

Fourth Quarter Report 2020



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Main figures

	Jan-Dec			
	2020		2019	
	NOKm	% ¹⁾	NOKm	% ¹⁾
From the income statement				
Net interest	2,759	1.50	2,687	1.63
Net commission income and other income	2,572	1.40	2,290	1.39
Net return on financial investments	951	0.52	1,201	0.73
Total income	6,281	3.42	6,178	3.74
Total operating expenses	2,952	1.61	2,797	1.69
Results before losses	3,329	1.81	3,380	2.05
Loss on loans, guarantees etc	951	0.52	299	0.18
Results before tax	2,378	1.30	3,081	1.87
Tax charge	400	0.22	518	0.31
Result investment held for sale, after tax	1	0.00	0	0.00
Net profit	1,978	1.08	2,563	1.55
Interest Tier 1 Capital	59		49	
Net profit excl. Interest Tier 1 Capital	1,919		2,514	
	31 Dec 2020		31 Dec 2019	
Key figures				
Profitability				
Return on equity ²⁾	10.0 %		13.7 %	
Cost-income ratio ²⁾	47 %		45 %	
Balance sheet figures				
Gross loans to customers	134,648		126,277	
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	182,801		167,777	
Deposits from customers	97,529		85,917	
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	72 %		68 %	
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt ²⁾	53 %		51 %	
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt) ²⁾	9.0 %		4.7 %	
Growth in deposits last 12 months	13.5 %		6.6 %	
Average total assets	183,428		165,154	
Total assets	187,912		166,662	
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt				
Impairment losses ratio ²⁾	0.54 %		0.18 %	
Non-performing commitm. as a percentage of gross loans ²⁾	0.25 %		0.26 %	
Other doubtful commitm. as a percentage of gross loans ²⁾	0.98 %		1.00 %	
Solidity ³⁾				
Capital ratio	22.3 %		21.6 %	
Tier 1 capital ratio	20.0 %		19.3 %	
Common equity Tier 1 capital ratio	18.3 %		17.2 %	
Tier 1 capital	18,636		17,742	
Total eligible capital	20,759		19,854	
Liquidity Coverage Ratio (LCR)	171 %		148 %	
Leverage Ratio	7.1 %		7.5 %	
Branches and staff				
Number of branches	45		46	
No. Of full-time positions	1,560		1,509	

1) Calculated as a percentage of average total assets

2) Defined as alternative performance measures, see attachment to the quarterly report

3) Comparables have not been restated by revised distribution of profit for 2019

Key figures ECC	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
ECC ratio	64.0 %	64.0 %	64.0 %	64.0 %	64.0 %
Number of certificates issued, millions ²⁾	129.39	129.30	129.62	129.38	129.64
ECC share price at end of period (NOK)	97.60	100.20	84.20	82.25	64.75
Stock value (NOKM)	12,629	12,956	10,914	10,679	8,407
Booked equity capital per ECC (including dividend) ²⁾	94.71	90.75	83.87	78.81	73.35
Profit per ECC, majority ²⁾	8.87	12.14	9.97	8.71	7.93
Dividend per ECC ³⁾	4.40	6.50	5.10	4.40	3.00
Price-Earnings Ratio ²⁾	11.01	8.26	8.44	9.44	8.17
Price-Book Value Ratio ²⁾	1.03	1.10	1.00	1.04	0.88

²⁾ Defined as alternative performance measures, see attachment to quarterly report

³⁾ Dividend for 2019 was reduced from 6.50 to 5.0. For 2020, a dividend of NOK 4.4 is proposed per certificate, of which only 1.3 is paid before 30 September in line with guidelines from the Ministry of Finance. See description in note 1

Report of the Board of Directors

Preliminary annual accounts 2020

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

- Pre-tax profit: NOK 2,378m (3,081m)
- Post-tax profit: NOK 1, 978m (2,563m)
- Return on equity: 10.0 per cent (13.7 per cent)
- CET1 ratio: 18.3 per cent (17.2 per cent)
- Growth in lending: 9.0 per cent (4.7 per cent) and in deposits: 13.5 per cent (6.6 per cent) over the last 12 months
- Growth in lending to retail borrowers was 8.2 per cent over the last 12 months (6.4 per cent), and retail loans account for 68 per cent (69 per cent) of total lending
- Growth in lending to corporate borrowers was 10.6 per cent in the last 12 months (1.1 per cent)
- Losses on loans and guarantees: NOK 951m (299m) or 0.54 per cent (0.18 per cent) of total lending
- Earnings per equity certificate (EC): NOK 8.87 (12.14). Book value per EC: NOK 94.71 (90.75)

Results for the fourth quarter of 2020

- Pre-tax profit: NOK 554m (469m)
- Post-tax profit: NOK 450m (346m)
- Return on equity: 8.9 per cent (7.1 per cent)
- Growth in lending: 1.9 per cent (1.4 per cent) and in deposits: 2.2 per cent (2.7 per cent)
- Lending to retail borrowers rose by 1.6 per cent in the quarter (2.0 per cent), 0.6 percentage points lower than in the third quarter. Lending to corporate borrowers rose by 2.5 per cent (0.3 per cent) which was 0.5 percentage point lower than in the third quarter
- Net result of ownership interests: NOK 117m (8m)
- Net result of financial instruments: NOK 53m (8m)
- Losses on loans: NOK 242m (103m), 0.54 per cent (0.25 per cent) of gross lending
- Earnings per EC: NOK 1.99 (1.60)

Events in the quarter

Vaccines rollout brightens economic prospects, but great uncertainty persists

Covid-19 has sparked a broad-based international and national economic crisis accompanied by increased unemployment and a dramatic fall in demand. The macroeconomic picture reflected immense uncertainty, and government authorities initiated a series of measures to assist businesses and private individuals.

Activity picked up through the summer and the unemployment rate receded, but a second wave of infection struck in the autumn putting a new brake on the economy. While the impact does not look to be as dramatic as in the spring, the negative effects on the economy will nonetheless be long-lasting. A rapid rollout of effective vaccines will help mitigate this and reduce the uncertainty, at the same time as low interest rates stimulate production and employment.

The housing market showed a positive development in the second half of 2020, but uncertainty remains in evidence. Individual sectors such as offshore and the hospitality industry still face challenges.

'One SMN' project brought to completion

The project was finalised in December 2020. A number of measures with associated gains will be carried through in 2021. SpareBank 1 SMN is establishing 17 regional centres in which the group's business lines will be co-located. 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 in the group are being established to deliver services of high quality and efficiency.

A customer-oriented and simplified distribution system, increased digitalisation along with streamlining of support functions will enable group FTEs to be reduced by 100 in the course of 2021. Severance packages have been agreed with 75 staff members to that end. The costs thus incurred have been charged to the fourth quarter accounts for 2020 in an amount of NOK 80m. A provision of NOK 3m was also made for planned modifications to the branch network.

One SMN 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. A profit improvement of NOK 400m before tax is targeted through increased synergies, increased revenues, cost efficiencies and improved capital utilisation.

In addition to the above changes, the measures include new customer offerings, improved pricing models along with increased use of knowledge about the customer.

Strategy for sustainability

The group's sustainability profile will contribute to achieving the group's goals and create values for customers, owners and employees. The board of directors of SpareBank 1 SMN has therefore adopted a new strategy for sustainability. SpareBank 1 SMN will stimulate sustainable development in the region through being a

- **Driver** for the green transition
- **Partner** for the inclusive development of society
- **Guide** to building a responsible business culture

In its role as a driver for the green transition, the group will reduce its direct and indirect CO2 emissions in keeping with Norway's obligations under the Paris Agreement. The object is to reduce total emissions by at least 50 per cent by year 2030. The overarching indicator of sustainability will be the proportion of loans/turnover that qualify as sustainable economic activity.

In its partner role for the inclusive development of society, the group will profile international worker and human rights, and promote sustainable innovation and entrepreneurship. The object is to recruit a workforce that reflects the diversity of the population by year 2030.

In its role as guide to building a responsible business culture, the group will aspire to an efficient, responsible and open business culture at all levels and in all contexts. The object is to ensure zero tolerance of breaches of the group's standards of ethics, marketing and purchases.

Efforts are being made to concretise goals both in the short and long term in order to realise the group's sustainability strategy. The goals will be presented when reporting the first quarter of 2021.

SpareBank 1 SMN selected as the new main bank for Trondheim Municipality

Trondheim Municipality has opted for SpareBank 1 SMN as its main bank. This is a comprehensive agreement covering the areas of payment solutions, deposits, financing and securities services along with advisory services. Trondheim Municipality highlighted SpareBank 1 SMN's high ambitions as regards the environment and sustainability. Trondheim Municipality has 15,000 employees and an overall operating budget of NOK 16.6bn.

SpareBank 1 Forvaltning

The SpareBank 1 banks are pooling their forces in a joint undertaking focused on savings and investment, and establishing SpareBank 1 Forvaltning. Customer orientation, economies of scale and better utilisation of the SpareBank 1 banks' distributive power are at centre-stage. The company will comprise the subsidiaries ODIN Forvaltning, SpareBank 1 Kapitalforvaltning and SpareBank 1 Verdipapirservice.

New managing director at SpareBank 1 Finans Midt-Norge

Andreas Eieland (40) has been appointed new managing director at SpareBank 1 Finans Midt-Norge and took up duties at the turn of 2021. He was previously head of sales and marketing at the IT company Powel. He is a chartered engineer, graduating in technical cybernetics from the Norwegian University of Science and Technology (NTNU).

Profit of NOK 450m for the fourth quarter (346m)

SpareBank 1 SMN posted a net profit of NOK 450m (346m), and a return on equity of 8.9 per cent (7.1 per cent), in the fourth quarter. The fourth quarter figure is NOK 69m lower than in the third quarter of 2020. Earnings per equity certificate (EC) in the fourth quarter were NOK 1.99 (1.60) and book value per EC was NOK 94.71 (90.75).

Net interest income in the quarter came to NOK 688m (697m), NOK 8m down on the third quarter. The margins on residential mortgages and on loans to corporates were somewhat lower in the fourth quarter compared with the third quarter due to higher market interest rates. Increased deposit margins and growth kept net interest income at the same level as in the third quarter.

Commission income rose by NOK 119m from the previous quarter to reach a total of NOK 757m (579m). The increase from the third quarter is in all essentials down to higher income from securities services at SpareBank 1 Markets. Incomes are NOK 179m higher than in the same quarter of 2019; this is ascribable to higher income from securities services and commission income on loans sold to SpareBank 1 Boligkreditt.

Return on financial investments was NOK 53m in the fourth quarter (8 m), NOK 21m higher than in the third quarter.

At NOK 117m (8m), results recorded by related companies show a decline of NOK 53m from the third quarter.

Operating expenses increased by NOK 160m from the third to the fourth quarter, reaching NOK 845m (720m). Growth from the third quarter refers to increased costs at SpareBank 1 Markets as a result of increased variable pay due to high customer-focused activity in addition to provisions for readjustments at the bank.

Loan losses in the fourth quarter increased by NOK 11m from the third quarter, and totalled NOK 242m (103m). Losses on loans to the group's corporate clients totalled NOK 236m in the fourth quarter (81m). Losses on loans to retail borrowers in the fourth quarter totalled NOK 6m (21m).

Lending rose 1.9 per cent in the fourth quarter of 2020 (1.4 per cent). Growth in lending to retail borrowers was 1.6 per cent (2.0 per cent). Loans to corporates rose 2.5 per cent (0.3 per cent).

Deposits rose by 2.2 per cent (2.7 per cent). Deposits from retail customers rose by 0.1 per cent (0.9 per cent) and from corporate clients by 3.8 per cent (4.0 per cent).

Overall profit posted by the subsidiaries in the fourth quarter came to NOK 189m (62m), which was an increase of NOK 64m from the third quarter. The profit growth both from the previous quarter and from the same quarter of 2019 is due to an excellent profit performance at SpareBank 1 Markets.

Accounts 2020

Profit for 2020

The pre-tax profit for 2020 was NOK 2,378m (3,081m). The post-tax profit is NOK 1,978m (2,563m) and return on equity 10.0 per cent (13.7 per cent).

Overall operating income in 2020 came to NOK 5,331m (4,976m), an increase of 7.1 per cent from the previous year. Of the income growth, NOK 91m derives from banking operations and NOK 263m from the bank's subsidiaries.

The profit share from ownership interests and related companies was NOK 681m (879m), including an insurance gain of NOK 340m (460m).

Return on financial instruments totalled NOK 230m (307m).

Operating expenses came to NOK 2,952m (2,797m) in 2020. Of the increase of NOK 155m, NOK 83m refers to reorganisation expenses, NOK 30m to banking operations and NOK 42m to increased activity at the subsidiaries.

Losses on loans and guarantees totalled NOK 951m (299m).

Strong growth is noted in lending and deposits, and the bank is expanding its market share. Aggregate lending increased by 9.0 per cent (4.7 per cent) and deposits by 13.5 per cent (6.6 per cent) in 2020.

As at 31 December 2020 the CET1 ratio was 18.3 per cent (17.2 per cent). The CET1 ratio target is 16.9 per cent.

Earnings per EC were NOK 8.87 (12.14). The book value per EC was NOK 94.71 (90.75) including the proposed dividend for 2020 of NOK 4.40.

The price of the bank's equity certificate (MING) at year-end was NOK 97.60 (100.20).

Proposed distribution of profit

It is the group's results that comprise the basis for distribution of the net profit for the year; the distribution is done at the parent bank. The parent bank's disposable profit includes dividends received from subsidiaries, related companies and joint ventures, and is adjusted for interest expenses on hybrid capital after tax.

Subsidiaries are fully consolidated in the group accounts, whereas profit shares from related companies and joint ventures are consolidated using the equity method. Dividends are accordingly not included in the group results.

The annual profit for distribution reflects changes of NOK 50m in the unrealised gains reserve.

The total amount for distribution is accordingly NOK 1,250m.

Difference between Group - Parent Bank	2020	2019
Profit for the year, Group	1,978	2,563
Interest hybrid capital	-56	-47
Profit for the year excl interest hybrid capital, group	1,922	2,516
Profit, subsidiaries	-427	-286
Dividend, subsidiaries	220	162
Profit, associated companies	-681	-879
Dividend, associated companies	272	704
Group eliminations	-6	-2
Profit for the year excl interest hybrid capital, Parent bank	1,300	2,216
Distribution of profit	2020	2019
Profit for the year excl interest hybrid capital, Parent bank	1,300	2,216
Transferred to/from revaluation reserve	-50	-34
Profit for distribution	1,250	2,182
Dividends	569	647
Equalisation fund	230	749
Saving Bank's fund	130	422
Gifts	321	364
Total distributed	1,250	2,182

The profit is distributed between the ownerless capital and the equity certificate (EC) capital in proportion to their relative shares of the bank's total equity, such that dividends and the allocation to the dividend equalisation fund constitute 64.0 per cent of the distributed profit.

The Ministry of Finance's recommendation in its press release dated 20 January 2021 implies curbs on the bank's dividend payouts. The recommendation rests on the ministry's assessment that the uncertainties afflicting the economy remain unusually large, and that banks could in time face substantial loan losses. The Ministry of Finance expects any Norwegian bank which – after a prudent assessment and based on the ESRB's recommendation – finds a basis for payouts, to limit its overall payouts to a maximum of 30 per cent of overall annual profit for the years 2019 and 2020 up to 30 September 2021.

Earnings per equity certificate were NOK 8.87. In keeping with the bank's dividend policy, the board of directors recommends the bank's supervisory board to declare a cash dividend of NOK 4.40, altogether totalling NOK 569m. In light of the Ministry of Finance's advisory, the board of directors recommends the disbursement of NOK 1.30, altogether NOK 168m, which is compliant with the limit of 30 per cent of the overall annual profit for 2019 and 2020. The board of directors further recommends the bank's supervisory board to allocate NOK 321m to community dividend, of which only NOK 95m is to be disbursed prior to 30

September 2021. The board is given authorisation to decide whether to distribute all or parts of the remaining dividend and community dividend after 30 September 2021 if the capital situation and government guidelines so permits and regulatory amendments adopted.

Of this amount it is proposed that NOK 121m be transferred to the foundation Stiftelsen SpareBank 1 SMN and NOK 200m as community dividend to non-profit causes. The amount of NOK 95m to be disbursed prior to 30 September goes in its entirety to non-profit causes. NOK 230m and NOK 130m are transferred to the dividend equalisation fund and the ownerless capital respectively.

After distribution of the profit for 2020, the ratio of EC capital to total equity remains 64.0 per cent.

Net interest income

Net interest income rose by NOK 72m to NOK 2,759m (2,687m) in 2020. Changes in net interest income are mainly ascribable to

- growth in lending to, and deposits from, retail and corporate customers
- increased lending margins, but reduced deposit margins
- a substantial reduction in the interest rate level in 2020 compared with 2019, yielding lower return on the bank's equity capital

In the spring of 2020 Norges Bank (Norway's central bank) reduced its key policy rate from 1.50 per cent to zero. SpareBank 1 SMN lowered its mortgage lending rate by up to 125 points in the course of the second quarter. Deposit rates were lowered in the second and third quarter. NIBOR was reduced by about 145 points over the course of 2020.

NIBOR was at low levels in the second and third quarter, but rose through the fourth quarter of 2020, thus narrowing lending margins from the third to fourth quarter. Growth in lending and deposits and improved margins on deposits from retail customers compensated for this, and net interest income in the fourth quarter was at the same level as in the third quarter.

Norges Bank retains an unchanged key policy rate, and signals that it will stand at zero per cent for over one year ahead. Thereafter Norges Bank expects a gradual increase in the key policy rate as conditions in the economy normalise.

Increased other income

Commission income and other operating income rose by NOK 283m to NOK 2,572m in 2020 (2,290m).

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 422m (365m) as at 31 December 2020. Both the margins on, and the volumes of, loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt have increased.

Other commission income totalled NOK 2,151m (1,925m). The growth of NOK 226m is driven essentially by incomes from securities services at SpareBank 1 Markets. Increased incomes from accounting services and insurance products are also noted, but payment transfers have decreased. It has also been good underlying growth in real estate when the closure of BN Bolig is taken into account.

A high number of multi-product customers is important for the bank. It signifies high customer satisfaction and provides the bank with a diversified income flow.

Commission and other income (NOKm)	2020	2019	Change
Payment transfers	219	233	-14
Creditcard	59	59	-0
Saving products	109	100	9
Insurance	195	183	12
Guarantee commission	48	51	-3
Real estate agency	392	390	2
Accountancy services	506	473	33
Markets	577	386	191
Other commissions	45	49	-4
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	2,151	1,925	226
Commissions SB1 Boligkreditt	408	349	59
Commissions SB1 Næringskreditt	13	16	-3
Total commissions and other income	2,572	2,290	283

Return on financial investments

Overall return on financial investments was NOK 230m (307m) in 2020:

- Losses on shares of the bank and subsidiaries totalled NOK 4m (gain of 120m)
- Gains on the bond and certificate portfolio altogether totalling NOK 103m (loss of 20m) as a result of reduced credit margins
- Financial derivatives and financial instruments relating to hedge accounting yielded gains of NOK 33m (gain of 123m). This essentially comprises gains on fixed income instruments and is ascribable to declining interest rates over the year
- 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 11m (gain of 9m)
- Income of NOK 82m (22m) 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 28m (54m)

Return on financial investments (NOKm)	2020	2019	Change
Gain/(loss) on shares	-4	120	-124
Gain/(loss) on certificates and bonds	103	-20	124
Gain/(loss) on derivatives	32	132	-100
Gain/(loss) on financial instruments related to hedging	1	-9	11
Gain/(loss) on other financial instruments at fair value (FVO)	-11	9	-20
Gain/(loss) on foreign exchange	82	22	59
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	28	54	-26
Net return on financial instruments	230	307	-77

Product companies and other related companies

The product companies give the bank's customers access to a broader product range and provide the bank with commission income, as well as return on invested capital. The overall profit of the product companies and other related companies was NOK 341m (418m) in 2020. Also noted is a gain of NOK 340m upon the transfer of personal risk products from SpareBank 1 Forsikring to Fremtind Livsforsikring as of 1 January 2020. In the first half of 2019 a gain of NOK 460m was posted related to the establishment of Fremtind.

Income from investment in associated companies	2020	2019	Change
SpareBank 1 Gruppen	194	252	-58
Gain Fremtind	340	460	-120
SpareBank 1 Boligkreditt	18	26	-8
SpareBank 1 Næringskreditt	18	21	-2
SpareBank 1 Kreditt	2	13	-11
BN Bank	120	113	8
SpareBank 1 Betaling	-2	3	-4
Other companies	-10	-8	-2
Income from investment in associated companies	681	879	-197

SpareBank 1 Gruppen

SpareBank 1 SMN's stake in SpareBank 1 Gruppen is 19.5 per cent. SpareBank 1 Gruppen owns 100 per cent of the shares of SpareBank 1 Forsikring, ODIN Forvaltning, SpareBank 1 Factoring and Modhi Finance. SpareBank 1 Gruppen owns 65 per cent of the insurer Fremtind, while DNB owns 35 per cent.

The profit share from SpareBank 1 Gruppen for 2020 was NOK 534m, down by a total of NOK 178m compared with the same period of 2019, of which NOK 120m is due to a smaller merger gain. 2019 saw a profit effect of NOK 460m from the Fremtind Forsikring merger, compared with a profit effect of NOK 340m from the merger of Fremtind Livsforsikring in 2020.

Fremtind Forsikring recorded good results in 2020 of NOK 1,168m (597m). Recognition of income from reinsurers is noted, along with run-off gains of NOK 345m. Claims ratios for the main segments – retail market house insurance and retail market car insurance – remain low. The quick clay landslide in Gjerdrum between Christmas and New Year affects the claims ratio overall by 1.6 percentage points, amounting to NOK 124m. The claims ratio on travel insurance remains relatively high due to Covid-19.

SpareBank 1 Forsikring reported a profit of NOK 234m (944m), reflecting a weak financial performance. A positive insurance risk result and return on the company portfolio partially compensate for this.

ODIN Forvaltning posted a profit of NOK 96m (71m). At the end of 2020 capital under management totalled NOK 81bn, an increase of NOK 16bn from 2019. The 35 per cent profit improvement is ascribable to net subscription in 2020 of NOK 3bn and increased capital under management due to value increases.

SpareBank 1 Factoring has some volume decline as a result of the corona crisis and delivers an annual result of NOK 53m (58m). The result for the Modhi Group was NOK 6m (48m), which is lower than last year and is mainly due to start-up costs in Finland and Sweden.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks making up SpareBank 1-alliansen 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 31 December 2020 the bank had sold loans totalling NOK 46.6bn (39.8bn) to SpareBank 1 Boligkreditt, corresponding to 37.5 per cent (34.6 per cent) of the bank's overall lending to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt is 22.4 per cent, and the bank's share of that company's profit in 2020 was NOK 18m (26m).

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 31 December 2020, loans worth NOK 1.5bn (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 2020 was NOK 18m (21m). 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

This company delivers products for all types of unsecured credit, including credit cards, consumer loans, refinancing, part payments and payment deferrals to retail customers in Norway. It currently has 48 employees.

The profit for 2020 was NOK 12m (75m). SpareBank 1 Kreditt is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 17.5 per cent. SpareBank 1 SMN's share of the profit for 2020 is NOK 2m (13m), and the bank's share of the portfolio is NOK 946m (946m). The decline in profit is mainly due to lower consumption – for example foreign travel – by the general public and thus lower credit card turnover.

SpareBank 1 Kreditt also manages the LOfavør credit card programme.

BN Bank

SpareBank 1 SMN owns 35.0 per cent of BN Bank as at 31 December 2020. BN Bank is a bank for residential mortgages and commercial property and its main market is Oslo and south-eastern Norway.

BN Bank recorded a profit of NOK 354m in 2020 (327m), providing a return on equity of 8.1 per cent (8.3 per cent). SpareBank 1 SMN's share of BN Bank's profit for 2020 was NOK 120m (113m).

SpareBank 1 Betaling

SpareBank 1 Betaling is the SpareBank 1 banks' parent company for Vipps payments 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 2020, and SpareBank 1 SMN's share of the deficit is NOK 2m (profit of 3m).

Operating expenses

Overall expenses rose by NOK 155m, or 5.5 per cent, in 2020 and totalled NOK 2,952m (2,797m). In the fourth quarter, reorganisation funds worth NOK 80m were set aside for the planned staff reduction of 100 FTEs in 2021, and NOK 3m for restructuring of the branch network. This provision aside, the growth in expenses was 2.7 per cent.

The bank's costs rose by NOK 30m (disregarding the provision for reorganisation) to NOK 1,477m in 2020. The increase corresponds to 2.2 per cent. The growth in costs refers to wage growth and increased costs related to digitalisation and modernisation of the bank.

Costs among the subsidiaries rose by NOK 42m in 2020 to NOK 1,476m (1,434m). Costs were reduced by NOK 72m as a result of the wind-up of BN Bolig in 2019. At SpareBank 1 Markets, high customer activity has brought strong income growth and cost growth of NOK 72m as a result of increased variable remuneration. Cost growth totalling NOK 42m is noted in the remaining subsidiaries.

The group's cost growth is approaching the target level of 2 per cent. The profitability project 'One SMN' prioritises taking out gains through improved efficiency and general cost reductions across the entire group. A simplified and more group-oriented organisation lays the basis for efficiency gains. Cost reductions of NOK 200m annually will be achieved over a two-year period. Staffing will be reduced by 100 FTEs in 2021. The group is in the process of simplifying the distribution structure, coordinating support functions and progressing digitalisation. In addition, IT and other operating expenses are to be reduced.

The cost-income ratio was 47 per cent (45 per cent) for the group, 37 per cent (32 per cent) for the parent bank.

High losses, but low default rate

Net losses on loans in 2020 totalled NOK 951m (299m). Net loan losses measure 0.54 per cent of total outstanding loans (0.18 per cent).

A loss of NOK 873m (231m) was recorded on loans to corporates in 2020. Of this figure, NOK 204m refers to a single exposure. Losses on the offshore segment total NOK 451m.

In the first quarter of 2020 the bank revised the assumptions underlying its baseline scenario in a negative direction. This position was retained for the remainder of 2020. As from the third quarter the bank's exposure to hotels and the hospitality industry was separated off into a portfolio where assessments of PD and LGD paths and special scenarios and associated weighting reflect this industry's vulnerability to the effects of Covid-19. Moreover, this entire portfolio is classified to stage 2 or 3. See Note 2 for a further description. The provision for expected loss on these loans amounts to NOK 58m. In the fourth quarter the bank also revised its weighting of the scenarios for the other portfolios, giving greater emphasis to the downside scenario. Provisions are increased due to negative migration of NOK 86m in the remaining corporate portfolio.

A loss of NOK 78m was recorded on loans to retail borrowers in 2020 (68m), of which NOK 50m is related to the changes made in assumptions employed in the bank's loss model.

Write-downs on loans and guarantees totalled NOK 1,630m as at 31 December 2020 (1,121m).

Overall problem loans (defaulted and doubtful) come to NOK 2,255m (2,110m), corresponding to 1.23 per cent (1.26 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. All loans classified to stage 3 in the expected-credit-loss model are defined as problem loans.

Defaults in excess of 90 days totalled NOK 456m (429m). Defaults measure 0.25 per cent of gross outstanding loans (0.26 per cent). The increase refers in all essentials to the retail market portfolio.

Other doubtful exposures total NOK 1,800m (1,681m). Other doubtful exposures measure 0.98 per cent (1.00 per cent) of gross outstanding loans. The increase is mainly down to a small number of commitments in the offshore portfolio.

A very large share of the year's loan losses refers to oil-related activities – the quality of the loan portfolio is otherwise good.

Total assets of NOK 188bn

The bank's assets totalled NOK 188bn as at 31 December 2020 (167bn).

As at 31 December 2020, loans worth a total of NOK 48bn (42bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and to SpareBank 1 Næringskreditt. These loans do not figure as loans in the bank's balance sheet. The comments covering lending growth take into account loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Good growth in lending

Total outstanding loans rose by NOK 15.0bn (7.5bn), corresponding to 9.0 per cent (4.7 per cent), in the last 12 months to reach NOK 182.8bn (167.8bn) as at 31 December 2020.

- Lending to retail borrowers rose in 2020 by NOK 9.4bn (6.9bn) to NOK 124.5bn (115.0bn). Growth in the period was 8.2 per cent (6.4 per cent)
- Lending to corporate borrowers rose in the last 12 months by NOK 5.6bn (0.6bn) to NOK 58.3bn (52.7bn). Growth in the period was 10.6 per cent (1.1 per cent)
- Lending to retail borrowers accounted for 68 per cent (69 per cent) of total outstanding loans to customers as at 31 December 2020

The group shows good growth in lending to retail borrowers and is strengthening its market position, with a substantial portion of the growth in the LO (Norwegian Trade Unions Confederation) segment. The growth in lending to corporate clients is largely to small and medium-sized businesses.

Strong growth in deposits

Customer deposits rose in the last 12 months by NOK 11.6bn (5.3bn) to reach NOK 97.5bn (85.9bn). This represents a growth of 13.5 per cent (6.6 per cent).

- Retail deposits rose by NOK 4.9bn (2.6bn) to NOK 40.6bn (35.7bn), corresponding to 13.8 per cent (7.9 per cent)
- Corporate deposits rose by NOK 6.7bn (2.7bn) to NOK 56.9bn (50.3bn), corresponding to 13.3 per cent (5.7 per cent)
- The deposit-to-loan ratio at SpareBank 1 SMN was 72 per cent (68 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)

Increased growth in deposits from retail customers is largely a consequence of reduced consumption resulting from the Covid-19 situation. The growth in deposits from corporate clients is fairly evenly distributed between businesses and public sector clients.

(For distribution by sector, see note 9).

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 12.9bn (11.7bn) at the end of 2020. The increase of NOK 1.2bn is a result of good sales and value increases on equity funds.

Saving products, customer portfolio (NOKm)	2020	2019	Change
Equity funds	9,223	7,437	1,786
Pension products	724	740	-16
Active management	3,005	3,501	-496
Total	12,952	11,678	1,274

Insurance

The bank's insurance portfolio grew 7.1 per cent in 2020. Satisfactory growth was noted in all product groups.

Insurance, premium volume (NOKm)	2020	2019	Change
Non-life insurance	962	888	74
Personal insurance	398	376	22
Occupational pensions	336	319	17
Total	1,696	1,583	113

Retail Banking

Outstanding loans to retail borrowers total NOK 129bn (119bn) and deposits total NOK 47bn (42bn) as at 31 December 2020. These are loans to and deposits from wage earners, agricultural customers and sole proprietorships at the parent bank.

Operating income posted by Retail Banking totalled NOK 2,078m (2,177m) in 2020. Net interest income accounted for NOK 1,213m (1,372m) and commission and other income for NOK 865m (805m). Net interest income declined due to weakened deposit margins and low return on the retail market share of the return on the bank's equity capital. On the other hand, increased lending and deposits, along with higher lending margins, have strengthened net interest income. Commission income has risen as a result of growth in incomes from investment and insurance products. Overall income fell by NOK 99m. Return on capital employed in the retail banking segment was 13.4 per cent (13.1 per cent). Capital employed is regulatory capital of 15.4 per cent, corresponding to the Group's targeted CET1 ratio through 2020.

The lending margin in 2020 was 1.80 per cent (1.50 per cent), while the deposit margin was minus 0.03 per cent (0.61 per cent) measured against three-month NIBOR. The market interest rate in terms of three-month NIBOR fell markedly in 2020.

Retail lending and retail deposits grew by 8.2 per cent (5.9 per cent) and 14.0 per cent (4.0 per cent) respectively in 2020.

Lending to retail borrowers consistently carries low risk, as reflected in continued low losses. The loan portfolio is secured by residential property.

Corporate Banking

Outstanding loans to corporates totalled NOK 45bn (40bn) and deposits totalled NOK 49bn (43bn) as at 31 December 2020. This is a diversified portfolio of loans to and deposits from corporate clients in the counties of Trøndelag and Møre and Romsdal.

Operating income in the corporate segment totalled NOK 1,381m (1,388m) in 2020. Net interest income was NOK 1,149m (1,171m), and commission income and return on financial investments came to NOK 232m (217m). Higher lending margins and growth have strengthened net interest income while reduced deposit margins and lower return on the corporate share of return on the bank's equity capital have had a negative impact.

The lending margin was 2.79 per cent (2.57 per cent) and the deposit margin was minus 0.15 per cent (minus 0.06 per cent) in 2020.

Lending growth was 11.7 per cent (reduction of 1.3 per cent) and deposits rose 15.6 per cent (9.0 per cent) in 2020.

Net overall losses in the corporate banking segment rose substantially in 2020, totalling NOK 846m (213bn) as at 31 December 2020. Of the losses, NOK 204m refer to a single exposure and NOK 455m to the offshore segment. Increased provisions as a result of lower expectations of the Norwegian economy, and a general negative migration in the portfolio, are also noted.

Return on capital employed for the corporate banking segment was 2.1 per cent in 2020 (11.7 per cent). Capital employed is regulatory capital of 15.4 per cent, corresponding to the Group's targeted CET1 ratio in 2020.

Subsidiaries

The bank's subsidiaries posted an overall pre-tax profit of NOK 540.0m in 2020 (346.8m).

Pre-tax profit (NOKm)	2020	2019	Change
EiendomsMegler 1 Midt-Norge (87 per cent)	52.2	31.5	20.7
BN Bolig	-	-30.2	30.2
SpareBank 1 Regnskapshuset SMN (88,7 per cent)	110.2	108.3	1.9
SpareBank 1 Finans Midt-Norge (61,2 per cent)	214.2	149.9	64.3
Sparebank 1 Markets (66,7 per cent)	179.4	43.4	135.9
SpareBank 1 SMN Invest (100 per cent)	5.8	47.6	-41.9
SpareBank 1 SMN Spire Finans (100 per cent)	-29.8	-19.8	-10.0
Other companies	8.2	16.0	-7.8
Total	540.0	346.8	193.2

EiendomsMegler 1 Midt-Norge is the market leader in Trøndelag and in Møre and Romsdal. Operating income in 2020 totalled NOK 394m (349m in 2019 disregarding BN Bolig), while operating expenses were NOK 342m (317m in 2019 disregarding BN Bolig). EiendomsMegler 1 Midt-Norge recorded a pre-tax profit of NOK 52m in 2020 (32m). 7,164 dwelling units were sold in 2020 compared with 6,652 in 2019.

BN Bolig was sold in the fourth quarter of 2019. In 2019 the company posted income of NOK 41m and expenses of NOK 72m, leaving a pre-tax profit of minus NOK 30m.

SpareBank 1 Finans Midt-Norge delivered a pre-tax profit of NOK 214.2m in 2020 (149.9m). The company has shown good income growth with incomes totalling NOK 349m (287m). Moderate growth in costs was noted in 2020, and operating expenses totalled NOK 86m (85m). Losses totalled NOK 48.9m in 2020 (52.3m).

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 9.6bn (8.9bn), of which leasing agreements account for NOK 3.9bn (3.6bn) and car loans for NOK 5.5bn (5.1bn). The company also offers consumer loans, and at year-end this portfolio was worth NOK 168m (257m). An agreement has been entered into for the sale of the consumer loan portfolio to SpareBank 1 Kreditt. Growth in leasing and car loans in 2020 was 10.9 per cent and 7.4 per cent respectively.

The SamSpar banks in SpareBank 1 held a 27.9 per cent stake in SpareBank 1 Finans Midt-Norge as at 31 December 2020 while Sparebanken Sogn og Fjordane held a stake of 7.5 per cent. SpareBank 1 SMN holds 61.2 per cent of the shares of SpareBank 1 Finans Midt-Norge.

Andreas Eikeland is appointed new managing director of the company, and took up his duties on 2 January 2021. He replaced Arne Nypan, now managing director of SpareBank 1 SMN Regnskapshuset.

SpareBank 1 Spire Finans offers invoice purchasing to the SMB segment, and recorded a deficit of NOK 29.8m in 2020 (deficit of NOK 19.8m). The company was sold to SpareBank 1 Finans Midt-Norge in December 2020. The company will be merged with SpareBank 1 Finans Midt-Norge in the course of 2021.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 110.2m (108.3m). Operating income increased to NOK 533m (502m), a growth of 6.2 per cent. Expenses totalled NOK 423m (394m).

SpareBank 1 SMN Regnskapshuset works continuously to achieve efficiency gains in order to increase operating income per person-year, at the same time as a strong focus on costs provides good control of the underlying cost trend. The company can point to growth and profitability in excess of the industry average. In addition, the company is working to create new income flows beyond the traditional accounting industry.

The company's market share in Trøndelag, Møre and Romsdal and Gudbrandsdal is 25 per cent.

Sparebank 1 SMN Invest invests in shares, mainly in regional businesses. In 2020 the company posted a pre-tax profit of NOK 5.8m (47.6m).

The company holds shares worth NOK 468m (438m) as at 31 December 2020. The portfolio result from the company's shareholding amounts to NOK 12.0m (56.6m) of the company's result for 2020. SpareBank 1 SMN is to wind up SpareBank 1 SMN Invest. Investing in shares is no longer a part of the group's strategy. The share portfolio will be managed together with other long-term shareholdings of the bank and will be scaled back over time.

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 offices in Trondheim, Ålesund and Stavanger. It has 141.5 FTEs.

SpareBank 1 Markets wholly owns SpareBank 1 Kapitalforvaltning. The company has total assets of NOK 187bn. The company has 19.5 FTEs.

SpareBank 1 Markets' consolidated pre-tax profit at 31 December 2020 was NOK 179.3m (43.4m). Very high activity in a number of areas yielded higher incomes than a normal fourth quarter. Incomes from Investment Banking have been strong, with a number of sizeable advisory assignments and stock issues. Incomes from primary share trading have been high. SpareBank 1 Kapitalforvaltning's income is on a par with preceding quarters. Overall group income came to NOK 816m (609m) as per the fourth quarter of 2020, a growth of NOK 207m corresponding to 33.9 per cent. Operating expenses were NOK 637m (566m), a growth of NOK 71m corresponding to 12.5 per cent.

SpareBank 1 Markets is the leading capital market unit in SpareBank 1 SMN's market area.

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 bank has liquidity reserves of NOK 26bn and has the funding needed for 24 months of ordinary operation without fresh external finance.

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 171 per cent as at 31 December 2020 (148 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 31 December 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. At end-December 2020 the proportion of the bank's overall money market funding in excess of one year's maturity was 83 per cent (83 per cent).

SpareBank 1 Boligkreditt is the bank's most important funding source, and residential mortgages totalling NOK 47bn (40bn) had been sold as at 31 December 2020.

Rating

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

Financial soundness

The CET1 ratio at 31 December 2020 was 18.3 per cent (17.2 per cent).

The CET1 requirement is 14.4 per cent, including combined buffer requirements, and a Pillar 2 requirement of 1.9 per cent. Finanstilsynet (Norway's FSA) has announced that it will not set new Pillar 2 requirements for SpareBank 1 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 raised the systemic risk buffer for IRB banks by 1.5 per cent to 4.5 per cent with effect from 31 December 2020. In its planning the group includes a full countercyclical buffer.

The CET1 ratio rose 0.7 percentage points in the fourth quarter. Risk weighted assets were reduced by 2 percentage points in the fourth quarter, mainly as a result of reduced risk weights, reduced counterparty risk and a reduced capital need related to liquidity and bond holdings. The fourth quarter result contributed to a 2 per cent strengthening of CET1 capital. A payout ratio of 50 per cent of net profit is assumed.

A leverage ratio of 7.1 per cent (7.5 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 equity certificate (EC) at 31 December 2020 was NOK 94.71 (90.75), and earnings per EC were NOK 8.87 (12.14).

The Price / Income ratio was 11.01 (8.26) and the Price / Book ratio was 1.03 (1.10). The group's quoted capital totalled NOK 12.6bn at year-end (13.0bn). Taking into account the ratio of EC capital to total equity, the group is worth NOK 19.7bn.

At year-end the EC was priced at NOK 97.60, and a dividend of NOK 5.00 per EC was paid in 2020 for the year 2019.

Risk factors

Growth prospects in the global economy are heavily impacted by the Covid-19 pandemic. Infection protection measures introduced in a number of countries entailed lockdown of social life and business, leading in turn to a substantial reduction in economic activity. The start-up of vaccination strengthens the likelihood that the economy will pick up again through 2021, but continued contagion outbreaks and lockdowns make for great uncertainty as to developments ahead. The bank has limited exposure to industries that are particularly exposed.

The oil price and the Norwegian krone has strengthened since the end of the third quarter. The record-high unemployment rate has been halved. Unemployment is expected to remain at a higher level than prior to the coronavirus crisis, and in some industries, such as hospitality and transport, unemployment remains very high. The key policy interest rate was lowered to zero per cent in May, and Norges Bank expects the policy rate to remain at the present level for a good while to come.

When businesses in Norges Bank's regional network were interviewed in November, they expressed continued great uncertainty. This uncertainty is reflected in low investment plans for 2021. The economic effects of the virus outbreak and the infection protection measures have been dampened by very wide-ranging support measures and an expansionary monetary policy. In its latest forecasts, Statistics Norway revised the fall in Mainland (non-oil) GDP from 3.2 per cent to 3 per cent for 2020, and GDP growth of 3.7 per cent in 2021. The bank assumes and expects Norway's very strong financial position to provide government authorities with unique opportunities to implement compensatory measures. This will contribute to mitigating the negative effects of the Covid-19 crisis.

The regional economy is also clearly impacted by the negative effects of the infection protection measures. Unemployment in Trøndelag and Møre and Romsdal was just over 9 per cent at the end of the first quarter, but has more than halved and stood at 3 per cent in Trøndelag and 3.5 per cent in Møre and Romsdal in December 2020. After a house price fall at the end of the first quarter, house prices picked up somewhat, well assisted by record-low mortgage rates.

The influx of customers requesting mortgage payment holidays diminished through the second, third and fourth quarter, on both the retail and corporate fronts. Use of policy instruments primarily comprises mortgage payment holidays and government-guaranteed loans. About NOK 3.1bn of outstanding loans to businesses are to segments heavily impacted by the infection protection measures. In the bank's assessment, a high retail market share will have a positive effect on the expected loss levels.

The bank's profits are affected directly and indirectly by fluctuations in the securities markets. The indirect effect relates very largely to the bank's ownership interest in SpareBank 1 Gruppen whose insurance business and fund management activities are both affected by such fluctuations.

The group's funding situation is good, with an LCR of 171 per cent. The bank has ample access to funding via SpareBank 1 Boligkreditt, and will consider its choice of funding source in the light of market prices.

At the end of the fourth quarter of 2020, the group's CET1 ratio is 18.3 per cent, compared with regulatory requirements of 14.4 per cent. This represents a substantial buffer.

Outlook

SpareBank 1 SMN achieved a return on equity of 10 per cent in 2020, despite increased losses and reorganisation costs. Underlying operations have been sound, and all business lines have serviced customers from home offices for much of the year. Lending and deposit growth in both the retail and corporate market has been very good and the other business areas have achieved a very satisfactory income growth in an unusual year.

In 2020 a substantial effort was devoted to the profitability improvement project 'One SMN'. The project was carried through in a demanding year and will enable better distribution of the group's services, a strengthened market position and increased efficiency for all business lines.

Loan losses in 2020 primarily reflect the situation in the offshore industry, and future prospects for this industry remain uncertain. In other industries losses are limited, but loss provisions have nonetheless risen due to the uncertainty regarding the path of the pandemic.

SpareBank 1 SMN is an instigator of the development of SpareBank 1-alliansen, with a view to achieving economies of scale and to offering our customers a broad range of financial services. SpareBank 1 SMN also offers products and services to a number of savings banks within and outside SpareBank 1-alliansen. The board of directors considers the bank to be well positioned for structural changes.

Through its adopted sustainability strategy, the group has laid a basis for stimulating sustainable development in the region through its role as a driver for the green transition, as a partner for the inclusive development of society and as a guide to building a responsible business culture.

The CET1 ratio has increased to 18.3 per cent, and is in keeping with the new target of 16.9 per cent. A leverage ratio of 7.1 per cent bears witness to the bank's solidity.

The board of directors will recommend that 49.6 per cent of the group profit be allocated to cash dividend, corresponding to NOK 4.40 per equity certificate (NOK 5.0). Of this, NOK 1.30 per equity certificate is recommended for disbursement, in keeping with the Ministry of Finance's recommendation to limit payouts to 30 per cent of overall profits for 2019 and 2020. NOK 321m (364m) is recommended for allocation to community dividend, of which NOK 95m is to be disbursed. Of the community dividend, NOK 200m (200m) will go directly to non-profit causes and NOK 121m to the foundation Sparebankstiftelsen.

The board of directors is well pleased with the group's results in 2020.

Trondheim, 4 february 2021
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Bård Benum
(deputy chair)

Christian Stav

Mette Kamsvåg

Tonje Eskeland Foss

Morten Loktu

Janne T. Thomsen

Christina Straub
(employee rep.)

Inge Lindseth
(employee rep.)

Jan-Frode Janson
(Group CEO)

Income statement

Parent bank					Group				
		Jan-Dec		(NOKm)	Note	Jan-Dec			
4Q 19	4Q 20	2019	2020			2020	2019	4Q 20	4Q 19
991	733	3,732	3,274	Interest income effective interest method		3,722	4,121	855	1,091
146	91	509	478	Other interest income		475	505	90	145
532	253	1,916	1,423	Interest expenses		1,439	1,939	258	538
605	571	2,325	2,329	Net interest	10	2,759	2,687	688	697
294	335	1,127	1,205	Commission income		1,510	1,437	416	371
23	28	95	97	Commission expenses		207	193	58	47
10	11	30	41	Other operating income		1,269	1,046	399	255
280	318	1,061	1,149	Commission income and other income		2,572	2,290	757	579
70	39	884	528	Dividends		39	15	27	1
-	-	-	-	Income from investment in related companies	3	681	879	117	8
-45	-14	54	14	Net return on financial investments	3	230	307	53	8
25	25	937	542	Net return on financial investments		951	1,201	197	17
911	914	4,324	4,019	Total income		6,281	6,178	1,642	1,292
151	241	614	732	Staff costs		1,883	1,699	570	411
207	185	750	744	Other operating expenses		1,069	1,098	275	309
358	426	1,364	1,477	Total operating expenses	11	2,952	2,797	845	720
553	488	2,960	2,543	Result before losses		3,329	3,380	797	572
83	230	245	902	Loss on loans, guarantees etc.	6.7	951	299	242	103
470	258	2,715	1,641	Result before tax	3	2,378	3,081	554	469
99	57	452	284	Tax charge		400	518	104	123
-	-	-	-	Result investment held for sale, after tax	2,3	1	0	0	0
370	202	2,263	1,356	Net profit		1,978	2,563	450	346
10	9	47	56	Attributable to additional Tier 1 Capital holders		59	49	10	10
231	123	1,417	831	Attributable to Equity capital certificate holders		1,147	1,572	257	207
130	69	799	469	Attributable to the saving bank reserve		646	886	145	117
				Attributable to non-controlling interests		126	56	38	12
370	202	2,263	1,356	Net profit		1,978	2,563	450	346
				Profit/diluted profit per ECC	17	8.87	12.14	1.99	1.60

Other comprehensive income

Parent bank					Group			
					Jan-Dec			
4Q 19	4Q 20	2019	2020	(NOKm)	2020	2019	4Q 20	4Q 19
370	202	2,263	1,356	Net profit	1,978	2,563	450	346
Items that will not be reclassified to profit/loss								
-33	29	-33	-34	Actuarial gains and losses pensions	-34	-33	29	-33
8	-7	8	8	Tax	8	8	-7	8
-	-	-	-	Share of other comprehensive income of associates and joint venture	15	21	5	18
-25	22	-25	-25	Total	-11	-4	27	-6
Items that will be reclassified to profit/loss								
-	-	-	-	Fair value change on financial assets through other comprehensive income	-	-	-	-
8	2	6	9	Value changes on loans measured at fair value	9	6	2	8
-	-	-	-	Share of other comprehensive income of associates and joint venture	16	-12	11	2
-	-	-	-	Tax	-	-	-	-
8	2	6	9	Total	25	-5	12	10
-16	23	-18	-16	Net other comprehensive income	15	-9	39	4
354	225	2,245	1,340	Total other comprehensive income	1,993	2,554	490	350
10	9	47	56	Attributable to additional Tier 1 Capital holders	59	49	10	10
220	138	1,405	821	Attributable to Equity capital certificate holders	1,156	1,566	282	209
124	78	792	463	Attributable to the saving bank reserve	652	883	159	118
				Attributable to non-controlling interests	126	56	38	12
354	225	2,245	1,340	Total other comprehensive Income	1,993	2,554	490	350

Other comprehensive income comprise items reflected directly in equity capital that are not transactions with owners, cf. IAS 1.

Balance sheet

Parent bank		(NOKm)	Note	Group	
31 Dec 2019	31 Dec 2020			31 Dec 2020	31 Dec 2019
761	2,764	Cash and receivables from central banks		2,764	761
9,181	12,901	Deposits with and loans to credit institutions		5,091	2,110
117,033	124,214	Net loans to and receivables from customers	5	133,131	125,279
23,195	26,684	Fixed-income CDs and bonds	15	26,606	23,115
2,872	7,175	Derivatives	15	7,226	2,972
355	319	Shares, units and other equity interests	15	2,366	2,953
4,526	4,933	Investment in related companies		7,324	6,468
2,309	2,317	Investment in group companies		-	-
82	82	Investment held for sale	2	41	40
512	515	Intangible assets		905	872
1,241	963	Other assets	12	2,457	2,092
162,066	182,870	Total assets		187,912	166,662
7,585	12,630	Deposits from credit institutions		13,095	8,853
86,870	98,166	Deposits from and debt to customers	9	97,529	85,917
43,014	43,919	Debt created by issue of securities	14	43,919	43,014
3,159	6,845	Derivatives	15	7,179	3,528
1,570	1,466	Other liabilities	13	3,084	2,841
-	-	Investment held for sale	2	1	0
2,047	1,752	Subordinated loan capital	14	1,795	2,090
144,245	164,778	Total liabilities		166,602	146,243
2,597	2,597	Equity capital certificates		2,597	2,597
-0	-0	Own holding of ECCs		-9	-11
895	895	Premium fund		895	895
6,144	6,556	Dividend equalisation fund		6,536	6,123
840	569	Recommended dividends		569	840
474	321	Provision for gifts		321	474
5,432	5,664	Ownerless capital		5,664	5,432
189	239	Unrealised gains reserve		239	189
-	-	Other equity capital		2,366	1,827
1,250	1,250	Additional Tier 1 Capital		1,293	1,293
		Non-controlling interests		838	761
17,822	18,092	Total equity capital		21,310	20,420
162,066	182,870	Total liabilities and equity		187,912	166,662

Cash flow statement

Parent bank			Group	
Jan-Dec			Jan-Dec	
2019	2020	(NOKm)	2020	2019
2,263	1,356	Net profit	1,978	2,563
109	102	Depreciations and write-downs on fixed assets	166	172
245	902	Losses on loans and guarantees	951	299
2,617	2,360	Net cash increase from ordinary operations	3,096	3,035
869	-4,093	Decrease/(increase) other receivables	-4,681	1,235
-96	3,582	Increase/(decrease) short term debt	3,896	716
-4,613	-8,075	Decrease/(increase) loans to customers	-8,795	-5,843
1,998	-3,721	Decrease/(increase) loans credit institutions	-2,981	2,964
5,422	11,296	Increase/(decrease) deposits to customers	11,611	5,302
-960	5,045	Increase/(decrease) debt to credit institutions	4,242	-361
-2,766	-3,490	Increase/(decrease) in short term investments	-3,491	-2,766
2,471	2,905	A) Net cash flow from operations	2,896	4,280
-66	-38	Increase in tangible fixed assets	-136	-120
84	-418	Paid-up capital, associated companies	-873	-312
36	37	Net investments in long-term shares and partnerships	587	-1,080
54	-420	B) Net cash flow from investments	-422	-1,512
-177	-295	Increase/(decrease) in subordinated loan capital	-295	-177
1	3	Increase/(decrease) in equity	14	-33
-661	-647	Dividend cleared	-647	-661
-373	-364	Disbursed from gift fund	-364	-373
203	-56	Increase/(decrease) in Additional Tier 1 capital	-59	201
-1,639	877	Increase/(decrease) in other long term loans	880	-1,846
-2,646	-482	C) Net cash flow from financial activities	-470	-2,890
-121	2,003	A) + B) + C) Net changes in cash and cash equivalents	2,003	-121
883	761	Cash and cash equivalents at 1.1	761	883
761	2,764	Cash and cash equivalents at end of quarter	2,764	761
-121	2,003	Net changes in cash and cash equivalents	2,003	-121

Change in equity

Parent Bank (NOKm)	Issued equity		Earned equity						Additional Tier 1 Capital	Total equity
	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity			
Equity at 1 January 2019	2,597	895	5,126	5,602	1,034	155	-	1,000	16,409	
Net profit	-	-	313	555	1,314	34	-	47	2,263	
Other comprehensive income										
Financial assets through OCI	-	-	-	-	-	-	6	-	6	
Actuarial gains (losses), pensions	-	-	-	-	-	-	-25	-	-25	
Other comprehensive income	-	-	-	-	-	-	-18	-	-18	
Total other comprehensive income	-	-	313	555	1,314	34	-18	47	2,245	
Transactions with owners										
Dividend declared for 2018	-	-	-	-	-661	-	-	-	-661	
To be disbursed from gift fund	-	-	-	-	-373	-	-	-	-373	
Additional Tier 1 Capital	-	-	-	-	-	-	-	250	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	
Total transactions with owners	-0	-	-7	-12	-1,034	-	18	203	-832	
Equity at 31 December 2019	2,597	895	5,432	6,144	1,314	189	-	1,250	17,822	

(NOKm)	Issued equity		Earned equity						Additional Tier 1 Capital	Total equity
	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity			
Equity at 1 January 2020	2,597	895	5,432	6,144	1,314	189	-	1,250	17,822	
Net profit	-	-	130	230	890	50	-	56	1,356	
Other comprehensive income										
Value changes on loans measured at fair value	-	-	-	-	-	-	9	-	9	
Actuarial gains (losses), pensions	-	-	-	-	-	-	-25	-	-25	
Other comprehensive income	-	-	-	-	-	-	-16	-	-16	
Total other comprehensive income	-	-	130	230	890	50	-16	56	1,340	
Transactions with owners										
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	-	-	-	-	-	-	-	-56	-56	
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-0	
Direct recognitions in equity	-	-	-7	-12	-	-	16	-	-3	
Total transactions with owners	-0	-	103	182	-1,314	-	16	-56	-1,070	
Equity at 31 December 2020	2,597	895	5,664	6,556	890	239	-	1,250	18,092	

Group	Attributable to parent company equity holders									
	Issued equity		Earned equity							
(NOKm)	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity	Additional Tier 1 Capital	Non-controlling interests	Total equity
Equity at 1 January 2019	2,592	895	5,126	5,594	1,034	155	1,608	1,043	637	18,686
Net profit	-	-	313	555	1,314	34	242	49	56	2,563
Other comprehensive income										
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
Transactions with owners										
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
Equity at 31 December 2019	2,586	895	5,432	6,123	1,314	189	1,827	1,293	761	20,420

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

(NOKm)	Attributable to parent company equity holders										
	Issued equity		Earned equity							Additional Tier 1 Capital	Non-controlling interests
	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity				
Equity at 1 January 2020	2,586	895	5,432	6,123	1,314	189	1,827	1,293	761	20,420	
Net profit	-	-	130	230	890	50	493	59	126	1,978	
Other comprehensive income											
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	31	-	-	31	
Value changes on loans measured at fair value	-	-	-	-	-	-	9	-	-	9	
Actuarial gains (losses), pensions	-	-	-	-	-	-	-25	-	-	-25	
Other comprehensive income	-	-	-	-	-	-	15	-	-	15	
Total other comprehensive income	-	-	130	230	890	50	508	59	126	1,993	
Transactions with owners											
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	-	-	-	-	-	-	-	-59	-	-59	
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-	-0	
Own ECC held by SB1 Markets*)	2	-	-	2	-	-	11	-	-	14	
Direct recognitions in equity	-	-	-7	-12	-	-	17	-	-	-1	
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	3	-	-	3	
Change in non-controlling interests	-	-	-	-	-	-	-	-	-49	-49	
Total transactions with owners	2	-	103	183	-1,314	-	31	-59	-49	-1,103	
Equity at 31 December 2020	2,588	895	5,664	6,536	890	239	2,366	1,293	838	21,310	

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

Notes

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Note 1 - Accounting principles

Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2019. The Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts.

Revised distribution of profit for 2019

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

Distribution of profit for 2020

The board of directors will recommend that 49.6 per cent of the group profit be allocated to cash dividend, corresponding to NOK 4.40 per equity certificate. Of this, NOK 1.30 per equity certificate is recommended for disbursement, in keeping with the Ministry of Finance's recommendation to limit payouts to 30 per cent of overall profits for 2019 and 2020. The board is given authorisation to decide whether to distribute all or parts of the remaining dividend after 30 September 2021 if the capital situation so permits. NOK 321m (364m) is recommended for allocation to community dividend, of which NOK 95m is to be disbursed.

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

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

Pensions

Sparebank1 SMN Group has one pension arrangement; defined contribution plan. For a further description of the pension scheme, see note 22 in the 2019 annual report.

The group's pension liabilities are accounted for under IAS 19R. Estimate variances are therefore directly reflected in equity capital and are presented under other comprehensive income.

It was decided to terminate the defined benefit scheme at a board meeting on 21 October 2016. Employees on this scheme transferred to the defined contribution scheme from 1 January 2017, and received a paid-up policy showing rights accumulated under the defined benefit scheme. Paid-up policies are managed by the pension fund, which has been a paid-up pension fund as from 1 January 2017. A framework agreement has been established between SpareBank 1 SMN and the pension fund which covers funding, asset management etc. In view of the responsibility still held by SpareBank 1 SMN, future liabilities will need to be incorporated in the accounts. The board of the pension fund is required to be composed of representatives from the Group and participants in the pension schemes in accordance with the articles of association of the pension fund.

A new calculation of the Group's pension liabilities has been carried out as per 31 December 2020:

Actuarial assumptions	31 Dec 2019	1 January 2019	31 Dec 2020
Discount rate	2.30 %	2.30 %	1.50 %
Expected rate of return on plan assets	2.30 %	2.30 %	1.50 %
Expected future wage and salary growth	2.00 %	2.00 %	2.00 %
Expected adjustment on basic amount (G)	2.00 %	2.00 %	2.00 %
Expected increase in current pension	0.00 %	0.00 %	0.00 %
Employers contribution	19.10 %	19.10 %	19.10 %

Demographic assumptions:

Mortality base table	K2013 BE
Disability	IR73
Voluntary exit	2% to 50 years, 0% after 50 years

Movement in net pension liability in the balance sheet Group (NOKm)	Funded	Unfunded	Total
Net pension liability in the balance sheet 1.1	-148	16	-132
OCI accounting 1 Jan	-	-	-
OCI accounting 31 December	39	-6	34
Net defined-benefit costs in profit and loss account	-3	1	-3
Paid in pension premium, defined-benefit schemes	-	-	-
Paid in pension premium, defined-benefit plan	-	-1	-1
Net pension liability in the balance sheet 31 December 2020	-112	10	-102

Net pension liability in the balance sheet Group (NOKm)	31 Dec 2020	31 Dec 2019
Net present value of pension liabilities in funded schemes	640	608
Estimated value of pension assets	-743	-743
Net pension liability in the balance sheet before employer's contribution	-104	-135
Employers contribution	2	3
Net pension liability in the balance sheet	-102	-132

Pension cost Group (NOKm)	31 Dec 2020	31 Dec 2019
Present value of pension accumulated in the year	0	0
Net interest income	-3	-4
Net pension cost related to defined plans, incl unfunded pension commitment	-3	-4
Employer's contribution subject to accrual accounting	0	0
Cost of defined contribution pension and early retirement pension scheme	107	108
Total pension cost for the period	105	105

Investment held for sale

SpareBank 1 SMN's strategy is that ownership due to defaulted exposures should at the outset be of brief duration, normally not longer than one year. Investments are recorded at fair value in the Parent Bank's accounts, and is classified as investment held for sale.

2020 Q4 (NOK Million)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS Group	41	1	4	4	1	100 %
Total Held for sale	41	1	4	4	1	

Losses on loans and guarantees

For a detailed description of the Bank's model for expected credit losses, refer to note 2 and 3 in the annual accounts for 2019.

In the first quarter 2020 some changes were made in the input in the credit loss model as a result of changed expectations due to the corona situation. The crisis and the significant increase in macroeconomic uncertainty have made the assessments extra demanding. We are in the early stages of the crisis and the consequences for the bank's customers and the industries we are exposed to are difficult to estimate. The regulators have emphasized the importance of focusing on the expected long-term effects of the crisis and this has also been the bank's focus.

In the first quarter 2020 the bank changed the assumptions for the base scenario in a negative direction. This has been continued for the rest of 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. We have therefore chosen to increase the trajectories for PD and LGD as well as reduce expected repayments in the base scenario, especially from year 2 onwards, since this will affect expected losses mainly for debtors in stage 2. To adjust for migration into stage 2, PD and LGD estimates are also increased in the first year. No first year repayments are assumed for all portfolios in the downside scenario.

The applied scenario weighting was changed in the fourth quarter to reflect further increased uncertainty. For corporate market including offshore, as well as agriculture, the downside scenario was changed from a weighting with a 10 percent probability, to a weighting of a 20 percent probability. For retail market, the weighting of the downside scenario was changed from 10 to 15 per cent.

The effect of changes in input assumptions is shown as "Effect of changed assumptions in ECL model" in note 7. The effect is NOK 165 million for the Bank and 140 million for the Group.

Sensitivities

The first part of the table below show total calculated expected credit loss as of 31 December 2020 in each of the three scenarios, distributed in the portfolios retail market (RM) corporate market (CM), and offshore, travel and agriculture which adds up to parent bank. In

addition the subsidiary SB 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 shows the ECL distributed by portfolio using the scenario weight applied, in addition to an alternative weighting where the worst case has been doubled. If the downside scenario's probability were doubled at the expense of the baseline scenario at the end of December 2020, this would have entailed an increase in loss provisions of NOK 207 million for the parent bank and NOK 215 million for the group.

	CM (excl offshore and agriculture)	RM	Offshore	Agriculture	Tourism	SB 1		
						Total parent	Finans MN	Group
ECL base case	434	94	781	48	39	1,394	61	1,455
ECL worst case	906	337	1,017	96	112	2,468	137	2,605
ECL best case	325	41	662	11	22	1,061	43	1,105
ECL with scenario weights used 80/10/10	-	-	-	-	-	-	67	69
ECL with scenario weights used 65/25/15	512	-	810	51	-	1,373	-	1,373
ECL with scenario weights used 60/30/10	-	-	-	-	58	58	-	58
ECL with scenario weights used 70/15/15	-	122	-	-	-	122	-	122
Total ECL used	512	122	810	51	58	1,554	67	1,622
ECL alternative scenario weights 70/20/10	-	-	-	-	-	-	74	76
ECL alternative scenario weights 45/40/15	606	-	857	66	-	1,529	-	1,529
ECL alternative scenario weights 30/60/10	-	-	-	-	73	73	-	73
ECL alternative scenario weights 55/30/15	-	159	-	-	-	159	-	159
Total ECL alternative weights	606	159	857	66	73	1,761	74	1,837
Change in ECL if alternative weights were used	94	37	47	15	14	207	8	215

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

In addition, an ECL provision has been included for the group for 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 ten 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 associates and joint ventures incorporated by the equity method the Group's profit share is stated, after tax, as well as book value of the investment at group level.

Group 31 December 2020

Profit and loss account (NOKm)	RM	CM	SB1		SB 1		SB 1		BN	Un-collated	Total
			Markets	EM 1	Finans MN	Regnskaps- huset SMN	SB1 Gruppen				
Net interest	1,112	1,085	-14	2	371	1	-	-	-	202	2,759
Interest from allocated capital	101	63	-	-	-	-	-	-	-	-165	-
Total interest income	1,213	1,149	-14	2	371	1	-	-	-	37	2,759
Comission income and other income	867	211	693	392	-22	533	-	-	-	-102	2,572
Net return on financial investments (**)	-2	21	137	-	-	-	194	120	481	951	951
Total income	2,078	1,381	816	394	349	533	194	120	416	6,281	6,281
Total operating expenses	929	422	637	342	86	423	-	-	114	2,952	2,952
Ordinary operating profit	1,149	959	179	52	263	110	194	120	301	3,329	3,329
Loss on loans, guarantees etc.	56	846	-	-	49	-	-	-	-	1	951
Result before tax	1,093	113	179	52	214	110	194	120	301	2,378	2,378
Post-tax-return on equity *)	13.4 %	2.1 %									10.0 %
Balance											
Loans and advances to customers	129,149	44,845	-	-	9,549	-	-	-	-	-742	182,801
Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-46,899	-1,354	-	-	-	-	-	-	-	100	-48,153
Allowance for credit loss	-148	-1,298	-	-	-67	-	-	-	-	-4	-1,517
Other assets	156	10,471	3,265	357	116	592	2,151	1,514	36,160	54,781	54,781
Total assets	82,258	52,663	3,265	357	9,598	592	2,151	1,514	35,514	187,912	187,912
Deposits to customers	47,478	49,420	-	-	-	-	-	-	-	631	97,529
Other liabilities and equity	34,780	3,244	3,265	357	9,598	592	2,151	1,514	34,883	90,383	90,383
Total liabilities and equity	82,258	52,663	3,265	357	9,598	592	2,151	1,514	35,514	187,912	187,912

*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 15.4 per cent to be in line with the capital plan during the period

Group 31 December 2019

Profit and loss account (NOKm)	RM	CM	SB1		SB 1		SB 1		BN	Un-collated	Total
			Markets	EM 1	Finans	Regnskaps- huset SMN	SB1 Gruppen	Bank			
Net interest	1,160	1,024	-17	-1	313	-0	-	-	-	207	2,687
Interest from allocated capital	211	147	-	-	-	-	-	-	-	-358	-
Total interest income	1,372	1,171	-17	-1	313	-0	-	-	-	-151	2,687
Comission income and other income	805	205	509	390	-26	502	-	-	-	-97	2,290
Net return on financial investments (**)	0	12	117	-	-	-	252	107	-	714	1,201
Total income	2,177	1,388	609	390	287	502	252	107	-	467	6,178
Total operating expenses	875	410	566	388	85	394	-	-	-	80	2,797
Ordinary operating profit	1,302	978	43	1	202	108	252	107	-	387	3,380
Loss on loans, guarantees etc.	32	213	-	-	52	-	-	-	-	2	299
Result before tax	1,270	765	43	1	150	108	252	107	-	384	390
Post-tax-return on equity *)	13.1%	11.7%									13.7%

Balance

Loans and advances to customers	119,381	40,162	-	-	8,897	-	-	-	-	-663	167,777
Adv. of this sold to SpareBank 1 Boligkreditt	-40,122	-1,378	-	-	-	-	-	-	-	-0	-41,500
Allowance for credit losses	-119	-819	-	-	-56	-	-	-	-	-4	-998
Other assets	220	5,495	3,669	309	21	527	1,609	1,425	-	28,109	41,384
Total assets	79,360	43,460	3,669	309	8,861	527	1,609	1,425	-	27,442	166,662
Deposits to customers	41,639	42,756	-	-	-	-	-	-	-	1,522	85,917
Other liabilities and equity	37,721	704	3,669	309	8,861	527	1,609	1,425	-	25,920	80,745
Total liabilities and equity	79,360	43,460	3,669	309	8,861	527	1,609	1,425	-	27,442	166,662

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

***) Specification of net return on financial investments (NOKm)

	31 Dec 2020	31 Dec 2019
Dividends	39	15
Gain/(loss) on financial instruments related to hedging	-4	120
Capital gains/losses shares	103	-20
Gain/(loss) on certificates and bonds	32	132
Gain/(loss) on derivatives	1	-9
Gain/(loss) on other financial instruments at fair value (FVO)	-11	9
Foreign exchange gain/(loss)	82	22
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	28	54
Net return on financial instruments	230	307
SpareBank 1 Gruppen	194	252
Gain Fremtind Forsikring	340	460
SpareBank 1 Boligkreditt	18	26
SpareBank 1 Næringskreditt	18	21
BN Bank	120	113
SpareBank 1 Kredittkort	2	13
SpareBank 1 Betaling	-2	3
Other companies	-10	-8
Income from investment in associates and joint ventures	681	879
Total net return on financial investments	951	1,201
Fair value hedging		
Changes in fair value on hedging instrument	467	-66
Changes in fair value on hedged item	-465	56
Net Gain or Loss from hedge accounting	1	-9

Note 4 - Capital adequacy

SpareBank 1 SMN utilises the Internal Rating Based Approach (IRB) for credit risk. Use of IRB imposes wide-ranging requirements on the bank's organisational set-up, competence, risk models and risk management systems. As from 31 March 2015 the bank has received permission to apply the Advanced IRB Approach to those corporate portfolios that were previously reported under the Basic Indicator Approach. The EU capital adequacy framework (CRR/CRDIV) was incorporated into Norwegian law with effect from 31 December 2019. The Basel I floor was accordingly removed and an SME rebate introduced.

As of 31 December 2020 the overall minimum requirement on CET1 capital is 12.5 per cent. The capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement for Norwegian IRB-banks is raised to 4.5 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. In addition the financial supervisory authority has set a Pillar 2 requirement of 1.9 per cent for SpareBank 1 SMN, however not below NOK 1,794 million in monetary terms. As at 31 December 2020, reduced risk weighted assets mean that the minimum monetary requirement of NOK 1,794 million is binding for the Pillar 2 requirement. The Pillar 2 requirement therefore rises from 1.9 per cent to 1.93 per cent. The overall minimum requirement as of 31 December 2019 has accordingly increased from 14.4 per cent to 14.43 per cent.

The systemic risk buffer stands at 4.5 per cent for the Norwegian exposures. For exposures in other countries, the particular country's systemic buffer rate shall be employed. As of 31 December 2020 the effective rate for the parent bank and for the group is accordingly 4.4 per cent.

The countercyclical buffer is calculated using differentiated rates. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. For the fourth quarter of 2020 both the parent bank and the group is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures.

The 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 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 2019	31 Dec 2020 (NOKm)		31 Dec 2020	31 Dec 2019
17,822	18,092	Total book equity	21,310	20,420
-1,250	-1,250	Additional Tier 1 capital instruments included in total equity	-1,293	-1,293
-512	-515	Deferred taxes, goodwill and other intangible assets	-1,044	-1,099
-1,314	-890	Deduction for allocated dividends and gifts	-890	-1,314
-	-	Non-controlling interests recognised in other equity capital	-838	-761
-	-	Non-controlling interests eligible for inclusion in CET1 capital	488	438
-33	-43	Value adjustments due to requirements for prudent valuation	-56	-45
-305	-47	Positive value of adjusted expected loss under IRB Approach	-74	-351
-	-	Cash flow hedge reserve	10	3
-185	-186	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-572	-168
14,222	15,160	Common equity Tier 1 capital	17,041	15,830
1,250	1,250	Additional Tier 1 capital instruments	1,595	1,637
275	-	Additional Tier 1 capital instruments covered by transitional provisions	-	275
15,747	16,410	Tier 1 capital	18,636	17,742
		Supplementary capital in excess of core capital		
1,750	1,750	Subordinated capital	2,262	2,240
12	-	Subordinated capital covered by transitional provisions	-	12
-140	-139	Deduction for significant investments in financial institutions	-139	-140
1,623	1,611	Additional Tier 2 capital instruments	2,123	2,113
17,370	18,020	Total eligible capital	20,759	19,854

Minimum requirements subordinated capital				
911	1,053	Specialised enterprises	1,240	1,101
1,139	920	Corporate	930	1,149
1,628	1,511	Mass market exposure, property	2,261	2,299
98	107	Other mass market	110	101
984	1,026	Equity investments	1	1
4,760	4,617	Total credit risk IRB	4,541	4,651
2	1	Central government	2	3
86	93	Covered bonds	142	132
419	441	Institutions	332	282
-	-	Local and regional authorities, state-owned enterprises	27	5
42	32	Corporate	281	239
22	20	Mass market	476	463
9	11	Exposures secured on real property	136	167
236	272	Equity positions	408	377
104	99	Other assets	159	151
918	970	Total credit risk standardised approach	1,962	1,818
31	30	Debt risk	31	34
-	-	Equity risk	18	15
-	-	Currency risk and risk exposure for settlement/delivery	3	3
407	421	Operational risk	770	720
29	25	Credit value adjustment risk (CVA)	123	115
6,145	6,063	Minimum requirements subordinated capital	7,448	7,357
76,817	75,785	Risk weighted assets (RWA)	93,096	91,956
3,457	3,410	Minimum requirement on CET1 capital, 4.5 per cent	4,189	4,138
		Capital Buffers		
1,920	1,895	Capital conservation buffer, 2.5 per cent	2,327	2,299
2,305	3,410	Systemic risk buffer, 4.5 per cent (3.0 per cent)	4,189	2,759
1,920	758	Countercyclical buffer, 1.0 per cent (2.5 per cent)	931	2,299
6,145	6,063	Total buffer requirements on CET1 capital	7,448	7,357
4,620	5,687	Available CET1 capital after buffer requirements	5,404	4,335
		Capital adequacy		
18.5 %	20.0 %	Common equity Tier 1 capital ratio	18.3 %	17.2 %
20.5 %	21.7 %	Tier 1 capital ratio	20.0 %	19.3 %
22.6 %	23.8 %	Capital ratio	22.3 %	21.6 %
		Leverage ratio		
161,905	178,219	Balance sheet items	256,978	230,048
6,830	6,190	Off-balance sheet items	7,514	7,897
-851	-606	Regulatory adjustments	-1,577	-1,503
167,885	183,803	Calculation basis for leverage ratio	262,915	236,441
15,747	16,410	Core capital	18,636	17,742
9.4 %	8.9 %	Leverage Ratio	7.1 %	7.5 %

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

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

Note 5 - Distribution of loans by sector/industry

Parent Bank			Group	
31 Dec 2019	31 Dec 2020	(NOKm)	31 Dec 2020	31 Dec 2019
8,602	9,160	Agriculture and forestry	9,591	8,947
4,601	5,243	Fisheries and hunting	5,259	4,611
833	1,704	Sea farming industries	2,100	1,132
2,212	2,234	Manufacturing	2,646	2,595
3,157	3,195	Construction, power and water supply	4,077	3,970
2,181	2,289	Retail trade, hotels and restaurants	2,586	2,517
4,660	4,537	Maritime sector	4,537	4,660
14,800	15,427	Property management	15,509	14,878
2,445	3,644	Business services	3,423	2,146
4,542	6,032	Transport and other services provision	6,942	5,409
2	9	Public administration	33	12
1,890	1,626	Other sectors	1,638	1,863
49,926	55,099	Gross loans in Corporate market	58,340	52,740
109,544	118,714	Wage earners	124,461	115,036
159,470	173,814	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	182,801	167,777
39,833	46,613	of which SpareBank 1 Boligkreditt	46,613	39,833
1,667	1,540	of which SpareBank 1 Næringskreditt	1,540	1,667
117,970	125,660	Gross loans in balance sheet	134,648	126,277
850	1,351	- Loan loss allowance on amortised cost loans	1,421	911
87	96	- Loan loss allowance on loans at FVOCI	96	87
117,033	124,214	Net loans to and receivables from customers	133,131	125,279

Note 6 - Losses on loans and guarantees

Parent Bank	Jan-Dec			Jan-Dec		
	2020			2019		
Losses on loans and guarantees (NOKm)	RM	CM	Total	RM	CM	Total
Change in provision for expected credit losses for the period	49	666	715	28	205	234
Actual loan losses on commitments exceeding provisions made	14	197	212	10	9	19
Recoveries on commitments previously written-off	-7	-18	-25	-5	-1	-7
Losses for the period on loans and guarantees	56	846	902	32	213	245

Group	Jan-Dec			Jan-Dec		
	2020			2019		
Losses on loans and guarantees (NOKm)	RM	CM	Total	RM	CM	Total
Change in provision for expected credit losses for the period	48	681	729	34	212	246
Actual loan losses on commitments exceeding provisions made	55	213	268	40	22	62
Recoveries on commitments previously written-off	-25	-21	-46	-6	-2	-8
Losses for the period on loans and guarantees	78	873	951	68	231	299

Note 7 - Losses

Parent Bank (NOKm)	1 Jan 20	Change in provision	Net write-offs/ recoveries	31 Dec 20
Loans as amortised cost- CM	916	667	-206	1,377
Loans as amortised cost- RM	34	12	-11	35
Loans at fair value over OCI- RM	109	38	-	147
Loans at fair value over OCI- CM	1	-1	-	0
Provision for expected credit losses on loans and guarantees	1,060	715	-217	1,559
Presented as				
Provision for loan losses	937	725	-217	1,446
Other debt- provisions	100	-19	-	81
Other comprehensive income - fair value adjustment	23	9	-	32

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

Group (NOKm)	1 Jan 20	Change in provision	Net write-offs/ recoveries	31 Dec 20
Loans as amortised cost- CM	948	682	-209	1,421
Loans as amortised cost- RM	63	10	-11	62
Loans at fair value over OCI- RM	109	38	-	147
Loans at fair value over OCI- CM	1	-1	-	0
Provision for expected credit losses on loans and guarantees	1,121	729	-220	1,630
Presented as				
Provision for loan losses	998	739	-220	1,517
Other debt- provisions	100	-19	-	81
Other comprehensive income - fair value adjustment	23	9	-	32

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

Accrual for losses on loans Parent Bank	Jan-Dec 2020				Jan-Dec 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail market								
Opening balance	25	73	45	143	27	62	31	120
Transfer to (from) stage 1	14	-13	-0	-	10	-10	-	-
Transfer to (from) stage 2	-1	2	-0	-	-2	2	-	-
Transfer to (from) stage 3	-0	-3	3	-	-	-3	3	-
Net remeasurement of loss allowances	-17	12	9	5	-11	24	18	30
Originations or purchases	13	13	0	26	13	17	1	31
Derecognitions	-8	-23	-2	-33	-11	-20	-1	-33
Changes due to changed input assumptions	10	38	2	50	-	-	-	-
Actual loan losses	0	0	-11	-11	-	-	-5	-5
Closing balance	35	97	47	180	25	73	45	143
Corporate Market								
Opening balance	66	210	540	816	64	148	382	594
Transfer to (from) stage 1	14	-14	-0	-	19	-19	-	-
Transfer to (from) stage 2	-4	4	-0	-	-8	8	-	-
Transfer to (from) stage 3	-0	-1	1	-	-	-	1	-
Net remeasurement of loss allowances	-2	72	486	556	-17	98	185	266
Originations or purchases	45	99	1	144	27	20	1	48
Derecognitions	-30	-96	-1	-127	-20	-43	-	-63
Changes due to changed input assumptions	-0	113	2	-	-	-	-	-
Actual loan losses	-	-	-206	-206	-	-	-27	-27
Closing balance	88	387	823	1,299	66	210	541	817
Total accrual for loan losses	123	484	870	1,478	91	283	586	960

Accrual for losses on loans Group	Jan-Dec 2020				Jan-Dec 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail Market								
Opening balance	32	84	56	172	33	71	39	143
Transfer to (from) stage 1	14	-13	-0	-	12	-11	-	-
Transfer to (from) stage 2	0	-0	-0	-	-2	4	-1	-
Transfer to (from) stage 3	-1	-2	3	-	-	-3	4	-
Net remeasurement of loss allowances	-17	11	11	5	-14	24	22	32
Originations or purchases	12	15	5	31	17	23	3	44
Derecognitions	-6	-20	1	-25	-13	-23	-5	-41
Changes due to changed input assumptions	7	33	-6	35	-	-	-	-
Actual loan losses	-	-	-11	-11	-	-	-5	-5
Closing balance	42	107	58	207	32	84	56	172
Corporate Market								
Opening balance	71	218	560	849	70	152	397	619
Transfer to (from) stage 1	14	-14	-0	-	20	-20	-	-
Transfer to (from) stage 2	-2	2	-0	-	-9	9	-	-
Transfer to (from) stage 3	-1	0	1	-	-	-1	1	-
Net remeasurement of loss allowances	-2	72	484	555	-19	100	188	268
Originations or purchases	46	103	3	151	30	21	7	59
Derecognitions	-26	-93	10	-109	-20	-44	-2	-66
Changes due to changed input assumptions	-2	111	-4	106	-	-	-	-
Actual loan losses	-	-	-209	-209	-	-	-31	-31
Closing balance	98	399	845	1,342	71	218	560	849
Total accrual for loan losses	140	507	902	1,549	104	302	616	1,021

Accrual for losses on guarantees and unused credit lines

Parent Bank and Group (NOKm)	2020				2019			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Opening balance	14	29	57	100	11	47	90	148
Transfer to (from) stage 1	2	-2	-0	-	3	-3	-0	-
Transfer to (from) stage 2	-0	0	-0	-	-1	1	-	-
Transfer to (from) stage 3	-0	-0	0	-	-0	-0	0	-
Net remeasurement of loss allowances	2	16	-54	-36	-2	3	-33	-33
Originations or purchases	11	8	0	19	7	1	0	8
Derecognitions	-5	-13	-0	-19	-3	-20	-0	-24
Changes due to changed input assumptions	3	12	0	16	-	-	-	-
Actual loan losses	-	-	-	-	-	-	-	-
Closing balance	27	50	4	81	14	29	57	100
Of which								
Retail market				2				2
Corporate Market				79				98

Allowance for losses on loans distributed by sector

Parent Bank (NOK million)	31 Dec 2020				31 Dec 2019			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Agriculture and forestry	2	34	5	41	2	21	7	30
fisheries and hunting	6	2	-	8	2	1	0	3
Sea farming industries	2	0	3	5	1	0	-	1
Manufacturing	8	25	2	35	5	9	5	20
Construction, power and water supply	11	27	17	55	10	5	11	26
Retail trade, hotels and restaurants	10	30	17	58	10	8	11	28
Maritime sector	10	180	614	804	9	87	471	568
Property management	20	56	38	114	16	45	23	83
Business services	12	56	142	210	7	50	22	79
Transport and other services	8	10	2	19	7	4	3	14
Public administration	0	-	-	0	-	-	-	-
Other sectors	0	0	-	0	-	-	-	-
Wage earners	2	65	31	97	-	52	33	86
Total provision for losses on loans	91	484	870	1,446	68	283	586	937
loan loss allowance on loans at FVOCI	32	-	-	32	23	-	-	24
Total loan loss allowance	123	484	870	1,478	91	283	586	961

Group (NOK million)	31 Dec 2020				31 Dec 2019			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Agriculture and forestry	3	36	5	44	2	22	8	32
fisheries and hunting	6	2	-	8	2	1	0	3
Sea farming industries	3	1	3	6	1	0	-	1
Manufacturing	10	27	7	44	6	11	9	27
Construction, power and water supply	13	31	20	64	11	8	16	35
Retail trade, hotels and restaurants	12	31	19	62	11	8	11	30
Maritime sector	10	180	614	804	9	87	471	568
Property management	20	56	39	115	16	45	23	84
Business services	13	57	143	213	8	51	24	82
Transport and other services	10	12	10	32	8	5	8	21
Public administration	0	-	-	0	-	-	-	-
Other sectors	0	0	2	2	2	0	0	2
Wage earners	7	73	41	122	6	63	44	112
Total provision for losses on loans	108	507	902	1,517	82	302	614	998
loan loss allowance on loans at FVOCI	32	-	-	32	23	-	-	24
Total loan loss allowance	140	507	902	1,549	105	302	614	1,022

Note 8 - Gross loans

Parent Bank (NOK million)	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail Market								
Balance at 1 January	69,045	5,129	487	74,661	65,403	4,366	320	70,089
Transfer to stage 1	1,050	-1,019	-31	-	893	-877	-16	-
Transfer to stage 2	-1,433	1,470	-38	-	-1,847	1,872	-25	-
Transfer to stage 3	-30	-47	77	-	-60	-135	195	-
Net increase/decrease amount existing loans	-2,093	-136	-7	-2,237	-1,843	-123	-21	-1,986
New loans	49,001	1,464	111	50,575	43,549	1,588	178	45,315
Derecognitions	-42,243	-2,429	-196	-44,867	-37,050	-1,562	-145	-38,756
Financial assets with actual loan losses	-1	-2	-22	-24	-	-	-	-
Balance at 31 December	73,297	4,430	381	78,108	69,045	5,129	487	74,661
Corporate Market								
Balance at 1 January	33,190	3,971	1,470	38,632	32,055	5,521	1,223	38,800
Transfer to stage 1	521	-521	-0	-	1,586	-1,561	-26	0
Transfer to stage 2	-2,605	2,614	-9	-	-1,405	1,446	-41	0
Transfer to stage 3	-70	-685	754	-	-8	-227	234	-0
Net increase/decrease amount existing loans	-1,541	-208	38	-1,711	-1,638	-91	-7	-1,736
New loans	17,141	1,672	328	19,141	11,323	205	319	11,848
Derecognitions	-11,046	-753	-862	-12,662	-8,723	-1,324	-232	-10,279
Financial assets with actual loan losses	-2	-111	-19	-132	0	0	-	-
Balance at 31 December	35,587	5,979	1,702	43,268	33,190	3,971	1,470	38,632
Fixed interest loans at FV	4,285			4,285	4,677			4,677
Total gross loans at 31 December	113,169	10,409	2,083	125,660	106,912	9,101	1,957	117,970

Group (NOK million)	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail Market								
Balance at 1 January	73,675	5,924	570	80,169	69,736	4,951	386	75,073
Transfer to stage 1	1,260	-1,225	-35	-	1,053	-1,034	-19	-
Transfer to stage 2	-1,731	1,785	-54	-	-2,184	2,217	-33	-
Transfer to stage 3	-44	-89	133	-	-84	-164	248	-
Net increase/decrease amount existing loans	-2,136	-196	-15	-2,346	-2,867	-277	-31	-3,175
New loans	51,383	1,702	119	53,204	45,617	1,901	196	47,715
Derecognitions	-43,512	-2,624	-239	-46,375	-37,596	-1,669	-165	-39,430
Financial assets with actual loan losses	-689	-70	-25	-784	-2	-1	-12	-14
Balance at 31 December	78,206	5,208	453	83,867	73,675	5,924	570	80,169
Corporate Market								
Balance at 1 January	35,466	4,426	1,539	41,431	33,897	5,881	1,299	41,076
Transfer to stage 1	693	-690	-4	-	1,659	-1,631	-28	-
Transfer to stage 2	-2,897	2,909	-11	-	-1,681	1,736	-55	-
Transfer to stage 3	-107	-695	801	-	-42	-237	279	-
Net increase/decrease amount existing loans	-1,589	-265	34	-1,819	-1,682	-164	-22	-1,868
New loans	18,238	1,875	349	20,462	12,682	261	326	13,269
Derecognitions	-11,287	-815	-883	-12,985	-9,367	-1,414	-230	-11,011
Financial assets with actual loan losses	-410	-159	-24	-593	0	-5	-30	-35
Balance at 31 December	38,107	6,587	1,802	46,496	35,466	4,426	1,539	41,431
Fixed interest loans at FV	4,285			4,285	4,677			4,677
Total gross loans at 31 December	120,598	11,794	2,255	134,648	113,817	10,350	2,110	126,277

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank			Group	
31 Dec 2019	31 Dec 2020	(NOKm)	31 Dec 2020	31 Dec 2019
2,094	2,269	Agriculture and forestry	2,269	2,094
970	1,210	Fisheries and hunting	1,210	970
645	1,305	Sea farming industries	1,305	645
1,582	1,796	Manufacturing	1,796	1,582
3,363	3,799	Construction, power and water supply	3,799	3,363
4,197	5,461	Retail trade, hotels and restaurants	5,461	4,197
1,059	1,182	Maritime sector	1,182	1,059
5,027	5,821	Property management	5,750	4,718
7,643	9,286	Business services	9,286	7,643
8,186	8,930	Transport and other services provision	8,518	7,819
13,162	12,711	Public administration	12,711	13,162
3,278	3,795	Other sectors	3,641	3,001
51,206	57,566	Total	56,928	50,253
35,664	40,600	Wage earners	40,600	35,664
86,870	98,166	Total deposits	97,529	85,917

Note 10 - Net interest income

Parent bank Jan-Dec		(NOKm)	Group Jan-Dec	
2019	2020		2020	2019
		Interest income		
		Interest income from loans to and claims on central banks and credit institutions (amortised cost)		
246	171		42	103
1,693	1,584	Interest income from loans to and claims on customers (amortised cost)	2,120	2,177
1,792	1,519	Interest income from loans to and claims on customers (FVOCI)	1,534	1,814
134	129	Interest income from loans to and claims on customers (FVPL)	129	134
		Interest income from money market instruments, bonds and other fixed income securities		
375	349		346	371
-	-	Other interest income	27	26
4,241	3,752	Total interest income	4,197	4,626
		Interest expense		
		Interest expenses on liabilities to credit institutions		
170	84		92	190
1,042	731	Interest expenses relating to deposits from and liabilities to customers	719	1,019
545	484	Interest expenses related to the issuance of securities	484	545
84	48	Interest expenses on subordinated debt	50	86
62	8	Other interest expenses	25	86
13	67	Guarantee fund levy	67	13
1,916	1,423	Total interest expense	1,439	1,939
2,325	2,329	Net interest income	2,759	2,687

Note 11 - Operating expenses

Parent bank			Group	
Jan-Dec			Jan-Dec	
2019	2020	(NOKm)	2020	2019
234	246	IT costs	340	321
19	15	Postage and transport of valuables	19	23
63	52	Marketing	73	101
109	102	Ordinary depreciation	166	172
42	39	Operating expenses, real properties	62	57
134	150	Purchased services	221	193
149	140	Other operating expense	187	231
750	744	Total other operating expenses	1,069	1,098

Note 12 - Other assets

Parent Bank			Group	
31 Dec 2019	31 Dec 2020	(NOKm)	31 Dec 2020	31 Dec 2019
-	-	Deferred tax asset	129	158
88	67	Fixed assets	194	225
342	298	Right to use assets	470	499
107	135	Earned income not yet received	185	132
13	11	Accounts receivable, securities	678	292
148	112	Pension assets	112	148
543	340	Other assets	690	637
1,241	963	Total other assets	2,457	2,092

Note 13 - Other liabilities

Parent Bank			Group	
31 Dec 2019	31 Dec 2020	(NOKm)	31 Dec 2020	31 Dec 2019
48	8	Deferred tax	81	115
475	322	Payable tax	408	546
10	11	Capital tax	11	10
10	101	Accrued expenses and received, non-accrued income	671	389
127	301	Provision for accrued expenses and commitments	301	127
100	81	Losses on guarantees and unutilised credits	81	100
16	10	Pension liabilities	10	16
347	303	Lease liabilities	479	505
68	74	Drawing debt	74	68
6	3	Creditors	45	57
9	13	Debt from securities	568	197
-	-	Equity Instruments	-	244
353	239	Other liabilities	355	467
1,570	1,466	Total other liabilities	3,084	2,841

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

Group

	31 Dec 2019	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2020
Change in securities debt (NOKm)					
Certificate, nominal value	-	368	-	-28	341
Bond debt, nominal value	42,722	9,518	11,553	1,132	41,819
Senior non preferred, nominal value	-	1,000	-	-	1,000
Value adjustments	73	-	-	495	568
Accrued interest	218	-	-	-27	191
Total	43,014	10,886	11,553	1,572	43,919
Change in subordinated debt and hybrid equity (NOKm)					
Ordinary subordinated loan capital, nominal value	1,793	-	-	-	1,793
Hybrid equity, nominal value	287	-	287	-	-
Value adjustments	1	-	-	-1	-
Accrued interest	10	-	-	-7	3
Total	2,090	-	287	-8	1,795

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

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

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

Level 2: Valuation based on observable market data

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

Level 3: Valuation based on other than observable data

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

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2020:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	1	7,225	-	7,226
- Bonds and money market certificates	4,865	21,741	-	26,606
- Equity instruments	1,928	6	432	2,366
- Fixed interest loans	-	43	4,242	4,285
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	74,761	74,761
Total assets	6,793	29,015	79,435	115,244
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	2	7,177	-	7,179
- Equity instruments	-	-	-	-
Total liabilities	2	7,177	-	7,179

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

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

The following table presents the changes in the instruments classified in level 3 as at 31 December 2020:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	405	4,636	71,336	76,377
Investment in the period	48	731	47,183	47,962
Disposals in the period	-14	-1,206	-43,754	-44,973
Expected credit loss	-	-	-13	-13
Gain or loss on financial instruments	-7	81	7	81
Closing balance	432	4,242	74,761	79,435

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

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	550	4,425	61,294	66,269
Investment in the period	24	1,054	44,421	45,499
Disposals in the period	-256	-818	-34,350	-35,453
Expected credit loss	-	-	-36	-36
Gain or loss on financial instruments	87	-25	6	68
Closing balance	405	4,636	71,336	76,377

Valuation method

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

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

Fixed interest loans to customers (level 3)

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

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

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 8 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 31 December 2020:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumptions
Fixed interest loans	4,242	-11
Equity instruments through profit/loss*	433	-
Loans at fair value through other comprehensive income	74,761	-8

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

Note 16 - Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or to finance asset increases. Liquidity risk management starts out from the group's overall liquidity strategy which is reviewed and adopted by the board of directors at least once each year. The liquidity strategy reflects the group's moderate risk profile.

The group reduces its liquidity risk through guidelines and limits designed to achieve a diversified balance sheet, both on the asset and liability side. Preparedness plans have been drawn up both for the group and the SpareBank 1 Alliance to handle the liquidity situation in periods of turbulent capital markets. The bank's liquidity situation is stress tested on a monthly basis using various maturities and crisis scenarios: bank-specific, for the financial market in general or a combination of internal and external factors. The group's objective is to survive twelve months of ordinary operations without access to fresh external funding while housing prices fall 30 per cent. In the same period minimum requirements to LCR shall be fulfilled.

The average residual maturity on debt created by issue of securities at the end of the fourth quarter 2020 was 3.4 years. The overall LCR at the same point was 171 per cent and the average overall LCR in the fourth quarter was 147 per cent. The LCR in Norwegian kroner and euro at quarter-end was 161 and 317 per cent respectively.

Note 17 - Earnings per EC

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

(NOKm)	Jan-Dec	
	2020	2019
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	1,793	2,458
Allocated to ECC Owners 2)	1,147	1,572
Issues Equity Capital Certificates adjusted for own certificates	129,347,626	129,496,367
Earnings per Equity Capital Certificate	8.87	12.14

1) Adjusted Net Profit	Jan-Dec	
	2020	2019
Net Profit for the group	1,978	2,563
adjusted for non-controlling interests share of net profit	-126	-56
Adjusted for Tier 1 capital holders share of net profit	-59	-49
Adjusted Net Profit	1,793	2,458

2) Equity capital certificate ratio (parent bank) (NOKm)	31 Dec	
	2020	2019
ECC capital	2,597	2,597
Dividend equalisation reserve	6,556	6,144
Premium reserve	895	895
Unrealised gains reserve	153	121
Other equity capital	-	-
A. The equity capital certificate owners' capital	10,201	9,758
Ownerless capital	5,664	5,432
Unrealised gains reserve	86	68
Other equity capital	-	-
B. The saving bank reserve	5,750	5,500
To be disbursed from gift fund	321	474
Dividend declared	569	840
Equity ex. profit	16,842	16,572
Equity capital certificate ratio A/(A+B)	64.0 %	64.0 %
Equity capital certificate ratio for distribution	64.0 %	64.0 %

Results from quarterly accounts

Group (NOKm)	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q
	2020	2020	2020	2020	2019	2019	2019	2019	2018
Interest income effective interest method	945	971	1,031	1,250	1,235	1,190	1,127	1,075	1,082
Interest expenses	258	276	365	540	538	512	463	426	438
Net interest	688	695	666	710	697	678	664	649	644
Commission income	416	414	331	349	371	374	363	329	343
Commission expenses	58	52	47	50	47	55	51	40	42
Other operating income	399	277	323	271	255	235	294	262	242
Commission income and other income	757	638	607	570	579	554	606	551	543
Dividends	27	2	2	8	1	1	11	2	2
Income from investment in related companies	117	170	177	217	8	85	231	555	130
Net return on financial investments	53	32	269	-124	8	35	95	169	-37
Net return on financial investments	197	205	448	101	17	121	336	727	95
Total income	1,642	1,538	1,721	1,381	1,292	1,353	1,607	1,926	1,282
Staff costs	570	422	449	443	411	404	438	447	391
Other operating expenses	275	263	258	273	309	269	263	257	311
Total operating expenses	845	685	706	716	720	673	701	704	701
Result before losses	797	853	1,015	665	572	680	907	1,223	580
Loss on loans, guarantees etc.	242	231	170	308	103	71	59	67	67
Result before tax	554	621	845	357	469	609	848	1,155	513
Tax charge	104	102	126	67	123	121	165	109	104
Result investment held for sale, after tax	0	0	-0	0	0	-0	0	0	-8
Net profit	450	519	719	290	346	488	683	1,046	401

Key figures from quarterly accounts

Group (NOKm)	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019	1Q 2019	4Q 2018
Profitability									
Return on equity per quarter ¹⁾	8.9%	10.5%	15.1%	5.7%	7.1%	10.2%	14.9%	23.3%	9.0%
Cost-income ratio ¹⁾	51 %	45 %	41 %	52 %	56 %	50 %	44 %	37 %	55 %
Balance sheet figures									
Gross loans to customers	134,648	133,640	130,627	127,272	126,277	123,967	121,895	120,100	120,473
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	182,801	179,423	175,100	170,771	167,777	165,380	163,627	161,091	160,317
Deposits from customers	97,529	95,391	94,289	88,152	85,917	83,641	86,553	81,111	80,615
Total assets	187,912	186,900	190,484	185,182	166,662	166,475	167,289	164,641	160,704
Quarterly average total assets	187,406	188,692	187,833	175,922	166,569	166,882	165,965	162,673	160,021
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months ¹⁾	9.0 %	8.5 %	7.0 %	6.0 %	6.3 %	6.8 %	5.7 %	6.6 %	7.8 %
Growth in deposits last 12 months	13.5 %	14.0 %	8.9 %	8.7 %	10.8 %	4.1 %	7.7 %	6.8 %	5.4 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio ¹⁾	0.54 %	0.52 %	0.39 %	0.73 %	0.25 %	0.17 %	0.14 %	0.17 %	0.17 %
Non-performing commitm. as a percentage of gross loans ¹⁾	0.25 %	0.27 %	0.39 %	0.38 %	0.26 %	0.26 %	0.22 %	0.18 %	0.19 %
Other doubtful commitm. as a percentage of gross loans ¹⁾	0.98 %	1.03 %	0.97 %	1.23 %	1.00 %	1.03 %	1.00 %	0.99 %	0.86 %
Solidity ²⁾									
Common equity Tier 1 capital ratio	18.3 %	17.6 %	17.2 %	16.3 %	17.2 %	15.1 %	15.0 %	14.8 %	14.6 %
Tier 1 capital ratio	20.0 %	19.2 %	18.9 %	18.0 %	19.3 %	16.7 %	16.6 %	16.4 %	16.3 %
Capital ratio	22.3 %	21.4 %	21.1 %	20.1 %	21.6 %	18.9 %	18.8 %	18.6 %	18.5 %
Tier 1 capital	18,636	18,290	18,182	17,792	17,742	17,417	17,284	16,775	16,472
Total eligible capital	20,759	20,373	20,266	19,879	19,854	19,765	19,634	19,115	18,743
Liquidity Coverage Ratio (LCR)	171 %	140 %	163 %	185 %	148 %	181 %	165 %	180 %	183 %
Leverage Ratio	7.1 %	7.1 %	6.9 %	6.9 %	7.5 %	7.4 %	7.5 %	7.4 %	7.4 %
Key figures ECC									
ECC share price at end of period (NOK)	97.60	84.30	78.30	67.60	100.20	98.50	97.70	87.40	84.20
Number of certificates issued, millions ¹⁾	129.39	129.44	129.39	129.22	129.30	129.48	129.66	129.41	129.62
Booked equity capital per ECC (including dividend) ¹⁾	94.71	92.73	90.37	86.85	90.75	89.36	87.04	83.86	83.87
Profit per ECC, majority ¹⁾	1.99	2.35	3.27	1.26	1.60	2.30	3.21	5.02	1.90
Price-Earnings Ratio ¹⁾	12.28	8.96	5.98	13.46	15.67	10.69	7.61	4.35	11.05
Price-Book Value Ratio ¹⁾	1.03	0.91	0.87	0.78	1.10	1.10	1.12	1.04	1.00

1) Defined as alternative performance measures, see attachment to the quarterly report

2) Comparables have not been restated since revised distribution of profit for 2019

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 Jan 2019 to 31 Dec 2020

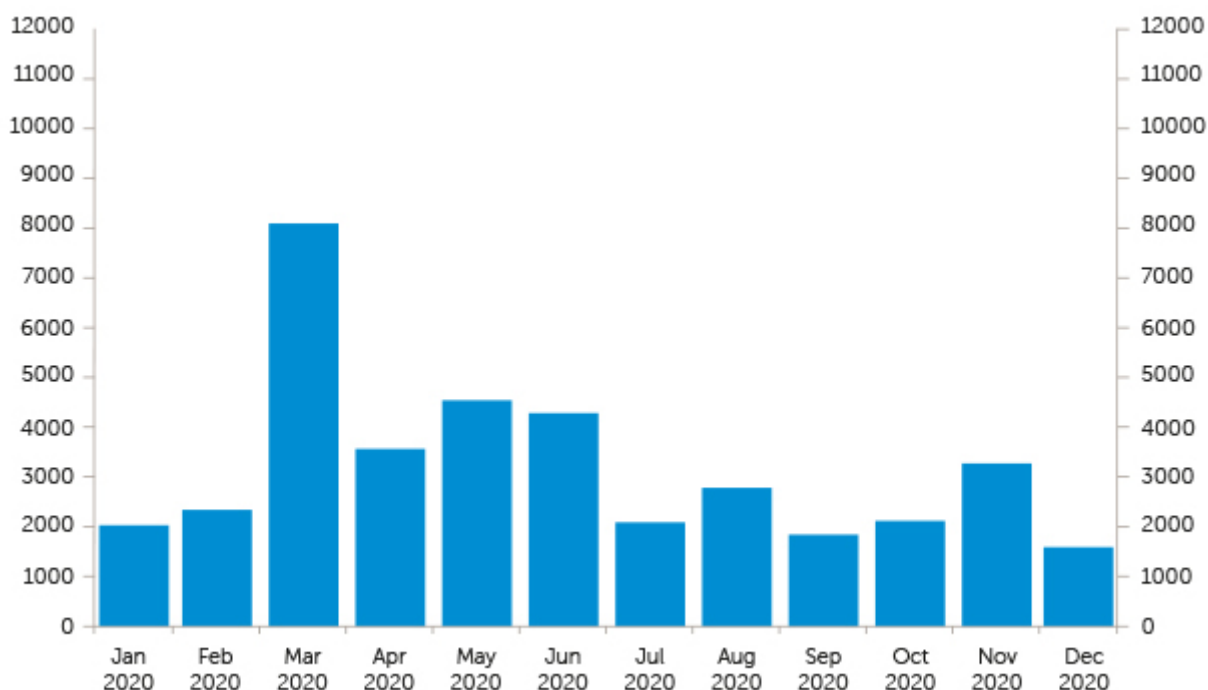


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 Jan 2019 to 31 Dec 2020



Total number of ECs traded (1000)

20 largest ECC holders	No. Of ECCs	Holding
VPF Nordea Norge	4,292,153	3.31 %
State Street Bank and Trust Comp	4,277,667	3.29 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,342,919	2.57 %
Danske Invest Norske aksjer institusjon II.	2,951,830	2.27 %
VPF Alfred Berg Gambak	2,623,661	2.02 %
VPF Pareto aksje Norge	2,525,369	1.95 %
J. P. Morgan Chase Bank, N.A., London	2,041,745	1.57 %
State Street Bank and Trust Comp	2,009,667	1.55 %
VPF Eika egenkapitalbevis	1,948,461	1.50 %
Forsvarets personellservice	1,906,246	1.47 %
Pareto Invest AS	1,821,106	1.40 %
VPF Nordea Kapital	1,390,601	1.07 %
MP Pensjon PK	1,352,771	1.04 %
Citibank N.A	1,340,632	1.03 %
Danske Invest Norske aksjer institusjon I	1,295,275	1.00 %
VPF Nordea Avkastning	1,249,111	0.96 %
VPF Alfred Berg Norge	1,205,659	0.93 %
Morgan Stanley & Co. International	1,031,733	0.79 %
Landkreditt utbytte	1,000,000	0.77 %
The 20 largest ECC holders in total	43,571,997	33.56 %
Others	86,264,446	66.44 %
Total issued ECCs	129,836,443	100.00 %

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 up to one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that up to 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.