

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:

Actuarial assumptions	31 Dec 2020	1 January 2021	31 Dec 2021
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

Movement in net pension liability in the balance sheet Group (NOKm)	Funded	Unfunded	Total
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
Net pension liability in the balance sheet 31 December 2021	-62	8	-54

Net pension liability in the balance sheet Group (NOKm)	31 Dec 2021	31 Dec 2020
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
Net pension liability in the balance sheet	-54	-102

Pension cost Group (NOKm)	31 Dec 2021	31 Dec 2020
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
Total pension cost for the period	113	105

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 Verdipapirservice.

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

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 scenario 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
Total ECL used	551	100	672	52	51	1,426	56	1,482
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
Total ECL alternative weights	676	134	798	68	70	1,745	63	1,808
Change in ECL if alternative weights were used	125	34	126	16	19	319	7	326

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	Regnskaps-huset SMN	SB 1 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	-
Total interest income	1,165	1,120	-7	2	450	0	-	-	66	2,796
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
Total income	2,074	1,386	901	453	364	562	471	164	280	6,655
Total operating expenses	916	446	647	382	141	477	-	-	-15	2,993
Ordinary operating profit	1,157	940	254	71	224	85	471	164	294	3,662
Loss on loans, guarantees etc.	-10	145	-	-	25	-	-	-	1	161
Result before tax including held for sale	1,167	795	254	71	198	85	471	164	293	3,501
Post-tax-return on equity *)	13.4 %	11.5 %								13.5 %
Balance										
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
Total assets	90,850	63,656	2,820	436	10,372	625	2,177	1,488	26,422	198,845
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
Total liabilities and equity	90,850	63,656	2,820	436	10,372	625	2,177	1,488	26,422	198,845

*) 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	-
Total interest income	1,213	1,149	-13	2	387	1	-	-	21	2,759
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
Total income	2,078	1,381	759	394	364	533	194	120	401	6,225
Total operating expenses	929	422	590	342	131	423	-	-	68	2,904
Ordinary operating profit	1,149	959	169	52	234	110	194	120	333	3,321
Loss on loans, guarantees etc.	56	846	-	-	49	-	-	-	1	951
Result before tax including held for sale	1,093	113	169	52	184	110	194	120	333	2,370
Post-tax-return on equity *)	13.4 %	2.1 %								10.0 %
Balance										
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
Total assets	82,258	52,663	3,265	357	9,623	592	2,151	1,514	35,490	187,912
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
Total liabilities and equity	82,258	52,663	3,265	357	9,623	592	2,151	1,514	35,490	187,912

*) 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
Dividends	22	39
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
Net return on financial instruments	299	230
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
Income from investment in associates and joint ventures	705	681
Total net return on financial investments	1,026	950
Fair value hedging		
Changes in fair value on hedging instrument	-664	467
Changes in fair value on hedging item	657	-465
Net Gain or Loss from hedge accounting	-6	1

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
18,092	19,356	Total book equity	23,241	21,310
-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
15,160	15,393	Common equity Tier 1 capital	17,790	17,041
1,250	1,250	Additional Tier 1 capital instruments	1,581	1,595
-	-48	Deduction for significant investments in financial institutions	-48	-
16,410	16,595	Tier 1 capital	19,322	18,636
		Supplementary capital in excess of core capital		
1,750	1,750	Subordinated capital	2,226	2,262
-139	-214	Deduction for significant investments in financial institutions	-214	-139
1,611	1,536	Additional Tier 2 capital instruments	2,011	2,123
18,020	18,130	Total eligible capital	21,333	20,759

Minimum requirements subordinated capital				
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
4,617	4,558	Total credit risk IRB	4,758	4,541
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
970	1,098	Total credit risk standardised approach	2,154	1,962
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
6,063	6,150	Minimum requirements subordinated capital	7,893	7,448
75,785	76,873	Risk weighted assets (RWA)	98,664	93,096
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
6,063	6,150	Total buffer requirements on CET1 capital	7,893	7,448
5,687	5,784	Available CET1 capital after buffer requirements	5,457	5,404
		Capital adequacy		
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 %
		Leverage ratio		
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
8.9 %	8.2 %	Leverage Ratio	6.9 %	7.1 %

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
55,099	58,337	Gross loans in Corporate market	62,458	58,340
118,714	126,828	Wage earners	132,894	124,461
173,814	185,165	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	195,353	182,801
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
125,660	137,113	Gross loans in balance sheet	147,301	134,648
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
124,214	135,766	Net loans to and receivables from customers	145,890	133,131

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
Losses for the period on loans and guarantees	-10	145	134	56	846	902	0	20	20	-2	232	230

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
Losses for the period on loans and guarantees	1	159	161	78	873	951	4	27	32	6	236	242

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
Provision for expected credit losses on loans and guarantees	1,559	27	-129	1,458
Presented as				
Provision for loan losses	1,446	30	-129	1,348
Other debt- 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
Provision for expected credit losses on loans and guarantees	1,060	715	-217	1,559
Presented as				
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
Provision for expected credit losses on loans and guarantees	1,630	30	-140	1,520
Presented as				
Provision for loan losses	1,517	33	-140	1,410
Other debt- 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
Provision for expected credit losses on loans and guarantees	1,121	729	-220	1,630
Presented as				
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
Retail market								
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
Corporate Market								
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
Total accrual for loan losses	123	350	907	1,379	123	484	870	1,478

Group (NOKm)	31 Dec 2021				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail market								
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
Corporate Market								
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
Total accrual for loan losses	138	367	936	1,442	140	507	902	1,549

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	-	-	-	-	-	-	-	-
Closing balance	19	55	5	79	27	50	4	81
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
Total loan loss allowance	123	350	907	1,379	123	484	870	1,478

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
Total loan loss allowance	138	367	936	1,442	140	507	902	1,549

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
Retail Market								
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
Corporate Market								
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
Total gross loans at the end of the period	124,934	9,079	3,100	137,113	113,169	10,409	2,083	125,660

Group (NOKm)	31 Dec 2021				31 Dec 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail Market								
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
Corporate Market								
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
Total gross loans at the end of the period	133,630	10,381	3,290	147,301	120,598	11,794	2,255	134,648

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
57,566	67,439	Total	66,697	56,928
40,600	44,589	Wage earners	44,589	40,600
98,166	112,028	Total deposits	111,286	97,529

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
Interest income								
				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
824	935	3,752	3,462	Total interest income	3,916	4,197	1,047	945
Interest expense								
				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
253	321	1,423	1,109	Total interest expense	1,120	1,439	324	258
571	614	2,329	2,353	Net interest income	2,796	2,759	723	688

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
				Commission income				
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
335	338	1,205	1,306	Total commission income	1,583	1,443	404	393
				Commission expenses				
24	25	83	84	Payment transmission services	115	111	32	32
4	3	14	13	Other commission expenses	92	84	22	23
28	28	97	97	Total commission expenses	207	196	55	54
				Other operating income				
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
11	17	41	47	Total other operating income	1,456	1,269	322	399
318	326	1,149	1,256	Total net commission income and other operating income	2,832	2,516	671	738

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
185	206	744	745	Total other operating expenses	1,111	1,054	302	271

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
(NOKm)							
Valued at fair value through profit/loss							
-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
Total net income from financial assets and liabilities at fair value through profit/(loss)							
22	-45	460	610	959	868	195	193
Valued at amortised cost							
Value change in interest rate instruments							
Value change in interest rate instruments held to maturity							
-2	-0	-6	-2	-2	-6	-0	-2
Total net income from financial assets and liabilities at amortised cost							
-2	-0	-6	-2	-2	-6	-0	-2
Total net gain from currency trading							
6	25	89	72	70	89	24	6
Total net return on financial investments							
25	-20	542	680	1,026	951	219	197

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
963	1,082	Total other assets	2,062	2,457

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
1,466	1,857	Total other liabilities	3,217	3,084

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

Group

Change in securities debt (NOKm)	31 Dec 2020	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2021
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
Total	41,920	7,867	7,021	-2,434	40,332

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

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:

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

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
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
Total assets	6,793	29,015	79,435	115,244
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	2	7,177	-	7,179
- Equity instruments	-	-	-	-
Total liabilities	2	7,177	-	7,179

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

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

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
Closing balance 31 December	432	4,242	74,761	79,435

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:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumptions
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
Earnings per Equity Capital Certificate	13.31	8.87

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
Adjusted Net Profit	2,692	1,793

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	-	-
A. The equity capital certificate owners' capital	10,609	10,201
Ownerless capital	5,918	5,664
Unrealised gains reserve	62	86
Other equity capital	-	-
B. The saving bank reserve	5,980	5,750
To be disbursed from gift fund	547	321
Dividend declared	970	569
Equity ex. profit	18,106	16,842
Equity capital certificate ratio A/(A+B)	64.0 %	64.0 %
Equity capital certificate ratio for distribution	64.0 %	64.0 %