

Notes

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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	31 Mar 2019
Right to use asset (NOKm)	
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 due to defaulted exposures should at the outset be of brief duration, normally not longer than one year. Investments are recorded at fair value in the Parent Bank's accounts, and is classified as investment held for sale.

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 acquisition 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 acquisition cost. The allocation of fair value is distributed as follows;

	Fair value recognised at acquisition date
Assets	
Loans	207
Other assets	14
Total assets	221
Deposits	142
Accruals	5
Other liabilities	4
Total liabilities	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		SB1	SB1		BN	Uncollated	Total
			Markets	EM	Finans	Regnskaps-	SB1			
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 liabilities 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)					SB1		SB1 Regnskaps-		SB1 BN		Total
	RM	CM	Markets	EM 1	Finans MN	huset SMN	Gruppen	Bank	Uncollated		
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 liabilities 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 certificates 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 risk 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- provisions	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- provisions	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- provisions	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- provisions	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- provisions	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- provisions	68	80	-	148
Other comprehensive income - fair value adjustment	18	-2	-	17

Parent Bank

Total Allowance for Credit Losses	January - March 2019				January - March 2018				January - December 2018			
	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				January - March 2018				January - December 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	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				Fixed interest loans at FV	Total	Loans subject to impairment			Fixed interest loans at FV
Gross loan	Stage 1	Stage 2	Stage 3	Stage 1			Stage 2	Stage 3		
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 existing 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				Fixed interest loans at FV	Total	Loans subject to impairment			Fixed interest loans at FV
Gross loan	Stage 1	Stage 2	Stage 3	Stage 1			Stage 2	Stage 3		
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 existing 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			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan (NOKm)					
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 existing 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 at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan (NOKm)					
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 existing 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

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			Group			
January - March			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			(NOKm)	Group		
January - March				January - March		
2018	2018	2019		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			(NOKm)	Group		
31 Dec 2018	31 Mar 2018	31 Mar 2019		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 liabilities	4,632	3,844	2,670

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
<i>Financial assets at fair value through profit/loss</i>				
- 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
<i>Financial assets through other comprehensive income</i>				
- 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
<i>Financial liabilities through profit/loss</i>				
- 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
<i>Financial assets at fair value through profit/loss</i>				
- 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
<i>Financial assets available for sale</i>				
- Equity instruments	-	-	56,988	56,988
Total assets	4,048	19,462	60,685	84,194
Liabilities	Level 1	Level 2	Level 3	Total
<i>Financial liabilities through profit/loss</i>				
- 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
Expected 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 double 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 assumptions
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.

(NOKm)	January - March		January - December
	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 Capital Certificates adjusted for own certificates	129,516,409	129,344,188	129,411,807
Earnings per Equity Capital Certificate	5.02	2.21	9.97

1) Adjusted Net Profit	January - March		January - December
	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 %