

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 2015. Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts.

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

When preparing the group accounts, the management team employs estimates and discretionary assessments and makes assumptions that impact on the effect of the accounting policies that are applied. This will accordingly influence amounts recognised for assets, liabilities, incomes and expenses. Note 3 - Critical estimates and assessments concerning the use of accounting principles- in last year's annual accounts gives an account of important estimates and assumptions.

Pensions

SpareBank 1 SMN has two types of pension agreement – defined benefit and defined contribution. For further details of the two types of pension plans, see note 25 in the 2015 annual report.

The group's pension liabilities are accounted for under IAS 19R. Variance from estimates is therefore entered directly against equity capital and presented under other incomes and expenses.

The decision to terminate the defined benefit pension plan was taken at a board meeting on 21 October 2016. Employees in the defined benefit pension plan will switch to a defined contribution pension plan as from 1 January 2017. This will entail a reduction in the pension liability resulting in a one-time gain estimated to NOK 85 million for the parent bank and NOK 91 million for the group in the fourth quarter accounts. Updated assumptions for calculating the liability will have the opposite effect on the liability with NOK 54 million for the parent bank and NOK 59 million for the group. Both these effects will be included in the accounts for the fourth quarter.

Companies held for sale

SpareBank 1 SMN's strategy is that ownership resulting from exposure defaults should in principle be of short duration, normally no longer than one year. Investments are recognised at fair value in the parent bank's accounts, and are classified as held for sale.

Assets and debt related to the company Brannstasjonen SMN AS are classified as held for sale from the first quarter of 2016 based on the group management team's and board of directors' go-ahead for the sale of the company, and the fact that the process has reached the stage where it is highly likely that the sale will be completed within 12 months. Brannstasjonen SMN AS was founded in 2012 after SMN's purchase of Kongensgt 2 which was formerly a fire station. The purpose of the purchase was to develop the property for SMN's own use since there was a need for additional space at that point, driven by a strategy for growth and the establishment of a credit card company as well as a need to integrate SMN Regnskapshuset in the bank's head office. In retrospect it turns out that the need for more space was redundant due to the substantial efficiency gains provided by digitalisation in the longer term. The shares of Brannstasjonen SMN AS, of which the property with cadastral number 401 BNR 383 ("Brannstasjonen") was the main asset, were transferred to Aberdeen Eiendomsfond Norge I AS with effect from 1 October 2016. Disposal of the shares will entail a gain of NOK 7 million for the Group which will be recognised in the fourth quarter of 2016.

| 2016 Q3 (NOKm) | Assets | Liabilities | Revenue | Expenses | Profit/Loss | Ownership |
|----------------------------|------------|-------------|----------|-----------|-------------|-----------|
| Mavi XV AS group | 13 | 0 | 1 | -2 | -1 | 100 % |
| Brannstasjonen SMN AS | 204 | 11 | 1 | -3 | -2 | 100 % |
| Total held for sale | 217 | 11 | 2 | -5 | -3 | - |

Note 3 - Account by business line

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

Group 30 September 2016

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

Group 30 September 2015

| Profit and loss account (NOKm) | RM | CM | Markets | EM 1 | SB1 | SB1 | SB1 | BN | Uncollated | Total |
|--|---------------|---------------|------------|------------|------------|------------|------------|-----------|-------------|---------------|
| | | | | | Finans | Regnskaps- | | | | |
| | | | | | MN | huset SMN | | | | |
| Net interest | 672 | 685 | -2 | 2 | 112 | -0 | - | - | -70 | 1,399 |
| Interest from allocated capital | 37 | 44 | - | - | - | - | - | - | -81 | - |
| Total interest income | 709 | 729 | -2 | 2 | 112 | -0 | - | - | -151 | 1,399 |
| Commission income and other income | 530 | 135 | 25 | 282 | 24 | 153 | - | - | 19 | 1,168 |
| Net return on financial investments **) | 1 | 11 | 31 | - | - | - | 183 | 31 | 93 | 349 |
| Total income | 1,239 | 874 | 55 | 284 | 136 | 153 | 183 | 31 | -39 | 2,917 |
| Total operating expenses | 565 | 258 | 118 | 244 | 68 | 127 | - | - | 36 | 1,416 |
| Ordinary operating profit | 674 | 617 | -63 | 39 | 68 | 26 | 183 | 31 | -74 | 1,501 |
| Loss on loans, guarantees etc. | 6 | 100 | - | - | 5 | - | - | - | 1 | 112 |
| Result before tax including held for sale | 668 | 517 | -63 | 39 | 63 | 26 | 183 | 31 | -76 | 1,388 |
| Post-tax return on equity *) | 16.2 % | 12.9 % | | | | | | | | 11.5 % |

Balance (NOKm)

| | | | | | | | | | | |
|---|---------------|---------------|--------------|------------|--------------|------------|--------------|--------------|---------------|----------------|
| Loans and advances to customers | 83,077 | 37,781 | - | - | 4,199 | - | - | - | 1,124 | 126,180 |
| Adv. of this to SpareBank 1 Boligkreditt | -29,993 | -1,269 | - | - | - | - | - | - | -1 | -31,263 |
| Individual allowance for impairment on loan | -24 | -158 | - | - | -7 | - | - | - | -2 | -191 |
| Group allowance for impairment on loan | -90 | -218 | - | - | -17 | - | - | - | -0 | -326 |
| Other assets | 140 | 9 | 1,316 | 281 | 14 | 137 | 1,453 | 1,145 | 30,341 | 34,836 |
| Total assets | 53,109 | 36,144 | 1,316 | 281 | 4,189 | 137 | 1,453 | 1,145 | 31,462 | 129,237 |
| Deposits to customers | 33,449 | 29,567 | - | - | - | - | - | - | 604 | 63,620 |
| Other liabilities and equity | 19,660 | 6,578 | 1,316 | 281 | 4,189 | 137 | 1,453 | 1,145 | 30,858 | 65,617 |
| Total liabilities | 53,109 | 36,144 | 1,316 | 281 | 4,189 | 137 | 1,453 | 1,145 | 31,462 | 129,237 |

*) 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 14.5 percent to be in line with the capital plan.

| ***) Specification of net return on financial investments incl. Investment held for sale (NOKm) | 2016 | 2015 |
|---|------------|------------|
| Capital gains/dividends, shares | 110 | 79 |
| Bonds and derivatives | 158 | -73 |
| Change in discount factor in fair value model for fixed interest loans | - | -64 |
| Forex and fixed income business, Markets | 99 | 82 |
| Net return on financial investments | 368 | 24 |
| SpareBank 1 Gruppen | 220 | 183 |
| SpareBank 1 Boligkreditt | 9 | 65 |
| SpareBank 1 Næringskreditt | 20 | 22 |
| BN Bank | 79 | 31 |
| SpareBank 1 Kredittkort | 20 | 15 |
| Companies owned by SpareBank 1 SMN Invest | 19 | 13 |
| Other companies | -22 | -3 |
| Income from investment in associates and joint ventures | 346 | 326 |
| Total net return on financial investments | 713 | 349 |

Note 4 - Capital adequacy

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

As of 30 September 2016 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3.0 per cent and countercyclical buffer is 1.5 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 11.5 per cent. The countercyclical buffer increased to 1.5 per cent from 1.0 per cent with effect from 30 June 2016.

As from 1 October 2016, differentiated rates become effective for the countercyclical buffer with 1.5 per cent being maintained for exposures in Norway. For exposures in other countries the countercyclical capital buffer rate set by the authorities in the country concerned is used. If the country concerned has not established a rate, the same rate as for exposures in Norway is to be used unless the Ministry of Finance sets another rate.

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 40 per cent in 2016 and 10 per cent thereafter. As at 30 September 2016 SpareBank 1 SMN held hybrid capital worth NOK 450m that will be subject to stepwise reduction. Finanstilsynet may require the hybrid capital to be written down in proportion to equity capital if the bank's CET1 capital ratio falls below 5.125 per cent.

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

| Parent Bank | | | | Group | | |
|----------------|-----------------|------------------------|--|-----------------|-----------------|----------------|
| 31 Dec 2015 | 30 Sept 2015 | 30 Sept 2016 (NOKm) | | 30 Sept 2016 | 30 Sept 2015 | 31 Dec 2015 |
| 2,597 | 2,597 | 2,597 | Equity capital certificates | 2,597 | 2,597 | 2,597 |
| -0 | -0 | -0 | - Own holding of ECCs | -2 | -0 | -21 |
| 895 | 895 | 895 | Premium fund | 895 | 895 | 895 |
| 3,790 | 3,122 | 3,790 | Dividend equalisation fund | 3,791 | 3,122 | 3,790 |
| 4,105 | 3,619 | 4,105 | Savings bank's reserve | 4,105 | 3,619 | 4,105 |
| 292 | - | - | - Recommended dividends | - | - | 292 |
| 40 | - | - | - Provision for gifts | - | - | 40 |
| 279 | 139 | 221 | Unrealised gains reserve | 233 | 148 | 290 |
| - | - | 5 | Other equity | 1,679 | 1,660 | 1,597 |
| - | - | - | - Non-controlling interests | 411 | 295 | 318 |
| - | 1,294 | 1,179 | Net profit | 1,185 | 1,119 | - |
| 11,998 | 11,666 | 12,792 | Total book equity | 14,893 | 13,455 | 13,904 |
| -447 | -447 | -475 | Deferred taxes, goodwill and other intangible assets | -758 | -679 | -662 |
| - | - | - | - Part of reserve for unrealised gains, associated companies | 119 | 179 | 264 |
| -332 | - | - | - Deduction for allocated dividends and gifts | - | - | -332 |
| - | - | - | - Non-controlling interests recognised in other equity capital | -411 | -295 | -318 |
| - | - | - | - Non-controlling interests eligible for inclusion in CET1 capital | 211 | 49 | 132 |
| -93 | -4 | -93 | Surplus financing of pension obligations | -94 | - | -43 |
| - | -1,294 | -1,179 | Net profit | -1,185 | -1,119 | - |
| - | 992 | 823 | Year-to-date profit included in core capital (70 per cent pre tax of group profit) | 830 | 817 | - |
| -33 | -32 | -30 | Value adjustments due to requirements for prudent valuation | -51 | -49 | -55 |
| -164 | -199 | -146 | Positive value of adjusted expected loss under IRB Approach | -205 | -277 | -239 |
| - | - | - | Direct, indirect and synthetic investments in financial sector companies | -453 | -428 | -458 |
| 10,928 | 10,682 | 11,693 | Total common equity Tier one | 12,895 | 11,652 | 12,192 |
| 950 | 950 | 950 | Hybrid capital, core capital | 1,363 | 1,311 | 1,310 |
| 495 | 496 | 487 | Hybrid capital covered by transitional provisions | 487 | 496 | 495 |
| - | - | - | Direct, indirect and synthetic investments in financial sector companies | -9 | -9 | -9 |
| 12,373 | 12,128 | 13,129 | Total core capital | 14,736 | 13,451 | 13,988 |

| Parent Bank | | | | Group | | |
|---------------|---------------|---------------|--|---------------|---------------|---------------|
| 31 Dec 2015 | 30 Sept 2015 | 30 Sept 2016 | | 30 Sept 2016 | 30 Sept 2015 | 31 Dec 2015 |
| | | | Supplementary capital in excess of core capital | | | |
| 1,000 | 1,000 | 1,000 | Subordinated capital | 1,644 | 1,692 | 1,647 |
| 786 | 786 | 673 | Subordinated capital covered by transitional provisions | 673 | 786 | 786 |
| -43 | -43 | -43 | Direct, indirect and synthetic investments in financial sector companies | -43 | -43 | -43 |
| 1,743 | 1,743 | 1,631 | Total supplementary capital | 2,275 | 2,435 | 2,390 |
| 14,116 | 13,871 | 14,760 | Net subordinated capital | 17,011 | 15,886 | 16,378 |
| | | | Minimum requirements subordinated capital | | | |
| 1,027 | 1,062 | 1,025 | Involvement with specialised enterprises | 1,166 | 1,262 | 1,213 |
| 1,049 | 981 | 1,068 | Other corporations exposure | 1,107 | 1,058 | 1,105 |
| 1,093 | 1,136 | 1,141 | Mass market exposure, property | 1,602 | 1,551 | 1,557 |
| 157 | 174 | 155 | Mass market exposure, SMEs | 164 | 186 | 167 |
| 38 | 15 | 36 | Other retail exposure | 38 | 15 | 40 |
| 1,221 | 1,155 | 1,240 | Equity investments | 3 | 0 | 0 |
| 4,585 | 4,524 | 4,665 | Total credit risk IRB | 4,080 | 4,073 | 4,082 |
| 64 | 93 | 18 | Debt risk | 19 | 94 | 64 |
| - | - | - | Equity risk | 10 | 10 | 10 |
| - | - | - | Currency risk | 1 | 0 | - |
| 316 | 316 | 334 | Operational risk | 479 | 457 | 457 |
| 922 | 911 | 968 | Exposures calculated using the standardised approach | 1,828 | 1,827 | 1,805 |
| 53 | 55 | 48 | Credit value adjustment risk (CVA) | 88 | 92 | 106 |
| - | - | - | Transitional arrangements | 723 | 533 | 634 |
| 5,939 | 5,899 | 6,033 | Minimum requirements subordinated capital | 7,228 | 7,087 | 7,157 |
| 74,243 | 73,732 | 75,407 | Risk weighted assets (RWA) | 90,353 | 88,586 | 89,465 |
| 3,341 | 3,318 | 3,393 | Minimum requirement on CET1 capital, 4.5 per cent | 4,066 | 3,986 | 4,026 |
| | | | Capital Buffers | | | |
| 1,856 | 1,843 | 1,885 | Capital conservation buffer, 2.5 per cent | 2,259 | 2,215 | 2,237 |
| 2,227 | 2,212 | 2,262 | Systemic risk buffer, 3.0 per cent | 2,711 | 2,658 | 2,684 |
| 742 | 737 | 1,131 | Countercyclical buffer, 1.5 per (1.0 per cent) | 1,355 | 886 | 895 |
| 4,826 | 4,793 | 5,278 | Total buffer requirements on CET1 capital | 6,325 | 5,758 | 5,815 |
| 2,761 | 2,571 | 3,021 | Available CET1 capital after buffer requirements | 2,505 | 1,908 | 2,351 |
| | | | Capital adequacy | | | |
| 14.7 % | 14.5 % | 15.5 % | Common equity Tier one ratio | 14.3 % | 13.2 % | 13.6 % |
| 16.7 % | 16.4 % | 17.4 % | Core capital ratio | 16.3 % | 15.2 % | 15.6 % |
| 19.0 % | 18.8 % | 19.6 % | Capital adequacy ratio | 18.8 % | 17.9 % | 18.3 % |
| 9.1 % | 9.1 % | 9.2 % | Leverage ratio | 7.1 % | 6.7 % | 6.7 % |

Note 5 - Distribution of loans by sector/industry

| Parent Bank | | | | Group | | |
|----------------|-----------------|-----------------|---|-----------------|-----------------|----------------|
| 31 Dec 2015 | 30 Sept 2015 | 30 Sept 2016 | (NOKm) | 30 Sept 2016 | 30 Sept 2015 | 31 Dec 2015 |
| 8,515 | 8,159 | 9,419 | Agriculture, forestry, fisheries, hunting | 9,607 | 8,313 | 8,674 |
| 1,485 | 1,297 | 1,359 | Sea farming industries | 1,738 | 1,581 | 1,807 |
| 2,387 | 2,224 | 2,692 | Manufacturing | 2,977 | 2,517 | 2,675 |
| 3,141 | 3,232 | 3,160 | Construction, power and water supply | 3,684 | 3,707 | 3,598 |
| 2,482 | 2,768 | 2,276 | Retail trade, hotels and restaurants | 2,482 | 2,940 | 2,666 |
| 6,043 | 6,073 | 5,027 | Maritime sector | 5,027 | 6,097 | 6,066 |
| 14,377 | 14,130 | 13,704 | Property management | 13,761 | 14,142 | 14,346 |
| 2,019 | 1,880 | 2,534 | Business services | 2,174 | 1,698 | 1,777 |
| 2,859 | 3,021 | 3,311 | Transport and other services provision | 3,893 | 3,509 | 3,355 |
| 192 | 205 | 255 | Public administration | 269 | 225 | 211 |
| 1,458 | 2,569 | 1,533 | Other sectors | 1,463 | 2,587 | 1,477 |
| 44,958 | 45,558 | 45,270 | Gross loans in retail market | 47,074 | 47,315 | 46,653 |
| 78,575 | 76,868 | 84,650 | Wage earners | 87,388 | 78,864 | 80,725 |
| 123,533 | 122,426 | 129,920 | Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt | 134,462 | 126,180 | 127,378 |
| 31,944 | 29,894 | 32,930 | SpareBank 1 Boligkreditt | 32,930 | 29,894 | 31,944 |
| 1,460 | 1,369 | 1,963 | SpareBank 1 Næringskreditt | 1,963 | 1,369 | 1,460 |
| 90,129 | 91,163 | 95,027 | Gross loans in balance sheet | 99,569 | 94,917 | 93,974 |
| 174 | 182 | 546 | - Specified write-downs | 558 | 191 | 183 |
| 358 | 308 | 373 | - Collective write-downs | 391 | 326 | 376 |
| 89,596 | 90,673 | 94,108 | Net loans to and receivables from customers | 98,619 | 94,400 | 93,415 |

Note 6 - Losses on loans and guarantees

Parent Bank

| Losses on loans and guarantees (NOKm) | January-September | | | | | | | | |
|--|-------------------|------------|------------|----------|------------|------------|-----------|------------|------------|
| | 2016 | | | 2015 | | | 2015 | | |
| | RM | CM | Total | RM | CM | Total | RM | CM | Total |
| Change in individual impairment losses provisions for the period | -0 | 374 | 373 | 0 | 18 | 19 | 2 | 9 | 11 |
| + Change in collective impairment losses provisions for the period | - | 15 | 15 | - | 30 | 30 | - | 80 | 80 |
| + Actual loan losses on commitments for which provisions have been made | 7 | 7 | 13 | 6 | 51 | 57 | 7 | 58 | 65 |
| + Actual loan losses on commitments for which no provision has been made | 6 | 5 | 11 | 4 | 1 | 5 | 8 | 4 | 12 |
| - Recoveries on commitments previously written-off | 3 | 2 | 5 | 4 | 1 | 5 | 6 | 3 | 9 |
| Losses of the year on loans and guarantees | 10 | 398 | 408 | 6 | 100 | 106 | 11 | 148 | 159 |

Group

| Losses on loans and guarantees (NOKm) | January-September | | | | | | | | |
|--|-------------------|------------|------------|-----------|------------|------------|-----------|------------|------------|
| | 2016 | | | 2015 | | | 2015 | | |
| | RM | CM | Total | RM | CM | Total | RM | CM | Total |
| Change in individual impairment losses provisions for the period | -0 | 378 | 377 | 0 | 19 | 19 | 3 | 9 | 11 |
| + Change in collective impairment losses provisions for the period | 3 | 13 | 15 | 1 | 30 | 31 | 2 | 80 | 82 |
| + Actual loan losses on commitments for which provisions have been made | 7 | 7 | 15 | 7 | 53 | 60 | 8 | 59 | 67 |
| + Actual loan losses on commitments for which no provision has been made | 10 | 5 | 15 | 7 | 3 | 10 | 13 | 7 | 21 |
| - Recoveries on commitments previously written-off | 4 | 2 | 5 | 6 | 2 | 8 | 8 | 4 | 12 |
| Losses of the year on loans and guarantees | 16 | 401 | 417 | 10 | 102 | 112 | 18 | 151 | 169 |

Note 7 - Losses

Parent Bank

| | January-September | | | | | | | | |
|---|-------------------|------------|------------|-----------|------------|------------|-----------|------------|------------|
| | 2016 | | | 2015 | | | 2015 | | |
| | RM | CM | Total | RM | CM | Total | RM | CM | Total |
| Individual write-downs (NOKm) | | | | | | | | | |
| Individual write-downs to cover loss on loans and guarantees at 1.1 | 28 | 148 | 176 | 25 | 140 | 165 | 25 | 140 | 165 |
| - Actual losses during the period for which provisions for individual impairment losses have been made previously | 7 | 7 | 13 | 6 | 51 | 57 | 7 | 58 | 65 |
| - Reversal of provisions from previous periods | 3 | 20 | 23 | 2 | 29 | 31 | 2 | 40 | 43 |
| + Increased write-downs on provisions previously written down | 2 | 5 | 7 | 1 | 4 | 5 | 1 | 21 | 22 |
| + Write-downs on provisions not previously written down | 4 | 399 | 403 | 7 | 95 | 102 | 12 | 85 | 96 |
| Individual write-downs to cover loss on loans and guarantees at period end *) | 24 | 525 | 549 | 24 | 159 | 183 | 28 | 148 | 176 |

*) Individually assessed impairment write-downs on guarantees, totalling NOK 3.3m, are shown in the balance sheet as a liability under 'Other liabilities'

| | 2016 | | | 2015 | | | 2015 | | |
|---|-----------|------------|------------|-----------|------------|------------|-----------|------------|------------|
| | 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 | 268 | 358 | 90 | 188 | 278 | 90 | 188 | 278 |
| Period's collective write-downs to cover loss on loans, guarantees etc | - | 15 | 15 | - | 30 | 30 | - | 80 | 80 |
| Collective write-downs to cover loss on loans and guarantees at period end | 90 | 283 | 373 | 90 | 218 | 308 | 90 | 268 | 358 |

Group

| | January-September | | | | | | | | |
|---|-------------------|------------|------------|-----------|------------|------------|-----------|------------|------------|
| | 2016 | | | 2015 | | | 2015 | | |
| | RM | CM | Total | RM | CM | Total | RM | CM | Total |
| Individual write-downs (NOKm) | | | | | | | | | |
| Individual write-downs to cover loss on loans and guarantees at 1.1 | 31 | 153 | 184 | 27 | 146 | 173 | 27 | 146 | 173 |
| - Actual losses during the period for which provisions for individual impairment losses have been made previously | 7 | 7 | 15 | 7 | 53 | 60 | 8 | 59 | 67 |
| - Reversal of provisions from previous periods | 4 | 21 | 25 | 3 | 29 | 32 | 3 | 42 | 46 |
| + Increased write-downs on provisions previously written down | 2 | 6 | 7 | 1 | 4 | 5 | 1 | 21 | 22 |
| + Write-downs on provisions not previously written down | 5 | 404 | 410 | 9 | 96 | 106 | 14 | 87 | 102 |
| Individual write-downs to cover loss on loans and guarantees at period end *) | 27 | 535 | 562 | 27 | 165 | 192 | 31 | 153 | 184 |

*) Individually assessed impairment write-downs on guarantees, totalling NOK 3.3m, are shown in the balance sheet as a liability under 'Other liabilities'

| | 2016 | | | 2015 | | | 2015 | | |
|---|-----------|------------|------------|-----------|------------|------------|-----------|------------|------------|
| | 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 | 96 | 281 | 376 | 94 | 201 | 295 | 94 | 201 | 295 |
| Period's collective write-downs to cover loss on loans, guarantees etc | 3 | 13 | 15 | 1 | 30 | 31 | 2 | 80 | 82 |
| Collective write-downs to cover loss on loans and guarantees at period end | 98 | 293 | 391 | 95 | 231 | 326 | 96 | 281 | 376 |

Note 8 - Defaults and problem loans

Parent Bank

| Total defaults (NOKm) | 30 Sept 2016 | | | 30 Sept 2015 | | | 31 Dec 2015 | | |
|--|--------------|------------|------------|--------------|------------|------------|-------------|------------|------------|
| | RM | CM | Total | RM | CM | Total | RM | CM | Total |
| Loans in default for more than 90 days ^{*)} | 149 | 30 | 178 | 149 | 35 | 184 | 133 | 38 | 171 |
| - Individual write-downs | 14 | 17 | 31 | 15 | 10 | 25 | 15 | 8 | 23 |
| Net defaults | 134 | 13 | 147 | 134 | 25 | 160 | 119 | 30 | 148 |
| Provision rate | 10 % | 56 % | 17 % | 10 % | 28 % | 13 % | 11 % | 22 % | 13 % |
| Problem loans | | | | | | | | | |
| Problem loans (not in default) | 26 | 1,318 | 1,345 | 16 | 422 | 438 | 45 | 341 | 387 |
| - Individual write-downs | 9 | 509 | 518 | 10 | 149 | 159 | 13 | 139 | 152 |
| Net problem loans | 17 | 810 | 826 | 7 | 272 | 279 | 32 | 202 | 234 |
| Provision rate | 36 % | 39 % | 39 % | 58 % | 35 % | 36 % | 29 % | 41 % | 39 % |

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

Group

| Total defaults (NOKm) | 30 Sept 2016 | | | 30 Sept 2015 | | | 31 Dec 2015 | | |
|--|--------------|------------|------------|--------------|------------|------------|-------------|------------|------------|
| | RM | CM | Total | RM | CM | Total | RM | CM | Total |
| Loans in default for more than 90 days ^{*)} | 177 | 44 | 221 | 169 | 50 | 218 | 155 | 50 | 205 |
| - Individual write-downs | 18 | 18 | 35 | 18 | 11 | 29 | 17 | 9 | 26 |
| Net defaults | 160 | 26 | 186 | 151 | 39 | 190 | 138 | 41 | 179 |
| Provision rate | 10 % | 41 % | 16 % | 10 % | 22 % | 13 % | 11 % | 18 % | 13 % |
| Problem loans | | | | | | | | | |
| Problem loans (not in default) | 26 | 1,334 | 1,360 | 17 | 431 | 448 | 49 | 350 | 399 |
| - Individual write-downs | 9 | 517 | 526 | 10 | 154 | 164 | 14 | 144 | 158 |
| Net problem loans | 17 | 817 | 833 | 7 | 277 | 284 | 34 | 206 | 241 |
| Provision rate | 36 % | 39 % | 39 % | 57 % | 36 % | 37 % | 30 % | 41 % | 40 % |

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

Note 9 - Distribution of customer deposits by sector/industry

| Parent Bank | | | | Group | | |
|----------------|-----------------|-----------------|---|-----------------|-----------------|----------------|
| 31 Dec 2015 | 30 Sept 2015 | 30 Sept 2016 | (NOKm) | 30 Sept 2016 | 30 Sept 2015 | 31 Dec 2015 |
| 2,541 | 2,450 | 2,805 | Agriculture, forestry, fisheries, hunting | 2,805 | 2,450 | 2,541 |
| 674 | 553 | 229 | Sea farming industries | 229 | 553 | 674 |
| 2,518 | 1,870 | 1,481 | Manufacturing | 1,481 | 1,870 | 2,518 |
| 2,164 | 2,372 | 2,148 | Construction, power and water supply | 2,148 | 2,372 | 2,164 |
| 4,116 | 3,416 | 3,365 | Retail trade, hotels and restaurants | 3,365 | 3,416 | 4,116 |
| 1,994 | 1,928 | 1,675 | Maritime sector | 1,675 | 1,928 | 1,994 |
| 4,295 | 4,535 | 5,325 | Property management | 5,104 | 4,347 | 4,099 |
| 4,836 | 5,038 | 5,216 | Business services | 5,216 | 5,038 | 4,836 |
| 4,643 | 4,657 | 5,062 | Transport and other services provision | 4,623 | 4,218 | 4,138 |
| 7,221 | 6,358 | 8,419 | Public administration | 8,419 | 6,358 | 7,221 |
| 1,755 | 2,922 | 1,992 | Other sectors | 1,555 | 2,894 | 1,454 |
| 36,756 | 36,097 | 37,715 | Total | 36,618 | 35,442 | 35,754 |
| 28,336 | 28,178 | 29,672 | Wage earners | 29,672 | 28,178 | 28,336 |
| 65,091 | 64,276 | 67,387 | Total deposits | 66,290 | 63,620 | 64,090 |

Note 10 - Net interest income

| Parent bank | | | (NOK million) | Group | | |
|-------------------|--------------|--------------|--|-------------------|--------------|--------------|
| January-September | | | | January-September | | |
| 2015 | 2015 | 2016 | | 2016 | 2015 | 2015 |
| | | | Interest income | | | |
| 112 | 82 | 92 | Interest income from loans to and claims on central banks and credit institutions | 37 | 30 | 43 |
| 3,447 | 2,633 | 2,235 | Interest income from loans to and claims on customers | 2,417 | 2,796 | 3,669 |
| 304 | 233 | 213 | Interest income from money market instruments, bonds and other fixed income securities | 211 | 233 | 304 |
| 1 | 1 | - | Other interest income | 14 | 11 | 16 |
| 3,865 | 2,949 | 2,539 | Total interest income | 2,680 | 3,069 | 4,031 |
| | | | Interest expense | | | |
| 147 | 116 | 114 | Interest expenses on liabilities to credit institutions | 114 | 116 | 148 |
| 968 | 766 | 488 | Interest expenses relating to deposits from and liabilities to customers | 476 | 751 | 949 |
| 840 | 635 | 535 | Interest expenses related to the issuance of securities | 535 | 635 | 840 |
| 149 | 112 | 109 | Interest expenses on subordinated debt | 110 | 112 | 149 |
| 3 | 2 | 2 | Other interest expenses | 10 | 16 | 20 |
| 54 | 41 | 44 | Guarantee fund levy | 44 | 41 | 54 |
| 2,161 | 1,671 | 1,292 | Total interest expense | 1,289 | 1,670 | 2,159 |
| 1,703 | 1,277 | 1,248 | Net interest income | 1,391 | 1,399 | 1,872 |

Note 11 - Operating expenses

| Parent bank | | | | Group | | |
|-------------------|------------|------------|---------------------------------------|-------------------|--------------|--------------|
| January-September | | | | January-September | | |
| 2015 | 2015 | 2016 | (NOKm) | 2016 | 2015 | 2015 |
| 588 | 440 | 439 | Personnel expenses | 908 | 814 | 1,093 |
| 194 | 161 | 157 | IT costs | 195 | 193 | 240 |
| 18 | 13 | 13 | Postage and transport of valuables | 17 | 16 | 22 |
| 55 | 34 | 38 | Marketing | 68 | 65 | 96 |
| 41 | 31 | 31 | Ordinary depreciation | 73 | 79 | 104 |
| 123 | 90 | 91 | Operating expenses, real properties | 78 | 75 | 100 |
| 68 | 46 | 49 | Purchased services | 75 | 68 | 105 |
| 129 | 76 | 80 | Other operating expense | 107 | 106 | 171 |
| 1,217 | 890 | 898 | Total other operating expenses | 1,521 | 1,416 | 1,931 |

Note 12 - Other assets

| Parent Bank | | | (NOKm) | Group | | |
|----------------|-----------------|-----------------|---------------------------------|-----------------|-----------------|----------------|
| 31 Dec 2015 | 30 Sept 2015 | 30 Sept 2016 | | 30 Sept 2016 | 30 Sept 2015 | 31 Dec 2015 |
| 33 | - | 33 | Deferred tax asset | 184 | 169 | 187 |
| 133 | 129 | 124 | Fixed assets | 925 | 1,043 | 1,031 |
| 23 | 47 | 22 | Earned income not yet received | 53 | 41 | 39 |
| 3 | 16 | 1,165 | Accounts receivable, securities | 1,657 | 251 | 200 |
| 124 | 6 | 124 | Pensions | 125 | 6 | 125 |
| 95 | 74 | 87 | Other assets | 386 | 348 | 381 |
| 411 | 272 | 1,556 | Total other assets | 3,331 | 1,859 | 1,962 |

Note 13 - Other liabilities

| Parent Bank | | | (NOKm) | Group | | |
|-------------|--------------|--------------|---|--------------|--------------|--------------|
| 31 Dec 2015 | 30 Sept 2015 | 30 Sept 2016 | | 30 Sept 2016 | 30 Sept 2015 | 31 Dec 2015 |
| - | 34 | 0 | Deferred tax | 22 | 48 | 21 |
| 420 | 192 | 292 | Payable tax | 351 | 241 | 459 |
| 13 | 10 | 13 | Capital tax | 13 | 10 | 13 |
| 70 | 51 | 73 | Accrued expenses and received, non-accrued income | 331 | 23 | 303 |
| 78 | 87 | 95 | Provision for accrued expenses and commitments | 95 | 87 | 78 |
| 25 | 17 | 25 | Pension liabilities | 31 | 32 | 31 |
| 46 | 43 | 75 | Drawing debt | 75 | 43 | 46 |
| 6 | 3 | 4 | Creditors | 51 | 48 | 39 |
| 61 | - | 605 | Debt from securities | 940 | 157 | 145 |
| - | - | - | Equity Instruments | 176 | 362 | 394 |
| 150 | 255 | 226 | Other liabilities | 267 | 291 | 204 |
| 868 | 691 | 1,409 | Total other liabilities | 2,353 | 1,342 | 1,734 |

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

Group

| | 30 Sept 2016 | Issued | Fallen due/ Redeemed | Other changes | 31 Dec 2015 |
|---|-----------------|--------------|----------------------------|------------------|----------------|
| Change in securities debt (NOKm) | | | | | |
| Bond debt, nominal value | 36,206 | 7,066 | 3,454 | -1,420 | 34,014 |
| Value adjustments | 655 | - | - | -120 | 775 |
| Accrued interest | 263 | - | - | -102 | 365 |
| Total | 37,124 | 7,066 | 3,454 | -1,642 | 35,154 |

| | 30 Sept 2016 | Issued | Fallen due/ Redeemed | Other changes | 31 Dec 2015 |
|---|-----------------|-----------|----------------------------|------------------|----------------|
| Change in subordinated debt and hybrid equity (NOKm) | | | | | |
| Ordinary subordinated loan capital, nominal value | 1,762 | 43 | - | 59 | 1,660 |
| Perpetual subordinated loan capital, nominal value | 300 | - | - | - | 300 |
| Hybrid equity, nominal value | 1,400 | - | - | - | 1,400 |
| Value adjustments | 77 | - | - | -12 | 89 |
| Accrued interest | 11 | - | - | -3 | 14 |
| Total | 3,550 | 43 | - | 44 | 3,463 |

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

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

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

Level 2: Valuation based on observable market data

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

Level 3: Valuation based on other than observable data

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

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

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

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

| Assets (NOKm) | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|---------------|
| Financial assets at fair value through profit/loss | | | | |
| - Derivatives | 64 | 7,448 | - | 7,513 |
| - Bonds and money market certificates | 1,697 | 12,732 | - | 14,430 |
| - Equity instruments | 613 | - | 572 | 1,184 |
| - Fixed interest loans | - | 43 | 4,706 | 4,749 |
| Financial assets available for sale | | | | |
| - Equity instruments | - | - | 36 | 36 |
| Total assets | 2,374 | 20,223 | 5,314 | 27,912 |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities through profit/loss | | | | |
| - Derivatives | 64 | 5,421 | - | 5,486 |
| Total liabilities | 64 | 5,421 | - | 5,486 |

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

| (NOKm) | Fixed interest loans | Equity instruments through profit/loss | Equity instruments available for sale | Total |
|--|----------------------|--|---------------------------------------|--------------|
| Opening balance 1 January | 4,405 | 574 | 108 | 5,087 |
| Investment in periode | 377 | 24 | 28 | 429 |
| Disposals in the periode | -991 | -70 | -3 | -1,077 |
| Gain or loss on financial instruments | -20 | -22 | -49 | -79 |
| Closing balance 30 September 16 | 3,771 | 505 | 84 | 4,359 |

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

| (NOKm) | Fixed interest loans | Equity instruments through profit/loss | Equity instruments available for sale | Total |
|--|----------------------|--|---------------------------------------|--------------|
| Opening balance 1 January | 3,277 | 625 | 35 | 3,937 |
| Investment in periode | 2,044 | 9 | 3 | 2,056 |
| Disposals in the periode | -599 | -61 | -2 | -662 |
| Gain or loss on financial instruments | 48 | -2 | - | 47 |
| Change in valuation model for fixed interest loans | -64 | - | - | -64 |
| Closing balance 30 September 2015 | 4,706 | 572 | 36 | 5,314 |

Note 16 - Liquidity risk

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

The group mitigates liquidity risk by diversifying its funding across different markets, funding sources, maturities and instruments and through the use of long-term funding. Contingency plans exist both for the group and the SpareBank 1 alliance for managing the liquidity situation in periods of capital market turbulence. These plans address both bank-specific and systemic crises and a combination of the two. The group's objective is to survive twelve months of ordinary operations without access to fresh external funding.

The average residual maturity on the portfolio of senior bonds and covered bonds at the end of the third quarter was 2.82 years. The overall LCR at the same point was 138 per cent and the average overall LCR in the quarter was 122 per cent. The LCR in Norwegian kroner and the euro at quarter-end was 87 and 426 per cent respectively.