Notes

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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 in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2016. Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts.

New or revised accounting standards approved but not yet implemented

A number of standards and interpretations are mandatory for future annual accounts. Among those that the group have chosen not to early-implement, but whose entry into force is scheduled for a future date, are IFRS 9 Financial instruments, IFRS 15 Revenues and IFRS 16 Leases.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 deals with 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. Early application of the standard is permitted. SpareBank 1 SMN will not avail itself of that opportunity. SpareBank 1 SMN will not present comparable figures for earlier periods when implementing the standard on 1 January 2018.

Detailed information about the implementation of IFRS 9 can be found in Note 2 in annual accounts for 2016.

The IFRS 9 project has during 2017 as planned continued the work with impairment parallel run, and modelling in addition to clarifications about valuation and classification. The Bank has decided to use three macroeconomic scenarios in order to take into account the non-linear aspects of expected loan losses. The various scenarios will be used to adjust the current parameters for calculating the expected loan losses, and a probability-weighted average of the expected losses in the respective scenario will be recognised as a provision.

SpareBank 1 SMN has decided to utilise both absolute and relative changes in probability of default (PD) as criteria for significant increase in credit risk. The focus during the remainder of 2017 will continue to be on the finalisation of processes, governance, testing and calibration of models, quantification of impacts and internal education.

Based on work performed thus far, significant effects related to the transition to IFRS 9 is still not expected. This is true both of possible effects from changes in classification and measurement as well as from changes to the methodology for loss write-downs.

The group has made an assessment of the effects of IFRS 15 Revenues and IFRS 16 Leases, and does not expect significant impact when implementing these standards.

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

The SpareBank 1 SMN Group has two different pension schemes - Defined Benefit and Defined Contribution Plan. The Group has not obtained a new calculation of pensions as of 30 September 2017 since no factors have been identified that significantly alter the pension liability. For a further description of the various pension schemes, see note 24 in the 2016 annual report.

Note 3 - Account by business line

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

Group 30 September 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	728	730	-11	1	165	-1	-	-	-10	1,603
Interest from allocated capital	92	84	-	-	-	-	-	-	-175	-
Total interest income	**819**	**814**	**-11**	**1**	**165**	**-1**	**-**	**-**	**-185**	**1,603**
Commission income and other income	576	151	239	371	41	285	-	-	-189	1,475
Net return on financial investments **)	0	9	50	-	-	-	214	70	162	507
Total income	**1,396**	**974**	**279**	**373**	**206**	**284**	**214**	**70**	**-213**	**3,584**
Total operating expenses	**598**	**276**	**289**	**360**	**101**	**239**	**-**	**-**	**-111**	**1,751**
Ordinary operating profit	**798**	**699**	**-10**	**12**	**105**	**45**	**214**	**70**	**-101**	**1,833**
Loss on loans, guarantees etc.	3	249	-	-	12	-	-	-	-0	263
Result before tax including held for sale	**796**	**450**	**-10**	**12**	**94**	**45**	**214**	**70**	**-101**	**1,570**
Post-tax return on equity*)	**16.3 %**	**10.1 %**								**10.8 %**
Balance (NOKm)										
Loans and advances to customers	100,745	40,419	-	-	6,502	-	-	-	-520	147,146
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-34,361	-2,090	-	-	-	-	-	-	-0	-36,451
Individual allowance for impairment on loan	-20	-665	-	-	-12	-	-	-	-2	-700
Group allowance for impairment on loan	-90	-218	-	-	-23	-	-	-	-15	-346
Other assets	157	928	2,076	899	15	307	1,460	1,126	30,297	37,265
Total assets	**66,430**	**38,374**	**2,076**	**899**	**6,482**	**307**	**1,460**	**1,126**	**29,759**	**146,913**
Deposits to customers	36,974	36,275	-	-	-	-	-	-	-164	73,086
Other liabilities and equity	29,456	2,099	2,076	899	6,482	307	1,460	1,126	29,923	73,828
Total liabilites	**66,430**	**38,374**	**2,076**	**899**	**6,482**	**307**	**1,460**	**1,126**	**29,759**	**146,913**

Group 30 September 2016

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	679	703	-7	3	135	0	-	-	-123	1,391
Interest from allocated capital	34	28	-	-	-	-	-	-	-61	-
Total interest income	**713**	**731**	**-7**	**3**	**135**	**0**	**-**	**-**	**-184**	**1,391**
Commission income and other income	513	148	153	327	-9	172	-	-	-45	1,260
Net return on financial investments **)	0	10	59	-	-	-	220	79	346	713
Total income	**1,227**	**889**	**205**	**330**	**126**	**172**	**220**	**79**	**117**	**3,365**
Total operating expenses	**602**	**264**	**195**	**271**	**43**	**139**	**-**	**-**	**7**	**1,521**
Ordinary operating profit	**625**	**625**	**10**	**59**	**83**	**33**	**220**	**79**	**109**	**1,844**
Loss on loans, guarantees etc.	10	398	4	-	9	-	-	-	-3	417
Result before tax including held for sale	**615**	**227**	**6**	**59**	**75**	**33**	**220**	**79**	**113**	**1,427**
Post-tax return on equity*)	**13.5 %**	**4.1 %**								**11.0 %**
Balance (NOKm)										
Loans and advances to customers	91,655	38,312	-	-	5,170	-	-	-	-676	134,462
Adv. of this to SpareBank 1 Boligkreditt	-33,021	-1,872	-	-	-	-	-	-	0	-34,893
Individual allowance for impairment on loan	-24	-522	-	-	-10	-	-	-	-2	-558
Group allowance for impairment on loan	-95	-279	-	-	-18	-	-	-	1	-391
Other assets	203	47	1,636	323	9	213	1,590	1,181	35,995	41,196
Total assets	**58,718**	**35,686**	**1,636**	**323**	**5,151**	**213**	**1,590**	**1,181**	**35,317**	**139,815**
Deposits to customers	34,911	31,441	-	-	-	-	-	-	-63	66,290
Other liabilities and equity	23,807	4,245	1,636	323	5,151	213	1,590	1,181	35,380	73,526
Total liabilites	**58,718**	**35,686**	**1,636**	**323**	**5,151**	**213**	**1,590**	**1,181**	**35,317**	**139,815**

*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 15.0 (14.5) percent to be in line with the capital plan as of December 31 2017.

**) Specification of net return on financial investments incl. Investment held for sale (NOKm)	30 Sept 2017	30 Sept 2016
Dividends	**5**	**87**
Capital gains shares	79	100
Gain/(loss) on derivatives	32	52
Gain/(loss) on other financial instruments at fair value (FVO)	11	26
Foreign exchange gain / (loss)	29	53
Gain/(Loss) on sertificates and bonds	206	138
Gain/(loss) on financial instruments related to hedging	-147	-89
Net return on financial instruments	**209**	**281**
SpareBank 1 Gruppen	214	220
SpareBank 1 Boligkreditt	-26	9
SpareBank 1 Næringskreditt	18	20
BN Bank	70	79
SpareBank 1 Kredittkort	11	20
SpareBank 1 Mobilbetaling	-14	-19
Other companies	19	16
Income from investment in associates and joint ventures	**293**	**346**
Total net return on financial investments	**507**	**713**
Fair value hedging		
Changes in fair value on hedging instrument	-147	-89
Changes in fair value on hedged item	127	71
Net Gain or Loss from hedge accounting	**-20**	**-17**

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 30 September 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 1.5 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 11.5 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 13.6 per cent.

The countercyclical buffer increased to 1.5 per cent from 1.0 per cent with effect from 30 June 2016. The Ministry of Finance has decided to increase the buffer by 0.5 per cent to 2.0 per cent with effect from 31 December 2017.

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 third quarter of 2017 the parent bank is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures. For groups, the risk-weighted countercyclical capital buffer is 1.5 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 30 September 2017 the bank held hybrid capital worth NOK 450 million subject to write-down. For subordinated debt the figure NOK 636 million. The financial supervisory authority may require the hybrid capital to be written down in proportion to equity capital if the bank's CET1 capital ratio falls below 5.125 per cent.

Parent Bank				Group		
31 Dec 2016	**30 Sept 2016**	**30 Sept 2017**	**(NOKm)**	**30 Sept 2017**	**30 Sept 2016**	**31 Dec 2016**
13,212	**12,792**	**14,055**	**Total book equity**	**16,255**	**14,893**	**15,299**
-	-	-	Hybrid capital included in total equity	-262	-	-
-470	-475	-484	Deferred taxes, goodwill and other intangible assets	-888	-758	-741
-	-	-	Part of reserve for unrealised gains, associated companies	117	119	117
-609	-	-	Deduction for allocated dividends and gifts	-	-	-609
-	-	-	Non-controlling interests recognised in other equity capital	-516	-411	-425
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	303	211	220
-	-93	-	Surplus financing of pension obligations	-	-94	-
-	-1,179	-1,446	Net profit	-1,250	-1,185	-
-	823	821	Year-to-date profit included in core capital (50 per cent pre tax of group profit in 2017)	625	830	-
-29	-30	-28	Value adjustments due to requirements for prudent valuation	-46	-51	-48
-190	-146	-200	Positive value of adjusted expected loss under IRB Approach	-264	-205	-248
-	-	-	Cash flow hedge reserve	8	-	-
-	-	-	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-92	-453	-337
11,913	**11,693**	**12,717**	**Total common equity Tier one**	**13,990**	**12,895**	**13,229**
950	950	950	Hybrid capital, core capital	1,358	1,354	1,358
483	487	459	Hybrid capital covered by transitional provisions	459	487	483
13,346	**13,129**	**14,126**	**Total core capital**	**15,807**	**14,736**	**15,069**
			Supplementary capital in excess of core capital			
1,000	1,000	1,368	Subordinated capital	1,979	1,644	1,698
673	673	561	Subordinated capital covered by transitional provisions	561	673	673
-256	-43	-254	Deduction for significant investments in financial institutions	-254	-43	-256
1,418	**1,631**	**1,675**	**Total supplementary capital**	**2,286**	**2,275**	**2,116**
14,764	**14,760**	**15,801**	**Net subordinated capital**	**18,093**	**17,011**	**17,185**

			Minimum requirements subordinated capital			
1,065	1,025	1,050	Specialised enterprises	1,177	1,166	1,206
1,064	1,068	1,040	Corporate	1,054	1,107	1,102
1,270	1,282	1,284	Mass market exposure, property	1,763	1,752	1,753
85	49	87	Other mass market	89	52	88
1,223	1,240	1,222	Equity investments	1	3	3
4,707	**4,665**	**4,683**	**Total credit risk IRB**	**4,084**	**4,080**	**4,153**
5	5	4	Central government	4	5	5
73	69	74	Covered bonds	136	129	130
426	532	453	Institutions	377	457	340
5	0	5	Local and regional authorities, state-owned enterprises	11	10	7
45	57	40	Corporate	254	260	253
0	0	0	Mass market	376	169	179
13	12	14	Exposures secured on real property	198	332	342
245	243	227	Equity positions	342	333	338
86	49	63	Other assets	172	135	178
898	**968**	**881**	**Total credit risk standardised approach**	**1,870**	**1,828**	**1,772**
35	18	22	Debt risk	24	19	36
-	-	-	Equity risk	18	10	5
-	-	-	Currency risk	-	1	1
334	334	341	Operational risk	510	479	479
51	48	74	Credit value adjustment risk (CVA)	134	88	84
-	-	-	Transitional arrangements	956	723	574
6,026	**6,033**	**6,000**	**Minimum requirements subordinated capital**	**7,595**	**7,228**	**7,103**
75,325	**75,407**	**75,004**	**Risk weighted assets (RWA)**	**94,938**	**90,351**	**88,786**
3,390	3,393	3,375	Minimum requirement on CET1 capital, 4.5 per cent	4,272	4,066	3,995
			Capital Buffers			
1,883	1,885	1,875	Capital conservation buffer, 2.5 per cent	2,373	2,259	2,220
2,260	2,262	2,250	Systemic rick buffer, 3.0 per cent	2,848	2,711	2,664
1,130	1,131	1,125	Countercyclical buffer, 1.5 per (1.0 per cent)	1,424	1,355	1,332
5,273	**5,278**	**5,250**	**Total buffer requirements on CET1 capital**	**6,646**	**6,325**	**6,215**
3,251	**3,021**	**4,092**	**Available CET1 capital after buffer requirements**	**3,072**	**2,505**	**3,018**
			Capital adequacy			
15.8 %	15.5 %	17.0 %	Common equity Tier one ratio	14.7 %	14.3 %	14.9 %
17.7 %	17.4 %	18.8 %	Core capital ratio	16.6 %	16.3 %	17.0 %
19.6 %	19.6 %	21.1 %	Capital adequacy ratio	19.1 %	18.8 %	19.4 %
			Leverage ratio			
133,514	135,133	142,840	Balance sheet items	203,155	197,689	194,324
8,234	8,232	7,535	Off-balance sheet items	9,506	10,266	10,068
-690	-744	-713	Regulatory adjustments	-1,301	-1,572	-1,388
141,058	142,620	149,662	Calculation basis for leverage ratio	211,361	206,383	203,005
13,346	13,129	14,126	Core capital	15,807	14,736	15,069
9.5 %	**9.2 %**	**9.4 %**	**Leverage Ratio**	**7.5 %**	**7.1 %**	**7.4 %**

Note 5 - Distribution of loans by sector/industry

Parent Bank				Group		
31 Dec 2016	30 Sept 2016	30 Sept 2017	(NOKm)	30 Sept 2017	30 Sept 2016	31 Dec 2016
10,290	9,419	11,217	Agriculture, forestry, fisheries, hunting	11,486	9,607	10,499
1,599	1,359	1,352	Sea farming industries	1,745	1,738	1,985
2,701	2,692	3,256	Manufacturing	3,560	2,977	2,985
2,980	3,160	2,712	Construction, power and water supply	3,341	3,684	3,532
2,288	2,276	2,288	Retail trade, hotels and restaurants	2,546	2,482	2,510
4,983	5,027	4,678	Maritime sector	4,678	5,027	4,983
13,688	13,704	14,807	Property management	14,867	13,761	13,744
2,442	2,534	2,415	Business services	2,216	2,174	2,072
3,220	3,311	3,588	Transport and other services provision	4,332	3,893	3,836
273	255	211	Public administration	226	269	288
1,670	1,533	1,766	Other sectors	1,796	1,463	1,700
46,135	**45,270**	**48,289**	**Gross loans in retail market**	**50,794**	**47,074**	**48,133**
86,513	84,650	92,818	Wage earners	96,352	87,388	89,402
132,648	**129,920**	**141,107**	**Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt**	**147,146**	**134,462**	**137,535**
33,142	32,930	34,196	of which SpareBank 1 Boligkreditt	34,196	32,930	33,142
2,069	1,963	2,255	of which SpareBank 1 Næringskreditt	2,255	1,963	2,069
97,437	**95,027**	**104,656**	**Gross loans in balance sheet**	**110,695**	**99,569**	**102,325**
620	546	685	- Specified write-downs	700	558	632
318	373	323	- Collective write-downs	346	391	339
96,499	**94,108**	**103,647**	**Net loans to and receivables from customers**	**109,649**	**98,619**	**101,354**

Note 6 - Losses on loans and guarantees

Parent Bank

	January - September								
	2017			2016			2016		
Losses on loans and guarantees (NOKm)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Change in individual impairment losses provisions for the period	-3	65	62	-0	374	373	0	449	450
+ Change in collective impairment losses provisions for the period	-	5	5	-	15	15	-	-40	-40
+ Actual loan losses on commitments for which provisions have been made	8	142	150	7	7	13	8	34	42
+ Actual loan losses on commitments for which no provision has been made	2	37	40	6	5	11	10	49	59
Recoveries on commitments previously written-off	-4	-0	-4	-3	-2	-5	-6	-3	-8
Losses of the year on loans and guarantees	**3**	**249**	**252**	**10**	**398**	**408**	**13**	**490**	**502**

Group

	January - September								
	2017			2016			2016		
Losses on loans and guarantees (NOKm)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Change in individual impairment losses provisions for the period	-4	68	64	-0	378	377	0	454	454
+ Change in collective impairment losses provisions for the period	3	5	8	3	13	15	4	-42	-38
+ Actual loan losses on commitments for which provisions have been made	8	142	150	7	7	15	8	36	44
+ Actual loan losses on commitments for which no provision has been made	9	38	47	10	5	15	14	50	64
Recoveries on commitments previously written-off	-5	-0	-5	-4	-2	-5	-6	-3	-9
Losses of the year on loans and guarantees	**11**	**252**	**263**	**16**	**401**	**417**	**21**	**495**	**516**

Note 7 - Losses

Parent Bank

Individual write-downs (NOKm)	30 Sept 2017 RM	30 Sept 2017 CM	30 Sept 2017 Total	30 Sept 2016 RM	30 Sept 2016 CM	30 Sept 2016 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*	28	597	625	28	148	176	28	148	176
- Actual losses during the period for which provisions for individual impairment losses have been made previously	8	142	150	7	7	13	8	34	42
- Reversal of provisions from previous periods	4	8	12	3	20	23	3	36	39
+ Increased write-downs on provisions previously written down	0	138	138	2	5	7	2	6	8
+ Write-downs on provisions not previously written down	4	87	90	4	399	403	4	518	523
Individual write-downs to cover loss on loans and guarantees at period end *)	**20**	**672**	**692**	**24**	**525**	**549**	**24**	**602**	**625**

*) Individually assessed impairment write-downs on guarantees, totalling NOK 6.9m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	30 Sept 2017 RM	30 Sept 2017 CM	30 Sept 2017 Total	30 Sept 2016 RM	30 Sept 2016 CM	30 Sept 2016 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	90	268	358
Period's collective write-downs to cover loss on loans, guarantees etc	-	5	5	-	15	15	-	-40	-40
Collective write-downs to cover loss on loans and guarantees at period end	**90**	**233**	**323**	**90**	**283**	**373**	**90**	**228**	**318**

Group

Individual write-downs (NOKm)	30 Sept 2017 RM	30 Sept 2017 CM	30 Sept 2017 Total	30 Sept 2016 RM	30 Sept 2016 CM	30 Sept 2016 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*	31	607	638	31	153	184	31	153	184
- Actual losses during the period for which provisions for individual impairment losses have been made previously	9	142	151	7	7	15	8	36	44
- Reversal of provisions from previous periods	4	8	12	4	21	25	3	36	39
+ Increased write-downs on provisions previously written down	0	138	138	2	6	7	2	6	8
+ Write-downs on provisions not previously written down	4	90	94	5	404	410	4	523	528
Individual write-downs to cover loss on loans and guarantees at period end *)	**23**	**684**	**707**	**27**	**535**	**562**	**27**	**611**	**638**

*) Individually assessed impairment write-downs on guarantees, totalling NOK 6.9m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	30 Sept 2017 RM	30 Sept 2017 CM	30 Sept 2017 Total	30 Sept 2016 RM	30 Sept 2016 CM	30 Sept 2016 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	96	281	376
Period's collective write-downs to cover loss on loans, guarantees etc	3	5	8	3	13	15	4	-42	-38
Collective write-downs to cover loss on loans and guarantees at period end	**102**	**244**	**346**	**98**	**293**	**391**	**100**	**239**	**339**

Note 8 - Defaults and problem loans

Parent Bank

	30 Sept 2017			30 Sept 2016			31 Dec 2016		
Total defaults (NOKm)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Loans in default for more than 90 days *)	165	40	205	149	30	178	144	29	173
- Individual write-downs	14	21	35	14	17	31	17	18	36
Net defaults	**151**	**19**	**170**	**134**	**13**	**147**	**127**	**11**	**138**
Provison rate	8 %	53 %	17 %	10 %	56 %	17 %	12 %	62 %	21 %
Problem loans									
Problem loans (not in default)	19	1,180	1,199	26	1,318	1,345	19	1,435	1,453
- Individual write-downs	7	650	657	9	509	518	6	584	590
Net problem loans	**12**	**530**	**542**	**17**	**810**	**826**	**13**	**851**	**863**
Provison rate	37 %	55 %	55 %	36 %	39 %	39 %	33 %	41 %	41 %

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per third quarter

Group

	30 Sept 2017			30 Sept 2016			31 Dec 2016		
Total defaults (NOKm)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Loans in default for more than 90 days *)	178	84	263	177	44	221	176	38	214
- Individual write-downs	16	26	41	18	18	35	20	19	39
Net defaults	**163**	**59**	**222**	**160**	**26**	**186**	**156**	**18**	**174**
Provison rate	9 %	30 %	16 %	10 %	41 %	16 %	12 %	51 %	18 %
Problem loans									
Problem loans (not in default)	19	1,196	1,215	26	1,334	1,360	19	1,455	1,474
- Individual write-downs	7	658	665	9	517	526	6	592	599
Net problem loans	**12**	**538**	**550**	**17**	**817**	**833**	**13**	**863**	**875**
Provison rate	37 %	55 %	55 %	36 %	39 %	39 %	33 %	41 %	41 %

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per third quarter

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank				Group		
31 Dec 2016	30 Sept 2016	30 Sept 2017	(NOKm)	30 Sept 2017	30 Sept 2016	31 Dec 2016
2,791	2,805	2,896	Agriculture, forestry, fisheries, hunting	2,896	2,805	2,791
420	229	848	Sea farming industries	848	229	420
1,727	1,481	1,915	Manufacturing	1,915	1,481	1,727
2,416	2,148	2,287	Construction, power and water supply	2,287	2,148	2,416
4,067	3,365	3,509	Retail trade, hotels and restaurants	3,509	3,365	4,067
1,740	1,675	1,288	Maritime sector	1,288	1,675	1,740
4,387	5,325	4,786	Property management	4,535	5,104	4,153
5,550	5,216	6,199	Business services	6,199	5,216	5,550
4,848	5,062	5,898	Transport and other services provision	5,438	4,623	4,339
8,627	8,419	11,106	Public administration	11,106	8,419	8,627
2,048	1,992	1,788	Other sectors	1,560	1,555	1,569
38,621	**37,715**	**42,518**	**Total**	**41,580**	**36,618**	**37,398**
29,769	29,672	31,506	Wage earners	31,506	29,672	29,769
68,391	**67,387**	**74,024**	**Total deposits**	**73,086**	**66,290**	**67,168**

Note 10 - Net interest income

Parent bank				Group		
	January-September			January-September		
2016	2016	2017	(NOK million)	2017	2016	2016
			Interest income			
124	92	100	Interest income from loans to and claims on central banks and credit institutions	31	37	48
2,986	2,235	2,331	Interest income from loans to and claims on customers	2,570	2,417	3,240
292	213	221	Interest income from money market instruments, bonds and other fixed income securities	219	211	289
-	-	-	Other interest income	17	14	19
3,401	**2,539**	**2,652**	**Total interest income**	**2,836**	**2,680**	**3,597**
			Interest expense			
152	114	97	Interest expenses on liabilities to credit institutions	100	114	153
652	488	490	Interest expenses relating to deposits from and liabilities to customers	479	476	636
708	535	499	Interest expenses related to the issuance of securities	499	535	708
145	109	106	Interest expenses on subordinated debt	108	110	146
2	2	-0	Other interest expenses	11	10	13
58	44	37	Guarantee fund levy	37	44	58
1,717	**1,292**	**1,229**	**Total interest expense**	**1,233**	**1,289**	**1,714**
1,684	**1,248**	**1,422**	**Net interest income**	**1,603**	**1,391**	**1,883**

Note 11 - Operating expenses

Parent bank				Group		
	January-September			January-September		
2016	2016	2017	(NOKm)	2017	2016	2016
197	157	156	IT costs	205	195	252
18	13	13	Postage and transport of valuables	17	17	22
55	38	35	Marketing	73	68	98
34	31	34	Ordinary depreciation	74	73	98
124	91	90	Operating expenses, real properties	84	78	109
70	49	55	Purchased services	102	75	108
116	80	81	Other operating expense	133	107	156
615	**459**	**465**	**Total other operating expenses**	**688**	**613**	**844**

Note 12 - Other assets

Parent Bank				Group		
31 Dec 2016	30 Sept 2016	30 Sept 2017	(NOKm)	30 Sept 2017	30 Sept 2016	31 Dec 2016
27	33	27	Deferred tax asset	202	184	196
121	124	118	Fixed assets	877	925	906
37	22	80	Earned income not yet received	124	53	63
20	1,165	585	Accounts receivable, securities	989	1,657	220
198	124	198	Pensions	208	125	207
479	87	429	Other assets	857	386	785
882	**1,556**	**1,438**	**Total other assets**	**3,256**	**3,331**	**2,376**

Note 13 - Other liabilities

Parent Bank				Group		
31 Dec 2016	30 Sept 2016	30 Sept 2017	(NOKm)	30 Sept 2017	30 Sept 2016	31 Dec 2016
0	0	0	Deferred tax	34	22	33
266	292	159	Payable tax	222	351	319
8	13	8	Capital tax	8	13	8
73	73	200	Accrued expenses and received, non-accrued income	585	331	367
118	95	130	Provision for accrued expenses and commitments	130	95	118
26	25	26	Pension liabilities	26	31	26
90	75	72	Drawing debt	72	75	90
3	4	17	Creditors	104	51	39
0	605	618	Debt from securities	906	940	147
-	-	-	Equity Instruments	217	176	181
146	226	470	Other liabilities	511	267	203
731	**1,409**	**1,699**	**Total other liabilites**	**2,816**	**2,353**	**1,531**

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

Group

Change in securities debt (NOKm)	30 Sept 2017	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2016
Bond debt, nominal value	37,600	7,250	5,645	460	35,535
Value adjustments	247	-	-	-206	453
Accrued interest	244	-	-	-84	328
Total	**38,091**	**7,250**	**5,645**	**169**	**36,317**

Change in subordinated debt and hybrid equity (NOKm)	30 Sept 2017	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2016
Ordinary subordinated loan capital, nominal value	2,047	1,000	632	-25	1,704
Hybrid equity, nominal value	1,400	-	-	-	1,400
Value adjustments	46	-	-	-18	64
Accrued interest	10	-	-	-4	14
Total	**3,503**	**1,000**	**632**	**-47**	**3,182**

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

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

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

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

The following table presents the Group's assets and liabilities measured at fair value at 30 September 2017:

Assets (NOKm)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
- Derivatives	7	4,255	-	4,262
- Bonds and money market certificates	2,840	15,069	-	17,908
- Equity instruments	1,137	-	409	1,546
- Fixed interest loans	-	43	3,459	3,502
Financial assets avaliable for sale				
- Equity instruments	-	-	61	61
Total assets	**3,983**	**19,366**	**3,929**	**27,279**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
- Derivatives	5	3,674	-	3,679
- Equity instruments	217	-	-	217
Total liabilities	**223**	**3,674**	**-**	**3,896**

The following table presents the Group's assets and liabilities measured at fair value at 30 September 2016:

Assets (NOKm)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
- Derivatives	70	5,419	-	5,489
- Bonds and money market certificates	1,936	14,962	-	16,898
- Equity instruments	622	-	505	1,127
- Fixed interest loans	-	43	3,771	3,813
Financial assets avaliable for sale				
- Equity instruments	42	-	84	126
Total assets	**2,670**	**20,423**	**4,359**	**27,453**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
- Derivatives	58	4,947	-	5,004
- Equity instruments	174	6	-	180
Total liabilities	**231**	**4,953**	**-**	**5,184**

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	Level 1	Level 2	Level 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 30 September 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	269	10	-	279
Disposals in the periode	-601	-149	-	-751
Gain or loss on financial instruments	9	24	2	34
Closing balance	**3,459**	**409**	**61**	**3,929**

The following table presents the changes in the instruments classified in level 3 as at 30 September 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	377	24	28	429
Disposals in the periode	-991	-70	-3	-1,064
Gain or loss on financial instruments	-20	-22	-49	-91
Closing balance	**3,771**	**505**	**84**	**4,359**

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 third quarter was 2.85 years. The overall LCR at the same point was 124 per cent and the average overall LCR in the quarter was 127 per cent. The LCR in Norwegian kroner and the euro at quarter-end was 112 and 401 per cent respectively.