

Notes

Contents

| | |
|--|----|
| Note 1 - Accounting principles | 2 |
| Note 2 - Critical estimates and assessment concerning the use of accounting principles | 3 |
| Note 3 - Account by business line | 4 |
| Note 4 - Capital adequacy | 6 |
| Note 5 - Distribution of loans by sector/industry | 8 |
| Note 6 - Losses on loans and guarantees | 9 |
| Note 7 - Losses | 10 |
| Note 8 - Defaults and problem loans | 11 |
| Note 9 - Distribution of customer deposits by sector/industry | 12 |
| Note 10 - Net interest income | 13 |
| Note 11 - Operating expenses | 14 |
| Note 12 - Other assets | 15 |
| Note 13 - Other liabilities | 16 |
| Note 14 - Debt created by issue of securities and subordinated debt | 17 |
| Note 15 - Measurement of fair value of financial instruments | 18 |
| Note 16 - Liquidity risk | 20 |

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

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 June 2017

| Profit and loss account (NOKm) | RM | CM | SB1 | | SB1 | SB1 | Regnskaps- huset SMN | SB1 | BN | Uncollated | Total |
|---|---------------|---------------|--------------|--------------|--------------|------------|-------------------------|--------------|---------------|----------------|-------|
| | | | Markets | EM 1 | Finans | Gruppen | | Bank | | | |
| Net interest | 470 | 488 | -4 | 1 | 106 | -1 | - | - | -16 | 1,043 | |
| Interest from allocated capital | 59 | 56 | - | - | - | - | - | - | -115 | - | |
| Total interest income | 529 | 544 | -4 | 1 | 106 | -1 | - | - | -131 | 1,043 | |
| Commission income and other income | 364 | 96 | 156 | 254 | 27 | 210 | - | - | -115 | 993 | |
| Net return on financial investments (**) | 0 | 5 | 35 | - | - | - | 134 | 48 | 50 | 272 | |
| Total income | 894 | 645 | 186 | 255 | 133 | 210 | 134 | 48 | -196 | 2,308 | |
| Total operating expenses | 391 | 194 | 170 | 235 | 67 | 174 | - | - | -61 | 1,169 | |
| Ordinary operating profit | 503 | 451 | 16 | 20 | 66 | 36 | 134 | 48 | -135 | 1,139 | |
| Loss on loans, guarantees etc. | 1 | 166 | - | - | 8 | - | - | - | -0 | 175 | |
| Result before tax including held for sale | 501 | 286 | 16 | 20 | 58 | 36 | 134 | 48 | -135 | 964 | |
| Post-tax return on equity*) | 16.2 % | 9.5 % | | | | | | | | 9.9 % | |
| Balance (NOKm) | | | | | | | | | | | |
| Loans and advances to customers | 98,262 | 39,895 | - | - | 6,207 | - | - | - | -564 | 143,800 | |
| Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt | -34,345 | -2,097 | - | - | - | - | - | - | -0 | -36,442 | |
| Individual allowance for impairment on loan | -20 | -584 | - | - | -13 | - | - | - | -2 | -619 | |
| Group allowance for impairment on loan | -90 | -218 | - | - | -23 | - | - | - | -20 | -351 | |
| Other assets | 177 | 2,486 | 1,915 | 1,509 | 31 | 323 | 1,379 | 1,103 | 34,137 | 43,061 | |
| Total assets | 63,984 | 39,483 | 1,915 | 1,509 | 6,202 | 323 | 1,379 | 1,103 | 33,550 | 149,449 | |
| Deposits to customers | 37,437 | 37,669 | - | - | - | - | - | - | 453 | 75,559 | |
| Other liabilities and equity | 26,547 | 1,814 | 1,915 | 1,509 | 6,202 | 323 | 1,379 | 1,103 | 33,097 | 73,891 | |
| Total liabilities | 63,984 | 39,483 | 1,915 | 1,509 | 6,202 | 323 | 1,379 | 1,103 | 33,550 | 149,449 | |

Group 30 June 2016

| Profit and loss account (NOKm) | RM | CM | Markets | EM 1 | SB1 | SB1 | SB1 | BN | Uncollated | Total |
|--|---------------|---------------|--------------|------------|--------------|------------|--------------|--------------|---------------|----------------|
| | | | | | Finans | Regnskaps- | | | | |
| | | | | | MN | huset SMN | Gruppen | Bank | | |
| Net interest | 449 | 471 | -4 | 2 | 88 | -0 | - | - | -64 | 942 |
| Interest from allocated capital | 25 | 20 | - | - | - | - | - | - | -46 | - |
| Total interest income | 474 | 492 | -4 | 2 | 88 | -0 | - | - | -110 | 942 |
| Commission income and other income | 338 | 97 | 108 | 216 | -5 | 126 | - | - | -30 | 849 |
| Net return on financial investments (**) | 0 | 6 | 33 | - | - | - | 141 | 51 | 211 | 441 |
| Total income | 812 | 594 | 136 | 217 | 83 | 126 | 141 | 51 | 71 | 2,232 |
| Total operating expenses | 401 | 182 | 129 | 174 | 29 | 100 | - | - | 2 | 1,016 |
| Ordinary operating profit | 412 | 412 | 7 | 43 | 54 | 26 | 141 | 51 | 71 | 1,217 |
| Loss on loans, guarantees etc. | 7 | 274 | 2 | - | 6 | - | - | - | -1 | 287 |
| Result before tax including held for sale | 405 | 138 | 5 | 43 | 48 | 26 | 141 | 51 | 71 | 928 |
| Post-tax return on equity*) | 13.3 % | 2.4 % | | | | | | | | 10.9 % |
| Balance (NOKm) | | | | | | | | | | |
| Loans and advances to customers | 89,299 | 37,454 | - | - | 4,933 | - | - | - | 896 | 132,583 |
| Adv. of this to SpareBank 1 Boligkreditt | -33,044 | -1,749 | - | - | - | - | - | - | 0 | -34,793 |
| Individual allowance for impairment on loan | -23 | -379 | - | - | -8 | - | - | - | -2 | -412 |
| Group allowance for impairment on loan | -95 | -304 | - | - | -19 | - | - | - | 1 | -418 |
| Other assets | 213 | 7 | 1,604 | 296 | 13 | 220 | 1,508 | 1,153 | 39,172 | 44,185 |
| Total assets | 56,349 | 35,029 | 1,604 | 296 | 4,919 | 220 | 1,508 | 1,153 | 40,066 | 141,145 |
| Deposits to customers | 35,457 | 31,511 | - | - | - | - | - | - | 63 | 67,031 |
| Other liabilities and equity | 20,892 | 3,519 | 1,604 | 296 | 4,919 | 220 | 1,508 | 1,153 | 40,003 | 74,114 |
| Total liabilities | 56,349 | 35,029 | 1,604 | 296 | 4,919 | 220 | 1,508 | 1,153 | 40,066 | 141,145 |

*) 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.

| | 30 June 2017 | 30 June 2016 |
|--|--------------|--------------|
| **) Specification of net return on financial investments incl. Investment held for sale (NOKm) | | |
| Dividends | 4 | 74 |
| Capital gains shares | 34 | 69 |
| Gain/(loss) on derivatives | -3 | 21 |
| Gain/(loss) on other financial instruments at fair value (FVO) | 15 | 20 |
| Foreign exchange gain / (loss) | 19 | 28 |
| Gain/(Loss) on certificates and bonds | 187 | 3 |
| Gain/(loss) on financial instruments related to hedging | -152 | -17 |
| Net return on financial instruments | 100 | 124 |
| SpareBank 1 Gruppen | 134 | 141 |
| SpareBank 1 Boligkreditt | -37 | 22 |
| SpareBank 1 Næringskreditt | 13 | 15 |
| BN Bank | 50 | 51 |
| SpareBank 1 Kredittkort | 7 | 14 |
| SpareBank 1 Mobilbetaling | -14 | -9 |
| Other companies | 14 | 11 |
| Income from investment in associates and joint ventures | 167 | 244 |
| Total net return on financial investments | 272 | 441 |

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 June 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 second 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 30 June 2017 the bank held hybrid capital worth NOK 450 million subject to write-down. For subordinated debt the figure NOK 675 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 | | | (NOKm) | Group | | |
|-------------|--------------|--------------|--|--------------|--------------|-------------|
| 31 Dec 2016 | 30 June 2016 | 30 June 2017 | | 30 June 2017 | 30 June 2016 | 31 Dec 2016 |
| 13,212 | 12,552 | 13,718 | Total book equity | 15,780 | 14,460 | 15,299 |
| - | - | - | - Hybrid capital included in total equity | -264 | - | - |
| -470 | -473 | -480 | - Deferred taxes, goodwill and other intangible assets | -872 | -715 | -741 |
| - | - | - | - Part of reserve for unrealised gains, associated companies | 117 | 169 | 117 |
| -609 | - | - | - Deduction for allocated dividends and gifts | - | - | -609 |
| - | - | - | - Non-controlling interests recognised in other equity capital | -514 | -403 | -425 |
| - | - | - | - Non-controlling interests eligible for inclusion in CET1 capital | 241 | 203 | 220 |
| - | -93 | - | - Surplus financing of pension obligations | - | -94 | - |
| - | -938 | -1,106 | Net profit | -759 | -771 | - |
| - | 707 | 726 | Year-to-date profit included in core capital (50 per cent pre tax of group profit in 2017) | 380 | 540 | - |
| -29 | -36 | -32 | Value adjustments due to requirements for prudent valuation | -50 | -58 | -48 |
| -190 | -124 | -195 | Positive value of adjusted expected loss under IRB Approach | -257 | -187 | -248 |
| - | - | - | Adjustments for unrealised losses (gains) arising from the institution's own credit risk related to derivative liabilities (DVA) | 7 | - | - |
| - | - | - | Deduction for common equity Tier 1 capital in significant investments in financial institutions | -3 | -389 | -337 |
| 11,913 | 11,594 | 12,632 | Total common equity Tier one | 13,806 | 12,757 | 13,229 |
| 950 | 950 | 950 | Hybrid capital, core capital | 1,358 | 1,353 | 1,358 |
| 483 | 493 | 459 | Hybrid capital covered by transitional provisions | 459 | 493 | 483 |
| 13,346 | 13,037 | 14,041 | Total core capital | 15,622 | 14,604 | 15,069 |
| | | | Supplementary capital in excess of core capital | | | |
| 1,000 | 1,000 | 1,000 | Subordinated capital | 1,710 | 1,647 | 1,698 |
| 673 | 673 | 561 | Subordinated capital covered by transitional provisions | 561 | 673 | 673 |
| -256 | -43 | -245 | Deduction for significant investments in financial institutions | -245 | -43 | -256 |
| 1,418 | 1,631 | 1,317 | Total supplementary capital | 2,026 | 2,278 | 2,116 |
| 14,764 | 14,668 | 15,358 | Net subordinated capital | 17,649 | 16,882 | 17,185 |

| | | | | | | |
|---------------|---------------|---------------|---|---------------|---------------|---------------|
| | | | Minimum requirements subordinated capital | | | |
| 1,065 | 1,027 | 1,106 | Specialised enterprises | 1,232 | 1,169 | 1,206 |
| 1,064 | 1,095 | 1,031 | Corporate | 1,045 | 1,143 | 1,102 |
| 1,270 | 1,285 | 1,277 | Mass market exposure, property | 1,759 | 1,752 | 1,753 |
| 85 | 52 | 91 | Other mass market | 94 | 55 | 88 |
| 1,223 | 1,238 | 1,234 | Equity investments | 1 | 3 | 3 |
| 4,707 | 4,696 | 4,739 | Total credit risk IRB | 4,131 | 4,123 | 4,153 |
| 5 | 3 | 5 | Central government | 5 | 3 | 5 |
| 73 | 65 | 74 | Covered bonds | 131 | 118 | 130 |
| 426 | 606 | 485 | Institutions | 425 | 540 | 340 |
| 5 | 0 | 5 | Local and regional authorities, state-owned enterprises | 9 | 10 | 7 |
| 45 | 55 | 43 | Corporate | 161 | 259 | 253 |
| 0 | - | 0 | Mass market | 401 | 160 | 179 |
| 13 | - | 16 | Exposures secured on real property | 306 | 364 | 342 |
| 245 | 246 | 221 | Equity positions | 339 | 329 | 338 |
| 86 | 57 | 64 | Other assets | 164 | 147 | 178 |
| 898 | 1,033 | 914 | Total credit risk standardised approach | 1,942 | 1,931 | 1,772 |
| 35 | 18 | 28 | Debt risk | 29 | 19 | 36 |
| - | - | - | Equity risk | 6 | 10 | 5 |
| - | - | - | Currency risk | 1 | 1 | 1 |
| 334 | 334 | 341 | Operational risk | 510 | 479 | 479 |
| 51 | 47 | 67 | Credit value adjustment risk (CVA) | 123 | 90 | 84 |
| - | - | - | Transitional arrangements | 634 | 585 | 574 |
| 6,026 | 6,127 | 6,089 | Minimum requirements subordinated capital | 7,376 | 7,237 | 7,103 |
| 75,325 | 76,592 | 76,107 | Risk weighted assets (RWA) | 92,202 | 90,464 | 88,786 |
| 3,390 | 3,447 | 3,425 | Minimum requirement on CET1 capital, 4.5 per cent | 4,149 | 4,071 | 3,995 |
| | | | Capital Buffers | | | |
| 1,883 | 1,915 | 1,903 | Capital conservation buffer, 2.5 per cent | 2,305 | 2,262 | 2,220 |
| 2,260 | 2,298 | 2,283 | Systemic risk buffer, 3.0 per cent | 2,766 | 2,714 | 2,664 |
| 1,130 | 1,149 | 1,142 | Countercyclical buffer, 1.5 per (1.0 per cent) | 1,383 | 1,357 | 1,332 |
| 5,273 | 5,361 | 5,327 | Total buffer requirements on CET1 capital | 6,454 | 6,332 | 6,215 |
| 3,251 | 2,786 | 3,880 | Available CET1 capital after buffer requirements | 3,203 | 2,354 | 3,018 |
| | | | Capital adequacy | | | |
| 15.8 % | 15.1 % | 16.6 % | Common equity Tier one ratio | 15.0 % | 14.1 % | 14.9 % |
| 17.7 % | 17.0 % | 18.4 % | Core capital ratio | 16.9 % | 16.1 % | 17.0 % |
| 19.6 % | 19.2 % | 20.2 % | Capital adequacy ratio | 19.1 % | 18.7 % | 19.4 % |
| | | | Leverage ratio | | | |
| 133,514 | 136,909 | 145,532 | Balance sheet items | 207,760 | 206,172 | 194,324 |
| 8,234 | 7,532 | 7,555 | Off-balance sheet items | 9,400 | 10,174 | 10,068 |
| -690 | -726 | -707 | Regulatory adjustments | -1,190 | -1,457 | -1,388 |
| 141,058 | 143,715 | 152,380 | Calculation basis for leverage ratio | 215,969 | 214,888 | 203,005 |
| 13,346 | 13,037 | 14,041 | Core capital | 15,622 | 14,604 | 15,069 |
| 9.5 % | 9.1 % | 9.2 % | Leverage Ratio | 7.2 % | 6.8 % | 7.4 % |

Note 5 - Distribution of loans by sector/industry

| Parent Bank | | | | Group | | |
|----------------|----------------|----------------|---|----------------|----------------|----------------|
| 31 Dec 2016 | 30 June 2016 | 30 June 2017 | (NOKm) | 30 June 2017 | 30 June 2016 | 31 Dec 2016 |
| 10,290 | 9,185 | 10,959 | Agriculture, forestry, fisheries, hunting | 11,213 | 9,357 | 10,499 |
| 1,599 | 1,667 | 1,298 | Sea farming industries | 1,708 | 2,044 | 1,985 |
| 2,701 | 2,546 | 3,115 | Manufacturing | 3,415 | 2,823 | 2,985 |
| 2,980 | 2,934 | 3,407 | Construction, power and water supply | 4,018 | 3,432 | 3,532 |
| 2,288 | 2,395 | 1,340 | Retail trade, hotels and restaurants | 1,589 | 2,591 | 2,510 |
| 4,983 | 5,370 | 4,532 | Maritime sector | 4,532 | 5,407 | 4,983 |
| 13,688 | 14,051 | 14,692 | Property management | 14,749 | 14,110 | 13,744 |
| 2,442 | 2,456 | 2,482 | Business services | 2,230 | 2,119 | 2,072 |
| 3,220 | 3,299 | 3,421 | Transport and other services provision | 4,142 | 3,829 | 3,836 |
| 273 | 170 | 269 | Public administration | 282 | 186 | 288 |
| 1,670 | 1,626 | 1,788 | Other sectors | 1,819 | 1,512 | 1,700 |
| 46,135 | 45,699 | 47,303 | Gross loans in retail market | 49,698 | 47,411 | 48,133 |
| 86,513 | 82,619 | 90,804 | Wage earners | 94,101 | 85,171 | 89,402 |
| 132,648 | 128,318 | 138,107 | Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt | 143,800 | 132,583 | 137,535 |
| 33,142 | 32,952 | 34,181 | SpareBank 1 Boligkreditt | 34,181 | 32,952 | 33,142 |
| 2,069 | 1,841 | 2,261 | SpareBank 1 Næringskreditt | 2,261 | 1,841 | 2,069 |
| 97,437 | 93,525 | 101,665 | Gross loans in balance sheet | 107,358 | 97,790 | 102,325 |
| 620 | 402 | 604 | - Specified write-downs | 619 | 412 | 632 |
| 318 | 398 | 328 | - Collective write-downs | 351 | 418 | 339 |
| 96,499 | 92,724 | 100,733 | Net loans to and receivables from customers | 106,388 | 96,960 | 101,354 |

Note 6 - Losses on loans and guarantees

Parent Bank

| | First half | | | | | | | | |
|--|------------|------------|------------|----------|------------|------------|-----------|------------|------------|
| | 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 | -4 | -17 | -20 | -0 | 229 | 229 | 0 | 449 | 450 |
| + Change in collective impairment losses provisions for the period | - | 10 | 10 | - | 40 | 40 | - | -40 | -40 |
| + Actual loan losses on commitments for which provisions have been made | 5 | 165 | 170 | 6 | 4 | 9 | 8 | 34 | 42 |
| + Actual loan losses on commitments for which no provision has been made | 2 | 7 | 9 | 3 | 2 | 5 | 10 | 49 | 59 |
| - Recoveries on commitments previously written-off | -2 | -0 | -2 | -1 | -1 | -2 | -6 | -3 | -8 |
| Losses of the year on loans and guarantees | 1 | 166 | 167 | 7 | 274 | 281 | 13 | 490 | 502 |

Group

| | First half | | | | | | | | |
|--|------------|------------|------------|-----------|------------|------------|-----------|------------|------------|
| | 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 | -4 | -14 | -18 | -0 | 231 | 230 | 0 | 454 | 454 |
| + Change in collective impairment losses provisions for the period | 2 | 10 | 12 | 2 | 39 | 42 | 4 | -42 | -38 |
| + Actual loan losses on commitments for which provisions have been made | 5 | 165 | 170 | 6 | 4 | 10 | 8 | 36 | 44 |
| + Actual loan losses on commitments for which no provision has been made | 5 | 8 | 13 | 6 | 2 | 8 | 14 | 50 | 64 |
| - Recoveries on commitments previously written-off | -2 | -0 | -2 | -1 | -1 | -2 | -6 | -3 | -9 |
| Losses of the year on loans and guarantees | 7 | 168 | 175 | 12 | 275 | 287 | 21 | 495 | 516 |

Note 7 - Losses

Parent Bank

| Individual write-downs (NOKm) | 30 June 2017 | | | 30 June 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 | 5 | 165 | 170 | 6 | 4 | 9 | 8 | 34 | 42 |
| - Reversal of provisions from previous periods | 4 | 6 | 10 | 3 | 7 | 10 | 3 | 36 | 39 |
| + Increased write-downs on provisions previously written down | 1 | 102 | 103 | 1 | 7 | 8 | 2 | 6 | 8 |
| + Write-downs on provisions not previously written down | 0 | 62 | 62 | 3 | 237 | 240 | 4 | 518 | 523 |
| Individual write-downs to cover loss on loans and guarantees at period end *) | 20 | 590 | 610 | 23 | 381 | 405 | 24 | 602 | 625 |

*) Individually assessed impairment write-downs on guarantees, totalling NOK 6.1m, are shown in the balance sheet as a liability under 'Other liabilities'

| Collective write-downs (NOKm) | 30 June 2017 | | | 30 June 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 | - | 40 | 40 | - | -40 | -40 |
| Collective write-downs to cover loss on loans and guarantees at period end | 90 | 238 | 328 | 90 | 308 | 398 | 90 | 228 | 318 |

Group

| Individual write-downs (NOKm) | 30 June 2017 | | | 30 June 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 | 5 | 165 | 170 | 6 | 4 | 10 | 8 | 36 | 44 |
| - Reversal of provisions from previous periods | 4 | 6 | 10 | 4 | 7 | 10 | 3 | 36 | 39 |
| + Increased write-downs on provisions previously written down | 1 | 102 | 103 | 1 | 7 | 8 | 2 | 6 | 8 |
| + Write-downs on provisions not previously written down | 0 | 64 | 64 | 4 | 239 | 243 | 4 | 523 | 528 |
| Individual write-downs to cover loss on loans and guarantees at period end *) | 23 | 602 | 625 | 27 | 388 | 415 | 27 | 611 | 638 |

*) Individually assessed impairment write-downs on guarantees, totalling NOK 6.1m, are shown in the balance sheet as a liability under 'Other liabilities'

| Collective write-downs (NOKm) | 30 June 2017 | | | 30 June 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 | 2 | 10 | 12 | 2 | 40 | 42 | 4 | -42 | -38 |
| Collective write-downs to cover loss on loans and guarantees at period end | 102 | 249 | 351 | 97 | 321 | 418 | 100 | 239 | 339 |

Note 8 - Defaults and problem loans

Parent Bank

| | 30 June 2017 | | | 30 June 2016 | | | 2015 | | |
|---|--------------|------------|------------|--------------|------------|------------|------------|------------|------------|
| | RM | CM | Total | RM | CM | Total | RM | CM | Total |
| Total defaults (NOKm) | | | | | | | | | |
| Loans in default for more than 90 days *) | 137 | 59 | 196 | 172 | 24 | 196 | 144 | 29 | 173 |
| - Individual write-downs | 13 | 35 | 48 | 15 | 12 | 26 | 17 | 18 | 36 |
| Net defaults | 124 | 24 | 148 | 158 | 12 | 169 | 127 | 11 | 138 |
| Provision rate | 9 % | 59 % | 25 % | 8 % | 51 % | 14 % | 12 % | 62 % | 21 % |
| Problem loans | | | | | | | | | |
| Problem loans (not in default) | 23 | 1,110 | 1,133 | 28 | 1,163 | 1,190 | 19 | 1,435 | 1,453 |
| - Individual write-downs | 7 | 555 | 562 | 9 | 369 | 378 | 6 | 584 | 590 |
| Net problem loans | 16 | 555 | 571 | 19 | 793 | 812 | 13 | 851 | 863 |
| Provision rate | 31 % | 50 % | 50 % | 32 % | 32 % | 32 % | 33 % | 41 % | 41 % |

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

Group

| | 30 June 2017 | | | 30 June 2016 | | | 31 Dec 2016 | | |
|---|--------------|------------|------------|--------------|------------|------------|-------------|------------|------------|
| | RM | CM | Total | RM | CM | Total | RM | CM | Total |
| Total defaults (NOKm) | | | | | | | | | |
| Loans in default for more than 90 days *) | 173 | 85 | 258 | 219 | 36 | 255 | 176 | 38 | 214 |
| - Individual write-downs | 16 | 39 | 55 | 18 | 13 | 31 | 20 | 19 | 39 |
| Net defaults | 157 | 46 | 203 | 201 | 23 | 223 | 156 | 18 | 174 |
| Provision rate | 9 % | 46 % | 21 % | 8 % | 36 % | 12 % | 12 % | 51 % | 18 % |
| Problem loans | | | | | | | | | |
| Problem loans (not in default) | 23 | 1,128 | 1,151 | 28 | 1,171 | 1,198 | 19 | 1,455 | 1,474 |
| - Individual write-downs | 7 | 563 | 570 | 9 | 375 | 384 | 6 | 592 | 599 |
| Net problem loans | 16 | 565 | 581 | 19 | 796 | 815 | 13 | 863 | 875 |
| Provision rate | 31 % | 50 % | 50 % | 32 % | 32 % | 32 % | 33 % | 41 % | 41 % |

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

Note 9 - Distribution of customer deposits by sector/industry

| Parent Bank | | | | Group | | |
|----------------|-----------------|-----------------|---|-----------------|-----------------|----------------|
| 31 Dec 2016 | 30 June 2016 | 30 June 2017 | (NOKm) | 30 June 2017 | 30 June 2016 | 31 Dec 2016 |
| 2,791 | 2,660 | 2,944 | Agriculture, forestry, fisheries, hunting | 2,944 | 2,660 | 2,791 |
| 420 | 426 | 974 | Sea farming industries | 974 | 426 | 420 |
| 1,727 | 1,598 | 1,994 | Manufacturing | 1,994 | 1,598 | 1,727 |
| 2,416 | 1,977 | 2,769 | Construction, power and water supply | 2,769 | 1,977 | 2,416 |
| 4,067 | 3,590 | 3,627 | Retail trade, hotels and restaurants | 3,627 | 3,590 | 4,067 |
| 1,740 | 2,088 | 1,309 | Maritime sector | 1,309 | 2,088 | 1,740 |
| 4,387 | 4,970 | 5,243 | Property management | 5,002 | 4,754 | 4,153 |
| 5,550 | 5,282 | 5,940 | Business services | 5,940 | 5,282 | 5,550 |
| 4,848 | 4,949 | 6,530 | Transport and other services provision | 6,095 | 4,503 | 4,339 |
| 8,627 | 8,446 | 11,153 | Public administration | 11,153 | 8,446 | 8,627 |
| 2,048 | 1,886 | 1,988 | Other sectors | 1,728 | 1,554 | 1,569 |
| 38,621 | 37,873 | 44,470 | Total | 43,534 | 36,878 | 37,398 |
| 29,769 | 30,153 | 32,024 | Wage earners | 32,024 | 30,153 | 29,769 |
| 68,391 | 68,026 | 76,494 | Total deposits | 75,559 | 67,031 | 67,168 |

Note 10 - Net interest income

| Parent bank | | | | Group | | |
|-------------------------|--------------|--------------|--|--------------|--------------|--------------|
| First half | | | (NOK million) | First half | | |
| 2016 | 2016 | 2017 | | 2017 | 2016 | 2016 |
| Interest income | | | | | | |
| 124 | 61 | 68 | Interest income from loans to and claims on central banks and credit institutions | 39 | 26 | 48 |
| 2,986 | 1,518 | 1,538 | Interest income from loans to and claims on customers | 1,676 | 1,637 | 3,240 |
| 292 | 135 | 153 | Interest income from money market instruments, bonds and other fixed income securities | 151 | 134 | 289 |
| - | - | - | Other interest income | 10 | 9 | 19 |
| 3,401 | 1,714 | 1,759 | Total interest income | 1,877 | 1,806 | 3,597 |
| Interest expense | | | | | | |
| 152 | 70 | 69 | Interest expenses on liabilities to credit institutions | 70 | 70 | 153 |
| 652 | 330 | 325 | Interest expenses relating to deposits from and liabilities to customers | 318 | 323 | 636 |
| 708 | 362 | 338 | Interest expenses related to the issuance of securities | 338 | 362 | 708 |
| 145 | 73 | 75 | Interest expenses on subordinated debt | 76 | 73 | 146 |
| 2 | 2 | -0 | Other interest expenses | 7 | 7 | 13 |
| 58 | 29 | 24 | Guarantee fund levy | 24 | 29 | 58 |
| 1,717 | 866 | 831 | Total interest expense | 833 | 864 | 1,714 |
| 1,684 | 848 | 929 | Net interest income | 1,043 | 942 | 1,883 |

Note 11 - Operating expenses

| Parent bank | | | Group | | |
|-------------|------------|-------------|------------|------------|------------|
| First half | | | First half | | |
| 2016 | 2016 | 2017 (NOKm) | 2017 | 2016 | 2016 |
| 197 | 104 | 105 | 138 | 130 | 252 |
| 18 | 10 | 9 | 12 | 12 | 22 |
| 55 | 26 | 23 | 47 | 45 | 98 |
| 34 | 21 | 22 | 49 | 48 | 98 |
| 124 | 61 | 59 | 55 | 52 | 109 |
| 70 | 32 | 37 | 70 | 46 | 108 |
| 116 | 50 | 56 | 92 | 70 | 156 |
| 615 | 304 | 311 | 463 | 403 | 844 |

Note 12 - Other assets

| Parent Bank | | | | Group | | |
|----------------|-----------------|-----------------|---------------------------------|-----------------|-----------------|----------------|
| 31 Dec 2016 | 30 June 2016 | 30 June 2017 | (NOKm) | 30 June 2017 | 30 June 2016 | 31 Dec 2016 |
| 27 | 33 | 27 | Deferred tax asset | 193 | 186 | 196 |
| 121 | 131 | 114 | Fixed assets | 884 | 944 | 906 |
| 37 | 25 | 87 | Earned income not yet received | 151 | 72 | 63 |
| 20 | 326 | 253 | Accounts receivable, securities | 540 | 651 | 220 |
| 198 | 124 | 198 | Pensions | 208 | 125 | 207 |
| 479 | 94 | 312 | Other assets | 804 | 416 | 785 |
| 882 | 734 | 991 | Total other assets | 2,780 | 2,395 | 2,376 |

Note 13 - Other liabilities

| Parent Bank | | | (NOKm) | Group | | |
|-------------|--------------|--------------|---|--------------|--------------|--------------|
| 31 Dec 2016 | 30 June 2016 | 30 June 2017 | | 30 June 2017 | 30 June 2016 | 31 Dec 2016 |
| 0 | 0 | 0 | Deferred tax | 34 | 22 | 33 |
| 266 | 222 | 48 | Payable tax | 99 | 269 | 319 |
| 8 | - | 8 | Capital tax | 8 | 13 | 8 |
| 73 | 80 | 77 | Accrued expenses and received, non-accrued income | 467 | 280 | 367 |
| 118 | 107 | 141 | Provision for accrued expenses and commitments | 141 | 107 | 118 |
| 26 | 25 | 26 | Pension liabilities | 26 | 31 | 26 |
| 90 | 61 | 86 | Drawing debt | 86 | 61 | 90 |
| 3 | 7 | 31 | Creditors | 89 | 53 | 39 |
| 0 | 145 | 134 | Debt from securities | 359 | 326 | 147 |
| - | - | - | Equity Instruments | 226 | 289 | 181 |
| 146 | 289 | 361 | Other liabilities | 436 | 321 | 203 |
| 731 | 937 | 913 | Total other liabilities | 1,970 | 1,772 | 1,531 |

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

Group

| | 30 June 2017 | Issued | Fallen due/ Redeemed | Other changes | 31 Dec 2016 |
|---|-----------------|--------------|----------------------------|------------------|----------------|
| Change in securities debt (NOKm) | | | | | |
| Bond debt, nominal value | 39,238 | 7,250 | 4,609 | 1,061 | 35,535 |
| Value adjustments | 242 | - | - | -211 | 453 |
| Accrued interest | 194 | - | - | -135 | 328 |
| Total | 39,674 | 7,250 | 4,609 | 716 | 36,317 |

| | 30 June 2017 | Issued | Fallen due/ Redeemed | Other changes | 31 Dec 2016 |
|---|-----------------|------------|----------------------------|------------------|----------------|
| Change in subordinated debt and hybrid equity (NOKm) | | | | | |
| Ordinary subordinated loan capital, nominal value | 1,717 | 600 | 600 | 13 | 1,704 |
| Hybrid equity, nominal value | 1,400 | - | - | - | 1,400 |
| Value adjustments | 53 | - | - | -11 | 64 |
| Accrued interest | 14 | - | - | -0 | 14 |
| Total | 3,184 | 600 | 600 | 2 | 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 30 June 2017:

| Assets (NOKm) | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|---------------|
| Financial assets at fair value through profit/loss | | | | |
| - Derivatives | 2 | 4,672 | - | 4,673 |
| - Bonds and money market certificates | 3,225 | 17,087 | - | 20,312 |
| - Equity instruments | 992 | - | 413 | 1,405 |
| - Fixed interest loans | - | 43 | 3,631 | 3,673 |
| Financial assets available for sale | | | | |
| - Equity instruments | - | - | 70 | 70 |
| Total assets | 4,219 | 21,801 | 4,114 | 30,134 |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities through profit/loss | | | | |
| - Derivatives | 7 | 3,755 | - | 3,761 |
| - Equity instruments | 222 | 4 | - | 226 |
| Total liabilities | 229 | 3,758 | - | 3,987 |

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

| Assets (NOKm) | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|---------------|
| Financial assets at fair value through profit/loss | | | | |
| - Derivatives | 77 | 6,850 | - | 6,927 |
| - Bonds and money market certificates | 3,375 | 16,487 | - | 19,862 |
| - Equity instruments | 818 | - | 516 | 1,334 |
| - Fixed interest loans | - | 43 | 4,345 | 4,388 |
| Financial assets available for sale | | | | |
| - Equity instruments | 44 | - | 87 | 131 |
| Total assets | 4,314 | 23,379 | 4,948 | 32,640 |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities through profit/loss | | | | |
| - Derivatives | 92 | 5,832 | - | 5,924 |
| - Equity instruments | 284 | 6 | - | 290 |
| Total liabilities | 376 | 5,837 | - | 6,214 |

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 | Level 1 | Level 2 | Level 3 | Total |
| 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 30 June 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 | 219 | 11 | - | 230 |
| Disposals in the periode | -386 | -141 | - | -528 |
| Gain or loss on financial instruments | 15 | 19 | 10 | 44 |
| Closing balance | 3,631 | 413 | 70 | 4,114 |

The following table presents the changes in the instruments classified in level 3 as at 30 June 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 | 15 | 31 | 194 |
| Disposals in the periode | -230 | -47 | -3 | -281 |
| Gain or loss on financial instruments | 22 | -26 | -49 | -52 |
| Closing balance | 4,345 | 516 | 87 | 4,948 |

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 second quarter was 2.98 years. The overall LCR at the same point was 160 per cent and the average overall LCR in the quarter was 139 per cent. The LCR in Norwegian kroner and the euro at quarter-end was 148 and 226 per cent respectively.