

Note 4 - 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 (FVO)	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	Note	Carrying amount under IAS 39 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 1 January 2018
Financial assets					
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 have been 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 provisions	Loan loss provision under IAS 39			Expected credit losses under IFRS 9	
	31 December 2017	Reclassification	Remeasurement	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 provisions	-1,117	-	-20	-1,137	

	31 Dec 2017						
	Stage 1	Stage 2	Stage 3	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