

First half and second quarter report 2015



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Main figures

From the income statement	30 Jun 2015		30 Jun 2014		2014	
	NOKm	%	NOKm	%	NOKm	%
Net interest	934	1.47	843	1.46	1,790	1.52
Net commission income and other income	790	1.25	780	1.35	1,512	1.28
Net return on financial investments	362	0.57	459	0.80	720	0.61
Total income	2,086	3.29	2,081	3.61	4,021	3.41
Total operating expenses	950	1.50	884	1.53	1,789	1.52
Results before losses	1,137	1.79	1,197	2.08	2,232	1.89
Loss on loans, guarantees etc	56	0.09	32	0.05	89	0.08
Results before tax	1,080	1.70	1,165	2.02	2,143	1.82
Tax charge	209	0.33	202	0.35	362	0.31
Result investment held for sale, after tax	-1	0.00	0	0.00	0	0.00
Net profit	871	1.37	963	1.67	1,782	1.51

Key figures	30 Jun 2015	30 Jun 2014	2014
Profitability			
Return on equity ¹⁾	13.7 %	16.8 %	15.1 %
Cost-income ratio ²⁾	46 %	42 %	44 %
Balance sheet figures			
Gross loans to customers	94,179	85,464	90,578
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	124,519	114,819	120,435
Deposits from customers	66,186	59,402	60,680
Deposit-to-loan ratio	70 %	70 %	67 %
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt	8.4 %	5.1 %	7.3 %
Growth in deposits	11.4 %	8.5 %	8.5 %
Average total assets	126,874	115,243	117,794
Total assets	130,888	118,758	126,047
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt			
Impairment losses ratio	0.09 %	0.06 %	0.08 %
Non-performing commitm. as a percentage of gross loans ³⁾	0.23 %	0.29 %	0.22 %
Other doubtful commitm. as a percentage of gross loans	0.30 %	0.18 %	0.18 %
Solidity			
Capital adequacy ratio	17.3 %	15.0 %	15.7 %
Core capital ratio	14.6 %	13.3 %	13.0 %
Common equity tier 1 ratio	12.7 %	11.4 %	11.2 %
Core capital	13,142	11,635	12,382
Net equity and related capital	15,577	13,164	14,937
Branches and staff			
Number of branches	49	49	49
No. Of full-time positions	1,227	1,167	1,192

Key figures ECC ⁴⁾	30 Jun 2015	30 Jun 2014	2014	2013	2012	2011
ECC ratio	64.6 %	64.6 %	64.6 %	64.6 %	64.6 %	60.6 %
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	102.76
ECC share price at end of period (NOK)	65.50	54.25	58.50	55.00	34.80	36.31
Stock value (NOKM)	8,504	7,043	7,595	7,141	4,518	3,731
Booked equity capital per ECC (including dividend)	64.18	58.32	62.04	55.69	50.09	48.91
Profit per ECC, majority	4.31	4.77	8.82	6.92	5.21	6.06
Dividend per ECC			2.25	1.75	1.50	1.85
Price-Earnings Ratio	7.60	5.68	6.63	7.95	6.68	5.99
Price-Book Value Ratio	1.02	0.93	0.94	0.99	0.69	0.74

1) Net profit as a percentage of average equity

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

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

4) The key figures are corrected for issues

Report of the Board of Directors

First half 2015

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

- Pre-tax profit: NOK 1,080 million (1,165 million)
- Net profit: NOK 871 million (963 million)
- Return on equity: 13.7 per cent (16.8 per cent)
- Growth in lending 8.4 per cent (5.1 per cent) and deposits 11.4 per cent (8.5 per cent) in past 12 months
- Loan losses NOK 56 million (32 million), 0.09 per cent (0.06 per cent) of gross lending
- CET1 capital ratio: 12.7 per cent (11.4 per cent)
- Earnings per equity certificate: NOK 4.31 (4.77)

Second quarter 2015

- Pre-tax profit: NOK 513 million (568 million)
- Net profit NOK 430 million (464 million)
- Return on equity: 13.4 per cent (16.0 per cent)
- Loan losses: NOK 35 million (15 million), 0.11 per cent (0.05 per cent) of gross loans
- Earnings per equity certificate: NOK 2.13 (2.29)

Good profit performance first half 2015

Main points:

- Pre-loss profit from core business up 5 per cent.
- Group profit down NOK 93 million compared with first half 2014. This is attributable to very high capital gains on sale of holding in Nets in first half of last year
- Low loan losses
- Low cost growth, in keeping with plan
- CET1 ratio: 12.7 per cent
- Good growth in lending and deposits

As from the second quarter of 2015 SpareBank 1 Markets is consolidated as a subsidiary of SpareBank 1 SMN, bringing an increase in the Group's gross incomes and expenses.

In the first half of 2015 SpareBank 1 SMN achieved a pre-tax profit of NOK 1,080 million (1,165 million). Net profit was NOK 871 million (963 million) and return on equity was 13.7 per cent (16.8 per cent).

Net profit in the second quarter was a creditable NOK 430 million (464 million). Return on equity in the quarter was 13.4 per cent (16.0 per cent).

Group operating income rose in the first half by NOK 101 million to NOK 1,724 million (1,623 million), largely due to increased lending, improved deposit margins and SpareBank 1 Markets.

Return on financial investments was NOK 362 million (459 million), of which income from owner interests accounted for NOK 248 million (214 million). The sale of the bank's stake in Nets Holding in the first half of 2014 came to NOK 156 million.

Group operating expenses were NOK 950 million in the first half 2015 (884 million). Of the increase of NOK 66 million, the effect of the consolidation of SpareBank 1 Markets as a subsidiary accounts for NOK 46 million.

Loan losses totalled NOK 56 million (32 million) in the first half, corresponding to 0.09 per cent (0.06 per cent) of total lending.

At mid-year 12-month lending growth was 8.4 per cent (5.1 per cent) and deposit growth was 11.4 per cent (8.5 per cent). Lending growth in the first half was 3.4 per cent (2.3 per cent) and deposit growth in the same period was 9.1 per cent (5.9 per cent).

At the second quarter-end the CET1 ratio was 12.7 per cent (11.4 per cent). This was 0.4 percentage points higher than at the first quarter-end. An excellent result for the period has strengthened CET1 capital by NOK 314 million at the same time as growth in risk weighted assets in the period was marginal.

SpareBank 1 SMN is planning for a CET1 ratio of 13.5 per cent by 30 June 2016; the capital plan is further described in the section on financial strength. Home mortgage loan weights for Norwegian IRB banks were raised as from the first quarter of 2015, which in isolation weakened capital adequacy. In the first quarter SpareBank 1 SMN implemented the advanced IRB approach to calculate regulatory capital charges for credit risk from corporates. The net effect of higher home mortgage weights and implementation of advanced IRB was a 0.8 percentage point increase in the CET1 ratio.

In the first half-year earnings per EC were NOK 4.31. Book value per EC was NOK 64.18 at 30 June 2015.

At the half-year mark the quoted price of the bank's equity certificate was NOK 65.50 (NOK 58.50 at 31 dec 2014). A cash dividend of NOK 2.25 per EC was paid in in the second quarter for the year 2014.

Increased net interest income

Net interest income strengthened compared with the first half of 2014, and came to NOK 934 million (843 million). The change from the first half of 2014 is ascribed to:

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

Net interest income on loans sold to SpareBank 1 Boligkreditt (residential mortgage company) and SpareBank 1 Næringskreditt (commercial mortgage company) is recognised as commission income. Commission on loans sold to these two companies in the first half of 2015 totalled NOK 175 million (233 million).

In the course of 2014 and the first quarter of 2015 three general interest rate reductions have been carried out on loans to retail customers in order to adjust home mortgage to a falling interest rate level. Retail and corporate deposit rates have been reduced through 2014 and 2015 as a result of falling costs of money market funding. A further reduction of home mortgage rates, and of retail and corporate deposit rates, has been signalled.

Increased commission income

Net commission and other operating income came to NOK 790 million (780 million) in the first half of 2015.

Income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was down NOK 58 million due to lower lending volume and margins on loans sold to SpareBank 1 Boligkreditt. A positive trend is noted in other commission income, in particular from estate agency, accounting services and insurance. The main contributor to the increase of NOK 13 million on market income is the effect of consolidation of SpareBank 1 Markets.

Commission income (NOKm)	30 June 2015	30 June 2014	Change
Payment transfers	94	94	0
Creditcard	27	25	2
Saving products	26	21	4
Insurance	74	66	9
Guarantee commission	31	29	2
Real estate agency	179	156	23
Accountancy services	110	101	9
Markets	23	10	13
Active management	9	7	2
Rent	22	21	1
Other commissions	19	17	2
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	616	547	69
Commissions SB1 Boligkreditt	170	227	-57
Commissions SB1 Næringskreditt	5	5	-1
Total commissions	790	780	10

Return on financial investments

Overall return on financial investments (excluding the bank's share of the profit/loss of associates and joint ventures) was NOK 114 million (245 million). Overall return breaks down as follows:

- Return on the group's equity portfolios totalled NOK 70 million (214 million), which includes a gain of NOK 34 million on the transaction involving SpareBank 1 Markets
- Capital gains on bonds and derivatives were NOK 43 million (loss of NOK 3 million)
- As from the second quarter of 2015 a change was made to the reference rate in the model used to measure the fair value of fixed-rate loans, producing a one-time effect of minus NOK 64 million in this quarter.
- Income on forex and fixed income transactions was NOK 64 million (34 million)

	30 June 2015	30 June 2014	Change
Capital gains/dividends, shares (NOKm)			
Capital gains/dividends, shares	70	214	-144
Bonds and derivatives	43	-3	46
Change in reference rate in fair value model for fixed interest loans	-64	-	-64
Forex and fixed income business	64	34	30
Net return on financial investments	114	245	-131
SpareBank 1 Gruppen	128	150	-23
SpareBank 1 Markets	-2	-18	16
SpareBank 1 Boligkreditt	50	12	38
SpareBank 1 Næringskreditt	15	20	-5
SpareBank 1 Kredittkort	10	-5	15
BN Bank	35	55	-20
Companies owned by SpareBank 1 SMN Invest	13	-	13
Other companies	-0	-1	1
Income from investment in related companies	248	214	35
Total	362	459	-97

SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit for the first half of 2015 was NOK 653 million (785 million). The main contributor to the profit was the insurance business. SpareBank 1 SMN's share of the profit in the first half of 2015 was NOK 128 million (150 million).

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt AS was established by the banks participating in the SpareBank 1-alliance to secure funding by way of the market for covered bonds. The banks sell their best secured home mortgage loans to the company, affording them reduced funding costs. As of 30 June 2015 the bank had sold loans worth NOK 29 billion (28 billion) to SpareBank 1 Boligkreditt, corresponding to 38 per cent (39 per cent) of overall loans to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt AS is 17.7 per cent, and the bank's share of that company's profit in the first half of 2015 was NOK 50 million (12 million). The profit for 2015 includes unrealised gains on the company's basis swaps in the first quarter. The bank's holding reflects the bank's relative share of total loans transferred to SpareBank 1 Boligkreditt at the end of 2014.

SpareBank 1 Næringskreditt

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

SpareBank 1 SMN's stake in the company is 33.6 per cent, and the bank's share of the company's profit in the first half of 2015 was NOK 15 million (20 million). The holding reflects the bank's relative share of commercial property loans sold and the bank's stake in BN Bank.

BN Bank

SpareBank 1 SMN had a 33.0 per cent stake in BN Bank as of 30 June 2015. SpareBank 1 SMN's share of the profit of BN Bank in the first half of 2015 was NOK 35 million (55 million), yielding a return on equity of 5.8 per cent. BN Bank received approval to apply the advanced IRB approach to its corporate portfolio in the second quarter of 2014, and to the retail portfolio as from the second quarter of 2015.

The board of directors of BN Bank has resolved to cultivate the bank as a retail bank and to wind down the corporate business which consists of lending to commercial property.

The background to this decision is a desire to further develop the retail banking business by cultivating BN Bank as an offensive bank for customers who prefer a self-service concept and favourable borrowing rates over time.

BN Bank's corporate banking business has focused on funding well secured commercial property exposures, and the corporate market has traditionally been an important area for BN Bank. However, capital adequacy rules specific to Norway cause return on equity on this low risk segment to be relatively low. There is no prospect of changes to this specifically Norwegian capital adequacy regime. As a result profitability will remain too low since the prices are set by actors operating under different framework conditions.

The bank has in recent years built up a substantial retail banking operation with satisfactory profitability. The board of directors of BN Bank sees a major development potential in this area, and will channel all effort and energy to the retail business. The bank aspires to increased growth and a further increase in profitability.

BN Bank will remain a part of the SpareBank 1-alliance. SpareBank 1 SMN will maintain its owner stake in BN Bank and will play its part in ensuring that the business change is carried through in a manner that secures creditors' interests.

The process of winding down the corporate banking business will be carried out in a controlled manner over time. For SpareBank 1 SMN this will in isolation reduce consolidated risk weighted assets, thereby improving capital adequacy. Of SpareBank 1 SMN's risk weighted assets of NOK 90 billion, about NOK 9 billion relate to corporate exposures in BN Bank, and BN Bank's exposures sold to SpareBank 1 Næringskreditt. For SpareBank 1 SMN this amounts to about 1.3 percentage points in terms of CET1 capital adequacy once the wind-down is complete.

SpareBank 1 Kredittkort

Net profit for the first half of 2015 was NOK 52 million. SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 18.4 per cent. SpareBank 1 SMN's share of the first half profit was NOK 10 million and its share of the portfolio is NOK 742 million. The company was in ordinary operation as from 1 July 2014.

Operating expenses

Overall operating expenses came to NOK 950 million (884 million) in the first half of 2015. Group expenses have increased by NOK 66 million compared with the first half of 2014. Of the Group's increase, NOK 46 million refers to the consolidation of SpareBank 1 Markets as a subsidiary as from the second quarter of 2015. Excluding the effect of SpareBank 1 Markets, the Group's growth in expenses was NOK 20 million, equivalent to 2.3 per cent.

The parent bank reduced costs by NOK 5 million in the 12 months to end-June. SpareBank 1 SMN transferred its capital market activities to SpareBank 1 Markets as from the second quarter. This represents a cost reduction of NOK 10 million for the parent bank in the second quarter, and, when this is taken into account, net cost growth at the parent bank comes to NOK 5 million, corresponding to 0.8 per cent. Parent bank costs will be kept to their 2014 level in 2015 and 2016.

At the parent bank the number of full time employee equivalents (FTEs) was reduced by 48 to 673 in the first half-year (there is an additional reduction of 32 FTEs due to the transfer of capital market activity to SpareBank 1 Markets).

Operating expenses measured 1.50 per cent of average total assets (1.53 per cent). The Group cost-income ratio was 46 per cent (42 per cent).

Low losses and low defaults

Loan losses came to NOK 56 million in the first half-year (32 million).

A net loss of NOK 50 million (24 million) was recorded on loans to corporate clients in the first half-year. A net loss of NOK 6 million (8 million) was recognised on the retail portfolio in the first half of 2015.

Individually assessed loan impairment write-downs came to NOK 168 million (176 million) at the end of the first half of 2015.

Total problem loans (defaulted and doubtful) came to NOK 655 million (540 million), or 0.53 per cent (0.47 per cent) of gross loans at the half-year mark.

Defaults in excess of 90 days totalled NOK 287 million (334 million), measuring 0.23 per cent (0.29 per cent) of gross lending. Defaults break down to NOK 105 million (121 million) on corporates and NOK 182 million (213 million) on retail customers. Individually assessed write-downs on defaulted exposures totalled NOK 58 million (86 million), corresponding to 20 per cent (26 per cent).

Other doubtful exposures totalled NOK 368 million (206 million), breaking down to NOK 357 million (185 million) to corporate customers and NOK 11 million (21 million) to retail customers. The increase in doubtful corporate exposures relates to the same single exposure that resulted in increased losses. Other doubtful exposures amount to 0.30 per cent (0.18 per cent) of gross lending. Individually assessed write-downs on these exposures came to NOK 110 million (90 million) or 30 per cent (44 per cent).

A lasting low oil price could over time pose debt-servicing problems for oil-price-dependent industries. However, direct and indirect exposure to oil-related manufacturing is relatively low and the bulk of lending with regard to oil and gas is concentrated on a newer fleet of offshore supply vessels which in the bank's assessment have acceptable contract coverage and a low debt to finance ratio.

Collectively assessed impairment write-downs

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

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

For the first half of 2015 no basis is found for any change in collectively assessed impairment write-downs, whereas SpareBank 1 SMN Finans Midt-Norge has increased loss provisioning by NOK 1 million. The aggregate volume of such write-downs is accordingly NOK 296 million (295 million).

Total assets of NOK 131 billion

The Group's assets totalled NOK 130.9 billion at 30 June 2015 (118.8 billion), having risen by NOK 12.1 billion or 10 per cent over the preceding 12 months. The increase is due to lending growth and the effect of SpareBank 1 Markets assets becoming part of the Group's balance sheet as from the second quarter.

As of mid-year 2015 home mortgage loans worth a total of 29.0 billion (28.1 billion) had been sold to SpareBank 1 Boligkreditt and commercial loans worth NOK 1.4 billion to SpareBank 1 Næringskreditt (1.2 billion). These loans do not figure as lending in the bank's balance sheet. The comments covering lending growth do however include loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Reduction in lending to corporates in second quarter

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

In the 12 months to end-June total outstanding loans rose by NOK 9.7 billion (5.6 billion) or 8.4 per cent (5.1 per cent) to reach NOK 125 billion (incl. SpareBank 1 SMN and SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt). Lending grew in the first quarter in isolation by 3.4 per cent (2.3 per cent).

Loans to retail customers rose by NOK 6.0 billion (5.4 billion) to reach NOK 77.3 billion in the last 12 months, equivalent to growth of 8.4 per cent (8.2 per cent). The growth in the first half-year was 4.3 per cent (4.0 per cent).

Lending to corporates rose by NOK 3.7 billion (0.2 billion) or 8.6 per cent (0.4 per cent) in the 12 months to end-March. Overall lending to corporates totalled NOK 47.2 billion as of 30 June 2015. Lending to corporates increased in the first half of 2015 by 1.9 per cent (0.5 per cent reduction). In the second quarter loans to corporates were reduced by NOK 0.6 billion. This is in keeping with the bank's capital plan.

Loans to retail customers accounted for 62 per cent (62 per cent) of ordinary lending to customers as of 30 June 2015.

Total customer deposits rose by NOK 6.8 billion (4.7 billion) to reach NOK 66.2 billion in the 12 months to 30 June 2015. This represents a growth of 11.4 per cent (8.5 per cent). Deposit growth in the first half-year was 9.1 per cent (5.9 per cent).

Retail customer deposits rose in the last 12 months by NOK 2.4 billion (1.8 billion) or 9.1 per cent (7.4 per cent) to reach NOK 28.6 billion, while corporate deposits rose by NOK 4.4 billion (2.3 billion) or 13.3 per cent (7.5 per cent) to NOK 37.5 billion. In the first half-year retail customer deposits grew by 8.1 per cent (9.8 per cent), while corporate deposits grew by 9.8 per cent (3.1 per cent).

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 7.5 billion (5.8 billion) at 30 June 2015, an increase of 31 per cent over the preceding 12 months. The increase is related to value changes in underlying securities and good sales.

Saving products, customer portfolio (NOKm)	30 June 2015	30 June 2014	Change
Equity funds	5,001	3,720	1,281
Pension products	658	536	122
Active management	1,886	1,518	368
Total	7,545	5,774	1,771

Insurance products

The bank's insurance portfolio increased by 4 per cent in the 12 months to end-June to reach an overall premium volume of NOK 1,113 million (1,113 million). Non-life insurance delivered 2 per cent growth, personal insurance 11 per cent and occupational service pensions 2 per cent.

Insurance, premium volume (NOKm)	30 June 2015	30 June 2014	Change
Non-life insurance	713	698	15
Personal insurance	258	232	26
Occupational pensions	187	183	4
Total	1,158	1,113	45

Retail banking segment and corporate banking segment, parentbank

Results (NOKm)	Retail Market	Corporate Market
Net interest income	442	450
Interest from allocated capital	31	37
Total interest income	473	487
Commission income and other income	348	84
Net return on financial investments	0	7
Total income	821	578
Total operating expenses	370	175
Ordinary operating profit	451	403
Loss on loans, guarantees etc.	3	49
Result before tax	448	354
Post-tax return on equity**)	17.0 %	13.0 %

Retail Banking

Operating income has increased due to increased lending and improved deposit margins, and increased commission income from insurance sales. Concurrently reduced lending margins have in isolation reduced incomes. Operating income in the first half-year totalled NOK 821 million of which net interest income accounted for NOK 473 million and commission income for NOK 348 million. Return on equity in the retail banking segment was 17.0 per cent in terms of regulatory capital employed converted to 13.5 per cent.

The lending margin in the first half of 2015 was 2.17 per cent (2.46 per cent), while the deposit margin was minus 0.25 per cent (minus 0.50 per cent) (measured against three-month NIBOR).

In the 12 months to end-June retail lending and retail deposits grew by 7.7 per cent and 5.7 per cent respectively.

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

Corporate Banking

Operating income totalled NOK 578 million in the first half of 2015. Net interest income was NOK 487 million, while commission income totalled NOK 91 million including NOK 7 million on interest and forex trading. Operating income in the corporate segment has increased very largely due to higher lending volume and increased deposit margins.

Return on equity for the corporate banking segment was 13.0 per cent in the first half-year in terms of regulatory capital employed converted to 13.5 per cent.

The lending margin was 2.71 per cent (2.97 per cent) and the deposit margin was minus 0.37 per cent (minus 0.64 per cent) in the first half-year.

Lending increased by 9.4 per cent and deposits by 21.1 per cent in the 12 months to end-June.

Subsidiaries

The subsidiaries posted an overall pre-tax profit of NOK 99 million (115 million) in the first half of 2015.

Pre-tax profit (NOKm)	30 June 2015	30 June 2014	Change
EiendomsMegler 1 Midt-Norge	29.2	25.5	3.6
SpareBank 1 Finans Midt-Norge	43.4	31.6	11.9
SpareBank 1 Regnskapshuset SMN	20.3	19.1	1.3
Allegro Finans	1.3	-0.6	1.9
SpareBank 1 SMN Invest	25.9	38.8	-12.9
Sparebank 1 Markets	-10.1	-	-10.1
Other companies	1.5	0.2	1.2
Total	111.5	114.6	-3.0

The figures are the respective companies' results. The bank's stake in EiendomsMegler 1 Midt-Norge is 86.7 per cent, in SpareBank 1 Finans Midt-Norge 72.1 per cent, in Allegro 90.1 per cent and in SpareBank 1 Markets 73.4 per cent. The stake in the other companies is 100 per cent.

EiendomsMegler 1 Midt-Norge leads the field in Trøndelag and in Møre and Romsdal with a market share of 40 per cent, and in Trondheim about 50 per cent. The company's first half profit of NOK 29.2 million (25.5 million) is excellent and NOK 3.6 million better than in the first half of 2014. The second quarter profit was considerably better than in the first quarter, as expected. The number of dwellings sold totalled 3,615 in the first half of 2015 compared with 3,210 in the first half of 2014.

SpareBank 1 Finans Midt-Norge reported a profit of NOK 43.4 million in the first half-year (31.6 million) and shows profit growth due to increased income from both car loans and leasing. At quarter-end the company managed leases and car loan agreements worth a total of NOK 3.9 billion of which leases accounted for NOK 2.0 billion and car loans for NOK 1.9 billion. The SpareBank 1 banks in Møre and Romsdal had a 9.1 per cent stake in SpareBank 1 Finans Midt-Norge. The remaining SamSpar banks joined as owners in June 2015, after which the SamSpar banks' stake in SpareBank 1 Finans Midt-Norge was 27.9 per cent. This considerably boosts the company's distribution power.

SpareBank 1 Regnskapshuset SMN earned a pre-tax profit of NOK 20.3 million (19.1 million) in the first half-year.

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

Allegro Kapitalforvaltning is an active management company that manages portfolios for clients primarily in SpareBank 1 SMN and the SamSpar banks. These banks are the company's distribution channel. The company posted a profit of NOK 1.3 million in the first half of 2015 (minus 0.6 million). The company manages a portfolio worth NOK 5.0 billion including management of the bank's pension fund of NOK 0.8 billion.

SpareBank 1 SMN Invest invests in shares, mainly in regional businesses. The company posted a net profit of NOK 25.9 million in the first half of 2015 (38.8 million). The result is a consequence of value changes and realisation of losses or gains on the company's overall shareholding measuring NOK 13.0 million. The company has in addition owner interests in the property companies Grilstad Marina and Hommelvik Sjøside and its share of those companies' profits in the first half of 2015 was NOK 12.9 million.

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

The company's result in the second quarter was a loss of NOK 10.1 million.

Satisfactory funding and good liquidity

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

The bank has liquidity reserves of NOK 19 billion and thus has the funding needed for 23 months of ordinary operation without fresh external finance.

The bank's funding sources and products are amply diversified. At year-end the proportion of money market funding in excess of 1 year was 83 per cent (87 per cent).

Rating

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

Financial position

At the end of the second quarter 2015 the minimum CET1 requirement was 11.0 per cent, of which overall buffer requirements constitute 6.5 per cent. The buffer requirements include a countercyclical buffer of 1.0 per cent.

The CET1 capital ratio at 30 June 2015 was 12.7 per cent (11.4 per cent), an increase of 0.4 percentage points compared with the first quarter. The increase is due primarily to good results and very moderate growth in overall risk weighted assets. Capital need in the corporate portfolio is reduced as a result of reduced lending in the quarter and lower risk in the portfolio. This has brought an increase in the capital requirement based on the Basel 1 floor.

In the first quarter of 2015 SpareBank 1 SMN received permission to apply the advance IRB approach to calculate regulatory capital charges for credit risk on corporate clients. An important premise of the group's capital plan is accordingly in place.

The regulatory capital requirement is accordingly now more in line with the actual credit risk incurred by the bank in its overall loan portfolio. The risk weight for the bank's corporate portfolio was 61 per cent at the end of the second quarter. As from the first quarter of 2015, risk weights for home mortgages were raised as a

result of Finanstilsynet's (Norwegian FSA's) tightening, and the risk weighting on mortgages at the consolidated level increased to about 23 per cent. Reduced risk weights on corporates have generated a capital requirement related to the Basel 1 floor.

The Ministry of Finance, in line with advice from Norges Bank (the central bank) and Finanstilsynet (Norway's FSA), decided that the requirement on the countercyclical buffer would be increased to 1.5 per cent as from 30 June 2016. In the assessment greatest weight was given to households' debt burden and that more capital will make the banks more robust to future loan losses.

The board of directors of SpareBank 1 SMN continually assesses the capital situation and future capital requirements. The board considers it important for the group to be sufficiently capitalised to fulfil all regulatory requirements, as well as market expectations. The practical consequence is that the bank's CET1 capital target remains unchanged, despite SMN not being defined as a SIFI. The board of directors is planning for a CET1 ratio of 13.5 per cent by 30 June 2016 including a countercyclical buffer of 1.5 per cent. The aim thereafter is to increase the CET1 ratio to 14.0 per cent by the end of 2016.

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

- Continued sound banking operation through efficiency enhancements and prioritisation of profitable segments.
- The dividend policy to entail an effective payout ratio of 25–35 per cent of the group profit.
- Moderate growth in the bank's asset-intensive activities, with priority given to lending to households

The board of directors of BN Bank has decided to wind down its portfolio of loans to commercial property. SpareBank 1 SMN's share of this portfolio represents about NOK 9 billion of its risk weighted assets. Winding down this portfolio will be done over a number of years. Once the wind-down is complete the effect on the CET1 capital ratio is calculated to about 1.3 percentage points, and thus makes a considerable contribution to the group's attainment of its capital target, and will enable the Group to normalise its dividend policy at an earlier stage than would otherwise have been the case.

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

The bank's equity certificate (MING)

The book value of the bank's EC as of 30 June 2015 was NOK 64.18 (NOK 58.32), and earnings per EC were NOK 4.31 (NOK 4.77).

As at 30 June 2015 the EC was priced at NOK 65.50 (NOK 54.25), and dividend of NOK 2.25 per EC has been paid in 2015 for the year 2014 (NOK 1.75).

The Price / Income ratio was 7.60 (5.68) and the Price / Book ratio was 1.02 (0.93) at 30 June 2015.

Risk factors

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

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

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

Credit demand from Norwegian households remains higher than wage growth and will be heavily affected by the trend in house prices. If house prices stagnate, or fall, there is a risk that the household saving rate will quicken and that this will result in reduced turnover for parts of Norwegian business and industry.

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

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

Outlook ahead

The directors are satisfied with the performance for the second quarter of 2105. The bank's first half accounts reflect income growth for core business, moderate cost growth and low loan losses.

In the second quarter growth in lending to business and industry declined to the level premised in the bank's capital plan, and lending growth will be tightly controlled ahead. The goal of a CET1 ratio of 13.5 per cent in the first half of 2016 will be achieved by profit retention and moderate growth. For the end of 2016 a CET1 ratio of 14.0 per cent is targeted. Refocusing BN Bank's loan portfolio will make a positive contribution to the capital plan and strengthen the bank's growth and dividend capacity. This will also reduce the risk of concentration in the commercial property segment.

The board of directors maintains its high focus on risk in the bank's loan exposure. The oil-related sector in particular is the object of ongoing reporting to the board. SpareBank 1 SMN has low direct exposure to oil-related activities beyond offshore vessels. Defaults at SpareBank 1 SMN are at a very low level, and the board has found no basis for increasing collectively assessed impairment write-downs at the parent bank.

Major change projects are under way with respect to distribution and working processes to strengthen the bank's competitive power. This will enhance banking operations' efficiency and heighten the quality of customers' experience of the bank. The board expects 2015 to be a good year for SpareBank 1 SMN.

Trondheim, 12. August 2015
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Bård Benum
(deputy chair)

Paul E. Hjelm-Hansen

Aud Skrudland

Morten Loktu

Janne Thyø Thomsen

Arnhild Holstad

Venche Johnsen
(employee rep.)

Finn Haugan
(Group CEO)

Income statement

Parent bank						Group					
2014	2Q 14	2Q 15	30 June 2014	30 June 2015	(NOKm)	Note	30 June 2015	30 June 2014	2Q 15	2Q 14	2014
4,223	1,046	980	2,062	1,987	Interest income		2,011	2,082	992	1,055	4,265
2,578	651	553	1,287	1,133	Interest expenses		1,077	1,239	525	625	2,475
1,644	396	427	775	854	Net interest	1	934	843	467	430	1,790
1,031	259	245	518	492	Commission income		619	644	313	326	1,281
104	26	23	47	47	Commission expenses		59	53	32	28	113
47	11	192	25	202	Other operating income		230	189	132	96	344
973	244	415	497	648	Commission income and other income		790	780	413	394	1,512
311	248	361	311	466	Dividends		22	60	22	14	65
-	-	-	-	-	Income from investment in related companies		248	214	120	131	527
197	15	-74	182	-7	Net return on financial investments	1,2	92	185	23	56	128
508	263	288	493	459	Net return on financial investments		362	459	165	201	720
3,125	903	1,129	1,764	1,961	Total income		2,086	2,081	1,044	1,026	4,021
645	152	141	313	301	Staff costs	2	550	500	283	245	1,002
410	105	107	203	209	Administration costs		273	248	147	126	500
209	50	51	95	96	Other operating expenses		126	136	66	72	287
1,265	306	299	611	606	Total operating expenses	4	950	884	496	443	1,789
1,860	596	830	1,153	1,355	Result before losses		1,137	1,197	548	583	2,232
83	14	32	29	52	Loss on loans, guarantees etc.	2,6,7	56	32	35	15	89
1,777	583	798	1,124	1,302	Result before tax	3	1,080	1,165	513	568	2,143
330	90	70	182	185	Tax charge		209	202	83	103	362
-	-	-	-	-	Result investment held for sale, after tax	3	-1	0	-0	-1	0
1,447	492	728	942	1,117	Net profit		871	963	430	464	1,782
					Majority share		866	959	427	461	1,772
					Minority interest		5	5	3	3	10
					Profit per ECC		4.34	4.80	2.14	2.31	8.87
					Diluted profit per ECC		4.31	4.77	2.13	2.29	8.82

Other comprehensive income

Parent bank					Group					
2014	2Q 14	2Q 15	30 June 2014	30 June 2015	(NOKm)	30 June 2015	30 June 2014	2Q 15	2Q 14	2014
1,447	492	728	942	1,117	Net profit	871	963	430	464	1,782
Items that will not be reclassified to profit/loss										
-111	-89	-	-89	-	- Actuarial gains and losses pensions	-	-95	-	-95	-117
29	24	-	24	-	- Tax	-	26	-	26	31
-	-	-	-	-	- Share of other comprehensive income of associates and joint venture	29	-2	-	-3	-9
-82	-65	-	-65	-	Total	29	-71	-	-73	-94
Items that will be reclassified to profit/loss										
-	-	-	-	-	- Available-for-sale financial assets	-	-	-	-	-2
-	-	-	-	-	- Share of other comprehensive income of associates and joint venture	1	-	-	-	0
-	-	-	-	-	- Tax	-	-	-	-	-
-	-	-	-	-	Total	1	-	-	-	-2
1,365	428	728	878	1,117	Total other comprehensive income	901	892	430	391	1,685
Majority share of comprehensive income						896	887	427	388	1,676
Minority interest of comprehensive income						5	5	3	3	10

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

Key figures

Parent bank					Group					
2014	2Q 14	2Q 15	30 June 2014	30 June 2015	Result as per cent of average total assets:	30 June 2015	30 June 2014	2Q 15	2Q 14	2014
1.41	1.39	1.36	1.36	1.36	Net interest	1.47	1.46	1.47	1.49	1.52
0.84	0.86	1.32	0.87	1.03	Commission income and other income	1.25	1.35	1.30	1.37	1.28
0.44	0.92	0.92	0.86	0.73	Net return on financial investments	0.57	0.80	0.52	0.70	0.61
1.09	1.08	0.95	1.07	0.97	Total operating expenses	1.50	1.53	1.56	1.54	1.52
1.60	2.09	2.64	2.02	2.16	Result before losses	1.79	2.08	1.72	2.02	1.89
0.07	0.05	0.10	0.05	0.08	Loss on loans, guarantees etc.	0.09	0.05	0.11	0.05	0.08
1.53	2.05	2.54	1.97	2.08	Result before tax	1.70	2.02	1.61	1.97	1.82
0.40	0.34	0.26	0.35	0.31	Cost -income ratio	0.46	0.42	0.47	0.43	0.44
70 %			73 %	74 %	Loan-to-deposit ratio	70 %	70 %			67 %
14.1 %	19.5 %	26.2 %	18.8 %	20.3 %	Return on equity	13.7 %	16.8 %	13.4 %	16.0 %	15.1 %

Balance sheet

Parent bank				Group			
31 Dec 2014	30 June 2014	30 June 2015	(NOKm)	Note	30 June 2015	30 June 2014	31 Dec 2014
4,676	2,940	3,895	Cash and receivables from central banks		3,895	2,940	4,676
4,364	4,116	5,573	Deposits with and loans to credit institutions		2,520	1,090	1,289
86,920	81,950	90,568	Gross loans to customers before write-down	5,8	94,179	85,464	90,578
-164	-162	-159	- Specified write-downs	6,7,8	-168	-176	-172
-278	-278	-278	- Write-downs by loan category	6	-296	-295	-295
86,478	81,509	90,131	Net loans to and receivables from customers		93,715	84,993	90,112
14,177	15,799	15,082	Fixed-income CDs and bonds	15	15,082	15,799	14,177
7,972	5,186	5,884	Derivatives	14	5,851	5,184	7,877
257	669	258	Shares, units and other equity interests	2,15	1,346	1,124	708
3,361	3,267	3,294	Investment in related companies		5,024	4,783	5,129
2,490	2,477	2,853	Investment in group companies		-	-	-
101	114	222	Investment held for sale		15	62	45
447	447	447	Goodwill		529	522	526
297	971	1,251	Other assets	9	2,912	2,261	1,509
124,619	117,495	128,890	Total assets		130,888	118,758	126,047
9,123	6,973	8,684	Deposits from credit institutions		8,684	6,970	9,123
61,202	59,803	66,740	Deposits from and debt to customers	10	66,186	59,402	60,680
33,001	31,923	33,146	Debt created by issue of securities	11	33,146	31,923	33,001
6,252	4,126	4,564	Derivatives	15	4,610	4,126	6,252
846	980	887	Other liabilities	12	1,690	1,203	1,095
-	-	-	Investment held for sale		0	-	-
3,371	3,353	3,380	Subordinated loan capital	11	3,380	3,353	3,371
113,795	107,158	117,401	Total liabilities		117,697	106,978	113,523
2,597	2,597	2,597	Equity capital certificates		2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs		-0	-0	-0
895	895	895	Premium fund		895	895	895
3,122	2,496	3,122	Dividend equalisation fund		3,122	2,496	3,122
292	-	-	Recommended dividends		-	-	292
160	-	-	Provision for gifts		-	-	160
3,619	3,276	3,619	Savings bank's reserve		3,619	3,276	3,619
139	195	139	Unrealised gains reserve		148	206	148
-	-65	-	Other equity capital		1,639	1,280	1,620
-	942	1,117	Profit for the period		871	963	-
			Minority interests		301	66	72
10,824	10,337	11,489	Total equity	13	13,191	11,780	12,524
124,619	117,495	128,890	Total liabilities and equity		130,888	118,758	126,047

Cash flow statement

Parent bank				Group		
31 Dec 2014	30 June 2014	30 June 2015	(NOKm)	30 June 2015	30 June 2014	31 Dec 2014
1,447	942	1,117	Net profit	871	963	1,782
40	19	20	Depreciations and write-downs on fixed assets	51	55	109
83	29	52	Losses on loans and guarantees	56	32	89
1,569	990	1,189	Net cash increase from ordinary operations	978	1,050	1,980
-3,395	-1,280	1,124	Decrease/(increase) other receivables	590	-1,374	-3,333
3,205	1,213	-1,647	Increase/(decrease) short term debt	-1,047	1,125	3,144
-9,733	-4,710	-3,705	Decrease/(increase) loans to customers	-3,660	-4,944	-10,134
-362	-113	-1,209	Decrease/(increase) loans credit institutions	-1,231	102	-97
4,819	3,420	5,537	Increase/(decrease) deposits and debt to customers	5,506	3,476	4,753
2,542	391	-439	Increase/(decrease) debt to credit institutions	-439	389	2,542
2,761	1,138	-905	Increase/(decrease) in short term investments	-905	1,138	2,761
1,406	1,049	-55	A) NET CASH FLOW FROM OPERATIONS	-208	961	1,614
-32	-14	-10	Increase in tangible fixed assets	-21	-43	-83
-258	-165	-418	Paid-up capital, associated companies	135	-107	-437
235	-177	-1	Net investments in long-term shares and partnerships	-638	-108	322
-55	-356	-428	B) NET CASH FLOW FROM INVESTMENTS	-523	-258	-198
51	34	10	Increase/(decrease) in subordinated loan capital	10	34	51
-	-	0	Increase/(decrease) in equity	0	-	-
-227	-227	-292	Dividend cleared	-292	-227	-227
-124	-124	-160	To be disbursed from gift fund	-160	-124	-124
-82	-65	-	Correction of equity capital/other equity transactions	248	-74	-148
-1,085	-2,163	145	Increase/(decrease) in other long term loans	145	-2,163	-1,085
-1,467	-2,546	-298	C) NET CASH FLOW FROM FINANCIAL ACTIVITIES	-50	-2,555	-1,534
-117	-1,852	-781	A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS	-781	-1,852	-117
4,793	4,793	4,676	Cash and cash equivalents at 1.1	4,676	4,793	4,793
4,676	2,940	3,895	Cash and cash equivalents at end of quarter	3,895	2,940	4,676
-117	-1,852	-781	Net changes in cash and cash equivalents	-781	-1,852	-117

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 2014	2,597	895	3,276	2,496	227	124	195	-	9,811
Net profit	-	-	372	679	292	160	-57	-	1,447
Other comprehensive income									
Actuarial gains (losses), pensions	-	-	-29	-53	-	-	-	-	-82
Other comprehensive income	-	-	-29	-53	-	-	-	-	-82
Total other comprehensive income	-	-	343	627	292	160	-57	-	1,365
Transactions with owners									
Dividend declared for 2013	-	-	-	0	-227	-	-	-	-227
To be disbursed from gift fund	-	-	-	-	-	-124	-	-	-124
Sale of own ECCs	-0	-	-	0	-	-	-	-	0
Total transactions with owners	-0	-	-	0	-227	-124	-	-	-351
Equity capital at 31 December 2014	2,597	895	3,619	3,122	292	160	139	-	10,824
Equity capital at 1 January 2015	2,597	895	3,619	3,122	292	160	139	-	10,824
Net profit	-	-	-	-	-	-	-	1,117	1,117
Other comprehensive income									
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	1,117	1,117
Transactions with owners									
Dividend declared for 2014	-	-	-	-	-292	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-160	-	-	-160
Sale of own ECCs	-	-	-	-0	-	-	-	-	-0
Total transactions with owners	-	-	-	-0	-292	-160	-	-	-452
Equity capital at 30 June 2015	2,597	895	3,619	3,122	-	-	139	1,117	11,489

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 2014	2,597	895	3,276	2,496	227	124	206	1,354	67	11,242
Net profit	-	-	372	679	292	160	-57	325	10	1,782
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-9	-	-9
Available-for-sale financial assets	-	-	-	-	-	-	-2	-	-	-2
Actuarial gains (losses), pensions	-	-	-29	-53	-	-	-	-3	-	-85
Other comprehensive income	-	-	-29	-53	-	-	-2	-12	-	-96
Total other comprehensive income	-	-	343	627	292	160	-59	313	10	1,685
Transactions with owners										
Dividend declared for 2013	-	-	-	-	-227	-	-	-	-	-227
To be disbursed from gift fund	-	-	-	-	-	-124	-	-	-	-124
Sale of own ECCs	-0	-	-0	-	-	-	-	-	-	-0
Direct recognitions in equity	-	-	-	-	-	-	-	-40	-	-40
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-8	-	-8
Change in minority share	-	-	-	-	-	-	-	-	-5	-5
Total transactions with owners	-0	-	-0	-	-227	-124	-	-48	-5	-404
Equity capital at 31 December 2014	2,597	895	3,619	3,122	292	160	148	1,620	72	12,524

Group	Majority share									
	Issued equity			Earned equity						
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minority interest	Total equity
Equity capital at 1 January 2015	2,597	895	3,619	3,122	292	160	148	1,620	72	12,524
Net profit	-	-	-	-	-	-	-	866	5	871
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	30	-	30
Other comprehensive income	-	-	-	-	-	-	-	30	-	30
Total other comprehensive income	-	-	-	-	-	-	-	896	5	901
Transactions with owners										
Dividend declared for 2014	-	-	-	-	-292	-	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-160	-	-	-	-160
Sale of own ECCs	-	-	-	-0	-	-	-	-	-	-0
Direct recognitions in equity	-	-	-	-	-	-	-	4	4	9
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-10	-	-10
Change in minority share	-	-	-	-	-	-	-	-	219	219
Total transactions with owners	-	-	-	-0	-292	-160	-	-6	224	-234
Equity capital at 30 June 2015	2,597	895	3,619	3,122	-	-	148	2,510	301	13,191

Equity capital certificate ratio

(NOKm)	30 Jun 2015	31 Dec 2014
ECC capital	2,597	2,597
Dividend equalisation reserve	3,122	3,122
Premium reserve	895	895
Unrealised gains reserve	90	90
A. The equity capital certificate owners' capital	6,704	6,704
Ownerless capital	3,619	3,619
Unrealised gains reserve	49	49
B. The saving bank reserve	3,668	3,668
To be disbursed from gift fund	-	160
Dividend declared	-	292
Equity ex. profit	10,372	10,824
Equity capital certificate ratio A/(A+B)	64.64 %	64.64 %
Equity capital certificate ratio for distribution	64.64 %	64.64 %

Results from quarterly accounts

Group (NOKm)	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
	2015	2015	2014	2014	2014	2014	2013	2013	2013
Interest income	992	1,019	1,103	1,080	1,055	1,027	1,059	1,068	1,036
Interest expenses	525	552	618	617	625	615	624	634	633
Net interest	467	467	485	463	430	412	436	434	403
Commission income	313	306	323	314	326	318	323	323	323
Commission expenses	32	27	33	28	28	25	25	28	21
Other operating income	132	97	81	74	96	93	84	72	95
Commission income and other income	413	377	371	361	394	385	382	367	396
Dividends	22	0	5	0	14	46	0	11	30
Income from investment in related companies	120	129	144	170	131	82	98	120	36
Net return on financial investments	23	69	-58	1	56	129	58	5	-17
Net return on financial investments	165	198	91	170	201	257	156	135	49
Total income	1,044	1,042	947	993	1,026	1,055	974	937	849
Staff costs	283	267	267	235	245	254	222	224	237
Administration costs	147	126	129	122	126	123	134	100	117
Other operating expenses	66	61	83	68	72	64	110	83	81
Total operating expenses	496	454	479	425	443	441	465	406	435
Result before losses	548	588	467	568	583	614	508	530	413
Loss on loans, guarantees etc.	35	22	34	24	15	17	32	30	22
Result before tax	513	567	434	545	568	597	476	501	391
Tax charge	83	126	60	101	103	99	110	98	102
Result investment held for sale, after tax	-0	-0	0	-1	-1	1	-4	31	-4
Net profit	430	441	375	443	464	500	361	433	285

Key figures from quarterly accounts

Group (NOKm)	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
	2015	2015	2014	2014	2014	2014	2013	2013	2013
Profitability									
Return on equity per quarter	13.4%	14.1%	12.1%	14.8%	16.0%	17.7%	13.1%	16.3%	11.1%
Cost-income ratio	47 %	44%	51%	43%	43%	42%	48%	43%	51%
Balance sheet									
Gross loans to customers	94,179	92,311	90,578	86,739	85,465	79,606	80,548	80,081	79,258
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	124,519	122,933	120,435	116,479	114,819	111,800	112,283	110,476	109,251
Deposits from customers	66,186	60,589	60,680	58,092	59,402	54,643	55,927	53,547	54,745
Total assets	130,888	123,687	126,047	117,194	118,758	111,609	115,360	111,977	113,190
Average total assets	127,288	124,867	121,620	117,976	115,184	113,485	113,668	112,583	111,979
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months	8.4 %	10.0 %	7.3 %	5.4 %	5.1 %	4.4 %	6.8 %	6.7 %	8.4 %
Growth in deposits last 12 months	11.4 %	10.9 %	8.5 %	8.5 %	8.5 %	5.4 %	7.3 %	5.1 %	7.3 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio	0.11 %	0.07 %	0.11 %	0.08 %	0.05 %	0.06 %	0.12 %	0.11 %	0.08 %
Non-performing commitm. as a percentage of gross loans	0.23 %	0.19 %	0.22 %	0.29 %	0.29 %	0.24 %	0.34 %	0.35 %	0.38 %
Other doubtful commitm. as a percentage of gross loans	0.30 %	0.18 %	0.18 %	0.18 %	0.18 %	0.21 %	0.14 %	0.19 %	0.13 %
Solidity									
Common equity tier 1	12.7 %	12.3 %	11.2 %	11.5 %	11.4 %	11.1 %	11.1 %	10.7 %	10.3 %
Core capital ratio	14.6 %	14.3 %	13.0 %	13.4 %	13.3 %	12.9 %	13.0 %	12.6 %	12.2 %
Capital adequacy ratio	17.3 %	17.0 %	15.7 %	16.1 %	15.0 %	14.8 %	14.7 %	14.2 %	13.8 %
Core capital	13,142	12,713	12,382	12,302	11,635	11,303	10,989	10,707	10,508
Net equity and related capital	15,577	15,147	14,937	14,826	13,164	12,893	12,417	12,053	11,894
Key figures ECC *)									
ECC price	65.50	59.50	58.50	59.25	54.25	53.75	55.00	45.70	46.50
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)	64.18	61.95	62.04	60.53	58.32	56.39	55.69	53.76	51.66
Profit per ECC, majority	2.13	2.18	1.85	2.19	2.29	2.48	1.79	2.14	1.43
Price-Earnings Ratio	7.70	6.81	7.89	6.75	5.91	5.42	7.68	5.23	8.13
Price-Book Value Ratio	1.02	0.96	0.94	0.98	0.93	0.95	0.99	0.85	0.90

*) The key figures are corrected for issues

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. The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2014. Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts, except:

IFRIC 21 Levies

Wealth tax

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

Guarantee Fund levy

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

SpareBank 1 SMN implemented IFRIC 21 on 1 January 2015.

Other changes

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

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

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

Pensions

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

Takeover of shares in SpareBank 1 Markets

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

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

Stake in SpareBank 1 Finans Midt-Norge reduced

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

Note 3 - Account by business line

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

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

In the reporting on the first quarter of 2015 and previously, the segment Markets comprised SpareBank 1 SMN's own markets activity in the parent bank. The result for the first quarter of 2015 is now, in the second quarter, moved to the column 'uncollated'. For 2014 the segment Markets continues to comprise the bank's own markets activity. For a further description of the transaction involving SpareBank 1 Markets, see note 2 - critical estimates and assessment concerning the use of accounting principles.

Group 30 June 2015

Profit and loss account (NOKm)	RM	SB1		SB1		SB1		SB1		BN	Uncollated	Total
		CM	Markets	Finans	Regnskaps	huset SMN	Gruppen	Bank				
Net interest	442	450	-1	1	73	-0	-	-	-	-	-32	934
Interest from allocated capital	31	37	-	-	-	-	-	-	-	-	-68	-
Total interest income	473	487	-1	1	73	-0	-	-	-	-	-100	934
Commission income and other income	348	84	23	191	0	117	-	-	-	-	26	790
Net return on financial investments ***)	0	7	26	-	-	-	128	35	-	-	166	362
Total income *)	821	578	49	193	73	117	128	35	-	-	93	2,086
Total operating expenses	370	175	59	164	27	97	-	-	-	-	58	950
Ordinary operating profit	451	403	-10	29	46	20	128	35	-	-	35	1,137
Loss on loans, guarantees etc.	3	49	-	-	3	-	-	-	-	-	1	56
Result before tax including held for sale	448	354	-10	29	43	20	128	35	-	-	33	1,080
Post-tax return on equity**)	17.0 %	13.0 %										13.7 %
Balance (NOKm)												
Loans and advances to customers	81,352	38,090	-	-	3,937	-	-	-	-	-	1,140	124,519
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-29,057	-1,283	-	-	-	-	-	-	-	-	-1	-30,340
Individual allowance for impairment on loan	-22	-136	-	-	-8	-	-	-	-	-	-2	-168
Group allowance for impairment on loan	-90	-188	-	-	-17	-	-	-	-	-	-0	-296
Other assets	171	8	1,471	264	18	144	1,381	1,149	-	-	32,570	37,174
Total assets	52,353	36,490	1,471	264	3,930	144	1,381	1,149	-	-	33,707	130,888
Deposits to customers	33,915	31,552	-	-	-	-	-	-	-	-	719	66,186
Other liabilities and equity	18,438	4,939	1,471	264	3,930	144	1,381	1,149	-	-	32,988	64,702
Total liabilities	52,353	36,490	1,471	264	3,930	144	1,381	1,149	-	-	33,707	130,888

Group 30 June 2014

Profit and loss account (NOKm)	RM	CM	Markets	SB1		SB1		SB1	BN	Uncollated	Total
				EM1	Finans MN	Regnskaps huset SMN	Gruppen				
Net interest	404	411	-3	1	62	-0	-	-	-	-33	843
Interest from allocated capital	21	33	0	-	-	-	-	-	-	-54	-
Total interest income	425	444	-3	1	62	-0	-	-	-	-87	843
Commission income and other income	383	80	12	177	-2	106	-	-	-	25	780
Net return on financial investments (***)	0	13	20	-	-	-	150	55	219	459	459
Total income *)	809	537	30	178	60	106	150	55	156	2,081	
Total operating expenses	380	150	31	152	26	87	-	-	57	884	
Ordinary operating profit	428	387	-2	26	34	19	150	55	99	1,197	
Loss on loans, guarantees etc.	1	28	0	-	3	-	-	-	-	0	32
Result before tax including held for sale	427	359	-2	26	32	19	150	55	99	1,165	
Post-tax return on equity**)	39.3 %	18.0 %									16.8 %
Balance (NOKm)											
Loans and advances to customers	75,564	34,812	-	-	3,516	-	-	-	-	927	114,819
Adv. of this to SpareBank 1 Boligkreditt	-28,208	-1,146	-	-	-	-	-	-	-	-1	-29,355
Individual allowance for impairment on loan	-28	-134	-	-	-13	-	-	-	-	-0	-176
Group allowance for impairment on loan	-90	-188	-	-	-16	-	-	-	-	-	-294
Other assets	165	-22	-	256	7	138	1,228	1,164	30,828	33,765	33,765
Total assets	47,403	33,322	-	256	3,494	138	1,228	1,164	31,753	118,758	
Deposits to customers	32,150	25,867	-	-	-	-	-	-	-	1,386	59,402
Other liabilities and equity	15,253	7,455	-	256	3,494	138	1,228	1,164	30,367	59,356	59,356
Total liabilities	47,403	33,322	-	256	3,494	138	1,228	1,164	31,753	118,758	

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

**) As from the third quarter 2014, calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 13.5 percent to be in line with the capital plan

	30 June 2015	30 June 2014
***) Specification of net return on financial investments (NOKm)		
Capital gains/dividends, shares	70	214
Bonds and derivatives	-21	-3
Forex and fixed income business, Markets	64	34
Net return on financial investments	114	245
SpareBank 1 Gruppen	128	150
SpareBank 1 Boligkreditt	50	12
SpareBank 1 Næringskreditt	15	20
BN Bank	35	55
SpareBank 1 Markets	-2	-18
SpareBank 1 Kredittkort	10	-5
Companies owned by SpareBank 1 SMN Invest	13	-
Other companies	-0	-1
Income from investment in related companies	248	214
Total	362	459

Note 4 - Operating expenses

Parent bank				Group		
31 Dec 2014	30 Jun 2014	30 Jun 2015	(NOKm)	30 Jun 2015	30 Jun 2014	31 Dec 2014
645	313	301	Personnel expenses	550	500	1,002
199	106	110	IT costs	130	119	223
21	10	9	Postage and transport of valuables	11	13	25
44	21	23	Marketing	45	40	81
40	19	20	Ordinary depreciation	51	55	109
119	58	60	Operating expenses, real properties	50	45	93
66	25	30	Purchased services	43	31	78
131	58	53	Other operating expense	71	82	178
1,265	611	606	Total other operating expenses	950	884	1,789

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
31 Dec 2014	30 June 2014	30 June 2015	(NOKm)	30 June 2015	30 June 2014	31 Dec 2014
7,042	6,430	8,011	Agriculture, forestry, fisheries, hunting	8,152	6,576	7,158
1,213	1,364	1,582	Sea farming industries	1,798	1,499	1,367
2,069	1,812	2,043	Manufacturing	2,333	2,063	2,330
3,221	2,690	3,768	Construction, power and water supply	4,247	3,209	3,717
2,509	2,325	2,690	Retail trade, hotels and restaurants	2,856	2,478	2,671
5,616	4,955	5,999	Maritime sector	6,024	4,962	5,638
14,002	12,590	14,120	Property management	14,167	12,664	14,075
3,445	3,734	1,771	Business services	1,681	3,973	3,681
2,696	2,324	2,940	Transport and other services provision	3,408	2,743	3,141
280	202	188	Public administration	208	222	300
2,252	3,088	2,324	Other sectors	2,342	3,105	2,270
44,347	41,512	45,435	Gross loans in retail market	47,215	43,494	46,348
72,430	69,792	75,473	Wage earners	77,304	71,325	74,087
116,777	111,305	120,908	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	124,519	114,819	120,435
28,393	28,128	28,965	SpareBank 1 Boligkreditt	28,965	28,128	28,393
1,463	1,227	1,375	SpareBank 1 Næringskreditt	1,375	1,227	1,463
86,920	81,950	90,568	Gross loans in balance sheet	94,179	85,464	90,578

Note 6 - Losses on loans and guarantees

Parent Bank

Losses on loans and guarantees (NOKm)	30 Jun 15			30 Jun 14			31 Dec 14		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in individual impairment losses provisions for the period	-2	-3	-5	-0	13	12	-4	18	14
+ Change in collective impairment losses provisions for the period	-	-	-	-	-	-	-	-	-
+ Actual loan losses on commitments for which provisions have been made	4	51	55	3	14	17	10	41	51
+ Actual loan losses on commitments for which no provision has been made	3	2	5	8	2	10	12	16	28
- Recoveries on commitments previously written-off	2	1	3	4	6	10	12	-2	10
Losses of the year on loans and guarantees	3	49	52	7	22	29	6	77	83

Group

Losses on loans and guarantees (NOKm)	30 Jun 15			30 Jun 14			31 Dec 14		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in individual impairment losses provisions for the period	-2	-2	-4	-3	6	3	-9	8	-1
+ Change in collective impairment losses provisions for the period	1	-	1	-	-	-	-	-	-
+ Actual loan losses on commitments for which provisions have been made	5	52	57	6	17	23	14	51	66
+ Actual loan losses on commitments for which no provision has been made	5	3	9	10	7	17	15	20	35
- Recoveries on commitments previously written-off	3	3	6	5	6	11	13	-2	11
Losses of the year on loans and guarantees	6	50	56	8	24	32	8	81	89

Note 7 - Losses

Parent Bank

	30 Jun 15			30 Jun 14			31 Dec 14		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Individual write-downs (NOKm)									
Individual write-downs to cover loss on loans at 1.1*	25	139	164	28	122	150	28	122	150
- Actual losses during the period for which provisions for individual impairment losses have been made previously	4	51	55	3	14	17	10	41	51
- Reversal of provisions from previous periods	2	15	16	2	11	13	6	13	19
+ Increased write-downs on provisions previously written down	1	3	4	2	8	10	1	0	2
+ Write-downs on provisions not previously written down	3	58	62	4	29	33	11	72	83
Specification of loss provisions at end of period	23	136	159	28	134	162	25	139	164

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

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

Group

	30 Jun 15			30 Jun 14			31 Dec 14		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Individual write-downs (NOKm)									
Individual write-downs to cover loss on loans at 1.1*	27	145	172	36	137	173	36	137	173
- Actual losses during the period for which provisions for individual impairment losses have been made previously	5	52	57	6	17	23	14	51	66
- Reversal of provisions from previous periods	2	15	17	3	15	18	7	15	22
+ Increased write-downs on provisions previously written down	1	3	4	2	9	10	1	1	2
+ Write-downs on provisions not previously written down	5	61	65	5	30	35	11	73	84
Specification of loss provisions at end of period	26	143	168	33	143	176	27	145	172

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

	30 Jun 15			30 Jun 14			31 Dec 14		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Collective write-downs (NOKm)									
Collective write-downs to cover loss on loans, guarantees at 1.1	94	201	295	94	201	295	94	201	295
Period's collective write-downs to cover loss on loans, guarantees etc	1	-	1	-	-	-	-	-	-
Collective write-downs to cover loss on loans and guarantees	95	201	296	94	201	295	94	201	295

Note 8 - Defaults

Parent bank			(NOKm)	Group		
31 Dec 2014	30 June 2014	30 June 2015		30 June 2015	30 June 2014	31 Dec 2014
Total defaults						
224	274	244	Loans in default for more than 90 days *)	287	334	270
63	79	51	- individual write-downs	58	86	67
162	195	193	Net defaults	230	248	202
28 %	29 %	21 %	Provision rate	20 %	26 %	25 %
Problem Loans						
208	189	361	Problem loans (not in default)	368	206	216
101	84	107	- individual write-downs	110	90	105
107	105	253	Net problem loans	258	116	112
49 %	44 %	30 %	Provision rate	30 %	44 %	48 %

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per Q2
Any default in this portfolio will not entail loss for SpareBank 1 SMN

Note 9 - Other assets

Parent bank			Group			
31 Dec 2014	30 June 2014	30 June 2015 (NOKm)	30 June 2015	30 June 2014	31 Dec 2014	
0	7	0	Deferred tax assets	156	25	44
162	165	153	Fixed assets	1,088	1,139	1,120
31	395	20	Earned income not yet received	56	407	39
8	238	1,010	Accounts receivable, securities	1,209	238	8
6	11	6	Pensions	6	11	6
89	155	62	Other assets	397	442	292
297	971	1,251	Total other assets	2,912	2,261	1,509

Note 10 - Distribution of customer deposits by sector/industry

Parent bank				Group		
31 Dec 2014	30 June 2014	30 June 2015	(NOKm)	30 June 2015	30 June 2014	31 Dec 2014
2,354	2,211	2,464	Agriculture, forestry, fisheries, hunting	2,464	2,211	2,354
402	644	559	Sea farming industries	559	644	402
2,359	1,477	2,137	Manufacturing	2,137	1,477	2,359
2,117	1,717	2,007	Construction, power and water supply	2,007	1,717	2,117
4,221	3,495	3,297	Retail trade, hotels and restaurants	3,297	3,495	4,221
2,346	1,612	1,888	Maritime sector	1,888	1,612	2,346
4,051	3,871	4,783	Property management	4,604	3,753	3,919
4,540	4,054	4,713	Business services	4,713	4,054	4,540
4,488	4,419	4,743	Transport and other services provision	4,411	4,169	4,131
5,254	6,907	7,938	Public administration	7,938	6,907	5,254
2,574	3,137	3,572	Other sectors	3,530	3,104	2,542
34,706	33,544	38,102	Total	37,548	33,143	34,184
26,496	26,260	28,638	Wage earners	28,638	26,260	26,496
61,202	59,803	66,740	Total deposits	66,186	59,402	60,680

Note 11 - Debt created by issue of securities

Parent bank				Group		
31 Dec 2014	30 June 2014	30 June 2015	(NOKm)	30 June 2015	30 June 2014	31 Dec 2014
820	775	1,100	Short-term debt instruments, nominal value	1,100	775	820
30,981	30,337	31,176	Bond debt, nominal value	31,176	30,337	30,981
830	555	628	Value adjustments	628	555	830
370	256	242	Accrued interest	242	256	370
33,001	31,923	33,146	Total	33,146	31,923	33,001

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

	30 June 2015	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2014
Short-term debt instruments, nominal value	1,100	2,905	2,625	-	820
Bond debt, nominal value	31,176	4,274	3,732	-347	30,981
Value adjustments	628	-	-	-202	830
Accrued interest	242	-	-	-128	370
Total	33,146	7,179	6,357	-677	33,001

	30 June 2015	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2014
Ordinary subordinated loan capital, nominal value	1,582	-	-	23	1,558
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,400	-	-	-	1,400
Value adjustments	84	-	-	-14	98
Accrued interest	14	-	-	-1	15
Total	3,380	-	-	9	3,371

Note 12 - Other liabilities

Parent bank			(NOKm)	Group		
31 Dec 2014	30 June 2014	30 June 2015		30 June 2015	30 June 2014	31 Dec 2014
32	-	34	Deferred tax	48	6	45
363	251	127	Payable tax	167	290	398
10	8	10	Capital tax	10	8	10
66	163	99	Accrued expenses and received, non-accrued income	102	298	190
79	65	93	Provision for accrued expenses and commitments	93	65	79
25	-	17	Pension liabilities	32	7	32
74	67	58	Drawing debt	58	67	74
5	8	6	Creditors	50	43	33
-	244	216	Debt from securities	439	244	-
191	175	228	Other liabilities	692	176	234
846	980	887	Total other liabilities	1,690	1,203	1,095

Note 13 - Capital adequacy

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

As of 30 June 2015 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3.0 per cent and countercyclical buffer is 1.0 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 11.0 per cent. The countercyclical buffer is announced to increase to 1.5 per cent with effect from 30 June 2016.

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

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

In connection with changed requirements on conditions governing hybrid capital, hybrid capital not meeting the new requirements over time will not be eligible as other core capital. The bonds will subject to a stepwise reduction of 30.0 per cent in 2015 and 10.0 per cent thereafter. As at 30 June 2015 SpareBank 1 SMN held hybrid capital worth NOK 450 million that will be subject to stepwise reduction. Finanstilsynet may require the hybrid capital to be written down in proportion to equity capital if the bank's CET1 capital ratio falls below 5.125 per cent.

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

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 2014	30 June 2014	30 June 2015	(NOKm)	30 June 2015	30 June 2014	31 Dec 2014
2.597	2.597	2.597	Equity capital certificates	2.597	2.597	2.597
-0	-0	-0	- Own holding of ECCs	-0	-0	-0
895	895	895	Premium fund	895	895	895
3.122	2.496	3.122	Dividend equalisation fund	3.122	2.496	3.122
3.619	3.276	3.619	Savings bank's reserve	3.619	3.276	3.619
292	-	-	- Recommended dividends	-	-	292
160	-	-	- Provision for gifts	-	-	160
139	195	139	Unrealised gains reserve	148	206	148
-	-65	-	- Other equity	1.639	1.280	1.620
-	-	-	- Minority interests	301	66	72
-	942	1.117	Net profit	871	963	-
10.824	10.337	11.489	Total book equity	13.191	11.780	12.524
-447	-454	-447	Deferred taxes, goodwill and other intangible assets	-664	-620	-566
-	-	-	- Part of reserve for unrealised gains, associated companies	120	98	120
-452	-	-	- Deduction for allocated dividends and gifts	-	-	-452
-	-442	-	50 % deduction for subordinated capital in other financial institutions	-	-101	-
-	-251	-	50 % deduction for expected losses on IRB, net of write-downs	-	-246	-
-	-	-	- 50 % capital adequacy reserve	-	-685	-
-	-	-	- Minority interests recognised in other equity capital	-301	-	-72
-	-	-	- Minority interests eligible for inclusion in CET1 capital	47	-	35
-4	-28	-4	Surplus financing of pension obligations	-	-21	-
-	-942	-1.117	Net profit	-871	-963	-
			Year-to-date profit included in core capital (73 per cent pre			

-	688	882	tax of group profit)	636	703	-
-31	-	-30	Value adjustments due to requirements for prudent valuation	-43	-	-45
-325	-	-240	Positive value of adjusted expected loss under IRB Approach	-318	-	-419
-	-	-	Direct, indirect and synthetic investments in financial sector companies	-355	-	-451
9.565	8.908	10.533	Total common equity Tier one	11.443	9.945	10.674
1.449	1.439	950	Hybrid capital, core capital	1.217	1.690	1.716
-	-	491	Hybrid capital covered by transitional provisions	491	-	-
-	-	-	Direct, indirect and synthetic investments in financial sector companies	-9	-	-9
11.014	10.347	11.974	Total core capital	13.142	11.635	12.382
			Supplementary capital in excess of core capital			
1.906	1.899	1.000	Subordinated capital	1.692	2.561	2.598
-	-	786	Subordinated capital covered by transitional provisions	786	-	-
-	-442	-	50 % deduction for subordinated capital in other financial institutions	-	-101	-
-	-251	-	50 % deduction for expected losses on IRB, net of write-downs	-	-246	-
-	-	-	50 % capital adequacy reserve	-	-685	-
-43	-	-43	Direct, indirect and synthetic investments in financial sector companies	-43	-	-43
1.864	1.206	1.743	Total supplementary capital	2.435	1.529	2.555
12.878	11.553	13.717	Net subordinated capital	15.577	13.164	14.937
			Minimum requirements subordinated capital			
1.632	1.508	1.148	Involvement with specialised enterprises	1.391	1.863	1.887
1.331	1.380	927	Other corporations exposure	965	1.472	1.371
829	703	1.104	Mass market exposure, property	1.514	1.170	1.280
149	136	173	Mass market exposure, SMEs	185	146	159
49	37	13	Other retail exposure	13	43	51
1.111	1.225	1.148	Equity investments	0	27	0
5.102	4.989	4.513	Total credit risk IRB	4.068	4.722	4.748
397	281	199	Debt risk	200	308	397
-	-	-	Equity risk	8	1	1
-	-	-	Currency risk	0	-	0
292	292	316	Operational risk	457	416	416
849	579	1.001	Exposures calculated using the standardised approach	1.926	1.682	1.971
-	-69	-	Deductions	-	-130	-
42	-	30	Credit value adjustment risk (CVA)	71	-	92
-	-	-	Transitional arrangements	471	-	-
6.682	6.072	6.060	Minimum requirements subordinated capital	7.201	6.998	7.625
83.523	75.900	75.746	Risk weighted assets (RWA)	90.010	87.477	95.317
3.759		3.409	Minimum requirement on CET1 capital, 4.5 per cent	4.050		4.289
			Capital Buffers			
2.088		1.894	Capital conservation buffer, 2.5 per cent	2.250		2.383
2.506		2.272	Systemic risk buffer, 3.0 per cent	2.700		2.860
		757	Countercyclical buffer 1.0 per cent	900		
4.594		4.923	Total buffer requirements on CET1 capital	5.851		5.242
1.212		2.201	Available CET1 capital after buffer requirements	1.542		1.143
			Capital adequacy			
11,5 %	11,7 %	13,9 %	Common equity Tier one ratio	12,7 %	11,4 %	11,2 %
13,2 %	13,6 %	15,8 %	Core capital ratio	14,6 %	13,3 %	13,0 %
15,4 %	15,2 %	18,1 %	Capital adequacy ratio	17,3 %	15,0 %	15,7 %

Note 14 - Financial instruments and offsetting

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

SpareBank 1 SMN has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e. it is only the customers that provide collateral. Regarding financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with the most central counterparties. As of the second quarter 2015 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 (NOKm)
30 June 2015	Derivatives	1,416
30 June 2014	Derivatives	1,249
31 Dec 2014	Derivatives	1,980

Parent Bank and Group are identical.

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

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

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

Level 2: Valuation based on observable market data

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

Level 3: Valuation based on other than observable data

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

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2015:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
-Derivatives	32	5,820	-	5,851
-Bonds and money market certificates	3,102	11,980	-	15,082
-Equity instruments	700	-	607	1,307
-Fixed interest loans	-	43	4,677	4,719
Financial assets available for sale				
-Equity instruments	-	-	40	40
Total assets	3,833	17,842	5,324	26,999
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
-Derivatives	32	4,579	-	4,610
Total liabilities	32	4,579	-	4,610

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
-Derivatives	227	4,957	-	5,184
-Bonds and money market certificates	3,719	12,080	-	15,799
-Equity instruments	49	-	1,038	1,087
-Fixed interest loans	-	43	2,531	2,573
Financial assets available for sale				
-Equity instruments	-	-	36	36
Total assets	3,996	17,080	3,605	24,680
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
-Derivatives	763	3,363	-	4,126
Total liabilities	763	3,363	-	4,126

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
-Derivatives	326	7,551	-	7,877
-Bonds and money market certificates	3,859	10,318	-	14,177
-Equity instruments	48	-	625	673
-Fixed interest loans	-	43	3,277	3,320
Financial assets available for sale				
-Equity instruments	-	-	35	35
Total assets	4,233	17,911	3,937	26,082
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
-Derivatives	324	5,928	-	6,252
Total liabilities	324	5,928	-	6,252

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

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January 2015	3,277	625	35	3,937
Investment in period	1,690	8	3	1,701
Disposals in the period	-267	-22	-2	-291
Gain or loss on financial instruments	40	-4	3	40
Change in reference rate in fair value model for fixed interest rate loans	-64	-	-	-64
Closing balance 30 June 15	4,677	607	40	5,324

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

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January 2014	2,656	909	40	3,605
Investment in period	21	16	-	37
Disposals in the period	-153	-80	-	-233
Gain or loss on financial instruments	6	192	-3	195
Closing balance 30 June 14	2,531	1,038	36	3,605

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

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January 2014	2,656	909	40	3,605
Investment in period	946	38	3	987
Disposals in the period	-389	-341	-4	-733
Gain or loss on financial instruments	64	19	-4	79
Closing balance 31 December 14	3,277	625	35	3,937

Statement in compliance with the securities trading act, section 5-6

Statement by the Board of Directors and CEO

We hereby declare that to the best of our knowledge the half-yearly financial statements for the period 1 January to 30 June 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting, and that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the bank and the group taken as a whole.

We also declare that to the best of our knowledge the half-yearly management report gives a fair review of important events in the reporting period and their impact on the financial statements, the principal risks and uncertainties facing the business in the next reporting period, and significant transactions with related parties.

Trondheim, 12. August 2015
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Bård Benum
(deputy chair)

Paul E. Hjelm-Hansen

Aud Skrudland

Morten Loktu

Janne Thyø Thomsen

Arnhild Holstad

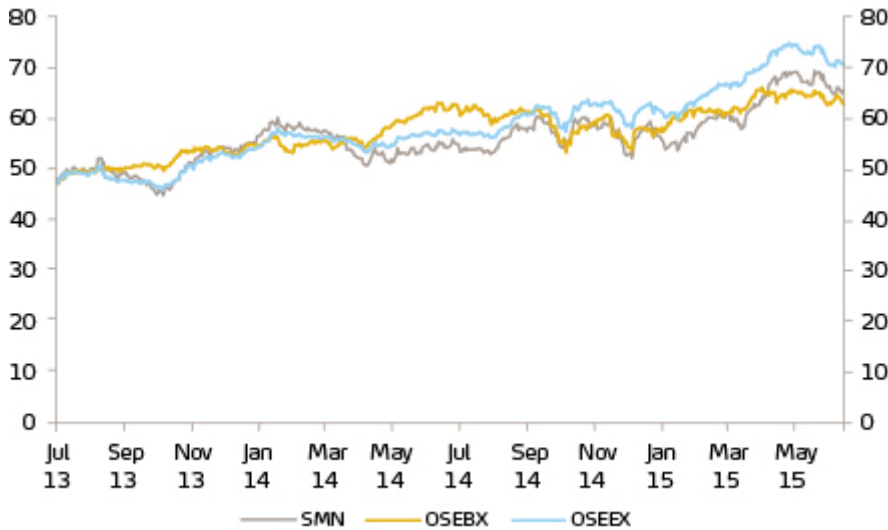
Venche Johnsen
(employee rep.)

Finn Haugan
(Group CEO)

Equity capital certificates

Stock price compared with OSEBX and OSEEX

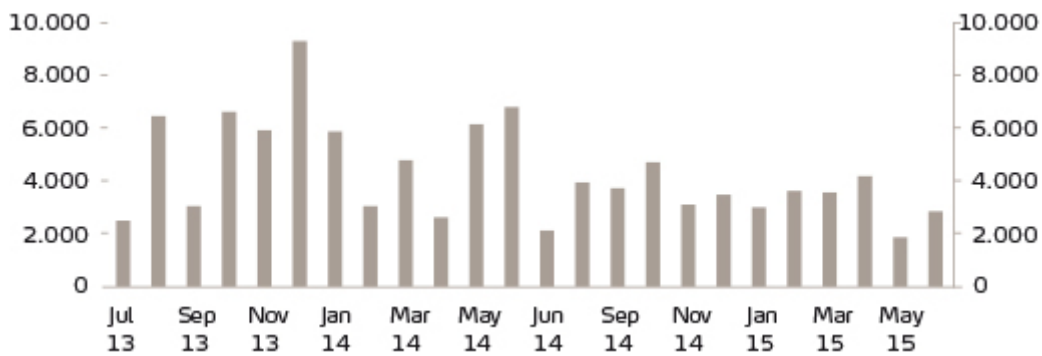
1 July 2013 to 30 June 2015



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

Trading statistics

1 July 2013 to 30 June 2015



Total number of ECs traded (1000)

20 largest ECC holders	Number	Share
Verdipapirfondet DNB Norge (IV)	4,798,552	3.70 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Nordea Norge Verdi	3,873,007	2.98 %
VPF Odin Norge	3,718,725	2.86 %
State Street Bank and Trust CO (nominee)	3,256,131	2.51 %
VPF Odin Norden	2,848,326	2.19 %
Vind LV AS	2,736,435	2.11 %
Wimoh Invest AS	2,359,388	1.82 %
The Bank of New York Mellon (nominee)	2,283,708	1.76 %
VPF Danske Invest Norske Aksjer Inst. II	2,170,967	1.67 %
MP Pensjon PK	1,992,160	1.53 %
Pareto AS	1,821,202	1.40 %
VPF Pareto Aksje Norge	1,750,890	1.35 %
Forsvarets Personellservice	1,491,146	1.15 %
JP Morgan Chase Bank (Nominee)	1,471,137	1.13 %
DNB Livsforsikring AS	1,414,056	1.09 %
VPF Nordea Kapital	1,383,148	1.07 %
Verdipapirfondet DNB Norge Selektiv (III)	1,308,123	1.01 %
Aksjefondet Handelsbanken Norge	1,300,000	1.00 %
VPF Danske Invest Norske Aksjer Inst. I	1,207,123	0.93 %
The 20 largest ECC holders in total	47,149,615	36.31 %
Others	82,686,828	63.69 %
Total issued ECCs	129,836,443	100.00 %

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 June 30 2015**

We have reviewed the accompanying balance sheet of the parent company and the group as of June 30 2015 for SpareBank 1 SMN and the related statements of income for the parent company and the group, changes in equity and cash flows for the six 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 June 30 2015, and of its financial performance and its cash flows for the six month period then ended in accordance with International Accounting Standard 34, as adopted by the EU.

Trondheim 12.08.2015
Deloitte ASMette Estenstad (Signed)
State Authorised Public Accountant (Norway)

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