

## Notes

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## Note 1 - General information

### **Description of the business**

See "Business description" presented in the annual report.

### **The SpareBank 1 SMN Group**

SpareBank 1 SMN's head office is in Trondheim, no. 4 Søndre gate. The Bank's market areas are essentially Trøndelag and Nordvestlandet.

The Group accounts for 2017 were approved by the Board of Directors on 28 February 2018.

## Note 2 - Accounting principles

### **Basis for preparing the consolidated annual accounts**

The Group accounts for 2017 for SpareBank 1 SMN have been prepared in conformity with International Financial Reporting Standards (IFRS) which have been given effect in Norway. These include interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC). The measurement base for both the parent bank and group accounts is historical cost with the modifications described below. The accounts are presented based on IFRS standards and interpretations mandatory for accounts presented as at 31 December 2017.

### **Implemented accounting standards and other relevant rule changes in 2017**

The applied accounting principles are consistent with the principles applied in the preceding accounting period, with the exception of those changes to IFRS which have been implemented by the group in the current accounting period. Below is a list of amendments to IFRS with effect for the 2017 accounts that have been relevant, and the effect they have had on the group's annual accounts.

The following new and amended accounting standards and interpretations were applied for the first time in 2017:

#### *IAS 12 Income taxes - amendment*

The amendments clarify how to report assets for deferred tax related to unrealised losses on debt instruments valued at fair value. Specifically, it clarifies that unrealised losses on debt instruments measured at fair value in the accounts, and at cost for tax purposes, result in tax-reducing temporary differences regardless of how the owner expects to recover the capitalised amount. The amendments clarify the accounting treatment for recognition of deferred tax assets to debt instruments that are measured at fair value in certain cases.

The amendments will have effect from 1 January 2017 and has been implemented retrospectively.

#### *IFRS 12 Disclosure of Interests in Other Entities - amendment*

The amendments clarify that some of the Notes to the Standard apply to an entity's interests in subsidiaries, joint ventures or associates that are classified as (or included in a disposal group classified as) held for sale.

The amendment has been implemented retrospectively.

#### *IAS 7 Statement of Cash Flows - amendment*

IAS 7 has been amended by introducing a disclosure requirement relating to changes in financial liabilities arising from financing activities. The change does not entail any changes in the recognition and measurement of financial liabilities.

### **Presentation currency**

The presentation currency is the Norwegian krone (NOK), which is also the bank's functional currency. All amounts are stated in millions of kroner unless otherwise specified.

### **Consolidation**

The consolidated accounts include the Bank and all subsidiaries which are not due for divestment in the near future and are therefore to be classified as held for sale under IFRS 5. All undertakings controlled by the Bank, i.e. where the Bank has the power to control the undertaking's financial and operational principles with the intention of achieving benefits from the undertaking's activities, are regarded as subsidiaries. Subsidiaries are consolidated from the date on which the Bank has taken over control, and are deconsolidated as of the date on which the Bank relinquishes control. Mutual balance sheet items and all significant profit elements are eliminated.

Upon takeover of control of an enterprise (business combination), all identifiable assets and liabilities are recognised at fair value in accordance with IFRS 3. A positive difference between the fair value of the consideration and the fair value of identifiable assets and liabilities is recorded as goodwill, while any negative difference is taken to income upon purchase. Accounting for goodwill after first-time recognition is described under the section on intangible assets.

All intra-group transactions are eliminated in the preparation of the consolidated accounts. The non-controlling interests' share of the group result is to be presented on a separate line under profit after tax in the income statement. In the statement of changes in equity, the non-controlling interests' share is shown as a separate item.

### **Associated companies**

Associates are companies in which the Bank has substantial influence. As a rule, influence is substantial where the Bank has an ownership interest of 20 per cent or more. Associates are accounted for by the equity method in the consolidated accounts. The investment is initially recognised at acquisition cost and subsequently adjusted for the change in the Bank's share of the associated undertaking's net assets. The Bank recognises its share of the profit of the associated undertaking in its income statement. Associates are accounted for in the parent bank accounts by the cost method. See also note 39 Investments in owner interests.

**Joint ventures**

Joint ventures may take the form of jointly controlled operations, jointly controlled assets or jointly controlled entities. Joint control entails that the Bank by agreement exercises control together with other participants. The Bank accounts for jointly controlled operations and jointly controlled assets by recognising the Bank's proportional share of assets and liabilities in the Bank's accounts. The governance structure for the SpareBank 1 collaboration is regulated by agreement between the owners. The group classifies its participation in some companies as investments in jointly controlled entities and accounts for them by the equity method. See also note 39 Investments in owner interests.

**Loans and loan losses**

Loans are measured at amortised cost in accordance with IAS 39. Amortised cost is acquisition cost less repayments of principal, plus or minus cumulative amortisation resulting from the effective interest rate method, with deductions for any value fall or loss likelihood. The effective interest rate is the interest rate which precisely discounts estimated future cash in- or out-payments over the financial instrument's expected lifetime.

Fixed interest loans to customers are recognised at fair value. Gains and losses due to changes in fair value are recognised in the income statement as fair value changes. Accrued interest and premiums/discounts are recognised as interest. Interest rate risk on fixed interest loans is managed through interest rate swaps which are recognised at fair value. It is the group's view that recognising fixed interest loans at fair value provides more relevant information on carrying values.

**Write-downs**

Amounts recorded on the Bank's statement of financial position are reviewed on the balance sheet date for any indications of value impairment. Should such indications be present, an estimate is made of the asset's recoverable amount. Each year on the balance sheet date recoverable amounts on goodwill, assets with unlimited useful lifetime, and intangible assets not yet available for use, are computed. Write-downs are undertaken when the recorded value of an asset or cash-flow-generating entity exceeds the recoverable amount. Write-downs are recognised in profit/loss. Write-down of goodwill is not reversed. In the case of other assets, write-downs are reversed where there is a change in the estimates used to compute the recoverable amount.

**Individual write-downs on financial assets**

Impairment on loans is incurred if, and only if, there exists objective evidence of impairment which may entail reduced future cash flow to service the exposure. Impairment must be a result of one or more events occurring after first-time recognition (a loss event), and it must be possible to measure the result of the loss event(s) reliably. Objective evidence of impairment of a financial asset includes observable data which come to the group's knowledge on the following loss events:

- significant financial difficulties on the part of the issuer or borrower
- a not insignificant breach of contract, such as failure to pay instalments and interest
- the group grants the borrower special terms in light of financial or legal aspects of the borrower's situation
- the debtor is likely to start debt negotiation or other financial restructuring
- active markets for the financial asset are closed due to financial problems.

The group assesses first whether individual objective evidence exists that individually significant financial assets have suffered impairment.

Where there is objective evidence of impairment, the size of the impairment is measured as the difference between the asset's carrying value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced through a provision account and the loss is recognised in the income statement.

Assets that are individually tested for impairment, and where impairment is identified, or is still being identified, are not included in an overall assessment of impairment.

**Collective write-downs on loans**

In the case of financial assets which are not individually significant, the objective evidence of value impairment is assessed on an individual or collective basis. Should the group decide that no objective evidence exists of value impairment of an individually assessed financial asset, significant or not, that asset is included in a group of financial assets sharing the same credit risk characteristics.

In the assessment of collective write-downs account is taken inter alia of the following:

- observable data indicating a measurable reduction in future cash flows from a group of financial assets since first-time recognition, even if the reduction cannot yet be fully identified to an individual financial asset in the group including:
  - an unfavourable development in payment status for borrowers in the group
  - national or local economic conditions correlating with defaults of assets in the group.

Impairment of groups of financial assets is measured by the trend in rating for such groups. This is done by measuring negative migration and change in expected loss over the portfolio's lifetime.

Determining customer migration involves continuous assessment of the creditworthiness of each individual customer in the Bank's credit assessment systems.

In the case of events that have occurred but have yet to be reflected in the Bank's portfolio monitoring systems, the need for impairment write-downs is estimated group-wise using stress test models.

#### **Non-performing/potential problem loans**

The overall exposure to a customer is regarded as non-performing once instalment and interest payments are 90 days or more past due or credit lines are overdrawn by 90 days or more. Loans and other exposures which are not non-performing but where the customer's financial situation makes it likely that the group will incur loss, prompting an individually assessed write-down, are classified as potential problem loans.

#### **Impairment of loans recognised at fair value**

At each balance sheet date the group assesses whether evidence exists that a financial asset or group of financial assets recognised at fair value is susceptible to impairment. Losses due to impairment are recognised in the income statement in the period in which they arise.

#### **Actual losses**

Where the balance of evidence suggests that the losses are permanent, the losses are classified as actual losses. Actual losses covered by earlier specified loss provisions are reflected in such loss provisions. Actual losses not covered by loss provisions, as well as surpluses and deficits in relation to earlier loss provisions, are recognised in the income statement.

#### **Reposessed assets**

As part of its treatment of defaulted loans and guarantees, the Bank in a number of cases takes over assets furnished as collateral for such exposures. Upon repossession the assets are valued at their presumed realisable value. Any deviation from the carrying value of a defaulted or written down exposure upon takeover is classified as a loan write-down. Reposessed assets are carried according to type. Upon final disposal, the deviation from carrying value is reported in profit or loss in accordance with the type of asset as per the accounts.

#### **Non-current assets held for sale and discontinued operations**

Assets which the board of directors of the bank has decided to sell are dealt with under IFRS 5 if it is highly likely that the asset will be sold within 12 months. This type of asset comprises for the most part assets taken over in connection with bad loans, and investments in subsidiaries held for sale. In the case of depreciable assets, depreciation ceases when a decision is taken to sell, and the asset is measured at fair value in accordance with IFRS 5. The result of such activity and appurtenant assets and liabilities are presented on a separate line as held for sale.

#### **Leases**

Financial leases are entered under the main item 'loans' in the balance sheet and accounted for at amortised cost. All fixed revenues within the lease's expected lifetime are included when computing the contract's effective interest.

#### **Securities and derivatives**

Securities and derivatives comprise shares and units, money market instruments and bonds, and derivative currency, fixed income and equity instruments. Shares and units are classified either at fair value through profit/loss or as available for sale. Money market instruments and bonds are classified at fair value through profit/loss, loans and receivables or in the category held to maturity. Derivatives are invariably recognised at fair value through profit/loss unless they are part of a cash flow hedge. However the Bank does not avail itself of cash flow hedges.

All financial instruments classified at fair value through profit/loss are measured at fair value, and any change in value from the opening balance is recognised as revenue from other financial investments. Financial assets held for trading purposes are characterised by frequent trading and by positions being taken with the aim of short-term gain. Other such financial assets classified at fair value through profit/loss are investments defined upon first-time recognition as classified at fair value through profit/loss (fair value option).

Financial derivatives are presented as assets when fair value is positive, and as liabilities when fair value is negative.

Shares and units classified as available for sale are also measured at fair value, but any change in value from the opening balance is recognised in the comprehensive income statement and is accordingly included in the group's other comprehensive income. Shares which cannot be reliably measured are valued at cost price under IAS 39.46 (c). Procedures for ongoing valuation of all equity investments have been established. These valuations are carried out at differing intervals in based on the size of the investment.

Money market instruments and bonds classified as loans and receivables or held to maturity are measured at amortised cost using the effective interest rate method; see the account of this method under the section on loans.

**Intangible assets**

Intangible assets mainly comprise goodwill in the SpareBank 1 SMN Group. Other intangible assets will be recognised once the conditions for entry in the balance sheet are present. Goodwill arises as the difference between the fair value of the consideration upon purchase of a business and the fair value of identifiable assets and liabilities; see description under Consolidation. Goodwill is not amortised, but is subject to an annual depreciation test with a view to revealing any impairment, in keeping with IAS 36. Testing for value impairment is done at the lowest level at which cash flows can be identified.

Intangible assets acquired separately are carried at cost. Useful economic life is either finite or infinite. Intangible assets with a finite economic life are depreciated over their economic life and tested for impairment upon any indication of impairment. The depreciation method and period are assessed at least once each year.

**Property, plant and equipment**

Property, plant and equipment along with property used by the owner are accounted for under IAS 16. The investment is initially recognised at its acquisition cost and is thereafter depreciated on a linear basis over its expected useful life. When establishing a depreciation plan, the individual assets are to the necessary extent split up into components with differing useful life, with account being taken of estimated residual value. Property, plant and equipment items which individually are of little significance, for example computers and other office equipment, are not individually assessed for residual value, useful lifetime or value loss, but are assessed on a group basis. Property used by the owner, according to the definition in IAS 40, is property that is mainly used by the Bank or its subsidiary for its own use.

Property, plant and equipment which are depreciated are subject to a depreciation test in accordance with IAS 36 when circumstances so indicate.

Property held in order to earn rentals or for capital appreciation is classified as investment property and is measured at fair value in accordance with IAS 40. The group has no investment properties.

**Interest income and expenses**

Interest income and expenses related to assets and liabilities which are measured at amortised cost are recognised in profit/loss on an ongoing basis using the effective interest rate method. Charges connected to interest-bearing funding and lending are included in the computation of effective interest rate and are amortised over expected lifetime. In the case of interest-bearing instruments measured at fair value, the market value will be classified as income from other financial investments. In the case of interest-bearing instruments classified as loans and receivables or held to maturity and not utilised in hedging contexts, the premium/discount is amortised as interest income over the term of the contract.

**Commission income and expenses**

Commission income and expenses are generally accrued in step with the provision of the service. Charges related to interest-bearing instruments are not entered as commission, but are included in the calculation of effective interest and recognised in profit/loss accordingly. Consultancy fees accrue in accordance with a consultancy agreement, usually in step with the provision of the service. The same applies to ongoing management services. Fees and charges in connection with the sale or mediation of financial instruments, property or other investment objects which do not generate balance sheet items in the Bank's accounts are recognised in profit/loss when the transaction is completed. The Bank receives commission from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt corresponding to the difference between the interest on the loan and the funding cost achieved by SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. This shows as commission income in the Bank's accounts.

**Transactions and holdings in foreign currency**

Transactions in foreign currency are converted to Norwegian kroner at the transaction exchange rate. Gains and losses on executed transactions or on conversion of holdings of monetary items on the balance sheet date are recognised in profit/loss. Gains and losses on conversion of items other than monetary items are recognised in the same way as the appurtenant balance sheet item.

**Hedge accounting**

The Bank evaluates and documents the effectiveness of a hedge in accordance with IAS 39. The Bank employs fair value hedging to manage its interest rate risk. In its hedging operations the Bank protects against movements in the market interest rate. Changes in credit spread are not taken to account when measuring hedge effectiveness. In the case of fair value hedging, both the hedging instrument and the hedged object are recorded at fair value, and changes in these values from the opening balance are recognised in profit/loss.

**Fair value option**

The Parent Bank's fixed rate loans are recognised in profit/loss at fair value by using the fair value option, in accordance with IAS 39, and the Bank manages interest rate risk related to these loans through the use of derivatives.

**Income taxes**

Tax recorded in the income statement comprises tax in the period (payable tax) and deferred tax. Period tax is tax calculated on the

taxable profit for the year. Deferred tax is accounted for by the liability method under IAS 12. Calculation of deferred tax is done using the tax rate in effect at any time. Liabilities or assets are calculated on temporary differences i.e. the difference between balance-sheet value and tax-related value of assets and liabilities. However, liabilities or assets are not calculated in the case of deferred tax on goodwill for which there is no deduction for tax purposes, nor on first-time-recognised items which affect neither the accounting nor the taxable profit.

A deferred tax asset is calculated on a tax loss carryforward. Deferred tax assets are recognised only to the extent that there is expectation of future taxable profits that enable use of the tax asset. Withholding tax is presented as period tax. Wealth tax is presented as an operating expense in the group accounts under IAS 12.

#### **Deposits from customers**

Customer deposits are recognised at amortised cost.

#### **Debt created by issuance of securities**

Loans not included in hedge accounting are initially recognised at acquisition cost. This is the fair value of the compensation received after deduction of transaction fees. Loans are thereafter measured at amortised cost. Any difference between acquisition cost and settlement amount at maturity is accordingly accrued over the term of loan using the effective rate of interest on the loan. The fair value option is not applied in relation to the group's debt.

#### **Subordinated debt and hybrid capital**

Subordinated debt and hybrid capital issued before 2012 are classified as liabilities in the statement of financial position and are measured at amortised cost like other long-term loans. Subordinated debt ranks behind all other debt. Hybrid capital denotes bonds with a nominal interest rate, but the Bank is not obliged to pay interest in a period in which no dividend is paid, nor does the investor subsequently have a right to interest that has not been paid, i.e. the interest does not accumulate. Hybrid Capital issued after 2012 have been classified as equity since these do not satisfy the definition of a financial liability in IAS 32. The bond is perpetual and SpareBank 1 SMN has the right to not pay interest to the investors. The interest will not be presented as an interest expense in the income statement, but as a reduction to equity. See also note 3 for a closer description. The treatment of subordinated debt and hybrid capital in the calculation of the group's capital adequacy is described in note 5 Capital adequacy and capital management.

#### **Contingent liabilities**

The Bank issues financial guarantees as part of its ordinary business. Loss assessments are made as part of the assessment of loan losses, are based on the same principles and are reported together with loan losses. Provisions are made for other contingent liabilities where there is a preponderant likelihood that the commitment will materialise and the financial consequences can be reliably measured. Information is disclosed on contingent liabilities which do not meet the criteria for recognition where such commitments are substantial. Restructuring expenses are provisioned in cases where the Bank has a contractual or legal obligation.

#### **Pensions**

The SpareBank 1 SMN Group has a pension scheme for its staff that meet the requirements set for mandatory occupational pensions. SpareBank 1 SMN had a defined benefit scheme previously. This was terminated from 1 January 2017. The settlement gain was in accordance with IAS 19 taken to the income statement in 2016 when the decision was made. The Group employees transferred to a defined contribution scheme.

#### **Defined contribution scheme**

Under a defined contribution pension scheme the group does not provide a future pension of a given size; instead the group pays an annual contribution to the employees' collective pension savings. The future pension will depend on the size of the contribution and the annual return on the pension savings. The group has no further obligations related to employees' labour contribution after the annual contribution has been paid. There is no allocation for accrued pension obligations under such schemes. Defined contribution schemes are directly expensed. Any pre-paid contributions are recognised as an asset (pension assets) to the extent the contribution can be refunded or reduce future inpayments.

The contributions are made to the pension fund for full-time employees, and the contribution is from 7 per cent from 0-7,1 G and 15 per cent from 7.1 – 12 G. The premium is expensed as incurred. See also note 24 Pensions.

#### **Early retirement pension scheme ("AFP")**

The banking and financial industry has established an agreement on an early retirement pension scheme ("AFP"). The scheme covers early retirement pension from age 62 to 67. The Bank pays 100 per cent of the pension paid from age 62 to 64 and 60 per cent of the pension paid from age 65 to age 67. Admission of new retirees ceased with effect from 31 December 2010. The Act on state subsidies in respect of employees who take out contractual pension in the private sector (AFP Subsidies Act) entered into force on 19 February 2010. Employees who take out AFP with effect in 2011 or later will receive benefits under the new scheme. The new AFP scheme represents a lifelong add-on to National Insurance and can be taken out from age 62. Employees accumulate AFP entitlement at an annual rate of 0.314 per cent of pensionable income capped at 7.1G up to age 62. Accumulation under the new scheme is calculated with reference to the employee's lifetime income, such that all previous working years are included in the qualifying basis.



For accounting purposes the new AFP scheme is regarded as a defined benefit multi-employer scheme. This entails that each employer accounts for its pro rata share of the scheme's pension obligation, pension assets and pension cost. If no calculations of the individual components of the scheme and a consistent and reliable basis for allocation are available, the new AFP scheme will be accounted for as a defined-contribution scheme. At the present time no such basis exists, and the new AFP scheme is accordingly accounted for as a defined-contribution scheme. The new AFP scheme will only be accounted for as a defined-benefit scheme once reliable measurement and allocation can be undertaken. Under the new scheme, one-third of the pension expenses will be funded by the State, two-thirds by the employers. The employers' premium will be fixed as a percentage of salary payments between 1G and 7.1G.

In keeping with the recommendation of the Norwegian Accounting Standards Board, no provision was made for the group's de facto AFP obligation in the accounting year. This is because the office that coordinates the schemes run by the main employer and trade union organisations has yet to perform the necessary calculations.

### Segment reporting

SpareBank 1 SMN has Retail Banking and Corporate Banking, along with the most important subsidiaries and associates as its primary reporting segments. The group presents a sectoral and industry distribution of loans and deposits as its secondary reporting format. The group's segment reporting is in conformity with IFRS 8.

### Dividends and gifts

Proposed dividends on equity certificates and gifts are recognised as equity capital in the period to the declaration of dividends by the bank's supervisory board.

### Events after the balance sheet date

The annual accounts are regarded as approved for publication once they have been considered by the board of directors. The supervisory board and regulatory authorities can thereafter refuse to approve the accounts, but not to change them. Events up to the time at which the accounts are approved for publication, and which relate to circumstances already known on the balance sheet date, will be included in the information base for accounting estimates and thus be fully reflected in the accounts. Events concerning circumstances that were not known on the closing date will be illuminated if significant.

The accounts are presented on the going-concern assumption. In the view of the board of directors this assumption was met at the time the accounts were approved for presentation.

The board of directors' proposal for dividends is set out in the directors' report and in the statement of changes in equity.

### New or revised accounting standards approved but not implemented in 2017

Those standards and interpretations that have been adopted up to the date of presentation of the consolidated accounts, but whose entry into force is scheduled for a future date, are set out below. The group's intention is implement the relevant changes at the time of their entry into force, on the proviso that the EU approves the changes before presentation of the consolidated accounts.

#### *IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 deals with recognition, classification, measurement and derecognition of financial assets and liabilities as well as hedge accounting. IFRS 9 will apply as from 1 January 2018 and is approved by the EU. For an overview of the quantitative impact of implementing IFRS 9, see note 45.

A description of new requirements under IFRS 9 and changes from earlier standards is set out below. That is followed by a description of the choices made by SpareBank 1 SMN and of the current status of the implementation project.

#### Classification and measurement

##### Financial assets

Under IFRS 9 financial assets are classified in three measurement categories: fair value with changes in fair value reported in profit/loss (FVPL), fair value with changes in fair value reported in other comprehensive income (OCI), and amortised cost. The measurement category is determined upon first-time recognition of the particular asset. For financial assets a distinction is drawn between debt instruments and equity instruments. The classification of financial assets is determined on the basis of contractual terms and conditions for the financial assets and the business model used to manage the portfolio of which the assets are a part.

##### Financial assets that are debt instruments

Debt instruments with contractual cash flows that are only payment of interest and principal on given dates and which are held in a business model whose purpose is to receive contractual cash flows shall in principle be measured at amortised cost. Instruments with contractual cash flows that are only payment of interest and principal on given dates and which are held in a business model whose purpose is both to receive contractual cash flows and sales shall in principle be measured at fair value with changes over OCI, with interest income, currency conversion effects and any write-downs reported in ordinary profit/loss. Fair value changes over OCI shall be reclassified to profit/loss upon the sale or other disposal of the assets.

Other debt instruments shall be measured at fair value with changes reported in profit/loss. This applies to instruments with cash flows that are not only payment of normal interest (time value of money, credit margin and other normal margins related to loans and receivables) and principal, and instruments held in a business model whose main purpose is not that of receiving contractual cash flows. The preliminary assessment is that designation of financial instruments at fair value will be at about the same level as today.

#### Derivatives and investments in equity instruments

All derivatives shall be measured at fair value with changes reported in profit/loss, but derivatives designated as hedging instruments shall be accounted for in keeping with the principles for hedge accounting. Investments in equity instruments shall be measured in the balance sheet at fair value. Value changes shall as a main rule be reported in ordinary profit/loss, but an equity instrument which is not held for trading purposes and is not a contingent consideration following a business transfer can be designated as measured at fair value with changes reported in OCI. Where equity instruments are designated at fair value with value changes reported in OCI, ordinary proceeds shall be reported in profit/loss, whereas value changes shall not be reported in profit/loss either on an ongoing basis or upon disposal.

#### Financial liabilities

For financial liabilities the rules are essentially the same as under today's IAS 39. As a main rule financial liabilities shall continue to be measured at amortised cost with the exception of financial derivatives measured at fair value, financial instruments forming part of a trading portfolio and financial liabilities accounted for at fair value with value changes recognised in profit/loss.

#### Hedge accounting

IFRS 9 simplifies the requirements on hedge accounting in that hedge effectiveness is linked more closely to the management's risk management and gives more scope for assessment. The requirement of hedge effectiveness of 80-125 per cent is removed and replaced with more qualitative requirements, including the requirement of an economic relation between the hedging instrument and the hedged object, and that credit risk shall not dominate the value changes in the hedging instrument. Under IFRS 9 a prospective effectiveness test is sufficient, whereas under IAS 39 hedge effectiveness must be considered both prospectively and retrospectively. Documentation of the hedging relationship is still required. The bank's assessment is that hedge accounting will be continued to approximately the same extent as today.

#### Loan impairment write-downs

Under current rules, IAS 39, impairment write-downs shall only be made in cases where there is objective evidence that a loss event has occurred since first-time recognition. Under IFRS 9, on the other hand, loss provisions shall be recognised based on expected credit loss (ECL). Measurement of the provision for expected loss depends on whether credit risk has increased significantly since first-time recognition. Upon first-time recognition, and when credit risk has not increased significantly since first-time recognition, provision shall be made for a 12-month expected loss. If credit risk has risen significantly, provision shall be made for expected loss across the entire life. The methodology in the IFRS 9 standard entails somewhat larger volatility in write-downs, and write-downs are expected to be made at an earlier stage than under current practice. This will be particularly noticeable at the start of a cyclical downturn.

#### Further description of the bank's future impairment write-down model

Loss estimates are to be prepared quarterly, and will build on data in the data warehouse which has historical accounting and customer data for the entire credit portfolio. Loss estimates will be computed based on 12-month and lifelong probability of default (PD), loss given default (LGD) and exposure at default (EAD). The data warehouse contains historical data for observed PD and observed LGD. In keeping with IFRS 9 the bank groups its loans in three stages.

#### Stage 1:

This is the starting point for all financial assets covered by the general loss model. All assets that do not have significantly higher credit risk than at first-time recognition receive a loss provision corresponding to 12 months' expected loss. All assets that are not transferred to stage 2 or 3 reside in this category.

#### Stage 2:

Stage 2 of the loss model encompasses assets that show a significant increase in credit risk since first-time recognition, but where objective evidence of loss is not present. For these assets a provision for expected loss over the entire lifetime is to be made. In this group we find accounts with a significant degree of credit deterioration, but which at the balance sheet date belong to customers classified as performing. As regards delineation against stage 1, the bank defines 'significant degree of credit deterioration' by taking a basis in whether the exposure's calculated probability of default shows a significant increase. SpareBank 1 SMN has decided to utilise both absolute and relative changes in PD as criteria for transfer to stage 2. The most important factor for a significant change in credit risk is the quantitative change in PD on the period end compared to the PD at first time recognition. A change in PD by more than 150 per cent is considered to be a significant change in credit risk. The change will have to be over 0.6 percentage points. In addition, customers with payments 30 days past due will be transferred to stage 2. A qualitative assessment is also done when engagements have been put on watch list.

**Stage 3:**

Stage 3 of the loss model encompasses assets that show a significant increase in credit risk since loan approval and where there is objective evidence of loss at the balance sheet date. For these assets a provision shall be made for expected loss over the entire lifetime. These are assets which under current rules are defined as defaulted and written down.

*IFRS 15 Revenue from Contracts with Customers*

The IASB and FASB have published a new converged standard for revenue recognition, IFRS 15 Revenue from Contracts with Customers, which replaces all existing standards and interpretations relating to revenue recognition. The core principle of IFRS 15 is that revenues are recognised in order to reflect the transfer of agreed goods or services to customers, and at an amount that reflects the compensation the company expects to be entitled to in exchange for such goods or services. The standard applies, with a small number of exceptions, to all remunerative contracts with customers and includes a model for recognition and measurement of sales of individual non-financial assets (for example sales of property, plant and equipment).

IFRS 15 will be implemented under either the full retrospective or modified retrospective method. The standard has accounting effect as from 1 January 2018. The standard will not have a significant impact on the group's principles for revenue recognition.

*IFRS 16 Leases*

The IASB published IFRS 16 in January 2016. The standard requires lessees to recognise assets and liabilities for the majority of leases in the same way as financial leases are accounted for under IAS 17 Leases. The lessee accounts for a "right to use asset" and an associated liability in the balance sheet. The asset is depreciated over the term of the lease, and the liability is measured at amortised cost. For lessors there are small changes relative to today's accounting standard, IAS 17 Leases.

Based on the leases entered into at 31 December 2017, the implementation of IFRS 16 would give a right-to-use asset of approximately NOK 110 million. The sale of SpareBank 1 SMN headquarter which is expected during first quarter of 2018 will result in a reduction of assets by NOK 600 million. The expected lease which will be entered into with the buyer of the property, will give a right to use asset in the balance sheet of approximately NOK 330 million when implementing IFRS 16 at 1 January 2019.

### Note 3 - Critical estimates and assessments concerning the use of accounting principles

In the preparation of the Group accounts the management makes accounting estimates, discretionary assessments and assumptions that influence the effect of the application of the accounting principles and hence the amounts booked for assets, liabilities, income and expenses. Estimates and discretionary assessments are evaluated continuously and are based on empirical experience and expectations of events which, as of the balance sheet date, are deemed likely to occur in the future.

#### Losses on loans and guarantees

The Bank rescues its loan portfolio monthly. Customers in a poor risk class, payment defaults, negative migration or other objective criteria are assessed for individual write-down. Should the Bank's calculations show that the present value of the discounted cash flow based on the effective interest rate at the time of estimation is below the book value of the loan, an individual write-down will be carried out. Impaired loans are reviewed quarterly.

Individual write-down of retail market commitments is calculated based on the same principles. Write-down is considered in the case of exposures larger than NOK 250,000 that are in default, or where the Bank has other relevant objective information. Write-down needs are estimated with a basis in estimated future cash flows. Uncertainty attends these estimates.

Collective write-downs are calculated for groups of commitments subject to rising credit risk but where it is not possible to identify which commitment will entail loss. Calculation is based on increase in expected loss on portfolios which have migrated negatively since the date of approval.

Assessment of individual and group write-downs will invariably be a matter of discretionary judgement. The Bank uses historical data as a basis for estimating the need for write-downs.

In cases where collateral values are tied to specific objects or industries that are in crisis, collateral will have to be realised in illiquid markets, and in such cases assessment of collateral values may be encumbered with considerable uncertainty.

In the case of events that have taken place, but have yet to be reflected in the Bank's portfolio monitoring systems, the need for write-downs is estimated on a group basis using stress test models.

See also note 2 on accounting principles and note 6 on risk factors.

#### Fair value of equity capital interests

Assets recognised at fair value through profit and loss will mainly be securities traded in an active market. An active market is defined as a market for trading of similar products where willing buyers and sellers are present at all times, and where prices are accessible to the general public. Shares quoted in a regulated market place fit in with the definition of an active market. A market with a large spread between bid and asked prices and where trading is quiet may pose a challenge. Some key shares will be based on in-house valuations, transaction prices or external analyses of the company. Such shares are valued using acknowledged valuation techniques. These include the use of discounted cash flows or comparative pricing where similar, listed, companies are used (multiple pricing) to determine the value of the unlisted company. Such assets could be encumbered with uncertainty. Assets classified as available for sale will also be recognised at fair value through other comprehensive income. Market values will generally be based on valuations or the latest known trade of the share. Shares which cannot be reliably valued will be carried at cost.

#### Fair value of financial derivatives and other financial instruments

Fair value of derivatives is usually determined using valuation models where the price of the underlying, for example interest rates or exchange rates, is obtained in the market. When measuring financial instruments for which observable market data are not available, the Group makes assumptions regarding what market participants would use as the basis for valuing similar financial instruments. The valuations require application of significant judgment when calculating liquidity risk, credit risk and volatility among others. Changes in these factors would affect the estimated fair value of the Group's financial instruments. For further information, see note 27 Measurement of fair value of financial instruments.

For options, volatilities will either be observed implicit volatilities or estimated volatilities based on historical movements in the price of the underlying instrument. In those cases where the Bank's risk position is approximately neutral, middle rates will be used. "Neutral risk position" is understood to mean for example that interest rate risk within a maturity band is virtually zero. Where market prices that are obtained are based on transactions with lower credit risk, this will be taken into account by amortising the original price difference measured against such transactions over the period to maturity.

#### Goodwill

The Group conducts tests to assess possible impairment of goodwill annually or in the event of indications of impairment. Assessment is based on the Group's value in use. The recoverable amount from cash flow generating units is established by calculating discounted

future cash flows. The cash flows are based on historical earnings and expectations of future factors and include suppositions and estimates of uncertain factors. The outcome of the impairment tests depends on estimates of discount rates which are set on a discretionary basis based on information available on the balance sheet date.

Regarding goodwill related to Romsdals Fellesbank, the portfolio is regarded as integrated in the Bank's other lending and deposit operations, and, as from 2009, the lowest level for the cash generating unit is the Parent Bank level. A net cash flow is estimated based on earnings in the Bank's loan and deposit portfolio. Earnings are estimated based on average portfolio and margin, and average commission income. Allocated costs are calculated with reference to the Bank's cost ratio in relation to total assets. A five-year average is employed in the calculation since this is considered to provide the best estimate of future cash flows. Expected loss on the loan portfolio is also calculated (0.3 per cent).

The cash flow is calculated over 20 years and is discounted by the risk-free interest rate + risk premium for similar businesses (pre-tax interest rate 10 per cent). Calculations show that the value of discounted cash flows exceeds recognised goodwill by a good margin.

Other goodwill in the Group is calculated based on average earnings in the market area and is discounted at the risk-free interest rate + the risk premium for similar businesses (12-14 per cent).

### Acquisition

Acquisition of another company is accounted for by the acquisition method. This method requires a full purchase price allocation (PPA) in which the purchase price is allocated to identified assets and liabilities in the acquired company. Excess values beyond those allocated to identified assets and liabilities are booked as goodwill. Any deficit values are, after careful assessment, recognised as income through profit/loss in the year of the acquisition (badwill). The analyses contain both concrete calculations and use of best judgement in arriving at the fairest possible value of the acquired companies at time of acquisition. Although some uncertainty invariably attends estimation items, they are supported by determinations of expected cash flows, comparable transactions in previous periods etc. See also note 40 on business acquisitions/business combinations.

### Non-current assets held for sale (IFRS 5)

SpareBank 1 SMN's strategy is that ownership resulting from defaulted exposures should at the outset be of brief duration, normally not longer than one year. Work on selling such companies is continuously in progress, and for accounting purposes they are classified as held for sale. See also note 39 on investments in owner interests.

### Sale of loan portfolios

In the transfer of loan portfolios to Ekspportfinans, SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, the Group considers whether the criteria for derecognition under IAS 39 are met. At the end of the accounting year all transferred portfolios were derecognised from the Parent Bank's balance sheet. See also note 9 on derecognition of financial assets.

### Classification of hybrid capital

Sparebank 1 SMN issued two hybrid capital instruments in 2013 where the terms satisfy the requirements in CRD-IV to be included in Common Equity Tier One. From 2017 these have been classified as equity in the financial statements since the Bank consider the terms not to fulfill the conditions in IAS 32 to be classified as financial liability. The interest are not presented as an expense in the income statement, but as a reduction to equity. The change has entailed an overall reduction of NOK 44 million in interest expenses in 2017. Comparatives for 2016 are restated as shown below.

### Effects of the restatement

2016	Parent bank			Group		
	Reported previously	Correction Tier 1 capital	Restated	Reported previously	Correction Tier 1 Capital	Restated
<b>Profit/Loss</b>						
Interest expenses	1,717	-45	1,672	1,714	-45	1,668
Tax expense	290	11	302	341	11	352
Profit after tax	1,655	34	1,689	1,647	34	1,681
<b>Balance sheet</b>						
Subordinated loan capital	3,140	-954	2,186	3,182	-954	2,228
Additional Tier 1 Capital	0	950	950	0	950	950

## Note 4 - Segment information

For the subsidiaries the figures refer to the respective company accounts, while for joint ventures incorporated by the equity method the Group's profit share is stated, after tax, as well as book value of the investment at group level.

Group 31 December 2017										
Profit and loss account (NOK million)	RM	CM	SB1 Markets	EM 1	SB1 Finans MN	SB1 Regnskaps- huset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	993	977	-15	3	228	-1	-	-	38	2,225
Interest from allocated capital	144	131	-	-	-	-	-	-	-274	-
<b>Total interest income</b>	<b>1,137</b>	<b>1,108</b>	<b>-15</b>	<b>3</b>	<b>228</b>	<b>-1</b>	<b>-</b>	<b>-</b>	<b>-236</b>	<b>2,225</b>
Commission income and other income	789	199	369	473	55	377	-	-	-257	2,005
Net return on financial investments **)	0	9	82	-0	-	-	349	94	224	758
<b>Total income</b>	<b>1,926</b>	<b>1,315</b>	<b>437</b>	<b>477</b>	<b>283</b>	<b>376</b>	<b>349</b>	<b>94</b>	<b>-269</b>	<b>4,988</b>
<b>Total operating expenses</b>	<b>794</b>	<b>365</b>	<b>435</b>	<b>474</b>	<b>137</b>	<b>315</b>	<b>-</b>	<b>-</b>	<b>-152</b>	<b>2,369</b>
<b>Ordinary operating profit</b>	<b>1,132</b>	<b>950</b>	<b>2</b>	<b>3</b>	<b>146</b>	<b>61</b>	<b>349</b>	<b>94</b>	<b>-117</b>	<b>2,619</b>
Loss on loans, guarantees etc.	5	318	-	-	18	-	-	-	-0	341
<b>Result before tax including held for sale</b>	<b>1,127</b>	<b>632</b>	<b>2</b>	<b>3</b>	<b>128</b>	<b>61</b>	<b>349</b>	<b>94</b>	<b>-117</b>	<b>2,278</b>
<b>Post-tax return on equity*)</b>	<b>16.6 %</b>	<b>10.5 %</b>								<b>11.5 %</b>
<b>Balance (NOK million)</b>										
Loans and advances to customers	103,131	39,482	-	-	6,740	-	-	-	-569	148,784
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-35,047	-1,666	-	-	-	-	-	-	0	-36,713
Individual allowance for impairment on loan	-22	-729	-	-	-12	-	-	-	-2	-765
Group allowance for impairment on loan	-90	-218	-	-	-24	-	-	-	-15	-347
Other assets	168	4,141	2,242	612	20	323	1,569	1,149	32,070	42,295
<b>Total assets</b>	<b>68,141</b>	<b>41,010</b>	<b>2,242</b>	<b>612</b>	<b>6,724</b>	<b>323</b>	<b>1,569</b>	<b>1,149</b>	<b>31,483</b>	<b>153,254</b>
Deposits to customers	37,182	38,719	-	-	-	-	-	-	574	76,476
Other liabilities and equity	30,959	2,290	2,242	612	6,724	323	1,569	1,149	30,909	76,778
<b>Total liabilities and equity</b>	<b>68,141</b>	<b>41,010</b>	<b>2,242</b>	<b>612</b>	<b>6,724</b>	<b>323</b>	<b>1,569</b>	<b>1,149</b>	<b>31,483</b>	<b>153,254</b>

## Group 31 December 2016

Profit and loss account (NOK million)	RM	CM	SB1		SB1	SB1-	SB1-	BN	Uncollated	Total
			Markets	EM 1	Finans	Regnskaps- huset SMN				
Net interest	906	960	-8	4	183	0	-	-	-117	1,929
Interest from allocated capital	47	40	-	-	-	-	-	-	-86	-
<b>Total interest income</b>	<b>953</b>	<b>1,000</b>	<b>-8</b>	<b>4</b>	<b>183</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-204</b>	<b>1,929</b>
Commission income and other income	679	196	212	426	-11	234	-	-	-62	1,674
Net return on financial investments (**)	1	9	88	-	-	-	317	86	448	949
<b>Total income</b>	<b>1,633</b>	<b>1,205</b>	<b>292</b>	<b>430</b>	<b>172</b>	<b>235</b>	<b>317</b>	<b>86</b>	<b>182</b>	<b>4,552</b>
<b>Total operating expenses</b>	<b>770</b>	<b>332</b>	<b>282</b>	<b>363</b>	<b>55</b>	<b>191</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>2,003</b>
<b>Ordinary operating profit</b>	<b>863</b>	<b>873</b>	<b>10</b>	<b>68</b>	<b>117</b>	<b>44</b>	<b>317</b>	<b>86</b>	<b>170</b>	<b>2,549</b>
Loss on loans, guarantees etc.	13	490	0	-	13	-	-	-	1	516
<b>Result before tax including held for sale</b>	<b>850</b>	<b>384</b>	<b>10</b>	<b>68</b>	<b>104</b>	<b>44</b>	<b>317</b>	<b>86</b>	<b>170</b>	<b>2,033</b>
<b>Post-tax return on equity*)</b>	<b>13.8 %</b>	<b>6.9 %</b>								<b>11.3 %</b>
<b>Balance (NOK million)</b>										
Loans and advances to customers	93,757	38,938	-	-	5,430	-	-	-	-590	137,535
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-33,307	-1,903	-	-	-	-	-	-	-0	-35,211
Individual allowance for impairment on loan	-24	-596	-	-	-11	-	-	-	-2	-632
Group allowance for impairment on loan	-90	-228	-	-	-20	-	-	-	-0	-339
Other assets	177	35	1,702	322	16	218	1,476	1,186	31,594	36,726
<b>Total assets</b>	<b>60,514</b>	<b>36,245</b>	<b>1,702</b>	<b>322</b>	<b>5,414</b>	<b>218</b>	<b>1,476</b>	<b>1,186</b>	<b>31,002</b>	<b>138,080</b>
Deposits from and debt to customers	34,856	32,401	-	-	-	-	-	-	-89	67,168
Other liabilities and equity	25,658	3,845	1,702	322	5,414	218	1,476	1,186	31,091	70,912
<b>Total liabilities &amp; Equity</b>	<b>60,514</b>	<b>36,245</b>	<b>1,702</b>	<b>322</b>	<b>5,414</b>	<b>218</b>	<b>1,476</b>	<b>1,186</b>	<b>31,002</b>	<b>138,080</b>

\*) 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 2017.

**) Specification of net return on financial investments incl. Investment held for sale (NOK million)	31 Dec 2017	31 Dec 2016
<b>Dividends</b>	<b>6</b>	<b>88</b>
Capital gains shares	62	76
Gain/(loss) on derivatives	124	280
Gain/(loss) on other financial instruments at fair value (FVO)	7	26
Foreign exchange gain/(loss)	45	51
Gain/(Loss) on certificates and bonds	58	-2
Gains/(Loss) on shares and share derivatives at SpareBank 1 Markets	43	25
Gain/(loss) on financial instruments related to hedging ***)	-22	-21
<b>Net return on financial instruments</b>	<b>317</b>	<b>434</b>
SpareBank 1 Gruppen	349	317
SpareBank 1 Boligkreditt	-41	-17
SpareBank 1 Næringskreditt	19	29
BN Bank adjusted for the profit share in BN Bolig	98	86
SpareBank 1 Kredittkort	15	24
SpareBank 1 Mobilbetaling	-14	-27
Other companies	10	15
<b>Income from investment in associates and joint ventures</b>	<b>436</b>	<b>427</b>
<b>Total net return on financial investments</b>	<b>758</b>	<b>949</b>
<b>***) Fair value hedging</b>	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
Changes in fair value on hedging instrument	-215	-302
Changes in fair value on hedged item	192	281
<b>Net Gain or Loss from hedge accounting</b>	<b>-22</b>	<b>-21</b>



## Note 5 - Capital adequacy and capital management

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

As of 31 December 2017 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 2.1 per cent for SpareBank 1 SMN, effective as from the fourth quarter of 2016. The total minimum requirement on CET1 capital is accordingly 14.1 per cent.

The countercyclical buffer increased from 1.5 per cent to 2.0 per cent with effect from 31 December 2017.

SpareBank 1 SMN has in fourth quarter 2017 reclassified two additional Tier 1 capital bonds from liabilities to equity, and the comparable figures has been restated. For further details, see note 1.

As from the fourth quarter of 2016 differentiated rates came into force for the countercyclical buffer. 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 fourth quarter of 2017 the parent bank is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures. For the group, the risk-weighted countercyclical capital buffer is 2.0 per cent.

Parts of the group's hybrid capital and subordinated debt were issued under earlier rules. This will be subject to a write-down of 40 per cent in 2016 and 50 per cent in 2017. The write-down will increase by another 10 per cent per year thereafter. As at 31 December 2017 the bank held hybrid capital worth NOK 450 million subject to write-down. For subordinated debt the figure was NOK 659 million.

Parent Bank		(NOK million)	Group	
31 Dec 2016	31 Dec 2017		31 Dec 2017	31 Dec 2016
<b>14,166</b>	<b>15,372</b>	<b>Total book equity</b>	<b>17,510</b>	<b>16,253</b>
-950	-950	Additional Tier 1 capital instruments included in total equity	-993	-950
-470	-522	Deferred taxes, goodwill and other intangible assets	-984	-741
-	-	Part of reserve for unrealised gains, associated companies	117	117
-609	-893	Deduction for allocated dividends and gifts	-893	-609
-	-	Non-controlling interests recognised in other equity capital	-565	-425
-	-	Non-controlling interests eligible for inclusion in CET1 capital	324	220
-29	-30	Value adjustments due to requirements for prudent valuation	-41	-48
-190	-350	Positive value of adjusted expected loss under IRB Approach	-333	-248
-	-	Cash flow hedge reserve	7	-
-	-	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-212	-337
<b>11,917</b>	<b>12,627</b>	<b>Total common equity Tier one</b>	<b>13,938</b>	<b>13,233</b>
950	950	Additional Tier 1 capital instruments	1,427	1,358
483	459	Additional Tier 1 capital instruments covered by transitional provisions	459	483
<b>13,350</b>	<b>14,036</b>	<b>Total core capital</b>	<b>15,824</b>	<b>15,073</b>
		<b>Supplementary capital in excess of core capital</b>		
1,000	1,000	Subordinated capital	1,615	1,698
673	561	Subordinated capital covered by transitional provisions	561	673
-256	-254	Deduction for significant investments in financial institutions	-254	-256
<b>1,418</b>	<b>1,307</b>	<b>Total supplementary capital</b>	<b>1,922</b>	<b>2,116</b>
<b>14,768</b>	<b>15,343</b>	<b>Net subordinated capital</b>	<b>17,746</b>	<b>17,189</b>

		<b>Minimum requirements subordinated capital</b>		
1,065	978	Specialised enterprises	1,107	1,206
1,064	1,098	Corporate	1,113	1,102
1,270	1,370	Mass market exposure, property	1,892	1,753
85	90	Other mass market	91	88
1,223	1,198	Equity investments	1	3
<b>4,707</b>	<b>4,733</b>	<b>Total credit risk IRB</b>	<b>4,205</b>	<b>4,153</b>
5	3	Central government	3	5
73	80	Covered bonds	146	130
426	429	Institutions	331	340
5	0	Local and regional authorities, state-owned enterprises	4	7
45	44	Corporate	245	253
0	1	Mass market	388	179
13	13	Exposures secured on real property	193	342
245	232	Equity positions	344	338
86	70	Other assets	166	178
<b>898</b>	<b>872</b>	<b>Total credit risk standardised approach</b>	<b>1,820</b>	<b>1,772</b>
35	16	Debt risk	18	36
-	-	Equity risk	22	5
-	-	Currency risk	1	1
334	341	Operational risk	510	479
51	52	Credit value adjustment risk (CVA)	117	84
-	-	Transitional arrangements	784	574
<b>6,026</b>	<b>6,015</b>	<b>Minimum requirements subordinated capital</b>	<b>7,478</b>	<b>7,103</b>
<b>75,325</b>	<b>75,182</b>	<b>Risk weighted assets (RWA)</b>	<b>93,474</b>	<b>88,786</b>
3,390	3,383	Minimum requirement on CET1 capital, 4.5 per cent	4,206	3,995
		<b>Capital Buffers</b>		
1,883	1,880	Capital conservation buffer, 2.5 per cent	2,337	2,220
2,260	2,255	Systemic risk buffer, 3.0 per cent	2,804	2,664
1,130	1,504	Countercyclical buffer, 2.0 per (1.5 per cent)	1,869	1,332
<b>5,273</b>	<b>5,639</b>	<b>Total buffer requirements on CET1 capital</b>	<b>7,011</b>	<b>6,215</b>
<b>3,255</b>	<b>3,605</b>	<b>Available CET1 capital after buffer requirements</b>	<b>2,721</b>	<b>3,022</b>
		<b>Capital adequacy</b>		
15.8 %	16.8 %	Common equity Tier one ratio	14.9 %	14.9 %
17.7 %	18.7 %	Core capital ratio	16.9 %	17.0 %
19.6 %	20.4 %	Capital adequacy ratio	19.0 %	19.4 %
		<b>Leverage ratio</b>		
133,514	145,821	Balance sheet items	210,764	194,324
8,234	7,112	Off-balance sheet items	9,295	10,068
-690	-902	Regulatory adjustments	-1,580	-1,388
141,058	152,032	Calculation basis for leverage ratio	218,479	203,005
13,350	14,036	Core capital	15,824	15,073
<b>9.5 %</b>	<b>9.2 %</b>	<b>Leverage Ratio</b>	<b>7.2 %</b>	<b>7.4 %</b>

## Note 6 - Risk factors

### Risk Management

SpareBank 1 SMN aims to maintain a moderate risk profile and to apply risk monitoring of such high quality that no single event will seriously impair the Group's financial position. The Group's risk profile is quantified through targets for rating, concentration, risk-adjusted return, loss ratios, expected loss, necessary economic capital, regulatory capital adequacy, and expected liquidity related regulatory requirements.

The principles underlying SpareBank 1 SMN's Risk Management are laid down in the risk management policy. The Group gives much emphasis to identifying, measuring, managing and monitoring central risks in such a way that the Group progresses in line with its adopted risk profile and strategies.

Risk management within the Group is intended to support the Group's strategic development and target attainment. The risk management regime is also designed to ensure financial stability and prudent asset management. This will be achieved through:

- A strong organisation culture featuring high risk-management awareness
- A sound understanding of the risks that drive earnings and risk costs, thereby creating a better basis for decision-making
- Striving for an optimal use of capital within the adopted business strategy
- Avoiding unexpected negative events which could be detrimental to the Group's operations and reputation in the market

The Group's risk is quantified by calculating expected loss and the need for risk-adjusted capital (economic capital) needed to meet unexpected losses.

Expected loss is the amount which statistically can be expected to be lost in a 12-month period. Risk-adjusted capital is the volume of capital the Group considers it needs to meet the actual risk incurred by the Group. The board has decided that the risk-adjusted capital should cover 99.9 per cent of all possible unexpected losses. Statistical methods are employed to compute expected loss and risk-adjusted capital, but the calculation requires expert assessments in some cases. In the case of risk types where no recognised methods of calculating capital needs are available, the Group defines risk management limits to ensure that the likelihood of an event occurring is extremely low. For further details see the Group's Pillar III reporting which is available on the Parent Bank's website.

The Group's overall risk exposure and risk trend are followed up through periodic risk reports to the administration and the board of directors. Overall risk monitoring and reporting are carried out by Risk Management which is independent of the Group's business areas.

### Credit risk

Credit risk is the risk of loss resulting from the inability or unwillingness of customers or counterparties to honour their commitments to the Group.

The Group is exposed to credit risk through all customer and counterparty receivables. The main exposure is through ordinary lending and leasing activities, but the Group's credit risk also has a bearing on the liquidity reserve portfolio through counterparty risk arising from interest rate and foreign exchange derivatives.

Credit risk associated with the Group's lending activity is the largest area of risk facing the Group.

Through its annual review of the Parent Bank's credit strategy, the Board of Directors concretises the Group's risk appetite by establishing objectives and limits for the Parent Bank's credit portfolio. The Parent Bank's credit strategy and credit policy are derived from the Parent Bank's main strategy, and contain guidelines for the risk profile, including maximum expected loss (EL) for the retail market and corporate market divisions respectively, maximum portfolio default probability (PD) and maximum regulatory capital (UL) allocated to the credit business.

Concentration risk is managed by distribution between Retail Banking and Corporate Banking, limits on the size of loan and loss ratio on single exposures, limits on maximum exposure to sectors, and limits on regulatory risk weighted assets for Retail Banking and Corporate Banking.

Compliance with credit strategy and limits adopted by the Board of Directors is monitored on a continual basis by Risk Management and reported quarterly to the Board of Directors.

The Parent Bank has approval to use internal models in its risk management and capital calculation (IRB), and in February 2015 was given permission to apply the advanced IRB approach.

The Parent Bank's risk classification system is designed to enable the Parent Bank's loan portfolio to be managed in conformity with the Parent Bank's credit strategy and to secure the risk-adjusted return. The Board of Directors delegates lending authorisation to the Group CEO. The Group CEO can further delegate authorisations to levels below executive director level. Lending authorisations are graded by size of commitment and risk profile.

The Parent Bank has a division dedicated to credit support which assists in or takes over dealings with customers who are clearly unable, or are highly likely to become unable, to service their debts unless action is taken beyond ordinary follow-up.

The Group uses credit models for risk classification, risk pricing and portfolio management. The risk classification system builds on the following main components:

### **1. Probability of Default (PD)**

The Group's credit models are based on statistical computations of probability of default. The calculations are based on scoring models that take into account financial position and behavioural data. The models are partly point-in-time oriented, and reflect the probability of default in the course of the next 12 months under current economic conditions. The Bank has also developed a cashflow based PD-model used for exposures in rental of commercial property. The Bank has engaged in a dialogue with Finanstilsynet to be able to use this model in the calculation of capital requirements (IRB).

Customers are assigned to one of nine risk classes based on PD, in addition to two risk classes for exposures in default and/or subject to individual impairment write down.

The models are validated on an ongoing basis and at least once per year both with respect to their ability to rank customers and to estimate PD levels. The validation results confirm that the models' accuracy meets internal criteria and international recommendations.

### **2. Exposure at Default (EAD)**

EAD is an estimation of the size of an exposure in the event of, and at the time of, a counterparty's default. For drawing rights, a conversion factor (CF) is used to estimate how much of the present unutilised credit ceiling will have been utilised at a future default date. For guarantees, CF is used to estimate what portion of issued guarantees will be brought to bear upon default. CF is validated monthly for drawing rights in the retail market and corporate market. The Group's EAD model takes account of differences both between products and customer types.

### **3. Loss Given Default (LGD)**

The Group estimates the loss ratio for each loan based on expected recovery rate, realisable value of the underlying collateral, recovery rate on unsecured debt, as well as direct costs of recovery. Values are determined using standard models, and actual realised values are validated to test the models' reliability.

Estimated loss ratio shall take into account possible economic downturn. With limited downturn data, the Bank has entered significant margins in its calculations to ensure conservative estimates when calculating capital requirements.

The three above-mentioned parameters (PD, EAD and LGD) underlie the Group's portfolio classification and statistical calculation of expected loss (EL) and need for economic capital/risk-adjusted capital (UL).

### **Counterparty risk**

Counterparty risk in derivatives trading is managed through ISDA and CSA contracts set up with financial institutions that are the Group's most used counterparties. ISDA contracts regulate settlements between financial counterparties. The CSA contracts limit maximum exposure through market evaluation of the portfolio and margin calls when the change in portfolio value exceeds the maximum agreed limit or threshold amount. The Group will continue to enter CSA contracts with financial counterparties to manage counterparty risk. See note 14 Financial Instruments and offsetting for further description of these contracts.

Counterparty risk for customers is hedged through use of cash depots or other collateral which, at all times, have to exceed the market value of the customer's portfolio. Specific procedures have been established for calling for further collateral or to close positions if market values exceed 80 per cent of the collateral.

SpareBank 1 Markets clears ordinary share trades executed at Oslo Børs through CCP settlements. The company is a direct clearing member of SIX X-Clear, and the counterparty risk is against SIX X-Clear.

### **Market risk**

Market risk is a generic term for the risk of loss and reduction of future incomes as a result of changes in observable rates or prices of financial instruments. Market risk arises at SpareBank 1 SMN mainly in connection with the Group's investments in bonds, CDs and shares, including funding. SpareBank 1 SMN has outsourced customer trading in fixed income and foreign currency instruments to

SpareBank 1 Markets. This customer activity, and SpareBank 1 Markets' use of the Parent Bank's balance sheet, also affect the Group's market risk.

Market risk is managed through limits for investments in shares, bonds and positions in the fixed income and currency markets. The Group's strategy for market risk lays the basis for management reporting, control and follow-up of compliance with limits and guidelines.

The Group defines limits on exposure to equity instruments with a basis in stress tests employed in Finanstilsynet's (Financial Supervisory Authority of Norway) models. Limits are reviewed at least once a year and adopted yearly by the Group's Board of Directors. Compliance with the limits is monitored by Risk Management and exposures relative to the adopted limits are reported monthly.

Interest rate risk is the risk of loss due to changes in interest rates in financial markets. The risk on all interest rate positions can be viewed in terms of the change in value of interest rate instruments resulting from a rate change of 1 basis point (0.01 percentage point). The Group utilises analyses showing the effect of this change for various maturity bands, with separate limits applying to interest rate exposure within each maturity band and across all maturity bands as a whole. Interest rate lock-ins on the Group's instruments are essentially short, and the Group's interest rate risk is low to moderate.

Spread risk is the risk of loss as a result of changes in market value/fair value of bonds due to general changes in credit spreads. The bond portfolio is managed based on an evaluation of the individual issuers. In addition, the Group has a separate limit for overall spread risk for all bonds. The Group calculates spread risk based on Finanstilsynet's module for market and credit risk. The loss potential for the individual credit exposure is calculated with a basis in rating and duration.

Exchange rate risk is the risk of loss resulting from exchange rate movements. The Group measures exchange rate risk on the basis of net positions in the various currencies. Limits on exchange rate risk are expressed in limits for the maximum aggregate foreign exchange position in individual currencies.

Equity risk is the risk of loss on positions as a result of changes in share prices. This risk is linked to positions in equity instruments as the underlying. Shares in subsidiaries and shares forming part of a consolidated or strategic assessment are not included.

#### **Liquidity risk**

Liquidity risk is the risk that the Group will be unable to refinance its debt or unable to finance increases in its assets.

The Group's most important source of finance is customer deposits. At end-2017 the Group's ratio of deposits to loans was 51 per cent, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, compared with 49 per cent at end-2016 (Group).

The Group reduces its liquidity risk by diversifying funding across a variety of markets, funding sources, maturities and instruments, and by employing long-term funding. Excessive concentration of maturities heightens vulnerability with regard to refinancing. The Group seeks to mitigate such risk by applying defined limits.

The Parent Bank's finance division is responsible for the Group's financing and liquidity management. Compliance with limits is monitored by Risk Management which reports monthly to the Board of Directors. The Group manages its liquidity on an overall basis by assigning responsibility for funding both the Parent Bank and the subsidiaries to the finance division.

Governance is based in the Group's overall liquidity strategy which is reviewed and adopted by the board at least once each year. The liquidity strategy reflects the Group's moderate risk profile. As a part of the strategy, emergency 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. These take into account periods of both bank-specific and system-related crisis scenarios as well as a combination of the two. An aim of the Group is to survive for 12 months of ordinary operation without fresh external funding. This assumes that the Parent Bank can continue to sell eligible loans to SpareBank 1 Boligkreditt, and that there will at all times be sufficient capacity in the stock of loans to cover a house price fall of up to 30 per cent and thus to maintain funding through the mortgage credit company. It also intends to succeed in surviving for 30 days under the most extreme crisis scenario. In such a scenario only the Parent Bank's holding of highly liquid assets may be utilised.

Access to capital has been satisfactory throughout 2017.

The Group's liquidity situation as of 31 December 2017 is considered satisfactory.

#### **Operational risk**

Operational risk can be defined as the risk of loss resulting from:

- People: Breaches of routines/guidelines, inadequate competence, unclear policy, strategy or routines, internal irregularities
- Systems: Failure of IT- and other systems
- External causes: Criminality, natural disaster, other external causes

Operational risk is a risk category that captures the great majority of costs associated with quality lapses in the Group's current activity.

Management of operational risk has acquired increased importance in the financial industry in recent years. Contributory factors are internationalisation, strong technological development and steadily growing demands from customers, public authorities and other interest groups. Many substantial loss events in the international financial industry have originated in failures in this risk area.

Identification, management and control of operational risk are an integral part of managerial responsibility at all levels of SpareBank 1 SMN. Managers' most important aids in this work are professional insight and leadership skills along with action plans, control routines and good follow-up systems. A systematic programme of risk assessments also contributes to increased knowledge and awareness of current needs for improvement in one's own unit. Any weaknesses and improvements are reported to higher levels in the organisation.

SpareBank 1 SMN attaches importance to authorisation structures, good descriptions of procedures and clear definition of responsibilities in supply contracts between the respective divisions as elements in a framework for handling operational risk.

Management consider the Bank's IT –systems to be central for the operation, accounting and reporting of transactions in addition to providing the support for important estimates and calculations. The IT- systems are mainly standardised, and the management and operation has been outsourced to a service provider.

The Parent Bank has put to use a registration and monitoring tool (Risk Information System) for better structure and follow up of risk, events and areas for improvement in the Group.

Operational losses are reported to the Board of Directors. The Board of Directors receives each year from the internal audit and the statutory auditor an independent assessment of the Group's risk and of whether the internal control functions in an appropriate and adequate manner. The Board's assessment of the operational risk is moderate, including the risk related to the accounting and reporting process.

For further information see the Bank's Pillar III-report available at <https://www.sparebank1.no/en/smn/about-us/investor/financial-info/capital-adequacy.html> and notes:

Note 13: Maximum credit risk exposure

Note 14: Financial instruments and offsetting

Note 16: Market risk related to interest rate risk

Note 17: Market risk related to currency exposure

## Note 7 - Credit institutions - loans and advances

Parent Bank		Loans and advances to credit institutions (NOK million)	Group	
31 Dec 2016	31 Dec 2017		31 Dec 2017	31 Dec 2016
7,066	6,903	Loans and advances without agreed maturity or notice of withdrawal	1,575	2,756
1,136	2,639	Loans and advances with agreed maturity or notice of withdrawal	2,639	1,136
<b>8,203</b>	<b>9,543</b>	<b>Total</b>	<b>4,214</b>	<b>3,892</b>
<b>Specification of loans and receivables on key currencies</b>				
1,466	231	EUR	231	1,466
101	7	GBP	7	101
25	7	JPY	7	25
6,059	9,074	NOK	3,747	1,749
365	68	USD	68	365
148	119	SEK	119	148
38	36	Other	34	38
<b>8,203</b>	<b>9,543</b>	<b>Total</b>	<b>4,214</b>	<b>3,892</b>
1.9 %	1.5 %	Average rate credit institutions *)	0.9 %	1.8 %
<b>Deposits from credit institutions (NOK million)</b>				
7,378	7,729	Deposits without agreed maturity or notice of withdrawal	8,289	7,588
2,920	1,318	Deposits with agreed maturity or notice of withdrawal	1,318	2,920
<b>10,299</b>	<b>9,047</b>	<b>Total</b>	<b>9,607</b>	<b>10,509</b>
<b>Specification of deposits on key currencies</b>				
2,859	2,098	EUR	2,098	2,859
7,421	6,919	NOK	7,479	7,631
13	19	USD	19	13
19	29	Other	29	19
<b>10,299</b>	<b>9,047</b>	<b>Total</b>	<b>9,607</b>	<b>10,509</b>
0.6 %	0.6 %	Average rate credit institutions *)	0.6 %	0.6 %
<b>Other commitments to credit institutions (NOK million)</b>				
5,000	2,288	Unutilised credits	2,288	5,000
55	55	Financial guarantees	55	55
<b>5,055</b>	<b>2,344</b>	<b>Total</b>	<b>2,344</b>	<b>5,055</b>

Deposits from and loans to credit institutions with mainly floating interest.

\*) The average interest rate is calculated based on the interest income/expense of the holding accounts' average balance for the given year. This is, however, limited to holdings in NOK denominated accounts.

## Note 8 - Loans and advances to customers

Parent Bank		Loan and advances to customers (NOK million)	Group	
31 Dec 2016	31 Dec 2017		31 Dec 2017	31 Dec 2016
97,437	105,843	Gross loans to and receivables from customers	112,071	102,325
-620	-751	Specified write-downs	-765	-632
-318	-323	Collectively assessed write-downs	-347	-339
<b>96,499</b>	<b>104,769</b>	<b>Net loans to and advances to customers</b>	<b>110,959</b>	<b>101,354</b>
<b>Additional information</b>				
33,142	34,885	Loans sold to SpareBank 1 Boligkreditt	34,885	33,142
779	615	Of which loans to employees	956	1,167
2,069	1,828	Loans sold to SpareBank 1 Næringskreditt	1,828	2,069
32	48	Subordinated loan capital other financial institutions	48	32
631	648	Loans to employees *)	1,149	1,123

\*) Interest rate subsidies on loans to employees are included in net interest income. The lending rate for employees is 75 per cent of the best mortgage rate for other customers

## Loans and other commitments specified by type

Parent Bank		Loans and commitments specified by type (NOK million)	Group	
31 Dec 2016	31 Dec 2017		31 Dec 2017	31 Dec 2016
<b>Gross loans and advances</b>				
-	-	Financial lease	2,839	2,421
11,635	12,797	Bank overdraft and operating credit	12,330	11,635
3,313	4,186	Construction loans	4,185	3,313
82,489	88,860	Amortizing loan	92,716	84,956
97,437	105,843	Total gross loans to and receivables from customers	112,071	102,325
<b>Other commitments</b>				
5,409	4,210	Financial guarantees, of which:	4,210	5,409
776	714	<i>Payment guarantees</i>	714	776
1,167	1,286	<i>Performance guarantees</i>	1,286	1,167
3,249	1,994	<i>Loan guarantees</i>	1,994	3,249
81	84	<i>Guarantees for taxes</i>	84	81
135	132	<i>Other guarantee commitments</i>	132	135
1,061	1,018	Unutilised guarantee commitments	1,018	1,061
12,337	11,677	Unutilised credits	11,688	12,420
1,720	1,896	Loans approvals (not discounted)	2,148	1,957
82	62	Documentary credits	62	82
20,609	18,863	Total other commitments	19,126	20,929
<b>118,046</b>	<b>124,706</b>	<b>Total loans and commitments</b>	<b>131,197</b>	<b>123,253</b>



## Loans and other commitments specified by sector and industry

Parent Bank (NOK million)	31 Dec 2017			31 Dec 2016		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Wage earners	60,099	6,193	66,292	53,371	6,057	59,428
Public administration	226	855	1,081	273	898	1,171
Agriculture, forestry, fisheries and hunting	11,305	1,002	12,307	10,290	1,048	11,338
Sea farming industries	1,311	978	2,289	1,599	536	2,135
Manufacturing	2,850	1,625	4,475	2,701	1,975	4,676
Construction, power and water supply	2,794	1,398	4,193	2,980	2,481	5,461
Retail trade, hotels and restaurants	2,432	2,399	4,830	2,288	1,641	3,929
Maritime sector and offshore	4,639	1,510	6,149	4,983	1,675	6,657
Property management	12,462	1,203	13,665	11,619	1,706	13,324
Business services	2,510	797	3,307	2,442	1,013	3,455
Transport and other services provision	3,547	593	4,140	3,220	998	4,218
Other sectors	1,669	310	1,978	1,670	582	2,252
<b>Total</b>	<b>105,843</b>	<b>18,863</b>	<b>124,706</b>	<b>97,437</b>	<b>20,609</b>	<b>118,046</b>

Group (NOK million)	31 Dec 2017			31 Dec 2016		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Wage earners	63,812	6,332	70,144	56,260	6,183	62,443
Public administration	240	855	1,095	288	898	1,186
Agriculture, forestry, fisheries and hunting	11,606	1,013	12,619	10,499	1,057	11,556
Sea farming industries	1,697	992	2,689	1,985	553	2,538
Manufacturing	3,157	1,637	4,794	2,985	1,988	4,973
Construction, power and water supply	3,419	1,421	4,841	3,532	2,506	6,038
Retail trade, hotels and restaurants	2,700	2,409	5,109	2,510	1,650	4,161
Maritime sector and offshore	4,639	1,510	6,149	4,983	1,675	6,657
Property management	12,521	1,205	13,726	11,675	1,708	13,383
Business services	2,260	811	3,070	2,072	1,089	3,161
Transport and other services provision	4,322	630	4,951	3,836	1,040	4,875
Other sectors	1,699	310	2,010	1,700	583	2,282
<b>Total</b>	<b>112,071</b>	<b>19,126</b>	<b>131,197</b>	<b>102,325</b>	<b>20,929</b>	<b>123,253</b>

## Loans and other commitments specified by geographic area

Parent Bank (NOK million)	31 Dec 2017			31 Dec 2016		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Trøndelag	70,137	12,106	82,243	62,003	13,117	75,120
Møre og Romsdal	22,319	5,078	27,397	20,832	5,522	26,354
Sogn og Fjordane	608	333	941	665	188	853
Nordland	1,216	37	1,253	956	35	991
Oslo	5,037	653	5,690	4,700	1,067	5,767
Rest of Norway	6,070	615	6,685	5,804	677	6,481
Abroad	456	42	498	2,476	4	2,480
<b>Total</b>	<b>105,843</b>	<b>18,863</b>	<b>124,706</b>	<b>97,437</b>	<b>20,609</b>	<b>118,046</b>

Group (NOK million)	31 Dec 2017			31 Dec 2016		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Trøndelag	73,017	12,227	85,243	64,211	13,279	77,490
Møre og Romsdal	23,670	5,128	28,798	21,930	5,586	27,516
Sogn og Fjordane	981	347	1,328	889	201	1,090
Nordland	1,295	40	1,334	1,031	40	1,071
Oslo	4,710	658	5,368	4,788	1,072	5,861
Rest of Norway	7,942	685	8,627	6,998	747	7,745
Abroad	456	42	498	2,476	4	2,480
<b>Total</b>	<b>112,071</b>	<b>19,126</b>	<b>131,197</b>	<b>102,325</b>	<b>20,929</b>	<b>123,253</b>

## Gross loans sold to SpareBank 1 Boligkreditt

(NOK million)	31 Dec 2017			31 Dec 2016		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Trøndelag	25,483	1,934	27,418	23,776	2,168	25,943
Møre og Romsdal	5,645	439	6,084	4,917	462	5,379
Sogn og Fjordane	317	21	339	297	16	313
Nordland	124	7	131	111	12	123
Oslo	1,270	47	1,317	1,113	61	1,174
Rest of Norway	1,997	89	2,087	1,756	98	1,854
Abroad	48	1	49	1,172	108	1,280
<b>Total</b>	<b>34,885</b>	<b>2,539</b>	<b>37,424</b>	<b>33,142</b>	<b>2,925</b>	<b>36,067</b>

## Gross loans sold to SpareBank 1 Næringskreditt

(NOK million)	31 Dec 2017			31 Dec 2016		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Trøndelag	1,164	-	1,164	1,171	-	1,171
Møre og Romsdal	158	-	158	541	-	541
Sogn og Fjordane	0	-	0	0	-	0
Nordland	87	-	87	50	-	50
Oslo	366	-	366	250	-	250
Rest of Norway	52	-	52	56	-	56
Abroad	0	-	0	0	-	0
<b>Total</b>	<b>1,828</b>	<b>-</b>	<b>1,828</b>	<b>2,069</b>	<b>-</b>	<b>2,069</b>

**Loans to and claims on customers related to financial leases (NOK million)**

<b>Group (NOK million)</b>	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
Gross advances related to financial leasing		
- Maturity less than 1 year	233	195
- Maturity more than 1 year and less than 5 years	2,105	1,602
- Maturity more than 5 years	581	624
<b>Total gross claims</b>	<b>2,919</b>	<b>2,421</b>
Received income related to financial leasing, not yet earned	80	73
Net investments related to financial leasing	2,839	2,348
Net investments in financial leasing can be broken down as follows:		
- Maturity less than 1 year	185	179
- Maturity more than 1 year and less than 5 years	2,081	1,559
- Maturity more than 5 years	573	610
<b>Total net claims</b>	<b>2,839</b>	<b>2,348</b>

**Loans and other commitments to customers specified by risk group**

The Bank calculates default probabilities for all customers in the loan portfolio at the loan approval date. This is done on the basis of key figures on earnings, financial strength and behaviour. Default probability is used as a basis for risk classification of the customer. Further, risk classification is used to assign each customer to a risk group. See note 12 on credit risk exposure for each internal risk rating.

Customers are rescored in the Bank's portfolio system on a monthly basis.

Exposures are monitored with a basis in the exposure's size, risk and migration. Risk pricing of business exposures is done with a basis in expected loss and economic capital required for each exposure. Expected annual average net loss is calculated for the next twelve months. Expected loss is within the limits set for maximum expected loss by the Board of Directors, NOK 408m (326m) in the parent bank and NOK 445m (356m) in the group as of 31 December 2017.

Collectively assessed write-downs are calculated with a basis in customers who have shown negative migration since the loan approval date but for whom no individual write-down has been assessed.

The Bank uses macro-based stress tests to estimate write-downs required as a result of objective events that were not reflected in portfolio quality at the time of measurement.

Risk group default and written down consist of customers default by over 90 days and individual write-downs.

<b>Parent Bank (NOK million)</b>	<b>31 Dec 2017</b>			<b>31 Dec 2016</b>		
	<b>Gross loans</b>	<b>Other commitments</b>	<b>Total loans and commitments</b>	<b>Gross loans</b>	<b>Other commitments</b>	<b>Total loans and commitments</b>
Lowest risk	69,528	10,852	80,379	66,543	11,340	77,882
Low risk	16,855	3,693	20,548	10,973	3,441	14,413
Medium risk	12,676	3,294	15,970	14,652	4,690	19,342
High risk	2,507	419	2,926	1,931	793	2,723
Highest risk	2,708	478	3,185	1,873	58	1,931
Default and written down	1,570	128	1,698	1,466	288	1,754
<b>Total</b>	<b>105,843</b>	<b>18,863</b>	<b>124,706</b>	<b>97,437</b>	<b>20,609</b>	<b>118,046</b>

Group (NOK million)	31 Dec 2017			31 Dec 2016		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Lowest risk	69,415	10,868	80,283	66,909	11,356	78,265
Low risk	18,307	3,750	22,057	12,298	3,539	15,837
Medium risk	15,696	3,413	19,109	16,512	4,824	21,336
High risk	3,532	460	3,991	2,557	835	3,393
Highest risk	3,470	508	3,978	2,522	87	2,609
Default and written down	1,651	128	1,779	1,527	288	1,815
<b>Total</b>	<b>112,071</b>	<b>19,126</b>	<b>131,197</b>	<b>102,325</b>	<b>20,929</b>	<b>123,253</b>

## Gross loans and commitments sold to SpareBank 1 Boligkreditt

(NOK million)	31 Dec 2017			31 Dec 2016		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Lowest risk	30,082	2,523	32,604	29,122	2,871	31,993
Low risk	3,556	12	3,568	2,940	42	2,982
Medium risk	865	2	868	831	7	838
High risk	227	1	228	121	3	123
Highest risk	147	0	147	124	0	125
Default and written down	8	1	9	5	1	6
<b>Total</b>	<b>34,885</b>	<b>2,539</b>	<b>37,424</b>	<b>33,142</b>	<b>2,925</b>	<b>36,067</b>

## Gross loans and commitments sold to SpareBank 1 Næringskreditt

(NOK million)	31 Dec 2017			31 Dec 2016		
	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Lowest risk	1,465	-	1,465	1,795	-	1,795
Low risk	96	-	96	273	-	273
Medium risk	267	-	267	-	-	-
High risk	-	-	-	-	-	-
Highest risk	-	-	-	-	-	-
Default and written down	-	-	-	-	-	-
<b>Total</b>	<b>1,828</b>	<b>-</b>	<b>1,828</b>	<b>2,069</b>	<b>-</b>	<b>2,069</b>

## Note 9 - Derecognition of financial assets

In its ordinary business the Bank undertakes transactions that result in the sale of financial assets. The Bank transfers such financial assets mainly through sales of customers' home mortgage loans to SpareBank 1 Boligkreditt or commercial property loans to SpareBank 1 Næringskreditt.

Payment received for loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt corresponds to book value and is deemed to equal the loans' fair value at the time of sale.

In accordance with the management agreement with the above mortgage companies, the Bank is responsible for management of the loans and maintains customer contact. The Bank receives payment in the form of commission for the obligations ensuing from management of the loans.

The above mortgage companies can sell the loans bought from the Bank, while the Bank's right to service the customers and receive commission continues to apply. Should the Bank be unable to service customers, its right to service and commission may lapse. The Bank may have the option to repurchase the loans under given conditions.

If the mortgage companies incur losses on purchased loans, they have a certain right to settle such loss against commissions from all banks that have sold the loans. Hence a limited residual involvement exists related to sold loans in the event of a possible limited settlement of loss against commission. However, this opportunity of settlement is not considered to be of such a nature as to alter the conclusion that the great majority of risk and advantages is transferred. The Bank's maximum exposure to loss is represented by the highest amount reimbursable under the agreements.

The Bank has considered the accounting implications such that great majority of risk and advantages related to the sold loans is transferred to the mortgage companies. This entails full derecognition of sold loans. The Bank recognises any right and obligations that are created or retained in connection with the sale separately as assets or liabilities. No such assets or liabilities has been recognised as of 31 December 2017.

### **SpareBank 1 Boligkreditt**

SpareBank 1 Boligkreditt AS is owned by savings banks participating in the SpareBank 1 Alliance. The Bank has a stake of 19.85 per cent as of 31 December 2017 (19.09 per cent as of 31 December 2016). SpareBank 1 Boligkreditt AS acquires loans secured on dwellings and issues covered bonds within the applicable rules that were established in 2007. Loans sold to SpareBank 1 Boligkreditt are secured on dwellings at up to 75 per cent of property valuation. Sold loans are legally owned by SpareBank 1 Boligkreditt and the Bank has, over and above the right to be responsible for management and receipt of commission and the right to take over written-down loans in whole or in part, no right to make use of the loans. The Bank is responsible for management of the sold loans and receives commission based on the net of the return on the loans that the Bank has sold and the mortgage company costs.

In 2017 mortgage loans were bought and sold to a net value of NOK 1.7bn (1.2bn in 2016) to SpareBank 1 Boligkreditt. In total, mortgage loans to SpareBank 1 Boligkreditt were derecognised in an amount of NOK 34.9bn at the end of the financial year (NOK 33.1bn in 2016).

### *Liquidity facility*

SpareBank 1 SMN has, together with the other owners of SpareBank 1 Boligkreditt, entered an agreement for the establishment of a liquidity facility for SpareBank 1 Boligkreditt. Under this agreement the Banks undertake to purchase covered bonds issued by the mortgage company limited to the overall value of amounts falling due over the next 12 months at SpareBank 1 Boligkreditt.

The liability is limited to the mortgage company's obligation to redeem issued covered bonds after the company's own holding of liquidity at the due date is subtracted. Each owner is liable principally for its share of the need, subsidiarily for twice the primary liability under the same agreement. The bonds may be deposited in Norges Bank and therefore entail no significant increase in risk for the Bank. Under its liquidity strategy, SpareBank 1 Boligkreditt holds liquidity in compliance with the Net Stable Funding Ratio requirements. This liquidity reserve is taken into account in assessing the Banks' liability. Hence it is only in cases where the company no longer has sufficient liquidity to meet amounts falling due over the next 12 months that the Bank will report any exposure in this regard.

### *Financial strength*

Together with the other owners of SpareBank 1 Boligkreditt, SpareBank 1 SMN has also entered an agreement to ensure that SpareBank 1 Boligkreditt has at all times a common equity Tier 1 capital ratio of at least 9 per cent. The shareholders are required to supply sufficient core capital within 3 months of receiving a written request to do so, unless other initiatives are taken to reduce the capital need.

The shareholders' undertaking to supply such core capital is on a pro rata rather than a solitary basis, and is based on each shareholder's pro rata portion of the shares of SpareBank 1 Boligkreditt. Each owner is liable principally for its share of the need, subsidiarily for twice the primary liability under the same agreement. At year-end the company has about 16.7 per cent own funds, of which about 14.5 per cent

is core capital. Viewed in light of the mortgage company's very low risk profile, the Bank considers it unlikely that capital will be called up under this agreement and has opted not to maintain reserves to that end.

**SpareBank 1 Næringskreditt**

SpareBank 1 Næringskreditt AS is owned by savings banks in the SpareBank 1 Alliance. The Bank has a stake of 33.53 per cent as at 31 December 2017 (36.47 per cent). SpareBank 1 Næringskreditt AS acquires loans secured on dwellings and issues covered bonds within the applicable rules that were established in 2007. Loans sold to SpareBank 1 Næringskreditt are secured on commercial property at up to 60 per cent of property valuation. Sold loans are legally owned by SpareBank 1 Næringskreditt and the Bank has, over and above the right to be responsible for management and receipt of commission, and the right to take over written-down loans in whole or in part, no right to make use of the loans. The Bank is responsible for management of the sold loans and receives commission based on the net of the return on the loans that the Bank has sold and the mortgage company costs.

Commercial property loans sold to SpareBank 1 Næringskreditt were reduced by NOK 241m in 2017 (increased by NOK 608m in 2016). In total, mortgage loans to SpareBank 1 Næringskreditt were derecognised in an amount of NOK 1.8bn by the end of the financial year (NOK 2.1bn in 2016).

*Liquidity facility*

As described above with regard to SpareBank 1 Boligkreditt, a similar agreement has been entered with SpareBank 1 Næringskreditt.

*Financial strength*

An agreement to secure a core capital ratio of at least 9 per cent at SpareBank 1 Næringskreditt has been similarly entered into. See the above account concerning SpareBank 1 Boligkreditt.

## Note 10 - Age breakdown of contracts fallen due but not written down

The table shows amounts fallen due on loans and overdrafts on credits/deposits by number of days past due date not caused by payment service delays. The entire loan exposure is included where parts of the exposure have fallen due.

### Parent bank

31 Dec 2017 (NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	1,415	256	42	124	1,836
- Corporate market	307	11	4	8	331
<b>Total</b>	<b>1,721</b>	<b>267</b>	<b>46</b>	<b>132</b>	<b>2,167</b>

31 Dec 2016 (NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	942	220	53	100	1315
- Corporate market	134	8	2	2	147
<b>Total</b>	<b>1,076</b>	<b>229</b>	<b>56</b>	<b>102</b>	<b>1,463</b>

Of the total amount of gross loans fallen due but not written down, the realisable value of the associated collateral at 31 December 2017 was NOK 1,844 million (1,307 million).

### Group

31 Dec 2017 (NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	1,420	290	51	162	1,924
- Corporate market	311	37	9	51	409
<b>Total</b>	<b>1,732</b>	<b>328</b>	<b>60</b>	<b>213</b>	<b>2,333</b>

31 Dec 2016 (NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	946	244	61	130	1380
- Corporate market	139	38	6	33	217
<b>Total</b>	<b>1,085</b>	<b>282</b>	<b>67</b>	<b>163</b>	<b>1,597</b>

Of the total amount of gross loans fallen due but not written down, the realisable value of the associated collateral at 31 December 2017 was NOK 1,943 million (1,381 million).

## Note 11 - Losses on loans and guarantees

### Parent bank

Losses on loans and guarantees (NOK million)	2017			2016		
	RM	CM	Total	RM	CM	Total
Period's change in individual write-downs	-2	127	125	0	449	450
Period's change in collective write-downs	-	5	5	-	-40	-40
Actual losses on loans previously written down	8	146	155	8	34	42
Confirmed losses on loans not previously written down	3	41	45	10	49	59
Recoveries on previously written down loans, guarantees etc.	-5	-1	-6	-6	-3	-8
<b>Total</b>	<b>5</b>	<b>318</b>	<b>323</b>	<b>13</b>	<b>490</b>	<b>502</b>

Individual write-downs (NOK million)	31 Dec 2017			31 Dec 2016		
	RM	CM	Total	RM	CM	Total
Individual write-downs to cover loss on loans, guarantees etc. at 01.01.	24	602	625	28	148	176
- Confirmed losses in the period on loans, guarantees etc. previously subject to individual write down	8	146	155	8	34	42
- Reversal of previous years' write-downs	4	8	13	3	36	39
+ Increase in write-downs of commitments previously subject to individual write down	0	191	191	2	6	8
+ Write-downs of loans not previously subject to individual write down	6	100	106	4	518	523
<b>Individual write-downs to cover loss on loans, guarantees etc at 31 Dec *)</b>	<b>18</b>	<b>738</b>	<b>755</b>	<b>24</b>	<b>602</b>	<b>625</b>

\*) Individually assessed impairment write-downs on guarantees, totalling NOK 4.2m (5.6 million), are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOK million)	31 Dec 2017			31 Dec 2016		
	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 01.01	90	228	318	90	268	358
Period's collective write-downs to cover loss on loans, guarantees etc	-	5	5	-	-40	-40
<b>Collective write-downs to cover loss on loans and guarantees at 31 Dec</b>	<b>90</b>	<b>233</b>	<b>323</b>	<b>90</b>	<b>228</b>	<b>318</b>

Losses and write-downs specified by sector and industry (NOK million)	Losses		Individual- and collective write-downs	
	2017	2016	31 Dec 2017	31 Dec 2016
Agriculture, forestry, fisheries and hunting	-2	6	5	9
Fish farming	-	-	-	-
Industry and mining	4	15	14	17
Building and construction, power and water supply	7	6	13	11
Wholesale and retail trade, hotel og restaurant industry	3	9	23	21
Other transport and communication	258	490	617	520
Financing, property management and business services	37	16	58	23
Private sector	11	1	20	19
Undistributed *)	5	-40	323	318
<b>Total</b>	<b>323</b>	<b>502</b>	<b>1,074</b>	<b>938</b>

\*) Undistributed is in its entirety linked to group write-downs. See separate table for segment breakdown of group write-downs.



	31 Dec 2017			31 Dec 2016		
	RM	CM	Total	RM	CM	Total
<b>Total defaults (NOK million)</b>						
Loans in default for more than 90 days	170	50	220	144	29	173
- Individual write-downs	12	39	50	17	18	36
<b>Net defaults</b>	<b>159</b>	<b>11</b>	<b>170</b>	<b>127</b>	<b>11</b>	<b>138</b>
Provision rate	7 %	77 %	23 %	12 %	62 %	21 %
Problem loans (not in default)	21	1,146	1,167	19	1,435	1,453
- Individual write-downs	6	699	705	6	584	590
<b>Net problem loans</b>	<b>15</b>	<b>448</b>	<b>462</b>	<b>13</b>	<b>851</b>	<b>863</b>
Provision rate	29 %	61 %	60 %	33 %	41 %	41 %

Interest taken to income on defaulted and doubtful exposures totals NOK 32.1 million for the parent bank (NOK 57.8 million).

The realisable value of the collateral backing individually written-down loans totals NOK 528.0 million (NOK 844.2 million) for the Parent bank at 31 December 2017.

#### Group

Losses on loans and guarantees (NOK million)	2017			2016		
	RM	CM	Total	RM	CM	Total
Period's change in individual write-downs	-2	129	127	0	454	454
Period's change in collective write-downs	5	4	9	4	-42	-38
Actual losses on loans previously written down	8	146	155	8	36	44
Confirmed losses on loans not previously written down	13	45	58	14	50	64
Recoveries on previously written down loans, guarantees etc.	-6	-1	-7	-6	-3	-9
<b>Total</b>	<b>18</b>	<b>323</b>	<b>341</b>	<b>21</b>	<b>495</b>	<b>516</b>

Individual write-downs (NOK million)	31 Dec 2017			31 Dec 2016		
	RM	CM	Total	RM	CM	Total
Individual write-downs to cover loss on loans, guarantees etc. at 01.01.	27	611	638	31	153	184
- Confirmed losses in the period on loans, guarantees etc. previously subject to individual write down	9	147	157	8	36	44
- Reversal of previous years' write-downs	5	9	14	3	36	39
+ Increase in write-downs of commitments previously subject to individual write down	0	191	191	2	6	8
+ write-downs of loans not previously subject to individual write down	7	104	111	4	523	528
<b>Individual write-downs to cover loss on loans, guarantees etc at 31.12</b>	<b>20</b>	<b>750</b>	<b>769</b>	<b>27</b>	<b>611</b>	<b>638</b>

\*) Individually assessed impairment write-downs on guarantees, totalling NOK 4.2m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOK million)	31 Dec 2017			31 Dec 2016		
	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 01.01	100	239	339	96	281	376
Period's collective write-downs to cover loss on loans, guarantees etc	5	4	9	4	-42	-38
<b>Collective write-downs to cover loss on loans and guarantees at 31.12</b>	<b>104</b>	<b>243</b>	<b>347</b>	<b>100</b>	<b>239</b>	<b>339</b>

Losses and write-downs specified by sector and industry (NOK million)	Losses		Individual- and collective write-downs	
	2017	2016	31 Dec 2017	31 Dec 2016
Agriculture, forestry, fisheries and hunting	-2	6	6	10
Fish farming	-	-	-	-
Industry and mining	7	15	16	18
Building and construction, power and water supply	8	7	15	12
Wholesale and retail trade, hotel og restaurant industry	4	9	25	23
Other transport and communication	259	492	624	525
Financing, property management and business services	37	17	58	23
Private sector	18	5	20	21
Undistributed *)	9	-37	347	339
<b>Total</b>	<b>341</b>	<b>516</b>	<b>1,112</b>	<b>971</b>

\*) Undistributed is in its entirety linked to group write-downs. See separate table for segment breakdown of group write-downs.

Total defaults (NOK million)	31 Dec 2017			31 Dec 2016		
	RM	CM	Total	RM	CM	Total
Loans in default for more than 90 days	209	75	284	176	38	214
- Individual write-downs	14	42	55	20	19	39
<b>Net defaults</b>	<b>195</b>	<b>33</b>	<b>229</b>	<b>156</b>	<b>18</b>	<b>174</b>
Provison rate	7 %	55 %	20 %	12 %	51 %	18 %
Problem loans (not in default)	21	1,164	1,184	19	1,455	1,474
- Individual write-downs	6	708	714	6	592	599
<b>Net problem loans</b>	<b>15</b>	<b>456</b>	<b>470</b>	<b>13</b>	<b>863</b>	<b>875</b>
Provison rate	29 %	61 %	60 %	33 %	41 %	41 %

Interest taken to income on defaulted and doubtful exposures totals NOK 37.2 million (NOK 65.7 million) for the Group.

The realisable value of the collateral backing individually written-down loans totals NOK 540.0 million (NOK 853.6 million) for the Group at 31 December 2017.

## Note 12 - Credit risk exposure for each internal risk rating

The Bank uses a special classification system for monitoring credit risk in the portfolio. Risk classification is based on each individual exposure's probability of default. In the table below this classification is collated with corresponding rating classes at Moody's.

Historical default data are Parent Bank figures showing the default ratio (DR) per credit quality step. The figures are an unweighted average of customers with normal scores in the period 2011-2017.

Collateral cover represents the expected realisation value (RE value) of underlying collaterals. The value are determined using fixed models, and actual realisation value are validated to test their reliability of the model. In accordance with the capital requirements regulations the estimates are downturn estimates. Based on the collateral cover (RE value / EAD) the exposure is classified to one of seven classes, the best of which has a collateral cover above 120 per cent, and the lowest has a collateral cover below 20 per cent.

Credit quality step	Probability of default		Moody's	Historical default	Default 2017	Collateral cover		
	From	To				Collateral class	Lower limit	Upper limit
A	0.00 %	0.10 %	Aaa-A3	0.01 %	0.02 %	1	120	
B	0.10 %	0.25 %	Baa1-Baa2	0.04 %	0.02 %	2	100	120
C	0.25 %	0.50 %	Baa3	0.07 %	0.08 %	3	80	100
D	0.50 %	0.75 %	Ba1	0.25 %	0.37 %	4	60	80
E	0.75 %	1.25 %	Ba2	0.36 %	0.39 %	5	40	60
F	1.25 %	2.50 %		0.92 %	1.24 %	6	20	40
G	2.50 %	5.00 %	Ba2-B1	2.20 %	1.88 %	7	0	20
H	5.00 %	10.00 %	B1-B2	4.45 %	4.50 %			
I	10.00 %	99.99 %	B3-Caa3	11.08 %	11.62 %			
J	Default							
K	Written down							

The Bank's exposures are classified into risk groups based on credit quality step.

Credit quality step	Risk groups
A - C	Lowest risk
D - E	Low risk
F - G	Medium risk
H	High risk
I	Highest risk
J - K	Default and written down

Parent Bank (NOK million)	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure
	31 Dec 2017	31 Dec 2017	31 Dec 2016	31 Dec 2016
Lowest risk	9.5 %	80,379	12.3 %	77,882
Low risk	9.9 %	20,548	21.3 %	14,413
Medium risk	12.2 %	15,970	15.7 %	19,342
High risk	8.6 %	2,926	15.5 %	2,723
Highest risk	4.2 %	3,185	11.3 %	1,931
Default and written down	32.0 %	1,698	40.4 %	1,754
<b>Total</b>		<b>124,706</b>		<b>118,046</b>

Group (NOK million)	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure
	31 Dec 2017	31 Dec 2017	31 Dec 2016	31 Dec 2016
Lowest risk	9.5 %	80,283	12.2 %	78,265
Low risk	9.2 %	22,057	19.2 %	15,837
Medium risk	10.2 %	19,109	14.2 %	21,336
High risk	6.3 %	3,991	12.3 %	3,393
Highest risk	3.4 %	3,978	8.3 %	2,609
Default and written down	30.5 %	1,779	40.4 %	1,815
<b>Total</b>		<b>131,197</b>		<b>123,253</b>

The realisation value of furnished collateral is determined such that they, on a conservative assessment, reflect the presumed realisation value in an economic downturn.

## Note 13 - Maximum credit risk exposure

The table below shows maximum exposure to credit risk for balance sheet components, including derivatives. Exposures are shown on a gross basis before collateral and permitted set-offs.

<b>Parent Bank</b>				
<b>31 Dec 2017 (NOK million)</b>	<b>Maximum exposure to credit risk</b>	<b>Collateral in property</b>	<b>Collateral in securities</b>	<b>Other collateral *)</b>
<b>Assets</b>				
Balances with central banks	3,231	-	-	-
Loans and advances to credit institutions	9,543	-	-	-
Loans and advances to customers	104,769	83,692	1,620	15,910
Securities - designated at fair value through profit/loss	20,014	-	-	10,092
Derivatives	4,328	-	-	2,408
Securities - available for sale	50	-	-	-
Earned income, not yet recieved	61	-	-	-
Accounts receivable, securities	35	-	-	-
<b>Total assets</b>	<b>142,032</b>	<b>83,692</b>	<b>1,620</b>	<b>28,409</b>
<b>Liabilities</b>				
Guarantee commitments and documentary credits	5,346	-	-	-
Unutilised credits	13,965	4,817	47	2,010
Loan approvals	1,896	-	-	-
Other exposures	579	-	-	-
<b>Total liabilities</b>	<b>21,786</b>	<b>4,817</b>	<b>47</b>	<b>2,010</b>
<b>Total credit risk exposure</b>	<b>163,817</b>	<b>88,509</b>	<b>1,667</b>	<b>30,420</b>
<b>31 Dec 2016 (NOK million)</b>				
	<b>Maximum exposure to credit risk</b>	<b>Collateral in property</b>	<b>Collateral in securities</b>	<b>Other collateral *)</b>
<b>Assets</b>				
Balances with central banks	236	-	-	-
Loans and advances to credit institutions	8,203	-	-	-
Loans and advances to customers	96,499	74,519	1,595	15,426
Securities - designated at fair value through profit/loss	17,861	-	-	9,809
Derivatives	4,812	-	-	3,363
Securities - available for sale	24	-	-	-
Earned income, not yet recieved	37	-	-	-
Accounts receivable, securities	20	-	-	-
<b>Total assets</b>	<b>127,692</b>	<b>74,519</b>	<b>1,595</b>	<b>28,597</b>
<b>Liabilities</b>				
Guarantee commitments and documentary credits	6,607	-	-	-
Unutilised credits	17,337	4,917	213	1,919
Loan approvals	1,720	-	-	-
Other exposures	2,034	-	-	-
<b>Total liabilities</b>	<b>27,698</b>	<b>4,917</b>	<b>213</b>	<b>1,919</b>
<b>Total credit risk exposure</b>	<b>155,390</b>	<b>79,436</b>	<b>1,807</b>	<b>30,516</b>

Group				
<b>31 Dec 2017 (NOK million)</b>	<b>Maximum exposure to credit risk</b>	<b>Collateral in property</b>	<b>Collateral in securities</b>	<b>Other collateral *)</b>
<b>Assets</b>				
Balances with central banks	3,231	-	-	-
Loans and advances to credit institutions	4,214	-	-	-
Loans and advances to customers	110,959	83,692	1,620	22,614
Securities - designated at fair value through profit/loss	21,494	-	-	10,092
Derivatives	4,351	-	23	2,408
Securities - available for sale	66	-	-	-
Earned income, not yet received	104	-	-	-
Accounts receivable, securities	322	-	84	203
<b>Total assets</b>	<b>144,741</b>	<b>83,692</b>	<b>1,726</b>	<b>35,316</b>
<b>Liabilities</b>				
Guarantee commitments and documentary credits	5,346	-	-	-
Unutilised credits	13,976	4,817	47	2,021
Loan approvals	2,148	-	-	251
Other exposures	764	-	63	-
<b>Total liabilities</b>	<b>22,233</b>	<b>4,817</b>	<b>110</b>	<b>2,272</b>
<b>Total credit risk exposure</b>	<b>166,974</b>	<b>88,509</b>	<b>1,836</b>	<b>37,589</b>
<b>31 Dec 2016 (NOK million)</b>	<b>Maximum exposure to credit risk</b>	<b>Collateral in property</b>	<b>Collateral in securities</b>	<b>Other collateral *)</b>
<b>Assets</b>				
Balances with central banks	236	-	-	-
Loans and advances to credit institutions	3,892	-	-	-
Loans and advances to customers	101,354	74,519	1,595	20,312
Securities - designated at fair value through profit/loss	19,039	-	-	9,809
Derivatives	4,752	-	18	3,363
Securities - available for sale	60	-	-	-
Earned income, not yet received	63	-	-	-
Accounts receivable, securities	220	-	33	167
<b>Total assets</b>	<b>129,616</b>	<b>74,519</b>	<b>1,645</b>	<b>33,651</b>
<b>Liabilities</b>				
Guarantee commitments and documentary credits	6,607	-	-	-
Unutilised credits	17,420	4,917	213	1,949
Loan approvals	1,957	-	-	-
Other exposures	2,211	-	-	-
<b>Total liabilities</b>	<b>28,195</b>	<b>4,917</b>	<b>213</b>	<b>1,949</b>
<b>Total credit risk exposure</b>	<b>157,810</b>	<b>79,436</b>	<b>1,858</b>	<b>35,600</b>

\*) Other collateral includes cash, movables, ship and guarantees received. For covered bonds the cover pool comprises loans to customers in the company that has issued the bond.

The Bank's maximum credit exposure is shown in the above table. SpareBank 1 SMN provides wholesale banking services to BN Bank and the Samspar banks. In this connection a guarantee agreement has been established which assures full settlement for exposures connected to these agreements.

For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. Customers furnish cash deposits and/or assets as collateral for their trade in power and salmon derivatives at NASDAQ OMX Oslo ASA and Fish Pool ASA. See note 37, Other debt and liabilities, for a closer description of NASDAQ.

The collateral is measured at fair value, limited to maximum credit exposure for the individual counterparty.

**Credit risk exposure related to financial assets distributed by geographical area**

Parent Bank		(NOK million)	Group	
31 Dec 2016	31 Dec 2017		31 Dec 2017	31 Dec 2016
		<b>Bank activities</b>		
89,046	90,076	Trøndelag	87,759	87,092
26,704	27,073	Møre og Romsdal	28,483	27,867
851	939	Sogn og Fjordane	1,324	1,087
997	1,248	Nordland	1,334	1,084
5,990	8,953	Oslo	8,987	6,399
6,475	7,895	Rest of Norway	9,925	7,796
2,631	3,241	Abroad	3,251	2,636
<b>132,693</b>	<b>139,424</b>	<b>Total</b>	<b>141,062</b>	<b>133,960</b>
		<b>Financial instruments</b>		
15,931	16,988	Norge	18,485	17,145
1,922	3,065	Europe/Asia	3,065	1,922
13	5	Oseania	5	13
19	7	North Amerika	7	19
4,812	4,328	Derivatives	4,351	4,752
<b>22,697</b>	<b>24,393</b>	<b>Total</b>	<b>25,912</b>	<b>23,851</b>
<b>155,390</b>	<b>163,817</b>	<b>Total distributed by geographical area</b>	<b>166,974</b>	<b>157,810</b>

## Note 14 - Financial instruments and offsetting

In the financial statement the group has no financial instruments that are entered on a net basis.

SpareBank 1 SMN enters into standardised and mainly bilateral ISDA agreements on netting of derivatives with financial institutions as counterparties. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with the most central counterparties. As of 31 December 2016 the Bank has about 25 active ISDA agreements. As from 1 March 2017 was required under EMIR to have in place a CSA with daily exchange of margin collateral etc. with all financial counterparties with which the bank deals domiciled (inter alia) in an EU member state. The Bank only enters into agreements with cash as collateral. The Bank has delegated responsibility for handling these agreements to SEB Prime Collateral Services which handles margin requirements on behalf of the Bank. More about collateral and encumbrances in note 37 Other debt and liabilities.

31 Dec 2017 (NOK million)	a) Gross amount for asset in balance sheet	b) Gross amount of debt that can be netted	c (a-b) Net amount of assets in balance sheet	d) Amount that is not netted		e (c-d) Net exposure
				Financial instruments (*)	Cash collateral received	
Derivatives assets	1,638	0	1,638	-835	-581	222

	a) Gross amount for debt in balance sheet	b) Gross amount of assets that can be netted	c (a-b) Net amount of debt in balance sheet	d) Amount that is not netted		e (c-d) Net exposure
				Financial instruments (*)	Cash collateral furnished	
Derivatives liabilities	1,076	0	1,076	-835		242

31 Dec 2016 (NOK million)	a) Gross amount for asset in balance sheet	b) Gross amount of debt that can be netted	c (a-b) Net amount of assets in balance sheet	d) Amount that is not netted		e (c-d) Net exposure
				Financial instruments (*)	Cash collateral received	
Derivatives assets	1,678	0	1,678	-928	-526	225

	a) Gross amount for debt in balance sheet	b) Gross amount of assets that can be netted	c (a-b) Net amount of debt in balance sheet	d) Amount that is not netted		e (c-d) Net exposure
				Financial instruments (*)	Cash collateral furnished	
Derivatives liabilities	1,216	0	1,216	-928		288

\*) Recognised financial instruments that do not meet some or all the criteria for net presentation under IAS 32 or contingent offsetting rights that can only be enforced and exercised in case of default, insolvency or bankruptcy on the part of the individual counterparties.



## Note 15 - Credit quality per class of financial assets

The Bank handles the credit quality of financial assets by means of its internal guidelines for credit ratings. See section entitled credit risk under note 6 Risk factors.

The table below shows credit quality per class of assets for loan-related assets in the balance sheet, based on the Bank's own credit rating system. The entire loan exposure is included when parts of the exposure are defaulted. Non-performance is defined in the note as default of payment of NOK 1,000 or more for more than 90 days.

Parent Bank		Neither defaulted nor written down					Defaulted or written down *)	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
<b>31 Dec 2017 (NOK million)</b>	Notes							
<b>Loans to and claims on credit institutions</b>	7	<b>9,543</b>	-	-	-	-	-	<b>9,543</b>
<b>Loans to and claims on customers</b>	8							
Retail market		55,734	6,917	3,485	822	923	233	68,115
Corporate market		13,793	9,939	9,190	1,685	1,784	1,336	37,728
<b>Total</b>		<b>69,528</b>	<b>16,855</b>	<b>12,676</b>	<b>2,507</b>	<b>2,708</b>	<b>1,570</b>	<b>105,843</b>
<b>Financial investments</b>	29							
Quoted government and government guaranteed bonds		4,339	-	-	-	-	-	4,339
Quoted other bonds		10,056	263	640	-	-	-	10,959
Unquoted government and government guaranteed bonds		53	-	-	-	-	-	53
Unquoted other bonds		4,545	-	-	-	-	-	4,545
<b>Total</b>		<b>18,993</b>	<b>263</b>	<b>640</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,895</b>
<b>Total</b>		<b>98,063</b>	<b>17,118</b>	<b>13,315</b>	<b>2,507</b>	<b>2,708</b>	<b>1,570</b>	<b>135,281</b>

Parent Bank		Neither defaulted nor written down					Defaulted or written down *)	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
<b>31 Dec 2016 (NOK million)</b>	Notes							
<b>Loans to and claims on credit institutions</b>	7	<b>8,203</b>	-	-	-	-	-	<b>8,203</b>
<b>Loans to and claims on customers</b>	8							
Retail market		48,506	6,557	3,547	761	915	220	60,507
Corporate market		18,037	4,415	11,105	1,169	958	1,245	36,930
<b>Total</b>		<b>66,543</b>	<b>10,973</b>	<b>14,652</b>	<b>1,931</b>	<b>1,873</b>	<b>1,466</b>	<b>97,437</b>
<b>Financial investments</b>	29							
Quoted government and government guaranteed bonds		4,220	-	-	-	-	-	4,220
Quoted other bonds		9,056	700	485	26	-	-	10,267
Unquoted government and government guaranteed bonds		1,783	-	-	-	-	-	1,783
Unquoted other bonds		1,240	105	21	-	-	-	1,366
<b>Total</b>		<b>16,300</b>	<b>805</b>	<b>506</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>17,636</b>
<b>Total</b>		<b>91,045</b>	<b>11,778</b>	<b>15,158</b>	<b>1,956</b>	<b>1,873</b>	<b>1,466</b>	<b>123,276</b>

## Group

31 Dec 2017 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or written down *)	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
<b>Loans to and claims on credit institutions</b>	7	4,214	-	-	-	-	-	4,214
<b>Loans to and claims on customers</b>	8							
Retail market		55,855	7,773	5,477	1,142	1,366	269	71,882
Corporate market		13,560	10,533	10,219	2,389	2,105	1,382	40,189
<b>Total</b>		<b>69,415</b>	<b>18,307</b>	<b>15,696</b>	<b>3,532</b>	<b>3,470</b>	<b>1,651</b>	<b>112,071</b>
<b>Financial investments</b>	29							
Quoted government and government guaranteed bonds		4,339	-	-	-	-	-	4,339
Quoted other bonds		10,056	263	640	-	-	-	10,959
Unquoted government and government guaranteed bonds		53	-	-	-	-	-	53
Unquoted other bonds		4,385	-	-	-	-	-	4,385
<b>Total</b>		<b>18,833</b>	<b>263</b>	<b>640</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,736</b>
<b>Total</b>		<b>92,463</b>	<b>18,569</b>	<b>16,336</b>	<b>3,532</b>	<b>3,470</b>	<b>1,651</b>	<b>136,021</b>

31 Dec 2016 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or written down *)	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
<b>Loans to and claims on credit institutions</b>	7	3,892	-	-	-	-	-	3,892
<b>Loans to and claims on customers</b>	8							
Retail market		48,607	7,320	5,181	994	1,236	250	63,588
Corporate market		18,302	4,978	11,331	1,563	1,287	1,276	38,737
<b>Total</b>		<b>66,909</b>	<b>12,298</b>	<b>16,512</b>	<b>2,557</b>	<b>2,522</b>	<b>1,527</b>	<b>102,325</b>
<b>Financial investments</b>	29							
Quoted government and government guaranteed bonds		4,220	-	-	-	-	-	4,220
Quoted other bonds		9,056	700	485	26	-	-	10,267
Unquoted government and government guaranteed bonds		1,783	-	-	-	-	-	1,783
Unquoted other bonds		1,160	105	21	-	-	-	1,286
<b>Total</b>		<b>16,220</b>	<b>805</b>	<b>506</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>17,557</b>
<b>Total</b>		<b>87,020</b>	<b>13,103</b>	<b>17,018</b>	<b>2,583</b>	<b>2,522</b>	<b>1,527</b>	<b>123,774</b>

\*) Guarantees furnished by the Guarantee Institute for Export Credit are not taken into account

## Note 16 - Market risk related to interest rate risk

This note is a sensitivity analysis based on relevant balance sheet items as of 31. December 2017. The Bank's interest rate risk is calculated by simulating a parallel interest rate shift for the entire interest rate curve of one percentage on all balance sheet items.

Interest rate risk has been low throughout 2017 and below the maximum limit of 600,000 set by the Board of Directors. For further details regarding interest rate risk, please refer to Note 6 Risk Factors.

Basis risk Group (NOK million)	Interest rate risk, 1 % change	
	2017	2016
<i>Currency</i>		
NOK	-39	-34
EUR	-8	2
USD	-1	-1
CHF	-1	-1
Other	-3	0
<b>Total interest rate risk, effect on result before tax</b>	<b>-52</b>	<b>-34</b>

Total interest rate risk suggests that the Bank will have losses from an increase in the interest rate in 2017. This is the same effect as in 2016.

The table below shows the effect of an interest rate curve shift on various time intervals and the associated gains and losses within the respective maturities.

Interest rate curve risk, Group (NOK million)	Interest rate risk, 1 % change	
	2017	2016
<i>Maturity</i>		
0 - 1 month	-17	-11
1 - 3 months	9	7
3 - 6 months	-12	-11
6 - 12 months	-8	10
1 - 2 years	-5	-1
2 - 3 years	-3	-6
3 - 4 years	15	-5
4 - 5 years	-27	-5
5 - 7 years	2	8
7 - 10 years	-5	-19
<b>Total interest rate risk, effect on result before tax</b>	<b>-52</b>	<b>-34</b>

## Note 17 - Market risk related to currency exposure

Foreign exchange risk arises when there are differences between the Group's assets and liabilities in a given currency. Currency trading must at all times be conducted within adopted limits and authorisations. The Group's limits define quantitative measures for maximum net foreign currency exposure, measured in Norwegian kroner.

The Group has established limits for net exposure in each individual currency, as well as for aggregate net foreign currency exposure (expressed as the highest of the sum of long and short positions). Overnight exchange rate risk for spot trading in foreign currency must not, on a net basis, exceed NOK 127.5 million per individual currency or NOK 150.0 million on an aggregate basis.

Foreign exchange risk has been low throughout the year. For further details see note 6 on risk factors.

Parent Bank		Net foreign exchange exposure NOK (NOK million)	Group	
2016	2017		2017	2016
-15	-8	EUR	-8	-15
-4	-0	USD	-0	-4
-11	-19	SEK	-19	-11
-4	-32	Other	-32	-4
<b>-34</b>	<b>-59</b>	<b>Total</b>	<b>-59</b>	<b>-34</b>
100	150	Overall currency limit	150	100
85	128	Total per currency	128	85
1.0	1.8	Result effect of 3 % change	1.8	1.0

## Note 18 - Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or unable to finance increases in its assets. See note 6 on risk factors for a detailed description.

Group						
At 31 Dec 2017 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
<b>Cash flows related to liabilities</b>						
Debt to credit institutions	8,288	737	-	491	90	9,607
Deposits from and debt to customers	62,284	6,783	2,171	5,238	-	76,476
Debt created by issuance of securities	-	3,922	5,668	28,753	3,644	41,987
Derivatives - contractual cash flow out	-	4,334	3,139	29,475	2,607	39,555
Other commitments	2	1,210	554	153	5	1,924
Subordinated debt *)	-	10	659	1,157	250	2,076
<b>Total cash flow, liabilities</b>	<b>70,574</b>	<b>16,996</b>	<b>12,191</b>	<b>65,267</b>	<b>6,596</b>	<b>171,624</b>
Contractual cash flows out	-	4,334	3,139	29,475	2,607	39,555
Contractual cash flows in	-	-3,597	-2,646	-29,587	-2,804	-38,633
<b>Net contractual cash flows</b>	<b>-</b>	<b>737</b>	<b>494</b>	<b>-112</b>	<b>-197</b>	<b>922</b>

Group						
At 31 Dec 2016 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
<b>Cash flows related to liabilities</b>						
Debt to credit institutions	7,588	2,138	-	682	100	10,509
Deposits from and debt to customers	56,804	5,376	1,581	3,406	-	67,168
Debt created by issuance of securities	-	2,561	3,783	26,041	3,479	35,863
Derivatives - contractual cash flow out	-	783	7,216	21,313	2,389	31,701
Other commitments	2	886	524	120	-	1,532
Subordinated debt *)	-	14	1,000	1,154	-	2,168
<b>Total cash flow, liabilities</b>	<b>64,394</b>	<b>11,759</b>	<b>14,104</b>	<b>52,716</b>	<b>5,969</b>	<b>148,941</b>
Contractual cash flows out	-	783	7,216	21,313	2,389	31,701
Contractual cash flows in	-	-363	-6,704	-21,181	-2,406	-30,654
<b>Net contractual cash flows</b>	<b>-</b>	<b>420</b>	<b>512</b>	<b>132</b>	<b>-17</b>	<b>1,047</b>

Does not include value adjustments for financial instruments at fair value

\*) For subordinated debt the call date is used for cash settlement

## Note 19 - Net interest income

Parent bank			Group	
2016	2017	(NOK million)	2017	2016
		<b>Interest income</b>		
124	137	Interest income from loans to and claims on central banks and credit institutions	44	48
2,986	3,150	Interest income from loans to and claims on customers	3,476	3,240
292	284	Interest income from money market instruments, bonds and other fixed income securities	281	289
-	-	Other interest income	23	19
<b>3,401</b>	<b>3,571</b>	<b>Total interest income</b>	<b>3,825</b>	<b>3,597</b>
		<b>Interest expense</b>		
152	133	Interest expenses on liabilities to credit institutions	137	153
652	654	Interest expenses relating to deposits from and liabilities to customers	636	636
708	668	Interest expenses related to the issuance of securities	668	708
99	95	Interest expenses on subordinated debt *)	97	101
2	-0	Other interest expenses	13	13
58	49	Guarantee fund levy	49	58
<b>1,672</b>	<b>1,599</b>	<b>Total interest expense</b>	<b>1,600</b>	<b>1,668</b>
<b>1,730</b>	<b>1,972</b>	<b>Net interest income</b>	<b>2,225</b>	<b>1,929</b>

\*) SpareBank 1 SMN has as from the fourth quarter of 2017 reclassified two debt hybrids from debt to equity. The change has brought a reduction totalling NOK 44m in interest expenses for 2017 and NOK 45m for 2016. Comparatives for 2016 have been restated. See note 3 for further details.

## Note 20 - Net commission income and other income

Parent Bank		(NOK million)	Group	
2016	2017		2017	2016
		<b>Commission income</b>		
78	82	Guarantee commission	80	76
-	-	Broker commission	223	247
48	56	Portfolio commission, savings products	115	74
271	353	Commission from SpareBank 1 Boligkreditt	353	271
12	17	Commission from SpareBank 1 Næringskreditt	17	12
362	369	Payment transmission services	362	355
159	172	Commission from insurance services	172	159
42	49	Other commission income	67	57
<b>971</b>	<b>1,098</b>	<b>Total commission income</b>	<b>1,390</b>	<b>1,251</b>
		<b>Commission expenses</b>		
82	83	Payment transmission services	103	96
3	16	Other commission expenses	65	37
<b>85</b>	<b>98</b>	<b>Total commission expenses</b>	<b>168</b>	<b>133</b>
		<b>Other operating income</b>		
31	31	Operating income real property	47	29
-	-	Property administration and sale of property	118	121
0	0	Income from financial advice (Corporate)	0	-6
0	-0	Securities trading	227	149
-	-	Accountant's fees	342	202
4	6	Other operating income	49	62
<b>36</b>	<b>38</b>	<b>Total other operating income</b>	<b>783</b>	<b>556</b>
<b>922</b>	<b>1,038</b>	<b>Total net commission income and other operating income</b>	<b>2,005</b>	<b>1,674</b>

## Note 21 - Net return on financial investments

Parent Bank		(NOK million)	Group	
2016	2017		2017	2016
		<b>Valued at fair value through profit/loss</b>		
- 122	- 49	Value change in interest rate instruments	62	0
		Value change in derivatives/hedging		
- 1	- 22	Net value change in hedged bonds and derivatives	-22	-59
26	7	Net value change in hedged fixed rate loans and derivatives	7	26
245	117	Other derivatives	167	33
		Income from equity instruments		
-	-	Income from owner interests	437	423
738	626	Dividend from owner instruments	-	-
-36	48	Value change and gain/loss on owner instruments	30	-11
79	3	Dividend from equity instruments	6	88
25	3	Value change and gain/loss on equity instruments	31	392
<b>955</b>	<b>733</b>	<b>Total net income from financial assets and liabilities at fair value through profit/loss</b>	<b>718</b>	<b>893</b>
		<b>Valued at amortised cost</b>		
- 2	- 4	Value change in interest rate instruments held to maturity	- 4	- 2
<b>- 2</b>	<b>- 4</b>	<b>Total net income from financial assets and liabilities at amortised cost</b>	<b>- 4</b>	<b>- 2</b>
		<b>Valued at fair value - available for sale</b>		
		Income from equity instruments		
3	1	Gain/loss on realisation of financial assets	1	3
<b>3</b>	<b>1</b>	<b>Total net income from financial assets available for sale</b>	<b>1</b>	<b>3</b>
<b>51</b>	<b>45</b>	<b>Total net gain from currency trading</b>	<b>45</b>	<b>51</b>
<b>1,006</b>	<b>776</b>	<b>Total net return on financial investments</b>	<b>760</b>	<b>944</b>



## Note 22 - Personnel expenses and emoluments to senior employees and elected officers

All compensation arrangements at SpareBank 1 SMN are formulated in accordance with the Financial Institutions Act and with the Securities Trading Act with associated regulations concerning compensation arrangements at financial institutions, investment firms and mutual fund management companies.

The compensation committee conducts an annual review of compensation arrangements, and a written report is forwarded to the Board of Directors for scrutiny and approval. The compensation committee is required to ensure that the practising of the compensation arrangements is examined at least once yearly by independent control functions.

The Board of Directors is charged with approving and maintaining the compensation arrangements, and with ensuring that the documentation underlying decisions is safekept. The Board of Directors also approves any material change in or exception from the compensation arrangements.

The Group's guidelines for variable compensation are designed to assure that employees, groups and the business as a whole are compliant with the risk management strategies, processes and tools that the Group has put in place to protect assets and values. The compensation arrangements are formulated in such a way as to ensure that neither individuals nor the organisation take unacceptable risk in order to maximise the variable compensation. This entails inter alia that the basis for variable remuneration related to the entity's performance shall be a period of one year, and the earning period shall not be less than one year. SpareBank 1 SMN has no compensation arrangements for customer facing units that would be likely to encourage conduct which challenges the Bank's risk tolerance, ethical guidelines or which may contribute to conflicts of interest. The Bank has no compensation arrangements for control functions that would be likely to encourage conduct which challenges competence.

SpareBank 1 SMN's compensation arrangements also contain special rules for senior employees. For these groups the basis for variable remuneration related to undertaking's risk adjusted result is a period of at least two years. A minimum of 50 per cent of the variable remuneration is allocated in the form of equity certificates, which are tied and allocated in portions of one-third per year over three years.

An assessment has been made of whether other employees with compensation corresponding to that of the above groups should be subject to special rules under the above criteria. Reduction clauses have been introduced for instances where breaches of applicable rules or guidelines are brought to light. Reduction has its basis in the Group's sanction system

Parent Bank			Group	
2016	2017	(NOK million)	2017	2016
534	501	Wages	1,284	1,137
-30	40	Pension costs (Note 24)	79	-22
32	35	Social costs	62	43
<b>536</b>	<b>575</b>	<b>Total personnel expenses</b>	<b>1,426</b>	<b>1,159</b>
680	656	Average number of employees	1,405	1,313
630	595	Number of man-labour years as at 31 December	1,399	1,254
675	637	Number of employees as at 31 December	1,482	1,328

**Emoluments to Top Management  
2017 (thousands of NOK)**

Name and title	Salary and other short-term benefits	Of which bonuses	Pension contribution for salaries above 12G	Of which share-based bonus payment	Current value of pension liability	Pension rights accrued in past year <sup>1)</sup>	Loans at 31 Dec	No. of equity capital certificates
<b>Finn Haugan</b> Group CEO	7,041	-	2,297	-	12,653	115	3,693	200,521
<b>Kjell Fordal</b> Executive Director Group Finance	3,269	-	424	-	11,304	115	8,925	244,945
<b>Vegard Helland</b> Executive Director Corporate	2,822	-	246	-	1,338	115	1,254	33,835
<b>Svein Tore Samdal</b> Executive Director Retail	2,936	-	275	-	-	115	7,344	23,141
<b>Nelly Maske</b> Executive Director Business Operation and Development	2,377	-	171	-	-	115	6,864	20,305
<b>Rolf Jarle Brøske</b> Executive Director Communication and Society	1,960	-	137	-	-	115	9,937	5,305

**2016 (thousands of NOK)**

Name and title	Salary and other short-term benefits	Of which bonuses	Pension contribution for salaries above 12G	Of which share-based bonus payment	Current value of pension liability	Pension rights accrued in past year <sup>1)</sup>	Loans at 31 Dec	No. of equity capital certificates
<b>Finn Haugan</b> Group CEO	6,542	-	2,297	-	14,788	165	8,883	200,658
<b>Kjell Fordal</b> Executive Director Group Finance	3,385	-	812	-	9,279	872	6,890	244,640
<b>Vegard Helland</b> Executive Director Corporate	2,705	-	328	-	1,228	151	1,969	33,530
<b>Svein Tore Samdal</b> Executive Director Retail	2,916	-	366	-	-	83	8,551	22,836
<b>Nelly Maske</b> Executive Director Business Operation and Development	2,198	-	227	-	-	85	6,000	20,000
<b>Rolf Jarle Brøske</b> Executive Director Communication and Society	461	-	-	-	-	-	3,585	5,000

<sup>1)</sup> Defined-contribution pension scheme, pension rights accrued is paid amount for the year.

Until 30 June 2017 SpareBank 1 SMN has had an individual top pension scheme for employees with salaries above 12G and these employees receive pension add-on of 16 per cent of salary above 12G. The pension add-on will go to pension saving in products delivered by SpareBank 1 and can not be predisposed until retirement (62 years). To ensure equality with the phased-out scheme, compensation will be provided for tax on this pension add-on. This arrangement was closed 30. June 2017.

From 1 July 2017 a new pension scheme was established for employees with salaries above 12G. These employees receive pension add-on of 15 per cent of salary above 12G on an individual retirement account in SpareBank 1 Forsikring. Employees can decide investment profile and the savings are locked up until retirement age.

An early retirement agreement has been entered with the CEO in the event of his stepping down before reaching age 67, entailing a pension equal to 68 percent of pensionable income. This agreement is effective until the end of the month the CEO reaches 67 years. The

Bank's group occupational pension is included in the Bank's pension obligation to the Group CEO. The Group CEO also has an agreement on a dependants' benefit.

Executive directors has established early retirement agreements of up to 12 months. The size of these agreements will be in accordance with the compensation arrangements. An early retirement agreement has been established with one of the executive directors, granting this person the right to retire on reaching age 62. The pension is 68 per cent of pensionable income. The benefit associated with this arrangement is included in the basis for accumulated pension entitlement in the table above.

The number of equity capital certificates includes equity capital certificates owned by related parties and companies over which the individual exercises substantial influence.

#### Emoluments to the Board of Directors and the Supervisory Board 2017 (thousands of NOK)

Name	Title	Fee	Fees to audit, risk and remuneration committee	Other benefits	Loans as of 31 December	No. of equity capital certificates
Kjell Bjordal	Board chairman	442	34	5	-	130,000
Bård Benum	Deputy chair	234	79	-	8,578	-
Aud Skrudland	Board member	203	23	1	-	6,765
Arnhild Holstad	Board member	203	-	2	2,229	-
Paul E. Hjelm-Hansen	Board member	203	105	0	-	49,219
Janne Thyø Thomsen	Board member	203	79	-	-	3,000
Morten Loktu	Board member	203	23	-	-	5,000
Venche Johnsen <sup>2)</sup>	Board member, employee representative	154	-	757	577	24,716
Erik Gunnes <sup>2)</sup>	Board member, employee representative	203	-	787	966	535
Oddny Lysberg <sup>2)</sup>	Board member, employee representative	49	-	540	2,515	939

<sup>2)</sup> Other emoluments include salary in employment relationships

## 2016 (thousands of NOK)

Name	Title	Fee	Fees to audit, risk and remuneration committee	Other benefits	Loans as of 31 December	No. of equity capital certificates
Kjell Bjordal	Board chairman	425	32	6	-	110,000
Bård Benum	Deputy chair	225	75	6	4,000	-
Aud Skrudland	Board member	195	22	6	-	4,765
Arnhild Holstad	Board member	195	-	6	2,962	-
Paul E. Hjelm-Hansen	Board member	195	100	5	-	49,219
Janne Thyø Thomsen	Board member	195	75	1	-	3,000
Morten Loktu	Board member	195	22	6	-	5,000
Venche Johnsen <sup>2)</sup>	Board member, employee representative	48	-	667	-	24,716
Erik Gunnes <sup>2)</sup>	Board member, employee representative	178	-	760	1,025	230
Oddny Lysberg <sup>2)</sup>	Board member, employee representative	146	-	512	2,605	634
Terje Lium <sup>3)</sup>	Chair, Control Committee	40	-	1	-	-
Anders Lian <sup>3)</sup>	Deputy Chair, Control Committee	27	-	1	-	1,500
Terje Ruud <sup>3)</sup>	Member, Control Committee	27	-	1	-	-

<sup>2)</sup> Other emoluments include salary in employment relationships

<sup>3)</sup> The Control committee was discontinued in March 2016

The Board chairman has neither a bonus agreement nor any agreement on post-employment salary. The number of equity capital certificates includes certificates owned by related parties and companies over which the individual exerts substantial influence.

**Fees to the Supervisory Board  
(thousands of NOK)**

	2017	2016
Randi Dyrnes, Supervisory Board Chair	81	78
Other members	277	288

## Note 23 - Other operating expenses

Parent Bank			Group	
2016	2017	(NOK million)	2017	2016
197	203	IT costs	266	252
18	17	Postage and transport of valuables	22	22
55	50	Marketing	104	98
34	50	Ordinary depreciation (note 32 og 33)	102	98
124	118	Operating expenses, real properties	118	109
70	77	Purchased services	139	108
116	118	Other operating expense	192	156
<b>615</b>	<b>634</b>	<b>Total other operating expenses</b>	<b>943</b>	<b>844</b>
		<b>Audit fees (NOK 1000)</b>		
850	877	Financial audit	2,028	1,911
173	62	Other attestations	204	248
4	8	Tax advice	239	250
56	29	Other non-audit services	580	76
<b>1,084</b>	<b>976</b>	<b>Total incl. value added tax</b>	<b>3,051</b>	<b>2,485</b>

## Note 24 - Pension

### Defined benefit scheme

This pension scheme is administered by a pension fund conferring entitlement to specific future pension benefits from age 67. The schemes include children's pension and disability pension under further rules. The Group's defined benefit pension scheme assures the majority of employees a pension of 68 percent of final salary up to 12G. The defined benefit scheme is closed to new members.

It was decided to terminate the defined benefit scheme at a board meeting on 21 October 2016. Employees on this scheme will transfer to the defined contribution scheme as from 1 January 2017, and will receive a paid-up policy showing rights accumulated under the defined benefit scheme. The termination resulted in reduced pension obligations, which has been treated as a settlement gain and reduced the pension expense for 2016.

Paid-up policies are managed by the pension fund, which becomes a paid-up pension fund as from 1 January 2017. A framework agreement has been established between SpareBank 1 SMN and the pension fund which covers funding, asset management etc. In view of the responsibility still held by SpareBank 1 SMN, future liabilities will need to be incorporated in the accounts. At yearend 2017 the scheme is overfunded by NOK 171 million.

The board of the pension fund is required to be composed of representatives from the Group and participants in the pension schemes in accordance with the articles of association of the pension fund. In addition to the pension obligations covered by the pension fund, the group has unfunded pension liabilities which can not be funded by the assets in the collective arrangements. The obligations entails employees not registered as member of the pension fund, additional pensions above 12 G, early retirement pension schemes and contractual early retirement schemes in new arrangement (AFP Subsidies Act).

For further details of the Group's pension schemes see Note 2 on accounting principles and Note 22 on personnel expenses and emoluments to senior employees and elected officers.

Actuarial assumptions	2017		2016	
	Costs	Commitment	Costs	Commitment
Discount rate	2.6%	2.4%	2.7%	2.6%
Expected rate of return on plan assets	2.6%	2.4%	2.7%	2.6%
Expected future wage and salary growth	2.3%	2.3%	2.3%	2.3%
Expected adjustment of basic amount (G)	2.3%	2.3%	2.3%	2.3%
Expected increase in current pension	0%/2.25%	0%/2.25%	0%/2.25%	0%/2.25%
Employers contribution	14.1%	14.1%	14.1%	14.1%
Expected voluntary exit before/after 50 yrs	2/0 %	2/0 %	2/0 %	2/0 %
Estimated early retirement outtake at age 62/64	25/50 %	25/50 %	25/50 %	25/50 %
Mortality base table	K2013BE			
Disability	IR73			

Parent Bank			Group	
31 Dec 2016	31 Dec 2017	Net pension liability in the balance sheet (NOK million). Financial position 1 January	31 Dec 2017	31 Dec 2016
662	602	Net present value of pension liabilities in funded schemes	641	711
-753	-789	Estimated value of pension assets	-842	-797
-12	11	Opening balance adjustment	15	-11
-103	176	Net pension liability	-186	-97
3	4	Employer's contribution	4	4
-2	-	Settlement	0	-2
<b>-100</b>	<b>-172</b>	<b>Net pension liability in the balance sheet</b>	<b>-182</b>	<b>-96</b>

## Distribution of liability between unfunded and funded pension scheme, Group 1 January

Group	31 Dec 2017			31 Dec 2016		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of pension liability in funded schemes	619	22	641	689	22	711
Fair value of pension assets	-842	-	-842	-797	-	-797
Opening balance adjustment	15	0	15	-11	-	-11
Net pension liability in the balance sheet before employer's contribution	-208	22	-186	-119	22	-97
Employer's contribution	0	4	4	1	3	4
Settlement	0	0	0	-2	0	-2
Net pension liability in the balance sheet after employer's contribution	-208	26	-182	-121	25	-96

2016	2017	Pension cost for the year	2017	2016
20	1	Present value of pension accumulated in the year	1	23
-2	-5	Net Interest Income	-5	-2
17	-4	Net defined-benefit pension cost without employer's contribution	-4	21
6	0	Employer's contribution - subject to accrual accounting	0	6
-74	0	Settlement	-	-90
-51	-4	Net pension cost related to defined benefit plans	-4	-63
7	7	Early retirement pension scheme, new arrangement	10	9
13	37	Cost of defined contribution pension	74	31
<b>-30</b>	<b>40</b>	<b>Total pension cost</b>	<b>79</b>	<b>-22</b>

## Actuarial gains and losses over other comprehensive income for the period

	2017			2016		
	Unfunded	Funded	Total	Unfunded	Funded	Total
Change in discount rate	0	18	18	0	9	9
Change in other economic assumptions	-	-	-	0	0	-
Change in mortality table	-	-	-	-	-	-
Change in other demographic assumptions	-	-	-	-	-	-
Changing other factors, DBO	-2	3	1	0	4	5
Change in other factors, pension assets	-	-15	-15	-	11	11
<b>Actuarial gains and losses over other comprehensive income for the period</b>	<b>-2</b>	<b>6</b>	<b>4</b>	<b>0</b>	<b>24</b>	<b>24</b>

31 Dec 2016	31 Dec 2017	Movement in net pension liability in the balance sheet	31 Dec 2017	31 Dec 2016
-100	-172	Net pension liability in the balance sheet 1 January	-182	-94
23	24	Actuarial gains and losses for the year	21	24
-51	-4	Net defined-benefit costs in profit and loss account incl. Curtailment/settlement	-4	(63)
-1	-1	Paid-in pension premium, defined-benefit schemes	-1	-1
-	36	Transfer to defined contribution scheme	36	0
-44	-17	Paid-in pension premium, defined-benefit plans	-17	-48
<b>-172</b>	<b>-134</b>	<b>Net pension liability in the balance sheet 31 December</b>	<b>-147</b>	<b>-182</b>
31 Dec 2016	31 Dec 2017	Financial status 31 December	31 Dec 2017	31 Dec 2016
602	611	Pension liability	651	641
-778	-749	Value of pension assets	-803	-827
-176	-138	Net pension liability before employer's contribution	-151	-186
4	4	Employer's contribution	4	4
<b>-172</b>	<b>-134</b>	<b>Net pension liability after employer's contribution*</b>	<b>-147</b>	<b>-182</b>

\* Presented gross in the Group accounts

## Distribution of financial status between unfunded and funded pension scheme, Group

Group	31 Dec 2017			31 Dec 2016		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	631	20	651	619	22	641
Value of pension assets	-803	-	-803	-827	-	-827
<b>Net pension liability before employer's contribution</b>	<b>-171</b>	<b>20</b>	<b>-151</b>	<b>-208</b>	<b>22</b>	<b>-186</b>
Employer's contribution	0	4	4	0	4	4
<b>Net pension liability after employer's contribution</b>	<b>-171</b>	<b>24</b>	<b>-147</b>	<b>-208</b>	<b>26</b>	<b>-182</b>

Fair value of pension liability, Group	31 Dec 2017	31 Dec 2016
OB pension liability (PBO)	641	711
Present value of pension accumulated in the year	1	23
Payout/release from scheme	-26	-29
Interest costs of pension liability	16	18
Curtailement/ Settlement	0	-94
Actuarial gain or loss	19	12
<b>CB pension liability (PBO)</b>	<b>651</b>	<b>641</b>

Fair value of pension assets, Group	31 Dec 2017	31 Dec 2016
OB pension assets	842	797
Paid in	1	43
Payout/release from fund	-62	-29
Expected return	22	21
Curtailement/ Settlement	0	-6
Actuarial changes	0	0
<b>CB market value of pension assets</b>	<b>803</b>	<b>827</b>

Sensitivity, Group	Discount rate		Salary adjustment		Pension adjustment
	+ 1 pp	- 1 pp	+ 1 pp	- 1 pp	+ 1 pp
<b>2017</b>					
Change in accumulated pension rights in course of year	0	0	0	0	0
Change in pension liability	-83	104	0	0	105
<b>2016</b>					
Change in accumulated pension rights in course of year	-4	6	4	-3	3
Change in pension liability	-82	103	0	0	105

2016	2017	Members	2017	2016
779	764	Numbers of persons included in pension scheme	799	815
265	253	of which active	286	298
514	511	of which retirees and disabled	513	517

Investment of pension assets in the pension fund	2017	2016
Current bonds	31 %	21 %
Bonds held to maturity	10 %	19 %
Money market	20 %	26 %
Equities	33 %	29 %
Real estate	7 %	6 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

The pension scheme arrangement is located in its own pension fund, which has a long-term horizon on the management of its capital. The pension fund seeks to achieve as high a rate of return as possible by composing an investment portfolio that provides the maximum



risk-adjusted return. The pension fund seeks to spread its investments on various issuers and asset classes in order to reduce company-specific and market-specific risk. The portfolio thus comprises equity investments in Norwegian and foreign shares. The bond portfolio is essentially invested in Norwegian bonds. Bank deposits are placed in Norwegian Banks.

## Note 25 - Income tax

Parent Bank		(NOK million)	Group	
2016	2017		2017	2016
1,945	2,236	Result before tax	2,269	1,983
-858	-630	+/- permanent differences	-242	-703
-24	-215	+/- change in temporary differences as per specification	-	236
-	-	+ deficit to be brought forward	45	-
<b>1,063</b>	<b>1,391</b>	<b>Year's tax base/taxable income</b>	<b>2,073</b>	<b>1,516</b>
266	348	Tax payable on profit for the year	378	319
-	-	Tax effect reflected in equity	1	0
25	55	+/- change in deferred tax	72	22
<b>290</b>	<b>403</b>	<b>Tax charge for the year</b>	<b>450</b>	<b>341</b>
<b>Change in net deferred tax liability</b>				
25	55	Deferred tax shown through profit/loss	72	22
-19	-2	Deferred tax shown through equity	1	-19
-	-	Deferred tax assets acquired in business combination	-	1
<b>6</b>	<b>54</b>	<b>Total change in net deferred tax liability</b>	<b>72</b>	<b>4</b>

Deferred tax in balance sheet		Composition of deferred tax in the balance sheet (NOK Million)	Deferred tax in balance sheet	
31 Dec 2016	31 Dec 2017		31 Dec 2017	31 Dec 2016
-	6	Temporary differences:		
-	-	- Business assets	199	212
-	-	- Leasing items	250	198
172	134	- Pension liability	148	186
24	221	- Securities	225	24
359	79	- Hedge derivatives	79	359
-	-	- Other temporary differences	5	1
<b>556</b>	<b>440</b>	<b>Total tax-increasing temporary differences</b>	<b>906</b>	<b>979</b>
<b>139</b>	<b>110</b>	<b>Deferred tax</b>	<b>226</b>	<b>245</b>
-6	-2	Temporary differences:		
-	-	- Business assets	-14	-16
-	-	- Pension liability	-	-
-107	-28	- Securities	-28	-111
-494	-267	- Hedge derivatives	-267	-494
-58	-55	- Other temporary differences	-111	-454
-	-	- Deficit carried forward	-867	-561
<b>-665</b>	<b>-352</b>	<b>Total tax-decreasing temporary differences</b>	<b>-1,288</b>	<b>-1,636</b>
<b>-166</b>	<b>-88</b>	<b>Deferred tax asset</b>	<b>-322</b>	<b>-408</b>
<b>-27</b>	<b>21</b>	<b>Net deferred tax (-asset)</b>	<b>-97</b>	<b>-162</b>

The above table comprises temporary differences from all consolidated companies shown gross. At the company level tax-increasing and tax-reducing temporary differences are shown net. At the group level recognition is on a gross basis in conformity with IAS 12 with each company being presented separately in the calculation of the Group's tax benefit and deferred tax:

	2017	2016
Tax benefit recorded 31 Dec	178	196
Deferred tax recorded 31 Dec	-81	-33

Recognised in income statement		Composition of deferred tax recognised in the income statement (NOK Million)	Recognised in income statement	
2016	2017		2017	2016
		Temporary differences:		
4	-12	- Business assets	13	-161
-	-	- Leasing items	-52	-49
-148	37	- Pension liability	10	-157
-17	-280	- Securities	-200	101
-295	-236	- Hedge derivatives	280	225
31	-20	- Other temporary differences	-4	0
<b>-424</b>	<b>-511</b>	<b>Total tax-increasing temporary differences</b>	<b>47</b>	<b>-40</b>
<b>-106</b>	<b>-128</b>	<b>Change in deferred tax</b>	<b>11</b>	<b>-10</b>
		Temporary differences:		
-	-	- Business assets	-	-4
-	-	- Pension liability	-	-6
101	4	- Securities	-83	-13
225	288	- Hedge derivatives	-227	-295
-	-	- Other temporary differences	-202	221
-	-	- Deficit carried forward	124	53
<b>326</b>	<b>293</b>	<b>Total tax-decreasing temporary differences</b>	<b>-345</b>	<b>-43</b>
<b>82</b>	<b>73</b>	<b>Change in deferred tax asset</b>	<b>-83</b>	<b>-11</b>
-	-	Change in tax rate from 28 % to 27 %	0	-1
<b>-25</b>	<b>-55</b>	<b>Net</b>	<b>-72</b>	<b>-22</b>

2016	2017	Reconciliation of tax charge for the period recognised against profit and loss to profit before tax	2017	2016
498	559	25 % of profit before tax	639	496
-215	-158	Non-taxable profit and loss items (permanent differences) *	-191	-176
19	2	Tax effect of issue cost reflected in equity	-	20
-	-	Change in tax rate from 25 % to 24 %	1	1
<b>290</b>	<b>403</b>	<b>Tax for the period recognised in the income statement</b>	<b>450</b>	<b>341</b>
<b>15 %</b>	<b>18 %</b>	<b>Effective tax rate</b>	<b>20 %</b>	<b>17 %</b>

\* Includes non-deductible costs and and deduction for profit share related to associates and joint ventures (profit shares are taken out having already been taxed at the respective companies).

## Note 26 - Categories of financial assets and financial liabilities

Group	Financial instruments at fair value				Financial instruments measured at amortised cost	Total
	Held for trading in acc with IAS 39	Designated as such upon initial recognition	Available for sale			
<b>31 Dec 2017 (NOK million)</b>						
<b>Assets</b>						
Cash and receivables from central banks	-	-	-	3,313	3,313	
Deposits with and loans to credit institutions	-	-	-	4,214	4,214	
Loans to and receivables from customers	-	3,278	-	107,680	110,959	
Shares, units and other equity interests	1,202	557	66	-	1,825	
Fixed-income CDs and bonds	-	19,736	-	-	19,736	
Derivatives	-	4,351	-	-	4,351	
<b>Total financial assets</b>	<b>1,202</b>	<b>27,921</b>	<b>66</b>	<b>115,207</b>	<b>144,397</b>	
<b>Liabilities</b>						
Deposits from credit institutions	-	-	-	9,607	9,607	
Deposits from and debt to customers	-	-	-	76,476	76,476	
Debt created by issue of securities	-	-	-	42,194	42,194	
Derivatives	3,343	-	-	-	3,343	
Subordinated loan capital	-	-	-	2,201	2,201	
Equity instruments	244	-	-	-	244	
<b>Total financial liabilities</b>	<b>3,586</b>	<b>-</b>	<b>-</b>	<b>130,478</b>	<b>134,064</b>	

31 Dec 2016 (NOK million)	Financial instruments at fair value			Financial instruments measured at amortised cost	Total
	Held for trading in acc with IAS 39	Designated as such upon initial recognition	Available for sale		
<b>Assets</b>					
Cash and receivables from central banks	-	-	-	315	315
Deposits with and loans to credit institutions	-	-	-	3,892	3,892
Loans to and receivables from customers	-	3,826	-	97,528	101,354
Shares, units and other equity interests	878	605	60	-	1,542
Fixed-income CDs and bonds	-	17,557	-	-	17,557
Derivatives	-	4,752	-	-	4,752
<b>Total financial assets</b>	<b>878</b>	<b>26,739</b>	<b>60</b>	<b>101,735</b>	<b>129,412</b>
<b>Liabilities</b>					
Deposits from credit institutions	-	-	-	10,509	10,509
Deposits from and debt to customers	-	-	-	67,168	67,168
Debt created by issue of securities	-	-	-	36,317	36,317
Derivatives	4,074	-	-	-	4,074
Subordinated loan capital	-	-	-	2,228	2,228
Equity instruments	181	-	-	-	181
<b>Total financial liabilities</b>	<b>4,255</b>	<b>-</b>	<b>-</b>	<b>116,221</b>	<b>120,476</b>

## Note 27 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

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

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

### Level 2: Valuation based on observable market data

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

### Level 3: Valuation based on other than observable data

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

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2017:

Assets (NOK million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	16	4,334	-	4,351
Bonds and money market certificates	2,547	17,189	-	19,736
Equity instruments	1,339	-	419	1,759
Fixed interest loans	-	43	3,236	3,278
Financial assets available for sale				
Equity instruments	-	-	66	66
<b>Total assets</b>	<b>3,902</b>	<b>21,566</b>	<b>3,722</b>	<b>29,190</b>
<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities through profit/loss				
Derivatives	14	3,328	-	3,343
Equity instruments	239	4	-	244
<b>Total liabilities</b>	<b>254</b>	<b>3,332</b>	<b>-</b>	<b>3,586</b>

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2016:

Assets (NOK million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	44	4,708	-	4,752
Bonds and money market certificates	2,511	15,046	-	17,557
Equity instruments	959	-	524	1,483
Fixed interest loans	-	43	3,783	3,826
Financial assets available for sale				
Equity instruments	-	-	60	60
<b>Total assets</b>	<b>3,514</b>	<b>19,796</b>	<b>4,367</b>	<b>27,676</b>
<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities through profit/loss				
Derivatives	48	4,026	-	4,074
Equity instruments	173	8	-	181
<b>Total liabilities</b>	<b>221</b>	<b>4,034</b>	<b>-</b>	<b>4,255</b>

The following table presents the changes in the instruments classified in level 3 as at 31 December 2017:

(NOK million)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January 2017	3,783	524	60	4,367
Investment in periode	304	20	-	323
Disposals in the periode	-849	-157	-20	-1,026
Gain or loss on financial instruments	-2	33	27	57
<b>Closing balance 31 December 2017</b>	<b>3,236</b>	<b>419</b>	<b>66</b>	<b>3,722</b>

During the reporting periode there has been no migration between the levels due to changes in valuation

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2016:

(NOK million)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January 2016	4,405	574	108	5,087
Investment in periode	770	28	1	799
Disposals in the periode	-1,347	-66	-	-1,413
Gain or loss on financial instruments	-44	-13	-50	-106
<b>Closing balance 31 December 2016</b>	<b>3,783</b>	<b>524</b>	<b>60</b>	<b>4,367</b>

#### 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:

##### *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.

##### *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 365 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank 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. Determination of fair value for the shares of Polaris Media is based on valuation undertaken by SpareBank 1 Markets. The latter is based on value-adjusted equity capital.

The owner interest in Visa Norge FLI is considered to be a financial asset and is classified to the category 'available for sale'. SpareBank 1 SMN has calculated the fair value of its portion of Visa Norge FLI at NOK 31.5 million. Sensitivity at level 3 measurement: Since the estimated value of Visa Norge is calculated by the association we do not have access to all significant inputs, but SpareBank 1 SMN has taken into account a liquidity discount on the shares of Visa Inc. of 20 per cent. Had this been adjusted to 25 per cent, the fair value measurement would have been 1.6 million lower.

##### *Financial derivatives (level 2)*

Financial derivatives at level 2 include for the most part currency futures and interest rate and exchange rate swaps. Valuation is based on observable interest rate curves. In addition the item includes derivatives related to FRAs. These are valued with a basis in observable

prices in the market. Derivatives classified to level 2 also include equity derivatives related to SpareBank 1 Markets' market-making activities. The bulk of these derivatives refer to the most sold shares on Oslo Børs, and the valuation is based on the price of the actual/underlying share and observable or calculated volatility.

### Sensitivity analyses, level 3

<b>(NOK million)</b>	<b>Book value</b>	<b>Effect from change in reasonable possible alternative assumptions</b>
Fixed interest loans	3,236	-7
Equity instruments through profit/loss <sup>*)</sup>	419	-
Equity instruments available for sale	66	-2

<sup>\*)</sup> As described above, the information to perform alternative calculations are not available

## Note 28 - Fair value of financial instruments at amortised cost

### Financial instruments measured at amortised cost

Financial instruments that are not measured at fair value are recognised at amortised cost or are in a hedging relationship. For further details, see note 2 Accounting principles. Amortised cost entails valuing balance sheet items after initially agreed cash flows, adjusted for impairment.

Amortised cost will not always be equal to the values that are in line with the market assessment of the same financial instruments. This is due to different perceptions of market conditions, risk and discount rates.

Methods underlying the determination of fair value of financial instruments that are measured at amortised cost are described below:

#### *Loans to and claims on customers*

Current-rate loans are exposed to competition in the market, indicating that possible excess value in the portfolio will not be maintained over a long period. Fair value of current-rate loans is therefore set to amortised cost. The effect of changes in credit quality in the portfolio is accounted for through collectively assessed impairment write-downs, therefore giving a good expression of fair value in that part of the portfolio where individual write-down assessments have not been made.

Individual write-downs are determined through an assessment of future cash flow, discounted by effective interest rate. Hence the discounted value gives a good expression of the fair value of these loans.

#### *Bonds held to maturity*

Change to fair value is calculated by reference to a theoretical valuation of market value based on interest rate and spread curves.

#### *Loans to and claims on credit institutions, debt to credit institutions and debt to customers*

For loans to and claims on credit institutions, as well as debt to credit institutions and deposits from customers, fair value is estimated equal to amortised cost.

#### *Securities debt and subordinated debt*

The calculation of fair value in level 2 is based on observable market values such as on interest rate and spread curves where available.

Parent Bank		31 Dec 2017		31 Dec 2016	
		Level 1)	Book value	Fair Value	Book value
(NOK million)					
<b>Assets</b>					
Loans to and claims on credit institutions	2	9,543	9,543	8,203	8,203
Loans to and claims on customers at amortised cost	3	101,490	101,490	92,673	92,673
<b>Total financial assets at amortised cost</b>		<b>111,033</b>	<b>111,033</b>	<b>100,876</b>	<b>100,876</b>
<b>Liabilities</b>					
Debt to credit institutions	2	9,047	9,047	10,299	10,299
Deposits from and debt to customers	2	77,362	77,362	68,391	68,391
Securities debt at amortised cost	2	11,003	11,040	10,689	10,700
Securities debt, hedging	2	31,191	31,472	25,627	25,307
Subordinated debt at amortised cost	2	1,102	1,104	1,103	1,100
Subordinated debt, hedging	2	1,057	1,060	1,083	1,075
<b>Total financial liabilities at amortised cost</b>		<b>130,762</b>	<b>131,085</b>	<b>117,192</b>	<b>116,872</b>



Group (NOK million)		31 Dec 2017		31 Dec 2016	
		Book value	Fair Value	Book value	Fair Value
<b>Assets</b>					
Loans to and claims on credit institutions	2	4,214	4,214	3,892	3,892
Loans to and claims on customers at amortised cost	3	107,680	107,680	97,528	97,528
<b>Total financial assets at amortised cost</b>		<b>111,894</b>	<b>111,894</b>	<b>101,420</b>	<b>101,420</b>
<b>Liabilities</b>					
Debt to credit institutions	2	9,607	9,607	10,509	10,509
Deposits from and debt to customers	2	76,476	76,476	67,168	67,168
Securities debt at amortised cost	2	11,003	11,040	10,689	10,700
Securities debt, hedging		31,191	31,472	25,627	25,307
Subordinated debt at amortised cost	2	1,144	1,148	1,145	1,143
Subordinated debt, hedging	2	1,057	1,060	1,083	1,075
<b>Total financial liabilities at amortised cost</b>		<b>130,478</b>	<b>130,802</b>	<b>116,221</b>	<b>115,902</b>

<sup>1)</sup> Fair value is determined by using different methods in three levels. See note 27 for a definition of the levels.

## Note 29 - Money market certificates and bonds

Bonds and money market instruments are classified in the category fair value through profit/loss at 31 December 2017.

Parent Bank		Money market certificates and bonds by issuer sector (NOK million)	Group	
31 Dec 2016	31 Dec 2017		31 Dec 2017	31 Dec 2016
		<b>State</b>		
2,260	1,974	Nominal value	1,974	2,260
2,375	2,520	Book value	2,520	2,375
		<b>Other public sector</b>		
2,856	4,940	Nominal value	4,940	2,856
2,962	4,955	Book value	4,955	2,962
		<b>Financial enterprises</b>		
11,089	10,753	Nominal value	10,598	11,011
12,132	12,327	Book value	12,168	12,053
		<b>Non-financial enterprises</b>		
91	20	Nominal value	20	91
95	30	Book value	30	95
<b>16,295</b>	<b>17,686</b>	<b>Total fixed income securities, nominal value</b>	<b>17,531</b>	<b>16,218</b>
72	63	Accrued interest	62	71
<b>17,636</b>	<b>19,895</b>	<b>Total fixed income securities, booked value</b>	<b>19,736</b>	<b>17,557</b>

## Note 30 - Financial derivatives

All derivatives are booked at fair value through profit and loss. Gains are carried as assets and losses as liabilities. This applies both to derivatives used for hedging purposes and held for trading purposes. The Bank does not employ cash flow hedging.

The contract amount shows absolute values for all contracts.

For a description of counterparty risk and market risk, see note 6 on risk factors. For further details concerning market risk linked to interest rate risk, see note 16 on market risk related to interest rate risk, and for market risk related to currency exposure, see note 17 on market risk related to currency exposure.

### Parent Bank

Fair value through profit and loss (NOK million)	31 Dec 2017			31 Dec 2016		
	Contract amount	Fair value		Contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
<b>Currency instruments</b>						
Foreign exchange derivatives (forwards)	3,661	86	-51	3,176	21	0
Currency swaps	11,654	321	-70	15,100	163	-5
FX-options	59	0	-0	36	0	-0
<b>Total currency instruments</b>	<b>15,375</b>	<b>407</b>	<b>-122</b>	<b>18,312</b>	<b>184</b>	<b>-5</b>
<b>Interest rate instruments</b>						
Interest rate swaps (including cross currency)	178,023	2,532	-2,463	170,417	3,213	-3,282
Short-term interest rate swaps (FRA)	9,000	2	-1	50,423	101	-110
Other interest rate contracts	-	-	-	124	-0	0
<b>Total interest rate instruments</b>	<b>187,023</b>	<b>2,534</b>	<b>-2,464</b>	<b>220,964</b>	<b>3,314</b>	<b>-3,393</b>
<b>Commodity-related contracts</b>						
Stock-exchange-traded standardised forwards and futures contracts	246	60	-60	109	14	-14
<b>Total commodity-related contracts</b>	<b>246</b>	<b>60</b>	<b>-60</b>	<b>109</b>	<b>14</b>	<b>-14</b>
<b>Hedging</b>						
<b>Interest rate instruments</b>						
Interest rate swaps (including cross currency)	33,623	780	-230	25,249	807	-127
<b>Total interest rate instruments</b>	<b>33,623</b>	<b>780</b>	<b>-230</b>	<b>25,249</b>	<b>807</b>	<b>-127</b>
<b>Total</b>						
Total interest rate instruments	220,645	3,314	-2,693	246,213	4,121	-3,520
Total currency instruments	15,375	407	-122	18,312	184	-5
Total commodity-related contracts	246	60	-60	109	14	-14
Accrued interest		548	-466		493	-434
<b>Total financial derivatives</b>	<b>236,266</b>	<b>4,328</b>	<b>-3,341</b>	<b>264,634</b>	<b>4,812</b>	<b>-3,973</b>

## Group

Fair value through profit and loss (NOK million)	31 Dec 2017			31 Dec 2016		
	Contract amount	Fair value		Contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
<b>Currency instruments</b>						
Foreign exchange derivatives (forwards)	3,661	896	-51	3,176	21	0
Currency swaps	11,654	321	-70	15,100	163	-5
FX-options	59	0	-0	36	0	-0
<b>Total currency instruments</b>	<b>15,375</b>	<b>407</b>	<b>-122</b>	<b>18,312</b>	<b>184</b>	<b>-5</b>
<b>Interest rate instruments</b>						
Interest rate swaps (including cross currency)	178,023	2,532	-2,463	170,094	1,137	-3,282
Short-term interest rate swaps (FRA)	9,000	2	-1	50,423	101	-110
Other interest rate contracts	-	-	-	124	-0	0
<b>Total interest rate instruments</b>	<b>187,023</b>	<b>2,534</b>	<b>-2,464</b>	<b>220,640</b>	<b>3,239</b>	<b>-3,393</b>
<b>Equity instruments</b>						
Equity options	37	12	-13	32	17	-14
Equity forwards/futures	1,535	10	11	909	1	-87
<b>Total equity instruments</b>	<b>1,573</b>	<b>23</b>	<b>-2</b>	<b>940</b>	<b>18</b>	<b>-101</b>
<b>Commodity-related contracts</b>						
Stock-exchange-traded standardised forwards and futures contracts	246	60	-60	109	14	-14
<b>Total commodity-related contracts</b>	<b>246</b>	<b>60</b>	<b>-60</b>	<b>109</b>	<b>14</b>	<b>-14</b>
<b>Hedging</b>						
<b>Interest rate instruments</b>						
Interest rate swaps (including cross currency)	33,623	780	-230	25,249	807	-127
<b>Total interest rate instruments</b>	<b>33,623</b>	<b>780</b>	<b>-230</b>	<b>25,249</b>	<b>807</b>	<b>-127</b>
<b>Total</b>						
Total interest rate instruments	220,645	3,314	-2,693	245,890	4,046	-3,520
Total currency instruments	15,375	407	-122	18,312	184	-5
Total equity instruments	1,573	23	-2	940	18	-101
Total commodity-related contracts	246	60	-60	109	14	-14
Accrued interest		548	-466		490	-434
<b>Total financial derivatives</b>	<b>237,839</b>	<b>4,351</b>	<b>-3,343</b>	<b>265,251</b>	<b>4,752</b>	<b>-4,074</b>

## Note 31 - Shares, units and other equity interests

The Group classifies shares in the categories fair value through profit or loss and available for sale. Securities that can be reliably measured, and which are reported internally at fair value, are recognised at fair value through profit and loss. Other shares are classified as available for sale.

Parent bank		Shares and units (NOK million)	Group	
31 Dec 2016	31 Dec 2017		31 Dec 2017	31 Dec 2016
<b>225</b>	<b>119</b>	<b>At fair value through profit or loss</b>	<b>1,758</b>	<b>1,483</b>
43	73	Listed	1,492	1,109
182	46	Unlisted	266	373
<b>23</b>	<b>50</b>	<b>Available for sale</b>	<b>67</b>	<b>60</b>
23	50	Unlisted	67	60
<b>248</b>	<b>169</b>	<b>Total shares and units</b>	<b>1,825</b>	<b>1,542</b>
		<b>Business held for sale - of which shares</b>		
226	82	Unlisted	49	15
<b>226</b>	<b>82</b>	<b>Total shares held for sale (see note 39)</b>	<b>49</b>	<b>15</b>
43	73	Total listed companies	1,492	1,109
431	178	Total unlisted companies	382	447

### Specification of Parent Bank

Listed companies	Principle *)	Stake over 10 %	Our holding (no.)	Acquisition cost (NOK 1000)	Market value/ book value (NOK 1000)
Visa Inc. C-shares	FV		63,536	6,750	59,872
<b>Total quoted shares</b>				<b>6,750</b>	<b>59,872</b>
SpareBank 1 Nordvest	FV		69,423	7,455	7,880
SpareBank 1 Søre Sunnmøre	FV		48,070	4,999	4,999
<b>Total quoted credit institutions</b>				<b>12,454</b>	<b>12,879</b>
<b>Unlisted companies</b>					
Eksportfinans	FV		1,857	16,406	41,060
Molde Kunnskapspark	FV		2,000	2,030	2,083
Spama	FV		2,305	-	1,563
Swift Eur	FV		38	589	1,280
Trondheim Spektrum	AFS		1,067	-	1,608
Visa Norge	AFS		-	-	47,701
Others				1,120	1,122
<b>Total unquoted shares and units</b>				<b>20,146</b>	<b>96,417</b>
<b>Total shares, units and equity capital certificates, parent bank</b>				<b>39,350</b>	<b>169,168</b>

### Specification of Group

Listed companies	Principle *)	Stake over 10 %	Our holding (no.)	Acquisition cost (NOK 1000)	Market value/ book value (NOK 1000)
Aker BP	FV		184,406	13,641	37,217
Aker Solutions	FV		446,773	19,214	20,636
Austevoll Seafood	FV		201,150	15,000	13,728
Axactor	FV		12,802,844	36,297	36,744
B2Holding	FV		3,500,000	51,612	73,150
Bonheur	FV		1,245,500	87,167	111,784
Frontline	FV		500,000	23,352	19,050
Kongsberg Gruppen	FV		417,797	54,336	63,087
Link Mobility Group	FV		810,000	94,384	117,045

Marine Harvest	FV		178,481	24,797	24,809
Norway Royal Salmon	FV		1,263,267	78,737	169,909
Norwegian Air Shuttle	FV		329,600	75,115	58,010
Norwegian Property	FV		1,300,000	12,948	13,780
Olav Thon Eiendomsselskap	FV		343,700	56,600	56,023
Polaris Media	FV	11.4	5,584,508	153,457	145,197
Sevan Marine	FV		4,116,987	55,514	58,379
Solstad Farstad	FV		5,729,026	39,473	34,489
Storebrand	FV		168,825	10,607	11,294
Subsea 7	FV		348,212	43,394	42,830
Thin Film Electronics	FV		4,137,500	10,167	10,261
Torghatten	FV		210,000	16,640	16,590
Webstep	FV		401,000	9,825	10,226
Yara International	FV		160,393	60,546	60,420
Others				66,697	61,511
<b>Total quoted shares</b>				<b>1,109,521</b>	<b>1,266,170</b>
Helgeland Sparebank	FV		120,000	10,590	10,560
Komplett Bank	FV		27,000	500	513
Norwegian Finans Holding	FV		133,208	12,356	12,255
Pareto Bank	FV		200,000	7,999	7,860
Sbanken	FV		350,000	20,505	28,350
SpareBank 1 BV	FV		722,988	24,682	24,509
SpareBank 1 Nord-Norge	FV		21,901	900	1,363
SpareBank 1 Ringerike Hadeland	FV		35,859	6,873	6,903
SpareBank 1 Sr-Bank	FV		36,904	2,673	3,211
SpareBank 1 Østfold Akershus	FV		58,727	10,878	11,276
SpareBank 1 Østlandet	FV		516,600	40,541	46,752
<b>Total quoted credit institutions</b>				<b>138,496</b>	<b>153,552</b>
<b>Unlisted companies</b>					
Avexxin	FV		67,786	4,731	3,084
Crayo Nano	FV		10,138	5,432	5,432
Granåsen Utvikling	FV	10.0	2,160	1,681	1,681
Herkules Capital III	FV		1	35,785	29,943
Moldekraft	AFS		10,545	11,600	14,837
Norsk Innovasjonskapital III	FV		600	10,200	19,372
North Bridge Nordic Property II	FV		51,340	1,996	2,153
Novelda	FV		18,280	6,143	5,814
Numascale	FV		3,382,117	5,320	5,320
Real Estate Central Europe	FV		3,000	5,500	4,000
Salvesen & Thams	FV		199	21,290	34,814
Sintef Venture	FV		13,830	7,056	7,056
Vectron Biosolutions	FV		220,000	6,000	6,000
Viking Venture II	FV		250,972	19,123	2,535
Viking Venture II B	FV		30,000	2,495	1,140
Viking Venture III	FV	17.0	862,878	43,337	76,603
Wellcem	FV		40,036	1,361	2,965
Others				17,521	13,682
<b>Total unquoted shares and units</b>				<b>206,571</b>	<b>236,431</b>
<b>Total shares, units and equity capital certificates, Group</b>				<b>1,493,938</b>	<b>1,825,321</b>

\*) Explanation of accounting principle: FV - fair value through profit or loss, AFS - available for sale

## Note 32 - Intangible assets

31 Dec 2017

Parent Bank				Group		
Other intangible assets	Goodwill	Total	(NOK million)	Total	Goodwill	Other intangible assets
59	447	506	Cost of acquisition at 1 January	737	573	164
70	-	70	Additions	239	108	131
-0	-	-0	Disposals	-2	-	-2
-	-	-	Subsidiaries disposal	-39	-	-39
128	447	575	Cost of acquisition at 31 December	935	681	254
36	-	36	Accumulated depreciation and write-downs as at 1 January	97	7	90
18	-	18	Current period's depreciation	24	-	24
-	-	-	Current period's write-down	1	1	-
-0	-	-0	Disposals	-0	-	-0
-	-	-	Subsidiaries' acquisitions	19	19	-
54	-	54	Accumulated depreciation and write-down as at 31 December	141	28	113
<b>75</b>	<b>447</b>	<b>522</b>	<b>Book value as at 31 December</b>	<b>793</b>	<b>653</b>	<b>141</b>

31 Dec 2016

Parent Bank				Group		
Other intangible assets	Goodwill	Total	(NOK million)	Total	Goodwill	Other intangible assets
44	447	491	Cost of acquisition at 1 January	636	530	106
24	-	24	Acquisitions	118	43	75
-9	-	-9	Disposals	-17	-	-17
59	447	506	Cost of acquisition at 31 December	737	573	164
25	-	25	Accumulated depreciation and write-downs as at 1 January	74	2	72
15	-	15	Current period's depreciation	21	-	21
-	-	-	Current period's write-down	8	5	3
-4	-	-4	Disposals	-6	-	-6
36	-	36	Accumulated depreciation and write-down as at 31 December	97	7	90
<b>23</b>	<b>447</b>	<b>470</b>	<b>Book value as at 31 December</b>	<b>639</b>	<b>565</b>	<b>74</b>

NOK 447m of the parent bank's balance sheet value refers to excess value in connection with the purchase of 100 per cent of Romsdals Fellesbank in 2005. The amount at group level refers to the parent bank's purchase of Romsdals Fellesbank as described above, the merger and acquisition of estate agencies from EiendomsMegler 1 Midt-Norge, and SpareBank 1 Regnskapshuset SMN's acquisitions of accounting firms. The year's increase of NOK 108m at group level relates to further acquisitions undertaken in 2017.

Goodwill items are valued annually and written down if impairment tests imply reduction in value. EiendomsMegler 1 Midt-Norge made a write down of goodwill of NOK 1.2m in 2017.

See note 3 - Critical estimates and assessments concerning the use of accounting principles - for a description of the valuation model for goodwill.

## Note 33 - Property, plant and equipment

31 Dec 2017

Parent Bank			Total (NOK million)	Group		
Buildings and other real property	Machinery, inventory and vehicles	Total		Total	Machinery, inventory and vehicles	Buildings and other real property
117	198	315	Cost of acquisition at 1 January	1,431	266	1,164
-	-	-	Cost of acq. as a result of business combination	191	11	180
-	-	-	Reclassification to held for sale	-854	-9	-845
5	24	29	Acquisitions	55	50	5
-8	-34	-42	Disposals	-223	-40	-182
-2	-0	-2	Corrections	-2	0	-2
112	188	300	Cost of acquisition at 31 December	598	277	320
54	140	194	Accumulated depreciation and write-downs as at 1 January	525	198	327
-	-	-	Acc. depreciations as a result of business combinations	76	27	49
-	-	-	Reclassification to held for sale	-211	-	-211
8	19	27	Current period's depreciation	44	25	19
3	1	4	Current period's write-down	4	1	3
-4	-34	-38	Disposals	-101	-53	-48
-2	-0	-2	Reversal of accumulated depreciation and write-downs	-2	-0	-2
60	126	186	Accumulated depreciation and write-down as at 31 December	335	197	137
<b>52</b>	<b>63</b>	<b>115</b>	<b>Book value as at 31 December</b>	<b>263</b>	<b>79</b>	<b>183</b>

31 Dec 2016

Parent Bank			Total (NOK million)	Group		
Buildings and other real property	Machinery, inventory and vehicles	Total		Total	Machinery, inventory and vehicles	Buildings and other real property
117	205	322	Cost of acquisition at 1 January	1,503	252	1,251
4	23	27	Acquisitions	49	43	6
-4	-30	-34	Disposals	-121	-31	-91
-	-	-	Corrections	-	2	-2
117	198	315	Cost of acquisition at 31 December	1,431	266	1,164
50	139	189	Accumulated depreciation and write-downs as at 1 January	474	182	292
8	20	29	Current period's depreciation	78	26	53
-	-	-	Current period's write-down	2	0	2
-3	-20	-23	Disposals	-39	-20	-19
-	-	-	Reversal of accumulated depreciation and write-downs	10	10	-
55	140	194	Accumulated depreciation and write-down as at 31 December	525	198	327
<b>63</b>	<b>59</b>	<b>121</b>	<b>Book value as at 31 December</b>	<b>906</b>	<b>69</b>	<b>837</b>



**Depreciation**

With a basis in acquisition cost less any residual value, assets are depreciated on a straight-line basis over expected lifetime as follows:

- Technical installations 10 yrs
- Machinery 3 - 5 yrs
- Fixtures 5 - 10 yrs
- IT equipment 3 yrs
- Means of transport 10 yrs
- Buildings and other real property 25 - 33 yrs

**Collateral**

The Group has not provided security or accepted any other infringements on its right of disposal of its fixed tangible assets with the exception of SpareBank 1 Markets which has pledged inter alia business assets to DNB in connection with banking services related to the securities settlement.

**Acquisition cost of depreciated assets**

The acquisition cost of fully depreciated assets still in use in the Bank in 2017 is NOK 119 million (NOK 127 million).

**Gross value of non-current assets temporarily out of operation**

The Group has no significant non-current assets out of operation as at 31 December 2017.

## Note 34 - Other assets

Parent Bank			Group	
31 Dec 2016	31 Dec 2017	(NOK million)	31 Dec 2017	31 Dec 2016
27	-	Deferred tax asset	178	196
121	115	Fixed assets *)	263	906
37	61	Earned income not yet received	104	63
20	35	Accounts receivable, securities	322	220
198	158	Pensions	171	207
479	333	Other assets	615	785
<b>882</b>	<b>703</b>	<b>Total other assets</b>	<b>1,654</b>	<b>2,376</b>

\* The buildings in SpareBank 1 SMN Kvartalet has been reclassified to "held for sale" and explains a reduction in fixed assets of 600 million from December 31, 2016. See further description in note 39.

## Note 35 - Deposits from and liabilities to customers

Parent Bank		Deposits from and liabilities to customers (NOK million)	Group	
31 Dec 2016	31 Dec 2017		31 Dec 2017	31 Dec 2016
58,027	63,180	Deposits from and liabilities to customers without agreed maturity	62,293	56,804
10,364	14,182	Deposits from and liabilities to customers with agreed maturity	14,182	10,364
<b>68,391</b>	<b>77,362</b>	<b>Total deposits from and liabilities to customers</b>	<b>76,476</b>	<b>67,168</b>
1.0 %	0.9 %	Average interest rate	0,9 %	1.0 %

Fixed interest deposits account for 4.4 per cent (2.7 per cent) of total deposits.

31 Dec 2016	31 Dec 2017	Deposits specified by sector and industry	31 Dec 2017	31 Dec 2016
29,769	31,797	Wage earners	31,797	29,769
8,627	11,284	Public administration	11,284	8,627
2,791	3,061	Agriculture, forestry, fisheries and hunting	3,061	2,791
420	1,021	Sea farming industries	1,021	420
1,727	2,736	Manufacturing	2,736	1,727
2,416	3,046	Construction, power and water supply	3,046	2,416
4,067	4,152	Retail trade, hotels and restaurants	4,152	4,067
1,740	1,269	Maritime sector	1,269	1,740
4,387	4,595	Property management	4,405	4,153
5,550	6,429	Business services	6,429	5,550
4,848	5,846	Transport and other services provision	5,414	4,339
2,048	2,127	Other sectors	1,863	1,569
<b>68,391</b>	<b>77,362</b>	<b>Total deposits from customers broken down by sector and industry</b>	<b>76,476</b>	<b>67,168</b>

31 Dec 2016	31 Dec 2017	Deposits specified by geographic area	31 Dec 2017	31 Dec 2016
43,913	49,685	Trøndelag	48,822	42,885
14,028	14,898	Møre og Romsdal	14,898	14,028
1,657	2,067	Sogn og Fjordane	2,067	1,657
486	563	Nordland	563	486
5,109	5,876	Oslo	5,853	4,914
2,470	3,449	Other counties	3,449	2,470
728	824	Abroad	824	728
<b>68,391</b>	<b>77,362</b>	<b>Total deposits broken down by geographic area</b>	<b>76,476</b>	<b>67,168</b>

## Note 36 - Debt securities in issue

Parent Bank			Group		
31 Dec 2016	31 Dec 2017	(NOK million)	31 Dec 2017	31 Dec 2016	
36,317	42,194	Bond debt	42,194	36,317	
<b>36,317</b>	<b>42,194</b>	<b>Total debt securities in issue</b>	<b>42,194</b>	<b>36,317</b>	
1.8 %	1.5 %	Average interest, bond debt	1.5 %	1.8 %	
31 Dec 2016	31 Dec 2017	Securities debt specified by maturity *)	31 Dec 2017	31 Dec 2016	
6,336	-	2017	-	6,336	
9,414	9,266	2018	9,266	9,414	
5,642	5,983	2019	5,983	5,642	
3,956	9,386	2020	9,386	3,956	
6,739	7,600	2021	7,600	6,739	
375	5,785	2022	5,785	375	
1,682	2,075	2023	2,075	1,682	
482	-	2024	-	482	
237	-	2025	-	237	
400	498	2029	498	400	
273	295	2031	295	273	
-	246	2032	246	-	
-	255	2035	255	-	
-	275	2044	275	-	
31	20	Currency agio	20	31	
422	187	Premium and discount, market value of structured bonds	187	422	
328	324	Accrued interest	324	328	
<b>36,317</b>	<b>42,194</b>	<b>Total securities debt</b>	<b>42,194</b>	<b>36,317</b>	

\*) Less own bonds. Total nominal own holding in 2017 comes to NOK 505 m (NOK 369 m)

31 Dec 2016	31 Dec 2017	Securities debt distributed on significant currencies	31 Dec 2017	31 Dec 2016
14,237	13,683	NOK	13,683	14,237
18,955	25,360	EUR	25,360	18,955
602	1,114	USD	1,114	602
2,522	2,037	Other	2,037	2,522
<b>36,317</b>	<b>42,194</b>	<b>Total securities debt</b>	<b>42,194</b>	<b>36,317</b>

## Parent Bank and Group

	31 Dec 2017	Issued	Fallen due/ redeemed	Other changes	31 Dec 2016
<b>Change in securities debt</b>					
Bond debt, nominal value	41,663	11,490	6,332	970	35,535
Adjustments	207	-	-	-246	453
Accrued interest	324	-	-	-4	328
<b>Total</b>	<b>42,194</b>	<b>11,490</b>	<b>6,332</b>	<b>720</b>	<b>36,317</b>
	31 Dec 2016	Issued	Fallen due/ redeemed	Other changes	31 Dec 2015
<b>Change in securities debt</b>					
Bond debt, nominal value	35,535	8,158	5,492	-1,145	34,014
Adjustments	453	-	-	-322	775
Accrued interest	328	-	-	-37	365
<b>Total</b>	<b>36,317</b>	<b>8,158</b>	<b>5,492</b>	<b>-1,504</b>	<b>35,154</b>

## Note 37 - Other debt and liabilities

Parent Bank		Other debt and recognised liabilities (NOK million)	Group	
31 Dec 2016	31 Dec 2017		31 Dec 2017	31 Dec 2016
3	16	Creditors	82	39
90	88	Drawing debt	88	90
0	0	Debt from securities	162	147
-	21	Deferred tax	81	33
266	337	Payable tax	367	319
8	9	Capital tax	9	8
26	24	Pension liabilities	24	26
118	112	Provisions	112	118
73	70	Accruals	444	367
-	-	Equity instruments	244	181
146	232	Other	311	203
<b>731</b>	<b>909</b>	<b>Total other debt and recognised liabilities</b>	<b>1,923</b>	<b>1,531</b>
		<b>Other liabilities, not recognised</b>		
2,034	579	Credit limits, trading	731	2,170
-	-	Other commitments	33	41
<b>2,034</b>	<b>579</b>	<b>Total other commitments</b>	<b>764</b>	<b>2,211</b>
<b>2,765</b>	<b>1,488</b>	<b>Total commitments</b>	<b>2,686</b>	<b>3,742</b>

**Collateral**

As from 1 March 2017 the bank is required under the European market infrastructure regulation (EMIR) to have in place a CSA with daily exchange of margin collateral etc. with all financial counterparties with which the bank deals domiciled (inter alia) in an EU member state. The Emir regulation regulates OTC derivatives and entails inter alia that SpareBank 1 SMN will be entitled to clear certain derivatives transactions through a central counterparty. This applies to interest rate derivatives in the major currencies (euro, US dollar, British pound and Japanese yen) along with Norwegian kroner, Swedish kronor and Polish zloty. Derivatives are cleared through London Clearing House as central counterparty where cash is the only collateral at present. SpareBank 1 SMN is not a direct member of London Clearing House, but has entered an agreement with Commerzbank as clearing broker. The bank has also entered an agreement with SEB as clearing broker number two, and plans to merge with them in the course of 2018.

SpareBank 1 SMN is registered as a GCM member of NASDAQ OMX Clearing AB. The bank offers customers clearing representation related to their trade in electricity and salmon derivatives on NASDAQ OMX Oslo ASA and Fish Pool ASA. Clearing representation entails that the bank substitutes itself in the place of the client as counterparty to NASDAQ OMX Clearing AB and takes on the obligation towards NASDAQ to furnish margin collateral and to execute settlement of contracts and pay charges. For the bank's exposure as a GCM, clients will furnish collateral in the form of a deposit of cash and/or encumbrance of other assets.

SpareBank 1 Markets clears ordinary share trades executed at Oslo Børs through CCP settlements. The company is a direct clearing member of SIX X-Clear. The company furnishes cash as collateral for the daily margin payments.

Parent Bank			Group	
Cash deposit	Total	Pledged assets	Total	Cash deposit
1,157	1,157	Pledged assets 31 Dec 2017	1,204	1,204
1,226	1,226	Relevant liabilities 31 Dec 2017	1,273	1,273
1,264	1,264	Pledged assets 31 Dec 2016	1,291	1,291
1,264	1,264	Relevant liabilities 31 Dec 2016	1,291	1,291

**Ongoing lawsuits**

The Group is not involved in legal disputes considered to be of substantial significance for the Group's financial position. No provision for loss has been made as of 31 December 2017.

**Operational leases**

The group has entered a number of different lease agreements regarding premises, car park, alarm systems, IT systems and software. Most of the agreements include a lease extension option.

Lease costs comprised:

Parent Bank			Group	
2016	2017	(NOK million)	2017	2016
98	92	Ordinary lease payments	83	75
28	28	Payment received from sub-lease	44	26
<b>70</b>	<b>64</b>	<b>Total lease costs</b>	<b>39</b>	<b>49</b>

Future minimum lease payments related to non-cancellable lease agreements fall due as follows:

(NOK million)	Parent Bank	Group
Within 1 year	85	106
1-5 years	342	387
Above 5 years	414	473
<b>Total</b>	<b>841</b>	<b>965</b>

**Provisions**

The group has made provisions for pension liabilities, see note 24, specified losses on guarantees, see note 11, restructuring and gifts.

The provision for restructuring is made based on the downsizing plan. Provision on gifts is the part of previous year's profit to be allocated to non-profit causes. More on this topic in the section corporate social responsibility.

Parent Bank/Group (NOK million)	Pension liabilities	Specified losses on guarantees	Restructuring provision	Gifts
<b>Provisions at 1 Jan</b>	26	6	59	54
Additional provisions in the period	2	-	-	60
Amounts used in the period	-1	-	-20	-44
Amounts unused reversed in the period	-2	-2	-	-
<b>Provisions at 31 Dec</b>	<b>24</b>	<b>4</b>	<b>39</b>	<b>69</b>

## Note 38 - Subordinated debt and hybrid capital issue

SpareBank1 SMN has in 2017 reclassified two additional Tier1 Capital Bonds from liabilities to equity. Comparable figures has been restated. For further details, see note 3.

Parent bank		(NOK million)	Group	
31 Dec 2016	31 Dec 2017		31 Dec 2017	31 Dec 2016
<b>Dated subordinated debt</b>				
1,000	-	2022 3 month Nibor + 2.75 % (Call 2017)	-	1,000
662	659	2036 fixed rate 2.94 %, JPY (Call 2018) *)	659	662
-	-	2026 SpareBank 1 Finans Midt-Norge 16/26	43	43
-	150	2027 floating rate NOK (Call 2022)	150	-
-	600	2027 floating rate NOK (Call 2022)	600	-
-	250	2029 floating rate NOK (Call 2024)	250	-
22	11	Premium/discount/market value	11	22
9	4	Currency agio debt	4	9
2	1	Accrued interest	1	2
<b>1,695</b>	<b>1,676</b>	<b>Total dated subordinated debt</b>	<b>1,718</b>	<b>1,737</b>
<b>Hybrid Capital</b>				
350	350	Hybrid capital 10/99, fixed rate 8.25 % NOK (Call 2020) *)	350	350
100	100	Hybrid capital 10/99, floating rate NOK (Call 2020)	100	100
33	25	Discount perpetual hybrid equity	25	33
8	8	Accrued interest	8	8
<b>491</b>	<b>483</b>	<b>Total hybrid capital</b>	<b>483</b>	<b>491</b>
<b>2,186</b>	<b>2,159</b>	<b>Total subordinated loan capital and hybrid capital</b>	<b>2,201</b>	<b>2,228</b>
5.0 %	4.5 %	Average rate NOK	4.5 %	5.0 %
4.2 %	4.2 %	Average rate JPY	4.2 %	4.2 %

\*) Fixed rate funding changed to floating rate by means of interest rate swaps

Group	31 Dec 2017	Issued	Fallen due/ redeemed	Other changes	31 Dec 2016
<b>Changes in subordinated debt and hybrid capital issue</b>					
Ordinary subordinated debt, NOK	1,000	1,000	1,000	-	1,000
Ordinary subordinated debt, Currency	701	-	-	-3	704
Hybrid capital loan, NOK	450	-	-	-	450
Adjustments	40	-	-	-24	64
Accrued interest	10	-	-	-1	10
<b>Total subordinated debt and hybrid capital issue</b>	<b>2,201</b>	<b>1,000</b>	<b>1,000</b>	<b>-27</b>	<b>2,228</b>
<b>Changes in subordinated debt and hybrid capital issue</b>	<b>31 Dec 2016</b>	<b>Issued</b>	<b>Fallen due/ redeemed</b>	<b>Other changes</b>	<b>31 Dec 2015</b>
Ordinary subordinated debt, NOK	1,000	-	-	-	1,000
Ordinary subordinated debt, Currency	704	43	-	2	660
Perpetual subordinated debt, NOK	-	-	300	-	300
Hybrid capital loan, NOK	450	-	-	-	450
Adjustments	64	-	-	-26	89
Accrued interest	10	-	-	0	10
<b>Total subordinated debt and hybrid capital issue</b>	<b>2,228</b>	<b>43</b>	<b>300</b>	<b>-24</b>	<b>2,509</b>

## Note 39 - Investments in owner interests

Subsidiaries, associates, joint ventures and companies held for sale.

Company	Company number	Registered office	Stake in per cent
<b>Investment in subsidiaries</b>			
EiendomsMegler 1 Midt-Norge AS	936159419	Trondheim	87.0
SpareBank 1 Regnskapshuset SMN AS	936285066	Trondheim	95.4
SpareBank 1 Invest AS	990961867	Trondheim	100.0
SpareBank 1 Finans Midt-Norge AS	938521549	Trondheim	64.6
SpareBank 1 Bygget Steinkjer AS	934352718	Trondheim	100.0
SpareBank 1 Card Solution AS	990222991	Trondheim	100.0
St. Olavs Plass AS	999263380	Trondheim	100.0
SpareBank 1 Bilplan AS	979945108	Trondheim	100.0
Jernbanegata 19 AS	912514005	Trondheim	100.0
SpareBank 1 Markets AS	992999101	Oslo	66.7
<b>Shares owned by subsidiaries and sub-subsidiaries</b>			
GMA Invest AS	994469096	Trondheim	100.0
Sentrumsgården AS	975856828	Leksvik	24.0
Aqua Venture AS	891165102	Trondheim	37.6
BrainImage AS	917956146	Trondheim	34.5
Omega-3 Invest AS	996814262	Namsos	33.6
Tjeldbergodden Utvikling AS	979615361	Aure	35.3
Grilstad Marina AS	991340475	Trondheim	35.0
GMN 6 AS	994254707	Trondheim	35.0
GMN 51 AS	996534316	Trondheim	30.0
GMN 52 AS	996534413	Trondheim	30.0
GMN 53 AS	996534502	Trondheim	30.0
BN Bolig AS	917463069	Oslo	50.0
Brauten Eiendom AS	917066221	Trondheim	100.0
SpareBank 1 Kapitalforvaltning AS	980300609	Trondheim	100.0
SpareBank 1 Capital Markets Inc		New York	100.0
Leksvik Regnskapskontor AS	980491064	Leksvik	50.0
<b>Investment in joint ventures</b>			
SpareBank 1 Gruppen AS	975966372	Tromsø	19.5
SpareBank 1 Banksamarbeidet DA	986401598	Oslo	18.0
SpareBank 1 Betaling AS	919116749	Oslo	19.7
<b>Investment in associates</b>			
SpareBank 1 Boligkreditt AS	988738387	Stavanger	19.9
BN Bank AS	914864445	Trondheim	33.0
SpareBank 1 Næringskreditt AS	894111232	Stavanger	33.5
Bjerkeløkkja AS	998534976	Oppdal	40.7
SpareBank 1 Kredittkort AS	975966453	Trondheim	17.9
SMB Lab AS	917143501	Trondheim	20.0
Proaware AS	995756080	Tromsø	20.0
<b>Investment in companies held for sale</b>			
SpareBank 1 SMN Kvartalet AS	990283443	Trondheim	100.0
Mavi XV AS	890899552	Trondheim	100.0
Mavi XI AS	990899568	Trondheim	100.0
Mavi XXV AS	999239242	Trondheim	100.0
Mavi XXVIII AS	999239455	Trondheim	100.0
Byscenen Kongengsgt 19 AS	992237899	Trondheim	90.0



### Shares in subsidiaries, Parent Bank

Recorded at acquisition cost in the Parent Bank. Full consolidation in the Group accounts. Total costs include tax charge. The booked value of subsidiaries in the tables below is the Parent Bank's booked value. Profit or loss show the company's net profit.

2017 (NOK million)	Company's share capital (NOK 000's)	No. Of shares	Nominal value (NOK 1000's)	Assets	Liabilities	Equity	NCI of equity *)	Total income	Total expenses	Profit or loss	NCI of profit or loss *)	Book value 31.12
<b>SpareBank 1</b>												
Finans												
Midt-Norge AS	612,590	61,259	10.0	6,724	5,745	-	304	392	295	96	34	499
<b>Total investments in credit institutions</b>												<b>499</b>
<b>EiendomsMegler</b>												
1 Midt-Norge AS												
	57,803	4,788	10.5	281	91	3	28	395	367	27	- 8	120
<b>SpareBank 1</b>												
SMN Kvartalet AS **)												
	326,160	30,200	10.8	869	-	-	-	78	64	14	-	994
<b>SpareBank 1</b>												
Regnskapshuset SMN AS												
	17,850	238	75.0	323	110	0	10	377	315	62	2	154
<b>SpareBank 1</b>												
Invest AS												
	457,280	457,280	1.0	854	49	-	-	48	5	43	-	739
<b>SpareBank 1</b>												
Bygget Steinkjer AS												
	6,100	100	61.0	49	1	-	-	4	3	1	-	53
<b>SpareBank 1</b>												
Card Solution AS												
	200	2,000	0.1	7	1	-	-	5	4	1	-	9
<b>St. Olavs Plass</b>												
AS												
	10,000	100,000	0.1	77	1	-	-	6	6	0	-	75
<b>SpareBank 1</b>												
Bilplan AS												
	5,769	41,206	0.1	32	28	-	-	112	112	0	-	9
<b>Jernbanegata</b>												
19 AS												
	1,000	10,000	0.1	10	0	-	-	-	0	0	-	13
<b>SpareBank 1</b>												
Markets AS												
	529,221	3,168,991	0.2	2,242	1,573	- 0	223	452	440	12	4	456
<b>Total investments in other subsidiaries</b>												<b>2,621</b>
<b>Total investments in Group companies, Parent Bank</b>												<b>3,120</b>

\*) Non-controlling interests

\*\*\*) Parts of the company's assets are classified as held for sale

2016 (NOK million)	Company's share capital (NOK 000's)	No. Of shares	Nominal value (NOK 000's)	Assets	Liabilities	Equity	NCI of equity *)	Total income	Total expenses	Result	NCI of profit or loss *)	Book value 31.12
SpareBank 1 Finans Midt-Norge AS	534,290	53,429	10.0	5,414	4,651	-5	270	313	234	78	28	448
<b>Total investments in credit institutions</b>												<b>448</b>
SpareBank 1 SMN Invest AS	457,280	457,280	1.0	869	49	-	-	77	3	74	-	739
EiendomsMegler 1 Midt-Norge AS	57,803	4,788	10.5	322	112	0	27	426	377	49	6	120
SpareBank 1 SMN Kvartalet AS	326,160	30,200	10.8	765	92	-	-	44	34	10	-	919
SpareBank 1 Regnskapshuset SMN AS	17,136	238	72.0	216	59	-	-	235	192	43	-	121
Allegro Kapitalforvaltning ASA	6,000	6,000	1.0	50	14	-	4	63	54	10	1	11
SpareBank 1 Bygget Steinkjer AS	6,100	100	61.0	48	1	-	-	4	3	1	-	53
SpareBank 1 Bygget Trondheim AS	94,236	100,000	0.9	193	8	-	-	31	27	4	-	75
SpareBank 1 SMN Card Solutions AS	200	2,000	0.1	7	1	-	-	6	5	1	-	9
St. Olavs Plass 1 SMN AS	10,000	100,000	0.1	77	1	-	-	7	6	0	-	75
SpareBank 1 Bilplan AS	5,769	41,206	0.1	32	28	-	-	123	123	0	-	9
Jernbanegata 19 SMN AS	1,000	10,000	0.1	10	0	-	-	2	3	-1	-	13
SpareBank 1 Markets AS	378,347	2,265,553	167.0	1,702	1,234	0	124	306	282	25	7	363
SMB Lab AS	5,000	50,000	0.1	51	2	-	-	1	2	-1	-	50
<b>Total investments in other subsidiaries</b>												<b>2,557</b>
<b>Total investments in Group companies, Parent Bank</b>												<b>3,005</b>

### Shares in associates and joint ventures

Associates and joint ventures are recorded at acquisition cost in the Parent Bank. Group figures are presented by the equity method.

Parent Bank		(NOK million)	Group	
31 Dec 2016	31 Dec 2017		31 Dec 2017	31 Dec 2016
3,624	3,766	As at 1 January	5,638	5,522
156	104	Acquisition/sale	104	186
-14	70	Reclassification	64	-3
-	-	Equity capital changes	-74	101
-	-	Profit share	437	423
-	-	Dividend paid	-410	-591
<b>3,766</b>	<b>3,940</b>	<b>Book value as at 31 December</b>	<b>5,760</b>	<b>5,638</b>

Specification of current year's change, Group	Additions/ disposal	Equity change
SpareBank 1 Gruppen AS	-	-28
SpareBank 1 Banksamarebeidet AS	0	5
SpareBank 1 Boligkreditt AS	163	-1
SpareBank 1 Næringskreditt AS	-54	-3
SpareBank 1 Kredittkort AS	-3	-0
BN Bank ASA	-	-6
SMB Lab AS	-5	0
Property development companies owned by SpareBank 1 SMN Invest AS	-	-42
Proaware AS	3	-
<b>Sum</b>	<b>104</b>	<b>-74</b>

#### Property development companies owned by SpareBank 1 SMN Invest

Activity levels in 2017 were high at the property development companies Grilstad Marina AS, Grilstad Energi AS, GMN 51 AS, GMN 52 AS, GMN 53 AS and GMN 6 AS.

Grilstad Energi AS was sold in third quarter 2017.

The above property development companies are booked in the Group accounts with the value of 67.2 NOK million at 31 December 2017.

Dividends from investments in associates and joint ventures:

Dividends from (NOK million)	Parent Bank	
	2017	2016
SpareBank 1 Gruppen AS	228	486
SpareBank 1 Boligkreditt AS	22	19
BN Bank ASA	132	56
SpareBank 1 Næringskreditt AS	29	30
<b>Total income from associates and joint ventures</b>	<b>410</b>	<b>591</b>

#### Company information on the Group's stakes in associates and joint ventures

The tables below contain company or Group accounting figures on a 100 per cent share basis, except for profit share which is stated as the SMN Group's share. Badwill and amortisation effects related to acquisitions are included in the profit share. Booked value is the consolidated value in the SMN Group.

2017 (NOK million)	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31 Dec	Ownership share	No. of shares
SpareBank 1 Gruppen AS	70,650	62,385	17,911	15,703	349	1,569	19.5 %	381,498
BN Bank ASA	26,168	22,285	646	363	98	1,147	33.0 %	4,658,389
SpareBank 1 Boligkreditt AS	262,196	250,924	3,529	3,709	-41	2,003	19.9 %	13,039,586
SpareBank 1 Næringskreditt AS	12,479	10,426	274	213	19	629	33.7 %	4,895,248
SpareBank 1 Kredittkort AS	5,972	4,806	1,049	965	15	209	17.9 %	517,253
Other companies					-2	202		
<b>Total</b>					<b>437</b>	<b>5,760</b>		

2016 (NOK million)	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31 Dec	Ownership share	No. of shares
SpareBank 1 Gruppen AS	63,089	55,300	14,077	12,479	317	1,476	19.5 %	364,728
BN Bank ASA	27,797	24,202	591	330	86	1,186	33.0 %	4,658,389
SpareBank 1 Boligkreditt AS	252,251	241,198	3,798	3,981	-17	1,904	19.1 %	12,081,960
SpareBank 1 Næringskreditt AS	13,642	11,559	353	269	29	696	36.5 %	5,325,271
SpareBank 1 Kredittkort AS	5,401	4,323	1,020	853	24	197	18.3 %	532,205
Other companies					-16	178		
<b>Total</b>					<b>423</b>	<b>5,638</b>		

### Companies held for sale

SpareBank 1 SMN owns 100 per cent of Maxi XV AS due to defaulted loans. 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. In the Group accounts one-line consolidation is undertaken.

Assets and liabilities related to the property in Søndre Gate 4-10 in Trondheim City Centre (SpareBank 1 Kvartalet AS) has been reclassified as held for sale from Q4 2017 based on the approval from management and board of Directors for selling the property. SpareBank 1 SMN accepted a bid at Søndre Gate 4-10 at November 9, 2017. The transaction is expected to reach completion in the course of the first quarter of 2018 in the form of a real property company share disposal.

The tables below contain company or Group accounting figures on a 100 per cent share basis.

<b>2017 (NOK million)</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Total income</b>	<b>Total costs</b>	<b>Company's result of the year</b>	<b>Ownership share</b>	<b>No. of shares</b>
Mavi XV AS Group	-1	92	6	-7	-1	100 %	60,000
SpareBank 1 Kvartalet AS	600	-	6	7	0	100 %	30,200

  

<b>2016 (NOK million)</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Total income</b>	<b>Total costs</b>	<b>Company's result of the year</b>	<b>Ownership share</b>	<b>No. of shares</b>
Mavi XV AS Group	15	249	1	-2	-1	100 %	60,000
Brannstasjonen SMN AS	-	-	1	-3	-2	100 %	100,000

## Note 40 - Business acquisitions/business combinations

### General

Upon acquisition of businesses a purchase price analysis is prepared in accordance with IFRS 3 where identifiable assets and liabilities are recognised at fair value on the acquisition date.

### Acquisition of accounting firms

SpareBank 1 Regnskapshuset SMN has in 2017 acquired SpareBank 1 Regnskapshuset Brekstad (prev. Fosen Rådgivning) and Økonomisenteret Kunderegnskap. These businesses are fully integrated into SpareBank 1 Regnskapshuset SMN in 2018.

SpareBank 1 Regnskapshuset Hareid, SpareBank 1 Regnskapshuset Ørsta, SpareBank 1 Regnskapshuset Volda, Areto Solutions, Datainformasjon og PR Regnskap has been merged into Sparebank1 Regnskapshuset SMN in 2017.

Purchase price allocations have been prepared in accordance with IFRS 3 in which identifiable assets and liabilities are recognised at fair value on the acquisition date. The difference between the group's acquisition cost and book value of net assets is allocated to goodwill. Effective from January 1, 2018 an agreement to acquire Tinde Økonomi, Rauma Regnskapservice and Aktiva Regnskap has been made.

### Acquisitions in SpareBank1 Markets

In 2017 SpareBank 1 Markets acquired Allegro Kapitalforvaltning and SpareBank 1 Nord-Norge Forvaltning. The companies have been merged to SpareBank 1 Kapitalforvaltning, and is a subsidiary of SpareBank1 Markets. The company will spearhead SpareBank 1 Markets' asset management business with combined assets under management of NOK 10 billion. The company has 15 employees.

Purchase price allocations have been prepared in accordance with IFRS 3 in which identifiable assets and liabilities are recognised at fair value on the acquisition date. The difference between the group's acquisition cost and book value of net assets is allocated to client portfolio. The excess value allocated to Allegro Kapitalforvaltning has been eliminated in the group since this was already a subsidiary prior to the acquisition.

During fourth quarter the company acquired the trading table in SpareBank 1 SR-Bank Markets. The acquisition was financed by a share issue (176.341 shares at NOK 167, and premium of MNOK 37). In this transaction SpareBank 1 SR-Bank became share holders. The purchase price has been allocated to the client portfolio.

	Allegro Kapital- forvaltning	SNN Kapital- forvaltning	Trading Table i SR-Bank
Assets			
Fair value of client portfolio	34	15	37
Net identifiable assets and liabilities at fair value	17	3	0
Purchase price	50	18	37
Shares issued, at fair value	-	-	37
Cash	50	18	-
Purchase price	50	18	37

## Note 41 - Significant transactions with related companies

In this context 'related parties' means subsidiaries, associated companies, joint ventures and companies held for sale over which the Bank exercises substantial influence, as well as SpareBank 1 SMN Pensjonskasse (pension fund) and companies owned by the Bank's personal related parties. The Bank's outstanding accounts with employees and members of the Board of Directors are shown in note 8 on loans and advances to customers and note 22 on personnel expenses and emoluments to senior employees and elected officers. The opening balance may differ from the previous year's closing balance due to changes in which companies classified as related parties of the Bank during the period.

Loans (NOK million)	Subsidiaries		Other related companies	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Outstanding loans as at 1 Jan	4,780	3,951	4,049	4,541
Loans issued in the period	1,445	894	515	37
Repayments	317	65	3	431
<b>Outstanding loans as at 31 Dec</b>	<b>5,909</b>	<b>4,780</b>	<b>4,561</b>	<b>4,147</b>
Interest rate income	119	71	121	150
Bonds and subordinated loans as at 31 Dec	2,033	79	4,759	1,315
<b>Deposits (NOK million)</b>				
Deposits as at 1 Jan	1,158	1,079	3,950	1,932
Contribution received during the period	30,304	30,162	53,459	45,542
Withdrawals	30,514	29,827	55,346	43,643
<b>Deposits as at 31 Dec</b>	<b>947</b>	<b>1,413</b>	<b>2,063</b>	<b>3,831</b>
Interest rate expenses	14	21	14	9
Securities trading	25	-15	468	-213
Commission income SpareBank 1 Boligkreditt	-	-	322	250
Commission income SpareBank 1 Næringskreditt	-	-	17	12
Issued guarantees and amount guaranteed	110	110	89	91

### Loans and deposits

All loans and deposits for related parties are booked in the Parent Bank.

### Securities trading

SpareBank 1 SMN's treasury department and subsidiary SpareBank 1 Markets, through outsourced business, carry out a large number of transactions with the Bank's related companies. Transactions are executed on an ongoing basis in the fixed income and forex area, payments transmission, bond trading etc. These transactions are part of ordinary bank operations and all agreements are contracted on market terms. Numbers above includes net investments in derivatives, bond transactions and deposits.

### Other transactions

SpareBank 1 SMN has signed supply agreements with several related companies in order to safeguard ordinary banking operations and further development of the SpareBank 1 Alliance. This includes development of data-technical solutions for alliance collaboration, commission from insurance and savings and investment products, administrative services, leasing of premises etc. The agreements are considered to be on market terms. In addition the Bank participates in increases of capital in related companies; see note 39 on investment in owner interests.

## Note 42 - ECC capital and ownership structure

### ECC capital

The Bank's ECC capital totals NOK 2,596,728,860 distributed on 129,836,443 equity capital certificates (ECCs), each with a face value of NOK 20. As at 31 December 2017 there was 8,788 ECC holders (8,498 as at 31 December 2016).

ECC capital has been raised by the following means:

Year	Change	Change in ECC capital (NOK)	Total ECC capital (NOK)	No. of ECCs
1991	Placing	525,000,000	525,000,000	5,250,000
1992	Placing	75,000,000	600,000,000	6,000,000
2000	Employee placing	5,309,900	605,309,900	6,053,099
2001	Employee placing	4,633,300	609,943,200	6,099,432
2002	Employee placing	4,862,800	614,806,000	6,148,060
2004	Bonus Issue	153,701,500	768,507,500	7,685,075
2005	Placing	217,424,200	985,931,700	9,859,317
2005	Employee placing	23,850,000	1,009,781,700	10,097,817
2005	Split	-	1,009,781,700	40,391,268
2005	Rights issue	252,445,425	1,262,227,125	50,489,085
2007	Dividend issue	81,752,950	1,343,980,075	53,752,203
2007	Employee placing	5,420,000	1,349,400,075	53,976,003
2008	Dividend issue	90,693,625	1,440,093,700	57,603,748
2008	Employee placing	6,451,450	1,446,545,150	57,861,806
2009	Bonus issue	289,309,025	1,735,854,175	69,434,167
2010	Employee placing	12,695,300	1,748,549,475	69,941,979
2010	Rights issue	624,082,675	2,372,632,150	94,905,286
2011	Rights issue	625,000	2,373,257,150	94,930,286
2012	Reduction in nominal value	-474,651,430	1,898,605,720	94,930,286
2012	Rights issue	569,543,400	2,468,149,120	123,407,456
2012	Employee placing	16,220,200	2,484,369,320	124,218,466
2012	Placing	112,359,540	2,596,728,860	129,836,443

20 largest ECC holders at 31 Dec 2017	No. of ECCs	Holding
VPF Nordea Norge Verdi	6.572.299	5,06 %
State Street Bank and Trust CO (nominee)	4.013.854	3,09 %
Sparebankstiftelsen SMN	3.965.391	3,05 %
VPF Odin Norge	3.726.686	2,87 %
VPF Danske Invest Norske Aksjer Inst. II	3.334.265	2,57 %
Verdipapirfondet DNB Norge (IV)	2.961.197	2,28 %
JP Morgan Chase Bank (nominee)	2.669.005	2,06 %
VPF Pareto Aksje Norge	2.356.459	1,81 %
State Street Bank and Trust CO (nominee)	2.203.038	1,70 %
Morgan Stanley And Co Intl plc	2.098.751	1,62 %
VPF Alfred Berg Gambak	1.924.604	1,48 %
Pareto AS	1.821.202	1,40 %
VPF Danske Invest Norske Aksjer Inst. I	1.772.092	1,36 %
Forsvarets Personellservice	1.717.046	1,32 %
JP Morgan Chase Bank (nominee)	1.714.638	1,32 %
MP Pensjon PK	1.568.771	1,21 %
VPF Nordea Kapital	1.423.991	1,10 %
VPF Nordea Avkastning	1.289.111	0,99 %
VPF Storebrand Norge I	1.208.665	0,93 %
JP Morgan Chase Bank (nominee)	1.163.440	0,90 %
<b>The 20 largest ECC holders in total</b>	<b>49.504.505</b>	<b>38,13 %</b>
Others	80.331.938	61,87 %
<b>Total issued ECCs</b>	<b>129.836.443</b>	<b>100,00 %</b>

## Note 43 - Earnings per ECC

Equity certificate (EC) holders' share of the profit is calculated as after-tax profit distributed in relation to the average number of ECs in the financial year. No options contracts are attached to the ECs so that diluted profit is consistent with earnings per EC. Upon presentation of accounts for 2016, earnings per EC were incorrectly stated as NOK 8.11. This has now been corrected in the comparative figures.

(NOK million)	31 Dec 2017	31 Dec 2016
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	1,763	1,606
Allocated to ECC Owners 2)	1,128	1,027
Issues Equity Capital Certificates adjusted for own certificates	129,507,851	129,534,387
<b>Earnings per Equity Capital Certificate</b>	<b>8.71</b>	<b>7.93</b>

1) Adjusted Net Profit	31 Dec 2017	31 Dec 2016
Net Profit for the group	1,828	1,681
adjusted for non-controlling interests share of net profit	-32	-41
Adjusted for Tier 1 capital holders share of net profit	-33	-34
<b>Adjusted Net Profit</b>	<b>1,763</b>	<b>1,606</b>

2) Equity capital certificate ratio (parent bank) (NOK million)	31 Dec 2017	31 Dec 2016
ECC capital	2,597	2,597
Dividend equalisation reserve	5,079	4,490
Premium reserve	895	895
Unrealised gains reserve	81	81
Other equity capital	-	-
<b>A. The equity capital certificate owners' capital</b>	<b>8,652</b>	<b>8,063</b>
Ownerless capital	4,831	4,499
Unrealised gains reserve	45	45
Other equity capital	-	-
<b>B. The saving bank reserve</b>	<b>4,877</b>	<b>4,545</b>
To be disbursed from gift fund	322	220
Dividend declared	571	389
<b>Equity ex. hybrid capital</b>	<b>14,422</b>	<b>13,216</b>
<b>Equity capital certificate ratio A/(A+B)</b>	<b>63.95 %</b>	<b>63.95 %</b>
<b>Equity capital certificate ratio for distribution</b>	<b>63.95 %</b>	<b>63.95 %</b>



## Note 44 - Dividends from subsidiaries

<b>Dividends (NOK million)</b>	<b>2017</b>	<b>2016</b>
Dividends received from:		
SpareBank 1 Finans Midt-Norge	51	45
EiendomsMegler 1 Midt-Norge	42	29
SpareBank 1 Regnskapshuset SMN	30	26
Allegro Kapitalforvaltning	20	1
MAVI XV	148	-
SpareBank 1 SMN Invest	58	39
SpareBank 1 SMN Card Solutions	1	1
SpareBank 1 SMN Kvartalet	10	4
Sparebank 1 Bygget Trondheim	4	3
Sparebank 1 Bygget Steinkjer	1	1
<b>Total dividends</b>	<b>364</b>	<b>147</b>
<b>Distributions (NOK million)</b>	<b>2017</b>	<b>2016</b>
Profit for the year for distribution, Parent Bank	1,800	1,750
Allocated to dividends	572	389
Allocated to gifts	322	220
Transferred to equalisation fund	580	730
Transferred to ownerless capital	327	411
<b>Total distributed</b>	<b>1,800</b>	<b>1,750</b>

## Note 45 - Transition disclosure IFRS 9

The following table shows changes in classification of financial instruments as a result of adopting IFRS 9

Group		Amount		Amount
Financial instruments	Category IAS 39	IAS 39	Category IFRS 9	IFRS 9
Cash and balances with central banks	Loans and receivables	3,313	Amortised cost	3,313
Deposits with and loans to credit institutions	Loans and receivables	4,214	Amortised cost	4,214
Net loans to and receivables from customers	Loans and receivables	107,681	Fair value over other comprehensive income	60,600
			Amortised cost	47,060
	Fair value through profit & loss (FVO)	3,278	Fair value through profit & loss	3,278
Fixed-income CDs and bonds	Fair value through profit & loss (FVO)	19,736	Fair value through profit & loss	19,736
Derivatives	Fair value through profit & loss	4,351	Fair value through profit & loss	4,351
Shares, units and other equity interests	Available for sale	66	Fair value through profit & loss	1,825
	Fair value through profit & loss (FVO)	557		
	Fair value through profit & loss	1,202		
Deposits from and debt to credit institutions	Amortised cost	9,607	Amortised cost	9,607
Deposits from and debt to customers	Amortised cost	76,476	Amortised cost	76,476
Debt created by issue of securities	Amortised cost	42,194	Amortised cost	42,194
Derivatives	Fair value through profit & loss	3,343	Fair value through profit & loss	3,343
Subordinated loan capital	Amortised cost	2,201	Amortised cost	2,201

The following table show the effects of adopting ifrs 9

## Group

Financial assets	Note	Carrying amount under IAS 39 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 1 January 2018
<b>Amortised cost</b>					
Cash and balances with central banks		3,313	-	-	3,313
Deposits with and loans to credit institutions		4,214	-	-	4,214
Net loans to and receivables from customers	A	107,680	-60,561	-59	47,060
<b>total amortised cost</b>		<b>115,207</b>	<b>-60,561</b>	<b>-59</b>	<b>54,587</b>
<b>Fair value over profit &amp; loss</b>					
Net loans to and receivables from customers		3,278	-	-	3,278
Fixed-income CDs and bonds	C	19,736	-	-	19,736
Derivatives		4,351	-	-	4,351
Shares, units and other equity interests	B	1,759	66	-	1,825
<b>Total fair value over profit &amp; loss</b>		<b>29,124</b>	<b>66</b>	<b>-</b>	<b>29,190</b>
<b>Fair value over OCI- with recycling</b>					
Net loans to and receivables from customers	A	-	60,561	39	60,600
Shares, units and other equity interests	B	66	-66	-	-
<b>Total fair value over OCI- with recycling</b>		<b>66</b>	<b>60,495</b>	<b>39</b>	<b>60,600</b>
<b>Total financial assets</b>	<b>D</b>	<b>144,397</b>	<b>0</b>	<b>-20</b>	<b>144,378</b>
<b>Financial liabilities</b>					
<b>Amortised cost</b>					
Deposits from credit institutions		9,607	-	-	9,607
Deposits from and debt to customers		76,476	-	-	76,476
Debt created by issue of securities		42,194	-	-	42,194
Subordinated loan capital		2,201	-	-	2,201
<b>total amortised cost</b>		<b>130,478</b>	<b>-</b>	<b>-</b>	<b>130,478</b>
<b>Fair value over profit &amp; loss</b>					

Derivatives	3,343	-	-	3,343
Equity instruments	244	-	-	244
<b>Total fair value over profit &amp; loss</b>	<b>3,586</b>	-	-	<b>3,586</b>
<b>Total Financial liabilities</b>	<b>134,064</b>	-	-	<b>134,064</b>

**Note A**

SpareBank 1 SMN utilises co-owned bond-issuing residential mortgage companies as funding tools. This entails that when the bank grants a mortgage secured on residential property that meets given criteria, it can be sold to the residential mortgage company either at once or at a later point in time. Sale of the loan to SpareBank 1 Boligkreditt entails derecognition of the mortgage at SpareBank 1 SMN and recognition of the mortgage at SpareBank 1 Boligkreditt. Mortgages carrying floating interest are measured under IAS 39 at amortised cost. Under IFRS 9 only debt instruments forming part of a business model that entails holding the instruments in order to receive contractual cash flows shall be measured at amortised cost. Mortgages forming part of a business model that entails that the instruments are held both in order to receive contractual cash flows and for sale shall be measured at fair value with value changes over OCI. Interest income and write-downs shall be reflected in profit/loss, and value changes entered against OCI shall be reclassified to profit/loss upon sale or the disposal (derecognition) of the mortgages.

SpareBank1 SMN has therefore reclassified all residential mortgages from amortisert cost to fair value over OCI from 1 January 2018.

**Note B**

The "Available- for-sale" category under IAS 39 no longer exists under IFRS 9. Equity instruments classified as available for sale under IAS 39 has been reclassified to fair value over profit & loss.

**Note C**

Short-term money market paper and bonds constitute parts of the bank's liquidity reserve. The portfolio is managed and measured on a fair value basis and shall under IFRS 9 be classified at fair value with value changes over profit/loss.

**Note D**

The impact of adopting IFRS 9 as at 1 January 2018 will be taken to equity net after tax. Total change in equity due to adopting IFRS 9 as a result of changed loss provision is NOK -15 million.

Change in impairment allowances	Loan loss provision under IAS 39	Reclassification	Remeasurement	Expected credit losses under IFRS 9
	31 December 2017			1 January 2018
Loans and receivables and instruments held to maturity under IAS 39 to be measured at amortised cost under IFRS 9	-1,113	112	8	-993
Debt instruments measured at amortised cost under IFRS 9	-1,113	112	8	-993
Loans and receivables and instruments held to maturity under IAS 39 to be measured at fair value over OCI under IFRS 9	-	-112	39	-73
Debt instruments measured at FVOCI under IFRS 9	-	-112	39	-73
Financial guarantees	-4	-	-58	-63
Loan commitments	-	-	-7	-7
Letters of credit for customers	-	-	-1	-1
Total Guarantees, loan commitments and letters of credit	-4	-	-66	-70
<b>Total changes in impairment allowances</b>	<b>-1,117</b>	<b>-</b>	<b>-20</b>	<b>-1,137</b>

	31 Dec 2017					31 Dec 2017		
	Stage 1	Stage 2	Stage 3	POCI	Total	Individual	Collective	Total
Loan loss provision at 1. January 2018	-74	-217	-776	-	-1,067	-765	-347	-1,113
Guarantees, loan commitments and letters of credit	-13	-52	-6	-	-70	-4	-	-4
<b>Total</b>	<b>-86</b>	<b>-269</b>	<b>-782</b>	<b>-</b>	<b>-1,137</b>	<b>-769</b>	<b>-347</b>	<b>-1,117</b>