

1st half and 2nd quarter 2015

August 12th 2015

Mid-Norway faring well - moderate exposure to consequences of lower shelf activity

- Credit quality of the bank's loan portfolio is satisfactory, and loss and default levels are low
- The bank anticipates declining GDP growth rate due to reduced oil investments. A weaker Norwegian krone is positive for Norwegian exports, and will partially offset some of these effects
- There are wide variations in industry structure in the region:
 - In North-Trøndelag much activity centres on primary industries and retail/wholesale trade
 - Industry composition in South-Trøndelag is more service-driven and relatively similar to the wider Norwegian mainland (non-oil) economy
 - Møre and Romsdal have a substantial supplier industry, but much activity is also export-oriented
- Stable low unemployment (Norwegian Labour and Welfare Administration (NAV))
 - 2.5 % in South- and North-Trøndelag
 - 2.3 % in Møre and Romsdal
 - 2.7 % for the entire country in May 2015.

(NAV figures: Figures for registered unemployment at local and county level are published by NAV)

BN Bank to be dedicated to the retail segment

- The board of directors of BN Bank has resolved to cultivate the bank as a retail bank and to wind down the corporate business which consists of lending to commercial property.
- The background to this decision is a desire to further develop the retail banking business by cultivating BN Bank as an offensive bank for customers who prefer a self-service concept and favourable borrowing rates over time.
- BN Bank's corporate banking business has focused on funding well secured commercial property exposures, and the corporate market has traditionally been an important area for BN Bank. However, capital adequacy rules specific to Norway cause return on equity on this low risk segment to be relatively low. There is no prospect of changes to this specifically Norwegian capital adequacy regime. As a result profitability will remain too low since the prices are set by actors operating under different framework conditions.
- The bank has in recent years built up a substantial retail banking operation with satisfactory profitability. The board of directors of BN Bank sees a major development potential in this area, and will channel all effort and energy to the retail business. The bank aspires to increased growth and a further increase in profitability.
- BN Bank will remain a part of the SpareBank 1 Alliance. SpareBank 1 SMN will maintain its owner stake in BN Bank and will play its part in ensuring that the business change is carried through in a manner that secures creditors' interests.
-
- The process of winding down the corporate banking business will be carried out in a controlled manner over time. For SpareBank 1 SMN this will in isolation reduce consolidated risk weighted assets, thereby improving capital adequacy.

Excellent result and strengthened financial position in 1st half of 2015

Strong profit performance, 13.7% return on equity in first half of 2015

Core business remains on positive trend. Strengthens a very solid market position in Trøndelag and in Møre and Romsdal

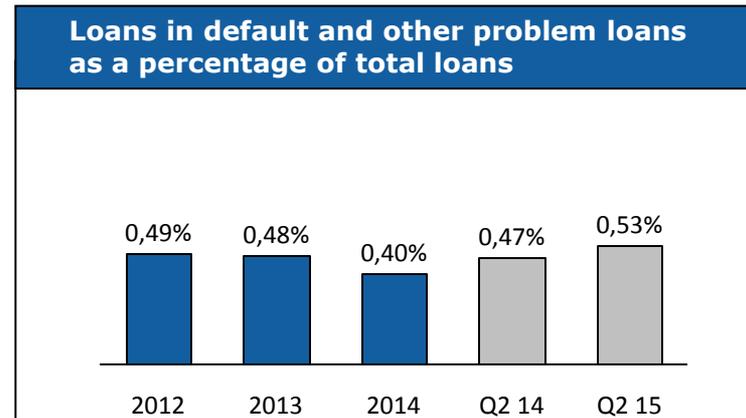
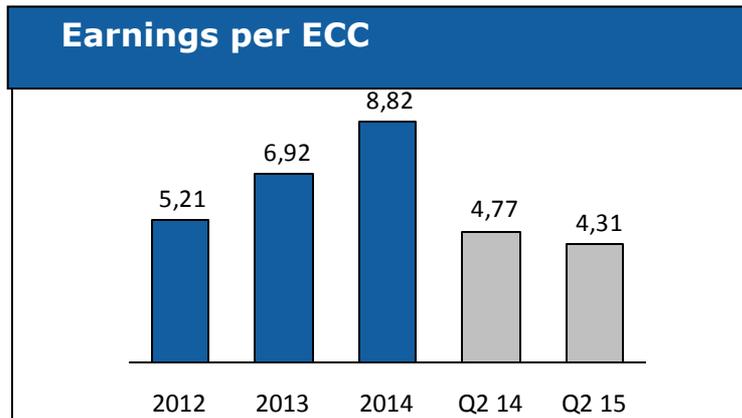
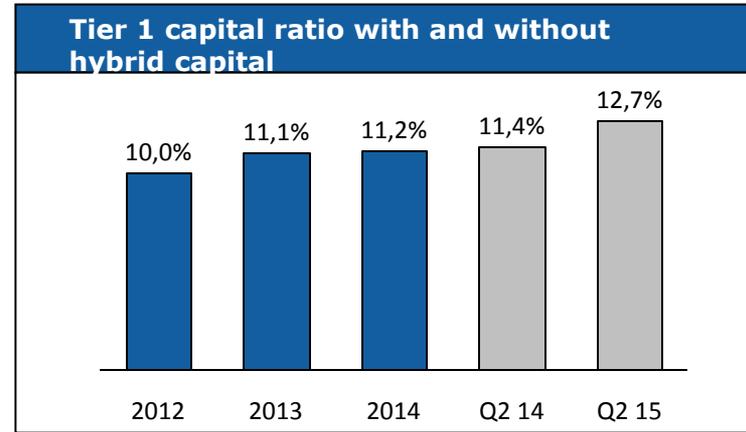
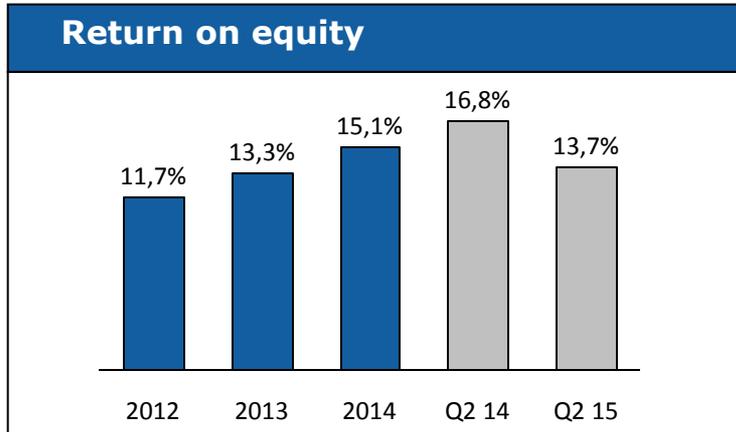
CET1 capital ratio at 12.7 %. Target of 13.5 % by 30 Juni 2016 will be met by profit retention and moderate growth. New CET1 target of 14.0% by 31 December 2016

Restructuring of BN Bank into a purely retail segment bank frees up capital and strengthens profitability. CET1 capital ratio at SMN to be improved by 1.3 pp when restructuring completed

Self-service simplifies and improves both customer experience and production processes. Costs to be kept to 2014 level at the parent bank

SpareBank 1 Markets consolidated as a subsidiary. Samspar banks increased their stake in SpareBank 1 Finans Midt-Norge to 27.1% as from Q2

Strong profits and capitalization



Q2 2015

1st half 2015

Net profit NOK 871m (963m, including gains Nets 156m)

Return on equity 13.7 % (16.8 %)

Result of core business NOK 718m (706m)

Cost growth parent bank 0.8 % (1.7%)

CET 1 12.7 % (11.4 %)

Growth in lending RM 8.4 % (8.2%) and CM 8.6 % (0.4%), deposits 11.4 % (8.5 %) last 12 months

Booked equity capital per ECC NOK 64.18 (58.32), profit per ECC NOK 4.31 (NOK 4.77)

Q2 2015

Profit NOK 430m (464m)

ROE 13.4 % (16.0 %)

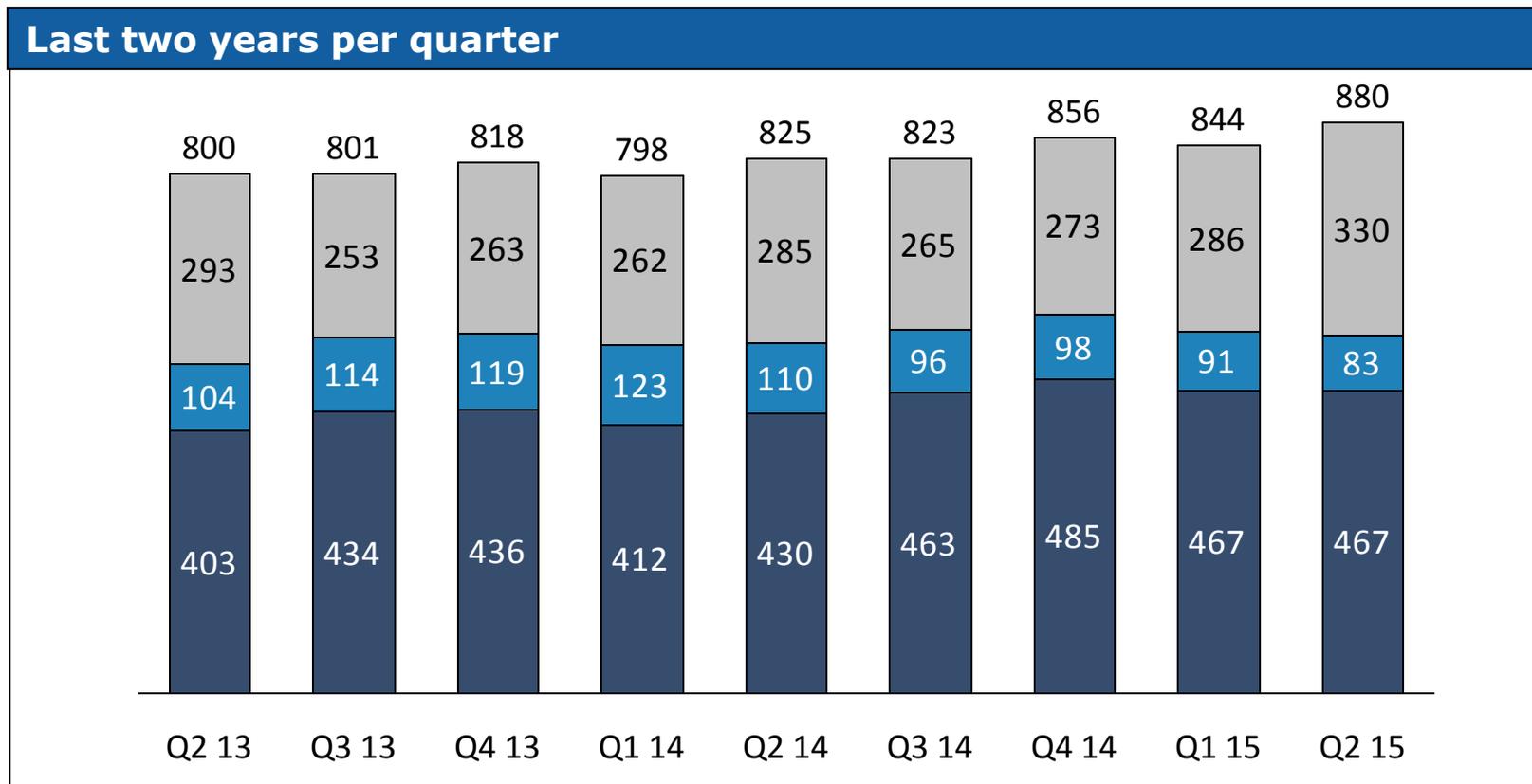
Result of core business NOK 349m (367m)

Growth in lending RM 2.9 % (2.5 %) and CM -1.2 % (3.1 %) in Q2 2015

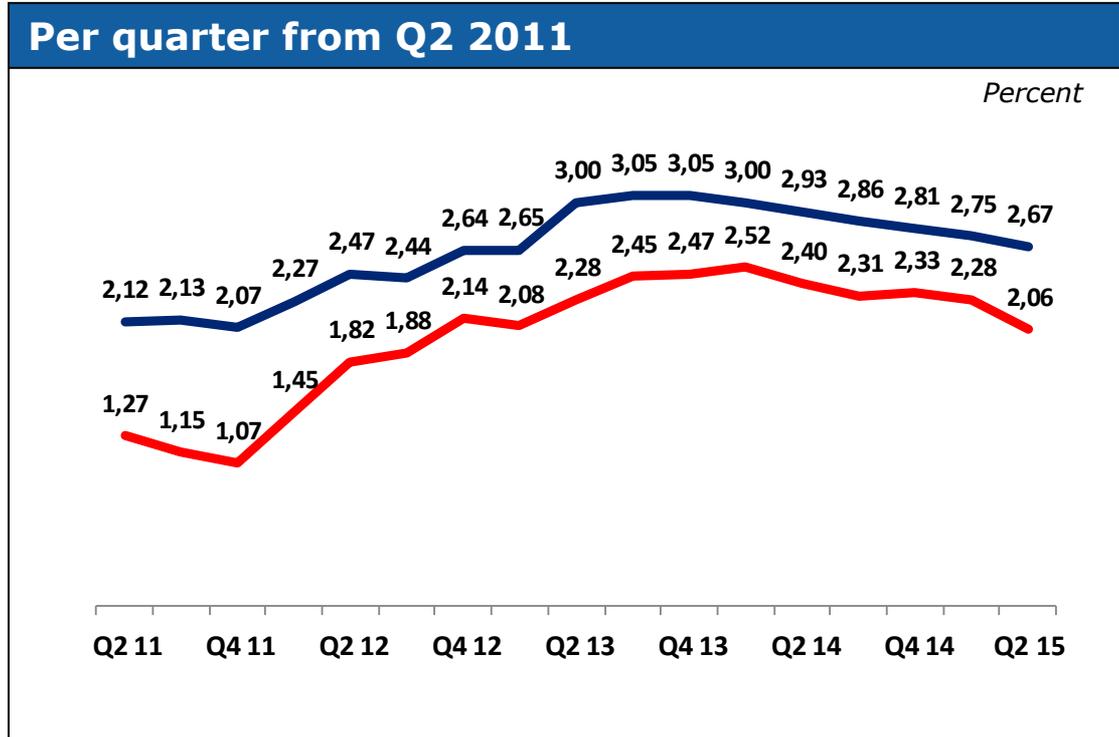
Earnings per ECC NOK 2.13 (2.29)

Positive development operating income

- Commission income
- Commission income Boligkreditt - Næringskreditt
- Net interest income

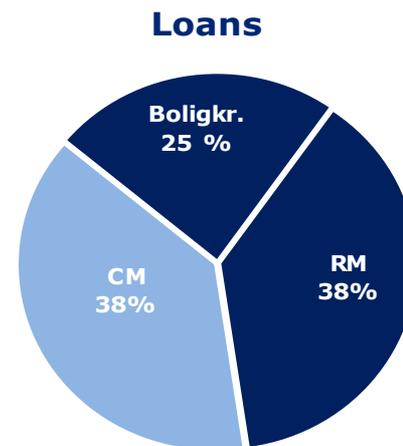
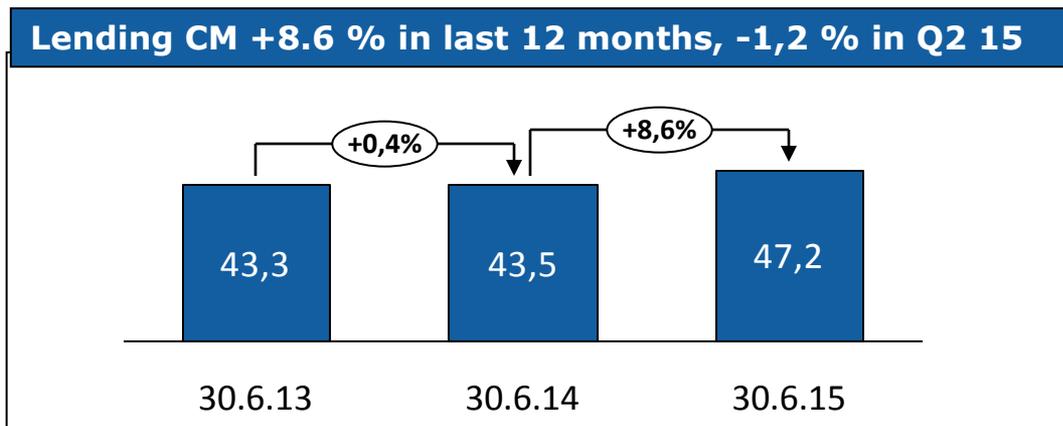
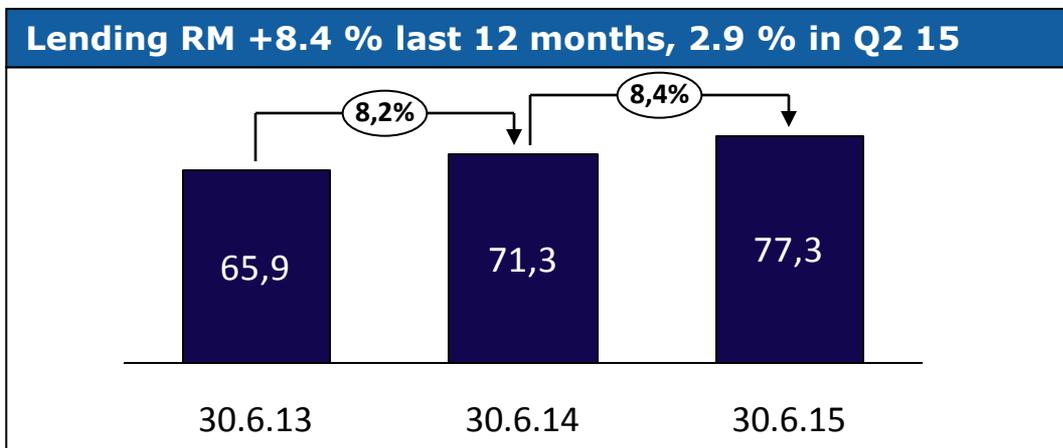


Lending margins Retail and Corporate



- Comments**
- Strong competition
 - Interest rate changed on best home loans with effect from June and December has reduced margin by 25 – 50 bp
 - Further reduction announced on mortgages from middle of august. Estimated effect 20 - 25 bp

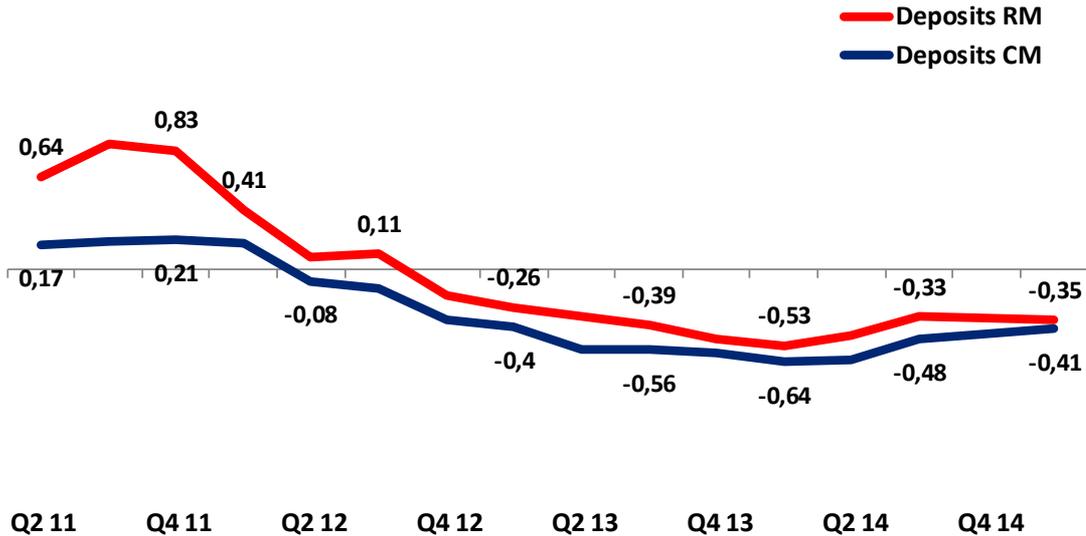
Total growth lending 8.4 % last 12 months



Deposit margins Retail and Corporate

Per quarter from Q2 2011

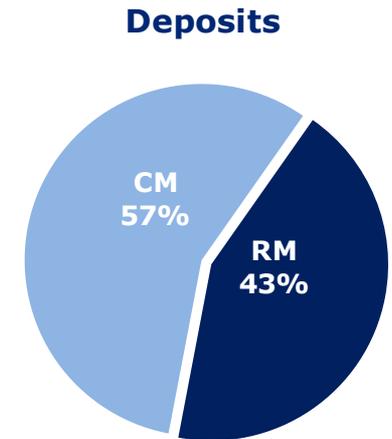
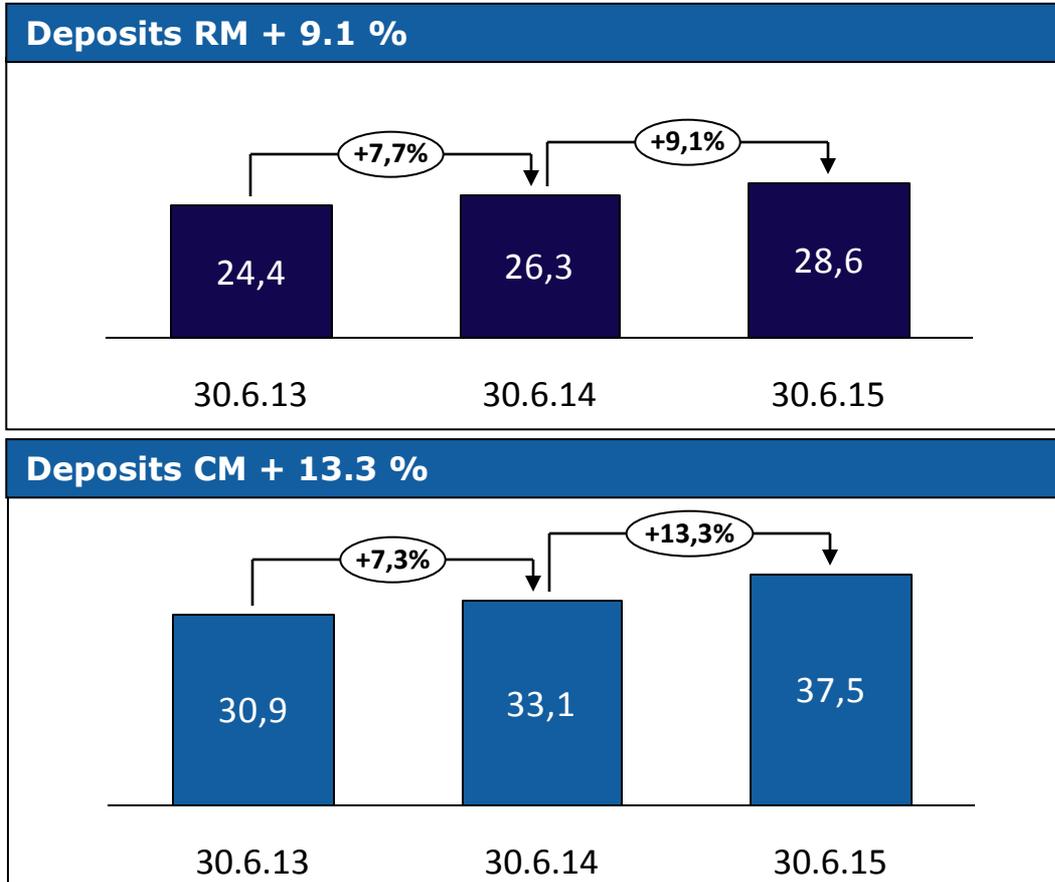
Per cent



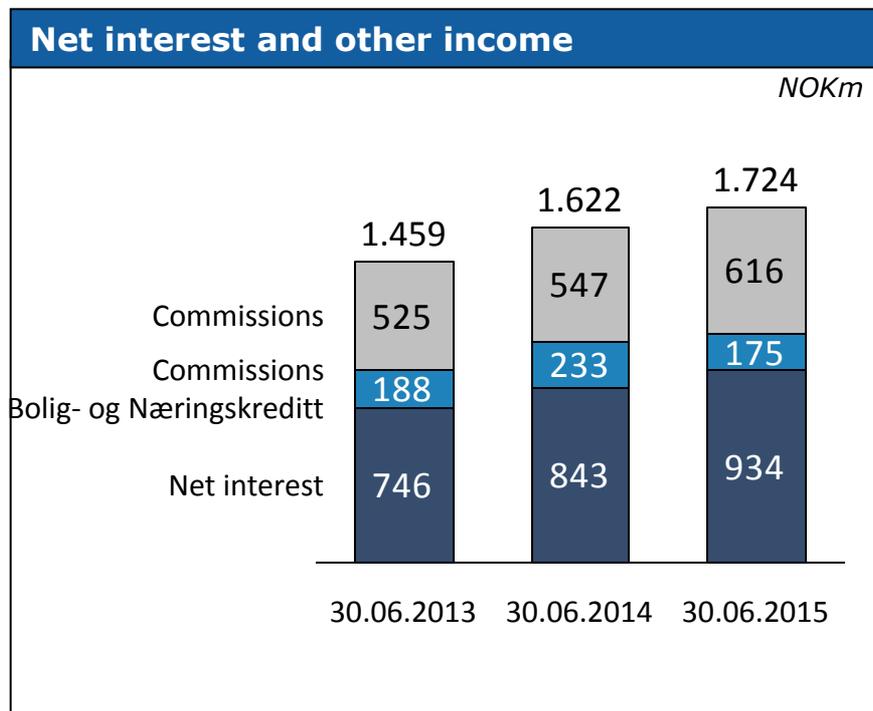
Comments

- Margin increased due to repricing
- Further repricing to be carried out, both of corporate and retail deposits

Total growth deposits 11.4 % last 12 months



Robust income platform and increased commission income



Commission income 1st half 2014 and 2015

<i>mill kr</i>	30 June 2015	30 June 2014
Payment transmission income	94	94
Creditcards	27	25
Commissions savings	26	21
Commissions insurance	74	66
Guarantee commissions	31	29
Estate agency	179	156
Accountancy services	110	101
Markets	23	10
Assets management	9	7
Rental income	22	21
Other commissions	19	17
Commissions ex. Bolig/Næringskreditt	616	547
Boligkreditt	170	227
Næringskreditt	5	5
Total commission income	790	780

- The Group's income platform is robust
- Incomes derive from a wide range of products both from the parent bank, the subsidiaries, and the SpareBank 1 Group

SpareBank 1 SMN will achieve zero growth in costs by means of defined measures

1

New distribution model:

Increased self-service and digitalisation, continued strong presence in market area



2

Organizational adjustment:

Staff reduction in the period to 2017



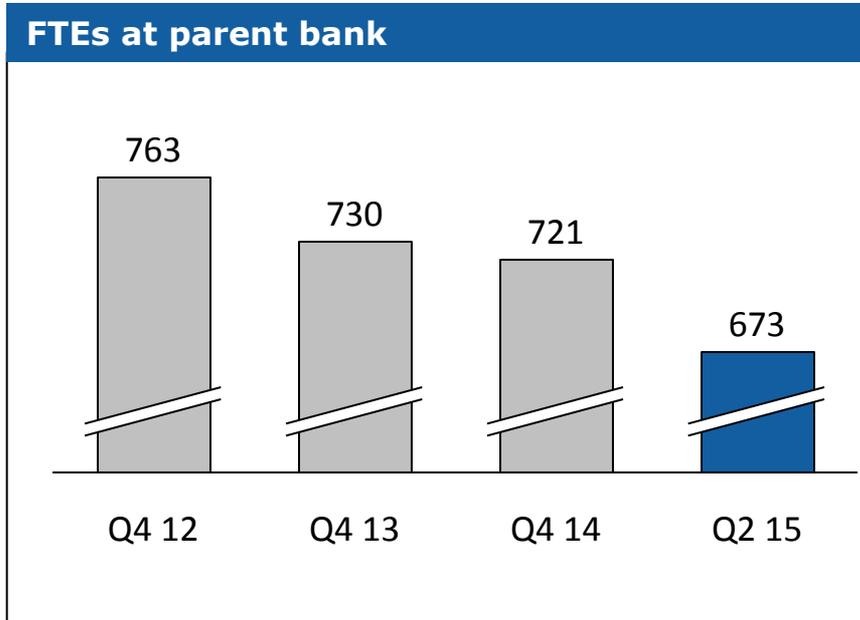
3

Cost reduction programme:

Targeted measures at the parent bank will enable the target of zero growth in nominal kroner in the period to 2017 to be met



FTEs crucial to achieving costs goal



- At end-June there were 48 fewer FTEs at the parent bank than at year-end
- This is mainly natural wastage
- A further reduction of about 75 FTEs is aimed for by the end of 2016

In this set-up 32 FTEs in the capital markets activity at SMN in 2012, 2013 and 2014 are excluded. This activity including 32 FTEs were transferred to SpareBank 1 Markets as from Q2 2015.

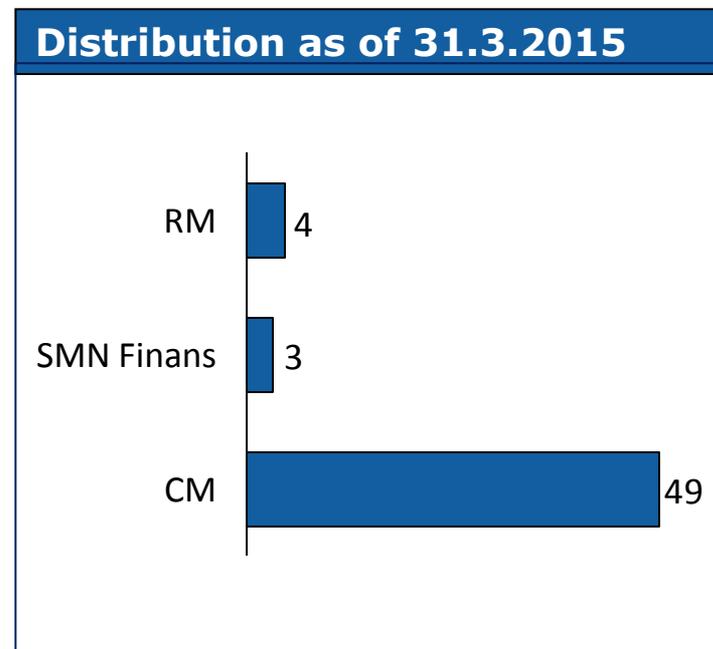
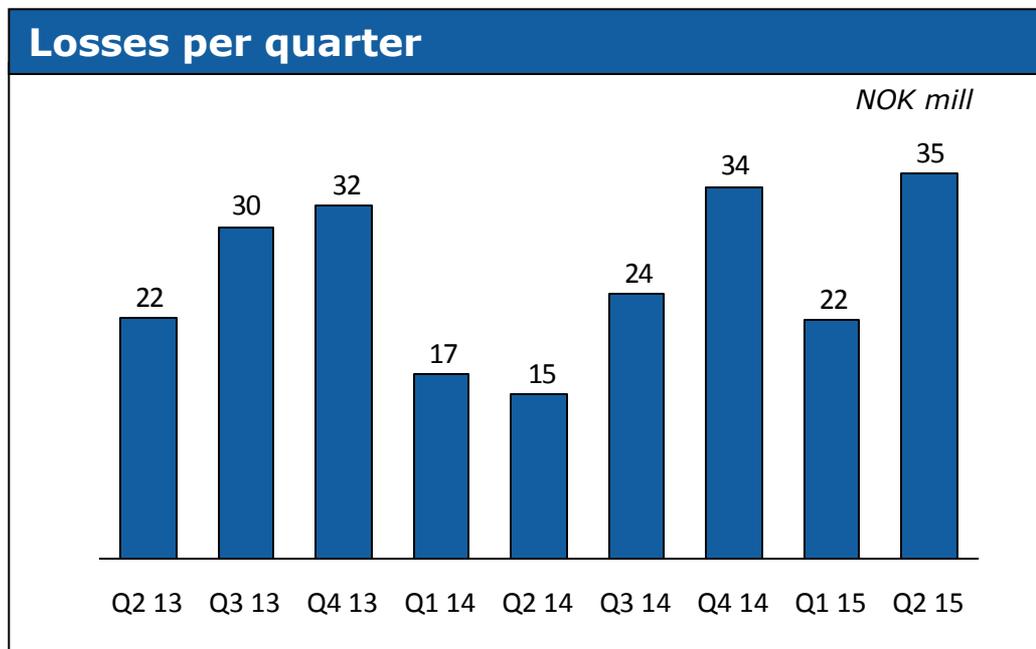
Subsidiaries

Profit subsidiaries	1 st half			per quarter				
	30 June 2015	30 June 2014	Change	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14
EiendomsMegler 1 Midt-Norge (87 %)	29,2	25,5	3,6	21,3	7,8	8,7	16,6	22,1
SpareBank 1 Regnskapshuset SMN	20,3	19,1	1,3	12,4	7,9	16,4	5,0	12,4
SpareBank 1 Finans Midt-Norge (90 %)	43,4	31,6	11,9	22,2	21,3	18,1	18,3	15,0
Allegro Kapitalforvaltning (90 %)	1,3	-0,6	1,9	1,0	0,3	3,9	-0,7	0,0
SpareBank 1 SMN Invest	25,9	38,8	-12,9	25,0	0,9	-16,7	10,1	38,0
SpareBank 1 Markets (73 %)	-10,1	-	-	-10,1				

Associated companies

Profit shares after tax	1 st half			per quarter				
	30 June 2015	30 June 2014	Change	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14
SpareBank 1 Gruppen (19,5 %)	127,6	150,5	-22,9	68,2	59,4	98,5	109,0	104,5
SpareBank 1 Boligkreditt (18,4 %)	50,1	12,5	37,6	9,1	41,0	14,8	10,3	4,5
SpareBank 1 Næringskreditt (29,3 %)	15,4	19,9	-4,6	7,3	8,1	10,1	10,4	9,0
BN Bank (33 %)	34,8	55,1	-20,3	16,5	18,3	14,6	22,9	30,6
SpareBank 1 Kredittkort (18,4 %)	9,6	-5,1	14,8	5,8	3,8	2,2	4,2	-5,1
SpareBank 1 Markets (27 %)	-1,7	-17,7	16,1		-1,7	-9,5	-4,5	-13,7

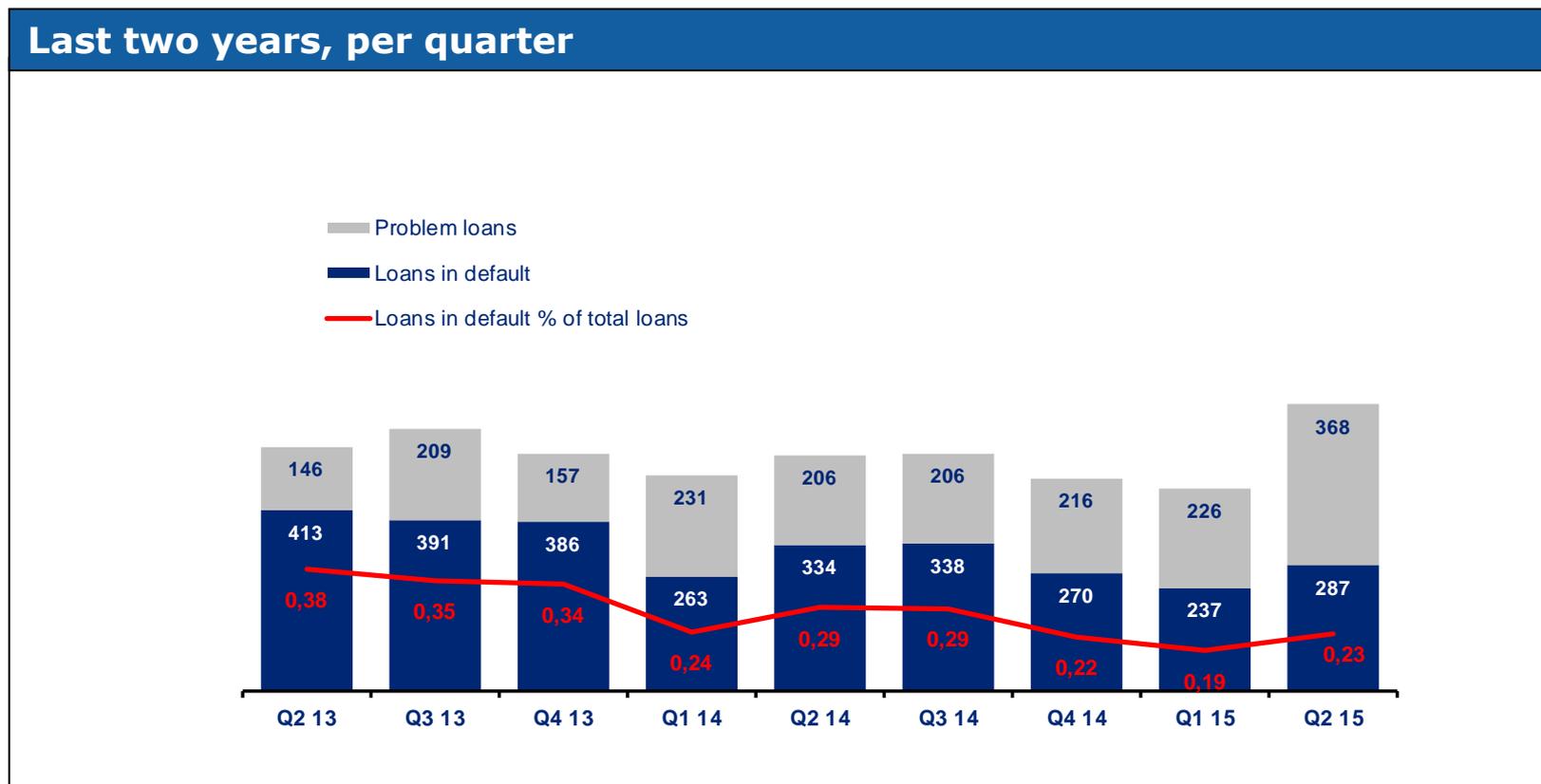
Low losses , 0.09 % of total gross lending



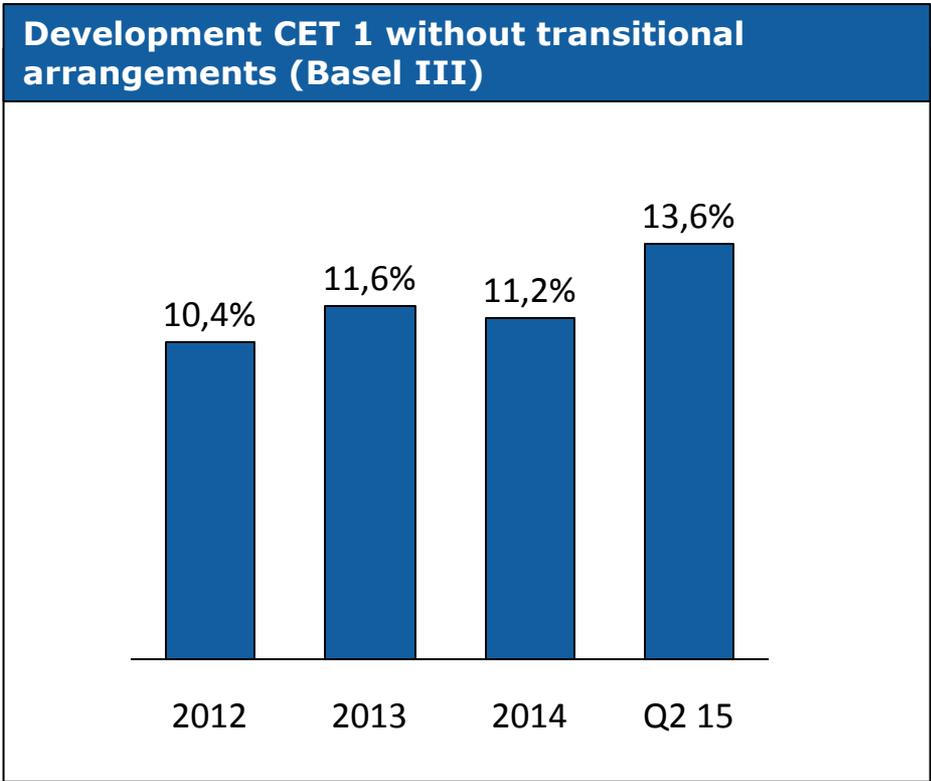
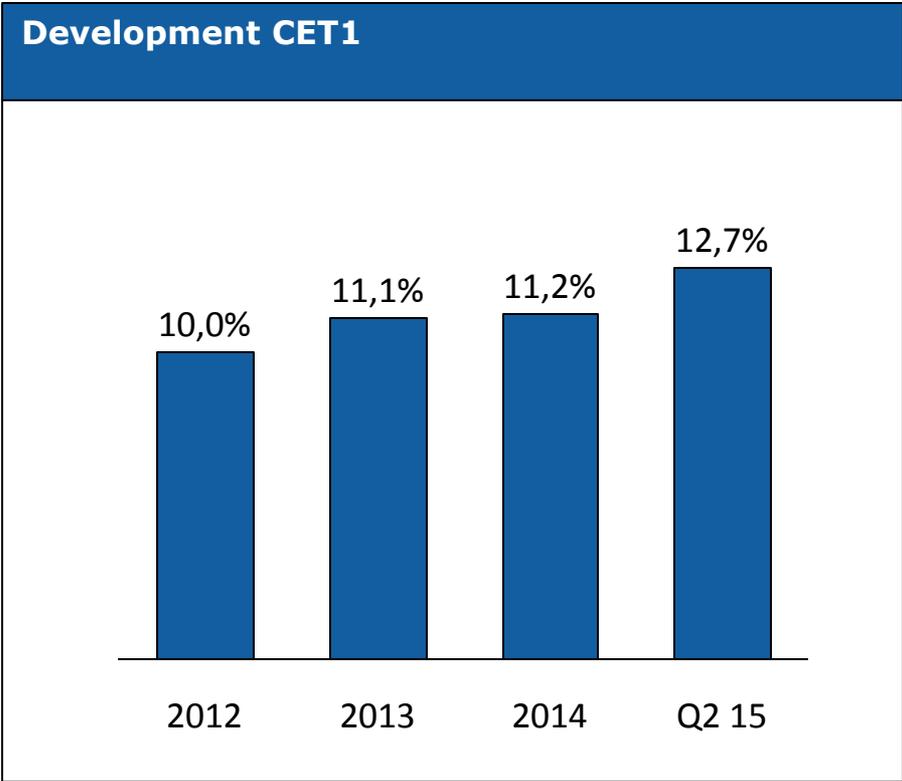
- Loan losses 0.09 % (0.06 %) of gross lending as of 30.6.2015

Defaults and other problem loans

Low levels

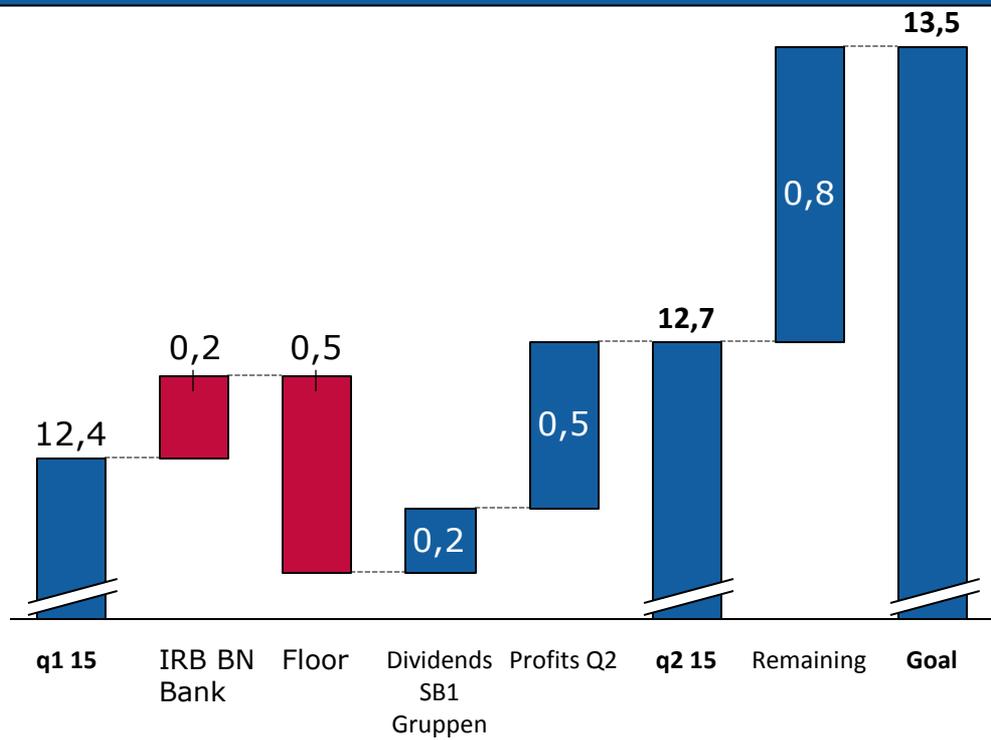


Strengthened capital



**SpareBank 1 SMN will attain its goal of a CET1 ratio of 13.5% per 30. June 2016.
New goal 14,0 % per 31. december 2016**

Development CET 1 Q1 15 – Q2 15



Goal to be attained by

- Moderate growth
- Retained profit
- Restructuring BN Bank

SpareBank 1 SMN intends to be among the best performing banks

Customer orientation	Best on customer experience Will continue to strengthen market position
Profitable	Among the best performing banks, ROE 12 % annually
Solid	13.5% by the end of 1. half 2016 and 14.0% by the end of 2016
Efficient	Zero cost growth in parent bank 2014 – 2016
Dividend	Real-terms payout ratio of 25% to 35%. Strong focus on strengthening capital through retained profit

Appendix



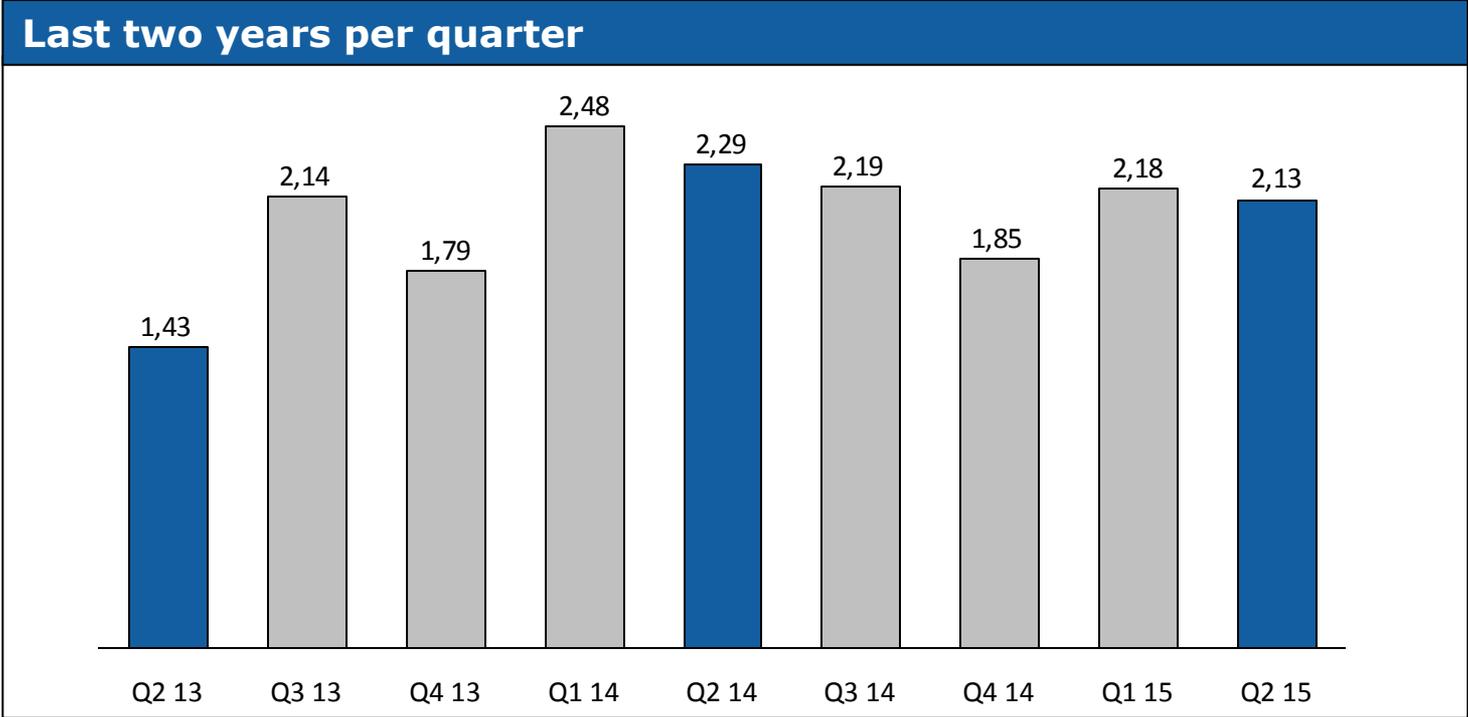
Positive development in profits

Profit	1 st half			per quarter				
	30 June 2015	30 June 2014	Change	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14
NOK mill								
Net interest	934	843	91	467	467	485	463	430
Commission income and other income	790	780	10	413	377	371	361	394
Operating income	1.724	1.622	102	880	844	856	823	825
Total operating expenses	950	884	65	496	454	479	425	443
Pre-loss result of core business	774	738	36	384	391	377	398	382
Losses on loans and guarantees	56	32	25	35	22	34	24	15
Post-loss result of core business	718	706	11	349	369	343	374	367
Related companies, including held for sale	248	214	34	120	128	144	169	131
Securities, foreign currency and derivatives	114	245	-131	45	69	-53	1	70
Result before tax	1.080	1.165	-86	513	566	434	544	567
Tax	209	202	7	83	126	60	101	103
Net profit	871	963	-93	430	441	375	443	464
Return on equity	13,7 %	16,8 %	0,0 %	13,4 %	14,1 %	12,1 %	14,8 %	16,0 %

Balance sheet

Last three years			
	30 June 2015	30 June 2014	30 June 2013
Funds available	21,5	19,8	22,9
Net loans	93,7	85,0	78,8
Securities	1,3	1,1	1,0
Investment in related companies	5,0	4,8	4,4
Goodwill	0,5	0,5	0,5
Other assets	8,8	7,4	5,5
TOTAL ASSETS	130,9	118,8	113,2
Capital market funding	41,8	38,9	40,6
Deposits	66,2	59,4	54,7
Other liabilities	6,3	5,3	4,0
Subordinated debt	3,4	3,4	3,4
Equity	13,2	11,8	10,4
TOTAL DEBT AND EQUITY	130,9	118,8	113,2
in addition loans sold to Boligkreditt and Næringskreditt	30,3	29,4	30,0

Earnings per ECC



Change in net interest income

From 1st half 2014 to 1st half 2015

Net interest 1st half 2014	843
Net interest 1st half 2015	934
Change	91
Obtained as follows:	
Fees on lending	2
Lending volume	146
Deposit volume	-14
Lending margin	-118
Deposit margin	76
Equity capital	1
Funding and liquidity buffer	-13
SMN Finans	12
Change	91

Comments

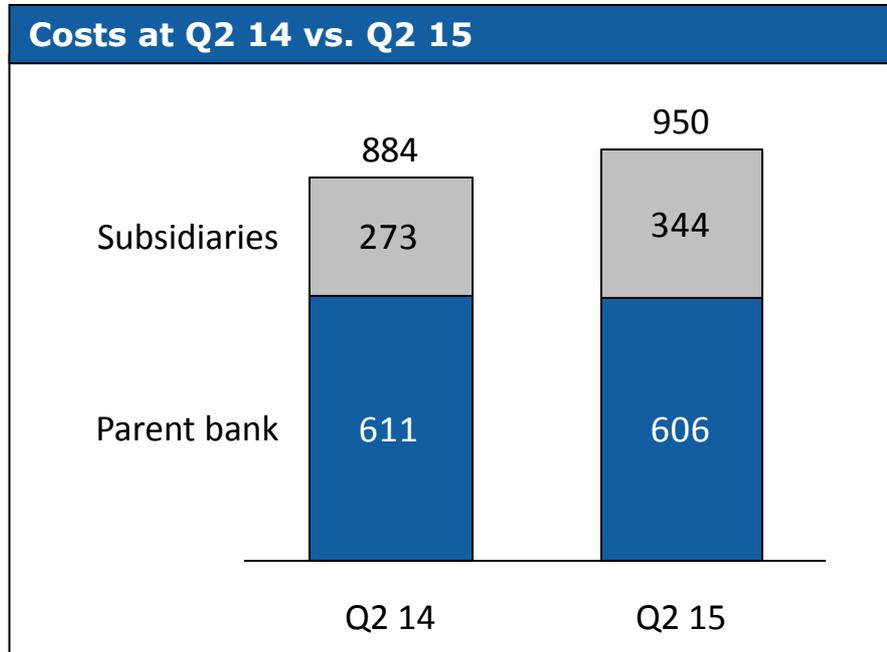
- Increased lending volume and deposit margins strengthens net interest income
- Lower lending margins weaken net interest income
- Reduced costs on money market funding

Commission income from SpareBank 1 Boligkreditt are reduced in the period as well due to lower margins

Return on financial investments

	1 st half		Per quarter				
<i>NOKm</i>	2015	2014	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14
Net gain and dividends on securities	70	214	61	10	-15	2	58
Net gain on bonds and derivatives	-21	-3	-32	11	-48	-15	-2
Net gain on trading and derivatives Markets	64	34	16	48	11	12	14
Return on financial investments	114	245	44	69	-52	0	70

Costs, parent bank and subsidiaries



Comments

- Of the increase at group level, NOK 46m relates to the consolidation of SpareBank 1 Markets as a subsidiary as from Q2 2015
- The effect of the transfer of markets activities to SB1 Markets in Q2 yielded a cost reduction of NOK 10m. This taken into account, net cost growth at the parent bank is NOK 5m, corresponding to 0.8%
- The goal is zero growth in parent bank costs in 2015 and 2016

Cost growth in parent bank 0.8 %, SB1 Markets transaction taken into account

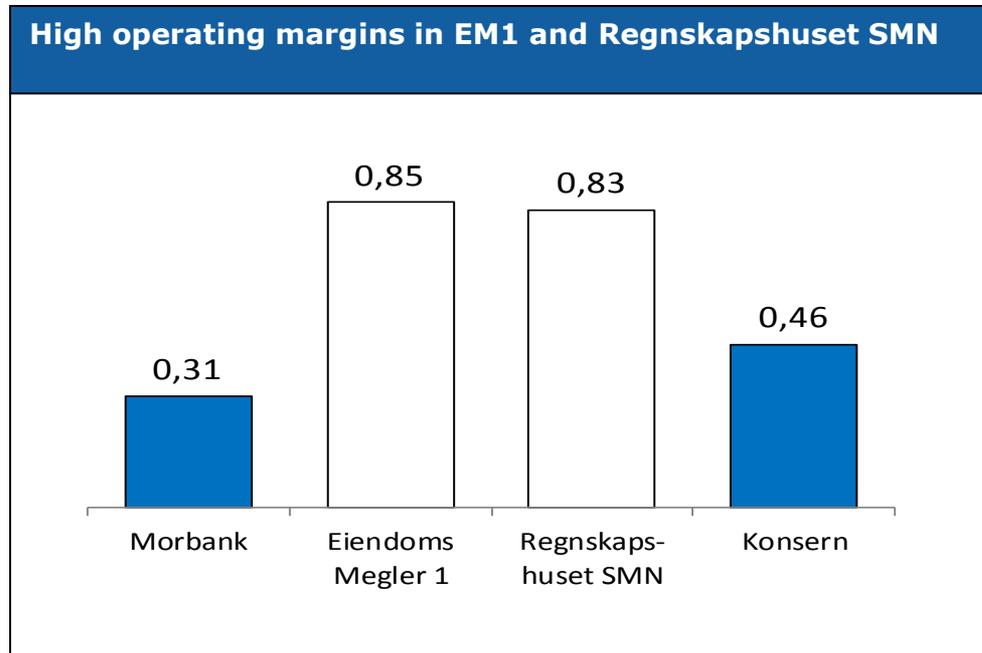
Change in costs 1st half 2014 - 2015

Expenses 1st half 2015	949,7
Expenses 1st half 2014	884,4
Change	65,3
Obtained as follows:	
Parent bank, effect SMN Markets taken into account	5,1
SMN Markets transferred to SB1 Markets	10,2
Parent bank	-5,1
Personnel costs	-12,1
IT	4,0
Marketing	2,3
Others	0,6
Subsidiaries	70,4
Regnskapshuset SMN	9,8
EiendomsMegler 1	11,3
SpareBank 1 Finans Midt-Norge	1,2
SpareBank 1 Markets	59,3
Other subsidiaries	-11,2
Group	65,3
Group effect SB1 Markets	46,1
Group, effect SB1 Markets taken into account	19,2

Modest cost growth

- Fewer FTEs reduces personnel costs
- Further reduction in FTEs in second half-year
- Parent bank costs to be kept to the same level in 2015 as in 2014

SpareBank 1 SMN will come across as cost-efficient not just on an individual basis but also as a group



Profitable and non-capital-intensive subsidiaries:

- ① Both EM1 and Regnskapshuset SMN are companies making a sound profit – and requiring little equity capital compared with the group's other businesses
- ②
- ③ In their respective segments they are highly cost-efficient

But pose a challenge to the group's cost / income ratio

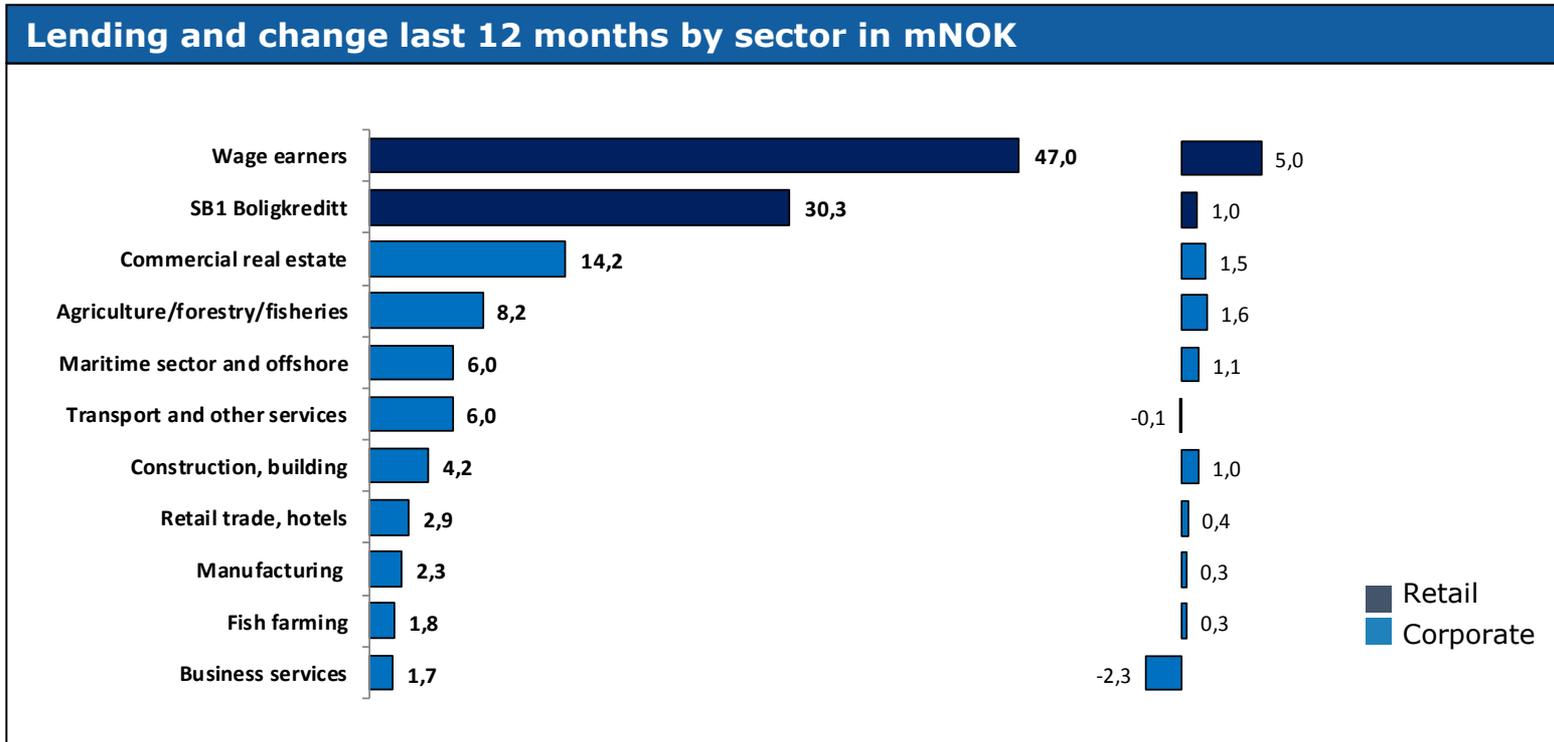
SpareBank 1 Markets: accounts 1st half 2015 and proforma accounts

SpareBank 1 Markets					
NOK mill	2Q 2015	1Q 2015	30 Jun. 2015	SMN Markets 1Q 2015	30 Jun. 2015 proforma
Equities / High Yield	16	18	34	2	38
Fixed income	-3	2	-2	0	-2
Corporate	8	9	16	0	16
Foreign exchange/interest rat	26	0	26	29	59
Other commission income	2	0	2	1	3
Total income	49	28	77	32	115
Operating expences	59	46	105	10	120
Results before tax	-10	-18	-28	21	-7

Comments

- Subsidiary of SpareBank 1 SMN from Q2 2015
- A more robust business model established after integration with SMN Markets and costs measures in 2014
- Good underlying development

High share mortgages and diversified portfolio SMEs



- Large portions of the retail market and primary industries are risk-dampening. The Group has a well diversified corporate market portfolio
- The growth is relatively diversified

Oil related portfolio: Possible effects for SMNs exposure related to reduced activity in the oil and gas industries

- SMN's exposure to oil and gas related activity is mainly;
 1. Exposure to the Offshore Service Vessel segment (OSV) – capital intensive industry
 2. Shipyards - OSV, fishing vessels, wellboats and RoRo
 3. Exposure to other maritime industries – mainly producers of maritime equipment and engineering companies. Less capital intensive activities and for the shipyards mainly project finance with low risk for SMN.
 4. Directly and/or indirectly by tenants that are oil and gas related. SMN has a relatively small market share in the retail market in Møre & Romsdal where there are considerably more oil and gas related jobs than in Nord-Trøndelag and Sør Trøndelag.

-> **SMN's exposure are mainly related to Offshore Service Vessels.**

- Excluding barges we finance around 70 vessels (100% or less) where 14 vessels are in the spot market or have contracts with expiry in 3Q 2015. In addition 2 vessels are p.t. laid up.
- The vessels in the spot market are mainly part of larger portfolios with good contract coverage
- 85% of the exposure is related to PSV, AHTS and subsea vessels - 15% to barges / seismic vessels. The PSV and subsea segments have a share of 37% each.
- The portfolio has a contract coverage that is better than the total Norwegian OSV fleet
- Relatively young fleet compared to benchmark and the total market
- The portfolio as low risk (PD) and good risk adjusted return
- 7 company groups with exposure above 500 mnok – none above 1 bill.

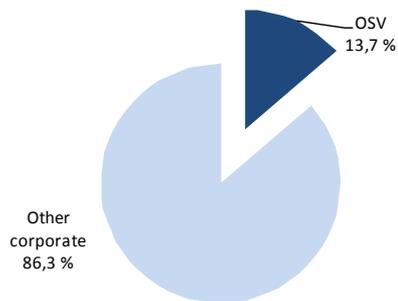
Oil related portfolio: Exposure and portfolio quality

KEY FIGURES OSV VS. TOTAL CORPORATE PORTFOLIO

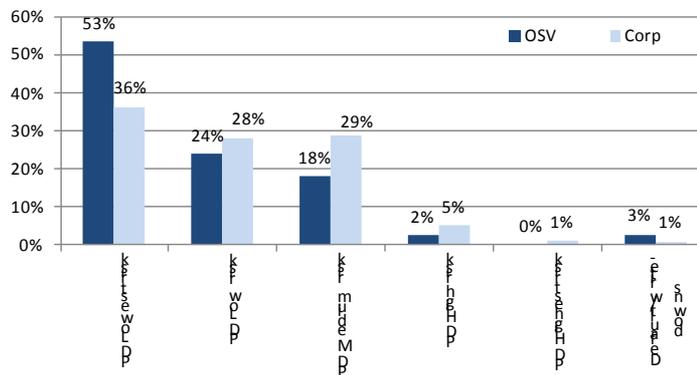
AS OF 30.06.15

		OSV	Corp
Loan	MNOK	5.227	45.334
	Share	12,3 %	0,00 %
EAD	MNOK	7.036	51.483
	Share	13,7 %	0,00 %
PD Lowest risk	Share	53,4 %	36,22 %
PD Low risk	Share	23,8 %	28,14 %
PD Medium risk	Share	17,9 %	28,60 %
PD High risk	Share	2,3 %	5,12 %
PD Highest risk	Share	0,0 %	1,10 %
Default/write-downs	Share	2,6 %	0,83 %
Weighted PD (excl. default/write down)		1,0 %	1,6 %
Expected loss (excl. default/write down)		0,19 %	0,53 %
Unexpected loss (allocated capital)		3,9 %	4,3 %
Margin		3,2 %	1,8 %
Risik adjusted return excl. opex		55 %	25 %

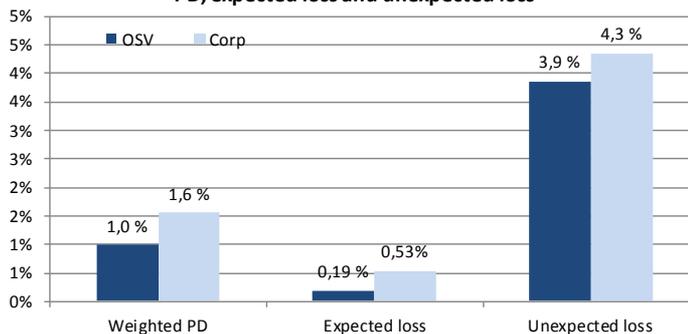
OSV vs. total corporate portfolio (EAD)



Distribution Risk Groups (PD)



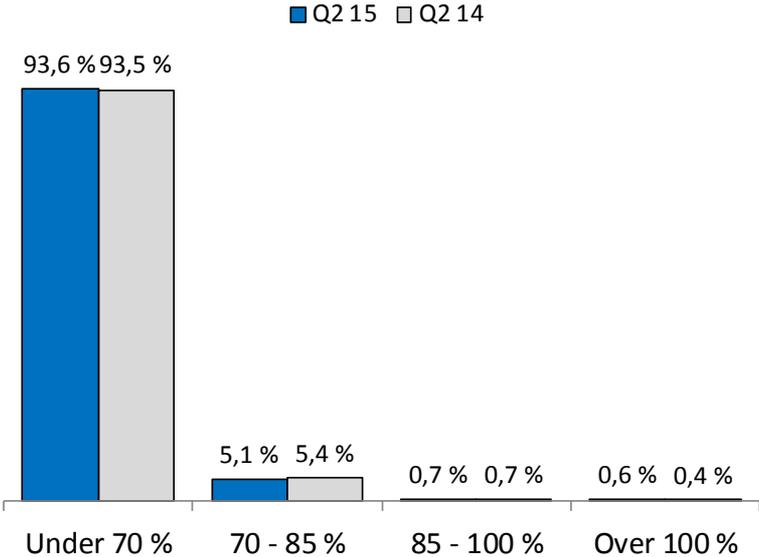
PD, expected loss and unexpected loss



- Exposure to Offshore Service Vessels is 14% of total corporate exposure
- Lower PD than total corporate portfolio and also lower capital need due to low risk profile.
- Write down for one customer in q2 15 has implied increased share of loans in default/write down category (ca 2,5%)
- Margin net interest rate) of 3,2%
- Risk adjusted return excl. opex of 55% vs. 25% for total corporate; i.e. sufficient risk premium for the OSV customers

Loan to value mortgages

Last two years

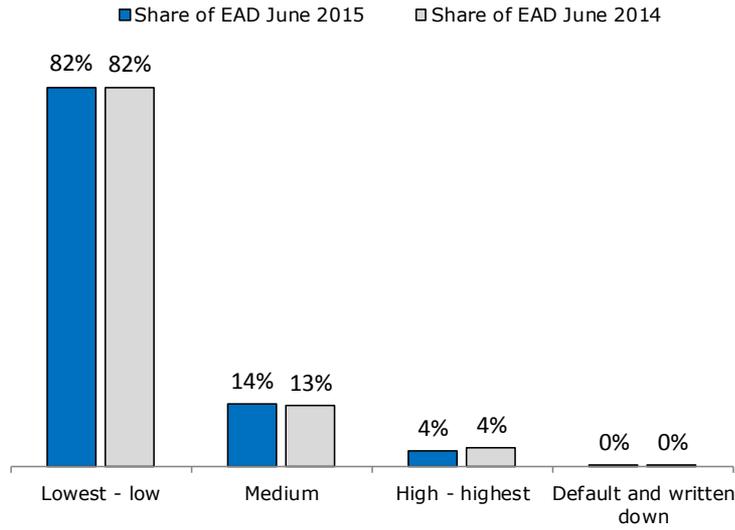


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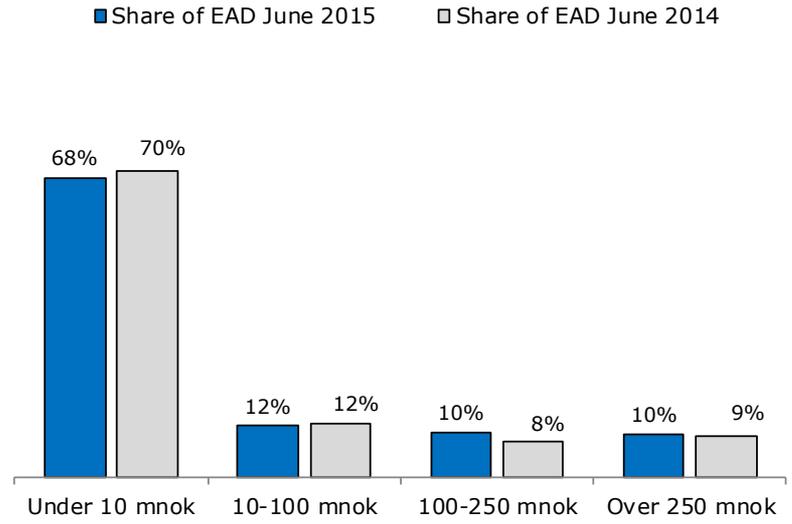
- 98.7 % of the exposure has an LTV of less than 85 %
- Exposure with LTV higher than 85 points 1.3 %

Stable credit risk

SpareBank 1 SMN's loans distributed on risk class and share of Exposure At Default



SpareBank 1 SMN's loans distributed on size of customer engagement and share of Exposure At Default

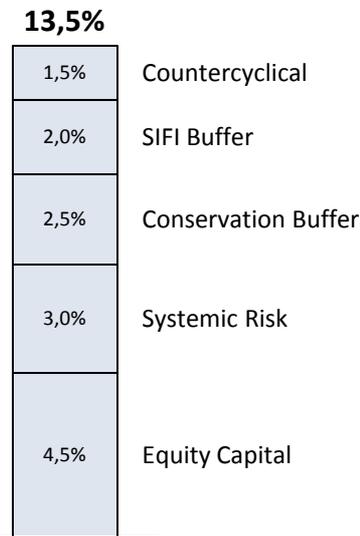
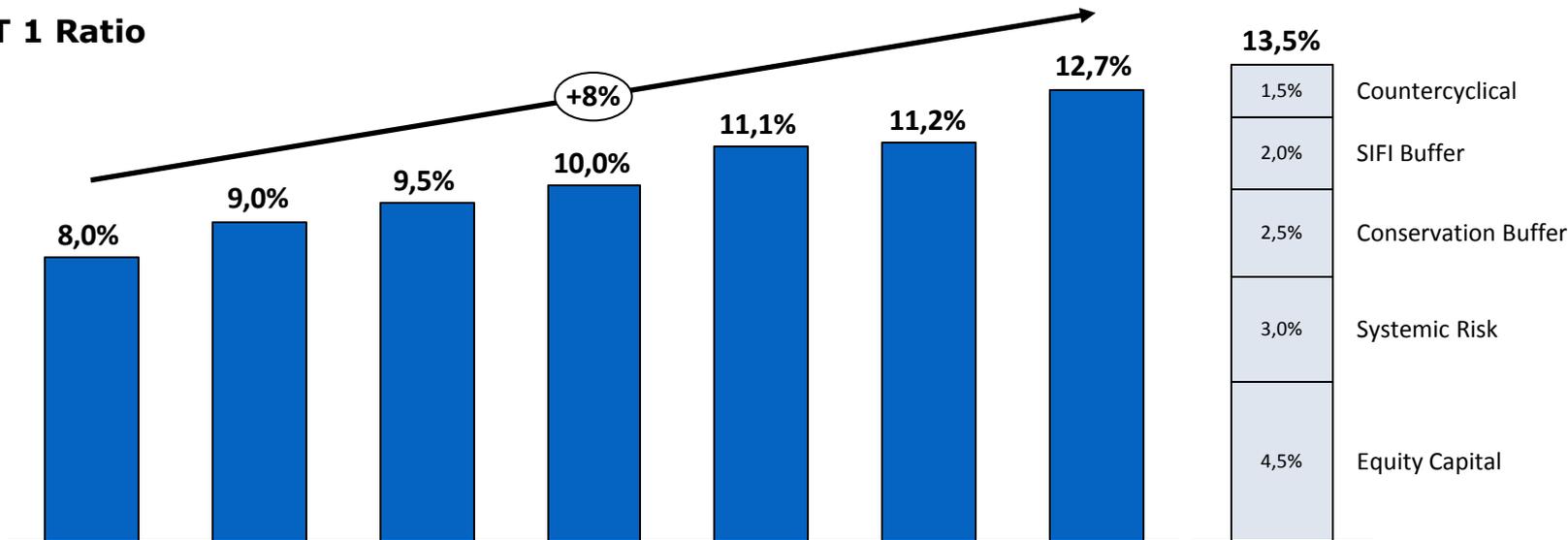


Capital adequacy

Last two years		
<i>NOKm</i>	30.6.15	30.6.14
Core capital exclusive hybrid capital	11.443	9.945
Hybrid capital	1.699	1.690
Core capital	13.142	11.635
Supplementary capital	2.435	1.529
Total capital	15.577	13.164
Total credit risk IRB	4.068	4.722
Debt risk, Equity risk	210	309
Operational risk	452	416
Exposures calculated using the standardised approach	1.926	1.682
CVA	71	-
Deductions	0	-130
Transitional arrangements	471	0
Minimum requirements total capital	7.198	6.998
RWA	89.972	87.477
CET 1 ratio	12,7 %	11,4 %
Core capital ratio	14,6 %	13,3 %
Capital adequacy ratio	17,3 %	15,0 %

Development in common equity Tier 1 (capital and ratio), and ROE from 2009 to Q2 2015

CET 1 Ratio



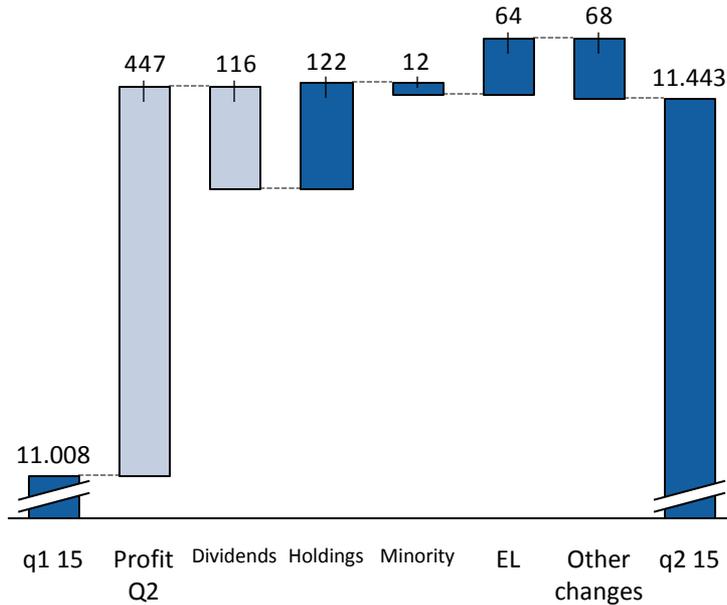
Goal 1st half 2016

	2009	2010	2011	2012	2013	2014	2015
CET 1 Capital	4.938	6.177	6.687	8.254	9.374	10.679	11.443
ROE	16,2 %	14,6 %	12,8 %	11,7 %	13,3 %	15,1 %	13,7 %
RWA	64.400	66.688	75.337	82.450	84.591	95.322	89.972

Change in CET 1 capital and capital requirements (rwa) in Q2 2015

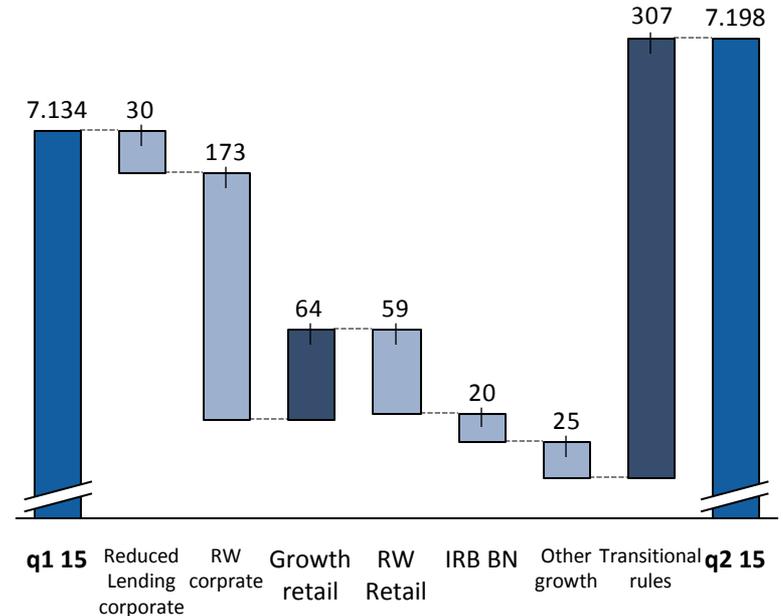
Increased CET1 capital

- Good performance strenghtens CET 1 capital



Moderate growth rwa

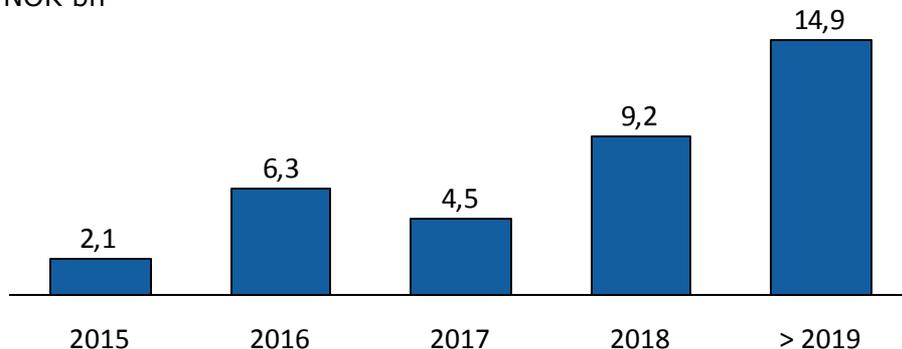
- Reduced lending volume corporate and lower risk in both corporate and retail portfolio
- Offset by transitional rules



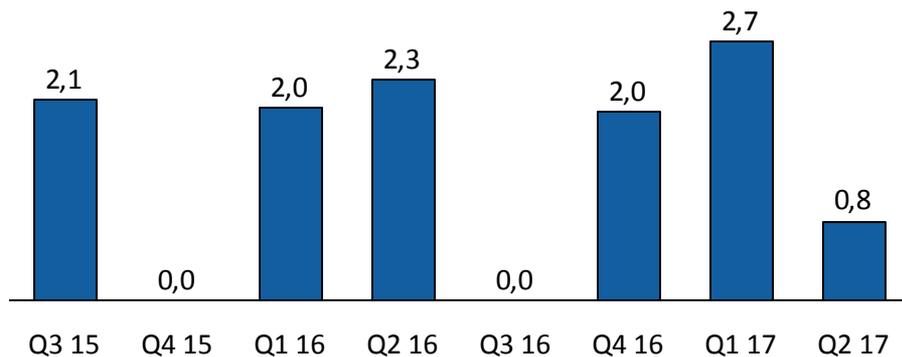
Satisfying access to capital market funding

Funding maturity 30. June 2015

In NOK bn



In NOK bn



Comments

- SpareBank 1 Boligkreditt is the main funding source through covered bonds. NOK 29 billion transferred as of 30. June 2015
- Maturities next two years NOK 11.9 bn :
 - NOK 4.1 bn in 2015
 - NOK 4.3 bn in 2016
 - NOK 3.5 bn in Q1 and Q2 17

Key figures

Last three years

	30 June 2015	30 June 2014	30 June 2013
Net interest	1,47	1,46	1,35
Comm. income and net retur on fin. inv.	1,82	2,15	1,67
Operating expenses	1,50	1,53	1,54
Net profit as a percentage of ATA	1,79	2,08	1,48
CET 1 ratio	12,7 %	11,4 %	10,3 %
Core capital ratio	14,6 %	13,3 %	12,2 %
Growth in loans incl.Boligkredditt	8,4 %	5,1 %	8,4 %
Growth in deposits	11,4 %	8,5 %	7,3 %
Deposit-to-loan ratio	70 %	70 %	70,0 %
RM share loans	62 %	62 %	60 %
Cost-income ratio	46 %	42 %	51 %
Return of equity	13,7 %	16,8 %	11,9 %
Impairment losses ratio	0,09 %	0,06 %	0,07 %
ECC price	65,50	54,25	46,50
Booked equity capital per ECC	64,18	58,32	51,66
Adjusted profit per ECC	4,31	4,77	2,99

Key figures ECC

Including effects of issues

Last five years

	Q2 15	Q2 14	2014	2013	2012	2011
ECC ratio	64,6 %	64,6 %	64,6 %	64,6 %	64,6 %	60,6 %
Total issued ECCs (mill)	129,83	129,83	129,83	129,83	129,83	102,76
ECC price	65,50	54,25	58,50	55,00	34,80	36,31
Market value (NOKm)	8.504	7.043	7.595	7.141	4.518	3.731
Booked equity capital per ECC	64,18	58,32	62,04	55,69	50,09	48,91
Post-tax earnings per ECC, in NOK	4,31	4,77	8,82	6,92	5,21	6,06
Dividend per ECC	-		2,25	1,75	1,50	1,85
P/E	7,60	5,68	6,63	7,95	5,99	6,68
Price / Booked equity capital	1,02	0,93	0,94	0,99	0,69	0,74

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Hugin-Online: www.huginonline.no

Equity capital certificates in general:
www.grunnfondsbevis.no

Financial calendar 2015

- 2. Quarter: 12. August 2015
- 3. Quarter: 30. October 2015