

Second Quarter Report 2019



Contents

| | |
|--|----|
| Main figures | 3 |
| Report of the Board of Directors | 5 |
| Income statement | 19 |
| Balance sheet | 21 |
| Cash flow statement | 22 |
| Change in equity | 23 |
| Notes | 26 |
| Results from quarterly accounts | 52 |
| Key figures from quarterly accounts | 53 |
| Statement in compliance with the securities trading act, section 5-6 | 54 |
| Equity capital certificates | 55 |
| Auditor's report | 57 |

Main figures

| | First half | | | | | |
|--|--------------|-------------|--------------|-------------|---------------|-------------|
| | 2019 | | 2018 | | 2018 | |
| From the income statement | NOKm | % 1) | NOKm | % 1) | NOKm | % 1) |
| Net interest | 1,313 | 1.60 | 1,149 | 1.48 | 2,403 | 1.53 |
| Net commission income and other income | 1,157 | 1.41 | 1,149 | 1.48 | 2,177 | 1.39 |
| Net return on financial investments | 1,063 | 1.29 | 480 | 0.62 | 757 | 0.48 |
| Total income | 3,533 | 4.30 | 2,778 | 3.58 | 5,337 | 3.40 |
| Total operating expenses | 1,404 | 1.71 | 1,306 | 1.69 | 2,624 | 1.67 |
| Results before losses | 2,129 | 2.59 | 1,471 | 1.90 | 2,713 | 1.73 |
| Loss on loans, guarantees etc | 126 | 0.15 | 127 | 0.16 | 263 | 0.17 |
| Results before tax | 2,003 | 2.44 | 1,345 | 1.74 | 2,450 | 1.56 |
| Tax charge | 274 | 0.33 | 287 | 0.37 | 509 | 0.32 |
| Result investment held for sale, after tax | 0 | 0.00 | 151 | 0.20 | 149 | 0.10 |
| Net profit | 1,729 | 2.11 | 1,209 | 1.56 | 2,090 | 1.33 |
| Interest Tier 1 Capital | 29 | | 20 | | 37 | |
| Net profit excl. Interest Tier 1 Capital | 1,700 | | 1,189 | | 2,052 | |
| | 30 | | 30 | | 31 Dec | |
| | June | | June | | 2018 | |
| | 2019 | | 2018 | | 2018 | |
| Key figures | | | | | | |
| Profitability | | | | | | |
| Return on equity ²⁾ | 19.0 % | | 14.4 % | | 12.2 % | |
| Cost-income ratio ²⁾ | 40 % | | 47 % | | 49 % | |
| Balance sheet figures | | | | | | |
| Gross loans to customers | 121,895 | | 115,787 | | 120,473 | |
| Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt | 163,627 | | 154,790 | | 160,317 | |
| Deposits from customers | 86,553 | | 80,343 | | 80,615 | |
| Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt | 71 % | | 69 % | | 67 % | |
| Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt ²⁾ | 53 % | | 52 % | | 50 % | |
| Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt) ²⁾ | 5.7 % | | 7.6 % | | 7.8 % | |
| Growth in deposits last 12 months | 7.7 % | | 6.3 % | | 5.4 % | |
| Average total assets | 164,211 | | 154,973 | | 156,992 | |
| Total assets | 167,289 | | 159,584 | | 160,704 | |
| Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt | | | | | | |
| Impairment losses ratio ²⁾ | 0.16 % | | 0.17 % | | 0.17 % | |
| Non-performing commitm. as a percentage of gross loans ²⁾ | 0.22 % | | 0.18 % | | 0.19 % | |
| Other doubtful commitm. as a percentage of gross loans ²⁾ | 1.00 % | | 1.05 % | | 0.86 % | |
| Solidity | | | | | | |
| Capital adequacy ratio | 18.8 % | | 19.0 % | | 18.5 % | |
| Core capital ratio | 16.6 % | | 17.0 % | | 16.3 % | |
| Common equity tier 1 ratio | 15.0 % | | 15.0 % | | 14.6 % | |
| Core capital | 17,284 | | 16,488 | | 16,472 | |
| Net equity and related capital | 19,634 | | 18,418 | | 18,743 | |
| Liquidity Coverage Ratio (LCR) | 165 % | | 150 % | | 183 % | |
| Leverage Ratio | 7.5 % | | 7.4 % | | 7.4 % | |
| Branches and staff | | | | | | |
| Number of branches | 48 | | 48 | | 48 | |
| No. Of full-time positions | 1,556 | | 1,439 | | 1,493 | |

1) Calculated as a percentage of average total assets

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

| Key figures ECC | 30 June 2019 | 30 June 2018 | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2015 |
|---|-------------------------|-------------------------|------------------------|------------------------|------------------------|------------------------|
| ECC ratio | 64.0 % | 63.9 % | 64.0 % | 64.0 % | 64.0 % | 64.0 % |
| Number of certificates issued, millions ²⁾ | 129.66 | 129.31 | 129.62 | 129.38 | 129.64 | 129.43 |
| ECC share price at end of period (NOK) | 97.70 | 84.50 | 84.20 | 82.25 | 64.75 | 50.50 |
| Stock value (NOKM) | 12,668 | 10,926 | 10,914 | 10,679 | 8,407 | 6,556 |
| Booked equity capital per ECC (including dividend) ²⁾ | 87.04 | 80.21 | 83.87 | 78.81 | 73.35 | 67.39 |
| Profit per ECC, majority ²⁾ | 8.23 | 5.75 | 9.97 | 8.71 | 7.93 | 6.96 |
| Dividend per ECC | | | 5.10 | 4.40 | 3.00 | 2.25 |
| Price-Earnings Ratio ²⁾ | 5.94 | 7.35 | 8.44 | 9.44 | 8.17 | 7.26 |
| Price-Book Value Ratio ²⁾ | 1.12 | 1.05 | 1.00 | 1.04 | 0.88 | 0.75 |

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

Report of the Board of Directors

First half accounts 2019

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

Main points for the first half of 2019

- The post-tax profit was NOK 1,729m – NOK 520m better than in the first half of 2018. The improvement is largely due to a gain of NOK 460m on the establishment of Fremtind Forsikring and an increase of NOK 116m in the value of properties of SpareBank 1 Forsikring. In the first half of 2018 one-time gains of NOK 240m were recorded (Vipps merger and sale of the head office building)
- The core business delivered a good performance. Without one-time gains the profit would have been NOK 1,153m (969m) and return on equity would have been 12.4 per cent (11.5 per cent)
- CET1 ratio as at 30 June 2019: 15.0 per cent (15.0 per cent)
- Return on equity was 19.0 per cent (14.4 per cent)

Net profit of NOK 1,729m in first half of 2019

- Pre-tax profit: NOK 2,003m (1,345m)
- Post-tax profit: NOK 1,729m (1,209m)
- Return on equity: 19.0 per cent (14.4 per cent)
- CET1 ratio: 15.0 per cent (15.0 per cent)
- Growth in lending: 5.7 per cent (7.6 per cent), and in deposits: 7.7 per cent (6.3 per cent) in the last 12 months
- Growth in lending to retail borrowers: 6.7 per cent (10.6 per cent) in the last 12 months. Lending to retail borrowers accounts for 68 per cent (67 per cent) of total lending
- Growth in lending to corporate borrowers: 3.6 per cent (2.0 per cent) in the last 12 months
- Losses on loans and guarantees: NOK 126m (127m) – 0.16 per cent (0.17 per cent) of gross lending
- Earnings per EC: NOK 8.23 (5.75). Book value per EC: NOK 87.04 (80.21)

Main points second quarter 2019

- Pre-tax profit: NOK 683m (743m)
- Return on equity: 14.9 per cent (17.9 per cent)
- Without one-time gains the profit would have been NOK 567m (503m), and return on equity would have been 12.4 per cent (12.1 per cent)
- Net profit on financial assets and owner interests: NOK 336m (300m)
- Losses on loans: NOK 59m (78m) – 0.14 per cent (0.20 per cent of gross lending)
- Earnings per EC: NOK 3.21 (3.54)

Post-tax profit NOK 520m better than in the first half of 2018

In the first half of 2019 SpareBank 1 SMN achieved a pre-tax profit of NOK 2,003m (1,345m). The net profit is NOK 1,729m (1,209m) and return on equity 19.0 per cent (14.4 per cent).

Overall operating incomes in the first half of 2019 came to NOK 2,470m (2,297m). This represents an increase of NOK 173m compared with the previous year. NOK 117m of the income growth derives from banking operations and NOK 56m from the bank's subsidiaries.

Operating expenses totalled NOK 1,404m (1,306m) in the first half of 2019. The increase of NOK 98m breaks down to NOK 34m from banking operations and NOK 64m from increased activity at the subsidiaries.

The profit share on owner interests and related companies was NOK 786m (181m), including a gain of NOK 460m on the establishment of Fremtind. SpareBank 1 Gruppen posted a very good profit for the first half-year as a result of an increase in property values in the second quarter of 2019, and SpareBank 1 SMN's profit share was NOK 224m (117m), of which property appreciation accounted for NOK 116m.

Return on financial assets was NOK 277m (299m).

Losses on loans and guarantees totalled NOK 126m (127m), mainly in oil-related activities.

After a first quarter of weak growth in residential mortgage lending, growth picked up in the second quarter. Growth in lending in the 12 months to end-June was 5.7 per cent (7.6 per cent) on loans and 7.7 per cent (6.3 per cent) on deposits.

The CET1 ratio as at 30 June 2019 was 15.0 per cent (15.0 per cent). The targeted CET1 ratio is 15.0 per cent.

The price of the bank's equity certificate (MING) at the half-year mark end was NOK 97.70 (84.50). A cash dividend of NOK 5.10 (4.40) per EC has been paid in 2019 for the year 2018.

Earnings per EC were NOK 8.23 (5.75). The book value was NOK 87.04 (80.21) per EC.

Increased net interest incomes

Net interest incomes rose by NOK 164m to NOK 1,313m (1,149m) in the first half of 2019. The increase is attributable to increased lending to and deposits from both retail and corporate customers, at the same time as higher market interest rates have yielded improved return on the bank's equity capital and increased deposit margins.

The market interest rate in terms of three-month NIBOR has risen in the 12 months to end-June by about 50 points. Although two general interest rate increases have been carried out in the period, the margins on mortgages have weakened in 2019, while deposit margins have strengthened somewhat. 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 August 2019.

In view of the signals of further increases in Norges Bank's base rate, the bank will adjust its pricing of loans and deposits on an ongoing basis. The competition for mortgage borrowers has tightened, bringing both lower growth and pressure on lending rates.

Growth in other incomes

Commission incomes and other operating incomes have increased by NOK 9m to NOK 1,157m (1,149m) in 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 178m in the first half of 2019 (193m). Incomes from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt have declined by NOK 15m as a result of reduced margins.

Other commission incomes came to NOK 980m (956m). The growth of NOK 24m is driven by increased incomes on accounting services and securities services.

A high number of multi-product customers is important for the bank. It reflects high customer satisfaction and makes for a diversified income flow for the bank.

| Commission income (NOKm) | First half | | Change |
|---|--------------|--------------|-----------|
| | 2019 | 2018 | |
| Payment transfers | 103 | 99 | 4 |
| Creditcard | 29 | 31 | -1 |
| Saving products | 45 | 52 | -7 |
| Insurance | 89 | 87 | 2 |
| Guarantee commission | 25 | 32 | -8 |
| Real estate agency | 199 | 203 | -4 |
| Accountancy services | 278 | 241 | 38 |
| Markets | 187 | 178 | 10 |
| Other commissions | 24 | 34 | -10 |
| Commissions ex SB1 Boligkreditt and SB1 Næringskreditt | 980 | 956 | 24 |
| Commissions SB1 Boligkreditt | 169 | 185 | -16 |
| Commissions SB1 Næringskreditt | 8 | 7 | 1 |
| Total commissions | 1,157 | 1,149 | 9 |

Good return on financial investments

Overall return on financial investments was NOK 277m (299m). This breaks down as follows:

- Financial derivatives have yielded gains of NOK 63m (142m). This essentially comprises gains on fixed income instruments and is ascribable to the interest rate upturn in the first half-year. Gains are also noted in the bond portfolio which showed overall gains of NOK 47m (loss of 36m)
- Losses on hedge accounting totalled NOK 5m (loss of 6m)
- A gain and dividend on shares of the bank and subsidiaries came to NOK 120m (123m). The gain relates mainly to share in Visa (NOK28m), badwill connected to the acquisition of DeBank (NOK 30m) and gains on shares in SMN Invest (49m)
- 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 6m (12m)
- Income of NOK 23m (26m) 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 23m (37m)

| Capital gains/dividends, shares (NOKm) | First half | | Change |
|--|------------|------------|------------|
| | 2019 | 2018 | |
| Gain/(loss) on certificates and bonds | 47 | -36 | 83 |
| Gain/(loss) on derivatives | 63 | 142 | -79 |
| Gain/(loss) on financial instruments related to hedging | -5 | -6 | 1 |
| Capital gains shares (incl dividends) | 120 | 123 | -3 |
| Gain/(loss) on other financial instruments at fair value (FVO) | 6 | 12 | -6 |
| Foreign exchange gain/(loss) | 23 | 26 | -3 |
| Gain/(loss) on shares and share derivatives at SpareBank 1 Markets | 23 | 37 | -14 |
| Net return on financial instruments | 277 | 299 | -22 |

Product companies and other related companies

The product companies give the bank's customers access to a broader product range and the bank receives commission income. The product companies also provide the bank with a return on invested capital. The overall profit of the product companies and other related companies was NOK 326m (183m) in the first half 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 | First half | | Change |
|---|------------|------------|------------|
| | 2019 | 2018 | |
| SpareBank 1 Gruppen | 224 | 117 | 106 |
| Gain Fremtind Forsikring | 460 | - | 460 |
| SpareBank 1 Boligkreditt | 22 | -5 | 28 |
| SpareBank 1 Næringskreditt | 10 | 8 | 2 |
| SpareBank 1 Kredittkort | 8 | 11 | -4 |
| BN Bank | 51 | 53 | -2 |
| SpareBank 1 Betaling | 10 | -6 | 16 |
| Other companies | 1 | 5 | -4 |
| Income from investment in associated companies | 786 | 183 | 603 |

SpareBank 1 Gruppen

SpareBank 1 SMN holds a 19.5 per cent stake in 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 owns 65 per cent of the non-life insurer Fremtind which was established as of first January 2019. DNB owns the remainder of the company.

SpareBank 1 Gruppen's post-tax profit for the first half of 2019 was NOK 1,287m (601m). The excellent profit performance is due to appreciation of properties in the life company totalling NOK 597m. The first-half profit also reflects high merger costs related to Fremtind, an increased claims ratio and good financial earnings.

SpareBank 1 SMN's share of the profit for the first half of 2019 was NOK 224m (117m), of which property appreciation accounted for NOK 116m.

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 30 June 2019 the bank had sold loans totalling NOK 40.0bn (37.2bn) to SpareBank 1 Boligkreditt, corresponding to 36.1 per cent (35.7 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 half of 2019 was NOK 22m (minus 5m).

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 30 June 2019, loans worth NOK 1.7bn (1.8bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 33.8 per cent, and the bank's share of the profit for the first half of 2019 was NOK 10m (8m). 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 residing in SpareBank 1 Næringskreditt have been transferred from BN Bank.

SpareBank 1 Kredittkort

The profit for the first half of 2019 was NOK 44m (65m). SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN holds a stake of 17.3 per cent. SpareBank 1 SMN's share of the profit for the first half of 2019 was NOK 8m (11m), and the bank's share of the portfolio is NOK 892m (893m).

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

BN Bank

SpareBank 1 SMN owns 35.0 per cent of BN Bank as at 30 June 2019.

BN Bank recorded a profit of NOK 152m (162m) in the first half of 2019, providing a return on equity of 7.5 per cent (8.7 per cent). SpareBank 1 SMN's share of BN Bank's profit in the first half of 2019 was NOK 51m (53m), adjusted for its share of BN Bolig's profit.

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 aims to promote stronger growth in mortgage lending for BN Bank.

SpareBank 1 Betaling

SpareBank 1 Betaling is the SpareBank 1 banks' parent company for Vipps payments solutions. 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 is launching further services in 2019 designed to simplify bank customers' everyday life.

SpareBank 1 Betaling posted a first-half deficit of NOK 24m (deficit of 31m) which constitutes the company's share of Vipps' financial result. SpareBank 1 SMN's share of the deficit is NOK 5m. In the first quarter the company corrected the reported result for 2018 by NOK 72m. SpareBank 1 SMN accordingly has a positive profit share of NOK 10m from the company for the first half-year (deficit of 6m).

Operating expenses

Overall group operating expenses rose by NOK 98m in the first half of 2019 to NOK 1,404m (1,306m).

The bank's costs rose by NOK 34m in the 12 months to end-June. NOK 12m of the growth refers to costs incurred in allocating equity certificates (ECs) to the bank's employees. This aside, costs have risen by 3.5 per cent.

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 140 to 580. Changing customer behaviour and new technology will contribute to further efficiency gains.

Overall costs among the subsidiaries came to NOK 738m (674m), having risen by NOK 64m in the 12 months to end-June. 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.

The cost-income ratio was 40 per cent (47 per cent) for the group, 26 per cent (29 per cent) for the bank.

The group is working to establish new, tighter cost objectives.

Reduced losses on loans and guarantee, low defaults

Loan losses of NOK 126m (127m) were recorded in the first half of 2019. Loan losses measure 0.16 per cent (0.17 per cent) of total outstanding loans.

Loan losses on loans to retail borrowers amount to 25m in the first half of 2019 (16m).

Write-downs on loans and guarantees totalled NOK 1,008m (1,205m) as at 30 June 2019.

Overall problem loans (defaulted and other doubtful) come to NOK 1,998m (1,752m), or 1.22 per cent (1.23 per cent), of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. 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 356m (275m). Defaults measure 0.22 per cent (0.18 per cent) of gross outstanding loans.

Other doubtful exposures total NOK 1,641m (1,477m). Other doubtful exposures measure 1.00 per cent (1.05 per cent) of gross outstanding loans.

A large share of the year's loss refers to oil-related activity. Credit quality in the wider loan portfolio is good.

Total assets of NOK 167bn

The bank's assets totalled NOK 167bn (160bn) as at the end of the first half of 2019, having grown by NOK 7bn or 4.4 per cent in the last 12 months. The increase in total assets is mainly a consequence of a higher lending volume.

As at 30 June 2019 loans worth a total of NOK 42bn (39bn) 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 8.8bn (11.0bn) or 5.7 per cent (7.6 per cent) in the last 12 months to reach NOK 163.6bn (154.8bn) as at 30 June 2019. Growth in the first half-year was 2.1 per cent (4.0 per cent).

- Lending to personal borrowers rose in the 12 months to 30 June 2019 by NOK 7.0bn (10.0bn) to NOK 111.1bn (104.1bn). Growth of 6.7 per cent (10.6 per cent). Growth in the first half-year was 2.8 per cent (5.5 per cent). Weak growth in the first half-year is ascribable to increased competition in parts of the bank's market area

- Lending to corporate borrowers rose in the 12 months to 30 June 2019 by NOK 1.8bn (1.0bn) to NOK 52.5bn (50.7bn). Growth of 3.6 per cent (2.0 per cent). Loans to corporates rose in the first half of 2019 by 0.6 per cent (1.2 per cent)
- Lending to personal borrowers accounted for 68 per cent (67 per cent) of total outstanding loans to customers as at 30 June 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 excellent.

New loans to corporate borrowers are mainly to small businesses and are prioritised on the basis of capital limitations and profitability considerations.

(For distribution by sector, see note 5).

Good deposit growth and strengthened deposit-to-loan ratio

Customer deposits rose by NOK 6.2bn (4.8bn) in the 12 months to 30 June 2019 to reach NOK 86.6bn (80.3bn). This represents a growth of 7.7 per cent (6.3 per cent). Deposit growth in the first half of 2019 was 7.4 per cent (5.1 per cent).

- Personal deposits rose by NOK 1.8bn (2.3bn) or 5.4 per cent (7.2 per cent) to NOK 36.2bn. In the first half-year deposits with Retail Banking rose by 9.5 per cent (8.0 per cent)
- Corporate deposits rose by NOK 4.4bn (2.5bn) or 9.5 per cent (5.7 per cent) to NOK 50.4bn. In the first half-year deposits with Corporate Banking rose by 5.9 per cent (growth of 3.0 per cent)
- The deposit-to-loan ratio at SpareBank 1 SMN was 71 per cent (69 per cent). The deposit-to-loan ratio including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 53 per cent (52 per cent)

(For distribution by sector, see note 9).

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 10.9bn (10.6bn) as at end-June 2019. The increase of NOK 0.4bn is a result of good sales and value increases on various equity funds.

| Saving products, customer portfolio (NOKm) | First half | | Change |
|--|---------------|---------------|------------|
| | 2019 | 2018 | |
| Equity funds | 6,790 | 6,152 | 638 |
| Pension products | 752 | 784 | -32 |
| Active management | 3,372 | 3,616 | -244 |
| Total | 10,914 | 10,552 | 362 |

Insurance

The bank's insurance portfolio increased by 8 per cent in the 12 months to end-June. Growth was satisfactory both for non-life and personal insurance.

| Insurance, premium volume (NOKm) | First half | | Change |
|----------------------------------|--------------|--------------|------------|
| | 2019 | 2018 | |
| Non-life insurance | 846 | 794 | 52 |
| Personal insurance | 363 | 340 | 23 |
| Occupational pensions | 296 | 259 | 37 |
| Total | 1,505 | 1,393 | 112 |

Retail Banking

Outstanding loans to retail borrowers totalled NOK 115bn (109bn) and deposits totalled NOK 43bn (40bn) as at 30 June 2019. These are loans to and deposits from wage earners, agricultural customers and sole proprietorships in the parent bank.

Operating income totalled NOK 1,049m (986m) in the first half of 2019, an increase of NOK 63m. Net interest income accounted for NOK 664m (589m) and commission income for NOK 385m (397m). The income growth is mainly due to increased lending and improved margins on deposits. Return on capital employed in the retail banking segment was 13.8 per cent (13.2 per cent). Capital employed is regulatory capital of 15.0 per cent, corresponding to the group's targeted CET1 ratio.

The lending margin in the first half of 2019 was 1.55 per cent (1.72 per cent), while the deposit margin was 0.52 per cent (0.21 per cent) measured against three-month NIBOR. The market interest rate in terms of three-month NIBOR has risen by about 50 points in the 12 months to end-June.

Retail lending and retail deposits grew in the 12 months to 30 June by 6.1 per cent (10.6 per cent) and 6.0 per cent (7.8 per cent) respectively.

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 mainly by residential property.

The bank's distribution model for the retail market is designed to ensure increased selling power and cost efficiencies. Sales will increase across all channels with a strong emphasis on increasing the share of digital sales. Retail Banking introduced a new CRM system, 'Iver', in 2018. Iver has improved, and enhanced the efficiency of, the customer experience and strengthened the interplay between analogue and digital services. Staffing has been reduced by 32 FTEs to 318 FTEs since January 2018. The bank will maintain a strong physical presence while at the same time continuing to make efficiency gains.

Corporate Banking

Outstanding loans to corporates total NOK 38bn (39bn) and deposits total NOK 42bn (38bn) as at 30 June 2019. This is a diversified portfolio of loans to and deposits from corporate clients in Trøndelag and in Møre og Romsdal.

Operating income totalled NOK 681m (643m) in the first half of 2019. Net interest income amounted to NOK 576m (541m), and commission income and return on financial investments came to NOK 105m (102m).

Overall net losses in the corporate banking segment have declined to NOK 93m (104m) in the first half of 2019. The losses are in all essentials related to clients in oil-related activities.

Return on capital employed for the corporate banking segment was 11.8 per cent (10.8 per cent) in the first half of 2019. Capital employed is regulatory capital of 15.0 per cent, corresponding to the group's targeted CET1 ratio.

The lending margin was 2.61 per cent (2.67 per cent) and the deposit margin was minus 0.02 per cent (minus 0.05 per cent) in the first half of 2019.

Lending rose by 1.3 per cent (reduction of 1.1 per cent) and deposits rose by 10.4 per cent (1.9 per cent) in the 12 months to 30 June 2019.

Subsidiaries

The bank's subsidiaries posted an overall pre-tax profit of NOK 226.5m (198.8m) in the first half of 2019.

| Pre-tax profit (NOKm) | First half | | Change |
|--|--------------|--------------|-------------|
| | 2019 | 2018 | |
| EiendomsMegler 1 Midt-Norge | 14.2 | 17.7 | -3.5 |
| SpareBank 1 Finans Midt-Norge | 74.4 | 72.3 | 2.1 |
| SpareBank 1 Regnskapshuset SMN | 61.8 | 44.0 | 17.8 |
| Sparebank 1 Markets (proforma incl. Allegro) | 28.6 | 36.0 | -7.4 |
| SpareBank 1 SMN Invest | 47.3 | 23.2 | 24.1 |
| DeBank | -8.2 | - | -8.2 |
| Other companies | 8.4 | 5.3 | 3.1 |
| Total | 226.5 | 198.5 | 28.0 |

Eiendomsmegler 1 Midt-Norge is the market leader in Trøndelag and in Møre og Romsdal and intends to continue to strengthen its market share. EiendomsMegler 1 Midt-Norge recorded a pre-tax profit of NOK 30.4m in the first half of 2019 (33.6m). 3,367 dwelling units were sold in the first half of 2019 compared with 3,479 in the first half of 2018.

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. BN Bolig posted a deficit of NOK 16.8m (deficit of 15.4m).

EiendomsMegler 1 Midt-Norge consolidates the entire financial result from BN Bank as a subsidiary, and the overall profit for EiendomsMegler 1 Midt-Norge including BN Bolig came to NOK 14.2m (17.7m).

SpareBank 1 Finans Midt-Norge delivered a profit of NOK 74.4m in the first half of 2019 (72.3m), and shows strong profit growth due to high income growth and moderate growth in costs. The company's business lines are mainly leasing to businesses and car loans to retail customers. The portfolio of leasing and car loan agreements is worth a total of NOK 8.4bn (7.3bn), of which leasing agreements account for NOK 3.4bn (3.3bn) and car loans for NOK 4.7bn (3.7bn). The company also offers consumer loans, and at the half-year mark this portfolio was worth NOK 0.3bn (0.2bn).

Car loans have shown good growth of 27 per cent (23 per cent) in the 12 months to end-June. The Samspar banks in SpareBank 1 held a 32.1 per cent stake in SpareBank 1 Finans Midt-Norge as at 30 June 2019, while Sparebanken Sogn og Fjordane held a stake of 6.7 per cent. SpareBank 1 SMN holds 61.2 per cent of the shares of SpareBank 1 Finans Midt-Norge.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 61.8m (44.0m) in the first half of 2019. The company has acquired several businesses in Trøndelag and Møre og Romsdal in 2019. It now has more than 500 employees, 11,000 customers and offices in 41 locations. This has contributed profit growth along with a substantial increase in both incomes and costs.

The company caters to the SMB segment with good technological solutions and broad range of services.

Sparebanken SMN Invest invests in shares, mainly in regional businesses. The company posted a profit of NOK 47.3m in the first half of 2019 (23.2m).

The company holds shares worth NOK 443m (573m) as at 30 June 2019.

Value changes and realisation of losses or gains on the company's overall holding of shares account for NOK 53.9m of the company's net total income.

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 136.

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 15.

SpareBank 1 Markets' consolidated pre-tax profit for the first half of 2019 was NOK 28.6m (36.0m). Strong growth is noted in income from equity and bond issues, and stable incomes in other business lines in the group in the first half-year.

SpareBank 1 Markets is the leading capital market unit in SpareBank 1 SMNs market area. SpareBank 1 Markets' main focus is on clients where the group itself has a strong competitive position alone or in conjunction with the parent banks.

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 30bn and has the funding needed for 29 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 165 per cent as at 30 June 2019 (150 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 30 June 2019, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 53 per cent (52 per cent).

The bank's funding sources and products are amply diversified. At 30 June 2019 the proportion of the bank's overall money market funding in excess of one year was 83 per cent (83 per cent).

SpareBank 1 Boligkreditt is the bank's most important funding source, and residential mortgages totalling NOK 40bn had been sold as at 30 June 2019.

Rating

The bank has a rating of A1 (outlook stable) with Moody's and a rating of A- (outlook stable) with Fitch Ratings. In May 2019 Moody's revised its outlook for SpareBank 1 SMN and other Norwegian banks from a negative to a stable outlook.

Financial soundness

The CET1 ratio at 30 June 2019 was 15.0 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 authorities' CET1 ratio requirement is 13.9 per cent.

Risk weighted assets increased by 3.0 per cent in the first half-year as a result of growth in residential mortgage lending and increased capital needs related to the transitional arrangement. The CET1 ratio rose by 6.0 per cent in the first half-year as a result of a very good half-year performance and dividend received from SpareBank 1 Gruppen in the second quarter. This raised the CET1 ratio by 0.4 percentage points in the first half-year.

The leverage ratio is 7.5 per cent (7.4 per cent).

As of 31 December 2018 the countercyclical buffer was raised from 1.5 per cent to 2.0 per cent, bringing the CET1 requirement to 12.0 per cent, including combined buffer requirements. Taking into account a Pillar 2 requirement of 1.9 per cent, the overall government requirement is 13.9 per cent. The add-on refers mainly to owner risk, market risk and credit concentration risk. The add-on is subject to review by Finanstilsynet (Norway's FSA) every second year. SpareBank 1 SMN aims for a management buffer of about 1 per cent over and above the combined Pillar 1 and Pillar 2 requirements with a view to absorbing fluctuations in risk weighted assets and in the group's financial results. In light of the above, the group's capital target is set at 15 per cent. It has been recommended to increase the countercyclical buffer from 2.0 per cent to 2.5 per cent with effect from 31 December 2019.

The CET1 ratio has increased to 15.0 per cent, and is on a level with the group's 15.0 per cent target. The leverage ratio of 7.5 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.

The Ministry of Finance circulated on 25 June 2019 a consultation paper concerning measures to counter the effects of the removal of the Basel 1 floor and the SME discount. For SpareBank 1 SMN the proposal will entail a 1.5 per cent increase in the systemic risk buffer with effect from 31 December 2019. It is further proposed that the average risk weight for IRB exposures secured by residential property should be set at a minimum of 20 per cent, and for commercial property at a minimum of 35 per cent. This will have no impact on SpareBank 1 SMN's risk weighted assets.

The removal of the Basel 1 floor will strengthen the CET1 ratio by 2.1 percentage points. In addition to this comes a positive effect of the SME discount of about 0.3 percentage points.

The bank's equity certificate (MING)

The book value of the equity certificate (EC) at 30 June 2019 was NOK 87.04 (80.21) and earnings per EC were NOK 8.23 (5.75).

The Price / Income ratio was 5.94 (7.35) and the Price / Book ratio was 1.12 (1.05).

At the half-year mark the EC was priced at NOK 97.70, 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 30 June 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 slowed somewhat through 2018 as a result of uncertainty related to trade conflicts and Brexit. So far this year growth has proved higher than expected, but 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 appreciated somewhat in the first quarter of 2019, and is relatively unchanged at the end of the period. The krone remains at a relatively weak level, which is favourable for Norwegian export industries. Some strengthening of the krone is expected ahead as a result of a higher Norwegian interest rate level. 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).

Stronger focus on combating money laundering

The government requires the banks to strengthen their efforts to combat money laundering and terrorist financing, and issued new regulations pursuant to the Anti-Money Laundering Act in October 2018. SpareBank 1 SMN has strengthened its efforts in this area through a clearer organisational set-up and increased resource use. A total of 50 staff members in the bank are now dedicated to this task.

One of the measures taken is to obtain updated information on all personal customers, corporate customers and clubs and associations. This is in keeping with new requirements as to a concrete risk assessment of each individual customer. These measures are preventive, and provide the customer with strengthened protection against criminal acts such as money laundering, terrorist financing and identity theft.

SpareBank 1 SMN has zero tolerance of money laundering and terrorist financing, and has established sound procedures to ensure that money laundering and terrorist financing cannot take place through our bank. We have no suspicion that the bank has been exploited for criminal purposes of this nature.

Insurance merger

SpareBank 1 Gruppen AS and DNB ASA entered on 24 September 2018 into 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 acquire 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 along with 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 2.4bn. SpareBank 1 SMN's share of this increase (19.5 per cent) is NOK 460m.

Outlook

The profit performance for the first half of 2019 proved to be extraordinarily good after gains related to the establishment of Fremtind Forsikring and appreciation of property owned by SpareBank 1 Forsikring. The profit recorded excluding these gains is also good, with a return on equity in excess of the target of 12 per cent.

The bank's fine performance reflects the buoyancy of Central Norway's economy. According to Norges Bank's (the central bank) regional network as of May 2019, business and industry activity in the region is on the upgrade. In Trøndelag the companies in the network report a rate of growth of 2.5 per cent in May, up from 1.9 per cent in the preceding quarter. In Møre og Romsdal rate of growth increases to 1.4 per cent, from 1.3 per cent previous quarter, but at the same level as last year. Activity is growing most rapidly in the oil supplier, services and construction industries.

SpareBank 1 SMN plays an active role in the development of joint solutions and companies in the Norwegian banking industry. An important strategy for SpareBank 1 SMN has been to develop a diversified business model through a broad-based service offering. This promotes a high number of multi-product customers, thereby contributing to customer satisfaction and robust earnings. This will continue.

The rising market interest rate contributes to improved return on equity through repricing of customer interest rates and higher returns on the group's equity capital.

The bank attaches much importance to maintaining its position as market leader in its catchment areas, and plans to expand its lending to personal borrowers to a level in excess of market growth.

The bank is strengthening its position as the leading bank for small businesses through a broad-based product range, good digital solutions and highly competent advisers. The integration of DeBank expands the

product offering to businesses engaged in factoring. The growth in lending to corporate clients is primarily to small and medium-sized businesses. This is expected to continue.

The strategy of being a digital bank with a personal and local signature stands firm. There are still potentials efficiency gains to be made across the group through simplification and automation.

Loan losses are expected to be lower in 2019 than in 2018. Losses are still mainly in evidence in oil-related activity. Losses in the bank's wider loan portfolio are very low.

The CET1 ratio has increased to 15 per cent, and is as targeted. The leverage ratio of 7.5 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.

Jan-Frode Janson took up duties as Group CEO on 1 May.

The board of directors expects 2019 to be a good year for SpareBank 1 SMN, with at least 50 per cent of the profit being disbursed as dividend to investors and the society at large.

Trondheim, 7 August 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.)

Jan-Frode Janson
(Group CEO)

Income statement

| Parent bank | | | | | | Group | | | | | |
|--------------|--------------|--------------|--------------|--------------|--|-------|--------------|--------------|--------------|--------------|--------------|
| | | First half | | | | | | First half | | | |
| 2018 | 2Q 18 | 2Q 19 | 2018 | 2019 | (NOKm) | Note | 2019 | 2018 | 2Q 19 | 2Q 18 | 2018 |
| 3,335 | 812 | 910 | 1,611 | 1,777 | Interest income effective interest method | | 1,968 | 1,766 | 1,007 | 891 | 3,660 |
| 401 | 99 | 121 | 187 | 236 | Other interest income | | 234 | 185 | 120 | 98 | 398 |
| 1,640 | 404 | 457 | 795 | 878 | Interest expenses | | 889 | 802 | 463 | 408 | 1,655 |
| 2,097 | 506 | 574 | 1,002 | 1,136 | Net interest | 10 | 1,313 | 1,149 | 664 | 581 | 2,403 |
| 1,102 | 274 | 276 | 551 | 537 | Commission income | | 692 | 700 | 363 | 361 | 1,387 |
| 92 | 26 | 26 | 45 | 44 | Commission expenses | | 91 | 82 | 51 | 45 | 168 |
| 32 | 8 | 6 | 18 | 13 | Other operating income | | 556 | 530 | 294 | 291 | 958 |
| 1,042 | 256 | 256 | 523 | 507 | Commission income and other income | | 1,157 | 1,149 | 606 | 607 | 2,177 |
| 516 | 493 | 477 | 495 | 812 | Dividends | | 13 | 6 | 11 | 4 | 8 |
| - | - | - | - | - | Income from investment in related companies | 3 | 786 | 181 | 231 | 102 | 416 |
| 152 | 130 | 8 | 169 | 96 | Net return on financial investments | 3 | 264 | 293 | 95 | 195 | 334 |
| 668 | 623 | 485 | 664 | 908 | Net return on financial investments | | 1,063 | 480 | 336 | 300 | 757 |
| 3,807 | 1,385 | 1,315 | 2,190 | 2,550 | Total income | | 3,533 | 2,778 | 1,607 | 1,488 | 5,337 |
| 577 | 150 | 152 | 305 | 314 | Staff costs | | 885 | 817 | 438 | 413 | 1,584 |
| 685 | 176 | 181 | 327 | 352 | Other operating expenses | | 520 | 490 | 263 | 248 | 1,040 |
| 1,262 | 326 | 333 | 632 | 666 | Total operating expenses | 11 | 1,404 | 1,306 | 701 | 661 | 2,624 |
| 2,546 | 1,059 | 982 | 1,557 | 1,884 | Result before losses | | 2,129 | 1,471 | 907 | 827 | 2,713 |
| 229 | 67 | 45 | 112 | 104 | Loss on loans, guarantees etc. | 6,7 | 126 | 127 | 59 | 78 | 263 |
| 2,316 | 992 | 937 | 1,445 | 1,779 | Result before tax | 3 | 2,003 | 1,345 | 848 | 748 | 2,450 |
| 456 | 127 | 140 | 241 | 236 | Tax charge | | 274 | 287 | 165 | 156 | 509 |
| 62 | 80 | - | 80 | - | Result investment held for sale, after tax | 2,3 | 0 | 151 | 0 | 150 | 149 |
| 1,922 | 944 | 797 | 1,285 | 1,544 | Net profit | | 1,729 | 1,209 | 683 | 743 | 2,090 |
| 36 | 9 | 9 | 19 | 28 | Attributable to additional Tier 1 Capital holders | | 29 | 20 | 10 | 9 | 37 |
| 1,207 | 598 | 504 | 809 | 969 | Attributable to Equity capital certificate holders | | 1,066 | 744 | 416 | 458 | 1,291 |
| 680 | 337 | 284 | 456 | 546 | Attributable to the saving bank reserve | | 601 | 419 | 234 | 258 | 727 |
| | | | | | Attributable to non-controlling interests | | 33 | 27 | 22 | 19 | 34 |
| 1,922 | 944 | 797 | 1,285 | 1,544 | Net profit | | 1,729 | 1,209 | 683 | 743 | 2,090 |
| | | | | | Profit/diluted profit per ECC | 17 | 8.23 | 5.75 | 3.21 | 3.54 | 9.97 |

Total comprehensive income

| Parent bank | | | | | Group | | | | | |
|---|------------|------------|--------------|--------------|--|--------------|--------------|------------|------------|--------------|
| | | First half | | | | | First half | | | |
| 2018 | 2Q 18 | 2Q 19 | 2018 | 2019 | (NOKm) | 2019 | 2018 | 2Q 19 | 2Q 18 | 2018 |
| 1,922 | 944 | 797 | 1,285 | 1,544 | Net profit | 1,729 | 1,209 | 683 | 743 | 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 | 2 | 1 | 1 | 3 | 1 |
| 12 | - | - | - | - | Total | 2 | -1 | 1 | 3 | 13 |
| Items that will be reclassified to profit/loss | | | | | | | | | | |
| - | 7 | - | 7 | - | - Fair value change on financial assets through other comprehensive income | - | 7 | - | 7 | - |
| -2 | -4 | -1 | -2 | -0 | - Value changes on loans measured at fair value | -0 | -2 | -1 | -4 | -2 |
| - | - | - | - | - | - Share of other comprehensive income of associates and joint venture | -9 | -11 | 14 | -18 | -38 |
| - | - | - | - | - | - Tax | - | -0 | - | 0 | - |
| -2 | 3 | -1 | 5 | -0 | Total | -9 | -6 | 14 | -15 | -40 |
| 11 | 3 | -1 | 5 | -0 | Net other comprehensive income | -8 | -7 | 14 | -12 | -27 |
| 1,933 | 947 | 796 | 1,290 | 1,543 | Total other comprehensive income | 1,721 | 1,202 | 697 | 731 | 2,063 |
| 36 | 9 | 9 | 19 | 28 | Attributable to additional Tier 1 Capital holders | 29 | 20 | 10 | 9 | 37 |
| 1,213 | 600 | 504 | 813 | 969 | Attributable to Equity capital certificate holders | 1,061 | 739 | 425 | 451 | 1,274 |
| 684 | 338 | 284 | 458 | 546 | Attributable to the saving bank reserve | 598 | 417 | 240 | 254 | 718 |
| | | | | | Attributable to non-controlling interests | 33 | 26 | 22 | 18 | 34 |
| 1,933 | 947 | 796 | 1,290 | 1,543 | Total other comprehensive Income | 1,721 | 1,202 | 697 | 731 | 2,063 |

Balance sheet

| Parent bank | | | (NOKm) | Note | Group | | |
|----------------|----------------|----------------|--|------|----------------|----------------|----------------|
| 31 Dec 2018 | 30 June 2018 | 30 June 2019 | | | 30 June 2019 | 30 June 2018 | 31 Dec 2018 |
| 883 | 1,403 | 1,278 | Cash and receivables from central banks | | 1,278 | 1,403 | 883 |
| 11,178 | 10,801 | 15,167 | Deposits with and loans to credit institutions | | 8,612 | 5,078 | 5,074 |
| 112,659 | 108,020 | 113,250 | Net loans to and receivables from customers | 5 | 121,025 | 114,683 | 119,728 |
| 20,428 | 18,721 | 19,950 | Fixed-income CDs and bonds | 15 | 19,870 | 18,640 | 20,348 |
| 3,914 | 2,878 | 3,646 | Derivatives | 15 | 3,767 | 2,911 | 4,119 |
| 391 | 355 | 364 | Shares, units and other equity interests | 15 | 2,202 | 2,540 | 1,873 |
| 4,309 | 4,130 | 4,560 | Investment in related companies | | 6,406 | 5,748 | 6,098 |
| 2,610 | 2,619 | 2,752 | Investment in group companies | | - | - | - |
| 82 | 82 | 82 | Investment held for sale | 2 | 41 | 48 | 43 |
| 533 | 532 | 519 | Intangible assets | | 878 | 842 | 851 |
| 733 | 6,413 | 1,774 | Other assets | 12 | 3,210 | 7,692 | 1,687 |
| 157,720 | 155,956 | 163,343 | Total assets | | 167,289 | 159,584 | 160,704 |
| 8,546 | 8,708 | 10,753 | Deposits from credit institutions | | 11,793 | 9,889 | 9,214 |
| 81,448 | 81,080 | 87,597 | Deposits from and debt to customers | 9 | 86,553 | 80,343 | 80,615 |
| 44,269 | 43,234 | 39,578 | Debt created by issue of securities | 14 | 39,578 | 43,234 | 44,269 |
| 2,933 | 2,857 | 3,316 | Derivatives | 15 | 3,479 | 2,981 | 2,982 |
| 1,892 | 2,035 | 2,990 | Other liabilities | 13 | 4,172 | 2,955 | 2,670 |
| - | - | - | Investment held for sale | 2 | 0 | 8 | 1 |
| 2,224 | 2,147 | 2,219 | Subordinated loan capital | 14 | 2,263 | 2,189 | 2,268 |
| 141,311 | 140,060 | 146,453 | Total liabilities | | 147,839 | 141,600 | 142,018 |
| 2,597 | 2,597 | 2,597 | Equity capital certificates | | 2,597 | 2,597 | 2,597 |
| -0 | -0 | -0 | Own holding of ECCs | | -3 | -11 | -4 |
| 895 | 895 | 895 | Premium fund | | 895 | 895 | 895 |
| 5,602 | 5,079 | 5,602 | Dividend equalisation fund | | 5,591 | 5,075 | 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 |
| - | -12 | -1 | Other equity capital | | 1,566 | 1,503 | 1,608 |
| 1,000 | 1,094 | 972 | Additional Tier 1 Capital | | 1,013 | 1,136 | 1,043 |
| - | 1,285 | 1,544 | Profit for the period | | 1,729 | 1,209 | - |
| | | | Non-controlling interests | | 781 | 621 | 637 |
| 16,409 | 15,895 | 16,889 | Total equity capital | | 19,450 | 17,984 | 18,686 |
| 157,720 | 155,956 | 163,343 | Total liabilities and equity | | 167,289 | 159,584 | 160,704 |

Cash flow statement

| Parent bank | | | Group | | |
|---------------|---------------|---------------|---------------|---------------|---------------|
| First half | | | First half | | |
| 2018 | 2018 | 2019 (NOKm) | 2019 | 2018 | 2018 |
| 1,922 | 1,285 | 1,544 | 1,729 | 1,209 | 2,090 |
| 66 | 30 | 56 | 90 | 43 | 98 |
| 229 | 112 | 104 | 126 | 127 | 263 |
| 2,218 | 1,427 | 1,704 | 1,945 | 1,378 | 2,451 |
| 366 | -4,268 | -3,080 | -3,230 | -4,610 | 170 |
| 575 | 642 | 1,481 | 1,999 | 678 | 387 |
| -8,138 | -3,382 | -696 | -1,423 | -3,878 | -9,059 |
| -1,636 | -1,258 | -1,324 | -873 | -864 | -860 |
| 4,086 | 3,717 | 6,149 | 5,938 | 3,867 | 4,140 |
| -501 | -339 | 2,208 | 2,579 | 282 | -393 |
| -533 | 1,174 | 478 | 479 | 1,096 | -613 |
| -3,563 | -2,287 | 6,921 | 7,414 | -2,050 | -3,778 |
| -60 | -33 | -402 | -723 | -79 | -126 |
| 140 | 311 | -393 | -211 | 661 | 232 |
| -222 | -180 | 27 | -329 | -708 | -47 |
| -141 | 98 | -768 | -1,263 | -126 | 59 |
| 66 | -12 | -6 | -4 | -12 | 66 |
| - | 0 | 1 | 3 | -11 | 15 |
| -571 | -571 | -661 | -661 | -571 | -571 |
| -322 | -322 | -373 | -373 | -322 | -322 |
| 14 | 144 | -28 | -29 | 144 | 13 |
| 2,087 | 1,040 | -4,691 | -4,691 | 1,038 | 2,088 |
| 1,274 | 280 | -5,758 | -5,755 | 267 | 1,289 |
| -2,430 | -1,910 | 395 | 395 | -1,910 | -2,430 |
| 3,313 | 3,313 | 883 | 883 | 3,313 | 3,313 |
| 883 | 1,403 | 1,278 | 1,278 | 1,403 | 883 |
| -2,430 | -1,910 | 395 | 395 | -1,910 | -2,430 |

Change in equity

| Parent Bank (NOKm) | Issued equity | | Earned equity | | | | | | Additional Tier 1 Capital | Total equity |
|---|---------------|-----------------|----------------------|---------------------------|-----------------------|--------------------------------|-----------------|--------------|---------------------------------|-----------------|
| | EC capital | Premium fund | Ownerless capital | Equali- sation fund | Dividend and gifts | Unrealised gains reserve | Other equity | | | |
| Equity at 31 December 2017 | 2,597 | 895 | 4,831 | 5,079 | 893 | 126 | - | 950 | 15,372 | |
| Implementation effect IFRS 9 | - | - | - | - | - | - | -17 | - | -17 | |
| 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 | 155 | - | 1,000 | 16,409 | |

| Parent Bank (NOKm) | Issued equity | | Earned equity | | | | | | Additional Tier 1 Capital | Total equity |
|---|---------------|-----------------|----------------------|---------------------------|-----------------------|--------------------------------|-----------------|--------------|---------------------------------|-----------------|
| | EC capital | Premium fund | Ownerless capital | Equali- sation fund | Dividend and gifts | Unrealised gains reserve | Other equity | | | |
| Equity at 1 January 2019 | 2,597 | 895 | 5,126 | 5,602 | 1,034 | 155 | - | 1,000 | 16,409 | |
| Net profit | - | - | - | - | - | - | 1,544 | - | 1,544 | |
| Other comprehensive income | | | | | | | | | | |
| Value changes on loans measured at fair value | - | - | - | - | - | - | -0 | - | -0 | |
| Actuarial gains (losses), pensions | - | - | - | - | - | - | - | - | - | |
| Other comprehensive income | - | - | - | - | - | - | -0 | - | - | |
| Total other comprehensive income | - | - | - | - | - | - | 1,543 | - | 1,543 | |
| Transactions with owners | | | | | | | | | | |
| Dividend declared for 2018 | - | - | - | - | -661 | - | - | - | -661 | |
| To be disbursed from gift fund | - | - | - | - | -373 | - | - | - | -373 | |
| Interest payments additional Tier 1 capital | - | - | - | - | - | - | - | -28 | -28 | |
| Purchase and sale of own ECCs | -0 | - | - | -0 | - | - | - | - | -0 | |
| Direct recognitions in equity | - | - | - | - | - | - | -1 | - | -1 | |
| Total transactions with owners | -0 | - | - | -0 | -1,034 | - | -1 | -28 | -1,063 | |
| Equity at 30 June 2018 | 2,597 | 895 | 5,126 | 5,602 | - | 155 | 1,543 | 972 | 16,889 | |

| Group | Attributable to parent company equity holders | | | | | | | | | |
|--|---|--------------|--------------------|-------------------|--------------------|--------------------------|--------------|--------------|---------------------------|---------------------------|
| | Issued equity | | Earned equity | | | Unrealised gains reserve | | Other equity | Additional Tier 1 Capital | Non-controlling interests |
| (NOKm) | EC capital | Premium fund | Owner-less capital | Equalisation fund | Dividend and gifts | | | | | |
| Equity at 31 December 2017 | 2,588 | 895 | 4,831 | 5,072 | 893 | 126 | 1,547 | 993 | 565 | 17,510 |
| Implementation effect IFRS 9 | - | - | - | - | - | - | -24 | - | - | -24 |
| 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 |
| Value changes on loans measured at fair value | - | - | - | - | - | - | -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 | 1,608 | 1,043 | 637 | 18,686 |

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

| (NOKm) | Attributable to parent company equity holders | | | | | | | | | | |
|--|---|--------------|--------------------|-------------------|--------------------|--------------------------|--------------|--------------|---------------------------|---------------------------|---------------|
| | Issued equity | | Earned equity | | | | | | Additional Tier 1 Capital | Non-controlling interests | Total equity |
| | EC capital | Premium fund | Owner-less capital | Equalisation fund | Dividend and gifts | Unrealised gains reserve | Other 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 | - | - | - | - | - | - | 1,696 | - | | 33 | 1,729 |
| Other comprehensive income | | | | | | | | | | | |
| Share of other comprehensive income of associates and joint ventures | - | - | - | - | - | - | -7 | - | | - | -7 |
| Value changes on loans measured at fair value | - | - | - | - | - | - | -0 | - | | - | -0 |
| Actuarial gains (losses), pensions | - | - | - | - | - | - | - | - | | - | - |
| Other comprehensive income | - | - | - | - | - | - | -8 | - | | - | -8 |
| Total other comprehensive income | - | - | - | - | - | - | 1,689 | - | | 33 | 1,721 |
| 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 | - | - | - | - | - | - | - | -29 | | - | -29 |
| Purchase and sale of own ECCs | -0 | - | - | -0 | - | - | - | - | | - | -0 |
| Own ECC held by SB1 Markets*) | 1 | - | - | -3 | - | - | 6 | - | | - | 3 |
| Direct recognitions in equity | - | - | - | - | - | - | 15 | - | | - | 15 |
| Share of other transactions from associates and joint ventures | - | - | - | - | - | - | -22 | - | | - | -22 |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | | 111 | 111 |
| Total transactions with owners | 1 | - | - | -3 | -1,034 | - | -2 | -29 | | 111 | -957 |
| Equity at 30 June 2019 | 2,593 | 895 | 5,126 | 5,591 | - | 155 | 3,295 | 1,013 | | 781 | 19,450 |

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

Notes

Contents

| | |
|--|----|
| Note 1 - Accounting principles | 27 |
| Note 2 - Critical estimates and assessment concerning the use of accounting principles | 28 |
| Note 3 - Account by business line | 29 |
| Note 4 - Capital adequacy | 32 |
| Note 5 - Distribution of loans by sector/industry | 34 |
| Note 6 - Losses on loans and guarantees | 35 |
| Note 7 - Losses | 36 |
| Note 8 - Gross loans | 38 |
| Note 9 - Distribution of customer deposits by sector/industry | 40 |
| Note 10 - Net interest income | 41 |
| Note 11 - Operating expenses | 42 |
| Note 12 - Other assets | 43 |
| Note 13 - Other liabilities | 44 |
| Note 14 - Debt created by issue of securities and subordinated debt | 45 |
| Note 15 - Measurement of fair value of financial instruments | 46 |
| Note 16 - Liquidity risk | 50 |
| Note 17 - Earnings per Equity Capital Certificate | 51 |

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 half year 2019 are shown below. Comparables have not been restated.

| Parent | Group |
|---|---------------------|
| 30 June 2019 | 30 June 2019 |
| Right to use asset (mill kr) | |
| 374 Book value 1 January 2019 | 621 |
| 22 Additions | 31 |
| -5 Derecognition | 0 |
| 391 Book value 30 June 2019 | 652 |
| 0 Acc depreciation 1 January 2019 | 0 |
| 24 Depreciation in period | 44 |
| 24 Acc depreciation 30 June 2019 | 44 |
| 367 Net book value right to use asset 30 June 2019 | 607 |
| 374 Lease liability 1 January 2019 | 621 |
| 22 Additions | 31 |
| -27 Lease payments in the period | -41 |
| 370 Total | 611 |
| 30 June 2019 Profit and Loss | 30 June 2019 |
| 24 Depreciations | 44 |
| 4 Interest | 6 |
| 28 Total lease expense | 51 |
| Effect of IFRS 16 | |
| 27 Reduced operating expenses under IAS 17 | 41 |
| 28 Increase lease expense under IFRS 16 | 51 |
| -1 Changes in profit before tax in the period | -10 |

Note 2 - Critical estimates and assessment concerning the use of accounting principles

When it prepares the consolidated accounts the management team makes estimates, discretionary assessments and assumptions which influence the application of accounting principles. This accordingly affects recognised amounts for assets, liabilities, revenues and expenses. Last year's annual accounts give a closer explanation of significant estimates and assumptions in Note 3 Critical estimates and assessments concerning the use of accounting principles.

Pensions

The Group has not obtained a new calculation of pensions as of 30 June 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 | 41 | 0 | 2 | 2 | 0 | 100 % |
| Total Held for sale | 41 | 0 | 2 | 2 | 0 | |

Acquisition of DeBank

At 5. February 2019 SpareBank 1 SMN acquired 100 per cent of the shares in DeBank AS for MNOK 40. The acquisition led to a negative 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 |
| Liabilities | |
| 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 30 June 2019

| Profit and loss account (NOKm) | RM | CM | SB1 | | SB1 | SB1 | SB1 | BN | Un- | Total |
|---|---------------|---------------|--------------|--------------|--------------|-------------------------|--------------|--------------|---------------|----------------|
| | | | Markets | EM 1 | Finans MN | Regnskaps- huset SMN | | | | |
| Net interest | 561 | 503 | -9 | -1 | 152 | -1 | - | - | 107 | 1,313 |
| Interest from allocated capital | 103 | 73 | - | - | - | - | - | - | -176 | - |
| Total interest income | 664 | 576 | -9 | -1 | 152 | -1 | - | - | -69 | 1,313 |
| Commission income and other income | 385 | 100 | 264 | 277 | 36 | 291 | - | - | -195 | 1,157 |
| Net return on financial investments (**)) | 0 | 5 | 58 | - | - | - | 224 | 49 | 727 | 1,063 |
| Total income | 1,049 | 681 | 313 | 276 | 187 | 291 | 224 | 49 | 464 | 3,533 |
| Total operating expenses | 431 | 207 | 284 | 262 | 92 | 229 | - | - | -100 | 1,404 |
| Ordinary operating profit | 618 | 475 | 29 | 14 | 95 | 62 | 224 | 49 | 564 | 2,129 |
| Loss on loans, guarantees etc. | 11 | 93 | - | - | 21 | - | - | - | 2 | 126 |
| Result before tax including held for sale | 606 | 382 | 29 | 14 | 74 | 62 | 224 | 49 | 563 | 2,003 |
| Post-tax return on equity*) | 13.8 % | 11.8 % | | | | | | | | 19.0 % |
| Balance | | | | | | | | | | |
| Loans and advances to customers | 115,289 | 38,422 | - | - | 8,429 | - | - | - | 1,486 | 163,627 |
| Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt | -40,193 | -1,539 | - | - | - | - | - | - | 0 | -41,732 |
| Allowance for credit losses | -108 | -707 | - | - | -50 | - | - | - | -4 | -870 |
| Other assets | 232 | 6,198 | 2,935 | 1,949 | 24 | 531 | 1,562 | 1,367 | 31,466 | 46,264 |
| Total assets | 75,220 | 42,374 | 2,935 | 1,949 | 8,403 | 531 | 1,562 | 1,367 | 32,948 | 167,289 |
| Deposits to customers | 42,795 | 42,374 | - | - | - | - | - | - | 1,384 | 86,553 |
| Other liabilities and equity | 32,425 | 0 | 2,935 | 1,949 | 8,403 | 531 | 1,562 | 1,367 | 31,564 | 80,736 |
| Total liabilities and equity | 75,220 | 42,374 | 2,935 | 1,949 | 8,403 | 531 | 1,562 | 1,367 | 32,948 | 167,289 |

Group 30 June 2018

| Profit and loss account (NOKm) | RM | CM | SB1- | SB1- | SB1 | Regnskaps- huset SMN | SB1 Gruppen | BN Bank | Un- collated | Total |
|---|---------------|---------------|--------------|--------------|--------------|-------------------------|----------------|--------------|-----------------|----------------|
| | | | Markets | EM 1 | Finans MN | | | | | |
| Net interest | 503 | 477 | -7 | 2 | 131 | -0 | - | - | 43 | 1,149 |
| Interest from allocated capital | 86 | 64 | - | - | - | - | - | - | -151 | - |
| Total interest income | 589 | 541 | -7 | 2 | 131 | -0 | - | - | -107 | 1,149 |
| Commission income and other income | 397 | 98 | 245 | 261 | 30 | 253 | - | - | -135 | 1,149 |
| Net return on financial investments (**) | 0 | 4 | 58 | - | - | - | 117 | 51 | 249 | 480 |
| Total income | 986 | 643 | 296 | 263 | 162 | 252 | 117 | 51 | 7 | 2,778 |
| Total operating expenses | 398 | 187 | 260 | 245 | 75 | 208 | - | - | -67 | 1,306 |
| Ordinary operating profit | 588 | 456 | 36 | 18 | 87 | 44 | 117 | 51 | 74 | 1,471 |
| Loss on loans, guarantees etc. | 10 | 102 | - | - | 15 | - | - | - | -1 | 127 |
| Result before tax including held for sale | 578 | 354 | 36 | 18 | 72 | 44 | 117 | 51 | 75 | 1,345 |
| Post-tax return on equity* | 13.2 % | 10.8 % | | | | | | | | 14.4 % |
| Balance (NOKm) | | | | | | | | | | |
| Loans and advances to customers | 108,702 | 37,943 | - | - | 7,304 | - | - | - | -842 | 154,790 |
| Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt | -37,304 | -1,699 | - | - | - | - | - | - | - | -39,003 |
| Allowance for credit losses | -67 | -997 | - | - | -39 | - | - | - | 0 | -1,103 |
| Other assets | 138 | 4,847 | 2,970 | 1,656 | 17 | 395 | 1,396 | 1,197 | 32,285 | 44,901 |
| Total assets | 71,468 | 40,094 | 2,970 | 1,656 | 7,282 | 395 | 1,396 | 1,197 | 33,126 | 159,584 |
| Deposits to customers | 40,372 | 38,390 | - | - | - | - | - | - | 1,581 | 80,343 |
| Other liabilities and equity | 31,097 | 1,704 | 2,970 | 1,656 | 7,282 | 395 | 1,396 | 1,197 | 31,545 | 79,241 |
| Total liabilities and equity | 71,468 | 40,094 | 2,970 | 1,656 | 7,282 | 395 | 1,396 | 1,197 | 33,126 | 159,584 |

*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 15.0 percent to be in line with the capital plan per 31 December 2019

| | 30 June 2019 | 30 June 2018 |
|--|-----------------|-----------------|
| **) Specification of net return on financial investments incl. Investment held for sale (NOKm) | | |
| Dividends | 13 | 6 |
| Capital gains shares (incl dividends) | 107 | 117 |
| Gain/(loss) on derivatives | 47 | -36 |
| Gain/(loss) on other financial instruments at fair value (FVO) | 63 | 142 |
| Foreign exchange gain/(loss) | -5 | -6 |
| Gain/(loss) on certificates and bonds | 6 | 12 |
| Gains/(Loss) on shares and share derivatives at SpareBank 1 Markets | 23 | 26 |
| Gain/(loss) on financial instruments related to hedging | 23 | 37 |
| Net return on financial instruments | 264 | 293 |
| SpareBank 1 Gruppen | 224 | 117 |
| Gain Fremtind Forsikring | 460 | - |
| SpareBank 1 Boligkreditt | 22 | -5 |
| SpareBank 1 Næringskreditt | 10 | 8 |
| BN Bank | 51 | 53 |
| SpareBank 1 Kredittkort | 8 | 11 |
| SpareBank 1 Betaling | 10 | -6 |
| Other companies | 1 | 5 |
| Income from investment in associates and joint ventures | 786 | 181 |
| Total net return on financial investments | 1,063 | 480 |
| Fair value hedging | | |
| Changes in fair value on hedging instrument | -224 | -115 |
| Changes in fair value on hedging item | 219 | 109 |
| Net Gain or Loss from hedge accounting | -5 | -6 |

Note 4 - Capital adequacy

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

As of 30 June 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 half 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 30 June 2019 the bank held hybrid capital worth NOK 450 million subject to write-down.

| Parent Bank | | | | Group | | |
|---------------|---------------|---------------|---|---------------|---------------|---------------|
| 31 Dec 2018 | 30 June 2018 | 30 June 2019 | (NOKm) | 30 June 2019 | 30 June 2018 | 31 Dec 2018 |
| 16,409 | 15,895 | 16,889 | Total book equity | 19,450 | 17,984 | 18,686 |
| -1,000 | -1,094 | -972 | Additional Tier 1 capital instruments included in total equity | -1,013 | -1,136 | -1,043 |
| -533 | -532 | -519 | Deferred taxes, goodwill and other intangible assets | -1,105 | -1,044 | -1,079 |
| -1,034 | - | - | Deduction for allocated dividends and gifts | - | - | -1,034 |
| - | - | - | Non-controlling interests recognised in other equity capital | -781 | -621 | -637 |
| - | - | - | Non-controlling interests eligible for inclusion in CET1 capital | 447 | 357 | 366 |
| - | -1,285 | -1,544 | Net profit | -1,729 | -1,209 | - |
| - | 690 | 694 | Year-to-date profit included in core capital (50 per cent pre tax of group profit in 2018) | 879 | 614 | - |
| -31 | -28 | -31 | Value adjustments due to requirements for prudent valuation | -44 | -46 | -44 |
| -268 | -298 | -290 | Positive value of adjusted expected loss under IRB Approach | -309 | -299 | -286 |
| - | - | - | Cash flow hedge reserve | 5 | 4 | 5 |
| -163 | - | -185 | Deduction for common equity Tier 1 capital in significant investments in financial institutions | -175 | -74 | -206 |
| 13,381 | 13,349 | 14,042 | Total common equity Tier one | 15,625 | 14,528 | 14,727 |
| 1,000 | 1,114 | 1,000 | Additional Tier 1 capital instruments | 1,384 | 1,592 | 1,378 |
| 367 | 367 | 275 | Additional Tier 1 capital instruments covered by transitional provisions | 275 | 367 | 367 |
| 14,748 | 14,830 | 15,318 | Total core capital | 17,284 | 16,488 | 16,472 |
| | | | Supplementary capital in excess of core capital | | | |
| 1,750 | 1,000 | 1,750 | Subordinated capital | 2,310 | 1,621 | 2,316 |
| 96 | 449 | 182 | Subordinated capital covered by transitional provisions | 182 | 449 | 96 |
| -140 | -141 | -141 | Deduction for significant investments in financial institutions | -141 | -141 | -140 |
| 1,705 | 1,308 | 1,791 | Total supplementary capital | 2,351 | 1,930 | 2,272 |
| 16,453 | 16,138 | 17,108 | Net subordinated capital | 19,634 | 18,418 | 18,743 |

| Minimum requirements subordinated capital | | | | | | |
|--|---------------|---------------|---|----------------|---------------|----------------|
| 967 | 951 | 938 | Specialised enterprises | 1,094 | 1,072 | 1,116 |
| 1,156 | 1,115 | 1,156 | Corporate | 1,163 | 1,128 | 1,163 |
| 1,516 | 1,459 | 1,521 | Mass market exposure, property | 2,166 | 2,010 | 2,098 |
| 90 | 93 | 99 | Other mass market | 102 | 96 | 92 |
| 1,062 | 1,037 | 1,115 | Equity investments | 1 | 1 | 1 |
| 4,790 | 4,655 | 4,829 | Total credit risk IRB | 4,525 | 4,307 | 4,470 |
| 3 | 2 | 2 | Central government | 3 | 2 | 4 |
| 87 | 84 | 83 | Covered bonds | 136 | 146 | 124 |
| 390 | 407 | 412 | Institutions | 300 | 262 | 246 |
| - | - | - | Local and regional authorities, state-owned enterprises | 8 | 9 | 8 |
| 23 | 46 | 35 | Corporate | 237 | 255 | 221 |
| 73 | 16 | 38 | Mass market | 525 | 438 | 520 |
| 12 | 14 | 14 | Exposures secured on real property | 207 | 195 | 215 |
| 228 | 260 | 236 | Equity positions | 369 | 359 | 366 |
| 57 | 66 | 83 | Other assets | 167 | 128 | 107 |
| 873 | 895 | 902 | Total credit risk standardised approach | 1,952 | 1,796 | 1,810 |
| 30 | 21 | 34 | Debt risk | 35 | 23 | 31 |
| - | - | - | Equity risk | 14 | 11 | 7 |
| - | - | - | Currency risk and risk exposure for settlement/delivery | 3 | 4 | 3 |
| 370 | 370 | 387 | Operational risk | 656 | 575 | 575 |
| 39 | 45 | 28 | Credit value adjustment risk (CVA) | 122 | 110 | 122 |
| - | - | - | Transitional arrangements | 1,032 | 946 | 1,074 |
| 6,102 | 5,986 | 6,181 | Minimum requirements subordinated capital | 8,339 | 7,771 | 8,093 |
| 76,274 | 74,823 | 77,257 | Risk weighted assets (RWA) | 104,240 | 97,137 | 101,168 |
| 3,432 | 3,367 | 3,477 | Minimum requirement on CET1 capital, 4.5 per cent | 4,691 | 4,371 | 4,553 |
| Capital Buffers | | | | | | |
| 1,907 | 1,871 | 1,931 | Capital conservation buffer, 2.5 per cent | 2,606 | 2,428 | 2,529 |
| 2,288 | 2,245 | 2,318 | Systemic risk buffer, 3.0 per cent | 3,127 | 2,914 | 3,035 |
| 1,525 | 1,496 | 1,545 | Countercyclical buffer, 2.0 per cent | 2,085 | 1,943 | 2,023 |
| 5,721 | 5,612 | 5,794 | Total buffer requirements on CET1 capital | 7,818 | 7,285 | 7,588 |
| 4,228 | 4,370 | 4,771 | Available CET1 capital after buffer requirements | 3,116 | 2,872 | 2,587 |
| Capital adequacy | | | | | | |
| 17.5 % | 17.8 % | 18.2 % | Common equity Tier one ratio | 15.0 % | 15.0 % | 14.6 % |
| 19.3 % | 19.8 % | 19.8 % | Core capital ratio | 16.6 % | 17.0 % | 16.3 % |
| 21.6 % | 21.6 % | 22.1 % | Capital adequacy ratio | 18.8 % | 19.0 % | 18.5 % |
| Leverage ratio | | | | | | |
| 153,395 | 152,080 | 156,091 | Balance sheet items | 223,781 | 216,406 | 216,240 |
| 7,110 | 7,235 | 6,824 | Off-balance sheet items | 8,343 | 9,345 | 9,086 |
| -832 | -858 | -840 | Regulatory adjustments | -1,458 | -1,480 | -1,474 |
| 159,673 | 158,457 | 162,075 | Calculation basis for leverage ratio | 230,667 | 224,271 | 223,853 |
| 14,748 | 14,830 | 15,318 | Core capital | 17,284 | 16,488 | 16,472 |
| 9.2 % | 9.4 % | 9.5 % | Leverage Ratio | 7.5 % | 7.4 % | 7.4 % |

Note 5 - Distribution of loans by sector/industry

| Parent Bank | | | | Group | | |
|----------------|----------------|----------------|---|----------------|----------------|----------------|
| 31 Dec 2018 | 30 June 2018 | 30 June 2019 | (NOKm) | 30 June 2019 | 30 June 2018 | 31 Dec 2018 |
| 12,362 | 11,825 | 12,559 | Agriculture, forestry, fisheries, hunting | 12,902 | 12,137 | 12,686 |
| 869 | 1,204 | 858 | Sea farming industries | 1,160 | 1,556 | 1,180 |
| 3,438 | 2,461 | 2,757 | Manufacturing | 3,118 | 2,794 | 3,787 |
| 2,947 | 2,649 | 2,892 | Construction, power and water supply | 3,678 | 3,349 | 3,661 |
| 2,335 | 2,633 | 2,483 | Retail trade, hotels and restaurants | 2,826 | 2,902 | 2,621 |
| 4,227 | 4,706 | 4,667 | Maritime sector | 4,667 | 4,706 | 4,227 |
| 15,107 | 14,564 | 14,660 | Property management | 14,726 | 14,623 | 15,168 |
| 2,531 | 2,514 | 2,435 | Business services | 2,088 | 2,195 | 2,162 |
| 4,145 | 3,747 | 4,427 | Transport and other services provision | 5,285 | 4,545 | 4,961 |
| 44 | 7 | 3 | Public administration | 15 | 19 | 55 |
| 1,658 | 1,820 | 2,080 | Other sectors | 2,036 | 1,852 | 1,679 |
| 49,663 | 48,128 | 49,820 | Gross loans in retail market | 52,499 | 50,676 | 52,186 |
| 103,537 | 99,959 | 105,977 | Wage earners | 111,128 | 104,114 | 108,131 |
| 153,200 | 148,087 | 155,797 | Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt | 163,627 | 154,790 | 160,317 |
| 38,062 | 37,172 | 40,064 | of which SpareBank 1 Boligkreditt | 40,064 | 37,172 | 38,062 |
| 1,782 | 1,831 | 1,668 | of which SpareBank 1 Næringskreditt | 1,668 | 1,831 | 1,782 |
| 113,356 | 109,084 | 114,065 | Gross loans in balance sheet | 121,895 | 115,787 | 120,473 |
| 639 | 1,012 | 769 | - Loan loss allowance on amortised cost loans | 824 | 1,052 | 686 |
| 58 | 52 | 46 | - Loan loss allowance on loans at FVOCI | 46 | 52 | 58 |
| 112,659 | 108,020 | 113,250 | Net loans to and receivables from customers | 121,025 | 114,683 | 119,728 |

Note 6 - Losses on loans and guarantees

| Parent Bank | First half 2019 | | | First half 2018 | | | Januar - December 2018 | | |
|---|--------------------|-----------|------------|--------------------|------------|------------|---------------------------|------------|------------|
| | RM | CM | Total | RM | CM | Total | RM | CM | Total |
| Losses on loans and guarantees (NOKm) | | | | | | | | | |
| Change in provision for expected credit losses for the period | 7 | 92 | 99 | 8 | 63 | 71 | 18 | 126 | 144 |
| Actual loan losses on commitments exceeding provisions made | 4 | 4 | 8 | 3 | 41 | 45 | 6 | 86 | 93 |
| Recoveries on commitments previously written-off | - | -3 | -3 | -3 | -0 | -4 | -7 | -1 | -8 |
| Losses for the period on loans and guarantees | 11 | 93 | 104 | 7 | 104 | 112 | 17 | 212 | 229 |

| Group | First half 2019 | | | First half 2018 | | | Januar - December 2018 | | |
|---|--------------------|------------|------------|--------------------|------------|------------|---------------------------|------------|------------|
| | RM | CM | Total | RM | CM | Total | RM | CM | Total |
| Losses on loans and guarantees (NOKm) | | | | | | | | | |
| Change in provision for expected credit losses for the period | 9 | 96 | 105 | 7 | 62 | 70 | 23 | 127 | 150 |
| Actual loan losses on commitments exceeding provisions made | 16 | 9 | 25 | 17 | 50 | 66 | 30 | 98 | 127 |
| Recoveries on commitments previously written-off | -0 | -4 | -4 | -8 | -1 | -9 | -13 | -1 | -15 |
| Losses for the period on loans and guarantees | 25 | 101 | 126 | 16 | 111 | 127 | 40 | 223 | 263 |

Note 7 - Losses

| Parent Bank (NOKm) | 1 January 19 | Change in provision | Net write-offs /recoveries | 30 June 2019 |
|---|--------------|---------------------|----------------------------|--------------|
| Loans as amortised cost- CM | 742 | 80 | 5 | 827 |
| Loans as amortised cost- RM | 45 | 15 | 4 | 63 |
| Loans at fair value over OCI- RM | 75 | -12 | - | 63 |
| Provision for expected credit losses on loans and guarantees | 862 | 83 | 8 | 953 |
| Presented as | | | | |
| Provision for loan losses | 697 | 110 | 8 | 815 |
| Other debt- provisons | 148 | -27 | - | 121 |
| Other comprehensive income - fair value adjustment | 17 | -0 | - | 16 |

| Parent Bank (NOKm) | 1 January 18 | Change in provision | Net write-offs /recoveries | 30 June 18 |
|---|--------------|---------------------|----------------------------|--------------|
| Loans as amortised cost- CM | 1,017 | 33 | 14 | 1,063 |
| Loans as amortised cost- RM | 32 | 3 | 0 | 35 |
| Loans at fair value over OCI- RM | 65 | 3 | -0 | 68 |
| Provision for expected credit losses on loans and guarantees | 1,114 | 39 | 13 | 1,166 |
| Presented as | | | | |
| Provision for loan losses | 1,027 | 23 | 14 | 1,064 |
| Other debt- provisons | 68 | 17 | - | 85 |
| Other comprehensive income- fair value adjustment | 18 | -1 | - | 17 |

| 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 | 30 June 2019 |
|---|--------------|---------------------|----------------------------|--------------|
| Loans as amortised cost- CM | 766 | 86 | 4 | 857 |
| Loans as amortised cost- RM | 68 | 17 | 4 | 88 |
| Loans at fair value over OCI- RM | 75 | -12 | - | 63 |
| Provision for expected credit losses on loans and guarantees | 909 | 91 | 8 | 1,008 |
| Presented as | | | | |
| Provision for loan losses | 744 | 118 | 8 | 870 |
| Other debt- provisons | 148 | -27 | - | 121 |
| Other comprehensive income - fair value adjustment | 17 | -0 | - | 16 |

| Group (NOKm) | 1 January 18 | Change in provision | Net write-offs/ recoveries | 30 June 18 |
|---|--------------|---------------------|----------------------------|--------------|
| Loans as amortised cost- CM | 1,037 | 33 | 13 | 1,083 |
| Loans as amortised cost- RM | 52 | 3 | -1 | 22 |
| Loans at fair value over OCI- RM | 65 | 3 | -0 | 100 |
| Provision for expected credit losses on loans and guarantees | 1,154 | 39 | 13 | 1,205 |
| Presented as | | | | |
| Provision for loan losses | 1,068 | 22 | 13 | 1,103 |
| Other debt- provisions | 68 | 17 | | 85 |
| Other comprehensive income- fair value adjustment | 18 | -1 | | 17 |

| 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 | First half 2019 | | | | First half 2018 | | | | 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 | 26 | -25 | -0 | - | 24 | -24 | - | - | 32 | -32 | - | - |
| Transfer to (from) stage 2 | -3 | 4 | -0 | - | -5 | 5 | - | - | -6 | 6 | - | - |
| Transfer to (from) stage 3 | -0 | -2 | 3 | - | - | -2 | 2 | - | - | -2 | 3 | - |
| Net remeasurement of loss allowances | -29 | 57 | 114 | 141 | -30 | 48 | 49 | 67 | -34 | 45 | 158 | 168 |
| Originations or purchases | 24 | 13 | 0 | 37 | 28 | 21 | 1 | 50 | 55 | 93 | 1 | 148 |
| Derecognitions | -19 | -59 | -1 | -79 | -15 | -47 | -3 | -65 | -40 | -108 | -4 | -153 |
| Actual loan losses | - | - | -8 | -8 | - | - | - | - | - | - | - | - |
| Closing balance | 99 | 244 | 610 | 953 | 98 | 257 | 811 | 1,166 | 102 | 257 | 503 | 862 |

Group

| Total Allowance for Credit Losses | First half 2019 | | | | First half 2018 | | | | 2018 | | | |
|--------------------------------------|-----------------|------------|------------|--------------|-----------------|------------|------------|--------------|------------|------------|------------|--------------|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | 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 | 28 | -27 | -0 | - | 27 | -26 | - | - | 34 | -33 | - | - |
| Transfer to (from) stage 2 | -5 | 6 | -2 | - | -4 | 4 | - | - | -7 | 7 | - | - |
| Transfer to (from) stage 3 | -0 | -3 | 4 | - | - | -3 | 3 | - | - | -4 | 4 | - |
| Net remeasurement of loss allowances | -31 | 58 | 120 | 147 | -31 | 49 | 47 | 65 | -37 | 47 | 167 | 177 |
| Originations or purchases | 27 | 15 | 3 | 45 | 31 | 23 | 1 | 55 | 59 | 96 | 3 | 158 |
| Derecognitions | -20 | -61 | -4 | -85 | -16 | -48 | -4 | -69 | -42 | -111 | -11 | -163 |
| Actual loan losses | - | - | -8 | -8 | - | - | - | - | - | - | -417 | -417 |
| Closing balance | 110 | 258 | 639 | 1,008 | 112 | 266 | 827 | 1,205 | 112 | 271 | 526 | 909 |

Note 8 - Gross loans

| Parent Bank | Loans subject to impairment | | | Fixed interest loans at FV | Total |
|---|-----------------------------|--------------|--------------|----------------------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | | |
| Gross loan | | | | | |
| Balance at 1 January 2019 | 97,458 | 9,888 | 1,543 | 4,467 | 113,356 |
| Transfer to stage 1 | 2,117 | -2,100 | -17 | - | - |
| Transfer to stage 2 | -1,753 | 1,779 | -26 | - | - |
| Transfer to stage 3 | -22 | -306 | 328 | - | - |
| Net increase/decrease amount existing loans | -4,880 | -69 | 10 | -67 | -5,006 |
| New loans | 26,489 | 560 | 162 | 622 | 27,834 |
| Derecognitions | -20,054 | -1,651 | -177 | -236 | -22,118 |
| Balance at 30 June 2019 | 99,355 | 8,101 | 1,823 | 4,787 | 114,065 |

| Parent Bank | Loans subject to impairment | | | Fixed interest loans at FV | Total |
|---|-----------------------------|--------------|--------------|----------------------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | | |
| Gross loans | | | | | |
| Balance at 1 January 18 | 91,074 | 9,931 | 1,560 | 3,278 | 105,843 |
| Transfer to stage 1 | 1,599 | -1,592 | -7 | - | - |
| Transfer to stage 2 | -2,110 | 2,133 | -24 | - | - |
| Transfer to stage 3 | -34 | -175 | 210 | - | - |
| Net increase/decrease amount existing loans | -3,905 | -92 | -50 | -60 | -4,107 |
| New loans | 26,988 | 765 | 67 | 987 | 28,807 |
| Derecognitions | -18,774 | -1,956 | -88 | -641 | -21,459 |
| Balance at 30 June 2018 | 94,839 | 9,013 | 1,668 | 3,565 | 109,084 |

| 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 | | | | | |
| Balance at 1 January 2019 | 103,494 | 10,829 | 1,682 | 4,467 | 120,473 |
| Transfer to stage 1 | 2,274 | -2,256 | -17 | - | - |
| Transfer to stage 2 | -2,163 | 2,205 | -42 | - | - |
| Transfer to stage 3 | -45 | -337 | 382 | - | - |
| Net increase/decrease amount existing loans | -5,237 | -156 | 4 | -67 | -5,455 |
| New loans | 28,261 | 631 | 167 | 622 | 29,681 |
| Derecognitions | -20,650 | -1,739 | -178 | -236 | -22,804 |
| Balance at 30 June 2019 | 105,934 | 9,177 | 1,998 | 4,787 | 121,894 |

| Group | Loans subject to impairment | | | Fixed interest loans at FV | Total |
|---|-----------------------------|---------------|--------------|----------------------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | | |
| Gross loans | | | | | |
| Balance at 1 January 18 | 96,798 | 10,855 | 1,652 | 3,278 | 112,583 |
| Transfer to stage 1 | 1,859 | -1,851 | -8 | - | - |
| Transfer to stage 1 | -2,415 | 2,451 | -36 | - | - |
| Transfer to stage 3 | -43 | -203 | 247 | - | - |
| Net increase/decrease amount existing loans | -4,949 | -191 | -63 | -60 | -5,262 |
| New loans | 28,706 | 853 | 71 | 987 | 30,617 |
| Derecognitions | -19,349 | -2,049 | -111 | -641 | -22,150 |
| Balance at 30 June 2018 | 100,607 | 9,864 | 1,752 | 3,565 | 115,787 |

| 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 | 30 June 2018 | 30 June 2019 | (NOKm) | 30 June 2019 | 30 June 2018 | 31 Dec 2018 |
| 3,066 | 3,001 | 3,056 | Agriculture, forestry, fisheries, hunting | 3,056 | 3,001 | 3,066 |
| 742 | 669 | 784 | Sea farming industries | 784 | 669 | 742 |
| 1,696 | 1,789 | 1,505 | Manufacturing | 1,505 | 1,789 | 1,696 |
| 3,541 | 3,532 | 2,772 | Construction, power and water supply | 2,772 | 3,532 | 3,541 |
| 4,663 | 3,404 | 3,378 | Retail trade, hotels and restaurants | 3,378 | 3,404 | 4,663 |
| 996 | 1,097 | 1,084 | Maritime sector | 1,084 | 1,097 | 996 |
| 4,949 | 5,522 | 5,717 | Property management | 5,418 | 5,282 | 4,644 |
| 6,883 | 6,550 | 8,033 | Business services | 8,033 | 6,550 | 6,883 |
| 6,572 | 6,452 | 7,765 | Transport and other services provision | 7,283 | 6,086 | 6,210 |
| 12,202 | 11,852 | 12,483 | Public administration | 12,483 | 11,852 | 12,202 |
| 3,083 | 2,866 | 4,827 | Other sectors | 4,563 | 2,735 | 2,917 |
| 48,393 | 46,734 | 51,404 | Total | 50,359 | 45,997 | 47,561 |
| 33,055 | 34,346 | 36,194 | Wage earners | 36,194 | 34,346 | 33,055 |
| 81,448 | 81,080 | 87,597 | Total deposits | 86,553 | 80,343 | 80,615 |

Note 10 - Net interest income

| Parent bank | | | Group | | | |
|--------------|--------------|--------------|--|--------------|--------------|--------------|
| First half | | | First half | | | |
| 2018 | 2018 | 2019 | (NOKm) | 2019 | 2018 | 2018 |
| | | | Interest income | | | |
| 166 | 76 | 107 | Interest income from loans to and claims on central banks and credit institutions (amortised cost) | 43 | 28 | 62 |
| 1,641 | 804 | 836 | Interest income from loans to and claims on customers (amortised cost) | 1,064 | 884 | 2,042 |
| 1,528 | 731 | 835 | Interest income from loans to and claims on customers (FVOCI) | 847 | 840 | 1,528 |
| 106 | 49 | 65 | Interest income from loans to and claims on customers (FVPL) | 65 | 49 | 106 |
| 295 | 137 | 171 | Interest income from money market instruments, bonds and other fixed income securities | 169 | 136 | 291 |
| - | 0 | - | Other interest income | 13 | 14 | 28 |
| 3,737 | 1,797 | 2,014 | Total interest income | 2,202 | 1,951 | 4,057 |
| | | | Interest expense | | | |
| 142 | 65 | 72 | Interest expenses on liabilities to credit institutions | 79 | 70 | 154 |
| 749 | 356 | 456 | Interest expenses relating to deposits from and liabilities to customers | 447 | 351 | 734 |
| 615 | 310 | 279 | Interest expenses related to the issuance of securities | 279 | 310 | 615 |
| 84 | 39 | 42 | Interest expenses on subordinated debt | 43 | 40 | 86 |
| 0 | 0 | 5 | Other interest expenses | 15 | 6 | 15 |
| 50 | 25 | 25 | Guarantee fund levy | 25 | 25 | 50 |
| 1,640 | 795 | 878 | Total interest expense | 889 | 802 | 1,655 |
| 2,097 | 1,002 | 1,136 | Net interest income | 1,313 | 1,149 | 2,403 |

Note 11 - Operating expenses

| Parent bank | | | | Group | | |
|-------------|------------|------------|---------------------------------------|------------|------------|--------------|
| First half | | | | First half | | |
| 2018 | 2018 | 2019 | (NOKm) | 2019 | 2018 | 2018 |
| 217 | 107 | 119 | IT costs | 168 | 145 | 293 |
| 12 | 6 | 8 | Postage and transport of valuables | 10 | 9 | 17 |
| 53 | 22 | 27 | Marketing | 51 | 50 | 106 |
| 66 | 30 | 56 | Ordinary depreciation | 90 | 43 | 99 |
| 108 | 56 | 22 | Operating expenses, real properties | 27 | 77 | 153 |
| 93 | 48 | 50 | Purchased services | 77 | 65 | 151 |
| 134 | 58 | 69 | Other operating expense | 96 | 100 | 221 |
| 685 | 327 | 352 | Total other operating expenses | 520 | 490 | 1,040 |

Note 12 - Other assets

| Parent Bank | | | (NOKm) | Group | | |
|-------------|--------------|--------------|---------------------------------|--------------|--------------|--------------|
| 31 Dec 2018 | 30 June 2018 | 30 June 2019 | | 30 June 2019 | 30 June 2018 | 31 Dec 2018 |
| - | - | - | Deferred tax asset | 178 | 148 | 175 |
| 97 | 107 | 89 | Fixed assets | 233 | 250 | 234 |
| - | - | 367 | Right to use assets | 607 | - | - |
| 67 | 40 | 66 | Earned income not yet received | 137 | 91 | 86 |
| 7 | 4,920 | 866 | Accounts receivable, securities | 1,180 | 5,350 | 277 |
| 179 | 158 | 179 | Pensions | 179 | 171 | 179 |
| 384 | 1,188 | 207 | Other assets | 696 | 1,681 | 737 |
| 733 | 6,413 | 1,774 | Total other assets | 3,210 | 7,692 | 1,687 |

Note 13 - Other liabilities

| Parent Bank | | | (NOKm) | Group | | |
|--------------|--------------|--------------|---|--------------|--------------|--------------|
| 31 Dec 2018 | 30 June 2018 | 30 June 2019 | | 30 June 2019 | 30 June 2018 | 31 Dec 2018 |
| 84 | 21 | 84 | Deferred tax | 148 | 85 | 147 |
| 389 | 310 | 278 | Payable tax | 352 | 339 | 448 |
| 10 | 9 | 10 | Capital tax | 10 | 9 | 10 |
| 30 | -4 | 44 | Accrued expenses and received, non-accrued income | 450 | 384 | 413 |
| 115 | 139 | 158 | Provision for accrued expenses and commitments | 158 | 139 | 115 |
| 148 | 85 | 121 | Losses on guarantees and unutilised credits | 121 | 85 | 148 |
| 21 | 24 | 21 | Pension liabilities | 21 | 24 | 21 |
| - | - | 370 | Lease liabilities | 611 | - | - |
| 97 | 87 | 74 | Drawing debt | 74 | 87 | 97 |
| 11 | 28 | 7 | Creditors | 49 | 116 | 66 |
| 699 | 67 | 1,201 | Debt from securities | 1,406 | 346 | 809 |
| - | - | - | Equity Instruments | 58 | 8 | 31 |
| 288 | 1,269 | 624 | Other liabilities | 716 | 1,333 | 366 |
| 1,892 | 2,035 | 2,990 | Total other liabilities | 4,172 | 2,955 | 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 | 30 June 2019 |
|---|--------------------|---------------|-------------------------------------|--------------------------|-------------------------|
| Certificate, nominal value | 391 | - | 385 | -7 | - |
| Bond debt, nominal value | 43,463 | 1,240 | 4,348 | -1,367 | 38,988 |
| Value adjustments | 158 | - | - | 234 | 392 |
| Accrued interest | 256 | - | - | -59 | 197 |
| Total | 44,269 | 1,240 | 4,733 | -1,198 | 39,578 |

| Change in subordinated debt and hybrid equity (NOKm) | 31 Dec 2018 | Issued | Fallen due/ Redeemed | Other changes | 30 June 2019 |
|---|--------------------|---------------|-------------------------------------|--------------------------|-------------------------|
| Ordinary subordinated loan capital, nominal value | 1,793 | - | - | - | 1,793 |
| Hybrid equity, nominal value | 450 | 1 | 1 | - | 450 |
| Value adjustments | 13 | - | - | -6 | 7 |
| Accrued interest | 12 | - | - | 2 | 14 |
| Total | 2,268 | 1 | 1 | -4 | 2,263 |

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

Level 1: Valuation based on quoted prices in an active market

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

Level 2: Valuation based on observable market data

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

Level 3: Valuation based on other than observable data

If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2019:

| Assets (NOKm) | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|---------------|
| Financial assets at fair value through profit/loss | | | | |
| - Derivatives | 1 | 3,766 | - | 3,767 |
| - Bonds and money market certificates | 2,076 | 17,794 | - | 19,870 |
| - Equity instruments | 1,683 | 71 | 448 | 2,202 |
| - Fixed interest loans | - | 43 | 4,744 | 4,787 |
| Financial assets through other comprehensive income | | | | |
| - Loans at fair value through other comprehensive income | - | - | 60,745 | 60,745 |
| Total assets | 3,760 | 21,673 | 65,937 | 91,370 |
| | | | | |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities through profit/loss | | | | |
| - Derivatives | 3 | 3,476 | - | 3,479 |
| - Equity instruments | 58 | - | - | 58 |
| Total liabilities | 61 | 3,476 | - | 3,537 |

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2018:

| Assets (NOKm) | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|---------------|
| Financial assets at fair value through profit/loss | | | | |
| - Derivatives | 7 | 2,904 | - | 2,911 |
| - Bonds and money market certificates | 2,926 | 15,714 | - | 18,640 |
| - Equity instruments | 1,930 | 94 | 516 | 2,540 |
| - Fixed interest loans | - | 43 | 3,522 | 3,565 |
| Financial assets through other comprehensive income | | | | |
| - Loans at fair value through other comprehensive income | - | - | 59,480 | 59,480 |
| Total assets | 4,863 | 18,755 | 63,518 | 87,136 |
| | | | | |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities through profit/loss | | | | |
| - Derivatives | 13 | 2,959 | - | 2,973 |
| - Equity instruments | 7 | 1 | - | 8 |
| Total liabilities | 20 | 2,960 | - | 2,981 |

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 30 June 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 | 14 | 622 | 13,008 | 13,644 |
| Disposals in the periode | -172 | -306 | -13,557 | -14,035 |
| Expected credit loss | - | - | -0 | -0 |
| Gain or loss on financial instruments | 56 | 3 | 0 | 60 |
| Closing balance | 448 | 4,744 | 60,745 | 65,937 |

The following table presents the changes in the instruments classified in level 3 as at 30 June 2018:

| (NOKm) | Equity instruments through profit/loss | Fixed interest loans | Loans at fair value through OCI | Equity instruments through OCI | Total |
|---------------------------------------|---|-----------------------------|--|---------------------------------------|---------------|
| Closing balance 31 December | 419 | 3,236 | - | 66 | 3,722 |
| Implementation effect IFRS 9 | 18 | - | 56,743 | -18 | 56,743 |
| Opening balance 1 January | 437 | 3,236 | 56,743 | 49 | 60,464 |
| Investment in period | 40 | 987 | 14,762 | - | 15,790 |
| Disposals in the period | -18 | -694 | -12,025 | - | -12,737 |
| Expected credit loss | - | - | -2 | - | -2 |
| Gain or loss on financial instruments | 2 | -7 | 2 | 6 | 3 |
| Closing balance | 516 | 3,522 | 59,480 | 54 | 63,518 |

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 | Equity instruments through OCI | Total |
|---------------------------------------|--|----------------------|---------------------------------|--------------------------------|---------------|
| Closing balance 31 December | 419 | 3,236 | - | 66 | 3,722 |
| Implementation effect IFRS 9 | 66 | - | 56,743 | -66 | 56,743 |
| Opening balance 1 January | 486 | 3,236 | 56,743 | - | 60,464 |
| Investment in 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 | 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)

Property Loans at floating interest classified at fair value over other comprehensive income is valued based on nominal amount reduced by expected credit loss. Loans with no significant credit risk deterioration since first recognition is assessed at nominal amount. For loans with a significant increase in credit risk since first recognition or objective evidence of loss, the calculation of expected credit losses over the life of the asset is in line with loan losses for loans at amortised cost. Estimated fair value is the nominal amount reduced by expected lifetime credit loss. If the likelihood of the worst case scenario in the model is doubled, fair value is reduced by NOK 5 million.

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

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

Equity instruments (level 3)

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 338 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank SMN 1 Invest. The valuations are in all essentials based on reporting from managers of the funds who utilise cash flow based models or multiples when determining fair value. The Group does not have full access to information on all the elements in these valuations and is therefore unable to determine alternative assumptions.

Financial derivatives (level 2)

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

Sensitivity analyses, level 3 as at 30 June 2019:

| (NOKm) | Book value | Effect from change in reasonable possible alternative assumptions |
|--|-------------------|--|
| Fixed interest loans | 4,744 | -12 |
| Equity instruments through profit/loss | 448 | - |
| Loans at fair value through other comprehensive income | 60,745 | -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 reduces its liquidity risk through guidelines and limits designed to achieve a diversified balance sheet, both on the asset and liability side. Preparedness plans have been drawn up both for the group and the SpareBank 1 Alliance to handle the liquidity situation in periods of turbulent capital markets. The bank's liquidity situation is stress tested on a monthly basis using various maturities and crisis scenarios: bank-specific, for the financial market in general or a combination of internal and external factors. 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 debt created by issue of securities at the end of the first half year 2019 was 3.3 years. The overall LCR at the same point was 165 per cent and the average overall LCR in the first half year was 147 per cent. The LCR in Norwegian kroner at quarter-end was 152 per cent. In euro there was a net cash inflow.

Note 17 - Earnings per Equity Capital Certificate

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) | First half | | 2018 |
|--|-------------|-------------|-------------|
| | 2019 | 2018 | |
| Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1) | 1,667 | 1,163 | 2,018 |
| Allocated to ECC Owners 2) | 1,066 | 744 | 1,291 |
| Issues Equity Capital Certificates adjusted for own certificates | 129,565,508 | 129,331,186 | 129,411,807 |
| Earnings per Equity Capital Certificate | 8.23 | 5.75 | 9.97 |

| 1) Adjusted Net Profit | First half | | 2018 |
|--|--------------|--------------|--------------|
| | 2019 | 2018 | |
| Net Profit for the group | 1,729 | 1,209 | 2,090 |
| Adjusted for non-controlling interests share of net profit | -33 | -27 | -34 |
| Adjusted for Tier 1 capital holders share of net profit | -29 | -20 | -37 |
| Adjusted Net Profit | 1,667 | 1,163 | 2,018 |

| 2) Equity capital certificate ratio (parent bank) (NOKm) | 30 June 2019 | 30 June 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 | -1 | -8 | - |
| A. The equity capital certificate owners' capital | 9,192 | 8,645 | 9,193 |
| Ownerless capital | 5,126 | 4,831 | 5,126 |
| Unrealised gains reserve | 56 | 45 | 56 |
| Other equity capital | -0 | -4 | - |
| B. The saving bank reserve | 5,181 | 4,872 | 5,182 |
| To be disbursed from gift fund | - | - | 373 |
| Dividend declared | - | - | 661 |
| Equity ex. profit | 14,374 | 13,517 | 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) | 2Q | 1Q | 4Q | 3Q | 2Q | 1Q | 4Q | 3Q | 2Q |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2019 | 2019 | 2018 | 2018 | 2018 | 2018 | 2017 | 2017 | 2017 |
| Interest income effective interest method | 1,127 | 1,075 | 1,082 | 1,025 | 989 | 962 | 989 | 959 | 945 |
| Interest expenses | 463 | 426 | 438 | 414 | 408 | 394 | 400 | 389 | 413 |
| Net interest | 664 | 649 | 644 | 610 | 581 | 568 | 589 | 570 | 532 |
| Commission income | 363 | 329 | 343 | 344 | 361 | 339 | 372 | 360 | 349 |
| Commission expenses | 51 | 40 | 42 | 45 | 45 | 36 | 49 | 46 | 38 |
| Other operating income | 294 | 262 | 242 | 186 | 291 | 239 | 206 | 168 | 227 |
| Commission income and other income | 606 | 551 | 543 | 486 | 607 | 542 | 529 | 482 | 538 |
| Dividends | 11 | 2 | 2 | 0 | 4 | 2 | 0 | 1 | 3 |
| Income from investment in related companies | 231 | 555 | 130 | 105 | 102 | 79 | 147 | 126 | 94 |
| Net return on financial investments | 95 | 169 | -37 | 77 | 195 | 99 | 108 | 108 | 35 |
| Net return on financial investments | 336 | 727 | 95 | 182 | 300 | 180 | 256 | 235 | 131 |
| Total income | 1,607 | 1,926 | 1,282 | 1,277 | 1,488 | 1,290 | 1,374 | 1,287 | 1,202 |
| Staff costs | 438 | 447 | 391 | 376 | 413 | 403 | 362 | 357 | 362 |
| Other operating expenses | 263 | 257 | 311 | 240 | 248 | 241 | 255 | 225 | 236 |
| Total operating expenses | 701 | 704 | 701 | 616 | 661 | 645 | 618 | 582 | 598 |
| Result before losses | 907 | 1,223 | 580 | 661 | 827 | 645 | 756 | 705 | 604 |
| Loss on loans, guarantees etc. | 59 | 67 | 67 | 69 | 78 | 48 | 78 | 88 | 86 |
| Result before tax | 848 | 1,155 | 513 | 592 | 748 | 596 | 678 | 617 | 518 |
| Tax charge | 165 | 109 | 104 | 119 | 156 | 131 | 122 | 118 | 111 |
| Result investment held for sale, after tax | 0 | 0 | -8 | 6 | 150 | 1 | -4 | -0 | 3 |
| Net profit | 683 | 1,046 | 401 | 480 | 743 | 466 | 553 | 500 | 409 |

Key figures from quarterly accounts

| Group (NOKm) | 2Q | 1Q | 4Q | 3Q | 2Q | 1Q | 4Q | 3Q | 2Q |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2019 | 2019 | 2018 | 2018 | 2018 | 2018 | 2017 | 2017 | 2017 |
| Profitability | | | | | | | | | |
| Return on equity per quarter ¹⁾ | 14.9% | 23.3% | 9.0% | 11.1% | 17.9% | 11.2% | 13.4% | 12.5% | 10.5% |
| Cost-income ratio ¹⁾ | 44 % | 37 % | 55 % | 48 % | 44 % | 50 % | 45 % | 45 % | 50 % |
| Balance sheet figures | | | | | | | | | |
| Gross loans to customers | 121,895 | 120,100 | 120,473 | 118,044 | 115,787 | 113,174 | 112,071 | 110,695 | 107,358 |
| Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt | 163,627 | 161,091 | 160,317 | 157,825 | 154,790 | 151,065 | 148,784 | 147,146 | 143,800 |
| Deposits from customers | 86,553 | 81,111 | 80,615 | 77,529 | 80,343 | 75,937 | 76,476 | 73,086 | 75,559 |
| Total assets | 167,289 | 164,641 | 160,704 | 159,337 | 159,584 | 152,083 | 153,254 | 146,913 | 149,449 |
| Quarterly average total assets | 165,965 | 162,673 | 160,021 | 159,460 | 155,833 | 152,668 | 150,083 | 148,181 | 145,746 |
| Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months ¹⁾ | 5.7 % | 6.6 % | 7.8 % | 7.3 % | 7.6 % | 7.9 % | 8.2 % | 9.4 % | 8.5 % |
| Growth in deposits last 12 months | 7.7 % | 6.8 % | 5.4 % | 6.1 % | 6.3 % | 8.2 % | 13.9 % | 10.3 % | 12.7 % |
| Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt | | | | | | | | | |
| Impairment losses ratio ¹⁾ | 0.14 % | 0.17 % | 0.17 % | 0.18 % | 0.20 % | 0.13 % | 0.22 % | 0.24 % | 0.24 % |
| Non-performing commitm. as a percentage of gross loans ¹⁾ | 0.22 % | 0.18 % | 0.19 % | 0.18 % | 0.18 % | 0.19 % | 0.19 % | 0.18 % | 0.18 % |
| Other doubtful commitm. as a percentage of gross loans ¹⁾ | 1.00 % | 0.99 % | 0.86 % | 0.86 % | 0.95 % | 0.90 % | 0.80 % | 0.83 % | 0.80 % |
| Solidity | | | | | | | | | |
| Common equity tier 1 | 15.0 % | 14.8 % | 14.6 % | 14.9 % | 15.0 % | 14.6 % | 14.6 % | 14.6 % | 14.9 % |
| Core capital ratio | 16.6 % | 16.4 % | 16.3 % | 16.7 % | 17.0 % | 16.3 % | 16.6 % | 16.6 % | 16.8 % |
| Capital adequacy ratio | 18.8 % | 18.6 % | 18.5 % | 19.2 % | 19.0 % | 18.2 % | 18.6 % | 19.0 % | 19.0 % |
| Core capital | 17,284 | 16,775 | 16,472 | 16,542 | 16,488 | 15,697 | 15,707 | 15,718 | 15,526 |
| Net equity and related capital | 19,634 | 19,115 | 18,743 | 18,969 | 18,418 | 17,518 | 17,629 | 18,004 | 17,552 |
| Liquidity Coverage Ratio (LCR) | 165 % | 180 % | 183 % | 150 % | 150 % | 162 % | 164 % | 124 % | 160 % |
| Leverage Ratio | 7.5 % | 7.4 % | 7.4 % | 7.5 % | 7.4 % | 7.3 % | 7.2 % | 7.4 % | 7.2 % |
| Key figures ECC | | | | | | | | | |
| ECC share price at end of period (NOK) | 97.70 | 87.40 | 84.20 | 90.90 | 84.50 | 80.90 | 82.25 | 81.25 | 71.75 |
| Number of certificates issued, millions ¹⁾ | 129.66 | 129.41 | 129.62 | 129.44 | 129.31 | 129.38 | 129.38 | 129.40 | 129.54 |
| Booked equity capital per ECC (including dividend) ¹⁾ | 87.04 | 83.86 | 83.87 | 82.57 | 80.21 | 76.53 | 78.81 | 79.18 | 75.40 |
| Profit per ECC, majority ¹⁾ | 3.21 | 5.02 | 1.90 | 2.32 | 3.54 | 2.21 | 2.63 | 2.42 | 1.92 |
| Price-Earnings Ratio ¹⁾ | 7.61 | 4.35 | 11.05 | 9.77 | 5.97 | 9.16 | 7.81 | 8.40 | 9.32 |
| Price-Book Value Ratio ¹⁾ | 1.12 | 1.04 | 1.00 | 1.10 | 1.05 | 1.06 | 1.04 | 1.03 | 0.95 |

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

Statement in compliance with the securities trading act, section 5-6

Statement by the Board of Directors and CEO

We hereby declare that to the best of our knowledge the half-yearly financial statements for the period 1 January to 30 June 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting, and that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the bank and the group taken as a whole.

We also declare that to the best of our knowledge the half-yearly management report gives a fair review of important events in the reporting period and their impact on the financial statements, the principal risks and uncertainties facing the business in the next reporting period, and significant transactions with related parties.

Trondheim, 7 August 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.)

Jan-Frode Janson
(Group CEO)

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 July 2017 to 30 June 2019



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

Trading statistics

1 July 2017 to 30 June 2019



Total number of ECs traded (1000)

| 20 largest ECC holders | Number | Share |
|--|--------------------|-----------------|
| VPF Nordea Norge Verdi | 4,760,884 | 3.67 % |
| State Street Bank and Trust CO (nominee) | 4,561,060 | 3.51 % |
| Sparebankstiftelsen SMN | 3,965,391 | 3.05 % |
| VPF Odin Norge | 3,542,919 | 2.73 % |
| VPF Danske Invest Norske Aksjer Inst. II | 3,291,149 | 2.53 % |
| VPF Pareto Aksje Norge | 2,543,777 | 1.96 % |
| VPF Alfred Berg Gambak | 2,401,892 | 1.85 % |
| State Street Bank and Trust CO (nominee) | 2,043,364 | 1.57 % |
| JP Morgan Chase Bank (nominee) | 2,003,561 | 1.54 % |
| Handelsbanken Nordiska Småbolagsfond | 1,776,137 | 1.37 % |
| Forsvarets Personellservice | 1,717,046 | 1.32 % |
| Pareto Invest AS | 1,663,036 | 1.28 % |
| VPF Danske Invest Norske Aksjer Inst. I | 1,607,592 | 1.24 % |
| State Street Bank and Trust CO (nominee) | 1,526,457 | 1.18 % |
| VPF Nordea Kapital | 1,449,741 | 1.12 % |
| Morgan Stanley & Co. International | 1,432,546 | 1.10 % |
| J.P. Morgan Bank Luxembourg S.A. | 1,416,584 | 1.09 % |
| MP Pensjon PK | 1,352,771 | 1.04 % |
| VPF Nordea Avkastning | 1,249,111 | 0.96 % |
| VPF Eika Egenkapitalbevis | 1,177,981 | 0.91 % |
| The 20 largest ECC holders in total | 45,482,999 | 35.03 % |
| Others | 84,353,444 | 64.97 % |
| 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.

Auditor's report



To the Board of Directors of SpareBank 1 SMN

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying consolidated interim balance sheet of SpareBank 1 SMN as of 30 June 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six-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 30 June 2019, and its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Trondheim, 7 August 2019
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

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

PricewaterhouseCoopers AS, Brattørkaien 17 B, Postboks 6365 Torgard, NO-7492 Trondheim
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsforerselskap