

Third Quarter Report 2014



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Main figures

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

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

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

1) Net profit as a percentage of average equity

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

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

4) The key figures are corrected for issues

Report of the Board of Directors

Accounts for the nine months ended 30 September 2014

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

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

Third quarter accounts 2014

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

Excellent performance in first nine months of 2014

Highlights:

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

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

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

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

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

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

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

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

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

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

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

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

Strengthened net interest income

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

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

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

Increased commission income

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

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

Financial investments

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

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

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

SpareBank 1 Gruppen

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

SpareBank 1 Markets

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

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

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

SpareBank 1 Boligkreditt

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

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

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

SpareBank 1 Næringskreditt

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

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

BN Bank

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

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

Other companies

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

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

Assets held for sale

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

Operating expenses

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

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

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

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

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

Low losses and low defaults

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

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

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

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

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

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

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

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

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

Collectively assessed impairment write-downs

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

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

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

Total assets of NOK 117bn

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

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

Reduced growth in lending

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

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

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

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

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

Good deposit growth

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

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

Investment products

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

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

Insurance portfolios

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

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

Retail banking segment and corporate banking segment, parent bank

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

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

Retail Banking

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

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

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

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

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

Corporate Banking

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

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

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

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

SpareBank 1 SMN Markets

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

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

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

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

Subsidiaries

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

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

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

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

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

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

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

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

Satisfactory funding and good liquidity

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

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

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

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

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

Rating

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

Financial strength

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

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

This is further described in note 13 Capital Adequacy.

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

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

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

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

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

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

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

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

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

The bank's equity certificate (MING)

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

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

Risk factors

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

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

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

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

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

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

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

Outlook ahead

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

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

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

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

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

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

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

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

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

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

Kjell Bordal
(chair)

Bård Benum
(deputy chair)

Paul E. Hjelm-Hansen

Aud Skrudland

Morten Loktu

Janne Thyø Thomsen

Arnhild Holstad

Venche Johnsen
(employee rep.)

Finn Haugan
(Group CEO)

Income statement

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

Other comprehensive income

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

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

Key figures

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

Balance sheet

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

Cash flow statement

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

Change in equity

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

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

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

Equity capital certificate ratio

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

Results from quarterly accounts

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

Key figures from quarterly accounts

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

Notes

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Note 1 - Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. As from 2007 the company accounts are also prepared and presented under IFRS. This entails that investments in associates and subsidiaries are recognised using the cost method. For this reason results recorded by associates and subsidiaries are not included in the parent bank's accounts.

The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2013. Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts, except:

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

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

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

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

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

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

When it prepares the consolidated accounts the management team makes estimates, discretionary assessments and assumptions which influence the application of accounting principles. This accordingly affects recognised amounts for assets, liabilities, revenues and expenses. Last year's annual accounts give a closer explanation of significant estimates and assumptions in Note 4 Critical estimates and assessments concerning the use of accounting principles.

Nets Holding AS

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

Pensions

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

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

Demographic assumptions:

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

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

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

Net pension liability in the balance sheet Group (NOKm)

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

Pension cost 30 June 14 Group (NOKm)

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

Note 3 - Account by business line

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

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

Group 30 September 2014

| Profit and loss account (NOKm) | RM | CM | Markets | EM 1 | SB1 | SB1 | SB1 | BN | Total | |
|---------------------------------------------------------|---------------|---------------|-----------|------------|--------------|--------------------|--------------|--------------------|---------------|----------------|
| | | | | | Finans MN | Regnskapshuset SMN | SB1 Gruppen | BN Bank Uncollated | | |
| Net interest | 629 | 621 | -1 | 2 | 95 | -0 | - | - | -55 | 1,305 |
| Interest from allocated capital | 33 | 51 | 1 | - | - | - | - | - | -84 | - |
| Total interest income | 661 | 672 | -1 | 2 | 95 | -0 | - | - | -139 | 1,305 |
| Commission income and other income | 568 | 121 | 15 | 270 | -3 | 141 | - | - | 44 | 1,140 |
| Net return on financial investments ***) | 1 | 20 | 26 | - | - | - | 259 | 78 | 245 | 628 |
| Total income *) | 1,230 | 812 | 41 | 272 | 92 | 141 | 259 | 78 | 149 | 3,074 |
| Total operating expenses | 596 | 226 | 49 | 230 | 37 | 117 | - | - | 54 | 1,310 |
| Ordinary operating profit | 634 | 586 | -9 | 42 | 55 | 24 | 259 | 78 | 95 | 1,765 |
| Loss on loans, guarantees etc. | 7 | 44 | - | - | 5 | - | - | - | -1 | 55 |
| Result before tax including held for sale | 626 | 542 | -9 | 42 | 50 | 24 | 259 | 78 | 96 | 1,709 |
| Post-tax return on equity **) | 19,8 % | 10,7 % | | | | | | | | 16.1 % |
| Balance (NOKm) | | | | | | | | | | |
| Loans and advances to customers | 76,773 | 34,891 | - | - | 3,600 | - | - | - | 961 | 116,225 |
| Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt | -28,609 | -1,130 | - | - | - | - | - | - | -1 | -29,740 |
| Individual allowance for impairment on loan | -28 | -142 | - | - | -11 | - | - | - | 0 | -182 |
| Group allowance for impairment on loan | -90 | -188 | - | - | -16 | - | - | - | -0 | -295 |
| Other assets | 249 | 132 | - | 280 | 10 | 128 | 1,341 | 1,187 | 27,857 | 31,185 |
| Total assets | 48,296 | 33,563 | - | 280 | 3,582 | 128 | 1,341 | 1,187 | 28,816 | 117,194 |
| Deposits to customers | 31,632 | 24,747 | - | - | - | - | - | - | 1,621 | 58,000 |
| Other liabilities and equity | 16,664 | 8,816 | - | 280 | 3,582 | 128 | 1,341 | 1,187 | 27,196 | 59,194 |
| Total liabilities | 48,296 | 33,563 | - | 280 | 3,582 | 128 | 1,341 | 1,187 | 28,816 | 117,194 |

Group 30 September 2013

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

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

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

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

Note 4 - Operating expenses

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

Note 5 - Distribution of loans by sector/industry

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

Note 6 - Losses on loans and guarantees

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

Note 7 - Losses

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

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

Note 8 - Defaults

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

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

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

Note 9 - Other assets

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

Note 10 - Distribution of customer deposits by sector/industry

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

Note 11 - Debt created by issue of securities

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

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

| | 30 Sep 2014 | Issued | Fallen due/ Redeemed | Other changes | 31 Dec 2013 |
|----------------------------------------------------|----------------|--------------|----------------------------|------------------|----------------|
| Short-term debt instruments, nominal value | 300 | 300 | 2,750 | - | 2,750 |
| Bond debt, nominal value | 29,564 | 6,427 | 7,064 | -517 | 30,718 |
| Value adjustments | 627 | - | - | 333 | 294 |
| Total | 30,491 | 6,727 | 9,814 | -184 | 33,762 |
| | 30 Sep 2014 | Issued | Fallen due/ Redeemed | Other changes | 31 Dec 2013 |
| Ordinary subordinated loan capital, nominal value | 1,528 | - | - | 6 | 1,522 |
| Perpetual subordinated loan capital, nominal value | 300 | - | - | - | 300 |
| Hybrid equity, nominal value | 1,400 | - | - | - | 1,400 |
| Value adjustments | 87 | - | - | 5 | 82 |
| Total | 3,315 | - | - | 11 | 3,304 |

Note 12 - Other liabilities

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

Note 13 - Capital adequacy

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

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

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

SpareBank 1 SMN utilises the Internal Rating Based Approach (IRB) for credit risk. Use of IRB imposes wide-ranging requirements on the bank's organisational set-up, competence, risk models and risk management systems. In June 2013 the bank applied for approval to switch to Advanced IRB for those portfolios currently reported under the IRB Foundation Approach.

The most central changes in connection with the new rules:

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

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

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

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

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

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

Note 14 - Financial instruments and offsetting

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

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

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

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

Parent Bank and Group are identical.

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

Level 1: Valuation based on quoted prices in an active market

Fair value of financial instruments that are traded in the active markets is based on market price on the balance sheet date. A market is considered active if market prices are easily and regularly available from a stock exchange, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length. This category also includes quoted shares and treasury bills.

Level 2: Valuation based on observable market data

Level 2 consists of instruments that are valued by the use of information that does not consist in quoted prices, but where the prices are directly or indirectly observable for the assets or liabilities concerned, and which also include quoted prices in non-active markets.

Level 3: Valuation based on other than observable data

If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

The following table presents the Group's assets and liabilities measured at fair value at 30 September 2014:

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

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

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

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

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

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

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

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

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

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

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

Note 16 - Subsequent events

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

Previous reporting:

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

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

SpareBank 1 SMN: 73,3 per cent (27,0 per cent)
SpareBank 1 Nord-Norge: 10,0 per cent (27,0 per cent)
SamSpar: 10,0 per cent (27,0 per cent)
Sparebanken Hedmark: 6,1 per cent (16,6 per cent)
Other shareholders: 0,6 per cent (2,2 per cent)

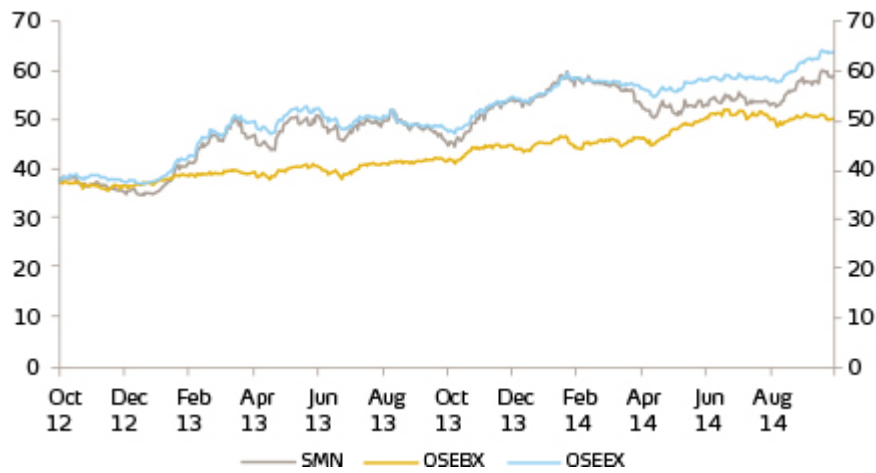
The operations of the two companies will primarily continue as-is, with 70 employees in Oslo and 40 employees in Trondheim. The merged company will be led by Stein Husby. The business area 'Foreign Exchange and Derivatives', as well as certain supporting functions, will be located in Trondheim.

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

Equity capital certificates

Stock price compared with OSEBX and OSEEX

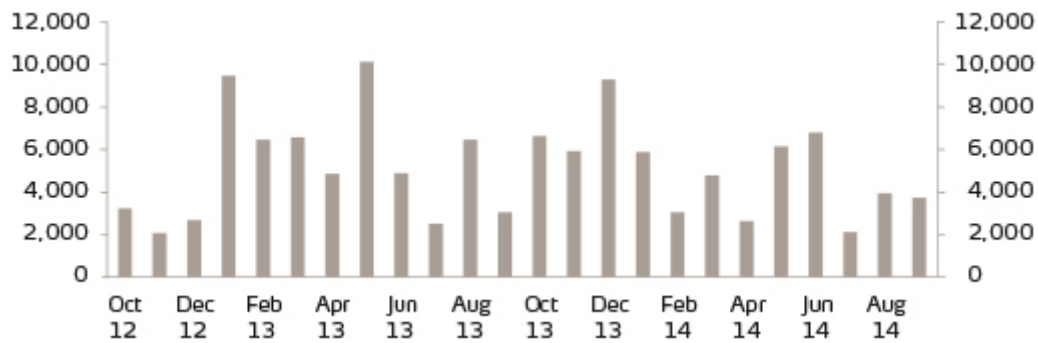
1 Oct 2012 to 30 Sep 2014



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

Trading statistics

1 October 2012 to 30 September 2014



Total number of ECs traded (1000)

| 20 largest ECC holders | Number | Share |
|-----------------------------------------------------------|--------------------|-----------------|
| Verdipapirfond Odin Norge | 4,042,430 | 3,11 % |
| Sparebankstiftelsen SpareBank 1 SMN | 3,965,391 | 3,05 % |
| Verdipapirfondet DNB Norge (IV) | 3,522,096 | 2,71 % |
| Verdipapirfond Pareto Aksje Norge | 3,477,008 | 2,68 % |
| Verdipapirfondet Nordea Norge Verdi | 3,103,939 | 2,39 % |
| Verdipapirfond Odin Norden | 2,854,979 | 2,20 % |
| Vind LV AS | 2,736,435 | 2,11 % |
| State Street Bank and Trust CO (nominee) | 2,654,032 | 2,04 % |
| Wimoh Invest AS | 2,359,388 | 1,82 % |
| MP Pensjon PK | 2,058,415 | 1,59 % |
| Verdipapirfondet Danske Invest Norske Aksjer Inst. II | 1,934,667 | 1,49 % |
| The Bank of New York Mellon (nominee) | 1,896,553 | 1,46 % |
| Verdipapirfondet Fondsfinans Spar | 1,750,000 | 1,35 % |
| Forsvarets Personellservice | 1,491,146 | 1,15 % |
| Verdipapirfond Pareto Aktiv | 1,392,125 | 1,07 % |
| DNB Livsforsikring AS | 1,369,046 | 1,05 % |
| Verdipapirfondet Nordea Kapital | 1,210,089 | 0,93 % |
| Verdipapirfondet Danske Invest Norske Aksjer Instit. I | 1,110,223 | 0,86 % |
| The Bank of New York Mellon (nominee) | 1,103,636 | 0,85 % |
| Aksjefondet Handelsbanken Norge | 1,100,000 | 0,85 % |
| The 20 largest ECC holders in total | 45,131,598 | 34,76 % |
| Others | 84,704,845 | 65,24 % |
| Total issued ECCs | 129,836,443 | 100,00 % |

Dividend policy

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

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

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

Auditor's report



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Translation from the original Norwegian version

To the Board of Directors of SpareBank 1 SMN

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

We have reviewed the accompanying balance sheet of the parent company and the group as of September 30 2014 for SpareBank 1 SMN and the related statements of income for the parent company and the group, changes in equity and cash flows for the nine month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34, as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

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

Trondheim 30.10.2014
Deloitte AS

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

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