

Notes

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Note 1 - General information

Description of the business

See “Business description” presented in the annual report.

The SpareBank 1 SMN Group

SpareBank 1 SMN's head office is in Trondheim, no. 4 Søndre gate. The Bank's market areas are essentially Trøndelag and Nordvestlandet.

The Group accounts for 2019 were approved by the Board of Directors on 5 March 2020.

Note 2 - Accounting principles

Basis for preparing the consolidated annual accounts

The Group accounts for 2019 for SpareBank 1 SMN have been prepared in conformity with International Financial Reporting Standards (IFRS) which have been given effect in Norway. These include interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC). The measurement base for both the parent bank and group accounts is historical cost with the modifications described below. The accounts are presented based on IFRS standards and interpretations mandatory for accounts presented as at 31 December 2018.

Implemented accounting standards and other relevant rule changes in 2019

The applied accounting principles are consistent with the principles applied in the preceding accounting period, with the exception of those changes to IFRS which have been implemented by the group in the current accounting period. Below is a list of amendments to IFRS with effect for the 2019 accounts that have been relevant, and the effect they have had on the group's annual accounts.

IFRS 16 Leases

IFRS 16 Leases are effective from 1 January 2019 and replaces IAS 17 Leases. IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease agreement, i.e. the customer (lessee) and the offeror (lessor). The new standard requires lessees to recognise assets and liabilities for the majority of leases, which is a significant change from today's principles. For lessors, IFRS 16 continues in all essentials the existing principles in IAS 17. Accordingly, a lessor must continue to classify its lease agreements as operating or finance leases, and to account for those two types of leases differently.

The Group has implemented the standard by applying a simplified method without restatement of prior year comparatives. Upon transition SpareBank 1 SMN have recognised an obligation to make lease payments (lease liability) and an asset representing its right to use the underlying asset in the period of the lease (right-of-use asset). In the profit and loss account, depreciation of the right-of-use asset have been accounted for separately from the interest on the lease liability.

SpareBank 1 SMN has decided to apply the following practical expedients:

- To exempt assets of low value
- To omit to recognise non-lease components
- Not to restate comparatives upon implementation. A right-of-use asset and a lease liability will be measured at the same amount, taking into account prepayments and provisions made as at 31 December 2018.

Method of measurement and recognition

Measurement of the lease liability

The lease liability is measured as the current value of the lease payments for the right to use the underlying asset in the lease term. The lease term is the non-cancellable period of the lease. The lease term also includes any option to extend the lease provided there is reasonable certainty that the option will be exercised. The same applies to an option to terminate the lease provided there is reasonable certainty that the option will be exercised.

Lease payments included in the measurement consist of:

- fixed lease payments (including in-substance fixed payments)
- variable lease payments that depend on an index or interest rate, initially measured using the index or interest rate at the commencement date
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- payments of penalties for terminating the lease if the lease term reflects the Group exercising an option to terminate the lease

The Group does not include in the lease liability variable lease payments that arise out of agreed-upon index regulation subject to future events, such as inflation. Instead the Group recognises these costs in profit/loss in the period in which the event or the circumstance that triggers the payments arises.

The lease liability is thereafter measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made and re-measuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to adjustment of an index or rate.

The Group presents the lease liability together with other debt, whereas the right of use is presented together with other assets in the consolidated balance sheet.

Recognition and discount rate

IFRS 16 refers to two different methods of determining the discount rate for lease payments:

- The rate implicit in the lease
- The lessee's incremental rate of borrowing, if the implicit rate is not readily determined

Lease contracts covered by IFRS 16 vary as regards term and option structure. Moreover, assumptions must be made as to the opening value of the underlying assets. Both of these items make an implicit interest calculation more complicated than an incremental borrowing rate calculation.

SpareBank 1 SMN has a framework for transfer pricing that is designed to provide as correct a picture as possible of how various balance sheet items, business lines, segments or regions in the bank contribute to the bank's profitability. The starting point for the transfer pricing rates is the bank's historical cost of funding. The Group's cost of funding can be split up into a cost related to senior unsecured debt and a cost related to capital (hybrid capital and subordinated loan capital). The latter cost of funding shall, like other equity, be distributed on assets based on risk weights. The cost related to own funds (hybrid capital and subordinated loan capital) then appears as a further transfer price addition to the loan accounts.

The bank also has indirect liquidity costs related to liquidity reserves. These are reserves that the bank is required to hold by the authorities along with reserves of surplus liquidity held by the bank for shorter periods. The liquidity reserves have a substantial negative return measured against the bank's cost of funding. This cost is distributed on balance sheet items that create a need for liquidity reserves, and appear as a reduction from the transfer price interest for deposits and an addition as regards loans.

Transfer Price rate = cost of funding + addition for liquidity reserve cost + addition for cost of capital

In the transfer pricing the bank's liquidity cost or cost of funding is distributed on assets and liabilities, and is actively utilised in the internal account. The transfer price is accordingly a well-established tool in the governance of the bank, and is regularly updated.

The transfer price interest rate for an asset with the corresponding underlying, in this case commercial property, will therefore be a good representation of the incremental borrowing rate. This discount rate will include the material additions to the cost of funding, giving a more correct picture of the opportunity cost for the bank. This interest rate have been used as the discount rate for the Group's leases coming under IFRS 16. For 2019 a discount rate of 2.05 per cent is employed.

The Group's lease liability relates in all essentials to lease agreements for offices. Detailed information about the leases are included in note 33 Leases.

Amendments to IFRS 9, IAS 39 and IFRS 7 due to the IBOR reform

IASB released amendments to IFRS 9, IAS 39 and IFRS 7 in September 2019. The amendments provide companies with temporary reliefs to certain requirements related to hedge accounting in the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The bank has chosen to early adopt the changes. This choice means that the bank's hedging relationships continues unaffected by the IBOR reform. The IBOR reform is an ongoing process where interest rate benchmark rates used in receivables, loans and derivatives are replaced by new interest rates. Additional qualitative and quantitative information about the hedges have been included in note 29 Hedge accounting.

Presentation currency

The presentation currency is the Norwegian krone (NOK), which is also the bank's functional currency. All amounts are stated in millions of kroner unless otherwise specified.

Consolidation

The consolidated accounts include the Bank and all subsidiaries which are not due for divestment in the near future and are therefore to be classified as held for sale under IFRS 5. All undertakings controlled by the Bank, i.e. where the Bank has the power to control the undertaking's financial and operational principles with the intention of achieving benefits from the undertaking's activities, are regarded as subsidiaries. Subsidiaries are consolidated from the date on which the Bank has taken over control, and are deconsolidated as of the date on which the Bank relinquishes control. Mutual balance sheet items and all significant profit elements are eliminated.

Upon takeover of control of an enterprise (business combination), all identifiable assets and liabilities are recognised at fair value in accordance with IFRS 3. A positive difference between the fair value of the consideration and the fair value of identifiable assets and liabilities is recorded as goodwill, while any negative difference is taken to income upon purchase. Accounting for goodwill after first-time recognition is described under the section on intangible assets.

All intra-group transactions are eliminated in the preparation of the consolidated accounts. The non-controlling interests' share of the group result is to be presented on a separate line under profit after tax in the income statement. In the statement of changes in equity, the non-controlling interests' share is shown as a separate item.

Associated companies

Associates are companies in which the Bank has substantial influence. As a rule, influence is substantial where the Bank has an ownership interest of 20 per cent or more. Associates are accounted for by the equity method in the consolidated accounts. The investment is initially recognised at acquisition cost and subsequently adjusted for the change in the Bank's share of the associated undertaking's net assets. The Bank recognises its share of the profit of the associated undertaking in its income statement. Associates are accounted for in the parent bank accounts by the cost method. See also note 39 Investments in owner interests.

Joint arrangements

Under IFRS 11 investments in Joint arrangements shall be classified as Joint operations or joint ventures depending on the right and obligations in the contractual arrangement for each investor. SpareBank 1 SMN has assessed its joint arrangements and concluded that they are joint ventures. Jointly controlled ventures are accounted for using the equity method in the group and the cost method in the parent bank.

When the equity method is used joint ventures are recognised at their original acquisition cost. The carrying amount is thereafter adjusted to recognise the share of the results after the acquisition and the share of comprehensive income. When the group's share of a loss in a joint venture exceeds the capitalized amount (including other long-term investments that are in reality part of the group's net investment in the venture), no further loss is recognized unless liabilities have been assumed or payments have been made on behalf of the joint venture. Unrealized gains on transactions between the group and its joint ventures are eliminated according to the ownership interest in the business. Unrealized losses are also eliminated unless the transaction gives evidence of a fall in value on the transferred asset. Amounts reported from joint ventures are, if necessary, restated to ensure they correspond with the accounting policies of the group. See also note 39 Investments in owner interests.

Loans and loan losses

Loans held in "hold to collect" business model are measured at amortised cost. Amortised cost is acquisition cost less repayments of principal, plus or minus cumulative amortisation resulting from the effective interest rate method, with deductions for any value fall or loss likelihood. The effective interest rate is the interest rate which precisely discounts estimated future cash in- or out-payments over the financial instrument's expected lifetime.

The Bank sells only parts of the loans qualified for transfer to SpareBank1 Boligkreditt. Loans included in business models (portfolios) with loans qualifying for transfer are therefore held both to collect cash flows and for sales. The Bank therefore classify all residential mortgages at fair value over other comprehensive income. Fair value on such loans at initial recognition are measured at the transaction price, without reduction for 12 month expected credit loss.

Fixed interest loans to customers are recognised at fair value through profit or loss. Gains and losses due to changes in fair value are recognised in the income statement as fair value changes. Accrued interest and premiums/discounts are recognised as interest. Interest rate risk on fixed interest loans is managed through interest rate swaps which are recognised at fair value. It is the group's view that recognising fixed interest loans at fair value provides more relevant information on carrying values.

Loan impairment write-downs

Loan loss provisions are recognised based on expected credit loss (ECL). Measurement of the provision for expected loss depends on whether credit risk has increased significantly since first-time recognition. Upon first-time recognition, and when credit risk has not increased significantly since first-time recognition, provision shall be made for a 12-month expected loss. If credit risk has risen significantly, provision shall be made for expected loss across the entire life.

Loss estimates are prepared quarterly, and build on data in the data warehouse which has historical accounting and customer data for the entire credit portfolio. The bank uses three macroeconomic scenarios to take account of non-linear aspects of expected losses. The various scenarios are used in order to adjust relevant parameters for calculating expected loss, and a probability-weighted average of expected loss under the respective scenarios is recognised as a loss.

Loss estimates are computed based on 12-month and lifelong probability of default (PD), loss given default (LGD) and exposure at default (EAD). The data warehouse contains historical data for observed PD and observed LGD. This forms the basis for estimating future values for PD and LGD. In keeping with IFRS 9 the bank groups its loans in three stages.

Stage 1:

This is the starting point for all financial assets covered by the general loss model. All assets that do not have significantly higher credit risk than at first-time recognition receive a loss provision corresponding to 12 months' expected loss. All assets that are not transferred to stage 2 or 3 reside in this category.

Stage 2:

Stage 2 of the loss model encompasses assets that show a significant increase in credit risk since first-time recognition, but where objective evidence of loss is not present. For these assets a provision for expected loss over the entire lifetime is to be made. In this group we find accounts with a significant degree of credit deterioration, but which at the balance sheet date belong to customers classified as performing. As regards delineation against stage 1, the bank defines 'significant degree of credit deterioration' by taking a basis in whether the exposure's calculated probability of default (PD) shows a significant increase. SpareBank 1 SMN has decided to utilise both absolute and relative changes in PD as criteria for transfer to stage 2. The most important factor for a significant change in credit risk is the quantitative change in PD on the period end compared to the PD at first time recognition. A change in PD by more than 150 per cent is considered to be a significant change in credit risk. The change will have to be over 0.6 percentage points. In addition, customers with payments 30 days past due will be transferred to stage 2. A qualitative assessment is also done when engagements have been put on watch list or forbearance.

The thresholds for movement between stage 1 and stage 2 are symmetrical. After a financial asset has transferred to stage 2, if its credit risk is no longer considered to have significantly increased relative to its initial recognition, the financial asset will move back to stage 1. The same applies to assets in stage 3, if the basis for the placement in stage 3 is no longer present, the asset will be migrated to stage 1 or 2.

Stage 3:

Stage 3 of the loss model encompasses assets that show a significant increase in credit risk since loan approval and at the balance sheet date there is objective evidence of loss which will reduce the future cash flows. For these assets a provision shall be made for expected loss over the entire lifetime. These are assets which under previous rules were defined as defaulted and written down.

Impairment must be a result of one or more events occurring after first-time recognition (a loss event), and it must be possible to measure the result of the loss event(s) reliably. Objective evidence of impairment of a financial asset includes observable data which come to the group's knowledge on the following loss events:

- Significant financial difficulties on the part of the issuer or borrower
- A not insignificant breach of contract, such as failure to pay instalments and interest
- The group grants the borrower special terms in light of financial or legal aspects of the borrower's situation
- The debtor is likely to start debt negotiation or other financial restructuring
- Active markets for the financial asset are closed due to financial problems
- Customers with payments more than 90 days past due will always be transferred to stage 3

The group assesses first whether individual objective evidence exists that individually significant financial assets have suffered impairment. Where there is objective evidence of impairment, the size of the impairment is measured as the difference between the asset's carrying value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced through a provision account and the loss is recognised in the income statement.

Where the balance of evidence suggests that the losses are permanent, the losses are classified as actual losses. Actual losses covered by earlier specified loss provisions are reflected in such loss provisions. Actual losses not covered by loss provisions, as well as surpluses and deficits in relation to earlier loss provisions, are recognised in the income statement.

Defaulted / non-performing loans

Total customer commitments are considered as defaulted and are included in the bank's list of defaulted commitments when past due installments or interest are not paid within 90 days of maturity or creditlines are overdrawn for 90 days or more. Loans and other commitments that are not in default, but where the customer's financial situation makes it likely that the bank will incur losses, are classified as non-performing loans.

Non-performing loans consist of total non-performing loans over 3 months and other non-performing loans (non-performing loans with individual impairment).

Write-downs

Write-down for losses are made when the bank has no reasonable expectations to recover the asset in its whole or partially. Criteria for write-down are as follows:

- Closed bankruptcy in limited liability companies
- Confirmed chord / debt negotiations
- Settlement for other companies with limited liability

- Ended living at death
- By lawful judgment
- Collateral is realized

The commitment will normally be placed on long-term monitoring in case the debtor should again become solvent and suable.

Impairment of assets recognised at fair value

At each balance sheet date the group assesses whether evidence exists that a financial asset or group of financial assets recognised at fair value is susceptible to impairment. Losses due to impairment are recognised in the income statement in the period in which they arise.

Reposessed assets

As part of its treatment of defaulted loans and guarantees, the Bank in some cases takes over assets furnished as collateral for such exposures. Upon repossession the assets are valued at their presumed realisable value. Any deviation from the carrying value of a defaulted or written down exposure upon takeover is classified as a loan write-down. Reposessed assets are carried according to type. Upon final disposal, the deviation from carrying value is reported in profit or loss in accordance with the type of asset as per the accounts.

Non-current assets held for sale and discontinued operations

Assets which the board of directors of the bank has decided to sell are dealt with under IFRS 5 if it is highly likely that the asset will be sold within 12 months. This type of asset comprises for the most part assets taken over in connection with bad loans, and investments in subsidiaries held for sale. Fixed assets and groups of fixed assets and liabilities classified as held for sale are measured at the lowest value of book value and fair value less selling expenses. The result of such activity and appurtenant assets and liabilities are presented on a separate line as held for sale.

Securities and derivatives

Securities and derivatives comprise shares and units, money market instruments and bonds, and derivative currency, fixed income and equity instruments. Shares and units are classified at fair value through profit/loss. Money market instruments and bonds are classified at fair value through profit/loss. Derivatives are invariably recognised at fair value through profit/loss.

All financial instruments classified at fair value through profit/loss are measured at fair value, and any change in value from the opening balance is recognised as gain or losses from other financial investments. Financial assets held for trading purposes are characterised by frequent trading and by positions being taken with the aim of short-term gain. Other such financial assets classified at fair value through profit/loss are investments defined upon first-time recognition as classified at fair value through profit/loss (fair value option).

Financial derivatives are presented as assets when fair value is positive, and as liabilities when fair value is negative.

Money market instruments and bonds classified as loans and receivables or held to maturity are measured at amortised cost using the effective interest rate method; see the account of this method under the section on loans.

Intangible assets

Intangible assets mainly comprise goodwill in the SpareBank 1 SMN Group. Other intangible assets will be recognised once the conditions for entry in the balance sheet are present. Goodwill arises as the difference between the fair value of the consideration upon purchase of a business and the fair value of identifiable assets and liabilities; see description under Consolidation. Goodwill is not amortised, but is subject to an annual depreciation test with a view to revealing any impairment, in keeping with IAS 36. Testing for value impairment is done at the lowest level at which cash flows can be identified.

Intangible assets acquired separately are carried at cost. Useful economic life is either finite or infinite. Intangible assets with a finite economic life are depreciated over their economic life and tested for impairment upon any indication of impairment. The depreciation method and period are assessed at least once each year.

Property, plant and equipment

Property, plant and equipment along with property used by the owner are accounted for under IAS 16. The investment is initially recognised at its acquisition cost and is thereafter depreciated on a linear basis over its expected useful life. When establishing a depreciation plan, the individual assets are to the necessary extent split up into components with differing useful life, with account being taken of estimated residual value. Property, plant and equipment items which individually are of little significance, for example computers and other office equipment, are not individually assessed for residual value, useful lifetime or value loss, but are assessed on a group basis. Property used by the owner, according to the definition in IAS 40, is property that is mainly used by the Bank or its subsidiary for its own use.

Property, plant and equipment which are depreciated are subject to a depreciation test in accordance with IAS 36 when circumstances so indicate.

Interest income and expenses

Interest income and expenses related to assets and liabilities which are measured at amortised cost or fair value over OCI are recognised in profit/loss on an ongoing basis using the effective interest rate method. Charges connected to interest-bearing funding and lending are included in the computation of effective interest rate and are amortised over expected lifetime. For debt securities on the asset side, recognised at amortised cost and written down as a result of objective evidence of loss, interest is recognised as income based on the net balance sheet amount.

In the case of interest-bearing instruments measured at fair value in profit or loss, the market value will be classified as income from other financial investments. In the case of interest-bearing instruments at amortised cost or fair value over OCI and not utilised for hedging, the premium/discount is amortised as interest income over the term of the contract.

Commission income and expenses

Commission income and expenses are generally accrued in step with the provision of the service. Charges related to interest-bearing instruments are not entered as commission, but are included in the calculation of effective interest and recognised in profit/loss accordingly. Consultancy fees accrue in accordance with a consultancy agreement, usually in step with the provision of the service. The same applies to ongoing management services. Fees and charges in connection with the sale or mediation of financial instruments, property or other investment objects which do not generate balance sheet items in the Bank's accounts are recognised in profit/loss when the transaction is completed. The Bank receives commission from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt corresponding to the difference between the interest on the loan and the funding cost achieved by SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. This shows as commission income in the Bank's accounts.

Transactions and holdings in foreign currency

Transactions in foreign currency are converted to Norwegian kroner at the transaction exchange rate. Gains and losses on executed transactions or on conversion of holdings of monetary items on the balance sheet date are recognised in profit/loss. Gains and losses on conversion of items other than monetary items are recognised in the same way as the appurtenant balance sheet item.

Hedge accounting

The Bank evaluates and documents the effectiveness of a hedge in accordance with IAS 39. The Bank employs fair value hedging to manage its interest rate risk. In its hedging operations the Bank protects against movements in the market interest rate. Changes in credit spread are not taken to account when measuring hedge effectiveness. In the case of fair value hedging, both the hedging instrument and the hedged object are recorded at fair value, and changes in these values from the opening balance are recognised in profit/loss.

Income taxes

Tax recorded in the income statement comprises tax in the period (payable tax) and deferred tax. Period tax is tax calculated on the taxable profit for the year. Deferred tax is accounted for by the liability method under IAS 12. Calculation of deferred tax is done using the tax rate in effect at any time. Liabilities or assets are calculated on temporary differences i.e. the difference between balance-sheet value and tax-related value of assets and liabilities. However, liabilities or assets are not calculated in the case of deferred tax on goodwill for which there is no deduction for tax purposes, nor on first-time-recognised items which affect neither the accounting nor the taxable profit.

A deferred tax asset is calculated on a tax loss carryforward. Deferred tax assets are recognised only to the extent that there is expectation of future taxable profits that enable use of the tax asset. Withholding tax is presented as period tax. Wealth tax is presented as an operating expense in the group accounts under IAS 12.

Deposits from customers

Customer deposits are recognised at amortised cost.

Debt created by issuance of securities

Loans not included in hedge accounting are initially recognised at acquisition cost. This is the fair value of the compensation received after deduction of transaction fees. Loans are thereafter measured at amortised cost. Any difference between acquisition cost and settlement amount at maturity is accordingly accrued over the term of loan using the effective rate of interest on the loan. The fair value option is not applied in relation to the group's debt.

Subordinated debt and hybrid capital

Subordinated debt are measured at amortised cost like other long-term loans. Subordinated debt ranks behind all other debt. Hybrid capital denotes bonds with a nominal interest rate, but the Bank is not obliged to pay interest in a period in which no dividend is paid, nor does the investor subsequently have a right to interest that has not been paid, i.e. the interest does not accumulate. Hybrid Capital have been classified as equity since these do not satisfy the definition of a financial liability in IAS 32. The bond is perpetual and SpareBank 1 SMN has the right to not pay interest to the investors. The interest will not be presented as an interest expense in the income statement, but as a reduction to equity. See also note 3 for a closer description. The treatment of subordinated debt and hybrid capital in the calculation of the group's capital adequacy is described in note 5 Capital adequacy and capital management.

Financial guarantees issued

Financial guarantees are contracts that require the bank to reimburse the holder for a loss due to a specific debtor failure to pay in accordance with the terms is classified as issued financial guarantees. On initial recognition of issued financial guarantees, the guarantees are recognised in the balance sheet at the received consideration for the guarantee. Subsequent measurement assesses issued financial guarantees to the highest amount of the loss provision and the amount that was recognised at initial recognition less any cumulative income recognised in the income statement. When issuing financial guarantees, the consideration for the guarantee is recognised under "Other liabilities" in the balance sheet. Revenue from issued financial guarantees and costs related to purchased financial guarantees is amortised over the duration of the instrument and presented as "Commission income" or "Commission expenses". Changes in expected credit losses are included in the line «Losses on loans and guarantees» in the income statement.

Loan commitments

Expected credit losses are calculated for loan commitments and presented as "Other liabilities" in the balance sheet. Changes in the provision for expected losses are presented in the line «Losses on loans and guarantees» in the income statement. For instruments that have both a drawn portion and an unutilised limit, expected credit losses are distributed pro-rata between provisions for loan losses and provisions in the balance sheet based on the relative proportion of exposure.

Pensions

The SpareBank 1 SMN Group has a pension scheme for its staff that meet the requirements set for mandatory occupational pensions. SpareBank 1 SMN had a defined benefit scheme previously. This was terminated from 1 January 2017. The settlement gain was in accordance with IAS 19 taken to the income statement in 2016 when the decision was made. The Group employees transferred to a defined contribution scheme.

Defined contribution scheme

Under a defined contribution pension scheme the group does not provide a future pension of a given size; instead the group pays an annual contribution to the employees' collective pension savings. The future pension will depend on the size of the contribution and the annual return on the pension savings. The group has no further obligations related to employees' labour contribution after the annual contribution has been paid. There is no allocation for accrued pension obligations under such schemes. Defined contribution schemes are directly expensed. Any pre-paid contributions are recognised as an asset (pension assets) to the extent the contribution can be refunded or reduce future inpayments.

The contributions are made to the pension fund for full-time employees, and the contribution is from 7 per cent from 0-7,1 G and 15 per cent from 7.1 – 12 G. The premium is expensed as incurred. See also note 22 Pensions.

Early retirement pension scheme ("AFP")

The banking and financial industry has established an agreement on an early retirement pension scheme ("AFP"). The scheme covers early retirement pension from age 62 to 67. The Bank pays 100 per cent of the pension paid from age 62 to 64 and 60 per cent of the pension paid from age 65 to age 67. Admission of new retirees ceased with effect from 31 December 2010. The Act on state subsidies in respect of employees who take out contractual pension in the private sector (AFP Subsidies Act) entered into force on 19 February 2010. Employees who take out AFP with effect in 2011 or later will receive benefits under the new scheme. The new AFP scheme represents a lifelong add-on to National Insurance and can be taken out from age 62. Employees accumulate AFP entitlement at an annual rate of 0.314 per cent of pensionable income capped at 7.1G up to age 62. Accumulation under the new scheme is calculated with reference to the employee's lifetime income, such that all previous working years are included in the qualifying basis.

For accounting purposes the new AFP scheme is regarded as a defined benefit multi-employer scheme. This entails that each employer accounts for its pro rata share of the scheme's pension obligation, pension assets and pension cost. If no calculations of the individual components of the scheme and a consistent and reliable basis for allocation are available, the new AFP scheme will be accounted for as a defined-contribution scheme. At the present time no such basis exists, and the new AFP scheme is accordingly accounted for as a defined-contribution scheme. The new AFP scheme will only be accounted for as a defined-benefit scheme once reliable measurement and allocation can be undertaken. Under the new scheme, one-third of the pension expenses will be funded by the State, two-thirds by the employers. The employers' premium will be fixed as a percentage of salary payments between 1G and 7.1G.

In keeping with the recommendation of the Norwegian Accounting Standards Board, no provision was made for the group's de facto AFP obligation in the accounting year. This is because the office that coordinates the schemes run by the main employer and trade union organisations has yet to perform the necessary calculations.

Segment reporting

SpareBank 1 SMN has Retail Banking and Corporate Banking, along with the most important subsidiaries and associates as its primary reporting segments. The group presents a sectoral and industry distribution of loans and deposits as its secondary reporting format. The group's segment reporting is in conformity with IFRS 8.

Dividends and gifts

Proposed dividends on equity certificates and gifts are recognised as equity capital in the period to the declaration of dividends by the bank's supervisory board.

Events after the balance sheet date

The annual accounts are regarded as approved for publication once they have been considered by the board of directors. The supervisory board and regulatory authorities can thereafter refuse to approve the accounts, but not to change them. Events up to the time at which the accounts are approved for publication, and which relate to circumstances already known on the balance sheet date, will be included in the information base for accounting estimates and thus be fully reflected in the accounts. Events concerning circumstances that were not known on the closing date will be illuminated if significant.

The accounts are presented on the going-concern assumption. In the view of the board of directors this assumption was met at the time the accounts were approved for presentation.

The board of directors' proposal for dividends is set out in the directors' report and in the statement of changes in equity.

New or revised accounting standards approved but not implemented in 2019

Those standards and interpretations that have been adopted up to the date of presentation of the consolidated accounts, but whose entry into force is scheduled for a future date, are set out below. The group's intention is implement the relevant changes at the time of their entry into force, on the proviso that the EU approves the changes before presentation of the consolidated accounts.

Amendments to IFRS 3 Definition of a Business

The amendments will help companies determine whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

The amendments must be applied to transactions for which the acquisition date is on or after the first the beginning of the first annual reporting period beginning on or after 1 January 2020. Early application is permitted. The Group does not intend to early adopt the amendments.

It is not expected that the amendments will have significant effects for the group.

Amendments to IAS 1 and IAS 8 - Definition of Material

The International Accounting Standards Board has issued amendments to its definition of material to make it easier for companies to make materiality judgements. The definition of material, an important accounting concept in IFRS Standards, helps companies decide whether information should be included in their financial statements. The updated definition amends IAS 1 and IAS 8.

The amendments are a response to findings that some companies experienced difficulties using the old definition when judging whether information was material for inclusion in the financial statements.

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The changes are effective for annual periods beginning on or after 1 January 2020, but companies can decide to apply them earlier. The Group does not intend to early adopt the amendments.

It is not expected that the amendments will have significant effects for the group.

Note 3 - Critical estimates and assessments concerning the use of accounting principles

In the preparation of the Group accounts the management makes accounting estimates, discretionary assessments and assumptions that bear on the effect of the application of the accounting principles and hence the amounts booked for assets, liabilities, income and expenses. Estimates and discretionary assessments are evaluated continuously and are based on empirical experience and expectations of events which, as of the balance sheet date, are deemed likely to occur in the future.

Classification of financial instruments

Financial assets are classified either at fair value through other comprehensive income (OCI), at amortised cost or at fair value through profit and loss. The bank determines the classification based on characteristics of the asset's contractual cash flows and the business model under which the asset is managed.

In order to classify a financial asset the bank must determine whether the contractual cash flows from the asset are exclusively payment of interest and principal on the outstanding amount.

Principal is measured at fair value of the asset upon first-time recognition. Interest consists of payment for the time value of money, for credit risk associated with outstanding principal in a particular period, and for other loan risks and costs, in addition to a profit margin. If the bank establishes that the contractual cash flows from an asset are not exclusively payment for interest and principal, the asset shall be classified as measured at fair value through profit and loss.

When classifying financial assets, the bank establishes the business model utilised for each portfolio of assets that are managed collectively to achieve the same business objective. The business model reflects how the bank manages its financial assets and the degree to which the cash flows are generated through collection of the contractual cash flows, sale of financial assets or both. The bank establishes the business model through use of scenarios that can with reasonable likelihood be expected to occur. Establishment of the business model requires the application of discretionary judgement and an assessment of all available information at the point in time in question.

A portfolio of financial assets is classified in a "hold to collect" business model where the bank's primary aim is to hold these assets in order to collect their contractual cash flows rather than to sell them. Where the bank's objective is obtained through both collecting and selling the assets, the assets will be classified in a "hold to collect and sell" business model. In such a business model, both collection of contractual cash flows and sale of assets will be integral elements for achieving the bank's objective for the portfolio concerned.

Financial assets are measured at fair value through profit and loss if they do not fall within either a "hold to collect" business model or a "hold to collect or sell" business model.

Losses on loans and guarantees

The Bank rescues its loan portfolio monthly. Customers showing objective evidence of loss due to payment default, impaired creditworthiness or other objective criteria are subject to individual assessment and calculation of loss. Should the Bank's calculations show that the present value of the discounted cash flow based on the effective interest rate at the time of estimation is below the book value of the loan, the loan is assigned to stage 3 and a write-down is performed for the calculated loss. A high degree of discretionary judgement is required in order to assess evidence of loss, and the estimation of amounts and timing of future cash flows with a view to determining a calculated loss is affected by this judgement. Changes in these factors could affect the size of the provision for loss. In cases where collateral values are tied to specific objects or industries that are in crisis, collateral will have to be realised in illiquid markets, and in such cases assessment of collateral values may be encumbered with considerable uncertainty.

For loans in stage 1 and 2 a calculation is made of the expected credit loss using the bank's loss model based on estimates of probability of default (PD) and loss given default (LGD), as well as exposure (EAD). The bank uses the same PD model as in IRB, but with unbiased calibration, i.e. without safety margins, as a basis for assessment of increased credit risk. The PD estimate represents a 12-month probability.

Write-downs for exposures in stage 1 will be calculation of one-year's expected loss, while for exposures in stage 2, loss is calculated over lifetime.

The most important input factors in the bank's loss model that contribute to significant changes in the loss estimate and are subject to a high degree of discretionary judgement are the following:

- Use of forward-looking information and projection of macroeconomic variables for multiple scenarios on a probability-weighted basis
- Establishing what constitutes a significant increase in credit risk for a loan.

Use of forward-looking information

Measurement of expected credit loss for each stage requires both information on events and current conditions as well as expected events and future economic conditions. Estimation and use of forward-looking information requires a high degree of discretionary judgement. Each macroeconomic scenario that is utilised includes a projection for a five-year period. Our estimate of expected credit loss in stage 1 and 2 is a probability-weighted average of three scenarios: base case, best case and worst case. The base scenario have been developed with a starting point in observed defaults and losses over the past three years, adjusted to a forward-looking estimate of the development that is slightly above the observed defaults and losses over the past 3 years.

Each macroeconomic scenario that is used includes a projection on a five-year period. Our estimate of expected credit loss in stage 1 and 2 is a probability-weighted average of three scenarios: Baseline, Upside and Downside. The baseline scenario has been developed with a basis in observed defaults and losses over the past three years, discretionally adjusted to an unbiased estimate of the development that lies somewhat over observed non-performance and loss over the last three years. The development in the Upside and Downside scenario is prepared with the help of adjustment factors where the development in economic situation is projected with the help of assumptions regarding how much the probability of default (PD) or loss given default (LGD) will increase or be reduced compared with the baseline scenario over a five-year period. A basis is taken in observations over the past 15 years, where Downside reflects the expected default and loss level in a crisis situation with PD and LGD levels that are applied in conservative stressed scenarios for other purposes in the bank's credit management.

In addition, assumptions with regard to repayment profile for exposures classified to stage 2 are also employed. A lower rate of repayment is assumed in the weakest scenario than in the other two scenarios.

The scenarios are weighted with a basis in our best estimate of the probability of the various outcomes represented. The estimates are updated quarterly and were as follows as per the estimates at 31 December 2019:

Portfolio	Base Case	Worst Case	Best Case
Retail Market	80%	10%	10%
Corporate excl. Agriculture and offshore	80%	10%	10%
Agriculture	75%	15%	10%
Offshore	70%	15%	15%

For the offshore portfolio, separate assessments are made with regard to probability of default under various scenarios and associated realisation values. In these assessments the various offshore segments – supply, subsea and seismic – have different scenario weights. Consistent assumptions are used with regard to expected developments in rates, utilisation levels and realisation values for vessels in the various scenarios where the vessels' current and expected contractual situation is assessed.

If the downside scenario's probability were doubled at the expense of the baseline scenario at the end of 2019, this would have entailed an increase in loss provisions of NOK 98 million for the parent bank and NOK 113 million for the group. A corresponding doubling of the upside scenario's probability at the expense of the baseline scenario at the end of 2019 would have entailed a reduction in loss provisions of NOK 21 million for the parent bank and NOK 22 million for the group.

Portfolio	Increase in accrual for losses when probability for worst case is double	Increase in accrual for losses when probability for worst case is 100 percent	Reduction in accrual for losses when probability for best case is double	Reduction in accrual for losses when probability for best case is 100 percent
Retail Market	27 mill	242 mill	-3 mill	-53 mill
Corporate excl. Agriculture and offshore	43 mill	393 mill	-8 mill	-114 mill
Agriculture	8 mill	49 mill	-1 mill	-14 mill
Offshore	20 mill	121 mill	-9 mill	-122 mill
Total Parent Bank	98 mill	805 mill	-21 mill	-255 mill
SpareBank 1 Finans Midt-Norge	16 mill	153 mill	-1 mill	-2 mill
Total Group	113 mill	958 mill	-22 mill	-257 mill

Determination of significant increase in credit risk:

The assessment of what constitutes a significant increase in credit risk requires a large degree of discretionary judgement. Movements between stage 1 and stage 2 are based on whether the instrument's credit risk on the balance sheet date has increased significantly relative to the date of first-time recognition. This assessment is done with a basis in the instrument's lifetime PD, and not expected losses. The assessment is done for each individual instrument. Our assessment is performed at least quarterly, based on three factors:

1. The bank uses both absolute and relative changes in PD as criteria for removal to stage 2. A change of more than 150% in PD is considered to be a significant change in credit risk. In addition, the PD must at minimum be more than 0.6 percentage points.
2. An additional quantitative assessment is made based on whether the exposure has a significantly increased credit risk if it is subject to special monitoring or forbearance.
3. In addition, customers with payments between 30-90 days overdue will in all cases be moved to stage 2.

If any of the above factors indicate that a significant increase in credit risk has occurred, the instrument is moved from stage 1 to stage 2.

See also note 2 on accounting principles and note 7 on risk factors.

Fair value of equity interests

Assets recognised at fair value through profit and loss will mainly be securities traded in an active market. An active market is defined as a market where homogeneous products are traded, where willing buyers and sellers are normally present at all times, and where prices are accessible to the general public. Shares quoted in a regulated market place fit in with the definition of an active market. A market with a large spread between bid and ask prices and where trading is quiet may pose a challenge. Some key shares will be based on in-house valuations, transaction prices or external analyses of the company. Such shares are valued using acknowledged valuation techniques. These include the use of discounted cash flows or comparative pricing where similar, listed, companies are used (multiple pricing) to determine the value of the unlisted company. Such valuations may be encumbered with uncertainty. Market values will in the main be based on valuations or the latest known trade in the share. Shares where fair value cannot be measured with reasonable security is continued at cost price.

Fair value of financial derivatives and other financial instruments

Fair value of derivatives is usually determined using valuation models where the price of the underlying, for example interest rates or exchange rates, is obtained in the market. When measuring financial instruments for which observable market data are not available, the Group makes assumptions regarding what market participants would use as the basis for valuing similar financial instruments. The valuations require extensive use of discretionary judgement inter alia when calculating liquidity risk, credit risk and volatility. Changes in these factors will affect the estimated fair value of the Group's financial instruments. For further information, see note 27 Measurement of fair value of financial instruments.

For options, volatilities will either be observed implicit volatilities or estimated volatilities based on historical movements in the price of the underlying instrument. In cases where the Bank's risk position is approximately neutral, middle rates will be used. "Neutral risk position" means for example that interest rate risk within a maturity band is virtually zero. Where market prices that are obtained are based on transactions with lower credit risk, this will be taken into account by amortising the original price difference measured against such transactions over the period to maturity.

Goodwill

The Group conducts tests to assess possible impairment of goodwill annually or in the event of indications of impairment. Assessment is based on the Group's value in use. The recoverable amount from cash-flow-generating units is determined by calculating discounted future cash flows. The cash flows are based on historical earnings and expectations of future factors and include suppositions and estimates of uncertain factors. The outcome of the impairment tests depends on estimates of discount rates which are set discretionarily based on information available on the balance sheet date.

Regarding goodwill related to Romsdals Fellesbank, the portfolio is regarded as integrated in the Bank's other lending and deposit operations, and, the lowest level for the cash generating unit is the segments Retail Market and Corporate Market. Goodwill has been allocated to the segments based on their share of the loan portfolio. A net cash flow is estimated based on earnings in the Bank's loan and deposit portfolio. A five-year cash flow prognosis have been developed using expected growth, and a terminal value without growth thereafter. Cash flows are discounted with a discount rate (before tax rate) of 2 per cent.

Calculations show that the value of discounted cash flows exceeds recognised goodwill by an ample margin.

Other goodwill in the Group is calculated based on average earnings in the market area and is discounted at the risk-free interest rate + the risk premium for similar businesses (12-14 per cent).

Acquisitions

Acquisition of another company is accounted for by the acquisition method. This method requires a full purchase price allocation (PPA) in which the purchase price is allocated to identified assets and liabilities in the acquired company. Excess values beyond those allocated to identified assets and liabilities are booked as goodwill. Any deficit values are, after careful assessment, recognised as income through profit/loss in the year of the acquisition (badwill). The analyses contain both concrete calculations and use of best judgement in arriving at the fairest possible value of the acquired companies at the time of acquisition. While some uncertainty invariably attends estimation items, they are supported by determinations of expected cash flows, comparable transactions in previous periods etc. See also note 40 on business acquisitions/business combinations.

Companies held for sale

SpareBank 1 SMN's strategy is that ownership resulting from defaulted exposures should at the outset be of brief duration, normally not longer than one year. Work on selling such companies is continuously ongoing, and for accounting purposes they are classified as held for sale. See also note 39 on investments in owner interests.

Sale of loan portfolios

In the sale of loan portfolios to Eksportfinans, SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, the Group considers whether the criteria for derecognition under IAS 39 are met. At the end of the accounting year all transferred portfolios were derecognised from the parent bank's balance sheet. See also note 10 on derecognition of financial assets.

Classification of hybrid capital

SpareBank 1 SMN has issued two hybrid capital instruments where the terms satisfy the requirements of CRD IV for inclusion in common equity tier 1 capital. As from 2017 these instruments are classified as equity in the financial statements since they do not meet the definition of financial liabilities under IAS 32. The instruments are perpetual and SpareBank 1 SMN is entitled not to pay interest to the investors. The interest is not presented as an expense in the income statement, but as a reduction in equity.

Note 4 - Segment information

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 2019

Profit and loss account (NOKm)	RM	CM	SB 1 Markets	EM 1	SB 1 Finans MN	SB 1 Regnskaps- huset SMN	SB 1 Gruppen	BN Bank	Un- collated	Total
Net interest	1,160	1,024	-17	-1	313	-0	-	-	207	2,687
Interest from allocated capital	211	147	-	-	-	-	-	-	-358	-
Total interest income	1,372	1,171	-17	-1	313	-0	-	-	-151	2,687
Commission income and other income	805	205	509	540	73	502	-	-	-345	2,290
Net return on financial investments **)	0	12	117	-	-	-	252	107	714	1,201
Total income	2,177	1,388	609	540	386	502	252	107	218	6,178
Total operating expenses	875	410	566	538	184	394	-	-	-169	2,797
Ordinary operating profit	1,302	978	43	1	202	108	252	107	386	3,380
Loss on loans, guarantees etc.	32	213	-	-	52	-	-	-	2	299
Result before tax including held for sale	1,279	838	43	1	150	108	252	107	384	3,081
Post-tax return on equity*)	13.1 %	11.7 %								13.7 %
Balance										
Loans and advances to customers	119,381	40,162	-	-	8,897	-	-	-	-663	167,777
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-40,122	-1,378	-	-	-	-	-	-	-0	-41,500
Allowance for credit losses	-119	-819	-	-	-56	-	-	-	-4	-998
Other assets	220	5,495	3,669	309	21	527	1,609	1,425	28,109	41,384
Total assets	79,360	43,460	3,669	309	8,861	527	1,609	1,425	27,442	166,662
Deposits to customers	41,639	42,756	-	-	-	-	-	-	1,522	85,917
Other liabilities and equity	37,721	704	3,669	309	8,861	527	1,609	1,425	25,920	80,745
Total liabilities and equity	79,360	43,460	3,669	309	8,861	527	1,609	1,425	27,442	166,662

Group 31 December 2018

Profit and loss account (NOKm)	SB 1									Total
	RM	CM	SB 1 Markets	EM 1	SB 1 Finans MN	SB 1 Regnskaps- huset SMN	SB 1 Gruppen	BN Bank	Un- collated	
Net interest	1,056	981	-14	-1	275	-0	-	-	105	2,403
Interest from allocated capital	177	129	-	-	-	-	-	-	-306	-
Total interest income	1,234	1,110	-14	-1	275	-0	-	-	-201	2,403
Commission income and other income	793	202	460	497	62	444	-	-	-282	2,177
Net return on financial investments **)	0	17	105	-	-	-	289	92	255	757
Total income	2,027	1,329	551	496	337	444	289	92	-228	5,337
Total operating expenses	804	373	536	519	155	373	-	-	-137	2,624
Ordinary operating profit	1,223	956	15	-23	182	71	289	92	-92	2,713
Loss on loans, guarantees etc.	17	212	-	-	34	-	-	-	0	263
Result before tax	1,206	744	15	-23	149	71	289	92	-92	2,450
Return on equity*)	13.2 %	11.3 %								12.2 %
Balance										
Loans and advances to customers	112,723	40,548	-	-	7,760	-	-	-	-714	160,317
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-38,189	-1,656	-	-	-	-	-	-	0	-39,844
Allowance for credit losses	-103	-594	-	-	-45	-	-	-	-2	-744
Other assets	121	4,261	2,258	276	9	394	1,569	1,238	30,850	40,975
Total assets	74,552	42,560	2,258	276	7,723	394	1,569	1,238	30,134	160,704
Deposits to customers	40,046	39,236	-	-	-	-	-	-	1,333	80,615
Other liabilities and equity	34,506	3,324	2,258	276	7,723	394	1,569	1,238	28,801	80,089
Total liabilities and equity	74,552	42,560	2,258	276	7,723	394	1,569	1,238	30,134	160,704

*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 15.0 percent to be in line with the capital plan per 31 December 2019

	31 Dec 2019	31 Dec 2018
**) Specification of net return on financial investments (NOKm)		
Dividends	15	8
Capital gains shares	120	96
Gain/(loss) on certificates and bonds	-20	-77
Gain/(loss) on derivatives	132	187
Gain/(loss) on financial instruments related to hedging***	-9	-4
Gain/(loss) on other financial instruments at fair value (FVO)	9	10
Foreign exchange gain/(loss)	22	63
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	54	58
Net return on financial instruments	307	334
SpareBank 1 Gruppen	252	289
Gain Fremtind Forsikring	460	-
SpareBank 1 Boligkreditt	26	-7
SpareBank 1 Næringskreditt	21	15
BN Bank	113	97
SpareBank 1 Kredittkort	13	23
SpareBank 1 Betaling	3	-12
Other companies	-8	12
Income from investment in associates and joint ventures	879	416
Total net return on financial investments	1,201	757
***) Fair value hedging		
Changes in fair value on hedging instrument	-66	-46
Changes in fair value on hedging item	56	42
Net Gain or Loss from hedge accounting	-9	-4

Note 5 - Capital adequacy and capital management

SpareBank 1 SMN utilises the Internal Rating Based Approach (IRB) for credit risk. Use of IRB imposes wide-ranging requirements on the bank's organisational set-up, competence, risk models and risk management systems. As from 31 March 2015 the bank has received permission to apply the Advanced IRB Approach to those corporate portfolios that were previously reported under the Basic Indicator Approach.

As of 31 December 2019 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3.0 per cent and the Norwegian countercyclical buffer is 2.5 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 12.5 per cent. In addition the financial supervisory authority has set a Pillar 2 requirement of 1.9 per cent for SpareBank 1 SMN, however not below NOK 1,794 million in monetary terms. As at 31 December 2019, 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 1.95 per cent. The overall minimum requirement as of 31 December 2019 has accordingly increased from 14.4 per cent to 14.45 per cent.

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. At the same point the countercyclical buffer was raised by 0.5 per cent to 2.5 per cent. The systemic risk buffer will rise to 4.5 per cent with effect from 31 December 2020.

The countercyclical buffer is calculated using differentiated rates. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. For the fourth quarter of 2019 both the parent bank and the group is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures.

Parts of the group's hybrid capital and subordinated debt were issued under earlier rules. This will be subject to a write-down of 60 per cent in 2018 and 70 per cent in 2019. As at 31 December 2019 the bank held hybrid capital worth NOK 287 million subject to write-down.

Parent Bank			Group	
31 Dec 2018	31 Dec 2019 (NOK million)		31 Dec 2019	31 Dec 2018
16,409	17,822	Total book equity	20,420	18,686
-1,000	-1,250	Additional Tier 1 capital instruments included in total equity	-1,293	-1,043
-533	-512	Deferred taxes, goodwill and other intangible assets	-1,099	-1,079
-1,034	-1,314	Deduction for allocated dividends and gifts	-1,314	-1,034
-	-	Non-controlling interests recognised in other equity capital	-761	-637
-	-	Non-controlling interests eligible for inclusion in CET1 capital	438	366
-31	-33	Value adjustments due to requirements for prudent valuation	-45	-44
-268	-305	Positive value of adjusted expected loss under IRB Approach	-351	-286
-	-	Cash flow hedge reserve	3	5
-163	-185	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-168	-206
13,381	14,222	Common equity Tier 1 capital	15,830	14,727
1,000	1,250	Additional Tier 1 capital instruments	1,637	1,378
367	275	Additional Tier 1 capital instruments covered by transitional provisions	275	367
14,748	15,747	Tier 1 capital	17,742	16,472
		Supplementary capital in excess of core capital		
1,750	1,750	Subordinated capital	2,240	2,316
96	12	Subordinated capital covered by transitional provisions	12	96
-140	-140	Deduction for significant investments in financial institutions	-140	-140
1,705	1,623	Additional Tier 2 capital instruments	2,113	2,272
16,453	17,370	Total eligible capital	19,854	18,743

Minimum requirements subordinated capital				
967	911	Specialised enterprises	1,101	1,116
1,156	1,139	Corporate	1,149	1,163
1,516	1,628	Mass market exposure, property	2,299	2,098
90	98	Other mass market	101	92
1,062	984	Equity investments	1	1
4,790	4,760	Total credit risk IRB	4,651	4,470
3	2	Central government	3	4
87	86	Covered bonds	132	124
390	419	Institutions	282	246
-	-	Local and regional authorities, state-owned enterprises	5	8
23	42	Corporate	239	221
73	22	Mass market	463	520
12	9	Exposures secured on real property	167	215
228	236	Equity positions	377	366
57	104	Other assets	151	107
873	918	Total credit risk standardised approach	1,818	1,810
30	31	Debt risk	34	31
-	-	Equity risk	15	7
-	-	Currency risk and risk exposure for settlement/delivery	3	3
370	407	Operational risk	720	575
39	29	Credit value adjustment (CVA)	115	122
-	-	Transitional arrangements	-	1,074
6,102	6,145	Minimum requirements subordinated capital	7,357	8,093
76,274	76,817	Risk weighted assets (RWA)	91,956	101,168
3,432	3,457	Minimum requirement on CET1 capital, 4.5 per cent	4,138	4,553
		Capital Buffers		
1,907	1,920	Capital conservation buffer, 2.5 per cent	2,299	2,529
2,288	2,305	Systemic risk buffer, 3.0 per cent	2,759	3,035
1,525	1,920	Countercyclical buffer, 2.5 per cent (2.0 per cent)	2,299	2,023
5,721	6,145	Total buffer requirements on CET1 capital	7,357	7,588
4,228	4,620	Available CET1 capital after buffer requirements	4,335	2,587
		Capital adequacy		
17.5 %	18.5 %	Common equity Tier 1 capital ratio	17.2 %	14.6 %
19.3 %	20.5 %	Tier 1 capital ratio	19.3 %	16.3 %
21.6 %	22.6 %	Capital ratio	21.6 %	18.5 %
		Leverage ratio		
153,395	161,905	Balance sheet items	230,048	216,240
7,110	6,830	Off-balance sheet items	7,897	9,086
-832	-851	Regulatory adjustments	-1,503	-1,474
159,673	167,885	Calculation basis for leverage ratio	236,441	223,853
14,748	15,747	Core capital	17,742	16,472
9.2 %	9.4 %	Leverage Ratio	7.5 %	7.4 %

Note 6 - Risk factors

Risk Management

SpareBank 1 SMN aims to maintain a moderate risk profile and to apply risk monitoring of such high quality that no single event will seriously impair the Group's financial position. The Group's risk profile is quantified through targets for rating, concentration, risk-adjusted return, loss ratios, expected loss, necessary economic capital, regulatory capital adequacy, and known and expected liquidity related regulatory requirements.

The principles underlying SpareBank 1 SMN's Risk Management are laid down in the risk management policy. The Group gives much emphasis to identifying, measuring, managing and monitoring central risks in such a way that the Group progresses in line with its adopted risk profile and strategies.

Risk management within the Group is intended to support the Group's strategic development and target attainment. The risk management regime is also designed to ensure financial stability and prudent asset management. This will be achieved through:

- A strong organisation culture featuring high risk-management awareness
- A sound understanding of the risks that drive earnings and risk costs, thereby creating a better basis for decision-making
- Striving for an optimal use of capital within the adopted business strategy
- Avoiding unexpected negative events which could be detrimental to the Group's operations and reputation in the market

The Group's risk is quantified by calculating expected loss and the need for risk-adjusted capital (economic capital) needed to meet unexpected losses.

Expected loss is the amount which statistically can be expected to be lost in a 12-month period. Risk-adjusted capital is the volume of capital the Group considers it needs to meet the actual risk incurred by the Group. The board has decided that the risk-adjusted capital should cover 99.9 per cent of all possible unexpected losses. Statistical methods are employed to compute expected loss and risk-adjusted capital, but the calculation requires expert assessments in some cases. In the case of risk types where no recognised methods of calculating capital needs are available, the Group defines risk management limits to ensure that the likelihood of an event occurring is extremely low. For further details see the Group's Pillar III reporting which is available on the Parent Bank's website.

The Group's overall risk exposure and risk trend are followed up through periodic risk reports to the administration and the board of directors. Overall risk monitoring and reporting are carried out by Risk Management which is independent of the Group's business areas.

Credit risk

Credit risk is the risk of loss resulting from the inability or unwillingness of customers or counterparties to honour their commitments to the Group.

The Group is exposed to credit risk through all customer and counterparty receivables. The main exposure is through ordinary lending and leasing activities, but the Group's credit risk also has a bearing on the liquidity reserve portfolio through counterparty risk arising from interest rate and foreign exchange derivatives.

Credit risk associated with the Group's lending activity is the largest area of risk facing the Group.

Through its annual review of the Parent Bank's credit strategy, the Board of Directors concretises the Group's risk appetite by establishing objectives and limits for the Parent Bank's credit portfolio. The Parent Bank's credit strategy and credit policy are derived from the Parent Bank's main strategy, and contain guidelines for the risk profile, including maximum expected loss (EL) for the retail market and corporate market divisions respectively, maximum portfolio default probability (PD) and maximum regulatory capital (UL) allocated to the credit business.

Concentration risk is managed by distribution between Retail Banking and Corporate Banking, limits on the size of loan and loss ratio on single exposures, limits on maximum exposure for the twenty largest grouped exposures, limits on maximum exposure to sectors, and limits on regulatory risk weighted assets for Retail Banking and Corporate Banking.

Compliance with credit strategy and limits adopted by the Board of Directors is monitored on a continual basis by Risk Management and reported quarterly to the Board of Directors.

The Parent Bank has approval to use internal models in its risk management and capital calculation (IRB), and in February 2015 was given permission to apply the advanced IRB approach.

The Parent Bank's risk classification system is designed to enable the Parent Bank's loan portfolio to be managed in conformity with the Parent Bank's credit strategy and to secure the risk-adjusted return. The Board of Directors delegates lending authorisation to the Group

CEO. The Group CEO can further delegate authorisations to levels below executive director level. Lending authorisations are graded by size of commitment and risk profile.

The Parent Bank has a division dedicated to credit support which assists in or takes over dealings with customers who are clearly unable, or are highly likely to become unable, to service their debts unless action is taken beyond ordinary follow-up.

The Group uses credit models for risk classification, risk pricing and portfolio management. The risk classification system builds on the following main components:

1. Probability of Default (PD)

The Group's credit models are based on statistical computations of probability of default. The calculations are based on scoring models that take into account financial position and behavioural data. The models are partly point-in-time oriented, and reflect the probability of default in the course of the next 12 months under current economic conditions. The Bank has also developed a cashflow based PD-model used for exposures in rental of commercial property. The Bank has applied Finanstilsynet to use this model in the calculation of capital requirements (IRB).

Customers are assigned to one of nine risk classes based on PD, in addition to two risk classes for exposures in default and/or subject to individual impairment write down.

The models are validated on an ongoing basis and at least once per year both with respect to their ability to rank customers and to estimate PD levels. The validation results confirm that the models' accuracy meets internal criteria and international recommendations.

2. Exposure at Default (EAD)

EAD is an estimation of the size of an exposure in the event of, and at the time of, a counterparty's default. For drawing rights, a conversion factor (CF) is used to estimate how much of the present unutilised credit ceiling will have been utilised at a future default date. For guarantees, CF is used to estimate what portion of issued guarantees will be brought to bear upon default. CF is validated monthly for drawing rights in the retail market and corporate market. The Group's EAD model takes account of differences both between products and customer types.

3. Loss Given Default (LGD)

The Group estimates the loss ratio for each loan based on expected recovery rate, realisable value of the underlying collateral, recovery rate on unsecured debt, as well as direct costs of recovery. Values are determined using standard models, and actual realised values are validated to test the models' reliability.

Estimated loss ratio shall take into account possible economic downturn. With limited downturn data, the Bank has entered significant margins in its calculations to ensure conservative estimates when calculating capital requirements.

The three above-mentioned parameters (PD, EAD and LGD) underlie the Group's portfolio classification and statistical calculation of expected loss (EL) and need for economic capital/risk-adjusted capital (UL).

Counterparty risk

Counterparty risk in derivatives trading is managed through ISDA and CSA contracts set up with financial institutions that are the Group's most used counterparties. ISDA contracts regulate settlements between financial counterparties. The CSA contracts limit maximum exposure through market evaluation of the portfolio and margin calls when the change in portfolio value exceeds the maximum agreed limit or threshold amount. The Group will continue to enter CSA contracts with financial counterparties to manage counterparty risk. See note 13 Financial Instruments and offsetting for further description of these contracts.

Counterparty risk for customers is hedged through use of cash depots or other collateral which, at all times, have to exceed the market value of the customer's portfolio. Specific procedures have been established for calling for further collateral or to close positions if market values exceed 80 per cent of the collateral.

SpareBank 1 Markets clears ordinary share trades executed at Oslo Børs through CCP settlements. The company is a direct clearing member of SIX X-Clear, and the counterparty risk is against SIX X-Clear.

Market risk

Market risk is a generic term for the risk of loss and reduction of future incomes as a result of changes in observable rates or prices of financial instruments. Market risk arises at SpareBank 1 SMN mainly in connection with the Group's investments in bonds, CDs and shares, including funding. SpareBank 1 SMN has outsourced customer trading in fixed income and foreign currency instruments to SpareBank 1 Markets. This customer activity, and SpareBank 1 Markets' use of the Parent Bank's balance sheet, also affect the Group's market risk.

Market risk is managed through limits for investments in shares, bonds and positions in the fixed income and currency markets. The Group's strategy for market risk lays the basis for management reporting, control and follow-up of compliance with limits and guidelines.

The Group defines limits on exposure to equity instruments with a basis in stress tests employed in Finanstilsynet's (Financial Supervisory Authority of Norway) models. Limits are reviewed at least once a year and adopted yearly by the Group's Board of Directors. Compliance with the limits is monitored by Risk Management and exposures relative to the adopted limits are reported monthly.

Interest rate risk is the risk of loss due to changes in interest rates in financial markets. The risk on all interest rate positions can be viewed in terms of the change in value of interest rate instruments resulting from a rate change of 1 percentage point on the yield curve for all balance sheet items. The Group utilises analyses showing the effect of this change for various maturity bands, with separate limits applying to interest rate exposure within each maturity band and across all maturity bands as a whole. Interest rate lock-ins on the Group's instruments are essentially short, and the Group's interest rate risk is low to moderate.

Spread risk is the risk of loss as a result of changes in market value/fair value of bonds due to general changes in credit spreads. The bond portfolio is managed based on an evaluation of the individual issuers. In addition, the Group has a separate limit for overall spread risk for all bonds. The Group calculates spread risk based on Finanstilsynet's module for market and credit risk. The loss potential for the individual credit exposure is calculated with a basis in rating and duration.

Exchange rate risk is the risk of loss resulting from exchange rate movements. The Group measures exchange rate risk on the basis of net positions in the various currencies. Limits on exchange rate risk are expressed in limits for the maximum aggregate foreign exchange position in individual currencies.

Equity risk is the risk of loss on positions as a result of changes in share prices. This risk is linked to positions in equity instruments as the underlying. Shares in subsidiaries and shares forming part of a consolidated or strategic assessment are not included.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to refinance its debt or unable to finance increases in its assets.

The Group's most important source of finance is customer deposits. At end-2019 the Group's ratio of deposits to loans was 51 per cent, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, compared with 50 per cent at end-2018 (Group).

The Group reduces its liquidity risk by diversifying funding across a variety of markets, funding sources, maturities and instruments, and by employing long-term funding. Excessive concentration of maturities heightens vulnerability with regard to refinancing. The Group seeks to mitigate such risk by applying defined limits.

The Parent Bank's finance division is responsible for the Group's financing and liquidity management. Compliance with limits is monitored by Risk Management which reports monthly to the Board of Directors. The Group manages its liquidity on an overall basis by assigning responsibility for funding both the Parent Bank and the subsidiaries to the finance division.

Governance is based in the Group's overall liquidity strategy which is reviewed and adopted by the board at least once each year. The liquidity strategy reflects the Group's moderate risk profile. As a part of the strategy, emergency 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. These take into account periods of both bank-specific and system-related crisis scenarios as well as a combination of the two. An aim of the Group is to survive for 12 months of ordinary operation without fresh external funding. This assumes that the Parent Bank can continue to sell eligible loans to SpareBank 1 Boligkreditt, and that there will at all times be sufficient capacity in the stock of loans to cover a house price fall of up to 30 per cent and thus to maintain funding through the mortgage credit company. It also intends to succeed in surviving for 30 days under the most extreme crisis scenario. In such a scenario only the Parent Bank's holding of highly liquid assets may be utilised.

Access to capital has been satisfactory throughout 2019.

The Group's liquidity situation as of 31 December 2019 is considered satisfactory.

Operational risk

Operational risk can be defined as the risk of loss resulting from:

- People: Breaches of routines/guidelines, inadequate competence, unclear policy, strategy or routines, internal irregularities
- Systems: Failure of IT- and other systems
- External causes: Criminality, natural disaster, other external causes

Operational risk is a risk category that captures the great majority of costs associated with quality lapses in the Group's current activity.

Management of operational risk has acquired increased importance in the financial industry in recent years. Contributory factors are internationalisation, strong technological development and steadily growing demands from customers, public authorities and other interest groups. Many substantial loss events in the international financial industry have originated in failures in this risk area.

Identification, management and control of operational risk are an integral part of managerial responsibility at all levels of SpareBank 1 SMN. Managers' most important aids in this work are professional insight and leadership skills along with action plans, control routines and good follow-up systems. A systematic programme of risk assessments also contributes to increased knowledge and awareness of current needs for improvement in one's own unit. Any weaknesses and improvements are reported to higher levels in the organisation.

SpareBank 1 SMN attaches importance to authorisation structures, good descriptions of procedures and clear definition of responsibilities in supply contracts between the respective divisions as elements in a framework for handling operational risk.

Management consider the Bank's IT –systems to be central for the operation, accounting and reporting of transactions in addition to providing the support for important estimates and calculations. The IT- systems are mainly standardised, and the management and operation has been outsourced to a service provider.

The Parent Bank has put to use a registration and monitoring tool (Risk Information System) for better structure and follow up of risk, events and areas for improvement in the Group.

Operational losses are reported to the Board of Directors. The Board of Directors receives each year from the internal audit and the statutory auditor an independent assessment of the Group's risk and of whether the internal control functions in an appropriate and adequate manner. The Board's assessment of the operational risk is moderate, including the risk related to the accounting and reporting process.

For further information see the Bank's Pilar III-report available at <https://www.sparebank1.no/en/smn/about-us/investor/financial-info/capital-adequacy.html> and notes:

Note 12: Maximum credit risk exposure

Note 14: Market risk related to interest rate risk

Note 15: Market risk related to currency exposure

Note 7 - Credit institutions - loans and advances

Parent Bank		Loans and advances to credit institutions (NOK million)	Group	
31 Dec 18	31 Dec 19		31 Dec 19	31 Dec 18
8,091	9,181	Loans and advances without agreed maturity or notice of withdrawal	2,110	1,987
3,087	-	- Loans and advances with agreed maturity or notice of withdrawal	0	3,087
11,178	9,181	Total	2,110	5,074
Specification of loans and receivables on key currencies				
17	7	CHF	7	17
770	1,010	EUR	1,010	770
95	89	GBP	89	95
19	0	ISK	0	19
36	1	JPY	1	36
10,071	7,985	NOK	943	4,007
78	67	SEK	31	33
84	12	USD	19	89
8	9	Other	9	8
11,178	9,181	Total	2,110	5,074
1.8 %	2.3 %	Average rate credit institutions	1.8 %	1.9 %

31 Dec 18	31 Dec 19	Deposits from credit institutions (NOK million)	31 Dec 19	31 Dec 18
7,338	7,299		8,567	8,006
1,208	287	Deposits with agreed maturity or notice of withdrawal	287	1,208
8,546	7,585	Total	8,853	9,214
Specification of deposits on key currencies				
9	10	DKK	10	9
1,604	343	EUR	343	1,604
-	19	JPY	19	-
6,904	7,143	NOK	8,411	7,572
13	14	SEK	14	13
12	50	USD	50	12
3	6	Other	6	3
8,546	7,585	Total	8,853	9,214
0.8 %	1.2 %	Average rate credit institutions	1.3 %	0.8 %

31 Dec 18	31 Dec 19	Other commitments to credit institutions (NOK million)	31 Dec 19	31 Dec 18
55	155		155	55
55	95	Financial guarantees	95	65
111	250	Total	250	121

Deposits from and loans to credit institutions with mainly floating interest.

The average interest rate is calculated based on the interest income/expense of the holding accounts' average balance for the given year. This is, however, limited to holdings in NOK denominated accounts.

Note 8 - Loans and advances to customers

Parent Bank			Group	
31 Dec 2018	31 Dec 2019	(NOK million)	31 Dec 2019	31 Dec 2018
113,356	117,970	Gross Loans	126,277	120,473
697	937	Write-downs for expected credit losses	998	744
112,659	117,033	Net loans to and advances to customers	125,279	119,728
Additional information				
38,062	39,833	Loans sold to SpareBank 1 Boligkreditt	39,833	38,062
614	608	- Of which loans to employees	1,061	1,013
1,782	1,667	Loans sold to SpareBank 1 Næringskreditt	1,667	1,782
48	43	Subordinated loan capital other financial institutions	43	48
888	998	Loans to employees ¹⁾	1,924	1,513

¹⁾ Interest rate subsidies on loans to employees are included in net interest income. The lending rate for employees is 75 per cent of the best mortgage rate for other customers

Loans and commitments specified by type

Parent Bank			Group	
31 Dec 2018	31 Dec 2019	Loans and commitments specified by type (NOK million)	31 Dec 2019	31 Dec 2018
Gross loans and advances				
-	-	- Financial lease	5,849	2,934
13,657	13,222	Bank overdraft and operating credit	12,588	13,056
3,761	3,161	Construction loans	3,161	3,761
95,937	101,587	Amortizing loan	104,680	100,722
113,356	117,970	Total gross loans to and receivables from customers	126,277	120,473
Other commitments				
4,009	4,538	Financial guarantees, of which:	4,538	4,009
699	1,064	Payment guarantees	1,064	699
1,125	1,108	Performance guarantees	1,108	1,125
1,960	1,172	Loan guarantees	1,172	1,960
85	100	Guarantees for taxes	100	85
141	1,093	Other guarantee commitments	1,093	141
918	998	Unutilised guarantee commitments	998	918
16,186	16,781	Unutilised credits	16,796	16,202
1,582	1,597	Loans approvals (not discounted)	1,692	1,706
40	12	Documentary credits	12	40
22,736	23,925	Total other commitments	24,036	22,875
136,092	141,895	Total loans and commitments	150,313	143,348

Loans and other commitments specified by sector and industry

Parent Bank (NOK million)	31 Dec 2019			31 Dec 2018		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Wage earners	69,711	5,669	75,380	65,475	6,021	71,496
Public administration	2	513	515	44	603	647
Agriculture, forestry, fisheries and hunting	13,203	943	14,146	12,362	1,453	13,815
Sea farming industries	833	766	1,599	869	798	1,667
Manufacturing	2,212	3,069	5,282	3,438	2,379	5,818
Construction, power and water supply	3,157	2,707	5,864	2,947	2,951	5,898
Retail trade, hotels and restaurants	2,181	2,379	4,561	2,335	2,136	4,471
Maritime sector and offshore	4,660	3,227	7,887	4,227	2,560	6,787
Property management	13,133	855	13,988	13,324	1,029	14,353
Business services	2,445	874	3,319	2,531	931	3,462
Transport and other services provision	4,542	2,420	6,962	4,145	1,395	5,540
Other sectors	1,890	503	2,393	1,658	481	2,138
Total	117,970	23,925	141,895	113,356	22,736	136,092

Group (NOK million)	31 Dec 2019			31 Dec 2018		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Wage earners	75,203	5,728	80,932	70,070	6,094	76,163
Public administration	12	513	525	55	603	658
Agriculture, forestry, fisheries and hunting	13,558	947	14,505	12,686	1,458	14,144
Sea farming industries	1,132	769	1,901	1,180	803	1,983
Manufacturing	2,595	3,073	5,668	3,787	2,385	6,172
Construction, power and water supply	3,970	2,716	6,686	3,661	2,962	6,623
Retail trade, hotels and restaurants	2,517	2,392	4,908	2,621	2,140	4,761
Maritime sector and offshore	4,660	3,227	7,887	4,227	2,560	6,787
Property management	13,211	856	14,067	13,386	1,030	14,416
Business services	2,146	877	3,023	2,162	943	3,105
Transport and other services provision	5,409	2,435	7,844	4,961	1,416	6,377
Other sectors	1,863	503	2,367	1,679	481	2,160
Total	126,277	24,036	150,313	120,473	22,875	143,348

Loans and other commitments specified by geographic area

Parent Bank (NOK million)	31 Dec 2019			31 Dec 2018		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Trøndelag	76,405	13,927	90,331	74,312	13,820	88,132
Møre og Romsdal	24,428	8,504	32,932	23,993	7,051	31,044
Sogn og Fjordane	691	40	731	819	209	1,028
Nordland	1,158	40	1,198	984	47	1,031
Oslo	6,686	553	7,240	5,592	759	6,352
Rest of Norway	8,253	849	9,102	7,148	818	7,966
Abroad	349	13	362	507	31	538
Total	117,970	23,925	141,895	113,356	22,736	136,092

Group (NOK million)	31 Dec 2019			31 Dec 2018		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Trøndelag	79,487	13,976	93,462	77,102	13,881	90,983
Møre og Romsdal	26,113	8,522	34,635	25,495	7,075	32,570
Sogn og Fjordane	1,159	45	1,204	1,262	216	1,477
Nordland	1,296	42	1,337	1,097	49	1,145
Oslo	6,276	555	6,831	5,151	762	5,913
Rest of Norway	11,597	884	12,481	9,859	861	10,720
Abroad	349	13	362	507	31	538
Total	126,277	24,036	150,313	120,473	22,875	143,348

Gross loans sold to SpareBank 1 Boligkreditt

(NOK million)	31 Dec 2019			31 Dec 2018		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Trøndelag	29,451	1,822	31,274	28,208	1,938	30,145
Møre og Romsdal	5,844	426	6,270	5,790	453	6,244
Sogn og Fjordane	341	14	355	323	14	337
Nordland	179	6	185	157	6	163
Oslo	1,619	56	1,675	1,516	60	1,575
Rest of Norway	2,352	94	2,446	2,007	88	2,096
Abroad	45	1	46	60	1	61
Total	39,833	2,419	42,252	38,062	2,560	40,621

Gross loans sold to SpareBank 1 Næringskreditt

(NOK million)	31 Dec 2019			31 Dec 2018		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Trøndelag	1,081	0	1,081	862	0	862
Møre og Romsdal	60	0	60	158	0	158
Sogn og Fjordane	0	0	0	0	0	0
Nordland	59	0	59	63	0	63
Oslo	419	0	419	650	0	650
Rest of Norway	48	0	48	50	0	50
Abroad	0	0	0	0	0	0
Total	1,667	0	1,667	1,782	0	1,782

Loans to and claims on customers related to financial leases (NOK million)

Group (NOK million)	31 Dec 2019	31 Dec 2018
Gross advances related to financial leasing		
- Maturity less than 1 year	129	118
- Maturity more than 1 year and less than 5 years	2,184	2,070
- Maturity more than 5 years	823	827
Total gross claims	3,135	3,015
Received income related to financial leasing, not yet earned	87	81
Net investments related to financial leasing	3,048	2,934
Net investments in financial leasing can be broken down as follows:		
- Maturity less than 1 year	121	110
- Maturity more than 1 year and less than 5 years	2,118	2,009
- Maturity more than 5 years	809	815
Total net claims	3,048	2,934

Loans and other commitments to customers specified by risk group

The Bank calculates default probabilities for all customers in the loan portfolio at the loan approval date. This is done on the basis of key figures on earnings, financial strength and behaviour. Default probability is used as a basis for risk classification of the customer. Further, risk classification is used to assign each customer to a risk group. See note 12 on credit risk exposure for each internal risk rating.

Customers are rescored in the Bank's portfolio system on a monthly basis.

Other commitments include guarantees, unutilised credit lines and letters of credit.

Exposures are monitored with a basis in the exposure's size, risk and migration. Risk pricing of business exposures is done with a basis in expected loss and economic capital required for each exposure.

The Bank uses macro-based stress tests to estimate write-downs required as a result of objective events that were not reflected in portfolio quality at the time of measurement.

Risk group default and written down consist of customers default by over 90 days and or objective evidence of impairment leading to reduced cash flows from the customer. See note 2 Accounting principles for further description of such exposures.

Parent Bank 31 Dec 2019 (NOK million)	Neither default or impaired					Default and written down	Total
	Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Gross Loans							
Fair value over OCI	56,284	8,904	3,536	977	1,230	405	71,336
Stage 1	56,284	7,839	1,480	306	200	-	66,109
Stage 2	-	1,065	2,056	671	1,030	-	4,822
Stage 3	-	-	-	-	-	405	405
Amortised cost	20,473	7,922	10,468	1,135	408	1,552	41,957
Stage 1	20,448	7,359	7,512	705	102	-	36,126
Stage 2	25	563	2,956	430	306	-	4,279
Stage 3	-	-	-	-	-	1,552	1,552
Fair value over Profit and Loss	3,940	490	152	49	36	10	4,677
Total Gross Loans	80,697	17,316	14,156	2,161	1,674	1,967	117,970
Other Commitments	13,232	3,926	4,672	932	157	1,005	23,925
Stage 1	13,232	3,244	3,663	807	68	-	21,014
Stage 2	-	682	1,009	126	90	-	1,907
Stage 3	-	-	-	-	-	1,005	1,005
Total loans and other commitments	93,929	21,242	18,829	3,093	1,831	2,972	141,895

Parent Bank 31 Dec 2018 (NOK million)	Neither default or impaired					Default and written down	Total
	Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Gross Loans							
Fair value over OCI	50,134	7,035	2,542	598	801	242	61,353
Stage 1	50,134	6,212	1,051	139	94	-	57,630
Stage 2	-	823	1,491	459	707	-	3,480
Stage 3	-	-	-	-	-	242	242
Amortised cost	22,009	9,228	11,070	2,582	1,347	1,300	47,536
Stage 1	21,984	8,323	8,074	1,305	141	-	39,828
Stage 2	25	905	2,996	1,277	1,205	-	6,408
Stage 3	-	-	-	-	-	1,300	1,300
Fair value over Profit and Loss	3,785	468	152	23	39	-	4,467
Total Gross Loans	75,928	16,731	13,765	3,203	2,186	1,543	113,356
Other Commitments	11,749	4,445	5,018	540	201	783	22,736
Stage 1	11,749	3,715	3,305	303	24	-	19,096
Stage 2	-	729	1,713	237	177	-	2,857
Stage 3	-	-	-	-	-	783	783
Total loans and other commitments	87,677	21,176	18,783	3,743	2,387	2,326	136,092

Group 31 Dec 2019 (NOK million)	Neither default or impaired					Default and written own	Total
	Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Gross Loans							
Fair value over OCI	56,284	8,904	3,536	977	1,230	405	71,336
Stage 1	56,284	7,839	1,480	306	200	-	66,109
Stage 2	-	1,065	2,056	671	1,030	-	4,822
Stage 3	-	-	-	-	-	405	405
Amortised cost	19,924	9,363	16,424	1,845	1,003	1,704	50,264
Stage 1	19,899	8,798	13,136	998	201	-	43,031
Stage 2	25	565	3,288	848	803	-	5,528
Stage 3	-	-	-	-	-	1,704	1,704
Fair value over Profit and Loss	3,940	490	152	49	36	10	4,677
Total Gross Loans	80,148	18,757	20,112	2,871	2,269	2,119	126,277
Other Commitments	13,234	3,941	4,753	940	164	1,005	24,036
Stage 1	13,234	3,259	3,739	807	68	-	21,106
Stage 2	-	682	1,014	133	96	-	1,926
Stage 3	-	-	-	-	-	1,005	1,005
Total loans and other commitments	93,382	22,698	24,864	3,811	2,433	3,124	150,313

Group 31 Dec 2018 (NOK million)	Neither default or impaired					Default and written down	Total
	Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Gross Loans							
Fair value over OCI	50,134	7,035	2,542	598	801	242	61,353
Stage 1	50,134	6,212	1,051	139	94	-	57,630
Stage 2	-	823	1,491	459	707	-	3,480
Stage 3	-	-	-	-	-	242	242
Amortised cost	21,662	10,576	16,028	3,191	1,755	1,441	54,653
Stage 1	21,637	9,668	12,740	1,608	209	-	45,863
Stage 2	25	908	3,287	1,583	1,546	-	7,349
Stage 3	-	-	-	-	-	1,441	1,441
Fair value over Profit and Loss	3,785	468	152	23	39	-	4,467
Total Gross Loans	75,581	18,079	18,722	3,812	2,595	1,683	120,473
Other Commitments	11,754	4,466	5,114	550	208	783	22,875
Stage 1	11,754	3,737	3,305	303	24	-	19,123
Stage 2	-	729	1,808	247	184	-	2,969
Stage 3	-	-	-	-	-	783	783
Total loans and other commitments	87,334	22,546	23,836	4,362	2,803	2,466	143,348

Gross loans and commitments sold to SpareBank 1 Boligkreditt

(NOK million)	31 Dec 2019			31 Dec 2018		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Lowest risk	34,808	2,410	37,217	33,532	2,551	36,083
Low risk	3,457	7	3,464	3,175	6	3,181
Medium risk	1,075	1	1,076	867	1	868
High risk	208	0	208	279	1	279
Highest risk	267	1	268	196	0	197
Default and written down	18	0	18	12	1	13
Total	39,833	2,419	42,252	38,061	2,560	40,621

Gross loans and commitments sold to SpareBank 1 Næringskreditt

(NOK million)	31 Dec 2019			31 Dec 2018		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Lowest risk	1,667	0	1,667	1,496	0	1,496
Low risk	0	0	0	0	0	0
Medium risk	0	0	0	287	0	287
High risk	0	0	0	0	0	0
Highest risk	0	0	0	0	0	0
Default and written down	0	0	0	0	0	0
Total	1,667	0	1,667	1,782	0	1,782

Note 9 - Derecognition of financial assets

In its ordinary business the Bank undertakes transactions that result in the sale of financial assets. The Bank transfers such financial assets mainly through sales of customers' home mortgage loans to SpareBank 1 Boligkreditt or commercial property loans to SpareBank 1 Næringskreditt.

Payment received for loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt corresponds to book value and is deemed to equal the loans' fair value at the time of sale.

In accordance with the management agreement with the above mortgage companies, the Bank is responsible for management of the loans and maintains customer contact. The Bank receives payment in the form of commission for the obligations ensuing from management of the loans.

The above mortgage companies can sell the loans bought from the Bank, while the Bank's right to service the customers and receive commission continues to apply. Should the Bank be unable to service customers, its right to service and commission may lapse. The Bank may have the option to repurchase the loans under given conditions.

If the mortgage companies incur losses on purchased loans, they have a certain right to settle such loss against commissions from all banks that have sold the loans. Hence a limited residual involvement exists related to sold loans in the event of a possible limited settlement of loss against commission. However, this opportunity of settlement is not considered to be of such a nature as to alter the conclusion that the great majority of risk and advantages is transferred. The Bank's maximum exposure to loss is represented by the highest amount reimbursable under the agreements.

The Bank has considered the accounting implications such that great majority of risk and advantages related to the sold loans is transferred to the mortgage companies. This entails full derecognition of sold loans. The Bank recognises all right and obligations that are created or retained in connection with the sale separately as assets or liabilities.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt AS is owned by savings banks participating in the SpareBank 1 Alliance. The Bank has a stake of 20.89 per cent as of 31 December 2019 (20.69 per cent as of 31 December 2018). SpareBank 1 Boligkreditt AS acquires loans secured on dwellings and issues covered bonds within the applicable rules that were established in 2007. Loans sold to SpareBank 1 Boligkreditt are secured on dwellings at up to 75 per cent of property valuation. Sold loans are legally owned by SpareBank 1 Boligkreditt and the Bank has, over and above the right to be responsible for management and receipt of commission, and the right to take over written-down loans in whole or in part, no right to make use of the loans. The Bank is responsible for management of the sold loans and receives commission based on the net of the return on the loans that the Bank has sold and the mortgage company costs.

In 2019 mortgage loans were bought and sold to a net value of NOK 1.7bn (3.1bn in 2018) to SpareBank 1 Boligkreditt. In total, mortgage loans to SpareBank 1 Boligkreditt were derecognised in an amount of NOK 39.8bn at the end of the financial year (NOK 38.0bn in 2018).

Liquidity facility

SpareBank 1 SMN has, together with the other owners of SpareBank 1 Boligkreditt, entered an agreement for the establishment of a liquidity facility for SpareBank 1 Boligkreditt. Under this agreement the Banks undertake to purchase covered bonds issued by the mortgage company limited to the overall value of amounts falling due over the next 12 months at SpareBank 1 Boligkreditt.

The liability is limited to the mortgage company's obligation to redeem issued covered bonds after the company's own holding of liquidity at the due date is subtracted. Each owner is liable principally for its share of the need, subsidiarily for twice the primary liability under the same agreement. The bonds may be deposited in Norges Bank and therefore entail no significant increase in risk for the Bank. Under its liquidity strategy, SpareBank 1 Boligkreditt holds liquidity in compliance with the Net Stable Funding Ratio requirements. This liquidity reserve is taken into account in assessing the Banks' liability. Hence it is only in cases where the company no longer has sufficient liquidity to meet amounts falling due over the next 12 months that the Bank will report any exposure in this regard.

Financial strength

Together with the other owners of SpareBank 1 Boligkreditt, SpareBank 1 SMN has also entered an agreement to ensure that SpareBank 1 Boligkreditt has at all times a common equity Tier 1 capital ratio of at least 9 per cent. The shareholders are required to supply sufficient core capital within 3 months of receiving a written request to do so, unless other initiatives are taken to reduce the capital need.

The shareholders' undertaking to supply such core capital is on a pro rata rather than a solitary basis, and is based on each shareholder's pro rata portion of the shares of SpareBank 1 Boligkreditt. Each owner is liable principally for its share of the need, subsidiarily for twice

the primary liability under the same agreement. At year-end the company has about 25.7 per cent own funds, of which about 22.9 per cent is core capital. Viewed in light of the mortgage company's very low risk profile, the Bank considers it unlikely that capital will be called up under this agreement and has opted not to maintain reserves to that end.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt AS is owned by savings banks in the SpareBank 1 Alliance. The Bank has a stake of 31.01 per cent as at 31.12.2019 (32.97 per cent as at 31.12.2018). SpareBank 1 Næringskreditt AS acquires loans secured on dwellings and issues covered bonds within the applicable rules that were established in 2007. Loans sold to SpareBank 1 Næringskreditt are secured on commercial property at up to 60 per cent of property valuation. Sold loans are legally owned by SpareBank 1 Næringskreditt and the Bank has, over and above the right to be responsible for management and receipt of commission, and the right to take over written-down loans in whole or in part, no right to make use of the loans. The Bank is responsible for management of the sold loans and receives commission based on the net of the return on the loans that the Bank has sold and the mortgage company costs.

Commercial property loans sold to SpareBank 1 Næringskreditt were reduced by NOK 115m in 2018 (reduced by NOK 45m in 2018). In total, mortgage loans to SpareBank 1 Næringskreditt were derecognised in an amount of NOK 1.7bn by the end of the financial year (NOK 1,8bn in 2018).

Liquidity facility As described above with regard to SpareBank 1 Boligkreditt, a similar agreement has been entered with SpareBank 1 Næringskreditt.

Financial strength

An agreement to secure a core capital ratio of at least 9 per cent at SpareBank 1 Næringskreditt has been similarly entered into. See the above account concerning SpareBank 1 Boligkreditt.

Note 10 - Losses on loans and guarantees

Parent Bank	2019			2018		
	RM	CM	Total	RM	CM	Total
Losses on loans and guarantees (NOK million)						
Change in provision for expected credit losses for the period	28	205	234	18	126	144
Actual loan losses on commitments exceeding provisions made	10	9	19	6	86	93
Recoveries on commitments previously written-off	-7	-1	-8	-7	-1	-8
Losses for the period on loans and guarantees	32	213	245	17	212	229

Group	2019			2018		
	RM	CM	Total	RM	CM	Total
Losses on loans and guarantees (NOK million)						
Change in provision for expected credit losses for the period	34	212	246	23	127	150
Actual loan losses on commitments exceeding provisions made	40	22	62	30	98	127
Recoveries on commitments previously written-off	-6	-2	-8	-13	-1	-15
Losses for the period on loans and guarantees	68	231	299	40	223	263

Expected credit loss for loans to credit institutions and central bank have been calculated, but the amount is immaterial and therefore not included in the provision.

Contractual amount outstanding on financial assets that were written off during 2019, and still subject to enforcement activities amount to NOK 243 million kroner for the Bank and NOK 303 million for the group.

Parent Bank (NOK million)	1 Jan 2019	Change in provision	Net write-offs/ recoveries	31 Dec 2019
Loans at amortised cost-CM	742	201	-27	916
Loans at 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 (NOK million)	1 Jan 2019	Change in provision	Net write-offs/ recoveries	31 Dec 2019
Loans as amortised cost- CM	766	212	-31	948
Loans as amortised cost- RM	68	0	-5	63
Loans at fair value over OCI- RM	75	34	-	109
Loans at fair value over OCI- CM		1	-	1
Provision for expected credit losses on loans and guarantees	909	248	-36	1,121
Presented as				
Provision for loan losses	744	290	-32	937
Other debt- provisions	148	-48	-	100
Other comprehensive income - fair value adjustment	17	6	-	23

Parent Bank (NOKm)	1 Jan 2018	Change in provision	Net write-offs/ recoveries	31 Dec 2018
Loans as amortised cost- CM	1,017	125	-400	742
Loans as amortised cost- RM	32	28	-15	45
Loans at fair value over OCI- RM	65	10	-	75
Provision for expected credit losses on loans and guarantees	1,114	163	-415	862
Presented as				
Provision for loan losses	1,027	86	-415	697
Other debt- provisions	68	80	-	148
Other comprehensive income - fair value adjustment	18	-2	-	17

Group (NOKm)	1 Jan 2018	Change in provision	Net write-offs/ recoveries	31 Dec 2018
Loans as amortised cost- CM	1,041	128	-402	766
Loans as amortised cost- RM	49	34	-15	68
Loans at fair value over OCI- RM	65	10	-	75
Provision for expected credit losses on loans and guarantees	1,155	171	-417	909
Presented as				
Provision for loan losses	1,068	93	-417	744
Other debt- provisions	68	80	-	148
Other comprehensive income - fair value adjustment	18	-2	-	17

Development in allowance for credit losses during the period

Parent bank	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail Market								
Opening Balance 1 January	27	62	31	120	19	45	34	97
Provision for credit losses								
Transfer to (from) stage 1	10	-10	-0	-	7	-7	-0	-
Transfer to (from) stage 2	-2	2	-0	-	-1	1	-0	-
Transfer to (from) stage 3	-0	-3	3	-	-0	-2	2	-
Net remeasurement of loss allowances	-11	24	18	30	-7	16	12	21
Originations or purchases	13	17	1	31	18	25	0	43
Derecognitions	-11	-20	-1	-33	-8	-17	-1	-26
Actual loan losses			-5	-5			-15	-15
Closing balance 31 December	25	73	45	143	27	62	31	120
Corporate Market								
Opening Balance 1 January	64	148	382	594	63	150	735	948
Provision for credit losses								
Transfer to (from) stage 1	19	-19	-0	-	23	-23	-	-
Transfer to (from) stage 2	-8	8	-	-	-4	4	-0	-
Transfer to (from) stage 3	-0	-0	1	-	-0	-1	1	-
Net remeasurement of loss allowances	-17	98	185	266	-22	34	50	62
Originations or purchases	27	20	1	48	28	49	0	77
Derecognitions	-20	-43	-0	-63	-24	-66	-4	-94
Actual loan losses	-	-	-27	-27			-400	-400
Closing balance 31 December	66	210	541	817	64	148	382	594
Total Allowance for credit losses	91	283	586	961	91	210	413	714

Development in Gross loans from Opening to Closing balance

Parent bank	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail marked								
Opening Balance 1 January	65,403	4,366	320	70,089	60,278	4,159	344	64,782
Transfer to (from) stage 1	893	-877	-15	-	974	-974	-	-
Transfer to (from) stage 2	-1,846	1,872	-25	-	-1,457	1,463	-6	-
Transfer to (from) stage 3	-60	-135	195	-	-35	-101	136	-
Net increase/(decrease) amount existing loans	-1,843	-123	-21	-1,986	-2,654	-458	-170	-3,282
New loans	43,549	1,588	178	45,315	35,775	765	36	36,576
Derecognitions	-37,048	-1,560	-133	-38,742	-27,477	-487	-9	-27,973
Financial assets with actual loan losses	-2	-1	-12	-14	-1	-	-12	-13
Closing balance 31 December	69,045	5,129	487	74,661	65,403	4,366	320	70,088
Corporate								
Opening Balance 1 January	32,055	5,521	1,223	38,800	30,796	5,771	1,215	37,782
Transfer to (from) stage 1	1,586	-1,561	-26	-	1,256	-1,256	-	-
Transfer to (from) stage 2	-1,405	1,446	-41	-	-1,180	1,181	-1	-
Transfer to (from) stage 3	-8	-227	234	-	-423	70	353	-
Net increase/(decrease) amount existing loans	-1,638	-91	-7	-1,736	-2,519	-38	166	-2,391
New Loans	11,323	205	319	11,848	10,445	1,373	142	11,960
Derecognitions	-8,723	-1,319	-203	-10,244	-6,319	-1,579	-623	-8,521
Financial assets with actual loan losses	-	-5	-30	-35	-	-1	-29	-30
Closing balance 31 December	33,190	3,969	1,469	41,431	32,055	5,521	1,223	38,800
Loans at fair value through profit and loss				4,677				4,467
Total Gross Loans	102,235	9,101	1,957	117,970	97,458	9,888	1,543	113,356

Development in allowance for credit losses during the period

Group	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail Market								
Opening Balance 1 January	33	71	39	143	24	52	38	114
Provision for credit losses								
Transfer to (from) stage 1	12	-11	-0	-	8	-8	-0	-
Transfer to (from) stage 2	-2	4	-1	-	-2	2	-0	-
Transfer to (from) stage 3	-0	-3	4	-	-0	-3	3	-
Net remeasurement of loss allowances	-14	24	22	32	-8	17	16	25
Originations or purchases	17	23	3	44	21	28	2	51
Derecognitions	-13	-23	-5	-41	-9	-18	-5	-32
Actual loan losses	-	-	-5	-5	-	-	-15	-15
Closing balance 31 December	32	84	56	172	33	71	39	142
Corporate Market								
Opening Balance 1 January	70	152	397	619	68	154	749	970
Provision for credit losses								
Transfer to (from) stage 1	20	-20	-0	-	23	-23	-	-
Transfer to (from) stage 2	-9	9	-	-	-5	5	-0	-
Transfer to (from) stage 3	-0	-1	1	-	-0	-1	1	-
Net remeasurement of loss allowances	-19	100	188	268	-24	35	55	67
Originations or purchases	30	21	7	59	29	50	1	80
Derecognitions	-20	-44	-2	-66	-24	-67	-7	-98
Actual loan losses	-	-	-31	-31	-	-	-402	-400
Closing balance 31 December	71	218	560	849	68	152	396	619
Total Allowance for credit losses	104	302	616	1,021	101	223	435	761

Development in Gross loans from Opening to Closing balance

Group	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail marked								
Opening Balance 1 January	69,736	4,951	385	75,073	62,604	4,725	439	67,767
Transfer to (from) stage 1	1,053	-1,033	-19	-	1,118	-1,074	-44	-
Transfer to (from) stage 2	-2,184	2,217	-33	-	-1,594	1,602	-8	-
Transfer to (from) stage 3	-83	-164	248	-	-15	-124	138	-
Net increase/(decrease) amount existing loans	-2,867	-277	-31	-3,175	-2,024	-539	-140	-2,703
New Loans	45,617	1,901	196	47,715	37,832	945	49	38,826
Derecognitions	-37,596	-1,669	-165	-39,430	-28,183	-584	-36	-28,803
Financial assets with actual loan losses	-2	-1	-12	-14	-1	-	-12	-13
Closing balance 31 December	73,675	5,924	570	80,169	69,737	4,951	386	75,073
Corporate								
Opening Balance 1 January	33,897	5,881	1,299	41,076	33,682	6,130	1,214	41,025
Transfer to (from) stage 1	1,659	-1,631	-28	-	1,321	-1,317	-4	-
Transfer to (from) stage 2	-1,681	1,736	-55	-	-1,363	1,368	-5	-
Transfer to (from) stage 3	-42	-237	279	-	-449	52	397	-
Net increase/(decrease) amount existing loans	-1,682	-164	-22	-1,868	-4,064	-145	213	-3,997
New Loans	12,682	260	326	13,269	11,135	1,404	148	12,686
Derecognitions	-9,367	-1,414	-230	-11,011	-6,503	-1,611	-637	-8,751
Financial assets with actual loan losses	-	-5	-30	-35	-	-1	-29	-30
Closing balance 31 December	35,466	4,426	1,539	41,431	33,758	5,879	1,296	40,933
Loans at fair value through profit and loss				4,677				4,467
Total Gross Loans	109,140	10,350	2,110	126,277	103,494	10,829	1,682	120,473

Provision for credit losses on guarantees and unused credit lines

Parent Bank and Group	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening Balance 1 January	11	47	90	148	13	49	7	70
Provision for credit losses								
Transfer to (from) stage 1	3	-3	-0	-	2	-2	-0	-
Transfer to (from) stage 2	-1	1	-	-	-1	1	-0	-
Transfer to (from) stage 3	-0	-0	0	-	-0	-0	0	-
Net remeasurement of loss allowances	-2	3	-33	-33	-3	12	83	92
Originations or purchases	7	1	0	8	6	3	0	9
Derecognitions	-3	-20	-0	-24	-6	-17	-0	-23
Closing balance 31 December	10	34	57	100	11	47	90	148
of which								
RM				2				2
CM				98				147

Provision for credit losses specified by sector and industry¹⁾

Parent	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Wage earners	25	53	29	107	20	44	24	88
Public administration	0	-	0	0	0	-	-	0
Agriculture, forestry, fisheries and hunting	4	23	7	34	8	16	5	30
Fish farming	1	0	-	1	1	0	-	1
Industry and mining	6	10	5	22	9	20	0	29
Building and construction, power and water supply	14	7	14	35	11	11	21	43
Wholesale and retail trade, hotel og restaurant industry	12	8	15	34	14	8	11	33
Maritime sector and offshore	9	114	527	649	4	84	378	465
Property management	16	45	23	84	19	37	20	76
Business services	8	53	22	83	7	31	21	59
Transport and other services provision	5	4	2	12	9	5	2	16
Other sectors	0	0	0	0	0	0	22	22
Total	101	316	644	1,061	102	257	503	861

Provision for credit losses specified by sector and industry¹⁾

Group	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Wage earners	31	63	40	134	25	52	33	109
Public administration	0	-	0	0	0	-	-	0
Agriculture, forestry, fisheries and hunting	5	24	7	36	9	18	6	33
Fish farming	1	0	-	1	1	1	-	2
Industry and mining	7	13	9	29	9	21	3	34
Building and construction, power and water supply	16	9	17	41	12	13	24	49
Wholesale and retail trade, hotel og restaurant industry	12	9	15	36	15	8	12	35
Maritime sector and offshore	9	114	527	649	4	84	378	465
Property management	17	45	23	85	19	37	20	76
Business services	9	54	26	88	8	31	23	62
Transport and other services provision	6	6	7	19	10	6	6	23
Other sectors	0	0	0	0	0	0	22	22
Total	113	335	671	1,120	112	271	526	909

¹⁾Provision for credit losses specified by sector includes provision for losses on guarantees and unused credit lines

Note 11 - Credit risk exposure for each internal risk rating

The Bank uses a special classification system for monitoring credit risk in the portfolio. Risk classification is based on each individual exposure's probability of default. In the table below this classification is collated with corresponding rating classes at Moody's.

Historical default data are Parent Bank figures showing the default ratio (DR) per credit quality step. The figures are an unweighted average of customers with normal scores in the period 2010-2019.

Collateral cover represents the expected realisation value (RE value) of underlying collaterals. The value are determined using fixed models, and actual realisation value are validated to test their reliability of the model. In accordance with the capital requirements regulations the estimates are downturn estimates. Based on the collateral cover (RE value / EAD) the exposure is classified to one of seven classes, the best of which has a collateral cover above 120 per cent, and the lowest has a collateral cover below 20 per cent.

Credit quality step	Probability of default			Collateral cover				
	From	To	Moody's	Historical default	Default 2019	Collateral class	Lower limit	Upper limit
A	0.00 %	0.10 %	Aaa-A3	0.01 %	0.02 %	1	120	
B	0.10 %	0.25 %	Baa1-Baa2	0.04 %	0.05 %	2	100	120
C	0.25 %	0.50 %	Baa3	0.08 %	0.12 %	3	80	100
D	0.50 %	0.75 %	Ba1	0.27 %	0.30 %	4	60	80
E	0.75 %	1.25 %	Ba2	0.39 %	0.79 %	5	40	60
F	1.25 %	2.50 %		0.95 %	1.42 %	6	20	40
G	2.50 %	5.00 %	Ba2-B1	2.21 %	2.45 %	7	0	20
H	5.00 %	10.00 %	B1-B2	4.53 %	5.95 %			
I	10.00 %	99.99 %	B3-Caa3	11.65 %	16.81 %			
J	Default							
K	Problem loans							

The Bank's exposures are classified into risk groups based on credit quality step.

Credit quality step	Risk groups
A - C	Lowest risk
D - E	Low risk
F - G	Medium risk
H	High risk
I	Highest risk
J - K	Default and written down

Parent Bank (NOK million)	31 Dec 2019		31 Dec 2018	
	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure
Lowest risk	13.3 %	93,929	10.2 %	87,677
Low risk	9.6 %	21,242	8.5 %	21,176
Medium risk	10.0 %	18,829	11.4 %	18,783
High risk	11.6 %	3,093	11.8 %	3,743
Highest risk	5.7 %	1,831	3.0 %	2,387
Default and/or problem loans	15.1 %	2,972	11.3 %	2,326
Total		141,895		136,092

Group (NOK million)	31 Dec 2019		31 Dec 2018	
	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure
Lowest risk	13.4 %	93,382	10.3 %	87,334
Low risk	9.3 %	22,698	8.4 %	22,546
Medium risk	9.3 %	24,864	9.0 %	23,836
High risk	11.9 %	3,811	11.3 %	4,362
Highest risk	7.3 %	2,433	2.5 %	2,803
Default and/or problem loans	16.0 %	3,124	10.6 %	2,466
Total		150,313		143,348

The realisation value of furnished collateral is determined such that they, on a conservative assessment, reflect the presumed realisation value in an economic downturn.

Note 12 - Maximum credit risk exposure

The table below shows maximum exposure to credit risk for balance sheet components, including derivatives. Exposures are shown on a gross basis before collateral and permitted set-offs.

For disclosure of classes of financial instruments where this is not specified in the table below, see note 24 Categories of financial assets and financial liabilities

Parent Bank

31 Dec 2019 (NOK million)	Maximum exposure to credit risk, gross	Provision for expected credit losses	Collateral in property	Collateral in securities	Other collateral and netting agreements ¹⁾	Maximum exposure to credit risk, net
Assets						
Balances with central banks	706	-	-	-	-	706
Loans and advances to credit institutions	9,181	-	-	-	-	9,181
Loans and advances to customers at fair value through profit or loss	4,677	-	4,505	0	18	154
Loans and advances to customers at amortised cost	41,957	850	20,673	809	16,936	2,688
Loans and advances to customers at fair value through OCI	71,336	87	69,941	56	413	839
Securities and bonds	23,195	-	-	-	10,991	12,204
Derivatives	2,872	-	-	-	1,653	1,218
Earned income, not yet recieved	107	-	-	-	-	107
Accounts receivable, securities	13	-	-	-	-	13
Total assets	154,042	937	95,119	865	30,011	27,109
Liabilities						
Guarantee commitments and documentary credits	5,643	82	-	-	-	5,561
Unutilised credits and Loan approvals	18,533	18	3,038	137	516	14,824
Other exposures	2,904	-	-	-	-	2,904
Total liabilities	27,079	100	3,038	137	516	23,289
Total credit risk exposure	181,121					50,398

31 Dec 2018 (NOK million)	Maximum exposure to credit risk, gross	Provision for expected credit losses	Collateral in property	Collateral in securities	Other collateral and netting agreements ¹⁾	Maximum exposure to credit risk, net
Assets						
Balances with central banks	819	-	-	-	-	819
Loans and advances to credit institutions	11,178	-	-	-	-	11,178
Loans and advances to customers at fair value through profit or loss	4,467	-	4,253	18	20	177
Loans and advances to customers at amortised cost	47,536	639	26,195	1,105	17,687	1,909
Loans and advances to customers at fair value through OCI	61,353	58	60,430	97	136	631
Securities and bonds	20,428	-	-	-	11,375	9,053
Derivatives	3,914	-	-	-	2,077	1,836
Earned income, not yet recieved	67	-	-	-	-	67
Accounts receivable, securities	7	-	-	-	-	7
Total assets	149,769	697	90,878	1,220	31,296	25,678
Liabilities						
Guarantee commitments and documentary credits	5,022	134	-	-	-	4,888
Unutilised credits and loan approvals	17,824	14	2,347	26	967	14,470
Other exposures	2,478	-	-	-	-	2,478
Total liabilities	25,325	148	2,347	26	967	21,837
Total credit risk exposure	175,094					47,514

Group	Maximum exposure to credit risk, gross	Provision for expected credit losses	Collateral in property	Collateral in securities	Other collateral and netting agreements ¹⁾	Maximum exposure to credit risk, net
31 Dec 19 (NOK million)						
Assets						
Balances with central banks	706	-	-	-	-	706
Loans and advances to credit institutions	2,110	-	-	-	-	2,110
Loans and advances to customers at fair value through profit or loss	4,677	-	4,505	0	18	154
Loans and advances to customers at amortised cost	50,264	911	20,691	809	17,346	10,506
Loans and advances to customers at fair value through OCI	71,336	87	69,941	56	413	839
Securities and bonds	23,115	-	-	-	10,991	12,124
Derivatives	2,972	-	-	100	1,653	1,218
Earned income, not yet recieved	132	-	-	-	-	132
Accounts receivable, securities	292	-	-	71	209	13
Total assets	155,604	998	95,138	1,036	30,629	27,802
Liabilities						
Guarantee commitments and documentary credits	5,643	82	-	-	-	5,561
Unutilised credits and loan approvals	18,643	18	3,038	223	531	14,834
Other exposures	3,097	-	-	-	-	3,097
Total liabilities	27,383	100	3,038	223	531	23,491
Total credit risk exposure	182,987					51,294

	Maximum exposure to credit risk, gross	Provision for expected credit losses	Collateral in property	Collateral in securities	Other collateral and netting agreements ¹⁾	Maximum exposure to credit risk, net
31 Dec 18 (NOK million)						
Assets						
Balances with central banks	819	-	-	-	-	819
Loans and advances to credit institutions	5,074	-	-	-	-	5,074
Loans and advances to customers at fair value through profit or loss	4,467	-	4,253	18	20	177
Loans and advances to customers at amortised cost	53,967	686	26,195	1,105	25,402	578
Loans and advances to customers at fair value through OCI	61,295	58	60,430	97	136	573
Securities and bonds	20,348	-	-	-	11,375	8,974
Derivatives	4,119	-	-	-	2,077	2,041
Earned income, not yet recieved	86	-	-	-	-	86
Accounts receivable, securities	277	-	-	94	183	0
Total assets	150,451	744	90,878	1,314	39,193	18,321
Liabilities						
Guarantee commitments and documentary credits	5,032	134	-	-	-	4,898
Unutilised credits and loan approvals	17,963	14	2,347	70	982	14,551
Other exposures	2,629	-	-	-	-	2,629
Total liabilities	25,624	148	2,347	70	982	22,077
Total credit risk exposure	176,076					40,399

¹⁾ Other collateral includes cash, movables, ship and guarantees received. For covered bonds the cover pool comprises loans to customers in the company that has issued the bond.

For derivatives, cash has been provided as collateral, in addition to bilateral ISDA agreements on netting of derivatives.

The Bank's maximum credit exposure is shown in the above table. SpareBank 1 SMN provides wholesale banking services to BN Bank and the Samspar banks. In this connection a guarantee agreement has been established which assures full settlement for exposures connected to these agreements.

For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. Customers furnish cash deposits and/or assets as collateral for their trade in power and salmon derivatives at NASDAQ OMX Oslo ASA and Fish Pool ASA.

SpareBank 1 SMN enters into standardised and mainly bilateral ISDA agreements on netting of derivatives with financial institutions as counterparties. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with the most central counterparties. As of 31 December 2019 the Bank has about 47 (46) active ISDA agreements. As from 1 March 2017 the Bank was required under EMIR to have in place a CSA with daily exchange of margin collateral etc. with all financial counterparties with which the bank deals domiciled (inter alia) in an EU member state. The Bank only enters into agreements with cash as collateral. The Bank has delegated responsibility for handling these agreements to SEB Prime Collateral Services which handles margin requirements on behalf of the Bank. More about collateral and encumbrances in note 37 Other debt and liabilities.

The collateral is measured at fair value, limited to maximum credit exposure for the individual counterparty.

Note 13 - Credit quality per class of financial assets

The Bank handles the credit quality of financial assets by means of its internal guidelines for credit ratings. See section entitled credit risk under Note 6 Risk factors.

The table below shows credit quality per class of assets for loan-related assets in the balance sheet, based on the Bank's own credit rating system. The entire loan exposure is included when parts of the exposure are defaulted. Non-performance is defined in the note as default of payment of NOK 1,000 or more for more than 90 days.

Parent Bank

31 Dec 2019 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or written down ¹⁾	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	7	9,181	-	-	-	-	-	9,181
Loans to and claims on customers	8							
Retail market		62,462	9,779	4,245	1,145	1,341	314	79,286
Corporate market		18,235	7,537	9,911	1,016	333	1,653	38,685
Total		80,697	17,316	14,156	2,161	1,674	1,967	117,970
Financial investments	27							
Quoted government and government guaranteed bonds		4,929	-	-	-	-	-	4,929
Quoted other bonds		9,801	1,524	1,159	14	-	-	12,498
Unquoted government and government guaranteed bonds		942	-	-	-	-	-	942
Unquoted other bonds		4,797	10	18	-	-	-	4,826
Total		20,469	1,534	1,177	14	-	-	23,195
Total		110,347	18,850	15,333	2,175	1,674	1,967	150,345

31 Dec 2018 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or written down ¹⁾	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	7	11,178	-	-	-	-	-	11,178
Loans to and claims on customers	8							
Retail market		60,055	8,552	3,712	860	1,095	291	74,566
Corporate market		15,873	8,179	10,052	2,342	1,091	1,252	38,790
Total		75,928	16,731	13,765	3,203	2,186	1,543	113,356
Financial investments	27							
Quoted government and government guaranteed bonds		5,478	-	-	-	-	-	5,478
Quoted other bonds		9,629	1,985	797	9	-	-	12,421
Unquoted government and government guaranteed bonds		99	-	-	-	-	-	99
Unquoted other bonds		2,205	216	9	-	-	-	2,430
Total		17,412	2,201	807	9	-	-	20,428
Total		104,518	18,932	14,571	3,212	2,186	1,543	144,962

Group

31 Dec 2019 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or written down ¹⁾	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	7	2,110	-	-	-	-	-	2,110
Loans to and claims on customers	8							
Retail market		62,468	10,349	8,392	1,502	1,685	398	84,793
Corporate market		17,681	8,408	11,719	1,369	584	1,722	41,484
Total		80,148	18,757	20,112	2,871	2,269	2,119	126,277
Financial investments	27							
Quoted government and government guaranteed bonds		4,929	-	-	-	-	-	4,929
Quoted other bonds		9,801	1,524	1,159	14	-	-	12,498
Unquoted government and government guaranteed bonds		942	-	-	-	-	-	942
Unquoted other bonds		4,718	10	18	-	-	-	4,746
Total		20,389	1,534	1,177	14	-	-	23,115
Total		102,648	20,291	21,289	2,886	2,269	2,119	151,502

31 Dec 2018 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or written down ¹⁾	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	7	5,074	-	-	-	-	-	5,074
Loans to and claims on customers	8							
Retail market		60,141	9,460	6,803	1,069	1,350	357	79,180
Corporate market		15,440	8,619	11,919	2,743	1,245	1,326	41,293
Total		75,581	18,079	18,722	3,812	2,595	1,683	120,473
Financial investments	27							
Quoted government and government guaranteed bonds		5,478	-	-	-	-	-	5,478
Quoted other bonds		9,629	1,985	797	9	-	-	12,421
Unquoted government and government guaranteed bonds		99	-	-	-	-	-	99
Unquoted other bonds		2,126	216	9	-	-	-	2,351
Total		17,332	2,201	807	9	-	-	20,348
Total		97,987	20,281	19,529	3,821	2,595	1,683	145,895

¹⁾ Guarantees furnished by the Guarantee Institute for Export Credit are not taken into account

Note 14 - Market risk related to interest rate risk

This note is a sensitivity analysis based on relevant balance sheet items as of 31 December and thereafter for the year concerned. The Bank's interest rate risk is calculated by simulating a parallel interest rate shift for the entire interest rate curve of one percentage point on all balance sheet items.

For further details regarding interest rate risk, see Note 6 Risk Factors.

Basis risk Group (NOK million)	Interest rate risk, 1 percentage point change	
	2019	2018
<i>Currency</i>		
NOK	-26	-40
EUR	-3	-3
USD	-1	2
CHF	-1	-2
GBP	-2	-1
Other	-1	-2
Total interest rate risk, effect on result before tax	-34	-45

Total interest rate risk suggest that the Bank will have losses from an increase in the interest rate in 2019. This is the same effect as in 2018.

The table below shows the effect of an interest rate curve shift on various time intervals and the associated gains or losses within the respective maturities.

Interest rate curve risk, Group (NOK million)	Interest rate risk, 1 percentage point change	
	2019	2018
<i>Maturity</i>		
0 - 2 month	-20	-15
2 - 3 months	-3	-1
3 - 6 months	-6	-13
6 - 12 months	5	1
1 - 2 years	0	-1
2 - 3 years	-5	-25
3 - 4 years	8	41
4 - 5 years	-17	-56
5 - 8 years	9	22
8 - 15 years	-5	3
Total interest rate risk, effect on result before tax	-34	-45

Note 15 - Market risk related to currency exposure

Foreign exchange risk arises when there are differences between the Group's assets and liabilities in a given currency. Currency trading must at all times be conducted within adopted limits and authorisations. The Group's limits define quantitative measures for maximum net foreign currency exposure, measured in Norwegian kroner.

The Group has established limits for net exposure (expressed as the highest of the sum of long and short positions). Overnight exchange rate risk for spot trading in foreign currency must not, exceed NOK 150 million on an aggregate basis.

Foreign exchange risk has been low throughout the year. For further details see note 6 on risk factors.

Parent Bank		Net foreign exchange exposure NOK (NOK million)	Group	
2018	2019		2019	2018
28	22	EUR	22	28
4	1	USD	1	4
-11	0	SEK	0	-11
-10	-5	GBP	-5	-10
-3	2	Other	2	-3
7	19	Total	19	7
1,7	1,0	Result effect of 3% change	1,0	1,7

Note 16 - Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or unable to finance increases in its assets. See note 6 on risk factors for a detailed description.

Group

At 31 Dec 2019 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
Cash flows related to liabilities²⁾						
Debt to credit institutions	8,567	245	-	-	42	8,853
Deposits from and debt to customers	64,441	14,481	3,524	3,471	-	85,917
Debt created by issuance of securities	-	1,210	7,389	29,599	6,589	44,787
Derivatives - contractual cash flow out	-	466	5,993	25,392	3,604	35,455
Other commitments	-	1,315	731	267	214	2,526
Subordinated debt ¹⁾	-	23	357	1,940	-	2,319
Total cash flow, liabilities	73,008	17,740	17,993	60,669	10,447	179,857
Derivatives net cash flows						
Contractual cash flows out	-	466	5,993	25,392	3,604	35,455
Contractual cash flows in	-	-223	-6,483	-26,501	-3,682	-36,889
Net contractual cash flows	-	244	-490	-1,109	-79	-1,434

Group

At 31 Dec 2018 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
Cash flows related to liabilities²⁾						
Debt to credit institutions	8,006	1	498	647	62	9,214
Deposits from and debt to customers	62,333	9,873	2,554	5,855	-	80,615
Debt created by issuance of securities	-	1,730	5,139	32,665	6,200	45,733
Derivatives - contractual cash flow out	-	1,425	15,209	27,449	1,154	45,237
Other commitments	-	1,619	621	162	8	2,410
Subordinated debt ¹⁾	-	12	71	2,127	255	2,465
Total cash flow, liabilities	70,339	14,659	24,092	68,904	7,679	185,674
Derivatives net cash flows						
Contractual cash flows out	-	1,425	15,209	27,449	1,154	45,237
Contractual cash flows in	-	-2,479	-15,110	-26,554	-1,294	-45,436
Net contractual cash flows	-	-1,054	99	895	-140	-200

Does not include value adjustments for financial instruments at fair value

¹⁾For subordinated debt the call date is used for cash settlement

²⁾Contractual cash-flows include calculated interest and the total amount therefore deviate from recognised liabilities

Note 17 - Net interest income

Parent Bank			Group	
2018	2019	(NOK million)	2019	2018
		Interest Income		
166	246	Interest income from loans to and claims on central banks and credit institutions (amortised cost)	103	62
1,641	1,693	Interest income from loans to and claims on customers (amortised cost)	2,177	2,042
1,528	1,792	Interest income from loans to and claims on customers (Fair value over OCI)	1,814	1,528
3,335	3,732	Total interest income effective interest method	4,121	3,660
		Interest income from loans to and claims on customers (Fair value over Profit and loss)		
106	134	Interest income from money market instruments, bonds and other fixed income securities (Fair value over Profit and loss)	134	106
295	375	- Other interest income	371	291
0	-		26	28
401	509	Total other interest income	505	398
3,737	4,241	Total interest income	4,626	4,057
		Interest expense		
142	170	Interest expenses on liabilities to credit institutions	190	154
749	1,042	Interest expenses relating to deposits from and liabilities to customers	1,019	734
615	545	Interest expenses related to the issuance of securities	545	615
84	84	Interest expenses on subordinated debt	86	86
0	10	Other interest expenses	33	15
50	65	Guarantee fund levy	65	50
1,640	1,916	Total interest expense	1,939	1,655
2,097	2,325	Net interest income	2,687	2,403

Note 18 - Net commission income and other income

Parent Bank			Group	
2018	2019	(NOK million)	2019	2018
		Commission income		
73	61	Guarantee commission	59	72
-	-	Broker commission	252	225
60	48	Portfolio commission, savings products	117	113
350	349	Commission from SpareBank 1 Boligkreditt	349	350
16	16	Commission from SpareBank 1 Næringskreditt	16	16
369	397	Payment transmission services	393	360
174	183	Commission from insurance services	183	174
60	74	Other commission income	67	78
1,102	1,127	Total commission income	1,437	1,387
		Commission expenses		
78	84	Payment transmission services	101	93
15	11	Other commission expenses	92	75
92	95	Total commission expenses	193	168
		Other operating income		
25	21	Operating income real property	25	27
-	-	Property administration and sale of property	138	124
0	-	Securities trading	383	350
-	-	Accountant's fees	473	411
6	9	Other operating income	28	46
32	30	Total other operating income	1,046	958
1,042	1,061	Total net commision income and other operating income	2,290	2,177

Note 19 - Net return on financial investments

Parent Bank			Group	
2018	2019	(NOK million)	2019	2018
		Valued at fair value through profit/loss		
-208	-163	Value change in interest rate instruments	-16	-83
		Value change in derivatives/hedging		
-4	-9	Net value change in hedged bonds and derivatives	-9	-4
10	9	Net value change in hedged fixed rate loans and derivatives	9	10
277	132	Other derivatives	186	336
		Income from equity instruments		
-	-	Income from owner interests	879	416
506	866	Dividend from owner instruments	-	-
-8	22	Value change and gain/loss on owner instruments	1	-3
10	18	Dividend from equity instruments	15	8
16	44	Value change and gain/loss on equity instruments	119	9
599	918	Total net income from financial assets and liabilities at fair value through profit/(loss)	1,183	688
		Valued at amortised cost		
		Value change in interest rate instruments		
4	-6	Value change in interest rate instruments held to maturity	-6	4
-	-	Value change in interest rate instruments, loans and receivables	-	-
4	-6	Total net income from financial assets and liabilities at amortised cost	-6	4
65	24	Total net gain from currency trading	24	65
668	937	Total net return on financial investments	1,201	757

Note 20 - Personnel expenses and emoluments to senior employees and elected officers

Parent Bank			Group	
2018	2019 (NOK million)		2018	2018
497	527 Wages		1,525	1,423
46	50 Pension costs (Note 24)		105	96
34	37 Social costs		69	65
577	614 Total personnel expenses		1,699	1,584
623	633 Average number of employees		1,611	1,535
572	619 Number of man-labour years as at 31 December		1,509	1,493
608	658 Number of employees as at 31 December		1,634	1,588

Emoluments to Top Management

2019 (thousands of NOK)

Name	Title	Salary and other short-term benefits	Pension contribution for salaries above 12G	Of which share-based bonus payments ⁴⁾	Current value of pension liability	Pension rights accrued in past year ⁵⁾	Loans at 31.12 ⁶⁾	No. of equity capital certificates ⁷⁾
Finn Haugan¹⁾	Group CEO	7,085	2,297	22	7,741	131	8,271	202,459
Jan-Frode Janson²⁾	Group CEO	3,474	456	-	-	101	12	30,000
Kjell Fordal	Executive Director Group Finance	3,790	564	22	10,529	141	12,930	245,883
Vegard Helland	Executive Director Corporate	2,942	172	22	1,554	135	301	34,773
Ola Neråsen⁵⁾	Executive Director Risk	2,339	126	22	2,785	144	827	42,335
Nelly Maske⁴⁾	Executive Director Director Retail	2,850	152	22	-	149	5,447	23,554
Rolf Jarle Brøske	Executive Director Communication and Society	2,274	100	22	-	96	9,257	7,134
Kjersti Hønstad³⁾	Executive Director Legal	1,986	58	22	-	152	1,745	4,485

¹⁾ Finn Haugan resigned from his position 30 April 2019. An early retirement agreement has been entered into with Finn Haugan in event of his stepping down before reaching the age of 67. Finn Haugan's working with SpareBank 1 SMN ceased 31 December 2019. Therefore, Finn Haugan will receive early retirement pension within the period 1 January 2020-31 December 2020. This pension liability is a part of the Bank's collective pension liability.

²⁾ Jan-Frode Janson took up his position as Group CEO 1 May 2019

³⁾ Executive Director Legal took up the position in the Top Management 1 May 2019

⁴⁾ Amount of bonus-Ming received 2019 in conjunction with MING-saving scheme and bonus received thru profit sharing of the Fremtind-transaction. MING-saving scheme is an arrangement open for all employees and all employees have the same conditions. Profit-sharing of Fremtind-transaction to employees, gave all employees employed at SMN 31 Dec 2018 150 bonus-MING.

⁵⁾ Defined-contribution pension scheme

⁶⁾ Top Management has the same loan conditions as all the employees - this also applies to the resigned CEO in the period receiving retirement pension

⁷⁾ Number of equity capital certificates also includes certificates owned by related persons and companies in which one has significant influence

Emoluments to Top Management
2018 (thousands of NOK)

Name	Title	Salary and other short-term benefits	Pension contribution for salaries above 12G	Of which share-based bonus payments ⁴⁾	Current value of pension liability	Pension rights accrued in past year ⁵⁾	Loans at 31.12 ⁶⁾	No. of equity capital certificates ⁷⁾
Finn Haugan	Group CEO	7,269	2,297	8	10,250	130	8,520	201,910
Kjell Fordal	Executive Director Group Finance	3,430	344	8	11,480	136	12,995	245,334
Vegard Helland	Executive Director Corporate	2,941	169	8	1,300	140	1,263	34,224
Svein Tore Samdal ¹⁾	Executive Director Retail	2,855	174	8	-	139	7,819	23,461
Nelly Maske ²⁾	Executive Director Director Retail	2,612	135	-	-	143	5,587	23,005
Ola Neråsen ³⁾	Executive Director Risk and Compliance	2,215	117	-	2,438	138	-	41,786
Rolf Jarle Brøske	Executive director Communication and Society	2,164	95	-	-	129	9,602	6,585

¹⁾ Svein Tore Samdal resigned from his position 30 November 2018

²⁾ Nelly Maske was Executive Director Business Operation and Development until 30 November 2018 and took over Executive Director Retail 1 December 2018

³⁾ Executive Director Risk was established 1 May 2018

⁴⁾ Amount of bonus-Ming received 2019 in conjunction with MING-saving scheme. This is an arrangement open for all employees and all employees have the same conditions

⁵⁾ Defined-contribution pension scheme

⁶⁾ Top Management has the same loan conditions as all the employees - this also applies to the resigned CEO in the period receiving retirement pension

⁷⁾ Number of equity capital certificates also includes certificates owned by related persons and companies in which one has significant influence

SpareBank 1 SMN has an individual top pension scheme for employees with salaries above 12G employed before 1st of July 2017. These employees receive pension add-on of 15 per cent of salary above 12G. Employees can decide investment profile and the savings are locked up until retirement age in an individual retirement account in SpareBank 1 Forsikring. This benefit is a part of the amount of the pension rights accrued in the table above.

Emoluments to the Board of Directors and the Supervisory Board
2019 (thousands of NOK)

Name	Title	Fee	Fees to audit, risk and remuneration committee	Other benefits	Loans as of 31 December	No. of equity capital certificates ⁴⁾
Kjell Bjordal	Board chairman	495	38	13	-	130,000
Bård Benum	Deputy chair	262	88	8	8,053	-
Mette Kamsvåg	Board member	226	88	7	1,437	5,600
Tonje Eskeland Foss	Board member	226	26	3	5,202	-
Paul E. Hjelm-Hansen ¹⁾	Board member	53	28	8	-	49,219
Janne Thyø Thomsen	Board member	226	99	8	-	3,000
Morten Loktu	Board member	226	26	8	-	5,000
Christian Stav ³⁾	Board member	173	79	-	-	-
Christina Straub ^{2), 3)}	Board member, employee representative	173	-	784	5,863	652
Inge Lindseth ^{2), 3)}	Board member, employee representative	192	1	854	3,622	4,034
Venche Johnsen ^{1), 2)}	Board member, employee representative	53	6	805	347	25,392
Erik Gunnes ^{1), 2)}	Board member, employee representative	53	-	847	1,261	1,364

¹⁾ Resigned in 2019

²⁾ Other emoluments include salary in employment relationships

³⁾ Was selected in 2019

⁴⁾ Number of equity capital certificates also includes certificates owned by related persons and companies in which one has significant influence

**Emoluments to the Board of Directors and the Supervisory Board
2018 (thousands of NOK)**

Name	Title	Fee	Fees to audit, risk and remuneration committee	Other benefits	Loans as of 31 December	No. of equity capital certificates ⁴⁾
Kjell Bjordal	Board chairman	457	35	4	-	130,000
Bård Benum	Deputy chair	242	82	-	8,311	-
Mette Kamsvåg ¹⁾	Board member	158	62	2	-	5,600
Tonje Eskeland Foss ¹⁾	Board member	158	18	-	5,181	5,000
Paul E. Hjelm-Hansen	Board member	209	109	-	-	49,219
Janne Thyø Thomsen	Board member	209	82	-	-	3,000
Morten Loktu	Board member	209	24	-	-	5,000
Arnhild Holstad ²⁾	Board member	51	-	1	-	-
Aud Skrudland ²⁾	Board member	51	6	-	-	7,265
Venche Johnsen ³⁾	Board member, employee representative	238	12	788	405	24,996
Erik Gunnes ³⁾	Board member, employee representative	209	-	802	1,277	815

¹⁾ Was selected in 2018

²⁾ Resigned in 2018

³⁾ Other emoluments include salary in employment relationships

⁴⁾ Number of equity capital certificates also includes certificates owned by related persons and companies in which one has significant influence

The Board chairman has neither a bonus agreement nor any agreement on post-employment salary. The number of equity capital certificates includes certificates owned by related parties and companies over which the individual exerts substantial influence.

**Fees to the Supervisory Board
(thousands of NOK)**

	2019	2018
Knut Solberg, Supervisory Board Chair	93	67
Other members	300	271

Remuneration of employees ¹⁾	Number	Remuneration	Of which variable remuneration
Senior employees	56	79,298,683	-
Employees and officers with tasks of material significance for the institutions's risk exposure	7	6,063,120	-
Employees responsible for the independent control function	3	2,474,821	-
Officers	4	2,212,897	-

¹⁾ Categories of employees covered by the Financial Institutions Regulations

Board of directors' declaration regarding determination of salary and other remuneration to senior employees
SpareBank 1 SMN's remuneration arrangements

All remuneration at SpareBank 1 SMN shall contribute to goal achievement and the desired conduct. The remuneration arrangements shall at the same time promote and incentivise good management and control of group risk, counteract excessive risk taking and contribute to the avoidance of conflicts of interest.

The group's overarching objectives for the current strategy period are the basis for our remuneration policy. The business lines' strategies and action plans shall support those objectives. Different business lines may accordingly have different remuneration arrangements within the framework of the group's remuneration policy.

All remuneration arrangements at SpareBank 1 SMN are formulated in accordance with the Financial Institutions Act and associated regulations on remuneration arrangements at financial institutions, investment firms and mutual fund management companies.

The group's guidelines on variable compensation are designed to assure that employees, groups or the business as a whole are compliant with the risk management strategies, processes and tools implemented by the group to protect assets and values. The remuneration arrangements are formulated in such a way as to ensure that neither individuals nor the organisation take unacceptable risk in order to maximise the variable remuneration. This entails inter alia that the basis for variable remuneration connected to the entity's risk adjusted profit shall be a period of at least one year, and that the earning period shall not be shorter than one year. SpareBank 1 SMN has no remuneration arrangements for customer facing units that encourage conduct which challenges the bank's risk tolerance, ethical guidelines or which may contribute to conflicts of interest. The group has no remuneration arrangements for control functions that encourage conduct that poses a challenge to legal competence.

It is SpareBank 1 SMN's policy that as a rule profit- or performance-based variable remuneration arrangements shall not be established for employees.

Where variable remuneration arrangements are nonetheless established for employees, the following guidelines apply:

- There shall be an appropriate balance between fixed and variable remuneration, and the fixed component shall be sufficiently high to allow the undertaking the possibility of paying no variable component at all.
- The variable component shall as a rule not exceed 50% of the fixed remuneration.
- Alternative arrangements may be established by way of exception where this is considered to be a necessary alignment with the "industry standard" among competing undertakings.

Reduction clauses have been introduced for any instances where breaches of applicable rules or guidelines are brought to light.

Remuneration to senior employees of SpareBank 1 SMN may contain the following elements:

- Fixed pay
- Variable remuneration based on performance
- Pension scheme
- Post-employment benefits
- Other benefits

The total remuneration shall be competitive but not wage leading. It shall ensure that the group over time has the ability to attract and retain senior employees with the desired expertise and experience.

Decision process

The board of directors of SpareBank 1 SMN has established a remuneration committee comprising three members of the board of directors and a representative for the employees.

The remuneration committee's responsibilities include:

- Annually reviewing and recommending the total salary and other remuneration of the group CEO
- Acting as adviser to the group CEO in matters of salary and other remuneration of the executive directors
- Annually reviewing the group's remuneration arrangement
- Ensuring that the implementation of the remuneration arrangement is annually reviewed by an independent control function

A. Guidelines for the coming financial year

Remuneration of the group CEO

The group CEO's salary and other financial benefits are determined annually by the board of directors following a recommendation by the remuneration committee. The assessment is based on results achieved, individual performances and the trend in salaries in comparable positions.

The group CEO does not have variable remuneration based on results or performance.

The group CEO is a member of the collective defined contribution pension scheme under the Act on Defined Contribution Pensions, on a par with other employees of the company. The group CEO has in addition an agreement on 23 per cent pension accrual in respect of remuneration above 12G (12 times the basic amount available under the National Insurance Fund Scheme).

The CEO is entitled, on a par with other employees of the group, to participate in private placings directed at the group's employees. The board of directors imposes a lock-in period of up to three years for senior employees who acquire equity certificates at a discount.

The group operates a savings arrangement whereby employees are entitled to purchase equity certificates (MING) up to a value of NOK 24,000 per year. Under the arrangement one bonus equity certificate is allotted for every two equity certificates purchased provided the employee holds the equity certificates for a minimum of two years. The CEO is entitled to participate in this savings arrangement on an equal footing with other employees.

Upon appointment the CEO was granted the option of purchasing up to 30,000 MING at a 30 per cent discount over the course of his first year of employment (1 May 2019 – 1 May 2020). The CEO has availed himself of this option, and purchased 15,000 MIN at a discount on two different occasions in 2019.

The CEO has an agreement on 12 months' post-employment benefit in the event that the employer chooses to terminate his employment relationship. Should the CEO enter another employment relationship in this period, his post-employment benefit shall be reduced by the pay received in the new employment relationship. This does not apply to any directors' fees received in the period.

Renumeration of other members of the group management team

The CEO establishes the remuneration of members of the group management team after discussion with the remuneration committee. The remuneration is determined after assessment of results achieved, individual performances and conditions in the market for the respective business lines.

Executive directors do not have variable remuneration based on results or performances.

Executive directors are members of the bank's general pension scheme for salaries up to 12G (12 times the basic amount available under the National Insurance Fund Scheme). They have in addition a top pension scheme corresponding to 15 per cent of salary above 12G. Up to 1 July 2017 the arrangement was a collective arrangement, but was closed with effect from that date. Employees on salaries above 12G appointed after 1 July 2017 are therefore not included in the scheme.

An early retirement agreement has been established with one of the executive directors, granting this person the right to retire on reaching age 62 with a benefit of 68 per cent of pensionable income, including pension from SpareBank 1 SMN's pension fund, the National Insurance Scheme Fund and AFP (the financial industry's contractual early retirement pension scheme).

An agreement has also been entered into with the executive director concerned entailing an increase in that director's individual top pension scheme from 15 to 30 per cent up to and including the month that the director reaches age 64.5.

Executive directors have post-employment benefit agreements lasting *up to* 12 months as from the agreed retirement date. The size of any post-employment benefit will be subject to assessment under the remuneration rules in force at any and all times.

Other benefits to the group CEO and senior employees

Other benefits to the group CEO and senior employees may be granted to the extent such benefits are related to their function in the Group and are in line with market practice in general. A flat rate car allowance is available to members of the bank's Group management team who use their private car for business purposes.

Determination of variable remuneration for 2020

In 2020 SpareBank 1 Finans, EiendomsMegler 1, SpareBank 1 Markets and SpareBank 1 Kapitalforvaltning will employ compensation models involving variable remuneration. Criteria for allotting variable remuneration will be applied in conformity with the guides following from the group's remuneration policy and determined by the board of directors of the respective companies.

Special guidelines on remuneration of senior employees, employees with functions of material significance for the undertaking's risk exposure, employees with control functions and elected officers

SpareBank 1 SMN has adopted separate guidelines for senior employees, employees with functions of material significance for the undertaking's risk exposure, employees with control functions and elected officers.

Pursuant to the Financial Institutions Act and the Financial Institutions Regulations, the group has defined which employees are covered by the special rules based on the defined criteria.

Currently no employees of SpareBank 1 SMN that are covered by the special rules have arrangements involving profit- or performance-based remuneration

B. Binding guidelines for shares, subscription rights, options etc., for the coming financial year

The group CEO and senior employees are permitted to participate in private placings/share saving programmes on an equal footing with other employees of the group. The board of directors imposes a lock-in period of three years on senior employees who acquire equity certificates at a discount.

C. Statement of management pay policy for the preceding financial year

The group's standards established in 2011, as subsequently revised with effect from 2019, have been followed.

D. Statement on the effect on the company and shareholders of agreements on remuneration in the form of allotment of shares, subscription rights, options etc.

Measured against the total number of shares of the company, it is the board of directors' assessment that the allotment of shares to senior employees does not have any negative consequences for the company or the shareholders.

Note 21 - Other operating expenses

Parent Bank		Group	
2018	2019 (NOK million)	2019	2018
217	234 IT costs	321	293
12	19 Postage and transport of valuables	23	17
53	63 Marketing	101	106
66	109 Ordinary depreciation (note 31.32 and 33)	172	99
108	42 Operating expenses, real properties	57	153
93	134 Purchased services	193	151
134	149 Other operating expense	231	221
685	750 Total other operating expenses	1,098	1,040
Audit fees (NOK 1000)			
1,104	654 Financial audit	1,764	2,386
72	191 Other attestations	279	159
38	14 Tax advice	47	395
33	301 Other non-audit services	379	108
1,247	1,160 Total incl. value added tax	2,468	3,049

Note 22 - Pension

Defined benefit scheme

This pension scheme is administered by a pension fund conferring entitlement to specific future pension benefits from age 67. The schemes include children's pension and disability pension under further rules. The Group's defined benefit pension scheme assures the majority of employees a pension of 68 percent of final salary up to 12G. The defined benefit scheme is closed to new members.

It was decided to terminate the defined benefit scheme at a board meeting on 21 October 2016. Employees on this scheme will transfer to the defined contribution scheme as from 1 January 2017, and will receive a paid-up policy showing rights accumulated under the defined benefit scheme. The termination resulted in reduced pension obligations, which has been treated as a settlement gain and reduced the pension expense for 2016.

Paid-up policies are managed by the pension fund, which becomes 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. At yearend 2018 the scheme is overfunded by NOK 148 million

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. In addition to the pension obligations covered by the pension fund, the group has unfunded pension liabilities which can not be funded by the assets in the collective arrangements. The obligations entails employees not registered as member of the pension fund, additional pensions above 12 G, early retirement pension schemes and contractual early retirement schemes in new arrangement (AFP Subsidies Act).

For further details of the Group's pension schemes see Note 2 on accounting principles and Note 21 on personnel expenses and emoluments to senior employees and elected officers.

Actuarial assumptions	2019		2018	
	Costs	Commitment	Costs	Commitment
Discount rate	2.6%	2.3%	2.4%	2.6%
Expected rate of return on plan assets	2.6%	2.3%	2.4%	2.6%
Expected future wage and salary growth	2.50%	2.00 %	2.25%	2.50%
Expected adjustment of basic amount (G)	2.50%	2.00 %	2.25%	2.50%
Expected increase in current pension	0%/2.5%	0%/2.0%	0%/2.25%	0%/2.5%
Employers contribution	19.1%	19.1%	19.1%	19.1%
Expected voluntary exit before/after 50 yrs	2/0 %	2/0 %	2/0 %	2/0 %
Estimated early retirement outtake at age 62/64	25/50 %	25/50 %	25/50 %	25/50 %
Mortality base table	K2013BE			
Disability	IR73			

Parent Bank			Group	
2018	2019	Net pension liability in the balance sheet (NOK million). Financial position 1 Jan.	2019	2018
611	588	Net present value of pension liabilities in funded schemes	588	611
-748	-749	Estimated value of pension assets	-749	-748
-138	-161	Net pension liability in funded schemes	-161	-138
4	3	Employer's contribution	3	4
-134	-158	Net pension liability in the balance sheet	-158	-134

Distribution of liability between unfunded and funded pension scheme, Group 1 Jan.

Group	2019			2018		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of pension liability in funded schemes	570	17	588	590	20	611
Fair value of pension assets	-749	-	-749	-748	-	-748
Net pension liability in the balance sheet before employer's contribution	-179	17	-161	-158	20	-138
Employer's contribution	0	3	3	0	4	4
Net pension liability in the balance sheet after employer's contribution	-179	21	-158	-158	24	-134

2018	2019	Pension cost for the year	2019	2018
1	0	Present value of pension accumulated in the year	0	1
-3	-4	Interest cost of pension liabilities	-4	-4
-2	-4	Net defined-benefit pension cost without employer's contribution	-4	-3
0	0	Employer's contribution - subject to accrual accounting	0	0
-2	-4	Net pension cost related to defined benefit plans	-4	-2
5	7	Early retirement pension scheme, new arrangement	12	5
43	43	Cost of defined contribution pension	96	93
46	46	Total pension cost	105	96

Other comprehensive income for the period	2019			2018		
	Unfunded	Funded	Total	Unfunded	Funded	Total
Change in discount rate	0	26	26	0	-17	-18
Change in other economic assumptions	-0	-	-0	-	-	-
Changing other factors, DBO	-3	14	12	-1	7	6
Change in other factors, pension assets	-	-3	-3	-	-8	-8
Other comprehensive income for the period	-3	37	34	-2	-18	-19

2018	2019	Movement in net pension liability in the balance sheet	2019	2018
-134	-158	Net pension liability in the balance sheet 1.1	-158	-134
-18	33	Actuarial gains and losses for the year	33	-18
		Net defined-benefit costs in profit and loss account incl.		
-2	-4	Curtailment/settlement	-4	-2
-3	-3	Paid-in pension premium, defined-benefit schemes	-3	-3
-158	-132	Net pension liability in the balance sheet 31.12	-132	-158

2018	2019	Financial status 31.12	2019	2018
588	608	Pension liability	608	588
-749	-743	Value of pension assets	-743	-749
-161	-135	Net pension liability before employer's contribution	-135	-161
3	3	Employer's contribution	3	3
-158	-132	Net pension liability after employer's contribution	-132	-158

Distribution of financial status 31 Dec between unfunded and funded pension scheme, Group

Group	2019			2018		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	595	13	608	570	17	588
Value of pension assets	-743	-	-743	-749	-	-749
Net pension liability before employer's contribution	-148	13	-135	-179	17	-161
Employer's contribution	-	3	3	-	3	3
Net pension liability after employer's contribution	-148	16	-132	-179	21	-158

Fair value of pension liability, Group	2019	2018
OB pension liability (PBO)	588	611
Present value of pension accumulated in the year	0	1
Payout/release from scheme	-29	-28
Interest costs of pension liability	15	14
Actuarial gain or loss	34	-10
CB pension liability (PBO)	608	588

Fair value of pension assets, Group	2019	2018
OB pension assets	749	748
Paid in	3	3
Payout/release from fund	-29	-28
Expected return	19	18
Actuarial changes	1	8
CB market value of pension assets	743	749

Sensitivity, Group	Discount rate		Salary adjustment		Pension adjustment
	+ 1 pp	- 1 pp	+1 pp	- 1 pp	+ 1 pp
2019					
Change in accumulated pension rights in course of year	0	0	0	0	0
Change in pension liability	-81	101	0	0	103
2018					
Change in accumulated pension rights in course of year	0	0	0	0	0
Change in pension liability	-77	96	0	0	89

2018	2019	Members	2019	2018
764	749	Numbers of persons included in pension scheme	749	764
253	242	of which active	242	253
511	507	of which retirees and disabled	507	511

Investment and pension assets in the pension fund	2019	2018
Current bonds	38 %	38 %
Bonds held to maturity	5 %	5 %
Money market	23 %	24 %
Equities	27 %	27 %
Real estate	7 %	6 %
Other	0 %	0 %
Total	100 %	100 %

The pension scheme arrangement is located in its own pension fund, which has a long-term horizon on the management of its capital. The pension fund seeks to achieve as high a rate of return as possible by composing an investment portfolio that provides the maximum risk-adjusted return. The pension fund seeks to spread its investments on various issuers and asset classes in order to reduce company-specific and market-specific risk. The portfolio thus comprises equity investments in Norwegian and foreign shares. The bond portfolio is essentially invested in Norwegian bonds. Bank deposits are placed in Norwegian Banks.

Note 23 - Income tax

Parent Bank			Group	
2018	2019	(NOK million)	2019	2018
2,379	2,715	Result before tax	3,121	2,382
-535	-955	+/- permanent differences	-1,091	-443
-228	139	+/- change in temporary differences as per specification	124	-205
-	-	Loss carried forward	37	0
1,615	1,899	Year's tax base/taxable income	2,191	1,733
404	475	Tax payable on profit for the year	547	462
-	4	Excess/too little tax accrued previous year	-	-
404	479	Total taxes payable	547	462
404	479	Tax payable on profit for the year	547	462
52	-28	+/- change in deferred tax	-30	47
456	452	Tax charge for the year	518	509
Change in net deferred tax liability				
52	-28	Deferred tax shown through profit/loss	-30	48
5	-8	Deferred tax shown through equity	-8	3
-	-	Reclassification tax payable/deferred tax ¹⁾	23	12
57	-36	Total change in net deferred tax liability	-15	63

¹⁾Due to group contribution

2018	2019	Composition of deferred tax carried in the balance sheet (NOK million)	2018	2018
-	-	Temporary differences:		
-	-	- Business assets	14	194
-	-	- Leasing items	281	288
158	132	- Pension liability	133	161
188	107	- Securities	109	189
219	125	- Hedge derivatives	125	219
-	-	- Other temporary differences	5	4
565	364	Total tax-increasing temporary differences	668	1,055
141	91	Deferred tax	169	263
-2	-10	Temporary differences:		
-209	-156	- Business assets	-28	-16
-21	-6	- Hedge derivatives	-156	-209
-	-	- Other temporary differences	-86	-117
-	-	- Deficit carried forward	-572	-840
-232	-172	Total tax-decreasing temporary differences	-842	-1,182
-58	-43	Deferred tax asset	-212	-292
82	48	Net deferred tax (-asset)	-43	-28

The above table comprises temporary differences from all consolidated companies shown gross. At the company level tax-increasing and tax-reducing temporary differences are shown net. At the group level recognition is on a gross basis in conformity with IAS 12 with each company being presented separately in the calculation of the Group's tax benefit and deferred tax:

	2019	2018
Tax benefit recorded 31 Dec	158	175
Deferred tax recorded 31 Dec	-115	-147

Reconciliation of tax charge for the period recognised against profit and				
2018	2019	loss to profit before tax	2019	2018
595	679	25 % of profit before tax	775	659
-134	-239	Non-taxable profit and loss items (permanent differences) ¹⁾	-272	-158
-5	8	Tax effect of costs reflected in equity	8	-1
-	4	Too little taxes accrued previous year	7	1
-	-	Change in tax assets not recognised	-	7
456	452	Tax for the period recognised in the income statement	518	509
19 %	17 %	Effective tax rate	17 %	21 %

¹⁾ Includes non-deductible costs and deduction for profit share related to associates and joint ventures (profit shares are taken out having already been taxed at the respective companies).

Note 24 - Categories of financial assets and financial liabilities

Group	Financial instruments at fair value through profit or loss			Financial instruments at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
	Designated as such upon initial recognition	Mandatorily	Held for trading			
31 Dec 2019 (NOK million)						
Assets						
Cash and receivables from central banks	-	-	-	-	761	761
Deposits with and loans to credit institutions	-	-	-	-	2.110	2.110
Loans to and receivables from customers	4.679	-	-	71.336	49.264	125.279
Shares, units and other equity interests	-	447	2.506	-	-	2.953
Fixed-income CDs and bonds	-	23.115	-	-	-	23.115
Derivatives	-	-	2.972	-	-	2.972
Earned income not yet received	-	-	-	-	132	132
Accounts receivable, securities	-	-	-	-	292	292
Total financial assets	4.679	23.562	5.477	71.336	52.560	157.614
Liabilities						
Deposits from credit institutions	-	-	-	-	8.853	8.853
Deposits from and debt to customers	-	-	-	-	85.917	85.917
Debt created by issue of securities	-	-	-	-	43.014	43.014
Derivatives	-	-	3.528	-	-	3.528
Subordinated loan capital	-	-	-	-	2.090	2.090
Equity instruments	-	-	244	-	-	244
Lease liabilities	-	-	-	-	505	505
Debt from securities	-	-	-	-	197	197
Total financial liabilities	-	-	3.772	-	140.576	144.349

Group	Financial instruments at fair value through profit or loss			Financial instruments at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
	Designated as such upon initial recognition	Mandatorily	Held for trading			
31 Dec 2018 (NOK million)						
Assets						
Cash and receivables from central banks	-	-	-	-	883	883
Deposits with and loans to credit institutions	-	-	-	-	5,074	5,074
Loans to and receivables from customers	4,467	-	-	61,295	53,967	119,728
Shares, units and other equity interests	-	678	1,195	-	-	1,873
Fixed-income CDs and bonds	-	20,348	-	-	-	20,348
Derivatives	-	-	4,119	-	-	4,119
Earned income, not yet received	-	-	-	-	86	86
Account receivable, securities	-	-	-	-	277	277
Total financial assets	4,467	21,026	5,314	61,295	60,286	152,388
Liabilities						
Deposits from credit institutions	-	-	-	-	9,214	9,214
Deposits from and debt to customers	-	-	-	-	80,615	80,615
Debt created by issue of securities	-	-	-	-	44,269	44,269
Derivatives	-	-	2,982	-	-	2,982
Subordinated loan capital	-	-	-	-	2,268	2,268
Equity instruments	-	-	31	-	-	31
Account payable, securities	-	-	-	-	809	809
Total financial liabilities	-	-	3,013	-	137,175	140,188

Note 25 - 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 2019:

Assets (NOK million)	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 Group's assets and liabilities measured at fair value at 31 December 2018:

Assets (NOK million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	1	4,117	-	4,119
- Bonds and money market certificates	2,786	17,563	-	20,348
- Equity instruments	1,195	128	550	1,873
- Fixed interest loans	-	43	4,425	4,467
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	61,295	61,295
Total assets	3,982	21,850	66,269	92,102
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	4	2,977	-	2,982
- Equity instruments	31	-	-	31
Total liabilities	36	2,977	-	3,013

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

(NOK million)	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	-35,424
Expected credit loss	-	-	-36	-36
Gain or loss on financial instruments	87	-25	6	68
Closing balance	405	4,636	71,336	76,377

The following table presents the changes in the instruments classified in level 3 as at 31 December 2018:

(NOK million)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Equity instruments through OCI	Total
Closing balance 31 December	419	3,236	-	66	3,722
Implementation effect IFRS 9	66	-	56,743	-66	56,743
Opening balance 1 January	486	3,236	56,743	-	60,464
Investment in periode	76	2,269	18,147	-	20,492
Disposals in the periode	-20	-1,079	-13,584	-	-14,683
Expected credit loss	-	-	-10	-	-10
Gain or loss on financial instruments	8	-2	-2	-	5
Closing balance	550	4,425	61,294	-	66,269

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 from 10 to 20 per cent, fair value is reduced by NOK 7 million.

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

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

Equity instruments (level 3)

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 282 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 2019:

(NOK million)	Book value	Effect from change in reasonable possible alternative assumptions
Fixed interest loans	4,636	-11
Equity instruments through profit/loss ¹⁾	405	-
Loans at fair value through other comprehensive income	71,336	-7

¹⁾ As described above, the information to perform alternative calculations are not available

Note 26 - Fair value of financial instruments at amortised cost

Financial instruments measured at amortised cost

Financial instruments that are not measured at fair value are recognised at amortised cost or are in a hedging relationship. For further details, see note 2 IFRS Accounting principles. Amortised cost entails valuing balance sheet items after initially agreed cash flows, adjusted for impairment.

Amortised cost will not always be equal to the values that are in line with the market assessment of the same financial instruments. This is due to different perceptions of market conditions, risk and discount rates.

Methods underlying the determination of fair value of financial instruments that are measured at amortised cost are described below:

Loans to and claims on customers

Current-rate loans are exposed to competition in the market, indicating that possible excess value in the portfolio will not be maintained over a long period. Fair value of current-rate loans is therefore set to amortised cost. The effect of changes in credit quality in the portfolio is accounted for through collectively assessed impairment write-downs, therefore giving a good expression of fair value in that part of the portfolio where individual write-down assessments have not been made.

Individual write-downs are determined through an assessment of future cash flow, discounted by effective interest rate. Hence the discounted value gives a good expression of the fair value of these loans.

Bonds held to maturity

Change to fair value is calculated by reference to a theoretical valuation of market value based on interest rate and spread curves.

Loans to and claims on credit institutions, Debt to credit institutions and debt to customers

For loans to and claims on credit institutions, as well as debt to credit institutions and deposits from customers, fair value is estimated equal to amortised cost.

Securities debt and subordinated debt

The calculation of fair value in level 2 is based on observable market values such as on interest rate and spread curves where available.

Parent Bank

		31 Dec 2019		31 Dec 2018	
(NOK million)	Level 1)	Book value	Fair Value	Book value	Fair Value
Assets					
Loans to and claims on credit institutions	2	9,181	9,181	11,178	11,178
Loans to and claims on customers at amortised cost	3	41,105	41,173	46,897	46,972
Earned income not yet received	2	107	107	67	67
Accounts receivable, securities	2	13	13	7	7
Total financial assets at amortised cost		50,406	50,474	58,149	58,224
Liabilities					
Debt to credit institutions	2	7,585	7,585	8,546	8,546
Deposits from and debt to customers	2	86,870	86,870	81,448	81,448
Securities debt at amortised cost	2	9,440	9,425	10,256	10,237
Securities debt, hedging	2	33,573	33,374	34,013	32,284
Subordinated debt at amortised cost	2	1,831	1,826	1,854	1,850
Subordinated debt, hedging	2	216	212	370	363
Lease liabilities	2	347	347	-	-
Debt from securities	2	9	9	699	699
Total financial liabilities at amortised cost		139,872	139,649	137,185	135,426

Group

		31 Dec 2019		31 Dec 2018	
(NOK million)	Level 1)	Book value	Fair Value	Book value	Fair Value
Assets					
Loans to and claims on credit institutions	2	2,110	2,110	5,074	5,074
Loans to and claims on customers at amortised cost	3	49,351	49,431	53,967	54,052
Earned income not yet received	2	132	132	86	86
Accounts receivable, securities	2	292	292	277	277
Total financial assets at amortised cost		51,886	51,966	59,403	59,488
Liabilities					
Debt to credit institutions	2	8,853	8,853	9,214	9,214
Deposits from and debt to customers	2	85,917	85,917	80,615	80,615
Securities debt at amortised cost	2	9,440	9,425	10,256	10,237
Securities debt, hedging		33,573	33,374	34,013	32,284
Subordinated debt at amortised cost	2	1,874	1,869	1,898	1,893
Subordinated debt, hedging	2	216	212	370	363
Lease liabilities	2	505	505	-	-
Debt from securities	2	197	197	809	809
Total financial liabilities at amortised cost		140,576	140,352	137,175	135,415

¹⁾ Fair value is determined by using different methods in three levels. See note 27 for a definition of the levels.

Note 27 - Money market certificates and bonds

Bonds and money market instruments are classified in the category fair value through profit/loss at 31 December 2019.

Parent Bank		Money market certificates and bonds by issuer sector (NOK million)	Group	
31 Dec 2018	31 Dec 2019		31 Dec 2019	31 Dec 2018
		State		
2,089	1,985	Nominal value	1,985	2,089
2,759	2,637	Book value	2,637	2,759
		Other public sector		
3,687	7,613	Nominal value	7,613	3,687
3,705	7,663	Book value	7,663	3,705
		Financial enterprises		
13,118	11,481	Nominal value	11,404	13,040
13,880	12,765	Book value	12,685	13,800
		Non-financial enterprises		
1	15	Nominal value	15	1
9	26	Book value	26	9
18,894	21,095	Total fixed income securities, nominal value	21,017	18,817
76	103	Accrued interest	103	76
20,428	23,195	Total fixed income securities, booked value	23,115	20,348

Note 28 - Financial derivatives

All derivatives are booked at fair value through profit and loss. Gains are carried as assets and losses as liabilities in the case of all interest rate derivatives. This applies both to derivatives used for hedging purposes and held for trading purposes. The Bank does not employ cash flow hedging.

The contract amount shows absolute values for all contracts.

For a description of counterparty risk and market risk, see note 6 on risk factors. For further details concerning market risk linked to interest rate risk, see note 14 on market risk related to interest rate risk, and for market risk related to currency exposure, see note 15 on market risk related to currency exposure.

Parent Bank

Fair value through profit and loss (NOK million)	31 Dec 2019			31 Dec 2018		
	Contract amount	Fair value		Contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Currency instruments						
Foreign exchange derivatives (forwards)	2,664	18	-38	4,089	78	-49
Currency swaps	7,718	202	-62	7,541	256	-26
FX-options	-	-	-	40	0	-0
Total currency instruments	10,382	221	-100	11,670	334	-76
Interest rate instruments						
Interest rate swaps (including cross currency)	238,327	1,761	-2,221	214,485	2,374	-1,878
Short-term interest rate swaps (FRA)	9,000	1	-1	9,000	2	-2
Total interest rate instruments	247,327	1,762	-2,221	223,485	2,376	-1,880
Commodity-related contracts						
Stock-exchange-traded standardised forwards and futures contracts	1,441	145	-145	1,190	415	-415
Total commodity-related contracts	1,441	145	-145	1,190	415	-415
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	35,848	387	-216	31,548	282	-49
Total interest rate instruments	35,848	387	-216	31,548	282	-49
Total						
Total interest rate instruments	283,175	2,149	-2,437	255,033	2,658	-1,929
Total currency instruments	10,382	221	-100	11,670	334	-76
Total commodity-related contracts	1,441	145	-145	1,190	415	-415
Accrued interest		357	-476		508	-514
Total financial derivatives	294,999	2,872	-3,159	267,893	3,914	-2,933

Group

Fair value through profit and loss (NOK million)		31 Dec 2019		31 Dec 2018	
	Contract amount	Fair value Assets	Liabilities	Contract amount	Fair value Assets Liabilities
Currency instruments					
Foreign exchange derivatives (forwards)	2,664	18	-38	4,089	78 -49
Currency swaps	7,718	202	-62	7,541	256 -26
FX-options	-	-	-	40	0 -0
Total currency instruments	10,382	221	-100	11,670	334 -76
Interest rate instruments					
Interest rate swaps (including cross currency)	238,327	1,761	-2,221	214,485	2,374 -1,878
Short-term interest rate swaps (FRA)	9,000	1	-1	9,000	2 -2
Total interest rate instruments	247,327	1,762	-2,221	223,485	2,376 -1,880
Equity instruments					
Equity options	25	12	-10	36	8 -11
Equity forwards/futures	1,884	88	-359	1,155	197 -38
Total equity instruments	1,910	100	-369	1,191	205 -49
Commodity-related contracts					
Stock-exchange-traded standardised forwards and futures contracts	1,441	145	-145	1,190	415 -415
Total commodity-related contracts	1,441	145	-145	1,190	415 -415
Hedging					
Interest rate instruments					
Interest rate swaps (including cross currency)	35,848	387	-216	31,548	282 -49
Total interest rate instruments	35,848	387	-216	31,548	282 -49
Total					
Total interest rate instruments	283,175	2,149	-2,437	255,033	2,658 -1,929
Total currency instruments	10,382	221	-100	11,670	334 -76
Total equity instruments	1,910	100	-369	1,191	205 -49
Total commodity-related contracts	1,441	145	-145	1,190	415 -415
Accrued interest		357	-476		508 -514
Total financial derivatives	296,908	2,972	-3,528	269,084	4,119 -2,982

The bank has established hedge accounting in order to achieve accounting treatment that reflects how interest rate risk and foreign exchange risk are managed in the case of large long-term borrowings. The hedged objects consist exclusively of debt created by the issuance of financial instruments and are implemented in conformity with IFRS 9 by fair value hedging. For those debt instruments that are included in the hedging portfolio, separate interest rate and exchange rate swaps are entered into with corresponding principle and maturity structure. Inefficiency may nonetheless arise as a result of random market variations in the evaluation of object and instrument.

	Nominal amount at 31 December 2019			Nominal amount at 31 December 2018		
Group (NOK million)	Hedging instrument	Hedging object	Ineffectivity	Hedging instrument	Hedging object	Ineffectivity
		Debt created by issue of securities		Derivatives	Debt created by issue of securities	
Accounting line in Balance sheet	Derivatives					
<i>Debt at fixed interest</i>	<i>Interest Swap</i>			<i>Interest Swap</i>		
Nominal NOK	7,789	7,650	140	8,184	8,068	116
<i>Debt in currency at fixed interest</i>	<i>Interest and currency swap</i>			<i>Interest and currency swap</i>		
Nominal EUR	23,429	23,429	-	23,460	22,547	913
Nominal SEK	846	846	-	291	291	-
Nominal CHF	1,586	1,586	-	1,544	1,544	-
	Book value at 31 December 2019			Book value at 31 December 2019		
	Hedging instrument	Hedging object	Ineffectivity in PL	Hedging instrument	Hedging object	Ineffectivity in PL
Recorded amount Assets	387			282		
Recorded amount Liabilities	218	33,790		49	32,891	
Accumulated value changes ending balance	169	154		233	217	
Accumulated value changes opening balance	235	209		278	259	
Changes in fair value	-66	-56	- 10	-46	-42	-4
			Net return on financial investments			Net return on financial investments
Accounting line in profit /loss						

In recent years, reform of and alternatives to IBOR rates have become a priority area for governments across the world. However, there is uncertainty as to the timing and method for any changes. All SpareBank 1 SMN's interest rate derivatives have IBOR rates as their benchmark, and thus could be affected by changes. The most significant positions are held in EURIBOR and NIBOR. The bank follows market developments closely, and participates in several projects in order to monitor and facilitate any changes. The table below shows exposure and nominal amount for derivatives in hedge relationships that may be affected by the IBOR reform, split on the IBOR rate in question.

Interest- and currency instrument (NOK million)	Nominal amount		
	Hedging object	Hedging instrument	Net exposure
CHFLIB 3M		227	227
EURIBOR 3M	1,480	19,817	21,297
EURIBOR 6M	-	257	257
NIBOR 3M	-	10,453	10,453
STIBOR 3M	846	846	-
USD LIBOR 3M	-	1,316	1,316
Total exposure	2,326	32,916	33,550

Note 30 - Shares, units and other equity interest

Parent bank		Shares and units (NOK million)	Group	
31 Dec 2018	31 Dec 2019		31 Dec 2019	31 Dec 2018
186	235	At fair value through profit or loss	2,912	1,745
84	112	Listed	2,506	1,332
102	123	Unlisted	405	413
186	235	Total shares and units	2,912	1,745
Subordinated bond				
86	-	Listed	-	86
119	120	Unlisted	41	42
205	120	Total subordinated debt	41	128
Business held for sale - of which shares				
82	82	Unlisted	40	43
82	82	Total shares held for sale (see note 39)	40	43
170	112	Total listed companies	2,506	1,418
302	325	Total unlisted companies	487	498

Specification of Parent Bank

Listed companies	Stake over 10 %	Our holding (no.)	Acquisition cost (NOK 1000)	Market value/ book value (NOK 1000)
Visa Inc. C-shares		63,536	6,750	104,228
Total quoted shares			6,750	104,228
SpareBank 1 Nordvest		69,423	7,455	7,984
Total quoted credit institutions			7,455	7,984
Unlisted companies				
VN Norge SMN		26,373,402	37,338	47,736
Eksportfinans		1,857	12,888	38,726
Visa C preferanseaksje		1,298	-	24,833
Molde Kunnskapspark		2,000	2,030	2,083
Spama		2,305	-	1,563
Swift eur		44	855	1,489
Other subordinated bonds			1,129	1,167
Total unquoted shares and units			54,241	117,597
Sparebank 1 Søre Sunnmøre		48,070	4,999	5,071
Total unquoted credit institutions			4,999	5,071
SpareBank1 Finans Midt-Norge			77,496	79,072
SpareBank 1 Boligkreditt			41,000	41,422
Total unquoted subordinated bonds			118,496	120,494
Total shares, units and equity capital certificates, parent bank			191,941	355,374

Specification of Group

Listed companies	Stake over 10 %	Our holding (no.)	Acquisition cost (NOK 1000)	Market value/ book value (NOK 1000)
Bonheur		1,531,564	129,287	304,781
Aker BP		687,829	169,250	198,095
Solon Eiendom		4,000,000	146,800	162,400
Scanship Holding/ VOW		5,328,178	90,579	159,845
Crayon Group Holding		2,833,000	68,609	147,316
Kongsberg gruppen		920,000	126,751	126,960
Panoro Energy		3,456,668	60,935	79,158
Norwegian Energy Company		343,530	72,720	77,466
Olav Thon Eiendomsselskap		391,900	63,570	65,761
Magnora	14.7 %	7,719,497	60,918	54,036
Subsea 7		512,701	54,459	53,808
Mowi		232,058	52,840	52,956
BW Offshore Limited		745,235	49,758	49,186
Yara International		134,354	49,026	49,066
Itera		3,350,000	30,717	38,626
Norway Royal Salmon		150,000	9,765	35,880
Scandic Hotels Group		350,000	32,573	34,506
Norsk Hydro		964,809	38,014	31,491
Lerøy Seafood Group		507,977	29,286	29,615
Okea		1,679,760	31,809	29,396
Equinor		160,756	27,585	28,213
Norwegian Air Shuttle		664,248	29,515	25,075
Ocean Yield		493,263	27,881	23,677
Polaris Media		586,016	14,995	20,628
Austevoll Seafood		220,500	20,500	19,856
Borgestad		750,000	15,000	15,000
Archer		3,020,000	15,390	9,604
Borregaard		100,000	9,166	9,500
Webstep		350,000	8,170	8,540
Goodtech		1,000,000	6,500	6,950
Akastor		601,700	10,694	5,981
Gaming Innovation Group		630,883	3,035	5,047
Nordic Semiconductor		86,711	4,572	4,830
Magseis Fairfield		800,000	15,250	4,640
Havila		1,454,880	16,901	4,365
Others			40,457	34,435
Total quoted shares			1,633,274	2,006,687
Komplett Bank		9,060,000	84,392	113,069
Insr Insurance Group		11,000,000	87,340	76,780
Sparebank 1 Østlandet		701,813	60,581	64,918
Sparebank 1 BV		698,399	24,831	27,657
Sparebank 1 Ringerike Hadeland		110,400	21,655	24,950
Sparebanken Telemark		147,000	17,163	19,110
Melhus Sparebank		100,834	12,347	14,167
B2Holding		1,295,000	18,668	12,367
Helgeland Sparebank		140,000	12,044	11,760
Others			20,458	22,752

Total quoted credit institutions			359,480	387,530
Unlisted companies				
Viking Venture III	17.0 %	955,039	34,745	100,444
Salvesen & Thams		22,300	25,730	71,516
Moldekraft		10,545	11,600	14,837
Norsk Innovasjonskapital III		600	7,950	12,885
Sintef Venture IV		18,101	10,725	11,553
Crayo Nano AS		13,876	5,436	11,129
Proventure Seed II		11,608,357	9,674	8,717
Numascale		4,320,117	7,020	7,519
Novelda		18,280	6,143	5,814
Sintef Venture V		9,000	4,137	4,137
Real Estate Central Europe		3,000	5,500	4,000
Herkules Capital 3		1	3,232	3,902
Novela Kapital		300,003	3,000	3,000
Vectron Biosolutions		220,000	6,000	2,750
North Bridge Nordic Property II		51,340	1,996	2,153
Wellstarter		3,538	2,000	2,000
Idletechs		1,593	1,593	1,593
Way		23,175	1,500	1,500
Happybites		12,062	1,495	1,495
Wellcem		40,036	1,361	1,201
Sentrumsbyen Molde		1,000	1,000	1,000
Others			21,559	9,351
Total unquoted shares and units			173,395	282,494
Elimination of subordinated bond SpareBank 1 Finans Midt-Norge			-77,496	-79,072
Total shares, units and equity capital certificates, Group			2,280,595	2,953,013

Note 31 - Intangible assets

2019

Parent Bank			(NOK million)	Group		
Other intangible assets	Goodwill	Total		Total	Goodwill	Other intangible assets
175	447	622	Cost of acquisition at 1 January	1.034	730	303
19	-	19	Additions	60	21	39
-	-	-	Disposals	-4	-	-4
-	-	-	Subsidiaries acquisitions	16	16	
194	447	640	Cost of acquisition at 31 December	1.106	767	338
Accumulated depreciation and write-downs as at 1 January						
89	-	89	January	183	34	149
34	-	34	Current period's depreciation	46	-	46
0	-	0	Current period's write-down	0	-	0
-	-	-	Disposals	-1	-	-1
5	-	5	Subsidiaries' acquisitions	6	-	6
Accumulated depreciation and write-down as at 31 December						
128	-	128	December	233	34	199
66	447	512	Book value as at 31 December	872	734	139

2018

Parent Bank			(NOK million)	Group		
Other intangible assets	Goodwill	Total		Total	Goodwill	Other intangible assets
128	447	575	Cost of acquisition at 1 January	935	681	254
47	-	47	Additions	113	50	63
-0	-	-0	Disposals	-14	-	-14
175	447	622	Cost of acquisition at 31 December	1.034	730	303
Accumulated depreciation and write-downs as at 1 January						
54	-	54	January	141	28	113
36	-	36	Current period's depreciation	49	-	49
-	-	-	Current period's write-down	4	4	-
-0	-	-0	Disposals	-13	-	-13
-	-	-	Subsidiaries' acquisitions	2	2	-
Accumulated depreciation and write-down as at 31 December						
89	-	89	December	183	34	149
86	447	533	Book value as at 31 December	851	697	154

Note 32 - Property, plant and equipment

2019

Parent Bank			Total (NOK million)	Group		
Buildings and other real property	Machinery, inventory and vehicles			Machinery, inventory and vehicles	Buildings and other real property	
104	181	285	Cost of acquisition at 1 January	569	268	301
-	-	-	Cost of acq. as a result of business combinations	3	3	-
-15	11	26	Acquisitions	44	19	25
-	-27	-27	Disposals	-35	-35	-1
-	-	-	Corrections	-	-0	-0
119	165	284	Cost of acquisition at 31 December	580	255	325
58	130	188	Accumulated depreciation and write-downs as at 1 January	336	201	135
-	-	-	Acc. depreciations as a result of business combinations	3	3	-
9	18	26	Current period's depreciation	39	24	15
2	0	3	Current period's write-down	3	0	3
-	-19	-19	Disposals	-24	-24	-
2	-	2	Reversal of accumulated depreciation and write-downs	1	-	1
71	128	199	Accumulated depreciation and write-down as at 31 December	358	204	154
48	37	85	Book value as at 31 December	222	52	171

2018

Parent Bank			Total (NOK million)	Group		
Buildings and other real property	Machinery, inventory and vehicles			Machinery, inventory and vehicles	Buildings and other real property	
111	187	298	Cost of acquisition at 1 January	594	276	318
-	-	-	Cost of acq. as a result of business combinations	8	7	1
2	11	13	Acquisitions	19	17	2
-10	-17	-27	Disposals	-53	-32	-21
1	0	1	Corrections	1	0	1
104	181	285	Cost of acquisition at 31 December	569	268	301
58	125	183	Accumulated depreciation and write-downs as at 1 January	331	196	135
-	-	-	Acc. depreciations as a result of business combinations	6	6	-
8	21	29	Current period's depreciation	47	28	19
1	1	2	Current period's write-down	2	2	1
-8	-19	-27	Disposals	-52	-33	-19
-1	2	1	Reversal of accumulated depreciation and write-downs	1	2	-1
58	130	188	Accumulated depreciation and write-down as at 31 December	336	201	135
46	51	97	Book value as at 31 December	234	67	167

Depreciation

With a basis in acquisition cost less any residual value, assets are depreciated on a straight-line basis over expected lifetime as follows:

- Machinery 3-5 years
- Fixtures 5-10 years
- Technical installations 5-10 years
- Means of transport 10 years
- Buildings and other real property 25 years

Collateral

The Group has not provided security or accepted any other infringements on its right of disposal of its fixed tangible assets with the exception of SpareBank 1 Markets which has pledged inter alia business assets to DNB in connection with banking services related to the securities settlement.

Acquisition cost of depreciated assets

The acquisition cost of fully depreciated assets still in use in the Bank in 2019 is NOK 83 million (NOK 114 million).

Gross value of non-current assets temporarily out of operation

The Group has no significant non-current assets out of operation as at 31 December 2019.

Note 33 - Leases

Parent	Group
2019	2019
Right-of-use assets	
379 Acquisition cost 1 January	587
9 Addition of right-of-use assets	32
0 Disposals	-43
4 Transfers and reclassifications	5
392 Acquisition cost 31 December	581
Accumulated depreciation and impairment 1 January	
49 Depreciation	87
0 Disposals	-4
49 Accumulated depreciation and impairment 31 December	82
342 Carrying amount of right-of-use assets 31 December	498
Lease liabilities	
Undiscounted lease liabilities and maturity of cash outflows	
42 Less than 1 year	78
41 1-2 years	72
37 2-3 years	63
36 3-4 years	59
31 4-5 years	51
197 More than 5 years	245
383 Total undiscounted lease liabilities at 31 December	567
Summary of the lease liabilities	
379 At initial application 1 January	587
12 New lease liabilities recognised in the year	33
-44 Cash payments for the principal portion of the lease liability	-76
-10 Cash payments for the interest portion of the lease liability	-13
10 Interest expense on lease liabilities	13
Other changes	-39
347 Total lease liabilities at 31 December	505
41 Current lease liabilities (note 37)	65
306 Non-current lease liabilities (note 37)	440
-43 Total cash outflows for leases	-76
Summary of other lease expenses recognised in profit or loss	Total
9 Variable lease payments expensed in the period	34
4 Operating expenses in the period related to short-term leases (including short-term low value assets)	11
Operating expenses in the period related to low value assets (excluding short-term leases included above)	1
13 Total lease expenses included in other operating expenses	46

Note 34 - Other assets

Parent Bank			Group	
31 Dec 2018	31 Dec 2019	(NOK million)	31 Dec 2019	31 Dec 2018
-	-	Deferred tax asset	158	175
97	85	Fixed assets	222	234
-	342	Right to use assets	499	-
67	107	Earned income not yet received	132	86
7	13	Accounts receivable, securities	292	277
179	148	Pensions	148	179
384	546	Other assets	640	737
733	1,241	Total other assets	2,092	1,687

Note 35 - Deposits from and liabilities to customers

Parent Bank			Group	
31 Dec 2018	31 Dec 2019	Deposits from and liabilities to customers (NOK million)	31 Dec 2019	31 Dec 2018
63,179	63,177	Deposits from and liabilities to customers without agreed maturity	62,224	62,346
18,269	23,693	Deposits from and liabilities to customers with agreed maturity	23,693	18,269
81,448	86,870	Total deposits from and liabilities to customers	85,917	80,615
0.9 %	1.2 %	Average interest rate	1.2 %	0.9 %

Fixed interest deposits account for 5.1 per cent (4.4 per cent in 2018) of total deposits.

31 Dec 2018	31 Dec 2019	Deposits specified by sector and industry	31 Dec 2019	31 Dec 2018
33,055	35,664	Wage earners	35,664	33,055
12,202	13,162	Public administration	13,162	12,202
3,066	3,064	Agriculture, forestry, fisheries and hunting	3,064	3,066
742	645	Sea farming industries	645	742
1,696	1,582	Manufacturing	1,582	1,696
3,541	3,363	Construction, power and water supply	3,363	3,541
4,663	4,197	Retail trade, hotels and restaurants	4,197	4,663
996	1,059	Maritime sector	1,059	996
4,949	5,027	Property management	4,718	4,644
6,883	7,643	Business services	7,643	6,883
6,572	8,186	Transport and other services provision	7,819	6,210
3,083	3,278	Other sectors	3,001	2,917
81,448	86,870	Total deposits from customers broken down by sector and industry	85,917	80,615

31 Dec 2018	31 Dec 2019	Deposits specified by geographic area	31 Dec 2019	31 Dec 2018
52,718	55,495	Trøndelag	54,712	51,952
14,908	15,705	Møre og Romsdal	15,705	14,908
2,577	2,326	Sogn og Fjordane	2,326	2,577
655	698	Nordland	698	655
5,331	6,653	Oslo	6,482	5,264
4,425	4,696	Other counties	4,696	4,425
835	1,298	Abroad	1,298	835
81,448	86,870	Total deposits broken down by geographic area	85,917	80,615

Note 36 - Debt securities in issue

Parent Bank			Group	
31 Dec 2018	31 Dec 2019	(NOK million)	31 Dec 2019	31 Dec 2018
392	-	Money market instrument and other short-term borrowings	-	392
43,877	43,014	Bond debt	43,014	43,877
44,269	43,014	Total debt securities in issue	43,014	44,269
2.9 %	3.1 %	Average interest, money market certificates	3.1 %	2.9 %
1.4 %	1.3 %	Average interest, bond debt	1.3 %	1.4 %

31 Dec 2018	31 Dec 2019	Securities debt specified by maturity ¹⁾	31 Dec 2019	31 Dec 2018
5,284	-	2019	-	5,284
9,463	7,833	2020	7,833	9,463
8,448	8,713	2021	8,713	8,448
5,854	5,805	2022	5,805	5,854
8,921	8,918	2023	8,918	8,921
4,000	4,500	2024	4,500	4,000
-	4,935	2026	4,935	-
500	499	2029	499	500
299	296	2031	296	299
249	247	2032	247	249
299	296	2033	296	299
-	148	2034	148	-
259	257	2035	257	259
279	276	2044	276	279
18	19	Currency agio	19	18
140	54	Premium and discount, market value of structured bonds	54	140
256	218	Accrued interest	218	256
44,269	43,014	Total securities debt	43,014	44,269

¹⁾ Less own bonds. At year-end 2019 there is no own holding (NOK 65 million)

31 Dec 2018	31 Dec 2019	Securities debt distributed on significant currencies	31 Dec 2019	31 Dec 2018
15,548	13,315	NOK	13,315	15,548
26,512	27,270	EUR	27,270	26,512
2,209	2,429	Other	2,429	2,209
44,269	43,014	Total securities debt	43,014	44,269

Parent Bank and Group

Change in securities debt	31 Dec 2019	Issued	Fallen due/ redeemed	Other changes	31 Dec 2018
Money market instrument	-	-	385	-7	391
Bond debt	42,722	6,230	6,036	-934	43,463
Adjustments	73	-	-	-85	158
Accrued interest	218	-	-	-38	256
Total	43,013	6,230	6,421	-1,064	44,269

Change in securities debt	31 Dec 2018	Issued	Fallen due/ redeemed	Other changes	31 Dec 2017
Money market instrument	391	391	-	-	-
Bond debt	43,463	12,390	9,815	-775	41,663
Adjustments	158	-	-	-49	207
Accrued interest	256	-	-	-68	324
Total	44,269	12,781	9,815	-891	42,194

Note 37 - Other debt and liabilities

Parent Bank			Group	
31 Dec 18	31 Dec 19	Other debt and recognised liabilities (NOK million)	31 Dec 19	31 Dec 18
84	48	Deferred tax	115	147
389	475	Payable tax	546	448
10	10	Capital tax	10	10
30	76	Accruals	455	413
115	127	Provisions	127	115
148	100	Tapsavsetninger garantier	100	148
21	16	Pension liabilities	16	21
-	347	Lease liabilities	505	-
97	68	Drawing debt	68	97
11	6	Creditors	57	66
699	9	Debt from securities	197	809
-	-	Equity instruments	244	31
288	287	Other	401	366
1,892	1,570	Total other debt and recognised liabilities	2,841	2,670
Other liabilities, not recognised				
2,478	2,904	Credit limits, trading	3,059	2,556
-	-	Other commitments	38	73
2,478	2,904	Total other commitments	3,097	2,629
4,370	4,474	Total commitments	5,937	5,299

Collateral

As from 1 March 2017 the bank is required under the European market infrastructure regulation (EMIR) to have in place a CSA with daily exchange of margin collateral etc. with all financial counterparties with which the bank deals domiciled (inter alia) in an EU member state. The Emir regulation regulates OTC derivatives and entails inter alia that SpareBank 1 SMN will be entitled to clear certain derivatives transactions through a central counterparty. This applies to interest rate derivatives in the major currencies Euro, US dollar, British pound, Japanese yen, Norwegian kroner, Swedish kronor and Polish zloty. Derivatives are cleared through London Clearing House as central counterparty where cash is the only collateral at present. SpareBank 1 SMN is not a direct member of London Clearing House, but has entered an agreement with Commerzbank as clearing broker. The bank has also entered an agreement with SEB as clearing broker.

SpareBank 1 Markets clears ordinary share trades executed at Oslo Børs through CCP settlements. The company is a direct clearing member of SIX X-Clear. The company furnishes cash as collateral for the daily margin payments.

SpareBank 1 SMN is registered as a GCM member of NASDAQ OMX Clearing AB. The bank offers customers clearing representation related to their trade in electricity and salmon derivatives on NASDAQ OMX Oslo ASA and Fish Pool ASA. Clearing representation entails that the bank substitutes itself in the place of the client as counterparty to NASDAQ OMX Clearing AB and takes on the obligation towards NASDAQ to furnish margin collateral and to execute settlement of contracts and pay charges. For the bank's exposure as a GCM, clients will furnish collateral in the form of a deposit of cash and/or encumbrance of other assets.

Parent Bank			Group		
Cash deposit	Securities	Total	Total	Securities	Cash deposit
1,283	245	1,528	1,543	245	1,298
1,827	245	2,072	2,088	245	1,843
561	-	561	589	-	589
955	-	955	982	-	982

Ongoing lawsuits

The Group is not involved in legal disputes considered to be of substantial significance for the Group's financial position. No provision for loss has been made as of 31 December 2019.

Provisions

The group has made provisions for pension liabilities, see note 23, specified losses on guarantees, see note 11, restructuring and gifts. The provision for restructuring is made based on the downsizing plan. Provision on gifts is the part of previous year's profit to be allocated to non-profit causes. More on this topic in the section corporate social responsibility.

Parent Bank/Group (NOK million)	Pension liabilities	Restructuring provision	Gifts
Provisions at 1 Jan 2019	21	21	94
Additional provisions in the period	-	-	80
Amounts used in the period	-3	-15	-53
Amounts unused reversed in the period	-	-	-
The increase during the period in the discounted amount that occurs over time, and the effect of any changes in the discount rate	-3	-	-
Provisions at 31 Dec 2019	16	6	121

Parent Bank/Group (NOK million)	Pension liabilities	Restructuring provision	Gifts
Provisions at 1 Jan 2018	24	39	69
Additional provisions in the period	-	-	70
Amounts used in the period	-3	-18	-45
Amounts unused reversed in the period	-	-	-
The increase during the period in the discounted amount that occurs over time, and the effect of any changes in the discount rate	0	-	-
Provisions at 31 Dec 2018	21	21	94

Note 38 - Subordinated debt and hybrid capital issue

Parent bank			Group	
31 Dec 2018	31 Dec 2019	(NOK million)	31 Dec 2019	31 Dec 2018
Dated subordinated debt				
-	-	2026 SpareBank 1 Finans Midt-Norge 16/26	43	43
150	150	2027 floating rate NOK (Call 2022)	150	150
600	600	2027 floating rate NOK (Call 2022)	600	600
250	250	2029 floating rate NOK (Call 2024)	250	250
250	250	2028 floating rate NOK (Call 2023)	250	250
500	500	2028 floating rate NOK (Call 2023)	500	500
3	4	Accrued interest	5	4
1,753	1,754	Total dated subordinated debt	1,797	1,796
Hybrid equity				
350	211	10/99, fixed rate 8.25 % NOK (Call 2020) ¹⁾	211	350
100	76	10/99, floating rate NOK (Call 2020)	76	100
13	1	Discount perpetual hybrid equity	1	13
8	5	Accrued interest	5	8
471	293	Total hybrid equity	293	471
2,224	2,047	Total subordinated loan capital and hybrid equity	2,090	2,268
3.5 %	3.6 %	Average rate NOK	3.6 %	3.5 %
Additional Tier 1 Capital				
-	-	5/99 SpareBank 1 Finans Midt-Norge floating rate NOK (Call 2022)	43	43
300	300	5/99 floating rate NOK (Call 2023)	300	300
200	200	7/99 fixed rate 5.0 % NOK (Call 2025) ^{*)}	200	200
300	300	5/99 floating rate NOK (Call 2023)	300	300
200	200	5/99 floating rate NOK (Call 2023)	200	200
-	250	5/99 floating rate NOK (Call 2024)	250	-
1,000	1,250	Total additional Tier 1 Capital	1,293	1,043
3.8 %	4.5 %	Average rate NOK	4.5 %	3.8 %

¹⁾Fixed rate funding changed to floating rate by means of interest rate swaps

Group

Changes in subordinated debt and hybrid equity issue	31 Dec 2019	Issued	Fallen due/ redeemed	Other changes	31 Dec 2018
Ordinary subordinated debt, NOK	1,793	-	-	-	1,793
Hybrid capital loan, NOK	287	-	164	-	450
Adjustments	1	-	-	-11	13
Accrued interest	10	-	-	-2	12
Total subordinated debt and hybrid equity issue	2,090	-	164	-14	2,268

Changes in additional Tier 1 Capital	31 Dec 2019	Issued	Fallen due/ redeemed	Other changes	31 Dec 2018
Additional Tier 1 Capital, NOK	1,293	250	-	-	1,043
Total subordinated debt and hybrid equity issue	1,293	250	-	-	1,043

Changes in subordinated debt and hybrid equity issue	31 Dec 2018	Issued	Fallen due/ redeemed	Other changes	31 Dec 2017
Ordinary subordinated debt, NOK	1,793	750	-	-	1,043
Ordinary subordinated debt, Currency	-	-	699	40	659
Hybrid capital loan, NOK	450	-	-	-	450
Adjustments	13	-	-	-27	40
Accrued interest	12	-	-	3	10
Total subordinated debt and hybrid equity issue	2,268	750	699	15	2,201

Changes in additional Tier 1 Capital	31 Dec 2018	Issued	Fallen due/ redeemed	Other changes	31 Dec 2017
Additional Tier 1 Capital, NOK	1,043	1,000	950	-	993
Total subordinated debt and hybrid equity issue	1,043	1,000	950	-	993

Note 39 - Investments in owner interests

Subsidiaries, associates, joint ventures and companies held for sale.

Company	Company number	Registered office	Stake in per cent
Investment in significant subsidiaries			
EiendomsMegler 1 Midt-Norge	936159419	Trondheim	87.0
SpareBank 1 Regnskapshuset SMN	936285066	Trondheim	88.7
SpareBank 1 Invest	990961867	Trondheim	100.0
SpareBank 1 Finans Midt-Norge	938521549	Trondheim	61.2
SpareBank 1 SMN Kvartalet	990283443	Trondheim	100.0
SpareBank 1 Bygget Steinkjer	934352718	Trondheim	100.0
St. Olavs Plass	999263380	Trondheim	100.0
SpareBank 1 Bilplan	979945108	Trondheim	100.0
SpareBank 1 Markets	992999101	Oslo	66.7
SpareBank 1 SMN Spire Finans	916585837	Trondheim	100.0
Shares owned by subsidiaries and sub-subsidiaries			
GMA Invest	994469096	Trondheim	100.0
Sentrumsgården	975856828	Leksvik	24.0
Aqua Venture	891165102	Trondheim	37.6
Omega-3 Invest	996814262	Namsos	33.6
Tjeldbergodden Utvikling	979615361	Aure	35.3
Grilstad Marina	991340475	Trondheim	35.0
GMN 6	994254707	Trondheim	30.0
GMN 51	996534316	Trondheim	30.0
GMN 52	996534413	Trondheim	30.0
GMN 53	996534502	Trondheim	30.0
Brauten Eiendom	917066221	Trondheim	100.0
SpareBank 1 Kapitalforvaltning	980300609	Trondheim	100.0
SpareBank 1 Capital Markets		New York	100.0
Leksvik Regnskapskontor	980491064	Leksvik	50.0
Viken Regnskap	976108418	Stjørdal	100.0
Reinheim Regnskap	974376113	Lesja	100.0
Investment in joint ventures			
SpareBank 1 Gruppen	975966372	Tromsø	19.5
SpareBank 1 Utvikling	986401598	Oslo	18.0
Investment in associates			
SpareBank 1 Boligkreditt	988738387	Stavanger	20.9
BN Bank	914864445	Trondheim	35.0
SpareBank 1 Næringskreditt	894111232	Stavanger	31.0
Bjerkeløkkja	998534976	Oppdal	40.7
SpareBank 1 Kredittkort	975966453	Trondheim	17.3
SMB Lab	917143501	Trondheim	20.0
Proaware	995756080	Tromsø	20.0
SpareBank 1 Betaling	919116749	Oslo	21.5
Investment in companies held for sale			
Mavi XV	890899552	Trondheim	100.0
Mavi XXV	999239242	Trondheim	100.0
Mavi XXVIII	999239455	Trondheim	100.0
Byscenen Kongensgt 19	992237899	Trondheim	94.0

Shares in subsidiaries, Parent Bank

Recorded at acquisition cost in the Parent Bank. Full consolidation in the Group accounts. Total costs include tax charge. The booked value of subsidiaries in the tables below is the Parent Bank's booked value. Profit or loss show the company's net profit.

2019 (NOK million)	Company's share capital (NOK 000's)	No. Of shares	Nominal value (NOK 000's)	Assets	Liabilities	Equity	NCI of equity ¹⁾	Total income	Total expenses	Profit or loss	NCI of profit or loss 1)	Book value 31.12
SpareBank 1 Finans Midt-Norge AS	922,590	92,259	10.0	8,861	7,567	1,295	458	527	413	114	43	666
Total investments in credit institutions												666
EiendomsMegler 1 Midt-Norge	66,611	5,505	12.1	309	140	169	22	390	389	1	0	155
SpareBank 1 SMN Kvartalet	30,200	30,200	1.0	318	221	97	0	34	26	7	-	126
SpareBank 1 Regnskapshuset SMN	19,278	238	81.0	527	161	367	42	505	420	85	10	231
SpareBank 1 Invest	457,280	457,280	1.0	603	39	564	-	52	6	47	-	540
SpareBank 1 Bygget Steinkjer	6,100	100	61.0	50	14	36	-	4	3	1	-	40
SpareBank 1 Card Solution	10,000	100,000	0.1	80	26	54	-	7	5	3	-	50
St. Olavs Plass	5,769	41,206	0.1	5	1	4	-	4	2	1	-	4
SpareBank 1 Bilplan	529,221	3,168,991	0.2	3,669	2,950	718	239	626	583	43	14	456
SpareBank 1 Markets	4,503	75,044,932	0.0	106	56	51	-	21	40	-20	-	41
Total investments in other subsidiaries												1,643
Total investments in Group companies, Parent Bank												2,309

¹⁾Non-controlling interests

2018 (NOK million)	Company's share capital (NOK 000's)	No. Of shares	Nominal value (NOK 000's)	Assets	Liabilities	Equity	NCI of equity ¹⁾	Total income	Total expenses	Profit or loss	NCI of profit or loss 1)	Book value 31.12
SpareBank 1 Finans Midt-Norge AS	772,590	77,259	10.0	7,723	6,580	1,143	364	337	226	111	39	602
Total investments in credit institutions												602
EiendomsMegler 1 Midt-Norge	66,611	5,505	12.0	276	91	186	24	496	517	-20	-3	143
SpareBank 1 SMN Kvartalet	98,753	30,200	0.0	310	10	300	-	30	24	5	-	332
SpareBank 1 Regnskapshuset SMN	18,564	238	78.0	394	112	282	13	444	390	54	2	201
SpareBank 1 Invest	457,280	457,280	1.0	793	45	748	-	13	6	7	-	739
SpareBank 1 Bygget Steinkjer	6,100	100	61.0	49	1	49	-	4	3	1	-	53
SpareBank 1 Card Solution	200	2,000	0.1	5	0	5	-	2	2	0	-	5
St. Olavs Plass	10,000	100,000	0.1	78	1	77	-	7	6	1	-	75
SpareBank 1 Bilplan	5,759	41,206	0.1	5	3	3	-	8	10	-2	-	4
SpareBank 1 Markets	529,221	3,168,991	0.2	2,258	1,582	676	225	551	535	16	5	456
Total investments in other subsidiaries												2,008
Total investments in Group companies, Parent Bank												2,610

¹⁾ Non-controlling interests

Shares in associates and joint ventures

Associates and joint ventures are recorded at acquisition cost in the Parent Bank. Group figures are presented by the equity method.

Parent Bank			Group	
2018	2019 (NOK million)		2019	2018
3,940	4,309	As at 1 January	6,098	5,638
369	221	Acquisition/sale	210	168
-	-4	Write-down	-	-
-	-	Equity capital changes	-15	-74
-	-	Profit share	879	437
-	-	Dividend paid	-704	-410
4,309	4,526	Book value as at 31 December	6,468	6,098

Specification of year's change, Group	Additions/disposal	Equity change
SpareBank 1 Gruppen	-	2
SpareBank 1 Boligkreditt	153	-12
SpareBank 1 Næringskreditt	-40	-1
SpareBank 1 Kredittkort	-1	2
Sparebank 1 Betaling	22	-0
BN Bank	83	-4
Other companies	-7	-3
Sum	210	-15

Dividends from investments in associates and joint ventures

(NOK million)	2019	2018
SpareBank 1 Gruppen	663	287
SpareBank 1 Boligkreditt	-	14
BN Bank	-	-
SpareBank 1 Næringskreditt	15	17
SpareBank 1 Kredittkort	25	38
Total income from associates and joint ventures	704	355

Company information on the Group's stakes in associates and joint ventures

The tables below contain company or Group accounting figures on a 100 per cent share basis, except for profit share which is stated as the SMN Group's share. Booked value is the consolidated value in the SMN Group.

2019 (NOK million)	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12	No. of shares
SpareBank 1 Gruppen	93,560	82,689	25,820	24,317	712 ¹⁾	1,609	381,498
SpareBank 1 Boligkreditt	245,621	233,340	260	92	26	2,319	15,898,802
SpareBank 1 Næringskreditt	11,411	9,316	92	30	21	650	5,034,161
SpareBank 1 Kredittkort	5,817	4,794	548	473	13	177	498,720
Sparebank 1 Betaling	773	4	0	58	3	166	3,980,651
BN Bank	31,917	27,620	768	441	107	1,425	4,943,072
Other companies	-	-	-	-	-2	123	-
Total					879	6,468	

¹⁾ incl earnings sale ownership interest to DNB in Fremtind Forsikring NOK 460 million

2018 (NOK million)	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12	No. of shares
SpareBank 1 Gruppen	75,383	67,177	13,719	12,239	289	1,558	381,498
SpareBank 1 Boligkreditt	245,521	233,938	3,578	3,573	-7	2,152	14,879,609
SpareBank 1 Næringskreditt	13,365	11,287	262	211	15	685	5,353,070
SpareBank 1 Kredittkort	5,948	4,867	1,122	991	23	188	502,131
Sparebank 1 Betaling	656	0	-	57	-12	141	1,635
BN Bank	29,021	24,739	658	364	92	1,239	4,658,389
Other companies	-	-	-	-	17	135	-
Total					416	6,098	

Companies held for sale

SpareBank 1 SMN owns 100 per cent of Mavi XV AS due to defaulted loans. 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. In the Group accounts one-line consolidation is undertaken.

2019 (NOK million)	Assets	Liabilities	Total income	Total costs	Company's result of the year	No. of shares
Mavi XV AS konsern	40	0	5	-5	0	100%

2018 (NOK million)	Assets	Liabilities	Total income	Total costs	Company's result of the year	No. of shares
Mavi XV AS konsern	43	1	5	-1	5	100%
SpareBank 1 Kvartalet AS	-	-	144	-	144	100%
	43	1	148	-1	149	

Note 40 - Business acquisitions/business combinations

General

Upon acquisition of businesses a purchase price analysis is prepared in accordance with IFRS 3 where identifiable assets and liabilities are recognised at fair value on the acquisition date.

Acquisition of accounting firms

SpareBank 1 Regnskapshuset SMN AS has in 2019 acquired Reinheim Regnskap AS, Viken Regnskap and the assets of Taraldsen Regnskap. Taraldsen are fully integrated into SpareBank 1 Regnskapshuset SMN AS from 1 May 2019, while Reinheim and Viken will be integrated into SpareBank 1 Regnskapshuset SMN AS from 2020.

Spjelkavik Regnskap AS, Flatanger Regnskapskontor AS and Grongstad Regnskap AS have been integrated with SpareBank1 Regnskapshuset SMN in 2019.

Purchase price allocations have been prepared in accordance with IFRS 3 in which identifiable assets and liabilities are recognised at fair value on the acquisition date. The difference between the group's acquisition cost and book value of net assets is allocated to goodwill.

Acquisition of SpareBank 1 SMN Spire Finans (formerly DeBank)

At 5 February 2019 SpareBank 1 SMN acquired 100 per cent of the shares in SpareBank 1 SMN Spire Finans AS for MNOK 40. The acquisition led to a negative goodwill of MNOK 31 included as a gain in net return of financial investments. The reason for the gain from this transaction is that fair value of net assets is higher than the acquisition cost. The allocation of fair value is distributed as follows:

	Fair value recognised at acquisition date
Assets	
Loans	207
Other assets	14
Total assets	221
Liabilities	
Deposits	142
Accruals	5
Other liabilities	4
Total liabilities	151
Net identifiable assets and liabilities	70
Goodwill	-31
Acquisition cost	40

Note 41 - Significant transactions with related companies

In this context 'related parties' means subsidiaries, associated companies, joint ventures and companies held for sale over which the Bank exercises substantial influence, as well as SpareBank 1 SMN Pensjonskasse (pension fund) and companies owned by the Bank's personal related parties. The Bank's outstanding accounts with employees and members of the Board of Directors are shown in note 8 on loans and advances to customers and note 20 on personnel expenses and emoluments to senior employees and elected officers. The opening balance may differ from the previous year's closing balance as the opening balance includes companies that during the fiscal year have been classified as related parties of the Bank.

Loans (NOK million)	Subsidiaries		Other related companies	
	2019	2018	2019	2018
Outstanding loans as at 1 January	6,833	5,909	4,583	4,609
Loans issued in the period	1,617	1,200	1	31
Repayments	600	276	3	45
Outstanding loans as at 31 December	7,850	6,833	4,581	4,595
Interest rate income	140	130	139	125
Bonds and subordinated loans as at 31 December	159	158	623	858
Deposits (NOK million)				
Deposits as at 1 January	1,292	938	1,388	2,061
Contribution received during the period	45,304	42,985	55,805	52,419
Withdrawals	45,047	42,684	56,242	52,936
Deposits as at 31 December	1,549	1,238	951	1,544
Interest rate expenses	27	19	13	13
Securities trading	348	28	108	204
Commission income SpareBank 1 Boligkreditt	-	-	348	340
Commission income SpareBank 1 Næringskreditt	-	-	16	16
Issued guarantees and amount guaranteed	111	110	20	23

Loans and deposits

All loans and deposits for related parties are booked in the Parent Bank.

Securities trading

SpareBank 1 SMN's treasury department and subsidiary Sparebank 1 Markets, through outsourced business, carry out a large number of transactions with the Bank's related companies. Transactions are executed on an ongoing basis in the fixed income and forex area, payments transmission, bond trading etc. These transactions are part of ordinary bank operations and all agreements are contracted on market terms. Numbers above includes net investments in derivatives, bond transactions and deposits.

Other transactions

SpareBank 1 SMN has signed supply agreements with several related companies in order to safeguard ordinary banking operations and further development of the SpareBank 1 Alliance. This includes development of data-technical solutions for alliance collaboration, commission from insurance and savings and investment products, administrative services, leasing of premises etc. The agreements are considered to be on market terms. In addition the Bank participates in increases of capital in related companies; see note 39 on investment in owner interests.

Note 42 - ECC capital and ownership structure

ECC capital

The Bank's ECC capital totals NOK 2,596,728,860 distributed on 129,836,443 equity capital certificates (ECCs), each with a face value of NOK 20. As at 31 December 2019 there was 10 267 ECC holders (9 371 as at 31 December 2018).

ECC capital has been raised by the following means:

Year	Change	Change in ECC capital (NOK)	Total ECC capital (NOK)	No. of ECCs
1991	Placing	525,000,000	525,000,000	5,250,000
1992	Placing	75,000,000	600,000,000	6,000,000
2000	Employee placing	5,309,900	605,309,900	6,053,099
2001	Employee placing	4,633,300	609,943,200	6,099,432
2002	Employee placing	4,862,800	614,806,000	6,148,060
2004	Bonus Issue	153,701,500	768,507,500	7,685,075
2005	Placing	217,424,200	985,931,700	9,859,317
2005	Employee placing	23,850,000	1,009,781,700	10,097,817
2005	Split	-	1,009,781,700	40,391,268
2005	Rights issue	252,445,425	1,262,227,125	50,489,085
2007	Dividend issue	81,752,950	1,343,980,075	53,752,203
2007	Employee placing	5,420,000	1,349,400,075	53,976,003
2008	Dividend issue	90,693,625	1,440,093,700	57,603,748
2008	Employee placing	6,451,450	1,446,545,150	57,861,806
2009	Bonus issue	289,309,025	1,735,854,175	69,434,167
2010	Employee placing	12,695,300	1,748,549,475	69,941,979
2010	Rights issue	624,082,675	2,372,632,150	94,905,286
2011	Rights issue	625,000	2,373,257,150	94,930,286
2012	Reduction in nominal value	-474,651,430	1,898,605,720	94,930,286
2012	Rights issue	569,543,400	2,468,149,120	123,407,456
2012	Employee placing	16,220,200	2,484,369,320	124,218,466
2012	Placing	112,359,540	2,596,728,860	129,836,443

20 largest ECC holders	No. of ECCs	Holding
State Street Bank and Trust CO (nominee)	5,596,264	4.31 %
VPF Nordea Norge	4,911,723	3.78 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,442,919	2.65 %
Danske Invest Norske Aksjer Institusjon II	3,314,149	2.55 %
VPF Pareto Aksje Norge	2,368,292	1.82 %
VPF Alfred Berg Gambak	2,254,451	1.74 %
Morgan Stanley & Co. International	2,084,858	1.61 %
State Street Bank and Trust Comp (nominee)	2,044,622	1.57 %
JPMorgan Chase Bank, N.A., London (nominee)	2,023,423	1.56 %
Pareto Invest AS	1,815,271	1.40 %
Forsvarets Personellservice	1,779,246	1.37 %
VPF Nordea Kapital	1,503,225	1.16 %
Danske Invest Norske Aksjer Institusjon I	1,372,975	1.06 %
J.P. Morgan Bank Luxembourg (nominee)	1,370,104	1.06 %
MP Pensjon PK	1,352,771	1.04 %
VPF Eika Egenkapitalbevis	1,349,141	1.04 %
Handelsbanken Nordiska Småbolagsfond	1,316,359	1.01 %
Citibank N.A (nominee)	1,293,691	1.00 %
VPF Nordea Avkastning	1,249,111	0.96 %
The 20 largest ECC holders in total	46,407,986	35.74 %
Others	83,428,457	64.26 %
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 around one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that around 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.

Note 43 - Earnings per ECC

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.

(NOK million)	Jan-Dec	
	2019	2018
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	2,458	2,018
Allocated to ECC Owners 2)	1,572	1,291
Issues Equity Capital Certificates adjusted for own certificates	129,496,367	129,411,807
Earnings per Equity Capital Certificate	12.14	9.97

1) Adjusted Net Profit	Jan-Dec	
	2019	2018
Net Profit for the group	2,563	2,090
adjusted for non-controlling interests share of net profit	-56	-34
Adjusted for Tier 1 capital holders share of net profit	-49	-37
Adjusted Net Profit	2,458	2,018

2) Equity capital certificate ratio (parent bank) (NOK million)	31 Dec	
	2019	2018
ECC capital	2,597	2,597
Dividend equalisation reserve	6,144	5,602
Premium reserve	895	895
Unrealised gains reserve	121	99
Other equity capital	-	-
A. The equity capital certificate owners' capital	9,758	9,193
Ownerless capital	5,432	5,126
Unrealised gains reserve	68	56
Other equity capital	-	-
B. The saving bank reserve	5,500	5,182
To be disbursed from gift fund	474	373
Dividend declared	840	661
Equity ex. profit	16,572	15,409
Equity capital certificate ratio A/(A+B)	64.0 %	64.0 %
Equity capital certificate ratio for distribution	64.0 %	64.0 %

Note 44 - Dividends from subsidiaries

Dividends (NOK million)	2019	2018
SpareBank 1 Finans Midt-Norge AS	68	62
EiendomsMegler 1 Midt-Norge AS	12	23
SpareBank 1 Regnskapshuset SMN AS	44	-
SpareBank 1 SMN Invest AS	31	63
SpareBank 1 SMN Card Solutions AS	-	1
SpareBank 1 SMN Kvartalet AS	5	-
St. Olavs Plass 1 SMN AS	1	-
Sparebank 1 Bygget Steinkjer AS	1	1
Total dividends	162	151