

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 2019. The Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts.

Revised distribution of profit for 2019

The Board of Directors of SpareBank 1 SMN has decided to change its distribution of profit for 2019 based on the economic outlook, reducing the payout ratio from 53.5% to 41.2%. New dividend is NOK 5.00 per equity certificate, down from NOK 6.50 in the annual accounts for 2019. The annual accounts for 2019 were not changed to reflect this. Comparable figures for 2019 has not been restated in the quarterly report, but the effect on the solvency of the changed allocation is shown in note 4

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 25 in the 2019 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 March 2020:

Actuarial assumptions	31 Dec 2019	1 January 2019	31 March 2020
Discount rate	2,30 %	2,30 %	1,70 %
Expected rate of return on plan assets	2,30 %	2,30 %	1,70 %
Expected future wage and salary growth	2,00 %	2,00 %	2,00 %
Expected adjustment on basic amount (G)	2,00 %	2,00 %	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 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	-148	16	-132
OCI accounting 1 Jan	-	-	-
OCI accounting 31 December	40	0	40
Net defined-benefit costs in profit and loss account	-1	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 March 2020	-109	16	-94

Net pension liability in the balance sheet Group (NOKm)	31 March 2019	31 Dec 2019
Net present value of pension liabilities in funded schemes	659	608
Estimated value of pension assets	-756	-743
Net pension liability in the balance sheet before employer's contribution	-96	-135
Employers contribution	2	3
Net pension liability in the balance sheet	-94	-132

Pension cost Group (NOKm)	31 March 2019	31 Dec 2019
Present value of pension accumulated in the year	0	0
Net interest income	-1	-4
Net pension cost related to defined plans, incl unfunded pension commitment	-1	-4
Employer's contribution subject to accrual accounting	0	0
Cost of defined contribution pension and early retirement pension scheme	26	108
Total pension cost for the period	25	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.

2020 Q1 (NOKm)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS Group	40	1	1	1	-	100 %
Total Held for sale	40	1	1	1	-	

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 2019.

In the first quarter 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 crisis is in early stages and the consequences for the bank's customers and the industries the bank are exposed to are difficult to estimate. 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.

The bank have chosen to leave the scenario weights unchanged in the assessments this quarter, but have changed the assumptions for the base scenario in a negative direction. The reason is that the probability of the defined downside scenarios occurring is considered to be virtually unchanged, while there is little doubt that the most likely scenario is weaker compared to the previous quarter.

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 all scenarios. The effect of changes in input assumptions is shown as "Effect of changed assumptions in ECL model" in note 7. The effect is NOK 80 million.

Sensitivity

If the downside scenario's probability were doubled at the expense of the baseline scenario at the end of march 2020, this would have entailed an increase in loss provisions of NOK 80 million for the parent bank and NOK 103 million for the group. A corresponding doubling of the upside scenario's probability at the expense of the baseline scenario would have entailed a reduction in loss provisions of NOK 28 million for the parent bank and NOK 30 million for the group.

2020 Q1 (mill. kr)

Portfolio	Increase in accrual for losses when probability for worst case is double	Increase in accrual for losses when probability for worst case is 100 percent	Reduction in accrual for losses when probability for best case is double	Reduction in accrual for losses when probability for best case is 100 percent
Retail Market	24	224	-7	-87
Corporate excl. Agriculture and offshore	28	260	-9	-107
Agriculture	5	33	-2	-20
Offshore	22	138	-11	-84
Total Parent Bank	80	655	-28	-297
SpareBank 1 Finans Midt-Norge	23	88	-1	-9
Total Group	103	743	-30	-306

Note 3 - Account by business line

For the subsidiaries the figures refer to the respective company accounts, while for 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 March 2020

Profit and loss account (NOKm)	RM	CM	SB1		SB1	SB1		SB1	BN	Uncollated	Total
			Markets	EM	Finans	Regnskapshuset	SMN				
Net interest	301	271	-2	-0	82		0	-	-	59	710
Interest from allocated capital	53	38	-	-	-		-	-	-	-91	-
Total interest income	354	308	-2	-0	82		0	-	-	-32	710
Commission income and other income	198	54	60	83	19		156	-	-	-1	570
Net return on financial investments **)	-2	10	45	-	-		-	-115	23	140	101
Total income	550	373	103	83	101		156	-115	23	107	1,381
Total operating expenses	246	113	118	83	49		129	-	-	-22	716
Ordinary operating profit	304	261	-15	-0	52		27	-115	23	130	665
Loss on loans, guarantees etc.	44	258	-	-	5		-	-	-	1	308
Result before tax including held for sale	260	3	-15	-0	47		27	-115	23	128	357
Post-tax return on equity*)	9.5 %	0.2 %									5.7 %
Balance											
Loans and advances to customers	121,269	41,174	-	-	8,957		-	-	-	-629	170,771
Adv. of this sold to SB1											
Boligkreditt and SB1											
Næringskreditt	-42,254	-1,245	-	-	-		-	-	-	-0	-43,498
Allowance for credit losses	-157	-930	-	-	-52		-	-	-	-6	-1,144
Other assets	197	7,932	2,636	301	23		551	1,834	1,449	44,132	59,054
Total assets	79,055	46,931	2,636	301	8,928		551	1,834	1,449	43,497	185,182
Deposits to customers	43,961	42,710	-	-	-		-	-	-	1,482	88,152
Other liabilities and equity	35,095	4,222	2,636	301	8,928		551	1,834	1,449	42,015	97,030
Total liabilities and equity	79,055	46,931	2,636	301	8,928		551	1,834	1,449	43,497	185,182

Group 31 March 2019

Profit and loss account (NOKm)	RM	CM	SB1		SB1	SB1		BN	Uncollated	Total
			Markets	EM	Finans	Regnskaps huset SMN	Gruppen			
Net interest	278	247	-4	-0	75	-0	-	-	52	649
Interest from allocated capital	52	36	-	-	-	-	-	-	-88	-
Total interest income	330	284	-4	-0	75	-0	-	-	-36	649
Commission income and other income	188	55	124	115	16	140	-	-	-85	551
Net return on financial investments (**)	0	2	21	-	-	-	38	23	643	727
Total income	518	340	140	114	92	140	38	23	522	1,926
Total operating expenses	217	104	138	123	44	119	-	-	-41	704
Ordinary operating profit	301	236	2	-9	47	21	38	23	564	1,223
Loss on loans, guarantees etc.	6	53	-	-	8	-	-	-	-	67
Result before tax including held for sale	295	183	2	-9	40	21	38	23	564	1,155
Post-tax return on equity*)	12.7 %	10.9 %								12.2 %
Balance										
Loans and advances to customers	113,040	38,881	-	-	7,980	-	-	-	1,190	161,091
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-39,349	-1,642	-	-	-	-	-	-	-0	-40,991
Allowance for credit losses	-109	-654	-	-	-48	-	-	-	-5	-815
Other assets	203	2,886	2,715	993	25	458	1,723	1,263	35,092	45,356
Total assets	73,785	39,471	2,715	993	7,957	458	1,723	1,263	36,277	164,641
Deposits to customers	40,734	39,471	-	-	-	-	-	-	906	81,111
Other liabilities and equity	33,051	-0	2,715	993	7,957	458	1,723	1,263	35,372	83,530
Total liabilities and equity	73,785	39,471	2,715	993	7,957	458	1,723	1,263	36,277	164,641

Group 31 December 2019

Profit and loss account (NOKm)	RM	CM	SB 1		SB 1	SB 1		BN	Un-collated	Total
			Markets	EM	Finans	Regnskaps huset SMN	Gruppen			
Net interest	1,160	1,024	-17	-1	313	-0	-	-	207	2,687
Interest from allocated capital	211	147	-	-	-	-	-	-	-358	-
Total interest income	1,372	1,171	-17	-1	313	-0	-	-	-151	2,687
Commission income and other income	805	205	509	540	73	502	-	-	-345	2,290
Net return on financial investments (**)	0	12	117	-	-	-	252	107	714	1,201
Total income	2,177	1,388	609	540	386	502	252	107	218	6,178
Total operating expenses	875	410	566	538	184	394	-	-	-169	2,797
Ordinary operating profit	1,302	978	43	1	202	108	252	107	386	3,380
Loss on loans, guarantees etc.	32	213	-	-	52	-	-	-	2	299
Result before tax including held for sale	1,279	838	43	1	150	108	252	107	384	3,081
Post-tax return on equity*)	13.1 %	11.7 %								13.7 %
Balance										
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	28,109	41,384
Total assets	79,360	43,460	3,669	309	8,861	527	1,609	1,425	27,442	166,662
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	25,920	80,745
Total liabilities and equity	79,360	43,460	3,669	309	8,861	527	1,609	1,425	27,442	166,662

*) 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 during the year

**) Specification of net return on financial investments (NOKm)	31 March 2020	31 March 2019	31 Dec 2019
Dividends	8	2	15
Capital gains shares	-42	84	120
Gain/(loss) on certificates and bonds	50	32	-20
Gain/(loss) on derivatives	-148	23	132
Gain/(loss) on financial instruments related to hedging	-6	-4	-9
Gain/(loss) on other financial instruments at fair value (FVO)	-57	10	9
Foreign exchange gain/(loss)	65	9	22
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	14	15	54
Net return on financial instruments	-124	169	307
SpareBank 1 Gruppen	-115	38	252
Gain Fremtind Forsikring	340	460	460
SpareBank 1 Boligkreditt	-31	14	26
SpareBank 1 Næringskreditt	2	8	21
BN Bank	23	24	113
SpareBank 1 Kredittkort	0	3	13
SpareBank 1 Betaling	-2	12	3
Other companies	-0	-4	-8
Income from investment in associates and joint ventures	217	555	879
Total net return on financial investments	101	727	1.201
Fair value hedging			
Changes in fair value on hedging instrument	359	82	-66
Changes in fair value on hedging item	-365	-85	56
Net Gain or Loss from hedge accounting	-6	-4	-9

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 March 2020 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 1.0 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 11.0 per cent. In addition the financial supervisory authority has set a Pillar 2 requirement of 1.9 per cent for SpareBank 1 SMN. The total minimum requirement on CET1 capital is accordingly 12.9 per cent.

The Supervisory Board adopted at its meeting on 26 March 2020 a revised proposal for application of the net profit for 2019 entailing an overall reduction of 303 NOK million compared with the original proposal of NOK 1,314 million for distribution as dividends and donations. Historical figures as at 31 December 2019 are not restated, but the effect of the above decision as at 31 December 2019 is shown in the table below.

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. The countercyclical capital buffer was reduced with immediate effect in March 2020 from 2.5 per cent to 1.0 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 first quarter of 2020 both the parent bank and the group is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures.

The group's hybrid equity and subordinated debt issued under the old rules has now either been redeemed or notice of redemption has been given such that as of the first quarter of 2020 the group has no holdings covered by the transitional provisions.

Parent Bank				Group		
31 Dec 2019	31 Mar 2019	31 Mar 2020	(NOKm)	31 Mar 2020	31 Mar 2019	31 Dec 2019
17,822	16,103	16,866	Total book equity	19,600	18,673	20,420
-1,250	-981	-1,227	Additional Tier 1 capital instruments included in total equity	-1,268	-1,023	-1,293
-512	-525	-507	Deferred taxes, goodwill and other intangible assets	-1,059	-1,073	-1,099
-1,314	-	-	Deduction for allocated dividends and gifts	-	-	-1,314
-	-	-	Non-controlling interests recognised in other equity capital	-760	-665	-761
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	398	392	438
-	-747	-106	Net profit	-290	-1,046	-
-	237	83	Year-to-date profit included in core capital (0 per cent (50 per cent) pre tax of group profit)	266	537	-
-33	-31	-50	Value adjustments due to requirements for prudent valuation	-62	-43	-45
-305	-284	-293	Positive value of adjusted expected loss under IRB Approach	-329	-303	-351
-	-	-	Cash flow hedge reserve	13	5	3
-185	-163	-185	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-353	-333	-168
14,222	13,609	14,582	Common equity Tier 1 capital	16,155	15,122	15,830
1,250	1,000	1,250	Additional Tier 1 capital instruments	1,637	1,377	1,637
275	275	-	Additional Tier 1 capital instruments covered by transitional provisions	-	275	275
15,747	14,884	15,832	Tier 1 capital	17,792	16,775	17,742
			Supplementary capital in excess of core capital			
1,750	1,750	1,750	Subordinated capital	2,240	2,298	2,240
12	184	-0	Subordinated capital covered by transitional provisions	-0	184	12
-140	-142	-153	Deduction for significant investments in financial institutions	-153	-142	-140
1,623	1,792	1,597	Additional Tier 2 capital instruments	2,087	2,340	2,113
17,370	16,676	17,429	Total eligible capital	19,879	19,115	19,854

			Minimum requirements subordinated capital			
911	962	964	Specialised enterprises	1,153	1,106	1,101
1,139	1,155	1,269	Corporate	1,279	1,161	1,149
1,628	1,515	1,625	Mass market exposure, property	2,310	2,126	2,299
98	95	97	Other mass market	100	97	101
984	1,076	987	Equity investments	1	1	1
4,760	4,802	4,942	Total credit risk IRB	4,842	4,491	4,651
2	2	2	Central government	4	3	3
86	87	101	Covered bonds	152	135	132
419	387	567	Institutions	466	269	282
-	-	-	Local and regional authorities, state-owned enterprises	15	10	5
42	41	30	Corporate	227	251	239
22	73	17	Mass market	474	536	463
9	13	16	Exposures secured on real property	174	211	167
236	231	240	Equity positions	383	365	377
104	91	115	Other assets	150	169	151
918	925	1,088	Total credit risk standardised approach	2,045	1,949	1,818
31	43	47	Debt risk	48	45	34
-	-	-	Equity risk	7	12	15
-	-	-	Currency risk and risk exposure for settlement/delivery	3	3	3
407	387	407	Operational risk	720	654	720
29	28	98	Credit value adjustment (CVA)	240	118	115
-	-	-	Transitional arrangements	-	929	-
6,145	6,186	6,583	Minimum requirements subordinated capital	7,907	8,200	7,357
76,817	77,327	82,282	Risk weighted assets (RWA)	98,832	102,495	91,956
3,457	3,480	3,703	Minimum requirement on CET1 capital, 4.5 per cent	4,447	4,612	4,138
			Capital Buffers			
1,920	1,933	2,057	Capital conservation buffer, 2.5 per cent	2,471	2,562	2,299
2,305	2,320	2,468	Systemic risk buffer, 3.0 per cent	2,965	3,075	2,759
1,920	1,547	823	Countercyclical buffer, 1.0 per cent (2.5 and 2.0 per cent)	988	2,050	2,299
6,145	5,800	5,348	Total buffer requirements on CET1 capital	6,424	7,687	7,357
4,620	4,330	5,531	Available CET1 capital after buffer requirements	5,284	2,823	4,335
			Capital adequacy			
18.5 %	17.6 %	17.7 %	Common equity Tier 1 capital ratio	16.3 %	14.8 %	17.2 %
20.5 %	19.2 %	19.2 %	Tier 1 capital ratio	18.0 %	16.4 %	19.3 %
22.6 %	21.6 %	21.2 %	Capital ratio	20.1 %	18.6 %	21.6 %
			Leverage ratio			
161,905	156,292	177,198	Balance sheet items	249,366	221,200	230,048
6,830	6,834	7,719	Off-balance sheet items	8,702	8,262	7,897
-851	-840	-1,033	Regulatory adjustments	-1,820	-1,600	-1,503
167,885	162,287	183,884	Calculation basis for leverage ratio	256,248	227,862	236,441
15,747	14,884	15,832	Core capital	17,792	16,775	17,742
9.4 %	9.2 %	8.6 %	Leverage Ratio	6.9 %	7.4 %	7.5 %

Effect as at 31 December 2019 on the adopted application of net profit, as revised:

	31 Dec 2019	
	Parent Bank	Group
Common equity Tier 1 capital	14,525	16,133
Tier 1 capital	16,051	18,045
Total eligible capital	17,673	20,158
Common equity Tier 1 capital ratio	18.9 %	17.5 %
Tier 1 capital ratio	20.9 %	19.6 %
Capital ratio	23.0 %	21.9 %
Leverage Ratio	9.6 %	7.6 %

Note 5 - Distribution of loans by sector/industry

Parent Bank				Group		
31 Dec 2019	31 March 2019	31 March 2020	(NOKm)	31 March 2020	31 March 2019	31 Dec 2019
13,203	12,327	13,477	Agriculture, forestry, fisheries, hunting	13,853	12,658	13,558
833	866	756	Sea farming industries	1,053	1,176	1,132
2,212	3,148	1,870	Manufacturing	2,255	3,507	2,595
3,157	2,938	3,025	Construction, power and water supply	3,837	3,703	3,970
2,181	2,683	2,266	Retail trade, hotels and restaurants	2,607	3,014	2,517
4,660	4,609	5,177	Maritime sector	5,177	4,609	4,660
14,800	14,840	14,614	Property management	14,689	14,915	14,878
2,445	2,410	2,454	Business services	2,158	2,060	2,146
4,542	4,158	5,546	Transport and other services provision	6,379	4,977	5,409
2	3	6	Public administration	17	15	12
1,890	1,771	1,718	Other sectors	1,742	1,720	1,863
49,926	49,754	50,909	Gross loans in retail market	53,767	52,354	52,740
109,544	103,949	111,460	Wage earners	117,004	108,738	115,036
159,470	153,703	162,369	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	170,771	161,091	167,777
39,833	39,220	41,972	of which SpareBank 1 Boligkreditt	41,972	39,220	39,833
1,667	1,771	1,526	of which SpareBank 1 Næringskreditt	1,526	1,771	1,667
117,970	112,712	118,871	Gross loans in balance sheet	127,272	120,100	126,277
850	717	964	- Loan loss allowance on amortised cost loans	1,019	769	911
87	46	123	- Loan loss allowance on loans at FVOCI	125	46	87
117,033	111,949	117,784	Net loans to and receivables from customers	126,128	119,285	125,279

Note 6 - Losses on loans and guarantees

Parent Bank

	Jan-March			Jan-March			Jan - Dec		
	2020			2019			2019		
Losses on loans and guarantees (NOKm)	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in provision for expected credit losses for the period	44	146	190	6	52	58	28	205	234
Actual loan losses on commitments exceeding provisions made	1	112	112	1	2	3	10	9	19
Recoveries on commitments previously written-off	-1	-0	-1	-1	-1	-2	-5	-1	-7
Losses for the period on loans and guarantees	44	258	302	6	53	60	32	213	245

Group

	Jan-March			Jan-March			Jan - Dec		
	2020			2019			2019		
Losses on loans and guarantees (NOKm)	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in provision for expected credit losses for the period	40	148	188	6	55	61	34	212	246
Actual loan losses on commitments exceeding provisions made	28	115	143	6	3	8	40	22	62
Recoveries on commitments previously written-off	-19	-4	-22	-1	-1	-2	-6	-2	-8
Losses for the period on loans and guarantees	49	259	308	11	57	67	68	231	299

Note 7 - Losses

Parent Bank (NOKm)	1 Jan 20	Change in provision	Net write-offs / recoveries	31 Mar 20
Loans as amortised cost- CM	916	146	-30	1,031
Loans as amortised cost- RM	34	7	-3	39
Loans at fair value over OCI- RM	109	37	-	146
Loans at fair value over OCI- CM	1	-0	-	1
Provision for expected credit losses on loans and guarantees	1,060	190	-33	1,219
Presented as				
Provision for loan losses	937	182	-33	1,086
Other debt- provisions	100	6	-	106
Other comprehensive income - fair value adjustment	23	3	-	26

Parent Bank (NOKm)	1 Jan 19	Change in provision	Net write-offs/ recoveries	31 Mar 19
Loans as amortised cost- CM	742	50	1	792
Loans as amortised cost- RM	45	17	1	63
Loans at fair value over OCI- RM	75	-12	-	63
Provision for expected credit losses on loans and guarantees	862	55	2	918
Presented as				
Provision for loan losses	697	64	2	763
Other debt- provisions	148	-10	-	139
Other comprehensive income - fair value adjustment	17	0	-	17

Parent Bank (NOKm)	1 Jan 19	Change in provision	Net write-offs/ recoveries	31 Dec 19
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
Provision for expected credit losses on loans and guarantees	862	230	-32	1,060
Presented as				
Provision for loan losses	697	272	-32	937
Other debt- provisions	148	-48	-	100
Other comprehensive income - fair value adjustment	17	6	-	23

Group (NOKm)	1 Jan 20	Change in provision	Net write-offs/ recoveries	31 Mar 20
Loans as amortised cost- CM	948	149	-32	1,065
Loans as amortised cost- RM	63	3	-3	63
Loans at fair value over OCI- RM	109	37	-	146
Loans at fair value over OCI- CM	1	-0	-	1
Provision for expected credit losses on loans and guarantees	1,121	190	-34	1,276
Presented as				
Provision for loan losses	998	180	-34	1,144
Other debt- provisions	100	6	-	106
Other comprehensive income - fair value adjustment	23	3	-	26

Group (NOKm)	1 Jan 19	Change in provision	Net write-offs/ recoveries	31 Mar 19
Loans as amortised cost- CM	766	57	0	822
Loans as amortised cost- RM	68	17	1	86
Loans at fair value over OCI- RM	75	-12	-	63
Provision for expected credit losses on loans and guarantees	909	62	1	971
Presented as				
Provision for loan losses	744	70	1	815
Other debt- provisions	148	-10	-	139
Other comprehensive income - fair value adjustment	17	0	-	17

Group (NOKm)	1 Jan 19	Change in provision	Net write-offs/ recoveries	31 Dec 19
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
Provision for expected credit losses on loans and guarantees	909	248	-36	1,121
Presented as				
Provision for loan losses	744	290	-36	998
Other debt- provisions	148	-48	-	100
Other comprehensive income - fair value adjustment	17	6	-	23

Accrual for losses on loans Parent Bank (NOKm)	31 Mar 20				31 Mar 19				31 Dec 19			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Retail market												
Opening balance	25	73	45	143	28	63	29	120	27	62	31	120
Transfer to (from) Stage 1	13	-13	-0	-	10	-10	-0	-	10	-10	0	-
Transfer to (from) Stage 2	-2	2	-0	-	-1	1	-0	-	-2	2	0	-
Transfer to (from) Stage 3	-0	-3	3	-	-0	-2	2	-	0	-3	3	-
Net remeasurement of loss allowances	-15	12	9	6	-6	17	3	14	-11	24	18	30
Originations or purchases	4	2	0	6	-	-	-	-	13	17	1	31
Derecognitions	-2	-6	-1	-10	-3	-6	-0	-10	-11	-20	-1	-33
Changes due to changed input assumptions	5	38	-	43	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-3	-3	-	-	1	1	-	-	-5	-5
Closing balance	28	104	53	185	28	63	36	126	25	73	45	143
Corporate market												
Opening balance	66	210	540	816	64	148	383	594	64	148	382	594
Transfer to (from) Stage1	9	-9	-0	-	9	-9	-0	-	19	-19	0	-
Transfer to (from) Stage2	-4	4	-0	-	-1	1	-	-	-8	8	-	-
Transfer to (from) Stage3	-0	-1	1	-	-0	-0	1	-	0	0	1	-
Net remeasurement of loss allowances	-8	33	148	173	-0	28	58	86	-17	98	185	266
Originations or purchases	14	2	1	17	-	-	-	-	27	20	1	48
Derecognitions	-11	-72	-0	-83	-6	-21	-0	-27	-20	-43	0	-63
Changes due to changed input assumptions	4	30	-	34	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-30	-30	-	-	1	1	-	-	-27	-27
Closing balance	70	197	660	927	64	147	441	654	66	210	541	817
Total accrual for loan losses	98	301	713	1,112	92	210	477	780	91	283	586	961

Group (NOKm)	31 Mar 20				31 Mar 19				31 Dec 19			
	Stage1	Stage2	Stage3	Total	Stage1	Stage 2	Stage 3	Total	Stage1	Stage 2	Stage3	Total
Retail market												
Opening balance	32	84	56	172	34	72	37	143	33	71	39	143
Transfer to (from) Stage 1	14	-14	-0	-0	11	-11	-0	-	12	-11	-	-
Transfer to (from) Stage 2	-2	3	-1	0	-1	3	-1	-	-2	4	-1	-
Transfer to (from) Stage 3	-0	-4	4	-0	-0	-3	3	-	-	-3	4	-
Net remeasurement of loss allowances	-16	12	11	8	-7	18	4	15	-14	24	22	32
Originations or purchases	5	2	0	7	5	3	0	8	17	23	3	44
Derecognitions	-3	-7	-7	-17	-3	-7	-2	-12	-13	-23	-5	-41
Changes due to changed input assumptions	5	38	-	43	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-3	-3	-	-	1	1	-	-	-5	-5
Closing balance	35	114	61	210	38	74	42	155	32	84	56	172
Corporate market												
Opening balance	71	218	557	846	68	152	397	618	70	152	397	619
Transfer to (from) Stage 1	9	-9	-0	-	10	-9	-1	-	20	-20	-	-
Transfer to (from) Stage 2	-4	4	-0	-	-2	2	-0	-	-9	9	-	-
Transfer to (from) Stage 3	-0	-1	1	-	-0	-1	1	0	-	-1	1	-
Net remeasurement of loss allowances	-9	33	151	175	-9	25	57	73	-19	100	188	268
Originations or purchases	14	2	3	20	9	7	0	16	30	21	7	59
Derecognitions	-11	-73	-1	-85	-6	-21	-0	-28	-20	-44	-2	-66
Changes due to changed input assumptions	4	30	-	34	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-31	-31	-	-	-1	-1	-	-	-31	-31
Closing balance	75	204	680	960	70	156	452	678	71	218	560	849
Total accrual for loan losses	110	318	741	1,170	108	230	494	832	104	302	616	1,021

Accrual for losses on guarantees and unused credit lines

Parent bank and Group (NOKm)	31 Mar 20				31 Mar 19				31 Dec 19			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Opening balance	14	29	57	100	11	47	90	148	11	47	90	148
Provision for credit losses												
Transfer to (from) Stage 1	1	-1	-0	-	1	-1	-0	-0	3	-3	-0	0
Transfer to (from) Stage 2	-0	0	-	-	-0	0	-	-	-1	1	-	-
Transfer to (from) Stage 3	-0	-0	0	-	-0	-0	0	0	-0	-0	0	0
Net remeasurement of loss allowances	-3	8	-0	5	-0	2	-10	-8	-2	3	-33	-33
Origination or purchases	2	0	0	3	-	-	-	-	7	1	0	8
Derecognitions	-1	-3	-0	-4	-1	-0	-0	-1	-3	-20	-0	-24
Changes due to changed input assumptions	1	2	-	3	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	14	36	57	106	10	48	81	139	14	29	57	100

Note 8 - Gross Loans

Parent Bank (NOKm)

31 March 2020

Loans subject to impairment

Gross loan - Total	Stage 1	Stage 2	Stage 3	Fixed interest loans at FV	Total
Balance at 1 January 2020	102,235	9,101	1,957	4,677	117,970
Transfer to stage 1	1,482	-1,471	-11	-	-
Transfer to stage 2	-1,799	1,872	-73	-	-
Transfer to stage 3	-79	-600	679	-	-
Net increase/decrease amount existing loans	-1,661	100	61	33	-1,467
New loans	20,231	382	85	89	20,787
Derecognitions	-16,994	-852	-98	-362	-18,305
Financial assets with actual loan losses	0	-110	-4	0	-114
Balance at 31 March 2020	103,416	8,421	2,596	4,438	118,871

Parent Bank

31 March 2019

Loans subject to impairment

Gross loan	Stage 1	Stage 2	Stage 3	Fixed interest loans at FV	Total
Balance at 1 January	97,458	9,888	1,543	4,467	113,356
Transfer to stage 1	1,571	-1,567	-4	-	-0
Transfer to stage 2	-1,148	1,165	-17	-	0
Transfer to stage 3	-10	-238	248	-	-
Net increase/decrease amount existing loans	-2,630	5	-1	-28	-2,654
New loans	13,347	292	11	337	13,987
Derecognitions	-10,947	-865	-39	-126	-11,977
Balance at 31 March	97,640	8,680	1,741	4,650	112,712

Parent Bank

31 December 2019

Loans subject to impairment

Gross loan - Total	Stage 1	Stage 2	Stage 3	Fixed interest loans at FV	Total
Balance at 1 January 2019	97,458	9,888	1,543	4,467	113,356
Transfer to stage 1	2,479	-2,438	-41	0	-
Transfer to stage 2	-3,252	3,318	-66	0	-
Transfer to stage 3	-67	-361	429	0	-
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	0	-49
Balance at 31 December 2019	102,235	9,101	1,957	4,677	117,970

Group (NOKm)

31 March 2020

Loans subject to impairment

Gross loan - Total	Stage 1	Stage 2	Stage 3	Fixed interest loans at FV	Total
Balance at 1 January 2020	109,140	10,350	2,110	4,677	126,277
Transfer to stage 1	1,596	-1,582	-14	-	-
Transfer to stage 2	-1,988	2,075	-87	-	-
Transfer to stage 3	-98	-649	748	-	-
Net increase/decrease amount existing loans	-1,620	87	60	33	-1,440
New loans	21,173	408	85	89	21,756
Derecognitions	-17,329	-913	-130	-362	-18,734
Financial assets with actual loan losses	-393	-167	-25	-	-585
Balance at 31 March 2020	110,480	9,608	2,747	4,438	127,273

Group

31 March 2019

Loans subject to impairment

Gross loan	Stage 1	Stage 2	Stage 3	Fixed interest loans at FV	Total
Balance at 1 January	103,494	10,829	1,682	4,467	120,473
Transfer to stage 1	1,571	-1,567	-4	-	-
Transfer to stage 2	-1,148	1,165	-17	-	-
Transfer to stage 3	-10	-238	248	-	-
Net increase/decrease amount existing loans	-2,359	5	-1	-28	-2,382
New loans	13,348	292	11	337	13,988
Derecognitions	-10,947	-865	-40	-126	-11,978
Balance at 31 March	103,949	9,622	1,880	4,650	120,100

Group

31 December 2019

Loans subject to impairment

Gross loan - Total	Stage 1	Stage 2	Stage 3	Fixed interest loans at FV	Total
Balance at 1 January 2019	103,494	10,829	1,683	4,467	120,473
Transfer to stage 1	2,712	-2,665	-47	0	-
Transfer to stage 2	-3,865	3,953	-88	0	-
Transfer to stage 3	-126	-402	527	0	-
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
Balance at 31 December 2019	109,140	10,350	2,110	4,677	126,277

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank				Group		
31 Dec 2019	31 March 2019	31 March 2020	(NOKm)	31 March 2020	31 March 2019	31 Dec 2019
3,064	3,382	3,578	Agriculture, forestry, fisheries, hunting	3,578	3,382	3,064
645	985	923	Sea farming industries	923	985	645
1,582	1,544	1,525	Manufacturing	1,525	1,544	1,582
3,363	3,200	3,026	Construction, power and water supply	3,026	3,200	3,363
4,197	3,857	3,810	Retail trade, hotels and restaurants	3,810	3,857	4,197
1,059	1,127	295	Maritime sector	295	1,127	1,059
5,027	4,911	5,631	Property management	5,318	4,606	4,718
7,643	6,912	7,633	Business services	7,633	6,912	7,643
8,186	7,487	9,847	Transport and other services provision	9,479	6,979	7,819
13,162	11,680	12,004	Public administration	12,004	11,680	13,162
3,278	3,058	3,545	Other sectors	3,370	2,787	3,001
51,206	48,143	51,817	Total	50,962	47,059	50,253
35,664	34,052	37,190	Wage earners	37,190	34,052	35,664
86,870	82,195	89,007	Total deposits	88,152	81,111	85,917

Note 10 - Net interest income

Parent Bank				Group		
January - March				January - March		
2019	2019	2020	(NOKm)	2020	2019	2019
Interest Income						
246	49	67	Interest income from loans to and claims on central banks and credit institutions (amortised cost)	22	19	103
1,693	406	430	Interest income from loans to and claims on customers (amortised cost)	565	517	2,177
1,792	413	505	Interest income from loans to and claims on customers (Fair value over OCI)	509	418	1,814
134	32	33	Interest income from loans to and claims on customers (Fair value over Profit and loss)	33	32	134
375	83	116	Interest income from money market instruments, bonds and other fixed income securities (Fair value over Profit and loss)	115	82	371
-	-	-	Other interest income	7	7	26
4,241	982	1,151	Total interest income	1,250	1,075	4,626
Interest expense						
170	35	45	Interest expenses on liabilities to credit institutions	52	39	190
1,042	209	301	Interest expenses relating to deposits from and liabilities to customers	295	206	1,019
545	140	148	Interest expenses related to the issuance of securities	148	140	545
84	20	20	Interest expenses on subordinated debt	21	21	86
10	2	2	Other interest expenses	9	8	33
65	13	16	Guarantee fund levy	16	13	65
1,916	421	533	Total interest expense	540	426	1,939
2,325	562	618	Net interest income	710	648	2,687

Note 11 - Operating expenses

Parent Bank January - March				Group January - March		
2019	2019	2020	(NOKm)	2020	2019	2019
234	57	63	IT costs	86	81	321
19	4	4	Postage and transport of valuables	5	5	23
63	12	15	Marketing	24	26	101
109	29	27	Ordinary depreciation	42	46	172
42	10	7	Operating expenses, real properties	9	13	57
134	24	38	Purchased services	53	36	193
149	35	37	Other operating expense	53	50	231
750	171	191	Total other operating expenses	273	257	1,098

Note 12 - Other assets

Parent Bank			(NOKm)	Group		
31.12.19	31.03.2019	31.3.20		31.3.20	31.3.19	31.12.19
-	-	-	Deferred tax asset	156	177	158
85	91	79	Fixed assets	215	235	222
342	362	338	Right to use assets	488	599	499
107	110	134	Earned income not yet received	186	178	132
13	565	422	Accounts receivable, securities	1,102	998	292
148	179	109	Pensions	109	179	148
546	340	571	Other assets	554	681	640
1,241	1,647	1,654	Total other assets	2,810	3,047	2,092

Note 13 - Other liabilities

Parent Bank				Group		
31.12.19	31.3.19	31.3.20 (NOKm)		31.3.20	31.3.19	31.12.19
48	84	38	Deferred tax	103	147	115
475	311	120	Payable tax	179	361	546
10	10	10	Capital tax	10	10	10
76	303	246	Accrued expenses and received, non-accrued income	602	625	455
127	173	291	Provision for accrued expenses and commitments	291	173	127
100	139	106	Losses on guarantees and unutilised credits	106	139	100
16	21	16	Pension liabilities	16	21	16
347	363	344	Lease liabilities	494	601	505
68	63	42	Drawing debt	42	63	68
6	53	5	Creditors	58	104	57
9	812	1,097	Debt from securities	1,677	1,129	197
-	-	-	Equity Instruments	34	30	244
287	1,076	1,188	Other liabilities	1,286	1,230	401
1,570	3,408	3,503	Total other liabilities	4,900	4,632	2,841

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

Group

	31 Dec 2019	Issued	Fallen due/ Redeemed	Other changes	31 March 2020
Change in securities debt (NOKm)					
Bond debt, nominal value	42,722	2,500	1,614	5,040	48,649
Value adjustments	73	-	-	387	460
Accrued interest	218	-	-	-24	195
Total	43,014	2,500	1,614	5,403	49,303
Change in subordinated debt and hybrid equity (NOKm)					
Ordinary subordinated loan capital, nominal value	1,793	-	-	-	1,793
Hybrid equity, nominal value	287	-	24	-	263
Value adjustments	1	-	-	-1	0
Accrued interest	10	-	-	6	16
Total	2,090	-	24	5	2,071

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 March 2020:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	2	11,755	-	11,757
- Bonds and money market certificates	3,537	23,859	-	27,395
- Equity instruments	989	42	406	1,437
- Fixed interest loans	-	43	4,396	4,439
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	71,461	71,461
Total assets	4,527	35,699	76,263	116,489
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	18	7,986	-	8,004
- Equity instruments	34	-	-	34
Total liabilities	52	7,986	-	8,038

The following table presents the Group's assets and liabilities measured at fair value at 31 March 2019:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	8	3,173	-	3,181
- Bonds and money market certificates	2,578	18,228	-	20,806
- Equity instruments	1,520	72	423	2,015
- Fixed interest loans	-	43	4,607	4,650
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	60,332	60,332
Total assets	4,106	21,515	65,362	90,984
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	7	3,171	-	3,178
- Equity instruments	30	-	-	30
Total liabilities	37	3,171	-	3,208

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2019:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
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
Total assets	5,421	23,256	76,377	105,053
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	2	3,525	-	3,528
- Equity instruments	244	-	-	244
Total liabilities	247	3,525	-	3,772

The following table presents the changes in the instruments classified in level 3 as at 31 March 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	6	91	14,177	14,274
Disposals in the period	-11	-395	-14,016	-14,421
Expected credit loss	-	-	-38	-38
Gain or loss on financial instruments	5	64	3	72
Closing balance	406	4,396	71,461	76,263

The following table presents the changes in the instruments classified in level 3 as at 31 March 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 period	5	337	4,817	5,159
Disposals in the period	-166	-161	-5,780	-6,107
Expected credit loss	-	-	-0	-0
Gain or loss on financial instruments	35	7	0	42
Closing balance	423	4,607	60,332	65,362

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 period	24	1,054	44,421	45,499
Disposals in the period	-256	-818	-34,350	-35,424
Expected credit loss	-	-	-36	-36
Gain or loss on financial instruments	87	-25	6	68
Closing balance	405	4,636	71,336	76,377

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)

Floating rate mortgages classified at fair value through other comprehensive income (OCI) are valued based on carrying amounts and expected credit losses. Mortgages without significant increase in credit risk since initial recognition, are valued at nominal amount. For loans with a significant increase in credit risk since initial recognition, expected credit loss will be calculated as for assets at amortised cost. Estimated fair value on these mortgages are the carrying amount less lifetime expected credit losses. With a double likelihood of the worst case scenario in the expected credit loss model, the calculated 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 279 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank 1 SMN Invest AS. 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 March 2020:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumptions
Fixed interest loans	4,396	-1
Equity instruments through profit/loss*	406	-
Loans at fair value through other comprehensive income	71,584	-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 mitigates liquidity risk by diversifying its funding across different markets, funding sources, maturities and instruments and through the use of long-term funding. Contingency plans exist both for the group and the SpareBank 1 alliance for managing the liquidity situation in periods of capital market turbulence. These plans address both bank-specific and systemic crises and a combination of the two. 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 the portfolio of senior bonds and covered bonds at the end of the first quarter 2020 was 3.4 years. The overall LCR at the same point was 185 per cent and the average overall LCR in the first quarter was 175 per cent. The LCR in Norwegian kroner at quarter-end was 137 per cent. In euro there was a net cash inflow.

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-March		
	2020	2019	2019
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	254	1,017	2,458
Allocated to ECC Owners 2)	162	650	1,572
Issues Equity Capital Certificates adjusted for own certificates	129,261,369	129,516,409	129,496,367
Earnings per Equity Capital Certificate	1.26	5.02	12.14

1) Adjusted Net Profit	Jan-March		
	2020	2019	2019
Net Profit for the group	290	1,046	2,563
Adjusted for non-controlling interests share of net profit	-12	-10	-56
Adjusted for Tier 1 capital holders share of net profit	-24	-19	-49
Adjusted Net Profit	254	1,017	2,458

2) Equity capital certificate ratio (parent bank) (NOKm)	31 March 2020	31 March 2019	31 Dec 2019
ECC capital	2,597	2,597	2,597
Dividend equalisation reserve	6,338	5,602	6,144
Premium reserve	895	895	895
Unrealised gains reserve	121	99	121
Other equity capital	-17	0	-
A. The equity capital certificate owners' capital	9,934	9,193	9,758
Ownerless capital	5,541	5,126	5,432
Unrealised gains reserve	68	56	68
Other equity capital	-10	0	-
B. The saving bank reserve	5,599	5,182	5,500
To be disbursed from gift fund	-	-	474
Dividend declared	-	-	840
Equity ex. profit	15,533	14,375	16,572
Equity capital certificate ratio A/(A+B)	64.0 %	64.0 %	64.0 %
Equity capital certificate ratio for distribution	64.0 %	64.0 %	64.0 %