Third Quarter Report 2015

SpareBank 1 SMN

Contents

Main figures

From the income statement	30 Sept 2015 NOKm	30 Sept 2015 %	30 Sept 2014 NOKm	30 Sept 2014 %	2014 NOKm	2014 %
Net interest	1,399	1.46	1,305	1.50	1,790	1.52
Net commission income and other income	1,168	1.22	1,140	1.31	1,512	1.28
Net return on financial investments	350	0.37	629	0.72	720	0.61
Total income	**2,917**	**3.05**	**3,074**	**3.54**	**4,021**	**3.41**
Total operating expenses	**1,416**	**1.48**	**1,310**	**1.51**	**1,789**	**1.52**
Results before losses	**1,501**	**1.57**	**1,765**	**2.03**	**2,232**	**1.89**
Loss on loans, guarantees etc	112	0.12	55	0.06	89	0.08
Results before tax	**1,389**	**1.45**	**1,709**	**1.97**	**2,143**	**1.82**
Tax charge	270	0.28	302	0.35	362	0.31
Result investment held for sale, after tax	-1	0.00	0	0.00	0	0.00
Net profit	**1,119**	**1.17**	**1,407**	**1.62**	**1,782**	**1.51**

Key figures	30 Sept 2015	30 Sept 2014	2014
Profitability			
Return on equity 1)	11.5 %	16.1 %	15.1 %
Cost-income ratio 2)	49 %	43 %	44 %
Balance sheet figures			
Gross loans to customers	94,917	86,724	90,578
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	126,180	116,464	120,435
Deposits from customers	63,620	58,091	60,680
Deposit-to-loan ratio	67 %	67 %	67 %
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt	8.3 %	5.4 %	7.3 %
Growth in deposits	9.5 %	8.5 %	8.5 %
Average total assets	127,465	115,730	117,794
Total assets	129,237	117,194	126,047
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt			
Impairment losses ratio	0.12 %	0.06 %	0.08 %
Non-performing commitm. as a percentage of gross loans 3)	0.17 %	0.29 %	0.22 %
Other doubtful commitm. as a percentage of gross loans	0.36 %	0.18 %	0.18 %
Solidity			
Capital adequacy ratio	17.9 %	16.1 %	15.7 %
Core capital ratio	15.2 %	13.4 %	13.0 %
Common equity tier 1 ratio	13.2 %	11.5 %	11.2 %
Core capital	13,451	12,302	12,382
Net equity and related capital	15,886	14,826	14,937
Branches and staff			
Number of branches	49	49	49
No. Of full-time positions	1,228	1,186	1,192

Key figures ECC 4)	30 Sept 2015	30 Sept 2014	2014	2013	2012	2011
ECC ratio	64.6 %	64.6 %	64.6 %	64.6 %	64.6 %	60.6 %
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	102.76
ECC share price at end of period (NOK)	54.00	59.25	58.50	55.00	34.80	36.31
Stock value (NOKM)	7,011	7,692	7,595	7,141	4,518	3,731
Booked equity capital per ECC (including dividend)	65.52	60.53	62.04	55.69	50.09	48.91
Profit per ECC, majority	5.57	6.97	8.82	6.92	5.21	6.06
Dividend per ECC			2.25	1.75	1.50	1.85
Price-Earnings Ratio	7.27	6.38	6.63	7.95	6.68	5.99
Price-Book Value Ratio	0.82	0.98	0.94	0.99	0.69	0.74

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 and SpareBank 1 Næringskreditt, and guarantees drawn
4) The key figures are corrected for issues

Report of the Board of Directors

Accounts for nine months ending 30 September 2015

(Consolidated figures. Figures in parentheses refer to the same period of 2014 unless otherwise stated)

- Pre-tax profit: NOK 1,389 million (1,709 million)
- Post-tax profit: NOK 1,119 million (1,407 million)
- Return on equity: 11.5 per cent (16.1 per cent)
- Growth in lending 8.3 per cent (5.4 per cent) and deposits 9.5 per cent (8.5 per cent) in past 12 months
- Loan losses NOK 112 million (55 million)
- CET1 capital ratio: 13.2 per cent (11.5 per cent)
- Earnings per equity certificate: NOK 5.57 (6.97)

Accounts for third quarter 2015

- Pre-tax profit: NOK 309 million (545 million)
- Post-tax profit NOK 248 million (443 million)
- Return on equity: 7.4 per cent (14.8 per cent)
- Loan losses: NOK 56 million (24 million), of which NOK 30 million are increased collectively assessed write-downs
- Earnings per equity certificate: NOK 1.26 (2.19)

Third quarter results 2015 reflect turbulent markets

Main points:

- Good performance for core business
- Profit NOK 288 million lower than same period last year due to capital losses on bond portfolio this year and high capital gains on sale of shares in Nets last year
- Low loan losses. Collectively assessed loss write-downs up NOK 30 million in third quarter
- Low cost growth, in keeping with plan
- Substantially strengthened CET1 capital ratio
- Good growth in lending and deposits

In the first nine months of 2015 SpareBank 1 SMN achieved a pre-tax profit of NOK 1,389 million (1,709 million). Net profit was NOK 1,119 million (1,407 million) and return on equity was 11.5 per cent (16.1 per cent).

Pre-tax profit for the third quarter was NOK 309 million (545 million). Return on equity in the quarter was 7.4 per cent (14.8 per cent).

Overall operating incomes for the first nine months came to NOK 2,567 million (2,446 million), an increase of NOK 121 million compared with the same period of 2014. Operating incomes have risen at the parent banks and subsidiaries alike.

Return on financial investments was NOK 350 million (629 million), of which overall income from owner interests in associates and joint ventures accounted for NOK 327 million (383 million) in the first nine months.

Net losses on loans and guarantees totalled NOK 112 million (55 million), of which NOK 31 million is accounted for by increased collectively assessed write-downs.

At end-September 12-month lending growth was 8.3 per cent (5.4 per cent) and deposit growth was 9.5 per cent (8.5 per cent). Lending growth in the first nine months was 4.8 per cent (3.7 per cent) and deposit growth 4.8 per cent (3.4 per cent).

At the third quarter-end the CET1 ratio was 13.2 per cent (11.5 per cent). CET1 capital adequacy has strengthened by 2 percentage points in 2015.

SpareBank 1 SMN is planning for a CET1 ratio of 13.5 per cent by 30 June 2016 and 14.0 per cent by 31 December 2016. The capital plan is further described in the section on financial strength.

The bank's equity certificate was priced at NOK 54.00 as of the third quarter (NOK 58.50 as of 31 December 2014).

In the first nine months earnings per EC were NOK 5.57 (6.97). Book value per EC was NOK 65.52 (60.53). Earnings per EC in the third quarter in isolation were NOK 1.26 (2.19).

Strengthened net interest income
Net interest income strengthened compared with the first nine months of 2014, and came to NOK 1,399 million (1,305 million). The change from 2014 is ascribed to:

- Increased lending to and deposits from retail and corporate customers alike
- Increased margins on deposits
- Reduced lending margins

Net interest income on loans sold to SpareBank 1 Boligkreditt (residential mortgage company) and SpareBank 1 Næringskreditt (commercial mortgage company) is recognised as commission income. Commission on loans sold to these two companies in the first nine months of 2015 totalled NOK 253 million (329 million).

In the course of 2014 and in 2015 four general interest rate reductions have been carried out on loans to retail customers in order to adjust home mortgage rates to a falling interest rate level. Deposit rates to retail and corporate customers have also been reduced. A further reduction of home mortgage rates, and of retail and corporate deposit rates, has been signalled.

Increased commission income
Net commission and other operating income rose to NOK 1,168 million (1,140 million) in the first nine months of 2015, an increase of NOK 28 million from last year, corresponding to 2 per cent.

Income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was down NOK 75 million due to lower average volume of loans sold to SpareBank 1 Boligkreditt and reduced margins on retail lending. A positive trend is noted in other commission income. The increase of NOK 31 million from Markets is a consequence of the consolidation of SpareBank 1 Markets.

Commission income (NOKm)	**30 Sept 2015**	**30 Sept 2014**	**Change**
Payment transfers	143	141	3
Creditcard	42	38	4
Saving products	43	34	9
Insurance	114	101	13
Guarantee commission	52	45	7
Real estate agency	262	239	23
Accountancy services	143	134	9
Markets	43	12	31
Active management	15	11	4
Other commissions	58	56	2
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	**914**	**811**	**103**
Commissions SB1 Boligkreditt	247	321	-74
Commissions SB1 Næringskreditt	7	8	-1
Total commissions	**1,168**	**1,140**	**28**

Financial investments

Overall return on financial investments (excluding the bank's share of the profit/loss of associates and joint ventures) was NOK 24 million (245 million). Overall return breaks down as follows:

- Return and dividend on the group's equity portfolios totalled NOK 79 million (216 million)
- Capital losses on bonds and derivatives were NOK 73 million (loss of NOK 18 million). Credit margins on the bond portfolios at the parent bank and SpareBank 1 Markets have risen due to the uncertain market situation
- As from the second quarter of 2015 a change was made to the reference interest rate in the model used to measure the fair value of fixed-rate loans, producing a negative effect of NOK 64 million.
- Income on forex and fixed income transactions was NOK 82 million (46 million)

Capital gains/dividends, shares (NOKm)	30 Sept 2015	30 Sept 2014	Change
Capital gains/dividends, shares	79	216	-137
Bonds and derivatives	-73	-18	-55
Change in discount factor in fair value model for fixed interest loans	-64	-	-64
Forex and fixed income business	82	46	36
Net return on financial investments	**24**	**245**	**-221**
SpareBank 1 Gruppen	183	259	-76
SpareBank 1 Boligkreditt	65	23	42
SpareBank 1 Næringskreditt	22	30	-8
SpareBank 1 Kredittkort	15	-	15
BN Bank	31	78	-47
Companies owned by SpareBank 1 SMN Invest	13	18	-5
Other companies	-2	-25	23
Income from investment in related companies	**327**	**383**	**-57**
Total	**350**	**629**	**-278**

SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit for the first nine months of 2015 was NOK 939 million (1,343 million). The main contributor to the profit was the insurance business. SpareBank 1 Gruppen's profit is lower than last year due to the excellent results achieved in 2014 after recognition of run-off gains in the insurance business. SpareBank 1 SMN's share of the profit in the first nine months of 2015 was NOK 183 million (259 million).

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks participating in the SpareBank 1-alliance to benefit from the market for covered bonds. The banks sell well-secured home mortgage loans to the company, affording them reduced funding costs and better access to funding. As of 30 September 2015 the bank had sold loans worth NOK 29.9 billion (28.5 billion) to SpareBank 1 Boligkreditt, corresponding to 38 per cent (39 per cent) of overall loans to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt is 17.7 per cent, and the bank's share of that company's profit in the first nine months of 2015 was NOK 65 million (23 million). The holding reflects the bank's relative share of SpareBank 1 Boligkreditt's balance sheet assets.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines as SpareBank 1 Boligkreditt. As of 30 September 2015, loans worth NOK 1.4 billion (1.2 billion) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 33.6 per cent, and the bank's share of the company's profit in the first nine months of 2015 was NOK 22 million (30 million). The holding reflects the bank's relative share of commercial property loans sold and the bank' stake in BN Bank. Of aggregate loans at SpareBank 1 Næringskreditt, 82 per cent were transferred from BN Bank.

BN Bank

SpareBank 1 SMN had a 33.0 per cent stake in BN Bank as of 30 September 2015. SpareBank 1 SMN's share of the profit of BN Bank in the first nine months of 2015 was NOK 31 millon (78 million), yielding a return on equity of 3.5 per cent. The result is substantially affected by one-time effects due to the wind-down of the corporate portfolio and increased credit margins on the liquidity portfolio.

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 a 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 mean that return on equity on this low risk segment is too 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 safeguards 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. Of SpareBank 1 SMN's risk weighted balance sheet assets of NOK 90 billion, about NOK 9 billion relates to corporate exposures at BN Bank along with BN Bank's exposures sold to SpareBank 1 Næringskreditt. For SpareBank 1 SMN this amounts to about 1.3 percentage points of CET1 capital adequacy once the scaling back is completed. The process of winding down the corporate portfolio is well under way, although the effect is limited after such a short space of time.

SpareBank 1 Kredittkort

Profit for the first nine months of 2015 was NOK 83 million. SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 18.4 per cent. SpareBank 1 SMN's share of the first nine months' profit was NOK 15 million and its share of the portfolio is NOK 773 million (715 million). The company was in ordinary operation as from 1 July 2014, and comparatives with previous periods are therefore not available.

Operating expenses

Overall operating expenses came to NOK 1,416 million (1,310 million) in the first nine months of 2015. The Group expenses have increased by NOK 106 million compared with the first nine months of 2014. Of the Group's increase, NOK 83 million refers to the consolidation of SpareBank 1 Markets as a subsidiary as from the second quarter of 2015. Excluding the effect of SpareBank 1 Markets, the Group's growth in expenses was NOK 23 million, equivalent to 1.8 per cent.

The parent bank reduced costs by NOK 26 million in the 12 months to end-September. SpareBank 1 SMN transferred its capital market activities to SpareBank 1 Markets as from the second quarter. This represents a cost reduction of NOK 28 million for the parent bank in the second and third quarter, and, when this is taken into account, net cost growth at the parent bank comes to NOK 2 million compared with the same period of 2014. Parent bank costs will be kept to their 2014 level in 2015 and 2016.

At the parent bank the number of full time employee equivalents (FTEs) has been reduced by 60 to 660 in 2015 (there is an additional reduction of 32 FTEs due to the transfer of capital market activity to SpareBank 1 Markets).

Operating expenses measured 1.48 per cent of average total assets capital (1.51 per cent). The Group cost-income ratio was 49 per cent (43 per cent).

Low losses and low defaults, increased provision for collectively assessed write-downs

Loan losses came to NOK 112 million in the first nine months (55 million). Net losses in the third quarter in isolation came to NOK 56 million (24 million).

A net loss of NOK 102 million (45 million) was recorded on loans to corporate clients in the first nine months, including an increase of NOK 30 million (0 million) in collectively assessed write-downs.

A net loss of NOK 10 million (10 million) was recorded on loans to retail clients in the first nine months.

Total individually assessed loan impairment write-downs entered in the balance sheet came to NOK 191 million (182 million) at the end of the first nine months of 2015.

Total problem loans (defaulted and doubtful) came to NOK 667 million (544 million), or 0.53 per cent (0.47 per cent) of gross loans including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt at end-September.

Defaults in excess of 90 days totalled NOK 218 million (338 million), measuring 0.17 per cent (0.29 per cent) of gross lending. Of total defaults, NOK 30 million are loss provisioned (92 million), corresponding to 14 per cent (27 per cent).

Defaults break down to NOK 50 million (152 million) on corporates and NOK 169 million (186 million) on retail customers.

Other doubtful exposures totalled NOK 448 million (206 million), corresponding to 0.36 per cent (0.18 per cent) of gross outstanding loans. Individually write-downs on these exposures came to NOK 160 million (90 million), corresponding to a share of 36 per cent (44 per cent).

Other doubtful exposures break down to NOK 431 million (190 million) on corporate customers and NOK 17 million (16 million) on retail customers.

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 after granting of loans)

- 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 factors)

In the third quarter of 2015 a basis was found for increasing collectively assessed impairment write-downs at the parent bank by NOK 30 million, based on an increased likelihood of loss in individual lines of business as a result of a more challenging market situation. Overall collectively assessed loss write-downs are accordingly NOK 326 million (295 million). Collectively assessed write-downs break down to NOK 95 million on retail exposures and NOK 231 million on corporates.

Total assets of NOK 129 billion

The Group's assets totalled NOK 129.2 billion at 30 September 2015 (117.2 billion), having risen by NOK 12.0 billion or 10.3 per cent over the preceding 12 months.

As of end-September 2015 loans worth a total of 31.3 billion (29.7 billion) 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 do however include loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Good growth in lending and deposits

(For distribution by sector, see note 5 and note 10).

In the 12 months to end-September total outstanding loans rose by NOK 9.7 billion (6.0 billion) or 8.3 per cent (5.4 per cent) to reach NOK 126.2 billion (NOK 116.5 billion). Growth in 2015 is 4.8 per cent (3.7 per cent).

Loans to retail customers rose by NOK 6.3 billion (5.1 billion) to reach NOK 78.9 billion in the last 12 months, equivalent to growth of 8.7 per cent (7.7 per cent). In 2015 growth in lending to retail customers is 6.4 per cent (5.8 per cent).

Lending to corporates rose by NOK 3.4 billion (0.9 billion) or 7.8 per cent (2.4 per cent) in the 12 months to end-September. Overall lending to corporates totalled NOK 47.3 billion as of 30 September 2015. Lending to corporates increased in the first nine months of 2015 by 2.1 per cent (0.5 per cent reduction). This is in keeping with the bank's capital plan.

Loans to retail customers accounted for 63 per cent (62 per cent) of total lending to customers as of 30 September 2015.

Good growth in deposits

Total customer deposits rose by NOK 5.5 billion (4.5 billion) to reach NOK 63.6 billion in the 12 months to 30 September 2015. This represents a growth of 9.5 per cent (8.5 per cent).

Retail deposits rose by NOK 2.1 billion (2.2 billion) or 8.2 per cent (9.4 per cent) to reach NOK 28.2 billion, while corporate deposits rose by NOK 3.4 billion (2.4 billion) or 10.6 per cent (7.9 per cent) to NOK 35.4 billion.

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 7.6 billion (5.7 billion) at 30 September 2015. New sales and value changes in underlying securities explain the increase recorded on equity funds and active asset management.

Saving products, customer portfolio (NOKm)	30 Sept 2015	30 Sept 2014	Change
Equity funds	4,819	3,627	1,192
Pension products	671	540	131
Active management	2,140	1,557	583
Total	**7,630**	**5,724**	**1,906**

Insurance portfolios

The bank's insurance portfolio showed an increase of 3.5 per cent in the 12 months to end-September. Non-life insurance delivered 1.8 per cent growth, personal insurance 10.5 per cent and occupational service pensions 1.1 per cent.

Insurance, premium volume (NOKm)	30 Sept 2015	30 Sept 2014	Change
Non-life insurance	720	707	13
Personal insurance	264	239	25
Occupational pensions	190	188	2
Total	**1,174**	**1,134**	**40**

Retail Banking

Operating income has increased due to increased lending and improved deposit margins, and increased commission income from insurance sales. Concurrently reduced lending margins have reduced incomes. Operating income in the first nine months totalled NOK 1,239 million of which net interest income accounted for NOK 709 million and commission income for NOK 530 million. Return on equity in the retail banking segment was 16.2 per cent in terms of regulatory capital employed converted to 13.5 per cent.

The lending margin in the first nine months of 2015 was 2.11 per cent (2.41 per cent), while the deposit margin was minus 0.20 per cent (minus 0.44 per cent) (measured against three-month NIBOR).

In the 12 months to end-September retail lending and retail deposits grew by 8.1 per cent and 5.1 per cent respectively.

Lending to retail borrowers carries low risk, as reflected in continued very low losses. Losses and defaults are expected to remain at a low level. The loan portfolio is secured on residential property, and the trend in house prices has been relatively high throughout the market area. Housing demand remains high due to underlying demand growth caused by several years' failure of housing construction to keep pace with the need for housing.

Retail banking operations have become considerably more efficient in 2015 due to the resource input being reduced by 30 FTEs, corresponding to 8 per cent.

Corporate Banking

Operating income totalled NOK 874 million in the first nine months of 2015. Net interest income was NOK 729 million, while commission income totalled NOK 146 million including NOK 11 million on fixed income and forex business. Operating income in the corporate segment has increased very largely due to higher lending volume and increased deposit margins.

Return on equity for the corporate banking segment was 12.9 per cent in the first nine months in terms of regulatory capital employed converted to 13.5 per cent.

The lending margin was 2.68 per cent (2.93 per cent) and the deposit margin was minus 0.31 per cent (minus 0.58 per cent) in the first nine months.

Lending increased by 7.8 per cent and deposits by 16.2 per cent in the 12 months to end-September.

Subsidiaries

The subsidiaries posted an overall profit of NOK 104.8 million (147.5 million) before tax and minority interests in the first nine months of 2015.

Pre-tax profit (NOKm)	30 Sept 2015	30 Sept 2014	Change
EiendomsMegler 1 Midt-Norge	39.5	42.2	-2.7
SpareBank 1 Finans Midt-Norge	63.6	49.9	13.7
SpareBank 1 Regnskapshuset SMN	26.0	24.1	1.9
Allegro Kapitalforvaltning	2.1	-1.3	3.4
SpareBank 1 SMN Invest	33.0	31.1	1.9
Sparebank 1 Markets (from second quarter 2015)	-62.7	-	-62.7
Other companies	3.3	1.6	1.8
Total	**104.8**	**147.5**	**-42.6**

EiendomsMegler 1 Midt-Norge leads the field in Trøndelag and in Møre og Romsdal with a market share of 40 per cent, and in Trondheim about 50 per cent. The company's first nine months' profit of NOK 39.5 million (42.2 million) is satisfactory. The number of dwellings sold totalled 5,294 in the first nine months of 2015 compared with 4,905 in the first nine months of 2014.

SpareBank 1 Finans Midt-Norge reported a profit of NOK 63.6 million in the first nine months (49.9 million) and shows profit growth due to increased income from car loans and leasing alike. At quarter-end the company managed leases and car loan agreements worth a total of NOK 4.1 billion of which leases accounted for NOK 2.1 billion and car loans for NOK 2.0 billion.

A number of Samspar banks joined as owners of SpareBank 1 Finans Midt-Norge in June 2015, raising their overall stake to 27.9 per cent. This considerably boosts the company's distribution power.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 26.0 million (24.1 million) for the first nine months.

SpareBank 1 SMN Regnskapshuset SMN has a growth strategy based on the acquisition of small accounting firms. This represents a consolidation of a fragmented accounting industry.

Allegro Kapitalforvaltning is an active management company that manages portfolios for clients primarily in SpareBank 1 SMN and the SamSpar banks. These banks are the company's distribution channel. The company posted a profit of NOK 2.1 million in the first nine months of 2015 (minus 1.3 million). The company manages a portfolio worth NOK 5.2 billion which includes the bank's pension fund totalling NOK 0.7 billion.

Sparebanken SMN Invest invests in shares, mainly in regional businesses. The company posted a pre-tax profit of NOK 33.0 million in the first nine months of 2015 (31.1 million). The result is a consequence of value changes and realisation of losses or gains on the company's overall shareholding measuring NOK 20.1 million of the overall profit. The company has in addition owner interests in the property companies Grilstad Marina and Hommelvik Sjøside and its share of those companies' profits in the first nine months of 2015 was NOK 12.9 million.

SpareBank 1 Markets has been a subsidiary of SpareBank 1 SMN since 1 April 2015 and is consolidated in the Group accounts on a par with the other subsidiaries as from the same date. SpareBank 1 SMN's capital market activities in the parent bank were transferred to SpareBank 1 Markets as part of the transaction. SpareBank 1 SMN's stake is 73.4 per cent.

The company's pre-tax result in the second quarter was a loss of NOK 10.1 million and in the third quarter a loss of NOK 52.5 million. The large deficit in the third quarter is mainly due to a loss of NOK 51.9 million related to increased credit margins on the bond portfolio.

mCASH

The SpareBank 1 banks announced on 15 October 2015 the acquisition of the Norwegian arm of mCASH. The intention is to strengthen the bank's position on new mobile interfaces such as friend-to-friend payment and mobile payments in stores.

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 12 months of ordinary operation without need of fresh external funding.

As of 30 September 2015 the bank has liquidity reserves of NOK 19 billion and thus has the funding needed for 18 months of ordinary operation without fresh external finance. Although the third quarter was a demanding one for Norwegian banks with increased credit spreads and poorer access to funding, this did not pose a particular challenge for SpareBank 1 SMN.

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 88 per cent (87 per cent).

SpareBank 1 Boligkreditt is the bank's most important funding source. As of 30 September 2015 the bank had transferred loans totalling NOK 29.9 billion (28.5 billion) to SpareBank 1 Boligkreditt.

Rating

SpareBank 1 SMN has a rating of A1 (stable outlook) with Moody's and a rating of A- (stable outlook) with Fitch Ratings. The bank was upgraded by Moody's in May 2015, as were several other Norwegian banks.

Financial position

The CET1 capital ratio at 30 September 2015 was 13.2 per cent (11.5 per cent), an increase of 0.5 percentage points since 30 June 2015. The increase is due to:

- Increased equity capital from the third quarter profit
- Growth in risk weighted assets related to lending activity somewhat weakens CET1 capital. There was zero growth in lending to corporates in the third quarter, while growth in lending to retail borrowers increases risk weighted assets in the IRB portfolio and risk weighted assets related to the Basel 1 floor
- The third quarter saw disinvestment in the bank's bond portfolios which reduces the risk weighted assets related to debt risk
- Credit risk calculated using the standardised approach is reduced because the bank has revised its method for calculating capital requirements on derivatives exposures

As of 30 September 2015 the regulatory requirement on CET1 capital is 11.0 per cent, including combined buffer requirements. The requirement will rise to 11.5 per cent as from 30 June 2016.

The board of directors of SpareBank 1 SMN continuously assesses the capital situation and future capital requirements.

SpareBank 1 SMN is engaged in a regular dialogue with Finanstilsynet (Norway's FSA) regarding its capital level. Finanstilsynet has communicated to the bank a capital expectation of 14.5 per cent CET1 capital by 31 December 2016. This will be considered by the board in its annual capital evaluation process to be completed by year-end. Finanstilsynet will not establish individual Pillar 2 add-ons for SpareBank 1 SMN before implementing the SREP (Supervisory Review and Evaluation Process) in 2016.

The assumption and expectation of SpareBank 1 SMN's board of directors is that implementing the bank's capital plan will ensure that the bank attains the capital requirements expected of it by the market and the authorities without carrying out a stock issue.

The board is planning for a CET1 capital ratio of 13.5 per cent by 30 June 2016, including a countercyclical buffer of 1.5 per cent. The further objective is increase the CET1 ratio to at least 14.0 per cent by end-2016.

Winding down the corporate portfolio at BN Bank will upon completion represent a reduction of NOK 9 billion in SpareBank 1 SMN's risk weighted assets, equivalent to boosting SMN's CET1 ratio by 1.3 percentage points.

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 of the group profit
- Moderate growth in the bank's asset-intensive activities, with priority given to lending to households

The bank's equity certificate (MING)

The book value of the bank's EC at quarter-end was NOK 65.52 (60.53), and earnings per EC were NOK 5.57 (6.97). As at 30 September 2015 the EC was priced at NOK 54.00 (NOK 59.25 at 31 December 2014), and dividend of NOK 2.25 per EC has been paid in 2015 for the year 2014.

The Price / Income ratio was 7.27 (6.38) and the Price / Book ratio was 0.82 (0.98).

Risk factors

The credit quality of the bank's loan portfolio is satisfactory, loss and default levels are low, and there are no concentrations in non-performing and problem exposures.

The bank expects a falling rate of GDP growth as a result of declining oil investment. A weaker Norwegian krone has impacted positively on export industries, and will partially offset some of these effects. The bank also expects moderate growth in lending to mid-Norway's business sector ahead as a result of the low level of investment.

The bank expects unemployment to show a slight increase, but to remain relatively low. This, combined with continued real wage growth and a low interest rate level, suggests that loss risk in the bank's retail banking portfolio will remain low.

Credit demand from Norwegian households remains higher than wage growth and will be heavily affected by the trend in house prices. If house prices stagnate, or fall, there is a risk that the household saving rate will quicken and that this will result in reduced turnover for parts of Norwegian 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 performance in the core business for the first nine months featuring income growth, virtually zero growth in costs at the parent bank and low loan losses and defaults. Results for the third quarter are affected by capital losses on the bond portfolios and reorganisation costs at BN Bank which the board views as one-time effects.

The bank is experiencing price pressures on lending to retail and corporate borrowers alike, but the board is well pleased with the bank's ability to largely compensate for this by way of strengthened deposit margines, good sales and improved efficiency at the bank.

The goal of a CET1 ratio of 13.5 per cent in the first half of 2016 will be achieved by profit retention and moderate growth. Finanstilsynet has communicated to the bank a capital expectation of 14.5 per cent by 31 December 2016. This will be considered by the board of directors in its annual capital evaluation process to be completed before year-end. The board of directors considers it has the leeway needed to meet the authorities' requirements without launching a stock issue and to maintain dividend capacity at the same time. Winding down the loan portfolio at BN Bank will make a positive contribution in that context.

The board of directors maintains its high focus on risk in the bank's loan exposure. The oil-related sector in particular is the object of ongoing reporting to the board. SpareBank 1 SMN has low exposure to oil-related activities over and above offshore vessels. Defaults at SpareBank 1 SMN are at a very low level. In light of increased uncertainty in oil-related manufacturing, the bank has nonetheless opted to increase its collectively assessed loss write-downs.

Major change projects are under way in the areas of distribution and work processes. This will make for more efficient banking operations and enhance the quality of customers' experience of the bank. The investment in mCASH is an important element in securing the bank's position on the payments front.

The board expects 2015 to be a good year for SpareBank 1 SMN.

Trondheim, 29 October
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal (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				
2014	3Q 14	3Q 15	30 Sept 2014	30 Sept 2015	(NOKm)	Note	30 Sept 2015	30 Sept 2014	3Q 15	3Q 14	2014
4,223	1,070	962	3,132	2,949	Interest income		3,069	3,162	1,058	1,080	4,265
2,578	644	538	1,931	1,671	Interest expenses		1,670	1,857	593	617	2,475
1,644	**426**	**423**	**1,200**	**1,277**	**Net interest**	1	**1,399**	**1,305**	**466**	**463**	**1,790**
1,031	250	256	768	749	Commission income		936	958	317	314	1,281
104	24	28	71	75	Commission expenses		97	81	38	28	113
47	10	8	35	210	Other operating income		329	263	99	74	344
973	**235**	**237**	**732**	**884**	**Commission income and other income**		**1,168**	**1,140**	**378**	**361**	**1,512**
311	0	4	311	470	Dividends		23	60	0	0	65
-	-	-	-	-	Income from investment in related companies		327	383	78	170	527
197	7	-85	188	-92	Net return on financial investments	1,2	1	185	-91	1	128
508	**7**	**-81**	**499**	**378**	**Net return on financial investments**		**350**	**629**	**-13**	**170**	**720**
3,125	**668**	**579**	**2,432**	**2,540**	**Total income**		**2,917**	**3,074**	**831**	**993**	**4,021**
645	148	139	461	440	Staff costs		814	735	264	235	1,002
410	103	98	306	308	Administration costs		411	371	137	122	500
209	53	46	149	142	Other operating expenses		192	204	65	68	287
1,265	**305**	**284**	**916**	**890**	**Total operating expenses**	4	**1,416**	**1,310**	**466**	**425**	**1,789**
1,860	**363**	**295**	**1,516**	**1,650**	**Result before losses**		**1,501**	**1,765**	**364**	**568**	**2,232**
83	22	54	51	106	Loss on loans, guarantees etc.	2,6,7	112	55	56	24	89
1,777	**340**	**242**	**1,464**	**1,544**	**Result before tax**	3	**1,389**	**1,709**	**309**	**545**	**2,143**
330	89	65	270	250	Tax charge		270	302	61	101	362
-	-	-	-	-	Result investment held for sale, after tax	3	-1	-0	0	-1	0
1,447	**252**	**177**	**1,194**	**1,294**	**Net profit**		**1,119**	**1,407**	**248**	**443**	**1,782**
					Majority share		1,119	1,399	253	441	1,772
					Minority interest		0	8	-5	3	10
					Profit per ECC		5.57	7.00	1.23	2.21	8.87
					Diluted profit per ECC		5.57	6.97	1.26	2.19	8.82

Other comprehensive income

Parent bank						Group				
2014	3Q 14	3Q 15	30 Sept 2014	30 Sept 2015	(NOKm)	30 Sept 2015	30 Sept 2014	3Q 15	3Q 14	2014
1,447	252	177	1,194	1,294	Net profit	1,119	1,407	248	443	1,782
					Items that will not be reclassified to profit/loss					
-111	-	-	-89	-	Actuarial gains and losses pensions	-	-94	-	-	-117
29	-	-	24	-	Tax	-	25	-	-	31
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	35	3	6	4	-9
-82	**-**	**-**	**-65**	**-**	**Total**	**35**	**-66**	**6**	**4**	**-94**
					Items that will be reclassified to profit/loss					
-	-	-	-	-	Available-for-sale financial assets	-	-	-	-	-2
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	0	-	-1	-	0
-	-	-	-	-	Tax	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**Total**	**0**	**-**	**-1**	**-**	**-2**
1,365	**252**	**177**	**1,129**	**1,294**	**Total other comprehensive income**	**1,154**	**1,341**	**253**	**448**	**1,685**
					Majority share of comprehensive income	1,154	1,333	258	445	1,676
					Minority interest of comprehensive income	0	8	-5	3	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				
2014	3Q 14	3Q 15	30 Sept 2014	30 Sept 2015	**Result as per cent of average total assets:**	30 Sept 2015	30 Sept 2014	3Q 15	3Q 14	2014
1.41	1.46	1.32	1.40	1.35	Net interest	1.46	1.50	1.43	1.57	1.52
0.84	0.81	0.74	0.85	0.94	Commission income and other income	1.22	1.31	1.16	1.22	1.28
0.44	0.02	-0.25	0.58	0.40	Net return on financial investments	0.37	0.72	-0.04	0.58	0.61
1.09	1.05	0.89	1.07	0.94	Total operating expenses	1.48	1.51	1.43	1.44	1.52
1.60	1.24	0.92	1.77	1.75	Result before losses	1.57	2.03	1.12	1.93	1.89
0.07	0.08	0.17	0.06	0.11	Loss on loans, guarantees etc.	0.12	0.06	0.17	0.08	0.08
1.53	1.17	0.75	1.71	1.64	Result before tax	1.45	1.97	0.95	1.85	1.82
0.40	0.46	0.49	0.38	0.35	Cost -income ratio	0.49	0.43	0.56	0.43	0.44
70 %			70 %	71 %	Loan-to-deposit ratio	67 %	67 %			67 %
14.1 %	9.6 %	6.1 %	15.7 %	15.4 %	Return on equity	11.5 %	16.1 %	7.4 %	14.8 %	15.1 %

Balance sheet

Parent bank					Group		
31 Dec 2014	**30 Sept 2014**	**30 Sept 2015**	**(NOKm)**	**Note**	**30 Sept 2015**	**30 Sept 2014**	**31 Dec 2014**
4,676	757	1,252	Cash and receivables from central banks		1,252	757	4,676
4,364	4,184	6,122	Deposits with and loans to credit institutions		2,807	1,144	1,289
86,920	*83,118*	*91,163*	*Gross loans to customers before write-down*	*5,8*	*94,917*	*86,724*	*90,578*
-164	*-170*	*-182*	*- Specified write-downs*	*6,7,8*	*-191*	*-182*	*-172*
-278	*-278*	*-308*	*- Write-downs by loan category*	*6*	*-326*	*-295*	*-295*
86,478	82,669	90,673	Net loans to and receivables from customers		94,400	86,247	90,112
14,177	15,393	14,430	Fixed-income CDs and bonds	15	14,430	15,393	14,177
7,972	5,053	7,580	Derivatives	14	7,513	5,052	7,877
257	240	254	Shares, units and other equity interests	2,15	1,221	695	708
3,361	3,318	3,366	Investment in related companies		5,189	5,008	5,129
2,490	2,477	2,853	Investment in group companies		-	-	-
101	114	222	Investment held for sale		15	61	45
447	447	447	Goodwill		528	522	526
297	1,045	291	Other assets	9	1,882	2,316	1,509
124,619	**115,698**	**127,490**	**Total assets**		**129,237**	**117,194**	**126,047**
9,123	5,827	8,324	Deposits from credit institutions		8,324	5,827	9,123
61,202	58,519	64,276	Deposits from and debt to customers	10	63,620	58,091	60,680
33,001	30,721	33,557	Debt created by issue of securities	11	33,557	30,721	33,001
6,252	4,385	5,523	Derivatives	15	5,486	4,385	6,252
846	2,332	691	Other liabilities	12	1,342	2,617	1,095
-	-	-	Investment held for sale		0	-	-
3,371	3,325	3,453	Subordinated loan capital	11	3,453	3,325	3,371
113,795	**105,109**	**115,824**	**Total liabilities**		**115,782**	**104,966**	**113,523**
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
3,122	2,496	3,122	Dividend equalisation fund		3,122	2,496	3,122
292	-	-	Recommended dividends		-	-	292
160	-	-	Provision for gifts		-	-	160
3,619	3,276	3,619	Savings bank's reserve		3,619	3,276	3,619
139	195	139	Unrealised gains reserve		148	206	148
-	-65	-	Other equity capital		1,660	1,285	1,620
-	1,194	1,294	Profit for the period		1,119	1,407	-
			Minority interests		295	66	72
10,824	**10,588**	**11,666**	**Total equity**	13	**13,455**	**12,228**	**12,524**
124,619	**115,698**	**127,490**	**Total liabilities and equity**		**129,237**	**117,194**	**126,047**

Cash flow statement

Parent bank				Group		
31 Dec 2014	30 Sept 2014	30 Sept 2015	(NOKm)	30 Sept 2015	30 Sept 2014	31 Dec 2014
1,447	1,194	1,294	Net profit	1,119	1,407	1,782
40	29	31	Depreciations and write-downs on fixed assets	79	80	109
83	51	106	Losses on loans and guarantees	112	55	89
1,569	1,274	1,430	Net cash increase from ordinary operations	1,310	1,542	1,980
-3,395	-1,226	384	Decrease/(increase) other receivables	-62	-1,308	-3,333
3,205	2,824	-884	Increase/(decrease) short term debt	-520	2,797	3,144
-9,733	-5,893	-4,301	Decrease/(increase) loans to customers	-4,402	-6,236	-10,134
-362	-181	-1,758	Decrease/(increase) loans credit institutions	-1,518	48	-97
4,819	2,129	3,074	Increase/(decrease) deposits and debt to customers	2,940	2,158	4,753
2,542	-747	-799	Increase/(decrease) debt to credit institutions	-799	-748	2,542
2,761	1,544	-253	Increase/(decrease) in short term investments	-253	1,544	2,761
1,406	**-276**	**-3,106**	**A) NET CASH FLOW FROM OPERATIONS**	**-3,303**	**-203**	**1,614**
-32	-20	-17	Increase in tangible fixed assets	-28	-57	-83
-	-	-	Reductions in tangible fixed assets	-	-	-
-258	-216	-489	Paid-up capital, associated companies	-30	-331	-437
235	251	2	Net investments in long-term shares and partnerships	-512	335	322
-55	**16**	**-504**	**B) NET CASH FLOW FROM INVESTMENTS**	**-571**	**-52**	**-198**
51	6	82	Increase/(decrease) in subordinated loan capital	82	6	51
-	-	-0	Increase/(decrease) in equity	-0	-	-
-227	-227	-292	Dividend cleared	-292	-227	-227
-124	-124	-160	To be disbursed from gift fund	-160	-124	-124
-82	-65	-	Correction of equity capital/other equity transactions	264	-70	-148
-1,085	-3,365	556	Increase/(decrease) in other long term loans	556	-3,365	-1,085
-1,467	**-3,775**	**186**	**C) NET CASH FLOW FROM FINANCAL ACTIVITIES**	**450**	**-3,781**	**-1,534**
-117	**-4,036**	**-3,424**	**A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS**	**-3,424**	**-4,036**	**-117**
4,793	4,793	4,676	Cash and cash equivalents at 1.1	4,676	4,793	4,793
4,676	757	1,252	Cash and cash equivalents at end of quarter	1,252	757	4,676
-117	**-4,036**	**-3,424**	**Net changes in cash and cash equivalents**	**-3,424**	**-4,036**	**-117**

SpareBank 1 SMN

Change in equity

Parent Bank	**Issued equity**			**Earned equity**					
(NOKm)	**EC capital**	**Premium fund**	**Ownerless capital**	**Equalisation fund**	**Dividend**	**Gifts**	**Unrealised gains reserve**	**Other equity**	**Total equity**
Equity capital at 1 January 2014	**2,597**	**895**	**3,276**	**2,496**	**227**	**124**	**195**	**-**	**9,811**
Net profit	**-**	**-**	372	679	292	160	-57	**-**	1,447
Other comprehensive income									
Actuarial gains (losses), pensions	-	-	-29	-53	-	-	-	-	-82
Other comprehensive income	-	-	-29	-53	-	-	-	-	-82
Total other comprehensive income	-	-	343	627	292	160	-57	-	1,365
Transactions with owners									
Dividend declared for 2013	-	-	-	0	-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	-	-	-351
Equity capital at 31 December 2014	**2,597**	**895**	**3,619**	**3,122**	**292**	**160**	**139**	**-**	**10,824**
Equity capital at 1 January 2015	**2,597**	**895**	**3,619**	**3,122**	**292**	**160**	**139**	**-**	**10,824**
Net profit	-	-	-	-	-	-	-	1,294	1,294
Other comprehensive income									
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	1,294	1,294
Transactions with owners									
Dividend declared for 2014	-	-	-	-	-292	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-160	-	-	-160
Sale of own ECCs	-	-	-	-0	-	-	-	-	-0
Total transactions with owners	-	-	-	-0	-292	-160	-	-	-452
Equity capital at 30 September 2015	**2,597**	**895**	**3,619**	**3,122**	**-**	**-**	**139**	**1,294**	**11,666**

Group	Majority share: Issued equity		Majority share: Earned equity							
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minotity 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	-	-	372	679	292	160	-57	325	10	1,782
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-9	-	-9
Available-for-sale financial assets	-	-	-	-	-	-	-2	-	-	-2
Actuarial gains (losses), pensions	-	-	-29	-53	-	-	-	-3	-	-85
Other comprehensive income	-	-	-29	-53	-	-	-2	-12	-	-96
Total other comprehensive income	-	-	343	627	292	160	-59	313	10	1,686
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	-	-	-	-	-	-	-	-40	-	-40
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-8	-	-8
Change in minority share	-	-	-	-	-	-	-	-	-5	-5
Total transactions with owners	-0	-	-0	-	-227	-124	-	-48	-5	-404
Equity capital at 31 December 2014	**2,597**	**895**	**3,619**	**3,122**	**292**	**160**	**148**	**1,620**	**72**	**12,524**

Group	Majority share									
	Issued equity		Earned equity							
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minotity interest	Total equity
Equity capital at 1 January 2015	**2,597**	**895**	**3,619**	**3,122**	**292**	**160**	**148**	**1,620**	**72**	**12,524**
Net profit	-	-	-	-	-	-	-	1,119	0	1,119
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	36	-	36
Other comprehensive income	-	-	-	-	-	-	-	36	-	36
Total other comprehensive income	-	-	-	-	-	-	-	1,154	0	1,154
Transactions with owners										
Dividend declared for 2014	-	-	-	-	-292	-	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-160	-	-	-	-160
Sale of own ECCs	-	-	-	-0	-	-	-	-	-	-0
Direct recognitions in equity	-	-	-	-	-	-	-	4	4	9
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	1	-	1
Change in minority share	-	-	-	-	-	-	-	-	219	219
Total transactions with owners	-	-	-	-0	-292	-160	-	5	223	-223
Equity capital at 30 September 2015	**2,597**	**895**	**3,619**	**3,122**	**-**	**-**	**148**	**2,779**	**295**	**13,455**

Equity capital certificate ratio

(NOKm)	30 Sept 2015	31 Dec 2014
ECC capital	2,597	2,597
Dividend equalisation reserve	3,122	3,122
Premium reserve	895	895
Unrealised gains reserve	90	90
A. The equity capital certificate owners' capital	**6,704**	**6,704**
Ownerless capital	3,619	3,619
Unrealised gains reserve	49	49
B. The saving bank reserve	**3,668**	**3,668**
To be disbursed from gift fund	-	160
Dividend declared	-	292
Equity ex. profit	**10,372**	**10,824**
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 2015**	**2Q 2015**	**1Q 2015**	**4Q 2014**	**3Q 2014**	**2Q 2014**	**1Q 2014**	**4Q 2013**	**3Q 2013**
Interest income	1,058	992	1,019	1,103	1,080	1,055	1,027	1,059	1,068
Interest expenses	593	525	552	618	617	625	615	624	634
Net interest	**466**	**467**	**467**	**485**	**463**	**430**	**412**	**436**	**434**
Commission income	317	313	306	323	314	326	318	323	323
Commission expenses	38	32	27	33	28	28	25	25	28
Other operating income	99	132	97	81	74	96	93	84	72
Commission income and other income	**378**	**413**	**377**	**371**	**361**	**394**	**385**	**382**	**367**
Dividends	0	22	0	5	0	14	46	0	11
Income from investment in related companies	78	120	129	144	170	131	82	98	120
Net return on financial investments	-91	23	69	-58	1	56	129	58	5
Net return on financial investments	**-13**	**165**	**198**	**91**	**170**	**201**	**257**	**156**	**135**
Total income	**831**	**1,044**	**1,042**	**947**	**993**	**1,026**	**1,055**	**974**	**937**
Staff costs	264	283	267	267	235	245	254	222	224
Administration costs	137	147	126	129	122	126	123	134	100
Other operating expenses	65	66	61	83	68	72	64	110	83
Total operating expenses	**466**	**496**	**454**	**479**	**425**	**443**	**441**	**465**	**406**
Result before losses	**364**	**548**	**588**	**467**	**568**	**583**	**614**	**508**	**530**
Loss on loans, guarantees etc.	56	35	22	34	24	15	17	32	30
Result before tax	**309**	**513**	**567**	**434**	**545**	**568**	**597**	**476**	**501**
Tax charge	61	83	126	60	101	103	99	110	98
Result investment held for sale, after tax	0	-0	-0	0	-1	-1	1	-4	31
Net profit	**248**	**430**	**441**	**375**	**443**	**464**	**500**	**361**	**433**

Key figures from quarterly accounts

Group (NOKm)	3Q 2015	2Q 2015	1Q 2015	4Q 2014	3Q 2014	2Q 2014	1Q 2014	4Q 2013	3Q 2013
Profitability									
Return on equity per quarter	7.4%	13.4%	14.1%	12.1%	14.8%	16.0%	17.7%	13.1%	16.3%
Cost-income ratio	56 %	47%	44%	51%	43%	43%	42%	48%	43%
Balance sheet figures									
Gross loans to customers	94,917	94,179	92,311	90,578	86,724	85,465	79,606	80,548	80,081
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	126,180	124,519	122,933	120,435	116,464	114,819	111,800	112,283	110,476
Deposits from customers	63,620	66,186	60,589	60,680	58,091	59,402	54,643	55,927	53,547
Total assets	129,237	130,888	123,687	126,047	117,194	118,758	111,609	115,360	111,977
Average total assets	130,063	127,288	124,867	121,620	117,976	115,184	113,485	113,668	112,583
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskredtt last 12 months	8.3 %	8.4 %	10.0 %	7.3 %	5.4 %	5.1 %	4.4 %	6.8 %	6.7 %
Growth in deposits last 12 months	9.5 %	11.4 %	10.9 %	8.5 %	8.5 %	8.5 %	5.4 %	7.3 %	5.1 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio	0.18 %	0.11 %	0.07 %	0.11 %	0.08 %	0.05 %	0.06 %	0.12 %	0.11 %
Non-performing commitm. as a percentage of gross loans	0.17 %	0.23 %	0.19 %	0.22 %	0.29 %	0.29 %	0.24 %	0.34 %	0.35 %
Other doubtful commitm. as a percentage of gross loans	0.36 %	0.30 %	0.18 %	0.18 %	0.18 %	0.18 %	0.21 %	0.14 %	0.19 %
Solidity									
Common equity tier 1	13.2 %	12.7 %	12.3 %	11.2 %	11.5 %	11.4 %	11.1 %	11.1 %	10.7 %
Core capital ratio	15.2 %	14.6 %	14.3 %	13.0 %	13.4 %	13.3 %	12.9 %	13.0 %	12.6 %
Capital adequacy ratio	17.9 %	17.3 %	17.0 %	15.7 %	16.1 %	15.0 %	14.8 %	14.7 %	14.2 %
Core capital	13,451	13,142	12,713	12,382	12,302	11,635	11,303	10,989	10,707
Net equity and related capital	15,886	15,577	15,147	14,937	14,826	13,164	12,893	12,417	12,053
Key figures ECC *)									
ECC share price at end of period (NOK)	54.00	65.50	59.50	58.50	59.25	54.25	53.75	55.00	45.70
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)	65.52	64.18	61.95	62.04	60.53	58.32	56.39	55.69	53.76
Profit per ECC, majority	1.26	2.13	2.18	1.85	2.19	2.29	2.48	1.79	2.14
Price-Earnings Ratio	10.72	7.70	6.81	7.89	6.75	5.91	5.42	7.68	5.23
Price-Book Value Ratio	0.82	1.02	0.96	0.94	0.98	0.93	0.95	0.99	0.85

*) The key figures are corrected for issues

Notes

Contents

Note 1 - Accounting principles

Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2014. 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:

IFRIC 21 Levies

Wealth tax

The interpretation addresses when to recognise a liability to pay levies. For SpareBank 1 SMN this brings a change in the treatment of wealth tax. Wealth tax is calculated on the bank's assets at year-end and is therefore recognised in December of the accounting year. In previous years this was done monthly on an accruals basis.

Guarantee Fund levy

The levy to the Banks' Guarantee Fund is normally based on previous quarters' average guaranteed deposits and average risk weighted assets. The question of whether withdrawing from the guarantee fund arrangement will entail a refund of levy paid in excess is not regulated. In practice a pro rata charge has been made upon enrolment. This practice and consistency of treatment suggest a pro rata approach upon withdrawal. The Ministry of Finance will settle the matter by administrative decision. This has a bearing on when the levy is to be recognised in the accounts. In 2015 SpareBank 1 SMN has continued its earlier practice of accrual on a monthly basis.

SpareBank 1 SMN implemented IFRIC 21 on 1 January 2015.

Other changes

The Group has changed its presentation of accrued interest as from the first quarter of 2015. Accrued interest is now presented together with the underlying financial instrument. It was previously presented as other assets and other liabilities. Historical figures for 2014 are similarly restated.

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

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

Pensions

The Group has not obtained a new calculation of pensions as of 30 September since no factors have been identified that significantly alter the pension liability. For a further description of the various pension schemes, see note 25 in the 2014 annual report.

Takeover of shares of SpareBank 1 Markets

SpareBank 1 SMN integrated its markets business with SpareBank 1 Markets against settlement in shares on 1 April 2015. SpareBank 1 SMN accordingly owns 73.4 per cent (27.3 per cent) of the shares of SpareBank 1 Markets and the company is consolidated as from the second quarter of 2015. Other owners are SpareBank 1 Nord-Norge (10.0 per cent), Samarbeidende Sparebanker (10.0 per cent), Sparebanken Hedmark (6.1 per cent) and other owners (0.6 per cent). The owners wish to strengthen a fully-fledged range of products and services in their market segment and to achieve coordination gains.

An acquisition analysis has been prepared in accordance with IFRS 3 in which identifiable assets and liabilities are valued at their fair value on the acquisition date. The difference between the Group's acquisition cost and the book value of the net assets of SpareBank 1 Markets results in an income recognition of about NOK 20 million in the Group accounts for the second quarter. In addition a new cost price is established for a previous asset resulting in income recognition of about NOK 16 million in the Group accounts. In the parent bank's accounts, sale of the markets business entails recognition of NOK 183 million as income. In addition, the shareholding in SpareBank 1 SMN Markets is written down by NOK 28 million at the parent bank.

Stake in SpareBank 1 Finans Midt-Norge reduced

As of June 2015 the subsidiary SpareBank 1 Finans Midt-Norge acquired eight new SamSpar banks as partners and owners. Sparebank 1 Nordvest and Sparebank 1 Søre Sunnmøre were already on the owner side, so that Samarbeidende Sparebanker now has a stake of 27.9 per cent. SpareBank 1 SMN reduced its holding in the company from 90.1 per cent to 72.1 per cent. With Samarbeidende Sparebanker on the owner side, the company has a presence in ten different counties dispersed across Mid- and South Norway, Nord-trøndelag and Sør-trøndelag, Møre og Romsdal, Sogn og Fjordane, Oppland, Buskerud, Telemark, Akershus, Vestfold and Østfold.

SpareBank 1 SMN

Note 3 - Account by business line

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

The segment SB1 Markets comprises the subsidiary SpareBank 1 Markets as from the second quarter of 2015. SpareBank 1 Markets became a subsidiary on 1 April 2015 when SpareBank 1 SMN integrated its markets activity into SpareBank 1 Markets and at the same time increased its holding to 73.4 per cent. As a consequence, the result as of 30 September 2015 is solely the result for the second and third quarter.

In the reporting on the first quarter of 2015 and previously, the segment Markets comprised SpareBank 1 SMN's own markets activity in the parent bank. The result for the first quarter of 2015 is now, in the second quarter, moved to the column 'uncollated'. For 2014 the segment Markets continues to comprise the bank's own markets activity.

Group 30 September 2015

Profit and loss account (NOKm)	RM	CM	SB1 Markets	EM 1	SB1 Finans MN	SB1 Regnskapshuset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	672	685	-2	2	112	-0	-	-	-70	1,399
Interest from allocated capital	37	44	-	-	-	-	-	-	-81	-
Total interest income	**709**	**729**	**-2**	**2**	**112**	**-0**	**-**	**-**	**-151**	**1,399**
Commission income and other income	530	135	25	282	24	153	-	-	19	1,168
Net return on financial investments ***)	1	11	31	-	-	-	183	31	93	349
Total income *)	**1,239**	**874**	**55**	**284**	**136**	**153**	**183**	**31**	**-39**	**2,917**
Total operating expenses	**565**	**258**	**118**	**244**	**68**	**127**	**-**	**-**	**36**	**1,416**
Ordinary operating profit	**674**	**617**	**-63**	**39**	**68**	**26**	**183**	**31**	**-74**	**1,501**
Loss on loans, guarantees etc.	6	100	-	-	5	-	-	-	1	112
Result before tax including held for sale	**668**	**517**	**-63**	**39**	**63**	**26**	**183**	**31**	**-76**	**1,388**
Post-tax return on equity)**	**16.2 %**	**12.9 %**								**11.5 %**
Balance (NOKm)										
Loans and advances to customers	83,077	37,781	-	-	4,199	-	-	-	1,124	126,180
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-29,993	-1,269	-	-	-	-	-	-	-1	-31,263
Individual allowance for impairment on loan	-24	-158	-	-	-7	-	-	-	-2	-191
Group allowance for impairment on loan	-90	-218	-	-	-17	-	-	-	-0	-326
Other assets	140	9	1,316	281	14	137	1,453	1,145	30,341	34,836
Total assets	**53,109**	**36,144**	**1,316**	**281**	**4,189**	**137**	**1,453**	**1,145**	**31,462**	**129,237**
Deposits to customers	33,449	29,567	-	-	-	-	-	-	604	63,620
Other liabilities and equity	19,660	6,578	1,316	281	4,189	137	1,453	1,145	30,858	65,617
Total liabilites	**53,109**	**36,144**	**1,316**	**281**	**4,189**	**137**	**1,453**	**1,145**	**31,462**	**129,237**

Group 30 September 2014

Profit and loss account (NOKm)	RM	CM	Markets	EM 1	SB1 Finans MN	SB1 Regnskaps huset SMN	SB1 Gruppen	BN Bank	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	76,834	35,016	-	-	3,600	-	-	-	1,015	116,464
Adv. of this to SpareBank 1 Boligkreditt	-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	189	7	-	280	10	128	1,341	1,187	27,803	30,946
Total assets	**48,296**	**33,563**	**-**	**280**	**3,582**	**128**	**1,341**	**1,187**	**28,816**	**117,194**
Deposits to customers	31,829	25,474	-	-	-	-	-	-	789	58,091
Other liabilities and equity	16,467	8,089	-	280	3,582	128	1,341	1,187	28,027	59,102
Total liabilites	**48,296**	**33,563**	**-**	**280**	**3,582**	**128**	**1,341**	**1,187**	**28,816**	**117,194**

*) 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 percent to be in line with the capital plan.

***) Specification of net return on financial investments including held for sale (NOKm)	30 Sept 2015	30 Sept 2014
Capital gains/dividends, shares	79	216
Bonds and derivatives	-73	-18
Change in discount factor in fair value model for fixed interest loans	-64	-
Forex and fixed income business, Markets	82	46
Net return on financial investments	**24**	**245**
SpareBank 1 Gruppen	183	259
SpareBank 1 Boligkreditt	65	23
SpareBank 1 Næringskreditt	22	30
BN Bank	31	78
SpareBank 1 Kredittkort	15	-
Companies owned by SpareBank 1 SMN Invest	13	18
Other companies	-3	-25
Income from investment in related companies	**326**	**383**
Total	**349**	**628**

Note 4 - Operating expenses

Parent bank				Group		
31 Dec 2014	30 Sept 2014	30 Sept 2015	(NOKm)	30 Sept 2015	30 Sept 2014	31 Dec 2014
645	461	440	Personnel expenses	814	735	1,002
199	159	161	IT costs	193	177	223
21	15	13	Postage and transport of valuables	16	19	25
44	31	34	Marketing	65	59	81
40	29	31	Ordinary depreciation	79	80	109
119	88	90	Operating expenses, real properties	75	68	93
66	43	46	Purchased services	68	51	78
131	90	76	Other operating expense	106	122	178
1,265	**916**	**890**	**Total other operating expenses**	**1,416**	**1,310**	**1,789**

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
31 Dec 2014	30 Sept 2014	30 Sept 2015	(NOKm)	30 Sept 2015	30 Sept 2014	31 Dec 2014
7,042	6,644	8,159	Agriculture, forestry, fisheries, hunting	8,313	6,788	7,158
1,213	1,245	1,297	Sea farming industries	1,581	1,387	1,367
2,069	2,043	2,224	Manufacturing	2,517	2,315	2,330
3,221	2,748	3,232	Construction, power and water supply	3,707	3,251	3,717
2,509	2,705	2,768	Retail trade, hotels and restaurants	2,940	2,867	2,671
5,616	4,765	6,073	Maritime sector	6,097	4,778	5,638
14,002	12,697	14,130	Property management	14,142	12,769	14,075
3,445	3,360	1,880	Business services	1,698	3,581	3,681
2,696	2,613	3,021	Transport and other services provision	3,509	3,038	3,141
280	253	205	Public administration	225	273	300
2,252	2,843	2,569	Other sectors	2,587	2,861	2,270
44,347	**41,915**	**45,558**	**Gross loans in retail market**	**47,315**	**43,907**	**46,348**
72,430	70,942	76,868	Wage earners	78,864	72,556	74,087
116,777	**112,858**	**122,426**	**Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt**	**126,180**	**116,464**	**120,435**
28,393	28,518	29,894	SpareBank 1 Boligkreditt	29,894	28,518	28,393
1,463	1,222	1,369	SpareBank 1 Næringskreditt	1,369	1,222	1,463
86,920	**83,118**	**91,163**	**Gross loans in balance sheet**	**94,917**	**86,724**	**90,578**

Note 6 - Losses on loans and guarantees

Parent Bank

	30 Sept 15			30 Sept 14			31 Dec 14		
Losses on loans and guarantees (NOKm)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Change in individual impairment losses provisions for the period	0	18	**19**	-1	21	**20**	-4	18	**14**
+ Change in collective impairment losses provisions for the period	-	30	**30**	-	-	**-**	-	-	**-**
+ Actual loan losses on commitments for which provisions have been made	6	51	**57**	9	18	**27**	10	41	**51**
+ Actual loan losses on commitments for which no provision has been made	4	1	**5**	10	6	**16**	12	16	**28**
- Recoveries on commitments previously written-off	4	1	**5**	11	1	**12**	12	-2	**10**
Losses of the year on loans and guarantees	**6**	**100**	**106**	**7**	**44**	**51**	**6**	**77**	**83**

Group

	30 Sept 15			30 Sept 14			31 Dec 14		
Losses on loans and guarantees (NOKm)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Change in individual impairment losses provisions for the period	0	19	**19**	-4	13	**9**	-9	8	**-1**
+ Change in collective impairment losses provisions for the period	1	30	**31**	-	-	**-**	-	-	**-**
+ Actual loan losses on commitments for which provisions have been made	7	53	**60**	12	22	**34**	14	51	**66**
+ Actual loan losses on commitments for which no provision has been made	7	3	**10**	13	12	**25**	15	20	**35**
- Recoveries on commitments previously written-off	6	2	**8**	12	1	**12**	13	-2	**11**
Losses of the year on loans and guarantees	**10**	**102**	**112**	**10**	**45**	**55**	**8**	**81**	**89**

Note 7 - Losses

Parent Bank

Individual write-downs (NOKm)	30 Sept 15 RM	30 Sept 15 CM	30 Sept 15 Total	30 Sept 14 RM	30 Sept 14 CM	30 Sept 14 Total	31 Dec 14 RM	31 Dec 14 CM	31 Dec 14 Total
Individual write-downs to cover loss on loans at 1.1*	25	139	164	28	122	150	28	122	150
- Actual losses during the period for which provisions for individual impairment losses have been made previously	6	51	57	9	18	27	10	41	51
- Reversal of provisions from previous periods	2	29	31	2	12	15	6	13	19
+ Increased write-downs on provisions previously written down	1	4	5	2	3	5	1	0	2
+ Write-downs on provisions not previously written down	8	94	102	9	48	57	11	72	83
Specification of loss provisions at end of period	**25**	**157**	**182**	**28**	**142**	**170**	**25**	**139**	**164**

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

Collective write-downs (NOKm)	30 Sept 15 RM	30 Sept 15 CM	30 Sept 15 Total	30 Sept 14 RM	30 Sept 14 CM	30 Sept 14 Total	31 Dec 14 RM	31 Dec 14 CM	31 Dec 14 Total
Collective write-downs to cover loss on loans, guarantees at 01.01	90	188	278	90	188	278	90	188	278
Period's collective write-downs to cover loss on loans, guarantees etc	-	30	30	-	-	-	-	-	-
Collective write-downs to cover loss on loans and guarantees	**90**	**218**	**308**	**90**	**188**	**278**	**90**	**188**	**278**

Group

Individual write-downs (NOKm)	30 Sept 15 RM	30 Sept 15 CM	30 Sept 15 Total	30 Sept 14 RM	30 Sept 14 CM	30 Sept 14 Total	31 Dec 14 RM	31 Dec 14 CM	31 Dec 14 Total
Individual write-downs to cover loss on loans at 1.1*	27	145	172	36	137	173	36	137	173
- Actual losses during the period for which provisions for individual impairment losses have been made previously	7	53	60	12	22	34	14	51	66
- Reversal of provisions from previous periods	3	29	32	4	19	23	7	15	22
+ Increased write-downs on provisions previously written down	1	4	5	2	4	6	1	1	2
+ Write-downs on provisions not previously written down	10	96	106	9	50	59	11	73	84
Specification of loss provisions at end of period	**28**	**163**	**191**	**32**	**150**	**182**	**27**	**145**	**172**

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

Collective write-downs (NOKm)	30 Sept 15 RM	30 Sept 15 CM	30 Sept 15 Total	30 Sept 14 RM	30 Sept 14 CM	30 Sept 14 Total	31 Dec 14 RM	31 Dec 14 CM	31 Dec 14 Total
Collective write-downs to cover loss on loans, guarantees at 1.1	94	201	295	94	201	295	94	201	295
Period's collective write-downs to cover loss on loans, guarantees etc	1	30	31	-	-	-	-	-	-
Collective write-downs to cover loss on loans and guarantees	**95**	**231**	**326**	**94**	**201**	**295**	**94**	**201**	**295**

Note 8 - Defaults

Parent Bank

Total defaults (NOKm)	30 Sept 15 RM	30 Sept 15 CM	30 Sept 15 Total	30 Sept 14 RM	30 Sept 14 CM	30 Sept 14 Total	31 Dec 14 RM	31 Dec 14 CM	31 Dec 14 Total
Loans in default for more than 90 days *)	149	35	184	161	108	268	134	90	224
- Individual write-downs	15	10	25	21	64	85	18	45	63
Net defaults	**134**	**25**	**160**	**139**	**44**	**183**	**116**	**45**	**162**
Provison rate	10 %	28 %	13 %	13 %	59 %	32 %	13 %	50 %	28 %
Problem loans									
Problem loans (not in default)	16	422	438	14	180	194	15	193	208
- Individual write-downs	9	148	157	7	78	85	7	95	101
Net problem loans	**7**	**274**	**281**	**8**	**101**	**109**	**9**	**98**	**107**
Provison rate	56 %	35 %	36 %	45 %	44 %	44 %	43 %	49 %	49 %

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

Group

Total defaults (NOKm)	30 Sept 15 RM	30 Sept 15 CM	30 Sept 15 Total	30 Sept 14 RM	30 Sept 14 CM	30 Sept 14 Total	31 Dec 14 RM	31 Dec 14 CM	31 Dec 14 Total
Loans in default for more than 90 days *)	169	50	218	186	152	338	156	114	270
- Individual write-downs	18	12	30	25	67	92	21	47	67
Net defaults	**151**	**38**	**188**	**161**	**85**	**246**	**135**	**67**	**202**
Provison rate	10 %	25 %	14 %	13 %	44 %	27 %	13 %	41 %	25 %
Problem loans									
Problem loans (not in default)	17	431	448	16	190	206	16	201	216
- Individual write-downs	9	151	160	7	83	90	7	98	105
Net problem loans	**8**	**281**	**288**	**9**	**107**	**116**	**9**	**103**	**112**
Provison rate	55 %	35 %	36 %	42 %	44 %	44 %	43 %	49 %	48 %

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

Note 9 - Other assets

Parent bank				Group		
31 Dec 2014	30 Sept 2014	30 Sept 2015	(NOKm)	30 Sept 2015	30 Sept 2014	31 Dec 2014
-	7	-	Deferred tax asset	169	25	44
162	161	149	Fixed assets	1,067	1,128	1,120
31	370	47	Earned income not yet received	41	379	39
8	346	16	Accounts receivable, securities	251	346	8
6	11	6	Pensions	6	11	6
89	150	74	Other assets	348	427	292
297	**1,045**	**291**	**Total other assets**	**1,882**	**2,316**	**1,509**

Note 10 - Distribution of customer deposits by sector/industry

Parent bank				Group		
31 Dec 2014	30 Sept 2014	30 Sept 2015	(NOKm)	30 Sept 2015	30 Sept 2014	31 Dec 2014
2,354	2,361	2,450	Agriculture, forestry, fisheries, hunting	2,450	2,361	2,354
402	332	553	Sea farming industries	553	332	402
2,359	1,597	1,870	Manufacturing	1,870	1,597	2,359
2,117	1,612	2,372	Construction, power and water supply	2,372	1,612	2,117
4,221	3,249	3,416	Retail trade, hotels and restaurants	3,416	3,249	4,221
2,346	1,701	1,928	Maritime sector	1,928	1,701	2,346
4,051	4,209	4,535	Property management	4,347	4,085	3,919
4,540	4,565	5,038	Business services	5,038	4,565	4,540
4,488	4,348	4,657	Transport and other services provision	4,218	4,078	4,131
5,254	4,989	6,358	Public administration	6,358	4,989	5,254
2,574	3,519	2,922	Other sectors	2,894	3,485	2,542
34,706	**32,482**	**36,097**	**Total**	**35,442**	**32,055**	**34,184**
26,496	26,037	28,178	Wage earners	28,178	26,037	26,496
61,202	**58,519**	**64,276**	**Total deposits**	**63,620**	**58,091**	**60,680**

Note 11 - Debt created by issue of securities

Parent bank				Group		
31 Dec 2014	30 Sept 2014	30 Sept 2015	(NOKm)	30 Sept 2015	30 Sept 2014	31 Dec 2014
820	300	300	Short-term debt instruments, nominal value	300	300	820
30,981	29,564	32,180	Bond debt, nominal value	32,180	29,564	30,981
830	627	788	Value adjustments	788	627	830
370	230	289	Accrued interest	289	230	370
33,001	**30,721**	**33,557**	**Total**	**33,557**	**30,721**	**33,001**

Change in securities debt (NOKm)

	30 Sept 2015	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2014
Short-term debt instruments, nominal value	300	3,205	3,725	-	820
Bond debt, nominal value	32,180	5,314	4,781	666	30,981
Value adjustments	788	-	-	-42	830
Accrued interest	289	-	-	-80	370
Total	**33,557**	**8,519**	**8,506**	**543**	**33,001**

Change in subordinated debt and hybrid equity (NOKm)

	30 Sept 2015	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2014
Ordinary subordinated loan capital, nominal value	1,633	-	-	75	1,558
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,400	-	-	-	1,400
Value adjustments	92	-	-	-5	98
Accrued interest	27	-	-	12	15
Total	**3,453**	**-**	**-**	**82**	**3,371**

Note 12 - Other liabilities

Parent bank				Group		
31 Dec 2014	**30 Sept 2014**	**30 Sept 2015**	**(NOKm)**	**30 Sept 2015**	**30 Sept 2014**	**31 Dec 2014**
32	-	34	Deferred tax	48	7	45
363	342	192	Payable tax	241	387	398
10	8	10	Capital tax	10	8	10
66	88	51	Accrued expenses and received, non-accrued income	23	235	190
79	57	87	Provision for accrued expenses and commitments	87	57	79
25	-	17	Pension liabilities	32	7	32
74	53	43	Drawing debt	43	53	74
5	8	3	Creditors	48	42	33
-	1,490	-	Debt from securities	157	1,490	-
191	287	255	Other liabilities	654	330	234
846	**2,332**	**691**	**Total other liabilites**	**1,342**	**2,617**	**1,095**

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 2015 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3 per cent and countercyclical buffer is 1 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 11 per cent. The countercyclical buffer is announced to increase to 1.5 per cent with effect from 30 June 2016.

SpareBank 1 SMN utilises the Internal Rating Based Approach (IRB) for credit risk. Use of IRB imposes wide-ranging requirements on the bank's organisational set-up, competence, risk models and risk management systems. As from 31 March 2015 the bank has received permission to apply the Advanced IRB Approach to those corporate portfolios that were previously reported under the Basic Indicator Approach.

SpareBank 1 SMN has reviewed the intention for the bond portfolios and on that basis reclassified certain portfolios from trading to banking in the first quarter of 2015. This is reflected in reduced debt risk and increased credit risk under the standardised approach.

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 2015 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.

The parent bank calculates capital charges against operational risk using the standardised approach. In the case of subsidiaries, the basic indicator approach is applied.

Parent Bank				Group		
31 Dec 2014	**30 Sept 2014**	**30 Sept 2015**	**(NOKm)**	**30 Sept 2015**	**30 Sept 2014**	**31 Dec 2014**
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
3,122	2,496	3,122	Dividend equalisation fund	3,122	2,496	3,122
3,619	3,276	3,619	Savings bank's reserve	3,619	3,276	3,619
292	-	-	Recommended dividends	-	-	292
160	-	-	Provision for gifts	-	-	160
139	195	139	Unrealised gains reserve	148	206	148
-	-65	-	Other equity	1,660	1,282	1,620
-	-	-	Minority interests	295	69	72
-	1,194	1,294	Net profit	1,119	1,407	-
10,824	**10,588**	**11,666**	**Total book equity**	**13,455**	**12,228**	**12,524**
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-679	-565	-566
-	-	-	Part of reserve for unrealised gains, associated companies	179	131	120
-452	-	-	Deduction for allocated dividends and gifts	-	-	-452
-	-	-	Minority interests recognised in other equity capital	-295	-69	-72
-	-	-	Minority interests eligible for inclusion in CET1 capital	49	34	35
-4	-28	-4	Surplus financing of pension obligations	-	-21	-
-	-1,194	-1,294	Net profit	-1,119	-1,407	-
-	872	992	Year-to-date profit included in core capital (73 per cent pre tax of group profit)	817	1,027	-
-31	-27	-32	Value adjustments due to requirements for prudent valuation	-49	-36	-45
-325	-300	-199	Positive value of adjusted expected loss under IRB Approach	-277	-367	-419
-	-	-	Direct, indirect and synthetic investments in financial sector companies	-428	-349	-451
9,565	**9,465**	**10,682**	**Total common equity Tier one**	**11,652**	**10,605**	**10,674**

1,449	1,440	950	Hybrid capital, core capital	1,311	1,707	1,716
-	-	496	Hybrid capital covered by transitional provisions	496	-	-
-	-	-	Direct, indirect and synthetic investments in financial sector companies	-9	-9	-9
11,014	**10,905**	**12,128**	**Total core capital**	**13,451**	**12,302**	**12,382**
			Supplementary capital in excess of core capital			
1,906	1,875	1,000	Subordinated capital	1,692	2,566	2,598
-	-	786	Subordinated capital covered by transitional provisions	786	-	-
-43	-43	-43	Direct, indirect and synthetic investments in financial sector companies	-43	-43	-43
1,864	**1,833**	**1,743**	**Total supplementary capital**	**2,435**	**2,523**	**2,555**
12,878	**12,738**	**13,871**	**Net subordinated capital**	**15,886**	**14,826**	**14,937**
			Minimum requirements subordinated capital			
1,632	1,482	1,062	Involvement with spesialised enterprises	1,262	1,732	1,887
1,331	1,328	981	Other corporations exposure	1,058	1,375	1,371
829	790	1,136	Mass market exposure, property	1,551	1,233	1,280
149	138	174	Mass market exposure, SMEs	186	147	159
49	40	15	Other retail exposure	15	42	51
1,111	1,105	1,155	Equity investments	0	0	0
5,102	**4,884**	**4,524**	**Total credit risk IRB**	**4,073**	**4,529**	**4,748**
397	440	93	Debt risk	94	440	397
-	-	-	Equity risk	10	2	1
-	-	-	Currency risk	0	-	0
292	292	316	Operational risk	457	416	416
849	778	911	Exposures calculated using the standardised approach	1,827	1,860	1,971
42	31	55	Credit value adjustment risk (CVA)	92	116	92
-	-	-	Transitional arrangements	533	-	-
6,682	**6,425**	**5,899**	**Minimum requirements subordinated capital**	**7,087**	**7,364**	**7,625**
83,523	**80,315**	**73,732**	**Risk weighted assets (RWA)**	**88,586**	**92,045**	**95,317**
3,759	3,614	3,318	Minimum requirement on CET1 capital, 4.5 per cent	3,986	4,142	4,289
			Capital Buffers			
2,088	2,008	1,843	Capital conservation buffer, 2.5 per cent	2,215	2,301	2,383
2,506	2,409	2,212	Systemic rick buffer, 3.0 per cent	2,658	2,761	2,860
		737	Countercyclical buffer, 1.0 per cent	886		
4,594	**4,417**	**4,793**	**Total buffer requirements on CET1 capital**	**5,758**	**5,062**	**5,242**
1,212	**1,434**	**2,571**	**Available CET1 capital after buffer requirements**	**1,908**	**1,400**	**1,143**
			Capital adequacy			
11.5 %	11.8 %	14.5 %	Common equity Tier one ratio	13.2 %	11.5 %	11.2 %
13.2 %	13.6 %	16.4 %	Core capital ratio	15.2 %	13.4 %	13.0 %
15.4 %	15.9 %	18.8 %	Capital adequacy ratio	17.9 %	16.1 %	15.7 %

Note 14 - Financial instruments and offsetting

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. Regarding 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 2015 the Bank has 26 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 (NOKm)**
30 Sept 2015	Derivatives	2,201
30 Sept 2014	Derivatives	890
31 Dec 2014	Derivatives	1,980

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 2015:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	64	7,448	-	7,513
Bonds and money market certificates	1,697	12,732	-	14,430
Equity instruments	613	-	572	1,184
Fixed interest loans	-	43	4,706	4,749
Financial assets avaliable for sale				
Equity instruments	-	-	36	36
Total assets	**2,374**	**20,223**	**5,314**	**27,912**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	64	5,421	-	5,486
Total liabilities	**64**	**5,421**	**-**	**5,486**

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	4,783	-	5,052
Bonds and money market certificates	4,111	11,194	-	15,305
Equity instruments	46	-	615	661
Fixed interest loans	-	43	2,631	2,673
Financial assets avaliable for sale				
Equity instruments	-	-	33	33
Total assets	**4,426**	**16,020**	**3,279**	**23,724**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	265	4,119	-	4,384
Total liabilities	**265**	**4,119**	**-**	**4,384**

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2014:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	326	7,551	-	7,877
Bonds and money market certificates	3,859	10,318	-	14,177
Equity instruments	48	-	625	673
Fixed interest loans	-	43	3,277	3,320
Financial assets avaliable for sale				
Equity instruments	-	-	35	35
Total assets	**4,233**	**17,911**	**3,937**	**26,082**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	324	5,928	-	6,252
Total liabilities	**324**	**5,928**	**-**	**6,252**

The following table presents the changes in the instruments classified in level 3 as at 30 September 2015:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	3,277	625	35	3,937
Investment in periode	2,044	9	3	2,056
Disposals in the periode	-599	-61	-2	-662
Gain or loss on financial instruments	48	-2	-	47
Change in discount factor in fair value model for fixed interest loans	-64	-	-	-64
Closing balance 30 September 15	**4,706**	**572**	**36**	**5,314**

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	2,656	909	40	3,605
Investment in periode	241	28	-	269
Disposals in the periode	-263	-329	-4	-596
Gain or loss on financial instruments	-4	8	-3	1
Closing balance 30 September 14	**2,631**	**615**	**33**	**3,279**

The following table presents the changes in the instruments classified in level 3 as at 31 December 2014:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	2,656	909	40	3,605
Investment in periode	946	38	3	987
Disposals in the periode	-389	-341	-4	-733
Gain or loss on financial instruments	64	19	-4	79
Closing balance 31 December 14	**3,277**	**625**	**35**	**3,937**

Note 16 - Subsequent events

Acquisition of mCASH

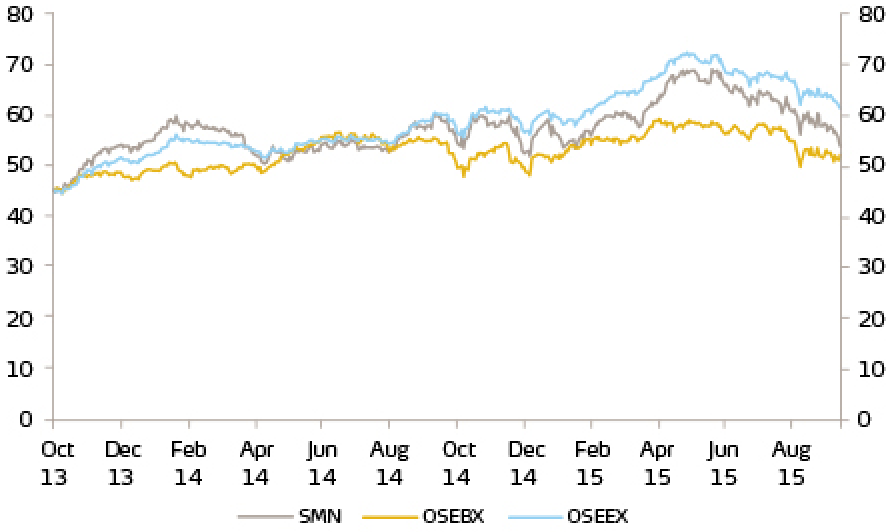
The SpareBank 1 Alliance entered on 12 October 2015 an agreement to purchase the Norwegian arm of mCASH . This includes the technological platform, customer base and user site agreements. No employees of mCASH are encompassed by the agreement.

mCASH has close to 100,000 users and more than 600 shops. The service covers friend-to-friend payments, payments in shops, payments at jumble sales etc, and online purchases by mobile phone.

Equity capital certificates

Stock price compared with OSEBX and OSEEX

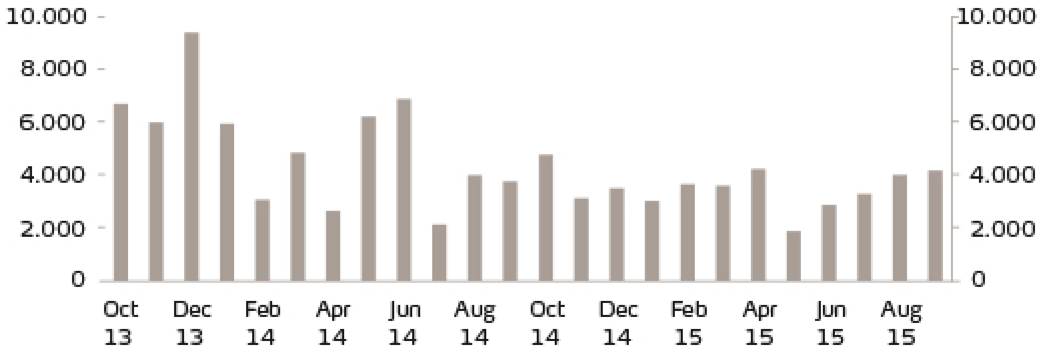
1 Oct 2013 to 30 Sep 2015



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

Trading statistics

1 October 2013 to 30 September 2015



Total number of ECs traded (1000)

20 largest ECC holders	Number	Share
Verdipapirfondet DNB Norge (IV)	4,785,751	3.69 %
VPF Nordea Norge Verdi	4,123,757	3.18 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,718,725	2.86 %
State Street Bank and Trust CO (nominee)	3,576,792	2.75 %
VPF Pareto Aksje Norge	3,383,638	2.61 %
VPF Odin Norden	3,363,290	2.59 %
Vind LV AS	2,736,435	2.11 %
Wimoh Invest AS	2,359,388	1.82 %
VPF Danske Invest Norske Aksjer Inst. II	2,245,967	1.73 %
The Bank of New York Mellon (nominee)	2,040,776	1.57 %
MP Pensjon PK	1,992,160	1.53 %
Pareto AS	1,821,202	1.40 %
JP Morgan Chase Bank (Nominee)	1,761,137	1.36 %
Forsvarets Personellservice	1,539,046	1.19 %
VPF Nordea Kapital	1,383,148	1.07 %
Verdipapirfondet DNB Norge Selektiv (III)	1,283,225	0.99 %
State Street Bank and Trust CO (nominee)	1,256,502	0.97 %
DNB Livsforsikring AS	1,215,751	0.94 %
VPF Danske Invest Norske Aksjer Inst. I	1,207,123	0.93 %
The 20 largest ECC holders in total	**49,759,204**	**38.32 %**
Others	80,077,239	61.68 %
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

Deloitte.

Deloitte AS
Postboks 5670 Sluppen
NO-7485 Trondheim
Norway

Besøksadresse:
Dyre Halses gate 1A

Tlf.: +47 73 87 69 00
www.deloitte.no

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 2015

We have reviewed the accompanying balance sheet of the parent company and the group as of September 30 2015 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 2015, 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 29.10.2015
Deloitte AS

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