

# 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 2018. The Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts, except implementing IFRS 16 and IFRS 9 as described below.

### Amendments to IFRS 9, IAS 39 and IFRS 7 due to the IBOR reform

IASB released amendments to IFRS 9, IAS 39 and IFRS 7 in september 2019. The amendments provide companies with temporary reliefs to certain requirements related to hedge accounting in the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. The amendments are effective from 2020, and can be early adopted in the accounts for 2019. SpareBank 1 SMN has chosen to early adopt these changes. This choice means that the bank's hedging relationships continues unaffected by the IBOR reform. The IBOR reform is an ongoing process where interest rate benchmark rates used in receivables, loans and derivatives are replaced by new interest rates.

### Leases - IFRS 16

IFRS 16 Leases include principles for recognition, measurement, presentation and disclosures for leases for both parties in the arrangement, lessor and lessee. The standard requires lessees to recognise assets and liabilities for the majority of leases, a significant change from previous rules. The leases accounted for under IFRS 16 is mainly the Group rent of property. Discount rate applied is 2 per cent. The right to use asset has been presented as «fixed assets», while lease liability is presented as «other liabilities».

Refer to note 2 i annual accounts for 2018 for further details regarding implementation of IFRS 16. The effect on the accounts for 2019 are shown below. Comparables have not been restated.

Parent		Group
31 Dec 2019	Right to use asset (NOKm)	31 Dec 2019
379	Book value 1 January 2019	587
9	Additions	32
-	Derecognition	-43
4	Other changes	5
392	Book value 31 December 2019	581
-	Acc depreciation 1 January 2019	-
49	Depreciation in period	87
-	Derecognition	-5
49	Acc depreciation 31 December 2019	82
<b>342</b>	<b>Net book value right to use asset 31 December 2019</b>	<b>499</b>
379	Lease liability 1 January 2019	587
9	Additions	19
4	Other changes	-25
-54	Lease payments in the period	-88
10	Interest	12
<b>347</b>	<b>Lease liability 31 December 2019</b>	<b>505</b>
<b>31 Dec 2019</b>	<b>Profit and Loss</b>	<b>31 Dec 2019</b>
49	Depreciations	87
10	Interest	12
<b>59</b>	<b>Total lease expense</b>	<b>98</b>
	<b>Effect of IFRS 16</b>	
54	Reduced operating expenses under IAS 17	88
59	Increase lease expense under IFRS 16	98
<b>-5</b>	<b>Changes in profit before tax in the period</b>	<b>-11</b>

## 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 arrangements; defined contribution plan. For a further description of the pension scheme, see note 24 in the 2018 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 2019:

<b>Actuarial assumptions</b>	<b>31 Dec 2018</b>	<b>1 January 2019</b>	<b>31 Dec 2019</b>
Discount rate	2.60 %	2.60 %	2.10 %
Expected rate of return on plan assets	2.60 %	2.60 %	2.10 %
Expected future wage and salary growth	2.50 %	2.50 %	2.00 %
Expected adjustment on basic amount (G)	2.50 %	2.50 %	2.00 %
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 year, 0 % after 50 year

<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	-179	21	-158
OCI accounting 1 Jan	-	-	-
OCI accounting 31 December	35	-3	33
Net defined-benefit costs in profit and loss account	-5	1	-4
Paid in pension premium, defined-benefit schemes	-	-	-
Paid in pension premium, defined-benefit plan	-	-3	-3
<b>Net pension liability in the balance sheet 31 December 2019</b>	<b>-148</b>	<b>16</b>	<b>-132</b>

<b>Net pension liability in the balance sheet Group (NOKm)</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Net present value of pension liabilities in funded schemes	608	588
Estimated value of pension assets	-743	-749
Net pension liability in the balance sheet before employer's contribution	-135	-161
Employers contribution	3	3
<b>Net pension liability in the balance sheet</b>	<b>-132</b>	<b>-158</b>

<b>Pension cost Group (NOKm)</b>	<b>31 Dec 2019</b>	<b>31.12.18</b>
Present value of pension accumulated in the year	0	1
Net interest income	-4	-4
Net pension cost related to defined plans, incl unfunded pension commitment	-4	-3
Employer's contribution subject to accrual accounting	0	0
Cost of defined contribution pension and early retirement pension scheme	108	98
<b>Total pension cost for the period</b>	<b>105</b>	<b>96</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.

<b>2019 Q4 (NOK Million)</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Revenue</b>	<b>Expenses</b>	<b>Profit</b>	<b>Ownership</b>
Mavi XV AS Group	40	0	5	5	-	100 %
<b>Total Held for sale</b>	<b>40</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>-</b>	

#### Acquisition of SpareBank 1 SMN Spire Finans (formerly DeBank)

At 5. February 2019 SpareBank 1 SMN acquired 100 per cent of the shares in SpareBank 1 SMN Spire Finans AS for MNOK 40. The acquisition led to a negative goodwill of MNOK 31 included as a gain in net return of financial investments. The reason for the gain from this transaction is that fair value of net assets is higher than the acquisition cost. The allocation of fair value is distributed as follows:

	<b>Fair value recognised at acquisition date</b>
<b>Assets</b>	
Loans	207
Other assets	14
<b>Total assets</b>	<b>221</b>
<b>Liabilities</b>	
Deposits	142
Accruals	5
Other liabilities	4
<b>Total liabilities</b>	<b>151</b>
<b>Net identifiable assets and liabilities</b>	<b>70</b>
Goodwill	-31
<b>Acquisition cost</b>	<b>40</b>

### 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 2019

Profit and loss account (NOKm)	RM	CM	SB 1		SB 1		SB 1		BN	Un-collated	Total
			Markets	EM 1	Finans	Regnskaps-	SMN	Gruppen			
Net interest	1,160	1,024	-17	-1	313	-0	-	-	-	207	2,687
Interest from allocated capital	211	147	-	-	-	-	-	-	-	-358	-
<b>Total interest income</b>	<b>1,372</b>	<b>1,171</b>	<b>-17</b>	<b>-1</b>	<b>313</b>	<b>-0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-151</b>	<b>2,687</b>
Commission income and other income	805	205	509	540	73	502	-	-	-	-345	2,290
Net return on financial investments **)	0	12	117	-	-	-	252	107	107	714	1,201
<b>Total income</b>	<b>2,177</b>	<b>1,388</b>	<b>609</b>	<b>540</b>	<b>386</b>	<b>502</b>	<b>252</b>	<b>107</b>	<b>107</b>	<b>218</b>	<b>6,178</b>
<b>Total operating expenses</b>	<b>875</b>	<b>410</b>	<b>566</b>	<b>538</b>	<b>184</b>	<b>394</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-169</b>	<b>2,797</b>
<b>Ordinary operating profit</b>	<b>1,302</b>	<b>978</b>	<b>43</b>	<b>1</b>	<b>202</b>	<b>108</b>	<b>252</b>	<b>107</b>	<b>107</b>	<b>386</b>	<b>3,380</b>
Loss on loans, guarantees etc.	32	213	-	-	52	-	-	-	-	2	299
<b>Result before tax including held for sale</b>	<b>1,279</b>	<b>838</b>	<b>43</b>	<b>1</b>	<b>150</b>	<b>108</b>	<b>252</b>	<b>107</b>	<b>107</b>	<b>384</b>	<b>3,081</b>
<b>Post-tax return on equity*)</b>	<b>13.1 %</b>	<b>11.7 %</b>									<b>13.7 %</b>
<b>Balance</b>											
Loans and advances to customers	119,381	40,162	-	-	8,897	-	-	-	-	-663	167,777
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-40,122	-1,378	-	-	-	-	-	-	-	-0	-41,500
Allowance for credit losses	-119	-819	-	-	-56	-	-	-	-	-4	-998
Other assets	220	5,495	3,669	309	21	527	1,609	1,425	1,425	28,109	41,384
<b>Total assets</b>	<b>79,360</b>	<b>43,460</b>	<b>3,669</b>	<b>309</b>	<b>8,861</b>	<b>527</b>	<b>1,609</b>	<b>1,425</b>	<b>1,425</b>	<b>27,442</b>	<b>166,662</b>
Deposits to customers	41,639	42,756	-	-	-	-	-	-	-	1,522	85,917
Other liabilities and equity	37,721	704	3,669	309	8,861	527	1,609	1,425	1,425	25,920	80,745
<b>Total liabilities and equity</b>	<b>79,360</b>	<b>43,460</b>	<b>3,669</b>	<b>309</b>	<b>8,861</b>	<b>527</b>	<b>1,609</b>	<b>1,425</b>	<b>1,425</b>	<b>27,442</b>	<b>166,662</b>

## Group 31 December 2018

Profit and loss account (NOKm)	RM	CM	SB 1			SB 1		BN	Un-	Total
			Markets	EM 1	Finans	Regnskaps-	SB 1			
Net interest	1,056	981	-14	-1	275	-0	-	-	105	2,403
Interest from allocated capital	177	129	-	-	-	-	-	-	-306	-
<b>Total interest income</b>	<b>1,234</b>	<b>1,110</b>	<b>-14</b>	<b>-1</b>	<b>275</b>	<b>-0</b>	<b>-</b>	<b>-</b>	<b>-201</b>	<b>2,403</b>
Commission income and other income	793	202	460	497	62	444	-	-	-282	2,177
Net return on financial investments **)	0	17	105	-	-	-	289	92	255	757
<b>Total income</b>	<b>2,027</b>	<b>1,329</b>	<b>551</b>	<b>496</b>	<b>337</b>	<b>444</b>	<b>289</b>	<b>92</b>	<b>-228</b>	<b>5,337</b>
<b>Total operating expenses</b>	<b>804</b>	<b>373</b>	<b>536</b>	<b>519</b>	<b>155</b>	<b>373</b>	<b>-</b>	<b>-</b>	<b>-137</b>	<b>2,624</b>
<b>Ordinary operating profit</b>	<b>1,223</b>	<b>956</b>	<b>15</b>	<b>-23</b>	<b>182</b>	<b>71</b>	<b>289</b>	<b>92</b>	<b>-92</b>	<b>2,713</b>
Loss on loans, guarantees etc.	17	212	-	-	34	-	-	-	0	263
<b>Result before tax</b>	<b>1,206</b>	<b>744</b>	<b>15</b>	<b>-23</b>	<b>149</b>	<b>71</b>	<b>289</b>	<b>92</b>	<b>-92</b>	<b>2,450</b>
<b>Return on equity*)</b>	<b>13.2 %</b>	<b>11.3 %</b>								<b>12.2 %</b>
<b>Balance</b>										
Loans and advances to customers	112,723	40,548	-	-	7,760	-	-	-	-714	160,317
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-38,189	-1,656	-	-	-	-	-	-	0	-39,844
Allowance for credit losses	-103	-594	-	-	-45	-	-	-	-2	-744
Other assets	121	4,261	2,258	276	9	394	1,569	1,238	30,850	40,975
<b>Total assets</b>	<b>74,552</b>	<b>42,560</b>	<b>2,258</b>	<b>276</b>	<b>7,723</b>	<b>394</b>	<b>1,569</b>	<b>1,238</b>	<b>30,134</b>	<b>160,704</b>
Deposits to customers	40,046	39,236	-	-	-	-	-	-	1,333	80,615
Other liabilities and equity	34,506	3,324	2,258	276	7,723	394	1,569	1,238	28,801	80,089
<b>Total liabilities and equity</b>	<b>74,552</b>	<b>42,560</b>	<b>2,258</b>	<b>276</b>	<b>7,723</b>	<b>394</b>	<b>1,569</b>	<b>1,238</b>	<b>30,134</b>	<b>160,704</b>

\*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 15.0 percent to be in line with the capital plan per 31 December 2019

	31 Dec 2019	31 Dec 2018
**) Specification of net return on financial investments (NOKm)		
<b>Dividends</b>	<b>15</b>	<b>8</b>
Capital gains shares	120	96
Gain/(loss) on certificates and bonds	-20	-77
Gain/(loss) on derivatives	132	187
Gain/(loss) on financial instruments related to hedging***	-9	-4
Gain/(loss) on other financial instruments at fair value (FVO)	9	10
Foreign exchange gain/(loss)	22	63
Gain/(loss) om shares and share derivatives at SpareBank 1 Markets	54	58
<b>Net return on financial instruments</b>	<b>307</b>	<b>334</b>
SpareBank 1 Gruppen	252	289
Gain Fremtind Forsikring	460	-
SpareBank 1 Boligkreditt	26	-7
SpareBank 1 Næringskreditt	21	15
BN Bank	113	97
SpareBank 1 Kredittkort	13	23
SpareBank 1 Betaling	3	-12
Other companies	-8	12
<b>Income from investment in associates and joint ventures</b>	<b>879</b>	<b>416</b>
<b>Total net return on financial investments</b>	<b>1,201</b>	<b>757</b>
***) Fair value hedging		
Changes in fair value on hedging instrument	-66	-46
Changes in fair value on hedging item	56	42
<b>Net Gain or Loss from hedge accounting</b>	<b>-9</b>	<b>-4</b>

## Note 4 - Capital adequacy

SpareBank 1 SMN utilises the Internal Rating Based Approach (IRB) for credit risk. Use of IRB imposes wide-ranging requirements on the bank's organisational set-up, competence, risk models and risk management systems. As from 31 March 2015 the bank has received permission to apply the Advanced IRB Approach to those corporate portfolios that were previously reported under the Basic Indicator Approach.

As of 31 December 2019 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3.0 per cent and the Norwegian countercyclical buffer is 2.5 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 12.5 per cent. 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. As at 31 December 2019, reduced risk weighted assets mean that the minimum monetary requirement of NOK 1,794 million is binding for the Pillar 2 requirement. The Pillar 2 requirement therefore rises from 1.9 per cent to 1.95 per cent. The overall minimum requirement as of 31 December 2019 has accordingly increased from 14.4 per cent to 14.45 per cent.

The EU capital adequacy framework (CRR/CRDIV) was incorporated into Norwegian law with effect from 31 December 2019. The Basel I floor was accordingly removed and an SME rebate introduced. At the same point the countercyclical buffer was raised by 0.5 per cent to 2.5 per cent. The systemic risk buffer will rise to 4.5 per cent with effect from 31 December 2020.

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. For the fourth quarter of 2019 both the parent bank and the group is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures.

Parts of the group's hybrid capital and subordinated debt were issued under earlier rules. This will be subject to a write-down of 60 per cent in 2018 and 70 per cent in 2019. As at 31 December 2019 the bank held hybrid capital worth NOK 287 million subject to write-down.

Parent Bank			Group	
31 Dec 2018	31 Dec 2019	(NOKm)	31 Dec 2019	31 Dec 2018
<b>16,409</b>	<b>17,822</b>	<b>Total book equity</b>	<b>20,420</b>	<b>18,686</b>
-1,000	-1,250	Additional Tier 1 capital instruments included in total equity	-1,293	-1,043
-533	-512	Deferred taxes, goodwill and other intangible assets	-1,099	-1,079
-1,034	-1,314	Deduction for allocated dividends and gifts	-1,314	-1,034
-	-	Non-controlling interests recognised in other equity capital	-761	-637
-	-	Non-controlling interests eligible for inclusion in CET1 capital	438	366
-31	-33	Value adjustments due to requirements for prudent valuation	-45	-44
-268	-305	Positive value of adjusted expected loss under IRB Approach	-351	-286
-	-	Cash flow hedge reserve	3	5
-163	-185	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-168	-206
<b>13,381</b>	<b>14,222</b>	<b>Common equity Tier 1 capital</b>	<b>15,830</b>	<b>14,727</b>
1,000	1,250	Additional Tier 1 capital instruments	1,637	1,378
367	275	Additional Tier 1 capital instruments covered by transitional provisions	275	367
<b>14,748</b>	<b>15,747</b>	<b>Tier 1 capital</b>	<b>17,742</b>	<b>16,472</b>
		<b>Supplementary capital in excess of core capital</b>		
1,750	1,750	Subordinated capital	2,240	2,316
96	12	Subordinated capital covered by transitional provisions	12	96
-140	-140	Deduction for significant investments in financial institutions	-140	-140
<b>1,705</b>	<b>1,623</b>	<b>Additional Tier 2 capital instruments</b>	<b>2,113</b>	<b>2,272</b>
<b>16,453</b>	<b>17,370</b>	<b>Total eligible capital</b>	<b>19,854</b>	<b>18,743</b>



<b>Minimum requirements subordinated capital</b>				
967	911	Specialised enterprises	1,101	1,116
1,156	1,139	Corporate	1,149	1,163
1,516	1,628	Mass market exposure, property	2,299	2,098
90	98	Other mass market	101	92
1,062	984	Equity investments	1	1
<b>4,790</b>	<b>4,760</b>	<b>Total credit risk IRB</b>	<b>4,651</b>	<b>4,470</b>
3	2	Central government	3	4
87	86	Covered bonds	132	124
390	419	Institutions	282	246
-	-	Local and regional authorities, state-owned enterprises	5	8
23	42	Corporate	239	221
73	22	Mass market	463	520
12	9	Exposures secured on real property	167	215
228	236	Equity positions	377	366
57	104	Other assets	151	107
<b>873</b>	<b>918</b>	<b>Total credit risk standardised approach</b>	<b>1,818</b>	<b>1,810</b>
30	31	Debt risk	34	31
-	-	Equity risk	15	7
-	-	Currency risk and risk exposure for settlement/delivery	3	3
370	407	Operational risk	720	575
39	29	Credit value adjustment risk (CVA)	115	122
-	-	Transitional arrangements	-	1,074
<b>6,102</b>	<b>6,145</b>	<b>Minimum requirements subordinated capital</b>	<b>7,357</b>	<b>8,093</b>
<b>76,274</b>	<b>76,817</b>	<b>Risk weighted assets (RWA)</b>	<b>91,956</b>	<b>101,168</b>
3,432	3,457	Minimum requirement on CET1 capital, 4.5 per cent	4,138	4,553
		Capital Buffers		
1,907	1,920	Capital conservation buffer, 2.5 per cent	2,299	2,529
2,288	2,305	Systemic risk buffer, 3.0 per cent	2,759	3,035
1,525	1,920	Countercyclical buffer, 2.5 per cent (2.0 per cent)	2,299	2,023
<b>5,721</b>	<b>6,145</b>	<b>Total buffer requirements on CET1 capital</b>	<b>7,357</b>	<b>7,588</b>
<b>4,228</b>	<b>4,620</b>	<b>Available CET1 capital after buffer requirements</b>	<b>4,335</b>	<b>2,587</b>
		Capital adequacy		
17.5 %	18.5 %	<b>Common equity Tier 1 capital ratio</b>	17.2 %	14.6 %
19.3 %	20.5 %	Tier 1 capital ratio	19.3 %	16.3 %
21.6 %	22.6 %	Capital ratio	21.6 %	18.5 %
		Leverage ratio		
153,395	161,905	Balance sheet items	230,048	216,240
7,110	6,830	Off-balance sheet items	7,897	9,086
-832	-851	Regulatory adjustments	-1,503	-1,474
159,673	167,885	Calculation basis for leverage ratio	236,441	223,853
14,748	15,747	Core capital	17,742	16,472
<b>9.2 %</b>	<b>9.4 %</b>	<b>Leverage Ratio</b>	<b>7.5 %</b>	<b>7.4 %</b>

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

Parent Bank			Group	
31 Dec 2018	31 Dec 2019	(NOKm)	31 Dec 2019	31 Dec 2018
12,362	13,203	Agriculture, forestry, fisheries, hunting	13,558	12,686
869	833	Sea farming industries	1,132	1,180
3,438	2,212	Manufacturing	2,595	3,787
2,947	3,157	Construction, power and water supply	3,970	3,661
2,335	2,181	Retail trade, hotels and restaurants	2,517	2,621
4,227	4,660	Maritime sector	4,660	4,227
15,107	14,800	Property management	14,878	15,168
2,531	2,445	Business services	2,146	2,162
4,145	4,542	Transport and other services provision	5,409	4,961
44	2	Public administration	12	55
1,658	1,890	Other sectors	1,863	1,679
<b>49,663</b>	<b>49,926</b>	<b>Gross loans in retail market</b>	<b>52,740</b>	<b>52,186</b>
103,537	109,544	Wage earners	115,036	108,131
<b>153,200</b>	<b>159,470</b>	<b>Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt</b>	<b>167,777</b>	<b>160,317</b>
38,062	39,833	of which SpareBank 1 Boligkreditt	39,833	38,062
1,782	1,667	of which SpareBank 1 Næringskreditt	1,667	1,782
<b>113,356</b>	<b>117,970</b>	<b>Gross loans in balance sheet</b>	<b>126,277</b>	<b>120,473</b>
639	850	- Loan loss allowance on amortised cost loans	911	686
58	87	- Loan loss allowance on loans at FVOCI	87	58
<b>112,659</b>	<b>117,033</b>	<b>Net loans to and receivables from customers</b>	<b>125,279</b>	<b>119,728</b>

## Note 6 - Losses on loans and guarantees

### Parent Bank

	Jan-Dec			Jan-Dec		
	2019			2018		
	RM	CM	Total	RM	CM	Total
<b>Losses on loans and guarantees (NOKm)</b>						
Change in provision for expected credit losses for the period	28	205	234	18	126	144
Actual loan losses on commitments exceeding provisions made	10	9	19	6	86	93
Recoveries on commitments previously written-off	-5	-1	-7	-7	-1	-8
<b>Losses for the period on loans and guarantees</b>	<b>32</b>	<b>213</b>	<b>245</b>	<b>17</b>	<b>212</b>	<b>229</b>

### Group

	Jan-Dec			Jan-Dec		
	2019			2018		
	RM	CM	Total	RM	CM	Total
<b>Losses on loans and guarantees (NOKm)</b>						
Change in provision for expected credit losses for the period	34	212	246	23	127	150
Actual loan losses on commitments exceeding provisions made	40	22	62	30	98	127
Recoveries on commitments previously written-off	-6	-2	-8	-13	-1	-15
<b>Losses for the period on loans and guarantees</b>	<b>68</b>	<b>231</b>	<b>299</b>	<b>40</b>	<b>223</b>	<b>263</b>

## Note 7 - Losses

Parent Bank (NOKm)	1 January 19	Change in provision	Net write-offs/ recoveries	31 Dec 2019
Loans as amortised cost- CM	742	201	-27	916
Loans as amortised cost- RM	45	-6	-5	34
Loans at fair value over OCI- RM	75	34	-	109
Loans at fair value over OCI- CM	-	1	-	1
<b>Provision for expected credit losses on loans and guarantees</b>	<b>862</b>	<b>230</b>	<b>-32</b>	<b>1,060</b>
<b>Presented as</b>				
Provision for loan losses	697	272	-32	937
Other debt- provisons	148	-48	-	100
Other comprehensive income - fair value adjustment	17	6	-	23

Parent Bank (NOKm)	1 January 18	Change in provision	Net write-offs/ recoveries	31 Dec 2018
Loans as amortised cost- CM	1,017	125	-400	742
Loans as amortised cost- RM	32	28	-15	45
Loans at fair value over OCI- RM	65	10	-	75
<b>Provision for expected credit losses on loans and guarantees</b>	<b>1,114</b>	<b>163</b>	<b>-415</b>	<b>862</b>
<b>Presented as</b>				
Provision for loan losses	1,027	86	-415	697
Other debt- provisons	68	80	-	148
Other comprehensive income - fair value adjustment	18	-2	-	17

Group (NOKm)	1 January 19	Change in provision	Net write-offs/ recoveries	31 Dec 2019
Loans as amortised cost- CM	766	212	-31	948
Loans as amortised cost- RM	68	0	-5	63
Loans at fair value over OCI- RM	75	34	-	109
Loans at fair value over OCI- CM	-	1	-	1
<b>Provision for expected credit losses on loans and guarantees</b>	<b>909</b>	<b>248</b>	<b>-36</b>	<b>1,121</b>
<b>Presented as</b>				
Provision for loan losses	744	290	-36	998
Other debt- provisons	148	-48	-	100
Other comprehensive income - fair value adjustment	17	6	-	23

Group (NOKm)	1 January 18	Change in provision	Net write-offs/ recoveries	31 Dec 2018
Loans as amortised cost- CM	1,041	128	-402	766
Loans as amortised cost- RM	49	34	-15	68
Loans at fair value over OCI- RM	65	10	-	75
<b>Provision for expected credit losses on loans and guarantees</b>	<b>1,155</b>	<b>171</b>	<b>-417</b>	<b>909</b>
<b>Presented as</b>				
Provision for loan losses	1,068	93	-417	744
Other debt- provisons	68	80	-	148
Other comprehensive income - fair value adjustment	18	-2	-	17

## Development in provision for expected credit losses on loans

Parent Bank (NOKm)	Jan-Dec 2019				Jan-Dec 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance</b>	<b>91</b>	<b>210</b>	<b>413</b>	<b>714</b>	<b>83</b>	<b>207</b>	<b>755</b>	<b>1,044</b>
Provision for credit losses								
Transfer to (from) stage 1	29	-29	-0	-	30	-30	-0	-
Transfer to (from) stage 2	-10	10	-0	-	-5	5	-0	-
Transfer to (from) stage 3	-0	-15	15	-	-0	-2	3	-
Net remeasurement of loss allowances	-29	122	191	285	-31	32	75	76
Originations or purchases	40	37	1	79	49	90	1	139
Derecognitions	-31	-52	-1	-85	-34	-92	-4	-130
Actual loan losses	-	-	-32	-32	-	-	-415	-415
<b>Closing balance</b>	<b>91</b>	<b>283</b>	<b>586</b>	<b>961</b>	<b>91</b>	<b>210</b>	<b>413</b>	<b>714</b>

## Development in provision for expected credit losses on guarantees and unused credit lines

Parent Bank (NOKm)	Jan-Dec 2019				Jan-Dec 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance</b>	<b>11</b>	<b>47</b>	<b>90</b>	<b>148</b>	<b>13</b>	<b>49</b>	<b>7</b>	<b>70</b>
Provision for credit losses								
Transfer to (from) stage 1	3	-3	-0	-	2	-2	-0	-
Transfer to (from) stage 2	-1	1	-	-	-1	1	-0	-
Transfer to (from) stage 3	-0	-0	0	-	-0	-0	0	-
Net remeasurement of loss allowances	-2	3	-33	-33	-3	12	83	92
Originations or purchases	7	1	0	8	6	3	0	9
Derecognitions	-3	-20	-0	-24	-6	-17	-0	-23
Actual loan losses	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>14</b>	<b>29</b>	<b>57</b>	<b>100</b>	<b>11</b>	<b>47</b>	<b>90</b>	<b>148</b>

## Development in provision for expected credit losses on loans

Group (NOKm)	Jan-Dec 2019				Jan-Dec 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance</b>	<b>102</b>	<b>223</b>	<b>436</b>	<b>761</b>	<b>93</b>	<b>218</b>	<b>775</b>	<b>1,085</b>
Provision for credit losses								
Transfer to (from) stage 1	32	-31	-1	-	32	-31	-0	-
Transfer to (from) stage 2	-11	13	-2	-	-6	7	-0	-
Transfer to (from) stage 3	-1	-16	16	-	-0	-3	4	-
Net remeasurement of loss allowances	-34	125	198	290	-34	35	83	85
Originations or purchases	48	44	10	102	53	93	3	149
Derecognitions	-33	-55	-7	-96	-36	-94	-11	-140
Actual loan losses	-	-	-36	-36	-	-	-417	-417
<b>Closing balance</b>	<b>104</b>	<b>302</b>	<b>616</b>	<b>1,021</b>	<b>102</b>	<b>224</b>	<b>436</b>	<b>761</b>

## Development in provision for expected credit losses on guarantees and unused credit lines

Group (NOKm)	Jan-Dec 2019				Jan-Dec 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance</b>	<b>11</b>	<b>47</b>	<b>90</b>	<b>148</b>	<b>13</b>	<b>49</b>	<b>7</b>	<b>70</b>
Provision for credit losses								
Transfer to (from) stage 1	3	-3	-0	-	2	-2	-0	-
Transfer to (from) stage 2	-1	1	-	-	-1	1	-0	-
Transfer to (from) stage 3	-0	-0	0	-	-0	-0	0	-
Net remeasurement of loss allowances	-2	3	-33	-33	-3	12	83	92
Originations or purchases	7	1	0	8	6	3	0	9
Derecognitions	-3	-20	-0	-24	-6	-17	-0	-23
Actual loan losses	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>14</b>	<b>29</b>	<b>57</b>	<b>100</b>	<b>11</b>	<b>47</b>	<b>90</b>	<b>148</b>

## Note 8 - Gross loans

Parent Bank	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
<b>Gross loan - Total</b>					
<b>Balance at 1 January 2019</b>	<b>97,458</b>	<b>9,888</b>	<b>1,543</b>	<b>4,467</b>	<b>113,356</b>
Transfer to stage 1	2,479	-2,438	-41	-	-
Transfer to stage 2	-3,252	3,318	-66	-	-
Transfer to stage 3	-67	-361	429	-	-
Net increase/decrease amount existing loans	-3,481	-213	-28	-133	-3,856
New loans	54,871	1,793	497	1,022	58,184
Derecognitions	-45,771	-2,879	-335	-678	-49,665
Financial assets with actual loan losses	-2	-6	-41	-	-49
<b>Balance at 31 December 2019</b>	<b>102,235</b>	<b>9,101</b>	<b>1,957</b>	<b>4,677</b>	<b>117,970</b>

Parent Bank	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
<b>Gross loan - Total</b>					
<b>Balance at 1 January 2018</b>	<b>91,074</b>	<b>9,931</b>	<b>1,560</b>	<b>3,278</b>	<b>105,843</b>
Transfer to stage 1	2,230	-2,230	-	-	-
Transfer to stage 2	-2,637	2,644	-7	-	-
Transfer to stage 3	-458	-31	489	-	-
Net increase/decrease amount existing loans	-5,487	-65	11	-148	-5,689
New loans	46,099	2,067	72	2,269	50,507
Derecognitions	-33,363	-2,428	-581	-933	-37,305
<b>Balance at 31 December 2018</b>	<b>97,458</b>	<b>9,888</b>	<b>1,543</b>	<b>4,467</b>	<b>113,356</b>

Group	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
<b>Gross loan - Total</b>					
<b>Balance at 1 January 2019</b>	<b>103,494</b>	<b>10,829</b>	<b>1,683</b>	<b>4,467</b>	<b>120,473</b>
Transfer to stage 1	2,712	-2,665	-47	-	-
Transfer to stage 2	-3,865	3,953	-88	-	-
Transfer to stage 3	-126	-402	527	-	-
Net increase/decrease amount existing loans	-4,553	-441	-53	-133	-5,180
New loans	58,443	2,164	524	1,022	62,153
Derecognitions	-46,963	-3,082	-396	-678	-51,119
Financial assets with actual loan losses	-2	-6	-41	-	-49
<b>Balance at 31 December 2019</b>	<b>109,140</b>	<b>10,350</b>	<b>2,110</b>	<b>4,677</b>	<b>126,277</b>

Group	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
<b>Gross loan (NOKm)</b>					
<b>Balance at 1 January 2018</b>	<b>96,286</b>	<b>10,855</b>	<b>1,652</b>	<b>3,278</b>	<b>112,071</b>
Transfer to stage 1	2,439	-2,391	-48	-	-
Transfer to stage 2	-2,957	2,970	-13	-	-
Transfer to stage 3	-464	-71	536	-	-
Net increase/decrease amount existing loans	-6,397	-260	89	-148	-6,716
New loans	48,841	2,283	89	2,269	53,483
Derecognitions	-34,253	-2,556	-622	-933	-38,365
<b>Balance at 31 December 2018</b>	<b>103,494</b>	<b>10,829</b>	<b>1,682</b>	<b>4,467</b>	<b>120,473</b>

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

Parent Bank			Group	
31 Dec 2018	31 Dec 2019	(NOKm)	31 Dec 2019	31 Dec 2018
3,066	3,064	Agriculture, forestry, fisheries, hunting	3,064	3,066
742	645	Sea farming industries	645	742
1,696	1,582	Manufacturing	1,582	1,696
3,541	3,363	Construction, power and water supply	3,363	3,541
4,663	4,197	Retail trade, hotels and restaurants	4,197	4,663
996	1,059	Maritime sector	1,059	996
4,949	5,027	Property management	4,718	4,644
6,883	7,643	Business services	7,643	6,883
6,572	8,186	Transport and other services provision	7,819	6,210
12,202	13,162	Public administration	13,162	12,202
3,083	3,278	Other sectors	3,001	2,917
<b>48,393</b>	<b>51,206</b>	<b>Total</b>	<b>50,253</b>	<b>47,561</b>
33,055	35,664	Wage earners	35,664	33,055
<b>81,448</b>	<b>86,870</b>	<b>Total deposits</b>	<b>85,917</b>	<b>80,615</b>

## Note 10 - Net interest income

Parent Bank			Group	
January - Desember			January - Desember	
2018	2019	(NOKm)	2019	2018
		<b>Interest Income</b>		
166	246	Interest income from loans to and claims on central banks and credit institutions (amortised cost)	103	62
1,641	1,693	Interest income from loans to and claims on customers (amortised cost)	2,177	2,042
1,528	1,792	Interest income from loans to and claims on customers (Fair value over OCI)	1,814	1,528
106	134	Interest income from loans to and claims on customers (Fair value over Profit and loss)	134	106
295	375	Interest income from money market instruments, bonds and other fixed income securities (Fair value over Profit and loss)	371	291
0	-	Other interest income	26	28
<b>3,737</b>	<b>4,241</b>	<b>Total interest income</b>	<b>4,626</b>	<b>4,057</b>
		<b>Interest expense</b>		
142	170	Interest expenses on liabilities to credit institutions	190	154
749	1,042	Interest expenses relating to deposits from and liabilities to customers	1,019	734
615	545	Interest expenses related to the issuance of securities	545	615
84	84	Interest expenses on subordinated debt	86	86
0	10	Other interest expenses	33	15
50	65	Guarantee fund levy	65	50
<b>1,640</b>	<b>1,916</b>	<b>Total interest expense</b>	<b>1,939</b>	<b>1,655</b>
<b>2,097</b>	<b>2,325</b>	<b>Net interest income</b>	<b>2,687</b>	<b>2,403</b>



## Note 11 - Operating expenses

Parent Bank			Group	
January - December			January - December	
2018	2019	(NOKm)	2019	2018
217	234	IT costs	321	293
12	19	Postage and transport of valuables	23	17
53	63	Marketing	101	106
66	109	Ordinary depreciation	172	99
108	42	Operating expenses, real properties	57	153
93	134	Purchased services	193	151
134	149	Other operating expense	231	221
<b>685</b>	<b>750</b>	<b>Total other operating expenses</b>	<b>1,098</b>	<b>1,040</b>

## Note 12 - Other assets

Parent Bank			Group	
31.12.2018	31.12.19	(NOKm)	31.12.19	31.12.18
-	-	Deferred tax asset	158	175
97	85	Fixed assets	225	234
-	342	Right to use assets	499	-
67	107	Earned income not yet received	132	86
7	13	Accounts receivable, securities	292	277
179	148	Pensions	148	179
384	546	Other assets	640	737
<b>733</b>	<b>1,241</b>	<b>Total other assets</b>	<b>2,092</b>	<b>1,687</b>

## Note 13 - Other liabilities

Parent Bank			Group	
31.12.18	31.12.19	(NOKm)	31.12.19	31.12.18
84	48	Deferred tax	115	147
389	475	Payable tax	546	448
10	10	Capital tax	10	10
30	76	Accrued expenses and received, non-accrued income	412	461
115	127	Provision for accrued expenses and commitments	127	115
148	100	Losses on guarantees and unutilised credits	100	148
21	16	Pension liabilities	16	21
-	347	Lease liabilities	505	-
97	68	Drawing debt	68	97
11	6	Creditors	57	66
699	9	Debt from securities	197	809
-	-	- Equity Instruments	244	31
239	287	Other liabilities	317	317
<b>1,892</b>	<b>1,570</b>	<b>Total other liabilities</b>	<b>2,841</b>	<b>2,670</b>

## Note 14 - Debt created by issue of securities and subordinated debt

## Group

	31 Dec 2018	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2019
<b>Change in securities debt (NOKm)</b>					
Certificate, nominal value	391	-	385	-7	-
Bond debt, nominal value	43,463	6,230	6,036	-934	42,722
Value adjustments	158	-	-	-85	73
Accrued interest	256	-	-	-38	218
<b>Total</b>	<b>44,269</b>	<b>6,230</b>	<b>6,421</b>	<b>-1,064</b>	<b>43,014</b>

	31 Dec 2018	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2019
<b>Change in subordinated debt and hybrid equity (NOKm)</b>					
Ordinary subordinated loan capital, nominal value	1,793	-	-	-	1,793
Hybrid equity, nominal value	450	-	164	-	287
Value adjustments	13	-	-	-11	1
Accrued interest	12	-	-	-2	10
<b>Total</b>	<b>2,268</b>	<b>-</b>	<b>164</b>	<b>-14</b>	<b>2,090</b>

## Note 15 - 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 2019:

<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	3	2,969	-	2,972
- Bonds and money market certificates	2,913	20,202	-	23,115
- Equity instruments	2,506	43	405	2,953
- Fixed interest loans	-	43	4,636	4,678
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	71,336	71,336
<b>Total assets</b>	<b>5,421</b>	<b>23,256</b>	<b>76,377</b>	<b>105,054</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	3,525	-	3,528
- Equity instruments	244	-	-	244
<b>Total liabilities</b>	<b>247</b>	<b>3,525</b>	<b>-</b>	<b>3,772</b>

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2018:

<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	4,117	-	4,119
- Bonds and money market certificates	2,786	17,563	-	20,348
- Equity instruments	1,195	128	550	1,873
- Fixed interest loans	-	43	4,425	4,467
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	61,295	61,295
<b>Total assets</b>	<b>3,982</b>	<b>21,850</b>	<b>66,269</b>	<b>92,102</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	4	2,977	-	2,982
- Equity instruments	31	-	-	31
<b>Total liabilities</b>	<b>36</b>	<b>2,977</b>	<b>-</b>	<b>3,013</b>

The following table presents the changes in the instruments classified in level 3 as at 31 December 2019:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	550	4,425	61,294	66,269
Investment in the period	24	1,054	44,421	45,499
Disposals in the period	-256	-818	-34,350	-35,453
Expected credit loss	-	-	-36	-6
Gain or loss on financial instruments	87	-25	6	68
<b>Closing balance</b>	<b>405</b>	<b>4,636</b>	<b>71,336</b>	<b>76,376</b>

The following table presents the changes in the instruments classified in level 3 as at 31 December 2018:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Equity instruments through OCI	Total
Closing balance 31 December	419	3,236	-	66	3,722
Implementation effect IFRS 9	66	-	56,743	-66	56,743
<b>Opening balance 1 January</b>	<b>486</b>	<b>3,236</b>	<b>56,743</b>	<b>-</b>	<b>60,464</b>
Investment in periode	76	2,269	18,147	-	20,492
Disposals in the periode	-20	-1,079	-13,584	-	-14,683
Expected credit loss	-	-	-10	-	-10
Gain or loss on financial instruments	8	-2	-2	-	5
<b>Closing balance</b>	<b>550</b>	<b>4,425</b>	<b>61,294</b>	<b>-</b>	<b>66,269</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 from 10 to 20 per cent, 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 282 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 2019:**

<b>(NOKm)</b>	<b>Book value</b>	<b>Effect from change in reasonable possible alternative assumptions</b>
Fixed interest loans	4,636	-11
Equity instruments through profit/loss*	405	-
Loans at fair value through other comprehensive income	71,336	-7

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

## Note 16 - 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 2019 was 3.4 years. The overall LCR at the same point was 148 per cent and the average overall LCR in the fourth quarter was 172 per cent. The LCR in Norwegian kroner and the euro at quarter-end was 131 and 540 per cent respectively.



## Note 17 - 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	
	2019	2018
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	2,458	2,018
Allocated to ECC Owners 2)	1,572	1,291
Issues Equity Capital Certificates adjusted for own certificates	129,496,367	129,358,825
<b>Earnings per Equity Capital Certificate</b>	<b>12.14</b>	<b>9.98</b>

1) Adjusted Net Profit	Jan-Dec	
	2019	2018
Net Profit for the group	2,563	2,090
adjusted for non-controlling interests share of net profit	-56	-34
Adjusted for Tier 1 capital holders share of net profit	-49	-37
<b>Adjusted Net Profit</b>	<b>2,458</b>	<b>2,018</b>

2) Equity capital certificate ratio (parent bank) (NOKm)	31 Dec	
	2019	2018
ECC capital	2,597	2,597
Dividend equalisation reserve	6,144	5,079
Premium reserve	895	895
Unrealised gains reserve	121	81
Other equity capital	-	-
<b>A. The equity capital certificate owners' capital</b>	<b>9,758</b>	<b>8,652</b>
Ownerless capital	5,432	4,831
Unrealised gains reserve	68	45
Other equity capital	-	-
<b>B. The saving bank reserve</b>	<b>5,500</b>	<b>4,877</b>
To be disbursed from gift fund	474	-
Dividend declared	840	-
<b>Equity ex. profit</b>	<b>16,572</b>	<b>13,529</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>