

First Quarter Report 2020



Contents

Main figures	3
Report of the Board of Directors	5
Income statement	20
Balance sheet	22
Cash flow statement	23
Change in equity	24
Notes	27
Results from quarterly accounts	54
Key figures from quarterly accounts	55
Equity capital certificates	56
Auditor's report	58

Main figures

Main figures

	Jan-March					
	2020		2019		2019	
	NOKm	% ¹⁾	NOKm	% ¹⁾	NOKm	% ¹⁾
From the income statement						
Net interest	710	1,61	649	1,59	2.687	1,63
Net commission income and other income	570	1,30	551	1,36	2.290	1,39
Net return on financial investments	101	0,23	727	1,79	1.201	0,73
Total income	1.381	3,14	1.926	4,74	6.178	3,74
Total operating expenses	716	1,63	704	1,73	2.797	1,69
Results before losses	665	1,51	1.223	3,01	3.380	2,05
Loss on loans, guarantees etc	308	0,70	67	0,17	299	0,18
Results before tax	357	0,81	1.155	2,84	3.081	1,87
Tax charge	67	0,15	109	0,27	518	0,31
Result investment held for sale, after tax	0	0,00	0	0,00	0	0,00
Net profit	290	0,66	1.046	2,57	2.563	1,55
Interest Tier 1 Capital	24		19		49	
Net profit excl. Interest Tier 1 Capital	266		1.027		2.514	
	31 March		31 March		31 Dec	
	2020		2019		2019	
Key figures						
Profitability						
Return on equity ²⁾	5,7 %		23,3 %		13,7 %	
Cost-income ratio ²⁾	52 %		37 %		45 %	
Balance sheet figures						
Gross loans to customers	127.272		120.100		126.277	
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	170.771		161.091		167.777	
Deposits from customers	88.152		81.111		85.917	
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	69 %		68 %		68 %	
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt ²⁾	52 %		50 %		51 %	
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt) ²⁾	6,0 %		6,6 %		4,7 %	
Growth in deposits last 12 months	8,7 %		6,8 %		6,6 %	
Average total assets	175.922		162.673		165.154	
Total assets	185.182		164.641		166.662	
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt						
Impairment losses ratio ²⁾	0,73 %		0,17 %		0,18 %	
Non-performing commitm. as a percentage of gross loans ²⁾	0,38 %		0,18 %		0,26 %	
Other doubtful commitm. as a percentage of gross loans ²⁾	1,23 %		0,99 %		1,00 %	
Solidity ³⁾						
Capital ratio	20,1 %		18,6 %		21,6 %	
Tier 1 capital ratio	18,0 %		16,4 %		19,3 %	
Common equity Tier 1 capital ratio	16,3 %		14,8 %		17,2 %	
Tier 1 capital	17.792		16.775		17.742	
Total eligible capital	19.879		19.115		19.854	
Liquidity Coverage Ratio (LCR)	185 %		180 %		148 %	
Leverage Ratio	6,9 %		7,4 %		7,5 %	
Branches and staff						
Number of branches	46		48		46	
No. Of full-time positions	1.553		1.524		1.509	

1) Calculated as a percentage of average total assets

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

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

Key figures ECC	31 March 2020	31 March 2019	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
ECC ratio	64,0 %	64,0 %	64,0 %	64,0 %	64,0 %	64,0 %
Number of certificates issued, millions ²⁾	129,22	129,41	129,30	129,62	129,38	129,64
ECC share price at end of period (NOK)	67,60	87,40	100,20	84,20	82,25	64,75
Stock value (NOKM)	8.735	11.310	12.956	10.914	10.679	8.407
Booked equity capital per ECC (including dividend) ²⁾	86,85	83,86	90,75	83,87	78,81	73,35
Profit per ECC, majority ²⁾	1,26	5,02	12,14	9,97	8,71	7,93
Dividend per ECC			6,50	5,10	4,40	3,00
Price-Earnings Ratio ²⁾	13,46	4,35	8,26	8,44	9,44	8,17
Price-Book Value Ratio ²⁾	0,78	1,04	1,10	1,00	1,04	0,88

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

Report of the Board of Directors

First quarter accounts 2020

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

- Operating profit before losses and return on financial assets: NOK 564m (496m)
- Pre-tax profit: NOK 357m (1,155m)
- Post-tax profit: NOK 290m (1,046m)
- Return on equity: 5.7% (23.3%)
- CET1 ratio: 16.3% (14.8%)
- Growth in lending: 6.0% (6.6%) and in deposits: 8.7% (6.8%)
- Lending to retail borrowers accounts for 69% (68%) of total lending
- Losses on loans and guarantees: NOK 308m (67m)
- Gain of NOK 340m on sales of personal risk products to Fremtind Forsikring (460m)
- Negative return on financial investments after increase in credit spreads in the liquidity portfolio of NOK 124m (plus 169m)
- Share of loss recorded by SpareBank 1 Gruppen: NOK 115m (gain of NOK 169m)
- Earnings per EC: NOK 1.26 (5.02). Book value per EC: NOK 86.85 (83.86)

SpareBank 1 SMN maintains a sound liquidity position and is well capitalised. The group has a strong foundation in the shape of a broad and well-diversified earnings platform. Core business excluding loan losses delivered good results in the first quarter with a strong revenue performance and moderate cost growth. The overall result nonetheless reflects the times of crisis by increased loan losses, losses on securities and losses recorded by SpareBank 1 Gruppen.

Events in the quarter

Corona crisis and oil price fall

The crisis has triggered a broad-based international economic crisis accompanied by increased unemployment and a dramatic fall in demand despite highly expansionary monetary policies in the majority of countries. After the national lockdown, imposed on 12 March, the Norwegian economy has also been hard hit, even though Norway has a more robust economy than most countries. Oil prices have fallen heavily. SpareBank 1 SMN has low exposure to sectors that are directly affected by the oil price fall. The Norwegian krone has depreciated markedly in the first quarter. Norges Bank (Norway's central bank) has lowered its key policy rate to 0.25 per cent since 12 March. A number of industries have experienced a wave of layoffs, and as at 21 April 15 per cent of the labour force were registered as jobseekers and 10 per cent were registered as totally unemployed. In response to the crisis the Norwegian government has initiated a raft of measures to assist businesses and private individuals.

SpareBank 1 SMN is the region's leading finance house and shoulders its responsibility in a highly demanding situation. A number of measures have been taken to accommodate the needs of businesses and private individuals. The group offers among other things mortgage holidays to businesses and private individuals, and advances of unemployment benefit to private individuals. The group also provides advice on

support arrangements and relevant measures to personal customers, businesses and public authorities. SpareBank 1 SMN has been allocated government-guaranteed loans worth NOK 1.5bn for mediation to corporate clients in the region.

Through the group's social dividend model, NOK 364m of the net profit has been directed to the social capital. Of this sum, NOK 200m is being distributed as the community's share of the dividend. NOK 100m is earmarked to help voluntary bodies, clubs and associations in the region through the crisis.

The group's ambitions and strategies stand firm. SMN intends to remain among the best performing banks in the Nordic region.

Changed distribution for 2019

In light of the economic outlook, the board of directors of SpareBank 1 SMN has decided to change the distribution of profit for 2019 and is lowering the payout ratio from 53.5 per cent to 41.2 per cent. The new dividend is NOK 5.00 per equity certificate, down from NOK 6.50 in the annual accounts for 2019.

The allocation to social capital is correspondingly reduced from NOK 474m to NOK 364m, while the share going to payment of social dividend is maintained at NOK 200m.

SpareBank 1 SMN is indisputably solid. The change in the distribution of profit reflects a sound balance between the need for stability and predictability for the bank's shareholders and investors, and the corporate social responsibility the group has towards its customers and the region's local communities.

Solid banking operations, but negative effect of the corona crisis

The pre-tax profit for the first quarter of 2020 was NOK 357m (1,155m). The post-tax profit was NOK 290m (1,046m) and return on equity was 5.7 per cent (23.3 per cent). The profit includes a gain of NOK 340m on the transfer of personal risk products from SpareBank 1 Forsikring to Fremtind Livsforsikring as of 1 January 2020. In the first quarter of 2019 a gain of NOK 460m was included in connection with the establishment of Fremtind Forsikring.

Overall operating revenues in the first quarter of 2020 came to NOK 1,280m (1,200m). This represents an increase of NOK 80m over the previous year. Banking operations account for the majority of the increase.

Return on financial assets was NOK 101m (727m). Of this figure, the profit share of owner interests and related companies was NOK 217m (555m), including a gain of NOK 340m on the transfer of personal risk products from SpareBank 1 Forsikring to Fremtind Livsforsikring (460m). The result excluding this gain is an overall loss of NOK 123m at related companies and a loss of NOK 124m on securities trading.

Operating expenses totalled NOK 716m (704m) in the first quarter of 2020.

Losses on loans and guarantees came to NOK 308m (67m). NOK 143m refers to write-downs on a single exposure reflecting a worsened situation due to the crisis. Write-downs in stage 1 and 2 have increased by NOK 102m, of which NOK 80m refers to changed assumptions in the loss model regarding the economy.

Lending and deposits have shown good growth. Overall lending rose by 6.0 per cent (6.6 per cent) and deposits by 8.7 per cent (6.8 per cent) in the last 12 months.

As at 31 March 2020 the CET1 ratio was 16.3 per cent (14.8 per cent). The target CET1 ratio is 15.4 per cent.

Earnings per EC were NOK 1.26 (5.02). The book value per EC was NOK 86.85 (83.86) per EC.

The price of the bank's equity certificate (MING) at quarter-end was NOK 67.60 (87.40). A cash dividend of NOK 5.0 (5.10) per EC has been paid in 2020 for the year 2019.

Increased net interest income

Net interest income rose by NOK 61m to NOK 710m (649 m) in the first quarter of 2020. The increase over the first quarter of 2019 is in all essentials due to an increased lending volume, and to higher market interest rates which have yielded improved return on the bank's equity.

Three-month NIBOR was about 35 points higher in the first quarter of 2020 than in the first quarter of 2019. The bank made interest rate hikes over the course of 2019 to compensate for rising market rates. As a result of the interest rate changes, lending margins fell and deposit margins rose in 2019.

Since 13 March 2020 Norges Bank has reduced its key rate from 1.50 to 0.25. SpareBank 1 SMN lowered its mortgage lending rate by up to 0.85 points with effect from 5 April 2020.

A reduction in the interest rate level produces lower return on the group's equity and lower net interest earnings.

Increased other income

Commission income and other operating income rose by NOK 19m to NOK 570m (551m) in 2020.

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 91m (87m) in the first quarter of 2020.

An increase of NOK 15m in other commission income is mainly down to customer growth at SpareBank 1 SMN Regnskapshuset and increased incomes from payment services.

Maintaining a broad product range is an important strategy for the bank. It ensures good commission income and a high proportion of multi-product customers. A high proportion of multi-product customers signifies high customer satisfaction and provides the bank with a higher and more diversified income flow.

Commission income (NOKm)	Jan-March		Change
	2020	2019	
Payment transfers	59	50	9
Creditcard	16	15	1
Saving products	22	24	-2
Insurance	47	44	3
Guarantee commission	13	13	0
Real estate agency	83	84	-1
Accountancy services	148	131	17
Markets	81	87	-7
Other commissions	10	15	-5
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	479	464	15
Commissions SB1 Boligkreditt	88	83	5
Commissions SB1 Næringskreditt	4	4	0
Total commissions	570	551	19

Return on financial investments

Overall return on financial investments in the first quarter was minus NOK 124m (plus 169m). This breaks down as follows:

- Losses on shares totalled NOK 42m (gain of NOK 84m)
- Wider credit margins on the liquidity portfolio brought a considerable loss in the first quarter, with net losses totalling NOK 104m (gain of NOK 51m)
- 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 57m (gain of 10m)
- Income of NOK 65m (9m) 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 14m (15m)

Return on financial investments (NOKm)	Jan-March		
	2020	2019	Change
Gain/(loss) on certificates and bonds	-42	84	-126
Gain/(loss) on derivatives	50	32	18
Gain/(loss) on financial instruments related to hedging	-148	23	-171
Capital gains shares	-6	-4	-2
Gain/(loss) on other financial instruments at fair value (FVO)	-57	10	-67
Foreign exchange gain/(loss)	65	9	55
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	14	15	-1
Net return on financial instruments	-124	169	-293

Product companies and other related companies

The product companies give the banks access to a broader product range and hence commission income, as well as return on invested capital. The overall result of the product companies and other related companies was a loss of NOK 123m (gain of 95m) in the first quarter of 2020. In addition SpareBank 1 SMN recorded a gain of NOK 340m on the transfer of personal risk products from SpareBank 1 Forsikring to Fremtind Livsforsikring as at 1 January 2020. In the first quarter of 2019 a gain of NOK 460m was recorded on the establishment of Fremtind Forsikring.

Income from investment in associated companies	Jan-March		
	2020	2019	Change
SpareBank 1 Gruppen	-115	38	-153
Gain Fremtind	340	460	-120
SpareBank 1 Boligkreditt	-31	14	-45
SpareBank 1 Næringskreditt	2	8	-6
SpareBank 1 Kredittkort	0	3	-3
BN Bank	23	24	-1
SpareBank 1 Betaling	-2	12	-14
Other companies	0	-4	4
Income from investment in associated companies	217	555	-338

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 and SpareBank 1 Gruppen Finans. SpareBank 1 Gruppen owns 65 per cent of the non-life insurer Fremtind which was established on 1 January 2019. DNB owns the remainder of the company.

SpareBank 1 Gruppen's post-tax profit in the first quarter of 2020 was minus NOK 780m (gain of 240m). The corona crisis has strongly impacted financial results with substantial technical provisioning, high costs and negative financial return across all asset classes, along with write-downs on property portfolios.

SpareBank 1 SMN's share of the profit for the first quarter of 2019 was minus NOK 115m (gain of 38m).

SpareBank 1 Boligkreditt

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

As at 31 March 2020 the bank had sold loans totalling NOK 42.0bn (39.2bn) to SpareBank 1 Boligkreditt, corresponding to 35.9 per cent (36.1 per cent) of the bank's overall lending to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt is 20.9 per cent, and the bank's share of that company's profit in the first quarter of 2020 was minus NOK 31m (gain of 14m). The weak performance is due to losses on the liquidity portfolio.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 31 March 2020, loans worth NOK 1.5bn (1.8bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 31.0 per cent, and the bank's share of the company's profit for the first quarter of 2020 was NOK 2m (8m). The bank's holding reflects the bank's relative share of commercial property loans sold and the bank's stake in BN Bank. Of the loans residing in SpareBank 1 Næringskreditt, 43 per cent have been transferred from BN Bank.

SpareBank 1 Kredittkort

The profit for the first quarter of 2020 was NOK 2.4m (18m). SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 17.3 per cent. SpareBank 1 SMN's share of the profit for the first quarter of 2020 was NOK 0.4m (3m), and the bank's share of the portfolio is NOK 882m (910m).

SpareBank 1 Kredittkort manages the LOfavør credit card programme. This has reinforced the business relationship between the Norwegian Confederation of Trade Unions (LO) and the SpareBank 1 Alliance.

BN Bank

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

BN Bank's result for the first quarter of 2020 was NOK 69m (74m), yielding a return on equity of 6.5 per cent (7.5 per cent). SpareBank 1 SMN's share of BN Bank's profit for the first quarter of 2020 was NOK 23m (24m) adjusted for interest on hybrid capital.

SpareBank 1 Betaling (Vipps)

SpareBank 1 Betaling is the SpareBank 1 banks' parent company for Vipps' payment solutions. Vipps aims to take its place as the Nordic region's leading financial technology company, and for SpareBank 1 SMN a stake in, and close collaboration with, Vipps will be important with a view to retaining customer relationships after the introduction of PSD2 (Revised Payment Services Directive). Vipps launched a number of services in 2019 designed to simplify bank customers' everyday life.

SpareBank 1 Betaling posted a deficit of NOK 11m in the first quarter of 2020, and SpareBank 1 SMN's share of the deficit is NOK 2,3m (gain of 12m).

Operating expenses

Overall group operating expenses in the first quarter of 2020 amounted to NOK 716m (704m), an increase of NOK 12m compared with the same period of 2019, corresponding to 1.8 per cent.

The parent bank's costs rose by NOK 34m to NOK 367m compared with the first quarter of 2019, an increase of 10.2 per cent. The increase is attributable to staff increases in customer facing positions and to resources deployed to meet regulatory requirements.

Overall costs among the subsidiaries were reduced by NOK 21m to NOK 350m (371m) in the last 12 months. The decline in costs is down to the disposal of BN Bank in the fourth quarter of 2019, and to SpareBank 1 Markets' cost reduction due to a lower activity level. SpareBank 1 Regnskapshuset SMN shows increased costs after several business acquisitions in 2019.

The group is not satisfied with the underlying cost trend and has therefore set itself the target of restricting annual cost growth to 2 per cent. A profitability project has been established under the name "One SMN". The project will prioritise synergies between the group's business lines along with digitalisation, process efficiencies and general cost reductions across the entire group. As a consequence of lower activity since the lockdown the 2020 cost target is tightened, the target now being to restrict growth to below 2 per cent.

The group's cost-income ratio was 52 per cent (37 per cent), while the parent bank's cost-income ratio was 44 per cent (27 per cent).

Losses and defaults

Loan losses in the first quarter of 2020 totalled NOK 308m (67m). Net loan losses measure 0.73 per cent of total outstanding loans (0.17 per cent).

A loss of NOK 259m (57m) was recorded on loans to the group's corporate clients. NOK 143m of this figure relates to a single exposure. In addition, increased provisions of NOK 34m have been made in stage 1 and 2 in light of weaker prospects for the Norwegian economy and NOK 38m due to negative migration in the portfolio. Further, stage 3 write-downs are recorded in the offshore sector (NOK 25m) and in other sectors (NOK 26m).

Overall loan losses of NOK 49m are recorded on loans to retail borrowers (loss of 11m), of which NOK 43m is related to changed assumptions resulting from the bank's loss model.

Write-downs on loans and guarantees totalled NOK 1,276m (971m) as at 31 March 2020.

Overall problem loans (defaulted and doubtful) come to NOK 2,746m (1,880m), corresponding to 1.61 per cent (1.17 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Defaults in excess of 90 days totalled NOK 649m (288m). Defaults measure 0.38 per cent of gross outstanding loans (0.18 per cent). The increase in defaults has been greatest with regard to residential mortgages.

Other doubtful exposures total NOK 2,097m (1,591m). Other doubtful exposures measure 1.23 per cent (0.99 per cent) of gross outstanding loans.

A low proportion of the bank's overall loan exposure is to exposed industries as a result of the corona crisis and oil price crisis, and only five per cent of the overall exposure is to industries considered to be highly exposed – oil, offshore, retail trade, hotels and service industries.

Total assets of NOK 185bn

The bank's assets totalled NOK 185bn as at 31 March 2020 (165bn), having risen by NOK 20bn, i.e. by 12.1 per cent, over the last 12 months. Total assets have risen as a result of a higher lending volume and liquidity holding, as well as an increase in the market value of derivatives.

As at 31 March 2020 loans worth a total of NOK 43bn (41bn) 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 account of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Lending

Total outstanding loans rose by NOK 9.7bn (10.0bn) or 6.0 per cent (6.6 per cent) in the last 12 months to reach NOK 170.8bn (161.1bn) as at 31 March 2020.

- Lending to personal borrowers rose in the last 12 months by NOK 8.3bn (8.3bn) to NOK 117.0bn (108.7bn). Growth in the period was 7.6 per cent (8.3 per cent).
- Lending to corporate borrowers rose in the last 12 months by NOK 1.4bn (1.7bn) to NOK 53.8bn (52.4bn). Growth in the period was 2.7 per cent (3.4 per cent).
- Lending to personal borrowers accounted for 69 per cent (68 per cent) of total outstanding loans to customers as at 31 March 2020.

The group shows good growth in the retail market and is strengthening its market position, with particularly good growth in lending to members of the LO (Norwegian Trade Union Confederation).

(For distribution by sector, see note 5).

Deposits

Customer deposits rose in the last 12 months by NOK 7.0bn (5.2bn) to reach NOK 88.2bn (81.1bn). This represents a growth of 8.7 per cent (6.8 per cent).

- Personal deposits rose by NOK 3.1bn (2.0bn) or 9.2 per cent (6.3 per cent) to reach NOK 37.2bn.
- Corporate deposits rose by NOK 3.9bn (3.2bn) or 8.3 per cent (7.2 per cent) to reach NOK 51.0bn.

- The deposit-to-loan ratio at SpareBank 1 SMN was 69 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 52 per cent (50 per cent).

(For distribution by sector, see note 9).

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 10.0bn (9.8bn) as 31 March 2020. Sales have been good, but are counteracted by value changes.

Saving products, customer portfolio (NOKm)	January - March		Change
	2020	2019	
Equity funds	6.165	5.932	233
Pension products	766	755	11
Active management	3.083	3.147	-64
Total	10.014	9.834	180

Insurance

The bank's insurance portfolio has increased by 11 per cent over the last 12 months. Growth has been satisfactory for non-life and personal insurances alike.

Insurance, premium volume (NOKm)	January - March		Change
	2020	2019	
Non-life insurance	904	812	92
Personal insurance	379	351	28
Occupational pensions	326	289	37
Total	1.609	1.452	157

Retail Banking

Outstanding loans to retail borrowers total NOK 121bn (113bn) while deposits total NOK 44bn (41bn) as at 31 March 2020. These are loans to and deposits from wage earners, agricultural customers and sole proprietorships.

Retail Banking's operating income totalled NOK 550m (518m) in the first quarter of 2020. Net interest income accounted for NOK 354m (330m) and commission income for NOK 198m (188m). The income growth is mainly due to increased lending and improved margins on deposits. Overall income rose by NOK 32m. Return on capital employed in the retail banking segment was 9.5 per cent (12.7 per cent). Capital employed is regulatory capital of 16.9 per cent, corresponding to the Group's targeted CET1 ratio.

The lending margin in the first quarter of 2020 was 1.63 per cent (1.60 per cent), while the deposit margin was 0.50 per cent (0.46 per cent) measured against three-month NIBOR. The market interest rate in terms of three-month NIBOR was 35 points higher in the first quarter of 2020 than in the same quarter of 2019, even though NIBOR fell substantially in March.

Retail lending and retail deposits grew by 7.3 per cent (7.6 per cent) and 7.9 per cent (7.6 per cent) respectively in the last 12 months.

Lending to retail borrowers consistently carries low risk, as reflected in continued low losses. The loan portfolio is secured by residential property. In the second half of March, the number of mortgage deferred payments increased significantly, and then normalized during April.

Corporate Banking

Outstanding loans to corporates total NOK 41bn (39bn) and deposits total NOK 43bn (39bn) as at 31 March 2020. This is a diversified portfolio of loans to and deposits from corporate borrowers in Trøndelag and in Møre and Romsdal.

Operating income in the corporate segment came to NOK 373m (340m) in the first quarter of 2020. Net interest income was NOK 308m (284m), and commission income and return on financial investments came to NOK 64m (57m). The lending margin was 2.67 per cent (2.69 per cent) and the deposit margin was 0.06 per cent (minus 0.02 per cent) in the first quarter of 2020. Lending rose by 1.2 per cent (1.6 per cent) and deposits rose by 8.2 per cent (6.8 per cent) in the last 12 months.

Net losses in the corporate banking segment total NOK 259m (57m) in the first quarter of 2020. NOK 143m of the losses refers to a single exposure. Also noted are increased provisioning as a result of lower expectations of the Norwegian economy along with a general negative migration in the portfolio. Mortgage payment holidays have been granted. The bank's business customers were granted installment deferrals at a much higher level than usual in March. In April, the number has fallen, but is still at a level that is far above the level in a normal situation.

Return on capital employed for the corporate banking segment was 0.2 per cent (10.9) in the first quarter of 2020. Capital employed is regulatory capital of 15.4 per cent, corresponding to the Group's targeted CET1 ratio.

Subsidiaries

The bank's subsidiaries posted an overall pre-tax profit of NOK 35.5m in the first quarter of 2020 (79.3m).

Pre-tax profit (NOKm)	January - March		Change
	2020	2019	
EiendomsMegler 1 Midt-Norge	0.0	-0.4	0.4
BN Bolig	-	-8.6	8.6
SpareBank 1 Finans Midt-Norge	27.3	20.7	6.6
SpareBank 1 Regnskapshuset SMN	46.7	39.6	7.2
Sparebank 1 Markets	-15.5	2.2	-17.6
SpareBank 1 SMN Invest	-18.8	26.0	-44.8
DeBank	-7.5	-4.9	-2.6
Other companies	3.3	4.8	-1.6
Total	35.5	79.3	-43.8

EiendomsMegler 1 Midt-Norge is the market leader in Trøndelag and in Møre and Romsdal and aims to continue to strengthen its market share. Operating income was NOK 83m in the first quarter of 2020 (83m), while operating expenses were NOK 83m (83m). EiendomsMegler 1 pre-tax profit in the first quarter of 2020, as in the first quarter of 2019, was approximately zero. 1,459 dwelling units were sold in the first quarter of 2020 compared with 1,447 in the same period of 2019. The company's market share as at 31 March 2020 was 36.9 per cent (37.0 per cent).

In collaboration with BN Bank, the company established in 2016 BN Bolig in which EiendomsMegler 1 Midt-Norge and BN Bank each hold a 50 per cent stake. BN Bolig's results did not measure up to expectations, and the company was sold in the fourth quarter of 2019.

SpareBank 1 Finans Midt-Norge delivered a pre-tax profit of NOK 46.7m in the first quarter of 2020 (36.9m). The company has shown good income growth with incomes totalling NOK 76.0m (68.8m). Moderate growth in costs has also been noted, and operating expenses in the first quarter of 2020 totalled NOK 24.4m (21.6m). Losses in the first quarter of 2020 came to NOK 4.9m (7.6m).

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 8.7bn (7.8bn), of which leasing agreements account for NOK 3.5bn (3.4bn) and car loans for NOK 5.2bn (4.4bn). The company also offers consumer loans, and at quarter-end this portfolio was worth NOK 216m (272m).

Good growth is noted, in particular for car loans where growth in the last 12 months was 19 per cent. The growth in leasing to the SMB market was 6 per cent. The corona crisis situation as from mid-March is expected to impact the company negatively through lower demand and sales. This will primarily affect the top line. It may, combined with somewhat higher defaults and losses, bring lower profitability.

The Samspar banks in SpareBank 1 held a 27.9 per cent stake in SpareBank 1 Finans Midt-Norge as at 31 December 2019, 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.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 27.3m (20.7m) in the first quarter of 2020, thereby achieving a profit growth of 32 per cent compared with the same period of 2019. Operating income increased to NOK 156.3m, a growth of 11.7 per cent comprising 2.5 per cent organic growth and 9.2 per cent growth resulting from acquisitions.

The strong profit growth is mainly ascribable to the following:

- Initiated efficiency projects have contributed to increased operating income per FTE (the proportion of staff costs down from 70.7 per cent to 68.9 per cent)
- A continued strong focus on costs has contributed to a significant reduction in operating expenses (the proportion of operating expenses down from 11.2 per cent to 10.5 per cent)

With 12 per cent growth from the first quarter of 2019, the company has expanded its market position to 25 per cent, an increase of more than 2 percentage points over the last 12 months. This is calculated as the company's proportion of the accounting industry's overall turnover in Trøndelag, Møre and Romsdal and Gudbrandsdal.

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

The company is maintaining approximately the same activity level as prior to the coronavirus outbreak and no so significant long-term effects of the outbreak are expected. The company's ambitions of continued strong growth stand firm.

SpareBank 1 SMN Invest invests in shares, mainly in regional businesses. The company posted a negative pre-tax result of NOK 18.8m in the first quarter of 2020 (profit of 26.0m).

The company holds shares worth NOK 405m (447m) as at 31 March 2020.

Value changes and realisation of losses or gains on the company's overall shareholding account for a net loss of NOK 17.4m of the company's net total income.

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 151 full time equivalents.

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 17bn. The company has a staff of 17.

SpareBank 1 Markets' consolidated pre-tax result for the first quarter of 2020 was a loss of NOK 15.5m (profit of 2.2m). First-quarter incomes reflect effects of the coronavirus. Incomes from investment banking and own account trading have fallen, at the same time as incomes from secondary equity market trading and currency trading rose sharply. SpareBank 1 Kapitalforvaltning also shows lower commission earnings after the stock exchange fall. Overall income including SpareBank 1 Kapitalforvaltning came to NOK 105m (144m).

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

SpareBank 1 SMN Spire Finans (formerly DeBank)

SpareBank 1 SMN holds 100 per cent of the shares of SpareBank 1 SMN Spire Finans. SpareBank 1 SMN Spire Finans caters specifically to small and medium-sized businesses that specialise in factoring. SpareBank 1 SMN Spire Finans is headquartered in Trondheim and has 19 employees. As at 31 March 2020 the company had loanable capital of NOK 76m, operating income of NOK 3.7m and a pre-tax result in 2019 of minus NOK 7.5m (minus 4.9m). SpareBank 1 SMN Spire Finans will operate as a subsidiary of SpareBank 1 SMN. SpareBank 1 SMN is increasing its focus on small and medium-sized businesses and will strengthen its offering in the factoring field through this acquisition.

Satisfactory funding and good liquidity

The bank has a conservative liquidity strategy. The strategy 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.

At the turn of the quarter the bank has liquidity reserves of NOK 30bn and the funding needed for 26 months of ordinary operation without fresh external finance. In the first quarter of 2020 a loss of NOK 104m was recorded on the liquidity portfolio as a result of increased credit margins.

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

The LCR is calculated at 182 per cent as at 31 March 2020 (180 per cent). The requirement is 100 per cent.

The Group's deposit-to-loan ratio at 31 March 2020, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 50 per cent (50 per cent).

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

SpareBank 1 Boligkreditt is the bank's most important funding source, and mortgages totalling NOK 39bn (36bn) had been sold as at 31 March 2020.

SpareBank 1 SMN has established and published a framework for green bond issuance. The framework is approved by the rating agency Sustainalytics.

Rating

The bank has a rating of A1 (stable outlook) with Moody's and a rating of A- (negative outlook) with Fitch Ratings.

Financial soundness

As of 31 March 2020 the countercyclical buffer was lowered from 2.5 per cent to 1 per cent, bringing the CET1 requirement down to 11 per cent, including combined buffer requirements. Taking into account a Pillar 2 requirement of 1.9 per cent, the overall government requirement is 12.9 per cent. The add-on refers mainly to owner risk, market risk and credit concentration risk. The add-on is subject to review by Finanstilsynet (Norway's FSA) every second year.

SpareBank 1 SMN aims for a management buffer of about 1 per cent over and above the combined Pillar 1 and Pillar 2 requirements with a view to absorbing fluctuations in risk weighted assets and in the group's financial results. The Ministry of Finance has announced that the systemic risk buffer for IRB banks is to increase by 1.5 per cent to 4.5 per cent with effect from 31 December 2020. The CET1 ratio requirement will accordingly rise to 14.4 per cent at end-2020, and to 15.4 per cent including the management buffer. Any increase of the countercyclical buffer requires a notice period of at least 12 months. In the current situation the board of directors considers the likelihood of an increase of the countercyclical buffer to be low.

The CET1 ratio at 31 March 2020 was 16.3 per cent (14.8 per cent) – in keeping with the targeted level. The authorities' CET1 ratio requirement is 14.4 per cent.

The CET1 ratio has fallen by 0.8 per cent in the first quarter. The changed distribution of the net profit for 2019 has strengthened CET1 capital by 0.3 per cent. In the CET1 calculation, the entire net profit for the first quarter is included. Risk weighted assets have increased by 7 per cent as of 31 March 2020. A significant portion of the growth, about 4 per cent, relates to higher market values of derivative positions, along with an increase in capital needed to cover CVA risk on the same positions.

A leverage ratio of 6.9 per cent (7.4 per cent) shows that the bank is financially very solid. The bank will continue to focus on capital efficiency and effectiveness with a view to strengthening its profitability and financial soundness.

The bank's equity certificate (MING)

The book value of the equity certificate (EC) at 31 March 2020 was NOK 86.85 (83.86), and earnings per EC were NOK 1.26 (5.02).

The Price / Income ratio was 13.46 (4.35) and the Price / Book ratio was 0.78 (1.04).

At quarter-end the EC was priced at NOK 67.60, and dividend of NOK 5.00 per EC has been paid in 2020 for the year 2019.

Transfer of personal insurance products from SpareBank 1 Forsikring to Fremtind Livsforsikring

The demerger of personal risk products as of 1 January 2020 has brought an increase in equity capital for SpareBank 1 Gruppen at consolidated level. The majority's (the SpareBank 1 banks and the Trade Union Confederation (LO)) share of this increase is about NOK 1.7bn. SpareBank 1 SMN's share of the increase (19.5 per cent) amounts to NOK 340m and has been taken to income in the first quarter of 2020.

SpareBank 1 Gruppen (parent company) has made a tax-free gain of NOK 937m as a result of this demerger. SpareBank 1 Gruppen's basis for dividend payments increases by the same margin as this gain. SpareBank 1 Gruppen's share of any future dividend of NOK 937m (19.5 per cent) amounts to NOK 183m.

Due to the circumstances related to the coronavirus situation, DNB chose not to exercise the option expiring on 31 March 2020 to increase its stake in Fremtind Forsikring from 35 per cent to 40 per cent.

DNB states that it is pleased with the collaboration and with the progress of Fremtind Forsikring, and is of a mind to expand its ownership interest in the longer term.

Risk factors

Growth prospects for the global economy are considerably impaired due to the coronavirus pandemic. The infection protection measures introduced in a number of countries have led to lockdown of community life and jobs and consequent reduction of economic activity levels. The uncertainties have brought a significant fall in stock market values, which affected the group's financial performance both directly and indirectly in the first quarter of 2020.

There is much uncertainty regarding the likely depth of the crisis and its duration, and macroeconomic estimates vary widely. Most observers expect a sharp economic setback in the current year before growth gradually resumes towards the end of 2020 and in 2021. Fear of new waves of infection, increased saving rates and changes in consumer patterns could contribute to damping the upturn. The IMF expects activity levels to fall by 6 per cent in the current year, and to recover by 4.5 per cent in 2021.

In addition to the impact of the infection protection measures, the substantial fall in oil prices has strengthened the negative effects for the Norwegian economy. Norges Bank has lowered its key policy rate to 0.25 per cent, and the krone exchange rate has depreciated markedly. Unemployment in Norway has risen to just over 10 per cent. When businesses in Norges Bank's regional network were interviewed in April, more than one third of them reported impaired growth prospects as a result of the coronavirus outbreak, the measures taken to curb the spread of the disease and the oil price fall. While the damaging economic effects of the virus outbreak and the infection protection measures are counteracted by very wide-ranging support arrangements and expansionary monetary policies, they will be very large nonetheless. Statistics Norway expects Norway's very strong financial position to provide the government with unique opportunities to put in place compensatory measures. That will help to dampen the negative impacts.

The regional economy is also heavily marked by the negative effects of the infection protection measures taken. Unemployment in Trøndelag and in Møre and Romsdal stands at just over 9 per cent, and house prices fell in the month of March. SpareBank 1 SMN's corporate expectations barometer as of March 2020 shows a steep change of sentiment throughout Central Norway with 75 per cent of business leaders fearing negative consequences of the corona crisis.

The marked decline in activity levels has also led to increased uncertainty and impaired profitability among portions of SMN's clients. The bank's advisers are in close dialogue with clients, and have surveyed the

volume of exposed businesses. Instruments employed are primarily mortgage payment holidays and provision of loans backed by state guarantee. SpareBank 1 SMN has a robust loan portfolio of which 69 per cent consists of loans to retail borrowers. About NOK 8bn of the loans to corporates relate to industries that are hard hit by the infection protection measures and the low oil price.

Outlook

The corona crisis and low oil price creates considerable uncertainty as regards developments ahead. The group assumes and expects that activity levels will gradually normalise over the course of the year. The impact of the infection protection measures, both in Norway and in the world at large, will nonetheless have negative consequences for the Norwegian economy in the years immediately ahead. The group expects unemployment to remain at a higher level going forward. Combined with an expectation of lower wage growth, and the risk of negative growth in real wages, the bank considers house prices ahead to be a matter of increased uncertainty. This could affect credit demand. The bank monitors the situation in the credit markets carefully and is able to adapt the business to different scenarios.

The group's write-down assessments incorporate a gradual normalisation in most sectors, but a somewhat weaker trend in the baseline scenario than under the assumptions employed at the end of the fourth quarter of 2019. Good compensation schemes from the authorities will dampen the consequences. The situation in the offshore industry is negatively impacted by low oil prices and continues to call for a separate loss assessment for that industry.

The board of directors recommended reducing the payout ratio from 53.4 per cent to 41.2 per cent when the annual profit for 2019 is distributed, in light of the uncertain macroeconomic situation. The changed distribution reflects a good balance between the need for stability and predictability for the bank's shareholders and investors, and the corporate social responsibility that the group has towards its customers and local communities.

At the end of the first quarter of 2020 the group's CET1 ratio stands at 16.3 per cent, compared with the regulatory requirement of 12.9 per cent. This represents a substantial buffer. The Ministry of Finance reduced the countercyclical buffer from 2.5 per cent to 1 per cent as from 13 March 2020.

The group's funding situation is good, with an LCR of 182 per cent and an NSFR of 123 per cent. The bank has ample access to funding via SpareBank 1 Boligkreditt, and will base its choice of funding source on funding costs.

The group's capital situation, and its good liquidity situation, mean that the bank is well prepared to help viable customers through the crisis, and SpareBank 1 SMN is well placed to strengthen its market position and create financial value for its shareholders and investors. A profitability enhancement project has been established under the name "One SMN" which is designed to expand synergies between the groups' business lines, digitalisation, process efficiencies and general cost reductions.

The board of directors considers the level of uncertainty to be higher than at the end of 2019. The board expects 2020 to be a demanding year bringing increased credit losses and low demand for credit. Further, lower earnings are expected in parts of the group along with lower operating expenses due to reduced activity levels and measures prompted by "One SMN".

The group is conscious of its central role as an important social actor in the region, and accordingly chooses to devote large parts of its social dividend to support the voluntary sector within the region.

Trondheim, 7. May 2020
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Bård Benum
(deputy chair)

Christian Stav

Mette Kamsvåg

Morten Loktu

Janne Thyø Thomsen

Tonje Eskeland Foss

Inge Lindseth
(employee rep.)

Christina Straub
(employee rep.)

Jan-Frode Janson
(Group CEO)

Income statement

Parent bank				Note	Group		
2019	2019	2020			2020	2019	2019
Jan-March			(NOKm)		Jan-March		
3,732	867	1,002	Interest income effective interest method		1,102	961	4,121
509	115	149	Other interest income		148	114	505
1,916	421	533	Interest expenses		540	426	1,939
2,325	562	618	Net interest	10	710	649	2,687
1,127	262	286	Commission income		349	329	1,437
95	18	25	Commission expenses		50	40	193
30	7	9	Other operating income		271	262	1,046
1,061	250	270	Commission income and other income		570	551	2,290
884	335	76	Dividends		8	2	15
-	-	-	Income from investment in related companies	3	217	555	879
54	88	-139	Net return on financial investments	3	-124	169	307
937	423	-62	Net return on financial investments		101	727	1,201
4,324	1,235	826	Total income		1,381	1,926	6,178
614	162	176	Staff costs		443	447	1,699
750	171	191	Other operating expenses		273	257	1,098
1,364	333	367	Total operating expenses	11	716	704	2,797
2,960	902	459	Result before losses		665	1,223	3,380
245	60	302	Loss on loans, guarantees etc.	6,7	308	67	299
2,715	842	157	Result before tax	3	357	1,155	3,081
452	96	51	Tax charge		67	109	518
-	-	-	Result investment held for sale, after tax	2, 3	0	0	0
2,263	747	106	Net profit		290	1,046	2,563
47	19	23	Attributable to additional Tier 1 Capital holders		24	19	49
1,417	465	53	Attributable to Equity capital certificate holders		162	650	1,572
799	262	30	Attributable to the saving bank reserve		91	367	886
			Attributable to non-controlling interests		12	10	56
2,263	747	106	Net profit		290	1,046	2,563
Profit/diluted profit per ECC				17	1.26	5.02	12.14

Parent bank				Group		
Jan-March				Jan-March		
2019	2019	2020	(NOKm)	2020	2019	2019
2,263	747	106	Net profit	290	1,046	2,563
			Items that will not be reclassified to profit/loss			
-33	-	-40	Actuarial gains and losses pensions	-40	-	-33
8	-	10	Tax	10	-	8
-	-	-	Share of other comprehensive income of associates and joint venture	3	1	21
-25	-	-30	Total	-26	1	-4
			Items that will be reclassified to profit/loss			
-	-	-	Fair value change on financial assets through other comprehensive income	-	-	-
6	0	3	Value changes on loans measured at fair value	3	0	6
-	-	-	Share of other comprehensive income of associates and joint venture	8	-23	-12
-	-	-	Tax	-	-	-
6	0	3	Total	11	-23	-5
-18	0	-27	Net other comprehensive income	-16	-22	-9
2,245	747	79	Total other comprehensive income	274	1,024	2,554
47	19	23	Attributable to additional Tier 1 Capital holders	24	19	49
1,405	466	36	Attributable to Equity capital certificate holders	152	636	1,566
792	262	20	Attributable to the saving bank reserve	86	359	883
			Attributable to non-controlling interests	12	10	56
2,245	747	79	Total other comprehensive Income	274	1,024	2,554

Balance sheet

Parent bank			Note	Group		
31 Dec 2019	31 March 2019	31 March 2020		31 March 2020	31 March 2019	31 Dec 2019
			(NOKm)			
761	647	5,848	Cash and receivables from central banks	5,848	647	761
9,181	14,713	9,408	Deposits with and loans to credit institutions	2,239	8,387	2,110
117,033	111,949	117,784	Net loans to and receivables from customers	5	126,128	119,285
23,195	20,885	27,473	Fixed-income CDs and bonds	15	27,395	20,806
2,872	3,008	11,379	Derivatives	15	11,757	3,181
355	359	358	Shares, units and other equity interests	15	1,437	2,015
4,526	4,399	4,525	Investment in related companies	6,652	6,386	6,468
2,309	2,630	2,362	Investment in group companies	-	-	-
82	82	82	Investment held for sale	2	40	42
512	525	507	Intangible assets	876	846	872
1,241	1,647	1,654	Other assets	12	2,810	3,047
162,066	160,844	181,379	Total assets	185,182	164,641	166,662
7,585	10,667	12,740	Deposits from credit institutions	13,150	11,601	8,853
86,870	82,195	89,007	Deposits from and debt to customers	9	88,152	81,111
43,014	43,172	49,303	Debt created by issue of securities	14	49,303	43,172
3,159	3,069	7,932	Derivatives	15	8,004	3,528
1,570	3,408	3,503	Other liabilities	13	4,900	4,632
-	-	-	Investment held for sale	2	1	0
2,047	2,229	2,026	Subordinated loan capital	14	2,071	2,273
144,245	144,741	164,513	Total liabilities	165,582	145,968	146,243
2,597	2,597	2,597	Equity capital certificates	2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs	-12	-9	-11
895	895	895	Premium fund	895	895	895
6,144	5,602	6,338	Dividend equalisation fund	6,311	5,580	6,123
840	-	-	Recommended dividends	-	-	840
474	-	-	Provision for gifts	-	-	474
5,432	5,126	5,541	Ownerless capital	5,541	5,126	5,432
189	155	189	Unrealised gains reserve	189	155	189
-	0	-27	Other equity capital	1,760	1,595	1,827
1,250	981	1,227	Additional Tier 1 Capital	1,268	1,023	1,293
-	747	106	Profit for the period	290	1,046	-
			Non-controlling interests	760	665	761
17,822	16,103	16,866	Total equity capital	19,600	18,673	20,420
162,066	160,844	181,379	Total liabilities and equity	185,182	164,641	166,662

Cash flow statement

Parent bank			Group		
Jan-March			Jan-March		
2019	2019	2020 (NOKm)	2020	2019	2019
2,263	747	106	290	1,046	2,563
109	29	109	172	46	172
245	60	302	308	67	299
2,617	836	517	770	1,160	3,035
869	348	-8,936	-9,527	179	1,235
-96	1,653	6,707	6,537	2,158	716
-4,613	650	-1,051	-1,155	376	-5,843
1,998	-3,534	-227	-129	-3,313	2,964
5,422	747	2,137	2,235	496	5,302
-960	2,122	5,155	4,297	2,387	-361
-2,766	-457	-4,278	-4,281	-458	-2,766
2,471	2,365	24	-1,252	2,985	4,280
-66	-378	270	414	-641	-120
84	-110	-52	-229	-271	-312
36	32	-2	1,516	-143	-1,080
54	-456	216	1,701	-1,055	-1,512
-177	5	-21	-19	5	-177
1	-0	-0	-2	-20	-33
-661	-661	-647	-647	-661	-661
-373	-373	-364	-364	-373	-373
203	-19	-23	-24	-19	201
-1,639	-1,097	5,902	5,694	-1,097	-1,846
-2,646	-2,145	4,847	4,638	-2,166	-2,890
-121	-236	5,086	5,086	-236	-121
883	883	761	761	883	883
761	647	5,848	5,848	647	761
-121	-236	5,086	5,086	-236	-121

Change in equity

Parent Bank	Issued equity		Earned equity						
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised 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	-	-	-	-	-	-	-	-	-
Other comprehensive income									
Financial assets through OCI	-	-	-	-	-	-	-25	-	-25
Actuarial gains (losses), pensions	-	-	-	-	-	-	-18	-	-18
Other comprehensive income	-	-	313	555	1,314	34	-18	47	2,245
Total other comprehensive income	-	-	-	-	-	-	-	-	-
Transactions with owners									
Dividend declared for 2017	-	-	-	-	-373	-	-	-	-373
To be disbursed from gift fund	-	-	-	-	-	-	-	250	250
Additional Tier 1 Capital	-	-	-	-	-	-	-	-47	-47
Buyback Additional Tier 1 Capital issued	-0	-	-	-0	-	-	-	-	-0
Interest payments additional Tier 1 capital	-	-	-7	-12	-	-	18	-	-1
Purchase and sale of own ECCs	-0	-	-7	-12	-1,034	-	18	203	-832
Direct recognitions in equity	2,597	895	5,432	6,144	1,314	189	-	1,250	17,822
Total transactions with owners	-	-	-	-	-	-	-	-	-
Equity at 31 December 2019	2,597	895	5,432	6,144	1,314	189	-	1,250	17,822

	Issued equity		Earned equity						
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised 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	-	-	-	-	-	-	106	-	106
Other comprehensive income									
Value changes on loans measured at fair value	-	-	-	-	-	-	3	-	3
Actuarial gains (losses), pensions	-	-	-	-	-	-	-30	-	-30
Other comprehensive income	-	-	-	-	-	-	-27	-	-27
Total other comprehensive income	-	-	-	-	-	-	79	-	79
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	-	-	-	-	-	-	-	-23	-23
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-0
Direct recognitions in equity	-	-	-	-	-	-	-	-	-
Total transactions with owners	-0	-	109	194	-1,314	-	-	-23	-1,034
Equity at 31 March 2020	2,597	895	5,541	6,338	-	189	79	1,227	16,866

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

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

(NOKm)	Attributable to parent company equity holders									
	Issued equity		Earned equity							
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised 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	-	-	-	-	-	-	278	-	12	290
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	11	-	-	11
Value changes on loans measured at fair value	-	-	-	-	-	-	3	-	-	3
Actuarial gains (losses), pensions	-	-	-	-	-	-	-30	-	-	-30
Other comprehensive income	-	-	-	-	-	-	-16	-	-	-16
Total other comprehensive income	-	-	-	-	-	-	262	-	12	274
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	-	-	-	-	-	-	-	-24	-	-24
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-	-0
Own ECC held by SB1 Markets*)	-2	-	-	-6	-	-	5	-	-	-2
Direct recognitions in equity	-	-	-	-	-	-	-4	-	-	-4
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-40	-	-	-40
Change in non-controlling interests	-	-	-	-	-	-	-	-	-13	-13
Total transactions with owners	-2	-	109	188	-1,314	-	-39	-24	-13	-1,094
Equity at 31 March 2020	2,584	895	5,541	6,311	-	189	2,050	1,268	760	19,600

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

Notes

Contents

Note 1 - Accounting principles	28
Note 2 - Critical estimates and assessment concerning the use of accounting principles	29
Note 3 - Account by business line	31
Note 4 - Capital adequacy	34
Note 5 - Distribution of loans by sector/industry	36
Note 6 - Losses on loans and guarantees	37
Note 7 - Losses	38
Note 8 - Gross Loans	41
Note 9 - Distribution of customer deposits by sector/industry	43
Note 10 - Net interest income	44
Note 11 - Operating expenses	45
Note 12 - Other assets	46
Note 13 - Other liabilities	47
Note 14 - Debt created by issue of securities and subordinated debt	48
Note 15 - Measurement of fair value of financial instruments	49
Note 16 - Liquidity risk	52
Note 17 - Earnings per EC	53

Note 1 - Accounting principles

Accounting principles

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

Revised distribution of profit for 2019

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

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

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

Pensions

Sparebank1 SMN Group has one pension arrangements; defined contribution plan. For a further description of the pension scheme, see note 25 in the 2019 annual report.

The group's pension liabilities are accounted for under IAS 19R. Estimate variances are therefore directly reflected in equity capital and are presented under other comprehensive income. It was decided to terminate the defined benefit scheme at a board meeting on 21 October 2016. Employees on this scheme transferred to the defined contribution scheme from 1 January 2017, and received a paid-up policy showing rights accumulated under the defined benefit scheme. Paid-up policies are managed by the pension fund, which has been a paid-up pension fund as from 1 January 2017. A framework agreement has been established between SpareBank 1 SMN and the pension fund which covers funding, asset management etc. In view of the responsibility still held by SpareBank 1 SMN, future liabilities will need to be incorporated in the accounts. The board of the pension fund is required to be composed of representatives from the Group and participants in the pension schemes in accordance with the articles of association of the pension fund.

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

Actuarial assumptions	31 Dec 2019	1 January 2019	31 March 2020
Discount rate	2,30 %	2,30 %	1,70 %
Expected rate of return on plan assets	2,30 %	2,30 %	1,70 %
Expected future wage and salary growth	2,00 %	2,00 %	2,00 %
Expected adjustment on basic amount (G)	2,00 %	2,00 %	2,00 %
Expected increase in current pension	0,00 %	0,00 %	0,00 %
Employers contribution	19,10 %	19,10 %	19,10 %
Demographic assumptions:			
Mortality base table	K2013 BE		
Disability	IR73		
Voluntary exit	2% to 50 years, 0% after 50 years		

Movement in net pension liability in the balance sheet Group (NOKm)	Funded	Unfunded	Total
Net pension liability in the balance sheet 1.1	-148	16	-132
OCI accounting 1 Jan	-	-	-
OCI accounting 31 December	40	0	40
Net defined-benefit costs in profit and loss account	-1	0	-1
Paid in pension premium, defined-benefit schemes	-	-	-
Paid in pension premium, defined-benefit plan	-	-1	-1
Net pension liability in the balance sheet 31 March 2020	-109	16	-94

Net pension liability in the balance sheet Group (NOKm)	31 March 2019	31 Dec 2019
Net present value of pension liabilities in funded schemes	659	608
Estimated value of pension assets	-756	-743
Net pension liability in the balance sheet before employer's contribution	-96	-135
Employers contribution	2	3
Net pension liability in the balance sheet	-94	-132

Pension cost Group (NOKm)	31 March 2019	31 Dec 2019
Present value of pension accumulated in the year	0	0
Net interest income	-1	-4
Net pension cost related to defined plans, incl unfunded pension commitment	-1	-4
Employer's contribution subject to accrual accounting	0	0
Cost of defined contribution pension and early retirement pension scheme	26	108
Total pension cost for the period	25	105

Investment held for sale

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

2020 Q1 (NOKm)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS Group	40	1	1	1	-	100 %
Total Held for sale	40	1	1	1	-	

Losses on loans and guarantees

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

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

The bank have chosen to leave the scenario weights unchanged in the assessments this quarter, but have changed the assumptions for the base scenario in a negative direction. The reason is that the probability of the defined downside scenarios occurring is considered to be virtually unchanged, while there is little doubt that the most likely scenario is weaker compared to the previous quarter.

The development in the base scenario is prepared using adjustment factors where the development in the business cycle is projected by assumptions about how much the probability of default (PD) or loss of default (LGD) will increase or decrease compared to the base scenario in a five-year period. We expect increased losses related to debtors that have a demanding starting point before the crisis - typically debtors in stage 2. The bank has therefore chosen to increase the trajectories for PD and LGD as well as reduce expected repayments in the base scenario, especially from year 2 onwards, since this will affect expected losses mainly for debtors in stage 2. To adjust for migration into stage 2, PD and LGD estimates are also increased in the first year. No first year repayments are assumed for all portfolios in all scenarios. The effect of changes in input assumptions is shown as "Effect of changed assumptions in ECL model" in note 7. The effect is NOK 80 million.

Sensitivity

If the downside scenario's probability were doubled at the expense of the baseline scenario at the end of march 2020, this would have entailed an increase in loss provisions of NOK 80 million for the parent bank and NOK 103 million for the group. A corresponding doubling of the upside scenario's probability at the expense of the baseline scenario would have entailed a reduction in loss provisions of NOK 28 million for the parent bank and NOK 30 million for the group.

2020 Q1 (mill. kr)

Portfolio	Increase in accrual for losses when probability for worst case is double	Increase in accrual for losses when probability for worst case is 100 percent	Reduction in accrual for losses when probability for best case is double	Reduction in accrual for losses when probability for best case is 100 percent
Retail Market	24	224	-7	-87
Corporate excl. Agriculture and offshore	28	260	-9	-107
Agriculture	5	33	-2	-20
Offshore	22	138	-11	-84
Total Parent Bank	80	655	-28	-297
SpareBank 1 Finans				
Midt-Norge	23	88	-1	-9
Total Group	103	743	-30	-306

Note 3 - Account by business line

For the subsidiaries the figures refer to the respective company accounts, while for joint ventures incorporated by the equity method the Group's profit share is stated, after tax, as well as book value of the investment at group level.

Group 31 March 2020

Profit and loss account (NOKm)	RM	CM	SB1 Markets	EM 1	SB1 Finans MN	SB1 Regnskapshuset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	301	271	-2	-0	82	0	-	-	59	710
Interest from allocated capital	53	38	-	-	-	-	-	-	-91	-
Total interest income	354	308	-2	-0	82	0	-	-	-32	710
Commission income and other income	198	54	60	83	19	156	-	-	-1	570
Net return on financial investments **)	-2	10	45	-	-	-	-115	23	140	101
Total income	550	373	103	83	101	156	-115	23	107	1,381
Total operating expenses	246	113	118	83	49	129	-	-	-22	716
Ordinary operating profit	304	261	-15	-0	52	27	-115	23	130	665
Loss on loans, guarantees etc.	44	258	-	-	5	-	-	-	1	308
Result before tax including held for sale	260	3	-15	-0	47	27	-115	23	128	357
Post-tax return on equity*)	9.5 %	0.2 %								5.7 %
Balance										
Loans and advances to customers	121,269	41,174	-	-	8,957	-	-	-	-629	170,771
Adv. of this sold to SB1										
Boligkreditt and SB1										
Næringskreditt	-42,254	-1,245	-	-	-	-	-	-	-0	-43,498
Allowance for credit losses	-157	-930	-	-	-52	-	-	-	-6	-1,144
Other assets	197	7,932	2,636	301	23	551	1,834	1,449	44,132	59,054
Total assets	79,055	46,931	2,636	301	8,928	551	1,834	1,449	43,497	185,182
Deposits to customers	43,961	42,710	-	-	-	-	-	-	1,482	88,152
Other liabilities and equity	35,095	4,222	2,636	301	8,928	551	1,834	1,449	42,015	97,030
Total liabilities and equity	79,055	46,931	2,636	301	8,928	551	1,834	1,449	43,497	185,182

Group 31 March 2019

Profit and loss account (NOKm)	RM	CM	SB1 Markets	EM 1	SB1 Finans MN	SB1 Regnskaps huset SMN	SB1 Gruppen	BN Bank	Un- collated	Total
Net interest	278	247	-4	-0	75	-0	-	-	52	649
Interest from allocated capital	52	36	-	-	-	-	-	-	-88	-
Total interest income	330	284	-4	-0	75	-0	-	-	-36	649
Commission income and other income	188	55	124	115	16	140	-	-	-85	551
Net return on financial investments **)	0	2	21	-	-	-	38	23	643	727
Total income	518	340	140	114	92	140	38	23	522	1,926
Total operating expenses	217	104	138	123	44	119	-	-	-41	704
Ordinary operating profit	301	236	2	-9	47	21	38	23	564	1,223
Loss on loans, guarantees etc.	6	53	-	-	8	-	-	-	-	67
Result before tax including held for sale	295	183	2	-9	40	21	38	23	564	1,155
Post-tax return on equity*)	12.7 %	10.9 %								12.2 %
Balance										
Loans and advances to customers	113,040	38,881	-	-	7,980	-	-	-	1,190	161,091
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-39,349	-1,642	-	-	-	-	-	-	-0	-40,991
Allowance for credit losses	-109	-654	-	-	-48	-	-	-	-5	-815
Other assets	203	2,886	2,715	993	25	458	1,723	1,263	35,092	45,356
Total assets	73,785	39,471	2,715	993	7,957	458	1,723	1,263	36,277	164,641
Deposits to customers	40,734	39,471	-	-	-	-	-	-	906	81,111
Other liabilities and equity	33,051	-0	2,715	993	7,957	458	1,723	1,263	35,372	83,530
Total liabilities and equity	73,785	39,471	2,715	993	7,957	458	1,723	1,263	36,277	164,641

Group 31 December 2019

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

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

**) Specification of net return on financial investments (NOKm)			
	31 March 2020	31 March 2019	31 Dec 2019
Dividends	8	2	15
Capital gains shares	-42	84	120
Gain/(loss) on certificates and bonds	50	32	-20
Gain/(loss) on derivatives	-148	23	132
Gain/(loss) on financial instruments related to hedging	-6	-4	-9
Gain/(loss) on other financial instruments at fair value (FVO)	-57	10	9
Foreign exchange gain/(loss)	65	9	22
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	14	15	54
Net return on financial instruments	-124	169	307
SpareBank 1 Gruppen	-115	38	252
Gain Fremtind Forsikring	340	460	460
SpareBank 1 Boligkreditt	-31	14	26
SpareBank 1 Næringskreditt	2	8	21
BN Bank	23	24	113
SpareBank 1 Kredittkort	0	3	13
SpareBank 1 Betaling	-2	12	3
Other companies	-0	-4	-8
Income from investment in associates and joint ventures	217	555	879
Total net return on financial investments	101	727	1.201
Fair value hedging			
Changes in fair value on hedging instrument	359	82	-66
Changes in fair value on hedging item	-365	-85	56
Net Gain or Loss from hedge accounting	-6	-4	-9

Note 4 - Capital adequacy

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

As of 31 March 2020 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3.0 per cent and the Norwegian countercyclical buffer is 1.0 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 11.0 per cent. In addition the financial supervisory authority has set a Pillar 2 requirement of 1.9 per cent for SpareBank 1 SMN. The total minimum requirement on CET1 capital is accordingly 12.9 per cent.

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 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. The countercyclical capital buffer was reduced with immediate effect in March 2020 from 2.5 per cent to 1.0 per cent. The systemic risk buffer will rise to 4.5 per cent with effect from 31 December 2020.

The countercyclical buffer is calculated using differentiated rates. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. For the first 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 group's hybrid equity and subordinated debt issued under the old rules has now either been redeemed or notice of redemption has been given 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 Mar 2019	31 Mar 2020		31 Mar 2020	31 Mar 2019	31 Dec 2019
			(NOKm)			
17,822	16,103	16,866	Total book equity	19,600	18,673	20,420
-1,250	-981	-1,227	Additional Tier 1 capital instruments included in total equity	-1,268	-1,023	-1,293
-512	-525	-507	Deferred taxes, goodwill and other intangible assets	-1,059	-1,073	-1,099
-1,314	-	-	Deduction for allocated dividends and gifts	-	-	-1,314
-	-	-	Non-controlling interests recognised in other equity capital	-760	-665	-761
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	398	392	438
-	-747	-106	Net profit	-290	-1,046	-
-	237	83	Year-to-date profit included in core capital (0 per cent (50 per cent) pre tax of group profit)	266	537	-
-33	-31	-50	Value adjustments due to requirements for prudent valuation	-62	-43	-45
-305	-284	-293	Positive value of adjusted expected loss under IRB Approach	-329	-303	-351
-	-	-	Cash flow hedge reserve	13	5	3
-185	-163	-185	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-353	-333	-168
14,222	13,609	14,582	Common equity Tier 1 capital	16,155	15,122	15,830
1,250	1,000	1,250	Additional Tier 1 capital instruments	1,637	1,377	1,637
275	275	-	Additional Tier 1 capital instruments covered by transitional provisions	-	275	275
15,747	14,884	15,832	Tier 1 capital	17,792	16,775	17,742
1,750	1,750	1,750	Supplementary capital in excess of core capital Subordinated capital	2,240	2,298	2,240
12	184	-0	Subordinated capital covered by transitional provisions	-0	184	12
-140	-142	-153	Deduction for significant investments in financial institutions	-153	-142	-140
1,623	1,792	1,597	Additional Tier 2 capital instruments	2,087	2,340	2,113
17,370	16,676	17,429	Total eligible capital	19,879	19,115	19,854

Minimum requirements subordinated capital						
911	962	964	Specialised enterprises	1,153	1,106	1,101
1,139	1,155	1,269	Corporate	1,279	1,161	1,149
1,628	1,515	1,625	Mass market exposure, property	2,310	2,126	2,299
98	95	97	Other mass market	100	97	101
984	1,076	987	Equity investments	1	1	1
4,760	4,802	4,942	Total credit risk IRB	4,842	4,491	4,651
2	2	2	Central government	4	3	3
86	87	101	Covered bonds	152	135	132
419	387	567	Institutions	466	269	282
-	-	-	Local and regional authorities, state-owned enterprises	15	10	5
42	41	30	Corporate	227	251	239
22	73	17	Mass market	474	536	463
9	13	16	Exposures secured on real property	174	211	167
236	231	240	Equity positions	383	365	377
104	91	115	Other assets	150	169	151
918	925	1,088	Total credit risk standardised approach	2,045	1,949	1,818
31	43	47	Debt risk	48	45	34
-	-	-	Equity risk	7	12	15
-	-	-	Currency risk and risk exposure for settlement/delivery	3	3	3
407	387	407	Operational risk	720	654	720
29	28	98	Credit value adjustment (CVA)	240	118	115
-	-	-	Transitional arrangements	-	929	-
6,145	6,186	6,583	Minimum requirements subordinated capital	7,907	8,200	7,357
76,817	77,327	82,282	Risk weighted assets (RWA)	98,832	102,495	91,956
3,457	3,480	3,703	Minimum requirement on CET1 capital, 4.5 per cent	4,447	4,612	4,138
Capital Buffers						
1,920	1,933	2,057	Capital conservation buffer, 2.5 per cent	2,471	2,562	2,299
2,305	2,320	2,468	Systemic risk buffer, 3.0 per cent	2,965	3,075	2,759
1,920	1,547	823	Countercyclical buffer, 1.0 per cent (2.5 and 2.0 per cent)	988	2,050	2,299
6,145	5,800	5,348	Total buffer requirements on CET1 capital	6,424	7,687	7,357
4,620	4,330	5,531	Available CET1 capital after buffer requirements	5,284	2,823	4,335
Capital adequacy						
18.5 %	17.6 %	17.7 %	Common equity Tier 1 capital ratio	16.3 %	14.8 %	17.2 %
20.5 %	19.2 %	19.2 %	Tier 1 capital ratio	18.0 %	16.4 %	19.3 %
22.6 %	21.6 %	21.2 %	Capital ratio	20.1 %	18.6 %	21.6 %
Leverage ratio						
161,905	156,292	177,198	Balance sheet items	249,366	221,200	230,048
6,830	6,834	7,719	Off-balance sheet items	8,702	8,262	7,897
-851	-840	-1,033	Regulatory adjustments	-1,820	-1,600	-1,503
167,885	162,287	183,884	Calculation basis for leverage ratio	256,248	227,862	236,441
15,747	14,884	15,832	Core capital	17,792	16,775	17,742
9.4 %	9.2 %	8.6 %	Leverage Ratio	6.9 %	7.4 %	7.5 %

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

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

Note 5 - Distribution of loans by sector/industry

Parent Bank			(NOKm)	Group		
31 Dec 2019	31 March 2019	31 March 2020		31 March 2020	31 March 2019	31 Dec 2019
13,203	12,327	13,477	Agriculture, forestry, fisheries, hunting	13,853	12,658	13,558
833	866	756	Sea farming industries	1,053	1,176	1,132
2,212	3,148	1,870	Manufacturing	2,255	3,507	2,595
3,157	2,938	3,025	Construction, power and water supply	3,837	3,703	3,970
2,181	2,683	2,266	Retail trade, hotels and restaurants	2,607	3,014	2,517
4,660	4,609	5,177	Maritime sector	5,177	4,609	4,660
14,800	14,840	14,614	Property management	14,689	14,915	14,878
2,445	2,410	2,454	Business services	2,158	2,060	2,146
4,542	4,158	5,546	Transport and other services provision	6,379	4,977	5,409
2	3	6	Public administration	17	15	12
1,890	1,771	1,718	Other sectors	1,742	1,720	1,863
49,926	49,754	50,909	Gross loans in retail market	53,767	52,354	52,740
109,544	103,949	111,460	Wage earners	117,004	108,738	115,036
159,470	153,703	162,369	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	170,771	161,091	167,777
39,833	39,220	41,972	of which SpareBank 1 Boligkreditt	41,972	39,220	39,833
1,667	1,771	1,526	of which SpareBank 1 Næringskreditt	1,526	1,771	1,667
117,970	112,712	118,871	Gross loans in balance sheet	127,272	120,100	126,277
850	717	964	- Loan loss allowance on amortised cost loans	1,019	769	911
87	46	123	- Loan loss allowance on loans at FVOCI	125	46	87
117,033	111,949	117,784	Net loans to and receivables from customers	126,128	119,285	125,279

Note 6 - Losses on loans and guarantees

Parent Bank	Jan-March			Jan-March			Jan - Dec		
	2020			2019			2019		
Losses on loans and guarantees (NOKm)	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in provision for expected credit losses for the period	44	146	190	6	52	58	28	205	234
Actual loan losses on commitments exceeding provisions made	1	112	112	1	2	3	10	9	19
Recoveries on commitments previously written-off	-1	-0	-1	-1	-1	-2	-5	-1	-7
Losses for the period on loans and guarantees	44	258	302	6	53	60	32	213	245

Group	Jan-March			Jan-March			Jan - Dec		
	2020			2019			2019		
Losses on loans and guarantees (NOKm)	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in provision for expected credit losses for the period	40	148	188	6	55	61	34	212	246
Actual loan losses on commitments exceeding provisions made	28	115	143	6	3	8	40	22	62
Recoveries on commitments previously written-off	-19	-4	-22	-1	-1	-2	-6	-2	-8
Losses for the period on loans and guarantees	49	259	308	11	57	67	68	231	299

Note 7 - Losses

Parent Bank (NOKm)	1 Jan 20	Change in provision	Net write-offs / recoveries	31 Mar 20
Loans as amortised cost- CM	916	146	-30	1,031
Loans as amortised cost- RM	34	7	-3	39
Loans at fair value over OCI- RM	109	37	-	146
Loans at fair value over OCI- CM	1	-0	-	1
Provision for expected credit losses on loans and guarantees	1,060	190	-33	1,219
Presented as				
Provision for loan losses	937	182	-33	1,086
Other debt- provisions	100	6	-	106
Other comprehensive income - fair value adjustment	23	3	-	26

Parent Bank (NOKm)	1 Jan 19	Change in provision	Net write-offs / recoveries	31 Mar 19
Loans as amortised cost- CM	742	50	1	792
Loans as amortised cost- RM	45	17	1	63
Loans at fair value over OCI- RM	75	-12	-	63
Provision for expected credit losses on loans and guarantees	862	55	2	918
Presented as				
Provision for loan losses	697	64	2	763
Other debt- provisions	148	-10	-	139
Other comprehensive income - fair value adjustment	17	0	-	17

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

Group (NOKm)	1 Jan 20	Change in provision	Net write-offs / recoveries	31 Mar 20
Loans as amortised cost- CM	948	149	-32	1,065
Loans as amortised cost- RM	63	3	-3	63
Loans at fair value over OCI- RM	109	37	-	146
Loans at fair value over OCI- CM	1	-0	-	1
Provision for expected credit losses on loans and guarantees	1,121	190	-34	1,276
Presented as				
Provision for loan losses	998	180	-34	1,144
Other debt- provisions	100	6	-	106
Other comprehensive income - fair value adjustment	23	3	-	26

Group (NOKm)	1 Jan 19	Change in provision	Net write-offs/ recoveries	31 Mar 19
Loans as amortised cost- CM	766	57	0	822
Loans as amortised cost- RM	68	17	1	86
Loans at fair value over OCI- RM	75	-12	-	63
Provision for expected credit losses on loans and guarantees	909	62	1	971
Presented as				
Provision for loan losses	744	70	1	815
Other debt- provisions	148	-10	-	139
Other comprehensive income - fair value adjustment	17	0	-	17

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

Accrual for losses on loans Parent Bank (NOKm)	31 Mar 20				31 Mar 19				31 Dec 19			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Retail market												
Opening balance	25	73	45	143	28	63	29	120	27	62	31	120
Transfer to (from) Stage 1	13	-13	-0	-	10	-10	-0	-	10	-10	0	-
Transfer to (from) Stage 2	-2	2	-0	-	-1	1	-0	-	-2	2	0	-
Transfer to (from) Stage 3	-0	-3	3	-	-0	-2	2	-	0	-3	3	-
Net remeasurement of loss allowances	-15	12	9	6	-6	17	3	14	-11	24	18	30
Originations or purchases	4	2	0	6	-	-	-	-	13	17	1	31
Derecognitions	-2	-6	-1	-10	-3	-6	-0	-10	-11	-20	-1	-33
Changes due to changed input assumptions	5	38	-	43	-	-	-	-	-	-	-	-
Actual loan losses			-3	-3			1	1	-	-	-5	-5
Closing balance	28	104	53	185	28	63	36	126	25	73	45	143
Corporate market												
Opening balance	66	210	540	816	64	148	383	594	64	148	382	594
Transfer to (from) Stage1	9	-9	-0	-	9	-9	-0	-	19	-19	0	-
Transfer to (from) Stage2	-4	4	-0	-	-1	1	-	-	-8	8	-	-
Transfer to (from) Stage3	-0	-1	1	-	-0	-0	1	-	0	0	1	-
Net remeasurement of loss allowances	-8	33	148	173	-0	28	58	86	-17	98	185	266
Originations or purchases	14	2	1	17	-	-	-	-	27	20	1	48
Derecognitions	-11	-72	-0	-83	-6	-21	-0	-27	-20	-43	0	-63
Changes due to changed input assumptions	4	30	-	34	-	-	-	-	-	-	-27	-27
Actual loan losses	-	-	-30	-30			1	1	-	-	-27	-27
Closing balance	70	197	660	927	64	147	441	654	66	210	541	817
Total accrual for loan losses	98	301	713	1,112	92	210	477	780	91	283	586	961

Group (NOKm)	31 Mar 20				31 Mar 19				31 Dec 19			
	Stage1	Stage2	Stage3	Total	Stage1	Stage 2	Stage 3	Total	Stage1	Stage 2	Stage3	Total
Retail market												
Opening balance	32	84	56	172	34	72	37	143	33	71	39	143
Transfer to (from) Stage 1	14	-14	-0	-0	11	-11	-0	-	12	-11	-	-
Transfer to (from) Stage 2	-2	3	-1	0	-1	3	-1	-	-2	4	-1	-
Transfer to (from) Stage 3	-0	-4	4	-0	-0	-3	3	-	-	-3	4	-
Net remeasurement of loss allowances	-16	12	11	8	-7	18	4	15	-14	24	22	32
Originations or purchases	5	2	0	7	5	3	0	8	17	23	3	44
Derecognitions	-3	-7	-7	-17	-3	-7	-2	-12	-13	-23	-5	-41
Changes due to changed input assumptions	5	38	-	43	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-3	-3	-	-	1	1	-	-	-5	-5
Closing balance	35	114	61	210	38	74	42	155	32	84	56	172
Corporate market												
Opening balance	71	218	557	846	68	152	397	618	70	152	397	619
Transfer to (from) Stage 1	9	-9	-0	-	10	-9	-1	-	20	-20	-	-
Transfer to (from) Stage 2	-4	4	-0	-	-2	2	-0	-	-9	9	-	-
Transfer to (from) Stage 3	-0	-1	1	-	-0	-1	1	0	-	-1	1	-
Net remeasurement of loss allowances	-9	33	151	175	-9	25	57	73	-19	100	188	268
Originations or purchases	14	2	3	20	9	7	0	16	30	21	7	59
Derecognitions	-11	-73	-1	-85	-6	-21	-0	-28	-20	-44	-2	-66
Changes due to changed input assumptions	4	30	-	34	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-31	-31	-	-	-1	-1	-	-	-31	-31
Closing balance	75	204	680	960	70	156	452	678	71	218	560	849
Total accrual for loan losses	110	318	741	1,170	108	230	494	832	104	302	616	1,021

Accrual for losses on guarantees and unused credit lines

Parent bank and Group (NOKm)	31 Mar 20				31 Mar 19				31 Dec 19			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Opening balance	14	29	57	100	11	47	90	148	11	47	90	148
Provision for credit losses												
Transfer to (from) Stage 1	1	-1	-0	-	1	-1	-0	-0	3	-3	-0	0
Transfer to (from) Stage 2	-0	0	-	-	-0	0	-	-	-1	1	-	-
Transfer to (from) Stage 3	-0	-0	0	-	-0	-0	0	0	-0	-0	0	0
Net remeasurement of loss allowances	-3	8	-0	5	-0	2	-10	-8	-2	3	-33	-33
Origination or purchases	2	0	0	3	-	-	-	-	7	1	0	8
Derecognitions	-1	-3	-0	-4	-1	-0	-0	-1	-3	-20	-0	-24
Changes due to changed input assumptions	1	2	-	3	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	14	36	57	106	10	48	81	139	14	29	57	100

Note 8 - Gross Loans

Parent Bank (NOKm)

31 March 2020

Loans subject to impairment

Gross loan - Total	Stage 1	Stage 2	Stage 3	Fixed interest loans at FV	Total
Balance at 1 January 2020	102,235	9,101	1,957	4,677	117,970
Transfer to stage 1	1,482	-1,471	-11	-	-
Transfer to stage 2	-1,799	1,872	-73	-	-
Transfer to stage 3	-79	-600	679	-	-
Net increase/decrease amount existing loans	-1,661	100	61	33	-1,467
New loans	20,231	382	85	89	20,787
Derecognitions	-16,994	-852	-98	-362	-18,305
Financial assets with actual loan losses	0	-110	-4	0	-114
Balance at 31 March 2020	103,416	8,421	2,596	4,438	118,871

Parent Bank

31 March 2019

Loans subject to impairment

Gross loan	Stage 1	Stage 2	Stage 3	Fixed interest loans at FV	Total
Balance at 1 January	97,458	9,888	1,543	4,467	113,356
Transfer to stage 1	1,571	-1,567	-4	-	-0
Transfer to stage 2	-1,148	1,165	-17	-	0
Transfer to stage 3	-10	-238	248	-	-
Net increase/decrease amount existing loans	-2,630	5	-1	-28	-2,654
New loans	13,347	292	11	337	13,987
Derecognitions	-10,947	-865	-39	-126	-11,977
Balance at 31 March	97,640	8,680	1,741	4,650	112,712

Parent Bank

31 December 2019

Loans subject to impairment

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

Group (NOKm)

31 March 2020

Loans subject to impairment

Gross loan - Total	Stage 1	Stage 2	Stage 3	Fixed interest loans at FV	Total
Balance at 1 January 2020	109,140	10,350	2,110	4,677	126,277
Transfer to stage 1	1,596	-1,582	-14	-	-
Transfer to stage 2	-1,988	2,075	-87	-	-
Transfer to stage 3	-98	-649	748	-	-
Net increase/decrease amount existing loans	-1,620	87	60	33	-1,440
New loans	21,173	408	85	89	21,756
Derecognitions	-17,329	-913	-130	-362	-18,734
Financial assets with actual loan losses	-393	-167	-25	-	-585
Balance at 31 March 2020	110,480	9,608	2,747	4,438	127,273

Group

31 March 2019

Loans subject to impairment

Gross loan	Stage 1	Stage 2	Stage 3	Fixed interest loans at FV	Total
Balance at 1 January	103,494	10,829	1,682	4,467	120,473
Transfer to stage 1	1,571	-1,567	-4	-	-
Transfer to stage 2	-1,148	1,165	-17	-	-
Transfer to stage 3	-10	-238	248	-	-
Net increase/decrease amount existing loans	-2,359	5	-1	-28	-2,382
New loans	13,348	292	11	337	13,988
Derecognitions	-10,947	-865	-40	-126	-11,978
Balance at 31 March	103,949	9,622	1,880	4,650	120,100

Group

31 December 2019

Loans subject to impairment

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

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank			(NOKm)	Group		
31 Dec 2019	31 March 2019	31 March 2020		31 March 2020	31 March 2019	31 Dec 2019
3,064	3,382	3,578	Agriculture, forestry, fisheries, hunting	3,578	3,382	3,064
645	985	923	Sea farming industries	923	985	645
1,582	1,544	1,525	Manufacturing	1,525	1,544	1,582
3,363	3,200	3,026	Construction, power and water supply	3,026	3,200	3,363
4,197	3,857	3,810	Retail trade, hotels and restaurants	3,810	3,857	4,197
1,059	1,127	295	Maritime sector	295	1,127	1,059
5,027	4,911	5,631	Property management	5,318	4,606	4,718
7,643	6,912	7,633	Business services	7,633	6,912	7,643
8,186	7,487	9,847	Transport and other services provision	9,479	6,979	7,819
13,162	11,680	12,004	Public administration	12,004	11,680	13,162
3,278	3,058	3,545	Other sectors	3,370	2,787	3,001
51,206	48,143	51,817	Total	50,962	47,059	50,253
35,664	34,052	37,190	Wage earners	37,190	34,052	35,664
86,870	82,195	89,007	Total deposits	88,152	81,111	85,917

Note 10 - Net interest income

Parent Bank				Group		
January - March				January - March		
2019	2019	2020	(NOKm)	2020	2019	2019
Interest Income						
246	49	67	Interest income from loans to and claims on central banks and credit institutions (amortised cost)	22	19	103
1,693	406	430	Interest income from loans to and claims on customers (amortised cost)	565	517	2,177
1,792	413	505	Interest income from loans to and claims on customers (Fair value over OCI)	509	418	1,814
134	32	33	Interest income from loans to and claims on customers (Fair value over Profit and loss)	33	32	134
375	83	116	Interest income from money market instruments, bonds and other fixed income securities (Fair value over Profit and loss)	115	82	371
-	-	-	Other interest income	7	7	26
4,241	982	1,151	Total interest income	1,250	1,075	4,626
Interest expense						
170	35	45	Interest expenses on liabilities to credit institutions	52	39	190
1,042	209	301	Interest expenses relating to deposits from and liabilities to customers	295	206	1,019
545	140	148	Interest expenses related to the issuance of securities	148	140	545
84	20	20	Interest expenses on subordinated debt	21	21	86
10	2	2	Other interest expenses	9	8	33
65	13	16	Guarantee fund levy	16	13	65
1,916	421	533	Total interest expense	540	426	1,939
2,325	562	618	Net interest income	710	648	2,687

Note 11 - Operating expenses

Parent Bank				Group		
January - March				January - March		
2019	2019	2020	(NOKm)	2020	2019	2019
234	57	63	IT costs	86	81	321
19	4	4	Postage and transport of valuables	5	5	23
63	12	15	Marketing	24	26	101
109	29	27	Ordinary depreciation	42	46	172
42	10	7	Operating expenses, real properties	9	13	57
134	24	38	Purchased services	53	36	193
149	35	37	Other operating expense	53	50	231
750	171	191	Total other operating expenses	273	257	1,098

Note 12 - Other assets

Parent Bank			(NOKm)	Group		
31.12.19	31.03.2019	31.3.20		31.3.20	31.3.19	31.12.19
-	-	-	Deferred tax asset	156	177	158
85	91	79	Fixed assets	215	235	222
342	362	338	Right to use assets	488	599	499
107	110	134	Earned income not yet received	186	178	132
13	565	422	Accounts receivable, securities	1,102	998	292
148	179	109	Pensions	109	179	148
546	340	571	Other assets	554	681	640
1,241	1,647	1,654	Total other assets	2,810	3,047	2,092

Note 13 - Other liabilities

Parent Bank			(NOKm)	Group		
31.12.19	31.3.19	31.3.20		31.3.20	31.3.19	31.12.19
48	84	38	Deferred tax	103	147	115
475	311	120	Payable tax	179	361	546
10	10	10	Capital tax	10	10	10
76	303	246	Accrued expenses and received, non-accrued income	602	625	455
127	173	291	Provision for accrued expenses and commitments	291	173	127
100	139	106	Losses on guarantees and unutilised credits	106	139	100
16	21	16	Pension liabilities	16	21	16
347	363	344	Lease liabilities	494	601	505
68	63	42	Drawing debt	42	63	68
6	53	5	Creditors	58	104	57
9	812	1,097	Debt from securities	1,677	1,129	197
-	-	-	Equity Instruments	34	30	244
287	1,076	1,188	Other liabilities	1,286	1,230	401
1,570	3,408	3,503	Total other liabilities	4,900	4,632	2,841

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

Group

	31 Dec 2019	Issued	Fallen due/ Redeemed	Other changes	31 March 2020
Change in securities debt (NOKm)					
Bond debt, nominal value	42,722	2,500	1,614	5,040	48,649
Value adjustments	73	-	-	387	460
Accrued interest	218	-	-	-24	195
Total	43,014	2,500	1,614	5,403	49,303
	31 Dec 2019	Issued	Fallen due/ Redeemed	Other changes	31 March 2020
Change in subordinated debt and hybrid equity (NOKm)					
Ordinary subordinated loan capital, nominal value	1,793	-	-	-	1,793
Hybrid equity, nominal value	287	-	24	-	263
Value adjustments	1	-	-	-1	0
Accrued interest	10	-	-	6	16
Total	2,090	-	24	5	2,071

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

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

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

Level 2: Valuation based on observable market data

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

Level 3: Valuation based on other than observable data

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

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	2	11,755	-	11,757
- Bonds and money market certificates	3,537	23,859	-	27,395
- Equity instruments	989	42	406	1,437
- Fixed interest loans	-	43	4,396	4,439
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	71,461	71,461
Total assets	4,527	35,699	76,263	116,489
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	18	7,986	-	8,004
- Equity instruments	34	-	-	34
Total liabilities	52	7,986	-	8,038

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	8	3,173	-	3,181
- Bonds and money market certificates	2,578	18,228	-	20,806
- Equity instruments	1,520	72	423	2,015
- Fixed interest loans	-	43	4,607	4,650
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	60,332	60,332
Total assets	4,106	21,515	65,362	90,984
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	7	3,171	-	3,178
- Equity instruments	30	-	-	30
Total liabilities	37	3,171	-	3,208

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	3	2,969	-	2,972
- Bonds and money market certificates	2,913	20,202	-	23,115
- Equity instruments	2,506	43	405	2,953
- Fixed interest loans	-	43	4,636	4,678
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	71,336	71,336
Total assets	5,421	23,256	76,377	105,053
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 March 2020:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	405	4,636	71,336	76,377
Investment in the period	6	91	14,177	14,274
Disposals in the period	-11	-395	-14,016	-14,421
Expected credit loss	-	-	-38	-38
Gain or loss on financial instruments	5	64	3	72
Closing balance	406	4,396	71,461	76,263

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

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	550	4,425	61,294	66,269
Investment in period	5	337	4,817	5,159
Disposals in the period	-166	-161	-5,780	-6,107
Expected credit loss	-	-	-0	-0
Gain or loss on financial instruments	35	7	0	42
Closing balance	423	4,607	60,332	65,362

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

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	550	4,425	61,294	66,269
Investment in period	24	1,054	44,421	45,499
Disposals in the period	-256	-818	-34,350	-35,424
Expected credit loss	-	-	-36	-36
Gain or loss on financial instruments	87	-25	6	68
Closing balance	405	4,636	71,336	76,377

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)

Floating rate mortgages classified at fair value through other comprehensive income (OCI) are valued based on carrying amounts and expected credit losses. Mortgages without significant increase in credit risk since initial recognition, are valued at nominal amount. For loans with a significant increase in credit risk since initial recognition, expected credit loss will be calculated as for assets at amortised cost. Estimated fair value on these mortgages are the carrying amount less lifetime expected credit losses. With a double likelihood of the worst case scenario in the expected credit loss model, the calculated fair value is reduced by NOK 7 million.

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

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

Equity instruments (level 3)

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 279 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank 1 SMN Invest AS. 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 March 2020:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumptions
Fixed interest loans	4,396	-1
Equity instruments through profit/loss*	406	-
Loans at fair value through other comprehensive income	71,584	-7

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

Note 16 - Liquidity risk

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

The group mitigates liquidity risk by diversifying its funding across different markets, funding sources, maturities and instruments and through the use of long-term funding. Contingency plans exist both for the group and the SpareBank 1 alliance for managing the liquidity situation in periods of capital market turbulence. These plans address both bank-specific and systemic crises and a combination of the two. The group's objective is to survive twelve months of ordinary operations without access to fresh external funding while housing prices fall 30 per cent. In the same period minimum requirements to LCR shall be fulfilled.

The average residual maturity on the portfolio of senior bonds and covered bonds at the end of the first quarter 2020 was 3.4 years. The overall LCR at the same point was 185 per cent and the average overall LCR in the first quarter was 175 per cent. The LCR in Norwegian kroner at quarter-end was 137 per cent. In euro there was a net cash inflow.

Note 17 - Earnings per EC

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

(NOKm)	Jan-March		
	2020	2019	2019
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	254	1,017	2,458
Allocated to ECC Owners 2)	162	650	1,572
Issues Equity Capital Certificates adjusted for own certificates	129,261,369	129,516,409	129,496,367
Earnings per Equity Capital Certificate	1.26	5.02	12.14

1) Adjusted Net Profit	Jan-March		
	2020	2019	2019
Net Profit for the group	290	1,046	2,563
Adjusted for non-controlling interests share of net profit	-12	-10	-56
Adjusted for Tier 1 capital holders share of net profit	-24	-19	-49
Adjusted Net Profit	254	1,017	2,458

2) Equity capital certificate ratio (parent bank) (NOKm)	31 March 2020	31 March 2019	31 Dec 2019
ECC capital	2,597	2,597	2,597
Dividend equalisation reserve	6,338	5,602	6,144
Premium reserve	895	895	895
Unrealised gains reserve	121	99	121
Other equity capital	-17	0	-
A. The equity capital certificate owners' capital	9,934	9,193	9,758
Ownerless capital	5,541	5,126	5,432
Unrealised gains reserve	68	56	68
Other equity capital	-10	0	-
B. The saving bank reserve	5,599	5,182	5,500
To be disbursed from gift fund	-	-	474
Dividend declared	-	-	840
Equity ex. profit	15,533	14,375	16,572
Equity capital certificate ratio A/(A+B)	64.0 %	64.0 %	64.0 %
Equity capital certificate ratio for distribution	64.0 %	64.0 %	64.0 %

Results from quarterly accounts

Group (NOKm)	1Q 2020	4Q 2019	3Q 2019	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Interest income effective interest method	1.250	1.235	1.190	1.127	1.075	1.082	1.025	989	962
Interest expenses	540	538	512	463	426	438	414	408	394
Net interest	710	697	678	664	649	644	610	581	568
Commission income	349	371	374	363	329	343	344	361	339
Commission expenses	50	47	55	51	40	42	45	45	36
Other operating income	271	255	235	294	262	242	186	291	239
Commission income and other income	570	579	554	606	551	543	486	607	542
Dividends	8	1	1	11	2	2	0	4	2
Income from investment in related companies	217	8	85	231	555	130	105	102	79
Net return on financial investments	-124	8	35	95	169	-37	77	195	99
Net return on financial investments	101	17	121	336	727	95	182	300	180
Total income	1.381	1.292	1.353	1.607	1.926	1.282	1.277	1.488	1.290
Staff costs	443	411	404	438	447	391	376	413	403
Other operating expenses	273	309	269	263	257	311	240	248	241
Total operating expenses	716	720	673	701	704	701	616	661	645
Result before losses	665	572	680	907	1.223	580	661	827	645
Loss on loans, guarantees etc.	308	103	71	59	67	67	69	78	48
Result before tax	357	469	609	848	1.155	513	592	748	596
Tax charge	67	123	121	165	109	104	119	156	131
Result investment held for sale, after tax	0	0	-0	0	0	-8	6	150	1
Net profit	290	346	488	683	1.046	401	480	743	466

Key figures from quarterly accounts

Group (NOKm)	1Q 2020	4Q 2019	3Q 2019	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Profitability									
Return on equity per quarter ¹⁾	5,7%	7,1%	10,2%	14,9%	23,3%	9,0%	11,1%	17,9%	11,2%
Cost-income ratio ¹⁾	52 %	56 %	50 %	44 %	37 %	55 %	48 %	44 %	50 %
Balance sheet figures									
Gross loans to customers	127.272	126.277	123.967	121.895	120.100	120.473	118.044	115.787	113.174
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	170.771	167.777	165.380	163.627	161.091	160.317	157.825	154.790	151.065
Deposits from customers	88.152	85.917	83.641	86.553	81.111	80.615	77.529	80.343	75.937
Total assets	185.182	166.662	166.475	167.289	164.641	160.704	159.337	159.584	152.083
Quarterly average total assets	175.922	166.569	166.882	165.965	162.673	160.021	159.460	155.833	152.668
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months ¹⁾	6,0 %	6,3 %	6,8 %	5,7 %	6,6 %	7,8 %	7,3 %	7,6 %	7,9 %
Growth in deposits last 12 months	8,7 %	10,8 %	4,1 %	7,7 %	6,8 %	5,4 %	6,1 %	6,3 %	8,2 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio ¹⁾	0,73 %	0,25 %	0,17 %	0,14 %	0,17 %	0,17 %	0,18 %	0,20 %	0,13 %
Non-performing commitm. as a percentage of gross loans ¹⁾	0,38 %	0,26 %	0,26 %	0,22 %	0,18 %	0,19 %	0,18 %	0,18 %	0,19 %
Other doubtful commitm. as a percentage of gross loans ¹⁾	1,23 %	1,00 %	1,03 %	1,00 %	0,99 %	0,86 %	0,86 %	0,95 %	0,90 %
Solidity ²⁾									
Common equity Tier 1 capital ratio	16,3 %	17,2 %	15,1 %	15,0 %	14,8 %	14,6 %	14,9 %	15,0 %	14,6 %
Tier 1 capital ratio	18,0 %	19,3 %	16,7 %	16,6 %	16,4 %	16,3 %	16,7 %	17,0 %	16,3 %
Capital ratio	20,1 %	21,6 %	18,9 %	18,8 %	18,6 %	18,5 %	19,2 %	19,0 %	18,2 %
Tier 1 capital	17.792	17.742	17.417	17.284	16.775	16.472	16.542	16.488	15.697
Total eligible capital	19.879	19.854	19.765	19.634	19.115	18.743	18.969	18.418	17.518
Liquidity Coverage Ratio (LCR)	185 %	148 %	181 %	165 %	180 %	183 %	150 %	150 %	162 %
Leverage Ratio	6,9 %	7,5 %	7,4 %	7,5 %	7,4 %	7,4 %	7,5 %	7,4 %	7,3 %
Key figures ECC									
ECC share price at end of period (NOK)	67,60	100,20	98,50	97,70	87,40	84,20	90,90	84,50	80,90
Number of certificates issued, millions ¹⁾	129,22	129,30	129,48	129,66	129,41	129,62	129,44	129,31	129,38
Booked equity capital per ECC (including dividend) ¹⁾	86,85	90,75	89,36	87,04	83,86	83,87	82,57	80,21	76,53
Profit per ECC, majority ¹⁾	1,26	1,60	2,30	3,21	5,02	1,90	2,32	3,54	2,21
Price-Earnings Ratio ¹⁾	13,46	15,67	10,69	7,61	4,35	11,05	9,77	5,97	9,16
Price-Book Value Ratio ¹⁾	0,78	1,10	1,10	1,12	1,04	1,00	1,10	1,05	1,06

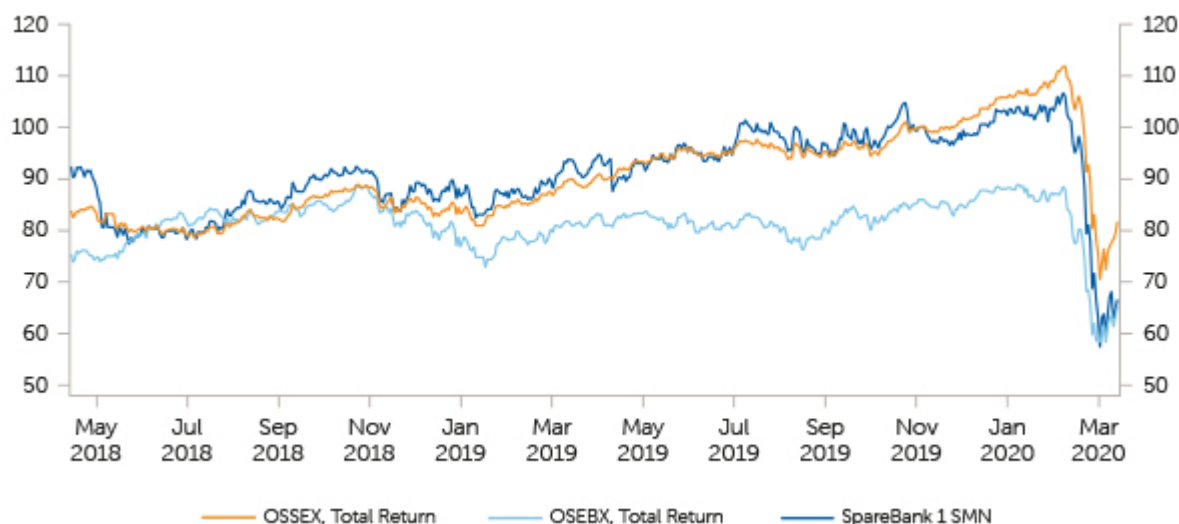
1) Defined as alternative performance measures, see attachment to the quarterly report

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

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 April 2018 to 31 March 2020

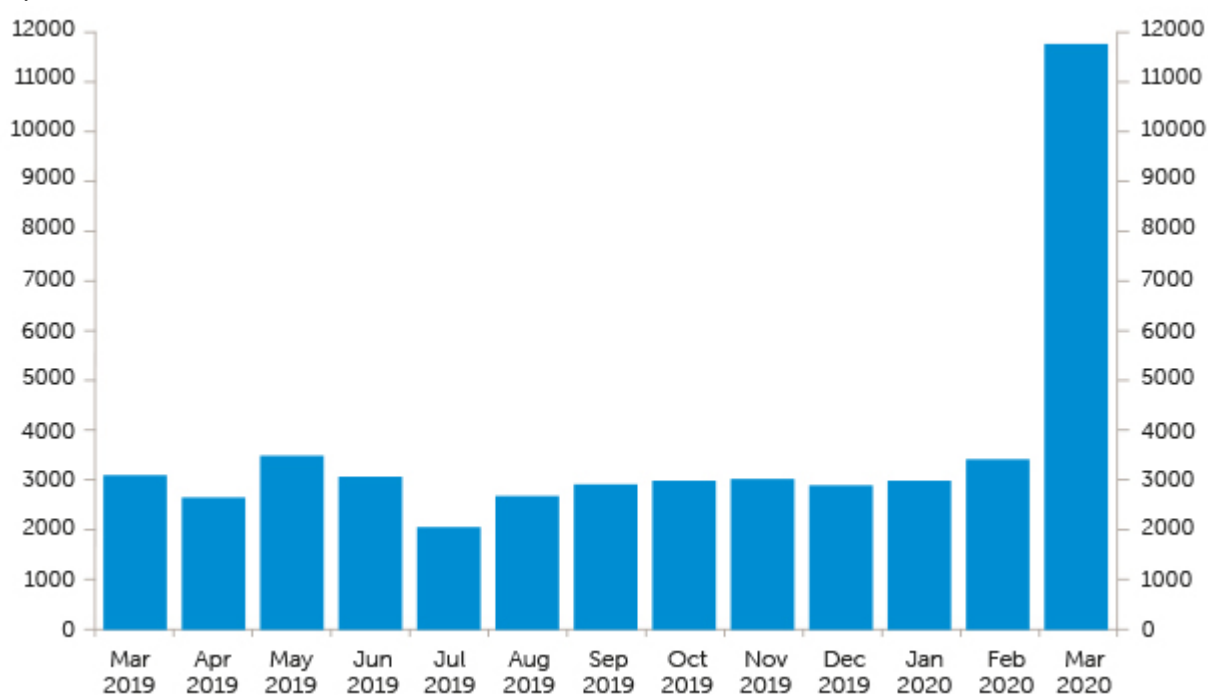


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 April 2018 to 31 March 2020



Total number of ECs traded (1000)

20 largest ECC holders	Number	Share
VPF Nordea Norge	4,864,385	3.75 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
Euroclear Bank S.A./N.V.	3,537,174	2.72 %
VPF Odin Norge	3,342,919	2.57 %
Danske Invest Norske aksjer institusjon II.	3,162,149	2.44 %
Vertex Markets SA	3,000,000	2.31 %
J.P. Morgan Securities plc	2,761,083	2.13 %
VPF Pareto aksje Norge	2,397,025	1.85 %
State Street Bank and Trust Comp (nominee)	2,262,954	1.74 %
VPF Alfred Berg Gambak	2,163,100	1.67 %
State Street Bank and Trust Comp (nominee)	2,157,539	1.66 %
Morgan Stanley & Co. International	2,100,862	1.62 %
Pareto Invest AS	1,782,600	1.37 %
Forsvarets personellservice	1,779,246	1.37 %
VPF Eika egenkapitalbevis	1,719,305	1.32 %
KBC bank NV	1,413,000	1.09 %
VPF Nordea kapital	1,408,636	1.08 %
MP pensjon PK	1,352,771	1.04 %
J. P. Morgan Bank Luxembourg S.A. (nominee)	1,352,299	1.04 %
Danske invest norske aksjer institusjon I	1,341,275	1.03 %
The 20 largest ECC holders in total	47,863,713	36.86 %
Others	81,972,730	63.14 %
Total issued ECCs	129,836,443	100.00 %

Dividend policy

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

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

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

Auditor's report



To the Board of Directors of SpareBank 1 SMN

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying consolidated interim balance sheet of SpareBank 1 SMN as of 31 March 2020, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of the entity as at 31 March 2020, and its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Trondheim, 7 May 2020
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

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

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