Financial results

Report of the Board of Directors

Macroeconomic conditions

A demanding year, but better than feared
2020 proved a year for the history books. The global economy and the Norwegian economy were approaching a low point at the start of 2020. In March the Covid-19 pandemic brought a strong reduction in economic activity.

Most sectors were hit, but person-oriented services such as hotels and restaurants, culture and entertainment, along with passenger transport, were hit hardest. However, even with society under lockdown, the majority of the economy continued to function.

Over the course of spring 2020 the governments of all wealthy countries adopted extreme measures. Wide-ranging cuts were made in central banks' base rates, and steps were taken to ensure an ample supply of cheap liquidity to the banks. In a short space of time governments in most countries put together substantial crisis packages to secure household incomes and compensate businesses for their large fall in incomes.

A series of measures to restrict social contact reduced infection rates through April and into May. Restrictions were thereafter eased, and communities partially reopened. This, together with use of fiscal policy instruments, led to a very rapid recovery in much of the economy up until later in the autumn.

Despite local virus outbreaks and declining GDP in a few countries, the upturn in the global economy continued in the fourth quarter. The Covid-19 crisis gave rise to the steepest and deepest downturn ever, but is also the shortest. However, 2020 viewed as a whole brought a sharp setback. Global GDP contracted by about 3.5 per cent, although there are wide regional differences.

Substantial differences have been in evidence between sectors. In summer 2020 goods consumption in wealthy countries rose to a level above the norm. Global manufacturing output is now higher than prior to the pandemic. Firms report continued strong growth and rapidly rising prices on most products and services. The oil price plummeted in spring 2020 when demand fell more than 10 per cent overnight before Opec adopted production cuts. The oil price has since risen from USD 20 per barrel to more than USD 60.

However, activity in person-oriented service industries remains very low – 20-50 per cent below normal. Although unemployment plunged through the second quarter of 2020, it was still higher than normal at the end of last year.

Measures taken by central banks caused interest rates to fall sharply to an extremely low level. The combination of good growth prospects and extremely low interest rates made it very attractive to buy shares, commercial property and dwellings. In many markets prices climbed strongly, despite the Covid-19 crisis. Credit spreads in the bond markets for firms and banks rose sharply up to the end of March, but fell back again rapidly. At the end of 2020 stock markets were at very high levels, and credit spreads were at their lowest since prior to the financial crisis in 2008. Many countries have shown great flexibility as regards tax collection, and the number of bankruptcies has fallen markedly.

Alongside the Covid-19 crisis, the ‘green transition’ left its mark both on the economy and financial markets in 2020, and far more so than previously. Money flows are switching rapidly from coal, oil and gas to renewable energy and other climate investments. ‘Green’ companies’ share prices have climbed rapidly.

Norwegian economy: Like the world as a whole, but better than the rest of Europe

The Norwegian economy decelerated sharply from mid-April, as was the case in almost all western countries. Mainland (non-oil) GDP contracted by almost 11 per cent in three weeks. Unemployment rose very rapidly from 3 per cent to 15 per cent, partly due to the adoption of flexible layoff rules. Norges Bank (Norway’s central bank) and the government initiated extensive measures. As in the rest of the world, the economy recovered rapidly in April and May. At year-end Mainland GDP was a mere 1.1 per cent lower than at the start of the year.

In Norway too, large differences were noted between sectors, and to some extent also between regions. Person-oriented services are down 20-40 per cent, and air traffic down by up to 75 per cent. At the same time other sectors are faring better. Oil-independent manufacturing is at the same level as prior to the pandemic, in common with manufacturing in other countries. Mainland exports apart from tourism are higher than prior to the pandemic. The private and public sectors switched rapidly to extended use of working from home. Construction activity has held up well, and house prices have risen. Agriculture is little affected, and the aquaculture industry has maintained sales volumes – at somewhat lower prices. Interest rate cuts and government measures to stabilise the economy have both contributed to damping the detrimental effects of the pandemic.

The banks have reported increased losses, but not heavy when compared with the decline in a number of sectors. Bankruptcy numbers have fallen markedly, largely because public authorities are not collecting outstanding tax claims to the same extent as in a normal situation.

Norwegian households’ domestic consumption rose through 2020. Households have largely maintained their income levels, leading to increased saving.

Mainland enterprises’ investments fell 6 per cent in 2020, but rose through the second half-year. Investments in the oil sector dropped 5 per cent, but stabilised towards year-end. Prospects for 2021 remain uncertain, but enterprises surveys show expectations of improvement.

The krone exchange rate fell 18 per cent from the start of 2020 to the second half of March, but has thereafter strengthened and is now back to its pre-pandemic level. The Norwegian share market showed the same development, and is now at a record-high level, strengthened by a marked improvement in the world economy and continued extremely low interest rates. Credit spreads have concurrently fallen to their lowest levels in over 10 years.

Norges Bank cut its base rate last spring to 0 per cent. Money market rates followed the same downward path, and bank lending rates were lowered by an average of about 1.25 percentage points. Norges Bank signalled in December that the base rate may be raised as from the second quarter of 2022, if activity levels in the Norwegian economy have returned to a normal level.

Regional: Trøndelag and Møre og Romsdal

The Covid-19 crisis affected the economy of Mid-Norway less than it did the economy of the country as a whole. Unemployment in Mid-Norway rose markedly in spring 2020, but fell rapidly as the majority of enterprises opened up. At year-end unemployment was a mere one percentage point higher than prior to the pandemic. In mid-Norway, unemployment according to the Labour and Welfare Administration (NAV) at the end of 2020 was 3.6 per cent, compared with 4.5 per cent for the country as a whole.

A large majority of enterprises in the region managed well through 2020, as in the rest of the country. The number of bankruptcies in the bank's market area is down 25 per cent compared with 2019, and a sharp decline is noted in both counties – 28 per cent in Trøndelag and 21 per cent in Møre og Romsdal respectively. The reduction in investments in the oil sector has affected some enterprises, but in general manufacturing industry has coped well. At the same time many businesses in the services sector have faced major challenges. Activity was high in July when households spent their holidays in Norway, but has been low and unstable both before and after. The housing market in Mid-Norway recovered rapidly after the initial decline, and prices rose 8 per cent through 2020, on a par with most of the country. In Trondheim, house prices rose 7 per cent and in Ålesund 9 per cent. In Norway as a whole, prices rose 9 per cent, heavily influenced by house price growth of 12 per cent in Oslo.

Population growth in Trøndelag was dampened in 2020 due to lower net immigration from abroad. Population growth was about 0.5 per cent, down from 0.6 per cent in 2019. Møre og Romsdal's population remained approximately unchanged through the year.

Møre og Romsdal are more dependent on activity levels in oil-related activities and shipbuilding than the rest of the country. While the outlook here remains uncertain, prospects for investments in the oil sector have improved thanks to the tax reform for oil companies and a higher oil price. Many enterprises are nonetheless orienting themselves towards new markets with better long-term growth prospects. Trøndelag is better diversified, but the construction industry may be affected by lower growth in population and incomes than in previous years.

The bank's own business survey showed that optimism in business and industry was back to normal levels in autumn 2020. There are grounds for assuming that increased infection rates and the introduction of stringent measures in later autumn have reduced optimism somewhat. Despite this, the situation in the region's business and industry is regarded as good, in part as a result of various support measures introduced by the government.

Annual accounts 2020
(Consolidated figures. Figures in parenthesis refer to the same period of 2019 unless otherwise stated)

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

Accounts 2020

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

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

The profit share from ownership interests and related companies was NOK 681m (879m), including an gain of NOK 340m (460m) upon the transfer of personal risk products to Fremtind Livsforsikring.

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

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

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

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

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

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

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

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

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

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

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

Difference between Group - Parent Bank	**2020**	**2019**
Profit for the year, Group	**1,978**	**2,563**
Interest hybrid capital	-56	-47
Profit for the year excl interest hybrid capital, group	**1,922**	**2,516**
Profit, subsidiaries	-427	-286
Dividend, subsidiaries	220	162
Profit, associated companies	-681	-879
Dividend, associated companies	272	704
Group eliminations	-6	-2
Profit for the year excl interest hybrid capital, Parent bank	**1,300**	**2,216**

Distribution of profit	**2020**	**2019**
Profit for the year excl interest hybrid capital, Parent bank	1,300	2,216
Transferred to/from revaluation reserve	-50	-34
Profit for distribution	**1,250**	**2,182**
Dividends	569	647
Equalisation fund	230	749
Saving Bank's fund	130	422
Gifts	321	364
Total distributed	**1,250**	**2,182**

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

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

Earnings per equity certificate were NOK 8.87. In keeping with the bank’s dividend policy, the board of directors recommends the bank’s supervisory board to declare a cash dividend of NOK 4.40, altogether totalling NOK 569m. In light of the Ministry of Finance’s advisory, the board of directors recommends the disbursement of NOK 1.30, altogether NOK 168m, which is compliant with the limit of 30 per cent of the overall annual profit for 2019 and 2020. The board of directors further recommends the bank’s supervisory board to allocate NOK 321m to community dividend, of which only NOK 95m is to be disbursed prior to 30 September 2021. The board is given authorisation to decide whether to distribute all or parts of the remaining dividend after 30 September 2021 if the capital situation and government guidelines permit, and the required regulatory changes have been adopted.

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

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

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

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

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

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

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

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

Net interest income on loans sold to SpareBank 1 Boligkreditt (residential mortgage company) and SpareBank 1 Næringskreditt (commercial mortgage company) is recognised as commission income. Commission income on loans sold to these two companies totalled NOK 422m (365m) as at 31 December 2020. Both the margins on, and the volumes of, loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt have increased.

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

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

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

Return on financial investments

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

- Losses on shares of the bank and subsidiaries totalled NOK 4m (gain of 120m).
- Gains on the bond and certificate portfolio altogether totalling NOK 103m (loss of 20m) as a result of reduced credit margins
- Financial derivatives and financial instruments relating to hedge accounting yielded gains of NOK 33m (gain of 123m). This essentially comprises gains on fixed income instruments and is ascribable to declining interest rates over the year.
- Other financial instruments measured at fair value include value changes on the bank's portfolio of fixed interest loans and show a loss of NOK 11m (gain of 9m)
- Income of NOK 82m (22m) from forex transactions comprises income from currency trading at SpareBank 1 Markets and the result of exchange rate fluctuations on the bank's funding in foreign currencies.
- Gains on shares and share derivatives at SpareBank 1 Markets totalled NOK 28m (54m)

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

Product companies and other related companies

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

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

SpareBank 1 Gruppen

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

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

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

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

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

SpareBank 1 Factoring reports some volume decline due to the Covid-19 crisis and delivered an annual profit of NOK 53m (58m). Modhi group’s profit was NOK 6m (48m) which is lower than the previous year, due essentially to start-up costs in Finland and Sweden.

SpareBank 1 Boligkreditt

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

As at 31 December 2020 the bank had sold loans totalling NOK 46.6bn (39.8bn) to SpareBank 1 Boligkreditt, corresponding to 37.5 per cent (34.6 per cent) of the bank’s overall lending to retail borrowers.

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

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 31 December 2020, loans worth NOK 1.5bn (1.7bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 31.0 per cent, and the bank's share of the company's profit for 2020 was NOK 18m (21m). The bank's holding reflects the bank's relative share of commercial property loans sold and the bank's stake in BN Bank.

SpareBank 1 Kreditt

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

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

SpareBank 1 Kreditt also manages the LOfavør credit card programme.

BN Bank

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

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

SpareBank 1 Betaling

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

SpareBank 1 Betaling posted a deficit of NOK 9m in 2020, and SpareBank 1 SMN's share of the deficit is NOK 2m (profit of 3m).

Operating expenses

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

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

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

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

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

High losses, but low default rate

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

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

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

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

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

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

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

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

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

Total assets of NOK 188bn

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

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

Good growth in lending

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

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

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

Strong growth in deposits

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

- Personal deposits rose by NOK 4.9bn (2.6bn) to NOK 40.6bn (35.7bn), corresponding to 13.8 per cent (7.9 per cent)
- Corporate deposits rose by NOK 6.7bn (2.7bn) to NOK 56.9bn (50.3bn), corresponding to 13.3 per cent (5.7 per cent).
- The deposit-to-loan ratio at SpareBank 1 SMN was 72 per cent (68 per cent) excluding SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The deposit-to-loan ratio including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 53 per cent (51 per cent).

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

(For distribution by sector, see note 8).

Investment products

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

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

Insurance

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

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

Retail Banking

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

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

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

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

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

Corporate Banking

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

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

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

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

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

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

Subsidiaries

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

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

Eiendomsmegler 1 Midt-Norge is the market leader in Trøndelag and in Møre og Romsdal. Operating income in 2020 totalled NOK 394m (349m in 2019 without BN Bolig), while operating expenses were NOK 342m (317m in 2019 without BN Bolig). EiendomsMegler 1 recorded a pre-tax profit of NOK 52m in 2020 (32m). 7,164 dwelling units were sold in 2020 compared with 6,652 in 2019.

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

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

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

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

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

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

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

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

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

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

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

SpareBank 1 Markets is a subsidiary of SpareBank 1 SMN which holds a 66.7 per cent stake. Other owners are SpareBank 1 Nord-Norge, SpareBank 1 SR Bank, SpareBank 1 Østlandet and the SamSpar banks. SpareBank 1 Markets is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. It has 141.5 FTEs.

SpareBank 1 Markets wholly owns SpareBank 1 Kapitalforvaltning. The company is at centre-stage of SpareBank 1 Markets’ focus on asset management with aggregate total assets of NOK 187bn. The company has 19.5 FTEs.

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

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

Satisfactory funding and good liquidity

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

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

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

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

The group's deposit-to-loan ratio at 31 December 2020, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 53 per cent (51 per cent).

The bank's funding sources and products are amply diversified. At 31 December 2020 the proportion of the bank's overall money market funding in excess of one year's maturity was 83 per cent (83 per cent).

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

Rating

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

Financial soundness

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

The CET1 requirement is 14.4 per cent, including combined buffer requirements, and a Pillar 2 requirement of 1.9 per cent. Finanstilsynet (Norway's FSA) has announced that it will not set new Pillar 2 requirements for SpareBank 1 SMN until 2021.

SpareBank 1 SMN aims for a management buffer of about 1 per cent over and above the combined Pillar 1 and Pillar 2 requirements with a view to absorbing fluctuations in risk weighted assets and in the group's financial results. The Ministry of Finance raised the systemic risk buffer for IRB banks by 1.5 per cent to 4.5 per cent with effect from 31 December 2020. In its planning the group includes a full countercyclical buffer.

The CET1 ratio rose 1.1 percentage point to 18.3 per cent in 2020. Risk weighted assets increased by a mere 1.2 per cent in 2020 despite lending growth, mainly as a result of reduced risk weights in the IRB portfolios. CET1 capital has risen by 7.7 per cent in 2020. In addition to retained profit for 2020, this is also due to a reduction of NOK 303m in distribution of profit for 2019 compared with the original proposal for distribution. A leverage ratio of 7.1 per cent (7.5 per cent) shows that the bank is financially very solid. The bank will continue its focus on capital efficiency and effectiveness with a view to strengthening profitability and financial soundness.

The bank's equity certificate (MING)

The book value of the equity certificate (EC) at 31 December 2020 was NOK 94.71 (90.75), and earnings per EC were NOK 8.87 (12.14).

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

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

SpareBank 1 SMN's articles of association include no restrictions on the transferability of equity certificates.

With regard to placings with employees, the latter are invited to participate under given guidelines. In placings where discounts are granted, a lock-in period applies before any sale can take place. The rights to ECs issued in placings with employees cannot be transferred.

SpareBank 1 SMN is not aware of any agreements between EC holders that limit the opportunity to trade ECs or to exercise voting rights attached to ECs.

See also the chapter Corporate Governance.

Sustainability

One of five strategic priorities for SpareBank 1 SMN is to integrate sustainability into the business. As a definition a basis is taken in the UN's 17 sustainability goals and the UN's six principles for sustainable banking, to which SpareBank 1 SMN has given its endorsement.

The group's sustainability profile shall contribute to realising the group's financial goals and to creating value for customers, owners, and employees. The board of directors of SpareBank 1 SMN has adopted a new strategy for sustainability. SpareBank 1 SMN will stimulate sustainable development in the region by being a

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

In its role as a driver for the green transition, the group will reduce its direct and indirect CO_2 emissions in keeping with Norway's obligations under the Paris Agreement. The object is to reduce total emissions by at least 50 per cent by year 2030. The overarching indicator of sustainability will be the proportion of loans/turnover that qualify as sustainable economic activity.

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

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

Work is in progress to concretise goals in both the short and long term to realise the group's sustainability strategy. These goal will be presented in the first quarter report 2021.

Risk factors

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

Since the end of the third quarter the oil price has strengthened and the Norwegian krone has appreciated. The record-high unemployment rate has been halved. Unemployment is expected to remain at a higher level than prior to the Covid-19 crisis, and in some industries, such as hospitality and transport, unemployment remains very high. The key policy interest rate was lowered to zero per cent in May, and Norges Bank expects the policy rate to remain at the present level for a good while to come.

Due to deferred tax and duty payments and other support arrangements, along with lower interest rates, there were surprisingly few bankruptcies in 2020. There is reason to believe the scale of bankruptcies will increase ahead since it will take time for capacity utilisation to return to its pre-crisis level, and an excess of expenses over revenues eats into equity and lenders' goodwill alike. The largest factor of uncertainty for the growth level in the economy is the likely path of the pandemic, which is now largely a matter of the pace of the vaccine rollout and the vaccines' effectiveness.

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

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

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

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

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

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

Outlook ahead

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

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

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

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

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

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

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

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

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

Kjell Bjordal (chair)	Bård Benum (deputy chair)	Christian Stav
Mette Kamsvåg	Tonje Eskeland Foss	Morten Loktu
Janne T. Thomsen	Christina Straub (employee rep.)	Inge Lindseth (employee rep.)
		Jan-Frode Janson (Group CEO)

Income statement

Parent Bank				Group	
2019	**2020**	(NOK million)	Notes	**2020**	**2019**
3,732	3,274	Interest income effective interest method	17	3,722	4,121
509	478	Other interest income	17	475	505
1,916	1,423	Interest expenses	17	1,439	1,939
2,325	**2,329**	**Net interest**	4	**2,759**	**2,687**
1,127	1,205	Commission income	18	1,510	1,437
95	97	Commission expenses	18	207	193
30	41	Other operating income	18	1,269	1,046
1,061	**1,149**	**Commission income and other income**	4	**2,572**	**2,290**
884	528	Dividends	19,44	39	15
-	-	Income from investment in related companies	19,39	681	879
54	14	Net return on financial investments	19	230	307
937	**542**	**Net return on financial investments**	4	**951**	**1,201**
4,324	**4,019**	**Total income**		**6,281**	**6,178**
614	732	Staff costs	20,22	1,883	1,699
750	744	Other operating expenses	21,31,32,33	1,069	1,098
1,364	**1,477**	**Total operating expenses**	4	**2,952**	**2,797**
2,960	**2,543**	**Result before losses**		**3,329**	**3,380**
245	902	Loss on loans, guarantees etc.	4,10	951	299
2,715	**1,641**	**Result before tax**		**2,378**	**3,081**
452	284	Tax charge	23	400	518
-	-	Result investment held for sale, after tax	39	1	0
2,263	**1,356**	**Profit for the year**		**1,978**	**2,563**
47	56	Attributable to additional Tier 1 Capital holders		59	49
1,417	831	Attributable to Equity capital certificate holders		1,147	1,572
799	469	Attributable to the saving bank reserve		646	886
		Attributable to non-controlling interests		126	56
2,263	**1,356**	**Profit for the year**		**1,978**	**2,090**
		Profit/Diluted profit per ECC		8.87	12.14

Other comprehensive income

Parent Bank				Group	
2019	2020	(NOK million)		2020	2019
2,263	1,356	Net profit		1,978	2,563
		Items that will not be reclassified to profit/loss			
-33	-34	Actuarial gains and losses pensions	22	-34	-33
8	8	Tax		8	8
-	-	Share of other comprehensive income of associates and joint venture		15	21
-25	**-25**	**Total**		**-11**	**-4**
		Items that will be reclassified to profit/loss			
6	9	Value changes on loans measured at fair value		9	6
-	-	Share of other comprehensive income of associates and joint venture		16	-12
-	-	Tax		-	-
6	**9**	**Total**		**25**	**-5**
-18	**-16**	**Net other comprehensive income**		**15**	**-9**
2,245	**1,340**	**Total other comprehensive income**		**1,993**	**2,554**
47	56	Attributable to additional Tier 1 Capital holders		59	49
1,405	821	Attributable to Equity capital certificate holders		1,156	1,566
792	463	Attributable to the saving bank reserve		652	883
		Attributable to non-controlling interests		126	56
2,245	**1,340**	**Total other comprehensive income**		**1,993**	**2,554**

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

Statement of Financial Position

Parent Bank				Group	
31 Dec 2019	31 Dec 2020	(NOK million)	Notes	31 Dec 2020	31 Dec 2019
		ASSETS			
761	2,764	Cash and receivables from central banks	12,24	2,764	761
9,181	12,901	Deposits with and loans to credit institutions	7,12,13,24,26	5,091	2,110
117,033	124,214	Loans to and receivables from customers	4,8,9,10,11,12,13, 24,25,26	133,131	125,279
23,195	26,684	Fixed-income CDs and bonds	12,13,24,25,28	26,606	23,115
2,872	7,175	Derivatives	12,24,25,28,29	7,226	2,972
355	319	Shares, units and other equity interests	24,25,30	2,366	2,953
4,526	4,933	Investments in related companies	39,40,41,44	7,324	6,468
2,309	2,317	Investment in group companies	39,41	-	-
82	82	Investment held for sale	30,39	41	40
512	515	Intangible assets	31	905	872
1,241	963	Other assets	4,12,22,23,24,26, 32,33	2,457	2,092
162,066	**182,870**	**Total assets**	**14,15**	**187,912**	**166,662**
		LIABILITIES			
7,585	12,630	Deposits from credit institutions	7,24,26	13,095	8,853
86,870	98,166	Deposits from and debt to customers	4,24,26,35	97,529	85,917
43,014	43,919	Debt created by issue of securities	24,26,29,36	43,919	43,014
3,159	6,845	Derivatives	24,25,28,29	7,179	3,528
1,570	1,466	Other liabilities	22,23,24,25,26,37	3,084	2,841
-	-	Investment held for sale	39	1	0
2,047	1,752	Subordinated loan capital	5,24,26,38	1,795	2,090
144,245	**164,778**	**Total liabilities**	**16**	**166,602**	**146,243**
		EQUITY			
2,597	2,597	Equity capital certificates	43	2,597	2,597
-0	-0	Own holding of ECCs	43	-9	-11
895	895	Premium fund		895	895
6,144	6,556	Dividend equalisation fund		6,536	6,123
840	569	Allocated to dividends		569	840
474	321	Allocated to gifts		321	474
5,432	5,664	Ownerless capital		5,664	5,432
189	239	Unrealised gains reserve		239	189
-	-	Other equity capital		2,366	1,827
1,250	1,250	Additional Tier 1 Capital	5,38	1,293	1,293
		Non-controlling interests		838	761
17,822	**18,092**	**Total equity**	**5**	**21,310**	**20,420**
162,066	**182,870**	**Total liabilities and equity**	**14,15**	**187,912**	**166,662**

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

Kjell Bjordal (chair)	Bård Benum (deputy chair)	Christian Stav
Mette Kamsvåg	Tonje Eskeland Foss	Morten Loktu
Janne T. Thomsen	Christina Straub (employee rep.)	Inge Lindseth (employee rep.)
		Jan-Frode Janson (Group CEO)

Statement of Changes in Equity

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

	Issued equity		Earned equity						
(NOK million)	EC capital	Premium fund	Owner-less capital	Equali-sation fund	Dividend and gifts	Un-realised gains reserve	Other equity	Additional Tier 1 Capital	Total equity
Equity at 1 January 2020	**2,597**	**895**	**5,432**	**6,144**	**1,314**	**189**	**-**	**1,250**	**17,822**
Net profit	-	-	130	230	890	50	-	56	1,356
Other comprehensive income									
Value changes on loans measured at fair value	-	-	-	-	-	-	9	-	9
Actuarial gains (losses), pensions	-	-	-	-	-	-	-25	-	-25
Other comprehensive income	-	-	-	-	-	-	-16	-	-16
Total other comprehensive income	-	-	130	230	890	50	-16	56	1,340
Transactions with owners									
Dividend declared for 2019	-	-	-	194	-840	-	-	-	-647
To be disbursed from gift fund	-	-	109	-	-474	-	-	-	-364
Additional Tier 1 Capital	-	-	-	-	-	-	-	-	-
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-56	-56
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-0
Direct recognitions in equity	-	-	-7	-12	-	-	16	-	-3
Total transactions with owners	-0	-	103	182	-1,314	-	16	-56	-1,070
Equity at 31 December 2020	**2,597**	**895**	**5,664**	**6,556**	**890**	**239**	**-**	**1,250**	**18,092**

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

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

	Attributable to parent company equity holders									
	Issued equity		Earned equity							
(NOK million)	EC capital	Premium fund	Owner-less capital	Equali-sation fund	Dividend and gifts	Un-realised gains reserve	Other equity	Additional Tier 1 Capital	Non-controlling interests	Total equity
Equity at 1 January 2020	**2,586**	**895**	**5,432**	**6,123**	**1,314**	**189**	**1,827**	**1,293**	**761**	**20,420**
Net profit	-	-	130	230	890	50	493	59	126	1,978
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	31	-	-	31
Value changes on loans measured at fair value	-	-	-	-	-	-	9	-	-	9
Actuarial gains (losses), pensions	-	-	-	-	-	-	-25	-	-	-25
Other comprehensive income	-	-	-	-	-	-	15	-	-	15
Total other comprehensive income	-	-	130	230	890	50	508	59	126	1,993
Transactions with owners										
Dividend declared for 2019	-	-	-	194	-840	-	-	-	-	-647
To be disbursed from gift fund	-	-	109	-	-474	-	-	-	-	-364
Additional Tier 1 capital issued	-	-	-	-	-	-	-	-	-	-
Buyback additional Tier 1 Capital issued	-	-	-	-	-	-	-	-	-	-
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-59	-	-59
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-	-0
Own ECC held by SB1 Markets*)	2	-	-	2	-	-	11	-	-	14
Direct recognitions in equity	-	-	-7	-12	-	-	17	-	-	-1
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	3	-	-	3
Change in non-controlling interests	-	-	-	-	-	-	-	-	-49	-49
Total transactions with owners	2	-	103	183	-1,314	-	31	-59	-49	-1,103
Equity at 31 December 2020	**2,588**	**895**	**5,664**	**6,536**	**890**	**239**	**2,366**	**1,293**	**838**	**21,310**

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

Cash Flow Statement

Parent Bank				Group	
2019	**2020**	(NOK million)	Notes	**2020**	**2019**
2,263	1,356	Net profit		1,978	2,563
109	102	Depreciations and write-downs on fixed assets		166	172
245	902	Losses on loans and guarantees		951	299
2,617	**2,360**	**Net cash increase from ordinary operations**		**3,096**	**3,035**
869	-4,093	Decrease/(increase) other receivables		-4,681	1,235
-96	3,582	Increase/(decrease) short term debt		3,896	716
-4,613	-8,075	Decrease/(increase) loans to customers		-8,795	-5,843
1,998	-3,721	Decrease/(increase) loans credit institutions		-2,981	2,964
5,422	11,296	Increase/(decrease) deposits to customers		11,611	5,302
-960	5,045	Increase/(decrease) debt to credit institutions		4,242	-361
-2,766	-3,490	Increase/(decrease) in short term investments		-3,491	-2,766
2,471	**2,905**	**A) Net cash flow from operations**		**2,896**	**4,280**
-66	-38	Increase in tangible fixed assets		-136	-120
84	-418	Paid-up capital, associated companies		-873	-312
36	37	Net investments in long-term shares and partnerships		587	-1,080
54	**-420**	**B) Net cash flow from investments**		**-422**	**-1,512**
-177	-295	Increase/(decrease) in subordinated loan capital	38	-295	-177
1	3	Increase/(decrease) in equity		14	-33
-661	-647	Dividend cleared		-647	-661
-373	-364	Disbursed from gift fund		-364	-373
250	-	Additional Tier 1 Capital issued	38	-	250
-47	-56	Interest payments additional Tier 1 capital	38	-59	-49
-1,639	877	Increase/(decrease) in other long term loans	38	880	-1,846
-2,646	**-482**	**C) Net cash flow from financial activities**		**-470**	**-2,890**
-121	**2,003**	**A) + B) + C) Net changes in cash and cash equivalents**		**2,003**	**-121**
883	761	Cash and cash equivalents at 1.1		761	883
761	2,764	Cash and cash equivalents at end of the year		2,764	761
-121	**2,003**	**Net changes in cash and cash equivalents**		**2,003**	**-121**

Notes

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 2020 were approved by the Board of Directors on 4 March 2021.

Note 2 - Accounting principles

Basis for preparing the consolidated annual accounts

The Group accounts for 2020 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 2020.

Implemented accounting standards and other relevant rule changes in 2020

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 2020 accounts that have been relevant, and the effect they have had on the group's annual accounts.

Amendments to IFRS 3 - Definition of a Business

The amendments help 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. It also clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. This assessment must be based on what has been acquired in its current state and condition.

The amendments also introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. In addition to amending the wording of the definition, the Board has provided supplementary guidance. The amendments are applied to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The amendments have not had significant effects on acquisitions made in 2020.

Amendments to IAS 1 and IAS 8 - Definition of Material

The International Accounting Standards Board (IASB) has issued amendments to its definition of material to make it easier to make materiality judgements. The definition of material helps decide whether information should be included in the financial statements. The amendments set out a new definition of material: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Also, the amendments clarify that materiality depends on the nature or magnitude of information, or both. 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. The amendments have not had any effects for the group.

Amendment to IFRS 16 - Covid-19-Related Rent Concessions

In May 2020, the International Accounting Standards Board amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not affect lessors.

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

Lessees must apply the practical amendment retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.

The amendment is effective for annual periods beginning on or after 1 June 2020, but earlier application is permitted. The Group has chosen to early adopt this amendment. The amendment has not had any effect for the group.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 og IFRS 16 – IBOR Reform- Phase 2

In August 2020, the International Accounting Standards Board (IASB) adopted the second phase of the project related to the IBOR reform, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4; Insurance contracts and IFRS 16 Leases.

Phase 2 completes the IASB's response to the ongoing reform of interbank rates (IBOR) and other benchmark rates.

The changes complement phase 1 of the project that was adopted in 2019 and focus on the accounting effects that can occur when a company implements new benchmark interest rates as a result of the reform.

The changes in phase 2 mainly consist of the following:

- Practical solution for special changes in contract-regulated cash flows
- Relief from specific requirements related to hedge accounting
- Disclosure requirements

The changes in phase 2 only apply if you have financial instruments or hedging relationships that include a reference rate that will change as a result of the reform. The changes apply for accounting periods beginning on or after 1 January 2021. Early adoption is permitted.

SpareBank 1 SMN chose to early adopt the changes in phase 1 in the 2019 accounts. 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 derivates 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 loss provisions. 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 SpareBank 1 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 through 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). The general model for provisions for loss of financial assets in IFRS 9 applies to both financial assets measured at amortised cost and to financial assets at fair value with changes in value through profit or loss, which are not impaired when purchased or issued. In addition, unused credit, loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss are also included.

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 expected loss occuring due to defaults that occur within 12 months.

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 into account non-linear aspects of expected losses. The various scenarios are used to adjust relevant parameters for calculating expected losses, and a probability-weighted average of expected losses 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 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 given 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 where there is objective evidence of loss at the balance sheet date. 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

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.

Defaulted or 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.

Actual loan losses
Write-down for actual losses (derecognition of book value) 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.

Repossessed assets
As part of its treatment of defaulted loans and guarantees, the Bank in a number of 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. Repossessed 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. In the case of depreciable assets, depreciation ceases when a decision is taken to sell, and the asset is measured at fair value in accordance with IFRS 5. 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 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 derivatives are presented as assets when fair value is positive, and as liabilities when fair value is negative.

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.

Property held in order to earn rentals or for capital appreciation is classified as investment property and is measured at fair value in accordance with IAS 40. The group has no investment properties.

Write-downs

Amounts recorded on the Bank's non-financial assets are reviewed on the balance sheet date for any indications of value impairment. Should such indications be present, an estimate is made of the asset's recoverable amount. Each year on the balance sheet date recoverable amounts on goodwill, assets with unlimited useful lifetime, and intangible assets not yet available for use, are computed. Write-downs are undertaken when the recorded value of an asset or cash-flow-generating entity exceeds the recoverable amount. Write-downs are recognised in profit/loss. Write-down of goodwill is not reversed. In the case of other assets, write-downs are reversed where there is a change in the estimates used to compute the recoverable amount.

Leases

Identifying a lease

At the inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

Separating components in the lease contract

For contracts that constitute, or contain a lease, the Group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The Group then accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

Recognition of leases and exemptions

At the lease commencement date, the Group recognises a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Group recognises the lease payments as other operating expenses in the statement of profit or loss when they incur.

Lease liabilities
The lease liability is recognised at the commencement date of the lease. The Group measures the lease liability at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option either to extend or to terminate the lease when the Group is reasonably certain to exercise this option.

The lease payments included in the measurement comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the Group under residual value guarantees
- 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 lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The Group does not include variable lease payments in the lease liability. Instead, the Group recognises these variable lease expenses in profit or loss.
The Group presents its lease liabilities as separate line items in the statement of financial position.

Right-of-use assets

The Group measures the right-of use asset at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability recognised
- Any lease payments made at or before the commencement date, less any incentives received
- Any initial direct costs incurred by the Group.
- An estimate of the costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset.
The Group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

The Group as a lessor

Separating components in the lease contract
For a contract that contains a lease component and one or more additional lease or non-lease components, The Group allocates the consideration in the contract applying the principles in IFRS 15 Revenue from Contracts with Customers.

Recognition of leases and income
For contracts where the Group acts as a lessor, it classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

The group as a lessor does not have any finance leases.

Operating leases

For operating leases, the Group recognises lease payments as other income, mainly on a straight-line basis, unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The Group recognises costs incurred in earning the lease income in other operating expenses. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognises those costs as an expense over the lease term on the same basis as the rental income.

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. A discount rate of 2.05 per cent was employed when implementing IFRS 16.

Right-of-use assets are classified as non-current assets in the balance sheet whereas the lease liability is classified as other debt. 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.

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 instruments assets at amortised cost which have been written down as a result of objective evidence of loss, interest is recognised as income based on the net capitalised 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.

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

Issued securities debt (senior loans) are measured at amortised cost or as financial liabilities specifically accounted for at fair value with changes in value recognised in profit or loss. As a general rule, hedge accounting (fair value hedging) is used when issuing bond debt with a fixed interest rate. In hedging, there is a clear, direct and documented connection between changes in the value of the hedged item (loan) and the hedging instrument (interest rate derivative). For the hedged item, changes in fair value related to the hedged risk are accounted for as a addition or deduction in capitalised securities debt and are recognised in the income statement under «Net return on financial investments». The hedging instruments are measured at fair value and the changes in fair value are recognised in the income statement on the same profit line as the hedging objects. Debt when issuing securities is presented including accrued interest. See note 29 for a more detailed description of hedge accounting

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 liabiltiy 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 financials 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.

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 25 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 2020

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 to 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 IAS 1 - Classification of Liabilities as Current or Non-Current

The International Accounting Standards Board has issued amendments to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments clarify:

- The meaning of right to defer settlement
- That the right to defer must exist at the end of the reporting period
- That classification is not affected by the probability that an entity will exercise its deferral right
- That the terms of a liability would not impact its classification, only if an embedded derivative is an equity instrument itself.

The amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2023. 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 16 - Proceeds before Intended Use

The amendments prohibit a company from deducting from the cost of property, plant and equipment any proceeds from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such proceeds and related cost in profit or loss.

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, but earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018). 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 37 - Onerous Contracts, Costs of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs (e.g., the costs of direct labour and materials) of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contract activities (e.g., depreciation of equipment used to fulfil the contract, as well as costs of contract management and supervision). Costs that do not relate directly to a contract (e.g., general and administration costs) shall not be included unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2022, but earlier 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.

Annual Improvements 2018-2020 Cycle (Issued May 2020)

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter
The amendment permits a subsidiary that uses the exemption in IFRS 1.D16 (a) to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent date of transition to IFRS. This election is also available to an associate or joint venture that uses the exemption in IFRS 1.D16 (a).

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. No similar amendment has been proposed for IAS 39.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

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 rescores 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, 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.

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 I 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.

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 2020 some changes have been made in the input to the credit loss model as a result of changed expectations due to the corona situation. The crisis and the significant increase in macroeconomic uncertainty have made the assessments extra demanding.The regulators have emphasized the importance of focusing on the expected long-term effects of the crisis and this has also been the bank's focus.

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

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

The 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:

Portfolio		**2020**			**2019**	
	Base Case	**Worst Case**	**Best Case**	**Base Case**	**Worst Case**	**Best Case**
Retail Market	70 %	20 %	10 %	80 %	10 %	10 %
Corporate Market (excl. Agriculture, Offshore and Tourism)	65 %	20 %	15 %	80 %	10 %	10 %
Agriculture	65 %	20 %	15 %	75 %	15 %	10 %
Offshore	65 %	20 %	15 %	70 %	15 %	15 %
Tourism	60 %	30 %	10 %	IA	IA	IA

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.

Sensitivities

The first part of the table below show total calculated expected credit loss as of 31 December 2020 in each of the three scenarios, distributed in the portfolios retail market (RM) corporate market (CM), and offshore, tourism and agriculture which adds up to parent bank. In addition the subsidiary SB 1 Finans Midt-Norge is included. ECL for the parent bank and the subsidiary is summed up in th coloumn "Group".

The second part of the table show the ECL distributed by portfolio using the scenario weight applied, in addition to a alternative weighting where worst case have been doubled.

If the downside scenario's probability were doubled at the expense of the baseline scenario at the end of December 2020, this would have entailed an increase in loss provisions of NOK 207 million for the parent bank and NOK 215 million for the group.

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

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

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

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

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 per cent 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 6 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.

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 25 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 IFRS 9 are met. At the end of the accounting year all transferred portfolios were derecognised from the parent bank's balance sheet. See also note 9 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. 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 2020

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

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

Group 31 December 2019

Profit and loss account (NOK million)	RM	CM	SB1 Markets	EM 1	SB 1 Finans MN	SB 1 Regnskaps-huset SMN	SB1 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**
Comission income and other income	805	205	509	390	-26	502	-	-	-97	2,290
Net return on financial investments **)	0	12	117	-	-	-	252	107	714	1,201
Total income	**2,177**	**1,388**	**609**	**390**	**287**	**502**	**252**	**107**	**467**	**6,178**
Total operating expenses	**875**	**410**	**566**	**388**	**85**	**394**	**-**	**-**	**80**	**2,797**
Ordinary operating profit	**1,302**	**978**	**43**	**1**	**202**	**108**	**252**	**107**	**387**	**3,380**
Loss on loans, guarantees etc.	32	213	-	-	52	-	-	-	2	299
Result before tax	**1,270**	**765**	**43**	**1**	**150**	**108**	**252**	**107**	**384**	**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 liabilites and equity	37,721	704	3,669	309	8,861	527	1,609	1,425	25,920	80,745
Total liabilities and equity	**79,360**	**43,460**	**3,669**	**309**	**8,861**	**527**	**1,609**	**1,425**	**27,442**	**166,662**

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

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

Note 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. The EU capital adequacy framework (CRR/CRDIV) was incorporated into Norwegian law with effect from 31 December 2019. The Basel I floor was accordingly removed and an SME rebate introduced.

As of 31 December 2020 the overall minimum requirement on CET1 capital is 12.5 per cent. The capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement for Norwegian IRB-banks is raised to 4.5 per cent and the Norwegian countercyclical buffer is 1.0 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital. In addition the financial supervisory authority has set a Pillar 2 requirement of 1.9 per cent for SpareBank 1 SMN, however not below NOK 1,794 million in monetary terms. As at 31 December 2020, reduced risk weighted assets mean that the minimum monetary requirement of NOK 1,794 million is binding for the Pillar 2 requirement. The Pillar 2 requirement therefore rises from 1.9 per cent to 1.93 per cent. The overall minimum requirement as of 31 December 2019 has accordingly increased from 14.4 per cent to 14.43 per cent.

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

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

The Supervisory Board adopted at its meeting on 26 March 2020 a revised proposal for application of the net profit for 2019 entailing an overall reduction of 303 NOK million compared with the original proposal of NOK 1,314 million for distribution as dividends and donations. Historical figures as at 31 December 2019 are not restated, but the effect of the above decision as at 31 December 2019 is shown in the table below.

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

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

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

Effect as at 31 December 2019 on the adopted application of net profit, as revised:	**31 Dec 2019**	
	Parent Bank	**Group**
Common equity Tier 1 capital	14,525	16,133
Tier 1 capital	16,051	18,045
Total eligible capital	17,673	20,158
Common equity Tier 1 capital ratio	18.9 %	17.5 %
Tier 1 capital ratio	20.9 %	19.6 %
Capital ratio	23.0 %	21.9 %
Leverage Ratio	9.6 %	7.6 %

Note 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 credit impaired.

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 12 Maximum credit risk exposure 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.

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-2020 the Group's ratio of deposits to loans was 53 per cent, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, compared with 51per cent at end-2019 (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 it 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 2020.

The Group's liquidity situation as of 31 December 2020 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 assessement 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 16: Liquidity risk

Note 7 - Credit institutions - loans and advances

Parent Bank			Group	
31 Dec 2019	**31 Dec 2020**	**Loans and advances to credit institutions (NOK million)**	**31 Dec 2020**	**31 Dec 2019**
9,181	10,375	Loans and advances without agreed maturity or notice of withdrawal	2,565	2,110
-	2,526	Loans and advances with agreed maturity or notice of withdrawal	2,527	0
9,181	**12,901**	**Total**	**5,091**	**2,110**
		Specification of loans and receivables on key currencies		
4	25	CAD	25	4
7	30	CHF	30	7
1,010	815	EUR	793	1,010
89	154	GBP	154	89
1	8	JPY	8	1
7,985	11,768	NOK	3,975	943
67	40	SEK	40	31
12	39	USD	43	19
5	23	Other	23	5
9,181	**12,901**	**Total**	**5,091**	**2,110**
2.3 %	1.6 %	Average rate credit institutions	1.1 %	1.8 %

31 Dec 2019	**31 Dec 2020**	**Deposits from credit institutions (NOK million)**	**31 Dec 2020**	**31 Dec 2019**
7,299	10,404	Deposits without agreed maturity or notice of withdrawal	10,869	8,567
287	2,226	Deposits with agreed maturity or notice of withdrawal	2,226	287
7,585	**12,630**	**Total**	**13,095**	**8,853**
		Specification of deposits on key currencies		
10	-	DKK	-	10
343	1,716	EUR	1,716	343
2	38	GBP	38	2
19	8	JPY	8	19
7,143	10,847	NOK	11,312	8,411
14	-	SEK	-	14
50	21	USD	21	50
4	1	Other	1	4
7,585	**12,630**	**Total**	**13,095**	**8,853**
1.2 %	0.4 %	Average rate credit institutions	0.4 %	1.3 %

31 Dec 2019	**31 Dec 2020**	**Other commitments to credit institutions (NOK million)**	**31 Dec 2020**	**31 Dec 2019**
155	191	Unutilised credits	191	155
95	95	Financial guarantees	95	95
250	**286**	**Total**	**286**	**250**

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 2019	**31 Dec 2020**	**(NOK million)**	**31 Dec 2020**	**31 Dec 2019**
117,970	125,660	Gross Loans	134,648	126,277
937	1,446	Write-downs for expected credit losses	1517	998.2133934
117,033	**124,214**	**Net loans to and advances to customers**	**133,131**	**125,279**
		Additional information		
39,833	46,613	Loans sold to SpareBank 1 Boligkreditt	46,613	39,833
608	760	- Of which loans to employees	1,380	1,061
1,667	1,540	Loans sold to SpareBank 1 Næringskreditt	1,540	1,667
43	43	Subordinated loan capital other financial institutions	43	43
998	1,027	Loans to employees [1)]	1,907	1,924

[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 2019	**31 Dec 2020**	**Loans and commitments specified by type (NOK million)**	**31 Dec 2020**	**31 Dec 2019**
		Gross loans and advances		
-	-	Financial lease	3,365	5,849
13,222	10,592	Bank overdraft and operating credit	10,042	12,588
3,161	3,976	Construction loans	3,976	3,161
101,587	111,093	Amortizing loan	117,265	104,680
117,970	125,660	Total gross loans to and receivables from customers	134,648	126,277
		Other commitments		
4,538	3,915	Financial guarantees, of which:	3,915	4,538
1,064	1,151	*Payment guarantees*	1,151	1,064
1,108	1,238	*Performance guarantees*	1,238	1,108
1,172	980	*Loan guarantees*	980	1,172
100	119	*Guarantees for taxes*	119	100
1,093	427	*Other guarantee commitments*	427	1,093
998	992	Unutilised guarantee commitments	992	998
16,781	17,089	Unutilised credits	17,105	16,796
1,597	1,019	Loans approvals (not discounted)	1,136	1,692
12	12	Documentary credits	12	12
23,925	23,026	Total other commitments	23,160	24,036
141,895	**148,686**	**Total loans and commitments**	**157,808**	**150,313**

Loans and other commitments specified by sector and industry

Parent Bank (NOK million)	31 Dec 2020 Gross loans	31 Dec 2020 Other commitments	31 Dec 2020 Total loans and commitments	31 Dec 2019 Gross loans	31 Dec 2019 Other commitments	31 Dec 2019 Total loans and commitments
Wage earners	72,101	5,480	77,581	69,711	5,669	75,380
Public administration	9	416	425	2	513	515
Agriculture and forestry	9,160	865	10,026	8,602	820	9,422
Fisheries and hunting	5,243	529	5,772	4,601	123	4,724
Sea farming industries	1,704	1,717	3,422	833	766	1,599
Manufacturing	2,234	2,661	4,895	2,212	3,069	5,282
Construction, power and water supply	3,195	2,817	6,011	3,157	2,707	5,864
Retail trade, hotels and restaurants	2,289	2,309	4,598	2,181	2,379	4,561
Maritime sector and offshore	4,537	1,667	6,203	4,660	3,227	7,887
Property management	13,887	1,020	14,908	13,133	855	13,988
Business services	3,644	881	4,525	2,445	874	3,319
Transport and other services provision	6,032	2,163	8,195	4,542	2,420	6,962
Other sectors	1,626	501	2,127	1,890	503	2,393
Total	**125,660**	**23,026**	**148,686**	**117,970**	**23,925**	**141,895**

Group (NOK million)	31 Dec 2020 Gross loans	31 Dec 2020 Other commitments	31 Dec 2020 Total loans and commitments	31 Dec 2019 Gross loans	31 Dec 2019 Other commitments	31 Dec 2019 Total loans and commitments
Wage earners	77,848	5,550	83,398	75,203	5,728	80,932
Public administration	33	417	450	12	513	525
Agriculture and forestry	9,591	871	10,461	8,947	824	9,771
Fisheries and hunting	5,259	529	5,789	4,611	123	4,734
Sea farming industries	2,100	1,722	3,822	1,132	769	1,901
Manufacturing	2,646	2,666	5,312	2,595	3,073	5,668
Construction, power and water supply	4,077	2,827	6,904	3,970	2,716	6,686
Retail trade, hotels and restaurants	2,586	2,329	4,915	2,517	2,392	4,908
Maritime sector and offshore	4,537	1,667	6,203	4,660	3,227	7,887
Property management	13,969	1,021	14,990	13,211	856	14,067
Business services	3,423	886	4,309	2,146	877	3,023
Transport and other services provision	6,942	2,174	9,116	5,409	2,435	7,844
Other sectors	1,638	501	2,139	1,863	503	2,367
Total	**134,648**	**23,160**	**157,808**	**126,277**	**24,036**	**150,313**

Loans and other commitments specified by geographic area

Parent Bank (NOK million)	31 Dec 2020 Gross loans	31 Dec 2020 Other commitments	31 Dec 2020 Total loans and commitments	31 Dec 2019 Gross loans	31 Dec 2019 Other commitments	31 Dec 2019 Total loans and commitments
Trøndelag	82,308	14,496	96,804	76,405	13,927	90,331
Møre og Romsdal	25,481	6,520	32,002	24,428	8,504	32,932
Nordland	1,024	43	1,067	1,158	40	1,198
Oslo	7,127	634	7,761	6,686	553	7,240
Rest of Norway	9,391	1,312	10,703	8,944	888	9,833
Abroad	329	21	350	349	13	362
Total	**125,660**	**23,026**	**148,686**	**117,970**	**23,925**	**141,895**

Group (NOK million)	31 Dec 2020 Gross loans	31 Dec 2020 Other commitments	31 Dec 2020 Total loans and commitments	31 Dec 2019 Gross loans	31 Dec 2019 Other commitments	31 Dec 2019 Total loans and commitments
Trøndelag	85,762	14,630	100,392	79,487	13,976	93,462
Møre og Romsdal	27,191	6,520	33,712	26,113	8,522	34,635
Nordland	1,183	43	1,226	1,296	42	1,337
Oslo	6,700	634	7,334	6,276	555	6,831
Rest of Norway	13,482	1,312	14,793	12,756	929	13,685
Abroad	329	21	350	349	13	362
Total	**134,648**	**23,160**	**157,808**	**126,277**	**24,036**	**150,313**

Gross loans sold to SpareBank 1 Boligkreditt

(NOK million)	31 Dec 2020 Gross loans	31 Dec 2020 Other commitments	31 Dec 2020 Total loans and commitments	31 Dec 2019 Gross loans	31 Dec 2019 Other commitments	31 Dec 2019 Total loans and commitments
Trøndelag	33,338	1,899	35,237	29,452	1,822	31,275
Møre og Romsdal	6,629	404	7,033	5,844	426	6,270
Nordland	186	6	192	179	6	185
Oslo	2,246	71	2,317	1,619	56	1,675
Rest of Norway	4,144	109	4,253	2,694	108	2,801
Abroad	70	2	72	45	1	46
Total	**46,613**	**2,491**	**49,105**	**39,833**	**2,419**	**42,252**

Gross loans sold to SpareBank 1 Næringskreditt

(NOK million)	31 Dec 2020 Gross loans	31 Dec 2020 Other commitments	31 Dec 2020 Total loans and commitments	31 Dec 2019 Gross loans	31 Dec 2019 Other commitments	31 Dec 2019 Total loans and commitments
Trøndelag	1,032	-	1,032	1,081	-	1,081
Møre og Romsdal	58	-	58	60	-	60
Nordland	-	-	0	59	-	59
Oslo	404	-	404	419	-	419
Rest of Norway	47	-	47	48	-	48
Abroad	-	-	-	-	-	-
Total	**1,540**	**-**	**1,540**	**1,667**	**-**	**1,667**

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

Group (NOK million)	31 Dec 2020	31 Dec 2019
Gross advances related to financial leasing		
- Maturity less than 1 year	212	129
- Maturity more than 1 year and less than 5 years	2,705	2,184
- Maturity more than 5 years	543	823
Total gross claims	**3,460**	**3,135**
Received income related to financial leasing, not yet earned	95	87
Net investments related to financial leasing	3,365	3,048
Net investments in financial leasing can be broken down as follows:		
- Maturity less than 1 year	163	121
- Maturity more than 1 year and less than 5 years	2,662	2,118
- Maturity more than 5 years	540	809
Total net claims	**3,365**	**3,048**

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 11 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 objetive evidence of impairment leading to reduced cash flows from the customer. See note 2 Accounting principles for further description of such exposures.

	Neither default or credit impaired						
Parent Bank 31 Dec 2020 (NOK million)	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**	**Default and credit impaired**	**Total**
Gross Loans							
Fair value through OCI	**61,617**	**8,152**	**2,957**	**864**	**1,001**	**284**	**74,876**
Stage 1	61,542	7,241	1,218	263	232	-	70,496
Stage 2	75	911	1,739	601	769	-	4,096
Stage 3	-	-	-	-	-	284	284
Amortised cost	**21,035**	**12,498**	**9,306**	**1,311**	**551**	**1,798**	**46,500**
Stage 1	19,784	10,260	7,336	763	245	-	38,388
Stage 2	1,251	2,238	1,970	548	306	-	6,313
Stage 3	-	-	-	-	-	1,798	1,798
Fair value through Profit and Loss	**3,597**	**465**	**135**	**48**	**39**	**2**	**4,285**
Total Gross Loans	**86,250**	**21,115**	**12,398**	**2,222**	**1,592**	**2,084**	**125,660**
Other Commitments	**12,565**	**4,806**	**4,605**	**629**	**230**	**192**	**23,026**
Stage 1	12,092	4,555	3,233	447	56	-	20,383
Stage 2	473	250	1,373	182	173	-	2,451
Stage 3	-	-	-	-	-	192	192
Total loans and other commitments	**98,815**	**25,920**	**17,003**	**2,851**	**1,821**	**2,277**	**148,686**

Parent Bank 31 Dec 2019 (NOK million)	Neither default or credit impaired						
	Lowest risk	Low risk	Medium risk	High risk	Highest risk	Default and credit impaired	Total
Gross Loans							
Fair value through 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 through 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**

Group 31 Dec 2020 (NOK million)	Neither default or credit impaired						
	Lowest risk	Low risk	Medium risk	High risk	Highest risk	Default and credit impaired	Total
Gross Loans							
Fair value through OCI	**61,617**	**8,152**	**2,957**	**864**	**1,001**	**284**	**74,876**
Stage 1	61,542	7,241	1,218	263	232	-	70,496
Stage 2	75	911	1,739	601	769	-	4,096
Stage 3	-	-	-	-	-	284	284
Amortised cost	**20,593**	**14,401**	**15,311**	**2,113**	**1,097**	**1,971**	**55,487**
Stage 1	19,342	12,159	12,901	1,164	245	-	45,811
Stage 2	1,251	2,243	2,410	949	852	-	7,705
Stage 3	-	-	-	-	-	1,971	1,971
Fair value through Profit and Loss	**3,597**	**465**	**135**	**48**	**39**	**2**	**4,285**
Total Gross Loans	**85,808**	**23,018**	**18,402**	**3,025**	**2,138**	**2,257**	**134,648**
Other Commitments	**12,568**	**4,832**	**4,690**	**640**	**237**	**192**	**23,160**
Stage 1	12,095	4,582	3,311	447	56	-	20,492
Stage 2	473	250	1,379	193	181	-	2,476
Stage 3	-	-	-	-	-	192	192
Total loans and other commitments	**98,376**	**27,851**	**23,092**	**3,665**	**2,375**	**2,449**	**157,808**

	Neither default or credit impaired						
Group 31 Dec 2019 (NOK million)	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**	**Default and credit impaired**	**Total**
Gross Loans							
Fair value through 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 through 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**

Gross loans and commitments sold to SpareBank 1 Boligkreditt

	31 Dec 2020			31 Dec 2019		
(NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**	**Gross loans**	**Other commitments**	**Total loans and commitments**
Lowest risk	40,790	2,481	43,271	34,808	2,410	37,218
Low risk	4,320	7	4,327	3,457	7	3,464
Medium risk	967	3	970	1,075	1	1,076
High risk	302	0	302	208	0	208
Highest risk	218	0	218	267	1	268
Default and written down	16	-	16	18	-	18
Total	**46,613**	**2,491**	**49,105**	**39,834**	**2,419**	**42,253**

Gross loans and commitments sold to SpareBank 1 Næringskreditt

	31 Dec 2020			31 Dec 2019		
(NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**	**Gross loans**	**Other commitments**	**Total loans and commitments**
Lowest risk	1,455	-	1,455	1,667	-	1,667
Low risk	85	-	85	-	-	-
Medium risk	-	-	-	-	-	-
High risk	-	-	-	-	-	-
Highest risk	-	-	-	-	-	-
Default and written down	-	-	-	-	-	-
Total	**1,540**	**-**	**1,540**	**1,667**	**-**	**1,667**

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. 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 22.36 per cent as of 31 December 2020 (20.89 per cent as of 31 December 2019). 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 2020 mortgage loans were bought and sold to a net value of NOK 6.8bn (1.7bn in 2019) to SpareBank 1 Boligkreditt. In total, mortgage loans to SpareBank 1 Boligkreditt were derecognised in an amount of NOK 46.6bn at the end of the financial year (NOK 39.8bn in 2019).

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 23.9per cent own funds, of which about 21.3 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 December 2020 (31.01 per cent as at 31 December 2019). 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 127m in 2020 (reduced by NOK 115m in 2019). In total, mortgage loans to SpareBank 1 Næringskreditt were derecognised in an amount of NOK 1.5bn by the end of the financial year (NOK 1,7bn in 2019).

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

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

Parent Bank (NOK million)	**1 Jan 20**	**Change in provision**	**Net write-offs/ recoveries**	**31 Dec 2020**
Loans as amortised cost- CM	916	667	-206	1,377
Loans as amortised cost- RM	34	12	-11	35
Loans at fair value over OCI- RM	109	38	-	147
Loans at fair value over OCI- CM	1	-1	-	0
Provision for expected credit losses on loans and guarantees	**1,060**	**715**	**-217**	**1,559**
Presented as				
Provision for loan losses	937	725	-217	1,446
Other debt- provisons	100	-19	-	81
Other comprehensive income - fair value adjustment	23	9	-	32

Group (NOK million)	**1 Jan 20**	**Change in provision**	**Net write-offs / recoveries**	**31 Dec 2020**
Loans as amortised cost- CM	948	682	-209	1,421
Loans as amortised cost- RM	63	10	-11	62
Loans at fair value over OCI- RM	109	38	-	147
Loans at fair value over OCI- CM	1	-1	-	0
Provision for expected credit losses on loans and guarantees	**1,121**	**729**	**-220**	**1,630**
Presented as				
Provision for loan losses	998	739	-220	1,517
Other debt- provisons	100	-19	-	81
Other comprehensive income - fair value adjustment	23	9	-	32

Parent Bank (NOK million)	**1 Jan 19**	**Change in provision**	**Net write-offs/ recoveries**	**31 Dec 2019**
Loans as amortised cost- CM	742	201	-27	916
Loans as amortised cost- RM	45	-6	-5	34
Loans at fair value over OCI- RM	75	34	-	109
Loans at fair value over OCI- CM	-	1	-	1
Provision for expected credit losses on loans and guarantees	**862**	**230**	**-32**	**1,060**
Presented as				
Provision for loan losses	697	272	-32	937
Other debt- provisons	148	-48	-	100
Other comprehensive income - fair value adjustment	17	6	-	23

Group (NOK million)	1 Jan 19	Change in provision	Net write-offs/ recoveries	31 Dec 2019
Loans as amortised cost- CM	766	212	-31	948
Loans as amortised cost- RM	68	0	-5	63
Loans at fair value over OCI- RM	75	34	-	109
Loans at fair value over OCI- CM	-	1	-	1
Provision for expected credit losses on loans and guarantees	**909**	**248**	**-36**	**1,121**
Presented as				
Provision for loan losses	744	290	-36	998
Other debt- provisons	148	-48	-	100
Other comprehensive income - fair value adjustment	17	6	-	23

Development in allowance for credit losses during the period

	2020				2019			
Parent Bank (NOK million)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Retail market								
Opening balance	25	73	45	143	27	62	31	120
Transfer to (from) stage 1	14	-13	-0	-	10	-10	-	-
Transfer to (from) stage 2	-1	2	-0	-	-2	2	-	-
Transfer to (from) stage 3	-0	-3	3	-	-	-3	3	-
Net remeasurement of loss allowances	-17	12	9	5	-11	24	18	30
Originations or purchases	13	13	0	26	13	17	1	31
Derecognitions	-8	-23	-2	-33	-11	-20	-1	-33
Changes due to changed input assumptions	10	38	2	50	-	-	-	-
Actual loan losses	0	0	-11	-11	-	-	-5	-5
Closing balance	35	97	47	180	25	73	45	143
Corporate Market								
Opening balance	66	210	540	816	64	148	382	594
Transfer to (from) stage 1	14	-14	-0	-	19	-19	-	-
Transfer to (from) stage 2	-4	4	-0	-	-8	8	-	-
Transfer to (from) stage 3	-0	-1	1	-	-	-	1	-
Net remeasurement of loss allowances	-2	72	486	556	-17	98	185	266
Originations or purchases	45	99	1	144	27	20	1	48
Derecognitions	-30	-96	-1	-127	-20	-43	-	-63
Changes due to changed input assumptions	-0	113	2	-	-	-	-	-
Actual loan losses	-	-	-206	-206	-	-	-27	-27
Closing balance	88	387	823	1,299	66	210	541	817
Total accrual for loan losses	**123**	**484**	**870**	**1,478**	**91**	**283**	**586**	**961**

Accrual for losses on loans	2020				2019			
Group (NOK million)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail Market								
Opening balance	32	84	56	172	33	71	39	143
Transfer to (from) stage 1	16	-15	-1	-	12	- 11	-	-
Transfer to (from) stage 2	-2	3	-1	-	- 2	4	- 1	-
Transfer to (from) stage 3	-0	-4	5	-	-	- 3	4	-
Net remeasurement of loss allowances	-18	15	14	11	- 14	24	22	32
Originations or purchases	15	15	3	34	17	23	3	44
Derecognitions	-11	-28	-10	-49	- 13	- 23	- 5	- 41
Changes due to changed input assumptions	10	38	2	50	-	-	-	-
Actual loan losses	-	-	- 11	- 11	-	-	- 5	- 5
Closing balance	42	107	58	207	32	84	56	172
Corporate Market								
Opening balance	71	218	560	849	70	152	397	619
Transfer to (from) stage 1	16	-16	-0	-	20	- 20	-	-
Transfer to (from) stage 2	-4	5	-0	-	- 9	9	-	-
Transfer to (from) stage 3	-0	-1	1	-	-	- 1	1	-
Net remeasurement of loss allowances	-1	77	488	563	- 19	100	188	268
Originations or purchases	49	102	1	161	30	21	7	59
Derecognitions	-32	-98	10	-136	- 20	- 44	- 2	- 66
Changes due to changed input assumptions	-0	113	2	115	-	-	-	-
Actual loan losses	-	-	-209	-209	-	-	- 31	- 31
Closing balance	98	399	845	1,342	71	218	560	849
Total accrual for loan losses	**140**	**507**	**902**	**1,549**	**104**	**302**	**616**	**1,021**

Development in Gross loans from Opening to Closing balance

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

Development in Gross loans from Opening to Closing balance

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

Accrual for losses on guarantees and unused credit lines

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

Provision for credit losses specified by industry

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

Provision for credit losses specified by industry

	2020				2019			
Group (NOK million)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Agriculture and forestry	3	36	5	44	2	22	8	32
Fisheries and hunting	6	2	-	8	2	1	0	3
Sea farming industries	3	1	3	6	1	0	-	1
Manufacturing	10	27	7	44	6	11	9	27
Construction, power and water supply	13	31	20	64	11	8	16	35
Retail trade, hotels and restaurants	12	31	19	62	11	8	11	30
Maritime sector	10	180	614	804	9	87	471	568
Property management	20	56	39	115	16	45	23	84
Business services	13	57	143	213	8	51	24	82
Transport and other services	10	12	10	32	8	5	8	21
Public administration	0	-	-	0	-	-	-	-
Other sectors	0	0	2	2	2	0	0	2
Wage earners	7	73	41	122	6	63	44	112
Total provision for losses on loans	108	507	902	1,517	81	302	615	998
loan loss allowance on loans at FVOCI	32	-	-	32	23	-	-	24
Total loan loss allowance	**140**	**507**	**902**	**1,549**	**104**	**302**	**615**	**1,021**

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 2014-2020.

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.

	Probability of default				
Credit quality step	**From**	**To**	**Moody's**	**Historical default**	**Default 2020**
A	0.00 %	0.10 %	Aaa-A3	0.01 %	0.02 %
B	0.10 %	0.25 %	Baa1-Baa2	0.04 %	0.05 %
C	0.25 %	0.50 %	Baa3	0.08 %	0.08 %
D	0.50 %	0.75 %	Ba1	0.28 %	0.48 %
E	0.75 %	1.25 %	Ba2	0.41 %	0.60 %
F	1.25 %	2.50 %		0.95 %	1.52 %
G	2.50 %	5.00 %	Ba2-B1	2.07 %	2.82 %
H	5.00 %	10.00 %	B1-B2	4.47 %	6.05 %
I	10.00 %	99.99 %	B3-Caa3	12.19 %	15.95 %
J	Default				
K	Credit impaired				

Collateral cover		
Collateral class	**Lower limit**	**Upper limit**
1	120	
2	100	120
3	80	100
4	60	80
5	40	60
6	20	40
7	0	20

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 credit impaired

Parent Bank (NOK million)	**Averaged unhedged exposure 31 Dec 2020**	**Total exposure 31 Dec 2020**	**Averaged unhedged exposure 31 Dec 2019**	**Total exposure 31 Dec 2019**
Lowest risk	12.4 %	98,815	13.3 %	93,929
Low risk	4.6 %	25,920	9.6 %	21,242
Medium risk	13.5 %	17,003	10.0 %	18,829
High risk	10.2 %	2,851	11.6 %	3,093
Highest risk	12.7 %	1,821	5.7 %	1,831
Default and/or credit impaired	25.1 %	2,277	15.1 %	2,972
Total		**148,686**		**141,895**

Group (NOK million)	**Averaged unhedged exposure 31 Dec 2020**	**Total exposure 31 Dec 2020**	**Averaged unhedged exposure 31 Dec 2019**	**Total exposure 31 Dec 2019**
Lowest risk	12.5 %	98,376	13.4 %	93,382
Low risk	5.1 %	27,851	9.3 %	22,698
Medium risk	11.9 %	23,092	9.3 %	24,864
High risk	10.9 %	3,665	11.9 %	3,811
Highest risk	13.1 %	2,375	7.3 %	2,433
Default and/or credit impaired	25.8 %	2,449	16.0 %	3,124
Total		**157,808**		**150,313**

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 spesified in the table below, see note 24 Categories of financial assets and financial liabilities.

Parent Bank

31 Dec 2020 (NOK million)	Maximum exposure to credit risk, gross	Provision for expected credit losses	Collateral in property	Collateral in securities	Other collateral and netting agreements *)	Maximum exposure to credit risk, net
Assets						
Balances with central banks	2,725	-	-	-	-	2,725
Loans and advances to credit institutions	12,901	-	-	-	-	12,901
Loans and advances to customers at fair value through profit or loss	4,285	-	4,017	27	15	226
Loans and advances to customers at amortised cost	46,500	1,331	22,816	2,122	18,158	2,072
Loans and advances to customers at fair value through OCI	74,876	115	73,650	46	429	635
Securities and bonds	26,684	-	-	-	11,848	14,836
Derivatives	7,175	-	-	-	4,755	2,420
Earned income, not yet recieved	135	-	-	-	-	135
Accounts receivable, securities	11	-	-	-	-	11
Total assets	**175,293**	**1,446**	**100,483**	**2,195**	**35,206**	**35,962**
Liabilities, off balance						
Guarantee commitments and documentary credits	5,014	55	-	-	-	4,959
Unutilised credits and Loan approvals	18,299	26	3,432	498	308	14,035
Other exposures	3,408	-	-	-	-	3,408
Total liabilities	**26,720**	**81**	**3,432**	**498**	**308**	**22,402**
Total credit risk exposure	**202,013**					**58,364**

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 *)	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, off balance						
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**

Group

31 Dec 2020 (NOK million)	Maximum exposure to credit risk, gross	Provision for expected credit losses	Collateral in property	Collatera in securities	Other collateral and netting agreements *)	Maximum exposure to credit risk, net
Assets						
Balances with central banks	2,725	-	-	-	-	2,725
Loans and advances to credit institutions	5,091	-	-	-	14	5,077
Loans and advances to customers at fair value through profit or loss	4,285	-	4,017	27	15	226
Loans and advances to customers at amortised cost	55,487	1,401	22,825	2,122	27,824	1,316
Loans and advances to customers at fair value through OCI	74,876	116	73,650	46	429	634
Securities and bonds	26,606	-	-	-	11,848	14,758
Derivatives	7,226	-	51	-	4,755	2,420
Earned income, not yet recieved	185	-	-	-	-	185
Accounts receivable, securities	678	-	43	624	-	11
Total assets	**177,159**	**1,517**	**100,586**	**2,820**	**44,885**	**27,352**
Liabilities, off balance						
Guarantee commitments and documentary credits	5,014	55	-	-	-	4,959
Unutilised credits and loan approvals	18,432	26	3,516	498	441	13,951
Other exposures	3,698	-	-	-	-	3,698
Total liabilities	27,144	81	3,516	498	441	22,608
Total credit risk exposure	**204,304**					**49,961**

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 *)	Maximum exposure to credit risk, net
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, off balance						
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**

*) 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.

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. See note 37, Other debt and liabilities, for a closer description of NASDAQ.

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 2020 the Bank has about 45 (47) 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 meber 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 guidlines 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

		Neither defaulted nor credit impaired					Defaulted or credit impaired	
31 Dec 2020 (NOK million)	Notes	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**		**Total**
Loans to and claims on credit institutions	7	**12,901**	**-**	**-**	**-**	**-**	**-**	**12,901**
Loans to and claims on customers	8							
Retail market		67,453	8,954	3,423	1,029	1,138	383	**82,380**
Corporate market		18,797	12,161	8,974	1,193	454	1,702	**43,280**
Total		**86,250**	**21,115**	**12,398**	**2,222**	**1,592**	**2,084**	**125,660**
Financial investments	29							
Quoted government and government guaranteed bonds		9,298	-	-	-	-	-	**9,298**
Quoted other bonds		9,724	3,713	473	328	-	-	**14,239**
Unquoted government and government guaranteed bonds		-	-	-	-	-	-	**-**
Unquoted other bonds		82	3,066	-	-	-	-	**3,147**
Total		**19,104**	**6,779**	**473**	**328**	**-**	**-**	**26,684**
Total		**118,255**	**27,894**	**12,871**	**2,550**	**1,592**	**2,084**	**165,246**

		Neither defaulted nor credit impaired					Defaulted or credit impaired	
31 Dec 2019 (NOK million)	Notes	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**		**Total**
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	29							
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**

Group

31 Dec 2020 (NOK million)	Notes	Neither defaulted nor credit impaired Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or credit impaired	Total
Loans to and claims on credit institutions	7	**5,091**	-	-	-	-	-	**5,091**
Loans to and claims on customers	8							
Retail market		67,560	10,196	7,233	1,323	1,374	455	**88,139**
Corporate market		18,248	12,823	11,169	1,702	764	1,802	**46,509**
Total		**85,808**	**23,018**	**18,402**	**3,025**	**2,138**	**2,257**	**134,648**
				-	-	-	-	
Financial investments	29							
Quoted government and government guaranteed bonds		9,298	-	-	-	-	-	**9,298**
Quoted other bonds		9,724	3,713	473	328	-	-	**14,239**
Unquoted government and government guaranteed bonds		-	-	-	-	-	-	**-**
Unquoted other bonds		3	3,066	-	-	-	-	**3,069**
Total		**19,026**	**6,779**	**473**	**328**	**-**	**-**	**26,606**
Total		**109,925**	**29,797**	**18,875**	**3,353**	**2,138**	**2,257**	**166,346**

31 Dec 2019 (NOK million)	Notes	Neither defaulted nor credit impaired Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or credit impaired	Total
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	29							
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**

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.

	Interest rate risk, change 1 percentage piont	
Basis risk Group (NOK million)	**2020**	**2019**
Currency		
NOK	- 8	- 26
EUR	0	- 3
USD	3	- 1
CHF	- 1	- 1
GBP	- 1	- 2
Other	0	- 1
Total interest rate risk, effect on result before tax	**- 7**	**- 34**

Total interest rate risk suggest that the Bank will have losses from an increase in the interest rate in 2020. This is the same effect as in 2019.

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 risk, change 1 percentage piont	
Interest rate curve risk, Group (NOK million)	**2020**	**2019**
Maturity		
0 - 2 month	- 16	- 20
2 - 3 months	12	- 3
3 - 6 months	- 14	- 6
6 - 12 months	6	5
1 - 2 years	- 6	0
2 - 3 years	- 9	- 5
3 - 4 years	21	8
4 - 5 years	3	- 17
5 - 8 years	- 10	9
8 - 15 years	8	- 5
Total interest rate risk, effect on result before tax	**- 7**	**- 34**

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	Group	
2019	**2020**	(NOK million)	**2020**	**2019**
22	12	EUR	12	22
1	-1	USD	-1	1
0	-1	SEK	-1	0
-5	0	GBP	0	-5
0	0	Other	0	0
18	**10**	**Total**	**10**	**18**
0.9	0.4	Result effect of 3% change	0.4	0.9

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 2020 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
Cash flows related to liabilities [2)]						
Debt to credit institutions	11,325	1,732	-	-	36	13,093
Deposits from and debt to customers	76,601	13,486	2,944	4,497	-	97,529
Debt created by issuance of securities	-	1,179	6,524	35,468	1,804	44,976
Derivatives - contractual cash flow out	-	2,090	10,254	20,957	1,036	34,337
Other commitments	-	1,582	715	468	260	3,025
Subordinated debt [1)]	-	9	68	1,798	-	1,874
Total cash flow, liabilities	**87,926**	**20,079**	**20,505**	**63,188**	**3,136**	**194,834**
Derivatives net cash flows						
Contractual cash flows out	-	2,090	10,254	20,957	1,036	34,337
Contractual cash flows in	-	-1,693	-10,240	-21,048	-1,182	-34,163
Net contractual cash flows	**-**	**397**	**14**	**-92**	**-146**	**174**

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 liabilities [2)]						
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**

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

Note 18 - Net commission income and other income

Parent Bank			Group	
2019	**2020**	(NOK million)	**2020**	**2019**
		Commission income		
61	59	Guarantee commission	58	59
-	-	Broker commission	251	252
48	56	Portfolio commission, savings products	123	117
349	408	Commission from SpareBank 1 Boligkreditt	408	349
16	13	Commission from SpareBank 1 Næringskreditt	13	16
397	393	Payment transmission services	390	393
183	195	Commission from insurance services	195	183
74	80	Other commission income	71	67
1,127	**1,205**	**Total commission income**	**1,510**	**1,437**
		Commission expenses		
84	83	Payment transmission services	112	101
11	14	Other commission expenses	95	92
95	**97**	**Total commission expenses**	**207**	**193**
		Other operating income		
21	22	Operating income real property	21	25
-	-	Property administration and sale of property	142	138
-	-	Securities trading	583	383
-	-	Accountant's fees	506	473
9	19	Other operating income	18	28
30	**41**	**Total other operating income**	**1,269**	**1,046**
1,061	**1,149**	**Total net commision income and other operating income**	**2,572**	**2,290**

Note 19 - Net return on financial investments

Parent Bank			Group	
2019	**2020**	(NOK million)	**2020**	**2019**
		Valued at fair value through profit/loss		
- 163	- 74	Value change in interest rate instruments	103	- 16
		Value change in derivatives/hedging		
- 9	1	Net value change in hedged bonds and derivatives	1	-9
9	- 11	Net value change in hedged fixed rate loans and derivatives	-11	9
132	32	Other derivatives	59	186
		Income from equity instruments		
-	-	Income from owner interests	681	879
866	492	Dividend from owner instruments	-	-
22	-15	Value change and gain/loss on owner instruments	-9	1
18	36	Dividend from equity instruments	39	15
44	-1	Value change and gain/loss on equity instruments	5	119
918	**460**	**Total net income from financial assets and liabilities at fair value through profit/(loss)**	**868**	**1,183**
		Valued at amortised cost		
		Value change in interest rate instruments		
- 6	- 6	Value change in interest rate instruments held to maturity	- 6	- 6
- 6	**- 6**	**Total net income from financial assets and liabilities at amortised cost**	**- 6**	**- 6**
24	**89**	**Total net gain from currency trading**	**89**	**24**
937	**542**	**Total net return on financial investments**	**951**	**1,201**

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

Parent Bank			Group	
2019	2020	(NOK million)	2020	2019
527	644	Wages	1,711	1,525
50	56	Pension costs (Note 22)	107	105
37	32	Social costs	66	69
614	**732**	**Total personnel expenses**	**1,883**	**1,699**
633	668	Average number of employees	1,644	1,611
619	660	Number of man-labour years as at 31 December	1,560	1,509
658	678	Number of employees as at 31 December	1,653	1,634

Emoluments to Top Management
2020 (thousands of NOK)

Name	Title	Salary and other short-term benefits	Pension contribution for salaries above 12G	Of which share-based bonus payments 5)	Current value of pension liability	Pension rights accrued in past year 6)	Loans at 31.12 7)	No. of equity capital certificates 8)
Jan-Frode Janson	Group CEO	5,505	716	-	-	155	12	40,281
Kjell Fordal	Executive Director Group Finance	4,114	712	12	9,863	143	13,234	246,304
Vegard Helland	Executive Director Corporate	2,995	174	12	2,045	139	1,251	35,194
Ola Neråsen	Executive Director Risk	2,365	96	12	3,403	166	458	42,756
Nelly Maske	Executive Director Retail	2,910	165	-	-	155	5,278	21,135
Rolf Jarle Brøske	Executive Director Communication and Society	2,374	104	12	-	138	10,451	10,205
Kjersti Hønstad	Executive Director Legal 1)	2,006	57	12	2,874	171	1,619	4,906
Astrid Undheim	Executive Director Technology and Development 2)	1,743	-	-	-	122	7,518	-
Kjetil Reinsberg	Executive Director Eiendomsmegler 1 Midt-Norge 3)	3,397	214	-	-	161	6,344	34,207
Arne Nypan	Executive Director Regnskapshuset 4)	2,483	154	14	-	46	5,385	26,690

1) Executive Director Legal left the Top Management 11 August 20
2) Executive Director Technology and Development took up the position in the Top Management 1 March 20
3) Executive Director Eiendomsmegler 1 Midt-Norge took up the position in the Top Management 10 August 20 and emoluments given are from Eiendomsmegler 1 Midt-Norge
4) Executive Director Regnskapshuset took up the position in the Top Management 10 August 20 and emoluments given are from SparBank 1 Finans Midt-Norge and SpareBank 1 Regnskapshuset
5) Amount of bonus-Ming received 2020 in conjunction with MING-saving scheme. MING-saving scheme is an arrangement open for all employees and all employes have the same conditions
6) Defined-contribution pension scheme
7) Top Management has the same loan conditions as all the employees
8) Number of equity capital certificates also includes certificates owned by related persons and companies in wich one has significant influence

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 Haugan 1)	Group CEO	7,085	2,297	22	7,741	131	8,271	202,459
Jan-Frode Janson 2)	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 Neråsen 5)	Executive Director Risk	2,339	126	22	2,785	144	827	42,335
Nelly Maske 4)	Executive 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 Hønstad 3)	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 Haugans 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 Banks 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 employes 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 wich one has significant influence

SpareBank 1 SMN has an individual top pension scheme for employees with salaries above 12G employed before 1th of July 2017. These employees receive pension add-on of 15 per cent of salary above 12G. Employees can decide investement 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
2020 (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 2)
Kjell Bjordal	Board chairman	539	38	1	12,000	130,000
Bård Benum	Deputy chair	285	90	-	7,774	-
Mette Kamsvåg	Board member	245	90	2	1,786	5,600
Tonje Eskeland Foss	Board member	245	26	-	-	-
Janne Thyø Thomsen	Board member	245	105	-	-	3,000
Morten Loktu	Board member	245	26	-	-	1,500
Christian Stav	Board member	245	105	-	-	20,000
Inge Lindseth 1)	Board member, employee representative	271	-	881	4,014	8,905
Christina Straub 1)	Board member, employee representative	245	-	823	5,792	758
Oddny Lysberg 1)	Deputy member of the Board, employee representative	26	-	554	2,696	1,842

1) Other emoluments include salary in employment relationships
2) Number of equity capital certificates also includes certificates owned by related persons and companies in wich one has significant influence

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 wich 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)	2020	2019
Knut Solberg, Supervisory Board Chair	95	93
Other members	305	300

Remuneration of employees 1)	Number	Remuneration	Of which variable remuneration
Senior employees	56	72,850,350	-
Employees and officers with tasks of material significance for the institutions's risk exposure	5	5,145,598	-
Employees responsible for the independent control function	3	2,274,803	-
Officers	1	1,517,365	-

1) Categories of employees covered by the Financial Institutions Regulataions

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.

SpareBank 1 SMN aims to be competitive as regards remuneration of senior employees with av view to ensuring that the group attracts and retains competent managers. Managerial pay arrangements are designed to underpin the group's business strategies, core values, key priorities and long-term goals.

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

- Fixed pay (ordinary salary)
- Variable remuneration based on performance
- Pension scheme
- Other employee benefits
- New employment allowance
- Share purchase schemes
- Post-employment benefits
- Fees for board positions in SpareBank 1 Alliance

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.

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.

Remuneration 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% 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 Midt-Norge, EiendomsMegler 1 Midt-Norge, 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	
2019	**2020**	*(NOK million)*	**2020**	**2019**
53	246	IT costs	340	321
4	15	Postage and transport of valuables	19	23
17	52	Marketing	73	101
27	102	Ordinary depreciation (note 31,32 and 33)	166	172
11	39	Operating expenses, real properties	62	57
46	150	Purchased services	221	193
50	140	Other operating expense	187	231
207	**744**	**Total other operating expenses**	**1,069**	**1,098**
		Audit fees (NOK 1000)		
654	823	Financial audit	2,313	1,764
191	706	Other attestations	843	279
14	-	Tax advice	91	47
301	556	Other non-audit services	940	379
1,160	**2,085**	**Total incl. value added tax**	**4,187**	**2,468**

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 2019 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 coveredd 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.

	2020		2019	
Actuarial assumptions	Costs	Commitment	Costs	Commitment
Discount rate	2.3%	1.5%	2.6%	2.3%
Expected rate of return on plan assets	2.3%	1.5%	2.6%	2.3%
Expected future wage and salary growth	2.00 %	2 %	2.5%	2.00 %
Expected adjustment of basic amount (G)	2.00 %	2 %	2.5%	2.00 %
Expected increase in current pension	0%/2.0%	0%/2.0%	0%/2.5%	0%/2.0%
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	
2019	2020	**Net pension liability in the balance sheet (NOK million). Financial position 1 January**	2020	2019
588	608	Net present value of pension liabilities in funded schemes	608	588
-749	-743	Estimated value of pension assets	-743	-749
	-	Opening balance adjustment	-	-
-161	-135	Net pension liability in funded schemes	-135	-161
3	3	Employer's contribution	3	3
-	-	Settlement	-	-
-158	**-132**	**Net pension liability in the balance sheet**	**-132**	**-158**

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

Group	2020			2019		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of pension liability in funded schemes	595	13	608	570	17	588
Fair value of pension assets	-743	-	-743	-749	-	-749
Opening balance adjustment	-	-	-	-	-	-
Net pension liability in the balance sheet before employer's contribution	-148	13	-135	-179	17	-161
Employer's contribution	-	3	3	-	3	3
Settlement	-	-	-	-	-	-
Net pension liability in the balance sheet after employer's contribution	-148	16	-132	-179	21	-158

2019	2020	Pension cost for the year	2020	2019
0	0	Present value of pension accumulated in the year	0	0
-4	-3	Interest cost of pension liabilities	-3	-4
-4	-3	Net defined-benefit pension cost without employer's contribution	-3	-4
0	0	Employer's contribution - subject to accrual accounting	0	0
-4	-3	Net pension cost related to defined benefit plans	-3	-4
7	8	Early retirement pension scheme, new arrangement	12	12
43	48	Cost of defined contribution pension	95	96
46	**53**	**Total pension cost**	**105**	**105**

Other comprehensive income for the period	2020			2019		
	Unfunded	Funded	Total	Unfunded	Funded	Total
Change in discount rate	1	74	75	0	26	26
Change in other economic assumptions	-	-	-	0	-	0
Change in mortality table	-	-	-	-	-	-
Change in other demographic assumptions	-	-	-	-	-	-
Changing other factors, DBO	-7	-18	-25	-3	14	12
Change in other factors, pension assets	-	-16	-16	-	-3	-3
Other comprehensive income for the period	**-6**	**40**	**34**	**-3**	**37**	**34**

2019	2020	Movement in net pension liability in the balance sheet	2020	2019
-158	-132	Net pension liability in the balance sheet 1 January	-132	-94
33	34	Actuarial gains and losses for the year	34	24
-4	-3	Net defined-benefit costs in profit and loss account incl. Curtailment/settlement	-3	-63
-3	-1	Paid-in pension premium, defined-benefit schemes	-1	-1
-132	**-102**	**Net pension liability in the balance sheet 31 December**	**-102**	**-182**

2019	2020	Financial status 31 December	2020	2019
608	640	Pension liability	640	641
-743	-743	Value of pension assets	-743	-827
-135	-104	Net pension liability before employer's contribution	-104	-186
3	2	Employer's contribution	2	4
-132	**-102**	**Net pension liability after employer's contribution**	**-102**	**-182**

* Presented gross in the Group accounts

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

Group	31 Dec 2020			31 Dec 2019		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	631	8	640	595	13	608
Value of pension assets	-743	-	-743	-743	-	-743
Net pension liability before employer's contribution	**-112**	**8**	**-104**	**-148**	**13**	**-135**
Employer's contribution	-	2	2	-	3	3
Net pension liability after employer's contribution	**-112**	**10**	**-102**	**-148**	**16**	**-132**

Fair value of pension liability, Group	31 Dec 2020	31 Dec 2019
OB pension liability (PBO)	608	588
Present value of pension accumulated in the year	0	0
Payout/release from scheme	-27	-29
Interes costs of pension liability	14	15
Curtailment/ Settlement	-	-
Actuarial gain or loss	45	34
CB pension liability (PBO)	**640**	**608**

Fair value of pension assets, Group	31 Dec 2020	31 Dec 2019
OB pension assets	743	749
Paid in	1	3
Payout/release from fund	-27	-29
Expected retur	17	19
Curtailment/ Settlement	-	-
Actuarial changes	10	1
CB market value of pension assets	**743**	**743**

	Discount rate		Salary adjustment		Pension adjustment
Sensitivity, Group	**+ 1 pp**	**- 1 pp**	**+1 pp**	**- 1 pp**	**+ 1 pp**
2020					
Change in accumulated pension rights in course of year	-	-	-	-	-
Change in pension liability	-93	117	1	-1	116
2019					
Change in accumulated pension rights in course of year	-	-	-	-	-
Change in pension liability	-81	101	0	0	103

2019	2020	Members	2020	2019
749	740	Numbers of persons included in pension scheme	740	740
242	233	of which active	233	233
507	507	of which retirees and disabled	507	507

Investment and pension assets in the pension fund	2020	2019
Current bonds	40 %	38 %
Bonds held to maturity	5 %	5 %
Money market	18 %	24 %
Equities	28 %	27 %
Real estate	7 %	6 %
Other	1 %	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 2019	Parent Bank 2020	(NOK million)	Group 2020	Group 2019
2.715	1.629	Result before tax	2.299	3.121
-955	-436	+/- permanent differences	-522	-1.091
139	161	+/- change in temporary differences as per specification	142	124
-	-	+ deficit carried forward	-118	37
1.899	**1.355**	**Year's tax base/taxable income**	**1.800**	**2.191**
475	339	Tax payable on profit for the year	422	547
4	-	Excess/too little tax accrued previous year	-	-
479	**339**	**Total taxes payable**	**422**	**547**
479	339	Tax payable on profit for the year	422	547
-28	-40	+/- change in deferred tax	-8	-30
	-14	Taxes on interest hybrid capital	-14	
451	**284**	**Tax charge for the year**	**400**	**518**
		Change in net deferred tax liability		
-28	-32	Deferred tax shown through profit/loss	-8	-30
-8	-8	Deferred tax shown through equity	-8	-8
		Reclassification tax payable/deferred tax*		23
-36	**-40**	**Total change in net deferred tax liability**	**-16**	**-15**

* Due to changes in temporary differences between annual accounts and final tax papers

2019	2020	Composition of deferred tax carried in the balance sheet (NOK million)	2020	2019
		Temporary differences:		
		- Business assets	14	14
-	-	- Leasing items	321	281
132	102	- Pension liability	104	133
107	43	- Securities	45	109
125	604	- Hedge derivatives	604	125
		- Other temporary differences	5	5
364	**749**	**Total tax-increasing temporary differences**	**1.093**	**668**
91	**187**	**Deferred tax**	**273**	**169**
		Temporary differences:		
-10	-17	- Business assets	-24	-28
		- Pension liability	-	-
		- Securities	-1	-
-156	-617	- Hedge derivatives	-617	-156
-6	-83	- Other temporary differences	-181	-86
		- Deficit carried forward	-470	-572
-172	**-718**	**Total tax-decreasing temporary differences**	**-1.294**	**-842**
-43	**-179**	**Deferred tax asset**	**-320**	**-212**
48	**8**	**Net deferred tax (-asset)**	**-47**	**-43**

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:

	2020	2019
Tax benefit recorded 31 Dec	**129**	158
Deferred tax recorded 31 Dec	**-81**	-115

2019	2020	Reconciliation of tax charge for the period recognised against profit and loss to profit before tax	2020	2019
679	407	25 % of profit before tax	546	773
-239	-109	Non-taxable profit and loss items (permanent differences) *	-124	-272
8	-14	Tax effect of costs reflected in equity	-14	8
4		Too little taxes accrued previous year	-0	7
		Change in tax assets not recognised	-8	-
451	**284**	**Tax for the period recognised in the income statement**	**400**	**516**
17 %	**17 %**	**Effective tax rate**	**17 %**	**17 %**

* Includes non-deductible costs and 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					
31 Dec 2020 (NOK million)	Designated as such upon initial recognition	Mandatorily	Held for trading	Financial instruments at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
Assets						
Cash and receivables from central banks	-	-	-	-	2,764	2,764
Deposits with and loans to credit institutions	-	-	-	-	5,091	5,091
Loans to and receivables from customers	4,285	-	-	74,761	54,086	133,131
Shares, units and other equity interests	-	438	1,928	-	-	2,366
Fixed-income CDs and bonds	-	26,606	-	-	-	26,606
Derivatives	921	-	6,305	-	-	7,226
Earned income not yet received	-	-	-	-	185	185
Accounts receivable, securities	-	-	-	-	678	678
Total financial assets	**4,285**	**27,045**	**9,153**	**74,761**	**62,804**	**178,048**
Liabilities						
Deposits from credit institutions	-	-	-	-	13,095	13,095
Deposits from and debt to customers	-	-	-	-	97,529	97,529
Debt created by issue of securities	-	-	-	-	43,919	43,919
Derivatives	48	-	7,131	-	-	7,179
Subordinated loan capital	-	-	-	-	1,795	1,795
Equity instruments	-	-	-	-	-	-
Lease liabilities	-	-	-	-	479	479
Debt from securities	-	-	-	-	568	568
Total financial liabilities	**-**	**-**	**7,179**	**-**	**157,385**	**164,564**

Group	Financial instruments at fair value through profit or loss					
31 Dec 2019 (NOK million)	Designated as such upon initial recognition	Mandatorily	Held for trading	Financial instruments at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
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	387	-	2,585	-	-	2,972
Earned income not yet received	-	-	-	-	132	132
Accounts receivable, securities	-	-	-	-	292	292
Total financial assets	**5,066**	**23,562**	**5,091**	**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	43,01 4
Derivatives	216	-	3,312	-	-	3,528
Subordinated loan capital	-	-	-	-	2,090	2,090
Equity instruments	-	-	244	-	505	749
Debt from securities	-	-	-	-	197	197
Total financial liabilities	**216**	**-**	**3,556**	**-**	**140,576**	**144,348**

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 2020:

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

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	2	7,177	-	7,179
- Equity instruments	-	-	-	-
Total liabilities	**2**	**7,177**	**-**	**7,179**

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

Assets (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 changes in the instruments classified in level 3 as at 31 December 2020:

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

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

(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	-35,453
Expected credit loss	-	-	-36	-36
Gain or loss on financial instruments	87	-25	6	68
Closing balance	**405**	**4,636**	**71,336**	**76,377**

Valuation method

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

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

Fixed interest loans to customers (level 3)

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

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

Property Loans at floating interest classified at fair value over other comprehensive income is valued based on nominal amount reduced by expected credit loss. Loans with no significant credit risk detoriation since first recognition is assessed at nominal amount. For loans with a significant increase in credit risk since first recognition or objective evidence of loss, the calculation of expected credit losses over the life of the asset is in line with loan losses for loans at amortised cost. Estimated fair value is the nominal amount reduced by expected lifetime credit loss. If the likelihood of the worst case scenario in the model is doubled, fair value is reduced by NOK 8 million.

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

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

Equity instruments (level 3)

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 291 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank SMN 1 Invest. The valuations are in all essentials based on reporting from managers of the funds who utilise cash flow based models or multiples when determining fair value. The Group does not have full access to information on all the elements in these valuations and is therefore unable to determine alternative assumptions.

Financial derivatives (level 2)

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

Sensitivity analyses, level 3 as at 31 December 2020:

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

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

Note 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 2020		31 Dec 2019	
(NOK million)	**Level 1)**	**Book value**	**Fair Value**	**Book value**	**Fair Value**
Assets					
Loans to and claims on credit institutions	2	12,901	12,901	9,181	9,181
Loans to and claims on customers at amortised cost	2	45,169	45,260	41,105	41,173
Earned income not yet received	2	135	135	107	107
Accounts receivable, securities	2	11	11	13	13
Total financial assets at amortised cost		**58,216**	**58,307**	**50,406**	**50,474**
Liabilities					
Debt to credit institutions	2	12,630	12,630	7,585	7,585
Deposits from and debt to customers	2	98,166	98,166	86,870	86,870
Securities debt at amortised cost	2	10,750	10,619	9,440	9,425
Securities debt, hedging	2	33,301	33,300	33,573	33,374
Subordinated debt at amortised cost	2	1,752	1,752	1,831	1,826
Subordinated debt, hedging	2	-	-	216	212
Lease liabilities	2	303	303	347	347
Debt from securities	2	13	13	9	9
Total financial liabilities at amortised cost		**156,915**	**156,783**	**139,872**	**139,649**

Group

(NOK million)		31 Dec 2020 Book value	31 Dec 2020 Fair Value	31 Dec 2019 Book value	31 Dec 2019 Fair Value
Assets					
Loans to and claims on credit institutions	2	5,091	5,091	2,110	2,110
Loans to and claims on customers at amortised cost	2	54,086	54,193	49,351	49,431
Earned income not yet received	2	185	185	132	132
Accounts receivable, securities	2	678	678	292	292
Total financial assets at amortised cost		**60,040**	**60,147**	**51,886**	**51,966**
Liabilities					
Debt to credit institutions	2	13,095	13,095	8,853	8,853
Deposits from and debt to customers	2	97,529	97,529	85,917	85,917
Securities debt at amortised cost	2	10,750	10,619	9,440	9,425
Securities debt, hedging		33,301	33,300	33,573	33,374
Subordinated debt at amortised cost	2	1,795	1,795	1,874	1,869
Subordinated debt, hedging	2	-	-	216	212
Lease liabilities	2	479	479	505	505
Debt from securities	2	568	568	197	197
Total financial liabilities at amortised cost		**157,517**	**157,385**	**140,576**	**140,352**

[1)] Fair value is determined by using different methods in three levels. See note 25 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 2020.

Parent Bank			Group	
31 Dec 2019	31 Dec 2020	Money market certificates and bonds by issuer sector (NOK million)	31 Dec 2020	31 Dec 2019
		State		
1,985	2,460	Nominal value	2,460	1,985
2,637	4,838	Book value	4,838	2,637
		Other public sector		
7,613	7,638	Nominal value	7,638	7,613
7,663	7,764	Book value	7,764	7,663
		Financial enterprises		
11,481	13,590	Nominal value	13,513	11,404
12,765	13,982	Book value	13,904	12,685
		Non-financial enterprises		
15	10	Nominal value	10	15
26	22	Book value	22	26
21,095	**23,698**	**Total fixed income securities, nominal value**	**23,621**	**21,017**
103	78	Accrued interest	78	103
23,195	**26,684**	**Total fixed income securities, booked value**	**26,606**	**23,115**

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 2020**			**31 Dec 2019**		
	Contract	Fair value		Contract	Fair value	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities
Foreign exchange derivatives (forwards)	4,947	72	-143	2,664	18	-38
Currency swaps	9,376	295	-51	7,718	202	-62
FX-options	132	1	-2	-	-	-
Total currency instruments	14,455	368	-196	10,382	221	-100
Interest rate instruments						
Interest rate swaps (including cross currency)	249,493	4,924	-5,535	238,327	1,761	-2,221
Short-term interest rate swaps (FRA)	2,000	7	-7	9,000	1	-1
Total interest rate instruments	251,493	4,931	-5,542	247,327	1,762	-2,221
Commodity-related contracts						
Stock-exchange-traded standardised forwards and futures contracts	1,549	83	-83	1,441	145	-145
Total commodity-related contracts	1,549	83	-83	1,441	145	-145
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	37,771	921	-48	35,848	387	-216
Total interest rate instruments	37,771	921	-48	35,848	387	-216
Total						
Total interest rate instruments	289,265	5,852	-5,590	283,175	2,149	-2,437
Total currency instruments	14,455	368	-196	10,382	221	-100
Total commodity-related contracts	1,549	83	-83	1,441	145	-145
Accrued interest		872	-977		357	-476
Total financial derivatives	**305,269**	**7,175**	**-6,845**	**294,999**	**2,872**	**-3,159**

Group

Fair value through profit and loss (NOK million)	31 Dec 2020			31 Dec 2019		
	Contract	Fair value		Contract	Fair value	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities
Foreign exchange derivatives (forwards)	4,947	72	-143	2,664	18	-38
Currency swaps	9,376	295	-51	7,718	202	-62
FX-options	132	1	-2	-	-	-
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Interest rate instruments						
Interest rate swaps (including cross currency)	249,493	4,924	-5,535	238,327	1,761	-2,221
Short-term interest rate swaps (FRA)	2,000	7	-7	9,000	1	-1
Total interest rate instruments	251,493	4,931	-5,542	247,327	1,762	-2,221
Equity instruments						
Equity options	21	9	-12	25	12	-10
Equity forwards/futures	1,393	42	-322	1,884	88	-359
Total equity instruments	1,414	51	-334	1,910	100	-369
Commodity-related contracts						
Stock-exchange-traded standardised forwards and futures contracts	1,549	83	-83	1,441	145	-145
Total commodity-related contracts	1,549	83	-83	1,441	145	-145
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	37,771	921	-48	35,848	387	-216
Total interest rate instruments	37,771	921	-48	35,848	387	-216
Total						
Total interest rate instruments	289,265	5,852	-5,590	283,175	2,149	-2,437
Total currency instruments	14,455	368	-196	10,382	221	-100
Total equity instruments	1,414	51	-334	1,910	100	-369
Total commodity-related contracts	1,549	83	-83	1,441	145	-145
Accrued interest		872	-977		357	-476
Total financial derivatives	**306,683**	**7,226**	**-7,179**	**296,908**	**2,972**	**-3,528**

Note 29 - Hedge Accounting for Debt created by issue of securities

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.

The hedging instruments (interest rate and exchange rate swaps) are recognised at fair value, whereas the hedged objects are recognised at fair value in respect of the risks that are hedged (interest rate risk and exchange rate risk). Hedge inefficiency, defined as the difference between the value adjustment of the hedging instruments and the value adjustment of the hedged risks in the objects is recognised through profit/loss on an ongoing basis.

	Nominal amount 31 Dec 2020			**Nominal amount 31 Dec 2019**		
Group (NOK million)	**Hedging instrument**	**Hedging object**	**Ineffectivity**	**Hedging instrument**	**Hedging object**	**Ineffectivity**
Accounting line in Balance Sheet	Derivatives	Debt created by issuance of securities		Derivatives	Debt created by issuance of securities	
Debt at fixed interest	*Interest swap*			*Interest swap*		
Nominal NOK	7,943	7,550	- 393	7,789	7,650	- 140
Debt in currency at fixed interest	*Interest and currency swap*			*Interest and currency swap*		
Nominal EUR	22,658	22,644	- 13	23,429	23,429.0	-
Nominal SEK	626	600	- 26	846	846	-
Nominal CHF	1,696	1,696	-	1,586	1,586	-

	Book value 31 Dec 2020			**Book value 31 Dec 2019**		
	Hedging instrument	**Hedging object**	**Ineffectivity in PL**	**Hedging instrument**	**Hedging object**	**Ineffectivity in PL**
Recorded amount Assets	921			387		
Recorded amount Liabilities	48	33,481		216	33,790	
Accumulated value changes ending balance	634	570		167	160	
Accumulated value changes opening balance	167	104		233	217	
change in fair value	**467**	**465**	**1**	**-66**	**- 56**	**- 9**
Accounting line in profit and loss			Net return on financial investments			Net return on financial investments

IBOR reform

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.

	Nominal amount		
Interest- and currency instrument (NOK million)	**Hedging object**	**Hedging instrument**	**Net Exposure**
CHFLIB 3M		242	242
EURIBOR 3M		21,967	21,297
EURIBOR 6M		272	257
NIBOR 3M		9,036	9,036
STIBOR 3M	600	626	- 26
USD LIBOR 3M		1,279	1,279
Total	**600**	**33,422**	**32,085**

Note 30 - Shares, units and other equity interest

Parent bank			Group	
31 Dec 2019	**31 Dec 2020**	**Shares and units (NOK million)**	**31 Dec 2020**	**31 Dec 2019**
235	**234**	**At fair value through profit or loss**	**2,360**	**2,912**
112	131	Listed	165	160
123	103	Unlisted	432	405
-	-	Sparebank 1 Markets' trading activity	1,762	2,346
235	**234**	**Total shares and units**	**2,360**	**2,912**
		Subordinated bond		
-	-	Listed	-	-
120	85	Unlisted	6	41
120	**85**	**Total subordinated debt**	**6**	**41**
		Business held for sale - of which shares		
82	82	Unlisted	41	40
82	**82**	**Total shares held for sale (see note 39)**	**41**	40
112	131	Total listed companies	165	2,506
325	269	Total unlisted companies	479	487

Specification of Parent Bank

Listed companies	**Stake over 10 %**	**Our holding (no.)**	**Acquisition cost (NOK 1000)**	**Market value/ book value (NOK 1000)**
Solstad Farstad, A-shares		535	2,000	5,133
Visa Inc. C-shares		63,536	6,750	118,204
Total quoted shares			**8,750**	**123,337**
SpareBank 1 Nordvest		69,423	7,455	8,053
Total quoted credit institutions			**7,455**	**8,053**
Unlisted companies				
Visa Norge AS		26,373,402,000	37,338	24,791
Eskportfinans		1,857	12,888	36,286
Visa C Preference shares		1,298	20,255	30,411
Molde Kunnskapspark AS		2,000	2,030	2,083
Sparebankmateriell AS Spama		2,305	0	1,563
Swift eur		44	855	1,585
Other subordinated bonds			901	939
Total unquoted shares and units			**74,268**	**97,657**
Sparebank 1 Søre Sunnmøre		48,070	4,999	5,071
Total unquoted credit institutions			**4,999**	**5,071**
SpareBank1 Finans Midt-Norge			77,496	78,604
DNB Bank ASA			5,110	5,089
Brage Finans AS			1,023	1,028
Total unquoated subordinated bonds			**83,629**	**84,721**
Total shares, units and equity capital certificates, parent bank			**179,102**	**318,840**

Specification of Group

Listed companies	Stake over 10 %	Our holding (no.)	Acquisition cost (NOK 1000)	Market value/ book value (NOK 1000)
Aker BP		50,000	2,334	10,790
Okea AS		1,679,760	31,809	17,134
Havila ASA		1,454,880	16,901	4,728
Others				1,227
Total quoted shares			**51,044**	**33,879**
Unlisted companies				
Viking Venture III	17.0 %	955,039	34,745	96,436
Sonoclear AS (Prev. BrainImage AS)	12.3 %	935,671	3,424	7,550
Avexxin AB		184,505	6,445	1,209
Crayo Nano AS		13,876	8,436	14,129
Happybites AS		12,062	1,746	2,061
Idletechs AS		1,593	1,593	1,593
Norsk Innovasjonskapital III AS		600	7,950	12,885
North Bridge Nordic Property II AS		51,340	1,996	2,153
Novela Kapital AS		30,000	3,000	3,000
Novelda AS		18,280	7,163	11,988
Numascale AS		4,230,117	7,020	7,519
Piscada AS		3,709	500	1,834
Proventure Seed II AS		11,608,357	13,014	11,276
Real Estate Central Europe AS		3,000	5,500	4,000
Sentrumsbyen Molde AS		1,000	1,000	1,000
Sintef Venture IV		18,101	12,715	12,059
Sintef Venture V		9,000	7,293	7,293
Salvesen & Thams AS		22,300	45,733	104,743
Way AS (Prev. Trafikkselskapet AS)		23,175	5,202	6,437
Vectron Biosolutions AS		220,000	6,000	2,750
Water Linked AS		166	1,041	1,336
Wellstarter AS		3,538	2,535	2,535
Proventure Seed III AS			4,560	4,560
Others			14,889	9,200
Total unquoted shares and units			**203,502**	**329,544**
Holding of shares as part of SpareBank 1 Markets' trading activity*				1,762,338
Elimination of subordinated bond SpareBank 1 Finans Midt-Norge			-77,496	-78,604
Total shares, units and equity capital certificates, Group			**356,152**	**2,365,998**

* This holding relatees to futures trading carried out by SpareBank 1 Markets. These exposures represent no share price risk for SpareBank 1 Markets or for SpareBank 1 SMN. It is the purchaser of share futures that carries the entire share price risk on the underlying shares. Moreover, customers provide collateral in the form of cash, and margin payments on customers' accounts are made on a daily basis to ensure that no open credit risk arises in connection with futures trading.

Note 31 - Intangible assets

2020

Parent Bank				Group		
Other intangible assets	**Goodwill**	**Total**	**(NOK million)**	**Total**	**Goodwill**	**Other intangible assets**
194	447	640	Cost of acquisition at 1 January	1,106	767	338
32	-	32	Additions	76	22	54
-1	-	-1	Disposals	-6	-	-6
-	-	-	Addition from acquisition of companies	3	-	3
225	447	671	Cost of acquisition at 31 December	1,179	790	389
128	-	128	Accumulated depreciation and write-downs as at 1 January	233	34	199
28	-	28	Current period's depreciation	44	-	44
0	-	0	Current period's write-down	0	-	0
-1	-	-1	Disposals	-5	-	-5
-	-	-	Addition from acquisition of companies	3	-	3
156	-	156	Accumulated depreciation and write-down as at 31 December	274	34	241
69	**447**	**515**	**Book value as at 31 December**	**905**	**756**	**149**

2019

Parent Bank				Group		
Other intangible assets	**Goodwill**	**Total**	**(NOK million)**	**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
-	-	-	Addition from acquisition of companies	16	16	
194	447	640	Cost of acquisition at 31 December	1,106	767	338
89	-	89	Accumulated depreciation and write-downs as at 1 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	Addition from acquisition of companies	6	-	6
128	-	128	Accumulated depreciation and write-down as at 31 December	233	34	199
66	**447**	**512**	**Book value as at 31 December**	**872**	**734**	**139**

Note 32 - Property, plant and equipment

2020

Parent Bank				Group		
Buildings and other real property	**Machinery, inventory and vehicles**	**Total**	**(NOK million)**	**Total**	**Machinery, inventory and vehicles**	**Buildings and other real property**
119	165	284	Cost of acquisition at 1 January	580	255	325
3	7	9	Additions	19	11	8
-11	-5	-16	Disposals	-28	-8	-19
-	-	-	Addition from acquisition of companies	2	2	-
110	168	278	Cost of acquisition at 31 December	574	260	314
71	128	199	Accumulated depreciation and write-downs as at 1 January	358	204	154
9	14	23	Current period's depreciation	36	20	16
-0	0	0	Current period's write-down	0	0	-0
-9	-3	-12	Disposals	-16	-7	-9
-	-	-	Addition from acquisition of companies	2	2	-
-	-	-	Reversal of accumulated depreciation and write-downs	-	-	-
71	139	210	Accumulated depreciation and write-down as at 31 December	380	219	160
39	**28**	**67**	**Book value as at 31 December**	**194**	**41**	**153**

2019

Parent Bank				Group		
Buildings and other real property	**Machinery, inventory and vehicles**	**Total**	**(NOK million)**	**Total**	**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**

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 2020 is NOK 119 million (NOK 83 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 2020.

Note 33 - Leases

Parent Bank 2019	2020	Right-of-use assets (NOK million)	Group 2020	2019
379	392	Acquisition cost 1 January	581	587
9	-	Addition of right-of-use assets	43	32
-	-	Disposals	-	-43
4	5	Transfers and reclassifications	13	5
392	397	Acquisition cost 31 December	636	581
-	49	Accumulated depreciation and impairment 1 January	82	-
49	50	Depreciation	84	87
-	-	Disposals	-1	-4
49	99	Accumulated depreciation and impairment 31 December	166	82
342	**297**	**Carrying amount of right-of-use assets 31 December**	**470**	**498**

Lease liabilities

2019	2020	Undiscounted lease liabilities and maturity of cash outflows (NOK million)	2020	2019
42	42	Less than 1 year	82	78
41	37	1-2 years	71	72
37	36	2-3 years	66	63
36	28	3-4 years	54	59
31	53	4-5 years	77	51
197	170	More than 5 years	230	245
383	**366**	**Total undiscounted lease liabilities at 31 December**	**579**	**567**

2019	2020	Summary of the lease liabilities (NOK million)	2020	2019
379	347	At initial application 01.01.2019	505	587
12	-	New lease liabilities recognised in the year	52	19
-44	-44	Cash payments for the principal portion of the lease liability	-76	-76
-10	-9	Cash payments for the interest portion of the lease liability	-13	-13
10	9	Interest expense on lease liabilities	13	13
-	-	Other changes	-2	-25
347	**303**	**Total lease liabilities at 31 December**	**479**	**505**
41	41	Current lease liabilities (note 37)	63	65
306	263	Non-current lease liabilities (note 37)	416	440
-43	-45	Total cash outflows for leases	-79	-76

2019	2020	Summary of other lease expenses recognised in profit or loss (NOK million)	2020	2019
9	10	Variable lease payments expensed in the period	20	34
4	1	Operating expenses in the period related to short-term leases (including short-term low value assets)	7	11
-	-	Operating expenses in the period related to low value assets (excluding short-term leases included above)	1	1
13	**11**	**Total lease expenses included in other operating expenses**	**28**	**46**

Note 34 - Other assets

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

Note 35 - Deposits from and liabilities to customers

Parent Bank			Group	
31 Dec 2019	31 Dec 2020	**Deposits from and liabilities to customers (NOK million)**	31 Dec 2020	31 Dec 2019
63,177	74,542	Deposits from and liabilities to customers without agreed maturity	73,906	62,224
23,693	23,624	Deposits from and liabilities to customers with agreed maturity	23,622	23,693
86,870	**98,166**	**Total deposits from and liabilities to customers**	**97,529**	**85,917**
1.2 %	0.8 %	Average interest rate	0.8 %	1.2 %

Fixed interest deposits account for 3.4 per cent (5.1 per cent) of total deposits.

31 Dec 2019	31 Dec 2020	Deposits specified by sector and industry	31 Dec 2020	31 Dec 2019
35,664	40,600	Wage earners	40,600	35,664
13,162	12,711	Public administration	12,711	13,162
2,094	2,269	Agriculture and forestry	2,269	2,094
970	1,210	Fisheries and hunting	1,210	970
645	1,305	Sea farming industries	1,305	645
1,582	1,796	Manufacturing	1,796	1,582
3,363	3,799	Construction, power and water supply	3,799	3,363
4,197	5,461	Retail trade, hotels and restaurants	5,461	4,197
1,059	1,182	Maritime sector	1,182	1,059
5,027	5,821	Property management	5,750	4,718
7,643	9,286	Business services	9,286	7,643
8,186	8,930	Transport and other services provision	8,518	7,819
3,278	3,795	Other sectors	3,641	3,001
86,870	**98,166**	**Total deposits from customers broken down by sector and industry**	**97,529**	**85,917**

31 Dec 2019	31 Dec 2020	Deposits specified by geographic area	31 Dec 2020	31 Dec 2019
55,495	64,599	Trøndelag	64,019	54,712
15,705	16,450	Møre og Romsdal	16,450	15,705
698	801	Nordland	801	698
6,653	7,212	Oslo	7,155	6,482
7,022	8,393	Other counties	8,393	7,022
1,298	710	Abroad	710	1,298
86,870	**98,166**	**Total deposits broken down by geographic area**	**97,529**	**85,917**

Note 36 - Debt securities in issue

Parent Bank			Group	
31 Dec 2019	31 Dec 2020	(NOK million)	31 Dec 2020	31 Dec 2019
-	341	Money market instrument and other short-term borrowings	341	-
43,014	42,580	Bond debt	42,580	43,014
-	999	Senior non preferred	999	-
43,014	**43,919**	**Total debt securities in issue**	**43,919**	**43,014**
3.1 %	0.3 %	Average interest, money market certificates	0.3 %	3.1 %
1.3 %	1.1 %	Average interest, bond debt	1.1 %	1.3 %
-	1.0 %	Average interest, senior non preferred	1.0 %	-

31 Dec 2019	31 Dec 2020	Securities debt specified by maturity [1)]	31 Dec 2020	31 Dec 2019
7,833	-	2020	-	7,833
8,713	7,278	2021	7,278	8,713
5,805	7,162	2022	7,162	5,805
8,918	9,297	2023	9,297	8,918
4,500	4,445	2024	4,445	4,500
-	2,250	2025	2,250	-
4,935	10,500	2026	10,500	4,935
499	505	2029	505	499
-	105	2030	105	-
296	315	2031	315	296
247	263	2032	263	247
296	315	2033	315	296
148	158	2034	158	148
257	273	2035	273	257
276	294	2044	294	276
19	43	Currency agio	43	19
54	525	Premium and discount, market value of structured bonds	525	54
218	191	Accrued interest	191	218
43,014	**43,919**	**Total securities debt**	**43,919**	**43,014**

[1)] Less own bonds. Total nominal own holding in 2020 comes to NOK 126 m (at year-end 2019 there is no own holding)

31 Dec 2019	31 Dec 2020	Securities debt distributed on significant currencies	31 Dec 2020	31 Dec 2019
13,315	17,015	NOK	17,015	13,315
27,270	24,257	EUR	24,257	27,270
2,429	2,647	Other	2,647	2,429
43,014	**43,919**	**Total securities debt**	**43,919**	**43,014**

Parent Bank and Group

Change in securities debt	31 Dec 2020	Issued	Fallen due/ redeemed	Other changes	31 Dec 2019
Money market instrument	341	368	-	-28	-
Bond debt	41,819	8,018	10,053	1,132	42,722
Senior non preferred	1,000	1,000	-	-	-
Adjustments	568	-	-	495	73
Accrued interest	191	-	-	-27	218
Total	**43,919**	**9,386**	**10,053**	**1,572**	**43,014**

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	**43,014**	**6,230**	**6,421**	**-1,064**	**44,269**

Note 37 - Other debt and liabilities

Parent Bank			Group	
31 Dec 2019	31 Dec 2020	Other debt and recognised liabilities (NOK million)	31 Dec 2020	31 Dec 2019
48	8	Deferred tax	81	115
475	322	Payable tax	408	546
10	11	Capital tax	11	10
76	101	Accruals	671	455
127	301	Provisions	301	127
100	81	Tapsavsetninger garantier	81	100
16	10	Pension liabilities	10	16
347	303	Lease liabilities	479	505
68	74	Drawing debt	74	68
6	3	Creditors	45	57
9	13	Debt from securities	568	197
-	-	Equity instruments	0	244
287	239	Other	355	401
1,570	**1,466**	**Total other debt and recognised liabilities**	**3,084**	**2,841**
		Other liabilities, not recognised		
2,904	3,408	Credit limits, trading	3,585	3,059
-	-	Other commitments	113	38
2,904	**3,408**	**Total other commitments**	**3,698**	**3,097**
4,474	**4,874**	**Total commitments**	**6,783**	**5,937**

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 and SEB as clearing broker. The liabilities are presented gross in the table below.

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.

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. Clearing of Norwegian listed derivatives takes place at LCH.

Parent Bank				Group		
Cash deposit	Securities	Total	Securities pledged	Total	Securities	Cash deposit
1,446	-	1,446	Securities pledged 31 December 2020	2,386	-	2,386
3,992	-	3,992	Relevant liabilities 31 December 2020	4,512	-	4,512
1,283	245	1,528	Securities pledged 31 December 2019	1,543	245	1,298
1,827	245	2,072	Relevant liabilities 31 December 2019	2,088	245	1,843

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 2020.

Provisions

The group has made provisions for pension liabilities, see note 22, specified losses on guarantees, see note 10, 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 January 2020	16	6	121
Additional provisions in the period	-	83	200
Amounts used in the period	-1	-6	-104
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	-6	-	-
Provisions at 31 December 2020	**10**	**83**	**217**

Parent Bank/Group (NOK million)	Pension liabilities	Restructuring provision	Gifts
Provisions at 1 January 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 December 2019	**16**	**6**	**121**

Note 38 - Subordinated debt and hybrid capital issue

Parent bank			Group	
31 Dec 2019	31 Dec 2020	(NOK million)	31 Dec 2020	31 Dec 2019
		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
4	2	Accrued interest	3	5
1,754	**1,752**	**Total dated subordniated debt**	**1,795**	**1,797**
		Hybrid equity		
211	-	10/99, fixed rate 8.25 % NOK (Call 2020) *)	-	211
76	-	10/99, floating rate NOK (Call 2020)	-	76
1	-	Discount perpetual hybrid equity	-	1
5	-	Accrued interest	-	5
293	**-**	**Total hybrid equity**	**-**	**293**
2,047	**1,752**	**Total subordinated loan capital and hybrid equity**	**1,795**	**2,090**
3.6 %	2.4 %	Average rate NOK	2.4 %	3.6 %
		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	250	5/99 floating rate NOK (Call 2024)	250	250
1,250	**1,250**	**Total additional Tier 1 Capital**	**1,293**	**1,293**
4.5 %	4.5 %	Average rate NOK	4.5 %	4.5 %

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

Group

Changes in subordinated debt and hybrid equity issue	31 Dec 2020	Issued	Fallen due/ redeemed	Other changes	31 Dec 2019
Ordinary subordinated debt, NOK	1,793	-	-	-	1,793
Hybrid capital loan, NOK	-	-	287	-	287
Adjustments	-	-	-	-1	1
Accrued interest	3	-	-	-7	10
Total subordinated debt and hybrid equity issue	**1,795**	**-**	**287**	**-8**	**2,090**

Changes in additional Tier 1 Capital	31 Dec 2020	Issued	Fallen due/ redeemed	Other changes	31 Dec 2019
Additional Tier 1 Capital, NOK	1,293	-	-	-	1,293
Total subordinated debt and hybrid equity issue	**1,293**	**-**	**-**	**-**	**1,293**

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**

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
Shares owned by subsidiaries and sub-subsidiaries			
GMA Invest	994469096	Trondheim	100.0
Sentrumsgården	975856828	Leksvik	35.3
Aqua Venture	891165102	Trondheim	37.6
Omega-3 Invest	996814262	Namsos	33.6
Tjeldbergodden Utvikling	979615361	Aure	23.0
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 SMN Spire Finans	916585837	Trondheim	100.0
SpareBank 1 Kapitalforvaltning	980300609	Trondheim	100.0
SpareBank 1 Capital Markets		New York	100.0
Leksvik Regnskapskontor	980491064	Leksvik	50.0
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	22.4
BN Bank	914864445	Trondheim	35.0
SpareBank 1 Næringskreditt	894111232	Stavanger	31.0
Bjerkeløkkja	998534976	Oppdal	40.7
SpareBank 1 Kredittkort	975966453	Trondheim	17.5
SMB Lab	917143501	Trondheim	20.0
SpareBank 1 Betaling	919116749	Oslo	21.5
SpareBank 1 Gjeldsinformasjone	924911719	Oslo	16.9
Investment in companies held for sale			
Mavi XV	890899552	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.

2020 (NOK million)	Company's share capital (NOK 000's)	No. Of shares	Nominal value (NOK 000's)	Assets	Liabilities	Equity	NCI of equity *)	Total income	Total expenses	Profit or loss	NCI of profit or loss *)	Book value 31.12
SpareBank 1 Finans Midt-Norge AS	922,590	56,262	16.4	9,598	8,263	1,335	474	349	218	131	60	666
Total investments in credit institutions												**666**
EiendomsMegler 1 Midt-Norge	66,611	4,788	13.9	357	148	210	27	394	354	41	5	155
SpareBank 1 SMN Kvartalet	30,200	30,200	1.0	117	24	93	-	9	5	4	-	126
SpareBank 1 Regnskapshuset SMN	19,992	211	94.7	592	172	420	48	533	446	86	10	276
SpareBank 1 Invest	457,280	914,560	0.5	538	38	500	-	4	- 2	6	-	540
SpareBank 1 Bygget Steinkjer	1,000	100	10.0	38	2	36	-	4	3	1	-	40
St. Olavs Plass	1,000	100,000	0.1	56	3	53	-	6	5	2	-	50
SpareBank 1 Bilplan	5,769	41,206	0.1	9	0	9	-	0	1	- 0	-	9
SpareBank 1 Markets	529,221	2,113,736	0.2	3,265	2,395	870	290	830	676	154	51	456
Total investments in other subsidiaries												**1,652**
Total investments in Group companies, Parent Bank												**2,317**

*) Non-controlling interests

2019 (NOK million)	Company's share capital (NOK 000's)	No. Of shares	Nominal value (NOK 000's)	Assets	Liabilities	Equity	NCI of equity*)	Total income	Total expenses	Profit or loss	NCI of profit or loss *)	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
St. Olavs Plass	10,000	100,000	0.1	80	26	54	-	7	5	3	-	50
SpareBank 1 Bilplan	5,769	41,206	0.1	5	1	4	-	4	2	1	-	4
SpareBank 1 Markets	529,221	3,168,991	0.2	3,669	2,950	718	239	626	583	43	14	456
SpareBank 1 SMN Spire Finans	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**

*) 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	
31 Dec 2019	**31 Dec 2020**	**(NOK million)**	**31 Dec 2020**	**31 Dec 2019**
4,309	4,526	As at 1 January	6,468	6,098
221	423	Acquisition/sale	430	210
-	-15	Write-down	-12	-
-	-	Equity capital changes	30	-15
-	-	Profit share	681	879
-	-	Dividend paid	-272	-704
4,526	**4,933**	**Book value as at 31 December**	**7,324**	**6,468**

Specification of year's change, Group	Additions/disposal	Equtiy change
SpareBank 1 Gruppen	195	21
SpareBank 1 Boligkreditt	230	16
SpareBank 1 Næringskreditt	1	-
SpareBank 1 Kredittkort	2	-8
Sparebank 1 Betaling	2	-
BN Bank	-	5
Other companies	-0	-4
Sum	**430**	**30**

Profit share from associates and joint ventures is specified in the table below. Badwill and amortisation effects related to acquisitions are included in the profit share.

Dividends from investments in associates and joint ventures

(NOK million)	2020	2019
SpareBank 1 Gruppen	195	663
SpareBank 1 Boligkreditt	19	-
BN Bank	37	-
SpareBank 1 Næringskreditt	21	15
SpareBank 1 Kredittkort	-	25
Total income from associates and joint ventures	**272**	**703**

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.

2020 (NOK million)	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12	No. of shares
SpareBank 1 Gruppen	108,461	93,894	24,580	23,176	534*)	2,164	420,498
SpareBank 1 Boligkreditt	271,286	258,919	260	92	18	2,564	17,431,133
SpareBank 1 Næringskreditt	12,000	9,911	92	30	18	648	2,496,504
SpareBank 1 Kredittkort	5,831	4,839	438	473	2	173	504,277
Sparebank 1 Betaling	772	3	-	8,550	-2	165	4,012,753
BN Bank	35,767	31,219	768	441	120	1,514	4,943,072
Other companies					-11	96	
Total					**681**	**7,324**	

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

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*)	1,609	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	-	58	3	166	3,980,651
BN Bank	31,917	27,620	768	441	107	1,425	4,943,072
Other companies					-2	123	
Sum					**879**	**6,468**	

Companies held for sale

SpareBank 1 SMN's strategy is that ownership duse 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.

2020 (NOK million)	Assets	Liabilities	Total income	Total costs	Company's result of the year	No. of shares
Mavi XV AS konsern	41	1	4	4	1	100%

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%

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 2020 acquired Skjåk Regnskap AS, Orion Regnskap AS and Orkla Økonomi AS. The companies will be merged and fully integrated into SpareBank 1 Regnskapshuset SMN AS in 2021. Reinheim Regnskap AS and Viken Regnskap AS has been integrated into SpareBank 1 Regnskapshuset SMN AS in 2020.

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.

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 partied of the Bank.

	Subsidiaries		**Other related companies**	
Loans (NOK million)	**2020**	**2019**	**2020**	**2019**
Outstanding loans as at 1 January	7,850	6,833	4,581	4,583
Loans issued in the period	619	1,617	5	1
Repayments	0	600	3	3
Outstanding loans as at 31 December	**8,468**	**7,850**	**4,582**	**4,581**
Interest rate income	147	140	6	139
Bonds and subordinated loans as at 31 December	157	159	1,509	623
Deposits (NOK million)				
Deposits as at 1 January	1,547	1,292	961	1,388
Contribution received during the period	46,949	45,304	290,229	55,805
Withdrawals	47,032	45,047	289,255	56,242
Deposits as at 31 December	**1,464**	**1,549**	**1,934**	**951**
Interest rate expenses	14	27	8	13
Securities trading	8	348	-	108
Commission income SpareBank 1 Boligkreditt	-	-	408	348
Commission income SpareBank 1 Næringskreditt	-	-	13	16
Issued guarantees and amount guaranteed	110	111	20	20

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 a 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 investmens 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 2020 there was 12 379 ECC holders (10 267 as at 31 December 2019).

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
VPF Nordea Norge	4,292,153	3.31 %
State Street Bank and Trust Comp	4,277,667	3.29 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,342,919	2.57 %
Danske Invest Norske aksjer institusjon II.	2,951,830	2.27 %
VPF Alfred Berg Gambak	2,623,661	2.02 %
VPF Pareto aksje Norge	2,525,369	1.95 %
J. P. Morgan Chase Bank, N.A., London	2,041,745	1.57 %
State Street Bank and Trust Comp	2,009,667	1.55 %
VPF Eika egenkapitalbevis	1,948,461	1.50 %
Forsvarets personellservice	1,906,246	1.47 %
Pareto Invest AS	1,821,106	1.40 %
VPF Nordea Kapital	1,390,601	1.07 %
MP Pensjon PK	1,352,771	1.04 %
Citibank N.A	1,340,632	1.03 %
Danske Invest Norske aksjer institusjon I	1,295,275	1.00 %
VPF Nordea Avkastning	1,249,111	0.96 %
VPF Alfred Berg Norge	1,205,659	0.93 %
Morgan Stanley & Co. International	1,031,733	0.79 %
Landkreditt utbytte	1,000,000	0.77 %
The 20 largest ECC holders in total	**43,571,997**	**33.56 %**
Others	86,264,446	66.44 %
Total issued ECCs	**129,836,443**	**100 %**

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

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

2) Equity capital certificate ratio (parent bank)

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

Note 44 - Dividends from subsidiaries

Dividends (NOK million)	2020	2019
SpareBank 1 Finans Midt-Norge AS	65	68
EiendomsMegler 1 Midt-Norge AS	-	12
SpareBank 1 Regnskapshuset SMN AS	74	44
SpareBank 1 SMN Invest AS	70	31
SpareBank 1 SMN Kvartalet AS	7	5
St. Olavs Plass 1 SMN AS	3	1
Sparebank 1 Bygget Steinkjer AS	1	1
Total dividends	**220**	**162**

Note 45 - Events after the balance sheet date

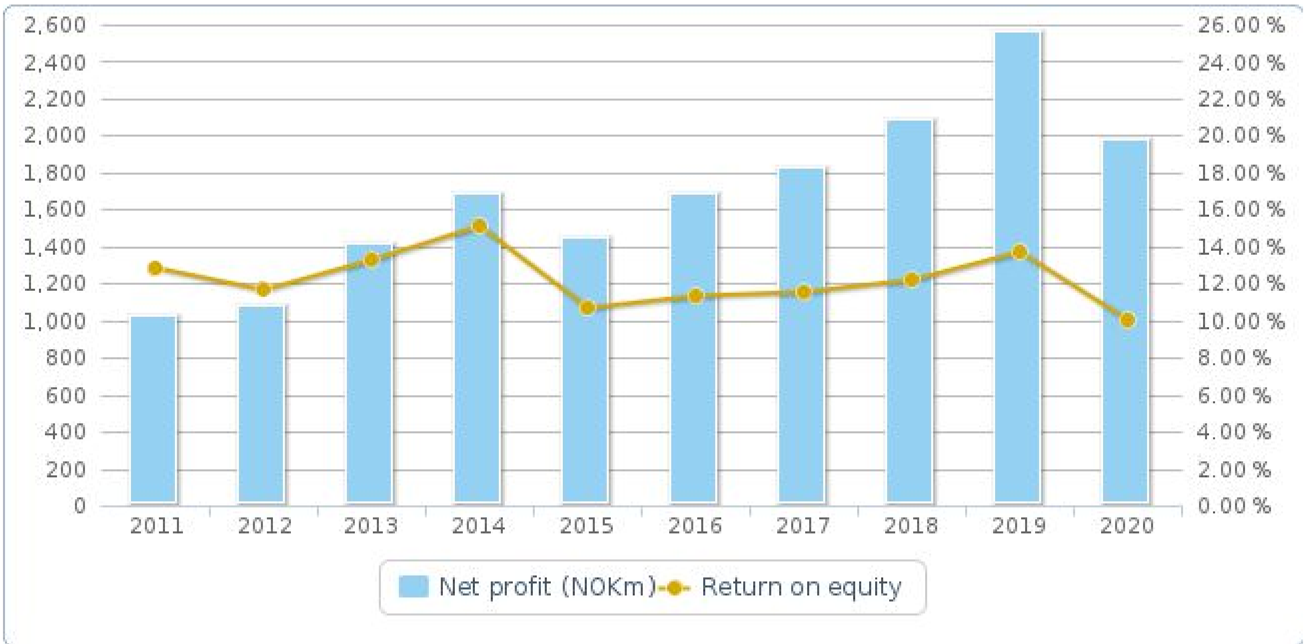
The SpareBank 1 banks have initiated a process to establish SpareBank 1 Forvaltning. The company will include the subsidiaries ODIN Forvaltning, SpareBank 1 Kapitalforvaltning and SpareBank 1 Verdipapirservice. As SpareBank 1 Kapitalforvaltning is a wholly owned subsidiary of SpareBank 1 Markets, the company will leave the group upon establishment. This establishment is conditional on regulatory approval and that an agreement is reached on a shareholder agreement. The company is therefore not classified as held for sale in the accounts for 2020.

Financial summary (Group)

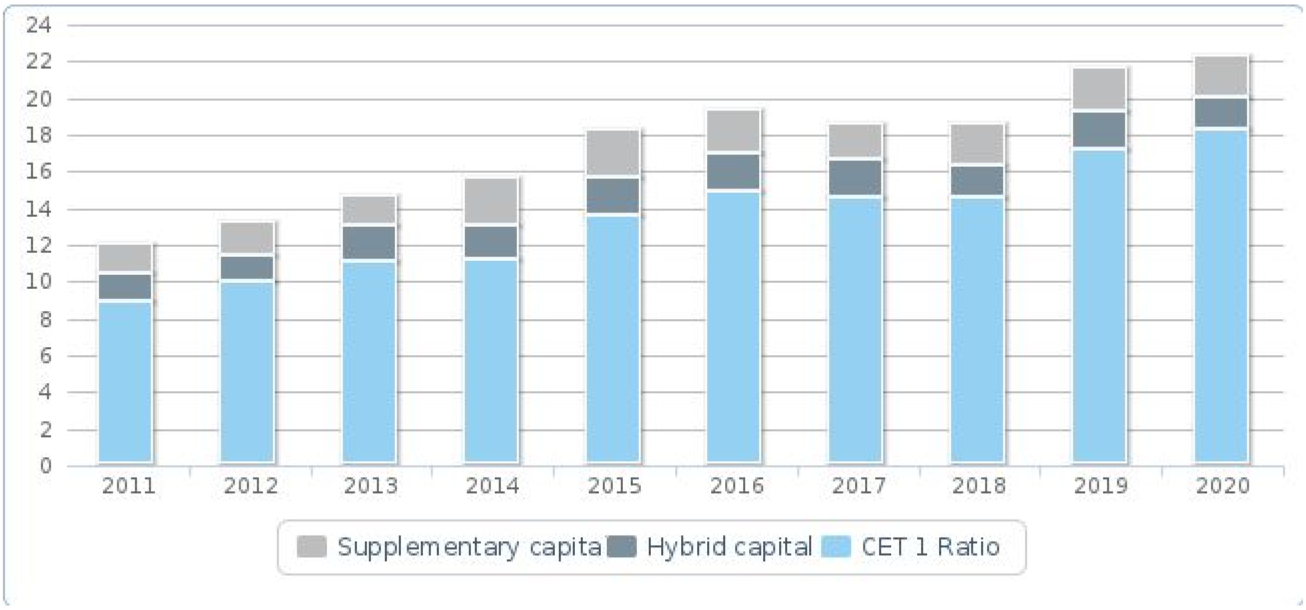
Income statement NOKm	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Interest income	4,197	4,626	4,057	3,825	3 597	4 031	4 265	4 118	3 928	3 891
Interest expenses	1,439	1,939	1,655	1,600	1 714	2 159	2 475	2 502	2 451	2 499
Net interest and credit comissionincome	**2,759**	**2,687**	**2,403**	**2,225**	**1 883**	**1 872**	**1 790**	**1 616**	**1 477**	**1 392**
Commision and fee income	2,572	2,290	2,177	2,005	1 674	1 545	1 512	1 463	1 139	919
Income from investment in relatedcompanies	681	879	423	443	423	448	527	355	244	248
Return on financial investements	269	322	334	317	521	11	193	147	207	186
Total income	**6,281**	**6,178**	**5,337**	**4,989**	**4 502**	**3 876**	**4 021**	**3 580**	**3 067**	**2 746**
Salaries, fees and otherpersonnel costs	1,883	1,699	1,584	1,426	1 159	1 093	1 002	914	924	810
Other operating expenses	1,069	1,098	1,040	943	844	838	787	807	730	672
Total costs	**2,952**	**2,797**	**2,624**	**2,369**	**2 003**	**1 931**	**1 789**	**1 722**	**1 654**	**1 482**
Operating profit before losses	**3,329**	**3,380**	**2,713**	**2,621**	**2 499**	**1 945**	**2 232**	**1 859**	**1 413**	**1 264**
Losses on loans and guarantees	951	299	263	341	516	169	89	101	58	27
Operating profit	**2,378**	**3,081**	**2,450**	**2,279**	**1 983**	**1 776**	**2 143**	**1 758**	**1 355**	**1 236**
Taxes	400	518	509	450	341	370	362	388	295	255
Held for sale	1	0	149	-1	4	- 1	0	30	16	43
Profit of the year	**1,978**	**2,563**	**2,090**	**1,828**	**1 647**	**1 406**	**1 782**	**1 400**	**1 077**	**1 024**
Dividend	**569**	**840**	**661**	**571**	**389**	**292**	**292**	**227**	**195**	**190**
Balance sheet NOKm										
Cash and loans to and claims on credit institutions	7,856	2,871	5,957	7,527	4,207	5,677	5,965	5,984	4,091	4,075
CDs, bonds and other interest-bearing securities	43,522	35,508	32,438	31,672	29,489	30,282	27,891	26,358	25,614	21,485
Loans before loss provisions	134,648	126,277	120,473	112,071	102,325	93,974	90,578	80,548	74,943	73,105
- Loan loss impairments/ Specified Loan loss provisions	1,517	998	744	765	632	183	172	173	144	172
- Unspecified loan loss provisions	-	-	-	347	339	376	295	295	295	290
Other assets	3,403	3,004	2,581	3,096	3,030	2,540	2,080	2,938	3,766	3,251
Total assets	**187,912**	**166,662**	**160,705**	**153,254**	**138,080**	**131,914**	**126,047**	**115,360**	**107,975**	**101,455**
Debt to credit institutions	13,095	8,853	9,214	9,607	10,509	8,155	9,123	6,581	7,410	9,118
Deposits from and debt to customers	97,529	85,917	80,615	76,476	67,168	64,090	60,680	55,927	52,252	47,871
Debt created by issuance of securities	51,098	46,541	47,251	45,537	40,390	40,569	39,254	36,806	33,121	31,306
Other debt and accrued expences etc.	3,085	2,841	2,671	1,924	1,532	1,734	1,095	1,485	2,070	2,122
Subordinated debt	1,795	2,090	2,268	2,201	3,182	3,463	3,371	3,319	3,040	2,690
Total equity	21,310	20,420	18,686	17,510	15,299	13,904	12,524	11,242	10,082	8,348
Total liabilities and equity	**187,912**	**166,662**	**160,705**	**153,254**	**138,080**	**131,914**	**126,047**	**115,360**	**107,975**	**101,455**
Key figures										
Total assets	187,912	166,662	160,704	153,254	138,080	131,914	126,047	115,360	107,919	101,455
Average total assets	183,428	165,154	156,992	145,948	137,060	128,355	117,794	111,843	105,500	98,465
Gross loans to customers	134,648	126,277	120,473	112,071	102,325	93,974	90,578	80,548	74,943	73,105
Gross loans to customers incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	182,801	167,777	160,317	148,784	137,535	127,378	120,435	112,283	104,925	95,232
Gross loans in retail market	124,461	115,036	108,131	98,697	89,402	80,725	74,087	68,591	62,587	55,034
Gross loans in corporate market	58,340	52,740	52,186	50,087	48,133	46,653	46,348	43,692	42,322	40,198
Deposits from and debt to customers	97,529	85,917	80,615	76,476	67,168	64,090	60,680	55,927	52,252	47,871
Deposits from retail market	40,600	35,664	33,055	31,797	29,769	28,336	26,496	23,891	22,279	20,860
Deposits from corporate market	56,928	50,253	47,561	44,678	37,398	35,754	34,184	32,036	29,973	27,011
Ordinary lending financed by ordinary deposits	72 %	68 %	67 %	68 %	66 %	68 %	67 %	69 %	70 %	65 %
Ordinary lending incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt financed by ordinary	53 %	51 %	50 %	51 %	49 %	50 %	50 %	50 %	50 %	50 %

deposits										
Capital adequacy										
CET1 Capital	17,041	15,830	14,727	13,820	13,229	12,192	10,679	9,374	8,254	6,687
Core capital	18,636	17,742	16,472	15,707	15,069	13,988	12,382	10,989	9,357	7,856
Primary capital	20,759	19,854	18,743	17,629	17,185	16,378	14,937	12,417	10,943	9,055
Risk weighted volume	93,096	91,956	101,168	94,807	88,788	89,465	95,317	84,591	82,446	75,337
CET 1 Ratio	18.3 %	17.2 %	14.6 %	14.6 %	14.9 %	13.6 %	11.2 %	11.1 %	10,0 %	8.9 %
Core capital ratio	20.0 %	19.3 %	16.3 %	16.6 %	16.9 %	15.6 %	12.9 %	12.9 %	11.4 %	10.4 %
Capital ratio	22.3 %	21.6 %	18.5 %	18.6 %	19.4 %	18.3 %	15.7 %	14.7 %	13.4 %	12.0 %
Leverage ratio	7.1 %	7.5 %	7.4 %	7.2 %	7.4 %	6.7 %	6.0 %			
Cost/income ratio	47 %	45 %	49 %	47 %	44 %	50 %	44 %	48 %	54 %	53 %
Losses on loans	0.54 %	0.18 %	0.17 %	0.23 %	0.39 %	0.14 %	0.08 %	0.09 %	0.06 %	0.03 %
ROE	10.0 %	13.7 %	12.2 %	11.5 %	11.3 %	10,7 %	15.1 %	13.3 %	11.7 %	12.8 %
Growth in lending (gross)	9.0 %	4.7 %	7.8 %	8.2 %	8.0 %	5.8 %	7.3 %	7.0 %	10.2 %	8.6 %
Growth in deposits	13.5 %	6.6 %	5.4 %	13.9 %	4.8 %	5.6 %	8.5 %	70 %	9.2 %	11.9 %
Number of staff	1 588	1 588	1 588	1 482	1 328	1 298	1 273	1 238	1 216	1 153
Number of FTEs	1 560	1 509	1 493	1 403	1 254	1 208	1 192	1 159	1 135	1 109
Number of branches	45	46	48	48	48	49	49	50	51	54

Net profit and return on equity

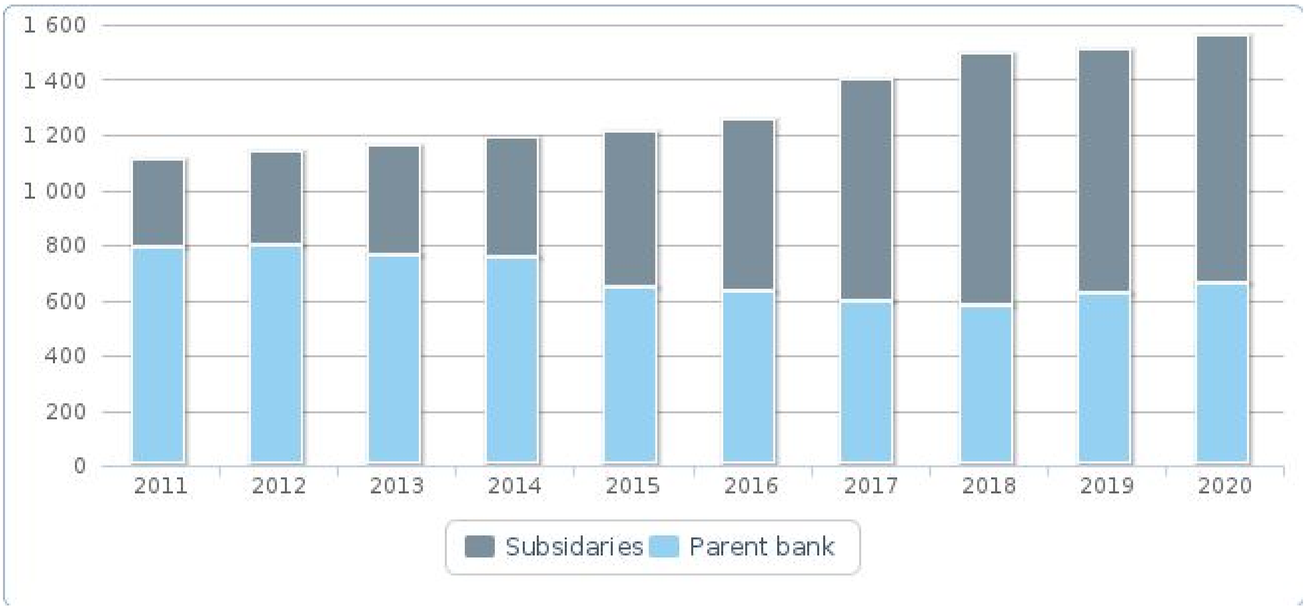


Capital ratio

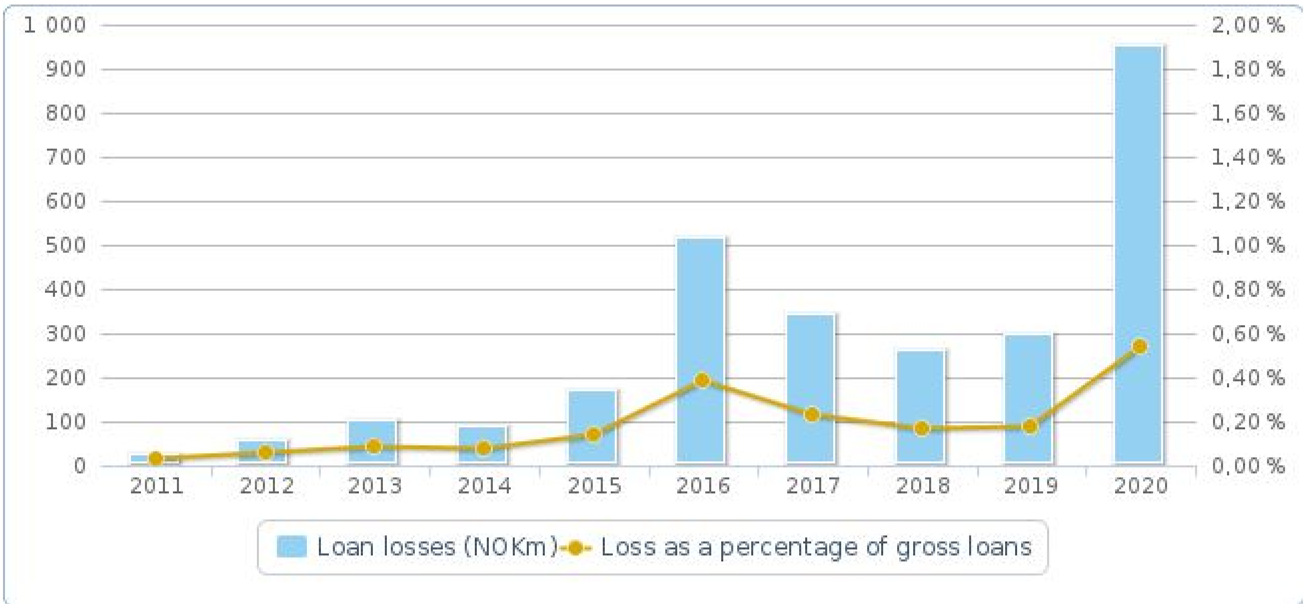


Loans and deposits (NOKbn)

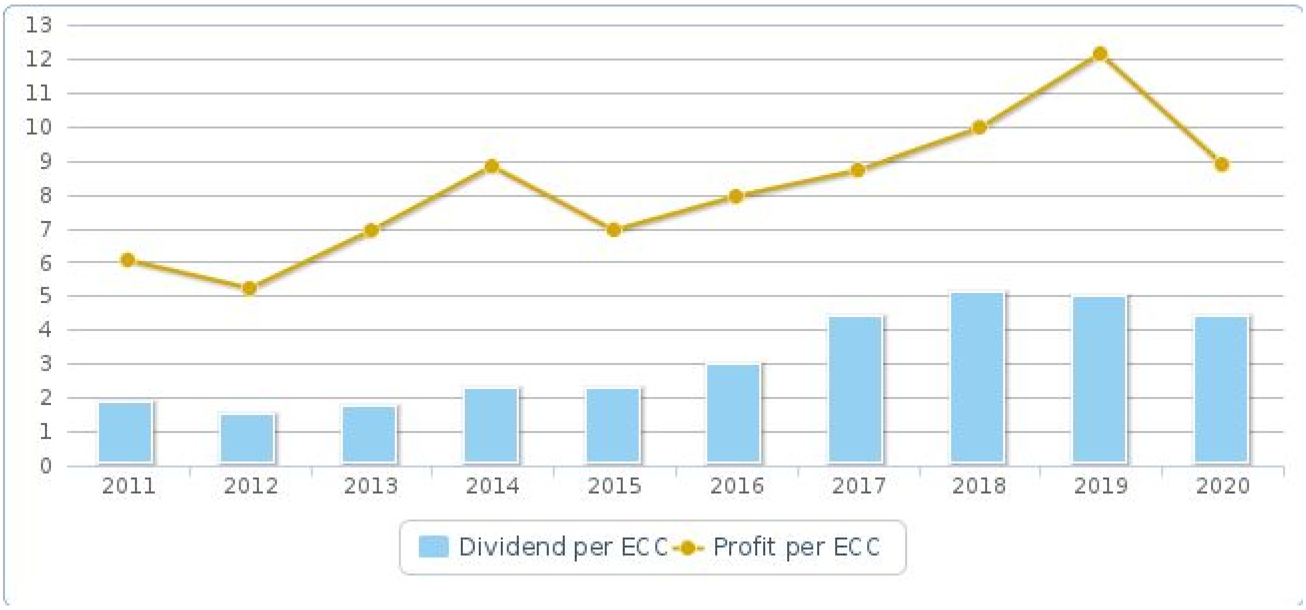
FTEs



Loan losses



Dividend and profit per ECC (NOK)



Statement in compliance with the securities trading act, section 5-5

Statement by the Board of Directors and the Group CEO

We hereby declare that to the best of our knowledge

- the financial statements for 2020 for the Parent Bank and the Group have been prepared in conformity with IFRS as determined by the EU, with such additional information as required by the Accounting Act.
- the accounting information gives a true and fair view of the assets, liabilities, financial position and profit/loss of the Parent Bank and the Group taken as a whole, and that
- the Directors' report gives a fair review of developments, profit/loss and position of the Parent Bank and the Group, together with a description of the principal risks and uncertainties facing the Group

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

Kjell Bjordal (chair)	Bård Benum (deputy chair)	Christian Stav
Mette Kamsvåg	Tonje Eskeland Foss	Morten Loktu
Janne T. Thomsen	Christina Straub (employee rep.)	Inge Lindseth (employee rep.)
		Jan-Frode Janson (Group CEO)

Auditor's report

To the Supervisory Board of SpareBank 1 SMN

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SpareBank 1 SMN, which comprise:

- The financial statements of the parent company SpareBank 1 SMN (the Company), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of SpareBank 1 SMN and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key audit matters for our audit of the 2020 financial statements. *Value of loans to customers* carry the same characteristics and risks this year and remain a focus area also in our audit for 2020.

Key Audit Matter	How our audit addressed the Key Audit Matter
The value of loans to customers Loans to customers represent a considerable part of the company's total assets. The assessment of loan loss provisions is a model-based framework which includes assessments with elements of management judgment. The framework, is complex, includes considerable volumes of data and judgmental parameters. We focused on this area due to the significance of the impairment considerations for the value of loans in the financial statements, and the fact that the use of judgement has a potential to affect the profit for the period. Furthermore, there is an inherent risk of errors because of the complexity and quantity of data involved in the modelling. The use of models to determine expected credit losses entails judgement, specifically with respect to: • classification of the various credit portfolios by risk and asset type; • identification of impaired loans or loans presenting a significant increase in credit risk; • the categorization of loans into stages; and	In our audit of expected loss allowance, we evaluated and tested the design and effectiveness of controls for quality assurance relating to the applied assumptions and models used in the calculations. Furthermore, we tested the input used in the model-based calculation of allowances as well as the individually calculated allowances. For loans considered on a collective basis the calculation is based on a framework model. We tested the model and considered the relevance and the reasonableness of important assumptions used in the calculation. We obtained a detailed understanding of the process and tested relevant controls directed at ensuring: • Calculations and the applied method; • That the applied model is designed according to the framework, and working as planned; • The reliability and accuracy of the data used in the model. Our controls testing gave no indication of material misstatements in the model, or deviations from IFRS 9. Our work included tests of the company's financial reporting systems relevant to financial reporting. The company uses external service providers to operate some of the important IT systems. The auditor at the relevant service organization are used to evaluate the design and efficiency of the established control systems, and tests the controls designed to ensure the

Independent Auditor's Report - SpareBank 1 SMN

- the parameters such as the probability of default and loss given default and loss scenarios.

In the case of loans where there is objective evidence of impairment, an individual allowance for credit loss is recognized. For the offshore portfolio, separate assessments are made with regard to probability of default under various scenarios and associated realization values. The assessments require management to use judgement.

Please refer to note 2, 3, 6 and 10 in the annual report for a description of the company's impairment model and how the company estimates their expected credit losses using IFRS 9.

integrity of the IT system that are relevant to financial reporting. The auditor issued a report that included testing of whether central calculations performed by core systems was performed according to expectations, hereunder interest calculations and mortifications. The testing included the integrity of data, changes of and access to the systems.

To assess whether we could rely on the work performed by other auditors, we satisfied ourselves regarding the auditors' competence, capacity and objectivity and examined the reports received and assessed potential weaknesses and remediation initiatives. Our assessments showed that we could rely on the data handled and calculations performed within the IT systems that are relevant to financial reporting.

For loans with objective evidence of impairment and where the impairment amounts were individually calculated, we tested a sample by assessing the estimated future cash flows used by management to substantiate the impairment calculation. We challenged management's assumptions by interviewing key credit personnel and management both to assess the information received from customers and to assess how the reliability of the information were evaluated. We compared the assumptions made by management to external documentation when available.

We obtained a detailed understanding of the scenario modelling for the offshore portfolio and the calculation methodology used. It is explained in the annual report that the increase in other doubtful loans mainly is due to a few loans within the offshore portfolio. We assessed the assumptions for loss provisions under the different scenarios and challenged management and credit personnel about these. We made our own sensitivity analyses. Further, we tested important factors in the model, such as rates and utilization, towards external sources.

In addition, we tested the appropriateness of the classification within the model and evaluated the reasonableness of the total allowance for credit losses. The result of the testing showed that management's assumptions in the calculation of impairment amounts were reasonable.

We have read the notes and found that the information provided was sufficient.

Independent Auditor's Report - SpareBank 1 SMN

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report - SpareBank 1 SMN

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 4 March 2021
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

(This document is signed electronically)

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

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