

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 nine months 2019 are shown below. Comparables have not been restated.

Parent	Group
30 Sept 2019 Right to use asset (NOKm)	30 Sept 2019
374 Book value 1 January 2019	621
24 Additions	4
-7 Derecognition	-
391 Book value 30 September 2019	625
- Acc depreciation 1 January 2019	-
37 Depreciation in period	65
37 Acc depreciation 30 September 2019	65
355 Net book value right to use asset 30 September 2019	560
374 Lease liability 1 January 2019	621
25 Additions	-
-40 Lease payments in the period	-55
358 Lease liability 30 September 2019	566
30 Sept 2019 Profit and Loss	30 Sept 2019
37 Depreciations	65
7 Interest	11
44 Total lease expense	75
Effect of IFRS 16	
40 Reduced operating expenses under IAS 17	55
44 Increase lease expense under IFRS 16	75
-3 Changes in profit before tax in the period	-20

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

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

Pensions

The Group has not obtained a new calculation of pensions as of 30 September since no factors have been identified that significantly alter the pension liability. For a further description of the various pension schemes, see note 24 in the 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 Q3 (NOKm)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS Group	41		0	3	3	100 %
Total Held for sale	41		0	3	3	

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 negativ goodwill of MNOK 31 included as a gain in net return of financial investments.

The reason for the gain from this transaction is that fair value of net assets is higher than the acquisition cost. The allocation of fair value is distributed as follows:

	Fair value recognised at acquisition date
Assets	
Loans	207
Other assets	14
Total assets	221
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 September 2019

Profit and loss account (NOKm)	RM	CM	SB1		SB1	Regnskaps-huset	SB1		BN	Uncollated	Total
			Markets	EM 1	Finans		SMN	Gruppen	Bank		
Net interest	862	757	-13	-1	231	-1	-	-		156	1,991
Interest from allocated capital	153	107	-	-	-	-	-	-		-260	-
Total interest income	1,015	864	-13	-1	231	-1	-	-		-104	1,991
Commission income and other income	597	148	376	418	54	391	-	-		-273	1,711
Net return on financial investments (**)	0	9	89	-	-	-	264	79		744	1,185
Total income	1,612	1,021	452	418	285	390	264	79		367	4,886
Total operating expenses	654	307	412	410	137	309	-	-		-151	2,077
Ordinary operating profit	958	714	39	8	148	81	264	79		518	2,809
Loss on loans, guarantees etc.	23	140	-	-	33	-	-	-		3	198
Result before tax including held for sale	936	575	39	8	115	81	264	79		516	2,612
Post-tax return on equity*)	13.7 %	11.8 %									16.0 %
Balance											
Loans and advances to customers	116,882	40,502	-	-	8,710	-	-	-		-714	165,380
Adv. of this sold to SB1											
Boligkreditt and SB1											
Næringskreditt	-40,006	-1,408	-	-	-	-	-	-		-0	-41,414
Allowance for credit losses	-117	-756	-	-	-52	-	-	-		-5	-930
Other assets	214	5,876	3,145	446	22	519	1,603	1,397		30,215	43,438
Total assets	76,974	44,214	3,145	446	8,680	519	1,603	1,397		29,496	166,475
Deposits to customers	41,674	40,542	-	-	-	-	-	-		1,424	83,641
Other liabilities and equity	35,300	3,671	3,145	446	8,680	519	1,603	1,397		28,072	82,834
Total liabilities and equity	76,974	44,214	3,145	446	8,680	519	1,603	1,397		29,496	166,475

Group 30 September 2018

Profit and loss account (NOKm)			SB1	EM	SB1	SB1	SB1	BN	Total	
	RM	CM	Markets	1	Finans MN	Regnskaps-huset SMN	SB1 Gruppen	BN Bank Uncollated		
Net interest	768	730	-11	2	200	-0	-	-	70	1,759
Interest from allocated capital	132	98	-	-	-	-	-	-	-229	-
Total interest income	900	827	-11	2	200	-0	-	-	-160	1,759
Commission income and other income	590	150	337	389	46	337	-	-	-215	1,634
Net return on financial investments **)	0	15	75	-	-	-	189	70	313	662
Total income	1,490	993	401	391	247	336	189	70	-62	4,055
Total operating expenses	597	278	380	385	115	280	-	-	-113	1,922
Ordinary operating profit	893	714	21	6	131	57	189	70	51	2,133
Loss on loans, guarantees etc.	18	153	-	-	24	-	-	-	0	196
Result before tax including held for sale	874	561	21	6	107	57	189	70	51	1,937
Post-tax return on equity*)	13.1 %	10.8 %								13.3 %
Balance										
Loans and advances to customers	111,207	39,716	-	-	7,546	-	-	-	-644	157,825
Adv. of this sold to SpareBank 1 Boligkreditt	-37,796	-1,986	-	-	-	-	-	-	-	-39,782
Allowance for credit losses	-96	-749	-	-	-44	-	-	-	-	-889
Other assets	123	2,434	3,212	314	16	384	1,469	1,216	33,015	42,184
Total assets	73,438	39,415	3,212	314	7,519	384	1,469	1,216	32,370	159,337
Deposits to customers	39,879	37,201	-	-	-	-	-	-	450	77,529
Other liabilities and equity	33,559	1,967	3,212	314	7,519	384	1,469	1,216	32,167	81,808
Total liabilities and equity	73,438	39,167	3,212	314	7,519	384	1,469	1,216	32,618	159,337

*) 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 during the year

	30 Sept 2019	30 Sept 2018
**) Specification of net return on financial investments (NOKm)		
Dividends	14	6
Capital gains shares	108	144
Gain/(loss) on certificates and bonds	22	-81
Gain/(loss) on derivatives	92	192
Gain/(loss) on financial instruments related to hedging	-1	-5
Gain/(loss) on other financial instruments at fair value (FVO)	10	23
Foreign exchange gain/(loss)	32	47
Gains/(Loss) on shares and share derivatives at SpareBank 1 Markets	36	52
Net return on financial instruments	300	370
SpareBank 1 Gruppen	264	189
Gain Fremtind Forsikring	460	-
SpareBank 1 Boligkreditt	26	2
SpareBank 1 Næringskreditt	15	10
BN Bank	84	73
SpareBank 1 Kredittkort	13	17
SpareBank 1 Betaling	7	-9
Other companies	2	4
Income from investment in associates and joint ventures	871	286
Total net return on financial investments	1,185	662
Fair value hedging		
Changes in fair value on hedging instrument	-250	-209
Changes in fair value on hedging item	249	204
Net Gain or Loss from hedge accounting	-1	-5

Note 4 - Capital adequacy

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

As of 30 September 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.

It has been announced that the countercyclical capital buffer is to be increased to 2.5 per cent as from 31 December 2019. In addition, a consultation document dated 25 June 2019 from the Ministry of Finance proposes increasing the systemic risk buffer to 4.5 per cent with effect from 31 December 2019. This coincides with the removal of the Basel 1 floor and the proposed introduction of an SME discount. If this is introduced with effect from 31 December 2019, the total minimum requirement on CET1 capital including the Pillar 2 requirement will be 15.9 per cent.

The 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 nine months 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 has been subject to a write-down of 60 per cent in 2018 and 70 per cent in 2019. As at 30 September 2019 the bank held hybrid capital worth NOK 450 million subject to write-down.

Parent Bank				Group		
31 Dec 2018	30 Sept 2018	30 Sept 2019	(NOKm)	30 Sept 2019	30 Sept 2018	31 Dec 2018
16,409	16,428	17,228	Total book equity	19,904	18,650	18,686
-1,000	-1,268	-963	Additional Tier 1 capital instruments included in total equity	-1,004	-1,310	-1,043
-533	-538	-515	Deferred taxes, goodwill and other intangible assets	-1,106	-1,059	-1,079
-1,034	-	-	Deduction for allocated dividends and gifts	-	-	-1,034
-	-	-	Non-controlling interests recognised in other equity capital	-792	-623	-637
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	450	371	366
-	-1,649	-1,893	Net profit	-2,217	-1,689	-
-	825	804	Year-to-date profit included in core capital (50 per cent pre tax of group profit in 2018)	1,128	864	-
-31	-29	-32	Value adjustments due to requirements for prudent valuation	-44	-47	-44
-268	-308	-353	Positive value of adjusted expected loss under IRB Approach	-383	-316	-286
-	-	-	Cash flow hedge reserve	5	2	5
-163	-163	-185	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-183	-147	-206
13,381	13,298	14,091	Total common equity Tier one	15,758	14,697	14,727
1,000	1,000	1,000	Additional Tier 1 capital instruments	1,384	1,478	1,378
367	367	275	Additional Tier 1 capital instruments covered by transitional provisions	275	367	367
14,748	14,665	15,367	Total core capital	17,417	16,542	16,472
			Supplementary capital in excess of core capital			
1,750	1,500	1,750	Subordinated capital	2,310	2,118	2,316
96	449	179	Subordinated capital covered by transitional provisions	179	449	96
-140	-140	-141	Deduction for significant investments in financial institutions	-141	-140	-140
1,705	1,809	1,788	Total supplementary capital	2,348	2,427	2,272
16,453	16,473	17,155	Net subordinated capital	19,765	18,969	18,743

			Minimum requirements subordinated capital			
967	951	948	Specialised enterprises	1,128	1,107	1,116
1,156	1,173	1,183	Corporate	1,194	1,181	1,163
1,516	1,508	1,518	Mass market exposure, property	2,169	2,070	2,098
90	91	103	Other mass market	106	94	92
1,062	1,045	1,118	Equity investments	1	1	1
4,790	4,768	4,870	Total credit risk IRB	4,597	4,453	4,470
3	2	2	Central government	2	3	4
87	95	90	Covered bonds	149	145	124
390	375	435	Institutions	301	217	246
-	-	-	Local and regional authorities, state-owned enterprises	5	10	8
23	30	38	Corporate	237	241	221
73	70	32	Mass market	532	510	520
12	15	18	Exposures secured on real property	200	181	215
228	228	236	Equity positions	371	358	366
57	53	89	Other assets	157	109	107
873	868	939	Total credit risk standardised approach	1,955	1,774	1,810
30	31	25	Debt risk	27	33	31
-	-	-	Equity risk	6	24	7
-	-	-	Currency risk and risk exposure for settlement/delivery	3	3	3
370	370	387	Operational risk	656	575	575
39	33	35	Credit value adjustment risk (CVA)	130	80	122
-	-	-	Transitional arrangements	983	971	1,074
6,102	6,071	6,256	Minimum requirements subordinated capital	8,357	7,913	8,093
76,274	75,887	78,196	Risk weighted assets (RWA)	104,464	98,915	101,168
3,432	3,415	3,519	Minimum requirement on CET1 capital, 4.5 per cent	4,701	4,451	4,553
			Capital Buffers			
1,907	1,897	1,955	Capital conservation buffer, 2.5 per cent	2,612	2,473	2,529
2,288	2,277	2,346	Systemic risk buffer, 3.0 per cent	3,134	2,967	3,035
1,525	1,518	1,564	Countercyclical buffer, 2.0 per cent	2,089	1,978	2,023
5,721	5,692	5,865	Total buffer requirements on CET1 capital	7,835	7,419	7,588
4,228	4,191	4,708	Available CET1 capital after buffer requirements	3,222	2,827	2,587
			Capital adequacy			
17.5 %	17.5 %	18.0 %	Common equity Tier one ratio	15.1 %	14.9 %	14.6 %
19.3 %	19.3 %	19.7 %	Core capital ratio	16.7 %	16.7 %	16.3 %
21.6 %	21.7 %	21.9 %	Capital adequacy ratio	18.9 %	19.2 %	18.5 %
			Leverage ratio			
153,395	150,853	159,426	Balance sheet items	228,285	213,761	216,240
7,110	7,629	6,774	Off-balance sheet items	7,939	9,595	9,086
-832	-1,170	-900	Regulatory adjustments	-1,546	-1,729	-1,474
159,673	157,313	165,301	Calculation basis for leverage ratio	234,678	221,628	223,853
14,748	14,665	15,367	Core capital	17,417	16,542	16,472
9.2 %	9.3 %	9.3 %	Leverage Ratio	7.4 %	7.5 %	7.4 %

Note 5 - Distribution of loans by sector/industry

Parent Bank				Group		
31 Dec 2018	30 Sept 2018	30 Sept 2019	(NOKm)	30 Sept 2019	30 Sept 2018	31 Dec 2018
12,362	12,022	12,772	Agriculture, forestry, fisheries, hunting	13,130	12,346	12,686
869	978	1,051	Sea farming industries	1,348	1,317	1,180
3,438	2,827	2,734	Manufacturing	3,097	3,158	3,787
2,947	2,823	2,909	Construction, power and water supply	3,719	3,536	3,661
2,335	2,143	2,213	Retail trade, hotels and restaurants	2,555	2,410	2,621
4,227	4,372	4,678	Maritime sector	4,678	4,372	4,227
15,107	14,678	14,457	Property management	14,530	14,737	15,168
2,531	2,763	2,443	Business services	2,053	2,463	2,162
4,145	4,062	4,595	Transport and other services provision	5,459	4,876	4,961
44	11	3	Public administration	14	23	55
1,658	1,923	2,062	Other sectors	2,026	1,955	1,679
49,663	48,603	49,916	Gross loans in retail market	52,609	51,195	52,186
103,537	102,248	107,398	Wage earners	112,772	106,631	108,131
153,200	150,851	157,314	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	165,380	157,825	160,317
38,062	37,669	39,713	of which SpareBank 1 Boligkreditt	39,713	37,669	38,062
1,782	2,112	1,701	of which SpareBank 1 Næringskreditt	1,701	2,112	1,782
113,356	111,069	115,900	Gross loans in balance sheet	123,967	118,044	120,473
639	785	808	- Loan loss allowance on amortised cost loans	865	831	686
58	60	65	- Loan loss allowance on loans at FVOCI	65	60	58
112,659	110,225	115,027	Net loans to and receivables from customers	123,037	117,153	119,728

Note 6 - Losses on loans and guarantees

Parent Bank	January - September			January - September			2018		
	2019			2018			2018		
Losses on loans and guarantees (NOKm)	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in provision for expected credit losses for the period	21	137	157	20	104	124	18	126	144
Actual loan losses on commitments exceeding provisions made	7	4	11	4	50	54	6	86	93
Recoveries on commitments previously written-off	-4	-1	-5	-6	-1	-7	-7	-1	-8
Losses for the period on loans and guarantees	24	140	163	18	153	172	17	212	229

Group	January - September			January - September			2018		
	2019			2018			2018		
Losses on loans and guarantees (NOKm)	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in provision for expected credit losses for the period	24	141	165	24	104	128	23	127	150
Actual loan losses on commitments exceeding provisions made	28	11	39	24	57	81	30	98	127
Recoveries on commitments previously written-off	-4	-2	-6	-12	-1	-13	-13	-1	-15
Losses for the period on loans and guarantees	47	150	198	37	159	196	40	223	263

Note 7 - Losses

Parent Bank (NOKm)	1 Jan 19	Change in provision	Net write-offs /recoveries	30 Sept 2019
Loans as amortised cost- CM	742	137	-5	874
Loans as amortised cost- RM	45	14	-5	54
Loans at fair value over OCI- RM	75	4	-	79
Loans at fair value over OCI- CM	-	1	-	1
Provision for expected credit losses on loans and guarantees	862	156	-10	1,008
Presented as				
Provision for loan losses	697	186	-10	873
Other debt- provisons	148	-28	-	120
Other comprehensive income - fair value adjustment	17	-2	-	15

Parent Bank (NOKm)	1 Jan 18	Change in provision	Net write-offs /recoveries	30 Sept 2018
Loans as amortised cost- CM	1,017	-153	-	864
Loans as amortised cost- RM	32	5	-	37
Loans at fair value over OCI- RM	65	12	-1	76
Provision for expected credit losses on loans and guarantees	1,114	-136	-1	975
Presented as				
Provision for loan losses	1,027	-181	-1	845
Other debt- provisons	68	46	-	115
Other comprehensive income - fair value adjustment	18	-2	-	17

Parent Bank (NOKm)	1 Jan 18	Change in provision	Net write-offs /recoveries	31 Dec 2018
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 Jan 19	Change in provision	Net write-offs /recoveries	30 Sept 2019
Loans as amortised cost- CM	766	145	-7	905
Loans as amortised cost- RM	68	18	-5	80
Loans at fair value over OCI- RM	75	4	-	79
Loans at fair value over OCI- CM	-	1	-	1
Provision for expected credit losses on loans and guarantees	909	167	-12	1,065
Presented as				
Provision for loan losses	744	197	-12	930
Other debt- provisons	148	-28	-	120
Other comprehensive income - fair value adjustment	17	-2	-	15

Group (NOKm)	1 Jan 18	Change in provision	Net write-offs / recoveries	30 Sept 2018
Loans as amortised cost- CM	1,037	-153	2	886
Loans as amortised cost- RM	52	7	-	59
Loans at fair value over OCI- RM	65	12	-1	76
Provision for expected credit losses on loans and guarantees	1,154	-134	1	1,020
Presented as				
Provision for loan losses	1,068	-181	1	889
Other debt- provisions	68	46	-	115
Other comprehensive income - fair value adjustment	18	-2	-	17

Group (NOKm)	1 Jan 18	Change in provision	Net write-offs / recoveries	31 Dec 2018
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

Development in provision for expected credit losses on loans

Parent Bank (NOKm)	January - September 2019				January - September 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	91	210	413	714	83	207	754	1,044	83	207	755	1,044
Provision for credit losses												
Transfer to (from) stage 1	28	-28	-0	-	26	-26	0	-	30	-30	0	-
Transfer to (from) stage 2	-5	5	-0	-	-6	6	0	-	-5	5	0	-
Transfer to (from) stage 3	-0	-3	4	-	0	-2	2	-	0	-2	3	-
Net remeasurement of loss allowances	-32	79	161	208	-32	46	-190	-176	-31	32	75	76
Originations or purchases	28	22	1	51	31	36	0	68	49	90	1	139
Derecognitions	-25	-49	-1	-75	-21	-50	-3	-74	-34	-92	-4	-130
Actual loan losses	-	-	-10	-10	-	-	-	-	-	-	-415	-415
Closing balance	86	236	566	888	80	217	563	861	91	210	413	714

Development in provision for expected credit losses on guarantees and unused credit lines

Parent Bank (NOKm)	January - September 2019				January - September 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	11	47	90	148	13	49	7	70	13	49	7	70
Provision for credit losses												
Transfer to (from) stage 1	3	-3	-0	-	2	-2	-0	-	2	-2	-0	-
Transfer to (from) stage 2	-1	1	-	-	-1	1	-0	-	-1	1	-0	-
Transfer to (from) stage 3	-0	-0	0	-	-0	-0	0	-	-0	-0	0	-
Net remeasurement of loss allowances	-5	7	-14	-12	-5	16	40	51	-3	12	83	92
Originations or purchases	5	1	0	6	5	7	0	12	6	3	0	9
Derecognitions	-3	-19	-0	-22	-4	-14	-0	-18	-6	-17	-0	-23
Closing balance	10	34	76	120	10	57	47	115	11	47	90	148

Development in provision for expected credit losses on loans

Group (NOKm)	January - September 2019				January - September 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	223	436	761	93	219	773	1,084	93	218	775	1,085
Provision for credit losses												
Transfer to (from) stage 1	31	-30	-1	-	25	-24	-1	-	32	-31	-0	-
Transfer to (from) stage 2	-6	7	-1	-	-6	5	1	-	-6	7	-0	-
Transfer to (from) stage 3	-0	-5	5	-	-1	-3	4	-	-0	-3	4	-
Net remeasurement of loss allowances	-35	82	169	216	-35	49	-185	-171	-34	35	83	85
Originations or purchases	33	26	4	63	34	39	1	74	53	93	3	149
Derecognitions	-26	-51	-6	-83	-22	-52	-9	-83	-36	-94	-11	-140
Actual loan losses	-	-	-12	-12	-	-	-	-	-	-	-417	-417
Closing balance	99	252	594	945	88	233	584	905	102	224	436	761

Development in provision for expected credit losses on guarantees and unused credit lines

Group (NOKm)	January - September 2019				January - September 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	11	47	90	148	13	49	7	70	13	49	7	70
Provision for credit losses												
Transfer to (from) stage 1	3	-3	-0	-	2	-2	-0	-	2	-2	-0	-
Transfer to (from) stage 2	-1	1	-	-	-1	1	-0	-	-1	1	-0	-
Transfer to (from) stage 3	-0	-0	0	-	-0	-0	0	-	-0	-0	0	-
Net remeasurement of loss allowances	-5	7	-14	-12	-5	16	40	51	-3	12	83	92
Originations or purchases	5	1	0	6	5	7	0	12	6	3	0	9
Derecognitions	-3	-19	-0	-22	-4	-14	-0	-18	-6	-17	-0	-23
Closing balance	10	34	76	120	10	57	47	115	11	47	90	148

Note 8 - Gross loans

Parent Bank	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan - Total					
Balance at 1 January 2019	97,458	9,888	1,543	4,467	113,356
Transfer to stage 1	2,402	-2,373	-28	-	-
Transfer to stage 2	-2,560	2,601	-40	-	-
Transfer to stage 3	-61	-364	425	-	-
Net increase/decrease amount existing loans	-2,256	-43	-39	-84	-2,422
New loans	41,405	829	352	836	43,422
Derecognitions	-35,528	-2,242	-257	-428	-38,455
Balance at 30 September 2019	100,859	8,295	1,955	4,791	115,900

Parent Bank	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan - Total					
Balance at 1 January 2018	91,074	9,931	1,560	3,278	105,843
Transfer to stage 1	1,882	-1,866	-16	-	-
Transfer to stage 2	-3,285	3,307	-22	-	-
Transfer to stage 3	-58	-320	378	-	-
Net increase/decrease amount existing loans	-5,288	-168	-6	0	-5,462
New loans	37,724	1,534	97	1,627	40,981
Derecognitions	-26,571	-2,388	-440	-893	-30,292
Balance at 30 September 2018	95,478	10,029	1,551	4,013	111,071

Parent Bank	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan - Total					
Balance at 1 January 2018	91,074	9,931	1,560	3,278	105,843
Transfer to stage 1	2,230	-2,230	-	-	-
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 - Total					
Balance at 1 January 2019	103,493	10,829	1,683	4,467	120,473
Transfer to stage 1	2,667	-2,632	-34	-	-
Transfer to stage 2	-3,142	3,194	-52	-	-
Transfer to stage 3	-101	-412	513	-	-
Net increase/decrease amount existing loans	-3,109	-221	-60	-84	-3,473
New loans	44,236	1,066	373	836	46,511
Derecognitions	-36,422	-2,394	-299	-428	-39,543
Balance at 30 September 2019	107,623	9,430	2,123	4,791	123,967

Group	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan - Total					
Balance at 1 January 2018	96,286	10,855	1,652	3,278	112,071
Transfer to stage 1	2,044	-2,026	-18	-	-
Transfer to stage 2	-3,770	3,802	-32	-	-
Transfer to stage 3	-78	-352	430	-	-
Net increase/decrease amount existing loans	-5,817	-294	-13	-	-6,124
New loans	39,744	1,705	105	1,627	43,180
Derecognitions	-27,243	-2,472	-476	-893	-31,084
Balance at 30 September 2018	101,166	11,217	1,649	4,013	118,044

Group	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan - Total					
Balance at 1 January 2018	96,286	10,855	1,652	3,278	112,071
Transfer to stage 1	2,439	-2,391	-48	-	-
Transfer to stage 2	-2,957	2,970	-13	-	-
Transfer to stage 3	-464	-71	536	-	-
Net increase/decrease amount 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 Sept 2018	30 Sept 2019	(NOKm)	30 Sept 2019	30 Sept 2018	31 Dec 2018
3,066	2,965	3,074	Agriculture, forestry, fisheries, hunting	3,074	2,965	3,066
742	689	713	Sea farming industries	713	689	742
1,696	1,627	1,399	Manufacturing	1,399	1,627	1,696
3,541	2,523	3,063	Construction, power and water supply	3,063	2,523	3,541
4,663	3,983	3,589	Retail trade, hotels and restaurants	3,589	3,983	4,663
996	1,079	1,088	Maritime sector	1,088	1,079	996
4,949	5,705	5,622	Property management	5,319	5,403	4,644
6,883	6,507	7,449	Business services	7,449	6,507	6,883
6,572	6,036	8,020	Transport and other services provision	7,442	5,676	6,210
12,202	11,008	11,595	Public administration	11,595	11,008	12,202
3,083	2,562	3,869	Other sectors	3,567	2,436	2,917
48,393	44,684	49,479	Total	48,298	43,897	47,561
33,055	33,633	35,343	Wage earners	35,343	33,633	33,055
81,448	78,317	84,822	Total deposits	83,641	77,529	80,615

Note 10 - Net interest income

Parent bank				Group		
January - September				January - September		
2018	2018	2019	(NOKm)	2019	2018	2018
Interest income						
166	121	178	Interest income from loans to and claims on central banks and credit institutions (amortised cost)	77	45	62
1,641	1,213	1,267	Interest income from loans to and claims on customers (amortised cost)	1,620	1,334	2,042
1,528	1,117	1,296	Interest income from loans to and claims on customers (FVOCI)	1,314	1,288	1,528
106	76	100	Interest income from loans to and claims on customers (FVPL)	100	76	106
295	214	264	Interest income from money market instruments, bonds and other fixed income securities	261	211	291
-	0	-	Other interest income	20	21	28
3,736	2,741	3,105	Total interest income	3,392	2,975	4,057
Interest expense						
142	104	121	Interest expenses on liabilities to credit institutions	134	113	154
749	546	732	Interest expenses relating to deposits from and liabilities to customers	716	537	734
615	458	411	Interest expenses related to the issuance of securities	412	458	615
84	59	64	Interest expenses on subordinated debt	65	61	86
-	0	7	Other interest expenses	25	11	15
50	38	49	Guarantee fund levy	49	38	50
1,640	1,205	1,384	Total interest expense	1,401	1,217	1,654
2,096	1,536	1,721	Net interest income	1,991	1,759	2,403

Note 11 - Operating expenses

Parent bank				Group		
January - September				January - September		
2018	2018	2019	(NOKm)	2019	2018	2018
217	158	181	IT costs	251	215	293
12	9	15	Postage and transport of valuables	19	12	17
53	34	46	Marketing	78	76	106
66	47	83	Ordinary depreciation	130	66	99
108	79	31	Operating expenses, real properties	40	112	153
93	71	89	Purchased services	127	101	151
134	88	99	Other operating expense	143	147	221
685	487	543	Total other operating expenses	789	729	1,040

Note 12 - Other assets

Parent Bank			(NOKm)	Group		
31 Dec 2018	30 Sept 2018	30 Sept 2019		30 Sept 2019	30 Sept 2018	31 Dec 2018
-	-	-	Deferred tax asset	182	155	175
97	104	89	Fixed assets	231	244	234
-	-	355	Right to use assets	560	-	-
67	83	78	Earned income not yet received	123	116	86
7	465	467	Accounts receivable, securities	848	1,108	277
179	158	179	Pension assets	179	171	179
384	217	276	Other assets	636	607	737
733	1,026	1,444	Total other assets	2,760	2,401	1,687

Note 13 - Other liabilities

Parent Bank			(NOKm)	Group		
31 Dec 2018	30 Sept 2018	30 Sept 2019		30 Sept 2019	30 Sept 2018	31 Dec 2018
84	21	84	Deferred tax	148	85	147
389	419	394	Payable tax	476	460	448
10	9	10	Capital tax	10	9	10
30	14	58	Accrued expenses and received, non-accrued income	472	342	413
115	127	143	Provision for accrued expenses and commitments	143	127	115
148	115	120	Losses on guarantees and unutilised credits	120	115	148
21	24	21	Pension liabilities	21	24	21
-	-	358	Lease liabilities	566	-	-
97	69	29	Drawing debt	29	69	97
11	15	7	Creditors	45	84	66
699	998	358	Debt from securities	614	1,477	809
-	-	-	Equity Instruments	26	71	31
288	343	562	Other liabilities	668	401	366
1,892	2,155	2,144	Total other liabilities	3,339	3,264	2,670

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

Change in securities debt (NOKm)	31 Dec 2018	Issued	Fallen due/ Redeemed	Other changes	30 Sept 2019
Certificate, nominal value	391	-	385	-7	-
Bond debt, nominal value	43,463	6,230	4,640	-740	44,313
Value adjustments	158	-	-	232	390
Accrued interest	256	-	-	-70	187
Total	44,269	6,230	5,025	-585	44,889

Change in subordinated debt and hybrid equity (NOKm)	31 Dec 2018	Issued	Fallen due/ Redeemed	Other changes	30 Sept 2019
Ordinary subordinated loan capital, nominal value	1,793	-	-	-	1,793
Hybrid equity, nominal value	450	1	1	-	450
Value adjustments	13	-	-	-8	4
Accrued interest	12	-	-	-5	7
Total	2,268	1	1	-14	2,254

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

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

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

Level 2: Valuation based on observable market data

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

Level 3: Valuation based on other than observable data

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

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	3	4,049	-	4,052
- Bonds and money market certificates	2,292	18,833	-	21,125
- Equity instruments	1,936	55	395	2,386
- Fixed interest loans	-	43	4,749	4,791
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	67,516	67,516
Total assets	4,231	22,980	72,660	99,871
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	4	3,501	-	3,505
- Equity instruments	26	-	-	26
Total liabilities	30	3,501	-	3,532

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	4	2,681	-	2,686
- Bonds and money market certificates	2,980	16,741	-	19,721
- Equity instruments	2,037	79	546	2,662
- Fixed interest loans	-	43	3,970	4,013
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	60,894	60,894
Total assets	5,021	19,544	65,410	89,975
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	16	2,990	-	3,005
- Equity instruments	70	1	-	71
Total liabilities	86	2,991	-	3,077

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 September 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 the period	21	851	33,536	34,408
Disposals in the period	-231	-529	-27,314	-28,074
Expected credit loss	-	-	-2	-2
Gain or loss on financial instruments	55	2	2	59
Closing balance	395	4,749	67,516	72,660

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

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Equity instruments through OCI	Total
Closing balance 31 December	419	3,236	-	66	3,722
Implementation effect IFRS 9	66	-	56,743	-66	56,743
Opening balance 1 January	486	3,236	56,743	-	60,464
Investment in the period	54	1,632	20,470	-	22,155
Disposals in the the period	-13	-893	-16,318	-	-17,224
Expected credit loss	-	-	-2	-	-2
Gain or loss on financial instruments	19	-5	2	-	17
Closing balance	546	3,970	60,894	-	65,410

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 276 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 September 2019:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumptions
Fixed interest loans	4,749	-12
Equity instruments through profit/loss*	395	-
Loans at fair value through other comprehensive income	67,516	-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 third quarter 2019 was 3.6 years. The overall LCR at the same point was 181 per cent and the average overall LCR in the third quarter was 168 per cent. The LCR in Norwegian kroner and the euro at quarter-end was 166 and 279 per cent respectively.

Note 17 - Earnings per EC

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

(NOKm)	January - September		2018
	2019	2018	
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	2,134	1,632	2,018
Allocated to ECC Owners 2)	1,365	1,044	1,291
Issues Equity Capital Certificates adjusted for own certificates	129,544,464	129,358,825	129,411,807
Earnings per Equity Capital Certificate	10.54	8.07	9.97

1) Adjusted Net Profit	January - September		2018
	2019	2018	
Net Profit for the group	2,217	1,689	2,090
Adjusted for non-controlling interests share of net profit	-44	-29	-34
Adjusted for Tier 1 capital holders share of net profit	-39	-28	-37
Adjusted Net Profit	2,134	1,632	2,018

2) Equity capital certificate ratio (parent bank) (NOKm)	30 Sept 2019	30 Sept 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	-2	-12	-
A. The equity capital certificate owners' capital	9,191	8,640	9,193
Ownerless capital	5,126	4,831	5,126
Unrealised gains reserve	56	45	56
Other equity capital	-1	-7	-
B. The saving bank reserve	5,181	4,870	5,182
To be disbursed from gift fund	-	-	373
Dividend declared	-	-	661
Equity ex. profit	14,372	13,510	15,409
Equity capital certificate ratio A/(A+B)	64.0 %	64.0 %	64.0 %
Equity capital certificate ratio for distribution	64.0 %	64.0 %	64.0 %