Financial results

Report of the Board of Directors

Macroeconomic conditions

Quickening, but not permanent high growth in the global economy
Growth in the global economy picked up through 2017. The US, the euro zone and many emerging economies provided a positive surprise.

In western countries unemployment has fallen overall and is now lower than normal – and in part very low in many countries. There are signs of quickening wage growth, especially in the US, but price growth remains moderate to low. In the euro zone wage growth is also picking up, but remains low, and price inflation well below target.

Prospects for 2018 are positive, and investment levels are well above the norm in most western countries.

Emerging economies now account for over three-quarters of global economic growth. China and India contribute the most, far more than all wealthy countries in aggregate. Many countries have struggled to adapt to lower commodity prices, but a broad-based turnaround is now in evidence in this part of the global economy. China is likely to be cautiously decelerating, and the risk of an abrupt turnaround is reduced after a substantial decline in investments viewed against overall GDP. A high and still rising debt burden nonetheless poses a risk.

With the fall in unemployment to low levels, central banks have begun to normalise their base rates. The US Federal Reserve raised its base rate four times last year. The European central bank has signalled that bond purchases can be terminated in the third quarter of 2018, but it will probably defer raising the interest rate until 2019.

Although the momentum in the global economy is favourable, there are as always a number of risk factors. The US has adopted a very expansionary fiscal policy, even though the budget deficit is already substantial and unemployment low. This puts more pressure on interest rates. It could also create instability in other sections of the financial market. The US has introduced trade restrictions and threatens more of the same, which could trigger trade wars.

Norwegian economy cruising nicely, prospects are good and interest rate due to rise
Growth in Mainland Norway rose from 1.0 per cent in 2016 to 1.8 per cent in 2017. Employment picked up and unemployment continued to fall. The oil price has more than doubled since bottoming out. Norway is once again witnessing a buoyant upturn. This is reflected in stock markets, including markets for bank shares and equity certificates.

Growth in private consumption and residential investment accelerated last year. At the same time real wage growth remained low. The saving rate consequently fell further and, in as much as residential investments also rose rapidly, households' net borrowing need also rose rapidly. Population growth is also dampened further. In 2018 residential investments will likely fall somewhat, since housing starts were reduced through 2017 due to falling sales of new homes after the decline in house prices. Activity levels in the construction industry, however, remain very high.

House prices fell 2 to 3 per cent from their peak in early spring to year-end. Prices fell by about 10 per cent in Oslo, where they had risen steeply in the two preceding years, whereas a moderate price fall was noted in all the largest towns. At the start of 2017 the government further tightened the lending regulations for residential lending to households by limiting overall debt to five times gross income and imposing tighter requirements on amortisation of large residential mortgages. However, the turnover rate rose over the year and towards year-end the stock of unsold existing homes declined. This indicates that the decline in house prices may now be behind us, in all events this time round. A high and rising debt burden, continued high housing construction and prospects of higher lending rates pose potential threats to housing market stability, in the worst case to general household demand.

Mainland firms' investments rose more than 5 per cent last year and their demand for loans is rising. The level of investment remains low, but is rising, and surveys of firms indicate a further rise this year. Exports rose last year, but the picture were nonetheless mixed. Firms exporting oil-related goods and services continue to struggle, whereas other exports fared better, for one thing because the krone exchange rate is far weaker than it was prior to the oil price fall. Good growth internationally and a lower cost level than previously suggest good prospects for 2018.

Investments in the oil and gas sector fell 35 per cent from their peak in 2013 to the end of last year. This has hit oil-related businesses and regions hard. The situation is now bottoming out. The oil price has recovered well and oil companies will now increase their investments in as much as many development projects have again turned profitable. The order intake to oil-related manufacturing industry has already increased.

Fiscal policy has contributed heavily to maintaining growth in the Norwegian economy in the three preceding years, but since the Oil Fund is not growing as rapidly as previously, it is unreasonable to expect major stimuli in the form of increased transfers from the fund in the years ahead.

The key policy rate was kept unchanged at a record-low 0.5 per cent through 2017. Norges Bank has signalled that it will probably raise its key policy rate in the course of 2018. Unemployment is falling rapidly, price inflation is not far below target, wage growth is likely to increase slightly and demand for credit is good. Probably only a further house price fall or a marked setback in the world economy can prevent a gradual increase on of interest rates in the next few years.

Positive trend for value creation in Mid-Norway

SpareBank 1 SMN's economic barometer shows that Trøndelag achieved high and stable value creation in 2017, whereas Møre and Romsdal struggled with readjustments in offshore services and parts of the maritime industry. There are nonetheless signs of improvement in these lines of business in addition to the fact that a weak Norwegian krone and low interest rates continue to have positive effects for a number of industries throughout the region. The aquaculture industry is performing particularly well.

Unemployment in Trøndelag is low at 1.9 per cent of the labour force, down from about 2.2 per cent in 2016. Unemployment also fell in Møre and Romsdal, by 0.7 percentage points to 2.4 per cent in 2017, in keeping with the improvement in manufacturing industry.

In Trøndelag house prices rose by 2.1 per cent in 2017, a far lower figure than in the preceding years, but better than for Norway as a whole, which showed a decline of 1.1 per cent. The housing market in Trøndelag and in Møre and Romsdal shows wide variation with prices rising by 2.4 per cent in Trondheim, while prices in the Ålesund district rose by 1.1 per cent.

Sentio's corporate expectations barometer shows increased optimism among business leaders both in Trøndelag and in Møre and Romsdal. Continued growth and increasing capacity utilisation is expected in manfacturing, along with falling unemployment and moderate growth in house prices.

Annual accounts 2017

The annual accounts are presented on the going-concern assumption, and the board of directors hereby confirms the basis for continued operation.

(Consolidated figures. Figures in parentheses refer to the same period of 2016 unless otherwise stated.)

As from the fourth quarter of 2017 SpareBank 1 SMN has reclassified two hybrid bonds from debt to equity. The bonds were reclassified since they do not meet the definition of financial liability under IAS 32. The bonds are perpetual, and SpareBank 1 SMN is not required to pay interest to investors. The interest is recognised not as an expense through profit and loss, but as a reduction in equity. The change has brought a reduction in interest expenses totalling NOK 44m in 2017 before tax, NOK 33m after tax. Comparatives for 2016 have been restated. See note 3 for further details.

Main points for 2017

- Good profits from banking operations, subsidiaries and product companies
- Profit was NOK 1,828m and NOK 147m better than in 2016. The improvement is mainly due to increased operating income, reduced loan losses and sound profit for SpareBank 1 Gruppen
- Strong financial position
- Considerable increase in customers and high growth in all product areas

Post-tax profit of NOK 1,828m

- Pre-tax profit: NOK 2,279m (2,029m)
- Post-tax profit: NOK 1,828m (1,681m) Return on equity: 11.5 per cent (11.3 per cent)
- CET1 capital ratio: 14.9 per cent (14.9 per cent)
- Growth in lending: 8.2 per cent (8.0 per cent) and in deposits: 13.9 per cent (4.8 per cent)
- Share of lending to the retail market 66 per cent (65 per cent)
- Loan losses: NOK 341m (516m)
- Earnings per equity certificate (EC): NOK 8.71 (7.93). Book value per EC, inclusive dividend proposed for 2017: NOK 78.81 (73.35)
- Proposed dividend: NOK 4.40 per EC and an allocation of NOK 322m to non-profit causes

Profit NOK 147m better than in 2016

In 2017 SpareBank 1 SMN achieved a pre-tax profit of NOK 2,279m (2,029m). The net profit was NOK 1,828m (1,681m) and return on equity was 11.5 per cent (11.3 per cent).

Overall operating income in 2017 came to NOK 4,229m (3,603m), an increase of NOK 626m from the previous year.

Return on financial assets was NOK 760m (944m), of which the profit share from owner interests in related companies accounted for NOK 437m (423m).

Operating expenses came to NOK 2,369m (2,003m) in 2017. The cost growth refers largely to the bank's subsidiaries and is attributable to EiendomsMegler 1 Midt-Norge's involvement in BN Bolig, capacity expansion at SpareBank 1 Markets and company acquisitions by SpareBank 1 Regnskapshuset SMN.

The Group lost NOK 341m (516m) on loans to customers, mainly in oil-related activity. Sound growth was posted in lending and deposits in 2017. Lending rose by 8.2 per cent (8.0 per cent) and deposits by 13.9 per cent (4.8 per cent).

As at 31 December 2017 the CET1 ratio was 14.9 per cent (14.9 per cent). The CET1 target is set at 15.0 per cent.

The price of the bank's equity certificate (MING) at year-end was NOK 82.25 (64.75). A cash dividend of NOK 3.00 per EC was paid in 2017 for the year 2016.

Earnings per EC were NOK 8.71 (7.93). The book value per EC was NOK 78.81 (73.35) inclusive recommended dividend of NOK 4.40. The recommended dividend represents a payout ratio of 50 per cent (37 per cent) of the Group profit.

Proposed distribution of profit

Distribution of the profit for the year is done on the basis of the parent bank's accounts. The parent bank's profit includes dividends from subsidiaries, associates and joint ventures, and is corrected for interest expenses on hybrid capital after tax.

Subsidiaries are fully consolidated in the Group accounts, whereas profit shares from associates and joint ventures are consolidated using the equity method. Dividends are accordingly not included in the Group results.

Difference between Group - Parent Bank	**2017**	**2016**
Profit for the year, Group	**1,828**	**1,681**
Profit, subsidiaries	- 196	- 280
Dividend, subsidiaries	364	147
Profit, associates and joint ventures	- 437	- 423
Dividend, associates and joint ventures	410	591
Elimination Group	- 119	- 27
Profit for the year, Parent bank	**1,850**	**1,689**

Distribution of profit	**2017**	**2016**
Profit for the year, Parent bank	1,850	1,689
Transferred to/from revaluation reserve	- 17	95
Interest Tier 1 capital (after tax)	- 33	- 34
Profit for distribution	**1,800**	**1,750**
Dividends	572	389
Equalisation fund	580	730
Ownerless capital	327	411
Gifts	322	220
Total distributed	**1,800**	**1,750**

The annual profit for distribution reflects changes of NOK 17m in the unrealised gains reserve.

The total amount for distribution is accordingly NOK 1,800m.

The profit is distributed between the ownerless capital and the equity certificate (EC) capital in proportion to their relative shares of the bank's total equity, such that dividends and the allocation to the dividend equalisation fund constitute 64.0 per cent of the distributed profit.

Earnings per equity certificate were NOK 8.71. Of this, the board of directors recommend the bank's supervisory board to set a cash dividend of NOK 4.40, altogether totalling NOK 572m. This gives the EC holders a payout ratio of 50 per cent of the earnings per EC. The board of directors further recommends the supervisory board to allocate NOK 322m as gifts to non-profit causes, also representing a payout ratio of 50 per cent. Of this amount it is proposed that NOK 252m be transferred to the foundation Sparebankstiftelsen SMN and NOK 70m as gifts to non-profit causes. NOK 580m and NOK 327m are transferred to the dividend equalisation fund and the ownerless capital respectively.

After distribution of the profit for 2017, the ratio of EC capital to total equity remains 64.0 per cent.

Increased net interest income

Net interest income rose by NOK 296m to NOK 2,225m (1,929m) in 2017. The strong increase is attributable to:

- Increased lending to and deposits from both retail and corporate customers
- Increased margins on lending both to retail and corporate customers
- Reduced funding costs

Net interest income on loans sold to SpareBank 1 Boligkreditt (residential mortgage company) and SpareBank 1 Næringskreditt (commercial mortgage company) is recognised as commission income. Commission on loans sold to these two companies in 2017 totalled NOK 370m (282m).

Risk pricing and attention to the use of regulatory capital have brought improved margins, and work in this respect continues in 2018. The bank's strong growth shows that its prices are in tune with the market.

Increased other income

Commission and other operating income rose by NOK 330m to NOK 2,005m (1,674m) in 2017.

Income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt rose by NOK 88m as a result of growth and improved margins on residential mortgages.

Strengthening of SpareBank 1 Markets and acquisitions by SpareBank 1 Regnskapshuset SMN have contributed significantly to the increase in other income. A positive development is also noted in income from insurance sales, sales of savings products and payment services.

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

Commission income (NOK million)	2017	2016	Change
Payment transfers	207	196	11
Creditcard	59	63	-3
Saving products	117	97	20
Insurance	172	159	13
Guarantee commission	69	77	-8
Real estate agency	365	391	-27
Accountancy services	357	213	144
Markets	214	126	88
Other commissions	75	69	6
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	**1,635**	**1,392**	**242**
Commissions SB1 Boligkreditt	353	271	83
Commissions SB1 Næringskreditt	17	12	5
Total commissions	**2,005**	**1,674**	**330**

Good return on financial investments

Overall return on financial investments was NOK 317m (434m). This breaks down as follows:

- A gain of NOK 62m (76m) on the shares of the bank and subsidiaries
- Financial derivatives yielded gains of NOK 148m (280m). This is very largely gains on fixed income instruments
- Other financial instruments measured at fair value include value changes on the bank's portfolio of fixed-interest loans and show a gain of NOK 7m (26m)
- Income of NOK 45m (51m) on forex transactions refers to income from currency trading at SpareBank 1 Markets and to the result of exchange rate fluctuations on the bank's funding in foreign currencies
- Gains on shares and share derivatives at SpareBank 1 Markets totalled NOK 43m (25m)
- The Group's holding of short-term paper and bonds yielded a gain of NOK 58m (-2m) as a result of improved return on the liquidity portfolio
- Prices of financial instruments used by the bank for hedging purposes declined and the bank recognised a net loss of NOK 46m (21m) on hedging instruments

Capital gains/dividends, shares (NOK million)	2017	2016	Change
Capital gains shares	62	76	-14
Gain/(loss) on derivatives	124	280	-156
of which value adjustment on basis swaps	*-50*	*-8*	*-42*
Gain/(loss) on other financial instruments at fair value (FVO)	7	26	-19
Foreign exchange gain / (loss)	45	51	-6
Gain/(Loss) on sertificates and bonds	58	-2	60
Gain/(Loss) on equity instruments in SpareBank 1 Markets	43	25	19
Gain/(loss) on financial instruments related to hedging	-22	-21	-1
Net return on financial instruments	**317**	**434**	**-117**

Product companies and other related companies

Through the product companies, banks have access to a broader product range and hence commission income. The product companies also provide the banks with a good return on invested capital.

SpareBank 1 Gruppen

SpareBank 1 Gruppen owns 100 per cent of the shares of SpareBank 1 Forsikring, SpareBank 1

Skadeforsikring, ODIN Forvaltning and SpareBank 1 Gruppen Finans. SpareBank 1 SMN's stake in SpareBank 1 Gruppen was unchanged at 19.5 per cent at the end of the fourth quarter of 2017. SpareBank 1 Gruppen's post-tax profit in 2017 was NOK 1,811m (1,575m). SpareBank 1 Forsikring contributes 95 per cent of the profit. The profit growth is explained by:

- A good underlying trend in both the life insurance and non-life insurance business
- High financial earnings
- Positive adjustment of property values

SpareBank 1 SMN's share of the profit for 2017 was NOK 349m (317m), including a correction of minus NOK 4m to the profit for 2016.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks participating in the SpareBank 1 Alliance to draw benefit from the market for covered bonds. The banks sell well-secured residential mortgages to the company and achieve reduced funding costs.

As of 31 December 2017 the bank had sold loans totalling NOK 34.9bn (33.1bn) to SpareBank 1 Boligkreditt, corresponding to 35.3 per cent (37.1 per cent) of overall loans to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt in 2017 was 19.1 per cent, and the bank's share of that company's profit in 2017 was minus NOK 41m (minus 17m). The profit share in 2017 was weakened by exchange rate losses of NOK 74m (29m) on the company's basis swaps.

The valuation of the company's basis swaps is linked to currency hedging of the company's borrowings. These are valued quarterly and may produce major profit fluctuations from quarter to quarter. Exchange rate losses arise because the market cost of currency hedging is reduced and the effect of the exchange rate loss will be neutralised over the maturity of the currency hedge.

The new stake as of 31 December 2017 is 19.9 per cent.

SpareBank 1 Næringskredit

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 31 December 2017, loans worth NOK 1.8bn (2.1bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company in 2017 was 36.5 per cent, and the bank's share of the company's profit for 2017 was NOK 19m (29m). The holding reflects the bank's relative share of sold loans to commercial property and the bank's stake in BN Bank. Of aggregate loans at SpareBank 1 Næringskreditt, 42 per cent have been transferred from BN Bank. The new holding as at 31 December 2017 is 33.5 per cent.

SpareBank 1 Kredittkort

Profit for 2017 was NOK 84m (128m). SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 17.9 per cent. SpareBank 1 SMN's share of the profit for 2017 was NOK 15m, and the bank's share of the portfolio is NOK 845m (829m).

SpareBank 1 SMN Kredittkort has since 1 January 2017 managed the credit card programme LOfavør. This agreement expands the business relationship between the Norwegian Confederation of Trade Unions (LO) and the SpareBank 1 Alliance.

In 2017 work on the LOfavør portfolio reflected start-up and one-time costs, but the portfolio will make a positive contribution to the SpareBank 1 Alliance as early as in 2018. At year-end the portfolio consisted of 45,250 accounts overall of which 6,250 were assigned to SpareBank 1 SMN.

On behalf of the alliance, SpareBank 1 Kredittkort was commissioned to deliver credit products to Vipps, a Norwegian mobile payment application. The agreement will be implemented in the course of 2018.

BN Bank
SpareBank 1 SMN owns 33.0 per cent of BN Bank as of 31 December 2017.

BN Bank recorded a profit of NOK 298m (261m) in 2017 providing a return on equity of 8.3 per cent (7.3 per cent). SpareBank 1 SMN's share of the profit of BN Bank was NOK 98m (86m) adjusted for the profit share in BN Bolig and interest on hybrid capital.

After the decision to wind down the focus on financing of commercial property, the corporate portfolio has been reduced by NOK 18.7bn or 59 per cent since 30 June 2015. This has helped to improve SpareBank 1 SMN's financial position and to enhance the profitability of the remaining corporate portfolio of BN Bank.

BN Bank is to be developed into a digital bank serving the retail market.

BN Bank has resolved to strengthen its product platform through a cautious focus on consumer lending. In addition the company has, in collaboration with Eiendomsmegler 1 Midt Norge, established the company BN Bolig in which BN Bank holds a 50 per cent stake. The focus on estate agency in the Oslo market is intended to strengthen residential mortgage lending for BN Bank. To support the focus on estate agency, the bank's board of directors have also adopted a new focus on funding of housing projects. This will involve a controlled, gradual build-up of the portfolio.

SpareBank 1 Betaling (Vipps)
In autumn 2017 the SpareBank 1 Alliance's mobile payments service mCASH was amalgamated with Vipps. Several Norwegian bank groupings joined the company on the owner side, and all Norwegian banks have Vipps as their mobile payments service. BankID and BankAxept are to merge with Vipps to compete in the arena for payment solutions for the future. Vipps aims to take its place as the Nordic region's leading financial technology company, and SpareBank 1 SMN's stake in, and close collaboration with, Vipps will be important with a view to retaining customer relationships after the introduction of PSD2 (Revised Payment Services Directive). In the course of 2018 Vipps will launch a number of services designed to simplify bank customers' everyday life, and its integration of accounts will ensure that costs are kept down.

Operating expenses
Overall Group operating expenses rose by NOK 366m in 2017 to total NOK 2,369m (2,003).

Parent bank costs increased by NOK 58m to NOK 1,209m from 2016 to 2017. The change is explained by:

- Improved efficiency and effectiveness have brought lower staffing and reduced costs. Since 31 December 2014 the number of FTEs at the parent bank has been reduced by 90 to 595 FTEs at the end of 2017

- In 2016 the bank expensed NOK 50m in reorganisation costs related to downstaffing
- The defined benefit pension scheme for employees of the parent bank and subsidiaries was terminated in 2016 and all Group employees were transferred to a defined contribution scheme. The termination brought a gain of NOK 74m at the parent bank
- The introduction of a new tax on financial institutions in 2017 has increased costs by NOK 25m
- Changing customer behaviour and new technology will set the stage for increased efficiency gains in the period ahead
- The focus on new technology has increased costs by NOK 30m.
- The target of zero growth in the parent bank's operating expenses is retained for 2018

Total costs among the subsidiaries came to NOK 1,159m having risen by NOK 308m in 2017. NOK 140m refers to SpareBank 1 Regnskapshuset SMN’s acquisitions in Møre and Romsdal, about NOK 130m to the build-up of SpareBank 1 Markets and NOK 45m to costs connected to EiendomsMegler 1 Midt-Norge’s investment in BN Bolig. Costs in 2016 were positively affected by one-time effects of NOK 16m related to the termination of the defined benefit pension scheme.

The acquisition of SpareBank 1 Regnskapshuset SMN has provided substantial income growth and profit growth in the company. Increased capacity through new appointments has enabled strong income growth at SpareBank 1 Markets and the potential for further growth is high. The result for BN Bolig reflects start-up costs and is in keeping with plan. Improved results are expected in 2018.

The cost-income ratio was 47 per cent (44 per cent) for the Group, 32 per cent (31 per cent) for the parent bank.

Reduced losses and low defaults

Net loan losses totalled NOK 341m (516m) in 2017. Net loan losses measure 0.23 per cent of total outstanding loans (0.39 per cent).

A net loss of NOK 323m (495m) was recorded on loans to corporates for 2017, in all essentials related to offshore exposures.

A net loss of NOK 18m (21m) was recorded in the retail banking portfolio in 2017.

Individually assessed write-downs on loans and guarantees totalled NOK 769m (638m) at 31 December 2017.

Total problem loans (defaulted and doubtful) come to NOK 1,468m (1,688m), or 0.99 per cent (1.23 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Defaults in excess of 90 days totalled NOK 284m (214m), measuring 0.19 per cent (0.16 per cent) of gross outstanding loans. Of the overall default volume, NOK 55m (39m) is loss provisioned, corresponding to 20 per cent (18 per cent).

Defaults break down to NOK 75m (38m) on corporates and NOK 209m (176m) on retail borrowers.

Other doubtful exposures totalled NOK 1,184m (1,474m), i.e. 0.80 per cent (1.07 per cent) of gross outstanding loans. NOK 714m (599m) or 60 per cent (41 per cent) is written down.

Other doubtful exposures break down to NOK 1,164m (1,455m) on corporates and NOK 21m (19m) on retail borrowers.

Credit quality in the loan portfolio is good. A very large share of the year's loan losses refers to oil-related activity, but the trend is positive in this part of the portfolio too.

Collectively assessed impairment write-downs
Collective assessment of impairment write-downs is based on two factors:

- Events that have affected the bank's portfolio (causing migration between risk categories after granting of loans)
- Events that have not yet affected the portfolio since the bank's credit risk models do not capture the effects rapidly enough (e.g. significant shifts in macroeconomic factors)

Collectively assessed impairment write-downs increased by NOK 9m in 2017. Overall collectively assessed loss write-downs thus total NOK 347m (339m), measuring 0.23 per cent (0.25 per cent) of total loans. Collectively assessed write-downs break down to NOK 104m on retail exposures and NOK 243m on corporates. Of the overall provision of NOK 243m on the corporate portfolio, the provision related to oil-related activity accounts for NOK 60m. The remaining collectively assessed write-downs of NOK 173m on the corporate portfolio are fairly evenly spread across other sectors.

IFRS 9
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement as from 1 January 2018. IFRS 9 deals with the recognition, classification, measurement and derecognition of financial assets and liabilities along with hedge accounting. In collaboration with other SpareBank 1 banks, SpareBank 1 SMN has worked on models and clarifications with regard to valuation and classification in the past two years or so. Our calculations show an increased need for loss provisioning as at 1 January 2018 of NOK 17m for the parent bank, and NOK 20m the Group. See note 2 and note 45 of the Annual Accounts for 2017 for further details.

Total assets of NOK 153bn
The bank's assets totalled NOK 153bn at 31 December 2017 (138bn), having risen by NOK 15bn or 11.0 per cent over the year. The increase in total assets is a consequence of increased lending and a larger liquidity holding.

As at 31 December 2017 loans worth a total of NOK 37bn (35bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as loans in the bank's balance sheet. The comments covering lending growth do however include loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

High growth in residential mortgage lending
Total outstanding loans have risen by NOK 11.2bn (10.2bn) or 8.2 per cent (8.0 per cent) in 2017 to reach NOK 148.8bn (137.5bn) at year-end.

- Loans to personal borrowers rose in 2017 by NOK 9.3bn (8.7bn) to reach NOK 98.7bn (89.4bn). Growth of 10.4 per cent (10.7 per cent)
- Loans to corporates rose in 2017 by NOK 1.9bn (1.5bn) to reach NOK 50.1bn (49.1bn). Growth of 4.1 per cent (3.2 per cent)

- Loans to personal borrowers accounted for 66 per cent (65 per cent) of total loans to customers as at end-2017

The growth in residential mortgage lending is high and the bank's market shares are growing. There are no indications of higher loss and default levels in the bank's residential mortgage portfolio and the quality of this portfolio is excellent.

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

SpareBank 1 SMN has over the course of recent years increased the share of its loans going to personal borrowers, and at 31 December 2017 personal borrowers accounted for 66 per cent (65 per cent) of total loans.

(For distribution by sector, see note 5).

Deposits

Customer deposits rose by NOK 9.3bn (3.1bn) in 2017 to reach NOK 76.5bn (67.2bn) as at 31 December 2017. This represents a growth of 13.9 per cent (5.6 per cent).

- Personal customer deposits rose by NOK 2.0bn (1.8bn) or 6.8 per cent (6.9 per cent) to reach NOK 31.8bn
- Corporate deposits rose by NOK 7.3bn (1.6bn) or 19.5 per cent (4.6 per cent) to NOK 44.7bn. The growth in corporate customer deposits has been very high, and is explained by high growth in the majority of segments. As expected, total deposits are somewhat lower at the end of January 2018
- The deposit-to-loan ratio at SpareBank 1 SMN was 68 per cent (66 per cent) at 31 December 2017

The growth in deposits at the bank was highly satisfactory in 2017, from personal and corporate customers alike.

(For distribution by sector, see note 9).

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 11.7bn (10.2bn) at 31 December 2017. The increase of NOK 1.5bn is a result of good sales and value increases, especially as regards equity funds and active asset management.

Saving products, customer portfolio (NOK million)	**2017**	**2016**	**Change**
Equity funds	7,870	6,612	1,258
Pension products	840	762	78
Active management	2,989	2,780	209
Total	**11,699**	**10,154**	**1,545**

Insurance

The bank's insurance portfolio showed growth of 5.8 per cent in 2017. Growth was strongest for personal insurance, which grew by 7.9 per cent.

Insurance, premium volume (NOK million)	2017	2016	Change
Non-life insurance	769	738	31
Personal insurance	327	303	24
Occupational pensions	232	214	18
Total	**1,328**	**1,255**	**73**

Retail Banking

Outstanding loans to retail borrowers total NOK 103bn and deposits total NOK 37bn as at 31 December. These are loans to and deposits from wage earners, agricultural customers and sole proprietorships.

Operating income totalled NOK 1,926m (1,663m) in 2017 of which net interest income accounted for NOK 1,137m (953m) and commission income for NOK 789m (679m). Operating income has increased mainly due to increased lending and improved lending margins along with increased commission income from other funding income, investment products, payments and insurance. Overall income rose by NOK 293m. Return on capital employed in the retail banking segment was 16.6 per cent (13.8 per cent). Regulatory capital of 15.0 per cent is used as capital employed, corresponding to the Group's targeted CET1 capital ratio.

The lending margin for 2017 was 1.93 per cent (1.75 per cent), while the deposit margin was 0.11 per cent (0.25 per cent) measured against three-month NIBOR. The average three-month NIBOR fell by about 0.30 percentage points over the course of 2017.

In 2017 retail lending and retail deposits grew by 10.0 per cent (10.3 per cent) and 6.7 per cent (3.9 per cent) respectively.

Lending to retail borrowers consistently carries low risk, as reflected in continued very low losses. There are no indications of increased loss and default levels in the bank's residential mortgage portfolio. The portfolio is secured on residential property.

Corporate Banking

Outstanding loans to corporates total NOK 39bn and deposits total NOK 39bn as at 31 December 2017. This is a diversified portfolio of loans to and deposits from corporate customers in Trøndelag and Møre and Romsdal.

Operating income totalled NOK 1,315m (1,205m) in 2017. Net interest income was NOK 1,108m (1,000m), while commission income and return on financial investments totalled NOK 207m (205m). Operating income in the corporate segment has increased due very largely to increased lending and improved lending margins.

Overall net losses recorded in the corporate banking segment have declined and amounted to NOK 318m (490m) in 2017. The losses are in all essentials related to the challenges faced in oil-related activity.

Return on capital employed for the corporate banking segment in 2017 was 10.5 per cent (6.9 per cent). Regulatory capital of 15.0 per cent is used as capital employed, corresponding to the Group's targeted CET1 capital ratio.

The lending margin was 2.69 per cent (2.51 per cent) and the deposit margin was minus 0.10 per cent (minus 0.08 per cent) as at end-December 2017.

Lending grew by 1.5 per cent (0.7 per cent) and deposits by 19.5 per cent (6.9 per cent) in 2017.

Subsidiaries

The subsidiaries posted an overall profit of NOK 242.7m (326.8m) before tax.

Pre-tax profit (NOK million)	2017	2016	Change
EiendomsMegler 1 Midt-Norge	2.6	66.7	-64.0
SpareBank 1 Finans Midt-Norge	128.3	103.4	24.9
SpareBank 1 Regnskapshuset SMN	60.3	42.9	17.4
Sparebank 1 Markets (proforma incl. Allegro)	1.9	19.6	-17.8
SpareBank 1 SMN Invest	27.9	73.7	-45.9
Other companies	21.6	20.4	1.2
Total	**242.7**	**326.8**	**-84.1**

Eiendomsmegler 1 Midt-Norge leads the field in Trøndelag and in Møre and Romsdal with a very strong market position, Trondheim in particular. The ambition is to continue to strengthen the market share in the region. In collaboration with BN Bank, the company has established BN Bolig in which EiendomsMegler 1 Midt-Norge and BN Bank each hold a 50 per cent stake. This represents a focus on estate agency in the Oslo market which, in addition to enhancing earnings from estate agency, will contribute to stronger residential mortgage lending growth for BN Bank in this market.

EiendomsMegler 1 Midt-Norge's pre-tax profit in 2017 came to NOK 2.6m (66.7m). The profit is weakened by:

- Reduced incomes as a result of fewer dwelling units sold. Dwelling units sold in 2017 totalled 6,719 compared with 7,429 in 2016
- NOK 35m in start-up costs for BN Bolig. EiendomsMegler 1 Midt-Norge consolidates the profit from BN Bolig as a subsidiary

SpareBank 1 Finans Midt-Norge delivered a profit of NOK 128.3m in 2017 (103.4m) and shows positive profit growth as a result of strong growth in income, limited cost growth and good risk management. The company's business areas are mainly leasing to the SMB market and car loans to retail customers. The company operates leasing and car loan agreements worth a total of NOK 6.2bn, of which leasing agreements account for NOK 2.8bn (2.3bn) and car loans for NOK 3.4bn (2.7bn). The company also offers consumer loans, and at year-end that portfolio was worth NOK 208m (132m).

The company has seen good growth, particular in car loans with growth of 26 per cent over the last 12 months. The Samspar banks in SpareBank 1 held a 27.9 per cent stake in SpareBank 1 Finans Midt-Norge at end-2017 and Sparebanken Sogn og Fjordane a stake of 7.5 per cent. SpareBank 1 SMN owns 64.6 per cent of the shares of SpareBank 1 Finans Midt-Norge.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 60.3m (42.9m) in 2017. The profit growth is ascribable to sound operations and to the company's substantial expansion in Møre and Romsdal.

The company caters to the SMB segment with a technologically modern distribution model and a broad range of services.

SpareBank 1 Regnskapshuset SMN acquired all shares of Økonomisenteret Kunderegnskap in Molde along with about 110 employees with effect from 2017. The company now has 360 employees and an annual turnover of NOK 360m. This has contributed to improved profit in 2017 and to a considerable increase in income and expenses alike.

SpareBank 1 SMN Invest invests in shares, mainly in regional businesses. The company posted a net profit of NOK 27.9m (73.7m) in 2017.

Value changes and realisation of losses or gains on the company's overall holding of shares account for NOK 12.5m of the company's net total income. The company has in addition ownership interests in the property company Grilstad Marina and its share of the latter's profit in 2017 was NOK 15.4m.

SpareBank 1 Markets is a subsidiary of SpareBank 1 SMN with a stake of 66.7 per cent. The company is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. It has a staff of 132. In the fourth quarter the company acquired the trading desk at SpareBank 1 SR-Bank Markets. SpareBank 1 SR-Bank became co-owner of the company as a result of the transaction.

In 2017 SpareBank 1 Markets also acquired SpareBank 1 Kapitalforvaltning (formerly Allegro Kapitalforvaltning and SpareBank 1 Nord-Norge Forvaltning). The company is at centre-stage in SpareBank 1 Markets' focus on asset management with aggregate total assets of NOK 10bn. The company has a staff of 15.

SpareBank 1 Markets' (including SpareBank 1 Kapitalforvaltning) pre-tax profit in 2017 was NOK 1.9m (19.6m). The Group has seen a positive income trend in the past year, in particular in equity trading and investment banking (corporate).

In 2017 SpareBank 1 Markets made a number of staff appointments which are expected to strengthen earnings in the company once the new staff attain normalised earning power. This has resulted in considerable cost growth in 2017.

The company is the leading capital market unit in SpareBank 1 SMN's market area. SpareBank 1 Markets' main focus is on clients where the company is in a strong competitive position alone or in collaboration with its parent banks.

Satisfactory funding and good liquidity

The bank has a conservative liquidity strategy. The strategy attaches importance to maintaining liquidity reserves that ensure the bank's ability to survive 12 months of ordinary operation without need of fresh external funding.

The bank has liquidity reserves of NOK 27bn and has the funding needed for 30 months of ordinary operation without fresh external finance.

The government authorities require all credit institutions to maintain sufficient liquidity buffers to withstand periods of limited access to market funding. The liquidity coverage ratio (LCR) measures the size of banks' liquid assets relative to net liquidity outflow 30 days ahead in time given a stressed situation.

The LCR is calculated at 164 per cent as at 31 December 2017 (129 per cent). The requirement is 100 per cent.

The Group's deposit-to-loan ratio at 31 December 2017, including SpareBank 1 Boligkreditt ad SpareBank 1 Næringskreditt, was 51 per cent (49 per cent).

The bank's funding sources and products are amply diversified. At year-end the proportion of the bank's overall money market funding in excess of 1 year was 80 per cent (88 per cent).

SpareBank 1 Boligkreditt is the bank's most important source of funding, and loans totalling NOK 35bn had been sold by 31 December 2017.

Rating

SpareBank 1 SMN has a rating of A1 (negative outlook) with Moody's and a rating of A- (stable outlook) with Fitch Ratings. Moody's revised in July 2017 its outlook for SpareBank 1 SMN and other Norwegian banks from a stable to a negative outlook. The change was triggered by the expected introduction of the EU's Bank Recovery and Resolution Directive (BRRD), which is likely to entail a lower probability of support from public authorities to Norwegian banks.

Financial position

The CET1 capital ratio at 31 December 2017 was 14.9 per cent (14.9 per cent). The group's CET1 target is 15.0 per cent. The authorities' CET1 requirement is 14.1 per cent.

Risk weighted assets increased by 5.4 per cent of 2017, but this is offset by an increase in CET1 capital as a result of an excellent profit of NOK 1.8bn in 2017 and retention of 50 per cent of this profit.

The bank increased its lending by 8.2 per cent in 2017, but, as a result of a deliberate shift in the composition of lending, risk-weighted assets increased by only 5.3 per cent. Retained profits enabled a 5.3 per cent increase in CET1 capital in 2017.

The CET1 capital ratio is 0.1 percentage point below the target level. This is considered to be within natural fluctuations. The leverage ratio is 7.2 per cent (7.4 per cent). The board of directors are satisfied with the bank's level of capitalisation.

As of 31 December 2017 the countercyclical capital buffer increased from 1.5 per cent to 2.0 per cent, bringing the CET1 requirement to 12.0 per cent, including combined buffer requirements. Including a Pillar 2 requirement of 2.1 per cent, the overall regulatory requirement is 14.1 per cent.

Finanstilsynet's final assessment of the add-on for risks not adequately covered by Pillar 1 was set at 2.1 per cent in 2015. The add-on relates mainly to owner risk, market risk and concentration risk with regard to credit. This add-on is subject to assessment by Finanstilsynet every second year, and Finanstilsynet will set a new Pillar 2 add-on in the course of 2018. SpareBank 1 SMN aims for a management buffer of about 1 per cent above overall Pillar 1 and Pillar 2 requirements in order to absorb fluctuations in risk-weighted assets and fluctuations in Group profit. Against this background the Group's capital target stands at 15 per cent.

The board of directors of SpareBank 1 SMN continually assesses the capital situation and future capital requirements.

The bank's equity certificate (MING)

The book value of the bank's EC as at 31 December 2017, including a recommended dividend of NOK 4.40, was NOK 78.81 (73.35), and earnings per EC were NOK 8.71 (7.93).

The Price / Income ratio was 9.44 (8.17) and the Price / Book ratio was 1.04 (0.88).

As at 31 December 2017 the EC was priced at NOK 82.25 and dividend of NOK 3.00 per EC was paid in 2017 for the year 2016.

SpareBank 1 SMN's articles of association set no restrictions on investors' trade in ECs.

With regard to placings with employees, the latter are invited to participate under given guidelines. In placings where discounts are granted, a lock-in period applies before any sale can take place. The rights to ECs issued in placings with employees cannot be transferred.

SpareBank 1 SMN is not aware of any agreements between EC holders that limit the opportunity to trade ECs or to exercise voting rights attached to ECs.

See also the chapter Corporate Governance.

Risk factors

The Group's problem loans reflect the changes facing the offshore industry. Loans to oil-related activity account for 3.2 per cent of the Group's overall outstanding loans as at 31 December 2017. The credit quality of the bank's wider loan portfolio is satisfactory. There have been no contagion effects from oil-related activity to other sectors and no other significant concentrations in defaulted and problem exposures are in evidence.

Positive growth signals are noted both internationally and in Norway. A weaker Norwegian krone has impacted positively on Norwegian export industries, but a certain strengthening of the krone is expected ahead. Real wage growth is expected to increased somewhat. Combined with continued low interest rates, the bank considers the loss risk in the bank's retail market portfolio to be low. Unemployment has declined in the bank's market area, and the bank expects the level of unemployment to remain relatively moderate ahead.

Credit growth among Norwegian households remains higher than wage growth and will, over time, be influenced by house price developments. Households' indebtedness has risen from already high levels. Falling house prices and expectations of high interest rates will probably lead to a higher savings rate among Norwegian households, which could result in reduced turnover in parts of Norwegian business and industry.

The bank's profits are affected directly and indirectly by fluctuations in securities markets, and the valuation of basis swaps in particular contributes to volatility. The indirect effect relates very largely to the bank's ownership interest in SpareBank 1 Gruppen where both the insurance business and fund management activities are affected by such fluctuations.

The bank is also exposed to risk related to access to external funding. This is reflected in the bank's conservative liquidity strategy (see the above section on funding and liquidity).

Corporate social responsibility

The four core values wholehearted, responsible, likeable and competent are all connected to corporate social responsibility. However, 'responsible' singles itself out as the most important guide for SpareBank 1 SMN's CSR efforts.

The bank's focus on corporate social responsibility is designed to strengthen competitiveness, reduce risk, attract good customers, investors and skilled staff, boost innovation and contribute to the further development of the region of which the Group is a part. By this means the bank creates value in a responsible and sustainable manner for all stakeholders.

The bank is now reporting for the first time on the bank's performance in the field of CSR and sustainability under the globally recognised standard, the Global Reporting Initiative (GRI). Read more about the bank's social responsibility in a separate section in the annual report.

In 2017 SpareBank 1 SMN also endorsed the UN's Global Compact, with the commitments this entails.

SpareBank 1 SMN developed a new strategy for corporate social responsibility in 2017. The strategy builds on the bank's values, approved by the board of directors and anchored in the organisation.

The strategy describes concrete objectives under the following themes:

- Responsible products and services
- Communication and openness
- Ethics and anti-corruption
- Environment and climate
- Staff and organisation

SpareBank 1 SMN has seen a good sustainable development in 2017. The bank has established new strategies, policies, guidelines and procedures, and will show the results of its efforts in 2018. The bank will report each year its CSR results under the GRI standard together with its annual report.

Responsible products and services
SpareBank 1 SMN has separate policies for sustainability in lending, the positions and asset management. In addition, the bank is developing its own sustainable products. In day-to-day operations the policies entail inter alia that SMN will:

1. Not take owner positions in or grant loans to companies that do not abide by our principles, and include caveats regarding follow-up and consequences in the event of any deviation (covenants) for funding where the companies concerned operate in industries, countries and regions posing a particularly high risk
2. Exert pressure on customers and companies in which we invest to ensure that they maintain sound procedures and processes for making appropriate ethical, environmental and sustainable choices, and for influencing companies in which they hold owner positions through active governance
3. Require documentation that customers have taken action on circumstances that violate our principles
4. Take the consequence of deviations that are not acted on by not renewing or prolonging loans, or by winding down owner positions.

The bank will also conduct an ESG screening of all the bank's existing mutual fund suppliers in the course of 2018.

Communication and openness
SpareBank 1 SMN's CSR strategy defines how the bank is to engage its stakeholders. The bank endeavours on a continuous basis to identify and engage its own surroundings, and to integrate inputs into important decision processes. The bank endeavours to meet legitimate demands and expectations of the

bank's stakeholders in an open and constructive manner. To this end the bank has an annual process devoted to stakeholder activities, rooted in the board of directors. For example, the strategy states that SpareBank 1 SMN shall:

1. Define stakeholders on a broad and strategic basis and seek opportunities
2. Prioritise stakeholders according to their value to the bank
3. Be open, clear, inquisitive and constructive in dialoguing with stakeholders
4. Seek partnerships and share success stories with the stakeholders
5. Take the stakeholders' views on board in company governance.

In 2017 SpareBank 1 SMN has conducted a series of structured stakeholder interviews as astep in identifying the bank's most significant themes in the field of sustainability.

Ethics and anti-corruption

The bank adopted updated ethical guidelines in 2017. The guidelines regulate each staff member's relationship to customers, suppliers, competitors and the world at large.

In addition to the ethical guidelines, SpareBank 1 SMN has established a procedure for whistleblowing. This procedure covers the requirements of the Working Environment Act for notifying censurable circumstances at enterprises.

The procedure also enables staff members to notify the bank's external reception centre, and to report anonymously if the whistleblower so wishes.

The bank initiated in 2017 a process to establish a new system of event reporting in collaboration with an external supplier. The new system will be implemented in the first quarter of 2018.

Environment and climate

It is particularly important for us as a regional bank to assume a responsibility for sustainability in investments and in lending. SpareBank 1 SMN is duty bound to do what it can to support the UN's sustainability objectives, and the bank is concerned that companies in which it invests or to which it lends money should make sustainable choices.

SpareBank 1 SMN's environment management system is certified under the 'Environmental Lighthouse' standard. The bank reports its energy consumption and climate emissions each spring to the Environmental Lighthouse Foundation (Stiftelsen Miljøfyrtårn). The environment management system ensures continuous improvement of the bank's own environmental performances.

Staff and organisation

Major changes are ongoing in the banking industry, creating a major need to revise the bank's competence profile. In the future the bank will need fewer staff in production, more staff in digital development and more staff in digital sales, analysis and business development.

The SpareBank 1 Alliance has a shared digital teaching platform (LMS), which makes courses and training programmes available to staff. In 2017 the bank also worked on a new process and new tools for competence development and competence management. The project New Workday is designed to ensure that the bank, in parallel with its development and implementation of new systems and processes, develops the appropriate competence. Read more about this and the work environment, gender equality and other staff-related matters in the chapter The People and in note 22 Personnel expenses.

Prospects

SpareBank 1 SMN achieved good results in 2017. Most business lines have posted a strong performance. A high influx of new retail market customers and lower loan losses are highlighted in particular.

The group has a very solid financial position with a leverage ratio of 7.2 per cent. The board of directors is satisfied with a CET1 capital ratio of 14.9 per cent, approximately as targeted after a year of strong growth. The target of a 15 per cent CET1 capital ratio is retained.

There is still in the board's assessment a considerable potential for further digitalisation and optimisation of channel interaction in selling and advisory activities. The bank's customers will primarily meet their needs for financial products, payments and simple advisory services digitally. At the same time competent teams of advisers are retained to attend to more demanding advisory assignments and to the establishment of new customer relationships. The distribution strategy includes relatively numerous, but cost-efficient, offices and first-class self-service customer interfaces. Substantial investments are also being made to standardise and automate processes with a view to improving the efficiency and simplifying compliance with regulatory requirements. At the start of 2018 the Norwegian financial industry faces major changes. The revised Payment Services Directive, PSD2, will be introduced in the course of the year. The bank and the SpareBank 1 Alliance have set an ambitious goal: to exploit this opportunity to offer improved services and create more value for existing and new customers.

The bank will continue its efforts to strengthen its market position among small and medium-sized businesses. In 2018 the bank will launch a digital platform for small and medium-sized firms. The platform combines banking and accounting data and makes for effective and efficient communication between the firm and the bank. This, together with a local presence, will provide the bank with a competitive edge in the market for small and medium-sized businesses.

The economic prospects for Trøndelag and for Møre and Romsdal are good.

Loan losses in recent years have almost exclusively related to oil-related activities. Low losses are anticipated ahead. Virtually all customers in this sector have been restructured and are now seeing increased activity levels due to a higher oil price and thus growing activity on the Norwegian shelf. Through its continued thorough monitoring of customers, the bank is well prepared should a new reduction in the oil price and demand materialise.

The board's assessment is that a certain reduction in demand for housing is likely after a long period of vigorous demand and price growth. Price growth in the region has been lower than in other high pressure areas. The bank has a sound portfolio of residential mortgages and expects any fall in house prices to inflict modest losses on the bank.

The bank's subsidiaries and related companies have shown a sound trend in 2017. This positive picture is expected to continue in 2018.

The Board of Directors is well satisfied with the Group's performance and results in 2017 and expects 2018 to be a good year for SpareBank 1 SMN.

Trondheim, 28 February 2018
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal (chair)	Bård Benum (deputy chair)	Paul E. Hjelm-Hansen
Aud Skrudland	Morten Loktu	Janne Thyø Thomsen
Arnhild Holstad	Erik Gunnes (employee rep.)	Venche Johnsen (employee rep.)
		Finn Haugan (Group CEO)

Income statement

Parent Bank				Group	
2016	2017	(NOK million)	Notes	2017	2016
3,401	3,571	Interest income	4,19	3,825	3,597
1,672	1,599	Interest expenses	4,19	1,600	1,668
1,730	**1,972**	**Net interest**		**2,225**	**1,929**
971	1,098	Commission income	4,20	1,390	1,251
85	98	Commission expenses	4,20	168	133
36	38	Other operating income	4,20	783	556
922	**1,038**	**Commission income and other income**		**2,005**	**1,674**
817	629	Dividends	21,44	6	88
-	-	Income from investment in related companies	4,21,39	437	423
188	146	Net return on financial investments	4,21	317	434
1,006	**776**	**Net return on financial investments**		**760**	**944**
3,658	**3,786**	**Total income**		**4,989**	**4,547**
536	575	Staff costs	22,24	1,426	1,159
615	634	Other operating expenses	23,32,33	943	844
1,151	**1,209**	**Total operating expenses**		**2,369**	**2,003**
2,506	**2,577**	**Result before losses**		**2,621**	**2,544**
502	323	Loss on loans, guarantees etc.	4,11	341	516
2,004	**2,253**	**Result before tax**		**2,279**	**2,029**
302	403	Tax charge	25	450	352
-13	-	Result investment held for sale, after tax		-1	4
1,689	**1,850**	**Profit for the year**		**1,828**	**1,681**
34	33	Attributable to additional Tier 1 Capital holders		33	34
1,058	1,162	Attributable to Equity capital certificate holders		1,128	1,027
597	655	Attributable to the saving bank reserve		636	579
		Attributable to non-controlling interests		32	41
1,689	**1,850**	**Profit for the year**		**1,828**	**1,681**
		Profit/Diluted profit per ECC		8.71	7.93

Other comprehensive income

Parent Bank				Group	
2016	**2017**	(NOK million)		**2017**	**2016**
1,689	1,850	Net profit		1,828	1,681
		Items that will not be reclassified to profit/loss			
-75	-24	Actuarial gains and losses pensions	24	-20	-77
19	6	Tax		5	19
-	-	Share of other comprehensive income of associates and joint venture		4	-1
-56	-18	Total		-11	-58
		Items that will be reclassified to profit/loss			
-52	15	Available-for-sale financial assets	3,31	15	-50
-	-	Share of other comprehensive income of associates and joint venture		4	-7
-	-	Tax		-	-
-52	15	Total		19	-58
1,581	**1,847**	**Total other comprehensive income**		**1,836**	**1,565**
34	33	Attributable to additional Tier 1 Capital holders		33	34
989	1,160	Attributable to Equity capital certificate holders		1,132	953
558	654	Attributable to the saving bank reserve		638	537
		Attributable to non-controlling interests		32	41
1,581	**1,847**	**Total other comprehensive income**		**1,836**	**1,565**

Other comprehensive income comprise items reflected directly in equity capital that are not transactions with owners, cf. IAS 1.

Statement of Financial Position

Parent Bank				Group	
31 Dec 2016	31 Dec 2017	(NOK million)	Notes	31 Dec 2017	31 Dec 2016
		ASSETS			
315	3,313	Cash and balances with central banks	26,45	3,313	315
8,203	9,543	Deposits with and loans to credit institutions	7,15,26,28,45	4,214	3,892
96,499	104,769	Net loans to and receivables from customers	4,8,9,10,11,12, 15,26,28,45	110,959	101,354
17,636	19,895	Fixed-income CDs and bonds	14,26,27,30,45	19,736	17,557
4,812	4,328	Derivatives	14,26,27,30,45	4,351	4,752
248	169	Shares, units and other equity interests	26,27,31,45	1,825	1,542
3,766	3,940	Investments in related companies	39,40,41,44	5,760	5,638
3,005	3,120	Investment in group companies	39,41	-	-
226	82	Investment held for sale	31,39	649	15
470	522	Intangible assets	32	793	639
882	703	Other assets	4,24,25,33,34	1,654	2,376
136,062	**150,383**	**Total assets**	**13,16,17**	**153,254**	**138,080**
		LIABILITIES			
10,299	9,047	Deposits from credit institutions	7,26,28,45	9,607	10,509
68,391	77,362	Deposits from and debt to customers	4,26,28,35,45	76,476	67,168
36,317	42,194	Debt created by issue of securities	26,28,36,45	42,194	36,317
3,973	3,341	Derivatives	14,26,27,30	3,343	4,074
731	909	Other liabilities	24,26,27,37	1,923	1,531
-	-	Investment held for sale	39	1	0
2,186	2,159	Subordinated loan capital	26,28,38,45	2,201	2,228
121,896	**135,011**	**Total liabilities**	**18**	**135,744**	**121,827**
		EQUITY			
2,597	2,597	Equity capital certificates	43	2,597	2,597
-0	-0	Own holding of ECCs	43	-8	-4
895	895	Premium fund		895	895
4,490	5,079	Dividend equalisation fund		5,072	4,487
389	571	Allocated to dividends		571	389
220	322	Allocated to gifts		322	220
4,499	4,831	Ownerless capital		4,831	4,499
126	126	Unrealised gains reserve		126	139
-	-	Other equity capital		1,547	1,656
950	950	Additional Tier 1 Capital		993	950
		Non-controlling interests		565	425
14,166	**15,372**	**Total equity**	**5,44**	**17,510**	**16,253**
136,062	**150,383**	**Total liabilities and equity**	**16,17**	**153,254**	**138,080**

Statement of Changes in Equity

Parent Bank	Issued equity			Earned equity					
(NOK million)	EC capital	Premium fund	Additional Tier 1 Capital	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity	Total equity
Equity at 1 January 2016	**2,597**	**895**	**950**	**4,105**	**3,790**	**332**	**279**	**-**	**12,948**
Net profit	-	-	34	411	730	609	-95	-	1,689
Other comprehensive income				-	-				
Available-for-sale financial assets	-	-	-	2	3	-	-57	-	-52
Actuarial gains (losses), pensions	-	-	-	-20	-36	-	0	-	-56
Other comprehensive income	-	-	-	-18	-33	-	-57	-	-108
Total other comprehensive income	-	-	34	393	697	609	-152	-	1,581
Transactions with owners									
Dividend declared for 2015	-	-	-	-	-	-292	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-40
Interest payments additional Tier 1 capital	-	-	-34	-	-	-	-	-	-34
Purchase and sale of own ECCs	0	-	-	-	0	-	-	-	0
Direct recognitions in equity	-	-	-	1	3	-	-	-	4
Total transactions with owners	0	-	-34	1	3	-332	-	-	-362
Equity at 31 December 2016	**2,597**	**895**	**950**	**4,499**	**4,490**	**609**	**126**	**-**	**14,166**
Equity at 1 January 2017	**2,597**	**895**	**950**	**4,499**	**4,490**	**609**	**126**	**-**	**14,166**
Net profit	-	-	33	327	580	893	17	-	1,850
Other comprehensive income									
Available-for-sale financial assets	-	-	-	-	-	-	-	15	15
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-18	-18
Other comprehensive income	-	-	-	-	-	-	-	-3	-3
Total other comprehensive income	-	-	33	327	580	893	17	-3	1,847
Transactions with owners									
Dividend declared for 2016	-	-	-	-	-	-389	-	-0	-390
To be disbursed from gift fund	-	-	-	-	-	-220	-	-	-220
Interest payments additional Tier 1 capital	-	-	-33	-	-	-	-	-	-33
Purchase and sale of own ECCs	0	-	-	-	0	-	-	-	0
Direct recognitions in equity	-	-	-	5	9	-	-17	3	-
Total transactions with owners	0	-	-33	5	9	-609	-17	3	-642
Equity at 31 December 2017	**2,597**	**895**	**950**	**4,831**	**5,079**	**893**	**126**	**-**	**15,372**

Group	Attributable to parent company equity holders									
	Issued equity			Earned equity						
(NOK million)	EC capital	Premium fund	Additional Tier 1 Capital	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity	Non-controlling interests	Total equity
Equity at 1 January 2016	**2,576**	**895**	**950**	**4,105**	**3,790**	**332**	**290**	**1,597**	**318**	**14,854**
Net profit	-	-	34	411	730	609	-95	-49	41	1,681
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-8	-	-8
Available-for-sale financial assets	-	-	-	2	3	-	-56	-0	-	-50
Actuarial gains (losses), pensions	-	-	-	-20	-36	-	-	-1	-0	-58
Other comprehensive income	-	-	-	-18	-33	-	-56	-9	-0	-116
Total other comprehensive income	-	-	34	393	697	609	-151	-58	41	1,565
Transactions with owners										
Dividend declared for 2015	-	-	-	-	-	-292	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-	-40
Interest payments additional Tier 1 Capital	-	-	-34	-	-	-	-	-	-	-34
Purchase and sale of own ECCs	0	-	-	-	0	-	-	-	-	0
Own ECC held by SB1 Markets*)	17	-	-	-	-3	-	-	-2	-	11
Direct recognitions in equity	-	-	-	1	3	-	-	-12	-	-8
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-	132	-	132
Change in non-controlling interests	-	-	-	-	-	-	-	-	66	66
Total transactions with owners	17	-	-34	1	-1	-332	-	118	66	-165
Equity at 31 December 2016	**2,593**	**895**	**950**	**4,499**	**4,487**	**609**	**139**	**1,656**	**425**	**16,253**

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

	Attributable to parent company equity holders									
	Issued equity			Earned equity						
(NOK million)	EC capital	Premium fund	Additional Tier 1 Capital	Ownerless capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity	Non-controlling interests	Total equity
Equity at 1 January 2017	**2,593**	**895**	**950**	**4,499**	**4,487**	**609**	**139**	**1,656**	**425**	**16,253**
Net profit	-	-	33	327	580	893	17	-54	32	1,828
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	8	-	8
Available-for-sale financial assets	-	-	-	-	-	-	-	15	-	15
Actuarial gains (losses). pensions	-	-	-	-	-	-	-	-16	1	-15
Other comprehensive income	-	-	-	-	-	-	-	7	1	8
Total other comprehensive income	-	-	33	327	580	893	17	-46	32	1,836
Transactions with owners										
Dividend declared for 2016	-	-	-	-	-	-389	-	-0	-	-390
To be disbursed from gift fund	-	-	-	-	-	-220	-	-	-	-220
Interest payments additional Tier 1 capital	-	-	-33	-	-	-	-	-	-	-33
Additional Tier 1 capital issued	-	-	43	-	-	-	-	-	-	43
Purchase and sale of own ECCs	0	-	-	-	0	-	-	-	-	0
Own ECC held by SB1 Markets*)	-4	-	-	-	-4	-	-	-12	-	-21
Direct recognitions in equity	-	-	-	5	9	-	-30	-31	2	-44
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-	-21	-	-21
Change in non-controlling interests	-	-	-	-	-	-	-	-	105	105
Total transactions with owners	-4	-	9	5	5	-609	-30	-63	107	-580
Equity at 31 December 2017	**2,588**	**895**	**993**	**4,831**	**5,072**	**893**	**126**	**1,547**	**565**	**17,510**

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

Cash flow statement

Parent bank			Group	
2016	2017	(NOK million)	2017	2016
1,689	1,850	Net profit	1,828	1,681
34	50	Depreciations and write-downs on fixed assets	102	98
502	323	Losses on loans and guarantees	341	516
2,225	**2,223**	**Net cash increase from ordinary operations**	**2,271**	**2,295**
2,310	656	Decrease/(increase) other receivables	480	2,234
-1,586	-455	Increase/(decrease) short term debt	-339	-1,601
-7,405	-8,593	Decrease/(increase) loans to customers	-9,946	-8,454
-2,318	-1,340	Decrease/(increase) loans credit institutions	-322	-1,485
3,299	8,972	Increase/(decrease) deposits to customers	9,308	3,078
2,144	-1,252	Increase/(decrease) debt to credit institutions	-902	2,354
-1,885	-2,259	Increase/(decrease) in short term investments	-2,179	-1,805
-3,215	**-2,047**	**A) Net cash flow from operations**	**-1,629**	**-3,384**
-26	-100	Increase in tangible fixed assets	383	-52
-	5	Reductions in tangible fixed assets	5	-
-223	-145	Paid-up capital, associated companies	-685	33
36	94	Net investments in long-term shares and partnerships	-249	-67
-213	**-146**	**B) Net cash flow from investments**	**-546**	**-86**
-324	-27	Increase/(decrease) in subordinated loan capital	-27	-281
0	0	Increase/(decrease) in equity	-21	-
-292	-390	Dividend cleared	-390	-292
-40	-220	To be disbursed from gift fund	-220	-40
-34	-33	Paid interest hybrid capital	-33	-34
1,162	5,860	Increase/(decrease) in other long term loans	5,862	1,162
473	**5,191**	**C) Net cash flow from financial activities**	**5,173**	**515**
-2,955	**2,998**	**A) + B) + C) Net changes in cash and cash equivalents**	**2,998**	**-2,955**
3,270	315	Cash and cash equivalents at 1.1	315	3,270
315	3,313	Cash and cash equivalents at end of the year	3,313	315
-2,955	**2,998**	**Net changes in cash and cash equivalents**	**2,998**	**-2,955**

Notes

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.

Repossessed 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. Repossessed 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 liabiltiy 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 rescores 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 determined 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 Eksportfinans, 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

	Parent bank			Group		
2016	**Reported previously**	**Correction Tier 1 capital**	**Restated**	**Reported previously**	**Correction Tier 1 Capital**	**Restated**
Profit/Loss						
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
Balance scheet						
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	-
Total interest income	**1,137**	**1,108**	**-15**	**3**	**228**	**-1**	**-**	**-**	**-236**	**2,225**
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
Total income	**1,926**	**1,315**	**437**	**477**	**283**	**376**	**349**	**94**	**-269**	**4,988**
Total operating expenses	**794**	**365**	**435**	**474**	**137**	**315**	**-**	**-**	**-152**	**2,369**
Ordinary operating profit	**1,132**	**950**	**2**	**3**	**146**	**61**	**349**	**94**	**-117**	**2,619**
Loss on loans, guarantees etc.	5	318	-	-	18	-	-	-	-0	341
Result before tax including held for sale	**1,127**	**632**	**2**	**3**	**128**	**61**	**349**	**94**	**-117**	**2,278**
Post-tax return on equity*)	**16.6 %**	**10.5 %**								**11.5 %**
Balance (NOK million)										
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
Total assets	**68,141**	**41,010**	**2,242**	**612**	**6,724**	**323**	**1,569**	**1,149**	**31,483**	**153,254**
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
Total liabilites and equity	**68,141**	**41,010**	**2,242**	**612**	**6,724**	**323**	**1,569**	**1,149**	**31,483**	**153,254**

Group 31 December 2016

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	906	960	-8	4	183	0	-	-	-117	1,929
Interest from allocated capital	47	40	-	-	-	-	-	-	-86	-
Total interest income	**953**	**1,000**	**-8**	**4**	**183**	**0**	**-**	**-**	**-204**	**1,929**
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
Total income	**1,633**	**1,205**	**292**	**430**	**172**	**235**	**317**	**86**	**182**	**4,552**
Total operating expenses	**770**	**332**	**282**	**363**	**55**	**191**	**-**	**-**	**11**	**2,003**
Ordinary operating profit	**863**	**873**	**10**	**68**	**117**	**44**	**317**	**86**	**170**	**2,549**
Loss on loans, guarantees etc.	13	490	0	-	13	-	-	-	1	516
Result before tax including held for sale	**850**	**384**	**10**	**68**	**104**	**44**	**317**	**86**	**170**	**2,033**
Post-tax return on equity*)	**13.8 %**	**6.9 %**								**11.3 %**
Balance (NOK million)										
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
Total assets	**60,514**	**36,245**	**1,702**	**322**	**5,414**	**218**	**1,476**	**1,186**	**31,002**	**138,080**
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
Total liabilites & Equity	**60,514**	**36,245**	**1,702**	**322**	**5,414**	**218**	**1,476**	**1,186**	**31,002**	**138,080**

*) 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
Dividends	**6**	**88**
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 sertificates 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
Net return on financial instruments	**317**	**434**
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
Income from investment in associates and joint ventures	**436**	**427**
Total net return on financial investments	**758**	**949**

***) Fair value hedging	31 Dec 2017	31 Dec 2016
Changes in fair value on hedging instrument	-215	-302
Changes in fair value on hedged item	192	281
Net Gain or Loss from hedge accounting	**-22**	**-21**

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 Desember 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			Group	
31 Dec 2016	**31 Dec 2017**	**(NOK million)**	**31 Dec 2017**	**31 Dec 2016**
14,166	**15,372**	**Total book equity**	**17,510**	**16,253**
-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
11,917	**12,627**	**Total common equity Tier one**	**13,938**	**13,233**
950	950	Additional Tier 1 capital instruments	1,427	1,358
483	459	Additional Tier 1 capital instruments covered by transitional provisions	459	483
13,350	**14,036**	**Total core capital**	**15,824**	**15,073**
		Supplementary capital in excess of core capital		
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
1,418	**1,307**	**Total supplementary capital**	**1,922**	**2,116**
14,768	**15,343**	**Net subordinated capital**	**17,746**	**17,189**

		Minimum requirements subordinated capital		
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
4,707	**4,733**	**Total credit risk IRB**	**4,205**	**4,153**
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
898	**872**	**Total credit risk standardised approach**	**1,820**	**1,772**
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
6,026	**6,015**	**Minimum requirements subordinated capital**	**7,478**	**7,103**
75,325	**75,182**	**Risk weighted assets (RWA)**	**93,474**	**88,786**
3,390	3,383	Minimum requirement on CET1 capital, 4.5 per cent	4,206	3,995
		Capital Buffers		
1,883	1,880	Capital conservation buffer, 2.5 per cent	2,337	2,220
2,260	2,255	Systemic rick 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
5,273	**5,639**	**Total buffer requirements on CET1 capital**	**7,011**	**6,215**
3,255	**3,605**	**Available CET1 capital after buffer requirements**	**2,721**	**3,022**
		Capital adequacy		
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 %
		Leverage ratio		
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
9.5 %	**9.2 %**	**Leverage Ratio**	**7.2 %**	**7.4 %**

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 it 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 assessement of the operational risk is moderate, including the risk related to the accounting and reporting process.

For further information see the Bank's Pilar 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			Group	
31 Dec 2016	**31 Dec 2017**	**Loans and advances to credit institutions** (NOK million)	**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
8,203	**9,543**	**Total**	**4,214**	**3,892**
		Specification of loans and receivables on key currencies		
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
8,203	**9,543**	**Total**	**4,214**	**3,892**
1.9 %	1.5 %	Average rate credit institutions *)	0.9 %	1.8 %

31 Dec 2016	31 Dec 2017	Deposits from credit institutions (NOK million)	31 Dec 2017	31 Dec 2016
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
10,299	**9,047**	**Total**	**9,607**	**10,509**
		Specification of deposits on key currencies		
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
10,299	**9,047**	**Total**	**9,607**	**10,509**
0.6 %	0.6 %	Average rate credit institutions *)	0.6 %	0.6 %

31 Dec 2016	31 Dec 2017	Other commitments to credit institutions (NOK million)	31 Dec 2017	31 Dec 2016
5,000	2,288	Unutilised credits	2,288	5,000
55	55	Financial guarantees	55	55
5,055	**2,344**	**Total**	**2,344**	**5,055**

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			Group	
31 Dec 2016	**31 Dec 2017**	**Loan and advances to customers (NOK million)**	**31 Dec 2017**	**31 Dec 2016**
97,437	105,843	Gross loans to and recievebles from customers	112,071	102,325
-620	-751	Specified write-downs	-765	-632
-318	-323	Collectively assessed write-downs	-347	-339
96,499	**104,769**	**Net loans to and advances to customers**	**110,959**	**101,354**
		Additional information		
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			Group	
31 Dec 2016	**31 Dec 2017**	**Loans and commitments specified by type** (NOK million)	**31 Dec 2017**	**31 Dec 2016**
		Gross loans and advances		
-	-	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
		Other commitments		
5,409	4,210	Financial guarantees, of which:	4,210	5,409
776	*714*	*Payment guarantees*	*714*	*776*
1,167	*1,286*	*Performance guarantees*	*1,286*	*1,167*
3,249	*1,994*	*Loan guarantees*	*1,994*	*3,249*
81	*84*	*Guarantees for taxes*	*84*	*81*
135	*132*	*Other guarantee commitments*	*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
118,046	**124,706**	**Total loans and commitments**	**131,197**	**123,253**

Loans and other commitments specified by sector and industry

Parent Bank (NOK million)	31 Dec 2017 Gross loans	31 Dec 2017 Other commitments	31 Dec 2017 Total loans and commitments	31 Dec 2016 Gross loans	31 Dec 2016 Other commitments	31 Dec 2016 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
Total	**105,843**	**18,863**	**124,706**	**97,437**	**20,609**	**118,046**

Group (NOK million)	31 Dec 2017 Gross loans	31 Dec 2017 Other commitments	31 Dec 2017 Total loans and commitments	31 Dec 2016 Gross loans	31 Dec 2016 Other commitments	31 Dec 2016 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
Total	**112,071**	**19,126**	**131,197**	**102,325**	**20,929**	**123,253**

Loans and other commitments specified by geographic area

Parent Bank (NOK million)	31 Dec 2017 Gross loans	31 Dec 2017 Other commitments	31 Dec 2017 Total loans and commitments	31 Dec 2016 Gross loans	31 Dec 2016 Other commitments	31 Dec 2016 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
Total	**105,843**	**18,863**	**124,706**	**97,437**	**20,609**	**118,046**

Group (NOK million)	31 Dec 2017 Gross loans	 Other commitments	 Total loans and commitments	31 Dec 2016 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
Total	**112,071**	**19,126**	**131,197**	**102,325**	**20,929**	**123,253**

Gross loans sold to SpareBank 1 Boligkreditt

(NOK million)	31 Dec 2017 Gross loans	 Other commitments	 Total loans and commitments	31 Dec 2016 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
Total	**34,885**	**2,539**	**37,424**	**33,142**	**2,925**	**36,067**

Gross loans sold to SpareBank 1 Næringskreditt

(NOK million)	31 Dec 2017 Gross loans	 Other commitments	 Total loans and commitments	31 Dec 2016 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
Total	**1,828**	**-**	**1,828**	**2,069**	**-**	**2,069**

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

Group (NOK million)	31 Dec 2017	31 Dec 2016
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
Total gross claims	**2,919**	**2,421**
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
Total net claims	**2,839**	**2,348**

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.

	31 Dec 2017			31 Dec 2016		
Parent Bank (NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**	**Gross loans**	**Other commitments**	**Total loans and commitments**
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
Total	**105,843**	**18,863**	**124,706**	**97,437**	**20,609**	**118,046**

Group (NOK million)	31 Dec 2017 Gross loans	31 Dec 2017 Other commitments	31 Dec 2017 Total loans and commitments	31 Dec 2016 Gross loans	31 Dec 2016 Other commitments	31 Dec 2016 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
Total	**112,071**	**19,126**	**131,197**	**102,325**	**20,929**	**123,253**

Gross loans and commitments sold to SpareBank 1 Boligkreditt

(NOK million)	31 Dec 2017 Gross loans	31 Dec 2017 Other commitments	31 Dec 2017 Total loans and commitments	31 Dec 2016 Gross loans	31 Dec 2016 Other commitments	31 Dec 2016 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
Total	**34,885**	**2,539**	**37,424**	**33,142**	**2,925**	**36,067**

Gross loans and commitments sold to SpareBank 1 Næringskreditt

(NOK million)	31 Dec 2017 Gross loans	31 Dec 2017 Other commitments	31 Dec 2017 Total loans and commitments	31 Dec 2016 Gross loans	31 Dec 2016 Other commitments	31 Dec 2016 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	-	-	-	-	-	-
Total	**1,828**	**-**	**1,828**	**2,069**	**-**	**2,069**

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
Total	**1,721**	**267**	**46**	**132**	**2,167**

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
Total	**1,076**	**229**	**56**	**102**	**1,463**

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
Total	**1,732**	**328**	**60**	**213**	**2,333**

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
Total	**1,085**	**282**	**67**	**163**	**1,597**

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 RM	2017 CM	2017 Total	2016 RM	2016 CM	2016 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
Total	**5**	**318**	**323**	**13**	**490**	**502**

Individual write-downs (NOK million)	31 Dec 2017 RM	31 Dec 2017 CM	31 Dec 2017 Total	31 Dec 2016 RM	31 Dec 2016 CM	31 Dec 2016 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
Individual write-downs to cover loss on loans, guarantees etc at 31 Dec *)	**18**	**738**	**755**	**24**	**602**	**625**

*) 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 RM	31 Dec 2017 CM	31 Dec 2017 Total	31 Dec 2016 RM	31 Dec 2016 CM	31 Dec 2016 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
Collective write-downs to cover loss on loans and guarantees at 31 Dec	**90**	**233**	**323**	**90**	**228**	**318**

Losses and write-downs specified by sector and industry (NOK million)	Losses 2017	Losses 2016	Individual- and collective write-downs 31 Dec 2017	Individual- and collective write-downs 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
Total	**323**	**502**	**1,074**	**938**

*) 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 RM	CM	Total	31 Dec 2016 RM	CM	Total
Loans in default for more than 90 days	170	50	220	144	29	173
- Individual write-downs	12	39	50	17	18	36
Net defaults	**159**	**11**	**170**	**127**	**11**	**138**
Provison 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
Net problem loans	**15**	**448**	**462**	**13**	**851**	**863**
Provison 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 RM	CM	Total	2016 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**
Total	**18**	**323**	**341**	**21**	**495**	**516**

Individual write-downs (NOK million)	31 Dec 2017 RM	CM	Total	31 Dec 2016 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**
Individual write-downs to cover loss on loans, guarantees etc at 31.12	**20**	**750**	**769**	**27**	**611**	**638**

*) 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 RM	CM	Total	31 Dec 2016 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**
Collective write-downs to cover loss on loans and guarantees at 31.12	**104**	**243**	**347**	**100**	**239**	**339**

Losses and write-downs specified by sector and industry (NOK million)	Losses 2017	Losses 2016	Individual- and collective write-downs 31 Dec 2017	Individual- and collective write-downs 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
Total	**341**	**516**	**1,112**	**971**

*) 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		
Total defaults (NOK million)	**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
Net defaults	**195**	**33**	**229**	**156**	**18**	**174**
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
Net problem loans	**15**	**456**	**470**	**13**	**863**	**875**
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.

SpareBank 1 SMN

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.

	Probability of default					Collateral cover		
Credit quality step	From	To	Moody's	Historical default	Default 2017	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 31 Dec 2017	Total exposure 31 Dec 2017	Averaged unhedged exposure 31 Dec 2016	Total exposure 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
Total		**124,706**		**118,046**

Group (NOK million)	**Averaged unhedged exposure 31 Dec 2017**	**Total exposure 31 Dec 2017**	**Averaged unhedged exposure 31 Dec 2016**	**Total exposure 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
Total		**131,197**		**123,253**

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.

Parent Bank

31 Dec 2017 (NOK million)	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral *)
Assets				
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	-	-	-
Total assets	**142,032**	**83,692**	**1,620**	**28,409**
Liabilities				
Guarantee commitments and documentary credits	5,346	-	-	-
Unutilised credits	13,965	4,817	47	2,010
Loan approvals	1,896	-	-	-
Other exposures	579	-	-	-
Total liabilities	21,786	4,817	47	2,010
Total credit risk exposure	**163,817**	**88,509**	**1,667**	**30,420**

31 Dec 2016 (NOK million)	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral *)
Assets				
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	-	-	-
Total assets	**127,692**	**74,519**	**1,595**	**28,597**
Liabilities				
Guarantee commitments and documentary credits	6,607	-	-	-
Unutilised credits	17,337	4,917	213	1,919
Loan approvals	1,720	-	-	-
Other exposures	2,034	-	-	-
Total liabilities	27,698	4,917	213	1,919
Total credit risk exposure	**155,390**	**79,436**	**1,807**	**30,516**

Group

31 Dec 2017 (NOK million)	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral *)
Assets				
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 recieved	104	-	-	-
Accounts receivable, securities	322	-	84	203
Total assets	**144,741**	**83,692**	**1,726**	**35,316**
Liabilities				
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	-
Total liabilities	22,233	4,817	110	2,272
Total credit risk exposure	**166,974**	**88,509**	**1,836**	**37,589**

31 Dec 2016 (NOK million)	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral *)
Assets				
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 recieved	63	-	-	-
Accounts receivable, securities	220	-	33	167
Total assets	**129,616**	**74,519**	**1,645**	**33,651**
Liabilities				
Guarantee commitments and documentary credits	6,607	-	-	-
Unutilised credits	17,420	4,917	213	1,949
Loan approvals	1,957	-	-	-
Other exposures	2,211	-	-	-
Total liabilities	28,195	4,917	213	1,949
Total credit risk exposure	**157,810**	**79,436**	**1,858**	**35,600**

*) 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			Group	
31 Dec 2016	**31 Dec 2017**	(NOK million)	**31 Dec 2017**	**31 Dec 2016**
		Bank activities		
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
132,693	**139,424**	**Total**	**141,062**	**133,960**
		Financial instruments		
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
22,697	**24,393**	**Total**	**25,912**	**23,851**
155,390	**163,817**	**Total distributed by geographical area**	**166,974**	**157,810**

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 meber 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.

				d) Amount that is not netted		
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**	**Financial instruments *)**	**Cash collateral received**	**e (c-d) Net exposure**
Derivatives assets	1,638	0	1,638	-835	-581	222

				d) Amount that is not netted		
	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**	**Financial instruments *)**	**Cash collateral furnished**	**e (c-d) Net exposure**
Derivatives liabilities	1,076	0	1,076	-835		242

				d) Amount that is not netted		
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**	**Financial instruments *)**	**Cash collateral received**	**e (c-d) Net exposure**
Derivatives assets	1,678	0	1,678	-928	-526	225

				d) Amount that is not netted		
	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**	**Financial instruments *)**	**Cash collateral furnished**	**e (c-d) Net exposure**
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 enforce and exercised in case of default, insolvency or bankruptcy on the part of the individual counterparties.

SpareBank 1 SMN

Note 15 - Credit quality per class of financial assets

The Bank handles the credit quality of financial assets by means of its internal guidlines 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						
31 Dec 2017 (NOK million)	Notes	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**	**Defaulted or written down *)**	**Total**
Loans to and claims on credit institutions	7	**9,543**	**-**	**-**	**-**	**-**	**-**	**9,543**
Loans to and claims on customers	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
Total		**69,528**	**16,855**	**12,676**	**2,507**	**2,708**	**1,570**	**105,843**
Financial investments	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
Total		**18,993**	**263**	**640**	**-**	**-**	**-**	**19,895**
Total		**98,063**	**17,118**	**13,315**	**2,507**	**2,708**	**1,570**	**135,281**

Parent Bank

		Neither defaulted nor written down						
31 Dec 2016 (NOK million)	Notes	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**	**Defaulted or written down *)**	**Total**
Loans to and claims on credit institutions	7	**8,203**	**-**	**-**	**-**	**-**	**-**	**8,203**
Loans to and claims on customers	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
Total		**66,543**	**10,973**	**14,652**	**1,931**	**1,873**	**1,466**	**97,437**
Financial investments	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
Total		**16,300**	**805**	**506**	**26**	**-**	**-**	**17,636**
Total		**91,045**	**11,778**	**15,158**	**1,956**	**1,873**	**1,466**	**123,276**

Group

31 Dec 2017 (NOK million)	Notes	Neither defaulted nor written down: Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
Loans to and claims on credit institutions	7	**4,214**	-	-	-	-	-	**4,214**
Loans to and claims on customers	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
Total		**69,415**	**18,307**	**15,696**	**3,532**	**3,470**	**1,651**	**112,071**
Financial investments	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
Total		**18,833**	**263**	**640**	**-**	**-**	**-**	**19,736**
Total		**92,463**	**18,569**	**16,336**	**3,532**	**3,470**	**1,651**	**136,021**

31 Dec 2016 (NOK million)	Notes	Neither defaulted nor written down: Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
Loans to and claims on credit institutions	7	**3,892**	-	-	-	-	-	**3,892**
Loans to and claims on customers	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
Total		**66,909**	**12,298**	**16,512**	**2,557**	**2,522**	**1,527**	**102,325**
Financial investments	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
Total		**16,220**	**805**	**506**	**26**	**-**	**-**	**17,557**
Total		**87,020**	**13,103**	**17,018**	**2,583**	**2,522**	**1,527**	**123,774**

*) 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 percetage 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.

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

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 risk, 1 % change	
Interest rate curve risk, Group (NOK million)	**2017**	**2016**
Maturity		
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
Total interest rate risk, effect on result before tax	**-52**	**-34**

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**	**Group**	
2016	**2017**	(NOK million)	**2017**	**2016**
-15	-8	EUR	-8	-15
-4	-0	USD	-0	-4
-11	-19	SEK	-19	-11
-4	-32	Other	-32	-4
-34	**-59**	**Total**	**-59**	**-34**
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
Cash flows related to liabilities						
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
Total cash flow, liabilities	**70,574**	**16,996**	**12,191**	**65,267**	**6,596**	**171,624**
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
Net contractual cash flows	**-**	**737**	**494**	**-112**	**-197**	**922**

Group

At 31 Dec 2016 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
Cash flows related to liabilities						
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
Total cash flow, liabilities	**64,394**	**11,759**	**14,104**	**52,716**	**5,969**	**148.941**
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
Net contractual cash flows	**-**	**420**	**512**	**132**	**-17**	**1,047**

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
		Interest income		
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
3,401	**3,571**	**Total interest income**	**3,825**	**3,597**
		Interest expense		
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
1,672	**1,599**	**Total interest expense**	**1,600**	**1,668**
1,730	**1,972**	**Net interest income**	**2,225**	**1,929**

*) 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			Group	
2016	**2017**	(NOK million)	**2017**	**2016**
		Commission income		
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
971	**1,098**	**Total commission income**	**1,390**	**1,251**
		Commission expenses		
82	83	Payment transmission services	103	96
3	16	Other commission expenses	65	37
85	**98**	**Total commission expenses**	**168**	**133**
		Other operating income		
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
36	**38**	**Total other operating income**	**783**	**556**
922	**1,038**	**Total net commision income and other operating income**	**2,005**	**1,674**

Note 21 - Net return on financial investments

Parent Bank			Group	
2016	**2017**	(NOK million)	**2017**	**2016**
		Valued at fair value through profit/loss		
- 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
955	**733**	**Total net income from financial assets and liabilities at fair value through profit/loss**	**718**	**893**
		Valued at amortised cost		
- 2	- 4	Value change in interest rate instruments held to maturity	- 4	- 2
- 2	**- 4**	**Total net income from financial assets and liabilities at amortised cost**	**- 4**	**- 2**
		Valued at fair value - available for sale		
		Income from equity instruments		
3	1	Gain/loss on realisation of financial assets	1	3
3	**1**	**Total net income from financial assets available for sale**	**1**	**3**
51	**45**	**Total net gain from currency trading**	**45**	**51**
1,006	**776**	**Total net return on financial investments**	**760**	**944**

SpareBank 1 SMN

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 renumeration related to undertaking's risk adjusted result is a period of at least two years. A minimum of 50 per cent of the variable renumeration 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
536	**575**	**Total personnel expenses**	**1,426**	**1,159**
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 1)	Loans at 31 Dec	No. of equity capital certificates
Finn Haugan Group CEO	7,041	-	2,297	-	12,653	115	3,693	200,521
Kjell Fordal Executive Director Group Finance	3,269	-	424	-	11,304	115	8,925	244,945
Vegard Helland Executive Director Corporate	2,822	-	246	-	1,338	115	1,254	33,835
Svein Tore Samdal Executive Director Retail	2,936	-	275	-	-	115	7,344	23,141
Nelly Maske Executive Director Business Operation and Development	2,377	-	171	-	-	115	6,864	20,305
Rolf Jarle Brøske 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 1)	Loans at 31 Dec	No. of equity capital certificates
Finn Haugan Group CEO	6,542	-	2,297	-	14,788	165	8,883	200,658
Kjell Fordal Executive Director Group Finance	3,385	-	812	-	9,279	872	6,890	244,640
Vegard Helland Executive Director Corporate	2,705	-	328	-	1,228	151	1,969	33,530
Svein Tore Samdal Executive Director Retail	2,916	-	366	-	-	83	8,551	22,836
Nelly Maske Executive Director Business Operation and Development	2,198	-	227	-	-	85	6,000	20,000
Rolf Jarle Brøske Executive Director Communication and Society	461	-	-	-	-	-	3,585	5,000

1) 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 scheeme 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 investement 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 [2)]	Board member, employee representative	154	-	757	577	24,716
Erik Gunnes [2)]	Board member, employee representative	203	-	787	966	535
Oddny Lysberg [2)]	Board member, employee representative	49	-	540	2,515	939

[2)] 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 [2)]	Board member, employee representative	48	-	667	-	24,716
Erik Gunnes [2)]	Board member, employee representative	178	-	760	1,025	230
Oddny Lysberg [2)]	Board member, employee representative	146	-	512	2,605	634
Terje Lium [3)]	Chair, Control Commitee	40	-	1	-	-
Anders Lian [3)]	Deputy Chair, Control Committee	27	-	1	-	1,500
Terje Ruud [3)]	Member, Control Committee	27	-	1	-	-

[2)] Other emoluments include salary in employment relationships

[3)] 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
615	**634**	**Total other operating expenses**	**943**	**844**
		Audit fees (NOK 1000)		
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
1,084	**976**	**Total incl. value added tax**	**3,051**	**2,485**

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.

	2017		**2016**	
Actuarial assumptions	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
-100	**-172**	**Net pension liability in the balance sheet**	**-182**	**-96**

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
-30	**40**	**Total pension cost**	**79**	**-22**

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
Actuarial gains and losses over other comprehensive income for the period	**-2**	**6**	**4**	**0**	**24**	**24**

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
-172	**-134**	**Net pension liability in the balance sheet 31 December**	**-147**	**-182**

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
-172	**-134**	**Net pension liability after employer's contribution***	**-147**	**-182**

* 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
Net pension liability before employer's contribution	**-171**	**20**	**-151**	**-208**	**22**	**-186**
Employer's contribution	0	4	4	0	4	4
Net pension liability after employer's contribution	**-171**	**24**	**-147**	**-208**	**26**	**-182**

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
Interes costs of pension liability	16	18
Curtailment/ Settlement	0	-94
Actuarial gain or loss	19	12
CB pension liability (PBO)	**651**	**641**

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 retur	22	21
Curtailment/ Settlement	0	-6
Actuarial changes	0	0
CB market value of pension assets	**803**	**827**

	Discount rate		Salary adjustment		Pension adjustment
Sensitivity, Group	**+ 1 pp**	**- 1 pp**	**+1 pp**	**- 1 pp**	**+ 1 pp**
2017					
Change in accumulated pension rights in course of year	0	0	0	0	0
Change in pension liability	-83	104	0	0	105
2016					
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 %
Total	**100 %**	**100 %**

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			Group	
2016	**2017**	(NOK million)	**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	-
1,063	**1,391**	**Year's tax base/taxable income**	**2,073**	**1,516**
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
290	**403**	**Tax charge for the year**	**450**	**341**
		Change in net deferred tax liability		
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
6	**54**	**Total change in net deferred tax liability**	**72**	**4**

Deferred tax in balance sheet			**Deferred tax in balance sheet**	
31 Dec 2016	**31 Dec 2017**	**Composition of deferred tax in the balance sheet (NOK Million)**	**31 Dec 2017**	**31 Dec 2016**
		Temporary differences:		
-	6	- 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
556	**440**	**Total tax-increasing temporary differences**	**906**	**979**
139	**110**	**Deffered tax**	**226**	**245**
		Temporary differences:		
-6	-2	- 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
-665	**-352**	**Total tax-decreasing temporary differences**	**-1,288**	**-1,636**
-166	**-88**	**Deferred tax asset**	**-322**	**-408**
-27	**21**	**Net deferred tax (-asset)**	**-97**	**-162**

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 2016	Recognised in income statement 2017	Composition of deferred tax recognised in the income statement (NOK Million)	Recognised in income statement 2017	Recognised in income statement 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
-424	**-511**	**Total tax-increasing temporary differences**	**47**	**-40**
-106	**-128**	**Change in deferred tax**	**11**	**-10**
		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
326	**293**	**Total tax-decreasing temporary differences**	**-345**	**-43**
82	**73**	**Change in deferred tax asset**	**-83**	**-11**
-	-	Change in tax rate from 28 % to 27 %	0	-1
-25	**-55**	**Net**	**-72**	**-22**

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
290	**403**	**Tax for the period recognised in the income statement**	**450**	**341**
15 %	**18 %**	**Effective tax rate**	**20 %**	**17 %**

* 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				
31 Dec 2017 (NOK million)	Held for trading in acc with IAS 39	Designated as such upon initial recognition	Available for sale	Financial instruments measured at amortised cost	Total
Assets					
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
Total financial assets	**1,202**	**27,921**	**66**	**115,207**	**144,397**
Liabilities					
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
Total financial liabilities	**3,586**	**-**	**-**	**130,478**	**134,064**

	Financial instruments at fair value				
31 Dec 2016 (NOK million)	Held for trading in acc with IAS 39	Designated as such upon initial recognition	Available for sale	Financial instruments measured at amortised cost	Total
Assets					
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
Total financial assets	**878**	**26,739**	**60**	**101,735**	**129,412**
Liabilities					
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
Total financial liabilities	**4,255**	**-**	**-**	**116,221**	**120,476**

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 avaliable for sale				
Equity instruments	-	-	66	66
Total assets	**3,902**	**21,566**	**3,722**	**29,190**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	14	3,328	-	3,343
Equity instruments	239	4	-	244
Total liabilities	**254**	**3,332**	**-**	**3,586**

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 avaliable for sale				
Equity instruments	-	-	60	60
Total assets	**3,514**	**19,796**	**4,367**	**27,676**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	48	4,026	-	4,074
Equity instruments	173	8	-	181
Total liabilities	**221**	**4,034**	**-**	**4,255**

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
Closing balance 31 December 2017	**3,236**	**419**	**66**	**3,722**

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
Closing balance 31 December 2016	**3,783**	**524**	**60**	**4,367**

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

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

*) 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	
(NOK million)	Level 1)	Book value	Fair Value	Book value	Fair Value
Assets					
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
Total financial assets at amortised cost		**111,033**	**111,033**	**100,876**	**100,876**
Liabilities					
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
Total financial liabilities at amortised cost		**130,762**	**131,085**	**117,192**	**116,872**

Group

(NOK million)		31 Dec 2017 Book value	31 Dec 2017 Fair Value	31 Dec 2016 Book value	31 Dec 2016 Fair Value
Assets					
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
Total financial assets at amortised cost		**111,894**	**111,894**	**101,420**	**101,420**
Liabilities					
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
Total financial liabilities at amortised cost		**130,478**	**130,802**	**116,221**	**115,902**

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

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	Fair value		Contract	Fair value	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities
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
Total currency instruments	15,375	407	-122	18,312	184	-5
Interest rate instruments						
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
Total interest rate instruments	187,023	2,534	-2,464	220,964	3,314	-3,393
Commodity-related contracts						
Stock-exchange-traded standardised forwards and futures contracts	246	60	-60	109	14	-14
Total commodity-related contracts	246	60	-60	109	14	-14
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	33,623	780	-230	25,249	807	-127
Total interest rate instruments	33,623	780	-230	25,249	807	-127
Total						
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
Total financial derivatives	**236,266**	**4,328**	**-3,341**	**264,634**	**4,812**	**-3,973**

Group

Fair value through profit and loss (NOK million)	31 Dec 2017			31 Dec 2016		
	Contract	Fair value		Contract	Fair value	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities
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
Total currency instruments	15,375	407	-122	18,312	184	-5
Interest rate instruments						
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
Total interest rate instruments	187,023	2,534	-2,464	220,640	3,239	-3,393
Equity instruments						
Equity options	37	12	-13	32	17	-14
Equity forwards/futures	1,535	10	11	909	1	-87
Total equity instruments	1,573	23	-2	940	18	-101
Commodity-related contracts						
Stock-exchange-traded standardised forwards and futures contracts	246	60	-60	109	14	-14
Total commodity-related contracts	246	60	-60	109	14	-14
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	33,623	780	-230	25,249	807	-127
Total interest rate instruments	33,623	780	-230	25,249	807	-127
Total						
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
Total financial derivatives	**237,839**	**4,351**	**-3,343**	**265,251**	**4,752**	**-4,074**

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			Group	
31 Dec 2016	**31 Dec 2017**	**Shares and units (NOK million)**	**31 Dec 2017**	**31 Dec 2016**
225	**119**	**At fair value through profit or loss**	**1,758**	**1,483**
43	73	Listed	1,492	1,109
182	46	Unlisted	266	373
23	**50**	**Available for sale**	**67**	**60**
23	50	Unlisted	67	60
248	**169**	**Total shares and units**	**1,825**	**1,542**
		Business held for sale - of which shares		
226	82	Unlisted	49	15
226	**82**	**Total shares held for sale (see note 39)**	**49**	**15**
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
Total quoted shares				**6,750**	**59,872**
SpareBank 1 Nordvest	FV		69,423	7,455	7,880
SpareBank 1 Søre Sunnmøre	FV		48,070	4,999	4,999
Total quoted credit institutions				**12,454**	**12,879**
Unlisted companies					
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
Total unquoted shares and units				**20,146**	**96,417**
Total shares, units and equity capital certificates, parent bank				**39,350**	**169,168**

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
Total quoted shares				**1,109,521**	**1,266,170**
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
Total quoted credit institutions				**138,496**	**153,552**
Unlisted companies					
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
Total unquoted shares and units				**206,571**	**236,431**
Total shares, units and equity capital certificates, Group				**1,493,938**	**1,825,321**

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

Note 32 - Intangible assets

31 Dec 2017

Parent Bank: Other intangible assets	Parent Bank: Goodwill	Parent Bank: Total	(NOK million)	Group: Total	Group: Goodwill	Group: 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
75	**447**	**522**	**Book value as at 31 December**	**793**	**653**	**141**

31 Dec 2016

Parent Bank: Other intangible assets	Parent Bank: Goodwill	Parent Bank: Total	(NOK million)	Group: Total	Group: Goodwill	Group: 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
23	**447**	**470**	**Book value as at 31 December**	**639**	**565**	**74**

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.

SpareBank 1 SMN

Note 33 - Property, plant and equipment

31 Dec 2017

Parent Bank				Group		
Buildings and other real property	**Machinery, inventory and vehicles**	**Total**	**(NOK million)**	**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
52	**63**	**115**	**Book value as at 31 December**	**263**	**79**	**183**

31 Dec 2016

Parent Bank				Group		
Buildings and other real property	**Machinery, inventory and vehicles**	**Total**	**(NOK million)**	**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
63	**59**	**121**	**Book value as at 31 December**	**906**	**69**	**837**

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.

SpareBank 1 SMN

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
882	**703**	**Total other assets**	**1,654**	**2,376**

* 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			Group	
31 Dec 2016	31 Dec 2017	Deposits from and liabilities to customers (NOK million)	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
68,391	**77,362**	**Total deposits from and liabilities to customers**	**76,476**	**67,168**
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
68,391	**77,362**	**Total deposits from customers broken down by sector and industry**	**76,476**	**67,168**

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
68,391	**77,362**	**Total deposits broken down by geographic area**	**76,476**	**67,168**

SpareBank 1 SMN

Note 36 - Debt securities in issue

Parent Bank 31 Dec 2016	Parent Bank 31 Dec 2017	(NOK million)	Group 31 Dec 2017	Group 31 Dec 2016
36,317	42,194	Bond debt	42,194	36,317
36,317	**42,194**	**Total debt securities in issue**	**42,194**	**36,317**
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
36,317	**42,194**	**Total securities debt**	**42,194**	**36,317**

*) 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
36,317	**42,194**	**Total securities debt**	**42,194**	**36,317**

Parent Bank and Group

Change in securities debt	31 Dec 2017	Issued	Fallen due/ redeemed	Other changes	31 Dec 2016
Bond debt, nominal value	41,663	11,490	6,332	970	35,535
Adjustments	207	-	-	-246	453
Accrued interest	324	-	-	-4	328
Total	**42,194**	**11,490**	**6,332**	**720**	**36,317**

Change in securities debt	31 Dec 2016	Issued	Fallen due/ redeemed	Other changes	31 Dec 2015
Bond debt, nominal value	35,535	8,158	5,492	-1,145	34,014
Adjustments	453	-	-	-322	775
Accrued interest	328	-	-	-37	365
Total	**36,317**	**8,158**	**5,492**	**-1,504**	**35,154**

Note 37 - Other debt and liabilities

Parent Bank 31 Dec 2016	Parent Bank 31 Dec 2017	Other debt and recognised liabilities (NOK million)	Group 31 Dec 2017	Group 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
731	**909**	**Total other debt and recognised liabilities**	**1,923**	**1,531**
		Other liabilities, not recognised		
2,034	579	Credit limits, trading	731	2,170
-	-	Other commitments	33	41
2,034	**579**	**Total other commitments**	**764**	**2,211**
2,765	**1,488**	**Total commitments**	**2,686**	**3,742**

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 Cash deposit	Parent Bank Total	Pledged assets	Group Total	Group 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 permises, 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
70	**64**	**Total lease costs**	**39**	**49**

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
Total	**841**	**965**

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
Provisions at 1 Jan	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	-	-
Provisions at 31 Dec	**24**	**4**	**39**	**69**

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 futher details, see note 3.

Parent bank 31 Dec 2016	Parent bank 31 Dec 2017	(NOK million)	Group 31 Dec 2017	Group 31 Dec 2016
		Dated subordinated debt		
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
1,695	**1,676**	**Total dated subordinated debt**	**1,718**	**1,737**
		Hybrid Capital		
350	350	Hybrid capital10/99, fixed rate 8.25 % NOK (Call 2020) *)	350	350
100	100	Hybrid captial 10/99, floating rate NOK (Call 2020)	100	100
33	25	Discount perpetual hybrid equity	25	33
8	8	Accrued interest	8	8
491	**483**	**Total hybrid capital**	**483**	**491**
2,186	**2,159**	**Total subordinated loan capital and hybrid capital**	**2,201**	**2,228**
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

Changes in subordinated debt and hybrid capital issue	31 Dec 2017	Issued	Fallen due/ redeemed	Other changes	31 Dec 2016
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
Total subordinated debt and hybrid capital issue	**2,201**	**1,000**	**1,000**	**-27**	**2,228**

Changes in subordinated debt and hybrid capital issue	31 Dec 2016	Issued	Fallen due/ redeemed	Other changes	31 Dec 2015
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
Total subordinated debt and hybrid capital issue	**2,228**	**43**	**300**	**-24**	**2,509**

Note 39 - Investments in owner interests

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

Company	Company number	Registered office	Stake in per cent
Investment in subsidiaries			
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
Shares owned by subsidiaries and sub-subsidiaries			
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
Investment in joint ventures			
SpareBank 1 Gruppen AS	975966372	Tromsø	19.5
SpareBank 1 Banksamarbeidet DA	986401598	Oslo	18.0
SpareBank 1 Betaling AS	919116749	Oslo	19.7
Investment in associates			
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
Investment in companies held for sale			
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
SpareBank 1 Finans Midt-Norge AS	612,590	61,259	10.0	6,724	5,745	-	304	392	295	96	34	499
Total investments in credit institutions												**499**
EiendomsMegler 1 Midt-Norge AS	57,803	4,788	10.5	281	91	3	28	395	367	27	- 8	120
SpareBank 1 SMN Kvartalet AS **)	326,160	30,200	10.8	869	-	-	-	78	64	14	-	994
SpareBank 1 Regnskapshuset SMN AS	17,850	238	75.0	323	110	0	10	377	315	62	2	154
SpareBank 1 Invest AS	457,280	457,280	1.0	854	49	-	-	48	5	43	-	739
SpareBank 1 Bygget Steinkjer AS	6,100	100	61.0	49	1	-	-	4	3	1	-	53
SpareBank 1 Card Solution AS	200	2,000	0.1	7	1	-	-	5	4	1	-	9
St. Olavs Plass AS	10,000	100,000	0.1	77	1	-	-	6	6	0	-	75
SpareBank 1 Bilplan AS	5,769	41,206	0.1	32	28	-	-	112	112	0	-	9
Jernbanegata 19 AS	1,000	10,000	0.1	10	0	-	-	-	0	0	-	13
SpareBank 1 Markets AS	529,221	3,168,991	0.2	2,242	1,573	- 0	223	452	440	12	4	456
Total investments in other subsidiaries												**2,621**
Total investments in Group companies, Parent Bank												**3,120**

*) 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
Total investments in credit institutions												**448**
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
Total investments in other subsidiaries												**2,557**
Total investments in Group companies, Parent Bank												**3,005**

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			Group	
31 Dec 2016	**31 Dec 2017**	**(NOK million)**	**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
3,766	**3,940**	**Book value as at 31 December**	**5,760**	**5,638**

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 developement companies owned by SpareBank 1 SMN Invest AS	-	-42
Proaware AS	3	-
Sum	**104**	**-74**

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:

	Parent Bank	
Dividends from (NOK million)	**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
Total income from associates and joint ventures	**410**	**591**

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		
Total					**437**	**5,760**		

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		
Total					**423**	**5,638**		

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 couse 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.

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

2016 (NOK million)	Assets	Liabilities	Total income	Total costs	Company's result of the year	Ownership share	No. of shares
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 Regnskapsservice 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 acqusition 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.

	Subsidiaries		**Other related companies**	
Loans (NOK million)	**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
Outstanding loans as at 31 Dec	**5,909**	**4,780**	**4,561**	**4,147**
Interest rate income	119	71	121	150
Bonds and subordinated loans as at 31 Dec	2,033	79	4,759	1,315
Deposits (NOK million)				
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
Deposits as at 31 Dec	**947**	**1,413**	**2,063**	**3,831**
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 a 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 investmens 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 %
The 20 largest ECC holders in total	**49.504.505**	**38,13 %**
Others	80.331.938	61,87 %
Total issued ECCs	**129.836.443**	**100,00 %**

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 Captial Certificates adjusted for own certificates	129,507,851	129,534,387
Earnings per Equity Captial Certificate	**8.71**	**7.93**

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
Adjusted Net Profit	**1,763**	**1,606**

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	-	-
A. The equity capital certificate owners' capital	**8,652**	**8,063**
Ownerless capital	4,831	4,499
Unrealised gains reserve	45	45
Other equity capital	-	-
B. The saving bank reserve	**4,877**	**4,545**
To be disbursed from gift fund	322	220
Dividend declared	571	389
Equity ex. hybrid capital	**14,422**	**13,216**
Equity capital certificate ratio A/(A+B)	**63.95 %**	**63.95 %**
Equity capital certificate ratio for distribution	**63.95 %**	**63.95 %**

Note 44 - Dividends from subsidiaries

Dividends (NOK million)	**2017**	**2016**
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
Total dividends	**364**	**147**

Distributions (NOK million)	**2017**	**2016**
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
Total distributed	**1,800**	**1,750**

Note 45 - Transition disclosure IFRS 9

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

Group Financial instruments	Category IAS 39	Amount IAS 39	Category IFRS 9	Amount 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
Amortised cost					
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
total amortised cost		**115,207**	**-60,561**	**-59**	**54,587**
Fair value over profit & loss					
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
Total fair value over profit & loss		**29,124**	**66**	**-**	**29,190**
Fair value over OCI- with recycling					
Net loans to and receivables from customers	A	-	60,561	39	60,600
Shares, units and other equity interests	B	66	-66	-	-
Total fair value over OCI- with recycling		**66**	**60,495**	**39**	**60,600**
Total financial assets	**D**	**144,397**	**0**	**-20**	**144,378**
Financial liabilities					
Amortised cost					
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
total amortised cost		**130,478**	**-**	**-**	**130,478**
Fair value over profit & loss					

Derivatives	3,343	-	-	3,343
Equity instruments	244	-	-	244
Total fair value over profit & loss	**3,586**	**-**	**-**	**3,586**
Total Financial liabilities	**134,064**	**-**	**-**	**134,064**

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 31 December 2017**	**Reclassification**	**Remeasurement**	**Expected credit losses under IFRS 9 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
Total changes in impairment allowances	**-1,117**	**-**	**-20**	**-1,137**

						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
Total	**-86**	**-269**	**-782**	**-**	**-1,137**	**-769**	**-347**	**-1,117**

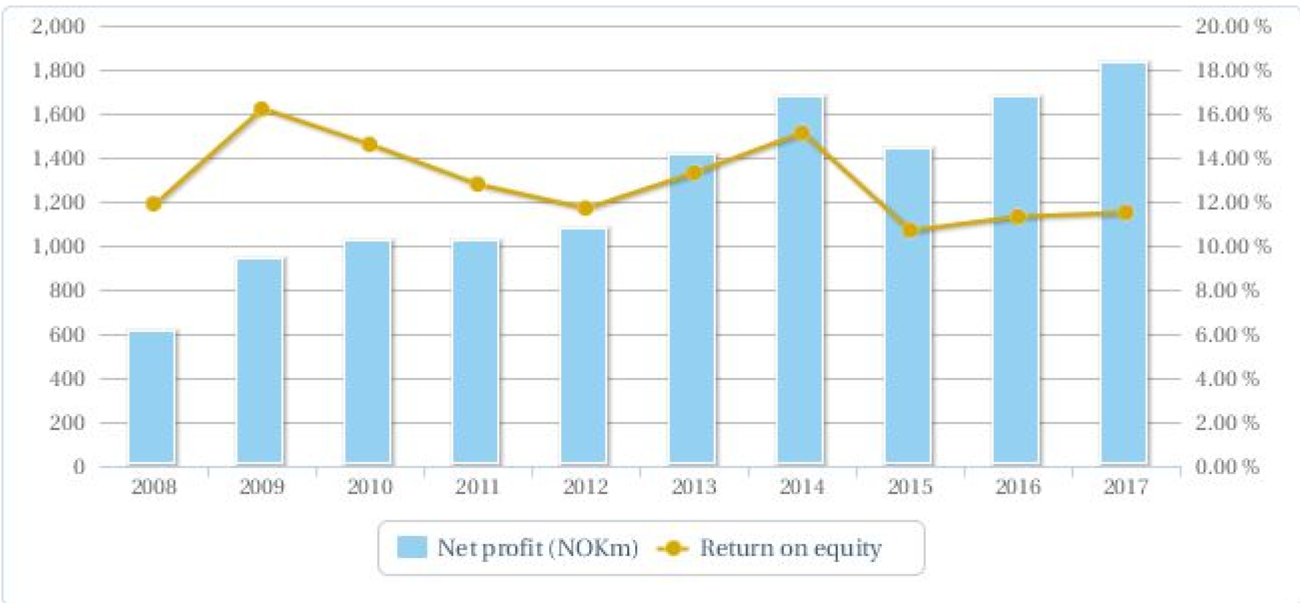
Financial summary (Group)

Income statement NOKm	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Interest income	3,825	3,597	4,031	4,265	4,118	3,928	3,891	3,422	3,462	4,827
Interest expenses	1,600	1,668	2,111	2,424	2,483	2,451	2,499	2,105	2,137	3,477
Net interest and credit comission income	**2,225**	**1,929**	**1,920**	**1,841**	**1,635**	**1,477**	**1,392**	**1,317**	**1,325**	**1,350**
Commision and fee income	2,005	1,674	1,545	1,512	1,463	1,139	919	855	756	610
Income from investment in related companies	437	423	448	527	355	244	248	276	349	393
Return on financial investements	322	521	11	193	147	207	186	133	247	-186
Total income	**4,989**	**4,547**	**3,924**	**4,073**	**3,599**	**3,067**	**2,746**	**2,582**	**2,677**	**2,167**
Salaries, fees and other personnel costs	1,426	1,159	1,093	1,002	914	924	810	583	725	623
Other operating expenses	943	844	838	787	807	730	672	557	528	571
Total costs	**2,369**	**2,003**	**1,931**	**1,789**	**1,722**	**1,654**	**1,482**	**1,140**	**1,253**	**1,194**
Operating profit before losses	**2,621**	**2,544**	**1,993**	**2,284**	**1,877**	**1,413**	**1,264**	**1,441**	**1,424**	**975**
Losses on loans and guarantees	341	516	169	89	101	58	27	132	277	202
Operating profit	**2,279**	**2,029**	**1,824**	**2,195**	**1,776**	**1,355**	**1,236**	**1,309**	**1,147**	**773**
Taxes	450	352	383	376	393	295	255	260	210	156
Held for sale	-1	4	-1	0	30	16	43	-27		
Profit of the year	**1,828**	**1,681**	**1,441**	**1,819**	**1,413**	**1,077**	**1,024**	**1,022**	**937**	**617**
Dividend	**571**	**389**	**292**	**292**	**227**	**195**	**190**	**285**	**201**	**116**

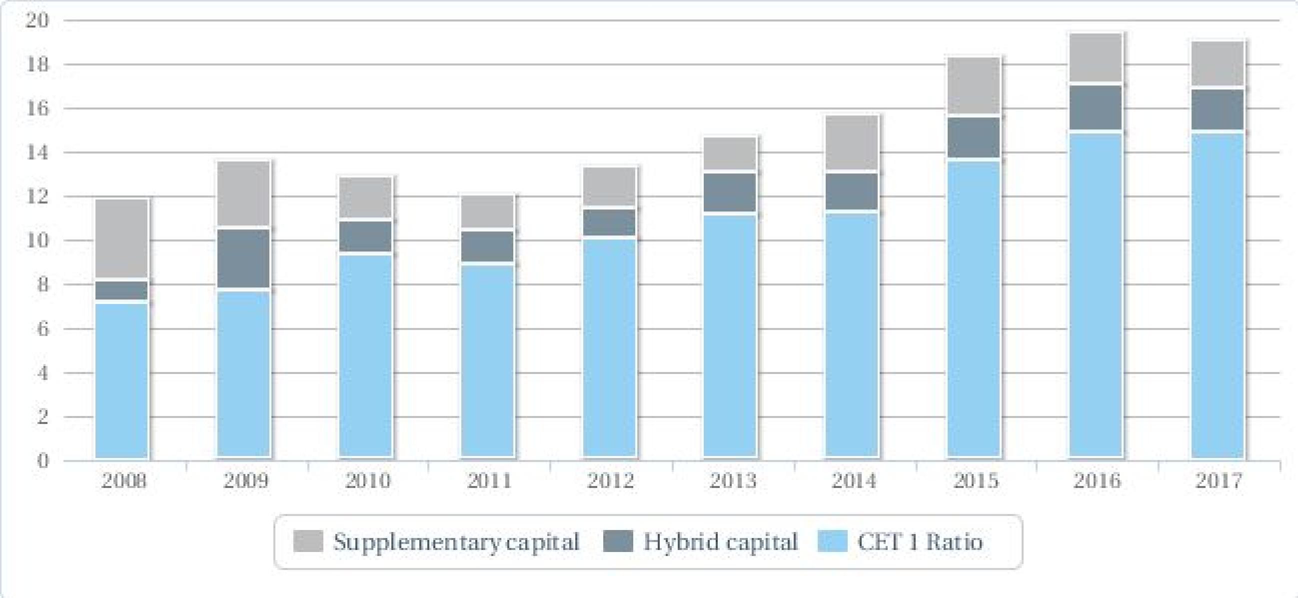
Balance sheet NOKm										
Cash and loans to and claims on credit institutions	7,527	4,207	5,677	5,965	5,984	4,091	4,075	2,532	1,260	4,548
CDs, bonds and other interest-bearing securities	31,672	29,489	30,282	27,891	26,358	25,614	21,485	22,948	19,302	2,035
Loans before loss provisions	112,071	102,325	93,974	90,578	80,548	74,943	73,105	69,847	61,782	64,016
- Specified loan loss provisions	765	632	183	172	173	144	172	222	219	215
- Unspecified loan loss provisions	347	339	376	295	295	295	290	290	289	245
Other assets	3,096	3,030	2,540	2,080	2,938	3,766	3,251	3,182	2,704	4,540
Total assets	**153,254**	**138,080**	**131,914**	**126,047**	**115,360**	**107,975**	**101,455**	**97,997**	**84,541**	**84,649**
Debt to credit institutions	9,607	10,509	8,155	9,123	6,581	7,410	9,118	13,062	11,310	9,000
Deposits from and debt to customers	76,476	67,168	64,090	60,680	55,927	52,252	47,871	42,786	37,227	35,280
Debt created by issuance of securities	45,537	40,390	40,569	39,254	36,806	33,121	31,306	29,625	24,070	29,680
Other debt and accrued expences etc.	1,924	1,532	1,734	1,095	1,485	2,070	2,122	1,922	1,876	2,045
Subordinated debt	2,201	2,228	2,509	2,417	2,365	3,040	2,690	2,756	3,875	3,156
Total equity	17,510	16,253	14,258	13,478	12,197	10,082	8,348	7,846	6,183	5,518
Total liabilities and equity	**153,254**	**138,080**	**131,914**	**126,047**	**115,360**	**107,975**	**101,455**	**97,997**	**84,541**	**84,679**
Key figures										
Total assets	153,254	138,080	131,914	126,047	115,360	107,919	101,455	97,997	84,541	84,679
Average total assets	145,948	137,060	128,355	117,794	111,843	105,500	98,465	91,317	86,679	75,820
Gross loans to customers	112,071	102,325	93,974	90,578	80,548	74,943	73,105	69,847	61,782	64,016
Gross loans to customers incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	148,748	137,535	127,378	120,435	112,283	104,925	95,232	87,665	77,429	71,317
Gross loans in retail market	98,697	89,402	80,725	74,087	68,591	62,587	55,034	49,619	45,157	42,679
Gross loans in corporate market	50,087	48,133	46,653	46,348	43,692	42,322	40,198	38,046	32,272	28,638
Deposits from and debt to customers	76,476	67,168	64,090	60,680	55,927	52,252	47,871	42,786	37,227	35,280
Deposits from retail market	31,797	29,769	28,336	26,496	23,891	22,279	20,860	19,052	17,898	17,566
Deposits from corporate market	44,678	37,398	35,754	34,184	32,036	29,973	27,011	23,734	19,330	17,715

Ordinary lending financed by ordinary deposits	68 %	66 %	68 %	67 %	69 %	70 %	65 %	61 %	60 %	55 %
Ordinary lending incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt financed by ordinary deposits	51 %	49 %	50 %	50 %	50 %	50 %	50 %	49 %	48 %	49 %
Capital adequacy										
CET1 Capital	13,938	13,229	12,192	10,679	9,374	8,254	6,687	6,177	4,938	4,356
Core capital	15,824	15,069	13,988	12,382	10,989	9,357	7,856	7,286	6,730	4,967
Primary capital	17,746	17,185	16,378	14,937	12,417	10,943	9,055	8,646	8,730	7,312
Risk weighted volume	93,474	88,788	89,465	95,317	84,591	82,446	75,337	66,688	64,400	61,538
Minimum requirements subordinated capital	7,478	7,103	7,157	7,625	6,767	6,596	6,027	5,335	5,152	4,923
CET 1 Ratio	14.9 %	14.9 %	13.6 %	11.2 %	11.1 %	10.0 %	8.9 %	9.3 %	7.7 %	7.1 %
Core capital ratio	16.9 %	16.9 %	15.6 %	12.9 %	12.9 %	11.3 %	10.4 %	10.9 %	10.4 %	8.1 %
Capital ratio	18.9 %	19.4 %	18.3 %	15.6 %	14.7 %	13.3 %	12.0 %	12.9 %	13.5 %	11,9 %
Leverage ratio	7.24 %	7.42 %	6.69 %	6.03%						
Cost/income ratio	47 %	44 %	50 %	44 %	48 %	54 %	53 %	44 %	47 %	55 %
Losses on loans	0.23 %	0.39 %	0.14 %	0.08 %	0.09 %	0.06 %	0.03 %	0.16 %	0.31 %	0.21 %
ROE	11.5 %	11.3 %	10.7 %	15.1 %	13.3 %	11.7 %	12.8 %	14.6 %	16.2 %	11.9 %
Growth in lending (gross)	8.2 %	8.0 %	5.8 %	7.3 %	7.0 %	10.2 %	8.6 %	13.2 %	8.6 %	15.2 %
Growth in deposits	13.9 %	4.8 %	5.6 %	8.5 %	7.0 %	9.2 %	11.9 %	14.9 %	5.5 %	8.8 %
Number of staff	1,328	1,328	1,298	1,273	1,238	1,216	1,153	1,117	1,108	1,062
Number of FTEs	1,403	1,254	1,208	1,192	1,159	1,135	1,109	1,035	1,017	973
Number of branches	48	48	49	49	50	51	54	54	55	56

Net profit and return on equity

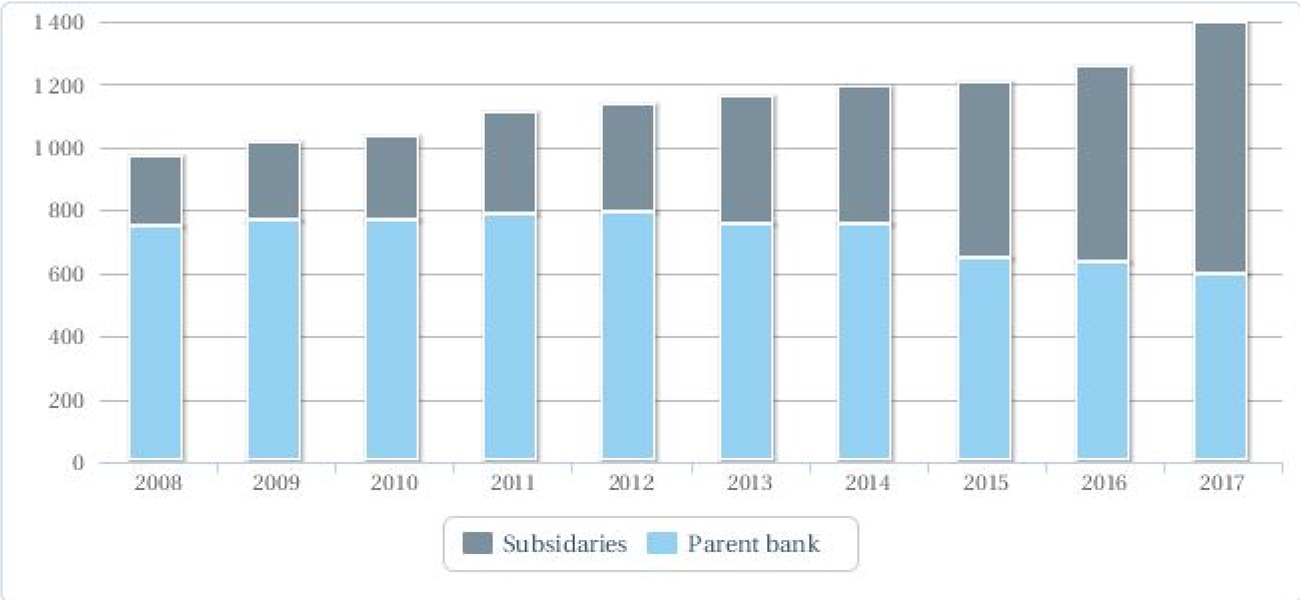


Capital ratio

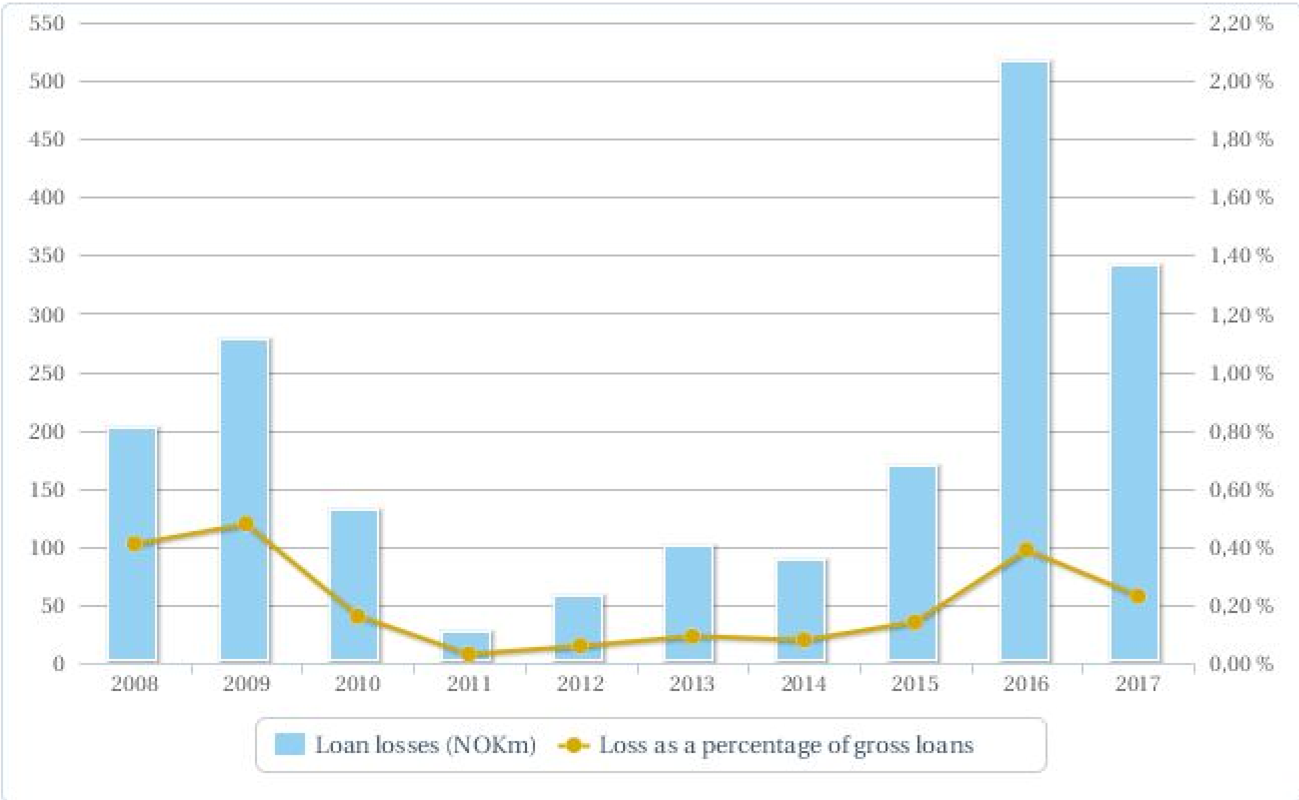


Loans and deposits (NOKbn)

FTEs



Loan losses



Dividend and profit per ECC (NOK)

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

Statement by the Board of Directors and the Group CEO

We hereby declare that to the best of our knowledge

- the financial statements for 2017 for the Parent Bank and the Group have been prepared in conformity with IFRS as determined by the EU, with such additional information as required by the Accounting Act.
- the accounting information gives a true and fair view of the assets, liabilities, financial position and profit/loss of the Parent Bank and the Group taken as a whole, and that
- the Directors' report gives a fair review of developments, profit/loss and position of the Parent Bank and the Group, together with a description of the principal risks and uncertainties facing the Group.

Trondheim, 28 February 2018
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal (chair)	Bård Benum (deputy chair)	Paul E. Hjelm-Hansen
Aud Skrudland	Morten Loktu	Janne Thyø Thomsen
Arnhild Holstad	Erik Gunnes (employee rep.)	Venche Johnsen (employee rep.)
		Finn Haugan (Group CEO)

Auditor's report

Deloitte.

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To the Supervisory Board of SpareBank 1 SMN

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SpareBank 1 SMN. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters	Procedures for key audit matters
IT- systems and controls relevant to financial reporting	
SpareBank 1 SMN's IT systems are essential for accounting and reporting of completed transactions. It provides the basis for important estimates and calculations and provides relevant additional information. The IT systems are standardized, and the management and operations are to a great extent outsourced to external service providers. For a more detailed description of the development, management and operation of IT systems in SpareBank 1 SMN, see note 6 in the financial statements. Proper management and control of IT systems both at SpareBank 1 SMN and their service providers are essential to ensure accurate, complete and reliable financial reporting. This area is therefore a key audit matter.	SpareBank 1 SMN has established internal control activities related to their IT systems. We have obtained an understanding of SpareBank 1 SMN's IT environment relevant to financial reporting. We assessed and tested the design of internal control activities related to IT systems and control activities which are relevant to the financial reporting, including selected controls related to operations, change management, and information security. We tested the operating effectiveness for a sample of these controls in the reporting period. We assessed and tested the design of a sample of automated controls related to, among others, computations, reconciliations and the settlement of transactions. For a sample of these controls we tested the operating effectiveness in the reporting period. We assessed the assurance report (ISAE 3402 report) issued by the independent auditor for SpareBank 1 SMN's service providers to assess whether they had adequate internal controls in areas that may be significant for SpareBank 1 SMN's financial reporting. We have engaged Deloitte's IT specialists in the work to understanding the overall governance model for IT and in the evaluation and testing of internal control activities related to IT.
Impairment losses on loans within the corporate market	
Loan to customers at 31 December 2017 amounts to MNOK 112.071, individual write-downs amounts to MNOK 765 and group write-downs amounts to MNOK 347. See Note 7-15 for a discussion of credit risk and impairment losses on loans and guarantees. There is considerable judgement in the Bank's evaluation of the size of the write-downs, both for individual loans and groups of loans within the corporate market. As a result of the current market situation for oil-related activity there is a significant uncertainty related to impairment losses within this industry. Judgement is related to the evaluation of the probability of default and loss given default.	SpareBank 1 SMN has established internal control activities related to write-downs on loans and provisions for losses on guarantees within segment industry. We assessed and tested the design of a sample of key control activities related to the process for write-downs of loans within the corporate market. The control activities were related to the identification of loans with indicators of value impairment and the assessment of cash flows for these loans. We tested the operating effectiveness for a sample of these controls in the reporting period. For a sample of loans with individual write-downs, we tested whether the loss event was timely identified and assessed the cash flows that management had estimated, including

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Assumptions and estimates used in these evaluations are essential for the size of the write-downs and impairments in the corporate market, including oil-related activities. It is therefore a key audit matter.	that value of collateral was based on external appraisals. For write-downs on loans calculated using models we tested the models' technical calculations by recalculating a sample of the calculations. We further tested the accuracy of a sample of the input data used in the calculations by comparing it to the information from the bank's IT systems. We also assessed material assumptions used in the models by comparing it to our own expectations based on general knowledge of the market and the Bank's operations. We also considered whether the notes to the financial statements about write-downs on loans and guarantees in the segment business were adequate.
Note information on capital requirement	
SpareBank 1 SMN is subject to the regulations on capital requirement in Financial Enterprises Act and associated regulations. The accounting regulations for banks require information on capital requirement in the notes to the financial statements. Note 5 to the financial statements provides information on, among other methods used, net capital, total calculation base and capital requirement. With the exception of engagements with governments and central banks, SpareBank 1 SMN utilizes internal measurement methods (IRB) for assessing credit risk. The use of IRB imposes wide-ranging requirement on the bank's organizational set-up, competence, risk models risk, management systems. SpareBank 1 SMN is required to comply, and at all times, satisfy the minimum capital requirement on entity and group level. The fact that compliance with the minimum capital requirement ratio is a condition for the Bank's operations and that the calculations are complex and based on a number of assumptions and estimates, makes it a key audit matter.	SpareBank 1 SMN has established internal control activities related to the calculation of net subordinated capital, total calculation base and capital requirement. We have assessed and tested the design of the internal control activities that we deemed most significant. The internal control activities we tested were related to the completeness of the data transfer and the calculation of the risk-weighted calculation base. We tested the operating effectiveness for a sample of these controls in the reporting period. We assessed SpareBank 1 SMN's interpretations of the capital adequacy regulations on selected areas against the capital adequacy regulations and industry practice. Furthermore, we tested the accuracy of calculation of selected items included in regulatory capital. We also assessed whether other information in the note on capital requirement was adequate.

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Other information
Management is responsible for the other information. The other information comprises the Annual Report of 2017, but does not include the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 28 February 2018
Deloitte AS

Mette Estenstad
State Authorised Public Accountant

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