

First Quarter Report 2017



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Main figures

From the income statement	January-March 2017		January-March 2016		2016	
	NOKm	% ¹⁾	NOKm	% ¹⁾	NOKm	% ¹⁾
Net interest	522	1.49	469	1.41	1,883	1.37
Net commission income and other income	455	1.30	401	1.20	1,674	1.22
Net return on financial investments	138	0.39	172	0.52	944	0.69
Total income	1,115	3.18	1,042	3.13	4,502	3.28
Total operating expenses	571	1.63	489	1.47	2,003	1.46
Results before losses	544	1.55	553	1.66	2,499	1.82
Loss on loans, guarantees etc	89	0.26	170	0.51	516	0.38
Results before tax	454	1.30	383	1.15	1,983	1.45
Tax charge	96	0.27	72	0.22	341	0.25
Result investment held for sale, after tax	0	0.00	0	0.00	4	0.00
Net profit	358	1.02	311	0.93	1,647	1.20

Key figures	31 Mar 2017	31 Mar 2016	31 Dec 2016
Profitability			
Return on equity ²⁾	9.4 %	8.9 %	11.3 %
Cost-income ratio ³⁾	51 %	47 %	44 %
Balance sheet figures			
Gross loans to customers	104,117	95,331	102,325
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	140,038	129,520	137,535
Deposits from customers	70,176	63,851	67,168
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	67 %	67 %	66 %
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt	50 %	49 %	49 %
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt)	8.1 %	5.4 %	8.0 %
Growth in deposits last 12 months	9.9 %	5.4 %	4.8 %
Average total assets	140,061	133,129	137,060
Total assets	142,042	134,345	138,080
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt			
Impairment losses ratio	0.26 %	0.53 %	0.39 %
Non-performing commitm. as a percentage of gross loans ⁴⁾	0.15 %	0.16 %	0.16 %
Other doubtful commitm. as a percentage of gross loans ⁴⁾	0.77 %	0.32 %	1.07 %
Solidity			
Capital adequacy ratio	19.0 %	18.1 %	19.4 %
Core capital ratio	16.8 %	15.6 %	17.0 %
Common equity tier 1 ratio	14.8 %	13.6 %	14.9 %
Core capital	15,254	14,237	15,069
Net equity and related capital	17,288	16,516	17,185
Liquidity Coverage Ratio (LCR)	136 %	110 %	129 %
Leverage Ratio	7.4 %	6.8 %	7.4 %
Branches and staff			
Number of branches	48	49	48
No. Of full-time positions	1,362	1,216	1,254

Key figures ECC	31 Mar 2017	31 Mar 2016	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
ECC ratio	64.0 %	64.0 %	64.0 %	64.0 %	64.6 %	64.6 %
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	129.83
ECC share price at end of period (NOK)	66.50	52.75	64.75	50.50	58.50	55.00
Stock value (NOKM)	8,634	6,849	8,407	6,556	7,595	7,141
Booked equity capital per ECC (including dividend)	72.03	67.37	73.26	67.65	62.04	55.69
Profit per ECC, majority	1.73	1.49	7.91	7.02	8.82	6.92
Dividend per ECC			3.00	2.25	2.25	1.75
Price-Earnings Ratio	9.59	8.83	8.19	7.19	6.63	7.95
Price-Book Value Ratio	0.92	0.78	0.88	0.75	0.94	0.99

1) Calculated as a percentage of average total assets

2) Net profit as a percentage of average equity

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

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

Report of the Board of Directors

First quarter 2017

(Consolidated figures. Figures in parenthesis refer to the same period of 2016 unless otherwise stated)

- Pre-tax profit: NOK 454m (383m)
- Net profit Q1: NOK 358m (311m)
- Return on equity: 9.4 per cent (8.9 per cent)
- Growth in lending: 8.1 per cent (5.4 per cent) in last 12 months
- Growth in deposits: 9.9 per cent (5.4 per cent) in last 12 months
- CET1 capital ratio: 14.8 per cent (13.6 per cent). Basis taken in 50 per cent payout ratio for 2017
- Earnings per equity certificate (EC): NOK 1.73 (1.49).
- Book value per EC: NOK 72.03 (67.37)

Good profit performance

Main points:

- Strong underlying operations
- Loan losses in keeping with the expected level and lower than last year
- Restructuring of two sizeable offshore exposures completed in Q1
- Good financial position
- Stable growth in customer base and high growth in all product areas
- SpareBank 1 SMN Regnskapshuset's acquisition of Økonomisenteret Kunderegnskap in Molde has expanded the Group's income and cost base ('Økonomisenteret Kunderegnskap' is termed 'Økonomisenteret' throughout this report)

In the first quarter of 2017 SpareBank 1 SMN achieved a net profit of NOK 358m (311m) and a return on equity of 9.4 per cent (8.9 per cent). The pre-tax profit was NOK 454m (383m).

First quarter operating revenues came to NOK 977m, up NOK 107m from the same period of 2016. SpareBank 1 SMN Regnskapshuset's acquisition of Økonomisenteret explains much of the increase.

Return on financial assets was NOK 138m (172m), of which the profit share from owner interests in joint ventures accounted for NOK 71m (119m).

Operating expenses came to NOK 571m in the first quarter of 2017 (489m), a growth of NOK 82m. The high growth is explained by SpareBank 1 SMN Regnskapshuset's acquisition of Økonomisenteret.

Loan losses were NOK 89m (170m) in the first quarter, in all essentials related to the bank's offshore exposure.

Growth in lending and deposits on a 12-month basis was 8.1 per cent (5.4 per cent) and 9.9 per cent (5.4 per cent) respectively in the first quarter.

As at 31 March 2016 the CET1 ratio was 14.8 per cent (13.6 per cent). The Group's CET1 target is 15.0 per cent.

Earnings per EC were NOK 1.73 (1.49). The book value per EC was NOK 73.34 at quarter-end (67.37). The EC's market price at the same point was NOK 66.50 (52.75). Dividend of NOK 3.00 per EC has been paid in 2017 for the year 2016.

Net interest income

Net interest income came to NOK 522m (469m) in the first quarter of 2017. The increase of NOK 53m compared with the first quarter of 2016 is in large measure ascribable to growth in residential mortgage lending. Net interest income is in addition influenced by the receipt and recognition of interest accrued in 2016 on offshore exposures undergoing restructuring.

In January 2017 a general interest rate increase of up to 20 basis points still effectuated on residential loans. After the rate increase the average lending rate on residential loans remained at a lower level than in the same period of last year. On corporate loans a differentiated repricing is being carried out with effect from the second quarter onwards.

Net interest income on loans sold to SpareBank 1 Boligkreditt (residential mortgage company) and SpareBank 1 Næringskreditt (commercial mortgage company) is recognised as commission income. Commission on loans sold to these two companies in the first quarter of 2017 totalled NOK 76m (73m), and reflects reduced margins on residential lending.

Commission income and other operating income

Net commission and other income totalled NOK 455m (401m) in the first quarter of 2017, an increase of NOK 54m. Increased income from accounting services of NOK 49m is in large measure ascribable to the acquisition of Økonomisenteret with effect from January 2017. Real estate agency income has also shown strong growth of NOK 11m. Income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt has risen by NOK 3m.

Commission income (NOKm)	January-March		Change
	2017	2016	
Payment transfers	50	47	3
Creditcard	15	14	0
Saving products	21	19	2
Insurance	41	39	2
Guarantee commission	18	21	-3
Real estate agency	91	80	11
Accountancy services	99	50	49
Markets	32	40	-8
Other commissions	13	17	-5
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	379	328	51
Commissions SB1 Boligkreditt	72	71	1
Commissions SB1 Næringskreditt	4	2	2
Total commissions	455	401	54

Good return on financial investments

Overall return on financial investments (excluding the share of the profit/loss of affiliates and joint ventures) was NOK 67m (53m). The overall return breaks down as follows:

- Return on the group's equity portfolios totalled NOK 2m (3m).

- Net capital gains on bonds and derivatives came to NOK 34m (25m).
- Income on forex and fixed income business was NOK 31m (26m), in all essentials from SpareBank 1 Markets.

Capital gains/dividends, shares (NOKm)	January-March		Change
	2017	2016	
Capital gains/dividends, shares	2	3	-1
Bonds and derivatives	34	25	9
Income on forex and fixed income	31	26	5
Net return on financial investments	67	53	14
SpareBank 1 Gruppen	66	61	5
SpareBank 1 Boligkreditt	-24	24	-48
SpareBank 1 Næringskreditt	8	8	-0
SpareBank 1 Kredittkort	2	6	-4
BN Bank	29	20	10
SpareBank 1 Mobilbetaling	-13	-	-13
Other companies	3	0	3
Income from investment in associated companies	71	119	-48
Total	138	172	-34

SpareBank 1 Gruppen

SpareBank 1 Gruppen owns 100 per cent of the shares of SpareBank 1 Forsikring, SpareBank 1 Skadeforsikring, ODIN Forvaltning, SpareBank 1 Medlemskort, SpareBank 1 Gruppen Finans and Conecto. SpareBank 1 SMN's stake in SpareBank 1 Gruppen at the end of the first quarter of 2017 was unchanged at 19.5%.

SpareBank 1 Gruppen recorded a profit of NOK 385m in the first quarter of 2017. The fine result was primarily down to non-life insurance which both improved its underwriting profit and its net financial income. Underlying operations at the other companies in SpareBank 1 Gruppen were good.

SpareBank 1 SMN's share of the profit was NOK 66m (61m), down NOK 4m due to revisions between the preliminary and final accounts for 2016.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks participating in the SpareBank 1 Alliance to draw benefit from the market for covered bonds. By selling their best secured home mortgage loans to the company, the banks achieve reduced funding costs. As of 31 March 2017 the bank had sold loans totalling NOK 34bn (33bn) to SpareBank 1 Boligkreditt, corresponding to 37 per cent (40 per cent) of overall loans to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt is 19.1 per cent, and the bank's share of that company's profit in the first quarter of 2017 was minus NOK 24m (plus 24m). The share of profit in the first quarter of 2017 is weakened by unrealised losses of NOK 48m on the company's basis swaps. The portfolio of basis swaps is valued quarterly, and may produce wide profit/loss fluctuations from quarter to quarter. Key drivers are the currencies traded in, changes in exchange rates and issue maturities.

In the first quarter of 2016 the share of profit was lifted by unrealised gains on basis swaps by NOK 7m.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 31 March 2017, loans worth NOK 2.2bn (1.5bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 36.47 per cent, and the bank's share of the company's profit for the first quarter of 2017 was NOK 8m (8m). The holding reflects the bank's relative share of transferred loans to commercial property and the bank's stake in BN Bank. Of aggregate loans at SpareBank 1 Næringskreditt, 78 per cent have been transferred from BN Bank.

SpareBank 1 Kredittkort

Profit for the first quarter was NOK 9m (34m). SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 17.91 per cent. SpareBank 1 SMN's share of the profit for the first quarter of 2017 was NOK 2m (6m), and the bank's share of the portfolio is NOK 840m (815m).

BN Bank

SpareBank 1 SMN owns 33.0 per cent of BN Bank as of 31 March 2017.

BN Bank recorded a profit of NOK 89m (60m) in the first quarter, providing a return on equity of about 10.2 per cent (6.8 per cent). SpareBank 1 SMN's share of the profit of BN Bank in the first quarter of 2017 was NOK 29m (20m). The profit growth is a result of sound operations, losses taken to income and good return on financial investments.

After the decision to wind down the focus on lending to commercial property, the commercial portfolio has been reduced by NOK 17bn or 55 per cent since 30 June 2015. This has helped to improve SpareBank 1 SMN's financial position and to enhance the profitability of the remaining corporate portfolio of BN Bank.

BN Bank's main focus is on the retail market, as reflected in the strong growth of 13.4 per cent in residential lending.

BN Bank has resolved to strengthen its product platform through a cautious focus on consumer loans. In addition the company has, in collaboration with Eiendomsmegler 1 Midt Norge, established the company BN Bolig, in which BN Bank holds a 50 per cent stake. The focus on estate agency in the Oslo market is aimed at strengthening residential lending for BN Bank in this market. To support the focus on estate agency, the bank's board of directors have also decided to embark on funding of housing projects. This will involve a controlled, gradual build-up of the portfolio.

SpareBank 1 Mobilbetaling (mCASH)

SpareBank 1 Mobilbetaling is behind the mobile payment solution mCASH. By the end of the first quarter 2017 more than 6,000 organisations and 9,300 points of sale had taken mCASH into use. The total number of registered users of mCASH approached 550,000. The company recorded a deficit of NOK 27m in the first quarter of 2017 of which SpareBank 1 SMN's share is NOK 5m. SpareBank 1 SMN has in addition recognised minus NOK 7m as a correction to the 2016 result. The company is owned by the SpareBank 1 banks, in which SpareBank 1 SMN holds a stake of 19.7 per cent.

On 13 February 2017 it was announced that SpareBank 1 SMN was to join 105 other banks in selecting Vipps as their mobile payment solution.

Vipps is a part of the DNB Group, but is now assigned to a stand-alone company in which DNB is the largest owner with about 50 per cent of the shares. The SpareBank 1 Alliance is the second largest owner with 25 per cent, the independent savings banks with 12 per cent, Eika Alliansen with 10 per cent and Sparebanken Møre with 1 per cent. The mCASH brand will accordingly be taken off the market in the course of 2017. The new company will build further on SpareBank 1 Mobilbetaling, with new owners in keeping with the ownership structure outlined above.

The new Vipps will be a strong Norwegian company, well equipped to compete against large Nordic and international actors in the mobile payments area. The company will develop and deliver simple, secure services at the lowest possible cost. Uniting competence with technology in one strong Norwegian company will benefit the customers.

SpareBank 1's 550,000 mCASH customers will be invited to join the new company which will include payment solutions developed by the respective banks. The customers will have the same options available as they had as mCASH users. The mCASH technology is being transferred to the new company which will itself consider how that technology can be utilised ahead.

Operating expenses

Overall operating expenses came to NOK 571m (489m) in the first quarter of 2017. Of the increase of NOK 82m, NOK 40m is ascribable to SpareBank 1 SMN's acquisition of Økonomisenteret. In other subsidiaries costs have risen by NOK 24m, mainly at SpareBank 1 Markets (13m) and EiendomsMegler 1 Midt-Norge (7m), of which some non-recurring. In addition, the commitment to BN Bolig involves a cost of NOK 8m in the first quarter of 2017. BN Bolig is consolidated as a subsidiary of EiendomsMegler 1 Midt-Norge.

Parent bank costs rose by NOK 16m to NOK 306m. Of this, a new tax on financial institutions in Norway, introduced with effect from 2017, will account for NOK 6m. Other growth in costs compared with the first quarter of 2016 relates to changes in the pension scheme and to technological developments. All Group employees are members of a defined contribution scheme as from 2017.

The number of FTEs has been reduced from 630 to 623 so far in 2017 and will be further reduced to 590 over the course of the year. This reduces staffing at the parent bank by 130 FTEs since 2014. Changing customer behaviour and new technology will set the stage for increased efficiency in the period ahead, and the target of zero growth is retained for 2017.

The Group cost-income ratio was 51 per cent (47 per cent).

Losses and defaults

Losses on loans and guarantees totalled NOK 89m (170m) in the first quarter of 2017.

A net loss of NOK 87m (159m) was recorded on loans to corporates in the first quarter of 2017. As in 2016, losses in the first quarter of 2017 relate in all essentials to a small number of exposures in the offshore segment. Most offshore exposures in need of restructuring have now been restructured or are in the final phase of restructuring, and it is against that background that this year's offshore-related losses are expected to prove lower than in 2016. Future developments in this industry remain a matter of great uncertainty, and there is a possibility that actors in the industry will need further restructuring in a number of years' time.

A net loss of NOK 3m (11m) was recorded on the retail banking portfolio in the first quarter of 2017.

Individually assessed write-downs on loans and guarantees totalled NOK 570m (200m) at 31 March 2017, an increase of NOK 370m over the last 12 months.

Total problem loans (defaulted and doubtful) come to NOK 1,289m (616m), or 0.92 per cent (0.48 per cent) of gross outstanding loans, at 31 March 2017.

Defaults in excess of 90 days totalled NOK 211m (205m), measuring 0.15 per cent (0.16 per cent) of gross lending when loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are included. Of the overall default volume, NOK 34m (31m) is loss provisioned, corresponding to 16 per cent (15 per cent).

Defaults break down to NOK 38m on corporates and NOK 173m on retail borrowers.

Other doubtful exposures totalled NOK 1,078m (411m), i.e. 0.77 per cent (0.32 per cent) of gross outstanding loans. NOK 536m (169m) or 50 per cent (41 per cent) is loss provisioned.

Other doubtful exposures break down to NOK 1,045m on corporates and NOK 33m on retail borrowers.

Increase in collectively assessed impairment write-downs

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

- Events that have affected the bank's portfolio (causing migration between risk categories)
- Events that have not yet affected the portfolio since the bank's credit risk models fail to capture the effects rapidly enough (e.g. macroeconomic factors).

Collectively assessed impairment write-downs connected to the offshore segment increased by NOK 10m in the first quarter of 2017 based on updated risk assessments of companies without individually assessed write-downs. Overall collectively assessed loss write-downs thus total NOK 349m (527m), measuring 0.25 per cent (0.41 per cent) of total loans. Collectively assessed write-downs break down to NOK 100m on retail exposures and NOK 249m on corporates. Of the overall provision of NOK 249m on the corporate portfolio, the provision for oil-related activity accounts for NOK 70m. The remaining collectively assessed write-downs of NOK 179m on the corporate portfolio are fairly evenly spread across other sectors.

A substantial decline in collectively assessed write-downs in the last 12 months is related to individually assessed write-downs carried out on a number of offshore exposures. This reduced the basis for collective write-downs.

Total assets of NOK 142bn

The Group's assets totalled NOK 142bn at 31 March 2017 compared with NOK 134bn at end-March 2016.

As at 31 March 2017 loans worth a total of NOK 35.9bn (34.2bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as loans in the bank's balance sheet. The comments covering lending growth do however include loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

High growth in residential mortgage lending

Total outstanding loans have risen by NOK 10.5bn (6.6bn) or 8.1 per cent (5.4 per cent) in the last 12 months to reach NOK 140.0bn (including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt) at the end of the first quarter of 2017. Lending rose by NOK 2.5bn or 1.8 per cent in the first quarter.

Lending to corporates rose by NOK 1.5bn (decline of 0.5bn) or 3.1 per cent (reduction of 1.2 per cent) in the last 12 months. Overall lending to corporates came to NOK 48.7bn as at 31 March 2017. Lending to corporates increased by NOK 0.6bn or 1.2 per cent in the first quarter.

Loans to retail borrowers rose by NOK 9.0bn (7.2bn) to reach NOK 91.3bn in the last 12 months, equivalent to an increase of 11.0 per cent (9.5 per cent). In the first quarter lending to retail customers rose by NOK 1.9bn or 2.2 per cent.

Loans to retail borrowers accounted for 65 per cent (64 per cent) of gross loans (including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt) to customers as at end-March 2017. (For distribution by sector, see note 5).

Deposits

Customer deposits rose by NOK 6.3bn (3.3bn) in the last 12 months to reach NOK 70.2bn as at 31 March 2017. This represents a growth of 9.9 per cent (5.4 per cent). In the first quarter overall deposits rose by NOK 3.0bn or 4.5 per cent.

Retail deposits rose by NOK 1.4bn (1.8bn) or 5.0 per cent (6.9 per cent) in the last 12 months to reach NOK 29.8bn at end-March 2017. At the end of the first quarter customer deposits showed no change from year-end.

Corporate deposits rose by NOK 4.9bn (1.4bn) or 13.8 per cent (4.2 per cent) to reach NOK 40.4bn. In the first quarter of 2017 corporate deposits rose by NOK 3.0bn or 8.1 per cent.

(For distribution by sector, see note 9).

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 9.0bn (7.8bn) at 31 March 2017, an increase of 16 per cent since the first quarter of 2016. Both equity funds and active asset management have achieved strong growth. The growth is driven by both new sales and value increases.

Saving products, customer portfolio (NOKm)	January-March		Change
	2017	2016	
Equity funds	5,405	4,818	587
Pension products	777	669	108
Active management	2,853	2,279	574
Total	9,035	7,766	1,269

Insurance products

The bank's insurance portfolio showed premium volume growth of NOK 65m or 5 per cent in the last 12 months. Growth has been strongest for personal insurance at NOK 34bn corresponding to 12 per cent.

Insurance, premium volume (NOKm)	January-March		Change
	2017	2016	
Non-life insurance	742	725	17
Personal insurance	310	276	34
Occupational pensions	213	199	14
Total	1,265	1,200	65

Retail Banking

Operating income in the first quarter of 2017 rose compared with the first quarter of 2016, and totalled NOK 432m (402m) of which net interest income accounted for NOK 259m (236m) and commission income for NOK 173m (166m). The income growth is a result of high growth in residential mortgage lending and good sales of other financial products. Return on capital employed in the retail banking segment was 14.9 per cent (12.9 per cent). Regulatory capital of 15.0 per cent is used as capital employed, corresponding to the Group's targeted CET1 capital ratio.

The lending margin in the first quarter of 2017 was 1.71 per cent (1.78 per cent), while the deposit margin was 0.26 per cent (0.24 per cent) measured against three-month NIBOR. The average three-month NIBOR has fallen since year-end, but is at the same level as one ago.

In the last 12 months retail lending and retail deposits grew by 10.5 per cent (9.2 per cent) and 3.8 per cent (5.9 per cent) respectively.

Lending to retail borrowers consistently carries low risk, as reflected in continued very low losses. There are no indications of increased loss and default levels in the bank's residential mortgage portfolio. The portfolio is secured on residential property, and the trend in house prices has been satisfactory across the bank's market area as a whole.

Corporate Banking

Operating income totalled NOK 325m (294m) in the first quarter of 2017. Net interest income was NOK 276m (243m), while other income totalled NOK 49m (51m).

Return on capital employed for the corporate banking segment in the first quarter of 2017 was 9.6 per cent (3.1 per cent). Regulatory capital of 15.0 per cent is used as capital employed, corresponding to the Group's targeted CET1 capital ratio.

The lending margin was 2.62 per cent (2.57 per cent) and the deposit margin was minus 0.22 per cent (minus 0.15 per cent) at end-March 2017.

Lending grew by 0.7 per cent (decline of 2.9 per cent) while deposits rose by 17.9 per cent (5.1 per cent) in the last 12 months.

Subsidiaries

The subsidiaries posted an overall profit of NOK 57.4m (51.4m) before tax.

Pre-tax profit (NOKm)	January-March		Change
	2017	2016	
EiendomsMegler 1 Midt-Norge	4.0	10.0	-6.0
SpareBank 1 Finans Midt-Norge	28.1	23.4	4.7
SpareBank 1 Regnskapshuset SMN	15.5	4.3	11.2
Allegro Kapitalforvaltning	1.0	0.6	0.4
SpareBank 1 SMN Invest	0.9	9.9	-9.0
Sparebank 1 Markets (from second quarter)	2.5	3.2	-0.7
Other companies	5.4	0.1	5.3
Total	57.4	51.4	6.0

Eiendomsmeidler 1 Midt-Norge leads the field in Trøndelag and in Møre and Romsdal with a very strong market share throughout the market area, in particular in Trondheim. In addition, the company, in

cooperation with BN Bank, has established BN Bolig in which EiendomsMegler 1 Midt-Norge and BN Bank each hold a 50 per cent stake. BN Bolig targets the estate agency market in Oslo and is designed to enhance income from estate agency and to contribute to stronger growth in residential lending for BN Bolig in this market.

EiendomsMegler 1 Midt-Norge's pre-tax profit in the first quarter of 2017 was NOK 4.0m (10.0m). The profit performance is weakened by start-up costs of NOK 8m at BN Bolig inasmuch as EiendomsMegler 1 Midt-Norge fully consolidates BN Bolig's results as a subsidiary.

Dwellings sold in the first quarter of 2017 totalled 1,719 compared with 1,602 in the same period last year.

SpareBank 1 Finans Midt-Norge delivered a pre-tax profit of NOK 28.1m in the first quarter of 2017 (23.4m), and shows positive profit growth thanks to increased income and low losses. At quarter-end the company managed leases and car loan agreements worth a total of NOK 5.4bn, of which leases account for NOK 2.5bn and car loans for NOK 2.9bn. Sound growth is noted, particularly in car loans.

At quarter-end the Samspar banks in SpareBank 1 held a 27.9 per cent stake in SpareBank 1 Finans Midt-Norge and Sparebanken Sogn og Fjordane a stake of 7.5 per cent. SpareBank 1 SMN owns 64.6 per cent of the shares of SpareBank 1 Finans Midt-Norge.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 15.5m (4.3m) in the first quarter of 2017. The profit growth is related to effects of acquisitions and to good operations.

The company caters to the SMB segment with its technologically modern distribution model and broad range of services.

SpareBank 1 Regnskapshuset SMN acquired all shares of Økonomisenteret and about 110 employees with effect from 1 January 2017. This brings the company's workforce to 360 and annual turnover to NOK 360m. Profit growth was recorded in the first quarter along with a substantial increase in both income and costs.

Allegro Kapitalforvaltning manages portfolios for clients primarily in SpareBank 1 SMN and the SamSpar banks. These banks are the company's distribution channel. The company posted a pre-tax profit of NOK 1.0m in the first quarter of 2017 (0.6m). The company manages a portfolio worth NOK 6.7bn (5.6m).

SpareBank1 SMN Invest invests in shares, mainly in regional businesses. The company posted a pre-tax profit of NOK 0.9m (9.9m) in the first quarter of 2017. Value changes and realisation of losses or gains on the company's overall holding of shares represent minus NOK 1.8m of the company's result. The company has in addition ownership interests in the property company Grilstad Marina and its share of the latter's profit in the first quarter of 2017 was NOK 2.7m.

SpareBank 1 Markets is a subsidiary of SpareBank 1 SMN with a stake of 73.5 per cent. The company is headquartered in Oslo and has offices in Trondheim and Ålesund. It has a staff of 105.

SpareBank 1 Markets AS is an investment firm offering a complete product range. The company's aspires to being a profitable capital market unit able to deliver all capital market services in collaboration with its parent banks.

The company's pre-tax profit for the first quarter of 2017 was NOK 2.5m compared with NOK 3.2m in 2015 in the first quarter of 2016. The company has recorded positive profit growth in recent quarters.

SpareBank 1 Markets has made a number of new appointments in the first quarter of 2017 which are expected to strengthen the company's earnings once the appointments attain normalised earning power.

An agreement has been signed whereby SpareBank 1 Markets is to acquire Allegro Kapitalforvaltning in Trondheim and SpareBank 1 Nord-Norge Forvaltning in Tromsø from, respectively, SpareBank 1 SMN and Sparebank 1 Nord-Norge. The two companies are to be merged and will be central in SpareBank 1 Markets' new asset management operation with assets totalling NOK 10bn.

The company is the leading capital market unit in SpareBank 1 SMN's market area. SpareBank 1 Markets' main focus is on clients where the company is in a strong competitive position alone or in collaboration with its parent banks.

Other companies

Other companies comprise mainly property companies in which SpareBank 1 SMN and its subsidiaries are the principal tenant.

Satisfactory funding and good liquidity

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

The bank has liquidity reserves of NOK 20bn and thus has the funding needed for 23 months of ordinary operation without fresh external finance.

The Ministry of Finance requires all credit institutions to maintain sufficient liquidity buffers to withstand periods of limited access to market funding. The liquidity coverage ratio (LCR) measures the size of banks' liquid assets relative to net liquidity outflow 30 days ahead in time given a stressed situation.

The LCR is calculated at 136 per cent as at 31 March 2017.

The bank's funding sources and products are amply diversified. At year-end the proportion of the bank's overall money market funding in excess of 1 year was 85 per cent (84 per cent). The supply of funding in the market is satisfactory.

SpareBank 1 Boligkreditt is the bank's most important funding source, and at 31 March 2017 loans worth a total of NOK 34bn had been sold to SpareBank 1 Boligkreditt.

Rating

SpareBank 1 SMN has a rating of A1 (outlook stable) with Moody's and a rating of A- (outlook stable) with Fitch Ratings.

Financial position

The CET1 capital ratio at 31 March 2017 was 14.8 per cent (13.6 per cent). The change over the last 12 months is ascribable to:

- An increase of NOK 1.0bn, or 9 per cent, in CET1 capital. This is in all essentials retained profit.
- There has been no change in overall capital needs in the last 12 months. Lending to commercial property has been reduced at BN Bank along with a reduction in the need for capital related to

transitional arrangements. At the parent bank residential lending growth has been relatively high while growth in lending to corporates has been relatively low.

As at 31 March 2017 the regulatory requirement on CET1 capital is 11.5 per cent, including combined buffer requirements.

Finanstilsynet's (Norway's FSA) final assessment of the add-on for risks not adequately covered under Pillar 1 was set at 2.1 per cent. The add-on is mainly related to owner risk, market risk and credit concentration risk. On 15 December the Ministry of Finance decided that the countercyclical buffer should be increased by a further 0.5 per cent, to 2.0 per cent with effect from 31 December 2017. The board of directors has therefore decided to raise the capital target to 15 per cent to ensure a sufficient management buffer. The capital build-up will take place without a stock issue.

The board of directors of SpareBank 1 SMN continually assesses the capital situation and future capital requirements.

The bank's equity certificate (MING)

The book value of the bank's EC as at 31 March 2017 was NOK 72.03 (67.37), and earnings per EC were NOK 1.73 (1.49).

As at 31 March 2017 the EC was priced at NOK 66.50 (52.75) and dividend of NOK 3.00 (2.25) per EC has been paid in 2017 for the year 2016.

The Price / Income ratio was 9.59 and the Price / Book ratio was 0.92 at end-March 2017.

The supervisory board has adopted an adjustment to the bank's dividend policy. The following wording applied prior to the adjustment: "SpareBank 1 SMN assumes and expects up to one-half of the owner capital's share of the net profit to be paid out as dividend and the same proportion of the ownerless capital's share of the net profit to be paid out as gifts or transferred to a foundation". The new wording is as follows: "SpareBank 1 SMN assumes and expects about one-half of the owner capital's share of the net profit to be paid out as dividend and the same proportion of the ownerless capital's share of the net profit to be paid out as gifts or transferred to a foundation". The resolution entails removal of a cap on the dividend payout ratio.

The supervisory board has also resolved to reduce the number of members from 43 to 32. The composition of representatives is changed such that representation from the public sector is reduced whereas employees and depositors have acquired increased representation. The equity certificate owners' relative share is unchanged. A resolution has also been passed giving equity certificate owners greater influence over decisions affecting the owners' capital.

Risk factors

Problem loans related to the offshore industry remain at a high level at the end of the first quarter of 2017, but losses have shown a falling trend. The increase in individually assessed write-downs and collectively assessed write-downs is in all essentials ascribable to customers in this market segment, as confirmed by reporting from Norges Bank's (Norway's central bank) Regional Network. The bank sees little evidence of contagion effects to the remainder of the loan portfolio. Credit quality in the rest of the portfolio is satisfactory, and loss and default levels in other portfolios are low.

The bank expects a continued low but rising rate of GDP growth. The Norwegian krone has appreciated, thereby reducing some of the positive impact enjoyed by Norwegian export industries, and will partially offset some of these effects. The bank also expects moderate growth in credit demand from mid-Norway's business sector ahead as a result of the continued low level of investment.

The bank expects unemployment to remain relatively low, and, given continued low interest rates, the bank considers that the risk of loss in the bank's retail banking portfolio will remain low.

Growth in credit demand from Norwegian households remains higher than wage growth and will in large measure be affected by the trend in house prices. The Ministry of Finance has decided to increase the countercyclical buffer from 1.5 per cent to 2.0 per cent, with effect from 31 December 2017. In the bank's assessment, this increase will have only a marginal effect on households' credit demand and on the trend in house prices. If house prices stagnate, or fall, there is a risk that households' saving rate will quicken, which will result in reduced turnover for parts of Norwegian business and industry.

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

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

Outlook

SpareBank 1 SMN has in the first quarter of 2017 posted a profit performance that is considered lower than targeted, but satisfactory in the challenging market.

The losses in the first quarter of 2017 are mainly in the offshore segment, and losses in other segments are few in number and small. Expectations from the regional network (survey conducted by Norges Bank) suggest that losses ahead will also be within the offshore segment. The board of directors expects losses in this segment to be lower in 2017 than in 2016. Developments in the offshore industry remain a matter of much uncertainty, and there is a risk that the industry will need to undergo further restructuring in a few years. The bank continue to follow this industry carefully.

A project to enhance the Group's profitability has been launched. It will promote more efficient use of equity capital, improve risk pricing and increase the number of multi-product customers with a view to strengthening commission income. The bank intends to achieve cost-effective operation by streamlining distribution and work processes. Use of new technology will contribute to increased selling power and to greater efficiency and effectiveness of processes. SpareBank 1 SMN sets a target of zero growth in parent bank costs in 2017.

The board is well pleased with the Group's achievements and results thus far in 2017.

Trondheim, 3. May 2017
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(chair)

Bård Benum
(deputy chair)

Paul E. Hjeltn-Hansen

Aud Skrudland

Morten Loktu

Janne Thyø Thomsen

Arnhild Holstad

Erik Gunnes
(employee rep.)

Venche Johnsen
(employee rep.)

Finn Haugan
(Group CEO)

Income statement

Parent bank			Group				
January-March			January-March				
2016	2016	2017 (NOKm)	Note	2017	2016	2016	
3,401	865	876		931	910	3,597	
1,717	442	409		409	441	1,714	
1,684	423	467	Net interest	522	469	1,883	
971	234	244	Commission income	308	295	1,251	
85	18	21	Commission expenses	35	28	133	
36	8	8	Other operating income	182	134	556	
922	224	232	Commission income and other income	455	401	1,674	
817	29	46	Dividends	1	0	88	
-	-	-	Income from investment in related companies	3	71	423	
188	37	9	Net return on financial investments	3	53	434	
1,006	66	55	Net return on financial investments	138	172	944	
3,612	714	754	Total income	1,115	1,042	4,502	
536	148	153	Staff costs	345	295	1,159	
615	142	153	Other operating expenses	227	194	844	
1,151	290	306	Total operating expenses	571	489	2,003	
2,461	424	449	Result before losses	544	553	2,499	
502	167	87	Loss on loans, guarantees etc.	6,7	89	516	
1,959	257	362	Result before tax	454	383	1,983	
290	63	82	Tax charge	96	72	341	
-13	-	-	Result investment held for sale, after tax	3	-0	4	
1,655	193	279	Net profit	358	311	1,647	
Attributable to:							
Equity holders of parent company				352	303	1,606	
Equity holders of non-controlling interests				6	8	41	
Profit per ECC				1.76	1.53	8.11	
Diluted profit per ECC				1.73	1.49	7.91	

Other comprehensive income

Parent bank			(NOKm)	Group		
January-March				January-March		
2016	2016	2017		2017	2016	2016
1,655	193	279	Net profit	358	311	1,647
Items that will not be reclassified to profit/loss						
-75	-	-	- Actuarial gains and losses pensions	-	-	-77
19	-	-	- Tax	-	-	19
-	-	-	- Share of other comprehensive income of associates and joint venture	3	0	-1
-56	-	-	Total	3	0	-58
Items that will be reclassified to profit/loss						
-52	-	-	- Available-for-sale financial assets	-	-	-50
-	-	-	- Share of other comprehensive income of associates and joint venture	0	-14	-7
-	-	-	- Tax	-	-	-
-52	-	-	Total	-0	-14	-58
1,547	193	279	Total other comprehensive income	361	297	1,531
Attributable to:						
Equity holders of parent company				354	289	1,490
Equity holders of non-controlling interests				6	8	41

Balance sheet

Parent bank				Group			
31 Dec 2016	31 Mar 2016	31 Mar 2017	(NOKm)	Note	31 Mar 2017	31 Mar 2016	31 Dec 2016
315	1,241	1,171	Cash and receivables from central banks		1,171	1,241	315
8,203	6,103	7,640	Deposits with and loans to credit institutions		3,008	2,324	3,892
96,499	90,652	98,056	Net loans to and receivables from customers	5	103,204	94,606	101,354
17,636	15,956	18,786	Fixed-income CDs and bonds	15	18,704	15,956	17,557
4,812	8,180	4,746	Derivatives	15	4,701	8,091	4,752
248	336	340	Shares, units and other equity interests	15	1,676	1,644	1,542
3,766	3,622	3,776	Investment in related companies		5,974	5,759	5,638
3,005	2,814	2,962	Investment in group companies		-	-	-
226	330	226	Investment held for sale		15	214	15
470	470	475	Intangible assets		686	566	639
882	2,398	1,171	Other assets	12	2,903	3,943	2,376
136,062	132,101	139,349	Total assets		142,042	134,345	138,080
10,299	8,549	6,598	Deposits from credit institutions		6,959	8,549	10,509
68,391	64,815	71,224	Deposits from and debt to customers	9	70,176	63,851	67,168
36,317	35,888	39,901	Debt created by issue of securities	14	39,901	35,888	36,317
3,973	6,211	3,644	Derivatives	15	3,509	6,237	4,074
731	1,294	1,939	Other liabilities	13	2,979	2,279	1,531
-	-	-	Investment held for sale		0	5	0
3,140	3,485	3,160	Subordinated loan capital	14	3,203	3,485	3,182
122,850	120,242	126,466	Total liabilities		126,727	120,294	122,781
2,597	2,597	2,597	Equity capital certificates		2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs		-7	-6	-4
895	895	895	Premium fund		895	895	895
4,487	3,790	4,487	Dividend equalisation fund		4,470	3,782	4,484
389	-	-	Recommended dividends		-	-	389
220	-	-	Provision for gifts		-	-	220
4,498	4,105	4,498	Savings bank's reserve		4,498	4,105	4,498
126	279	126	Unrealised gains reserve		139	290	139
-	-	-	Other equity capital		1,921	1,705	1,656
-	193	279	Profit for the period		358	311	-
			Non-controlling interests		443	372	425
13,212	11,859	12,883	Total equity capital		15,315	14,051	15,299
136,062	132,101	139,349	Total liabilities and equity		142,042	134,345	138,080

Cash flow statement

Parent bank				Group		
January-March			January-March			
2016	2016	2017	(NOKm)	2017	2016	2016
1,655	193	279	Net profit	358	311	1,647
34	10	12	Depreciations and write-downs on fixed assets	26	24	98
502	167	87	Losses on loans and guarantees	89	170	516
2,191	371	378	Net cash increase from ordinary operations	473	505	2,261
2,310	-2,529	-231	Decrease/(increase) other receivables	-491	-2,659	2,234
-1,586	939	270	Increase/(decrease) short term debt	274	1,069	-1,601
-7,405	-1,223	-1,644	Decrease/(increase) loans to customers	-1,940	-1,361	-8,454
-2,318	-220	563	Decrease/(increase) loans credit institutions	884	82	-1,485
3,299	-276	2,833	Increase/(decrease) deposits to customers	3,008	-239	3,078
2,144	394	-3,701	Increase/(decrease) debt to credit institutions	-3,550	394	2,354
-1,885	-204	-1,149	Increase/(decrease) in short term investments	-1,147	-204	-1,805
-3,249	-2,748	-2,682	A) Net cash flow from operations	-2,488	-2,413	-3,418
-26	-46	-9	Increase in tangible fixed assets	-57	49	-52
-223	7	33	Paid-up capital, associated companies	-70	-310	33
36	1	-92	Net investments in long-term shares and partnerships	-134	-112	-67
-213	-38	-68	B) Net cash flow from investments	-261	-373	-86
-324	22	21	Increase/(decrease) in subordinated loan capital	21	22	-281
0	0	0	Increase/(decrease) in equity	0	0	0
-292	-	-	Dividend cleared	-	-	-292
-40	-	-	To be disbursed from gift fund	-	-	-40
1,162	734	3,585	Increase/(decrease) in other long term loans	3,585	734	1,162
507	756	3,605	C) Net cash flow from financial activities	3,605	756	549
-2,955	-2,030	856	A) + B) + C) Net changes in cash and cash equivalents	856	-2,030	-2,955
3,270	3,270	315	Cash and cash equivalents at 1.1	315	3,270	3,270
315	1,241	1,171	Cash and cash equivalents at end of quarter	1,171	1,241	315
-2,955	-2,030	856	Net changes in cash and cash equivalents	856	-2,030	-2,955

Change in equity

Parent Bank (NOKm)	Issued equity		Earned equity					Unrealised gains reserve	Other equity	Total equity
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts				
Equity at 1 January 2016	2,597	895	4,105	3,790	292	40	279	-	11,998	
Net profit	-	-	411	730	389	220	-95	-	1,655	
Other comprehensive income										
Available-for-sale financial assets	-	-	2	3	-	-	-57	-	-52	
Actuarial gains (losses), pensions	-	-	-20	-36	-	-	0	-	-56	
Other comprehensive income	-	-	-18	-33	-	-	-57	-	-108	
Total other comprehensive income	-	-	393	697	389	220	-152	-	1,547	
Transactions with owners										
Dividend declared for 2015	-	-	-	-	-292	-	-	-	-292	
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-40	
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	0	
Total transactions with owners	0	-	-	0	-292	-40	-	-	-332	
Equity at 31 December 2016	2,597	895	4,498	4,487	389	220	126	-	13,212	
Equity at 1 January 2017	2,597	895	4,498	4,487	389	220	126	-	13,212	
Net profit	-	-	-	-	-	-	-	279	279	
Other comprehensive income										
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-	-	
Other comprehensive income	-	-	-	-	-	-	-	-	-	
Total other comprehensive income	-	-	-	-	-	-	-	279	279	
Transactions with owners										
Dividend declared for 2016	-	-	-	-	-389	-	-	-	-389	
To be disbursed from gift fund	-	-	-	-	-	-220	-	-	-220	
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	0	
Total transactions with owners	0	-	-	0	-389	-220	-	-	-609	
Equity at 31 March 2017	2,597	895	4,498	4,487	-	-	126	279	12,883	

Group (NOKm)	Attributable to parent company equity holders											
	Issued equity		Earned equity						Unrealised gains reserve	Other equity	Non-controlling interests	Total equity
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts						
Equity at 1 January 2016	2,576	895	4,105	3,790	292	40	290	1,597	318	13,904		
Net profit	-	-	411	730	389	220	-95	-49	41	1,647		
Other comprehensive income												
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-8	-	-8		
Available-for-sale financial assets	-	-	2	3	-	-	-56	-0	-	-50		
Actuarial gains (losses), pensions	-	-	-20	-36	-	-	-	-1	-0	-58		
Other comprehensive income	-	-	-18	-33	-	-	-56	-9	-0	-116		
Total other comprehensive income	-	-	393	697	389	220	-151	-58	41	1,531		
Transactions with owners												
Dividend declared for 2015	-	-	-	-	-292	-	-	-	-	-292		
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-	-40		
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	-	0		
Direct recognitions in equity	-	-	-	-	-	-	-	-12	-	-12		
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-	132	-	132		
Own ECC held by SB1 Markets*)	17	-	-	-3	-	-	-	-2	-	11		
Change in non-controlling interests	-	-	-	-	-	-	-	-	66	66		
Total transactions with owners	17	-	-	-3	-292	-40	-	118	66	-135		
Equity at 31 December 2016	2,593	895	4,498	4,484	389	220	139	1,656	425	15,299		

*) Holding of own equity certificates as part of SpareBank 1 Markets' trading activity

(NOKm)	Attributable to parent company equity holders									Total equity
	Issued equity			Earned equity						
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Non-controlling interests	
Equity at 1 January 2017	2,593	895	4,498	4,484	389	220	139	1,656	425	15,299
Net profit	-	-	-	-	-	-	-	352	6	358
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	3	-	3
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
Estimate deviation, pensions	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	3	-	3
Total other comprehensive income	-	-	-	-	-	-	-	354	6	361
Transactions with owners										
Dividend declared for 2016	-	-	-	-	-389	-	-	-	-	-389
To be disbursed from gift fund	-	-	-	-	-	-220	-	-	-	-220
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	-	0
Direct recognitions in equity	-	-	-	-	-	-	-	5	-	5
Share of other transactions from associates and joint ventures**)	-	-	-	-	-	-	-	260	-	260
Own ECC held by SB1 Markets*)	-3	-	-	-14	-	-	-	4	-	-12
Change in non-controlling interests	-	-	-	-	-	-	-	-	12	12
Total transactions with owners	-3	-	-	-14	-389	-220	-	269	12	-345
Equity at 31 March 2017	2,590	895	4,498	4,470	-	-	139	2,280	443	15,315

*) Holding of own equity certificates as part of SpareBank 1 Markets' trading activity

***) Including the effect of reclassification of hybrid capital to equity of in total NOK 267m from SpareBank1 Boligkreditt and Sparebank1 Næringskreditt.

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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 2016. 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 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 31 March since no factors have been identified that significantly alter the pension liability. For a further description of the various pension schemes, see note 24 in the 2016 annual report.

Control in BN Bolig

BN Bolig is owned 50% by BN Bank and 50% by Eiendomsmegler 1, and was treated as a jointly controlled entity in the annual accounts for 2016. Due to a change in the shareholders agreement in 2017, it is now the parties' assessment that Eiendomsmegler 1 controls the company in accordance with IFRS 10, and BN Bolig has in first quarter been consolidated as a subsidiary of Eiendomsmegler 1.

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 31 March 2017

Profit and loss account (NOKm)	RM	CM	SB1-		SB1-	SB1	SB1-	BN	Uncollated	Total
			Markets	EM 1	Finans MN	Regnskaps- huset SMN				
Net interest	228	246	-2	1	51	-1	-	-	-1	522
Interest from allocated capital	31	30	-	-	-	-	-	-	-60	-
Total interest income	259	276	-2	1	51	-1	-	-	-61	522
Commission income and other income	173	47	59	113	12	105	-	-	-55	455
Net return on financial investments **)	0	2	18	-	-	-	66	29	22	138
Total income	432	325	75	114	63	104	66	29	-94	1,115
Total operating expenses	201	89	72	110	33	89	-	-	-23	571
Ordinary operating profit	230	237	2	4	30	15	66	29	-71	544
Loss on loans, guarantees etc.	0	87	-	-	2	-	-	-	-0	89
Result before tax including held for sale	230	150	2	4	28	15	66	29	-71	454
Post-tax return on equity*)	14.9 %	9.6 %								9.4 %
Balance (NOKm)										
Loans and advances to customers	95,482	39,421	-	-	5,746	-	-	-	-611	140,038
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-33,919	-2,003	-	-	-	-	-	-	0	-35,921
Individual allowance for impairment on loan	-23	-528	-	-	-11	-	-	-	-2	-564
Group allowance for impairment on loan	-90	-218	-	-	-21	-	-	-	-20	-349
Other assets	167	192	1,867	1,002	10	288	1,543	1,217	32,552	38,838
Total assets	61,618	36,863	1,867	1,002	5,725	288	1,543	1,217	31,919	142,042
Deposits to customers	34,943	35,778	-	-	-	-	-	-	-545	70,176
Other liabilities and equity	26,675	1,086	1,867	1,002	5,725	288	1,543	1,217	32,464	71,866
Total liabilities	61,618	36,863	1,867	1,002	5,725	288	1,543	1,217	31,919	142,042

Group 31 March 2016

Profit and loss account (NOKm)	RM	CM	Markets	SB1-		SB1- Regnskaps- huset SMN	SB1- Gruppen	BN- Bank	Uncollated	Total
				EM 1	MN					
Net interest	222	232	-2	1	43	-0	-	-	-26	469
Interest from allocated capital	14	12	-	-	-	-	-	-	-26	-
Total interest income	236	243	-2	1	43	-0	-	-	-52	469
Commission income and other income	166	49	59	86	-2	54	-	-	-11	401
Net return on financial investments (**)	0	2	10	-	-	-	61	20	79	172
Total income	402	294	67	87	41	54	61	20	15	1,042
Total operating expenses	198	93	63	77	15	50	-	-	-6	489
Ordinary operating profit	204	202	5	10	26	4	61	20	22	553
Loss on loans, guarantees etc.	9	158	2	-	3	-	-	-	-2	170
Result before tax including held for sale	195	44	3	10	23	4	61	20	23	383
Post-tax return on equity*)	12.9 %	3.1 %								8.9 %

Balance (NOKm)

Loans and advances to customers	86,451	37,479	-	-	4,603	-	-	-	987	129,520
Adv. of this to SpareBank 1 Boligkreditt	-32,769	-1,421	-	-	-	-	-	-	0	-34,190
Individual allowance for impairment on loan	-34	-155	-	-	-8	-	-	-	-2	-198
Group allowance for impairment on loan	-95	-414	-	-	-18	-	-	-	1	-527
Other assets	213	8	1,669	283	8	145	1,705	1,180	34,528	39,739
Total assets	53,767	35,497	1,669	283	4,585	145	1,705	1,180	35,515	134,345
Deposits to customers	33,671	29,655	-	-	-	-	-	-	525	63,851
Other liabilities and equity	20,096	5,842	1,669	283	4,585	145	1,705	1,180	34,989	70,494
Total liabilities	53,767	35,497	1,669	283	4,585	145	1,705	1,180	35,515	134,345

*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 15.0 (14.5) percent to be in line with the capital plan.

	31 Mar 2017	31 Mar 2016
**) Specification of net return on financial investments incl. Investment held for sale (NOKm)		
Capital gains/dividends, shares	2	3
Bonds and derivatives	34	25
Forex and fixed income business, Markets	31	26
Net return on financial investments	67	53
SpareBank 1 Gruppen	66	61
SpareBank 1 Boligkreditt	-24	24
SpareBank 1 Næringskreditt	8	8
BN Bank	29	20
SpareBank 1 Kredittkort	2	6
SpareBank 1 Mobilbetaling	-13	-
Other companies	3	-0
Income from investment in associates and joint ventures	71	119
Total net return on financial investments	138	172

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 31 March 2017 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3.0 per cent and the Norwegian 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. In addition the financial supervisory authority has set a Pillar 2 requirement of 2.1 per cent for SpareBank 1 SMN, effective as from the fourth quarter of 2016. The total minimum requirement on CET1 capital is accordingly 13.6 per cent.

The countercyclical buffer increased to 1.5 per cent from 1.0 per cent with effect from 30 June 2016. The Ministry of Finance has decided to increase the buffer by 0.5 per cent to 2.0 per cent with effect from 31 December 2017.

As from the fourth quarter of 2016 differentiated rates came into force for the countercyclical buffer. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. For the first quarter of 2017 the parent bank is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures. For groups, the risk-weighted countercyclical capital buffer is 1.5 per cent.

Parts of the group's hybrid capital and subordinated debt were issued under earlier rules. This will be subject to a write-down of 40 per cent in 2016 and 50 per cent in 2017. The write-down will increase by another 10 per cent per year thereafter. As at 31 March 2017 the bank held hybrid capital worth NOK 450 million subject to write-down. For subordinated debt the figure NOK 690 million. The financial supervisory authority 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.

Parent Bank				Group		
31 Dec 2016	31 Mar 2016	31 Mar 2017	(NOKm)	31 Mar 2017	31 Mar 2016	31 Dec 2016
2,597	2,597	2,597	Equity capital certificates	2,597	2,597	2,597
-0	-0	-0	- Own holding of ECCs	-7	-6	-4
895	895	895	Premium fund	895	895	895
4,487	3,790	4,487	Dividend equalisation fund	4,470	3,782	4,484
4,498	4,105	4,498	Savings bank's reserve	4,498	4,105	4,498
389	-	-	- Recommended dividends	-	-	389
220	-	-	- Provision for gifts	-	-	220
126	279	126	Unrealised gains reserve	139	290	139
-	-	-	- Other equity	1,921	1,705	1,656
-	-	-	- Non-controlling interests	443	372	425
-	193	279	Net profit	358	311	-
13,212	11,859	12,883	Total book equity	15,315	14,051	15,299
-	-	-	- Hybrid capital included in total equity	-267	-	-
-470	0	-475	Deferred taxes, goodwill and other intangible assets	-853	-668	-741
-	-	-	- Part of reserve for unrealised gains, associated companies	117	119	117
-609	-	-	- Deduction for allocated dividends and gifts	-	-	-609
-	-	-	- Non-controlling interests recognised in other equity capital	-443	-372	-425
-	-	-	- Non-controlling interests eligible for inclusion in CET1 capital	223	184	220
-	-93	-	- Surplus financing of pension obligations	-	-43	-
-	-193	-279	Net profit	-358	-311	-
-	100	100	Year-to-date profit included in core capital (50 per cent pre tax of group profit in 2017)	179	218	-
-29	-35	-30	Value adjustments due to requirements for prudent valuation	-48	-57	-48
-190	-32	-186	Positive value of adjusted expected loss under IRB Approach	-247	-104	-248
-	-	-	Adjustments for unrealised losses (gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	8	-	-
-	-	-	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-188	-576	-337

11,913	11,159	12,013	Total common equity Tier one	13,437	12,440	13,229
950	950	950	Hybrid capital, core capital	1,358	1,301	1,358
483	496	459	Hybrid capital covered by transitional provisions	459	496	483
13,346	12,605	13,422	Total core capital	15,254	14,237	15,069
			Supplementary capital in excess of core capital	-	-	-
1,000	1,000	1,000	Subordinated capital	1,710	1,648	1,698
673	673	561	Subordinated capital covered by transitional provisions	561	673	673
-256	-43	-237	Deduction for significant investments in financial institutions	-237	-43	-256
1,418	1,631	1,324	Total supplementary capital	2,034	2,279	2,116
14,764	14,236	14,746	Net subordinated capital	17,288	16,516	17,185
			Minimum requirements subordinated capital	-	-	-
1,065	1,063	1,055	Involvement with specialised enterprises	1,186	1,232	1,206
1,064	1,040	1,087	Other corporations exposure	1,126	1,086	1,102
1,128	1,134	1,133	Mass market exposure, property	1,615	1,606	1,602
156	162	158	Mass market exposure, SMEs	168	171	166
71	37	74	Other retail exposure	77	39	74
1,223	1,235	1,267	Equity investments	1	1	3
4,707	4,671	4,773	Total credit risk IRB	4,173	4,135	4,153
35	27	34	Debt risk	35	29	36
-	-	-	Equity risk	15	10	5
-	-	-	Currency risk	1	-	1
334	334	341	Operational risk	510	479	479
898	947	885	Exposures calculated using the standardised approach	1,891	1,893	1,772
51	45	56	Credit value adjustment risk (CVA)	119	91	84
-	-	-	Transitional arrangements	523	666	574
6,026	6,024	6,088	Minimum requirements subordinated capital	7,268	7,303	7,103
75,325	75,295	76,101	Risk weighted assets (RWA)	90,846	91,286	88,788
3,390	3,388	3,425	Minimum requirement on CET1 capital, 4.5 per cent	4,088	4,108	3,995
			Capital Buffers	-	-	-
1,883	1,882	1,903	Capital conservation buffer, 2.5 per cent	2,271	2,282	2,220
2,260	2,259	2,283	Systemic risk buffer, 3.0 per cent	2,725	2,739	2,664
1,130	753	1,142	Countercyclical buffer, 1.5 per (1.0 per cent)	1,363	913	1,332
5,273	4,894	5,327	Total buffer requirements on CET1 capital	6,359	5,934	6,215
3,251	2,877	3,262	Available CET1 capital after buffer requirements	2,990	2,399	3,018
			Capital adequacy	0	0	0
15.8 %	14.8 %	15.8 %	Common equity Tier one ratio	14.8 %	13.6 %	14.9 %
17.7 %	16.7 %	17.6 %	Core capital ratio	16.8 %	15.6 %	17.0 %
19.6 %	18.9 %	19.4 %	Capital adequacy ratio	19.0 %	18.1 %	19.4 %
9.5 %	9.2 %	9.3 %	Leverage ratio	7.4 %	6.8 %	7.4 %

Note 5 - Distribution of loans by sector/industry

Parent Bank				Group		
31 Dec 2016	31 Mar 2016	31 Mar 2017	(NOKm)	31 Mar 2017	31 Mar 2016	31 Dec 2016
10,290	9,061	10,460	Agriculture, forestry, fisheries, hunting	10,679	9,222	10,499
1,599	1,351	1,306	Sea farming industries	1,700	1,715	1,985
2,701	2,537	2,820	Manufacturing	3,113	2,806	2,985
2,980	2,917	2,756	Construction, power and water supply	3,335	3,391	3,532
2,288	2,705	2,496	Retail trade, hotels and restaurants	2,735	2,898	2,510
4,983	5,609	4,863	Maritime sector	4,863	5,631	4,983
13,688	14,327	14,060	Property management	14,115	14,390	13,744
2,442	2,125	2,465	Business services	2,100	1,822	2,072
3,220	3,037	3,203	Transport and other services provision	3,840	3,544	3,836
273	194	277	Public administration	291	212	288
1,670	1,688	1,895	Other sectors	1,924	1,583	1,700
46,135	45,550	46,600	Gross loans in retail market	48,696	47,214	48,133
86,513	79,988	88,257	Wage earners	91,343	82,307	89,402
132,648	125,538	134,857	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	140,038	129,520	137,535
33,142	32,676	33,757	SpareBank 1 Boligkreditt	33,757	32,676	33,142
2,069	1,514	2,164	SpareBank 1 Næringskreditt	2,164	1,514	2,069
97,437	91,348	98,935	Gross loans in balance sheet	104,117	95,331	102,325
620	188	551	- Specified write-downs	564	198	632
318	508	328	- Collective write-downs	349	527	339
96,499	90,652	98,056	Net loans to and receivables from customers	103,204	94,606	101,354

Note 6 - Losses on loans and guarantees

Parent Bank

	January-March								
	2017			2016			2016		
Losses on loans and guarantees (NOKm)	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in individual impairment losses provisions for the period	-1	-72	-73	6	9	15	0	449	450
+ Change in collective impairment losses provisions for the period	-	10	10	-	150	150	-	-40	-40
+ Actual loan losses on commitments for which provisions have been made	2	146	148	4	0	4	8	34	42
+ Actual loan losses on commitments for which no provision has been made	0	3	3	0	-0	0	10	49	59
- Recoveries on commitments previously written-off	1	0	1	0	1	1	6	3	8
Losses of the year on loans and guarantees	0	87	87	9	158	167	13	490	502

Group

	January-March								
	2017			2016			2016		
Losses on loans and guarantees (NOKm)	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in individual impairment losses provisions for the period	-1	-72	-73	6	10	16	0	454	454
+ Change in collective impairment losses provisions for the period	1	10	11	0	150	150	4	-42	-38
+ Actual loan losses on commitments for which provisions have been made	2	146	148	4	0	4	8	36	44
+ Actual loan losses on commitments for which no provision has been made	2	3	5	1	0	1	14	50	64
- Recoveries on commitments previously written-off	1	0	1	0	1	1	6	3	9
Losses of the year on loans and guarantees	3	87	89	11	159	170	21	495	516

Note 7 - Losses

Parent Bank

Individual write-downs (NOKm)	31 Mar 2017			31 Mar 2016			2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Individual write-downs to cover loss on loans and guarantees at 1.1	28	597	625	28	148	176	28	148	176
- Actual losses during the period for which provisions for individual impairment losses have been made previously	2	146	148	4	0	4	8	34	42
- Reversal of provisions from previous periods	2	6	8	2	3	5	3	36	39
+ Increased write-downs on provisions previously written down	0	79	79	7	4	11	2	6	8
+ Write-downs on provisions not previously written down	-2	10	8	4	8	12	4	518	523
Individual write-downs to cover loss on loans and guarantees at period end *)	23	534	557	34	157	190	24	602	625

*) Individually assessed impairment write-downs on guarantees, totalling NOK 6.2m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	31 Mar 2017			31 Mar 2016			2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 1.1	90	228	318	90	268	358	90	268	358
Period's collective write-downs to cover loss on loans, guarantees etc	-	10	10	-	150	150	-	-40	-40
Collective write-downs to cover loss on loans and guarantees at period end	90	238	328	90	418	508	90	228	318

Group

Individual write-downs (NOKm)	31 Mar 2017			31 Mar 2016			2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Individual write-downs to cover loss on loans and guarantees at 1.1	31	607	638	31	153	184	31	153	184
- Actual losses during the period for which provisions for individual impairment losses have been made previously	2	146	148	4	0	4	8	36	44
- Reversal of provisions from previous periods	2	6	8	2	3	5	3	36	39
+ Increased write-downs on provisions previously written down	0	79	79	7	4	11	2	6	8
+ Write-downs on provisions not previously written down	-2	10	8	5	9	14	4	523	528
Individual write-downs to cover loss on loans and guarantees at period end *)	26	544	570	37	163	200	27	611	638

*) Individually assessed impairment write-downs on guarantees, totalling NOK 6.2m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	31 Mar 2017			31 Mar 2016			2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 1.1	100	239	339	96	281	376	96	281	376
Period's collective write-downs to cover loss on loans, guarantees etc	1	10	11	0	150	150	4	-42	-38
Collective write-downs to cover loss on loans and guarantees at period end	100	249	349	96	431	527	100	239	339

Note 8 - Defaults and problem loans

Parent Bank

Total defaults (NOKm)	31 Mar 2017			31 Mar 2016			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Loans in default for more than 90 days *)	138	34	172	141	28	169	144	29	173
- Individual write-downs	16	15	30	14	13	27	17	18	36
Net defaults	122	19	142	127	15	142	127	11	138
Provison rate	11 %	43 %	18 %	10 %	47 %	16 %	12 %	62 %	21 %
Problem loans									
Problem loans (not in default)	33	1,025	1,058	50	348	399	19	1,435	1,453
- Individual write-downs	7	520	527	20	143	163	6	584	590
Net problem loans	26	505	531	31	205	236	13	851	863
Provison rate	22 %	51 %	50 %	39 %	41 %	41 %	33 %	41 %	41 %

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

Group

Total defaults (NOKm)	31 Mar 2017			31 Mar 2016			31 Dec 2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Loans in default for more than 90 days *)	173	38	211	164	41	205	176	38	214
- Individual write-downs	19	15	34	15	15	31	20	19	39
Net defaults	154	23	177	148	26	174	156	18	174
Provison rate	11 %	41 %	16 %	9 %	37 %	15 %	12 %	51 %	18 %
Problem loans									
Problem loans (not in default)	33	1,045	1,078	56	356	411	19	1,455	1,474
- Individual write-downs	7	529	536	22	148	169	6	592	599
Net problem loans	26	517	542	34	208	242	13	863	875
Provison rate	22 %	51 %	50 %	39 %	41 %	41 %	33 %	41 %	41 %

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

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank				Group		
31 Dec 2016	31 Mar 2016	31 Mar 2017	(NOKm)	31 Mar 2017	31 Mar 2016	31 Dec 2016
2,791	2,661	2,847	Agriculture, forestry, fisheries, hunting	2,847	2,661	2,791
420	534	1,533	Sea farming industries	1,533	534	420
1,727	2,221	2,671	Manufacturing	2,671	2,221	1,727
2,416	1,733	2,191	Construction, power and water supply	2,191	1,733	2,416
4,067	3,331	3,416	Retail trade, hotels and restaurants	3,416	3,331	4,067
1,740	2,196	1,445	Maritime sector	1,445	2,196	1,740
4,387	4,311	4,626	Property management	4,384	4,105	4,153
5,550	5,185	5,729	Business services	5,729	5,185	5,550
4,848	5,183	5,859	Transport and other services provision	5,382	4,714	4,339
8,627	7,079	9,419	Public administration	9,419	7,079	8,627
2,048	2,050	1,735	Other sectors	1,405	1,761	1,569
38,621	36,485	41,470	Total	40,421	35,520	37,398
29,769	28,330	29,754	Wage earners	29,754	28,330	29,769
68,391	64,815	71,224	Total deposits	70,176	63,851	67,168

Note 10 - Net interest income

Parent bank			(NOK million)	Group		
January-March				January-March		
2016	2016	2017		2017	2016	2016
			Interest income			
124	31	32	Interest income from loans to and claims on central banks and credit institutions	9	14	48
2,986	766	768	Interest income from loans to and claims on customers	842	824	3,240
292	68	76	Interest income from money market instruments, bonds and other fixed income securities	75	68	289
-	-	-	Other interest income	5	4	19
3,401	865	876	Total interest income	931	910	3,597
			Interest expense			
152	33	37	Interest expenses on liabilities to credit institutions	37	33	153
652	169	158	Interest expenses relating to deposits from and liabilities to customers	154	165	636
708	189	168	Interest expenses related to the issuance of securities	168	189	708
145	36	35	Interest expenses on subordinated debt	35	36	146
2	1	-0	Other interest expenses	2	3	13
58	15	12	Guarantee fund levy	12	15	58
1,717	442	409	Total interest expense	409	441	1,714
1,684	423	467	Net interest income	522	469	1,883

Note 11 - Operating expenses

Parent bank				Group		
January-March				January-March		
2016	2016	2017	(NOKm)	2017	2016	2016
197	51	53	IT costs	69	64	252
18	5	5	Postage and transport of valuables	6	6	22
55	11	11	Marketing	24	20	98
34	10	12	Ordinary depreciation	26	24	98
124	30	29	Operating expenses, real properties	27	25	109
70	13	12	Purchased services	30	21	108
116	21	30	Other operating expense	44	34	156
615	142	153	Total other operating expenses	227	194	844

Note 12 - Other assets

Parent Bank				Group		
31 Dec 2016	31 Mar 2016	31 Mar 2017	(NOKm)	31 Mar 2017	31 Mar 2016	31 Dec 2016
27	33	27	Deferred tax asset	196	187	196
121	132	113	Fixed assets	891	953	906
37	6	80	Earned income not yet received	118	52	63
20	2,037	486	Accounts receivable, securities	841	2,353	220
198	124	198	Pension assets	208	125	208
479	67	267	Other assets	649	273	784
882	2,398	1,171	Total other assets	2,903	3,943	2,376

Note 13 - Other liabilities

Parent Bank				Group		
31 Dec 2016	31 Mar 2016	31 Mar 2017	(NOKm)	31 Mar 2017	31 Mar 2016	31 Dec 2016
0	-	0	Deferred tax	33	21	33
266	315	-38	Payable tax	4	363	319
8	13	8	Capital tax	8	13	8
73	370	44	Accrued expenses and received, non-accrued income	362	543	367
118	107	317	Provision for accrued expenses and commitments	317	107	118
26	25	26	Pension liabilities	26	31	26
90	40	71	Drawing debt	71	40	90
1	-1	197	Creditors	253	59	39
0	249	646	Debt from securities	954	503	147
-	-	-	Equity Instruments	217	386	181
148	176	668	Other liabilities	735	212	203
731	1,294	1,939	Total other liabilities	2,979	2,279	1,531

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

Group

	31 Mar 2017	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2016
Change in securities debt (NOKm)					
Bond debt, nominal value	39,283	6,614	3,050	183	35,535
Value adjustments	352	-	-	-101	453
Accrued interest	267	-	-	-61	328
Total	39,901	6,614	3,050	20	36,317

	31 Mar 2017	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2016
Change in subordinated debt and hybrid capital (NOKm)					
Ordinary subordinated loan capital, nominal value	1,733	-	-	29	1,704
Hybrid capital, nominal value	1,400	-	-	-	1,400
Value adjustments	60	-	-	-4	64
Accrued interest	10	-	-	-4	14
Total	3,203	-	-	21	3,182

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 31 March 2017:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	10	4,691	-	4,701
- Bonds and money market certificates	2,504	16,200	-	18,704
- Equity instruments	1,079	-	537	1,616
- Fixed interest loans	-	43	3,717	3,760
Financial assets available for sale				
- Equity instruments	-	-	60	60
Total assets	3,593	20,934	4,314	28,841
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	13	3,496	-	3,509
- Equity instruments	213	3	-	217
Total liabilities	226	3,500	-	3,726

The following table presents the Group's assets and liabilities measured at fair value at 31 March 2016:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	66	8,025	-	8,091
- Bonds and money market certificates	2,762	13,194	-	15,956
- Equity instruments	948	-	588	1,536
- Fixed interest loans	-	43	4,345	4,388
Financial assets available for sale				
- Equity instruments	-	-	108	108
Total assets	3,775	21,262	5,041	30,078
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	88	6,150	-	6,238
- Equity instruments	380	7	-	387
Total liabilities	468	6,156	-	6,624

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2016:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	44	4,708	-	4,752
- Bonds and money market certificates	2,511	15,046	-	17,557
- Equity instruments	959	-	524	1,483
- Fixed interest loans	-	43	3,783	3,826
Financial assets available for sale				
- Equity instruments	-	-	60	60
Total assets	3,514	19,796	4,367	27,676
Liabilities				
Financial liabilities through profit/loss				
- Derivatives	48	4,026	-	4,074
- Equity instruments	173	8	-	181
Total liabilities	221	4,034	-	4,255

The following table presents the changes in the instruments classified in level 3 as at 31 March 2017:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	3,783	524	60	4,367
Investment in periode	154	4	-	158
Disposals in the periode	-232	-	-	-232
Gain or loss on financial instruments	12	9	-	21
Closing balance	3,717	537	60	4,314

The following table presents the changes in the instruments classified in level 3 as at 31 March 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	148	11	-	159
Disposals in the periode	-230	-3	-	-233
Gain or loss on financial instruments	22	5	-	28
Closing balance	4,345	588	108	5,041

The following table presents the changes in the instruments classified in level 3 as at 31 December 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	770	28	1	799
Disposals in the periode	-1,347	-66	-	-1,413
Gain or loss on financial instruments	-44	-13	-50	-106
Closing balance	3,783	524	60	4,367

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 while housing prices fall 30 per cent. In the same period minimum requirements to LCR shall be fulfilled.

The average residual maturity on the portfolio of senior bonds and covered bonds at the end of the first quarter was 2.80 years. The overall LCR at the same point was 136 per cent and the average overall LCR in the quarter was 117 per cent. The LCR in Norwegian kroner and the euro at quarter-end was 147 and 78 per cent respectively.

Equity capital certificate ratio

(NOKm)	31 Mar 2017	31 Dec 2016
ECC capital	2,597	2,597
Dividend equalisation reserve	4,487	4,487
Premium reserve	895	895
Unrealised gains reserve	81	81
A. The equity capital certificate owners' capital	8,060	8,060
Ownerless capital	4,498	4,498
Unrealised gains reserve	45	45
Other equity capital	-	-
B. The saving bank reserve	4,543	4,543
To be disbursed from gift fund	-	220
Dividend declared	-	389
Equity ex. profit	12,603	13,212
Equity capital certificate ratio A/(A+B)	63.95 %	63.95 %
Equity capital certificate ratio for distribution	63.95 %	63.95 %

Results from quarterly accounts

Group (NOKm)	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
	2017	2016	2016	2016	2016	2015	2015	2015	2015
Interest income	931	917	874	896	910	962	1,058	992	1,019
Interest expenses	409	424	425	424	441	489	593	525	552
Net interest	522	493	449	472	469	473	466	467	467
Commission income	308	300	326	331	295	309	317	313	306
Commission expenses	35	35	34	36	28	38	38	32	27
Other operating income	182	149	120	154	134	107	99	132	97
Commission income and other income	455	414	412	448	401	378	378	413	377
Dividends	1	1	13	73	0	3	0	22	0
Income from investment in related companies	71	74	103	127	119	121	78	120	129
Net return on financial investments	66	153	157	71	53	-15	-91	23	69
Net return on financial investments	138	228	274	271	172	109	-13	165	198
Total income	1,115	1,134	1,134	1,191	1,042	959	831	1,044	1,042
Staff costs	345	251	294	318	295	280	264	283	267
Other operating expenses	227	231	210	209	194	235	203	213	186
Total operating expenses	571	482	504	528	489	515	466	496	454
Result before losses	544	652	630	664	553	444	364	548	588
Loss on loans, guarantees etc.	89	99	130	118	170	56	56	35	22
Result before tax	454	553	500	546	383	388	309	513	567
Tax charge	96	99	85	85	72	100	61	83	126
Result investment held for sale, after tax	-0	7	-1	-1	-0	-0	0	-0	-0
Net profit	358	462	414	460	311	287	248	430	441

Key figures from quarterly accounts

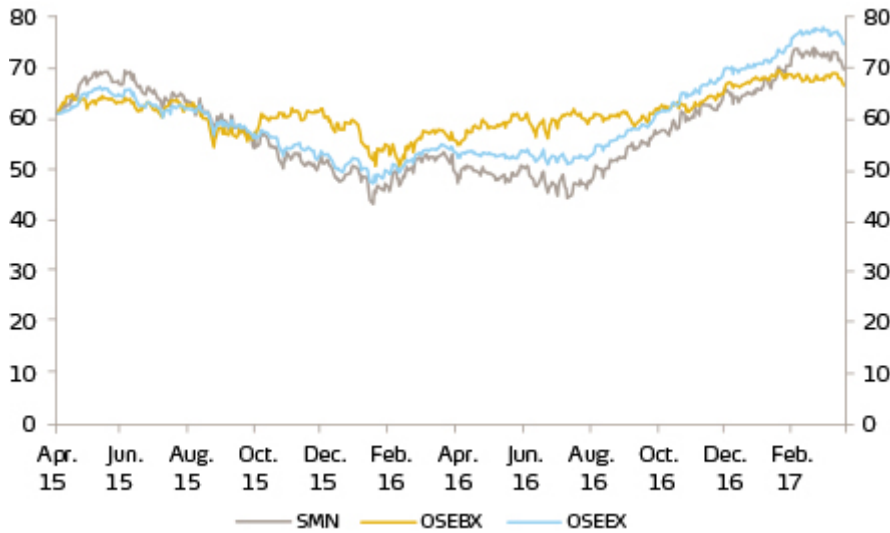
Group (NOKm)	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015
Profitability									
Return on equity per quarter	9.4%	12.2%	11.3%	12.9%	8.9%	8.4%	7.4%	13.4%	14.1%
Cost-income ratio	51 %	43 %	44 %	44 %	47 %	54 %	56 %	47 %	44 %
Balance sheet figures									
Gross loans to customers	104,117	102,325	99,569	97,790	95,331	93,974	94,917	94,179	92,311
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	140,038	137,535	134,462	132,583	129,520	127,378	126,180	124,519	122,933
Deposits from customers	70,176	67,168	66,290	67,031	63,851	64,090	63,620	66,186	60,589
Total assets	142,042	138,080	139,815	141,145	134,345	131,914	129,237	130,888	123,687
Average total assets	140,061	138,948	140,480	137,745	133,129	130,575	130,063	127,288	124,867
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months	8.1 %	8.0 %	6.6 %	6.5 %	5.4 %	5.8 %	8.3 %	8.4 %	10.0 %
Growth in deposits last 12 months	9.9 %	4.8 %	4.2 %	1.3 %	5.4 %	5.6 %	9.5 %	11.4 %	10.9 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio	0.26 %	0.29 %	0.39 %	0.36 %	0.53 %	0.18 %	0.18 %	0.11 %	0.07 %
Non-performing commitm. as a percentage of gross loans	0.15 %	0.16 %	0.16 %	0.19 %	0.16 %	0.16 %	0.17 %	0.23 %	0.19 %
Other doubtful commitm. as a percentage of gross loans 4)	0.77 %	1.07 %	1.01 %	0.90 %	0.32 %	0.31 %	0.36 %	0.30 %	0.18 %
Solidity									
Common equity tier 1	14.8 %	14.9 %	14.3 %	14.1 %	13.6 %	13.6 %	13.2 %	12.7 %	12.3 %
Core capital ratio	16.8 %	17.0 %	16.3 %	16.1 %	15.6 %	15.6 %	15.2 %	14.6 %	14.3 %
Capital adequacy ratio	19.0 %	19.4 %	18.8 %	18.7 %	18.1 %	18.3 %	17.9 %	17.3 %	17.0 %
Core capital	15,254	15,069	14,736	14,604	14,237	13,988	13,451	13,142	12,713
Net equity and related capital	17,288	17,185	17,011	16,882	16,516	16,378	15,886	15,577	15,147
Liquidity Coverage Ratio (LCR)	136 %	129 %	138 %	149 %	110 %	118 %	76 %	102 %	67 %
Leverage Ratio	7.4 %	7.4 %	7.1 %	6.8 %	6.8 %	6.7 %	6.7 %	6.5 %	6.3 %
Key figures ECC *)									
ECC share price at end of period (NOK)	66.50	64.75	55.75	46.70	52.75	50.50	54.00	65.50	59.50
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83
Booked equity capital per ECC (including dividend)	72.03	73.26	71.17	69.18	67.37	67.65	65.52	64.18	61.95
Profit per ECC, majority	1.73	2.21	2.00	2.21	1.49	1.45	1.26	2.13	2.18
Price-Earnings Ratio	9.59	7.34	6.98	5.27	8.83	8.71	10.72	7.70	6.81
Price-Book Value Ratio	0.92	0.88	0.78	0.68	0.78	0.75	0.82	1.02	0.96

*) The key figures are corrected for issues

Equity capital certificates

Stock price compared with OSEBX and OSEEX

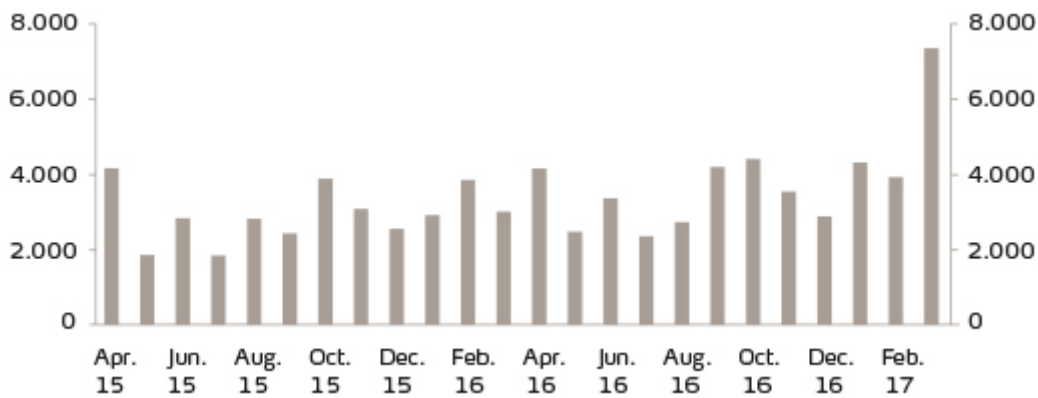
1 April 2015 to 31 March 2017



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

Trading statistics

1 April 2015 to 31 March 2017



Total number of ECs traded (1000)

20 largest ECC holders	Number	Share
VPF Nordea Norge Verdi	6,290,216	4.84 %
Verdipapirfondet DNB Norge (IV)	4,715,345	3.63 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,826,686	2.95 %
VPF Danske Invest Norske Aksjer Inst. II	3,369,028	2.59 %
State Street Bank and Trust CO (nominee)	2,936,737	2.26 %
VPF Pareto Aksje Norge	2,613,077	2.01 %
VPF Alfred Berg Gambak	2,024,604	1.56 %
Pareto AS	1,821,202	1.40 %
MSIP Equity	1,750,652	1.35 %
Forsvarets Personellservice	1,717,046	1.32 %
State Street Bank and Trust CO (nominee)	1,696,442	1.31 %
JP Morgan Chase Bank (nominee)	1,661,137	1.28 %
VPF Danske Invest Norske Aksjer Inst. I	1,657,323	1.28 %
MP Pensjon PK	1,568,771	1.21 %
VPF Nordea Kapital	1,523,643	1.17 %
VPF Nordea Avkastning	1,307,131	1.01 %
Verdipapirfondet Storebrand Norge I	1,074,495	0.83 %
State Street Bank and Trust CO (nominee)	993,832	0.77 %
Aksjefondet Handelsbanken Norge	975,000	0.75 %
The 20 largest ECC holders in total	47,487,758	36.58 %
Others	82,348,685	63.42 %
Total issued ECCs	129,836,443	100.00 %

Dividend policy

SpareBank 1 SMN aims to manage the Group's resources in such a way as to provide equity certificate holders with a good, stable and competitive return in the form of dividend and a rising value of the bank's equity certificate.

The net profit for the year will be distributed between the owner capital (the equity certificate holders) and the ownerless capital in accordance with their respective shares of the bank's total equity capital.

SpareBank 1 SMN's intention is that up to one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that up to one half of the owner capital's share of the net profit for the year should be disbursed as gifts or transferred to a foundation. This is on the assumption that capital adequacy is at a satisfactory level. When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, external framework conditions and the need for tier 1 capital.

Auditor's report

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Translation from the original Norwegian
version

To the Board of Directors of SpareBank 1 SMN

**Report on Review of Interim Financial Information of SpareBank 1 SMN
as of March 31 2017**

We have reviewed the accompanying balance sheet of the parent company and the group as of March 31 2017 for SpareBank 1 SMN and the related statements of income for the parent company and the group, changes in equity and cash flows for the nine month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34, as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

We have conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at March 31 2017, and of its financial performance and its cash flows for the nine period then ended in accordance with International Accounting Standard 34, as adopted by the EU.

Trondheim, 3 May 2017
Deloitte AS

Mette Estenstad (Signed)
State Authorised Public Accountant (Norway)

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