

Notes

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Note 1 - Accounting principles

Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2018. The Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts, except implementing IFRS 16 as described below.

Leases - IFRS 16

IFRS 16 Leases include principles for recognition, measurement, presentation and disclosures for leases for both parties in the arrangement, lessor and lessee. The standard requires lessees to recognise assets and liabilities for the majority of leases, a significant change from previous rules. The leases accounted for under IFRS 16 is mainly the Group rent of property. Discount rate applied is 2 per cent. The right to use asset has been presented as «fixed assets», while lease liability is presented as «other liabilities».

Refer to note 2 i annual accounts for 2018 for further details regarding implementation of IFRS 16. The effect on the accounts for first 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				Group		
31 Dec 2018	30 June 2018	30 June 2019	(NOKm)	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 %