

# 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 %
<b>Total held for sale</b>	<b>217</b>	<b>11</b>	<b>2</b>	<b>-5</b>	<b>-3</b>	<b>-</b>

### 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 Markets	EM 1	SB1 Finans MN	SB1 Regnskaps- huset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	679	703	-7	3	135	0	-	-	-123	1,391
Interest from allocated capital	34	28	-	-	-	-	-	-	-61	-
<b>Total interest income</b>	<b>713</b>	<b>731</b>	<b>-7</b>	<b>3</b>	<b>135</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-184</b>	<b>1,391</b>
Commission income and other income	513	148	153	327	-9	172	-	-	-45	1,260
Net return on financial investments <sup>**</sup> )	0	10	59	-	-	-	220	79	346	713
<b>Total income</b>	<b>1,227</b>	<b>889</b>	<b>205</b>	<b>330</b>	<b>126</b>	<b>172</b>	<b>220</b>	<b>79</b>	<b>117</b>	<b>3,365</b>
<b>Total operating expenses</b>	<b>602</b>	<b>264</b>	<b>195</b>	<b>271</b>	<b>43</b>	<b>139</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>1,521</b>
<b>Ordinary operating profit</b>	<b>625</b>	<b>625</b>	<b>10</b>	<b>59</b>	<b>83</b>	<b>33</b>	<b>220</b>	<b>79</b>	<b>109</b>	<b>1,844</b>
Loss on loans, guarantees etc.	10	398	4	-	9	-	-	-	-3	417
<b>Result before tax including held for sale</b>	<b>615</b>	<b>227</b>	<b>6</b>	<b>59</b>	<b>75</b>	<b>33</b>	<b>220</b>	<b>79</b>	<b>113</b>	<b>1,427</b>
<b>Post-tax return on equity <sup>*</sup>)</b>	<b>13.5 %</b>	<b>4.1 %</b>								<b>11.0 %</b>
<b>Balance (NOKm)</b>										
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
<b>Total assets</b>	<b>58,718</b>	<b>35,686</b>	<b>1,636</b>	<b>323</b>	<b>5,151</b>	<b>213</b>	<b>1,590</b>	<b>1,181</b>	<b>35,317</b>	<b>139,815</b>
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
<b>Total liabilities</b>	<b>58,718</b>	<b>35,686</b>	<b>1,636</b>	<b>323</b>	<b>5,151</b>	<b>213</b>	<b>1,590</b>	<b>1,181</b>	<b>35,317</b>	<b>139,815</b>

## Group 30 September 2015

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

**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
<b>Total assets</b>	<b>53,109</b>	<b>36,144</b>	<b>1,316</b>	<b>281</b>	<b>4,189</b>	<b>137</b>	<b>1,453</b>	<b>1,145</b>	<b>31,462</b>	<b>129,237</b>
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
<b>Total liabilities</b>	<b>53,109</b>	<b>36,144</b>	<b>1,316</b>	<b>281</b>	<b>4,189</b>	<b>137</b>	<b>1,453</b>	<b>1,145</b>	<b>31,462</b>	<b>129,237</b>

<sup>\*)</sup> 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.

<b><sup>**) Specification of net return on financial investments incl. Investment held for sale (NOKm)</sup></b>	<b>2016</b>	<b>2015</b>
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
<b>Net return on financial investments</b>	<b>368</b>	<b>24</b>
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
<b>Income from investment in associates and joint ventures</b>	<b>346</b>	<b>326</b>
<b>Total net return on financial investments</b>	<b>713</b>	<b>349</b>

## 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	-
<b>11,998</b>	<b>11,666</b>	<b>12,792</b>	<b>Total book equity</b>	<b>14,893</b>	<b>13,455</b>	<b>13,904</b>
-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
<b>10,928</b>	<b>10,682</b>	<b>11,693</b>	<b>Total common equity Tier one</b>	<b>12,895</b>	<b>11,652</b>	<b>12,192</b>
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
<b>12,373</b>	<b>12,128</b>	<b>13,129</b>	<b>Total core capital</b>	<b>14,736</b>	<b>13,451</b>	<b>13,988</b>

Parent Bank				Group		
31 Dec 2015	30 Sept 2015	30 Sept 2016		30 Sept 2016	30 Sept 2015	31 Dec 2015
			<b>Supplementary capital in excess of core capital</b>			
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
<b>1,743</b>	<b>1,743</b>	<b>1,631</b>	<b>Total supplementary capital</b>	<b>2,275</b>	<b>2,435</b>	<b>2,390</b>
<b>14,116</b>	<b>13,871</b>	<b>14,760</b>	<b>Net subordinated capital</b>	<b>17,011</b>	<b>15,886</b>	<b>16,378</b>
			<b>Minimum requirements subordinated capital</b>			
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
<b>4,585</b>	<b>4,524</b>	<b>4,665</b>	<b>Total credit risk IRB</b>	<b>4,080</b>	<b>4,073</b>	<b>4,082</b>
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
<b>5,939</b>	<b>5,899</b>	<b>6,033</b>	<b>Minimum requirements subordinated capital</b>	<b>7,228</b>	<b>7,087</b>	<b>7,157</b>
<b>74,243</b>	<b>73,732</b>	<b>75,407</b>	<b>Risk weighted assets (RWA)</b>	<b>90,353</b>	<b>88,586</b>	<b>89,465</b>
3,341	3,318	3,393	Minimum requirement on CET1 capital, 4.5 per cent	4,066	3,986	4,026
			<b>Capital Buffers</b>			
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
<b>4,826</b>	<b>4,793</b>	<b>5,278</b>	<b>Total buffer requirements on CET1 capital</b>	<b>6,325</b>	<b>5,758</b>	<b>5,815</b>
<b>2,761</b>	<b>2,571</b>	<b>3,021</b>	<b>Available CET1 capital after buffer requirements</b>	<b>2,505</b>	<b>1,908</b>	<b>2,351</b>
			<b>Capital adequacy</b>			
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			(NOKm)	Group		
31 Dec 2015	30 Sept 2015	30 Sept 2016		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
<b>44,958</b>	<b>45,558</b>	<b>45,270</b>	<b>Gross loans in retail market</b>	<b>47,074</b>	<b>47,315</b>	<b>46,653</b>
78,575	76,868	84,650	Wage earners	87,388	78,864	80,725
<b>123,533</b>	<b>122,426</b>	<b>129,920</b>	<b>Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt</b>	<b>134,462</b>	<b>126,180</b>	<b>127,378</b>
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
<b>90,129</b>	<b>91,163</b>	<b>95,027</b>	<b>Gross loans in balance sheet</b>	<b>99,569</b>	<b>94,917</b>	<b>93,974</b>
174	182	546	- Specified write-downs	558	191	183
358	308	373	- Collective write-downs	391	326	376
<b>89,596</b>	<b>90,673</b>	<b>94,108</b>	<b>Net loans to and receivables from customers</b>	<b>98,619</b>	<b>94,400</b>	<b>93,415</b>



## 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
<b>Losses of the year on loans and guarantees</b>	<b>10</b>	<b>398</b>	<b>408</b>	<b>6</b>	<b>100</b>	<b>106</b>	<b>11</b>	<b>148</b>	<b>159</b>

### 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
<b>Losses of the year on loans and guarantees</b>	<b>16</b>	<b>401</b>	<b>417</b>	<b>10</b>	<b>102</b>	<b>112</b>	<b>18</b>	<b>151</b>	<b>169</b>

## Note 7 - Losses

### Parent Bank

	January-September						2015		
	2016			2015			2015		
Individual write-downs (NOKm)	RM	CM	Total	RM	CM	Total	RM	CM	Total
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
<b>Individual write-downs to cover loss on loans and guarantees at period end *)</b>	<b>24</b>	<b>525</b>	<b>549</b>	<b>24</b>	<b>159</b>	<b>183</b>	<b>28</b>	<b>148</b>	<b>176</b>

\*) 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
<b>Collective write-downs (NOKm)</b>									
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
<b>Collective write-downs to cover loss on loans and guarantees at period end</b>	<b>90</b>	<b>283</b>	<b>373</b>	<b>90</b>	<b>218</b>	<b>308</b>	<b>90</b>	<b>268</b>	<b>358</b>

### Group

	January-September						2015		
	2016			2015			2015		
Individual write-downs (NOKm)	RM	CM	Total	RM	CM	Total	RM	CM	Total
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
<b>Individual write-downs to cover loss on loans and guarantees at period end *)</b>	<b>27</b>	<b>535</b>	<b>562</b>	<b>27</b>	<b>165</b>	<b>192</b>	<b>31</b>	<b>153</b>	<b>184</b>

\*) 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
<b>Collective write-downs (NOKm)</b>									
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
<b>Collective write-downs to cover loss on loans and guarantees at period end</b>	<b>98</b>	<b>293</b>	<b>391</b>	<b>95</b>	<b>231</b>	<b>326</b>	<b>96</b>	<b>281</b>	<b>376</b>

## 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 <sup>*)</sup>	149	30	178	149	35	184	133	38	171
- Individual write-downs	14	17	31	15	10	25	15	8	23
<b>Net defaults</b>	<b>134</b>	<b>13</b>	<b>147</b>	<b>134</b>	<b>25</b>	<b>160</b>	<b>119</b>	<b>30</b>	<b>148</b>
Provision rate	10 %	56 %	17 %	10 %	28 %	13 %	11 %	22 %	13 %
<b>Problem loans</b>									
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
<b>Net problem loans</b>	<b>17</b>	<b>810</b>	<b>826</b>	<b>7</b>	<b>272</b>	<b>279</b>	<b>32</b>	<b>202</b>	<b>234</b>
Provision rate	36 %	39 %	39 %	58 %	35 %	36 %	29 %	41 %	39 %

<sup>\*)</sup> 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 <sup>*)</sup>	177	44	221	169	50	218	155	50	205
- Individual write-downs	18	18	35	18	11	29	17	9	26
<b>Net defaults</b>	<b>160</b>	<b>26</b>	<b>186</b>	<b>151</b>	<b>39</b>	<b>190</b>	<b>138</b>	<b>41</b>	<b>179</b>
Provision rate	10 %	41 %	16 %	10 %	22 %	13 %	11 %	18 %	13 %
<b>Problem loans</b>									
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
<b>Net problem loans</b>	<b>17</b>	<b>817</b>	<b>833</b>	<b>7</b>	<b>277</b>	<b>284</b>	<b>34</b>	<b>206</b>	<b>241</b>
Provision rate	36 %	39 %	39 %	57 %	36 %	37 %	30 %	41 %	40 %

<sup>\*)</sup> 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			(NOKm)	Group		
31 Dec 2015	30 Sept 2015	30 Sept 2016		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
<b>36,756</b>	<b>36,097</b>	<b>37,715</b>	<b>Total</b>	<b>36,618</b>	<b>35,442</b>	<b>35,754</b>
28,336	28,178	29,672	Wage earners	29,672	28,178	28,336
<b>65,091</b>	<b>64,276</b>	<b>67,387</b>	<b>Total deposits</b>	<b>66,290</b>	<b>63,620</b>	<b>64,090</b>

## Note 10 - Net interest income

Parent bank			(NOK million)	Group		
January-September				January-September		
2015	2015	2016		2016	2015	2015
			<b>Interest income</b>			
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
<b>3,865</b>	<b>2,949</b>	<b>2,539</b>	<b>Total interest income</b>	<b>2,680</b>	<b>3,069</b>	<b>4,031</b>
			<b>Interest expense</b>			
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
<b>2,161</b>	<b>1,671</b>	<b>1,292</b>	<b>Total interest expense</b>	<b>1,289</b>	<b>1,670</b>	<b>2,159</b>
<b>1,703</b>	<b>1,277</b>	<b>1,248</b>	<b>Net interest income</b>	<b>1,391</b>	<b>1,399</b>	<b>1,872</b>

## 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
<b>1,217</b>	<b>890</b>	<b>898</b>	<b>Total other operating expenses</b>	<b>1,521</b>	<b>1,416</b>	<b>1,931</b>

## 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
<b>411</b>	<b>272</b>	<b>1,556</b>	<b>Total other assets</b>	<b>3,331</b>	<b>1,859</b>	<b>1,962</b>

## 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
<b>868</b>	<b>691</b>	<b>1,409</b>	<b>Total other liabilities</b>	<b>2,353</b>	<b>1,342</b>	<b>1,734</b>



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

## Group

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

	30 Sept 2016	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2015
<b>Change in subordinated debt and hybrid equity (NOKm)</b>					
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
<b>Total</b>	<b>3,550</b>	<b>43</b>	<b>-</b>	<b>44</b>	<b>3,463</b>

## 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
<b>Total assets</b>	<b>2,670</b>	<b>20,423</b>	<b>4,359</b>	<b>27,453</b>
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	58	4,947	-	5,004
- Equity instruments	174	6	-	180
<b>Total liabilities</b>	<b>231</b>	<b>4,953</b>	<b>-</b>	<b>5,184</b>

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
<b>Total assets</b>	<b>2,374</b>	<b>20,223</b>	<b>5,314</b>	<b>27,912</b>
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	64	5,421	-	5,486
<b>Total liabilities</b>	<b>64</b>	<b>5,421</b>	<b>-</b>	<b>5,486</b>

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
<b>Closing balance 30 September 16</b>	<b>3,771</b>	<b>505</b>	<b>84</b>	<b>4,359</b>

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
<b>Closing balance 30 September 2015</b>	<b>4,706</b>	<b>572</b>	<b>36</b>	<b>5,314</b>

## 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.