

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 and IFRS 9 as described below.

Amendments to IFRS 9, IAS 39 and IFRS 7 due to the IBOR reform

IASB released amendments to IFRS 9, IAS 39 and IFRS 7 in september 2019. The amendments provide companies with temporary reliefs to certain requirements related to hedge accounting in the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. The amendments are effective from 2020, and can be early adopted in the accounts for 2019. SpareBank 1 SMN has chosen to early adopt these changes. This choice means that the bank's hedging relationships continues unaffected by the IBOR reform. The IBOR reform is an ongoing process where interest rate benchmark rates used in receivables, loans and derivatives are replaced by new interest rates.

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 2019 are shown below. Comparables have not been restated.

Parent		Group
31 Dec 2019	Right to use asset (NOKm)	31 Dec 2019
379	Book value 1 January 2019	587
9	Additions	32
-	Derecognition	-43
4	Other changes	5
392	Book value 31 December 2019	581
-	Acc depreciation 1 January 2019	-
49	Depreciation in period	87
-	Derecognition	-5
49	Acc depreciation 31 December 2019	82
342	Net book value right to use asset 31 December 2019	499
379	Lease liability 1 January 2019	587
9	Additions	19
4	Other changes	-25
-54	Lease payments in the period	-88
10	Interest	12
347	Lease liability 31 December 2019	505
31 Dec 2019	Profit and Loss	31 Dec 2019
49	Depreciations	87
10	Interest	12
59	Total lease expense	98
	Effect of IFRS 16	
54	Reduced operating expenses under IAS 17	88
59	Increase lease expense under IFRS 16	98
-5	Changes in profit before tax in the period	-11