

Second Quarter Report 2019



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Main figures

	First half					
	2019		2018		2018	
	NOKm	% 1)	NOKm	% 1)	NOKm	% 1)
From the income statement						
Net interest	1,313	1.60	1,149	1.48	2,403	1.53
Net commission income and other income	1,157	1.41	1,149	1.48	2,177	1.39
Net return on financial investments	1,063	1.29	480	0.62	757	0.48
Total income	3,533	4.30	2,778	3.58	5,337	3.40
Total operating expenses	1,404	1.71	1,306	1.69	2,624	1.67
Results before losses	2,129	2.59	1,471	1.90	2,713	1.73
Loss on loans, guarantees etc	126	0.15	127	0.16	263	0.17
Results before tax	2,003	2.44	1,345	1.74	2,450	1.56
Tax charge	274	0.33	287	0.37	509	0.32
Result investment held for sale, after tax	0	0.00	151	0.20	149	0.10
Net profit	1,729	2.11	1,209	1.56	2,090	1.33
Interest Tier 1 Capital	29		20		37	
Net profit excl. Interest Tier 1 Capital	1,700		1,189		2,052	
	30		30		31 Dec	
	June		June		2018	
	2019		2018		2018	
Key figures						
Profitability						
Return on equity ²⁾	19.0 %		14.4 %		12.2 %	
Cost-income ratio ²⁾	40 %		47 %		49 %	
Balance sheet figures						
Gross loans to customers	121,895		115,787		120,473	
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	163,627		154,790		160,317	
Deposits from customers	86,553		80,343		80,615	
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	71 %		69 %		67 %	
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt ²⁾	53 %		52 %		50 %	
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt) ²⁾	5.7 %		7.6 %		7.8 %	
Growth in deposits last 12 months	7.7 %		6.3 %		5.4 %	
Average total assets	164,211		154,973		156,992	
Total assets	167,289		159,584		160,704	
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt						
Impairment losses ratio ²⁾	0.16 %		0.17 %		0.17 %	
Non-performing commitm. as a percentage of gross loans ²⁾	0.22 %		0.18 %		0.19 %	
Other doubtful commitm. as a percentage of gross loans ²⁾	1.00 %		1.05 %		0.86 %	
Solidity						
Capital adequacy ratio	18.8 %		19.0 %		18.5 %	
Core capital ratio	16.6 %		17.0 %		16.3 %	
Common equity tier 1 ratio	15.0 %		15.0 %		14.6 %	
Core capital	17,284		16,488		16,472	
Net equity and related capital	19,634		18,418		18,743	
Liquidity Coverage Ratio (LCR)	165 %		150 %		183 %	
Leverage Ratio	7.5 %		7.4 %		7.4 %	
Branches and staff						
Number of branches	48		48		48	
No. Of full-time positions	1,556		1,439		1,493	

1) Calculated as a percentage of average total assets

2) Defined as alternative performance measures, see attachment to the quarterly report

Key figures ECC	30 June 2019	30 June 2018	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
ECC ratio	64.0 %	63.9 %	64.0 %	64.0 %	64.0 %	64.0 %
Number of certificates issued, millions ²⁾	129.66	129.31	129.62	129.38	129.64	129.43
ECC share price at end of period (NOK)	97.70	84.50	84.20	82.25	64.75	50.50
Stock value (NOKM)	12,668	10,926	10,914	10,679	8,407	6,556
Booked equity capital per ECC (including dividend) ²⁾	87.04	80.21	83.87	78.81	73.35	67.39
Profit per ECC, majority ²⁾	8.23	5.75	9.97	8.71	7.93	6.96
Dividend per ECC			5.10	4.40	3.00	2.25
Price-Earnings Ratio ²⁾	5.94	7.35	8.44	9.44	8.17	7.26
Price-Book Value Ratio ²⁾	1.12	1.05	1.00	1.04	0.88	0.75

²⁾ Defined as alternative performance measures, see attachment to quarterly report

Report of the Board of Directors

First half accounts 2019

(Consolidated figures. Figures in parenthesis refer to the same period of 2018 unless otherwise stated).

Main points for the first half of 2019

- The post-tax profit was NOK 1,729m – NOK 520m better than in the first half of 2018. The improvement is largely due to a gain of NOK 460m on the establishment of Fremtind Forsikring and an increase of NOK 116m in the value of properties of SpareBank 1 Forsikring. In the first half of 2018 one-time gains of NOK 240m were recorded (Vipps merger and sale of the head office building)
- The core business delivered a good performance. Without one-time gains the profit would have been NOK 1,153m (969m) and return on equity would have been 12.4 per cent (11.5 per cent)
- CET1 ratio as at 30 June 2019: 15.0 per cent (15.0 per cent)
- Return on equity was 19.0 per cent (14.4 per cent)

Net profit of NOK 1,729m in first half of 2019

- Pre-tax profit: NOK 2,003m (1,345m)
- Post-tax profit: NOK 1,729m (1,209m)
- Return on equity: 19.0 per cent (14.4 per cent)
- CET1 ratio: 15.0 per cent (15.0 per cent)
- Growth in lending: 5.7 per cent (7.6 per cent), and in deposits: 7.7 per cent (6.3 per cent) in the last 12 months
- Growth in lending to retail borrowers: 6.7 per cent (10.6 per cent) in the last 12 months. Lending to retail borrowers accounts for 68 per cent (67 per cent) of total lending
- Growth in lending to corporate borrowers: 3.6 per cent (2.0 per cent) in the last 12 months
- Losses on loans and guarantees: NOK 126m (127m) – 0.16 per cent (0.17 per cent) of gross lending
- Earnings per EC: NOK 8.23 (5.75). Book value per EC: NOK 87.04 (80.21)

Main points second quarter 2019

- Pre-tax profit: NOK 683m (743m)
- Return on equity: 14.9 per cent (17.9 per cent)
- Without one-time gains the profit would have been NOK 567m (503m), and return on equity would have been 12.4 per cent (12.1 per cent)
- Net profit on financial assets and owner interests: NOK 336m (300m)
- Losses on loans: NOK 59m (78m) – 0.14 per cent (0.20 per cent of gross lending)
- Earnings per EC: NOK 3.21 (3.54)

Post-tax profit NOK 520m better than in the first half of 2018

In the first half of 2019 SpareBank 1 SMN achieved a pre-tax profit of NOK 2,003m (1,345m). The net profit is NOK 1,729m (1,209m) and return on equity 19.0 per cent (14.4 per cent).

Overall operating incomes in the first half of 2019 came to NOK 2,470m (2,297m). This represents an increase of NOK 173m compared with the previous year. NOK 117m of the income growth derives from banking operations and NOK 56m from the bank's subsidiaries.

Operating expenses totalled NOK 1,404m (1,306m) in the first half of 2019. The increase of NOK 98m breaks down to NOK 34m from banking operations and NOK 64m from increased activity at the subsidiaries.

The profit share on owner interests and related companies was NOK 786m (181m), including a gain of NOK 460m on the establishment of Fremtind. SpareBank 1 Gruppen posted a very good profit for the first half-year as a result of an increase in property values in the second quarter of 2019, and SpareBank 1 SMN's profit share was NOK 224m (117m), of which property appreciation accounted for NOK 116m.

Return on financial assets was NOK 277m (299m).

Losses on loans and guarantees totalled NOK 126m (127m), mainly in oil-related activities.

After a first quarter of weak growth in residential mortgage lending, growth picked up in the second quarter. Growth in lending in the 12 months to end-June was 5.7 per cent (7.6 per cent) on loans and 7.7 per cent (6.3 per cent) on deposits.

The CET1 ratio as at 30 June 2019 was 15.0 per cent (15.0 per cent). The targeted CET1 ratio is 15.0 per cent.

The price of the bank's equity certificate (MING) at the half-year mark end was NOK 97.70 (84.50). A cash dividend of NOK 5.10 (4.40) per EC has been paid in 2019 for the year 2018.

Earnings per EC were NOK 8.23 (5.75). The book value was NOK 87.04 (80.21) per EC.

Increased net interest incomes

Net interest incomes rose by NOK 164m to NOK 1,313m (1,149m) in the first half of 2019. The increase is attributable to increased lending to and deposits from both retail and corporate customers, at the same time as higher market interest rates have yielded improved return on the bank's equity capital and increased deposit margins.

The market interest rate in terms of three-month NIBOR has risen in the 12 months to end-June by about 50 points. Although two general interest rate increases have been carried out in the period, the margins on mortgages have weakened in 2019, while deposit margins have strengthened somewhat. After Norges Bank's (Norway's central bank) decision to raise its base rate by a further 0.25 per cent, a new mortgage lending rate increase of up to 25 points has been announced with effect from 15 August 2019.

In view of the signals of further increases in Norges Bank's base rate, the bank will adjust its pricing of loans and deposits on an ongoing basis. The competition for mortgage borrowers has tightened, bringing both lower growth and pressure on lending rates.

Growth in other incomes

Commission incomes and other operating incomes have increased by NOK 9m to NOK 1,157m (1,149m) in 2019.

Net interest income on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is recorded as commission income. Commission income on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt totalled NOK 178m in the first half of 2019 (193m). Incomes from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt have declined by NOK 15m as a result of reduced margins.

Other commission incomes came to NOK 980m (956m). The growth of NOK 24m is driven by increased incomes on accounting services and securities services.

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

Commission income (NOKm)	First half		Change
	2019	2018	
Payment transfers	103	99	4
Creditcard	29	31	-1
Saving products	45	52	-7
Insurance	89	87	2
Guarantee commission	25	32	-8
Real estate agency	199	203	-4
Accountancy services	278	241	38
Markets	187	178	10
Other commissions	24	34	-10
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	980	956	24
Commissions SB1 Boligkreditt	169	185	-16
Commissions SB1 Næringskreditt	8	7	1
Total commissions	1,157	1,149	9

Good return on financial investments

Overall return on financial investments was NOK 277m (299m). This breaks down as follows:

- Financial derivatives have yielded gains of NOK 63m (142m). This essentially comprises gains on fixed income instruments and is ascribable to the interest rate upturn in the first half-year. Gains are also noted in the bond portfolio which showed overall gains of NOK 47m (loss of 36m)
- Losses on hedge accounting totalled NOK 5m (loss of 6m)
- A gain and dividend on shares of the bank and subsidiaries came to NOK 120m (123m). The gain relates mainly to share in Visa (NOK28m), badwill connected to the acquisition of DeBank (NOK 30m) and gains on shares in SMN Invest (49m)
- Other financial instruments measured at fair value include value changes on the bank's portfolio of fixed interest loans and showed a gain of NOK 6m (12m)
- Income of NOK 23m (26m) from forex transactions comprises income from currency trading at SpareBank 1 Markets and the result of exchange rate fluctuations on the bank's funding in foreign currencies
- Gains on shares and share derivatives at SpareBank 1 Markets totalled NOK 23m (37m)

Capital gains/dividends, shares (NOKm)	First half		Change
	2019	2018	
Gain/(loss) on certificates and bonds	47	-36	83
Gain/(loss) on derivatives	63	142	-79
Gain/(loss) on financial instruments related to hedging	-5	-6	1
Capital gains shares (incl dividends)	120	123	-3
Gain/(loss) on other financial instruments at fair value (FVO)	6	12	-6
Foreign exchange gain/(loss)	23	26	-3
Gain/(loss) on shares and share derivatives at SpareBank 1 Markets	23	37	-14
Net return on financial instruments	277	299	-22

Product companies and other related companies

The product companies give the bank's customers access to a broader product range and the bank receives commission income. The product companies also provide the bank with a return on invested capital. The overall profit of the product companies and other related companies was NOK 326m (183m) in the first half of 2019. In addition, SpareBank 1 SMN posted a gain of NOK 460m related to the establishment of Fremtind in the first quarter of 2019.

Income from investment in associated companies	First half		Change
	2019	2018	
SpareBank 1 Gruppen	224	117	106
Gain Fremtind Forsikring	460	-	460
SpareBank 1 Boligkreditt	22	-5	28
SpareBank 1 Næringskreditt	10	8	2
SpareBank 1 Kredittkort	8	11	-4
BN Bank	51	53	-2
SpareBank 1 Betaling	10	-6	16
Other companies	1	5	-4
Income from investment in associated companies	786	183	603

SpareBank 1 Gruppen

SpareBank 1 SMN holds a 19.5 per cent stake in SpareBank 1 Gruppen. SpareBank 1 Gruppen owns 100 per cent of the shares of SpareBank 1 Forsikring, ODIN Forvaltning and SpareBank 1 Gruppen Finans. SpareBank 1 Gruppen owns 65 per cent of the non-life insurer Fremtind which was established as of first January 2019. DNB owns the remainder of the company.

SpareBank 1 Gruppen's post-tax profit for the first half of 2019 was NOK 1,287m (601m). The excellent profit performance is due to appreciation of properties in the life company totalling NOK 597m. The first-half profit also reflects high merger costs related to Fremtind, an increased claims ratio and good financial earnings.

SpareBank 1 SMN's share of the profit for the first half of 2019 was NOK 224m (117m), of which property appreciation accounted for NOK 116m.

SpareBank 1 Boligkreditt

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

As at 30 June 2019 the bank had sold loans totalling NOK 40.0bn (37.2bn) to SpareBank 1 Boligkreditt, corresponding to 36.1 per cent (35.7 per cent) of the group's overall lending to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt is 20.7 per cent, and the bank's share of that company's profit in the first half of 2019 was NOK 22m (minus 5m).

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 30 June 2019, loans worth NOK 1.7bn (1.8bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 33.8 per cent, and the bank's share of the profit for the first half of 2019 was NOK 10m (8m). The bank's holding reflects the bank's relative share of commercial property

loans sold and the bank's stake in BN Bank. 43 per cent of the loans residing in SpareBank 1 Næringskreditt have been transferred from BN Bank.

SpareBank 1 Kredittkort

The profit for the first half of 2019 was NOK 44m (65m). SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN holds a stake of 17.3 per cent. SpareBank 1 SMN's share of the profit for the first half of 2019 was NOK 8m (11m), and the bank's share of the portfolio is NOK 892m (893m).

SpareBank 1 SMN Kredittkort manages the LOfavør credit card programme. This strengthens the business relationship between the Norwegian Confederation of Trade Unions (LO) and the SpareBank 1 Alliance.

BN Bank

SpareBank 1 SMN owns 35.0 per cent of BN Bank as at 30 June 2019.

BN Bank recorded a profit of NOK 152m (162m) in the first half of 2019, providing a return on equity of 7.5 per cent (8.7 per cent). SpareBank 1 SMN's share of BN Bank's profit in the first half of 2019 was NOK 51m (53m), adjusted for its share of BN Bolig's profit.

BN Bank's primary mission is to cater to the retail market in Oslo and south-eastern Norway.

BN Bank has, in collaboration with Eiendomsmegler 1 Midt Norge, established the company BN Bolig in which BN Bank holds a 50 per cent stake. The focus on estate agency in the Oslo market aims to promote stronger growth in mortgage lending for BN Bank.

SpareBank 1 Betaling

SpareBank 1 Betaling is the SpareBank 1 banks' parent company for Vipps payments solutions. Vipps aims to take its place as the Nordic region's leading financial technology company, and for SpareBank 1 SMN a stake in, and close collaboration with, Vipps will be important with a view to retaining customer relationships after the introduction of PSD2 (Revised Payment Services Directive). Vipps is launching further services in 2019 designed to simplify bank customers' everyday life.

SpareBank 1 Betaling posted a first-half deficit of NOK 24m (deficit of 31m) which constitutes the company's share of Vipps' financial result. SpareBank 1 SMN's share of the deficit is NOK 5m. In the first quarter the company corrected the reported result for 2018 by NOK 72m. SpareBank 1 SMN accordingly has a positive profit share of NOK 10m from the company for the first half-year (deficit of 6m).

Operating expenses

Overall group operating expenses rose by NOK 98m in the first half of 2019 to NOK 1,404m (1,306m).

The bank's costs rose by NOK 34m in the 12 months to end-June. NOK 12m of the growth refers to costs incurred in allocating equity certificates (ECs) to the bank's employees. This aside, costs have risen by 3.5 per cent.

Continuous efficiency initiatives by the bank have enabled lower staffing, reduced cost growth and improved efficiency. Since 31 December 2014 the number of FTEs at the parent bank has been reduced by 140 to 580. Changing customer behaviour and new technology will contribute to further efficiency gains.

Overall costs among the subsidiaries came to NOK 738m (674m), having risen by NOK 64m in the 12 months to end-June. The increase is highest at SpareBank 1 Regnskapshuset SMN, SpareBank 1 Markets and BN Bolig. In addition, DeBank is a subsidiary of SpareBank 1 SMN as from 2019.

The cost-income ratio was 40 per cent (47 per cent) for the group, 26 per cent (29 per cent) for the bank.

The group is working to establish new, tighter cost objectives.

Reduced losses on loans and guarantee, low defaults

Loan losses of NOK 126m (127m) were recorded in the first half of 2019. Loan losses measure 0.16 per cent (0.17 per cent) of total outstanding loans.

Loan losses on loans to retail borrowers amount to 25m in the first half of 2019 (16m).

Write-downs on loans and guarantees totalled NOK 1,008m (1,205m) as at 30 June 2019.

Overall problem loans (defaulted and other doubtful) come to NOK 1,998m (1,752m), or 1.22 per cent (1.23 per cent), of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. All loans classified to stage 3 in the expected credit loss model are defined as problem loans.

Defaults in excess of 90 days totalled NOK 356m (275m). Defaults measure 0.22 per cent (0.18 per cent) of gross outstanding loans.

Other doubtful exposures total NOK 1,641m (1,477m). Other doubtful exposures measure 1.00 per cent (1.05 per cent) of gross outstanding loans.

A large share of the year's loss refers to oil-related activity. Credit quality in the wider loan portfolio is good.

Total assets of NOK 167bn

The bank's assets totalled NOK 167bn (160bn) as at the end of the first half of 2019, having grown by NOK 7bn or 4.4 per cent in the last 12 months. The increase in total assets is mainly a consequence of a higher lending volume.

As at 30 June 2019 loans worth a total of NOK 42bn (39bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as loans in the bank's balance sheet. The comments covering lending growth do however take into account loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

High, but declining, growth in residential mortgage lending

Total outstanding loans rose by NOK 8.8bn (11.0bn) or 5.7 per cent (7.6 per cent) in the last 12 months to reach NOK 163.6bn (154.8bn) as at 30 June 2019. Growth in the first half-year was 2.1 per cent (4.0 per cent).

- Lending to personal borrowers rose in the 12 months to 30 June 2019 by NOK 7.0bn (10.0bn) to NOK 111.1bn (104.1bn). Growth of 6.7 per cent (10.6 per cent). Growth in the first half-year was 2.8 per cent (5.5 per cent). Weak growth in the first half-year is ascribable to increased competition in parts of the bank's market area

- Lending to corporate borrowers rose in the 12 months to 30 June 2019 by NOK 1.8bn (1.0bn) to NOK 52.5bn (50.7bn). Growth of 3.6 per cent (2.0 per cent). Loans to corporates rose in the first half of 2019 by 0.6 per cent (1.2 per cent)
- Lending to personal borrowers accounted for 68 per cent (67 per cent) of total outstanding loans to customers as at 30 June 2019

There are no indications of higher loss and default levels in the bank's residential mortgage portfolio, and the quality of this portfolio is excellent.

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

(For distribution by sector, see note 5).

Good deposit growth and strengthened deposit-to-loan ratio

Customer deposits rose by NOK 6.2bn (4.8bn) in the 12 months to 30 June 2019 to reach NOK 86.6bn (80.3bn). This represents a growth of 7.7 per cent (6.3 per cent). Deposit growth in the first half of 2019 was 7.4 per cent (5.1 per cent).

- Personal deposits rose by NOK 1.8bn (2.3bn) or 5.4 per cent (7.2 per cent) to NOK 36.2bn. In the first half-year deposits with Retail Banking rose by 9.5 per cent (8.0 per cent)
- Corporate deposits rose by NOK 4.4bn (2.5bn) or 9.5 per cent (5.7 per cent) to NOK 50.4bn. In the first half-year deposits with Corporate Banking rose by 5.9 per cent (growth of 3.0 per cent)
- The deposit-to-loan ratio at SpareBank 1 SMN was 71 per cent (69 per cent). The deposit-to-loan ratio including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 53 per cent (52 per cent)

(For distribution by sector, see note 9).

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 10.9bn (10.6bn) as at end-June 2019. The increase of NOK 0.4bn is a result of good sales and value increases on various equity funds.

Saving products, customer portfolio (NOKm)	First half		Change
	2019	2018	
Equity funds	6,790	6,152	638
Pension products	752	784	-32
Active management	3,372	3,616	-244
Total	10,914	10,552	362

Insurance

The bank's insurance portfolio increased by 8 per cent in the 12 months to end-June. Growth was satisfactory both for non-life and personal insurance.

Insurance, premium volume (NOKm)	First half		Change
	2019	2018	
Non-life insurance	846	794	52
Personal insurance	363	340	23
Occupational pensions	296	259	37
Total	1,505	1,393	112

Retail Banking

Outstanding loans to retail borrowers totalled NOK 115bn (109bn) and deposits totalled NOK 43bn (40bn) as at 30 June 2019. These are loans to and deposits from wage earners, agricultural customers and sole proprietorships in the parent bank.

Operating income totalled NOK 1,049m (986m) in the first half of 2019, an increase of NOK 63m. Net interest income accounted for NOK 664m (589m) and commission income for NOK 385m (397m). The income growth is mainly due to increased lending and improved margins on deposits. Return on capital employed in the retail banking segment was 13.8 per cent (13.2 per cent). Capital employed is regulatory capital of 15.0 per cent, corresponding to the group's targeted CET1 ratio.

The lending margin in the first half of 2019 was 1.55 per cent (1.72 per cent), while the deposit margin was 0.52 per cent (0.21 per cent) measured against three-month NIBOR. The market interest rate in terms of three-month NIBOR has risen by about 50 points in the 12 months to end-June.

Retail lending and retail deposits grew in the 12 months to 30 June by 6.1 per cent (10.6 per cent) and 6.0 per cent (7.8 per cent) respectively.

Lending to retail borrowers consistently carries low direct risk, and this is reflected in continued low losses. There are no indications of increased loss and non-performance levels in the bank's residential mortgage portfolio. The portfolio is secured mainly by residential property.

The bank's distribution model for the retail market is designed to ensure increased selling power and cost efficiencies. Sales will increase across all channels with a strong emphasis on increasing the share of digital sales. Retail Banking introduced a new CRM system, 'Iver', in 2018. Iver has improved, and enhanced the efficiency of, the customer experience and strengthened the interplay between analogue and digital services. Staffing has been reduced by 32 FTEs to 318 FTEs since January 2018. The bank will maintain a strong physical presence while at the same time continuing to make efficiency gains.

Corporate Banking

Outstanding loans to corporates total NOK 38bn (39bn) and deposits total NOK 42bn (38bn) as at 30 June 2019. This is a diversified portfolio of loans to and deposits from corporate clients in Trøndelag and in Møre og Romsdal.

Operating income totalled NOK 681m (643m) in the first half of 2019. Net interest income amounted to NOK 576m (541m), and commission income and return on financial investments came to NOK 105m (102m).

Overall net losses in the corporate banking segment have declined to NOK 93m (104m) in the first half of 2019. The losses are in all essentials related to clients in oil-related activities.

Return on capital employed for the corporate banking segment was 11.8 per cent (10.8 per cent) in the first half of 2019. Capital employed is regulatory capital of 15.0 per cent, corresponding to the group's targeted CET1 ratio.

The lending margin was 2.61 per cent (2.67 per cent) and the deposit margin was minus 0.02 per cent (minus 0.05 per cent) in the first half of 2019.

Lending rose by 1.3 per cent (reduction of 1.1 per cent) and deposits rose by 10.4 per cent (1.9 per cent) in the 12 months to 30 June 2019.

Subsidiaries

The bank's subsidiaries posted an overall pre-tax profit of NOK 226.5m (198.8m) in the first half of 2019.

Pre-tax profit (NOKm)	First half		Change
	2019	2018	
EiendomsMegler 1 Midt-Norge	14.2	17.7	-3.5
SpareBank 1 Finans Midt-Norge	74.4	72.3	2.1
SpareBank 1 Regnskapshuset SMN	61.8	44.0	17.8
Sparebank 1 Markets (proforma incl. Allegro)	28.6	36.0	-7.4
SpareBank 1 SMN Invest	47.3	23.2	24.1
DeBank	-8.2	-	-8.2
Other companies	8.4	5.3	3.1
Total	226.5	198.5	28.0

Eiendomsmegler 1 Midt-Norge is the market leader in Trøndelag and in Møre og Romsdal and intends to continue to strengthen its market share. EiendomsMegler 1 Midt-Norge recorded a pre-tax profit of NOK 30.4m in the first half of 2019 (33.6m). 3,367 dwelling units were sold in the first half of 2019 compared with 3,479 in the first half of 2018.

In collaboration with BN Bank, the company has established BN Bolig in which EiendomsMegler 1 Midt-Norge and BN Bank each hold a 50 per cent stake. BN Bolig posted a deficit of NOK 16.8m (deficit of 15.4m).

EiendomsMegler 1 Midt-Norge consolidates the entire financial result from BN Bank as a subsidiary, and the overall profit for EiendomsMegler 1 Midt-Norge including BN Bolig came to NOK 14.2m (17.7m).

SpareBank 1 Finans Midt-Norge delivered a profit of NOK 74.4m in the first half of 2019 (72.3m), and shows strong profit growth due to high income growth and moderate growth in costs. The company's business lines are mainly leasing to businesses and car loans to retail customers. The portfolio of leasing and car loan agreements is worth a total of NOK 8.4bn (7.3bn), of which leasing agreements account for NOK 3.4bn (3.3bn) and car loans for NOK 4.7bn (3.7bn). The company also offers consumer loans, and at the half-year mark this portfolio was worth NOK 0.3bn (0.2bn).

Car loans have shown good growth of 27 per cent (23 per cent) in the 12 months to end-June. The Samspar banks in SpareBank 1 held a 32.1 per cent stake in SpareBank 1 Finans Midt-Norge as at 30 June 2019, while Sparebanken Sogn og Fjordane held a stake of 6.7 per cent. SpareBank 1 SMN holds 61.2 per cent of the shares of SpareBank 1 Finans Midt-Norge.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 61.8m (44.0m) in the first half of 2019. The company has acquired several businesses in Trøndelag and Møre og Romsdal in 2019. It now has more than 500 employees, 11,000 customers and offices in 41 locations. This has contributed profit growth along with a substantial increase in both incomes and costs.

The company caters to the SMB segment with good technological solutions and broad range of services.

Sparebanken SMN Invest invests in shares, mainly in regional businesses. The company posted a profit of NOK 47.3m in the first half of 2019 (23.2m).

The company holds shares worth NOK 443m (573m) as at 30 June 2019.

Value changes and realisation of losses or gains on the company's overall holding of shares account for NOK 53.9m of the company's net total income.

SpareBank 1 Markets is a subsidiary of SpareBank 1 SMN with a stake of 66.7 per cent. Other owners are SpareBank 1 Nord-Norge, SpareBank 1 SR Bank, SpareBank 1 Østlandet and the SamSpar banks. SpareBank 1 Markets is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. It has a staff of 136.

SpareBank 1 Markets wholly owns SpareBank 1 Kapitalforvaltning. The company is at centre-stage of SpareBank 1 Markets' focus on asset management with aggregate total assets of NOK 16bn. The company has a staff of 15.

SpareBank 1 Markets' consolidated pre-tax profit for the first half of 2019 was NOK 28.6m (36.0m). Strong growth is noted in income from equity and bond issues, and stable incomes in other business lines in the group in the first half-year.

SpareBank 1 Markets is the leading capital market unit in SpareBank 1 SMNs market area. SpareBank 1 Markets' main focus is on clients where the group itself has a strong competitive position alone or in conjunction with the parent banks.

Satisfactory funding and good liquidity

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

The bank has liquidity reserves of NOK 30bn and has the funding needed for 29 months of ordinary operation without fresh external finance.

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

The LCR is calculated at 165 per cent as at 30 June 2019 (150 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 30 June 2019, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 53 per cent (52 per cent).

The bank's funding sources and products are amply diversified. At 30 June 2019 the proportion of the bank's overall money market funding in excess of one year was 83 per cent (83 per cent).

SpareBank 1 Boligkreditt is the bank's most important funding source, and residential mortgages totalling NOK 40bn had been sold as at 30 June 2019.

Rating

The bank has a rating of A1 (outlook stable) with Moody's and a rating of A- (outlook stable) with Fitch Ratings. In May 2019 Moody's revised its outlook for SpareBank 1 SMN and other Norwegian banks from a negative to a stable outlook.

Financial soundness

The CET1 ratio at 30 June 2019 was 15.0 per cent compared with 14.6 per cent at the turn of the year. The group's CET1 ratio target is 15.0 per cent. The authorities' CET1 ratio requirement is 13.9 per cent.

Risk weighted assets increased by 3.0 per cent in the first half-year as a result of growth in residential mortgage lending and increased capital needs related to the transitional arrangement. The CET1 ratio rose by 6.0 per cent in the first half-year as a result of a very good half-year performance and dividend received from SpareBank 1 Gruppen in the second quarter. This raised the CET1 ratio by 0.4 percentage points in the first half-year.

The leverage ratio is 7.5 per cent (7.4 per cent).

As of 31 December 2018 the countercyclical buffer was raised from 1.5 per cent to 2.0 per cent, bringing the CET1 requirement to 12.0 per cent, including combined buffer requirements. Taking into account a Pillar 2 requirement of 1.9 per cent, the overall government requirement is 13.9 per cent. The add-on refers mainly to owner risk, market risk and credit concentration risk. The add-on is subject to review by Finanstilsynet (Norway's FSA) every second year. SpareBank 1 SMN aims for a management buffer of about 1 per cent over and above the combined Pillar 1 and Pillar 2 requirements with a view to absorbing fluctuations in risk weighted assets and in the group's financial results. In light of the above, the group's capital target is set at 15 per cent. It has been recommended to increase the countercyclical buffer from 2.0 per cent to 2.5 per cent with effect from 31 December 2019.

The CET1 ratio has increased to 15.0 per cent, and is on a level with the group's 15.0 per cent target. The leverage ratio of 7.5 per cent shows that the bank is financially very solid. The bank will continue to focus on capital efficiency and effectiveness with a view to strengthening its profitability and financial soundness. The board of directors expect the group's capital target to be met through management of its capital-intensive activities.

The Ministry of Finance circulated on 25 June 2019 a consultation paper concerning measures to counter the effects of the removal of the Basel 1 floor and the SME discount. For SpareBank 1 SMN the proposal will entail a 1.5 per cent increase in the systemic risk buffer with effect from 31 December 2019. It is further proposed that the average risk weight for IRB exposures secured by residential property should be set at a minimum of 20 per cent, and for commercial property at a minimum of 35 per cent. This will have no impact on SpareBank 1 SMN's risk weighted assets.

The removal of the Basel 1 floor will strengthen the CET1 ratio by 2.1 percentage points. In addition to this comes a positive effect of the SME discount of about 0.3 percentage points.

The bank's equity certificate (MING)

The book value of the equity certificate (EC) at 30 June 2019 was NOK 87.04 (80.21) and earnings per EC were NOK 8.23 (5.75).

The Price / Income ratio was 5.94 (7.35) and the Price / Book ratio was 1.12 (1.05).

At the half-year mark the EC was priced at NOK 97.70, and dividend of NOK 5.10 per EC has been paid in 2019 for the year 2018.

Risk factors

The group's problem loans reflect the challenges related to the offshore industry. As at 30 June 2019, loans to oil-related activity accounted for 2.9 per cent of the group's overall lending. The credit quality of the bank's wider loan portfolio is satisfactory. There have been no contagion effects from oil-related activity to other sectors and no other significant concentrations in non-performing and problem exposures are in evidence.

International growth slowed somewhat through 2018 as a result of uncertainty related to trade conflicts and Brexit. So far this year growth has proved higher than expected, but growth expectations have been revised down somewhat. The Norwegian economy has received impetus from the international upturn, an improved oil price and increased oil investments. The Norwegian krone appreciated somewhat in the first quarter of 2019, and is relatively unchanged at the end of the period. The krone remains at a relatively weak level, which is favourable for Norwegian export industries. Some strengthening of the krone is expected ahead as a result of a higher Norwegian interest rate level. Real wage growth is expected to increase somewhat in 2019. Combined with a continued low interest rate level, the bank considers loss risk in the bank's retail market portfolio to be low. Unemployment has declined in the bank's market area, and the bank expects the level of unemployment to remain relatively moderate ahead.

Credit growth among Norwegian households continues to outstrip household wage growth, but the rate of growth has declined through 2018 and thus far in 2019. Interest rate increases could impact negatively on house prices, which will probably dampen credit demand. A situation of falling house prices and expectations of higher interest rates is likely to prompt a higher savings rate among Norwegian households, potentially resulting in reduced turnover for parts of Norwegian business and industry.

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

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

Stronger focus on combating money laundering

The government requires the banks to strengthen their efforts to combat money laundering and terrorist financing, and issued new regulations pursuant to the Anti-Money Laundering Act in October 2018.

SpareBank 1 SMN has strengthened its efforts in this area through a clearer organisational set-up and increased resource use. A total of 50 staff members in the bank are now dedicated to this task.

One of the measures taken is to obtain updated information on all personal customers, corporate customers and clubs and associations. This is in keeping with new requirements as to a concrete risk assessment of each individual customer. These measures are preventive, and provide the customer with strengthened protection against criminal acts such as money laundering, terrorist financing and identity theft.

SpareBank 1 SMN has zero tolerance of money laundering and terrorist financing, and has established sound procedures to ensure that money laundering and terrorist financing cannot take place through our bank. We have no suspicion that the bank has been exploited for criminal purposes of this nature.

Insurance merger

SpareBank 1 Gruppen AS and DNB ASA entered on 24 September 2018 into an agreement to amalgamate their insurance businesses. The merger was approved by Finanstilsynet on 21 December and entered into force with effect from 1 January 2019. The merged entity's name is Fremtind Forsikring AS. As part of the transaction, it is planned to demerge the individual personal risk insurances from SpareBank 1 Forsikring AS (life company) and DNB Life Insurance, and the company-paid personal risk insurances from SpareBank 1 Forsikring AS, to the merged company. This part of the transaction awaits approval by the authorities.

The transaction agreement incorporates a swap ratio of 80 per cent for SpareBank 1 Gruppen AS and 20 per cent for DNB ASA. This swap ratio is based on the negotiated market value of the two non-life insurers, including the value of the personal risk products in the planned demerger. DNB ASA has thereafter acquired a 35 per cent stake in the company. DNB has in addition secured an option to acquire a stake of up to 40 per cent.

In the transaction the new non-life company is valued at NOK 19.75bn, including the value of personal risk products. When personal risk products are excluded, Fremtind is valued at NOK 13.5bn. The merger along with DNB's acquisition from a 20 per cent stake up to a 35 per cent stake have in aggregate entailed an increase of about NOK 4.7bn in SpareBank 1 Gruppen's equity at group level. The majority's (the SpareBank 1 banks' and the Trade Union Confederation's) share of this increase is about NOK 2.4bn. SpareBank 1 SMN's share of this increase (19.5 per cent) is NOK 460m.

Outlook

The profit performance for the first half of 2019 proved to be extraordinarily good after gains related to the establishment of Fremtind Forsikring and appreciation of property owned by SpareBank 1 Forsikring. The profit recorded excluding these gains is also good, with a return on equity in excess of the target of 12 per cent.

The bank's fine performance reflects the buoyancy of Central Norway's economy. According to Norges Bank's (the central bank) regional network as of May 2019, business and industry activity in the region is on the upgrade. In Trøndelag the companies in the network report a rate of growth of 2.5 per cent in May, up from 1.9 per cent in the preceding quarter. In Møre og Romsdal rate of growth increases to 1.4 per cent, from 1.3 per cent previous quarter, but at the same level as last year. Activity is growing most rapidly in the oil supplier, services and construction industries.

SpareBank 1 SMN plays an active role in the development of joint solutions and companies in the Norwegian banking industry. An important strategy for SpareBank 1 SMN has been to develop a diversified business model through a broad-based service offering. This promotes a high number of multi-product customers, thereby contributing to customer satisfaction and robust earnings. This will continue.

The rising market interest rate contributes to improved return on equity through repricing of customer interest rates and higher returns on the group's equity capital.

The bank attaches much importance to maintaining its position as market leader in its catchment areas, and plans to expand its lending to personal borrowers to a level in excess of market growth.

The bank is strengthening its position as the leading bank for small businesses through a broad-based product range, good digital solutions and highly competent advisers. The integration of DeBank expands the

product offering to businesses engaged in factoring. The growth in lending to corporate clients is primarily to small and medium-sized businesses. This is expected to continue.

The strategy of being a digital bank with a personal and local signature stands firm. There are still potentials efficiency gains to be made across the group through simplification and automation.

Loan losses are expected to be lower in 2019 than in 2018. Losses are still mainly in evidence in oil-related activity. Losses in the bank's wider loan portfolio are very low.

The CET1 ratio has increased to 15 per cent, and is as targeted. The leverage ratio of 7.5 per cent shows that the bank is financially very solid. The bank will continue to focus on capital efficiency and effectiveness with a view to strengthening its profitability and financial soundness. The board of directors expect the group's capital target to be met through management of its capital-intensive activities.

Jan-Frode Janson took up duties as Group CEO on 1 May.

The board of directors expects 2019 to be a good year for SpareBank 1 SMN, with at least 50 per cent of the profit being disbursed as dividend to investors and the society at large.

Trondheim, 7 August 2019
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Bård Benum
(deputy chair)

Christian Stav

Mette Kamsvåg

Morten Loktu

Janne Thyø Thomsen

Tonje Eskeland Foss

Inge Lindseth
(employee rep.)

Christina Straub
(employee rep.)

Jan-Frode Janson
(Group CEO)

Income statement

Parent bank						Group					
		First half						First half			
2018	2Q 18	2Q 19	2018	2019	(NOKm)	Note	2019	2018	2Q 19	2Q 18	2018
3,335	812	910	1,611	1,777	Interest income effective interest method		1,968	1,766	1,007	891	3,660
401	99	121	187	236	Other interest income		234	185	120	98	398
1,640	404	457	795	878	Interest expenses		889	802	463	408	1,655
2,097	506	574	1,002	1,136	Net interest	10	1,313	1,149	664	581	2,403
1,102	274	276	551	537	Commission income		692	700	363	361	1,387
92	26	26	45	44	Commission expenses		91	82	51	45	168
32	8	6	18	13	Other operating income		556	530	294	291	958
1,042	256	256	523	507	Commission income and other income		1,157	1,149	606	607	2,177
516	493	477	495	812	Dividends		13	6	11	4	8
-	-	-	-	-	Income from investment in related companies	3	786	181	231	102	416
152	130	8	169	96	Net return on financial investments	3	264	293	95	195	334
668	623	485	664	908	Net return on financial investments		1,063	480	336	300	757
3,807	1,385	1,315	2,190	2,550	Total income		3,533	2,778	1,607	1,488	5,337
577	150	152	305	314	Staff costs		885	817	438	413	1,584
685	176	181	327	352	Other operating expenses		520	490	263	248	1,040
1,262	326	333	632	666	Total operating expenses	11	1,404	1,306	701	661	2,624
2,546	1,059	982	1,557	1,884	Result before losses		2,129	1,471	907	827	2,713
229	67	45	112	104	Loss on loans, guarantees etc.	6,7	126	127	59	78	263
2,316	992	937	1,445	1,779	Result before tax	3	2,003	1,345	848	748	2,450
456	127	140	241	236	Tax charge		274	287	165	156	509
62	80	-	80	-	Result investment held for sale, after tax	2,3	0	151	0	150	149
1,922	944	797	1,285	1,544	Net profit		1,729	1,209	683	743	2,090
36	9	9	19	28	Attributable to additional Tier 1 Capital holders		29	20	10	9	37
1,207	598	504	809	969	Attributable to Equity capital certificate holders		1,066	744	416	458	1,291
680	337	284	456	546	Attributable to the saving bank reserve		601	419	234	258	727
					Attributable to non-controlling interests		33	27	22	19	34
1,922	944	797	1,285	1,544	Net profit		1,729	1,209	683	743	2,090
					Profit/diluted profit per ECC	17	8.23	5.75	3.21	3.54	9.97

Total comprehensive income

Parent bank					Group					
		First half					First half			
2018	2Q 18	2Q 19	2018	2019	(NOKm)	2019	2018	2Q 19	2Q 18	2018
1,922	944	797	1,285	1,544	Net profit	1,729	1,209	683	743	2,090
Items that will not be reclassified to profit/loss										
18	-	-	-	-	- Actuarial gains and losses pensions	-	-3	-	-	18
-6	-	-	-	-	- Tax	-	1	-	-	-6
-	-	-	-	-	- Share of other comprehensive income of associates and joint venture	2	1	1	3	1
12	-	-	-	-	Total	2	-1	1	3	13
Items that will be reclassified to profit/loss										
-	7	-	7	-	- Fair value change on financial assets through other comprehensive income	-	7	-	7	-
-2	-4	-1	-2	-0	- Value changes on loans measured at fair value	-0	-2	-1	-4	-2
-	-	-	-	-	- Share of other comprehensive income of associates and joint venture	-9	-11	14	-18	-38
-	-	-	-	-	- Tax	-	-0	-	0	-
-2	3	-1	5	-0	Total	-9	-6	14	-15	-40
11	3	-1	5	-0	Net other comprehensive income	-8	-7	14	-12	-27
1,933	947	796	1,290	1,543	Total other comprehensive income	1,721	1,202	697	731	2,063
36	9	9	19	28	Attributable to additional Tier 1 Capital holders	29	20	10	9	37
1,213	600	504	813	969	Attributable to Equity capital certificate holders	1,061	739	425	451	1,274
684	338	284	458	546	Attributable to the saving bank reserve	598	417	240	254	718
					Attributable to non-controlling interests	33	26	22	18	34
1,933	947	796	1,290	1,543	Total other comprehensive Income	1,721	1,202	697	731	2,063

Balance sheet

Parent bank			(NOKm)	Note	Group		
31 Dec 2018	30 June 2018	30 June 2019			30 June 2019	30 June 2018	31 Dec 2018
883	1,403	1,278	Cash and receivables from central banks		1,278	1,403	883
11,178	10,801	15,167	Deposits with and loans to credit institutions		8,612	5,078	5,074
112,659	108,020	113,250	Net loans to and receivables from customers	5	121,025	114,683	119,728
20,428	18,721	19,950	Fixed-income CDs and bonds	15	19,870	18,640	20,348
3,914	2,878	3,646	Derivatives	15	3,767	2,911	4,119
391	355	364	Shares, units and other equity interests	15	2,202	2,540	1,873
4,309	4,130	4,560	Investment in related companies		6,406	5,748	6,098
2,610	2,619	2,752	Investment in group companies		-	-	-
82	82	82	Investment held for sale	2	41	48	43
533	532	519	Intangible assets		878	842	851
733	6,413	1,774	Other assets	12	3,210	7,692	1,687
157,720	155,956	163,343	Total assets		167,289	159,584	160,704
8,546	8,708	10,753	Deposits from credit institutions		11,793	9,889	9,214
81,448	81,080	87,597	Deposits from and debt to customers	9	86,553	80,343	80,615
44,269	43,234	39,578	Debt created by issue of securities	14	39,578	43,234	44,269
2,933	2,857	3,316	Derivatives	15	3,479	2,981	2,982
1,892	2,035	2,990	Other liabilities	13	4,172	2,955	2,670
-	-	-	Investment held for sale	2	0	8	1
2,224	2,147	2,219	Subordinated loan capital	14	2,263	2,189	2,268
141,311	140,060	146,453	Total liabilities		147,839	141,600	142,018
2,597	2,597	2,597	Equity capital certificates		2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs		-3	-11	-4
895	895	895	Premium fund		895	895	895
5,602	5,079	5,602	Dividend equalisation fund		5,591	5,075	5,594
661	-	-	Recommended dividends		-	-	661
373	-	-	Provision for gifts		-	-	373
5,126	4,831	5,126	Ownerless capital		5,126	4,831	5,126
155	126	155	Unrealised gains reserve		155	126	155
-	-12	-1	Other equity capital		1,566	1,503	1,608
1,000	1,094	972	Additional Tier 1 Capital		1,013	1,136	1,043
-	1,285	1,544	Profit for the period		1,729	1,209	-
			Non-controlling interests		781	621	637
16,409	15,895	16,889	Total equity capital		19,450	17,984	18,686
157,720	155,956	163,343	Total liabilities and equity		167,289	159,584	160,704

Cash flow statement

Parent bank			Group		
First half			First half		
2018	2018	2019 (NOKm)	2019	2018	2018
1,922	1,285	1,544	1,729	1,209	2,090
66	30	56	90	43	98
229	112	104	126	127	263
2,218	1,427	1,704	1,945	1,378	2,451
366	-4,268	-3,080	-3,230	-4,610	170
575	642	1,481	1,999	678	387
-8,138	-3,382	-696	-1,423	-3,878	-9,059
-1,636	-1,258	-1,324	-873	-864	-860
4,086	3,717	6,149	5,938	3,867	4,140
-501	-339	2,208	2,579	282	-393
-533	1,174	478	479	1,096	-613
-3,563	-2,287	6,921	7,414	-2,050	-3,778
-60	-33	-402	-723	-79	-126
140	311	-393	-211	661	232
-222	-180	27	-329	-708	-47
-141	98	-768	-1,263	-126	59
66	-12	-6	-4	-12	66
-	0	1	3	-11	15
-571	-571	-661	-661	-571	-571
-322	-322	-373	-373	-322	-322
14	144	-28	-29	144	13
2,087	1,040	-4,691	-4,691	1,038	2,088
1,274	280	-5,758	-5,755	267	1,289
-2,430	-1,910	395	395	-1,910	-2,430
3,313	3,313	883	883	3,313	3,313
883	1,403	1,278	1,278	1,403	883
-2,430	-1,910	395	395	-1,910	-2,430

Change in equity

Parent Bank (NOKm)	Issued equity		Earned equity						Additional Tier 1 Capital	Total equity
	EC capital	Premium fund	Ownerless capital	Equali- sation fund	Dividend and gifts	Unrealised gains reserve	Other equity			
Equity at 31 December 2017	2,597	895	4,831	5,079	893	126	-	950	15,372	
Implementation effect IFRS 9	-	-	-	-	-	-	-17	-	-17	
Equity at 1 January 2018	2,597	895	4,831	5,079	893	126	-17	950	15,355	
Net profit	-	-	297	526	1,034	29	-	36	1,922	
Other comprehensive income										
Financial assets through OCI	-	-	-	-	-	-	-2	-	-2	
Actuarial gains (losses), pensions	-	-	-	-	-	-	12	-	12	
Other comprehensive income	-	-	-	-	-	-	11	-	11	
Total other comprehensive income	-	-	297	526	1,034	29	11	36	1,933	
Transactions with owners										
Dividend declared for 2017	-	-	-	-	-571	-	-	-	-571	
To be disbursed from gift fund	-	-	-	-	-322	-	-	-	-322	
Additional Tier 1 Capital	-	-	-	-	-	-	-	1,000	1,000	
Buyback Additional Tier 1 Capital issued	-	-	-	-	-	-	-	-950	-950	
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-36	-36	
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	0	
Direct recognitions in equity	-	-	-2	-4	-	-	6	-	0	
Total transactions with owners	0	-	-2	-4	-893	-	6	14	-878	
Equity at 31 December 2018	2,597	895	5,126	5,602	1,034	155	-	1,000	16,409	

Parent Bank (NOKm)	Issued equity		Earned equity						Additional Tier 1 Capital	Total equity
	EC capital	Premium fund	Ownerless capital	Equali- sation fund	Dividend and gifts	Unrealised gains reserve	Other equity			
Equity at 1 January 2019	2,597	895	5,126	5,602	1,034	155	-	1,000	16,409	
Net profit	-	-	-	-	-	-	1,544	-	1,544	
Other comprehensive income										
Value changes on loans measured at fair value	-	-	-	-	-	-	-0	-	-0	
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-	-	
Other comprehensive income	-	-	-	-	-	-	-0	-	-	
Total other comprehensive income	-	-	-	-	-	-	1,543	-	1,543	
Transactions with owners										
Dividend declared for 2018	-	-	-	-	-661	-	-	-	-661	
To be disbursed from gift fund	-	-	-	-	-373	-	-	-	-373	
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-28	-28	
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-0	
Direct recognitions in equity	-	-	-	-	-	-	-1	-	-1	
Total transactions with owners	-0	-	-	-0	-1,034	-	-1	-28	-1,063	
Equity at 30 June 2018	2,597	895	5,126	5,602	-	155	1,543	972	16,889	

Group	Attributable to parent company equity holders									
	Issued equity		Earned equity			Unrealised gains reserve		Other equity	Additional Tier 1 Capital	Non-controlling interests
(NOKm)	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts					
Equity at 31 December 2017	2,588	895	4,831	5,072	893	126	1,547	993	565	17,510
Implementation effect IFRS 9	-	-	-	-	-	-	-24	-	-	-24
Equity at 1 January 2018	2,588	895	4,831	5,072	893	126	1,523	993	565	17,486
Net profit	-	-	297	526	1,034	29	131	37	34	2,090
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-38	-	-	-38
Value changes on loans measured at fair value	-	-	-	-	-	-	-2	-	-	-2
Actuarial gains (losses), pensions	-	-	-	-	-	-	13	-	-	13
Other comprehensive income	-	-	-	-	-	-	-27	-	-	-27
Total other comprehensive income	-	-	297	526	1,034	29	105	37	34	2,063
Transactions with owners										
Dividend declared for 2017	-	-	-	-	-571	-	-	-	-	-571
To be disbursed from gift fund	-	-	-	-	-322	-	-	-	-	-322
Additional Tier 1 Capital issued	-	-	-	-	-	-	-	1,000	-	1,000
Buyback Additional Tier 1 Capital issued	-	-	-	-	-	-	-	-950	-	-950
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-37	-	-37
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	-	0
Own ECC held by SB1 Markets*)	4	-	-	0	-	-	11	-	-	15
Direct recognitions in equity	-	-	-2	-4	-	-	-5	-	-	-11
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-24	-	-	-24
Change in non-controlling interests	-	-	-	-	-	-	-	-	38	38
Total transactions with owners	4	-	-2	-4	-893	-	-19	13	38	-863
Equity at 31 December 2018	2,592	895	5,126	5,594	1,034	155	1,608	1,043	637	18,686

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

(NOKm)	Attributable to parent company equity holders										
	Issued equity			Earned equity							
	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Unrealised gains reserve	Other equity	Additional Tier 1 Capital	Non-controlling interests	Total equity	
Equity at 1 January 2019	2,592	895	5,126	5,594	1,034	155	1,608	1,043		637	18,686
Net profit	-	-	-	-	-	-	1,696	-		33	1,729
Other comprehensive income											
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-7	-		-	-7
Value changes on loans measured at fair value	-	-	-	-	-	-	-0	-		-	-0
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-		-	-
Other comprehensive income	-	-	-	-	-	-	-8	-		-	-8
Total other comprehensive income	-	-	-	-	-	-	1,689	-		33	1,721
Transactions with owners											
Dividend declared for 2018	-	-	-	-	-661	-	-	-		-	-661
To be disbursed from gift fund	-	-	-	-	-373	-	-	-		-	-373
Additional Tier 1 capital issued	-	-	-	-	-	-	-	-		-	-
Buyback additional Tier 1 Capital issued	-	-	-	-	-	-	-	-		-	-
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-29		-	-29
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-		-	-0
Own ECC held by SB1 Markets*)	1	-	-	-3	-	-	6	-		-	3
Direct recognitions in equity	-	-	-	-	-	-	15	-		-	15
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-22	-		-	-22
Change in non-controlling interests	-	-	-	-	-	-	-	-		111	111
Total transactions with owners	1	-	-	-3	-1,034	-	-2	-29		111	-957
Equity at 30 June 2019	2,593	895	5,126	5,591	-	155	3,295	1,013		781	19,450

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

Notes

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Note 1 - Accounting principles

Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2018. The Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts, except implementing IFRS 16 as described below.

Leases - IFRS 16

IFRS 16 Leases include principles for recognition, measurement, presentation and disclosures for leases for both parties in the arrangement, lessor and lessee. The standard requires lessees to recognise assets and liabilities for the majority of leases, a significant change from previous rules. The leases accounted for under IFRS 16 is mainly the Group rent of property. Discount rate applied is 2 per cent. The right to use asset has been presented as «fixed assets», while lease liability is presented as «other liabilities».

Refer to note 2 i annual accounts for 2018 for further details regarding implementation of IFRS 16. The effect on the accounts for first half year 2019 are shown below. Comparables have not been restated.

Parent	Group
30 June 2019	30 June 2019
Right to use asset (mill kr)	
374 Book value 1 January 2019	621
22 Additions	31
-5 Derecognition	0
391 Book value 30 June 2019	652
0 Acc depreciation 1 January 2019	0
24 Depreciation in period	44
24 Acc depreciation 30 June 2019	44
367 Net book value right to use asset 30 June 2019	607
374 Lease liability 1 January 2019	621
22 Additions	31
-27 Lease payments in the period	-41
370 Total	611
30 June 2019 Profit and Loss	30 June 2019
24 Depreciations	44
4 Interest	6
28 Total lease expense	51
Effect of IFRS 16	
27 Reduced operating expenses under IAS 17	41
28 Increase lease expense under IFRS 16	51
-1 Changes in profit before tax in the period	-10

Note 2 - Critical estimates and assessment concerning the use of accounting principles

When it prepares the consolidated accounts the management team makes estimates, discretionary assessments and assumptions which influence the application of accounting principles. This accordingly affects recognised amounts for assets, liabilities, revenues and expenses. Last year's annual accounts give a closer explanation of significant estimates and assumptions in Note 3 Critical estimates and assessments concerning the use of accounting principles.

Pensions

The Group has not obtained a new calculation of pensions as of 30 June since no factors have been identified that significantly alter the pension liability. For a further description of the various pension schemes, see note 24 in the 2018 annual report.

Investment 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.

2019 Q1 (NOKm)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS Group	41	0	2	2	0	100 %
Total Held for sale	41	0	2	2	0	

Acquisition of DeBank

At 5. February 2019 SpareBank 1 SMN acquired 100 per cent of the shares in DeBank AS for MNOK 40. The acquisition led to a negative goodwill of MNOK 31 included as a gain in net return of financial investments.

The reason for the gain from this transaction is that fair value of net assets is higher than the acquisition cost. The allocation of fair value is distributed as follows;

	Fair value recognised at acquisition date
Assets	
Loans	207
Other assets	14
Total assets	221
Liabilities	
Deposits	142
Accruals	5
Other liabilities	4
Total liabilities	151
Net identifiable assets and liabilities	70
Goodwill	-31
Acquisition cost	40

Note 3 - Account by business line

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

Group 30 June 2019

Profit and loss account (NOKm)	RM	CM	SB1		SB1	SB1	SB1	BN	Un-	Total
			Markets	EM 1	Finans MN	Regnskaps- huset SMN				
Net interest	561	503	-9	-1	152	-1	-	-	107	1,313
Interest from allocated capital	103	73	-	-	-	-	-	-	-176	-
Total interest income	664	576	-9	-1	152	-1	-	-	-69	1,313
Commission income and other income	385	100	264	277	36	291	-	-	-195	1,157
Net return on financial investments (**))	0	5	58	-	-	-	224	49	727	1,063
Total income	1,049	681	313	276	187	291	224	49	464	3,533
Total operating expenses	431	207	284	262	92	229	-	-	-100	1,404
Ordinary operating profit	618	475	29	14	95	62	224	49	564	2,129
Loss on loans, guarantees etc.	11	93	-	-	21	-	-	-	2	126
Result before tax including held for sale	606	382	29	14	74	62	224	49	563	2,003
Post-tax return on equity*)	13.8 %	11.8 %								19.0 %
Balance										
Loans and advances to customers	115,289	38,422	-	-	8,429	-	-	-	1,486	163,627
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-40,193	-1,539	-	-	-	-	-	-	0	-41,732
Allowance for credit losses	-108	-707	-	-	-50	-	-	-	-4	-870
Other assets	232	6,198	2,935	1,949	24	531	1,562	1,367	31,466	46,264
Total assets	75,220	42,374	2,935	1,949	8,403	531	1,562	1,367	32,948	167,289
Deposits to customers	42,795	42,374	-	-	-	-	-	-	1,384	86,553
Other liabilities and equity	32,425	0	2,935	1,949	8,403	531	1,562	1,367	31,564	80,736
Total liabilities and equity	75,220	42,374	2,935	1,949	8,403	531	1,562	1,367	32,948	167,289

Group 30 June 2018

Profit and loss account (NOKm)	RM	CM	SB1-	SB1-	SB1	Regnskaps- huset SMN	SB1	BN	Un-	Total
			Markets	Finans	EM 1		Gruppen	Bank	collated	
Net interest	503	477	-7	2	131	-0	-	-	43	1,149
Interest from allocated capital	86	64	-	-	-	-	-	-	-151	-
Total interest income	589	541	-7	2	131	-0	-	-	-107	1,149
Commission income and other income	397	98	245	261	30	253	-	-	-135	1,149
Net return on financial investments (**)	0	4	58	-	-	-	117	51	249	480
Total income	986	643	296	263	162	252	117	51	7	2,778
Total operating expenses	398	187	260	245	75	208	-	-	-67	1,306
Ordinary operating profit	588	456	36	18	87	44	117	51	74	1,471
Loss on loans, guarantees etc.	10	102	-	-	15	-	-	-	-1	127
Result before tax including held for sale	578	354	36	18	72	44	117	51	75	1,345
Post-tax return on equity*	13.2 %	10.8 %								14.4 %
Balance (NOKm)										
Loans and advances to customers	108,702	37,943	-	-	7,304	-	-	-	-842	154,790
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-37,304	-1,699	-	-	-	-	-	-	-	-39,003
Allowance for credit losses	-67	-997	-	-	-39	-	-	-	0	-1,103
Other assets	138	4,847	2,970	1,656	17	395	1,396	1,197	32,285	44,901
Total assets	71,468	40,094	2,970	1,656	7,282	395	1,396	1,197	33,126	159,584
Deposits to customers	40,372	38,390	-	-	-	-	-	-	1,581	80,343
Other liabilities and equity	31,097	1,704	2,970	1,656	7,282	395	1,396	1,197	31,545	79,241
Total liabilities and equity	71,468	40,094	2,970	1,656	7,282	395	1,396	1,197	33,126	159,584

*) 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 2019

	30 June 2019	30 June 2018
**) Specification of net return on financial investments incl. Investment held for sale (NOKm)		
Dividends	13	6
Capital gains shares (incl dividends)	107	117
Gain/(loss) on derivatives	47	-36
Gain/(loss) on other financial instruments at fair value (FVO)	63	142
Foreign exchange gain/(loss)	-5	-6
Gain/(loss) on certificates and bonds	6	12
Gains/(Loss) on shares and share derivatives at SpareBank 1 Markets	23	26
Gain/(loss) on financial instruments related to hedging	23	37
Net return on financial instruments	264	293
SpareBank 1 Gruppen	224	117
Gain Fremtind Forsikring	460	-
SpareBank 1 Boligkreditt	22	-5
SpareBank 1 Næringskreditt	10	8
BN Bank	51	53
SpareBank 1 Kredittkort	8	11
SpareBank 1 Betaling	10	-6
Other companies	1	5
Income from investment in associates and joint ventures	786	181
Total net return on financial investments	1,063	480
Fair value hedging		
Changes in fair value on hedging instrument	-224	-115
Changes in fair value on hedging item	219	109
Net Gain or Loss from hedge accounting	-5	-6

Note 4 - Capital adequacy

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 30 June 2019 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 1.9 per cent for SpareBank 1 SMN. The total minimum requirement on CET1 capital is accordingly 13.9 per cent.

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 first half of 2019 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 will be subject to a write-down of 60 per cent in 2018 and 70 per cent in 2019. As at 30 June 2019 the bank held hybrid capital worth NOK 450 million subject to write-down.

Parent Bank				Group		
31 Dec 2018	30 June 2018	30 June 2019	(NOKm)	30 June 2019	30 June 2018	31 Dec 2018
16,409	15,895	16,889	Total book equity	19,450	17,984	18,686
-1,000	-1,094	-972	Additional Tier 1 capital instruments included in total equity	-1,013	-1,136	-1,043
-533	-532	-519	Deferred taxes, goodwill and other intangible assets	-1,105	-1,044	-1,079
-1,034	-	-	Deduction for allocated dividends and gifts	-	-	-1,034
-	-	-	Non-controlling interests recognised in other equity capital	-781	-621	-637
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	447	357	366
-	-1,285	-1,544	Net profit	-1,729	-1,209	-
-	690	694	Year-to-date profit included in core capital (50 per cent pre tax of group profit in 2018)	879	614	-
-31	-28	-31	Value adjustments due to requirements for prudent valuation	-44	-46	-44
-268	-298	-290	Positive value of adjusted expected loss under IRB Approach	-309	-299	-286
-	-	-	Cash flow hedge reserve	5	4	5
-163	-	-185	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-175	-74	-206
13,381	13,349	14,042	Total common equity Tier one	15,625	14,528	14,727
1,000	1,114	1,000	Additional Tier 1 capital instruments	1,384	1,592	1,378
367	367	275	Additional Tier 1 capital instruments covered by transitional provisions	275	367	367
14,748	14,830	15,318	Total core capital	17,284	16,488	16,472
			Supplementary capital in excess of core capital			
1,750	1,000	1,750	Subordinated capital	2,310	1,621	2,316
96	449	182	Subordinated capital covered by transitional provisions	182	449	96
-140	-141	-141	Deduction for significant investments in financial institutions	-141	-141	-140
1,705	1,308	1,791	Total supplementary capital	2,351	1,930	2,272
16,453	16,138	17,108	Net subordinated capital	19,634	18,418	18,743

Minimum requirements subordinated capital						
967	951	938	Specialised enterprises	1,094	1,072	1,116
1,156	1,115	1,156	Corporate	1,163	1,128	1,163
1,516	1,459	1,521	Mass market exposure, property	2,166	2,010	2,098
90	93	99	Other mass market	102	96	92
1,062	1,037	1,115	Equity investments	1	1	1
4,790	4,655	4,829	Total credit risk IRB	4,525	4,307	4,470
3	2	2	Central government	3	2	4
87	84	83	Covered bonds	136	146	124
390	407	412	Institutions	300	262	246
-	-	-	Local and regional authorities, state-owned enterprises	8	9	8
23	46	35	Corporate	237	255	221
73	16	38	Mass market	525	438	520
12	14	14	Exposures secured on real property	207	195	215
228	260	236	Equity positions	369	359	366
57	66	83	Other assets	167	128	107
873	895	902	Total credit risk standardised approach	1,952	1,796	1,810
30	21	34	Debt risk	35	23	31
-	-	-	Equity risk	14	11	7
-	-	-	Currency risk and risk exposure for settlement/delivery	3	4	3
370	370	387	Operational risk	656	575	575
39	45	28	Credit value adjustment risk (CVA)	122	110	122
-	-	-	Transitional arrangements	1,032	946	1,074
6,102	5,986	6,181	Minimum requirements subordinated capital	8,339	7,771	8,093
76,274	74,823	77,257	Risk weighted assets (RWA)	104,240	97,137	101,168
3,432	3,367	3,477	Minimum requirement on CET1 capital, 4.5 per cent	4,691	4,371	4,553
Capital Buffers						
1,907	1,871	1,931	Capital conservation buffer, 2.5 per cent	2,606	2,428	2,529
2,288	2,245	2,318	Systemic risk buffer, 3.0 per cent	3,127	2,914	3,035
1,525	1,496	1,545	Countercyclical buffer, 2.0 per cent	2,085	1,943	2,023
5,721	5,612	5,794	Total buffer requirements on CET1 capital	7,818	7,285	7,588
4,228	4,370	4,771	Available CET1 capital after buffer requirements	3,116	2,872	2,587
Capital adequacy						
17.5 %	17.8 %	18.2 %	Common equity Tier one ratio	15.0 %	15.0 %	14.6 %
19.3 %	19.8 %	19.8 %	Core capital ratio	16.6 %	17.0 %	16.3 %
21.6 %	21.6 %	22.1 %	Capital adequacy ratio	18.8 %	19.0 %	18.5 %
Leverage ratio						
153,395	152,080	156,091	Balance sheet items	223,781	216,406	216,240
7,110	7,235	6,824	Off-balance sheet items	8,343	9,345	9,086
-832	-858	-840	Regulatory adjustments	-1,458	-1,480	-1,474
159,673	158,457	162,075	Calculation basis for leverage ratio	230,667	224,271	223,853
14,748	14,830	15,318	Core capital	17,284	16,488	16,472
9.2 %	9.4 %	9.5 %	Leverage Ratio	7.5 %	7.4 %	7.4 %

Note 5 - Distribution of loans by sector/industry

Parent Bank				Group		
31 Dec 2018	30 June 2018	30 June 2019	(NOKm)	30 June 2019	30 June 2018	31 Dec 2018
12,362	11,825	12,559	Agriculture, forestry, fisheries, hunting	12,902	12,137	12,686
869	1,204	858	Sea farming industries	1,160	1,556	1,180
3,438	2,461	2,757	Manufacturing	3,118	2,794	3,787
2,947	2,649	2,892	Construction, power and water supply	3,678	3,349	3,661
2,335	2,633	2,483	Retail trade, hotels and restaurants	2,826	2,902	2,621
4,227	4,706	4,667	Maritime sector	4,667	4,706	4,227
15,107	14,564	14,660	Property management	14,726	14,623	15,168
2,531	2,514	2,435	Business services	2,088	2,195	2,162
4,145	3,747	4,427	Transport and other services provision	5,285	4,545	4,961
44	7	3	Public administration	15	19	55
1,658	1,820	2,080	Other sectors	2,036	1,852	1,679
49,663	48,128	49,820	Gross loans in retail market	52,499	50,676	52,186
103,537	99,959	105,977	Wage earners	111,128	104,114	108,131
153,200	148,087	155,797	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	163,627	154,790	160,317
38,062	37,172	40,064	of which SpareBank 1 Boligkreditt	40,064	37,172	38,062
1,782	1,831	1,668	of which SpareBank 1 Næringskreditt	1,668	1,831	1,782
113,356	109,084	114,065	Gross loans in balance sheet	121,895	115,787	120,473
639	1,012	769	- Loan loss allowance on amortised cost loans	824	1,052	686
58	52	46	- Loan loss allowance on loans at FVOCI	46	52	58
112,659	108,020	113,250	Net loans to and receivables from customers	121,025	114,683	119,728

Note 6 - Losses on loans and guarantees

Parent Bank	First half 2019			First half 2018			Januar - December 2018		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Losses on loans and guarantees (NOKm)									
Change in provision for expected credit losses for the period	7	92	99	8	63	71	18	126	144
Actual loan losses on commitments exceeding provisions made	4	4	8	3	41	45	6	86	93
Recoveries on commitments previously written-off	-	-3	-3	-3	-0	-4	-7	-1	-8
Losses for the period on loans and guarantees	11	93	104	7	104	112	17	212	229

Group	First half 2019			First half 2018			Januar - December 2018		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Losses on loans and guarantees (NOKm)									
Change in provision for expected credit losses for the period	9	96	105	7	62	70	23	127	150
Actual loan losses on commitments exceeding provisions made	16	9	25	17	50	66	30	98	127
Recoveries on commitments previously written-off	-0	-4	-4	-8	-1	-9	-13	-1	-15
Losses for the period on loans and guarantees	25	101	126	16	111	127	40	223	263

Note 7 - Losses

Parent Bank (NOKm)	1 January 19	Change in provision	Net write-offs /recoveries	30 June 2019
Loans as amortised cost- CM	742	80	5	827
Loans as amortised cost- RM	45	15	4	63
Loans at fair value over OCI- RM	75	-12	-	63
Provision for expected credit losses on loans and guarantees	862	83	8	953
Presented as				
Provision for loan losses	697	110	8	815
Other debt- provisons	148	-27	-	121
Other comprehensive income - fair value adjustment	17	-0	-	16

Parent Bank (NOKm)	1 January 18	Change in provision	Net write-offs /recoveries	30 June 18
Loans as amortised cost- CM	1,017	33	14	1,063
Loans as amortised cost- RM	32	3	0	35
Loans at fair value over OCI- RM	65	3	-0	68
Provision for expected credit losses on loans and guarantees	1,114	39	13	1,166
Presented as				
Provision for loan losses	1,027	23	14	1,064
Other debt- provisons	68	17	-	85
Other comprehensive income- fair value adjustment	18	-1	-	17

Parent Bank (NOKm)	1 January 18	Change in provision	Net write-offs /recoveries	31 Dec 18
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 (NOKm)	1 January 19	Change in provision	Net write-offs /recoveries	30 June 2019
Loans as amortised cost- CM	766	86	4	857
Loans as amortised cost- RM	68	17	4	88
Loans at fair value over OCI- RM	75	-12	-	63
Provision for expected credit losses on loans and guarantees	909	91	8	1,008
Presented as				
Provision for loan losses	744	118	8	870
Other debt- provisons	148	-27	-	121
Other comprehensive income - fair value adjustment	17	-0	-	16

Group (NOKm)	1 January 18	Change in provision	Net write-offs/ recoveries	30 June 18
Loans as amortised cost- CM	1,037	33	13	1,083
Loans as amortised cost- RM	52	3	-1	22
Loans at fair value over OCI- RM	65	3	-0	100
Provision for expected credit losses on loans and guarantees	1,154	39	13	1,205
Presented as				
Provision for loan losses	1,068	22	13	1,103
Other debt- provisions	68	17		85
Other comprehensive income- fair value adjustment	18	-1		17

Group (NOKm)	1 January 18	Change in provision	Net write-offs/ recoveries	31 Dec 18
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- provisions	68	80	-	148
Other comprehensive income - fair value adjustment	18	-2	-	17

Parent Bank

Total Allowance for Credit Losses	First half 2019				First half 2018				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance	102	257	503	862	96	256	762	1,114	96	256	762	1,114
Provision for credit losses												
Transfer to (from) stage 1	26	-25	-0	-	24	-24	-	-	32	-32	-	-
Transfer to (from) stage 2	-3	4	-0	-	-5	5	-	-	-6	6	-	-
Transfer to (from) stage 3	-0	-2	3	-	-	-2	2	-	-	-2	3	-
Net remeasurement of loss allowances	-29	57	114	141	-30	48	49	67	-34	45	158	168
Originations or purchases	24	13	0	37	28	21	1	50	55	93	1	148
Derecognitions	-19	-59	-1	-79	-15	-47	-3	-65	-40	-108	-4	-153
Actual loan losses	-	-	-8	-8	-	-	-	-	-	-	-	-
Closing balance	99	244	610	953	98	257	811	1,166	102	257	503	862

Group

Total Allowance for Credit Losses	First half 2019				First half 2018				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance	112	271	526	909	105	269	780	1,154	106	267	782	1,155
Provision for credit losses												
Transfer to (from) stage 1	28	-27	-0	-	27	-26	-	-	34	-33	-	-
Transfer to (from) stage 2	-5	6	-2	-	-4	4	-	-	-7	7	-	-
Transfer to (from) stage 3	-0	-3	4	-	-	-3	3	-	-	-4	4	-
Net remeasurement of loss allowances	-31	58	120	147	-31	49	47	65	-37	47	167	177
Originations or purchases	27	15	3	45	31	23	1	55	59	96	3	158
Derecognitions	-20	-61	-4	-85	-16	-48	-4	-69	-42	-111	-11	-163
Actual loan losses	-	-	-8	-8	-	-	-	-	-	-	-417	-417
Closing balance	110	258	639	1,008	112	266	827	1,205	112	271	526	909

Note 8 - Gross loans

Parent Bank	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan					
Balance at 1 January 2019	97,458	9,888	1,543	4,467	113,356
Transfer to stage 1	2,117	-2,100	-17	-	-
Transfer to stage 2	-1,753	1,779	-26	-	-
Transfer to stage 3	-22	-306	328	-	-
Net increase/decrease amount existing loans	-4,880	-69	10	-67	-5,006
New loans	26,489	560	162	622	27,834
Derecognitions	-20,054	-1,651	-177	-236	-22,118
Balance at 30 June 2019	99,355	8,101	1,823	4,787	114,065

Parent Bank	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loans					
Balance at 1 January 18	91,074	9,931	1,560	3,278	105,843
Transfer to stage 1	1,599	-1,592	-7	-	-
Transfer to stage 2	-2,110	2,133	-24	-	-
Transfer to stage 3	-34	-175	210	-	-
Net increase/decrease amount existing loans	-3,905	-92	-50	-60	-4,107
New loans	26,988	765	67	987	28,807
Derecognitions	-18,774	-1,956	-88	-641	-21,459
Balance at 30 June 2018	94,839	9,013	1,668	3,565	109,084

Parent Bank	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan (NOKm)					
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 existing 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	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan					
Balance at 1 January 2019	103,494	10,829	1,682	4,467	120,473
Transfer to stage 1	2,274	-2,256	-17	-	-
Transfer to stage 2	-2,163	2,205	-42	-	-
Transfer to stage 3	-45	-337	382	-	-
Net increase/decrease amount existing loans	-5,237	-156	4	-67	-5,455
New loans	28,261	631	167	622	29,681
Derecognitions	-20,650	-1,739	-178	-236	-22,804
Balance at 30 June 2019	105,934	9,177	1,998	4,787	121,894

Group	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loans					
Balance at 1 January 18	96,798	10,855	1,652	3,278	112,583
Transfer to stage 1	1,859	-1,851	-8	-	-
Transfer to stage 1	-2,415	2,451	-36	-	-
Transfer to stage 3	-43	-203	247	-	-
Net increase/decrease amount existing loans	-4,949	-191	-63	-60	-5,262
New loans	28,706	853	71	987	30,617
Derecognitions	-19,349	-2,049	-111	-641	-22,150
Balance at 30 June 2018	100,607	9,864	1,752	3,565	115,787

Group	Loans subject to impairment			Fixed interest loans at FV	Total
	Stage 1	Stage 2	Stage 3		
Gross loan (NOKm)					
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 existing 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

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank				Group		
31 Dec 2018	30 June 2018	30 June 2019	(NOKm)	30 June 2019	30 June 2018	31 Dec 2018
3,066	3,001	3,056	Agriculture, forestry, fisheries, hunting	3,056	3,001	3,066
742	669	784	Sea farming industries	784	669	742
1,696	1,789	1,505	Manufacturing	1,505	1,789	1,696
3,541	3,532	2,772	Construction, power and water supply	2,772	3,532	3,541
4,663	3,404	3,378	Retail trade, hotels and restaurants	3,378	3,404	4,663
996	1,097	1,084	Maritime sector	1,084	1,097	996
4,949	5,522	5,717	Property management	5,418	5,282	4,644
6,883	6,550	8,033	Business services	8,033	6,550	6,883
6,572	6,452	7,765	Transport and other services provision	7,283	6,086	6,210
12,202	11,852	12,483	Public administration	12,483	11,852	12,202
3,083	2,866	4,827	Other sectors	4,563	2,735	2,917
48,393	46,734	51,404	Total	50,359	45,997	47,561
33,055	34,346	36,194	Wage earners	36,194	34,346	33,055
81,448	81,080	87,597	Total deposits	86,553	80,343	80,615

Note 10 - Net interest income

Parent bank				Group		
First half		2019	(NOKm)	First half		
2018	2018			2019	2018	2018
Interest income						
166	76	107	Interest income from loans to and claims on central banks and credit institutions (amortised cost)	43	28	62
1,641	804	836	Interest income from loans to and claims on customers (amortised cost)	1,064	884	2,042
1,528	731	835	Interest income from loans to and claims on customers (FVOCI)	847	840	1,528
106	49	65	Interest income from loans to and claims on customers (FVPL)	65	49	106
295	137	171	Interest income from money market instruments, bonds and other fixed income securities	169	136	291
-	0	-	Other interest income	13	14	28
3,737	1,797	2,014	Total interest income	2,202	1,951	4,057
Interest expense						
142	65	72	Interest expenses on liabilities to credit institutions	79	70	154
749	356	456	Interest expenses relating to deposits from and liabilities to customers	447	351	734
615	310	279	Interest expenses related to the issuance of securities	279	310	615
84	39	42	Interest expenses on subordinated debt	43	40	86
0	0	5	Other interest expenses	15	6	15
50	25	25	Guarantee fund levy	25	25	50
1,640	795	878	Total interest expense	889	802	1,655
2,097	1,002	1,136	Net interest income	1,313	1,149	2,403

Note 11 - Operating expenses

Parent bank				Group		
First half				First half		
2018	2018	2019	(NOKm)	2019	2018	2018
217	107	119	IT costs	168	145	293
12	6	8	Postage and transport of valuables	10	9	17
53	22	27	Marketing	51	50	106
66	30	56	Ordinary depreciation	90	43	99
108	56	22	Operating expenses, real properties	27	77	153
93	48	50	Purchased services	77	65	151
134	58	69	Other operating expense	96	100	221
685	327	352	Total other operating expenses	520	490	1,040

Note 12 - Other assets

Parent Bank			(NOKm)	Group		
31 Dec 2018	30 June 2018	30 June 2019		30 June 2019	30 June 2018	31 Dec 2018
-	-	-	Deferred tax asset	178	148	175
97	107	89	Fixed assets	233	250	234
-	-	367	Right to use assets	607	-	-
67	40	66	Earned income not yet received	137	91	86
7	4,920	866	Accounts receivable, securities	1,180	5,350	277
179	158	179	Pensions	179	171	179
384	1,188	207	Other assets	696	1,681	737
733	6,413	1,774	Total other assets	3,210	7,692	1,687

Note 13 - Other liabilities

Parent Bank			(NOKm)	Group		
31 Dec 2018	30 June 2018	30 June 2019		30 June 2019	30 June 2018	31 Dec 2018
84	21	84	Deferred tax	148	85	147
389	310	278	Payable tax	352	339	448
10	9	10	Capital tax	10	9	10
30	-4	44	Accrued expenses and received, non-accrued income	450	384	413
115	139	158	Provision for accrued expenses and commitments	158	139	115
148	85	121	Losses on guarantees and unutilised credits	121	85	148
21	24	21	Pension liabilities	21	24	21
-	-	370	Lease liabilities	611	-	-
97	87	74	Drawing debt	74	87	97
11	28	7	Creditors	49	116	66
699	67	1,201	Debt from securities	1,406	346	809
-	-	-	Equity Instruments	58	8	31
288	1,269	624	Other liabilities	716	1,333	366
1,892	2,035	2,990	Total other liabilities	4,172	2,955	2,670

Note 14 - Debt created by issue of securities and subordinated debt

Group

Change in securities debt (NOKm)	31 Dec 2018	Issued	Fallen due/ Redeemed	Other changes	30 June 2019
Certificate, nominal value	391	-	385	-7	-
Bond debt, nominal value	43,463	1,240	4,348	-1,367	38,988
Value adjustments	158	-	-	234	392
Accrued interest	256	-	-	-59	197
Total	44,269	1,240	4,733	-1,198	39,578

Change in subordinated debt and hybrid equity (NOKm)	31 Dec 2018	Issued	Fallen due/ Redeemed	Other changes	30 June 2019
Ordinary subordinated loan capital, nominal value	1,793	-	-	-	1,793
Hybrid equity, nominal value	450	1	1	-	450
Value adjustments	13	-	-	-6	7
Accrued interest	12	-	-	2	14
Total	2,268	1	1	-4	2,263

Note 15 - 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 30 June 2019:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	1	3,766	-	3,767
- Bonds and money market certificates	2,076	17,794	-	19,870
- Equity instruments	1,683	71	448	2,202
- Fixed interest loans	-	43	4,744	4,787
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	60,745	60,745
Total assets	3,760	21,673	65,937	91,370
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	3	3,476	-	3,479
- Equity instruments	58	-	-	58
Total liabilities	61	3,476	-	3,537

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2018:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	7	2,904	-	2,911
- Bonds and money market certificates	2,926	15,714	-	18,640
- Equity instruments	1,930	94	516	2,540
- Fixed interest loans	-	43	3,522	3,565
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	59,480	59,480
Total assets	4,863	18,755	63,518	87,136
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	13	2,959	-	2,973
- Equity instruments	7	1	-	8
Total liabilities	20	2,960	-	2,981

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2018:

Assets (NOKm)	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 changes in the instruments classified in level 3 as at 30 June 2019:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	550	4,425	61,294	66,269
Investment in periode	14	622	13,008	13,644
Disposals in the periode	-172	-306	-13,557	-14,035
Expected credit loss	-	-	-0	-0
Gain or loss on financial instruments	56	3	0	60
Closing balance	448	4,744	60,745	65,937

The following table presents the changes in the instruments classified in level 3 as at 30 June 2018:

(NOKm)	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	18	-	56,743	-18	56,743
Opening balance 1 January	437	3,236	56,743	49	60,464
Investment in period	40	987	14,762	-	15,790
Disposals in the period	-18	-694	-12,025	-	-12,737
Expected credit loss	-	-	-2	-	-2
Gain or loss on financial instruments	2	-7	2	6	3
Closing balance	516	3,522	59,480	54	63,518

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

(NOKm)	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 period	76	2,269	18,147	-	20,492
Disposals in the period	-20	-1,079	-13,596	-	-14,694
Expected credit loss	-	-	-2	-	-2
Gain or loss on financial instruments	8	-2	2	-	8
Closing balance	550	4,425	61,294	-	66,269

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 deterioration 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 338 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.

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 30 June 2019:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumptions
Fixed interest loans	4,744	-12
Equity instruments through profit/loss	448	-
Loans at fair value through other comprehensive income	60,745	-5

* As described above, the information to perform alternative calculations are not available

Note 16 - Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or to finance asset increases. Liquidity risk management starts out from the group's overall liquidity strategy which is reviewed and adopted by the board of directors at least once each year. The liquidity strategy reflects the group's moderate risk profile.

The group reduces its liquidity risk through guidelines and limits designed to achieve a diversified balance sheet, both on the asset and liability side. Preparedness 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. The bank's liquidity situation is stress tested on a monthly basis using various maturities and crisis scenarios: bank-specific, for the financial market in general or a combination of internal and external factors. The group's objective is to survive twelve months of ordinary operations without access to fresh external funding while housing prices fall 30 per cent. In the same period minimum requirements to LCR shall be fulfilled.

The average residual maturity on debt created by issue of securities at the end of the first half year 2019 was 3.3 years. The overall LCR at the same point was 165 per cent and the average overall LCR in the first half year was 147 per cent. The LCR in Norwegian kroner at quarter-end was 152 per cent. In euro there was a net cash inflow.

Note 17 - Earnings per Equity Capital Certificate

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.

(Nokm)	First half		2018
	2019	2018	
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	1,667	1,163	2,018
Allocated to ECC Owners 2)	1,066	744	1,291
Issues Equity Capital Certificates adjusted for own certificates	129,565,508	129,331,186	129,411,807
Earnings per Equity Capital Certificate	8.23	5.75	9.97

1) Adjusted Net Profit	First half		2018
	2019	2018	
Net Profit for the group	1,729	1,209	2,090
Adjusted for non-controlling interests share of net profit	-33	-27	-34
Adjusted for Tier 1 capital holders share of net profit	-29	-20	-37
Adjusted Net Profit	1,667	1,163	2,018

2) Equity capital certificate ratio (parent bank) (NOKm)	30 June 2019	30 June 2018	31 Dec 2018
ECC capital	2,597	2,597	2,597
Dividend equalisation reserve	5,602	5,079	5,602
Premium reserve	895	895	895
Unrealised gains reserve	99	81	99
Other equity capital	-1	-8	-
A. The equity capital certificate owners' capital	9,192	8,645	9,193
Ownerless capital	5,126	4,831	5,126
Unrealised gains reserve	56	45	56
Other equity capital	-0	-4	-
B. The saving bank reserve	5,181	4,872	5,182
To be disbursed from gift fund	-	-	373
Dividend declared	-	-	661
Equity ex. profit	14,374	13,517	15,409
Equity capital certificate ratio A/(A+B)	63.95 %	63.95 %	63.95 %
Equity capital certificate ratio for distribution	63.95 %	63.95 %	63.95 %

Results from quarterly accounts

Group (NOKm)	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
	2019	2019	2018	2018	2018	2018	2017	2017	2017
Interest income effective interest method	1,127	1,075	1,082	1,025	989	962	989	959	945
Interest expenses	463	426	438	414	408	394	400	389	413
Net interest	664	649	644	610	581	568	589	570	532
Commission income	363	329	343	344	361	339	372	360	349
Commission expenses	51	40	42	45	45	36	49	46	38
Other operating income	294	262	242	186	291	239	206	168	227
Commission income and other income	606	551	543	486	607	542	529	482	538
Dividends	11	2	2	0	4	2	0	1	3
Income from investment in related companies	231	555	130	105	102	79	147	126	94
Net return on financial investments	95	169	-37	77	195	99	108	108	35
Net return on financial investments	336	727	95	182	300	180	256	235	131
Total income	1,607	1,926	1,282	1,277	1,488	1,290	1,374	1,287	1,202
Staff costs	438	447	391	376	413	403	362	357	362
Other operating expenses	263	257	311	240	248	241	255	225	236
Total operating expenses	701	704	701	616	661	645	618	582	598
Result before losses	907	1,223	580	661	827	645	756	705	604
Loss on loans, guarantees etc.	59	67	67	69	78	48	78	88	86
Result before tax	848	1,155	513	592	748	596	678	617	518
Tax charge	165	109	104	119	156	131	122	118	111
Result investment held for sale, after tax	0	0	-8	6	150	1	-4	-0	3
Net profit	683	1,046	401	480	743	466	553	500	409

Key figures from quarterly accounts

Group (NOKm)	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
	2019	2019	2018	2018	2018	2018	2017	2017	2017
Profitability									
Return on equity per quarter ¹⁾	14.9%	23.3%	9.0%	11.1%	17.9%	11.2%	13.4%	12.5%	10.5%
Cost-income ratio ¹⁾	44 %	37 %	55 %	48 %	44 %	50 %	45 %	45 %	50 %
Balance sheet figures									
Gross loans to customers	121,895	120,100	120,473	118,044	115,787	113,174	112,071	110,695	107,358
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	163,627	161,091	160,317	157,825	154,790	151,065	148,784	147,146	143,800
Deposits from customers	86,553	81,111	80,615	77,529	80,343	75,937	76,476	73,086	75,559
Total assets	167,289	164,641	160,704	159,337	159,584	152,083	153,254	146,913	149,449
Quarterly average total assets	165,965	162,673	160,021	159,460	155,833	152,668	150,083	148,181	145,746
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months ¹⁾	5.7 %	6.6 %	7.8 %	7.3 %	7.6 %	7.9 %	8.2 %	9.4 %	8.5 %
Growth in deposits last 12 months	7.7 %	6.8 %	5.4 %	6.1 %	6.3 %	8.2 %	13.9 %	10.3 %	12.7 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio ¹⁾	0.14 %	0.17 %	0.17 %	0.18 %	0.20 %	0.13 %	0.22 %	0.24 %	0.24 %
Non-performing commitm. as a percentage of gross loans ¹⁾	0.22 %	0.18 %	0.19 %	0.18 %	0.18 %	0.19 %	0.19 %	0.18 %	0.18 %
Other doubtful commitm. as a percentage of gross loans ¹⁾	1.00 %	0.99 %	0.86 %	0.86 %	0.95 %	0.90 %	0.80 %	0.83 %	0.80 %
Solidity									
Common equity tier 1	15.0 %	14.8 %	14.6 %	14.9 %	15.0 %	14.6 %	14.6 %	14.6 %	14.9 %
Core capital ratio	16.6 %	16.4 %	16.3 %	16.7 %	17.0 %	16.3 %	16.6 %	16.6 %	16.8 %
Capital adequacy ratio	18.8 %	18.6 %	18.5 %	19.2 %	19.0 %	18.2 %	18.6 %	19.0 %	19.0 %
Core capital	17,284	16,775	16,472	16,542	16,488	15,697	15,707	15,718	15,526
Net equity and related capital	19,634	19,115	18,743	18,969	18,418	17,518	17,629	18,004	17,552
Liquidity Coverage Ratio (LCR)	165 %	180 %	183 %	150 %	150 %	162 %	164 %	124 %	160 %
Leverage Ratio	7.5 %	7.4 %	7.4 %	7.5 %	7.4 %	7.3 %	7.2 %	7.4 %	7.2 %
Key figures ECC									
ECC share price at end of period (NOK)	97.70	87.40	84.20	90.90	84.50	80.90	82.25	81.25	71.75
Number of certificates issued, millions ¹⁾	129.66	129.41	129.62	129.44	129.31	129.38	129.38	129.40	129.54
Booked equity capital per ECC (including dividend) ¹⁾	87.04	83.86	83.87	82.57	80.21	76.53	78.81	79.18	75.40
Profit per ECC, majority ¹⁾	3.21	5.02	1.90	2.32	3.54	2.21	2.63	2.42	1.92
Price-Earnings Ratio ¹⁾	7.61	4.35	11.05	9.77	5.97	9.16	7.81	8.40	9.32
Price-Book Value Ratio ¹⁾	1.12	1.04	1.00	1.10	1.05	1.06	1.04	1.03	0.95

¹⁾ Defined as alternative performance measures, see attachment to the quarterly report

Statement in compliance with the securities trading act, section 5-6

Statement by the Board of Directors and CEO

We hereby declare that to the best of our knowledge the half-yearly financial statements for the period 1 January to 30 June 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting, and that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the bank and the group taken as a whole.

We also declare that to the best of our knowledge the half-yearly management report gives a fair review of important events in the reporting period and their impact on the financial statements, the principal risks and uncertainties facing the business in the next reporting period, and significant transactions with related parties.

Trondheim, 7 August 2019
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Bård Benum
(deputy chair)

Christian Stav

Mette Kamsvåg

Morten Loktu

Janne Thyø Thomsen

Tonje Eskeland Foss

Inge Lindseth
(employee rep.)

Christina Straub
(employee rep.)

Jan-Frode Janson
(Group CEO)

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 July 2017 to 30 June 2019



OSEBX = Oslo Stock Exchange Benchmark Index (rebased)
 OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 July 2017 to 30 June 2019



Total number of ECs traded (1000)

20 largest ECC holders	Number	Share
VPF Nordea Norge Verdi	4,760,884	3.67 %
State Street Bank and Trust CO (nominee)	4,561,060	3.51 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,542,919	2.73 %
VPF Danske Invest Norske Aksjer Inst. II	3,291,149	2.53 %
VPF Pareto Aksje Norge	2,543,777	1.96 %
VPF Alfred Berg Gambak	2,401,892	1.85 %
State Street Bank and Trust CO (nominee)	2,043,364	1.57 %
JP Morgan Chase Bank (nominee)	2,003,561	1.54 %
Handelsbanken Nordiska Småbolagsfond	1,776,137	1.37 %
Forsvarets Personellservice	1,717,046	1.32 %
Pareto Invest AS	1,663,036	1.28 %
VPF Danske Invest Norske Aksjer Inst. I	1,607,592	1.24 %
State Street Bank and Trust CO (nominee)	1,526,457	1.18 %
VPF Nordea Kapital	1,449,741	1.12 %
Morgan Stanley & Co. International	1,432,546	1.10 %
J.P. Morgan Bank Luxembourg S.A.	1,416,584	1.09 %
MP Pensjon PK	1,352,771	1.04 %
VPF Nordea Avkastning	1,249,111	0.96 %
VPF Eika Egenkapitalbevis	1,177,981	0.91 %
The 20 largest ECC holders in total	45,482,999	35.03 %
Others	84,353,444	64.97 %
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 about one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that about 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.



To the Board of Directors of SpareBank 1 SMN

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying consolidated interim balance sheet of SpareBank 1 SMN as of 30 June 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of the entity as at 30 June 2019, and its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Trondheim, 7 August 2019
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

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