

Second Quarter Report 2020



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Main figures

	First half					
	2020		2019		2019	
From the income statement	NOKm	%¹⁾	NOKm	%¹⁾	NOKm	%¹⁾
Net interest	1,376	1.52	1,313	1.60	2,687	1.63
Net commission income and other income	1,177	1.30	1,157	1.41	2,290	1.39
Net return on financial investments	549	0.61	1,063	1.29	1,201	0.73
Total income	3,102	3.43	3,533	4.30	6,178	3.74
Total operating expenses	1,422	1.57	1,404	1.71	2,797	1.69
Results before losses	1,680	1.86	2,129	2.59	3,380	2.05
Loss on loans, guarantees etc	478	0.53	126	0.15	299	0.18
Results before tax	1,202	1.33	2,003	2.44	3,081	1.87
Tax charge	193	0.21	274	0.33	518	0.31
Result investment held for sale, after tax	0	0.00	0	0.00	0	0.00
Net profit	1,008	1.12	1,729	2.11	2,563	1.55
Interest Tier 1 Capital	38		29		49	
Net profit excl. Interest Tier 1 Capital	970		1,700		2,514	
	30		30		31 Dec	
	June		June		2019	
	2020		2019		2019	
Key figures						
Profitability						
Return on equity ²⁾	10.3 %		19.0 %		13.7 %	
Cost-income ratio ²⁾	46 %		40 %		45 %	
Balance sheet figures						
Gross loans to customers	130,627		121,895		126,277	
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	175,100		163,627		167,777	
Deposits from customers	94,289		86,553		85,917	
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	72 %		71 %		68 %	
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt ²⁾	54 %		53 %		51 %	
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt) ²⁾	7.0 %		5.7 %		4.7 %	
Growth in deposits last 12 months	8.9 %		7.7 %		6.6 %	
Average total assets	180,776		164,211		165,154	
Total assets	190,484		167,289		166,662	
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt						
Impairment losses ratio ²⁾	0.56 %		0.16 %		0.18 %	
Non-performing commitm. as a percentage of gross loans ²⁾	0.39 %		0.22 %		0.26 %	
Other doubtful commitm. as a percentage of gross loans ²⁾	0.97 %		1.00 %		1.00 %	
Solidity ³⁾						
Capital ratio	21.1 %		18.8 %		21.6 %	
Tier 1 capital ratio	18.9 %		16.6 %		19.3 %	
Common equity Tier 1 capital ratio	17.2 %		15.0 %		17.2 %	
Tier 1 capital	18,182		17,284		17,742	
Total eligible capital	20,266		19,634		19,854	
Liquidity Coverage Ratio (LCR)	163 %		165 %		148 %	
Leverage Ratio	6.9 %		7.5 %		7.5 %	
Branches and staff						
Number of branches	46		48		46	
No. Of full-time positions	1,515		1,556		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	30 June 2020	30 June 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⁾	129.39	129.66	129.30	129.62	129.38	129.64
ECC share price at end of period (NOK)	78.30	97.70	100.20	84.20	82.25	64.75
Stock value (NOKM)	10,131	12,668	12,956	10,914	10,679	8,407
Booked equity capital per ECC (including dividend) ²⁾	90.37	87.04	90.75	83.87	78.81	73.35
Profit per ECC, majority ²⁾	4.53	8.23	12.14	9.97	8.71	7.93
Dividend per ECC ³⁾			6.50	5.10	4.40	3.00
Price-Earnings Ratio ²⁾	8.65	5.94	8.26	8.44	9.44	8.17
Price-Book Value Ratio ²⁾	0.87	1.12	1.10	1.00	1.04	0.88

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

3) Dividend for 2019 was reduced from 6.50 to 5.0, as described in note 1

Report of the Board of Directors

First half 2020

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

Main points for the first half of 2020

- Pre-tax profit: NOK 1,202m (2,003m)
- Post-tax profit: NOK 1,008m (1,729m)
- Return on equity: 10.3% (19.0%)
- CET1 ratio: 17.2% (15.0%)
- Growth in lending: 7.0% (5.7%) and in deposits: 8.9% (7.7%) over last 12 months
- Growth in lending to retail borrowers: 7.9% (6.7%) over last 12 months
- Growth in lending to corporate borrowers: 5.2% (3.6%) over last 12 months
- Lending to retail borrowers accounts for 68% (68%) of total lending
- Losses on loans and guarantees: NOK 478m (126m), 0.16% (0.16%) of gross outstanding loans
- Earnings per EC: NOK 4.53 (8.23). Book value per EC: NOK 90.37 (87.04)

Results for the second quarter of 2020

- Pre-tax profit: NOK 845m (848m)
- Post-tax profit: NOK 719m (683m)
- Return on equity: 15.1% (14.9%)
- Growth in lending: 2.5% (1.6%) and in deposits: 7% (6.7%)
- Lending to retail borrowers rose by 2.4% in the quarter (2.2%), 0.7 percentage points more than in the first quarter
- Lending to corporate borrowers rose by 2.7% (0.3%), 0.8 percentage points more than in the first quarter
- Net result of ownership interests: NOK 177m (231m)
- Net result of financial instruments: NOK 271m (106m)
- Losses on loans: NOK 170m (59m), 0.39% (0.14%) of gross outstanding loans
- Earnings per EC: NOK 3.27 (3.21)

Corona crisis continues to have an impact

The situation after lockdown in a number of countries at the end of the first quarter was a broad-based international economic crisis accompanied by rising unemployment and a dramatic fall in demand, despite highly expansionary fiscal policies in most countries. The Norwegian economy was also hit hard. The oil price was heavily reduced and the Norwegian krone depreciated considerably in the first quarter. Norges Bank (Norway's central bank) lowered its base rate to 0 per cent, with ensuing interest rate cuts by the banks. A wave of lay-offs was triggered in a number of sectors and in April 15 per cent of the labour force was registered as jobseekers and 10 per cent as wholly unemployed. Government authorities initiated a series of measures to assist firms and private individuals. The macroeconomic picture reflected considerable uncertainty, and concern as to how the infection situation would pan out was substantial.

At the end of the second quarter the uncertainty remains large. However, there is no doubt that positive trends have been in evidence in the second quarter and subsequently. The oil price and the Norwegian krone have strengthened. The securities market remains volatile, but has shown a substantial value increase since April. Unemployment has fallen from a very high level to about 4.5 per cent – which is true enough twice the level in effect prior to the crisis. The housing market has also improved, but the uncertainty remains. Individual sectors such as the offshore and hospitality industries also face challenges.

After a period of very stringent corona restrictions, society has gradually reopened, entailing a normalisation of society and business. SpareBank 1 SMN has throughout the period serviced its customers by means of extended working from home, thereby maintaining normal operations. In the period since March digitalisation of society and the bank alike has gathered pace, and a steadily increasing proportion of the bank's products are sold and utilised digitally.

SpareBank 1 SMN is the region's leading finance house and shouldered its responsibility in a highly demanding situation at an early stage. A number of measures were taken to accommodate the needs of businesses and private individuals. The group offered among other things mortgage payment holidays to businesses and private individuals, and advances of unemployment benefit to retail customers. SpareBank 1 SMN was allocated government-guaranteed loans worth NOK 1.5bn for mediation to corporate clients in the region. A special task force was set up to assist the group's corporate clients in a very demanding period. Moreover, through the group's social dividend model, NOK 100m was earmarked to help voluntary bodies, clubs and associations in the region through the crisis.

SpareBank 1 SMN has a robust and well-diversified business model which shows its strength above all in times of crisis. The bank's ambition and the strategies stand firm. SMN intends to remain one of the best performing banks in the Nordic region.

One SMN

Throughout the second quarter, the group has continued its work with a wide ranging profitability and enhancement project, One SMN. The project is an important step in realising the group's strategy, and will provide the basis for a united and forward-looking group. Overarching objectives are an improved customer experience, profitability improvements and a strengthened market position. Measures have been identified aimed at providing a profit improvement of NOK 400m through increased synergies, increased revenues, cost efficiencies and improved capital utilisation across the entire group. Some of these measures have been initiated; others will be decided on and implemented over the course of the autumn. The measures include:

- Development of new value propositions for the group's customers and of new concepts in collaboration between the business lines
- Improvement of price models and increased use of analytical insight in the customer dialogue
- Renewed service concepts to prioritised segments
- An increased degree of digitalisation for a forward-looking, simplified and more efficient distribution. SpareBank 1 SMN will retain a strong physical presence in its market area
- A group-oriented organisation set-up with a view to creating more business across the group and to achieving efficiency gains. The group management will be aligned to the new organisation, and joint group functions will be established
- Reduction of operating and IT expenses across all business lines

Management change at SpareBank 1 SMN Regnskapshuset

Jon Havdal has stepped down as CEO of SpareBank 1 SMN Regnskapshuset in order to build up his own business. Jon Havdal has presided over SpareBank 1 SMN Regnskapshuset during 13 years of strong growth and good results. Arne Nypan takes over as CEO of Regnskapshuset. Arne Nypan comes from the position of CEO of SpareBank 1 SMN Finans Midt-Norge. The process of recruiting a new head of SpareBank 1 SMN Finans Midt-Norge is under way.

Post-tax profit of NOK 719m for the second quarter

In the second quarter SpareBank 1 SMN posted a profit of NOK 719m after tax, and a return on equity of 15.1 per cent (14.9 per cent). The result for the second quarter is NOK 429m better than in the first quarter of 2020. Earnings per equity certificate (EC) in the second quarter were NOK 3.27 (3.21) and book value per equity certificate was NOK 90.37 (87.04).

The profit before financial investments in the second quarter of 2020 was NOK 397m. This was NOK 142m better than in the first quarter, mainly due to lower losses. The profit before financial investments was slightly weaker compared with the same quarter of 2019 – due to higher losses.

Net interest income in the second quarter was NOK 666m (664m), which is NOK 44m lower than in the first quarter. Since March, Norges Bank has lowered its base rate by 150 points to zero, and NIBOR fell 120 points from the first to the second quarter. This prompted two mortgage rate cuts in the second quarter with effect from 30 April and from 25 May, while deposit rates were reduced with effect from 22 May and 12 July. The result was an increase in margins on loans and a reduction in margins on deposits from the first to the second quarter, inasmuch as NIBOR fell more quickly than lending and deposit rates in the second quarter. A lower interest rate level brought lower return on equity in the second quarter.

Commission income rose from the previous quarter by NOK 37m to NOK 607m (606m). Increased incomes were noted from savings products, securities services and real estate agency compared with the previous quarter. Incomes are at the same level as in the corresponding quarter of 2019.

Return on financial investments was excellent in the second quarter at NOK 271m (106m) which was NOK 387m better than in the first quarter. Losses on financial investments in the first quarter as a result of the corona crisis were largely reversed in the second quarter at the bank, SpareBank 1 Markets, SpareBank 1 Boligkreditt and in SpareBank 1 Gruppen.

Related companies recorded a profit of NOK 177m (231m) which was an increase of NOK 300m over the first quarter, disregarding the insurance gain of NOK 340m in the first quarter. The change from the first to second quarter is in all essentials down to an improved profit performance by SpareBank 1 Gruppen due to an improved underwriting result and more positive securities markets.

Operating expenses were reduced by almost NOK 10m from the first to second quarter, and totalled NOK 706m (701m).

Losses on loans in the second quarter came to NOK 170m (59m), NOK 138m lower than in the first quarter. Losses on loans to the group's corporate clients totalled NOK 168m (44m). Losses on loans to retail borrowers in the second quarter were NOK 2m (14m).

Quickening growth in the second quarter

Lending grew in the second quarter of 2020 by 2.5 per cent (1.6 per cent). Growth in lending to retail borrowers in the second quarter of 2020 was 2.4 per cent (2.2 per cent). Lending to corporate borrowers increased by 2.7 per cent (0.3 per cent) in the second quarter of 2020.

Deposits rose by 7.0 per cent (6.7 per cent) in the second quarter. Retail customer deposits rose by 10.2 per cent (6.3 per cent) and corporate customer deposits by 4.6 per cent (7.0 per cent) in the quarter.

Profit of NOK 1,008m in the first half of 2020

SpareBank 1 SMN recorded a pre-tax profit of 1,202m (2,003m) in the first half of 2020. The net profit is NOK 1,008m (1,729m) and return on equity is 10.3 per cent (19.0 per cent).

Operating income in the first half of 2020 totalled NOK 2,553m (2,470m), an increase of NOK 83m over the previous year. NOK 55m of the income growth derives from banking operations and NOK 28m from the bank's subsidiaries.

Operating expenses amounted to NOK 1,422 (1,404m) in the first half of 2020. The increase of NOK 18m comprises NOK 40m from banking operations and an overall reduction of NOK 22m on the part of the subsidiaries.

The profit share from owner interests and related companies was NOK 394m (786m), including a one-time gain from insurance of NOK 340m (460m).

Return on financial instruments including dividends came to NOK 155m (277m).

Losses on loans and guarantees totalled NOK 478m (126m).

Growth in lending has quickened, and overall lending growth in the last 12 months was 7.0 per cent (5.7 per cent). Overall deposits increased by 8.9 per cent (7.7 per cent).

The CET1 ratio as at 30 June 2020 was 17.2 per cent (15.0 per cent). The target CET1 ratio is 15.4 per cent.

The price of the bank's equity certificate (MING) at the half-year mark was NOK 78.30 (97.70). A cash dividend of NOK 5.0 (5.10) per EC has been paid in 2020 for the year 2019.

Earnings per EC were NOK 4.53 (8.23). The book value per EC was NOK 90.37 (87.04) per EC.

Increased net interest income

Net interest income rose by NOK 63m to NOK 1,376m (1,313m) in the first half of 2020. Changes in the net interest income are in all essentials ascribable to

- increased lending to and deposits from retail and corporate clients
- increased margins on loans to retail and corporate clients
- reduced margins on deposits from retail and corporate clients
- NIBOR was 30 points lower in the first half of 2020 than in the first half of 2019, bringing lower return on the bank's equity capital

Since 13 March 2020 Norges Bank has lowered its base rate from 1.50 to zero. SpareBank 1 SMN lowered its mortgage lending rate by up to 85 points with effect from 5 April 2020 and by a further 40 points as from 22 May 2020. Deposit rates have been lowered with effect from 22 May and 12 July. NIBOR has been reduced by 150 points over the course of 2020.

The bank lowered its lending rates ahead of the customary six-week deadline, while the change in deposit rates was in line with the ordinary deadline of eight weeks. It takes a while for reduced NIBOR to feed through to the cost of market funding. This has impacted negatively on net interest income in the quarter.

A lower interest rate level has brought lower net interest income from equity capital from the second quarter.

Norges Bank expects an unchanged base rate over the next couple of years. Norges Bank thereafter anticipates a gradual increase in the base rate as conditions in the economy normalise.

Increased other income

Commission income and other operating incomes have risen by NOK 20m to NOK 1,177m (1,157m) 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 150m (178m) in the first half of 2020. Income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt has fallen by NOK 28m as a result of reduced margins on the loans sold.

Other commission income totalled NOK 1,027m (980m). The growth of NOK 47m is distributed across most income groups.

A high proportion of multi-product customers is important for the bank. It makes for high customer satisfaction and a diversified income flow for the bank.

Commission income (NOKm)	First half		Change
	2020	2019	
Payment transfers	109	103	7
Creditcard	31	29	1
Saving products	50	45	5
Insurance	95	89	5
Guarantee commission	28	25	3
Real estate agency	188	199	-11
Accountancy services	290	278	11
Markets	210	187	22
Other commissions	27	24	3
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	1,027	980	47
Commissions SB1 Boligkreditt	144	169	-25
Commissions SB1 Næringskreditt	6	8	-2
Total commissions	1,177	1,157	20

Return on financial investments

Overall return on financial investments excluding dividends was NOK 145m (264m). This breaks down as follows:

- Losses on shares in the group totalled NOK 6m (gain of NOK 107m)
- Gains on the bond and CD portfolio were NOK 174m (47m) after a narrowing of credit spreads
- Financial derivatives have brought losses of NOK 97m (gains of NOK 63m). These are essentially losses on fixed income instruments and are ascribable to falling interest rates through the first half-year.
- Other financial instruments measured at fair value include value changes on the bank's portfolio of fixed interest loans, and show a loss of NOK 14m (1m)
- Income of NOK 68m (23m) 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 21m (23m)

Return on financial investments (NOKm)	First half		
	2020	2019	Change
Capital gains shares	-6	107	-113
Gain/(loss) on certificates and bonds	174	47	127
Gain/(loss) on derivatives	-97	63	-160
Gain/(loss) on financial instruments related to hedging	-3	-5	2
Gain/(loss) on other financial instruments at fair value (FVO)	-11	6	-17
Foreign exchange gain/(loss)	68	23	45
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	21	23	-2
Net return on financial instruments	145	264	-118

Product companies and other related companies

The product companies give the banks access to a broader product range and hence commission incomes, as well as return on invested capital. The overall result of the product companies and other related companies was NOK 54m (326m) in the first half 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. A gain of NOK 460m was recorded on the establishment of Fremtind Forsikring in the first half of 2019.

Income from investment in associated companies	First half		
	2020	2019	Change
SpareBank 1 Gruppen	-7	224	-231
Gain Fremtind	340	460	-120
SpareBank 1 Boligkreditt	10	22	-12
SpareBank 1 Næringskreditt	9	10	-1
SpareBank 1 Kreditt	2	8	-6
BN Bank	50	51	-1
SpareBank 1 Betaling	-2	10	-12
Other companies	-9	1	-10
Income from investment in associated companies	394	786	-392

SpareBank 1 Gruppen

SpareBank 1 SMN owns 19.5 per cent of SpareBank 1 Gruppen. 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.

Profit share after tax from SpareBank 1 Gruppen was reduced by a total of NOK 351 million from first half of 2019, of which NOK 120 million is due to lower merger gains. In the first half of 2019 a gain of 460 million

kroner from the merger of Fremtind Forsikring, while in 2020 340 NOK million in profit effect of merger Fremtind Livsforsikring. Underlying profit share in the SpareBank 1 Group was reduced by NOK 231 million from 2019 to NOK -7 million in 2020. The deficit in the first half of 2020 is strongly affected by the Covid-19 situation. Significant insurance provisions and payments on travel insurance are partly offset by income from reinsurer related to Covid-19 damages. In addition, the company has had a negative return on financial instruments. In the first half of 2019, the share of profit from SpareBank 1 Gruppen included 116 million in revaluation of properties.

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 30 June 2020 the bank had sold loans totalling NOK 43.1bn (40.0bn) 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 half of 2020 was minus NOK 10m (22m).

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 30 June 2020, loans worth NOK 1.4bn (1.7bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 31.0 per cent, and the bank's share of the company's profit for the first half of 2020 was NOK 9m (10m). The bank's holding reflects the bank's relative share of commercial property loans sold and the bank's stake in BN Bank.

SpareBank 1 Kreditt

SpareBank 1 Kredittkort has changed name to SpareBank 1 Kreditt. The company now delivers products for all types of unsecured credit, including credit cards, consumer loans, refinancing, part payment and payment deferment to retail customers in Norway. The company currently has 48 employees and is headquartered in Trondheim.

The profit for the first half of 2020 was NOK 11m (44m). 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 half of 2020 was NOK 2m (8m), and the bank's share of the portfolio is NOK 892m (892m).

SpareBank 1 Kredittkort also manages the LOfavør credit card programme and the Sparebanken Møre credit card programme.

BN Bank

SpareBank 1 SMN owns 35.0 per cent of BN Bank as at 30 June 2020. BN Bank is 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 half of 2020 was NOK 150m (152m), yielding a return on equity of 7.5 per cent (7.5 per cent). SpareBank 1 SMN's share of BN Bank's profit for the first half of 2020 was NOK 50m (51m) adjusted for its share of the profit of BN Bolig.

SpareBank 1 Betaling

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).

SpareBank 1 Betaling posted a deficit of NOK 9m in the first half of 2020, and SpareBank 1 SMN's share of the deficit comes to NOK 2m (gain of 10m).

Operating expenses

Overall group operating expenses rose by NOK 18m, or 1.3 per cent, to NOK 1,422m (1,404m) in the first half of 2020.

The bank's expenses increased by NOK 40m to NOK 706m (666m) compared with the first half of 2019. The increase comes to 5.9 per cent. The focus on the LO (Norwegian Confederation of Trade Unions) segment has required additional FTEs in the retail banking arm in the first half of 2020. Moreover, increased costs have been incurred on digitalisation and modernisation of the bank.

Overall costs among the subsidiaries were reduced by NOK 22m to NOK 717m (739m) in the last 12 months. The decline in costs is down to the disposal of BN Bank in the fourth quarter of 2019. The subsidiaries report low cost growth compared with the same period last year.

While the group's cost growth is below the targeted level of 2 per cent, the trend in costs in the banking arm is not satisfactory. The profitability project 'One SMN' prioritises taking out synergies through efficiency gains and general cost reductions across the entire group. A simplified and more group-oriented organisation set-up will lay a substantial part of the basis for efficiency gains. The aim is cost reductions of NOK 200m on an annual basis, to be achieved over a two-year period. This entails staff reductions, a simplified distribution structure, increased digitalisation and reductions in IT-costs and other operating expenses.

As a consequence of lower activity since the lockdown, the 2020 cost target is tightened, the target being to keep cost growth in 2020 below 2 per cent.

The group's cost-income ratio was 46 per cent (40 per cent) while the parent bank's cost-income ratio was 33 per cent (26 per cent).

Losses and defaults

Loan losses in the first half of 2020 totalled NOK 478m (126m). Loan losses measure 0.56 per cent of total outstanding loans (0.16 per cent).

A loss of NOK 427m (231m) was recorded on loans to the group's corporate clients. NOK 163m of this figure relates to a single exposure. Offshore sector losses totalled NOK 167m. Increased provisions of NOK 41m and NOK 56m have been made in stage 1 and 2 in light of weaker prospects for the Norwegian economy due to negative migration in the remaining corporate portfolio.

Overall loan losses of NOK 51m (25m) are recorded on loans to retail borrowers in the first half of 2020, of which NOK 43m is related to changed assumptions prompted by changes in the bank's loss model in the first quarter. No basis was found for revising the assumptions in the second quarter.

Write-downs on loans and guarantees total NOK 2,414 m (1,008 m) as at 30 June 2020.

Overall problem loans (defaulted and doubtful) come to NOK 2,370m (1,998m), corresponding to 1.35 per cent (1.22 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. All loans classified to stage 3 of the expected loss model are defined as problem loans.

Defaults in excess of 90 days totalled NOK 678m (356m). Defaults measure 0.39 per cent of gross outstanding loans (0.22 per cent).

Other doubtful exposures total NOK 1,692m (1,641m). Other doubtful exposures measure 0.97 per cent (1.00 per cent) of gross outstanding loans.

Of the bank's overall loan exposure, a low proportion is to exposed industries as a result of the corona crisis and the oil crisis, and only 4.5 per cent of the exposure is to industries considered to be highly exposed – oil, offshore, retail trade, hotels and service industries.

Total assets of NOK 190bn

The bank's assets totalled NOK 190bn (167bn) as at 30 June 2020, having risen by NOK 23bn, i.e. by 13.9 per cent, over the last 12 months. Total assets have risen as a result of increased liquidity holdings and higher lending volume.

As at 30 June 2020 loans worth a total of NOK 44bn (42bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and to SpareBank 1 Næringskreditt. 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 11.5bn (8.8bn) or 7.0 per cent (5.7 per cent) in the last 12 months to reach NOK 175.1bn (163.6bn) as at 30 June 2020. Growth in the first half-year was 4.4 per cent (4.0 per cent).

- Lending to personal borrowers rose in the last 12 months by NOK 8.7bn (7.0bn) to NOK 119.9bn (111.1bn). Growth in the period was 7.9 per cent (6.7 per cent). The growth in the first half-year was NOK 4.2 per cent (2.8 per cent).
- Lending to corporate borrowers rose in the last 12 months by NOK 2.7bn (1.8bn) to NOK 55.2bn (52.5bn). Growth in the period was 5.2 per cent (3.6 per cent). Lending to corporate borrowers rose in the first half of 2020 by 4.7 per cent (0.6 per cent).
- Lending to personal borrowers accounted for 68 per cent (68 per cent) of total outstanding loans to customers as at 30 June 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). The growth in lending to corporate borrowers is largely to small and medium-sized businesses.

(For distribution by sector, see note 5).

Good growth in deposits and a strengthened deposit-to-loan ratio

Customer deposits rose in the last 12 months by NOK 7.7bn (6.2bn) to NOK 94.3bn (86.6bn). This represents a growth of 8.9 per cent (7.7 per cent). Deposits rose by 9.7 per cent (7.4 per cent) in the first half of 2020.

- Personal deposits rose by NOK 4.8bn (1.8bn), or 13.2 per cent (5.4 per cent), to reach NOK 41.0bn. In the first half-year deposits in Retail Banking rose by 14.9 per cent (9.5 per cent).
- Corporate deposits rose by NOK 2.9bn (4.4bn), or 5.9 per cent (9.5 per cent), to reach NOK 53.3bn. In the first half-year deposits in Corporate Banking rose by 6.1 per cent (5.9 per cent)
- The deposit-to-loan ratio at SpareBank 1 SMN was 72 per cent (71 per cent). The deposit-to-loan ratio including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 54 per cent (53 per cent).

The increased growth in deposits by retail customers is a consequence of reduced consumption resulting from the corona crisis.

(For distribution by sector, see note 9).

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 10.9bn (10.9bn) as at 30 June 2020. Growth is noted in equity funds, but a corresponding decline is seen in active management products.

Saving products, customer portfolio (NOKm)	January - June		Change
	2020	2019	
Equity funds	7,478	6,790	688
Pension products	742	752	-10
Active management	2,649	3,372	-723
Total	10,869	10,914	-45

Insurance

The bank's overall insurance portfolios have increased by 8 per cent over the last 12 months. Growth has been satisfactory both for non-life and personal insurances.

Insurance, premium volume (NOKm)	January - June		Change
	2020	2019	
Non-life insurance	929	846	83
Personal insurance	386	363	23
Occupational pensions	314	296	18
Total	1,629	1,505	124

Retail Banking

Outstanding loans to retail borrowers total NOK 124bn (115bn) while deposits total NOK 48bn (43bn) as at 30 June 2020. These are loans to and deposits from wage earners, agricultural customers and sole proprietorships with the bank.

Retail Banking's operating income totalled NOK 992m (1,049m) in the first half of 2020, a decline of NOK 57m. Net interest income amounted to NOK 622m (664m) and commission income to NOK 369 (385m). Return on capital employed in the retail banking segment was 11.4 per cent (13.8 per cent). Capital employed is regulatory capital of 15.4 per cent, corresponding to the Group's targeted CET1 ratio.

The lending margin in the first half of 2020 was 1.81 per cent (1.58 per cent), while the deposit margin was 0.02 per cent (0.52 per cent) measured against three-month NIBOR. The market interest rate in terms of a three-month NIBOR was about 30 points lower in the first half of 2020 than in the first half of 2019.

Retail lending and retail deposits grew by 7.7 per cent (6.1 per cent) and 12.4 per cent (6.0 per cent) respectively in the last 12 months.

Lending to retail borrowers consistently carries low direct risk, as reflected in continued low losses. The loan portfolio is secured by residential property. The number of mortgage payment holidays granted rose substantially in the second half of March, normalising from April onwards.

Corporate Banking

Outstanding loans to corporates total NOK 42bn (38bn) and deposits total NOK 45bn (42bn) as at 30 June 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 747m (681m) in the first half of 2020. Net interest income was NOK 619m (576m), and commission income and return on financial investments came to NOK 128m (105m). The income growth is attributable to increased lending and improved lending margins, as well as to increased guarantee commissions and foreign exchange and payment incomes.

The lending margin was 2.88 per cent (2.61 per cent) and the deposit margin was minus 0.10 per cent (0.02 per cent) in the first half of 2020.

Lending rose by 5.5 per cent (1.3 per cent) and deposits rose by 5.5 per cent (10.4 per cent) in the last 12 months.

Net losses in the corporate banking segment total NOK 410m (93m) in the first half of 2020. NOK 163m of the losses refers to a single exposure and NOK 167m to the offshore sector. Also noted are increased provisioning as a result of lower expectations of the Norwegian economy and a general negative migration in the portfolio.

Return on capital employed for the corporate banking segment was 4.1 per cent (11.8 per cent) in the first half 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 226.4m (226.5m) in the first half of 2020.

Pre-tax profit (NOKm)	January - June		Change
	2020	2019	
EiendomsMegler 1 Midt-Norge	30.4	31.0	-0.7
BN Bolig	0.0	-16.8	16.8
SpareBank 1 Regnskapshuset SMN	66.9	61.8	5.1
SpareBank 1 Finans Midt-Norge	92.9	74.4	18.5
Sparebank 1 Markets	55.1	28.6	26.5
SpareBank 1 SMN Invest	-12.0	47.3	-59.3
SpareBank 1 SMN Spire Finans	-12.3	-8.2	-4.1
Other companies	5.4	8.4	-3.0
Total	226.4	226.5	-0.1

EiendomsMegler 1 Midt-Norge is the market leader in Trøndelag and in Møre and Romsdal. Operating income in the first half of 2020 was NOK 188m (199m), while operating expenses were NOK 158m (184m).

EiendomsMegler 1's pre-tax profit in the first half of 2020 was NOK 30.4m (31.0m). 3,368 dwelling units were sold in the first half of 2020 compared with 3,354 in the same period of 2019. The company's market share as at 30 June 2020 was 36.5 per cent (37.1 per cent).

BN Bolig was sold in the fourth quarter of 2019.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 66.9m (61.8m) in the first half of 2020. Operating income increased to NOK 303.5m (290.5), a growth of 4.4 per cent.

The strong profit growth is mainly ascribable to:

- Initiated efficiency projects having contributed to increased operating income per FTE
- A continued strong focus on costs having contributed to a significant reduction in other operating expenses

The company's market share in Trøndelag and in Møre and Romsdal is 25 per cent, an increase of more than 2 percentage points over the last 12 months.

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.

SpareBank 1 Finans Midt-Norge delivered a pre-tax profit of NOK 92.9m in the first half of 2020 (74.4m). The company has shown good income growth with incomes totalling NOK 162.1m (138.5m). Moderate growth in costs has also been noted, and operating expenses in the first half of 2020 totalled NOK 44.8m (43.3m). Losses in the first half of 2020 came to NOK 24.5m (20.9m).

The company's business lines are mainly leasing to the SMB market and car loans to retail customers. The company manages leasing and car loan agreements worth a total of NOK 9.3bn (8.4bn), of which leasing agreements account for NOK 3.8bn (3.4bn) and car loans for NOK 5.3bn (4.7bn). The company also offers consumer loans, and at quarter-end this portfolio was worth NOK 203m (282m).

Good growth of 12 per cent in leasing and 11 per cent in car loans to retail customers is noted in the last 12 months.

The Samspar banks in SpareBank 1 held a 32.1 per cent stake in SpareBank 1 Finans Midt-Norge as at 31 December 2019, while Sparebanken Sogn og Fjordane held a stake of 6.7 per cent. SpareBank 1 SMN holds 61.2 per cent of the shares of SpareBank 1 Finans Midt-Norge.

Sparebanken SMN Invest invests in shares, mainly in regional businesses. The company posted a negative pre-tax profit of NOK 12.0m in the first half of 2020 (profit of 47.3m).

The company holds shares worth NOK 418m (443m) as at 30 June 2020.

Value changes and realisation of losses or gains on the company's overall shareholding account for a net loss of NOK 8.4m 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 124 FTEs.

SpareBank 1 Markets wholly owns SpareBank 1 Kapitalforvaltning. The company is at centre-stage of SpareBank 1 Markets' focus on asset management with aggregate total assets of NOK 17.5bn. The company has a staff of 18.

SpareBank 1 Markets' consolidated pre-tax profit for the first half of 2020 was NOK 55.1m (28.6m). High activity in several areas in the second quarter has strengthened incomes, concurrent with a reversal of first-quarter losses on own account trading. Incomes from Investment Banking have been strong with a number of sizeable consultancy assignments and stock issues. Incomes from secondary equity market trading and currency trading have been high. SpareBank 1 Kapitalforvaltning shows somewhat lower commission earnings after the stock exchange fall.

Overall income in the group came to NOK 341m (313m) in the first half year.

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 relation to which the group itself has a strong competitive position alone or in conjunction with the parent banks.

Satisfactory funding and good liquidity

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

The bank has liquidity reserves of NOK 38bn and the funding needed for 36 months of ordinary operation with limited access to market funding. At the start of the corona crisis steps were taken to strengthen the bank's liquidity position. This is the reason for the bank's continued very strong liquidity position.

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 163 per cent as at 30 June 2020 (165 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 30 June 2020, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 54 per cent (53 per cent).

The bank's funding sources and products are amply diversified. As at 30 June 2020 the proportion of the bank's overall money market funding in excess of one year's maturity was 75 per cent (83 per cent).

SpareBank 1 Boligkreditt is the bank's most important funding source, and mortgages totalling NOK 43bn had been sold as at 30 June 2020.

Rating

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

Financial soundness

The CET1 ratio at 30 June 2020 was 17.2 per cent (15.0 per cent), well above the targeted level of 15.4 per cent.

In March the countercyclical buffer was lowered from 2.5 per cent to 1 per cent, bringing the bank's CET1 target down from 16.9 per cent to 15.4 per cent.

The CET1 requirement is 11 per cent, including combined buffer requirements. Taking into account the Pillar 2 requirement of 1.9 per cent, the overall government requirement is 12.9 per cent. Finanstilsynet (Norway's FSA) has announced that it will not be setting new Pillar 2 requirements for SMN until 2021.

SpareBank 1 SMN aims for a management buffer of about 1 per cent over and above the combined Pillar 1 and Pillar 2 requirements with a view to absorbing fluctuations in risk weighted assets and in the group's financial results. The Ministry of Finance has announced that the systemic risk buffer for IRB banks is to rise 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 rose by 0.9 percentage points in the second quarter. Risk weighted assets were reduced by 2.7 per cent in the second quarter, mainly as a result of reduced risk weights in parts of the IRB portfolio. Further, capital requirements related to CVA have been reduced through the quarter in keeping with expectations. The profit performance in the second quarter is significantly better than for the first quarter, contributing to a 2.4 per cent strengthening of CET1 capital. The bank intends to pay 50 per cent of its second quarter profits to EC holders.

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 bank's equity certificate (EC) at 30 June 2020 was NOK 90.37 (87.04), and earnings per EC were NOK 4.53 (8.23).

The Price / Earnings ratio was 8.65 (5.94) and the Price / Book ratio was 0.87 (1.12).

At the half-year mark the EC was priced at NOK 78.30, and dividend of NOK 5.00 per EC has been paid in 2020 for the year 2019.

Insurance gain of NOK 340m in the first quarter

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 was about NOK 1.7bn. SpareBank 1 SMN's share of the increase (19.5 per cent) amounted to NOK 340m and has been taken to income in the first half of 2020.

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 led to a lockdown of community life and jobs and in turn to a considerable reduction in economic activity levels. Over the course of the second quarter many countries have started to gradually reopen society.

There is still much uncertainty regarding the likely depth of the crisis and its duration. Macroeconomic estimates therefore vary widely, but most observers expect growth to pick up gradually towards the end of 2020 and the start of 2021. Fear of new waves of infection, increased saving rates and changes in consumer patterns may contribute to damping the upturn. The IMF expects activity levels in industrialised countries to fall by 8 per cent in the current year, and to recover by 4.8 per cent in 2021.

Since the end of the first quarter of the oil price has strengthened considerably, the Norwegian krone has appreciated, and the record level of unemployment has halved. Norges Bank has lowered interest rates on several occasions, and the base rate was set to zero in May. The base rate is expected to remain at the current level for some time ahead.

When businesses in Norges Bank's regional network were interviewed in April and May, more than one third of them reported impaired growth prospects as a result of the virus 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 being dampened by very wide-ranging support arrangements and expansionary monetary policies, they will be very large nonetheless. In its latest forecasts, Statistics Norway revised the fall in Mainland Norway's GDP from 5.5 per cent to 4 per cent for the current year. The bank assumes and expects Norway's very strong financial position to provide the government authorities with unique opportunities to implement compensatory measures. That will help to dampen the negative impacts of the corona crisis.

The regional economy is also clearly impacted by the negative effects of the infection protection measures taken. Unemployment in Trøndelag and in Møre and Romsdal was just over 9 per cent at the end of the first quarter, but has been cut by half to July 2020 to 3.9 per cent in Trøndelag and 4.2 per cent in Møre and Romsdal. After a house price fall at the end of the first quarter house prices have recovered slightly, well assisted by record-low mortgage lending rates.

The influx of customers applying for mortgage payment holidays has fallen over the course of the second quarter, both for the retail market and corporates. The instruments applied are primarily mortgage payment holidays and government guaranteed loans. Around NOK 2.6bn of the loans to the business sector are to industries heavily affected by the infection protection measures. In the bank's assessment a high retail share will have a positive impact on the expected loss levels.

The group's results are directly and indirectly affected by the fluctuations in the securities markets. The indirect effect is mainly due to the bank's ownership interest in SpareBank 1 Gruppen, where both the insurance business and the fund management activities are affected by the fluctuations.

The group's funding situation is good, with an LCR of 163 per cent and an NSFR of 122 per cent. The bank has ample access to funding via SpareBank 1 Boligkreditt, and will consider its choice of funding source in light of market prices.

At the end of the second quarter of 2020 the group's CET1 ratio stands at 17.2 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 on 13 March 2020.

Although developments through the second quarter have been positive, the board of directors considers that while the level of uncertainty is higher than at the end of 2019, the bank's capital situation, and its good liquidity situation, put the bank in a good position to help viable customers through the crisis.

Outlook

The board of directors considers that the group's strategies provide a good basis for strengthening market position, improving efficiency and over time for attaining the goal of a return on equity of 12 per cent. SpareBank 1 SMN is strongly capitalised and in a good liquidity position. The group's robust and diversified business model shows its strength, particularly in times of crisis. SpareBank 1 SMN intends to be one of the best performing banks in the Nordic region.

The project One SMN is the first stage towards realising SMN's strategy. The project establishes a more group-oriented business model and makes adjustments to the management team that lay the basis for SMN to unleash its potential gains. The group's efficiency will be strengthened through a customer-oriented and simplified distribution approach featuring a greater degree of digital sales and service. SpareBank 1 SMN will maintain a physical presence at the local level, and its branches will cover all the group's business lines. Moreover, the efficiency of staff and support functions will be enhanced across the entire group.

The income side will be strengthened through improved price models. Increased use of customer data will contribute to higher product coverage among the group's customers. The market shares of the group's various business lines will be expanded.

Although the infection situation thus far is being handled well in Norway, there is considerable uncertainty about developments ahead due to the corona crisis and the low oil price. The group expects activity levels to 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 is keeping a close watch on the state of the economy, and is in a position to adapt its operations to a variety of scenarios.

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

The board considers the financial position to be sound with a CET1 ratio well above the target level at the half-year mark, which is important given a situation of substantial uncertainty as to the likely development of the economy and the longer-term consequences of the corona pandemic.

The group is conscious of its central role as an important social actor in the region. Thanks to its solid financial situation, the group is well equipped to assist viable customers. SpareBank 1 SMN has the ability to strengthen its market position and to create financial value for its owners. The ownership model makes possible a social dividend in support of the region's voluntary sector.

The board of directors considers the uncertainties to be higher than at the end of 2019. The board expects 2020 to be a demanding year of increased credit losses and volatile securities markets.

Trondheim, 11 August 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					Group						
		First half					First half				
2019	2Q 19	2Q 20	2019	2020	(NOKm)	Note	2020	2019	2Q 20	2Q 19	2019
3,732	916	775	1,777	1,788	Interest income effective interest method		1,996	1,968	883	1,013	4,121
509	115	149	236	286	Other interest income		284	234	148	114	505
1,916	457	363	878	895	Interest expenses		905	889	365	463	1,939
2,325	574	561	1,136	1,179	Net interest	10	1,376	1,313	666	664	2,687
1,127	276	253	537	539	Commission income		680	692	331	363	1,437
95	26	17	44	42	Commission expenses		97	91	47	51	193
30	6	13	13	22	Other operating income		593	556	323	294	1,046
1,061	256	249	507	519	Commission income and other income		1,177	1,157	607	606	2,290
884	477	340	812	416	Dividends		10	13	2	11	15
-	-	-	-	-	Income from investment in related companies	3	394	786	177	231	879
54	8	167	96	29	Net return on financial investments	3	145	264	269	95	307
937	485	507	908	445	Net return on financial investments		549	1,063	448	336	1,201
4,324	1,315	1,316	2,550	2,142	Total income		3,102	3,533	1,721	1,607	6,178
614	152	154	314	330	Staff costs		892	885	449	438	1,699
750	181	185	352	375	Other operating expenses		530	520	258	263	1,098
1,364	333	339	666	706	Total operating expenses	11	1,422	1,404	706	701	2,797
2,960	982	977	1,884	1,436	Result before losses		1,680	2,129	1,015	907	3,380
245	45	151	104	453	Loss on loans, guarantees etc.	6,7	478	126	170	59	299
2,715	937	826	1,779	984	Result before tax	3	1,202	2,003	845	848	3,081
452	140	98	236	149	Tax charge		193	274	126	165	518
-	-	-	-	-	Result investment held for sale, after tax	2, 3	-0	0	-0	0	0
2,263	797	729	1,544	835	Net profit		1,008	1,729	719	683	2,563
47	9	13	28	37	Attributable to additional Tier 1 Capital holders		38	29	14	10	49
1,417	504	457	969	510	Attributable to Equity capital certificate holders		585	1,066	423	416	1,572
799	284	258	546	288	Attributable to the saving bank reserve		330	601	238	234	886
					Attributable to non-controlling interests		55	33	43	22	56
2,263	797	729	1,544	835	Net profit		1,008	1,729	719	683	2,563
					Profit/diluted profit per ECC	17	4.53	8.23	3.27	3.21	12.14

Total comprehensive income

Parent bank						Group				
		First half						First half		
2019	2Q 19	2Q 20	2019	2020	(NOKm)	2020	2019	2Q 20	2Q 19	2019
2,263	797	729	1,544	835	Net profit	1,008	1,729	719	683	2,563
Items that will not be reclassified to profit/loss										
-33	-	-23	-	-62	Actuarial gains and losses pensions	-62	-	-23	-	-33
8	-	6	-	16	Tax	16	-	6	-	8
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	7	2	4	1	21
-25	-	-17	-	-47	Total	-40	2	-14	1	-4
Items that will be reclassified to profit/loss										
-	-	-	-	-	Fair value change on financial assets through other comprehensive income	-	-	-	-	-
6	-1	3	-0	6	Value changes on loans measured at fair value	6	-0	3	-1	6
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	16	-9	8	14	-12
-	-	-	-	-	Tax	-	-	-	-	-
6	-1	3	-0	6	Total	21	-9	11	14	-5
-18	-1	-14	-0	-41	Net other comprehensive income	-19	-8	-3	14	-9
2,245	796	715	1,543	794	Total other comprehensive income	990	1,721	716	697	2,554
47	9	13	28	37	Attributable to additional Tier 1 Capital holders	38	29	14	10	49
1,405	504	448	969	484	Attributable to Equity capital certificate holders	573	1,061	421	425	1,566
792	284	253	546	273	Attributable to the saving bank reserve	323	598	237	240	883
					Attributable to non-controlling interests	55	33	43	22	56
2,245	796	715	1,543	794	Total other comprehensive Income	990	1,721	716	697	2,554

Balance sheet

Parent bank				Group			
31 Dec 2019	30 June 2019	30 June 2020	(NOKm)	Note	30 June 2020	30 June 2019	31 Dec 2019
761	1,278	4,115	Cash and receivables from central banks		4,115	1,278	761
9,181	15,167	12,851	Deposits with and loans to credit institutions		5,252	8,612	2,110
117,033	113,250	120,677	Net loans to and receivables from customers	5	129,360	121,025	125,279
23,195	19,950	29,034	Fixed-income CDs and bonds	15	28,955	19,870	23,115
2,872	3,646	9,927	Derivatives	15	10,069	3,767	2,972
355	364	456	Shares, units and other equity interests	15	1,673	2,202	2,953
4,526	4,560	4,724	Investment in related companies		6,810	6,406	6,468
2,309	2,752	2,406	Investment in group companies		-	-	-
82	82	82	Investment held for sale	2	42	41	40
512	519	501	Intangible assets		873	878	872
1,241	1,774	2,089	Other assets	12	3,335	3,210	2,092
162,066	163,343	186,862	Total assets		190,484	167,289	166,662
7,585	10,753	13,760	Deposits from credit institutions		13,845	11,793	8,853
86,870	87,597	94,871	Deposits from and debt to customers	9	94,289	86,553	85,917
43,014	39,578	46,129	Debt created by issue of securities	14	46,129	39,578	43,014
3,159	3,316	8,548	Derivatives	15	8,644	3,479	3,528
1,570	2,990	4,237	Other liabilities	13	5,459	4,172	2,841
-	-	-	Investment held for sale	2	1	0	0
2,047	2,219	1,752	Subordinated loan capital	14	1,797	2,263	2,090
144,245	146,453	169,297	Total liabilities		170,164	147,839	146,243
2,597	2,597	2,597	Equity capital certificates		2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs		-9	-3	-11
895	895	895	Premium fund		895	895	895
6,144	5,602	6,338	Dividend equalisation fund		6,320	5,591	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
-	-1	-44	Other equity capital		1,757	1,566	1,827
1,250	972	1,213	Additional Tier 1 Capital		1,254	1,013	1,293
-	1,544	835	Profit for the period		1,008	1,729	-
			Non-controlling interests		768	781	761
17,822	16,889	17,565	Total equity capital		20,320	19,450	20,420
162,066	163,343	186,862	Total liabilities and equity		190,484	167,289	166,662

Cash flow statement

Parent bank			Group		
First half			First half		
2019	2019	2020 (NOKm)	2020	2019	2019
2,263	1,544	830	1,003	1,729	2,563
109	56	52	82	90	172
245	104	453	478	126	299
2,617	1,704	1,334	1,563	1,945	3,035
869	-3,080	-7,933	-8,388	-3,230	1,235
-96	1,481	8,062	7,741	1,999	716
-4,613	-696	-4,091	-4,554	-1,423	-5,843
1,998	-1,324	-3,670	-3,141	-873	2,964
5,422	6,149	8,001	8,372	5,938	5,302
-960	2,208	6,175	4,992	2,579	-361
-2,766	478	-5,840	-5,841	479	-2,766
2,471	6,921	2,037	743	7,414	4,280
-66	-402	-11	-34	-723	-120
84	-393	-298	-377	-211	-312
36	27	-101	1,280	-329	-1,080
54	-768	-409	869	-1,263	-1,512
-177	-6	-295	-294	-4	-177
1	1	3	16	3	-33
-661	-661	-647	-647	-661	-661
-373	-373	-364	-364	-373	-373
203	-28	-37	-38	-29	201
-1,639	-4,691	3,065	3,068	-4,691	-1,846
-2,646	-5,758	1,725	1,741	-5,755	-2,890
-121	395	3,354	3,354	395	-121
883	883	761	761	883	883
761	1,278	4,115	4,115	1,278	761
-121	395	3,354	3,354	395	-121

Change in equity

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

Parent Bank (NOKm)	Issued equity		Earned equity						Additional Tier 1 Capital	Total equity
	EC capital	Premium fund	Ownerless capital	Equali- sation fund	Dividend and gifts	Unrealised gains reserve	Other equity			
Equity at 1 January 2020	2,597	895	5,432	6,144	1,314	189	-	1,250	17,822	
Net profit	-	-	-	-	-	-	835	-	835	
Other comprehensive income										
Value changes on loans measured at fair value	-	-	-	-	-	-	6	-	6	
Actuarial gains (losses), pensions	-	-	-	-	-	-	-47	-	-47	
Other comprehensive income	-	-	-	-	-	-	-41	-	-41	
Total other comprehensive income	-	-	-	-	-	-	794	-	794	
Transactions with owners										
Dividend declared for 2019	-	-	-	194	-840	-	-	-	-647	
To be disbursed from gift fund	-	-	109	-	-474	-	-	-	-364	
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-37	-37	
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-0	
Direct recognitions in equity	-	-	-	-	-	-	-3	-	-3	
Total transactions with owners	-0	-	109	194	-1,314	-	-3	-37	-1,050	
Equity at 30 June 2020	2,597	895	5,541	6,338	-	189	791	1,213	17,565	

Group (NOKm)	Attributable to parent company equity holders									
	Issued equity			Earned equity						
	EC capital	Premium fund	Owner-less 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	Owner-less 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	-	-	-	-	-	-	953	-		55	1,008
Other comprehensive income											
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	23	-		-	23
Value changes on loans measured at fair value	-	-	-	-	-	-	6	-		-	6
Actuarial gains (losses), pensions	-	-	-	-	-	-	-47	-		-	-47
Other comprehensive income	-	-	-	-	-	-	-19	-		-	-19
Total other comprehensive income	-	-	-	-	-	-	935	-		55	990
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	-	-	-	-	-	-	-	-38		-	-38
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-		-	-0
Own ECC held by SB1 Markets*)	2	-	-	3	-	-	11	-		-	16
Direct recognitions in equity	-	-	-	-	-	-	-7	-		-	-7
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-1	-		-	-1
Change in non-controlling interests	-	-	-	-	-	-	-	-		-49	-49
Total transactions with owners	2	-	109	197	-1,314	-	4	-38		-49	-1,089
Equity at 30 June 2020	2,588	895	5,541	6,320	-	189	2,765	1,254		768	20,320

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

Notes

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Note 1 - Accounting principles

Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with 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.

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

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

Pensions

Sparebank1 SMN Group has one pension arrangement; defined contribution plan. For a further description of the pension scheme, see note 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 30 June 2020:

Actuarial assumptions	31 Dec 2019	1 January 2019	30 June 2020
Discount rate	2,30 %	2,30 %	1,40 %
Expected rate of return on plan assets	2,30 %	2,30 %	1,40 %
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	40	0	40
OCI accounting 31 December	26	-4	23
Net defined-benefit costs in profit and loss account	0	0	0
Paid in pension premium, defined-benefit plan	-	-1	-1
Net pension liability in the balance sheet 30 June 2020	-83	12	-72

Net pension liability in the balance sheet Group (NOKm)	30 June 2020	31 Dec 2019
Net present value of pension liabilities in funded schemes	681	608
Estimated value of pension assets	-755	-743
Net pension liability in the balance sheet before employer's contribution	-74	-135
Employers contribution	2	3
Net pension liability in the balance sheet	-72	-132

Pension cost Group (NOKm)	30 June 2020	31 Dec 2019
Present value of pension accumulated in the year	0	0
Net interest income	-0	-4
Net pension cost related to defined plans, incl unfunded pension commitment	-0	-4
Employer's contribution subject to accrual accounting	0	0
Cost of defined contribution pension and early retirement pension scheme	52	108
Total pension cost for the period	52	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 Q2 (NOKm)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS Group	42	1	2	2	0	100 %
Total Held for sale	42	1	2	2	0	

Losses on loans and guarantees

For a detailed description of the Bank's model for expected credit losses, refer to note 2 and 3 in the annual accounts for 2019. In the first quarter 2020 some changes were made in the input in the credit loss model as a result of changed expectations due to the corona situation. The crisis and the significant increase in macroeconomic uncertainty have made the assessments extra demanding. We are in the early stages of the crisis and the consequences for the bank's customers and the industries we are exposed to are difficult to estimate. The regulators have emphasized the importance of focusing on the expected long-term effects of the crisis and this has also been the bank's focus.

In the first quarter 2020 the bank changed the assumptions for the base scenario in a negative direction. This has been continued in the second quarter 2020.

The development in the base scenario is prepared using adjustment factors where the development in the business cycle is projected by assumptions about how much the probability of default (PD) or loss of default (LGD) will increase or decrease compared to the base scenario in a five-year period. We expect increased losses related to debtors that have a demanding starting point before the crisis - typically debtors in stage 2. We have therefore chosen to increase the trajectories for PD and LGD as well as reduce expected repayments in the base scenario, especially from year 2 onwards, since this will affect expected losses mainly for debtors in stage 2. To adjust for migration into stage 2, PD and LGD estimates are also increased in the first year. No first year repayments are assumed for all portfolios in 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 92 million for the Bank and 88 million for the Group.

Sensitivity

The first part of the table below show total calculated expected credit loss as of 30 June 2020 in each of the three scenarios, distributed in the portfolios Retail Market, Corporate Market and offshore and agriculture, which adds up to parent bank. In addition the subsidiary SpareBank 1 Finans Midt-Norge is included. ECL for the parent bank and the subsidiary is summed up in the column "Group"

The second part of the table show the ECL distributed by portfolio using the scenario weight applied, in addition to a alternative weighting where downside scenario weight has been doubled. The weights used is different for the offshore portfolio.

If the downside scenario's probability were doubled at the expense of the baseline scenario at the end of June 2020, this would have entailed an increase in loss provisions of NOK 83 million for the parent bank and NOK 89 million for the group^{*)}.

Portfolio	Corporate excl				Total parent	SB 1 Finans MN	Group*
	offshore/ Agriculture	Retail Market	Offshore	Agriculture			
ECL expected scenario	368	113	779	42	1.302	52	1.354
ECL downside scenario	652	331	972	82	2.036	129	2.165
ECL upside scenario	268	43	681	24	1.016	37	1.054
ECL with scenario weights used 80/10/10	387	128	-	44	-	60	-
ECL with scenario weights used 70/15/15	-	-	793	-	0	0	0
Total ECL used	387	128	793	44	1.352	60	1.414
ECL alternative scenario weights 70/20/10	415	150	-	48	-	66	-
ECL alternative scenario weights 55/30/15	-	-	822	-	-	-	-
Total ECL alternative weights (double downside)	415	150	822	48	1.435	66	1.503
Change in ECL if alternative weights were used	28	22	29	8	83	6	89

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

The table reflects that there are some significant differences in underlying PD and LGD estimates in the different scenarios and that there are differentiated levels and level differences between the portfolios. At group level, the ECL in the upside scenario, which largely reflects the loss and default picture in recent years, is about 80 per cent of the ECL in the expected scenario. The downside scenario gives about double the ECL than in the expected scenario. Applied scenario weighting gives about 4 percent higher ECL than in the expected scenario.

Note 3 - Account by business line

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

Group 30 June 2020

Profit and loss account (NOKm)	RM	CM	SB1 Markets	EM 1	SB1 Finans MN	SB1 Regnskaps- huset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	537	560	-3	-0	171	-0	-	-	111	1,376
Interest from allocated capital	85	59	-	-	-	-	-	-	-144	-
Total interest income	622	619	-3	-0	171	-0	-	-	-33	1,376
Commission income and other income	371	113	258	188	9	304	-	-	-48	1,177
Net return on financial investments (**))	-2	14	86	-	-	-	-7	50	407	549
Total income	992	747	341	188	162	304	-7	50	325	3,102
Total operating expenses	471	217	286	158	45	237	-	-	9	1,422
Ordinary operating profit	521	530	55	30	117	67	-7	50	316	1,680
Loss on loans, guarantees etc.	42	410	-	-	24	-	-	-	0	478
Result before tax including held for sale	478	119	55	30	93	67	-7	50	316	1,202
Post-tax return on equity*)	11.4 %	4.1 %								10.3 %
Balance										
Loans and advances to customers	124,165	42,366	-	-	9,310	-	-	-	-742	175,100
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-43,264	-1,308	-	-	-	-	-	-	100	-44,473
Allowance for credit losses	-146	-1,057	-	-	-59	-	-	-	-4	-1,267
Other assets	199	8,518	2,267	327	18	580	1,950	1,441	45,823	61,124
Total assets	80,954	48,518	2,267	327	9,269	580	1,950	1,441	45,177	190,484
Deposits to customers	48,103	44,715	-	-	-	-	-	-	1,470	94,289
Other liabilities and equity	32,850	3,803	2,267	327	9,269	580	1,950	1,441	43,707	96,195
Total liabilities and equity	80,954	48,518	2,267	327	9,269	580	1,950	1,441	45,177	190,484

Group 30 June 2019

Profit and loss account (NOKm)	RM	CM	SB1		SB1	SB1	SB1	BN	Un-	Total
			Markets	EM 1	Finans MN	Regnskaps- huset SMN				
Net interest	561	503	-9	-1	152	-1	-	-	107	1,313
Interest from allocated capital	103	73	-	-	-	-	-	-	-176	-
Total interest income	664	576	-9	-1	152	-1	-	-	-69	1,313
Commission income and other income	385	100	264	277	36	291	-	-	-195	1,157
Net return on financial investments (**)	0	5	58	-	-	-	224	49	727	1,063
Total income	1,049	681	313	276	187	291	224	49	464	3,533
Total operating expenses	431	207	284	262	92	229	-	-	-100	1,404
Ordinary operating profit	618	475	29	14	95	62	224	49	564	2,129
Loss on loans, guarantees etc.	11	93	-	-	21	-	-	-	2	126
Result before tax including held for sale	606	382	29	14	74	62	224	49	563	2,003
Post-tax return on equity*)	13.8 %	11.8 %								19.0 %
Balance										
Loans and advances to customers	115,289	38,422	-	-	8,429	-	-	-	1,486	163,627
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-40,193	-1,539	-	-	-	-	-	-	0	-41,732
Allowance for credit losses	-108	-707	-	-	-50	-	-	-	-4	-870
Other assets	232	6,198	2,935	1,949	24	531	1,562	1,367	31,466	46,264
Total assets	75,220	42,374	2,935	1,949	8,403	531	1,562	1,367	32,948	167,289
Deposits to customers	42,795	42,374	-	-	-	-	-	-	1,384	86,553
Other liabilities and equity	32,425	0	2,935	1,949	8,403	531	1,562	1,367	31,564	80,736
Total liabilities and equity	75,220	42,374	2,935	1,949	8,403	531	1,562	1,367	32,948	167,289

Group 31 December 2019

Profit and loss account (NOKm)	RM	CM	SB 1		SB 1	SB 1	SB 1	BN	Un-	Total
			Markets	EM 1	Finans MN	Regnskaps- huset SMN				
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)	30 June 2020	30 June 2019	31 Dec 2019
Dividends	10	13	15
Gain/(loss) on financial instruments related to hedging	-6	107	120
Capital gains shares	174	47	-20
Gain/(loss) on certificates and bonds	-97	63	132
Gain/(loss) on derivatives	-3	-5	-9
Gain/(loss) on other financial instruments at fair value (FVO)	-11	6	9
Foreign exchange gain/(loss)	68	23	22
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	21	23	54
Net return on financial instruments	145	264	307
SpareBank 1 Gruppen	-7	224	252
Gain Fremtind Forsikring	340	460	460
SpareBank 1 Boligkreditt	10	22	26
SpareBank 1 Næringskreditt	9	10	21
BN Bank	50	51	113
SpareBank 1 Kredittkort	2	8	13
SpareBank 1 Betaling	-2	10	3
Other companies	-9	1	-8
Income from investment in associates and joint ventures	394	786	879
Total net return on financial investments	549	1.063	1.201
Fair value hedging			
Changes in fair value on hedging instrument	492	-224	-66
Changes in fair value on hedging item	-495	219	56
Net Gain or Loss from hedge accounting	-3	-5	-9

Note 4 - Capital adequacy

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

As of 30 June 2020 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3.0 per cent and the Norwegian countercyclical buffer is 1.0 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 11.0 per cent. In addition the financial supervisory authority has set a Pillar 2 requirement of 1.9 per cent for SpareBank 1 SMN, however not below NOK 1,794 million in monetary terms. The total minimum requirement on CET1 capital is accordingly 12.9 per cent. The countercyclical capital buffer was reduced with immediate effect in March 2020 from 2.5 per cent to 1.0 per cent. The systemic risk buffer will rise to 4.5 per cent with effect from 31 December 2020.

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

The countercyclical buffer is calculated using differentiated rates. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. For the first half of 2020 the parent bank is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures. For group the risk-weighted countercyclical capital buffer is 1.0 per cent.

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

Parent Bank				Group		
31 Dec 2019	30 June 2019	30 June 2020	(NOKm)	30 June 2020	30 June 2019	31 Dec 2019
17,822	16,889	17,565	Total book equity	20,320	19,450	20,420
-1,250	-972	-1,213	Additional Tier 1 capital instruments included in total equity	-1,254	-1,013	-1,293
-512	-519	-501	Deferred taxes, goodwill and other intangible assets	-1,042	-1,105	-1,099
-1,314	-	-	Deduction for allocated dividends and gifts	-	-	-1,314
-	-	-	Non-controlling interests recognised in other equity capital	-768	-781	-761
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	401	447	438
-	-1,544	-835	Net profit	-1,008	-1,729	-
-	694	446	Year-to-date profit included in core capital (0 per cent (50 per cent) pre tax of group profit)	618	879	-
-33	-31	-51	Value adjustments due to requirements for prudent valuation	-62	-44	-45
-305	-290	-227	Positive value of adjusted expected loss under IRB Approach	-248	-309	-351
-	-	-	Cash flow hedge reserve	14	5	3
-185	-185	-187	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-424	-175	-168
14,222	14,042	14,997	Common equity Tier 1 capital	16,547	15,625	15,830
1,250	1,000	1,250	Additional Tier 1 capital instruments	1,635	1,384	1,637
275	275	-	Additional Tier 1 capital instruments covered by transitional provisions	-	275	275
15,747	15,318	16,247	Tier 1 capital	18,182	17,284	17,742
			Supplementary capital in excess of core capital			
1,750	1,750	1,750	Subordinated capital	2,240	2,310	2,240
12	182	-	Subordinated capital covered by transitional provisions	-	182	12
-140	-141	-157	Deduction for significant investments in financial institutions	-157	-141	-140
1,623	1,791	1,593	Additional Tier 2 capital instruments	2,083	2,351	2,113
17,370	17,108	17,841	Total eligible capital	20,266	19,634	19,854

Minimum requirements subordinated capital						
911	938	981	Specialised enterprises	1,166	1,094	1,101
1,139	1,156	1,042	Corporate	1,052	1,163	1,149
1,628	1,521	1,608	Mass market exposure, property	2,290	2,166	2,299
98	99	112	Other mass market	115	102	101
984	1,115	1,006	Equity investments	1	1	1
4,760	4,829	4,748	Total credit risk IRB	4,624	4,525	4,651
2	2	2	Central government	5	3	3
86	83	115	Covered bonds	159	136	132
419	412	597	Institutions	504	300	282
-	-	-	Local and regional authorities, state-owned enterprises	17	8	5
42	35	34	Corporate	251	237	239
22	38	18	Mass market	465	525	463
9	14	15	Exposures secured on real property	157	207	167
236	236	279	Equity positions	394	369	377
104	83	93	Other assets	150	167	151
918	902	1,152	Total credit risk standardised approach	2,102	1,952	1,818
31	34	43	Debt risk	44	35	34
-	-	-	Equity risk	10	14	15
-	-	-	Currency risk and risk exposure for settlement/delivery	1	3	3
407	387	407	Operational risk	720	656	720
29	28	53	Credit value adjustment (CVA)	193	122	115
-	-	-	Transitional arrangements	-	1,032	-
6,145	6,181	6,404	Minimum requirements subordinated capital	7,694	8,339	7,357
76,817	77,257	80,047	Risk weighted assets (RWA)	96,181	104,240	91,956
3,457	3,477	3,602	Minimum requirement on CET1 capital, 4.5 per cent	4,328	4,691	4,138
Capital Buffers						
1,920	1,931	2,001	Capital conservation buffer, 2.5 per cent	2,405	2,606	2,299
2,305	2,318	2,401	Systemic risk buffer, 3.0 per cent	2,885	3,127	2,759
1,920	1,545	800	Countercyclical buffer, 1.0 per cent (2.5 and 2.0 per cent)	962	2,085	2,299
6,145	5,794	5,203	Total buffer requirements on CET1 capital	6,252	7,818	7,357
4,620	4,771	6,192	Available CET1 capital after buffer requirements	5,968	3,116	4,335
Capital adequacy						
18.5 %	18.2 %	18.7 %	Common equity Tier 1 capital ratio	17.2 %	15.0 %	17.2 %
20.5 %	19.8 %	20.3 %	Tier 1 capital ratio	18.9 %	16.6 %	19.3 %
22.6 %	22.1 %	22.3 %	Capital ratio	21.1 %	18.8 %	21.6 %
Leverage ratio						
161,905	156,091	183,256	Balance sheet items	255,493	223,781	230,048
6,830	6,824	8,084	Off-balance sheet items	8,944	8,343	7,897
-851	-840	-779	Regulatory adjustments	-1,603	-1,458	-1,503
167,885	162,075	190,562	Calculation basis for leverage ratio	262,834	230,667	236,441
15,747	15,318	16,247	Core capital	18,182	17,284	17,742
9.4 %	9.5 %	8.5 %	Leverage Ratio	6.9 %	7.5 %	7.5 %

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

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

Note 5 - Distribution of loans by sector/industry

Parent Bank				Group		
31 Dec 2019	30 June 2019	30 June 2020	(NOKm)	30 June 2020	30 June 2019	31 Dec 2019
13,203	12,559	13,913	Agriculture, forestry, fisheries, hunting	14,324	12,902	13,558
833	858	888	Sea farming industries	1,258	1,160	1,132
2,212	2,757	1,999	Manufacturing	2,390	3,118	2,595
3,157	2,892	2,955	Construction, power and water supply	3,795	3,678	3,970
2,181	2,483	2,244	Retail trade, hotels and restaurants	2,578	2,826	2,517
4,660	4,667	5,006	Maritime sector	5,006	4,667	4,660
14,800	14,660	14,674	Property management	14,753	14,726	14,878
2,445	2,435	3,123	Business services	2,840	2,088	2,146
4,542	4,427	5,725	Transport and other services provision	6,636	5,285	5,409
2	3	6	Public administration	26	15	12
1,890	2,080	1,610	Other sectors	1,632	2,036	1,863
49,926	49,820	52,142	Gross loans in retail market	55,238	52,499	52,740
109,544	105,977	114,210	Wage earners	119,861	111,128	115,036
159,470	155,797	166,353	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	175,100	163,627	167,777
39,833	40,064	43,073	of which SpareBank 1 Boligkreditt	43,073	40,064	39,833
1,667	1,668	1,400	of which SpareBank 1 Næringskreditt	1,400	1,668	1,667
117,970	114,065	121,880	Gross loans in balance sheet	130,627	121,895	126,277
850	769	1,092	- Loan loss allowance on amortised cost loans	1,154	824	911
87	46	111	- Loan loss allowance on loans at FVOCI	113	46	87
117,033	113,250	120,677	Net loans to and receivables from customers	129,360	121,025	125,279

Note 6 - Losses on loans and guarantees

Parent Bank	First half 2020			First half 2019			2019		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Losses on loans and guarantees (NOKm)									
Change in provision for expected credit losses for the period	39	297	336	7	92	99	28	205	234
Actual loan losses on commitments exceeding provisions made	7	114	121	4	4	8	10	9	19
Recoveries on commitments previously written-off	-4	-0	-4	-	-3	-3	-5	-1	-7
Losses for the period on loans and guarantees	42	410	453	11	93	104	32	213	245

Group	First half 2020			First half 2019			2019		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Losses on loans and guarantees (NOKm)									
Change in provision for expected credit losses for the period	36	304	340	9	96	105	34	212	246
Actual loan losses on commitments exceeding provisions made	38	126	165	16	9	25	40	22	62
Recoveries on commitments previously written-off	-23	-4	-27	-	-4	-4	-6	-2	-8
Losses for the period on loans and guarantees	51	427	478	25	101	126	68	231	299

Note 7 - Losses

Parent Bank (NOKm)	1 January 2020	Change in provision	Net write-offs/ recoveries	30 June 2020
Loans as amortised cost- CM	916	371	-114	1,173
Loans as amortised cost- RM	34	11	-7	39
Loans at fair value over OCI- RM	109	30	-	139
Loans at fair value over OCI- CM	1	-1	-	1
Provision for expected credit losses on loans and guarantees	1,060	412	-121	1,352
Presented as				
Provision for loan losses	937	387	-121	1,203
Other debt- provisions	100	20	-	120
Other comprehensive income - fair value adjustment	23	6	-	29

Parent Bank (NOKm)	1 January 2019	Change in provision	Net write-offs/ recoveries	30 June 2019
Loans as amortised cost- CM	742	80	5	827
Loans as amortised cost- RM	45	15	4	63
Loans at fair value over OCI- RM	75	-12	-	63
Provision for expected credit losses on loans and guarantees	862	83	8	953
Presented as				
Provision for loan losses	697	110	8	815
Other debt- provisions	148	-27	-	121
Other comprehensive income - fair value adjustment	17	-0	-	16

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

Group (NOKm)	1 January 2020	Change in provision	Net write-offs/ recoveries	30 June 2020
Loans as amortised cost- CM	948	381	-117	1,211
Loans as amortised cost- RM	63	8	-7	64
Loans at fair value over OCI- RM	109	30	-	139
Loans at fair value over OCI- CM	1	-0	-	1
Provision for expected credit losses on loans and guarantees	1,121	418	-124	1,415
Presented as				
Provision for loan losses	998	393	-124	1,267
Other debt- provisions	100	20	-	119
Other comprehensive income - fair value adjustment	23	6	-	29

Group (NOKm)	1 January 2019	Change in provision	Net write-offs/ recoveries	30 June 2019
Loans as amortised cost- CM	766	86	4	857
Loans as amortised cost- RM	68	17	4	88
Loans at fair value over OCI- RM	75	-12	-	63
Provision for expected credit losses on loans and guarantees	909	91	8	1,008
Presented as				
Provision for loan losses	744	118	8	870
Other debt- provisions	148	-27	-	121
Other comprehensive income - fair value adjustment	17	-0	-	16

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

Accrual for losses on loans	First half 2020				First half 2019				2019			
	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	14	-14	-0	-	13	-13	-0	-	10	-10	-	-
Transfer to (from) stage 2	-2	2	-0	-	-1	2	-0	-	-2	2	-	-
Transfer to (from) stage 3	-0	-3	3	-	-0	-2	2	-	-	-3	3	-
Net remeasurement of loss allowances	-16	8	6	-3	-14	18	-0	4	-11	24	18	30
Originations or purchases	9	5	0	14	8	6	0	14	13	17	1	31
Derecognitions	-5	-13	-1	-19	-5	-11	-1	-17	-11	-20	-1	-33
Changes due to changed input assumptions	7	39	-0	46	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-7	-7	-	-	4	4	-	-	-5	-5
Closing balance	33	96	46	175	29	62	34	125	25	73	45	143
Corporate Market												
Opening balance	66	210	540	816	64	148	383	594	64	148	382	594
Transfer to (from) stage 1	9	-9	-0	-	11	-10	-0	-	19	-19	0	-
Transfer to (from) stage 2	-4	4	-0	-	-2	2	-	-	-8	8	-	-
Transfer to (from) stage 3	-0	-2	2	-	-0	-0	1	-	-	-	1	-
Net remeasurement of loss allowances	-11	36	317	342	-16	31	111	127	-17	98	185	266
Originations or purchases	22	10	1	33	16	7	0	23	27	20	1	48
Derecognitions	-17	-43	-0	-60	-12	-29	-0	-41	-20	-43	0	-63
Changes due to changed input assumptions	7	34	-	41	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-114	-114	-	-	5	5	-	-	-27	-27
Closing balance	71	240	745	1,057	61	148	499	707	66	210	541	817
Total accrual for loan losses	104	336	792	1,232	90	210	533	833	91	283	586	960

Group	First half 2020				First half 2019				2019			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Retail market												
Opening balance	32	85	56	173	34	72	37	143	33	71	39	143
Transfer to (from) stage 1	16	-15	-0	-0	14	-14	-0	-	12	-11	-	-
Transfer to (from) stage 2	-2	3	-1	-	-2	3	-1	-	-2	4	-1	-
Transfer to (from) stage 3	-0	-5	5	-0	-0	-3	3	-	-	-3	4	-
Net remeasurement of loss allowances	-17	10	10	3	-15	19	4	8	-14	24	22	32
Originations or purchases	11	5	0	16	10	7	1	18	17	23	3	44
Derecognitions	-5	-14	-8	-28	-6	-13	-3	-22	-13	-23	-5	-41
Changes due to changed input assumptions	6	37	-1	43	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-7	-7	-	-	4	4	-	-	-5	-5
Closing balance	40	107	54	200	35	72	43	151	32	84	56	172
Corporate Market												
Opening balance	71	217	560	849	68	152	397	618	70	152	397	619
Transfer to (from) stage 1	10	-10	-0	-	11	-11	-0	-	20	-20	-	-
Transfer to (from) stage 2	-4	4	-0	-	-2	2	-0	-	-9	9	-	-
Transfer to (from) stage 3	-0	-2	2	-	-0	-0	1	-	-	-1	1	-
Net remeasurement of loss allowances	-9	39	321	350	-16	32	116	132	-19	100	188	268
Originations or purchases	24	10	1	35	17	7	1	26	30	21	7	59
Derecognitions	-18	-43	-1	-62	-12	-29	-1	-43	-20	-44	-2	-66
Changes due to changed input assumptions	7	34	-0	41	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-117	-117	-	-	5	5	-	-	-31	-31
Closing balance	81	249	765	1,095	66	153	518	737	71	218	560	849
Total accrual for loan losses	120	356	819	1,295	101	225	562	888	104	302	616	1,021

Accrual for losses on guarantees and unused credit lines

Parent Bank and Group (NOKm)	First half 2020				First half 2019				2019			
	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	2	-2	-0	-	2	-2	-0	-	3	-3	-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	-
Net remeasurement of loss allowances	-1	17	-0	16	0	8	-14	-7	-2	3	-33	-33
Originations or purchases	4	0	0	4	-	-	-	-	7	1	0	8
Derecognitions	-2	-3	-0	-5	-1	-19	-0	-20	-3	-20	-0	-24
Changes due to changed input assumptions	2	3	-0	5	-	-	-	-	-	-	-	-
Actual loan losses	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	18	45	57	120	10	35	76	121	14	29	57	100
Hereof RM				3				2				2
Hereof CM				117				119				98

Allowance for losses on loans distributed by sector

Parent bank (NOKm)	January - June 2020				January - June 2019				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Agriculture, forestry, fisheries, hunting	6	25		9	40	9		14	7	30	
Sea farming industries	1	1		1	1	0		1	1	0		1
Manufacturing	5	16	3	24	5	30	0	35	5	9	5	20
Construction, power and water supply	10	9	16	35	8	9	10	27	10	5	11	26
Varehandel, hotell- og restaurantvirksomhet	10	12	5	27	11	7	5	22	10	8	11	28
Maritime sector	11	125	564	701	10	28	421	459	9	87	471	568
Property management	17	38	37	92	16	32	21	69	16	45	23	83
Business services	9	19	133	161	5	30	43	77	7	50	22	79
Transport and other services	7	7	1	16	8	6	3	17	7	4	3	14
Public administration	-	-	-	-	-	-	-	-	0	0	0	0
Wage earners	-	83	23	106	-	54	24	77	0	52	33	86
Total provision for losses on loans	75	336	792	1,203	72	209	534	815	68	283	586	937
loan loss allowance on loans at FVOCI	29			29	17			17	23			24
Total loan loss allowance	104	336	792	1,232	90	210	533	833	91	283	586	961

Group (NOKm)	January - June 2020				January - June 2019				2 019			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
	Agriculture, forestry, fisheries, hunting	7	27		10	43	10		15	8	33	
Sea farming industries	1	1	-	2	1	0	-	1	1	0	-	1
Manufacturing	6	19	7	32	6	30	4	40	6	11	9	27
Construction, power and water supply	12	13	17	42	9	13	17	39	12	8	16	35
Varehandel, hotell- og restaurantvirksomhet	11	13	10	34	12	7	6	25	11	8	11	30
Maritime sector	11	125	564	701	10	28	421	459	9	87	473	570
Property management	17	38	38	93	16	32	21	70	16	45	23	84
Business services	10	20	134	164	5	30	44	80	8	51	24	82
Transport and other services	9	8	5	23	9	8	8	24	8	5	8	21
Public administration	-	-	-	-	-	-	-	-	-	-	-	-
Wage earners	6	92	31	129	5	61	34	100	6	63	44	112
Total provision for losses on loans	91	356	817	1,264	84	225	561	871	81	302	616	998
loan loss allowance on loans at FVOCI	29	-	-	29	17	-	-	17	23	-	-	24
Total loan loss allowance	120	356	817	1,293	101	225	562	888	104	302	616	1,021

Note 8 - Gross loans

Parent Bank	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan - Total					
Balance at 1 January 2020	102,235	9,101	1,957	4,677	117,970
Transfer to stage 1	1,500	-1,488	-12	-	-
Transfer to stage 2	-1,683	1,776	-93	-	-
Transfer to stage 3	-98	-153	251	-	-
Net increase/decrease amount existing loans	-3,320	-94	57	65	-3,292
New loans	42,441	1,099	236	221	43,997
Derecognitions	-33,809	-1,974	-165	-712	-36,660
Actual loan losses	0	-112	-22	-	-134
Balance at 30 June 2020	107,265	8,155	2,209	4,251	121,881

Parent Bank	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan					
Balance at 1 January 2019	97,458	9,888	1,543	4,467	113,356
Transfer to stage 1	2,117	-2,100	-17	-	-
Transfer to stage 2	-1,753	1,779	-26	-	-
Transfer to stage 3	-22	-306	328	-	-
Net increase/decrease amount existing loans	-4,880	-69	10	-67	-5,006
New loans	26,489	560	162	622	27,834
Derecognitions	-20,054	-1,651	-177	-236	-22,118
Balance at 30 June 2019	99,355	8,101	1,823	4,787	114,065

Parent Bank	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan - 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	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan - Total					
Balance at 1 January 2020	109,140	10,350	2,110	4,677	126,277
Transfer to stage 1	1,735	-1,720	-14	-	-
Transfer to stage 2	-2,042	2,149	-108	-	-
Transfer to stage 3	-114	-218	333	-	-
Net increase/decrease amount existing loans	-3,423	-137	51	65	-3,443
New loans	44,459	1,269	247	221	46,195
Derecognitions	-34,555	-2,089	-210	-712	-37,566
Actual loan losses	-611	-186	-38	-	-835
Balance at 30 June 2020	114,589	9,417	2,370	4,251	130,627

Group	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan					
Balance at 1 January 2019	103,494	10,829	1,682	4,467	120,473
Transfer to stage 1	2,274	-2,256	-17	-	-
Transfer to stage 2	-2,163	2,205	-42	-	-
Transfer to stage 3	-45	-337	382	-	-
Net increase/decrease amount existing loans	-5,237	-156	4	-67	-5,455
New loans	28,261	631	167	622	29,681
Derecognitions	-20,650	-1,739	-178	-236	-22,804
Balance at 30 June 2019	105,934	9,177	1,998	4,787	121,894

Group	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan - 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	30 June 2019	30 June 2020		30 June 2020	30 June 2019	31 Dec 2019
3,064	3,056	3,411	Agriculture, forestry, fisheries, hunting	3,411	3,056	3,064
645	784	1,164	Sea farming industries	1,164	784	645
1,582	1,505	1,630	Manufacturing	1,630	1,505	1,582
3,363	2,772	3,105	Construction, power and water supply	3,105	2,772	3,363
4,197	3,378	3,789	Retail trade, hotels and restaurants	3,789	3,378	4,197
1,059	1,084	988	Maritime sector	988	1,084	1,059
5,027	5,717	5,962	Property management	5,890	5,418	4,718
7,643	8,033	8,752	Business services	8,752	8,033	7,643
8,186	7,765	8,970	Transport and other services provision	8,597	7,283	7,819
13,162	12,483	12,809	Public administration	12,809	12,483	13,162
3,278	4,827	3,311	Other sectors	3,173	4,563	3,001
51,206	51,404	53,889	Total	53,307	50,359	50,253
35,664	36,194	40,982	Wage earners	40,982	36,194	35,664
86,870	87,597	94,871	Total deposits	94,289	86,553	85,917

Note 10 - Net interest income

Parent Bank			(NOKm)	Group		
First half				First half		
2019	2019	2020		2020	2019	2019
246	107	117	Interest income from loans to and claims on central banks and credit institutions (amortised cost)	33	43	103
1,693	836	800	Interest income from loans to and claims on customers (amortised cost)	1,071	1,064	2,177
1,792	835	871	Interest income from loans to and claims on customers (Fair value over OCI)	879	847	1,814
134	65	65	Interest income from loans to and claims on customers (Fair value over Profit and loss)	65	65	134
375	171	221	Interest income from money market instruments, bonds and other fixed income securities (Fair value over Profit and loss)	220	169	371
-	-	-	Other interest income	14	13	26
4,241	2,014	2,074	Total interest income	2,281	2,202	4,626
170	72	63	Interest expenses on liabilities to credit institutions	70	79	190
1,042	456	491	Interest expenses relating to deposits from and liabilities to customers	482	447	1,019
545	279	270	Interest expenses related to the issuance of securities	271	279	545
84	42	32	Interest expenses on subordinated debt	33	43	86
10	17	4	Other interest expenses	14	28	33
65	13	35	Guarantee fund levy	35	13	65
1,916	878	895	Total interest expense	905	889	1,939
2,325	1,136	1,179	Net interest income	1,376	1,313	2,687

Note 11 - Operating expenses

Parent Bank				Group		
First half					First half	
2019	2019	2020	(NOKm)	2020	2019	2019
234	119	126	IT costs	173	168	321
19	8	9	Postage and transport of valuables	12	10	23
63	27	28	Marketing	41	51	101
109	56	52	Ordinary depreciation	82	90	172
42	22	17	Operating expenses, real properties	24	27	57
134	50	77	Purchased services	108	77	193
149	69	67	Other operating expense	91	96	231
750	352	375	Total other operating expenses	530	520	1,098

Note 12 - Other assets

Parent Bank			(NOKm)	Group		
31.12.19	30.06.2019	30.06.20		30.06.20	30.06.19	31.12.19
-	-	-	Deferred tax asset	156	178	158
85	88	76	Fixed assets	210	232	222
342	367	327	Right to use assets	468	607	499
107	66	110	Earned income not yet received	152	137	132
13	866	1,169	Accounts receivable, securities	1,605	1,180	292
148	179	83	Pensions	83	179	148
546	209	324	Other assets	660	697	640
1,241	1,774	2,089	Total other assets	3,335	3,210	2,092

Note 13 - Other liabilities

Parent Bank			(NOKm)	Group		
31 Dec 2019	30 June 2019	30 June 2020		30 June 2020	30 June 2019	31 Dec 2019
48	84	32	Deferred tax	98	148	115
475	278	218	Payable tax	300	352	546
10	10	10	Capital tax	10	10	10
			Accrued expenses and received, non-accrued			
76	55	60	income	396	462	455
127	158	264	Provision for accrued expenses and commitments	264	158	127
100	121	120	Losses on guarantees and unutilised credits	120	121	100
16	21	11	Pension liabilities	11	21	16
347	370	331	Lease liabilities	474	611	505
68	74	61	Drawing debt	61	74	68
6	7	4	Creditors	61	49	57
9	1,201	2,668	Debt from securities	3,006	1,406	197
-	-	-	Equity Instruments	125	58	244
287	612	457	Other liabilities	533	704	401
1,570	2,990	4,237	Total other liabilities	5,459	4,172	2,841

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

Group

Change in securities debt (NOKm)	31 Dec 2019	Issued	Fallen due/ Redeemed	Other changes	30 June 2020
Bond debt, nominal value	42,722	5,166	3,270	713	45,331
Value adjustments	73	-	-	522	595
Accrued interest	218	-	-	-15	203
Total	43,014	5,166	3,270	1,220	46,129

Change in subordinated debt and hybrid equity (NOKm)	31 Dec 2019	Issued	Fallen due/ Redeemed	Other changes	30 June 2020
Ordinary subordinated loan capital, nominal value	1,793	-	-	-	1,793
Hybrid equity, nominal value	287	-	287	-	-
Value adjustments	1	-	-	-1	-
Accrued interest	10	-	-	-6	4
Total	2,090	-	287	-7	1,797

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

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

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

Level 2: Valuation based on observable market data

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

Level 3: Valuation based on other than observable data

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

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2020:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	0	10,069	-	10,069
- Bonds and money market certificates	2,635	26,320	-	28,955
- Equity instruments	1,137	113	422	1,673
- Fixed interest loans	-	43	4,214	4,256
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	73,516	73,516
Total assets	3,772	36,545	78,152	118,469
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	6	8,638	-	8,644
- Equity instruments	125	-	-	125
Total liabilities	131	8,638	-	8,769

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2019:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	1	3,766	-	3,767
- Bonds and money market certificates	2,076	17,794	-	19,870
- Equity instruments	1,683	71	448	2,202
- Fixed interest loans	-	43	4,744	4,787
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	60,745	60,745
Total assets	3,760	21,673	65,937	91,370
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	3	3,476	-	3,479
- Equity instruments	58	-	-	58
Total liabilities	61	3,476	-	3,537

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 30 June 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	13	216	30,795	31,025
Disposals in the period	-13	-761	-28,583	-29,357
Expected credit loss	-	-	-37	-37
Gain or loss on financial instruments	17	123	6	145
Closing balance	422	4,214	73,516	78,152

The following table presents the changes in the instruments classified in level 3 as at 30 June 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 periode	14	622	13,008	13,644
Disposals in the periode	-172	-306	-13,557	-14,035
Expected credit loss	-	-	-0	-0
Gain or loss on financial instruments	56	3	0	60
Closing balance	448	4,744	60,745	65,937

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

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

Fixed interest loans to customers (level 3)

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

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

Property Loans at floating interest classified at fair value over other comprehensive income is valued based on nominal amount reduced by expected credit loss. Loans with no significant credit risk deterioration since first recognition is assessed at nominal amount. For loans with a significant increase in credit risk since first recognition or objective evidence of loss, the calculation of expected credit losses over the life of the asset is in line with loan losses for loans at amortised cost. Estimated fair value is the nominal amount reduced by expected lifetime credit loss. If the likelihood of the worst case scenario in the model is doubled, fair value is reduced by NOK 7 million.

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

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

Equity instruments (level 3)

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 285 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank SMN 1 Invest. The valuations are in all essentials based on reporting from managers of the funds who utilise cash flow based models or multiples when determining fair value. The Group does not have full access to information on all the elements in these valuations and is therefore unable to determine alternative assumptions.

Financial derivatives (level 2)

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

Sensitivity analyses, level 3 as at 30 June 2020:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumptions
Fixed interest loans	4,455	-11
Equity instruments through profit/loss*	412	-
Loans at fair value through other comprehensive income	73,516	-7

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

Note 16 - Liquidity risk

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

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

The average residual maturity on debt created by issue of securities at the end of the first half year 2020 was 3.3 years. The overall LCR at the same point was 163 per cent and the average overall LCR in the second quarter was 176 per cent. The LCR in Norwegian kroner and euro at quarter-end was 155 and 107 per cent respectively.

Note 17 - Earnings per Equity Capital Certificate

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)	First half		
	2020	2019	2019
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	915	1,667	2,458
Allocated to ECC Owners 2)	585	1,066	1,572
Issues Equity Capital Certificates adjusted for own certificates	129,303,137	129,565,508	129,496,367
Earnings per Equity Capital Certificate	4.53	8.23	12.14

1) Adjusted Net Profit	First half		
	2020	2019	2019
Net Profit for the group	1,008	1,729	2,563
adjusted for non-controlling interests share of net profit	-55	-33	-56
Adjusted for Tier 1 capital holders share of net profit	-38	-29	-49
Adjusted Net Profit	915	1,667	2,458

2) Equity capital certificate ratio (parent bank) (NOKm)	30 June 2020	30 June 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	-28	-1	-
A. The equity capital certificate owners' capital	9,923	9,192	9,758
Ownerless capital	5,541	5,126	5,432
Unrealised gains reserve	68	56	68
Other equity capital	-16	-0	-
B. The saving bank reserve	5,593	5,181	5,500
To be disbursed from gift fund	-	-	474
Dividend declared	-	-	840
Equity ex. profit	15,517	14,374	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)	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
	2020	2020	2019	2019	2019	2019	2018	2018	2018
Interest income effective interest method	1,031	1,250	1,235	1,190	1,127	1,075	1,082	1,025	989
Interest expenses	365	540	538	512	463	426	438	414	408
Net interest	666	710	697	678	664	649	644	610	581
Commission income	331	349	371	374	363	329	343	344	361
Commission expenses	47	50	47	55	51	40	42	45	45
Other operating income	323	271	255	235	294	262	242	186	291
Commission income and other income	607	570	579	554	606	551	543	486	607
Dividends	2	8	1	1	11	2	2	0	4
Income from investment in related companies	177	217	8	85	231	555	130	105	102
Net return on financial investments	269	-124	8	35	95	169	-37	77	195
Net return on financial investments	448	101	17	121	336	727	95	182	300
Total income	1,721	1,381	1,292	1,353	1,607	1,926	1,282	1,277	1,488
Staff costs	449	443	411	404	438	447	391	376	413
Other operating expenses	258	273	309	269	263	257	311	240	248
Total operating expenses	706	716	720	673	701	704	701	616	661
Result before losses	1,015	665	572	680	907	1,223	580	661	827
Loss on loans, guarantees etc.	170	308	103	71	59	67	67	69	78
Result before tax	845	357	469	609	848	1,155	513	592	748
Tax charge	126	67	123	121	165	109	104	119	156
Result investment held for sale, after tax	-0	0	0	-0	0	0	-8	6	150
Net profit	719	290	346	488	683	1,046	401	480	743

Key figures from quarterly accounts

Group (NOKm)	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
	2020	2020	2019	2019	2019	2019	2018	2018	2018
Profitability									
Return on equity per quarter ¹⁾	15.1%	5.7%	7.1%	10.2%	14.9%	23.3%	9.0%	11.1%	17.9%
Cost-income ratio ¹⁾	41 %	52 %	56 %	50 %	44 %	37 %	55 %	48 %	44 %
Balance sheet figures									
Gross loans to customers	130,627	127,272	126,277	123,967	121,895	120,100	120,473	118,044	115,787
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	175,100	170,771	167,777	165,380	163,627	161,091	160,317	157,825	154,790
Deposits from customers	94,289	88,152	85,917	83,641	86,553	81,111	80,615	77,529	80,343
Total assets	190,484	185,182	166,662	166,475	167,289	164,641	160,704	159,337	159,584
Quarterly average total assets	187,833	175,922	166,569	166,882	165,965	162,673	160,021	159,460	155,833
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months ¹⁾	7.0 %	6.0 %	6.3 %	6.8 %	5.7 %	6.6 %	7.8 %	7.3 %	7.6 %
Growth in deposits last 12 months	8.9 %	8.7 %	10.8 %	4.1 %	7.7 %	6.8 %	5.4 %	6.1 %	6.3 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio ¹⁾	0.39 %	0.73 %	0.25 %	0.17 %	0.14 %	0.17 %	0.17 %	0.18 %	0.20 %
Non-performing commitm. as a percentage of gross loans ¹⁾	0.39 %	0.38 %	0.26 %	0.26 %	0.22 %	0.18 %	0.19 %	0.18 %	0.18 %
Other doubtful commitm. as a percentage of gross loans ¹⁾	0.97 %	1.23 %	1.00 %	1.03 %	1.00 %	0.99 %	0.86 %	0.86 %	0.95 %
Solidity ²⁾									
Common equity Tier 1 capital ratio	17.2 %	16.3 %	17.2 %	15.1 %	15.0 %	14.8 %	14.6 %	14.9 %	15.0 %
Tier 1 capital ratio	18.9 %	18.0 %	19.3 %	16.7 %	16.6 %	16.4 %	16.3 %	16.7 %	17.0 %
Capital ratio	21.1 %	20.1 %	21.6 %	18.9 %	18.8 %	18.6 %	18.5 %	19.2 %	19.0 %
Tier 1 capital	18,182	17,792	17,742	17,417	17,284	16,775	16,472	16,542	16,488
Total eligible capital	20,266	19,879	19,854	19,765	19,634	19,115	18,743	18,969	18,418
Liquidity Coverage Ratio (LCR)	163 %	185 %	148 %	181 %	165 %	180 %	183 %	150 %	150 %
Leverage Ratio	6.9 %	6.9 %	7.5 %	7.4 %	7.5 %	7.4 %	7.4 %	7.5 %	7.4 %
Key figures ECC									
ECC share price at end of period (NOK)	78.30	67.60	100.20	98.50	97.70	87.40	84.20	90.90	84.50
Number of certificates issued, millions ¹⁾	129.39	129.22	129.30	129.48	129.66	129.41	129.62	129.44	129.31
Booked equity capital per ECC (including dividend) ¹⁾	90.37	86.85	90.75	89.36	87.04	83.86	83.87	82.57	80.21
Profit per ECC, majority ¹⁾	3.27	1.26	1.60	2.30	3.21	5.02	1.90	2.32	3.54
Price-Earnings Ratio ¹⁾	5.98	13.46	15.67	10.69	7.61	4.35	11.05	9.77	5.97
Price-Book Value Ratio ¹⁾	0.87	0.78	1.10	1.10	1.12	1.04	1.00	1.10	1.05

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.

Statement in compliance with the securities trading act, section 5-6

Statement by the Board of Directors and CEO

We hereby declare that to the best of our knowledge the half-yearly financial statements for the period 1 January to 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting, and that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the bank and the group taken as a whole.

We also declare that to the best of our knowledge the half-yearly management report gives a fair review of important events in the reporting period and their impact on the financial statements, the principal risks and uncertainties facing the business in the next reporting period, and significant transactions with related parties.

Trondheim, 11 August 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.)

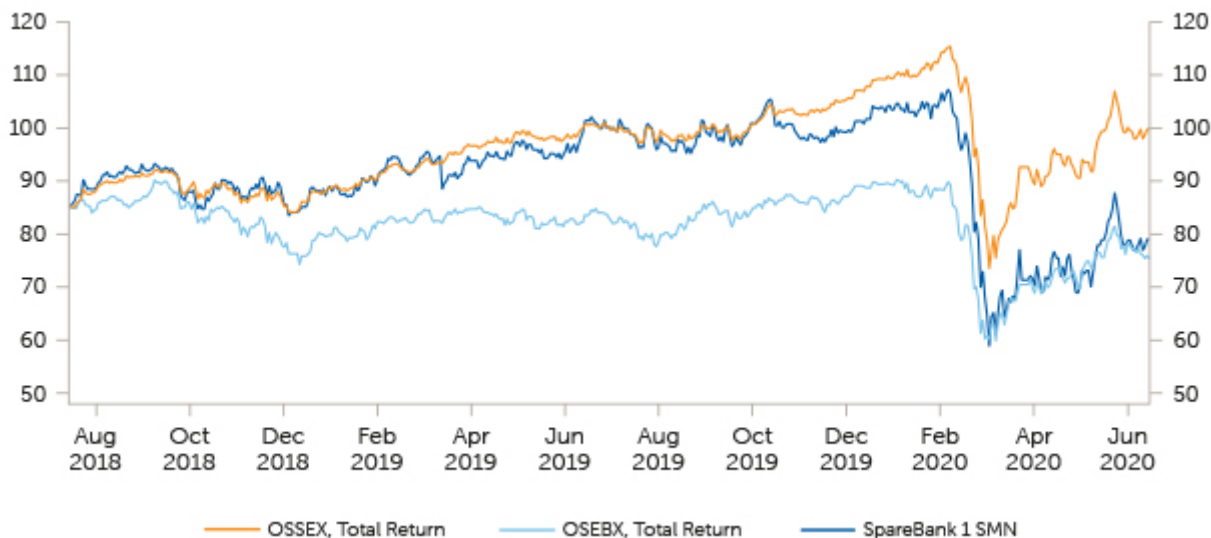
Christina Straub
(employee rep.)

Jan-Frode Janson
(Group CEO)

Equity capital certificates

Stock price compared with OSEBX and OSEEX

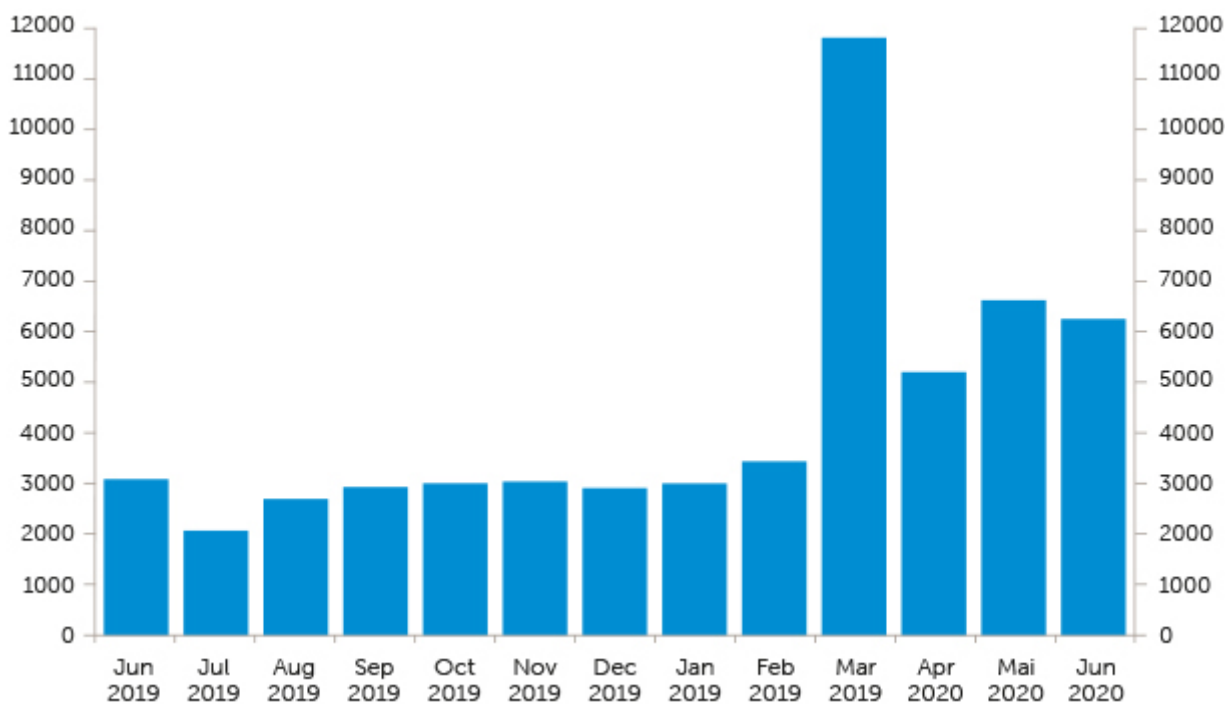
1 July 2018 to 30 June 2020



OSEBX = Oslo Stock Exchange Benchmark Index (rebased)
 OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 July 2019 to 30 June 2020



Total number of ECs traded (1000)

20 largest ECC holders	Number	Share
VPF Nordea Norge	5,505,744	4.24 %
State Street Bank and Trust Comp	4,171,804	3.21 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,342,919	2.57 %
Danske Invest norske aksjer intitusjon II.	3,190,549	2.46 %
VPF Pareto aksje Norge	2,734,480	2.11 %
VPF Alfred Berg Gambak	2,397,837	1.85 %
J.P. Morgan Chase Bank, N.A., London	2,052,616	1.58 %
State Street Bank and Trust Comp	1,992,314	1.53 %
VPF Eika egenkapitalbevis	1,941,083	1.50 %
Pareto Invest AS	1,810,197	1.39 %
Forsvarets personellservice	1,797,946	1.38 %
Citibank, N.A.	1,582,586	1.22 %
VPF Nordea kapital	1,440,601	1.11 %
M.P. Pensjon PK	1,352,771	1.04 %
Danske Invest norske aksjer institusjon I.	1,341,275	1.03 %
VPF Nordea avkastning	1,249,111	0.96 %
Morgan Stanley & Co. International	1,186,816	0.91 %
VPF Alfred Berg Norge	1,085,659	0.84 %
Landkreditt utbytte	1,075,000	0.83 %
The 20 largest ECC holders in total	45,216,699	34.83 %
Others	84,619,744	65.17 %
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.



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 30 June 2020, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six-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 30 June 2020, and its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Trondheim, 11 August 2020
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

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