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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. 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. Where 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.

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 30 September 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 NOK 150 million. The transaction was completed in 2Q 2018.

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 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	768	730	-11	2	200	-0	-	-	70	1,759
Interest from allocated capital	132	98	-	-	-	-	-	-	-229	-
Total interest income	**900**	**827**	**-11**	**2**	**200**	**-0**	**-**	**-**	**-160**	**1,759**
Commission income and other income	590	150	337	389	46	337	-	-	-215	1,634
Net return on financial investments **)	0	15	75	-	-	-	189	70	470	820
Total income	**1,490**	**993**	**401**	**391**	**247**	**336**	**189**	**70**	**96**	**4,212**
Total operating expenses	**597**	**278**	**380**	**385**	**115**	**280**	**-**	**-**	**-113**	**1,922**
Ordinary operating profit	**893**	**714**	**21**	**6**	**131**	**57**	**189**	**70**	**209**	**2,290**
Loss on loans, guarantees etc.	18	153	-	-	24	-	-	-	0	196
Result before tax including held for sale	**874**	**561**	**21**	**6**	**107**	**57**	**189**	**70**	**209**	**2,094**
Post-tax return on equity*)	**13.1 %**	**10.8 %**								**13.3 %**
Balance										
Loans and advances to customers	111,207	39,716	-	-	7,546	-	-	-	-644	157,825
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-37,796	-1,986	-	-	-	-	-	-	-	-39,782
Allowance for credit losses	-96	-749	-	-	-44	-	-	-	-	-890
Other assets	123	2,434	3,212	1,534	16	384	1,469	1,216	32,043	42,184
Total assets	**73,438**	**39,167**	**3,212**	**1,534**	**7,519**	**384**	**1,469**	**1,216**	**31,398**	**159,337**
Deposits to customers	39,879	37,201	-	-	-	-	-	-	450	77,529
Other liabilities and equity	33,559	1,967	3,212	1,534	7,519	384	1,469	1,216	30,948	81,808
Total liabilites and equity	**73,438**	**39,167**	**3,212**	**1,534**	**7,519**	**384**	**1,469**	**1,216**	**31,398**	**159,337**

Group 30 September 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	728	730	-11	1	165	-1	-	-	23	1,636
Interest from allocated capital	92	84	-	-	-	-	-	-	-175	-
Total interest income	**819**	**814**	**-11**	**1**	**165**	**-1**	**-**	**-**	**-152**	**1,636**
Commission income and other income	576	151	239	371	41	285	-	-	-189	1,475
Net return on financial investments **)	-	9	50	-	-	-	214	70	162	507
Total income	**1,396**	**974**	**279**	**373**	**206**	**284**	**214**	**70**	**-179**	**3,618**
Total operating expenses	**598**	**276**	**289**	**360**	**101**	**239**	**-**	**-**	**-111**	**1,751**
Ordinary operating profit	**798**	**699**	**-10**	**12**	**105**	**45**	**214**	**70**	**-68**	**1,867**
Loss on loans, guarantees etc.	3	249	-	-	12	-	-	-	-	263
Result before tax including held for sale	**796**	**450**	**-10**	**12**	**94**	**45**	**214**	**70**	**-68**	**1,604**
Post-tax return on equity*)	**16.3 %**	**10.1 %**								**10.8 %**
Balance										
Loans and advances to customers	100,745	40,419	-	-	6,502	-	-	-	-520	147,146
Adv. of this sold to SpareBank 1 Boligkreditt	-34,361	-2,090	-	-	-	-	-	-	-	-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 and equity	**66,430**	**38,374**	**2,076**	**899**	**6,482**	**307**	**1,460**	**1,126**	**29,759**	**146,913**

*) 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 2018

**) Specification of net return on financial investments incl. Investment held for sale (NOKm)	30 Sept 2018	30 Sept 2017
Dividends	**6**	**5**
Capital gains shares (incl dividends)	144	46
Gain/(loss) on derivatives	192	32
Gain/(loss) on other financial instruments at fair value (FVO)	23	11
Foreign exchange gain/(loss)	47	26
Gain/(loss) on sertificates and bonds	-81	81
Gains/(Loss) on shares and share derivatives at SpareBank 1 Markets	52	33
Gain/(loss) on financial instruments related to hedging	-5	-20
Net return on financial instruments	**370**	**209**
SpareBank 1 Gruppen	189	214
SpareBank 1 Boligkreditt	2	-26
SpareBank 1 Næringskreditt	10	18
BN Bank	73	70
SpareBank 1 Kredittkort	17	11
SpareBank 1 Betaling	-9	-14
Other companies	162	19
Income from investment in associates and joint ventures	**443**	**293**
Total net return on financial investments	**820**	**507**
Fair value hedging		
Changes in fair value on hedging instrument	-209	-147
Changes in fair value on hedging item	204	127
Net Gain or Loss from hedge accounting	**-5**	**-20**

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 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.

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 third quarter of 2018 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 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 30 September 2018 the bank held hybrid capital worth NOK 450 million subject to write-down. For subordinated debt the figure was NOK 652 million.

Parent Bank				Group		
31 Dec 2017	**30 Sept 2017**	**30 Sept 2018**	**(NOKm)**	**30 Sept 2018**	**30 Sept 2017**	**31 Dec 2017**
15,372	15,009	16,428	Total book equity	18,650	17,208	17,510
-950	-925	-1,268	Additional Tier 1 capital instruments included in total equity	-1,310	-1,187	-993
-522	-484	-538	Deferred taxes, goodwill and other intangible assets	-1,059	-888	-984
-893	-	-	Deduction for allocated dividends and gifts	-	-	-893
-	-	-	Non-controlling interests recognised in other equity capital	-623	-516	-565
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	371	303	324
-	-1,446	-1,649	Net profit	-1,689	-1,250	-
-	821	825	Year-to-date profit included in core capital (50 per cent pre tax of group profit in 2018)	864	625	-
-30	-28	-29	Value adjustments due to requirements for prudent valuation	-47	-46	-41
-350	-200	-308	Positive value of adjusted expected loss under IRB Approach	-316	-264	-333
-	-	-	Cash flow hedge reserve	2	8	7
-	-	-163	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-147	-92	-212
12,627	**12,746**	**13,298**	**Total common equity Tier one**	**14,697**	**13,901**	**13,820**
950	950	1,000	Additional Tier 1 capital instruments	1,478	1,358	1,427
459	459	367	Additional Tier 1 capital instruments covered by transitional provisions	367	459	459
14,036	**14,155**	**14,665**	**Total core capital**	**16,542**	**15,718**	**15,707**
			Supplementary capital in excess of core capital			
1,000	1,368	1,500	Subordinated capital	2,118	1,979	1,615
561	561	449	Subordinated capital covered by transitional provisions	449	561	561
-254	-254	-140	Deduction for significant investments in financial institutions	-140	-254	-254
1,307	**1,675**	**1,809**	**Total supplementary capital**	**2,427**	**2,286**	**1,922**
15,343	**15,830**	**16,473**	**Net subordinated capital**	**18,969**	**18,004**	**17,629**

			Minimum requirements subordinated capital			
978	1,050	951	Specialised enterprises	1,107	1,177	1,107
1,098	1,040	1,173	Corporate	1,181	1,054	1,113
1,370	1,284	1,508	Mass market exposure, property	2,070	1,763	1,892
90	87	91	Other mass market	94	89	91
1,198	1,222	1,045	Equity investments	1	1	1
4,733	**4,683**	**4,768**	**Total credit risk IRB**	**4,453**	**4,084**	**4,205**
3	4	2	Central government	3	4	3
80	74	95	Covered bonds	145	136	146
431	454	375	Institutions	217	380	333
0	5	-	Local and regional authorities, state-owned enterprises	10	11	4
25	22	30	Corporate	241	234	226
18	16	70	Mass market	510	394	405
13	14	15	Exposures secured on real property	181	198	193
232	227	228	Equity positions	358	342	344
70	63	53	Other assets	109	172	166
872	**880**	**868**	**Total credit risk standardised approach**	**1,774**	**1,870**	**1,820**
16	22	31	Debt risk	33	24	18
-	-	-	Equity risk	24	18	22
-	-	-	Currency risk and risk exposure for settlement/delivery	3	-	1
341	341	370	Operational risk	575	510	510
52	74	33	Credit value adjustment risk (CVA)	80	134	117
-	-	-	Transitional arrangements	971	956	891
6,015	**6,000**	**6,071**	**Minimum requirements subordinated capital**	**7,913**	**7,595**	**7,585**
75,182	**75,000**	**75,887**	**Risk weighted assets (RWA)**	**98,915**	**94,938**	**94,807**
3,383	3,375	3,415	Minimum requirement on CET1 capital, 4.5 per cent	4,451	4,272	4,266
			Capital Buffers			
1,880	1,875	1,897	Capital conservation buffer, 2.5 per cent	2,473	2,373	2,370
2,255	2,250	2,277	Systemic rick buffer, 3.0 per cent	2,967	2,848	2,844
1,504	1,125	1,518	Countercyclical buffer, 2.0 per cent (1.5 per cent)	1,978	1,424	1,896
5,639	**5,250**	**5,692**	**Total buffer requirements on CET1 capital**	**7,419**	**6,646**	**7,111**
3,605	**4,121**	**4,191**	**Available CET1 capital after buffer requirements**	**2,827**	**2,983**	**2,444**
			Capital adequacy			
16.8 %	17.0 %	17.5 %	Common equity Tier one ratio	14.9 %	14.6 %	14.6 %
18.7 %	18.9 %	19.3 %	Core capital ratio	16.7 %	16.6 %	16.6 %
20.4 %	21.1 %	21.7 %	Capital adequacy ratio	19.2 %	19.0 %	18.6 %
			Leverage ratio			
145,821	142,840	150,853	Balance sheet items	213,761	203,155	210,764
7,112	7,535	7,629	Off-balance sheet items	9,595	9,506	9,295
-902	-713	-1,170	Regulatory adjustments	-1,729	-1,301	-1,580
152,032	149,662	157,313	Calculation basis for leverage ratio	221,628	211,361	218,479
14,036	14,155	14,665	Core capital	16,542	15,718	15,707
9.2 %	**9.5 %**	**9.3 %**	**Leverage Ratio**	**7.5 %**	**7.4 %**	**7.2 %**

Note 5 - Distribution of loans by sector/industry

Parent Bank				Group		
31 Dec 2017	30 Sept 2017	30 Sept 2018	(NOKm)	30 Sept 2018	30 Sept 2017	31 Dec 2017
11,305	11,217	12,022	Agriculture, forestry, fisheries, hunting	12,346	11,486	11,606
1,311	1,352	978	Sea farming industries	1,317	1,745	1,697
2,850	3,256	2,827	Manufacturing	3,158	3,560	3,157
2,794	2,712	2,823	Construction, power and water supply	3,536	3,341	3,419
2,432	2,288	2,143	Retail trade, hotels and restaurants	2,410	2,546	2,700
4,639	4,678	4,372	Maritime sector	4,372	4,678	4,639
14,289	14,807	14,678	Property management	14,737	14,867	14,348
2,510	2,415	2,763	Business services	2,463	2,216	2,260
3,547	3,588	4,062	Transport and other services provision	4,876	4,332	4,322
226	211	11	Public administration	23	226	240
1,669	1,766	1,923	Other sectors	1,955	1,796	1,699
47,572	**48,289**	**48,603**	**Gross loans in retail market**	**51,195**	**50,794**	**50,087**
94,984	92,818	102,248	Wage earners	106,631	96,352	98,697
142,556	**141,107**	**150,851**	**Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt**	**157,825**	**147,146**	**148,784**
34,885	34,196	37,669	of which SpareBank 1 Boligkreditt	37,669	34,196	34,885
1,828	2,255	2,112	of which SpareBank 1 Næringskreditt	2,112	2,255	1,828
105,843	**104,656**	**111,069**	**Gross loans in balance sheet**	**118,044**	**110,695**	**112,071**
		785	- Loan loss allowance on amortised cost loans	831		
		60	- Loan loss allowance on loans at FVOCI	60		
751	685		- Specified write-downs		700	765
323	323		- Collective write-downs		346	347
104,769	**103,647**	**110,225**	**Net loans to and receivables from customers**	**117,153**	**109,649**	**110,959**

Note 6 - Losses on loans and guarantees

Parent Bank

Losses on loans and guarantees (NOKm)	Jan-Sept 2018 RM	Jan-Sept 2018 CM	Jan-Sept 2018 Total
Change in provision for expected credit losses for the period	20	104	124
Actual loan losses on commitments exceeding provisions made	4	50	54
Recoveries on commitments previously written-off	-6	-1	-7
Losses for the period on loans and guarantees	**18**	**153**	**172**

Group

Losses on loans and guarantees (NOKm)	Jan-Sept 2018 RM	Jan-Sept 2018 CM	Jan-Sept 2018 Total
Change in provision for expected credit losses for the period	24	104	128
Actual loan losses on commitments exceeding provisions made	24	57	81
Recoveries on commitments previously written-off	-12	-1	-13
Losses for the period on loans and guarantees	**37**	**159**	**196**

Note 7 - Losses

Parent Bank

	1 January 18	Change in provision	Net write-offs /recoveries	30 Sept 2018
Loans as amortised cost- CM	1,017	-153	-	864
Loans as amortised cost- RM	32	5	-	37
Loans at fair value over OCI- RM	65	12	-1	76
Provision for expected credit losses on loans and guarantees	**1,114**	**-136**	**-1**	**975**
Presented as				
Provision for loan losses				845
Other debt- provisons				115
Other comprehensive income - fair value adjustment				17

Group

	1 January 18	Change in provision	Net write-offs /recoveries	30 Sept 2018
Loans as amortised cost- CM	1,037	-153	2	886
Loans as amortised cost- RM	52	7	-	59
Loans at fair value over OCI- RM	65	12	-1	76
Provision for expected credit losses on loans and guarantees	**1,154**	**-134**	**1**	**1,020**
Presented as				
Provision for loan losses				890
Other debt- provisons				115
Other comprehensive income - fair value adjustment				17

Parent Bank

Total Allowance for Credit Losses	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance 1 January 2018	**96**	**256**	**762**	**1,114**
Provision for credit losses				
Transfer to (from) stage 1	29	-28	-0	-
Transfer to (from) stage 2	-7	7	-0	-
Transfer to (from) stage 3	-0	-2	2	-
Net remeasurement of loss allowances	-37	62	-150	-125
Originations or purchases	36	43	1	80
Derecognitions	-25	-64	-3	-93
Closing balance 30 September 2018	**91**	**274**	**611**	**975**

Group

Total Allowance for Credit Losses	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance 1 January 2018	**106**	**268**	**780**	**1,154**
Provision for credit losses				
Transfer to (from) stage 1	27	-27	-1	-
Transfer to (from) stage 2	-7	6	1	-
Transfer to (from) stage 3	-1	-3	4	-
Net remeasurement of loss allowances	-40	65	-146	-120
Originations or purchases	39	46	2	87
Derecognitions	-26	-66	-9	-101
Closing balance 30 September 2018	**98**	**290**	**631**	**1,020**

Note 8 - Gross loans

Parent Bank

Gross loan	Loans subject to impairment Stage 1	Stage 2	Stage 3	Fixed interest loans at FV	Total
Balance at 1 January 2018	**91,074**	**9,931**	**1,560**	**3,278**	**105,843**
Transfer to stage 1	1,882	-1,866	-16	-	-
Transfer to stage 2	-3,285	3,307	-22	-	-
Transfer to stage 3	-58	-320	378	-	-
Net increase/decrease amount excisting loans	-5,288	-168	-6	-	-5,462
New loans	37,724	1,534	97	1,627	40,981
Derecognitions	-26,571	-2,388	-440	-893	-30,292
Balance at 30 September 2018	**95,478**	**10,029**	**1,551**	**4,013**	**111,069**

Group

Gross loan	Loans subject to impairment Stage 1	Stage 2	Stage 3	Fixed interest loans at FV	Total
Balance at 1 January 2018	**96,286**	**10,855**	**1,652**	**3,278**	**112,071**
Transfer to stage 1	2,044	-2,026	-18	-	-
Transfer to stage 2	-3,770	3,802	-32	-	-
Transfer to stage 3	-78	-352	430	-	-
Net increase/decrease amount excisting loans	-5,817	-294	-13	-	-6,124
New loans	39,744	1,705	105	1,627	43,180
Derecognitions	-27,242	-2,472	-476	-893	-31,084
Balance at 30 September 2018	**101,167**	**11,217**	**1,649**	**4,013**	**118,044**

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank				Group		
31 Dec 2017	30 Sept 2017	30 Sept 2018	(NOKm)	30 Sept 2018	30 Sept 2017	31 Dec 2017
3,061	2,896	2,965	Agriculture, forestry, fisheries, hunting	2,965	2,896	3,061
1,021	848	689	Sea farming industries	689	848	1,021
2,736	1,915	1,627	Manufacturing	1,627	1,915	2,736
3,046	2,287	2,523	Construction, power and water supply	2,523	2,287	3,046
4,152	3,509	3,983	Retail trade, hotels and restaurants	3,983	3,509	4,152
1,269	1,288	1,079	Maritime sector	1,079	1,288	1,269
4,595	4,786	5,705	Property management	5,403	4,535	4,405
6,429	6,199	6,507	Business services	6,507	6,199	6,429
5,846	5,898	6,036	Transport and other services provision	5,676	5,438	5,414
11,284	11,106	11,008	Public administration	11,008	11,106	11,284
2,127	1,788	2,562	Other sectors	2,436	1,560	1,863
45,565	**42,518**	**44,684**	**Total**	**43,897**	**41,580**	**44,678**
31,797	31,506	33,633	Wage earners	33,633	31,506	31,797
77,362	**74,024**	**78,317**	**Total deposits**	**77,529**	**73,086**	**76,476**

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Note 10 - Net interest income

Parent bank				Group		
	January - September			January - September		
2017	**2017**	**2018**	**(NOKm**	**2018**	**2017**	**2017**
			Interest income			
137	100	121	Interest income from loans to and claims on central banks and credit institutions	45	31	44
3,150	2,331	2,406	Interest income from loans to and claims on customers	2,698	2,570	3,476
284	221	214	Interest income from money market instruments, bonds and other fixed income securities	211	219	281
-	-	0	Other interest income	21	17	23
3,571	**2,652**	**2,741**	**Total interest income**	**2,975**	**2,836**	**3,825**
			Interest expense			
133	97	104	Interest expenses on liabilities to credit institutions	113	100	137
654	490	546	Interest expenses relating to deposits from and liabilities to customers	537	479	636
668	499	458	Interest expenses related to the issuance of securities	458	499	668
95	73	59	Interest expenses on subordinated debt	61	75	97
-0	12	13	Other interest expenses	23	23	13
49	24	25	Guarantee fund levy	25	24	49
1,599	**1,196**	**1,205**	**Total interest expense**	**1,217**	**1,200**	**1,600**
1,972	**1,456**	**1,536**	**Net interest income**	**1,759**	**1,636**	**2,225**

Note 11 - Operating expenses

Parent bank				Group		
	January - September			January - September		
2017	2017	2018	(NOKm)	2018	2017	2017
203	156	158	IT costs	215	205	266
17	13	9	Postage and transport of valuables	12	17	22
50	35	34	Marketing	76	73	104
50	34	47	Ordinary depreciation	66	74	102
118	90	79	Operating expenses, real properties	112	84	118
77	55	71	Purchased services	101	102	139
118	81	88	Other operating expense	147	133	192
634	**465**	**487**	**Total other operating expenses**	**729**	**688**	**943**

Note 12 - Other assets

Parent Bank				Group		
31 Dec 2017	**30 Sept 2017**	**30 Sept 2018**	**(NOKm)**	**30 Sept 2018**	**30 Sept 2017**	**31 Dec 2017**
-	27	-	Deferred tax asset	155	202	178
115	118	104	Fixed assets	244	877	263
61	66	83	Earned income not yet received	116	109	104
35	628	465	Accounts receivable, securities	1,108	1,032	322
158	198	158	Pensions	171	208	171
333	428	217	Other assets	607	856	615
703	**1,466**	**1,026**	**Total other assets**	**2,401**	**3,284**	**1,654**

Note 13 - Other liabilities

Parent Bank				Group		
31 Dec 2017	30 Sept 2017	30 Sept 2018	(NOKm)	30 Sept 2018	30 Sept 2017	31 Dec 2017
21	0	21	Deferred tax	85	34	81
337	159	419	Payable tax	460	222	367
9	8	9	Capital tax	9	8	9
70	202	14	Accrued expenses and received, non-accrued income	342	586	444
112	130	242	Provision for accrued expenses and commitments	242	130	112
24	26	24	Pension liabilities	24	26	24
88	72	69	Drawing debt	69	72	88
16	17	15	Creditors	84	104	82
0	652	998	Debt from securities	1,477	940	162
-	-	-	Equity Instruments	71	217	244
232	470	343	Other liabilities	401	511	311
909	**1,735**	**2,155**	**Total other liabilites**	**3,264**	**2,852**	**1,923**

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

Group

Change in securities debt (NOKm)	30 Sept 2018	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2017
Bond debt, nominal value	43,921	11,018	7,057	-1,704	41,663
Value adjustments	-12	-	-	-218	207
Accrued interest	204	-	-	-120	324
Total	**44,113**	**11,018**	**7,057**	**-2,042**	**42,194**

Change in subordinated debt and hybrid equity (NOKm)	30 Sept 2018	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2017
Ordinary subordinated loan capital, nominal value	2,191	500	-	-10	1,701
Hybrid equity, nominal value	450	-	-	-	450
Value adjustments	19	-	-	-21	40
Accrued interest	8	-	-	-2	10
Total	**2,668**	**500**	**-**	**-33**	**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 30 September 2018:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	4	2,681	-	2,686
- Bonds and money market certificates	2,980	16,741	-	19,721
- Equity instruments	2,037	79	546	2,662
- Fixed interest loans	-	43	3,970	4,013
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	60,894	60,894
Total assets	**5,021**	**19,544**	**65,410**	**89,975**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	16	2,990	-	3,006
- Equity instruments	70	1	-	71
Total liabilities	**86**	**2,992**	**-**	**3,078**

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	4,212	-	4,219
- Bonds and money market certificates	2,840	15,083	-	17,922
- 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**	**19,337**	**3,929**	**27,250**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	5	3,640	-	3,645
- Equity instruments	217	-	-	217
Total liabilities	**223**	**3,640**	**-**	**3,862**

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 30 September 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	66	-	56,743	-66	56,743
Opening balance 1 January	**486**	**3,236**	**56,743**	**-**	**60,464**
Investment in the period	54	1,632	20,470	-	22,155
Disposals in the period	-13	-893	-16,318	-	-17,224
Expected credit loss	-	-	-2	-	-2
Gain or loss on financial instruments	19	-5	2	-	17
Closing balance	**546**	**3,970**	**60,894**	**-**	**65,411**

The following table presents the changes in the instruments classified in level 3 as at 30 September 2017:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Equity instruments available for sale	Total
Opening balance 1 January	3,783	524	60	4,367
Investment in the period	269	10	-	279
Disposals in the period	-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 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 the period	20	304	-	323
Disposals in the period	-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)

Property Loans at floating interest classified at fair value over other comprehensive income is valued based on nominal amount reduced by expected credit loss. Loans with no significant credit risk detoriation since first recognition is assessed at nominal amount. For loans with a significant increase in credit risk since first recognition or objective evidence of loss, the calculation of expected credit losses over the life of the asset is in line with loan losses for loans at amortised cost. Estimated fair value is the nominal amount reduced by expected lifetime credit loss. If the likelihood of the worst case scenario in the model is doubled, fair value is reduced by NOK 5 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 287 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank 1 SMN Invest. The valuations are in all essentials based on reporting from managers of the funds who utilise cash flow based models or multiples when determining fair value. The Group does not have full access to information on all the elements in these valuations and is therefore unable to determine alternative assumptions. 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.

Financial derivatives (level 2)

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

Sensitivity analyses, level 3 as at 30 September 2018:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumtions
Fixed interest loans	3,970	-10
Equity instruments through profit/loss*	546	-
Loans at fair value through other comprehensive income	60,894	-5

* 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 third quarter was 2.82 years. The overall LCR at the same point was 150 per cent and the average overall LCR in the third quarter was 161 per cent. The LCR in Norwegian kroner at quarter-end was 164 per cent and for euro there is net cash flows in.

Note 17 - Earnings per EC

ECC owners share of profit has been calculated based on Net Profit allocated in accordance with the average number of certificates outstanding in the period. There is no option agreements in relation to the Equity Capital certificates, diluted Net Profit is therefore equivalent to Net Profit per ECC

	January - September	
(Nokm)	**2018**	**2017**
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve **1)**	1,632	1,231
Allocated to ECC Owners, using the ECC Ratio **2)**	1,044	788
Issued Equity Capital Certificates adjusted for own certificates	129,331,186	129,552,433
Earnings per Equity Capital Certificate	**8.07**	**6.08**

1) Adjusted Net Profit	**2018**	**2017**
Net Profit for the group	1,689	1,275
Adjusted for non-controlling interests share of net profit for the period	-29	-19
Adjusted for Tier 1 capital holders share of net profit for the period	-28	-25
Adjusted Net Profit for the period	**1,632**	**1,231**

2) Equity capital certificate ratio (parent bank)

(NOKm)	**30 Sept 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	-12	6
A. The equity capital certificate owners' capital	**8,640**	**8,066**
Ownerless capital	4,831	4,498
Unrealised gains reserve	45	45
Other equity capital	-7	3
B. The saving bank reserve	**4,870**	**4,546**
To be disbursed from gift fund	-	-
Dividend declared	-	-
Equity ex. Hybridcapital	13,510	12,613
Equity capital certificate ratio A/(A+B)	**63.95 %**	**63.95 %**
Equity capital certificate ratio for distribution	**63.95 %**	**63.95 %**