

# 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	SB1	SB1	BN	Un-	Total
			Markets	EM	Finans	Regnskaps				
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
<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>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>
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>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
<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>
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
<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>

## Group 31 December 2019

Profit and loss account (NOKm)	RM	CM	SB1		SB1	SB1	SB1	BN	Un-	Total
			Markets	EM	Finans	Regnskaps				
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
<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>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>
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>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
<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>
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
<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>

\*) 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)	January - September		
	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>