

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	-

-	688	882	Year-to-date profit included in core capital (73 per cent pre 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