

# Third Quarter Report 2020



Nidarosdomen, Trondheim

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## Main figures

	January - September					
	2020		2019		2019	
	NOKm	% 1)	NOKm	% 1)	NOKm	% 1)
<b>From the income statement</b>						
Net interest	2,071	1.51	1,991	1.61	2,687	1.63
Net commission income and other income	1,815	1.33	1,711	1.38	2,290	1.39
Net return on financial investments	754	0.55	1,185	0.96	1,201	0.73
<b>Total income</b>	<b>4,640</b>	<b>3.39</b>	<b>4,886</b>	<b>3.95</b>	<b>6,178</b>	<b>3.74</b>
<b>Total operating expenses</b>	<b>2,107</b>	<b>1.54</b>	<b>2,077</b>	<b>1.68</b>	<b>2,797</b>	<b>1.69</b>
<b>Results before losses</b>	<b>2,532</b>	<b>1.85</b>	<b>2,809</b>	<b>2.27</b>	<b>3,380</b>	<b>2.05</b>
Loss on loans, guarantees etc	709	0.52	198	0.16	299	0.18
<b>Results before tax</b>	<b>1,823</b>	<b>1.33</b>	<b>2,612</b>	<b>2.11</b>	<b>3,081</b>	<b>1.87</b>
Tax charge	296	0.22	395	0.32	518	0.31
Result investment held for sale, after tax	0	0.00	0	0.00	0	0.00
<b>Net profit</b>	<b>1,528</b>	<b>1.12</b>	<b>2,217</b>	<b>1.79</b>	<b>2,563</b>	<b>1.55</b>
Interest Tier 1 Capital	49		39		49	
Net profit excl. Interest Tier 1 Capital	1,479		2,178		2,514	
	<b>30 Sept</b>		<b>30 Sept</b>		<b>31 Dec</b>	
	<b>2020</b>		<b>2019</b>		<b>2019</b>	
<b>Key figures</b>						
<b>Profitability</b>						
Return on equity <sup>2)</sup>	10.4 %		16.0 %		13.7 %	
Cost-income ratio <sup>2)</sup>	45 %		43 %		45 %	
<b>Balance sheet figures</b>						
Gross loans to customers	133,640		123,967		126,277	
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	179,423		165,380		167,777	
Deposits from customers	95,391		83,641		85,917	
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	71 %		67 %		68 %	
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt <sup>2)</sup>	53 %		51 %		51 %	
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt) <sup>2)</sup>	8.5 %		4.8 %		4.7 %	
Growth in deposits last 12 months	14.0 %		7.9 %		6.6 %	
Average total assets	182,307		164,777		165,154	
Total assets	186,900		166,475		166,662	
<b>Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt</b>						
Impairment losses ratio <sup>2)</sup>	0.55 %		0.16 %		0.18 %	
Non-performing commitm. as a percentage of gross loans <sup>2)</sup>	0.27 %		0.26 %		0.26 %	
Other doubtful commitm. as a percentage of gross loans <sup>2)</sup>	1.03 %		1.03 %		1.00 %	
<b>Solidity <sup>3)</sup></b>						
Capital ratio	21.4 %		18.9 %		21.6 %	
Tier 1 capital ratio	19.2 %		16.7 %		19.3 %	
Common equity Tier 1 capital ratio	17.6 %		15.1 %		17.2 %	
Tier 1 capital	18,290		17,417		17,742	
Total eligible capital	20,373		19,765		19,854	
Liquidity Coverage Ratio (LCR)	140 %		181 %		148 %	
Leverage Ratio	7.1 %		7.4 %		7.5 %	
<b>Branches and staff</b>						
Number of branches	46		46		46	
No. Of full-time positions	1,528		1,639		1,509	

<sup>1)</sup> Calculated as a percentage of average total assets

<sup>2)</sup> Defined as alternative performance measures, see attachment to the quarterly report

<sup>3)</sup> Comparables have not been restated by revised distribution of profit for 2019

<b>Key figures ECC</b>	<b>30 Sept 2020</b>	<b>30 Sept 2019</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
ECC ratio	64.0 %	64.0 %	64.0 %	64.0 %	64.0 %	64.0 %
Number of certificates issued, millions <sup>2)</sup>	129.44	129.48	129.30	129.62	129.38	129.64
ECC share price at end of period (NOK)	84.30	98.50	100.20	84.20	82.25	64.75
Stock value (NOKM)	10,912	12,754	12,956	10,914	10,679	8,407
Booked equity capital per ECC (including dividend) <sup>2)</sup>	92.73	89.36	90.75	83.87	78.81	73.35
Profit per ECC, majority <sup>2)</sup>	6.88	10.54	12.14	9.97	8.71	7.93
Dividend per ECC			6.50	5.10	4.40	3.00
Price-Earnings Ratio <sup>2)</sup>	9.19	7.01	8.26	8.44	9.44	8.17
Price-Book Value Ratio <sup>2)</sup>	0.91	1.10	1.10	1.00	1.04	0.88

<sup>2)</sup> Defined as alternative performance measures, see attachment to quarterly report

<sup>3)</sup> Dividend for 2019 was reduced from 6.50 to 5.0, as described in note 1

# Report of the Board of Directors

*(Consolidated figures. Figures in parenthesis refer to the same period of 2019 unless otherwise stated)*

## Main points for the first nine months of 2020

- Pre-tax profit: NOK 1,823m (2,612m)
- Post-tax profit: NOK 1,528m (2,217m)
- Return on equity: 10.4 per cent (16.0 per cent)
- CET1 ratio: 17.6 per cent (15.1 per cent)
- Growth in lending: 8.5 per cent (4.8 per cent) and in deposits: 14.0 per cent (7.9 per cent) over last 12 months
- Growth in lending to retail borrowers: 8.7 per cent (5.8 per cent) over last 12 months. Retail lending accounts for 68 per cent (68 per cent) of total lending
- Growth in lending to corporate borrowers: 8.1 per cent (2.8 per cent) over last 12 months
- Net result of financial instruments: NOK 754m (1,185m) including an insurance gain of NOK 340m (460m)
- Losses on loans and guarantees: NOK 709m (198m), 0.55 per cent (0.16 per cent) of gross outstanding loans
- Earnings per EC: NOK 6.88 (10.54). Book value per EC: NOK 92.73 (89.36)

## Results for the third quarter of 2020

- Pre-tax profit: NOK 621m (609m)
- Post-tax profit: NOK 519m (488m)
- Return on equity: 10.5 per cent (10.2 per cent)
- Growth in lending: 2.5 per cent (1.1 per cent) and in deposits: 1.2 per cent (decline of 3.4 per cent)
- Lending to retail borrowers rose 2.2 per cent in the quarter (1.5 per cent), 0.2 percentage points less than in the second quarter
- Growth in lending to corporate borrowers: 3.0 per cent (0.2 per cent) 0.3 percentage points higher than in the second quarter
- Net result of financial instruments: NOK 205m (121m)
- Losses on loans: NOK 231m (71m), 0.52 per cent (0.17 per cent) of gross outstanding loans
- Earnings per EC: NOK 2.35 (2.30)

## Events in the quarter

### Economic outlook improved, but substantial uncertainty

The situation after lockdown in a number of countries at the end of the first quarter was a broad-based international economic crisis accompanied by rising unemployment and a dramatic fall in demand. The Norwegian economy was also hit hard by reduced oil prices and a weaker Norwegian krone. Norges Bank (Norway's central bank) lowered its base rate to 0 per cent, with ensuing interest rate cuts by the banks. Unemployment rose, and in April 10 per cent of the labour force were registered as wholly unemployed. The macroeconomic picture reflected considerable uncertainty and government authorities initiated a series of measures to assist firms and private individuals.

Activity levels have picked up through the summer and unemployment has declined, but the increased spread of the corona virus this autumn could slow the upturn. It will in all events take time for production and employment to return to the levels in effect prior to the pandemic. Low interest rates are stimulating production and employment, and contribute to holding down unemployment. The housing market has also improved, but uncertainty remains in evidence. Individual sectors such as the offshore and hospitality industries are still facing challenges.

### **One SMN – Customer-oriented and simplified distribution, increased digitalisation and more efficient operations**

SpareBank 1 SMN is to establish seventeen regional centres in which the group's business lines will be co-located, while six smaller branches will be closed down. Strong specialist units under development in the regional centres will provide customers with an improved offering in accounting, estate agency and banking services. Joint support and development units are concurrently being set up to deliver services of high quality and efficiency across the group.

A customer-oriented and simplified distribution system, increased digitalisation along with streamlining of support functions will enable group FTEs to be reduced by about 100 in the course of 2021. The reduction will take place mainly in the bank and in support functions throughout the group.

The changes are part of the wide-ranging profitability and enhancement programme known as One SMN. The programme is central to achieving the group's strategy for the period to 2023, and provides the basis for a united and forward-looking group. Overarching objectives are an improved customer experience, a strengthened market position and improved profitability. SpareBank 1 SMN has identified measures designed to achieve a profit improvement of NOK 400m before tax through increased synergies, increased revenues, cost efficiencies and improved capital utilisation. The ambition is to deliver even better services to customers through stronger collective action both in terms of support functions at central level and in outreach to the customer.

In addition to the above changes the measures include new customer offerings and renewed service concepts for prioritised segments, improved price models along with increased application of analytical insight in the customer dialogue and reduction of operating and IT expenses.

### **SpareBank 1 SMN Spire Finans**

SpareBank 1 SMN Spire Finans will be amalgamated with SpareBank 1 Finans Midt-Norge in the fourth quarter. Invoice purchasing will be a third product area alongside leasing and car financing. The intention is to reduce costs and strengthen distributive power.

### **Sparebank 1 SMN Invest**

SpareBank 1 SMN is to wind up SpareBank 1 SMN Invest. Investment in shares is no longer within the group's strategy. The share portfolio of about NOK 400m will be managed together with the bank's other long-term shareholdings and will be wound down over time.

### **Profit of NOK 519m for the third quarter (488m)**

In the third quarter SpareBank 1 SMN recorded a profit of NOK 519m after tax (488m), and a return on equity of 10.5 per cent (10.2 per cent). The third quarter profit is NOK 199m lower than in the second quarter of 2020 due to increased losses and weaker return on financial instruments. Earnings per equity certificate (EC) in the third quarter were NOK 2.35 (2.30) and book value per EC was NOK 92.73 (89.36).

Operating profit after losses in the third quarter was NOK 417m (487m). This was NOK 19m better than in the second quarter of 2020, due to higher revenues and lower expenses, but increased losses. Compared with the same quarter of 2019, post-loss operating profit was weaker – due to higher losses.

Net interest income in the quarter was NOK 695m (678m), which is NOK 29m better than in the second quarter. Since March, Norges Bank has lowered its base rate by 150 points to zero, and NIBOR has fallen about 140 points from the first to the third quarter. SMN has carried out two interest rate cuts on residential mortgages and deposits in the course of the second and third quarter. The changes in the margins on loans and deposits, along with the bank's cost of funding, were carried out at different points in time, leading to low interest earnings in the second quarter. In the third quarter, net interest income reflects the new interest rates.

Net commission income rose from the preceding quarter by NOK 31m to NOK 638m (554m). This is explained by increased commission income on loans sold to SpareBank 1 Boligkreditt. Reduced incomes are concurrently noted on accounting services in the holiday period.

Return on financial investments was relatively weak in the third quarter at NOK 32m (35m) which was NOK 237m lower than in the second quarter. Gains recorded in the second quarter were very high, due in part to reversal of losses resulting from financial turbulence in the first quarter.

At NOK 170m (85m), related companies' third-quarter profit was NOK 7m down on the second quarter. The profit for the third quarter is positively impacted by a good insurance performance at Fremtind Forsikring and by gains on forex and stocks at SpareBank 1 Forsikring.

Operating expenses were reduced by NOK 22m from the second to third quarter, and totalled NOK 685m (673m).

Losses on loans in the third quarter came to NOK 231m (71m) having risen by NOK 62m from the second quarter. Losses on loans to the group's corporate clients in the third quarter totalled NOK 210m (49m). Losses on loans to retail borrowers in the third quarter were NOK 21m (22m).

Lending grew in the third quarter of 2020 by 2.5 per cent (1.1 per cent). Growth in lending to retail borrowers in the third quarter of 2020 was 2.2 per cent (1.5 per cent). Lending to corporate borrowers increased by 3.0 per cent (0.2 per cent) in the third quarter of 2020.

Deposits rose by 1.2 per cent (decline of 3.4 per cent) in the third quarter compared with a growth of 7.0 per cent in the second quarter. Retail customer deposits fell 1.1 per cent (reduction of 2.4 per cent), compared with a growth of 10.2 per cent in the second quarter. High growth in the second quarter is down to holiday pay disbursements. Corporate customer deposits rose by 2.9 per cent (reduction of 4.1 per cent) compared with a growth of 4.6 per cent in the second quarter.

### **Profit of NOK 1,528m for the first nine months of 2020**

A pre-tax profit of 1,823m (2,612m) was recorded in the first nine months of 2020. The net profit is NOK 1,528m (2,217m) and return on equity is 10.4 per cent (16.0 per cent).

Overall operating income as at 30 September 2020 totalled NOK 3,886m (3,702m), an increase of NOK 184m over the previous year. NOK 87m of the income growth derives from banking operations and NOK 97m from the bank's subsidiaries.

Operating expenses amounted to NOK 2,107 (2,077m) in the first nine months of 2020. The increase of NOK 30m comprises NOK 46m from banking operations and a reduction of NOK 16m at the subsidiaries.

The profit share from owner interests and related companies was NOK 564m (871m), including an insurance gain of NOK 340m (460m).

Return on financial instruments including dividends came to NOK 189m (314m).

Losses on loans and guarantees totalled NOK 709m (198m).

Good growth is noted in loans and deposits, and overall lending rose 8.5 per cent (4.8 per cent) and deposits by 14.0 per cent (7.9 per cent) in the last 12 months.

The CET1 ratio as at 30 September 2020 was 17.6 per cent (15.1 per cent). The target CET1 ratio is 15.4 per cent.

The price of the bank's equity certificate (MING) at quarter end was NOK 84.30 (98.50). A cash dividend of NOK 5.00 (5.10) per EC has been paid in 2020 for the year 2019.

Earnings per EC were NOK 6.88 (10.54). The book value per EC was NOK 92.73 (89.36).

#### **Increased net interest income**

Net interest income increased by NOK 80m to NOK 2,071m (1,991m) in the first nine months of 2020.

Changes in the net interest income are mainly ascribable to:

- increased lending to and deposits from retail and corporate clients
- increased lending margins
- reduced deposit margins
- NIBOR was 65 points lower in the first nine months of 2020 than in the same period of 2019, bringing lower return on the bank's equity capital

Since 13 March 2020 Norges Bank has lowered its base rate from 1.50 to zero. SpareBank 1 SMN lowered its mortgage lending rate by up to 125 points over the course of the second quarter. Deposit rates have been lowered in the second and third quarter. NIBOR has been reduced by about 160 points over the course of 2020.

The bank lowered its lending rates before the customary six-week notice period expired while the change in deposit rates was carried out in line with the ordinary eight-week notice period. It takes a while for reduced NIBOR to feed through to the cost of market funding. This has impacted negatively on net interest income in the second quarter. The third quarter saw greater balance between the cost of market funding and interest rates on loans and deposits, and this has contributed to an increase in net interest income from the second to the third quarter.

Norges Bank expects an unchanged base rate over the next two years or so. Norges Bank thereafter anticipates a gradual increase in the base rate as conditions in the economy normalise.

#### **Increased other income**

Commission income and other operating incomes rose in the first nine months of 2020 by NOK 104m to NOK 1,815m (1,711m).



Net interest income on loans sold to SpareBank 1 Boligkreditt (residential mortgage company) and SpareBank 1 Næringskreditt (commercial mortgage company) is recognised as commission income. Commission income on loans sold to these two companies totalled NOK 282m (271m) in the first nine months of 2020. Commission income from SpareBank 1 Boligkreditt rose strongly in the third quarter.

Other commission income totalled NOK 1,533m (1,440m). The growth of NOK 94m is driven mainly by increased incomes on accounting services and securities services.

SpareBank 1 SMN has a high proportion of multi-product customers. This is important since it makes for high customer satisfaction and a diversified income flow for the bank.

Commission income (NOKm)	January - September		Change
	2020	2019	
Payment transfers	163	167	-4
Creditcard	45	44	1
Saving products	77	69	8
Insurance	144	136	8
Guarantee commission	42	37	5
Real estate agency	300	298	2
Accountancy services	395	371	24
Markets	332	285	47
Other commissions	36	33	3
<b>Commissions ex SB1 Boligkreditt and SB1 Næringskreditt</b>	<b>1,533</b>	<b>1,440</b>	<b>94</b>
Commissions SB1 Boligkreditt	272	259	13
Commissions SB1 Næringskreditt	9	12	-3
<b>Total commissions</b>	<b>1,815</b>	<b>1,711</b>	<b>104</b>

### Return on financial investments

Overall return on financial investments in the first nine months of 2020 came to NOK 177m (300m). This breaks down as follows:

- Losses on shares of the bank and subsidiaries totalled NOK 2m (gain of NOK 108m)
- Gains on the bond and CD portfolio totalled NOK 166m (22m) due to a narrowing of credit spreads
- Financial derivatives have brought losses of NOK 78m (gain of NOK 92m). This is essentially gains on fixed income instruments ascribable to rising interest rates through the first nine months and must be viewed in the context of the above bullet point
- Other financial instruments measured at fair value include value changes on the bank's portfolio of fixed interest loans, and show a loss of NOK 14m (gain of 10m)
- Income of NOK 79m (32m) from forex transactions comprises income from currency trading at SpareBank 1 Markets and the result of exchange rate fluctuations on the bank's funding in foreign currencies
- Gains on shares and share derivatives at SpareBank 1 Markets totalled NOK 26m (36m)

Return on financial investments (NOKm)	January - September		Change
	2020	2019	
Capital gains/losses shares	-2	108	-110
Gain/(loss) on certificates and bonds	166	22	144
Gain/(loss) on derivatives	-78	92	-170
Gain/(loss) on financial instruments related to hedging	0	-1	2
Gain/(loss) on other financial instruments at fair value (FVO)	-14	10	-24
Foreign exchange gain/(loss)	79	32	47
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	26	36	-11
<b>Net return on financial instruments</b>	<b>177</b>	<b>300</b>	<b>-122</b>

### Product companies and other related companies

The product companies give the banks access to a broader product range and the bank receives commission incomes, as well as return on invested capital. The overall result of the product companies and other related companies was NOK 224m (411m) in the first nine months of 2020. In addition SpareBank 1 SMN recorded a gain of NOK 340m on the transfer of personal risk products from SpareBank 1 Forsikring to Fremtind Livsforsikring as at 1 January 2020. A gain of NOK 460m was recorded on the establishment of Fremtind Forsikring in the first half of 2019.

Income from investment in associated companies	January - September		Change
	2020	2019	
SpareBank 1 Gruppen	107	264	-157
Gain Fremtind	340	460	-120
SpareBank 1 Boligkreditt	22	26	-4
SpareBank 1 Næringskreditt	14	15	-1
SpareBank 1 Kreditt	2	13	-11
BN Bank	84	84	0
SpareBank 1 Betaling	-3	7	-10
Other companies	-1	2	-3
<b>Income from investment in associated companies</b>	<b>564</b>	<b>871</b>	<b>-307</b>

### SpareBank 1 Gruppen

SpareBank 1 SMN has a stake of 19.5 per cent in SpareBank 1 Gruppen. SpareBank 1 Gruppen owns 100 per cent of the shares of SpareBank 1 Forsikring, ODIN Forvaltning and SpareBank 1 Gruppen Finans. SpareBank 1 Gruppen owns 65 per cent of the non-life insurer Fremtind which was established on 1 January 2019. DNB owns the remainder of Fremtind.

SpareBank 1 SMN's post-tax share of the profit of SpareBank 1 Gruppen in the first nine months of 2020 was reduced by a total of NOK 277m compared with the same period of 2019, of which NOK 120m was due to a lower merger gain. The profit effect of the Fremtind Forsikring merger in the first nine months of 2019 was NOK 460m, whereas the profit effect of the merger in 2020 was NOK 340m. The underlying share of the profit from SpareBank 1 Gruppen was reduced by NOK 157m to NOK 107m from 2019 to 2020.

Fremtind's profit for the first nine months of 2020 is still marked by the Covid-19 situation requiring substantial technical provisions and travel insurance payouts. This is partly offset by income from reinsurers related to Covid-19 compensation, and run-off gains.

### SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks making up the SpareBank 1 Alliance to draw benefit from the market for covered bonds. The banks sell well-secured residential mortgages to the company and achieve reduced funding costs.

As at 30 September 2020 the bank had sold loans totalling NOK 44.2bn (39.7bn) to SpareBank 1 Boligkreditt, corresponding to 36.0 per cent (35.2 per cent) of the bank's overall lending to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt is 20.9 per cent, and the bank's share of that company's profit for the first nine months of 2020 was NOK 22m (26m).

**SpareBank 1 Næringskreditt**

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 30 September 2020, loans worth NOK 1.6bn (1.7bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 31.0 per cent, and the bank's share of the company's profit for the first nine months of 2020 was NOK 14m (15m). The bank's holding reflects the bank's relative share of commercial property loans sold and the bank's stake in BN Bank.

**SpareBank 1 Kreditt**

SpareBank 1 Kredittkort has changed name to SpareBank 1 Kreditt. The company now delivers products for all types of unsecured credit, including credit cards, consumer loans, refinancing, part payment and payment deferment to retail customers in Norway. The company currently has 48 employees.

The profit for the first nine months of 2020 was NOK 9m (73m). SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 17.3 per cent. SpareBank 1 SMN's share of the profit for the first nine months of 2020 was NOK 2m (13m), and the bank's share of the portfolio is NOK 856m (924m). The decline in profit is due mainly to lower consumption – for example as regards foreign travel – on the part of the general public and thus lower credit card turnover.

SpareBank 1 Kredittkort also manages the LOfavør credit card programme.

**BN Bank**

SpareBank 1 SMN owns 35.0 per cent of BN Bank as at 30 September 2020. BN Bank is a bank for residential mortgages and commercial property, and its main market is Oslo and south-eastern Norway.

BN Bank's result for the first nine months of 2020 was NOK 241m (232m), yielding a return on equity of 8.3 per cent (8.3 per cent). SpareBank 1 SMN's share of BN Bank's profit for the first nine months of 2020 was NOK 84m (84m).

**SpareBank 1 Betaling**

SpareBank 1 Betaling is the SpareBank 1 banks' parent company for Vipps' payment solutions. Vipps aims to take its place as the Nordic region's leading financial technology company, and for SpareBank 1 SMN a stake in, and close collaboration with, Vipps will be important with a view to retaining customer relationships after the introduction of PSD2 (Revised Payment Services Directive).

SpareBank 1 Betaling posted a deficit of NOK 9m in the first nine months of 2020, and SpareBank 1 SMN's share of the deficit comes to NOK 3m (gain of 7m).

**Operating expenses**

Overall group operating expenses rose by NOK 30m, or 1.4 per cent, to NOK 2,107m (2,077m) in the first nine months of 2020.

The bank's expenses increased by NOK 46m to NOK 1,051m in the last 12 months. The increase is of 4.5 per cent. The focus on the LO (Norwegian Confederation of Trade Unions) segment has required additional

FTEs in the retail banking arm in 2020. Moreover, costs related to digitalisation and modernisation of the bank have risen.

Costs among the subsidiaries were reduced by NOK 15m to NOK 1.056m (1.071m) in the 12 months to end-September. The decline is largely down to the disposal of BN Bank in the fourth quarter of 2019 and reduced cost growth at the other subsidiaries.

Although the group's cost growth is below the target level of 2 per cent, the trend in costs in the banking arm, although declining, is not satisfactory. The profitability project 'One SMN' prioritises taking out synergies through efficiency gains and general cost reductions across the entire group. A simplified and more group-oriented organisation set-up lays a significant basis for efficiency gains. The aim is to achieve cost reductions of NOK 200m on an annual basis, to be achieved over a two-year period. This entails staff reductions, a simplified distribution structure, coordination of support functions, increased digitalisation and reductions in IT and other operating expenses.

The group's cost-income ratio was 45 per cent (43 per cent) while the parent bank's cost-income ratio was 34 per cent (29 per cent).

Provision for restructuring costs will be made in the fourth quarter as a result of costs of packages of instruments related to staff reductions and other phase-out costs.

#### **High losses, but low default rate**

Loan losses in the first nine months of 2020 totalled NOK 709m (198m). Net loan losses measure 0.55 per cent of total outstanding loans (0.16 per cent).

Losses of 637m (150m) were recorded on loans to the group's corporate customers as of 30 September 2020. Of this, 163m is related to a single exposure. Losses on offshore amount to 296m.

In the first quarter of 2020 the bank revised its assumptions for the baseline scenario in a negative direction. This revision was retained for the second and third quarter of 2020. Moreover, in the third quarter the bank's exposure to the hotel and hospitality industry was hived off to a separate portfolio entailing separate assessment of PD and LGD paths along with scenarios weighted to reflect this segment's vulnerability to the effects of the corona virus. In addition, the entire portfolio is assigned to stage 2 or 3. For further description, see note 2. The provision for expected loss on these loans amounts to NOK 54m. The increased provision due to negative migration in the remaining corporate banking portfolio amounts to NOK 107m.

Losses of NOK 72m (47m) were recorded on loans to retail borrowers in the first nine months of 2020, of which NOK 49m was related to the changes made in the assumptions employed in the bank's loss model.

Write-downs on loans and guarantees total NOK 1,630m (1,065m) as at 30 September 2020.

Overall problem loans (defaulted and doubtful) come to NOK 2,332m (2,123m), corresponding to 1.30 per cent (1.28 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. All loans classified to stage 3 of the expected loss model are defined as problem loans.

Defaults in excess of 90 days totalled NOK 484m (424m). Overall defaults measure 0.27 per cent of gross outstanding loans (0.26 per cent). The increase refers in all essentials to the retail banking portfolio.

Other doubtful exposures total NOK 1,848m (1,700m). Total other doubtful exposures measure 1.03 per cent (1.03 per cent) of gross outstanding loans.

A small proportion of the bank's overall loan exposure is doubtful as a result of the corona crisis and the oil crisis. Loans in the hotel and hospitality industry portfolio amount to NOK 1.7bn, while the offshore portfolio totals NOK 3.6bn.

### **Total assets of NOK 187bn**

The bank's assets totalled NOK 187bn (166bn) as at 30 September 2020, having risen by NOK 20bn, i.e. by 12 per cent, over the last 12 months. Total assets have risen mainly as a result of increased lending and liquidity reserves.

As at 30 September 2020 loans worth a total of NOK 46bn (41bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and to SpareBank 1 Næringskreditt. These loans are not recognised as loans in the bank's balance sheet. The comments covering lending growth take account of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

### **Increased growth in lending**

Total outstanding loans rose by NOK 14.0bn (7.6bn), or 8.5 per cent (4.8 per cent) in the last 12 months to reach NOK 179.4bn (165.4bn) as at 30 September 2020.

- Lending to personal borrowers rose in the last 12 months by NOK 9.8bn (6.1bn) to NOK 122.5bn (112.8bn). Growth in the period was 8.7 per cent (5.8 per cent)
- Lending to corporate borrowers rose in the last 12 months by NOK 4.3bn (1.4bn) to NOK 56.9bn (52.6bn). Growth in the period was 8.1 per cent (2.8 per cent)
- Lending to personal borrowers accounted for 68 per cent (68 per cent) of total outstanding loans to customers as at 30 September 2020

The group shows good growth in the retail market and is strengthening its market position. SpareBank 1 SMN has a cooperation agreement with the LO (Norwegian Trade Union Confederation), and the LO segment accounts for a substantial proportion of the growth. The growth in lending to corporate borrowers is largely to small and medium-sized businesses.

(For distribution by sector, see note 5).

### **Good growth in deposits and a strengthened deposit-to-loan ratio**

Customer deposits rose in the last 12 months by NOK 11.8bn (6.1bn) to NOK 95.4bn (83.6bn). This represents a growth of 14.0 per cent (7.9 per cent).

- Personal deposits rose by NOK 5.2bn (1.7bn), or 14.7 per cent (5.1 per cent), to reach NOK 40.5bn (35.3bn)
- Corporate deposits rose by NOK 6.5bn (4.4bn), or 13.6 per cent (10.0 per cent), to reach NOK 54.8bn (48.3bn)
- The deposit-to-loan ratio at SpareBank 1 SMN was 71 per cent (67 per cent) excluding SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The deposit-to-loan ratio including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 53 per cent (51 per cent)

The increased growth in deposits by retail customers is in large measure a consequence of reduced consumption due to the corona crisis.

(For distribution by sector, see note 9).

### Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 11.7bn (11.0bn) as at 30 September 2020. The increase of NOK 0.7bn is a result of good sales and an increase in the value of equity funds.

Saving products, customer portfolio (NOKm)	January - September		Change
	2020	2019	
Equity funds	8,302	6,855	1,448
Pension products	760	742	18
Active management	2,625	3,417	-792
<b>Total</b>	<b>11,687</b>	<b>11,013</b>	<b>674</b>

### Insurance

The bank's insurance portfolio has increased by 8.2 per cent over the last 12 months. Growth has been satisfactory for non-life insurance, personal insurance and occupational pensions alike.

Insurance, premium volume (NOKm)	January - September		Change
	2020	2019	
Non-life insurance	950	868	82
Personal insurance	392	367	25
Occupational pensions	327	307	20
<b>Total</b>	<b>1,669</b>	<b>1,542</b>	<b>127</b>

### Retail Banking

Outstanding loans to retail borrowers total NOK 127bn (117bn) while deposits total NOK 48bn (42bn) as at 30 September 2020. These are loans to and deposits from wage earners, agricultural customers and sole proprietorships.

Retail Banking's operating income totalled NOK 1,536m (1,612m) in the first nine months of 2020. Net interest income amounted to NOK 926m (1,015m) and commission income and return on financial investments to NOK 609 (597m). Overall incomes were reduced by NOK 76m. Return on capital employed in the retail banking segment was 12.6 per cent (13.7 per cent). Capital employed is regulatory capital of 15.4 per cent, corresponding to the Group's target CET1 ratio.

The lending margin in the first nine months of 2020 was 1.83 per cent (1.55 per cent), while the deposit margin was minus 0.04 per cent (0.57 per cent) measured against three-month NIBOR. The market interest rate in terms of three-month NIBOR was about 65 points lower up to and including the third quarter of 2020 than in the same period of 2019.

Retail lending and retail deposits grew by 8.6 per cent (5.1 per cent) and 14.2 per cent (4.5 per cent) respectively in the last 12 months.

Lending to retail borrowers consistently carries low direct risk, as reflected in continued low losses. The loan portfolio is mainly secured by residential property. The number of mortgage payment holidays rose substantially in the second half of March, normalising from April onwards.

## Corporate Banking

Outstanding loans to corporates total NOK 44bn (41bn) and deposits total NOK 46bn (41bn) as at 30 September 2020. This is a diversified portfolio of loans to and deposits from corporate borrowers in Trøndelag and in Møre og Romsdal.

Operating income in the corporate segment came to NOK 1,079m (1,021m) as at 30 September 2020. Net interest income was NOK 896m (864m), and commission income and return on financial investments came to NOK 183m (157m).

The lending margin was 2.86 per cent (2.59 per cent) and the deposit margin was minus 0.14 per cent (plus 0.04 per cent) in the first nine months of 2020.

Lending rose by 10.4 per cent (growth of 2 per cent) and deposits rose by 14.5 per cent (9.0 per cent) in the last 12 months.

Net losses in the corporate banking segment have risen considerably and amounted to NOK 614m (140m) as at 30 September 2020. NOK 163m of the losses refers to a single exposure and NOK 296 m to the offshore sector. Also noted are increased provisioning as a result of lower expectations of the Norwegian economy and a general negative migration in the portfolio.

Return on capital employed for the corporate banking segment was 3.4 per cent (11.8 per cent) in the first nine months of 2020. Capital employed is regulatory capital of 15.4 per cent, corresponding to the group's target CET1 ratio.

## Subsidiaries

The bank's subsidiaries posted an overall pre-tax profit of NOK 351.3m (285.2m) in the first nine months of 2020.

Pre-tax profit (NOKm)	January - September		Change
	2020	2019	
EiendomsMegler 1 Midt-Norge (87%)	49.8	31.2	18.6
BN Bolig	-	-23.6	23.6
SpareBank 1 Regnskapshuset SMN (88,7%)	88.1	81.3	6.7
SpareBank 1 Finans Midt-Norge (61,2%)	151.6	115.1	36.5
Sparebank 1 Markets (66,7%)	89.7	39.2	50.5
SpareBank 1 SMN Invest (100%)	-15.1	44.0	-59.1
SpareBank 1 SMN Spire Finans (100%)	-19.2	-13.5	-5.7
Other companies	6.5	11.5	-5.0
<b>Total</b>	<b>351.3</b>	<b>285.2</b>	<b>66.1</b>

**EiendomsMegler 1 Midt-Norge** is the market leader in Trøndelag and in Møre og Romsdal. Operating income in the first nine months of 2020 was NOK 300m (296m), while operating expenses were NOK 251m (288m). EiendomsMegler 1's pre-tax profit in the first nine months of 2020 was NOK 50m (31m). 5,497 dwelling units were sold in the first nine months of 2020 compared with 5,153 in the same period of 2019.

**BN Bolig** was sold in the fourth quarter of 2019.

**SpareBank 1 Finans Midt-Norge** delivered a pre-tax profit of NOK 152m in the first nine months of 2020 (115m). The company has shown strong income growth with incomes totalling NOK 255m (210m). Growth in costs has been moderate, and operating expenses in the first nine months of 2020 totalled NOK 67m (62m). Losses in the first nine months of 2020 came to NOK 36m (33m).

The company's business lines are mainly leasing to the SMB market and car loans to retail customers. The company manages leasing and car loan agreements worth a total of NOK 9.5bn (8.4bn), of which leasing agreements account for NOK 3.9bn (3.4bn) and car loans for NOK 5.4bn (4.8bn). The company also offers consumer loans, and at quarter-end this portfolio was worth NOK 190m (250m).

The Samspar banks in SpareBank 1 held a 27.9 per cent stake in SpareBank 1 Finans Midt-Norge as at 30 September 2020, while Sparebanken Sogn og Fjordane held a stake of 7.5 per cent. SpareBank 1 SMN owns 61.2 per cent of the shares of SpareBank 1 Finans Midt-Norge. After quarter-end an agreement of intent was entered into with the local banking alliance under which they will distribute the company's products while at the same time buying into the company with a stake of 6 per cent.

**SpareBank 1 Spire Finans** offers invoice purchasing to the small business segment, and as at 30 September 2020 showed a deficit of NOK 19m (deficit of 14m). It has been decided to merge the company with SpareBank 1 Finans Midt-Norge in the fourth quarter 2020.

**SpareBank 1 Regnskapshuset** SMN posted a pre-tax profit of NOK 88.1m (81.3m) as at 30 September. Operating income increased to NOK 415m (390m), a growth of 6.4 per cent. Expenses came to NOK 327m (309m).

The profit growth is mainly attributable to:

- Initiated efficiency projects, contributing to increased operating income per FTE
- A strong focus on costs, contributing to low growth in other operating expenses

The company's market share in Trøndelag, Møre og Romsdal and Gudbrandsdal is 25 per cent, an increase of more than 2 percentage points over the last 12 months.

The company can thus point to significantly higher growth and profitability than the industry average. In addition, the company is well underway on creating new income flows beyond the traditional accounting industry.

**Sparebanken SMN Invest** invests in shares, mainly in regional businesses. The company posted a pre-tax profit of minus NOK 15.1m in the first nine months of 2020 (plus 44.0m).

The company holds shares worth NOK 390m (414m) as at 30 September 2020. The portfolio profit from the company's shareholdings is minus NOK 10.2m (plus 51.7m) of the company's result as at 30 September 2020.

**SpareBank 1 Markets** is a subsidiary of SpareBank 1 SMN which holds a 66.7 per cent stake. Other owners are SpareBank 1 Nord-Norge, SpareBank 1 SR Bank, SpareBank 1 Østlandet and the SamSpar banks. SpareBank 1 Markets is headquartered in Oslo and has divisions in Trondheim, Ålesund and Stavanger. It has 142 FTEs.

SpareBank 1 Markets wholly owns SpareBank 1 Kapitalforvaltning. The company is at centre-stage of SpareBank 1 Markets' focus on asset management and has aggregate total assets of NOK 18.5bn. The company has 18 employees.

SpareBank 1 Markets' consolidated pre-tax profit for the first nine months of 2020 was NOK 89.6m (39.2m). High activity in several areas has yielded incomes in excess of a normal third quarter. Incomes from Investment Banking have been strong with a number of sizeable consultancy assignments and stock issues.



Incomes from primary market trading and currency trading have been high. SpareBank 1 Kapitalforvaltning shows earnings on a par with the preceding quarters. Overall group income came to NOK 511m (452m) as at 30 September 2020, representing a growth of NOK 59m or 13.1 per cent. Operating expenses totalled NOK 421m (412m), a growth of NOK 9m or 2.2 per cent.

SpareBank 1 Markets is the leading capital market unit in SpareBank 1 SMN's market area. SpareBank 1 Markets' main focus is on clients in relation to which the group itself has a strong competitive position alone or in conjunction with the parent banks.

### **Satisfactory funding and good liquidity**

The bank has a conservative liquidity strategy which attaches importance to maintaining liquidity reserves that ensure the bank's ability to survive 12 months of ordinary operation without need of fresh external funding.

The group has liquidity reserves of NOK 32bn and the funding needed for 30 months of ordinary operation without fresh external funding.

The government authorities require all credit institutions to maintain sufficient liquidity buffers to withstand periods of limited access to market funding. The liquidity coverage ratio (LCR) measures the size of banks' liquid assets relative to net liquidity outflow 30 days ahead given a stressed situation.

The LCR is calculated at 140 per cent as at 30 September 2020 (181 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 30 September 2020, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 53 per cent (51 per cent).

The bank's funding sources and products are amply diversified. As at 30 September 2020 the proportion of the bank's overall money market funding in excess of one year's maturity was 80 per cent (89 per cent).

SpareBank 1 Boligkreditt is the bank's most important funding source, and mortgages totalling NOK 44bn (40bn) had been sold as at 30 September 2020.

### **Rating**

The bank has an A1 rating with Moody's (stable outlook).

### **Financial soundness**

The CET1 ratio at 30 September 2020 was 17.6 per cent (15.1 per cent), well above the target level of 15.4 per cent.

In March the countercyclical buffer was lowered from 2.5 per cent to 1 per cent, bringing the bank's CET1 target down from 16.9 per cent to 15.4 per cent.

The CET1 requirement is 11 per cent, including combined buffer requirements. The Pillar 2 requirement is 1.9 per cent and the overall government requirement is 12.9 per cent. Finanstilsynet (Norway's FSA) has announced that it will not be setting new Pillar 2 requirements for SMN until 2021.

SpareBank 1 SMN aims for a management buffer of about 1 per cent over and above the combined Pillar 1 and Pillar 2 requirements with a view to absorbing fluctuations in risk weighted assets and in the group's

financial results. The Ministry of Finance has announced that the systemic risk buffer for IRB banks is to rise by 1.5 per cent to 4.5 per cent with effect from 31 December 2020. The CET1 ratio requirement will accordingly rise to 14.4 per cent at end-2020, and to 15.4 per cent including the management buffer. Any increase of the countercyclical buffer requires a notice period of at least 12 months. In the current situation the board of directors considers the likelihood of an increase of the countercyclical buffer to be low.

The CET1 ratio rose by 0.4 percentage point in the third quarter. Risk weighted assets were reduced by 1 percentage point in the third quarter, mainly as a result of a reduction of deposits in other financial institutions and a reduced bondholding. The profit performance in the third quarter has contributed to a 1 per cent strengthening of CET1 capital. The bank intends to pay 50 per cent of its profits to EC holders.

A leverage ratio of 7.1 per cent (7.4 per cent) shows that the bank is financially very solid. The bank will continue to focus on capital efficiency and effectiveness with a view to strengthening its profitability and financial soundness.

### **The bank's equity certificate (MING)**

The book value of the bank's equity certificate (EC) at 30 September 2020 was NOK 92.73 (89.36), and earnings per EC were NOK 6.88 (10.54).

The Price / Earnings ratio was 9.19 (7.01) and the Price / Book ratio was 0.91 (1.10).

At quarter-end the EC was priced at NOK 84.30, and dividend of NOK 5.10 per EC has been paid in 2020 for the year 2019.

### **Risk factors**

Growth prospects for the global economy are considerably impaired as a result of the corona epidemic. The infection protection measures introduced in a number of countries led to a lockdown of community life and jobs, and in turn to a considerable reduction in economic activity levels. Over the course of the second quarter many countries started to gradually reopen society, and this was reflected in activity levels. However, continuing infection outbreaks and lockdowns make for much uncertainty about developments ahead.

There is still much uncertainty as to the likely depth and duration of the crisis. Macroeconomic estimates therefore vary widely, but most observers expect growth to pick up gradually towards the end of 2020 and the start of 2021, after the major setback this spring. Fear of new waves of infection, increased saving rates and changes in consumer patterns may contribute to damping the upturn. Statistics Norway expects activity levels among Norway's trading partners to fall by 6.9 per cent in the current year, and to rise by 5.2 per cent in 2021.

Since the end of the second quarter the oil price has strengthened and the Norwegian krone has appreciated since the turbulence seen in March. The record level of unemployment has halved, but one can fear this will hover at a higher level than prior to the corona crisis. In some segments such as the hospitality industry and transportation it remains very high. The base rate was set to zero in May, and Norges Bank expects the base rate to remain at the current level for a good while yet.

When businesses in Norges Bank's regional network were interviewed in August, more than half of them reported that the corona pandemic continued to have a dampening effect on the economy. For 2021 even more businesses expect to be negatively impacted. The uncertainty is reflected in downward adjustment of investment plans for 2021. The economic effects of the virus outbreak and the infection protection measures

have been mitigated by very wide-ranging support arrangements and expansionary monetary policies. Improved infection tracking and management mean that activity levels are affected to a lesser degree by the infection protection measures. In its latest forecasts, Statistics Norway revised the fall in Mainland Norway's GDP from 4 per cent to 3.2 per cent for the current year. The bank assumes and expects Norway's very strong financial position to provide the government authorities with good opportunities to implement compensatory measures. That will help to dampen the negative impacts of the corona crisis.

The regional economy is also clearly impacted by the negative effects of the infection protection measures taken. Unemployment in Trøndelag and in Møre og Romsdal was just over 9 per cent at the end of the first quarter, but has been cut by more than half and stood at 3.1 per cent in Trøndelag and 3.7 per cent in Møre og Romsdal in September 2020. After a house price fall at the end of the first quarter house prices have recovered slightly, well assisted by record-low mortgage lending rates.

The influx of customers applying for mortgage payment holidays has fallen through the second and third quarter, both for the retail market and corporates. The instruments applied are primarily mortgage payment holidays and government guaranteed loans. Around NOK 1.7bn of the loans to the business sector are to industries heavily affected by the infection protection measures. In the bank's assessment a high retail share will have a positive impact on expected loss levels.

The group's financial results are affected both directly and indirectly by the fluctuations in the securities markets. The indirect effect is in all essentials due to the bank's ownership interest in SpareBank 1 Gruppen in which both the insurance business and asset management activities are affected by the fluctuations.

The group's funding situation is good, with an LCR of 140 per cent and an NSFR of 121 per cent. The bank has ample access to funding via SpareBank 1 Boligkreditt, and will consider its choice of funding source in light of market prices.

At the end of the third quarter of 2020 the group's CET1 ratio stands at 17.6 per cent as compared with the regulatory requirement of 12.9 per cent. This represents a substantial buffer. The Ministry of Finance lowered the countercyclical buffer from 2.5 per cent to 1 per cent on 13 March 2020.

Although developments through the second and third quarter have been positive, the board of directors still views economic uncertainty as high. However, in view of the bank's capital situation, and its good liquidity position, the board considers the bank to be well equipped to help viable customers through the crisis.

## Outlook

The board of directors considers that the group's strategies provide a good basis for strengthening market position, improving efficiency and over time for attaining the goal of a return on equity of 12 per cent. SpareBank 1 SMN is strongly capitalised and in a good liquidity position. The group's robust and diversified business model shows strength. SpareBank 1 SMN intends and expects to be one of the best performing banks in the Nordic region.

One SMN is a key aspect of the overall strategy and is now progressing to an implementation stage. One SMN aims to achieve a profit improvement of NOK 400m. The group's efficiency will be strengthened through a customer-oriented and simplified distribution approach featuring a greater degree of digital sales and service and more efficient staff and support functions. SpareBank 1 SMN will maintain a physical presence at the local level with all business lines.

SpareBank 1 SMN is experiencing strong growth and is taking market shares in all its lines of business. A strengthened market position and enhanced customer offering provide a basis for further growth.

The board of directors expect operations in the group's business lines to be on a positive trend in 2021. However, the uncertainties due to the corona situation can again bring relatively high losses next year.

The group's write-down assessments incorporate a gradual normalisation in most sectors, but the bank considers the hospitality industry to be particularly vulnerable and has carried out its own loss assessments for that segment. The situation in the offshore sector is negatively impacted by low oil prices and continues to call for a separate loss assessment for that industry.

The board considers the financial position to be sound with a CET1 ratio well above the target, which is important given a situation of substantial uncertainty as to the likely development of the economy and the longer-term consequences of the corona pandemic.

Trondheim, 29. October 2020  
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal  
(chair)

Bård Benum  
(deputy chair)

Christian Stav

Mette Kamsvåg

Morten Loktu

Janne Thyø Thomsen

Tonje Eskeland Foss

Inge Lindseth  
(employee rep.)

Christina Straub  
(employee rep.)

Jan-Frode Janson  
(Group CEO)

## Income statement

Parent bank						Group					
		January - September					January - September				
2019	3Q 19	3Q 20	2019	2020	(NOKm)	Note	2020	2019	3Q 20	3Q 19	2019
3,732	964	753	2,742	2,541	Interest income effective interest method		2,868	3,031	871	1,063	4,121
509	127	101	363	387	Other interest income		384	361	100	126	505
1,916	506	274	1,384	1,170	Interest expenses		1,181	1,401	276	512	1,939
<b>2,325</b>	<b>586</b>	<b>579</b>	<b>1,721</b>	<b>1,758</b>	<b>Net interest</b>	<b>10</b>	<b>2,071</b>	<b>1,991</b>	<b>695</b>	<b>678</b>	<b>2,687</b>
1,127	296	330	834	869	Commission income		1,094	1,066	414	374	1,437
95	29	26	73	68	Commission expenses		149	146	52	55	193
30	7	8	20	30	Other operating income		870	791	277	235	1,046
<b>1,061</b>	<b>274</b>	<b>312</b>	<b>781</b>	<b>831</b>	<b>Commission income and other income</b>		<b>1,815</b>	<b>1,711</b>	<b>638</b>	<b>554</b>	<b>2,290</b>
884	1	73	813	489	Dividends		12	14	2	1	15
-	-	-	-	-	Income from investment in related companies	3	564	871	170	85	879
54	3	-1	98	27	Net return on financial investments	3	177	300	32	35	307
<b>937</b>	<b>4</b>	<b>72</b>	<b>912</b>	<b>516</b>	<b>Net return on financial investments</b>		<b>754</b>	<b>1,185</b>	<b>205</b>	<b>121</b>	<b>1,201</b>
<b>4,324</b>	<b>864</b>	<b>964</b>	<b>3,414</b>	<b>3,106</b>	<b>Total income</b>		<b>4,640</b>	<b>4,886</b>	<b>1,538</b>	<b>1,353</b>	<b>6,178</b>
614	149	161	463	492	Staff costs		1,314	1,288	422	404	1,699
750	191	185	543	560	Other operating expenses		793	789	263	269	1,098
<b>1,364</b>	<b>340</b>	<b>346</b>	<b>1,006</b>	<b>1,051</b>	<b>Total operating expenses</b>	<b>11</b>	<b>2,107</b>	<b>2,077</b>	<b>685</b>	<b>673</b>	<b>2,797</b>
<b>2,960</b>	<b>524</b>	<b>618</b>	<b>2,408</b>	<b>2,054</b>	<b>Result before losses</b>		<b>2,532</b>	<b>2,809</b>	<b>853</b>	<b>680</b>	<b>3,380</b>
245	59	219	163	672	Loss on loans, guarantees etc.	6.7	709	198	231	71	299
<b>2,715</b>	<b>465</b>	<b>399</b>	<b>2,245</b>	<b>1,382</b>	<b>Result before tax</b>	<b>3</b>	<b>1,823</b>	<b>2,612</b>	<b>621</b>	<b>609</b>	<b>3,081</b>
452	117	79	352	228	Tax charge		296	395	102	121	518
-	-	-	-	-	Result investment held for sale, after tax	2, 3	0	0	0	-0	0
<b>2,263</b>	<b>349</b>	<b>320</b>	<b>1,893</b>	<b>1,155</b>	<b>Net profit</b>		<b>1,528</b>	<b>2,217</b>	<b>519</b>	<b>488</b>	<b>2,563</b>
47	9	10	37	47	Attributable to additional Tier 1 Capital holders		49	39	11	10	49
1,417	217	198	1,187	708	Attributable to Equity capital certificate holders		890	1,365	304	299	1,572
799	122	112	669	399	Attributable to the saving bank reserve		501	769	172	168	886
					Attributable to non-controlling interests		88	44	33	11	56
<b>2,263</b>	<b>349</b>	<b>320</b>	<b>1,893</b>	<b>1,155</b>	<b>Net profit</b>		<b>1,528</b>	<b>2,217</b>	<b>519</b>	<b>488</b>	<b>2,563</b>
					Profit/diluted profit per ECC	17	6.88	10.54	2.35	2.30	12.14

## Other comprehensive income

Parent bank					Group					
January - September					January - September					
2019	2Q 19	3Q 20	2019	2020	(NOKm)	2020	2019	3Q 20	2Q 19	2019
2,263	349	320	1,893	1,155	Net profit	1,528	2,217	519	488	2,563
<b>Items that will not be reclassified to profit/loss</b>										
-33	-	-	-	-62	Actuarial gains and losses pensions	-62	-	-	-	-33
8	-	-	-	16	Tax	16	-	-	-	8
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	9	3	3	1	21
<b>-25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-47</b>	<b>Total</b>	<b>-37</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>-4</b>
<b>Items that will be reclassified to profit/loss</b>										
-	-	-	-	-	Fair value change on financial assets through other comprehensive income	-	-	-	-	-
6	-2	2	-2	7	Value changes on loans measured at fair value	7	-2	2	-2	6
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	6	-14	-10	-5	-12
-	-	-	-	-	Tax	-	-	-	-	-
<b>6</b>	<b>-2</b>	<b>2</b>	<b>-2</b>	<b>7</b>	<b>Total</b>	<b>13</b>	<b>-16</b>	<b>-8</b>	<b>-6</b>	<b>-5</b>
<b>-18</b>	<b>-2</b>	<b>2</b>	<b>-2</b>	<b>-40</b>	<b>Net other comprehensive income</b>	<b>-24</b>	<b>-13</b>	<b>-6</b>	<b>-6</b>	<b>-9</b>
<b>2,245</b>	<b>347</b>	<b>321</b>	<b>1,891</b>	<b>1,115</b>	<b>Total other comprehensive income</b>	<b>1,503</b>	<b>2,204</b>	<b>513</b>	<b>482</b>	<b>2,554</b>
47	9	10	37	47	Attributable to additional Tier 1 Capital holders	49	39	11	10	49
1,405	216	199	1,185	683	Attributable to Equity capital certificate holders	874	1,356	301	295	1,566
792	122	112	668	385	Attributable to the saving bank reserve	493	764	169	166	883
-	-	-	-	-	Attributable to non-controlling interests	88	44	33	11	56
<b>2,245</b>	<b>347</b>	<b>321</b>	<b>1,891</b>	<b>1,115</b>	<b>Total other comprehensive income</b>	<b>1,503</b>	<b>2,204</b>	<b>513</b>	<b>482</b>	<b>2,554</b>

## Balance sheet

Parent bank			(NOKm)	Note	Group		
31 Dec 2019	30 Sept 2019	30 Sept 2020			30 Sept 2020	30 Sept 2019	31 Dec 2019
761	1,279	3,227	Cash and receivables from central banks		3,227	1,279	761
9,181	11,267	10,299	Deposits with and loans to credit institutions		2,517	4,432	2,110
117,033	115,027	123,288	Net loans to and receivables from customers	5	132,183	123,037	125,279
23,195	21,205	26,454	Fixed-income CDs and bonds	15	26,375	21,125	23,115
2,872	3,917	10,188	Derivatives	15	10,309	4,052	2,972
355	360	361	Shares, units and other equity interests	15	1,890	2,386	2,953
4,526	4,560	4,769	Investment in related companies		7,017	6,487	6,468
2,309	2,752	2,406	Investment in group companies		-	-	-
82	82	82	Investment held for sale	2	42	41	40
512	515	494	Intangible assets		881	876	872
1,241	1,444	964	Other assets	12	2,459	2,760	2,092
<b>162,066</b>	<b>162,409</b>	<b>182,533</b>	<b>Total assets</b>		<b>186,900</b>	<b>166,475</b>	<b>166,662</b>
7,585	7,862	11,071	Deposits from credit institutions		11,586	8,942	8,853
86,870	84,822	95,956	Deposits from and debt to customers	9	95,391	83,641	85,917
43,014	44,889	46,144	Debt created by issue of securities	14	46,144	44,889	43,014
3,159	3,256	8,189	Derivatives	15	8,415	3,505	3,528
1,570	2,144	1,544	Other liabilities	13	2,738	3,339	2,841
-	-	-	Investment held for sale	2	1	0	0
2,047	2,207	1,752	Subordinated loan capital	14	1,796	2,254	2,090
<b>144,245</b>	<b>145,181</b>	<b>164,657</b>	<b>Total liabilities</b>		<b>166,070</b>	<b>146,571</b>	<b>146,243</b>
2,597	2,597	2,597	Equity capital certificates		2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs		-8	-7	-11
895	895	895	Premium fund		895	895	895
6,144	5,602	6,338	Dividend equalisation fund		6,314	5,581	6,123
840	-	-	Recommended dividends		-	-	840
474	-	-	Provision for gifts		-	-	474
5,432	5,126	5,541	Ownerless capital		5,541	5,126	5,432
189	155	189	Unrealised gains reserve		189	155	189
-	-3	-42	Other equity capital		1,729	1,544	1,827
1,250	963	1,203	Additional Tier 1 Capital		1,244	1,004	1,293
-	1,893	1,155	Profit for the period		1,528	2,217	-
			Non-controlling interests		800	792	761
<b>17,822</b>	<b>17,228</b>	<b>17,876</b>	<b>Total equity capital</b>		<b>20,829</b>	<b>19,904</b>	<b>20,420</b>
<b>162,066</b>	<b>162,409</b>	<b>182,533</b>	<b>Total liabilities and equity</b>		<b>186,900</b>	<b>166,475</b>	<b>166,662</b>

## Cash flow statement

Parent bank				Group		
January - September				January - September		
2019	2019	2020 (NOKm)		2020	2019	2019
2,263	1,893	1,155	Net profit	1,528	2,217	2,563
109	83	77	Depreciations and write-downs on fixed assets	122	130	172
245	163	672	Losses on loans and guarantees	709	198	299
<b>2,617</b>	<b>2,139</b>	<b>1,904</b>	<b>Net cash increase from ordinary operations</b>	<b>2,358</b>	<b>2,545</b>	<b>3,035</b>
869	-368	-7,090	Decrease/(increase) other receivables	-7,783	-448	1,235
-96	576	5,005	Increase/(decrease) short term debt	4,785	1,192	716
-4,613	-2,534	-6,920	Decrease/(increase) loans to customers	-7,606	-3,508	-5,843
1,998	-88	-1,119	Decrease/(increase) loans credit institutions	-407	642	2,964
5,422	3,374	9,086	Increase/(decrease) deposits to customers	9,474	3,025	5,302
-960	-683	3,486	Increase/(decrease) debt to credit institutions	2,732	-272	-361
-2,766	-777	-3,259	Increase/(decrease) in short term investments	-3,260	-777	-2,766
<b>2,471</b>	<b>1,638</b>	<b>1,093</b>	<b>A) Net cash flow from operations</b>	<b>293</b>	<b>2,400</b>	<b>4,280</b>
-66	-54	-9	Increase in tangible fixed assets	-50	-147	-120
84	-393	-343	Paid-up capital, associated companies	-588	-295	-312
36	31	-6	Net investments in long-term shares and partnerships	1,063	-513	-1,080
<b>54</b>	<b>-416</b>	<b>-358</b>	<b>B) Net cash flow from investments</b>	<b>424</b>	<b>-956</b>	<b>-1,512</b>
-177	-17	-295	Increase/(decrease) in subordinated loan capital	-294	-14	-177
1	1	3	Increase/(decrease) in equity	18	-15	-33
-661	-661	-647	Dividend cleared	-647	-661	-661
-373	-373	-364	Disbursed from gift fund	-364	-373	-373
203	-37	-47	Increase/(decrease) in Additional Tier 1 capital	-49	-39	201
-1,639	262	3,080	Increase/(decrease) in other long term loans	3,083	54	-1,846
<b>-2,646</b>	<b>-826</b>	<b>1,730</b>	<b>C) Net cash flow from financial activities</b>	<b>1,748</b>	<b>-1,048</b>	<b>-2,890</b>
<b>-121</b>	<b>396</b>	<b>2,465</b>	<b>A) + B) + C) Net changes in cash and cash equivalents</b>	<b>2,465</b>	<b>396</b>	<b>-121</b>
883	883	761	Cash and cash equivalents at 1.1	761	883	883
761	1,279	3,227	Cash and cash equivalents at end of quarter	3,227	1,279	761
<b>-121</b>	<b>396</b>	<b>2,465</b>	<b>Net changes in cash and cash equivalents</b>	<b>2,465</b>	<b>396</b>	<b>-121</b>



## Change in equity

Parent Bank (NOKm)	Issued equity		Earned equity						Additional Tier 1 Capital	Total equity
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity			
<b>Equity at 1 January 2019</b>	<b>2,597</b>	<b>895</b>	<b>5,126</b>	<b>5,602</b>	<b>1,034</b>	<b>155</b>	-	<b>1,000</b>		
Net profit	-	-	313	555	1,314	34	-	47	2,263	
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	-	-	
Financial assets through OCI	-	-	-	-	-	-	6	-	6	
Actuarial gains (losses), pensions	-	-	-	-	-	-	-25	-	-25	
<b>Other comprehensive income</b>	-	-	-	-	-	-	-18	-	-18	
<b>Total other comprehensive income</b>	-	-	<b>313</b>	<b>555</b>	<b>1,314</b>	<b>34</b>	<b>-18</b>	<b>47</b>	<b>2,245</b>	
<b>Transactions with owners</b>	-	-	-	-	-	-	-	-	-	
Dividend declared for 2018	-	-	-	-	-661	-	-	-	-661	
To be disbursed from gift fund	-	-	-	-	-373	-	-	-	-373	
Additional Tier 1 Capital	-	-	-	-	-	-	-	250		
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-47	-47	
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-0	
Direct recognitions in equity	-	-	-7	-12	-	-	18	-	-1	
<b>Total transactions with owners</b>	<b>-0</b>	<b>-</b>	<b>-7</b>	<b>-12</b>	<b>-1,034</b>	<b>-</b>	<b>18</b>	<b>203</b>	<b>-832</b>	
<b>Equity at 31 December 2019</b>	<b>2,597</b>	<b>895</b>	<b>5,432</b>	<b>6,144</b>	<b>1,314</b>	<b>189</b>	<b>-</b>	<b>1,250</b>	<b>17,822</b>	

(NOKm)	Issued equity		Earned equity						Additional Tier 1 Capital	Total equity
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity			
<b>Equity at 1 January 2020</b>	<b>2,597</b>	<b>895</b>	<b>5,432</b>	<b>6,144</b>	<b>1,314</b>	<b>189</b>	-	<b>1,250</b>	<b>17,822</b>	
Net profit	-	-	-	-	-	-	1,155	-	1,155	
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	-	-	
Value changes on loans measured at fair value	-	-	-	-	-	-	7	-	7	
Actuarial gains (losses), pensions	-	-	-	-	-	-	-47	-	-47	
<b>Other comprehensive income</b>	-	-	-	-	-	-	-40	-	-40	
<b>Total other comprehensive income</b>	-	-	-	-	-	-	<b>1,115</b>	-	<b>1,115</b>	
<b>Transactions with owners</b>	-	-	-	-	-	-	-	-	-	
Dividend declared for 2019	-	-	-	194	-840	-	-	-	-647	
To be disbursed from gift fund	-	-	109	-	-474	-	-	-	-364	
Additional Tier 1 Capital	-	-	-	-	-	-	-	-	-	
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-47	-47	
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-0	
Direct recognitions in equity	-	-	-	-	-	-	-3	-	-3	
<b>Total transactions with owners</b>	<b>-0</b>	<b>-</b>	<b>109</b>	<b>194</b>	<b>-1,314</b>	<b>-</b>	<b>-3</b>	<b>-47</b>	<b>-1,061</b>	
<b>Equity at 30 September 2020</b>	<b>2,597</b>	<b>895</b>	<b>5,541</b>	<b>6,338</b>	<b>-</b>	<b>189</b>	<b>1,112</b>	<b>1,203</b>	<b>17,876</b>	

Group  (NOKm)	Attributable to parent company equity holders												
	Issued equity			Earned equity							Additional Tier 1 Capital	Non- controlling interests	Total equity
	EC capital	Premium fund	Owner- less capital	Equali- sation fund	Dividend and gifts	Unrealised gains reserve	Other equity						
<b>Equity at 1 January 2019</b>	<b>2,592</b>	<b>895</b>	<b>-</b>	<b>5,126</b>	<b>5,594</b>	<b>1,034</b>	<b>155</b>	<b>1,608</b>	<b>1,043</b>	<b>637</b>	<b>18,686</b>		
Net profit	-	-	-	313	555	1,314	34	242	49	56	2,563		
<b>Other comprehensive income</b>													
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	9	-	-	9		
Value changes on loans measured at fair value	-	-	-	-	-	-	-	6	-	-	6		
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-25	-	-	-25		
Other comprehensive income	-	-	-	-	-	-	-	-9	-	-	-9		
Total other comprehensive income	-	-	-	313	555	1,314	34	232	49	56	2,554		
<b>Transactions with owners</b>													
Dividend declared for 2018	-	-	-	-	-	-661	-	-	-	-	-661		
To be disbursed from gift fund	-	-	-	-	-	-373	-	-	-	-	-373		
Additional Tier 1 Capital issued	-	-	-	-	-	-	-	-	250	-	250		
Buyback Additional Tier 1 Capital issued	-	-	-	-	-	-	-	-	-	-	-		
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-	-49	-	-49		
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-	-	-0		
Own ECC held by SB1 Markets*)	-6	-	-	-14	-	-	-	-12	-	-	-33		
Direct recognitions in equity	-	-	-	-7	-12	-	-	22	-	-	3		
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-	-24	-	-	-24		
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	67	67		
Total transactions with owners	-6	-	-	-7	-27	-1,034	-	-14	201	67	-820		
<b>Equity at 31 December 2019</b>	<b>2,586</b>	<b>895</b>	<b>-</b>	<b>5,432</b>	<b>6,123</b>	<b>1,314</b>	<b>189</b>	<b>1,827</b>	<b>1,293</b>	<b>761</b>	<b>20,420</b>		

\*) Holding of own equity certificates as part of SpareBank 1 Markets' trading activity

Group  (NOKm)	Attributable to parent company equity holders												
	Issued equity			Earned equity							Additional Tier 1 Capital	Non- controlling interests	Total equity
	EC capital	Premium fund	Owner- less capital	Equali- sation fund	Dividend and gifts	Unrealised gains reserve	Other equity						
<b>Equity at 1 January 2020</b>	<b>2,586</b>	<b>895</b>	<b>-</b>	<b>5,432</b>	<b>6,123</b>	<b>1,314</b>	<b>189</b>	<b>1,827</b>	<b>1,293</b>	<b>761</b>	<b>20,420</b>		
Net profit	-	-	-	-	-	-	-	1,440	-	88	1,528		
<b>Other comprehensive income</b>													
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	15	-	-	15		
Value changes on loans measured at fair value	-	-	-	-	-	-	-	7	-	-	7		
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-47	-	-	-47		
Other comprehensive income	-	-	-	-	-	-	-	-24	-	-	-24		
Total other comprehensive income	-	-	-	-	-	-	-	1,416	-	88	1,503		
<b>Transactions with owners</b>													
Dividend declared for 2019	-	-	-	194	-840	-	-	-	-	-	-647		
To be disbursed from gift fund	-	-	109	-	-474	-	-	-	-	-	-364		
Additional Tier 1 capital issued	-	-	-	-	-	-	-	-	-	-	-		
Buyback additional Tier 1 Capital issued	-	-	-	-	-	-	-	-	-	-	-		
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-	-49	-	-49		
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-	-	-0		
Own ECC held by SB1 Markets*)	3	-	-	-2	-	-	-	18	-	-	18		
Direct recognitions in equity	-	-	-	-	-	-	-	-2	-	-	-2		
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-	-2	-	-	-2		
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-49	-49		
Total transactions with owners	3	-	109	192	-1,314	-	-	15	-49	-49	-1,093		
<b>Equity at 30 September 2020</b>	<b>2,589</b>	<b>895</b>	<b>-</b>	<b>5,541</b>	<b>6,314</b>	<b>-</b>	<b>189</b>	<b>3,257</b>	<b>1,244</b>	<b>800</b>	<b>20,829</b>		

\*) Holding of own equity certificates as part of SpareBank 1 Markets' trading activity

# Notes

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## Note 1 - 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

The Group has not obtained a new calculation of pensions as of 30 September since no factors have been identified that significantly alter the pension liability. For a further description of the various pension schemes, see note 22 in the 2019 annual report.

### 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 Q3 (NOKm)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS Group	42		1	3	3	- 100 %
<b>Total Held for sale</b>	<b>42</b>		<b>0</b>	<b>3</b>	<b>3</b>	<b>-</b>

### 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.

The input in the credit loss model have been changed a result of changed expectations due to the corona situation. The crisis and the significant increase in macroeconomic uncertainty have made the assessments extra demanding. The regulators have emphasized the importance of focusing on the expected long-term effects of the crisis and this has also been the bank's focus.

In the first quarter 2020, the bank changed the assumptions for the base scenario in a negative direction. This has been continued in the second and third quarter 2020. In the third quarter the bank's exposure to hotels and tourism, including commercial real estate with the income mainly towards this industry, is separated into a separate portfolio with its own assessments of PD and LGD courses as well as special scenarios and weighting of these to reflect this portfolio's exposure to the effects of corona. In addition, this entire portfolio is included in stage 2 or 3.

The development in the base scenario is prepared using adjustment factors where the development in the business cycle is projected by assumptions about how much the probability of default (PD) or loss of default (LGD) will increase or decrease compared to the base scenario in a five-year period. We expect increased losses related to debtors that have a demanding starting point before the crisis - typically debtors in stage 2. The bank has therefore chosen to increase the trajectories for PD and LGD as well as reduce expected repayments in the base scenario, especially from year 2 onwards, since this will affect expected losses mainly for debtors in stage 2. To adjust for migration into stage 2, PD and LGD estimates are also increased in the first year. No first year repayments are assumed for all portfolios in 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 123 million for the bank and 117 million for the Group.

## Sensitivity

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

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

If the downside scenario's probability were doubled at the expense of the baseline scenario at the end of september 2020, this would have entailed an increase in loss provisions of NOK 112 million for the parent bank and NOK 120 million for the group.

	Corporate excl offshore/ agriculture	Retail Market	Offshore	Agriculture	Tourism	Total Parent Bank	SB 1 Finans MN	Group
ECL expected scenario	423	117	858	44	44	1,485	57	1,543
ECL downside scenario	757	344	1,104	100	88	2,393	137	2,530
ECL upside scenario	319	45	727	23	12	1,124	42	1,166
ECL with scenario weights used 80/10/10	446	132		47		625	64	691
ECL with scenario weights used 60/30/10					54	54		54
ECL with scenario weights used 70/15/15			875			875		875
<b>Total ECL used</b>						<b>1,554</b>		<b>1,620</b>
ECL alternative scenario weights 70/20/10	479	155		53		687	72	761
ECL alternative scenario weights 30/60/10					67	67		67
ECL alternative scenario weights 55/30/15			912			912		912
<b>Total ECL alternative weights (double downside)</b>						<b>1,666</b>		<b>1,740</b>
<b>Change in ECL if alternative weights were used</b>	<b>33</b>	<b>23</b>	<b>37</b>	<b>6</b>	<b>13</b>	<b>112</b>	<b>8</b>	<b>120</b>

The Tourism portfolio includes commercial real estate with more than 50% of the income from actors in hotels and tourism companies.

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 5 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 September 2020

Profit and loss account (NOKm)	RM	CM	SB1		SB1		Regnskaps- huset SMN	SB1		BN	Un-collated	Total
			Markets	1	Finans	MN		Gruppen	Bank			
Net interest	823	828	-11	1	271		0	-	-		159	2,071
Interest from allocated capital	103	68	-	-	-		-	-	-		-172	-
<b>Total interest income</b>	<b>926</b>	<b>896</b>	<b>-11</b>	<b>1</b>	<b>271</b>		<b>0</b>	<b>-</b>	<b>-</b>		<b>-13</b>	<b>2,071</b>
Commission income and other income	612	166	412	300	-16		415	-	-		-75	1,815
Net return on financial investments **)	-3	17	109	-	-		-	107	84		439	754
<b>Total income</b>	<b>1,536</b>	<b>1,079</b>	<b>511</b>	<b>300</b>	<b>255</b>		<b>415</b>	<b>107</b>	<b>84</b>		<b>352</b>	<b>4,640</b>
<b>Total operating expenses</b>	<b>704</b>	<b>321</b>	<b>421</b>	<b>251</b>	<b>67</b>		<b>327</b>	<b>-</b>	<b>-</b>		<b>16</b>	<b>2,107</b>
<b>Ordinary operating profit</b>	<b>832</b>	<b>758</b>	<b>90</b>	<b>50</b>	<b>188</b>		<b>88</b>	<b>107</b>	<b>84</b>		<b>336</b>	<b>2,532</b>
Loss on loans, guarantees etc.	58	614	-	-	36		-	-	-		1	709
<b>Result before tax including held for sale</b>	<b>773</b>	<b>144</b>	<b>90</b>	<b>50</b>	<b>152</b>		<b>88</b>	<b>107</b>	<b>84</b>		<b>335</b>	<b>1,823</b>
<b>Post-tax return on equity*)</b>	<b>12.6 %</b>	<b>3.4 %</b>										<b>10.4 %</b>
<b>Balance</b>												
Loans and advances to customers	126,939	43,700	-	-	9,531		-	-	-		-748	179,423
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-44,447	-1,436	-	-	-		-	-	-		100	-45,782
Allowance for credit losses	-154	-1,235	-	-	-65		-	-	-		-4	-1,457
Other assets	197	8,457	2,747	355	51		568	2,061	1,477		38,802	54,716
<b>Total assets</b>	<b>82,536</b>	<b>49,487</b>	<b>2,747</b>	<b>355</b>	<b>9,518</b>		<b>568</b>	<b>2,061</b>	<b>1,477</b>		<b>38,151</b>	<b>186,900</b>
Deposits to customers	47,574	46,404	-	-	-		-	-	-		1,413	95,391
Other liabilities and equity	34,962	3,084	2,747	355	9,518		568	2,061	1,477		36,737	91,509
<b>Total liabilities and equity</b>	<b>82,536</b>	<b>49,487</b>	<b>2,747</b>	<b>355</b>	<b>9,518</b>		<b>568</b>	<b>2,061</b>	<b>1,477</b>		<b>38,151</b>	<b>186,900</b>



## Group 30 September 2019

Profit and loss account (NOKm)	RM	CM	SB1		SB1		Regnskaps huset SMN	SB1 Gruppen	BN Bank	Un- collated	Total
			Markets	EM 1	Finans MN	SB1					
Net interest	862	757	-13	-1	231	-1	-	-	-	156	1,991
Interest from allocated capital	153	107	-	-	-	-	-	-	-	-260	-
<b>Total interest income</b>	<b>1,015</b>	<b>864</b>	<b>-13</b>	<b>-1</b>	<b>231</b>	<b>-1</b>	-	-	-	<b>-104</b>	<b>1,991</b>
Commission income and other income	597	148	376	297	-20	391	-	-	-	-77	1,711
Net return on financial investments (**)	0	9	89	-	-	-	264	79	744	1,185	1,185
<b>Total income</b>	<b>1,612</b>	<b>1,021</b>	<b>452</b>	<b>196</b>	<b>210</b>	<b>390</b>	<b>264</b>	<b>79</b>	<b>563</b>	<b>4,886</b>	<b>4,886</b>
<b>Total operating expenses</b>	<b>654</b>	<b>307</b>	<b>412</b>	<b>288</b>	<b>62</b>	<b>309</b>	-	-	-	<b>45</b>	<b>2,077</b>
<b>Ordinary operating profit</b>	<b>958</b>	<b>714</b>	<b>39</b>	<b>8</b>	<b>148</b>	<b>81</b>	<b>264</b>	<b>79</b>	<b>518</b>	<b>2,809</b>	<b>2,809</b>
Loss on loans, guarantees etc.	23	140	-	-	33	-	-	-	-	3	198
<b>Result before tax including held for sale</b>	<b>936</b>	<b>575</b>	<b>39</b>	<b>8</b>	<b>115</b>	<b>81</b>	<b>264</b>	<b>79</b>	<b>516</b>	<b>2,612</b>	<b>2,612</b>
<b>Post-tax return on equity*)</b>	<b>13.7 %</b>	<b>11.8 %</b>									<b>16.0 %</b>
<b>Balance</b>											
Loans and advances to customers	116,882	40,502	-	-	8,710	-	-	-	-	-714	165,380
Adv. of this sold to SpareBank 1 Boligkreditt	-40,006	-1,408	-	-	-	-	-	-	-	-0	-41,414
Allowance for credit losses	-117	-756	-	-	-52	-	-	-	-	-5	-930
Other assets	214	5,876	3,145	446	22	519	1,603	1,397	30,215	43,438	43,438
<b>Total assets</b>	<b>76,974</b>	<b>44,214</b>	<b>3,145</b>	<b>446</b>	<b>8,680</b>	<b>519</b>	<b>1,603</b>	<b>1,397</b>	<b>29,496</b>	<b>166,475</b>	<b>166,475</b>
Deposits to customers	41,674	40,542	-	-	-	-	-	-	-	1,424	83,641
Other liabilities and equity	35,300	3,671	3,145	446	8,680	519	1,603	1,397	28,072	82,834	82,834
<b>Total liabilities and equity</b>	<b>76,974</b>	<b>44,214</b>	<b>3,145</b>	<b>446</b>	<b>8,680</b>	<b>519</b>	<b>1,603</b>	<b>1,397</b>	<b>29,496</b>	<b>166,475</b>	<b>166,475</b>

## Group 31 December 2019

Profit and loss account (NOKm)	RM	CM	SB1		SB1		Regnskaps huset SMN	SB1 Gruppen	BN Bank	Un- collated	Total
			Markets	EM 1	Finans MN	SB1					
Net interest	1,160	1,024	-17	-1	313	-0	-	-	-	207	2,687
Interest from allocated capital	211	147	-	-	-	-	-	-	-	-358	-
<b>Total interest income</b>	<b>1,372</b>	<b>1,171</b>	<b>-17</b>	<b>-1</b>	<b>313</b>	<b>-0</b>	-	-	-	<b>-151</b>	<b>2,687</b>
Commission income and other income	805	205	509	390	73	502	-	-	-	-195	2,290
Net return on financial investments (**)	0	12	117	-	-	-	252	107	714	1,201	1,201
<b>Total income</b>	<b>2,177</b>	<b>1,388</b>	<b>609</b>	<b>390</b>	<b>386</b>	<b>502</b>	<b>252</b>	<b>107</b>	<b>368</b>	<b>6,178</b>	<b>6,178</b>
<b>Total operating expenses</b>	<b>875</b>	<b>410</b>	<b>566</b>	<b>388</b>	<b>184</b>	<b>394</b>	-	-	-	<b>-19</b>	<b>2,797</b>
<b>Ordinary operating profit</b>	<b>1,302</b>	<b>978</b>	<b>43</b>	<b>1</b>	<b>202</b>	<b>108</b>	<b>252</b>	<b>107</b>	<b>386</b>	<b>3,380</b>	<b>3,380</b>
Loss on loans, guarantees etc.	32	213	-	-	52	-	-	-	-	2	299
<b>Result before tax including held for sale</b>	<b>1,270</b>	<b>765</b>	<b>43</b>	<b>1</b>	<b>150</b>	<b>108</b>	<b>252</b>	<b>107</b>	<b>384</b>	<b>3,081</b>	<b>3,081</b>
<b>Post-tax return on equity*)</b>	<b>13.1 %</b>	<b>11.7 %</b>									<b>13.7 %</b>
<b>Balance</b>											
Loans and advances to customers	119,381	40,162	-	-	8,897	-	-	-	-	-663	167,777
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-40,122	-1,378	-	-	-	-	-	-	-	-0	-41,500
Allowance for credit losses	-119	-819	-	-	-56	-	-	-	-	-4	-998
Other assets	220	5,495	3,669	309	21	527	1,609	1,425	28,109	41,384	41,384
<b>Total assets</b>	<b>79,360</b>	<b>43,460</b>	<b>3,669</b>	<b>309</b>	<b>8,861</b>	<b>527</b>	<b>1,609</b>	<b>1,425</b>	<b>27,442</b>	<b>166,662</b>	<b>166,662</b>
Deposits to customers	41,639	42,756	-	-	-	-	-	-	-	1,522	85,917
Other liabilities and equity	37,721	704	3,669	309	8,861	527	1,609	1,425	25,920	80,745	80,745
<b>Total liabilities and equity</b>	<b>79,360</b>	<b>43,460</b>	<b>3,669</b>	<b>309</b>	<b>8,861</b>	<b>527</b>	<b>1,609</b>	<b>1,425</b>	<b>27,442</b>	<b>166,662</b>	<b>166,662</b>

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

**) Specification of net return on financial investments (NOKm)	30 Sept 2020	30 Sept 2019	31 Dec 2019
<b>Dividends</b>	<b>12</b>	<b>14</b>	<b>15</b>
Gain/(loss) on financial instruments related to hedging	-2	108	120
Capital gains shares	166	22	-20
Gain/(loss) on certificates and bonds	-78	92	132
Gain/(loss) on derivatives	0	-1	-9
Gain/(loss) on other financial instruments at fair value (FVO)	-14	10	9
Foreign exchange gain/(loss)	79	32	22
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	26	36	54
<b>Net return on financial instruments</b>	<b>177</b>	<b>300</b>	<b>307</b>
SpareBank 1 Gruppen	107	264	252
Gain Fremtind Forsikring	340	460	460
SpareBank 1 Boligkreditt	22	26	26
SpareBank 1 Næringskreditt	14	15	21
BN Bank	84	84	113
SpareBank 1 Kredittkort	2	13	13
SpareBank 1 Betaling	-3	7	3
Other companies	-1	2	-8
<b>Income from investment in associates and joint ventures</b>	<b>564</b>	<b>871</b>	<b>879</b>
<b>Total net return on financial investments</b>	<b>754</b>	<b>1,185</b>	<b>1,201</b>
<b>Fair value hedging</b>			
Changes in fair value on hedging instrument	502	-250	-66
Changes in fair value on hedging item	-502	249	56
<b>Net Gain or Loss from hedge accounting</b>	<b>0</b>	<b>-1</b>	<b>-9</b>

## Note 4 - Capital adequacy

SpareBank 1 SMN utilises the Internal Rating Based Approach (IRB) for credit risk. Use of IRB imposes wide-ranging requirements on the bank's organisational set-up, competence, risk models and risk management systems. As from 31 March 2015 the bank has received permission to apply the Advanced IRB Approach to those corporate portfolios that were previously reported under the Basic Indicator Approach. 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 September 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 nine month 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 quarter of 2020 the group has no holdings covered by the transitional provisions.

Parent Bank				Group		
31 Dec 19	30 Sept 19	30 Sept 20 (NOKm)		30 Sept 20	30 Sept 19	31 Dec 19
17,822	17,228	17,876	Total book equity	20,829	19,904	20,420
-1,250	-963	-1,203	Additional Tier 1 capital instruments included in total equity	-1,244	-1,004	-1,293
-512	-515	-494	Deferred taxes, goodwill and other intangible assets	-1,047	-1,106	-1,099
-1,314	-	-	Deduction for allocated dividends and gifts	-	-	-1,314
-	-	-	Non-controlling interests recognised in other equity capital	-800	-792	-761
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	414	450	438
-	-1,893	-1,155	Net profit	-1,528	-2,217	-
-	804	368	Year-to-date profit included in core capital (50 per cent (50 per cent) pre tax of group profit)	739	1,128	-
-33	-32	-47	Value adjustments due to requirements for prudent valuation	-59	-44	-45
-305	-353	-75	Positive value of adjusted expected loss under IRB Approach	-98	-383	-351
-	-	-	Cash flow hedge reserve	13	5	3
-185	-185	-186	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-510	-183	-168
<b>14,222</b>	<b>14,091</b>	<b>15,084</b>	<b>Common equity Tier 1 capital</b>	<b>16,711</b>	<b>15,758</b>	<b>15,830</b>
1,250	1,000	1,250	Additional Tier 1 capital instruments	1,579	1,384	1,637
275	275	-	Additional Tier 1 capital instruments covered by transitional provisions	-	275	275
<b>15,747</b>	<b>15,367</b>	<b>16,334</b>	<b>Tier 1 capital</b>	<b>18,290</b>	<b>17,417</b>	<b>17,742</b>
			<b>Supplementary capital in excess of core capital</b>			
1,750	1,750	1,750	Subordinated capital	2,240	2,310	2,240
12	179	-	Subordinated capital covered by transitional provisions	-	179	12
-140	-141	-157	Deduction for significant investments in financial institutions	-157	-141	-140
<b>1,623</b>	<b>1,788</b>	<b>1,593</b>	<b>Additional Tier 2 capital instruments</b>	<b>2,083</b>	<b>2,348</b>	<b>2,113</b>
<b>17,370</b>	<b>17,155</b>	<b>17,927</b>	<b>Total eligible capital</b>	<b>20,373</b>	<b>19,765</b>	<b>19,854</b>

			<b>Minimum requirements subordinated capital</b>			
911	948	1,044	Specialised enterprises	1,236	1,128	1,101
1,139	1,183	981	Corporate	991	1,194	1,149
1,628	1,518	1,598	Mass market exposure, property	2,282	2,169	2,299
98	103	108	Other mass market	111	106	101
984	1,118	1,012	Equity investments	1	1	1
<b>4,760</b>	<b>4,870</b>	<b>4,742</b>	<b>Total credit risk IRB</b>	<b>4,621</b>	<b>4,597</b>	<b>4,651</b>
2	2	2	Central government	2	2	3
86	90	115	Covered bonds	162	149	132
419	435	507	Institutions	402	301	282
-	-	-	Local and regional authorities, state-owned enterprises	21	5	5
42	38	27	Corporate	253	237	239
22	32	16	Mass market	470	532	463
9	18	14	Exposures secured on real property	154	200	167
236	236	279	Equity positions	400	371	377
104	89	100	Other assets	161	157	151
<b>918</b>	<b>939</b>	<b>1,058</b>	<b>Total credit risk standardised approach</b>	<b>2,025</b>	<b>1,955</b>	<b>1,818</b>
31	25	42	Debt risk	43	27	34
-	-	-	Equity risk	9	6	15
-	-	-	Currency risk and risk exposure for settlement/delivery	3	3	3
407	387	407	Operational risk	720	656	720
29	35	60	Credit value adjustment risk (CVA)	192	130	115
-	-	-	Transitional arrangements	-	983	-
<b>6,145</b>	<b>6,256</b>	<b>6,309</b>	<b>Minimum requirements subordinated capital</b>	<b>7,612</b>	<b>8,357</b>	<b>7,357</b>
<b>76,817</b>	<b>78,196</b>	<b>78,861</b>	<b>Risk weighted assets (RWA)</b>	<b>95,156</b>	<b>104,464</b>	<b>91,956</b>
3,457	3,519	3,549	Minimum requirement on CET1 capital, 4.5 per cent	4,282	4,701	4,138
			<b>Capital Buffers</b>			
1,920	1,955	1,972	Capital conservation buffer, 2.5 per cent	2,379	2,612	2,299
2,305	2,346	2,366	Systemic risk buffer, 3.0 per cent	2,855	3,134	2,759
1,920	1,564	789	Countercyclical buffer, 1.0 per cent (2.5 and 2.0 per cent)	952	2,089	2,299
<b>6,145</b>	<b>5,865</b>	<b>5,126</b>	<b>Total buffer requirements on CET1 capital</b>	<b>6,185</b>	<b>7,835</b>	<b>7,357</b>
<b>4,620</b>	<b>4,708</b>	<b>6,409</b>	<b>Available CET1 capital after buffer requirements</b>	<b>6,243</b>	<b>3,222</b>	<b>4,335</b>
			<b>Capital adequacy</b>			
18.5 %	18.0 %	19.1 %	Common equity Tier 1 capital ratio	17.6 %	15.1 %	17.2 %
20.5 %	19.7 %	20.7 %	Tier 1 capital ratio	19.2 %	16.7 %	19.3 %
22.6 %	21.9 %	22.7 %	Capital ratio	21.4 %	18.9 %	21.6 %
			<b>Leverage ratio</b>			
161,905	159,426	179,304	Balance sheet items	252,366	228,285	230,048
6,830	6,774	7,518	Off-balance sheet items	8,333	7,939	7,897
-851	-900	-617	Regulatory adjustments	-1,543	-1,546	-1,503
167,885	165,301	186,205	Calculation basis for leverage ratio	259,156	234,678	236,441
15,747	15,367	16,334	Core capital	18,290	17,417	17,742
<b>9.4 %</b>	<b>9.3 %</b>	<b>8.8 %</b>	<b>Leverage Ratio</b>	<b>7.1 %</b>	<b>7.4 %</b>	<b>7.5 %</b>

## 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		
31.12.19	30.09.19	30.09.20 (NOKm)		30.09.20	30.09.19	31.12.19
13,203	12,772	13,866	Agriculture, forestry, fisheries, hunting	14,314	13,130	13,558
833	1,051	1,384	Sea farming industries	1,790	1,348	1,132
2,212	2,734	1,962	Manufacturing	2,369	3,097	2,595
3,157	2,909	3,227	Construction, power and water supply	4,087	3,719	3,970
2,181	2,213	2,315	Retail trade, hotels and restaurants	2,649	2,555	2,517
4,660	4,678	4,787	Maritime sector	4,787	4,678	4,660
14,800	14,457	15,136	Property management	15,215	14,530	14,878
2,445	2,443	3,293	Business services	3,014	2,053	2,146
4,542	4,595	6,089	Transport and other services provision	6,994	5,459	5,409
2	3	6	Public administration	29	14	12
1,890	2,062	1,627	Other sectors	1,645	2,026	1,863
<b>49,926</b>	<b>49,916</b>	<b>53,692</b>	<b>Gross loans in corporate market</b>	<b>56,893</b>	<b>52,609</b>	<b>52,740</b>
109,544	107,398	116,767	Wage earners	122,529	112,772	115,036
<b>159,470</b>	<b>157,314</b>	<b>170,459</b>	<b>Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt</b>	<b>179,423</b>	<b>165,380</b>	<b>167,777</b>
39,833	39,713	44,160	of which SpareBank 1 Boligkreditt	44,160	39,713	39,833
1,667	1,701	1,622	of which SpareBank 1 Næringskreditt	1,622	1,701	1,667
<b>117,970</b>	<b>115,900</b>	<b>124,677</b>	<b>Gross loans in balance sheet</b>	<b>133,640</b>	<b>123,967</b>	<b>126,277</b>
850	808	1,284	- Loan loss allowance on amortised cost loans	1,352	865	911
87	65	105	- Loan loss allowance on loans at FVOCI	105	65	87
<b>117,033</b>	<b>115,027</b>	<b>123,288</b>	<b>Net loans to and receivables from customers</b>	<b>132,183</b>	<b>123,037</b>	<b>125,279</b>

## Note 6 - Losses on loans and guarantees

Parent Bank	January - September			January - September			2019		
	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	53	499	553	21	137	157	28	205	234
Actual loan losses on commitments exceeding provisions made	10	116	126	7	4	11	10	9	19
Recoveries on commitments previously written-off	-6	-1	-7	-4	-1	-5	-5	-1	-7
<b>Losses for the period on loans and guarantees</b>	<b>58</b>	<b>614</b>	<b>672</b>	<b>24</b>	<b>140</b>	<b>163</b>	<b>32</b>	<b>213</b>	<b>245</b>

Group	January - September			January - September			2019		
	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	51	511	562	24	141	165	34	212	246
Actual loan losses on commitments exceeding provisions made	46	112	158	28	11	39	40	22	62
Recoveries on commitments previously written-off	-25	14	-11	-4	-2	-6	-6	-2	-8
<b>Losses for the period on loans and guarantees</b>	<b>72</b>	<b>637</b>	<b>709</b>	<b>47</b>	<b>150</b>	<b>198</b>	<b>68</b>	<b>231</b>	<b>299</b>

## Note 7 - Losses

Parent Bank (NOKm)	1.1.20	Change in provision	Net write-offs /recoveries	30.09.20
Loans as amortised cost- CM	916	575	-116	1,374
Loans as amortised cost- RM	34	8	-10	32
Loans at fair value over OCI- RM	109	46	-	155
Loans at fair value over OCI- CM	1	-1	-	0
<b>Provision for expected credit losses on loans and guarantees</b>	<b>1,060</b>	<b>627</b>	<b>-126</b>	<b>1,561</b>
<b>Presented as</b>				
Provision for loan losses	937	577	-126	1,388
Other debt- provisons	100	43	-	143
Other comprehensive income - fair value adjustment	23	7	-	30

Parent Bank (NOKm)	1.1.19	Change in provision	Net write-offs /recoveries	30.09.19
Loans as amortised cost- CM	742	137	-5	874
Loans as amortised cost- RM	45	14	-5	54
Loans at fair value over OCI- RM	75	4	-	79
Loans at fair value over OCI- CM	-	1	-	1
<b>Provision for expected credit losses on loans and guarantees</b>	<b>862</b>	<b>156</b>	<b>-10</b>	<b>1,008</b>
<b>Presented as</b>				
Provision for loan losses	697	186	-10	873
Other debt- provisons	148	-28	-	120
Other comprehensive income - fair value adjustment	17	-2	-	15

Parent Bank (NOKm)	1.1.19	Change in provision	Net write-offs /recoveries	31.12.19
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
<b>Provision for expected credit losses on loans and guarantees</b>	<b>862</b>	<b>230</b>	<b>-32</b>	<b>1,060</b>
<b>Presented as</b>				
Provision for loan losses	697	272	-32	937
Other debt- provisons	148	-48	-	100
Other comprehensive income - fair value adjustment	17	6	-	23

Group (NOKm)	1.1.20	Change in provision	Net write-offs /recoveries	30.09.20
Loans as amortised cost- CM	948	588	-119	1,417
Loans as amortised cost- RM	63	6	-10	58
Loans at fair value over OCI- RM	109	46	-	155
Loans at fair value over OCI- CM	1	-1	-	0
<b>Provision for expected credit losses on loans and guarantees</b>	<b>1,121</b>	<b>639</b>	<b>-130</b>	<b>1,630</b>
<b>Presented as</b>				
Provision for loan losses	998	588	-130	1,457
Other debt- provisons	100	43	-	143
Other comprehensive income - fair value adjustment	23	7	-	30

Group (NOKm)	1.1.19	Change in provision	Net write-offs /recoveries	30.09.19
Loans as amortised cost- CM	766	145	-7	905
Loans as amortised cost- RM	68	18	-5	80
Loans at fair value over OCI- RM	75	4	-	79
Loans at fair value over OCI- CM	-	1	-	1
<b>Provision for expected credit losses on loans and guarantees</b>	<b>909</b>	<b>167</b>	<b>-12</b>	<b>1,065</b>
<b>Presented as</b>				
Provision for loan losses	744	197	-12	930
Other debt- provisons	148	-28	-	120
Other comprehensive income - fair value adjustment	17	-2	-	15

Group (NOKm)	1.1.19	Change in provision	Net write-offs /recoveries	31.12.19
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
<b>Provision for expected credit losses on loans and guarantees</b>	<b>909</b>	<b>248</b>	<b>-36</b>	<b>1,121</b>
<b>Presented as</b>				
Provision for loan losses	744	290	-36	998
Other debt- provisons	148	-48	-	100
Other comprehensive income - fair value adjustment	17	6	-	23



Accrual for losses on loans	January - September 2020				January - September 2019				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Retail market</b>												
Opening balance	25	73	45	143	28	63	29	120	27	62	31	120
Transfer to (from) stage 1	13	-13	-0	-	8	-8	-0	-	10	-10	-	-
Transfer to (from) stage 2	-2	2	-0	-	-1	1	-0	-	-2	2	-	-
Transfer to (from) stage 3	-0	-3	4	-	-0	-2	2	-	-	-3	3	-
Net remeasurement of loss allowances	-16	12	9	5	-8	10	12	14	-11	24	18	30
Originations or purchases	12	8	0	20	22	64	5	91	13	17	1	31
Derecognitions	-7	-18	-2	-26	-23	-61	-4	-88	-11	-20	-1	-33
Changes due to changed input assumptions	8	44	-0	52	-1	2	0	1	-	-	-	-
Actual loan losses			-10	-10	-	-	-5	-5	-	-	-5	-5
Closing balance	34	105	45	184	25	69	37	131	25	73	45	143
<b>Corporate Market</b>												
Opening balance	66	210	540	816	64	148	383	594	64	148	382	594
Transfer to (from) stage 1	10	-10	-0	-	22	-22	-	-	19	-19	-	-
Transfer to (from) stage 2	-5	5	-0	-	-3	3	-	-	-8	8	-	-
Transfer to (from) stage 3	-0	-1	1	-	-0	-0	1	-	-	-	1	-
Net remeasurement of loss allowances	3	66	393	462	-22	73	147	198	-17	98	185	266
Originations or purchases	39	33	1	74	19	11	0	30	27	20	1	48
Derecognitions	-25	-47	-1	-72	-14	-41	-0	-56	-20	-43	-	-63
Changes due to changed input assumptions	-16	88	0	71	-2	-5	-	-7	-	-	-	-
Actual loan losses	-	-	-116	-116	-	-	-5	-5	-	-	-27	-27
Closing balance	72	344	819	1,235	62	167	526	755	66	210	541	817
<b>Total accrual for loan losses</b>	<b>106</b>	<b>449</b>	<b>864</b>	<b>1,419</b>	<b>87</b>	<b>236</b>	<b>563</b>	<b>887</b>	<b>91</b>	<b>283</b>	<b>586</b>	<b>960</b>

Group	January - September 2020				January - September 2019				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Retail market</b>												
Opening balance	32	84	56	172	34	72	37	143	33	71	39	143
Transfer to (from) stage 1	15	-14	-0	-0	9	-9	-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	-3	3	-	-	-3	4	-
Net remeasurement of loss allowances	-17	15	14	12	-9	11	16	18	-14	24	22	32
Originations or purchases	14	10	1	25	24	65	5	95	17	23	3	44
Derecognitions	-8	-20	-9	-37	-24	-62	-6	-92	-13	-23	-5	-41
Changes due to changed input assumptions	6	43	-0	49	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-10	-10	-	-	-5	-5	-	-	-5	-5
Closing balance	41	115	54	210	33	77	48	158	32	84	56	172
<b>Corporate Market</b>												
Opening balance	71	217	560	849	68	152	397	618	70	152	397	619
Transfer to (from) stage 1	12	-12	-0	-	22	-22	-0	-	20	-20	-	-
Transfer to (from) stage 2	-5	5	-0	-	-4	4	-0	-	-9	9	-	-
Transfer to (from) stage 3	-0	-1	1	-	-0	-0	1	-	-	-1	1	-
Net remeasurement of loss allowances	6	69	392	468	-25	71	153	199	-19	100	188	268
Originations or purchases	42	36	8	85	20	12	1	33	30	21	7	59
Derecognitions	-25	-47	-2	-75	-15	-41	-1	-57	-20	-44	-2	-66
Changes due to changed input assumptions	-17	87	-2	68	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-119	-119	-	-	-5	-5	-	-	-31	-31
Closing balance	83	355	839	1,277	67	175	546	787	71	218	560	849
<b>Total accrual for loan losses</b>	<b>124</b>	<b>470</b>	<b>893</b>	<b>1,487</b>	<b>99</b>	<b>252</b>	<b>594</b>	<b>945</b>	<b>104</b>	<b>302</b>	<b>616</b>	<b>1,021</b>

Accrual for losses on guarantees and unused credit lines	January - September 2020				January - September 2019				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Parent Bank and Group (NOKm)</b>												
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	0	2	-2	-0	-	3	-3	-0	0
Transfer to (from) stage 2	-0	0	-0	-0	-0	0	-	-	-1	1	-	-
Transfer to (from) stage 3	-0	-0	0	-	-0	-0	0	-	-0	-0	0	0
Net remeasurement of loss allowances	-11	-24	-0	-35	0	8	-16	-8	-2	3	-33	-33
Originations or purchases	-	-	-	-	-	-	-	-	7	1	0	8
Derecognitions	-4	-3	-0	-7	-1	-19	-0	-20	-3	-20	-0	-24
Changes due to changed input assumptions	18	68	0	87	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>18</b>	<b>68</b>	<b>56</b>	<b>143</b>	<b>10</b>	<b>35</b>	<b>75</b>	<b>120</b>	<b>14</b>	<b>29</b>	<b>57</b>	<b>100</b>
Hereof RM				3				2				2
Hereof CM				140				119				98

Allowance for losses on loans distributed by sector	January - September 2020				January - September 2019				2019				
	Stage	Stage	Stage	Total	Stage	Stage	Stage	Total	Stage	Stage	Stage	Total	
	1	2	3		1	2	3		1	2	3		
<b>Parent Bank (NOKm)</b>													
Agriculture, forestry, fisheries, hunting	7	34	5	46	9	19	7	35	4	22	7	34	
Sea farming industries	2	0	3	5	1	0	-	1	1	0	0	1	
Manufacturing	5	18	2	26	7	29	0	35	5	9	5	20	
Construction, power and water supply	10	12	17	39	7	11	11	29	10	5	11	26	
Retail trade, hotels and restaurants	9	9	5	23	9	7	7	23	10	8	11	28	
Maritime sector	6	229	619	855	8	52	439	499	9	87	471	568	
Property management	17	42	42	101	16	30	22	68	16	45	23	83	
Business services	9	21	138	168	5	30	27	61	7	50	22	79	
Transport and other services	7	10	2	19	8	7	7	22	7	4	3	14	
Public administration	0	-	-	0	0	-	-	0	0	0	0	0	
Other sectors	0	0	-	0	0	0	20	20	0	0	0	0	
Wage earners	3	73	30	106	2	51	27	80	0	52	33	86	
Total provision for losses on loans	75	449	864	1,388	71	236	566	873	68	283	586	937	
loan loss allowance on loans at FVOCI	30	-	-	30	15	-	-	15	23	0	0	24	
<b>Total loan loss allowance</b>	<b>106</b>	<b>449</b>	<b>864</b>	<b>1,419</b>	<b>86</b>	<b>236</b>	<b>566</b>	<b>888</b>	<b>91</b>	<b>283</b>	<b>586</b>	<b>961</b>	

Group (NOKm)	January - September 2020				January - September 2019				2019			
	Stage	Stage	Stage	Total	Stage	Stage	Stage	Total	Stage	Stage	Stage	Total
	1	2	3		1	2	3		1	2	3	
Agriculture, forestry, fisheries, hunting	9	35	5	49	10	19	8	37	5	23	8	36
Sea farming industries	2	1	3	6	1	1	-	2	1	0	0	1
Manufacturing	6	21	7	34	7	30	4	41	6	11	9	27
Construction, power and water supply	13	15	22	50	10	14	16	39	11	8	16	35
Retail trade, hotels and restaurants	10	10	6	26	10	8	8	25	11	8	11	30
Maritime sector	6	229	619	855	8	52	439	499	9	87	471	568
Property management	17	42	42	102	16	30	23	69	16	45	23	84
Business services	10	22	139	171	5	31	27	63	8	51	24	82
Transport and other services	9	12	12	32	9	9	11	28	8	5	8	21
Public administration	0	-	-	0	0	-	-	0	0	0	0	0
Other sectors	2	0	0	2	0	0	22	22	2	0	0	2
Wage earners	9	82	39	130	8	59	37	104	6	63	44	112
Total provision for losses on loans	94	470	893	1,457	84	252	594	930	82	302	614	998
loan loss allowance on loans at FVOCI	30	-	-	30	15	-	-	15	23	0	0	24
<b>Total loan loss allowance</b>	<b>124</b>	<b>470</b>	<b>893</b>	<b>1,487</b>	<b>99</b>	<b>252</b>	<b>594</b>	<b>945</b>	<b>105</b>	<b>302</b>	<b>614</b>	<b>1,022</b>

## Note 8 - Gross loans

Parent Bank	Loans subject to impairment				Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3			
<b>Gross loan - Total</b>						
<b>Balance at 1 January 2020</b>	<b>102,235</b>	<b>9,101</b>	<b>1,957</b>	<b>4,677</b>		<b>117,970</b>
Transfer to stage 1	1,532	-1,503	-29	-		-
Transfer to stage 2	-4,189	4,278	-89	-		-
Transfer to stage 3	-103	-157	260	-		-
Net increase/decrease amount existing loans	-3,743	-339	222	32		-3,829
New loans	56,307	2,055	390	508		59,261
Derecognitions	-44,631	-2,531	-527	-893		-48,582
Actual loan losses	0	-113	-30	0		-143
<b>Balance at 30 September 2020</b>	<b>107,408</b>	<b>10,791</b>	<b>2,154</b>	<b>4,324</b>		<b>124,677</b>

Parent Bank	Loans subject to impairment				Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3			
<b>Gross loan - Total</b>						
<b>Balance at 1 January 2019</b>	<b>97,458</b>	<b>9,888</b>	<b>1,543</b>	<b>4,467</b>		<b>113,356</b>
Transfer to stage 1	2,402	-2,373	-28	-		-
Transfer to stage 2	-2,560	2,601	-40	-		-
Transfer to stage 3	-61	-364	425	-		-
-Net increase/decrease amount existing loans	-2,256	-43	-39	-84		-2,422
New loans	41,405	829	352	836		43,422
Derecognitions	-35,526	-2,239	-242	-428		-38,435
Actual loan losses	-2	-3	-16	0		-21
<b>Balance at 30 September 2019</b>	<b>100,859</b>	<b>8,295</b>	<b>1,955</b>	<b>4,791</b>		<b>115,900</b>

Parent Bank	Loans subject to impairment				Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3			
<b>Gross loan - Total</b>						
<b>Balance at 1 January 2019</b>	<b>97,458</b>	<b>9,888</b>	<b>1,543</b>	<b>4,467</b>		<b>113,356</b>
Transfer to stage 1	2,479	-2,438	-41	-		-
Transfer to stage 2	-3,252	3,318	-66	-		-
Transfer to stage 3	-67	-361	429	-		-
Net increase/decrease amount existing loans	-3,481	-213	-28	-133		-3,856
New loans	54,871	1,793	497	1,022		58,184
Derecognitions	-45,771	-2,879	-335	-678		-49,665
Actual loan losses	-2	-6	-41	0		-49
<b>Balance at 31 December 2019</b>	<b>102,235</b>	<b>9,101</b>	<b>1,957</b>	<b>4,677</b>		<b>117,970</b>

Group	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
<b>Gross loan - Total</b>					
<b>Balance at 1 January 2020</b>	<b>109,140</b>	<b>10,350</b>	<b>2,110</b>	<b>4,677</b>	<b>126,277</b>
Transfer to stage 1	1,894	-1,856	-38	-	-
Transfer to stage 2	-4,707	4,812	-105	-	-
Transfer to stage 3	-152	-221	373	-	-
Net increase/decrease amount existing loans	-3,706	-425	214	32	-3,885
New loans	59,118	2,366	401	508	62,392
Derecognitions	-45,801	-2,719	-580	-893	-49,993
Actual loan losses	-900	-210	-41	0	-1,151
<b>Balance at 30 September 2020</b>	<b>114,887</b>	<b>12,097</b>	<b>2,332</b>	<b>4,324</b>	<b>133,640</b>

Group	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
<b>Gross loan - Total</b>					
<b>Balance at 1 January 2019</b>	<b>103,493</b>	<b>10,829</b>	<b>1,683</b>	<b>4,467</b>	<b>120,473</b>
Transfer to stage 1	2,667	-2,632	-34	-	-
Transfer to stage 2	-3,142	3,194	-52	-	-
Transfer to stage 3	-101	-412	513	-	-
Net increase/decrease amount existing loans	-3,109	-221	-60	-84	-3,473
New loans	44,236	1,066	373	836	46,511
Derecognitions	-36,420	-2,391	-284	-428	-39,523
Financial assets with actual loan losses	-2	-3	-16	0	-21
<b>Balance at 30 September 2019</b>	<b>107,623</b>	<b>9,430</b>	<b>2,123</b>	<b>4,791</b>	<b>123,967</b>

Group	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
<b>Gross loan - Total</b>					
<b>Balance at 1 January 2019</b>	<b>103,494</b>	<b>10,829</b>	<b>1,683</b>	<b>4,467</b>	<b>120,473</b>
Transfer to stage 1	2,712	-2,665	-47	-	-
Transfer to stage 2	-3,865	3,953	-88	-	-
Transfer to stage 3	-126	-402	527	-	-
Net increase/decrease amount existing loans	-4,553	-441	-53	-133	-5,180
New loans	58,443	2,164	524	1,022	62,153
Derecognitions	-46,963	-3,082	-396	-678	-51,119
Financial assets with actual loan losses	-2	-6	-41	0	-49
<b>Balance at 31 December 2019</b>	<b>109,140</b>	<b>10,350</b>	<b>2,110</b>	<b>4,677</b>	<b>126,277</b>

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

Parent Bank				Group		
31.12.19	30.09.19	30.09.20	(NOKm)	30.09.20	30.09.19	31.12.19
3,064	3,074	3,119	Agriculture, forestry, fisheries, hunting	3,119	3,074	3,064
645	713	1,219	Sea farming industries	1,219	713	645
1,582	1,399	1,738	Manufacturing	1,738	1,399	1,582
3,363	3,063	3,510	Construction, power and water supply	3,510	3,063	3,363
4,197	3,589	4,801	Retail trade, hotels and restaurants	4,801	3,589	4,197
1,059	1,088	1,087	Maritime sector	1,087	1,088	1,059
5,027	5,622	6,411	Property management	6,340	5,319	4,718
7,643	7,449	8,775	Business services	8,775	7,449	7,643
8,186	8,020	8,657	Transport and other services provision	8,297	7,442	7,819
13,162	11,595	12,338	Public administration	12,338	11,595	13,162
3,278	3,869	3,757	Other sectors	3,623	3,567	3,001
<b>51,206</b>	<b>49,479</b>	<b>55,412</b>	<b>Total</b>	<b>54,847</b>	<b>48,298</b>	<b>50,253</b>
35,664	35,343	40,544	Wage earners	40,544	35,343	35,664
<b>86,870</b>	<b>84,822</b>	<b>95,956</b>	<b>Total deposits</b>	<b>95,391</b>	<b>83,641</b>	<b>85,917</b>

## Note 10 - Net interest income

Parent bank			(NOKm)	Group		
January - September				January - september		
2019	2019	2020		2020	2019	2019
			<b>Interest income</b>			
			Interest income from loans to and claims on central banks and credit institutions (amortised cost)	37	77	103
246	178	144	Interest income from loans to and claims on customers (amortised cost)	1,602	1,620	2,177
1,693	1,267	1,199	Interest income from loans to and claims on customers (FVOCI)	1,209	1,314	1,814
1,792	1,296	1,198	Interest income from loans to and claims on customers (FVPL)	97	100	134
134	100	97	Interest income from money market instruments, bonds and other fixed income securities	287	261	371
375	264	290	Other interest income	20	20	26
-	-	-				
<b>4,241</b>	<b>3,105</b>	<b>2,928</b>	<b>Total interest income</b>	<b>3,252</b>	<b>3,392</b>	<b>4,626</b>
			<b>Interest expense</b>			
170	121	75	Interest expenses on liabilities to credit institutions	83	134	190
1,042	732	611	Interest expenses relating to deposits from and liabilities to customers	599	716	1,019
545	411	386	Interest expenses related to the issuance of securities	386	412	545
84	64	40	Interest expenses on subordinated debt	42	65	86
10	44	6	Other interest expenses	20	61	33
65	13	52	Guarantee fund levy	52	13	65
<b>1,916</b>	<b>1,384</b>	<b>1,170</b>	<b>Total interest expense</b>	<b>1,181</b>	<b>1,401</b>	<b>1,939</b>
<b>2,325</b>	<b>1,721</b>	<b>1,758</b>	<b>Net interest income</b>	<b>2,071</b>	<b>1,991</b>	<b>2,687</b>

## Note 11 - Operating expenses

Parent bank				Group		
January - September				January - September		
2019	2019	2020	(NOKm)	2020	2019	2019
234	181	185	IT costs	256	251	321
19	15	13	Postage and transport of valuables	16	19	23
63	46	41	Marketing	59	78	101
109	83	77	Ordinary depreciation	122	130	172
42	31	27	Operating expenses, real properties	40	40	57
134	89	117	Purchased services	165	127	193
149	99	98	Other operating expense	135	143	231
<b>750</b>	<b>543</b>	<b>560</b>	<b>Total other operating expenses</b>	<b>793</b>	<b>789</b>	<b>1,098</b>



## Note 12 - Other assets

Parent Bank			(NOKm)	Group		
31.12.19	30.09.19	30.09.20		30.09.20	30.09.19	31.12.19
-	-	-	Deferred tax asset	154	182	158
85	89	71	Fixed assets	197	231	222
342	355	311	Right to use assets	450	560	499
107	78	133	Earned income not yet received	233	123	132
13	467	50	Accounts receivable, securities	688	848	292
148	179	83	Pension assets	83	179	148
546	277	316	Other assets	653	636	640
<b>1,241</b>	<b>1,444</b>	<b>964</b>	<b>Total other assets</b>	<b>2,459</b>	<b>2,760</b>	<b>2,092</b>

## Note 13 - Other liabilities

Parent Bank			(NOKm)	Group		
31 Dec 2019	30 Sept 2019	30 Sept 2020		30 Sept 2020	30 Sept 2019	31 Dec 2019
48	84	32	Deferred tax	98	148	115
475	394	297	Payable tax	371	476	546
10	10	10	Capital tax	10	10	10
76	58	86	Accrued expenses and received, non-accrued income	544	473	455
127	143	238	Provision for accrued expenses and commitments	238	143	127
100	120	142	Losses on guarantees and unutilised credits	142	120	100
16	21	11	Pension liabilities	11	21	16
347	358	315	Lease liabilities	458	566	505
68	29	51	Drawing debt	51	29	68
6	7	4	Creditors	49	45	57
9	358	1	Debt from securities	311	614	197
-	-	-	Equity Instruments	8	26	244
287	562	356	Other liabilities	447	668	401
<b>1,570</b>	<b>2,144</b>	<b>1,544</b>	<b>Total other liabilities</b>	<b>2,738</b>	<b>3,339</b>	<b>2,841</b>

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

## Group

<b>Change in securities debt (NOKm)</b>	<b>31 Dec 2019</b>	<b>Issued</b>	<b>Fallen due/ Redeemed</b>	<b>Other changes</b>	<b>30 Sept 2020</b>
Bond debt, nominal value	42,722	3,605	5,462	3,476	44,341
Senior non preferred, nominal value	-	1,000	-	-	1,000
Value adjustments	73	-	-	544	617
Accrued interest	218	-	-	-33	186
<b>Total</b>	<b>43,014</b>	<b>4,605</b>	<b>5,462</b>	<b>3,987</b>	<b>46,144</b>

<b>Change in subordinated debt and hybrid equity (NOKm)</b>	<b>31 Dec 2019</b>	<b>Issued</b>	<b>Fallen due/ Redeemed</b>	<b>Other changes</b>	<b>30 Sept 2020</b>
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
<b>Total</b>	<b>2,090</b>	<b>-</b>	<b>287</b>	<b>-8</b>	<b>1,796</b>

## Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

### Level 1: Valuation based on quoted prices in an active market

Fair value of financial instruments that are traded in the active markets is based on market price on the balance sheet date. A market is considered active if market prices are easily and regularly available from a stock exchange, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length. This category also includes quoted shares and Treasury bills.

### Level 2: Valuation based on observable market data

Level 2 consists of instruments that are valued by the use of information that does not consist in quoted prices, but where the prices are directly or indirectly observable for the assets or liabilities concerned, and which also include quoted prices in non-active markets.

### Level 3: Valuation based on other than observable data

If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

The following table presents the Group's assets and liabilities measured at fair value at 30 September 2020:

<b>Assets (NOKm)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss				
- Derivatives	0	10,309	-	10,309
- Bonds and money market certificates	2,267	24,108	-	26,375
- Equity instruments	1,440	16	434	1,890
- Fixed interest loans	-	43	4,282	4,324
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	75,047	75,047
<b>Total assets</b>	<b>3,707</b>	<b>34,476</b>	<b>79,763</b>	<b>117,945</b>
<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities through profit/loss				
- Derivatives	2	8,413	-	8,415
- Equity instruments	10	-	-	10
<b>Total liabilities</b>	<b>12</b>	<b>8,413</b>	<b>-</b>	<b>8,425</b>

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

<b>Assets (NOKm)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss				
- Derivatives	3	4,049	-	4,052
- Bonds and money market certificates	2,292	18,833	-	21,125
- Equity instruments	1,936	55	395	2,386
- Fixed interest loans	-	43	4,749	4,792
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	67,516	67,516
<b>Total assets</b>	<b>4,231</b>	<b>22,980</b>	<b>72,660</b>	<b>99,871</b>
<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities through profit/loss				
- Derivatives	4	3,501	-	3,505
- Equity instruments	26	-	-	26
<b>Total liabilities</b>	<b>30</b>	<b>3,501</b>	<b>-</b>	<b>3,532</b>

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

<b>Assets (NOKm)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss				
- Derivatives	3	2,969	-	2,972
- Bonds and money market certificates	2,913	20,202	-	23,115
- Equity instruments	2,506	43	405	2,953
- Fixed interest loans	-	43	4,636	4,678
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	71,336	71,336
<b>Total assets</b>	<b>5,421</b>	<b>23,256</b>	<b>76,377</b>	<b>105,054</b>
<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities through profit/loss				
- Derivatives	2	3,525	-	3,528
- Equity instruments	244	-	-	244
<b>Total liabilities</b>	<b>247</b>	<b>3,525</b>	<b>-</b>	<b>3,772</b>

The following table presents the changes in the instruments classified in level 3 as at 30 September 2020:

<b>(NOKm)</b>	<b>Equity instruments through profit/loss</b>	<b>Fixed interest loans</b>	<b>Loans at fair value through OCI</b>	<b>Total</b>
Opening balance 1 January	405	4,636	71,336	76,377
Investment in the period	26	497	41,527	42,051
Disposals in the period	-14	-969	-37,802	-38,784
Expected credit loss	-	-	-21	-21
Gain or loss on financial instruments	17	117	7	141
<b>Closing balance</b>	<b>434</b>	<b>4,282</b>	<b>75,047</b>	<b>79,763</b>

The following table presents the changes in the instruments classified in level 3 as at 30 September 2019:

<b>(NOKm)</b>	<b>Equity instruments through profit/loss</b>	<b>Fixed interest loans</b>	<b>Loans at fair value through OCI</b>	<b>Total</b>
Opening balance 1 January	550	4,425	61,294	66,269
Investment in the period	21	851	33,536	34,408
Disposals in the period	-231	-529	-27,314	-28,074
Expected credit loss	-	-	-2	-2
Gain or loss on financial instruments	55	2	2	59
<b>Closing balance</b>	<b>395</b>	<b>4,749</b>	<b>67,516</b>	<b>72,660</b>

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

<b>(NOKm)</b>	<b>Equity instruments through profit/loss</b>	<b>Fixed interest loans</b>	<b>Loans at fair value through OCI</b>	<b>Total</b>
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
<b>Closing balance</b>	<b>405</b>	<b>4,636</b>	<b>71,336</b>	<b>76,377</b>

**Valuation method**

The valuation method applied is adapted to each financial instrument, and is intended to utilise as much of the information that is available in the market as possible.

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

*Fixed interest loans to customers (level 3)*

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

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

Property Loans at floating interest classified at fair value over other comprehensive income is valued based on nominal amount reduced by expected credit loss. Loans with no significant credit risk deterioration since first recognition is assessed at nominal amount. For loans with a significant increase in credit risk since first recognition or objective evidence of loss, the calculation of expected credit losses over the life of the asset is in line with loan losses for loans at amortised cost. Estimated fair value is the nominal amount reduced by expected lifetime credit loss. If the likelihood of the worst case scenario in the model is doubled, 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 291 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank SMN 1 Invest. The valuations are in all essentials based on reporting from managers of the funds who utilise cash flow based models or multiples when determining fair value. The Group does not have full access to information on all the elements in these valuations and is therefore unable to determine alternative assumptions.

*Financial derivatives (level 2)*

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

**Sensitivity analyses, level 3 as at 30 September 2020:**

<b>(NOKm)</b>	<b>Book value</b>	<b>Effect from change in reasonable possible alternative assumptions</b>
Fixed interest loans	4,282	-11
Equity instruments through profit/loss*	434	-
Loans at fair value through other comprehensive income	75,047	-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 third quarter 2020 was 3.3 years. The overall LCR at the same point was 140 per cent and the average overall LCR in the third quarter was 137 per cent. The LCR in Norwegian kroner and euro at quarter-end was 140 and 292 per cent respectively.

## Note 17 - Earnings per EC

ECC owners share of profit have been calculated based on net profit allocated in accordance to the average number of certificates outstanding in the period. There is no option agreements in relation to the Equity Capital Certificates, diluted net profit is therefore equivalent to Net profit per ECC.

(NOKm)	January - September		
	2020	2019	2019
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	1,391	2,134	2,458
Allocated to ECC Owners 2)	890	1,365	1,572
Issues Equity Capital Certificates adjusted for own certificates	129,336,827	129,544,464	129,496,367
<b>Earnings per Equity Capital Certificate</b>	<b>6.88</b>	<b>10.54</b>	<b>12.14</b>

1) Adjusted Net Profit	January - September		
	2020	2019	2019
Net Profit for the group	1,528	2,217	2,563
adjusted for non-controlling interests share of net profit	-88	-44	-56
Adjusted for Tier 1 capital holders share of net profit	-49	-39	-49
<b>Adjusted Net Profit</b>	<b>1,391</b>	<b>2,134</b>	<b>2,458</b>

2) Equity capital certificate ratio (parent bank) (NOKm)	30 Sept 2020	30 Sept 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	-27	-2	-
<b>A. The equity capital certificate owners' capital</b>	<b>9,925</b>	<b>9,191</b>	<b>9,758</b>
Ownerless capital	5,541	5,126	5,432
Unrealised gains reserve	68	56	68
Other equity capital	-15	-1	-
<b>B. The saving bank reserve</b>	<b>5,594</b>	<b>5,181</b>	<b>5,500</b>
To be disbursed from gift fund	-	-	474
Dividend declared	-	-	840
<b>Equity ex. profit</b>	<b>15,518</b>	<b>14,372</b>	<b>16,572</b>
<b>Equity capital certificate ratio A/(A+B)</b>	<b>64.0 %</b>	<b>64.0 %</b>	<b>64.0 %</b>
<b>Equity capital certificate ratio for distribution</b>	<b>64.0 %</b>	<b>64.0 %</b>	<b>64.0 %</b>



## Results from quarterly accounts

Group (NOKm)	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q
	2020	2020	2020	2019	2019	2019	2019	2018	2018
Interest income effective interest method	971	1,031	1,250	1,235	1,190	1,127	1,075	1,082	1,025
Interest expenses	276	365	540	538	512	463	426	438	414
<b>Net interest</b>	<b>695</b>	<b>666</b>	<b>710</b>	<b>697</b>	<b>678</b>	<b>664</b>	<b>649</b>	<b>644</b>	<b>610</b>
Commission income	414	331	349	371	374	363	329	343	344
Commission expenses	52	47	50	47	55	51	40	42	45
Other operating income	277	323	271	255	235	294	262	242	186
<b>Commission income and other income</b>	<b>638</b>	<b>607</b>	<b>570</b>	<b>579</b>	<b>554</b>	<b>606</b>	<b>551</b>	<b>543</b>	<b>486</b>
Dividends	2	2	8	1	1	11	2	2	0
Income from investment in related companies	170	177	217	8	85	231	555	130	105
Net return on financial investments	32	269	-124	8	35	95	169	-37	77
<b>Net return on financial investments</b>	<b>205</b>	<b>448</b>	<b>101</b>	<b>17</b>	<b>121</b>	<b>336</b>	<b>727</b>	<b>95</b>	<b>182</b>
<b>Total income</b>	<b>1,538</b>	<b>1,721</b>	<b>1,381</b>	<b>1,292</b>	<b>1,353</b>	<b>1,607</b>	<b>1,926</b>	<b>1,282</b>	<b>1,277</b>
Staff costs	422	449	443	411	404	438	447	391	376
Other operating expenses	263	258	273	309	269	263	257	311	240
<b>Total operating expenses</b>	<b>685</b>	<b>706</b>	<b>716</b>	<b>720</b>	<b>673</b>	<b>701</b>	<b>704</b>	<b>701</b>	<b>616</b>
<b>Result before losses</b>	<b>853</b>	<b>1,015</b>	<b>665</b>	<b>572</b>	<b>680</b>	<b>907</b>	<b>1,223</b>	<b>580</b>	<b>661</b>
Loss on loans, guarantees etc.	231	170	308	103	71	59	67	67	69
<b>Result before tax</b>	<b>621</b>	<b>845</b>	<b>357</b>	<b>469</b>	<b>609</b>	<b>848</b>	<b>1,155</b>	<b>513</b>	<b>592</b>
Tax charge	102	126	67	123	121	165	109	104	119
Result investment held for sale, after tax	0	-0	0	0	-0	0	0	-8	6
<b>Net profit</b>	<b>519</b>	<b>719</b>	<b>290</b>	<b>346</b>	<b>488</b>	<b>683</b>	<b>1,046</b>	<b>401</b>	<b>480</b>

## Key figures from quarterly accounts

Group (NOKm)	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019	1Q 2019	4Q 2018	3Q 2018
<b>Profitability</b>									
Return on equity per quarter <sup>1)</sup>	10.5%	15.1%	5.7%	7.1%	10.2%	14.9%	23.3%	9.0%	11.1%
Cost-income ratio <sup>1)</sup>	45 %	41 %	52 %	56 %	50 %	44 %	37 %	55 %	48 %
<b>Balance sheet figures</b>									
Gross loans to customers	133,640	130,627	127,272	126,277	123,967	121,895	120,100	120,473	118,044
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	179,423	175,100	170,771	167,777	165,380	163,627	161,091	160,317	157,825
Deposits from customers	95,391	94,289	88,152	85,917	83,641	86,553	81,111	80,615	77,529
Total assets	186,900	190,484	185,182	166,662	166,475	167,289	164,641	160,704	159,337
Quarterly average total assets	188,692	187,833	175,922	166,569	166,882	165,965	162,673	160,021	159,460
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months <sup>1)</sup>	8.5 %	7.0 %	6.0 %	6.3 %	6.8 %	5.7 %	6.6 %	7.8 %	7.3 %
Growth in deposits last 12 months	14.0 %	8.9 %	8.7 %	10.8 %	4.1 %	7.7 %	6.8 %	5.4 %	6.1 %
<b>Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt</b>									
Impairment losses ratio <sup>1)</sup>	0.52 %	0.39 %	0.73 %	0.25 %	0.17 %	0.14 %	0.17 %	0.17 %	0.18 %
Non-performing commitm. as a percentage of gross loans <sup>1)</sup>	0.27 %	0.39 %	0.38 %	0.26 %	0.26 %	0.22 %	0.18 %	0.19 %	0.18 %
Other doubtful commitm. as a percentage of gross loans <sup>1)</sup>	1.03 %	0.97 %	1.23 %	1.00 %	1.03 %	1.00 %	0.99 %	0.86 %	0.86 %
<b>Solidity <sup>2)</sup></b>									
Common equity Tier 1 capital ratio	17.6 %	17.2 %	16.3 %	17.2 %	15.1 %	15.0 %	14.8 %	14.6 %	14.9 %
Tier 1 capital ratio	19.2 %	18.9 %	18.0 %	19.3 %	16.7 %	16.6 %	16.4 %	16.3 %	16.7 %
Capital ratio	21.4 %	21.1 %	20.1 %	21.6 %	18.9 %	18.8 %	18.6 %	18.5 %	19.2 %
Tier 1 capital	18,290	18,182	17,792	17,742	17,417	17,284	16,775	16,472	16,542
Total eligible capital	20,373	20,266	19,879	19,854	19,765	19,634	19,115	18,743	18,969
Liquidity Coverage Ratio (LCR)	140 %	163 %	185 %	148 %	181 %	165 %	180 %	183 %	150 %
Leverage Ratio	7.1 %	6.9 %	6.9 %	7.5 %	7.4 %	7.5 %	7.4 %	7.4 %	7.5 %
<b>Key figures ECC</b>									
ECC share price at end of period (NOK)	84.30	78.30	67.60	100.20	98.50	97.70	87.40	84.20	90.90
Number of certificates issued, millions <sup>1)</sup>	129.44	129.39	129.22	129.30	129.48	129.66	129.41	129.62	129.44
Booked equity capital per ECC (including dividend) <sup>1)</sup>	92.73	90.37	86.85	90.75	89.36	87.04	83.86	83.87	82.57
Profit per ECC, majority <sup>1)</sup>	2.35	3.27	1.26	1.60	2.30	3.21	5.02	1.90	2.32
Price-Earnings Ratio <sup>1)</sup>	8.96	5.98	13.46	15.67	10.69	7.61	4.35	11.05	9.77
Price-Book Value Ratio <sup>1)</sup>	0.91	0.87	0.78	1.10	1.10	1.12	1.04	1.00	1.10

<sup>1)</sup> Defined as alternative performance measures, see attachment to the quarterly report

<sup>2)</sup> Comparables have not been restated since revised distribution of profit for 2019

# Equity capital certificates

## Stock price compared with OSEBX and OSEEX

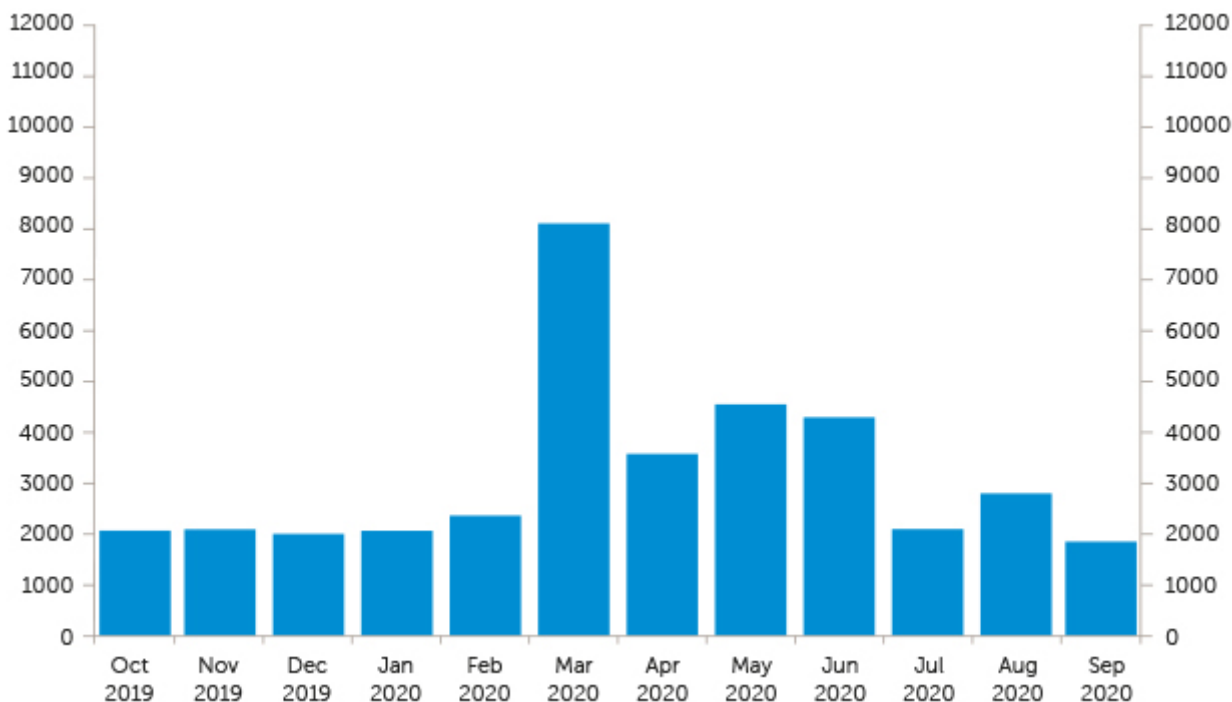
1 October 2018 to 30 September 2020



OSEBX = Oslo Stock Exchange Benchmark Index (rebased)  
 OSEEX = Oslo Stock Exchange ECC Index (rebased)

## Trading statistics

1 October 2018 to 30 September 2020



Total number of ECs traded (1000)

<b>The 20 largest ECC holders</b>	<b>Antall</b>	<b>Andel</b>
VPF Nordea Norge	4,571,779	3.52 %
State Street Bank and Trust Comp	4,017,603	3.09 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,342,919	2.57 %
Danske Invest Norske aksjer institusjon II.	3,110,473	2.40 %
VPF Pareto aksje Norge	2,672,980	2.06 %
VPF Alfred Berg Gambak	2,574,171	1.98 %
J. P. Morgan Chase Bank, N.A., London	2,052,616	1.58 %
State Street Bank and Trust Comp	2,046,465	1.58 %
FORSVARETS PERSONELLSERVICE	1,890,446	1.46 %
VPF EIKA EGENKAPITALBEVIS	1,869,717	1.44 %
Pareto Invest AS	1,806,243	1.39 %
Morgan Stanley & Co. International	1,725,758	1.33 %
Citibank N.A	1,556,607	1.20 %
VPF Nordea Kapital	1,440,601	1.11 %
MP Pensjon PK	1,352,771	1.04 %
Danske Invest Norske aksjer institusjon I	1,341,275	1.03 %
VPF Nordea Avkastning	1,249,111	0.96 %
VPF Alfred Berg Norge	1,145,659	0.88 %
Landkreditt utbytte	1,050,000	0.81 %
<b>The 20 largest ECC holders in total</b>	<b>44,782,585</b>	<b>34.49 %</b>
Others	85,053,858	65.51 %
<b>Total issued ECCs</b>	<b>129,836,443</b>	<b>100.00 %</b>

### Dividend policy

SpareBank 1 SMN aims to manage the Group's resources in such a way as to provide equity certificate holders with a good, stable and competitive return in the form of dividend and a rising value of the bank's equity certificate.

The net profit for the year will be distributed between the owner capital (the equity certificate holders) and the ownerless capital in accordance with their respective shares of the bank's total equity capital.

SpareBank 1 SMN's intention is that about one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that about one half of the owner capital's share of the net profit for the year should be disbursed as gifts or transferred to a foundation. This is on the assumption that capital adequacy is at a satisfactory level. When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, external framework conditions and the need for tier 1 capital.

# Auditor's report



To the Board of Directors of SpareBank 1 SMN

## Report on Review of Interim Financial Information

### *Introduction*

We have reviewed the accompanying consolidated interim balance sheet of SpareBank 1 SMN as of 30 September 2020, the income statement, the statement of total comprehensive income, the statement of changes in equity and the cash flow statement for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of the entity as at 30 September 2020, and its financial performance and its cash flows for the nine-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Trondheim, 29 October 2020  
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre  
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

PricewaterhouseCoopers AS, Brattørkaia 17B, Postboks 6365 Torgard, NO-7492 Trondheim  
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no  
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

