

# Fourth Quarter Report 2021





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## Main figures

	Fourth quarter		January - December	
	2021	2020	2021	2020
<b>From the income statement (NOKm)</b>				
Net interest	723	688	2,796	2,759
Net commission income and other income	671	738	2,832	2,516
Net return on financial investments	219	197	1,026	951
<b>Total income</b>	<b>1,613</b>	<b>1,622</b>	<b>6,655</b>	<b>6,225</b>
<b>Total operating expenses</b>	<b>765</b>	<b>824</b>	<b>2,993</b>	<b>2,904</b>
<b>Results before losses</b>	<b>848</b>	<b>798</b>	<b>3,662</b>	<b>3,321</b>
Loss on loans, guarantees etc	32	242	161	951
<b>Results before tax</b>	<b>816</b>	<b>556</b>	<b>3,501</b>	<b>2,370</b>
Tax charge	112	105	609	400
Result investment held for sale, after tax	0	0	10	9
<b>Net profit</b>	<b>703</b>	<b>450</b>	<b>2,902</b>	<b>1,978</b>
Interest Tier 1 Capital	10	10	50	59
Net profit excl. Interest Tier 1 Capital	694	440	2,852	1,919
<b>Balance sheet figures</b>			<b>31 Dec 21</b>	<b>31 Dec 20</b>
Gross loans to customers			147,301	134,648
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt			195,353	182,801
Deposits from customers			111,286	97,529
Average total assets			196,229	183,428
Total assets			198,845	187,912
<b>Key figures</b>				
<b>Profitability</b>				
Return on equity <sup>1)</sup>	12.7 %	8.9 %	13.5 %	10.0 %
Cost-income ratio <sup>1)</sup>	47 %	51 %	45 %	47 %
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	76 %	72 %	76 %	72 %
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt <sup>1)</sup>	57 %	53 %	57 %	53 %
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt) <sup>1)</sup>	1.8 %	1.9 %	6.9 %	9.0 %
Growth in deposits last 12 months	1.5 %	2.2 %	14.1 %	13.5 %
<b>Losses in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt</b>				
Impairment losses ratio <sup>1)</sup>	0.07 %	0.54 %	0.09 %	0.54 %
Stage 3 as a percentage of gross loans <sup>1)</sup>	1.68 %	1.23 %	1.68 %	1.23 %
<b>Solidity</b>			<b>31 Dec 21</b>	<b>31 Dec 20</b>
Capital ratio			21.6 %	22.3 %
Tier 1 capital ratio			19.6 %	20.0 %
Common equity Tier 1 capital ratio			18.0 %	18.3 %
Tier 1 capital			19,322	18,636
Total eligible capital			21,333	20,759
Liquidity Coverage Ratio (LCR)			138 %	171 %
Leverage Ratio			6.9 %	7.1 %
<b>Branches and staff</b>				
Number of branches			40	45
No. Of full-time positions			1,482	1,560

1) Defined as alternative performance measures, see attachment to quarterly report

<b>Key figures ECC</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
ECC ratio	64 %	64 %	64 %	64 %	64 %
Number of certificates issued, millions <sup>1)</sup>	129.39	129.39	129.30	129.62	129.38
ECC share price at end of period (NOK)	149.00	97.60	100.20	84.20	82.25
Stock value (NOKM)	19,279	12,629	12,956	10,914	10,679
Booked equity capital per ECC (including dividend) <sup>1)</sup>	103.48	94.71	90.75	83.87	78.81
Profit per ECC, majority <sup>1)</sup>	13.31	8.87	12.14	9.97	8.71
Dividend per ECC	7.50	4.40	6.50	5.10	4.40
Price-Earnings Ratio <sup>1)</sup>	11.19	11.01	8.26	8.44	9.44
Price-Book Value Ratio <sup>1)</sup>	1.44	1.03	1.10	1.00	1.04

1) Defined as alternative performance measures, see attachment to quarterly report

# Report of the Board of Directors

## Preliminary annual accounts 2021

### Fourth quarter 2021

*(Consolidated figures. Figures in parenthesis refer to the same period of 2020 unless otherwise stated)*

- Net profit: NOK 703m (450m)
- Return on equity: 12.7 per cent (8.9 per cent)
- CET1 ratio: 18.0 per cent (18.3 per cent)
- Growth in lending: 1.8 per cent (1.9 per cent) and in deposits: 1.5 per cent (growth of 2.2 per cent)
- Lending to personal customers rose by 1.6 per cent in the quarter (1.6 per cent), 0.4 per cent lower growth than in the third quarter. Lending to corporate clients rose by 2.1 per cent (2.5 per cent) which was 1.4 percentage points higher than in the third quarter
- Deposits from personal customers rose by 1.4 per cent (0.1 per cent), compared with a decline of 0.5 per cent in the third quarter. Deposits from corporate clients rose by 1.5 per cent (3.8 per cent), compared with a decline of 0.3 per cent in the third quarter
- Net result of ownership interests: NOK 186m (117m)
- Net result of financial instruments (incl. dividends): NOK 33m (80m)
- Losses on loans and guarantees: NOK 32m (242m), 0.07 per cent of total lending (0.54 per cent)
- Earnings per equity certificate (EC): NOK 3.20 (1.99). Book value per EC: NOK 103.48 (94.71)

### Preliminary annual accounts 2021

- Net profit: NOK 2,902m (1,978m)
- Return on equity: 13.5 per cent (10.0 per cent)
- Growth in lending: 6.9 per cent (9.0 per cent) and in deposits: 14.1 per cent (13.5 per cent)
- Lending to personal customers rose by 6.8 per cent (8.2 per cent). Lending to corporate clients rose by 7.1 per cent (10.6 per cent)
- Lending to personal customers accounts for 68 per cent (68 per cent) of total lending
- Deposits from personal customers rose by 9.8 per cent (13.8 per cent). Deposits from corporate clients rose by 17.2 per cent (13.3 per cent)
- Net result of ownership interests: NOK 705m (681m)
- Net result of financial instruments (incl. dividends): NOK 321m (269m)
- Losses on loans and guarantees: NOK 161m (951m), 0.09 per cent (0.54 per cent) of gross lending
- Earnings per EC: NOK 13.31 (8.87)
- The board of directors proposes a dividend of NOK 7.50 per EC (NOK 4.40) which is 56.3 per cent of the net profit, and NOK 547m (321m) in community dividend

## Events in the quarter

### **Despite high infection rates the upturn in the Norwegian economy is expected to continue**

Norges Bank raised its policy rate by 25 basis points in September and by a further 25 basis points in December. SpareBank 1 SMN has like most banks signalled higher mortgage interest rates.

The upturn in the Norwegian economy continued through the autumn. Towards the end of the year activity levels slowed, especially in service industries, due to high infection rates and the introduction of extensive infection protection measures. Unemployment appears to be staying lower than forecast. Support schemes introduced by the government are a contributory factor. Relaxation of infection protection measures and a comprehensive vaccination programme will likely contribute to a continuing economic upturn. Despite continued high infection rates in the period ahead, the Omicron variant is expected to cause a milder disease course than the Delta variant of coronavirus.

Higher electricity prices have brought high price growth. Underlying inflation has also risen more than expected and is now close to the inflation target. Both capacity constraints in the economy and lasting price pressures abroad could trigger further wage and price growth in Norway.

Norges Bank has signalled higher policy rates for some time, and a heightened need to stabilise inflation could call for four policy rate hikes in 2022 to 1.50 per cent by year-end.

**SpareBank 1-alliansen** was established on 11 November 1996 and reached age 25 in 2021. SpareBank 1-alliansen comprises 15 independent savings banks across the entire country that collaborate on a shared platform and brand identity. Today all 15 savings banks in SpareBank 1-alliansen are financially solid, enjoy consistently good profitability and hold strong positions in their market areas.

SpareBank 1 SMN is one of several key mainstays in **Trondheim Tech Port**. Trondheim Tech Port was launched in October and brings together business and industry, research and education, the public sector, government authorities, the populace, capital entities and business start-ups to increase innovative power in technology.

SpareBank 1 Regnskapshuset SMN signed in October 2021 a **national agreement with the LO** whereby Regnskapshuset will be the sole provider of accounting and consultancy services to the self-employed through the LO-selvstendig benefit programme.

Trond Søråas is appointed **new CFO** and takes up duties on 1 March 2022. He comes from a similar position with BN Bank, taking over from Kjell Fordal who is to retire.

The year's **economic barometer for business** in the region was presented in November 2021. The barometer confirms a positive development for the region and generally high optimism.

The equity fund ODIN Bærekraft was launched. As an actively managed and sustainable equity fund, ODIN Bærekraft invests in sustainable high-quality companies across the world.

**SpareBank 1 SMN opens an Oslo branch**

SpareBank 1 Markets has strengthened its market position in the last years. As the main shareholder and in line with the group strategy there is a large potential in leveraging relations and activities together.

SpareBank 1 SMN has a substantial number of retail and business customers with lending volume totalling NOK 6.5 bn in the Oslo area.

Physical presence will ensure that these customers will be offered the same attentiveness. Furthermore, this will enable SpareBank 1 SMN to offer the full breadth of products to new and existing customers in a large market. SpareBank 1 SMN plans to gradually build the portfolio in South-Eastern Norway with emphasis on synergies between the corporate banking arm and the capital market services in SpareBank 1 Markets, with controlled growth, limited concentration and moderate risk.

**Good performance in the fourth quarter 2021**

The fourth quarter net profit was NOK 703m (450m) and return on equity was 12.7 per cent (8.9 per cent). The profit is NOK 28m higher than in the third quarter. The profit growth from the previous quarter is in all essentials due to increased net interest income at the bank and profit growth in SpareBank 1 Gruppen and SpareBank 1 Markets. The profit growth compared with last year's fourth quarter is largely down to lower loan losses.

Earnings per equity certificate (EC) were NOK 3.20 (1.99) and the EC's book value was NOK 103.48 (94.71). In the third quarter of 2021 earnings per EC were NOK 3.22.

Net interest income totalled NOK 723m (688m), which is NOK 16m higher than in the third quarter and NOK 35m better than in the fourth quarter of 2020. NIBOR was about 40 points higher in the fourth quarter of 2021 than in the third quarter and also 40 points higher than in the fourth quarter of 2020. This resulted in lower margins on loans and higher margins on deposits. Increased lending and deposits have strengthened net interest income. The market rate expressed by the NIBOR reference rate is the most important component of the banks' funding costs.

Net commission and other income rose from the previous quarter by NOK 48m to NOK 671m (738m). The growth in the fourth quarter is largely due to higher incomes from securities services along with increased payments incomes and guarantee commissions. The decline from the same quarter of 2020 also relates to securities services which posted very high revenues in the fourth quarter of 2020 and the first quarter of 2021.

The group's share of the result of ownership interests and related companies was NOK 186m (117m). In the third quarter the profit share was NOK 179m. Fremtind Forsikring and SpareBank 1 Forsikring recorded a positive profit performance in the quarter.

Return on financial investments (incl. dividends) was NOK 33m (80m) and in the third quarter NOK 69m.

Operating expenses came to NOK 765m (824m) and in the third quarter to NOK 698m. Costs in the fourth quarter of 2020 included reorganisation costs of NOK 80m. The increase from the third quarter is due to increased costs at SpareBank 1 Markets as a result of high activity, and some growth at the bank after bonus payments to employees, increased technology costs and increased consumption-related costs.

Losses on loans and guarantees were NOK 32m (242m) in the fourth quarter and in the third quarter NOK 31m. Lower losses compared with last year's fourth quarter are ascribable to better prospects in the oil and offshore industry.

2021 saw good growth in lending and deposits. Overall lending grew by 6.9 per cent (9.0 per cent) and deposits by 14.1 per cent (13.5 per cent). In the fourth quarter lending growth was 1.8 (1.9) per cent and deposit growth 1.5 per cent (2.2 per cent). Personal and corporate deposits both rose in the fourth quarter after some decline in the third quarter.

As at 31 December 2021 the CET1 ratio was 18.0 per cent (18.3 per cent), a decline of 0.1 per cent from the previous quarter. The CET1 ratio target is 16.9 per cent, including a Pillar 2 requirement of 1.9 per cent. Finanstilsynet will set new Pillar 2 requirements for SpareBank 1 SMN with effect from the first quarter of 2022.

Earnings per EC were NOK 13.31 (8.87). The book value was NOK 103.48 (94.71) per EC including the proposed dividend for 2021 of NOK 7.50 (NOK 4.40).

The price of the bank's equity certificate (MING) at year-end was NOK 149.00 (97.60).

### **Proposed distribution of net profit**

It is the group's results exclusive of interest on hybrid capital, along with non-controlling ownership interests' share of the profit, which comprise the basis for distribution of the net profit for the year; the distribution is done at the parent bank.

The net profit is distributed between the ownerless capital and the equity certificate (EC) capital in proportion to their relative shares of the bank's total equity, such that dividends and the allocation to the dividend equalisation fund constitute 64.0 per cent of the distributed profit.

Earnings per equity certificate were NOK 13.31. In keeping with the bank's dividend policy, the board of directors recommends the bank's supervisory board to set a payout ratio of 56.3 per cent. This makes for a cash dividend of NOK 7.50 per EC, altogether totalling NOK 970m. The board of directors further recommends an allocation of NOK 547m to community dividend. Of this amount it is proposed that NOK 250m be transferred to non-profit causes and NOK 297m to the foundation Sparebankstiftelsen SMN. NOK 476m and NOK 268m are to be transferred to the dividend equalisation fund and the ownerless capital respectively.



<b>Difference between Group - Parent Bank</b>	<b>2021</b>	<b>2020</b>
<b>Profit for the year, Group</b>	<b>2,902</b>	<b>1,978</b>
Interest hybrid capital (after tax)	-48	-56
<b>Profit for the year excl interest hybrid capital, group</b>	<b>2,854</b>	<b>1,922</b>
Profit, subsidiaries	-693	-427
Dividend, subsidiaries	309	220
Profit, associated companies	-705	-681
Dividend, associated companies	418	272
Group eliminations	11	-6
<b>Profit for the year excl interest hybrid capital, Parent bank</b>	<b>2,194</b>	<b>1,300</b>
<b>Distribution of profit</b>	<b>2021</b>	<b>2020</b>
Profit for the year excl interest hybrid capital, Parent bank	2,194	1,300
Transferred to/from revaluation reserve	68	-50
<b>Profit for distribution</b>	<b>2,262</b>	<b>1,250</b>
Dividends	970	569
Equalisation fund	476	230
Saving Bank's fund	268	130
Gifts	547	321
<b>Total distributed</b>	<b>2,262</b>	<b>1,250</b>

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 68m in the unrealised gains reserve.

The total amount for distribution is accordingly NOK 2,262m.

After distribution of the profit for 2021, the ratio of EC capital to total equity remains 64.0 per cent.

### Net interest income

In spring 2020 Norges Bank lowered its policy rate from 1.5 to 0.0 per cent with ensuing interest rate reductions on loans and deposits. In September 2021 Norges Bank set its policy rate to 0.25 per cent and as expected made a further hike to 0.50 per cent in December 2021, with an ensuing increase in market interest rates by the same margin. The bank raised its rates on loans and deposits by up to 25 basis points as from mid-November and has signalled a similar increase with effect from February 2022 following the policy rate hike in December 2021.

Net interest income totalled NOK 723m (688m) compared with NOK 707m in the third quarter of 2021. Market rates rose from the third to fourth quarter, and margins on lending declined while margins on deposits increased. Growth in lending and deposits in the quarter, along with increased return on equity, strengthened net interest income.

Norges Bank has signalled further increases in the policy rate in 2022 in view of brighter prospects for the economy and tendencies for higher inflation. This could exert further pressure on residential mortgage margins while margins on deposits and return on equity will increase.

### Increased other income

Commission income and other operating income totalled NOK 671m (738m) compared with NOK 623m in the third quarter of 2021.

Good customer offerings and a high proportion of multi-product customers make for high customer satisfaction and a diversified income flow for the group.

<b>Commission income (NOKm)</b>	<b>4Q 21</b>	<b>3Q 21</b>	<b>4Q 20</b>
Payment transfers	72	61	56
Creditcard	14	14	14
Saving products	13	17	13
Insurance	55	54	51
Guarantee commission	22	13	6
Real estate agency	100	107	93
Accountancy services	114	114	111
Markets	158	110	245
Other commissions	17	7	9
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	565	497	598
Commissions SB1 Boligkreditt	102	123	136
Commissions SB1 Næringskreditt	3	3	4
<b>Total commissions</b>	<b>671</b>	<b>623</b>	<b>738</b>

Commission income on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt altogether totalled NOK 105m (140m). In the third quarter of 2021 commissions came to NOK 127m. The decline in the fourth quarter was due higher funding costs at SpareBank 1 Boligkreditt.

Other commission income totalled NOK 565m (598m) compared with NOK 497m in the third quarter. The increase of NOK 68m from the third quarter relates mainly to securities services at SpareBank 1 Markets, increased payments incomes and higher guarantee commissions. Very high incomes from securities services were noted in the fourth quarter of 2020.

### Return on financial investments

Return on financial investments in the fourth quarter was NOK 32m (53m) and in the third quarter NOK 68m. Financial instruments, including bonds and CDs, showed a capital loss of NOK 9m (gain of NOK 51m) ascribable to changed credit margins on the bank's liquidity holdings. Income of NOK 24m (3m) from forex transactions refers to currency trading at SpareBank 1 Markets.

<b>Return on financial investments (NOKm)</b>	<b>4Q 21</b>	<b>3Q 21</b>	<b>4Q 20</b>
Capital gains/losses shares	15	36	-3
Gain/(loss) on financial instruments	-9	14	51
Foreign exchange gain/(loss)	24	16	3
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	1	2	2
<b>Net return on financial instruments</b>	<b>32</b>	<b>68</b>	<b>53</b>

### Product companies and other related companies

The product companies provide SpareBank 1 SMN with a broad product range and commission income along with return on invested capital. The overall profit share from the product companies and other related companies was NOK 186m (117m) in 2020. In the third quarter the figure was NOK 179m.

<b>Income from investment in associated companies</b>	<b>4Q 21</b>	<b>3Q 21</b>	<b>4Q 20</b>
SpareBank 1 Gruppen	173	83	87
SpareBank 1 Boligkreditt	-2	11	-4
SpareBank 1 Næringskreditt	0	-1	5
SpareBank 1 Kreditt	2	10	0
BN Bank	42	40	36
SpareBank 1 Betaling	-9	-0	1
SpareBank 1 Forvaltning	12	13	-
Other companies	-32	23	-9
<b>Income from investment in associated companies</b>	<b>186</b>	<b>179</b>	<b>117</b>

### SpareBank 1 Gruppen

The company owns 100 per cent of the shares of SpareBank 1 Forsikring, SpareBank 1 Factoring, SpareBank 1 Spleis and Modhi Finance. SpareBank 1 Gruppen owns 65 per cent of the non-life insurer Fremtind.

SpareBank 1 Gruppen's profit after tax for the fourth quarter of 2021 was NOK 1,079m (594m) and in the third quarter of 2021 NOK 621m. NOK 887m of the post-tax profit of NOK 1,079m accrues to the majority owners of SpareBank 1. Return on equity in 2021 was 21.9 per cent.

Fremtind Forsikring posted a fourth quarter profit of NOK 549m (443m) after tax, with a good underwriting result and high financial incomes. The quarter's underwriting result was NOK 449m (381m) and the claims ratio 60.2 per cent (64.6 per cent). The claims ratio is rising but remains low due to travel curbs and a positive trend in the products personal car insurance and personal liability insurance. Financial incomes were NOK 217m (182m) in the fourth quarter.

SpareBank 1 Forsikring reported a fourth quarter profit of NOK 524m (72m) after tax. The profit is affected by a value adjustment of NOK 712m on properties and income recognition of administration reserves in an amount of NOK 270m. Return on financial assets in the company portfolio was NOK 215m (32m) and the underwriting risk result was NOK 48m (32m).

The debt collection company Mohdi Finance posted a fourth quarter profit of NOK 40m after tax (11m), partly a result of portfolio value adjustments. SpareBank 1 Factoring recorded a profit of NOK 16m for the fourth quarter (13m).

The group's profit share from SpareBank 1 Gruppen was NOK 173m (87m) and in the third quarter of 2021 NOK 83m.

### SpareBank 1 Forvaltning

The company was established in 2021 to strengthen the SpareBank 1 banks' competitive power in the savings market. Odin Forvaltning, SpareBank 1 Kapitalforvaltning, SpareBank 1 SR Forvaltning and SpareBank 1 verdipapirservice make up the SpareBank 1 Forvaltning group. SpareBank 1 SMN owns 19.9 per cent of the company, and the profit share in the fourth quarter was NOK 12m and in the third quarter NOK 13m. The result is satisfactory taking into account the start-up costs affecting the 2021 accounts.



**SpareBank 1 Boligkreditt**

SpareBank 1 Boligkreditt was established by the banks making up SpareBank 1-alliansen to draw benefit from the market for covered bonds. The banks sell well-secured residential mortgages to the company and achieve reduced funding costs.

As at 31 December 2021 the bank had sold loans totalling NOK 46.7bn (46.6bn) to SpareBank 1 Boligkreditt, corresponding to 35.1 per cent (37.5 per cent) of the bank's overall lending to personal borrowers.

The bank's share of the company's profit was minus NOK 2m (minus 4m).

**SpareBank 1 Næringskreditt**

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 31 December 2021, loans worth NOK 1.4bn (1.5bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN share of the profit was NOK 0m (5m). In the third quarter of 2021 SpareBank 1 SMN's stake in the company was reduced from 31.0 per cent to 14.5 per cent, and in the fourth quarter of 2021 to 12.8 per cent after ownership rebalancing. BN Bank has become an owner of SpareBank 1 Næringskreditt, reflecting BN Bank's share of loans to commercial property. The stake was previously held by the parent banks on behalf of BN Bank. The changes were made in order to achieve a more well-ordered group structure.

**SpareBank 1 Kreditt**

SpareBank 1 SMN's share of the fourth quarter profit was NOK 2m (0m). SpareBank 1 SMN customers' portfolio of credit cards and consumer loans totalled NOK 998m (946m) and its stake was 19.2 per cent.

**BN Bank**

BN Bank offers residential mortgage loans and loans to commercial property and its main market is Oslo and south-eastern Norway. BN Bank showed good growth of 13.8 per cent in lending to personal customers in 2021 (8.7 per cent) and growth of 3.5 per cent in the fourth quarter (3.9 per cent). The growth in lending to corporate clients was 6.3 per cent in 2021 (11.3 per cent) and 4.5 per cent in the last quarter (decline of 0.7 per cent). Total outstanding loans come to NOK 52bn (47bn).

BN Bank recorded a profit of NOK 121m (105m) in the fourth quarter, providing a return on equity of 10.5 per cent (9.4 per cent). Increased net interest income and commission income explain the profit growth. SpareBank 1 SMN's share of BN Bank's profit is NOK 42m (36m).

**SpareBank 1 Betaling**

SpareBank 1 Betaling is the SpareBank 1 banks' parent company for Vipps payments solutions. On 30 June 2021 Vipps entered an agreement to merge Vipps' mobile payments arm with Danish MobilePay and Finnish Pivo. The merger opens the way for cross-border mobile payments and even better solutions for users and businesses across Denmark, Finland and Norway. BankAxept and BankID will concurrently be spun off from Vipps to become a Norwegian-owned company with its own management. This company will remain 100 per cent owned by the Norwegian banks.

SpareBank 1 SMN's share of the deficit was minus NOK 9m (1m) in the fourth quarter.

### Operating expenses

Overall expenses in the fourth quarter came to NOK 765m (824m), a decline of NOK 59m compared with the same period of 2020. Overall expenses in the third quarter were NOK 698m.

Operating expenses	4Q 21	3Q 21	4Q 20
Staff costs	463	423	553
IT costs	97	85	82
Marketing	22	19	14
Ordinary depreciation	40	56	43
Operating expenses, real properties	11	14	22
Purchased services	57	60	55
Other operating expense	76	41	54
<b>Total operating expenses</b>	<b>765</b>	<b>698</b>	<b>824</b>

The bank recorded expenses of NOK 368m (426m) and in the previous quarter NOK 345m. The fourth quarter of 2020 included a provision of NOK 80m for reorganisation costs. Average FTE consumption was reduced and reductions in other operating expenses were achieved by measures under 'One SMN'. Expenses at the bank rose from the third to fourth quarter by NOK 23m – mainly as a result of bonus payments to staff, increased technology costs and higher consumption-related costs.

Where the subsidiaries are concerned, expenses at SpareBank 1 Regnskapshuset SMN rose compared with the fourth quarter due to company acquisitions and investments in new technology, and at EiendomsMegler 1 Midt-Norge due to high activity in the housing market in 2021. Reduced expenses were noted at SpareBank 1 Markets after the high expenses seen in the fourth quarter of 2020 related to very high incomes.

The cost-income ratio was 47 per cent (51 per cent) for the group, 40 per cent (47 per cent) for the parent bank.

### Reduced losses

Losses on loans totalled NOK 32m (242m) and in the third quarter NOK 31m.

Impairment losses	4Q 21	3Q 21	4Q 20
RM	4	3	6
CM	27	28	236
<i>Of which Offshore</i>	-27	15	155
<b>Total impairment losses</b>	<b>32</b>	<b>31</b>	<b>242</b>

A loss of NOK 27m (236m) was recorded on loans to corporates in 2020, including a net recovery of NOK 27m (loss of NOK 155m) in the offshore portfolio and increased losses of NOK 54m on other business and industry. NOK 47m of this figure resides in the bank and is distributed across a wide number of customers and segments. Losses on loans measure 0.07 per cent (0.54 per cent) of total losses.

A loss of NOK 4m was recorded on loans to personal customers (6m).

No changes were made in scenario weighting or other assumptions in the group's loss model.

Losses on loans were substantially reduced in 2021 and appear to have stabilised at a lower level. The outlook in the offshore industry has brightened and a large proportion of the exposures have already been

written down. The risk picture in lending to other business and industry and personal customers is stable reflecting a healthy trend in the region, although losses to business and industry other than offshore rose in the quarter.

Overall write-downs on loans and guarantees totalled NOK 1,520m (1,630m).

Overall problem loans (Stage 3) come to NOK 3,290m (2,255m) corresponding to 1.68 per cent (1.23 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The increase in problem loans refers essentially to the implementation of a new default definition as from 1 January 2021. See the description in note 1.

The new default definition has not altered the group's assessment of the credit risk associated with the individual exposures, and the effect of the new definition on the group's losses is marginal.

### **Total assets of NOK 199bn**

The bank's total assets were NOK 199bn (188bn), having risen as a result of higher lending and higher liquidity holdings.

Loans totalling NOK 48bn (48bn) have been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and to SpareBank 1 Næringskreditt. These loans do not figure as loans in the bank's balance sheet. The comments covering lending growth take into account loans sold.

### **Lending**

Total outstanding loans rose in 2021 by NOK 12.6bn (14.0bn), corresponding to 6.9 per cent (9.0 per cent), and stood at NOK 195.4bn (182.8bn) at year-end. Growth in the fourth quarter was 1.8 per cent (1.9 per cent).

- Lending to personal customers rose by NOK 8.4bn (9.4bn) to NOK 132.9bn (124.5bn). Growth in the period was 6.8 per cent (8.2 per cent). In the fourth quarter growth was 1.6 per cent (1.6 per cent)
- Lending to corporate clients rose by NOK 4.1bn (5.6bn) to NOK 62.5bn (58.3bn). Growth in the period was 7.1 per cent (10.6 per cent). In the fourth quarter growth was 2.1 per cent (2.5 per cent)
- Lending to personal customers accounted for 68 per cent (68 per cent) of total outstanding loans to customers

The group shows good growth in lending to personal customers and is strengthening its market position. A substantial portion of the growth is to the LO (Norwegian Trade Unions Confederation) segment. The growth in lending to corporate clients is largely to small and medium-sized businesses throughout the market area. The growth is distributed across a number of industries, and industry and single name concentrations are avoided.

(For distribution by sector, see note 5)

### **Deposit**

Customer deposits rose in 2021 by NOK 13.8 bn (11.6bn) to NOK 111.3bn (97.5bn). This represents a growth of 14.1 per cent (13.5 per cent). Growth in the fourth quarter was 1.5 per cent (2.2 per cent).

- Personal deposits rose by NOK 4.0bn (4.9bn) to NOK 44.6bn (40.6bn), corresponding to 9.8 per cent (13.8 per cent). In the fourth quarter growth was 1.4 per cent (0.1 per cent)



- Corporate deposits rose by NOK 9.8bn (6.7bn) to NOK 66.7bn (56.9bn), corresponding to 17.2 per cent (13.3 per cent). In the fourth quarter growth was 1.5 per cent (3.8 per cent)
- The deposit-to-loan ratio including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 57 per cent (53 per cent)

Deposit growth has been very high in the last two years due to the pandemic.

(For distribution by sector, see note 9).

### Personal customers

The Personal Banking Division and EiendomsMegler 1 Midt-Norge offer a broad range of financial services. Improved coordination between the bank and the real estate agency business affords customers a better service offering and contributes to increased growth and profitability.

Result before tax	4Q 21	3Q 21	4Q 20
Personal market	288	311	320
EiendomsMegler 1 Midt-Norge (87%)	1	8	2

The **Personal Banking Division** achieved a pre-tax profit of NOK 288m (320m), and NOK 311m in the previous quarter.

Loans granted by the Personal Banking Division total NOK 138bn (129bn) and deposits total NOK 51bn (47bn). These are loans to and deposits from wage earners, agricultural customers and sole proprietorships.

Operating income posted by the division totalled NOK 531m (543m) and NOK 539 in the previous quarter. Net interest income accounted for NOK 306m (287m) and NOK 300m in the third quarter. Commission income totalled NOK 225m (255m) and NOK 240m in the previous quarter. Net interest income rose compared with the fourth quarter of 2020 as a result of growth and a strengthened deposit margin, while lower margins on loans have weakened net interest income and commissions from SpareBank 1 Boligkreditt.

The lending margin was 1.25 per cent (1.73 per cent) and in the third quarter of 2021 1.57 per cent. The deposit margin was 0.43 per cent (minus 0.01 per cent) and 0.06 per cent in the previous quarter (measured against three-month NIBOR). The market interest rate in terms of three-month NIBOR rose from the third quarter of 2021 by about 40 basis points which weakened the lending margin but strengthened the deposit margin in the fourth quarter.

Lending to and deposits from personal customers grew by 6.6 per cent (8.2 per cent) and 6.8 per cent (14.0 per cent) respectively in 2021. In the fourth quarter growth in lending and deposits came to 1.7 per cent (1.7 per cent) and 1.6 per cent (minus 0.2 per cent) respectively.

Lending to personal customers consistently carries low risk, as reflected in continued low losses. The loan portfolio is largely secured by residential property. There was a net recovery of NOK 10m on losses (loss of 56m) in 2021.

**EiendomsMegler 1 Midt-Norge** is the market leader in Trøndelag and in Møre and Romsdal. Operating income and expenses both totalled NOK 100m in the fourth quarter (NOK 94m and 91m respectively in 2020), and the pre-tax profit was NOK 1m (2m). The housing market showed high activity in the second half of 2020, and the company achieved high sales combined with increased house prices. The housing market also saw high activity in 2021, and the fourth quarter brought higher operating incomes than the same

quarter of 2020. Costs also increased, and the operating profit was somewhat weaker than in the same quarter last year. 1,770 dwelling units were sold in the fourth quarter compared with 1,671 in the same period of 2020. The company's market share at 31 December 2021 was 36 per cent (36 per cent).

### Corporate customers

The corporate business at SpareBank 1 SMN consists of the bank's corporate banking arm, SpareBank 1 Regnskapshuset SMN, SpareBank 1 Finans Midt-Norge and SpareBank 1 Markets. These business lines service business and industry with a complete range of accounting, banking and capital market services. There is considerable potential for interaction between the business lines.

Result before tax	4Q 21	3Q 21	4Q 20
Corporate banking	229	200	-31
SpareBank 1 Regnskapshuset SMN (88.7%)	3	21	22
SpareBank 1 Finans Midt-Norge (56.5%)	45	35	52
SpareBank 1 Markets (66.7%)	51	23	91

The **Corporate Banking Division** achieved a pre-tax profit of NOK 229m (minus NOK 31m) and NOK 200m in the third quarter of 2021. Lower losses strengthen the profit performance.

Outstanding loans to corporates totalled NOK 46bn (43bn) and deposits totalled NOK 60bn (49bn) as at 31 December 2021. This is a diversified portfolio of loans to and deposits from corporate clients in Trøndelag and Møre and Romsdal.

Operating income came to NOK 370m (301m) and NOK 334m in the third quarter. Net interest income was NOK 291m (253m) and NOK 273m in the third quarter. Commission income totalled NOK 78m (48m) compared with NOK 61m in the third quarter. An increase in NIBOR reduced lending margins in the quarter but increased deposit margins. Increased loan and deposit volumes have strengthened the earnings base. Strong growth in commission income is down to increased guarantee commissions and payments incomes.

The lending margin was 2.39 per cent (2.64 per cent) and the deposit margin was minus 0.16 per cent (minus 0.21 per cent). Lending growth in 2021 was 7.4 per cent (12.7 per cent) while deposits rose 20.6 per cent (15.6 per cent). Lending growth in the quarter was 1.6 per cent (2.8 per cent) and deposit growth was 1.0 per cent (6.5 per cent).

Net loan losses to the bank's corporate clients came to NOK 20m (232m) and to NOK 25m in the third quarter.

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

As a result of the strengthened focus on SMBs, many new customers opted for SpareBank 1 SMN as their bank in 2021. Corporate customers have strong links with the bank and customer turnover is extremely low.

**SpareBank 1 Finans Midt-Norge** delivered a pre-tax profit of NOK 45m (52m). The company provides leasing and invoice purchasing services to businesses and car loans to personal customers.

The company's incomes totalled NOK 87m (98m). Costs in the fourth quarter totalled NOK 30m (33m). Losses totalled NOK 12m (12m).

The company has leasing agreements with and loans to corporate customers worth a total of NOK 4.2bn (3.9bn) and car loans worth NOK 6.0bn (5.5bn). Growth in 2021 was 8.2 per cent and 10.1 per cent respectively. The invoice sales portfolio from SpareBank 1 Spire Finans was included in the company as from 2021 and invoices worth NOK 613m were purchased in that year.

SpareBank 1 Finans Midt-Norge and other SpareBank 1 banks own 47 per cent of the shares of the car subscription company Fleks. Bertel O Stein holds a corresponding stake. Customers' needs are changing rapidly and the sharing economy is growing. Fleks offers flexible car subscription solutions. Electrification of the car population and the car subscription system make for reduced emissions. Fleks currently has 1,700 cars and plans to expand to 6,000 cars by 2024.

**SpareBank 1 Regnskapshuset SMN** posted a pre-tax profit of NOK 3m (22m). Operating income was NOK 123m (118m) and expenses were NOK 120m (96m). The expense growth in the fourth quarter compared with the same quarter of 2020 is down to business acquisitions, investments in new services along with investments in a new IT platform.

The company wishes to create a broader income platform beyond the traditional production of accounts. Over the course of 2021 the company invested heavily to ensure continued development of its competitive power. This covered advisory competence and capacity, an increased focus on digitalisation along with generation of new income flows.

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

**SpareBank 1 Markets'** pre-tax profit for the fourth quarter was NOK 51m (91m). Activity levels in the business areas were high in the quarter. SpareBank 1 Markets has facilitated a number of major transactions in the quarter. Earnings from fixed income and forex business were high compared with the same quarter of last year, while lower activity in the market for debt capital led to reduced earnings. Overall incomes came to NOK 212m (285m). Operating expenses totalled NOK 160m (196m).

SpareBank 1 Markets is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. SpareBank 1 Markets is the leading capital market unit in SpareBank 1 SMN's market area.

### **SpareBank 1 SMN Invest**

The company owns shares in regional businesses. The portfolio is managed together with other long-term shareholdings of the bank and is due to be scaled down.

The pre-tax profit was minus NOK 4m (minus 3m) and in the previous quarter NOK 61m. The company's portfolio profit was zero and the profit share from the company's stake in Grilstad Marina was minus NOK 10 million.

The company held shares worth NOK 592m (430m) as at 31 December 2021.



## At 31 December 2021

### Good profit

SpareBank 1 SMN reports a net profit of NOK 2,902m (1,978m), and a return on equity of 13.5 per cent (10.0 per cent). The profit is NOK 924m better than in 2020 due to increased incomes and reduced losses. Earnings per equity certificate were NOK 13.31 (8.87).

The operating profit after losses was NOK 2,475m (1,419m) and NOK 1,048m better than in 2020 due to increased incomes, no cost growth at the bank and reduced losses.

Net interest income came to NOK 2,796m (2,759m). Average NIBOR was about 20 basis points lower than the previous year. Lending rates were on average reduced by just over 20 basis points, while deposit margins in total in 2021 were at approximately the same level as in 2020. An increase in both lending and deposits has contributed to strengthen net interest income.

Net commission income was NOK 2,832m (2,516m). The income growth of NOK 316m is mainly explained by increased income from securities services, estate agency services, insurance, guarantee commissions, accounting services and payments as well as increased commission income on loans sold to SpareBank 1 Boligkreditt.

Return on financial investments (incl. dividends) was NOK 321m (269m). The increase is largely the result of a gain on the equity portfolio of SpareBank 1 Invest in the first quarter of 2021.

The result from related companies was NOK 705m (681m). The result was positively affected by good results at Fremtind Forsikring, SpareBank 1 Forsikring and BN Bank. The 2020 figures include a gain of NOK 340m from SpareBank 1 Forsikring.

Operating expenses totalled NOK 2,993m (2,904m) entailing an increase of NOK 89m or 3.1 per cent. Expenses in 2020 include a provision of NOK 80m for reorganisation at the bank.

When the reorganisation costs are adjusted for, cost growth at the bank in 2021 was zero. SpareBank 1 Markets achieved excellent incomes in 2021 with an ensuing increase in expenses. High activity at EiendomsMegler 1 Midt-Norge and acquisitions and technology investments at SpareBank 1 Regnskapshuset SMN also brought higher costs.

Loan losses were NOK 161m (951m). Losses on loans to corporate clients amounted to NOK 159m (873m). Lower losses in the offshore segment explain much of the reduction. A net loss of NOK 1m (78m) recorded on loans to personal customers.

Lending grew 6.9 per cent (9.0 per cent). Growth in lending to personal customers was 6.8 per cent (8.2 per cent). Lending to corporate clients increased by 7.1 per cent (10.6 per cent).

Deposits climbed 14.1 per cent (13.5 per cent). Deposits from personal customers rose 9.8 per cent (13.8 per cent) while deposits from corporate clients rose 17.2 per cent (13.3 per cent).

## Personal customers

Result before tax	Jan- Dec 2021	Jan- Dec 2020
Personal market	1,167	1,093
EiendomsMegler 1 Midt-Norge (87%)	71	52

The bank's **personal banking arm** achieved a pre-tax profit of NOK 1,167m (1,093m) in 2021. Return on capital employed in the personal segment was 13.4 per cent (13.4 per cent).

Overall operating income came to NOK 2,074m (2,078m). Net interest income accounted for NOK 1,165m (1,213m) and commission income for NOK 908m (865m). Commission income has risen mainly as a result of higher commissions from SpareBank 1 Boligkreditt but also of increased incomes from payments services and saving products.

Growth in lending to and deposits from the personal segment was 6.6 per cent (8.2 per cent) and 6.8 per cent (14.0 per cent) respectively in the last 12 months.

The lending margin was 1.53 per cent (1.80 per cent), while the deposit margin was 0.13 per cent (minus 0.03 per cent) measured against three-month NIBOR. Lending margins were reduced by about 27 basis points in 2021 whereas deposit margins increased by 16 basis points.

A net recovery of NOK 10m was recorded on losses (loss of 56m).

**EiendomsMegler 1 Midt-Norge.** Operating income was NOK 453m (394m), while operating expenses were NOK 382m (342m). EiendomsMegler 1 Midt-Norge's pre-tax profit was NOK 71m (52m). Activity levels in the housing market have been high from and including the second half of 2020, and property sales (residential and commercial) totalled 7,763 compared with 7,164 in 2020.

## Corporate customers

Result before tax	Jan-Dec 2021	Jan-Dec 2020
Corporate banking	795	113
SpareBank 1 Regnskapshuset SMN (88.7%)	85	110
SpareBank 1 Finans Midt-Norge (56.5%)	198	184
SpareBank 1 Markets (66.7%)	254	169

The bank's **corporate banking arm** achieved a pre-tax profit of NOK 795m (113m) in 2021. The profit growth is due to lower losses. Return on capital employed for the corporate segment was 11.5 per cent (2.1 per cent).

Operating income was NOK 1,386m (1,381m). Net interest income came to NOK 1,120m (1,149m) and commission income (including income from forex business) to NOK 266m (232m).

Lending increased by 7.4 per cent (12.7 per cent) and deposits by 20.6 per cent (15.6 per cent) 2021. Part of the deposit growth is explained by Trondheim Municipality's choice of SpareBank 1 SMN as its main bank.

The lending and deposit margins were 2.61 per cent (2.79 per cent) and minus 0.29 per cent (minus 0.15 per cent) respectively. Lending margins were reduced by 17 basis points in 2021 while deposit margins increased by 14 points.

Net overall losses in the bank's corporate segment were NOK 145m (846m).

**SpareBank 1 Finans Midt-Norge** reported a pre-tax profit of NOK 198m (184m). Comparatives are restated to include SpareBank 1 Spire Finans which was merged into the company as from 1 January 2021.

The company's earnings totalled NOK 364m (364m). Costs as at 31 December 2021 came to NOK 141m (131m). Losses were NOK 25m (49m).

A deficit carried forward at SpareBank 1 Spire Finans reduced the tax charge for SpareBank 1 Finans Midt-Norge by NOK 35m.

**SpareBank 1 Regnskapshuset SMN** achieved a pre-tax profit of NOK 85m (110m). Operating income was NOK 562m (553m) and expenses were NOK 476m (423m). Relatively high cost growth versus income growth is attributable to the costs of developing new services and a new technology platform.

**SpareBank 1 Markets'** pre-tax profit for 2021 was NOK 254m (169m). The company's incomes in 2021 totalled NOK 901m (759m) while expenses came to NOK 647m (590m).

Particularly high activity was noted in the business lines Investment Banking and Stockbroking. Earnings from fixed income and forex business were on a par with the previous year, while Debt Capital showed somewhat reduced earnings. Overall income is higher than the previous year, and the profit for the year is the best in the company's history.

### **Good funding and liquidity**

The bank has 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 138 per cent as at 31 December 2021 (171 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 31 December 2021 was 57 per cent (53 per cent).

The bank's funding sources and products are amply diversified. The proportion of the bank's overall money market funding in excess of one year's maturity was 89 per cent (83 per cent).

SpareBank 1 Boligkreditt and Næringskreditt are the bank's most important funding sources, and loans totalling NOK 48bn (48bn) had been sold to these mortgage companies as at 31 December 2021.

SpareBank 1 SMN has established and published a framework for the issuance of green bonds. The framework is verified by the rating agency Sustainalytics. SpareBank 1 SMN issued in 2021 a senior green bond of EUR 500m with a seven year maturity.

As at 31 December 2021 SpareBank 1 SMN held NOK 3.5bn in senior non-preferred debt (MREL).

### **Rating**

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



### Financial soundness

The CET1 ratio at 31 December 2021 was 18.0 per cent (18.3 per cent). The CET1 requirement is 14.4 per cent, including combined buffer requirements and a Pillar 2 requirement of 1.9 per cent. Finanstilsynet (Norway's FSA) will set new Pillar 2 requirements for SpareBank 1 SMN with effect from the first quarter of 2022.

SpareBank 1 SMN targets a management buffer of about 1 per cent over and above the combined Pillar 1 and Pillar 2 requirements with a view to absorbing fluctuations in risk weighted assets and in the group's profits. The target will be evaluated once Finanstilsynet has announced its Pillar 2 guidance.

The group includes a full countercyclical buffer in its capital planning, and at the end of 2021 aims for a CET1 ratio of 16.9 per cent.

The CET1 ratio showed a 0.1 percentage point decline from the third quarter. Risk weighted assets grew 0.8 per cent in the fourth quarter at the same time as CET1 capital increased by 0.3 per cent. A payout ratio of 56.3 per cent of the group's net profit for 2021 is assumed.

A leverage ratio of 6.9 per cent (7.1 per cent) shows the bank to be very solid.

### Sustainability

Sustainability is one of five strategic priorities in the group strategy. SpareBank 1 SMN is in the process of implementing its sustainability strategy within the five key areas innovation, customer offering, climate footprint, competence and diversity.

The following may be highlighted:

- Top rating achieved in the report "Bærekraft på Børs". This means that SpareBank 1 SMN reports in keeping with best practice and standards underpinned by a clear strategy with well-defined objectives
- SpareBank 1 SMN issued in February 2021 a senior green bond of EUR 500m with a seven year maturity
- Financial support for expert assistance from SINTEF and SpareBank 1 SMN is made available to help small and medium-sized businesses to digitalise, automate and become more sustainable
- 'Purchase of homes in green housing projects' with attractive mortgage terms and broker fees is established as a concept by the bank and EiendomsMegler 1
- Strong growth in the proportion of green residential mortgages in 2021. New mortgages increase by NOK 0.5bn
- New product offering launched for green agricultural loans
- Guide against greenwashing endorsed by SpareBank 1 SMN
- Sustainability an integral part of the credit process for corporate loans
- Mandatory training package in sustainability completed by group employees
- Procedures and charges for establishing customer relationships for refugees have been improved as part of the financial inclusion effort
- The Sustainability Barometer for Trøndelag and Møre and Romsdal presented for the third year running as part of SpareBank 1 SMN's Economic Barometer

The fourth quarter saw the start of a programme to revise the methodology employed in the energy and climate account and to revise calculation of the loan portfolio's climate burden.

- Preliminary project on the calculation of the loan portfolio's greenhouse gas burden now completed
- Partnership entered with Partnership for Carbon Accounting Financials (PCAF)
- Improved methodology for calculation of the group's direct and indirect greenhouse gas emissions involving use of the environment management tool Klimakost (an environmentally extended input-output model)

In 2022 the group will introduce a new method for measuring and controlling the group's risk to the climate. Improved estimation of the loan portfolio's greenhouse gas burden, as well as the group's own direct and indirect greenhouse gas emissions, will provide the basis for an energy and climate account of better quality and relevance. New insight may bring a need to adjust and concretise the group's climate objectives within the framework of the Paris Agreement goals. SpareBank 1 SMN will in 2022 continue to stimulate innovation and competence development among the group's customers in the sustainability sphere.

### **The bank's equity certificate (MING)**

The market price of the equity certificate (EC) as at 31 December 2021 was NOK 149.0 (97.60), the book value was NOK 103.48 (94.71), and earnings per EC were NOK 13.31 (8.87). A total cash dividend of NOK 4.40 was paid per EC in 2021.

The Price / Income ratio was 11.19 (11.01) and the Price / Book ratio was 1.44 (1.03).

### **Outlook**

In 2021 SpareBank 1 SMN achieved its best results ever. All business lines performed well and strengthened their market position. This provides a good basis on which to attain the group's ambitions.

Despite high infection rates the outlook for the Norwegian economy is good. The Omicron variant of the virus brings high infection rates but few hospital admissions, and infection protection measures have been considerably relaxed. Unemployment is further reduced and a general optimism is in evidence in the business sector in the Norwegian and regional economies. However, labour shortages in some sectors pose a challenge and may curb growth.

Hostile Russia-Ukraine relations and high energy prices are factors liable to create an uncertain outlook.

Norges Bank has raised its policy rate to 0.50 per cent and further increases are expected ahead. The policy rate hike reflects the improvement in the economy. The bank is well positioned to draw benefit from the rate hike.

Improved prospects in the offshore segment brought substantially lower loan losses in 2021. Losses have stabilised at a lower level and the outlook in the industry is brighter. The risk picture in other business and industry and among personal customers is stable, reflecting a healthy trend in the region. SpareBank 1 SMN has low exposure to the industries hardest hit by Covid.

SpareBank 1 SMN is highly profitable and very solid. The entire organisation has been revamped with reinforced focus on data-driven innovation bringing modern, customer-oriented and efficient distribution. SpareBank 1 SMN has developed a broad product platform with profitable subsidiaries and product companies that will increase sales, acquire more customers and larger market shares, both in its own region and the country as a whole.

SpareBank 1 SMN has an implicit market value of NOK 30bn and is the country's second largest savings bank. This position will be strengthened through organic and structural growth.

In 2021 SpareBank 1 SMN focused on initiatives under the five priorities of the sustainability strategy. The work on sustainability will require an ever more intense effort and innovation in interaction with the customers.

The fight against economic and financial crime is an important societal responsibility requiring ever increasing efforts on the part of SpareBank 1 SMN.

The board of directors will recommend the supervisory board to set a cash dividend of NOK 7.50 per equity certificate (NOK 4.40) representing 56.3 per cent of the net profit, and to allocate NOK 547m (321m) to community dividend. The community dividend contributes to strengthening the region, and the bank's market position.

The board of directors is well pleased with 2021. The results were excellent, at the same time as a demanding reorganisation process was conducted. With a good starting point, good market prospects and many ongoing development initiatives, the board expects 2022 to be a good year.

Trondheim, 9 february 2022  
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal  
(chair)

Christian Stav  
(deputy chair)

Janne T. Thomsen

Mette Kamsvåg

Tonje Eskeland Foss

Morten Loktu

Freddy Aursø

Christina Straub  
(employee rep.)

Inge Lindseth  
(employee rep.)

Jan-Frode Janson  
(Group CEO)

# Income statement

Parent Bank					Group				
Fourth quarter		Jan-Dec		(NOKm)	Note	Jan-Dec		Fourth quarter	
2020	2021	2020	2021			2021	2020	2021	2020
733	827	3,274	3,067	Interest income effective interest method		3,524	3,722	940	855
91	108	478	395	Other interest income		392	475	107	90
253	321	1,423	1,109	Interest expenses		1,120	1,439	324	258
<b>571</b>	<b>614</b>	<b>2,329</b>	<b>2,353</b>	<b>Net interest</b>	<b>10</b>	<b>2,796</b>	<b>2,759</b>	<b>723</b>	<b>688</b>
335	338	1,205	1,306	Commission income		1,583	1,443	404	393
28	28	97	97	Commission expenses		207	196	55	54
11	17	41	47	Other operating income		1,456	1,269	322	399
<b>318</b>	<b>326</b>	<b>1,149</b>	<b>1,256</b>	<b>Commission income and other income</b>	<b>11</b>	<b>2,832</b>	<b>2,516</b>	<b>671</b>	<b>738</b>
39	20	528	733	Dividends		22	39	1	27
-	-	-	-	Income from investment in related companies	3	705	681	186	117
-14	-40	14	-53	Net return on financial investments	3,13	299	230	32	53
<b>25</b>	<b>-20</b>	<b>542</b>	<b>680</b>	<b>Net return on financial investments</b>		<b>1,026</b>	<b>951</b>	<b>219</b>	<b>197</b>
<b>914</b>	<b>920</b>	<b>4,019</b>	<b>4,289</b>	<b>Total income</b>		<b>6,655</b>	<b>6,225</b>	<b>1,613</b>	<b>1,622</b>
241	162	732	650	Staff costs		1,882	1,850	463	553
185	206	744	745	Other operating expenses		1,111	1,054	302	271
<b>426</b>	<b>368</b>	<b>1,477</b>	<b>1,395</b>	<b>Total operating expenses</b>	<b>12</b>	<b>2,993</b>	<b>2,904</b>	<b>765</b>	<b>824</b>
<b>488</b>	<b>552</b>	<b>2,543</b>	<b>2,895</b>	<b>Result before losses</b>		<b>3,662</b>	<b>3,321</b>	<b>848</b>	<b>798</b>
230	20	902	134	Loss on loans, guarantees etc.	6,7	161	951	32	242
<b>258</b>	<b>533</b>	<b>1,641</b>	<b>2,760</b>	<b>Result before tax</b>	<b>3</b>	<b>3,501</b>	<b>2,370</b>	<b>816</b>	<b>556</b>
57	132	284	518	Tax charge		609	400	112	105
-	-	-	-	Result investment held for sale, after tax	2,3	10	9	-0	-0
<b>202</b>	<b>401</b>	<b>1,356</b>	<b>2,242</b>	<b>Net profit</b>		<b>2,902</b>	<b>1,978</b>	<b>703</b>	<b>450</b>
9	9	56	48	Attributable to additional Tier 1 Capital holders		50	59	10	10
123	250	831	1,403	Attributable to Equity capital certificate holders		1,722	1,147	414	257
69	141	469	791	Attributable to the saving bank reserve		971	646	233	145
				Attributable to non-controlling interests		160	126	47	38
<b>202</b>	<b>401</b>	<b>1,356</b>	<b>2,242</b>	<b>Net profit</b>		<b>2,902</b>	<b>1,978</b>	<b>703</b>	<b>450</b>
				Profit/diluted profit per ECC	19	13.31	8.87	3.20	1.99



## Other comprehensive income

Parent Bank					Group			
Fourth quarter		Jan-Dec			Jan-Dec		Fourth quarter	
2020	2021	2020	2021	(NOKm)	2021	2020	2021	2020
202	401	1,356	2,242	Net profit	2,902	1,978	703	450
<b>Items that will not be reclassified to profit/loss</b>								
29	-49	-34	-49	Actuarial gains and losses pensions	-49	-34	-49	29
-7	12	8	12	Tax	12	8	12	-7
-	-	-	-	Share of other comprehensive income of associates and joint venture	4	15	2	5
<b>22</b>	<b>-37</b>	<b>-25</b>	<b>-37</b>	<b>Total</b>	<b>-33</b>	<b>-11</b>	<b>-35</b>	<b>27</b>
<b>Items that will be reclassified to profit/loss</b>								
-	-	-	-	Fair value change on financial assets through other comprehensive income	-	-	-	-
2	0	9	-1	Value changes on loans measured at fair value	-1	9	0	2
-	-	-	-	Share of other comprehensive income of associates and joint venture	21	16	38	11
-	-	-	-	Tax	-	-	-	-
<b>2</b>	<b>0</b>	<b>9</b>	<b>-1</b>	<b>Total</b>	<b>20</b>	<b>25</b>	<b>38</b>	<b>12</b>
<b>23</b>	<b>-37</b>	<b>-16</b>	<b>-38</b>	<b>Net other comprehensive income</b>	<b>-13</b>	<b>15</b>	<b>3</b>	<b>39</b>
<b>225</b>	<b>364</b>	<b>1,340</b>	<b>2,204</b>	<b>Total other comprehensive income</b>	<b>2,889</b>	<b>1,993</b>	<b>707</b>	<b>490</b>
9	9	56	48	Attributable to additional Tier 1 Capital holders	50	59	10	10
138	227	821	1,379	Attributable to Equity capital certificate holders	1,714	1,156	416	282
78	128	463	777	Attributable to the saving bank reserve	966	652	234	159
				Attributable to non-controlling interests	160	126	47	38
<b>225</b>	<b>364</b>	<b>1,340</b>	<b>2,204</b>	<b>Total other comprehensive Income</b>	<b>2,889</b>	<b>1,993</b>	<b>707</b>	<b>490</b>

## Balance sheet

Parent Bank			Group		
31 Dec 2020	31 Dec 2021	(NOKm)	Note	31 Dec 2021	31 Dec 2020
2,764	1,252	Cash and receivables from central banks		1,252	2,764
12,901	13,190	Deposits with and loans to credit institutions		4,704	5,091
124,214	135,766	Net loans to and receivables from customers	5	145,890	133,131
26,684	30,762	Fixed-income CDs and bonds	17	30,762	26,606
7,175	3,192	Derivatives	17	3,224	7,226
319	402	Shares, units and other equity interests	17	2,654	2,366
4,933	4,590	Investment in related companies		7,384	7,324
2,317	2,374	Investment in group companies		-	-
82	98	Investment held for sale	2	59	41
515	458	Intangible assets		853	905
963	1,082	Other assets	14	2,062	2,457
<b>182,870</b>	<b>193,165</b>	<b>Total assets</b>		<b>198,845</b>	<b>187,912</b>
14,629	14,340	Deposits from credit institutions		15,063	15,094
98,166	112,028	Deposits from and debt to customers	9	111,286	97,529
41,920	40,332	Debt created by issue of securities	16	40,332	41,920
6,845	3,500	Derivatives	17	3,909	7,179
1,466	1,857	Other liabilities	15	3,217	3,084
-	-	Investment held for sale	2	1	1
1,752	1,753	Subordinated loan capital	16	1,796	1,795
<b>164,778</b>	<b>173,809</b>	<b>Total liabilities</b>		<b>175,603</b>	<b>166,602</b>
2,597	2,597	Equity capital certificates		2,597	2,597
-0	-0	Own holding of ECCs		-9	-9
895	895	Premium fund		895	895
6,556	7,007	Dividend equalisation fund		6,974	6,536
569	970	Recommended dividends		970	569
321	547	Provision for gifts		547	321
5,664	5,918	Ownerless capital		5,918	5,664
239	171	Unrealised gains reserve		171	239
-	-	Other equity capital		2,896	2,366
1,250	1,250	Additional Tier 1 Capital		1,293	1,293
		Non-controlling interests		989	838
<b>18,092</b>	<b>19,356</b>	<b>Total equity capital</b>		<b>23,241</b>	<b>21,310</b>
<b>182,870</b>	<b>193,165</b>	<b>Total liabilities and equity</b>		<b>198,845</b>	<b>187,912</b>

## Cash flow statement

Parent bank			Group	
Jan-Dec			Jan-Dec	
2020	2021	(NOKm)	2021	2020
1,356	2,242	Net profit	2,902	1,978
102	95	Depreciations and write-downs on fixed assets	186	166
902	134	Losses on loans and guarantees	161	951
<b>2,360</b>	<b>2,471</b>	<b>Net cash increase from ordinary operations</b>	<b>3,249</b>	<b>3,096</b>
-4,093	3,845	Decrease/(increase) other receivables	4,361	-4,681
3,582	-2,956	Increase/(decrease) short term debt	-3,121	3,896
-8,075	-11,686	Decrease/(increase) loans to customers	-12,920	-8,795
-3,721	-288	Decrease/(increase) loans credit institutions	376	-2,981
11,296	13,862	Increase/(decrease) deposits to customers	13,757	11,611
5,045	-290	Increase/(decrease) debt to credit institutions	-32	4,242
-3,490	-4,077	Increase/(decrease) in short term investments	-4,156	-3,491
<b>2,905</b>	<b>881</b>	<b>A) Net cash flow from operations</b>	<b>1,514</b>	<b>2,896</b>
-38	-20	Increase in tangible fixed assets	-164	-136
-418	268	Paid-up capital, associated companies	-8	-873
37	-83	Net investments in long-term shares and partnerships	-288	587
<b>-420</b>	<b>171</b>	<b>B) Net cash flow from investments</b>	<b>-454</b>	<b>-422</b>
-295	0	Increase/(decrease) in subordinated loan capital	0	-295
3	2	Increase/(decrease) in equity	-5	14
-647	-569	Dividend cleared	-569	-647
-364	-321	Disbursed from gift fund	-321	-364
-56	-48	Increase/(decrease) in Additional Tier 1 capital	-50	-59
877	-1,628	Increase/(decrease) in other long term loans	-1,627	880
<b>-482</b>	<b>-2,564</b>	<b>C) Net cash flow from financial activities</b>	<b>-2,572</b>	<b>-470</b>
<b>2,003</b>	<b>-1,512</b>	<b>A) + B) + C) Net changes in cash and cash equivalents</b>	<b>-1,512</b>	<b>2,003</b>
761	2,764	Cash and cash equivalents at 1.1	2,764	761
2,764	1,252	Cash and cash equivalents at end of year	1,252	2,764
<b>2,003</b>	<b>-1,512</b>	<b>Net changes in cash and cash equivalents</b>	<b>-1,512</b>	<b>2,003</b>

## Change in equity

Parent Bank (NOKm)	Issued equity		Earned equity						Additional Tier 1 Capital	Total equity
	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity			
<b>Equity at 1 January 2020</b>	<b>2,597</b>	<b>895</b>	<b>5,432</b>	<b>6,144</b>	<b>1,314</b>	<b>189</b>	-	<b>1,250</b>	<b>17,822</b>	
Net profit	-	-	130	230	890	50	-	56	1,356	
<b>Other comprehensive income</b>										
Financial assets through OCI	-	-	-	-	-	-	9	-	9	
Actuarial gains (losses), pensions	-	-	-	-	-	-	-25	-	-25	
Other comprehensive income	-	-	-	-	-	-	-16	-	-16	
<b>Total other comprehensive income</b>	-	-	130	230	890	50	-16	56	1,340	
<b>Transactions with owners</b>										
Dividend declared for 2019	-	-	-	194	-840	-	-	-	-647	
To be disbursed from gift fund	-	-	109	-	-474	-	-	-	-364	
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-56	-56	
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-0	
Direct recognitions in equity	-	-	-7	-12	-	-	16	-	-3	
<b>Total transactions with owners</b>	-0	-	103	182	-1,314	-	16	-56	-1,070	
<b>Equity at 31 December 2020</b>	<b>2,597</b>	<b>895</b>	<b>5,664</b>	<b>6,556</b>	<b>890</b>	<b>239</b>	-	<b>1,250</b>	<b>18,092</b>	

(NOKm)	Issued equity		Earned equity						Additional Tier 1 Capital	Total equity
	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity			
<b>Equity at 1 January 2021</b>	<b>2,597</b>	<b>895</b>	<b>5,664</b>	<b>6,556</b>	<b>890</b>	<b>239</b>	-	<b>1,250</b>	<b>18,092</b>	
Net profit	-	-	268	476	1,517	-68	-	48	2,242	
<b>Other comprehensive income</b>										
Value changes on loans measured at fair value	-	-	-	-	-	-	-1	-	-1	
Actuarial gains (losses), pensions	-	-	-	-	-	-	-37	-	-37	
Other comprehensive income	-	-	-	-	-	-	-38	-	-38	
<b>Total other comprehensive income</b>	-	-	268	476	1,517	-68	-38	48	2,204	
<b>Transactions with owners</b>										
Dividend declared for 2020	-	-	-	-	-569	-	-	-	-569	
To be disbursed from gift fund	-	-	-	-	-321	-	-	-	-321	
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-48	-48	
Purchase and sale of own ECCs	0	-	-	-0	-	-	-	-	-0	
Direct recognitions in equity	-	-	-14	-25	-	-	38	-	-2	
<b>Total transactions with owners</b>	0	-	-14	-25	-890	-	38	-48	-940	
<b>Equity at 31 December 2021</b>	<b>2,597</b>	<b>895</b>	<b>5,918</b>	<b>7,007</b>	<b>1,517</b>	<b>171</b>	-	<b>1,250</b>	<b>19,356</b>	



Group	Attributable to parent company equity holders									
	Issued equity		Earned equity							
(NOKm)	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity	Additional Tier 1 Capital	Non-controlling interests	Total equity
<b>Equity at 1 January 2020</b>	<b>2,586</b>	<b>895</b>	<b>5,432</b>	<b>6,123</b>	<b>1,314</b>	<b>189</b>	<b>1,827</b>	<b>1,293</b>	<b>761</b>	<b>20,420</b>
Net profit	-	-	130	230	890	50	493	59	126	1,978
<b>Other comprehensive income</b>										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	31	-	-	31
Value changes on loans measured at fair value	-	-	-	-	-	-	9	-	-	9
Actuarial gains (losses), pensions	-	-	-	-	-	-	-25	-	-	-25
Other comprehensive income	-	-	-	-	-	-	15	-	-	15
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>130</b>	<b>230</b>	<b>890</b>	<b>50</b>	<b>508</b>	<b>59</b>	<b>126</b>	<b>1,993</b>
<b>Transactions with owners</b>										
Dividend declared for 2019	-	-	-	194	-840	-	-	-	-	-647
To be disbursed from gift fund	-	-	109	-	-474	-	-	-	-	-364
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-59	-	-59
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-	-0
Own ECC held by SB1 Markets*)	2	-	-	2	-	-	11	-	-	14
Direct recognitions in equity	-	-	-7	-12	-	-	17	-	-	-1
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	3	-	-	3
Change in non-controlling interests	-	-	-	-	-	-	-	-	-49	-49
<b>Total transactions with owners</b>	<b>2</b>	<b>-</b>	<b>103</b>	<b>183</b>	<b>-1,314</b>	<b>-</b>	<b>31</b>	<b>-59</b>	<b>-49</b>	<b>-1,103</b>
<b>Equity at 31 December 2020</b>	<b>2,588</b>	<b>895</b>	<b>5,664</b>	<b>6,536</b>	<b>890</b>	<b>239</b>	<b>2,366</b>	<b>1,293</b>	<b>838</b>	<b>21,310</b>

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

(NOKm)	Attributable to parent company equity holders									
	Issued equity		Earned equity							
	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity	Additional Tier 1 Capital	Non-controlling interests	Total equity
<b>Equity at 1 January 2021</b>	<b>2,588</b>	<b>895</b>	<b>5,664</b>	<b>6,536</b>	<b>890</b>	<b>239</b>	<b>2,366</b>	<b>1,293</b>	<b>838</b>	<b>21,310</b>
Net profit	-	-	268	476	1,517	-68	501	50	160	2,904
<b>Other comprehensive income</b>										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	26	-	-	26
Value changes on loans measured at fair value	-	-	-	-	-	-	-1	-	-	-1
Actuarial gains (losses), pensions	-	-	-	-	-	-	-38	-	-	-38
Other comprehensive income	-	-	-	-	-	-	-13	-	-	-13
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>268</b>	<b>476</b>	<b>1,517</b>	<b>-68</b>	<b>488</b>	<b>50</b>	<b>160</b>	<b>2,891</b>
<b>Transactions with owners</b>										
Dividend declared for 2020	-	-	-	-	-569	-	-	-	-	-569
To be disbursed from gift fund	-	-	-	-	-321	-	-	-	-	-321
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-50	-	-50
Purchase and sale of own ECCs	0	-	-	-0	-	-	-	-	-	-0
Own ECC held by SB1 Markets*)	-0	-	-	-13	-	-	7	-	-	-5
Direct recognitions in equity	-	-	-14	-25	-	-	48	-	-	9
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-14	-	-	-14
Change in non-controlling interests	-	-	-	-	-	-	-	-	-9	-9
<b>Total transactions with owners</b>	<b>-0</b>	<b>-</b>	<b>-14</b>	<b>-38</b>	<b>-890</b>	<b>-</b>	<b>41</b>	<b>-50</b>	<b>-9</b>	<b>-960</b>
<b>Equity at 31 December 2021</b>	<b>2,588</b>	<b>895</b>	<b>5,918</b>	<b>6,974</b>	<b>1,517</b>	<b>171</b>	<b>2,896</b>	<b>1,293</b>	<b>989</b>	<b>23,241</b>

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

# Notes

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## Note 1 - Accounting principles

### Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2020. The Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts with the exception noted below:

### Definition of default

The group implemented a new definition of default on 1 January 2021.

The new definition is formulated in accordance with the European Banking Authority's guidelines on how banks should apply the definition of default in the Capital Requirements Regulation (CRR) and clarifications in the Norwegian CRR/CRD IV regulations.

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.

The group has with effect from 1 January 2021 also applied the new default definition for accounting purposes for transfer of loans to stage 3. Loan volume in stage 3 has increased in 2021 by NOK 1,017 million, primarily as a result of the new definition. However, there was no significant change in the underlying credit risk over the course of 2021. Comparatives have not been restated.

## Note 2 - Critical estimates and assessment concerning the use of accounting principles

When it prepares the consolidated accounts the management team makes estimates, discretionary assessments and assumptions which influence the application of accounting principles. This accordingly affects recognised amounts for assets, liabilities, revenues and expenses. Last year's annual accounts give a closer explanation of significant estimates and assumptions in Note 3 Critical estimates and assessments concerning the use of accounting principles.

### Pensions

Sparebank1 SMN Group has one pension arrangement; defined contribution plan. For a further description of the pension scheme, see note 22 in the 2020 annual report.

The group's pension liabilities are accounted for under IAS 19R. Estimate variances are therefore directly reflected in equity capital and are presented under other comprehensive income.

It was decided to terminate the defined benefit scheme at a board meeting on 21 October 2016. Employees on this scheme transferred to the defined contribution scheme from 1 January 2017, and received a paid-up policy showing rights accumulated under the defined benefit scheme. Paid-up policies are managed by the pension fund, which has been 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.

A new calculation of the Group's pension liabilities has been carried out as per 31 December 2021:

<b>Actuarial assumptions</b>	<b>31 Dec 2020</b>	<b>1 January 2021</b>	<b>31 Dec 2021</b>
Discount rate	1.50 %	1.50 %	1.60 %
Expected rate of return on plan assets	1.50 %	1.50 %	1.60 %
Expected future wage and salary growth	2.00 %	2.00 %	2.25 %
Expected adjustment on basic amount (G)	2.00 %	2.00 %	2.25 %
Expected increase in current pension	0.00 %	0.00 %	0.00 %
Employers contribution	19.10 %	19.10 %	19.10 %

### Demographic assumptions:

Mortality base table	K2013 BE
Disability	IR73
Voluntary exit	2% to 50 years, 0% after 50 years

<b>Movement in net pension liability in the balance sheet Group (NOKm)</b>	<b>Funded</b>	<b>Unfunded</b>	<b>Total</b>
Net pension liability in the balance sheet 1.1	-112	10	-102
OCI accounting 1 Jan	-	-	-
OCI accounting 31 December	51	-2	49
Net defined-benefit costs in profit and loss account	-2	0	-1
Paid in pension premium, defined-benefit schemes	-	-	-
Paid in pension premium, defined-benefit plan	-	-1	-1
<b>Net pension liability in the balance sheet 31 December 2021</b>	<b>-62</b>	<b>8</b>	<b>-54</b>



<b>Net pension liability in the balance sheet Group (NOKm)</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
Net present value of pension liabilities in funded schemes	645	640
Estimated value of pension assets	-701	-743
Net pension liability in the balance sheet before employer's contribution	-56	-104
Employers contribution	1	2
<b>Net pension liability in the balance sheet</b>	<b>-54</b>	<b>-102</b>

<b>Pension cost Group (NOKm)</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
Present value of pension accumulated in the year	0	0
Net interest income	-2	-3
Net pension cost related to defined plans, incl unfunded pension commitment	-1	-3
Cost of defined contribution pension and early retirement pension scheme	115	107
<b>Total pension cost for the period</b>	<b>113</b>	<b>105</b>

### Investment held for sale

SpareBank 1 SMN's strategy is that ownership due 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.

SpareBank 1 Kapitalforvaltning, subsidiary of SpareBank 1 Markets, has been presented as Investment held for sale from second quarter 2021 due to the agreement of sale to SpareBank 1 Forvaltning in third quarter of 2021. The result for the first half of the year is included on the line held for sale. Comparables have been restated. The company SpareBank 1 Forvaltning is owned by the SpareBank1 banks and include the subsidiaries Odin Forvaltning, SpareBank 1 Kapitalforvaltning and SpareBank 1 Verdipapirservise.

<b>2021 (NOKm)</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Revenue</b>	<b>Expenses</b>	<b>Profit</b>	<b>Ownership</b>
Mavi XV AS Group	59	1	10	11	-1	100 %
SpareBank1 Kapitalforvaltning	-	-	36	26	10	
<b>Total Held for sale</b>	<b>59</b>	<b>1</b>	<b>46</b>	<b>37</b>	<b>10</b>	

### Losses on loans and guarantees

For a detailed description of the Bank's model for expected credit losses, refer to note 2 and 3 in the annual accounts for 2020.

The input in the credit loss model have been changed a result of changed expectations due to the corona situation. The crisis and the significant increase in macroeconomic uncertainty have made the assessments extra demanding. The regulators have emphasized the importance of focusing on the expected long-term effects of the crisis and this has also been the bank's focus.

In the first quarter 2020, the bank changed the assumptions for the base scenario in a negative direction. This has been continued in 2020 and 2021. The bank's exposure to hotels and tourism, including commercial real estate with the income mainly towards this industry, is separated into a separate portfolio with its own assessments of PD and LGD courses as well as special scenarios and weighting of these to reflect this portfolio's exposure to the effects of corona. In addition, this entire portfolio is included in stage 2 or 3.

The development in the base scenario is prepared using adjustment factors where the development in the business cycle is projected by assumptions about how much the probability of default (PD) or loss of default (LGD) will increase or decrease compared to the base scenario in a five-year period. We expect increased losses related to debtors that have a demanding starting point before the crisis - typically debtors in stage 2. The bank has therefore chosen to increase the trajectories for PD and LGD as well as reduce expected repayments in the base scenario, especially from year 2 onwards, since this will affect expected losses mainly for debtors in stage 2. To adjust for migration into stage 2, PD and LGD estimates are also increased in the first year. No first year repayments are assumed for all portfolios in downside scenario.

The applied scenario weighting was changed in the fourth quarter of 2020 to reflect further increased uncertainty. For corporate market including offshore, as well as agriculture, the downside scenario was changed from a weighting with a 10 percent probability, to a weighting of a 20 percent probability. For retail market, the weighting of the downside scenario was changed from 10 to 15 per cent. This has been continued in 2021.

The effect of changes in input assumptions is shown as "Effect of changed assumptions in ECL model" in note 7. The effect is NOK 18 million for the bank and 5 million for the Group.

### Sensitivity

The first part of the table below show total calculated expected credit loss as of 31 december 2021 in each of the three scenarios, distributed in the portfolios Retail Market, Corporate Market and offshore, tourism and agriculture, which adds up to parent bank. In addition the subsidiary SpareBank 1 Finans Midt-Norge is included. ECL for the parent bank and the subsidiary is summed up in the column "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 downside scenaro weight has been doubled.

If the downside scenario's probability were doubled at the expense of the baseline scenario at the end of 2021, this would have entailed an increase in loss provisions of NOK 319 million for the parent bank and NOK 326 million for the group.

	CM (excl offshore and agriculture)	RM	Offshore	Agriculture	Tourism	Total parent	SB 1 Finans MN	Group
ECL base case	437	71	559	39	35	1,142	51	1,193
ECL worst case	1,061	298	1,190	91	128	2,768	119	2,887
ECL best case	362	37	471	10	19	899	36	935
ECL with scenario weights used 80/10/10	-	-	-	-	-	-	56	56
ECL with scenario weights used 65/25/15	551	-	672	52	-	1,275	-	1,275
ECL with scenario weights used 60/30/10	-	-	-	-	51	51	-	51
ECL with scenario weights used 70/15/15	-	100	-	-	-	100	-	100
<b>Total ECL used</b>	<b>551</b>	<b>100</b>	<b>672</b>	<b>52</b>	<b>51</b>	<b>1,426</b>	<b>56</b>	<b>1,482</b>
ECL alternative scenario weights 70/20/10	-	-	-	-	-	-	63	63
ECL alternative scenario weights 45/40/15	676	-	798	68	-	1,541	-	1,541
ECL alternative scenario weights 30/60/10	-	-	-	-	70	70	-	70
ECL alternative scenario weights 55/30/15	-	134	-	-	-	134	-	134
<b>Total ECL alternative weights</b>	<b>676</b>	<b>134</b>	<b>798</b>	<b>68</b>	<b>70</b>	<b>1,745</b>	<b>63</b>	<b>1,808</b>
<b>Change in ECL if alternative weights were used</b>	<b>125</b>	<b>34</b>	<b>126</b>	<b>16</b>	<b>19</b>	<b>319</b>	<b>7</b>	<b>326</b>

The table reflects that there are some significant differences in underlying PD and LGD estimates in the different scenarios and that there are differentiated levels and level differences between the portfolios. At group level, the ECL in the upside scenario, which largely reflects the loss and default picture in recent years, is about 80 per cent of the ECL in the expected scenario. The downside scenario gives about double the ECL than in the expected scenario. Applied scenario weighting gives about 20 percent higher ECL than in the expected scenario.

### Note 3 - Account by business line

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 2021

Profit and loss account (NOKm)	RM	CM	SB1 Markets	EM 1	SB 1 Finans MN	SB 1 Regnskaps-huset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	1,128	1,106	-7	2	450	0	-	-	117	2,796
Interest from allocated capital	37	14	-	-	-	-	-	-	-52	-
<b>Total interest income</b>	<b>1,165</b>	<b>1,120</b>	<b>-7</b>	<b>2</b>	<b>450</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>2,796</b>
Comission income and other income	906	251	782	441	-90	562	-	-	-20	2,832
Net return on financial investments **)	2	15	126	10	4	-	471	164	234	1,026
<b>Total income</b>	<b>2,074</b>	<b>1,386</b>	<b>901</b>	<b>453</b>	<b>364</b>	<b>562</b>	<b>471</b>	<b>164</b>	<b>280</b>	<b>6,655</b>
<b>Total operating expenses</b>	<b>916</b>	<b>446</b>	<b>647</b>	<b>382</b>	<b>141</b>	<b>477</b>	<b>-</b>	<b>-</b>	<b>-15</b>	<b>2,993</b>
<b>Ordinary operating profit</b>	<b>1,157</b>	<b>940</b>	<b>254</b>	<b>71</b>	<b>224</b>	<b>85</b>	<b>471</b>	<b>164</b>	<b>294</b>	<b>3,662</b>
Loss on loans, guarantees etc.	-10	145	-	-	25	-	-	-	1	161
<b>Result before tax including held for sale</b>	<b>1,167</b>	<b>795</b>	<b>254</b>	<b>71</b>	<b>198</b>	<b>85</b>	<b>471</b>	<b>164</b>	<b>293</b>	<b>3,501</b>
<b>Post-tax-return on equity *)</b>	<b>13.4 %</b>	<b>11.5 %</b>								<b>13.5 %</b>
<b>Balance</b>										
Loans and advances to customers	137,672	47,585	-	-	10,321	-	-	-	-225	195,353
Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-46,821	-1,231	-	-	-	-	-	-	0	-48,052
Allowance for credit loss	-125	-1,223	-	-	-60	-	-	-	-3	-1,410
Other assets	123	18,526	2,820	436	111	625	2,177	1,488	26,649	52,954
<b>Total assets</b>	<b>90,850</b>	<b>63,656</b>	<b>2,820</b>	<b>436</b>	<b>10,372</b>	<b>625</b>	<b>2,177</b>	<b>1,488</b>	<b>26,422</b>	<b>198,845</b>
Deposits to customers	50,691	59,619	-	-	-	-	-	-	977	111,286
Other liabilities and equity	40,159	4,037	2,820	436	10,372	625	2,177	1,488	25,445	87,559
<b>Total liabilities and equity</b>	<b>90,850</b>	<b>63,656</b>	<b>2,820</b>	<b>436</b>	<b>10,372</b>	<b>625</b>	<b>2,177</b>	<b>1,488</b>	<b>26,422</b>	<b>198,845</b>

\*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 16.9 percent to be in line with the capital plan

## Group 31. December 2020

Profit and loss account (NOKm)			SB1	SB 1		SB 1	SB1	BN		Total
	RM	CM	Markets	EM 1	Finans MN	Regnskaps-huset SMN	Gruppen	Bank	Uncollated	
Net interest	1,112	1,085	-13	2	387	1	-	-	186	2,759
Interest from allocated capital	101	63	-	-	-	-	-	-	-165	-
<b>Total interest income</b>	<b>1,213</b>	<b>1,149</b>	<b>-13</b>	<b>2</b>	<b>387</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>2,759</b>
Comission income and other income	867	211	636	392	-22	533	-	-	-101	2,516
Net return on financial investments **)	-2	21	137	-	-	-	194	120	481	951
<b>Total income</b>	<b>2,078</b>	<b>1,381</b>	<b>759</b>	<b>394</b>	<b>364</b>	<b>533</b>	<b>194</b>	<b>120</b>	<b>401</b>	<b>6,225</b>
<b>Total operating expenses</b>	<b>929</b>	<b>422</b>	<b>590</b>	<b>342</b>	<b>131</b>	<b>423</b>	<b>-</b>	<b>-</b>	<b>68</b>	<b>2,904</b>
<b>Ordinary operating profit</b>	<b>1,149</b>	<b>959</b>	<b>169</b>	<b>52</b>	<b>234</b>	<b>110</b>	<b>194</b>	<b>120</b>	<b>333</b>	<b>3,321</b>
Loss on loans, guarantees etc.	56	846	-	-	49	-	-	-	1	951
<b>Result before tax including held for sale</b>	<b>1,093</b>	<b>113</b>	<b>169</b>	<b>52</b>	<b>184</b>	<b>110</b>	<b>194</b>	<b>120</b>	<b>333</b>	<b>2,370</b>
<b>Post-tax-return on equity *)</b>	<b>13.4 %</b>	<b>2.1 %</b>								<b>10.0 %</b>
<b>Balance</b>										
Loans and advances to customers	129,149	44,845	-	-	9,622	-	-	-	-815	182,801
Adv. of this sold to SpareBank 1 Boligkreditt	-46,899	-1,354	-	-	-	-	-	-	100	-48,153
Allowance for credit losses	-148	-1,298	-	-	-66	-	-	-	-5	-1,517
Other assets	156	10,471	3,265	357	66	592	2,151	1,514	36,210	54,781
<b>Total assets</b>	<b>82,258</b>	<b>52,663</b>	<b>3,265</b>	<b>357</b>	<b>9,623</b>	<b>592</b>	<b>2,151</b>	<b>1,514</b>	<b>35,490</b>	<b>187,912</b>
Deposits to customers	47,478	49,420	-	-	-	-	-	-	631	97,529
Other liabilities and equity	34,780	3,244	3,265	357	9,623	592	2,151	1,514	34,859	90,383
<b>Total liabilities and equity</b>	<b>82,258</b>	<b>52,663</b>	<b>3,265</b>	<b>357</b>	<b>9,623</b>	<b>592</b>	<b>2,151</b>	<b>1,514</b>	<b>35,490</b>	<b>187,912</b>

\*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 15.4 percent to be in line with the capital plan

**) Specification of net return on financial investments (NOKm)	31 Dec 21	31 Dec 20
<b>Dividends</b>	<b>22</b>	<b>39</b>
Capital gains/losses shares	176	-4
Gain/(loss) on certificates and bonds	-285	103
Gain/(loss) on derivatives	301	32
Gain/(loss) on financial instruments related to hedging	-6	1
Gain/(loss) on other financial instruments at fair value (FVO)	12	-11
Foreign exchange gain/(loss)	70	82
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	31	28
<b>Net return on financial instruments</b>	<b>299</b>	<b>230</b>
SpareBank 1 Gruppen	471	194
Gain Fremtind	-	340
SpareBank 1 Boligkreditt	16	18
SpareBank 1 Næringskreditt	7	18
BN Bank	164	120
SpareBank 1 Kreditt	13	2
SpareBank 1 Betaling	-15	-2
SpareBank 1 Forvaltning	32	-
Other companies	17	-10
<b>Income from investment in associates and joint ventures</b>	<b>705</b>	<b>681</b>
<b>Total net return on financial investments</b>	<b>1,026</b>	<b>950</b>
<b>Fair value hedging</b>		
Changes in fair value on hedging instrument	-664	467
Changes in fair value on hedging item	657	-465
<b>Net Gain or Loss from hedge accounting</b>	<b>-6</b>	<b>1</b>



## Note 4 - Capital adequacy

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 Approach 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 2021 the overall minimum requirement on CET1 capital is 12.5 per cent. The capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement for Norwegian IRB-banks is 4.5 per cent and the Norwegian countercyclical buffer is 1.0 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital. In addition the financial supervisory authority has set a Pillar 2 requirement of 1.9 per cent for SpareBank 1 SMN, however not below NOK 1,794 million in monetary terms. The Norwegian countercyclical buffer will rise to 1.5 per cent with effect from 30 June 2022, and to 2.0 per cent from 31 December 2022.

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 2021 an adjustment was made in both the parent bank and the group to bring the average risk weight up to 20 per cent. This is presented in the note together with 'mass market exposure, property' under 'credit risk IRB'.

The systemic risk buffer stands at 4.5 per cent for the Norwegian exposures. For exposures in other countries, the particular country's systemic buffer rate shall be employed. As of 31 December 2021 the effective rate for the parent bank and for the group is accordingly 4.4 per cent.

The countercyclical buffer is calculated using differentiated rates. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. As of 31 December 2021 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 2020	31 Dec 2021	(NOKm)	31 Dec 2021	31 Dec 2020
<b>18,092</b>	<b>19,356</b>	<b>Total book equity</b>	<b>23,241</b>	<b>21,310</b>
-1,250	-1,250	Additional Tier 1 capital instruments included in total equity	-1,293	-1,293
-515	-458	Deferred taxes, goodwill and other intangible assets	-961	-1,044
-890	-1,517	Deduction for allocated dividends and gifts	-1,517	-890
-	-	Non-controlling interests recognised in other equity capital	-989	-838
-	-	Non-controlling interests eligible for inclusion in CET1 capital	568	488
-43	-41	Value adjustments due to requirements for prudent valuation	-56	-56
-47	-495	Positive value of adjusted expected loss under IRB Approach	-560	-74
-	-	Cash flow hedge reserve	3	10
-186	-202	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-648	-572
<b>15,160</b>	<b>15,393</b>	<b>Common equity Tier 1 capital</b>	<b>17,790</b>	<b>17,041</b>
1,250	1,250	Additional Tier 1 capital instruments	1,581	1,595
-	-48	Deduction for significant investments in financial institutions	-48	-
<b>16,410</b>	<b>16,595</b>	<b>Tier 1 capital</b>	<b>19,322</b>	<b>18,636</b>
		<b>Supplementary capital in excess of core capital</b>		
1,750	1,750	Subordinated capital	2,226	2,262
-139	-214	Deduction for significant investments in financial institutions	-214	-139
<b>1,611</b>	<b>1,536</b>	<b>Additional Tier 2 capital instruments</b>	<b>2,011</b>	<b>2,123</b>
<b>18,020</b>	<b>18,130</b>	<b>Total eligible capital</b>	<b>21,333</b>	<b>20,759</b>

<b>Minimum requirements subordinated capital</b>				
1,053	1,049	Specialised enterprises	1,248	1,240
920	1,016	Corporate	1,030	930
1,511	1,400	Mass market exposure, property	2,384	2,261
107	93	Other mass market	95	110
1,026	1,000	Equity positions IRB	1	1
<b>4,617</b>	<b>4,558</b>	<b>Total credit risk IRB</b>	<b>4,758</b>	<b>4,541</b>
1	3	Central government	4	2
93	106	Covered bonds	133	142
441	398	Institutions	299	332
-	1	Local and regional authorities, state-owned enterprises	29	27
32	188	Corporate	432	281
20	7	Mass market	466	476
11	25	Exposures secured on real property	128	136
272	279	Equity positions	521	408
99	92	Other assets	142	159
<b>970</b>	<b>1,098</b>	<b>Total credit risk standardised approach</b>	<b>2,154</b>	<b>1,962</b>
30	35	Debt risk	36	31
-	-	Equity risk	34	18
-	-	Currency risk and risk exposure for settlement/delivery	1	3
421	433	Operational risk	817	770
25	26	Credit value adjustment risk (CVA)	93	123
<b>6,063</b>	<b>6,150</b>	<b>Minimum requirements subordinated capital</b>	<b>7,893</b>	<b>7,448</b>
<b>75,785</b>	<b>76,873</b>	<b>Risk weighted assets (RWA)</b>	<b>98,664</b>	<b>93,096</b>
3,410	3,459	Minimum requirement on CET1 capital, 4.5 per cent	4,440	4,189
		Capital Buffers		
1,895	1,922	Capital conservation buffer, 2.5 per cent	2,467	2,327
3,410	3,459	Systemic risk buffer, 4.5 per cent	4,440	4,189
758	769	Countercyclical buffer, 1.0 per cent	987	931
<b>6,063</b>	<b>6,150</b>	<b>Total buffer requirements on CET1 capital</b>	<b>7,893</b>	<b>7,448</b>
<b>5,687</b>	<b>5,784</b>	<b>Available CET1 capital after buffer requirements</b>	<b>5,457</b>	<b>5,404</b>
		<b>Capital adequacy</b>		
20.0 %	20.0 %	Common equity Tier 1 capital ratio	18.0 %	18.3 %
21.7 %	21.6 %	Tier 1 capital ratio	19.6 %	20.0 %
23.8 %	23.6 %	Capital ratio	21.6 %	22.3 %
		<b>Leverage ratio</b>		
178,219	191,697	Balance sheet items	269,857	256,978
6,190	10,782	Off-balance sheet items	11,341	7,514
-606	-1,042	Regulatory adjustments	-2,110	-1,577
183,803	201,437	Calculation basis for leverage ratio	279,088	262,915
16,410	16,595	Core capital	19,322	18,636
<b>8.9 %</b>	<b>8.2 %</b>	<b>Leverage Ratio</b>	<b>6.9 %</b>	<b>7.1 %</b>

## Note 5 - Distribution of loans by sector/industry

Parent Bank			Group	
31 Dec 2020	31 Dec 2021	(NOKm)	31 Dec 2021	31 Dec 2020
9,160	9,433	Agriculture and forestry	9,783	9,591
5,243	5,853	Fisheries and hunting	5,870	5,259
1,704	1,926	Sea farming industries	2,176	2,100
2,234	2,151	Manufacturing	2,766	2,646
3,195	3,169	Construction, power and water supply	4,124	4,077
2,289	2,572	Retail trade, hotels and restaurants	2,966	2,586
4,537	4,715	Maritime sector	4,715	4,537
15,427	16,924	Property management	17,044	15,509
3,644	4,497	Business services	4,990	3,423
6,032	5,714	Transport and other services provision	6,667	6,942
9	2	Public administration	34	33
1,626	1,383	Other sectors	1,325	1,638
<b>55,099</b>	<b>58,337</b>	<b>Gross loans in Corporate market</b>	<b>62,458</b>	<b>58,340</b>
118,714	126,828	Wage earners	132,894	124,461
<b>173,814</b>	<b>185,165</b>	<b>Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt</b>	<b>195,353</b>	<b>182,801</b>
46,613	46,650	of which SpareBank 1 Boligkreditt	46,650	46,613
1,540	1,402	of which SpareBank 1 Næringskreditt	1,402	1,540
<b>125,660</b>	<b>137,113</b>	<b>Gross loans in balance sheet</b>	<b>147,301</b>	<b>134,648</b>
1,351	1,250	- Loan loss allowance on amortised cost loans	1,313	1,421
96	97	- Loan loss allowance on loans at FVOCI	97	96
<b>124,214</b>	<b>135,766</b>	<b>Net loans to and receivables from customers</b>	<b>145,890</b>	<b>133,131</b>

## Note 6 - Losses on loans and guarantees

Parent Bank (NOKm)	Jan-Dec						Fourth quarter					
	2021			2020			2021			2020		
	RM	CM	Total	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in provision for expected credit losses for the period	-11	39	27	49	666	715	2	-64	-61	-4	166	163
Actual loan losses on commitments exceeding provisions made	10	107	117	14	197	212	2	84	86	4	82	85
Recoveries on commitments previously written-off	-9	-1	-10	-7	-18	-25	-4	-1	-5	-2	-17	-18
<b>Losses for the period on loans and guarantees</b>	<b>-10</b>	<b>145</b>	<b>134</b>	<b>56</b>	<b>846</b>	<b>902</b>	<b>0</b>	<b>20</b>	<b>20</b>	<b>-2</b>	<b>232</b>	<b>230</b>

Group (NOKm)	Jan-Dec						3rd quarter					
	2021			2020			2021			2020		
	RM	CM	Total	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in provision for expected credit losses for the period	-20	50	30	48	681	729	3	-53	-50	-3	170	167
Actual loan losses on commitments exceeding provisions made	30	112	142	55	213	268	6	83	89	9	101	110
Recoveries on commitments previously written-off	-9	-3	-12	-25	-21	-46	-4	-3	-7	-0	-35	-35
<b>Losses for the period on loans and guarantees</b>	<b>1</b>	<b>159</b>	<b>161</b>	<b>78</b>	<b>873</b>	<b>951</b>	<b>4</b>	<b>27</b>	<b>32</b>	<b>6</b>	<b>236</b>	<b>242</b>

## Note 7 - Losses

Parent Bank (NOKm)	1 Jan 21	Change in provision	Net write-offs /recoveries	31 Dec 21
Loans as amortised cost- CM	1,377	38	-117	1,298
Loans as amortised cost- RM	35	8	-12	31
Loans at fair value over OCI- RM	147	-19	-	128
Loans at fair value over OCI- CM	0	1	-	1
<b>Provision for expected credit losses on loans and guarantees</b>	<b>1,559</b>	<b>27</b>	<b>-129</b>	<b>1,458</b>
<b>Presented as</b>				
Provision for loan losses	1,446	30	-129	1,348
Other debt- provisions	81	-2	-	79
Other comprehensive income - fair value adjustment	32	-1	-	31

Parent Bank (NOKm)	1 Jan 20	Change in provision	Net write-offs /recoveries	31 Dec 20
Loans as amortised cost- CM	916	667	-206	1,377
Loans as amortised cost- RM	34	12	-11	35
Loans at fair value over OCI- RM	109	38	-	147
Loans at fair value over OCI- CM	1	-1	-	0
<b>Provision for expected credit losses on loans and guarantees</b>	<b>1,060</b>	<b>715</b>	<b>-217</b>	<b>1,559</b>
<b>Presented as</b>				
Provision for loan losses	937	725	-217	1,446
Other debt- provisions	100	-19	-	81
Other comprehensive income - fair value adjustment	23	9	-	32

Group (NOKm)	1 Jan 21	Change in provision	Net write-offs /recoveries	31 Dec 21
Loans as amortised cost- CM	1,421	50	-128	1,343
Loans as amortised cost- RM	62	-1	-12	49
Loans at fair value over OCI- RM	147	-19	-	128
Loans at fair value over OCI- CM	0	1	-	1
<b>Provision for expected credit losses on loans and guarantees</b>	<b>1,630</b>	<b>30</b>	<b>-140</b>	<b>1,520</b>
<b>Presented as</b>				
Provision for loan losses	1,517	33	-140	1,410
Other debt- provisions	81	-2	-	79
Other comprehensive income - fair value adjustment	32	-1	-	31

Group (NOKm)	1 Jan 20	Change in provision	Net write-offs /recoveries	31 Dec 20
Loans as amortised cost- CM	948	682	-209	1,421
Loans as amortised cost- RM	63	10	-11	62
Loans at fair value over OCI- RM	109	38	-	147
Loans at fair value over OCI- CM	1	-1	-	0
<b>Provision for expected credit losses on loans and guarantees</b>	<b>1,121</b>	<b>729</b>	<b>-220</b>	<b>1,630</b>
<b>Presented as</b>				
Provision for loan losses	998	739	-220	1,517
Other debt- provisions	100	-19	-	81
Other comprehensive income - fair value adjustment	23	9	-	32

## Accrual for losses on loans

Parent Bank (NOKm)	31 Dec 2021				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Retail market</b>								
Opening balance	35	97	47	180	25	73	45	143
Transfer to (from) stage 1	20	-20	-0	-	14	-13	-0	-
Transfer to (from) stage 2	-2	2	-0	-	-1	2	-0	-
Transfer to (from) stage 3	-1	-6	7	-	-0	-3	3	-
Net remeasurement of loss allowances	-22	24	-3	-1	-17	12	9	5
Originations or purchases	19	17	1	37	13	13	0	26
Derecognitions	-12	-32	-4	-48	-8	-23	-2	-33
Changes due to changed input assumptions	1	-0	-	1	10	38	2	50
Actual loan losses	0	0	-12	-12	-	-	-11	-11
Closing balance	39	82	36	156	35	97	47	180
<b>Corporate Market</b>								
Opening balance	88	387	823	1,299	66	210	540	816
Transfer to (from) stage 1	15	-15	-	-	14	-14	-0	-
Transfer to (from) stage 2	-5	5	-	-	-4	4	-0	-
Transfer to (from) stage 3	-2	-26	28	-	-0	-1	1	-
Net remeasurement of loss allowances	-26	26	38	39	-2	72	486	556
Originations or purchases	32	21	100	153	45	99	1	144
Derecognitions	-20	-145	-1	-166	-30	-96	-1	-127
Changes due to changed input assumptions	1	14	-	15	-0	113	2	115
Actual loan losses	-	-	-117	-117	-	-	-206	-206
Closing balance	84	268	871	1,223	88	387	823	1,299
<b>Total accrual for loan losses</b>	<b>123</b>	<b>350</b>	<b>907</b>	<b>1,379</b>	<b>123</b>	<b>484</b>	<b>870</b>	<b>1,478</b>

Group (NOKm)	31 Dec 2021				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Retail market</b>								
Opening balance	42	107	58	207	32	84	56	172
Transfer to (from) stage 1	22	-22	-0	-	14	-13	-0	-
Transfer to (from) stage 2	-2	3	-0	-	0	-0	-0	-
Transfer to (from) stage 3	-1	-7	8	-	-1	-2	3	-
Net remeasurement of loss allowances	-23	26	-1	2	-17	11	11	5
Originations or purchases	22	20	1	43	12	15	5	31
Derecognitions	-14	-37	-9	-60	-6	-20	1	-25
Changes due to changed input assumptions	-0	-2	-4	-5	7	33	-6	35
Actual loan losses	-	-	-12	-12	-	-	-11	-11
Closing balance	45	89	40	174	42	107	58	207
<b>Corporate Market</b>								
Opening balance	98	399	845	1,342	71	218	560	849
Transfer to (from) stage 1	20	-20	-0	-	14	-14	-0	-
Transfer to (from) stage 2	-7	7	-0	-	-2	2	-0	-
Transfer to (from) stage 3	-2	-27	29	-	-1	0	1	-
Net remeasurement of loss allowances	-29	31	42	44	-2	72	484	555
Originations or purchases	35	23	112	169	46	103	3	151
Derecognitions	-21	-146	-2	-169	-26	-93	10	-109
Changes due to changed input assumptions	-2	12	-2	9	-2	111	-4	106
Actual loan losses	-	-	-128	-128	-	-	-209	-209
Closing balance	94	278	896	1,268	98	399	845	1,342
<b>Total accrual for loan losses</b>	<b>138</b>	<b>367</b>	<b>936</b>	<b>1,442</b>	<b>140</b>	<b>507</b>	<b>902</b>	<b>1,549</b>



**Accrual for losses on guarantees and unused credit lines**

Parent Bank and Group (NOKm)	31 Dec 2021				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance	27	50	4	81	14	29	57	100
Transfer to (from) stage 1	6	-6	-0	-	2	-2	-0	-
Transfer to (from) stage 2	-7	7	-	-	-0	0	-0	-
Transfer to (from) stage 3	-0	-1	1	-	-0	-0	0	-
Net remeasurement of loss allowances	-9	4	0	-4	2	16	-54	-36
Originations or purchases	7	4	0	11	11	8	0	19
Derecognitions	-6	-5	-0	-11	-5	-13	-0	-19
Changes due to changed input assumptions	0	2	-	2	3	12	0	16
Actual loan losses	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>19</b>	<b>55</b>	<b>5</b>	<b>79</b>	<b>27</b>	<b>50</b>	<b>4</b>	<b>81</b>
Of which								
Retail market				2				2
Corporate Market				76				79

**Provision for credit losses specified by industry**

Parent Bank (NOKm)	31 Dec 2021				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Agriculture and forestry	2	31	6	39	2	34	5	41
Fisheries and hunting	6	7	0	13	6	2	-	8
Sea farming industries	1	0	0	2	2	0	3	5
Manufacturing	5	36	15	56	8	25	2	35
Construction, power and water supply	13	16	14	43	11	27	17	55
Retail trade, hotels and restaurants	8	28	11	46	10	30	17	58
Maritime sector	14	118	555	687	10	180	614	804
Property management	20	50	36	105	20	56	38	114
Business services	13	12	222	247	12	56	142	210
Transport and other services	7	6	17	30	8	10	2	19
Public administration	0	-	-	0	0	-	-	0
Other sectors	0	0	-	0	0	0	-	0
Wage earners	2	47	30	79	2	65	31	97
Total provision for losses on loans	91	350	907	1,348	91	484	870	1,446
Loan loss allowance on loans at FVOCI	31			31	32			32
<b>Total loan loss allowance</b>	<b>123</b>	<b>350</b>	<b>907</b>	<b>1,379</b>	<b>123</b>	<b>484</b>	<b>870</b>	<b>1,478</b>

Group (NOKm)	31 Dec 2021				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Agriculture and forestry	3	33	7	42	3	36	5	44
Fisheries and hunting	6	7	0	13	6	2	-	8
Sea farming industries	1	1	1	3	3	1	3	6
Manufacturing	7	38	21	66	10	27	7	44
Construction, power and water supply	16	19	18	53	13	31	20	64
Retail trade, hotels and restaurants	9	28	16	53	12	31	19	62
Maritime sector	14	118	555	687	10	180	614	804
Property management	20	50	36	106	20	56	39	115
Business services	14	14	227	255	13	57	143	213
Transport and other services	8	7	22	37	10	12	10	32
Public administration	0	-	0	0	0	-	-	0
Other sectors	0	0	-	0	0	0	2	2
Wage earners	7	53	34	95	7	73	41	122
Total provision for losses on loans	107	367	936	1,410	108	507	902	1,517
Loan loss allowance on loans at FVOCI	31			31	32			32
<b>Total loan loss allowance</b>	<b>138</b>	<b>367</b>	<b>936</b>	<b>1,442</b>	<b>140</b>	<b>507</b>	<b>902</b>	<b>1,549</b>

## Note 8 - Gross loans

Parent Bank (NOKm)	31 Dec 2021				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Retail Market</b>								
Opening balance	73,297	4,430	381	78,108	69,045	5,129	487	74,661
Transfer to stage 1	1,007	-1,002	-6	-	1,050	-1,019	-31	-
Transfer to stage 2	-1,325	1,332	-7	-	-1,433	1,470	-38	-
Transfer to stage 3	-61	-87	148	-	-30	-47	77	-
Net increase/decrease amount existing loans	-2,513	-102	-15	-2,630	-2,093	-136	-7	-2,237
New loans	43,464	1,198	118	44,780	49,001	1,464	111	50,575
Derecognitions	-31,569	-1,876	-156	-33,601	-42,243	-2,429	-196	-44,867
Financial assets with actual loan losses	0	-1	-20	-21	-1	-2	-22	-24
Closing balance	82,299	3,892	444	86,636	73,297	4,430	381	78,108
<b>Corporate Market</b>								
Opening balance	35,587	5,979	1,702	43,268	33,190	3,971	1,470	38,632
Transfer to stage 1	647	-647	-0	-	521	-521	-0	-
Transfer to stage 2	-1,434	1,434	-	-	-2,605	2,614	-9	-
Transfer to stage 3	-43	-593	637	-	-70	-685	754	-
Net increase/decrease amount existing loans	-1,202	-196	-39	-1,437	-1,541	-208	38	-1,711
New loans	13,125	-550	1,074	13,649	17,141	1,672	328	19,141
Derecognitions	-8,320	-236	-524	-9,081	-11,046	-753	-862	-12,662
Financial assets with actual loan losses	-1	-4	-193	-199	-2	-111	-19	-132
Closing balance	38,359	5,186	2,656	46,201	35,587	5,979	1,702	43,268
Fixed interest loans at FV	4,276			4,276	4,285			4,285
<b>Total gross loans at the end of the period</b>	<b>124,934</b>	<b>9,079</b>	<b>3,100</b>	<b>137,113</b>	<b>113,169</b>	<b>10,409</b>	<b>2,083</b>	<b>125,660</b>

Group (NOKm)	31 Dec 2021				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Retail Market</b>								
Opening balance	78,206	5,208	453	83,867	73,675	5,924	570	80,169
Transfer to stage 1	1,227	-1,221	-6	-	1,260	-1,225	-35	-
Transfer to stage 2	-1,598	1,609	-11	-	-1,731	1,785	-54	-
Transfer to stage 3	-74	-132	206	-	-44	-89	133	-
Net increase/decrease amount existing loans	-2,599	-154	-28	-2,782	-2,136	-196	-15	-2,346
New loans	46,190	1,465	125	47,781	51,383	1,702	119	53,204
Derecognitions	-33,775	-2,161	-189	-36,125	-43,512	-2,624	-239	-46,375
Financial assets with actual loan losses	-0	-1	-20	-21	-689	-70	-25	-784
Closing balance	87,577	4,612	531	92,721	78,206	5,208	453	83,867
<b>Corporate Market</b>								
Opening balance	38,107	6,587	1,802	46,496	35,466	4,426	1,539	41,431
Transfer to stage 1	879	-876	-2	-	693	-690	-4	-
Transfer to stage 2	-1,795	1,797	-1	-	-2,897	2,909	-11	-
Transfer to stage 3	-57	-626	683	-	-107	-695	801	-
Net increase/decrease amount existing loans	-652	-257	-53	-963	-1,589	-265	34	-1,819
New loans	14,533	-455	1,085	15,164	18,238	1,875	349	20,462
Derecognitions	-9,159	-397	-561	-10,117	-11,287	-815	-883	-12,985
Financial assets with actual loan losses	-1	-4	-193	-199	-410	-159	-24	-593
Balance at 31 December	41,855	5,768	2,759	50,382	38,107	6,587	1,802	46,496
Closing balance								
Fixed interest loans at FV	4,198			4,198	4,285			4,285
<b>Total gross loans at the end of the period</b>	<b>133,630</b>	<b>10,381</b>	<b>3,290</b>	<b>147,301</b>	<b>120,598</b>	<b>11,794</b>	<b>2,255</b>	<b>134,648</b>

## Note 9 - Distribution of customer deposits by sector/industry

Parent Bank			Group	
31 Dec 2020	31 Dec 2021	(NOKm)	31 Dec 2021	31 Dec 2020
2,269	1,958	Agriculture and forestry	1,958	2,269
1,210	991	Fisheries and hunting	991	1,210
1,305	1,050	Sea farming industries	1,050	1,305
1,796	2,562	Manufacturing	2,562	1,796
3,799	5,535	Construction, power and water supply	5,535	3,799
5,461	6,649	Retail trade, hotels and restaurants	6,649	5,461
1,182	1,006	Maritime sector	1,006	1,182
5,821	5,692	Property management	5,635	5,750
9,286	11,469	Business services	11,469	9,286
8,930	9,247	Transport and other services provision	8,750	8,518
12,711	16,826	Public administration	16,826	12,711
3,795	4,453	Other sectors	4,267	3,641
<b>57,566</b>	<b>67,439</b>	<b>Total</b>	<b>66,697</b>	<b>56,928</b>
40,600	44,589	Wage earners	44,589	40,600
<b>98,166</b>	<b>112,028</b>	<b>Total deposits</b>	<b>111,286</b>	<b>97,529</b>

## Note 10 - Net interest income

Parent bank				(NOKm)	Group			
Fourth quarter		Jan-Dec			Jan-Dec		Fourth quarter	
2020	2021	2020	2021		2021	2020	2021	2020
<b>Interest income</b>								
				Interest income from loans to and claims on central banks and credit institutions (amortised cost)				
27	38	171	128		33	42	11	5
				Interest income from loans to and claims on customers (amortised cost)				
385	448	1,584	1,654		2,169	2,120	578	518
				Interest income from loans to and claims on customers (FVOCI)				
321	341	1,519	1,285		1,300	1,534	345	325
				Interest income from loans to and claims on customers (FVPL)				
32	28	129	116		116	129	28	32
				Interest income from money market instruments, bonds and other fixed income securities				
60	80	349	279		276	346	79	59
-	-	-	-	Other interest income	23	27	6	6
<b>824</b>	<b>935</b>	<b>3,752</b>	<b>3,462</b>	<b>Total interest income</b>	<b>3,916</b>	<b>4,197</b>	<b>1,047</b>	<b>945</b>
<b>Interest expense</b>								
				Interest expenses on liabilities to credit institutions				
9	13	84	51		55	92	15	10
				Interest expenses relating to deposits from and liabilities to customers				
121	175	731	547		540	719	173	121
				Interest expenses related to the issuance of securities				
99	103	484	395		395	484	103	99
				Interest expenses on subordinated debt				
8	9	48	33		35	50	10	8
				Other interest expenses				
2	2	8	8		20	25	4	5
				Guarantee fund levy				
15	18	67	75		75	67	18	15
<b>253</b>	<b>321</b>	<b>1,423</b>	<b>1,109</b>	<b>Total interest expense</b>	<b>1,120</b>	<b>1,439</b>	<b>324</b>	<b>258</b>
<b>571</b>	<b>614</b>	<b>2,329</b>	<b>2,353</b>	<b>Net interest income</b>	<b>2,796</b>	<b>2,759</b>	<b>723</b>	<b>688</b>

## Note 11 - Net commission income and other income

Parent bank				(NOKm)	Group			
Fourth quarter		Jan-Dec			Jan-Dec		Fourth quarter	
2020	2021	2020	2021		2021	2020	2021	2020
				<b>Commission income</b>				
10	25	59	76	Guarantee commission	73	58	24	10
-	-	-	-	Broker commission	291	251	70	61
14	14	56	63	Portfolio commission, savings products	63	56	14	14
136	102	408	450	Commission from SpareBank 1 Boligkreditt	450	408	102	136
				Commission from SpareBank 1				
4	3	13	14	Næringskreditt	14	13	3	4
102	119	393	413	Payment transmission services	409	390	118	101
51	55	195	214	Commission from insurance services	214	195	55	51
19	19	80	77	Other commission income	69	71	17	16
<b>335</b>	<b>338</b>	<b>1,205</b>	<b>1,306</b>	<b>Total commission income</b>	<b>1,583</b>	<b>1,443</b>	<b>404</b>	<b>393</b>
				<b>Commission expenses</b>				
24	25	83	84	Payment transmission services	115	111	32	32
4	3	14	13	Other commission expenses	92	84	22	23
<b>28</b>	<b>28</b>	<b>97</b>	<b>97</b>	<b>Total commission expenses</b>	<b>207</b>	<b>196</b>	<b>55</b>	<b>54</b>
				<b>Other operating income</b>				
6	5	22	26	Operating income real property	27	21	6	5
-	-	-	-	Property administration and sale of property	150	142	30	32
-	-	-	-	Securities trading	719	583	158	250
-	-	-	-	Accountant's fees	529	506	114	111
4	11	19	21	Other operating income	31	18	14	1
<b>11</b>	<b>17</b>	<b>41</b>	<b>47</b>	<b>Total other operating income</b>	<b>1,456</b>	<b>1,269</b>	<b>322</b>	<b>399</b>
<b>318</b>	<b>326</b>	<b>1,149</b>	<b>1,256</b>	<b>Total net commission income and other operating income</b>	<b>2,832</b>	<b>2,516</b>	<b>671</b>	<b>738</b>



## Note 12 - Operating expenses

Parent bank				(NOKm)	Group			
Fourth quarter		Jan-Dec			Jan-Dec		Fourth quarter	
2020	2021	2020	2021		2021	2020	2021	2020
61	73	246	265	IT costs	359	334	97	82
2	2	15	10	Postage and transport of valuables	14	19	4	2
11	13	52	53	Marketing	77	73	22	14
25	22	102	95	Ordinary depreciation	186	164	40	43
12	11	39	44	Operating expenses, real properties	60	62	11	22
33	38	150	143	Purchased services	224	217	57	55
42	46	140	134	Other operating expense	190	186	72	52
<b>185</b>	<b>206</b>	<b>744</b>	<b>745</b>	<b>Total other operating expenses</b>	<b>1,111</b>	<b>1,054</b>	<b>302</b>	<b>271</b>

## Note 13 - Net return on financial investments

Parent Bank				Group			
Fourth quarter		Jan-Dec		Jan-Dec	Fourth quarter		
2020	2021	2020	2021	2021	2020	2021	2020
<b>(NOKm)</b>							
<b>Valued at fair value through profit/loss</b>							
-100	-140	-74	-433	-283	103	-89	-64
Value change in interest rate instruments							
Value change in derivatives/hedging							
1	0	1	-6	-6	1	0	1
Net value change in hedged bonds and derivatives							
2	12	-11	12	12	-11	12	2
Net value change in hedged fixed rate loans and derivatives							
110	68	32	301	332	59	69	112
Other derivatives							
Income from equity instruments							
-	-	-	-	705	681	156	117
Income from owner interests							
11	18	492	726	-	-	-	-
Dividend from owner instruments							
Value change and gain/loss on owner instruments							
-12	-0	-15	8	13	-9	44	-6
Dividend from equity instruments							
28	2	36	6	22	39	1	27
Value change and gain/loss on equity instruments							
-18	-5	-1	-4	163	5	1	3
<b>Total net income from financial assets and liabilities at fair value through profit/(loss)</b>							
<b>22</b>	<b>-45</b>	<b>460</b>	<b>610</b>	<b>959</b>	<b>868</b>	<b>195</b>	<b>193</b>
<b>Valued at amortised cost</b>							
Value change in interest rate instruments							
Value change in interest rate instruments held to maturity							
-2	-0	-6	-2	-2	-6	-0	-2
<b>Total net income from financial assets and liabilities at amortised cost</b>							
<b>-2</b>	<b>-0</b>	<b>-6</b>	<b>-2</b>	<b>-2</b>	<b>-6</b>	<b>-0</b>	<b>-2</b>
<b>Total net gain from currency trading</b>							
<b>6</b>	<b>25</b>	<b>89</b>	<b>72</b>	<b>70</b>	<b>89</b>	<b>24</b>	<b>6</b>
<b>Total net return on financial investments</b>							
<b>25</b>	<b>-20</b>	<b>542</b>	<b>680</b>	<b>1,026</b>	<b>951</b>	<b>219</b>	<b>197</b>

## Note 14 - Other assets

Parent Bank			Group	
31 Dec 2020	31 Dec 2021	(NOKm)	31 Dec 2021	31 Dec 2020
-	3	Deferred tax asset	90	129
67	84	Fixed assets	210	194
298	253	Right to use assets	460	470
135	152	Earned income not yet received	186	185
11	20	Accounts receivable, securities	300	678
112	62	Pension assets	62	112
340	508	Other assets	752	690
<b>963</b>	<b>1,082</b>	<b>Total other assets</b>	<b>2,062</b>	<b>2,457</b>

## Note 15 - Other liabilities

Parent Bank			Group	
31 Dec 2020	31 Dec 2021	(NOKm)	31 Dec 2021	31 Dec 2020
8	-	Deferred tax	56	81
322	513	Payable tax	583	408
11	12	Capital tax	12	11
101	120	Accrued expenses and received, non-accrued income	776	671
301	347	Provision for accrued expenses and commitments	347	301
81	78	Losses on guarantees and unutilised credits	78	81
10	8	Pension liabilities	8	10
303	262	Lease liabilities	476	479
74	84	Drawing debt	84	74
78	92	Creditors	150	129
13	157	Debt from securities	351	568
-	-	Equity Instruments	31	-
164	185	Other liabilities	266	271
<b>1,466</b>	<b>1,857</b>	<b>Total other liabilities</b>	<b>3,217</b>	<b>3,084</b>

## Note 16 - Debt created by issue of securities and subordinated debt

## Group

<b>Change in securities debt (NOKm)</b>	<b>31 Dec 2020</b>	<b>Issued</b>	<b>Fallen due/ Redeemed</b>	<b>Other changes</b>	<b>31 Dec 2021</b>
Certificate, nominal value	341	-	368	28	-
Bond debt, nominal value	39,819	5,367	6,653	-1,727	36,805
Senior non preferred, nominal value	1,000	2,500	-	-	3,500
Value adjustments	569	-	-	-721	-152
Accrued interest	191	-	-	-13	178
<b>Total</b>	<b>41,920</b>	<b>7,867</b>	<b>7,021</b>	<b>-2,434</b>	<b>40,332</b>

<b>Change in subordinated debt and hybrid equity (NOKm)</b>	<b>31 Dec 2020</b>	<b>Issued</b>	<b>Fallen due/ Redeemed</b>	<b>Other changes</b>	<b>31 Dec 2021</b>
Ordinary subordinated loan capital, nominal value	1,793	-	-	-	1,793
Hybrid equity, nominal value	-	-	-	-	-
Value adjustments	-	-	-	-	-
Accrued interest	3	-	-	0	3
<b>Total</b>	<b>1,795</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>1,796</b>

## Note 17 - 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 21:

<b>Assets (NOKm)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss				
- Derivatives	4	3,221	-	3,224
- Bonds and money market certificates	2,377	28,385	-	30,762
- Equity instruments	1,984	106	564	2,654
- Fixed interest loans	-	-	4,198	4,198
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	83,055	83,055
<b>Total assets</b>	<b>4,364</b>	<b>31,712</b>	<b>87,817</b>	<b>123,893</b>
<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities through profit/loss				
- Derivatives	0	3,909	-	3,909
- Equity instruments	31	-	-	31
<b>Total liabilities</b>	<b>31</b>	<b>3,909</b>	<b>-</b>	<b>3,940</b>

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2020:

<b>Assets (NOKm)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss				
- Derivatives	1	7,225	-	7,226
- Bonds and money market certificates	4,865	21,741	-	26,606
- Equity instruments	1,928	6	432	2,366
- Fixed interest loans	-	43	4,242	4,285
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	74,761	74,761
<b>Total assets</b>	<b>6,793</b>	<b>29,015</b>	<b>79,435</b>	<b>115,244</b>
<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities through profit/loss				
- Derivatives	2	7,177	-	7,179
- Equity instruments	-	-	-	-
<b>Total liabilities</b>	<b>2</b>	<b>7,177</b>	<b>-</b>	<b>7,179</b>



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

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	432	4,242	74,761	79,435
Investment in the period	26	1,201	40,891	42,118
Disposals in the period	-12	-1,150	-32,615	-33,778
Expected credit loss	-	-	19	19
Gain or loss on financial instruments	118	-95	-1	22
<b>Closing balance 31 December</b>	<b>563</b>	<b>4,198</b>	<b>83,055</b>	<b>87,817</b>

The following table presents the changes in the instruments classified in level 3 as at 31 December 2020:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	405	4,636	71,336	76,377
Investment in the period	48	731	47,183	47,962
Disposals in the period	-14	-1,206	-43,754	-44,973
Expected credit loss	-	-	-13	-13
Gain or loss on financial instruments	-7	81	7	81
<b>Closing balance 31 December</b>	<b>432</b>	<b>4,242</b>	<b>74,761</b>	<b>79,435</b>

#### 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 deterioration 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 7 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 477 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 2021:**

<b>(NOKm)</b>	<b>Book value</b>	<b>Effect from change in reasonable possible alternative assumptions</b>
Fixed interest loans	4,246	-12
Equity instruments through profit/loss*	559	-
Loans at fair value through other comprehensive income	83,055	-7

\* As described above, the information to perform alternative calculations are not available

## Note 18 - Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or to finance asset increases. Liquidity risk management starts out from the group's overall liquidity strategy which is reviewed and adopted by the board of directors at least once each year. The liquidity strategy reflects the group's moderate risk profile.

The group reduces its liquidity risk through guidelines and limits designed to achieve a diversified balance sheet, both on the asset and liability side. Preparedness 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. The bank's liquidity situation is stress tested on a monthly basis using various maturities and crisis scenarios: bank-specific, for the financial market in general or a combination of internal and external factors. The group's objective is to survive twelve months of ordinary operations without access to fresh external funding while housing prices fall 30 per cent. In the same period minimum requirements to LCR shall be fulfilled.

The average residual maturity on debt created by issue of securities at the end of the fourth quarter 2021 was 3.6 years. The overall LCR at the same point was 138 per cent and the average overall LCR in the fourth quarter was 144 per cent. The LCR in Norwegian kroner and euro at quarter-end was 131 and 254 per cent respectively.

## Note 19 - Earnings per EC

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)	Jan-Dec	
	2021	2020
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	2,692	1,793
Allocated to ECC Owners 2)	1,722	1,147
Issues Equity Capital Certificates adjusted for own certificates	129,339,665	129,358,537
<b>Earnings per Equity Capital Certificate</b>	<b>13.31</b>	<b>8.87</b>

1) Adjusted Net Profit	Jan-Dec	
	2021	2020
Net Profit for the group	2,902	1,978
adjusted for non-controlling interests share of net profit	-160	-126
Adjusted for Tier 1 capital holders share of net profit	-50	-59
<b>Adjusted Net Profit</b>	<b>2,692</b>	<b>1,793</b>

2) Equity capital certificate ratio (parent bank) (NOKm)	31 Dec	
	2021	2020
ECC capital	2,597	2,597
Dividend equalisation reserve	7,007	6,556
Premium reserve	895	895
Unrealised gains reserve	109	153
Other equity capital	-	-
<b>A. The equity capital certificate owners' capital</b>	<b>10,609</b>	<b>10,201</b>
Ownerless capital	5,918	5,664
Unrealised gains reserve	62	86
Other equity capital	-	-
<b>B. The saving bank reserve</b>	<b>5,980</b>	<b>5,750</b>
To be disbursed from gift fund	547	321
Dividend declared	970	569
<b>Equity ex. profit</b>	<b>18,106</b>	<b>16,842</b>
<b>Equity capital certificate ratio A/(A+B)</b>	<b>64.0 %</b>	<b>64.0 %</b>
<b>Equity capital certificate ratio for distribution</b>	<b>64.0 %</b>	<b>64.0 %</b>

## Results from quarterly accounts

Group (NOKm)	4Q 2021	3Q 2021	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019
Interest income effective interest method	1,047	973	958	939	945	972	1,031	1,250	1,235
Interest expenses	324	266	260	271	258	277	365	540	539
<b>Net interest</b>	<b>723</b>	<b>707</b>	<b>698</b>	<b>668</b>	<b>688</b>	<b>695</b>	<b>666</b>	<b>710</b>	<b>697</b>
Commission income	404	405	400	374	393	399	316	335	342
Commission expenses	55	54	48	51	54	50	44	47	38
Other operating income	322	272	395	468	399	277	323	271	255
<b>Commission income and other income</b>	<b>671</b>	<b>623</b>	<b>748</b>	<b>790</b>	<b>738</b>	<b>625</b>	<b>595</b>	<b>558</b>	<b>559</b>
Dividends	1	1	17	4	27	2	2	8	1
Income from investment in related companies	186	179	212	128	117	170	177	217	8
Net return on financial investments	32	68	42	158	53	32	269	-124	8
<b>Net return on financial investments</b>	<b>219</b>	<b>248</b>	<b>270</b>	<b>289</b>	<b>197</b>	<b>205</b>	<b>448</b>	<b>101</b>	<b>17</b>
<b>Total income</b>	<b>1,613</b>	<b>1,578</b>	<b>1,716</b>	<b>1,748</b>	<b>1,622</b>	<b>1,525</b>	<b>1,709</b>	<b>1,369</b>	<b>1,272</b>
Staff costs	463	423	465	531	553	415	445	438	393
Other operating expenses	302	275	269	265	271	261	254	268	305
<b>Total operating expenses</b>	<b>765</b>	<b>698</b>	<b>735</b>	<b>796</b>	<b>824</b>	<b>675</b>	<b>699</b>	<b>706</b>	<b>699</b>
<b>Result before losses</b>	<b>848</b>	<b>880</b>	<b>981</b>	<b>952</b>	<b>798</b>	<b>850</b>	<b>1,010</b>	<b>663</b>	<b>574</b>
Loss on loans, guarantees etc.	32	31	39	59	242	231	170	308	103
<b>Result before tax</b>	<b>816</b>	<b>849</b>	<b>942</b>	<b>893</b>	<b>556</b>	<b>619</b>	<b>840</b>	<b>355</b>	<b>471</b>
Tax charge	112	175	191	131	105	102	124	69	123
Result investment held for sale, after tax	-0	1	4	6	-0	2	3	4	-1
<b>Net profit</b>	<b>703</b>	<b>675</b>	<b>755</b>	<b>768</b>	<b>450</b>	<b>519</b>	<b>719</b>	<b>290</b>	<b>346</b>

## Key figures from quarterly accounts

Group (NOKm)	4Q 2021	3Q 2021	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019
<b>Profitability</b>									
Return on equity per quarter <sup>1)</sup>	12.7%	12.4%	14.3%	14.8%	8.9%	10.5%	15.1%	5.7%	7.1%
Cost-income ratio <sup>1)</sup>	47 %	44 %	43 %	46 %	51 %	45 %	41 %	52 %	56 %
<b>Balance sheet figures</b>									
Gross loans to customers	147,301	143,972	141,935	137,471	134,648	133,640	130,627	127,272	126,277
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	195,353	191,976	189,015	185,342	182,801	179,423	175,100	170,771	167,777
Deposit from customers	111,286	109,691	110,133	102,390	97,529	95,391	94,289	88,152	85,917
Total assets	198,845	200,124	200,426	193,822	187,912	186,900	190,484	185,182	166,662
Quarterly average total assets	199,492	200,275	197,124	190,867	187,406	188,692	187,833	175,922	166,569
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months <sup>1)</sup>	1.8 %	1.6 %	2.0 %	1.4 %	1.9 %	2.5 %	2.5 %	1.8 %	1.4 %
Growth in deposits last 12 months	1.5 %	-0.4 %	7.6 %	5.0 %	2.2 %	1.2 %	7.0 %	2.6 %	2.7 %
<b>Losses in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt</b>									
Impairment losses ratio <sup>1)</sup>	0.07 %	0.07 %	0.08 %	0.13 %	0.54 %	0.52 %	0.39 %	0.73 %	0.25 %
Stage 3 as a percentage of gross loans <sup>1)</sup>	1.68 %	1.80 %	1.87 %	1.66 %	1.23 %	1.30 %	1.35 %	1.39 %	1.26 %
<b>Solidity <sup>2)</sup></b>									
Common equity Tier 1 capital ratio	18.0 %	18.1 %	18.3 %	18.0 %	18.3 %	17.6 %	17.2 %	16.3 %	17.2 %
Tier 1 capital ratio	19.6 %	19.7 %	20.0 %	19.7 %	20.0 %	19.2 %	18.9 %	18.0 %	19.3 %
Capital ratio	21.6 %	21.8 %	22.2 %	21.9 %	22.3 %	21.4 %	21.1 %	20.1 %	21.6 %
Tier 1 capital	19,322	19,265	19,011	18,636	18,636	18,290	18,182	17,792	17,742
Total eligible capital	21,333	21,338	21,105	20,741	20,759	20,373	20,266	19,879	19,854
Liquidity Coverage Ratio (LCR)	138 %	163 %	184 %	190 %	171 %	140 %	163 %	185 %	148 %
Leverage Ratio	6.9 %	6.9 %	7.0 %	7.0 %	7.1 %	7.1 %	6.9 %	6.9 %	7.5 %
<b>Key figures ECC</b>									
ECC share price at end of period (NOK)	149.00	129.80	119.20	107.40	97.60	84.30	78.30	67.60	100.20
Number of certificates issued, millions <sup>1)</sup>	129.39	129.39	129.36	129.22	129.39	129.44	129.39	129.22	129.30
Booked equity capital per ECC (including dividend) <sup>1)</sup>	103.48	103.57	100.18	96.70	94.71	92.73	90.37	86.85	90.75
Profit per ECC, majority <sup>1)</sup>	3.20	3.22	3.51	3.40	1.99	2.35	3.27	1.26	1.60
Price-Earnings Ratio <sup>1)</sup>	11.65	10.09	8.50	7.91	12.28	8.96	5.98	13.46	15.67
Price-Book Value Ratio <sup>1)</sup>	1.44	1.25	1.19	1.11	1.03	0.91	0.87	0.78	1.10

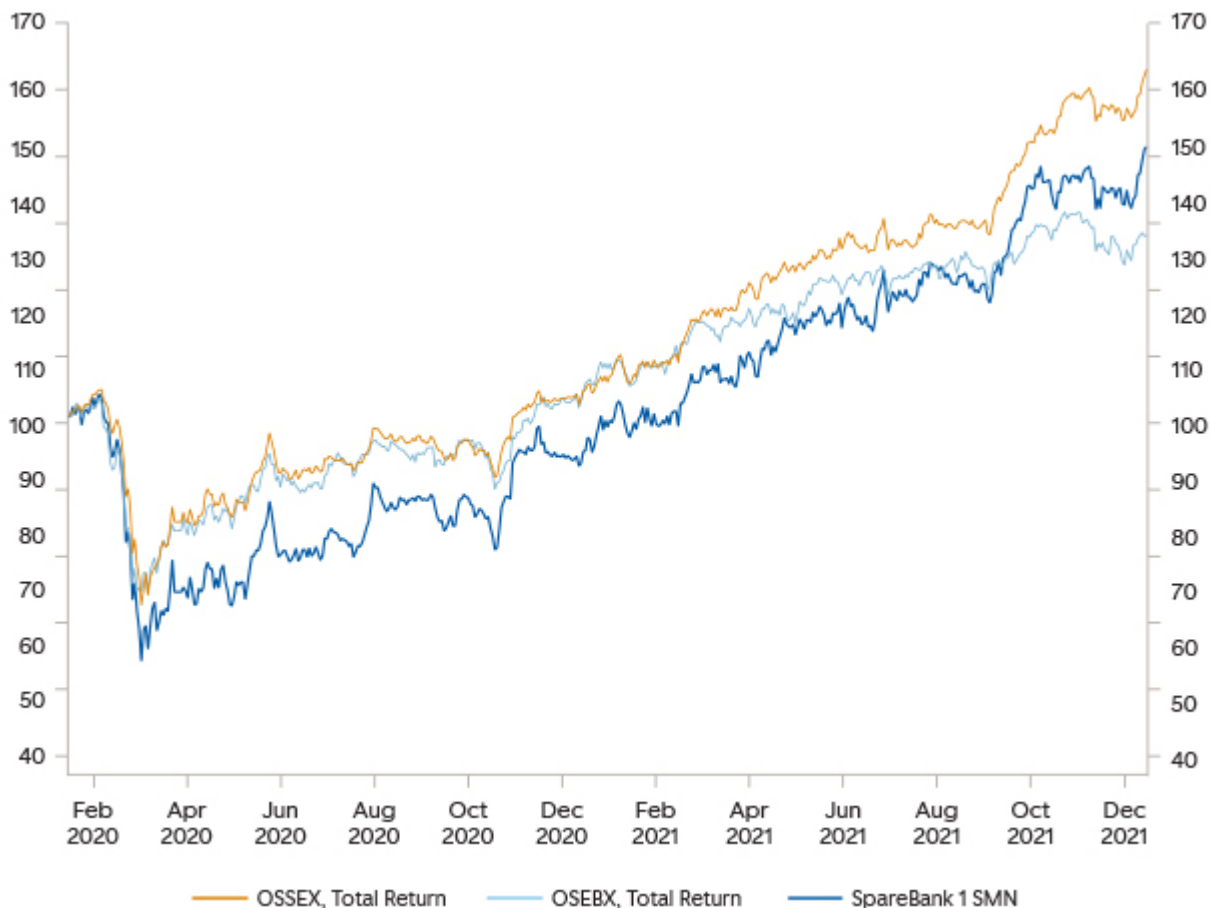
1) Defined as alternative performance measures, see attachment to the quarterly report

2) Comparables have not been restated since revised distribution of profit for 2019

# Equity capital certificates

## Stock price compared with OSEBX and OSEEX

1 Jan 2020 to 31 Dec 2021

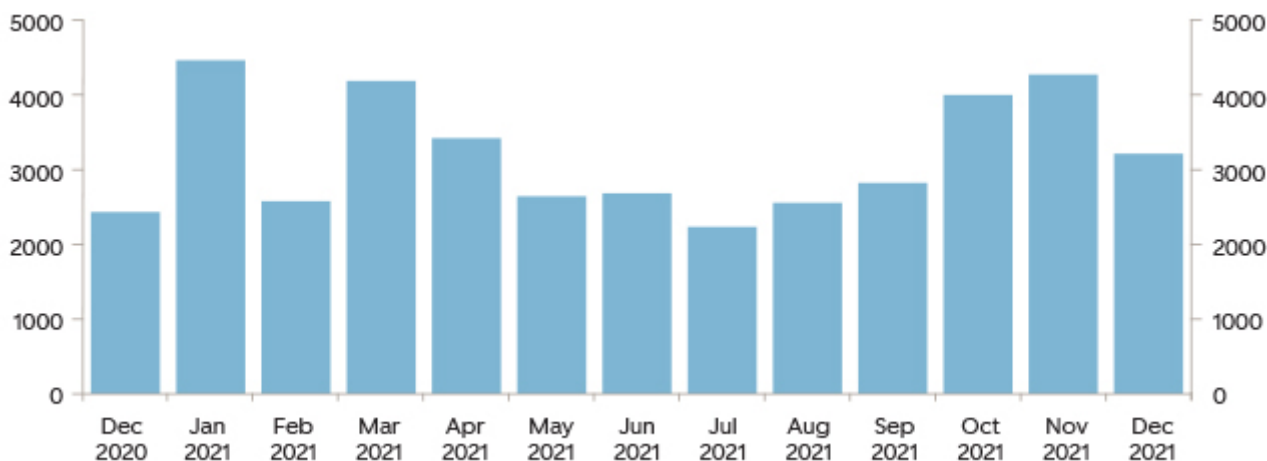


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

## Trading statistics

1 Dec 2020 to 31 Dec 2021





### Total number of ECs traded (1000)

<b>20 largest ECC holders</b>	<b>No. Of ECCs</b>	<b>Holding</b>
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,342,919	2.57 %
VPF Alfred Berg Gambak	3,253,934	2.51 %
State Street Bank and Trust Comp	3,233,788	2.49 %
VPF Pareto Aksje Norge	2,888,391	2.22 %
Danske Invest Norske aksjer institusjon II.	2,482,168	1.91 %
State Street Bank and Trust Comp	2,369,206	1.82 %
J. P. Morgan Chase Bank, N.A., London	2,356,443	1.81 %
VPF Eika Egenkapitalbevis	2,247,536	1.73 %
VPF Nordea Norge	2,036,248	1.57 %
Forsvarets personellservice	1,973,646	1.52 %
Pareto Invest AS	1,957,702	1.51 %
The Bank of New York Mellon SA/NV	1,529,058	1.18 %
J. P. Morgan Bank Luxembourg S.A.	1,479,700	1.14 %
J. P. Morgan Bank Luxembourg S.A.	1,374,065	1.06 %
MP pensjon PK	1,352,771	1.04 %
Spesialfondet Borea utbytte	1,295,225	1.00 %
VPF Nordea avkastning	1,249,111	0.96 %
VPF Alfred Berg Norge	1,205,659	0.93 %
J. P. Morgan Bank Luxembourg S.A.	1,197,153	0.92 %
<b>The 20 largest ECC holders in total</b>	<b>42,790,114</b>	<b>32.96 %</b>
Others	87,046,329	67.04 %
<b>Total issued ECCs</b>	<b>129,836,443</b>	<b>100.00 %</b>

### 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.