

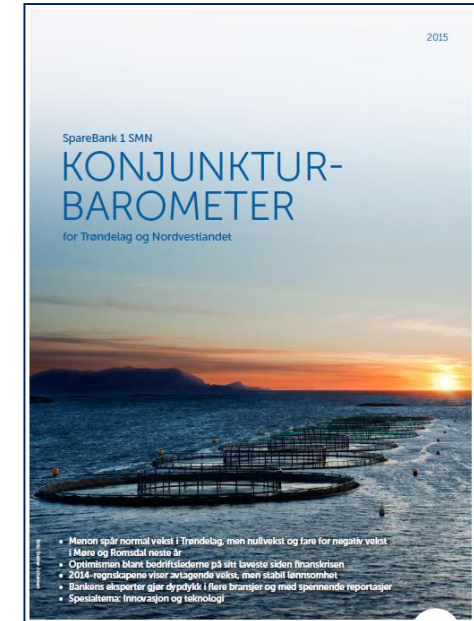
3rd quarter 2015

October 30th 2015

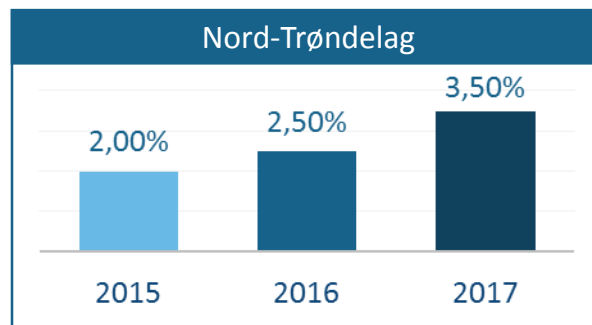
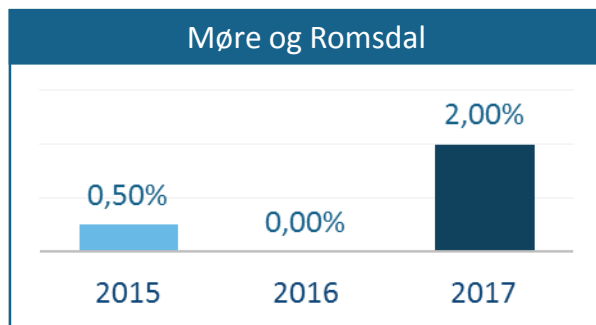
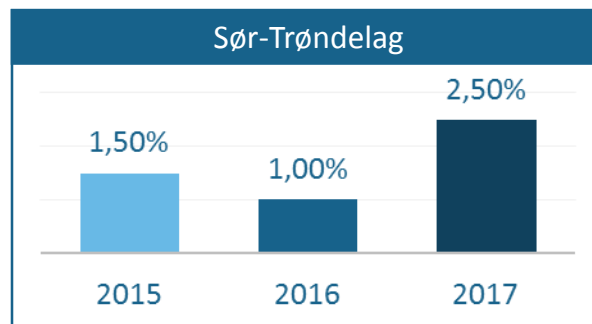
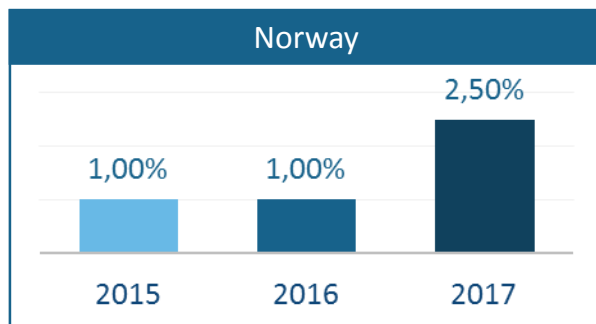
Economic Barometer 2015

Here are some of the topics you can read more about in this year's Economic Barometer:

- According to Sentio's corporate expectations barometer, optimism among business leaders in Trøndelag and in Møre and Romsdal is at its lowest ebb since the financial crisis, and at its next lowest since measurements started in 2001. Møre and Romsdal show a marked fall compared with last year.
- County-by-county forecasts prepared by Menon show that both Trøndelag counties will get through the next couple of years with ease – with moderate growth in GDP. Down, however, to 1 per cent in Sør Trøndelag next year, before more normal growth is resumed the following year. Nord Trøndelag will manage surprisingly well, largely thanks to Kværner Verdal's Johan Sverdrup contract. On the other hand, Menon predicts zero growth in Møre og Romsdal, with impending danger of negative growth.
- Impello has analysed how the techno city Trondheim is tackling the oil price fall. Surprisingly well, according to Impello.
- Industry analyses with coverage of offshore/maritime industry, fisheries, aquaculture, agriculture, construction and real estate along with distributive trades.



Moderate GDP growth. Down, however, to 1 per cent in Sør Trøndelag next year, before more normal growth is resumed the following year. Nord Trøndelag will manage surprisingly well, largely thanks to Kværner Verdal's Johan Sverdrup contract. On the other hand, Menon predicts zero growth in Møre og Romsdal, with impending danger of negative growth.



Source: Menon Economics

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

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

-> SpareBank 1 SMNs exposure are mainly related to Offshore Service Vessels.

- Excluding barges we finance 72 vessels (100% or partly). 13 vessels are in the spot market/have contract expiry 4Q 2015. 8 supply vessels and 3 minor seismic support vessels are p.t. laid up.
- The spot/laid-up vessels are mainly part of larger fleets
- 86% of the exposure is related to PSV, AHTS, subsea and standby vessels - 14% to barges / seismic vessels. The PSV and subsea segments have a share of 36-37% each.
- The portfolio has a contract coverage that is better than the total Norwegian OSV fleet
- Relatively young fleet compared to benchmark and the total market
- The portfolio as low risk (PD) and good risk adjusted return
- 6 company groups with exposure above 500 mnok – none above 1 bill.

Exposure and portfolio quality offshore service vessels

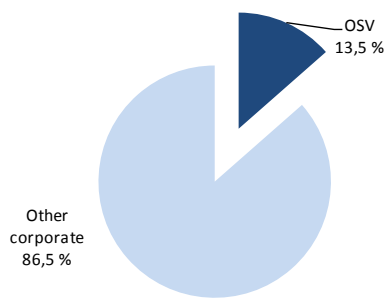
30. Sept. 2015

KEY FIGURES OSV VS. TOTAL CORPORATE PORTFOLIO

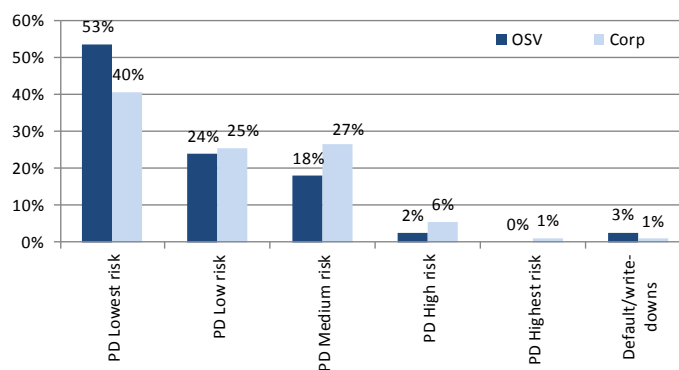
AS OF 30.09.15

		OSV	Corp
Loan	MNOK	5.227	42.731
	Share	12,2 %	
EAD	MNOK	7.036	52.065
	Share	13,5 %	0,00 %
PD Lowest risk	Share	53,4 %	40,50 %
PD Low risk	Share	23,8 %	25,41 %
PD Medium risk	Share	17,9 %	26,67 %
PD High risk	Share	2,3 %	5,51 %
PD Highest risk	Share	0,0 %	1,05 %
Default/write-downs	Share	2,6 %	0,86 %
Weighted PD (excl. default/write down)		1,1 %	1,5 %
Expected loss (excl. default/write down)		0,22 %	0,46 %
Unexpected loss (allocated capital)		3,9 %	6,1 %
Margin		3,2 %	1,8 %
Risk adjusted return excl. opex		55 %	16 %

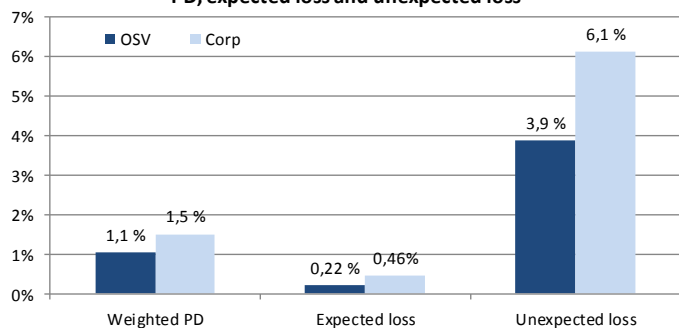
OSV vs. total corporate portfolio (EAD)



Distribution Risk Groups (PD)



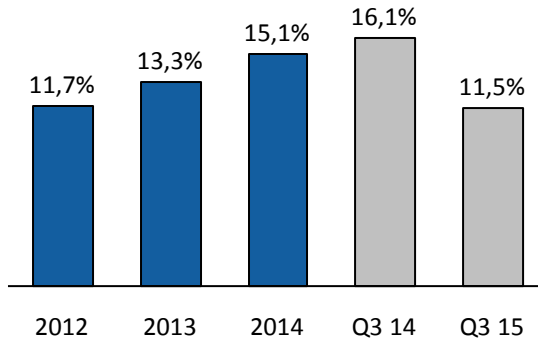
PD, expected loss and unexpected loss



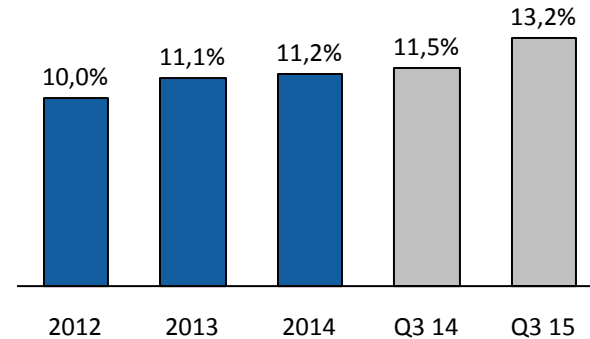
- Exposure to Offshore Service Vessels is 14% of total corporate exposure
- Lower PD than total corporate portfolio and also lower capital need due to low risk profile.
- Margin (net interest rate) of 3,2%
- Risk adjusted return excl. opex of 55% vs. 16% for total corporate; i.e. sufficient risk premium for the OSV customers

Strong capitalization, good profits and low risk

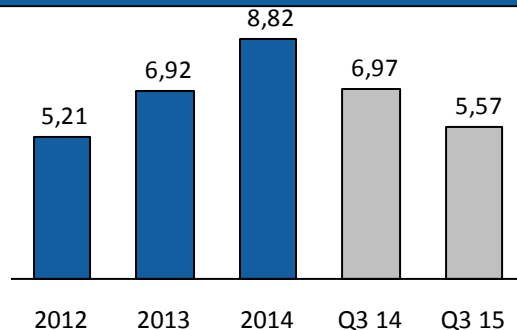
Return on equity



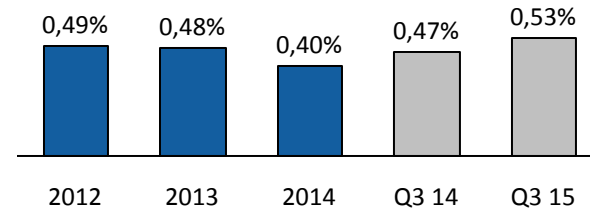
CET 1



Earnings per ECC

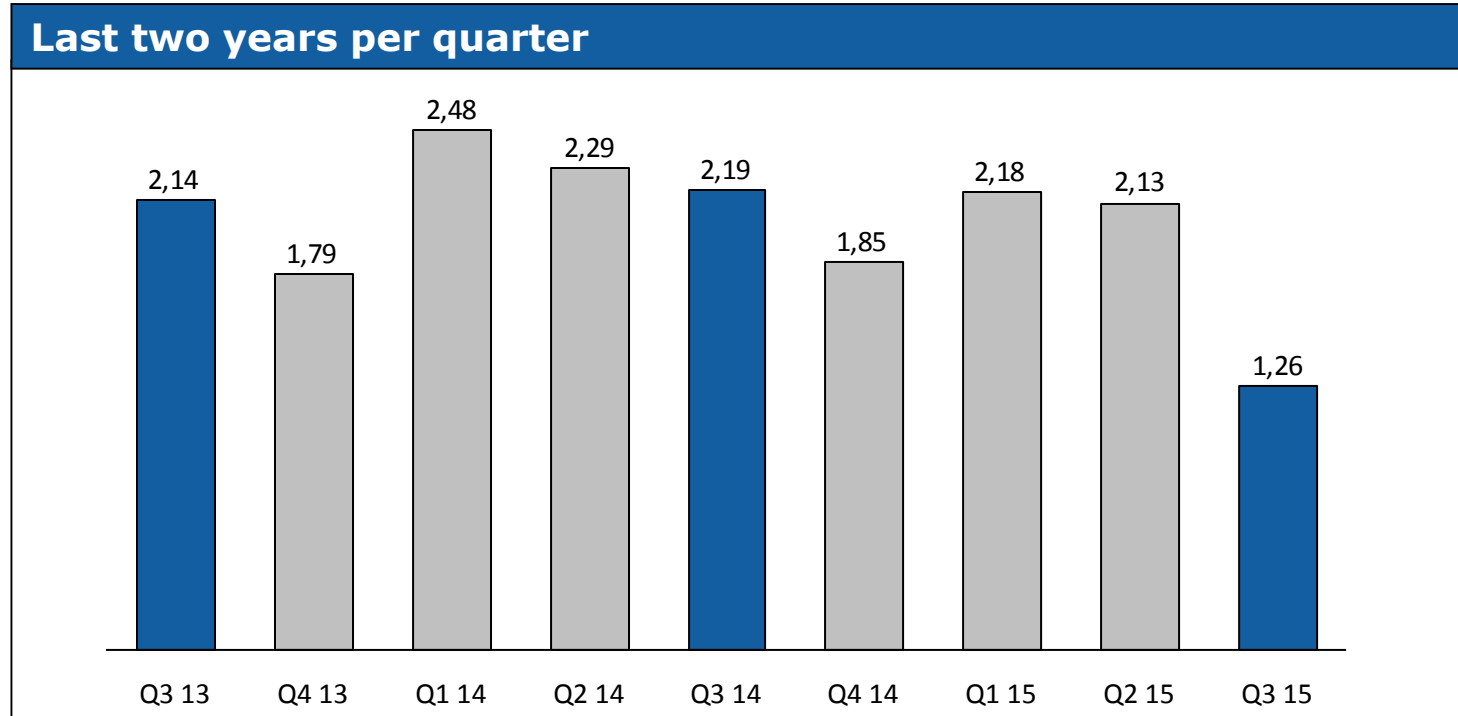


Loans in default and other problem loans as a percentage of total loans



Q3 2015

Earnings per ECC



Good result for core business and stronger financial position as of Q3 2015

Good earnings, 11.5% return on equity first nine months 2015

Core business remains on a positive trend with increased incomes and no cost growth. Market position strengthened in Trøndelag and in Møre and Romsdal

Turbulent markets have brought substantial capital losses on the bond portfolio

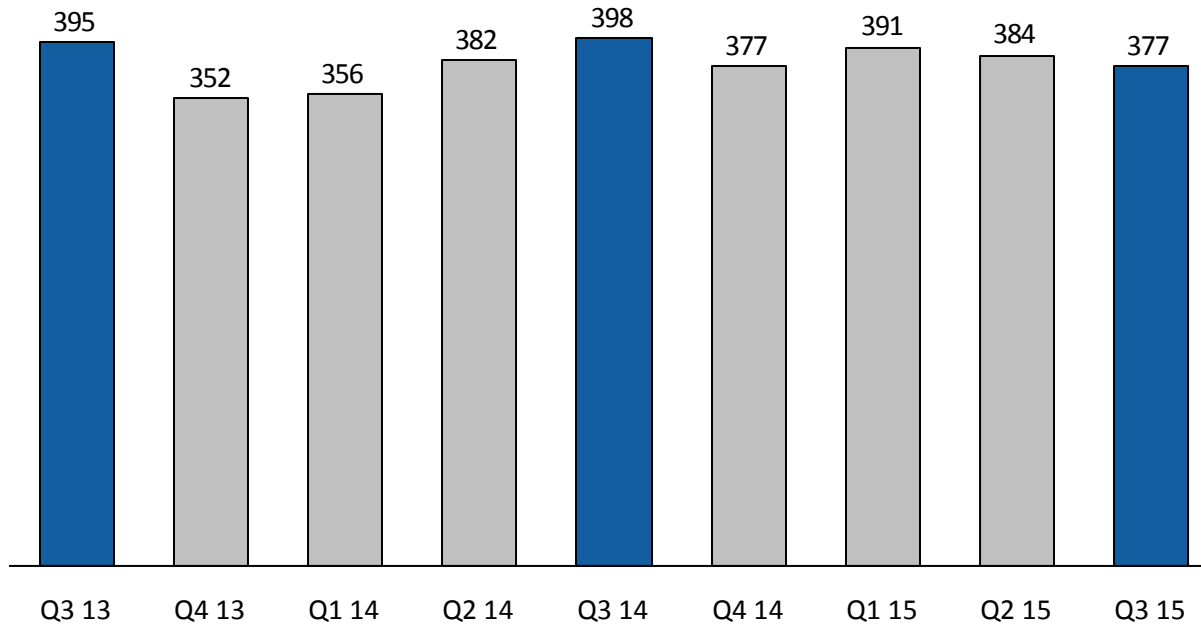
CET1 ratio 13.2%, restructuring of BN Bank into a purely retail market bank frees up capital and strengthens profitability. CET1 capital ratio at SMN to improve by 1.3 pp after restructuring completed

Low losses and low defaults but collectively assessed impairment write-downs increased due to increased uncertainty

Self-service simplifies and improves both customers' experience and production processes. Costs to be kept to 2014 level at the parent bank. Acquisition of mobile payment service mCASH

Profit core business

Last two years per quarter

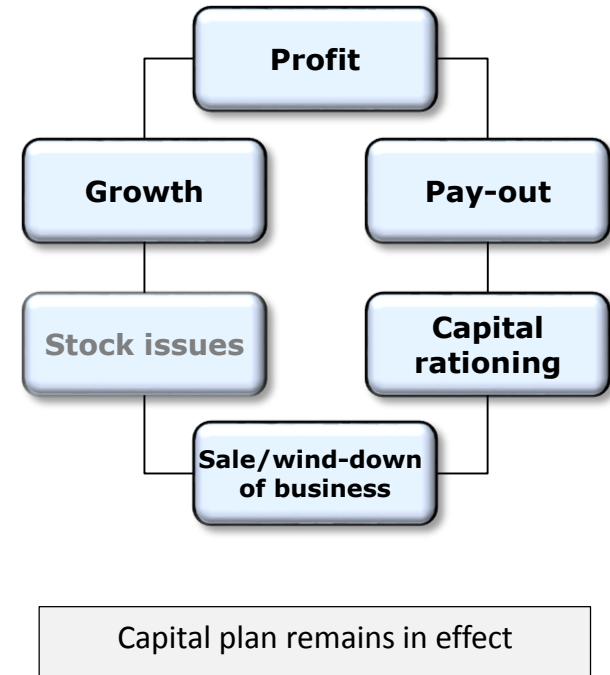


Comments

- Positive development, both net interest and commission income
- Moderate cost growth

Capital planning

- As of 30 September 2015 the regulatory requirement on CET1 capital is 11.0 per cent, including combined buffer requirements. This will rise to 11.5 per cent as from 30 June 2016
- The bank has not received any individual Pillar 2 add-on, but Finanstilsynet (Norway's FSA) has communicated to the bank a capital expectation of 14.5 per cent CET1 capital by 31 Desember 2016
- This will be handled by the board of directors before year-end
- Finanstilsynet has given notice of individual Pillar 2 add-ons in 2016
- The board of directors plans for a CET1 capital ratio of 13.5 per cent by 30 June 2016, including a countercyclical buffer of 1.5 per cent. The further goal is to increase the CET1 ratio to at least 14.0 per cent by end-2016 without carrying out a stock issue
- Winding down the commercial property portfolio at BN Bank will on completion produce a reduction of risk weighted assets at SpareBank 1 SMN of NOK 9bn, equivalent to boosting the CET1 ratio by 1.3 percentage points.



SpareBank 1 SMN intends to be among the best performing banks

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

Financial results 3rd quarter 2015

30. September 2015

Net profit NOK 1,119m (1,407m, including gains Nets 156m)

Return on equity 11.5 % (16.1 %)

Result of core business NOK 1,039m (1,081m)

Cost growth parent bank 0.2 % (3.4%)

CET 1 13.2 % (11.5 %)

Growth in lending RM 8.7 % (7.6%) and CM 7.8 % (2.0%), deposits 9.5 % (8.5 %) last 12 months

Booked equity capital per ECC NOK 65.52 (60.53), profit per ECC NOK 5.57 (NOK 6.97)

Q3 2015

Profit NOK 248m (464m)

ROE 7.3 % (14.8 %)

Result of core business NOK 321m (374m)

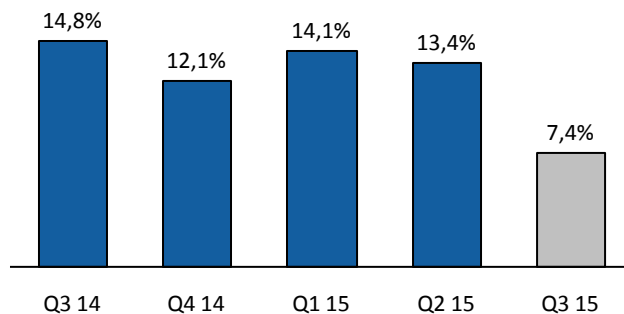
Capital loss on bonds of NOK 116m (15m)

Growth in lending RM 2.0 % (1.7 %) and CM 0.2 % (1.0 %) in Q3 2015

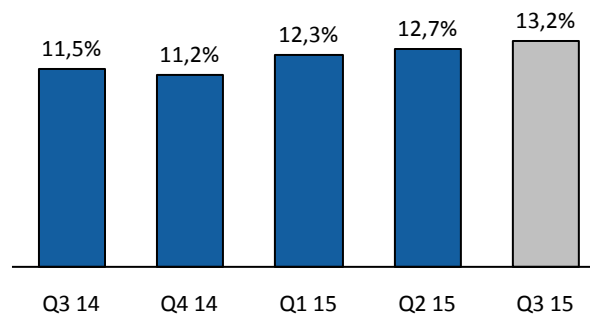
Earnings per ECC NOK 1.26 (2.19)

Key figures, quarterly

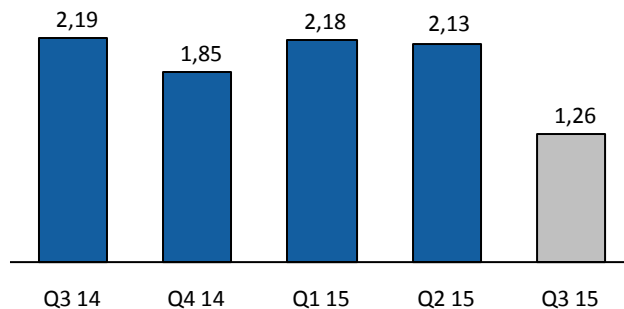
Return on equity



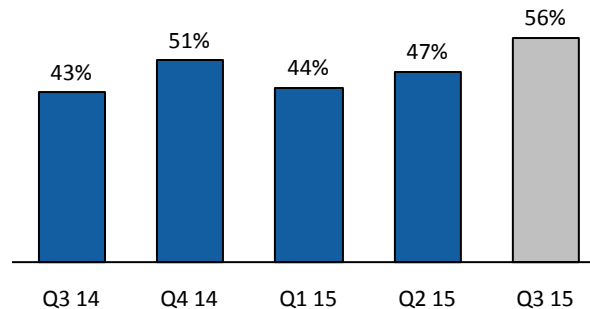
CET 1



Earnings per ECC



Cost / Income

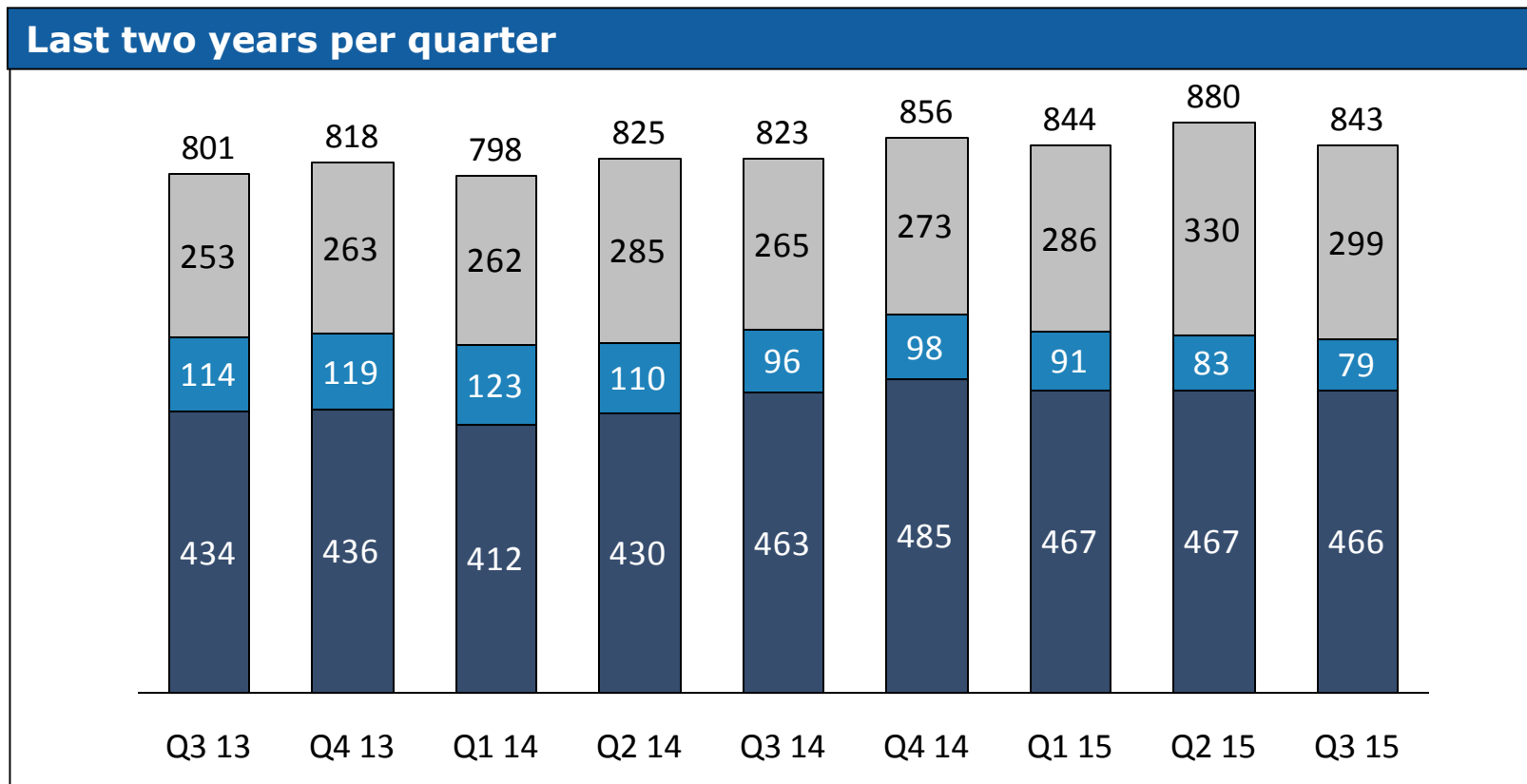
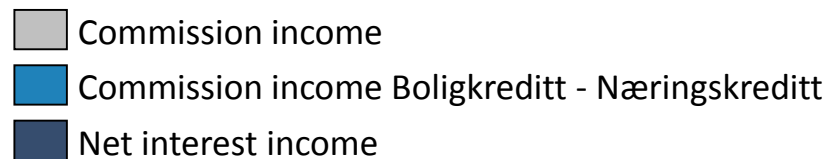


Q3 2015

Positive development in profits

Profit	To date			per quarter				
	30 Sept. 2015	30 Sept. 2014	Change	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14
NOK mill								
Net interest	1.399	1.305	94	466	467	467	485	463
Commission income and other income	1.168	1.140	27	378	413	377	371	361
Operating income	2.567	2.446	121	843	880	844	856	823
Total operating expenses	1.416	1.310	106	466	496	454	479	425
Pre-loss result of core business	1.151	1.136	15	377	384	391	377	398
Losses on loans and guarantees	112	55	57	56	35	22	34	24
Post-loss result of core business	1.039	1.081	-42	321	349	369	343	374
Related companies, including held for sale	326	383	-57	78	120	128	144	169
Securities, foreign currency and derivatives	23	245	-222	-91	45	69	-53	1
Result before tax	1.388	1.709	-321	309	513	566	434	544
Tax	270	302	-33	61	83	126	60	101
Net profit	1.119	1.407	-288	248	430	441	375	443
Return on equity	11,5 %	16,1 %		7,4 %	13,4 %	14,1 %	12,1 %	14,8 %

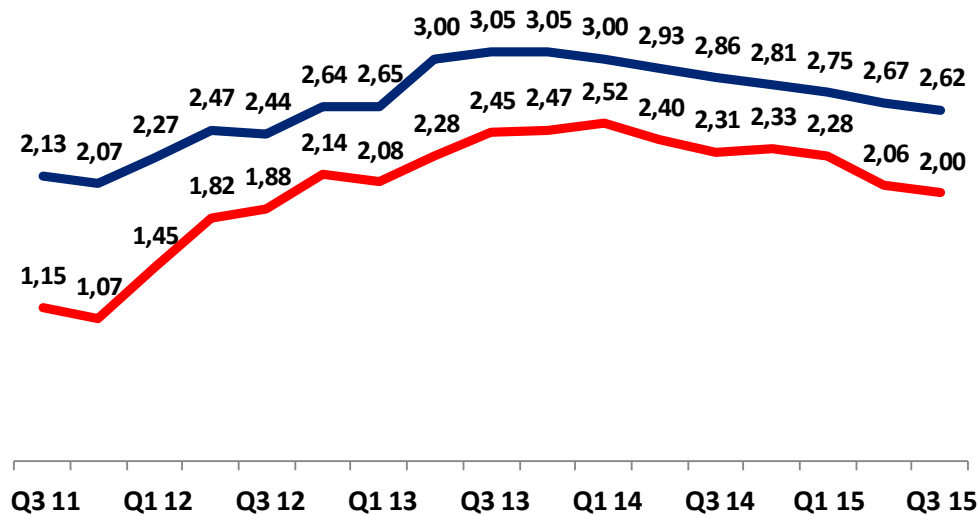
Operating income



Lending margins Retail and Corporate

Per quarter from Q3 2011

Percent

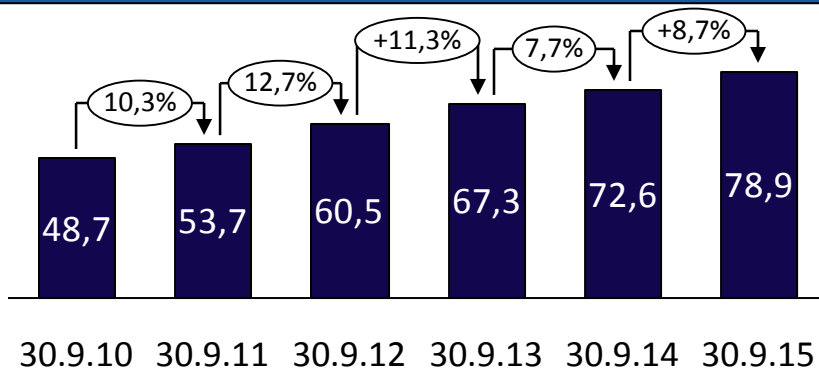


Comments

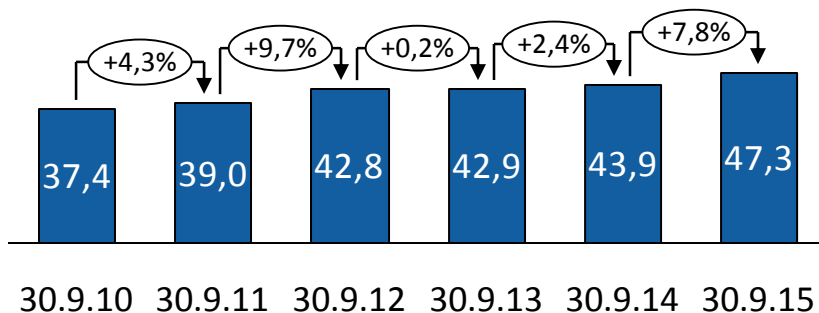
- Strong competition
- Interest rate changed four times on best home loans since June 2014
- Further reduction announced on mortgages from december 2015. Estimated effect up to 20 bp

Total growth lending 8.3 % last 12 months

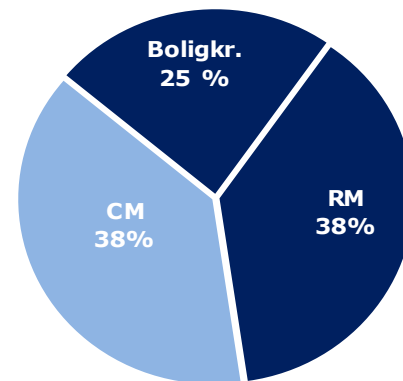
Lending RM +8.7 % last 12 months, 2.0 % in Q3 15



Lending CM +7.8 % in last 12 months, 0.2 % in Q3 15

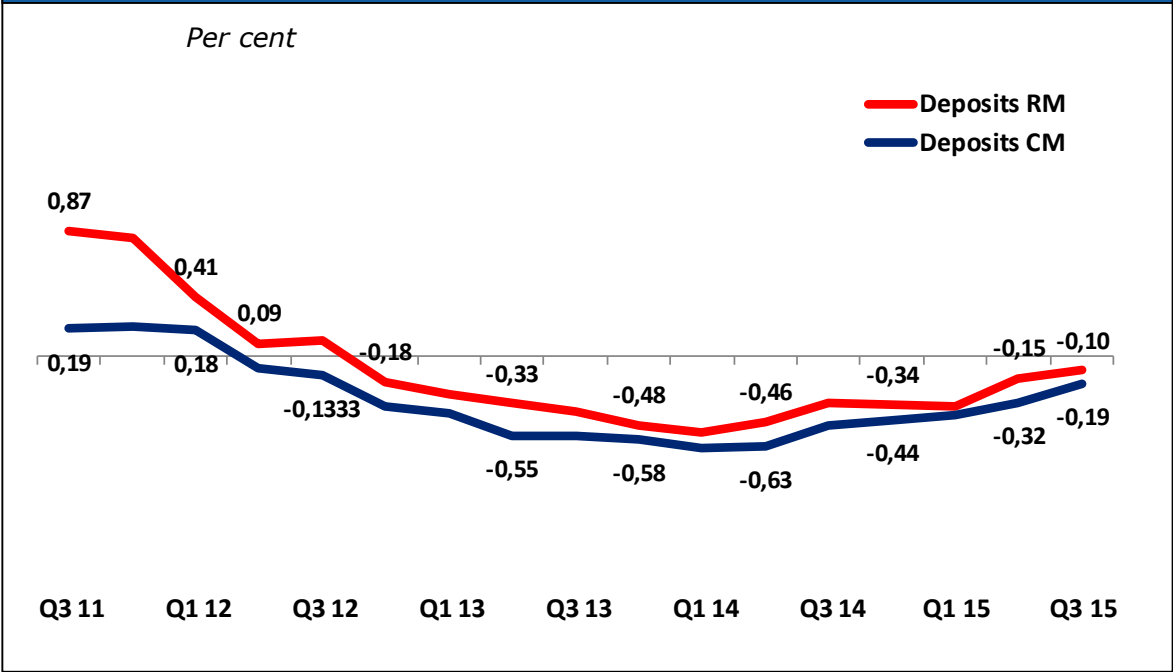


Loans



Deposit margins Retail and Corporate

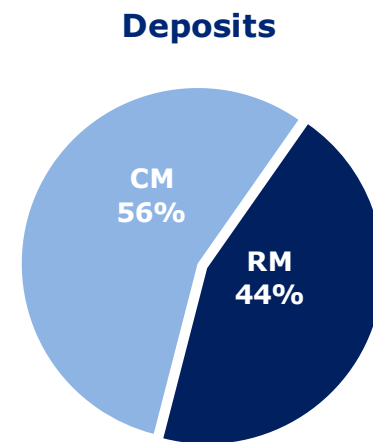
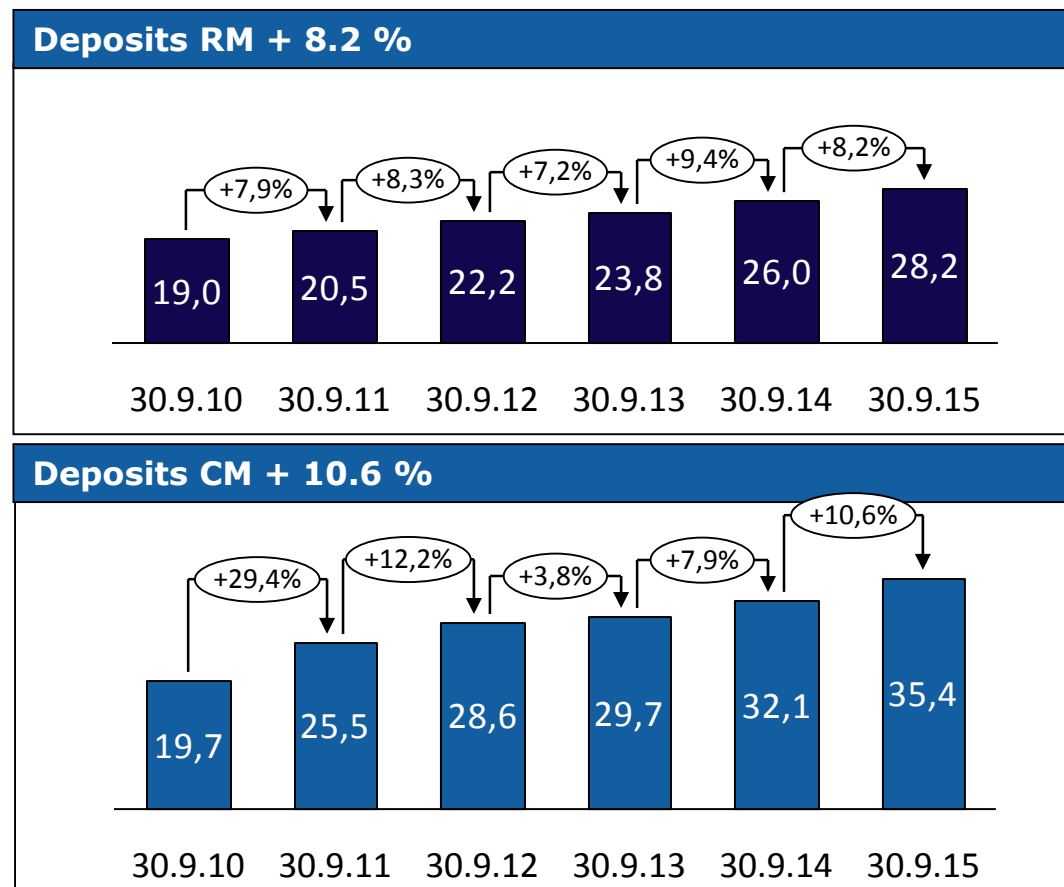
Per quarter from Q3 2011



Comments

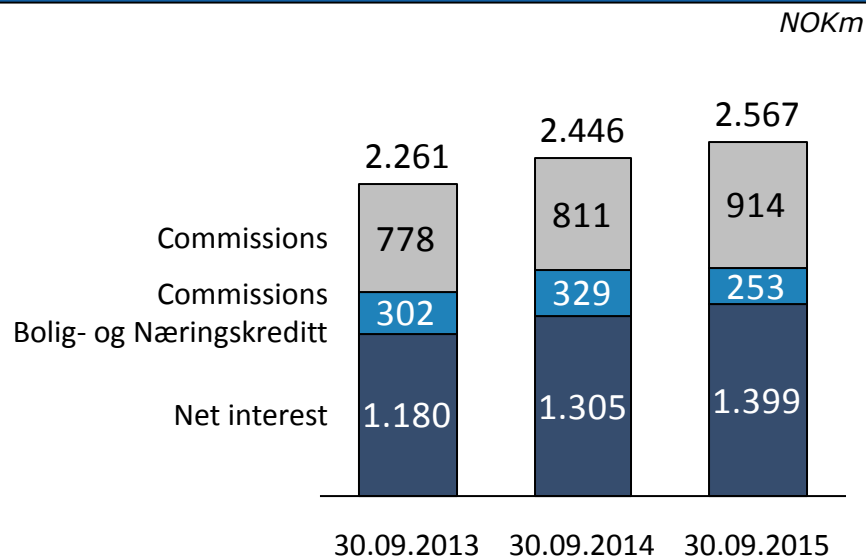
- Margin increased due to repricing
- Further repricing to be carried out, both of corporate and retail deposits

Total growth deposits 9.5 % last 12 months



Robust income platform and increased commission income

Net interest and other income



Commission income 30. Sept 2014 and 2015

mill kr	30 Sept. 2015	30 Sept. 2014	Change
Payment transmission income	143	141	3
Creditcards	42	38	4
Commissions savings	43	34	9
Commissions insurance	114	101	13
Guarantee commissions	52	45	7
Estate agency	262	239	23
Accountancy services	143	134	9
Markets	43	12	31
Assets management	15	11	4
Other commissions	58	56	2
Commissions ex. Bolig/Næringskreditt	914	811	103
Boligkreditt	247	321	-74
Næringskreditt	7	8	-1
Total commission income	1.168	1.140	28

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

Return on financial investments

	To date		Per quarter				
<i>NOKm</i>							
	2015	2014	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14
Net gain and dividends on securities	79	216	9	61	10	-15	2
Net gain on bonds and derivatives	-73	-18	-116	32	11	-48	-15
Change in discount factor in fair value model for fixed interest loans	-64			-64			
Net gain on trading and derivatives Markets	82	46	18	16	48	11	12
Return on financial investments	24	245	-90	44	69	-52	0

Subsidiaries

Profit subsidiaries	To date			per quarter				
	30 Sept. 2015	30 Sept. 2014	Change	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14
EiendomsMegler 1 Midt-Norge (87 %)	39,5	42,2	-2,7	10,3	21,3	7,8	8,7	16,6
SpareBank 1 Regnskapshuset SMN	26,0	24,1	1,9	5,7	12,4	7,9	16,4	5,0
SpareBank 1 Finans Midt-Norge (90 %)	63,6	49,9	13,7	20,1	22,2	21,3	18,1	18,3
Allegro Kapitalforvaltning (90 %)	2,1	-1,3	3,4	0,7	1,0	0,3	3,9	-0,7
SpareBank 1 SMN Invest	33,0	31,1	1,9	20,0	12,1	0,9	-29,4	-7,7
SpareBank 1 Markets (73 %)	-62,7	-	-	-52,6	-10,1			

SpareBank 1 Markets: accounts 30. Sept. 2015 and proforma accounts

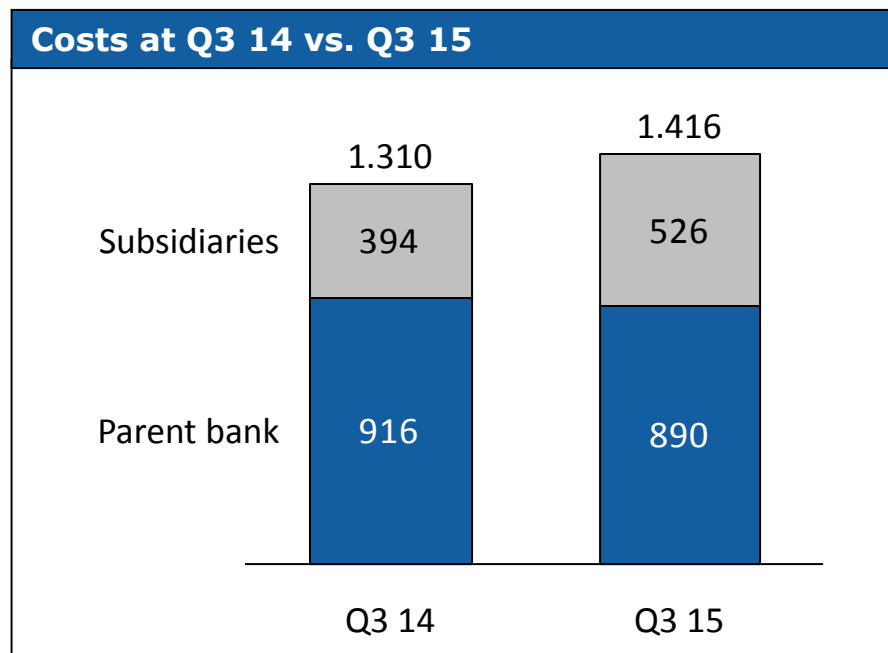
SpareBank 1 Markets

NOK mill	Proforma Per Q3 15	SMN Markets Q1 15	Sb1 Markets Per Q3 15	Q3 15	Q2 15	Q1 15
Equities / High Yield	50	2	49	14	17	18
Fixed income	-1	0	-1	1	-3	2
Corporate	27	0	27	10	8	9
Foreign exchange/interest rate	84	29	55	28	27	0
Other commission income	5	1	5	2	2	0
Total income	165	31	134	55	51	28
Capital losses on bonds	-51	1	-52	-52	0	0
Net income	114	32	83	3	51	28
Operating expenses	174	10	164	59	59	46
Results before tax	-60	21	-81	-56	-8	-17

Kommentar

- Q3 incomes significantly affected by a large increase in credit margins on bonds, (capital loss of NOK 52m in Q3 in isolation)
- Positive development for corporate order book
- Stock issue worth NOK 100m to be carried out to strengthen the company's financial position
- Subsidiary of SpareBank 1 SMN as from 2nd quarter. SMN's stake is 73.4 %

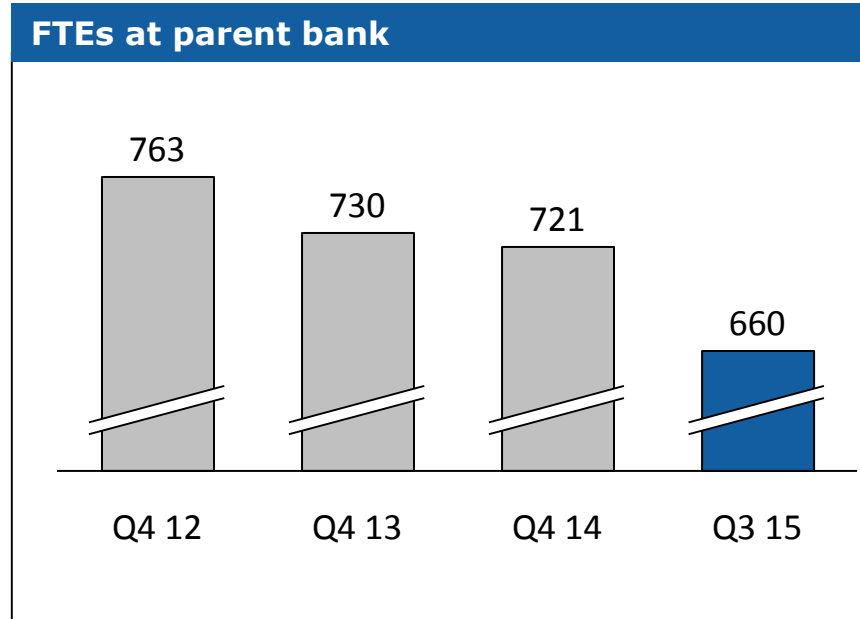
Costs, parent bank and subsidiaries



Comments

- Of the increase at group level, NOK 90m relates to the consolidation of SpareBank 1 Markets as a subsidiary as from Q2 2015
- The effect of the transfer of markets activities to SB1 Markets in Q2 yielded a cost reduction of NOK 28m in Q2 and Q3. This taken into account, net cost growth at the parent bank is NOK 2m, corresponding to 0.2%
- The goal is zero growth in parent bank costs in 2015 and 2016

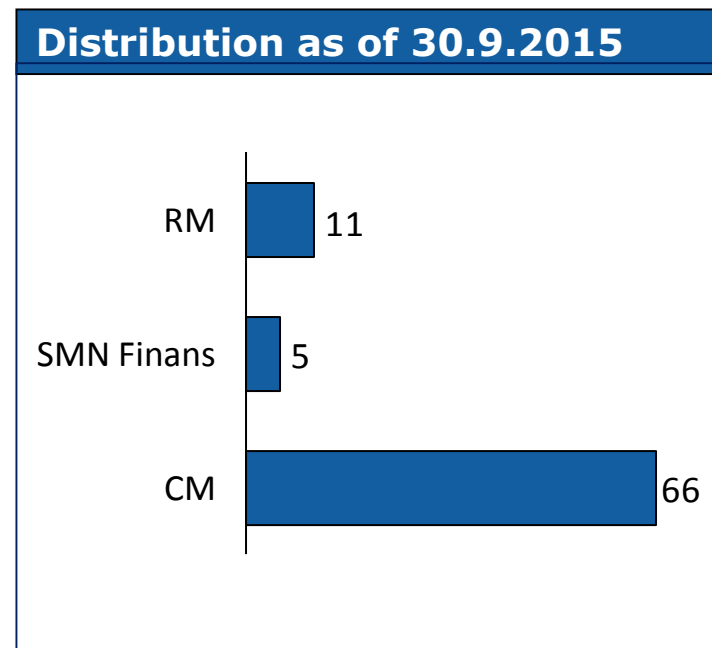
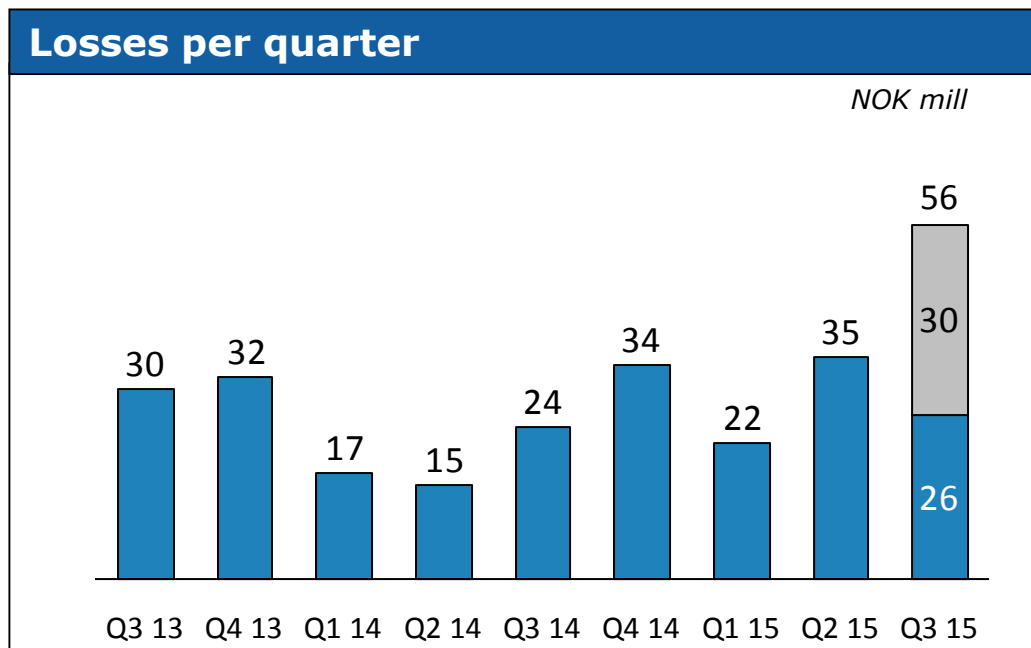
FTEs crucial to achieving costs goal



- At end-March there were 60 fewer FTEs at the parent bank than at year-end
- This is mainly natural wastage
- A further reduction of about 60 FTEs is aimed for by the end of 2016

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

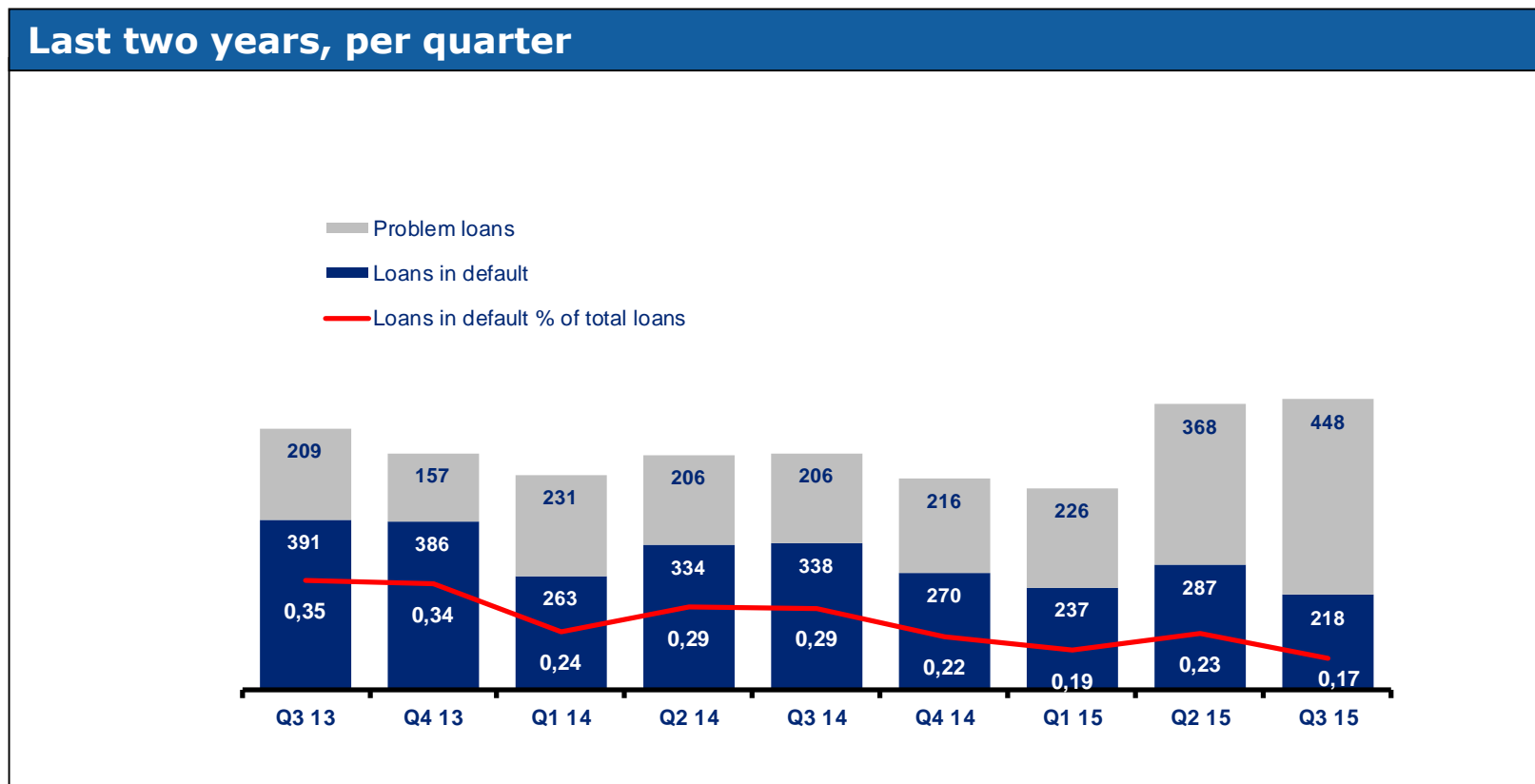
Low losses , 0.12 % of total gross lending, including 30 mNOK in collective losses provisions



- Loan losses 0.12 % (0.06 %) of gross lending as of 30.9.2015

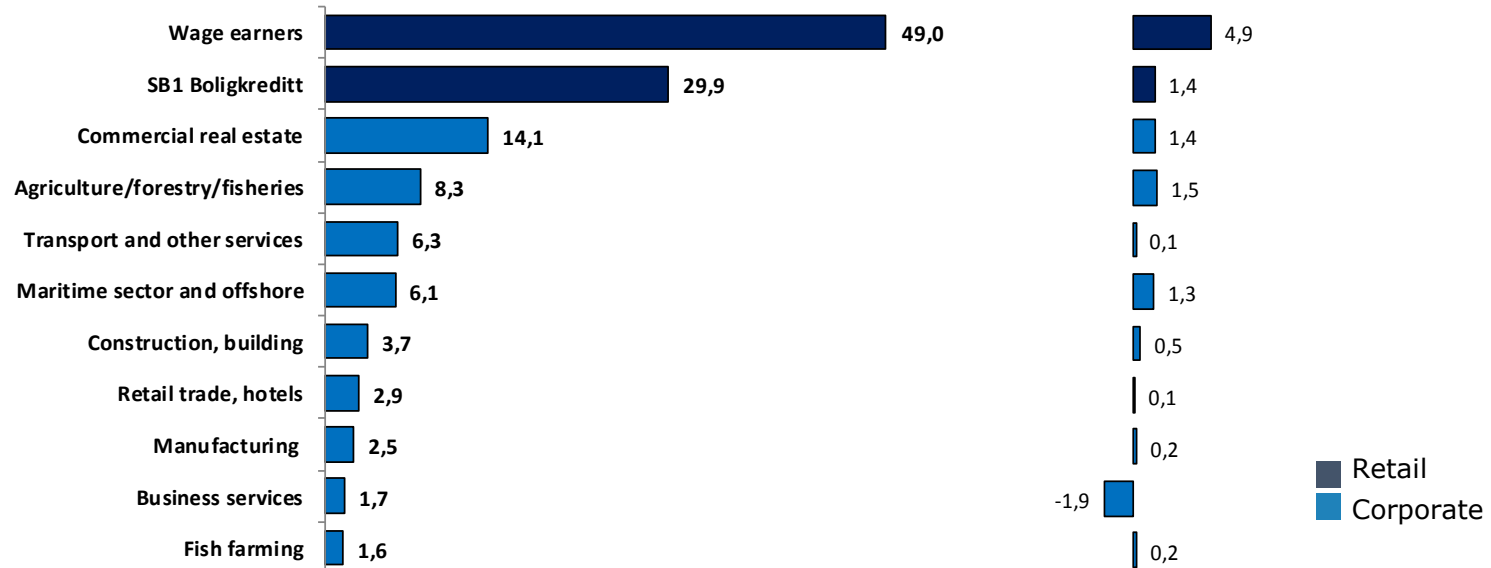
Defaults and other problem loans

Low levels



High share mortgages and diversified portfolio SMEs

Lending and change last 12 months by sector in mNOK



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

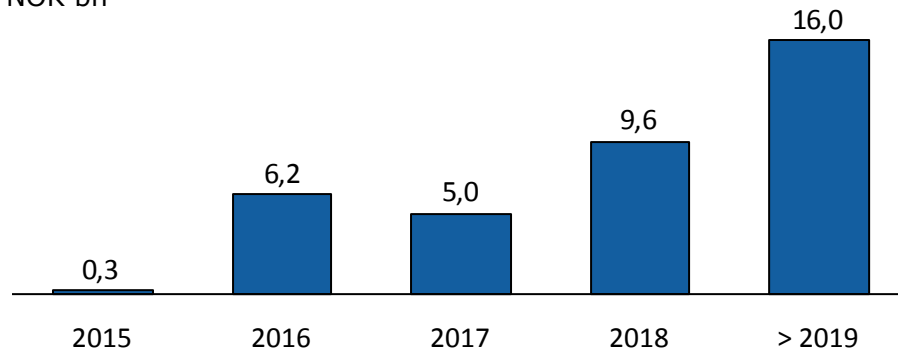
Balance sheet

Last three years			
	30 Sept. 2015	30 Sept. 2014	30. Dec 2014
Funds available	18,5	17,3	20,1
Net loans	94,4	86,2	90,1
Securities	1,2	0,7	0,7
Investment in related companies	5,2	5,1	5,2
Goodwill	0,5	0,5	0,5
Other assets	9,4	7,4	9,4
TOTAL ASSETS	129,2	117,2	126,0
Capital market funding	41,9	36,5	42,1
Deposits	63,6	58,1	60,7
Other liabilities	6,8	7,0	7,3
Subordinated debt	3,5	3,3	3,4
Equity	13,5	12,2	12,5
TOTAL DEBT AND EQUITY	129,2	117,2	126,0
in addition loans sold to Boligkreditt and Næringskreditt	31,3	29,7	29,9

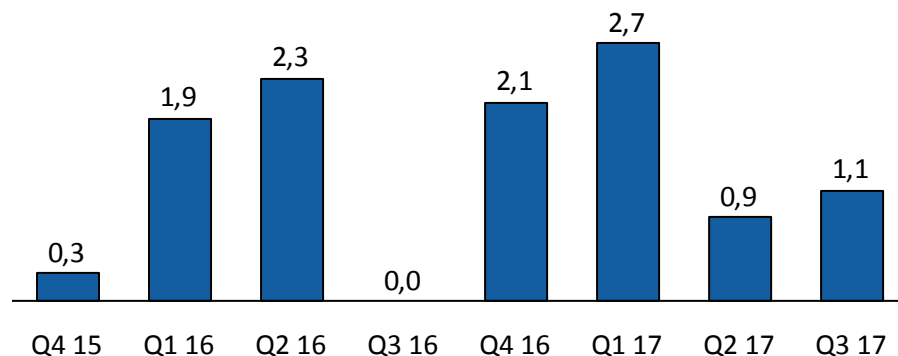
Satisfying access to capital market funding

Funding maturity 30. September 2015

In NOK bn



In NOK bn

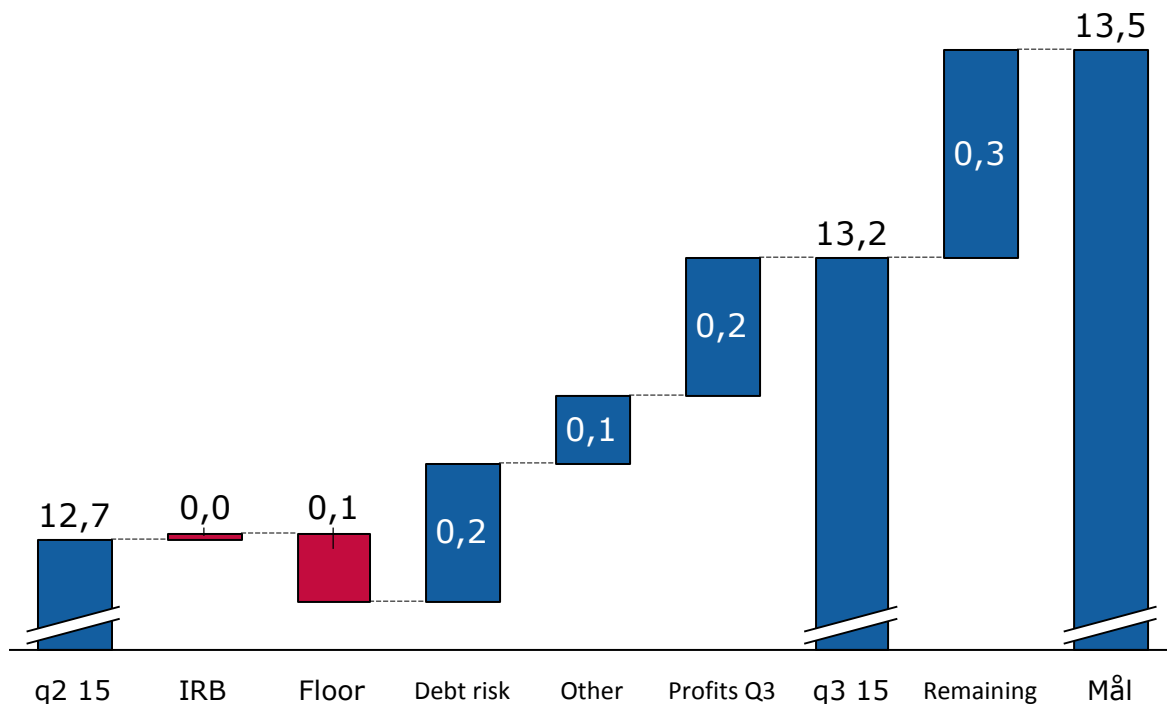


Comments

- SpareBank 1 Boligkreditt is the main funding source through covered bonds. NOK 30 billion transferred as of 30. September 2015
- Maturities next two years NOK 11.3 bn :
 - NOK 0.3 bn in Q4 2015
 - NOK 6.3 bn in 2016
 - NOK 4.7 bn in Q1, Q2 and Q3 17

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

Development CET 1 Q2 15 – Q3 15

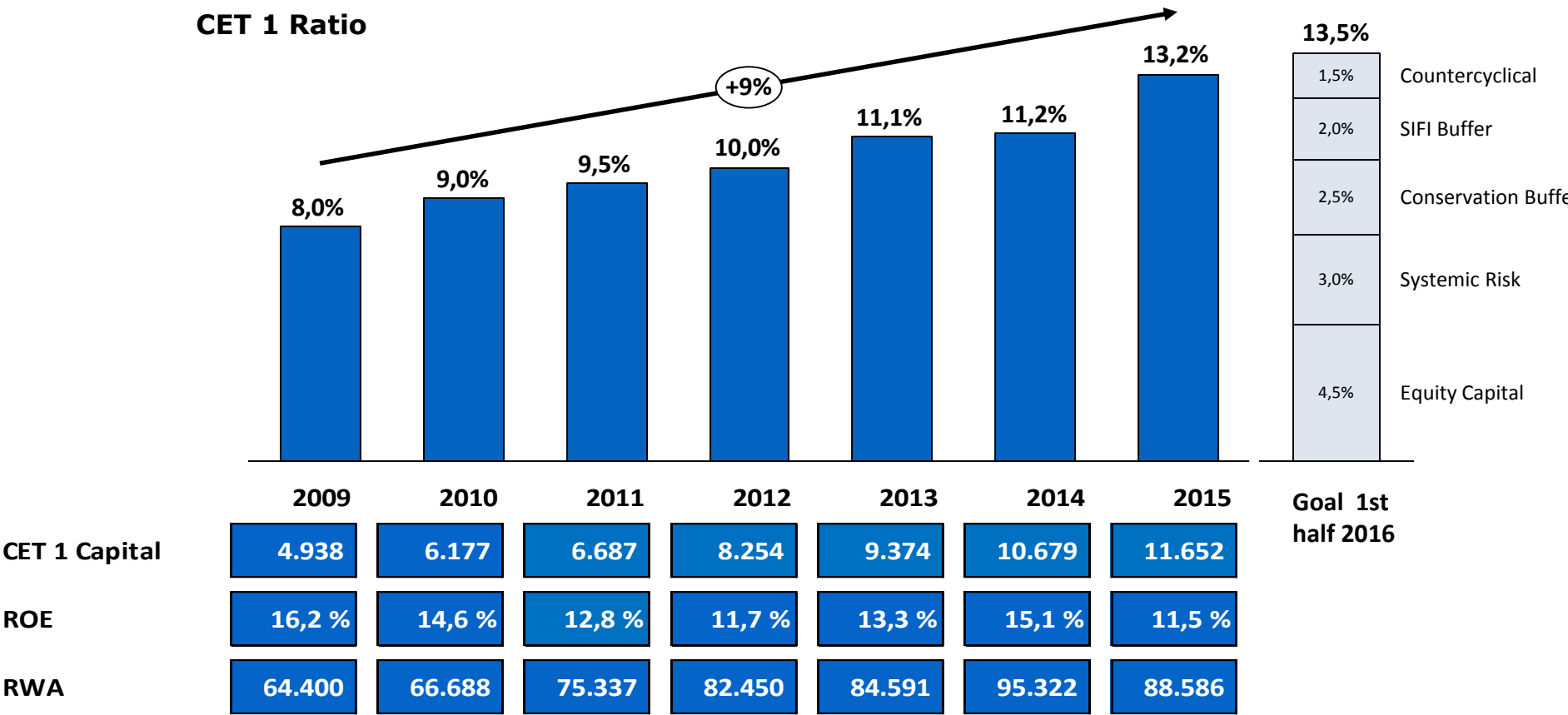


Changes Q3 15

50 points stronger Tier 1 capital adequacy as a result of one-time events:

- Reduced bond portfolio at SpareBank 1 Markets
- Revised methodology for calculating capital charges related to derivatives

Development in common equity Tier 1 (capital and ratio), and ROE from 2009 to Q3 2015



Appendix



Change in net interest income

From 30. Sept. 2014 to 30. Sept. 2015

Net interest at 30. Sept. 2014	1.305
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Net interest at 30. Sept. 2015	1.399
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Change	94
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Obtained as follows:

Fees on lending	2
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Lending volume	201
----------------	-----

Deposit volume	-22
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Lending margin	-185
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Deposit margin	117
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Equity capital	-23
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Funding and liquidity buffer	-12
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SMN Finans	17
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Change	94
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Comments

- Increased lending volume and deposit margins strengthens net interest income
- Lower lending margins weaken net interest income

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

Associated companies

Profit shares after tax	To date			per quarter				
	30 Sept. 2015	30 Sept. 2014	Change	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14
SpareBank 1 Gruppen (19,5 %)	183,4	259,5	-76,0	55,8	68,2	59,4	98,5	109,0
SpareBank 1 Boligkreditt (18,4 %)	64,6	22,8	41,9	14,5	9,1	41,0	14,8	10,3
SpareBank 1 Næringskreditt (29,3 %)	22,0	30,4	-8,4	6,6	7,3	8,1	10,1	10,4
BN Bank (33 %)	30,7	78,0	-47,3	-4,1	16,5	18,3	14,6	22,9
Companies owned by SpareBank 1 SMN Invest	12,9	17,8	-4,9	0,0	12,9	0,0	12,7	17,8
SpareBank 1 Kredittkort (18,4 %)	15,2	-0,9	16,1	5,6	5,8	3,8	2,2	4,2

Cost growth in parent bank 0.2 %, SB1 Markets transaction taken into account

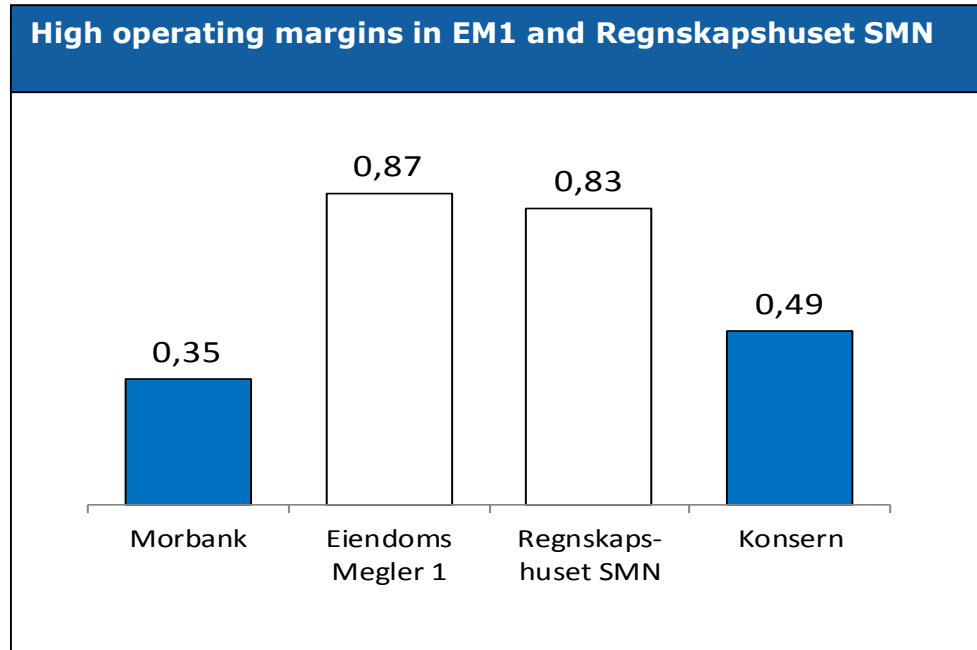
Change in costs 30. Sept 14 – 30. Sept. 2015

Expenses at 30. Sept. 2015	1.415,9
Expenses at 30. Sept. 2014	1.309,7
Change	106,2
Obtained as follows:	
Parent bank, effect SMN Markets taken into account	2,2
SMN Markets transferred to SB1 Markets	28,1
Parent bank	-25,9
Personnel costs	-20,7
IT	2,1
Marketing	2,5
Others	-9,8
Subsidiaries	132,2
Regnskapshuset SMN	10,4
EiendomsMegler 1	14,4
SpareBank 1 Finans Midt-Norge	3,0
SpareBank 1 Markets	118,3
Other subsidiaries	-13,9
Group	106,2
Group effect SB1 Markets	90,2
Group, effect SB1 Markets taken into account	16,0

Modest cost growth

- Fewer FTEs reduces personnel costs
- Further reduction in FTEs in Q4
- Parent bank costs to be kept to the same level in 2015 as in 2014

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

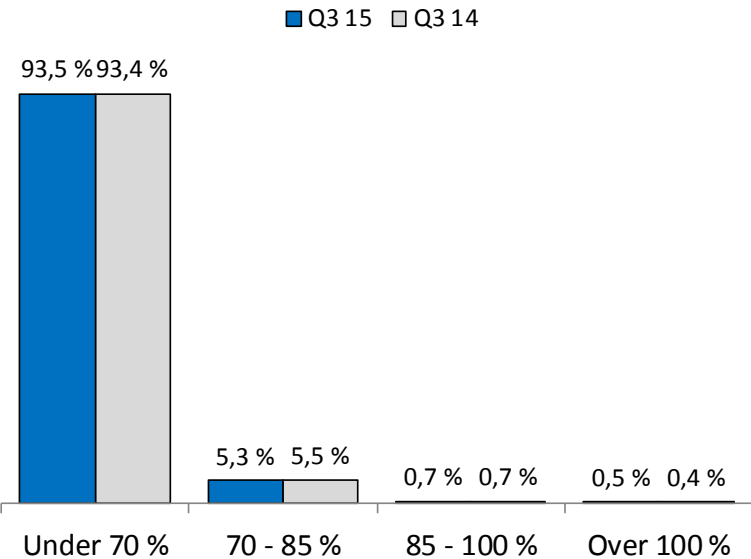


Profitable and non-capital-intensive subsidiaries:

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

Loan to value mortgages

Last two years

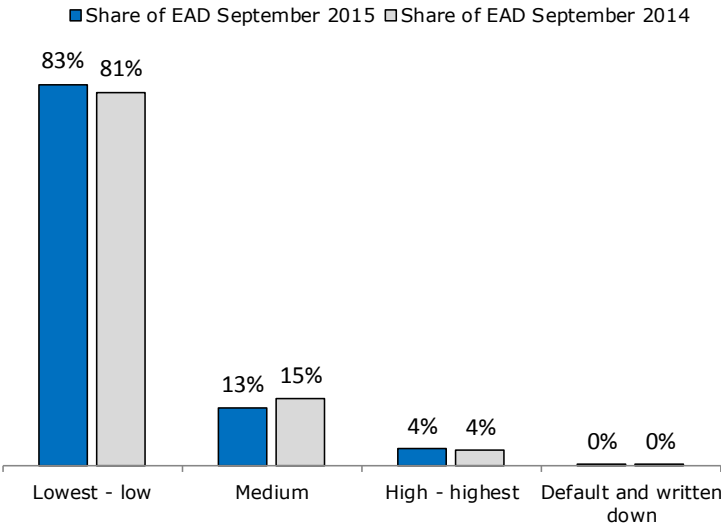


Comments

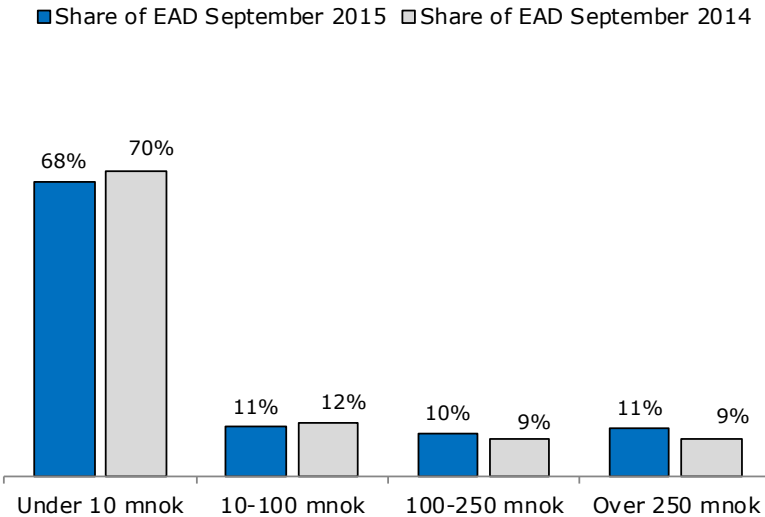
- 98.8 % of the exposure has an LTV of less than 85 %
- Exposure with LTV higher than 85 points 1.2 %

Stable credit risk

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



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



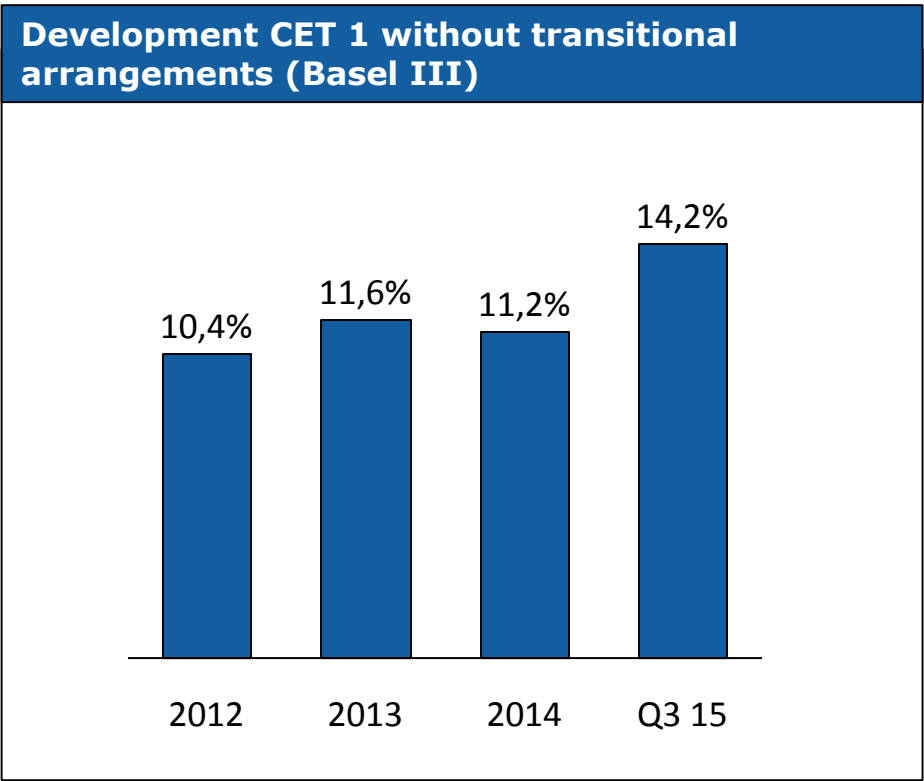
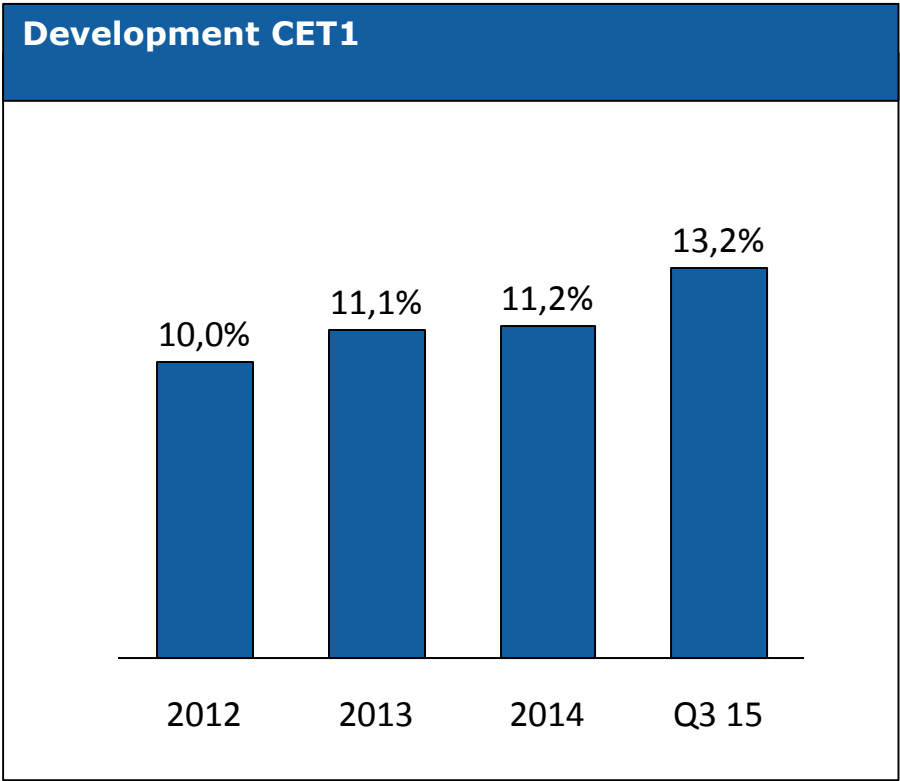
Capital adequacy

Last two years

NOKm

	30.9.15	30.9.14
Core capital exclusive hybrid capital	11.652	10.605
Hybrid capital	1.798	1.698
Core capital	13.451	12.302
Supplementary capital	2.435	2.523
Total capital	15.886	14.826
Total credit risk IRB	4.073	4.529
Debt risk, Equity risk	104	442
Operational risk	457	416
Exposures calculated using the standardised approach	1.827	1.860
CVA	92	116
Transitional arrangements	533	0
Minimum requirements total capital	7.087	7.364
RWA	88.586	92.045
CET 1 ratio	13,2 %	11,5 %
Core capital ratio	15,2 %	13,4 %
Capital adequacy ratio	17,9 %	16,1 %

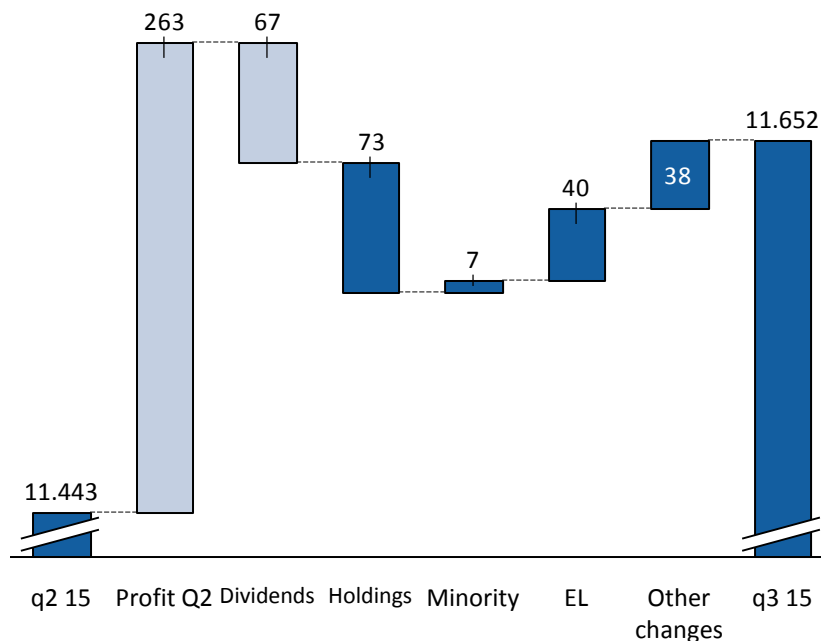
Strengthened capital



Change in CET 1 capital and capital requirements (rwa) in Q3 2015

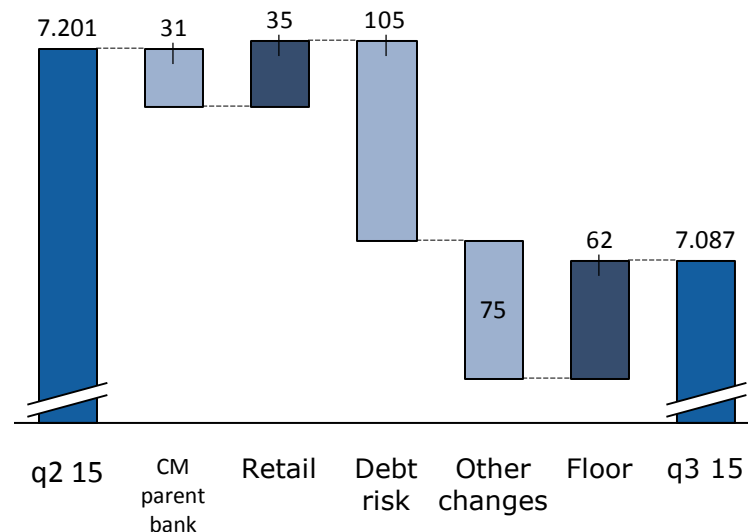
Increased CET1 capital

- A somewhat weaker profit performance means the Group builds less capital from operations
- EL deduction reduced due to increase in collectively assessed write-downs



Reduced capital requirements (rwa)

- The group has downscaled its bond portfolio, thereby reducing debt risk
- Improved calculation methodology has lowered capital charges related to derivatives



Key figures

Last three years

	30 Sept. 2015	30 Sept. 2014	30 Sept. 2013
Net interest	1,46	1,50	1,42
Comm. income and net retur on fin. inv.	1,59	2,04	1,71
Operating expenses	1,48	1,51	1,51
Net profit as a percentage of ATA	1,57	2,03	1,62
CET 1 ratio	13,2 %	11,5 %	10,7 %
Core capital ratio	15,2 %	13,4 %	12,6 %
Capital adequacy	17,9 %	16,1 %	14,2 %
Growth in loans incl.Boligkreditt	8,3 %	5,4 %	6,7 %
Growth in deposits	9,5 %	8,5 %	5,1 %
Deposit-to-loan ratio	67 %	67 %	67 %
RM share loans	63 %	62 %	61 %
Cost-income ratio	49 %	43 %	48 %
Return of equity	11,5 %	16,1 %	13,3 %
Impairment losses ratio	0,12 %	0,06 %	0,08 %

Key figures ECC

Including effects of issues

Last five years

	Q3 15	Q3 14	2014	2013	2012	2011
ECC ratio	64,6 %	64,6 %	64,6 %	64,6 %	64,6 %	60,6 %
Total issued ECCs (mill)	129,83	129,83	129,83	129,83	129,83	102,76
ECC price	54,00	59,25	58,50	55,00	34,80	36,31
Market value (NOKm)	7.011	7.692	7.595	7.141	4.518	3.731
Booked equity capital per ECC	65,52	60,53	62,04	55,69	50,09	48,91
Post-tax earnings per ECC, in NOK	5,57	6,97	8,82	6,92	5,21	6,06
Dividend per ECC	-		2,25	1,75	1,50	1,85
P/E	7,27	6,38	6,63	7,95	5,99	6,68
Price / Booked equity capital	0,82	0,98	0,94	0,99	0,69	0,74

SpareBank 1 SMN

7467 TRONDHEIM

CEO

Finn Haugan

Tel +47 900 41 002

E-mail: finn.haugan@smn.no

Switchboard

Tel +47 07300

CFO

Kjell Fordal

Tel +47 905 41 672

E-mail: kjell.fordal@smn.no

Internett addresses:

SMN home page and internet bank: www.smn.no

Hugin-Online: www.huginonline.no

Equity capital certificates in general:
www.grunnfondsbevis.no

Financial calender 2015

3. Quarter: 30. October 2015