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 2018 were approved by the Board of Directors on 5 March 2019.

Note 2 - Accounting principles

Basis for preparing the consolidated annual accounts

The Group accounts for 2018 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 2018.

Implemented accounting standards and other relevant rule changes in 2018

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 2018 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 2018:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 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 require businesses to use judgment, og take into consideration all relevant facts and circumstances when assessing the customer contracts in each stage in the model. The standard specifies the accounting of marginal expenses related to achieving a contract, and the expenses relating to fulfilling the contract. The standard also require comprehensive disclosures.

The Group implemented IFRS 15 under the full retrospective method. No disclosures about transition effects have been made due to practical expedients in IFRS 15.C4. The group has not utilized any other available practical expedients. The standard have no significant impact on the group's principles for revenue recognition.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces 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 applies from 1 January 2018. For an overview of the quantitative impact of implementing IFRS 9, see note 4.

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. For description of the principles in IAS 39 used in 2017, refer to the annual report for 2017.

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. Financial instruments at fair value are at about the same level as under previous rules.

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 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 has continued to apply hedge accounting under IAS 39.

Loan impairment write-downs
Under previous 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 previously. This will be particularly noticeable at the start of a cyclical downturn.

Further description of the bank's impairment write-down model
Loss estimates are prepared quarterly, and build on data in the data warehouse which has historical accounting and customer data for the entire credit portfolio. Loss estimates are 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.

The thresholds for movement between Stage 1 and Stage 2 are symmetrical. After a financial asset has transferred to Stage 2, if its credit risk is no longer considered to have significantly increased relative to its initial recognition, the financial asset will move back to Stage 1.

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 previous rules were defined as defaulted and written down.

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.

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 arrangements

Under IFRS 11 investments in Joint arrangements shall be classified as Joint operations or joint ventures depending on the right and obligations in the contractual arrangement for each investor. SpareBank 1 SMN has assessed its joint arrangements and concluded that they are joint ventures. Jointly controlled ventures are accounted for using the equity method in the group and the cost method in the parent bank.

When the equity method is used joint ventures are recognised at their original acquisition cost. The carrying amount is thereafter adjusted to recognise the share of the results after the acquisition and the share of comprehensive income. When the group's share of a loss in a joint venture exceeds the capitalized amount (including other long-term investments that are in reality part of the group's net investment in the venture), no further loss is recognized unless liabilities have been assumed or payments have been made on behalf of the joint venture. Unrealised gains on transactions between the group and its joint ventures are eliminated according to the ownership interest in the business. Unrealised losses are also eliminated unless the transaction gives evidence of a fall in value on the transferred asset. Amounts reported from joint ventures are, if necessary, restated to ensure they correspond with the accounting policies of the group. See also note 39 Investments in owner interests.

Loans and loan losses

Loans held in “hold to collect” business model are measured at amortised cost. 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.

The Bank sells only parts of the loans qualified for transfer to SpareBank1 Boligkreditt. Loans included in business models (portfolios) with loans qualifying for transfer are therefore held both to collect cash flows and for sales. The Bank therefore classify all residential mortgages at fair value over other comprehensive income. Fair value on such loans at initial recognition are measured at the transaction price, without reduction for 12 month expected credit loss.

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 non-financial assets 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.

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 and de-regocnised. Actual losses covered by earlier specified loss provisions are reflected in such loss provisions. Actual losses not covered by Stage 3 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 defaulted 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 at fair value through profit/loss. Money market instruments and bonds are classified at fair value through profit/loss, fair value through OCI or amortised cost. 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.

Money market instruments and bonds classified at amortised cost are measured 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 or fair value over OCI 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. Interest income are calculated based on Gross loans in stage 1 and 2, and Net loans in Stage 3.

In the case of interest-bearing instruments measured at fair value in profit or loss, changes in market value will be classified as income from other financial investments, and interest income is presented as other interest income. In the case of interest-bearing instruments at amortised cost or fair value over OCI and not utilised for hedging, 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 6 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 2018

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.

IAS 12

IAS 12 has changed from 1 january 2019. The changes in IAS 12 entails that tax expensed related to equity items that for tax purposes are considered debt (hybrid capital) will no longer be included as part of the equity transaction, but be inclued as tax expense in profit and loss. If hybrid capital interest are on the same level as in 2018, the tax expense in profit and loss in 2019 will be reduced by NOK 14 million as a consequence of this change.

IFRS 16 Leases

IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease agreement, i.e. the customer (lessee) and the offeror (lessor). The new standard requires lessees to recognise assets and liabilities for the majority of leases, which is a significant change from today's principles. For lessors, IFRS 16 continues in all essentials the existing principles in IAS 17. Accordingly, a lessor must continue to classify its lease agreements as operating or finance leases, and to account for those two types of leases differently.

The Group expects to implement the standard by applying a simplified method without restatement of prior year comparatives. Upon transition SpareBank 1 SMN will recognise an obligation to make lease payments (lease liability) and an asset representing its right to use the underlying asset in the period of the lease (right-of-use asset). In the profit and loss account, depreciation of the right-of-use asset will be accounted for separately from the interest on the lease liability.

SpareBank 1 SMN has decided to apply the following practical expedients:

- to exempt assets of low value
- to omit to recognise non-lease components
- not to restate comparatives upon implementation. A right-of-use asset and a lease liability will be measured at the same amount, taking into account prepayments and provisions made as at 31 December 2018.

Method of measurement and recognition

Measurement of the lease liability
The lease liability is measured as the current value of the lease payments for the right to use the underlying asset in the lease term. The lease term is the non-cancellable period of the lease. The lease term also includes any option to extend the lease provided there is reasonable certainty that the option will be exercised. The same applies to an option to terminate the lease provided there is reasonable certainty that the option will be exercised.

Lease payments included in the measurement consist of:

- fixed lease payments (including in-substance fixed payments)
- variable lease payments that depend on an index or interest rate, initially measured using the index or interest rate at the commencement date
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- payments of penalties for terminating the lease if the lease term reflects the Group exercising an option to terminate the lease

The Group does not include in the lease liability variable lease payments that arise out of agreed-upon index regulation subject to future events, such as inflation. Instead the Group recognises these costs in profit/loss in the period in which the event or the circumstance that triggers the payments arises.

The lease liability is thereafter measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made and re-measuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to adjustment of an index or rate.

The Group presents the lease liability together with other debt, whereas the right of use is presented together with property, plant and equipment in the consolidated balance sheet.

Recognition and discount rate
IFRS 16 refers to two different methods of determining the discount rate for lease payments:

- The rate implicit in the lease
- The lessee's incremental rate of borrowing, if the implicit rate is not readily determined

Lease contracts covered by IFRS 16 vary as regards term and option structure. Moreover, assumptions must be made as to the opening value of the underlying assets. Both of these items make an implicit interest calculation more complicated than an incremental borrowing rate calculation. SpareBank 1 SMN has a framework for transfer pricing that is designed to provide as correct a picture as possible of how various balance sheet items, business lines, segments or regions in the bank contribute to the bank's profitability. The starting point for the transfer pricing rates is the bank's historical cost of funding. The Group's cost of funding can be split up into a cost related to senior unsecured debt and a cost related to capital (hybrid capital and subordinated loan capital). The latter cost of funding shall, like other equity, be distributed on assets based on risk weights. The cost related to own funds (hybrid capital and subordinated loan capital) then appears as a further transfer price addition to the loan accounts. The bank also has indirect liquidity costs related to liquidity reserves. These are reserves that the bank is required to hold by the authorities along with reserves of surplus liquidity held by the bank for shorter periods. The liquidity reserves have a substantial negative return measured against the bank's cost of funding. This cost is distributed on balance sheet items that create a need for liquidity reserves, and appear as a reduction from the transfer price interest for deposits and an addition as regards loans.

Transfer Price rate = cost of funding + addition for liquidity reserve cost + addition for cost of capital

In the transfer pricing the bank's liquidity cost or cost of funding is distributed on assets and liabilities, and is actively utilised in the internal account. The transfer price is accordingly a well-established tool in the governance of the bank, and is regularly updated. The transfer price interest rate for an asset with the corresponding underlying, in this case commercial property, will therefore be a good representation of the incremental borrowing rate. This discount rate will include the material additions to the cost of funding, giving a more correct picture of the opportunity cost for the bank. It is recommended that this interest rate be used as the discount rate for the Group's leases coming under IFRS 16.

Accounting effect

For 2019 a discount rate of 2.05 per cent is employed.

Based on figures as at 31 December 2018, the implementation of IFRS 16 will entail a reduction in CET1 capital of 0.08 per cent for the Group.

Right-of-use assets are classified as non-current assets in the balance sheet whereas the lease liability is classified as other debt. The Group's lease liability relates in all essentials to lease agreements for offices. Total lease liabilities and right-of-use assets as at 1 January 2019 total NOK 645m for the Group. The effect on profit will vary over time, but the combination of interest cost and depreciation produces a somewhat larger amount than the lease cost at the start of the lease term and a lower amount towards the end of the lease term. For 2019 a negative profit effect of NOK 19m is expected for the Group in this respect.

Parent Bank		**Group**
1.Jan 2019	**Balance sheet (NOK million)**	**1.Jan 2019**
482	Lease commitments	645
482	Right-of-use asset	645
31.Dec 2019	**Profit and Loss**	**31.Dec 2019**
50	Depreciations	88
9	Interest	14
59	**Total**	**102**
	Transition to IFRS 16	
41	Reduced operating expenses under IAS 17	83
59	Increased depreciation and interest under IFRS 16	102
-18	**Changes in net profit before taxes**	**-19**

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 bear on 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.

Classification of financial instruments
Financial assets are classified either at fair value through other comprehensive income (OCI), at amortised cost or at fair value through profit and loss. The bank determines the classification based on characteristics of the asset's contractual cash flows and the business model under which the asset is managed.

In order to classify a financial asset the bank must determine whether the contractual cash flows from the asset are exclusively payment of interest and principal on the outstanding amount.

Principal is measured at fair value of the asset upon first-time recognition. Interest consists of payment for the time value of money, for credit risk associated with outstanding principal in a particular period, and for other loan risks and costs, in addition to a profit margin. If the bank establishes that the contractual cash flows from an asset are not exclusively payment for interest and principal, the asset shall be classified as measured at fair value through profit and loss.

When classifying financial assets, the bank establishes the business model utilised for each portfolio of assets that are managed collectively to achieve the same business objective. The business model reflects how the bank manages its financial assets and the degree to which the cash flows are generated through collection of the contractual cash flows, sale of financial assets or both. The bank establishes the business model through use of scenarios that can with reasonable likelihood be expected to occur. Establishment of the business model requires the application of discretionary judgement and an assessment of all available information at the point in time in question.

A portfolio of financial assets is classified in a "hold to collect" business model where the bank's primary aim is to hold these assets in order to collect their contractual cash flows rather than to sell them. Where the bank's objective is obtained through both collecting and selling the assets, the assets will be classified in a "hold to collect and sell" business model. In such a business model, both collection of contractual cash flows and sale of assets will be integral elements for achieving the bank's objective for the portfolio concerned.

Financial assets are measured at fair value through profit and loss if they do not fall within either a "hold to collect" business model or a "hold to collect or sell" business model.

Losses on loans and guarantees
The Bank rescores its loan portfolio monthly. Customers showing objective evidence of loss due to payment default, impaired creditworthiness or other objective criteria are subject to individual assessment and calculation of loss. 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, the loan is assigned to stage 3 and a write-down is performed for the calculated loss. A high degree of discretionary judgement is required in order to assess evidence of loss, and the estimation of amounts and timing of future cash flows with a view to determining a calculated loss is affected by this judgement. Changes in these factors could affect the size of the provision for loss. 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.

For loans in stage 1 and 2 a calculation is made of the expected credit loss using the bank's loss model based on estimates of probability of default (PD) and loss given default (LGD), as well as exposure (EAD). The assessment of a write-down for expected loss will invariably be based on a considerable degree of discretionary judgement. Assumptions and estimates may well entail substantial changes in provisioning from period to period that affect the bank's results.

The most important input factors in the bank's loss model that contribute to significant changes in the loss estimate and are subject to a high degree of discretionary judgement are the following:

- Use of forward-looking information and projection of macroeconomic variables for multiple scenarios on a probability-weighted basis
- Establishing what constitutes a significant increase in credit risk for a loan.

Use of forward-looking information
Measurement of expected credit loss for each stage requires both information on events and current conditions as well as expected events and future economic conditions. Estimation and use of forward-looking information requires a high degree of discretionary judgement. PD and LGD inputs used to estimate stage 1 and stage 2 provisioning for loss are calculated based on the macroeconomic

variables that correlate with credit loss in the relevant portfolios. Each macroeconomic scenario that is utilised includes a projection for a five-year period. Our estimate of expected credit loss in stage I and 2 is a probability-weighted average of three scenarios: base case, best case and worst case. Our base case scenario is based on the Norwegian Central Bank's Monetary Policy Report. The best case and worst case scenarios are designed with the main emphasis on cyclical developments, highlighting unemployment, and are weighted with a basis in our best estimate of the likelihood of the various outcomes represented. The estimates are updated quarterly. If the probability of worst case is doubled from 10 to 20 per cent at yearend, the expected credit loss provision would increase by NOK 61 million for the Bank and NOK 68 million for the group.

Determination of significant increase in credit risk:
The assessment of what constitutes a significant increase in credit risk requires a large degree of discretionary judgement. Movements between stage 1 and stage 2 are based on whether the instrument's credit risk on the balance sheet date has increased significantly relative to the date of first-time recognition. This assessment is done with a basis in the instrument's lifetime PD, and not expected losses. The assessment is done for each individual instrument. Our assessment is performed at least quarterly, based on three factors:

1. The bank uses both absolute and relative changes in PD as criteria for removal to stage 2. A change of more than 150% in PD is considered to be a significant change in credit risk. In addition, the change in PD must at minimum be more than 0.6 percentage points.
2. An additional quantitative assessment is made based on whether the exposure has a significantly increased credit risk if it is subject to special monitoring.
3. In addition, customers with payments more than 30 days overdue will in all cases be moved to stage 2.

If any of the above factors indicate that a significant increase in credit risk has occurred, the instrument is moved from stage 1 to stage 2.

See also note 2 on accounting principles and note 7 on risk factors.

Fair value of equity 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 where homogeneous products are traded, where willing buyers and sellers are normally 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 ask prices and where trading is quiet may pose a challenge. Some key shares will be based on in-house valuations, transaction prices or external analyses of the company. Such shares are valued using acknowledged valuation techniques. These include the use of discounted cash flows or comparative pricing where similar, listed, companies are used (multiple pricing) to determine the value of the unlisted company. Such valuations may be encumbered with uncertainty. Market values will in the main be based on valuations or the latest known trade in the share.

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 extensive use of discretionary judgement inter alia when calculating liquidity risk, credit risk and volatility. Changes in these factors will 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 cases where the Bank's risk position is approximately neutral, middle rates will be used. "Neutral risk position" means 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 determined 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 discretionarily 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 + the 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 an ample 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).

Acquisitions
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 the time of acquisition. While 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.

Companies held for sale
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 ongoing, 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 sale 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 10 on derecognition of financial assets.

Classification of hybrid capital
Sparebank 1 SMN has issued two hybrid capital instruments where the terms satisfy the requirements of CRD IV for inclusion in common equity tier 1 capital. As from 2017 these instruments are classified as equity in the financial statements since they do not meet the definition of financial liabilities under IAS 32. The instruments are perpetual and SpareBank 1 SMN is entitled not to pay interest to the investors. The interest is not presented as an expense in the income statement, but as a reduction in equity.

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

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 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 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 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**

Note 5 - Segment information

For the subsidiaries the figures refer to the respective company accounts, while for associates and 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 2018

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	1,056	981	-14	-1	275	-0	-	-	105	2,403
Interest from allocated capital	177	129	-	-	-	-	-	-	-306	-
Total interest income	**1,234**	**1,110**	**-14**	**-1**	**275**	**-0**	**-**	**-**	**-201**	**2,403**
Commission income and other income	793	202	460	497	62	444	-	-	-282	2,177
Net return on financial investments **)	0	17	105	-	-	-	289	92	255	757
Total income	**2,027**	**1,329**	**551**	**496**	**337**	**444**	**289**	**92**	**-228**	**5,337**
Total operating expenses	**804**	**373**	**536**	**519**	**155**	**373**	**-**	**-**	**-137**	**2,624**
Ordinary operating profit	**1,223**	**956**	**15**	**-23**	**182**	**71**	**289**	**92**	**-92**	**2,713**
Loss on loans, guarantees etc.	17	212	-	-	34	-	-	-	0	263
Result before tax	**1,206**	**744**	**15**	**-23**	**149**	**71**	**289**	**92**	**-92**	**2,450**
Return on equity*)	**13.2 %**	**11.3 %**								**12.2 %**
Balance										
Loans and advances to customers	112,723	40,548	-	-	7,760	-	-	-	-714	160,317
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-38,189	-1,656	-	-	-	-	-	-	0	-39,844
Allowance for credit losses	-103	-594	-	-	-45	-	-	-	-2	-744
Other assets	121	4,261	2,258	1,114	9	394	1,569	1,238	30,012	40,975
Total assets	**74,552**	**42,560**	**2,258**	**1,114**	**7,723**	**394**	**1,569**	**1,238**	**29,296**	**160,704**
Deposits to customers	40,046	39,236	-	-	-	-	-	-	1,333	80,615
Other liabilities and equity	34,506	3,324	2,258	1,114	7,723	394	1,569	1,238	27,963	80,089
Total liabilites and equity	**74,552**	**42,560**	**2,258**	**1,114**	**7,723**	**394**	**1,569**	**1,238**	**29,296**	**160,704**

Group 31 December 2017

Profit and loss account (NOK million)	RM	CM	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	226	760
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**	**-116**	**2,621**
Loss on loans, guarantees etc.	5	318	-	-	18	-	-	-	-0	341
Result before tax	**1,127**	**632**	**2**	**3**	**128**	**61**	**349**	**94**	**-116**	**2,279**
Return on equity*)	**16.6 %**	**10.5 %**								**11.5 %**
Balance										
Loans and advances to customers	103,131	39,482	-	-	6,740	-	-	-	-569	148,784
Adv. of this sold to SpareBank 1 Boligkreditt	-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**

*) 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 2018

**) Specification of net return on financial investments (NOK million)	31 Dec 2018	31 Dec 2017
Dividends	**8**	**6**
Capital gains shares (incl dividends)	96	62
Gain/(loss) on derivatives	187	124
Gain/(loss) on other financial instruments at fair value (FVO)	10	7
Foreign exchange gain/(loss)	63	45
Gain/(loss) on sertificates and bonds	-77	58
Gains/(Loss) on shares and share derivatives at SpareBank 1 Markets	58	43
Gain/(loss) on financial instruments related to hedging ***)	-4	-22
Net return on financial instruments	**334**	**317**
SpareBank 1 Gruppen	289	349
SpareBank 1 Boligkreditt	-7	-41
SpareBank 1 Næringskreditt	15	19
BN Bank	97	98
SpareBank 1 Kredittkort	23	15
SpareBank 1 Betaling	-12	-14
Other companies	12	12
Income from investment in associates and joint ventures	**416**	**437**
Total net return on financial investments	**757**	**760**

***) Specification of gain/loss related to hedge accounting	31 Dec 2018	31 Dec 2017
Changes in fair value on hedging instrument	-46	-214
Changes in fair value on hedging item	42	192
Net Gain or Loss from hedge accounting	**-4**	**-22**

Note 6 - 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 2018 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. The total minimum requirement on CET1 capital is accordingly 14.1 per cent. From first quarter 2019 the Pillar 2 requirement is changed to 1.9 per cent for SpareBank 1 SMN.

Countercyclical buffer is calculated using differentiated rates. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. For the fourth quarter of 2018 both the parent bank and the group is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures.

Parts of the group's hybrid capital and subordinated debt were issued under earlier rules. This has been subject to a write-down of 50 per cent in 2017 and 60 per cent in 2018. As at 31 December 2018 the bank held hybrid capital worth NOK 450 million subject to write-down.

Parent Bank			Group	
31 Dec 2017	**31 Dec 2018**	**(NOK million)**	**31 Dec 2018**	**31 Dec 2017**
15,372	**16,409**	**Total book equity**	**18,686**	**17,510**
-950	-1,000	Additional Tier 1 capital instruments included in total equity	-1,043	-993
-522	-533	Deferred taxes, goodwill and other intangible assets	-1,079	-984
-893	-1,034	Deduction for allocated dividends and gifts	-1,034	-893
-	-	Non-controlling interests recognised in other equity capital	-637	-565
-	-	Non-controlling interests eligible for inclusion in CET1 capital	366	324
-30	-31	Value adjustments due to requirements for prudent valuation	-44	-41
-350	-268	Positive value of adjusted expected loss under IRB Approach	-286	-333
-	-	Cash flow hedge reserve	5	7
-	-163	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-206	-212
12,627	**13,381**	**Total common equity Tier one**	**14,727**	**13,820**
950	1,000	Additional Tier 1 capital instruments	1,378	1,427
459	367	Additional Tier 1 capital instruments covered by transitional provisions	367	459
14,036	**14,748**	**Total core capital**	**16,472**	**15,707**
		Supplementary capital in excess of core capital		
1,000	1,750	Subordinated capital	2,316	1,615
561	96	Subordinated capital covered by transitional provisions	96	561
-254	-140	Deduction for significant investments in financial institutions	-140	-254
1,307	**1,705**	**Total supplementary capital**	**2,272**	**1,922**
15,343	**16,453**	**Net subordinated capital**	**18,743**	**17,629**

		Minimum requirements subordinated capital		
978	967	Specialised enterprises	1,116	1,107
1,098	1,156	Corporate	1,163	1,113
1,370	1,516	Mass market exposure, property	2,098	1,892
90	90	Other mass market	92	91
1,198	1,062	Equity investments	1	1
4,733	**4,790**	**Total credit risk IRB**	**4,470**	**4,205**
3	3	Central government	4	3
80	87	Covered bonds	124	146
431	390	Institutions	246	333
0	-	Local and regional authorities, state-owned enterprises	8	4
25	23	Corporate	221	226
18	73	Mass market	520	405
13	12	Exposures secured on real property	215	193
232	228	Equity positions	366	344
70	57	Other assets	107	166
872	**873**	**Total credit risk standardised approach**	**1,810**	**1,820**
16	30	Debt risk	31	18
-	-	Equity risk	7	22
-	-	Currency risk and risk exposure for settlement/delivery	3	1
341	370	Operational risk	575	510
52	39	Credit value adjustment risk (CVA)	122	117
-	-	Transitional arrangements	1,074	891
6,015	**6,102**	**Minimum requirements subordinated capital**	**8,093**	**7,585**
75,182	**76,274**	**Risk weighted assets (RWA)**	**101,168**	**94,807**
3,383	3,432	Minimum requirement on CET1 capital, 4.5 per cent	4,553	4,266
		Capital Buffers		
1,880	1,907	Capital conservation buffer, 2.5 per cent	2,529	2,370
2,255	2,288	Systemic rick buffer, 3.0 per cent	3,035	2,844
1,504	1,525	Countercyclical buffer, 2.0 per cent	2,023	1,896
5,639	**5,721**	**Total buffer requirements on CET1 capital**	**7,588**	**7,111**
3,605	**4,228**	**Available CET1 capital after buffer requirements**	**2,587**	**2,444**
		Capital adequacy		
16.8 %	17.5 %	Common equity Tier one ratio	14.6 %	14.6 %
18.7 %	19.3 %	Core capital ratio	16.3 %	16.6 %
20.4 %	21.6 %	Capital adequacy ratio	18.5 %	18.6 %
		Leverage ratio		
145,821	153,395	Balance sheet items	216,240	210,764
7,112	7,110	Off-balance sheet items	9,086	9,295
-902	-832	Regulatory adjustments	-1,474	-1,580
152,032	159,673	Calculation basis for leverage ratio	223,853	218,479
14,036	14,748	Core capital	16,472	15,707
9.2 %	**9.2 %**	**Leverage Ratio**	**7.4 %**	**7.2 %**

Note 7 - 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 known 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 for the twenty largest grouped 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 applied Finanstilsynet 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 15 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 percentage point on the yield curve for all balance sheet items. 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-2018 the Group's ratio of deposits to loans was 50 per cent, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, compared with 51 per cent at end-2017 (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 2018.

The Group's liquidity situation as of 31 December 2018 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 8 - Credit institutions - loans and advances

Parent Bank			Group	
31 Dec 2017	31 Dec 2018	**Loans and advances to credit institutions** (NOK million)	31 Dec 2018	31 Dec 2017
6,903	8,091	Loans and advances without agreed maturity or notice of withdrawal	1,987	1,575
2,639	3,087	Loans and advances with agreed maturity or notice of withdrawal	3,087	2,639
9,543	**11,178**	**Total**	**5,074**	**4,214**
		Specification of loans and receivables on key currencies		
7	17	CHF	17	7
231	770	EUR	770	231
7	95	GBP	95	7
19	19	ISK	19	19
7	36	JPY	36	7
9,074	10,071	NOK	4,007	3,747
119	78	SEK	33	118
68	84	USD	89	68
10	8	Other	8	10
9,543	**11,178**	**Total**	**5,074**	**4,214**
1,5 %	1,8 %	Average rate credit institutions	1,9 %	0,9 %

31 Dec 2017	31 Dec 2018	**Deposits from credit institutions** (NOK million)	31 Dec 2018	31 Dec 2017
7,729	7,338	Deposits without agreed maturity or notice of withdrawal	8,006	8,289
1,318	1,208	Deposits with agreed maturity or notice of withdrawal	1,208	1,318
9,047	**8,546**	**Total**	**9,214**	**9,607**
		Specification of deposits on key currencies		
2,098	1,604	EUR	1,604	2,098
6,919	6,904	NOK	7,572	7,479
6	13	SEK	13	6
19	12	USD	12	19
5	12	Other	12	5
9,047	**8,546**	**Total**	**9,214**	**9,607**
0,6 %	0,8 %	Average rate credit institutions	0,8 %	0,6 %

31 Dec 2017	31 Dec 2018	**Other commitments to credit institutions** (NOK million)	31 Dec 2018	31 Dec 2017
2,288	55	Unutilised credits	55	2,288
55	55	Financial guarantees	55	55
2,344	**111**	**Total**	**111**	**2,344**

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 9 - Loans and advances to customers

Parent Bank 31 Dec 2017	Parent Bank 31 Dec 2018	(NOK million)	Group 31 Dec 2018	Group 31 Dec 2017
105,843	113,356	Gross Loans	120,473	112,071
	697	Write-downs for expected credit losses	744	
751		Specified write-downs		765
323		Collectively assessed write-downs		347
104,769	**112,659**	**Net loans to and advances to customers**	**119,728**	**110,959**
		Additional information		
34,885	38,062	Loans sold to SpareBank 1 Boligkreditt	38,062	34,885
615	603	- Of which loans to employees	993	956
1,828	1,782	Loans sold to SpareBank 1 Næringskreditt	1,782	1,828
48	48	Subordinated loan capital other financial institutions	48	48
648	646	Loans to employees *)	1,132	1,149

*) 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

Parent Bank (NOK million) Gross loan	Loans subject to impairment Stage 1	Stage 2	Stage 3	Fixed interest loans at FV	Total
Balance at 1 January 2018	**91,074**	**9,931**	**1,560**	**3,278**	**105,843**
Transfer to stage 1	2,230	-2,230	0	-	-
Transfer to stage 2	-2,637	2,644	-7	-	-
Transfer to stage 3	-458	-31	489	-	-
Net increase/decrease amount excisting loans	-5,487	-65	11	-148	-5,689
New loans	46,099	2,067	72	2,269	50,507
Derecognitions	-33,363	-2,428	-581	-933	-37,305
Balance at 31 December 2018	**97,458**	**9,888**	**1,543**	**4,467**	**113,356**

Group (NOK million) Gross loan	Loans subject to impairment Stage 1	Stage 2	Stage 3	Fixed interest loans at FV	Total
Balance at 1 January 2018	**96,286**	**10,855**	**1,652**	**3,278**	**112,071**
Transfer to stage 1	2,439	-2,391	-48	-	-
Transfer to stage 2	-2,957	2,970	-13	-	-
Transfer to stage 3	-464	-71	536	-	-
Net increase/decrease amount excisting loans	-6,397	-260	89	-148	-6,716
New loans	48,841	2,283	89	2,269	53,483
Derecognitions	-34,253	-2,556	-622	-933	-38,365
Balance at 31 December 2018	**103,494**	**10,829**	**1,682**	**4,467**	**120,473**

Loans and commitments specified by type

Parent Bank 31 Dec 2017	Parent Bank 31 Dec 2018	Loans and commitments specified by type (NOK million)	Group 31 Dec 2018	Group 31 Dec 2017
		Gross loans and advances		
-	-	Financial lease	2,934	2,839
12,797	13,657	Bank overdraft and operating credit	13,056	12,330
4,186	3,761	Construction loans	3,761	4,186
88,860	95,937	Amortizing loan	100,722	92,716
105,843	113,356	Total gross loans to and receivables from customers	120,473	112,071

		Other commitments		
4,210	4,009	Financial guarantees, of which:	4,009	4,210
714	699	Payment guarantees	699	714
1,286	1,125	Performance guarantees	1,125	1,286
1,994	1,960	Loan guarantees	1,960	1,994
84	85	Guarantees for taxes	85	84
132	141	Other guarantee commitments	141	132
1,018	918	Unutilised guarantee commitments	918	1,018
11,677	16,186	Unutilised credits	16,202	11,688
1,896	1,582	Loan approvals (not discounted)	1,706	2,148
62	40	Documentary credits	40	62
18,863	**22,736**	**Total other commitments**	**22,875**	**19,126**
124,706	**136,092**	**Total loans and commitments**	**143,348**	**131,197**

Loans and other commitments specified by sector and industry

	31 Dec 2018			31 Dec 2017		
Parent Bank (NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**	**Gross loans**	**Other commitments**	**Total loans and commitments**
Wage earners	65,475	6,021	71,496	60,099	6,193	66,292
Public administration	44	603	647	226	855	1,081
Agriculture, forestry, fisheries and hunting	12,362	1,453	13,815	11,305	1,002	12,307
Sea farming industries	869	798	1,667	1,311	978	2,289
Manufacturing	3,438	2,379	5,818	2,850	1,625	4,475
Construction, power and water supply	2,947	2,951	5,898	2,794	1,398	4,193
Retail trade, hotels and restaurants	2,335	2,136	4,471	2,432	2,399	4,830
Maritime sector and offshore	4,227	2,560	6,787	4,639	1,510	6,149
Property management	13,324	1,029	14,353	12,462	1,203	13,665
Business services	2,531	931	3,462	2,510	797	3,307
Transport and other services provision	4,145	1,395	5,540	3,547	593	4,140
Other sectors	1,658	481	2,138	1,669	310	1,978
Total	**113,356**	**22,736**	**136,092**	**105,843**	**18,863**	**124,706**

	31 Dec 2018			31 Dec 2017		
Group (NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**	**Gross loans**	**Other commitments**	**Total loans and commitments**
Wage earners	70,070	6,094	76,163	63,812	6,332	70,144
Public administration	55	603	658	240	855	1,095
Agriculture, forestry, fisheries and hunting	12,686	1,458	14,144	11,606	1,013	12,619
Sea farming industries	1,180	803	1,983	1,697	992	2,689
Manufacturing	3,787	2,385	6,172	3,157	1,637	4,794
Construction, power and water supply	3,661	2,962	6,623	3,419	1,421	4,841
Retail trade, hotels and restaurants	2,621	2,140	4,761	2,700	2,409	5,109
Maritime sector and offshore	4,227	2,560	6,787	4,639	1,510	6,149
Property management	13,386	1,030	14,416	12,521	1,205	13,726
Business services	2,162	943	3,105	2,260	811	3,070
Transport and other services provision	4,961	1,416	6,377	4,322	630	4,951
Other sectors	1,679	481	2,160	1,699	310	2,010
Total	**120,473**	**22,875**	**143,348**	**112,071**	**19,126**	**131,197**

Loans and other commitments specified by geographic area

	31 Dec 2018			31 Dec 2017		
Parent Bank (NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**	**Gross loans**	**Other commitments**	**Total loans and commitments**
Trøndelag	74,312	13,820	88,132	70,137	12,106	82,243

Møre og Romsdal	23,993	7,051	31,044	22,319	5,078	27,397
Sogn og Fjordane	819	209	1,028	608	333	941
Nordland	984	47	1,031	1,216	37	1,253
Oslo	5,592	759	6,352	5,037	653	5,690
Rest of Norway	7,148	818	7,966	6,070	615	6,685
Abroad	507	31	538	456	42	498
Total	**113,356**	**22,736**	**136,092**	**105,843**	**18,863**	**124,706**

	31 Dec 2018			31 Dec 2017		
Group (NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**	**Gross loans**	**Other commitments**	**Total loans and commitments**
Trøndelag	77,102	13,881	90,983	73,017	12,227	85,243
Møre og Romsdal	25,495	7,075	32,570	23,670	5,128	28,798
Sogn og Fjordane	1,262	216	1,477	981	347	1,328
Nordland	1,097	49	1,145	1,295	40	1,334
Oslo	5,151	762	5,913	4,710	658	5,368
Rest of Norway	9,859	861	10,720	7,942	685	8,627
Abroad	507	31	538	456	42	498
Total	**120,473**	**22,875**	**143,348**	**112,071**	**19,126**	**131,197**

Gross loans sold to SpareBank 1 Boligkreditt

	31 Dec 2018			31 Dec 2017		
(NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**	**Gross loans**	**Other commitments**	**Total loans and commitments**
Trøndelag	28,208	1,938	30,145	25,483	1,934	27,418
Møre og Romsdal	5,790	453	6,244	5,645	439	6,084
Sogn og Fjordane	323	14	337	317	21	339
Nordland	157	6	163	124	7	131
Oslo	1,516	60	1,575	1,270	47	1,317
Rest of Norway	2,007	88	2,096	1,997	89	2,087
Abroad	60	1	61	48	1	49
Total	**38,062**	**2,560**	**40,621**	**34,885**	**2,539**	**37,424**

Gross loans sold to SpareBank 1 Næringskreditt

	31 Dec 2018			31 Dec 2017		
(NOK million)	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Trøndelag	862	-	862	1,164	-	1,164
Møre og Romsdal	158	-	158	158	-	158
Sogn og Fjordane	-	-	-	-	-	-
Nordland	63	-	63	87	-	87
Oslo	650	-	650	366	-	366
Rest of Norway	50	-	50	52	-	52
Abroad	-	-	-	-	-	-
Total	**1,782**	**-**	**1,782**	**1,828**	**-**	**1,828**

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

Group (NOK million)	31 Dec 2018	31 Dec 2017
Gross advances related to financial leasing		
- Maturity less than 1 year	118	233
- Maturity more than 1 year and less than 5 years	2,070	2,105
- Maturity more than 5 years	827	581
Total gross claims	**3,015**	**2,919**
Received income related to financial leasing, not yet earned	81	80
Net investments related to financial leasing	2,934	2,839
Net investments in financial leasing can be broken down as follows:		
- Maturity less than 1 year	110	185
- Maturity more than 1 year and less than 5 years	2,009	2,081
- Maturity more than 5 years	815	573
Total net claims	**2,934**	**2,839**

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.

Other commitments include documentary credits, guarantees, unutilised credit lines and loan approvals.

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.

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 or objetive evidence of impairment leading to reduced cash flows from the customer. See note 2 Accounting principles for further description of such exposures.

	Neither default or impaired						
Parent Bank 31 Dec 2018 (NOK million)	Lowest risk	Low risk	Medium risk	High risk	Highest risk	Default and written down	Total
Gross Loans							
Fair value over OCI	**50,134**	**7,035**	**2,542**	**598**	**801**	**242**	**61,353**
Stage 1	50,134	6,212	1,051	139	94	-	57,630
Stage 2	-	823	1,491	459	707	-	3,480
Stage 3	-	-	-	-	-	242	242
Amortised cost	**22,009**	**9,228**	**11,070**	**2,582**	**1,347**	**1,300**	**47,536**
Stage 1	21,984	8,323	8,074	1,305	141	-	39,828

Stage 2	25	905	2,996	1,277	1,205	-	6,408
Stage 3	-	-	-	-	-	1,300	1,300
Fair value over Profit and Loss	**3,785**	**468**	**152**	**23**	**39**	**-**	**4,467**
Total Gross Loans	**75,928**	**16,731**	**13,765**	**3,203**	**2,186**	**1,543**	**113,356**
Other Commitments	**11,749**	**4,445**	**5,018**	**540**	**201**	**783**	**22,736**
Stage 1	11,749	3,715	3,305	303	24	-	19,096
Stage 2	-	729	1,713	237	177	-	2,857
Stage 3	-	-	-	-	-	783	783
Total loans and other commitments	**87,677**	**21,176**	**18,783**	**3,743**	**2,387**	**2,326**	**136,092**

	Neither default or impaired						
Group 31 Dec 2018 (NOK million)	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**	**Default and written down**	**Total**
Gross Loans							
Fair value over OCI	**50,134**	**7,035**	**2,542**	**598**	**801**	**242**	**61,353**
Stage 1	50,134	6,212	1,051	139	94	-	57,630
Stage 2	-	823	1,491	459	707	-	3,480
Stage 3	-	-	-	-	-	242	242
Amortised cost	**21,662**	**10,576**	**16,028**	**3,191**	**1,755**	**1,441**	**54,653**
Stage 1	21,637	9,668	12,740	1,608	209	-	45,863
Stage 2	25	908	3,287	1,583	1,546	-	7,349
Stage 3	-	-	-	-	-	1,441	1,441
Fair value over Profit and Loss	**3,785**	**468**	**152**	**23**	**39**	**-**	**4,467**
Total Gross Loans	**75,581**	**18,079**	**18,722**	**3,812**	**2,595**	**1,683**	**120,473**
Other Commitments	**11,754**	**4,466**	**5,114**	**550**	**208**	**783**	**22,875**
Stage 1	11,754	3,737	3,305	303	24	-	19,123
Stage 2	-	729	1,808	247	184	-	2,969
Stage 3	-	-	-	-	-	783	783
Total loans and other commitments	**87,334**	**22,546**	**23,836**	**4,362**	**2,803**	**2,466**	**143,348**

		31 Dec 2017	
Parent Bank (NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**
Lowest risk	69,528	10,852	80,379
Low risk	16,855	3,693	20,548
Medium risk	12,676	3,294	15,970
High risk	2,507	419	2,926
Highest risk	2,708	478	3,185
Default and written down	1,570	128	1,698
Total	**105,843**	**18,863**	**124,706**

		31 Dec 2017	
Group (NOK million)	**Gross loans**	**Other commitments**	**Total loans and commitments**
Lowest risk	69,415	10,868	80,283
Low risk	18,307	3,750	22,057
Medium risk	15,696	3,413	19,109
High risk	3,532	460	3,991

Highest risk	3,470	508	3,978
Default and written down	1,651	128	1,779
Total	**112,071**	**19,126**	**131,197**

Gross loans and commitments sold to SpareBank 1 Boligkreditt

	31 Dec 2018			31 Dec 2017		
(NOK million)	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Lowest risk	33,533	2,551	36,083	30,082	2,523	32,604
Low risk	3,175	6	3,181	3,556	12	3,568
Medium risk	867	1	868	865	2	868
High risk	279	1	279	227	1	228
Highest risk	196	0	197	147	0	147
Default and written down	12	1	13	8	1	9
Total	**38,062**	**2,560**	**40,621**	**34,885**	**2,539**	**37,424**

Gross loans and commitments sold to SpareBank 1 Næringskreditt

	31 Dec 2018			31 Dec 2017		
(NOK million)	Gross loans	Other commitments	Total loans and commitments	Gross loans	Other commitments	Total loans and commitments
Lowest risk	1,496	-	1,496	1,465	-	1,465
Low risk	-	-	-	96	-	96
Medium risk	287	-	287	267	-	267
High risk	-	-	-	-	-	-
Highest risk	-	-	-	-	-	-
Default and written down	-	-	-	-	-	-
Total	**1,782**	**-**	**1,782**	**1,828**	**-**	**1,828**

Note 10 - 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 all right and obligations that are created or retained in connection with the sale separately as assets or liabilities.

SpareBank 1 Boligkreditt
SpareBank 1 Boligkreditt AS is owned by savings banks participating in the SpareBank 1 Alliance. The Bank has a stake of 20.69 per cent as of 31 December 2018 (19.85 per cent as of 31 December 2017). 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 2018 mortgage loans were bought and sold to a net value of NOK 3.1bn (1.7bn in 2017) to SpareBank 1 Boligkreditt. In total, mortgage loans to SpareBank 1 Boligkreditt were derecognised in an amount of NOK 38.0bn at the end of the financial year (NOK 34.9bn in 2017).

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 16.8 per cent own funds, of which about 14.7 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 32.97 per cent as at 31.12.2018 (33.53 per cent as at 31.12.2017). 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 45m in 2018 (reduced by NOK 241m in 2017). 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 1,8bn in 2017).

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 11 - Losses on loans and guarantees

Parent Bank	2018			2017		
Losses on loans and guarantees (NOK million)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Change in provision for expected credit losses for the period	18	126	144	7	278	285
Actual loan losses on commitments exceeding provisions made	6	86	93	3	41	45
Recoveries on commitments previously written-off	-7	-1	-8	-5	-1	-6
Losses for the period on loans and guarantees	**17**	**212**	**229**	**5**	**318**	**323**

Group	2018			2017		
Losses on loans and guarantees (NOK million)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Change in provision for expected credit losses for the period	23	127	150	11	279	290
Actual loan losses on commitments exceeding provisions made	30	98	127	12	46	58
Recoveries on commitments previously written-off	-13	-1	-15	-6	-1	-7
Losses for the period on loans and guarantees	**40**	**223**	**263**	**17**	**324**	**341**

Expected credit loss for loans to credit institutions and central bank have been calculated, but the amount is immaterial and therefore not included in the provision.

Contractual amount outstanding on financial assets that were written off during 2018, and still subject to enforcement activities amount to NOK 734 million kroner for the Bank and NOK 776 million for the group.

Provision for expected credit lossen on loans and guarantees are presented after implementation of IFRS 9 from january 1, 2018. See note 2 and 4 for detailed information about the implementation effect and transition. Comparative figures have not been restated, and the information about 2017 has been presented in accordance with previous rules in IAS 32.

Parent Bank (NOK million)	**1 Jan 2018**	**Change in provision**	**Net write-offs/ recoveries**	**31 Dec 2018**
Loans as amortised cost- CM	1,017	125	-400	742
Loans as amortised cost- RM	32	28	-15	45
Loans at fair value over OCI- RM	65	10	-	75
Provision for expected credit losses on loans and guarantees	**1,114**	**163**	**-415**	**862**
Presented as				
Provision for loan losses	1,027	86	-415	697
Other debt- provisons	68	80	-	148
Other comprehensive income - fair value adjustment	18	-2	-	17

Group (NOK million)	**1 Jan 2018**	**Change in provision**	**Net write-offs/ recoveries**	**31 Dec 2018**
Loans as amortised cost- CM	1,041	128	-402	766
Loans as amortised cost- RM	49	34	-15	68
Loans at fair value over OCI- RM	65	10	-	75
Provision for expected credit losses on loans and guarantees	**1,155**	**171**	**-417**	**909**
Presented as				
Provision for loan losses	1,068	93	-417	744
Other debt- provisons	68	80	-	148

Other comprehensive income - fair value adjustment	18	-2	-	17

Parent Bank		**2018**		
Total Allowance for Credit Losses (NOK million)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance 1 January	**96**	**256**	**762**	**1,114**
Provision for credit losses				
Transfer to (from) stage 1	32	-32	-0	-
Transfer to (from) stage 2	-6	6	-0	-
Transfer to (from) stage 3	-0	-2	3	-
Net remeasurement of loss allowances	-34	45	158	168
Originations or purchases	55	93	1	148
Derecognitions	-40	-108	-4	-153
Actual loan losses	-	-	-415	-415
Closing balance 31 December	**102**	**257**	**503**	**862**

Group		2018		
Total Allowance for Credit Losses (NOK million)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance 1 January	**106**	**267**	**782**	**1,155**
Provision for credit losses				
Transfer to (from) stage 1	34	-33	-0	-
Transfer to (from) stage 2	-7	7	-0	-
Transfer to (from) stage 3	-0	-4	4	-
Net remeasurement of loss allowances	-37	47	167	177
Originations or purchases	59	96	3	158
Derecognitions	112	271	526	-163
Actual loan losses	-	-	-417	-417
Closing balance 31 December	**112**	**271**	**526**	**909**

Parent Bank

		31 Dec 2017	
Individual write-downs (NOK million)	**RM**	**CM**	**Total**
Individual write-downs to cover loss on loans and guarantees at 1.1*)	24	602	625
- Actual losses during the period for which provisions for individual impairment losses have been made previously	8	146	155
- Reversal of provisions from previous periods	4	8	13
+ Increased write-downs on provisions previously written down	0	191	191
+ Write-downs on provisions not previously written down	6	100	106
Individual write-downs to cover loss on loans and guarantees at period end	**18**	**738**	**755**

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

		31 Dec 2017	
Collective write-downs (NOK million)	**RM**	**CM**	**Total**
Collective write-downs to cover loss on loans, guarantees at 1.1	90	228	318
Period's collective write-downs to cover loss on loans, guarantees etc	-	5	5
Collective write-downs to cover loss on loans and guarantees at period end	**90**	**233**	**323**

Group

		31 Dec 2017	
Individual write-downs (NOK million)	**RM**	**CM**	**Total**
Individual write-downs to cover loss on loans and guarantees at 1.1*)	27	611	638
- Actual losses during the period for which provisions for individual impairment losses have been made previously	9	147	157
- Reversal of provisions from previous periods	5	9	14
+ Increased write-downs on provisions previously written down	0	191	191
+ Write-downs on provisions not previously written down	7	104	111
Individual write-downs to cover loss on loans and guarantees at period end	**20**	**750**	**769**

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

		31 Dec 2017	
Collective write-downs (NOK million)	**RM**	**CM**	**Total**
Collective write-downs to cover loss on loans, guarantees at 1.1	100	239	339
Period's collective write-downs to cover loss on loans, guarantees etc	5	4	9
Collective write-downs to cover loss on loans and guarantees at period end	**104**	**243**	**347**

Parent Bank (NOK million)		**31 Dec 2018**			**31 Dec**
Provision for credit losses specified by sector and industry	**Trinn 1**	**Trinn 2**	**Trinn 3**	**Total**	**2017**
Wage earners	20	44	24	88	20
Public administration	0	-	-	0	-

Agriculture, forestry, fisheries and hunting	8	16	5	30	5
Fish farming	1	0	-	1	-
Industry and mining	9	20	0	29	14
Building and construction, power and water supply	11	11	21	43	16
Wholesale and retail trade, hotel og restaurant industry	14	8	11	33	24
Maritime sector and offshore	4	84	378	465	617
Property management	19	37	20	76	14
Business services	7	31	21	59	45
Transport and other services provision	9	5	2	16	1
Other sectors	0	0	22	22	-
Undistributed *)				-	323
Total	**102**	**257**	**503**	**862**	**1,078**

*) Undistributed is for 2017 completely related to collective write-downs. Refer to table above for specification of write downs per segment

Group (NOK million)	**31 Dec 2018**				
Provision for credit losses specified by sector and industry	**Trinn 1**	**Trinn 2**	**Trinn 3**	**Total**	**31 Dec 17**
Wage earners	25	52	33	109	20
Public administration	0	-	-	0	-
Agriculture, forestry, fisheries and hunting	9	18	6	33	6
Fish farming	1	1	-	2	-
Industry and mining	9	21	3	34	16
Building and construction, power and water supply	12	13	24	49	17
Wholesale and retail trade, hotel og restaurant industry	15	8	12	35	26
Maritime sector and offshore	4	84	378	465	617
Property management	19	37	20	76	14
Business services	8	31	23	62	47
Transport and other services provision	10	6	6	23	6
Other sectors	0	0	22	22	-
Undistributed *)					347
Total	**112**	**271**	**526**	**909**	**1,116**

*) Undistributed is for 2017 completely related to collective write-downs. Refer to table above for specification of write downs per segment

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 2010-2018.

Collateral cover represents the expected realisation value (RE value) of underlying collaterals. The values are determined using fixed models, and actual realisation values are validated to test the models' reliability. 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 credit quality steps, 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 2018**	**Collateral class**	**Lower limit**	**Upper limit**
A	0.00 %	0.10 %	Aaa-A3	0.01 %	0.01 %	1	120	
B	0.10 %	0.25 %	Baa1-Baa2	0.04 %	0.04 %	2	100	120
C	0.25 %	0.50 %	Baa3	0.07 %	0.06 %	3	80	100
D	0.50 %	0.75 %	Ba1	0.27 %	0.47 %	4	60	80
E	0.75 %	1.25 %	Ba2	0.37 %	0.52 %	5	40	60
F	1.25 %	2.50 %		0.92 %	0.93 %	6	20	40
G	2.50 %	5.00 %	Ba2-B1	2.18 %	2.02 %	7	0	20
H	5.00 %	10.00 %	B1-B2	4.41 %	3.99 %			
I	10.00 %	99.99 %	B3-Caa3	11.28 %	13.78 %			
J	Default							
K	Problem loans							

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 2018**	**Total exposure 31 Dec 2018**	**Averaged unhedged exposure 31 Dec 2017**	**Total exposure 31 Dec 2017**
Lowest risk	10.2 %	87,677	9.5 %	80,379
Low risk	8.5 %	21,176	9.9 %	20,548
Medium risk	11.4 %	18,783	12.2 %	15,970
High risk	11.8 %	3,743	8.6 %	2,926
Highest risk	3.0 %	2,387	4.2 %	3,185
Default and/or problem loans	11.3 %	2,326	32.0 %	1,698
Total		**136,092**		**124,706**

Group (NOK million)	**Averaged unhedged exposure 31 Dec 2018**	**Total exposure 31 Dec 2018**	**Averaged unhedged exposure 31 Dec 2017**	**Total exposure 31 Dec 2017**
Lowest risk	10.3 %	87,334	9.5 %	80,283
Low risk	8.4 %	22,546	9.2 %	22,057

Medium risk	10.9 %	23,836	10.2 %	19,109
High risk	11.4 %	4,362	6.3 %	3,991
Highest risk	4.5 %	2,803	3.4 %	3,978
Default and/or problem loans	13.2 %	2,466	30.5 %	1,779
Total		**143,348**		**131,197**

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.

For disclosure of classes of financial instruments where this is not spesified in the table below, see note 26 Categories of financial assets and financial liabilities.

Parent Bank

31 Dec 2018 (NOK million)	**Maximum exposure to credit risk**	**Collateral in property**	**Collateral in securities**	**Other collateral *)**
Assets				
Balances with central banks	819	-	-	-
Loans and advances to credit institutions	11,178	-	-	-
Loans and advances to customers at fair value through profit or loss	4,467	4,253	18	20
Loans and advances to customers at amortised cost	46,897	26,195	1,105	16,960
Loans and advances to customers at fair value through OCI	61,295	60,430	97	136
Securities and bonds	20,428	-	-	11,375
Derivatives	3,914	-	-	1,466
Earned income, not yet received	67	-	-	-
Accounts receivable, securities	7	-	-	-
Total assets	**149,072**	**90,878**	**1,220**	**29,957**
Liabilities				
Guarantee commitments and documentary credits	5,022	-	-	-
Unutilised credits	16,242	2,347	26	967
Loan approvals	1,582	-	-	-
Other exposures	474	-	-	-
Total liabilities	**23,321**	**2,347**	**26**	**967**
Total credit risk exposure	**172,392**	**93,225**	**1,246**	**30,924**

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 received	61	-	-	-
Accounts receivable, securities	35	-	-	-
Total assets	**142,031**	**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**

Group

Maximum

31 Dec 2018 (NOK million)	exposure to credit risk	Collateral in property	Collateral in securities	Other collateral *)
Assets				
Balances with central banks	819	-	-	-
Loans and advances to credit institutions	5,074	-	-	-
Loans and advances to customers at fair value through profit or loss	4,467	4,253	18	20
Loans and advances to customers at amortised cost	53,967	26,195	1,105	24,675
Loans and advances to customers at fair value through OCI	61,295	60,430	97	136
Securities and bonds	20,348	-	-	11,375
Derivatives	4,119	-	-	1,466
Earned income, not yet recieved	86	-	-	-
Accounts receivable, securities	277	-	94	184
Total assets	**150,451**	**90,878**	**1,314**	**37,856**
Liabilities				
Guarantee commitments and documentary credits	5,032	-	-	-
Unutilised credits	16,257	2,347	70	982
Loan approvals	1,706	-	-	-
Other exposures	625	-	-	-
Total liabilities	**23,620**	**2,347**	**70**	**982**
Total credit risk exposure	**174,071**	**93,225**	**1,383**	**38,838**

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**

*) 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.

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 2018 the Bank has about 46 (25) active ISDA agreements. As from 1 March 2017 the Bank 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.

Parent Bank and Group are identical.

				d) Amount that is not netted		
31 Dec 2018 (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	979	-	979	- 611	- 80	288

				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	939	-	939	- 611	-	328

				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	-	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	-	1,076	- 835	-	242

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

Note 15 - Credit quality per class of financial assets

The Bank handles the credit quality of financial assets by means of its internal guidlines for credit ratings. See section entitled credit risk under Note 7 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 31 Dec 2018		**Neither defaulted nor impaired**						
(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	8	**11,178**	**-**	**-**	**-**	**-**	**-**	**11,178**
Loans to and claims on customers	9							
Retail market		60,055	8,552	3,712	860	1,095	291	**74,566**
Corporate market		15,873	8,179	10,052	2,342	1,091	1,252	**38,790**
Total		**75,928**	**16,731**	**13,765**	**3,203**	**2,186**	**1,543**	**113,356**
Financial investments	29							
Quoted government and government guaranteed bonds		5,478	-	-	-	-	-	**5,478**
Quoted other bonds		9,629	1,985	797	9	-	-	**12,421**
Unquoted government and government guaranteed bonds		99	-	-	-	-	-	**99**
Unquoted other bonds		2,205	216	9	-	-	-	**2,430**
Total		**17,412**	**2,201**	**807**	**9**	**-**	**-**	**20,428**
Total		**104,518**	**18,932**	**14,571**	**3,212**	**2,186**	**1,543**	**144,962**

31 Dec 2017		**Neither defaulted nor impaired**					**Defaulted or written down*)**	
(NOK million)	Notes	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**		**Total**
Loans to and claims on credit institutions	8	**9,543**	**-**	**-**	**-**	**-**	**-**	**9,543**
Loans to and claims on customers	9							
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**

Group

31 Dec 2018 (NOK million)	Notes	Neither defaulted nor impaired					Defaulted or written down*)	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	8	**5,074**	-	-	-	-	-	**5,074**
Loans to and claims on customers	9							
Retail market		60,141	9,460	6,803	1,069	1,350	357	**79,180**
Corporate market		15,440	8,619	11,919	2,743	1,245	1,326	**41,293**
Total		**75,581**	**18,079**	**18,722**	**3,812**	**2,595**	**1,683**	**120,473**
Financial investments	29							
Quoted government and government guaranteed bonds		5,478	-	-	-	-	-	**5,478**
Quoted other bonds		9,629	1,985	797	9	-	-	**12,421**
Unquoted government and government guaranteed bonds		99	-	-	-	-	-	**99**
Unquoted other bonds		2,126	216	9	-	-	-	**2,351**
Total		**17,332**	**2,201**	**807**	**9**	**-**	**-**	**20,348**
Total		**97,987**	**20,281**	**19,529**	**3,821**	**2,595**	**1,683**	**145,895**

31 Dec 2017 (NOK million)	Notes	Neither defaulted nor impaired					Defaulted or written down*)	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	8	**4,214**	-	-	-	-	-	4,214
Loans to and claims on customers	9							
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**

*) 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 and thereafter for the year concerned. The Bank's interest rate risk is calculated by simulating a parallel interest rate shift for the entire interest rate curve of one percentage point on all balance sheet items.

Interest rate risk has varied somewhat through 2018. Interest rate risk is volatile and such variations are not unusual. Interest rate risk has throughout 2018 been within the overall limit set by the Board of Directors, NOK 132m as at 31 December 2018. For further details regarding interest rate risk, see Note 7 Risk Factors.

	Interest rate risk, 1 % change	
Basis risk Group (NOK million)	**2018**	**2017**
Currency		
NOK	-40	-39
EUR	-3	-8
USD	2	-1
CHF	-2	-1
Other	-2	-3
Total interest rate risk, effect on result before tax	**-45**	**-52**

Total interest rate risk suggest that the Bank will have losses from an increase in the interest rate in 2018. This is the same effect as in 2017.

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

	Interest rate risk, 1 % change	
Interest rate curve risk, Group (NOK million)	**2018**	**2017**
Maturity		
0 - 1 month	-15	-17
1 - 3 months	-1	9
3 - 6 months	-13	-12
6 - 12 months	1	-8
1 - 2 years	-1	-5
2 - 3 years	-25	-3
3 - 4 years	41	15
4 - 5 years	-56	-27
5 - 7 years	22	2
7 - 10 years	3	-5
Total interest rate risk, effect on result before tax	**-45**	**-52**

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 million on an aggregate basis.

Foreign exchange risk has been low throughout the year. For further details see note 7 on risk factors.

Parent Bank		Net foreign exchange exposure NOK	Group	
2017	**2018**	(NOK million)	**2018**	**2017**
-8	28	EUR	28	-8
-0	4	USD	4	0
-19	-11	SEK	-11	-19
-2	-10	GBP	-10	-2
-30	-3	Other	-3	-30
-59	**7**	**Total**	**7**	**-59**
150	150	Overall currency limit	150	150
128	128	Total per currency	128	128
1.8	1.7	Result effect of 3% change	1.7	1.8

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 7 on risk factors for a detailed description.

Group

At 31 Dec 2018 (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	8,006	1	498	647	62	9,214
Deposits from and debt to customers	62,333	9,873	2,554	5,855	-	80,615
Debt created by issuance of securities	-	1,730	5,139	32,665	6,200	45,733
Derivatives - contractual cash flow out	-	1,425	15,209	27,449	1,154	45,237
Other commitments	-	1,619	621	162	8	2,410
Subordinated debt *)	-	12	71	2,127	255	2,465
Total cash flow, liabilities	**70,339**	**14,659**	**24,092**	**68,904**	**7,679**	**185,674**
Contractual cash flows out	-	1,425	15,209	27,449	1,154	45,237
Contractual cash flows in	-	-2,479	-15,110	-26,554	-1,294	-45,436
Net contractual cash flows	**-**	**-1,054**	**99**	**895**	**-140**	**-200**

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	-	4,828	5,543	28,812	3,886	43,069
Derivatives - contractual cash flow out	-	4,334	3,139	29,475	2,607	39,555
Other commitments	2	1,126	554	17	5	1,804
Subordinated debt *)	-	6	726	1,335	260	2,327
Total cash flow, liabilities	**70,574**	**17,814**	**12,134**	**65,467**	**6,849**	**172,838**
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**

Does not include value adjustments for financial instruments at fair value
*) For subordinated debt the call date is used for cash settlement
**) Contractual cash-flows include calculated interest and the total amount therefore deviate from recognised liabilities

Note 19 - Net interest income

Parent bank			Group	
2017	2018	(NOK million)	2018	2017
		Interest income		
137	166	Interest income from loans to and claims on central banks and credit institutions	62	44
3,150	3,275	Interest income from loans to and claims on customers	3,676	3,476
284	295	Interest income from money market instruments, bonds and other fixed income securities	291	281
-	0	Other interest income	28	23
3,571	**3,737**	**Total interest income**	**4,057**	**3,825**
		Interest expense		
133	142	Interest expenses on liabilities to credit institutions	154	137
654	749	Interest expenses relating to deposits from and liabilities to customers	734	636
668	615	Interest expenses related to the issuance of securities	615	668
95	84	Interest expenses on subordinated debt	86	97
-0	0	Other interest expenses	15	13
49	50	Guarantee fund levy	50	49
1,599	**1,640**	**Total interest expense**	**1,655**	**1,600**
1,972	**2,097**	**Net interest income**	**2,403**	**2,225**

Note 20 - Net commission income and other income

Parent Bank 2017	Parent Bank 2018	(NOK million)	Group 2018	Group 2017
		Commission income		
82	73	Guarantee commission	72	80
-	-	Broker commission	225	223
56	60	Portfolio commission, savings products	113	115
353	350	Commission from SpareBank 1 Boligkreditt	350	353
17	16	Commission from SpareBank 1 Næringskreditt	16	17
369	369	Payment transmission services	360	362
172	174	Commission from insurance services	174	172
49	60	Other commission income	78	67
1,098	**1,102**	**Total commission income**	**1,387**	**1,390**
		Commission expenses		
83	78	Payment transmission services	93	103
16	15	Other commission expenses	75	65
98	**92**	**Total commission expenses**	**168**	**168**
		Other operating income		
31	25	Operating income real property	27	47
-	-	Property administration and sale of property	124	118
-0	0	Securities trading	350	227
-	-	Accountant's fees	411	342
7	6	Other operating income	46	49
38	**32**	**Total other operating income**	**958**	**783**
1,038	**1,042**	**Total net commision income and other operating income**	**2,177**	**2,005**

Note 21 - Net return on financial investments

Parent Bank 2017	Parent Bank 2018	(NOK million)	Group 2018	Group 2017
		Valued at fair value through profit/loss		
- 49	- 208	Value change in interest rate instruments	- 83	62
		Value change in derivatives/hedging		
- 22	- 4	Net value change in hedged bonds and derivatives	-4	-22
7	10	Net value change in hedged fixed rate loans and derivatives	10	7
117	277	Other derivatives	336	167
		Income from equity instruments		
-	-	Income from owner interests	416	437
626	506	Dividend from owner instruments	-	-
48	-8	Value change and gain/loss on owner instruments	-3	30
3	10	Dividend from equity instruments	8	6
3	16	Value change and gain/loss on equity instruments	9	31
733	**599**	**Total net income from financial assets and liabilities at fair value through profit/(loss)**	**688**	**718**
		Valued at amortised cost		
		Value change in interest rate instruments		
- 4	4	Value change in interest rate instruments held to maturity	4	- 4
-	-	Value change in interest rate instruments, loans and receivables	-	-
- 4	**4**	**Total net income from financial assets and liabilities at amortised cost**	**4**	**- 4**
		Valued at fair value - available for sale		
		Income from equity instruments		
1	-	Gain/loss on realisation of financial assets	-	1
1	**0**	**Total net income from financial assets available for sale**	**0**	**1**
45	**65**	**Total net gain from currency trading**	**65**	**45**
776	**668**	**Total net return on financial investments**	**757**	**760**

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

SpareBank 1 SMN's remuneration arrangements
All remuneration at SpareBank 1 SMN shall contribute to goal achievement and the desired conduct. The remuneration arrangements shall at the same time promote and incentivise good management and control of Group risk, counteract high risk taking and contribute to the avoidance of conflicts of interest.

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

The Group's guidelines on 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 implemented by the Group to protect assets and values. The remuneration 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 remuneration. This entails that the basis for variable remuneration connected to the entity's risk adjusted profit shall be a period of at least one year, and that the earning period shall not be less than one year. SpareBank 1 SMN has no remuneration arrangements for customer facing units that encourage conduct which challenges the Bank's risk tolerance, ethical guidelines or which may contribute to conflicts of interest. The Bank has no remuneration arrangements for control functions that encourage conduct that poses a challenge to competence.

It is SpareBank 1 SMN's policy that, as a rule, profit- or performance-based variable remuneration arrangements shall not be established for employees.

Where variable remuneration arrangements are nonetheless established for employees, the following guidelines apply:

- There shall be an appropriate balance between fixed and variable remuneration, and the fixed component shall be sufficiently high to allow the undertaking the possibility of paying no variable component at all.
- The variable component shall as a rule not exceed 50% of the fixed remuneration.
- Alternative arrangements may be established by way of exception where this is considered to be a necessary alignment with the "industry standard" among competing undertakings.

Reduction clauses have been introduced for any instances where breaches of applicable rules or guidelines are brought to light.

Remuneration to senior employees of SpareBank 1 SMN may contain the following elements:

- Fixed pay
- Variable remuneration based on performance
- Pension scheme
- Post-employment benefits
- Other benefits

The total remuneration shall be competitive but not wage leading. It shall ensure that the Group over time has the ability to attract and retain senior employees with the desired expertise and experience.

Decision process
The board of directors of SpareBank 1 SMN has established a remuneration committee comprising three members of the board of directors and a representative for the employees.

The remuneration committee's responsibilities include:

- Annually reviewing and recommending the total salary and other remuneration of the Group CEO
- Acting as adviser to the Group CEO in matters of salary and other remuneration of the executive directors
- Annually reviewing the Group's remuneration arrangement
- Ensuring that the implementation of the remuneration arrangement is annually reviewed by an independent control function.

Guidelines for the forthcoming financial year

Remuneration of the Group CEO
The Group CEO's salary and other financial benefits are determined annually by the board of directors following a recommendation by the remuneration committee. The assessment is based on results achieved, individual performances and the trend in salaries in comparable positions.

The Group CEO does not have variable remuneration based on results or performance.

An early retirement agreement has been entered into with the CEO in the event of his stepping down before reaching the age of 67. The agreement applies to the end of the month in which the CEO reaches age 67. The early retirement pension shall provide a benefit of 68% of the CEO's fixed annual pay at the time of retirement.

An agreement has also been entered into with the CEO to the effect that all pension liabilities shall have been met upon his reaching the age of 67. The CEO therefore receives an annual sum which up to his reaching the age of 67 provides an overall disbursement corresponding to 68% of his total pensionable income. The sum is disbursed as an addition to salary.

The CEO is entitled, on a par with other employees of the Group, to participate in private placings directed at the Group's employees. The board of directors imposes a lock-in period of three years for senior employees who acquire equity certificates at a discount.

The Group operates a savings arrangement whereby employees are entitled to purchase equity certificates (MING) up to a value of NOK 24,000 per year. Under the arrangement one bonus equity certificate is allotted for every two equity certificates purchased provided the employee holds the equity certificates for a minimum of two years. The CEO is entitled to participate in the savings arrangement on an equal footing with other employees.

The CEO has no agreement on post-employment benefit in the event of his stepping down before reaching retirement age.

Remuneration of other members of the Group management team
The CEO establishes the remuneration of members of the Group management team after discussion with the remuneration committee. The remuneration is determined on the basis of results achieved, individual performances and conditions in the market for the respective business lines.

Executive directors do not have variable remuneration based on results or performances.

Executive directors are members of the bank's general pension scheme for salaries up to 12G (12 times the basic amount available under the National Insurance Fund Scheme). In addition a top pension scheme has been introduced corresponding to 15 per cent of salary above 12G. Up to 1 July 2017 the arrangement was a collective arrangement, but was closed with effect from that date. Employees on salaries above 12G appointed after 1 July 2017 are therefore not included in the scheme.

An early retirement agreement has been established with one of the executive directors, granting this person the right to retire on reaching age 62 with a benefit of 68 per cent of pensionable income, including pension from SpareBank 1 SMN's pension fund, the National Insurance Scheme Fund and AFP (the financial industry's contractual early retirement pension scheme).

Executive Directors have severance packages of *up to* 12 months as from the agreed retirement date. The size of any post-employment benefit will be subject to assessment under the remuneration rules in force at any and all times.

Other benefits to the Group CEO and senior employees
Other benefits to the Group CEO and senior employees may be granted to the extent such benefits are related to their function in the Group and are in line with market practice in general. A flat rate car allowance is available to members of the bank's Group management team who use their private cars for business purposes.

Special guidelines on remuneration of senior employees, employees with functions of material significance for the undertaking's risk exposure, employees with control functions and elected officers
SpareBank 1 SMN has adopted separate guidelines for senior employees, employees with functions of material significance for the undertaking's risk exposure, employees with control functions and elected officers.

Pursuant to the Financial Institutions Act and the Financial Institutions Regulations, the Group has defined which employees are covered by the special rules based on the defined criteria.

Today no employees of SpareBank 1 SMN covered by the special rules have arrangements involving profit- or performance-based remuneration.

Binding guidelines for shares, subscription rights, options etc., for the coming financial year
The Group CEO and senior employees are permitted to participate in private placings/share saving programmes on an equal footing with other employees of the Group. The board of directors imposes a lock-in period of three years on senior employees who acquire equity certificates at a discount.

Of the variable remuneration of the Group CEO, senior employees and other risk takers, a share corresponding to 50 per cent of the accumulated variable remuneration is invested in equity certificates of SpareBank 1 SMN with a lock-in period of one year for one-third, two years for one-third and three years for one-third.

Statement of management pay policy for the preceding financial year
The Group's standards established in 2011, as subsequently revised, have been followed in 2018.

Parent Bank			Group	
2017	**2018**	(NOK million)	**2018**	**2017**
501	497	Wages	1,423	1,284
40	46	Pension costs (Note 24)	96	79
35	34	Social costs	65	62
575	**577**	**Total personnel expenses**	**1,584**	**1,426**
656	623	Average number of employees	1,535	1,405
595	572	Number of man-labour years as at 31 December	1,493	1,399
637	608	Number of employees as at 31 December	1,588	1,482

Emoluments to Top Management

2018 (thousands of NOK)

Name and title	Title	Salary and other short-term benefits	Pension contribution for salaries above 12G	Of which share-based bonus payments 1)	Current value of pension liability	Pension rights accrued in past year 2)	Loans at 31.12	No. of equity capital certificates
Finn Haugan	Group CEO	7,269	2,297	8	10,250	130	8,520	201,910
Kjell Fordal	Executive Director Group Finance	3,430	344	8	11,480	136	12,995	245,334
Vegard Helland	Executive Director Corporate	2,941	169	8	1,300	140	1,263	34,224
Svein Tore Samdal 3)	Executive Director Retail	2,855	174	8	-	139	7,819	23,461
Nelly Maske 4)	Executive Director Director Retail	2,612	135	-	-	143	5,587	23,005
Ola Neråsen 5)	Executive Director Risk and Compliance	2,215	117	-	2,438	138	-	41,786
Rolf Jarle Brøske	Executive director Communication and Society	2,164	95	-	-	129	9,602	6,585

1) Amount of bonus-Ming received 2019 in conjunction with MING-saving scheme. This is an arrangement open for all employees and all employes have the same conditions
2) Defined-contribution pension scheme
3) Svein Tore Samdal resigned from his position 30.11.19
4) Nelly Maske was Executive Director Business Operation and Development untill 30.11.19 and took over Executive Director Retail 01.12.19
5) Executive Director Risk and Compliance was established 01.05.19
6) The number of equity certificates includes equity certificates owned by close associates and companies where you have considerable influence

2017 (thousands of NOK)

Name and title	Title	Salary and other short-term benefits	Pension contribution for salaries above 12G	Of which share-based bonus payments	Current value of pension liability	Pension rights accrued in last year 1)	Loans at 31.12	No. of equity capital certificates
Finn Haugan	Group CEO	7,041	2,297	0	12,653	115	3,693	200,521
Kjell Fordal	Executive Director Group Finance	3,269	424	0	11,304	115	8,925	244,945
Vegard Helland	Executive Director Corporate	2,822	246	0	1,338	115	1,254	33,835
Svein Tore Samdal	Executive Director Retail	2,936	275	0	0	115	7,344	23,141
Nelly Maske	Executive Director Business Operation and Development	2,377	171	0	-	115	6,864	20,305
Rolf Jarle Brøske	Executive director Communication and Society	1,960	137	0	-	115	9,937	5,305

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

Emoluments to the Board of Directors and the Supervisory Board
2018 (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 4)
Kjell Bjordal	Board chairman	457	35	4	-	130,000
Bård Benum	Deputy chair	242	82	-	8,311	-
Mette Kamsvåg 1)	Board member	158	62	2	-	5,600
Tonje Eskeland Foss 1)	Board member	158	18	-	5,181	5,000
Paul E. Hjelm-Hansen	Board member	209	109	-	-	49,219
Janne Thyø Thomsen	Board member	209	82	-	-	3,000
Morten Loktu	Board member	209	24	-	-	5,000
Arnhild Holstad 2)	Board member	51	-	1	-	-
Aud Skrudland 2)	Board member	51	6	-	-	7,265
Venche Johnsen 3)	Board member, employee representative	238	12	788	405	24,996
Erik Gunnes 3)	Board member, employee representative	209	-	802	1,277	815

1) Was selected in 2018
2) Resigned in 2018
3) Other emoluments include salary in employment relationships
4) The number of equity certificates includes equity certificates owned by close associates and companies where you have considerable 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 1)
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

1) The number of equity certificates includes equity certificates owned by close associates and companies where you have considerable influence
2) Other emoluments include salary in employment relationships

Fees to the Supervisory Board (thousands of NOK)	2018	2017
Knut Solberg, Supervisory Board Chair	67	81
Other members	271	277

Remuneration of employees 1)	Number	Remuneration	Of which variable remuneration
Senior employees	25	44779 129	0
Employees and officers with tasks of material significance for the institution's risk exposure	10	9262 773	0
Employees responsible for the independent control function	12	10262 684	0
Officers	10	2201 987	0

1) Categories of employees covered by the Financial Institutions Regulations

Note 23 - Other operating expenses

Parent Bank			Group	
2017	**2018**	(NOK million)	**2018**	**2017**
203	217	IT costs	293	266
17	12	Postage and transport of valuables	17	22
50	53	Marketing	106	104
50	66	Ordinary depreciation (note 32 og 33)	99	102
118	108	Operating expenses, real properties	153	118
77	93	Purchased services	151	139
118	134	Other operating expense	221	192
634	**685**	**Total other operating expenses**	**1,040**	**943**
		Audit fees (NOK 1000)		
877	1.104	Financial audit	2.386	2.028
62	72	Other attestations	159	204
8	38	Tax advice	395	239
29	33	Other non-audit services	108	580
976	**1,247**	**Total incl. value added tax**	**3,049**	**3,051**

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 2018 the scheme is overfunded by NOK 172 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 coveredd 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.

	2018		**2017**	
Actuarial assumptions	Costs	Commitment	Costs	Commitment
Discount rate	2.4%	2.4%	2.6%	2.4%
Expected rate of return on plan assets	2.4%	2.4%	2.6%	2.4%
Expected future wage and salary growth	2.25%	2.25%	2.25%	2.25%
Expected adjustment of basic amount (G)	2.25%	2.25%	2.25%	2.25%
Expected increase in current pension	0%/2.25%	0%/2,25%	0%/2,25%	0%/2,25%
Employers contribution	19.1%	19.1%	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**	
2017	**2018**	**Net pension liability in the balance sheet (NOK million). Financial position 1 Jan.**	**2018**	**2017**
602	611	Net present value of pension liabilities in funded schemes	651	641
-789	(748)	Estimated value of pension assets	-802	-842
11	-	Opening balance adjustment	-	15
-176	(138)	Net pension liability in funded schemes	-151	-186
4	4	Employer's contribution	4	4
0	-	Settlement	0	0
-172	**-134**	**Net pension liability in the balance sheet**	**-147**	**-182**

Distribution of liability between unfunded and funded pension scheme, Group 1.1

Group	2018			2017		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of pension liability in funded schemes	631	20	651	619	22	641
Fair value of pension assets	-802	-	-802	-842	0	-842
Opening balance adjustment	0	0	0	15	0	15
Net pension liability in the balance sheet before employer's contribution	-171	20	-151	-208	22	-186
Employer’s contribution	0	4	4	0	4	4
Settlement	0	0	0	0	0	0
Net pension liability in the balance sheet after employer's contribution	-171	24	-147	-208	26	-182

2017	2018	Pension cost for the year	2018	2017
1	0	Present value of pension accumulated in the year	1	1
-5	0	Interest cost of pension liabilities	-4	-5
-4	0	Net defined-benefit pension cost without employer's contribution	-3	-4
0	0	Employer's contribution - subject to accrual accounting	0	0
0	0	Settlement	-	-
-4	0	Net pension cost related to defined benefit plans *	-2	-4
7	7	Early retirement pension scheme, new arrangement	5	10
37	37	Cost of defined contribution pension	93	74
40	**44**	**Total pension cost**	**96**	**79**

Other comprehensive income for the period

	2018			2017		
	Unfunded	Funded	Total	Unfunded	Funded	Total
Change in discount rate	-0	-17	-18	0	18	18
Change in other economic assumptions	-	-	-	-	-	-
Change in mortality table	-	-	-	-	-	-
Change in other demographic assumptions	-	-	-	-	-	
Changing other factors, DBO	-1	7	6	-2	3	1
Change in other factors, pension assets	-	-8	-8	0	-15	-15
Other comprehensive income for the period	**-2**	**-18**	**-19**	**-2**	**6**	**4**

2017	2018	Movement in net pension liability in the balance sheet	2018	2017
-172	-134	Net pension liability in the balance sheet 1.1	-147	-182
24	-18	Actuarial gains and losses for the year	-19	21
-4	-2	Net defined-benefit costs in profit and loss account incl. Curtailment/settlement	-2	-4
-1	-3	Paid-in pension premium, defined-benefit schemes	-3	-1
36	-	Transfer to defined contribution scheme	0	36
-17	-	Paid-in pension premium, defined-benefit plans	0	-17
-134	**-158**	**Net pension liability in the balance sheet 31.12**	**-172**	**-147**

2017	2018	Financial status 31.12	2018	2017
611	588	Pension liability	628	651
-749	-749	Value of pension assets	-803	-803
-138	-161	Net pension liability before employer's contribution	-175	-151
4	3	Employer's contribution	3	4
-134	**-158**	**Net pension liability after employer's contribution**	**-172**	**-147**

* Presented gross in the Group accounts

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

Group	2018			2017		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	610	17	628	631	20	651
Value of pension assets	-803	-	-803	-803	0	-803
Net pension liability before employer's contribution	**-193**	**17**	**-175**	**-171**	**20**	**-151**
Employer's contribution	0	3	3	0	4	4
Net pension liability after employer's contribution	**-193**	**21**	**-172**	**-171**	**24**	**-147**

Fair value of pension liability, Group	2018	2017
OB pension liability (PBO)	651	641
Present value of pension accumulated in the year	1	1
Payout/release from scheme	-28	-26
Interes costs of pension liability	15	16
Curtailment/ Settlement		0
Actuarial gain or loss	-11	19
CB pension liability (PBO)	**628**	**651**

Fair value of pension assets, Group	2018	2017
OB pension assets	802	842
Paid in	3	1
Payout/release from fund	-28	-62
Expected retur	19	22
Curtailment/ Settlement	0	0
Actuarial changes	8	0
CB market value of pension assets	**803**	**803**

Sensitivity, Group	Discount rate + 1 pp	Discount rate - 1 pp	Salary adjustment +1 pp	Salary adjustment - 1 pp	Pension adjustment + 1 pp
2018					
Change in accumulated pension rights in course of year	0	0	0	0	0
Change in pension liability	-77	96	0	0	89
2017					
Change in accumulated pension rights in course of year	0	0	0	0	0
Change in pension liability	-83	104	0	0	105

2017	2018	Members	2018	2017
764	764	Numbers of persons included in pension scheme	784	799
253	253	of which active	274	286
511	511	of which retirees and disabled	510	513

Investment and pension assets in the pension fund	2018	2017
Current bonds	38 %	31 %
Bonds held to maturity	5 %	10 %
Money market	24 %	20 %
Equities	27 %	33 %
Real estate	6 %	7 %
Other	0 %	0 %
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 2017	Parent Bank 2018	(NOK million)	Group 2018	Group 2017
2,236	2,379	Result before tax	2,382	2,269
-630	-535	+/- permanent differences *	-443	-242
-215	-228	+/- change in temporary differences as per specification	-205	-
-	-	+ deficit to be brought forward	0	45
1,391	**1,615**	**Year's tax base/taxable income**	**1,733**	**2,073**
348	404	Tax payable on profit for the year	462	378
-11	-14	Reduced tax payable due to hybrid capital dividends	-14	-11
337	**389**	**Taxes payable in balance sheet**	**448**	**367**
348	404	Tax payable on profit for the year	462	378
55	52	+/- change in deferred tax	47	72
403	**456**	**Tax charge for the year**	**509**	**450**
		Change in net deferred tax liability		
55	52	Deferred tax shown through profit/loss	47	72
-2	5	Deferred tax shown through equity	4	1
		Reclassification tax payable/deferred tax*	12	
54	**57**	**Total change in net deferred tax liability**	**63**	**72**

* Due to group contribution

Deferred tax in balance sheet 2017	Deferred tax in balance sheet 2018	Composition of deferred tax carried in the balance sheet (NOK million)	Deferred tax in balance sheet 2018	Deferred tax in balance sheet 2017
		Temporary differences:		
6	-	- Business assets	194	199
-	-	- Leasing items	288	250
134	158	- Pension liability	161	148
221	188	- Securities	189	225
79	219	- Hedge derivatives	219	79
-	-	- Other temporary differences	4	5
440	**565**	**Total tax-increasing temporary differences**	**1,055**	**906**
110	**141**	**Deferred tax**	**263**	**226**
		Temporary differences:		
-2	-2	- Business assets	-16	-14
-	-	- Pension liability	-	-
-28	-	- Securities	-	-28
-267	-209	- Hedge derivatives	-209	-267
-38	-21	- Other temporary differences	-117	-94
		- Deficit carried forward	-840	-867
-335	**-232**	**Total tax-decreasing temporary differences**	**-1,182**	**-1,271**
-84	**-58**	**Deferred tax asset**	**-292**	**-317**
25	**82**	**Net deferred tax (-asset)**	**-28**	**-92**

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:

	2018	2017
Tax benefit recorded 31.12	**175**	155
Deferred tax recorded 31.12	**-147**	-85

Recognised in income statement			Recognised in income statement	
2017	**2018**	**Composition of deferred tax recognised in the income statement (NOK million)**	**2018**	**2017**
		Temporary differences:		
-12	7	- Business assets	5	13
-	-	- Leasing items	-38	-52
37	-6	- Pension liability	6	10
-280	48	- Securities	36	-200
-236	-51	- Hedge derivatives	-58	280
-20	-17	- Other temporary differences	0	-4
-511	**-18**	**Total tax-increasing temporary differences**	**-49**	**47**
-128	**-5**	**Deferred tax**	**-12**	**11**
		Temporary differences:		
-	-	- Business assets	2	
-	-0	- Pension liability	-	-
4	-42	- Securities	-28	-83
288	-149	- Hedge derivatives	-140	-227
		- Other temporary differences	-7	-158
-	-	- Deficit carried forward	28	124
293	**-191**	**Total tax-decreasing temporary differences**	**-145**	**-344**
73	**-48**	**Deferred tax asset**	**-36**	**-83**
-	-	Change in tax rate	2	0
-55	**-52**	**Net**	**-47**	**-72**

2017	**2018**	**Reconciliation of tax charge for the period recognised against profit and loss to profit before tax**	**2018**	**2017**
559	595	25 % of profit before tax	659	639
-158	-134	Non-taxable profit and loss items (permanent differences) *	-158	-191
2	-5	Tax effect of costs reflected in equity	-1	-
		Change in tax rate	1	1
		Change in tax assets not recognised	7	-
403	**456**	**Tax for the period recognised in the income statement**	**509**	**450**
18 %	**19 %**	**Effective tax rate**	**21 %**	**20 %**

* 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 through profit or loss					
31.12.18 (mill. kr)	Designated as such upon initial recognition	Mandatorily	Held for trading	Financial instruments at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
Assets						
Cash and receivables from central banks	-	-	-	-	883	**883**
Deposits with and loans to credit institutions	-	-	-	-	5,074	**5,074**
Loans to and receivables from customers	4,467	-	-	61,295	53,967	**119,728**
Shares, units and other equity interests	-	678	1,195	-	-	**1,873**
Fixed-income CDs and bonds	-	20,348	-	-	-	**20,348**
Derivatives	-	-	4,119	-	-	**4,119**
Earned income, not yet received	-	-	-	-	86	**86**
Account receivable, securities	-	-	-	-	277	**277**
Total financial assets	**4,467**	**21,026**	**5,314**	**61,295**	**60,286**	**152,388**
Liabilities						
Deposits from credit institutions	-	-	-	-	9,214	**9,214**
Deposits from and debt to customers	-	-	-	-	80,615	**80,615**
Debt created by issue of securities	-	-	-	-	44,269	**44,269**
Derivatives	-	-	2,982	-	-	**2,982**
Subordinated loan capital	-	-	-	-	2,268	**2,268**
Equity instruments	-	-	31	-	-	**31**
Account payable, securities	-	-	-	-	809	**809**
Total financial liabilities	**-**	**-**	**3,013**	**-**	**137,175**	**140,188**

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
Earned income, not yet received	-	-	-	104	104
Account receivable, securities	-	-	-	322	322
Total financial assets	**5,553**	**23,571**	**66**	**115,633**	**144,823**
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
Account payable, securities	-	-	-	161	161

Total financial liabilities	**3,586**	**-**	**-**	**130,638**	**134,225**

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 2018:

Assets (NOK million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	1	4,117	-	4,119
- Bonds and money market certificates	2,786	17,563	-	20,348
- Equity instruments	1,195	128	550	1,873
- Fixed interest loans	-	43	4,425	4,467
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	61,295	61,295
Total assets	**3,982**	**21,850**	**66,269**	**92,102**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	4	2,977	-	2,982
- Equity instruments	31	-	-	31
Total liabilities	**36**	**2,977**	**-**	**3,013**

The following table presents the 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 changes in the instruments classified in level 3 as at 31 December 2018:

(NOK million)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Equity instruments through OCI	Total
Closing balance 31 December	419	3,236	-	66	3,722
Implementation effect IFRS 9	66	-	56,743	-66	56,743
Opening balance 1 January	**486**	**3,236**	**56,743**	**-**	**60,464**
Investment in periode	76	2,269	18,147	-	20,492
Disposals in the periode	-20	-1,079	-13,596	-	-14,694
Expectged credit loss	-	-	-2	-	-2
Gain or loss on financial instruments	8	-2	2	-	8
Closing balance	**550**	**4,425**	**61,294**	**-**	**66,269**

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

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

Valuation method

The valuation method applied is adapted to each financial instrument, and is intended to utilise as much of the information that is available in the market as possible.

The method for valuation of financial instruments in level 2 and 3 is described in the following:

Fixed interest loans to customers (level 3)

The loans consist for the most part of fixed interest loans denominated in Norwegian kroner. The value of the fixed interest loans is determined such that agreed interest flows are discounted over the term of the loan by a discount factor that is adjusted for margin requirements. The discount factor is raised by 10 points when calculating sensitivity.

Loans at fair value through other comprehensive income (level 3)

Property Loans at floating interest classified at fair value over other comprehensive income is valued based on nominal amount reduced by expected credit loss. Loans with no significant credit risk detoriation since first recognition is assessed at nominal amount. For loans with a significant increase in credit risk since first recognition or objective evidence of loss, the calculation of expected credit losses over the life of the asset is in line with loan losses for loans at amortised cost. Estimated fair value is the nominal amount reduced by expected lifetime credit loss. If the likelihood of the worst case scenario in the model is doubled, fair value is reduced by NOK 5 million.

Short-term paper and bonds (level 2 and 3)

Valuation on level 2 is based for the most part on observable market information in the form of interest rate curves, exchange rates and credit margins for the individual credit and the bond's or certificate's characteristics. For paper valued under level 3 the valuation is based on indicative prices from a third party or comparable paper.

Equity instruments (level 3)

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 311 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank SMN 1 Invest. The valuations are in all essentials based on reporting from managers of the funds who utilise cash flow based models or multiples when determining fair value. The Group does not have full access to information on all the elements in these valuations and is therefore unable to determine alternative assumptions. 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.

Financial derivatives (level 2)

Financial derivatives at level 2 include for the most part currency futures and interest rate and exchange rate swaps. Valuation is based on observable interest rate curves. In addition the item includes derivatives related to FRAs. These are valued with a basis in observable prices in the market. Derivatives classified to level 2 also include equity derivatives related to SpareBank 1 Markets' market-making activities. The bulk of these derivatives refer to the most sold shares on Oslo Børs, and the valuation is based on the price of the actual/underlying share and observable or calculated volatility.

Sensitivity analyses, level 3 as at 31 December 2018:

(NOK million)	Book value	Effect from change in reasonable possible alternative assumtions
Fixed interest loans	4,425	-12
Equity instruments through profit/loss	550	-
Loans at fair value through other comprehensive income	61,295	-5

* 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 for loans in stage 2 and 3. The effect of changes in credit quality in the portfolio is accounted for through expected credit loss write-downs, therefore giving a good expression of fair value. Impairment for Stage 3 losses 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. For loans without significant increase in credit risk since initial recognition (stage 1) the fair value has been set at nominal amount.

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 2018		31 Dec 2017	
(NOK million)	Level 1)	Book value	Fair Value	Book value	Fair Value
Assets					
Loans to and claims on credit institutions	2	11,178	11,178	9,543	9,543
Loans to and claims on customers at amortised cost	3	46,897	46,972	101,490	101,490
Earned income, not yet received	2	67	67	61	61
Account receivable, securities	2	7	7	35	35
Total financial assets at amortised cost		**58,149**	**58,244**	**111,129**	**111,129**
Liabilities					
Debt to credit institutions	2	8,546	8,546	9,047	9,047
Deposits from and debt to customers	2	81,448	81,448	77,362	77,362
Securities debt at amortised cost	2	10,256	10,237	11,003	11,040
Securities debt, hedging	2	34,013	32,284	31,191	31,472
Subordinated debt at amortised cost	2	1,854	1,850	1,102	1,104
Subordinated debt, hedging	2	370	363	1,057	1,060
Account payable, securities	2	699	699	-1	-1
Total financial liabilities at amortised cost		**137,185**	**135,426**	**130,712**	**131,084**

Group

(NOK million)		31 Dec 2018 Book value	31 Dec 2018 Fair Value	31 Dec 2017 Book value	31 Dec 2017 Fair Value
Assets					
Loans to and claims on credit institutions	2	5,074	5,074	4,214	4,214
Loans to and claims on customers at amortised cost	3	53,967	54,052	107,680	107,680
Earned income, not yet received	2	86	86	104	104
Account receivable, securities	2	277	277	322	322
Total financial assets at amortised cost		**59,403**	**59,488**	**112,320**	**112,320**
Liabilities					
Debt to credit institutions	2	9,214	9,214	9,607	9,607
Deposits from and debt to customers	2	80,615	80,615	76,476	76,476
Securities debt at amortised cost	2	10,256	10,237	11,003	11,040
Securities debt, hedging	2	34,013	32,284	31,191	31,472
Subordinated debt at amortised cost	2	1,898	1,893	1,144	1,148
Subordinated debt, hedging	2	370	363	1,057	1,060
Account payable, securities	2	809	809	161	161
Total financial liabilities at amortised cost		**137,175**	**135,415**	**130,638**	**130,963**

[1)] Fair value is determined by using different methods in three levels. See note 26 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 2018.

Parent Bank			Group	
31 Dec 2017	31 Dec 2018	**Money market certificates and bonds by issuer sector** (NOK million)	31 Dec 2018	31 Dec 2017
		State		
1,974	2,089	Nominal value	2,089	1,974
2,520	2,759	Book value	2,759	2,520
		Other public sector		
4,940	3,687	Nominal value	3,687	4,940
4,955	3,705	Book value	3,705	4,955
		Financial enterprises		
10,753	13,118	Nominal value	13,040	10,598
12,327	13,880	Book value	13,800	12,168
		Non-financial enterprises		
20	1	Nominal value	1	20
30	9	Book value	9	30
17,686	**18,894**	**Total fixed income securities, nominal value**	**18,817**	**17,531**
63	76	Accrued interest	76	62
19,895	**20,428**	**Total fixed income securities, booked value**	**20,348**	**19,736**

Note 30 - Financial derivatives

All derivatives are booked at fair value through profit and loss. Gains are carried as assets and losses as liabilities in the case of all interest rate derivatives. 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 7 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 2018**			**31 Dec 2017**		
	Contract	Fair value		Contract	Fair value	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities
Foreign exchange derivatives (forwards)	4,089	78	-49	3,661	86	-51
Currency swaps	7,541	256	-26	11,654	321	-70
FX-options	40	0	-0	59	0	-0
Total currency instruments	11,670	334	-76	15,375	407	-122
Interest rate instruments						
Interest rate swaps (including cross currency)	214,485	2,374	-1,878	178,023	2,532	-2,463
Short-term interest rate swaps (FRA)	9,000	2	-2	9,000	2	-1
Total interest rate instruments	223,485	2,376	-1,880	187,023	2,534	-2,464
Commodity-related contracts						
Stock-exchange-traded standardised forwards and futures contracts	1,190	415	-415	246	60	-60
Total commodity-related contracts	1,190	415	-415	246	60	-60
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	31,548	282	-49	33,623	780	-230
Total interest rate instruments	31,548	282	-49	33,623	780	-230
Total						
Total interest rate instruments	255,033	2,658	-1,929	220,645	3,314	-2,693
Total currency instruments	11,670	334	-76	15,375	407	-122
Total commodity-related contracts	1,190	415	-415	246	60	-60
Accrued interest		508	-514		548	-466
Total financial derivatives	**267,893**	**3,914**	**-2,933**	**236,266**	**4,328**	**-3,341**

Group

Fair value through profit and loss (NOK million)	31 Dec 2018			31 Dec 2017		
	Contract	Fair value		Contract	Fair value	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities
Foreign exchange derivatives (forwards)	4,089	78	-49	3,661	86	-51
Currency swaps	7,541	256	-26	11,654	321	-70
FX-options	40	0	-0	59	0	-0
Total currency instruments	11,670	334	-76	15,375	407	-122
Interest rate instruments						
Interest rate swaps (including cross currency)	214,485	2,374	-1,878	178,023	2,532	-2,463
Short-term interest rate swaps (FRA)	9,000	2	-2	9,000	2	-1
Total interest rate instruments	223,485	2,376	-1,880	187,023	2,534	-2,464
Equity instruments						
Equity options	36	8	-11	37	12	-13
Equity forwards/futures	1,155	197	-38	1,535	10	11
Total equity instruments	1,191	205	-49	1,573	23	-2
Commodity-related contracts						
Stock-exchange-traded standardised forwards and futures contracts	1,190	415	-415	246	60	-60
Total commodity-related contracts	1,190	415	-415	246	60	-60
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	31,548	282	-49	33,623	780	-230
Total interest rate instruments	31,548	282	-49	33,623	780	-230
Total						
Total interest rate instruments	255,033	2,658	-1,929	220,645	3,314	-2,693
Total currency instruments	11,670	334	-76	15,375	407	-122
Total equity instruments	1,191	205	-49	1,573	23	-2
Total commodity-related contracts	1,190	415	-415	246	60	-60
Accrued interest		508	-514		548	-466
Total financial derivatives	**269,084**	**4,119**	**-2,982**	**237,839**	**4,351**	**-3,343**

Note 31 - Shares, units and other equity interest

Parent bank			Group	
31 Dec 2017	31 Dec 2018	Shares and units (NOK million)	31 Dec 2018	31 Dec 2017
119	**186**	**At fair value through profit or loss**	**1,745**	**1,758**
73	84	Listed	1,332	1,492
46	102	Unlisted	413	266
50		**Available for sale**		**67**
50	-	Unlisted	-	67
169	**186**	**Total shares and units**	**1,745**	**1,825**
		Subordinated bond		
-	86	Listed	86	-
-	119	Unlisted	42	-
-	**205**	**Total subordinated debt**	**128**	**-**
		Business held for sale - of which shares		
82	82	Unlisted	43	49
82	**82**	**Total shares held for sale (see note 39)**	**43**	49
73	170	Total listed companies	1,418	1,492
178	302	Total unlisted companies	498	382

Subordinated bonds are considered to be equity instruments and were reclassified from debt instruments as of 1st of January 2018.

Specification of shares, units and equity capital certificates Parent Bank

Listed companies	Stake over 10 %	Our holding (no.)	Acquisition cost (NOK 1000)	Market value/book value (NOK 1000)
Visa Inc. C-shares		63,536	6,750	71,964
Total quoted shares			**6,750**	**71,964**
SpareBank 1 Nordvest		69,423	7,455	7,359
SpareBank 1 Søre Sunnmøre		48,070	4,999	5,071
Total quoted credit institutions			**12,454**	**12,430**
DNB Bank		20,000,000	21,122	21,068
SpareBank 1 SR-Bank		17,000,000	16,920	16,901
Askim & Spydeberg Sparebank		10,500,000	10,389	10,264
Jæren Sparebank		10,000,000	9,831	9,814
Jernbanepersonalets Sparebank		4,000,000	3,932	3,947
Sparebank DIN		2,000,000	2,090	2,044
Bank Norwegian		2,000,000	2,006	1,987
SpareBank 1 Østfold Akershus		2,000,000	1,974	1,984
Gjensidige Bank		3,500,000	3,485	3,485
Orkla Sparebank		2,000,000	1,987	1,977
Andebu Sparebank		2,000,000	1,970	1,975
Eika Boligkreditt		1,500,000	1,506	1,504
Other subordinated bonds			9,155	9,160
Total quoted subordinated bonds			**86,367**	**86,109**
Unlisted companies				
Eksportfinans		1,857	12,888	37,764
Molde Kunnskapspark		2,000	2,030	2,083
Spama		2,305	-	1,563
Swift Eur		44	855	1,503
Visa Norge		-	-	39,726
Visa C preference share		-	-	17,793
Others			1,120	1,122

Total unquoted shares and units		**16,894**	**101,554**
SpareBank1 Finans Midt-Norge	77,496,000	77,496	77,307
SpareBank 1 Bolikreditt	41,000,000	41,000	41,725
Total unquoated subordinated bonds		**118,496**	**119,032**
Total shares, units and equity capital certificates, parent bank		**240,961**	**391,090**

Specification of shares, units and equity capital certificates Group

Listed companies	Stake over 10 %	Our holding (no.)	Acquisition cost (NOK 1000)	Market value/book value (NOK 1000)
Polaris Media	11.3 %	5,584,508	145,080	136,820
Bonheur		1,250,000	87,576	117,000
Yara International		210,802	74,855	70,302
Data Respons		2,624,947	68,661	59,061
Olav Thon Eiendomsselskap		415,100	67,333	58,114
Subsea 7		657,598	73,500	55,422
Norwegian Air Shuttle		316,496	73,185	54,896
Kongsberg Gruppen		450,000	51,119	52,920
Magnora	14.7 %	7,719,497	60,918	50,177
Norwegian Royal Salmon		250,000	15,462	44,750
Scandic Hotel		450,000	40,617	40,617
Norsk Hydro		889,780	42,923	34,888
Panoro Energy		2,795,031	45,000	33,540
Equinor		164,756	33,119	30,274
Itera		3,350,000	30,717	28,140
MOWI		137,898	24,887	25,194
Aker BP		186,028	26,927	40,554
Crayon Group Holding		919,500	18,489	14,951
Borregaard		193,454	15,014	14,470
B2 Holding		920,000	14,422	11,316
TGS - NOPEC Geophysical Company		51,000	12,264	10,649
Nordic Semiconductor		359,212	11,945	10,381
Solstad Offshore		5,729,026	39,473	9,739
DNB		69,784	9,917	9,641
Ocean Yield		147,889	9,679	8,755
Webstep		350,000	8,575	8,750
Akastor		625,000	11,108	8,163
Tomra		38,032	7,104	7,409
Havila		64,384,332	16,901	4,888
Archer		1,020,000	9,690	4,432
Others			61,063	42,179
Total quoted shares			**1,207,522**	**1,098,394**
SpareBank 1 Østlandet		823,874	69,775	68,382
SpareBank 1 BV		730,718	24,704	26,014
SpareBank 1 Telemark		168,900	19,671	19,559
SpareBank 1 Ringerike Hadeland		82,400	15,652	16,109
Norwegian Finans Holding		120,451	9,451	8,070
Helgeland Sparebank		100,000	8,825	6,925
Others			4,013	4,057
Total quoted credit institutions			**152,091**	**149,115**

Unlisted companies

Unlisted companies	Stake over 10 %	Our holding (no.)	Acquisition cost (NOK 1000)	Market value/book value (NOK 1000)
Viking Venture III	17.0 %	862,878	48,160	85,166
Salvesen & Thams		223	25,730	46,230
Okea		162,730	31,804	37,665
Herkules Capital 3		1	37,748	27,994
Norsk Innovasjonskapital III		600	10,200	19,372
Moldekraft	12.9 %	10,545	11,600	14,837
Crayo Nano		13,876	5,436	11,129
Sintef Venture IV		18,101	8,745	10,374
Numascale		4,382,117	6,320	6,819
Vectron Biosolutions		220,000	6,000	6,000
Novelda		18,280	6,143	5,814

Avexxin	184,505	5,605	5,586
Proventure Seed II	6,695,673	5,498	5,498
Real Estate Central Europe	3,000	5,500	4,000
Wellcem AS	40,036	1,361	2,965
North Bridge Nordic Property II	51,340	1,996	2,153
Sintef Venture V	9,000	2,001	2,001
Way AS	23,175	1,500	1,500
Viking Venture II C-shares	8,301	830	1,465
Viking Venture II (Cshares and Venture 2)	250,972	19,123	1,054
DeBank	400,000	1,000	1,000
Sentrumsbyen Molde	1,000	1,000	1,000
Wellstarter	2,000	1,000	1,000
Others		16,469	10,790
Total unquoted shares and units		**260,768**	**311,413**
Elimination of subordinated bond SpareBank 1 Finans Midt-Norge		-77,496	-77,307
Total shares, units and equity capital certificates, Group		**1,783,846**	**1,872,704**

Note 32 - Intangible assets

2018

Parent Bank				Group		
Other intangible assets	**Goodwill**	**Total**	**(NOK million)**	**Total**	**Goodwill**	**Other intangible assets**
128	447	575	Cost of acquisition at 1 January	935	681	254
47	-	47	Acquisitions	113	50	63
-0	-	-0	Disposals	-14	-	-14
175	447	622	Cost of acquisition at 31 December	1,034	730	303
54	-	54	Accumulated depreciation and write-downs as at 1 January	141	28	113
36	-	36	Current period's depreciation	49	-	49
-	-	-	Current period's write-down	4	4	-
-0	-	-0	Disposals	-13	-	-13
-	-	-	Subsidiaries' acquisitions	2	2	-
89	-	89	Accumulated depreciation and write-down as at 31 December	183	34	149
86	**447**	**533**	**Book value as at 31 December**	**851**	**697**	**154**

2017

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

Note 33 - Property, plant and equipment

31 Dec 2018

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**
111	187	298	Cost of acquisition at 1 January	594	276	318
-	-	-	Cost of acq. as a result of business combinations	8	7	1
2	11	13	Acquisitions	19	17	2
-10	-17	-27	Disposals	-53	-32	-21
1	0	1	Corrections	1	0	1
104	181	285	Cost of acquisition at 31 December	569	268	301
58	125	183	Accumulated depreciation and write-downs as at 1 January	331	196	135
-	-	-	Acc. depreciations as a result of business combinations	6	6	-
8	21	29	Current period's depreciation	47	28	19
1	1	2	Current period's write-down	2	2	1
-8	-19	-27	Disposals	-52	-33	-19
-1	2	1	Reversal of accumulated depreciation and write-downs	1	2	-1
58	130	188	Accumulated depreciation and write-down as at 31 December	336	201	135
46	**51**	**97**	**Book value as at 31 December**	**234**	**67**	**167**

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
-3	-1	-4	Corrections	-2	-1	-3
111	187	298	Cost of acquisition at 31 December	598	276	318
54	140	194	Accumulated depreciation and write-downs as at 1 January	524	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
-3	-1	-4	Reversal of accumulated depreciation and write-downs	-4	-1	-3
58	125	183	Accumulated depreciation and write-down as at 31 December	331	196	135
52	**63**	**115**	**Book value as at 31 December**	**263**	**80**	**183**

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 2018 is NOK 114 million (NOK 119 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 2018.

Note 34 - Other assets

Parent Bank			Group	
31 Dec 2017	31 Dec 2018	(NOK million)	31 Dec 2018	31 Dec 2017
-	-	Deferred tax asset	175	178
115	97	Fixed assets	234	263
61	67	Earned income not yet received	86	104
35	7	Accounts receivable, securities	277	322
158	179	Pensions	179	171
333	384	Other assets	737	615
703	**733**	**Total other assets**	**1,687**	**1,654**

Note 35 - Deposits from and liabilities to customers

Parent Bank			Group	
31 Dec 2017	**31 Dec 2018**	**Deposits from and liabilities to customers (NOK million)**	**31 Dec 2018**	**31 Dec 2017**
63,180	63,179	Deposits from and liabilities to customers without agreed maturity	62,346	62,293
14,182	18,269	Deposits from and liabilities to customers with agreed maturity	18,269	14,182
77,362	**81,448**	**Total deposits from and liabilities to customers**	**80,615**	**76,476**
0.9 %	0.9 %	Average interest rate	0.9 %	0.9 %

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

31 Dec 2017	31 Dec 2018	Deposits specified by sector and industry	31 Dec 2018	31 Dec 2017
31,797	33,055	Wage earners	33,055	31,797
11,284	12,202	Public administration	12,202	11,284
3,061	3,066	Agriculture, forestry, fisheries and hunting	3,066	3,061
1,021	742	Sea farming industries	742	1,021
2,736	1,696	Manufacturing	1,696	2,736
3,046	3,541	Construction, power and water supply	3,541	3,046
4,152	4,663	Retail trade, hotels and restaurants	4,663	4,152
1,269	996	Maritime sector	996	1,269
4,595	4,949	Property management	4,644	4,405
6,429	6,883	Business services	6,883	6,429
5,846	6,572	Transport and other services provision	6,210	5,414
2,127	3,083	Other sectors	2,917	1,863
77,362	**81,448**	**Total deposits from customers broken down by sector and industry**	**80,615**	**76,476**

31 Dec 2017	31 Dec 2018	Deposits specified by geographic area	31 Dec 2018	31 Dec 2017
49,685	52,718	Trøndelag	51,952	48,822
14,898	14,908	Møre og Romsdal	14,908	14,898
2,067	2,577	Sogn og Fjordane	2,577	2,067
563	655	Nordland	655	563
5,876	5,331	Oslo	5,264	5,853
3,449	4,425	Other counties	4,425	3,449
824	835	Abroad	835	824
77,362	**81,448**	**Total deposits broken down by geographic area**	**80,615**	**76,476**

Note 36 - Debt securities in issue

Parent Bank			Group	
31 Dec 2017	31 Dec 2018	(NOK million)	31 Dec 2018	31 Dec 2017
-	392	Money market instrument and other short-term borrowings	392	-
42,194	43,877	Bond debt	43,877	42,194
42,194	**44,269**	**Total debt securities in issue**	**44,269**	**42,194**
-	2.9 %	Average interest, money market certificates	2.9 %	-
1.5 %	1.3 %	Average interest, bond debt	1.3 %	1.5 %

31 Dec 2017	31 Dec 2018	Securities debt specified by maturity *)	31 Dec 2018	31 Dec 2017
9,266	-	2018	-	9,266
5,983	5,284	2019	5,284	5,983
9,386	9,463	2020	9,463	9,386
7,600	8,448	2021	8,448	7,600
5,785	5,854	2022	5,854	5,785
2,075	8,921	2023	8,921	2,075
-	4,000	2024	4,000	-
498	500	2029	500	498
295	299	2031	299	295
246	249	2032	249	246
-	299	2033	299	-
255	259	2035	259	255
275	279	2044	279	275
20	18	Currency agio	18	20
187	140	Premium and discount, market value of structured bonds	140	187
324	256	Accrued interest	256	324
42,194	**44,269**	**Total securities debt**	**44,269**	**42,194**

*) Less own bonds. Total nominal own holding in 2018 comes to NOK 65 m (NOK 505 m)

31 Dec 2017	31 Dec 2018	Securities debt distributed on significant currencies	31 Dec 2018	31 Dec 2017
13.683	15.548	NOK	15,548	13,683
25.360	26.512	EUR	26,512	25,360
1.114	392	USD	392	1,114
2.037	1.817	Other	1.817	2,037
42.194	**44.269**	**Total securities debt**	**44,269**	**42,194**

Parent Bank and Group

Change in securities debt	31 Dec 2018	Issued	Fallen due/ redeemed	Other changes	31 Dec 2017
Money market instrument	391	391	-	-	-
Bond debt	43,463	12,390	9,815	-775	41,663
Adjustments	158	-	-	-49	207
Accrued interest	256	-	-	-68	324
Total	**43,877**	**12,390**	**9,815**	**-891**	**42,194**

Change in securities debt	31 Dec 2017	Issued	Fallen due/ redeemed	Other changes	31 Dec 2016
Bond debt	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**

Note 37 - Other debt and liabilities

Parent Bank			Group	
31 Dec 2017	31 Dec 2018	Other debt and recognised liabilities (NOK million)	31 Dec 2018	31 Dec 2017
21	84	Deferred tax	147	81
337	389	Payable tax	448	367
9	10	Capital tax	10	9
70	30	Accruals	413	444
108	115	Provisions	115	108
4	148	Losses on guarantees and unutilised credits	148	4
24	21	Pensjon liabilities	21	24
88	97	Drawing debt	97	88
16	11	Creditors	66	82
0	699	Debt from securities	809	161
-	-	Equity instruments	31	244
232	288	Other	366	311
909	**1,892**	**Total other debt and recognised liabilities**	**2,670**	**1,923**
		Other liabilities, not recognised		
579	474	Credit limits, trading	551	731
-	-	Other commitments	73	33
579	**474**	**Total other commitments**	**625**	**764**
1,488	**2,366**	**Total commitments**	**3,295**	**2,686**

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 Norwegian kroner, euro, British pound, Japanese yen, US dollar, 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 and SEB as clearing broker.

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.

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

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

Parent Bank			Group	
Cash deposit	Total	Securities pledged	Total	Cash deposit
561	561	Securities pledged 31 Dec 2018	589	589
955	955	Relevant liabilities 31 Dec 2018	982	982
1,157	1,157	Securities pledged 31 Dec 2017	1,204	1,204
1,226	1,226	Relevant liabilities 31 Dec 2017	1,273	1,273

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 2018.

Operational leases

The group has entered a number of different lease agreements regarding permises, car park and cars. Most of the agreements include a lease extension option.

Lease costs comprised:

Parent Bank			Group	
2017	**2018**	(NOK million)	**2018**	**2017**
92	84	Ordinary lease payments	116	83
28	22	Payment received from sub-lease	24	44
64	**61**	**Total lease costs**	**92**	**39**

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

(NOK million)	Parent Bank	Group
Within 1 year	43	103
1-5 years	191	293
Above 5 years	300	342
Total	**536**	**965**

Provisions

The group has made provisions for pension liabilities, see note 24, specified losses on guarantees (see note 11 on movement in losses on gurarantees), 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	Restructuring provision	Gifts
Provisions at 1 Jan	**24**	**39**	**69**
Additional provisions in the period	-	-	70
Amounts used in the period	-3	-18	-45
The increase during the period in the discounted amount that occurs over time, and the effect of any changes in the discount rate	0	-	-
Provisions at 31 Dec	**21**	**21**	**94**

Note 38 - Subordinated debt and hybrid capital issue

Parent bank			Group	
31 Dec 2017	31 Dec 2018	(NOK million)	31 Dec 2018	31 Dec 2017
		Dated subordinated debt		
659	-	2036 fixed rate 2,94 %, JPY (Call 2018) *)	-	659
-	-	2026 SpareBank 1 Finans Midt-Norge 16/26	43	43
150	150	2027 floating rate NOK (Call 2022)	150	150
600	600	2027 floating rate NOK (Call 2022)	600	600
250	250	2029 floating rate NOK (Call 2024)	250	250
-	250	2028 floating rate NOK (Call 2023)	250	-
-	500	2028 floating rate NOK (Call 2023)	500	-
11	-	Premium/discount/market value	-	11
4	-	Currency agio debt	-	4
1	3	Accrued interest	4	1
1,676	**1,753**	**Total dated subordniated debt**	**1,796**	**1,718**
		Hybrid equity		
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
25	13	Discount perpetual hybrid equity	13	25
8	8	Accrued interest	8	8
483	**471**	**Total hybrid equity**	**471**	**483**
2,159	**2,224**	**Total subordinated loan capital and hybrid equity**	**2,268**	**2,201**
4.5 %	3.5 %	Average rate NOK	3.5 %	4.5 %
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 equity issue	31 Dec 2018	Issued	Fallen due/ redeemed	Other changes	31 Dec 2017
Ordinary subordinated debt, NOK	1,793	750	-	-	1,043
Ordinary subordinated debt, Currency	-	-	699	40	659
Hybrid capital loan, NOK	450	-	-	-	450
Adjustments	13	-	-	-27	40
Accrued interest	12	-	-	3	10
Total subordinated debt and hybrid equity issue	**2,268**	**750**	**699**	**15**	**2,201**

Changes in subordinated debt and hybrid equity issue	31 Dec 2017	Issued	Fallen due/ redeemed	Other changes	31 Dec 2016
Ordinary subordinated debt, NOK	1,043	1,000	1,000	-	1,043
Ordinary subordinated debt, Currency	659	-	-	-3	662
Hybrid capital loan, NOK	450	-	-	-	450
Adjustments	40	-	-	-24	64
Accrued interest	10	-	-	-1	10
Total subordinated debt and hybrid equity issue	**2,201**	**1,000**	**1,000**	**-27**	**2,228**

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 significant subsidiaries			
EiendomsMegler 1 Midt-Norge	936159419	Trondheim	87.0
SpareBank 1 Regnskapshuset SMN	936285066	Trondheim	95.4
SpareBank 1 Invest	990961867	Trondheim	100.0
SpareBank 1 Finans Midt-Norge	938521549	Trondheim	64.6
SpareBank 1 SMN Kvartalet	990283443	Trondheim	100.0
SpareBank 1 Bygget Steinkjer	934352718	Trondheim	100.0
SpareBank 1 Card Solution	990222991	Trondheim	100.0
St. Olavs Plass	999263380	Trondheim	100.0
SpareBank 1 Bilplan	979945108	Trondheim	100.0
SpareBank 1 Markets	992999101	Oslo	66.7
Shares owned by subsidiaries and sub-subsidiaries			
GMA Invest	994469096	Trondheim	100.0
Sentrumsgården	975856828	Leksvik	24.0
Aqua Venture	891165102	Trondheim	37.6
BrainImage	917956146	Trondheim	34.5
Omega-3 Invest	996814262	Namsos	33.6
Tjeldbergodden Utvikling	979615361	Aure	35.3
Grilstad Marina	991340475	Trondheim	35.0
GMN 6	994254707	Trondheim	35.0
GMN 51	996534316	Trondheim	30.0
GMN 52	996534413	Trondheim	30.0
GMN 53	996534502	Trondheim	30.0
BN Bolig	917463069	Oslo	50.0
Brauten Eiendom	917066221	Trondheim	100.0
SpareBank 1 Kapitalforvaltning	980300609	Trondheim	100.0
SpareBank 1 Capital Markets		New York	100.0
Leksvik Regnskapskontor	980491064	Leksvik	50.0
Spjelkavik Regnskap	936731716	Ålesund	100.0
Grongstad Regnskap	971193808	Namsos	100.0
Flatanger Regnskapskontor	983734219	Flatanger	100.0
Investment in joint ventures			
SpareBank 1 Gruppen	975966372	Tromsø	19.5
SpareBank 1 Banksamarbeidet	986401598	Oslo	18.0
SpareBank 1 Betaling	919116749	Oslo	19.7
Investment in associates			
SpareBank 1 Boligkreditt	988738387	Stavanger	20.7
BN Bank	914864445	Trondheim	33.0
SpareBank 1 Næringskreditt	894111232	Stavanger	33.0
Bjerkeløkkja	998534976	Oppdal	40.7
SpareBank 1 Kredittkort	975966453	Trondheim	17.4
SMB Lab	917143501	Trondheim	20.0
BETR	995756080	Tromsø	20.0
Investment in companies held for sale			
Mavi XV	890899552	Trondheim	100.0
Mavi XI	990899568	Trondheim	100.0
Mavi XXIV	999211062	Trondheim	100.0
Mavi XXV	999239242	Trondheim	100.0
Mavi XXVI	999239331	Trondheim	100.0
Mavi XXVII	999239390	Trondheim	100.0
Mavi XXVIII	999239455	Trondheim	100.0
Byscenen Kongensgt 19	992237899	Trondheim	94.0

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.

2018 (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	Profit or loss	NCI of profit or loss *)	Book value 31.12
SpareBank 1 Finans Midt-Norge AS	772,590	61,259	10.0	7,723	6,580	1,143	364	337	226	111	39	602
Total investments in credit institutions												**602**
EiendomsMegler 1 Midt-Norge	66	4,788	10.5	276	91	186	24	496	517	-20	-3	143
SpareBank 1 SMN Kvartalet	99	30,200	0.0	310	10	300	-	30	24	5	-	332
SpareBank 1 Regnskapshuset SMN	18	238	75.0	394	112	282	13	444	390	54	2	201
SpareBank 1 Invest	457	457,280	1.0	793	45	748	-	13	6	7	-	739
SpareBank 1 Bygget Steinkjer	6	100	61.0	49	1	49	-	4	3	1	-	53
SpareBank 1 Card Solution	200	2,000	0.1	5	-	5	-	2	2	-0	-	5
St. Olavs Plass	10	100,000	0.1	78	1	77	-	7	6	1	-	75
SpareBank 1 Bilplan	6	41,206	0.1	5	3	3	-	8	10	-2	-	4
SpareBank 1 Markets	529	3,168,991	0.2	2,258	1,582	676	225	551	535	16	5	456
Total investments in other subsidiaries												**2,008**
Total investments in Group companies, Parent Bank												**2,610**

*) Non-controlling interests

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

2017 (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	612,590	61,259	10,0	6,724	5,745	979	304	392	295	96	34	499
Total investments in credit institutions												**499**
EiendomsMegler 1 Midt-Norge	57,803	4,788.0	10,5	278	97	181	28	395	367	27	-8	120
SpareBank 1 SMN Kvartalet **)	326,160	30,200.0	10,8	869	11	857	-	78	64	14	2	994
SpareBank 1 Regnskapshuset SMN	17,850	238.0	75,0	323	110	212	10	377	315	62	-	154
SpareBank 1 Invest	457,280	457,280	1,0	854	49	805	-	48	5	43	-	739
SpareBank 1 Bygget Steinkjer	6,100	100.0	61,0	49	1	49	-	4	3	1	-	53
SpareBank 1 Card Solution	200	2,000.0	0,1	7	1	6	-	5	4	1	-	9
St. Olavs Plass	10,000	100,000.0	0,1	77	1	76	-	6	6	0	-	75
SpareBank 1 Bilplan	5,769	41,206.0	0,1	32	28	5	-	112	112	0	-	9
Jernbanegata												

19	1,000	10,000.0	0,1	10	0	10	-	-	0	0	-	13
SpareBank 1 Markets	529,221	3,168,991	0,2	2,242	1,573	669	223	452	440	12	4	456
Total investments in other subsidiaries												**2,621**
Total investments in Group companies, Parent Bank												**3,120**

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	
2017	2018	(NOK million)	2018	2017
3,766	3,940	As at 1 January	5,760	5,638
174	369	Acquisition/sale	344	168
-	-	Equity capital changes	-66	-74
-	-	Profit share	416	437
-	-	Dividend paid	-355	-410
3,940	**4,309**	**Book value as at 31 December**	6,098	**5,760**

Specification of year's change, Group	Additions/ disposal	Equtiy change
SpareBank 1 Gruppen	-	-11
SpareBank 1 Boligkreditt	216	-67
SpareBank 1 Næringskreditt	58	-3
SpareBank 1 Kredittkort	-5	-16
Sparebank 1 Betaling	100	-15
BN Bank	-	90
Other companies	-26	17
Sum	**344**	**-6**

Profit share from associates and joint ventures is specified in the table below. Badwill and amortisation effects related to acquisitions are included in the profit share.

Dividends from investments in associates and joint ventures

(NOK million)	31 Dec 2018	31 Dec 2017
SpareBank 1 Gruppen	287	228
SpareBank 1 Boligkreditt	14	22
BN Bank	-	132
SpareBank 1 Næringskreditt	17	29
SpareBank 1 Kredittkort	38	0
Total income from associates and joint ventures	**355**	**410**

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. Booked value is the consolidated value in the SMN Group.

2018 (NOK million)	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12	No. of shares
SpareBank 1 Gruppen	75,383	67,177	13,719	12,239	289	1,558	381,498
SpareBank 1 Boligkreditt	245,521	233,938	3,578	3,573	-7	2,152	14,879,609
SpareBank 1 Næringskreditt	13,365	11,287	262	211	15	685	5,353,070
SpareBank 1 Kredittkort	5,948	4,867	1,122	991	23	188	502,131
Sparebank 1 Betaling	656	0	-	57	-12	141	1,635
BN Bank	29,021	24,739	658	364	92	1,239	4,658,389
Other companies					17	135	
Total					**416**	**6,098**	

2017 (NOK million)	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12	No. of shares
SpareBank 1 Gruppen	70,650	62,385	17,911	15,703	349	1,569	381,498
BN Bank	262,196	250,924	3,529	3,709	-41	2,003	13,039,586
SpareBank 1 Boligkreditt	12,479	10,426	274	213	19	629	4,895,248
SpareBank 1 Næringskreditt	5,972	4,806	1,049	965	15	209	517,253

SpareBank 1 Kredittkort	26,168	22,285	646	363	98	1,147	4,658,389
Other companies					-2	202	
Total					**437**	**5,760**	

Companies held for sale

SpareBank 1 SMN's strategy is that ownership due to defaulted exposures should at the outset be of brief duration, normally not longer than one year. Investments are recorded at fair value in the Parent Bank's accounts, and is classified as investment held for sale.

Assets and liabilities related to the property in Søndre Gate 4-10 in Trondheim City Centre (SpareBank 1 Kvartalet) has been reclassified as held for sale from Q4 2017 based on the approval from management and board of Directors for selling the property, in addition to the progress made in the sale process which makes it highly probable that the sale will be completed in the coming 12 months.

SpareBank 1 SMN accepted a bid at Søndre gate no. 4-10 in Trondheim city centre at November 9, 2017. SpareBank 1 SMN and its subsidiaries will lease back about 70 per cent of the overall area on a 15 year lease with the option of a lease extension. Estimated gross annual rental in 2018 amounts to NOK 36.4 million. The gross property value underlying the bid is NOK 755 million and provided SpareBank 1 SMN with a net gain after an estimated tax rebate and transaction costs of NOK 144 million. The transaction was completed in 2Q 2018.

2018 (NOK million)	Assets	Liabilities	Total income	Total costs	Company's result of the year	Ownership share
Mavi XV konsern	43	1	5	-1	5	100%
Søndre gate 4-10	-	-	144	0	144	-
Total	**43**	**1**	**148**	**-1**	**149**	

2017 (NOK million)	Assets	Liabilities	Total income	Total costs	Company's result of the year	Ownership share
Mavi XV konsern	49	1	6	-7	-1	100%
Søndre gate 4-10	600	-	6	-6	0	100%
Total	**649**	**1**	**12**	**-13**	**-1**	

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 AS has in 2018 acquired Rauma Regnskapsservice AS, Aktiva Regnskap AS, Tinde Økonomi AS, Fosenøkonomen Regnskapsbyrå AS, Admit Systemer AS and Admit Regnskap AS. These businesses are fully integrated into SpareBank 1 Regnskapshuset SMN AS in 2018.

The company has also acquired Spjelkavik Regnskap AS, Flatanger Regnskapskontor AS and Grongstad Regnskap AS, which will be integrated with SpareBank1 Regnskapshuset SMN in 2019.

Økonomisenteret Kunderegnskap AS og SpareBank 1 Regnskapshuset Brekstad AS have been merged with SpareBank1 Regnskapshuset SMN in 2018.

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.

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 9 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 as the opening balance includes companies that during the fiscal year have been classified as related partied of the Bank.

	Subsidiaries		**Other related companies**	
Loans (NOK million)	**2018**	**2017**	**2018**	**2017**
Outstanding loans as at 1.1	5,909	4.780	4,609	4.049
Loans issued in the period	1,200	1,445	31	515
Repayments	276	317	45	3
Outstanding loans as at 31.12	**6,833**	**5,909**	**4,595**	**4,561**
Interest income	130	119	125	121
Bonds and subordinated loans as at 31.12	158	160	858	1.749
Deposits (NOK million)				
Deposits as at 1.1	938	1,158	3,950	3,950
Contribution received during the period	42,985	30,304	53,459	53,459
Withdrawals	42,684	30,514	55,346	55,346
Deposits as at 31.12	**1,238**	**947**	**2,063**	**2,063**
Interest expenses	19	14	13	14
Securities trading	28	25	204	468
Commission income SpareBank 1 Boligkreditt	-	-	340	322
Commission income SpareBank 1 Næringskreditt	-	-	16	17
Issued guarantees and amount guaranteed	110	110	23	89

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 2018 there was 9,371 ECC holders (8,788 as at 31 December 2017).

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 Des 2018	No. Of ECCs	Holding
VPF Nordea Norge Verdi	5,734,807	4.42 %
State Street Bank and Trust CO (nominee)	4,442,606	3.42 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,542,919	2.73 %
VPF Danske Invest Norske Aksjer Inst. II	3,274,149	2.52 %
VPF Pareto Aksje Norge	2,578,447	1.99 %
VPF Alfred Berg Gambak	2,156,139	1.66 %
State Street Bank and Trust CO (nominee)	1,919,043	1.48 %
JP Morgan Chase Bank (nominee)	1,871,849	1.44 %
State Street Bank and Trust CO (nominee)	1,768,901	1.36 %
VPF Danske Invest Norske Aksjer Inst. I	1,750,292	1.35 %
Forsvarets Personellservice	1,717,046	1.32 %
Pareto AS	1,707,998	1.32 %
Handelsbanken Nordiska Småbolagsfond	1,701,137	1.31 %
MP Pensjon PK	1,552,771	1.20 %
JP Morgan Securities	1,459,686	1.12 %
VPF Nordea Kapital	1,438,701	1.11 %
VPF Nordea Avkastning	1,260,717	0.97 %
Euroclear Bank S.A/N.V (nominee)	1,119,647	0.86 %
VPF Storebrand Norge I	1,096,565	0.84 %
The 20 largest ECC holders in total	**46,058,811**	**35.47 %**
Others	83,777,632	64.53 %
Total issued ECCs	**129,836,443**	**100.00 %**

Dividend policy

SpareBank 1 SMN aims to manage the Group's resources in such a way as to provide equity certificate holders with a good, stable and competitive return in the form of dividend and a rising value of the bank's equity certificate.

The net profit for the year will be distributed between the owner capital (the equity certificate holders) and the ownerless capital in accordance with their respective shares of the bank's total equity capital.

SpareBank 1 SMN's intention is that around one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that around one half of the owner capital's share of the net profit for the year should be disbursed as gifts or transferred to a foundation. This is on the assumption that capital adequacy is at a satisfactory level. When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, external framework conditions and the need for tier 1 capital.

Note 43 - Earnings per ECC

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

(Nok million)	2018	2017
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	2,018	1,763
Allocated to ECC Owners 2)	1,291	1,128
Issues Equity Capital Certificates adjusted for own certificates	129,411,807	129,487,830
Earnings per Equity Capital Certificate	**9.97**	**8.71**

Adjusted Net Profit 1)	2018	2017
Net Profit for the group	2,090	1,828
Adjusted for non-controlling interests share of net profit	-34	-32
Adjusted for Tier 1 capital holders share of net profit	-37	-33
Adjusted Net Profit	**2,018**	**1,763**

Equity capital certificate ratio (parent bank) 2) (NOK million)	31 Dec 2018	31 Dec 2017
ECC capital	2,597	2,597
Dividend equalisation reserve	5,602	5,079
Premium reserve	895	895
Unrealised gains reserve	99	81
Other equity capital	-	-
A. The equity capital certificate owners' capital	**9,193**	**8,652**
Ownerless capital	5,126	4,831
Unrealised gains reserve	56	45
Other equity capital	-	-
B. The saving bank reserve	**5,182**	**4,877**
To be disbursed from gift fund	373	322
Dividend declared	661	571
Equity ex. profit	**15,409**	**14,422**
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)	2018	2017
SpareBank 1 Finans Midt-Norge	62	51
EiendomsMegler 1 Midt-Norge	23	42
SpareBank 1 Regnskapshuset SMN	-	30
Allegro Kapitalforvaltning	-	20
MAVI XV	-	148
SpareBank 1 SMN Invest	63	58
SpareBank 1 SMN Card Solutions	1	1
SpareBank 1 SMN Kvartalet	-	10
Sparebank 1 Bygget Trondheim	-	4
Sparebank 1 Bygget Steinkjer	1	1
Total dividends	**151**	**364**