Fourth Quarter Report 2017

Contents

Main figures (Group)

From the income statement	January - December 2017 NOKm	% 1)	January - December 2016 NOKm	% 1)
Net interest	2,225	1.52	1,929	1.41
Net commission income and other income	2,005	1.37	1,674	1.22
Net return on financial investments	760	0.52	944	0.69
Total income	**4,989**	**3.42**	**4,547**	**3.32**
Total operating expenses	**2,369**	**1.62**	**2,003**	**1.46**
Results before losses	**2,621**	**1.80**	**2,544**	**1.86**
Loss on loans, guarantees etc	341	0.23	516	0.38
Results before tax	**2,279**	**1.56**	**2,029**	**1.48**
Tax charge	450	0.31	352	0.26
Result investment held for sale, after tax	-1	0.00	4	0.00
Net profit	**1,828**	**1.25**	**1,681**	**1.23**
Interest Tier 1 Capital	33		34	
Net profit excl. Interest Tier 1 Capitial	1,795		1,647	

Key figures	31 Dec 2017	31 Dec 2016
Profitability		
Return on equity 2)	11.5 %	11.3 %
Cost-income ratio 2)	47 %	44 %
Balance sheet figures		
Gross loans to customers	112,071	102,325
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	148,784	137,535
Deposits from customers	76,476	67,168
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	68 %	66 %
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt 2)	51 %	49 %
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt) 2)	8.2 %	8.0 %
Growth in deposits last 12 months 2)	13.9 %	4.8 %
Average total assets	145,948	137,060
Total assets	153,254	138,080
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt		
Impairment losses ratio 2)	0.23 %	0.39 %
Non-performing commitm. as a percentage of gross loans 2)	0.19 %	0.16 %
Other doubtful commitm. as a percentage of gross loans 2)	0.80 %	1.07 %
Solidity		
Capital adequacy ratio	19.0 %	19.4 %
Core capital ratio	16.9 %	17.0 %
Common equity tier 1 ratio	14.9 %	14.9 %
Core capital	15,824	15,069
Net equity and related capital	17,746	17,185
Liquidity Coverage Ratio (LCR)	164 %	129 %
Leverage Ratio	7.2 %	7.4 %
Branches and staff		
Number of branches	48	48
No. Of full-time positions	1,403	1,254

1) Calculated as a percentage of average total assets
2) Defined as alternative performance measures, see attachment to the quarterly report.

Key figures ECC	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
ECC ratio	64.0 %	64.0 %	64.0 %	64.6 %	64.6 %
Number of certificates issued, millions [2)]	129.38	129.64	129.43	129.83	129.83
ECC share price at end of period (NOK)	82.25	64.75	50.50	58.50	55.00
Stock value (NOKM)	10,679	8,407	6,556	7,595	7,141
Booked equity capital per ECC (including dividend) [2)]	78.81	73.35	67.39	62.04	55.69
Profit per ECC, majority [2)]	8.71	7.93	6.96	8.82	6.92
Dividend per ECC	4.40	3.00	2.25	2.25	1.75
Price-Earnings Ratio [2)]	9.44	8.17	7.26	6.63	7.95
Price-Book Value Ratio[2)]	1.04	0.88	0.75	0.94	0.99

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

Report of the Board of Directors

Preliminary annual accounts 2017

(Consolidated figures. Figures in parenthesis refer to the same period of 2016 unless otherwise stated)

As from the fourth quarter of 2017 SpareBank 1 SMN has reclassified two hybrid bonds from debt to equity. The bonds were reclassified since they do not meet the definition of financial liability under IAS 32. The bonds are perpetual, and SpareBank 1 SMN is not required to pay interest to investors. The interest is recognised not as an expense through profit and loss, but as a reduction in equity. The change has brought a reduction in interest expenses totalling NOK 44m in 2017 before tax, NOK 33m after tax. Comparatives for 2016 have been restated. See note 2 for further details.

Main points for 2017:

- Good profits from banking operations, subsidiaries and product companies
- Profit was NOK 1,828m and NOK 147m better than in 2016. The improvement is mainly due to increased operating income, reduced loan losses and sound profit for SpareBank 1 Gruppen
- Strong financial position
- Considerable increase in customers and high growth in all product areas

Post-tax profit of NOK 1,828m

- Pre-tax profit: NOK 2,279m (2,029m)
- Post-tax profit: NOK 1,828m (1,681m)
- Return on equity: 11.5 per cent (11.3 per cent)
- CET1 capital ratio: 14.9 per cent (14.9 per cent)
- Growth in lending: 8.2 per cent (8.0 per cent) and in deposits: 13.9 per cent (4.8 per cent)
- Share of lending to the retail market 66 per cent (65 per cent)
- Loan losses: NOK 341m (516m)
- Earnings per equity certificate (EC): NOK 8.71 (7.93). Book value per EC, inclusive dividend proposed for 2017: NOK 78.81 (73.35)
- Proposed dividend: NOK 4.40 per EC and an allocation of NOK 322m to non-profit causes

Fourth quarter 2017

- Pre-tax profit: NOK 678m (565m)
- Post-tax profit: NOK 553m (470m)
- Return on equity: 13.4 per cent (12.2 per cent)
- Loan losses: NOK 78m (99m)
- Earnings per EC: NOK 2.63 (2.21)

Profit NOK 147m better than in 2016

In 2017 SpareBank 1 SMN achieved a pre-tax profit of NOK 2,279m (2,029m). The net profit was NOK 1,828m (1,681m) and return on equity was 11.5 per cent (11.3 per cent).

Overall operating income in 2017 came to NOK 4,229m (3,603m), an increase of NOK 626m from the previous year.

Return on financial assets was NOK 760m (944m), of which the profit share from owner interests in related companies accounted for NOK 437m (423m).

Operating expenses came to NOK 2,369m (2,003m) in 2017. The cost growth refers largely to the bank's subsidiaries and is attributable to EiendomsMegler 1 Midt-Norge's involvement in BN Bolig, capacity expansion at SpareBank 1 Markets and company acquisitions by SpareBank 1 Regnskapshuset SMN.

The Group lost NOK 341m (516m) on loans to customers, mainly in oil-related activity.

Sound growth was posted in lending and deposits in 2017. Lending rose by 8.2 per cent (8.0 per cent) and deposits by 13.9 per cent (4.8 per cent).

As at 31 December 2017 the CET1 ratio was 14.9 per cent (14.9 per cent). The CET1 target is set at 15.0 per cent.

The price of the bank's equity certificate (MING) at year-end was NOK 82.25 (64.75). A cash dividend of NOK 3.00 per EC was paid in 2017 for the year 2016.

Earnings per EC were NOK 8.71 (7.93). The book value per EC was NOK 78.81 (73.35) inclusive recommended dividend of NOK 4.40. The recommended dividend represents a payout ratio of 50 per cent (37 per cent) of the Group profit.

Pre-tax profit in the fourth quarter in isolation was NOK 678m (565m). The good result for the quarter is mainly ascribable to high operating revenues and an excellent result for the period at SpareBank 1 Gruppen.

Proposed distribution of profit

Distribution of the profit for the year is done on the basis of the parent bank's accounts. The parent bank's profit includes dividends from subsidiaries, associates and joint ventures, and is corrected for interest expenses on hybrid capital after tax.

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

Difference between Group - Parent Bank	2017	2016
Profit for the year, Group	**1,828**	**1,681**
Profit, subsidiaries	- 196	- 280
Dividend, subsidiaries	364	147
Profit, associates and joint ventures	- 437	- 423
Dividend, associates and joint ventures	410	591
Elimination Group	- 119	- 27
Profit for the year, Parent bank	**1,850**	**1,689**

Distribution of profit	2017	2016
Profit for the year, Parent bank	1,850	1,689
Transferred to/from revaluation reserve	17	95
Interest Tier 1 capital (after tax)	- 33	- 34
Profit for distribution	**1,800**	**1,750**
Dividends	572	389
Equalisation fund	580	730
Ownerless capital	327	411
Gifts	322	220
Total distributed	**1,800**	**1,750**

The annual profit for distribution reflects changes of NOK 17m in the unrealised gains reserve.

The total amount for distribution is accordingly NOK 1,800m.

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

Earnings per equity certificate were NOK 8.71. Of this, the board of directors recommend the bank's supervisory board to set a cash dividend of NOK 4.40, altogether totalling NOK 572m. This gives the EC holders a payout ratio of 50 per cent of the earnings per EC. The board of directors further recommends the supervisory board to allocate NOK 322m as gifts to non-profit causes, also representing a payout ratio of 50 per cent. Of this amount it is proposed that NOK 252m be transferred to the foundation Sparebankstiftelsen SMN and NOK 70m as gifts to non-profit causes. NOK 580m and NOK 327m are transferred to the dividend equalisation fund and the ownerless capital respectively.

After distribution of the profit for 2017, the ratio of EC capital to total equity remains 64.0 per cent.

Increased net interest income

Net interest income rose by NOK 296m to NOK 2,225m (1,929m) in 2017. The strong increase is attributable to:

- Increased lending to and deposits from both retail and corporate customers
- Increased margins on lending both to retail and corporate customers
- Reduced funding costs

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 on loans sold to these two companies in 2017 totalled NOK 370m (282m).

Risk pricing and attention to the use of regulatory capital have brought improved margins, and work in this respect continues in 2018. The bank's strong growth shows that its prices are in tune with the market.

Increased other income

Commission and other operating income rose by NOK 330m to NOK 2,005m (1,674m) in 2017.

Income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt rose by NOK 88m as a result of growth and improved margins on residential mortgages.

Strengthening of SpareBank 1 Markets and acquisitions by SpareBank 1 Regnskapshuset SMN have contributed significantly to the increase in other income. A positive development is also noted in income from insurance sales, sales of savings products and payment services

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

	January - December		
Commission income (NOKm)	**2017**	**2016**	**Change**
Payment transfers	207	196	11
Creditcard	59	63	-3
Saving products	117	97	20
Insurance	172	159	13
Guarantee commission	69	77	-8
Real estate agency	365	391	-27
Accountancy services	357	213	144
Markets	214	126	88
Other commissions	75	69	6
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	**1,635**	**1,392**	**242**
Commissions SB1 Boligkreditt	353	271	83
Commissions SB1 Næringskreditt	17	12	5
Total commissions	**2,005**	**1,674**	**330**

Good return on financial investments

Overall return on financial investments was NOK 317m (434m). This breaks down as follows:

- A gain of NOK 62m (76m) on the shares of the bank and subsidiaries
- Financial derivatives yielded gains of NOK 148m (280m). This is very largely gains on fixed income instruments
- Other financial instruments measured at fair value include value changes on the bank's portfolio of fixed-interest loans and show a gain of NOK 7m (26m)
- Income of NOK 45m (51m) on forex transactions refers to income from currency trading at SpareBank 1 Markets and to 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 43m (25m)
- The Group's holding of short-term paper and bonds yielded a gain of NOK 58m (-2m) as a result of improved return on the liquidity portfolio
- Prices of financial instruments used by the bank for hedging purposes declined and the bank recognised a net loss of NOK 46m (21m) on hedging instruments

Capital gains/dividends, shares (NOKm)	January - December 2017	2016	Change
Capital gains shares	62	76	-14
Gain/(loss) on derivatives	148	280	-131
of which value adjustment on basis swaps	*-50*	*-8*	*-42*
Gain/(loss) on other financial instruments at fair value (FVO)	7	26	-19
Foreign exchange gain / (loss)	45	51	-6
Gain/(Loss) on sertificates and bonds	58	-2	60
Gevinst/(tap) på aksjer og aksjederivater i SpareBank1 Markets	43	25	19
Gain/(loss) on financial instruments related to hedging	-46	-21	-25
Net return on financial instruments	**317**	**434**	**-117**

Product companies and other associated companies

Through the product companies, banks have access to a broader product range and hence commission income. The product companies also provide the banks with a good return on invested capital.

SpareBank 1 Gruppen

SpareBank 1 Gruppen owns 100 per cent of the shares of SpareBank 1 Forsikring, SpareBank 1 Skadeforsikring, ODIN Forvaltning and SpareBank 1 Gruppen Finans. SpareBank 1 SMN's stake in SpareBank 1 Gruppen was unchanged at 19.5 per cent at the end of the fourth quarter of 2017. SpareBank 1 Gruppen's post-tax profit in 2017 was NOK 1,811m (1,575m). SpareBank 1 Forsikring contributes 95 per cent of the profit. The profit growth is explained by:

- A good underlying trend in both the life insurance and non-life insurance business
- High financial earnings
- Positive adjustment of property values

SpareBank 1 SMN's share of the profit for 2017 was NOK 349m (317m), including a correction of minus NOK 4m to the profit for 2016.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks participating in 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 of 31 December 2017 the bank had sold loans totalling NOK 34.9bn (33.1bn) to SpareBank 1 Boligkreditt, corresponding to 35.3 per cent (37.1 per cent) of overall loans to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt in 2017 was 19.1 per cent, and the bank's share of that company's profit in 2017 was minus NOK 41m (minus 17m). The profit share in 2017 was weakened by exchange rate losses of NOK 74m (29m) on the company's basis swaps.

The valuation of the company's basis swaps is linked to currency hedging of the company's borrowings. These are valued quarterly and may produce major profit fluctuations from quarter to quarter. Exchange rate losses arise because the market cost of currency hedging is reduced and the effect of the exchange rate loss will be neutralised over the maturity of the currency hedge.

The new stake as of 31 December 2017 is 19.9 per cent.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 31 December 2017, loans worth NOK 1.8bn (2.1bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company in 2017 was 36.5 per cent, and the bank's share of the company's profit for 2017 was NOK 19m (29m). The holding reflects the bank's relative share of sold loans to commercial property and the bank's stake in BN Bank. Of aggregate loans at SpareBank 1 Næringskreditt, 42 per cent have been transferred from BN Bank. The new holding as at 31 December 2017 is 33.5 per cent.

SpareBank 1 Kredittkort

Profit for 2017 was NOK 84m (128m). SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 17.9 per cent. SpareBank 1 SMN's share of the profit for 2017 was NOK 15m, and the bank's share of the portfolio is NOK 845m (829m).

SpareBank 1 SMN Kredittkort has since 1 January 2017 managed the credit card programme LOfavør. This agreement expands the business relationship between the Norwegian Confederation of Trade Unions (LO) and the SpareBank 1 Alliance.

In 2017 work on the LOfavør portfolio reflected start-up and one-time costs, but the portfolio will make a positive contribution to the SpareBank 1 Alliance as early as in 2018. At year-end the portfolio consisted of 45,250 accounts overall of which 6,250 were assigned to SpareBank 1 SMN.

On behalf of the alliance, SpareBank 1 Kredittkort was commissioned to deliver credit products to Vipps, a Norwegian mobile payment application. The agreement will be implemented in the course of 2018.

BN Bank

SpareBank 1 SMN owns 33.0 per cent of BN Bank as of 31 December 2017.

BN Bank recorded a profit of NOK 298m (261m) in 2017 providing a return on equity of 8.3 per cent (7.3 per cent). SpareBank 1 SMN's share of the profit of BN Bank was NOK 98m (86m) adjusted for the profit share in BN Bolig and interest on hybrid capital.

After the decision to wind down the focus on financing of commercial property, the corporate portfolio has been reduced by NOK 18.7bn or 59 per cent since 30 June 2015. This has helped to improve SpareBank 1 SMN's financial position and to enhance the profitability of the remaining corporate portfolio of BN Bank.

BN Bank is to be developed into a digital bank serving the retail market.

BN Bank has resolved to strengthen its product platform through a cautious focus on consumer lending. In addition the company has, in collaboration with Eiendomsmegler 1 Midt Norge, established the company BN Bolig in which BN Bank holds a 50 per cent stake. The focus on estate agency in the Oslo market is intended to strengthen residential mortgage lending for BN Bank. To support the focus on estate agency, the bank's board of directors have also adopted a new focus on funding of housing projects. This will involve a controlled, gradual build-up of the portfolio.

SpareBank 1 Betaling (Vipps)
In autumn 2017 the SpareBank 1 Alliance's mobile payments service mCASH was amalgamated with Vipps. Several Norwegian bank groupings joined the company on the owner side, and all Norwegian banks have Vipps as their mobile payments service. BankID and BankAxept are to merge with Vipps to compete in the arena for payment solutions for the future. Vipps aims to take its place as the Nordic region's leading financial technology company, and SpareBank 1 SMN's 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). In the course of 2018 Vipps will launch a number of services designed to simplify bank customers' everyday life, and its integration of accounts will ensure that costs are kept down.

Operating expenses
Overall Group operating expenses rose by NOK 366m in 2017 to total NOK 2,369m (2,003).

Parent bank costs increased by NOK 58m to NOK 1,209m from 2016 to 2017. The change is explained by:

- Improved efficiency and effectiveness have brought lower staffing and reduced costs. Since 31 December 2014 the number of FTEs at the parent bank has been reduced by 90 to 595 FTEs at the end of 2017
- In 2016 the bank expensed NOK 50m in reorganisation costs related to downstaffing
- The defined benefit pension scheme for employees of the parent bank and subsidiaries was terminated in 2016 and all Group employees were transferred to a defined contribution scheme. The termination brought a gain of NOK 74m at the parent bank
- The introduction of a new tax on financial institutions in 2017 has increased costs by NOK 25m
- Changing customer behaviour and new technology will set the stage for increased efficiency gains in the period ahead
- The focus on new technology has increased costs by NOK 30m.
- The target of zero growth in the parent bank's operating expenses is retained for 2018

Total costs among the subsidiaries came to NOK 1,159m having risen by NOK 308m in 2017. NOK 140m refers to SpareBank 1 Regnskapshuset SMN's acquisitions in Møre og Romsdal, about NOK 130m to the build-up of SpareBank 1 Markets and NOK 45m to costs connected to EiendomsMegler 1 Midt-Norge's investment in BN Bolig. Costs in 2016 were positively affected by one-time effects of NOK 16m related to the termination of the defined benefit pension scheme.

The acquisition of SpareBank 1 Regnskapshuset SMN has provided substantial income growth and profit growth in the company. Increased capacity through new appointments has enabled strong income growth at SpareBank 1 Markets and the potential for further growth is high. The result for BN Bolig reflects start-up costs and is in keeping with plan. Improved results are expected in 2018.

The cost-income ratio was 47 per cent (44 per cent) for the Group, 32 per cent (31 per cent) for the parent bank.

Reduced losses and low defaults
Net loan losses totalled NOK 341m (516m) in 2017. Net loan losses measure 0.24 per cent of total outstanding loans (0.39 per cent). Net losses in the fourth quarter in isolation were NOK 78m (99m).

A net loss of NOK 323m (495m) was recorded on loans to corporates for 2017, in all essentials related to offshore exposures.

A net loss of NOK 18m (21m) was recorded in the retail banking portfolio in 2017.

Individually assessed write-downs on loans and guarantees totalled NOK 769m (638m) at 31 December 2017.

Total problem loans (defaulted and doubtful) come to NOK 1,468m (1,688m), or 0.99 per cent (1.23 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Defaults in excess of 90 days totalled NOK 284m (214m), measuring 0.19 per cent (0.16 per cent) of gross outstanding loans. Of the overall default volume, NOK 55m (39m) is loss provisioned, corresponding to 20 per cent (18 per cent).

Defaults break down to NOK 75m (38m) on corporates and NOK 209m (176m) on retail borrowers.

Other doubtful exposures totalled NOK 1,184m (1,474m), i.e. 0.80 per cent (1.07 per cent) of gross outstanding loans. NOK 714m (599m) or 60 per cent (41 per cent) is written down.

Other doubtful exposures break down to NOK 1,164m (1,455m) on corporates and NOK 21m (19m) on retail borrowers.

Credit quality in the loan portfolio is good. A very large share of the year’s loan losses refers to oil-related activity, but the trend is positive in this part of the portfolio too.

Collectively assessed impairment write-downs
Collective assessment of impairment write-downs is based on two factors:

- Events that have affected the bank’s portfolio (causing migration between risk categories after granting of loans)
- Events that have not yet affected the portfolio since the bank’s credit risk models do not capture the effects rapidly enough (e.g. significant shifts in macroeconomic factors)

Collectively assessed impairment write-downs increased by NOK 9m in 2017. Overall collectively assessed loss write-downs thus total NOK 347m (339m), measuring 0.23 per cent (0.25 per cent) of total loans. Collectively assessed write-downs break down to NOK 104m on retail exposures and NOK 243m on corporates. Of the overall provision of NOK 243m on the corporate portfolio, the provision related to oil-related activity accounts for NOK 60m. The remaining collectively assessed write-downs of NOK 173m on the corporate portfolio are fairly evenly spread across other sectors.

IFRS 9
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement as from 1 January 2018. IFRS 9 deals with the recognition, classification, measurement and derecognition of financial assets and liabilities along with hedge accounting. In collaboration with other SpareBank 1 banks, SpareBank 1 SMN has worked on models and clarifications with regard to valuation and classification in the past two years or so. Our calculations show an increased need for loss provisioning as at 1 January 2018 of

NOK 18m for the parent bank, and NOK 40m the Group. This will entail a negative effect of 0.07 percentage points for the Group's CET1 capital. See note 2 of the Annual Accounts for 2016 for further details.

Total assets of NOK 153bn

The bank's assets totalled NOK 153bn at 31 December 2017 (138bn), having risen by NOK 15bn or 11.0 per cent over the year. The increase in total assets is a consequence of increased lending and a larger liquidity holding.

As at 31 December 2017 loans worth a total of NOK 37bn (35bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as loans in the bank's balance sheet. The comments covering lending growth do however include loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

High growth in residential mortgage lending

Total outstanding loans have risen by NOK 11.2bn (10.2bn) or 8.2 per cent (8.0 per cent) in 2017 to reach NOK 148.8bn (137.5bn) at year-end.

- Loans to personal borrowers rose in 2017 by NOK 9.3bn (8.7bn) to reach NOK 98.7bn (89.4bn). Growth of 10.4 per cent (10.7 per cent)
- Loans to corporates rose in 2017 by NOK 1.9bn (1.5bn) to reach NOK 50.1bn (49.1bn). Growth of 4.1 per cent (3.2 per cent)
- Loans to personal borrowers accounted for 66 per cent (65 per cent) of total loans to customers as at end-2017

The growth in residential mortgage lending is high and the bank's market shares are growing. There are no indications of higher loss and default levels in the bank's residential mortgage portfolio and the quality of this portfolio is excellent.

New loans to corporate borrowers are mainly to small businesses and are prioritised on the basis of capital limitations and profitability requirements.

SpareBank 1 SMN has over the course of recent years increased the share of its loans going to personal borrowers, and at 31 December 2017 personal borrowers accounted for 66 per cent (65 per cent) of total loans.

(For distribution by sector, see note 5).

Deposits

Customer deposits rose by NOK 9.3bn (3.1bn) in 2017 to reach NOK 76.5bn (67.2bn) as at 31 December 2017. This represents a growth of 13.9 per cent (5.6 per cent).

- Personal customer deposits rose by NOK 2.0bn (1.8bn) or 6.8 per cent (6.9 per cent) to reach NOK 31.8bn
- Corporate deposits rose by NOK 7.3bn (1.6bn) or 19.5 per cent (4.6 per cent) to NOK 44.7bn. The growth in corporate customer deposits has been very high, and is explained by high growth in the majority of segments. As expected, total deposits are somewhat lower at the end of January 2018
- The deposit-to-loan ratio at SpareBank 1 SMN was 68 per cent at 31 December 2017 (66 per cent)

The growth in deposits at the bank was highly satisfactory in 2017, from personal and corporate customers alike.

(For distribution by sector, see note 9).

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 11.7bn (10.2bn) at 31 December 2017. The increase of NOK 1.5bn is a result of good sales and value increases, especially as regards equity funds and active asset management.

	January - December		
Saving products, customer portfolio (NOKm)	**2017**	**2016**	**Change**
Equity funds	7,870	6,612	1,258
Pension products	840	762	78
Active management	2,989	2,780	209
Total	**11,699**	**10,154**	**1,545**

Insurance

The bank's insurance portfolio showed growth of 5.8 per cent in 2017. Growth was strongest for personal insurance, which grew by 7.9 per cent.

	January - December		
Insurance, premium volume (NOKm)	**2017**	**2016**	**Change**
Non-life insurance	769	738	31
Personal insurance	327	303	24
Occupational pensions	232	214	18
Total	**1,328**	**1,255**	**73**

Retail Banking

Outstanding loans to retail borrowers total NOK 103bn and deposits total NOK 37bn as at 31 December. These are loans to and deposits from wage earners, agricultural customers and sole proprietorships.

Operating income totalled NOK 1,926m (1,663m) in 2017 of which net interest income accounted for NOK 1,137m (953m) and commission income for NOK 789m (679m). Operating income has increased mainly due to increased lending and improved lending margins along with increased commission income from other funding income, investment products, payments and insurance. Overall income rose by NOK 293m. Return on capital employed in the retail banking segment was 16.6 per cent (13.8 per cent). Regulatory capital of 15,0 per cent is used as capital employed, corresponding to the Group's targeted CET1 capital ratio.

The lending margin for 2017 was 1.93 per cent (1.75 per cent), while the deposit margin was 0.11 per cent (0.25 per cent) measured against three-month NIBOR. The average three-month NIBOR fell by about 0.30 percentage points over the course of 2017.

In 2017 retail lending and retail deposits grew by 10.0 per cent (10.3 per cent) and 6.7 per cent (3.9 per cent) respectively.

Lending to retail borrowers consistently carries low risk, as reflected in continued very low losses. There are no indications of increased loss and default levels in the bank's residential mortgage portfolio. The portfolio is secured on residential property.

Corporate Banking

Outstanding loans to corporates total NOK 39bn and deposits total NOK 39bn as at 31 December 2017. This is a diversified portfolio of loans to and deposits from corporate customers in Trøndelag and Møre og Romsdal.

Operating income totalled NOK 1,315m (1,205m) in 2017. Net interest income was NOK 1,108m (1,000m), while commission income and return on financial investments totalled NOK 207m (205m). Operating income in the corporate segment has increased due very largely to increased lending and improved lending margins.

Overall net losses recorded in the corporate banking segment have declined and amounted to NOK 318m (490m) in 2017. The losses are in all essentials related to the challenges faced in oil-related activity.

Return on capital employed for the corporate banking segment in 2017 was 10.5 per cent (6.9 per cent). Regulatory capital of 15.0 per cent is used as capital employed, corresponding to the Group's targeted CET1 capital ratio.

The lending margin was 2.69 per cent (2.51 per cent) and the deposit margin was minus 0.10 per cent (minus 0.08 per cent) as at end-December 2017.

Lending grew by 1.5 per cent (0.7 per cent) and deposits by 19.5 per cent (6.9 per cent) in 2017.

Subsidiaries

The subsidiaries posted an overall profit of NOK 242.7m (326.8m) before tax. The results below are from the respective company accounts.

	January - December		
Pre-tax profit (NOKm)	**2017**	**2016**	**Change**
EiendomsMegler 1 Midt-Norge	2.6	66.7	-64.0
SpareBank 1 Finans Midt-Norge	128.3	103.4	24.9
SpareBank 1 Regnskapshuset SMN	60.3	42.9	17.4
Sparebank 1 Markets (proforma incl. Allegro)	1.9	19.6	-17.8
SpareBank 1 SMN Invest	27.9	73.7	-45.9
Other companies	21.6	20.4	1.2
Total	**242.7**	**326.8**	**-84.1**

Eiendomsmegler 1 Midt-Norge leads the field in Trøndelag and in Møre og Romsdal with a very strong market position, Trondheim in particular. The ambition is to continue to strengthen the market share in the region. In collaboration with BN Bank, the company has established BN Bolig in which EiendomsMegler 1 Midt-Norge and BN Bank each hold a 50 per cent stake. This represents a focus on estate agency in the Oslo market which, in addition to enhancing earnings from estate agency, will contribute to stronger residential mortgage lending growth for BN Bank in this market.

EiendomsMegler 1 Midt-Norge's pre-tax profit in 2017 came to NOK 2.6m (66.7m). The profit is weakened by:

- Reduced incomes as a result of fewer dwelling units sold. Dwelling units sold in 2017 totalled 6,719 compared with 7,429 in 2016
- NOK 35m in start-up costs for BN Bolig. EiendomsMegler 1 Midt-Norge consolidates the profit from BN Bolig as a subsidiary

SpareBank 1 Finans Midt-Norge delivered a profit of NOK 128.3m in 2017 (103.4m) and shows positive profit growth as a result of strong growth in income, limited cost growth and good risk management. The company's business areas are mainly leasing to the SMB market and car loans to retail customers. The company operates leasing and car loan agreements worth a total of NOK 6.2bn, of which leasing agreements account for NOK 2.8bn (2.3bn) and car loans for NOK 3.4bn (2.7bn). The company also offers consumer loans, and at year-end that portfolio was worth NOK 208m (132m).

The company has seen good growth, particular in car loans with growth of 26 per cent over the last 12 months. The Samspar banks in SpareBank 1 held a 27.9 per cent stake in SpareBank 1 Finans Midt-Norge at end-2017 and Sparebanken Sogn og Fjordane a stake of 7.5 per cent. SpareBank 1 SMN owns 64.6 per cent of the shares of SpareBank 1 Finans Midt-Norge.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 60.3m (42.9m) in 2017. The profit growth is ascribable to sound operations and to the company's substantial expansion in Møre og Romsdal.

The company caters to the SMB segment with a technologically modern distribution model and a broad range of services.

SpareBank 1 Regnskapshuset SMN acquired all shares of Økonomisenteret Kunderegnskap in Molde along with about 110 employees with effect from 2017. The company now has 360 employees and an annual turnover of NOK 360m. This has contributed to improved profit in 2017 and to a considerable increase in income and expenses alike.

SpareBank 1 SMN Invest invests in shares, mainly in regional businesses. The company posted a net profit of NOK 27.9m (73.7m) in 2017.

Value changes and realisation of losses or gains on the company's overall holding of shares account for NOK 12.5m of the company's net total income. The company has in addition ownership interests in the property company Grilstad Marina and its share of the latter's profit in 2017 was NOK 15.4m.

SpareBank 1 Markets is a subsidiary of SpareBank 1 SMN with a stake of 66.7 per cent. The company is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. It has a staff of 132. In the fourth quarter the company acquired the trading desk at SpareBank 1 SR-Bank Markets. SpareBank 1 SR-Bank became co-owner of the company as a result of the transaction.

In 2017 SpareBank 1 Markets also acquired SpareBank 1 Kapitalforvaltning (formerly Allegro Kapitalforvaltning and SpareBank 1 Nord-Norge Forvaltning). The company is at centre-stage in SpareBank 1 Markets' focus on asset management with aggregate total assets of NOK 10bn. The company has a staff of 15.

SpareBank 1 Markets' (including SpareBank 1 Kapitalforvaltning) pre-tax profit in 2017 was NOK 1.9m (19.6m). The Group has seen a positive income trend in the past year, in particular in equity trading and investment banking (corporate).

In 2017 SpareBank 1 Markets made a number of staff appointments which are expected to strengthen earnings in the company once the new staff attain normalised earning power. This has resulted in considerable cost growth in 2017.

The company is the leading capital market unit in SpareBank 1 SMN's market area. SpareBank 1 Markets' main focus is on clients where the company is in a strong competitive position alone or in collaboration with its parent banks.

Satisfactory funding and good liquidity

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

The bank has liquidity reserves of NOK 27bn and has the funding needed for 30 months of ordinary operation without fresh external finance.

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

The LCR is calculated at 164 per cent as at 31 December 2017 (129 per cent). The requirement is 100 per cent.

The Group's deposit-to-loan ratio at 31 December 2017, including SpareBank 1 Boligkreditt ad SpareBank 1 Næringskreditt, was 51 per cent (49 per cent).

The bank's funding sources and products are amply diversified. At year-end the proportion of the bank's overall money market funding in excess of 1 year was 80 per cent (88 per cent).

SpareBank 1 Boligkreditt is the bank's most important source of funding, and loans totalling NOK 35bn had been sold by 31 December 2017.

Rating

SpareBank 1 SMN has a rating of A1 (negative outlook) with Moody's and a rating of A- (stable outlook) with Fitch Ratings. Moody's revised in July 2017 its outlook for SpareBank 1 SMN and other Norwegian banks from a stable to a negative outlook. The change was triggered by the expected introduction of the EU's bank recovery and resolution directive (BRRD), which is likely to entail a lower probability of support from public authorities to Norwegian banks.

Financial position

The CET1 capital ratio at 31 December 2017 was 14.9 per cent (14.9 per cent). The group's CET1 target is 15.0 per cent. The authorities' CET1 requirement is 14.1 per cent.

Risk weighted assets increased by 5.4 per cent of 2017, but this is offset by an increase in CET1 capital as a result of an excellent profit of NOK 1.8bn in 2017 and retention of 50 per cent of this profit.

The bank increased its lending by 8.2 per cent in 2017, but, as a result of a deliberate shift in the composition of lending, risk-weighted assets increased by only 5.3 per cent. Retained profits enabled a 5.3 per cent increase in CET1 capital in 2017.

The CET1 capital ratio is 0.1 percentage point below the target level. This is considered to be within natural fluctuations. The leverage ratio is 7.2 per cent (7.4 per cent). The board of directors are satisfied with the bank's level of capitalisation.

As of 31 December 2017 the countercyclical capital buffer increased from 1.5 per cent to 2.0 per cent, bringing the CET1 requirement to 12.0 per cent, including combined buffer requirements. Including a Pillar 2 requirement of 2.1 per cent, the overall regulatory requirement is 14.1 per cent.

Finanstilsynet's final assessment of the add-on for risks not adequately covered by Pillar 1 was set at 2.1 per cent in 2015. The add-on relates mainly to owner risk, market risk and concentration risk with regard to credit. This add-on is subject to assessment by Finanstilsynet every second year, and Finanstilsynet will set a new Pillar 2 add-on in the course of 2018. SpareBank 1 SMN aims for a management buffer of about 1 per cent above overall Pillar 1 and Pillar 2 requirements in order to absorb fluctuations in risk-weighted assets and fluctuations in Group profit. At the end of 2017 the Group's capital target stands at 15 per cent.

The board of directors of SpareBank 1 SMN continually assesses the capital situation and future capital requirements.

The bank's equity certificate (MING)

The book value of the bank's EC as at 31 December 2017, including a recommended dividend of NOK 4.40, was NOK 78.81 (73.35), and earnings per EC were NOK 8.71 (7.93).

The Price / Income ratio was 9.44 (8.17) and the Price / Book ratio was 1.04 (0.88).

As at 31 December 2017 the EC was priced at NOK 82.25 and dividend of NOK 3.00 per EC was paid in 2017 for the year 2016.

Risk factors

The Group's problem loans reflect the changes facing the offshore industry. Loans to oil-related activity account for 3.2 per cent of the Group's overall outstanding loans as at 31 December 2017. The credit quality of the bank's wider loan portfolio is satisfactory. There have been no contagion effects from oil-related activity to other sectors and no other significant concentrations in defaulted and problem exposures are in evidence.

Positive growth signals are noted both internationally and in Norway. A weaker Norwegian krone has impacted positively on Norwegian export industries, but a certain strengthening of the krone is expected ahead. Real wage growth is expected to increased somewhat. Combined with continued low interest rates, the bank considers the loss risk in the bank's retail market portfolio to be low. Unemployment has declined in the bank's market area, and the bank expects the level of unemployment to remain relatively moderate ahead.

Credit growth among Norwegian households remains higher than wage growth and will, over time, be influenced by house price developments. Households' indebtedness has risen from already high levels. Falling house prices and expectations of high interest rates will probably lead to a higher savings rate among Norwegian households, which could result in reduced turnover in parts of Norwegian business and industry.

The bank's profits are affected directly and indirectly by fluctuations in securities markets, and the valuation of basis swaps in particular contributes to volatility. The indirect effect relates very largely to the bank's ownership interest in SpareBank 1 Gruppen where both the insurance business and fund management activities are affected by such fluctuations.

The bank is also exposed to risk related to access to external funding. This is reflected in the bank's conservative liquidity strategy (see the above section on funding and liquidity).

Outlook ahead

SpareBank 1 SMN achieved good results in 2017. Most business lines have posted a strong performance. A high influx of new retail market customers and lower loan losses are highlighted in particular.

The group has a very solid financial position with a leverage ratio of 7.2 per cent. The board of directors is satisfied with a CET1 capital ratio of 14.9 per cent, approximately as targeted after year of strong growth. The target of a 15 per cent CET1 capital ratio is retained.

There is still in the board's assessment a considerable potential for further digitalisation and optimisation of channel interaction in selling and advisory activities. The bank's customers will primarily meet their needs for financial products, payments and simple advisory services digitally. At the same time competent teams of advisers are retained to attend to more demanding advisory assignments and to the establishment of new customer relationships. The distribution strategy includes relatively numerous, but cost-efficient, offices and first-class self-service customer interfaces. Substantial investments are also being made to standardise and automate processes with a view to improving the efficiency of and simplifying compliance with regulatory requirements.

The bank will continue its efforts to strengthen its market position among small and medium-sized businesses. In 2018 the bank will launch a digital platform for small and medium-sized firms. The platform combines banking and accounting data and makes for effective and efficient communication between the firm and the bank. This, together with a local presence, will provide the bank with a competitive edge in the market for small and medium-sized businesses.

The economic prospects for Trøndelag and Møre og Romsdal are good.

Loan losses in recent years have almost exclusively related to oil-related activities. Low losses are anticipated ahead. Virtually all customers in this sector have been restructured and are now seeing increased activity levels due to a higher oil price and thus growing activity on the Norwegian shelf. Through its continued thorough monitoring of customers, the bank is well prepared should a new reduction in the oil price and demand materialise.

The board's assessment is that a certain reduction in demand for housing is likely after a long period of vigorous demand and price growth. Price growth in the region has been lower than in other high pressure areas. The bank has a sound portfolio of residential mortgages and expects any fall in house prices to inflict modest losses on the bank.

The bank's subsidiaries and related companies have shown a sound trend in 2017. This positive picture is expected to continue in 2018.

The Board of Directors is well satisfied with the Group's performance and results in 2017 and expects 2018 to be a good year for SpareBank 1 SMN.

Trondheim, 6. february 2018
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal (chair)	Bård Benum (deputy chair)	Paul E. Hjelm-Hansen
Aud Skrudland	Morten Loktu	Janne Thyø Thomsen
Arnhild Holstad	Erik Gunnes (employee rep.)	Venche Johnsen (employee rep.)
		Finn Haugan (Group CEO)

Income statement

Parent bank						Group			
		January - December				January - December			
4Q 16	4Q 17	2016	2017	(NOKm)	Note	2017	2016	4Q 17	4Q 16
862	920	3,401	3,571	Interest income		3,825	3,597	989	917
414	403	1,672	1,599	Interest expenses		1,600	1,668	400	413
448	**517**	**1,730**	**1,972**	**Net interest**	**10**	**2,225**	**1,929**	**589**	**504**
238	291	971	1,098	Commission income		1,390	1,251	372	300
22	28	85	98	Commission expenses		168	133	49	35
10	12	36	38	Other operating income		783	556	206	149
225	**275**	**922**	**1,038**	**Commission income and other income**		**2,005**	**1,674**	**529**	**414**
224	22	817	629	Dividends		6	88	0	1
-	-	-	-	Income from investment in related companies	3	437	423	147	74
45	49	188	146	Net return on financial investments	3	317	434	108	153
270	**71**	**1,006**	**776**	**Net return on financial investments**		**760**	**944**	**256**	**228**
943	**862**	**3,658**	**3,786**	**Total income**		**4,989**	**4,547**	**1,374**	**1,146**
98	126	536	575	Staff costs		1,426	1,159	362	251
156	169	615	634	Other operating expenses		943	844	255	231
254	**295**	**1,151**	**1,209**	**Total operating expenses**	**11**	**2,369**	**2,003**	**618**	**482**
690	**567**	**2,506**	**2,577**	**Result before losses**		**2,621**	**2,544**	**756**	**664**
94	72	502	323	Loss on loans, guarantees etc.	6,7	341	516	78	99
595	**495**	**2,004**	**2,253**	**Result before tax**	**3**	**2,279**	**2,029**	**678**	**565**
97	116	302	403	Tax charge		450	352	122	102
-13	-	-13	-	Result investment held for sale, after tax	2, 3	-1	4	-4	7
485	**379**	**1,689**	**1,850**	**Net profit**		**1,828**	**1,681**	**553**	**470**
9	8	34	33	Attributable to additional Tier 1 Capital holders		33	34	8	9
305	237	1,058	1,162	Attributable to Equity capital certificate holders		1,128	1,027	341	287
172	134	597	655	Attributable to the ownerless capital		636	579	192	162
				Attributable to non-controlling interests		32	41	12	14
485	**379**	**1,689**	**1,850**	**Net profit**		**1,828**	**1,681**	**553**	**470**
				Profit/diluted profit per ECC	17	8.71	7.93	2.63	2.21

Other comprehensive income

Parent bank					Group			
		January - December			January - December			
4Q 16	4Q 17	2016	2017	(NOKm)	2017	2016	4Q 17	4Q 16
485	379	1,689	1,850	Net profit	1,828	1,681	553	470
				Items that will not be reclassified to profit/loss				
-75	-24	-75	-24	Actuarial gains and losses pensions	-20	-77	-20	-77
19	6	19	6	Tax	5	19	5	19
-	-	-	-	Share of other comprehensive income of associates and joint venture	4	-1	5	18
-56	**-18**	**-56**	**-18**	**Total**	**-11**	**-58**	**-10**	**-40**
				Items that will be reclassified to profit/loss				
-	9	-52	15	Available-for-sale financial assets	15	-50	9	2
-	-	-	-	Share of other comprehensive income of associates and joint venture	4	-7	2	8
-	-	-	-	Tax	-	-	-	-
-	**9**	**-52**	**15**	**Total**	**19**	**-58**	**12**	**10**
428	**371**	**1,581**	**1,847**	**Total other comprehensive income**	**1,836**	**1,565**	**554**	**440**
9	8	34	33	Attributable to additional Tier 1 Capital holders	33	34	8	9
269	232	989	1,160	Attributable to Equity capital certificate holders	1,132	953	341	268
151	131	558	654	Attributable to the ownerless capital	638	537	192	151
				Attributable to non-controlling interests	32	41	13	14
428	**371**	**1,581**	**1,847**	**Total other Comprehensive Income**	**1,836**	**1,565**	**554**	**440**

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

Balance sheet

Parent bank				Group	
31 Dec 2016	31 Dec 2017	(NOKm)	Note	31 Dec 2017	31 Dec 2016
315	3,313	Cash and receivables from central banks		3,313	315
8,203	9,543	Deposits with and loans to credit institutions		4,214	3,892
96,499	104,769	Net loans to and receivables from customers	5	110,959	101,354
17,636	19,895	Fixed-income CDs and bonds	15	19,736	17,557
4,812	4,328	Derivatives	15	4,351	4,752
248	169	Shares, units and other equity interests	15	1,825	1,542
3,766	3,940	Investment in related companies		5,760	5,638
3,005	3,120	Investment in group companies		-	-
226	82	Investment held for sale	2	649	15
470	522	Intangible assets		793	639
882	703	Other assets	12	1,654	2,376
136,062	**150,383**	**Total assets**		**153,254**	**138,080**
10,299	9,047	Deposits from credit institutions		9,607	10,509
68,391	77,362	Deposits from and debt to customers	9	76,476	67,168
36,317	42,194	Debt created by issue of securities	14	42,194	36,317
3,973	3,341	Derivatives	15	3,343	4,074
731	909	Other liabilities	13	1,923	1,531
-	-	Investment held for sale	2	1	0
2,186	2,159	Subordinated loan capital	14	2,201	2,228
121,896	**135,011**	**Total liabilities**		**135,744**	**121,827**
2,597	2,597	Equity capital certificates		2,597	2,597
-0	-0	Own holding of ECCs		-8	-4
895	895	Premium fund		895	895
4,490	5,079	Dividend equalisation fund		5,072	4,487
389	571	Recommended dividends		571	389
220	322	Provision for gifts		322	220
4,499	4,831	Ownerless capital		4,831	4,499
126	126	Unrealised gains reserve		126	139
-	-	Other equity capital		1,547	1,656
950	950	Additional Tier 1 Capital		993	950
		Non-controlling interests		565	425
14,166	**15,372**	**Total equity capital**		**17,510**	**16,253**
136,062	**150,383**	**Total liabilities and equity**		**153,254**	**138,080**

Cash flow statement

Parent bank January - December			Group January - December	
2016	**2017**	(NOKm)	**2017**	**2016**
1,689	1,850	Net profit	1,828	1,681
34	50	Depreciations and write-downs on fixed assets	102	98
502	323	Losses on loans and guarantees	341	516
2,225	**2,223**	**Net cash increase from ordinary operations**	**2,271**	**2,295**
2,310	656	Decrease/(increase) other receivables	480	2,234
-1,586	-455	Increase/(decrease) short term debt	-339	-1,601
-7,405	-8,593	Decrease/(increase) loans to customers	-9,946	-8,454
-2,318	-1,340	Decrease/(increase) loans credit institutions	-322	-1,485
3,299	8,972	Increase/(decrease) deposits to customers	9,308	3,078
2,144	-1,252	Increase/(decrease) debt to credit institutions	-902	2,354
-1,885	-2,259	Increase/(decrease) in short term investments	-2,179	-1,805
-3,215	**-2,047**	**A) Net cash flow from operations**	**-1,629**	**-3,384**
-26	-100	Increase in tangible fixed assets	383	-52
-223	-145	Paid-up capital, associated companies	-685	33
36	94	Net investments in long-term shares and partnerships	-249	-67
-213	**-146**	**B) Net cash flow from investments**	**-546**	**-86**
-324	-27	Increase/(decrease) in subordinated loan capital	-27	-281
0	0	Increase/(decrease) in equity	-21	0
-292	-390	Dividend cleared	-390	-292
-40	-220	To be disbursed from gift fund	-220	-40
1,162	5,860	Increase/(decrease) in other long term loans	5,862	1,162
473	**5,191**	**C) Net cash flow from financial activities**	**5,173**	**515**
-2,955	**2,998**	**A) + B) + C) Net changes in cash and cash equivalents**	**2,998**	**-2,955**
3,270	315	Cash and cash equivalents at 1.1	315	3,270
315	3,313	Cash and cash equivalents at end of quarter	3,313	315
-2,955	**2,998**	**Net changes in cash and cash equivalents**	**2,998**	**-2,955**

Change in equity

Parent Bank	Issued equity			Earned equity					
(NOKm)	EC capital	Premium fund	Additional Tier 1 Capital	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity	Total equity
Equity at 1 January 2016	**2,597**	**895**	**950**	**4,105**	**3,790**	**332**	**279**	**-**	**12,948**
Net profit	-	-	34	411	730	609	-95	-	1,689
Other comprehensive income				-	-				
Available-for-sale financial assets	-	-	-	2	3	-	-57	-	-52
Actuarial gains (losses), pensions	-	-	-	-20	-36	-	0	-	-56
Other comprehensive income	-	-	-	-18	-33	-	-57	-	-108
Total other comprehensive income	-	-	34	393	697	609	-152	-	1,581
Transactions with owners									
Dividend declared for 2015	-	-	-	-	-	-292	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-40
Interest payments additional Tier 1 capital	-	-	-34	-	-	-	-	-	-34
Purchase and sale of own ECCs	0	-	-	-	0	-	-	-	0
Direct recognitions in equity	-	-	-	1	3	-	-	-	4
Total transactions with owners	0	-	-34	1	3	-332	-	-	-362
Equity at 31 December 2016	**2,597**	**895**	**950**	**4,499**	**4,490**	**609**	**126**	**-**	**14,166**
Equity at 1 January 2017	**2,597**	**895**	**950**	**4,499**	**4,490**	**609**	**126**	**-**	**14,166**
Net profit	-	-	33	327	580	893	17	-	1,850
Other comprehensive income									
Available-for-sale financial assets	-	-	-	-	-	-	-	15	15
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-18	-18
Other comprehensive income	-	-	-	-	-	-	-	-3	-3
Total other comprehensive income	-	-	33	327	580	893	17	-3	1,847
Transactions with owners									
Dividend declared for 2016	-	-	-	-	-	-389	-	-0	-390
To be disbursed from gift fund	-	-	-	-	-	-220	-	-	-220
Interest payments additional Tier 1 capital	-	-	-33	-	-	-	-	-	-33
Purchase and sale of own ECCs	0	-	-	-	0	-	-	-	0
Direct recognitions in equity	-	-	-	5	9	-	-17	3	-
Total transactions with owners	0	-	-33	5	9	-609	-17	3	-642
Equity at 31 December 2017	**2,597**	**895**	**950**	**4,831**	**5,079**	**893**	**126**	**-**	**15,372**

Group	Attributable to parent company equity holders									
	Issued equity			Earned equity						
(NOKm)	EC capital	Premium fund	Additional Tier 1 Capital	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity	Non-controlling interests	Total equity
Equity at 1 January 2016	**2,576**	**895**	**950**	**4,105**	**3,790**	**332**	**290**	**1,597**	**318**	**14,854**
Net profit	-	-	34	411	730	609	-95	-49	41	1,681
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-8	-	-8
Available-for-sale financial assets	-	-	-	2	3	-	-56	-0	-	-50
Actuarial gains (losses), pensions	-	-	-	-20	-36	-	-	-1	-0	-58
Other comprehensive income	-	-	-	-18	-33	-	-56	-9	-0	-116
Total other comprehensive income	-	-	34	393	697	609	-151	-58	41	1,565
Transactions with owners										
Dividend declared for 2015	-	-	-	-	-	-292	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-	-40
Interest payments additional Tier 1 Capital	-	-	-34	-	-	-	-	-	-	-34
Purchase and sale of own ECCs	0	-	-	-	0	-	-	-	-	0
Own ECC held by SB1 Markets*)	17	-	-	-	-3	-	-	-2	-	11
Direct recognitions in equity	-	-	-	1	3	-	-	-12	-	-8
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-	132	-	132
Change in non-controlling interests	-	-	-	-	-	-	-	-	66	66
Total transactions with owners	17	-	-34	1	-1	-332	-	118	66	-165
Equity at 31 December 2016	**2,593**	**895**	**950**	**4,499**	**4,487**	**609**	**139**	**1,656**	**425**	**16,253**

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

	Attributable to parent company equity holders									
	Issued equity			Earned equity						
(NOKm)	EC capital	Premium fund	Additional Tier 1 Capital	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity	Non-controlling interests	Total equity
Equity at 1 January 2017	**2,593**	**895**	**950**	**4,499**	**4,487**	**609**	**139**	**1,656**	**425**	**16,253**
Net profit	-	-	33	327	580	893	17	-54	32	1,828
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	8	-	8
Available-for-sale financial assets	-	-	-	-	-	-	-	15	-	15
Estimate deviation, pensions	-	-	-	-	-	-	-	-16	1	-15
Other comprehensive income	-	-	-	-	-	-	-	7	1	8
Total other comprehensive income	-	-	33	327	580	893	17	-46	32	1,836
Transactions with owners										
Dividend declared for 2016	-	-	-	-	-	-389	-	-0	-	-390
To be disbursed from gift fund	-	-	-	-	-	-220	-	-	-	-220
Interest payments additional Tier 1 capital	-	-	-33	-	-	-	-	-	-	-33
Additional Tier 1 capital issued	-	-	43	-	-	-	-	-	-	43
Purchase and sale of own ECCs	0	-	-	-	0	-	-	-	-	0
Own ECC held by SB1 Markets*)	-4	-	-	-	-4	-	-	-12	-	-21
Direct recognitions in equity	-	-	-	5	9	-	-30	-31	2	-44
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-	-21	-	-21
Change in non-controlling interests	-	-	-	-	-	-	-	-	105	105
Total transactions with owners	-4	-	9	5	5	-609	-30	-63	107	-580
Equity at 30 December 2017	**2,588**	**895**	**993**	**4,831**	**5,072**	**893**	**126**	**1,547**	**565**	**17,510**

Notes

Contents

Note 1 - Accounting principles

Note 1 - Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. The quarterly accounts do not include all the information required of a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2016. The Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts.

New standards and interpretations not yet implemented

A number of new standards, changes to standards and interpretations are mandatory for future annual accounts. Among those that the group have chosen not to early-implement, are the key standards IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 deals with the recognition, classification, measurement and derecognition of financial assets and liabilities as well as hedge accounting. IFRS 9 will apply as from 1 January 2018 and is approved by the EU. SpareBank 1 SMN will not present comparatives for earlier periods when implementing the standard on 1 January 2018.

Detailed information about the implementation of IFRS 9 at SpareBank 1 SMN can be found in Note 2 in the annual accounts for 2016. The IFRS 9 project has during 2017, as planned, continued its work on parallel calculations of effects and modelling in addition to clarifications with regard to valuation and classification etc. The bank has decided to use three macroeconomic scenarios in order to take account of non-linear aspects of expected loan losses. The various scenarios will be used to adjust relevant parameters for calculating expected loan losses, and a probability-weighted average of expected losses in the respective scenarios will be recognised as loss. SpareBank 1 SMN will calculate the loss provision for assets in stage 1 and 2 under IFRS 9 as the current value of the exposure (EAD) multiplied by probability of default (PD) multiplied by loss given default (LGD). SpareBank 1 SMN has grouped the loans into three portfolios and undertakes a projection over a five-year period for each portfolio.

At SpareBank 1 SMN the definition of significant change in credit risk is based on a combination of quantitative and qualitative indicators as well as a backstop. The most important driver of a significant change in credit risk is a quantitative change in PD on the balance sheet date compared with PD upon initial recognition. A change in PD of more than 150 per cent is considered to be a significant change in credit risk. In addition, the change in PD must at minimum be more than 0.6 percentage points. Customers with payments more than 30 days overdue will invariably be moved to stage 2.

A qualitative assessment is made in addition based on whether the exposure has a significantly increased credit risk if placed under special surveillance.

Losses calculated under IFRS 9 increase by NOK 37 million for the parent bank and NOK 40 million for the group compared with IAS 39. The effect will be entered against equity upon implementation on 1 January 2018. A tax deduction is calculated for the loss provision such that the net effect is NOK 28 million for the parent bank and NOK 31 million for the group.

The group has assessed the effects of IFRS 15 Revenues from Contracts with Customers and IFRS 16 Leases, and does not expect a significant impact when implementing these standards.

Hybrid capital

SpareBank 1 SMN has from and including the fourth quarter of 2017 reclassified two debt hybrids from debt to equity. The instruments were reclassified since they do not meet the definition of a financial liability under IAS 32. The obligations are perpetual and SpareBank 1 SMN is entitled not to pay interest to the investors. The interest is presented not as an interest expense through profit and loss, but as a reduction in equity. The change has entailed an overall reduction of NOK 44 million in interest expenses in 2017. Comparatives for 2016 are restated as shown below.

Effects of the restatement

2016	Parent bank: Reported previously	Parent bank: Correction Tier 1 capital	Parent bank: Restated	Group: Reported previously	Group: Correction Tier 1 Capital	Group: Restated
Profit/Loss						
Interest expenses	1,717	-45	1,672	1,714	-45	1,668
Tax expense	290	11	302	341	11	352
Profit after tax	1,655	34	1,689	1,647	34	1,681
Balance scheet						
Subordinated loan capital	3,140	-954	2,186	3,182	-954	2,228
Additional Tier 1 Capital	0	950	950	0	950	950

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

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

Pensions

Sparebank1 SMN Group has one pension arrangements; defined contribution plan. For a further description of the pension scheme, see note 24 in the 2016 annual report.

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

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

A new calculation of the Group's pension liabilities has been carried out as per 31 December 2017:

Actuarial assumptions	**31.12.16**	**1.1.17**	**31.12.17**
Discount rate	2,60 %	2,60 %	2,40 %
Expected rate of return on plan assets	2,60 %	2,60 %	2,40 %
Expected future wage and salary growth	2,25 %	2,25 %	2,25 %
Expected adjustment on basic amount (G)	2,25 %	2,25 %	2,25 %
Expected increase in current pension	0,00 %	0,00 %	0,00 %
Employers contribution	14,10 %	14,10 %	14,10 %

Demographic assumptions:	
Mortality base table	K2013 BE
Disability	IR73
Voluntary exit	2% til 50år, 0% etter 50år

Movement in net pension liability in the balance sheet Group (NOKm)	**Funded**	**Unfunded**	**Total**
Net pension liability in the balance sheet 1.1	-207	26	-181
OCI accounting 1 Jan	2	-	2
OCI accounting 31 December	21	-2	19
Net defined-benefit costs in profit and loss account	-6	2	-4
Paid in pension premium, defined-benefit schemes	19		19
Paid in pension premium, defined-benefit plan	-	-1	-1
Net pension liability in the balance sheet 31 December 2017	**-171**	**24**	**-147**

Net pension liability in the balance sheet Group (NOKm)	31.12.17	31.12.16
Net present value of pension liabilities in funded schemes	651	641
Estimated value of pension assets	-802	-826
Net pension liability in the balance sheet before employer's contribution	-151	-185
Employers contribution	4	4
Net pension liability in the balance sheet	-147	-181

Pension Expenses 2017 Group (NOKm)	31.12.17	31.12.16
Present value of pension accumulated in the year	1	23
Net interest income	-5	-2
Settlement gain	-	-90
Net pension cost related to defined plans, incl unfunded pension commitment	**-4**	**-69**
Empolyer's contribution subject to accrual accounting	0	6
Cost of defined contribution pension and early retirement pension scheme, new arrangement	43	46
Total pension cost	**39**	**-17**

Investment held for sale

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

Assets and liabilities related to the property in Søndre Gate 4-10 in Trondheim City Centre (SpareBank 1 Kvartalet AS) has been reclassified as held for sale from Q4 2017 based on the approval from management and board of Directors for selling the property, in addition to the progress made in the sale process which makes it highly probable that the sale will be completed in the coming 12 months.

SpareBank 1 SMN accepted a bid at Søndre gate no. 4-10 in Trondheim city centre at November 9, 2017. SpareBank 1 SMN and its subsidiaries will lease back about 70 per cent of the overall area on a 15 year lease with the option of a lease extension. Estimated gross annual rental in 2018 amounts to NOK 36.4 million. The gross property value underlying the bid is NOK 755 million and will provide SpareBank 1 SMN with a net gain after an estimated tax rebate and transaction costs of just over NOK 120 million. The bid is subject to certain conditions, including board approval and conduct of a satisfactory financial, legal and technical due diligence process. The transaction is expected to reach completion in the course of the first quarter of 2018 in the form of a real property company share disposal.

2017 Q4 (NOK million)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS group	49	1	6	7	-1	100 %
SpareBank1 Kvartalet AS	600	-	6	7	-0	100 %
Total Held for sale	**649**	**1**	**12**	**14**	**-1**	

Note 3 - Account by business line

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

Group 31 December 2017

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	993	977	-15	3	228	-1	-	-	38	2,225
Interest from allocated capital	144	131	-	-	-	-	-	-	-274	-
Total interest income	**1,137**	**1,108**	**-15**	**3**	**228**	**-1**	**-**	**-**	**-236**	**2,225**
Commission income and other income	789	199	369	473	55	377	-	-	-257	2,005
Net return on financial investments **)	0	9	82	-0	-	-	349	94	224	758
Total income	**1,926**	**1,315**	**437**	**477**	**283**	**376**	**349**	**94**	**-269**	**4,988**
Total operating expenses	**794**	**365**	**435**	**474**	**137**	**315**	**-**	**-**	**-152**	**2,369**
Ordinary operating profit	**1,132**	**950**	**2**	**3**	**146**	**61**	**349**	**94**	**-117**	**2,619**
Loss on loans, guarantees etc.	5	318	-	-	18	-	-	-	-0	341
Result before tax including held for sale	**1,127**	**632**	**2**	**3**	**128**	**61**	**349**	**94**	**-117**	**2,278**
Post-tax return on equity*)	**16.6 %**	**10.5 %**								**11.5 %**
Balance (NOKm)										
Loans and advances to customers	103,131	39,482	-	-	6,740	-	-	-	-569	148,784
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-35,047	-1,666	-	-	-	-	-	-	0	-36,713
Individual allowance for impairment on loan	-22	-729	-	-	-12	-	-	-	-2	-765
Group allowance for impairment on loan	-90	-218	-	-	-24	-	-	-	-15	-347
Other assets	168	4,141	2,242	612	20	323	1,569	1,149	32,070	42,295
Total assets	**68,141**	**41,010**	**2,242**	**612**	**6,724**	**323**	**1,569**	**1,149**	**31,483**	**153,254**
Deposits to customers	37,182	38,719	-	-	-	-	-	-	574	76,476
Other liabilities and equity	30,959	2,290	2,242	612	6,724	323	1,569	1,149	30,909	76,778
Total liabilites and equity	**68,141**	**41,010**	**2,242**	**612**	**6,724**	**323**	**1,569**	**1,149**	**31,483**	**153,254**

Group 31 December 2016

Profit and loss account (NOKm)	RM	CM	Markets	EM 1	SB1 Finans MN	SB1 Regnskaps-huset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	906	960	-8	4	183	0	-	-	-117	1,929
Interest from allocated capital	47	40	-	-	-	-	-	-	-86	-
Total interest income	**953**	**1,000**	**-8**	**4**	**183**	**0**	**-**	**-**	**-204**	**1,929**
Commission income and other income	679	196	212	426	-11	234	-	-	-62	1,674
Net return on financial investments **)	1	9	88	-	-	-	317	86	448	949
Total income	**1,633**	**1,205**	**292**	**430**	**172**	**235**	**317**	**86**	**182**	**4,552**
Total operating expenses	**770**	**332**	**282**	**363**	**55**	**191**	**-**	**-**	**11**	**2,003**
Ordinary operating profit	**863**	**873**	**10**	**68**	**117**	**44**	**317**	**86**	**170**	**2,549**
Loss on loans, guarantees etc.	13	490	-	-	13	-	-	-	1	516
Result before tax including held for sale	**850**	**384**	**10**	**68**	**104**	**44**	**317**	**86**	**170**	**2,033**
Post-tax return on equity*)	**13.8 %**	**6.9 %**								**11.3 %**
Balance (NOKm)										
Loans and advances to customers	93,757	38,938	-	-	5,430	-	-	-	-590	137,535
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-33,307	-1,903	-	-	-	-	-	-	-0	-35,211
Individual allowance for impairment on loan	-24	-596	-	-	-11	-	-	-	-2	-632
Group allowance for impairment on loan	-90	-228	-	-	-20	-	-	-	-0	-339
Other assets	177	35	1,702	322	16	218	1,476	1,186	31,594	36,726
Total assets	**60,514**	**36,245**	**1,702**	**322**	**5,414**	**218**	**1,476**	**1,186**	**31,002**	**138,080**
Deposits to customers	34,856	32,401	-	-	-	-	-	-	-89	67,168
Other liabilities and equity	25,658	3,845	1,702	322	5,414	218	1,476	1,186	31,091	70,912
Total liabilites and equity	**60,514**	**36,245**	**1,702**	**322**	**5,414**	**218**	**1,476**	**1,186**	**31,002**	**138,080**

*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 15.0 percent to be in line with the capital plan per 31 December 2017.

**) Specification of net return on financial investments incl. Investment held for sale (NOKm)	31 Dec 2017	31 Dec 2016
Dividends	**6**	**88**
Capital gains shares	62	76
Gain/(loss) on derivatives	148	280
Gain/(loss) on other financial instruments at fair value (FVO)	7	26
Foreign exchange gain / (loss)	45	51
Gain/(Loss) on sertificates and bonds	58	-2
Gain/(Loss) on shares and share derivatives at SpareBank 1 Markets	43	25
Gain/(loss) on financial instruments related to hedging ***)	-46	-21
Net return on financial instruments	**317**	**434**
SpareBank 1 Gruppen	349	317
SpareBank 1 Boligkreditt	-41	-17
SpareBank 1 Næringskreditt	19	29
BN Bank adjusted for the profit share in BN Bolig	98	86
SpareBank 1 Kredittkort	15	24
SpareBank 1 Mobilbetaling	-14	-27
Other companies	10	15
Income from investment in associates and joint ventures	**436**	**427**
Total net return on financial investments	**758**	**949**

***) Fair value hedging	31 Dec 2017	31 Dec 2016
Changes in fair value on hedging instrument	-239	-302
Changes in fair value on hedging item	192	281
Net Gain or Loss from hedge accounting	**-46**	**-21**

Note 4 - Capital adequacy

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

As of 31 December 2017 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3.0 per cent and the Norwegian countercyclical buffer is 2.0 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 12.0 per cent. In addition the financial supervisory authority has set a Pillar 2 requirement of 2.1 per cent for SpareBank 1 SMN, effective as from the fourth quarter of 2016. The total minimum requirement on CET1 capital is accordingly 14.1 per cent.

The countercyclical buffer increased from 1.5 per cent to 2.0 per cent with effect from 31 December 2017.

SpareBank 1 SMN has in fourth quarter 2017 reclassified two additional Tier 1 capital bonds from liabilities to equity, and the comparable figures has been restated. For further details, see note 1.

As from the fourth quarter of 2016 differentiated rates came into force for the countercyclical buffer. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. For the fourth quarter of 2017 the parent bank is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures. For the group, the risk-weighted countercyclical capital buffer is 2.0 per cent.

Parts of the group's hybrid capital and subordinated debt were issued under earlier rules. This will be subject to a write-down of 40 per cent in 2016 and 50 per cent in 2017. The write-down will increase by another 10 per cent per year thereafter. As at 31 Desember 2017 the bank held hybrid capital worth NOK 450 million subject to write-down. For subordinated debt the figure was NOK 659 million.

Parent Bank			Group	
31 Dec 2016	**31 Dec 2017**	**(NOKm)**	**31 Dec 2017**	**31 Dec 2016**
14,166	**15,372**	**Total book equity**	**17,510**	**16,253**
-950	-950	Additional Tier 1 capital instruments included in total equity	-993	-950
-470	-522	Deferred taxes, goodwill and other intangible assets	-984	-741
-	-	Part of reserve for unrealised gains, associated companies	117	117
-609	-893	Deduction for allocated dividends and gifts	-893	-609
-	-	Non-controlling interests recognised in other equity capital	-565	-425
-	-	Non-controlling interests eligible for inclusion in CET1 capital	324	220
-29	-30	Value adjustments due to requirements for prudent valuation	-41	-48
-190	-350	Positive value of adjusted expected loss under IRB Approach	-333	-248
-	-	Cash flow hedge reserve	7	-
-	-	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-212	-337
11,917	**12,627**	**Total common equity Tier one**	**13,938**	**13,233**
950	950	Additional Tier 1 capital instruments	1,427	1,358
483	459	Additional Tier 1 capital instruments covered by transitional provisions	459	483
13,350	**14,036**	**Total core capital**	**15,824**	**15,073**
		Supplementary capital in excess of core capital		
1,000	1,000	Subordinated capital	1,615	1,698
673	561	Subordinated capital covered by transitional provisions	561	673
-256	-254	Deduction for significant investments in financial institutions	-254	-256
1,418	**1,307**	**Total supplementary capital**	**1,922**	**2,116**
14,768	**15,343**	**Net subordinated capital**	**17,746**	**17,189**

		Minimum requirements subordinated capital		
1,065	978	Specialised enterprises	1,107	1,206
1,064	1,098	Corporate	1,113	1,102
1,270	1,370	Mass market exposure, property	1,892	1,753
85	90	Other mass market	91	88
1,223	1,198	Equity investments	1	3
4,707	**4,733**	**Total credit risk IRB**	**4,205**	**4,153**
5	3	Central government	3	5
73	80	Covered bonds	146	130
426	429	Institutions	331	340
5	0	Local and regional authorities, state-owned enterprises	4	7
45	44	Corporate	245	253
0	1	Mass market	388	179
13	13	Exposures secured on real property	193	342
245	232	Equity positions	344	338
86	70	Other assets	166	178
898	**872**	**Total credit risk standardised approach**	**1,820**	**1,772**
35	16	Debt risk	18	36
-	-	Equity risk	22	5
-	-	Currency risk	1	1
334	341	Operational risk	510	479
51	52	Credit value adjustment risk (CVA)	117	84
-	-	Transitional arrangements	784	574
6,026	**6,015**	**Minimum requirements subordinated capital**	**7,478**	**7,103**
75,325	**75,182**	**Risk weighted assets (RWA)**	**93,474**	**88,786**
3,390	3,383	Minimum requirement on CET1 capital, 4.5 per cent	4,206	3,995
		Capital Buffers		
1,883	1,880	Capital conservation buffer, 2.5 per cent	2,337	2,220
2,260	2,255	Systemic rick buffer, 3.0 per cent	2,804	2,664
1,130	1,504	Countercyclical buffer, 2.0 per (1.5 per cent)	1,869	1,332
5,273	**5,639**	**Total buffer requirements on CET1 capital**	**7,011**	**6,215**
3,255	**3,605**	**Available CET1 capital after buffer requirements**	**2,721**	**3,022**
		Capital adequacy		
15.8 %	16.8 %	Common equity Tier one ratio	14.9 %	14.9 %
17.7 %	18.7 %	Core capital ratio	16.9 %	17.0 %
19.6 %	20.4 %	Capital adequacy ratio	19.0 %	19.4 %
		Leverage ratio		
133,514	145,821	Balance sheet items	210,764	194,324
8,234	7,112	Off-balance sheet items	9,295	10,068
-690	-902	Regulatory adjustments	-1,580	-1,388
141,058	152,032	Calculation basis for leverage ratio	218,479	203,005
13,350	14,036	Core capital	15,824	15,073
9.5 %	9.2 %	Leverage Ratio	7.2 %	7.4 %

Note 5 - Distribution of loans by sector/industry

Parent Bank			Group	
31 Dec 2016	**31 Dec 2017**	**(NOKm)**	**31 Dec 2017**	**31 Dec 2016**
10,290	11,305	Agriculture, forestry, fisheries, hunting	11,606	10,499
1,599	1,311	Sea farming industries	1,697	1,985
2,701	2,850	Manufacturing	3,157	2,985
2,980	2,794	Construction, power and water supply	3,419	3,532
2,288	2,432	Retail trade, hotels and restaurants	2,700	2,510
4,983	4,639	Maritime sector	4,639	4,983
13,688	14,289	Property management	14,348	13,744
2,442	2,510	Business services	2,260	2,072
3,220	3,547	Transport and other services provision	4,322	3,836
273	226	Public administration	240	288
1,670	1,669	Other sectors	1,699	1,700
46,135	**47,572**	**Gross loans in retail market**	**50,087**	**48,133**
86,513	94,984	Wage earners	98,697	89,402
132,648	**142,556**	**Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt**	**148,784**	**137,535**
33,142	34,885	of which SpareBank 1 Boligkreditt	34,885	33,142
2,069	1,828	of which SpareBank 1 Næringskreditt	1,828	2,069
97,437	**105,843**	**Gross loans in balance sheet**	**112,071**	**102,325**
620	751	- Specified write-downs	765	632
318	323	- Collective write-downs	347	339
96,499	**104,769**	**Net loans to and receivables from customers**	**110,959**	**101,354**

Note 6 - Losses on loans and guarantees

Parent Bank

Losses on loans and guarantees (NOKm)	January - December					
	2017			2016		
	RM	CM	Total	RM	CM	Total
Change in individual impairment losses provisions for the period	-2	127	125	0	449	450
Change in collective impairment losses provisions for the period	-	5	5	-	-40	-40
Actual loan losses on commitments for which provisions have been made	8	146	155	8	34	42
Actual loan losses on commitments for which no provision has been made	3	41	45	10	49	59
Recoveries on commitments previously written-off	-5	-1	-6	-6	-3	-8
Losses of the year on loans and guarantees	**5**	**318**	**323**	**13**	**490**	**502**

Group

Losses on loans and guarantees (NOKm)	January - December					
	2017			2016		
	RM	CM	Total	RM	CM	Total
Change in individual impairment losses provisions for the period	-2	129	127	0	454	454
Change in collective impairment losses provisions for the period	5	4	9	4	-42	-38
Actual loan losses on commitments for which provisions have been made	8	146	155	8	36	44
Actual loan losses on commitments for which no provision has been made	13	45	58	14	50	64
Recoveries on commitments previously written-off	-6	-1	-7	-6	-3	-9
Losses of the year on loans and guarantees	**18**	**323**	**341**	**21**	**495**	**516**

Note 7 - Losses

Parent Bank

Individual write-downs (NOKm)	31 Dec 2017 RM	31 Dec 2017 CM	31 Dec 2017 Total	31 Dec 2016 RM	31 Dec 2016 CM	31 Dec 2016 Total
Individual write-downs to cover loss on loans and guarantees at 1.1*)	24	602	625	28	148	176
- Actual losses during the period for which provisions for individual impairment losses have been made previously	8	146	155	8	34	42
- Reversal of provisions from previous periods	4	8	13	3	36	39
+ Increased write-downs on provisions previously written down	0	191	191	2	6	8
+ Write-downs on provisions not previously written down	6	100	106	4	518	523
Individual write-downs to cover loss on loans and guarantees at period end	**18**	**738**	**755**	**24**	**602**	**625**

*) Individually assessed impairment write-downs on guarantees, totalling NOK 4.2m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	31 Dec 2017 RM	31 Dec 2017 CM	31 Dec 2017 Total	31 Dec 2016 RM	31 Dec 2016 CM	31 Dec 2016 Total
Collective write-downs to cover loss on loans, guarantees at 1.1	90	228	318	90	268	358
Period's collective write-downs to cover loss on loans, guarantees etc	-	5	5	-	-40	-40
Collective write-downs to cover loss on loans and guarantees at period end	**90**	**233**	**323**	**90**	**228**	**318**

Group

Individual write-downs (NOKm)	31 Dec 2017 RM	31 Dec 2017 CM	31 Dec 2017 Total	31 Dec 2016 RM	31 Dec 2016 CM	31 Dec 2016 Total
Individual write-downs to cover loss on loans and guarantees at 1.1*)	27	611	638	31	153	184
- Actual losses during the period for which provisions for individual impairment losses have been made previously	9	147	157	8	36	44
- Reversal of provisions from previous periods	5	9	14	3	36	39
+ Increased write-downs on provisions previously written down	0	191	191	2	6	8
+ Write-downs on provisions not previously written down	7	104	111	4	523	528
Individual write-downs to cover loss on loans and guarantees at period end	**20**	**750**	**769**	**27**	**611**	**638**

*) Individually assessed impairment write-downs on guarantees, totalling NOK 4.2m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	31 Dec 2017 RM	31 Dec 2017 CM	31 Dec 2017 Total	31 Dec 2016 RM	31 Dec 2016 CM	31 Dec 2016 Total
Collective write-downs to cover loss on loans, guarantees at 1.1	100	239	339	96	281	376
Period's collective write-downs to cover loss on loans, guarantees etc	5	4	9	4	-42	-38
Collective write-downs to cover loss on loans and guarantees at period end	**104**	**243**	**347**	**100**	**239**	**339**

Note 8 - Defaults and problem loans

Parent Bank

	31 Dec 2017			31 Dec 2016		
Total defaults (NOKm)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Loans in default for more than 90 days	170	50	220	144	29	173
- Individual write-downs	12	39	50	17	18	36
Net defaults	**159**	**11**	**170**	**127**	**11**	**138**
Provison rate	7 %	77 %	23 %	12 %	62 %	21 %
Problem loans						
Problem loans (not in default)	21	1,146	1,167	19	1,435	1,453
- Individual write-downs	6	699	705	6	584	590
Net problem loans	**15**	**448**	**462**	**13**	**851**	**863**
Provison rate	29 %	61 %	60 %	33 %	41 %	41 %

Group

	31 Dec 2017			31 Dec 2016		
Total defaults (NOKm)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Loans in default for more than 90 days	209	75	284	176	38	214
- Individual write-downs	14	42	55	20	19	39
Net defaults	**195**	**33**	**229**	**156**	**18**	**174**
Provison rate	7 %	55 %	**20 %**	12 %	51 %	**18 %**
Problem loans						
Problem loans (not in default)	21	1,164	1,184	19	1,455	1,474
- Individual write-downs	6	708	714	6	592	599
Net problem loans	**15**	**456**	**470**	**13**	**863**	**875**
Provison rate	29 %	61 %	60 %	33 %	41 %	41 %

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank			Group	
31 Dec 2016	**31 Dec 2017**	**(NOKm)**	**31 Dec 2017**	**31 Dec 2016**
2,791	3,061	Agriculture, forestry, fisheries, hunting	3,061	2,791
420	1,021	Sea farming industries	1,021	420
1,727	2,736	Manufacturing	2,736	1,727
2,416	3,046	Construction, power and water supply	3,046	2,416
4,067	4,152	Retail trade, hotels and restaurants	4,152	4,067
1,740	1,269	Maritime sector	1,269	1,740
4,387	4,595	Property management	4,405	4,153
5,550	6,429	Business services	6,429	5,550
4,848	5,846	Transport and other services provision	5,414	4,339
8,627	11,284	Public administration	11,284	8,627
2,048	2,127	Other sectors	1,863	1,569
38,621	**45,565**	**Total**	**44,678**	**37,398**
29,769	31,797	Wage earners	31,797	29,769
68,391	**77,362**	**Total deposits**	**76,476**	**67,168**

Note 10 - Net interest income

Parent bank January - December			Group January - December	
2016	2017	(NOK million)	2017	2016
		Interest income		
124	137	Interest income from loans to and claims on central banks and credit institutions	44	48
2,986	3,150	Interest income from loans to and claims on customers	3,476	3,240
292	284	Interest income from money market instruments, bonds and other fixed income securities	281	289
-	-	Other interest income	23	19
3,401	**3,571**	**Total interest income**	**3,825**	**3,597**
		Interest expense		
152	133	Interest expenses on liabilities to credit institutions	137	153
652	654	Interest expenses relating to deposits from and liabilities to customers	636	636
708	668	Interest expenses related to the issuance of securities	668	708
99	95	Interest expenses on subordinated debt *)	97	101
2	-0	Other interest expenses	13	13
58	49	Guarantee fund levy	49	58
1,672	**1,599**	**Total interest expense**	**1,600**	**1,668**
1,730	**1,972**	**Net interest income**	**2,225**	**1,929**

*) SpareBank 1 SMN has as from the fourth quarter of 2017 reclassified two debt hybrids from debt to equity. The change has brought a reduction totalling NOK 44m in interest expenses for 2017 and NOK 45m for 2016. Comparatives for 2016 have been restated. See note 1 for further details.

Note 11 - Operating expenses

Parent bank January - December			Group January - December	
2016	**2017**	**(NOKm)**	**2017**	**2016**
197	203	IT costs	266	252
18	17	Postage and transport of valuables	22	22
55	50	Marketing	104	98
34	50	Ordinary depreciation	102	98
124	118	Operating expenses, real properties	118	109
70	77	Purchased services	139	108
116	118	Other operating expense	192	156
615	**634**	**Total other operating expenses**	**943**	**844**

Note 12 - Other assets

Parent Bank			Group	
31 Dec 2016	**31 Dec 2017**	**(NOKm)**	**31 Dec 2017**	**31 Dec 2016**
27	-	Deferred tax asset	178	196
121	115	Fixed assets *)	263	906
37	61	Earned income not yet received	104	63
20	35	Accounts receivable, securities	322	220
198	158	Pensions	171	207
479	333	Other assets	615	785
882	**703**	**Total other assets**	**1,654**	**2,376**

* The buildings in SpareBank 1 SMN Kvartalet has been reclassified to "held for sale" and explains a reduction in fixed assets of 640 million from December 31, 2016. See further description in note 2.

Note 13 - Other liabilities

Parent Bank			Group	
31 Dec 2016	**31 Dec 2017**	**(NOKm)**	**31 Dec 2017**	**31 Dec 2016**
0	21	Deferred tax	81	33
266	337	Payable tax	367	319
8	9	Capital tax	9	8
73	70	Accrued expenses and received, non-accrued income	444	367
118	112	Provision for accrued expenses and commitments	112	118
26	24	Pension liabilities	24	26
90	88	Drawing debt	88	90
3	16	Creditors	82	39
0	0	Debt from securities	162	147
-	-	Equity Instruments	244	181
146	232	Other liabilities	311	203
731	**909**	**Total other liabilites**	**1,923**	**1,531**

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

Group

Change in securities debt (NOKm)	31 Dec 2017	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2016
Bond debt, nominal value	41,663	11,490	6,332	970	35,535
Value adjustments	207	-	-	-246	453
Accrued interest	324	-	-	-4	328
Total	**42,194**	**11,490**	**6,332**	**720**	**36,317**

Change in subordinated debt and hybrid equity (NOKm)	31 Dec 2017	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2016
Ordinary subordinated loan capital, nominal value	1,701	1,000	1,000	-3	1,704
Hybrid equity, nominal value *)	450	-	-	-	450
Value adjustments	40	-	-	-24	64
Accrued interest	10	-	-	-1	10
Total	**2,201**	**1,000**	**1,000**	**-27**	**2,228**

* SpareBank1 SMN has in Q4 2017 reclassified two additional Tier1 Captial Bonds from liabilities to equity, and the comparable figures has been restated. For futher details, see note 1.

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

Level 1: Valuation based on quoted prices in an active market
Fair value of financial instruments that are traded in the active markets is based on market price on the balance sheet date. A market is considered active if market prices are easily and regularly available from a stock exchange, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length. This category also includes quoted shares and Treasury bills.

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

Level 3: Valuation based on other than observable data
If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2017:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	16	4,334	-	4,351
- Bonds and money market certificates	2,547	17,189	-	19,736
- Equity instruments	1,339	-	419	1,759
- Fixed interest loans	-	43	3,236	3,278
Financial assets avaliable for sale				
- Equity instruments	-	-	66	66
Total assets	**3,902**	**21,566**	**3,722**	**29,190**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	14	3,328	-	3,343
- Equity instruments	239	4	-	244
Total liabilities	**254**	**3,332**	**-**	**3,586**

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2016:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	44	4,708	-	4,752
- Bonds and money market certificates	2,511	15,046	-	17,557
- Equity instruments	959	-	524	1,483
- Fixed interest loans	-	43	3,783	3,826
Financial assets avaliable for sale				
- Equity instruments	-	-	60	60
Total assets	**3,514**	**19,796**	**4,367**	**27,676**

Liabilities	Nivå 1	Nivå 2	Nivå 3	Total
Financial liabilities through profit/loss				
- Derivatives	48	4,026	-	4,074
- Equity instruments	173	8	-	181
Total liabilities	**221**	**4,034**	**-**	**4,255**

The following table presents the changes in the instruments classified in level 3 as at 31 December 2017:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	3,783	524	60	4,367
Investment in periode	304	20	-	323
Disposals in the periode	-849	-157	-20	-1,026
Gain or loss on financial instruments	-2	33	27	57
Closing balance	**3,236**	**419**	**66**	**3,722**

The following table presents the changes in the instruments classified in level 3 as at 31 December 2016:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	4,405	574	108	5,087
Investment in periode	770	28	1	799
Disposals in the periode	-1,347	-66	-	-1,413
Gain or loss on financial instruments	-44	-13	-50	-106
Closing balance	**3,783**	**524**	**60**	**4,367**

Note 16 - Liquidity risk

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

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

The average residual maturity on the portfolio of senior bonds and covered bonds at the end of the fourth quarter was 2.83 years. The overall LCR at the same point was 164 per cent and the average overall LCR in the quarter was 146 per cent. The LCR in Norwegian kroner and the euro at quarter-end was 162 and 177 per cent respectively.

Note 17 - Earnings per EC

Equity certificate (EC) holders' share of the profit is calculated as after-tax profit distributed in relation to the average number of ECs in the financial year. No options contracts are attached to the ECs so that diluted profit is consistent with earnings per EC. Upon presentation of accounts for 2016, earnings per EC were incorrectly stated as NOK 8.11. This has now been corrected in the comparative figures.

(mill. kr)	**31 Dec 2017**	**31 Dec 2016**
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	1,763	1,606
Allocated to ECC Owners 2)	1,128	1,027
Issues Equity Captial Certificates adjusted for own certificates	129,507,851	129,534,387
Earnings per Equity Captial Certificate	**8.71**	**7.93**

Adjusted Net Profit 1)	**31 Dec 2017**	**31 Dec 2016**
Net Profit for the group	1,828	1,681
adjusted for non-controlling interests share of net profit	-32	-41
Adjusted for Tier 1 capital holders share of net profit	-33	-34
Adjusted Net Profit	**1,763**	**1,606**

Equity capital certificate ratio (parent bank) 2)		
(NOKm)	**31 Dec 2017**	**31 Dec 2016**
ECC capital	2,597	2,597
Dividend equalisation reserve	5,079	4,490
Premium reserve	895	895
Unrealised gains reserve	81	81
Other equity capital	-	-
A. The equity capital certificate owners' capital	**8,652**	**8,063**
Ownerless capital	4,831	4,499
Unrealised gains reserve	45	45
Other equity capital	-	-
B. The saving bank reserve	**4,877**	**4,545**
To be disbursed from gift fund	322	220
Dividend declared	571	389
Equity ex. hybrid capital	**14,422**	**13,216**
Equity capital certificate ratio A/(A+B)	**63.95 %**	**63.95 %**
Equity capital certificate ratio for distribution	**63.95 %**	**63.95 %**

Results from quarterly accounts

Group (NOKm)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015
Interest income	989	959	945	931	917	874	896	910	962
Interest expenses	400	389	413	398	413	414	412	429	477
Net interest	**589**	**570**	**532**	**533**	**504**	**460**	**483**	**481**	**484**
Commission income	372	360	349	308	300	326	331	295	309
Commission expenses	49	46	38	35	35	34	36	28	38
Other operating income	206	168	227	182	149	120	154	134	107
Commission income and other income	**529**	**482**	**538**	**455**	**414**	**412**	**448**	**401**	**378**
Dividends	0	1	3	1	1	13	73	0	3
Income from investment in related companies	147	126	94	71	74	103	127	119	121
Net return on financial investments	108	108	35	66	153	157	71	53	-15
Net return on financial investments	**256**	**235**	**131**	**138**	**228**	**274**	**271**	**172**	**109**
Total income	**1,374**	**1,287**	**1,202**	**1,126**	**1,146**	**1,145**	**1,203**	**1,054**	**971**
Staff costs	362	357	362	345	251	294	318	295	280
Other operating expenses	255	225	236	227	231	210	209	194	235
Total operating expenses	**618**	**582**	**598**	**571**	**482**	**504**	**528**	**489**	**515**
Result before losses	**756**	**705**	**604**	**555**	**664**	**641**	**675**	**565**	**456**
Loss on loans, guarantees etc.	78	88	86	89	99	130	118	170	56
Result before tax	**678**	**617**	**518**	**466**	**565**	**512**	**558**	**395**	**399**
Tax charge	122	118	111	99	102	87	88	75	103
Result investment held for sale, after tax	-4	-0	3	-0	7	-1	-1	-0	-0
Net profit	**553**	**500**	**409**	**367**	**470**	**423**	**468**	**320**	**296**

SpareBank 1 SMN

Key figures from quarterly accounts

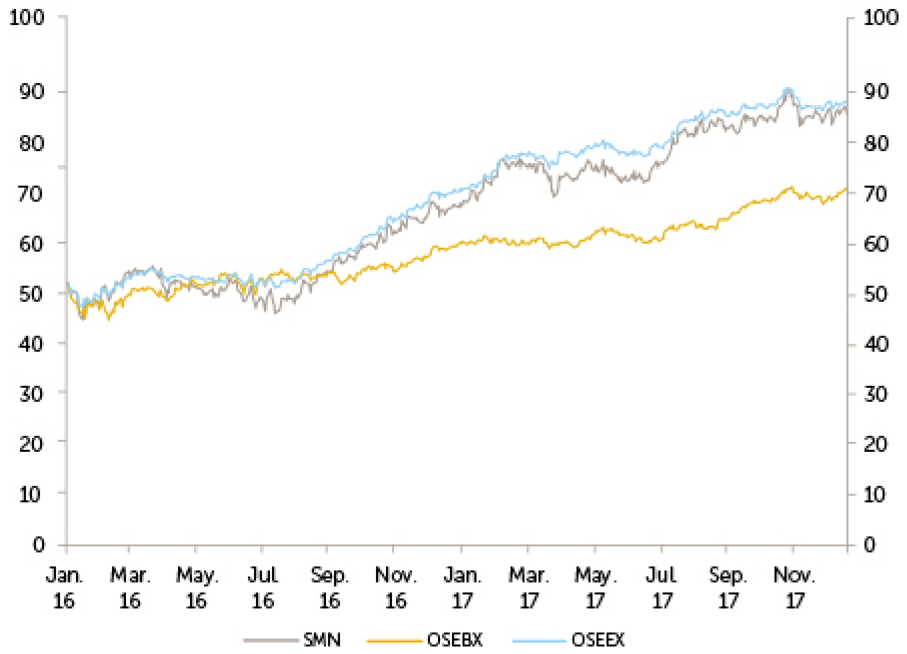
Group (NOKm)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015
Profitability									
Return on equity per quarter *)	13.4%	12.5%	10.5%	9.4%	12.2%	11.3%	12.9%	8.9%	8.4%
Cost-income ratio*)	45 %	45 %	50 %	51 %	42 %	44 %	44 %	46 %	53 %
Balance sheet figures									
Gross loans to customers	112,071	110,695	107,358	104,117	102,325	99,569	97,790	95,331	93,974
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	148,784	147,146	143,800	140,038	137,535	134,462	132,583	129,520	127,378
Deposits from customers	76,476	73,086	75,559	70,176	67,168	66,290	67,031	63,851	64,090
Total assets	153,254	146,913	149,449	142,042	138,080	139,815	141,145	134,345	131,914
Average total assets	150,083	148,181	145,746	140,061	138,948	140,480	137,745	133,129	130,575
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskredtt last 12 months *)	8.2 %	9.4 %	8.5 %	8.1 %	8.0 %	6.6 %	6.5 %	5.4 %	5.8 %
Growth in deposits last 12 months*)	13.9 %	10.3 %	12.7 %	9.9 %	4.8 %	4.2 %	1.3 %	5.4 %	5.6 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio*)	0.22 %	0.24 %	0.24 %	0.26 %	0.28 %	0.39 %	0.36 %	0.53 %	0.18 %
Non-performing commitm. as a percentage of gross loans*)	0.19 %	0.18 %	0.18 %	0.15 %	0.16 %	0.16 %	0.19 %	0.16 %	0.16 %
Other doubtful commitm. as a percentage of gross loans*)	0.80 %	0.83 %	0.80 %	0.77 %	1.07 %	1.01 %	0.90 %	0.32 %	0.31 %
Solidity									
Common equity tier 1	14.9 %	14.7 %	15.0 %	14.8 %	14.9 %	14.3 %	14.1 %	13.6 %	13.6 %
Core capital ratio	16.9 %	16.6 %	16.9 %	16.8 %	17.0 %	16.3 %	16.1 %	15.6 %	15.6 %
Capital adequacy ratio	19.0 %	19.1 %	19.1 %	19.0 %	19.4 %	18.8 %	18.7 %	18.1 %	18.3 %
Core capital	15,824	15,807	15,622	15,254	15,069	14,736	14,604	14,237	13,988
Net equity and related capital	17,746	18,093	17,649	17,288	17,185	17,011	16,882	16,516	16,378
Liquidity Coverage Ratio (LCR)	164 %	124 %	160 %	136 %	129 %	138 %	149 %	110 %	118 %
Leverage Ratio	7.2 %	7.5 %	7.2 %	7.4 %	7.4 %	7.1 %	6.8 %	6.8 %	6.7 %
Key figures ECC *)									
ECC share price at end of period (NOK)	82.25	81.25	71.75	66.50	64.75	55.75	46.70	52.75	50.50
Number of certificates issued, millions*)	129.38	129.40	129.54	129.48	129.64	129.66	129.47	129.47	129.43
Booked equity capital per ECC (including dividend)*)	78.81	79.18	75.40	72.31	73.35	74.71	71.53	68.38	67.39
Profit per ECC, majority*)	2.63	2.42	1.92	1.74	2.21	2.00	2.22	1.50	1.43
Price-Earnings Ratio*)	7.81	8.40	9.32	9.58	7.32	6.97	5.26	8.81	8.80
Price-Book Value Ratio*)	1.04	1.03	0.95	0.92	0.88	0.75	0.65	0.77	0.75

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

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 Jan 2016 to 31 Dec 2017

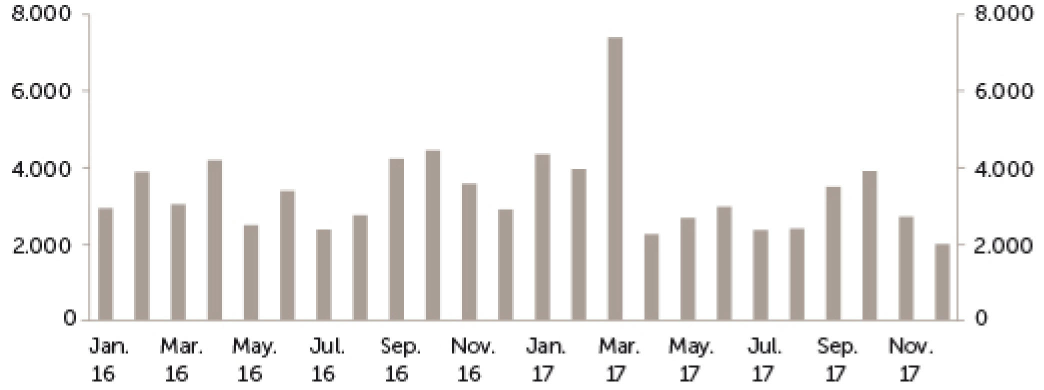


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSSEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 Jan 2016 to 31 Dec 2017



Total number of ECs traded (1000)

20 largest ECC holders	Number	Share
VPF Nordea Norge Verdi	6,572,299	5.06 %
State Street Bank and Trust CO (nominee)	4,013,854	3.09 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,726,686	2.87 %
VPF Danske Invest Norske Aksjer Inst. II	3,334,265	2.57 %
Verdipapirfondet DNB Norge (IV)	2,961,197	2.28 %
JP Morgan Chase Bank (nominee)	2,669,005	2.06 %
VPF Pareto Aksje Norge	2,356,459	1.81 %
State Street Bank and Trust CO (nominee)	2,203,038	1.70 %
Morgan Stanley And Co Intl plc	2,098,751	1.62 %
VPF Alfred Berg Gambak	1,924,604	1.48 %
Pareto AS	1,821,202	1.40 %
VPF Danske Invest Norske Aksjer Inst. I	1,772,092	1.36 %
Forsvarets Personellservice	1,717,046	1.32 %
JP Morgan Chase Bank (nominee)	1,714,638	1.32 %
MP Pensjon PK	1,568,771	1.21 %
VPF Nordea Kapital	1,423,991	1.10 %
VPF Nordea Avkastning	1,289,111	0.99 %
VPF Storebrand Norge I	1,208,665	0.93 %
JP Morgan Chase Bank (nominee)	1,163,440	0.90 %
The 20 largest ECC holders in total	**49,504,505**	**38.13 %**
Others	80,331,938	61.87 %
Total issued ECCs	**129,836,443**	**100.00 %**

Dividend policy

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

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

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