

Notes

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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			Group		
	Reported previously	Correction Tier 1 capital	Restated	Reported previously	Correction Tier 1 Capital	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 sheet						
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
Employer'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 due to defaulted exposures should at the outset be of brief duration, normally not longer than one year. Investments are recorded at fair value in the Parent Bank's accounts, and is classified as investment held for sale.

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		SB1	SB1	SB1	BN	Uncollated	Total
			Markets	EM 1	Finans	Regnskaps-				
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 liabilities 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	SB1	SB1	BN	Uncollated	Total
					Finans	Regnskaps-				
					MN	huset SMN				
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 liabilities 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.

	31 Dec 2017	31 Dec 2016
**) Specification of net return on financial investments incl. Investment held for sale (NOKm)		
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 certificates 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		
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 risk 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	January - December					
	2017			2016		
Losses on loans and guarantees (NOKm)	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	January - December					
	2017			2016		
Losses on loans and guarantees (NOKm)	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

	31 Dec 2017			31 Dec 2016		
	RM	CM	Total	RM	CM	Total
Individual write-downs (NOKm)						
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'

	31 Dec 2017			31 Dec 2016		
	RM	CM	Total	RM	CM	Total
Collective write-downs (NOKm)						
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

	31 Dec 2017			31 Dec 2016		
	RM	CM	Total	RM	CM	Total
Individual write-downs (NOKm)						
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'

	31 Dec 2017			31 Dec 2016		
	RM	CM	Total	RM	CM	Total
Collective write-downs (NOKm)						
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		
	RM	CM	Total	RM	CM	Total
Total defaults (NOKm)						
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		
	RM	CM	Total	RM	CM	Total
Total defaults (NOKm)						
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			Group	
January - December			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			Group	
January - December			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 liabilities	1,923	1,531

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

Group

	31 Dec 2017	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2016
Change in securities debt (NOKm)					
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

	31 Dec 2017	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2016
Change in subordinated debt and hybrid equity (NOKm)					
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 Capital Bonds from liabilities to equity, and the comparable figures has been restated. For further 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 available 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 available 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 Capital Certificates adjusted for own certificates	129,507,851	129,534,387
Earnings per Equity Capital 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 %