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 2017. The Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts, except implementing IFRS 9 as described below.

IFRS 9

IFRS 9 Financial instruments deals with recognition, classification, measurement and derecognition of financial assets and liabilities as well as hedge accounting. IFRS 9 is applicable from 1 January 2018 and is approved by the EU.

Detailed information about the implementation of IFRS 9 in SpareBank 1 SMN can be found in note 2 and 45 in the annual report for 2017.

As allowed in the transition rules in IFRS 9, the bank has chosen not to adjust the comparative figures, and these have been presented in line with previous accounting principles as described in the annual report for 2017. Adjustments in amounts recorded at the transition date 1 January 2018 has been made against equity, and new disclosures in line with IFRS 7 has been presented. Disclosure information using previous principles are the same as presented previous periods.

Classification and measurement

Financial assets

Under IFRS 9 financial assets are classified in three measurement categories: fair value with changes in fair value reported in profit/loss (FVPL), fair value with changes in fair value reported in other comprehensive income (OCI), and amortised cost. The measurement category is determined upon first-time recognition of the particular asset. For financial assets a distinction is drawn between debt instruments and equity instruments. The classification of financial assets is determined on the basis of contractual terms and conditions for the financial assets and the business model used to manage the portfolio of which the assets are a part.

Financial assets that are debt instruments

Debt instruments with contractual cash flows that are only payment of interest and principal on given dates and which are held in a business model whose purpose is to receive contractual cash flows shall in principle be measured at amortised cost. Instruments with contractual cash flows that are only payment of interest and principal on given dates and which are held in a business model whose purpose is both to receive contractual cash flows and sales shall in principle be measured at fair value with changes over OCI, with interest income, currency conversion effects and any write-downs reported in ordinary profit/loss. Fair value changes over OCI shall be reclassified to profit/loss upon the sale or other disposal of the assets.

Other debt instruments shall be measured at fair value with changes reported in profit/loss. This applies to instruments with cash flows that are not only payment of normal interest (time value of money, credit margin and other normal margins related to loans and receivables) and principal, and instruments held in a business model whose main purpose is not that of receiving contractual cash flows. Instruments that should basically be measured at amortised cost or at fair value with changes through OCI can be designated to be measured at fair with changes through profit or loss if this eliminates or significantly reduces an “accounting mismatch".

Derivatives and investments in equity instruments

All derivatives shall be measured at fair value with changes reported in profit/loss, but derivatives designated as hedging instruments shall be accounted for in keeping with the principles for hedge accounting. Investments in equity instruments shall be measured in the balance sheet at fair value. Value changes shall as a main rule be reported in ordinary profit/loss, but an equity instrument which is not held for trading purposes and is not a contingent consideration following a business transfer can be designated as measured at fair value with changes reported in OCI. When equity instruments are designated at fair value with value changes reported in OCI, ordinary proceeds shall be reported in profit/loss, whereas value changes shall not be reported in profit/loss either on an ongoing basis or upon disposal.

Financial liabilities

Financial liabilities shall continue to be measured at amortised cost with the exception of financial derivatives measured at fair value, financial instruments forming part of a trading portfolio and financial liabilities accounted for at fair value with value changes recognised in profit/loss.

Loan impairment write-downs

Under IFRS 9 loss provisions shall be recognised based on expected credit loss (ECL). Measurement of the provision for expected loss depends on whether credit risk has increased significantly since first-time recognition. Upon first-time recognition, and when credit risk has not increased significantly since first-time recognition, provision shall be made for a 12-month expected loss. If credit risk has risen significantly, provision shall be made for expected loss across the entire life. The methodology in the IFRS 9 standard entails somewhat larger volatility in write-downs, and write-downs are expected to be made at an earlier stage than under current practice. This will be particularly noticeable at the start of a cyclical downturn.

Further description of the bank's future impairment write-down model

Loss estimates are to be prepared quarterly, and will build on data in the data warehouse which has historical accounting and customer data for the entire credit portfolio. The Bank has decided to use three macroeconomic scenarios to consider the non-linear aspects of expected credit losses. The different scenarios will be used to adjust the input parameters for calculating expected credit loss, and an probability weighted average expected calculated loss of the scenarios will be recorded as the loss.

Estimates will be computed based on 12-month and lifelong probability of default (PD), loss given default (LGD) and exposure at default (EAD). The data warehouse contains historical data for observed PD and observed LGD. This will be the basis for preparing good estimates for the future values for PD og LGD. In keeping with IFRS 9 the bank groups its loans in three stages.

Stage 1:

This is the starting point for all financial assets covered by the general loss model. All assets that do not have significantly higher credit risk than at first-time recognition receive a loss provision corresponding to 12 months' expected loss. All assets that are not transferred to stage 2 or 3 reside in this category.

Stage 2:

Stage 2 of the loss model encompasses assets that show a significant increase in credit risk since first-time recognition, but where objective evidence of loss is not present. For these assets a provision for expected loss over the entire lifetime is to be made. In this group we find accounts with a significant degree of credit deterioration, but which at the balance sheet date belong to customers classified as performing. As regards delineation against stage 1, the bank defines 'significant degree of credit deterioration' by taking a basis in whether the exposure's calculated probability of default shows a significant increase. SpareBank 1 SMN has decided to utilise both absolute and relative changes in PD as criteria for transfer to stage 2. The most important factor for a significant change in credit risk is the quantitative change in PD on the period end compared to the PD at first time recognition. A change in PD by more than 150 per cent is considered to be a significant change in credit risk. The change will have to be over 0.6 percentage points. In addition, customers with payments 30 days past due will be transferred to stage 2. A qualitative assessment is also done when engagements have been put on watch list.

Stage 3:

Stage 3 of the loss model encompasses assets that show a significant increase in credit risk since loan approval and where there is objective evidence of loss at the balance sheet date. For these assets a provision shall be made for expected loss over the entire lifetime. These are assets which under current rules are defined as defaulted and written down.

SpareBank 1 SMN calculates the provision for credit loss for assets in stage 1 and 2 in accordance with IFRS 9 as the net present value of the exposure (EAS) multiplied by probability of default (PD) multiplied by loss given default (LGD). SpareBank 1 SMN has grouped the loans in three portfolios and make projections for a period of five years for each portfolio.

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 Group has not obtained a new calculation of pensions as of 31 March 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 2017 annual report.

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.

Note 3 - Account by business line

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

Group 31 March 2018

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	254	232	-3	1	65	-0	-	-	20	568
Interest from allocated capital	42	31	-	-	-	-	-	-	-74	-
Total interest income	**296**	**263**	**-3**	**1**	**65**	**-0**	**-**	**-**	**-54**	**568**
Commission income and other income	204	50	101	104	14	121	-	-	-51	542
Net return on financial investments **)	0	1	34	-	-	-	36	29	81	181
Total income	**501**	**314**	**131**	**104**	**79**	**120**	**36**	**29**	**-24**	**1,290**
Total operating expenses	**199**	**95**	**124**	**112**	**36**	**103**	**-**	**-**	**-24**	**645**
Ordinary operating profit	**302**	**219**	**7**	**-8**	**42**	**17**	**36**	**29**	**1**	**645**
Loss on loans, guarantees etc.	-3	48	-	-	4	-	-	-	-	48
Result before tax including held for sale	**305**	**171**	**7**	**-8**	**38**	**17**	**36**	**29**	**2**	**597**
Post-tax return on equity*)	**14.5%**	**10.1%**								**11.2%**
Balance (NOKm)										
Loans and advances to customers	104,999	39,821	-	-	6,908	-	-	-	-664	151,065
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-36,537	-1,354	-	-	-	-	-	-	0	-37,891
Allowance for credit losses	-64	-950	-	-	-39	-	-	-	-	-1,053
Other assets	160	1,312	2,535	821	21	402	1,601	1,175	31,937	39,964
Total assets	**68,558**	**38,829**	**2,535**	**821**	**6,890**	**402**	**1,601**	**1,175**	**31,272**	**152,083**
Deposits to customers	37,811	37,358	-	-	-	-	-	-	769	75,937
Other liabilities and equity	30,747	1,471	2,535	821	6,890	402	1,601	1,175	30,503	76,146
Total liabilites and equity	**68,558**	**38,829**	**2,535**	**821**	**6,890**	**402**	**1,601**	**1,175**	**31,272**	**152,083**

Group 31 March 2017

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	228	246	-2	1	51	-1	-	-	10	533
Interest from allocated capital	31	30	-	-	-	-	-	-	-60	-
Total interest income	**259**	**276**	**-2**	**1**	**51**	**-1**	**-**	**-**	**-50**	**533**
Commission income and other income	173	47	59	113	12	105	-	-	-55	455
Net return on financial investments **)	0	2	18	-	-	-	66	29	22	138
Total income	**432**	**325**	**75**	**114**	**63**	**104**	**66**	**29**	**-83**	**1,126**
Total operating expenses	**201**	**89**	**72**	**110**	**33**	**89**	**-**	**-**	**-23**	**571**
Ordinary operating profit	**230**	**237**	**2**	**4**	**30**	**15**	**66**	**29**	**-60**	**555**
Loss on loans, guarantees etc.	0	87	-	-	2	-	-	-	-0	89
Result before tax including held for sale	**230**	**150**	**2**	**4**	**28**	**15**	**66**	**29**	**-60**	**466**
Post-tax return on equity*)	**14.9%**	**9.6%**								**9.4%**
Balance (NOKm)										
Loans and advances to customers	95,482	39,421	-	-	5,746	-	-	-	-611	140,038
Adv. of this to SpareBank 1 Boligkreditt	-33,919	-2,003	-	-	-	-	-	-	0	-35,921
Individual allowance for impairment on loan	-23	-528	-	-	-11	-	-	-	-2	-564
Group allowance for impairment on loan	-90	-218	-	-	-21	-	-	-	-20	-349
Other assets	167	192	1,867	1,002	10	288	1,543	1,217	32,552	38,838
Total assets	**61,618**	**36,863**	**1,867**	**1,002**	**5,725**	**288**	**1,543**	**1,217**	**31,919**	**142,042**
Deposits to customers	34,943	35,778	-	-	-	-	-	-	-545	70,176
Other liabilities and equity	26,675	1,086	1,867	1,002	5,725	288	1,543	1,217	32,464	71,866
Total liabilites and equity	**61,618**	**36,863**	**1,867**	**1,002**	**5,725**	**288**	**1,543**	**1,217**	**31,919**	**142,042**

*) 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.

****) Specification of net return on financial investments incl. Investment held for sale (NOKm)**	**31 Mar 2018**	**31 Mar 2017**
Dividends	**2**	**1**
Capital gains shares	5	8
Gain/(loss) on derivatives	119	-3
Gain/(loss) on other financial instruments at fair value (FVO)	4	11
Foreign exchange gain/(loss)	11	6
Gain/(loss) on sertificates and bonds	-59	49
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	17	12
Gain/(loss) on financial instruments related to hedging	1	-16
Net return on financial instruments	**98**	**66**
SpareBank 1 Gruppen	36	66
SpareBank 1 Boligkreditt	3	-24
SpareBank 1 Næringskreditt	4	8
BN Bank	30	29
SpareBank 1 Kredittkort	5	2
SpareBank 1 Betaling	-3	-
Other companies	6	-10
Income from investment in associates and joint ventures	**81**	**71**
Total net return on financial investments	**181**	**138**
Fair value hedging		
Changes in fair value on hedging instrument	-145	-77
Changes in fair value on hedging item	145	61
Net Gain or Loss from hedge accounting	**1**	**-16**

Note 4 - Capital adequacy

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

As of 31 March 2018 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. The total minimum requirement on CET1 capital is accordingly 14.1 per cent.

Historical figures are restated due to an error found in the treatment of the share of the fund for unrealised gains from related companies. This reduces the reported common equity tier 1 (CET1) capital. A correction for the fourth quarter of 2017 is also made to repurchase agreements and collaterals related to the calculation of capital charges for the transitional arrangement (Basel 1 floor), entailing an increase in risk weighted assets compared to the originally reported figure. The CET1 capital ratio is accordingly revised from 14.9 per cent to 14.6 per cent as at 31 December 2017.

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

Countercyclical buffer is calculated using differentiated rates. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. For the first quarter of 2018 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 50 per cent in 2017 and 60 per cent in 2018. As at 31March 2018 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 2017	**31 Mar 2017**	**31 Mar 2018**	**(NOKm)**	**31 Mar 2018**	**31 Mar 2017**	**31 Dec 2017**
15,372	13,837	15,118	Total book equity	17,365	16,269	17,510
-950	-941	-1,264	Additional Tier 1 capital instruments included in total equity	-1,306	-1,208	-993
-522	-475	-520	Deferred taxes, goodwill and other intangible assets	-1,040	-853	-984
-	-	-	Part of reserve for unrealised gains, associated companies	-	-	-
-893	-	-	Deduction for allocated dividends and gifts	-	-	-893
-	-	-	Non-controlling interests recognised in other equity capital	-572	-443	-565
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	341	223	324
-	-279	-341	Net profit	-466	-358	-
-	100	108	Year-to-date profit included in core capital (50 per cent pre tax of group profit in 2018)	233	179	-
-30	-30	-28	Value adjustments due to requirements for prudent valuation	-45	-48	-41
-350	-186	-326	Positive value of adjusted expected loss under IRB Approach	-313	-247	-333
-	-	-	Cash flow hedge reserve	3	8	7
-	-	-	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-222	-188	-212
12,627	**12,026**	**12,748**	**Total common equity Tier one**	**13,976**	**13,332**	**13,820**
950	950	876	Additional Tier 1 capital instruments	1,353	1,358	1,427
459	459	367	Additional Tier 1 capital instruments covered by transitional provisions	367	459	459
14,036	**13,435**	**13,991**	**Total core capital**	**15,697**	**15,149**	**15,707**
			Supplementary capital in excess of core capital			
1,000	1,000	1,000	Subordinated capital	1,621	1,710	1,615
561	561	449	Subordinated capital covered by transitional provisions	449	561	561
-254	-237	-248	Deduction for significant investments in financial institutions	-248	-237	-254
1,307	**1,324**	**1,201**	**Total supplementary capital**	**1,822**	**2,034**	**1,922**
15,343	**14,758**	**15,192**	**Net subordinated capital**	**17,518**	**17,183**	**17,629**

			Minimum requirements subordinated capital			
978	1,055	1,075	Specialised enterprises	1,200	1,186	1,107
1,098	1,087	1,058	Corporate	1,070	1,126	1,113
1,370	1,277	1,375	Mass market exposure, property	1,930	1,769	1,892
90	88	89	Other mass market	92	91	91
1,198	1,267	1,218	Equity investments	1	1	1
4,733	**4,773**	**4,815**	**Total credit risk IRB**	**4,292**	**4,173**	**4,205**
3	5	3	Central government	3	5	3
80	78	81	Covered bonds	142	134	146
429	452	406	Institutions	281	375	331
0	5	-	Local and regional authorities, state-owned enterprises	7	10	4
44	45	66	Corporate	256	149	245
1	0	1	Mass market	403	380	388
13	14	13	Exposures secured on real property	199	328	193
232	211	232	Equity positions	349	348	344
70	73	46	Other assets	150	163	166
872	**885**	**848**	**Total credit risk standardised approach**	**1,791**	**1,891**	**1,820**
16	34	23	Debt risk	25	35	18
-	-	-	Equity risk	14	15	22
-	-	-	Currency risk and risk exposure for settlement/delivery	4	1	1
341	341	370	Operational risk	575	510	510
52	56	52	Credit value adjustment risk (CVA)	119	119	117
-	-	-	Transitional arrangements	863	523	891
6,015	**6,088**	**6,108**	**Minimum requirements subordinated capital**	**7,684**	**7,268**	**7,585**
75,182	**76,101**	**76,355**	**Risk weighted assets (RWA)**	**96,044**	**90,845**	**94,807**
3,383	3,425	3,436	Minimum requirement on CET1 capital, 4.5 per cent	4,322	4,088	4,266
			Capital Buffers			
1,880	1,903	1,909	Capital conservation buffer, 2.5 per cent	2,401	2,271	2,337
2,255	2,283	2,291	Systemic rick buffer, 3.0 per cent	2,881	2,725	2,804
1,504	1,142	1,527	Countercyclical buffer, 2.0 per (1.5 per cent)	1,921	1,363	1,869
5,639	**5,327**	**5,727**	**Total buffer requirements on CET1 capital**	**7,203**	**6,359**	**7,011**
3,605	**3,274**	**3,586**	**Available CET1 capital after buffer requirements**	**2,451**	**2,885**	**2,544**
			Capital adequacy			
16.8 %	15.8 %	16.7 %	Common equity Tier one ratio	14.6 %	14.7 %	14.6 %
18.7 %	17.7 %	18.3 %	Core capital ratio	16.3 %	16.7 %	16.6 %
20.4 %	19.4 %	19.9 %	Capital adequacy ratio	18.2 %	18.9 %	18.6 %
			Leverage ratio			
145,821	137,192	143,334	Balance sheet items	207,831	199,551	210,764
7,112	7,402	7,418	Off-balance sheet items	9,530	9,292	9,295
-902	-691	-1,341	Regulatory adjustments	-2,113	-1,346	-1,580
152,032	143,903	149,410	Calculation basis for leverage ratio	215,248	207,497	218,479
14,036	13,435	13,991	Core capital	15,697	15,149	15,707
9.2 %	**9.3 %**	**9.4 %**	**Leverage Ratio**	**7.3 %**	**7.3 %**	**7.2 %**

Note 5 - Distribution of loans by sector/industry

Parent Bank				Group		
31 Dec 2017	31 Mar 2017	31 Mar 2018	(NOKm)	31 Mar 2018	31 Mar 2017	31 Dec 2017
11,305	10,460	11,530	Agriculture, forestry, fisheries, hunting	11,816	10,679	11,606
1,311	1,306	1,331	Sea farming industries	1,697	1,700	1,697
2,850	2,820	2,809	Manufacturing	3,129	3,113	3,157
2,794	2,756	2,953	Construction, power and water supply	3,622	3,335	3,419
2,432	2,496	2,549	Retail trade, hotels and restaurants	2,825	2,735	2,700
4,639	4,863	4,533	Maritime sector	4,533	4,863	4,639
14,289	14,060	14,307	Property management	14,366	14,115	14,348
2,510	2,465	2,537	Business services	2,203	2,100	2,260
3,547	3,203	3,597	Transport and other services provision	4,370	3,840	4,322
226	277	229	Public administration	243	291	240
1,669	1,895	1,791	Other sectors	1,823	1,924	1,699
47,572	**46,600**	**48,168**	**Gross loans in retail market**	**50,629**	**48,696**	**50,087**
94,984	88,257	96,594	Wage earners	100,436	91,343	98,697
142,556	**134,857**	**144,762**	**Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt**	**151,065**	**140,038**	**148,784**
34,885	33,757	36,374	of which SpareBank 1 Boligkreditt	36,374	33,757	34,885
1,828	2,164	1,518	of which SpareBank 1 Næringskreditt	1,518	2,164	1,828
105,843	**98,935**	**106,871**	**Gross loans in balance sheet**	**113,174**	**104,117**	**112,071**
		965	- Loan loss allowance on amortised cost loans	1,006		
		49	- Loan loss allowance on loans at FVOCI	49		
751	551		- Specified write-downs		564	765
323	328		- Collective write-downs		349	347
104,769	**98,056**	**105,856**	**Net loans to and receivables from customers**	**112,119**	**103,204**	**110,959**

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Note 6 - Losses on loans and guarantees

Parent Bank	January - March		
	2018		
Losses on loans and guarantees (NOKm)	**RM**	**CM**	**Total**
Change in provision for expected credit losses for the period	-3	11	8
Actual loan losses on commitments exceeding provisions made	1	38	39
Recoveries on commitments previously written-off	-2	-0	-2
Losses for the period on loans and guarantees	**-3**	**48**	**45**

Parent Bank	January - March		
	2017		
Losses on loans and guarantees (NOKm)	**RM**	**CM**	**Total**
Change in individual impairment losses provisions for the period	-1	-72	-73
+ Change in collective impairment losses provisions for the period	-	10	10
+ Actual loan losses on commitments for which provisions have been made	2	146	148
+ Actual loan losses on commitments for which no provision has been made	0	3	3
- Recoveries on commitments previously written-off	1	0	1
Losses of the year on loans and guarantees	**0**	**87**	**87**

Group	January - March		
	2018		
Losses on loans and guarantees (NOKm)	**RM**	**CM**	**Total**
Change in provision for expected credit losses for the period	-3	12	9
Actual loan losses on commitments exceeding provisions made	4	38	42
Recoveries on commitments previously written-off	-2	-0	-2
Losses for the period on loans and guarantees	**-2**	**50**	**48**

Group	January - March		
	2017		
Losses on loans and guarantees (NOKm)	**RM**	**CM**	**Total**
Change in individual impairment losses provisions for the period	-1	-72	-73
+ Change in collective impairment losses provisions for the period	1	10	11
+ Actual loan losses on commitments for which provisions have been made	2	146	148
+ Actual loan losses on commitments for which no provision has been made	2	3	5
- Recoveries on commitments previously written-off	1	0	1
Losses of the year on loans and guarantees	**3**	**87**	**89**

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Note 7 - Losses

Provision for expected credit lossen on loans and guarantees are presented after implementation of IFRS 9 from january 1, 2018. See note 2 and 45 in the annual report for 2017 for detailed information about the implementation effect and transition. Comparative figures have not been restated, and the information about first quarter 2017 has been presented below in accordance with previous rules in IAS 32.

Parent Bank

		31 Mar 2018		
(NOKm)	**1 January 18**	**Change in provision**	**Net write-offs/ recoveries**	**31 March 18**
Loans as amortised cost- CM	1,017	11	-15	1,012
Loans as amortised cost- RM	32	-3	-2	27
Loans at fair value over OCI- RM	65	-0	-0	65
Provision for expected credit losses on loans and guarantees	**1,114**	**8**	**-17**	**1,104**
Presented as				
Provision for loan losses				1,014
Other debt- provisons				75
Other comprehensive income- fair value adjustment				15

Group

		31 Mar 2018		
(NOKm)	**1 January 18**	**Change in provision**	**Net write-offs/ recoveries**	**31 March 18**
Loans as amortised cost- CM	1,037	10	-15	1,032
Loans as amortised cost- RM	52	-3	-3	46
Loans at fair value over OCI- RM	65	-0	-0	65
Provision for expected credit losses on loans and guarantees	**1,154**	**7**	**-18**	**1,143**
Presented as				
Provision for loan losses				1,053
Other debt- provisons				75
Other comprehensive income- fair value adjustment				15

Parent Bank

		31 Mar 2018		
Total Allowance for Credit Losses	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance 1 January	**96**	**256**	**762**	**1,114**
Provision for credit losses				
Transfer to (from) stage 1	13	-13	-0	-
Transfer to (from) stage 2	-3	5	-2	-
Transfer to (from) stage 3	-0	-9	9	-
Net remeasurement of loss allowances	-14	10	30	26
Originations or purchases	20	0	0	20
Derecognitions	-5	-16	-17	-37
Write-offs	-	-	-17	-17
Closing balance 31 March	**107**	**232**	**766**	**1,104**

Group

Total Allowance for Credit Losses	Stage 1	Stage 2	Stage 3	Total
	31 Mar 2018			
Opening balance 1 January	**105**	**269**	**780**	**1,154**
Provision for credit losses				
Transfer to (from) stage 1	4	-4	0	-
Transfer to (from) stage 2	-1	-3	4	-
Transfer to (from) stage 3	-6	2	3	-
Net remeasurement of loss allowances	-7	4	33	30
Originations or purchases	14	0	0	14
Derecognitions	-4	-14	-17	-35
Write-offs	-	-	-18	-18
Closing balance 31 March	**104**	**255**	**784**	**1,143**

Parent Bank

Individual write-downs (NOKm)	RM	CM	Total
	31 Mar 2017		
Individual write-downs to cover loss on loans and guarantees at 1.1	28	597	625
- Actual losses during the period for which provisions for individual impairment losses have been made previously	2	146	148
- Reversal of provisions from previous periods	2	6	8
+ Increased write-downs on provisions previously written down	0	79	79
+ Write-downs on provisions not previously written down	-2	10	8
Individual write-downs to cover loss on loans and guarantees at period end *)	**23**	**534**	**557**

*) Individually assessed impairment write-downs on guarantees, totalling NOK 6.2m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	RM	CM	Total
	31 Mar 2017		
Collective write-downs to cover loss on loans, guarantees at 1.1	90	228	318
Period's collective write-downs to cover loss on loans, guarantees etc	-	10	10
Collective write-downs to cover loss on loans and guarantees at period end	**90**	**238**	**328**

Group

Individual write-downs (NOKm)	RM	CM	Total
	31 Mar 2017		
Individual write-downs to cover loss on loans and guarantees at 1.1	31	607	638
- Actual losses during the period for which provisions for individual impairment losses have been made previously	2	146	148
- Reversal of provisions from previous periods	2	6	8
+ Increased write-downs on provisions previously written down	0	79	79
+ Write-downs on provisions not previously written down	-2	10	8
Individual write-downs to cover loss on loans and guarantees at period end *)	**26**	**544**	**570**

*) Individually assessed impairment write-downs on guarantees, totalling NOK 6.2m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	RM	CM	Total
	31 Mar 2017		
Collective write-downs to cover loss on loans, guarantees at 1.1	100	239	339
Period's collective write-downs to cover loss on loans, guarantees etc	1	10	11
Collective write-downs to cover loss on loans and guarantees at period end	**100**	**249**	**349**

Note 8 - Gross Loans

Parent Bank

Gross loans	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 18	94,352	9,931	1,560	105,843
Transfer to stage 1	1,005	-999	-6	-
Transfer to stage 2	-1,189	1,205	-16	-
Transfer to stage 3	-6	-56	62	-
Net increase/decrease amount excisting loans	-1,870	33	-45	-1,881
New loans	9,034	0	6	9,041
Derecognitions	-5,357	-763	-12	-6,132
Balance at 31 March 18	**95,969**	**9,353**	**1,549**	**106,871**

Group

Gross loans	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 18	99,564	10,855	1,652	112,071
Transfer to stage 1	948	-946	-2	-
Transfer to stage 2	-1,023	1,029	-5	-
Transfer to stage 3	-4	-50	54	-
Net increase/decrease amount excisting loans	-1,878	31	-45	-1,892
New loans	9,446	4	6	9,456
Derecognitions	-5,650	-799	-13	-6,461
Balance at 31 March 18	**101,403**	**10,123**	**1,647**	**113,174**

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank				Group		
31 Dec 2017	31 Mar 2017	31 Mar 2018	(NOKm)	31 Mar 2018	31 Mar 2017	31 Dec 2017
3,061	2,847	3,194	Agriculture, forestry, fisheries, hunting	3,194	2,847	3,061
1,021	1,533	1,103	Sea farming industries	1,103	1,533	1,021
2,736	2,671	2,433	Manufacturing	2,433	2,671	2,736
3,046	2,191	3,191	Construction, power and water supply	3,191	2,191	3,046
4,152	3,416	3,699	Retail trade, hotels and restaurants	3,699	3,416	4,152
1,269	1,445	1,360	Maritime sector	1,360	1,445	1,269
4,595	4,626	4,653	Property management	4,444	4,384	4,405
6,429	5,729	6,326	Business services	6,326	5,729	6,429
5,846	5,859	5,978	Transport and other services provision	5,577	5,382	5,414
11,284	9,419	10,908	Public administration	10,908	9,419	11,284
2,127	1,735	1,808	Other sectors	1,670	1,405	1,863
45,565	**41,470**	**44,654**	**Total**	**43,905**	**40,421**	**44,678**
31,797	29,754	32,033	Wage earners	32,033	29,754	31,797
77,362	**71,224**	**76,686**	**Total deposits**	**75,937**	**70,176**	**76,476**

Note 10 - Net interest income

Parent bank				Group		
	January - March			January - March		
2017	2017	2018	(NOKm)	2018	2017	2017
			Interest income			
137	32	37	Interest income from loans to and claims on central banks and credit institutions	14	9	44
3,150	768	786	Interest income from loans to and claims on customers	879	842	3,476
284	76	64	Interest income from money market instruments, bonds and other fixed income securities	63	75	281
-	-	-	Other interest income	7	5	23
3,571	**876**	**887**	**Total interest income**	**962**	**931**	**3,825**
			Interest expense			
133	37	32	Interest expenses on liabilities to credit institutions	34	37	137
654	158	170	Interest expenses relating to deposits from and liabilities to customers	168	154	636
668	168	158	Interest expenses related to the issuance of securities	158	168	668
95	23	19	Interest expenses on subordinated debt	19	24	97
-0	-0	0	Other interest expenses	3	2	13
49	12	13	Guarantee fund levy	13	12	49
1,599	**397**	**391**	**Total interest expense**	**394**	**398**	**1,600**
1,972	**478**	**496**	**Net interest income**	**568**	**533**	**2,225**

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Note 11 - Operating expenses

Parent bank				Group		
	January - March			January - March		
2017	**2017**	**2018**	**(NOKm)**	**2018**	**2017**	**2017**
203	53	52	IT costs	71	69	266
17	5	3	Postage and transport of valuables	4	6	22
50	11	10	Marketing	26	24	104
50	12	15	Ordinary depreciation	29	26	102
118	29	29	Operating expenses, real properties	37	27	118
77	12	12	Purchased services	28	30	139
118	30	30	Other operating expense	47	44	192
634	**153**	**152**	**Total other operating expenses**	**241**	**227**	**943**

Note 12 - Other assets

Parent Bank				Group		
31 Dec 2017	31 Mar 2017	31 Mar 2018	(NOKm)	31 Mar 2018	31 Mar 2017	31 Dec 2017
-	27	-	Deferred tax asset	163	196	178
115	113	111	Fixed assets	257	891	263
61	80	39	Earned income not yet received	105	118	104
35	486	51	Accounts receivable, securities	377	841	322
158	198	158	Pensions	171	208	171
333	267	187	Other assets	567	649	615
703	**1,171**	**546**	**Total other assets**	**1,641**	**2,903**	**1,654**

Note 13 - Other liabilities

Parent Bank				Group		
31 Dec 2017	31 Mar 2017	31 Mar 2018	(NOKm)	31 Mar 2018	31 Mar 2017	31 Dec 2017
21	0	21	Deferred tax	82	33	81
337	-38	317	Payable tax	324	4	367
9	8	9	Capital tax	9	8	9
70	44	225	Accrued expenses and received, non-accrued income	549	362	444
112	317	228	Provision for accrued expenses and commitments	228	317	112
24	26	24	Pension liabilities	24	26	24
88	71	130	Drawing debt	130	71	88
16	197	25	Creditors	109	253	82
0	646	1,162	Debt from securities	1,327	954	162
-	-	-	Equity Instruments	80	217	244
232	668	845	Other liabilities	969	735	311
909	**1,939**	**2,986**	**Total other liabilites**	**3,832**	**2,979**	**1,923**

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

Change in securities debt (NOKm)	31 Mar 2018	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2017
Bond debt, nominal value	41,062	3,597	2,840	-1,358	41,663
Value adjustments	75	-	-	-131	207
Accrued interest	273	-	-	-51	324
Total	**41,410**	**3,597**	**2,840**	**-1,541**	**42,194**

Change in subordinated debt and hybrid equity (NOKm)	31 Mar 2018	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2017
Ordinary subordinated loan capital, nominal value	1,708	-	-	6	1,701
Hybrid equity, nominal value	450	-	-	-	450
Value adjustments	32	-	-	-9	40
Accrued interest	6	-	-	-4	10
Total	**2,195**	**-**	**-**	**-6**	**2,201**

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

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

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

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

The following table presents the Group's assets and liabilities measured at fair value at 31 March 2018:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	4	3,275	-	3,278
- Bonds and money market certificates	2,485	16,312	-	18,797
- Equity instruments	1,559	103	440	2,101
- Fixed interest loans	-	43	3,195	3,238
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	56,988	56,988
- Equity instruments	-	-	63	63
Total assets	**4,048**	**19,732**	**60,685**	**84,465**
Liabilities				
Financial liabilities through profit/loss				
- Derivatives	9	2,961	-	2,970
- Equity instruments	79	1	-	80
Total liabilities	**88**	**2,962**	**-**	**3,050**

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	10	4,691	-	4,701
- Bonds and money market certificates	2,504	16,200	-	18,704
- Equity instruments	1,079	-	537	1,616
- Fixed interest loans	-	43	3,717	3,760
Financial assets avaliable for sale				
- Equity instruments	-	-	60	60
Total assets	**3,593**	**20,934**	**4,314**	**28,841**
Liabilities				
Financial liabilities through profit/loss				
- Derivatives	13	3,496	-	3,509
- Equity instruments	213	3	-	217
Total liabilities	**226**	**3,500**	**-**	**3,726**

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 changes in the instruments classified in level 3 as at 31 March 2018:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Equity instruments through OCI	Total
Closing balance 31 December	419	3,236	-	66	3,722
Implementation effect IFRS 9	2	-	56,743	-2	56,743
Opening balance 1 January	422	3,236	56,743	64	60,464
Investment in periode	22	366	4,598	-	4,986
Disposals in the periode	-8	-386	-4,353	-	-4,747
Expected credit loss on loans	-	-	-2	-	-2
Gain or loss on financial instruments	4	-21	2	-1	-15
Closing balance	**440**	**3,195**	**56,987**	**63**	**60,685**

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

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Equity instruments available for sale	Total
Opening balance 1 January	524	3,783	60	4,367
Investment in periode	4	154	-	158
Disposals in the periode	-	-232	-	-232
Gain or loss on financial instruments	9	12	-	21
Closing balance	**537**	**3,717**	**60**	**4,314**

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

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

Valuation method

The valuation method applied is adapted to each financial instrument, and is intended to utilise as much of the information that is available in the market as possible.

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

Fixed *interest loans to customers (level 3)*

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

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

Floating rate mortgages classified at fair value through other comprehensive income (OCI) are valued based on carrying amounts and expected credit losses. Mortgages without significant increase in credit risk since initial recognition, are valued at nominal amount. For loans with a significant increase in credit risk since initial recognition, expected credit loss will be calculated as for assets at amortised cost. Estimated fair value on these mortgages are the carrying amount less lifetime expected credit losses. With a doble likelihood of the worst case scenario in the expected credit loss model, the calculated fair value is reduced by NOK 4 million.

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

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

Equity instruments (level 3)

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 260 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank 1 SMN Invest AS. The valuations are in all essentials based on reporting from managers of the funds who utilise cash flow based models or multiples when determining fair value. The Group does not have full access to information on all the elements in these valuations and is therefore unable to determine alternative assumptions. Determination of fair value for the shares of Polaris Media is based on valuation undertaken by SpareBank 1 Markets. The latter is based on value-adjusted equity capital.

The owner interest in Visa Norge FLI is considered to be a financial asset and is classified to the category 'available for sale'. SpareBank 1 SMN has calculated the fair value of its portion of Visa Norge FLI at NOK 33.1 million. Sensitivity at level 3 measurement: Since the estimated value of Visa Norge is calculated by the association we do not have access to all significant inputs, but SpareBank 1 SMN has taken into account a liquidity discount on the shares of Visa Inc. of 20 per cent. Had this been adjusted to 25 per cent, the fair value measurement would have been 3.5 million lower.

Financial derivatives (level 2)

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

Sensitivity analyses, level 3

(NOKm)	Book value	Effect from change in reasonable possible alternative assumtions
Fixed interest loans	3,195	-8
Equity instruments through profit/loss*	440	-
Loans at fair value through other comprehensive income	56,988	-4
Equity instruments through other comprehensive income	63	-4

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

Note 16 - Liquidity risk

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

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

The average residual maturity on the portfolio of senior bonds and covered bonds at the end of the first quarter was 2.87 years. The overall LCR at the same point was 162 per cent and the average overall LCR in the quarter was 148 per cent. The LCR in Norwegian kroner at quarter-end was 130 and for euro there is net cash flows in.

Note 17 - Earnings per EC

(mill. kr)	January - March 2018	January - March 2017
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	447	352
Allocated to ECC Owners 2)	286	225
Issues Equity Captial Certificates adjusted for own certificates	129,344,188	129,560,205
Earnings per Equity Captial Certificate	**2.21**	**1.74**

Adjusted Net Profit 1)	January - March 2018	January- March 2017
Net Profit for the group	466	367
adjusted for non-controlling interests share of net profit	-8	-6
Adjusted for Tier 1 capital holders share of net profit	-11	-9
Adjusted Net Profit	**447**	**352**

Equity capital certificate ratio (parent bank) 2) (NOKm)	31 Mar 2018	31 Dec 2017
ECC capital	2,597	2,597
Dividend equalisation reserve	5,079	4,487
Premium reserve	895	895
Unrealised gains reserve	81	81
Other equity capital	-9	-
A. The equity capital certificate owners' capital	**8,643**	**8,060**
Ownerless capital	4,831	4,498
Unrealised gains reserve	45	45
Other equity capital	-5	-
B. The saving bank reserve	**4,871**	**4,543**
To be disbursed from gift fund	-	-
Dividend declared	-	-
Equity ex. profit	13,514	12,603
Equity capital certificate ratio A/(A+B)	**63.95 %**	**63.95 %**
Equity capital certificate ratio for distribution	**63.95 %**	**63.95 %**