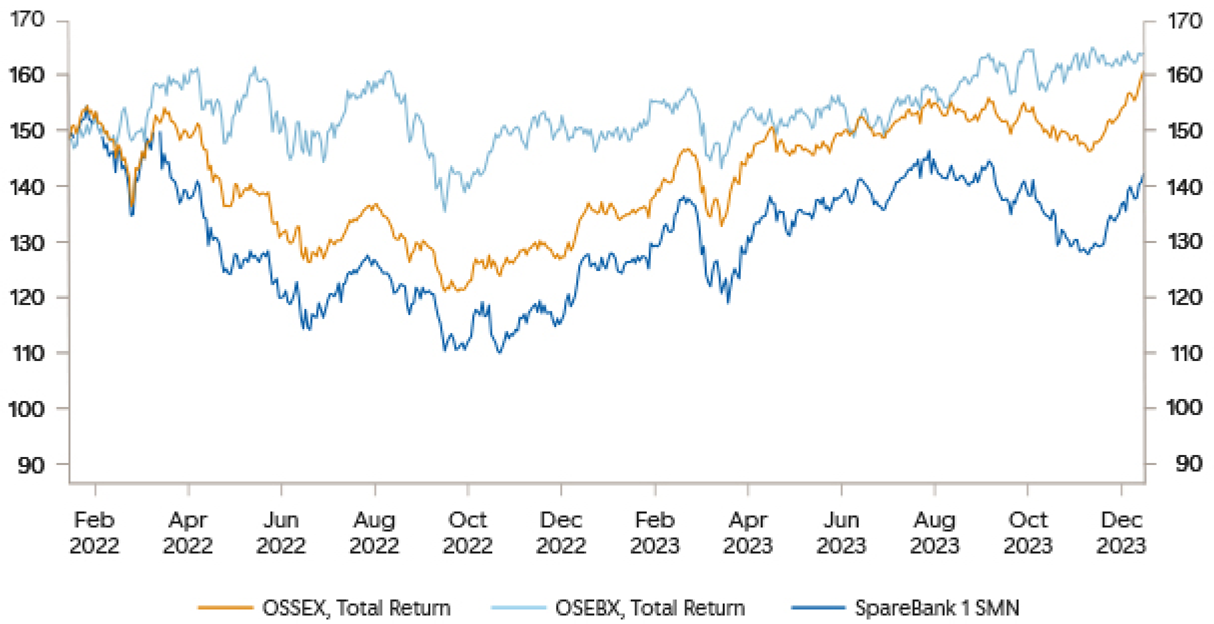
At end-2023 the market price of SpareBank 1 SMN's EC (MING) was NOK 141.80. At end-2022 it was NOK 127.40

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

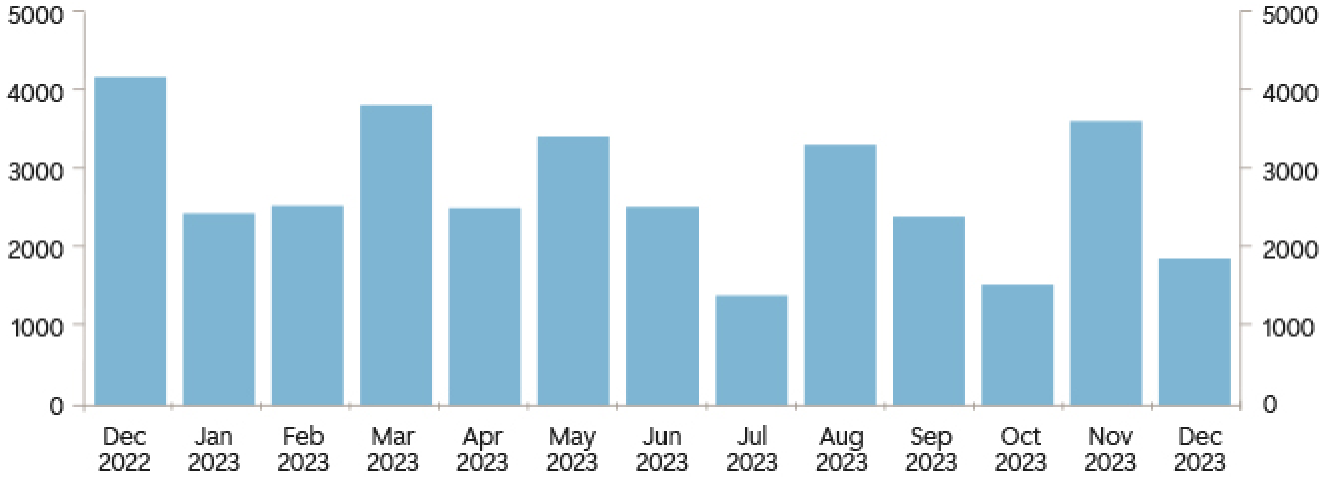


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

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.

Attachments

SpareBank 1 SMN
Climate accounts
Reporting year 2023

The Group's climate efforts

Green transition of Mid-Norway
Mid-Norway is an attractive place for both businesses and people, and it should remain so for a long time to come. Therefore, sustainable development of our region is crucial when describing our social responsibility. This means being an active and visible driver for the green transition of Mid-Norway and promoting responsible business practices.

For us, this entails more than just minimizing our own environmental impact. The financial industry has limited direct emissions, and our influence on climate through day-to-day operations mostly originates from emissions related to office operations, energy consumption, and business travel. While it is important for us to reduce our emissions from day-to-day operations, we recognise that our most significant contribution lies in how we influence our suppliers and customers in a more sustainable direction.

Our climate ambitions
In 2022, the board adopted an ambition to achieve net-zero emissions by 2050. To help us reach net-zero, we have established transition plans for various sectors in our loan portfolios. Alongside the net-zero ambition, these transition plans will significantly impact how we finance these sectors going forward.

In 2023, we further strengthened this effort. We launched net-zero transition plans for fishery and the commercial property sector, and in August, the board decided that SpareBank 1 SMN shall develop emission reduction targets according to the Science Based Targets initiative (SBTi). SBTi is a global initiative that assists companies in setting science-based targets to reduce greenhouse gas (GHG) emissions in line with the Paris Agreement. This means that over the next two years, SpareBank 1 SMN will develop both short-term and long-term targets, along with corresponding action plans to achieve our net-zero ambition. Furthermore, we commit to publicly disclose our emission targets, reduction plans, and overall progress in line with the Paris Agreement.

A robust and transparent climate account is a crucial tool in achieving our climate ambitions. To reach our goals, it is essential to map, measure, and manage our GHG emissions. This involves calculating the impact of all our economic activities at a detailed level so that we and our stakeholders can understand our influence and what contributes to it.

It is important to emphasize that we are making progress in our GHG emission reductions, but we still have a way to go to reach our final targets. We have taken significant steps in reporting GHG emissions since we compiled our first climate accounts in 2019. In 2022, we were among the banks that included emissions from the loan portfolio – known as financed emissions. We consider these emissions crucial in our efforts towards the green transition of Mid-Norway, and in 2023, a project group was established to ensure that our ambitions and transition plans align with the Paris Agreement.

Handling of uncertainty in the underlying data
When working with climate accounting, we face several challenges, especially related to data quality and uncertainty in the data. One area in which we have paid special attention to is the availability of reliable and up-to-date data. Most of our upstream and downstream emissions consists of secondary data. Calculation methodologies and standards are constantly evolving, which can lead to inconsistency in how emissions are calculated and reported over time. Changes in the data quality of emission factors can result in changes in reported emissions, despite no changes in economic activity. This affects the reliability of the climate accounting as a measuring tool, and it is something we prioritize highly. For the climate accounting to be an effective management tool, we must ensure that reported changes in emissions mainly reflect real climate actions and actual improvements rather than changes in methodology or external factors.

Comparability with previous years
In 2023, we were required to revise our reported GHG inventory for the previous year (2022) and our base year (2019). Changes in methodological assumptions and underlying data in emission factors related to our upstream indirect emissions were so material that we had to recalculate previous years with updated assumptions to ensure better comparability. We are aware of these challenges and uncertainties in our climate accounting, and it is a prioritized area that we are working to improve for 2024.

Collaborations
In 2023, we continued our collaboration with SpareBank 1 Regnskapshuset SMN AS and Asplan Viak AS in compiling the climate accounts. We believe that the combination of local expertise and familiarity with SpareBank 1 SMN, coupled with international knowledge, has positively contributed to the development of the climate accounts.

Climate accounting principles

General principles and organizational boundaries

The climate accounts adhere to the standards, recommendations, and guidelines provided by the GHG Protocol. This includes the GHG Protocol Corporate Accounting and Reporting Standard, GHG Protocol Scope 2 Guidance, and The Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

In line with the GHG Protocol, we categorize our GHG emissions into three overarching categories, commonly referred to as scopes. We define these as:

- **Scope 1**: Direct emissions from sources that we own or control, which release greenhouse gases into the atmosphere through combustion or direct emissions. Relevant emission sources may include emissions from owned vehicles.
- **Scope 2:** Indirect emissions from the production of purchased electricity, district heating, and cooling that we use in our offices.
- **Scope 3:** Indirect emissions occurring in our value chain that we cause through our procurement and/or sale of goods and services. This may include emissions from the production of purchased goods and services such as IT and office equipment, business travel by employees and financed emissions.

Additionally, the terms upstream and downstream are used to describe indirect emissions caused respectively before us in the value chain (procurement) and after us in the value chain (financed emissions).

Scope and organizational boundaries
The climate accounts are prepared based on collected energy and accounting data from SpareBank 1 SMN.[1]

Within the boundary of the GHG Protocol, the organisation's responsibility areas for GHG emissions are defined through organisational boundaries.

These specify which emissions an organisation is accountable for and include direct emissions from sources owned or controlled by the organisation, as well as indirect emissions from sources outside the organisation's control.

The choice of organisational boundaries affects which emissions are included in the reporting and how they are reported. Companies can choose between "equity share" or differing "control methods". The equity share method includes emissions from operations that the organisation owns, regardless of whether it has operational control over them, while the control approach includes emissions from operations that the organisation either has operational or financial control over, regardless of ownership.

When compiling our climate accounts, we use operational control. This method defines which of the companies' assets and their respective emissions should be included in the climate accounting, and subsequently where they fall within the various scopes. By using this method, we include emissions from activities that SpareBank 1 has operational control over.

Data sources and calculation methods
For the climate accounts to serve as a valuable management tool and to provide stakeholders with the best possible information about our climate efforts, we rely on a complete climate account. We use multiple data sources and various calculation methods to ensure an accurate picture of our emissions.

In line with the GHG Protocol, we rely on two main types of data: primary and secondary data. Primary data includes activity and/or emissions data collected directly from the parent, subsidiaries or the supply chain. In our climate accounts, we consider primary data as quantified data from our activities, such as fuel or energy consumption, combined with emissions factors as specific as possible.

Secondary data consists of all other estimated or calculated data. This could include estimated electricity consumption at locations where we do not have exact readings, or emission calculations based on costs.

[1] From May 1st, 2023, SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre were merged. From this date onwards, SpareBank 1 Søre Sunnmøre was also included in the data collection for SpareBank 1 SMN. GHG-emissions that occurred from January 1st, 2023, to April 30th, 2023, as well as for the entire fiscal year 2022, have been calculated on a pro forma basis. This is in line with our financial reporting and corresponding financial notes.

Our climate accounts are compiled using three calculations methods:

Primary data
Calculation using specific emission factors

- We calculate the climate impact of direct and indirect emissions by converting primary data into emissions using emission factors. For example, we collect meter readings and multiply the kilowatt-hours by an emission factor to estimate our GHG emissions associated with energy consumption.
- Primarily, this method applies to the calculation of indirect energy-related emissions in Scope 2 and the calculation of certain financed emissions in Scope 3. This is the most specific and reliable method for calculating GHG emissions.

Spend-based method
Calculation of secondary data sources using financial data

- When we do not have access to primary data, we rely on secondary data sources. For our indirect upstream emissions, we use Klimakost, a scientifically grounded emission model developed by Asplan Viak AS. The model estimates the climate footprint associated with operating costs and is particularly useful for estimating our Scope 3 emissions related to day-to-day operations.
- Klimakost, an Environmentally Extended Input-Output Analysis (EEIOA) model, uses emission statistics from various countries, industries, and sectors, as well as trade between them, to estimate the climate footprint per unit of currency spent on different goods and services. Although this method provides an overview of which types of purchases and activities have the greatest climate impact, it is not able to disaggregate emissions to individual products or suppliers.

  For this reason, this method is best suited for identifying the main sources (hotspots) of our emissions, allowing us to focus on the most significant emission drivers using primary data.

Partnership for Carbon Accounting Financials (PCAF)
Calculation of financed emissions using secondary and primary data sources

- The majority of our GHG emissions is in our downstream value chain. At the end of 2021, we became a member of the Partnership for Carbon Accounting Financials (PCAF), a global collaboration among financial institutions to harmonize estimation, measurement, and disclosure of GHG emissions associated with their loan portfolios.
- We base our estimation of GHG emissions in our loan portfolios on the PCAF methodology, as well as Finance Norway's updated guidance on PCAF and financed emissions.

SpareBank 1 SMN

Climate accounting principles

Material changes

There are four significant changes affecting the climate accounting for 2023. These changes require a retroactive adjustment of previous years' climate accounting to ensure comparability between the base year, the previous year, and this year's reporting.

Merger with SpareBank 1 Søre Sunnmøre
On 1st of May 2023, SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre were merged. The GHG calculations from both banks are reported collectively from the 1st of May 2023.

Upstream GHG emissions from January 1st, 2023, to April 30th, 2023, and for the entire fiscal year 2022 were calculated on a pro forma basis to establish a comparison basis for emissions related to day-to-day operations. The GHG emissions presented with pro forma information can be found on the last page of the climate accounts.

The presentation of pro forma information is in line with how the financial reporting and corresponding financial notes are prepared. Downstream emissions or KPI's for SpareBank 1 Søre Sunnmøre are not included in our pro forma calculation.

Changes in Klimakost's emissions factors (Asplan Viak AS)
In compiling this year's climate accounting, we observed a reduction in emissions compared to the climate accounts in 2022. The reduction could not be explained by reduced economic activity or more climate-efficient upstream or downstream operations. Additionally, we merged with SpareBank 1 Søre Sunnmøre, which, in isolation, could have potentially led to an increase in emissions.

We realized that the changes were due to updated emission factors for 2023[1]. These updates, which included several minor methodological adjustments and uncertainties in the statistical basis, resulted in a material overall change. The change of previous year's climate accounts resulted in an increase in emissions in 2023, rather than a reduction in emissions.

The change in emission factors was significant to the degree that it rendered the 2023 climate accounts incomparable to previous years without an adjustment using the new set of emissions factors.

Changes in the PCAF method
The methodology for estimating GHG emissions from the loan portfolio has been updated this year to align with Finance Norway's updated 'Guidelines for Calculating Financed Emissions.' The emission factors were updated in the fall of 2023 to a new version of EXIOBASE, without manual adjustments or corrections of outliers. This has resulted in material changes to the emission factors.

We've consulted the updated guidance for the PCAF database and sought advice from Asplan Viak AS to evaluate the emission factors. Based on their feedback and in consultation with other banks in the SpareBank 1 Alliance, we have chosen to switch from Norwegian emission factors to EU factors and corrected some outlier values. Due to these material changes in the measurement method, we've re-estimated the figures for 2022 using the updated measurement method. This ensures the reported changes largely reflect changes in actual GHG emissions, rather than just technical adjustments in the measurement method.

Adjustment of emission factors for electricity
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For the climate accounting for year 2023, we have chosen to use the same factor set from NVE in Scope 2 for both upstream and downstream. This applies to both location-based and market-based electricity-related emissions, specifically the Norwegian consumption mix (19g CO_2e/kWh) and the European residual mix (502g CO_2e/kWh)[3,4]. We retroactively applied the NVE factors to the Scope 2 calculations for 2019 and 2022 to ensure comparability across reporting years.

[1] The updates included adjustments to the emission factors, such as revised global warming potentials (GWPs) for greenhouse gases, redistribution of emissions in some Norwegian sectors, and changes in intensities based on new economic data. Intensities for 2022 and 2023 are adjusted with the consumer price index, which entails uncertainties. There is a delay in the availability of statistics, which does not align with financial reporting years. This means that the 2023 emission factors are influenced by macroeconomic conditions from 2021, where the global pandemic likely explains deviations in reported emissions from several industry sectors.
[2] NS3720 - estimated average for EU mix
[3] Norges vassdrags- og energidirektorat (NVE): Varedeklarasjon for strømleverandører
[4] Norges vassdrags- og energidirektorat (NVE): Klimadeklarasjon for fysisk levert strøm

SpareBank 1 SMN

GHG emissions (day-to-day operations)

Reporting year 2023

About the results
Our total estimated upstream GHG emissions[1] amounted to 14 744 tCO_2e in 2023. compared to 13 967 tCO_2e in 2022. This represents an increase of 6%.

During the same period, the increase in the Group's turnover exceeded the estimated increase in emissions from day-to-day operations. Additionally, SpareBank 1 Søre Sunnmøre was merged in as of May 1st, 2023.

It is likely that the absolute increase in emissions is due to increased activity following the change of previous year's figures.

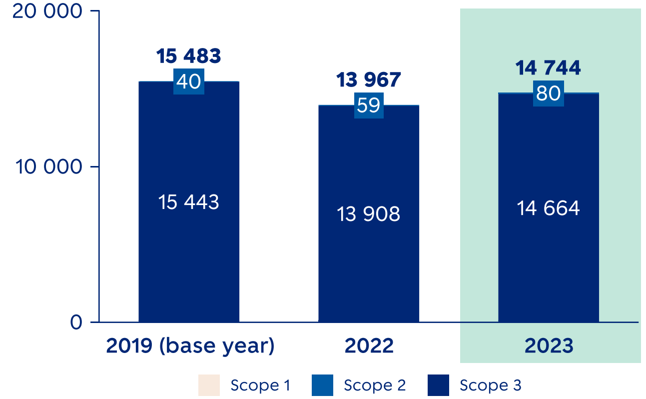
- **Scope 1**
  We do not report any emissions in Scope 1. Direct emissions from sources that we own, or control are limited for us to emissions from owned vehicles. Any emissions from owned vehicles are estimated based on cost and are categorized under business travel in Scope 3.

- **Scope 2**
  Indirect GHG emissions associated with the consumption of purchased energy, including electricity, district heating, and cooling in our office premises in Mid-Norway, Sunnmøre, and Oslo.

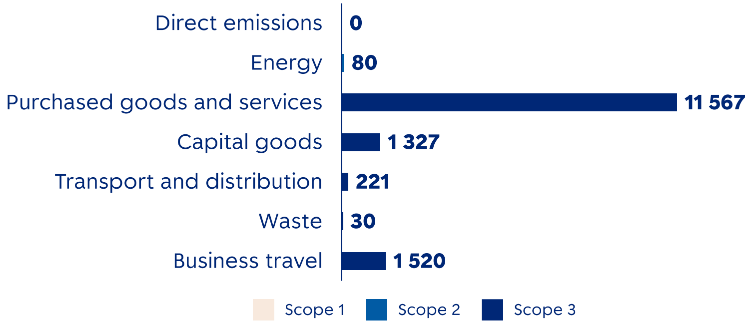
  Our total estimated energy consumption in 2023 was 3,542 MWh. Compared to 2022, this represents an increase of 16%. This consists of a share of district heating (14%) and a share of electricity (86%).

- **Scope 3**
  The majority (99%) of our upstream emissions are associated with indirect emissions from day-to-day operations. The largest contributors come from IT-related services, travel expenses, depreciation of capital goods, premises, marketing and media, as well as other operational agreements.

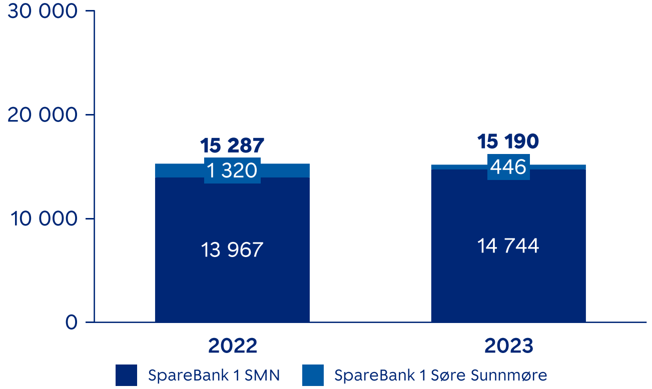
Total GHG emissions (day-to-day operations)
CO_2-equivalents (tonnes)



Distribution of GHG-emissions (day-to-day operations)
CO_2-equivalents (tonnes)



Pro forma calculation (day-to-day operations)
SpareBank 1 SMN after merger[2]
CO_2-equivalents (tonnes)



[1] The results shows total estimated , location-based GHG emissions. Total market-based upstream GHG emissions amounted to 15 878 tCO_2e in 2023, compared to 14 865 tCO_2e in 2022.
[2] GHG emissions in SpareBank 1 Søre Sunnmøre between 01.01.23 – 30.04.23, and for the financial year 2022, is calculated on a pro forma basis.

Financed emissions

Reporting year 2023

About the results
Our estimates still indicate that GHG emissions in the loan portfolio are concentrated on a small number of sectors, and account for a limited share of our loan volume.

The graph below shows that four industries contribute as much as 85% of the greenhouse gas emission, yet only account for a mere 13% of the banks loans. These industries are agriculture and forestry (60%), shipping and offshore (11%), transport and other services (8%) and fishery (7%).

GHG emissions have risen by 8%, which is less than the increase in lending. The increase in lending is attributable to the merger with SpareBank 1 Søre Sunnmøre, inflation and growth in financial assets. In the case of agriculture, activity-based emissions have increased since we have financed more of the commodities produced. For fishery, emissions are reduced due to a reduction in lending volume and fewer financed vessels.

- **Fishery**
  For the fishery portfolio we have for several years collected data on ship fuel consumption of our largest customers. The figures are used to estimate GHG emissions of relatively good quality from the fishery portfolio. This portfolio has the best data quality in the analysis. However, the data source has a one-year time-lag, and ship fuel consumption for 2022 is used to estimate the customer's emission intensity for 2023. Where a customer's financing has risen from 2022 to 2023, estimated emissions have risen correspondingly.

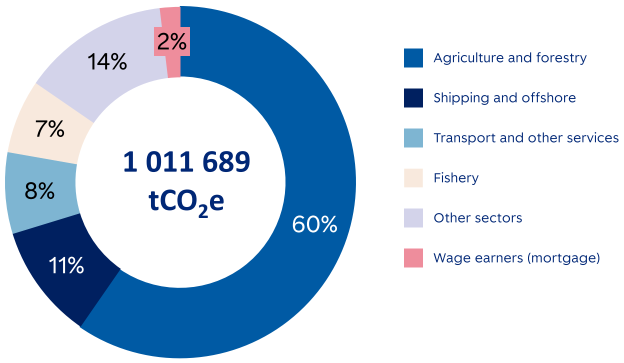
- **Wage earners (residental mortgage loans)**
  In the case of the residential mortgage portfolio, estimated GHG emissions are delivered by Eiendomsverdi AS, and prepared by Simenergi AS. GHG emissions are estimated using emission factors based on a physical production mix with an emission of 19 grammes of CO_2e per kWh. We have also presented estimated greenhouse gas emissions based on a European residual mix, of 502 grammes of CO_2e per kWh.

- **Property management**
  Greenhouse gas emissions from financed commercial property are estimated by retrieving information on each individual building, i.e. property type, usable floor space and energy label, where this exists. Information about the building is then combined with PCAF emission factors, either per square metre or per building.

- **Agriculture and forestry**
  In the climate accounts for 2022, estimated GHG emissions from agriculture were estimated based on emission factors from Asplan Viak which were in turn linked to information at individual farm level from the agricultural production register. The register provides an overview of livestock numbers, production and area managed.

  In the present report the emission factors are replaced with numbers provided by Finance Norway's guidelines, the so-called PLATON factors. This yielded a 50 per cent increase in emissions, but the increase is compensated for by the fact that farms with no activity recorded in the agricultural production register are now estimated as "dwellings". These "dwellings" now have a lot lower emissions than they previously had based on using the factor-based method.

Distribution of financed emissions
CO_2-equivalents (tonnes)



Results and KPI's GHG emissions

Reporting year 2023

Total GHG emissions CO_2-equivalents (tonnes)	2019 Base year	2022 Previous year	2023 Reporting year	Change Previous year	Change Base year
Scope 1 GHG emissions (tCO2e)					
Total net Scope 1 GHG emissions	-	-	-	0 %	0 %
Scope 2 GHG emissions (tCO2e)					
Total net location based[1]	40	59	80	36 %	98 %
Total net market-based[2]	939	957	1 214	27 %	29 %
Scope 3 GHG emissions (tCO2e)					
Total net upstream Scope 3	15 443	13 908	14 664	5 %	-5 %
Purchased goods and services	11 279	11 056	11 567	5 %	3 %
Capital goods	1 416	1 217	1 327	9 %	-6 %
Transport and distribution	624	248	221	-11 %	-65 %
Waste generated in operations	37	20	30	52 %	-18 %
Business travels	2 087	1 367	1 520	11 %	-27 %
Total net downstream Scope 3	-	934 982	1 011 689	8 %	-
Financed emissions	-	934 982	1 011 689	8 %	-
Agriculture and forestry	-	517 847	603 450	17 %	-
Fishery	-	96 122	69 027	-28 %	-
Aquaculture	-	17 584	13 785	-22 %	-
Manufacturing and mining	-	50 424	61 931	23 %	-
Consutrction, power and water supply	-	14 453	19 463	35 %	-
Wholesale and retail trade, hotels and restaurants	-	24 880	28 499	15 %	-
Shipping and offshore	-	118 228	107 439	-9 %	-
Property management	-	3 347	4 453	33 %	-
Business services	-	4 713	5 903	25 %	-
Transport and other services	-	68 844	75 896	10 %	-
Public administration	-	1	3	285 %	-
Other sectors	-	2 973	2 728	-8 %	-
Wage earners (retail loans)	-	15 566	19 113	23 %	-
Total GHG emissions (tCO2e)					
Total GHG emissions (location-based)	-	948 949	1 026 434	8 %	-
Total GHG emissions (market-based)	-	949 847	1 027 567	8 %	-
Energy consumption (MWh)					
Net consumption electricity	2 371	2 385	3 058	28 %	29 %
Net consumption heating[3]	-	301	484	61 %	-

[1] Location-based GHG emissions stemming from consumption of electricity is calculated using NVE's emissions factor for physically delivered energy (19 g CO_2e/kWh).
[2] Market-based GHG emissions from consumption of eletricity is calculated using two different emissions factors. For guarantees of origin (GoO's) we've calculated 0 g CO_2e/kWh. For market-based GHG emissions where GoO's isn't used we've used NVE's factor for european residual mix (502 g CO_2e/kWh).
[3] Emissions from consumption of heating is calculated with an emissions factor of 45,1 g CO_2e/kWh. This applies to both location-based and market-based Scope 2-emissions.

Key Performance Indicators CO_2-equivalents (tonnes)	2019 Base year	2022 Previous year	2023 Reporting year	Change Previous year	Change Base year
Total turnover (NOK 1000)					
Turnover	6 339 000,0	7 650 000,0	13 131 000,0	72 %	107 %
Emission intensity per turnover (NOK 1000)					
kg CO_2e/NOK 1000 turnover (location-based)	-	140,0	78,2	-44 %	-
kg CO_2e/NOK 1000 turnover (market-based)	-	133,0	78,3	-41 %	-

SpareBank 1 SMN

Results GHG emissions

Reporting year 2023 – including pro forma calculations of SpareBank 1 Søre Sunnmøre

Total GHG emissions CO_2-equivalents (tonnes)	2019 Base year	2022 Previous year	2023 Reporting year	Change Previous year	Change Base year
Scope 1 GHG emissions (tCO2e)					
Total net Scope 1 GHG emissions	-	-	-	0 %	0 %
Scope 2 GHG emissions (tCO2e)					
Total net location based[1]	40	61	81	33 %	100 %
Total net market-based[2]	939	1 009	1 235	22 %	32 %
Scope 3 GHG emissions (tCO2e)					
Total net upstream Scope 3	15 443	15 227	15 110	-1 %	-2 %
Purchased goods and services	11 279	12 032	11 892	-1 %	5 %
Capital goods	1 416	1 365	1 365	0 %	-4 %
Transport and distribution	624	277	228	-18 %	-63 %
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Business travels	2 087	1 532	1 594	4 %	-24 %
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Net consumption electricity	2 371	2 489	3 100	25 %	31 %
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SpareBank 1 SMN

SpareBank 1 SMN Group
Consolidated climate accounts
Reporting year 2023

Our climate efforts

Green transition of Mid-Norway
Mid-Norway is an attractive place for both businesses and people, and it should remain so for a long time to come. Therefore, sustainable development of our region is crucial when describing our social responsibility. This means being an active and visible driver for the green transition of Mid-Norway and promoting responsible business practices.

For us, this entails more than just minimizing our own environmental impact. The financial industry has limited direct emissions, and our influence on climate through day-to-day operations mostly originates from emissions related to office operations, energy consumption, and business travel. While it is important for us to reduce our emissions from day-to-day operations, we recognize that our most significant contribution lies in how we influence our suppliers and customers in a more sustainable direction.

Our climate ambitions
In 2022, the board adopted an ambition to achieve net-zero emissions by 2050. To help us reach net-zero, we have established transition plans for various sectors in our loan portfolios. Alongside the net-zero ambition, these transition plans will significantly impact how we finance these sectors going forward.

In 2023, we further strengthened this effort. We launched net-zero transition plans for fishery and the commercial property sector, and in August, the board decided that SpareBank 1 SMN shall develop emission reduction targets according to the Science Based Targets initiative (SBTi). SBTi is a global initiative that assists companies in setting science-based targets to reduce greenhouse gas (GHG) emissions in line with the Paris Agreement. This means that over the next two years, SpareBank 1 SMN will develop both short-term and long-term targets, along with corresponding action plans to achieve our net-zero ambition. Furthermore, we commit to publicly disclose our emission targets, reduction plans, and overall progress in line with the Paris Agreement.

A robust and transparent climate account is a crucial tool in achieving our climate ambitions. To reach our goals, it is essential to map, measure, and manage our GHG emissions. This involves calculating the impact of all our economic activities at a detailed level so that we and our stakeholders can understand our influence and what contributes to it.

It is important to emphasize that we are making progress in our GHG emission reductions, but we still have a way to go to reach our final targets. We have taken significant steps in reporting GHG emissions since we compiled our first climate accounts in 2019. In 2022, we were among the banks that included emissions from the loan portfolio – known as financed emissions. We consider these emissions crucial in our efforts towards the green transition of Mid-Norway, and in 2023, a project group was established to ensure that our ambitions and transition plans align with the Paris Agreement.

Handling of uncertainty in the underlying data
When working with climate accounting, we face several challenges, especially related to data quality and uncertainty in the data. One area in which we have paid special attention to is the availability of reliable and up-to-date data. Most of our upstream and downstream emissions consists of secondary data. Calculation methodologies and standards are constantly evolving, which can lead to inconsistency in how emissions are calculated and reported over time. Changes in the data quality of emission factors can result in changes in reported emissions, despite no changes in economic activity. This affects the reliability of the climate accounting as a measuring tool, and it is something we prioritize highly. For the climate accounting to be an effective management tool, we must ensure that reported changes in emissions mainly reflect real climate actions and actual improvements rather than changes in methodology or external factors.

Comparability with previous years
In 2023, we were required to revise our reported GHG inventory for the previous year (2022) and our base year (2019). Changes in methodological assumptions and underlying data in emission factors related to our upstream indirect emissions were so material that we had to recalculate previous years with updated assumptions to ensure better comparability. We are aware of these challenges and uncertainties in our climate accounting, and it is a prioritized area that we are working to improve for 2024.

Collaborations
In 2023, we continued our collaboration with SpareBank 1 Regnskapshuset SMN AS and Asplan Viak AS in compiling the climate accounts. We believe that the combination of local expertise and familiarity with SpareBank 1 SMN, coupled with international knowledge, has positively contributed to the development of the climate accounts.

Climate accounting principles

General principles and organizational boundaries

The climate accounts adhere to the standards, recommendations, and guidelines provided by the GHG Protocol. This includes the GHG Protocol Corporate Accounting and Reporting Standard, GHG Protocol Scope 2 Guidance, and The Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

In line with the GHG Protocol, we categorize our GHG emissions into three overarching categories, commonly referred to as scopes. We define these as:

- **Scope 1**: Direct emissions from sources that we own or control, which release greenhouse gases into the atmosphere through combustion or direct emissions. Relevant emission sources may include emissions from owned vehicles.
- **Scope 2:** Indirect emissions from the production of purchased electricity, district heating, and cooling that we use in our offices.
- **Scope 3:** Indirect emissions occurring in our value chain that we cause through our procurement and/or sale of goods and services. This may include emissions from the production of purchased goods and services such as IT and office equipment, business travel by employees and financed emissions.

Additionally, the terms upstream and downstream are used to describe indirect emissions caused respectively before us in the value chain (procurement) and after us in the value chain (financed emissions).

Scope and organizational boundaries
The climate accounts are prepared based on collected energy and accounting data from SpareBank 1 SMN[1], SpareBank 1 Finans Midt-Norge AS, SpareBank 1 Regnskapshuset SMN AS, EiendomsMegler 1 Midt-Norge AS, SpareBank 1 SMN Kvartalet AS, SpareBank 1 Bygget Steinkjer AS, and St. Olavs Plass 1 SMN AS, in addition to SpareBank 1 Markets AS[2]. The climate accounts from all companies form the basis for the consolidated accounts.

Within the boundary of the GHG Protocol, the organisation's responsibility areas for GHG emissions are defined through organisational boundaries. These specify which emissions an organisation is accountable for and include direct emissions from sources owned or controlled by the organisation, as well as indirect emissions from sources outside the organisation's control.

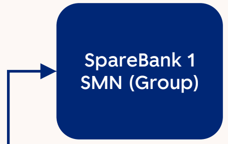
The choice of organisational boundaries affects which emissions are included in the reporting and how they are reported. Companies can choose between “equity share” or differing “control methods”. The equity share method includes emissions from operations that the organisation owns, regardless of whether it has operational control over them, while the control approach includes emissions from operations that the organisation either has operational or financial control over, regardless of ownership.

When compiling our consolidated climate accounts, we use both methods:

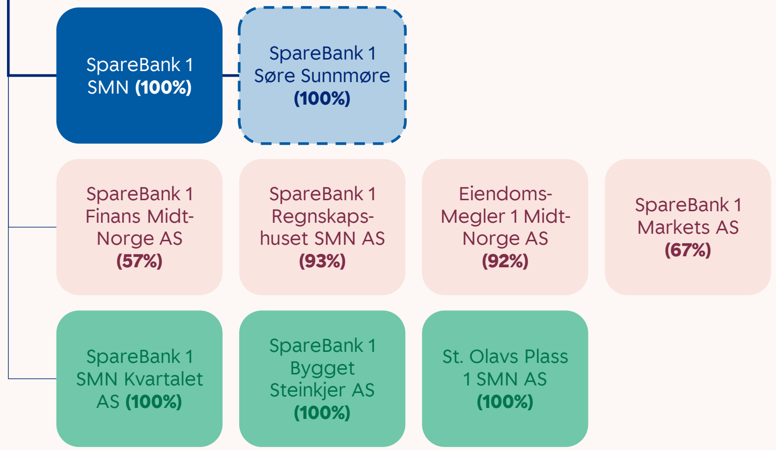
- **Equity share**: This method is utilised in the consolidation of the climate accounts, so that emissions are included relative to our ownership stake in the respective subsidiary companies.
- **Operational control:** This method is utilised when preparing the climate accounts for the parent and subsidiary companies. This method defines which of the companies' assets and their respective emissions should be included in the climate accounting, and subsequently where they fall within the various scopes. By using this method, we include emissions from activities that SpareBank 1 has operational control over.

Organizational boundaries for the Group's climate accounts

Group level
The' Group GHG-emissions are consolidated based on the ownership fraction in the subsidiaries (equity share). The ownership fraction is specified for each subsidiary in the figure below.



Subsidiaries
The individual climate accounts of the companies are compiled according to operational control, where all company activities are included regardless of ownership.



[1] From May 1st, 2023, SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre were merged. From this date onwards, SpareBank 1 Søre Sunnmøre was also included in the data collection for SpareBank 1 SMN. GHG-emissions that occurred from January 1st, 2023, to April 30th, 2023, as well as for the entire fiscal year 2022, have been calculated on a pro forma basis. This is in line with our financial reporting and corresponding financial notes.
[2] In June 2022, SpareBank 1 Nord-Norge and SpareBank 1 SR-Bank transferred their capital market businesses to SpareBank 1 Markets AS, in addition to acquiring ownership stakes in the company. This significantly reduced SpareBank 1 SMN's ownership fraction, and SpareBank 1 Markets AS is no longer considered a subsidiary in the Group. The transaction was expected to be completed in March 2023, but was only approved by the FSA in December 2023. Therefore, SpareBank 1 Markets AS is included in the climate accounts as a subsidiary for the entire reporting year 2023.

Climate accounting principles

Calculation principles

For the climate accounts to serve as a valuable management tool and to provide stakeholders with the best possible information about our climate efforts, we rely on a complete climate account. We use multiple data sources and various calculation methods to ensure an accurate picture of our emissions.

In line with the GHG Protocol, we rely on two main types of data: primary and secondary data. Primary data includes activity and/or emissions data collected directly from the parent, subsidiaries or the supply chain. In our climate account, we consider primary data as quantified data from our activities, such as fuel or energy consumption, combined with emissions factors as specific as possible.

Secondary data consists of all other estimated or calculated data. This could include estimated electricity consumption at locations where we do not have exact readings, or emission calculations based on costs.

We integrate the data sources using multiple calculation methods:

Primary data - calculation using specific emission factors
We calculate the climate impact of direct and indirect emissions by converting primary data into emissions using emission factors. For example, we collect meter readings and multiply the kilowatt-hours by an emission factor to estimate our GHG emissions associated with energy consumption.

Primarily, this method applies to the calculation of indirect energy-related emissions in Scope 2 and the calculation of certain financed emissions in Scope 3. This is the most specific and reliable method for calculating GHG emissions.

Spend-based method – calculation of secondary data sources using financial data
When we do not have access to primary data, we rely on secondary data sources. For our indirect upstream emissions, we use Klimakost, a scientifically grounded emission model developed by Asplan Viak AS. The model estimates the carbon footprint associated with operating costs and is particularly useful for estimating our Scope 3 emissions related to day-to-day operations.

Klimakost, an Environmentally Extended Input-Output Analysis (EEIOA) model, uses emission statistics from various countries, industries, and sectors, as well as trade between them, to estimate the carbon footprint per unit of currency spent on different goods and services. Although this method provides an overview of which types of purchases and activities have the greatest climate impact, it is not able to disaggregate emissions to individual products or suppliers.

For this reason, this method is best suited for identifying the main sources (hotspots) of our emissions, allowing us to focus on the most significant emission drivers using primary data.

Partnership for Carbon Accounting Financials (PCAF) – calculation of financed emissions
The majority of our GHG emissions is in our downstream value chain. At the end of 2021, we became a member of the Partnership for Carbon Accounting Financials (PCAF), a global collaboration among financial institutions to harmonize estimation, measurement, and disclosure of GHG emissions associated with their loan portfolios.

We base our estimation of GHG emissions in our loan portfolios on the PCAF methodology, as well as Finance Norway's updated guidance on PCAF and financed emissions.

Climate accounting principles

Material changes

There are four significant changes affecting the climate accounting for 2023. These changes require a retroactive adjustment of previous years' climate accounting to ensure comparability between the base year, the previous year, and this year's reporting.

Merger with SpareBank 1 Søre Sunnmøre
On 1st of May 2023, SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre were merged. The GHG calculations from both banks are reported collectively from the 1st of May 2023.

Upstream GHG emissions from January 1, 2023, to April 30, 2023, and for the entire fiscal year 2022 were calculated on a pro forma basis to establish a comparison basis for emissions related to day-to-day operations. The GHG emissions presented with pro forma information can be found on the last page of the climate accounts.

The presentation of pro forma information is in line with how the financial reporting and corresponding financial notes are prepared. Downstream emissions or KPI's for SpareBank 1 Søre Sunnmøre are not included in our pro forma calculation.

Changes in Klimakost's emissions factors (Asplan Viak AS)
In compiling this year's climate accounting, we observed a significant reduction in emissions. This reduction could not be explained by reduced economic activity or more climate-efficient upstream or downstream operations. Additionally, we merged with SpareBank 1 Søre Sunnmøre, which, in isolation, could have potentially led to an increase in emissions.

We realized that the changes were due to updated emission factors for 2023[1]. These updates, which included several minor methodological adjustments and uncertainties in the statistical basis, resulted in a material overall change. The change of previous year's climate accounts resulted in a decreased emission reduction in 2023.

The change in emission factors was significant to the degree that it rendered the 2023 climate account incomparable to previous years without an adjustment using the new set of emissions factors.

Changes in the PCAF method
The methodology for estimating GHG emissions from the loan portfolio has been updated this year to align with Finance Norway's updated 'Guidelines for Calculating Financed Emissions.' The emission factors were updated in the fall of 2023 to a new version of EXIOBASE, without manual adjustments or corrections of outliers. This has resulted in material changes to the emission factors.

We've consulted the updated guidance for the PCAF database and sought advice from Asplan Viak AS to evaluate the emission factors. Based on their feedback and in consultation with other banks in the SpareBank 1 Alliance, we have chosen to switch from Norwegian emission factors to EU factors and corrected some outlier values. Due to these material changes in the measurement method, we've re-estimated the figures for 2022 using the updated measurement method. This ensures the reported changes largely reflect changes in actual GHG emissions, rather than just technical adjustments in the measurement method.

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For the climate accounting for year 2023, we have chosen to use the same factor set from NVE in Scope 2 for both upstream and downstream. This applies to both location-based and market-based electricity-related emissions, specifically the Norwegian consumption mix (19g CO_2e/kWh) and the European residual mix (502g CO_2e/kWh)[3,4]. We retroactively applied the NVE factors to the Scope 2 calculations for 2019 and 2022 to ensure comparability across reporting years.

[1] The updates included adjustments to the emission factors, such as revised global warming potentials (GWPs) for greenhouse gases, redistribution of emissions in some Norwegian sectors, and changes in intensities based on new economic data. Intensities for 2022 and 2023 are adjusted with the consumer price index, which entails uncertainties. There is a delay in the availability of statistics, which does not align with financial reporting years. This means that the 2023 emission factors are influenced by macroeconomic conditions from 2021, where the global pandemic likely explains deviations in reported emissions from several industry sectors.
[2] NS3720 - estimated average for EU mix
[3] Norges vassdrags- og energidirektorat (NVE): Varedeklarasjon for strømleverandører
[4] Norges vassdrags- og energidirektorat (NVE): Klimadeklarasjon for fysisk levert strøm

Consolidated GHG emissions (day-to-day operations)

Reporting year 2023

About the results
Our total estimated upstream GHG emissions[1] amounted to 18 553 tCO_2e in 2023, compared to 19 389 tCO_2e in 2022. This represents a reduction of 4%.

In the same period, the increase in the Group's turnover was greater than the calculated reduction in emissions from day-to-day operations. Additionally, SpareBank 1 Søre Sunnmøre was merged with the Group on the 1st of May 2023.

It is likely that the reduction in emissions is due to a reduction in emission factors rather than a real decrease in our emissions, which likely remained constant during the period.

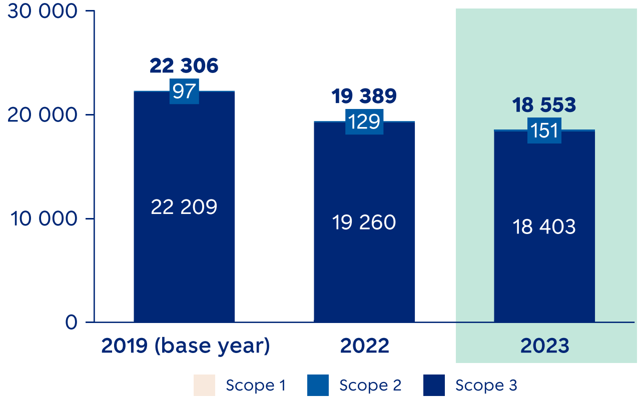
- **Scope 1**
  We do not report any emissions in Scope 1. Direct emissions from sources that we own, or control are limited for us to emissions from owned vehicles. Any emissions from owned vehicles are estimated based on cost and are categorized under business travel in Scope 3.

- **Scope 2**
  Indirect GHG emissions associated with the consumption of purchased energy, including electricity, district heating, and cooling in our office premises in Mid-Norway, Sunnmøre, and Oslo.

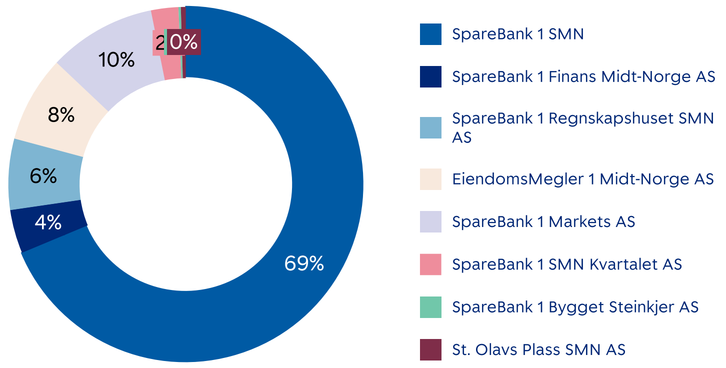
  Our total estimated energy consumption in 2023 was 6,600 MWh. Compared to 2022, this represents an increase of 16%. This consists of a share of district heating (14%) and a share of electricity (86%).

- **Scope 3**
  The majority (99%) of our upstream emissions are associated with indirect emissions from day-to-day operations. The largest contributors come from IT-related services, travel expenses, marketing and media, as well as other operational agreements.

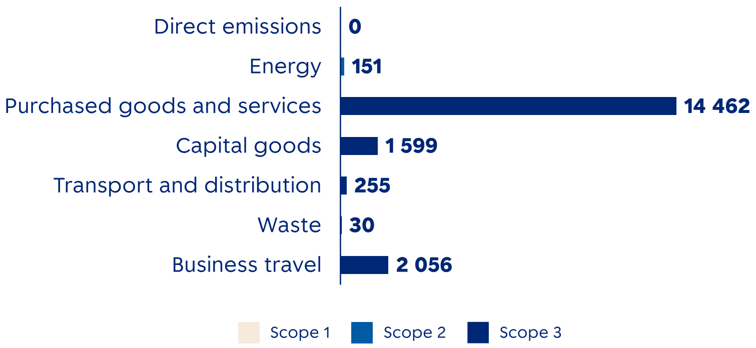
Total GHG emissions (day-to-day operations)
CO_2-equivalents (tonnes)



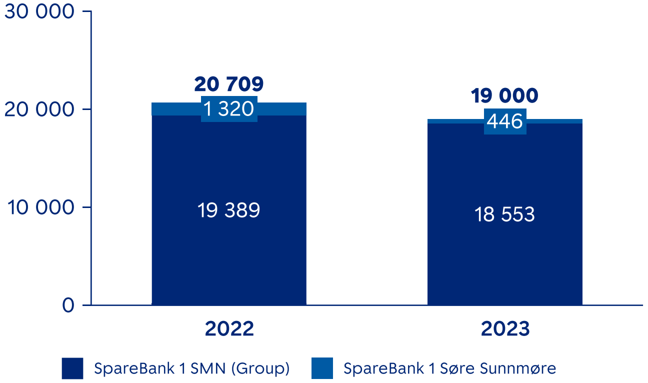
Distribution of consolidated GHG-emissions (day-to-day operations)
CO_2-equivalents (tonnes)



Distribution of GHG-emissions (day-to-day operations)
CO_2-equivalents (tonnes)



Pro forma calculation (day-to-day operations)
SpareBank 1 SMN Group after merger[2]
CO_2-equivalents (tonnes)



[1] The results shows total estimated , location-based GHG emissions. Total market-based upstream GHG emissions amounted to 20 668 tCO_2e in 2023, compared to 21 299 tCO_2e in 2022.
[2] GHG emissions in SpareBank 1 Søre Sunnmøre between 01.01.23 – 30.04.23, and for the financial year 2022, is calculated on a pro forma basis.

SpareBank SMN

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Financed emissions

Reporting year 2023

About the results
Our estimates still indicate that GHG emissions in the loan portfolio are concentrated on a small number of sectors, and account for a limited share of our loan volume.

The graph below shows that four industries contribute as much as 82% of the GHG emissions, yet only account for a mere 13% of our loans. These industries are agriculture and forestry (58%), shipping and offshore (10%), transport and other services (7%) and fishery (7%).

GHG emissions have risen by 8%, which is less than the increase in lending. The increase in lending is attributable to the merger with SpareBank 1 Søre Sunnmøre, inflation and growth in financial assets. In the case of agriculture, activity-based emissions have increased since we have financed more of the commodities produced. For fishery, emissions are reduced due to a reduction in lending volume and fewer financed vessels.

- **Fishery**
  For the fishery portfolio we have for several years collected data on ship fuel consumption of our largest customers. The figures are used to estimate GHG emissions of relatively good quality from the fishery portfolio. This portfolio has the best data quality in the analysis. However, the data source has a one-year lag, and ship fuel consumption for 2022 is used to estimate the customer's emission intensity for 2023. Where a customer's financing has risen from 2022 to 2023, estimated emissions have risen correspondingly.

- **Wage earners (residental mortgage loans)**
  In the case of the residential mortgage portfolio, estimated GHG emissions are delivered by Eiendomsverdi AS, and prepared by Simenergi AS. GHG emissions are estimated using emission factors based on a physical production mix with an emission of 19 grammes of CO_2e per kWh. We have also presented estimated GHG emissions based on a European residual mix, of 502 grammes of CO_2e per kWh.

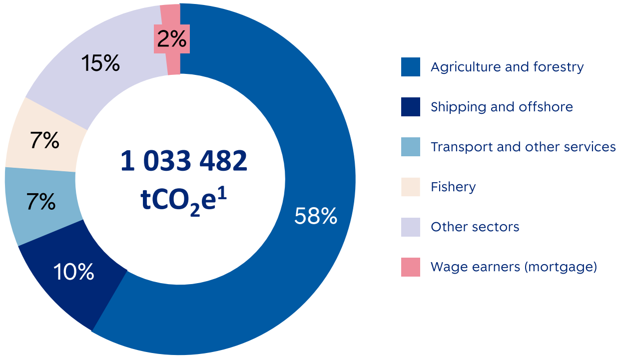
- **Property management**
  GHG emissions from financed commercial property are estimated by retrieving information on each individual building, i.e. property type, usable floor space and energy label, where this exists. Information about the building is then combined with PCAF emission factors, either per square metre or per building.

- **Fossil-fuel vehicles**
  For SpareBank 1 Finans Midt-Norge, GHG emissions are only estimated for NOK 7.7bn of NOK 12.6bn of financing used to finance vehicles with petrol or diesel engines. We have used an average mileage of 12,000 kilometres for all car usage.

- **Agriculture and forestry**
  In the climate accounts for 2022, estimated GHG emissions from agriculture were estimated based on emission factors from Asplan Viak which were in turn linked to information at individual farm level from the agricultural production register. The register provides an overview of livestock numbers, production and area managed.

  In the present report the emission factors are replaced with numbers provided by Finance Norway's guidelines, the so-called PLATON factors. This yielded a 50 per cent increase in emissions, but the increase is compensated for by the fact that farms with no activity recorded in the agricultural production register are now estimated as "dwellings". These "dwellings" now have a lot lower emissions than they previously had based on using the factor-based method.

Distribution of financed emissions
CO_2-equivalents (tonnes)



[1] The results deviate from the results presented in the paragraph «Greenhouse gas emissions from the Group's loan portfolios» in the annual report. The deviation is due to differing consolidation methods, and amounts to 16 778 tCO_2e (1 – ownership fraction SpareBank 1 Finans Midt-Norge AS).

Results and KPI's GHG emissions

Reporting year 2023

Total consolidated GHG emissions CO_2-equivalents (tonnes)	2019 Base year	2022 Previous year	2023 Reporting year	Change Previous year	Change Base year
Scope 1 GHG emissions (tCO2e)					
Total net Scope 1 GHG emissions	-	-	-	0 %	0 %
Scope 2 GHG emissions (tCO2e)					
Total net location based[1]	97	129	151	17 %	56 %
Total net market-based[2]	2 260	2 040	2 266	11 %	0 %
Scope 3 GHG emissions (tCO2e)					
Total net upstream Scope 3	22 209	19 260	18 403	-4 %	-17 %
Purchased goods and services	15 814	15 143	14 462	-4 %	-9 %
Capital goods	1 990	1 637	1 599	-2 %	-20 %
Transport and distribution	713	285	255	-11 %	-64 %
Waste generated in operations	23	24	30	24 %	31 %
Business travels	3 669	2 170	2 056	-5 %	-44 %
Total net downstream Scope 3	-	958 990	1 033 482	8 %	-
Financed emissions	-	958 990	1 033 482	8 %	-
Agriculture and forestry	-	517 847	603 450	17 %	-
Fishery	-	96 122	69 027	-28 %	-
Aquaculture	-	17 584	13 785	-22 %	-
Manufacturing and mining	-	50 424	61 931	23 %	-
Consutrction, power and water supply	-	14 453	19 463	35 %	-
Wholesale and retail trade, hotels and restaurants	-	24 880	28 499	15 %	-
Shipping and offshore	-	118 228	107 439	-9 %	-
Property management	-	3 347	4 453	33 %	-
Business services	-	4 713	5 903	25 %	-
Transport and other services	-	68 844	75 896	10 %	-
Public administration	-	1	3	285 %	-
Other sectors	-	2 973	2 728	-8 %	-
Wage earners (retail loans)	-	15 566	19 113	23 %	-
Loan/leasing - fossil cars	-	24 009	21 792	-9 %	-
Total GHG emissions (tCO2e)					
Total GHG emissions (location-based)	-	978 379	1 052 035	8 %	-
Total GHG emissions (market-based)	-	980 290	1 054 150	8 %	-
Energy consumption (MWh)					
Net consumption electricity	5 707	5 028	5 657	13 %	-1 %
Net consumption heating[3]	-	678	943	39 %	-

[1] Location-based GHG emissions stemming from consumption of electricity is calculated using NVE's emissions factor for physically delivered energy (19 g CO_2e/kWh).
[2] Market-based GHG emissions from consumption of eletricity is calculated using two different emissions factors. For guarantees of origin (GoO's) we've calculated 0 g CO_2e/kWh. For market-based GHG emissions where GoO's isn't used we've used NVE's factor for european residual mix (502 g CO_2e/kWh).
[3] Emissions from consumption of heating is calculated with an emissions factor of 45,1 g CO_2e/kWh. This applies to both location-based and market-based Scope 2-emissions.

Key performance indicators CO_2-equivalents (tonnes)	2019 Base year	2022 Previous year	2023 Reporting year	Change Previous year	Change Base year
Total turnover (NOK 1000)					
Turnover	4 599 365,3	5 635 675,4	15 448 102,5	174 %	236 %
Emission intensity per turnover (NOK 1000)					
kg CO_2e/NOK 1000 turnover (location-based)	-	188,2	68,1	-64 %	-
kg CO_2e/NOK 1000 turnover (market-based)	-	188,5	68,2	-64 %	-

[1] Turnover is a result of the parent company and subsidiary revenues multiplied by the ownership fraction. Internal transactions are **not** eliminated in this figure, and the number is not directly transferable to the consolidated financial statements.

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Results GHG emissions

Reporting year 2023 – including pro forma calculations of SpareBank 1 Søre Sunnmøre

Total consolidated GHG emissions CO_2-equivalents (tonnes)	**2019** Base year	**2022** Previous year	**2023** Reporting year	**Change** Previous year	**Change** Base year
Scope 1 GHG emissions (tCO2e)					
Total net Scope 1 GHG emissions	-	-	-	0 %	0 %
Scope 2 GHG emissions (tCO2e)					
Total net location based[1]	97	131	152	16 %	56 %
Total net market-based[2]	2 260	2 092	2 287	9 %	1 %
Scope 3 GHG emissions (tCO2e)					
Total net upstream Scope 3	22 209	20 578	18 848	-8 %	-15 %
Purchased goods and services	15 814	16 119	14 787	-8 %	-6 %
Capital goods	1 990	1 785	1 637	-8 %	-18 %
Transport and distribution	713	314	262	-16 %	-63 %
Waste generated in operations	23	24	30	24 %	31 %
Business travels	3 669	2 336	2 131	-9 %	-42 %
Total net downstream Scope 3	-	958 990	1 033 482	8 %	-
Financed emissions	-	958 990	1 033 482	8 %	-
Agriculture and forestry	-	517 847	603 450	17 %	-
Fishery	-	96 122	69 027	-28 %	-
Aquaculture	-	17 584	13 785	-22 %	-
Manufacturing and mining	-	50 424	61 931	23 %	-
Consutrction, power and water supply	-	14 453	19 463	35 %	-
Wholesale and retail trade, hotels and restaurants	-	24 880	28 499	15 %	-
Shipping and offshore	-	118 228	107 439	-9 %	-
Property management	-	3 347	4 453	33 %	-
Business services	-	4 713	5 903	25 %	-
Transport and other services	-	68 844	75 896	10 %	-
Public administration	-	1	3	285 %	-
Other sectors	-	2 973	2 728	-8 %	-
Wage earners (retail loans)	-	15 566	19 113	23 %	-
Loan/leasing - fossil cars	-	24 009	21 792	-9 %	-
Total GHG emissions (tCO2e)					
Total GHG emissions (location-based)	-	979 699	1 052 482	7 %	-
Total GHG emissions (market-based)	-	981 660	1 055 520	8 %	-
Energy consumption (MWh)					
Net consumption electricity	5 707	5 132	5 699	11 %	0 %
Net consumption heating[3]	-	678	943	39 %	-

[1] Location-based GHG emissions stemming from consumption of electricity is calculated using NVE's emissions factor for physically delivered energy (19 g CO_2e/kWh).
[2] Market-based GHG emissions from consumption of eletricity is calculated using two different emissions factors. For guarantees of origin (GoO's) we've calculated 0 g CO_2e/kWh. For market-based GHG emissions where GoO's isn't used we've used NVE's factor for european residual mix (502 g CO_2e/kWh).
[3] Emissions from consumption of heating is calculated with an emissions factor of 45,1 g CO_2e/kWh. This applies to both location-based and market-based Scope 2-emissions.

GRI Index

The table shows SpareBank 1 SMN's reporting for 2023 with reference to the GRI Universal Standards 2021.

GRI-indicator	Indicator - name	Indicator - description	Response in annual report	Source
GENERAL INFORMATION				
Organizational profile				
2-1	Organizational details	Name of the organization	SpareBank 1 SMN	
2-1	Organizational details	Location of the organization's headquarters	Søndre Gate 4, 7011 TRONDHEIM	
2-1	Organizational details	The organization's countries of operations	Norway	
2-1	Detaljer om organisasjonen	Ownership and legal form	SpareBank 1 SMN's organizatonal set-up	
2-6	Activities and workers	Activities, product and services provided by the organization	This is SpareBank 1 SMN Subsidiaries	
2-6	Activities and workers	Beskrivelse av de bransje og marked organisasjonen opererer i	This is SpareBank 1 SMN Subsidiaries	
2-6	Activities and workers	Sector(s) in which the organization is active	This is SpareBank 1 SMN SpareBank 1 SMN's organizational set-up People and organisation	
2-6	Activities and workers	Description of the organization's supply chain	Stimulating responsible resource use in our own value and supplier chains	Website: Guidelines for sustainability in procurement
2-6	Activities and workers	Significant changes in sector(s) which the organization is active and other relevant business relationships compared to the previous reporting period	Important events in 2023	
2-7	Employees	Total number of employees (permanent and temporary) and a breakdown by gender and region	People and organization Staffing	
2-8	Workers who are not employees	Total number of workers who are not employees and whose work is controlled by the organization	People and organization Organization Staffing	
2-23	Policy Commitments	Policy commitments for responsible business conduct and respect of human rights	Corporate governance	
2-28	Membership associations	Industry associations, other memberships associations, and national or international advocacy organization in which it participates in a significant role	Sustainability and corporate social responsibility Our obligations	See attachment: SpareBank 1 SMN's memberships
Strategy, policies and practices				
2-22	Statement on sustainable development strategy	Statement from the highest governance body or most senior executive of the organization about the relevance of sustainable development and its strategy for contributing to this	Sustainability and corporate social responsibility	Sustainability is an integral part of our group strategy and is incorporated into all business lines and support functions including day-to-day operations, customer offering and distribution of community dividend.
2-23	Policy Commitments	Describe the organization's values, principals, standards and norms of behavior	People and organisation	Website: Sustainability policy
2-24	Embedding policy	Describe how policies for responsible business conduct are embedded in the organzation's activities and business	Stimulating responsible resource use in our own value	Website: Sustainability policy

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

Governance

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

2-17	the highest governance body	highest governance body on sustainable development.	and competitiveness Climate risk- and opportunities	Website: Sustainability policy
2-18	Evaluation of the performance of the highest governance body	Independent and internal processes to evaluate the performance of the highest governance body in overseeing the management of the organization's impact on the economy, environment and people. Describe actions taken in response to the evaluations.	Corporate governance - point 9	
2-19	Remuneration policies	Remuneration policies for members of the highest governance body and senior executives, and how the remuneration policies for relate to their objectives and performance in relation to the management of the organization's impacts on the economy, environmen	Corporate governance	Webpage: Remuneration and emoluments to senior personell
2-20	Process to determine remuneration	Process for designing its remuneration policies and for determining remuneration	Corporate governance	Webpage: Remuneration and emoluments to senior personell
2-21	Annual total compensation ratio	Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual), represented as amount and percentage	Corporate governance	Webpage: Remuneration and emoluments to senior personell
2-30	Collective bargaining agreements	Percentage of total employees covered by collective bargaining agreements	People and organisation Staffing	
Stakeholder engagement				
2-21	Approach to stakeholder engagement	The categories of stakeholders the organization engages with	-	Webpage: Stakeholder dialogue
2-29	Approach to stakeholder engagement	Description of how the organization identifies stakeholders	-	Webpage: Stakeholder dialogue
2-29	Approach to stakeholder engagement	Approach to engaging with stakeholders, and how often the organization includes different stakeholders	-	Webpage: Stakeholder dialogue
Reporting practices				
2-2a	Entities included in the organization's sustainability reporting	Entities included in its sustainability reporting	SpareBank 1 SMN, SpareBank 1 Regnskapshuset SMN AS, EiendomsMegler 1 Midt-Norge AS, SpareBank 1 Finans Midt-Norge AS, SpareBank 1 Markets AS, SpareBank 1 SMN Invest AS.	
2-2b	Entities included in the organization's sustainability reporting	Specify the differences between the list of entities included in its financial reporting and the list included in its sustainability reporting	No differences	
2-2c	Entities included in the organization's sustainability reporting	Explain the approach used for consolidating information	Material subsidaries are included in the annual report See "Important events in 2022".	
2-3	Reporting period, frequency and contact point	Reporting period for, and the frequency of, the organization's sustainability reporting, publication date and contact point for questions about the report	Date of publishing: 29.02.2024 Reporting period: 2023 Reporting frequency: Yearly Contact point: Jan-Eilert Nilsen	E-mail: jan-eilert.nilsen@smn.no
2-4	Restatements of information	Report restatements of information from previous reporting periods		Webpage: Climate accounting report 2023
2-5	External assurance	External assurance of the organization's sustainability report	Auditor's report	Website: Auditor's report
3-1a	Process to determine	Describe the process the organization has	Global Reporting Initiative 2021.	Webpage: Group Materiality

	material topics	followed to determine its material topics		Analysis 2022
3-1b	Stakeholders whose views have informed the process of determining material topics	Specify the stakeholders and experts whose views have informed the process of determining its material topics		Webpage: Stakeholder dialogue
3-2	List of materials topics	List the organzation's material topics	Our sustainability work Our focal areas	Webpage: Group Materiality Analysis 2022
3-2	List of materials topics	Report changes to the list of material topics compared to the previous reporting period	Our sustainability work Our focal areas	Webpage: Group Materiality Analysis 2022
				-

SPECIFIC INFORMATION

Focal area 1: Responsible lending and investments

1.1 Preventing and combating economic crime and corruption

3-3	Management of material topics	Description and definition of material topics	Preventing and combating economic crime and corruption	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Preventing and combating economic crime and corruption	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Preventing and combating economic crime and corruption	Webpage: Group Materiality Analysis 2022
404-2a	Program for upgrading employee skills	Share of managers and employees who have completed e-learning courses in AML and anti-terrorist financing	Target 2023: 100 % Result 2023: 97 % Target 2024: 100 %	
SMN-1	N/A	Losses due to fraud	Target 2023: < 10.000.000 NOK Result 2023: 15.660.000 NOK Target 2024: < 22.500.000 NOK	

1.2 Ensuring long-term profitability and competitiveness

3-3	Management of material topics	Description and definition of material topics	Ensuring long-term profitability and competitiveness	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Ensuring long-term profitability and competitiveness	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Ensuring long-term profitability and competitiveness	Webpage: Group Materiality Analysis 2022
FS8	N/A	Corporate loan volumes with ESG-score	Target 2023: 75 % Result 2023: 87 % Target 2024: 90 %	
FS8	N/A	Retail loan volumes with ESG-score	Target 2023: 20 % Result 2023: 0 % Target 2024: 20 %	
FS8	N/A	Share of loans that meets the requirements of green bonds	Target 2023: Under development Result 2023: 19.1 % Target 2024: Under development	

1.3 Reducing the carbon footprint in loan portfolios

3-3	Management of material topics	Description and definition of material topics	Reducing the carbon footprint in loan portfolios	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Reducing the carbon footprint in loan portfolios	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Reducing the carbon footprint in loan portfolios	Webpage: Group Materiality Analysis 2022
305-1	Direct (Scope 1) GHG	Direct (Scope 1) GHG emissions	Reducing the carbon footprint	Webpage: Climate accounting

	emissions		in loan portfolios	report 2023
305-2	Energy indirect (Scope 2) GHG emissions	Energy indirect (Scope 2) GHG emissions	Reducing the carbon footprint in loan portfolios	Webpage: Climate accounting report 2023
305-3	Other indirect (Scope 3) GHG emissions	Other indirect (Scope 3) GHG emissions	Reducing the carbon footprint in loan portfolios	Webpage: Climate accounting report 2023
305-5	Reduction of GHG emissions	Total CO2 emissions from loan portfolios	Target 2023: 1.000 (1000 tCO2e) Result 2023: 1.034 (1000 tCO2e) Target 2024: SBTi	Webpage: Climate accounting report 2023

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1.4 Stimulating green transition for customers

3-3	Management of material topics	Description and definition of material topics	Stimulating green transition for retail customers and corporate customers	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Stimulating green transition for retail customers and corporate customers	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Stimulating green transition for retail customers and corporate customers	Webpage: Group Materiality Analysis 2022
SMN-3	N/A	Share of homes in loan portfolios with energy rating	Target 2023: 90 % Result 2023: 42 % Target 2024: 70 %	
SMN-3	N/A	Share of commercial properties in corporate loan portfolio (>1.000m2) with energy rating	Target 2023: 75 % Result 2023: 21 % Target 2024: 90 % of new exposures	

Focal area 2: Advisory services and customer offering

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

3-3	Management of material topics	Description and definition of material topics	Expanding the commercial offering of climate-friendly and social products and services	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Expanding the commercial offering of climate-friendly and social products and services	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Expanding the commercial offering of climate-friendly and social products and services	Webpage: Group Materiality Analysis 2022
FS8	N/A	Sales volume of products and services with an environmental benefit	Overall target 2023: 2.000.000.000 NOK Overall result 2023: 2.516.000.000 NOK Overall target 2024: 3.000.000.000 NOK	
FS7	N/A	Sales volume of products and services with a social benefit		

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

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

		Winningtemp	Target 2024: 8	

2.3 Maintaining ethical standards

3-3	Management of material topics	Description and definition of material topics	Maintaining ethical standards	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Maintaining ethical standards	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Maintaining ethical standards	Webpage: Group Materiality Analysis 2022
404-2a	Program for upgrading employee skills	Share of managers and employees who have completed e-learning course in ethics	Target 2023: 100 % Result 2023: 94 % Target 2024: 100 %	
404-2b	Program for upgrading employee skills	Assistance for employees who intendes to retire, resigning or change work tasks	Frequency of employees resigning, retiring or changing work tasks doesn't occur beyond what is pervieced as normal, and assistance to such transiations are not described in further detail	

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

3-3	Management of material topics	Description and definition of material topics	Complying with requirements and obligations on the processing of personal data	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Complying with requirements and obligations on the processing of personal data	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Complying with requirements and obligations on the processing of personal data	Webpage: Group Materiality Analysis 2022
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No. of documented complaints of breaches of data privacy or loss of customer data	Target 2023: 0 Result 2023: 12 Target 2024: 0	

Focal area 3: Sustainable transition of Mid-Norway

3.1 Stimulating innovation and sustainable economic growth

3-3	Management of material topics	Description and definition of material topics	Stimulating innovation and sustainable economic growth	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Stimulating innovation and sustainable economic growth	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Stimulating innovation and sustainable economic growth	Webpage: Group Materiality Analysis 2022
413-1	Operations with local community engagement, impact assessments, and development programs	No. of participants in meeting places and innovation activities led by SpareBank 1 SMN	Target 2023: 7.000 participants and 250 entrepreneur- and youth enterprises Result 2023: 5.790 participants and 300 entrepreneur- and youth enterprises Target 2024: 6.000 participants and 250 entrepreneur- and youth enterprises	
	Operations with local			

413-1	community engagement, impact assessments, and development programs	No. of participants in competence- and development programmes led by SpareBank 1 SMN	Target 2023: 50-100 Result 2023: 270 Target 2024: 500	

3.2 Helping to strengthen transition efforts in small and medium-size businesses

3-3	Management of material topics	Description and definition of material topics	Helping to strengthen transition efforts in small and medium-size businesses	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Helping to strengthen transition efforts in small and medium-size businesses	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Helping to strengthen transition efforts in small and medium-size businesses	Webpage: Group Materiality Analysis 2022
SMN-3	N/A	Share of large corporate customers with credit engagements who has carbon accounting reports	Target 2023: 25 % Result 2023: 24 % Target 2024: 25 %	

Focal area 4: Sustainable transition in SpareBank 1 SMN

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

3-3	Management of material topics	Description and definition of material topics	Stimulating responsible resource use in our own value and supplier chains	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Stimulating responsible resource use in our own value and supplier chains	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Stimulating responsible resource use in our own value and supplier chains	Webpage: Group Materiality Analysis 2022
SMN-4	N/A	Share of the Group's material procurement (> NOK 100 000) from suppliers with carbon accounting reports	Target 2023: 50 % Result 2023: 68 % Target 2024: 80 %	

4.2 Strengthening data and cybersecurity

3-3	Management of material topics	Description and definition of material topics	Strengthening data and cybersecurity	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Strengthening data and cybersecurity	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Strengthening data and cybersecurity	Webpage: Group Materiality Analysis 2022
404-2a	Program for upgrading employee skills	Share of managers and employees who have completed digital learning courses in cyber security	Target 2023: 100 % Result 2023: 90 % Target 2024: 100 %	

4.3 Promoting diversity, inclusion and equality

3-3	Management of material topics	Description and definition of material topics	Promoting diversity, inclusion and equality	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Promoting diversity, inclusion and equality	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Promoting diversity, inclusion and equality	Webpage: Group Materiality Analysis 2022
SMN-5	N/A	Minimum category-score Winningtemp on diversity, inclusion and equality: 8	Target 2023: I/A Result 2023: I/A Target 2024: I/A	

4.4 Reducing the carbon footprint in day-to-day operations

3-3	Management of material topics	Description and definition of material topics	Reducing the carbon footprint in day-to-day operations	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Description of policies regarding the material topics	Reducing the carbon footprint in day-to-day operations	Webpage: Group Materiality Analysis 2022
3-3	Management of material topics	Evaluation of policies and commitments regarding material topics	Reducing the carbon footprint in day-to-day operations	Webpage: Group Materiality Analysis 2022
305-1	Direct (Scope 1) GHG emissions	Direct (Scope 1) GHG emissions	Reducing the carbon footprint in day-to-day operations	Webpage: Climate accounting report 2023
305-2	Energy indirect (Scope 2) GHG emissions	Energy indirect (Scope 2) GHG emissions	Reducing the carbon footprint in day-to-day operations	Webpage: Climate accounting report 2023
305-3	Other indirect (Scope 3) GHG emissions	Other indirect (Scope 3) GHG emissions	Reducing the carbon footprint in day-to-day operations	Webpage: Climate accounting report 2023
305-5	Reduction of GHG emissions	Total CO2 emissions from day-to-day-operations	Target 2023: 16,4 (1000 tCO2e) Result 2023: 18,5 (1000 tCO2e) Target 2024: SBTi	Webpage: Climate accounting report 2023

To the Board of Directors of SpareBank 1 SMN

Independent Practitioner's Assurance Report on the SpareBank 1 SMN's sustainability reporting

We have undertaken a limited assurance engagement in respect of SpareBank 1 SMN's GRI Index for 2023 and of selected key performance indicators for sustainability for the period 1 January 2023 - 31 December 2023 (the Subject Matter), included in SpareBank 1 SMN's annual report for the year 2023.

The identified Subject Matter Information consists of:

> SpareBank 1 SMN's GRI index for 2023 is an overview of which sustainability topics SpareBank 1 SMN considers material to its business and which key performance indicators SpareBank 1 SMN uses to measure and report its sustainability performance, together with a reference to where material sustainability information is reported. SpareBank 1 SMN's GRI Index for 2023 is available and included in appendix to SpareBank 1 SMN's annual report for the year 2023. We have examined whether SpareBank 1 SMN has provided a GRI Index for 2023 and whether mandatory disclosures are presented according to the Standards published by the Global Reporting Initiative (www.globalreporting.org/standards) (criteria).
>
> SpareBank 1 SMN has defined key performance indicators for sustainability in the annual report for the year 2023. The quantification of the key performance indicators is determined by topic-specific disclosure requirements from GRI or own definitions specified by the bank and explained in the chapters under "Vårt bærekraftsarbeid" and in the appendix "SpareBank 1 SMN Klimaregnskap" and "SpareBank 1 SMN Konsolidert klimaregnskap" (criteria). For the following key performance indicators for sustainability, we have examined the basis for 2023 and whether the key figures have been calculated, estimated and reported in accordance with the applicable criteria:
>
> - "Resultater 2023" included in "Tabell 1: Fokusområder med tilhørende nøkkeltall" in the chapter "Innledning"
> - Performance indicators for 2023 included in "Tabell 16: Bemanning i konsernet" up to and including "Tabell 20: Fordeling type ansettelse og kjønn" in the chapter "Mennesker og organisasjon"
> - Column "2023 Rapporteringsår " included in table «Resultat og nøkkeltall klimagassutslipp 2023 Inkludert proformaberegning Søre Sunnmøre" in appendix "SpareBank 1 SMN Klimaregnskap" and in appendix "SpareBank 1 SMN Konsolidert klimaregnskap"

Management's Responsibility

Management is responsible for the preparation of the Subject Matter Information in accordance with the applicable Criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a Subject Matter Information that is free from material misstatement, whether due to fraud or error.

Quantification of greenhouse gases has an inherent uncertainty due to the fact that the determination of emission factors and values necessary to combine emissions of different gases is based on incomplete scientific knowledge.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which are based on the basic ethical principles: integrity, objectivity , professional competence and due care, confidentiality and professional behaviour.

We apply the International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements,* and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to express an opinion on the Subject Matter Information based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 revised – «Assurance Engagements other than Audits or Reviews of Historical Information» and on greenhouse gas emissions, International Standard on Assurance Engagements (ISAE 3410) - "Assurance Engagements on Greenhouse Gas Statements", issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Subject Matter Information is free from material misstatement.

A limited assurance engagement in accordance with ISAE 3000 and ISAE 3410 involves assessing the suitability in the circumstances of management's use of the Criteria as the basis for the preparation of the Subject Matter Information, assessing the risks of material misstatement of the Subject Matter Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Subject Matter Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and, among others, included:

- Making inquiries of the persons responsible for the Subject Matter;
- Obtaining an understanding of the process for collecting and reporting the Subject Matter Information, including relevant internal controls;
- Performing limited substantive testing on a selective basis of the Subject Matter Information to test whether data had been appropriately measured, recorded, collated and reported;
- Considering the disclosure and presentation of the Subject Matter Information.

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

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

Conclusion

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

- Sparebank 1 SMN's GRI Index for 2023 is not, in all material respects, developed and presented in accordance with the requirements of the Standards published by The Global Reporting Initiative; and
- Sparebank 1 SMN's selected key performance indicators are not, in all material aspects, developed, measured and reported in accordance with the definitions and explanations provided in relation to each table containing the key performance indicators in chapters under "Vårt

bærekraftsarbeid" and in appendix "Sparebank 1 SMN Klimaregnskap" and "Sparebank 1 SMN Konsolidert klimaregnskap" .

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

SpareBank 1 SMN's memberships

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

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

		Total environmentally sustainable assets	KPI [1)]	KPI [1)]	% coverage (over total assets) [2)]	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Main KPI	**Green asset ratio (GAR) stock**	**17.087**	**5,7 %**	**5,7 %**	**92,5 %**	**28,12 %**	**7,53 %**

		Total environmentally sustainable activities	KPI [3)]	KPI [3)]	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Additional KPIs	*GAR (flow)*	5.488	1,8 %	1,8 %	12,0 %	N/A	N/A
	Trading book [4)]						
	Financial guarantees	0	0	0			
	Assets under management	0	0	0			
	Fees and commissions income [4)]						

1) The KPI is based on the total taxonomy-aligned assets in table 1

2) % of assets covered by the KPI over banks'total assets

3) The KPI is based on the total taxonomy-aligned assets in table 4

4) Fees and Commissions and Trading Book KPIs shall only apply starting 2026

Note: cells shaded in black should not be reported for the reporting year 2023

1.Assets for the calculation of GAR

The table provides information on the covered assets for GAR-calculation.

		a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
			31 December 2023													
			Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**				**TOTAL (CCM + CCA)** 1), 2)				
NOK millions		Total [gross] carrying amount	Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)								
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	209.028	180.870	17.087		17.008						180.870	17.087		17.008	
2	**Financial undertakings**	23.472	5.675	79		-						5.675	79			
3	Credit institutions	23.286	5.675	79		-						5.675	79			
4	Loans and advances	5.643	2.702	24		-						2.702	24			
5	Debt securities, including UoP	17.606	2.973	55		#						2.973	55			
6	Equity instruments	36	-	-		#										
7	Other financial corporations	186	-	-	-	#										
8	of which investment firms	-	-	-	-	-										
9	Loans and advances	-	-	-	-	-										
10	Debt securities, including UoP	-	-	-	-	-										
11	Equity instruments	-	-	-		-										
12	of which management companies	186	-	-	-	-										
13	Loans and advances	-	-	-	-	-										
14	Debt securities, including UoP	-	-	-	-	-										
15	Equity instruments	186	-	-		-										
16	of which insurance undertakings	-	-	-	-	-										
17	Loans and advances	-	-	-	-	-										
18	Debt securities, including UoP	-	-	-	-	-										
19	Equity instruments	-	-	-		-										
20	**Non-financial undertakings**	-	-	-	-	-										
21	Loans and advances	-	-	-	-	-										
22	Debt securities, including UoP	-	-	-	-	-										
23	Equity instruments	-	-	-		-										
24	**Households**	184.182	173.971	17.008	-	17.008						173.971	17.008		17.008	
25	of which loans collateralised by residential immovable property	173.808	173.536	17.008	-	17.008						173.536	17.008		17.008	
26	of which building renovation loans	-	-	-	-	-										
27	of which motor vehicle loans	6.726	435	-	-	-						435				
28	**Local governments financing**	1.224	1.224									1.224				
29	Housing financing															
30	Other local government financing	1.224	1.224									1.224				
31	**Collateral obtained by taking possession: residential and commercial immovable properties**															
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	91.263														
33	**Financial and Non-financial undertakings**	80.668														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	77.856														
35	Loans and advances	69.085														
36	of which loans collateralised by commercial immovable property	42.187														
37	of which building renovation loans															
38	Debt securities	5.177														
39	Equity instruments	3.593														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	2.813														
41	Loans and advances	,														
42	Debt securities	2.488														
43	Equity instruments	168														
44	**Derivatives**	3.976														
45	**On demand interbank loans**	3.746														
46	**Cash and cash-related assets**	25														
47	**Other categories of assets (e.g. Goodwill, commodities**	2.848														
48	**Total GAR assets**	300.141	180.870	20.497		16.491						180.870	17.087		17.008	
49	**Assets not covered for GAR calculation**	24.441														
50	**Central governments and Supranational issuers**	15.800														
51	**Central banks exposure**	1.451														
52	**Trading book**	7.189														
53	**Total assets**	324.582	180.870	20.497	-	16.491						180.870	17.087		17.008	
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																
54	Financial guarantees															
55	Assets under management															
56	Of which debt securities															
57	Of which equity instruments															

1) Reporting on CCM og CCA for the reporting year 2023

2) Cells shaded in black across the template are not subject for disclosure for the reporting year 2023

2. GAR sector information

The table provides information about the proportion of EU-taxonomy eligible and taxonomy-aligned exposures, broken down by sector towards non-financial corporates (subject to NFRD).
For the reporting year 2023 SpareBank 1 SMN do not have exposures towards non-financial corporates subject to NFRD.

3. GAR KPI stock

The table provides information about proportion of taxonomy-eligible and taxonomy-aligned assets compared to total covered assets.

		a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
		31 December 2023														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA) 1), 2)					
	% (compared to total covered assets in the denominator)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered 3)
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	59 %	6 %		6 %						59 %	6 %		6 %		9 %
2	**Financial undertakings**	2 %	0 %								2 %	0 %				0 %
3	Credit institutions	2 %	0 %								2 %	0 %				0 %
4	Loans and advances	1 %	0 %								1 %	0 %				0 %
5	Debt securities, including UoP	1 %	0 %								1 %	0 %				0 %
6	Equity instruments															
7	Other financial corporations															
8	of which investment firms															
9	Loans and advances															
10	Debt securities, including UoP															
11	Equity instruments															
12	of which management companies															
13	Loans and advances															
14	Debt securities, including UoP															
15	Equity instruments															
16	of which insurance undertakings															
17	Loans and advances															
18	Debt securities, including UoP															
19	Equity instruments															
20	**Non-financial undertakings**															
21	Loans and advances															
22	Debt securities, including UoP															
23	Equity instruments															
24	**Households**	58 %	6 %		6 %						58 %	6 %		6 %		9 %
25	of which loans collateralised by residential immovable property	58 %	6 %		6 %						58 %	6 %		6 %		9 %
26	of which building renovation loans															
27	of which motor vehicle loans	0 %														
28	**Local governments financing**	0 %									0 %					0 %
29	Housing financing															
30	Other local government financing	0 %									0 %					0 %
31	**Collateral obtained by taking possession: residential and commercial immovable properties**															
32	**Total GAR assets**	59 %	6 %		6 %						59 %	6 %		6 %		9 %

1) Only reporting on CCM og CCA for the reporting year 2023

2) Cells shaded in black across the template are not subject for disclosure for the reporting year 2023

3) Proportion of aligned assets in table 1 over total eligible assets in table 1

4. GAR KPI flow

The table provides information on the flow of new loans (on a net basis) compared to flow of total eligible assets.

		a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
% (compared to flow of total eligible assets)		31 December 2023														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA) 1), 2)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered 3)
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	21 %	22 %		21 %						21 %	22 %		21 %		10 %
2	**Financial undertakings**	30 %	0 %								30 %	0 %				0 %
3	Credit institutions	30 %	0 %								30 %	0 %				0 %
4	Loans and advances															
5	Debt securities, including UoP	58 %	0 %								58 %	0 %				0 %
6	Equity instruments															
7	Other financial corporations															
8	of which investment firms															
9	Loans and advances															
10	Debt securities, including UoP															
11	Equity instruments															
12	of which management companies															
13	Loans and advances															
14	Debt securities, including UoP															
15	Equity instruments															
16	of which insurance undertakings															
17	Loans and advances															
18	Debt securities, including UoP															
19	Equity instruments															
20	**Non-financial undertakings**															
21	Loans and advances															
22	Debt securities, including UoP															
23	Equity instruments															
24	**Households**	21 %	22 %		21 %						21 %	22 %		21 %		10 %
25	of which loans collateralised by residential immovable property	21 %	22 %		21 %						21 %	22 %		21 %		10 %
26	of which building renovation loans															
27	of which motor vehicle loans	18 %									18 %					
28	**Local governments financing**															
29	Housing financing															
30	Other local government financing															
31	**Collateral obtained by taking possession: residential and commercial immovable properties**															
32	**Total GAR assets**	21 %	18 %	#DIV/0!	22 %						21 %	22 %	0 %	21 %		10 %

1) Only reporting on CCM og CCA for the reporting year 2023
2) Cells shaded in black across the template are not subject for disclosure for the reporting year 2023
3) Proportion of new aligned assets over total new eligible assets

5. KPI off-balance sheet exposures

The table provides information about off-balance sheet exposures towards undertakings subject to NFRD.

For the reporting year 2023 SpareBank 1 SMN do not have off-balance sheet exposures towards undertakings subject to NFRD disclosure obligations.

Template 1 - Nuclear and fossil gas related activities

The table provides information about the exposure to nuclear and fossil gas related activities.

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Based on the disclosure template 2-5 is omitted due to no reporting information for the reporting year 2023.