

Third Quarter Report 2017



Contents

Main figures	3
Report of the Board of Directors	5
Income statement	17
Balance sheet	19
Cash flow statement	20
Change in equity	21
Notes	24
Equity capital certificate ratio	44
Results from quarterly accounts	45
Key figures from quarterly accounts	46
Equity capital certificates	47
Auditor's report	49

Main figures

	January-September					
	2017		2016		2016	
From the income statement	NOKm	% ¹⁾	NOKm	% ¹⁾	NOKm	% ¹⁾
Net interest	1,603	1.48	1,391	1.36	1,883	1.37
Net commission income and other income	1,475	1.36	1,260	1.23	1,674	1.22
Net return on financial investments	504	0.47	717	0.70	944	0.69
Total income	3,582	3.31	3,368	3.28	4,502	3.28
Total operating expenses	1,751	1.62	1,521	1.48	2,003	1.46
Results before losses	1,831	1.69	1,847	1.80	2,499	1.82
Loss on loans, guarantees etc	263	0.24	417	0.41	516	0.38
Results before tax	1,568	1.45	1,430	1.39	1,983	1.45
Tax charge	320	0.30	242	0.24	341	0.25
Result investment held for sale, after tax	2	0.00	-3	0.00	4	0.00
Net profit	1,250	1.16	1,185	1.15	1,647	1.20

Key figures	30 Sept 2017	30 Sept 2016	31 Dec 2016
Profitability			
Return on equity ²⁾	10.8 %	11.0 %	11.3 %
Cost-income ratio ³⁾	49 %	45 %	44 %
Balance sheet figures			
Gross loans to customers	110,695	99,569	102,325
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	147,146	134,462	137,535
Deposits from customers	73,086	66,290	67,168
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	66 %	67 %	66 %
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt	50 %	49 %	49 %
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt)	9.4 %	6.6 %	8.0 %
Growth in deposits last 12 months	10.3 %	4.2 %	4.8 %
Average total assets	144,121	136,805	137,060
Total assets	146,913	139,815	138,080
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt			
Impairment losses ratio	0.25 %	0.42 %	0.39 %
Non-performing commitm. as a percentage of gross loans ⁴⁾	0.18 %	0.16 %	0.16 %
Other doubtful commitm. as a percentage of gross loans ⁴⁾	0.83 %	1.01 %	1.07 %
Solidity			
Capital adequacy ratio	19.1 %	18.8 %	19.4 %
Core capital ratio	16.6 %	16.3 %	17.0 %
Common equity tier 1 ratio	14.7 %	14.3 %	14.9 %
Core capital	15,807	14,736	15,069
Net equity and related capital	18,093	17,011	17,185
Liquidity Coverage Ratio (LCR)	124 %	138 %	129 %
Leverage Ratio	7.5 %	7.1 %	7.4 %
Branches and staff			
Number of branches	48	49	48
No. Of full-time positions	1,415	1,205	1,254

Key figures ECC	30 Sept 2017	30 Sept 2016	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
ECC ratio	64.0 %	64.0 %	64.0 %	64.0 %	64.6 %	64.6 %
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	129.83
ECC share price at end of period (NOK)	81.25	55.75	64.75	50.50	58.50	55.00
Stock value (NOKM)	10,549	7,238	8,407	6,556	7,595	7,141
Booked equity capital per ECC (including dividend)	76.21	71.17	73.26	67.65	62.04	55.69
Profit per ECC, majority	6.06	5.70	7.91	7.02	8.82	6.92
Dividend per ECC			3.00	2.25	2.25	1.75
Price-Earnings Ratio	10.05	7.33	8.19	7.19	6.63	7.95
Price-Book Value Ratio	1.07	0.78	0.88	0.75	0.94	0.99

1) Calculated as a percentage of average total assets

2) Net profit as a percentage of average equity

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

4) 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

Report of the Board of Directors

Accounts for first nine months 2017

(Consolidated figures. Figures in parenthesis refer to the same period of 2016 unless otherwise stated)

- Pre-tax profit: NOK 1,568m (1,430m)
- Net profit: NOK 1,250m (1,185m)
- Return on equity: 10.8 percent (11.0 percent)
- Growth in lending: 9.4 percent (6.6 percent) and in deposits: 10.3 percent (4.2 percent) in the last 12 months
- Loan losses: NOK 263m (417m)
- CET1 capital ratio: 14.7 percent (14.3 percent)
- Earnings per equity certificate (EC): NOK 6.06 (5.70)

Accounts for third quarter 2017

- Pre-tax profit: NOK 607m (500m)
- Net profit: NOK 491m (414m)
- Return on equity: 12.5 percent (11.3 percent)
- Loan losses: NOK 88m (130m)
- Earnings per equity certificate (EC): NOK 2.41 (2.00)

Good result for first nine months

Main points:

- Strengthened operating profit
- Reduced losses on loans to the offshore segment
- Good results at subsidiaries and affiliates
- Satisfactory return on financial instruments
- Strong financial position
- High customer influx and good growth
- The Group's income and cost base has increased as a result of the acquisition by SpareBank 1 SMN Regnskapshuset, increased activity at SpareBank 1 SMN Markets and the establishment of BN Bolig

In the first nine months of 2017 SpareBank 1 SMN achieved a pre-tax profit of NOK 1,568m (1,430m). The net profit was NOK 1,250m (1,185m) and return on equity was 10.8 percent (11.0 percent).

Pre-tax profit in the third quarter was NOK 607m (500m). Return on equity in the quarter was NOK 12.5 percent (11.3 percent).

Operating income in the first nine months of 2017 totalled NOK 3,078m (2,651m), an increase of NOK 427m compared with the same period of 2016. SpareBank 1 SMN Regnskapshuset's acquisition and income growth at SpareBank 1 SMN Markets explain much of the increase.

Return on financial investments in the first nine months was NOK 504m (717m), of which income from owner interests accounted for NOK 290m (349m).

Loan losses totalled NOK 263m (417m). The losses are in all essentials in the offshore segment and are in keeping with the level expected.

Growth in lending and deposits in the 12 months to end-September was 9.4 percent (6.6 percent) and 10.3 percent (4.2 percent) respectively. In the first nine months of 2017 lending rose by 7.0 percent (5.6 percent) and deposits by 8.8 percent (3.4 percent).

As at 30 September 2017 the CET1 ratio was 14.7 percent (14.3 percent); the Group targets a CET1 ratio of 15.0 per cent.

The EC's market price at the nine-month mark was NOK 81.25 (55.75 at the turn of 2017). Earnings per EC were NOK 6.06 (5.70) at the same point, and the book value was NOK 76.21 (71.17). Earnings per EC in the third quarter were NOK 2.41 (2.00). A cash dividend of NOK 3.00 per EC has been paid in 2017 for the year 2016.

Increased net interest income

Net interest income totalled NOK 1,603m (1,391m) in the first nine months of 2017. The increase of NOK 212m is mainly ascribable to increased lending and deposits and improved margins both on residential mortgages and loans to corporates. The margin improvement is a result of lower market interest rates and repricing of parts of the corporate portfolio. At NOK 559m, net interest income was NOK 48m higher in the third quarter than in the preceding quarter as a result of continued growth and lower funding costs.

A general interest rate increase has been effectuated on residential mortgage loans in 2017. After the rate increase, the average lending rate on loans for residential purposes is still at about the same level as one year ago.

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 2017 totalled NOK 266m (219m).

Increased commission income

Commission and other operating income rose to NOK 1,475m (1,260m) in the first nine months of 2017, an increase of NOK 215m or 17 percent compared with last year.

An increase of NOK 110m in income from accounting services is in large measure ascribable to the acquisition of Økonomisenteret with effect from January 2017. In addition, income at SpareBank 1 Markets has shown a positive trend with an increase of NOK 70m. Income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt has risen by 48m due to a higher volume of, and increased margins on, loans sold to those companies.

Commission income (NOKm)	January-September		Change
	2017	2016	
Payment transfers	157	149	9
Creditcard	44	46	-3
Saving products	64	66	-2
Insurance	128	119	9
Guarantee commission	54	60	-6
Real estate agency	289	301	-12
Accountancy services	271	161	110
Securities Brokerage	156	86	70
Other commissions	47	54	-7
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	1,209	1,042	168
Commissions SB1 Boligkreditt	254	211	43
Commissions SB1 Næringskreditt	12	8	5
Total commissions	1,475	1,260	215

Financial investments

Overall return on financial investments was NOK 209m (281m). This breaks down as follows:

- A net gain of NOK 111m on equities and financial derivatives (gain of NOK 152m)
- Other financial instruments measured at fair value include value changes on the bank's portfolio of fixed rate loans, and have provided a gain of NOK 11m (26m) in the period
- The Group's holding of commercial paper and bonds has provided a gain of NOK 206m (138m)

Prices of financial instruments used by the bank for hedging purposes have fallen, and the bank has recorded a loss of NOK 147m (89m) on hedging instruments of which NOK 56m (4m) refers to losses on basis swaps.

Return on financial assets (NOKm)	January-September		Change
	2017	2016	
Capital gains shares	79	100	-21
Gain/(loss) on derivatives	32	52	-19
Gain/(loss) on other financial instruments at fair value (FVO)	11	26	-16
Foreign exchange gain / (loss)	29	53	-24
Gain/(Loss) on certificates and bonds	206	138	67
Gain/(loss) on financial instruments related to hedging	-147	-89	-58
of which basis-swap	-56	-4	-52
Net return on financial instruments	209	281	-72

Results from ownership interests

Overall profit from ownership interests totalled NOK 290m in the first nine months of 2017 (349m).

Income from investment in associated companies	January-September		Change
	2017	2016	
SpareBank 1 Gruppen	214	220	-6
SpareBank 1 Boligkreditt	-26	9	-36
SpareBank 1 Næringskreditt	18	20	-2
SpareBank 1 Kredittkort	11	20	-10
BN Bank	70	79	-8
SpareBank 1 Mobilbetaling	-14	-19	5
Other companies	17	19	-2
Income from investment in associated companies	290	349	-58

SpareBank 1 Gruppen

SpareBank 1 Gruppen owns 100 percent of the shares of SpareBank 1 Forsikring, SpareBank 1 Skadeforsikring, ODIN Forvaltning, SpareBank 1 Medlemskort, SpareBank 1 Gruppen Finans and Conecto.

SpareBank 1 SMN's holding in SpareBank 1 Gruppen at the end of the third quarter of 2017 was unchanged at 19.5 percent.

SpareBank 1 Gruppen recorded a post-tax profit of NOK 1,123m in the first nine months of 2017 (1,094m). The main contributor to the profit and profit growth is the non-life insurance business. SpareBank 1 SMN's share of the profit for the first nine months of 2017 was NOK 214m (220m).

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks participating in the SpareBank 1 Alliance to draw benefit from the market for covered bonds. By selling their best secured residential mortgage loans to the company, the banks achieve reduced funding costs and better access to funding. As at 30 September 2017 the bank had sold loans totalling NOK 34bn (33bn) to SpareBank 1 Boligkreditt, corresponding to 36 percent (38 percent) of overall loans to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt is 19.1 percent, and the bank's share of that company's profit in the first nine months of 2017 was minus NOK 26m (plus 9m). The profit share in 2017 is impaired by capital losses of NOK 62m (29m) on the company's basis swaps. The portfolio of basis swaps is valued quarterly, and may produce wide profit/loss fluctuations from quarter to quarter. Key drivers are changes in costs of hedging foreign exchange risk on the company's borrowings.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines as SpareBank 1 Boligkreditt. As at end-September 2017, loans worth NOK 2.3bn (2.0bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 36.5 percent, and the bank's share of the company's profit for the first nine months of 2017 was NOK 18m (20m). The bank's holding reflects its relative share of sold loans to commercial property and its stake in BN Bank.

SpareBank 1 Kredittkort

Profit for the first nine months of 2017 was NOK 58m (110m). SpareBank 1 Kredittkort (a credit card company) is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 17.9 percent. SpareBank 1 SMN's share of the profit for the first nine months was NOK 11m (20m), and the bank's share of the credit card portfolio is NOK 839m (840m). The profit decline was expected and is mainly ascribable to the cap imposed on card issuers' share of user site commission (interchange fee).

BN Bank

SpareBank 1 SMN owns 33.0 percent of BN Bank. BN Bank recorded a profit of NOK 213m for the first nine months of 2017 (239m). SpareBank 1 SMN's share of the profit of BN Bank was NOK 70m (79m). Return on equity was 7.4 percent (9.0 percent).

In keeping with the decision to wind down the focus on financing of commercial property, the commercial property portfolio has been reduced by NOK 18.5bn or 58 percent since 30 June 2015. This has helped to improve SpareBank 1 SMN's financial position and to enhance the profitability of BN Bank's remaining corporate portfolio.

BN Bank's main focus is on the personal market.

BN Bank has resolved to strengthen its product platform through a cautious focus on consumer lending. In addition the company has, in collaboration with EiendomsMegler 1 Midt Norge, established the company BN Bolig, in which BN Bank holds a 50 percent stake. This venture into estate agency in the Oslo market is intended to contribute to stronger growth in residential lending for BN Bank in that market. To support the estate agency venture, the bank's board of directors has also decided to embark on financing of housing projects. This will involve a controlled, gradual build-up of the portfolio.

SpareBank 1 Betaling (Vipps)

On 13 February 2017 it was announced that SpareBank 1 SMN was to join with 105 other banks in selecting Vipps as their mobile payment solution.

A new company has been founded to which DNB has assigned Vipps and the SpareBank 1 Alliance has assigned mCash. Other savings banks and the Eika Alliance have joined on the owner side. DNB is the largest owner with 52 percent of the shares. The SpareBank 1 Alliance is the second largest owner with 25 percent, other savings banks with 13 percent and the Eika Alliance with 10 percent.

The new Vipps is a strong Norwegian company, well equipped to compete against large Nordic and international actors in the mobile payments area. The company will develop and deliver simple, secure services at the lowest possible cost. Uniting competence with technology in a single strong Norwegian company will benefit the customers. SpareBank 1's 550,000 mCASH customers has been invited to join Vipps and will have the same options available as previously.

Operating expenses

The Group's overall operating expenses came to NOK 1,751m (1,521m) in the first nine months of 2017. Of the increase of NOK 230m, NOK 100m is ascribable to SpareBank 1 SMN Regnskap's acquisition, NOK 96m to SpareBank 1 Markets and NOK 16m to the start-up of BN Bolig. BN Bolig is consolidated as a subsidiary of EiendomsMegler 1 Midt-Norge.

Parent bank costs rose by NOK 16m to NOK 914m. A reduction of FTEs has in isolation reduced personnel costs. A new tax on financial institutions, effective as from 2017, has increased costs by NOK 15m in 2017. Other growth in costs compared with the same period of 2016 relates to technological developments.

The number of FTEs at the parent bank has been reduced from 630 to 617 so far this year and will be further reduced to 590 over the course of 2017. This will reduce staffing at the parent bank by 130 FTEs or 18 per cent since 2014. Changing customer behaviour and new technology set the stage for increased efficiency, and the target of zero cost growth is retained for 2017.

The Group cost-income ratio was 49 percent (46 percent).

Reduced loan losses

Net losses on loans and guarantees totalled NOK 263m in the first nine months of 2017 (417m). A net loss of NOK 88m was recorded in the third quarter in isolation (130m).

A net loss of NOK 252m was recorded on loans to corporates in the first nine months of 2017 (401m), in all essentials related to loans to the offshore segment. A net loss of NOK 11m was recorded on the retail banking portfolio in the first nine months of 2017 (16m).

Individually assessed write-downs on loans and guarantees totalled NOK 707m in the first nine months (562m).

Total problem loans (defaulted and doubtful) came to NOK 1,478m (1,581m), or 1.00 percent (1.18 percent), of gross loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Defaults in excess of 90 days totalled NOK 263m (221m), measuring 0.18 percent (0.16 percent) of gross lending. Of the total default volume, NOK 41m (35m) is loss provisioned corresponding to 16 percent (16 percent).

Defaults break down to NOK 84m (44m) on corporates and NOK 178m (177m) on retail borrowers.

Other doubtful exposures totalled NOK 1,215m (1,360m), 0.83 percent (1.01 percent) of gross lending. Individual write-downs on these exposures totalled NOK 665m (526m), corresponding to a share of 55 percent (39 percent).

Other doubtful exposures break down to NOK 1,196m (1,334m) on corporates and NOK 19m (26m) on retail borrowers.

Collectively assessed impairment write-downs

The calculation of collectively assessed impairment write-downs is based on two factors:

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

Collectively assessed impairment write-downs have increased by NOK 8m in 2017. Overall collectively assessed impairment write-downs thus total NOK 346m (391m), measuring 0.24 percent (0.29 percent) of total loans. Collectively assessed write-downs break down to NOK 102m on retail exposures and NOK 244m on corporates. Of the overall provision of NOK 244m on the corporate portfolio, the provision for oil-related activity accounts for NOK 70m. The remaining collectively assessed write-downs of NOK 174m on the corporate portfolio are fairly evenly spread across other sectors.

Total assets of NOK 147bn

The Group's assets totalled NOK 146.9bn (139.8bn) at 30 September 2017, having risen by NOK 7.1bn or 5.1 percent over the last 12 months.

As at end-September 2017 residential mortgage loans totalling NOK 36.5bn (34.9bn) had been sold by SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as loans in the bank's balance sheet. The comments covering lending growth do however include loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Good growth in residential mortgage lending

(For distribution by sector – see note 5 and note 9)

Total outstanding loans have risen by NOK 12.7bn (8.3bn) or 9.4 percent (6.6 percent) in the last 12 months to reach NOK 147.1bn (134.5bn) as at end-September 2017. Growth in 2017 comes to 7.0 percent (5.6 percent).

Lending to retail borrowers rose by NOK 9.0bn (8.5bn) or 10.3 percent (10.8 percent) in the last 12 months to reach NOK 96.4bn. Growth in lending thus far in 2017 comes to 7.8 percent (8.3 percent). A good influx of new customers is an important reason why the bank is achieving higher lending growth than other participants in the residential mortgage market.

Lending to corporates increased by NOK 3.7bn (reduction of 0.2bn) or 7.9 percent (minus 0.5 percent) in the last 12 months. Overall lending to corporates came to NOK 50.8bn as at 30 September 2017. Lending to corporate borrowers has grown by 5.5 percent (0.9 percent) in 2017.

Loans to retail borrowers accounted for 66 percent (65 percent) of total loans to customers at end-September 2017.

Strong growth in deposits

Customer deposits rose by NOK 6.8bn (2.7bn) in the last 12 months to reach NOK 73.1bn as at 30 September 2017. This represents a growth of 10.3 percent (4.2 percent) in the last 12 months.

Retail deposits rose by NOK 1.8bn (1.5bn) or 6.2 percent (5.3 percent) to reach NOK 31.5bn at end-September 2017. Corporate deposits rose by NOK 5.0bn (1.2bn) or 13.6 percent (3.3 percent) to reach NOK 41.6bn. In 2017 retail deposits have risen by 5.8 percent (4.7 percent) and corporate deposits by 11.2 percent (2.4 percent).

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 9.7bn at 30 September 2017 (8.2bn). The growth in equity funds and active asset management products is explained by new sales and value changes on underlying securities.

Saving products, customer portfolio (NOKm)	January-September		Change
	2017	2016	
Equity funds	5,964	4,966	998
Pension products	828	679	149
Active management	2,926	2,518	408
Total	9,718	8,163	1,555

Insurance portfolios

The bank's insurance portfolio showed growth of NOK 106m or 8.6 percent in the last 12 months. Non-life insurance showed 4.2 percent growth, personal insurance 18.9 percent growth and occupational pensions 9.1 percent growth.

Insurance, premium volume (NOKm)	January-September		Change
	2017	2016	
Non-life insurance	766	735	31
Personal insurance	352	296	56
Occupational pensions	227	208	19
Total	1,345	1,239	106

Retail Banking

Overall operating income came to NOK 1,396m (1,227m) of which net interest income accounted for NOK 819m (713m) and commission income for NOK 576m (513m). Incomes have risen in most product areas as a result of a good customer influx and an increase in the number of multi-product customers. Overall incomes have grown by NOK 169m. Return on capital employed in the retail banking segment was 16.3

percent (13.5 percent). Regulatory capital of 15.0 percent is used as capital employed, corresponding to the Group's targeted CET1 capital ratio.

The lending margin in the first nine months of 2017 was 1.90 percent (1.80 percent), while the deposit margin was 0.24 percent (0.24 percent) (measured against three-month NIBOR). The average three-month NIBOR has fallen by about 30 basis points since the start of 2017.

In the last 12 months retail lending and retail deposits grew by 9.9 percent (10.3 percent) and 5.9 percent (4.4 percent) respectively.

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

Corporate Banking

Operating income totalled NOK 974m in the first nine months of 2017 (889m), having risen by NOK 85m. Net interest income was NOK 814m (731m) and commission income totalled NOK 160m (158m), including NOK 9m (10m) on fixed-income and forex business. Operating income in the corporate segment has risen due in all essentials to increased lending margins and good growth.

Overall losses in the corporate banking division came to NOK 249m (398m). The losses are in all essentials related to the challenges in the oil and offshore segment.

Return on capital employed for the corporate banking segment in the first nine months of 2017 was 10.1 percent (4.1 percent). Regulatory capital of 15.0 percent is used as capital employed, corresponding to the Group's targeted CET1 capital ratio.

The lending margin was 2.77 percent (2.66 percent) and the deposit margin was minus 0.10 percent (minus 0.10 percent) as at end-September 2017.

Lending grew by 5.6 percent (minus 2.5 percent) and deposits by 15.4 percent (6.4 percent) in the last 12 months.

Subsidiaries

The subsidiaries posted an overall profit for the first nine months of 2017 of NOK 192.9m (220.3m) before tax and minority interests.

Pre-tax profit (NOKm)	January-September		
	2017	2016	Change
EiendomsMegler 1 Midt-Norge	12.5	59.5	-47.0
SpareBank 1 Finans Midt-Norge	93.5	74.9	18.6
SpareBank 1 Regnskapshuset SMN	45.0	32.9	12.2
Sparebank 1 Markets (proforma incl. SpareBank 1 Kapitalforvaltning)	-5.9	11.1	-16.9
SpareBank 1 SMN Invest	31.5	36.7	-5.2
Other companies	16.2	5.3	10.9
Total	192.9	220.3	-27.4

EiendomsMegler 1 Midt-Norge leads the field in Trøndelag and in Møre and Romsdal with a very strong market share throughout the market area, in particular in Trondheim. Its ambition is to continue to strengthen its market share in the region. The company has, in collaboration with BN Bank, established BN Bolig in

which EiendomsMegler 1 and BN Bank each hold a 50 percent stake. BN Bolig targets the estate agency market in Oslo and, in addition to enhancing income from estate agency, will promote stronger growth in residential lending for BN Bank in this market.

EiendomsMegler 1 Midt-Norge's pre-tax profit in the first nine months of 2017 was NOK 12.5m (59.5m). Its profit performance is weakened by start-up costs at BN Bolig inasmuch as EiendomsMegler 1 Midt-Norge fully consolidates BN Bolig's results as a subsidiary.

Dwellings sold in the first nine months of 2017 totalled 5,304 compared with 5,770 in the same period of 2016.

SpareBank 1 Finans Midt-Norge delivered a pre-tax profit of NOK 93.5m in the first nine months of 2017 (74.9m), and shows positive profit growth thanks to strong income growth, limited growth in costs and sound risk management. The company's main business lines are leasing to the SMB market and car loans to retail customers. The company manages leases and car loan agreements worth a total of NOK 6.0bn, of which leases account for NOK 2.7bn (2.3bn) and car loans for NOK 3.3bn (2.6bn).

Sound growth is noted, particularly in car loans where growth in the last 12 months comes to 27 percent. At end-September 2017 the Samspar banks in SpareBank 1 held a 27.9 percent stake in SpareBank 1 Finans Midt-Norge and Sparebanken Sogn og Fjordane a stake of 7.5 percent. SpareBank 1 SMN owns 64.6 percent of the shares of SpareBank 1 Finans Midt-Norge.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 45.0m (32.9m) in the first nine months of 2017. The profit growth is related to business acquisition effects and sound operations.

The company caters to the SMB segment with its technologically modern distribution model and broad range of services.

SpareBank 1 Regnskapshuset SMN acquired all shares of Økonomisenteret with about 110 employees with effect from 1 January 2017, bringing the company's workforce to 360 and annual turnover to NOK 360m. This has contributed to profit growth in 2017 along with a substantial increase in both income and costs.

SpareBank 1 SMN Invest invests in shares, mainly in regional businesses. The company posted a net profit of NOK 31.5m (36.7m) in the first nine months of 2017.

Value changes and realisation of losses or gains on the company's overall holding of shares account for NOK 16.0m of the company's total income. The company has in addition ownership interests in the property company Grilstad Marina and its share of the latter's profit in the first nine months of 2017 was NOK 15.5m.

SpareBank 1 Markets is a subsidiary of SpareBank 1 SMN with a stake of 70.6 percent. The company is headquartered in Oslo and has offices in Trondheim and Ålesund. It has a staff of 129. Since quarter-end the company has also acquired the trading desk at SpareBank 1 SR-Bank Markets, and now has a branch in Stavanger with five brokers. In the transaction, SpareBank 1 SR-Bank became co-owner of the company.

SpareBank 1 Markets also owns SpareBank 1 Kapitalforvaltning (previously Allegro Kapitalforvaltning and SpareBank 1 Nord-Norge Forvaltning). The company is a key element in SpareBank 1 Markets' asset management venture with aggregate total assets of NOK 10bn. The company has 15 staff members.

The company's pre-tax profit for the first nine months of 2017 was minus NOK 9.8m (6.0m). The group has recorded positive income growth in recent quarters, in particular in equity trading and investment banking

(corporate). SpareBank 1 Kapitalforvaltning recorded a profit for the first nine months of 2017 of NOK 3.4m (3.8m). For SpareBank 1 Markets including SpareBank 1 Kapitalforvaltning the pro forma consolidated pre-tax profit as at the third quarter is minus NOK 5.9m (plus 11.1m).

SpareBank 1 Markets has made a number of new appointments in 2017 which are expected to strengthen the company's earnings once the appointments achieve normalised earning power.

SpareBank 1 Markets is the leading capital market unit in SpareBank 1 SMN's market area. SpareBank 1 Markets main focus is on clients where the company is in a strong competitive position alone or in collaboration with its parent bank.

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 fresh external funding.

The bank has liquidity reserves of NOK 22bn and thus has the funding needed for 24 months of ordinary operation without fresh external finance.

The Ministry of Finance requires all credit institutions to maintain sufficient liquidity buffers to withstand periods of limited access to market funding. The Liquidity Coverage Ratio (LCR) measures the size of the banks' liquid assets relative to net liquidity outflow 30 days ahead in time given a stressed situation.

The LCR is calculated at 124 percent as at 30 September 2017 (138 percent).

The Group's deposit to loan ratio as at 30 September 2017, including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 50 percent (49 percent).

The bank's funding sources and products are amply diversified. At the end-september mark the proportion of the bank's overall money market funding in excess of 1 year was 83 percent (85 percent).

Rating

SpareBank 1 SMN has a rating of A1 (outlook negative) with Moody's and a rating of A- (outlook stable) with Fitch Ratings. Moody's revised the outlook for SpareBank 1 SMN and other Norwegian banks from a stable to negative outlook in July 2017. The change was triggered by the anticipated introduction of the EU's Bank Recovery and Resolution Directive (BRRD), which is likely to lessen the probability of support from public authorities to Norwegian banks.

Financial position

The CET1 capital ratio at 30 September 2017 was 14.7 percent (14.3 percent). The change over the last 12 months is essentially ascribable to strong growth in CET1 capital enabled mainly by profit retention.

In the third quarter the CET1 ratio was reduced by 0.25 percentage points. This is explained by:

- Increased deductions from CET1 capital related to the bank's ownership interests in SpareBank 1 Gruppen and SpareBank 1 Betaling
- Risk weighted assets for the IRB portfolios were reduced somewhat, but this is largely offset by the added need for capital under the transitional arrangement. Somewhat higher-than-planned growth in lending to corporate clients has in isolation weakened the CET1 capital ratio by 0.13 percentage point

- A changed understanding of the calculation of capital charges under the transitional arrangement for non-consolidated financial institutions has produced an increase in risk weighted assets. The effect for SpareBank 1 SMN is a weakening of CET1 capital adequacy by 0.18 percentage point

As at 30 September 2017 the regulatory requirement on CET1 capital is 11.5 percent, including combined buffer requirements.

Finanstilsynet's (Norway's FSA) final assessment of the add-on for risks not adequately covered under Pillar 1 was set at 2.1 percent. The add-on is mainly related to owner risk, market risk and credit concentration risk. In December 2016 the Ministry of Finance decided that the countercyclical buffer should be increased by a further 0.5 percent, to 2.0 percent with effect from 31 December 2017. SMN has a capital target of 15 percent designed to secure a sufficient buffer.

The board of directors of SpareBank 1 SMN assesses the capital situation and future capital requirements on a continuous basis.

The bank's equity certificate (MING)

The book value of the bank's EC at quarter-end was NOK 76.21 (71.17), and earnings per EC were NOK 6.06 (5.70). As at 30 September 2017 the EC was priced at NOK 81.25 (55.75 as at 31 December 2016). Dividend of NOK 3.00 per EC has been paid in 2017 for the year 2016.

The Price / Income ratio was 10.05 (7.33) and the Price / Book ratio was 1.07 (0.78).

Risk factors

The Group's problem loans reflect the challenges related to the offshore industry. As at 30 September, loans to oil-related activity account for 3.2 percent of the Group's overall outstanding loans. Credit quality in the bank's remaining loan portfolio is satisfactory, there have been no spillover effects from offshore to other sectors, and there are no other concentrations in non-performing or doubtful exposures.

Positive growth signals are noted both internationally and in Norway. A weaker Norwegian krone has impacted positively on Norwegian exports, but some strengthening of the krone is expected ahead. Real wage growth is expected to quicken somewhat ahead. This, combined with a persistent low interest rate level, suggests low risk of loss in the bank's retail banking portfolio. Unemployment is reduced, and the bank's assumption is that unemployment will be relatively moderate in the bank's market areas as a whole.

Credit demand from Norwegian households remains higher than wage growth and will over time be influenced by the trend in house prices. If house prices stagnate, or fall, there is a risk of a rising saving rate among highly leveraged households which could lead to 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 is due essentially 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 also the above section on funding and liquidity).

Outlook

SpareBank 1 SMN published in October its economic barometer for Trøndelag and Møre og Romsdal. It shows a region in which optimism is growing, unemployment is low and businesses are seeing sound growth and healthy profits. The oil slump appears to be over, which is of particular benefit to Møre og Romsdal.

SpareBank 1 SMN posted a good third-quarter profit performance. Core business lines show sound growth and improved profitability.

Losses on loans amounted to 0.25 per cent for the first nine months. This is a considerable improvement on last year. The region's robust economy makes for low losses across all industries apart from offshore.

A CET1 ratio of 14.7 per cent at quarter-end is somewhat short of the 15.0 per cent target, and will be brought up to the target level through a reduction in business volume.

A number of measures have been taken to strengthen the Group's competitive power. The most important are more effective use of capital, more correct pricing of risk and an increase in the number of multi-product customers. The bank is modernising its distribution and streamlining work processes. The industry portal Driv, analysis-based customer dialogue and robotic process automation facilitate self-service, enhance the customer experience and reduce costs.

The intention is to distribute 50 per cent of Group profit as dividend and donations for 2017.

The board of directors is well satisfied with the Group's performance.

Trondheim, 26. October 2017
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

Erik Gunnes
(employee rep.)

Venche Johnsen
(employee rep.)

Finn Haugan
(Group CEO)

Income statement

Parent bank						Group					
January - September					January - September						
2016	3Q 16	3Q 17	2016	2017	(NOKm)	Note	2017	2016	3Q 17	3Q 16	2016
3,401	826	893	2,539	2,652	Interest income		2,836	2,680	959	874	3,597
1,717	426	399	1,292	1,229	Interest expenses		1,233	1,289	400	425	1,714
1,684	400	494	1,248	1,422	Net interest	10	1,603	1,391	559	449	1,883
971	252	294	734	807	Commission income		1,018	952	360	326	1,251
85	22	25	63	70	Commission expenses		120	99	46	34	133
36	9	9	26	26	Other operating income		577	407	168	120	556
922	239	278	697	763	Commission income and other income		1,475	1,260	482	412	1,674
817	13	0	593	608	Dividends		5	87	1	13	88
-	-	-	-	-	Income from investment in related companies	3	290	349	126	103	423
188	80	64	143	97	Net return on financial investments	3	209	281	108	157	434
1,006	93	64	736	705	Net return on financial investments		504	717	235	274	944
3,612	732	837	2,680	2,891	Total income		3,582	3,368	1,276	1,134	4,502
536	139	146	439	449	Staff costs		1,063	908	357	294	1,159
615	156	155	459	465	Other operating expenses		688	613	225	210	844
1,151	294	301	898	914	Total operating expenses	11	1,751	1,521	582	504	2,003
2,461	438	535	1,783	1,977	Result before losses		1,831	1,847	694	630	2,499
502	127	85	408	252	Loss on loans, guarantees etc.	2,6,7	263	417	88	130	516
1,959	311	451	1,375	1,725	Result before tax	3	1,568	1,430	607	500	1,983
290	70	111	196	279	Tax charge		320	242	115	85	341
-13	-	-	-	-	Result investment held for sale, after tax	2, 3	2	-3	-0	-1	4
1,655	241	340	1,179	1,446	Net profit		1,250	1,185	491	414	1,647
Attributable to:											
Equity holders of parent company							1,231	1,158	490	405	1,606
Equity holders of non-controlling interests							19	27	2	9	41
Profit per ECC*							6.06	5.70	2.41	2.00	7.91
Diluted profit per ECC							6.06	5.70	2.41	2.00	7.91

* Net profit multiplied by ECC holders' share of profit divided by number of equity certificates issued

Other comprehensive income

Parent bank						Group				
January-September						January-September				
2016	3Q 16	3Q 17	2016	2017	(NOKm)	2017	2016	3Q 17	3Q 16	2016
1,655	241	340	1,179	1,446	Net profit	1,250	1,185	491	414	1,647
					Items that will not be reclassified to profit/loss					
-75	-	-	-	-	- Actuarial gains and losses pensions	-	-	-	-	-77
19	-	-	-	-	- Tax	-	-	-	-	19
-	-	-	-	-	- Share of other comprehensive income of associates and joint venture	-1	-19	-1	4	-1
-56	-	-	-	-	Total	-1	-19	-1	4	-58
					Items that will be reclassified to profit/loss					
-52	-	-3	-52	6	Available-for-sale financial assets	6	-52	-3	-	-50
-	-	-	-	-	- Share of other comprehensive income of associates and joint venture	1	-15	0	1	-7
-52	-	-3	-52	6	Total	7	-67	-3	1	-58
1,547	241	337	1,127	1,452	Total other comprehensive income	1,257	1,099	487	420	1,531
					Attributable to:					
					Equity holders of parent company	1,238	1,072	485	411	1,490
					Equity holders of non-controlling interests	19	27	2	9	41

Balance sheet

Parent bank				Group			
31 Dec 2016	30 Sept 2016	30 Sept 2017	(NOKm)	Note	30 Sept 2017	30 Sept 2016	31 Dec 2016
315	1,080	1,351	Cash and receivables from central banks		1,351	1,080	315
8,203	10,755	7,596	Deposits with and loans to credit institutions		2,310	6,652	3,892
96,499	94,108	103,647	Net loans to and receivables from customers	5	109,649	98,619	101,354
17,636	16,977	17,990	Fixed-income CDs and bonds	15	17,908	16,898	17,557
4,812	5,536	4,312	Derivatives	15	4,262	5,489	4,752
248	235	142	Shares, units and other equity interests	15	1,607	1,253	1,542
3,766	3,669	3,833	Investment in related companies		5,820	5,649	5,638
3,005	3,005	3,120	Investment in group companies		-	-	-
226	330	231	Investment held for sale		30	217	15
470	475	484	Intangible assets		720	628	639
882	1,556	1,438	Other assets	12	3,256	3,331	2,376
136,062	137,726	144,144	Total assets		146,913	139,815	138,080
10,299	10,491	9,169	Deposits from credit institutions		9,484	10,591	10,509
68,391	67,387	74,024	Deposits from and debt to customers	9	73,086	66,290	67,168
36,317	37,124	38,091	Debt created by issue of securities	14	38,091	37,124	36,317
3,973	5,016	3,645	Derivatives	15	3,679	5,004	4,074
731	1,409	1,699	Other liabilities	13	2,816	2,353	1,531
-	-	-	Investment held for sale		0	11	0
3,140	3,507	3,460	Subordinated loan capital	14	3,503	3,550	3,182
122,850	124,933	130,089	Total liabilities		130,658	124,922	122,781
2,597	2,597	2,597	Equity capital certificates		2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs		-8	-2	-4
895	895	895	Premium fund		895	895	895
4,487	3,790	4,487	Dividend equalisation fund		4,477	3,791	4,484
389	-	-	Recommended dividends		-	-	389
220	-	-	Provision for gifts		-	-	220
4,498	4,105	4,498	Savings bank's reserve		4,498	4,105	4,498
126	221	126	Unrealised gains reserve		139	233	139
-	5	6	Other equity capital		1,891	1,679	1,656
-	1,179	1,446	Profit for the period		1,250	1,185	-
			Non-controlling interests		516	411	425
13,212	12,792	14,055	Total equity capital		16,255	14,893	15,299
136,062	137,726	144,144	Total liabilities and equity		146,913	139,815	138,080

Cash flow statement

Parent bank				Group		
January - September				January - September		
2016	2016	2017	(NOKm)	2017	2016	2016
1,655	1,179	1,446	Net profit	1,250	1,185	1,647
34	31	34	Depreciations and write-downs on fixed assets	74	73	98
502	408	252	Losses on loans and guarantees	263	417	516
2,191	1,618	1,732	Net cash increase from ordinary operations	1,587	1,675	2,261
2,310	915	-59	Decrease/(increase) other receivables	-420	560	2,234
-1,586	190	640	Increase/(decrease) short term debt	890	220	-1,601
-7,405	-4,920	-7,400	Decrease/(increase) loans to customers	-8,558	-5,621	-8,454
-2,318	-4,871	607	Decrease/(increase) loans credit institutions	1,582	-4,245	-1,485
3,299	2,296	5,633	Increase/(decrease) deposits to customers	5,918	2,200	3,078
2,144	2,336	-1,130	Increase/(decrease) debt to credit institutions	-1,025	2,436	2,354
-1,885	-1,225	-354	Increase/(decrease) in short term investments	-351	-1,146	-1,805
-3,249	-3,661	-331	A) Net cash flow from operations	-378	-3,921	-3,418
-26	-30	-50	Increase in tangible fixed assets	-130	-33	-52
-223	-230	-187	Paid-up capital, associated companies	51	-213	33
36	50	113	Net investments in long-term shares and partnerships	0	253	-67
-213	-211	-120	B) Net cash flow from investments	-74	7	-86
-324	44	321	Increase/(decrease) in subordinated loan capital	321	86	-281
0	0	0	Increase/(decrease) in equity	0	0	0
-292	-292	-390	Dividend cleared	-390	-292	-292
-40	-40	-220	To be disbursed from gift fund	-220	-40	-40
1,162	1,970	1,775	Increase/(decrease) in other long term loans	1,775	1,970	1,162
507	1,682	1,487	C) Net cash flow from financial activities	1,487	1,724	549
-2,955	-2,190	1,035	A) + B) + C) Net changes in cash and cash equivalents	1,035	-2,190	-2,955
3,270	3,270	315	Cash and cash equivalents at January 1st	315	3,270	3,270
315	1,080	1,351	Cash and cash equivalents at end of quarter	1,351	1,080	315
-2,955	-2,190	1,035	Net changes in cash and cash equivalents	1,035	-2,190	-2,955

Change in equity

Parent Bank (NOKm)	Issued equity		Earned equity					Other equity	Total equity
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve		
Equity at 1 January 2016	2,597	895	4,105	3,790	292	40	279	-	11,998
Net profit	-	-	411	730	389	220	-95	-	1,655
Other comprehensive income									
Available-for-sale financial assets	-	-	2	3	-	-	-57	-	-52
Actuarial gains (losses), pensions	-	-	-20	-36	-	-	0	-	-56
Other comprehensive income	-	-	-18	-33	-	-	-57	-	-108
Total other comprehensive income	-	-	393	697	389	220	-152	-	1,547
Transactions with owners									
Dividend declared for 2015	-	-	-	-	-292	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-40
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	0
Total transactions with owners	0	-	-	0	-292	-40	-	-	-332
Equity at 31 December 2016	2,597	895	4,498	4,487	389	220	126	-	13,212
Equity at 1 January 2017	2,597	895	4,498	4,487	389	220	126	-	13,212
Net profit	-	-	-	-	-	-	-	1,446	1,446
Other comprehensive income									
Available-for-sale financial assets	-	-	-	-	-	-	-	6	6
Other comprehensive income	-	-	-	-	-	-	-	6	6
Total other comprehensive income	-	-	-	-	-	-	-	1,452	1,452
Transactions with owners									
Dividend paid for 2016	-	-	-	-	-389	-	-	-	-389
To be disbursed from gift fund	-	-	-	-	-	-220	-	-	-220
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	0
Total transactions with owners	0	-	-	0	-389	-220	-	-	-609
Equity at 30 September 2017	2,597	895	4,498	4,487	-	-	126	1,452	14,055

Group	Attributable to parent company equity holders									
	Issued equity		Earned equity							
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Non-controlling interests	Total equity
Equity at 1 January 2016	2,576	895	4,105	3,790	292	40	290	1,597	318	13,904
Net profit	-	-	411	730	389	220	-95	-49	41	1,647
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-8	-	-8
Available-for-sale financial assets	-	-	2	3	-	-	-56	-0	-	-50
Actuarial gains (losses), pensions	-	-	-20	-36	-	-	-	-1	-0	-58
Other comprehensive income	-	-	-18	-33	-	-	-56	-9	-0	-116
Total other comprehensive income	-	-	393	697	389	220	-151	-58	41	1,531
Transactions with owners										
Dividend paid for 2015	-	-	-	-	-292	-	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-	-40
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	-	0
Direct recognitions in equity	-	-	-	-	-	-	-	-12	-	-12
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-	132	-	132
Own ECC held by SB1 Markets*)	17	-	-	-3	-	-	-	-2	-	11
Change in non-controlling interests	-	-	-	-	-	-	-	-	66	66
Total transactions with owners	17	-	-	-3	-292	-40	-	118	66	-135
Equity at 31 December 2016	2,593	895	4,498	4,484	389	220	139	1,656	425	15,299

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

(NOKm)	Attributable to partent company equity holders									
	Issued equity		Earned equity							
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Non-controlling interests	Total equity
Equity at 1 January 2017	2,593	895	4,498	4,484	389	220	139	1,656	425	15,299
Net profit	-	-	-	-	-	-	-	1,231	19	1,250
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	0	-	0
Available-for-sale financial assets	-	-	-	-	-	-	-	6	-	6
Other comprehensive income	-	-	-	-	-	-	-	6	-	6
Total other comprehensive income	-	-	-	-	-	-	-	1,237	19	1,256
Transactions with owners										
Dividend paid for 2016	-	-	-	-	-389	-	-	-	-	-389
To be disbursed from gift fund	-	-	-	-	-	-220	-	-	-	-220
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	-	0
Direct recognitions in equity	-	-	-	-	-	-	-	-0	-	-0
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-	256	-	256
Own ECC held by SB1 Markets*)	-5	-	-	-7	-	-	-	-8	-	-19
Change in non-controlling interests	-	-	-	-	-	-	-	-	71	71
Total transactions with owners	-4	-	-	-7	-389	-220	-	248	71	-301
Equity at 30 September 2017	2,588	895	4,498	4,477	-	-	139	3,141	516	16,255

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

Notes

Contents

Note 1 - Accounting principles	25
Note 2 - Critical estimates and assessment concerning the use of accounting principles	26
Note 3 - Account by business line	27
Note 4 - Capital adequacy	29
Note 5 - Distribution of loans by sector/industry	31
Note 6 - Losses on loans and guarantees	32
Note 7 - Losses	33
Note 8 - Defaults and problem loans	34
Note 9 - Distribution of customer deposits by sector/industry	35
Note 10 - Net interest income	36
Note 11 - Operating expenses	37
Note 12 - Other assets	38
Note 13 - Other liabilities	39
Note 14 - Debt created by issue of securities and subordinated debt	40
Note 15 - Measurement of fair value of financial instruments	41
Note 16 - Liquidity risk	43

Note 1 - Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. 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 2016. Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts.

New or revised accounting standards approved but not yet implemented

A number of standards and interpretations are mandatory for future annual accounts. Among those that the group have chosen not to early-implement, but whose entry into force is scheduled for a future date, are IFRS 9 Financial instruments, IFRS 15 Revenues and IFRS 16 Leases.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 deals with recognition, classification, measurement and derecognition of financial assets and liabilities as well as hedge accounting. IFRS 9 will apply as from 1 January 2018 and is approved by the EU. Early application of the standard is permitted. SpareBank 1 SMN will not avail itself of that opportunity. SpareBank 1 SMN will not present comparable figures for earlier periods when implementing the standard on 1 January 2018.

Detailed information about the implementation of IFRS 9 can be found in Note 2 in annual accounts for 2016.

The IFRS 9 project has during 2017 as planned continued the work with impairment parallel run, and modelling in addition to clarifications about valuation and classification. The Bank has decided to use three macroeconomic scenarios in order to take into account the non-linear aspects of expected loan losses. The various scenarios will be used to adjust the current parameters for calculating the expected loan losses, and a probability-weighted average of the expected losses in the respective scenario will be recognised as a provision.

SpareBank 1 SMN has decided to utilise both absolute and relative changes in probability of default (PD) as criteria for significant increase in credit risk. The focus during the remainder of 2017 will continue to be on the finalisation of processes, governance, testing and calibration of models, quantification of impacts and internal education.

Based on work performed thus far, significant effects related to the transition to IFRS 9 is still not expected. This is true both of possible effects from changes in classification and measurement as well as from changes to the methodology for loss write-downs.

The group has made an assessment of the effects of IFRS 15 Revenues and IFRS 16 Leases, and does not expect significant impact when implementing these standards.

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 SpareBank 1 SMN Group has two different pension schemes - Defined Benefit and Defined Contribution Plan. The Group has not obtained a new calculation of pensions as of 30 September 2017 since no factors have been identified that significantly alter the pension liability. For a further description of the various pension schemes, see note 24 in the 2016 annual report.

Note 3 - Account by business line

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

Group 30 September 2017

Profit and loss account (NOKm)	RM	CM	SB1 Markets	EM 1	SB1 Finans MN	SB1 Regnskaps- huset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	728	730	-11	1	165	-1	-	-	-10	1,603
Interest from allocated capital	92	84	-	-	-	-	-	-	-175	-
Total interest income	819	814	-11	1	165	-1	-	-	-185	1,603
Commission income and other income	576	151	239	371	41	285	-	-	-189	1,475
Net return on financial investments **)	0	9	50	-	-	-	214	70	162	507
Total income	1,396	974	279	373	206	284	214	70	-213	3,584
Total operating expenses	598	276	289	360	101	239	-	-	-111	1,751
Ordinary operating profit	798	699	-10	12	105	45	214	70	-101	1,833
Loss on loans, guarantees etc.	3	249	-	-	12	-	-	-	-0	263
Result before tax including held for sale	796	450	-10	12	94	45	214	70	-101	1,570
Post-tax return on equity*)	16.3 %	10.1 %								10.8 %
Balance (NOKm)										
Loans and advances to customers	100,745	40,419	-	-	6,502	-	-	-	-520	147,146
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-34,361	-2,090	-	-	-	-	-	-	-0	-36,451
Individual allowance for impairment on loan	-20	-665	-	-	-12	-	-	-	-2	-700
Group allowance for impairment on loan	-90	-218	-	-	-23	-	-	-	-15	-346
Other assets	157	928	2,076	899	15	307	1,460	1,126	30,297	37,265
Total assets	66,430	38,374	2,076	899	6,482	307	1,460	1,126	29,759	146,913
Deposits to customers	36,974	36,275	-	-	-	-	-	-	-164	73,086
Other liabilities and equity	29,456	2,099	2,076	899	6,482	307	1,460	1,126	29,923	73,828
Total liabilities	66,430	38,374	2,076	899	6,482	307	1,460	1,126	29,759	146,913

Group 30 September 2016

Profit and loss account (NOKm)	RM	CM	SB1 Markets	EM 1	SB1 Finans MN	SB1 Regnskaps- huset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	679	703	-7	3	135	0	-	-	-123	1,391
Interest from allocated capital	34	28	-	-	-	-	-	-	-61	-
Total interest income	713	731	-7	3	135	0	-	-	-184	1,391
Commission income and other income	513	148	153	327	-9	172	-	-	-45	1,260
Net return on financial investments **)	0	10	59	-	-	-	220	79	346	713
Total income	1,227	889	205	330	126	172	220	79	117	3,365
Total operating expenses	602	264	195	271	43	139	-	-	7	1,521
Ordinary operating profit	625	625	10	59	83	33	220	79	109	1,844
Loss on loans, guarantees etc.	10	398	4	-	9	-	-	-	-3	417
Result before tax including held for sale	615	227	6	59	75	33	220	79	113	1,427
Post-tax return on equity*)	13.5 %	4.1 %								11.0 %
Balance (NOKm)										
Loans and advances to customers	91,655	38,312	-	-	5,170	-	-	-	-676	134,462
Adv. of this to SpareBank 1 Boligkreditt	-33,021	-1,872	-	-	-	-	-	-	0	-34,893
Individual allowance for impairment on loan	-24	-522	-	-	-10	-	-	-	-2	-558
Group allowance for impairment on loan	-95	-279	-	-	-18	-	-	-	1	-391
Other assets	203	47	1,636	323	9	213	1,590	1,181	35,995	41,196
Total assets	58,718	35,686	1,636	323	5,151	213	1,590	1,181	35,317	139,815
Deposits to customers	34,911	31,441	-	-	-	-	-	-	-63	66,290
Other liabilities and equity	23,807	4,245	1,636	323	5,151	213	1,590	1,181	35,380	73,526
Total liabilities	58,718	35,686	1,636	323	5,151	213	1,590	1,181	35,317	139,815

*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 15.0 (14.5) percent to be in line with the capital plan as of December 31 2017.

	30 Sept 2017	30 Sept 2016
**) Specification of net return on financial investments incl. Investment held for sale (NOKm)		
Dividends	5	87
Capital gains shares	79	100
Gain/(loss) on derivatives	32	52
Gain/(loss) on other financial instruments at fair value (FVO)	11	26
Foreign exchange gain / (loss)	29	53
Gain/(Loss) on certificates and bonds	206	138
Gain/(loss) on financial instruments related to hedging	-147	-89
Net return on financial instruments	209	281
SpareBank 1 Gruppen	214	220
SpareBank 1 Boligkreditt	-26	9
SpareBank 1 Næringskreditt	18	20
BN Bank	70	79
SpareBank 1 Kredittkort	11	20
SpareBank 1 Mobilbetaling	-14	-19
Other companies	19	16
Income from investment in associates and joint ventures	293	346
Total net return on financial investments	507	713
Fair value hedging		
Changes in fair value on hedging instrument	-147	-89
Changes in fair value on hedged item	127	71
Net Gain or Loss from hedge accounting	-20	-17

Note 4 - Capital adequacy

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

As of 30 September 2017 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3.0 per cent and the Norwegian countercyclical buffer is 1.5 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 11.5 per cent. In addition the financial supervisory authority has set a Pillar 2 requirement of 2.1 per cent for SpareBank 1 SMN, effective as from the fourth quarter of 2016. The total minimum requirement on CET1 capital is accordingly 13.6 per cent.

The countercyclical buffer increased to 1.5 per cent from 1.0 per cent with effect from 30 June 2016. The Ministry of Finance has decided to increase the buffer by 0.5 per cent to 2.0 per cent with effect from 31 December 2017.

As from the fourth quarter of 2016 differentiated rates came into force for the countercyclical buffer. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. For the third quarter of 2017 the parent bank is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures. For groups, the risk-weighted countercyclical capital buffer is 1.5 per cent.

Parts of the group's hybrid capital and subordinated debt were issued under earlier rules. This will be subject to a write-down of 40 per cent in 2016 and 50 per cent in 2017. The write-down will increase by another 10 per cent per year thereafter. As at 30 September 2017 the bank held hybrid capital worth NOK 450 million subject to write-down. For subordinated debt the figure NOK 636 million. The financial supervisory authority 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.

Parent Bank				Group		
31 Dec 2016	30 Sept 2016	30 Sept 2017	(NOKm)	30 Sept 2017	30 Sept 2016	31 Dec 2016
13,212	12,792	14,055	Total book equity	16,255	14,893	15,299
-	-	-	Hybrid capital included in total equity	-262	-	-
-470	-475	-484	Deferred taxes, goodwill and other intangible assets	-888	-758	-741
-	-	-	Part of reserve for unrealised gains, associated companies	117	119	117
-609	-	-	Deduction for allocated dividends and gifts	-	-	-609
-	-	-	Non-controlling interests recognised in other equity capital	-516	-411	-425
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	303	211	220
-	-93	-	Surplus financing of pension obligations	-	-94	-
-	-1,179	-1,446	Net profit	-1,250	-1,185	-
-	823	821	Year-to-date profit included in core capital (50 per cent pre tax of group profit in 2017)	625	830	-
-29	-30	-28	Value adjustments due to requirements for prudent valuation	-46	-51	-48
-190	-146	-200	Positive value of adjusted expected loss under IRB Approach	-264	-205	-248
-	-	-	Cash flow hedge reserve	8	-	-
-	-	-	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-92	-453	-337
11,913	11,693	12,717	Total common equity Tier one	13,990	12,895	13,229
950	950	950	Hybrid capital, core capital	1,358	1,354	1,358
483	487	459	Hybrid capital covered by transitional provisions	459	487	483
13,346	13,129	14,126	Total core capital	15,807	14,736	15,069
			Supplementary capital in excess of core capital			
1,000	1,000	1,368	Subordinated capital	1,979	1,644	1,698
673	673	561	Subordinated capital covered by transitional provisions	561	673	673
-256	-43	-254	Deduction for significant investments in financial institutions	-254	-43	-256
1,418	1,631	1,675	Total supplementary capital	2,286	2,275	2,116
14,764	14,760	15,801	Net subordinated capital	18,093	17,011	17,185

			Minimum requirements subordinated capital			
1,065	1,025	1,050	Specialised enterprises	1,177	1,166	1,206
1,064	1,068	1,040	Corporate	1,054	1,107	1,102
1,270	1,282	1,284	Mass market exposure, property	1,763	1,752	1,753
85	49	87	Other mass market	89	52	88
1,223	1,240	1,222	Equity investments	1	3	3
4,707	4,665	4,683	Total credit risk IRB	4,084	4,080	4,153
5	5	4	Central government	4	5	5
73	69	74	Covered bonds	136	129	130
426	532	453	Institutions	377	457	340
5	0	5	Local and regional authorities, state-owned enterprises	11	10	7
45	57	40	Corporate	254	260	253
0	0	0	Mass market	376	169	179
13	12	14	Exposures secured on real property	198	332	342
245	243	227	Equity positions	342	333	338
86	49	63	Other assets	172	135	178
898	968	881	Total credit risk standardised approach	1,870	1,828	1,772
35	18	22	Debt risk	24	19	36
-	-	-	Equity risk	18	10	5
-	-	-	Currency risk	-	1	1
334	334	341	Operational risk	510	479	479
51	48	74	Credit value adjustment risk (CVA)	134	88	84
-	-	-	Transitional arrangements	956	723	574
6,026	6,033	6,000	Minimum requirements subordinated capital	7,595	7,228	7,103
75,325	75,407	75,004	Risk weighted assets (RWA)	94,938	90,351	88,786
3,390	3,393	3,375	Minimum requirement on CET1 capital, 4.5 per cent	4,272	4,066	3,995
			Capital Buffers			
1,883	1,885	1,875	Capital conservation buffer, 2.5 per cent	2,373	2,259	2,220
2,260	2,262	2,250	Systemic risk buffer, 3.0 per cent	2,848	2,711	2,664
1,130	1,131	1,125	Countercyclical buffer, 1.5 per (1.0 per cent)	1,424	1,355	1,332
5,273	5,278	5,250	Total buffer requirements on CET1 capital	6,646	6,325	6,215
3,251	3,021	4,092	Available CET1 capital after buffer requirements	3,072	2,505	3,018
			Capital adequacy			
15.8 %	15.5 %	17.0 %	Common equity Tier one ratio	14.7 %	14.3 %	14.9 %
17.7 %	17.4 %	18.8 %	Core capital ratio	16.6 %	16.3 %	17.0 %
19.6 %	19.6 %	21.1 %	Capital adequacy ratio	19.1 %	18.8 %	19.4 %
			Leverage ratio			
133,514	135,133	142,840	Balance sheet items	203,155	197,689	194,324
8,234	8,232	7,535	Off-balance sheet items	9,506	10,266	10,068
-690	-744	-713	Regulatory adjustments	-1,301	-1,572	-1,388
141,058	142,620	149,662	Calculation basis for leverage ratio	211,361	206,383	203,005
13,346	13,129	14,126	Core capital	15,807	14,736	15,069
9.5 %	9.2 %	9.4 %	Leverage Ratio	7.5 %	7.1 %	7.4 %

Note 5 - Distribution of loans by sector/industry

Parent Bank				Group		
31 Dec 2016	30 Sept 2016	30 Sept 2017	(NOKm)	30 Sept 2017	30 Sept 2016	31 Dec 2016
10,290	9,419	11,217	Agriculture, forestry, fisheries, hunting	11,486	9,607	10,499
1,599	1,359	1,352	Sea farming industries	1,745	1,738	1,985
2,701	2,692	3,256	Manufacturing	3,560	2,977	2,985
2,980	3,160	2,712	Construction, power and water supply	3,341	3,684	3,532
2,288	2,276	2,288	Retail trade, hotels and restaurants	2,546	2,482	2,510
4,983	5,027	4,678	Maritime sector	4,678	5,027	4,983
13,688	13,704	14,807	Property management	14,867	13,761	13,744
2,442	2,534	2,415	Business services	2,216	2,174	2,072
3,220	3,311	3,588	Transport and other services provision	4,332	3,893	3,836
273	255	211	Public administration	226	269	288
1,670	1,533	1,766	Other sectors	1,796	1,463	1,700
46,135	45,270	48,289	Gross loans in retail market	50,794	47,074	48,133
86,513	84,650	92,818	Wage earners	96,352	87,388	89,402
132,648	129,920	141,107	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	147,146	134,462	137,535
33,142	32,930	34,196	of which SpareBank 1 Boligkreditt	34,196	32,930	33,142
2,069	1,963	2,255	of which SpareBank 1 Næringskreditt	2,255	1,963	2,069
97,437	95,027	104,656	Gross loans in balance sheet	110,695	99,569	102,325
620	546	685	- Specified write-downs	700	558	632
318	373	323	- Collective write-downs	346	391	339
96,499	94,108	103,647	Net loans to and receivables from customers	109,649	98,619	101,354

Note 6 - Losses on loans and guarantees

Parent Bank

	January - September						2016		
	2017			2016			2016		
Losses on loans and guarantees (NOKm)	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in individual impairment losses provisions for the period	-3	65	62	-0	374	373	0	449	450
+ Change in collective impairment losses provisions for the period	-	5	5	-	15	15	-	-40	-40
+ Actual loan losses on commitments for which provisions have been made	8	142	150	7	7	13	8	34	42
+ Actual loan losses on commitments for which no provision has been made	2	37	40	6	5	11	10	49	59
Recoveries on commitments previously written-off	-4	-0	-4	-3	-2	-5	-6	-3	-8
Losses of the year on loans and guarantees	3	249	252	10	398	408	13	490	502

Group

	January - September						2016		
	2017			2016			2016		
Losses on loans and guarantees (NOKm)	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in individual impairment losses provisions for the period	-4	68	64	-0	378	377	0	454	454
+ Change in collective impairment losses provisions for the period	3	5	8	3	13	15	4	-42	-38
+ Actual loan losses on commitments for which provisions have been made	8	142	150	7	7	15	8	36	44
+ Actual loan losses on commitments for which no provision has been made	9	38	47	10	5	15	14	50	64
Recoveries on commitments previously written-off	-5	-0	-5	-4	-2	-5	-6	-3	-9
Losses of the year on loans and guarantees	11	252	263	16	401	417	21	495	516

Note 7 - Losses

Parent Bank

Individual write-downs (NOKm)	30 Sept 2017			30 Sept 2016			31 Dec 2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Individual write-downs to cover loss on loans and guarantees at 1.1*	28	597	625	28	148	176	28	148	176
- Actual losses during the period for which provisions for individual impairment losses have been made previously	8	142	150	7	7	13	8	34	42
- Reversal of provisions from previous periods	4	8	12	3	20	23	3	36	39
+ Increased write-downs on provisions previously written down	0	138	138	2	5	7	2	6	8
+ Write-downs on provisions not previously written down	4	87	90	4	399	403	4	518	523
Individual write-downs to cover loss on loans and guarantees at period end *)	20	672	692	24	525	549	24	602	625

*) Individually assessed impairment write-downs on guarantees, totalling NOK 6.9m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	30 Sept 2017			30 Sept 2016			31 Dec 2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 1.1	90	228	318	90	268	358	90	268	358
Period's collective write-downs to cover loss on loans, guarantees etc	-	5	5	-	15	15	-	-40	-40
Collective write-downs to cover loss on loans and guarantees at period end	90	233	323	90	283	373	90	228	318

Group

Individual write-downs (NOKm)	30 Sept 2017			30 Sept 2016			31 Dec 2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Individual write-downs to cover loss on loans and guarantees at 1.1*	31	607	638	31	153	184	31	153	184
- Actual losses during the period for which provisions for individual impairment losses have been made previously	9	142	151	7	7	15	8	36	44
- Reversal of provisions from previous periods	4	8	12	4	21	25	3	36	39
+ Increased write-downs on provisions previously written down	0	138	138	2	6	7	2	6	8
+ Write-downs on provisions not previously written down	4	90	94	5	404	410	4	523	528
Individual write-downs to cover loss on loans and guarantees at period end *)	23	684	707	27	535	562	27	611	638

*) Individually assessed impairment write-downs on guarantees, totalling NOK 6.9m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	30 Sept 2017			30 Sept 2016			31 Dec 2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 1.1	100	239	339	96	281	376	96	281	376
Period's collective write-downs to cover loss on loans, guarantees etc	3	5	8	3	13	15	4	-42	-38
Collective write-downs to cover loss on loans and guarantees at period end	102	244	346	98	293	391	100	239	339

Note 8 - Defaults and problem loans

Parent Bank

	30 Sept 2017			30 Sept 2016			31 Dec 2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Total defaults (NOKm)									
Loans in default for more than 90 days *)	165	40	205	149	30	178	144	29	173
- Individual write-downs	14	21	35	14	17	31	17	18	36
Net defaults	151	19	170	134	13	147	127	11	138
Provision rate	8 %	53 %	17 %	10 %	56 %	17 %	12 %	62 %	21 %
Problem loans									
Problem loans (not in default)	19	1,180	1,199	26	1,318	1,345	19	1,435	1,453
- Individual write-downs	7	650	657	9	509	518	6	584	590
Net problem loans	12	530	542	17	810	826	13	851	863
Provision rate	37 %	55 %	55 %	36 %	39 %	39 %	33 %	41 %	41 %

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

Group

	30 Sept 2017			30 Sept 2016			31 Dec 2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Total defaults (NOKm)									
Loans in default for more than 90 days *)	178	84	263	177	44	221	176	38	214
- Individual write-downs	16	26	41	18	18	35	20	19	39
Net defaults	163	59	222	160	26	186	156	18	174
Provision rate	9 %	30 %	16 %	10 %	41 %	16 %	12 %	51 %	18 %
Problem loans									
Problem loans (not in default)	19	1,196	1,215	26	1,334	1,360	19	1,455	1,474
- Individual write-downs	7	658	665	9	517	526	6	592	599
Net problem loans	12	538	550	17	817	833	13	863	875
Provision rate	37 %	55 %	55 %	36 %	39 %	39 %	33 %	41 %	41 %

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

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank			(NOKm)	Group		
31 Dec 2016	30 Sept 2016	30 Sept 2017		30 Sept 2017	30 Sept 2016	31 Dec 2016
2,791	2,805	2,896	Agriculture, forestry, fisheries, hunting	2,896	2,805	2,791
420	229	848	Sea farming industries	848	229	420
1,727	1,481	1,915	Manufacturing	1,915	1,481	1,727
2,416	2,148	2,287	Construction, power and water supply	2,287	2,148	2,416
4,067	3,365	3,509	Retail trade, hotels and restaurants	3,509	3,365	4,067
1,740	1,675	1,288	Maritime sector	1,288	1,675	1,740
4,387	5,325	4,786	Property management	4,535	5,104	4,153
5,550	5,216	6,199	Business services	6,199	5,216	5,550
4,848	5,062	5,898	Transport and other services provision	5,438	4,623	4,339
8,627	8,419	11,106	Public administration	11,106	8,419	8,627
2,048	1,992	1,788	Other sectors	1,560	1,555	1,569
38,621	37,715	42,518	Total	41,580	36,618	37,398
29,769	29,672	31,506	Wage earners	31,506	29,672	29,769
68,391	67,387	74,024	Total deposits	73,086	66,290	67,168

Note 10 - Net interest income

Parent bank				Group		
January-September				January-September		
2016	2016	2017	(NOK million)	2017	2016	2016
			Interest income			
124	92	100	Interest income from loans to and claims on central banks and credit institutions	31	37	48
2,986	2,235	2,331	Interest income from loans to and claims on customers	2,570	2,417	3,240
292	213	221	Interest income from money market instruments, bonds and other fixed income securities	219	211	289
-	-	-	Other interest income	17	14	19
3,401	2,539	2,652	Total interest income	2,836	2,680	3,597
			Interest expense			
152	114	97	Interest expenses on liabilities to credit institutions	100	114	153
652	488	490	Interest expenses relating to deposits from and liabilities to customers	479	476	636
708	535	499	Interest expenses related to the issuance of securities	499	535	708
145	109	106	Interest expenses on subordinated debt	108	110	146
2	2	-0	Other interest expenses	11	10	13
58	44	37	Guarantee fund levy	37	44	58
1,717	1,292	1,229	Total interest expense	1,233	1,289	1,714
1,684	1,248	1,422	Net interest income	1,603	1,391	1,883

Note 11 - Operating expenses

Parent bank				Group		
January-September				January-September		
2016	2016	2017	(NOKm)	2017	2016	2016
197	157	156	IT costs	205	195	252
18	13	13	Postage and transport of valuables	17	17	22
55	38	35	Marketing	73	68	98
34	31	34	Ordinary depreciation	74	73	98
124	91	90	Operating expenses, real properties	84	78	109
70	49	55	Purchased services	102	75	108
116	80	81	Other operating expense	133	107	156
615	459	465	Total other operating expenses	688	613	844

Note 12 - Other assets

Parent Bank			(NOKm)	Group		
31 Dec 2016	30 Sept 2016	30 Sept 2017		30 Sept 2017	30 Sept 2016	31 Dec 2016
27	33	27	Deferred tax asset	202	184	196
121	124	118	Fixed assets	877	925	906
37	22	80	Earned income not yet received	124	53	63
20	1,165	585	Accounts receivable, securities	989	1,657	220
198	124	198	Pensions	208	125	207
479	87	429	Other assets	857	386	785
882	1,556	1,438	Total other assets	3,256	3,331	2,376

Note 13 - Other liabilities

Parent Bank				Group		
31 Dec 2016	30 Sept 2016	30 Sept 2017	(NOKm)	30 Sept 2017	30 Sept 2016	31 Dec 2016
0	0	0	Deferred tax	34	22	33
266	292	159	Payable tax	222	351	319
8	13	8	Capital tax	8	13	8
73	73	200	Accrued expenses and received, non-accrued income	585	331	367
118	95	130	Provision for accrued expenses and commitments	130	95	118
26	25	26	Pension liabilities	26	31	26
90	75	72	Drawing debt	72	75	90
3	4	17	Creditors	104	51	39
0	605	618	Debt from securities	906	940	147
-	-	-	Equity Instruments	217	176	181
146	226	470	Other liabilities	511	267	203
731	1,409	1,699	Total other liabilities	2,816	2,353	1,531

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

Group

	30 Sept 2017	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2016
Change in securities debt (NOKm)					
Bond debt, nominal value	37,600	7,250	5,645	460	35,535
Value adjustments	247	-	-	-206	453
Accrued interest	244	-	-	-84	328
Total	38,091	7,250	5,645	169	36,317

	30 Sept 2017	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2016
Change in subordinated debt and hybrid equity (NOKm)					
Ordinary subordinated loan capital, nominal value	2,047	1,000	632	-25	1,704
Hybrid equity, nominal value	1,400	-	-	-	1,400
Value adjustments	46	-	-	-18	64
Accrued interest	10	-	-	-4	14
Total	3,503	1,000	632	-47	3,182

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 2017:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	7	4,255	-	4,262
- Bonds and money market certificates	2,840	15,069	-	17,908
- Equity instruments	1,137	-	409	1,546
- Fixed interest loans	-	43	3,459	3,502
Financial assets available for sale				
- Equity instruments	-	-	61	61
Total assets	3,983	19,366	3,929	27,279
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	5	3,674	-	3,679
- Equity instruments	217	-	-	217
Total liabilities	223	3,674	-	3,896

The following table presents the Group's assets and liabilities measured at fair value at 30 September 2016:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	70	5,419	-	5,489
- Bonds and money market certificates	1,936	14,962	-	16,898
- Equity instruments	622	-	505	1,127
- Fixed interest loans	-	43	3,771	3,813
Financial assets available for sale				
- Equity instruments	42	-	84	126
Total assets	2,670	20,423	4,359	27,453
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	58	4,947	-	5,004
- Equity instruments	174	6	-	180
Total liabilities	231	4,953	-	5,184

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2016:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	44	4,708	-	4,752
- Bonds and money market certificates	2,511	15,046	-	17,557
- Equity instruments	959	-	524	1,483
- Fixed interest loans	-	43	3,783	3,826
Financial assets available for sale				
- Equity instruments	-	-	60	60
Total assets	3,514	19,796	4,367	27,676
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	48	4,026	-	4,074
- Equity instruments	173	8	-	181
Total liabilities	221	4,034	-	4,255

The following table presents the changes in the instruments classified in level 3 as at 30 September 2017:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	3,783	524	60	4,367
Investment in periode	269	10	-	279
Disposals in the periode	-601	-149	-	-751
Gain or loss on financial instruments	9	24	2	34
Closing balance	3,459	409	61	3,929

The following table presents the changes in the instruments classified in level 3 as at 30 September 2016:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	4,405	574	108	5,087
Investment in periode	377	24	28	429
Disposals in the periode	-991	-70	-3	-1,064
Gain or loss on financial instruments	-20	-22	-49	-91
Closing balance	3,771	505	84	4,359

The following table presents the changes in the instruments classified in level 3 as at 31 December 2016:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	4,405	574	108	5,087
Investment in periode	770	28	1	799
Disposals in the periode	-1,347	-66	-	-1,413
Gain or loss on financial instruments	-44	-13	-50	-106
Closing balance	3,783	524	60	4,367

Note 16 - Liquidity risk

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

The group mitigates liquidity risk by diversifying its funding across different markets, funding sources, maturities and instruments and through the use of long-term funding. Contingency plans exist both for the group and the SpareBank 1 alliance for managing the liquidity situation in periods of capital market turbulence. These plans address both bank-specific and systemic crises and a combination of the two. The group's objective is to survive twelve months of ordinary operations without access to fresh external funding while housing prices fall 30 per cent. In the same period minimum requirements to LCR shall be fulfilled.

The average residual maturity on the portfolio of senior bonds and covered bonds at the end of the third quarter was 2.85 years. The overall LCR at the same point was 124 per cent and the average overall LCR in the quarter was 127 per cent. The LCR in Norwegian kroner and the euro at quarter-end was 112 and 401 per cent respectively.

Equity capital certificate ratio

(NOKm)	30 Sept 2017	31 Dec 2016
ECC capital	2,597	2,597
Dividend equalisation reserve	4,487	4,487
Premium reserve	895	895
Unrealised gains reserve	81	81
Other equity capital	4	-
A. The equity capital certificate owners' capital	8,064	8,060
Ownerless capital	4,498	4,498
Unrealised gains reserve	45	45
Other equity capital	2	-
B. The saving bank reserve	4,545	4,543
To be disbursed from gift fund	-	220
Dividend declared	-	389
Equity ex. profit	12,609	13,212
Equity capital certificate ratio A/(A+B)	64.0 %	64.0 %
Equity capital certificate ratio for distribution	64.0 %	64.0 %

Results from quarterly accounts

Group (NOKm)	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015
Interest income	959	945	931	917	874	896	910	962	1,058
Interest expenses	400	424	409	424	425	424	441	489	593
Net interest	559	521	522	493	449	472	469	473	466
Commission income	360	349	308	300	326	331	295	309	317
Commission expenses	46	38	35	35	34	36	28	38	38
Other operating income	168	227	182	149	120	154	134	107	99
Commission income and other income	482	538	455	414	412	448	401	378	378
Dividends	1	3	1	1	13	73	0	3	0
Income from investment in related companies	126	94	71	74	103	127	119	121	78
Net return on financial investments	108	35	66	153	157	71	53	-15	-91
Net return on financial investments	235	131	138	228	274	271	172	109	-13
Total income	1,276	1,191	1,115	1,134	1,134	1,191	1,042	959	831
Staff costs	357	362	345	251	294	318	295	280	264
Other operating expenses	225	236	227	231	210	209	194	235	203
Total operating expenses	582	598	571	482	504	528	489	515	466
Result before losses	694	593	544	652	630	664	553	444	364
Loss on loans, guarantees etc.	88	86	89	99	130	118	170	56	56
Result before tax	607	507	454	553	500	546	383	388	309
Tax charge	115	109	96	99	85	85	72	100	61
Result investment held for sale, after tax	-0	3	-0	7	-1	-1	-0	-0	0
Net profit	491	401	358	462	414	460	311	287	248

Key figures from quarterly accounts

Group (NOKm)	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015
Profitability									
Return on equity per quarter	12.5%	10.5%	9.4%	12.2%	11.3%	12.9%	8.9%	8.4%	7.4%
Cost-income ratio	46 %	50 %	51 %	43 %	44 %	44 %	47 %	54 %	56 %
Balance sheet figures									
Gross loans to customers	110,695	107,358	104,117	102,325	99,569	97,790	95,331	93,974	94,917
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	147,146	143,800	140,038	137,535	134,462	132,583	129,520	127,378	126,180
Deposits from customers	73,086	75,559	70,176	67,168	66,290	67,031	63,851	64,090	63,620
Total assets	146,913	149,449	142,042	138,080	139,815	141,145	134,345	131,914	129,237
Average total assets	148,181	145,746	140,061	138,948	140,480	137,745	133,129	130,575	130,063
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months	9.4 %	8.5 %	8.1 %	8.0 %	6.6 %	6.5 %	5.4 %	5.8 %	8.3 %
Growth in deposits last 12 months	10.3 %	12.7 %	9.9 %	4.8 %	4.2 %	1.3 %	5.4 %	5.6 %	9.5 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio	0.24 %	0.24 %	0.26 %	0.29 %	0.39 %	0.36 %	0.53 %	0.18 %	0.18 %
Non-performing commitm. as a percentage of gross loans	0.18 %	0.18 %	0.15 %	0.16 %	0.16 %	0.19 %	0.16 %	0.16 %	0.17 %
Other doubtful commitm. as a percentage of gross loans 4)	0.83 %	0.80 %	0.77 %	1.07 %	1.01 %	0.90 %	0.32 %	0.31 %	0.36 %
Solidity									
Common equity tier 1	14.7 %	15.0 %	14.8 %	14.9 %	14.3 %	14.1 %	13.6 %	13.6 %	13.2 %
Core capital ratio	16.6 %	16.9 %	16.8 %	17.0 %	16.3 %	16.1 %	15.6 %	15.6 %	15.2 %
Capital adequacy ratio	19.1 %	19.1 %	19.0 %	19.4 %	18.8 %	18.7 %	18.1 %	18.3 %	17.9 %
Core capital	15,807	15,622	15,254	15,069	14,736	14,604	14,237	13,988	13,451
Net equity and related capital	18,093	17,649	17,288	17,185	17,011	16,882	16,516	16,378	15,886
Liquidity Coverage Ratio (LCR)	124 %	160 %	136 %	129 %	138 %	149 %	110 %	118 %	76 %
Leverage Ratio	7.5 %	7.2 %	7.4 %	7.4 %	7.1 %	6.8 %	6.8 %	6.7 %	6.7 %
Key figures ECC									
ECC share price at end of period (NOK)	81.25	71.75	66.50	64.75	55.75	46.70	52.75	50.50	54.00
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83
Booked equity capital per ECC (including dividend)	76.21	73.85	72.03	73.26	71.17	69.18	67.37	67.65	65.52
Profit per ECC, majority	2.41	1.92	1.73	2.21	2.00	2.21	1.49	1.45	1.26
Price-Earnings Ratio	8.42	9.34	9.59	7.34	6.98	5.27	8.83	8.71	10.72
Price-Book Value Ratio	1.07	0.97	0.92	0.88	0.78	0.68	0.78	0.75	0.82

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 Oct 2015 to 30 Sep 2017

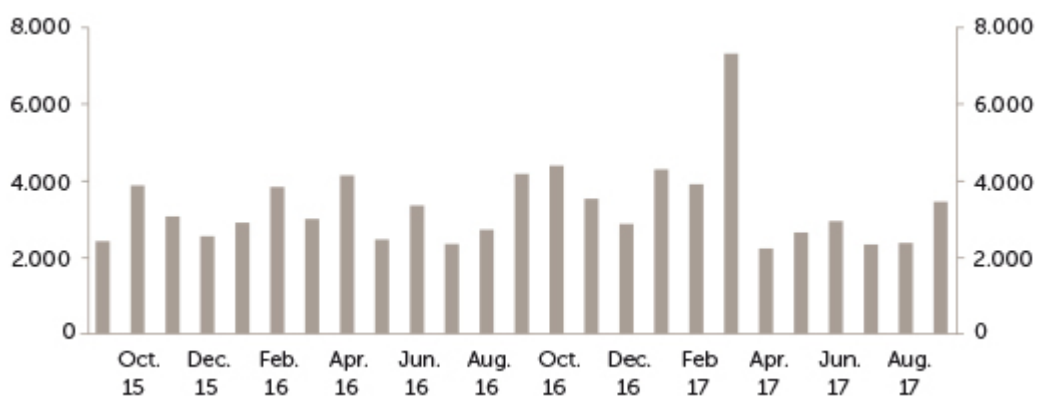


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 October 2015 to 30 September 2017



Total number of ECs traded (1000)

20 largest ECC holders	Number	Share
VPF Nordea Norge Verdi	6,572,299	5.06 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
Verdipapirfondet DNB Norge (IV)	3,807,407	2.93 %
VPF Odin Norge	3,726,686	2.87 %
State Street Bank and Trust CO (nominee)	3,715,284	2.86 %
VPF Danske Invest Norske Aksjer Inst. II	3,369,028	2.59 %
JP Morgan Chase Bank (nominee)	2,941,307	2.27 %
VPF Pareto Aksje Norge	2,455,344	1.89 %
State Street Bank and Trust CO (nominee)	1,996,638	1.54 %
VPF Alfred Berg Gambak	1,924,604	1.48 %
Pareto AS	1,821,202	1.40 %
VPF Danske Invest Norske Aksjer Inst. I	1,760,092	1.36 %
Forsvarets Personellservice	1,717,046	1.32 %
MP Pensjon PK	1,568,771	1.21 %
JP Morgan Chase Bank (nominee)	1,506,994	1.16 %
VPF Nordea Kapital	1,474,454	1.14 %
VPF Nordea Avkastning	1,289,111	0.99 %
Morgan Stanley And Co Intl plc	1,038,984	0.80 %
VPF Storebrand Norge I	1,020,495	0.79 %
The Northern Trust Comp	1,016,664	0.78 %
The 20 largest ECC holders in total	48,687,801	37.50 %
Others	81,148,642	62.50 %
Total issued ECCs	129,836,443	100.00 %

Dividend policy

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

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

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

Auditor's report



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To the Board of Directors of SpareBank 1 SMN

Translation from the original Norwegian
version

Report on Review of Interim Financial Information of SpareBank 1 SMN as of September 30 2017

We have reviewed the accompanying balance sheet of the parent company and the group as of September 30 2017 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 2017, 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, 26 October 2017
Deloitte AS

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

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