First Quarter Report 2019

SpareBank SMN

Contents

SpareBank 1 SMN

Main figures

Main figures SpareBank 1 SMN, the Group	January - March					
	2019		2018		2018	
From the income statement	**NOKm**	**% 1)**	**NOKm**	**% 1)**	**NOKm**	**% 1)**
Net interest	649	1.59	568	1.49	2,403	1.53
Net commission income and other income	551	1.36	542	1.42	2,177	1.39
Net return on financial investments	727	1.79	180	0.47	757	0.48
Total income	**1,926**	**4.74**	**1,290**	**3.38**	**5,337**	**3.40**
Total operating expenses	**704**	**1.73**	**645**	**1.69**	**2,624**	**1.67**
Results before losses	**1,223**	**3.01**	**645**	**1.69**	**2,713**	**1.73**
Loss on loans, guarantees etc	67	0.17	48	0.13	263	0.17
Results before tax	**1,155**	**2.84**	**596**	**1.56**	**2,450**	**1.56**
Tax charge	109	0.27	131	0.34	509	0.32
Result investment held for sale, after tax	0	0.00	1	0.00	149	0.10
Net profit	**1,046**	**2.57**	**466**	**1.22**	**2,090**	**1.33**
Interest Tier 1 Capital	19		11		37	
Net profit excl. Interest Tier 1 Capital	1,027		455		2,052	

Key figures	**31 Mar 2019**	**31 Mar 2018**	**31 Dec 2018**
Profitability			
Return on equity 2)	23.3 %	11.2 %	12.2 %
Cost-income ratio 2)	37 %	50 %	49 %
Balance sheet figures			
Gross loans to customers	120,100	113,174	120,473
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	161,091	151,065	160,317
Deposits from customers	81,111	75,937	80,615
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	68 %	67 %	67 %
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt 2)	50 %	50 %	50 %
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt) 2)	6.6 %	7.9 %	7.8 %
Growth in deposits last 12 months	6.8 %	8.2 %	5.4 %
Average total assets	162,673	152,668	156,992
Total assets	164,641	152,083	160,704
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt			
Impairment losses ratio 2)	0.17 %	0.13 %	0.17 %
Non-performing commitm. as a percentage of gross loans 2)	0.18 %	0.19 %	0.19 %
Other doubtful commitm. as a percentage of gross loans 2)	0.99 %	0.90 %	0.86 %
Solidity			
Capital adequacy ratio	18.6 %	18.2 %	18.5 %
Core capital ratio	16.4 %	16.3 %	16.3 %
Common equity tier 1 ratio	14.8 %	14.6 %	14.6 %
Core capital	16,775	15,697	16,472
Net equity and related capital	19,115	17,518	18,743
Liquidity Coverage Ratio (LCR)	180 %	162 %	183 %
Leverage Ratio	7.4 %	7.3 %	7.4 %
Branches and staff			
Number of branches	48	48	48
No. Of full-time positions	1,524	1,393	1,493

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

Key figures ECC	31 Mar 2019	31 Mar 2018	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
ECC ratio	64.0 %	64.0 %	64.0 %	64.0 %	64.0 %	64.0 %
Number of certificates issued, millions 2)	129.41	129.38	129.62	129.38	129.64	129.43
ECC share price at end of period (NOK)	87.40	80.90	84.20	82.25	64.75	50.50
Stock value (NOKM)	11,310	10,464	10,914	10,679	8,407	6,556
Booked equity capital per ECC (including dividend) 2)	83.86	76.53	83.87	78.81	73.35	67.39
Profit per ECC, majority 2)	5.02	2.21	9.97	8.71	7.93	6.96
Dividend per ECC			5.10	4.40	3.00	2.25
Price-Earnings Ratio 2)	4.35	9.16	8.44	9.44	8.17	7.26
Price-Book Value Ratio 2)	1.04	1.06	1.00	1.04	0.88	0.75

2) Defined as alternative performance measures, see attachement to quarterly report

Report of the Board of Directors

First quarter accounts 2019

(Consolidated figures. Figures in parenthesis refer to the same period of 2018 unless otherwise stated)

Main points for the first quarter 2019

- The post-tax profit was NOK 1,046m. This is an improvement of NOK 580m compared with the first quarter of 2018, essentially due to a gain of NOK 460m on the establishment of Fremtind. The owners of Fremtind are SpareBank 1 and DNB, with a stake of 65 per cent and 35 per cent respectively. The improvement over and above this figure is down to increased operating income and good return on financial investments.
- Return on equity is 23.3 per cent. Disregarding the above-mentioned gain, return on equity is 12.8 per cent
- A considerable increase in the customer base and high growth in all product areas

Post-tax profit of NOK 1,046m

- Pre-tax profit: NOK 1,155m (596m)
- Post-tax profit: NOK 1,046m (466m)
- Return on equity: 23.3 per cent (11.2 per cent)
- CET1 ratio: 14.8 per cent (14.6 per cent)
- Growth in lending: 6.6 per cent (7.9 per cent) and in deposits: 6.8 per cent (8.2 per cent)
- Lending to retail borrowers accounts for 68 per cent (67 per cent) of total lending
- Losses on loans and guarantees: NOK 67m (48m)
- Earnings per EC: NOK 5.02 (2.21). Book value per EC: NOK 83.86 (76.53)

Post-tax profit NOK 580m higher than in the first quarter of 2018

In the first quarter of 2019 SpareBank 1 SMN achieved a pre-tax profit of NOK 1,155m (596m). The post-tax profit is NOK 1,046m (466m) and return on equity 23.3 per cent (11.2 per cent). The post-tax profit without the gain related to the establishment of Fremtind would have been NOK 586m and the return on equity 12.8 per cent.

Overall operating income in the first quarter of 2019 came to NOK 1,200m (1,110m). This represents a growth of NOK 90m compared with the previous year, about half of which is an increase in income among the bank's subsidiaries.

Return on financial assets was NOK 727m (180m). Of this, the profit share of ownership interests and related companies was NOK 555m (79m), including the gain of NOK 460m related to the establishment of Fremtind.

Operating expenses came to NOK 704m (645m) in the first quarter of 2019. Costs rose both at the bank and among the subsidiaries.

Losses on loans and guarantees totalled NOK 67m (48m). The losses are mainly in oil-related activities.

Low growth was recorded in residential mortgage lending in the first quarter of 2019, due in all essentials to increased competition. Growth in lending in the 12 months to 31 March 2019 was 6.6 per cent (7.9 per cent) and in deposits 6.8 per cent (8.2 per cent).

The CET1 ratio as at 31 March 2019 was 14.8 per cent (14.6 per cent). The CET1 ratio target is 15.0 per cent.

The price of the bank's equity certificate (MING) at quarter-end was NOK 87.40 (80.90). A cash dividend of NOK 5.10 per EC has been paid in 2019 for the year 2018.

Earnings per EC were NOK 5.02 (2.21). The book value was NOK 83.86 (76.53) per EC.

Increased net interest income

Net interest income rose by NOK 81m to NOK 649m (568m) in the first quarter of 2019. The increase is mainly attributable to increased lending to and deposits by both retail and corporate customers, at the same time as higher market interest rates have yielded improved return on the bank's equity capital.

The market interest rate in terms of three-month NIBOR has risen in the 12 months to 31 March 2109 by about 35 points. Even though a general interest rate increase has been carried out in the period, the margins on residential mortgages have weakened compared with the first quarter of 2018. After Norges Bank's (Norway's central bank) decision to raise its base rate by a further 0.25 per cent, a new mortgage lending rate increase of up to 25 points has been announced with effect from 15 May 2019.

In view of the signals of further increases in Norges Bank's base rate, maintaining the level of margins on mortgage lending will pose a challenge given a rising market interest rate and growing price competition. The competition for mortgage borrowers has tightened in Trondheim and the largest towns, bringing both lower growth and pressure on lending rates.

Growth in other income

Commission income and other operating income have rose by NOK 9m to NOK 551m (542m) in the first quarter of 2019.

Net interest income on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is recorded as commission income. Commission income on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt totalled NOK 87m in the first quarter of 2019 (103m). Reduced margins brought by higher funding costs for loans sold to SpareBank 1 Boligkreditt are behind the decline.

An increase of NOK 25m in other commission income is mainly a result of income growth at SpareBank 1 Markets and customer growth at SpareBank 1 Regnskapshuset. A reduction in other income is due to the loss of rental income due to the sale of the bank's head office building.

Maintaining a broad product offering is an important strategy for SpareBank 1 SMN which aims to secure good commission earnings and a high number of multi-product customers. A high number of multi-product customers signifies high customer satisfaction and provides the bank with a higher and more diversified income flow.

	January - March		
Commission income (NOKm)	**2019**	**2018**	**Change**
Payment transfers	52	52	0
Creditcard	15	15	0
Saving products	27	26	0
Insurance	44	43	0
Guarantee commission	14	17	-3
Real estate agency	84	83	2
Accountancy services	133	115	17
Markets	85	65	20
Other commissions	10	22	-12
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	**464**	**439**	**25**
Commissions SB1 Boligkreditt	83	99	-16
Commissions SB1 Næringskreditt	4	3	1
Total commissions	**551**	**541**	**10**

Good return on financial investments

Overall return on financial investments was NOK 172m (100m). This breaks down as follows:

- A gain and dividend of NOK 86m (7m) on shares, resulting essentially from the following:
  - SpareBank 1 SMN acquired in the first quarter the shares of DeBank for NOK 40m. The purchase entailed a negative goodwill of NOK 31m which is included in the gain on shares. The transaction led to a gain because the fair value of net assets was higher than the purchase price
  - SpareBank SMN Invest has gains of NOK 32m in its share portfolio, mainly through the disposal of shareholdings in the media group Polaris Media and an increase in the value of Viking Venture
- Financial derivatives have yielded gains of NOK 23m (119m). This essentially comprises gains on fixed income instruments. In addition, the fixed income portion of the bond portfolio showed overall gains of NOK 32m (loss of 59m)
- Other financial instruments measured at fair value include value changes on the bank's portfolio of fixed interest loans and showed a gain of NOK 10m (4m)
- Financial instruments used by the bank for hedging purposes showed a loss of NOK 4m (gain of NOK 1m)
- Income of NOK 9m (11m) from forex transactions comprises income from currency trading at SpareBank 1 Markets and the result of exchange rate fluctuations on the bank's funding in foreign currencies
- Gains on shares and share derivatives at SpareBank 1 Markets totalled NOK 15m (17m)

	January - March		
Capital gains/dividends, shares (NOKm)	**2019**	**2018**	**Change**
Gain/(loss) on sertificates and bonds	32	-59	91
Gain/(loss) on derivatives	23	119	-95
Gain/(loss) on financial instruments related to hedging	-4	1	-5
Capital gains shares (incl dividends)	86	7	79
Gain/(loss) on other financial instruments at fair value (FVO)	10	4	6
Foreign exchange gain/(loss)	9	11	-2
Gain/(loss) om shares and share derivatives at SpareBank 1 Markets	15	17	-2
Net return on financial instruments	**172**	**100**	**72**

Product companies and other related companies

The product companies give the bank's customers access to a broader product range and hence commission income. The product companies also provide the banks with a good return on invested capital. The overall profit of the product companies and other related companies was NOK 95m (79m) in the first quarter of 2019. In addition, SpareBank 1 SMN posted a gain of NOK 460m related to the establishment of Fremtind in the first quarter of 2019.

Income from investment in associated companies	2019	2018	Change
SpareBank 1 Gruppen	38	36	2
Gain Fremtind	460	0	460
SpareBank 1 Boligkreditt	14	3	11
SpareBank 1 Næringskreditt	8	4	3
SpareBank 1 Kredittkort	3	5	-2
BN Bank	24	30	-6
SpareBank 1 Betaling	12	-3	15
Other companies	-4	4	-8
Income from investment in associated companies	**555**	**79**	**476**

SpareBank 1 Gruppen

SpareBank 1 Gruppen owns 100 per cent of the shares of SpareBank 1 Forsikring, ODIN Forvaltning and SpareBank 1 Gruppen Finans. SpareBank 1 Gruppen also owns 65 per cent of the non-life insurer Fremtind which was established as of 1 January 2019. DNB owns the remainder of the company with a stake of 35 per cent. SpareBank 1 SMN's stake in SpareBank 1 Gruppen at the end of the first quarter of 2019 was 19.5 per cent.

SpareBank 1 Gruppen's post-tax profit in the first quarter of 2019 was NOK 240m (184m). Fremtind and SpareBank 1 Forsikring contribute 90 per cent of the profit.

SpareBank 1 SMN's share of the profit for the first quarter of 2019 was NOK 38m (36m).

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks making up the SpareBank 1 Alliance to draw benefit from the market for covered bonds. The banks sell well-secured residential mortgages to the company and achieve reduced funding costs.

As at 31 March 2019 the bank had sold loans totalling NOK 39.2bn (36.4bn) to SpareBank 1 Boligkreditt, corresponding to 36.1 per cent (36.2 per cent) of the group's overall lending to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt is 20.7 per cent, and the bank's share of that company's profit in the first quarter of 2019 was NOK 14m (3m).

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 31 March 2019, loans worth NOK 1.8bn (1.5bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 33.0 per cent, and the bank's share of the profit for the first quarter of 2019 was NOK 8m (4m). The bank's holding reflects the bank's relative share of commercial property loans sold and the bank's stake in BN Bank. 43 per cent of the loans in SpareBank 1 Næringskreditt have been transferred from BN Bank.

SpareBank 1 Kredittkort

The profit for the first quarter of 2019 was NOK 18m (30m). SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 17.3 per cent. SpareBank 1 SMN's share of the profit for the first quarter of 2019 was NOK 3m (5m), and the bank's share of the portfolio is NOK 910m (849m).

SpareBank 1 SMN Kredittkort manages the LOfavør credit card programme. This has strengthened the business relationship between the Norwegian Confederation of Trade Unions (LO) and the SpareBank 1 Alliance.

SpareBank 1 Kredittkort has an agreement with Vipps to deliver credit products to an expanded Vipps.

BN Bank

SpareBank 1 SMN owns 33.0 per cent of BN Bank as at 31 March 2019.

BN Bank recorded a profit of NOK 74m (87m) in the first quarter of 2019, providing a return on equity of 7.5 per cent (9.8 per cent). SpareBank 1 SMN's share of BN Bank's profit in the first quarter of 2019 was NOK 24m (30m), adjusted for its share of BN Bolig's profit and interest on hybrid capital.

BN Bank's primary mission is to cater to the retail market in Oslo and south-eastern Norway.

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

The SpareBank 1 banks have entered an agreement to revise BN Bank's ownership model. For SpareBank 1 SMN this involves raising its stake from 33.00 per cent to 35.02 per cent. The transaction is yet to be carried through.

SpareBank 1 Betaling (Vipps)

SpareBank 1 Betaling is the SpareBank 1 banks' parent company for payments solutions, including Vipps. A decision to merge Bank ID and Bank Axept with Vipps was adopted in order to compete in the arena for payment solutions for the future, and the merger was carried out in the third quarter of 2018. Vipps aims to take its place as the Nordic region's leading financial technology company, and for SpareBank 1 SMN a stake in, and close collaboration with, Vipps will be important with a view to retaining customer relationships after the introduction of PSD2 (Revised Payment Services Directive). Vipps launched a number of new products in 2018 designed to simplify bank customers' everyday life, and has high ambitions to develop this solution further.

SpareBank 1 Betaling posted in the first quarter a deficit of NOK 15m (deficit of 14m) which constitutes the company's share of Vipps' financial result. The company has corrected the reported result for 2018 by NOK 72m. SpareBank 1 SMN accordingly has a positive profit share of NOK 12m from the company in the first quarter (deficit of 3m).

As from 2018 SpareBank 1 SMN pays Vipps, under the same principle as the other parent banks, NOK 9.5m in annual distribution costs.

Operating expenses

Overall group operating expenses rose by NOK 59m in the first quarter of 2019 to NOK 704m (645m) corresponding to 9.1 per cent.

Parent bank costs rose by NOK 26m to NOK 333m compared with the first quarter of 2018. NOK 12m of the growth refers to the allocation of equity certificates (ECs) to the bank's employees related to the gain on the establishment of Fremtind and costs of the bank's EC saving scheme for employees. This aside, costs have risen by 4.6 per cent. The bank has a clear ambition to bring down the growth in costs to a lower level.

Continuous efficiency initiatives by the bank have enabled lower staffing, reduced cost growth and improved efficiency. Since 31 December 2014 the number of FTEs at the parent bank has been reduced by 150 to 570. Changing customer behaviour and new technology will contribute to further efficiency gains.

Extensive digitalisation creates opportunities, but also poses threats to the banking industry. The bank has invested heavily in new self-service solutions and customer-relationship management (CRM) system. This has increased the bank's technology costs. Increased regulatory requirements have brought a need for increased capacity and expertise. The bank devoted substantial resources in 2018 and early 2019 to combating money laundering, and this work will continue.

In 2018 and 2019 staffing has been reduced by 25 FTEs at the same time as the bank has recruited new staff in the areas of data warehousing, digital marketing, technology, compliance and control. Replacing expertise has brought increased wage growth.

Overall costs among the subsidiaries came to NOK 371m (338m), having risen by NOK 33m in the 12 months to 31 March 2019. The increase is highest at SpareBank 1 Regnskapshuset SMN, SpareBank 1 Markets and BN Bolig. In addition, DeBank is a subsidiary of SpareBank 1 SMN as from 2019 and represents an increased cost base of NOK 10m at the end of the first quarter of 2019.

Business acquisitions by SpareBank 1 Regnskapshuset SMN provide income growth and profit growth for the company. Capacity expansion through new appointments has enabled strong income growth at SpareBank 1 Markets, and the potential for further growth is high.

The cost-income ratio was 37 per cent (50 per cent) for the group, 27 per cent (38 per cent) for the parent bank.

Low losses and low defaults

Loan losses of NOK 67m (48m) were recorded in the first quarter of 2019. Net loan losses measure 0.17 per cent (0.13 per cent) of total outstanding loans.

A loss of NOK 53m (48m) was recorded on loans to corporates in the first quarter of 2019, in all essentials on loans to oil-related activity.

A loss of NOK 6m (3m, net, taken to income) was recorded on loans to retail borrowers in the first quarter of 2019.

Write-downs on loans and guarantees totalled NOK 971m (1,143m) as at 31 March 2019.

Overall problem loans (defaulted and doubtful) come to NOK 1,880m (1,647m), or 1.17 per cent (1.09 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. After the implementation of IFRS 9 as from 1 January 2018, all loans classified to stage 3 in the expected credit loss model are defined as problem loans.

Defaults in excess of 90 days totalled NOK 288m (289m). Defaults measure 0.18 per cent (0.19 per cent) of gross outstanding loans.

Other doubtful exposures total NOK 1,591m (1,358m). The increase in other doubtful exposures is attributable to one single exposure which has been moved from stage 2 to stage 3 in the loss model. Other doubtful exposures measure 0.99 per cent (0.90 per cent) of gross outstanding loans.

Credit quality in the loan portfolio is good. While a very large share of the year's loan losses refers to oil-related activities, the trend in this part of the portfolio is also positive.

Total assets of NOK 165bn

The bank's assets totalled NOK 165bn (152bn) as at the end of the first quarter of 2019, having grown by NOK 13bn or 8.3 per cent in the past 12 months. The increase in total assets is mainly a consequence of a higher lending volume and a higher liquidity holding.

As at 31 March 2019 loans worth a total of NOK 41bn (38bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as loans in the bank's balance sheet. The comments covering lending growth do however take into account loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

High, but declining, growth in residential mortgage lending

Total outstanding loans rose by NOK 10.0bn (11.0bn) or 6.6 per cent (7.9 per cent) in the 12 months to 31 March 2019 to reach NOK 161.1bn (151.1bn) as at 31 March 2019.

- Lending to personal borrowers rose in the 12 months to 31 March 2019 by NOK 8.3bn (9.1bn) to NOK 108.7bn (100.4bn). Growth of 8.3 per cent (10.0 per cent). Growth in the first quarter of 2019 was 0.6 per cent (1.8 per cent). Weak growth in the first quarter is ascribable to growing competition in Trondheim and the largest towns
- Lending to corporates rose in the 12 months to 31 March 2019 by NOK 1.7bn (1.9bn) to NOK 52.4bn (50.6bn). Growth of 3.4 per cent (4.0 per cent). Growth in the first quarter was 0.3 per cent (1.1 per cent)
- Lending to personal borrowers accounted for 68 per cent (66 per cent) of total loans to customers as at 31 March 2019

There are no indications of higher loss and default levels in the bank's residential mortgage portfolio, and the quality of this portfolio is very good.

New loans to corporate borrowers are mainly to small businesses and are prioritised with a basis in capital limitations and profitability requirements.

(For distribution by sector, see note 5).

Good deposit growth

Customer deposits rose by NOK 5.2bn (5.8bn) in the 12 months to 31 March 2019 to reach NOK 81.1bn (75.9bn). This represents a growth of 6.8 per cent (8.2 per cent).

- Personal deposits rose by NOK 2.0bn (2.3bn) or 6.3 per cent (7.7 per cent) to NOK 34.1bn
- Corporate deposits rose by NOK 3.2bn (3.5bn) or 7.2 per cent (8.6 per cent) to NOK 47.1bn
- The deposit-to-loan ratio at SpareBank 1 SMN was 68 per cent (67 per cent) excluding SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, the deposit-to-loan ratio was 50 per cent (50 per cent).

(For distribution by sector, see note 9).

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 11.3bn (9.7bn) as at the end of the first quarter of 2019. The increase of NOK 1.5bn is a result of good sales and value increases, on equity funds and active asset management.

	January - December		
Saving products, customer portfolio (NOKm)	**2019**	**2018**	**Change**
Equity funds	7,256	5,964	1.292
Pension products	770	828	-58
Active management	3,239	2,926	313
Total	**11,265**	**9,718**	**1.547**

Insurance

The bank's insurance portfolio grew by 8 per cent in the 12 months to 31 March 2019. Satisfactory growth was recorded on both non-life and personal insurances.

	January - December		
Insurance, premium volume (NOKm)	**2019**	**2018**	**Change**
Non-life insurance	812	766	46
Personal insurance	356	352	4
Occupational pensions	288	227	61
Total	**1,456**	**1,345**	**111**

Retail Banking

Outstanding loans to retail borrowers totalled NOK 113bn (105bn) and deposits totalled NOK 41bn (38bn) as at 31 March 2019. These are loans to and deposits from wage earners, agricultural customers and sole proprietorships.

Operating income totalled NOK 518m (501m) in the first quarter of 2019. Of this, net interest income accounted for NOK 330m (296m) and commission income for NOK 188m (204m). The income growth is mainly due to increased lending and increased commission income from other funding income, investment products, payments and insurance. Overall income rose by NOK 17m. Return on capital employed in the retail banking segment was 12.7 per cent (14.5 per cent). Capital employed is regulatory capital of 15 per cent, corresponding to the group's targeted CET1 ratio.

The lending margin in the first quarter of 2019 was 1.60 per cent (1.79 per cent), while the deposit margin was 0.46 per cent (0.14 per cent) measured against three-month NIBOR. The market interest rate in terms of three-month NIBOR has risen in 2019 after a long period of decline.

Retail lending and retail deposits grew in the 12 months to 31 March 2019 by 7.6 per cent (10.0 per cent) and 7.9 per cent (8.2 per cent) respectively.

Staffing has been reduced by 36 FTEs to 314 FTEs since January 2018. Retail Banking introduced a new CRM system, 'Iver' in 2018. Iver has improved, and enhanced the efficiency of, customer treatment and strengthened the interplay between analogue and digital services.

Lending to retail borrowers consistently carries low direct risk, and this is reflected in continued low losses. There are no indications of increased loss and non-performance levels in the bank's residential mortgage portfolio. The portfolio is secured by residential property.

Corporate Banking

Outstanding loans to corporates total NOK 39bn and deposits total NOK 39bn as at 31 March 2019. This is a diversified portfolio of loans to and deposits from corporate clients in the counties of Trøndelag and Møre and Romsdal.

Operating income totalled NOK 340m (314m) in the first quarter of 2019. Net interest income was NOK 284m (263m), and commission income and return on financial investments came to NOK 57m (51m).

Overall net losses in the corporate banking segment were NOK 53m (48m) in the first quarter of 2019. The losses are in all essentials related to the challenges faced in oil-related activities.

Return on capital employed for the corporate banking segment was 10.9 per cent in 2018 (10.1 per cent) in the first quarter of 2019. Capital employed is regulatory capital of 15 per cent, corresponding to the group's targeted CET1 ratio.

The lending margin was 2.69 per cent (2.71 per cent) and the deposit margin was 0.02 per cent (minus 0.5 per cent) as at the end of the first quarter of 2019.

Lending rose by 1.6 per cent (0.7 per cent) and deposits rose by 6.8 per cent (17.9 per cent) in the 12 months to 31 March 2019.

Staffing at Corporate Banking is unchanged from January 2018, standing at 150 FTEs at the turn of the quarter.

Subsidiaries

The bank's subsidiaries posted an overall pre-tax profit of NOK 79.3m (64.2m) in the first quarter of 2019.

	January - December		
Pre-tax profit (NOKm)	**2019**	**2018**	**Change**
EiendomsMegler 1 Midt-Norge	-9.0	-7.6	-1.5
SpareBank 1 Finans Midt-Norge	39.6	38.0	1.6
SpareBank 1 Regnskapshuset SMN	20.7	16.8	3.9
Sparebank 1 Markets (proforma incl. Allegro)	2.2	7.1	-4.9
SpareBank 1 SMN Invest	26.0	4.3	21.7
Other companies	-0.1	5.6	-5.7
Total	**79.3**	**64.2**	**15.1**

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

EiendomsMegler 1 recorded a pre-tax deficit of NOK 9.0m in the first quarter of 2019 (deficit of 7.6m). The profit performance is weakened by a negative result of NOK 8.6m (10m) related to start-up costs at BN Bank. EiendomsMegler 1 Midt-Norge consolidates the result from BN Bank as a subsidiary. EiendomsMegler 1 Midt-Norge without BN Bank showed a break-even result in the first quarter of 2019, with both incomes and expenses at the same level as in the same period of 2018. 1,447 dwelling units were sold in the first quarter of 2019 compared with 1,458 in the first quarter of 2018.

SpareBank 1 Finans Midt-Norge delivered a profit of NOK 39.6m in the first quarter of 2019 (38.0m), and shows strong profit growth due to high income growth, moderate growth in costs and good risk management. The company's business areas are mainly leasing to the SMB market and car loans to retail customers. The portfolio of leasing and car loan agreements is worth a total of NOK 7.3bn (6.4bn), of which leasing agreements account for NOK 2.9bn (2.9bn) and car loans for NOK 4.4bn (3.5bn). The company also offers consumer loans, and at year-end this portfolio was worth NOK 272m (266m).

Car loans have shown strong growth of 26 per cent in the 12 months to 31 March 2019. The Samspar banks in SpareBank 1 held a 27.9 per cent stake in SpareBank 1 Finans Midt-Norge as at 31 March 2019 while Sparebanken Sogn og Fjordane held a stake of 7.5 per cent. SpareBank 1 SMN holds 64.6 per cent of the shares of SpareBank 1 Finans Midt-Norge.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 20.7m (16.8m) in the first quarter of 2019. The company has substantially strengthened its market position through acquisitions and organic growth, and now has more than 450 employees, 10,000 customers and offices in 40 locations. This has contributed profit growth and a substantial increase in both incomes and costs.

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

SpareBank 1 SMN Invest invests in shares, mainly in regional businesses. The company posted a profit of NOK 26.0m in the first quarter of 2019 (4.3m).

Value changes and realisation of losses or gains on the company's overall holding of shares account for NOK 30.5m (loss of 0.1m) of the company's net total income. SpareBank 1 Midt Norge Invest has gains of NOK 32m in its share portfolio, mainly through disposal of holdings in the media group Polaris Media, and a value increase at Viking Venture. The company has in addition ownership interests in the property company Grilstad Marina, and its share of the latter's financial result in the first quarter of 2019 was minus NOK 4.5m (plus 4.4m).

SpareBank 1 Markets is a subsidiary of SpareBank 1 SMN with a stake of 66.7 per cent. Other owners are SpareBank 1 Nord-Norge, SpareBank 1 SR Bank, SpareBank 1 Østlandet and the SamSpar banks. SpareBank 1 Markets is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. It has a staff of 140.

SpareBank 1 Markets wholly owns SpareBank 1 Kapitalforvaltning. The company is at centre-stage of SpareBank 1 Markets' focus on asset management with aggregate total assets of NOK 16bn. The company has a staff of 17.

SpareBank 1 Markets' consolidated pre-tax profit as at 31 March 2018 was NOK 2.2m (7.1m). A strong income trend is noted, particularly in income from equity and bond issues, somewhat lower in the case of share trading and forex/interest rate derivatives compared with the previous year.

DeBank

SpareBank 1 SMN acquired 100 per cent of the shares of DeBank in the first quarter of 2019. DeBank is a bank catering exclusively to small and medium-sized businesses that specialise in factoring. DeBank is headquartered in Trondheim and has a staff of 16. As at 31 March 2019 the company has loanable capital of NOK 135m, overall operating income of NOK 5.6m and a pre-tax profit of minus NOK 4.9m. DeBank will until further notice operate as a subsidiary of SpareBank 1 SMN. SpareBank 1 SMN is increasing its focus on small and medium-sized businesses and strengthening its offering in the factoring area through this acquisition.

Satisfactory funding and good liquidity

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

The bank has liquidity reserves of NOK 24bn and has the funding needed for 26 months of ordinary operation without fresh external finance.

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

The LCR is calculated at 180 per cent as at 31 March 2019 (162 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 31 December 2019, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 50 per cent (50 per cent).

The bank's funding sources and products are amply diversified. At 31 March 2019 the proportion of the bank's overall money market funding in excess of 1 year was 89 per cent (88 per cent).

SpareBank 1 Boligkreditt is the bank's most important funding source, and residential mortgages totalling NOK 39bn (36bn) had been sold as at 31 March 2019.

SpareBank 1 SMN has established and published a framework for issuing green bonds. The framework has been approved by the rating agency Sustain Analytics.

Rating

The bank has a rating of A1 (negative outlook) with Moody's and a rating of A- (stable outlook) with Fitch Ratings. Moody's revised in July 2017 its outlook for SpareBank 1 SMN and other Norwegian banks from a stable to a negative outlook. The change was triggered by the implementation of the EU's bank recovery and resolution directive (BRRD) in Norwegian legislation.

Financial soundness

The CET1 ratio at 31 March 2019 was 14.8 per cent compared with 14.6 per cent at the turn of the year. The group's CET1 ratio target is 15.0 per cent. The group's capital target will be reviewed in the course of 2019 in order to accommodate an increased countercyclical buffer and changes resulting from any SIFI requirements.

Risk weighted assets have increased by 1.4 per cent in 2019. Part of the increase is ascribable to the implementation of IFRS 16 – introducing new accounting treatment of leases – in 2019. CET1 capital has risen by 2.7 per cent mainly as a result of a good profit performance in the first quarter of 2019. The Fremtind transaction has in addition expanded CET1 capital by about NOK 130m corresponding to 0.13 percentage points of the increase in CET1 ratio.

The CET1 requirement including buffer requirements as at 31 March 2019 was 12 per cent. With effect from the first quarter of 2019 the Pillar 2 requirement for SpareBank 1 SMN was revised from 2.1 per cent to 1.9 per cent, bringing the total minimum CET1 requirement including Pillar 2 requirements to 13.9 per cent.

SpareBank 1 SMN aims in addition for a management buffer of about 1 per cent over and above the combined Pillar 1 and Pillar 2 requirements in order to absorb fluctuations in risk weighted assets and in the group's financial results.

In December 2018, the authorities decided to increase the countercyclical buffer from 2.0 per cent to 2.5 per cent with effect from 31 December 2019. The minimum CET1 requirement including buffer requirements will accordingly increase by the same margin.

Finanstilsynet recommended by letter of 18 October 2018 to the Ministry of Finance that SpareBank 1 SMN, as one of several regional banks, should be defined as systemically important (SIFI).

The CET1 capital ratio without transitional rules is 16.6 per cent as of 31 March 2019.

The leverage ratio is 7.4 per cent (7.4 per cent at the turn of the year).

The bank's equity certificate (MING)
The book value of the equity certificate (EC) at 31 March 2019 was NOK 83.86 (76.53) and earnings per EC were NOK 5.02 (2.21).

The Price / Income ratio was 4.35 (9.16) and the Price / Book ratio was 1.04 (1.06).

At quarter-end the EC was priced at NOK 87.40, and dividend of NOK 5.10 per EC has been paid in 2019 for the year 2018.

Risk factors
The group's problem loans reflect the challenges related to the offshore industry. As at 31 March 2019, loans to oil-related activity accounted for 2.9 per cent of the group's overall lending. The credit quality of the bank's wider loan portfolio is satisfactory. There have been no contagion effects from oil-related activity to other sectors and no other significant concentrations in non-performing and problem exposures are in evidence.

International growth has slowed somewhat as a result of uncertainty related to trade conflicts and Brexit, and growth expectations have been revised down somewhat. The Norwegian economy has received impetus from the international upturn, an improved oil price and increased oil investments. The Norwegian krone has appreciated somewhat in the first quarter, but remains at a relatively weak level, which is favourable for Norwegian export industries. Some strengthening of the krone is expected ahead. Real wage growth is expected to increase somewhat in 2019. Combined with a continued low interest rate level, the bank considers loss risk in the bank's retail market portfolio to be low. Unemployment has declined in the bank's market area, and the bank expects the level of unemployment to remain relatively moderate ahead.

Credit growth among Norwegian households continues to outstrip household wage growth, but the rate of growth has declined through 2018 and thus far in 2019. Interest rate increases could impact negatively on house prices, which will probably dampen credit demand. A situation of falling house prices and expectations of higher interest rates is likely to prompt a higher savings rate among Norwegian households, potentially resulting in reduced turnover for parts of Norwegian business and industry.

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

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

Insurance merger

SpareBank 1 Gruppen AS and DNB ASA signed on 24 September 2018 an agreement to amalgamate their insurance businesses. The merger was approved by Finanstilsynet on 21 December and entered into force with effect from 1 January 2019. The merged entity's name is Fremtind Forsikring AS. As part of the transaction, it is planned to demerge the individual personal risk insurances from SpareBank 1 Forsikring AS (life company) and DNB Life Insurance, and the company-paid personal risk insurances from SpareBank 1 Forsikring AS, to the merged company. This part of the transaction awaits approval by the authorities.

The transaction agreement incorporates a swap ratio of 80 per cent for SpareBank 1 Gruppen AS and 20 per cent for DNB ASA. This swap ratio is based on the negotiated market value of the two non-life insurers, including the value of the personal risk products in the planned demerger. DNB ASA has thereafter acquired a 35 per cent stake in the company. DNB has in addition secured an option to purchase a stake of up to 40 per cent.

In the transaction the new non-life company is valued at NOK 19.75bn, including the value of personal risk products. When personal risk products are excluded, Fremtind is valued at NOK 13.5bn. The merger and DNB's acquisition from a 20 per cent stake up to a 35 per cent stake have in aggregate entailed an increase of about NOK 4.7bn in SpareBank 1 Gruppen's equity at group level. The majority's (the SpareBank 1 banks' and the Trade Union Confederation's) share of this increase is about NOK 2.5bn. SpareBank 1 SMN's share of this increase (19.5 per cent) is NOK 460m. This brings virtually no change in the group's CET1 ratio, the reason being that the increased book value of the stake in SpareBank 1 Gruppen AS increases the deduction from CET1 capital and increases risk weighted assets. Overall, this virtually neutralises the effect of the gain.

SpareBank 1 Gruppen AS has received a tax-free gain of NOK 1.71bn as a result of the disinvestment to DNB ASA. SpareBank 1 Gruppen AS's basis for dividend payment increased by the same amount. This has been paid out as extraordinary dividend in the first quarter of 2019, and SpareBank 1 SMN's share of this payout was NOK 332m. The dividend payment reduces the value of the group's investment in SpareBank 1 Gruppen, and thereby also reduces both the deduction from CET1 capital and the size of risk-weighted assets (see preceding paragraph). The group's capital adequacy ratio has accordingly risen by 0.13 percentage point.

Outlook

The outlook for the Norwegian economy and for Central Norway's economy is good, with low unemployment and great optimism in business and industry.

The board of directors is well pleased with the performance in the first quarter of 2019. The gain on the establishment of Fremtind brings into relief the value of the structural capital built up through the SpareBank 1 Alliance and the banks' distribution capacity. Ordinary operations are also showing progress, evidenced by sound income growth and good return on equity.

The bank is experiencing growing competition for residential mortgage borrowers, and growth in the first quarter is below target. The bank will implement measures to deliver improved growth ahead. The strategy of being a digital bank with a personal and local signature stands firm.

The bank is strengthening its position as the leading bank for small businesses through its broad product range, good digital solutions and skilled advisers. The integration of DeBank expands the range of products available to corporate clients in the factoring area. The growth in lending to corporate clients is primarily to small and medium-sized businesses. This is expected to continue.

Losses are expected to be lower in 2019 than in 2018. Losses are still essentially in oil-related activities. Losses in the bank's portfolio of other loans remain very small.

The CET1 ratio has increased to 14.8 per cent, but is slightly below the group's target of 15 per cent. The leverage ratio of 7.4 per cent shows that the bank is financially very solid. The bank will continue to focus on capital efficiency and effectiveness with a view to strengthening its profitability and financial soundness. The board of directors expect the group's capital target to be met through management of its capital-intensive activities. In the fourth quarter of 2018 Finanstilsynet lowered the bank's Pillar 2 requirement by 0.2 percentage points to 1.9 per cent, with effect from 2019.

Jan-Frode Janson took up duties as Group CEO on 1 May. Finn Haugan stepped down on the same date after 28 years as Group CEO.

The board of directors expects 2019 to be another good year for SpareBank 1 SMN, with good results also being delivered by ordinary operations.

Trondheim, 8. May 2019
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal (chair)	Bård Benum (deputy chair)	Christian Stav
Mette Kamsvåg	Morten Loktu	Janne Thyø Thomsen
Tonje Eskeland Foss	Inge Lindseth (employee rep.)	Christina Straub (employee rep.)
		Finn Haugan (Group CEO)

Income statement

Parent bank					Group		
	January - March				January - March		
2018	**2018**	**2019**	**(NOKm)**	**Note**	**2019**	**2018**	**2018**
3,737	799	867	Interest income effective interest method		961	875	4,057
1,902	88	115	Other interest income		114	87	2,226
1,640	391	421	Interest expenses		426	394	1,655
2,097	**496**	**562**	**Net interest**	**10**	**649**	**568**	**2,403**
1,102	277	262	Commission income		329	339	1,387
92	19	18	Commission expenses		40	36	168
32	10	7	Other operating income		262	239	958
1,042	**267**	**250**	**Commission income and other income**		**551**	**542**	**2,177**
516	2	335	Dividends		2	2	8
-	-	-	Income from investment in related companies	3	555	79	416
152	39	88	Net return on financial investments	3	169	99	334
668	**42**	**423**	**Net return on financial investments**		**727**	**180**	**757**
3,807	**805**	**1,235**	**Total income**		**1,926**	**1,290**	**5,337**
577	155	162	Staff costs		447	403	1,584
685	152	171	Other operating expenses		257	241	1,040
1,262	**306**	**333**	**Total operating expenses**	**11**	**704**	**645**	**2,624**
2,546	**498**	**902**	**Result before losses**		**1,223**	**645**	**2,713**
229	45	60	Loss on loans, guarantees etc.	6.7	67	48	263
2,316	**454**	**842**	**Result before tax**	**3**	**1,155**	**596**	**2,450**
456	114	96	Tax charge		109	131	509
62	1	-	Result investment held for sale, after tax	2,3	0	1	149
1,922	**341**	**747**	**Net profit**		**1,046**	**466**	**2,090**
36	10	19	Attributable to additional Tier 1 Capital holders		19	11	37
1,207	211	465	Attributable to Equity capital certificate holders		650	286	1,291
680	119	262	Attributable to the saving bank reserve		367	161	727
			Attributable to non-controlling interests		10	8	34
1,922	**341**	**747**	**Net profit**		**1,046**	**466**	**2,090**
			Profit/diluted profit per ECC	17	5.02	2.21	9.97

Other comprehensive income

Parent bank				Group		
	January - March			January - March		
2018	2018	2019	(NOKm)	2019	2018	2018
1,922	**341**	**747**	**Net profit**	**1,046**	**466**	**2,090**
			Items that will not be reclassified to profit/loss			
18	-	-	Actuarial gains and losses pensions	-	-3	18
-6	-	-	Tax	-	1	-6
-	-	-	Share of other comprehensive income of associates and joint venture	1	-2	1
12	**-**	**-**	**Total**	**1**	**-4**	**13**
			Items that will be reclassified to profit/loss			
-	-0	-	Fair value change on financial assets through other comprehensive income	-	-0	-
-2	2	0	Value changes on loans measured at fair value	0	2	-2
-	-	-	Share of other comprehensive income of associates and joint venture	-23	7	-38
-	-	-	Tax	-	-0	-
-2	**2**	**0**	**Total**	**-23**	**9**	**-40**
11	**2**	**0**	**Net other comprehensive income**	**-22**	**5**	**-27**
1,933	**343**	**747**	**Total other comprehensive income**	**1,024**	**471**	**2,063**
36	10	19	Attributable to additional Tier 1 Capital holders	19	11	37
1,213	212	466	Attributable to Equity capital certificate holders	636	289	1,274
684	120	262	Attributable to the saving bank reserve	359	163	718
			Attributable to non-controlling interests	10	8	34
1,933	**343**	**747**	**Total other comprehensive Income**	**1,024**	**471**	**2,063**

Balance sheet

Parent bank					Group		
31 Dec 2018	31 Mar 2018	31 Mar 2019	(NOKm)	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
883	635	647	Cash and receivables from central banks		647	635	883
11,178	11,551	14,713	Deposits with and loans to credit institutions		8,387	6,113	5,074
112,659	105,856	111,949	Net loans to and receivables from customers	5	119,285	112,119	119,728
20,428	18,879	20,885	Fixed-income CDs and bonds	15	20,806	18,797	20,348
3,914	3,183	3,008	Derivatives	15	3,181	3,262	4,119
391	348	359	Shares, units and other equity interests	15	2,015	2,164	1,873
4,309	3,983	4,399	Investment in related companies		6,386	5,879	6,098
2,610	3,168	2,630	Investment in group companies		-	-	-
82	82	82	Investment held for sale	2	42	639	43
533	520	525	Intangible assets		846	819	851
733	562	1,647	Other assets	12	3,047	1,657	1,687
157,720	**148,768**	**160,844**	**Total assets**		**164,641**	**152,083**	**160,704**
8,546	7,477	10,667	Deposits from credit institutions		11,601	8,374	9,214
81,448	76,686	82,195	Deposits from and debt to customers	9	81,111	75,937	80,615
44,269	41,410	43,172	Debt created by issue of securities	14	43,172	41,410	44,269
2,933	2,923	3,069	Derivatives	15	3,178	2,957	2,982
1,892	2,999	3,408	Other liabilities	13	4,632	3,844	2,670
-	-	-	Investment held for sale	2	0	0	1
2,224	2,153	2,229	Subordinated loan capital	14	2,273	2,195	2,268
141,311	**133,649**	**144,741**	**Total liabilities**		**145,968**	**134,718**	**142,018**
2,597	2,597	2,597	Equity capital certificates		2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs		-9	-10	-4
895	895	895	Premium fund		895	895	895
5,602	5,079	5,602	Dividend equalisation fund		5,580	5,066	5,594
661	-	-	Recommended dividends		-	-	661
373	-	-	Provision for gifts		-	-	373
5,126	4,831	5,126	Ownerless capital		5,126	4,831	5,126
155	126	155	Unrealised gains reserve		155	126	155
-	-15	0	Other equity capital		1,595	1,515	1,608
1,000	1,264	981	Additional Tier 1 Capital		1,023	1,306	1,043
-	341	747	Profit for the period		1,046	466	-
			Non-controlling interests		665	572	637
16,409	**15,118**	**16,103**	**Total equity capital**		**18,673**	**17,365**	**18,686**
157,720	**148,768**	**160,844**	**Total liabilities and equity**		**164,641**	**152,083**	**160,704**

Cash flow statement

Parent bank				Group		
	January - March			January - March		
2018	2018	2019	(NOKm)	2019	2018	2018
1,922	341	747	Net profit	1,046	466	2,090
66	15	29	Depreciations and write-downs on fixed assets	46	29	98
229	45	60	Losses on loans and guarantees	67	48	263
2,218	**400**	**836**	**Net cash increase from ordinary operations**	**1,160**	**544**	**2,451**
366	1 282	348	Decrease/(increase) other receivables	179	1 079	170
575	1 673	1,653	Increase/(decrease) short term debt	2,158	1 535	387
-8,138	-1 147	650	Decrease/(increase) loans to customers	376	-1 232	-9,059
-1,636	-2 009	-3,534	Decrease/(increase) loans credit institutions	-3,313	-1 899	-860
4,086	-676	747	Increase/(decrease) deposits to customers	496	-538	4,140
-501	-1 569	2,122	Increase/(decrease) debt to credit institutions	2,387	-1 233	-393
-533	1 016	-457	Increase/(decrease) in short term investments	-458	938	-613
-3,563	**-1 031**	**2,365**	**A) Net cash flow from operations**	**2,985**	**-805**	**-3,778**
-60	-9	-378	Increase in tangible fixed assets	-641	-48	-126
140	-91	-110	Paid-up capital, associated companies	-271	-105	232
-222	-180	32	Net investments in long-term shares and partnerships	-143	-339	-47
-141	**-279**	**-456**	**B) Net cash flow from investments**	**-1,055**	**-493**	**59**
66	-6	5	Increase/(decrease) in subordinated loan capital	5	-6	66
-	-	-0	Increase/(decrease) in equity	-20	-9	15
-571	-571	-661	Dividend cleared	-661	-571	-571
-322	-322	-373	Disbursed from gift fund	-373	-322	-322
14	314	-19	Increase/(decrease) in Additional Tier 1 capital	-19	313	13
2,087	-784	-1,097	Increase/(decrease) in other long term loans	-1,097	-786	2,088
1,274	**-1 369**	**-2,145**	**C) Net cash flow from financial activities**	**-2,166**	**-1 380**	**1,289**
-2,430	**-2 678**	**-236**	**A) + B) + C) Net changes in cash and cash equivalents**	**-236**	**-2 678**	**-2,430**
3,313	3 313	883	Cash and cash equivalents at 1.1	883	3 313	3,313
883	635	647	Cash and cash equivalents at end of quarter	647	635	883
-2,430	**-2 678**	**-236**	**Net changes in cash and cash equivalents**	**-236**	**-2 678**	**-2,430**

Change in equity

Parent Bank	Issued equity		Earned equity						
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity	Additional Tier 1 Capital	Total equity
Equity at 1 January 2018	**2,597**	**895**	**4,831**	**5,079**	**893**	**126**	**-17**	**950**	**15,355**
Net profit	-	-	297	526	1,034	29	-	36	1,922
Other comprehensive income									
Financial assets through OCI	-	-	-	-	-	-	-2	-	-2
Actuarial gains (losses), pensions	-	-	-	-	-	-	12	-	12
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**11**	**-**	**11**
Total other comprehensive income	**-**	**-**	**297**	**526**	**1,034**	**29**	**11**	**36**	**1,933**
Transactions with owners									
Dividend declared for 2017	-	-	-	-	-571	-	-	-	-571
To be disbursed from gift fund	-	-	-	-	-322	-	-	-	-322
Additional Tier 1 Capital	-	-	-	-	-	-	-	1,000	1,000
Buyback Additional Tier 1 Capital issued	-	-	-	-	-	-	-	-950	-950
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-36	-36
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	0
Direct recognitions in equity	-	-	-2	-4	-	-	6	-	0
Total transactions with owners	**0**	**-**	**-2**	**-4**	**-893**	**-**	**6**	**14**	**-878**
Equity at 31 December 2018	**2,597**	**895**	**5,126**	**5,602**	**1,034**	**156**	**-**	**1,000**	**16,409**

Parent Bank	Issued equity		Earned equity						
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity	Additional Tier 1 Capital	Total equity
Equity at 1 January 2019	**2,597**	**895**	**5,126**	**5,602**	**1,034**	**156**	**-**	**1,000**	**16,409**
Net profit	-	-	-	-	-	-	747	-	747
Other comprehensive income									
Value changes on loans measured at fair value	-	-	-	-	-	-	0	-	0
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-	-
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**0**	**-**	**0**
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**747**	**-**	**747**
Transactions with owners									
Dividend declared for 2018	-	-	-	-	-661	-	-	-	-661
To be disbursed from gift fund	-	-	-	-	-373	-	-	-	-373
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-19	-19
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-0
Direct recognitions in equity	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-0**	**-**	**-**	**-0**	**-1,034**	**-**	**-**	**-19**	**-1,053**
Equity at 31 March 2019	**2,597**	**895**	**5,126**	**5,602**	**-**	**156**	**747**	**981**	**16,103**

			Attributable to parent company equity holders							
Group	**Issued equity**		**Earned equity**							
(NOKm)	**EC capital**	**Premium fund**	**Ownerless capital**	**Equalisation fund**	**Dividend and gifts**	**Unrealised gains reserve**	**Other equity**	**Additional Tier 1 Capital**	**Non-controlling interests**	**Total equity**
Equity at 1 January 2018	**2,588**	**895**	**4,831**	**5,072**	**893**	**126**	**1,523**	**993**	**565**	**17,486**
Net profit	-	-	297	526	1,034	29	131	37	34	2,090
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	**-**	**-**	**-**	**-**	**-**	**-**	**-38**	**-**	**-**	**-38**
Financial assets through OCI	-	-	-	-	-	-	-2	-	-	-2
Actuarial gains (losses), pensions	-	-	-	-	-	-	13	-	-	13
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-27**	**-**	**-**	**-27**
Total other comprehensive income	**-**	**-**	**297**	**526**	**1,034**	**29**	**105**	**37**	**34**	**2,063**
Transactions with owners										
Dividend declared for 2017	-	-	-	-	-571	-	-	-	-	-571
To be disbursed from gift fund	-	-	-	-	-322	-	-	-	-	-322
Additional Tier 1 Capital issued	-	-	-	-	-	-	-	1,000	-	1,000
Buyback Additional Tier 1 Capital issued	-	-	-	-	-	-	-	-950	-	-950
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-37	-	-37
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	-	0
Own ECC held by SB1 Markets*)	4	-	-	0	-	-	11	-	-	15
Direct recognitions in equity	-	-	-2	-4	-	-	-5	-	-	-11
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-24	-	-	-24
Change in non-controlling interests	-	-	-	-	-	-	-	-	38	38
Total transactions with owners	**4**	**-**	**-2**	**-4**	**-893**	**-**	**-19**	**13**	**38**	**-863**
Equity at 31 December 2018	**2,592**	**895**	**5,126**	**5,594**	**1,034**	**155**	**1,609**	**1,043**	**637**	**18,686**

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

Group	Issued equity		Attributable to parent company equity holders Earned equity							
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity	Additional Tier 1 Capital	Non-controlling interests	Total equity
Equity at 1 January 2019	**2,592**	**895**	**5,126**	**5,594**	**1,034**	**155**	**1,608**	**1,043**	**637**	**18,686**
Net profit	-	-	-	-	-	-	1,036	-	10	1,046
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-22	-	-	-22
Value changes on loans measured at fair value	-	-	-	-	-	-	0	-	-	0
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-22**	**-**	**-**	**-22**
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**1,014**	**-**	**10**	**1,024**
Transactions with owners										
Dividend declared for 2018	-	-	-	-	-661	-	-	-	-	-661
To be disbursed from gift fund	-	-	-	-	-373	-	-	-	-	-373
Additional Tier 1 capital issued	-	-	-	-	-	-	-	-	-	-
Buyback additional Tier 1 Capital issued	-	-	-	-	-	-	-	-	-	-
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-19	-	-19
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-	-0
Own ECC held by SB1 Markets*)	-4	-	-	-15	-	-	-1	-	-	-20
Direct recognitions in equity	-	-	-	-	-	-	23	-	-	23
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-3	-	-	-3
Change in non-controlling interests	-	-	-	-	-	-	-	-	17	17
Total transactions with owners	**-4**	**-**	**-**	**-15**	**-1,034**	**-**	**19**	**-19**	**17**	**-1,036**
Equity at 31 March 2019	**2,588**	**895**	**5,126**	**5,580**	**-**	**155**	**2,641**	**1,023**	**665**	**18,673**

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

Notes

Contents

SpareBank 1 SMN

Note 1 - Accounting principles

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 2018. 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 16 as described below.

Leases - IFRS 16

IFRS 16 Leases include principles for recognition, measurement, presentation and disclosures for leases for both parties in the arrangement, lessor and lessee.The standard requires lessees to recognise assets and liabilities for the majority of leases, a significant change from previous rules. The leases accounted for under IFRS 16 is mainly the Group rent of property. Discount rate applied is 2 per cent. The right to use asset has been presented as «fixed assets», while lease liability is presented as «other liabilities». Refer to note 2 i annual accounts for 2018 for further details regarding implementation of IFRS 16. The effect on the accounts for first quarter 2019 are shown below. Comparables have not been restated.

Parent		**Group**
31 Mar 2019	**Right to use asset (NOKm)**	**31 Mar 2019**
374	Book value 1.january 2019	621
-	Additions/ Derecognition	-
374	**Book value 31.march 2019**	**621**
12	Depreciation in period	22
362	**Net book value right to use asset 31.march 2019**	**599**
374	Lease liability 1.january 2019	621
11	Lease payments in the period	20
363	**Lease liability 31.march 2019**	**601**
31 Mar 2019	**Profit and Loss**	**31 Mar 2019**
13	Depreciations	22
2	Interest	4
15	**Total lease expense**	**26**
	Effect of IFRS 16	
11	Reduced operating expenses under IAS 17	20
15	Increase lease expense under IFRS 16	26
-4	**Changes in profit before tax in the period**	**-5**

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 2018 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.

2019 Q1 (NOKm)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS Group	42	0	-	-	-	100 %
Total Held for sale	**42**	**0**	**-**	**-**	**-**	

Acquisition of DeBank

At 5.february 2019 SpareBank 1 SMN acquired 100% of the shares in DeBank AS for MNOK 40. The acqusition led to a negativ goodwill of MNOK 31 included as a gain in net return of financial investments. The reason for the gain from this transaction is that fair value of net assets is higher than the acqusition cost. The allocation of fair value is distributed as follows;

Assets	Fair value recognised at acqusition date
Loans	207
Other assets	14
Total assets	**221**
Deposits	142
Accruals	5
Other liabilities	4
Total liabilites	**151**
Net identifiable assets and liabilities	**70**
Goodwill	-31
Acquisition cost	**40**

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 2019

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	278	247	-4	-0	75	-0	-	-	52	649
Interest from allocated capital	52	36	-	-	-	-	-	-	-88	-
Total interest income	**330**	**284**	**-4**	**-0**	**75**	**-0**	**-**	**-**	**-36**	**649**
Commission income and other income	188	55	124	115	16	140	-	-	-85	551
Net return on financial investments **)	0	2	21	-	-	-	38	23	643	727
Total income	**518**	**340**	**140**	**114**	**92**	**140**	**38**	**23**	**522**	**1,926**
Total operating expenses	**217**	**104**	**138**	**123**	**44**	**119**	**-**	**-**	**-41**	**704**
Ordinary operating profit	**301**	**236**	**2**	**-9**	**47**	**21**	**38**	**23**	**564**	**1,223**
Loss on loans, guarantees etc.	6	53	-	-	8	-	-	-	-	67
Result before tax including held for sale	**295**	**183**	**2**	**-9**	**40**	**21**	**38**	**23**	**564**	**1,155**
Post-tax return on equity*)	**12.7 %**	**10.9 %**								**12.2 %**
Balance										
Loans and advances to customers	113,040	38,881	-	-	7,980	-	-	-	1,190	161,091
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-39,349	-1,642	-	-	-	-	-	-	-0	-40,991
Allowance for credit losses	-109	-654	-	-	-48	-	-	-	-5	-815
Other assets	203	2,886	2,715	993	25	458	1,723	1,263	35,092	45,356
Total assets	**73,785**	**39,471**	**2,715**	**993**	**7,957**	**458**	**1,723**	**1,263**	**36,277**	**164,641**
Deposits to customers	40,734	39,471	-	-	-	-	-	-	906	81,111
Other liabilities and equity	33,051	-0	2,715	993	7,957	458	1,723	1,263	35,372	83,530
Total liabilites and equity	**73,785**	**39,471**	**2,715**	**993**	**7,957**	**458**	**1,723**	**1,263**	**36,277**	**164,641**

Group 31 March 2018

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	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	80	180
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**	**596**
Post-tax return on equity*)	**14.5 %**	**10.1 %**								**11.2 %**
Balance										
Loans and advances to customers	104,999	39,821	-	-	6,908	-	-	-	-664	151,065
Adv. of this sold to SpareBank 1 Boligkreditt	-36,537	-1,354	-	-	-	-	-	-	0	-37,891
Allowance for credit losses	-64	-950	-	-	-39	-	-	-	-2	-1,055
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**

*) 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 2019	31 Mar 2018
Dividends	**2**	**2**
Capital gains shares (incl dividends)	84	5
Gain/(loss) on derivatives	23	119
Gain/(loss) on other financial instruments at fair value (FVO)	10	4
Foreign exchange gain/(loss)	9	11
Gain/(loss) on sertificates and bonds	32	-59
Gains/(Loss) on shares and share derivatives at SpareBank 1 Markets	15	17
Gain/(loss) on financial instruments related to hedging	-4	1
Net return on financial instruments	**169**	**99**
SpareBank 1 Gruppen	38	36
Capital gain Fremtind	460	-
SpareBank 1 Boligkreditt	14	3
SpareBank 1 Næringskreditt	8	4
BN Bank	24	30
SpareBank 1 Kredittkort	3	5
SpareBank 1 Betaling	12	-3
Other companies	-4	4
Income from investment in associates and joint ventures	**555**	**79**
Total net return on financial investments	**727**	**180**

Fair value hedging		
Changes in fair value on hedging instrument	82	-145
Changes in fair value on hedging item	-85	145
Net Gain or Loss from hedge accounting	**-4**	**1**

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 2019 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 1.9 per cent for SpareBank 1 SMN. The total minimum requirement on CET1 capital is accordingly 13.9 per cent.

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 2019 both the parent bank and the group is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures.

Parts of the group's hybrid capital and subordinated debt were issued under earlier rules. This will be subject to a write-down of 60 per cent in 2018 and 70 per cent in 2019. As at 31 March 2019 the bank held hybrid capital worth NOK 450 million subject to write-down.

Parent Bank				Group		
31 Dec 2018	31 Mar 2018	31 Mar 2019	(NOKm)	31 Mar 2019	31 Mar 2018	31 Dec 2018
16,409	**15,118**	**16,103**	**Total book equity**	**18,673**	**17,365**	**18,686**
-1,000	-1,264	-981	Additional Tier 1 capital instruments included in total equity	-1,023	-1,306	-1,043
-533	-520	-525	Deferred taxes, goodwill and other intangible assets	-1,073	-1,040	-1,079
-1,034	-	-	Deduction for allocated dividends and gifts	-	-	-1,034
-	-	-	Non-controlling interests recognised in other equity capital	-665	-572	-637
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	392	341	366
-	-341	-747	Net profit	-1,046	-466	-
-	108	237	Year-to-date profit included in core capital (50 per cent pre tax of group profit)	537	233	-
-31	-28	-31	Value adjustments due to requirements for prudent valuation	-43	-45	-44
-268	-326	-284	Positive value of adjusted expected loss under IRB Approach	-303	-313	-286
-	-	-	Cash flow hedge reserve	5	3	5
-163	-	-163	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-333	-222	-206
13,381	**12,748**	**13,609**	**Total common equity Tier one**	**15,122**	**13,976**	**14,727**
1,000	876	1,000	Additional Tier 1 capital instruments	1,377	1,353	1,378
367	367	275	Additional Tier 1 capital instruments covered by transitional provisions	275	367	367
14,748	**13,991**	**14,884**	**Total core capital**	**16,775**	**15,697**	**16,472**
			Supplementary capital in excess of core capital			
1,750	1,000	1,750	Subordinated capital	2,298	1,621	2,316
96	449	184	Subordinated capital covered by transitional provisions	184	449	96
-140	-248	-142	Deduction for significant investments in financial institutions	-142	-248	-140
1,705	**1,201**	**1,792**	**Total supplementary capital**	**2,340**	**1,822**	**2,272**
16,453	**15,192**	**16,676**	**Net subordinated capital**	**19,115**	**17,518**	**18,743**

			Minimum requirements subordinated capital			
967	1,075	962	Specialised enterprises	1,106	1,200	1,116
1,156	1,058	1,155	Corporate	1,161	1,070	1,163
1,516	1,375	1,515	Mass market exposure, property	2,126	1,930	2,098
90	89	95	Other mass market	97	92	92
1,062	1,218	1,076	Equity investments	1	1	1
4,790	**4,815**	**4,802**	**Total credit risk IRB**	**4,491**	**4,292**	**4,470**
3	3	2	Central government	3	3	4
87	81	87	Covered bonds	135	142	124
390	406	387	Institutions	269	281	246
-	-	-	Local and regional authorities, state-owned enterprises	10	7	8
23	66	41	Corporate	251	256	221
73	1	73	Mass market	536	403	520
12	13	13	Exposures secured on real property	211	199	215
228	232	231	Equity positions	365	349	366
57	46	91	Other assets	169	150	107
873	**848**	**925**	**Total credit risk standardised approach**	**1,949**	**1,791**	**1,810**
30	23	43	Debt risk	45	25	31
-	-	-	Equity risk	12	14	7
-	-	-	Currency risk and risk exposure for settlement/delivery	3	4	3
370	370	387	Operational risk	654	575	575
39	52	28	Credit value adjustment risk (CVA)	118	119	122
-	-	-	Transitional arrangements	929	863	1,074
6,102	**6,108**	**6,186**	**Minimum requirements subordinated capital**	**8,200**	**7,684**	**8,093**
76,274	**76,355**	**77,327**	**Risk weighted assets (RWA)**	**102,495**	**96,044**	**101,168**
3,432	3,436	3,480	Minimum requirement on CET1 capital, 4.5 per cent	4,612	4,322	4,553
			Capital Buffers			
1,907	1,909	1,933	Capital conservation buffer, 2.5 per cent	2,562	2,401	2,529
2,288	2,291	2,320	Systemic rick buffer, 3.0 per cent	3,075	2,881	3,035
1,525	1,527	1,547	Countercyclical buffer, 2.0 per cent	2,050	1,921	2,023
5,721	**5,727**	**5,800**	**Total buffer requirements on CET1 capital**	**7,687**	**7,203**	**7,588**
4,228	**3,586**	**4,330**	**Available CET1 capital after buffer requirements**	**2,823**	**2,451**	**2,587**
			Capital adequacy			
17.5 %	16.7 %	17.6 %	Common equity Tier one ratio	14.8 %	14.6 %	14.6 %
19.3 %	18.3 %	19.2 %	Core capital ratio	16.4 %	16.3 %	16.3 %
21.6 %	19.9 %	21.6 %	Capital adequacy ratio	18.6 %	18.2 %	18.5 %
			Leverage ratio			
153,395	143,334	156,292	Balance sheet items	221,200	207,831	216,240
7,110	7,418	6,834	Off-balance sheet items	8,262	9,530	9,086
-832	-1,341	-840	Regulatory adjustments	-1,600	-2,113	-1,474
159,673	149,410	162,287	Calculation basis for leverage ratio	227,862	215,248	223,853
14,748	13,991	14,884	Core capital	16,775	15,697	16,472
9.2 %	**9.4 %**	**9.2 %**	**Leverage Ratio**	**7.4 %**	**7.3 %**	**7.4 %**

Note 5 - Distribution of loans by sector/industry

Parent Bank				Group		
31 Dec 2018	**31 Mar 2018**	**31 Mar 2019**	**(NOKm)**	**31 Mar 2019**	**31 Mar 2018**	**31 Dec 2018**
12,362	11,530	12,327	Agriculture, forestry, fisheries, hunting	12,658	11,816	12,686
869	1,331	866	Sea farming industries	1,176	1,697	1,180
3,438	2,809	3,148	Manufacturing	3,507	3,129	3,787
2,947	2,953	2,938	Construction, power and water supply	3,703	3,622	3,661
2,335	2,549	2,683	Retail trade, hotels and restaurants	3,014	2,825	2,621
4,227	4,533	4,609	Maritime sector	4,609	4,533	4,227
15,107	14,307	14,840	Property management	14,915	14,366	15,168
2,531	2,537	2,410	Business services	2,060	2,203	2,162
4,145	3,597	4,158	Transport and other services provision	4,977	4,370	4,961
44	229	3	Public administration	15	243	55
1,658	1,791	1,771	Other sectors	1,720	1,823	1,679
49,663	**48,168**	**49,754**	**Gross loans in retail market**	**52,354**	**50,629**	**52,186**
103,537	96,594	103,949	Wage earners	108,738	100,436	108,131
153,200	**144,762**	**153,703**	**Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt**	**161,091**	**151,065**	**160,317**
38,062	36,374	39,220	of which SpareBank 1 Boligkreditt	39,220	36,374	38,062
1,782	1,518	1,771	of which SpareBank 1 Næringskreditt	1,771	1,518	1,782
113,356	**106,871**	**112,712**	**Gross loans in balance sheet**	**120,100**	**113,174**	**120,473**
639	950	717	- Loan loss allowance on amortised cost loans	769	991	686
58	64	46	- Loan loss allowance on loans at FVOCI	46	64	58
112,659	**105,856**	**111,949**	**Net loans to and receivables from customers**	**119,285**	**112,119**	**119,728**

Note 6 - Losses on loans and guarantees

Parent Bank	January - March			January - March			Januar - December		
	2019			2018			2018		
Losses on loans and guarantees (NOKm)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Change in provision for expected credit losses for the period	6	52	58	-3	11	8	18	126	144
Actual loan losses on commitments exceeding provisions made	1	2	3	1	38	39	6	86	93
Recoveries on commitments previously written-off	-1	-1	-2	-2	-	-2	-7	-1	-8
Losses for the period on loans and guarantees	**6**	**53**	**60**	**-4**	**49**	**45**	**17**	**212**	**229**

Group	January - March			January - March			Januar - December		
	2019			2018			2018		
Losses on loans and guarantees (NOKm)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Change in provision for expected credit losses for the period	6	55	61	-3	12	9	23	127	150
Actual loan losses on commitments exceeding provisions made	6	3	8	4	38	42	30	98	127
Recoveries on commitments previously written-off	-1	-1	-2	-2	-	-2	-13	-1	-15
Losses for the period on loans and guarantees	**11**	**57**	**67**	**-1**	**50**	**49**	**40**	**223**	**263**

Note 7 - Losses

Parent Bank (NOKm)	1 January 19	Change in provision	Net write-offs/ recoveries	31 Mar 2019
Loans as amortised cost- CM	742	50	1	792
Loans as amortised cost- RM	45	17	1	63
Loans at fair value over OCI- RM	75	-12	-	63
Provision for expected credit losses on loans and guarantees	**862**	**55**	**2**	**918**
Presented as				
Provision for loan losses	697	64	2	763
Other debt- provisons	148	-10	-	139
Other comprehensive income - fair value adjustment	17	0	-	17

Parent Bank (NOKm)	1 January 18	Change in provision	Net write-offs/ recoveries	31 Mar 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	1,027	4	-17	1,014
Other debt- provisons	68	1	-	70
Other comprehensive income- fair value adjustment	18	2	-	21

Parent Bank (NOKm)	1 January 18	Change in provision	Net write-offs/ recoveries	31 Dec 18
Loans as amortised cost- CM	1,017	125	-400	742
Loans as amortised cost- RM	32	28	-15	45
Loans at fair value over OCI- RM	65	10	-	75
Provision for expected credit losses on loans and guarantees	**1,114**	**163**	**-415**	**862**
Presented as				
Provision for loan losses	1,027	86	-415	697
Other debt- provisons	68	80	-	148
Other comprehensive income - fair value adjustment	18	-2	-	17

Group (NOKm)	1 January 19	Change in provision	Net write-offs/ recoveries	31 Mar 19
Loans as amortised cost- CM	765	57	0	822
Loans as amortised cost- RM	68	17	1	86
Loans at fair value over OCI- RM	75	-12	-	63
Provision for expected credit losses on loans and guarantees	**907**	**62**	**1**	**971**
Presented as				
Provision for loan losses	744	70	1	815
Other debt- provisons	148	-10	-	139
Other comprehensive income - fair value adjustment	17	0	-	17

Group (NOKm)	1 January 18	Change in provision	Net write-offs/ recoveries	31 Mar 18
Loans as amortised cost- CM	1,039	10	-15	1,034
Loans as amortised cost- RM	20	-3	-3	19
Loans at fair value over OCI- RM	97	-0	-0	92
Provision for expected credit losses on loans and guarantees	**1,155**	**7**	**-18**	**1,145**
Presented as				
Provision for loan losses	1,068	6	-18	1,055
Other debt- provisons	68	-	-	70
Other comprehensive income- fair value adjustment	18	2	-	21

Group (NOKm)	1 January 18	Change in provision	Net write-offs/ recoveries	31 Dec 18
Loans as amortised cost- CM	1,041	128	-402	766
Loans as amortised cost- RM	49	34	-15	68
Loans at fair value over OCI- RM	65	10	-	75
Provision for expected credit losses on loans and guarantees	**1,155**	**171**	**-417**	**909**
Presented as				
Provision for loan losses	1,068	93	-417	744
Other debt- provisons	68	80	-	148
Other comprehensive income - fair value adjustment	18	-2	-	17

Parent Bank

	January - March 2019				January - March 2018				January - December 2018			
Total Allowance for Credit Losses	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance	**102**	**257**	**503**	**862**	**96**	**256**	**762**	**1,114**	**96**	**256**	**762**	**1,114**
Provision for credit losses												
Transfer to (from) stage 1	20	-19	-0	-0	13	-13	-0	-	32	-32	-0	-
Transfer to (from) stage 2	-3	3	-0	-0	-3	5	-2	-	-6	6	-0	-
Transfer to (from) stage 3	-0	-3	3	-	-0	-9	9	-	-0	-2	3	-
Net remeasurement of loss allowances	-19	38	56	75	-14	10	30	26	-34	45	158	168
Originations or purchases	13	9	0	22	20	0	0	20	55	93	1	148
Derecognitions	-11	-28	-2	-41	-5	-16	-17	-37	-40	-108	-4	-153
Actual loan losses	-	-	-	-			-17	-17			-415	-415
Closing balance	**102**	**257**	**560**	**918**	**107**	**232**	**766**	**1,104**	**102**	**257**	**503**	**862**

Group

Total Allowance for Credit Losses	January - March 2019 Stage 1	Stage 2	Stage 3	Total	January - March 2018 Stage 1	Stage 2	Stage 3	Total	January - December 2018 Stage1	Stage 2	Stage 3	Total
Opening balance	**112**	**271**	**526**	**909**	**105**	**269**	**780**	**1,154**	**106**	**267**	**782**	**1,155**
Provision for credit losses												
Transfer to (from) stage 1	20	-19	-0	-0	4	-4	0	-	34	-33	-0	-
Transfer to (from) stage 2	-3	3	-0	-0	-1	-3	4	-	-7	7	-0	-
Transfer to (from) stage 3	-0	-3	3	-	-6	2	3	-	-0	-4	4	-
Net remeasurement of loss allowances	-19	38	61	80	-7	4	33	30	-37	47	167	177
Originations or purchases	13	9	0	22	14	0	0	14	59	96	3	158
Derecognitions	113	270	588	-40	-4	-14	-17	-35	-42	-111	-11	-163
Actual loan losses	-	-	-	-			-18	-18			-417	-417
Closing balance	**113**	**270**	**588**	**971**	**104**	**255**	**784**	**1,143**	**112**	**271**	**526**	**909**

Note 8 - Gross Loans

Parent Bank	31 March 2019					31 March 2018				
	Loans subject to impairment					Loans subject to impairment				
Gross loan	**Stage 1**	**Stage 2**	**Stage 3**	**Fixed interest loans at FV**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Fixed interest loans at FV**	**Total**
Balance at 1 January	**97,458**	**9,888**	**1,543**	**4,467**	**113,356**	**91,074**	**9,931**	**1,560**	**3,278**	**105,843**
Transfer to stage 1	1,571	-1,567	-4	-	-0	1,005	-999	-6	-	-
Transfer to stage 2	-1,148	1,165	-17	-	0	-1,189	1,205	-16	-	-
Transfer to stage 3	-10	-238	248	-	-	-6	-56	62	-	-
Net increase/decrease amount excisting loans	-2,630	5	-1	-28	-2,654	-1,579	33	-45	-49	1,591
New loans	13,347	292	11	337	13,987	8,735	0	6	366	9,107
Derecognitions	-10,947	-865	-39	-126	-11,977	-5,357	-763	-12	-357	-6,489
Balance at 31 March	**97,640**	**8,680**	**1,741**	**4,650**	**112,712**	**92,682**	**9,353**	**1,549**	**3,238**	**106,871**

Group	31 March 2019					31 March 2018				
	Loans subject to impairment					Loans subject to impairment				
Gross loan	**Stage 1**	**Stage 2**	**Stage 3**	**Fixed interest loans at FV**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Fixed interest loans at FV**	**Total**
Balance at 1 January	103,494	10,829	1,682	4,467	120,473	96,798	10,855	1,652	3,278	112,583
Transfer to stage 1	1,571	-1,567	-4	-	-0	948	-946	-2	-	-
Transfer to stage 2	-1,148	1,165	-17	-	0	-1,023	1,029	-5	-	-
Transfer to stage 3	-10	-238	248	-	-	-4	-50	54	-	-
Net increase/decrease amount excisting loans	-2,359	5	-1	-28	-2,382	-2,142	31	-45	-49	-2,206
New loans	13,348	292	11	337	13,988	9,240	4	6	366	9,616
Derecognitions	-10,947	-865	-40	-126	-11,978	-5,650	-799	-13	-357	-6,819
Balance at 31 March	**103,949**	**9,622**	**1,880**	**4,650**	**120,100**	**98,166**	**10,123**	**1,647**	**3,238**	**113,174**

Parent Bank	Loans subject to impairment				
Gross loan (NOKm)	**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	2,230	-2,230	0	-	-
Transfer to stage 2	-2,637	2,644	-7	-	-
Transfer to stage 3	-458	-31	489	-	-
Net increase/decrease amount excisting loans	-5,487	-65	11	-148	-5,689
New loans	46,099	2,067	72	2,269	50,507
Derecognitions	-33,363	-2,428	-581	-933	-37,305
Balance at 31 December 2018	**97,458**	**9,888**	**1,543**	**4,467**	**113,356**

Group	Loans subject to impairment			Fixed interest loans	
Gross loan (NOKm)	Stage 1	Stage 2	Stage 3	at FV	Total
Balance at 1 January 2018	**96,286**	**10,855**	**1,652**	**3,278**	**112,071**
Transfer to stage 1	2,439	-2,391	-48	-	-
Transfer to stage 2	-2,957	2,970	-13	-	-
Transfer to stage 3	-464	-71	536	-	-
Net increase/decrease amount excisting loans	-6,397	-260	89	-148	-6,716
New loans	48,841	2,283	89	2,269	53,483
Derecognitions	-34,253	-2,556	-622	-933	-38,365
Balance at 31 December 2018	**103,494**	**10,829**	**1,682**	**4,467**	**120,473**

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Note 9 - Distribution of customer deposits by sector/industry

Parent Bank				Group		
31 Dec 2018	31 Mar 2018	31 Mar 2019	(NOKm)	31 Mar 2019	31 Mar 2018	31 Dec 2018
3,066	3,194	3,382	Agriculture, forestry, fisheries, hunting	3,382	3,194	3,066
742	1,103	985	Sea farming industries	985	1,103	742
1,696	2,433	1,544	Manufacturing	1,544	2,433	1,696
3,541	3,191	3,200	Construction, power and water supply	3,200	3,191	3,541
4,663	3,699	3,857	Retail trade, hotels and restaurants	3,857	3,699	4,663
996	1,360	1,127	Maritime sector	1,127	1,360	996
4,949	4,653	4,911	Property management	4,606	4,444	4,644
6,883	6,326	6,912	Business services	6,912	6,326	6,883
6,572	5,978	7,487	Transport and other services provision	6,979	5,577	6,210
12,202	10,908	11,680	Public administration	11,680	10,908	12,202
3,083	1,808	3,058	Other sectors	2,787	1,670	2,917
48,393	**44,654**	**48,143**	**Total**	**47,059**	**43,905**	**47,561**
33,055	32,033	34,052	Wage earners	34,052	32,033	33,055
81,448	**76,686**	**82,195**	**Total deposits**	**81,111**	**75,937**	**80,615**

Note 10 - Net interest income

Parent bank January - March				Group January - March		
2018	2018	2019	(NOKm)	2019	2018	2018
			Interest income			
166	37	49	Interest income from loans to and claims on central banks and credit institutions (amortised cost)	19	14	62
1,641	401	406	Interest income from loans to and claims on customers (amortised cost)	517	440	2,042
1,528	362	413	Interest income from loans to and claims on customers (FVOCI)	418	415	1,528
106	24	32	Interest income from loans to and claims on customers (FVPL)	32	24	106
295	64	83	Interest income from money market instruments, bonds and other fixed income securities	82	63	291
-	-	-	Other interest income	7	7	28
3,737	**887**	**982**	**Total interest income**	**1,075**	**962**	**4,057**
			Interest expense			
142	32	35	Interest expenses on liabilities to credit institutions	39	34	154
749	170	209	Interest expenses relating to deposits from and liabilities to customers	206	168	734
615	158	140	Interest expenses related to the issuance of securities	140	158	615
84	19	20	Interest expenses on subordinated debt	21	19	86
0	0	2	Other interest expenses	8	3	15
50	13	13	Guarantee fund levy	13	13	50
1,640	**391**	**421**	**Total interest expense**	**426**	**394**	**1,655**
2,097	**496**	**562**	**Net interest income**	**649**	**568**	**2,403**

Note 11 - Operating expenses

Parent bank				Group		
	January - March			January - March		
2018	2018	2019	(NOKm)	2019	2018	2018
217	52	57	IT costs	81	71	293
12	3	4	Postage and transport of valuables	5	4	17
53	10	12	Marketing	26	26	106
66	15	29	Ordinary depreciation	46	29	99
108	29	10	Operating expenses, real properties	13	37	153
93	12	24	Purchased services	36	28	151
134	30	35	Other operating expense	50	47	221
685	**152**	**171**	**Total other operating expenses**	**257**	**241**	**1,040**

Note 12 - Other assets

Parent Bank				Group		
31 Dec 2018	**31 Mar 2018**	**31 Mar 2019**	**(NOKm)**	**31 Mar 2019**	**31 Mar 2018**	**31 Dec 2018**
-	-	-	Deferred tax asset	177	163	175
97	111	91	Fixed assets	235	257	234
-	-	362	Right to use assets	599	-	-
67	39	110	Earned income not yet received	178	105	86
7	67	565	Accounts receivable, securities	998	393	277
179	158	179	Pensions	179	171	179
384	187	340	Other assets	681	567	737
733	**562**	**1,647**	**Total other assets**	**3,047**	**1,657**	**1,687**

Note 13 - Other liabilities

Parent Bank				Group		
31 Dec 2018	**31 Mar 2018**	**31 Mar 2019**	**(NOKm)**	**31 Mar 2019**	**31 Mar 2018**	**31 Dec 2018**
84	21	84	Deferred tax	147	82	147
389	317	311	Payable tax	361	324	448
10	9	10	Capital tax	10	9	10
30	225	297	Accrued expenses and received, non-accrued income	674	548	413
115	158	173	Provision for accrued expenses and commitments	173	158	115
148	70	139	Losses on guarantees and unutilised credits	139	70	148
21	24	21	Pension liabilities	21	24	21
-	-	363	Lease liabilities	601	-	-
97	130	63	Drawing debt	63	130	97
11	25	53	Creditors	104	109	66
699	1,175	812	Debt from securities	1,129	1,340	809
-	-	-	Equity Instruments	30	80	31
288	845	1,082	Other liabilities	1,181	969	366
1,892	**2,999**	**3,408**	**Total other liabilites**	**4,632**	**3,844**	**2,670**

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

Group

Change in securities debt (NOKm)	31 Dec 2018	Issued	Fallen due/ Redeemed	Other changes	31 Mar 2019
Certificate, nominal value	391	0	0	-3	389
Bond debt, nominal value	43,463	588	943	-784	42,324
Value adjustments	158	-	-	89	247
Accrued interest	256	-	-	-44	213
Total	**44,269**	**588**	**943**	**-742**	**43,172**

Change in subordinated debt and hybrid equity (NOKm)	31 Dec 2018	Issued	Fallen due/ Redeemed	Other changes	31 Mar 2019
Ordinary subordinated loan capital, nominal value	1,793	-	-	-	1,793
Hybrid equity, nominal value	450	-	1	-	449
Value adjustments	13	-	-	-3	10
Accrued interest	12	-	-	8	21
Total	**2,268**	**-**	**1**	**6**	**2,273**

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 2019:

Assets (NOKm)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
- Derivatives	8	3,173	-	3,181
- Bonds and money market certificates	2,578	18,228	-	20,806
- Equity instruments	1,520	72	423	2,015
- Fixed interest loans	-	43	4,607	4,650
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	60,332	60,332
Total assets	**4,106**	**21,515**	**65,362**	**90,984**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
- Derivatives	7	3,171	-	3,178
- Equity instruments	30	-	-	30
Total liabilities	**37**	**3,171**	**-**	**3,208**

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	3,005	-	3,008
- Bonds and money market certificates	2,485	16,312	-	18,797
- Equity instruments	1,559	103	503	2,164
- Fixed interest loans	-	43	3,195	3,238
Financial assets avaliable for sale				
- Equity instruments	-	-	56,988	56,988
Total assets	**4,048**	**19,462**	**60,685**	**84,194**
	-	-	-	-

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
- Derivatives	9	2,948	-	2,957
- Equity instruments	79	1	-	80
Total liabilities	**88**	**2,949**	**-**	**3,037**

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

Assets (NOKm)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
- Derivatives	1	4,117	-	4,119
- Bonds and money market certificates	2,786	17,563	-	20,348
- Equity instruments	1,195	128	550	1,873
- Fixed interest loans	-	43	4,425	4,467
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	61,295	61,295
Total assets	**3,982**	**21,850**	**66,269**	**92,102**
	-	-	-	-
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
- Derivatives	4	2,977	-	2,982
- Equity instruments	31	-	-	31
Total liabilities	**36**	**2,977**	**-**	**3,013**

The following table presents the changes in the instruments classified in level 3 as at 31 March 2019:

(NOKm)	**Equity instruments through profit/loss**	**Fixed interest loans**	**Loans at fair value through OCI**	**Total**
Opening balance 1 January	550	4,425	61,294	66,269
Investment in periode	5	337	4,817	5,159
Disposals in the periode	-166	-161	-5,780	-6,107
Expectged credit loss	-	-	-0	-0
Gain or loss on financial instruments	35	7	0	42
Closing balance	**423**	**4,607**	**60,332**	**65,362**

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**	**Total**
Closing balance 31 December 2017	419	3,236	-	3.722
Implementation effect IFRS 9	66	-	56,743	56,743
Opening balance 1 January 2018	**485**	**3,236**	**56,743**	**60,464**
Investment in period	22	366	4,598	4,986
Disposals in the period	-8	-386	-4,353	-4,747
Impairment allowance	-	-	-2	-2
Gain or loss on financial instruments	4	-21	2	-14
Closing balance 31 December 2018	**503**	**3,195**	**56,988**	**60,685**

The following table presents the changes in the instruments classified in level 3 as at 31 December 2018:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Closing balance 31 December 2017	419	3,236	-	3,722
Implementation effect IFRS 9	66	-	56,743	56,743
Opening balance 1 January 2018	**486**	**3,236**	**56,743**	**60,464**
Investment in period	76	2,269	18,147	20,492
Disposals in the period	-20	-1,079	-13,596	-14,694
Expected credit loss	-	-	-2	-2
Gain or loss on financial instruments	8	-2	2	8
Closing balance 31 December 2018	**550**	**4,425**	**61,294**	**66,269**

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 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 312 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 as at 31 March 2019:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumtions
Fixed interest loans	4,607	-12
Equity instruments through profit/loss *	423	-
Loans at fair value through other comprehensive income	60,332	-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 first quarter 2019 was 2.66 years. The overall LCR at the same point was 180 per cent and the average overall LCR in the first quarter was 177 per cent. The LCR in Norwegian kroner at quarter-end was 183 per cent.

Note 17 - Earnings per EC

ECC owners share of profit have been calculated based on net profit allocated in accordance to 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 - March		January - December
(NOKm)	**2019**	**2018**	**2018**
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	1,017	447	2,018
Allocated to ECC Owners 2)	650	286	1,291
Issues Equity Captial Certificates adjusted for own certificates	129,516,409	129,344,188	129,411,807
Earnings per Equity Captial Certificate	**5.02**	**2.21**	**9.97**

	January - March		January - December
1) Adjusted Net Profit	**2019**	**2018**	**2018**
Net Profit for the group	1,046	466	2,090
adjusted for non-controlling interests share of net profit	-10	-8	-34
Adjusted for Tier 1 capital holders share of net profit	-19	-11	-37
Adjusted Net Profit	**1,017**	**447**	**2,018**

2) Equity capital certificate ratio (parent bank)

(NOKm)	**31 Mar 2019**	**31 Mar 2018**	**31 Dec 2018**
ECC capital	2,597	2,597	2,597
Dividend equalisation reserve	5,602	5,079	5,602
Premium reserve	895	895	895
Unrealised gains reserve	99	81	99
Other equity capital	0	-9	-
A. The equity capital certificate owners' capital	**9,193**	**8,643**	**9,193**
Ownerless capital	5,126	4,831	5,126
Unrealised gains reserve	56	45	56
Other equity capital	0	-5	-
B. The saving bank reserve	**5,182**	**4,871**	**5,182**
To be disbursed from gift fund	-	-	373
Dividend declared	-	-	661
Equity ex. profit	**14,375**	**13,514**	**15,409**
Equity capital certificate ratio A/(A+B)	**63.95 %**	**63.95 %**	**63.95 %**
Equity capital certificate ratio for distribution	**63.95 %**	**63.95 %**	**63.95 %**

Results from quarterly accounts

Group (NOKm)	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017
Interest income effective interest method	1,075	1,082	1,025	989	962	989	959	945	931
Interest expenses	426	438	414	408	394	400	389	413	398
Net interest	**649**	**644**	**610**	**581**	**568**	**589**	**570**	**532**	**533**
Commission income	329	343	344	361	339	372	360	349	308
Commission expenses	40	42	45	45	36	49	46	38	35
Other operating income	262	242	186	291	239	206	168	227	182
Commission income and other income	**551**	**543**	**486**	**607**	**542**	**529**	**482**	**538**	**455**
Dividends	2	2	0	4	2	0	1	3	1
Income from investment in related companies	555	130	105	102	79	147	126	94	71
Net return on financial investments	169	-37	77	195	99	108	108	35	66
Net return on financial investments	**727**	**95**	**182**	**300**	**180**	**256**	**235**	**131**	**138**
Total income	**1,926**	**1,282**	**1,277**	**1,488**	**1,290**	**1,374**	**1,287**	**1,202**	**1,126**
Staff costs	447	391	376	413	403	362	357	362	345
Other operating expenses	257	311	240	248	241	255	225	236	227
Total operating expenses	**704**	**701**	**616**	**661**	**645**	**618**	**582**	**598**	**571**
Result before losses	**1,223**	**580**	**661**	**827**	**645**	**756**	**705**	**604**	**555**
Loss on loans, guarantees etc.	67	67	69	78	48	78	88	86	89
Result before tax	**1,155**	**513**	**592**	**748**	**596**	**678**	**617**	**518**	**466**
Tax charge	109	104	119	156	131	122	118	111	99
Result investment held for sale, after tax	0	-8	6	150	1	-4	-0	3	-0
Net profit	**1,046**	**401**	**480**	**743**	**466**	**553**	**500**	**409**	**367**

Key figures from quarterly accounts

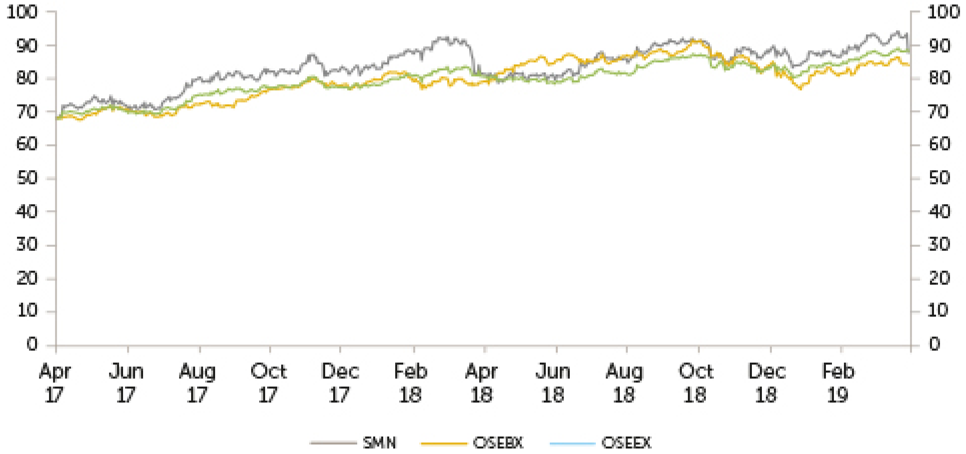
Group (NOKm)	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017
Profitability									
Return on equity per quarter [1)]	23.3%	9.0%	11.1%	17.9%	11.2%	13.4%	12.5%	10.5%	9.4%
Cost-income ratio [1)]	37 %	55 %	48 %	44 %	50 %	45 %	45 %	50 %	51 %
Balance sheet figures									
Gross loans to customers	120,100	120,473	118,044	115,787	113,174	112,071	110,695	107,358	104,117
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	161,091	160,317	157,825	154,790	151,065	148,784	147,146	143,800	140,038
Deposits from customers	81,111	80,615	77,529	80,343	75,937	76,476	73,086	75,559	70,176
Total assets	164,641	160,704	159,337	159,584	152,083	153,254	146,913	149,449	142,042
Quarterly average total assets	162,673	160,021	159,460	155,833	152,668	150,083	148,181	145,746	140,061
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskredtt last 12 months [1)]	6.6 %	7.8 %	7.3 %	7.6 %	7.9 %	8.2 %	9.4 %	8.5 %	8.1 %
Growth in deposits last 12 months	6.8 %	5.4 %	6.1 %	6.3 %	8.2 %	13.9 %	10.3 %	12.7 %	9.9 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio [1)]	0.17 %	0.17 %	0.18 %	0.20 %	0.13 %	0.22 %	0.24 %	0.24 %	0.26 %
Non-performing commitm. as a percentage of gross loans [1)]	0.18 %	0.19 %	0.18 %	0.18 %	0.19 %	0.19 %	0.18 %	0.18 %	0.15 %
Other doubtful commitm. as a percentage of gross loans [1)]	0.99 %	0.86 %	0.86 %	0.95 %	0.90 %	0.80 %	0.83 %	0.80 %	0.77 %
Solidity									
Common equity tier 1	14.8 %	14.6 %	14.9 %	15.0 %	14.6 %	14.6 %	14.6 %	14.9 %	14.7 %
Core capital ratio	16.4 %	16.3 %	16.7 %	17.0 %	16.3 %	16.6 %	16.6 %	16.8 %	16.7 %
Capital adequacy ratio	18.6 %	18.5 %	19.2 %	19.0 %	18.2 %	18.6 %	19.0 %	19.0 %	18.9 %
Core capital	16,775	16,472	16,542	16,488	15,697	15,707	15,718	15,526	15,149
Net equity and related capital	19,115	18,743	18,969	18,418	17,518	17,629	18,004	17,552	17,183
Liquidity Coverage Ratio (LCR)	180 %	183 %	150 %	150 %	162 %	164 %	124 %	160 %	136 %
Leverage Ratio	7.4 %	7.4 %	7.5 %	7.4 %	7.3 %	7.2 %	7.4 %	7.2 %	7.3 %
Key figures ECC									
ECC share price at end of period (NOK)	87.40	84.20	90.90	84.50	80.90	82.25	81.25	71.75	66.50
Number of certificates issued, millions [1)]	129.41	129.62	129.44	129.31	129.38	129.38	129.40	129.54	129.48
Booked equity capital per ECC (including dividend) [1)]	83.86	83.87	82.57	80.21	76.53	78.81	79.18	75.40	72.31
Profit per ECC, majority [1)]	5.02	1.90	2.32	3.54	2.21	2.63	2.42	1.92	1.74
Price-Earnings Ratio [1)]	4.35	11.05	9.77	5.97	9.16	7.81	8.40	9.32	9.58
Price-Book Value Ratio [1)]	1.04	1.00	1.10	1.05	1.06	1.04	1.03	0.95	0.92

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

Equity capital certificates

Stock price compared with OSEBX and OSEEX

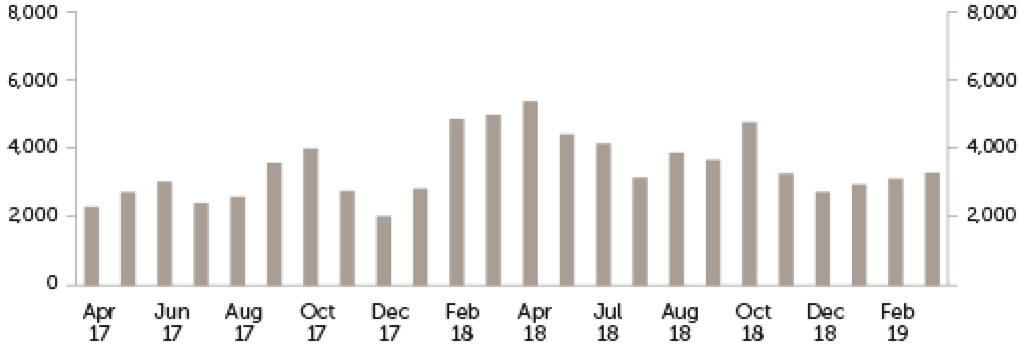
1 April 2017 to 31 March 2019



OSEBX = Oslo Stock Exchange Benchmark Index (rebased)
OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 April 2017 to 31 March 2019



Total number of ECs traded (1000)

20 largest ECC holders	Number	Share
VGD Sicav Malta PLC	5,400,000	4.16 %
VPF Nordea Norge Verdi	4,768,409	3.67 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,542,919	2.73 %
VPF Danske Invest Norske Aksjer Inst. II	3,324,149	2.56 %
State Street Bank and Trust CO (nominee)	3,095,025	2.38 %
VPF Pareto Aksje Norge	2,513,777	1.94 %
VPF Alfred Berg Gambak	2,196,139	1.69 %
State Street Bank and Trust CO (nominee)	1,960,450	1.51 %
Deutsche Bank Aktiengesellschaft	1,828,681	1.41 %
VPF Danske Invest Norske Aksjer Inst. I	1,744,292	1.34 %
Forsvarets Personellservice	1,717,046	1.32 %
Morgan Stanley & Co. International	1,708,518	1.32 %
Handelsbanken Nordiska Småbolagsfond	1,701,137	1.31 %
Pareto Invest AS	1,687,506	1.30 %
JP Morgan Securities PLC	1,500,981	1.16 %
VPF Nordea Kapital	1,379,688	1.06 %
J.P. Morgan Bank Luxembourg S.A.	1,332,011	1.03 %
VPF Nordea Avkastning	1,249,111	0.96 %
MP Pensjon PK	1,232,771	0.95 %
The 20 largest ECC holders in total	**47,848,001**	**36.85 %**
Others	81,988,442	63.15 %
Total issued ECCs	**129,836,443**	**100.00 %**

Dividend policy

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

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

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

To the Board of Directors of SpareBank 1 SMN

Report on Review of interim balance sheet

Introduction

We have reviewed the accompanying consolidated interim balance sheet of SpareBank 1 SMN as of 31 March 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of the entity as at 31 March 2019, and its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Trondheim, 8 May 2019
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.