

Third Quarter Report 2014



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Main figures

From the profit and loss account	30 Sep 2014		30 Sep 2013		2013	
	NOKm	%	NOKm	%	NOKm	%
Net interest	1,305	1.50	1,180	1.42	1,616	1.44
Commission income and other income	1,140	1.31	1,081	1.30	1,463	1.31
Net return on financial investments	629	0.72	346	0.42	502	0.45
Total income	3,074	3.54	2,607	3.13	3,580	3.20
Total operating expenses	1,310	1.51	1,256	1.51	1,722	1.54
Results	1,765	2.03	1,350	1.62	1,859	1.66
Loss on loans, guarantees etc	55	0.06	68	0.08	101	0.09
Results before tax	1,709	1.97	1,282	1.54	1,758	1.57
Tax charge	302	0.35	278	0.33	388	0.35
Result investment held for sale, after tax	0	0.00	34	0.04	30	0.03
Net profit	1,407	1.62	1,038	1.25	1,400	1.25

Key figures	30 Sep 2014	30 Sep 2013	2013
Profitability			
Return on equity ¹⁾	16.1 %	13.3 %	13.3 %
Cost-income ratio ²⁾	43 %	48 %	48 %
Balance sheet			
Gross loans to customers	86,485	79,842	80,303
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	116,225	110,237	112,038
Deposits from customers	58,000	53,474	56,074
Deposit-to-loan ratio	67 %	67 %	70 %
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt	5.4 %	6.7 %	6.8 %
Growth in deposits	8.5 %	5.1 %	7.3 %
Average total assets	115,730	110,963	111,843
Total assets	117,194	111,977	115,360
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt			
Impairment losses ratio	0.06 %	0.08 %	0.09 %
Non-performing commitm. as a percentage of gross loans ³⁾	0.29 %	0.35 %	0.34 %
Other doubtful commitm. as a percentage of gross loans	0.18 %	0.19 %	0.14 %
Solidity			
Capital adequacy ratio	16.1 %	14.2 %	14.7 %
Core capital ratio	13.4 %	12.6 %	13.0 %
Common equity tier 1	11.5 %	10.7 %	11.1 %
Core capital	12,302	10,707	10,989
Net equity and related capital	14,826	12,053	12,417
Branches and staff			
Number of branches	49	48	50
No. Of full-time positions	1,186	1,165	1,159

Key figures ECC ⁴⁾	30 Sep 2014	30 Sep 2013	2013	2012	2011	2010
ECC ratio	64.6 %	64.6 %	64.6 %	64.6 %	60.6 %	61.3 %
Number of certificates issued, (millions)	129.83	129.83	129.83	129.83	102.76	102.74
ECC price	59.25	45.70	55.00	34.80	36.31	49.89
Stock value (NOKM)	7,692	5,933	7,141	4,518	3,731	5,124
Booked equity capital per ECC (including dividend)	60.53	53.76	55.69	50.09	48.91	46.17
Profit per ECC, majority	6.97	5.13	6.92	5.21	6.06	5.94
Dividend per ECC			1.75	1.50	1.85	2.77
Price-Earnings Ratio	6.38	6.68	7.95	6.68	5.99	8.40
Price-Book Value Ratio	0.98	0.85	0.99	0.69	0.74	1.08

1) Net profit as a percentage of average equity

2) Total operating expenses as a percentage of total operating income

3) Defaults and doubtful loans are reported on the basis of gross lending, including loans sold to SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt, and guarantees drawn

4) The key figures are corrected for issues

Report of the Board of Directors

Accounts for the nine months ended 30 September 2014

(Consolidated figures. Figures in parentheses refer to the same period of 2013 unless otherwise stated).

- Pre-tax profit: NOK 1,709m (1,282m)
- Net profit: NOK 1,407m (1,038m)
- Return on equity: 16.1 per cent (13.3 per cent)
- Growth in lending: 5.4 per cent (6.7 per cent) last 12 months, growth in deposits: 8.5 per cent (5.1 per cent) last 12 months
- Loan losses: NOK 55m (68m)
- CET1 capital adequacy: 11.5 per cent (10.7 per cent)
- Earnings per EC: NOK 6.97 (5.13)

Third quarter accounts 2014

- Pre-tax profit: NOK 545m (501m)
- Net profit: NOK 443m (433m)
- Return on equity: 14.8 per cent (16.3 per cent)
- Loan losses: NOK 24m (30m)
- Earnings per EC: NOK 2.19 (2.14)

Excellent performance in first nine months of 2014

Highlights:

- Profit improvement of NOK 368m compared with the same period last year. Strengthened core business with increased net interest income and limited cost growth
- Low loan losses and a low level of defaults
- Good return on financial investments, mainly from a gain on the sale of the bank's shares in Nets Holding, taken to income essentially in the first quarter
- Financial position in keeping with the Group's capital plan: CET1 ratio 11.5 per cent
- Reduced growth in lending to corporates and retail customers alike, and increased deposit growth

In the first nine months of 2014 SpareBank 1 SMN achieved a pre-tax profit of NOK 1,709m (1,282m). Net profit came to NOK 1,407m (1,038m) and return on equity was 16.1 per cent (13.3 per cent).

Pre-tax profit in the third quarter in isolation was NOK 545m (501m). Return on equity in the same period was 14.8 per cent (16.3 per cent).

Operating income in the first nine months totalled NOK 2,446m (2,261m), an increase of NOK 185m compared with the same period of 2013. Operating income rose both at the parent company and subsidiaries.

Return on financial investments in the first nine months was NOK 629m (346m), of which total income from owner interests in affiliates accounted for NOK 383m (256m).

Operating expenses came to NOK 1,310m (1,256m) in the first nine months of 2014, which was NOK 53m or 4.2 per cent higher than in 2013 .

Net losses on loans and guarantees totalled NOK 55m (68m).

As of 30 September 2014, 12-month lending growth was 5.4 per cent (6.7 per cent) and deposit growth was 8.5 per cent (5.1 per cent). Overall lending growth in the first nine months was 3.7 per cent (5.1 per cent) and overall deposit growth was 3.4 per cent (2.2 per cent).

Capital adequacy as of the third quarter is measured under the new capital requirements directive (CRD IV), described in note 13, Capital Adequacy. Common equity Tier 1 (CET1) capital at quarter-end was 11.5% (10.7%), having strengthened in the quarter by 0.1 percentage point. A good result for the period has strengthened CET1 capital adequacy, at the same time as one-time effects related to the implementation of CRD IV have brought an increase in risk weighted assets.

SpareBank 1 SMN is planning for a CET1 ratio of 13.5 per cent by 30 June 2016. SpareBank 1 SMN's capital plan is further described in the section on financial strength.

The bank's EC was priced at NOK 59.25 (55.00 at year-end 2013).

Earnings per EC in the first nine months were NOK 6.97 (5.13) and book value per EC was NOK 60.53 (53.76).

Strengthened net interest income

Net interest income came to NOK 1,305m in the first nine months (1,180m). The improvement is ascribable to interest rate increases on loans to both retail and corporate customers in the first half of 2013 as a result of higher capital requirements. Net interest income for the third quarter was NOK 463m, an increase of NOK 33m from the second quarter. The increase in the third quarter is mainly ascribable to higher loan and deposit volumes and repricing of some deposit products in the third quarter. Margins on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are recorded as commission income, and commissions on loans sold to the two companies in the first nine months of 2014 totalled NOK 329m (302m).

In March the bank adopted a reduction in its lending rate on selected home mortgage loans, and a reduction in its deposit rate on some deposit products. The net profit effect on an annual basis is calculated at a negative NOK 30m. The rate changes had effect as from mid-June 2014. A further interest rate reduction has been decided on home mortgage loans and retail deposits with effect from 1 December 2014, which will bring a small decline in the bank's net interest income.

The bank's deposit margins have been on a downward trend for a long period. In addition to the changes mentioned above, repricing of corporate deposits continues in order to gain a better balance between what the bank pays for deposits and the cost of market funding.

Increased commission income

Commission income and other operating income rose to NOK 1,140m (1,081m) in the first nine months of 2014, an increase of NOK 60m or 5 per cent. The increase is due mainly to increased income from SpareBank 1 Boligkreditt as a result of increased margins on home mortgage loans and increased income from accounting services.

Commission income (NOKm)	30 Sep 2014	30 Sep 2013	Change
Payment transfers	179	169	9
Savings	34	36	-3
Insurance	101	92	9
Guarantee commission	45	40	4
Real estate agency	239	255	-16
Accountancy services	134	96	39
Active management	11	9	2
Rent	32	32	0
Other commissions	37	48	-11
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	811	778	33
Commissions SB1 Boligkreditt and SB1 Næringskreditt	329	302	26
Total commissions	1,140	1,081	60

Financial investments

Overall return on financial investments (excluding the bank's share of the profit/loss of affiliates and joint ventures) in the first nine months of 2014 was NOK 245m (90m). This breaks down as follows:

- Return on the Group's share portfolios totalled NOK 216m (45m) of which the gain on the sale of and dividend on the bank's stake in Nets Holding amounted to 165m
- Net loss on bonds and derivatives in the first nine months was NOK 18m (net loss of 14m)
- Gains on foreign-exchange and fixed-income trading at SpareBank 1 SMN Markets was NOK 46m(58m)

Capital gains/dividends, shares (NOKm)	30 Sep 2014	30 Sep 2013	Change
Capital gains/dividends, shares	216	45	171
Bonds and derivatives	-18	-14	-5
SpareBank 1 SMN Markets	46	58	-12
Net return on financial investments	245	90	155
SpareBank 1 Gruppen	259	153	106
SpareBank 1 Markets	-22	-	-22
SpareBank 1 Boligkreditt	23	25	-3
SpareBank 1 Næringskreditt	30	5	26
BN Bank	78	75	3
Other jointly controlled companies	18	-	18
Income from investment in related companies	-3	-2	-1
Affiliates	383	256	127
Total	629	346	282

SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit in the first nine months of 2014 was NOK 1,343m (820m). The main contributor to the profit growth is the insurance business. The profit achieved by the non-life insurance arm is particularly good due to reduced compensation payments and recognition of gains from previous years' surplus of claims provisions over claims made. In addition, SpareBank 1 Gruppen's accounts are debited with a write-down of NOK 147m at SpareBank 1 Markets carried out in the second quarter of 2013. SpareBank 1 SMN's share of the profit in the first nine months of 2014 was NOK 259m (153m).

SpareBank 1 Markets

SpareBank 1 SMN has a stake of 27.3 per cent in SpareBank 1 Markets. The company's result for the first nine months was a deficit of NOK 86m. SpareBank 1 SMN's share was a negative 22m.

SpareBank 1 Markets has undergone a restructuring. The company has implemented wide-ranging improvement measures, thereby halving its cost level since 2012-2013, and adjustments to the business

model have brought lower market risk. SpareBank 1 SMN will integrate its capital market activities with SpareBank 1 Markets by agreement with the other owners, after which SpareBank 1 SMN will hold a stake of 73.3 per cent. The other ownership interests are as follows: SpareBank 1 Nord-Norge (10 per cent), SamSpar (Collaborating Savings Banks, 10.0 per cent), Sparebanken Hedmark (6.1 per cent) and the Norwegian Trade Union Confederation and employee shareholders (0.6 per cent).

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt AS was established by the banks participating in the SpareBank 1-alliansen to benefit from the market for covered bonds. The banks sell their best secured home mortgage loans to the company, thereby achieving reduced funding costs and greater competitive power. As of 30 September 2014 the bank had sold loans worth a total of NOK 28.5bn to SpareBank 1 Boligkreditt (29.5bn), corresponding to 39 per cent (44 per cent) of total outstanding loans to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt is 17.5 per cent, and the bank's share of that company's profit in the first nine months of 2014 was NOK 23m (25m). The bank's stake reflects the bank's relative share of home mortgage loans sold.

The board of directors of SpareBank 1 SMN have like other alliance banks resolved to apply for a licence for a wholly-owned residential mortgage company. This company will be a supplement to SpareBank 1 Boligkreditt which remain the alliance banks' main instrument for borrowing through covered bonds. The residential mortgage company will be entitled to utilise loans beyond SpareBank 1 Boligkreditt's credit policy. Moreover, the establishment of a wholly-owned residential mortgage company will eliminate the issue posed by the regulations on large exposures which regulate maximum outstandings between SpareBank 1 SMN and SpareBank 1 Boligkreditt.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines, and with the same administration, as SpareBank 1 Boligkreditt. As of end-September 2014, loans worth NOK 1.2bn (0.9bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 33.7 per cent, and the bank's share of the company's profit in the first nine months of 2014 was NOK 30m (5m). The bank's stake reflects its relative share of commercial property loans transferred and the bank's stake in BN Bank. The profit growth is ascribable to the change in the interest rate applied between Næringskreditt and BN Bank. This rate reflects the capital cost for BN Bank's loans sold to Næringskreditt.

BN Bank

SpareBank 1 SMN has a 33 per cent stake in BN Bank as of 30 September 2014. SpareBank 1 SMN's share of the profit of BN Bank in the first nine months of 2014 was NOK 78m (75m), yielding a return on equity of 8.8 per cent. The profit is affected by the changed interest rate mentioned in the preceding section.

BN Bank's focus is on implementing profitability-enhancing measures, and it has achieved increased income and reduced losses since the same period last year. Work continues on further internal measures with a view to profitability enhancement. BN Bank received approval to apply the advanced IRB approach to its corporate portfolio in April 2014. This resulted in a CET1 ratio of 15.0 per cent at end-September 2014.

Other companies

The overall profit of NOK 15m in the first nine months of 2014 mainly comprises SpareBank 1 SMN's profit share in property companies owned by SpareBank 1 SMN Invest.

SpareBank 1 Kredittkort's profit share is included in "other companies". The company was in ordinary operation from 1 July 2014, and as of the third quarter had a deficit of NOK 5.1m. SpareBank 1 SMN share of the deficit as of the third quarter was NOK 0.9m. SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 18.1 per cent. In June SpareBank 1 Kredittkort carried out a successful conversion of the SpareBank 1 banks' credit card portfolio from Entercard. SpareBank 1 SMN's share of the portfolio is NOK 715m. In the third quarter SpareBank 1 Kredittkort achieved a net profit of NOK 23.2m, of which SpareBank 1 SMN's share in that quarter was NOK 4.2m. A positive profit performance is expected for the company for the year 2014.

Assets held for sale

A negative net profit of NOK 0.3m (33.9m) was recorded on assets held for sale in the first nine months of 2014. The 2013 figure of NOK 33.9m refers mainly to a gain realised on disposal of units in offshore vessels.

Operating expenses

Overall costs came to NOK 1,310m (1,256m) in the first nine months of 2014. Group costs have risen by NOK 54m or 4.2 per cent compared with the first nine months of 2013.

For the subsidiaries, overall cost growth was NOK 24m or 6.4 per cent. The growth is largely attributable to an increased cost base at SpareBank 1 Regnskapshuset SMN following company acquisitions.

The board of directors has adopted a new target for the bank's cost trend, i.e. zero growth in the bank's nominal costs in the years 2015 and 2016. This presupposes efficiency gains at the parent bank and a need to reduce the number of FTEs in the period to the turn of the year 2016-2017. In this connection consideration will in the fourth quarter be given to provisioning for reorganisation costs.

The parent bank has reduced the number of permanent FTEs by about 40 since the start of 2013. Permanent FTEs totalled 758 as of end-September 2014.

Operating expenses measured 1.51 per cent (1.51 per cent) of average total assets. The Group's cost-income ratio was 43 per cent (48 per cent).

Low losses and low defaults

Net loan losses came to NOK 55m (68m) in the first nine months of 2014. Net losses in the third quarter in isolation were NOK 24m (30m).

A net loss of NOK 48m (loss of 64m) was recorded on loans to corporates in the same period, including losses at SpareBank 1 SMN Finans of NOK 4m (11m).

On the retail portfolio, a net loss of NOK 7m (5m) was recorded in the first nine months of 2014.

Individually assessed loan impairment write-downs on the balance sheet totalled NOK 182m (168m) in the first nine months of 2014.

Total problem loans (defaulted and doubtful) came to NOK 544m (600m), or 0.47 per cent (0.54 per cent) of gross loans including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Defaults in excess of 90 days totalled NOK 338m (391m). Defaults measure 0.29 per cent (0.35 per cent) of gross lending. Of overall defaults, NOK 92m (79m) are loss provisioned, corresponding to 27 per cent (20 per cent).

Defaults break down to NOK 177m (247m) on corporate customers and NOK 161m (144m) on retail customers.

Other doubtful exposures totalled NOK 206m (209m), 0.18 per cent (0.19 per cent) of gross lending. Individually assessed write-downs on these exposures totalled NOK 90m (89m) corresponding to a share of 43 per cent (43 per cent).

Other doubtful exposures break down to NOK 192m (193m) on corporates and NOK 14m (16m) to the retail segment.

Collectively assessed impairment write-downs

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

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

In 2014 no basis has been found for any change in collectively assessed impairment write-downs in the Group. The aggregate volume of such write-downs is NOK 295m (295m). Collectively assessed write-downs break down to NOK 90m on the retail market, NOK 188m on business and industry and NOK 16m on SpareBank 1 Finans Midt-Norge.

Total assets of NOK 117bn

The Group's assets totalled NOK 117.2bn (112.0bn) at 30 September 2014 having risen by NOK 5.2bn or 4.7 per cent over the last 12 months.

By end-September 2014 home mortgage loans worth 29.7bn (30.4bn) had been sold by SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as lending in the bank's balance sheet. The comments covering lending growth include loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Reduced growth in lending

(Distributed by sector – see note 5 and note 10)

In the last 12 months, total outstanding loans rose by NOK 6.0bn (7.0bn) or 5.4 per cent (6.7 per cent) to reach NOK 116.2bn (110.2bn) at 30 September 2014. Growth in the third quarter 2014 was 3.7 per cent (5.1 per cent).

Lending to retail customers rose by NOK 5.1bn (6.9bn) or 7.6 per cent (11.4 per cent) to reach NOK 72.5bn over the past 12 months. In 2014 growth in lending to retail customers has thus far been 5.8 per cent (7.6 per cent).

In keeping with the Group's capital plan, growth in lending to corporates has been limited; in the first nine months, twelve-month growth was NOK 859m (92m) or 2.0 per cent (0.2 per cent). Overall lending to corporates in 2014 in isolation has been 0.5 per cent (1.2 per cent).

Loans to retail customers accounted for 62 per cent (61 per cent) of total lending to customers as of 30 September 2014.

Good deposit growth

Customer deposits rose by NOK 4.5bn (2.6bn) in the last 12 months to reach NOK 58.0bn as of 30 September 2014. This represents a growth of 8.5 per cent (5.1 per cent) over the last 12 months.

Retail customer deposits rose by NOK 2.2bn (1.6bn) or 9.1 per cent (7.1 per cent) to reach NOK 25.9bn, while deposits from corporates rose by NOK 2.4bn (1.0bn) or 7.9 per cent (3.5 per cent) to NOK 32.1bn over the last 12 months.

Investment products

The overall customer portfolio of off-balance sheet investment products totalled NOK 5.7bn (4.7bn) at 30 September 2013. New sales and an increase in the value of underlying securities explain the increase on equity funds and active management portfolios.

Saving products, customer portfolio (NOKm)	30 Sep 2014	30 Sep 2013	Change
Equity funds	3,627	2,994	633
Pension products	540	555	-15
Active management	1,557	1,071	486
Energy fund management	-	79	-79
Total	5,724	4,699	1,025

Insurance portfolios

The bank's insurance portfolio grew by 5.1 per cent in the last 12 months. Non-life insurance showed 1.6 per cent growth, personal insurance 9.6 per cent and the occupational pensions portfolio 13.9 per cent growth.

Insurance, premium volume (NOKm)	30 Sep 2014	30 Sep 2013	Change
Non-life insurance	707	696	11
Personal insurance	239	218	21
Occupational pensions	188	165	23
Total	1,134	1,079	55

Retail banking segment and corporate banking segment, parent bank

Organisational readjustments are being carried out as from 2014. The retail banking segment is to cover agricultural customers, associations etc and sole proprietorships. In 2013 these customers were part of the SMB segment. Other customers in the SMB segment are included in the corporate banking segment as from 2014. Historical data for the retail segment and the corporate segment are therefore incomplete and in the following no comparison is made with the previous year's figures for each of the segments overall. Economic capital is used to calculate return on capital employed.

Results (NOKm)	Retail Market	Corporate Market
Net interest	629	621
Interest from allocated capital	33	51
Total interest income	661	672
Commission income and other income	568	121
Net return on financial investments	1	20
Total income	1,230	812
Total operating expenses	596	226
Ordinary operating profit	634	586
Loss on loans, guarantees etc.	7	44
Result before tax including held for sale	626	542
Post-tax return on equity	46.1%	23.2%

Retail Banking

Operating income has increased substantially due to increased margins on home loans on the bank's own books and on home loans sold to SpareBank 1 Boligkreditt, and totalled NOK 1,230m as of 30 September 2014. Net interest income came to NOK 661m and commission income to NOK 569m. Return on capital employed in the retail market segment was 46.1 per cent.

Retail Banking exc. agricultural customers, associations etc and sole proprietorships:

The lending margin as of 30 September 2014 was 2.34 per cent (2.27 per cent), while the deposit margin was -0.50 per cent (-0.33 per cent)(measured against three-month NIBOR). Average three-month NIBOR was unchanged from the second quarter to the third quarter.

In the last 12 months, lending to retail customers rose by 7.6 per cent (11.4 per cent) and deposits from the same segment by 9.1 per cent (7.1 per cent).

Lending to retail borrowers generally carries low risk, as reflected in continued very low losses. There are no indications of increased loss and default levels in the bank's loan portfolio. The loan portfolio is secured on residential properties, and the trend in house prices has been satisfactory in the market area.

Corporate Banking

Operating income totalled NOK 812m in the first nine months of 2014. Net interest income was NOK 672m, while commission income was NOK 141m, including NOK 20m on fixed-income and foreign exchange business. In the corporate segment, too, net interest income has risen after the portfolio was repriced in 2013.

Return on capital employed for the corporate segment was 23.2 per cent in the first nine months.

The lending margin was 2.97 per cent and the deposit margin was -0.65 per cent in the first nine months.

Lending rose by 0.3 per cent and deposits rose by 8.0 per cent over the last 12 months.

SpareBank 1 SMN Markets

SpareBank 1 Markets delivers a complete range of capital market products and services and is an integral part of the parent bank activity at SMN.

SpareBank 1 Markets recorded total income of NOK 61.3m (85.7m) as of 30 September 2014. CSD and other income as of the third quarter contains income from the corporate banking business which was transferred to SpareBank 1 Markets as from the fourth quarter of 2013.

Markets (NOKm)	30 Sep 2014	30 Sep 2013	Change
Currency trading	51.4	54.8	-3.4
Corporate	12.7	16.0	-3.3
Securities, brokerage commission	-6.9	4.7	-11.6
SpareBank 1 Markets	4.1	18.2	-14.1
Investments	-	-8.0	8.0
Total income	61.3	85.7	-24.4

Of gross income of NOK 61.3m, NOK 20m is transferred to Corporate Banking and NOK 1m to Retail Banking. These amounts are the entities' share of income deriving from own customers on forex and fixed income business.

Subsidiaries

The subsidiaries posted an aggregate pre-tax profit of NOK 148.8m (130.8m) in the first nine months of 2014 (exc. minority shares).

Pre-tax profit (NOKm)	30 Sep 2014	30 Sep 2013	Change
EiendomsMegler 1 Midt-Norge	42.2	53.3	-11.1
SpareBank 1 Finans Midt-Norge	49.9	42.6	7.3
SpareBank 1 Regnskapshuset SMN	24.1	12.2	11.9
SpareBank 1 SMN Invest	31.1	27.0	4.1
Other companies	1.6	-4.3	5.9
Total	148.8	130.8	18.0

The figures are the respective companies' comprehensive income. The bank's stake in EiendomsMegler 1 Midt-Norge is 86.98 per cent and in SpareBank 1 SMN Finans Midt-Norge 90.1 per cent.

EiendomsMegler 1 Midt-Norge leads the field in its catchment area with a market share of about 40 per cent. The company recorded a good profit performance in 2013, but a slower market at year-end and at the start of the current year brought a weaker pre-tax profit than in the same period of 2013. Profit was NOK 42.2m (53.3m).

SpareBank 1 SMN Finans posted a profit of NOK 49.9m as of 30 September 2014 (42.6m). At quarter-end the company managed leased and car loan agreements worth a total of NOK 3.5bn of which leases accounted for NOK 1.9bn and car loans for NOK 1.6bn.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 24.1m (12.2m).

SpareBank 1 Regnskapshuset SMN has a growth strategy based on acquisition of smaller accounting firms. This represents a consolidation of a fragmented accounting industry. A further four accounting firms have been acquired in 2014.

Sparebanken SMN Invest's mission is to invest in shares, mainly in regional businesses. The company posted a pre-tax profit of NOK 31.1m in the first nine months of 2014 (27.0m). The company's profit is a consequence of value changes and realisation of losses or gains on the company's overall shareholding.

Satisfactory funding and good liquidity

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

With liquidity reserves of NOK 17bn, the bank has the funding needed for 24 months of ordinary operations without fresh external finance.

The bank's funding sources and products are amply diversified. At quarter-end the proportion of money market funding in excess of 1 year was 87 per cent (65 per cent).

SpareBank 1 Boligkreditt is the bank's most important funding source. As of 30 September 2014 the bank had transferred loans worth a total of NOK 28.5bn (29.5bn) to SpareBank 1 Boligkreditt.

In the first quarter of 2014 SpareBank 1 SMN raised a five-year loan of EUR 500m.

Rating

SpareBank 1 SMN has a rating of A2 (negative outlook) with Moody's and a rating of A- (stable outlook) with Fitch Ratings. SMN, like a number of other Norwegian and European banks, was put on negative outlook by Moody's in May 2014.

Financial strength

CET1 capital adequacy as of 30 September 2014 was 11.5% (10.7%), an improvement of 0.1 percentage point over the quarter. CET1 capital has strengthened due to a good result for the quarter. Concurrently one-time effects of a new capital requirements directive, implemented as of the third quarter 2014, brought an increase in risk weighted assets. The minimum requirement on CET1 capital as of 30 September 2014 was 10%, of which overall buffer requirements as of 30 September accounted for 5.5%. CET1 capital is Tier 1 capital excluding hybrid capital.

Capital adequacy as of 30 September 2014 is computed under the new Capital Requirements Directive (CRD IV). The changes affect the deductions in CET1 capital and supplementary capital alike. The main rule is that all deductions are made in CET1 capital whereas previously one half was in Tier 1 capital and one half in supplementary capital. Concurrently new capital requirements are introduced for credit valuation risk.

This is further described in note 13 Capital Adequacy.

The Group has shifted lending growth more towards the retail market segment. Since this means that growth in risk-weighted assets will be lower than the underlying growth in credit, it is in isolation positive for the bank's capital charges.

A countercyclical buffer of 1 per cent will be introduced at the end of the second quarter of 2015, and the Ministry of Finance decided on 26 September 2014 that no change would be made in the buffer. This decision was in keeping with Norges Bank's recommendation.

The board of directors of SpareBank 1 SMN continually assesses the capital situation and future capital requirements. The directors consider it important for the Group to be sufficiently capitalised to fulfil all regulatory requirements, as well as the market's expectations. This means in practice that the bank's CET1 capital target remains unchanged, even though SMN was not defined as a SIFI bank. The board of directors

are planning for a CET1 ratio of 13.5 per cent, consisting of 12 per cent plus a countercyclical buffer of 1 per cent plus a reserve of 0.5 per cent.

SpareBank 1 SMN applied to use the advanced IRB approach for its corporate portfolio in June 2013. At the end of the third quarter 2014 Finanstilsynet has yet to make a decision regarding approval. The net effect of approval will be limited by the transitional rules (the “floor”).

The following are the most important measures in the Group’s capital plan:

- Continued sound banking operation through efficiency enhancements and prioritisation of profitable segments.
- The dividend policy to entail an effective payout ratio of 25–35 per cent
- Moderate growth in the bank’s asset-intensive activities, giving priority to lending to households and firms in the bank’s catchment area
- Introduction of the advanced IRB approach at SpareBank 1 SMN

SpareBank 1 SMN currently has no plans to issue equity capital, and the directors are of the view that other measures are sufficient to attain a CET1 ratio of 13.5 per cent by 30 June 2016.

The bank is IRB approved and uses the IRB foundation approach to compute capital charges for credit risk.

The bank’s equity certificate (MING)

The book value of the bank’s EC at quarter-end was NOK 60.53, and earnings per EC were NOK 6.97 (5.13). At 30 September 2014 the EC was priced at NOK 59.25 (NOK 55.00 at 31 December 2013). Dividend of NOK 1.75 per EC has been paid in 2014 for the year 2013.

The Price / Income ratio was 6.38 (6.68), and the Price / Book ratio was 0.98 (0.85).

Risk factors

The credit quality of the bank’s loan portfolio is satisfactory, and loss and default levels are low.

The bank expects the cyclical recovery in Norway to continue, but to be somewhat weaker than previously assumed. This is due to moderate activity growth resulting from very weak international growth impulses. Falling oil prices bring increased uncertainty regarding developments in parts of Norwegian business and industry. The bank considers the region, and thereby the bank’s loan portfolio, to be less vulnerable than is the case for the country as a whole.

The bank has limited credit exposure to oil service related industry (about 4% of aggregate lending), an industry experiencing weaker demand. No basis has been found to carry out impairment write-downs on such exposures.

Unemployment is expected to remain at a low level in Norway and, combined with an expectation of continued low interest rates, the bank considers that loss risk in the bank’s retail portfolio will remain low. Credit demand from Norwegian households is still higher than wage growth but has diminished. The bank expects house price growth to be somewhat lower ahead. The bank also expects moderate growth in mid-Norwegian business and industry ahead.

Steadily rising capital requirements combined with uncertainty particularly regarding the countercyclical buffer and possible continuation of the floor provisions in the capital requirements regulations suggests that Norwegian banks will implement a more conservative credit policy towards business and industry.

The bank's results are affected directly and indirectly by fluctuations in the securities markets. The indirect effect relates above all to the bank's stake in SpareBank 1 Gruppen, where both the insurance business and fund management activities are affected by the fluctuations.

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

Outlook ahead

The directors are well satisfied with the results for the first nine months, and expect 2014 to be a good year for SpareBank 1 SMN.

A falling oil price and somewhat more negative market sentiment have focused increasing attention on risk in banks' lending exposure. Defaults at SpareBank 1 SMN are at a very low level, and no basis has been found to increase individually or collectively assessed write-downs.

SpareBank 1 SMN expects the CET1 capital target of 13.5 per cent in 2016 to be achieved by moderate lending growth, profit retention and without an ordinary stock issue.

The bank shows sound growth in mortgage lending and house sales have picked up after a slow start in 2014. With higher mortgage lending growth than market growth, the bank is strengthening its market position.

A shift in customer behaviour towards more self-service solutions and growing automation of work processes creates a need for a new configuration of distribution of the bank's products and services.

Through the SpareBank 1-alliance, SpareBank 1 SMN has a sound platform on which to implement the system adjustments needed in a cost-efficient manner.

This is crucial to maintaining competitive power and market position. Necessary investments in technology will be undertaken at the same time as efficiency improvements are made at the bank.

The board of directors have established a new objective for the parent bank's costs which presupposes zero growth in nominal kroner for the years 2015 and 2016.

Through the SMN 2020 project new service concepts will be developed and cost levels adjusted to enable SpareBank 1 SMN to come across as best for customer experience and to maintain its competitive power.

Trondheim, 30 October
The Board of Directors of SpareBank 1 SMN

Kjell Bordal
(chair)

Bård Benum
(deputy chair)

Paul E. Hjelm-Hansen

Aud Skrudland

Morten Loktu

Janne Thyø Thomsen

Arnhild Holstad

Venche Johnsen
(employee rep.)

Finn Haugan
(Group CEO)

Income statement

Parent bank					Group						
2013	3Q 13	3Q 14	30 Sep 2013	30 Sep 2014	(NOKm)	Note	30 Sep 2014	30 Sep 2013	3Q 14	3Q 13	2013
4,092	1,060	1,070	3,039	3,132	Interest income		3,162	3,058	1,080	1,068	4,118
2,604	660	644	1,954	1,931	Interest expenses		1,857	1,878	617	634	2,502
1,487	401	426	1,085	1,200	Net interest	1	1,305	1,180	463	434	1,616
970	260	250	709	768	Commission income		958	907	314	323	1,230
81	24	24	60	71	Commission expenses		81	69	28	28	94
57	15	10	46	35	Other operating income		263	243	74	72	327
946	251	235	695	732	Commission income and other income		1,140	1,081	361	367	1,463
371	12	0	370	311	Dividends		60	41	0	11	41
-	-	-	-	-	Income from investment in related companies		383	256	170	120	355
176	-3	7	126	188	Net return on financial investments	1,2	185	48	1	5	106
547	9	7	497	499	Net return on financial investments		629	346	170	135	502
2,981	661	668	2,276	2,432	Total income		3,074	2,607	993	937	3,580
592	138	148	449	461	Staff costs	2	735	701	235	224	923
357	81	103	250	306	Administration costs		371	314	122	100	447
248	66	53	187	149	Other operating expenses		204	242	68	83	352
1,197	285	305	886	916	Total operating expenses	4	1,310	1,256	425	406	1,722
1,783	375	363	1,390	1,516	Result before losses		1,765	1,350	568	530	1,859
82	25	22	58	51	Loss on loans, guarantees etc.	2,6,7	55	68	24	30	101
1,701	350	340	1,333	1,464	Result before tax	3	1,709	1,282	545	501	1,758
358	92	89	250	270	Tax charge		302	278	101	98	388
6	-	-	6	-	Result investment held for sale, after tax	3	-0	34	-1	31	30
1,348	259	252	1,089	1,194	Net profit		1,407	1,038	443	433	1,400
					Majority share		1,399	1,030	441	431	1,390
					Minority interest		8	8	3	2	10
					Profit per ECC		7.00	5.17	2.21	2.19	6.97
					Diluted profit per ECC		6.97	5.13	2.19	2.14	6.92

Other comprehensive income

Parent bank					Group					
2013	3Q 13	3Q 14	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	3Q 14	3Q 13	2013
1,348	259	252	1,089	1,194	Net profit	1,407	1,038	443	433	1,400
					Items that will not be reclassified to profit/loss					
-9	-	-	-	-89	Actuarial gains and losses pensions	-94	-	-	-	-11
3	-	-	-	24	Tax	25	-	-	-	3
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	3	7	4	4	11
-7	-	-	-	-65	Total	-66	7	4	4	3
					Items that will be reclassified to profit/loss					
-	-	-	-	-	Available-for-sale financial assets	-	-	-	-	-6
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	-	-0	-	-	14
-	-	-	-	-	Tax	-	-	-	-	-
-	-	-	-	-	Total	-	-	-	-	8
1,342	259	252	1,089	1,129	Total other comprehensive income	1,340	1,046	448	437	1,411
					Majority share of comprehensive income	1,332	1,038	445	435	1,401
					Minority interest of comprehensive income	8	8	3	2	10

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

Key figures

Parent bank					Group					
2013	3Q 13	3Q 14	30 Sep 2013	30 Sep 2014	Result as per cent of average total assets:	30 Sep 2014	30 Sep 2013	3Q 14	3Q 13	2013
1.34	1.44	1.46	1.32	1.40	Net interest	1.50	1.42	1.57	1.54	1.44
0.85	0.90	0.81	0.84	0.85	Commission income and other income	1.31	1.30	1.22	1.31	1.31
0.49	0.03	0.02	0.60	0.58	Net return on financial investments	0.72	0.42	0.58	0.48	0.45
1.08	1.02	1.05	1.07	1.07	Total operating expenses	1.51	1.51	1.44	1.44	1.54
1.61	1.34	1.24	1.69	1.77	Result before losses	2.03	1.62	1.93	1.88	1.66
0.07	0.09	0.08	0.07	0.06	Loss on loans, guarantees etc.	0.06	0.08	0.08	0.11	0.09
1.54	1.26	1.17	1.62	1.71	Result before tax	1.97	1.54	1.85	1.78	1.57
0.40	0.43	0.46	0.39	0.38	Cost-income ratio	0.43	0.48	0.43	0.43	0.48
73 %			70 %	70 %	Loan-to-deposit ratio	67 %	67 %			70 %
14.7 %	11.0 %	9.6 %	16.0 %	15.7 %	Return on equity	16.1 %	13.3 %	14.8 %	16.3 %	13.3 %

Balance sheet

Parent bank			Group				
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	Note	30 Sep 2014	30 Sep 2013	31 Dec 2013
4,793	172	757	Cash and receivables from central banks		757	172	4,793
4,000	3,793	4,183	Deposits with and loans to credit institutions		1,143	988	1,189
77,030	76,552	82,884	Gross loans to customers before write-down	5,8	86,485	79,842	80,303
-150	-150	-170	- Specified write-downs	6,7,8	-182	-168	-173
-278	-278	-278	- Write-downs by loan category	6	-295	-295	-295
76,602	76,124	82,436	Net loans to and receivables from customers		86,008	79,379	79,836
16,887	19,192	15,323	Fixed-income CDs and bonds	15	15,323	19,192	16,887
3,051	2,609	4,481	Derivatives	14	4,480	2,609	3,050
492	452	240	Shares, units and other equity interests	2,15	695	995	1,030
3,138	3,069	3,318	Investment in related companies		5,008	4,440	4,624
2,442	2,275	2,477	Investment in group companies		-	-	-
114	101	114	Investment held for sale		61	118	113
447	447	447	Goodwill		522	491	495
2,110	2,501	1,921	Other assets	9	3,198	3,593	3,344
114,074	110,735	115,698	Total assets		117,194	111,977	115,360
5,159	5,615	5,639	Deposits from credit institutions		5,638	5,615	5,159
1,220	2,273	-	Funding, "swap" arrangement with the government		-	2,273	1,220
56,531	53,859	58,427	Deposits from and debt to customers	10	58,000	53,474	56,074
33,762	29,592	30,491	Debt created by issue of securities	11	30,491	29,592	33,762
2,295	1,975	3,866	Derivatives	15	3,866	1,975	2,295
1,992	4,522	3,372	Other liabilities	12	3,656	4,812	2,303
-	-	-	Investment held for sale		-	32	-
3,304	3,341	3,315	Subordinated loan capital	11	3,315	3,341	3,304
104,263	101,178	105,109	Total liabilities		104,966	101,114	104,118
2,597	2,597	2,597	Equity capital certificates		2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs		-0	-0	-0
895	895	895	Premium fund		895	895	895
2,496	1,889	2,496	Dividend equalisation fund		2,496	1,889	2,496
227	-	-	- Recommended dividends		-	-	227
124	-	-	- Provision for gifts		-	-	124
3,276	2,944	3,276	Savings bank's reserve		3,276	2,944	3,276
195	106	195	Unrealised gains reserve		206	123	206
-0	38	-65	Other equity capital		1,282	1,312	1,354
-	1,089	1,194	Profit for the periode		1,407	1,038	-
			Minority interests		69	65	67
9,811	9,557	10,588	Total equity capital	13	12,228	10,863	11,242
114,074	110,735	115,698	Total liabilities and equity		117,194	111,977	115,360

Cash flow statement

Parent bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	31 Dec 2013
1,348	1,089	1,194	Profit	1,407	1,038	1,400
53	36	29	Depreciations and write-downs on fixed assets	80	85	118
82	58	51	Losses on loans and guarantees	55	68	101
1,484	1,182	1,274	Net cash increase from ordinary operations	1,542	1,192	1,619
-587	-521	-1,250	Decrease/(increase) other receivables	-1,332	-420	-652
-121	2,087	2,950	Increase/(decrease) short term debt	2,923	2,053	-244
-4,627	-4,125	-5,885	Decrease/(increase) loans to customers	-6,228	-4,944	-5,433
-2,580	1,826	4,017	Decrease/(increase) loans credit institutions	4,246	2,025	-2,376
3,344	672	1,897	Increase/(decrease) deposits and debt to customers	1,926	1,171	3,822
-1,031	478	-740	Increase/(decrease) debt to credit institutions	-741	478	-1,031
277	-2,028	1,563	Increase/(decrease) in short term investments	1,563	-2,028	277
-3,842	-427	3,825	A) NET CASH FLOW FROM OPERATIONS	3,898	-474	-4,018
-23	-20	-20	Increase in tangible fixed assets	-58	-35	-32
1	-	-	Reductions in tangible fixed assets	-	-	1
-58	191	-216	Paid-up capital, associated companies	-331	403	250
-137	-98	251	Net investments in long-term shares and partnerships	335	-217	-253
-217	73	15	B) NET CASH FLOW FROM INVESTMENTS	-53	151	-34
264	301	11	Increase/(decrease) in subordinated loan capital	11	301	264
-	-	-	Increase/(decrease) in equity	-	-	-
-195	-195	-227	Dividend cleared	-227	-195	-195
-30	-30	-124	To be disbursed from gift fund	-124	-30	-30
31	38	-65	Correction of equity capital/other equity transactions	-70	7	25
3,503	-667	-3,271	Increase/(decrease) in other long term loans	-3,271	-667	3,503
3,573	-553	-3,676	C) NET CASH FLOW FROM FINANCIAL ACTIVITIES	-3,681	-584	3,566
-486	-907	164	A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS	164	-907	-486
1,079	1,079	593	Cash and cash equivalents at 1.1	593	1,079	1,079
593	172	757	Cash and cash equivalents at end of quarter	757	172	593
486	907	-164	Net changes in cash and cash equivalents	-164	907	486

Change in equity

Parent Bank (NOKm)	Issued equity			Earned equity			Unrealised gains reserve	Other equity	Total equity
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts			
Equity capital at 1 January 2013	2,597	895	2,944	1,889	195	30	106	38	8,694
Net Profit	-	-	321	587	227	124	89	-	1,348
Other comprehensive income									
Estimate deviation, pensions	-	-	11	20	-	-	-	-38	-7
Other comprehensive income	-	-	11	20	-	-	-	-38	-7
Total other comprehensive income	-	-	332	607	227	124	89	-38	1,342
Transactions with owners									
Dividend declared for 2012	-	-	-	-	-195	-	-	-	-195
To be disbursed from gift fund	-	-	-	-	-	-30	-	-	-30
Reduction of nominal value per equity certificate	0	-	-	-0	-	-	-	-	0
Total transactions with owners	0	-	-	-0	-195	-30	-	-	-225
Equity capital at 31 December 2013	2,597	895	3,276	2,495	227	124	195	-	9,811
Equity capital at 1 January 2014	2,597	895	3,276	2,495	227	124	195	-	9,811
Net Profit	-	-	-	-	-	-	-	1,194	1,194
Other comprehensive income									
Estimate deviation, pensions	-	-	-	-	-	-	-	-65	-65
Other comprehensive income	-	-	-	-	-	-	-	-65	-65
Total other comprehensive income	-	-	-	-	-	-	-	1,129	1,129
Transactions with owners									
Dividend declared for 2013	-	-	-	-	-227	-	-	-	-227
To be disbursed from gift fund	-	-	-	-	-	-124	-	-	-124
Sale of own ECCs	-0	-	-0	-	-	-	-	-	-0
Total transactions with owners	-0	-	-0	-	-227	-124	-	-	-352
Equity capital at 30 Sept 2014	2,597	895	3,276	2,495	-	0	195	1,129	10,588

Group	Majority share									
	Issued equity				Earned equity					
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minority interest	Total equity
(NOKm)										
Equity capital at 1 January 2013	2,597	895	2,944	1,889	195	30	123	1,342	67	10,082
Net Profit	-	-	321	587	227	124	89	41	10	1,400
Other comprehensive income										
Available-for-sale financial assets	-	-	-	-	-	-	-6	-	-	-6
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	25	-	25
Estimate deviation, pensions	-	-	11	20	-	-	-	-39	-	-8
Other comprehensive income	-	-	11	20	-	-	-6	-15	-	11
Total other comprehensive income	-	-	332	607	227	124	84	27	10	1,411
Transactions with owners										
Dividend declared for 2012	-	-	-	-	-195	-	-	-	-	-195
To be disbursed from gift fund	-	-	-	-	-	-30	-	-	-	-30
Sale of own ECCs	0	-	-	-0	-	-	-	-	-	0
Direct recognitions in equity	-	-	-	-	-	-	-	-6	-	-6
Pension correction 1 January	-	-	-	-	-	-	-	1	-	1
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-12	-	-12
Change in minority share	-	-	-	-	-	-	-	-	-10	-10
Total transactions with owners	0	-	-	-0	-195	-30	-	-16	-10	-251
Equity capital at 31 December 2013	2,597	895	3,276	2,496	227	124	206	1,354	67	11,242

Group	Majority share									
	Issued equity				Earned equity					
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minority interest	Total equity
Equity capital at 1 January 2014	2,597	895	3,276	2,496	227	124	206	1,354	67	11,242
Net profit	-	-	-	-	-	-	-	1,399	8	1,407
Other comprehensive income										
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	3	-	3
Estimate deviation, pensions	-	-	-	-	-	-	-	-69	-	-69
Other comprehensive income	-	-	-	-	-	-	-	-66	-	-66
Total other comprehensive income	-	-	-	-	-	-	-	1,333	8	1,340
Transactions with owners										
Dividend declared for 2013	-	-	-	-	-227	-	-	-	-	-227
To be disbursed from gift fund	-	-	-	-	-	-124	-	-	-	-124
Sale of own ECCs	-0	-	-0	-	-	-	-	-	-	-0
Direct recognitions in equity	-	-	-	-	-	-	-	-0	-	-0
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	2	-	2
Change in minority share	-	-	-	-	-	-	-	-	-5	-5
Total transactions with owners	-0	-	-0	-	-227	-124	-	2	-5	-355
Equity capital at 30 Sept 2014	2,597	895	3,276	2,496	-	-	206	2,689	69	12,228

Equity capital certificate ratio

(NOKm)	30 Sept 2014	31 Dec 2013
ECC capital	2,597	2,597
Dividend equalisation reserve	2,496	2,496
Premium reserve	895	895
Unrealised gains reserve	126	126
A. The equity capital certificate owners' capital	6,114	6,114
Ownerless capital	3,276	3,276
Unrealised gains reserve	69	69
B. The saving bank reserve	3,345	3,345
To be disbursed from gift fund	-	124
Dividend declared	-	227
Equity ex. profit	9,459	9,811
Equity capital certificate ratio A/(A+B)	64.64 %	64.64 %
Equity capital certificate ratio for distribution	64.64 %	64.64 %

Results from quarterly accounts

Group (NOKm)	3Q 2014	2Q 2014	1Q 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	4Q 2012	3Q 2012
Interest income	1,080	1,055	1,027	1,059	1,068	1,036	954	941	989
Interest expenses	617	625	615	624	634	633	611	543	630
Net interest	463	430	412	436	434	403	343	399	358
Commission income	314	326	318	323	323	323	262	280	252
Commission expenses	28	28	25	25	28	21	20	28	25
Other operating income	74	96	93	84	72	95	75	69	68
Commission income and other income	361	394	385	382	367	396	317	321	294
Dividends	0	14	46	0	11	30	0	2	0
Income from investment in related companies	170	131	82	98	120	36	101	3	91
Net return on financial investments	1	56	129	58	5	-17	61	32	86
Net return on financial investments	170	201	257	156	135	49	162	37	177
Total income	993	1,026	1,055	974	937	849	822	756	829
Staff costs	235	245	254	222	224	237	240	234	235
Administration costs	122	126	123	134	100	117	97	113	112
Other operating expenses	68	72	64	110	83	81	78	90	75
Total operating expenses	425	443	441	465	406	436	414	437	421
Result before losses	568	583	614	508	530	413	407	319	408
Loss on loans, guarantees etc.	24	15	17	32	30	21	17	17	16
Result before tax	545	568	597	476	501	391	390	302	392
Tax charge	101	103	99	110	98	102	77	69	77
Result investment held for sale, after tax	-1	-1	1	-4	31	-4	7	27	-9
Net profit	443	464	500	361	433	285	321	260	306

Key figures from quarterly accounts

Group (NOKm)	3Q 2014	2Q 2014	1Q 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	4Q 2012	3Q 2012
Profitability									
Return on equity per quarter	14.8%	16.0%	17.7%	13.1%	16.3%	11.1%	12.7%	10.5%	12.8%
Cost-income ratio	43 %	43%	42%	48%	43%	51%	50%	58%	51%
Balance sheet									
Gross loans to customers	86,485	85,206	79,366	80,303	79,842	78,976	76,425	74,943	75,357
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	116,225	114,561	111,560	112,038	110,237	108,968	106,830	104,909	103,274
Deposits from customers	58,000	59,408	54,736	56,074	53,474	55,294	52,603	52,252	50,836
Total assets	117,194	118,758	111,609	115,360	111,977	113,190	110,790	107,919	110,605
Average total assets	117,976	115,184	113,485	113,668	112,583	111,979	109,344	109,279	109,227
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months	5.4 %	5.1 %	4.4 %	6.8 %	6.7 %	8.4 %	9.7 %	10.2 %	11.4 %
Growth in deposits last 12 months	8.5 %	7.4 %	4.1 %	7.3 %	5.1 %	7.3 %	7.4 %	9.2 %	10.5 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio	0.08 %	0.05 %	0.06 %	0.12 %	0.11 %	0.08 %	0.06 %	0.06 %	0.06 %
Non-performing commitm. as a percentage of gross loans	0.29 %	0.29 %	0.24 %	0.34 %	0.35 %	0.38 %	0.36 %	0.36 %	0.39 %
Other doubtful commitm. as a percentage of gross loans	0.18 %	0.18 %	0.21 %	0.14 %	0.19 %	0.13 %	0.15 %	0.14 %	0.16 %
Solidity									
Common equity tier 1	11.5 %	11.4 %	11.1 %	11.1 %	10.7 %	10.3 %	10.4 %	10.0 %	9.3 %
Core capital ratio	13.4 %	13.3 %	12.9 %	13.0 %	12.6 %	12.2 %	11.7 %	11.3 %	10.6 %
Capital adequacy ratio	16.1 %	15.0 %	14.8 %	14.7 %	14.2 %	13.8 %	13.3 %	13.3 %	11.9 %
Core capital	12,302	11,635	11,303	10,989	10,707	10,508	9,686	9,357	8,826
Net equity and related capital	14,826	13,164	12,893	12,417	12,053	11,894	10,971	10,943	9,891
Key figures ECC *)									
ECC price	59.25	54.25	53.75	55.00	45.70	46.50	46.90	34.80	37.00
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83
Booked equity capital per ECC (including dividend)	60.53	58.32	56.39	55.69	53.76	51.66	50.32	50.09	49.00
Profit per ECC, majority	2.19	2.29	2.48	1.79	2.14	1.43	1.55	1.29	1.54
Price-Earnings Ratio	6.75	5.91	5.42	7.68	5.23	8.13	7.55	6.74	6.09
Price-Book Value Ratio	0.98	0.93	0.95	0.99	0.85	0.90	0.93	0.69	0.76

Notes

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Note 1 - 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. As from 2007 the company accounts are also prepared and presented under IFRS. This entails that investments in associates and subsidiaries are recognised using the cost method. For this reason results recorded by associates and subsidiaries are not included in the parent bank's accounts.

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 2013. Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts, except:

IFRS 10 – Consolidated Financial Statements. This standard deals with defining “subsidiary”, and gives more weight to actual control than earlier rules. Control exists only where an investor has power over relevant activities of the investee, exposure to variable returns, and in addition the ability to use its power to affect the investee's returns. In cases where loan terms are breached, the Bank will consider whether it has achieved genuine power under IFRS 10. The standard is implemented from 1 January 2014.

IFRS 11 – Joint Arrangements replaces IAS 31 and SIC-13. IFRS 11 removes the opportunity to apply proportional consolidation for jointly-controlled entities. The Bank has considered the effect of the new standard, in particular in relation to the alliance SpareBank 1 Banksamarbeidet DA, and concluded that it will not be of essential significance for the Group's reporting. The standard is implemented from 1 January 2014.

IFRS 12 – Disclosure of Interests in Other Entities. This standard extends the disclosure requirement in next year's annual accounts as regards investments in subsidiaries, associates, jointly controlled entities and structured entities. The standard is implemented from 1 January 2014.

Amended IAS 27 – Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures. Due to the introduction of IFRS 10, 11 and 12, the IASB has revised IAS 27 and IAS 28 which coordinate the standards with the new accounting standards. Following the revision, IAS 27 only regulates separate financial statements, while IAS 28 regulates investments in both associates and joint ventures that are to be accounted for using the equity method.

Amendments to IAS 32 – offsetting financial assets and financial liabilities. The amendment to this standard concerns the presentation of financial assets and liabilities and does not entail significant changes in the offsetting of financial assets and liabilities in the financial statements.

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 4 Critical estimates and assessments concerning the use of accounting principles.

Nets Holding AS

SpareBank 1 SMN sold its stake in Nets Holding AS in July 2014. The stake was 2.2 per cent, corresponding to 4,028,773 shares. The shares were recognised at fair value through profit and loss. The realised capital gain including agio was NOK 155.6m. In addition, received dividends worth NOK 8.8m were taken to income.

Pensions

The Group has not obtained a new calculation of pensions as of 30 September since no factors have been identified that significantly alter the pension liability. The calculation of pensions applying as of 30 June 2014 is therefore shown below.

	31 Dec 2013	1 January 2014	30 June 2014
Actuarial assumptions			
Discount rate	4.00 %	4.00 %	3.25 %
Expected rate of return on plan assets	4.00 %	4.00 %	3.25 %
Expected future wage and salary growth	3.50 %	3.50 %	3.50 %
Expected adjustment on basic amount (G)	3.50 %	3.50 %	3.50 %
Expected increase in current pension	0.60 %	0.60 %	0.60 %
Employers contribution	14.10 %	14.10 %	14.10 %

Demographic assumptions:

Mortality base table	K2013 BE
Disability	IR73
Voluntary exit	2 % til 50 year, 0 % etter 50 year

Movement in net pension liability in the balance sheet Group (NOKm)

	Funded	Unfunded	Total
Net pension liability in the balance sheet 1.1	-107	27	-79
OCI accounting 1 Jan	-5	-	-5
OCI accounting 30 June	98	1	99
Net defined-benefit costs in profit and loss account	12	1	13
Paid in pension premium, defined-benefit schemes	-28	-	-28
Paid in pension premium, defined-benefit plan	-	-3	-3
Net pension liability in the balance sheet 30 June 14	-29	27	-3

Net pension liability in the balance sheet Group (NOKm)	30 Jun 2014	31 Dec 2013
Net present value of pension liabilities in funded schemes	729	638
Estimated value of pension assets	-736	-721
Net pension liability in the balance sheet before employer's contribution	-7	-83
Employers contribution	4	4
Net pension liability in the balance sheet	-3	-79

Pension cost 30 June 14 Group (NOKm)	30 Jun 2014	31 Dec 2013
Present value of pension accumulated in the year	12	22
Net interest income	-2	-4
Net pension cost related to defined plans, incl unfunded pension commitment	10	18
Employer's contribution subject to accrual accounting	4	4
Cost of defined contribution pension and early retirement pension scheme, new arrangement	14	30
Total pension cost	27	52

Note 3 - Account by business line

As from 1 January 2014 the Bank's SMB portfolio is split up and assigned to Retail Banking and Corporate Banking respectively. Limited companies are transferred to Corporate Banking. Sole proprietorships, agricultural customers and associations etc are transferred to Retail Banking. Historical data have not been reworked owing to the difficulty of reconstructing such data at a sufficiently precise level.

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 September 2014

Profit and loss account (NOKm)	RM	CM	Markets	EM 1	SB1 Finans MN	SB1 Regnskapshuset SMN	SB1 Gruppen	BN Bank	BN Uncollated	Total
Net interest	629	621	-1	2	95	-0	-	-	-55	1,305
Interest from allocated capital	33	51	1	-	-	-	-	-	-84	-
Total interest income	661	672	-1	2	95	-0	-	-	-139	1,305
Commission income and other income	568	121	15	270	-3	141	-	-	44	1,140
Net return on financial investments ***)	1	20	26	-	-	-	259	78	245	628
Total income *)	1,230	812	41	272	92	141	259	78	149	3,074
Total operating expenses	596	226	49	230	37	117	-	-	54	1,310
Ordinary operating profit	634	586	-9	42	55	24	259	78	95	1,765
Loss on loans, guarantees etc.	7	44	-	-	5	-	-	-	-1	55
Result before tax including held for sale	626	542	-9	42	50	24	259	78	96	1,709
Post-tax return on equity **)	19,8 %	10,7 %								16,1 %
Balance (NOKm)										
Loans and advances to customers	76,773	34,891	-	-	3,600	-	-	-	961	116,225
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-28,609	-1,130	-	-	-	-	-	-	-1	-29,740
Individual allowance for impairment on loan	-28	-142	-	-	-11	-	-	-	0	-182
Group allowance for impairment on loan	-90	-188	-	-	-16	-	-	-	-0	-295
Other assets	249	132	-	280	10	128	1,341	1,187	27,857	31,185
Total assets	48,296	33,563	-	280	3,582	128	1,341	1,187	28,816	117,194
Deposits to customers	31,632	24,747	-	-	-	-	-	-	1,621	58,000
Other liabilities and equity	16,664	8,816	-	280	3,582	128	1,341	1,187	27,196	59,194
Total liabilities	48,296	33,563	-	280	3,582	128	1,341	1,187	28,816	117,194

Group 30 September 2013

Profit and loss account (NOKm)	RM	SME	Group Corporates	Markets	EM 1	SB1 Finans MN	Regnskapshuset SMN	SB1 Gruppen	SB1 Bank	BN Uncollated	Total
Net interest	457	213	509	10	3	89	-	-	-	-101	1,180
Interest from allocated capital	7	2	20	-0	-	-	-	-	-	-28	-
Total interest income	464	214	529	9	3	89	-	-	-	-129	1,180
Commission income and other income	505	58	58	25	289	-2	102	-	-	46	1,081
Net return on financial investments ***)	1	1	47	31	-	-	-	153	75	73	380
Total income *)	969	273	634	66	292	87	102	153	75	-10	2,641
Total operating expenses	474	98	185	63	239	33	90	-	-	75	1,256
Ordinary operating profit	496	175	449	3	53	54	12	153	75	-85	1,384
Loss on loans, guarantees etc.	6	6	49	-	-	11	-	-	-	-4	68
Result before tax including held for sale	490	169	400	3	53	43	12	153	75	-81	1,316
Post-tax return on equity	37.0 %	31.4 %	13.8 %								13.3 %
Balance (NOKm)											
Loans and advances to customers	65,418	9,124	31,775	-	-	3,308	-	-	-	612	110,237
Adv. of this to SpareBank 1 Boligkreditt	-29,125	-400	-869	-	-	-	-	-	-	402	-29,992
Individual allowance for impairment on loan	-27	-16	-107	-	-	-18	-	-	-	0	-168
Group allowance for impairment on loan	-73	-30	-175	-	-	-16	-	-	-	-0	-295
Other assets	252	26	212	-	305	14	79	1,029	1,168	29,109	32,195
Total assets	36,446	8,704	30,835	-	305	3,288	79	1,029	1,168	30,123	111,977
Deposits to customers	24,450	8,641	19,330	-	-	-	-	-	-	1,052	53,474
Other liabilities and equity	11,996	63	11,505	-	305	3,288	79	1,029	1,168	29,071	58,503
Total liabilities	36,446	8,704	30,835	-	305	3,288	79	1,029	1,168	30,123	111,977

*) A portion of capital market income (Markets) is distributed on RM and CM

**) As from the third quarter 2014, calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 13.5% to be in line with the capital plan. Figures for 2013 are not adjusted as a result of this.

***) Specification of net return on financial investments including held for sale (NOKm)	30 Sep 2014	30 Sep 2013
Capital gains/dividends, shares	216	45
Bonds and derivatives	-18	-14
Forex and fixed income business, Markets	46	58
Net return on financial investments	245	90
SpareBank 1 Gruppen	259	153
SpareBank 1 Boligkreditt	23	25
SpareBank 1 Næringskreditt	30	5
BN Bank	78	75
SpareBank 1 Markets	-22	-
Companies owned by SpareBank 1 SMN Invest	18	-
Other companies	-3	32
Income from investment in related companies	383	290
Total	629	380

Note 4 - Operating expenses

Parent bank				Group		
31 Dec 2013	30 Sept 2013	30 Sept 2014	(NOKm)	30 Sept 2014	30 Sept 2013	31 Dec 2013
592	449	461	Personnel expenses	735	701	923
187	134	159	IT costs	177	149	206
24	17	15	Postage and transport of valuables	19	21	29
38	27	31	Marketing	59	38	58
53	36	29	Ordinary depreciation	80	85	118
120	93	88	Operating expenses, real properties	68	73	118
58	38	43	Purchased services	51	46	71
125	93	90	Other operating expenses	122	143	199
1,197	886	916	Total other operating expenses	1,310	1,256	1,722

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	31 Dec 2013
6,208	6,054	6,617	Agriculture, forestry, fisheries, hunting	6,761	6,210	6,359
2,334	2,336	1,244	Sea farming industries	1,385	2,479	2,463
1,946	1,948	2,033	Manufacturing	2,305	2,145	2,142
2,693	2,993	2,741	Construction, power and water supply	3,241	3,525	3,207
2,275	2,294	2,699	Retail trade, hotels and restaurants	2,861	2,464	2,442
5,395	5,339	4,764	Maritime sector	4,777	5,347	5,402
12,048	11,907	12,660	Property management	12,739	11,978	12,118
3,646	3,407	3,347	Business services	3,580	3,636	3,867
2,284	2,499	2,567	Transport and other services provision	2,992	2,899	2,706
400	224	252	Public administration	272	252	423
2,391	1,946	2,830	Other sectors	2,833	1,952	2,395
41,619	40,947	41,754	Gross loans in retail market	43,746	42,887	43,523
67,146	66,000	70,870	Wage earners	72,479	67,350	68,515
108,765	106,946	112,624	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	116,225	110,237	112,038
30,514	29,502	28,518	SpareBank 1 Boligkreditt	28,518	29,502	30,514
1,221	892	1,222	SpareBank 1 Næringskreditt	1,222	892	1,221
77,030	76,552	82,884	Gross loans in balance sheet	86,485	79,842	80,303

Note 6 - Losses on loans and guarantees

Parent bank			(NOKm)	Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014		30 Sep 2014	30 Sep 2013	31 Dec 2013
22	22	20	Change in individual impairment losses provisions for the period	9	25	29
-	-	-	Change in collective impairment losses provisions for the period	-	-	-
34	33	27	Actual loan losses on commitments for which provisions have been made	34	38	40
39	12	16	Actual loan losses on commitments for which no provision has been made	25	16	45
-13	-9	-12	Recoveries on commitments previously written-off	-12	-11	-14
82	58	51	Losses of the year on loans and guarantees	55	68	101

Note 7 - Losses

Parent bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	31 Dec 2013
129	129	150	Individual write-downs to cover loss on loans at 1.1 *)	173	144	144
			+ Increased write-downs on provisions previously written down	7	11	15
12	10	5				
16	10	15	- Reversal of provisions from previous periods	23	11	18
59	54	57	+ Write-downs on provisions not previously written down	59	62	71
			- Actual losses during the period for which provisions for individual impairment losses have been made previously			
34	33	27		34	38	40
150	150	170	Specification of loss provisions at end of period	182	168	173
73	45	43	Actual losses	59	54	85

*) Individually assessed impairment write-downs on guarantees, totalling NOK 1m, are shown in the balance sheet as a liability under 'Other liabilities'.

Note 8 - Defaults

Parent bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	31 Dec 2013
			Total defaults			
311	322	268	Loans in default for more than 90 days *)	338	391	386
73	66	85	- Individual write-downs	92	79	87
238	256	183	Net defaults	246	312	299
24 %	21 %	32 %	Provision rate	27 %	20 %	23 %
			Problem Loans			
146	193	194	Problem loans (not in default)	206	209	157
76	84	85	- Individual write-downs	90	89	86
70	109	109	Net problem loans	117	119	71
52 %	43 %	44 %	Provision rate	43 %	43 %	55 %

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per Q3.

Any default in this portfolio will not entail loss for SpareBank 1 SMN.

Note 9 - Other assets

Parent bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	31 Dec 2013
-	-	7	Deferred tax benefit	25	14	18
170	182	161	Fixed assets	1,128	1,214	1,176
1,568	1,503	1,244	Earned income not yet received	1,258	1,507	1,591
207	503	346	Accounts receivable, securities	346	503	207
82	74	11	Pensions	11	74	82
83	240	152	Other assets	429	282	270
2,110	2,501	1,921	Total other assets	3,198	3,593	3,344

Note 10 - Distribution of customer deposits by sector/industry

Parent bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	31 Dec 2013
2,059	2,004	2,347	Agriculture, forestry, fisheries, hunting	2,347	2,004	2,059
406	202	328	Sea farming industries	328	202	406
1,239	1,298	1,577	Manufacturing	1,577	1,298	1,239
1,808	1,636	1,596	Construction, power and water supply	1,596	1,636	1,808
4,313	3,053	3,227	Retail trade, hotels and restaurants	3,227	3,053	4,313
2,150	1,970	1,691	Maritime sector	1,691	1,970	2,150
4,142	4,117	4,189	Property management	4,065	4,014	4,033
4,885	4,879	4,540	Business services	4,540	4,930	4,885
4,320	3,829	4,319	Transport and other services provision	4,050	3,524	3,999
4,723	4,609	4,977	Public administration	4,977	4,609	4,723
2,620	2,486	3,688	Other sectors	3,655	2,458	2,594
32,666	30,083	32,480	Total	32,053	29,698	32,209
23,865	23,776	25,947	Wage earners	25,947	23,776	23,865
56,531	53,859	58,427	Total deposits	58,000	53,474	56,074

Note 11 - Debt created by issue of securities

Parent bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	31 Dec 2013
2,750	110	300	Short-term debt instruments, nominal value	300	110	2,750
30,718	29,250	29,564	Bond debt, nominal value	29,564	29,250	30,718
294	232	627	Value adjustments	627	232	294
33,762	29,592	30,491	Total	30,491	29,592	33,762

Change in securities debt, subordinated debt and hybrid equity (NOKm)

	30 Sep 2014	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2013
Short-term debt instruments, nominal value	300	300	2,750	-	2,750
Bond debt, nominal value	29,564	6,427	7,064	-517	30,718
Value adjustments	627	-	-	333	294
Total	30,491	6,727	9,814	-184	33,762

	30 Sep 2014	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2013
Ordinary subordinated loan capital, nominal value	1,528	-	-	6	1,522
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,400	-	-	-	1,400
Value adjustments	87	-	-	5	82
Total	3,315	-	-	11	3,304

Note 12 - Other liabilities

Parent bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	31 Dec 2013
17	98	-	Deferred tax	7	106	23
438	375	342	Payable tax	395	423	476
8	14	8	Capital tax	8	14	8
883	1,056	1,028	Accrued expenses and received, non-accrued income	1,175	1,301	1,091
48	59	57	Provision for accrued expenses and commitments	57	59	48
-	-	-	Pension liabilities	7	2	2
73	52	53	Drawing debt	53	52	73
7	4	8	Creditors	42	41	29
339	2,150	1,490	Debt from securities	1,490	2,150	339
179	714	386	Other liabilities	421	665	213
1,992	4,522	3,372	Total other liabilities	3,656	4,812	2,303

Note 13 - Capital adequacy

The Ministry of Finance adopted on 22 August 2014 amendments to regulations on capital requirements taking effect on 30 September 2014. The amendments bring Norwegian legislation into line with the EU's new capital requirements framework (CRR/CRD IV). This framework is for the present not incorporated into the EEA agreement, although its most important provisions have been incorporated in the Financial Institutions Act and the Securities Trading Act. The adjusted legislation entered into force on 1 July 2013, and requires a gradual increase in minimum requirements on Common Equity Tier 1 (CET1) capital in the period to 1 July 2016.

As of 30 September 2014 the capital conservation buffer requirement is 2.5 per cent and the systemic risk requirement is 3 per cent. The systemic risk buffer rose by 1 percentage point as from 1 July 2014. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 10 per cent. On 30 June 2015 a countercyclical buffer requirement of 1 percentage point will become effective, bringing the overall minimum CET1 requirement to 11 per cent.

Norwegian authorities have chosen to continue the Basel 1 floor as a floor for risk weighted assets.

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. In June 2013 the bank applied for approval to switch to Advanced IRB for those portfolios currently reported under the IRB Foundation Approach.

The most central changes in connection with the new rules:

- Deductions in own funds will primarily reduce CET1 capital, whereas previously CET1 capital and supplementary capital were reduced equally on a 50-50 basis
- Changes in deductions in respect of assets in other financial institutions. A distinction is drawn between significant and non-significant assets, and deductions are to be made in the same asset class as that to which the owned asset belongs. The limit for deductions in respect of assets in other financial institutions is raised from 2 per cent of the other institution's own funds to 10 per cent ownership. The deductions are limited to 10 per cent of own CET1 capital, and all assets below 10 per cent are part of risk weighted assets. The previous capital adequacy reserve no longer applies
- Deferred tax benefit related to temporary differences within 10 per cent own CET1 capital will now not be deductible, but will instead be risk weighted at 250 per cent. Deferred tax benefit above 10 per cent will be deductible from CET1 capital
- The sum of deferred tax benefit and significant assets that are deducted from CET1 capital cannot constitute more than 17.65 per cent of own CET1 capital
- Introduction of Additional Value Adjustments (AVA deductions) – requirement for prudent valuation
- Introduction of Credit Value Adjustments (CVA) for derivative positions
- Changes in rules governing risk weighting of exposures to covered bonds and rated institutions, will now be risk weighted based on the institution's own rating

In connection with changed requirements on conditions governing hybrid capital, hybrid capital not meeting the new requirements over time will not be eligible as other core capital. The bonds will subject to a stepwise reduction of 30 per cent in 2015 and 10 per cent thereafter. As at 30 September 2014 SpareBank 1 SMN held hybrid capital worth NOK 450m that will be subject to stepwise reduction. Finanstilsynet may require the hybrid capital to be written down in proportion to equity capital if the bank's CET1 capital ratio falls below 5.125 per cent.

As from the second quarter 2013 the measurement of operational risk switched from the Basic Indicator Approach to the Standardised Approach. At group level the Basic Indicator Approach still applies to subsidiaries.

Capital adequacy figures are stated in accordance with the new reporting requirements as from 30 September 2014. Comparatives have not been restated.

Parent Bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	31 Dec 2013
2,597	2,597	2,597	Equity capital certificates	2,597	2,597	2,597
-0	-0	-0	- Own holding of ECCs	-0	-0	-0
895	895	895	Premium fund	895	895	895
2,496	1,889	2,496	Dividend equalisation fund	2,496	1,889	2,496
3,276	2,944	3,276	Savings bank's reserve	3,276	2,944	3,276
227	-	-	Recommended dividends	-	-	227
124	-	-	Provision for gifts	-	-	124
195	106	195	Unrealised gains reserve	206	123	206
-	38	-65	Other equity and minority interest	1,282	1,312	1,354
-	-	-	Minority interests	69	65	67
-	1,089	1,194	Net profit	1,407	1,038	-
9,811	9,557	10,588	Total book equity	12,228	10,863	11,242
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-565	-589	-582
-	-	-	Part of reserve for unrealised gains, associated companies	131	57	98
-352	-	-	Deduction for allocated dividends and gifts	-	-	-361
-401	-399	-	50 % deduction for subordinated capital in other financial institutions	-	-90	-106
-240	-234	-	50 % deduction for expected losses on IRB, net of write-downs	-	-210	-214
-	-	-	50 % capital adequacy reserve	-	-554	-595
-	-	-	Minority interests recognised in other equity capital	-69	-	-
-	-	-	Minority interests eligible for inclusion in CET1 capital	34	-	-
-109	-109	-28	Surplus financing of pension obligations	-21	-107	-107
-	-1,089	-1,194	Net profit	-1,407	-1,038	-
-	795	872	Year-to-date profit included in core capital (73 per cent pre tax)	1,027	758	-
-	-	-27	Value adjustments due to requirements for prudent valuation	-36	-	-
-	-	-300	Positive value of adjusted expected loss under IRB Approach	-367	-	-
-	-	-	Direct, indirect and synthetic investments in financial sector companies	-349	-	-
8,262	8,075	9,465	Total common equity Tier one	10,605	9,089	9,374
1,431	1,431	1,440	Hybrid capital, core capital	1,707	1,619	1,615
-	-	-	Direct, indirect and synthetic investments in financial sector companies	-9	-	-
9,693	9,506	10,905	Total core capital	12,302	10,707	10,989
			Supplementary capital in excess of core capital			
-	-	-	Fund bonds, hybrid capital in excess of 15 per cent	-	28	31
1,873	1,910	1,875	Subordinated capital	2,566	2,173	2,313
-401	-399	-	50 % deduction for subordinated capital in other financial institutions	-	-90	-106
-240	-234	-	50 % deduction for expected losses on IRB, net of write-downs	-	-210	-214
-	-	-	50 % capital adequacy reserve	-	-554	-595
-	-	-43	Direct, indirect and synthetic investments in financial sector companies	-43	-	-
1,231	1,277	1,833	Total supplementary capital	2,523	1,346	1,428
10,924	10,783	12,738	Net subordinated capital	14,826	12,053	12,417
			Minimum requirements subordinated capital			
1,573	1,592	1,482	Involvement with specialised enterprises	1,732	1,592	1,573
1,478	1,442	1,328	Other corporations exposure	1,375	1,443	1,479
363	336	790	Mass market exposure, property	1,233	591	628
70	70	138	Mass market exposure, SMBs	147	76	74
28	31	40	Other retail exposure	42	35	33
1,157	1,076	1,105	Equity investments	0	-	-
4,669	4,548	4,884	Total credit risk IRB	4,529	3,736	3,787

224	225	440	Debt risk	440	225	224
8	11	-	Equity risk	2	13	10
-	-	-	Currency risk	-	-	-
297	297	292	Operational risk	416	398	398
560	590	778	Exposures calculated using the standardised approach	1,860	2,135	2,151
-67	-67	-	Deductions	-	-110	-119
-	-	31	Credit value adjustment risk (CVA)	116	-	-
-	-	-	Transitional arrangements	-	403	316
5,690	5,604	6,425	Minimum requirements subordinated capitl	7,364	6,802	6,767
71,130	70,051	80,315	Risk weightheted assets (RWA)	92,045	85,019	84,591
		3,614	Minimum requirement on CET1 capital, 4.5 per cent	4,142		
			Capital Buffers			
		2,008	Capital conservation buffer, 2.5 per cent	2,301		
		2,409	Systemic risk buffer, 3.0 per cent	2,761		
		4,417	Total buffer requirements on CET1 capital	5,062		
		1,434	Available CET1 capital after buffer requirements	1,400		
			Capital adequacy			
11.6 %	11.5 %	11.8 %	Common equity Tier one ratio	11.5 %	10.7 %	11.1 %
13.6 %	13.6 %	13.6 %	Core capital ratio	13.4 %	12.6 %	13.0 %
15.4 %	15.4 %	15.9 %	Capital adequacy ratio	16.1 %	14.2 %	14.7 %

Note 14 - Financial instruments and offsetting

As from 2013 the Bank is required to disclose financial instruments which the Bank considers to fulfil the requirements for netting under IAS 32.42, and financial instruments in respect of which offsetting agreements have been entered into. Both in accordance with IFRS 7.13 A-F.

The Bank has no financial instruments booked on a net basis in the financial statements.

SpareBank 1 SMN has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e. it is only the customers that provide collateral. As regards financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with the most central counterparties. As of the third quarter 2014 the Bank has 25 active CSA agreements. The Bank only enters into agreements with cash as collateral. The Bank has delegated responsibility for handling these agreements to SEB Prime Collateral Services which handles margin requirements on behalf of the Bank.

Period	Type of financial instrument	Amounts which can only be netted upon bankruptcy or default
30 Sep 2014	Derivatives	890
30 Sep 2013	Derivatives	1,186
31 Dec 2013	Derivatives	1,488

Parent Bank and Group are identical.

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 September 2014:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	269	4,211	-	4,480
Bonds and money market certificates	4,111	11,124	-	15,235
Equity instruments	46	-	615	661
Fixed interest loans	-	-	2,624	2,624
Financial assets available for sale				
Equity instruments	-	-	33	33
Total assets	4,426	15,335	3,273	23,034
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	265	3,600	-	3,866
Total liabilities	265	3,600	-	3,866

The following table presents the Group's assets and liabilities measured at fair value at 30 September 2013:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	68	2,541	-	2,609
Bonds and money market certificates	346	18,696	-	19,042
Equity instruments	100	-	832	932
Fixed interest loans	-	-	2,701	2,701
Financial assets available for sale				
Equity instruments	-	-	46	46
Total assets	514	21,237	3,579	25,329
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	66	1,908	-	1,975
Total liabilities	66	1,908	-	1,975

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2013:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	111	2,939	-	3,050
Bonds and money market certificates	4,003	11,539	-	15,542
Equity instruments	67	-	909	976
Fixed interest loans	-	-	2,648	2,648
Financial assets available for sale				
Equity instruments	-	-	40	40
Total assets	4,181	14,477	3,597	22,256
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	334	1,961	-	2,295
Total liabilities	334	1,961	-	2,295

The following table presents the changes in the instruments classified in level 3 as at 30 September 2014:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	2,648	909	40	3,598
Investment in periode	241	28	-	268
Disposals in the periode	-263	-329	-4	-596
Gain or loss on financial instruments	-1	8	-3	4
Closing balance 30 September 2014	2,624	615	33	3,273

The following table presents the changes in the instruments classified in level 3 as at 30 September 2013:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	2,585	601	46	3,231
Investment in periode	369	249	-	618
Disposals in the periode	-242	-12	-	-254
Gain or loss on financial instruments	-11	-6	-	-17
Closing balance 30 September 2013	2,701	832	46	3,579

The following table presents the changes in the instruments classified in level 3 as at 31 December 2013:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	2,585	601	46	3,231
Investment in periode	413	388	-	801
Disposals in the periode	-343	-151	-	-495
Gain or loss on financial instruments	-6	72	-6	61
Closing balance 31 December 2013	2,648	909	40	3,597

Note 16 - Subsequent events

No significant events affecting the bank's accounts have been recorded after the balance sheet date.

Previous reporting:

On 11 August 2014 SpareBank 1 SMN announced that SpareBank 1 SMN Markets in Trondheim is to be fully integrated with SpareBank 1 Markets. This will increase SpareBank 1 SMN's stake in SpareBank 1 Markets.

SpareBank 1 SMN will integrate its markets operation into SpareBank 1 Markets. The settlement will be in SpareBank 1 Markets shares. Consequently, SpareBank 1 SMN will become the principal shareholder in the combined company. Following the merger and a equity issue of MNOK 65 in September 2014, the ownership structure in SpareBank 1 Markets will be as follows:

SpareBank 1 SMN: 73,3 per cent (27,0 per cent)

SpareBank 1 Nord-Norge: 10,0 per cent (27,0 per cent)

SamSpar: 10,0 per cent (27,0 per cent)

Sparebanken Hedmark: 6,1 per cent (16,6 per cent)

Other shareholders: 0,6 per cent (2,2 per cent)

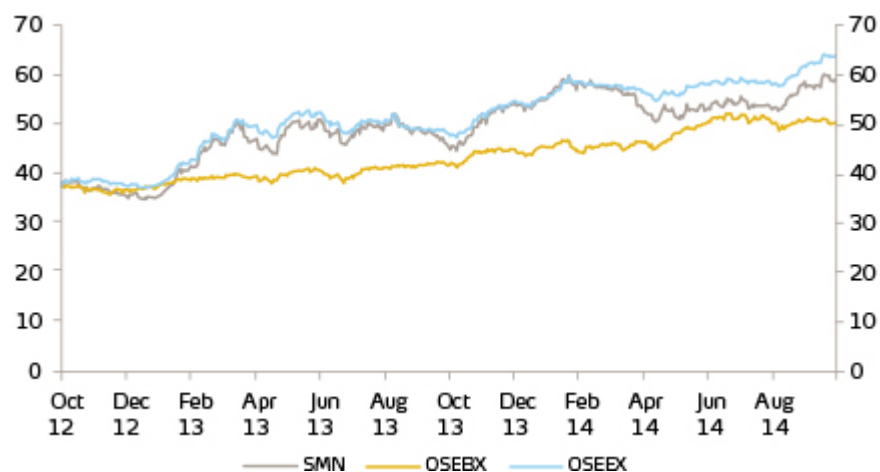
The operations of the two companies will primarily continue as-is, with 70 employees in Oslo and 40 employees in Trondheim. The merged company will be led by Stein Husby. The business area 'Foreign Exchange and Derivatives', as well as certain supporting functions, will be located in Trondheim.

The transaction is expected to be completed within 4(th) quarter of 2014, subject to regulatory approval and final Board approvals. For further information see the stock exchange notice of 11 August 2014.

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 Oct 2012 to 30 Sep 2014

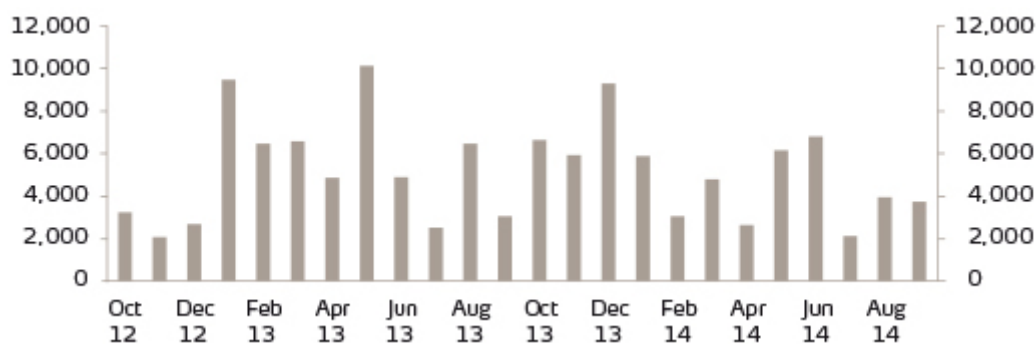


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 October 2012 to 30 September 2014



Total number of ECs traded (1000)

20 largest ECC holders	Number	Share
Verdipapirfond Odin Norge	4,042,430	3,11 %
Sparebankstiftelsen SpareBank 1 SMN	3,965,391	3,05 %
Verdipapirfondet DNB Norge (IV)	3,522,096	2,71 %
Verdipapirfond Pareto Aksje Norge	3,477,008	2,68 %
Verdipapirfondet Nordea Norge Verdi	3,103,939	2,39 %
Verdipapirfond Odin Norden	2,854,979	2,20 %
Vind LV AS	2,736,435	2,11 %
State Street Bank and Trust CO (nominee)	2,654,032	2,04 %
Wimoh Invest AS	2,359,388	1,82 %
MP Pensjon PK	2,058,415	1,59 %
Verdipapirfondet Danske Invest Norske Aksjer Inst. II	1,934,667	1,49 %
The Bank of New York Mellon (nominee)	1,896,553	1,46 %
Verdipapirfondet Fondsfinans Spar	1,750,000	1,35 %
Forsvarets Personellservice	1,491,146	1,15 %
Verdipapirfond Pareto Aktiv	1,392,125	1,07 %
DNB Livsforsikring AS	1,369,046	1,05 %
Verdipapirfondet Nordea Kapital	1,210,089	0,93 %
Verdipapirfondet Danske Invest Norske Aksjer Instit. I	1,110,223	0,86 %
The Bank of New York Mellon (nominee)	1,103,636	0,85 %
Aksjefondet Handelsbanken Norge	1,100,000	0,85 %
The 20 largest ECC holders in total	45,131,598	34,76 %
Others	84,704,845	65,24 %
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 up to one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that up to 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.

Auditor's report



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Translation from the original Norwegian version

To the Board of Directors of SpareBank 1 SMN

**Report on Review of Interim Financial Information of SpareBank 1 SMN
as of September 30 2014**

We have reviewed the accompanying balance sheet of the parent company and the group as of September 30 2014 for SpareBank 1 SMN and the related statements of income for the parent company and the group, changes in equity and cash flows for the nine 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 International Accounting Standard 34, as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

We have 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 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.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at September 30 2014, and of its financial performance and its cash flows for the nine month period then ended in accordance with International Accounting Standard 34, as adopted by the EU.

Trondheim 30.10.2014
Deloitte AS

Mette Estenstad (Signed)
State Authorised Public Accountant (Norway)

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