

Notes

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Note 1 - Accounting principles

Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with 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.

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

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

Pensions

Sparebank1 SMN Group has one pension arrangement; defined contribution plan. For a further description of the pension scheme, see note 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 30 June 2020:

Actuarial assumptions	31 Dec 2019	1 January 2019	30 June 2020
Discount rate	2,30 %	2,30 %	1,40 %
Expected rate of return on plan assets	2,30 %	2,30 %	1,40 %
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	40	0	40
OCI accounting 31 December	26	-4	23
Net defined-benefit costs in profit and loss account	0	0	0
Paid in pension premium, defined-benefit plan	-	-1	-1
Net pension liability in the balance sheet 30 June 2020	-83	12	-72

Net pension liability in the balance sheet Group (NOKm)	30 June 2020	31 Dec 2019
Net present value of pension liabilities in funded schemes	681	608
Estimated value of pension assets	-755	-743
Net pension liability in the balance sheet before employer's contribution	-74	-135
Employers contribution	2	3
Net pension liability in the balance sheet	-72	-132

Pension cost Group (NOKm)	30 June 2020	31 Dec 2019
Present value of pension accumulated in the year	0	0
Net interest income	-0	-4
Net pension cost related to defined plans, incl unfunded pension commitment	-0	-4
Employer's contribution subject to accrual accounting	0	0
Cost of defined contribution pension and early retirement pension scheme	52	108
Total pension cost for the period	52	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 Q2 (NOKm)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS Group	42	1	2	2	0	100 %
Total Held for sale	42	1	2	2	0	

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 some changes were made in the input in the credit loss model as 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. We are in the early stages of the crisis and the consequences for the bank's customers and the industries we 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.

In the first quarter 2020 the bank changed the assumptions for the base scenario in a negative direction. This has been continued in the second quarter 2020.

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. We have 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 92 million for the Bank and 88 million for the Group.

Sensitivity

The first part of the table below show total calculated expected credit loss as of 30 June 2020 in each of the three scenarios, distributed in the portfolios Retail Market, Corporate Market and offshore and agriculture, which adds up to parent bank. In addition the subsidiary SpareBank 1 Finans Midt-Norge is included. ECL for the parent bank and the subsidiary is summed up in the column "Group"

The second part of the table show the ECL distributed by portfolio using the scenario weight applied, in addition to a alternative weighting where downside scenario weight has been doubled. The weights used is different for the offshore portfolio.

If the downside scenario's probability were doubled at the expense of the baseline scenario at the end of June 2020, this would have entailed an increase in loss provisions of NOK 83 million for the parent bank and NOK 89 million for the group^{*)}.

Portfolio	Corporate excl				Total parent	SB 1 Finans MN	Group*
	offshore/ Agriculture	Retail Market	Offshore	Agriculture			
ECL expected scenario	368	113	779	42	1.302	52	1.354
ECL downside scenario	652	331	972	82	2.036	129	2.165
ECL upside scenario	268	43	681	24	1.016	37	1.054
ECL with scenario weights used 80/10/10	387	128	-	44	-	60	-
ECL with scenario weights used 70/15/15	-	-	793	-	0	0	0
Total ECL used	387	128	793	44	1.352	60	1.414
ECL alternative scenario weights 70/20/10	415	150	-	48	-	66	-
ECL alternative scenario weights 55/30/15	-	-	822	-	-	-	-
Total ECL alternative weights (double downside)	415	150	822	48	1.435	66	1.503
Change in ECL if alternative weights were used	28	22	29	8	83	6	89

* in addition, an ECL provision has been included for the group for the subsidiary SpareBank 1 SMN Spire Finans of NOK 2 million, which is not specified in the table.

The table reflects that there are some significant differences in underlying PD and LGD estimates in the different scenarios and that there are differentiated levels and level differences between the portfolios. At group level, the ECL in the upside scenario, which largely reflects the loss and default picture in recent years, is about 80 per cent of the ECL in the expected scenario. The downside scenario gives about double the ECL than in the expected scenario. Applied scenario weighting gives about 4 percent higher ECL than in the expected scenario.

Note 3 - Account by business line

For the subsidiaries the figures refer to the respective company accounts, while for 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 30 June 2020

Profit and loss account (NOKm)	RM	CM	SB1 Markets	EM 1	SB1 Finans MN	SB1 Regnskaps- huset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	537	560	-3	-0	171	-0	-	-	111	1,376
Interest from allocated capital	85	59	-	-	-	-	-	-	-144	-
Total interest income	622	619	-3	-0	171	-0	-	-	-33	1,376
Commission income and other income	371	113	258	188	9	304	-	-	-48	1,177
Net return on financial investments (**))	-2	14	86	-	-	-	-7	50	407	549
Total income	992	747	341	188	162	304	-7	50	325	3,102
Total operating expenses	471	217	286	158	45	237	-	-	9	1,422
Ordinary operating profit	521	530	55	30	117	67	-7	50	316	1,680
Loss on loans, guarantees etc.	42	410	-	-	24	-	-	-	0	478
Result before tax including held for sale	478	119	55	30	93	67	-7	50	316	1,202
Post-tax return on equity*)	11.4 %	4.1 %								10.3 %
Balance										
Loans and advances to customers	124,165	42,366	-	-	9,310	-	-	-	-742	175,100
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-43,264	-1,308	-	-	-	-	-	-	100	-44,473
Allowance for credit losses	-146	-1,057	-	-	-59	-	-	-	-4	-1,267
Other assets	199	8,518	2,267	327	18	580	1,950	1,441	45,823	61,124
Total assets	80,954	48,518	2,267	327	9,269	580	1,950	1,441	45,177	190,484
Deposits to customers	48,103	44,715	-	-	-	-	-	-	1,470	94,289
Other liabilities and equity	32,850	3,803	2,267	327	9,269	580	1,950	1,441	43,707	96,195
Total liabilities and equity	80,954	48,518	2,267	327	9,269	580	1,950	1,441	45,177	190,484

Group 30 June 2019

Profit and loss account (NOKm)	RM	CM	SB1		SB1	SB1	SB1	BN	Un-	Total
			Markets	EM 1	Finans	Regnskaps-				
Net interest	561	503	-9	-1	152	-1	-	-	107	1,313
Interest from allocated capital	103	73	-	-	-	-	-	-	-176	-
Total interest income	664	576	-9	-1	152	-1	-	-	-69	1,313
Commission income and other income	385	100	264	277	36	291	-	-	-195	1,157
Net return on financial investments (**)	0	5	58	-	-	-	224	49	727	1,063
Total income	1,049	681	313	276	187	291	224	49	464	3,533
Total operating expenses	431	207	284	262	92	229	-	-	-100	1,404
Ordinary operating profit	618	475	29	14	95	62	224	49	564	2,129
Loss on loans, guarantees etc.	11	93	-	-	21	-	-	-	2	126
Result before tax including held for sale	606	382	29	14	74	62	224	49	563	2,003
Post-tax return on equity*)	13.8 %	11.8 %								19.0 %
Balance										
Loans and advances to customers	115,289	38,422	-	-	8,429	-	-	-	1,486	163,627
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-40,193	-1,539	-	-	-	-	-	-	0	-41,732
Allowance for credit losses	-108	-707	-	-	-50	-	-	-	-4	-870
Other assets	232	6,198	2,935	1,949	24	531	1,562	1,367	31,466	46,264
Total assets	75,220	42,374	2,935	1,949	8,403	531	1,562	1,367	32,948	167,289
Deposits to customers	42,795	42,374	-	-	-	-	-	-	1,384	86,553
Other liabilities and equity	32,425	0	2,935	1,949	8,403	531	1,562	1,367	31,564	80,736
Total liabilities and equity	75,220	42,374	2,935	1,949	8,403	531	1,562	1,367	32,948	167,289

Group 31 December 2019

Profit and loss account (NOKm)	RM	CM	SB 1		SB 1	SB 1	SB 1	BN	Un-	Total
			Markets	EM 1	Finans	Regnskaps				
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)	30 June 2020	30 June 2019	31 Dec 2019
Dividends	10	13	15
Gain/(loss) on financial instruments related to hedging	-6	107	120
Capital gains shares	174	47	-20
Gain/(loss) on certificates and bonds	-97	63	132
Gain/(loss) on derivatives	-3	-5	-9
Gain/(loss) on other financial instruments at fair value (FVO)	-11	6	9
Foreign exchange gain/(loss)	68	23	22
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	21	23	54
Net return on financial instruments	145	264	307
SpareBank 1 Gruppen	-7	224	252
Gain Fremtind Forsikring	340	460	460
SpareBank 1 Boligkreditt	10	22	26
SpareBank 1 Næringskreditt	9	10	21
BN Bank	50	51	113
SpareBank 1 Kredittkort	2	8	13
SpareBank 1 Betaling	-2	10	3
Other companies	-9	1	-8
Income from investment in associates and joint ventures	394	786	879
Total net return on financial investments	549	1.063	1.201
Fair value hedging			
Changes in fair value on hedging instrument	492	-224	-66
Changes in fair value on hedging item	-495	219	56
Net Gain or Loss from hedge accounting	-3	-5	-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. 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.

As of 30 June 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, however not below NOK 1,794 million in monetary terms. The total minimum requirement on CET1 capital is accordingly 12.9 per cent. 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 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 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 half of 2020 the parent bank is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures. For group the risk-weighted countercyclical capital buffer is 1.0 per cent.

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

Parent Bank				Group		
31 Dec 2019	30 June 2019	30 June 2020	(NOKm)	30 June 2020	30 June 2019	31 Dec 2019
17,822	16,889	17,565	Total book equity	20,320	19,450	20,420
-1,250	-972	-1,213	Additional Tier 1 capital instruments included in total equity	-1,254	-1,013	-1,293
-512	-519	-501	Deferred taxes, goodwill and other intangible assets	-1,042	-1,105	-1,099
-1,314	-	-	Deduction for allocated dividends and gifts	-	-	-1,314
-	-	-	Non-controlling interests recognised in other equity capital	-768	-781	-761
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	401	447	438
-	-1,544	-835	Net profit	-1,008	-1,729	-
-	694	446	Year-to-date profit included in core capital (0 per cent (50 per cent) pre tax of group profit)	618	879	-
-33	-31	-51	Value adjustments due to requirements for prudent valuation	-62	-44	-45
-305	-290	-227	Positive value of adjusted expected loss under IRB Approach	-248	-309	-351
-	-	-	Cash flow hedge reserve	14	5	3
-185	-185	-187	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-424	-175	-168
14,222	14,042	14,997	Common equity Tier 1 capital	16,547	15,625	15,830
1,250	1,000	1,250	Additional Tier 1 capital instruments	1,635	1,384	1,637
275	275	-	Additional Tier 1 capital instruments covered by transitional provisions	-	275	275
15,747	15,318	16,247	Tier 1 capital	18,182	17,284	17,742
			Supplementary capital in excess of core capital			
1,750	1,750	1,750	Subordinated capital	2,240	2,310	2,240
12	182	-	Subordinated capital covered by transitional provisions	-	182	12
-140	-141	-157	Deduction for significant investments in financial institutions	-157	-141	-140
1,623	1,791	1,593	Additional Tier 2 capital instruments	2,083	2,351	2,113
17,370	17,108	17,841	Total eligible capital	20,266	19,634	19,854

			Minimum requirements subordinated capital			
911	938	981	Specialised enterprises	1,166	1,094	1,101
1,139	1,156	1,042	Corporate	1,052	1,163	1,149
1,628	1,521	1,608	Mass market exposure, property	2,290	2,166	2,299
98	99	112	Other mass market	115	102	101
984	1,115	1,006	Equity investments	1	1	1
4,760	4,829	4,748	Total credit risk IRB	4,624	4,525	4,651
Minimum requirements standardised approach						
2	2	2	Central government	5	3	3
86	83	115	Covered bonds	159	136	132
419	412	597	Institutions	504	300	282
-	-	-	Local and regional authorities, state-owned enterprises	17	8	5
42	35	34	Corporate	251	237	239
22	38	18	Mass market	465	525	463
9	14	15	Exposures secured on real property	157	207	167
236	236	279	Equity positions	394	369	377
104	83	93	Other assets	150	167	151
918	902	1,152	Total credit risk standardised approach	2,102	1,952	1,818
31	34	43	Debt risk	44	35	34
-	-	-	Equity risk	10	14	15
-	-	-	Currency risk and risk exposure for settlement/delivery	1	3	3
407	387	407	Operational risk	720	656	720
29	28	53	Credit value adjustment (CVA)	193	122	115
-	-	-	Transitional arrangements	-	1,032	-
6,145	6,181	6,404	Minimum requirements subordinated capital	7,694	8,339	7,357
76,817	77,257	80,047	Risk weighted assets (RWA)	96,181	104,240	91,956
3,457	3,477	3,602	Minimum requirement on CET1 capital, 4.5 per cent	4,328	4,691	4,138
Capital Buffers						
1,920	1,931	2,001	Capital conservation buffer, 2.5 per cent	2,405	2,606	2,299
2,305	2,318	2,401	Systemic risk buffer, 3.0 per cent	2,885	3,127	2,759
1,920	1,545	800	Countercyclical buffer, 1.0 per cent (2.5 and 2.0 per cent)	962	2,085	2,299
6,145	5,794	5,203	Total buffer requirements on CET1 capital	6,252	7,818	7,357
4,620	4,771	6,192	Available CET1 capital after buffer requirements	5,968	3,116	4,335
Capital adequacy						
18.5 %	18.2 %	18.7 %	Common equity Tier 1 capital ratio	17.2 %	15.0 %	17.2 %
20.5 %	19.8 %	20.3 %	Tier 1 capital ratio	18.9 %	16.6 %	19.3 %
22.6 %	22.1 %	22.3 %	Capital ratio	21.1 %	18.8 %	21.6 %
Leverage ratio						
161,905	156,091	183,256	Balance sheet items	255,493	223,781	230,048
6,830	6,824	8,084	Off-balance sheet items	8,944	8,343	7,897
-851	-840	-779	Regulatory adjustments	-1,603	-1,458	-1,503
167,885	162,075	190,562	Calculation basis for leverage ratio	262,834	230,667	236,441
15,747	15,318	16,247	Core capital	18,182	17,284	17,742
9.4 %	9.5 %	8.5 %	Leverage Ratio	6.9 %	7.5 %	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	30 June 2019	30 June 2020	(NOKm)	30 June 2020	30 June 2019	31 Dec 2019
13,203	12,559	13,913	Agriculture, forestry, fisheries, hunting	14,324	12,902	13,558
833	858	888	Sea farming industries	1,258	1,160	1,132
2,212	2,757	1,999	Manufacturing	2,390	3,118	2,595
3,157	2,892	2,955	Construction, power and water supply	3,795	3,678	3,970
2,181	2,483	2,244	Retail trade, hotels and restaurants	2,578	2,826	2,517
4,660	4,667	5,006	Maritime sector	5,006	4,667	4,660
14,800	14,660	14,674	Property management	14,753	14,726	14,878
2,445	2,435	3,123	Business services	2,840	2,088	2,146
4,542	4,427	5,725	Transport and other services provision	6,636	5,285	5,409
2	3	6	Public administration	26	15	12
1,890	2,080	1,610	Other sectors	1,632	2,036	1,863
49,926	49,820	52,142	Gross loans in retail market	55,238	52,499	52,740
109,544	105,977	114,210	Wage earners	119,861	111,128	115,036
159,470	155,797	166,353	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	175,100	163,627	167,777
39,833	40,064	43,073	of which SpareBank 1 Boligkreditt	43,073	40,064	39,833
1,667	1,668	1,400	of which SpareBank 1 Næringskreditt	1,400	1,668	1,667
117,970	114,065	121,880	Gross loans in balance sheet	130,627	121,895	126,277
850	769	1,092	- Loan loss allowance on amortised cost loans	1,154	824	911
87	46	111	- Loan loss allowance on loans at FVOCI	113	46	87
117,033	113,250	120,677	Net loans to and receivables from customers	129,360	121,025	125,279

Note 6 - Losses on loans and guarantees

Parent Bank	First half 2020			First half 2019			2019		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Losses on loans and guarantees (NOKm)									
Change in provision for expected credit losses for the period	39	297	336	7	92	99	28	205	234
Actual loan losses on commitments exceeding provisions made	7	114	121	4	4	8	10	9	19
Recoveries on commitments previously written-off	-4	-0	-4	-	-3	-3	-5	-1	-7
Losses for the period on loans and guarantees	42	410	453	11	93	104	32	213	245

Group	First half 2020			First half 2019			2019		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Losses on loans and guarantees (NOKm)									
Change in provision for expected credit losses for the period	36	304	340	9	96	105	34	212	246
Actual loan losses on commitments exceeding provisions made	38	126	165	16	9	25	40	22	62
Recoveries on commitments previously written-off	-23	-4	-27	-	-4	-4	-6	-2	-8
Losses for the period on loans and guarantees	51	427	478	25	101	126	68	231	299

Note 7 - Losses

Parent Bank (NOKm)	1 January 2020	Change in provision	Net write-offs/ recoveries	30 June 2020
Loans as amortised cost- CM	916	371	-114	1,173
Loans as amortised cost- RM	34	11	-7	39
Loans at fair value over OCI- RM	109	30	-	139
Loans at fair value over OCI- CM	1	-1	-	1
Provision for expected credit losses on loans and guarantees	1,060	412	-121	1,352
Presented as				
Provision for loan losses	937	387	-121	1,203
Other debt- provisions	100	20	-	120
Other comprehensive income - fair value adjustment	23	6	-	29

Parent Bank (NOKm)	1 January 2019	Change in provision	Net write-offs/ recoveries	30 June 2019
Loans as amortised cost- CM	742	80	5	827
Loans as amortised cost- RM	45	15	4	63
Loans at fair value over OCI- RM	75	-12	-	63
Provision for expected credit losses on loans and guarantees	862	83	8	953
Presented as				
Provision for loan losses	697	110	8	815
Other debt- provisions	148	-27	-	121
Other comprehensive income - fair value adjustment	17	-0	-	16

Parent Bank (NOKm)	1 January 2019	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
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 January 2020	Change in provision	Net write-offs/ recoveries	30 June 2020
Loans as amortised cost- CM	948	381	-117	1,211
Loans as amortised cost- RM	63	8	-7	64
Loans at fair value over OCI- RM	109	30	-	139
Loans at fair value over OCI- CM	1	-0	-	1
Provision for expected credit losses on loans and guarantees	1,121	418	-124	1,415
Presented as				
Provision for loan losses	998	393	-124	1,267
Other debt- provisions	100	20	-	119
Other comprehensive income - fair value adjustment	23	6	-	29

Group (NOKm)	1 January 2019	Change in provision	Net write-offs/ recoveries	30 June 2019
Loans as amortised cost- CM	766	86	4	857
Loans as amortised cost- RM	68	17	4	88
Loans at fair value over OCI- RM	75	-12	-	63
Provision for expected credit losses on loans and guarantees	909	91	8	1,008
Presented as				
Provision for loan losses	744	118	8	870
Other debt- provisions	148	-27	-	121
Other comprehensive income - fair value adjustment	17	-0	-	16

Group (NOKm)	1 January 2019	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
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	First half 2020				First half 2019				2019			
	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	14	-14	-0	-	13	-13	-0	-	10	-10	-	-
Transfer to (from) stage 2	-2	2	-0	-	-1	2	-0	-	-2	2	-	-
Transfer to (from) stage 3	-0	-3	3	-	-0	-2	2	-	-	-3	3	-
Net remeasurement of loss allowances	-16	8	6	-3	-14	18	-0	4	-11	24	18	30
Originations or purchases	9	5	0	14	8	6	0	14	13	17	1	31
Derecognitions	-5	-13	-1	-19	-5	-11	-1	-17	-11	-20	-1	-33
Changes due to changed input assumptions	7	39	-0	46	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-7	-7	-	-	4	4	-	-	-5	-5
Closing balance	33	96	46	175	29	62	34	125	25	73	45	143
Corporate Market												
Opening balance	66	210	540	816	64	148	383	594	64	148	382	594
Transfer to (from) stage 1	9	-9	-0	-	11	-10	-0	-	19	-19	0	-
Transfer to (from) stage 2	-4	4	-0	-	-2	2	-	-	-8	8	-	-
Transfer to (from) stage 3	-0	-2	2	-	-0	-0	1	-	-	-	1	-
Net remeasurement of loss allowances	-11	36	317	342	-16	31	111	127	-17	98	185	266
Originations or purchases	22	10	1	33	16	7	0	23	27	20	1	48
Derecognitions	-17	-43	-0	-60	-12	-29	-0	-41	-20	-43	0	-63
Changes due to changed input assumptions	7	34	-	41	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-114	-114	-	-	5	5	-	-	-27	-27
Closing balance	71	240	745	1,057	61	148	499	707	66	210	541	817
Total accrual for loan losses	104	336	792	1,232	90	210	533	833	91	283	586	960

Group	First half 2020				First half 2019				2019			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Retail market												
Opening balance	32	85	56	173	34	72	37	143	33	71	39	143
Transfer to (from) stage 1	16	-15	-0	-0	14	-14	-0	-	12	-11	-	-
Transfer to (from) stage 2	-2	3	-1	-	-2	3	-1	-	-2	4	-1	-
Transfer to (from) stage 3	-0	-5	5	-0	-0	-3	3	-	-	-3	4	-
Net remeasurement of loss allowances	-17	10	10	3	-15	19	4	8	-14	24	22	32
Originations or purchases	11	5	0	16	10	7	1	18	17	23	3	44
Derecognitions	-5	-14	-8	-28	-6	-13	-3	-22	-13	-23	-5	-41
Changes due to changed input assumptions	6	37	-1	43	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-7	-7	-	-	4	4	-	-	-5	-5
Closing balance	40	107	54	200	35	72	43	151	32	84	56	172
Corporate Market												
Opening balance	71	217	560	849	68	152	397	618	70	152	397	619
Transfer to (from) stage 1	10	-10	-0	-	11	-11	-0	-	20	-20	-	-
Transfer to (from) stage 2	-4	4	-0	-	-2	2	-0	-	-9	9	-	-
Transfer to (from) stage 3	-0	-2	2	-	-0	-0	1	-	-	-1	1	-
Net remeasurement of loss allowances	-9	39	321	350	-16	32	116	132	-19	100	188	268
Originations or purchases	24	10	1	35	17	7	1	26	30	21	7	59
Derecognitions	-18	-43	-1	-62	-12	-29	-1	-43	-20	-44	-2	-66
Changes due to changed input assumptions	7	34	-0	41	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-117	-117	-	-	5	5	-	-	-31	-31
Closing balance	81	249	765	1,095	66	153	518	737	71	218	560	849
Total accrual for loan losses	120	356	819	1,295	101	225	562	888	104	302	616	1,021

Accrual for losses on guarantees and unused credit lines

Parent Bank and Group (NOKm)	First half 2020				First half 2019				2019			
	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	2	-2	-0	-	2	-2	-0	-	3	-3	-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	-
Net remeasurement of loss allowances	-1	17	-0	16	0	8	-14	-7	-2	3	-33	-33
Originations or purchases	4	0	0	4	-	-	-	-	7	1	0	8
Derecognitions	-2	-3	-0	-5	-1	-19	-0	-20	-3	-20	-0	-24
Changes due to changed input assumptions	2	3	-0	5	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	18	45	57	120	10	35	76	121	14	29	57	100
Hereof RM				3				2				2
Hereof CM				117				119				98

Allowance for losses on loans distributed by sector

Parent bank (NOKm)	January - June 2020				January - June 2019				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Agriculture, forestry, fisheries, hunting	6	25		9	40	9		14	7	30	
Sea farming industries	1	1		1	1	0		1	1	0		1
Manufacturing	5	16	3	24	5	30	0	35	5	9	5	20
Construction, power and water supply	10	9	16	35	8	9	10	27	10	5	11	26
Varehandel, hotell- og restaurantvirksomhet	10	12	5	27	11	7	5	22	10	8	11	28
Maritime sector	11	125	564	701	10	28	421	459	9	87	471	568
Property management	17	38	37	92	16	32	21	69	16	45	23	83
Business services	9	19	133	161	5	30	43	77	7	50	22	79
Transport and other services	7	7	1	16	8	6	3	17	7	4	3	14
Public administration	-	-	-	-	-	-	-	-	0	0	0	0
Wage earners	-	83	23	106	-	54	24	77	0	52	33	86
Total provision for losses on loans	75	336	792	1,203	72	209	534	815	68	283	586	937
loan loss allowance on loans at FVOCI	29			29	17			17	23			24
Total loan loss allowance	104	336	792	1,232	90	210	533	833	91	283	586	961

Group (NOKm)	January - June 2020				January - June 2019				2 019			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
	Agriculture, forestry, fisheries, hunting	7	27		10	43	10		15	8	33	
Sea farming industries	1	1	-	2	1	0	-	1	1	0	-	1
Manufacturing	6	19	7	32	6	30	4	40	6	11	9	27
Construction, power and water supply	12	13	17	42	9	13	17	39	12	8	16	35
Varehandel, hotell- og restaurantvirksomhet	11	13	10	34	12	7	6	25	11	8	11	30
Maritime sector	11	125	564	701	10	28	421	459	9	87	473	570
Property management	17	38	38	93	16	32	21	70	16	45	23	84
Business services	10	20	134	164	5	30	44	80	8	51	24	82
Transport and other services	9	8	5	23	9	8	8	24	8	5	8	21
Public administration	-	-	-	-	-	-	-	-	-	-	-	-
Wage earners	6	92	31	129	5	61	34	100	6	63	44	112
Total provision for losses on loans	91	356	817	1,264	84	225	561	871	81	302	616	998
loan loss allowance on loans at FVOCI	29	-	-	29	17	-	-	17	23	-	-	24
Total loan loss allowance	120	356	817	1,293	101	225	562	888	104	302	616	1,021

Note 8 - Gross loans

Parent Bank	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan - Total					
Balance at 1 January 2020	102,235	9,101	1,957	4,677	117,970
Transfer to stage 1	1,500	-1,488	-12	-	-
Transfer to stage 2	-1,683	1,776	-93	-	-
Transfer to stage 3	-98	-153	251	-	-
Net increase/decrease amount existing loans	-3,320	-94	57	65	-3,292
New loans	42,441	1,099	236	221	43,997
Derecognitions	-33,809	-1,974	-165	-712	-36,660
Actual loan losses	0	-112	-22	-	-134
Balance at 30 June 2020	107,265	8,155	2,209	4,251	121,881

Parent Bank	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan					
Balance at 1 January 2019	97,458	9,888	1,543	4,467	113,356
Transfer to stage 1	2,117	-2,100	-17	-	-
Transfer to stage 2	-1,753	1,779	-26	-	-
Transfer to stage 3	-22	-306	328	-	-
Net increase/decrease amount existing loans	-4,880	-69	10	-67	-5,006
New loans	26,489	560	162	622	27,834
Derecognitions	-20,054	-1,651	-177	-236	-22,118
Balance at 30 June 2019	99,355	8,101	1,823	4,787	114,065

Parent Bank	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan - 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	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan - Total					
Balance at 1 January 2020	109,140	10,350	2,110	4,677	126,277
Transfer to stage 1	1,735	-1,720	-14	-	-
Transfer to stage 2	-2,042	2,149	-108	-	-
Transfer to stage 3	-114	-218	333	-	-
Net increase/decrease amount existing loans	-3,423	-137	51	65	-3,443
New loans	44,459	1,269	247	221	46,195
Derecognitions	-34,555	-2,089	-210	-712	-37,566
Actual loan losses	-611	-186	-38	-	-835
Balance at 30 June 2020	114,589	9,417	2,370	4,251	130,627

Group	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan					
Balance at 1 January 2019	103,494	10,829	1,682	4,467	120,473
Transfer to stage 1	2,274	-2,256	-17	-	-
Transfer to stage 2	-2,163	2,205	-42	-	-
Transfer to stage 3	-45	-337	382	-	-
Net increase/decrease amount existing loans	-5,237	-156	4	-67	-5,455
New loans	28,261	631	167	622	29,681
Derecognitions	-20,650	-1,739	-178	-236	-22,804
Balance at 30 June 2019	105,934	9,177	1,998	4,787	121,894

Group	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan - 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			(NOKm)	Group		
31 Dec 2019	30 June 2019	30 June 2020		30 June 2020	30 June 2019	31 Dec 2019
3,064	3,056	3,411	Agriculture, forestry, fisheries, hunting	3,411	3,056	3,064
645	784	1,164	Sea farming industries	1,164	784	645
1,582	1,505	1,630	Manufacturing	1,630	1,505	1,582
3,363	2,772	3,105	Construction, power and water supply	3,105	2,772	3,363
4,197	3,378	3,789	Retail trade, hotels and restaurants	3,789	3,378	4,197
1,059	1,084	988	Maritime sector	988	1,084	1,059
5,027	5,717	5,962	Property management	5,890	5,418	4,718
7,643	8,033	8,752	Business services	8,752	8,033	7,643
8,186	7,765	8,970	Transport and other services provision	8,597	7,283	7,819
13,162	12,483	12,809	Public administration	12,809	12,483	13,162
3,278	4,827	3,311	Other sectors	3,173	4,563	3,001
51,206	51,404	53,889	Total	53,307	50,359	50,253
35,664	36,194	40,982	Wage earners	40,982	36,194	35,664
86,870	87,597	94,871	Total deposits	94,289	86,553	85,917

Note 10 - Net interest income

Parent Bank			(NOKm)	Group		
First half				First half		
2019	2019	2020		2020	2019	2019
246	107	117	Interest income from loans to and claims on central banks and credit institutions (amortised cost)	33	43	103
1,693	836	800	Interest income from loans to and claims on customers (amortised cost)	1,071	1,064	2,177
1,792	835	871	Interest income from loans to and claims on customers (Fair value over OCI)	879	847	1,814
134	65	65	Interest income from loans to and claims on customers (Fair value over Profit and loss)	65	65	134
375	171	221	Interest income from money market instruments, bonds and other fixed income securities (Fair value over Profit and loss)	220	169	371
-	-	-	Other interest income	14	13	26
4,241	2,014	2,074	Total interest income	2,281	2,202	4,626
170	72	63	Interest expenses on liabilities to credit institutions	70	79	190
1,042	456	491	Interest expenses relating to deposits from and liabilities to customers	482	447	1,019
545	279	270	Interest expenses related to the issuance of securities	271	279	545
84	42	32	Interest expenses on subordinated debt	33	43	86
10	17	4	Other interest expenses	14	28	33
65	13	35	Guarantee fund levy	35	13	65
1,916	878	895	Total interest expense	905	889	1,939
2,325	1,136	1,179	Net interest income	1,376	1,313	2,687

Note 11 - Operating expenses

Parent Bank				Group		
First half					First half	
2019	2019	2020	(NOKm)	2020	2019	2019
234	119	126	IT costs	173	168	321
19	8	9	Postage and transport of valuables	12	10	23
63	27	28	Marketing	41	51	101
109	56	52	Ordinary depreciation	82	90	172
42	22	17	Operating expenses, real properties	24	27	57
134	50	77	Purchased services	108	77	193
149	69	67	Other operating expense	91	96	231
750	352	375	Total other operating expenses	530	520	1,098

Note 12 - Other assets

Parent Bank			(NOKm)	Group		
31.12.19	30.06.2019	30.06.20		30.06.20	30.06.19	31.12.19
-	-	-	Deferred tax asset	156	178	158
85	88	76	Fixed assets	210	232	222
342	367	327	Right to use assets	468	607	499
107	66	110	Earned income not yet received	152	137	132
13	866	1,169	Accounts receivable, securities	1,605	1,180	292
148	179	83	Pensions	83	179	148
546	209	324	Other assets	660	697	640
1,241	1,774	2,089	Total other assets	3,335	3,210	2,092

Note 13 - Other liabilities

Parent Bank			(NOKm)	Group		
31 Dec 2019	30 June 2019	30 June 2020		30 June 2020	30 June 2019	31 Dec 2019
48	84	32	Deferred tax	98	148	115
475	278	218	Payable tax	300	352	546
10	10	10	Capital tax	10	10	10
			Accrued expenses and received, non-accrued			
76	55	60	income	396	462	455
127	158	264	Provision for accrued expenses and commitments	264	158	127
100	121	120	Losses on guarantees and unutilised credits	120	121	100
16	21	11	Pension liabilities	11	21	16
347	370	331	Lease liabilities	474	611	505
68	74	61	Drawing debt	61	74	68
6	7	4	Creditors	61	49	57
9	1,201	2,668	Debt from securities	3,006	1,406	197
-	-	-	Equity Instruments	125	58	244
287	612	457	Other liabilities	533	704	401
1,570	2,990	4,237	Total other liabilities	5,459	4,172	2,841

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

Group

Change in securities debt (NOKm)	31 Dec 2019	Issued	Fallen due/ Redeemed	Other changes	30 June 2020
Bond debt, nominal value	42,722	5,166	3,270	713	45,331
Value adjustments	73	-	-	522	595
Accrued interest	218	-	-	-15	203
Total	43,014	5,166	3,270	1,220	46,129

Change in subordinated debt and hybrid equity (NOKm)	31 Dec 2019	Issued	Fallen due/ Redeemed	Other changes	30 June 2020
Ordinary subordinated loan capital, nominal value	1,793	-	-	-	1,793
Hybrid equity, nominal value	287	-	287	-	-
Value adjustments	1	-	-	-1	-
Accrued interest	10	-	-	-6	4
Total	2,090	-	287	-7	1,797

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 30 June 2020:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	0	10,069	-	10,069
- Bonds and money market certificates	2,635	26,320	-	28,955
- Equity instruments	1,137	113	422	1,673
- Fixed interest loans	-	43	4,214	4,256
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	73,516	73,516
Total assets	3,772	36,545	78,152	118,469
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	6	8,638	-	8,644
- Equity instruments	125	-	-	125
Total liabilities	131	8,638	-	8,769

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2019:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	1	3,766	-	3,767
- Bonds and money market certificates	2,076	17,794	-	19,870
- Equity instruments	1,683	71	448	2,202
- Fixed interest loans	-	43	4,744	4,787
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	60,745	60,745
Total assets	3,760	21,673	65,937	91,370
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	3	3,476	-	3,479
- Equity instruments	58	-	-	58
Total liabilities	61	3,476	-	3,537

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 30 June 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	13	216	30,795	31,025
Disposals in the period	-13	-761	-28,583	-29,357
Expected credit loss	-	-	-37	-37
Gain or loss on financial instruments	17	123	6	145
Closing balance	422	4,214	73,516	78,152

The following table presents the changes in the instruments classified in level 3 as at 30 June 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 periode	14	622	13,008	13,644
Disposals in the periode	-172	-306	-13,557	-14,035
Expected credit loss	-	-	-0	-0
Gain or loss on financial instruments	56	3	0	60
Closing balance	448	4,744	60,745	65,937

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

The method for valuation of financial instruments in level 2 and 3 is described in the following:

Fixed interest loans to customers (level 3)

The loans consist for the most part of fixed interest loans denominated in Norwegian kroner. The value of the fixed interest loans is determined such that agreed interest flows are discounted over the term of the loan by a discount factor that is adjusted for margin requirements. The discount factor is raised by 10 points when calculating sensitivity.

Loans at fair value through other comprehensive income (level 3)

Property Loans at floating interest classified at fair value over other comprehensive income is valued based on nominal amount reduced by expected credit loss. Loans with no significant credit risk deterioration since first recognition is assessed at nominal amount. For loans with a significant increase in credit risk since first recognition or objective evidence of loss, the calculation of expected credit losses over the life of the asset is in line with loan losses for loans at amortised cost. Estimated fair value is the nominal amount reduced by expected lifetime credit loss. If the likelihood of the worst case scenario in the model is doubled, fair value is reduced by NOK 7 million.

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

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

Equity instruments (level 3)

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 285 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank SMN 1 Invest. The valuations are in all essentials based on reporting from managers of the funds who utilise cash flow based models or multiples when determining fair value. The Group does not have full access to information on all the elements in these valuations and is therefore unable to determine alternative assumptions.

Financial derivatives (level 2)

Financial derivatives at level 2 include for the most part currency futures and interest rate and exchange rate swaps. Valuation is based on observable interest rate curves. In addition the item includes derivatives related to FRAs. These are valued with a basis in observable prices in the market. Derivatives classified to level 2 also include equity derivatives related to SpareBank 1 Markets' market-making activities. The bulk of these derivatives refer to the most sold shares on Oslo Børs, and the valuation is based on the price of the actual/underlying share and observable or calculated volatility.

Sensitivity analyses, level 3 as at 30 June 2020:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumptions
Fixed interest loans	4,455	-11
Equity instruments through profit/loss*	412	-
Loans at fair value through other comprehensive income	73,516	-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 first half year 2020 was 3.3 years. The overall LCR at the same point was 163 per cent and the average overall LCR in the second quarter was 176 per cent. The LCR in Norwegian kroner and euro at quarter-end was 155 and 107 per cent respectively.

Note 17 - Earnings per Equity Capital Certificate

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)	First half		
	2020	2019	2019
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	915	1,667	2,458
Allocated to ECC Owners 2)	585	1,066	1,572
Issues Equity Capital Certificates adjusted for own certificates	129,303,137	129,565,508	129,496,367
Earnings per Equity Capital Certificate	4.53	8.23	12.14

1) Adjusted Net Profit	First half		
	2020	2019	2019
Net Profit for the group	1,008	1,729	2,563
adjusted for non-controlling interests share of net profit	-55	-33	-56
Adjusted for Tier 1 capital holders share of net profit	-38	-29	-49
Adjusted Net Profit	915	1,667	2,458

2) Equity capital certificate ratio (parent bank) (NOKm)	30 June 2020	30 June 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	-28	-1	-
A. The equity capital certificate owners' capital	9,923	9,192	9,758
Ownerless capital	5,541	5,126	5,432
Unrealised gains reserve	68	56	68
Other equity capital	-16	-0	-
B. The saving bank reserve	5,593	5,181	5,500
To be disbursed from gift fund	-	-	474
Dividend declared	-	-	840
Equity ex. profit	15,517	14,374	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 %