

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 30 September 2024:

| Assets (NOKm) | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|----------------|
| Financial assets at fair value through profit/loss | | | | |
| - Derivatives | - | 6,552 | - | 6,552 |
| - Bonds and money market certificates | 2,680 | 33,275 | - | 35,955 |
| - Equity instruments | 193 | 94 | 661 | 948 |
| - Fixed interest loans | - | - | 9,230 | 9,230 |
| Financial assets through other comprehensive income | | | | |
| - Loans at fair value through other comprehensive income | - | - | 93,495 | 93,495 |
| Total assets | 2,872 | 39,921 | 103,387 | 146,180 |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities through profit/loss | | | | |
| - Derivatives | - | 5,584 | - | 5,584 |
| Total liabilities | - | 5,584 | - | 5,584 |

The following table presents the Group's assets and liabilities measured at fair value at 30 September 2023:

| Assets (NOKm) | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|----------------|
| Financial assets at fair value through profit/loss | | | | |
| - Derivatives | - | 8,818 | - | 8,818 |
| - Bonds and money market certificates | 3,404 | 33,208 | - | 36,612 |
| - Equity instruments | 348 | 91 | 568 | 1,006 |
| - Fixed interest loans | - | - | 5,547 | 5,547 |
| Financial assets through other comprehensive income | | | | |
| - Loans at fair value through other comprehensive income | - | - | 91,811 | 91,811 |
| Total assets | 3,751 | 42,117 | 97,926 | 143,794 |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities through profit/loss | | | | |
| - Derivatives | - | 9,813 | - | 9,813 |
| Total liabilities | - | 9,813 | - | 9,813 |

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2023:

| Assets (NOKm) | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|----------------|
| Financial assets at fair value through profit/loss | | | | |
| - Derivatives | - | 6,659 | - | 6,659 |
| - Bonds and money market certificates | 2,879 | 31,284 | - | 34,163 |
| - Equity instruments | 363 | 152 | 622 | 1,137 |
| - Fixed interest loans | - | 102 | 5,480 | 5,582 |
| Financial assets through other comprehensive income | | | | |
| - Loans at fair value through other comprehensive income | - | - | 92,263 | 92,263 |
| Total assets | 3,242 | 38,197 | 98,365 | 139,804 |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities through profit/loss | | | | |
| - Derivatives | - | 6,989 | - | 6,989 |
| Total liabilities | - | 6,989 | - | 6,989 |

The following table presents the changes in the instruments classified in level 3 as at 30 September 2024:

| (NOKm) | Equity instruments through profit/loss | Fixed interest loans | Loans at fair value through OCI | Total |
|---------------------------------------|---|-----------------------------|--|----------------|
| Opening balance 1 January | 622 | 5,480 | 92,263 | 98,365 |
| Investment in the period | 26 | 4,472 | 33,900 | 38,398 |
| Disposals in the period | -3 | -662 | -32,639 | -33,304 |
| Expected credit loss | - | - | -28 | -28 |
| Gain or loss on financial instruments | 15 | -60 | 0 | -45 |
| Closing balance | 661 | 9,230 | 93,495 | 103,387 |

The following table presents the changes in the instruments classified in level 3 as at 30 September 2023:

| (NOKm) | Equity instruments through profit/loss | Fixed interest loans | Loans at fair value through OCI | Total |
|---------------------------------------|---|-----------------------------|--|---------------|
| Opening balance 1 January | 570 | 4,630 | 81,901 | 87,101 |
| Investment in the period | 27 | 1,704 | 34,820 | 36,551 |
| Disposals in the period | -8 | -672 | -24,903 | -25,582 |
| Expected credit loss | - | - | 1 | 1 |
| Gain or loss on financial instruments | -22 | -116 | -7 | -145 |
| Closing balance | 568 | 5,547 | 91,811 | 97,926 |

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

| (NOKm) | Equity instruments through profit/loss | Fixed interest loans | Loans at fair value through OCI | Total |
|---------------------------------------|---|----------------------------|--|---------------|
| Opening balance 1 January | 570 | 4,630 | 81,901 | 87,101 |
| Investment in period | 38 | 1,814 | 40,578 | 42,430 |
| Disposals in the period | -25 | -977 | -30,210 | -31,212 |
| Expected credit loss | - | - | 2 | 2 |
| Gain or loss on financial instruments | 38 | 14 | -7 | 45 |
| Closing balance | 622 | 5,480 | 92,263 | 98,366 |

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 2 million.

Short-term paper and bonds (level 2 and 3)

Valuation on level 2 is based for the most part on observable market information in the form of interest rate curves, exchange rates and credit margins for the individual credit and the bond's or certificate's characteristics. For paper valued under level 3 the valuation is based on indicative prices from a third party or comparable paper.

Equity instruments (level 3)

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 564 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 30 September 2024:

| (NOKm) | Book value | Effect from change in reasonable possible alternative assumptions |
|--|------------|---|
| Fixed interest loans | 9,230 | -24 |
| Equity instruments through profit/loss* | 661 | - |
| Loans at fair value through other comprehensive income | 93,495 | -2 |

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